	YOY Chg	12-Mo. Forecast
27.3% Vacancy Rate	▲	▲
-734k Net Absorption, SF	▼	▲
$28.59 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q4 2023

	YOY Chg	12-Mo. Forecast
2.0M Minneapolis Employment	▲	▲
3.0% Minneapolis Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMIC OVERVIEW

The Minneapolis-St. Paul economy remained healthy as the region added 27,800 jobs year-over-year (YOY). While the unemployment rate of 3.0% at the end of Q4 2023 marked a quarter-over-quarter (QOQ) increase of 20 basis points (bps), the local rate remained 70 bps lower than the national average.

SUPPLY: Corporate Lease Expirations in Class A Assets Increases Vacancy

The overall vacancy rate at the end of Q4 2023 increased 70 bps QOQ to 27.3% primarily due to large corporate lease expirations in suburban submarkets. Examples in the Southwest submarket included Cargill's 267,000 square feet (sf) at the Excelsior Crossings development and United Health Group's 450,000 sf lease between two buildings in Eden Prairie. While the trend of corporate rightsizing through facility consolidations or downsizing persisted throughout 2023, assets in well-located neighborhoods with ancillary activities driving foot traffic were able to attract new leasing and push asking rates. Landlords investing in speculative suites to attract new tenants was ongoing as others in select assets repositioned vacancies and marketing efforts to cater to the increased pool of medical users with off-campus space needs.

DEMAND: Overall Leasing Increases YOY

Overall leasing in Q4 2023 increased 26.0% YOY to 1.4 million square feet (msf) as several corporate users executed renewals and tenants signing new leases focused on quality Class A assets as part of broader return to office and employee retention efforts. For year-end 2023, overall leasing in tracked assets outperformed year-end 2022 totals by 8.3% for a total of nearly 5.4 msf of leasing activity. Year-end new leasing, which experienced a modest 3.2% YOY decrease to nearly 3.5 msf, was concentrated primary within Class A assets which accounted for 59.5% of leasing activity.

## INVESTMENT SALES: Sales Activity Limited as Investors Look Towards 2024

In Q4 2023, overall investment transaction activity lacked momentum with few notable sales. Pricing discovery was ongoing as available debt and equity sources remained suppressed. Several troubled assets had yet to be resolved by year end. In some cases, lenders were willing to work with landlords to avoid foreclosures, accepting short-sales or other mitigation terms to recoup some equity. While sales activity was muted, two assets in the Minneapolis Central Business District did trade. Hempel purchased the Pence Building for $3.9 million, or $42 per square foot (psf). The Class B asset was last publicly sold in 2007 for just over $84 psf. An investment group also closed on the Barrel House for $8.5 million, or $94 psf.
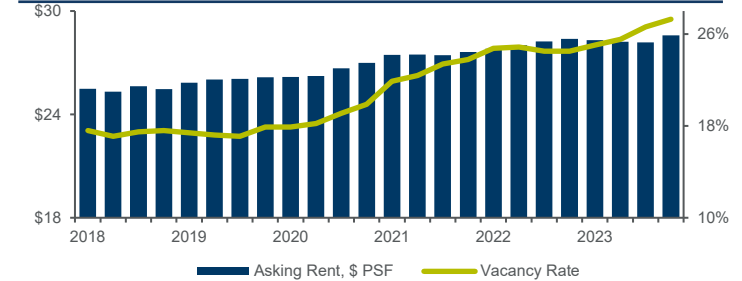
SPACE DEMAND / DELIVERIES

Net Absorption, SF ■ Construction Completions, SF
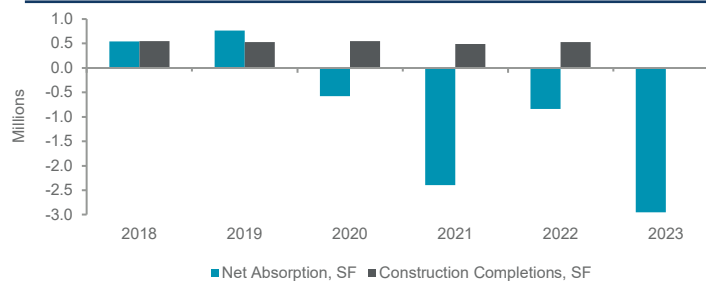
OVERALL VACANCY & ASKING RENT

Asking Rent, $ PSF — Vacancy Rate

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	1,677,165	7,237,442	31.2%	-154,798	-507,555	340,000	$31.59	$34.39
Northeast	10,005,874	62,898	1,960,228	20.2%	-36,046	-24,679	0	$21.59	$28.02
Northwest	2,204,971	65,479	422,783	22.1%	-42,205	-149,544	0	$21.28	$22.07
South/Airport	6,873,671	83,779	1,805,067	27.5%	185,450	-63,457	0	$23.93	$27.85
Southwest	16,396,422	682,723	4,407,855	31.1%	-793,958	-1,958,700	0	$29.09	$31.50
St. Paul CBD	5,931,280	151,262	1,449,367	27.0%	3,445	-175,494	0	$22.35	$30.09
West	10,358,210	98,238	1,837,640	18.7%	104,277	-71,258	0	$33.44	$36.18
MINNEAPOLIS TOTALS	**80,348,670**	**2,821,544**	**19,120,382**	**27.3%**	**-733,835**	**-2,950,705**	**340,000**	**$28.59**	**$32.88**

Gross rents reflect base rent plus all building operating expenses

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
800 Nicollet Mall, Minneapolis	Minneapolis CBD	U.S. Bank	447,000	Renewal
5600 W. 83rd St., Bloomington	Southwest	AON	81,455	Renewal
90 S. 7th St., Minneapolis	Minneapolis CBD	Jones Day	40,638	Renewal
3500 American Blvd. W., Bloomington	Southwest	REVO Health	33,449	New
6509 Flying Cloud Dr., Eden Prairie	Southwest	RX Function	22,220	New

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
Pence Building, Minneapolis	Minneapolis CBD	Rialto Capital Management / Hempel	92,000	$3.9M / $42
Barrel House, Minneapolis	Minneapolis CBD	ICM / Barrel House LLC	90,258	$8.5M / $94
Creekridge Office Center I, Bloomington	Southwest	Juno Investments LLC / Ernie Rose Golf	42,305	$4.3M / $102

KEY UNDER CONSTRUCTION PROJECTS Q4 2023

PROPERTY	SUBMARKET	MAJOR TENANTS	SF	OWNER / DEVELOPER
350 N. 5th St., Minneapolis	Minneapolis CBD	Piper Sandler, Varde Partners, KPMG	340,000	Hines / Marquee Development

MASON HARDACRE
Analyst
+1 952 225 3054 / mason.hardacre@cushwake.com

PATRICK HAMILTON
Market Director
+1 952 837 8574 / patrick.hamilton@cushwake.com

cushmanwakefield.com