The suburbs may just be the smartest business decision you’ll ever make.
The 2010s were defined by an urban renaissance as Millennials and Boomers alike chose city living, and consequently city working. A decade ago, Millennials were graduating college and Boomers were adapting to empty nests. The 2020s will be redefined as Millennials start forming families and Boomers retire from the workforce. Recent census data is demonstrating that we are approaching a new suburban population renaissance. Millennials are getting older, starting families, and will soon be considering K-12 education as a factor in choice of residence.

Employers follow the workers, and at JLL we predict an increasing need for bifurcated location strategies. Across all generations, some employees prefer working in transit-adjacent downtown towers, while some prefer suburban accessibility and free parking. The smartest occupiers are considering both options.

Suburban Minneapolis and St. Paul offers value and opportunity with an 18 percent discount on rent compared to the Minneapolis CBD. There are currently 23 big blocks over 50,000 square feet available in the suburbs, three of which offer over 200,000 square feet of contiguous office space.

Many employers understand that suburbs are the smart choice for retaining experienced talent. The under-35 age group makes up the largest proportion of residential moves nationwide. Employees aged 35 and older that have already established their household tend to be the stickiest. Home-ownership adds even more stickiness to the equation. The metrowide homeownership rate is 69.9 percent, compared to just 47.3 percent in the city of Minneapolis.

When young kids factor into the equation, school districts further increase workers’ desire to stay in one house or neighborhood. The suburbs tend to have significantly more owner-occupied households with children under the age of 18 years. Metrowide, 31.3 percent of households have children. In the city of Minneapolis, only 22.8 percent of households have children in their home.
Twin Cities’ population continues to grow, but the suburban growth rate has now outpaced urban growth. Across the United States, large cities (more than 250,000 residents) are experiencing slowing growth as we approach the end of the 2010s, according to Brookings’ recent analysis of census data. At the beginning of the decade, average large city growth outpaced suburban growth. The most recent years of data (2017-2018) show a reversal of that trend: city population growth is slowing while suburban growth is escalating.

This holds true for the Twin Cities metro. Between 2011-2012, the city of Minneapolis grew by 1.2 percent, which outpaced the suburbs’ rate of 0.9 percent. In 2018, our metro’s suburban population growth was 1.0 percent year-over-year, Minneapolis’ growth was 1.0 percent, and the city of St. Paul grew 0.8 percent.

The city of Minneapolis still sits among the top quarter of growing large cities and its net positive growth is remarkable considering many cities nationwide have been seeing population declines. However, these trendlines suggest that this decade’s rapid urbanization is beginning to wane. Whether this is due to increasing prices pushing residents to cheaper suburbs, or the fact that the oldest Millennials are now in their late thirties, the 2020s will bring some new shifts in demographics.
Suburban office demand

According to the Metropolitan Council, The Twin Cities suburbs will add 53,800 new jobs every decade. Employment growth (43%) will outpace population growth (22%) by 2040.

The major employers of the region are geographically dispersed throughout the region, providing strength for the office market in both suburban and CBD locations.
The largest tech employers in the Minneapolis-St. Paul metro are primarily in suburban submarkets. In aggregate, the largest 23 technology firms occupy nearly five million square feet, and 88 percent of their footprint is located in office campuses outside of the Minneapolis and St. Paul CBDs. The largest occupancies are Thomson Reuters’ campus in Eagan, Seagate in Bloomington, and the Optum campus in Eden Prairie.

Some firms like OATI have multiple suburban campuses to attract a broader array of talent from across the metro. OATI’s international headquarters, located in Columbia Heights, recently opened its Microgrid Technology Center in Bloomington as a build-to-suit “south campus.”

Minneapolis’ suburbs account for 88 percent of local tech industry’s office footprint.

Among active tenants in the market, 250,000 SF of suburban office demand is specifically for creative space.
Suburban office fundamentals

Rent and vacancy by submarket

Source: JLL Research
Mixed-use development

Increasingly, occupiers, investors, and workers are discovering the advantages of the live-work-play lifestyle and reverse commutes in suburban locations. High-end retail and destination malls serve as anchors for new development and mixed uses. As the Southwest light rail is built and connects the Minneapolis CBD to the southwest suburbs, expect more transit-oriented development in second-ring suburbs and cities even further from the CBD.

West End | St. Louis Park, Mn

The West End in St. Louis Park has been the highest performing micromarket of the Twin Cities’ suburbs, driven by its collocation of retail amenities and recent multifamily development. The West is second-only to the Minneapolis CBD for attraction of coworking providers, most notably WeWork at MoZaic East and Life Time Work’s new lease at 1600 Tower at West End. Leasing demand has been healthy and stable, even extending to previously undesirable Class B and high-finish Flex options.

Proposed Supply: Xchange at West End (125,000 SF); 801 Carlson (317,000 SF); 10 West End (312,000 SF), Towers at West End (600,000 SF)
Excelsior Crossings | Hopkins, Mn

Originally built for single-tenant user Cargill Inc, the LEED Gold Certified Excelsior Crossings has since shuffled its tenant mix upon Cargill’s partial departure in 2018. Three large users have been quick to backfill Cargill’s former campus, given its Class A quality and density of nearby amenities off U.S. 169 and between I-394 and I-494.

The campus’ three buildings are joined by three-story links – two levels above grade and one level below grade – that serve as dining areas during the day and large group gathering spaces at night. A central courtyard with a pond feature and outdoor dining areas with walking paths connects to the Hennepin County bike and walking path system.
The Opus Group designed the buildings with multiple amenities meant to help foster employee collaboration, engagement and productivity. Such amenities include:

Full-service kitchen/cafeteria/server
Two coffee shops
Centralized large meeting spaces
Full-service fitness center complete with locker rooms, shower facilities and a group exercise/dance studio
300-seat auditorium

**Major Office Tenants:**
U.S. Bank: 259,994 SF
Element Fleet: 73,231 SF
Digi-International: 55,000 SF
**Viking Lakes | Eagan, Mn**

The largest option for future traditional office development is still found within the 200-acre planned mixed-use development, Viking Lakes. The site is already home to the Minnesota Vikings professional football team’s administrative offices and practice facility, team owners and developers. Building affiliates of the Minnesota Vikings owners are offering over three million square feet of new development. The vision for the former Northwest Airlines headquarters includes a mix of retail, medical and other offices, hotel/conference facilities, multifamily residential units, and athletic/recreational complex with stadium and corporate facilities, together with trail, open space, water/wetland and other amenities.

**Major Office Tenants:**
- Prime Therapeutics: 385,000 SF

**Medical Office Tenants:**
- Twin Cities Orthopedics: 78,700 SF
- Sports Medicine Center: 55,400 SF
The suburbs are changing, and with continued advancements including increased accessibility and new developments that are appealing to all generations, the suburbs continue to be a viable option for companies looking to plant roots in Minneapolis.

After all, the suburbs may just be the best business decision you’ll ever make.