

YoY Chg 12-Mo. Forecast

21.5%
Vacancy Rate



-831K
Net Absorption, SF



\$27.47
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

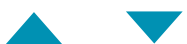
1.9M
Minneapolis Employment



4.4%
Minneapolis Unemployment Rate



6.0%
U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

Minneapolis-St. Paul recorded an unemployment rate of 4.4% in the first quarter of 2021 as the labor force participation rate stabilized and the recovery progressed with steady net jobs growth. According to the Department of Employment and Economic Development, the state gained 13,900 jobs in February, which was among the strongest months of pandemic recovery to date.

SUPPLY: Vacancy Rate Rising Amid Space Reductions and Growing Sublease Market

The office market's overall vacancy rate continued to rise, reaching 21.5% in the first quarter of 2021, which represented a year-over-year increase of 360 basis points. A corresponding influx in the sublease market continued through first quarter with vacant sublease space registering nearly 1.6% of market inventory. In March, Target announced plans to downsize its footprint in the Minneapolis CBD by nearly 1 million square feet, or about one third of its headquarters premises. With 10 years of term remaining on leased space at 33 South Sixth, this move will impact the sublease universe as the space hits the market and becomes vacant.

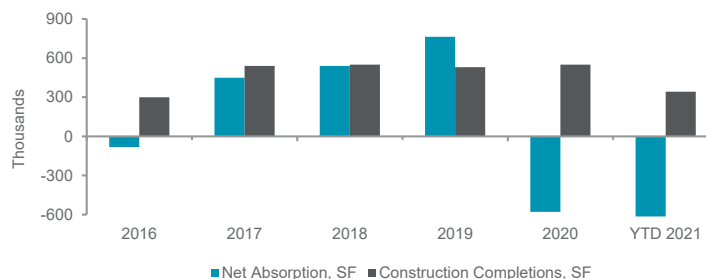
DEMAND: As New Leasing Rebounds, Growing Gap Between Asking and Achieved Rates

Asking rates have held steady in aggregate while increasing in select submarkets, in part driven by new construction delivering with vacant space. In the West submarket, for example, the completion of 10 West End is expected to place upward pressure on asking rates of Class A peer assets. The gap between asking and achieved rates in the market, however, has grown. Completed deals have included more tenant-friendly concession packages, which continued a pre-COVID-19 trend, and some landlords have reduced starting rents to get new deals done. New leasing volume in the first quarter of 2021 reached its highest level since the start of the pandemic, recording a quarter-over-quarter increase of nearly 10%.

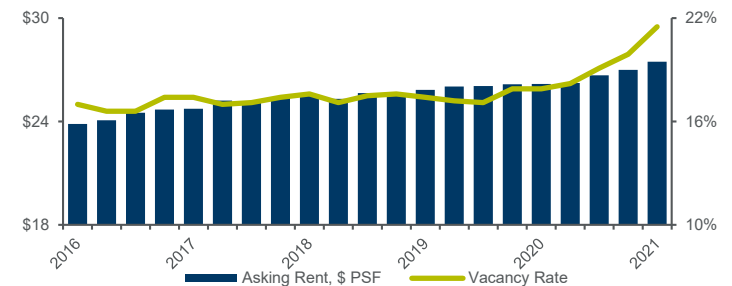
INVESTMENT SALES: Notable Single-Asset and Portfolio Sales Signal Improving Investor Sentiment

Headlining first quarter transactions, Benderson Development purchased Thrivent's new corporate headquarters in the Minneapolis CBD. The single-tenant facility delivered in 2020 and sold for almost \$500 per square foot at a sub-4.5% cap rate in a long-term sale-leaseback. Also in the Minneapolis CBD, Swervo Development sold its North Loop creative office portfolio in a deal reflecting long-term optimism for demand in the highly amenitized micromarket. In the West submarket, Crest Ridge was acquired by Larson Capital Management for \$16.2 million. The 100% vacant property previously traded in December 2019 for \$18.5 million when Dominion purchased with plans to occupy, though Dominion has since pivoted to a distributed workforce.

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	28,600,051	445,091	6,293,189	23.6%	-244,168	-244,168	531,000	\$29.73	\$33.50
Northeast	9,797,835	52,973	1,631,477	17.2%	-108,286	-108,286	147,750	\$22.81	\$27.89
Northwest	2,298,471	9,175	353,929	15.8%	-7,055	-7,055	0	\$20.70	\$25.80
South/Airport	6,430,472	143,415	1,603,051	27.2%	-123,755	-123,755	0	\$23.40	\$28.28
Southwest	14,929,135	410,410	2,620,335	20.3%	-208,145	-208,145	26,000	\$27.04	\$30.45
St. Paul CBD	6,686,327	30,609	1,538,303	23.5%	-11,733	-11,733	0	\$23.35	\$28.00
West	10,249,411	141,729	1,707,160	18.0%	-128,119	-128,119	37,821	\$32.45	\$36.18
MINNEAPOLIS TOTALS	78,991,702	1,233,402	15,747,444	21.5%	-831,261	-831,261	742,571	\$27.47	\$32.15

*Gross rents reflect base rent plus all building operating expenses

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
180 E. 5 th St., St. Paul	St. Paul CBD	MN DEED	137,857	New
700 Nicollet Mall, Minneapolis	Minneapolis CBD	Ernst & Young	30,536	New
7700 France Ave. S., Edina	Southwest	Portico Benefits Services	25,416	New
30 7 th St. E., St. Paul	St. Paul CBD	Larson King	21,530	Renewal

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
241 N. 5 th Ave., 411 N. Washington Ave., 500 N. 3 rd St., Minneapolis	Minneapolis CBD	Swervo Dev. Corp. / Crestlight Capital, Monarch Alternative Capital	350,892	Undisclosed
600 Portland Ave. S., Minneapolis	Minneapolis CBD	Thrivent / Benderson Development	264,183	\$130M / \$492
2335, 2355, 2361 Hwy. 36 W., Roseville	Northeast	Bonten VII, LLC / Red Door Enterprises, Woodstone Inc.	135,023	\$11.7M / \$87
11055 Wayzata Blvd., Minnetonka	West	Dominium / Larson Capital Management	116,000	\$16.2M / \$140
7500 Office Ridge Cir., Eden Prairie	Southwest	Miske Properties / Sempris	38,533	\$2.8M / \$73

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
10 West End, St. Louis Park	West	CarVal Investors, HDR	343,000	Ryan Companies, The Excelsior Group

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