

# MINNEAPOLIS – ST. PAUL

## HEALTHCARE MARKET | Q4 2025



**18.35M**  
Inventory SF



**(63.80)**  
Net Absorption SF



**6.2%**  
Direct Vacancy Rate



**7.5%**  
Total Availability



**30.8K**  
Under Construction SF

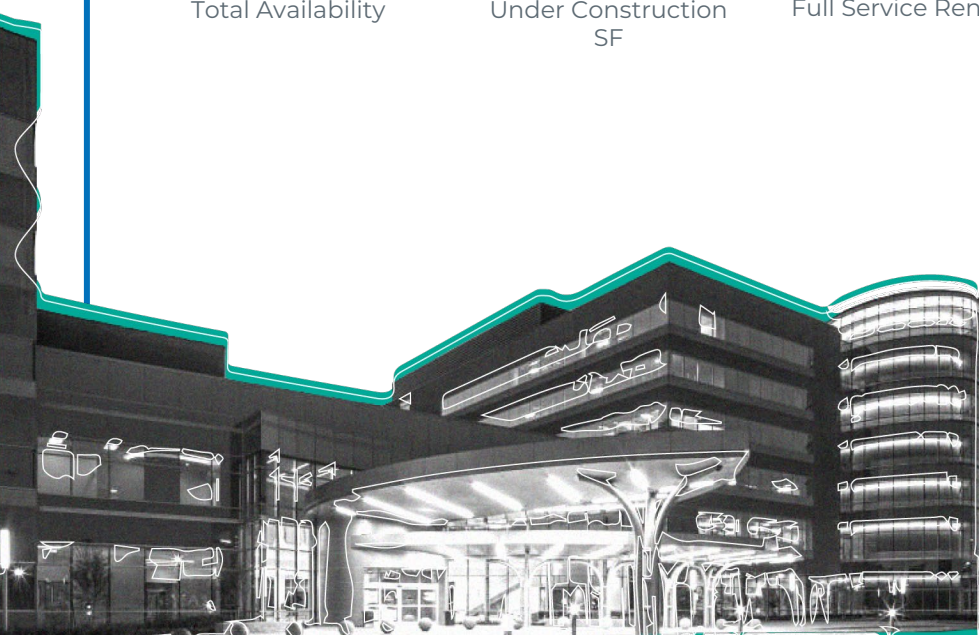


**\$31.66**  
Full Service Rent PSF

### Available Space in the Twin Cities Healthcare Market Remains Low

#### Market Observations

- The Twin Cities healthcare real estate market experienced moderate negative absorption in Q4 2025, totaling negative 63,803 SF and ending 2025 with a total of 152,822 SF of positive absorption. This negative absorption in the fourth quarter brought much needed space to the market, but the vacancy rate tightened throughout 2025, closing the fourth quarter at 6.2%.
- Facing little available space and toughening macroeconomic conditions, healthcare systems became increasingly strategic about their real estate in 2025. Where possible, healthcare systems are looking to consolidate clinics without sacrificing proximity to patients.
- First-generation space practically disappeared from the market in 2025 due to few speculative new construction projects coming online. By and large, developers waited to break ground on new medical construction until they secured tenants.
- Due to the low-supply market conditions, asking rents in the healthcare sector soared 12% in 2025, with full-service rents rising from \$28.26 PSF to \$31.66 PSF. These rates represent predominately second-generation healthcare spaces, and rates on new construction throughout the year were quoted \$50+ PSF.
- Due to the high cost of construction, developers and healthcare groups got creative with converting existing buildings to medical use where possible. These projects included office and retail conversions at choice sites that fulfill key demographic and infrastructure requirements.

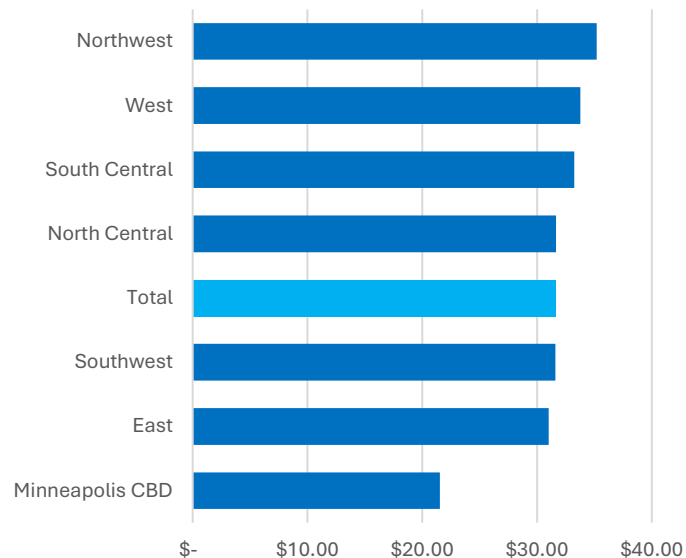




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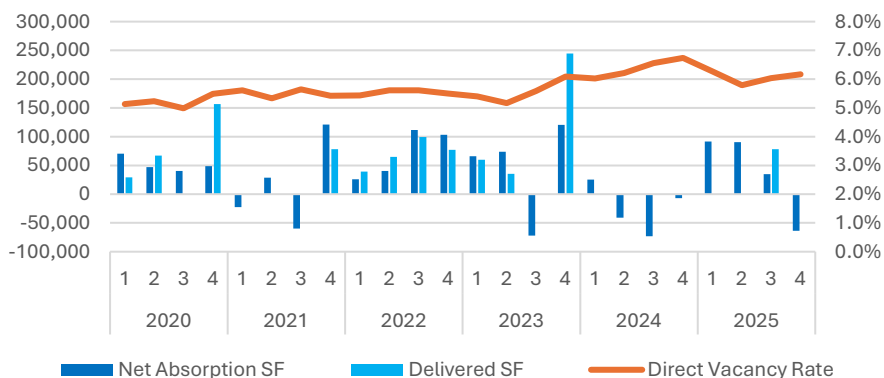
- **Net absorption** totaled negative 63,803 SF in the fourth quarter of 2025. These new availabilities were typically larger blocks of space at 5,000+ SF. Healthcare systems gave back space as part of strategic consolidations.
- Demand was strong throughout the first half of the year. In the first three quarters, over 210,000 SF was occupied, and the **vacancy rate** fell from 6.7% at the end of 2024 to 6.2% at the end of 2025. At its lowest, vacancy hit 5.8% in Q2, which represents a low water mark for healthcare supply since the last strong development cycle between 2021 and 2023.
- At the end of 2025, there was only one ground-up new construction project. One Southside is a 30,800-SF clinic development in Minneapolis scheduled to deliver in the second quarter of 2026. In 2025, only 78,000 SF of new medical office space was delivered to the market, much of which was preleased or build to suit. Additionally, the Center Pointe Medical conversion project in Roseville is bringing over 60,000 SF of former office space to the medical office market.
- Due to practically zero new construction space being listed on the market, quoted asking full-service rent averaged \$31.66 PSF by the end of the fourth quarter, which is far lower than healthcare users are being quoted for new construction. The market for second-generation medical space experienced double digit rent growth of 12% in 2025.

## ASKING RENT PSF, FULL SERVICE



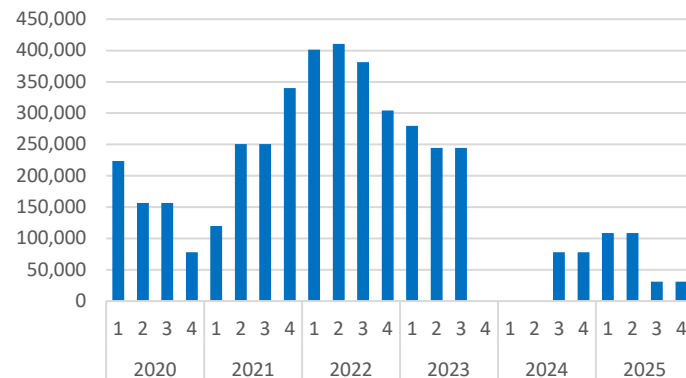
Source: CoStar, Transwestern

## DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

## UNDER CONSTRUCTION SF



Source: CoStar, Transwestern



# MINNEAPOLIS – ST. PAUL HEALTHCARE 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	2,340,536	136,699	5.8%	5.0%	0	(195)	34,139	\$31.02
Minneapolis CBD	929,629	56,053	6.0%	10.5%	0	(17,915)	373	\$21.53
North Central	6,299,618	293,120	4.7%	5.3%	0	(5,812)	54,553	\$31.66
Northwest	1,819,509	91,987	5.1%	5.8%	0	(13,601)	74,878	\$35.20
Saint Paul CBD	207,675	0	0.0%	0.0%	0	0	8,292	
South Central	2,869,976	241,270	8.4%	11.9%	30,800	(55,010)	(44,161)	\$33.24
Southwest	3,471,776	310,635	8.9%	11.0%	0	28,730	21,848	\$31.61
West	411,934	1,357	0.3%	2.3%	0	0	2,900	\$33.78
<b>Total</b>	<b>18,350,653</b>	<b>1,131,121</b>	<b>6.2%</b>	<b>7.5%</b>	<b>30,800</b>	<b>(63,803)</b>	<b>152,822</b>	<b>\$31.66</b>

Source: CoStar, Transwestern



## Research Methodology

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

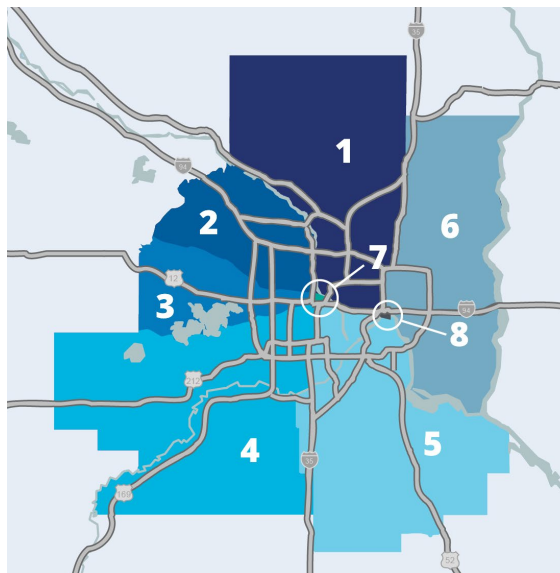
## About Transwestern

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## For more Information

### Jesse Tollison

Research Manager  
Research & Investment Analytics  
[Jesse.Tollison@transwestern.com](mailto:Jesse.Tollison@transwestern.com)  
612.268.0023



- 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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