

Minneapolis/St. Paul Office, Q1 2020

Diverse economy drives Q1 2020 leasing and absorption

 **Vacancy Rate**
18.7%

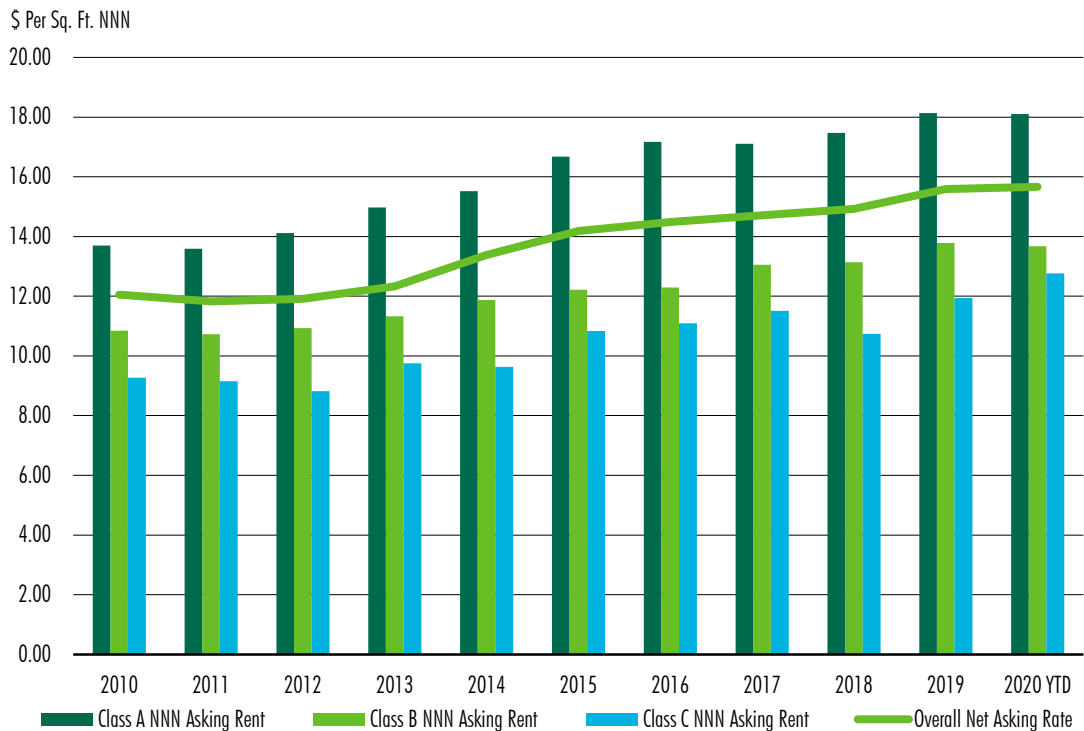
 **NNN Asking Rate**
\$15.67 PSF

 **Net Absorption**
78,661 SF

 **Under Construction**
847,280 sq. ft.

*Arrows indicate change from previous quarter.

Figure 1: Historic Annual NNN Asking Rate



Source: CBRE Research, Q1 2020.

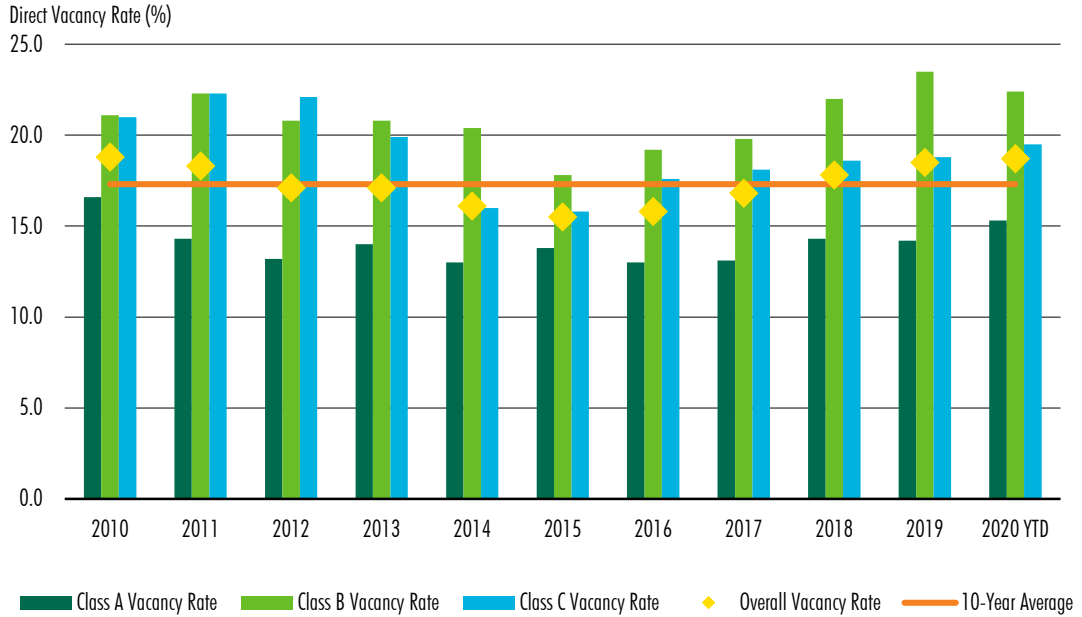
- The year started strong with positive absorption of 78,661 sq. ft. in Q1 2020
- A total of 38 leases for nearly 1.2 million sq. ft. in Q1 2020 were among the strongest results in the past two years
- Net asking rates rose to \$15.67 per sq. ft. a 2.4% year-over-year increase
- Investment sales included the \$130 million sale of the recently-renovated West End Office Park

MARKET OVERVIEW

The diverse Minneapolis/St. Paul economy was reflected with Health Care, Insurance and Tech driving nearly 1.2 million sq. ft. of leasing in Q1 2020. Tenants and investors continued to favor high-amenity, well-located office.

Overall net asking rates rose to \$15.67 per sq. ft. for the Minneapolis/St. Paul market. Class A net asking rates in the 394 Corridor reached \$19.92 per sq. ft., increased to \$19.16 in the Minneapolis CBD and are \$18.10 overall.

Figure 2: Vacancy Rates by Class with 10-Year Average and Overall Average



Source: CBRE Research, Q1 2020.

MARKET OVERVIEW, CONTINUED

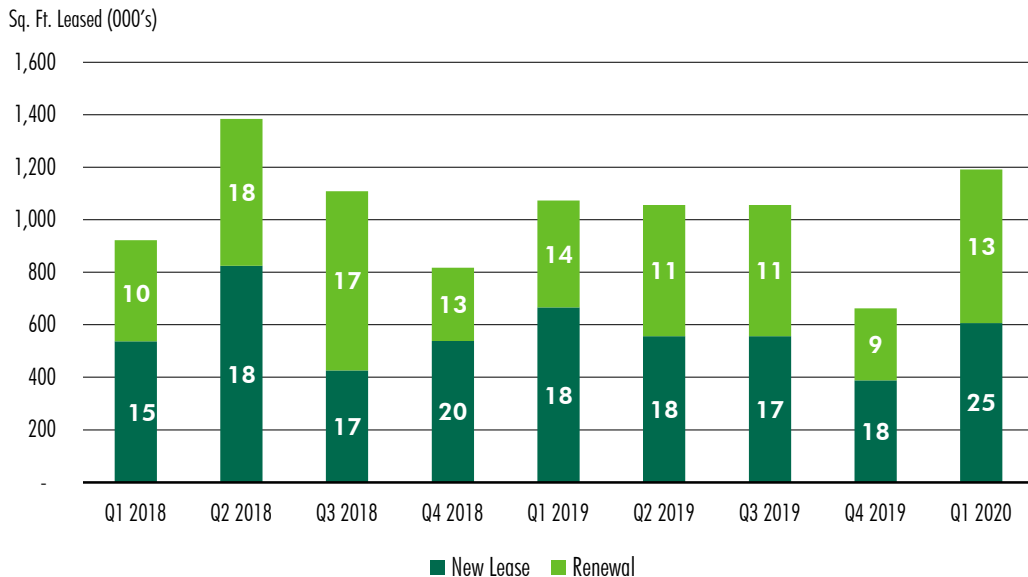
Overall Q1 2020 office vacancy in the Minneapolis/St. Paul market was 18.7%, with Class A vacancy at 15.3%.

The 494 Corridor led all submarkets with 113,984 sq. ft. of absorption, including 75,998 sq. ft. of Class A absorption.

LEASING BEST IN PAST TWO YEARS

Overall deal count picked up in Q1 2020. The 38 tracked leases (greater than 10,000 sq. ft.) was the highest quarterly total in the past two years, and the total sq. ft. of nearly 1.2 million was the second highest. The 25 new leases signed outpaced the historic quarterly average over the past two years.

Figure 3: Sq. Ft. and Count of New Leases and Renewals



Source: CBRE Research, Q1 2020.

LEASING ACTIVITY REFLECTS DIVERSE MINNEAPOLIS/ST. PAUL ECONOMY

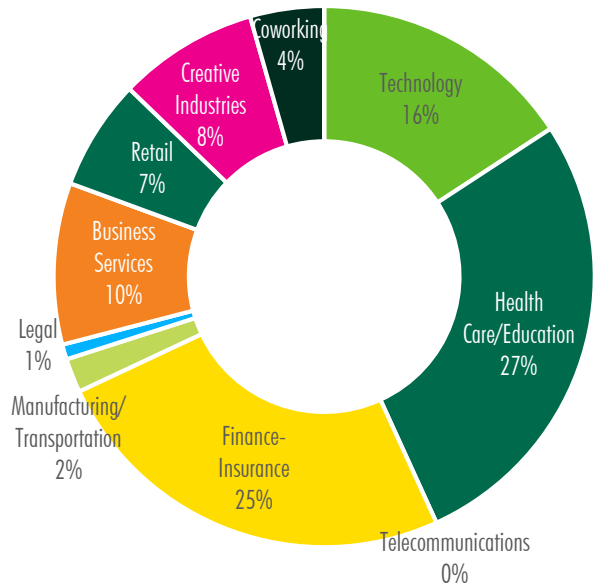
Notable Med Tech leases by Minnetronix and Tactile Technology helped propel the Health Care/Education sector in to first place, with 27% of all Q1 2020 leasing. The Nerderly’s dog-friendly lease at 7700 France led all Tech leasing for the quarter, and Life Time Work announced its third Minneapolis/St. Paul coworking location with a 53,000 sq. ft. lease at Thirty in the Minneapolis CBD. The 394 Corridor led all submarkets with 29% of all Q1 leasing, including 34,672 sq. ft. by CarVal, the first tenant to sign at 10 West End, currently under construction in St. Louis Park. The Midway and 494 Corridor tied for second place in leasing at 18%.

Q1 INVESTMENT SALES

The largest office investment sale of Q1 2020 was the West End Office Park, which Bridge Investment Group purchased from Excelsior Group for \$130 million. Excelsior Group purchased the six-building portfolio in 2015 for \$40 million, invested approximately \$27 million in renovations, and increased occupancy by more than 20% prior to the sale.

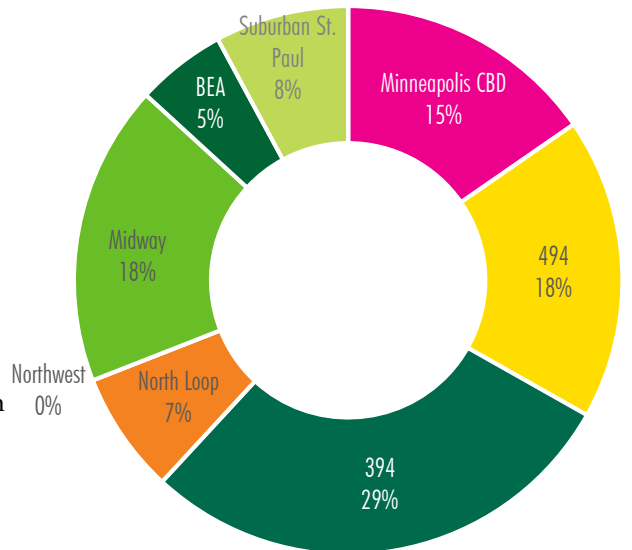
CBRE represented the seller in the \$39.8 million purchase of the Trimble Transportation Mobility HQ at 4350/4400 Baker Road. Waitt Company purchased the single-tenant UHG @ 6150 Trenton Lane, occupied by UnitedHealth Group, for \$24.5 million.

Figure 4: Transaction Industry Type by Sq. Ft.



Source: CBRE Research, Q1 2020.

Figure 5: Transaction Submarket Location by Sq. Ft.



Source: CBRE Research, Q1 2020.

Figure 6: Notable Sale Transactions

Property	Size (Sq. Ft.)	Submarket	Buyer	Price (\$)	Price (\$ Per Sq. Ft.)
West End Office Park	567,889	394	Bridge Investment Group	130,000,000	230
Trimble Transportation Mobility HQ*	173,364	394	Syndicated Equities Corp	39,800,000	230
UHG @ 6150 Trenton Lane	178,385	394	Waitt Company	24,500,000	136
Park Glen Corporate Center	52,124	394	Carlson Partners	6,895,000	132
21 st Century Bank @ 9380 Central Av	29,521	Suburban St. Paul	Bella Vita Holdings LLC	4,600,000	154

* CBRE Representation

Source: CBRE Research, Q1 2020.

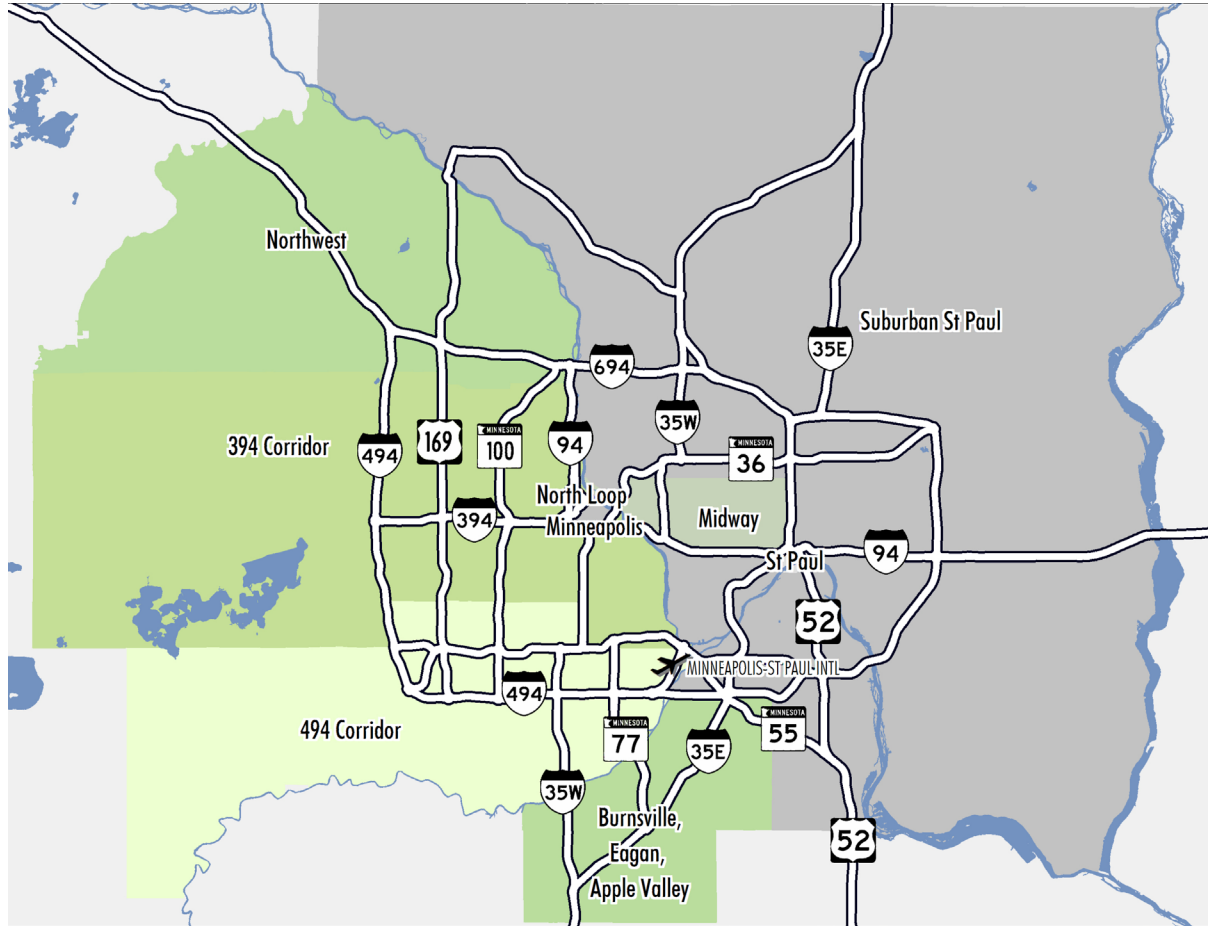
Figure 7: Minneapolis/St. Paul Multi-Tenant Office Market Statistics

Submarket	Rentable Area (Sq. Ft.)	Direct Vacancy Rate (%)	Y-o-Y Vacancy Trend	Average Net Asking Rate (\$/Sq. Ft./Yr)	Y-o-Y Asking Rate Trend	Q1 Net Absorption (Sq. Ft.)	Y-o-Y Net Absorption Trend	YTD Net Absorption (Sq. Ft.)	Multi-Tenant Construction (Sq. Ft.)
Metro Overall	73,501,741	18.7	↑	15.67	↑	78,661	↑	78,661	847,280
Class A	35,492,796	15.3	↑	18.10	↑	33,086	↑	33,086	847,280
Class B	31,011,206	22.2	↓	13.69	↑	64,480	↑	64,480	-
Class C	6,997,799	19.6	↑	12.75	↑	(18,905)	↓	(18,905)	-
Minneapolis CBD	22,239,487	20.1	↓	16.61	↑	(70,479)	↑	(70,479)	532,000
Class A	13,593,494	13.7	↓	19.16	↑	(83,808)	↑	(83,808)	532,000
Class B	7,086,165	31.8	↓	13.35	↓	5,090	↓	5,090	-
Class C	1,559,828	23.8	↑	14.54	↑	8,239	↑	8,239	-
394 Corridor	11,001,229	14.8	↑	18.30	↑	19,500	↓	19,500	315,280
Class A	5,511,031	16.9	↑	19.92	↑	27,666	↑	27,666	315,280
Class B	4,474,866	13.1	↑	16.30	↓	(22,719)	↑	(22,719)	-
Class C	1,015,332	10.8	↓	11.37	↑	14,553	↑	14,553	-
494 Corridor	16,305,261	15.4	↓	15.52	↑	156,424	↑	156,424	-
Class A	8,393,753	10.6	↑	18.04	↑	75,998	↑	75,998	-
Class B	6,445,331	19.9	↓	13.08	↑	56,761	↑	56,761	-
Class C	1,466,177	22.5	↑	10.66	↑	(18,775)	↓	(18,775)	-
North Loop	4,020,042	21.7	↑	17.86	↑	(28,717)	↓	(28,717)	-
Class A	877,775	24.2	↑	22.57	↑	0	→	0	-
Class B	2,054,798	23.2	↑	17.58	↑	(14,278)	↑	(14,278)	-
Class C	1,087,469	16.9	↑	14.28	↓	(14,439)	↓	(14,439)	-
Midway	4,481,224	12.8	↓	14.19	↑	21,545	↑	21,545	-
Class A	1,069,505	24.4	↑	15.65	↑	0	↓	0	-
Class B	2,908,485	7.7	↓	14.05	→	18,885	↓	18,885	-
Class C	503,234	17.6	↑	11.24	↑	2,660	↑	2,660	-
BEA	2,955,822	24.1	↑	12.85	→	18,362	↑	18,362	-
Class A	1,283,912	27.2	↑	14.69	→	12,934	↑	12,934	-
Class B	1,542,898	22.4	↑	11.95	↑	3,914	↓	3,914	-
Class C	129,012	13.0	↑	11.13	↓	1,514	↑	1,514	-
Northwest	1,357,864	19.5	↑	10.97	↓	(8,411)	→	(8,411)	-
Class A	127,000	22.8	↑	11.00	→	0	↓	0	-
Class B	952,789	14.9	↓	11.42	↓	1,589	↑	1,589	-
Class C	278,075	34.0	↑	9.88	→	(10,000)	↓	(10,000)	-
St. Paul CBD	6,417,604	28.6	↑	12.76	↑	(4,576)	↑	(4,576)	-
Class A	2,685,792	18.7	↑	13.63	↓	(734)	↑	(734)	-
Class B	3,422,819	36.5	↑	12.47	↑	(1,185)	↓	(1,185)	-
Class C	308,993	28.6	↑	11.76	↓	(2,657)	↓	(2,657)	-
Suburban St. Paul	4,723,208	18.6	↑	13.36	↑	17,453	↑	17,453	-
Class A	1,950,474	24.3	↑	13.43	↑	1,030	↑	1,030	-
Class B	2,123,055	14.7	↓	13.33	↑	16,423	↑	16,423	-
Class C	649,679	14.3	↓	12.74	↑	0	↑	0	-

Note: The tracked base includes all multi-tenant office buildings larger than 30,000 sq. ft. and does not include any owner-user buildings.

Source: CBRE Research, Q1 2020.

Figure 8: Minneapolis/St. Paul Office Submarket Map



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