

Mid-Year 2020 / Office Market Report

Minneapolis-St. Paul

Market Overview

Early impacts of COVID-19 has been far-reaching, affecting every corner of the US economy. The GDP contracted, and national output and consumer spending dropped significantly. Many businesses shut down. It is likely the US will continue to see a slowdown in economic activity through the remainder of 2020, but we expect some signs of recovery to begin still this year.

As March arrived, the effects of COVID-19 began to have an impact on the US office market. State and local governments issued orders that shuttered all non-essential businesses and sent employees home to work.

Since mid-March, new leasing has been spotty within the office sector and has brought most activity to a standstill. Although, some new and renewal transactions are closing, an equal number of deals are being put on hold. Tenants are reluctant to make any commitments as the economic forecast remains cloudy.

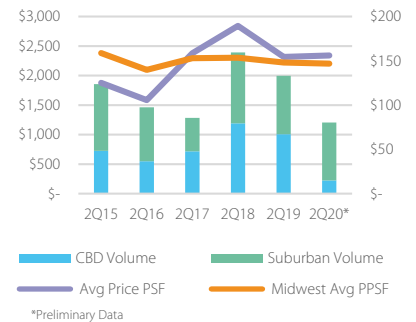
Years past, the work from home concept had primarily been adopted by a handful of tech firms. It is likely to continue across many business lines, at some level, past this crisis. As a result, there is most likely going to be a decrease in office space utilization. Although some argue, this decrease could be offset in part from the need to implement distancing measures within the workplace as employees return to the office at full capacity.

Working from home, full time, seemed only viable for a small percentage of employees. Tenants will still need to address long term solutions for their workplace as we transition back to the office; adapting to employees' flexible work schedules.

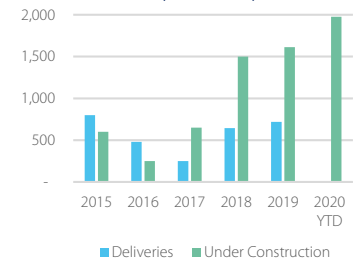
Moving forward this year, it is yet to be seen the full implications of COVID-19 on the economy and the office market. A slowing in deal volume is likely to persist until there appears to be a vaccination and cure for COVID-19. Demand will likely remain tempered but stabilize in the second half of 2020.

Landlords note that many of the transactions that have been put on hold are expected to be revived, and some should move forward as conditions improve and become clearer.

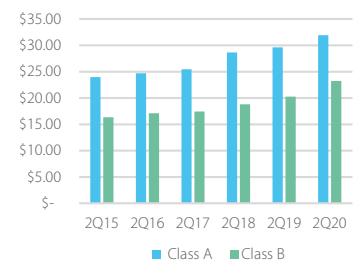
Minneapolis Investment Sales
(12-month totals - in millions)



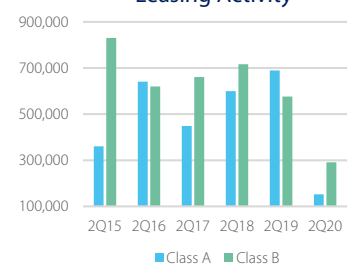
Development
(in thousands)



Overall Gross Asking Rent



Leasing Activity



RESOURCE CENTRE COVID-19

As this unprecedented situation continues to rapidly evolve, Avison Young is dedicated to providing updates to our clients. Click below for an up-to-date assessment of COVID-19's impact on the commercial real estate market.

[Click Here](#)

Market by the Numbers

Submarket	Inventory	Vacant	Vacancy	Q2 20 Net Absorption	YTD Net Absorption	YTD Leasing	Avg Asking Rate
Minneapolis CBD	30,705,599	4,333,579	14.1%	(39,289)	(37,354)	667,589	\$31.85
Class A	18,088,548	1,925,153	10.6%	39,197	85,923	336,024	\$35.43
Class B	11,735,110	2,243,586	19.1%	(61,169)	(112,350)	307,646	\$28.91
Class C	881,941	164,840	18.7%	(17,317)	(10,927)	23,919	\$23.88
St. Paul CBD	7,083,185	1,301,217	18.4%	813	(27,138)	58,088	\$22.64
Class A	3,525,834	317,302	9.0%	25,502	(908)	45,670	\$23.74
Class B	3,346,714	948,024	28.3%	(12,150)	(13,819)	10,740	\$21.88
Class C	210,637	35,891	17.0%	(12,539)	(12,411)	1,678	\$18.16
West/Northwest	14,725,009	1,984,468	13.5%	48,868	134,596	411,601	\$28.33
Class A	5,253,563	718,039	13.7%	15,570	101,652	165,734	\$36.01
Class B	7,751,083	1,188,165	15.3%	46,759	33,411	220,934	\$ 24.68
Class C	1,720,363	78,264	4.5%	(13,461)	(467)	24,933	\$ 19.33
Northeast	10,705,208	1,377,171	12.9%	(92,824)	(237,015)	163,239	\$17.89
Class A	850,983	124,249	14.6%	(1,400)	41,075	4,110	\$15.19
Class B	8,263,452	1,155,040	14.0%	(83,617)	(292,268)	148,761	\$18.64
Class C	1,590,773	97,882	6.2%	(7,807)	14,178	10,368	\$17.63
Southwest/494 Corridor	20,040,272	2,603,547	13.0%	20,796	135,479	441,599	\$ 24.99
Class A	8,836,294	930,895	10.5%	(16,006)	51,830	222,108	\$ 30.56
Class B	8,767,574	1,396,982	15.9%	60,987	185,718	213,649	\$23.14
Class C	2,436,404	275,670	11.3%	(24,185)	(102,069)	5,842	\$14.62
Southeast	7,198,168	872,382	12.1%	(150,777)	(155,053)	45,143	\$ 21.04
Class A	1,054,364	300,022	28.5%	(87,210)	(88,326)	13,629	\$ 26.11
Class B	4,900,208	461,368	9.4%	(62,900)	(69,383)	23,150	\$ 22.19
Class C	1,243,596	110,992	8.9%	(667)	2,656	8,364	\$17.82
Total Market	90,457,441	12,472,364	13.8%	(212,413)	(186,485)	1,787,259	\$ 24.46

The data contained in this market report is obtained from The CoStar Group, Inc. and is used under licensed permission. The report is based on the seven-county metropolitan Minneapolis-St. Paul markets for office buildings at least 20,000 sf in size. It does not include any government or healthcare space or single-tenant owner occupied buildings. Current and historical data has been adjusted with corrected information after it was obtained. This may prevent comparisons to previously released reports.

Market Indicators (arrows indicate YOY change from Q2 2019)

90,457,441 SF →

Market Inventory

13.8% →

Vacancy Rate

(212,413) SF ↓

Net Absorption

1,975,628 SF ↓

Construction

\$24.46 ↑

Average Asking Rate

Trends to Watch



Working from Home

Working from home will continue to be the norm for most businesses, for the remainder of 2020.



Technology

Necessity is the mother of invention. No more so, than in 2020. Expect to see advancements in office technology significantly impact the workplace.



COVID-19 Impacts

Unfortunately COVID-19 remains a trend as we move into the second half of 2020. It's influence on our economy and on our personal and professional lives will persist into the foreseeable future. [Link to AY's COVID-19 Resource Centre](#)

Top Leases

Building Name	Class	Submarket	Tenant	Transaction Type	Transaction Size
IDS Center	A	Minneapolis CBD	Taft Stettinius & Hollister LLP	Renewal	150,908
7700 France	A	Southwest/494 Corridor	Nerderly	New	59,176
One Liberty Corporate Center	A	Southwest/494 Corridor	Cigna	New	54,119
Energy Park Plaza	B	Northeast	Datasite	New	48,556
Atria Corporate Center	A	West/Northwest	Daikin	New	45,000

Top Sales

Building Name	Class	Submarket	Buyer	Building Size	Sale Price	Sale Price PSF
Cargill Office Center	B	West/Northwest	Cargill	622,231	\$74,800,000	\$120
West End Office Park	B	West/Northwest	Bridge Investment Grp	559,336	\$130,140,000	\$233
Baker Road Corporate Center	B	West/Northwest	Syndicated Equities	208,000	\$39,800,000	\$191
Bass Creek Business Park	A	West/Northwest	Waitt Company	185,000	\$24,250,000	\$131
Designers Guild	B	Minneapolis CBD	David L and Judith Brierton Irrevocable Family Trust	100,000	\$20,000,000	\$200

Avison Young at a Glance

- Founded: **1978**
- Total Real Estate Professionals: **5,000**
- Offices: **107**
- Countries: **14**
- Brokerage Professionals: **1,600**
- Property Under Management: **367 million sf**

Avison Young is the world’s fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its Principals. Founded in 1978, with legacies dating back more than 200 years, the company comprises approximately 5,000 real estate professionals in 107 offices in 14 countries. The firm’s experts provide value-added, client-centric investment sales, leasing, advisory, management and financing services to clients across the office, retail, industrial, multi-family and hospitality sectors.



Transaction Services

- Tenant representation, lease acquisition and disposition
- Investment acquisition and asset recapitalizations for owners and investors
- Landlord representation across all property types—office, industrial, retail, build-to-suit, land and multi-family

Investment Management

- Acquisitions
- Asset management
- Portfolio strategy
- Capital repositioning

Consulting and Advisory Services

- Portfolio review and analysis
- Valuation and appraisal
- Benchmarking
- Transaction management
- Asset rationalization
- Mergers and acquisitions
- Workplace solutions
- Acquisitions and dispositions
- Property tax services

Debt Capital Services

- Permanent & construction
- Structured finance
- Portfolio market to market
- Mezzanine & bridge

Management Services

- Project management
- Property and operations review
- Property/facility management
- Tenant relations
- Financial reporting
- Lease administration
- Operations consulting
- Asset management
- Portfolio management

Enterprise Solutions

- Integrated services coordination
- Transaction management
- Optimization strategies
- Portfolio lease administration
- Project coordination and reporting

Additional U.K. Service Offerings

- Building advisory
- Business rates liability
- Town planning
- Site assembly and regeneration
- Partnerships advisory
- Sustainability strategy and reporting
- Environmental impact assessment
- Strategic advisory



Platinum member

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