



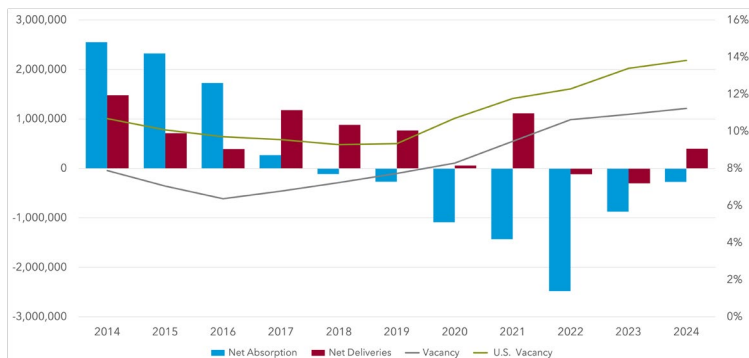
### OFFICE MARKET OVERVIEW

KONNOR CARLSON, Associate

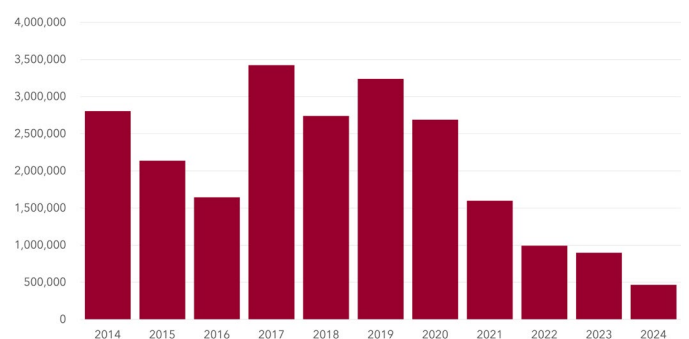
The Twin Cities office market faced continued challenges in Q4 2024 as hybrid work trends and subdued leasing demand kept vacancies high, averaging 25%-28%. Class A suburban properties outperformed downtown assets, while rental rates remained stable at \$28-\$32 per square foot (gross). Sublease availability exceeded 2.5 million square feet, pressuring landlords to offer concessions like tenant improvements and free rent. Leasing activity focused on smaller, high-quality spaces as occupiers optimized footprints. New development is limited to build-to-suit projects, while investment activity remains sluggish due to rising interest rates. Tenants continue to find favorable negotiating conditions heading into 2025.

MARKET INDICATORS	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
▼ 12 Mo. Net Absorption SF	(269,963)	(628,711)	(541,257)	58,420	(607,493)
◀▶ Vacancy Rate	11.20%	11.60%	11.30%	10.60%	11.13%
▲ Avg NNN Asking Rate PSF	\$26.83	\$26.91	\$26.79	\$26.69	\$26.71
▲ Sale Price PSF	\$139.00	\$148.00	\$149.00	\$151	\$152.00
▲ Cap Rate	10.11%	9.60%	9.50%	9.50%	9.30%
▼ Under Construction SF	467,000	478,600	476,600	915,680	516,811
▲ Inventory SF	204,296,870	204,367,968	204,661,551	204,219,471	201,756,665

#### NET ABSORPTION, NET DELIVERIES, & VACANCY



#### UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
90 S. 7th Street Minneapolis, MN	1,462,182 SF	\$85,000,000 \$58.13 PSF	Cross Ocean Partners Starwood Capital Group	Class A
2855 Campus Drive Plymouth, MN	103,458 SF	\$39,227,961 \$379.17 PSF	Davis Real Estate HSRE-WHMOB LLC	Class B
201 General Mills Boulevard Golden Valley, MN	90,000 SF	\$19,750,000 \$219.44 PSF	Robert & Vickie Matthews 201 GM Blvd LLC	Class B

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
3500 American Boulevard, W Bloomington, MN	50,500 SF	KBS Real Estate Investment Trust III	Undisclosed	Undisclosed
10900 Wayzata Boulevard Minnetonka, MN	33,403 SF	Piedmont Office Realty Trust	Alerus	Financial
1175 Centre Pointe Boulevard Mendota Heights, MN	30,586 SF	Capital Partners	St. Croix Hospice	Hospice

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