

	YOY Chg	12-Mo. Forecast
27.1% Vacancy Rate	▲	▲
151K Net Absorption, SF	▲	▼
\$28.58 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

	YOY Chg	12-Mo. Forecast
2.0M Minneapolis Employment	▲	▲
2.7% Minneapolis Unemployment Rate	▼	▲
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW

Minneapolis-St. Paul's tight labor market maintained its position as one of the lowest unemployment rates among U.S. markets tracked by Cushman & Wakefield. The unemployment of 2.7% at the end of Q1 2024 marked a quarter-over-quarter (QOQ) decrease of 20 basis points (bps) while remaining 110 bps lower than the national average of 3.8%.

SUPPLY: Overall Vacancy Declines QOQ but Remains Elevated YOY

The overall vacancy rate in the Twin Cities increased 210 bps year-over-year (YOY) to 27.1% primarily due to corporate consolidations and downsizings in suburban markets. However, the overall vacancy rate did decrease 20 bps QOQ as tenant occupancies outpaced new vacancies for the first time since Q2 2020 as the market absorbed nearly 151,000 square feet (sf). The return to positive territory may be temporary, though, as additional corporate vacancies loom in coming quarters. Examples include U.S. Bank who is slated to vacate approximately 297,000 sf in the South/Airport submarket, while United Health Group and C.H. Robinson are scheduled to vacate 345,000 sf and 153,000 sf respectively in the Southwest submarket in 2024. In the Minneapolis Central Business District (CBD), Capella University is set to give back multiple floors at Capella Tower through 2025.

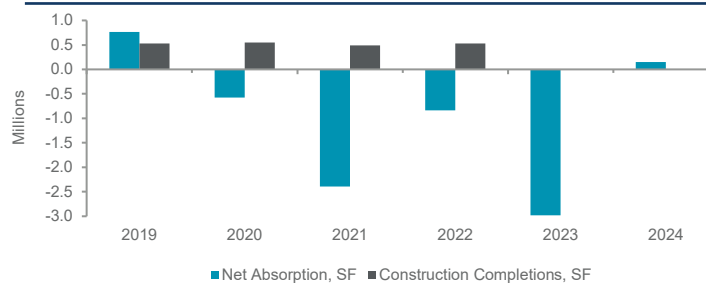
DEMAND: Overall Leasing Decreases YOY

Overall leasing in Q1 2024 decreased 16.3% YOY to nearly 908,000 sf as demand for new office space remained limited. Most leases signed were smaller footprints as just over 82% were 10,000 sf or less in size. New leasing, which excludes renewals, declined 35.7% YOY to 551,000 sf, which was the lowest quarterly volume since tenants leased nearly 549,000 sf in Q2 2020. Although new leasing was muted, Class A assets continued to outperform the rest of the market. Class A as a percentage of new leasing volume increased from 49% in Q1 2023 to 55% in Q1 2024.

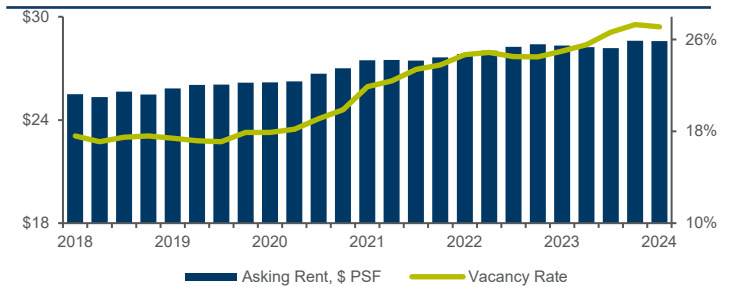
INVESTMENT SALES: Sales Activity Limited but Sentiment Shifting

Investment sales remained limited through Q1 2024, but overall investor and lender sentiment has improved. Broker opinion of value assignments have increased, and the pool of lenders and buyers has broadened, especially for smaller assets. Private capital groups have positioned themselves to identify and transact on quality distressed opportunities and investors that can reset the underlying basis of an asset will have additional capital to re-invest into the property. Those investors will be in a better position to win leasing relative to peer assets that have a higher basis and less capital to invest in speculative suites, concession packages or amenity upgrades. As an example, the Kickernick Building in the Minneapolis CBD was sold at auction for \$3.8 million, or approximately 20% of its 2017 sale price of \$19.15 million.

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	1,695,856	7,240,010	31.3%	54,973	54,973	340,000	\$31.60	\$34.48
Northeast	10,005,874	43,898	1,935,171	19.8%	2,461	2,461	0	\$21.73	\$26.79
Northwest	2,204,971	55,479	417,411	21.5%	4,994	4,994	0	\$21.27	\$22.37
South/Airport	6,873,671	121,679	1,837,006	28.5%	-60,880	-60,880	0	\$24.05	\$28.13
Southwest	16,326,998	640,465	4,315,494	30.4%	102,127	102,127	0	\$29.15	\$31.49
St. Paul CBD	5,931,280	131,387	1,469,973	27.0%	-7,648	-7,648	0	\$21.88	\$28.03
West	10,358,210	113,359	1,761,324	18.1%	54,832	54,832	35,666	\$33.67	\$36.58
MINNEAPOLIS TOTALS	80,279,246	2,802,123	18,976,389	27.1%	150,859	150,859	375,666	\$28.58	\$32.79

*Gross rents reflect base rent plus all building operating expenses

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
225 South Sixth Street, Minneapolis	Minneapolis CBD	Capella University	111,714	Renewal
5500 Wayzata Blvd., Golden Valley	West	Lockton	31,494	New
2685 Vikings Circle, Eagan	South/Airport	CliftonLarsonAllen	30,554	New
241 N 5 th Ave., Minneapolis	Minneapolis CBD	Confidential	30,316	New
4150 Olson Memorial Hwy., Golden Valley	West	Mortenson	29,550	New

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
550 Cenex Dr., Inver Grove Heights*	South/Airport	Truist / CHS, Inc	320,000	\$48.8M / \$152
Kickernick Building, Minneapolis	Minneapolis CBD	United Properties / Space Unlimited, LLC	145,420	\$3.8M / \$26
7767 Elm Creek Blvd., Maple Grove	Northwest	Merchant Development, LLC / MSP Commercial	58,500	\$8.1M / \$138

*Owner user sale

KEY UNDER CONSTRUCTION PROJECTS Q1 2024

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

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