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Minneapolis-St. Paul Office Market Trends

Market Observations

Economy

- Minneapolis benefits from the stability and vitality of a strong headquarters economy, home to 14 firms on the Fortune 500 list, the most per capita in the U.S. for a major metropolitan area. In addition, there are more than 320 Fortune 1000 companies with a local presence.
- The region has a committed workforce, with the highest labor force participation rate among major metropolitan areas at 72%.
- Minneapolis-St. Paul is a worldwide frontrunner in biotechnology and biomedical research, boasting strong ties to agriculture, food exports, and water technology. Moreover, it hosts one of the most substantial concentrations of banks and financial expertise among major metropolitan areas.
- The area has a historically low unemployment rate, consistently lower than the national rate. The unemployment rate is 3.3% as of February 2024, compared to the national rate of 3.9%.
- Minneapolis's 12-month job growth as of February was steady, with 26,800 jobs added, a 1.3% increase. Nationally, nonfarm employment grew by 1.9%
- Office-using employment sectors have not returned to pre-pandemic levels. Information, financial activities and professional and business services declined annually by 5.2%, 2.7% and 3.5%, respectively.
- Job growth was strongest in government, other services and education and health services.

Major Transactions

- Ryan Companies intends to purchase 179 acres at the Thomson Reuters campus in Eagan for redevelopment. There is a 1.1 million square foot office building, data center space totaling 333,912 square feet on 90 acres of land. Thomson Reuters will maintain a print manufacturing facility at the campus and sublease 300,000 square feet at the Prime Therapeutics campus, also in Eagan.
- CliftonLarsonAllen leased 40,000 square feet at the Viking Lakes campus in Eagan, adding to other offices it has in Minnesota. The accounting firm plans to use the space for training and teambuilding when it opens in 2025.
- The 164,000-square-foot Kickernick Building in the Warehouse district of the Minneapolis CBD sold for $3.79 million to Space Unlimited. This represents a discount from the $19.15 million United Properties paid for the building in 2017.
- Johnson Brothers Liquor has withdrawn its plans for a 460,000 square foot warehouse facility and corporate headquarters at the Blue Cross Blue Shield campus in Eagan. BCBS extended its lease at two of the properties at its 1 MSF campus but did not renew at the remaining four buildings.
- Wings Financial is seeking a court-appointed receiver to assume control of the 8200 Tower at Normandale Lake. The property's ownership defaulted on a $41.3 million mortgage, which is held by Wings.
- Lasalle Plaza owner Hempel Real Estate recently leased space to 4 office tenants: Commercial Partners Title, 10,479 square feet (downsizing from 15,000 square feet at US Bank Plaza), Hennepin Theatre Trust, 12,868 square feet (moving from 4,500 square feet at 900 Hennepin Ave), PACE Loan Group, 4,000 square feet (downsizing from Eden Prairie), Kimberly-Clark Corp., renewal of 6,681 square feet. Lasalle Plaza tenants benefit from access to an 850-stall parking ramp Hempel recently purchased and ongoing upgrades to the property including a pickleball court and rooftop deck with a bar and golf simulators.

Market Observations

Leasing Market Fundamentals

- After negative 1.7 MSF in 2023, absorption continues to moderate, slowing to negative 189,219 square feet in the 4th quarter of 2023 and negative 138,102 in the first quarter of 2024.
- Overall leasing velocity was up in 2023, though not yet to pre-pandemic levels. Locally and nationally, tenants are experiencing greater clarity in their post-pandemic hybrid work strategies, leading to growing confidence that remote work levels have plateaued. Moreover, an increasing number of companies are requiring, rather than encouraging, a specific number of in-office workdays.
- Most companies are reducing the amount of space they occupy but are making longer-term decisions by either committing to new office spaces or renewing for longer terms.
- Negative absorption totaled over 5 MSF from 2020 to 2024 led by ongoing corporate downsizing including Target, UnitedHealth Group, Best Buy, BlueCross BlueShield of Minnesota, Thomson Reuters, US Bank and Prime Therapeutics.
- Amidst significant declines in office space utilization, the Minneapolis market continues to see employment declines in sectors depending on office spaces. Information, financial activities and professional and business services have experienced ongoing declines.
- 52.4% of the total vacant sublease space in the metro market is among Class A properties in the Minneapolis CBD. The rate at which sublease space is added to the market has moderated, and some space has been absorbed and some leases have expired and become vacant direct space.
- According to CRED iQ, Minneapolis has the highest commercial property loan distress rate among large metropolitan areas. A few very large loans (IDS Center, Mall of America) push the rate significantly higher than other metro areas. Minneapolis-St. Paul's current overall distressed rate is 51.5%

Outlook

- North Loop Green, which includes 359,000 square feet of office space, will open in the 2nd quarter. The development also includes a residential tower with 450 units, retail space, 470 parking spaces and a park. The completion will provide some positive activity, though most companies relocating are leaving larger spaces within the CBD, offsetting positive net absorption.
- North Loop Green has experienced leasing success with tenants Piper Sandler, ESG Architecture & Design and Varde Partners signed as tenants. This is a significant example of "flight to quality", where most tenants reduce occupancy but prioritize environments that encourage employees to return to the office in a hybrid work environment. While there is no additional large multitenant office projects on the horizon, companies will continue to favor top-tier Class A spaces. Properties lacking upgrades or substantial amenities will struggle to attract tenants.
- Concessions will continue to be a significant factor in future negotiations, in the form of both financial incentives and lease flexibility. However, a lack of liquidity among some landlords will force them to lower rents rather than continue to provide elevated concession packages.

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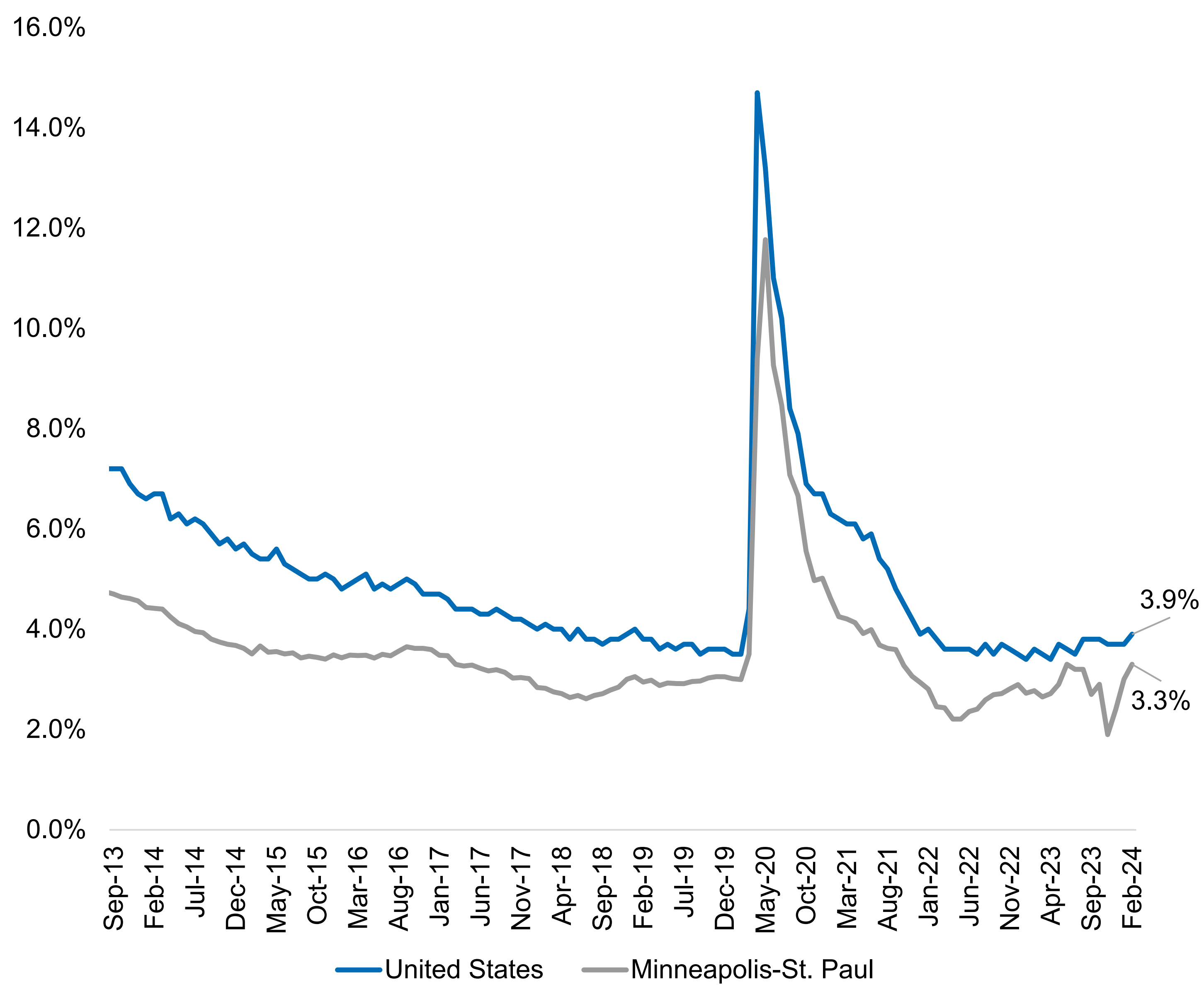
Economy

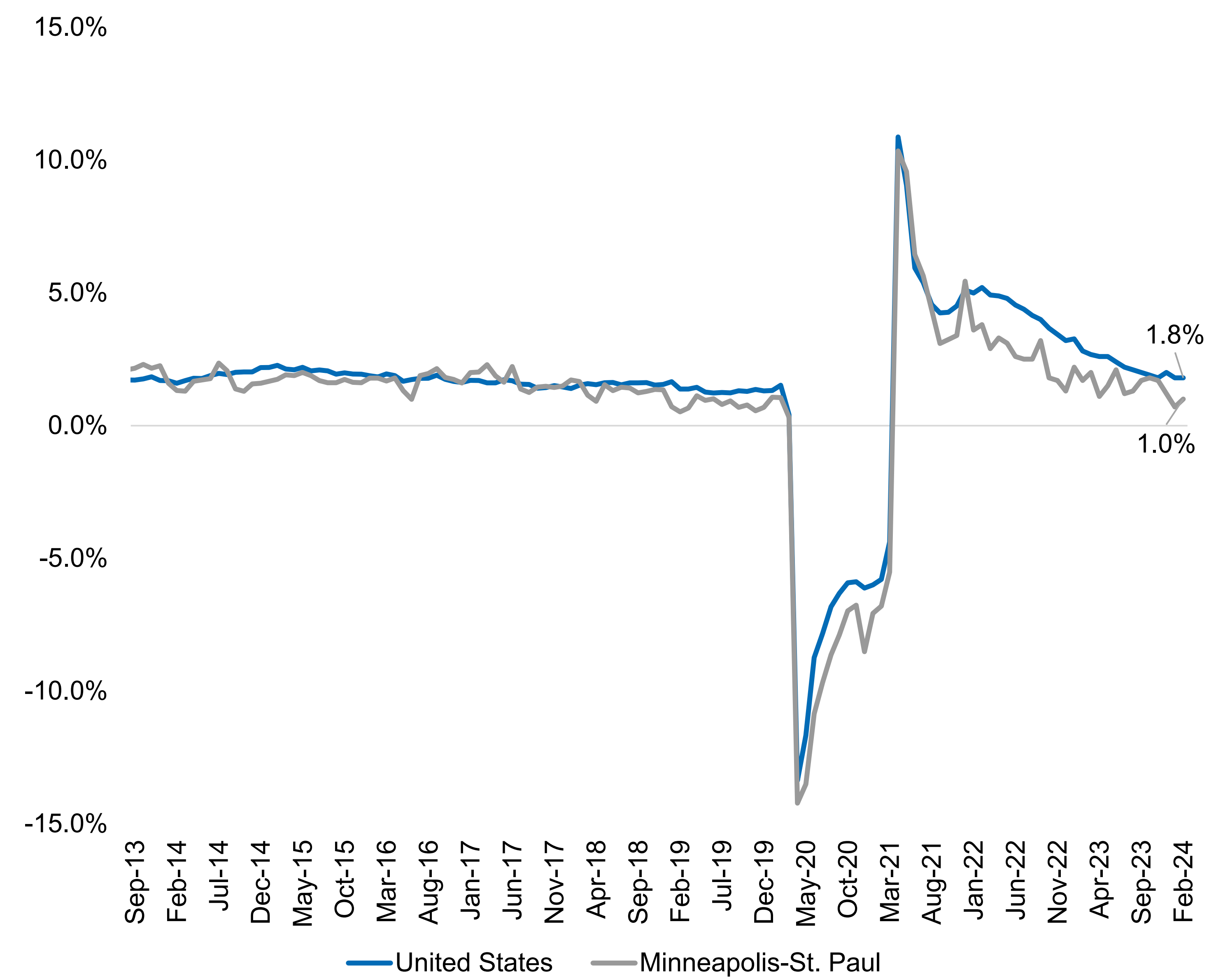
Minneapolis-St. Paul's Total Employment Increases Slightly

Minneapolis-St. Paul's unemployment rate increased from 3.0% in January to 3.3% in February. The U.S. unemployment rate increased to 3.9% from 3.7% in January. Minneapolis-St. Paul's economy grew slightly by 1% since February of 2023.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

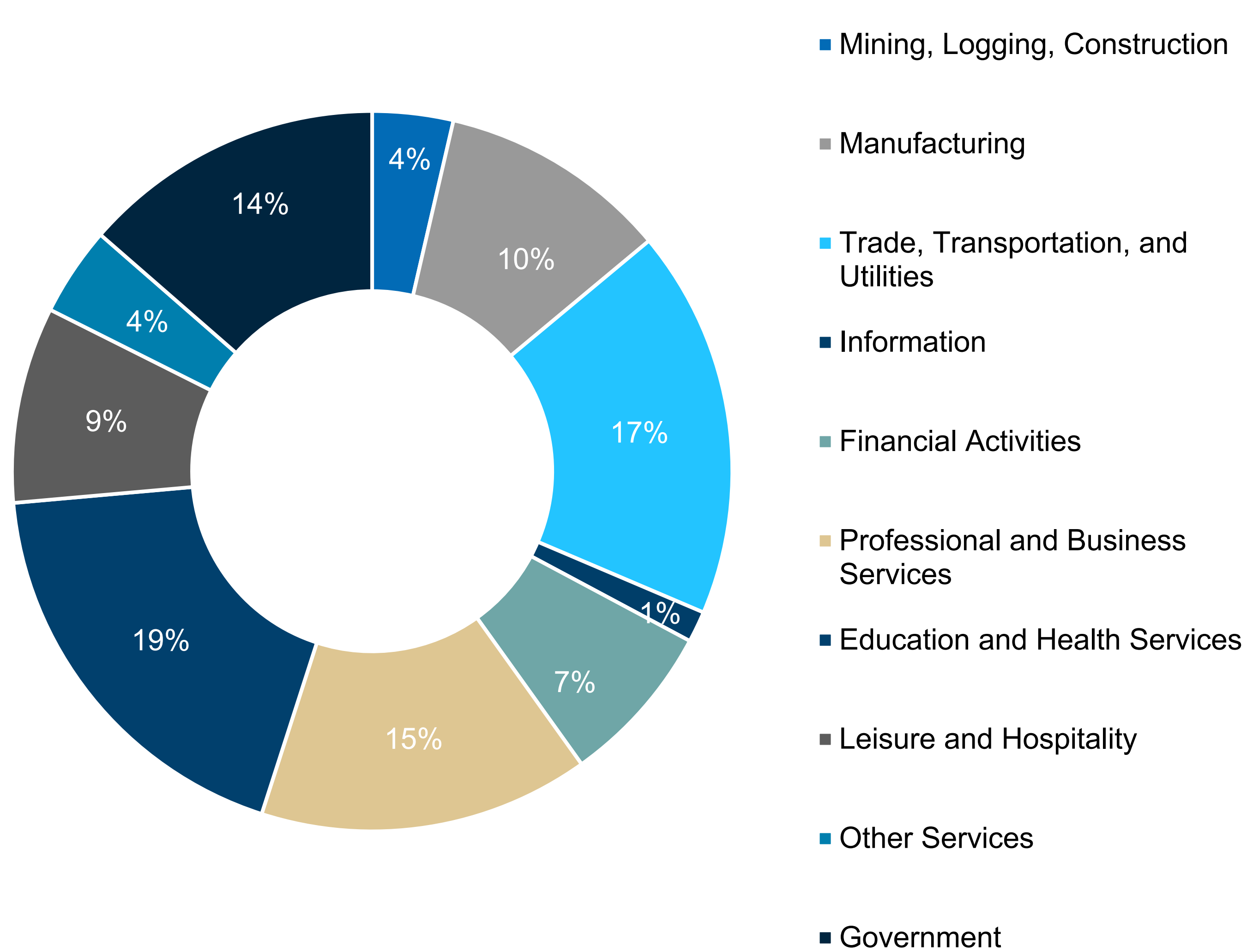


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

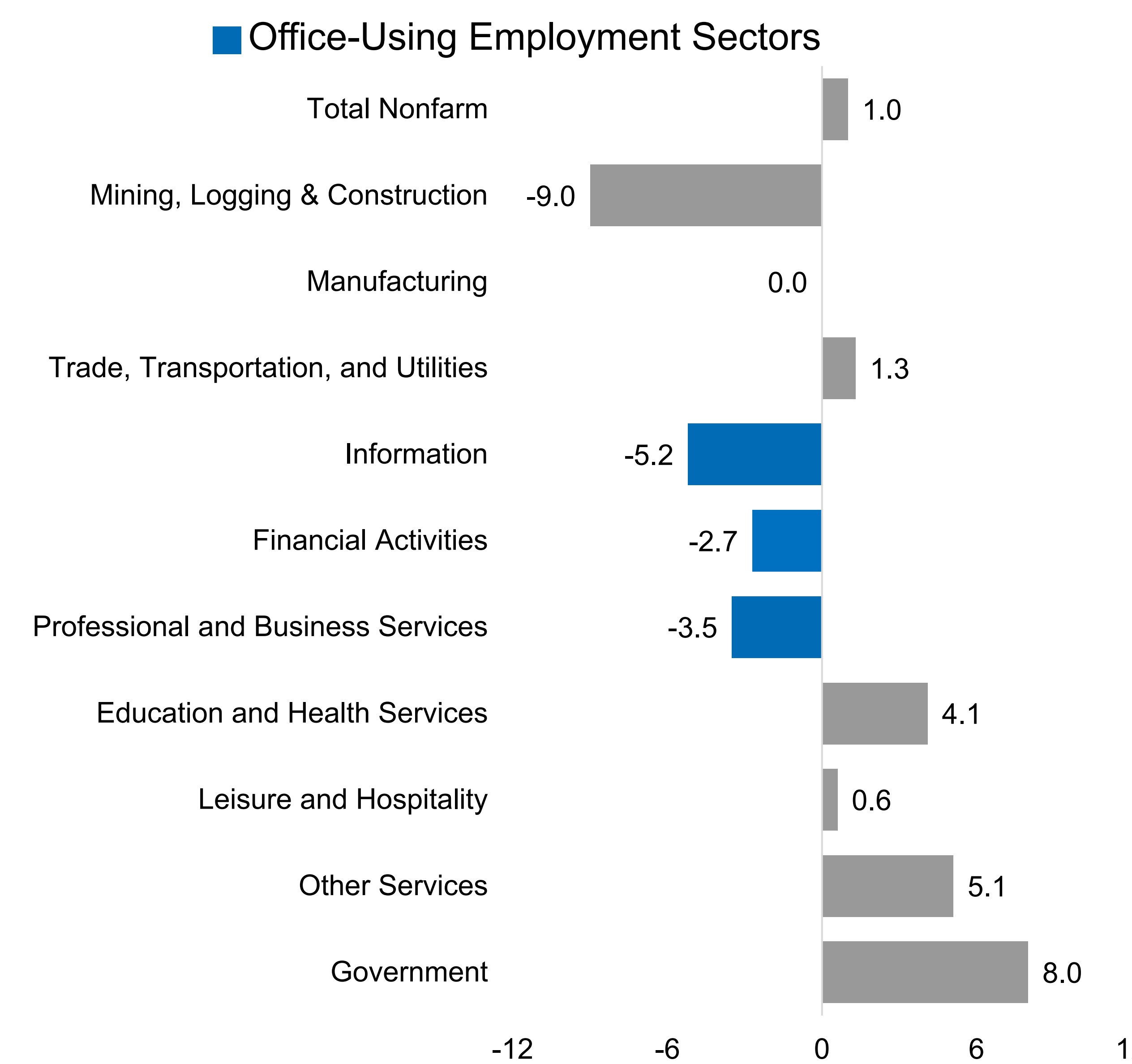
12-month Office-Using Employment Continues its Decline

Government jobs grew the most in addition to Other Services and Education and Health Services.

Employment by Industry, February, 2024



Employment Growth by Industry, 12-Month % Change, February, 2024

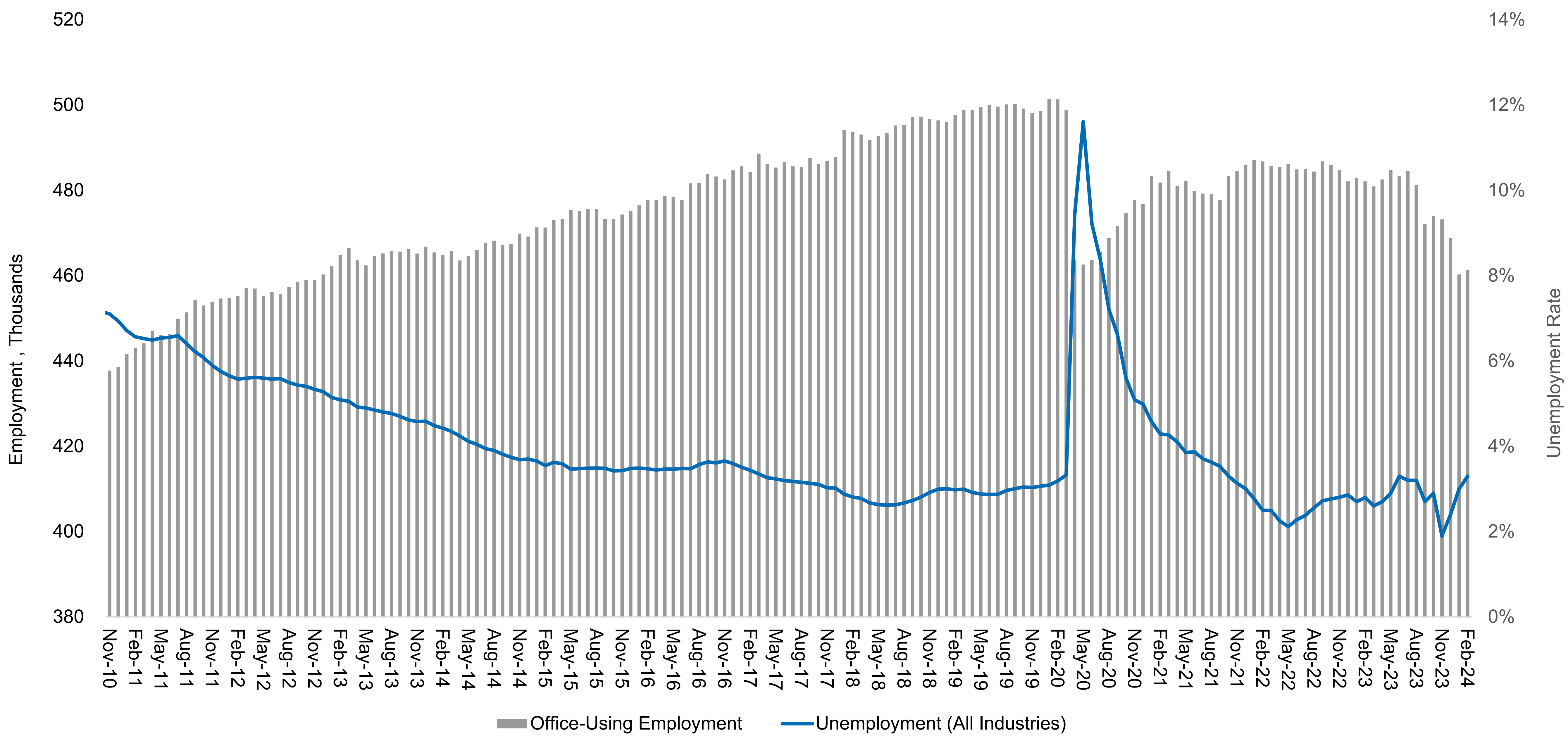


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

Struggling Office-Using Employment Sectors See Slight Increase

The employment sectors that utilize office spaces, including professional and business services, information and financial services, while struggling to reach pre-pandemic levels, increased in February of 2023.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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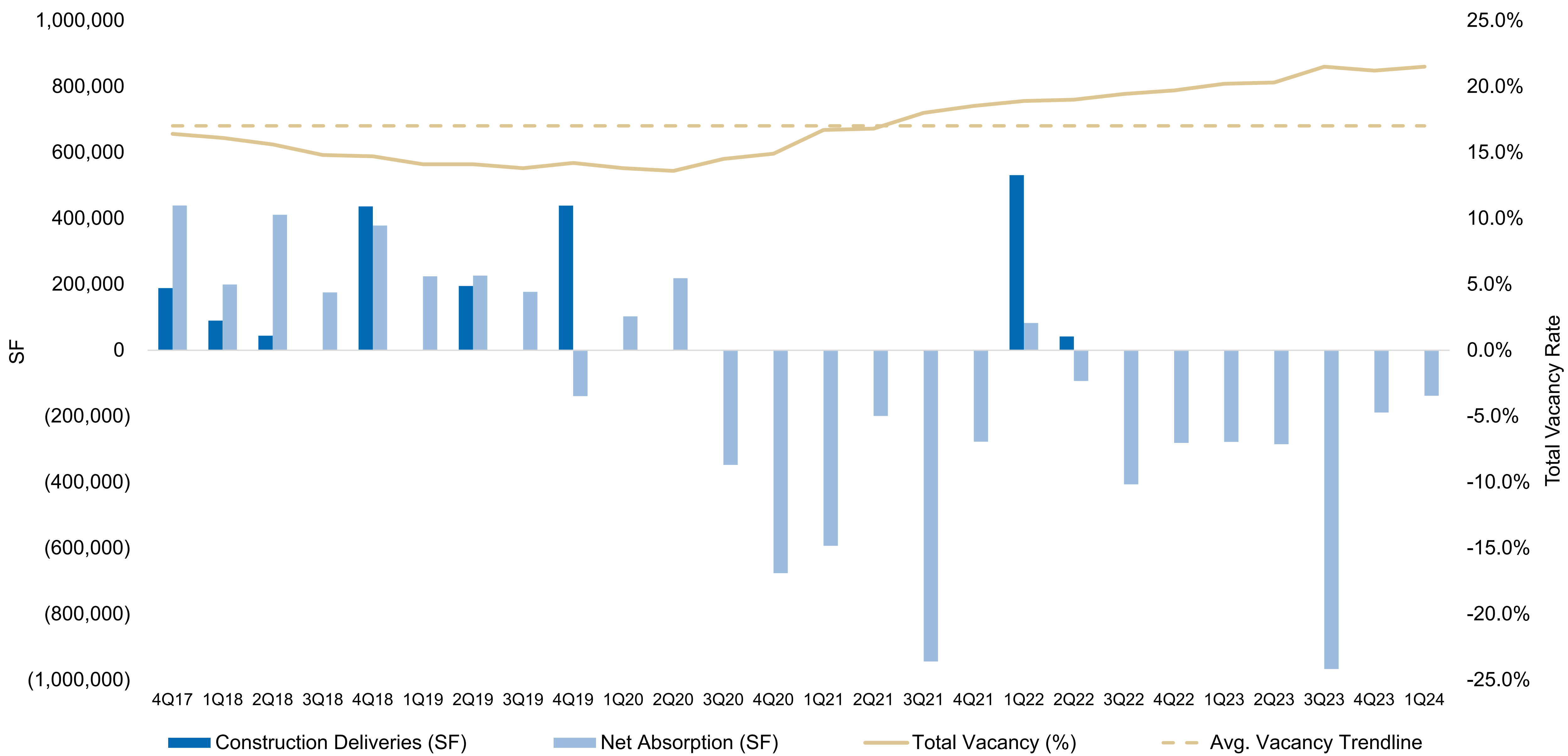
Leasing Market Fundamentals

Absorption Continues to Moderate

After 967,041 square feet of negative absorption in the 3rd quarter of 2023, absorption continues to moderate, slowing to 189,219 square feet in the 4th quarter of 2023 and to 138,102 in the first quarter of 2024. The addition of 600,000 square feet of space at Best Buy's corporate campus contributed to the large 3rd quarter absorption. Clarity is increasing in companies' post-pandemic hybrid work strategies resulting in increased confidence remote working is no longer increasing. In addition, more companies are requiring, rather than encouraging, a set amount of required in-office workdays.

Historical Construction Deliveries, Net Absorption, and Vacancy

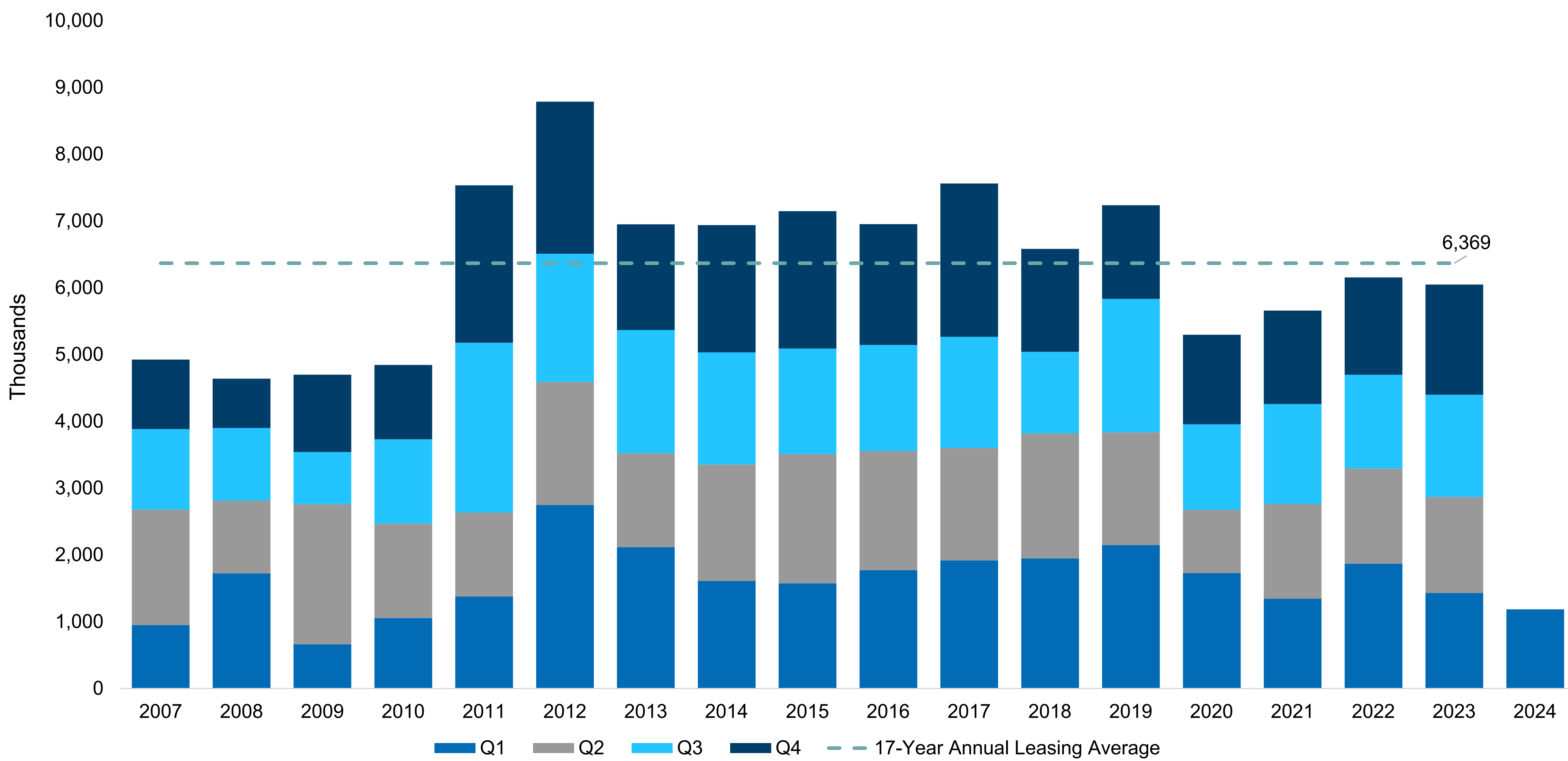


Source: Newmark Research, MNCAR, Costar

Leasing Activity Occurring But Not at Pre-Pandemic Levels

Companies are making longer-term decisions by either committing to new office spaces or renewing for longer terms. Most are reducing the amount of space they occupy.

Total Leasing Activity (thousands)

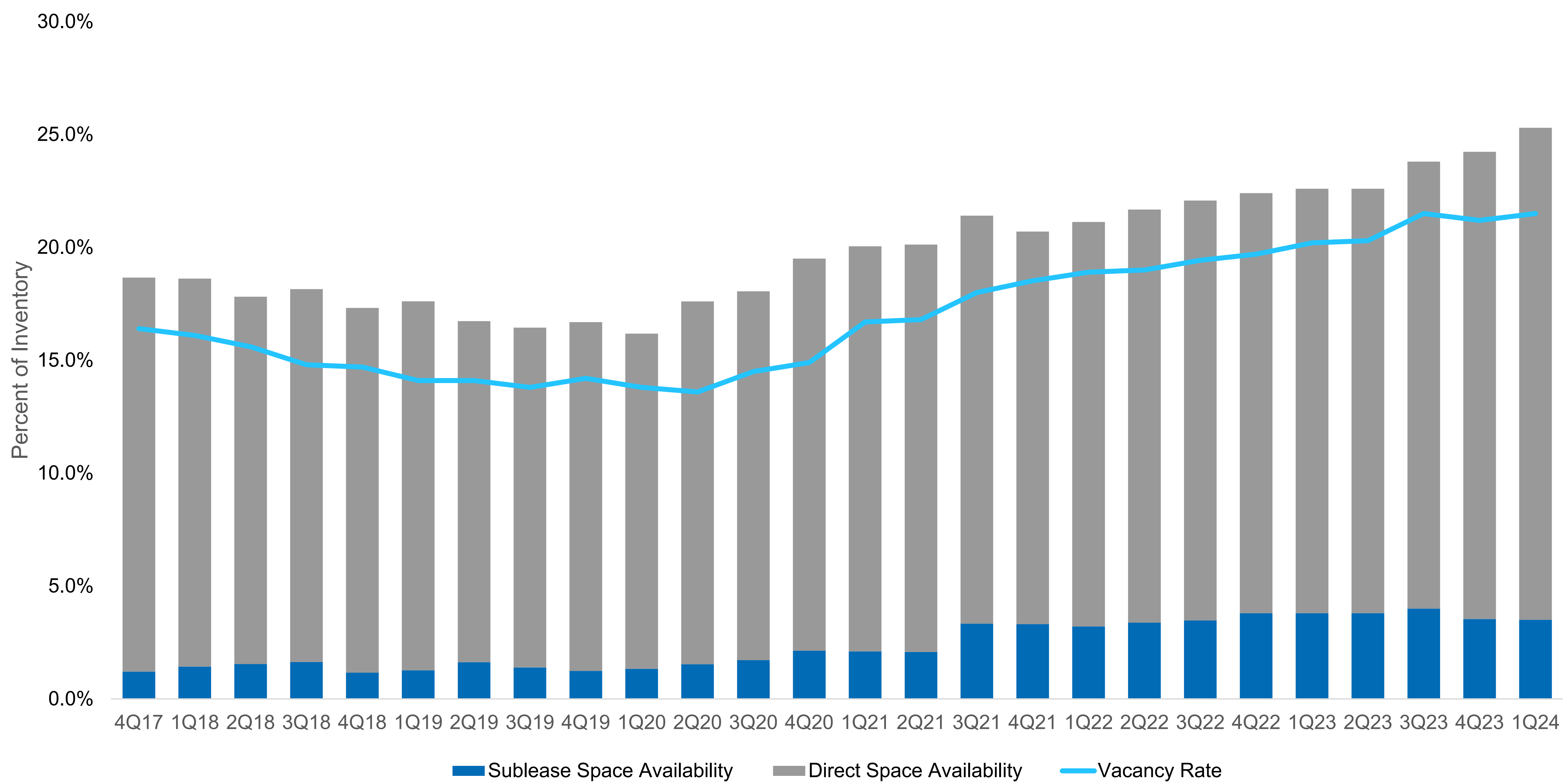


Source: Newmark Research, CoStar

Pace of Sublease Additions Moderates

Corporate consolidations and downsizing trends contributed to increasing sublease space in the past several years. Subleasing is still a significant factor but the rate at which space is added has slowed.

Available Space as Percent of Overall Market

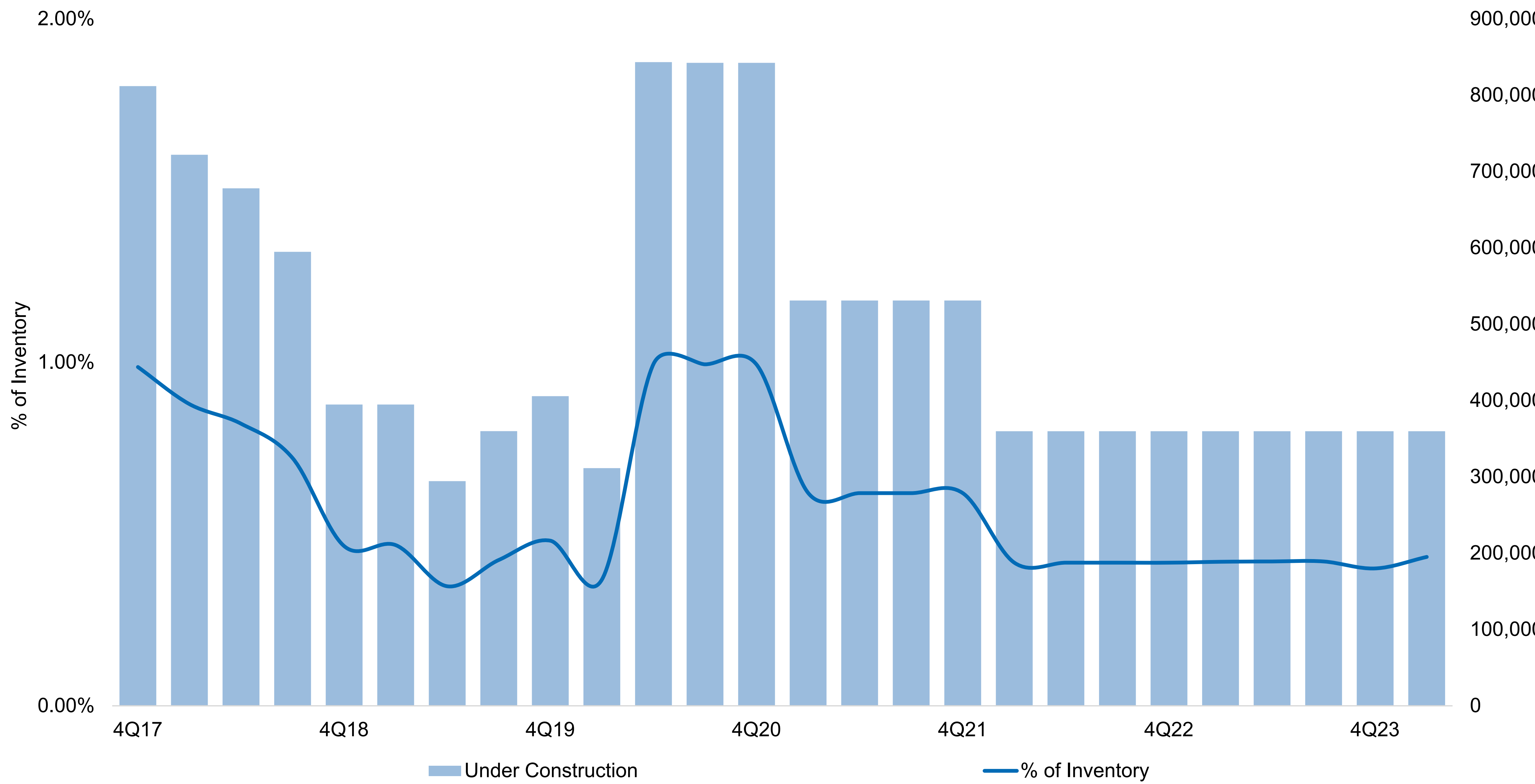


Source: Newmark Research, MNCAR

Drop in Office Demand and High Financing Costs Limit New Construction

Given the ongoing decrease in demand for office space, future construction is not expected to exacerbate vacancy rates.

Office Under Construction and % of Inventory

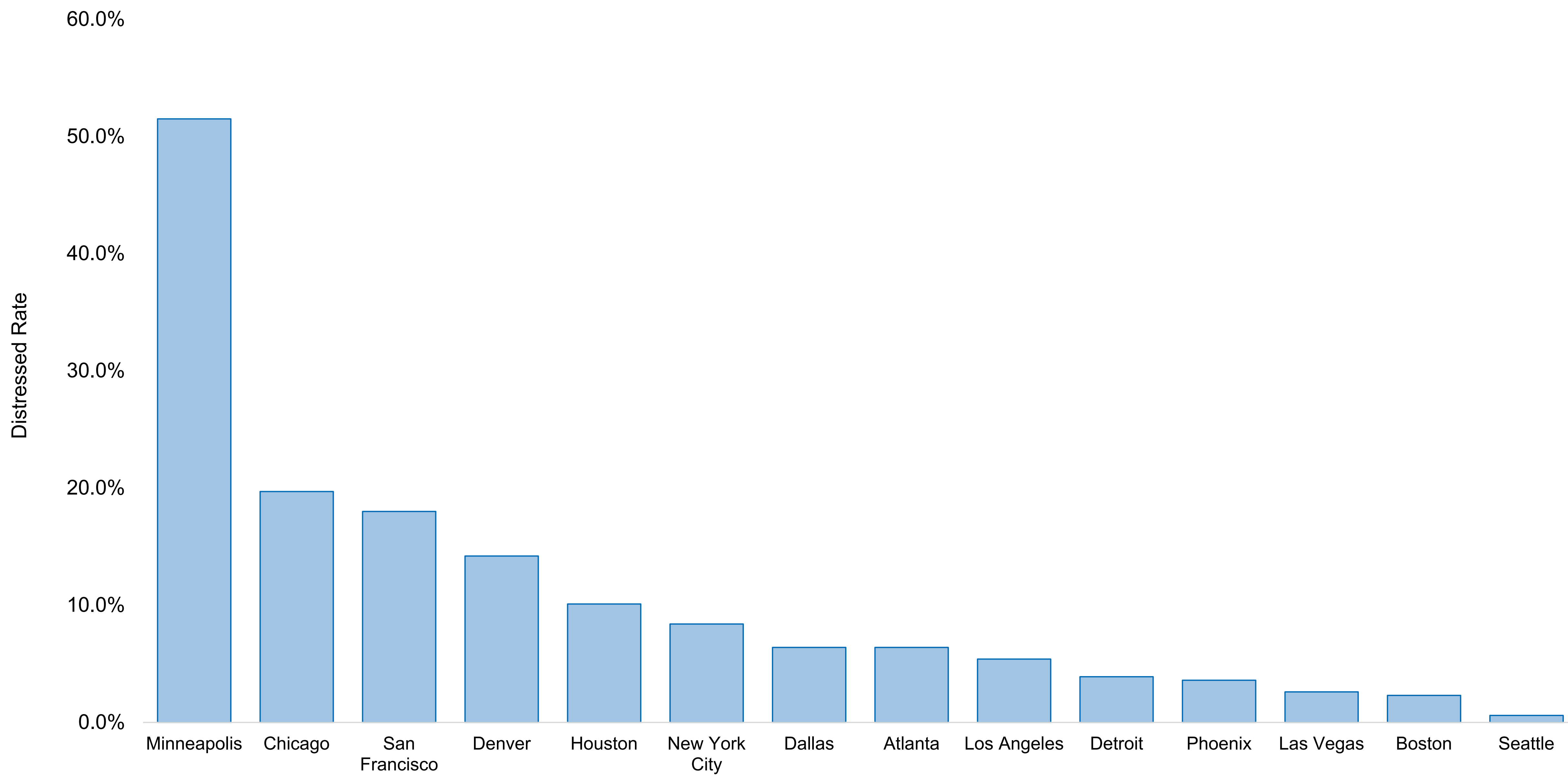


Source: Newmark Research, CoStar, MNCAR

Minneapolis has Highest Overall Distressed Rate

A few very large loans in distress (IDS Center, Mall of America) push the rate significantly higher than other metro areas. Minneapolis-St. Paul's current overall distressed rate is 51.5%

Office Under Construction and % of Inventory

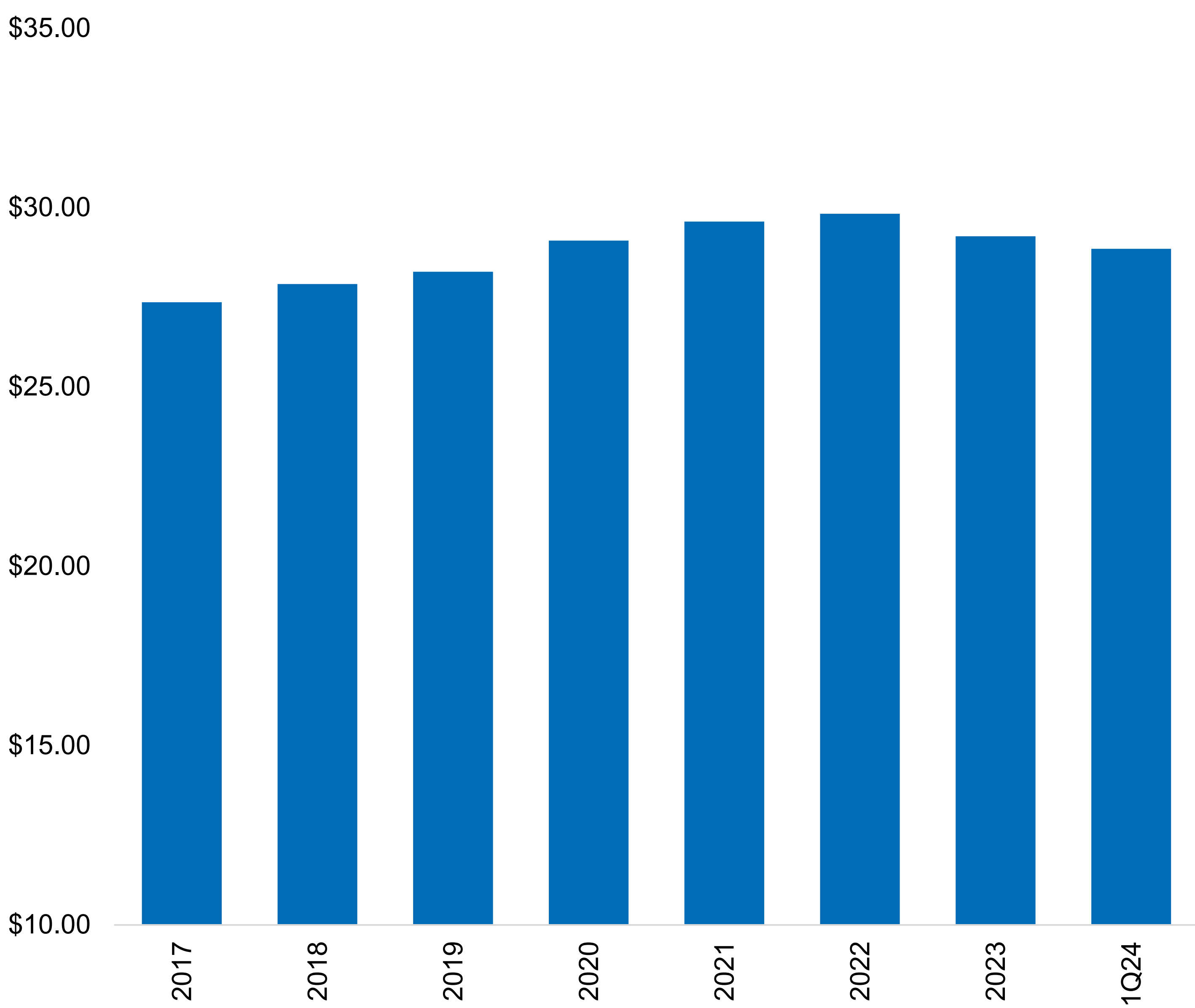


Source: CRED iQ; CRED iQ monitors distressed rates and market performance for nearly 400 MSAs across the United States, covering over $900 billion in outstanding commercial real estate (CRE) debt. Distressed rates include loans that are specially serviced, delinquent (30 days past due or worse), or a combination of both.

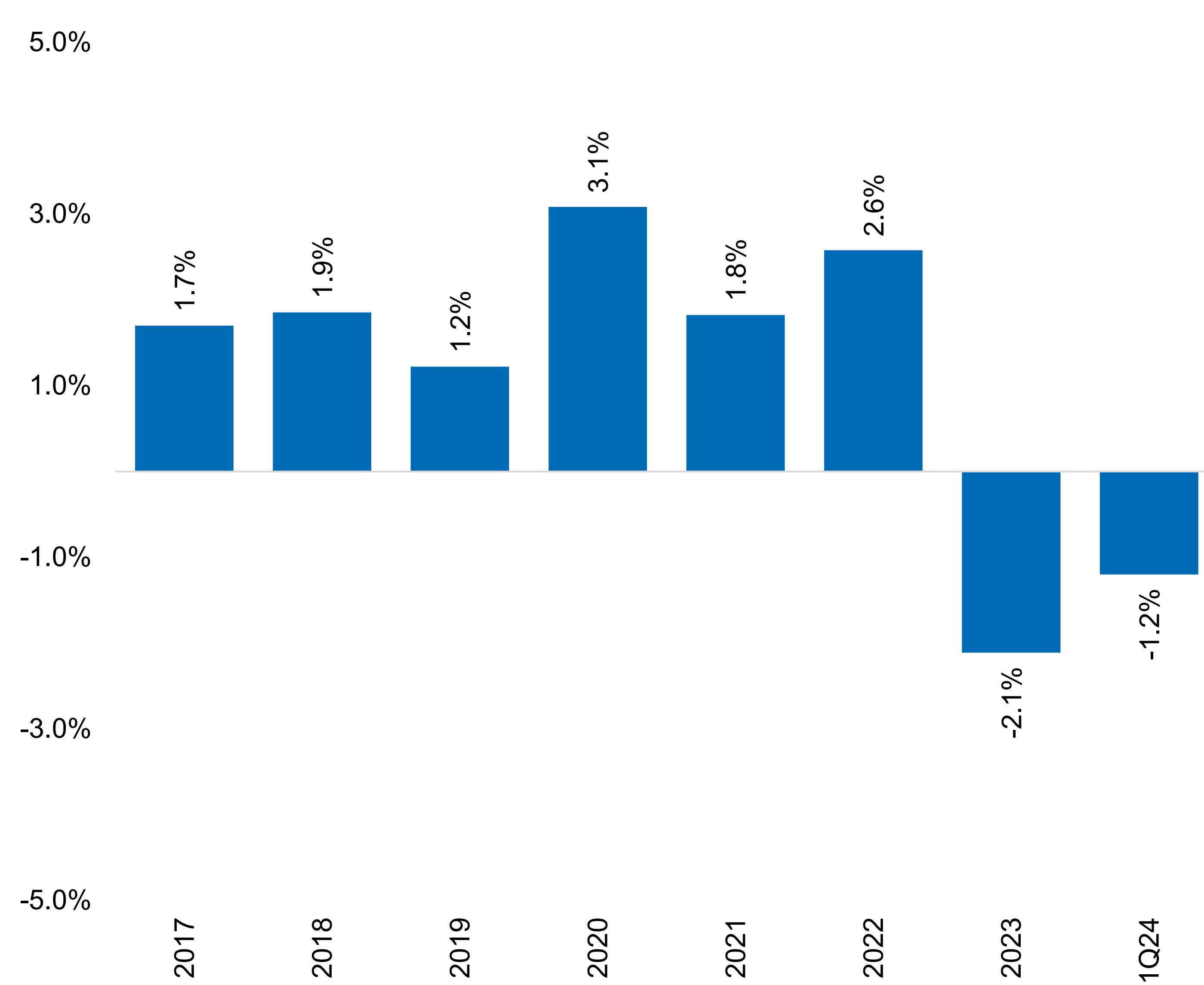
Quoted Rates Stable

Despite slight decreases in quoted rent, rates remain elevated considering current market conditions, while concessions are substantial. In the future, a lack of liquidity among some landlords may force them to lower rents rather than continue to provide elevated concession packages.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

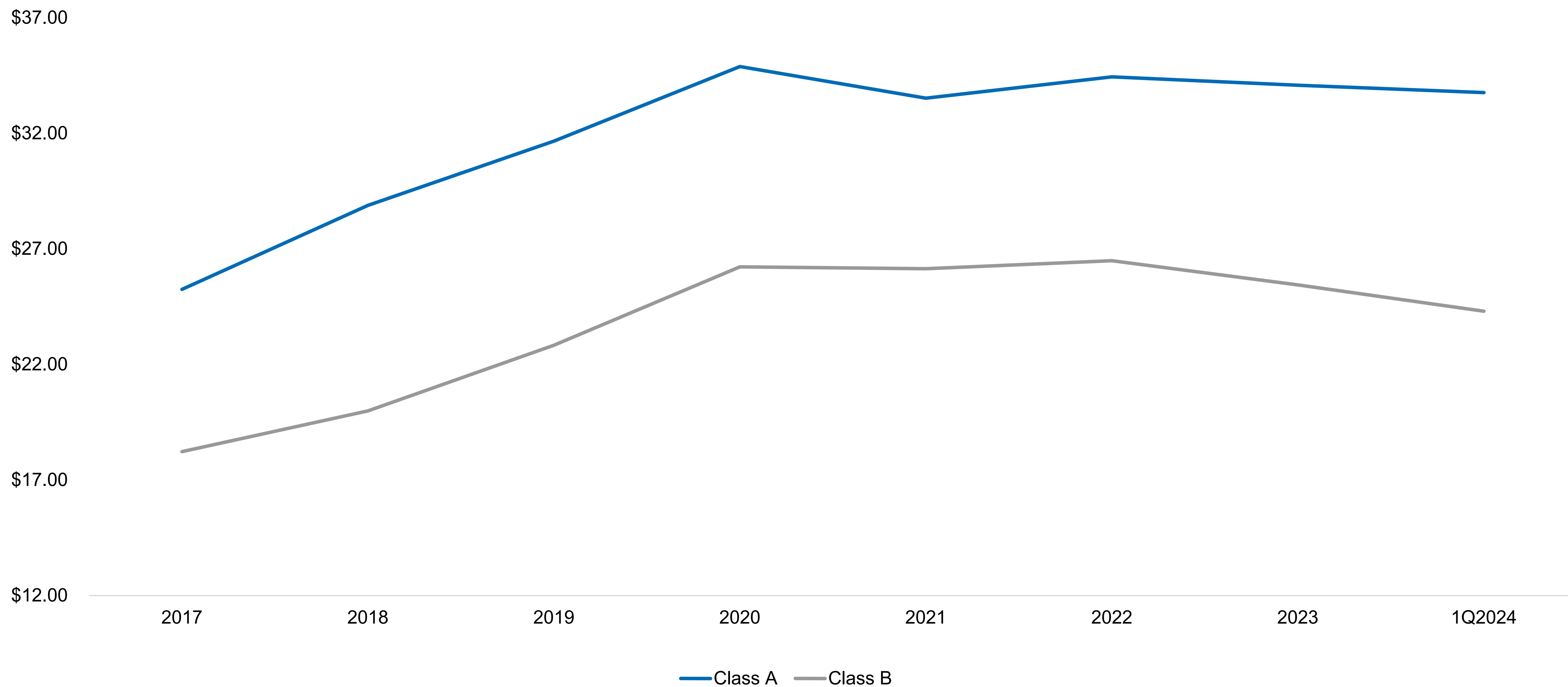


Source: Newmark Research, CoStar

Strong Demand For Highest Quality Class A Properties

Overall class A quoted rates lowered slightly– class B continues to steadily decrease.

Class A and Class B Asking Rents

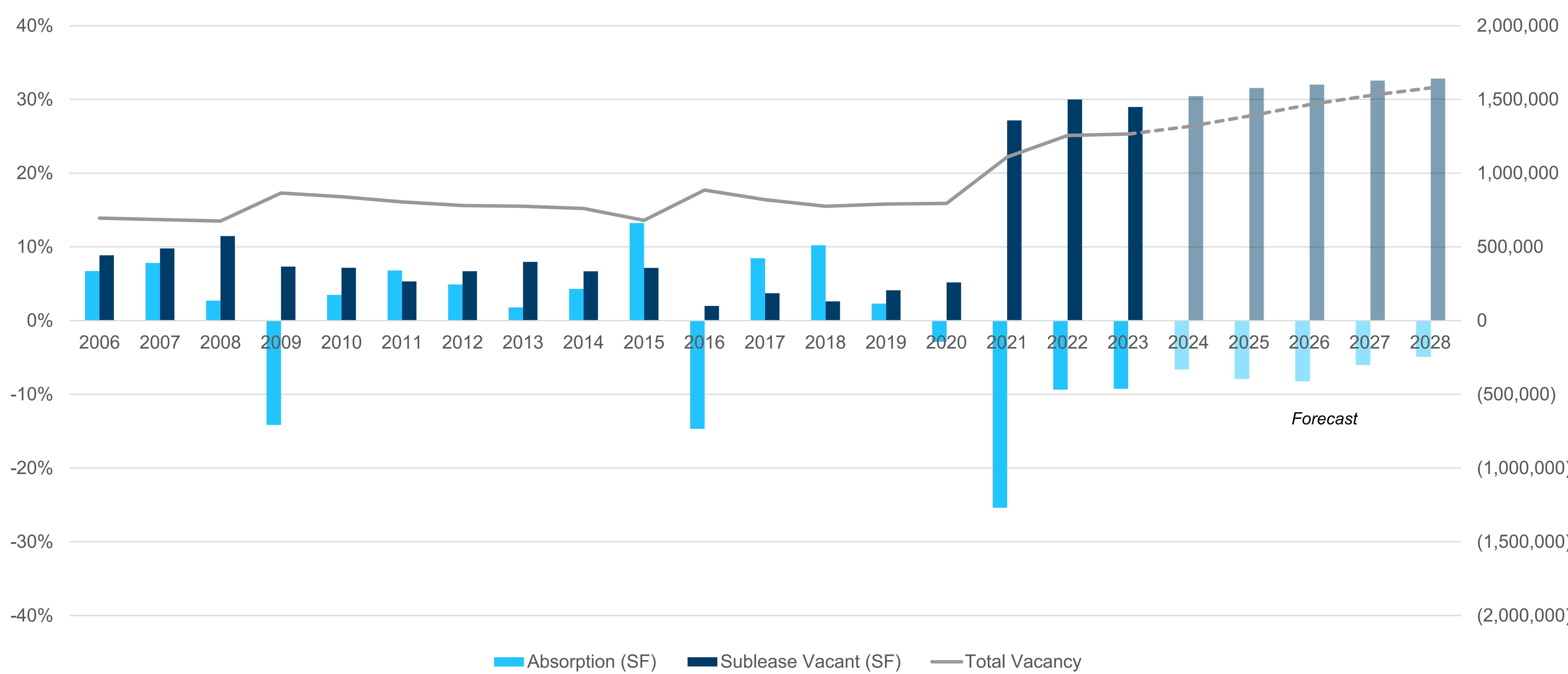


Source: Newmark Research, CoStar

Minneapolis CBD Absorption and Vacancy Forecast

Vacancy is expected to continue to rise through 2028 – when it is forecasted to reach over 30%. The completion of 360,000 square feet of office space at North Loop Green in the Minneapolis CBD 2024 will provide some positive activity, though most companies relocating are leaving larger spaces within the CBD, offsetting positive net absorption.

Class A and Class B Asking Rents



Source: Newmark Research, CoStar

Office Transactions

Notable 1Q24 Lease Transactions

Tenant	Building	Submarket	Type	SF
Aon	8200 Tower	Southwest	Renewal	81,000
Summit Medical	Viking Lakes	Southwest	Renewal & Expansion	73,000
Brown & Brown	901 Marquette	Minneapolis CBD Core	New	42,890
Clifton Larson Allen	Viking Lakes	Southeast	New	40,000
Holmes Murphy	10 West End	West	Sublease	34,967
JP Morgan	Steelman Exchange	Minneapolis CBD Northloop	Sublease	30,000
Mayo Clinic	Mayo Clinic Square	Minneapolis CBD Warehouse	Renewal	16,000
Officenters	International Plaza	Southeast	Renewal	14,190
Hennepin Theatre Trust	LaSalle Plaza	Minneapolis CBD Core	New	12,868
Choice Hotels	3701 Wayzata Blvd	West	Sublease	10,900
Periscope	The Studio	Minneapolis CBD Northeast	New	10,755
Commercial Partners Title	LaSalle Plaza	Minneapolis CBD Core	New	10,479
LinkUp	The Link	Minneapolis CBD Northeast	New	10,041

Source: Newmark Research, MNCAR

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Submarkets – Minneapolis CBD

	Inventory (SF)	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	2023 Absorption (SF)	Q1 Absorption (SF)	Weighted AVG Rate (FSG)	UC (SF)
Class A	16,168,408	3,386,984	1,001,260	27.1%	(81,057)	46,245	$35.06	359,729
Class B	6,245,813	1,767,716	166,307	31.0%	33,504	(24,602)	$27.96	0
Class C	75,738	11,094	0	14.6%	19,500	0	$16.50	0
Core Total	**22,489,959**	**5,165,794**	**1,167,567**	**28.2%**	**(28,053)**	**21,643**	**$32.89**	**359,729**
Class A	207,443	64,702	5,225	33.7%	(140)	0	$36.44	0
Class B	527,912	125,264	0	23.7%	(6,777)	0	$30.13	0
Class C	108,150	31,598	0	29.2%	(19,318)	0	$21.50	0
East Total	**843,505**	**221,564**	**5,225**	**26.9%**	**(26,235)**	**0**	**$29.90**	**0**
Class B	48,012	0	0	0.0%	0	0	$21.51	0
Class C	96,724	24,575	1364	26.8%	300	0	$21.00	0
Loring Total	**144,736**	**24,575**	**1,364**	**17.9%**	**300**	**0**	**$21.00**	**0**
Class A	200,739	8,876	0	4.4%	7,041	(4,162)	$28.14	0
Class B	1,366,699	220,223	6,733	16.6%	(16,723)	16,137	$26.09	0
Class C	989,285	64,800	2,476	6.8%	(1,539)	(5,807)	$21.98	0
Northeast Total	**2,556,723**	**293,899**	**9,209**	**11.9%**	**(11,221)**	**6,168**	**$25.12**	**0**
Class A	971,244	101,651	32,580	13.8%	93,288	(52,166)	$44.16	0
Class B	980,167	262,329	16,230	28.4%	(37,889)	(3,162)	$35.57	0
Class C	273,320	38,766	4,443	15.8%	(6,445)	4,095	$27.16	0
Northloop Total	**2,224,731**	**402,746**	**53,253**	**20.5%**	**48,954**	**(51,233)**	**$37.16**	**0**
Class A	434,333	21672	0	5.0%	(21,672)	0	$35.81	0
Class B	1,515,170	450,746	61,970	33.8%	2,674	19,978	$26.02	0
Class C	161,093	65,945	0	40.9%	(15,984)	0	$23.00	0
Warehouse Total	**2,110,596**	**538,363**	**61,970**	**28.4%**	**(34,982)**	**19,978**	**$26.27**	**0**
Class A	17,982,167	3,583,885	1,039,065	25.7%	(2,540)	(10,083)	$35.32	359,729
Class B	10,683,773	2,826,278	251,240	28.8%	(25,211)	8,351	$28.41	0
Class C	1,704,310	236,778	8,283	14.4%	(23,486)	(1,712)	$22.06	0
Mpls CBD Total	**30,370,250**	**6,646,941**	**1,298,588**	**26.2%**	**(51,237)**	**(3,444)**	**$32.25**	**359,729**

Source: Newmark Research, MNCAR, Costar
Data includes multitenant office properties 20,000 SF or larger.

Statistics (page 2 of 2)

Submarkets

	Inventory (SF)	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	2023 Absorption (SF)	Q1 Absorption (SF)	Weighted AVG Rate (FSG)	UC (SF)
Class A	2,008,491	348,520	41,805	19.4%	(58,757)	(36,026)	$32.67	0
Class B	4,222,444	797,226	14,495	19.2%	(150,863)	(41,315)	$20.16	0
Class C	411,084	91,583	0	22.3%	(34,523)	(8,156)	$16.93	0
St. Paul CBD Total	**6,642,019**	**1,237,329**	**56,300**	**19.5%**	**(244,143)**	**(85,497)**	**$23.91**	**0**
Class A	535,976	113,771	23,766	25.7%	(19,015)	(47,980)	$24.15	0
Class B	7,140,027	1,224,592	19,694	17.4%	(43,254)	26,029	$22.33	0
Class C	1,412,817	315,504	3,206	22.6%	(30,747)	(9,469)	$15.98	0
Northeast Total	**9,088,820**	**1,653,867**	**46,666**	**18.7%**	**(93,016)**	**(31,420)**	**$21.95**	**0**
Class A	451,567	30,122	29,194	13.1%	(13,083)	(9,385)	$23.33	0
Class B	2,310,407	486,844	1,478	21.1%	(136,267)	(42,875)	$20.97	0
Class C	380,568	1,794	0	0.5%	3,733	5,527	$12.82	0
Northwest Total	**3,142,542**	**518,760**	**30,672**	**17.5%**	**(145,617)**	**(46,733)**	**$20.93**	**0**
Class A	1,291,174	212,216	9,647	17.2%	(19,717)	(5,160)	$28.31	0
Class B	4,124,354	856,864	14,611	21.1%	61,476	(21,554)	$23.59	0
Class C	1,403,769	119,899	0	8.5%	(4,900)	430	$18.52	0
Southeast Total	**6,819,297**	**1,188,979**	**24,258**	**17.8%**	**36,859**	**(26,284)**	**$23.65**	**0**
Class A	7,290,753	1,638,853	298,102	26.6%	(866,503)	(90,276)	$32.36	0
Class B	7,216,800	1,296,912	134,918	19.8%	(17,038)	(31,217)	$25.61	0
Class C	2,182,255	174,973	4,378	8.2%	62,421	17,926	$22.46	0
Southwest Total	**16,689,808**	**3,110,738**	**437,398**	**21.3%**	**(821,120)**	**(103,567)**	**$29.08**	**0**
Class A	3,576,783	654,875	28,267	19.1%	44,851	83,468	$37.31	0
Class B	5,453,467	717,927	28,825	13.7%	(38,984)	(65,029)	$30.09	0
Class C	1,202,965	104,877	30,980	11.3%	3,988	167	$28.09	0
West Total	**10,233,215**	**1,477,679**	**88,072**	**15.3%**	**9,855**	**18,606**	**$33.49**	**0**
Class A	33,136,911	6,582,242	1,469,846	24.3%	(1,200,760)	(115,442)	$34.08	359,729
Class B	41,151,272	8,206,643	465,261	21.1%	(576,972)	(167,610)	$25.44	0
Class C	8,697,768	1,045,408	46,847	12.6%	57,897	4,713	$21.02	0
Overall Total	**82,985,951**	**15,834,293**	**1,981,954**	**21.5%**	**(1,719,835)**	**(278,339)**	**$29.20**	**359,729**

Source: Newmark Research, MNCAR, Costar
Data includes multitenant office properties 20,000 SF or larger.

1Q24

Submarkets

Minneapolis CBD

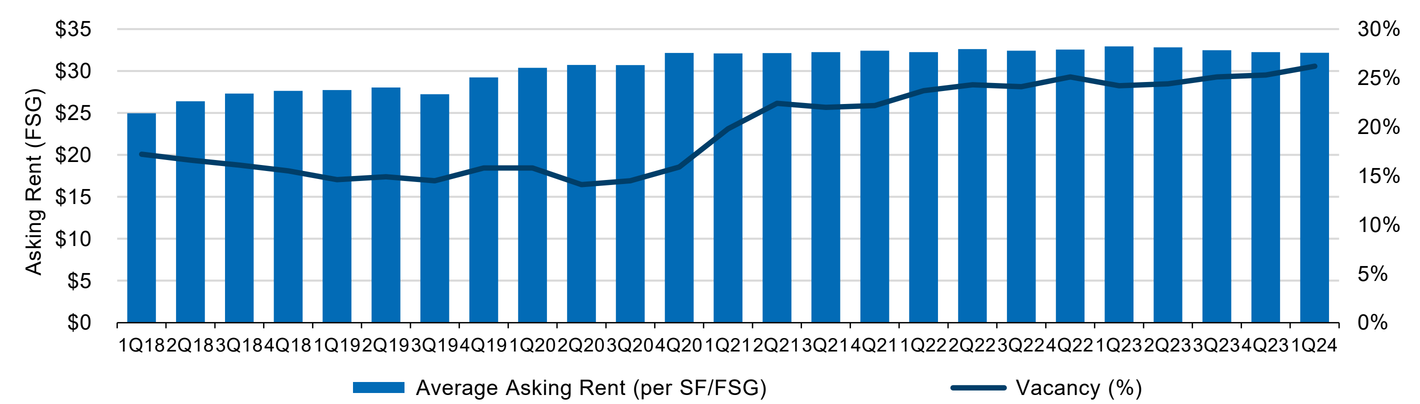
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	30.4M	31.2M	32.2M
Vacancy Rate	26.2%	25.3%	24.2%
Quarterly Net Absorption (SF)	(51,237)	(217,829)	(3,444)
Average Asking Rent/SF	$32.16	$32.25	$32.93
Under Construction (SF)	359,729	359,729	359,729

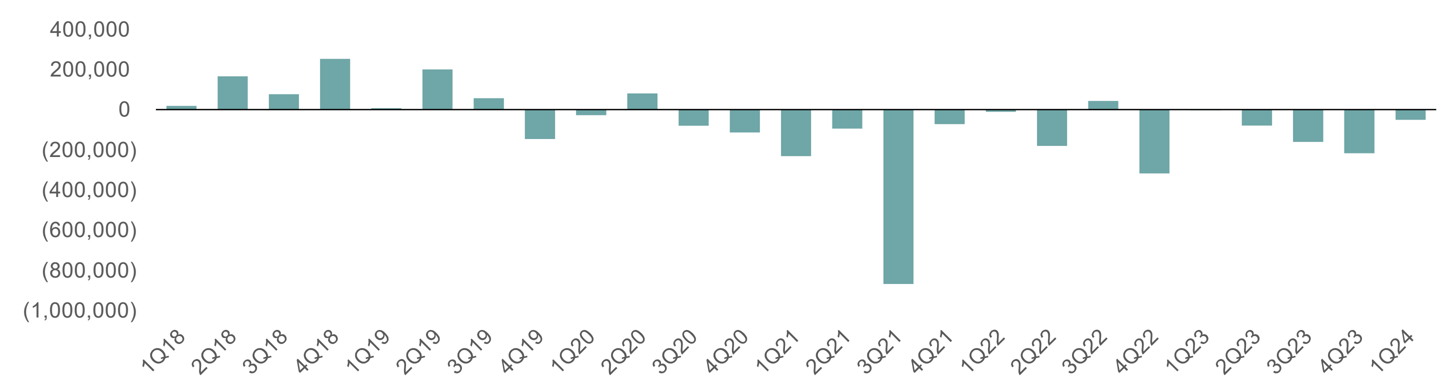
Current Market Trends

- Negative absorption continued during the 1st quarter at 51,237 square feet. Vacancy increased to 26.2%, up from 25.3% in the 4th quarter.
- The Minneapolis CBD is the largest of the seven submarkets we track with 36.6% of market inventory but contributes to an outsized portion of the vacancy. CBD vacancy is 42.0% of overall direct vacancy and 65.5% of sublease vacancy.
- In one measure of post-pandemic activity in the Minneapolis CBD – parking meter revenue was up in 2023 after a significantly decreasing in 2020 and 2021.
- Lasalle Plaza owner Hempel Real Estate recently leased space to 4 office tenants: Commercial Partners Title, 10,479 square feet (downsizing from 15,000 square feet at US Bank Plaza), Hennepin Theatre Trust, 12,868 square feet (moving from 4,500 square feet at 900 Hennepin Ave), PACE Loan Group, 4,000 square feet (downsizing from Eden Prairie), Kimberly-Clark Corp., renewal of 6,681 square feet. Lasalle Plaza tenants benefit from access to an 850-stall parking ramp Hempel recently purchased and ongoing upgrades to the property including a pickleball court and rooftop deck with a bar and golf simulators.
- Owners at Barrel House in the Minneapolis CBD are upgrading its rooftop deck and converting existing space into speculative suites and a podcast room.
- Meritex leased 13,000 square feet at Studio at Riverplace in the Northeast neighborhood of the Minneapolis CBD.
- The 164,000-square-foot Kickernick Building in the Warehouse district sold for $3.79 million to Space Unlimited. This represents a discount from the $19.15 million United Properties paid for the building in 2017.

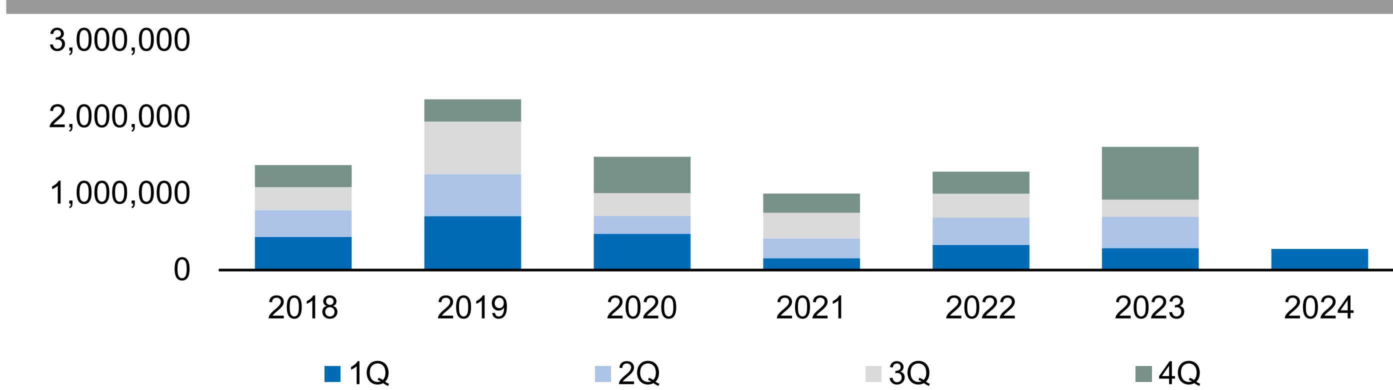
Asking Rent and Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

St. Paul CBD

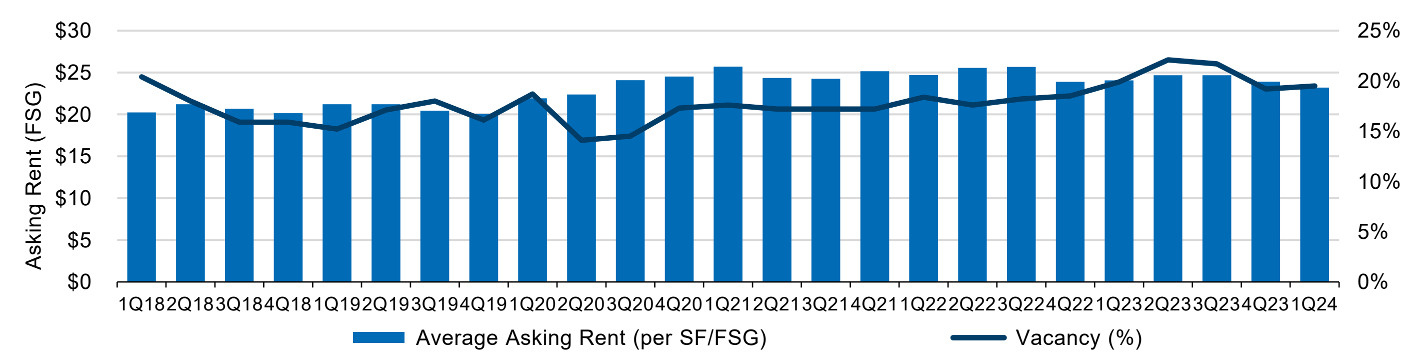
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	6.6M	6.6M	7.3M
Vacancy Rate	19.5%	19.2%	19.9%
Quarterly Net Absorption (SF)	(15,399)	(16,305)	(85,497)
Average Asking Rent/SF	$23.20	$23.91	$24.06
Under Construction (SF)	0	0	0

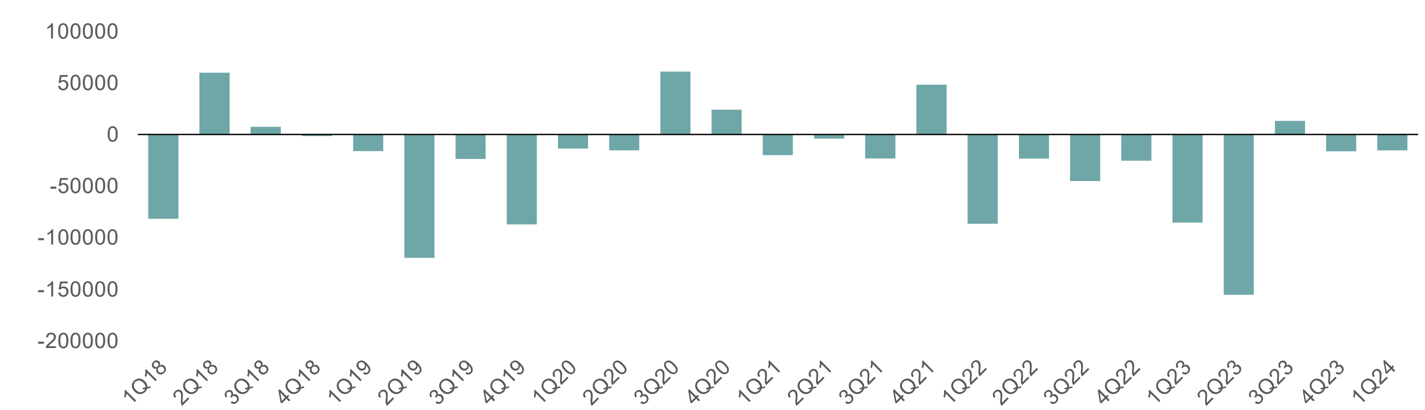
Current Market Trends

- Vacancy increased from 19.2% during the fourth quarter of 2023 to 19.5%, and absorption was negative 15,399.
- Renovations are being planned for 10 River Park Plaza near the St. Paul CBD, as anchor tenant Comcast moves out of out of several floors later in 2024. Updates include a renovated lobby and new 7th-floor sky lounge.
- The inventory of space has been decreasing in recent years as properties are converted to residential uses.
  - The former Ecolab University at 386 Wabasha will be converted to apartments. Inland purchased the property and has plans for approximately 175 units.
  - Sherman Associates received approval from the St. Paul City Council for $21 million in tax-increment financing to convert Landmark Towers to 187 apartments.
- The Downtown St. Paul Alliance published a Downtown Investment Strategy report that highlighted past residential conversions and noted additional office to residential conversion candidates. Redeveloping office properties with high vacancies to apartments will improve the vitality and density of the CBD.
- Additional conversion prospects include the 662,000-square-foot First National Bank Building and the 672,000-square-foot Great Northern building. In addition to high vacancy, both properties have relatively small floor plates, which makes them suitable for multifamily conversion due to residential plumbing and HVAC requirements.

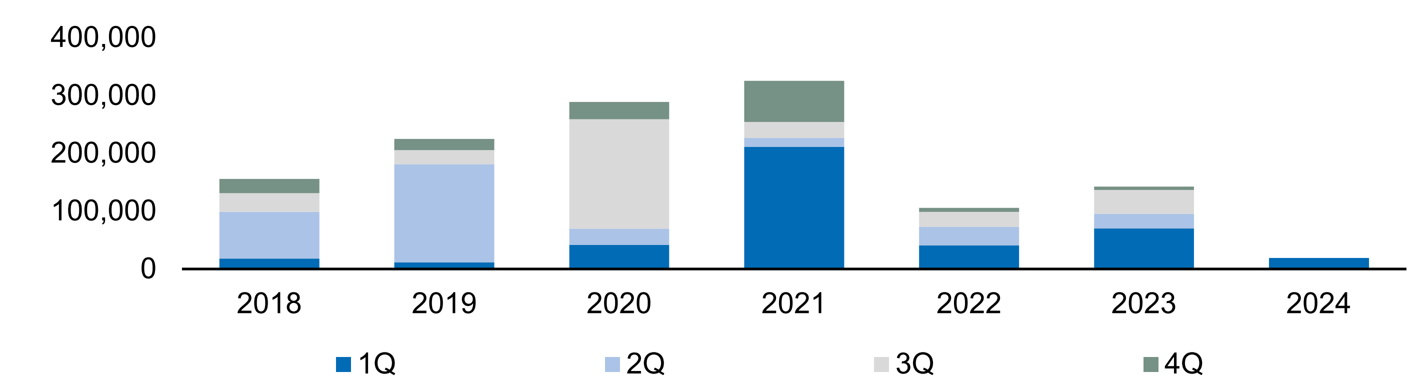
Asking Rent and Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

Northeast

Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	9.1M	9.1M	9.1M
Vacancy Rate	18.7%	18.2%	17.4%
Quarterly Net Absorption (SF)	(41,932)	(20,875)	(31,420)
Average Asking Rent/SF	$20.58	$21.95	$22.18
Under Construction (SF)	0	0	0

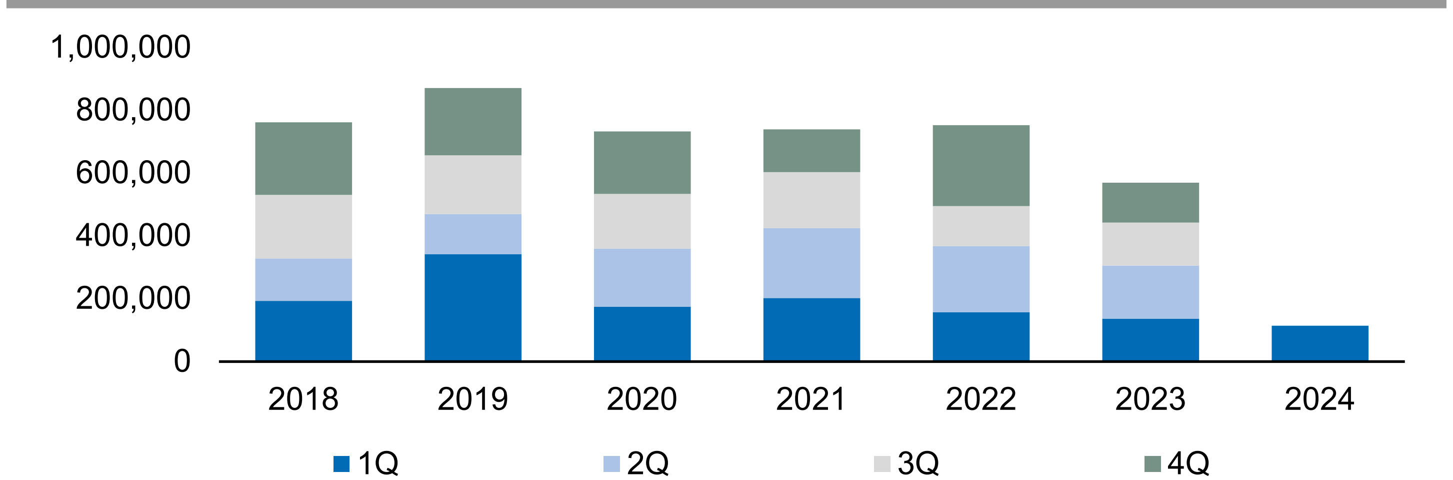
Current Market Trends

– The vacancy rate increased from 18.2% to 18.7% during the first quarter of 2024. There was 41,932 SF of negative absorption.

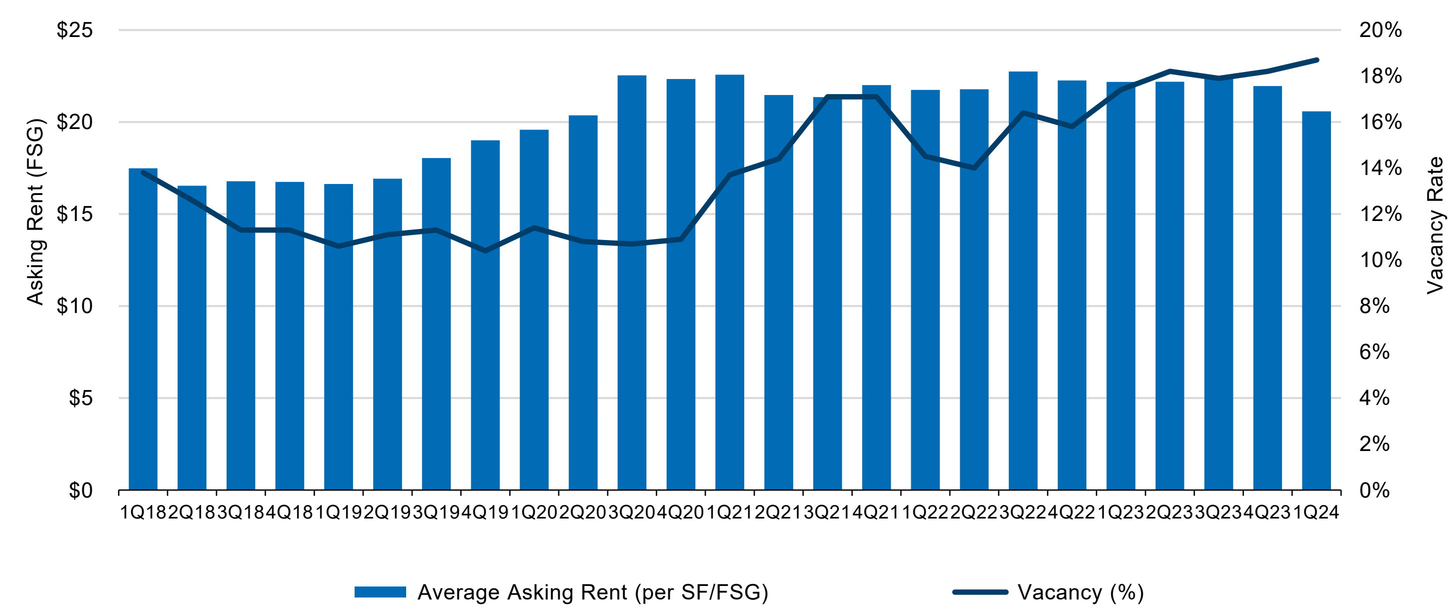
– Rental rates in this submarket are lower than the overall market average of $28.85/SF. Class A rates are nearly $10/SF less than overall Class A rates; at $24.19/SF and $33.76/SF for the Northeast and overall, respectively.

– Ryan Companies received approval from Ramsey County to purchase a 40-acre outlot at the former Twin Cities Army Ammunition Plant in Arden Hills. The plans are for a 400,000-600,000 square foot build-to-suit development for a corporate campus, life sciences offices, research and development center or manufacturing and distribution facilities.

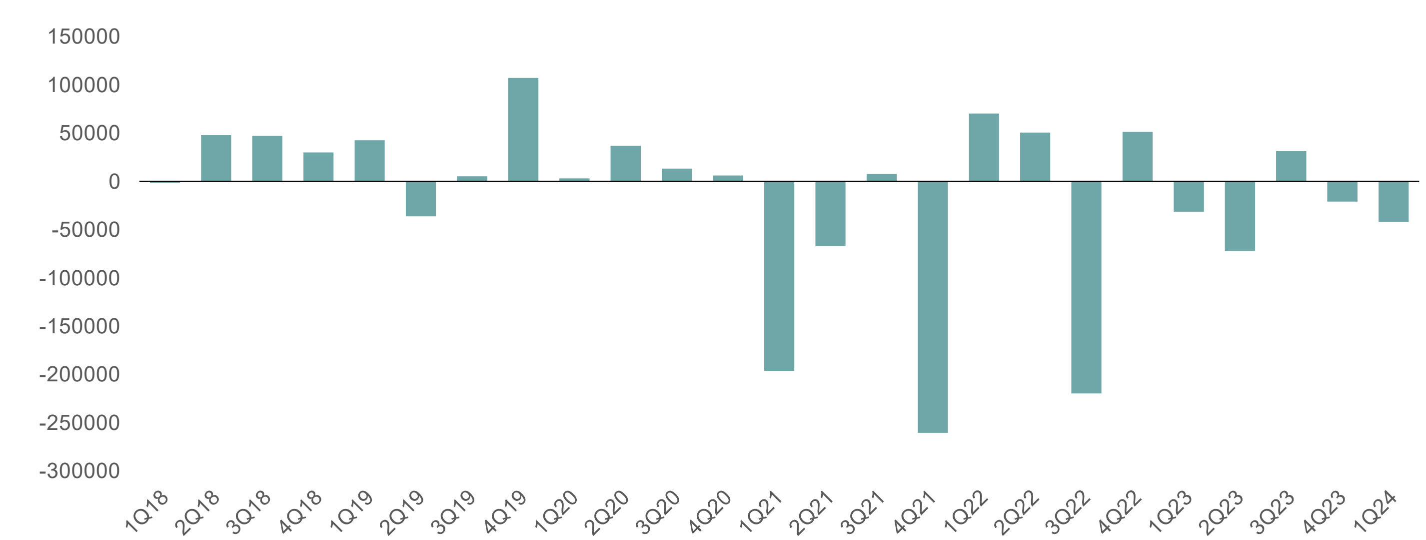
Overall Leasing Activity



Asking Rent and Vacancy Rate



Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

Northwest

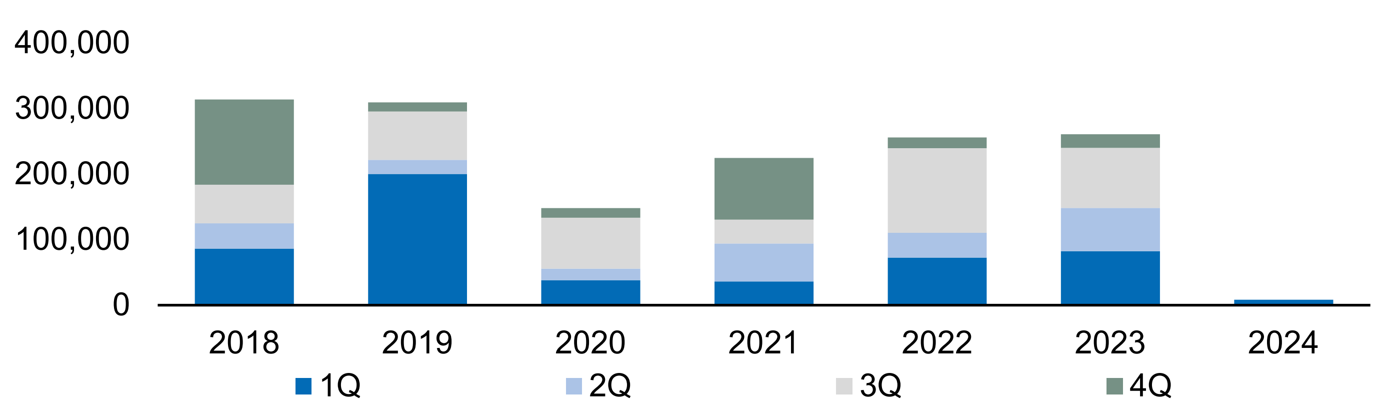
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	3.1M	3.1M	3.0M
Vacancy Rate	17.5%	16.8%	12.6%
Quarterly Net Absorption (SF)	(22,619)	(7,735)	(46,733)
Average Asking Rent/SF	$21.27	$20.93	$21.02
Under Construction (SF)	0	0	0

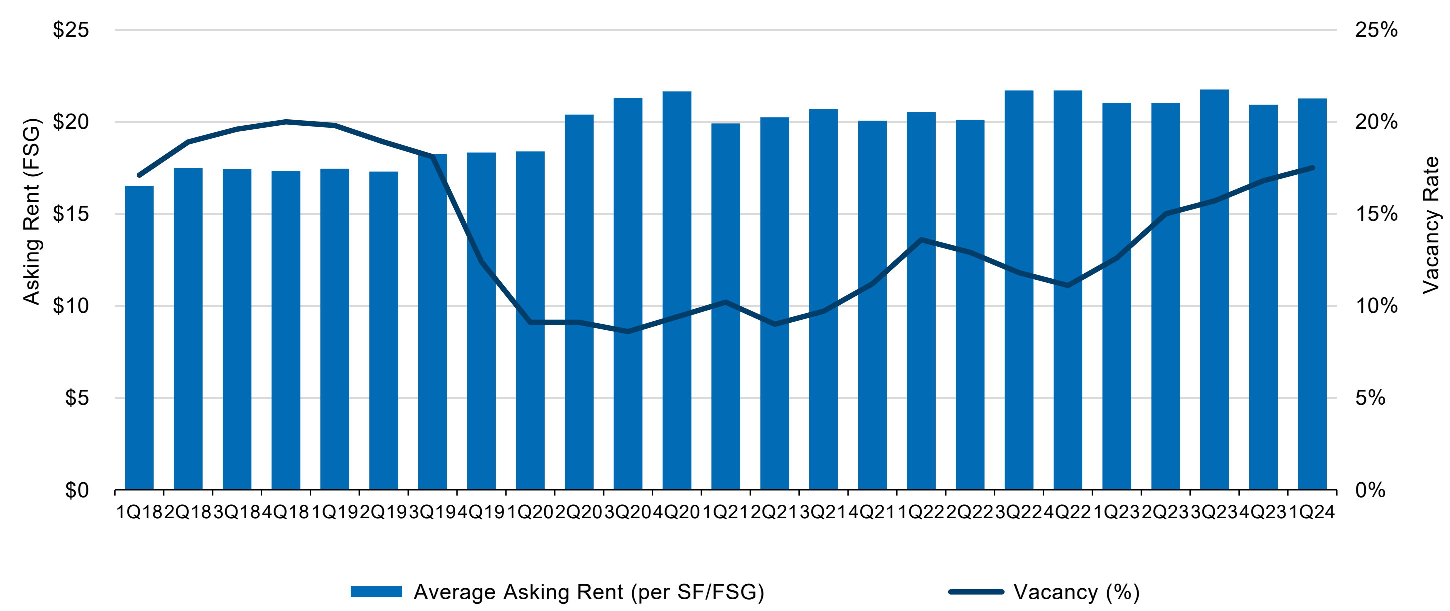
Current Market Trends

- Vacancy continued to increase from 16.8% in the previous quarter to 17.5% currently. Absorption was negative 22,619 square feet.
- Demolition has begun on the 450,000 square foot former Prudential Financial building in Plymouth. Prudential vacated the building in 2022 and signed a lease for 28,000 square feet at the Dayton's Project in downtown Minneapolis. Summit Orthopedics is planning to build an 80,000 square foot facility on the site. The development team includes Scannell Properties and Roers Cos. and there are also plans for retail, a business park and housing units.
- The Opus Group purchased 30 acres in Maple Grove where a 248,000 square foot facility is planned for BAE Systems that will include manufacturing, office, warehouse and R&D.

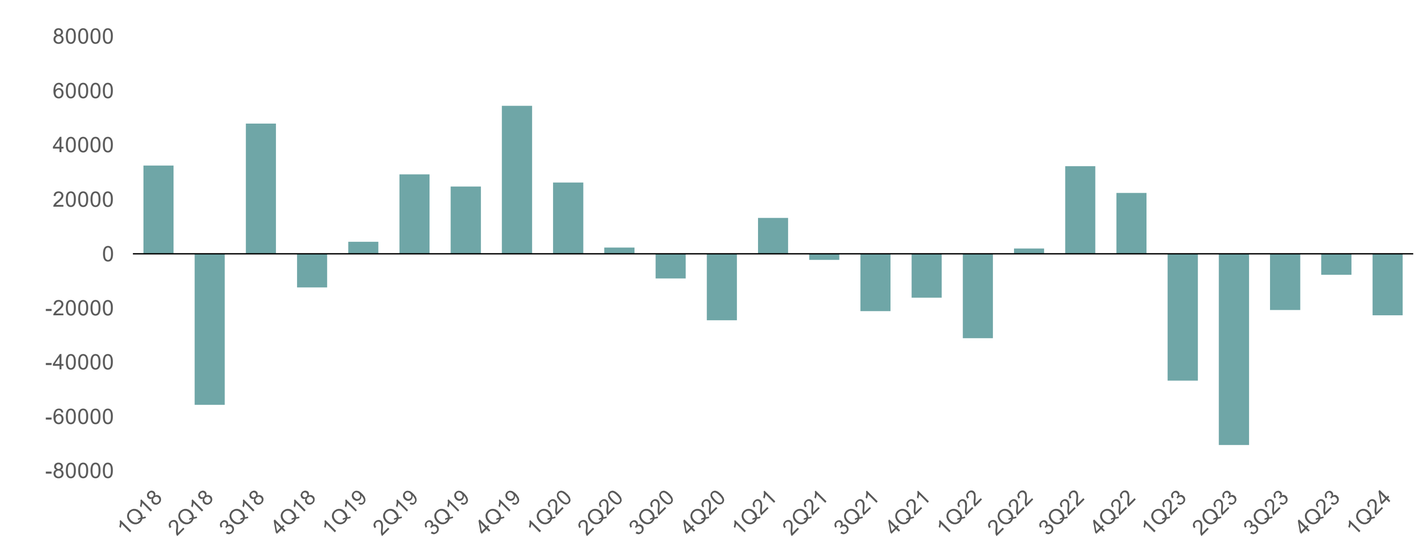
Overall Leasing Activity



Asking Rent and Vacancy Rate



Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

Southeast

Statistical Summary

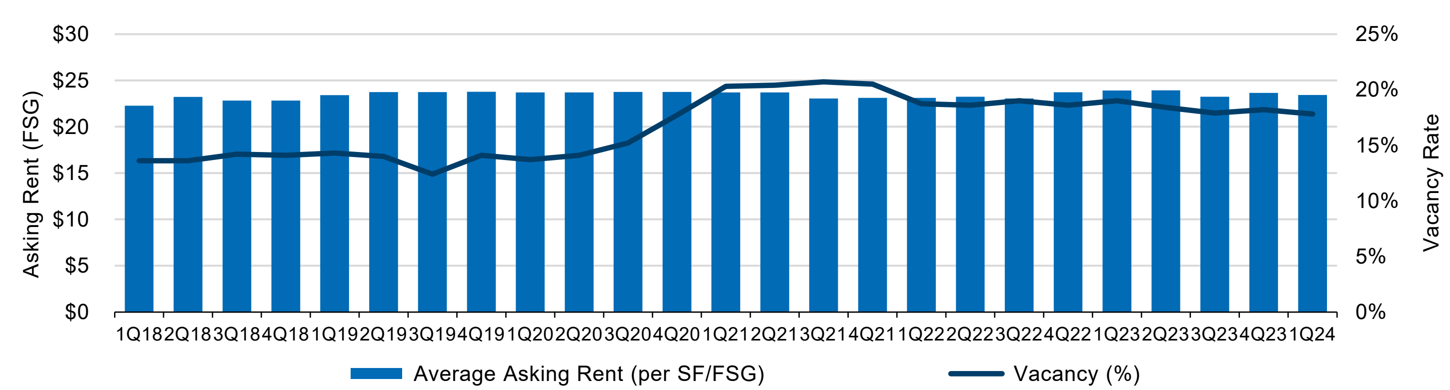
	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	6.8M	7.0M	7.0M
Vacancy Rate	17.8%	18.2%	19.0%
Quarterly Net Absorption (SF)	(60,033)	(17,851)	(26,284)
Average Asking Rent/SF	$23.42	$23.65	$23.23
Under Construction (SF)	0	0	0

Note: Due to inventory adjustments over 200,000 square feet of space was removed from the universe, resulting in a decrease in vacancy despite negative absorption.

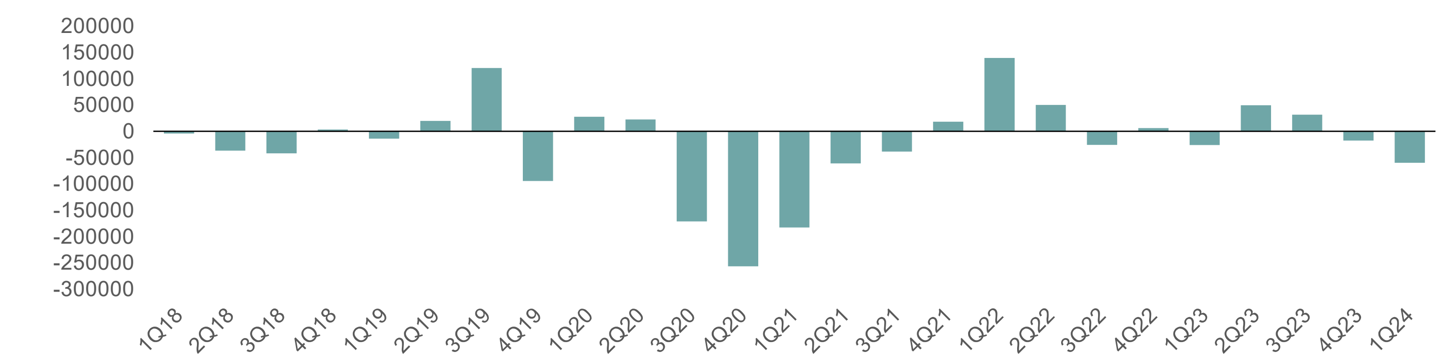
Current Market Trends

- Rental rates overall are $23.42/SF and absorption was negative at 60,033 SF and vacancy was 17.8%.
- Summit Medical signed a lease at Viking Lakes in Eagan after renewing and expanding from an initial leased signed in 2011 for 11,000 square feet. The company now leases the entire 73,000 square foot building.
- Ryan Companies intends to purchase 179 acres at the Thomson Reuters campus in Eagan for redevelopment. There is a 1.1 million square foot office building, data center space totaling 333,912 square feet and 90 acres of land on the site. Thomson Reuters will maintain a print manufacturing facility at the campus and sublease 300,000 square feet at the Prime Therapeutics campus, also in Eagan.
- CliftonLarsonAllen leased 40,000 square feet at the Viking Lakes campus in Eagan, adding to other offices it has in Minnesota. The accounting firm plans to use the space for training and teambuilding when it opens in 2025.
- CHS Inc. bought back its 361,500 square foot campus in Inver Grove Heights for $6 million less than it sold if for in 2018. The transaction in 2018 included a leaseback when SunTrust Equity Funding bought from CHS and CHS stayed at the property as a tenant.
- Johnson Brothers Liquor has withdrawn its plans for a 460,000 square foot warehouse facility and corporate headquarters at the Blue Cross Blue Shield campus in Eagan.

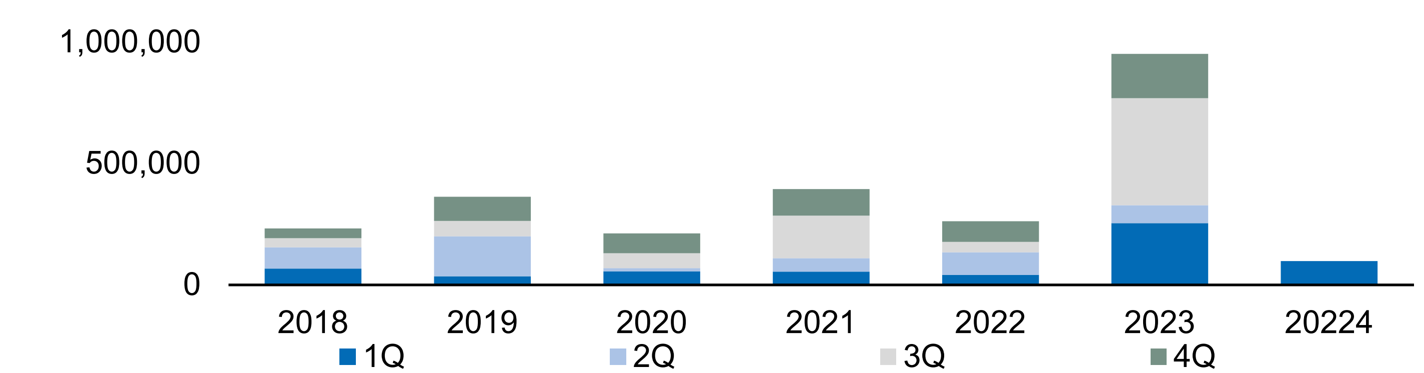
Asking Rent and Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

Southwest

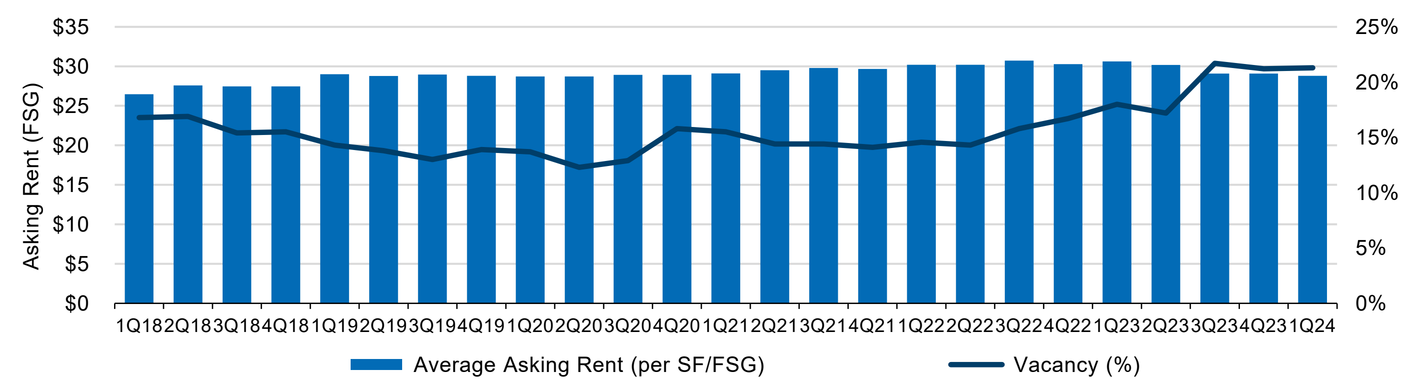
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	16.7M	16.7M	16.8M
Vacancy Rate	21.3%	21.2%	18.0%
Quarterly Net Absorption (SF)	40,405	4,552	(103,567)
Average Asking Rent/SF	$28.79	$29.08	$30.62
Under Construction (SF)	0	0	0

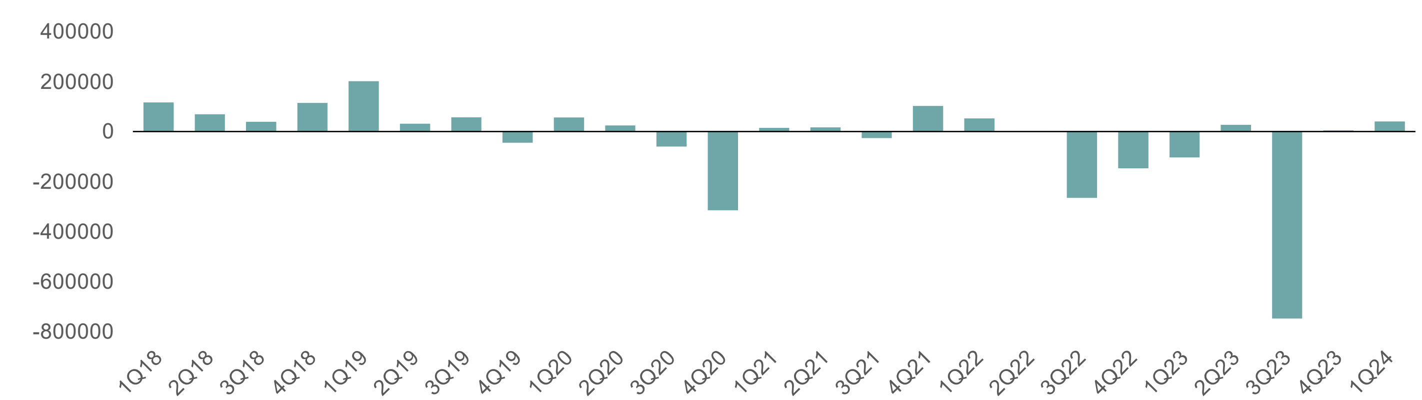
Current Market Trends

- The vacancy rate was flat at 21.3% and there was 40,405 SF of positive absorption.
- Frauenshuh sold Primetech Office Center in Eden Prairie for $3.87 million to Yellow Pond LLC of Edina. This equates to a $63.90 price per square foot on the 60,561 square foot property.
- The owners of Southdale Office Center, a 4-building Edina office complex totaling over 400,000 square feet, submitted plans to the city for a 107,000 square foot medical office building, restaurant and parking ramp. The site is located at 6600-6800 France and would include replacing two of the site's smaller office buildings.
- The former UNFI (Cub Foods owner) campus in Eden Prairie is being split and sold to two separate owners. CSM Corp plans to build a hotel, retail space and two apartment buildings totaling 300 units on the western side of the property. Eden Prairie Schools is planning to purchase the eastern part of the site and renovate the existing 165,000-square-foot structure for its Transition and Student Support for Educational Life center.
- Wings Financial is seeking a court-appointed receiver to assume control of the 8200 Tower at Normandale Lake due to the property's ownership defaulting on the $41.3 million mortgage held by Wings.

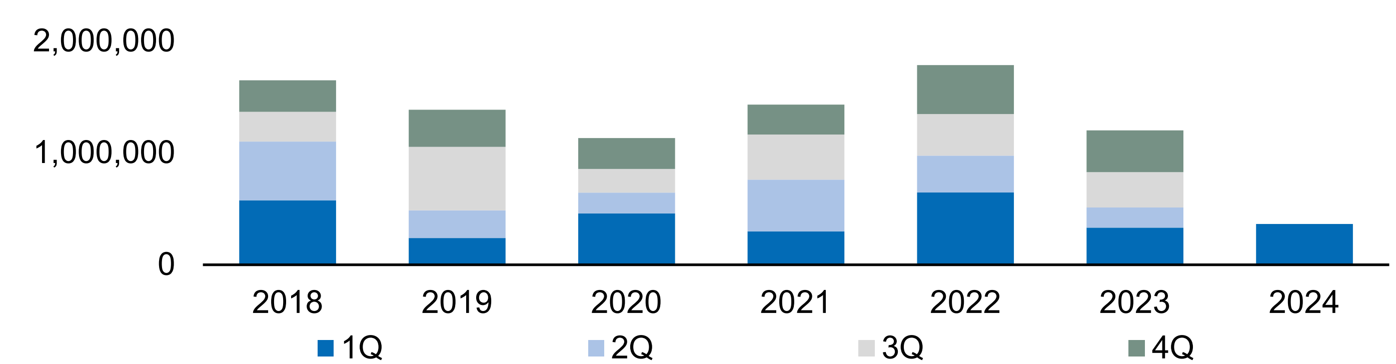
Asking Rent and Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

West

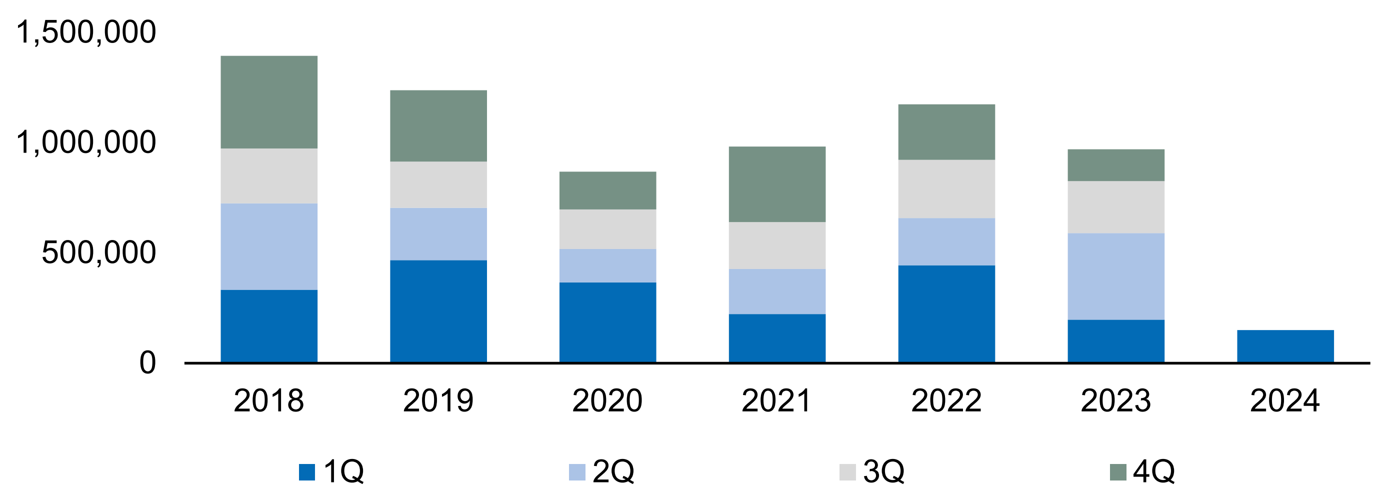
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	10.2M	10.2M	10.3M
Vacancy Rate	15.3%	15.7%	15.7%
Quarterly Net Absorption (SF)	12,713	86,824	18,606
Average Asking Rent/SF	$32.73	$33.49	$35.03
Under Construction (SF)	0	0	0

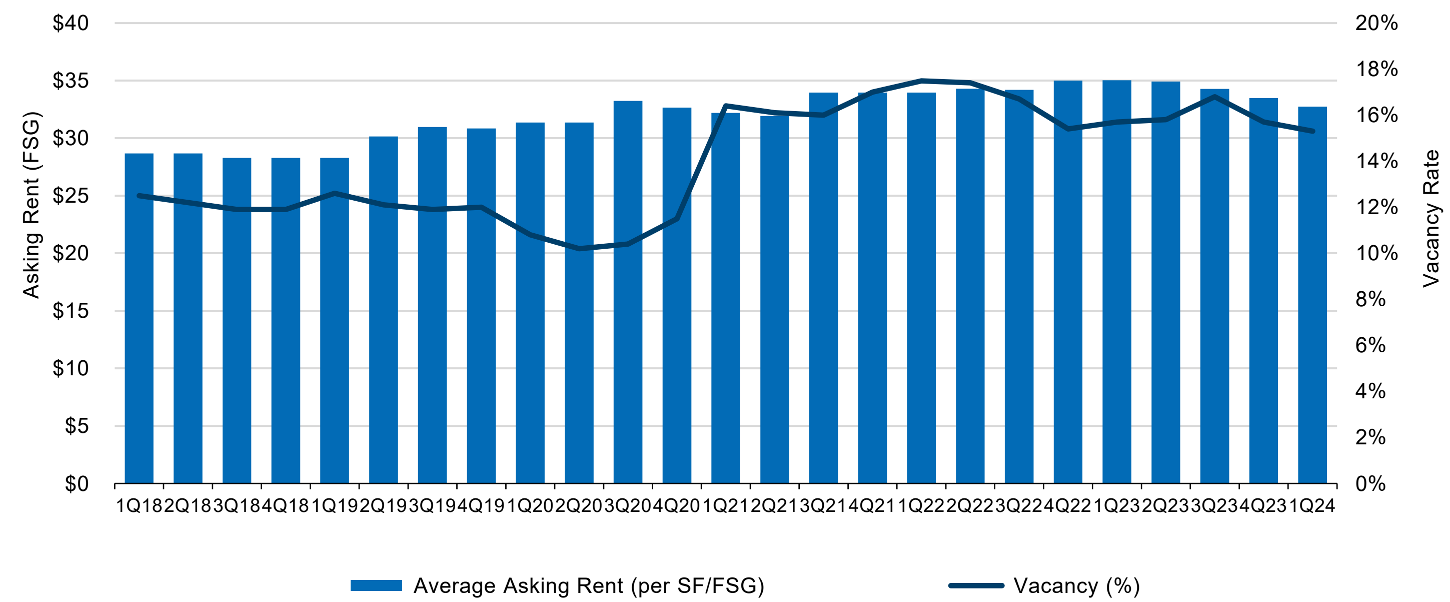
Current Market Trends

- The West submarket boasts the highest rental rates among submarkets at $32.73/SF, surpassing the overall average of $28.85/SF.
- The vacancy rate decreased from 15.7% to 15.3%, with 12,713 SF of positive absorption.
- The West End area has been a hotspot of robust demand, with a strong infill location and proximity to retail, services and freeway linkages.
- Class A office property Waterford Office Park in Plymouth is for sale by current owner DRA Advisors. The complex includes two connected towers totaling 471,000 square feet and is home to Winmark and Wealth Enhancement Group.

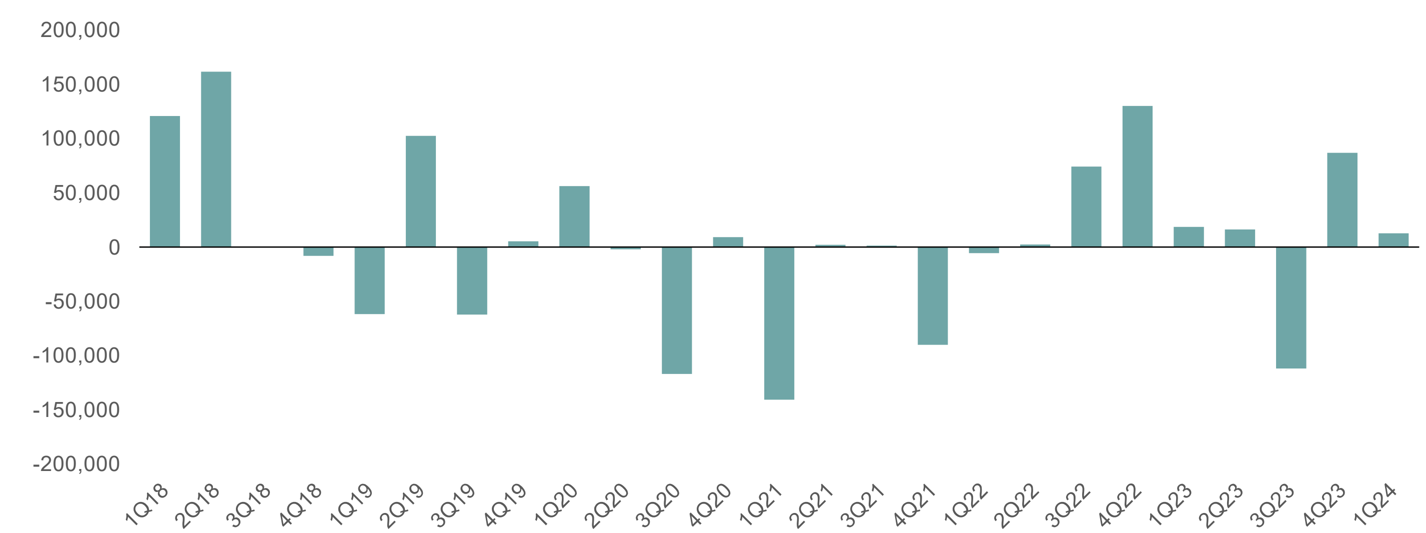
Overall Leasing Activity



Asking Rent and Vacancy Rate

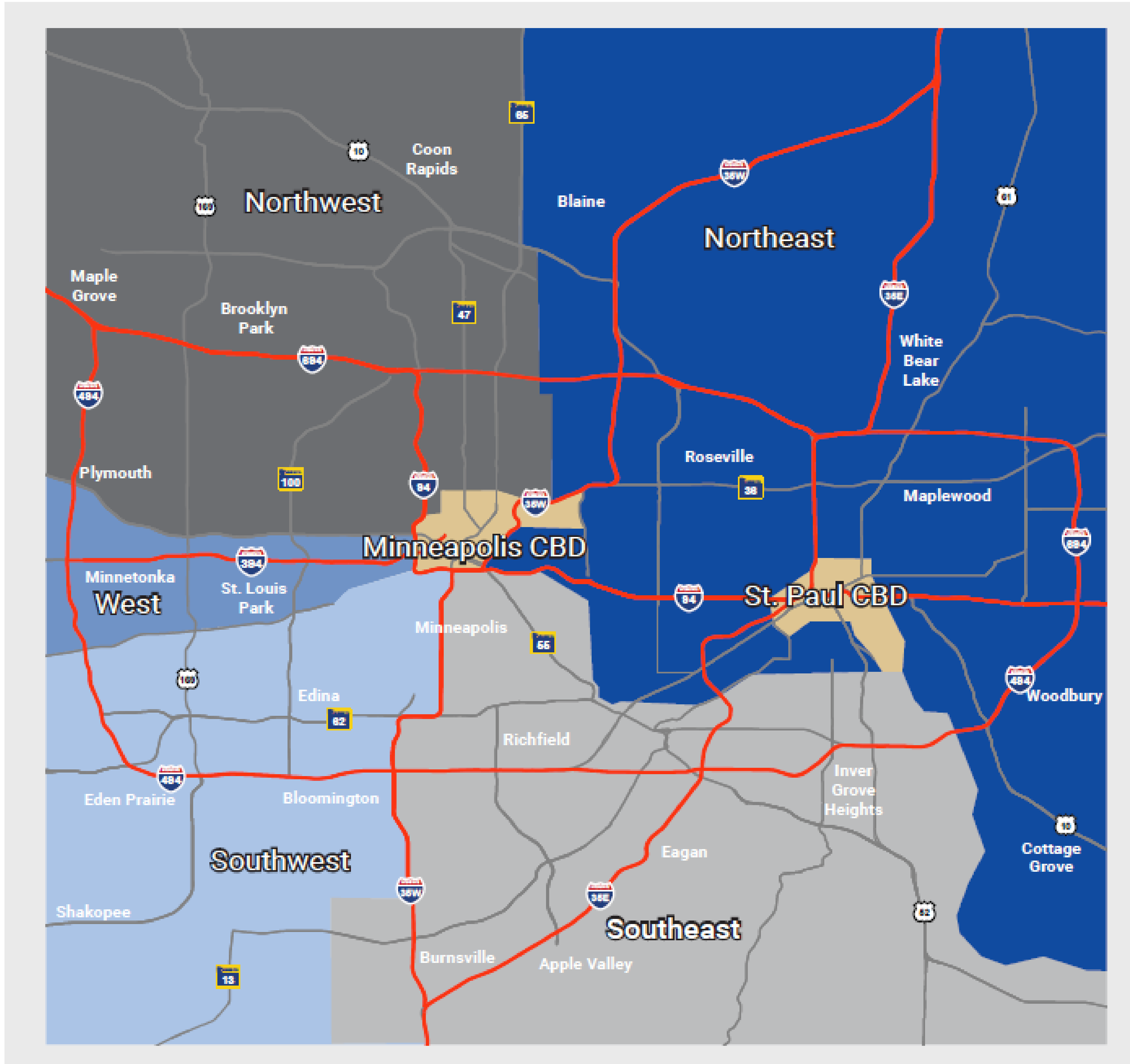


Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

Minneapolis-St. Paul - Submarket Map



For more information:

Maura Carland
Research Director
maura.carland@nmrk.com

Jim Damiani, CCIM, SIOR
Executive Managing Director
jim.damiani@nmrk.com

Brent Erickson
Senior Managing Director
brent.erickson@nmrk.com

Minneapolis
100 S 5th St, Suite 2100
Minneapolis, MN 55402
t 612-430-9950

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

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