

MARKETBEAT MINNEAPOLIS

Office Q4 2021



CUSHMAN &
WAKEFIELD

YoY
Chg

12-Mo.
Forecast

23.8%

Vacancy Rate



-289K

Net Absorption, SF



\$27.63

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

YoY
Chg

12-Mo.
Forecast

1.9M

Minneapolis
Employment



3.3%

Minneapolis
Unemployment Rate



4.2%

U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

The Minneapolis-St. Paul metro area unemployment rate tightened to 3.3% in the fourth quarter of 2021, which was 90 basis points lower than the national average. The Minnesota Department of Employment and Economic Development reported that by December 2021, the state gained back 73% of the 416,300 jobs lost during the initial downturn of February through April 2020.

SUPPLY: Tenant-Friendly Market Prompts Upgrades to Space

The Minneapolis-St. Paul office market recorded negative 289,000 square feet (sf) of overall absorption, bringing the 2021 year-to-date total to nearly 2.3 million square feet (msf) of negative overall absorption. The Q4 2021 overall absorption total represented an improvement, however, of nearly 57% compared to the quarterly average for the first three quarters of 2021, which averaged negative 669,000 sf of overall absorption per quarter. Landlords with vacancy have competed in a tenant-favorable market by investing in improvements ranging from white-box vacant space and furnished, turn-key spec suites to enhanced common areas and amenities space to support tenant transitions back to in-person work.

DEMAND: Users Commit to New Deals Despite Ongoing Uncertainty

New leasing activity continued to gradually rebound through Q4 2021, when total new leased square footage exceeded 1 msf for the second consecutive quarter. The uptick in lease activity was not evenly distributed across the market, as suburban submarkets accounted for 73% of 2021 new leasing volume. In the West submarket, for example, Crest Ridge Corporate Center secured two lease commitments totaling nearly 95,000 sf by year-end, following the asset's conversion from single- to multi-tenant. In the Minneapolis Central Business District (CBD), Hines broke ground in Q4 on the speculative, 340,000-sf North Loop Green project, supported by achieved rent growth and a tightening supply of quality space observed in the North Loop office market. In aggregate, new deal activity across the market is expected to progress in fits and starts in the new year, as large corporate users continue to navigate uncertain return-to-office timelines and downsizing footprints remain common for post-COVID-19 space planning.

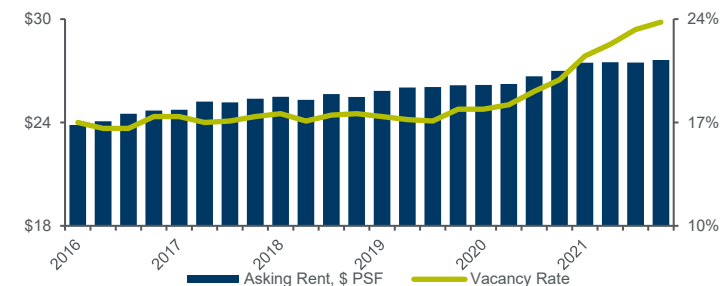
INVESTMENT SALES: Stabilized Assets Clear the Market

The BLOC in Bloomington represented the largest Twin Cities office sale of Q4, continuing a trend of stabilized assets clearing the market in 2021. Following a multi-million-dollar investment in upgrades to common areas, the property reached 85% leased with the signing of DCM Services for 53,755 sf at mid-year. The building ultimately traded for \$162 per square foot (psf).

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	1,423,033	6,533,895	27.8%	-218,543	-1,349,793	871,000	\$30.19	\$34.13
Northeast	10,093,046	76,918	1,902,200	19.6%	-4,966	-267,464	66,750	\$22.54	\$26.07
Northwest	2,298,471	7,771	419,083	18.6%	-31,365	-54,636	0	\$21.39	\$24.92
South/Airport	6,430,472	159,576	1,627,514	27.8%	26,876	-139,646	0	\$22.81	\$28.46
Southwest	14,697,408	525,454	2,446,490	20.2%	122,192	-109,286	0	\$27.00	\$30.05
St. Paul CBD	6,493,076	61,719	1,491,978	23.9%	-46,626	-157,985	0	\$23.15	\$27.10
West	10,428,359	103,085	1,999,891	20.2%	-136,802	-216,172	0	\$32.71	\$36.13
MINNEAPOLIS TOTALS	79,040,883	2,357,556	16,421,051	23.8%	-289,234	-2,294,982	937,750	\$27.63	\$32.18

*Gross rents reflect base rent plus all building operating expenses

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
11055 Wayzata Blvd., Minnetonka	West	Old Republic National Insurance	80,457	New
9350 Excelsior Blvd., Hopkins	Southwest	Michael Foods	44,967	New
130 N. Cheshire Ln., Minnetonka	West	AtriCure Minneapolis	32,744	New
701 Washington Ave. N., Minneapolis	Minneapolis CBD	Our Family Wizard	23,575	New

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1550 American Blvd. E., Bloomington	South/Airport	Lone Star Funds / Hempel	153,947	\$25.0M / \$162
1700 Hwy. 36 W., Roseville	Northeast	Ted Glasrud Associates / Encompass Properties	86,000	\$9.8M / \$114
350 Burnsville Pkwy., Burnsville	South/Airport	WH&H Realty Advisors / Calhoun Commercial	79,764	\$7.9M / \$99
718 Washington Ave. SE., Minneapolis	Northeast	Juno Investment Corp / Friends of Anselm House	75,250	\$14.9M / \$198

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANTS	SF	OWNER / DEVELOPER
1601 Utica Ave. S., St. Louis Park	West	CarVal Investors, HDR, Radisson Hospitality Group, Two Harbors Investment	343,000	Ryan Companies, The Excelsior Group
315 Randolph Ave., St. Paul	Northeast	State of Minnesota Licensing Boards	81,000	Wellington Management
2995 Winners Circle Dr., Shakopee	Southwest	Greystone Construction	26,000	Greystone Construction

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