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Prepared By:  
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# Office Market Report

## Minneapolis Market

PREPARED BY

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Eric Riemer  
Broker



**OFFICE MARKET REPORT**

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12 Mo Deliveries in SF

**1.1 M**

12 Mo Net Absorption in SF

**(188 K)**

Vacancy Rate

**7.3%**

12 Mo Rent Growth

**3.6%**

Minneapolis provides office investors with stable vacancy, solid yields, and a high concentration of top-caliber Fortune 500 tenants. With build-to-suit projects driving much of the construction, supply and demand look to be closely correlated over the forecast, keeping the vacancy rate away from volatile swings, although space that will be left behind by Ecolab's consolidation out of its downtown St. Paul headquarters in 2018 may drive a modest bump until renovations are completed and leasing ramps up. Additionally, HFS Properties' conversion of the former Woolworth store in downtown St. Paul will test the market as the first spec office development there in years and the mixed-use Dayton's Project in Minneapolis will add a significant amount of office space to that submarket.

undergoing revitalization spurred on by renewed interest in urban living by Millennials and empty nesters as well as fresh investment in infrastructure, including the Green Line addition to the light rail system connecting the St. Paul and Minneapolis CBDs, U.S. Bank Stadium, and the completion of the \$50 million renovation of Nicollet Mall funded by a public-private partnership. Rent growth is positive and recently renovated 4 & 5 Star buildings located downtown and offering the latest amenities are capturing the greatest proportion of the gains. There is a feeling that competition among landlords to secure tenants is heating up and concession packages are on the rise, not only in the Minneapolis CBD, but suburban submarkets as well. Pricing for capital transactions continued its ascent through 2017, although volume was off the pace of the 2016 total.

Like many urban CBDs, the Minneapolis core is

## KEY INDICATORS

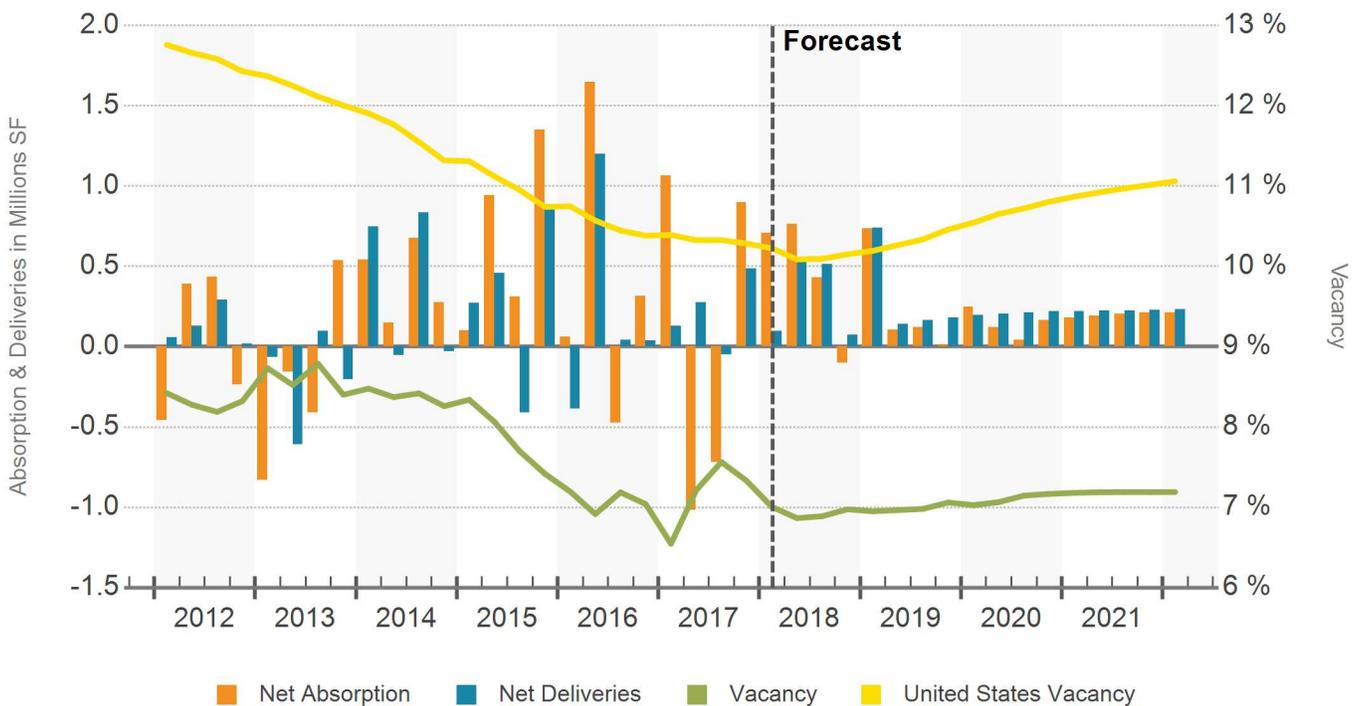
Current Quarter	RBA	Vacancy Rate	Gross Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	64,371,945	8.6%	\$26.58	12.1%	31,943	90,000	1,494,093
3 Star	83,435,278	7.6%	\$22.32	11.6%	77,266	7,040	220,391
1 & 2 Star	43,971,252	4.7%	\$19.28	7.4%	68,454	0	0
<b>Market</b>	<b>191,778,475</b>	<b>7.3%</b>	<b>\$23.08</b>	<b>10.8%</b>	<b>177,663</b>	<b>97,040</b>	<b>1,714,484</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	0.5%	8.3%	7.1%	9.2%	2006 Q2	6.5%	2017 Q1
Net Absorption SF	(188 K)	1,220,725	955,721	4,509,530	2008 Q1	(1,636,243)	2013 Q3
Deliveries SF	1.1 M	1,452,410	1,453,646	3,692,719	2007 Q4	243,149	2010 Q3
Rent Growth	3.6%	1.7%	2.1%	5.9%	2015 Q2	-4.1%	2009 Q4
Sales Volume	\$1.4 B	\$1.1 B	N/A	\$2.0 B	2015 Q2	\$182.1 M	2010 Q1

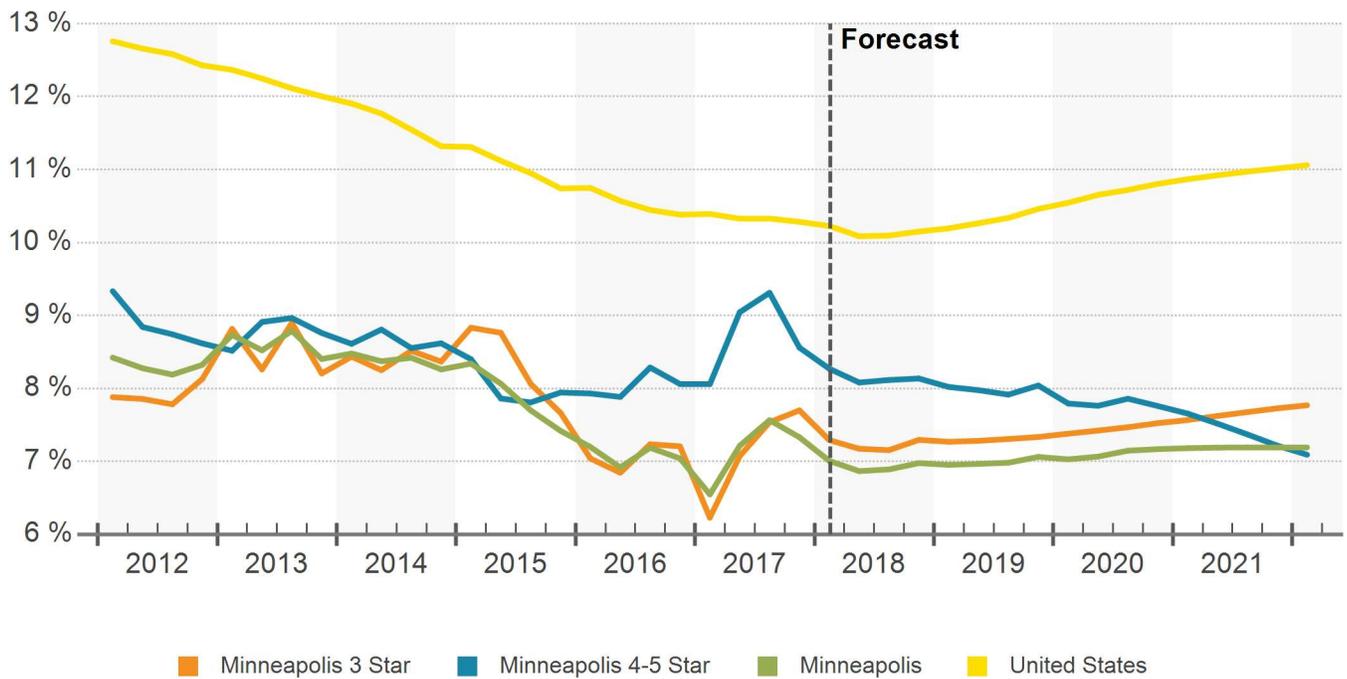
With the cost of replacing employees so high, office space is viewed not just as a place to work but as a recruiting tool designed to attract and retain high-caliber employees in this very tight labor market. Properties with energy-efficient design, good natural light, ability to monitor air quality conditions, convenient access to public transit, and the most desirable amenities are the prime beneficiaries of this trend, as evidenced by 12 consecutive years of positive absorption for 4 & 5 Star office buildings. Construction has been modest and

mainly of the build-to-suit variety so there is little reason to expect vacancy rates to rise significantly going forward. Wells Fargo's consolidation into its 1.2 million SF headquarters in the CBD has left about 14 suburban offices with space to backfill, which could cause some near-term softening in the suburban submarkets. However, fundamentals should stay balanced, meaning that aside from the Wells Fargo, Ecolab, and a few other CBD relocations, metro-level vacancies look stable.

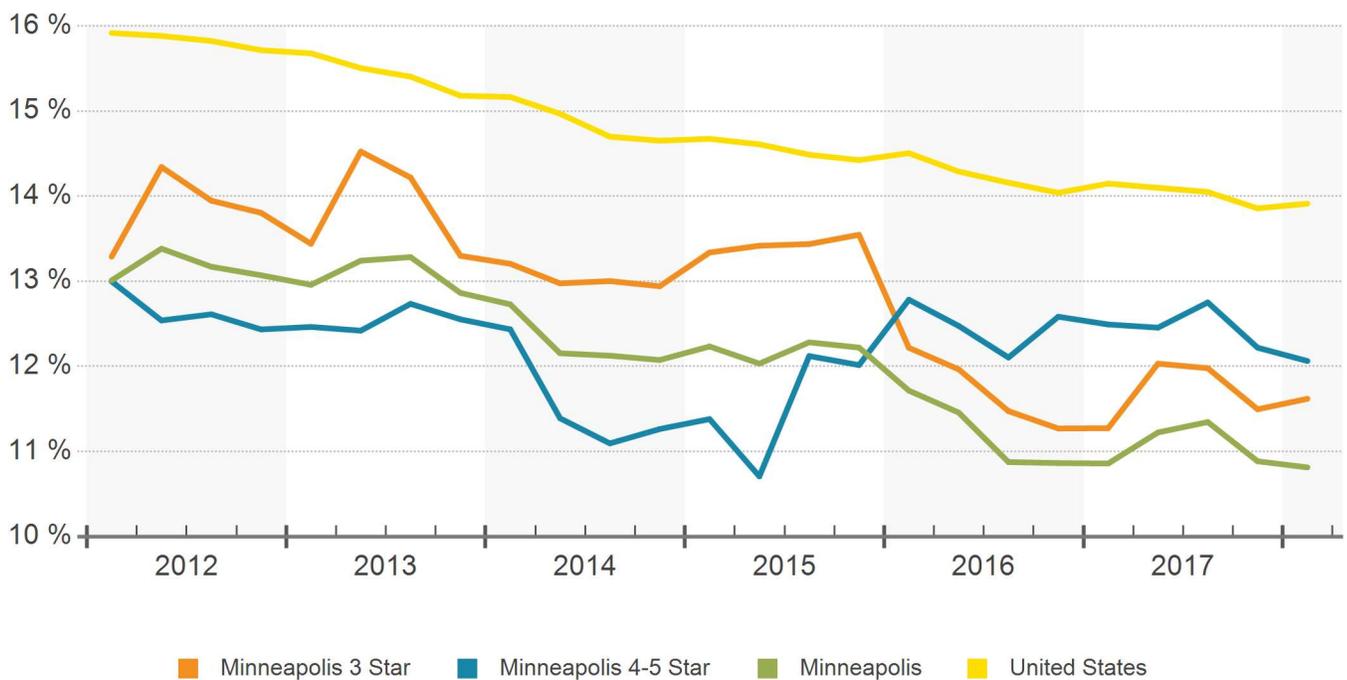
## NET ABSORPTION, NET DELIVERIES & VACANCY



## VACANCY RATE



## AVAILABILITY RATE

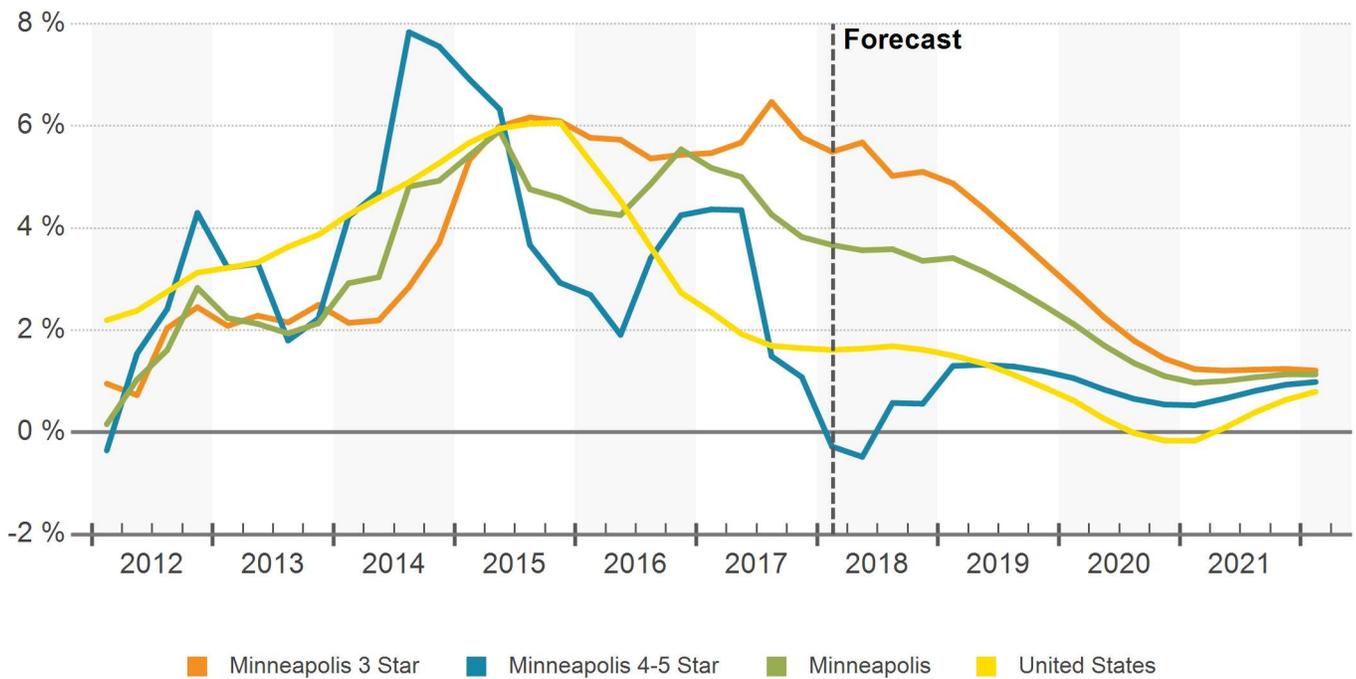


Landlords with the highest-quality assets have been aggressive with rent hikes, pushing annual rent growth to an all-time high in 2016. Though the 2017 growth number came in lower than the past few years, it remained positive and well above the long-term market average. While 1 & 2 and 3 Star assets have stumbled out of the gate, posting flat or negative rent growth from 2008–11, 4 & 5 Star properties have fared better, posting shallower losses during the recession and larger gains during the expansion. This divergence has led to a record gap between the segments, with 4 & 5 Star rents now roughly \$5/SF higher than 3 Star rents, versus a little over \$2/SF difference in 2007.

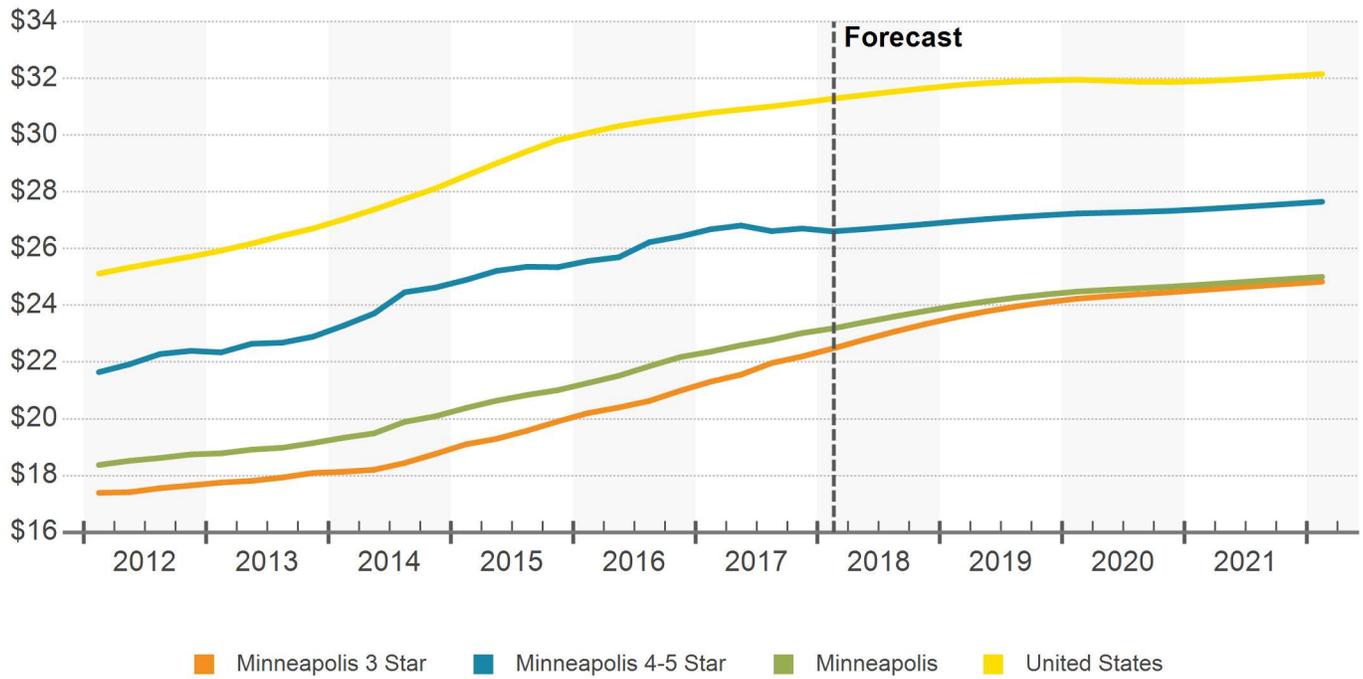
Naturally, higher-rated buildings tend to attract the most prominent tenants. Select Comfort, PricewaterhouseCoopers, Stinson Leonard Street, and Amazon have all recently signed leases in 4 & 5 Star buildings located in the Minneapolis core. To

compensate for the higher rent, employers are embracing densification and space efficiency. At PwC's new office, the flexible workplace strategy applies to all levels of seniority—even senior managers do not have dedicated desks or offices. Before heading in, workers reserve a space through an online booking system. Since many employees spend more than 50% of their work hours off-site, the system works well and allows the company to have a smaller footprint, offsetting higher per-SF pricing. Architecture firm Perkins+Will has adopted a similar structure in its downtown Minneapolis office. The firm has an open floor plan and no dedicated desks for employees. This allows the firm to test out different office layout designs in its own space before submitting the designs to their clients. Some real estate professionals in the market anticipate rents in 4 & 5 Star buildings will start to plateau on the whole, while demand for creative-type space will remain strong, enabling rent growth to continue in that segment.

## ASKING RENT GROWTH (YOY)



## GROSS ASKING RENT PER SQUARE FOOT



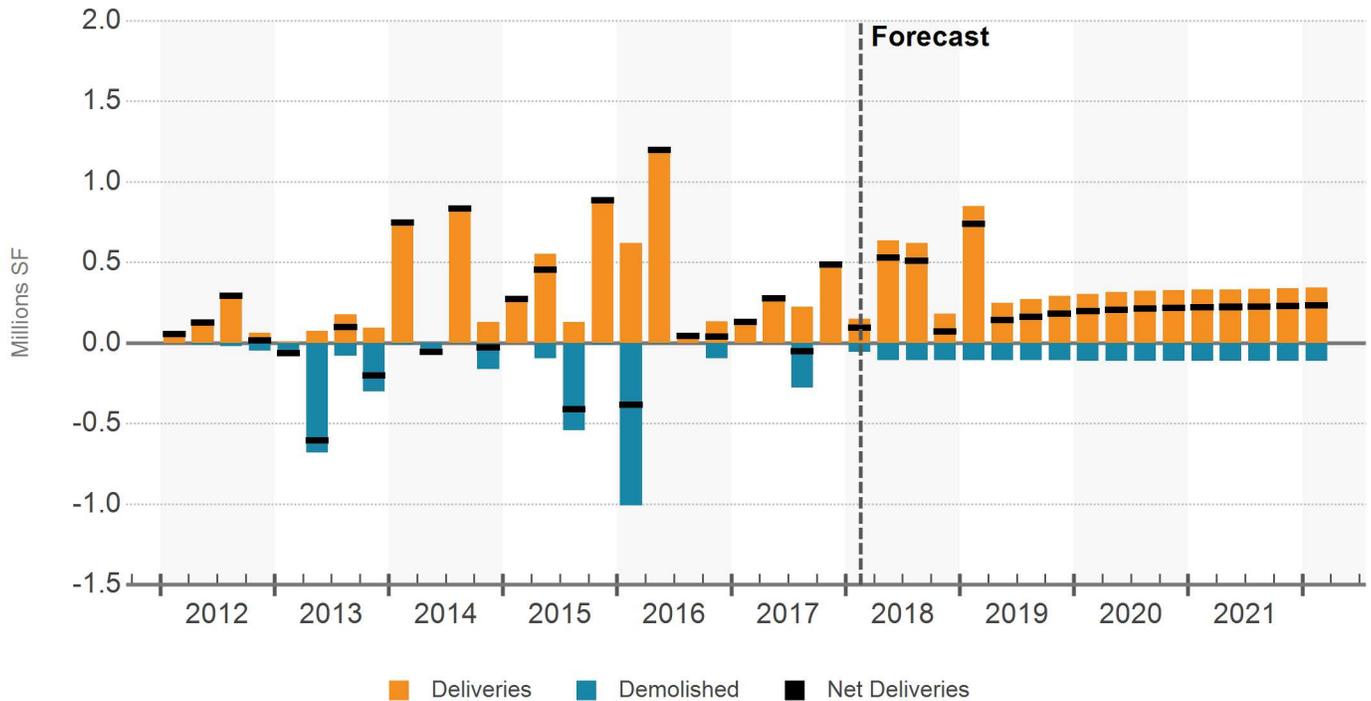
Since most construction is build-to-suit, Minneapolis should be spared the vacancy spikes that excessive speculative construction creates. The Twin Cities office market offers stability rather than high-risk, high-reward-type growth potential: Buy-and-hold investors may be attracted to its healthy dividend, but a lack of dynamic growth opportunities puts a cap on excessive valuation. That's not to say spec development never occurs—Hines's T3 development in North Loop is a recent example—but the bulk of construction will not come to market as available space.

One of the largest build-to-suit projects was UnitedHealth Group's 1.4 million SF corporate campus in Eden Prairie (in the I-494 Corridor). Other recent build-to-suit deliveries include projects for Wells Fargo, Be the Match and Xcel Energy in the CBD. In the I-394 Corridor, Cargill has modernized its Minnetonka

headquarters to allow for more efficient space use, and has vacated unneeded space at its Excelsior Crossings campus.

Notable projects underway include The Nordic in the Minneapolis CBD, MoZaic East in the I-394 Corridor and the Land O'Lakes' expansion in Arden Hills. The proposed 4 Star 10 West End building has one of the largest blocks of available space of any project and is one of the only projects with over 100,000 SF of contiguous space available. Transwestern is marketing the entire 311,300 SF as available for lease, though the developer is hoping for significant pre-lease commitments before breaking ground. There are plans to build an adjacent tower, dubbed 20 West End, as the initial project leases up. This would be the first new 4 or 5 Star development in the St. Louis Park section of the I-394 Corridor in roughly a decade.

## DELIVERIES & DEMOLITIONS



# Under Construction Properties

Minneapolis Office

Properties

**23**

Square Feet

**1,710,984**

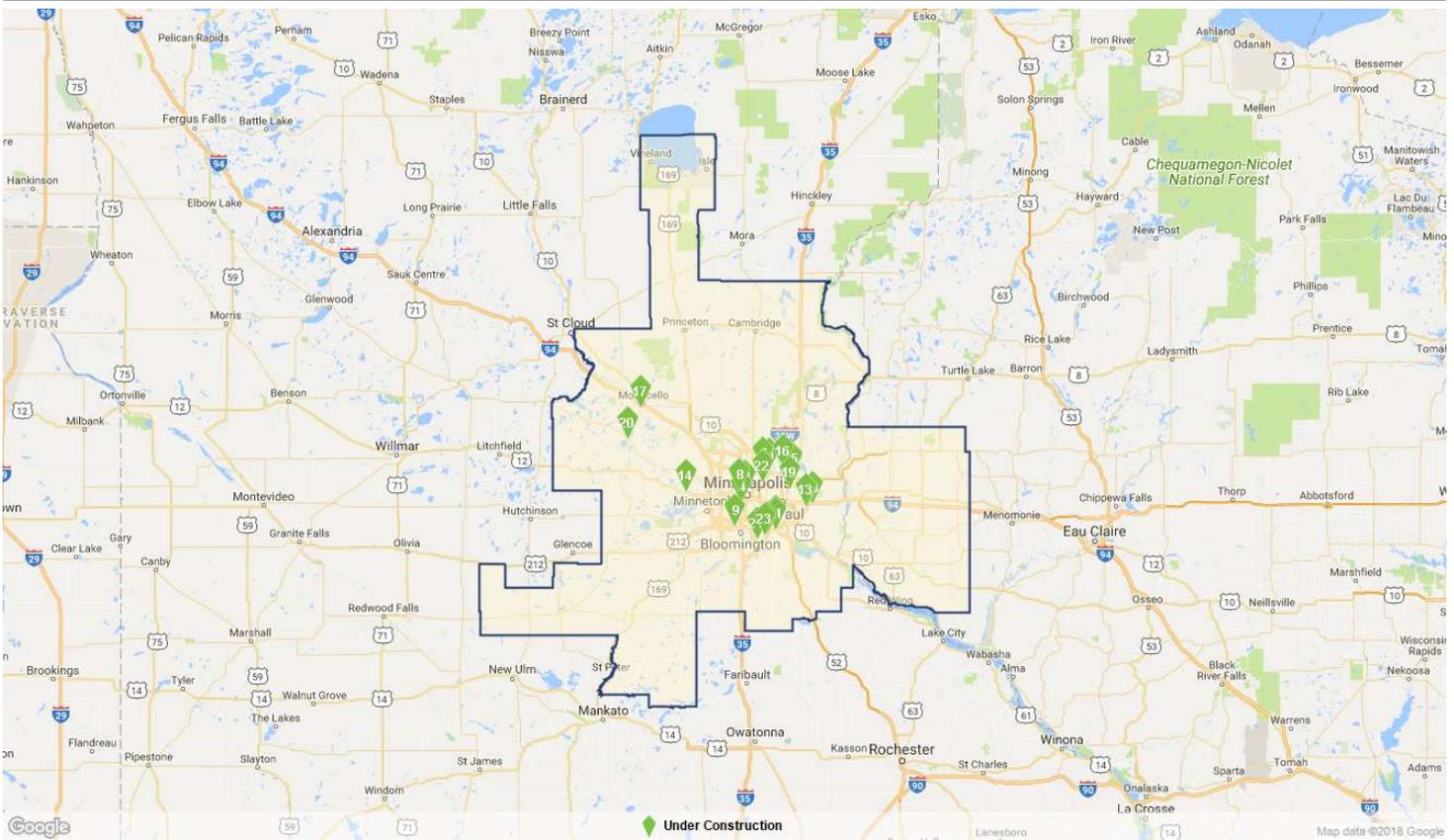
Percent of Inventory

**0.9%**

Released

**63.3%**

## UNDER CONSTRUCTION PROPERTIES



## UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 <b>Phase I</b> 2900 Ames Crossing Rd	★★★★☆	385,000	4	Jun-2016	Jun-2018	United Properties United Properties
2 <b>The Nordic</b> 729 Washington Ave N	★★★★☆	200,000	10	Dec-2017	Feb-2019	United Properties United Properties
3 <b>411-419 N Washington Ave</b>	★★★★☆	190,000	10	Oct-2017	Dec-2018	Swervo Development Corporation NorthBay
4 <b>MoZaic East</b> 2900 Fremont Ave S	★★★★☆	186,901	8	Oct-2017	Dec-2018	The Ackerberg Group -
5 <b>Land O'Lakes Expansion</b> 4001 Lexington Ave N	★★★★☆	155,000	4	Nov-2016	Apr-2018	- Land O'Lakes, Inc.
6 <b>Building D</b> NW I-35 & I-694	★★★★☆	81,000	2	Jun-2017	Mar-2018	Ryan Companies US, Inc. -
7 <b>Medical Office Facility</b> 2600 Vikings Pky	★★★★☆	78,000	-	Jun-2017	Mar-2018	Minnesota Vikings -



# Under Construction Properties

Minneapolis Office

## UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
8 <b>Thor Mixed Use Develop...</b> 1256 Penn Ave N	★ ★ ★ ★ ★	76,000	4	Jan-2017	May-2018	Thor Construction, Inc. -
9 <b>7700 France Ave S</b>	★ ★ ★ ★ ★	70,192	1	Oct-2016	Aug-2018	- Frauenshuh, Inc.
10 <b>CityPlace Medical</b> 237 Radio Dr	★ ★ ★ ★ ★	52,000	2	Dec-2017	Dec-2018	- -
11 <b>Waters Building</b> Lone Oak Dr	★ ★ ★ ★ ★	47,575	1	Oct-2017	May-2018	- -
12 <b>Minnesota Eye Consulta...</b> Tamarack Rd	★ ★ ★ ★ ★	41,000	2	Oct-2016	Mar-2018	- MSP Commercial
13 <b>Woodbury Medical Build...</b> 7125 Tamarack Rd	★ ★ ★ ★ ★	40,000	2	Nov-2017	May-2018	- MSP Commercial
14 <b>2064-2068 W Wayzata Blvd</b>	★ ★ ★ ★ ★	26,000	-	Apr-2017	Apr-2018	- -
15 <b>Twin Cities Orthopedics</b> 3545 Highway 61 N	★ ★ ★ ★ ★	20,416	2	May-2017	May-2018	- Twin Cities Orthopedics
16 <b>480 Highway 96 E</b>	★ ★ ★ ★ ★	20,000	1	Nov-2017	Aug-2018	- -
17 <b>Monticello Specialty Clinic</b> 4140 Deegan Ct	★ ★ ★ ★ ★	11,800	1	Jan-2017	Apr-2018	- Stellis Health
18 <b>3344 Sherman Ct</b>	★ ★ ★ ★ ★	9,000	1	Nov-2017	Jun-2018	- -
19 <b>1265 Frost Ave</b>	★ ★ ★ ★ ★	8,000	1	Oct-2017	May-2018	- Sherman Associates, Inc.
20 <b>151 5th St NE</b>	★ ★ ★ ★ ★	4,600	1	Oct-2017	Apr-2018	- Pfeifer Construction
21 <b>2100 Silver Bell Rd</b>	★ ★ ★ ★ ★	3,500	-	Jun-2017	Mar-2018	- Autism Opportunities Foun
22 <b>2800 Mount Ridge Rd</b>	★ ★ ★ ★ ★	3,000	-	Oct-2017	Mar-2018	- -
23 <b>00 Yankee Doodle Rd</b>	★ ★ ★ ★ ★	2,000	-	Oct-2017	Mar-2018	- -

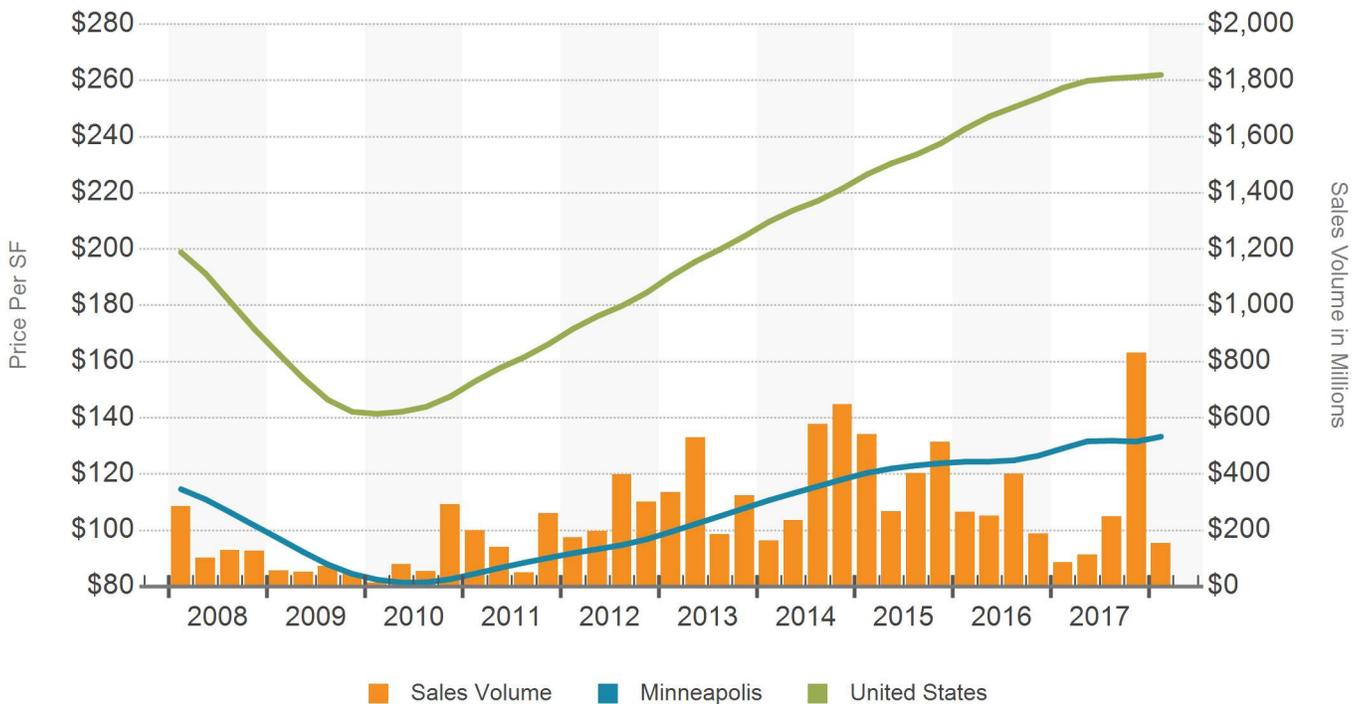


Sales volume was sky high in 2014 and even higher in 2015, surpassing the peak set in 2006. Similar to other economically sound secondary markets, Minneapolis has benefited as some investors have been priced out of the core gateway markets or are in search of higher yields no longer found in those areas. Investors are interested mostly in the Minneapolis CBD and I-494 Corridor submarkets, which typically attract the lion's share of metro volume because of their quality assets, high rents, strong demand, and high concentration of Fortune 500 tenants. The I-394 Corridor and Suburban St. Paul are the third and fourth most popular, respectively, with transactions in the other submarkets typically restricted to small deals involving local investors or owner-users. Pricing growth was lackluster until 2015-2016, though has remained elevated since then. But valuations remain below the last cycle's peak, when pricing went well into

the \$130/SF range. Since rents are far above 2007 levels, some value might be hidden in the slow pricing recovery. This is especially true given going-in yields in the mid-6% to 7% range.

Looking back at 2017, volume was well off the pace of the prior year though pricing remained stable. Whether that is due to the market approaching its peak, the lack of quality assets for sale or a tightening in the lending market remains to be seen. While activity tends to rise at year-end as deals get wrapped up to avoid disadvantageous tax implications or interest rate hikes on the horizon in the new year, it wasn't enough to propel 2017 close to a new peak. Overall, the solid cap rates, combined with a healthy and diverse economic base that limits downside risk, underpin the investment interest in the Minneapolis market.

## SALES VOLUME & PRICE PER SF INDEX



# Sales Past 12 Months

Minneapolis Office

Sale Comparables

**310**

Avg. Cap Rate

**8.3%**

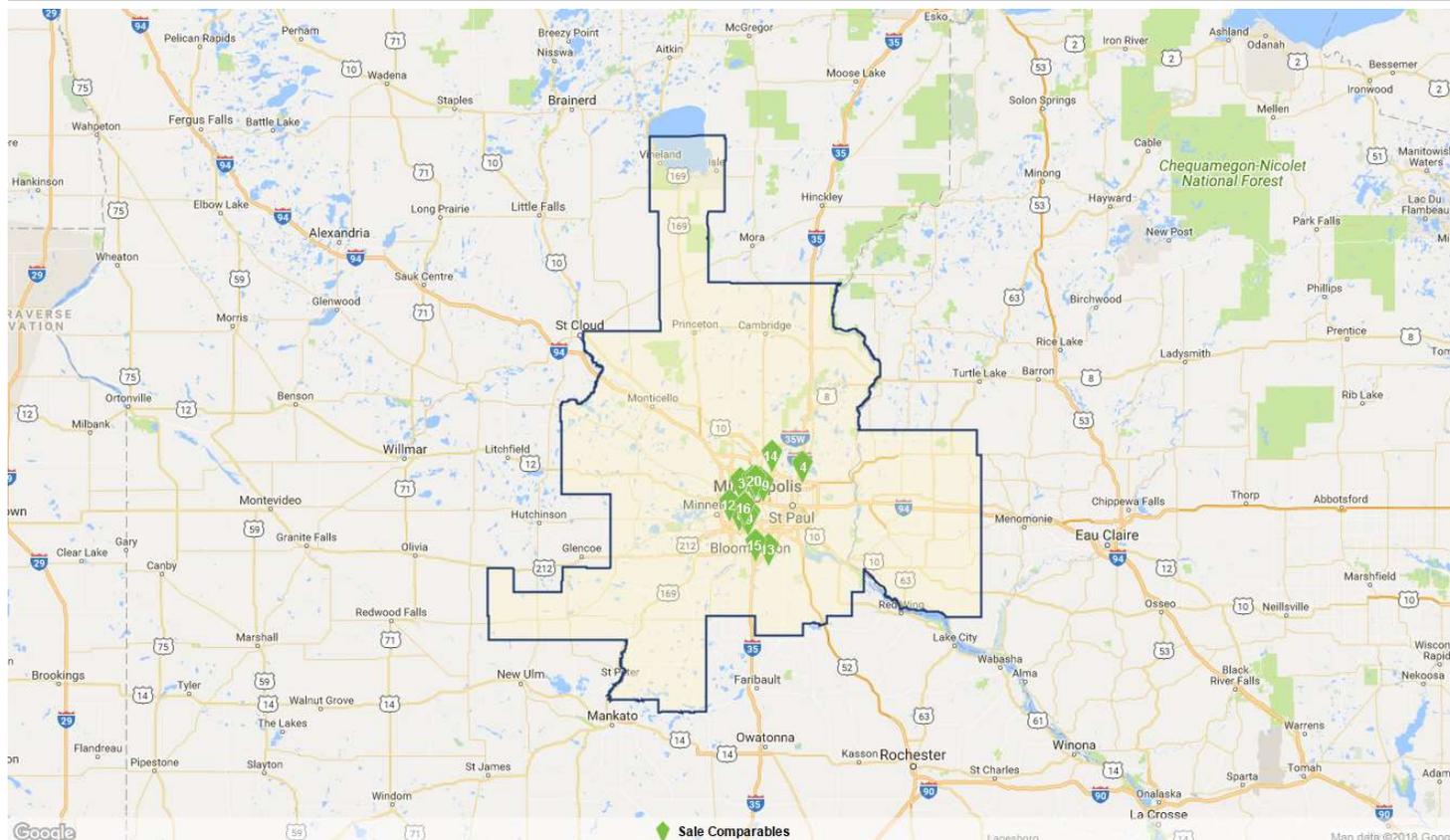
Avg. Price/SF

**\$175**

Avg. Vacancy At Sale

**8.0%**

## SALE COMPARABLE LOCATIONS



## SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$87,500	\$7,369,991	\$1,232,550	\$258,500,000
Price Per SF	\$17	\$175	\$110	\$863
Cap Rate	4.9%	8.3%	7.7%	15.0%
Time Since Sale in Months	0.3	6.1	6.1	12.0
Property Attributes	Low	Average	Median	High
Building SF	384	40,554	10,638	1,049,052
Stories	1	3	2	29
Typical Floor SF	384	11,785	6,738	125,371
Vacancy Rate At Sale	0%	8.0%	0%	100%
Year Built	1868	1972	1980	2018
Star Rating	★☆☆☆☆	★★★☆☆ 2.4	★★★☆☆	★★★★★



# Sales Past 12 Months

Minneapolis Office

## RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale			
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate
<b>1</b> <b>Fifty South Sixth</b> 50 S 6th St	★★★★★	2001	698,606	7.2%	12/20/2017	\$258,500,000	\$370	-
<b>2</b> <b>Southdale Medical Cente...</b> 6545 France Ave S	★★★★★	1958	332,801	4.2%	12/29/2017	\$105,072,414	\$316	-
<b>3</b> <b>The Colonnade</b> 5500 Wayzata Blvd	★★★★★	1988	357,193	1.4%	8/9/2017	\$100,000,000	\$280	-
<b>4</b> <b>HealthEast Medical Center</b> 2945 Hazelwood St	★★★★★	2017	147,926	9.7%	1/9/2018	\$70,700,000	\$478	5.4%
<b>5</b> <b>8100 Northland Dr</b>	★★★★★	2003	68,991	0%	1/31/2018	\$35,250,000	\$511	6.0%
<b>6</b> <b>Norman Pointe I</b> 5601 Green Valley Dr	★★★★★	2000	213,851	30.1%	12/8/2017	\$35,200,000	\$165	-
<b>7</b> <b>Southpoint Tower</b> 1650 82nd St W	★★★★★	1984	254,199	12.6%	12/20/2017	\$30,543,927	\$120	-
<b>8</b> <b>International Market Squ...</b> 275 Market St	★★★★★	1905	301,736	7.4%	7/12/2017	\$28,800,000	\$95	-
<b>9</b> <b>8800 S Queen Ave</b>	★★★★★	1957	280,822	0%	1/24/2018	\$26,250,000	\$93	-
<b>10</b> <b>6363 France Medical Buil...</b> 6363 France Ave S	★★★★★	1989	70,934	0%	12/29/2017	\$22,395,385	\$316	-
<b>11</b> <b>6405 Medical Office Buil...</b> 6401-6405 France Ave S	★★★★★	2001	70,000	0%	12/29/2017	\$22,100,501	\$316	-
<b>12</b> <b>Opus Parkway 5995</b> 5995 Opus Pky	★★★★★	1988	164,931	62.9%	10/16/2017	\$22,000,000	\$133	-
<b>13</b> <b>Apple Valley Medical Ce...</b> 14655 Galaxie Ave	★★★★★	1986	58,870	0%	12/18/2017	\$21,500,000	\$365	6.2%
<b>14</b> <b>1225 Old Highway 8 NW</b>	★★★★★	2015	125,371	0%	3/30/2017	\$21,500,000	\$171	7.7%
<b>15</b> <b>Ridgeview Medical</b> 303 E Nicollet Blvd	★★★★★	1987	53,896	0%	12/29/2017	\$21,327,216	\$396	-
<b>16</b> <b>Southdale Medical Cente...</b> 6525 S France Ave	★★★★★	2006	67,409	4.9%	12/29/2017	\$21,282,467	\$316	-
<b>17</b> <b>River Parkway Place</b> 1101 W River Pky	★★★★★	2002	81,309	0%	11/1/2017	\$21,100,000	\$260	-
<b>18</b> <b>Renaissance Square</b> 500-520 Nicollet Mall	★★★★★	1898	183,400	3.3%	9/21/2017	\$20,300,000	\$111	-
<b>19</b> <b>Riverside Park Plaza</b> 701 S 25th Ave	★★★★★	1984	57,212	0%	12/29/2017	\$19,154,824	\$335	-
<b>20</b> <b>The Kickernick Building</b> 430 1st Ave N	★★★★★	1914	148,000	12.9%	6/23/2017	\$19,150,000	\$129	6.5%



From mid-2014 until 2016, job growth had slightly underperformed the national average, but Minnesota's economy remains one of the healthiest in the nation. Figures from the Minnesota Department of Employment and Economic Development show that total employment had eclipsed 3 million for the first time in history during 2017 and the figure has kept close to that mark throughout the year. Further, 44,200 jobs were added in 2017, with the Education and Health Services sector leading the way, a gain of over 12,000 jobs in that sector alone. Since the end of the recession, Minnesota has added over 320,000 jobs, and nine of the state's eleven industry sectors have posted gains in the last year. The economy has been strong enough to pull people into the labor pool. Another important economic figure, the labor force participation rate, also paints a positive picture. The national rate fell from above 66% before 2009 to below 63% today, but Minnesota's labor-force participation rate is 69.1%, nearly 7% above the national average. The metro's sub-3% unemployment rate is lower than the rate in economic standouts such as Seattle, Boston, Austin, and Atlanta. High earnings, courtesy of the region's large concentration of Fortune 500 employers, round out the economic climate in the Twin Cities. The median household income in Minnesota is over \$70,000 per year, about 20% above the national average.

Data from the Minnesota Population Center at the University of Minnesota shows that Minneapolis and St. Paul's share of the metro area's population is on track to grow for the first time in roughly a century, with the downtown areas leading the way. Former industrial areas are now the sites for new multi-family housing, businesses and retail amenities which have breathed new life into these areas. This underscores the attraction to urban living, particularly along the river, to both the millennial population as well as empty nesters. Younger couples have put off having families to establish their careers and often find it difficult to secure mortgages, while retirees no longer want to deal with the maintenance of larger houses and yards, both of which have contributed to the growth in the urban cores rather than the suburbs.

Education and health services has been a perennially strong performer for the metro. Biomerics, a medical research company, completed a \$6.5 million expansion

in Brooklyn Park. It will create 120 high-quality engineering, research, and development jobs with an average hourly wage of \$33, 17% higher than the metro's average. UnitedHealth Group has a number of job openings at its Eden Prairie campus as well. It is hiring workers for technology, finance, and sales positions, mostly for the Optum division, which specializes in consulting and pharmacy-benefit management.

The largest job growth announcement came out of Shakopee, courtesy of Amazon. The company completed its 820,000 SF regional distribution center in 2016, creating 1,500 jobs, and went on to hire another 1,000 full-time employees. The company was quick to say that this was not a seasonal surge for the holidays—these are full-time year-round positions needed in response to higher-than-expected demand. To make the distribution center more accessible to workers throughout the greater metropolitan region, Amazon worked with the Minnesota Valley Transit Authority to add an express bus route between the Mall of America, with its connection to the Blue Line light rail, and Shakopee. The jobs pay up to \$17 per hour, and Amazon was promoting \$1,000 sign-on bonuses. In addition, Amazon is said to looking for more land on which to build another 800,000-plus SF fulfillment center that could employ more than 1,000 people as demand for last-mile distribution is surging.

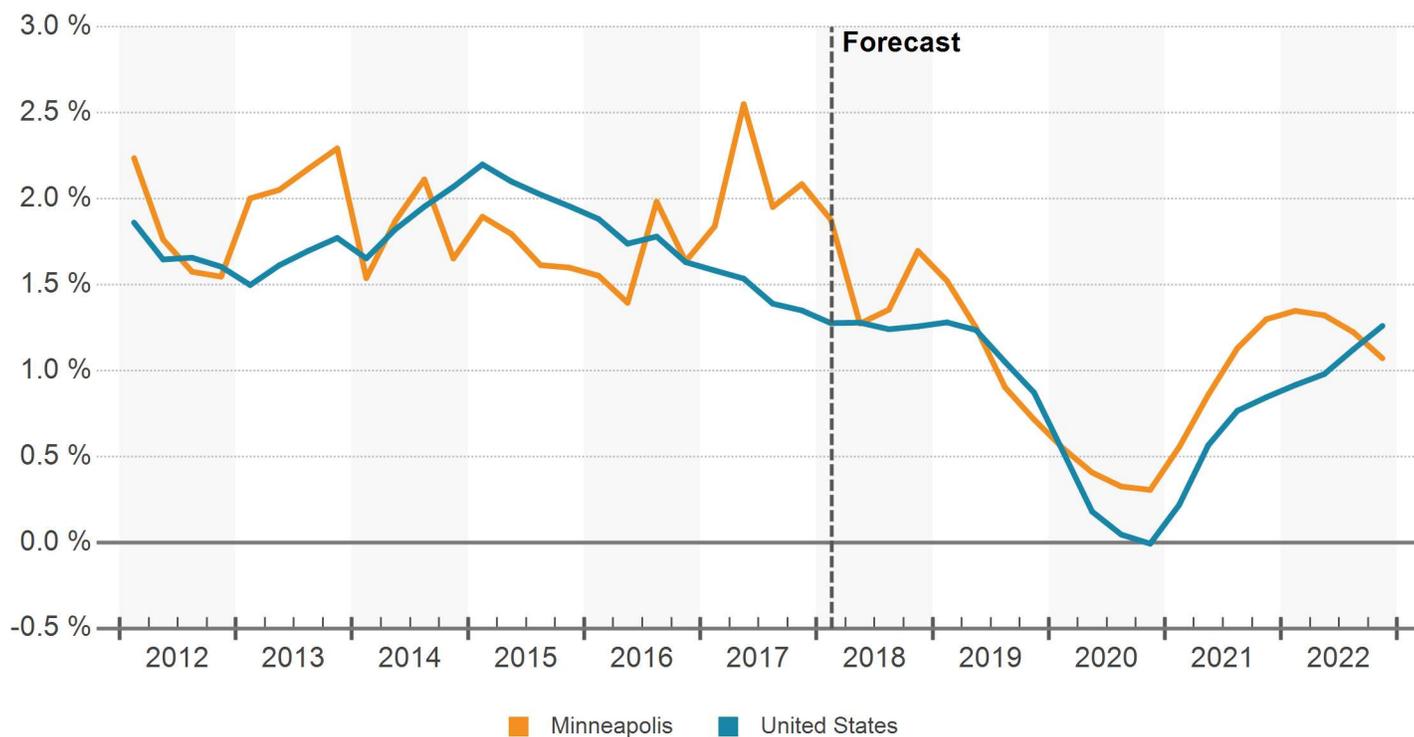
Manufacturing employment has been a drag on job growth, as it has in most metros across the nation. Despite the decline, regional manufacturers are optimistic, according to the Federal Reserve Bank of Minneapolis. Some believe that a Republican-controlled Congress will slash regulations, although concerns about restricted access to foreign markets tempers the optimism. More than half of businesses surveyed expected orders to increase in 2017, and just 13% expected orders to decline. This is a drastic improvement over the previous survey, which reported that over one-third expected a decline in orders. Companies also reported increased expectations for employment, productivity, capital expenditures, and profit. Rising oil prices are a final tailwind, which should benefit local companies such as Graco and Ecolab, providers of specialty equipment to the energy sector.

## MINNEAPOLIS EMPLOYMENT BY INDUSTRY IN THOUSANDS

NAICS Industry	Current Jobs		Current Growth		10 Yr Historical		5 Yr Forecast	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	197	1.2	0.12%	-0.41%	-0.36%	-1.14%	-0.88%	-1.18%
Trade, Transportation and Utilities	364	1.0	1.71%	0.37%	0.29%	0.29%	0.39%	0.41%
Retail Trade	193	0.9	1.38%	-0.24%	0.26%	0.19%	0.39%	0.44%
Financial Activities	141	1.2	-1.43%	1.05%	0.31%	0.22%	0.56%	0.72%
Government	254	0.8	1.30%	0.16%	0.30%	-0.02%	0.64%	0.64%
Natural Resources and Mining	1	0.1	10.20%	5.79%	3.25%	-0.43%	-	-
Education and Health Services	339	1.1	3.16%	1.81%	2.71%	2.09%	1.65%	1.27%
Professional and Business Services	331	1.2	2.66%	2.51%	1.54%	1.54%	2.14%	1.48%
Information	38	1.0	-1.39%	-1.41%	-1.35%	-1.06%	0.23%	0.29%
Leisure and Hospitality	183	0.8	2.18%	1.95%	1.00%	1.73%	1.11%	1.28%
Other Services	82	1.0	1.69%	0.95%	0.41%	0.45%	0.51%	0.40%
<b>Total Employment</b>	<b>2,015</b>	<b>1.0</b>	<b>1.97%</b>	<b>1.31%</b>	<b>0.86%</b>	<b>0.64%</b>	<b>0.99%</b>	<b>0.83%</b>

Source: Moody's Analytics  
LQ = Location Quotient

## YEAR OVER YEAR JOB GROWTH



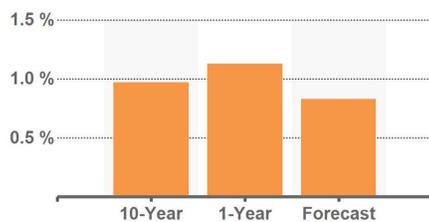
Source: Moody's Analytics

## DEMOGRAPHIC TRENDS

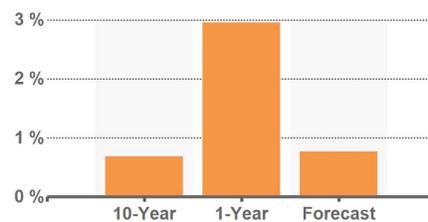
Demographic Category	Current Level		Current Change		10-Year Change		Forecast Change	
	Metro	U.S.	Metro	U.S.	Metro	U.S.	Metro	U.S.
Population	3,622,924	327,103,333	1.1%	0.7%	1.0%	0.8%	0.8%	0.7%
Households	1,407,577	126,143,094	1.1%	1.2%	0.9%	0.9%	1.3%	1.1%
Median Household Income	\$77,090	\$59,999	4.0%	3.4%	1.9%	1.6%	2.5%	3.0%
Labor Force	2,003,988	160,711,121	3.0%	0.6%	0.7%	0.4%	0.8%	0.8%
Unemployment	2.8%	4.1%	-0.8%	-0.6%	-0.2%	-0.1%	-	-

Source: Moody's Analytics

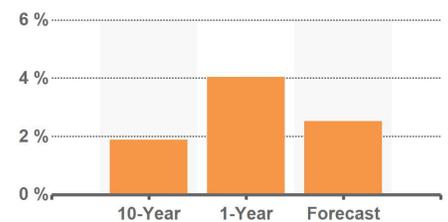
### POPULATION GROWTH



### LABOR FORCE GROWTH

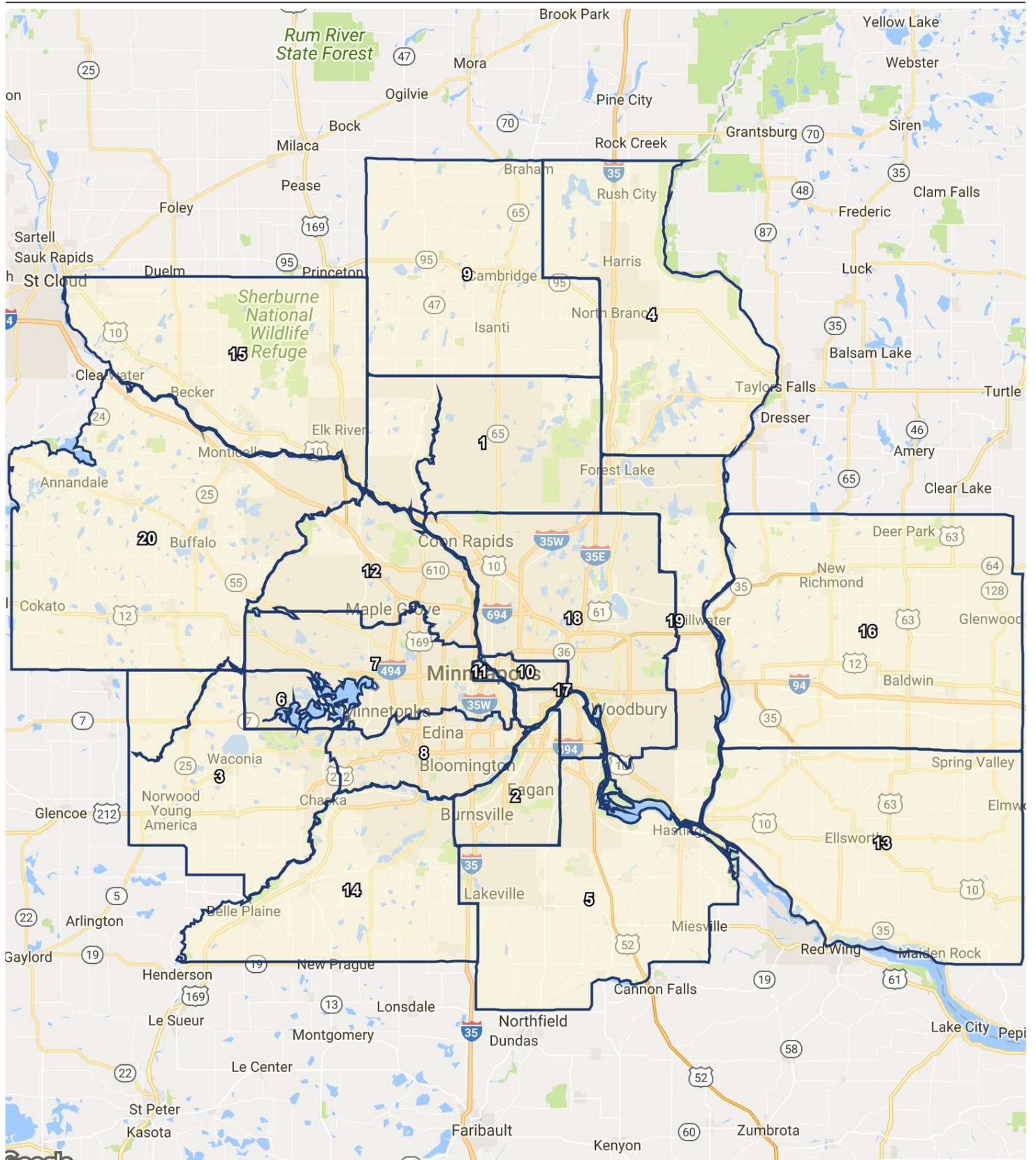


### INCOME GROWTH



Source: Moody's Analytics

## MINNEAPOLIS SUBMARKETS



## SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Anoka County Outlying	103	1,031	0.5%	15	0	0	0%	-	0	-	-	-
2	Burnsville/Eagan/Apple Vy	390	13,228	6.9%	5	5	81	0.6%	5	6	525	4.0%	1
3	Carver County Outlying	137	1,721	0.9%	10	2	13	0.7%	10	0	-	-	-
4	Chisago County	80	300	0.2%	19	0	0	0%	-	0	-	-	-
5	Dakota County Outlying	126	1,248	0.7%	13	1	48	3.8%	7	0	-	-	-
6	Hennepin County Outlying	49	422	0.2%	17	0	0	0%	-	0	-	-	-
7	I-394 Corridor	949	27,463	14.3%	4	2	115	0.4%	3	3	289	1.1%	4
8	I-494 Corridor	572	33,773	17.6%	2	2	56	0.2%	6	1	70	0.2%	5
9	Isanti County	56	384	0.2%	18	0	0	0%	-	0	-	-	-
10	Midway	309	13,194	6.9%	6	0	0	0%	-	0	-	-	-
11	Minneapolis CBD	281	43,029	22.5%	1	3	362	0.8%	1	2	390	0.9%	3
12	Northwest	274	6,554	3.4%	8	4	107	1.6%	4	0	-	-	-
13	Pierce County	64	275	0.1%	20	0	0	0%	-	0	-	-	-
14	Scott County Outlying	146	1,373	0.7%	11	1	2	0.1%	12	0	-	-	-
15	Sherburne County	106	711	0.4%	16	1	6	0.8%	11	0	-	-	-
16	St Croix County	189	1,331	0.7%	12	3	26	2.0%	9	0	-	-	-
17	St Paul CBD	60	11,923	6.2%	7	0	0	0%	-	0	-	-	-
18	Suburban St Paul	1,558	30,489	15.9%	3	6	284	0.9%	2	9	420	1.4%	2
19	Washington Cnty Outlying	185	1,855	1.0%	9	0	0	0%	-	0	-	-	-
20	Wright County	228	1,242	0.6%	14	4	42	3.4%	8	2	16	1.3%	6

## SUBMARKET RENT

No.	Submarket	Gross Asking Rent		12 Month Asking Rent		Annualized Quarterly Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Anoka County Outlying	\$19.92	15	6.4%	9	5.5%	10
2	Burnsville/Eagan/Apple Vy	\$20.99	10	4.6%	14	3.6%	14
3	Carver County Outlying	\$21.35	9	5.3%	13	4.2%	13
4	Chisago County	\$18.80	19	7.9%	2	7.8%	2
5	Dakota County Outlying	\$21.74	5	6.4%	10	5.6%	9
6	Hennepin County Outlying	\$20.26	13	6.9%	6	6.3%	6
7	I-394 Corridor	\$25.32	1	3.4%	16	2.7%	15
8	I-494 Corridor	\$23.99	3	3.4%	17	0.9%	17
9	Isanti County	\$19.56	16	8.9%	1	17.8%	1
10	Midway	\$21.39	7	6.4%	11	4.6%	12
11	Minneapolis CBD	\$24.93	2	2.5%	19	0.4%	19
12	Northwest	\$22.94	4	3.2%	18	0.9%	18
13	Pierce County	\$19.54	17	7.8%	3	7.3%	3
14	Scott County Outlying	\$21.49	6	6.0%	12	5.1%	11
15	Sherburne County	\$19.01	18	7.1%	4	6.5%	4
16	St Croix County	\$20.50	12	6.6%	8	5.8%	8
17	St Paul CBD	\$21.37	8	2.1%	20	-0.9%	20
18	Suburban St Paul	\$20.90	11	3.7%	15	1.9%	16
19	Washington Cnty Outlying	\$19.92	14	6.8%	7	5.9%	7
20	Wright County	\$18.70	20	7.1%	5	6.3%	5

## SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Net Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construct. Ratio
1	Anoka County Outlying	54,628	5.3%	11	13,904	1.3%	8	-
2	Burnsville/Eagan/Apple Vy	622,566	4.7%	8	37,254	0.3%	6	-
3	Carver County Outlying	98,352	5.7%	13	(3,598)	-0.2%	13	-
4	Chisago County	15,142	5.1%	10	(6,592)	-2.2%	14	-
5	Dakota County Outlying	50,725	4.1%	6	76,472	6.1%	4	0.6
6	Hennepin County Outlying	20,504	4.9%	9	7,357	1.7%	10	-
7	I-394 Corridor	1,903,544	6.9%	15	(274,132)	-1.0%	19	-
8	I-494 Corridor	3,033,292	9.0%	17	(261,805)	-0.8%	18	-
9	Isanti County	26,277	6.8%	14	8,695	2.3%	9	-
10	Midway	575,381	4.4%	7	158,823	1.2%	2	-
11	Minneapolis CBD	4,274,768	9.9%	19	(380,328)	-0.9%	20	-
12	Northwest	884,129	13.5%	20	(74,711)	-1.1%	16	-
13	Pierce County	4,032	1.5%	1	(1,510)	-0.5%	12	-
14	Scott County Outlying	128,064	9.3%	18	(102,032)	-7.4%	17	-
15	Sherburne County	39,054	5.5%	12	5,313	0.7%	11	1.1
16	St Croix County	50,160	3.8%	4	35,659	2.7%	7	0.7
17	St Paul CBD	912,910	7.7%	16	93,413	0.8%	3	-
18	Suburban St Paul	1,183,816	3.9%	5	439,769	1.4%	1	0.6
19	Washington Cnty Outlying	53,053	2.9%	3	(11,642)	-0.6%	15	-
20	Wright County	34,302	2.8%	2	48,725	3.9%	5	0.9

# Supply & Demand Trends

Minneapolis Office

## OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Constrct. Ratio
2022	196,806,570	956,787	0.5%	967,766	0.5%	1.0
2021	195,849,783	896,736	0.5%	788,946	0.4%	1.1
2020	194,953,047	834,247	0.4%	568,163	0.3%	1.5
2019	194,118,800	1,225,161	0.6%	976,311	0.5%	1.3
2018	192,893,639	1,210,476	0.6%	1,803,117	0.9%	0.7
YTD	191,780,203	97,040	0.1%	177,663	0.1%	0.5
2017	191,683,163	837,713	0.4%	223,310	0.1%	3.8
2016	190,845,450	894,773	0.5%	1,548,430	0.8%	0.6
2015	189,950,677	1,201,111	0.6%	2,702,087	1.4%	0.4
2014	188,749,566	1,498,073	0.8%	1,639,963	0.9%	0.9
2013	187,251,493	(777,847)	-0.4%	(862,187)	-0.5%	-
2012	188,029,340	491,643	0.3%	128,192	0.1%	3.8
2011	187,537,697	237,561	0.1%	788,819	0.4%	0.3
2010	187,300,136	296,925	0.2%	1,299,241	0.7%	0.2
2009	187,003,211	1,085,724	0.6%	96,492	0.1%	11.3
2008	185,917,487	2,005,997	1.1%	1,323,142	0.7%	1.5

## 4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Constrct. Ratio
2022	69,100,992	934,545	1.4%	1,294,813	1.9%	0.7
2021	68,166,447	875,891	1.3%	1,177,632	1.7%	0.7
2020	67,290,556	814,855	1.2%	938,442	1.4%	0.9
2019	66,475,701	1,211,302	1.9%	1,178,591	1.8%	1.0
2018	65,264,399	982,454	1.5%	1,172,592	1.8%	0.8
YTD	64,371,945	90,000	0.1%	31,943	0%	2.8
2017	64,281,945	677,860	1.1%	302,026	0.5%	2.2
2016	63,604,085	1,770,388	2.9%	1,555,946	2.4%	1.1
2015	61,833,697	1,666,362	2.8%	1,940,094	3.1%	0.9
2014	60,167,335	1,532,753	2.6%	1,483,554	2.5%	1.0
2013	58,634,582	192,448	0.3%	92,070	0.2%	2.1
2012	58,442,134	390,500	0.7%	927,917	1.6%	0.4
2011	58,051,634	209,692	0.4%	693,638	1.2%	0.3
2010	57,841,942	0	0%	208,222	0.4%	0
2009	57,841,942	980,943	1.7%	137,602	0.2%	7.1
2008	56,860,999	1,022,097	1.8%	635,773	1.1%	1.6



# Supply & Demand Trends

Minneapolis Office

## 3 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Constrct. Ratio
2022	83,732,598	22,242	0%	(113,102)	-0.1%	-
2021	83,710,356	20,845	0%	(150,725)	-0.2%	-
2020	83,689,511	19,392	0%	(141,018)	-0.2%	-
2019	83,670,119	13,859	0%	(20,028)	0%	-
2018	83,656,260	228,022	0.3%	548,930	0.7%	0.4
YTD	83,435,278	7,040	0%	77,266	0.1%	0.1
2017	83,428,238	159,853	0.2%	(263,025)	-0.3%	-
2016	83,268,385	(893,656)	-1.1%	(443,148)	-0.5%	-
2015	84,162,041	(354,813)	-0.4%	266,369	0.3%	-
2014	84,516,854	115,830	0.1%	(31,552)	0%	-
2013	84,401,024	(874,077)	-1.0%	(867,410)	-1.0%	-
2012	85,275,101	160,097	0.2%	(479,427)	-0.6%	-
2011	85,115,004	17,601	0%	200,033	0.2%	0.1
2010	85,097,403	313,009	0.4%	981,235	1.2%	0.3
2009	84,784,394	135,667	0.2%	220,858	0.3%	0.6
2008	84,648,727	930,831	1.1%	829,721	1.0%	1.1

## 1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Constrct. Ratio
2022	43,971,252	0	0%	(214,010)	-0.5%	0
2021	43,971,252	0	0%	(238,025)	-0.5%	0
2020	43,971,252	0	0%	(229,326)	-0.5%	0
2019	43,971,252	0	0%	(182,318)	-0.4%	0
2018	43,971,252	0	0%	81,524	0.2%	0
YTD	43,971,252	0	0%	68,454	0.2%	0
2017	43,971,252	0	0%	186,037	0.4%	0
2016	43,971,252	18,041	0%	435,632	1.0%	0
2015	43,953,211	(110,438)	-0.3%	495,624	1.1%	-
2014	44,063,649	(150,510)	-0.3%	187,961	0.4%	-
2013	44,214,159	(96,218)	-0.2%	(86,847)	-0.2%	-
2012	44,310,377	(58,954)	-0.1%	(320,298)	-0.7%	-
2011	44,369,331	10,268	0%	(104,852)	-0.2%	-
2010	44,359,063	(16,084)	0%	109,784	0.2%	-
2009	44,375,147	(30,886)	-0.1%	(261,968)	-0.6%	-
2008	44,406,033	53,069	0.1%	(142,352)	-0.3%	-



### OVERALL RENT & VACANCY

Year	Gross Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2022	\$25.21	126	1.1%	8.7%	14,070,035	7.1%	0%
2021	\$24.94	125	1.1%	7.7%	14,081,014	7.2%	0%
2020	\$24.66	123	1.1%	6.6%	13,973,224	7.2%	0.1%
2019	\$24.39	122	2.5%	5.6%	13,707,140	7.1%	0.1%
2018	\$23.80	119	3.4%	3.2%	13,455,991	7.0%	-0.4%
YTD	\$23.08	115	0.2%	0.2%	13,970,404	7.3%	0%
2017	\$23.02	115	3.8%	0%	14,051,027	7.3%	0.3%
2016	\$22.17	111	5.5%	-3.8%	13,436,624	7.0%	-0.4%
2015	\$21.01	105	4.6%	-9.6%	14,090,281	7.4%	-0.8%
2014	\$20.09	100	4.9%	-14.6%	15,591,257	8.3%	-0.1%
2013	\$19.15	96	2.1%	-20.3%	15,733,147	8.4%	0.1%
2012	\$18.74	94	2.8%	-22.8%	15,648,807	8.3%	0.2%
2011	\$18.23	91	-1.4%	-26.3%	15,285,356	8.2%	-0.3%
2010	\$18.50	93	-3.6%	-24.5%	15,836,614	8.5%	-0.5%
2009	\$19.18	96	-4.1%	-20.0%	16,838,930	9.0%	0.5%
2008	\$19.99	100	1.2%	-15.2%	15,849,698	8.5%	0.2%

### 4 & 5 STAR RENT & VACANCY

Year	Gross Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2022	\$27.88	119	1.1%	4.2%	4,558,855	6.6%	-0.6%
2021	\$27.58	118	0.9%	3.2%	4,919,123	7.2%	-0.5%
2020	\$27.33	117	0.5%	2.3%	5,220,864	7.8%	-0.3%
2019	\$27.18	116	1.2%	1.7%	5,344,451	8.0%	-0.1%
2018	\$26.86	115	0.6%	0.6%	5,309,441	8.1%	-0.4%
YTD	\$26.58	114	-0.5%	-0.5%	5,559,950	8.6%	0.1%
2017	\$26.71	114	1.1%	0%	5,501,893	8.6%	0.5%
2016	\$26.42	113	4.3%	-1.1%	5,126,059	8.1%	0.1%
2015	\$25.35	109	2.9%	-5.4%	4,911,617	7.9%	-0.7%
2014	\$24.62	106	7.6%	-8.5%	5,185,349	8.6%	-0.1%
2013	\$22.89	98	2.2%	-16.7%	5,136,150	8.8%	0.1%
2012	\$22.40	96	4.3%	-19.3%	5,035,772	8.6%	-1.0%
2011	\$21.47	92	-2.3%	-24.4%	5,573,189	9.6%	-0.9%
2010	\$21.98	94	-2.9%	-21.5%	6,057,135	10.5%	-0.4%
2009	\$22.63	97	-3.0%	-18.0%	6,265,357	10.8%	1.3%
2008	\$23.34	100	3.8%	-14.4%	5,422,016	9.5%	0.5%

### 3 STAR RENT & VACANCY

Year	Gross Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2022	\$25.04	132	1.1%	11.3%	6,603,454	7.9%	0.2%
2021	\$24.76	130	1.2%	10.3%	6,468,110	7.7%	0.2%
2020	\$24.46	129	1.4%	9.2%	6,296,540	7.5%	0.2%
2019	\$24.11	127	3.3%	7.9%	6,136,130	7.3%	0%
2018	\$23.33	123	5.1%	4.9%	6,102,243	7.3%	-0.4%
YTD	\$22.32	118	0.6%	0.6%	6,352,971	7.6%	-0.1%
2017	\$22.20	117	5.8%	0%	6,423,197	7.7%	0.5%
2016	\$20.99	111	5.4%	-5.8%	6,000,319	7.2%	-0.5%
2015	\$19.91	105	6.1%	-11.5%	6,450,827	7.7%	-0.7%
2014	\$18.76	99	3.7%	-18.3%	7,072,009	8.4%	0.2%
2013	\$18.09	95	2.5%	-22.7%	6,924,627	8.2%	0.1%
2012	\$17.65	93	2.5%	-25.8%	6,931,294	8.1%	0.7%
2011	\$17.23	91	-1.2%	-28.9%	6,291,770	7.4%	-0.2%
2010	\$17.44	92	-5.2%	-27.3%	6,474,202	7.6%	-0.8%
2009	\$18.40	97	-3.1%	-20.7%	7,142,428	8.4%	-0.1%
2008	\$18.98	100	-0.8%	-16.9%	7,227,619	8.5%	0%

### 1 & 2 STAR RENT & VACANCY

Year	Gross Asking Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2022	\$21.55	127	1.2%	11.5%	2,906,329	6.6%	0.5%
2021	\$21.30	126	1.3%	10.5%	2,692,319	6.1%	0.5%
2020	\$21.03	124	1.4%	9.3%	2,454,294	5.6%	0.5%
2019	\$20.73	123	3.2%	8.0%	2,224,968	5.1%	0.4%
2018	\$20.09	119	5.4%	5.1%	2,042,650	4.6%	-0.2%
YTD	\$19.28	114	1.1%	1.1%	2,055,755	4.7%	-0.2%
2017	\$19.07	113	5.5%	0%	2,124,209	4.8%	-0.4%
2016	\$18.07	107	8.7%	-5.5%	2,310,246	5.3%	-1.0%
2015	\$16.62	98	5.1%	-14.8%	2,727,837	6.2%	-1.4%
2014	\$15.82	94	1.8%	-20.6%	3,333,899	7.6%	-0.7%
2013	\$15.53	92	1.2%	-22.8%	3,672,370	8.3%	0%
2012	\$15.36	91	0.5%	-24.2%	3,681,741	8.3%	0.6%
2011	\$15.27	90	-0.1%	-24.9%	3,420,397	7.7%	0.3%
2010	\$15.29	90	-1.3%	-24.7%	3,305,277	7.5%	-0.3%
2009	\$15.49	92	-8.4%	-23.1%	3,431,145	7.7%	0.5%
2008	\$16.90	100	0.6%	-12.8%	3,200,063	7.2%	0.2%

## OVERALL SALES

Year	Completed Transactions						Market Pricing Trends		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2022	-	-	-	-	-	-	\$139.76	137	7.2%
2021	-	-	-	-	-	-	\$138.83	137	7.0%
2020	-	-	-	-	-	-	\$136.31	134	7.0%
2019	-	-	-	-	-	-	\$135.18	133	6.8%
2018	-	-	-	-	-	-	\$132.69	130	6.8%
YTD	22	\$153.2 M	0.5%	\$12,707,521	\$229.11	5.9%	\$133.28	131	6.7%
2017	309	\$1,279 M	5.2%	\$6,368,610	\$166.93	8.4%	\$131.55	129	6.6%
2016	338	\$1,104 M	5.8%	\$4,834,070	\$129.20	7.8%	\$126.52	124	6.7%
2015	344	\$1,725 M	8.1%	\$6,401,804	\$114.18	7.8%	\$123.85	122	6.6%
2014	282	\$1,621 M	7.3%	\$7,445,964	\$119.68	7.5%	\$118.11	116	6.7%
2013	276	\$1,375 M	5.7%	\$7,602,099	\$130.08	8.0%	\$107.85	106	7.1%
2012	263	\$1,070 M	5.4%	\$5,965,414	\$106.98	8.1%	\$96.77	95	7.7%
2011	178	\$649.0 M	3.9%	\$5,993,607	\$106.19	8.0%	\$90.18	89	8.0%
2010	167	\$435.6 M	1.9%	\$3,858,006	\$127.06	9.5%	\$82.61	81	8.4%
2009	176	\$226.0 M	1.5%	\$1,783,063	\$91.60	8.4%	\$84.47	83	8.2%
2008	191	\$640.2 M	3.0%	\$4,642,264	\$122.10	8.1%	\$101.69	100	7.1%