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# Minneapolis-St. Paul Office Insight Report

Q2 2021

**AVANT**  
by AVISON YOUNG

# Key takeaways



## Economic conditions

- Reopening efforts and higher vaccination rates have allowed the Minneapolis-St. Paul unemployment rate to rebound from a high of 11.8 percent to **4.1%**.
- Job losses in the office sector have totaled **4.5 %** with the Federal Government adding 1.4% to office-using jobs from early 2020 to the start of Q2.



## Recovery rate

- Vaccination rates across the Minneapolis-St. Paul continue to outpace total U.S. numbers as **54.5%** have received a COVID-19 vaccine.
- The State of Minnesota recently announced a new recovery budget to further stimulate the local economy.
- Minneapolis-St. Paul office occupiers continue to navigate their return-to-work strategies differently as office usage ticks up in finance and banking firms.



## Office demand

- Leasing activity has paused, decreasing by **45.0 %** compared with long-term historical averages.
- Vacancy was recorded at **10.2%** at the end of the second quarter 2021, up 190 basis points from pre-pandemic level of **8.3%**.

Note: Minneapolis-St. Paul is in reference to the 7-county metro area.





# 01.

## Deeper dive

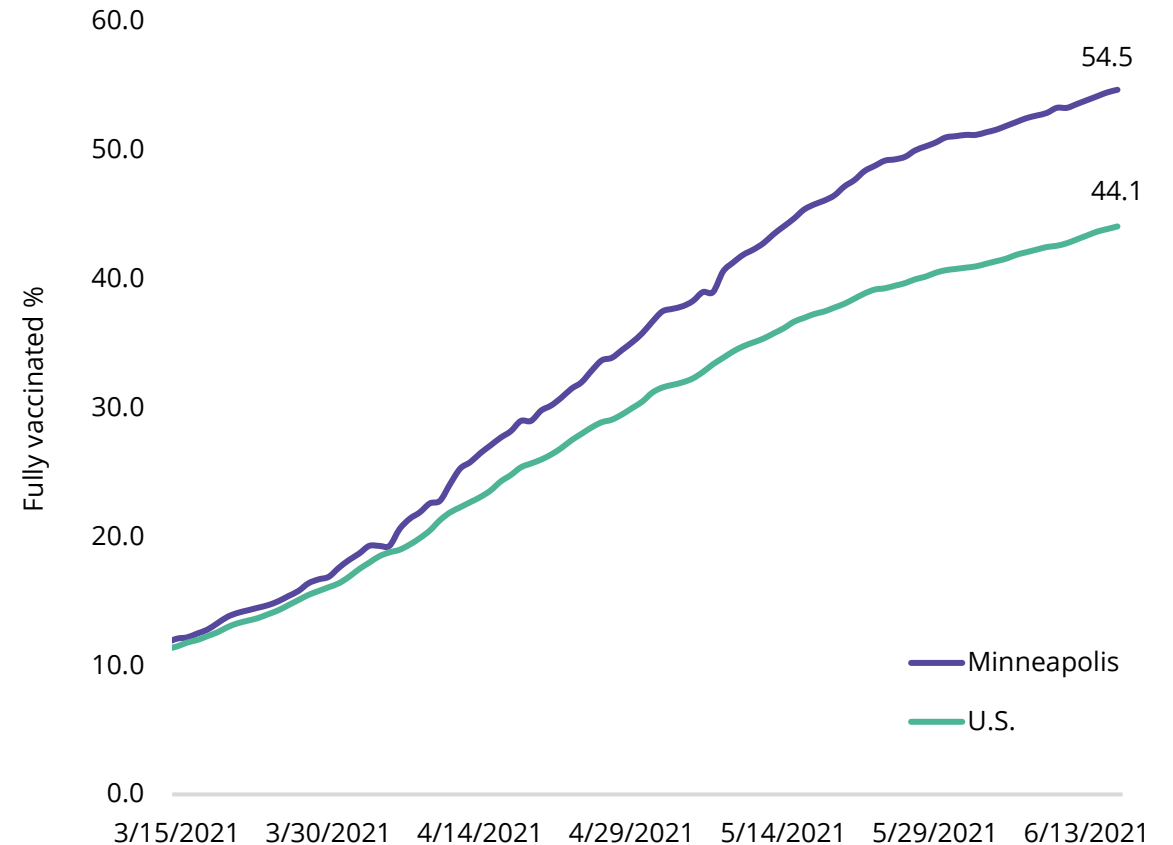
Here we take a look at key return-to-work metrics, including vaccination rates, office occupation recovery rates in Minneapolis-St. Paul and key markets, as well as general market KPIs such as lease activity and sublease supply pipelines.

# Vaccination rates

# 54.5%

**Share of total Minneapolis-St. Paul population that is fully vaccinated**

Minneapolis-St. Paul proportionate vaccination rates have surpassed U.S. averages, an important metric that has allowed the city to loosen restrictions.



Source: CDC

# Employment and unemployment rate

# 4.1%

**Minneapolis-St. Paul unemployment rate as of April 2021, dipping below the height of the financial crisis**

Historically tightened labor market conditions were halted by the pandemic with nearly 215 thousand job losses between February and May 2020. However, reopening efforts enabled the economy to add 7.2% jobs since May 2020.



Note: Not seasonally adjusted data.  
Source: Bureau of Labor Statistics

# Office sector job gains and losses

# -4.5%

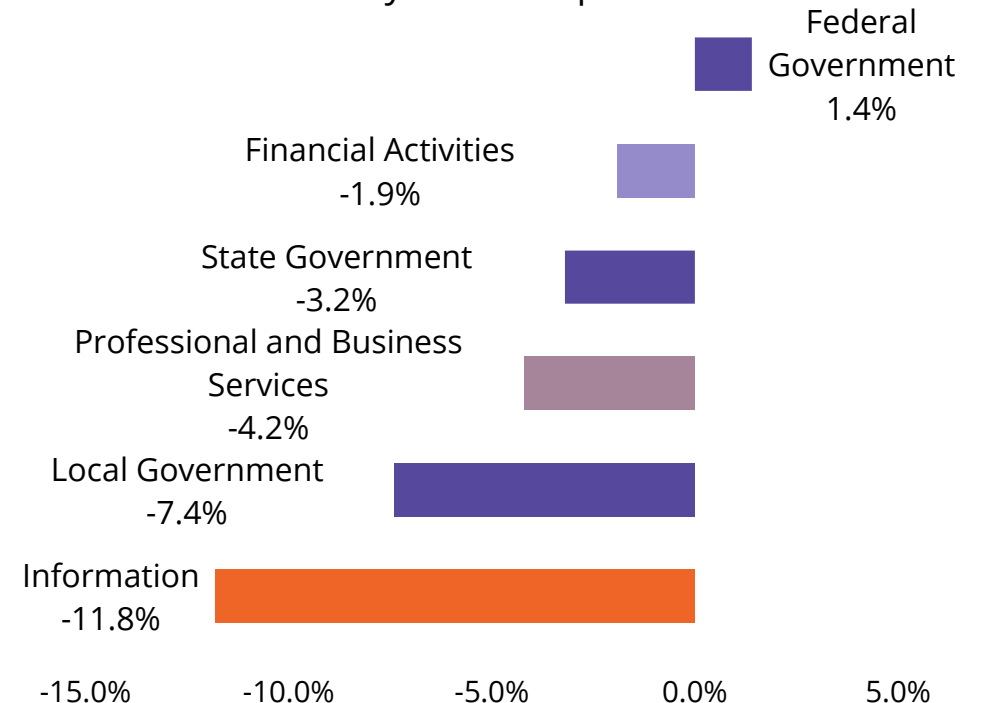
## Change in office sector employment during the pandemic

Minneapolis-St. Paul job losses have declined by 4.5% since the start of the pandemic contracting at the same rate as office-using jobs. This recession has had a major impact on on the office-using labor market, especially within Information, as job losses totaled -11.8% as compared to -5.4% during the Great Recession.

[VIEW DASHBOARD](#)

## Total change in Minneapolis-St. Paul MSA\* job gains/(losses)

February 2020 to April 2021



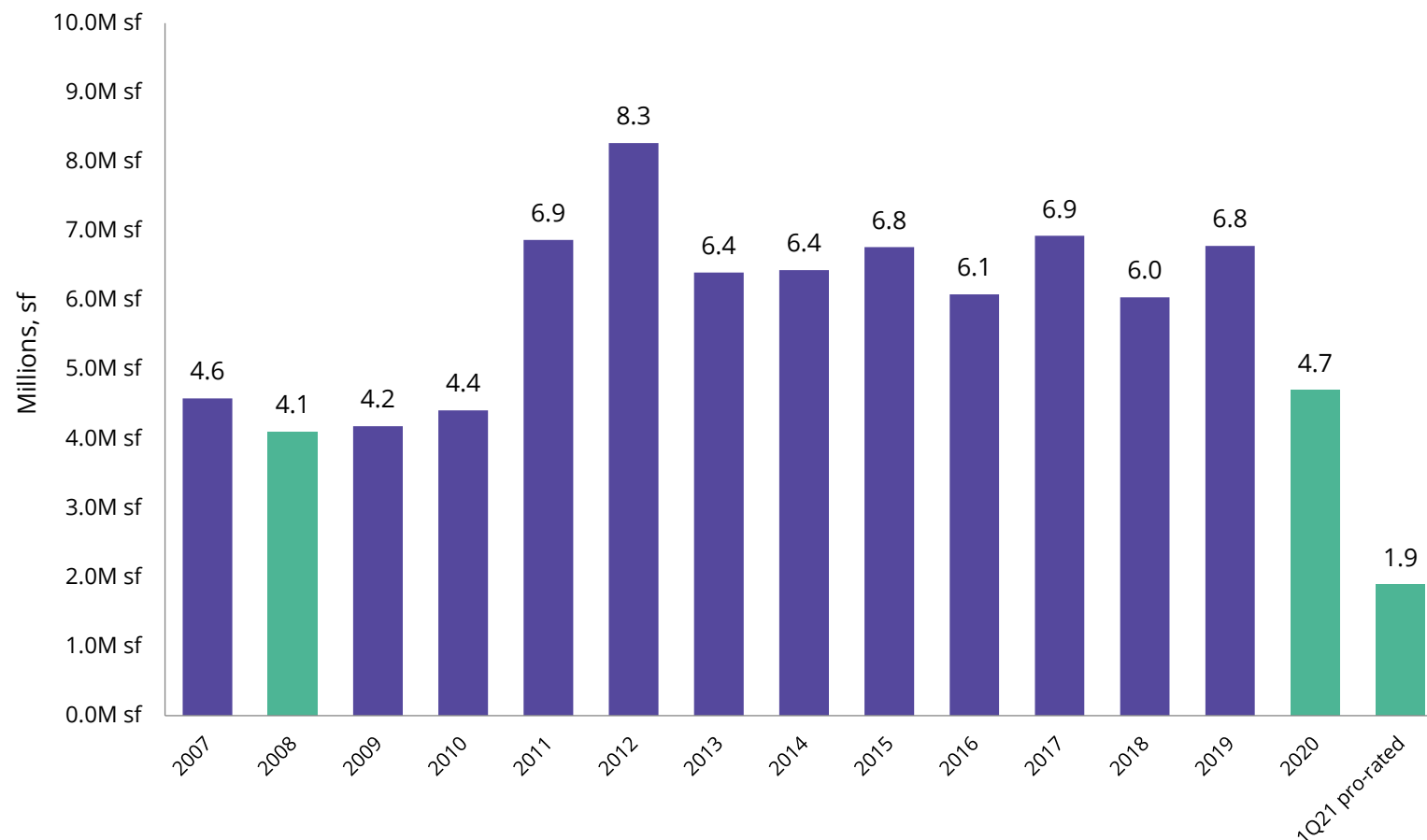
Note: Not seasonally adjusted data. Metropolitan statistical area.  
Source: Bureau of Labor Statistics

# Office leasing activity

# -45.0%

**2020-pro-rated 2021 vs.  
prior 20-year annual  
average leasing activity**

There is no modern precedent for the post-COVID slowdown in leasing activity—not 2001 nor 2008—due to the sudden change in office occupiers' future workplace strategies and the 2020 recession.



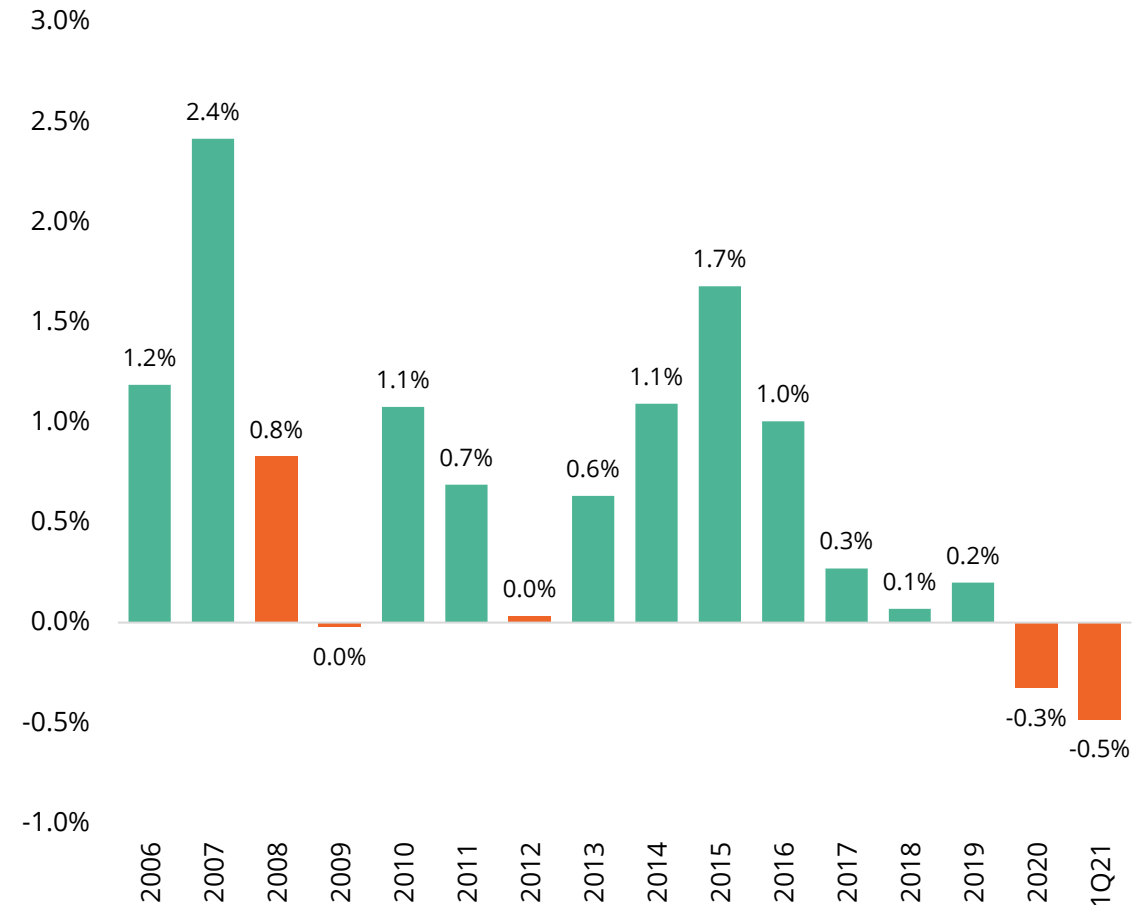
Source: AVANT by Avison Young

# Absorption

# -0.5%

## Net absorption as a percentage of inventory, 2020 through Q1 2021

Negative absorption from 2020 to 1Q21 has totaled 1.38 million sf, totaling -0.5% of the existing stock. This negative absorption significantly surpasses the lows of the global financial crisis.



Source: AVANT by Avison Young

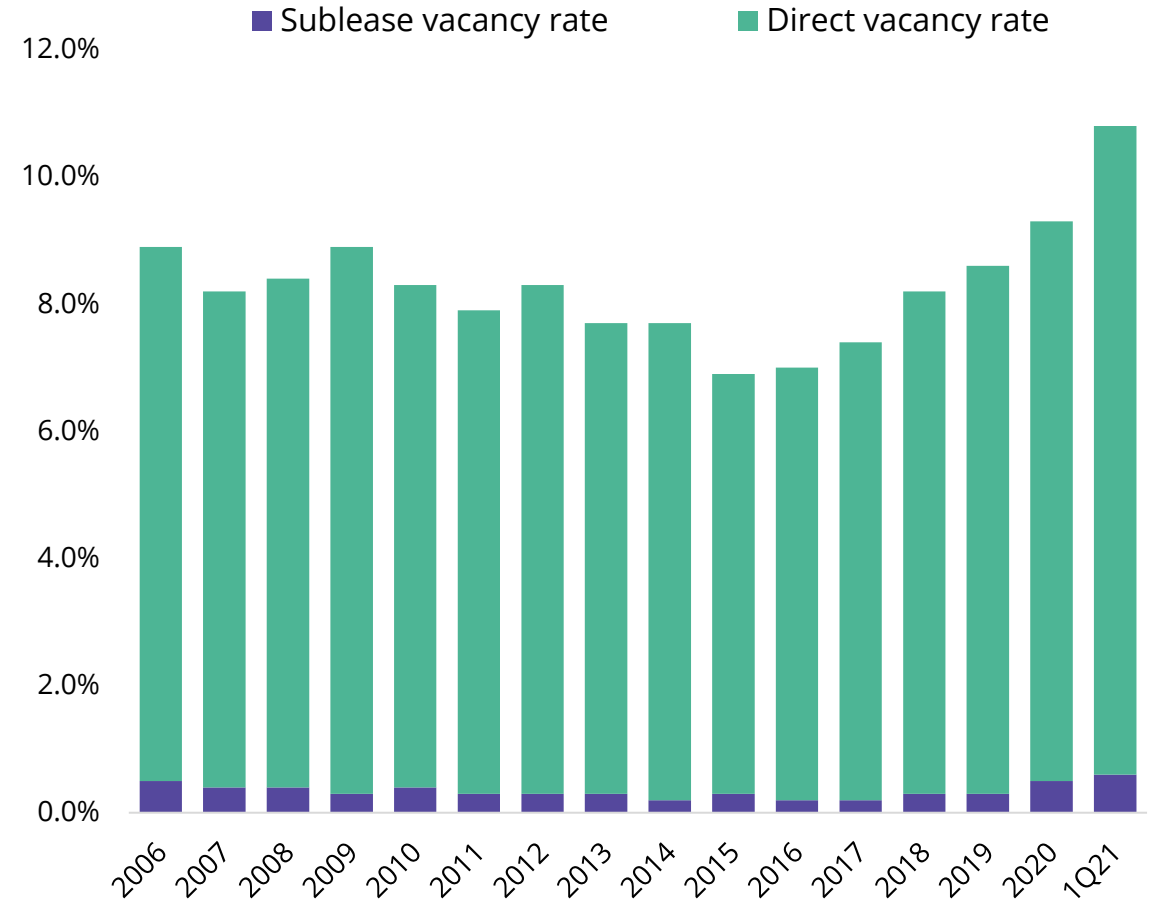


# Vacancy rate

# 10.2%

## Minneapolis-St. Paul vacancy as of Q1 2021

The Q1 2021 vacancy rate was recorded at 10.2% - up 190 basis points (bps) from pre-pandemic level of 8.3%. This current spike in vacancy is higher than the all time high of 8.6% in 2009.



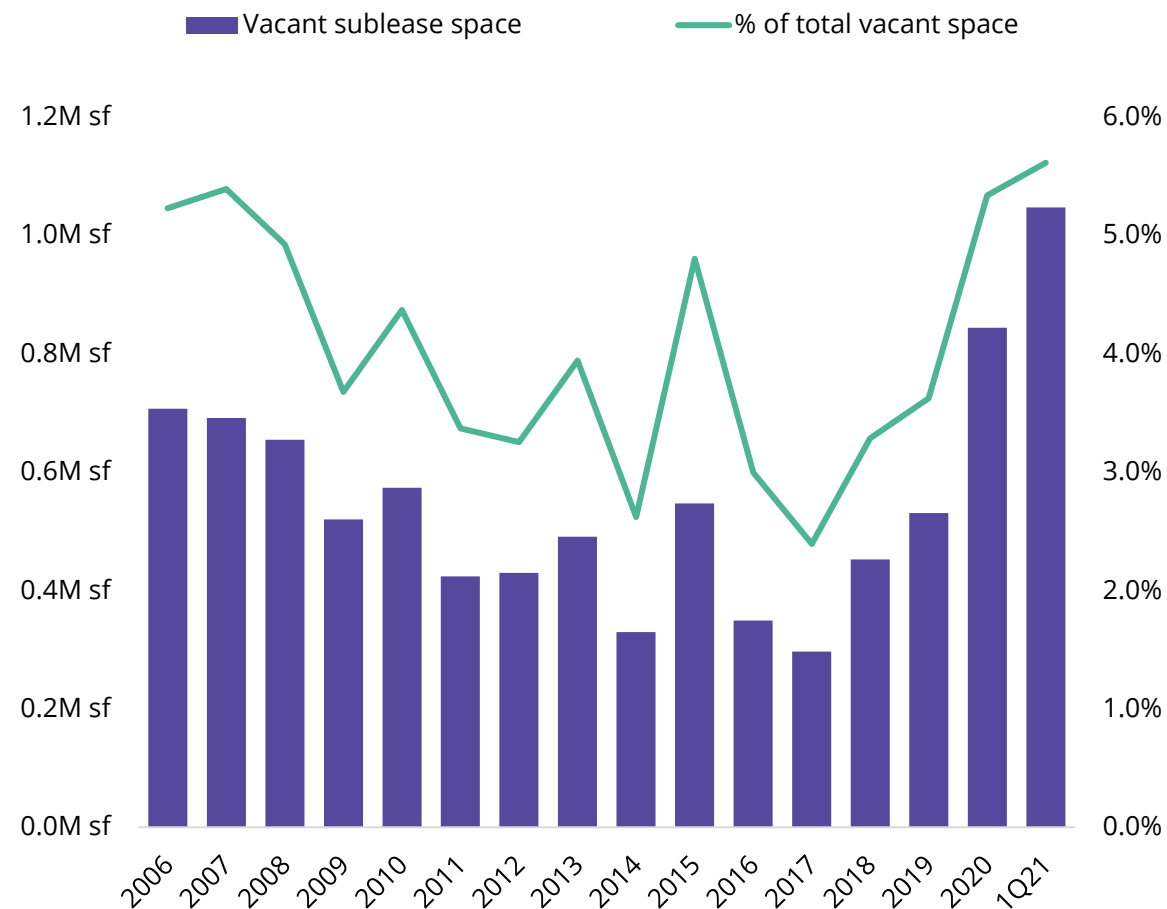
Source: AVANT by Avison Young

# Vacant sublease space

# 1.05 msf

## Record levels of sublease vacant space

The share of sublease-to-total vacant space of 5.6% has surpassed the 4.4% from the global financial crisis levels.



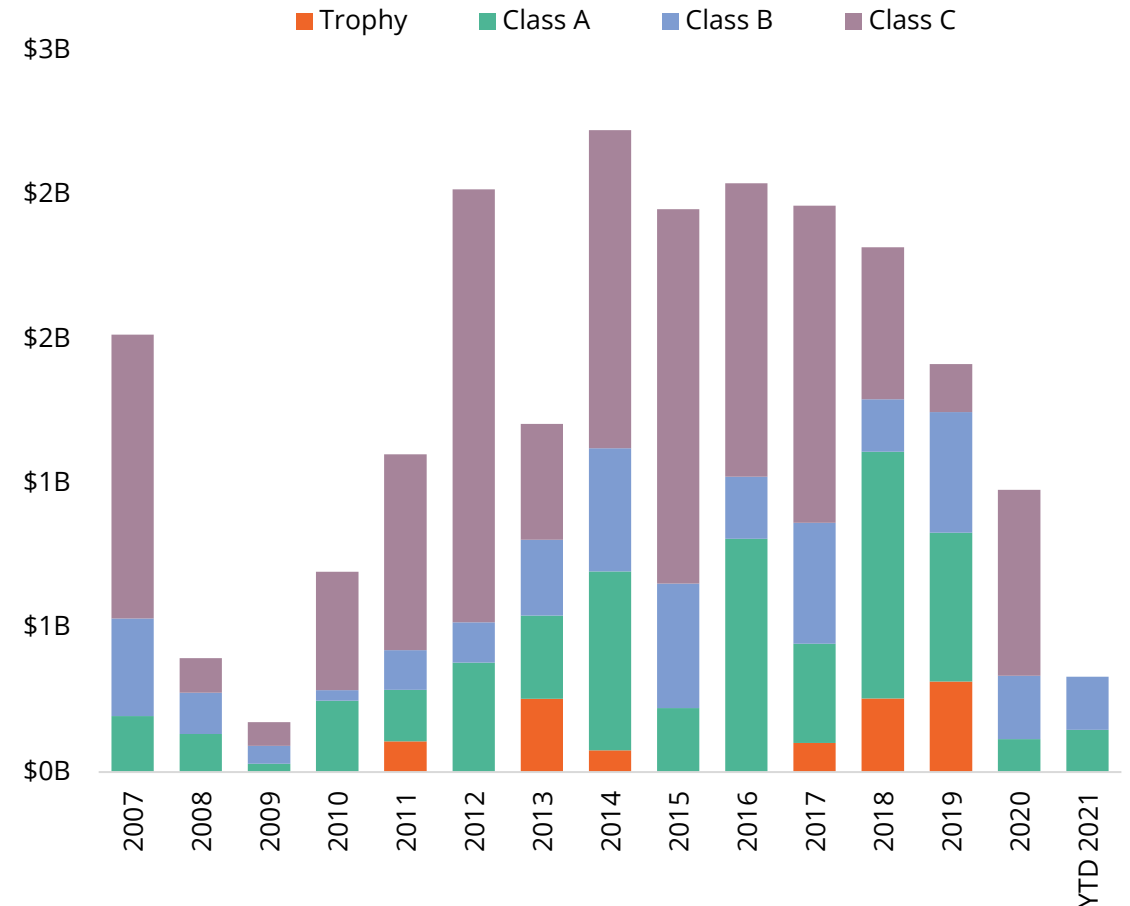
Source: AVANT by Avison Young

# Office investment dollar volume

# \$1.3B

## Minneapolis-St. Paul office dollar volume, 2020 to present

Office sales activity has temporarily paused during the risk-pricing crisis, decreasing by an annualized rate of 29.0% compared with the prior five-year average dollar volume.



Source: AVANT by Avison Young, RCA

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## Contact us today

With around-the-corner knowledge, multi-national expert insights and data-driven intelligence, our team is ready to help you unlock economic, social, and environmental value.



# Get in touch



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# Let's talk

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