# 2016 Twin Cities Office Market Outlook

The Twin Cities added 30,000 new jobs in 2015 lowering the unemployment rate to 3.7%, the lowest level in 15 years, well below the national average of 4.8%. Job growth in the health care and biosciences industries fueled office absorption of 696,000 SF. This compares with 604,000 SF of positive absorption in 2014 and 504,000 SF the previous year. The largest gains in absorption occurred in the St. Paul CBD (198,770 SF) followed by Minneapolis CBD (174,049 SF), and the Northwest (165,401 SF) submarkets. Cranes are in the sky in Minneapolis with the addition of the build-to-suit Wells Fargo towers in Downtown East and the T3 speculative development in the North Loop. These two projects will add over 1,300,000 SF of Class A space to the downtown market in 2016. United Properties, Swervo and CPM, and Schafer Richardson all have announced office projects in the North Loop totaling 670,000 SF of additional office space to this very tight submarket.

Source: MNCAR Exchange

Vacancy rates continued to trend downward from 15.9% in 2014 to 15.1% by the end of 2015. The lowest vacancy rates are in the West and North Loop submarkets and the highest vacancy rates are found in the Northeast and Southeast submarkets. Overall Class A vacancy rates are at 13.7% driving an increase in net rental rates of 6.08% across all classes and a decrease in concessions.
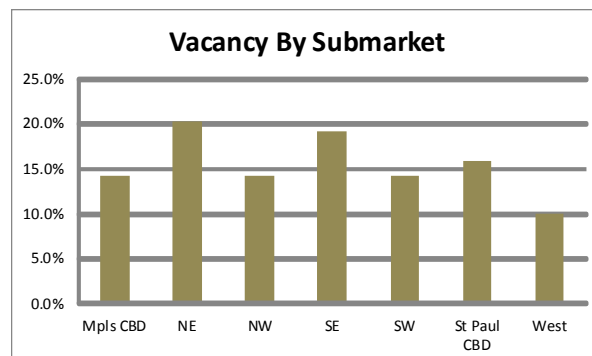

Source: MNCAR Exchange

In 2016, we expect absorption to remain positive, vacancy rates to decrease modestly and tenant space to become more efficient. Tight markets and low interest rates will cause build-to-suit activity.
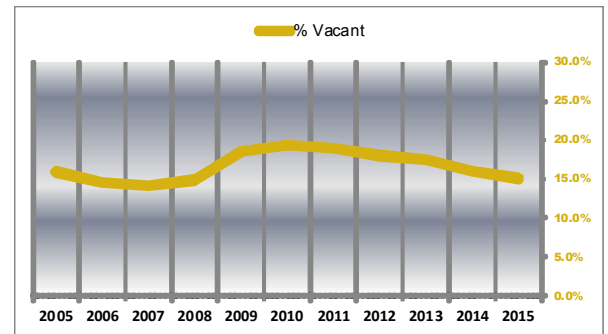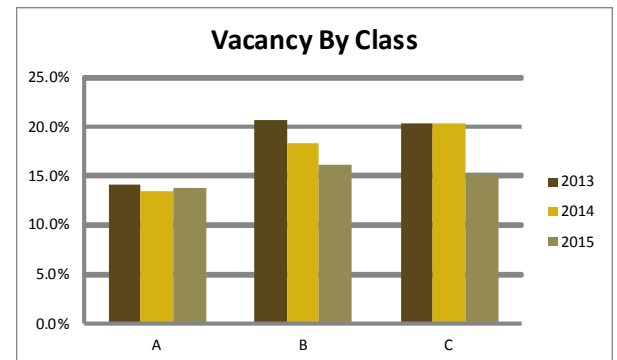
Source: MNCAR Exchange

The effect of Millennials is impacting the market and employers would be smart to pay attention to this groups desires as they seek to replace an aging workforce. Millennials want open collaborative space, brighter more vibrant décor, access to public transportation or the ability to ride a bicycle to work, restaurants within walking distance and the ability to work remotely.