



YoY  
Chg

12-Mo.  
Forecast

**24.6%**

Vacancy Rate

**-190K**

Net Absorption, SF

**\$28.22**

Asking Rent, PSF



(Overall, All Property Classes)

#### ECONOMIC INDICATORS Q3 2022

YoY  
Chg

12-Mo.  
Forecast

**2.0M**Minneapolis  
Employment**1.7%**Minneapolis  
Unemployment Rate**3.5%**U.S.  
Unemployment Rate

Source: BLS

#### ECONOMIC OVERVIEW

Minneapolis-St. Paul's historically tight labor market maintained its position in the third quarter of 2022 as the lowest unemployment rate among U.S. markets tracked by Cushman & Wakefield. The third quarter's unemployment rate of 1.7% marked a quarter-over-quarter (QOQ) decrease of 20 basis points (bps).

#### SUPPLY: Office Conversions Easing the Vacancy Rate

The vacancy rate in the Twin Cities market decreased by 40 bps QOQ in Q3 2022 due to a reduction in inventory. In the Minneapolis Central Business District (CBD), the 285,120-square-foot (sf) Northstar East building and the 396,080-sf Northstar West building were each removed from stats due to notable construction starts. Sherman Associates announced plans for the conversion of the East office building to a new multifamily project along with Taconic's renovation of the West building for office use. (During the renovation period, the West building is removed from tracked inventory.) These reductions in supply brought the Minneapolis CBD's vacancy rate to 29.3%, down from 30.3% in Q2 despite negative absorption in the submarket in Q3.

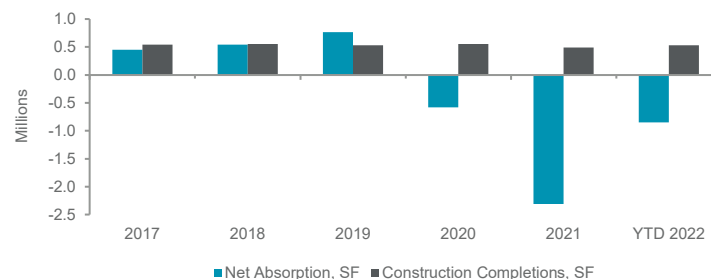
#### DEMAND: Sublease Inventory Plateauing at Historically High Level

Sublease space in the Twin Cities market registered another marginal QOQ increase of 2.1% in Q3 2022. By comparison, in August, Cushman & Wakefield reported a 6.1% QOQ increase across North American sublease inventory, albeit with significant volatility market-by-market. The nearly 2.7 million square feet of vacant sublease space in the Twin Cities in Q3 remained at an all-time high for the market. Although the Minneapolis-St. Paul market's sublease inventory has seemingly plateaued over the previous two quarters, some notable office users could bring additional large sublease blocks to the market in the coming quarters.

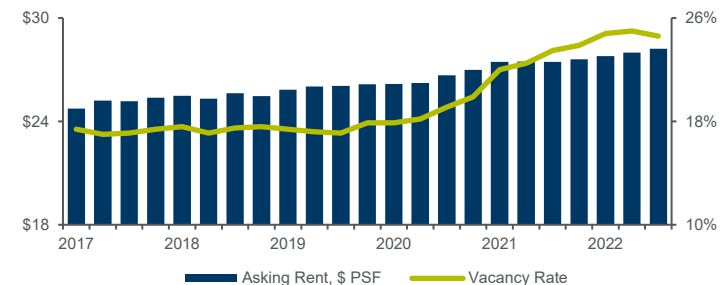
#### INVESTMENT SALES: Suburban Deal Activity Signaling Recovery Among Stabilized, Quality Assets

Closed deals in the Twin Cities market during Q3 2022 indicate that pricing for suburban office has returned closer to pre-pandemic levels. Headlining Q3 transactions was Broadway Ridge in Northeast Minneapolis, which traded for more than \$160 per square foot (psf). The stabilized, Class A asset was approximately 94% occupied at time of sale with strong lease term in place across a diverse range of tenants. Another Class A suburban project that sold in Q3 was Carlson Center East II, also with more than 90% occupancy and a sale price of more than \$160 psf. In the Minneapolis and St. Paul CBDs, on the other hand, fewer deals have crossed the finished line due to uncertainty about tenant space requirements and ongoing struggles of large employers bringing more workers back to the office.

#### 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	28,714,983	1,646,978	6,764,519	29.3%	-96,005	-475,514	340,000	\$31.27	\$34.60
Northeast	10,131,510	94,927	1,911,253	19.8%	-6,844	-93,234	0	\$21.59	\$28.02
Northwest	2,204,971	10,871	347,090	16.2%	26,309	32,694	0	\$21.73	\$25.58
South/Airport	6,492,522	65,999	1,681,805	26.9%	9,501	8,018	0	\$22.97	\$27.91
Southwest	14,918,769	582,254	2,718,956	22.1%	-195,688	-270,544	0	\$27.59	\$30.23
St. Paul CBD	6,374,112	115,847	1,531,385	25.8%	-4,187	-103,711	0	\$23.13	\$28.43
West	10,358,210	139,950	1,902,463	19.7%	76,749	53,463	0	\$33.82	\$36.43
<b>MINNEAPOLIS TOTALS</b>	<b>79,195,077</b>	<b>2,656,826</b>	<b>16,857,471</b>	<b>24.6%</b>	<b>-190,165</b>	<b>-848,828</b>	<b>340,000</b>	<b>\$28.22</b>	<b>\$32.85</b>

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

## KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
700 Nicollet Mall, Minneapolis	Minneapolis CBD	Prudential	28,123	New Lease
Two Carlson Pkwy., Plymouth	West	Roers Companies	27,444	New Lease
1345 Mendota Heights Rd., Mendota Heights	South/Airport	Ellie Family Services	25,585	New Lease
576 Bielenberg Dr., Woodbury	Northeast	Dermatology Consultants	24,188	New Lease

## KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3001 Broadway Street N.E., Minneapolis	Northeast	Altus Properties / Sovereign Capital	180,739	\$30.3M / \$167
119 14 <sup>th</sup> St. N.W., New Brighton	Northeast	Artis REIT / Edgewood Real Estate Investment Trust	118,500	\$18.5M / \$156
1935 Co Rd B2 W, Roseville	Northeast	CTD Properties / Cedarwood J Winsor LLC	74,758	\$7.2M / \$96
130 N. Cheshire Ln., Minnetonka	West	Weidner Property Management / Points North Family Office	65,000	\$10.5M / \$161

## KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANTS	SF	OWNER / DEVELOPER
250 Nicollet Mall, Minneapolis	Minneapolis CBD	RBC Wealth Management, Pohlads Cos., Castlelake, JLL	531,000	United Properties

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