

3Q23

# Minneapolis-St. Paul Office Market Trends



**NEWMARK**

# Market Observations



- 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.
- Minneapolis-St. Paul is a global leader in biotechnology and biomedical research, with deep roots in agriculture, food exports and water technology, and has one of the highest concentrations of banks and financial talent of any major metropolitan area.
- The region has a historically low unemployment rate, currently 60 basis points lower than the national rate. The unemployment rate is 3.2% as of August 2023, compared with a low of 2.0% in April 2022 and 11.7% in May 2020.
- Minneapolis's 12-month job growth as of August was strong, with 35,400 jobs added.
- Office-using employment sectors have not returned to pre-pandemic levels. Information and financial activities saw year-over-year declines of 2.3% each, and professional and business services declined by 1.2%.
- The region added 35,400 nonfarm jobs since August of 2022, and total employment is 22,400 jobs above February of 2020.
- Leisure and hospitality employment continues to surge, recording an 8.1% increase in jobs, driven by consumer spending preferences shifting to experiences from retail goods.



- Best Buy has made 600,000 SF of space available for lease within its expansive 1.5-million-SF corporate campus in Richfield. The complex has a 215,000-SF communal amenity area that includes numerous dining and coffee options.
- While the investment sale market remains slow, Spear Street Capital bought the 2022-built RBC Gateway tower from developer United Properties for \$225 million. The sale marks 2023's largest to date and included 525,000 SF of office space, a ground floor lobby and an underground parking facility with 296 stalls.
- HealthPartners chose not to renew its lease at the Great Northern Building in the St. Paul Central Business District, where it occupied 100,000 SF of space. Previously, approximately 500 employees were based at this location.
- The 58-story Capella Tower, the second-tallest building in Minnesota after the IDS Tower, is for sale. The property, owned by Shorenstein Partners, is in the Minneapolis CBD and totals over 1.4 million SF.
- SICK, a German sensor manufacturer, finalized the acquisition of land in Bloomington, close to the Mall of America. They will commence construction on a 144,000-SF office building in 2024, close to an existing production and logistics facility the company operates.
- UnitedHealth Group has opted not to renew its lease at its 345,000-SF headquarters building in Minnetonka. The company's C-suite executives are among the employees relocating from Minnetonka to the Optum campus in Eden Prairie during the first half of 2024.
- The Lumber Exchange, located in the Minneapolis CBD, has been acquired by the lender. The property, totaling 229,211 SF and constructed in 1885, was previously owned by R2 Companies and York Capital Management. There was a \$20.1-million loan associated with the property, which was due to mature on June 1st.



# Market Observations



## Leasing Market Fundamentals

- Quarterly net absorption was negative 967,041 SF, contributing to a year-to-date negative total of over 1.5 million SF. Much of this negative absorption was concentrated in the Southwest, due to Best Buy's listing of 600,000 SF at its corporate campus.
- This is the highest level of negative absorption recorded since the onset of the pandemic and compares to the third quarter of 2021, when there was 944,169 SF of negative absorption. Since 2020, positive absorption only occurred in the first quarter of 2022 when RBC Gateway was completed.
- As the office market grapples with significant changes in space utilization, the Minneapolis market also has the highest reduction of office-dependent employment. Information, financial activities and professional and business services were industries that had a decline in employment levels on an annual basis as of August.
- The vacancy rate including sublease space has risen to 21.5%, from 20.3% in the second quarter of 2023. The highest vacancy rate is 25.1% in the Minneapolis CBD, in contrast to suburban submarkets, where overall vacancy rate is notably lower at 18.9%.
- Rental rates again declined slightly by 1.4%, a continuation of the 1.4% decrease that occurred in the second quarter of 2023, which marked the first decline in asking rents since the onset of the pandemic. It's important to note that quoted rental rates remain elevated, while concessions are substantial and increasing, particularly in the Minneapolis CBD.
- The region's economy has historically benefited from a significant concentration of corporate headquarters, including both public and private companies. Since the onset of the pandemic and widespread adoption of hybrid work, this concentration has driven a significant decrease in office demand. Companies such as Best Buy, UnitedHealth Group, Target, BlueCross BlueShield of Minnesota, Thomson Reuters and Prime Therapeutics have either reduced or are planning to reduce office occupancy.



## Outlook

- In a positive sign for future office space utilization, businesses continue to mandate or strongly encourage their employees to return to the office. In September, Xcel Energy declared a mandate for its employees to be in the office for a minimum of three days a week, including the 2,000 employees that work at the company's office in the Minneapolis CBD. Also of note are national tech firms, such as Apple, Google, Meta and Zoom, actively encouraging their employees to return to in-person work.
- There continues to be a steady influx of new sublease availabilities, but activity among these spaces, including larger spaces over 20,000 SF, is increasing. Forward Edge/Lockheed subleased 68,308 SF in the Northeast submarket, and NetSPI subleased 60,000 SF in the North Loop of the Minneapolis CBD.
- Our estimates indicate companies that have renewed or signed leases since the onset of the pandemic are, on average, reducing occupancy levels by around 20% as they embrace hybrid work strategies. Among office space users, a significant portion haven't yet gone through the process of reevaluating their space requirements, which is typically triggered by events like lease expirations or early termination options. Because of this, we anticipate a sustained decrease in overall demand for office space over the next few years as companies reevaluate their needs. This trend should stabilize by 2026.
- US Bank has several leases expiring in the next year, including 444,000 SF at US Bancorp Center in the Minneapolis CBD, 340,000 SF at Meridian Crossings in Richfield and 118,000 SF at U.S. Bank Center in the St. Paul CBD. The company also occupies over 250,000 SF at Excelsior Crossings in Hopkins. US Bank has asked its hybrid workforce to return to the office three days a week. Should the bank opt not to renew one or more of these leases as part of a workforce consolidation strategy, it could result in a substantial negative absorption.
- The pace of sales is expected to continue to be slow in upcoming quarters due to elevated interest rates and uncertain market fundamentals. In particular, lenders are displaying caution when it comes to providing loans for properties in Downtown areas.

- 1. Economy
- 2. Leasing Market Fundamentals



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3Q23

# Economy

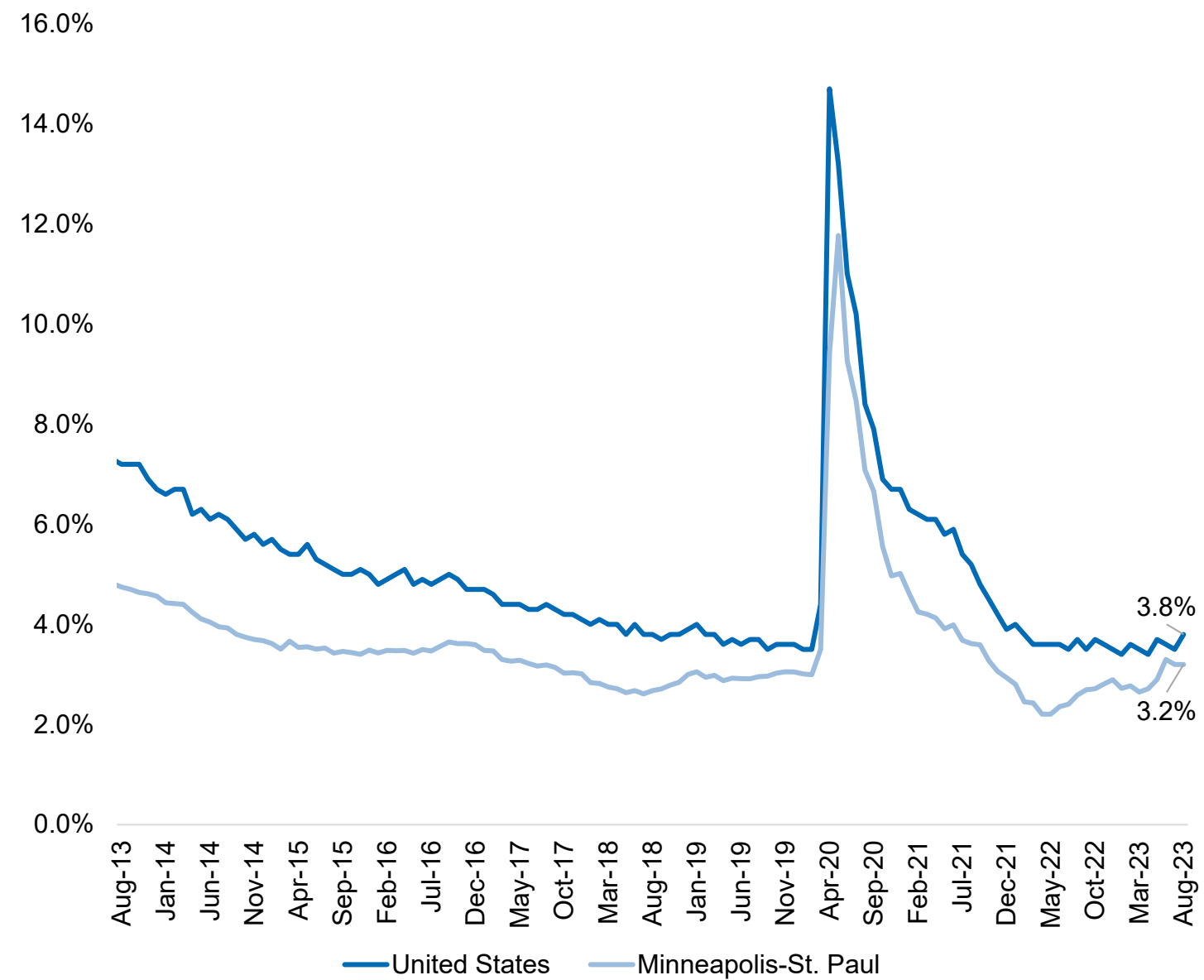




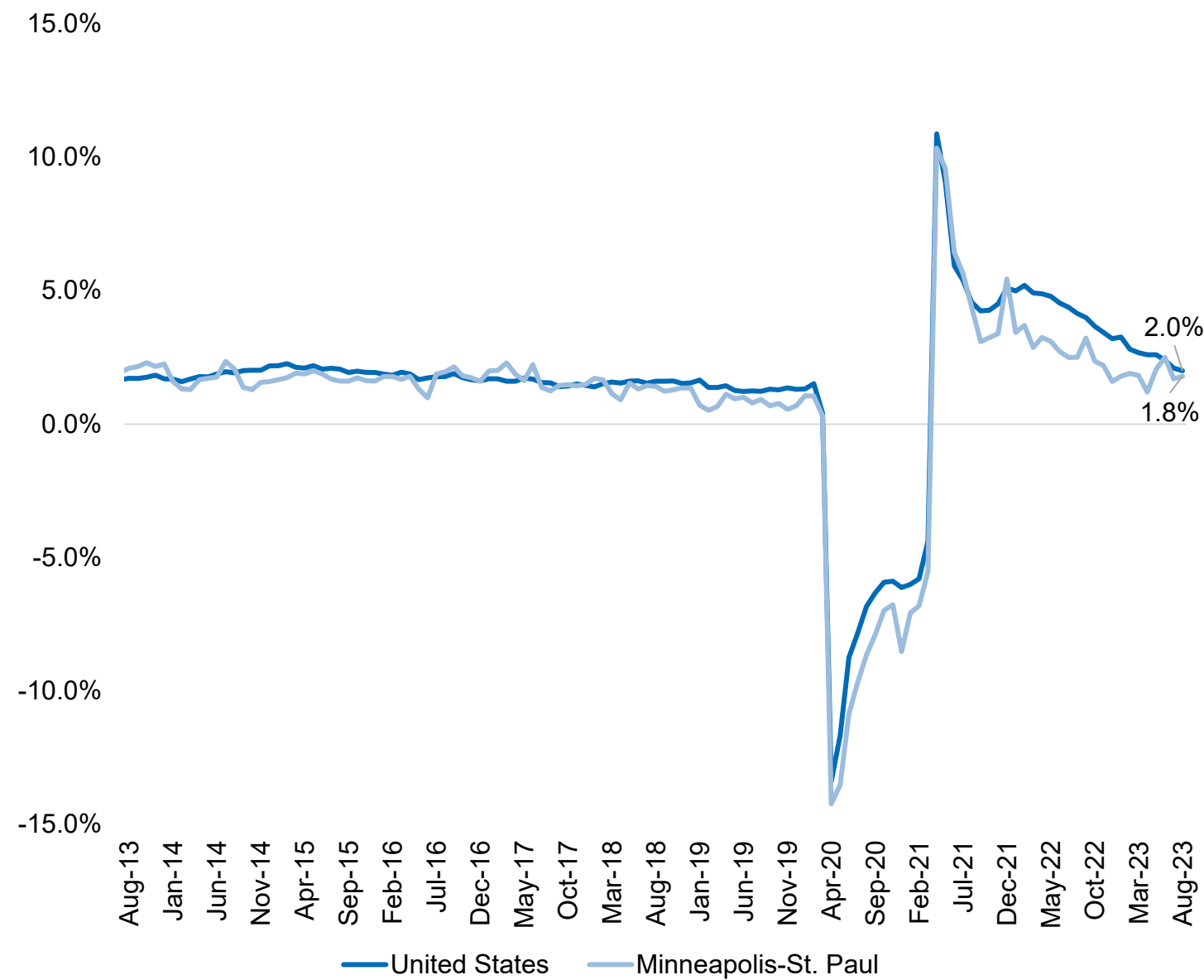
# Minneapolis-St. Paul's Total Employment Continues to Increase

The region added 35,400 jobs since August of 2022; the unemployment rate remains lower than the national rate, at 3.2%. Total nonfarm employment is 22,400 jobs above February of 2020.

Unemployment Rate, Seasonally Adjusted



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

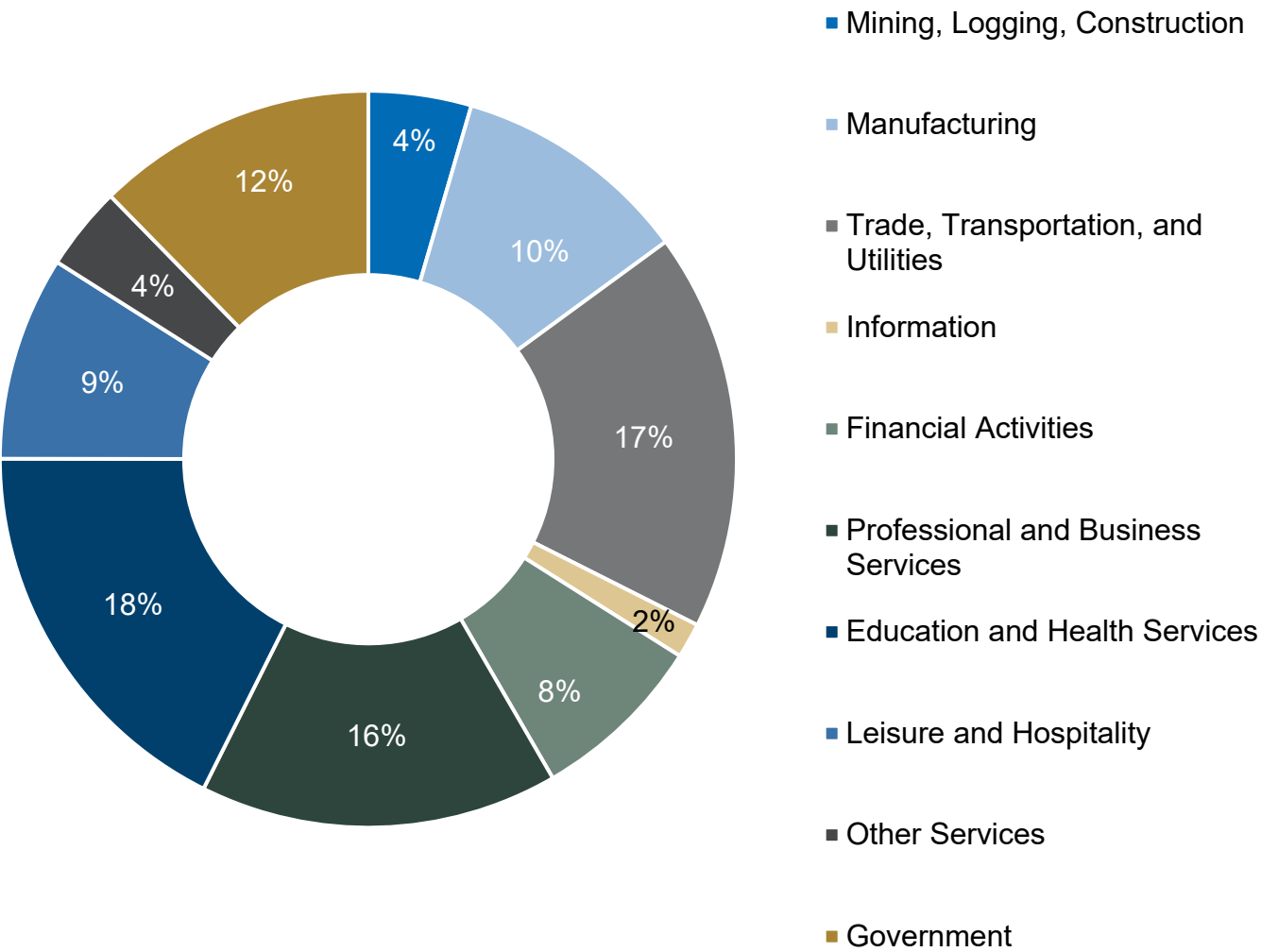


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

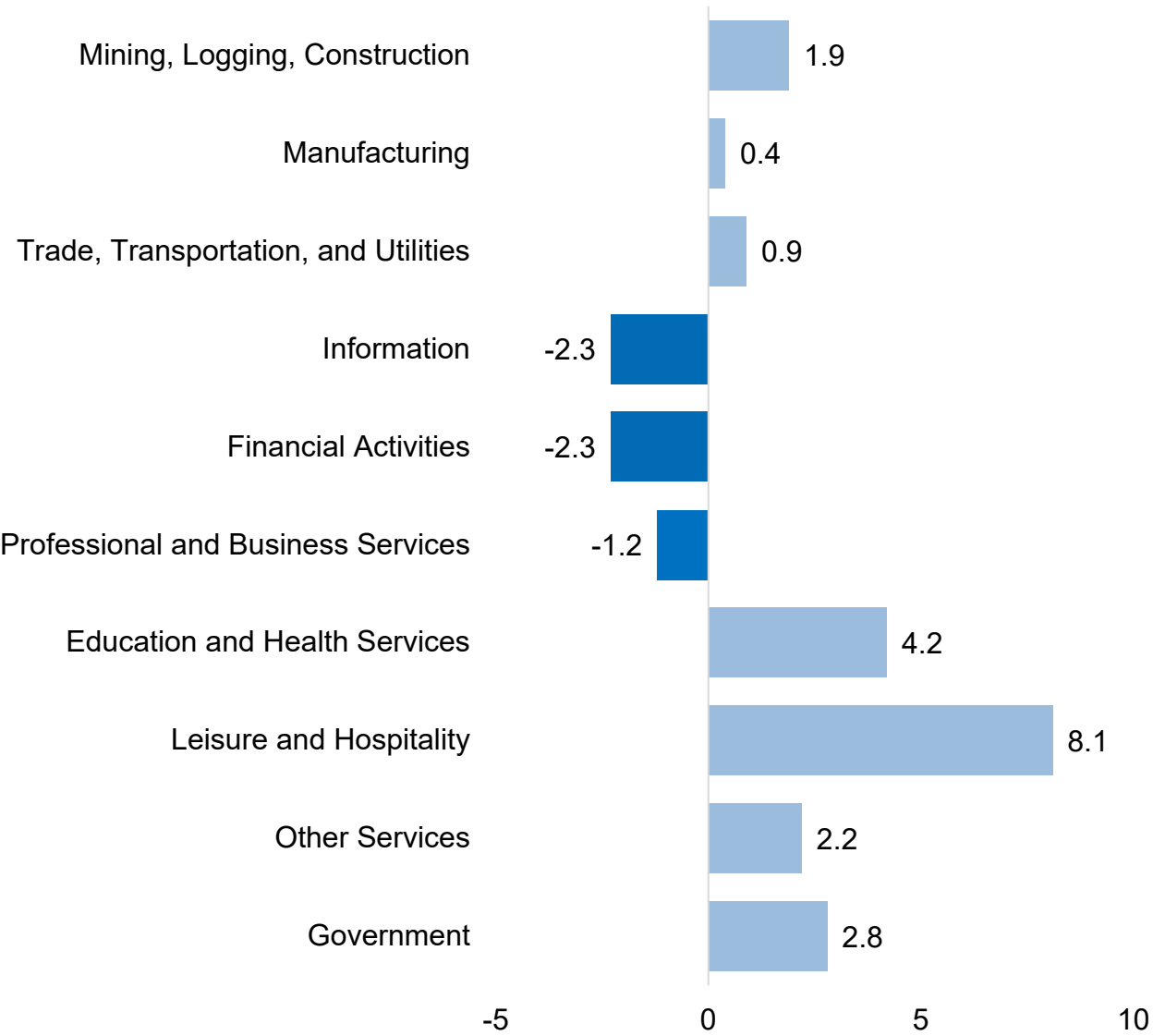
# Office-Using Employment Lags While Leisure and Hospitality Sector Grows

Employment in the leisure and hospitality sector continues to thrive, driven by a shift in consumer spending preferences from goods to experiences. Information, financial activities and professional and business services are the only sectors that have seen a decline in jobs.

Employment by Industry, August, 2023



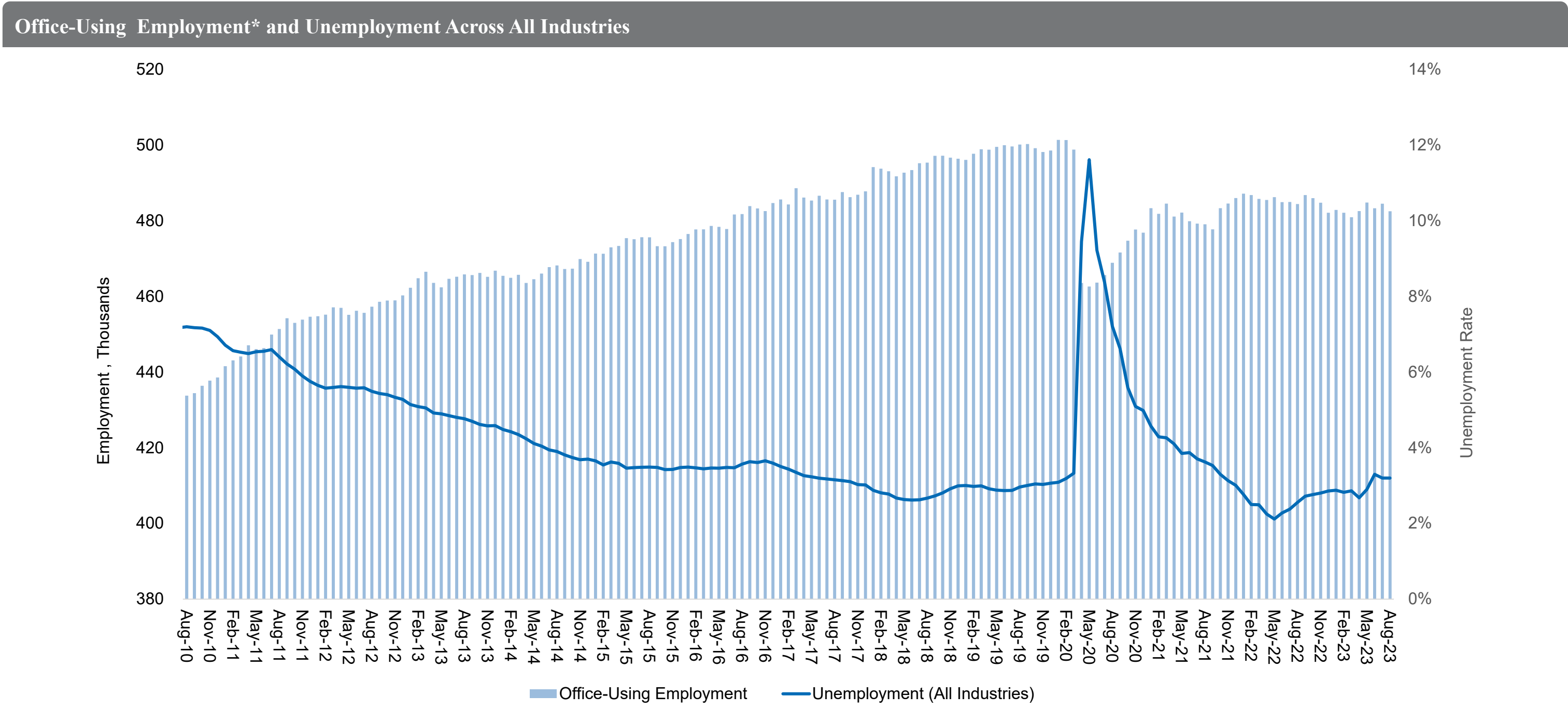
Employment Growth by Industry, 12-Month % Change, August, 2023



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

# Minneapolis-St. Paul Office-Using Employment Struggles to Reach Pre-Pandemic Levels

The employment sectors that utilize office spaces, including professional and business services, information and financial services, are all experiencing ongoing declines.



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

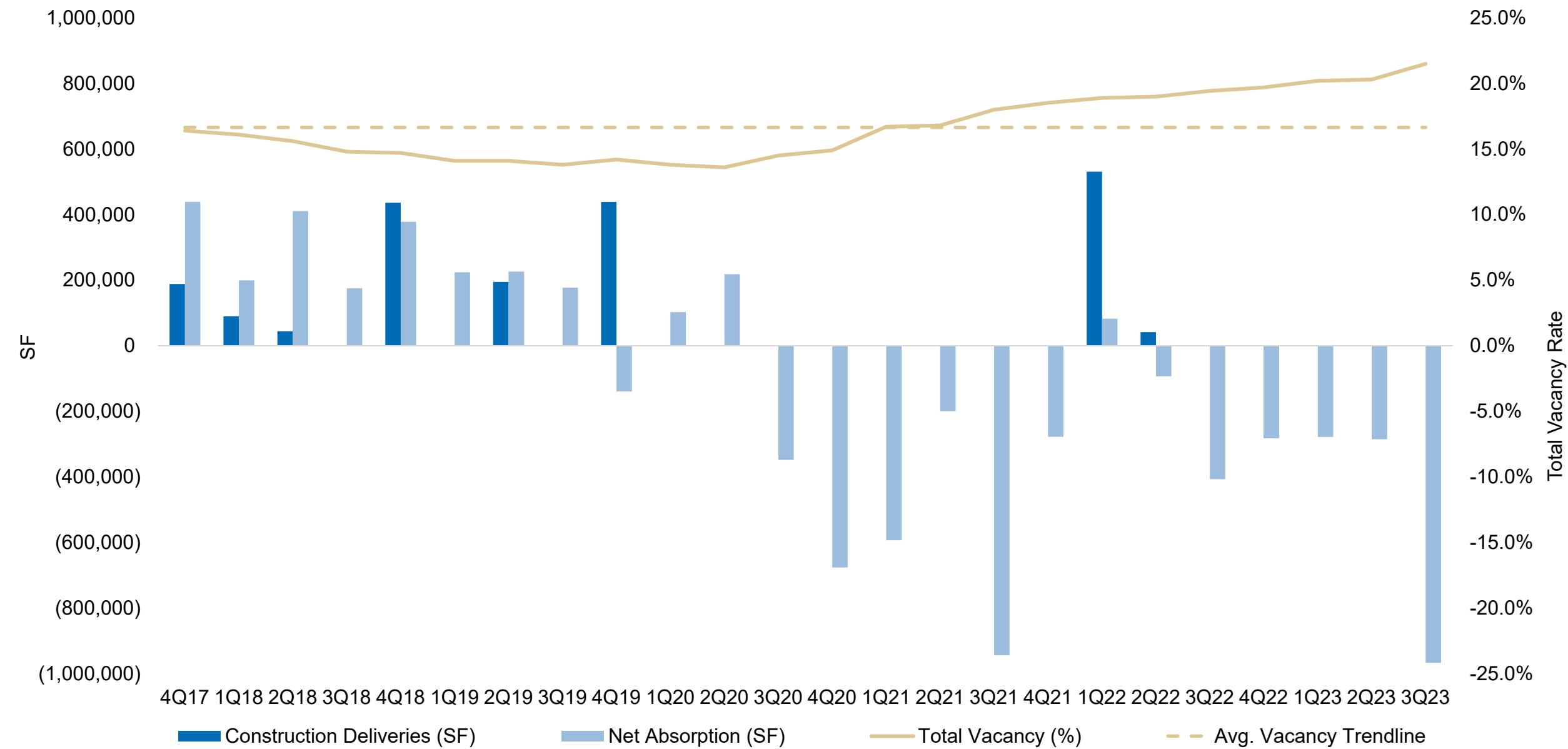




# Negative Absorption at Post-Pandemic High

Best Buy’s offering of 600,000 SF for lease at its corporate headquarters pushes negative absorption to the highest since the start of pandemic.

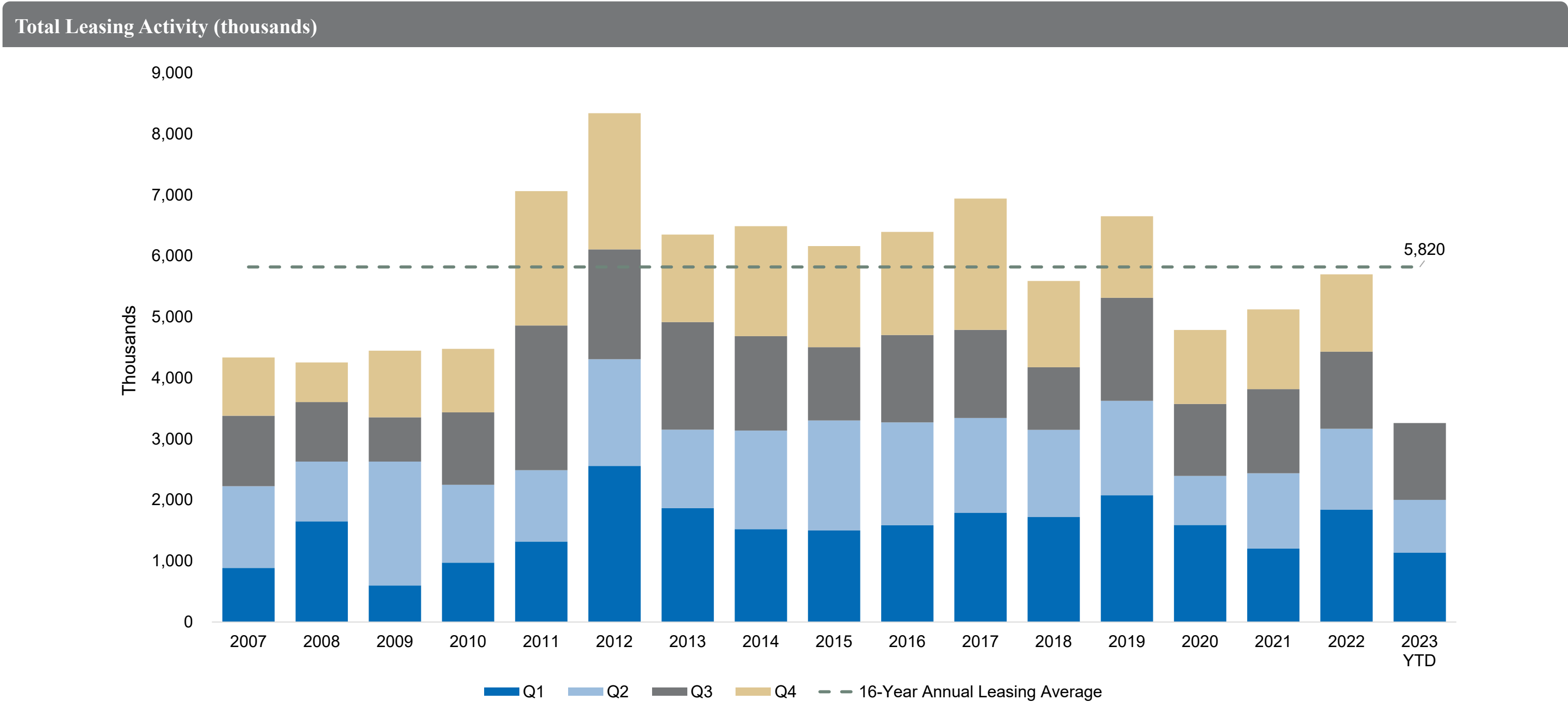
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, MNCAR, Costar

# Leasing Activity Occurring but Most Companies Reducing Occupied Space

Activity is occurring as companies make longer-term decisions by either committing to new office spaces or renewing for longer terms. Most are reducing the amount of space they occupy.



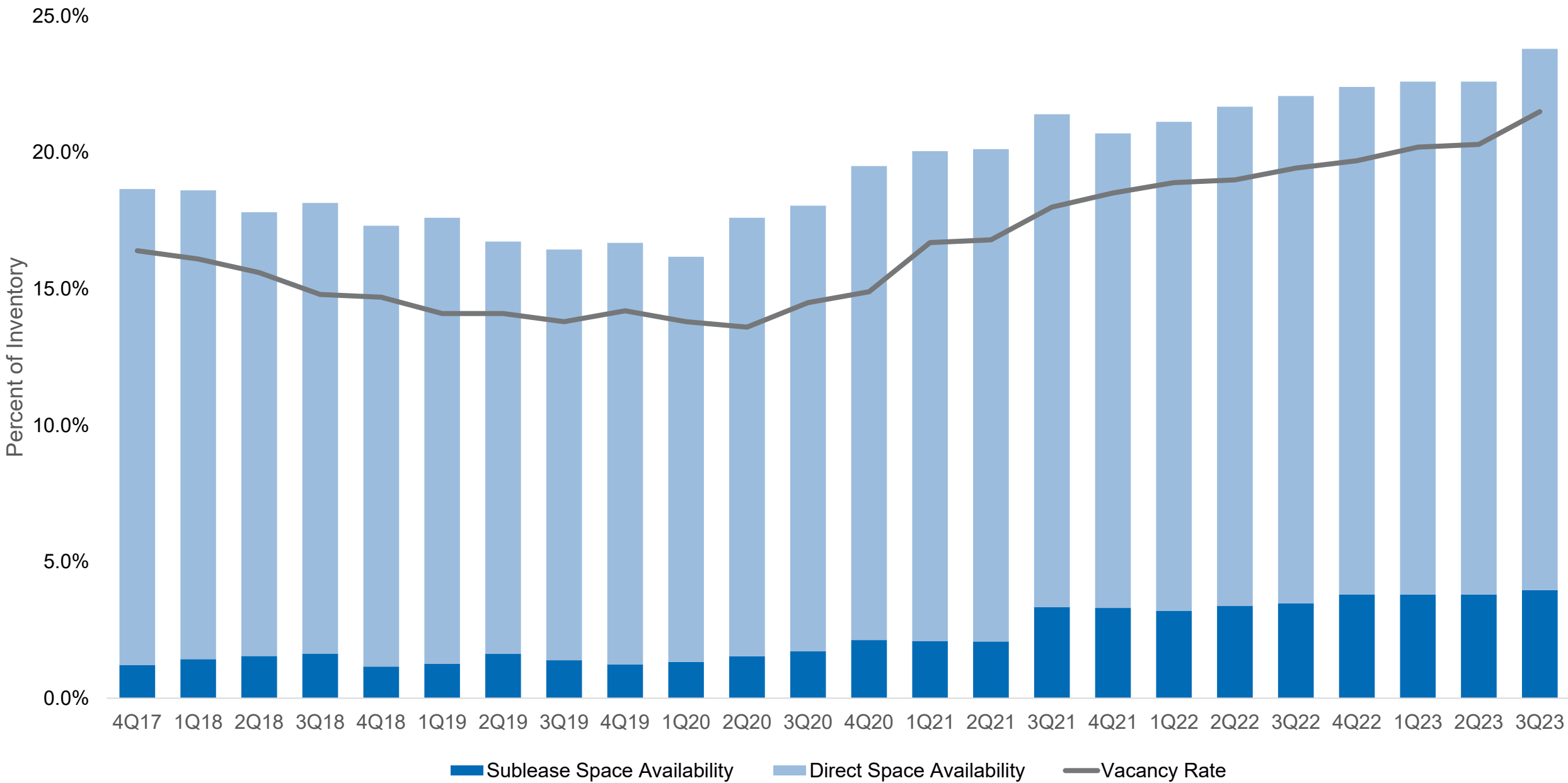
Source: Newmark Research, CoStar



# Sublease Space Availability Continues to Increase

Led by corporate consolidations and a downsizing trend, the presence of sublease space remains a significant contributing factor in the vacancy rate.

Available Space as Percent of Overall Market

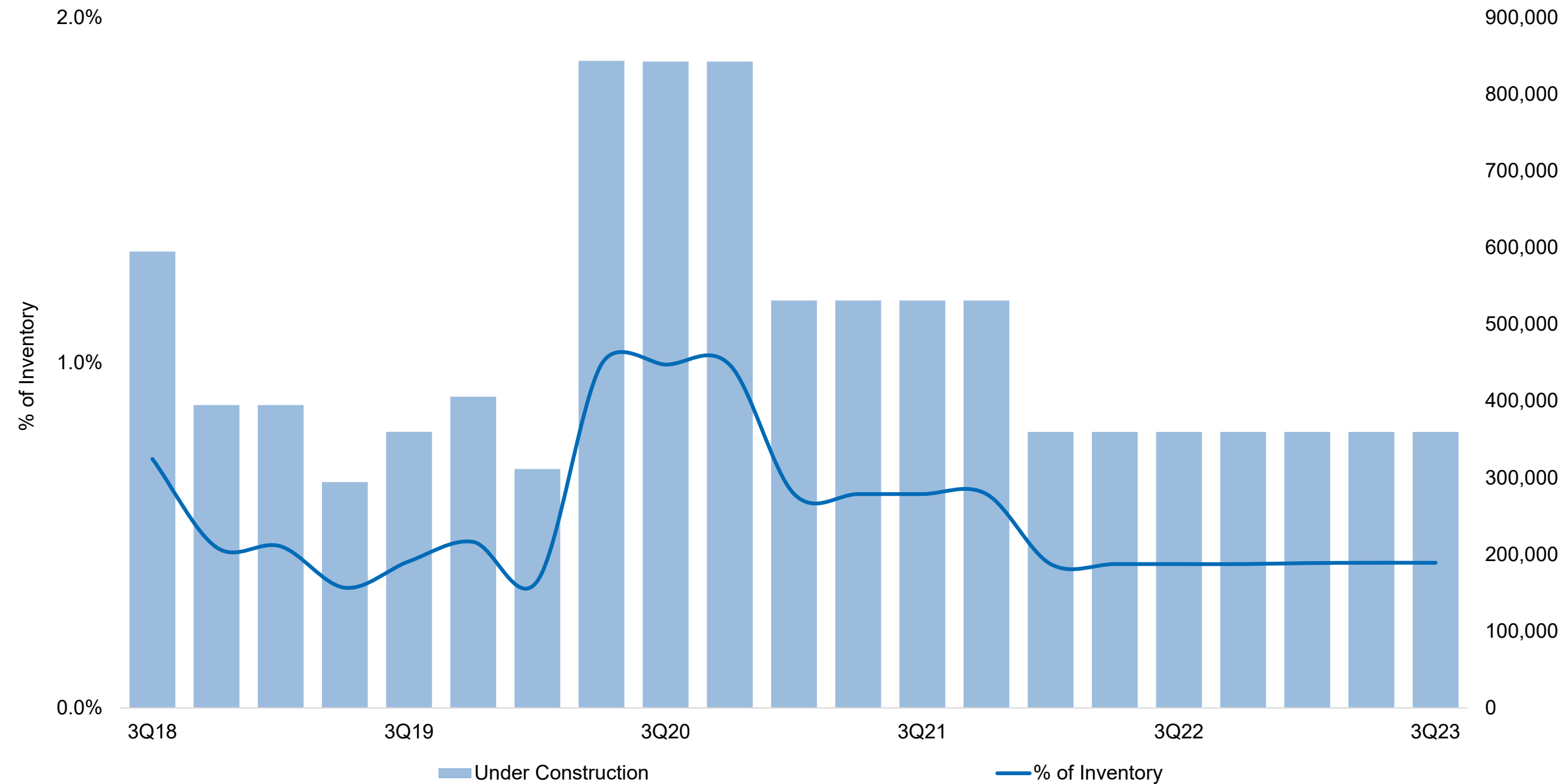


Source: Newmark Research, MNCAR

# Drop in Office Demand Limits 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

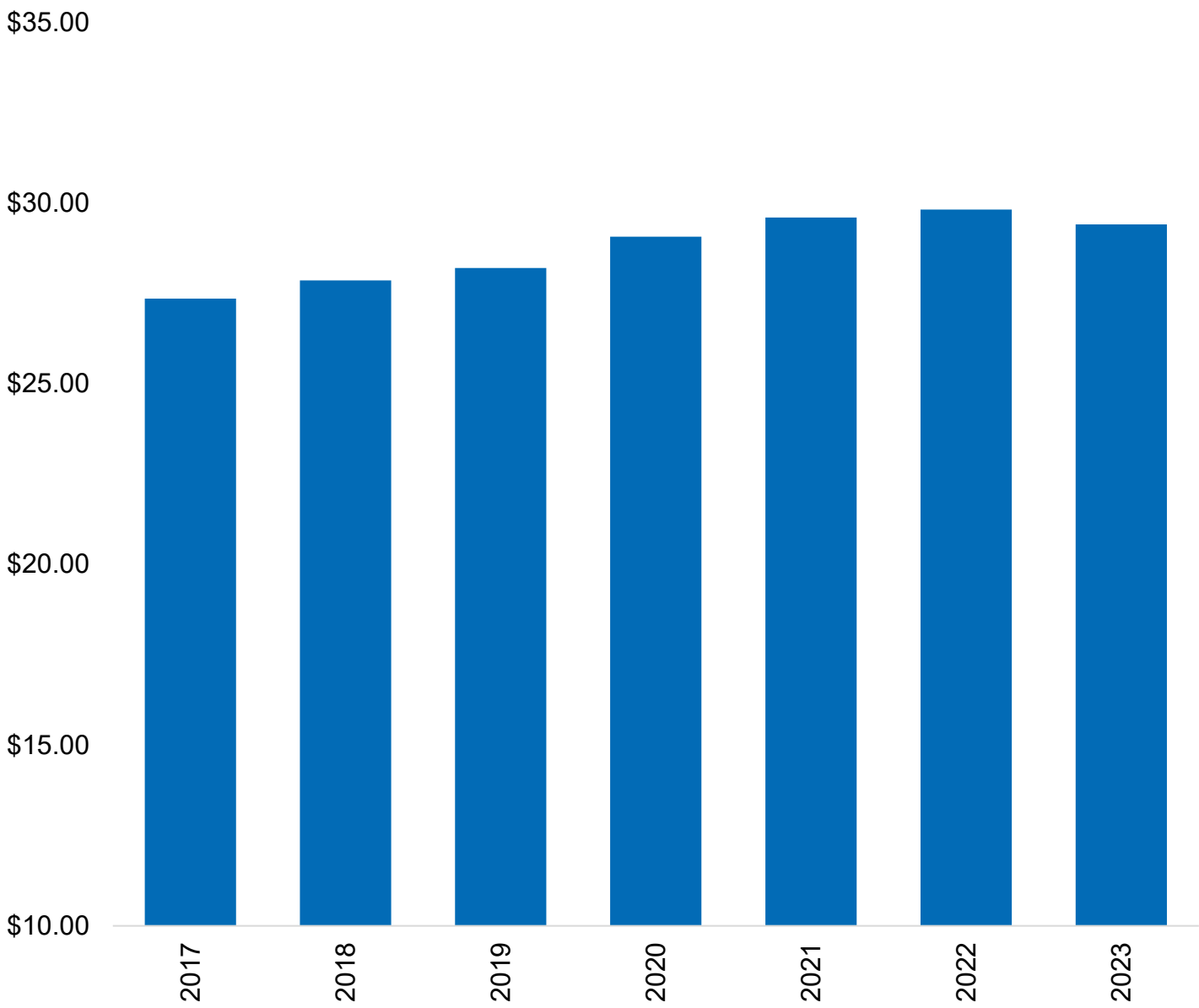


Source: Newmark Research, CoStar, MNCAR

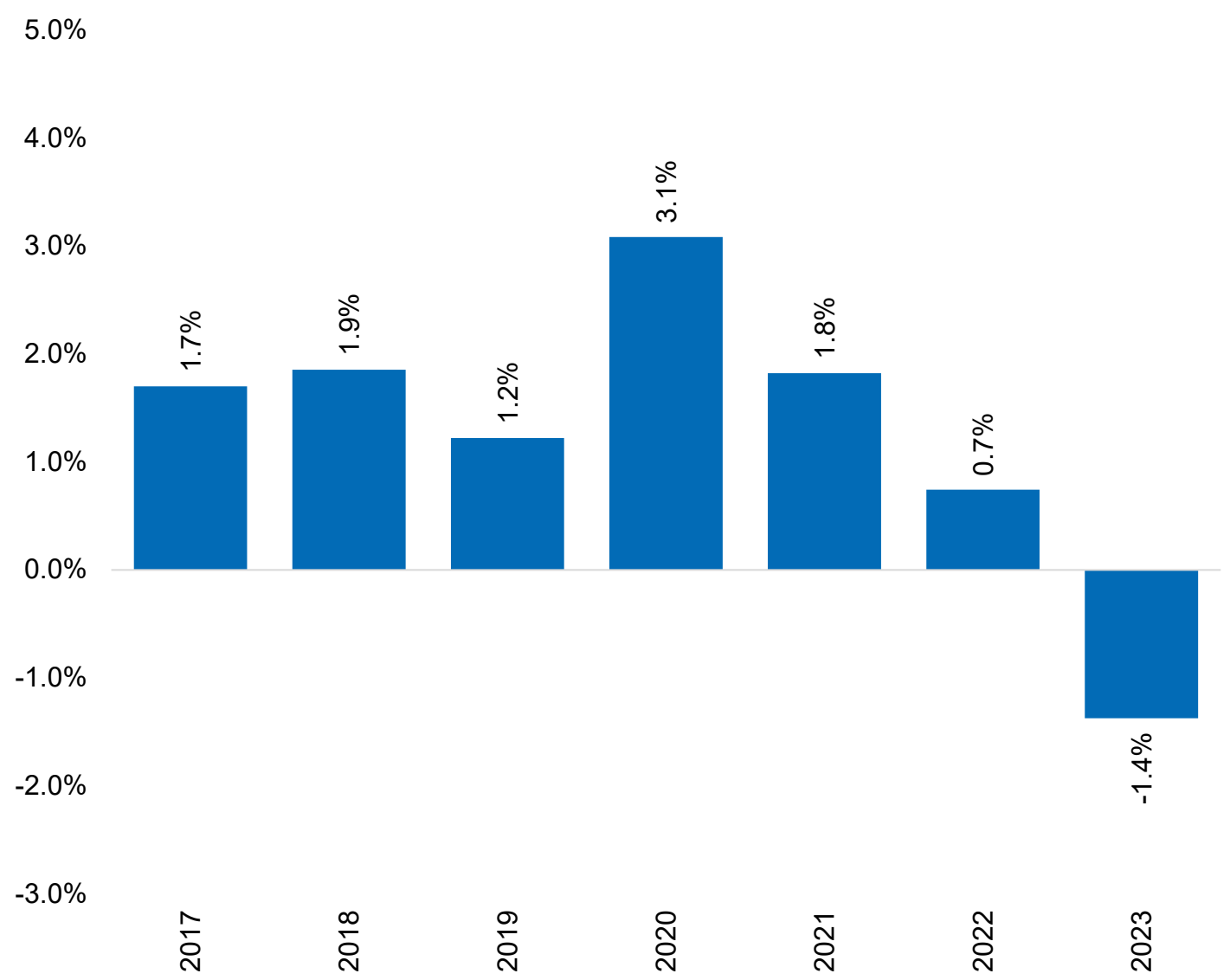
# Quoted Rates Decrease by 1.4%

Although there has been a slight decrease in quoted rent, rates remain historically high. Effective rates, which take into account concession packages, are considerably lower, reflecting the real cost of leasing office space.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



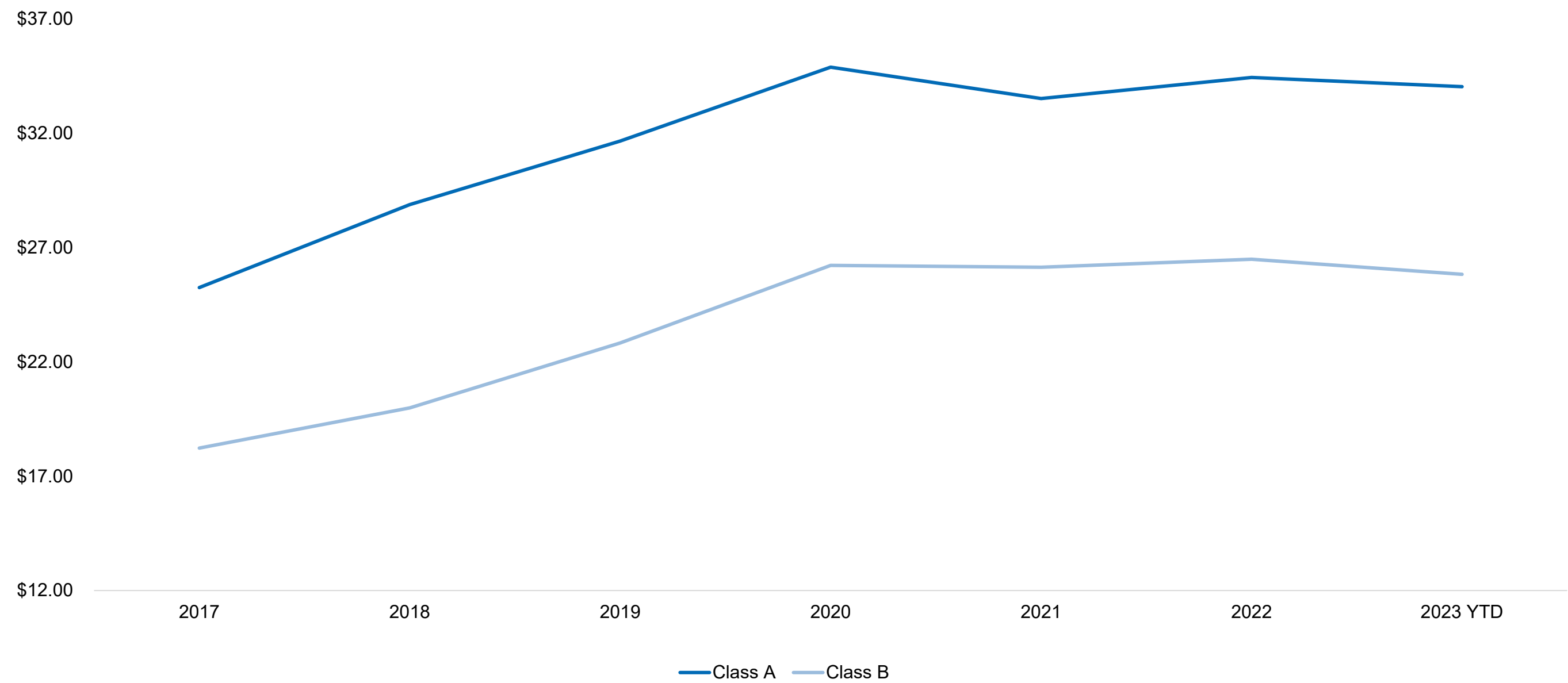
Source: Newmark Research, CoStar



# Class A Decreases Slightly, Class B Properties Decrease More Significantly by 3.6%.

There is strong demand for the highest-quality properties. As a result, these properties are quoting the highest overall rates.

Class A and Class B Asking Rents



Source: Newmark Research, CoStar

# Tenants Committing to Larger Subleases

Despite the continued prevalence of sublease availabilities, there has been an increase in activity among these spaces, with several significant subleases being signed during the current quarter.

Notable 3Q23 Lease Transactions				
Tenant	Building(s)	Submarket	Type	SF
Forward Edge/Lockheed	Midway Innovation Center - sublease	Northeast	New	68,308
NetSPI	Steelman Exchange - sublease	Mpls CBD - Northloop	New	60,000
WSB	Golden Hills Office Center	Golden Hills Office Center	Renewal	52,000
Polaris	Northland Corporate Center	Northwest	New	54,000
Circle K	6000 Clearwater	Southwest	New	39,385
Redpath	Securian Center	St. Paul CBD	Renewal	33,690
HSOA/Berkshire Hathaway	7500 Flying Cloud Dr - sublease	Southwest	New	20,927
Zimmerman Reed	IDS Center	Mpls CBD - Core	Renewal	15,736
Grant Thornton	Steelman Exchange	Mpls CBD - Northloop	New	15,000
Nexstar	Minnesota Center - sublease	Southwest	New	13,491
KLJ Engineering	Grand Oak Office VII	Southeast	New	13,149
Dedicated Financial	Shoreview Corporate Center	Northeast	New	12,930
Sezzle	The Dayton's Project	Mpls CBD - Core	New	11,498
Greater MSP	Osborn270	St. Paul CBD	New	10,000
Gopher Sport	Centennial Lakes Office Park V	Southwest	New	9,355
Associated Bank	IDS Center	Mpls CBD - Core	New	6,252

Source: Newmark Research, MNCAR

# Statistics (page 1 of 2)

Submarkets – Minneapolis CBD										
	Total Inventory (SF)	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	Q1 Absorption (SF)	Q2 Absorption (SF)	Q3 Absorption (SF)	YTD Absorption (SF)	Weighted AVG Rental Rate (FSG)	Under Construction (SF)
Class A	17,878,579	3,327,961	1,053,239	24.5%	46,245	(9,046)	(84,523)	(47,324)	\$35.19	359,729
Class B	6,245,813	1,739,392	260,697	32.0%	(24,602)	(62,984)	(108,460)	(196,046)	\$28.65	0
Class C	75,738	30,594	0	40.4%	0	0	0	0	\$16.50	0
Core Total	24,200,130	5,097,947	1,313,936	26.5%	21,643	(72,030)	(192,983)	(243,370)	\$33.24	359,729
Class A	207,443	10,310	59,477	33.6%	0	0	0	(5,085)	\$36.44	0
Class B	527,912	116,324	0	22.0%	0	(12,921)	13,263	(38,515)	\$29.32	0
Class C	108,150	12,280	0	11.4%	0	0	(12,280)	(5,780)	\$21.50	0
East Total	843,505	138,914	59,477	23.5%	0	(12,921)	983	(49,380)	\$29.19	0
Class B	48,012	0	14,640	30.5%	0	(6,063)	6,063	3,538	\$21.51	0
Class C	96,724	24,875	0	25.7%	0	0	0	3,404	\$21.00	0
Loring Total	144,736	24,875	14,640	27.3%	0	(6,063)	6,063	6,942	\$21.10	0
Class A	200,739	15,917	0	7.9%	(4,162)	0	0	0	\$28.14	0
Class B	1,366,699	207,621	0	15.2%	16,137	1,811	(4,792)	(10,872)	\$26.59	0
Class C	989,285	54,168	6,539	6.1%	(5,807)	580	(2,295)	(35,342)	\$21.73	0
Northeast Total	2,556,723	277,706	6,539	11.1%	6,168	2,391	(7,087)	(46,214)	\$25.40	0
Class A	971,244	113,144	152,580	27.4%	(52,166)	(4,527)	2,237	(133,689)	\$41.39	0
Class B	1,061,915	277,967	14,042	27.5%	(3,162)	17,287	(14,975)	96,770	\$35.58	0
Class C	273,320	74,248	4,443	28.8%	4,095	21,300	25,243	(2,583)	\$27.85	0
Northloop Total	2,306,479	465,359	171,065	27.6%	(51,233)	34,060	12,505	(39,502)	\$36.12	0
Class A	434,333	0	0	0.0%	0	0	0	0	\$35.81	0
Class B	1,515,170	350,320	99,886	29.7%	19,978	(25,341)	27,487	(27,514)	\$25.61	0
Class C	161,093	49,961	0	31.0%	0	0	(8,444)	(29,552)	\$23.00	0
Warehouse Total	2,110,596	400,281	99,886	23.7%	19,978	(25,341)	19,043	(57,066)	\$25.90	0
Class A	19,692,338	3,467,332	1,265,296	24.0%	(10,083)	(13,573)	(82,286)	(105,942)	\$35.36	359,729
Class B	10,765,521	2,691,624	389,265	28.6%	8,351	(88,211)	(81,414)	(161,274)	\$28.79	0
Class C	1,704,310	246,126	10,982	15.1%	(1,712)	21,880	2,224	22,392	\$22.52	0
Mpls CBD Total	32,162,169	6,405,082	1,665,543	25.1%	(3,444)	(79,904)	(161,476)	(244,824)	\$32.47	359,729

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



# Statistics (page 2 of 2)

Submarkets										
	Total Inventory (SF)	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	Q1 Absorption (SF)	Q2 Absorption (SF)	Q3 Absorption (SF)	YTD Absorption (SF)	Weighted AVG Rental Rate (FSG)	Under Construction (SF)
Class A	2,008,491	335,776	41,805	18.8%	(36,026)	(24,983)	10,273	(50,736)	\$31.91	0
Class B	4,657,757	1,034,385	29,028	22.8%	(41,315)	(131,149)	30,208	(142,256)	\$20.94	0
Class C	411,084	97,997	0	23.8%	(8,156)	725	(27,415)	(34,846)	\$16.98	0
St. Paul CBD Total	7,077,332	1,468,158	70,833	21.7%	(85,497)	(155,407)	13,066	(227,838)	\$24.67	0
Class A	535,976	126,125	23,766	28.0%	(47,980)	(909)	17,107	(31,782)	\$24.15	0
Class B	7,163,781	1,149,009	32,425	16.5%	26,029	(43,615)	(11,646)	(29,232)	\$22.63	0
Class C	1,412,817	285,916	11,239	21.0%	(9,469)	(27,582)	25,924	(11,127)	\$15.88	0
Northeast Total	9,112,574	1,561,050	67,430	17.9%	(31,420)	(72,106)	31,385	(72,141)	\$22.36	0
Class A	451,567	31,905	29,194	13.5%	(9,385)	(547)	(3,151)	(13,083)	\$23.66	0
Class B	2,173,958	406,207	1,478	18.8%	(42,875)	(67,134)	(18,523)	(128,532)	\$21.87	0
Class C	380,568	1,794	0	0.5%	5,527	(2,742)	948	3,733	\$12.82	0
Northwest Total	3,006,093	439,906	30,672	15.7%	(46,733)	(70,423)	(20,726)	(137,882)	\$21.75	0
Class A	1,228,723	141,150	9,541	12.3%	(5,160)	(2,794)	(7,688)	(15,642)	\$28.42	0
Class B	4,413,949	1,012,296	6,416	23.1%	(21,554)	52,802	36,670	67,918	\$23.16	0
Class C	1,403,769	95,396	0	6.8%	430	(488)	2,492	2,434	\$17.60	0
Southeast Total	7,046,441	1,248,842	15,957	17.9%	(26,284)	49,520	31,474	54,710	\$23.24	0
Class A	7,198,992	1,541,230	398,207	26.9%	(90,276)	(142,456)	(636,817)	(869,549)	\$32.42	0
Class B	7,167,733	1,338,633	83,739	19.8%	(31,217)	138,322	(108,682)	(1,577)	\$25.48	0
Class C	2,531,916	309,654	0	12.2%	17,926	30,933	(3,405)	45,454	\$21.54	0
Southwest Total	16,898,641	3,189,517	481,946	21.7%	(103,567)	26,799	(748,904)	(825,672)	\$29.08	0
Class A	3,576,783	774,271	78,594	23.8%	83,468	(52,368)	(65,469)	(34,369)	\$37.26	0
Class B	5,453,467	711,852	33,328	13.7%	(65,029)	65,721	(29,088)	(28,396)	\$31.89	0
Class C	1,258,327	77,508	57,637	10.7%	167	2,932	(17,303)	(14,204)	\$28.36	0
West Total	10,288,577	1,563,631	169,559	16.8%	18,606	16,285	(111,860)	(76,969)	\$34.28	0
Class A	34,692,870	6,417,789	1,846,403	23.8%	(115,442)	(237,630)	(768,031)	(1,121,103)	\$34.04	359,729
Class B	41,796,166	8,344,006	575,679	21.3%	(167,610)	(73,264)	(182,475)	(423,349)	\$25.83	0
Class C	9,102,791	1,114,391	79,858	13.1%	4,713	25,658	(16,535)	13,836	\$21.07	0
Overall Total	85,591,827	15,876,186	2,501,940	21.5%	(278,339)	(285,236)	(967,041)	(1,530,616)	\$29.42	359,729

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



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MINNEAPOLIS-ST. PAUL

# Submarkets





# Minneapolis CBD

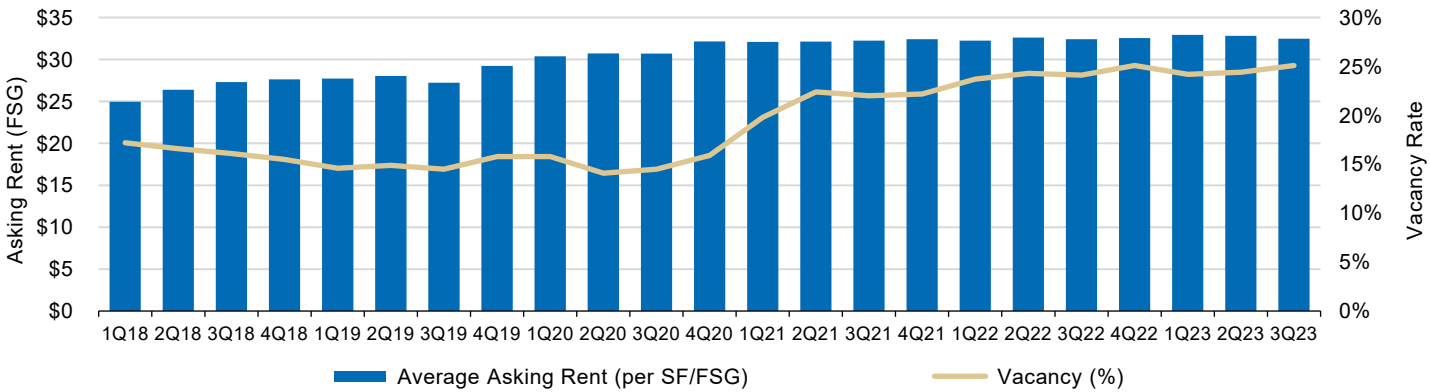
## Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	32.2M	32.2M	32.7M
Vacancy Rate	25.1%	24.4%	24.1%
Quarterly Net Absorption (SF)	(161,476)	(79,904)	42,743
Average Asking Rent/SF	\$32.47	\$32.82	\$32.41
Under Construction (SF)	359,729	359,729	359,729

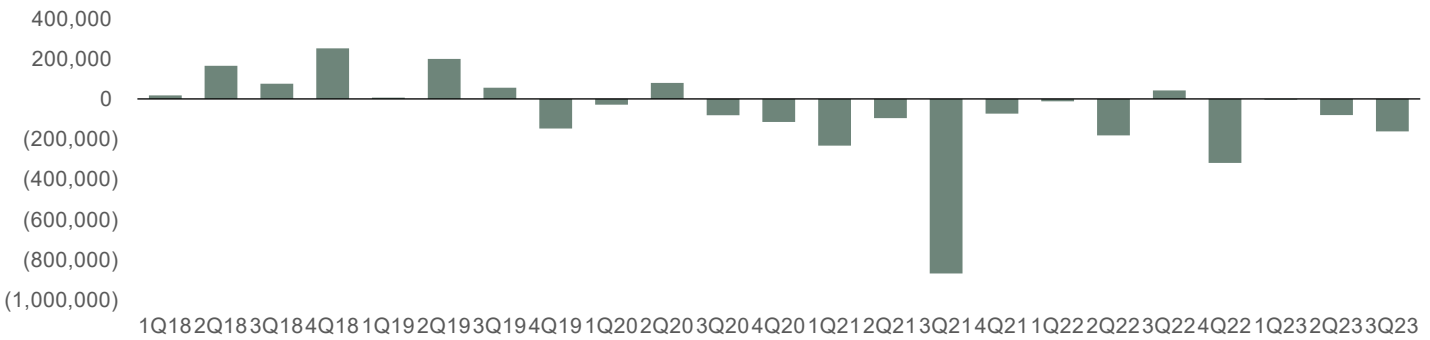
## Current Market Trends

- Vacancy increased from 24.1% at the end of 2022 to 25.1%, with negative absorption of 161,476 SF. Overall rental rates ticked downward slightly by 1.1% to \$32.47/SF.
- Construction of the 350,000-SF North Loop Green is reaching final stages and is scheduled to be completed in January 2024.
- RBC Gateway tower was sold for \$225 million, the largest sale so far in 2023 in a slow investment sale market. Spear Street Capital acquired the property from the developer, United Properties. This sale consists of 525,000 SF of office space, ground floor office lobby and underground parking facility, which accommodates 296 parking stalls. The sale does not include the Four Seasons hotel and residential condominiums.
- Completed in 2022, RBC Gateway has a 99% occupancy rate, driven by robust demand for top-tier, newly-built facilities that aid employers in enticing their workforce back to the office in a hybrid work environment.
- Coworking company WeWork announced concerns about ongoing operational sustainability. WeWork operates in over 80,000 SF at the Nordic in the North Loop and an additional 30,000 SF at Capella Tower in the Core of the CBD.
- After buying Lasalle Plaza during the second quarter of 2023, Hempel bought an 850-stall parking ramp nearby for \$9.8 million. This purchase increases the parking options Hempel can offer tenants at Lasalle Plaza, a valuable amenity for Downtown workers.
- The 58-story Capella Tower, the second tallest building in Minnesota after the IDS Tower, is currently for sale. The property totals over 1.4 million SF and is owned by Shorenstein Partners.
- The Lumber Exchange Building was acquired by the lender. The property, totaling 229,211 SF and constructed in 1885, was previously owned by R2 Companies and York Capital Management. There was a \$20.1-million loan associated with the property, due to mature on June 1st.
- The former Banana Republic store space in the IDS Center was leased by Associated Bank, which will move its Minneapolis CBD branch there from Baker Center, joining seven other banks on the skyway level of the tower.

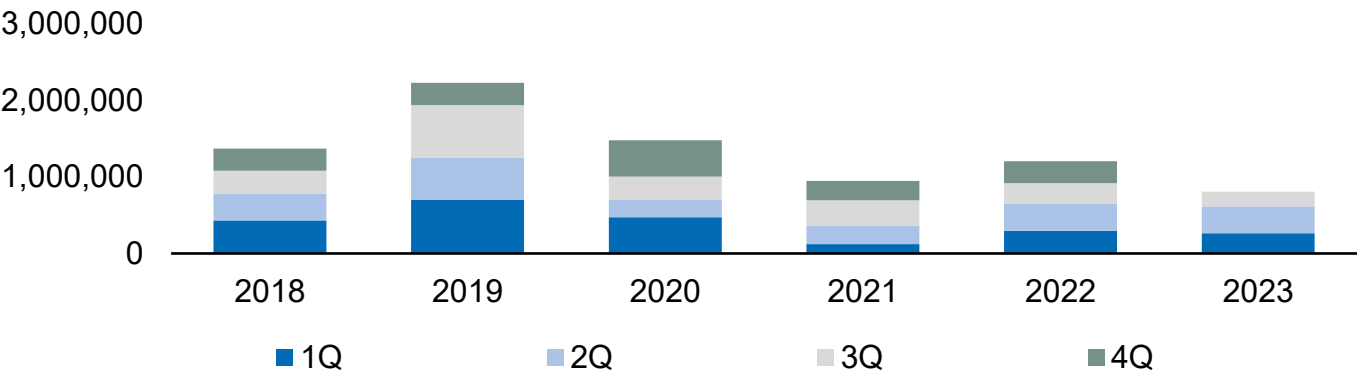
## Asking Rent and Vacancy Rate



## Net Absorption (SF)



## Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar



# St. Paul CBD

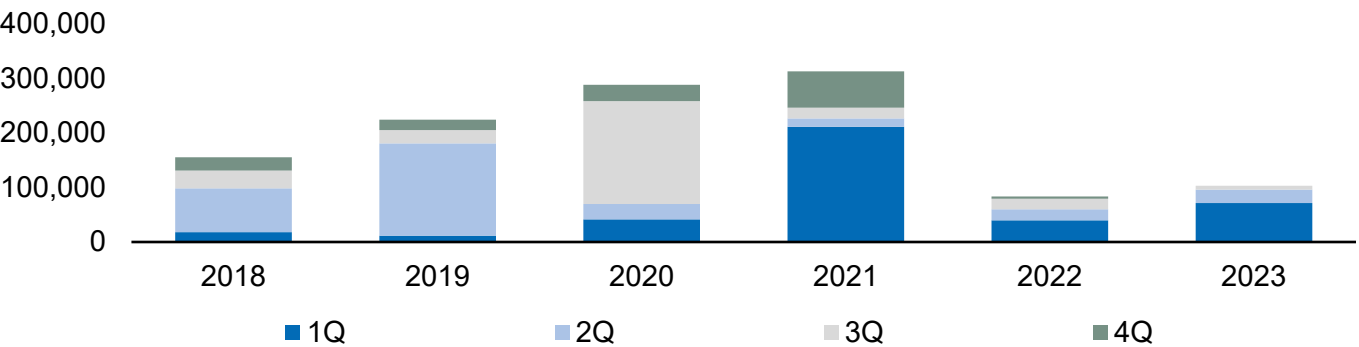
## Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	7.1M	7.3M	7.3M
Vacancy Rate	21.7%	22.1%	18.2%
Quarterly Net Absorption (SF)	13,066	(155,407)	(45,162)
Average Asking Rent/SF	\$24.67	\$24.68	\$25.67
Under Construction (SF)	0	0	0

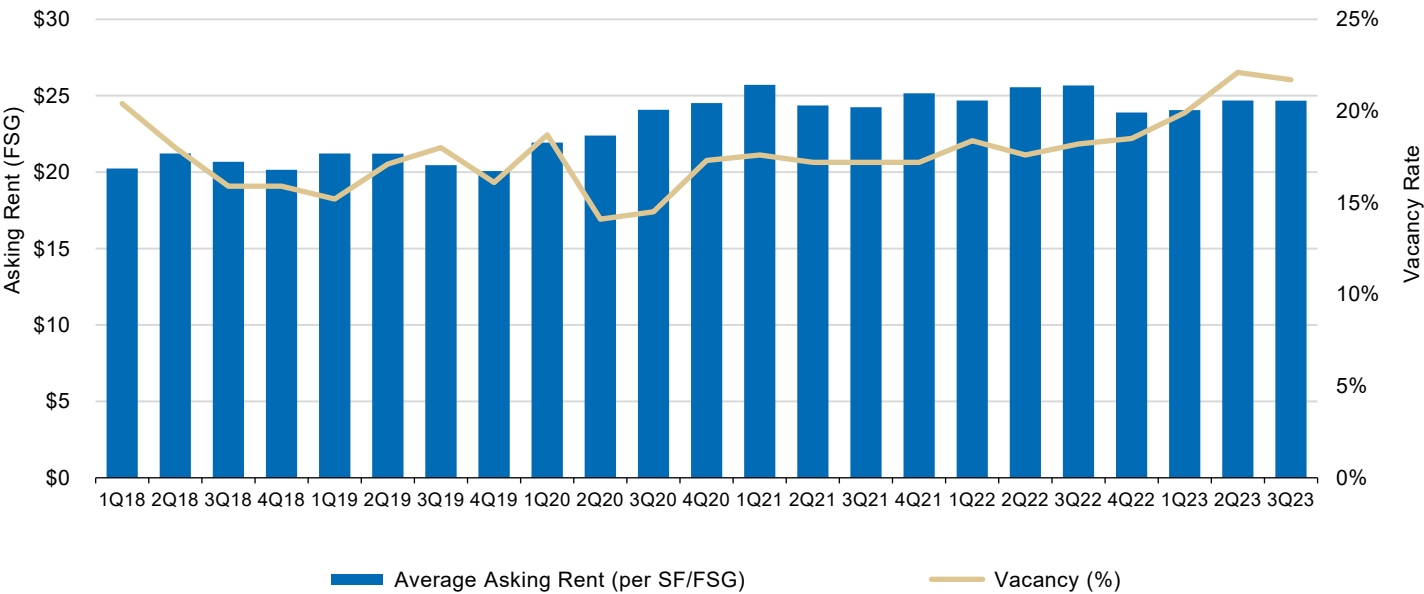
## Current Market Trends

- Vacancy decreased slightly, from 22.1% during the second quarter of 2023 to 21.7%, and positive absorption totaled 13,066.
- The St. Paul CBD is an affordable submarket, with asking rents of \$24.67/SF, compared with the overall average rate of \$29.42/SF.
- HealthPartners chose not to renew its lease at the Great Northern Building, where it occupied 100,000 SF of space. Previously, approximately 500 employees were based at this location.
- The CPA firm Redpath has renewed its lease at Securian Center, where the firm has its headquarters. Redpath extended its lease for 11 years, securing a total of 33,690 SF on the 15th and 16th floors of the building.
- Greater MSP will relocate from the 16th floor of the Securian Center to Osborn370. The organization will now occupy 10,000 SF of space on the 19th floor, an increase from its previous space, which was 8,657 SF.

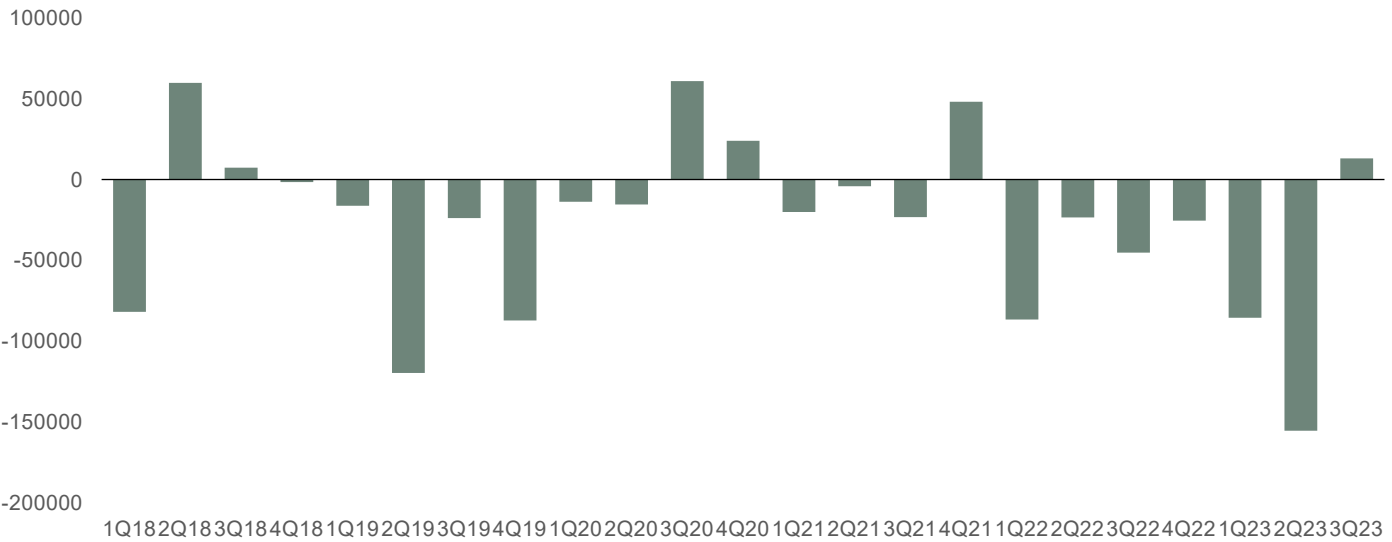
## Overall Leasing Activity



## Asking Rent and Vacancy Rate



## Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

# Northeast

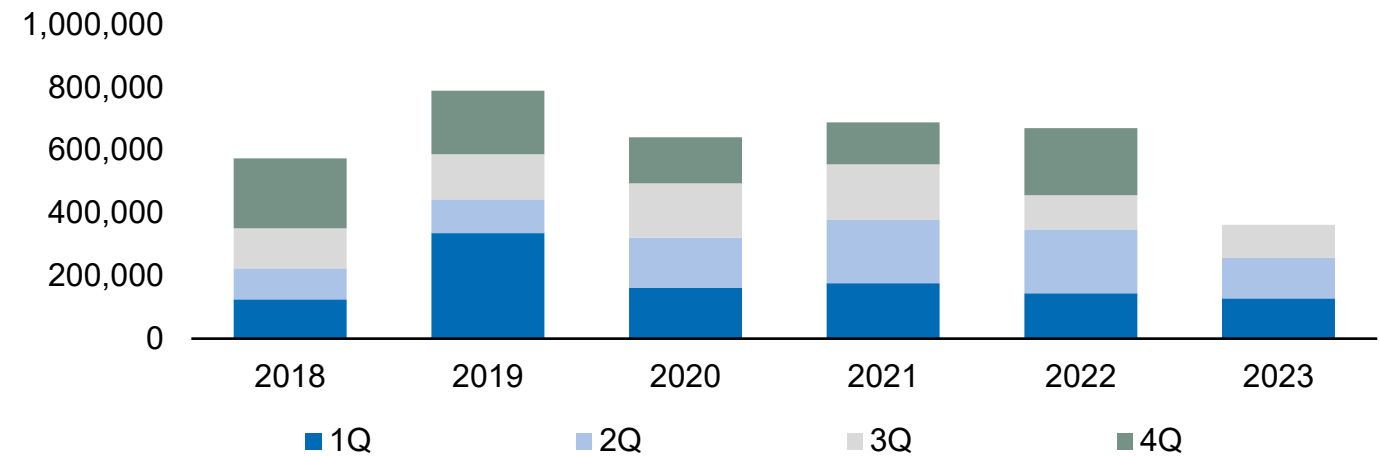
## Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	9.1M	9.1M	9.1M
Vacancy Rate	17.9%	18.2%	16.4%
Quarterly Net Absorption (SF)	31,385	(72,106)	(219,599)
Average Asking Rent/SF	\$22.36	\$22.19	\$21.74
Under Construction (SF)	0	0	0

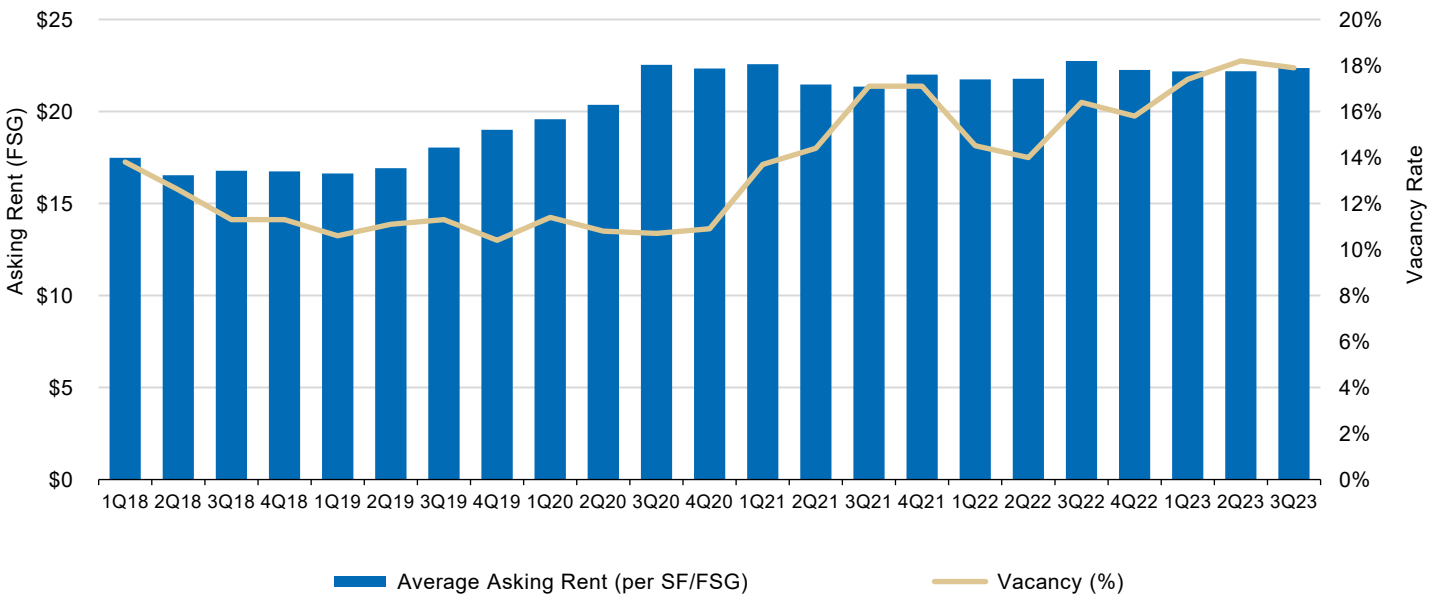
## Current Market Trends

- The vacancy rate decreased from 18.2% to 17.9% during the third quarter of 2023. There was 31,385 SF of absorption.
- Rental rates in this submarket are lower than the overall market average of \$29.42/SF. Class A rates are nearly \$10/SF less than overall Class A rates; at \$24.15/SF and \$34.04/SF for the Northeast and overall, respectively.
- The Northeast submarket is primarily a Class B market. It's comprised of only 535,976 SF of Class A space, while much of the space, over 7 million SF, is in Class B properties, accounting for 78.6% of the total space in the submarket.

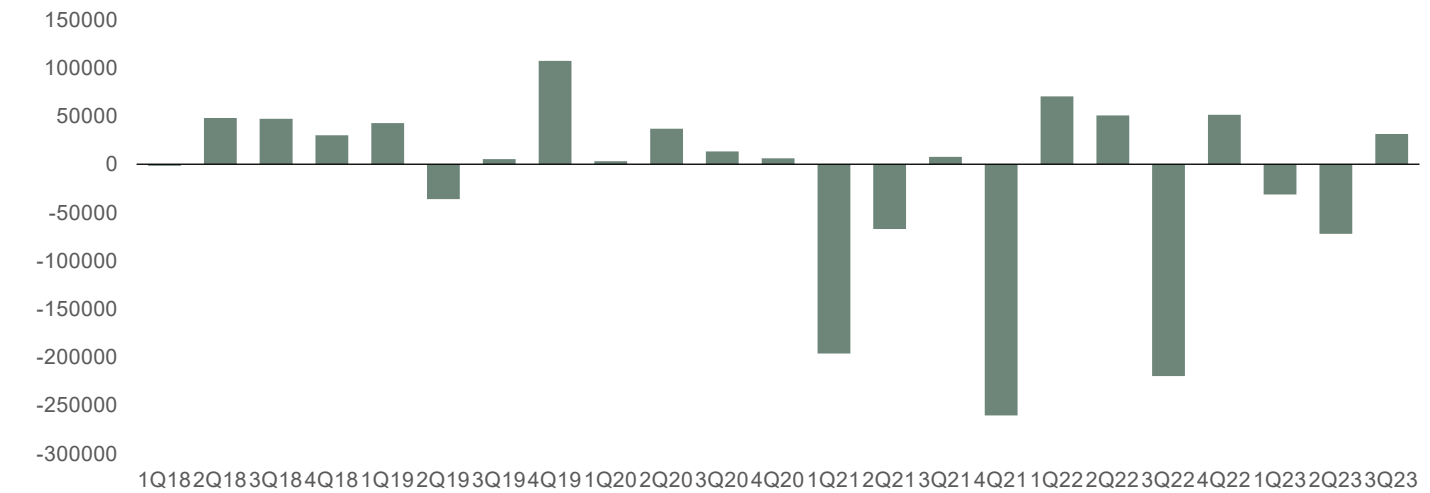
## Overall Leasing Activity



## Asking Rent and Vacancy Rate



## Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

# Northwest

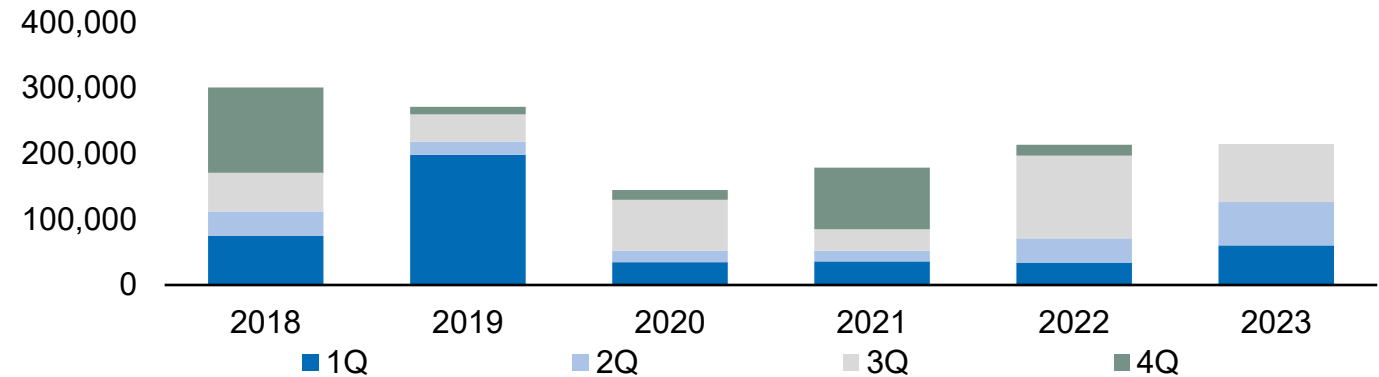
## Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	3.0M	3.0M	3.0M
Vacancy Rate	15.7%	15.0%	11.8%
Quarterly Net Absorption (SF)	(20,726)	(70,423)	32,273
Average Asking Rent/SF	\$21.75	\$21.02	\$21.70
Under Construction (SF)	0	0	0

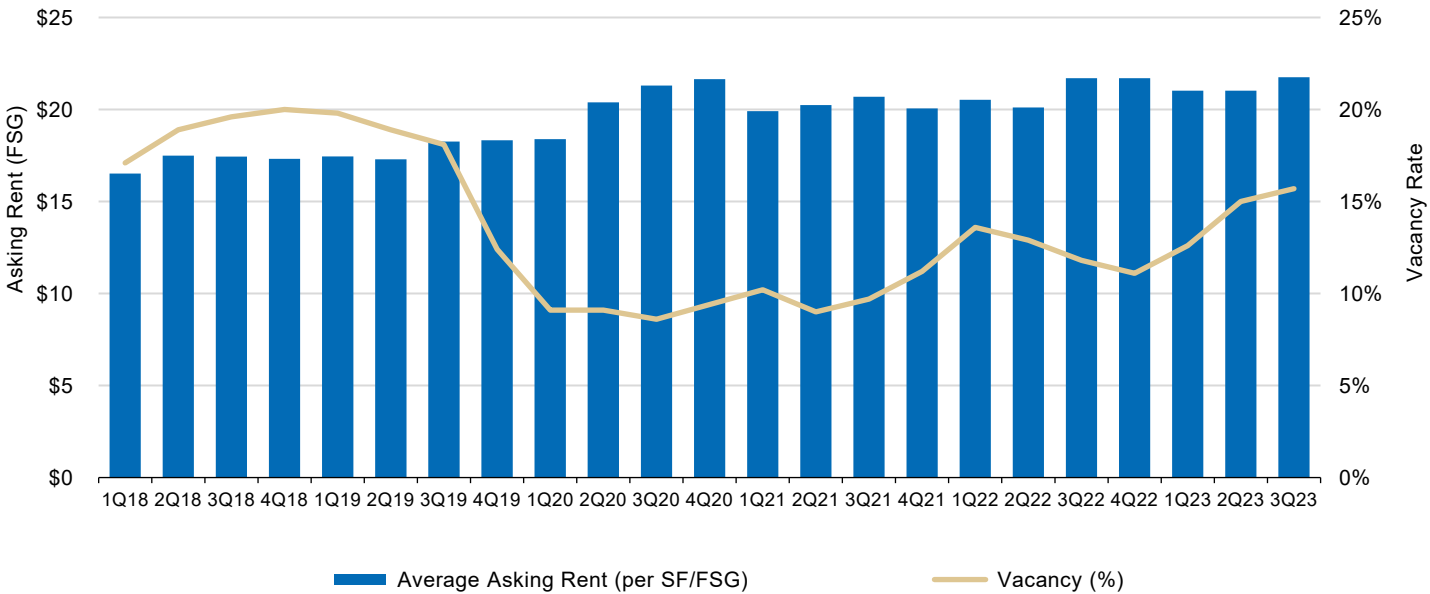
## Current Market Trends

- Vacancy continued to increase from 15.0% in the previous quarter to 15.7% currently. The vacancy rate surged in the second quarter of 2023 to 15.0% from 12.6% in the first quarter of 2023, as there was over 70,000 SF of negative absorption. Absorption in the third quarter of 2023 moderated to negative 20,726 SF.
- Rental rates are the lowest in the market, at \$21.75/SF overall and \$23.66/SF for Class A space. This compares with overall rates of \$29.42/SF and Class A overall rates of \$34.04/SF.
- Developers are working with the Plymouth City Council and envisioning a park, residential buildings, a grocery store, retail, restaurants and a business park on the 75-acre former Prudential campus.
- Ryan Companies acquired a 100-acre site in Maple Grove for \$13.9 million, with plans to develop a science and technology hub. The project includes a planned 400,000-SF Boston Scientific facility, which will house corporate offices, laboratories and administrative spaces.

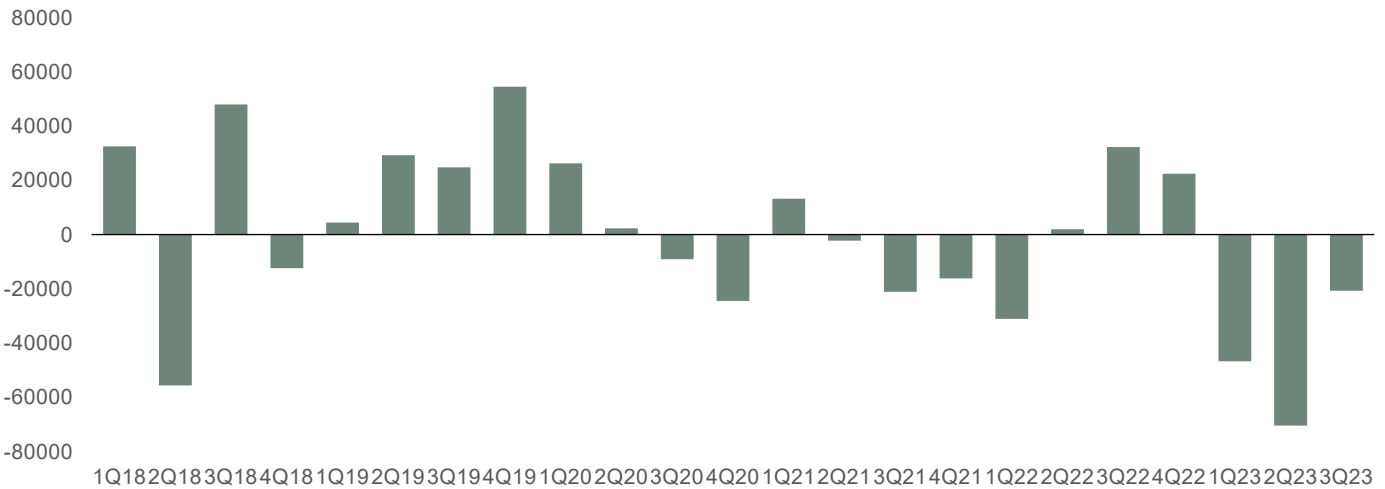
## Overall Leasing Activity



## Asking Rent and Vacancy Rate



## Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

# Southeast

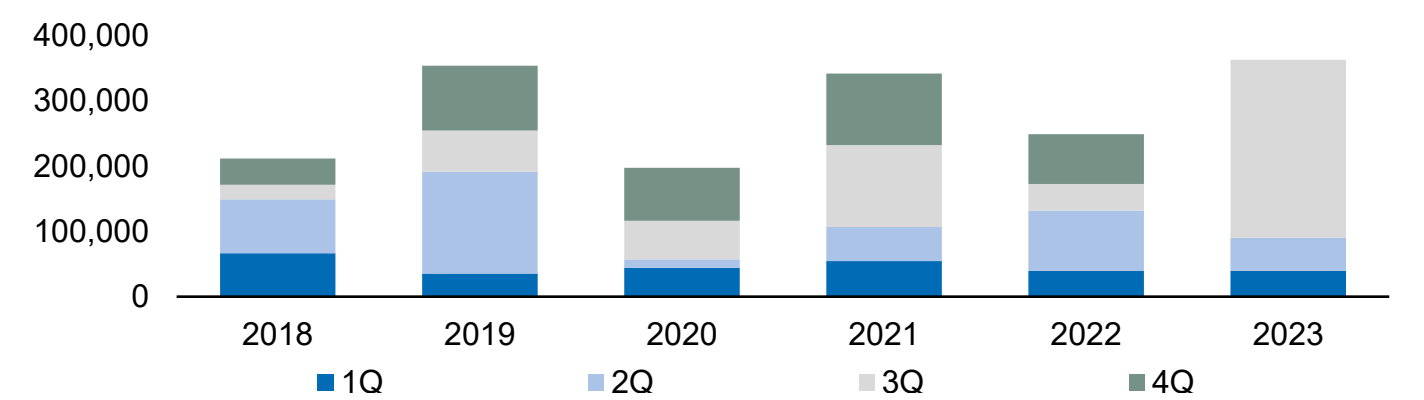
## Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	7.0M	7.0M	7.0M
Vacancy Rate	17.9%	18.4%	19.0%
Quarterly Net Absorption (SF)	31,474	49,520	(25,827)
Average Asking Rent/SF	\$23.24	\$23.92	\$23.04
Under Construction (SF)	0	0	0

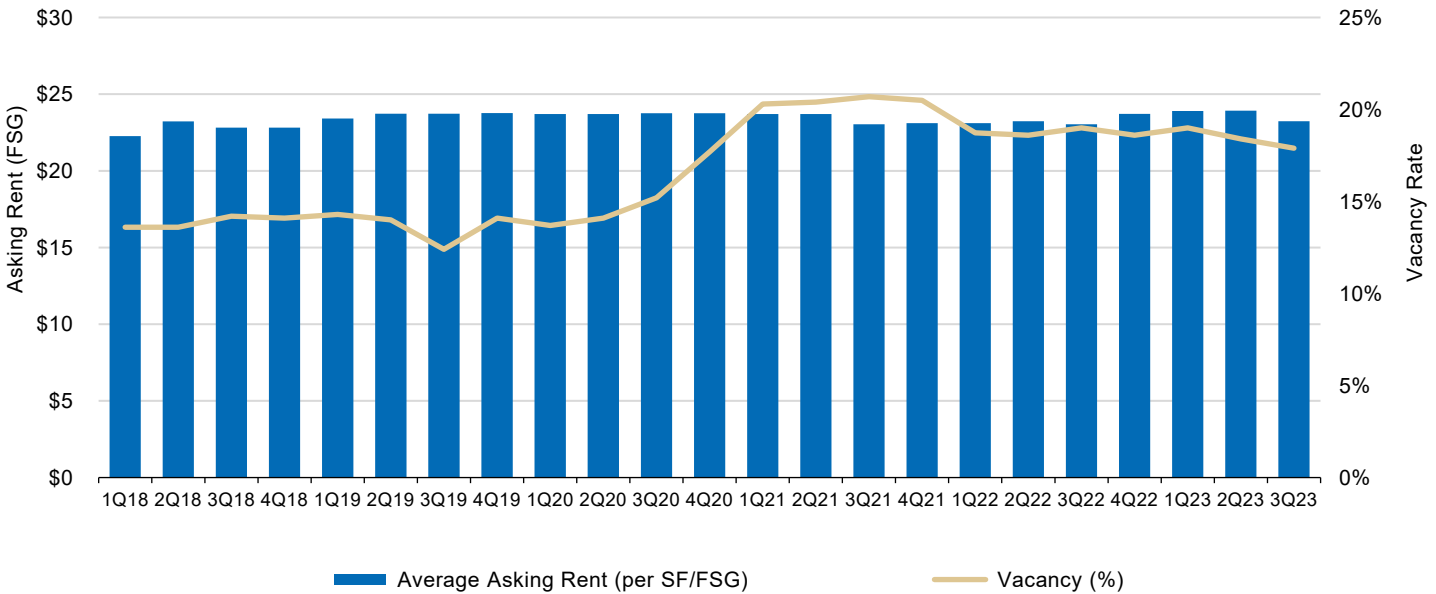
## Current Market Trends

- Rental rates overall are \$23.24/SF, down from \$23.92/SF in the second quarter of 2023. Absorption was positive at 31,474 SF, reducing the vacancy rate from 18.4% in the second quarter of 2023 to 17.9% currently.
- SICK, a German sensor manufacturer, has finalized the acquisition of land in Bloomington, close to the Mall of America. It will commence construction on a 144,000-SF office building in 2024, close to an existing production and logistics facility the company operates.
- Thomson Reuters announced it will sublease around 300,000 SF at the Prime Therapeutics campus in Eagan. Additionally, the company is selling its corporate campus, also located in Eagan, which includes over 1.1 million SF of office space, plus more than 300,000 SF of datacenter space.
- In another instance of a corporate campus relocation and space reduction, Unisys announced it will vacate and sell its existing 32-acre, 312,495-SF campus in Eagan and move to a new location in the metro area.

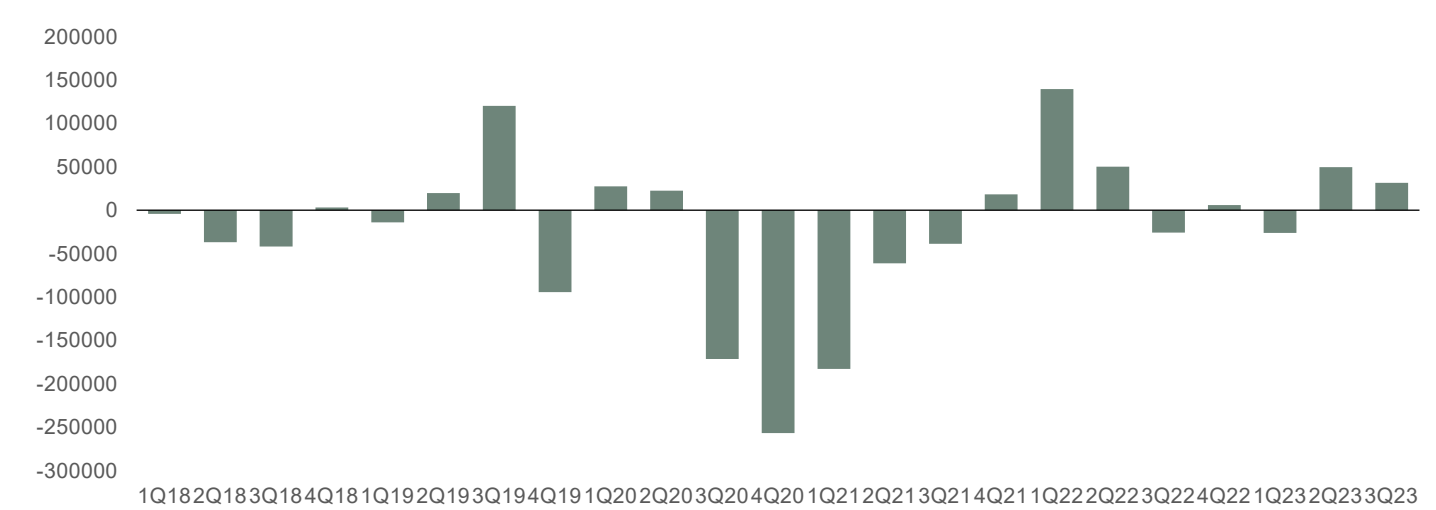
## Overall Leasing Activity



## Asking Rent and Vacancy Rate



## Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar



# Southwest

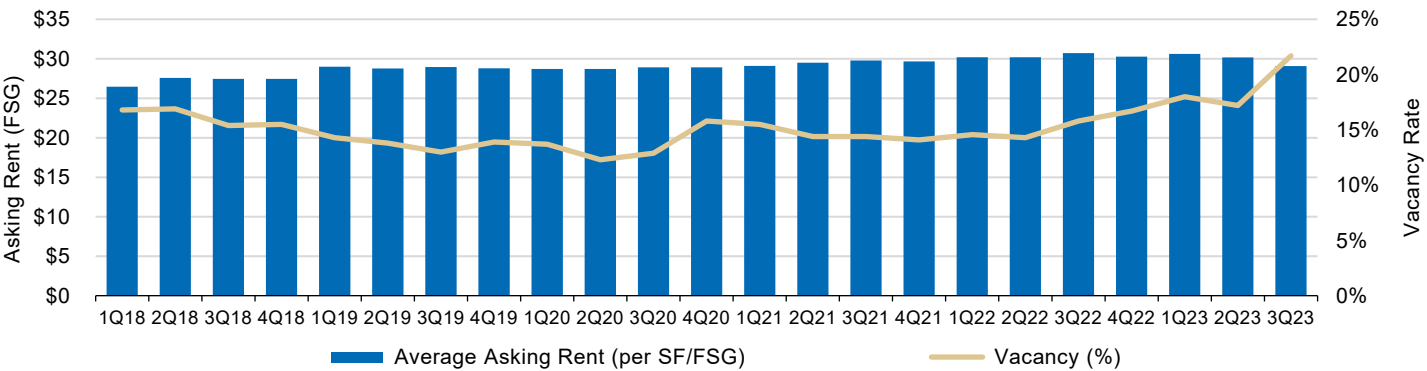
## Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	16.8M	16.6M	17.1M
Vacancy Rate	21.7%	17.2%	15.8%
Quarterly Net Absorption (SF)	(748,904)	26,799	32,649
Average Asking Rent/SF	\$29.08	\$30.18	\$30.72
Under Construction (SF)	0	0	15,400

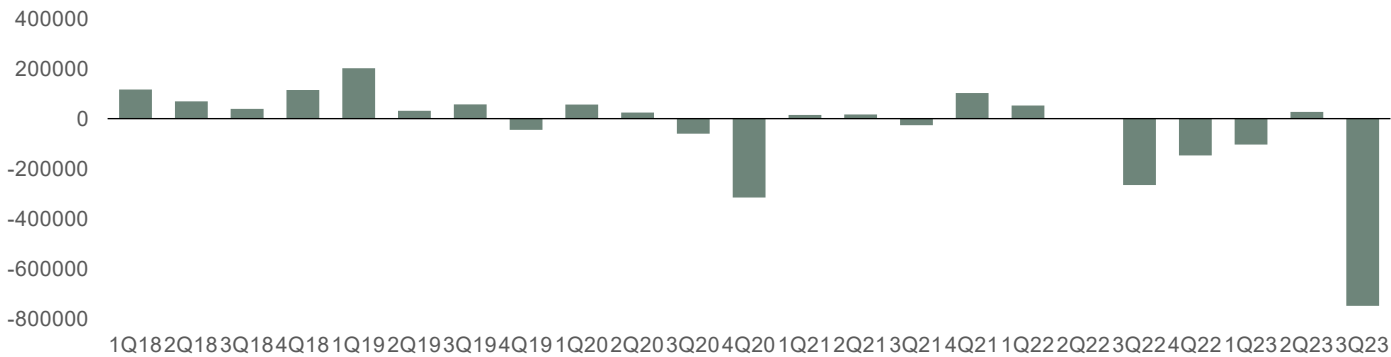
## Current Market Trends

- Best Buy made 600,000 SF of space available for lease in its expansive 1.5-million-SF corporate campus in Richfield. The complex has a 215,000-SF communal amenity area that includes dining and coffee options.
- The vacancy rate increased to 21.7% from 17.2% in the second quarter of 2023, as there was 748,904 SF of negative absorption, largely due to Best Buy.
- Average quoted rental rates decreased from \$30.18/SF in the second quarter of 2023 to \$29.08/SF.
- The France Avenue Corridor has been a hotspot of robust demand, with its strong infill location and proximity to retail, services and freeway linkages.
- The 45,00-SF Creekridge Office Center I, which has remained vacant since Siteimprove's departure two years ago, may undergo a transformation to a facility that includes golf simulators, restaurant space, and 16,000 SF of office space. Pro golf instructor Ernie Rose submitted a plan for the property to the city.
- UnitedHealth Group has opted not to renew its lease at its 345,000-SF headquarters building in Minnetonka. Among the employees affected by this decision, the company's C-suite executives will relocate to the Optum campus in Eden Prairie during the first half of 2024.
- Schneiderman's Furniture obtained approval from Bloomington city officials to convert the Penn American office building into a furniture showroom. An entity associated with Schneiderman's purchased the 70,000-SF building in March of 2020.

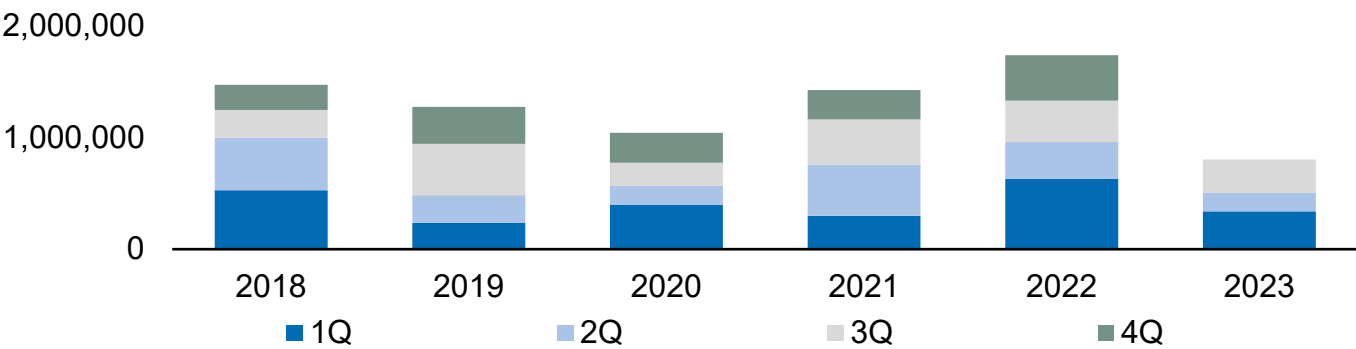
## Asking Rent and Vacancy Rate



## Net Absorption (SF)



## Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

# West

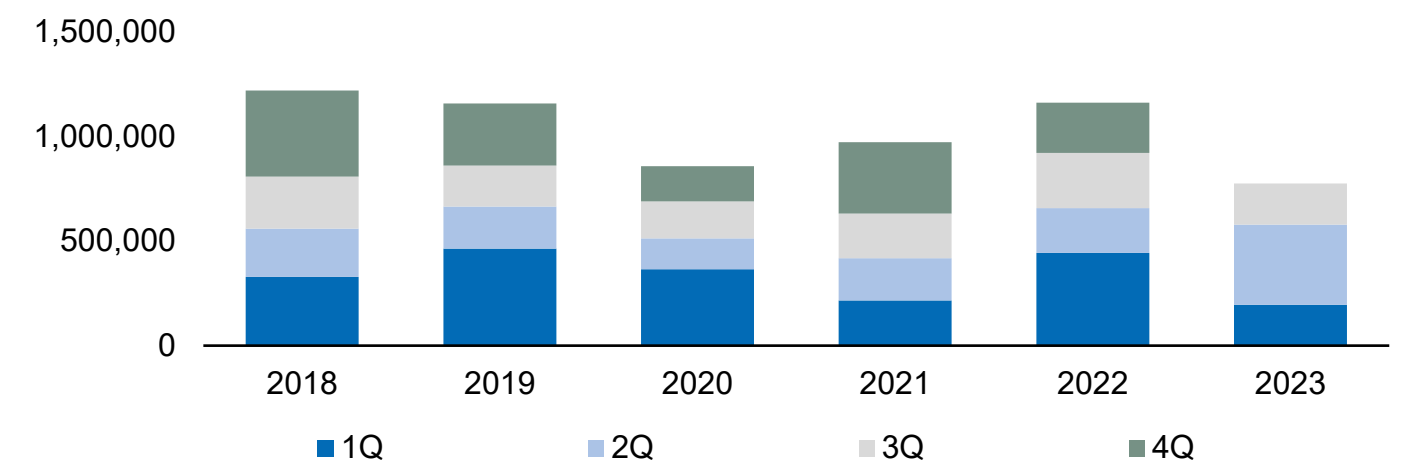
## Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	10.3M	10.3M	10.3M
Vacancy Rate	16.8%	15.8%	16.7%
Quarterly Net Absorption (SF)	(111,860)	16,285	74,184
Average Asking Rent/SF	\$34.28	\$34.91	\$34.19
Under Construction (SF)	0	0	0

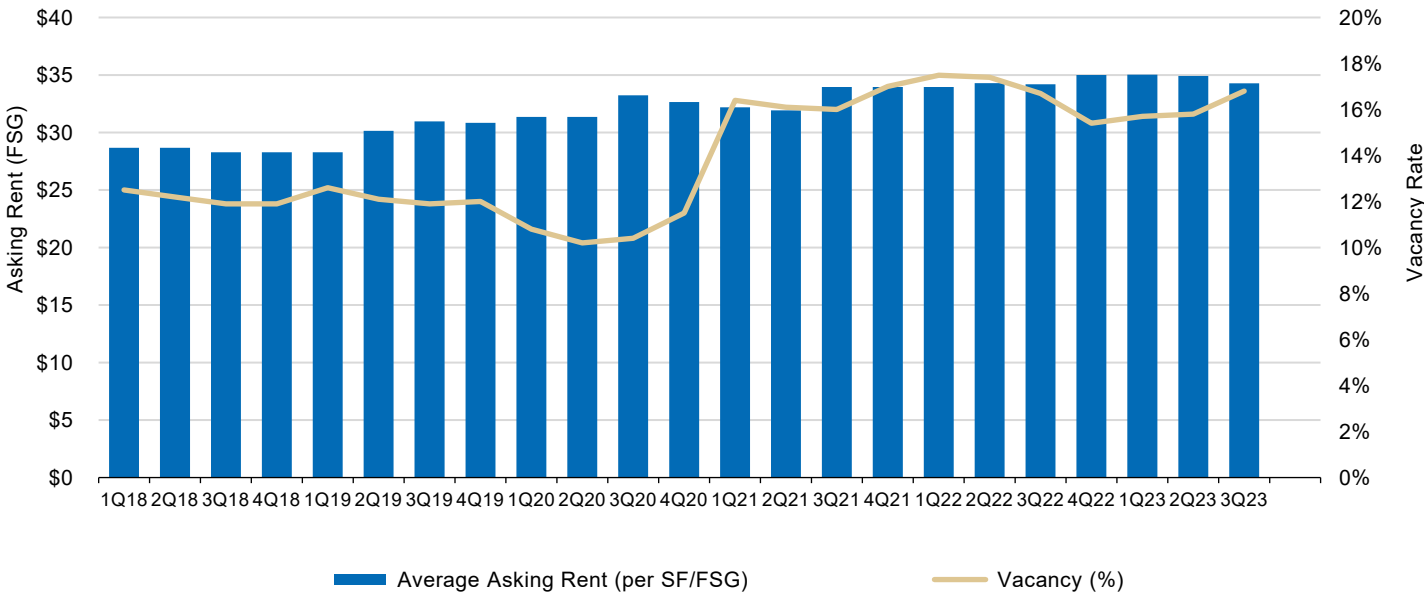
## Current Market Trends

- The West submarket boasts the highest rental rates among submarkets at \$34.28/SF, surpassing the overall average of \$29.42/SF by 16.5%, and exceeding the overall rate of \$32.82/SF in the Minneapolis CBD, which has the second-highest rate in the metro area.
- The vacancy rate increased from 15.8% to 16.8%, with 111,860 SF of negative absorption.
- The West End node within the submarket is highly sought after and includes the speculative development 10 West End. This project marked the first speculative building in over 15 years when it was completed in 2021 and achieved 90% occupancy within two years of completion.
- An additional office building, 20 West End, is planned at the site and will include a top floor sky deck.

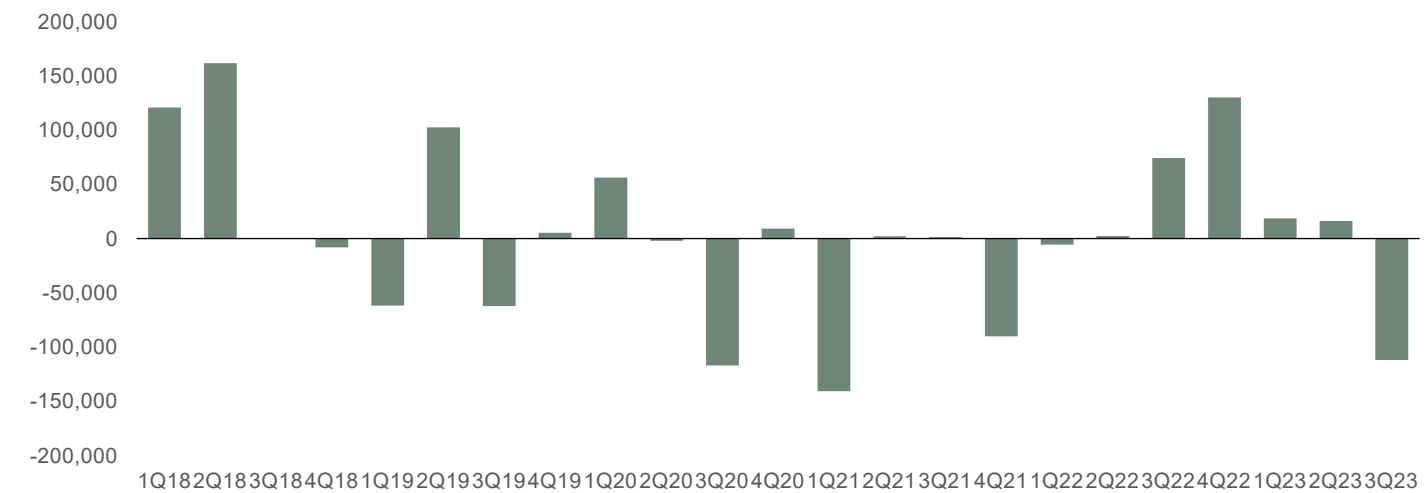
## Overall Leasing Activity



## Asking Rent and Vacancy Rate

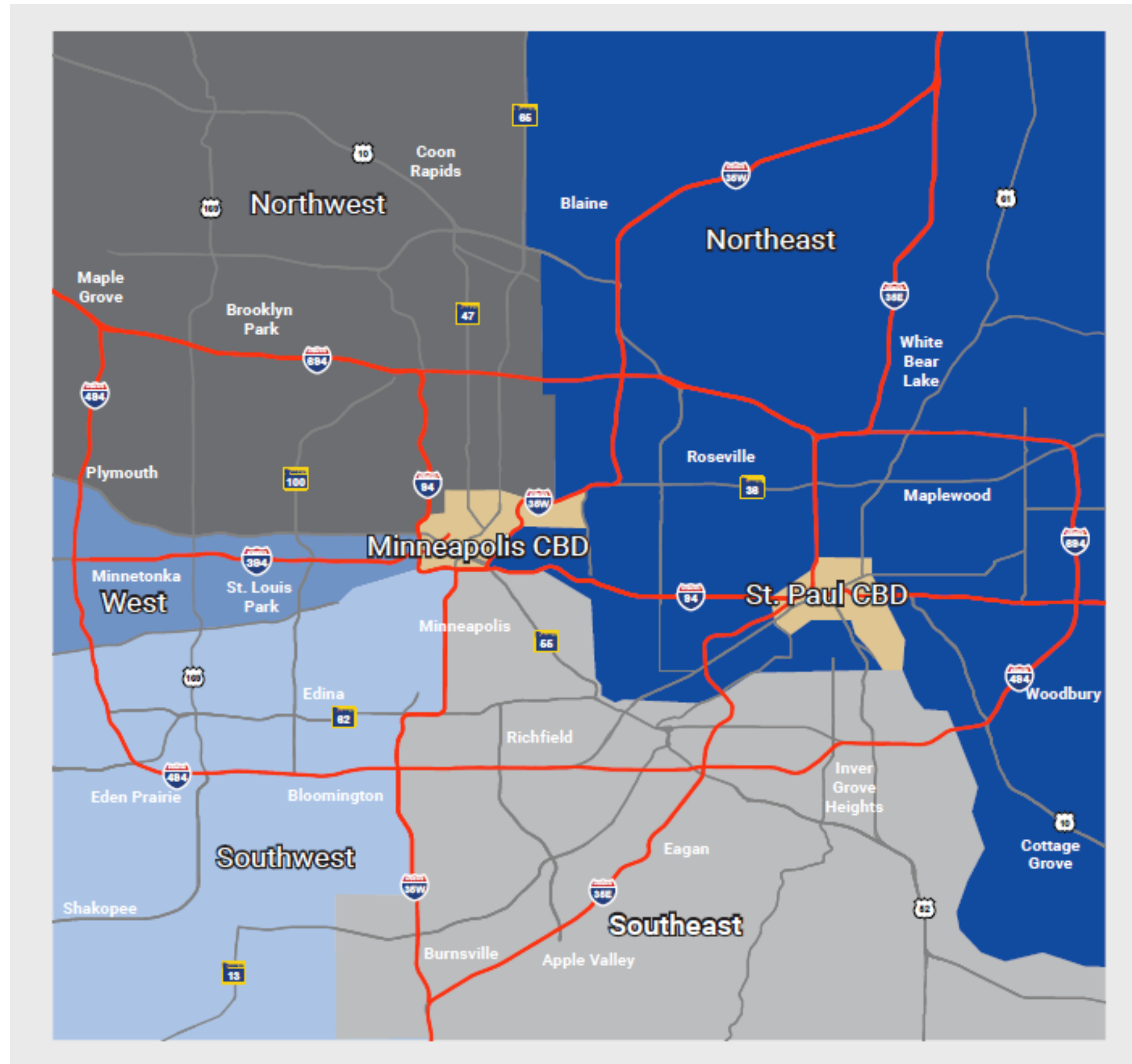


## Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

# Minneapolis-St. Paul - Submarket Map



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