MINNEAPOLIS OFFICE MARKET

Yardi[®] Matrix

Market Analysis

Second Quarter 2019

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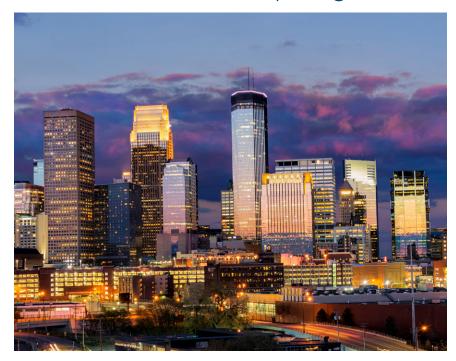
Aggregated and anonymized expense and lease expiration data is available to Yardi Matrix subscribers. Please contact us for details!

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Office Sales in the Spotlight



The Minneapolis-St. Paul office market continued to sail steadily in the first half of 2019, with fundamentals performing better than the national average. Demand for office space stayed strong, while developers are making progress with new deliveries. Asking office rents increased by 1.5% in the second quarter, showcasing one of the strongest growth rates in the nation. Transaction activity slowed down slightly year-over-year in June, but sales are expected to surpass last year's \$1.4 billion volume, as borrowing costs have been softening.

Gains in the office-using employment sectors were modest, with only 1,200 jobs added in the 12 months ending in May. The professional and business services sector gained 2,000 jobs, which compensated for the layoffs recorded this spring, when dozens of Shopko stores were liquidated. Financial services contracted by 600 jobs, while information lost 200 positions.

Absorption remained healthy during the first two quarters. Office vacancy was 12.6%, below the national vacancy rate. Pre-leasing activity also remained strong, with large projects—such as the upcoming 530,000-square-foot RBC Gateway—as much as 85% pre-leased before groundbreaking. Construction activity continued at a steady pace throughout the metro, with some 2.1 million square feet under construction as of June, of which roughly 550,000 square feet is projected to reach completion by the end of the year.