

Minneapolis – St. Paul

Office Market | Q1 2026

Target Lease Buyout Pushes Direct Vacancy over 25%

Market Observations

- In January, Target paid \$110 million to buy out the remaining term on its lease at City Center, which contributed to a total absorption of negative 880,576 SF in the Minneapolis CBD. Otherwise, most negative absorption occurred in the Southwest metro as Schwan's Company and Oracle vacated a combined 100,000 SF at the Normandale Lake Office Park, and United Bankers' Bank left 41,700 SF at Southpoint Tower.
- Three multi-tenant office buildings are under construction in Minneapolis – St. Paul, signaling a new development cycle is underway for 2026. Ranging from 63,000 SF to 126,000 SF, each project features speculative office space accompanying in-place tenants. Two of these boutique office projects are located in Edina, and the third is the latest development at the United Village site near Allianz Field.
- Leasing demand redoubled as tenants made long-term real estate decisions. Office leasing in Downtown Minneapolis has grown an average of 32% each year since 2021.



80.6 MSF
Inventory



(1.0) MSF
Net Absorption



25.2%
Direct Vacancy



30.7%
Total Availability



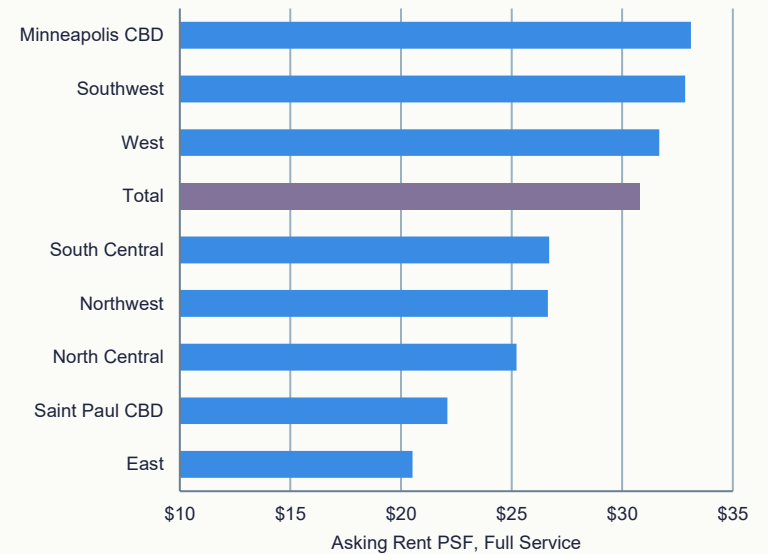
338,000 SF
Under Construction



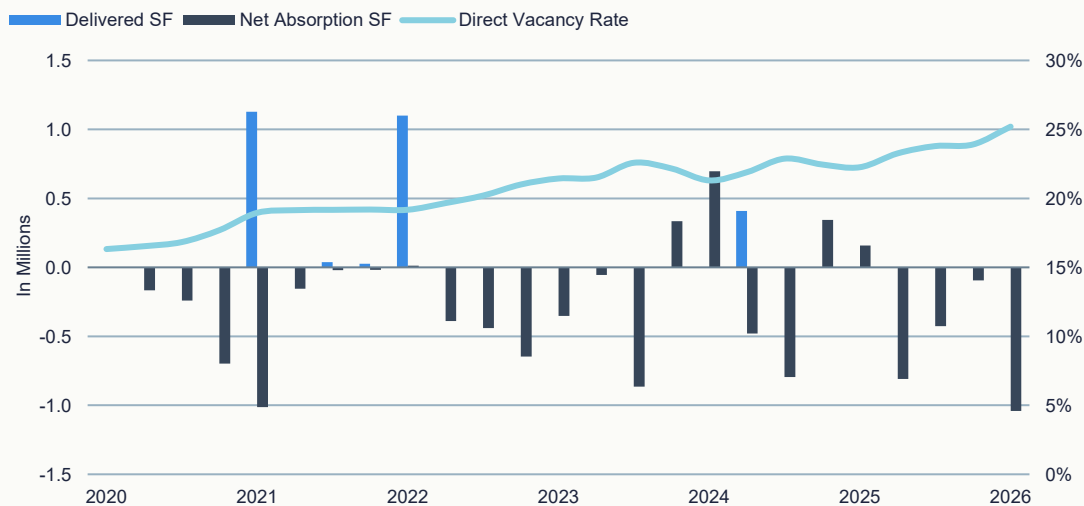
\$30.78 PSF
Asking Rent, FSG

- **Direct Vacancy** rose to 25.2%, and total availability was 30.7% in Q1 2026. Vacancy was concentrated in the Minneapolis CBD and Saint Paul CBD submarkets. The market was tightest in the North Central and West metro submarkets at 13.5% and 16.5%, respectively.
- The Target buyout removed about one quarter of **sublease availability** from the market, bringing total sublease availability to 2.6 million SF.
- Full-service asking rents averaged \$30.78 PSF. The Minneapolis CBD topped the chart at \$33.11 PSF, and the East submarket, primarily consisting of Washington County properties, posted the lowest average rate of \$20.52 PSF. Select properties in the West End and Edina had the highest asking rates in the market.

Asking Rent

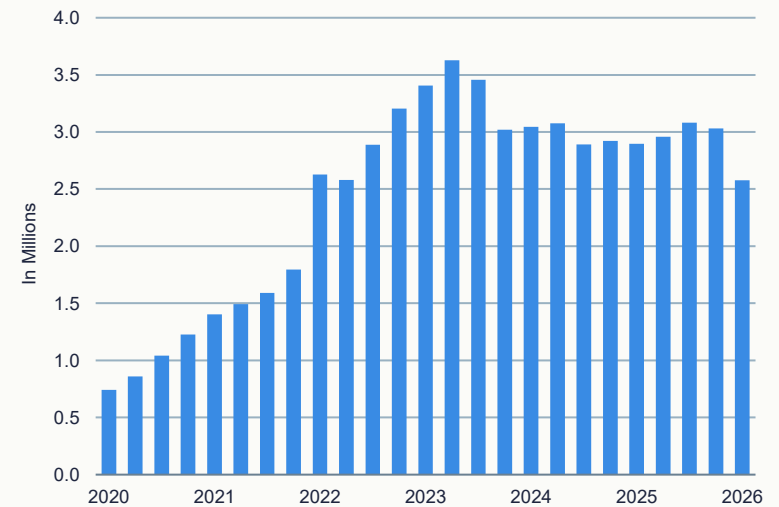


Delivery Impact On Key Indicators



Source: REDi CRE, CoStar, Transwestern

Sublease Available SF



Market Indicators Table

All Classes of Space | Q1 2026

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	2,043,144	374,830	18.3%	20.9%	0	(1,240)	(1,240)	\$20.52
Minneapolis CBD	27,999,430	9,183,208	32.8%	40.1%	0	(880,576)	(880,576)	\$33.11
North Central	7,829,206	1,057,554	13.5%	16.8%	63,000	2,148	2,148	\$25.22
Northwest	4,429,439	1,058,972	23.9%	25.4%	0	903	903	\$26.64
Saint Paul CBD	5,079,480	2,088,993	41.1%	36.5%	0	(7,234)	(7,234)	\$22.09
South Central	9,160,588	2,099,979	22.9%	27.6%	0	(27,085)	(27,085)	\$26.69
Southwest	15,062,538	2,968,005	19.7%	27.9%	275,000	(144,740)	(144,740)	\$32.85
West	9,019,346	1,491,146	16.5%	23.3%	0	16,746	16,746	\$31.67
Total	80,623,171	20,322,687	25.2%	30.7%	338,000	(1,041,078)	(1,041,078)	\$30.78

All Submarkets | Q1 2026

Class	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	35,158,842	8,722,057	24.8%	34.3%	301,000	(890,693)	(890,693)	\$35.63
B	40,556,793	10,680,275	26.3%	28.9%	37,000	(139,664)	(139,664)	\$26.81
C	4,907,536	920,355	18.8%	20.0%	0	(10,721)	(10,721)	\$20.87
Total	80,623,171	20,322,687	25.2%	30.7%	338,000	(1,041,078)	(1,041,078)	\$30.78

Suburban Submarkets | Q1 2026

Class	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	14,105,883	2,493,509	17.7%	28.7%	301,000	(29,710)	(29,710)	\$36.68
B	29,858,338	5,997,213	20.1%	23.5%	37,000	(118,368)	(118,368)	\$26.25
C	3,580,040	559,764	15.6%	18.1%	0	(5,190)	(5,190)	\$18.97
Total	47,544,261	9,050,486	19.0%	24.6%	338,000	(153,268)	(153,268)	\$29.28

Suburban properties are properties located outside of the Minneapolis CBD and Saint Paul CBD.

Source: REDI CRE, CoStar, Transwestern

Downtown Minneapolis | Q1 2026

Class	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	18,735,285	5,872,373	31.3%	39.8%	0	(857,608)	(857,608)	\$35.56
B	8,177,975	3,045,695	37.2%	42.6%	0	(20,214)	(20,214)	\$29.05
C	1,086,170	265,140	24.4%	25.3%	0	(2,754)	(2,754)	\$25.62
Total	27,999,430	9,183,208	32.8%	40.1%	0	(880,576)	(880,576)	\$33.11

Downtown Minneapolis All Classes | Q1 2026

Micromarket	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
Core CBD	20,683,799	7,757,105	37.5%	44.0%	0	(880,758)	(880,758)	\$33.51
North Loop	5,871,077	1,053,217	17.9%	25.9%	0	5,437	5,437	\$32.00
Downtown East	646,975	152,308	23.5%	55.8%	0	(273)	(273)	\$32.05
Total	27,999,430	9,183,208	32.8%	40.1%	0	(880,576)	(880,576)	\$33.11

Downtown Minneapolis Class A | Q1 2026

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
Core CBD	15,050,440	5,362,347	35.6%	43.2%	0	(857,608)	(857,608)	\$35.25
North Loop	3,057,867	370,038	12.1%	20.6%	0	0	0	\$39.88
Downtown East	249,532	25,663	10.3%	82.6%	0	0	0	\$35.75
Total	18,735,285	5,872,373	31.3%	39.8%	0	(857,608)	(857,608)	\$35.56

Source: REDI CRE, CoStar, Transwestern

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

Transwestern is a vertically integrated commercial real estate firm dedicated to serving investors, partners and clients through expertise in investment, development, brokerage and property management. We own, lease and operate \$64 billion¹ in assets. Our experience spans diverse property types, including logistics, multifamily, retail, mixed-use, healthcare, office, data centers, hotel, and life sciences. Across 33 offices nationwide, our team is united by a culture that cultivates agility, mutual trust and high performance. Learn more at transwestern.com.

¹ Includes all Transwestern enterprise assets and its RAUM as of April 1, 2026

For More Information

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