

MINNEAPOLIS OFFICE MARKET

Yardi® Matrix

Market Analysis

Fourth Quarter 2019

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Twin Cities Shows Resilience



The Minneapolis-St. Paul office market remained relatively stable in the face of intensifying crosswinds. The metro's office-using employment sectors contracted by 0.7% year-over-year through September 2019, with several large employers including Comcast and Wells Fargo announcing upcoming layoffs. However, the market's diverse overall employment mix, in addition to the anchoring presence of several major Fortune 500 firms, was expected to moderate short-term losses.

Both Class A and B spaces were highly sought after, with vacancy dropping to 11.9% in October. Leasing activity, already strong in the CBD, is expected to pick up speed. Investments in significant capital improvement projects enable dated assets to satisfy the increased demand for modern, amenitized space. Overall asking rates averaged nearly \$27 per square foot, well below the national average of \$37.73 per square foot, positioning the market as a cost-effective alternative to most other secondary and gateway metros.

More than 2 million square feet was under construction in the market as of October 2019. While 2018's deliveries in the same period totaled some 610,000 square feet—lagging in comparison to recent years—1.3 million square feet is anticipated to come online by the end of 2020. Minneapolis-St. Paul's transaction volume topped out at \$1.1 billion through October, with more than half of investment dollars concentrated in the CBD. Suburban submarkets also performed well, accounting for nearly \$440 million in transactions.