Minneapolis – St. Paul

Office market snapshot | Q2 2024

In Q2 2024, demand for office space in the Minneapolis–St. Paul office market continued to decline, with leasing activity in the first half of the year down 28% compared to H1 2023. Despite this, high-quality properties remain in high demand, subleasing activity is still above historical norms, and the local unemployment rate is well below the national average.

1.75msf

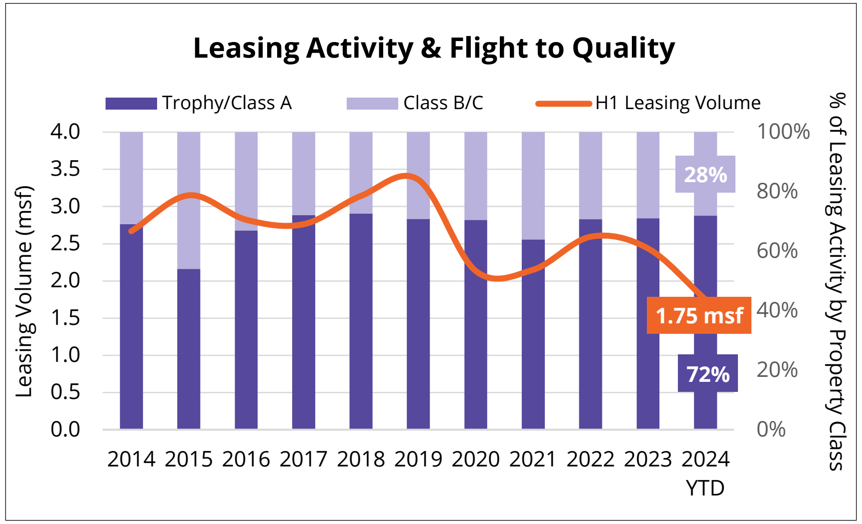
Despite a nearly 700k decline in leasing volume YoY during the first half of 2024, high quality space remains in demand for tenants.

(580ksf)

Sublet availability in MSP has declined by over 580ksf over the past year, primarily driven by increased subleasing activity.

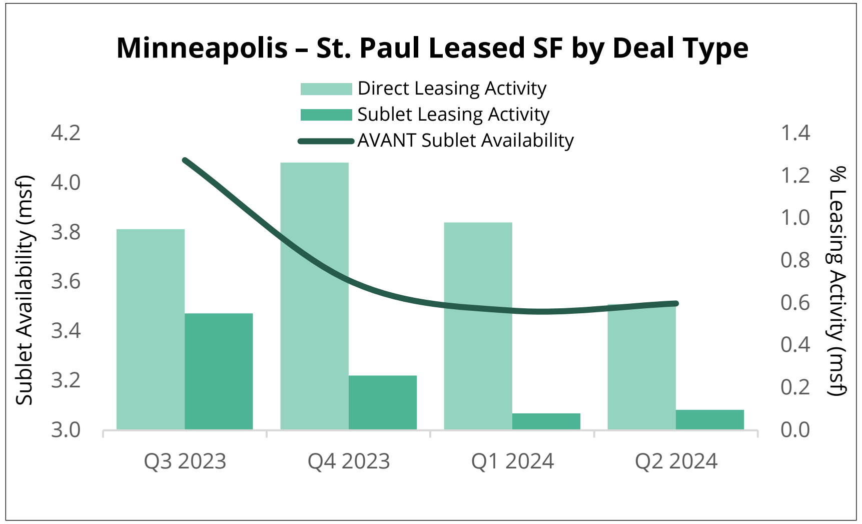
2.6%

Unemployment rate in MSP through May 2024 is lower than the national average rate of 4.0%, and peer markets, Columbus and Indianapolis.



Trophy/Class A spaces accounted for 72% of total leased space in H1 2024, 400 bps higher than the pre-pandemic (2014-2020) average H1 leasing share of 68%. Despite this increasing share of leasing activity, Trophy/Class A spaces saw over 34% less total space leased in Q2 2024 from Q1 2024 compared to a 37% decrease in space for Class B/C spaces.

Source: AVANT By Avison Young, CoStar, BLS



Subleasing activity hit a historic high of over 551ksf in Q3 2023, and Q4 2023 saw the second-largest amount of subleased space ever recorded. This drove down sublet availability during these periods. So far in 2024, subleasing activity has been more modest but remains above historical norms.

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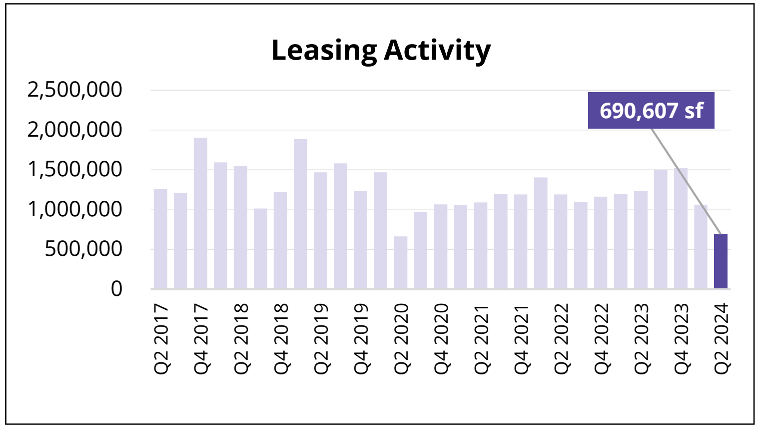

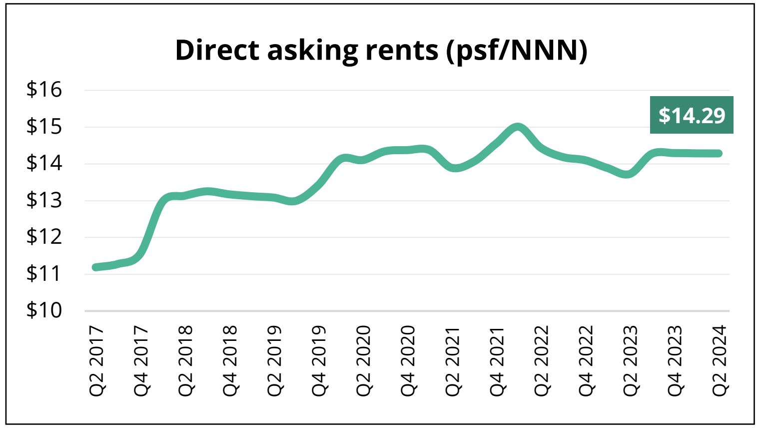

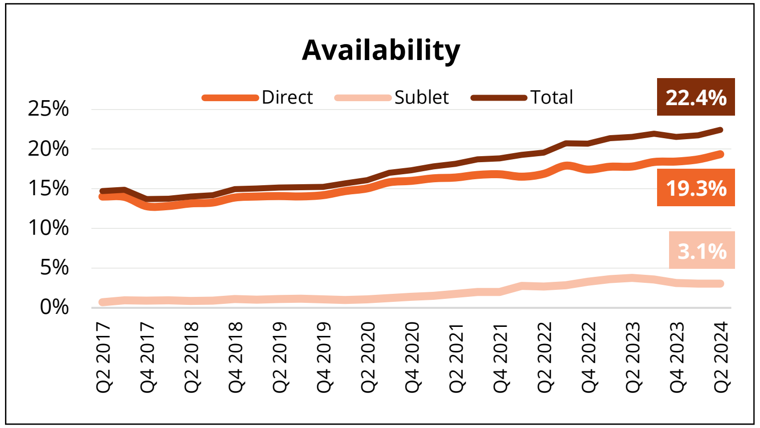

Recent leasing activity

Tenant	Address	Size (sf)	Transaction type	Lease type
TKDA	3311 E Old Shakopee Rd	87,000	New	Direct
Anthony Olstlund	90 S 7th St	20,931	Renewal	Direct
BTM	7700 France Ave S	19,849	New	Direct
Burns & McDonnell	1650 82nd St W	17,294	New	Sublease

Recent sales activity

Buyer	Address	Sale price	Sale price psf	Seller
Arsenault Holdings	3400 Yankee Dr	$35,393,629	$165.55	W.P. Carey
Arsenault Holdings	1800 Yankee Doodle Rd	$25,306,319	$177.33	W.P. Carey
KGSM, LLC	330 2nd Ave S	$7,259,750	$37.50	Spaulding & Slye Investments
Skyline Property LLC	600 W Travelers Trl	$3,150,000	$92.90	American Automobile Association

Source: AVANT By Avison Young, CoStar

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Get in touch

Joseph Stockman
Market Intelligence
Analyst
joe.stockman@avisonyoung.com

Jeremy Krotz
Market Intelligence
Central Region Manager
jeremy.krotz@avisonyoung.com

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption % of inventory (QTD)	Net absorption (QTD)	Annual direct asking rent psf NNN
Minneapolis CBD	33,253,496	-	-	22.8%	4.8%	27.7%	1.1%	(0.8%)	(269,080)	$18.04
Southwest	22,279,492	-	48,000	22.8%	3.5%	26.3%	0.1%	0.6%	142,614	$12.09
Northeast	17,801,553	-	-	12.7%	0.5%	13.2%	(0.2%)	(0.1%)	(18,315)	$12.11
Airport/Southeast	15,749,675	-	-	16.0%	1.3%	17.3%	0.0%	(3.3%)	(517,904)	$12.39
St. Paul CBD	7,068,083	-	-	20.9%	1.4%	22.2%	2.9%	0.1%	7,622	$7.54
West	6,367,034	-	-	19.7%	4.7%	24.5%	1.2%	(0.2%)	(10,825)	$12.11
Northwest	5,365,962	43,000	-	15.3%	1.7%	17.0%	2.0%	(0.2%)	(8,621)	$7.18
North Loop	3,904,095	392,000	-	21.1%	5.4%	26.5%	1.9%	4.6%	178,847	$21.29
West End	2,802,513	-	-	12.8%	3.9%	16.7%	(0.6%)	(0.3%)	(9,590)	$21.20
Market total	**114,591,903**	**435,000**	**48,000**	**19.3%**	**3.1%**	**22.4%**	**0.7%**	**(0.4%)**	**(505,252)**	**$14.29**

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption % of inventory (QTD)	Net absorption (QTD)	Annual direct asking rent psf NNN
Trophy	6,636,093	392,000	-	30.1%	2.0%	32.2%	(1.1%)	2.8%	187,376	$19.59
Class A	58,951,582	-	-	20.9%	4.8%	25.7%	1.1%	(0.3%)	(147,929)	$14.97
Class B	34,583,954	43,000	48,000	18.1%	1.1%	19.2%	(1.1%)	(1.6%)	(539,828)	$11.40
Class C	14,420,274	-	-	10.9%	0.9%	11.8%	(1.1%)	(0.0%)	(4,871)	$12.29
Market total	**114,591,903**	**435,000**	**48,000**	**19.3%**	**3.1%**	**22.4%**	**0.7%**	**(0.4%)**	**(505,252)**	**$14.29**

Source: AVANT By Avison Young, CoStar

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