MINNEAPOLIS/ST. PAUL OFFICE MARKET
2024 YEAR-END UPDATE

OVERVIEW

Foreclosures and short sales remained common in the market across all building classes; including trophy properties such as Wells Fargo Center and the Ameriprise HQ selling at deeply discounted prices and 8500 Normandale Lakes going back to its lender. In many cases, these trends should translate to better deals for tenants. Conversely, with tenants seeking a "flight to quality" for office space, some well positioned buildings (especially those with favorable debt structures) are holding strong. It has never been more critical to understand the financial stability of a landlord and their ability to perform their lease obligations.

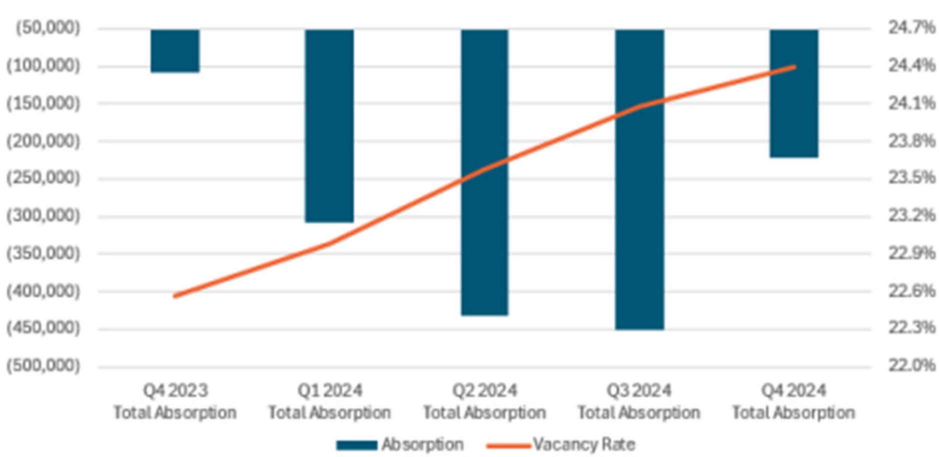
SNAPSHOT

Multi-Tenant Vacancy	**24.4%**
Sublease Space	**2.7%**
YTD Net Absorption	**(1,416,263)**
Rental Rates	**Flat**
Concessions	**Increasing**

Market Size	Total Vacancy
87,792,136 SF	**21,413,598**

- Vacancy, including sublease space, increased from 21.8% to 24.4% during the year.
- Sublease space dropped slightly from 2.9% to 2.7% in that same period.
- The Minneapolis CBD submarket continues to carry the highest vacancy rate at 30.8%, with 26.4% direct and 4.4% sublease.
- Locally and nationally, leasing activity is up, but average lease sizes are down by 25% (as a result of rightsizing and hybrid work), causing absorption and recovery to remain slow.
- Lease rates, generally, continue to show signs of softening as landlords compete for deals.
- Some landlords are low on cash and may offer lower rental rates if a tenant funds its improvements.
- If a building is financially stressed, in receivership, with special servicer or for sale, lease transactions will take significantly longer, so advancing negotiations and having a backup plan are crucial.

ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

FOR MORE INFORMATION CONTACT:

TaTonka Real Estate Advisors

info@tatonkare.com
or
612-466-7300