

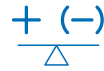
MINNEAPOLIS – ST. PAUL

OFFICE MARKET | Q4 2025



82.78M

Inventory SF



(94.58K)

Net Absorption SF



21.0%

Direct Vacant Rate



27.5%

Total Availability



275K

Under Construction SF



\$30.47 PSF

Asking Rent

2025 Brought New Wave of Office Developments

Market Observations

- Developers broke ground on 2 new 100,000+ SF multi-tenant office developments in the Twin Cities in 2025, concentrated in Edina. Each property will feature speculative space for lease.
- The Minneapolis-St. Paul office market showed mixed signals in 2025, with positive momentum in leasing activity offset by corporate downsizing. Overall absorption turned negative at -1.2 MSF as large tenants continued post-pandemic space reductions.
- Market-wide vacancy increased from 19.8% to 21.0% during 2025. The suburbs outperformed the Minneapolis CBD, with suburban vacancy closing the year at 16.2% compared to 28.6% in the CBD, reflecting continued corporate right-sizing that has defined the post-pandemic office landscape.
- Average asking rates held stable throughout the year, with asking rent at \$30.47 PSF in the fourth quarter. Suburban rates grew 2.4% and Minneapolis CBD rates fell 2.8% in 2025. Deal terms lengthened in 2025 as tenants opted for longer-term leases to secure increased landlord concessions, with downtown owners winning large users through significant tenant improvement packages.
- The west metro suburban submarket emerged as a bright spot, with well-positioned Class A properties in established office nodes demonstrating resilient performance despite broader market headwinds.

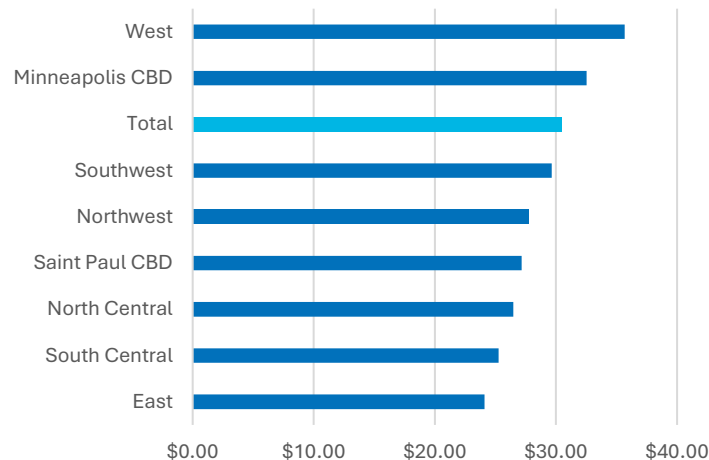




MINNEAPOLIS – ST. PAUL OFFICE MARKET | Q4 2025

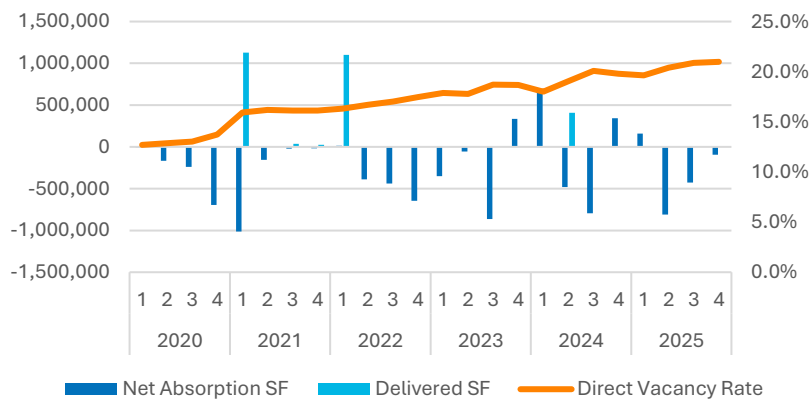
- Underlying demand strengthened among small users (5,000-15,000 SF), whose expansion activity across the market partially offset larger corporate contractions. This should continue supporting positive absorption trends over the next several years, though quarterly results will remain choppy.
- The conversion and redevelopment of functionally obsolete Class B and C buildings removed supply from the competitive set, helping moderate vacancy rate increases despite negative net absorption. Meanwhile, distressed assets traded at discounts of 70% or more, recapitalizing key properties and positioning new owners with lower basis to compete aggressively for tenants.
- Return-to-office mandates among several major corporate occupiers breathed new life into the Minneapolis CBD, driving increased utilization and signaling stabilization ahead.
- As net absorption gradually improves and functionally obsolete inventory exits the market through conversions, vacancy rates are expected to plateau, marking a potential bottoming of the post-pandemic correction cycle.

ASKING RENT



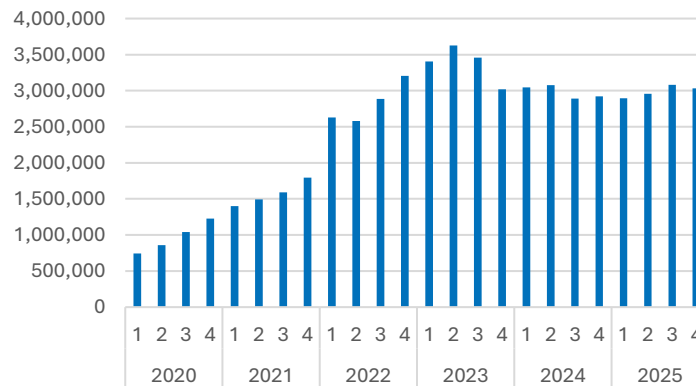
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

SUBLELEASE



Source: CoStar, Transwestern



MINNEAPOLIS – ST. PAUL OFFICE MARKET | Q4 2025

All Classes of Space | Q4 2025

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
East	2,058,711	181,140	8.8%	16.7%	-	(7,375)	(26,630)	\$24.11
Minneapolis CBD	29,915,499	8,541,771	28.6%	35.5%	-	(185,199)	(635,548)	\$32.52
North Central	7,686,331	900,602	11.7%	15.6%	-	49,149	28,108	\$26.48
Northwest	4,039,953	979,244	24.2%	24.2%	-	4,740	(172,565)	\$27.79
Saint Paul CBD	6,550,829	1,356,735	20.7%	24.6%	-	(48,161)	(404,842)	\$27.16
South Central	8,109,902	1,511,508	18.6%	23.1%	-	36,177	183,863	\$25.27
Southwest	15,135,326	2,702,587	17.9%	28.2%	275,000	(200,378)	(377,636)	\$29.65
West	9,291,320	1,196,581	12.9%	20.2%	-	256,460	232,983	\$35.66
Total	82,787,871	17,370,168	21.0%	27.5%	275,000	(94,587)	(1,172,267)	\$30.47

MINNEAPOLIS CBD	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
A	20,093,377	5,653,719	28.1%	34.1%	-	(149,039)	(359,592)	\$33.01
B	9,233,436	2,746,697	29.7%	31.0%	-	(41,131)	(270,182)	\$31.86
C	588,686	141,355	24.0%	40.1%	-	4,971	(5,774)	\$22.87
Total	29,915,499	8,541,771	28.6%	35.5%	-	(185,199)	(635,548)	\$32.52

SUBURBAN	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
A	18,877,392	3,638,163	19.3%	29.0%	275,000	104,903	(145,807)	\$33.66
B	22,157,606	3,328,591	15.0%	19.4%	-	76,747	125,550	\$25.35
C	5,157,789	493,889	9.6%	14.6%	-	(42,877)	(102,589)	\$21.81
Total	46,192,787	7,460,643	16.2%	22.8%	275,000	138,773	(122,846)	\$28.61

Source: CoStar, Transwestern



MINNEAPOLIS – ST. PAUL OFFICE MARKET | Q4 2025

Research Methodology

The information in this report is the result of a compilation of information on office properties located in the Minneapolis/St. Paul metro area. This report includes multi-tenant office buildings 20,000 SF and larger, excluding healthcare, single tenant, and government owned and occupied properties.

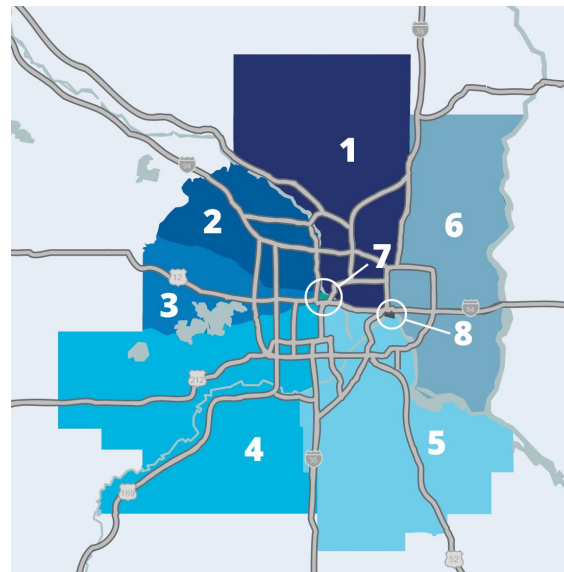
About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern)

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- 1 North Central
- 2 Northwest
- 3 West
- 4 Southwest
- 5 South Central
- 6 East
- 7 Minneapolis CBD
- 8 St. Paul CBD

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