

MINNEAPOLIS OFFICE MARKET

Yardi® Matrix

Market Analysis

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The Strong, Steady Twin Cities



The Minneapolis-St. Paul office market is strong, bolstered by a **diversifying economy**, a large pool of **highly educated talent** and an influx of **foreign capital**. Demand for office space, particularly in the medical office niche, keeps the vacancy rate low. The metro abounds in amenity-rich properties, mostly comprising expensive **adaptive-reuse projects**, such as the former Dayton's retail store in the Minneapolis Central Business District (CBD) or the Woolworth building in the St. Paul CBD and **building expansions** such as Mayo Clinic's Gonda Building in the Southeast submarket. Despite soaring asking prices in the Minneapolis CBD (\$29 per square foot), many companies have chosen to relocate from the suburbs to the appealing urban core.

Employment growth has been strong, with roughly 51,000 jobs added during the 12 months ending in June. However, the office-using sector trails hospitality, trade and transportation and manufacturing in gains. Professional and business services (5,500 jobs) and financial activities (1,700) saw weak gains, while information services lost 600 jobs.

The metro's **office vacancy rate of 12.6% as of June** will increase, due to the roughly **2 million square feet currently underway** and scheduled for completion during the next three quarters. Development is concentrated in the Minneapolis CBD. With more than 1 million square feet under construction, the submarket's office inventory will grow by 4.6% during the next three quarters. Although for-sale inventory is limited, Minneapolis does appeal to investors, given the stability of its tenant base and the diversity of its economy.