MINNEAPOLIS/ST. PAUL OFFICE MARKET
2023 YEAR-END UPDATE

OVERVIEW

There continue to be signs that employees are increasing their time in the office, some driven by choice and some by employer mandate (or strong encouragement). While that's a welcome trend for commercial real estate, it is expected that office users will continue to shed excess space as they "rightsize" via subleasing or vacating space upon lease expiration. As a result, building values continue to decrease and owners and lenders struggle to restructure debt with some buildings being returned to their lenders or sold in a short sale. This will likely result in "repricing" of buildings and pave the way for more favorable lease terms for tenants.

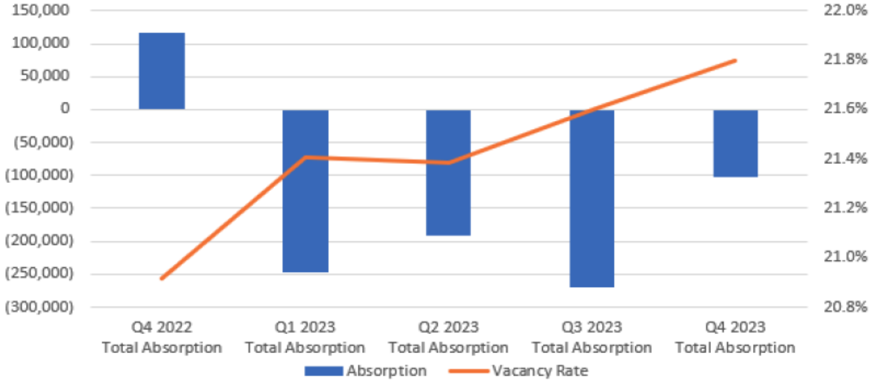
SNAPSHOT

Multi-Tenant Vacancy	**21.8%**	▲
Sublease Space	**2.9%**	▬
YTD Net Absorption	**(811,185)**	▼
Rental Rates	**Flat**	▬
Concessions	**Increasing**	▲

Market Size	Total Vacancy
87,914,356 SF	**19,163,902**

- Vacancy, including sublease space, increased from 21.4% to 21.8% during the second half of the year.
- Sublease space remained relatively flat moving from 3.0% to 2.9% in that same period.
- The Minneapolis CBD submarket continues to carry the highest vacancy rate at 28.3%, with 23.1% direct and 5.2% sublease.
- Corporations vacating, subleasing or downsizing corporate offices, continue to leave large blocks of available space in the market.
- Lease rates, generally, continue to show signs of softening as landlords compete for deals.
- Tenant concessions remain high with 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 lender is critical.

ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

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