



MINNEAPOLIS/ST. PAUL OFFICE MARKET 2022 MID-YEAR UPDATE

OVERVIEW

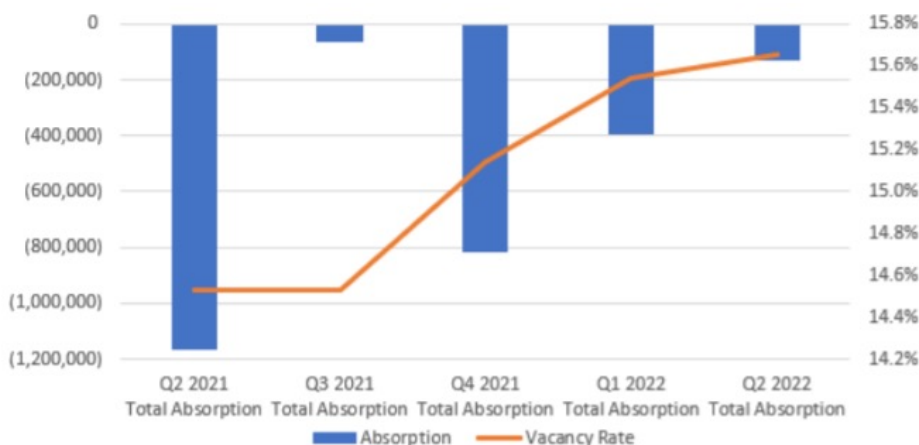
Tenants are just beginning to find more clarity in their outlook for return to work, hybrid and remote working scenarios with many making longer term lease commitments. However, if hybrid or continued remote working is chosen, they are either subleasing excess space or downsizing if their lease is expiring. With leasing activity remaining sluggish, this will likely cause a continued rise in vacancy and sublease space. Class A buildings seem to be holding steady as tenants move to higher quality, amenity rich spaces. Although, landlords are offering more free rent and improvement allowances to attract those tenants.

- Eight consecutive quarters of negative net absorption
- Vacancy, including sublease space, increased from 19.3% to 20.5% during the first half of the year
- Sublease space increased from 2.1% to 2.5% in that same period and is expected to continue to grow
- Minneapolis CBD submarket is experiencing the highest vacancy rate at 25.2%, with 21.1% direct and 4.1% sublease
- In general, Class A buildings and the 394 and SW submarkets seem to be fairing the best
- Negative absorption is likely to continue due to hybrid work models and tenants shedding excess space
- 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 continue to “prop up” rental rates

SNAPSHOT

Multi-Tenant Vacancy	20.5%	▲
Sublease space	2.5%	▲
YTD net absorption	(561,864)	▼
Rental Rates	Flat	▬
Concessions	Increasing	▲
 Market Size	93,623,932 SF	
 Total Vacancy	20,858,380	

ABSORPTION & VACANCY



FOR MORE INFORMATION
CONTACT:



info@tatonkare.com

or

612-466-7300