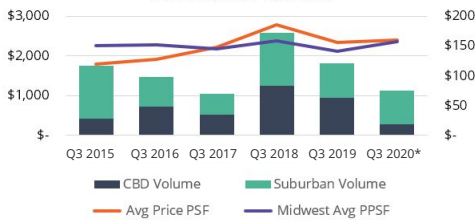


Minneapolis - St. Paul



Minneapolis Investment Sales

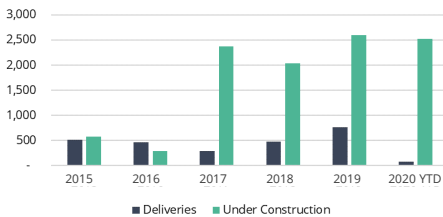
(12-month totals - in millions)



*Preliminary Data

Development

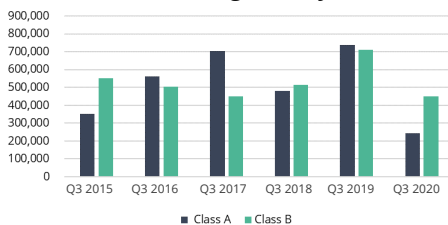
(in thousands)



Overall Gross Asking Rent



Leasing Activity



The downturn in leasing and sales activity in the Twin Cities office market remains a concern as we close out the third quarter of 2020. By most measures, the Twin Cities was a healthy office market as we entered 2020. Minneapolis was a strong market offering solid yields for investors. Both established businesses and emerging companies were reaping the benefits of a strong talent pool. The Twin Cities continues to maintain diverse economic drivers and industries that uphold growth and community expansion. This will help the office market begin to rebound sooner than later.

The office market's recovery will be strongly tested by the economic fallout from COVID-19, and the uncertainty about safety and security in the largest submarket, the Minneapolis CBD.

A hallmark of the region's office market is the minimal number of large-scale speculative projects that are undertaken. Over the last several years there have been few sizable speculative projects in the Twin Cities. Consequently, light or negative absorption does not necessarily affect the overall market vitality and health.

Local job growth has recovered much of the initial job losses from the second quarter. Unemployment is approximately 9%. Even with employment trending into positive growth, the recovery will be slow until a vaccine is developed for COVID-19.

Rent growth has slowed and is expected to do so for quite some time as businesses shelve expansion and relocation projects. Many organizations are revisiting their occupancy from an overall size and financial perspective. Flex work schedules are widely embraced, causing companies to need less office space in the future. The consequence of this new way to work, and how organizations are planning to use their office space, is bringing significant sublease space to the market. It is also evident with tenants who are looking for a new location, lessening their square footage requirement. We see this phenomenon continuing for the next twelve months.

Market by the numbers

Submarket	Inventory SF	Overall Vacant SF	Overall Vacancy %	Q3 20 Net Absorption SF	YTD Net Absorption SF	YTD Overall Leasing SF	Overall Gross Asking Rent
Minneapolis CBD	30,998,628	4,458,743	14.4%	-29,001	-85,197	736,838	\$31.99
Class A	18,378,024	1,968,316	10.7%	-43,163	42,760	261,729	\$34.50
Class B	11,965,921	2,423,575	20.3%	20,908	-124,623	466,963	\$28.75
Class C	654,683	66,852	10.2%	-6,746	-3,334	8,146	\$23.50
St. Paul CBD	7,083,185	1,263,391	17.8%	37,826	10,688	129,591	\$21.65
Class A	3,525,834	269,158	7.6%	48,144	47,236	88,367	\$22.75
Class B	3,370,714	967,080	28.7%	-19,056	-32,875	25,499	\$20.75
Class C	186,637	27,153	14.5%	8,738	-3,673	15,725	\$19.00
West/Northwest	14,743,011	1,989,303	13.5%	-16,158	129,761	573,520	\$31.75
Class A	5,331,121	698,428	13.1%	12,186	128,281	259,807	\$39.00
Class B	7,691,527	1,207,609	15.7%	-23,342	6,949	279,989	\$29.50
Class C	1,720,363	83,266	4.8%	-5,002	-5,469	33,724	\$21.25
Northeast	10,780,705	1,384,691	12.8%	14,284	-230,650	227,215	\$24.10
Class A	848,141	132,687	15.6%	-8,438	32,637	10,611	\$28.70
Class B	8,370,796	1,202,603	14.4%	-25,759	-325,946	203,317	\$24.30
Class C	1,561,768	49,401	3.2%	48,481	62,659	13,287	\$22.75
Southwest/494 Corridor	20,138,978	2,587,210	12.8%	20,294	151,786	721,558	\$31.70
Class A	8,935,047	1,076,247	12.0%	-141,395	-93,552	342,349	\$35.50
Class B	8,767,574	1,173,201	13.4%	223,781	409,499	356,321	\$29.00
Class C	2,436,357	337,762	13.9%	-62,092	-164,161	22,888	\$24.50
Southeast	7,422,615	906,123	12.2%	-33,231	-188,794	95,028	\$29.80
Class A	1,055,022	320,512	30.4%	-20,490	-108,816	18,987	\$33.75
Class B	5,123,997	475,482	9.3%	-14,114	-83,497	57,510	\$30.25
Class C	1,243,596	110,129	8.9%	1,373	3,519	18,531	\$27.00
Total Market	91,167,122	12,589,461	13.8%	-5,986	-212,406	2,483,750	\$25.15

The data contained in this market report is based on the seven-county metropolitan Minneapolis-St. Paul markets for office buildings at least 20,000 sf in size. It does not include any government or healthcare space, or single-tenant owner occupied buildings. Current and historical data has been adjusted with corrected information after it was obtained. This may prevent comparisons to previously released reports.

Market trends

Companies re-imagining how they will work in the future

Technology and flex work schedules rule

Leasing and Sales activity still slow, with a few exceptions

"Back to normal" still months away

The subleases are coming!

Companies large and small looking to shed excess space

Top leases

	Tenant	Building Name / Address	Submarket	SF	Lease type
1	Wells Fargo	Wells Fargo Plaza 7900 Xerxes Ave	Southwest/494 Corridor	80,000	Renewal
2	US Army Corps	First National Bank Building 332 Minnesota St	St. Paul CBD	80,000	New
3	Deluxe Corporation	801 Marquette Ave	Mpls CBD	70,880	Direct
4	LifeTime Work	Thirty 30 S 9 th Street	Mpls CBD	69,999	Direct
5	Principal	Two22 222 S 9th St	Mpls CBD	45,480	New

Top sales

	Buyer	Building Name / Address	Submarket	SF	Purchase price
1	Scannell Properties	3680 Victoria Street North	Northeast	313,965	\$10,100,000
2	CPUS Millwright, LP c/o CBRE Global Investors	Millwright Building 533 3rd St S	Mpls CBD	168,296	\$51,200,000

Get more market information

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