

Minneapolis

Office | Q1 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$17.95/SF

↑ Vacancy
21.2%

↑ Net Absorption
-60,383 SF

Occupier's Perspective

Large single-tenant office buildings, especially older sites, are in trouble as corporations downsize. Large corporate users have a great opportunity to get below market rates and above market concessions if they can take on large amounts of space with a long-term commitment.

Central CBD's in both Minneapolis and St. Paul are struggling. Clients willing to locate downtown are able to get great deals, although we do see a desire for smaller spaces in higher-end buildings in order to remain in "activated" properties.

Although the cost of construction is leveling off, prices remain high and longer-term leases are demanded by landlords and desired by tenants to lengthen the amortization of the improvements. Although rent's have not shifted in the tenant's favor, the pace of deals has slowed, giving tenant's more time to make the right strategic decision.

The overall health of the Minneapolis office market remains sluggish with negative absorption in the first quarter of 2024. The negative market condition is largely attributed to corporate users exiting a large amount of headquarter space. Rates and increases remain stable even with the slow-paced market. However, landlords are amenable to offering attractive concessions for longer-term lease commitments.

Similar to other markets across the nation, the central CBD is no longer the focus of many tenants' requirements but rather shifting their attention to suburban markets and "live, work, play" submarkets like the North Loop in Minneapolis. St. Paul remains a challenging market with little movement and high vacancy. Class A properties continue to outperform all other assets as companies commit to right-sized space in Class A buildings with high-end amenities to encourage a stronger return to work, following the national trend of a flight-to-quality.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
CHS Building	320,000 SF	Suburban St. Paul	Sale	Office
Hudson Medical Center	160,000 SF	Suburban St. Paul	Sale	Office
Capella	111,700 SF	Minneapolis CBD	Renewal	Office
CliftonLarsonAllen	36,400 SF	Suburban St. Paul	New Lease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
24.9%	▼	\$22.89	Suburban St. Paul
22.7%	▼	\$23.16	Northwest
18.9%	◆	\$24.14	St Paul CBD
10.0%	▲	\$25.97	Northeast
18.1%	▲	\$29.57	394 Corridor
22.0%	▼	\$30.02	494 Corridor
24.9%	▲	\$31.52	Minneapolis CBD