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

OVERVIEW

Foreclosures and short sales have become quite prevalent in the market as many owners have not been able to overcome higher interest rates combined with lower occupancy and lower demand. While there continues to be a trend toward more time in the office for employees, it is likely to be too little to late for many buildings. This should result in "repricing" of buildings and provide opportunities for more favorable lease terms for tenants, but it will be a slow process spanning the next 2 to 3 years. At the same time, well positioned buildings (location, quality, amenities) seem to be weathering the storm and either holding or even increasing their rents.

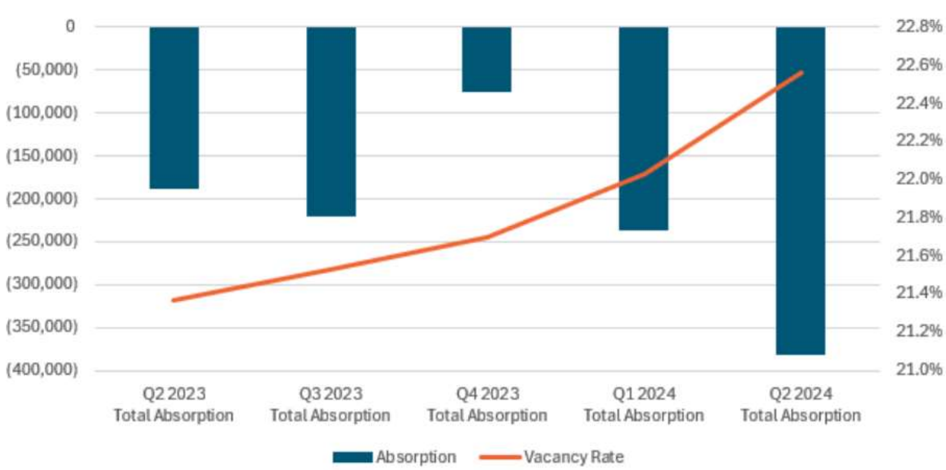
SNAPSHOT

Multi-Tenant Vacancy	**22.6%**	▲
Sublease Space	**2.7%**	▼
YTD Net Absorption	**(618,823)**	▼
Rental Rates	**Flat**	▬
Concessions	**Increasing**	▲

Market Size	Total Vacancy
87,815,199 SF	**19,815,044**

- Vacancy, including sublease space, increased from 21.8% to 22.6% during the first half of 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 29.7%, with 25.2% direct and 4.5% sublease.
- Lease rates, generally, continue to show signs of softening as landlords compete for deals.
- Tenant concessions remain high with tenant improvement allowances, free rent offerings and other non-economic concessions as landlords continue to "prop up" rental rates.
- Some landlords are low on cash and may offer lower rental rates if a tenant funds its improvements.
- Protecting tenant lease rights through non-disturbance agreements and offset rights in the event a building is foreclosed upon is critical.

ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

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