

|                                    | YoY Chg | 12-Mo. Forecast |
|------------------------------------|---------|-----------------|
| <b>19.9%</b><br>Vacancy Rate       | ▲       | ■               |
| <b>-483K</b><br>Net Absorption, SF | ▼       | ▲               |
| <b>\$27.00</b><br>Asking Rent, PSF | ▲       | ▼               |

(Overall, All Property Classes)

**ECONOMIC INDICATORS Q4 2020**

|  | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| <b>1.9M</b><br>Minneapolis Employment        | ▼       | ▲               |
| <b>4.5%</b><br>Minneapolis Unemployment Rate | ▲       | ▲               |
| <b>6.7%</b><br>U.S. Unemployment Rate        | ▲       | ▼               |

Source: BLS

**ECONOMIC OVERVIEW**

The unemployment rate in Minneapolis-St. Paul fell to 4.5% in November, significantly lower than the 2020 peak rate of 10.1% recorded in May. Some of the decrease in the unemployment rate, however, can be attributed to people exiting the workforce. The state's labor force participation rate of 67.9% in November, according to the Department of Employment and Economic Development, is 230 basis points (bps) below the level of February 2020, before the impact of the pandemic was felt.

**SUPPLY: Vacancy Rate Pushed by Continued Rise of Sublease Availability**

Overall absorption of negative 483,000 square feet (sf) in the fourth quarter pushed overall vacancy in the Minneapolis-St. Paul office market to 19.9%, an increase of 200 bps compared to year-end 2019. The increase in sublease listings continued through the fourth quarter as organizations responded to the economic impact of the pandemic. The amount of vacant sublease space in the Twin Cities at year-end increased by 30% since first quarter 2020, reaching 1.4% of total market inventory. Sublease vacancy in the market, however, remained below the peak that followed the Great Financial Crisis, when it accounted for 2.0% of market inventory.

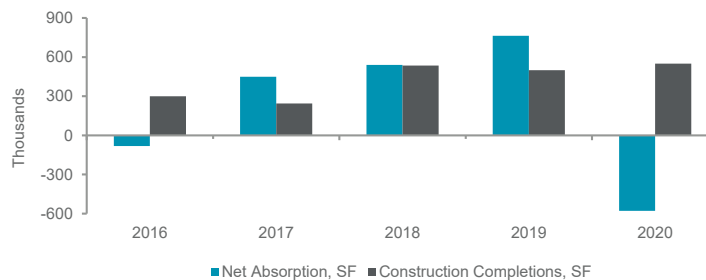
**DEMAND: Slowdown in New Leasing as Occupiers Push Long-Term Decisions**

The Minneapolis-St. Paul office market recorded a year-over-year decrease of nearly 42% in new leasing volume in the second half of 2020. Despite a widespread slowdown in new leasing activity, asking rates held steady in aggregate through the end of the year. Deals that crossed the finish line saw more tenant-friendly concession packages, which continued a pre-pandemic trend in the market, and some landlords have reduced starting rates to get deals done. Renewals accounted for 38% of total leasing volume in the second half of 2020, and occupiers largely opted for shorter term lengths as economic and public health uncertainties persisted.

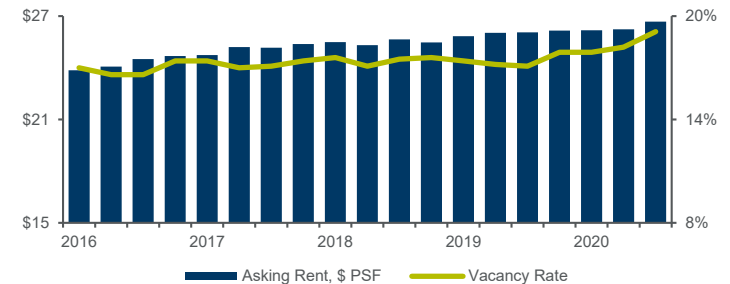
**INVESTMENT SALES: Value-Add Opportunities Attract Entrepreneurial Buyers**

Although investment sales volume was down in the 2020 office market, quality assets offering the stability of lease term and credit remained in high demand for capital looking to deploy in the Twin Cities. More entrepreneurial buyers, on the other hand, have targeted value-add opportunities, with a pair of notable examples that closed in the fourth quarter: One Southwest Crossings in Eden Prairie and the Riverplace office complex in the Minneapolis CBD. New ownership groups each announced plans to renovate common areas and amenities for opportunistic post-COVID-19 repositioning of the respective properties.

**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           | 28,415,851        | 338,491            | 5,895,843          | 21.9%                | -211,348                           | -216,373                    | 671,000          | \$29.37                                  | \$33.74                              |
| Northeast                 | 9,846,618         | 59,898             | 1,548,943          | 16.3%                | -28,662                            | 16,379                      | 66,750           | \$21.65                                  | \$27.34                              |
| Northwest                 | 2,298,471         | 6,978              | 348,749            | 15.5%                | 7,658                              | -82,028                     | 0                | \$20.57                                  | \$26.01                              |
| South/Airport             | 6,430,472         | 90,101             | 1,526,385          | 25.1%                | 44,139                             | -216,529                    | 0                | \$24.25                                  | \$28.67                              |
| Southwest                 | 14,965,977        | 378,366            | 2,476,348          | 19.1%                | -199,191                           | -102,549                    | 26,000           | \$27.32                                  | \$31.13                              |
| St. Paul CBD              | 6,675,596         | 69,204             | 1,480,859          | 23.2%                | 31,335                             | 59,666                      | 0                | \$22.68                                  | \$26.55                              |
| West                      | 9,906,411         | 137,823            | 1,236,466          | 13.9%                | -126,945                           | -36,882                     | 380,821          | \$31.29                                  | \$36.10                              |
| <b>MINNEAPOLIS TOTALS</b> | <b>78,539,396</b> | <b>1,080,861</b>   | <b>14,513,593</b>  | <b>19.9%</b>         | <b>-483,014</b>                    | <b>-578,316</b>             | <b>1,144,571</b> | <b>\$27.00</b>                           | <b>\$32.04</b>                       |

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

## KEY LEASE TRANSACTIONS Q4 2020

| PROPERTY                                | SUBMARKET       | TENANT               | RSF     | TYPE    |
|---|-----------------|----------------------|---------|---------|
| 60 S. 6 <sup>th</sup> St., Minneapolis  | Minneapolis CBD | Fredrikson & Byron   | 178,191 | New     |
| 333 S. 7 <sup>th</sup> St., Minneapolis | Minneapolis CBD | SPS Commerce         | 117,468 | Renewal |
| 10900 Wayzata Blvd., Minnetonka         | West            | The Moscoe Group     | 24,470  | Renewal |
| 30 7 <sup>th</sup> St. E., St. Paul     | St. Paul CBD    | Arch Insurance Group | 21,994  | Renewal |

## KEY SALES TRANSACTIONS Q4 2020

| PROPERTY                                | SUBMARKET       | SELLER / BUYER  | SF      | PRICE/\$ PSF   |
|---|-----------------|---|---------|----------------|
| Riverplace Office Complex, Minneapolis  | Minneapolis CBD | AEW Capital Management / Crestlight Capital, Harbert RE Fund  | 249,672 | Undisclosed    |
| 11095 Viking Dr., Eden Prairie          | Southwest       | OSWX Property, LLC / Eagle Ridge Partners, Long Wharf Capital | 233,200 | \$16.5M / \$71 |
| Northpark Corporate Center, Arden Hills | Northeast       | Lone Star Funds / Woodside Capital Partners                   | 145,944 | \$12.2M / \$84 |

## KEY CONSTRUCTION COMPLETIONS YTD 2020

| PROPERTY                             | SUBMARKET       | MAJOR TENANT                         | SF      | OWNER / DEVELOPER                  |
|--------------------------------------|-----------------|--------------------------------------|---------|------------------------------------|
| 700 Nicollet Mall, Minneapolis       | Minneapolis CBD | None                                 | 838,627 | 601W Companies / United Properties |
| 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                    |

## CHARLIE NEJEDLY

Senior Analyst

+1 952 837 8572 / [charlie.nejedly@cushwake.com](mailto:charlie.nejedly@cushwake.com)

## PATRICK HAMILTON

Market Director

+1 952 837 8574 / [patrick.hamilton@cushwake.com](mailto:patrick.hamilton@cushwake.com)

[cushmanwakefield.com](http://cushmanwakefield.com)

## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.