



# MINNEAPOLIS/ST. PAUL OFFICE MARKET 2021 YEAR-END UPDATE

## OVERVIEW

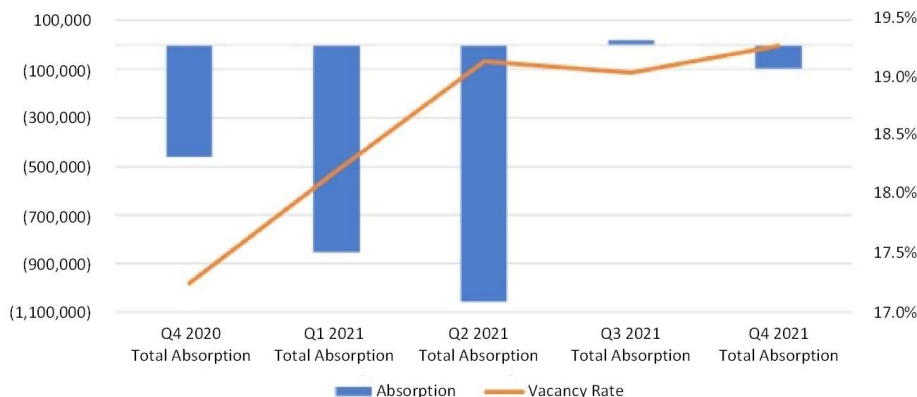
Leasing activity remains sluggish as employers continued to delay return to work dates and contemplate the “new normal” and hybrid work scenarios. Many tenants are choosing short term lease renewals. Those companies that are comfortable making longer term commitments are seeking less square footage but in higher quality spaces in an effort to retain and attract employees in a market where unemployment is at only 2.2%. Many landlords are choosing to upgrade buildings and amenities and, while holding firm on rents, are more aggressive with concession packages to compete for those tenants willing to commit to longer leases.

- Six consecutive quarters of negative net absorption
- Vacancy, including sublease space, increased from 17.2% to 19.3% during 2021
- Sublease space more than doubled from 0.9% of the market to 2.1% in that same period
- Minneapolis CBD submarket is experiencing the highest vacancy rate at 23.1%, with 19.1% direct and 4.0% sublease
- Negative absorption is likely to continue due to hybrid work models and tenants shedding excess space
- Leasing activity is slowly on the rise in the suburbs, but has been bleak in the downtown CBD settings
- Lease rates have remained relatively flat but expected to soften if vacancy continues to rise
- Tenant concessions increasing with higher tenant improvement allowances, free rent offerings and other non-economic concessions as landlords attempt to “prop up” rental rates

## SNAPSHOT

Multi-Tenant Vacancy	19.3%	▲
Sublease space	2.1%	▲
YTD net absorption	(1,987,515)	▼
Rental Rates	Flat	▬
Concessions	Increasing	▲
		
Market Size	Total Vacancy	
92,405,464 SF	19,199,186	

## ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

FOR MORE INFORMATION  
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