

MINNEAPOLIS - SAINT PAUL OFFICE MARKET

Q4 2024



TRENDLINES

INDICATOR	Q4 2023	Q4 2024	ONE-YEAR TREND	THREE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.2	2.9	↑	2.7	↑
NET ABSORPTION (THOUSANDS SF)	(102.7)	(222.0)	↓	(248.0)	↓
OVERALL VACANCY RATE	21.7%	24.4%	↑	21.9%	↑
OVERALL VACANT SF (MSF)	19.2	21.4	↑	19.5	↑
SUBLEASE AVAILABLE (MSF)	3.4	3.4	↔	3.2	↓
UNDER CONSTRUCTION (MSF)	0.4	0.1	↓	0.6	↓
ASKING RENT, FULL SERVICE (PSF)	\$26.76	\$27.60	↑	\$26.75	↑
SALES VOLUME (MILLIONS)	\$64.9	\$204	↑	\$187.8	↑

Source: Bureau of Labor Statistics, MNCAR, Real Capital Analytics, Transwestern

MARKET OVERVIEW

The Minneapolis-Saint Paul (MSP) office market is slowly stabilizing; as vacancy growth has slowed and market activity has picked up, especially in Downtown Minneapolis. Q4 2024 net absorption was negative 222,048 square feet (SF), bringing the total for 2024 to negative 1.41 million SF. The negative absorption in the fourth quarter was primarily due to Ulteig vacating 52,379 SF and Surest vacating 36,279 SF from the Northeast and West Submarkets, respectively. Available sublease space totaled 3.47 million SF, a 70-basis point increase from the previous year. The Q4 2024 vacancy rate was 24.4%, an increase of 270 basis points year over year (YoY). Office sales volume for the quarter was \$204.1 million. A notable transaction for the quarter was the sale of Wells Fargo Center in Minneapolis, which sold for \$85 million, a 73% discount from its previous sale price of \$313.6 million in 2019.

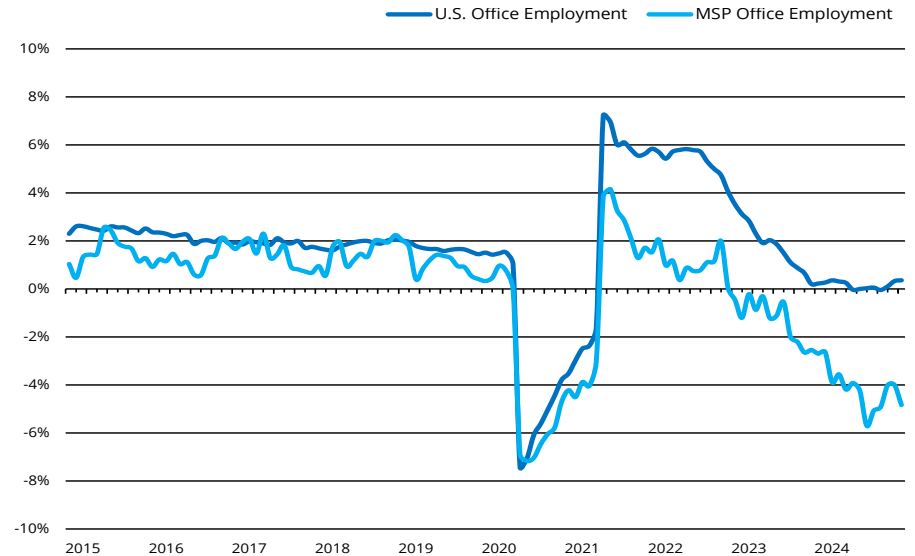


ECONOMY

Job Growth Slows

- The Minneapolis-Saint Paul (MSP) unemployment rate for November 2024 was 2.9%, up one percentage point year over year. The regional labor force decreased by 50 basis points to 2 million people.
- Metro area employment decreased by 70 basis points to 1.98 million, marking four consecutive months of decline.
- MSP office employment fell by 2.2% since January and 4.8% from last year, continuing a seven-month trend of over 4% annual decline.
- Health Care and Social Assistance employment increased by 21,900 jobs, while Professional & Business Services saw a net loss of 18,200 jobs compared to last year.

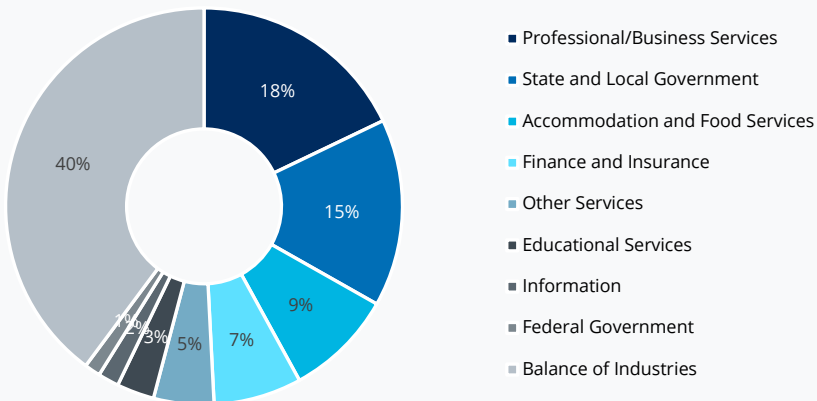
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

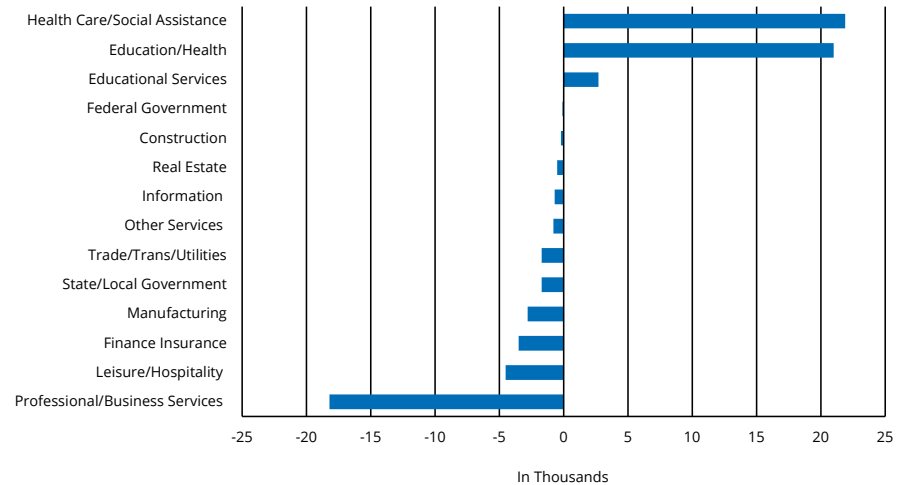
Minneapolis - Saint Paul | November 2024



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

Minneapolis-Saint Paul | November 2024



Source: Bureau of Labor Statistics, Transwestern

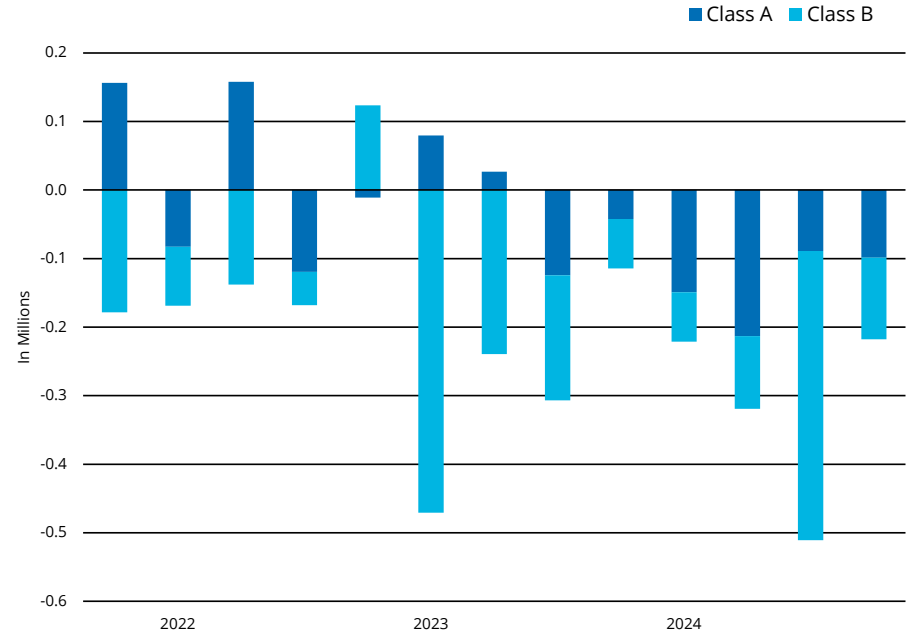


NET ABSORPTION

Negative Net Absorption Decreases

- The Minneapolis-Saint Paul office market continues to experience negative absorption, with Q4 totaling a negative net absorption of 222,048 SF, bringing the annual total to negative 1,416,263 SF.
- Most of the negative absorption for the quarter came from Class B space, contributing 119,068 SF, while Class A space had 98,718 SF of negative absorption.
- The Minneapolis CBD had negative net absorption of 91,917 SF in Q4. The North Loop was the only submarket with positive absorption, totaling 9,324 SF for the quarter and 70,365 SF for the year. The CBD Core submarket had the most negative absorption, with 67,171 SF for the quarter and 452,345 SF for the year.
- Suburban submarkets experienced negative net absorption of 125,855 SF in Q4, mainly due to Ulteig and Surest vacating 52,379 SF and 36,279 SF, respectively. Only the Southwest submarket, totaling 3,096 SF, and the Northwest submarket, totaling 180 SF, had positive absorption. The West submarket had the largest negative net absorption at 101,677 SF. For 2024, suburban submarkets totaled a negative 617,369 SF of net absorption.

NET ABSORPTION BY CLASS



Source: MNCAR, Transwestern

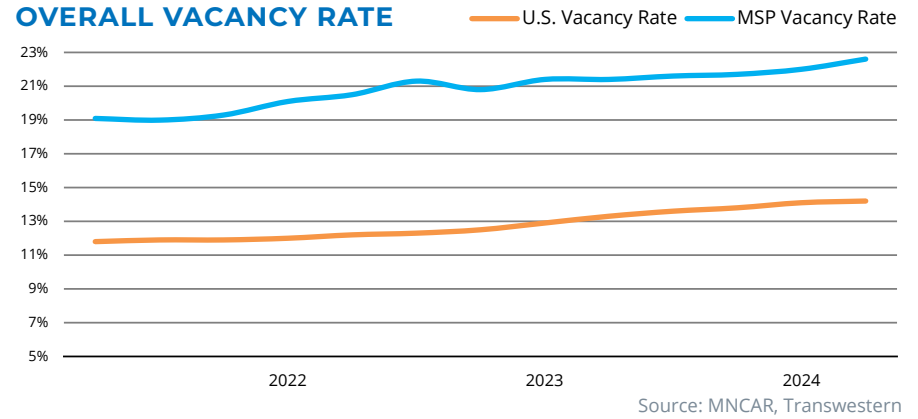


VACANCY

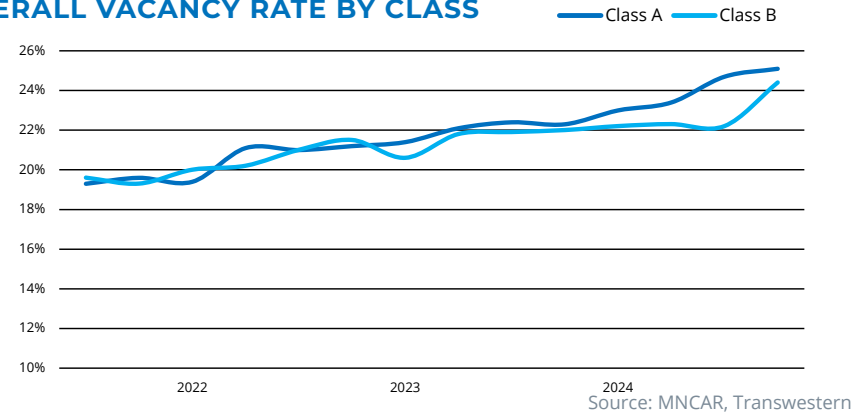
Rising Vacancy Rates

- Overall market vacancy for Q4 of 2024 was 24.3%, up 60 basis points from Q3 and 250 basis points year over year.
- The Minneapolis CBD vacancy rate reached 30.9% in Q4, increasing by 70 basis points from Q3 and 240 basis points from last year.
- The Suburban submarket vacancy rate was 19.1% in Q4 2024, a rise of 40 basis points from last quarter and 100 basis points from Q4 2023's rate of 18.2%.
- Vacancy rates continue to climb as office users scale down their space needs. Notable examples include Meagher + Geer vacating over 25,000 SF in City Center, Pine River downsizing from over 29,000 SF to 12,000 SF in Carlson Center, and Ulteig vacating over 52,000 SF.

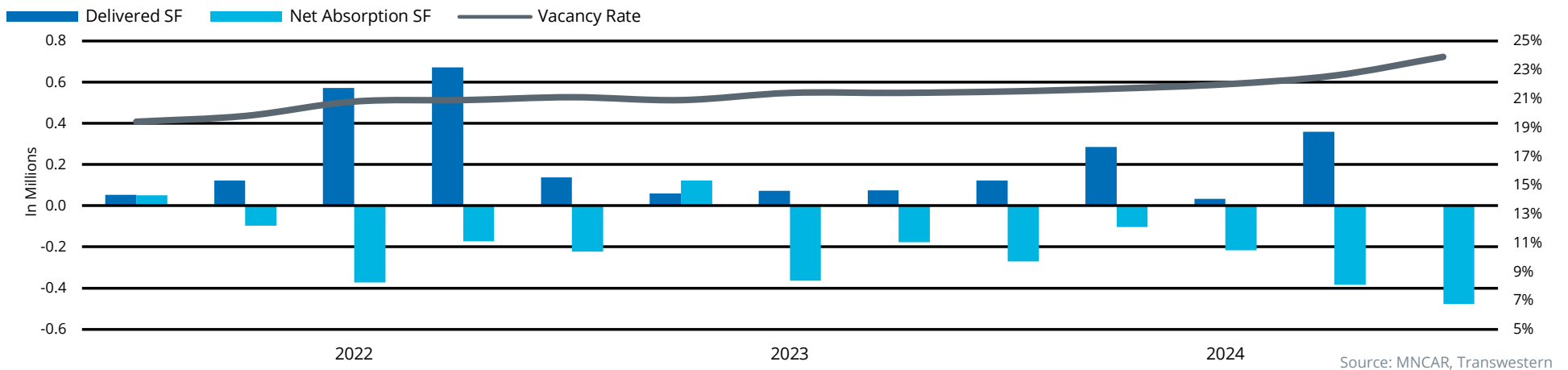
OVERALL VACANCY RATE



OVERALL VACANCY RATE BY CLASS



DELIVERY IMPACT ON KEY INDICATORS



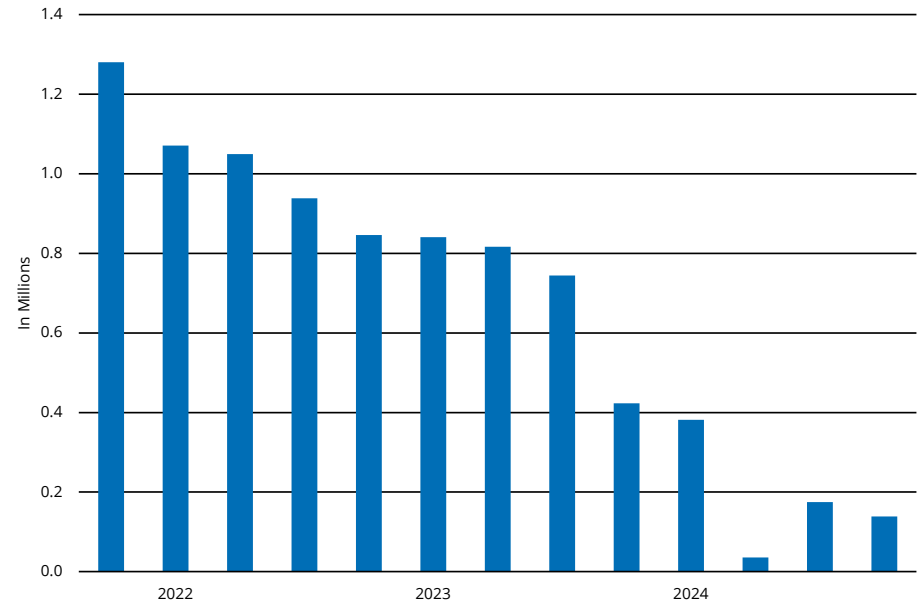


UNDER CONSTRUCTION

Ongoing Decline in Construction Activity

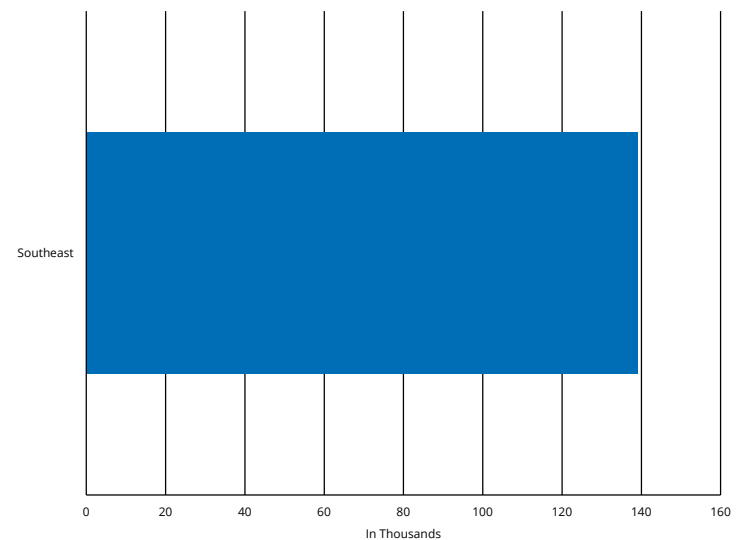
- There was 139,900 SF under construction in the MSP region for Q4 2024. New construction remains at historic lows due to limited demand and high construction costs.
- Year over year, space under construction decreased by 67%, indicating continued low demand for new space.
- One property was completed this quarter—Wayzata Gateway, delivering 35,666 SF to the market.
- The largest property that was completed in 2024 was North Loop Green with 350,000 SF, which was delivered in the first quarter.

UNDER CONSTRUCTION



Source: MNCAR, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: MNCAR, Transwestern

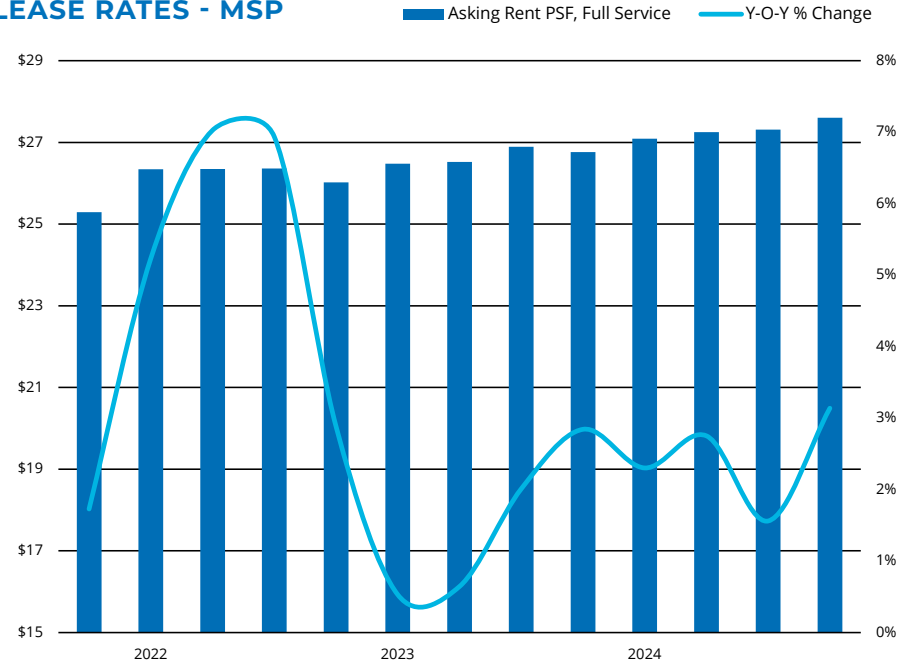


LEASE RATES

Marginal Increase in Rents

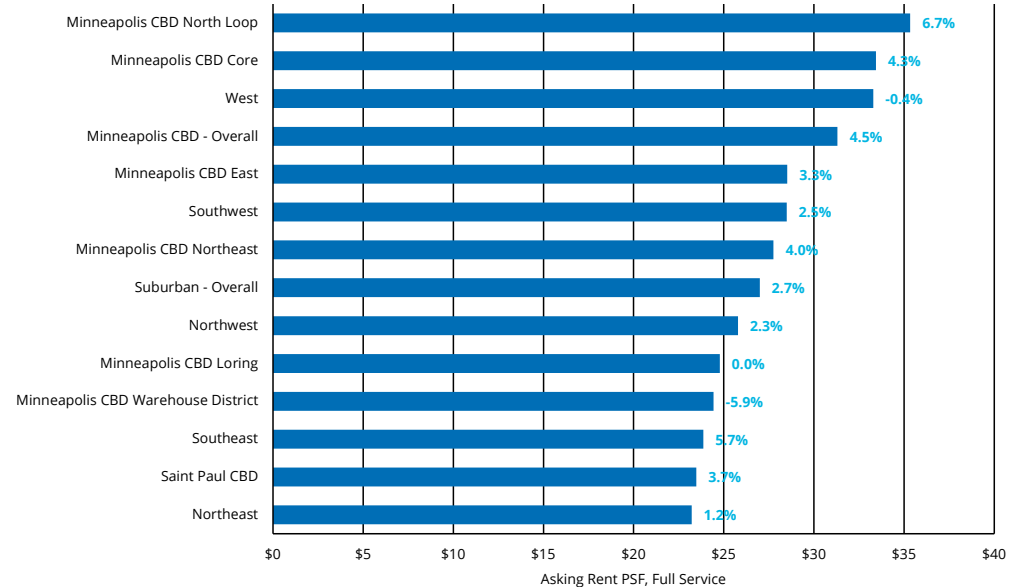
- Average asking rents for the Minneapolis Saint-Paul office market increased 1.1% from Q3 to Q4 2024, averaging \$27.60 PSF, and by 3.1% YoY.
- Minneapolis CBD asking rates increased by 4.5% YoY to \$31.31 PSF, while suburban rates rose by 2.7% YoY to \$27.00 PSF.
- The largest YoY increase was in the Minneapolis CBD North Loop submarket, where rates increased by 6.7% to \$35.34 PSF.
- Class A asking rents saw higher increases in the Minneapolis CBD than in suburban submarkets, with CBD rates up by 3.6% to \$38.74 PSF and suburban rates up by 0.9% to \$36.32 PSF.

LEASE RATES - MSP



Source: MNCAR, Transwestern

LEASE RATES BY SUBMARKET AND Y-O-Y GROWTH



Source: MNCAR, Transwestern

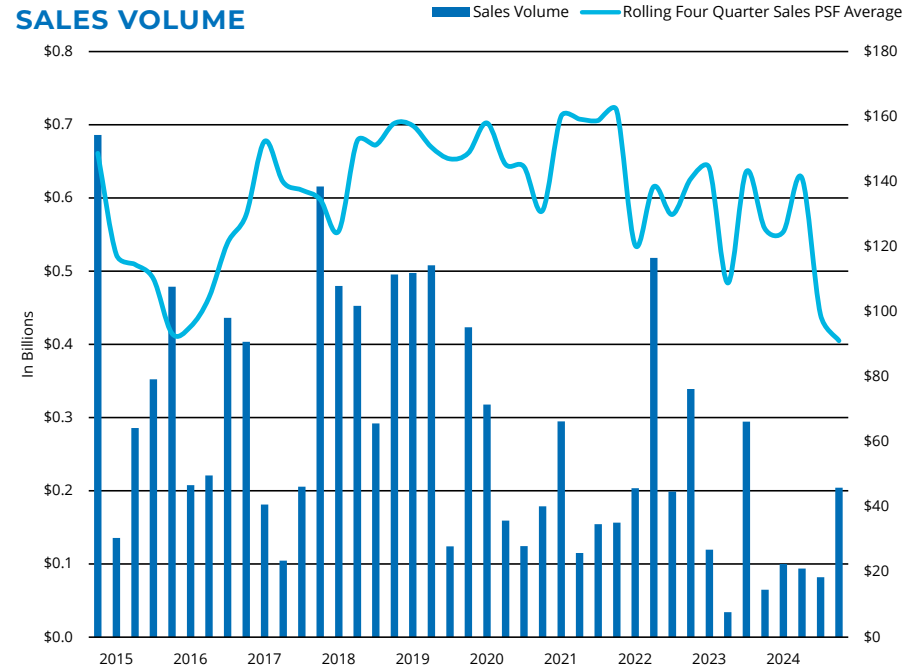


SALES

Sales Activity Down from Last Year

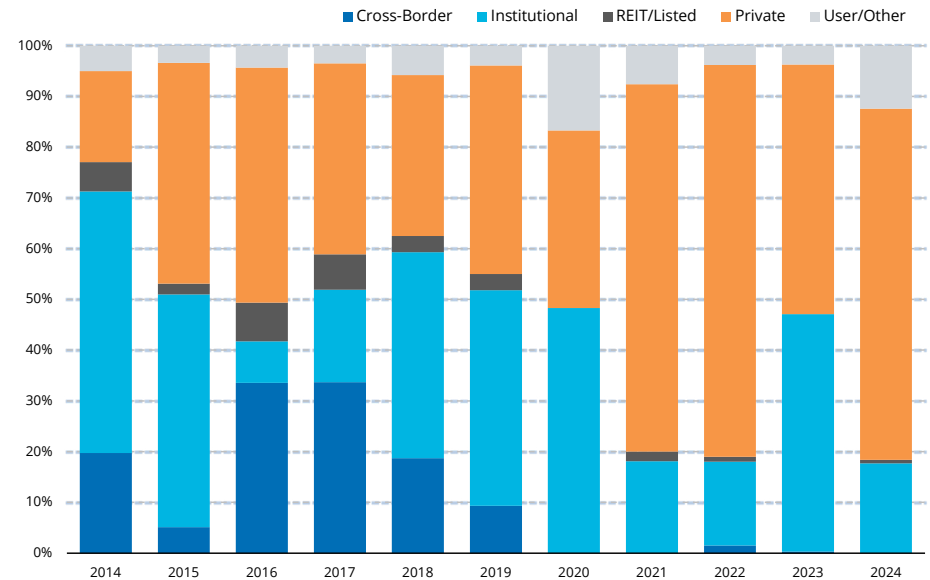
- Sales totaled \$204.1 million for the quarter, nearly four times the amount from Q4 2023. For 2024 overall, sales volume totaled \$480.1 million, a 6.5% decline from \$513.3 million in 2023.
- Large transactions drove sales activity this quarter. Overall market activity remains muted as capital waits for interest rates to decline, potentially increasing purchases by institutional and REIT buyers.
- The most notable sale of the quarter, by dollar amount, was the Wells Fargo Center at 90 South 7th Street in Minneapolis, a 1.46 million-square-foot high-rise office building, which sold for \$85 million, or \$58 per square foot. This marks a 73% discount from its previous sale price of \$313.6 million in 2019.
- Private and institutional sources accounted for 87% of buyer capital in 2024, while user/other sources made up 12.4%.

SALES VOLUME



Source: CoStar, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
LEGRAND	10900 Red Circle Dr, Minnetonka	Southwest	New	98,371
WOLD ARCHITECTS	50 S 6th St, Minneapolis	MPLS CBD - Core	New	57,161
KIPSU	100 N 6th St, Minneapolis	MPLS CBD - Warehouse District	New	43,785
MESSERLI & KRAMER	50 S 6th St, Minneapolis	MPLS CBD - Core	New	33,974
ST CROIX HOSPICE	1175 Centre Point Cir, Mendota Heights	Southeast	New	30,586

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
90 S 7TH ST, MINNEAPOLIS	MPLS CBD - Core	\$85,000,000	1,462,182	\$58	Cross Ocean Partners, Neuberger Berman, Onward Investors	Starwood Capital Group
201 GENERAL MILLS DR, GOLDEN VALLEY	West	\$19,750,000	90,000	\$219	Robert Matthews & Vickie Matthews, Yulanda Stedjan, Warren E & E Louise Stofferahn	EQ Holdings
401 LAKE ST E, CHASKA	West	\$17,500,000	19,014	\$920	Provident Real Estate Ventures	Bob Lothenbach Family Office
1750 YANKEE DOODLE RD, EAGAN	Southeast	\$11,650,000	227,666	\$51	U.S. Realty Advisors LLC	W.P. Carey Inc.
310 4TH AVE S, MINNEAPOLIS, MN	Minneapolis CBD - Core	\$3,476,990	93,352	\$37	Trellis Management	CIBC

= Transwestern deal

* = Portfolio Sale



MARKET INDICATORS

All Classes of Space | Q4 2024

SUBMARKET	INVENTORY SF	DIRECT AVAILABLE SF	DIRECT VACANT SF	SUBLEASE AVAILABLE SF	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YEAR END NET ABSORPTION SF	OVERALL VACANCY RATE	AVERAGE ASKING RENT, PSF (FSG)
MINNEAPOLIS CBD CORE	21,708,349	6,134,457	6,161,775	1,382,387	0	(67,171)	(452,345)	33.2%	\$33.44
MINNEAPOLIS CBD EAST	1,077,184	265,586	268,251	102,057	0	0	(41,745)	27.5%	\$28.52
MINNEAPOLIS CBD LORING	141,531	29,365	22,196	14,640	0	0	(14,640)	26.0%	\$24.78
MINNEAPOLIS CBD NORTHEAST	2,810,470	456,256	444,429	83,547	0	(26,386)	(10,105)	18.2%	\$27.76
MINNEAPOLIS CBD NORTH LOOP	3,054,050	550,891	664,403	238,734	0	9,324	70,365	27.2%	\$35.34
MINNEAPOLIS CBD WAREHOUSE	1,893,873	425,454	490,842	21,039	0	(7,684)	(2,301)	27.0%	\$24.43
MINNEAPOLIS CBD - TOTAL	30,355,457	7,862,009	8,051,896	1,842,404	0	(91,917)	(450,771)	30.9%	\$31.31
NORTHEAST	9,328,888	1,231,462	1,350,334	43,359	0	(11,148)	(3,629)	14.9%	\$23.22
NORTHWEST	4,375,312	741,203	629,046	115,519	0	180	98,078	15.1%	\$25.79
SAINT PAUL CBD	7,287,210	2,879,162	2,307,094	117,354	0	(4,276)	(348,123)	33.1%	\$23.48
SOUTHEAST	9,253,725	1,900,729	2,028,248	153,265	139,000	(16,306)	(239,536)	23.1%	\$23.87
SOUTHWEST	17,510,876	3,321,818	2,948,152	865,797	0	3,096	(398,392)	19.9%	\$28.49
WEST	10,381,159	1,844,190	1,774,538	337,242	0	(101,677)	(73,890)	18.7%	\$33.29
SUBURBAN - TOTAL	50,449,960	9,039,402	8,730,318	1,515,182	139,000	(125,855)	(617,369)	19.1%	\$27.00
TOTAL	88,092,627	19,780,573	19,089,308	3,474,940	139,000	(222,048)	(1,416,263)	24.3%	\$27.60



MARKET INDICATORS

Class A | Q4 2024

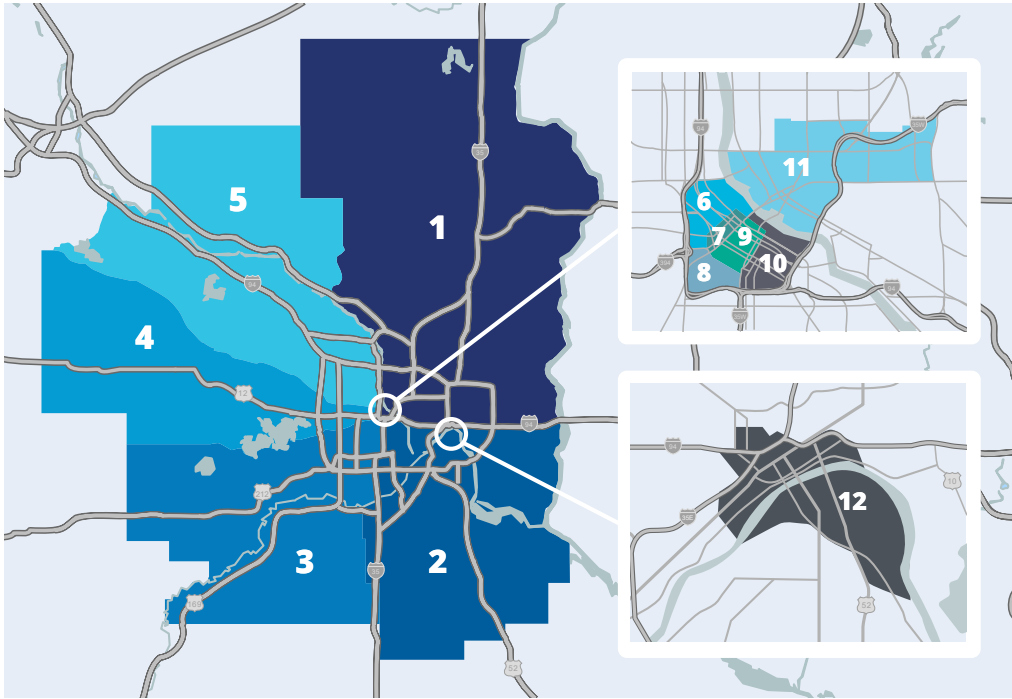
SUBMARKET	INVENTORY SF	DIRECT AVAILABLE SF	DIRECT VACANT SF	SUBLEASE AVAILABLE SF	NET ABSORPTION SF	YEAR END NET ABSORPTION SF	OVERALL VACANCY RATE	AVERAGE ASKING RENT, PSF (FSG)
MINNEAPOLIS CBD CORE	15,558,512	4,264,322	4,143,238	1,191,450	(57,659)	(411,692)	31.6%	\$37.98
MINNEAPOLIS CBD EAST	318,955	59,848	59,848	102,057	0	(28,859)	37.4%	\$36.44
MINNEAPOLIS CBD LORING	-	-	-	-	-	-	N/A	N/A
MINNEAPOLIS CBD NORTHEAST	461,642	93,371	57,951	18,807	(17,971)	16,089	12.6%	\$36.69
MINNEAPOLIS CBD NORTH LOOP	2,102,495	377,718	506,682	181,427	18,281	89,905	37.8%	\$42.79
MINNEAPOLIS CBD WAREHOUSE	181,516	21,672	21,672	0	0	9,049	11.9%	N/A
MINNEAPOLIS CBD - TOTAL	18,267,242	4,816,931	4,789,391	1,493,741	(57,349)	(325,508)	31.6%	\$38.72
NORTHEAST	315,076	33,321	33,321	0	23,124	54,153	17.9%	\$28.62
NORTHWEST	389,244	81,375	76,827	23,895	8,775	(481)	24.1%	\$33.42
SAINT PAUL CBD	2,748,765	488,907	400,138	111,112	(10,398)	(82,590)	18.0%	\$29.62
SOUTHEAST	2,067,026	433,886	397,489	52,117	(4,223)	13,097	20.7%	\$28.65
SOUTHWEST	7,245,289	1,339,394	1,138,009	307,557	18,266	(294,692)	18.8%	\$35.27
WEST	4,792,924	816,614	829,418	225,232	(76,913)	86,778	16.3%	\$41.12
SUBURBAN - TOTAL	14,809,559	2,704,590	2,475,064	608,801	(30,971)	(141,145)	18.4%	\$35.74
TOTAL	35,825,566	8,010,428	7,664,593	2,213,654	(98,718)	(549,243)	25.1%	\$35.33



MARKET INDICATORS

Class B | Q4 2024

SUBMARKET	INVENTORY SF	DIRECT AVAILABLE SF	DIRECT VACANT SF	SUBLEASE AVAILABLE SF	NET ABSORPTION SF	YEAR END NET ABSORPTION SF	OVERALL VACANCY RATE	AVERAGE ASKING RENT, PSF (FSG)
MINNEAPOLIS CBD CORE	5,538,161	1,710,999	1,855,312	189,725	(9,512)	(39,441)	34.3%	\$27.95
MINNEAPOLIS CBD EAST	533,812	89,051	91,716	0	0	(2,781)	16.7%	\$30.57
MINNEAPOLIS CBD LORING	114,683	29,365	22,196	14,640	0	(14,640)	38.4%	\$24.78
MINNEAPOLIS CBD NORTHEAST	1,860,637	348,560	382,854	55,329	(5,705)	(11,218)	21.7%	\$26.22
MINNEAPOLIS CBD NORTH LOOP	764,579	135,504	123,624	51,966	(8,957)	(5,636)	24.5%	\$31.31
MINNEAPOLIS CBD WAREHOUSE	1,643,107	395,457	460,845	21,039	(7,684)	(3,025)	25.3%	\$24.40
MINNEAPOLIS CBD - TOTAL	10,454,979	2,708,936	2,936,547	332,699	(31,858)	(76,741)	29.1%	\$27.47
NORTHEAST	7,362,426	1,070,842	1,220,944	40,617	(28,066)	(48,633)	15.1%	\$23.47
NORTHWEST	3,472,818	628,000	533,391	91,624	(9,022)	102,082	20.7%	\$25.93
SAINT PAUL CBD	4,075,987	2,243,112	1,732,660	6,242	8,307	(244,589)	55.2%	\$21.24
SOUTHEAST	5,792,094	1,222,460	1,407,862	99,648	(19,021)	(205,291)	22.8%	\$23.40
SOUTHWEST	9,235,543	1,852,748	1,698,657	557,168	(15,754)	(93,785)	26.1%	\$26.62
WEST	4,511,879	1,013,634	928,691	88,364	(23,654)	(153,052)	24.4%	\$30.49
SUBURBAN - TOTAL	30,374,760	5,787,684	5,789,545	877,421	(95,517)	(398,679)	21.9%	\$25.65
TOTAL	44,905,726	10,739,732	10,458,752	1,216,362	(119,068)	(720,009)	26.6%	\$24.79



MINNEAPOLIS - SAINT PAUL OFFICE SUBMARKETS

- 1** Northeast
- 2** Southeast
- 3** Southwest
- 4** West
- 5** Northwest
- 6** Mpls CBD - North Loop
- 7** Mpls CBD - Warehouse
- 8** Mpls CBD - Loring
- 9** Mpls CBD - Core
- 10** Mpls CBD - East
- 11** Mpls CBD - Northeast
- 12** Saint Paul CBD

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the seven county Minneapolis-Saint Paul metropolitan area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties). This report includes multi-tenant properties 20,000 SF and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

FOR MORE INFORMATION

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