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

OVERVIEW

As organizations, both large and small, are defining the “new normal” most employers have continued to adopt hybrid or remote working scenarios. The effect is a continued rise in sublease listings and significant reductions in space being leased in renewals or relocations. This increase in vacancy coupled with rising interest rates on mortgages coming due, has put building owners in a difficult position. While landlord’s have held firm on rental rates (but significantly increased concessions) they will still have difficulty refinancing without taking a loss or risk losing the building back to the lender.

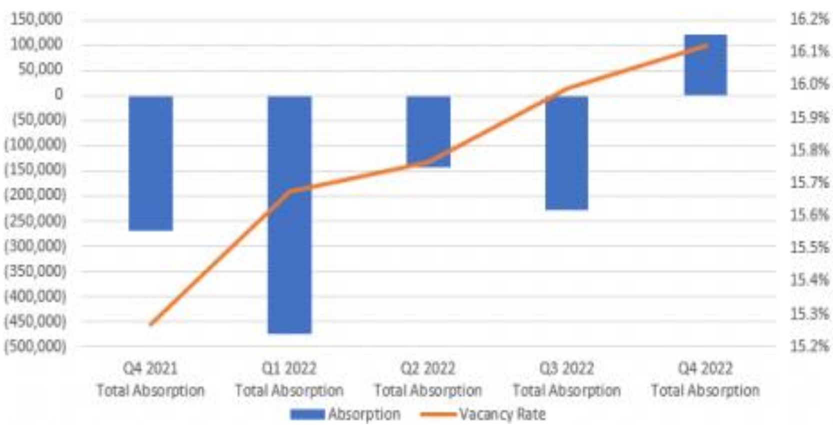
SNAPSHOT

Multi-Tenant Vacancy	**20.4%**
Sublease space	**2.9%**
YTD net absorption	**(721,798)**
Rental Rates	**Flat**
Concessions	**Increasing**

Market Size	Total Vacancy
93,157,024 SF	**19,005,801**

- Vacancy, including sublease space, remained flat from 20.5% to 20.4% during the second half of the year
- Sublease space increased from 2.5% to 2.9% in that same period and is expected to continue to grow
- The Minneapolis CBD submarket is experiencing the highest vacancy rate at 25.7%, with 21.1% direct and 4.6% sublease
- Large corporate subleases such as Prime Therapeutics, Optum and UHG and companies vacating or downsizing corporate offices, such as Ameriprise, will negatively impact the market
- 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
- Protecting tenant lease rights in the event a building goes back to the landlord will be critical

ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

FOR MORE INFORMATION CONTACT:

TaTonka Real Estate Advisors

info@tatonkare.com
or
612-466-7300