

	YoY Chg	12-Mo. Forecast
26.5% Vacancy Rate	▲	▲
-1.2M Net Absorption, SF	▼	▲
\$28.20 Asking Rent, PSF	▼	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
2.0M Minneapolis Employment	▲	▲
2.8% Minneapolis Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW

The Minneapolis-St. Paul economy remained healthy as the region added 29,200 jobs year-over-year (YOY). While the unemployment rate of 2.8% at the end of Q3 2023 marked a quarter-over-quarter (QOQ) increase of 10 basis points (bps), the local rate remained 90 bps lower than the national average.

SUPPLY: Overall Vacancy Continues Upward Trend

The overall vacancy rate at the end of Q3 2023 increased 100 bps QOQ to 26.5% as additional corporate users executed downsizings and initiated remote work decisions. As an example, Best Buy consolidated headquarter operations and vacated just over 728,000 square feet (sf) in the Southwest submarket. United Health Group also returned space to the office market by vacating 165,000 sf due to ongoing facility consolidations and remote work initiatives. While overall vacancy remained on an upward trajectory throughout 2023, landlords with well-located assets continued to reinvest in their properties to increase tenant activity and incentivize potential tenants with best-in-class amenities and programming.

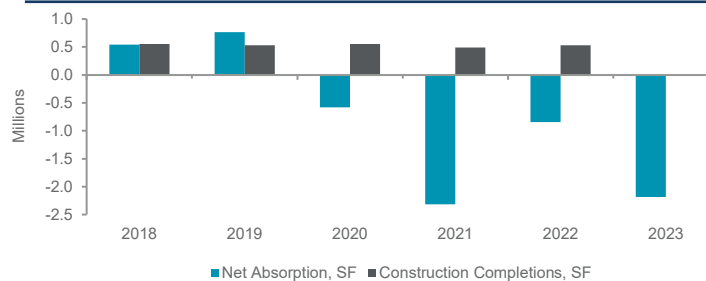
DEMAND: New Leasing Increasingly Concentrated in Class A Assets

New leasing at the end of Q3 2023 reached 986,000 sf, which was an increase of 21.7% YOY. The increase in new leasing volume was highlighted by Thomson Reuter's 308,000-sf sublease from Prime Therapeutics for top-of-the-line Class A space in the South/Airport market. With elevated vacancies across all classes, and a persistent tight labor market, organizations with active requirements increasingly gravitated towards Class A options as part of larger employee retention and outreach efforts. Showcasing this trend, Class A as a percentage of new leasing volume year-to-date has gradually increased from 43.3% in 2021 to 52.3% in 2022 to 58.3% at the end of Q3 2023.

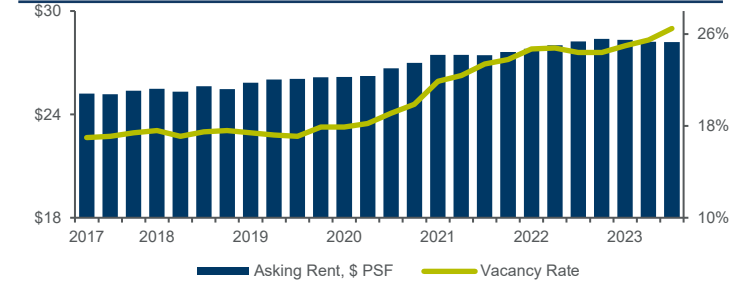
INVESTMENT SALES: Investment Sales Activity Constrained

Investment sales activity was muted through Q3 2023 as debt and equity sources remained limited and price discovery was ongoing. Seller financing has increasingly become a plausible component to bridge the lack of debt options in the market, whereas continued uncertainty over tenant office utilization plans added further complexities to a constrained investment market. While overall sales were suppressed, two core assets did trade. Spear Street Capital closed on the successful and recently developed Class A RBC Gateway tower in the Minneapolis Central Business District (CBD), and Sherman Associates also purchased Landmark Towers in the St. Paul CBD for conversion to housing.

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	28,578,242	1,743,603	7,020,255	30.7%	-249,394	-346,279	340,000	\$31.24	\$33.55
Northeast	10,005,874	63,405	1,928,696	19.9%	17,169	8,332	0	\$21.62	\$27.76
Northwest	2,204,971	67,155	380,397	20.3%	6,654	-107,339	0	\$21.10	\$21.78
South/Airport	6,789,998	251,162	1,716,711	29.0%	-248	-240,566	0	\$23.61	\$27.74
Southwest	15,676,403	750,172	3,561,153	27.5%	-932,402	-1,166,473	0	\$28.21	\$30.84
St. Paul CBD	5,931,280	167,856	1,436,218	27.0%	-4,510	-178,939	0	\$22.44	\$30.09
West	10,358,210	125,673	1,888,797	19.5%	-28,782	-153,990	0	\$33.02	\$35.53
MINNEAPOLIS TOTALS	79,544,978	3,169,026	17,932,227	26.5%	-1,191,513	-2,185,254	340,000	\$28.20	\$32.30

*Gross rents reflect base rent plus all building operating expenses

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2900 Ames Crossing Rd., Eagan	South/Airport	Thomson Reuters	308,070	Sublease
241 N. 5 th Ave., Minneapolis	Minneapolis CBD	NetSPI	60,000	Sublease
6000 Clearwater Dr., Minnetonka	Southwest	Circle K Stores Inc.	39,385	New
400 Robert St. N., St. Paul	St. Paul CBD	Redpath and Company, LLC	33,690	New
11095 Viking Dr., Eden Prairie	Southwest	Fafinski Mark & Johnson	22,220	New

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
RBC Gateway, Minneapolis	Minneapolis CBD	Gateway Office, LLC / 250 Nicollet Office, LLC	547,024	\$225M / \$411
Landmark Towers, St. Paul	St. Paul CBD	US Bank NA / Sherman Associates	212,959	\$8.2M / \$36
651 Nicollet Mall, Minneapolis	Minneapolis CBD	Seventh & Nic LLC / Praedium Gaviida Commons, LLC	25,000	\$4.2M / \$168

KEY UNDER CONSTRUCTION PROJECTS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANTS	SF	OWNER / DEVELOPER
350 N. 5 th St., Minneapolis	Minneapolis CBD	Piper Sandler, ESG Architecture & Design	340,000	Hines / Marquee Development

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