



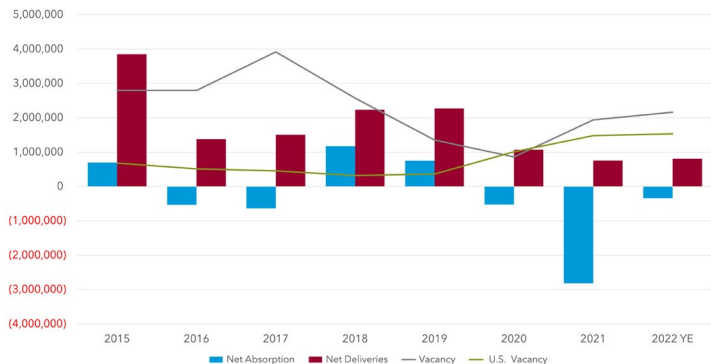
OFFICE MARKET OVERVIEW

LUKE SCHAMMEL, Associate

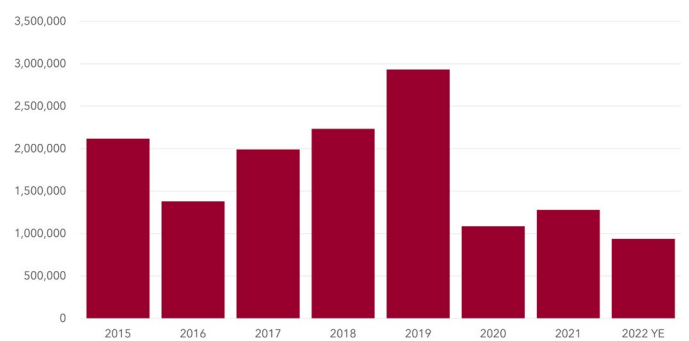
The Twin Cities office market vacancy rate held steady at 13.7% to finish out 2022 with absorption of negative 341,342 SF for the year. This is consistent with national work from home trends leading to a reduction in office footprints for many companies. Locally, a bigger splash in Q4 occurred in the investment sales market, which saw Bridge Investment Group pay a market-leading \$340 PSF for the first Class-A+ office built in the West End submarket in 20 years. Expect discount purchase activity, like Eagle Ridge snatching a 21% discount from 2017 pricing with their purchase of the Colonnade office tower, to pick up into 2023. As upward pressure on interest rates puts strain on the debt markets, many landlords are facing potential headaches when it comes time to refinance their office properties.

MARKET INDICATORS	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
▼ Net Absorption SF	(371,824)	(341,342)	(866,817)	(86,139)	(1,499,256)
▼ Vacancy Rate	13.50%	13.70%	13.92%	13.40%	13.20%
▲ Avg NNN Asking Rate PSF	\$26.39	\$26.38	\$25.69	\$25.74	\$25.34
▼ SF Under Construction	919,455	938,202	1,049,324	1,071,160	1,280,278
▼ Inventory SF	129,670,689	129,918,927	130,660,070	129,892,693	129,388,269

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
10 West End - 1601 Utica Avenue S St. Louis Park, MN	344,224 SF	\$117,315,435 \$340.81 PSF	Bridge Investment Group Ryan Companies	Class A+
Colonnade - 5500 Wayzata Blvd St. Louis Park, MN	359,665 SF	\$79,000,000 \$219.65 PSF	Eagle Ridge Partners Starwood Capital Group	Class A
1000 Blue Gentian Road Eagan, MN	300,000 SF	\$35,500,000 \$118.33 PSF	Water Street Partners SSC Development	Class C

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
360 Wabasha St. Paul, MN	102,150 SF	EcoLab	Ramsey County	Government
Normandale Lake Office Park Bloomington, MN	78,551 SF	Opal Holdings	Delta	Transportation
Great Northern Building St. Paul, MN	51,987 SF	Gamma Real Estate	Undisclosed	Undisclosed

