

**19.1%**  
Vacancy Rate



**-315K**  
Net Absorption, SF



**\$26.68**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2020

**1.9M**  
Minneapolis Employment



**8.1%**  
Minneapolis Unemployment Rate



**8.8%**  
U.S. Unemployment Rate



Source: BLS

## ECONOMIC OVERVIEW

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

## SUPPLY: Sublease Availabilities Contribute to Rising Vacancy

Overall vacancy in Minneapolis-St. Paul increased 200 basis points year-over-year to 19.1% in the third quarter of 2020. As organizations adjust space requirements commensurate with changing business and employment needs, new sublease availabilities brought to market pushed sublease vacancy to its highest level since the fourth quarter of 2011. Coupled with pre-COVID-19 planned availabilities, such as Prime Therapeutics vacating approximately 100,000 square feet (sf) in the latest phase of its consolidation to a new single-tenant corporate headquarters, third quarter overall absorption totaled -315,000 sf.

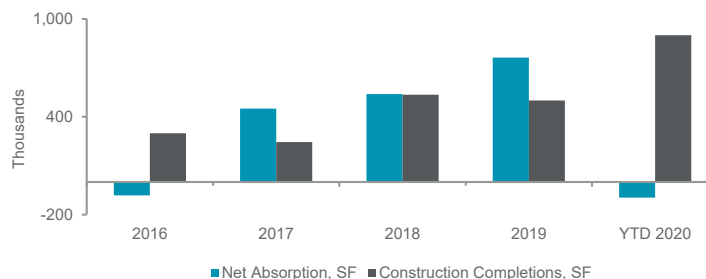
## DEMAND: Large Space Users Lead Bounce Back in Lease Activity

Although lease volume remained significantly below pre-pandemic levels in the third quarter, the market recorded a 31% quarter-over-quarter increase in total square footage leased. The Central Business Districts (CBDs) of Minneapolis and St. Paul together accounted for more than half of third quarter leasing in the market, as some notable large space users solidified long-term plans. Deluxe Corp. announced plans to relocate its headquarters from the suburbs to the Minneapolis CBD with a 94,000-sf lease signed at 801 Marquette and 121 South 8th Street. In the West submarket, 10 West End landed its second tenant in HDR, which will consolidate both its suburban and Minneapolis CBD branches in the new Class A tower when it delivers in early 2021.

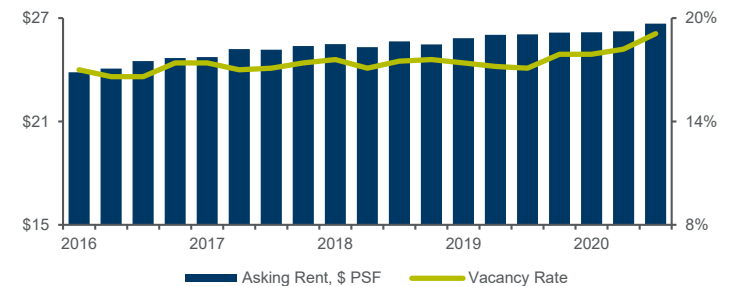
## PRICING: Underwriting Questions Persist as Few Deals Close in Third Quarter

Largely on pause since the second quarter, the Minneapolis-St. Paul investment sale market remained in pricing discovery during the third quarter, highlighted by a pair of notable deals. Virtus RE Capital purchased the three-building Optum headquarters in Eden Prairie, and in the Minneapolis CBD, Millwright Building traded for nearly \$300 per square foot. Though debt markets have started to open back up, underwriting is expected to remain conservative as buyers, sellers, and tenants try to gauge long-term impacts related to occupancies, rental rates, and business needs before committing to lease deals with term or market pricing.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL GROSS ASKING RENT (ALL CLASSES)*	OVERALL GROSS ASKING RENT (CLASS A)*
Minneapolis CBD	28,202,010	256,549	5,616,858	20.8%	-8,448	-5,025	1,053,000	\$29.28	\$33.87
Northeast	9,926,008	64,085	1,612,964	16.9%	-53,843	45,041	66,750	\$21.63	\$27.15
Northwest	2,298,471	4,914	356,546	15.7%	-3,599	-89,686	0	\$20.30	\$25.98
South/Airport	6,244,291	90,797	1,435,603	24.4%	-142,547	-260,668	0	\$23.61	\$27.50
Southwest	14,935,220	300,878	2,367,819	17.9%	-91,207	96,642	0	\$27.34	\$31.36
St. Paul CBD	6,661,071	202,176	1,379,073	23.7%	38,032	28,331	0	\$22.49	\$26.36
West	9,949,247	117,309	1,150,814	12.7%	-53,289	90,063	343,000	\$30.47	\$35.95
<b>MINNEAPOLIS TOTALS</b>	<b>78,216,318</b>	<b>1,036,708</b>	<b>13,919,677</b>	<b>19.1%</b>	<b>-314,901</b>	<b>-95,302</b>	<b>1,462,750</b>	<b>\$26.68</b>	<b>\$31.90</b>

\*Gross rents reflect base rent plus all building operating expenses

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
801 Marquette Ave., 121 S. 8 <sup>th</sup> St., Minneapolis	Minneapolis CBD	Deluxe Corp.	94,087	New
420 N. 5 <sup>th</sup> St., Minneapolis	Minneapolis CBD	HGA, Inc.	84,527	Renewal
332 Minnesota St., St. Paul	St. Paul CBD	US Army Corps of Engineers	80,000	New
30 7 <sup>th</sup> St. E., St. Paul	St. Paul CBD	IRS	54,481	Renewal
10 West End Blvd., St. Louis Park	West	HDR	47,224	New

## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
13625-13675 Technology Dr., Eden Prairie	Southwest	Angelo, Gordon / Virtus RE Capital	473,325	\$52.1M / \$110
533 S. 3 <sup>rd</sup> St., Minneapolis	Minneapolis CBD	Ryan Companies / CBRE Global Investors	173,476	\$51.2M / \$295

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
700 Nicollet Mall, Minneapolis	Minneapolis CBD	None	704,786	601W Companies / United Properties
600 Portland Ave. S., Minneapolis	Minneapolis CBD	Thrivent	264,139	Thrivent / McGough
4450 Excelsior Blvd., St. Louis Park	Southwest	Bridgewater Bank	84,000	Bridgewater Bank / Reuter Walton
1015 Glenwood Ave., Minneapolis	West	FirstService Residential, Invenshure	48,240	Swervo Dev Corp

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