Strong leasing volume at year-end with average deal size increasing

▲ 23.3%
Direct Vacancy Rate

▼ (141,622)
SF Net Absorption

▶ 0
SF Construction Delivered

▶ 252,998
SF Under Construction

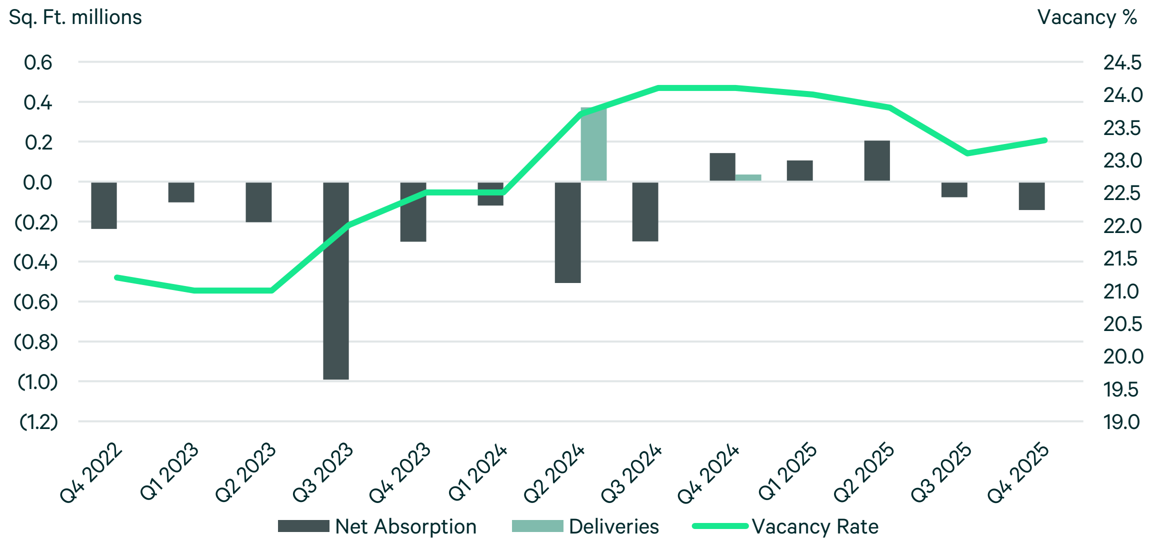
▲ $29.58
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- The Minneapolis/St. Paul office market felt a second quarter of negative net absorption, (141k) sq. ft. in Q4. Year-to-date, Minneapolis/St. Paul had a net absorption of nearly 91k sq. ft., the first time the market has seen a positive year-to-date absorption number since 2020.
- The direct vacancy rate has decreased by 90 bps to 23.3%, from the market's peak at 24.1% in Q3 2024. In Q4 market vacancy stabilized quarter-over-quarter, increasing by only 20 bps.
- There was over 1.1M sq. ft. of leasing activity in Q4, bringing the year-end total to 5.2M. Downtown and Suburban markets nearly split the share of leasing, with 47.5% and 52.5%, respectively. Downtown Class A buildings contributed to 38% of the total amount leased.
- The Minneapolis/St. Paul market currently has 253k sq,. ft. under construction. With an overall prelease rate of 46.2%.
- Office Sales totaled over $428M, up 414% from last quarter and bringing 2025 total sales amount to over $771M, 9.2% higher than 2024 total sales volume.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2025

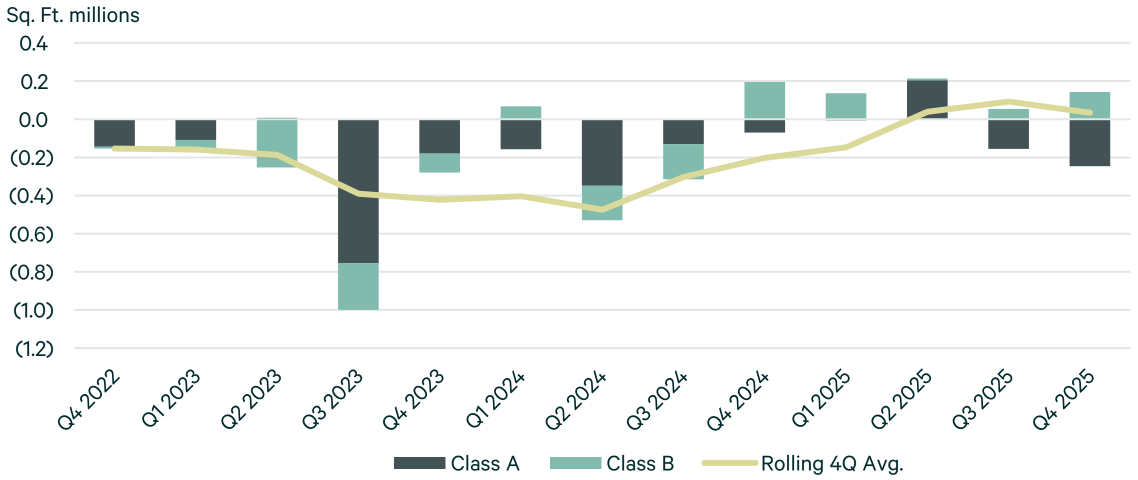
Net Absorption

The Minneapolis/St. Paul Office market experienced its second consecutive quarter of negative absorption at (141k) sq. ft. This represents a -80% change quarter-over-quarter. The year-to-date total of net absorption is 90,987 sq. ft., a 111.6% increase year-over-year and the first year of positive net absorption since 2020.

Notable moves include Ernst & Young moving within the Minneapolis CBD from The Dayton's Project to US Bancorp, increasing their footprint by over 10k sq. ft. As well as Capella downsizing at 225 S 6th St in Minneapolis CBD, decreasing their footprint by nearly 164k sq. ft.

The BEA submarket experienced the largest volume of net absorption at 63k sq. ft, due to Leonardo DRS occupying 48k sq. ft. at Grand Oaks Business Park. The Minneapolis CBD had the lowest absorption with a net absorption of (318k) sq. ft. In 2025, Downtown markets saw (542k) sq. ft. in net absorption. Suburban markets saw an increase of 358% year-over-year with a positive 633k sq. ft. in net absorption.

FIGURE 4: Net Absorption Trend



Source: CBRE Research, Q4 2025

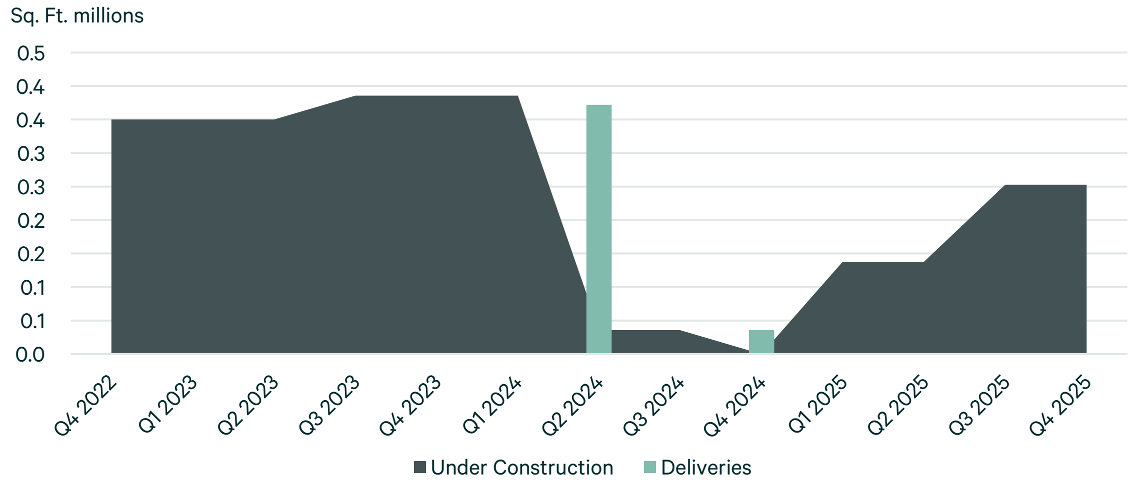
Construction Activity

Construction activity in Minneapolis/St. Paul remained stable in Q4 with two office buildings under construction, both located within the same submarket and city; Arcadia and The Craftsman.

Arcadia is being developed by The Opus Group, who will take space for their new headquarters location, leaving 70% of the building to be leased. Delivery for the 112,000 sq. ft. Class A office building is expected to be Q1 2027.

The Craftsman, broke ground in Q2 and is expected to be delivered in Q2 2026. The 138,000 sq. ft., Class A property is currently 60% preleased. The total under construction footprint for Minneapolis/St. Paul is nearly 250k sq. ft., the highest volume since Q1 2024.

FIGURE 5: Construction Activity



Source: CBRE Research, Q4 2025

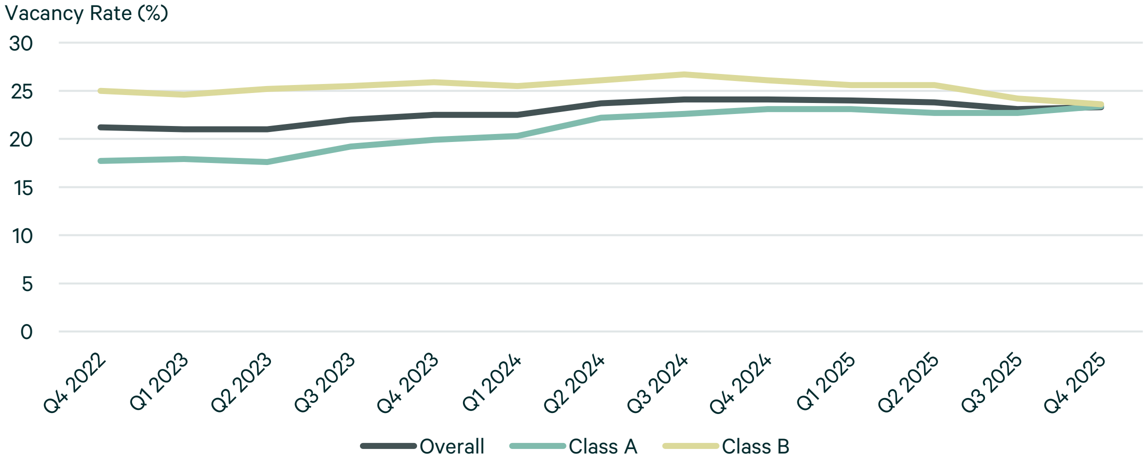
Vacancy

In Q4, the direct market vacancy rate stabilized quarter-over-quarter, with a slight increase of 20bps. Direct vacancy has been decreasing from it's peak in Q3 2024, 24.1%, to 23.3%.

Class A office properties are sitting at 23.4% direct vacancy, only 10 bps higher year-over-year. Class B properties have continued to decrease their vacancy, as of Q4 at 23.6%, a decrease of 60 bps quarter-over-quarter and 2.5% year-over-year.

The suburban markets decreased by 40 bps quarter-over-quarter from 19% to 18.6% and decreased by 220 bps from 20.8% in 2024. Downtown markets reported vacancy at 29.7%, a slight increase quarter-over-quarter by 90 bps and 110 bps increase year-over-year from 28.5% In 2024.

FIGURE 2: Vacancy Rates by Class



Source: CBRE Research, Q4 2025

Asking Rent

The Minneapolis/St. Paul average asking rate in Q4 have reached $29.58, a growth of 70 bps quarter-over-quarter and a 1.55% growth year-over year, and 2.7% higher than the three-year average. The average direct asking rate has averaged a growth of 80 bps per year since 2022.

Downtown Class A properties maintained the highest rents across the market with a $33.50 asking rate, compared to Suburban Class A properties at $32.30. Minneapolis CBD has the highest asking rates at $32.03 of the submarkets, and have maintained growth year-over-year from $31.72, a 97 bps increase. The lowest rates are found in the Northwest submarket at $22.57.

In Q4, Class A office had gross asking rates of $32.97, 11.5% higher than the overall market average and the fourth consecutive quarter of asking rates increasing. Downtown rates are $1.50 higher than the Suburban asking rates of $28.53, inclusive of all class types.

FIGURE 3: Avg. Direct Asking Rate (FSG/YR) by Class

Source: CBRE Research, Q4 2025

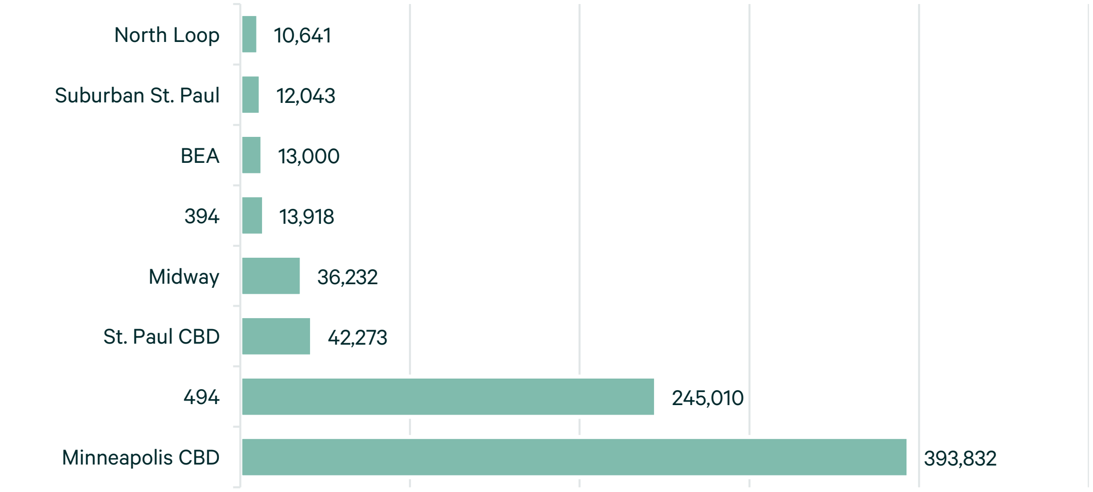
Leasing Activity

In Q4, Minneapolis/St. Paul transacted over 1.1M sq. ft. of leasing activity, inclusive of all sizes. This represents a 21.5% decrease from the previous quarter and a 13.1% decrease year-over-year. Leasing volume year-to-date, inclusive of all sizes, exceeds 5.1M sq. ft., the second highest leasing activity in the last seven years.

Of the total lease volume the quarter, 46% were leases in the mid-size range between 10k-50k sq. ft (inclusive of all sizes) . Leases less than 10k sq. ft. contributed 83.5% to the Q4 total number of leases signed, also inclusive of all sizes. Minneapolis CBD had the highest amount of sq. ft. transacted, with 85% contributing to leases signed at Class A properties.

The average area leased was 6,467 sq. ft. in Q4, an increase of 6.6% quarter-over-quarter, as well as an increase of 20% year-over-year, inclusive of all sizes. For leases over 10,000 sq. ft., the Minneapolis/St. Paul market transacted 3.1M sq. ft., with the Minneapolis CBD contributing the highest amount. at 1.07M sq. ft.

FIGURE 6: Leasing by Submarket – 10,000 sq. ft. and up



Source: CBRE Research, Q4 2025

FIGURE 6: Leasing Activity Trend – 10,000 sq. ft. and up

Source: CBRE Research, Q4 2025

FIGURE 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Sps Commerce	197,610	Renewal	333 S 7th St	Minneapolis CBD
Northmarq	50,755	Renewal	3500 W American Blvd W	494
Edina Realty	48,348	Renewal	6600-6800 France Ave S	494
Ernst & Young US	41,294	New Lease	800 Nicollet Mall	Minneapolis CBD
Cardinal Glass Industries	33,009	New Lease	7480 Flying Cloud Dr	494
Dewitt	32,919	Renewal	901 Marquette Ave	Minneapolis CBD
Regus	30,736	New Lease	333 S 7th St	Minneapolis CBD
Adtalem Global Education	26,042	New Lease	100 Washington Ave S	Minneapolis CBD
CVS Caremark	24,151	Renewal	8300 Norman Center Dr	494
Vizient	22,494	Renewal	7601 France Ave S	494

Source: CBRE Research, Q4 2025

Sales Activity

In Minneapolis/St. Paul, office sales totaled over $428 million in Q4 2025. Quarterly volume represents a 414% increase quarter-over-quarter and a 40% increase year-over-year.

Investment Sales contribute largely to the volume of transactions, at 55.2% of the total sales volume. Investment Sales averaged over $88 per square foot, with the lowest per sq. ft. transacted at $21.25 – from Riverview Office Tower.

Year-to-date the Minneapolis/St. Paul market transacted over $771 million. Of that, 75.7% is attributed to "pure" office sales, excluding medical office. In 2025, the total Investment Sales volume sat at 32%, Owner-User sales at 39.7%, and Medical-office sales at 24.3%.

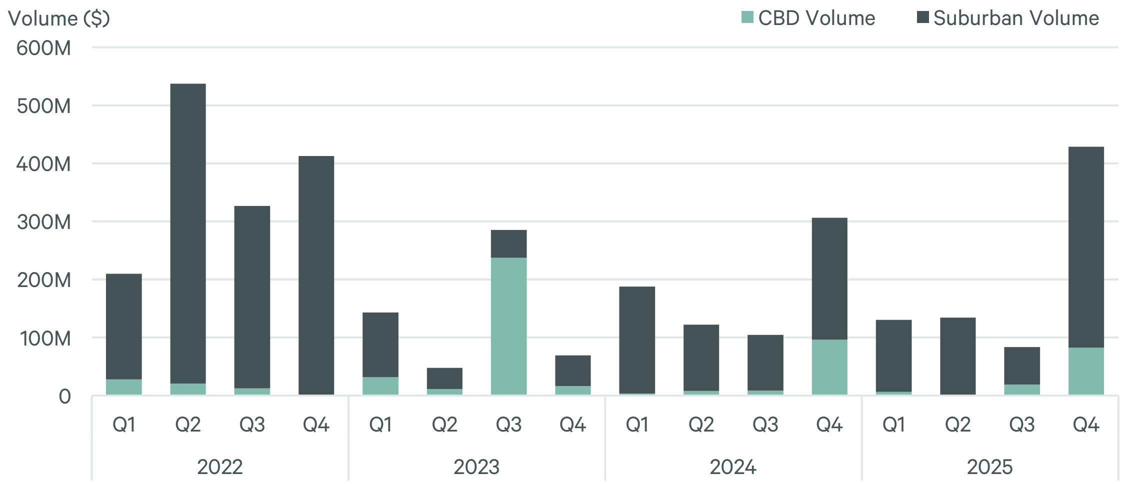
The top sale this quarter was Boston Scientific Campus. The property was bought for $188.8M from Ryan Companies to Boston Scientific. Another notable sale took place in the Minneapolis CBD; Washington Square Portfolio sold for $48.6M to Pioneer Acquisitions, CBRE was the broker on the sale.

FIGURE 10: Key Sale Transactions, Q4 2025

Property	Submarket	Buyer	Sales Price	Size (SF)	Price Per SF
Boston Scientific	394	Boston Scientific	$188.8M	400,000	$472.02
Washington Square Portfolio	Minneapolis CBD	Pioneer Acquisitions	$48.6M	913,501	$53.23
Summit Orthopedics Clinic	394	Hammes Partners	$35.7M	78,000	458.33
TractorWorks Building	North Loop	Singerman Realty	$25.5M	372,205	$68.51
Veritas Technologies	Suburban St. Paul	Shree Investments	$14.6M	136,125	$107.44
Blaine Medical Center	Suburban St. Paul	Hammes Partners	$14.1M	33,399	$423.67
Superior Tech Center	494	EP Partners	$14M	93,146	$150.30

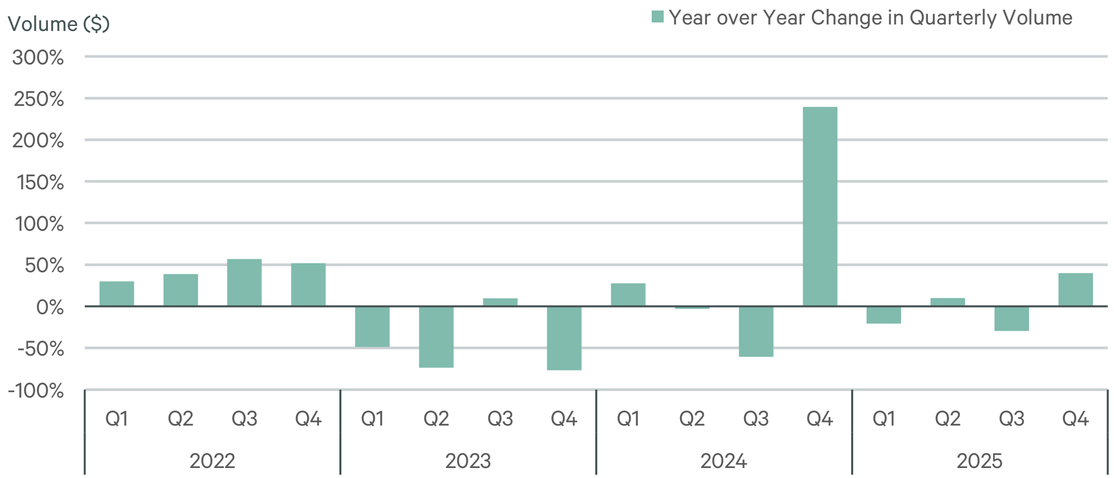
Source: CoStar, CBRE Research, Q4 2025

FIGURE 9: CBD vs. Suburban Office Sales Volume



Source: CoStar, CBRE Research, Q4 2025

FIGURE 11: Year-Over-Year Sales Growth



Source: CoStar, CBRE Research, Q4 2025

Market Statistics by Index

	Net Rentable Area	Direct Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
SUBURBAN										
Class A	21,079,109	20.6	24.5	21.0	3.5	32.30	31,478	219,372	0	252,998
Class B	19,034,917	15.9	22.0	20.1	1.9	26.69	154,400	345,334	0	0
Class C	3,844,552	20.8	20.4	18.7	1.7	20.14	11,807	68,706	0	0
Total	**43,958,578**	**18.6**	**23.0**	**20.4**	**2.7**	**28.95**	**197,685**	**633,412**	**0**	**252,998**

	Net Rentable Area	Direct Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
DOWNTOWN										
Class A	18,127,397	26.7	36.9	29.6	7.3	33.50	(278,014)	(423,137)	0	0
Class B	11,544,501	36.1	40.6	38.1	2.5	26.75	(11,414)	(2,350)	0	0
Class C	2,976,769	22.9	26.1	22.5	3.5	23.94	(49,879)	(116,938)	0	0
Total	**32,648,667**	**29.7**	**37.2**	**32.0**	**5.3**	**30.10**	**(339,307)**	**(542,425)**	**0**	**0**

	Net Rentable Area	Direct Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
METRO										
Class A	39,206,506	23.4	30.2	24.9	5.3	32.97	(246,536)	(203,765)	0	252,998
Class B	30,579,418	23.6	29.0	26.9	2.1	26.72	142,986	342,984	0	0
Class C	6,821,321	21.7	22.9	20.4	2.5	21.90	(38,072)	(48,232)	0	0
Total	**76,607,245**	**23.3**	**29.1**	**25.3**	**3.8**	**29.58**	**(141,622)**	**90,987**	**0**	**252,998**

Market Statistics by Submarket

	Net Rentable Area	Direct Vacancy	Total Availability	Direct Availability	Sublease Availability	Avg. Direct Asking Rate (FSG/YR)	Current Quarter Net Absorption	YTD Net Absorption	Deliveries	Under Construction
394	11,947,174	17.3	25.5	21.6	3.9	30.11	55,503	14,967	0	0
494	17,589,322	23.0	27.7	24.4	3.3	30.26	43,677	469,962	0	252,998
BEA	3,280,510	13.3	14.6	14.1	0.5	26.32	63,609	69,864	0	0
Midway	2,819,217	11.2	12.8	12.7	0.2	23.8	18,932	52,109	0	0
Minneapolis CBD	22,636,832	29.9	37.5	31.5	6.0	32.03	(317,740)	(510,799)	0	0
North Loop	4,449,160	23.5	30.1	24.4	5.6	30.34	(5,873)	70,220	0	0
Northeast	2,734,316	10.1	15.2	12.4	2.7	28.04	28,056	(1,135)	0	0
Northwest	1,374,588	23.7	26.8	26.8	0.0	22.57	(3,857)	(24,696)	0	0
St. Paul CBD	5,562,675	33.7	42.1	39.9	2.2	23.87	(15,694)	(101,846)	0	0
Suburban St. Paul	4,213,451	16.6	14.0	13.3	0.7	22.84	(8,235)	52,341	0	0
Total	76,607,245	23.3	29.1	25.3	3.8	29.58	(141,622)	90,987	0	252,998

National Economic Overview

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle. The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households.

This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

Minneapolis/St. Paul Employment Update

▼ 3.6%
Unemployment Rate

▼ 2.1M
Labor Force

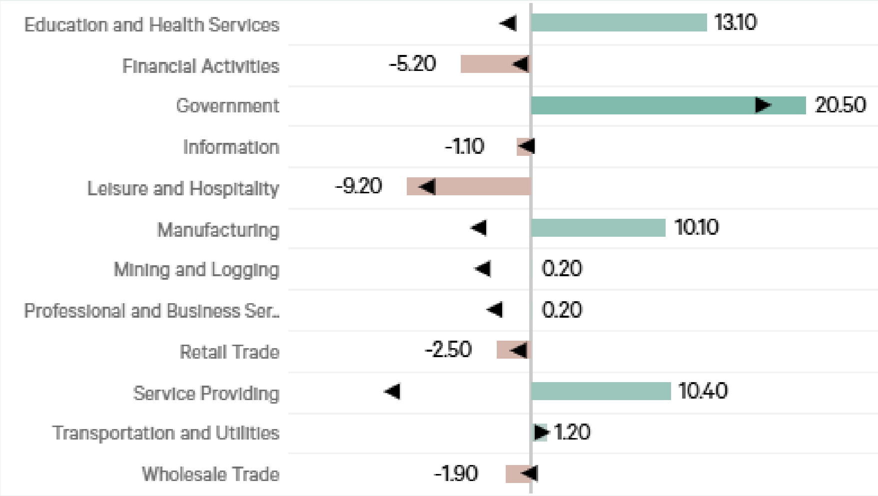
▼ 460.1k
Office Using Jobs

▲ 547.4k
Industrial Using Jobs

▼ 258.4k
Retail Using Jobs

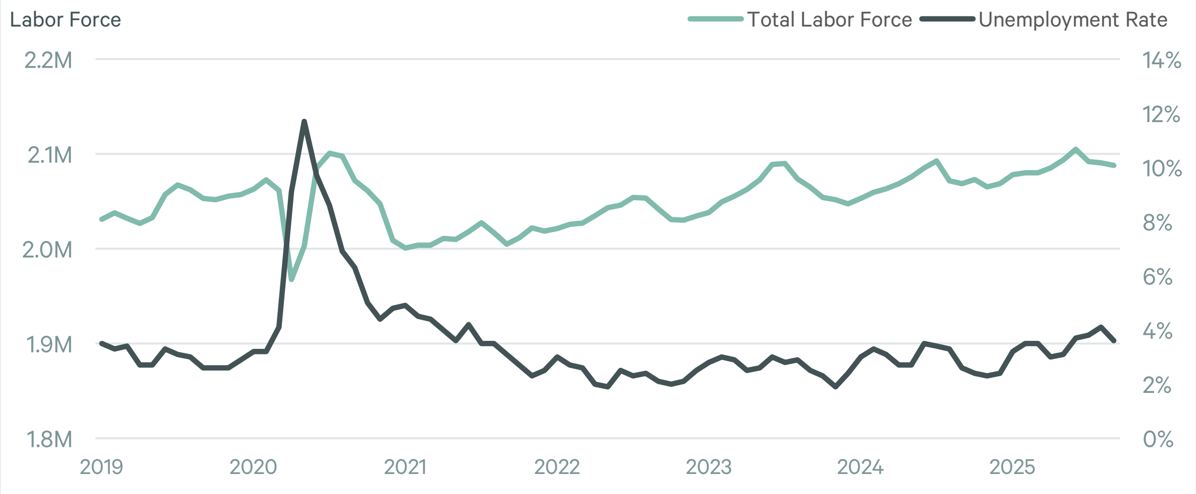
Employment Change by Sector – Yearly + Monthly

Bars indicate yearly trend, arrows indicate monthly trend



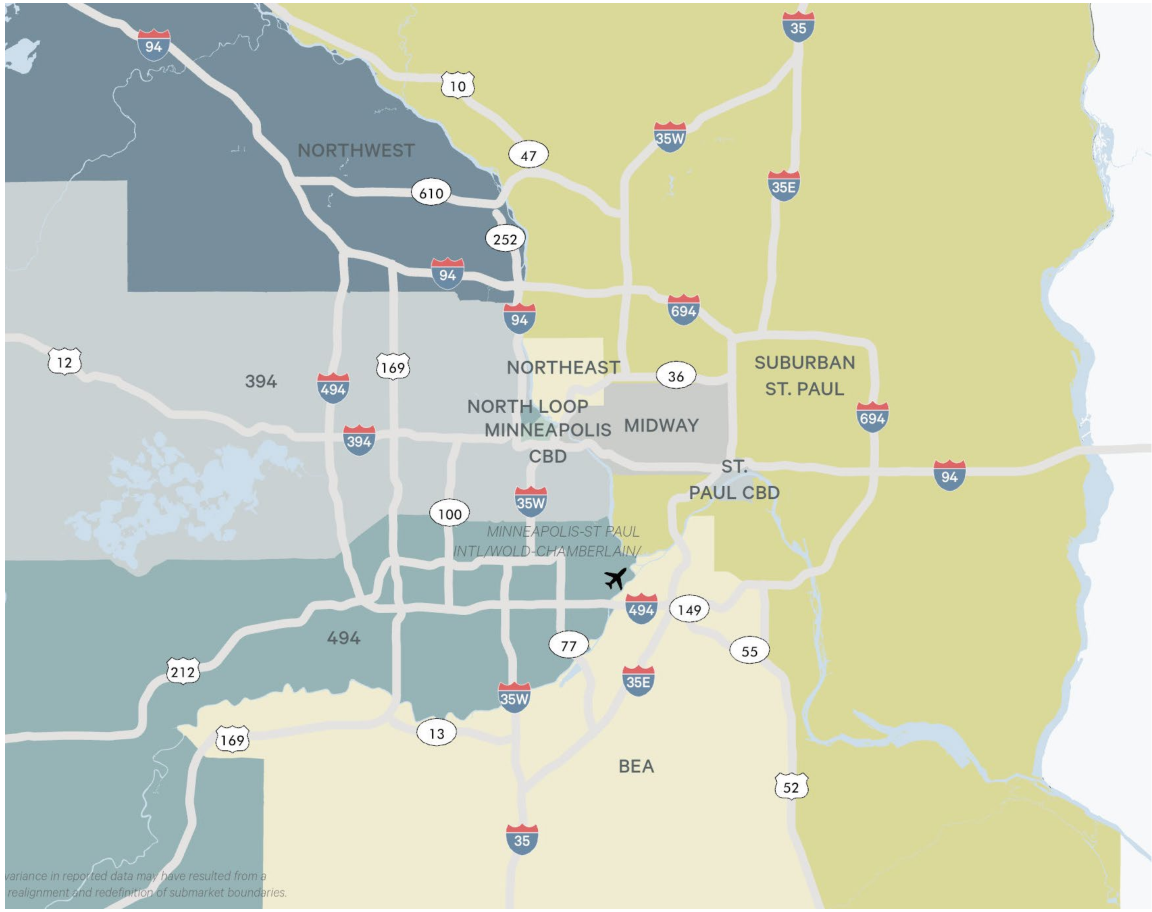
Source: US BLS, September 2025

Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, September 2025

Market Area Overview



Definitions

- Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant.
- Availability Rate: Total Available Sq. Ft. divided by the total building Area.
- Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
- Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building.
- Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions.
- Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance.
- Net Absorption: The change in Occupied Sq. Ft. from one period to the next.
- Net Lease Rate: Rent excludes one or more of the ”net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.
- Occupied Sq. Ft.: Building Area not considered vacant.
- Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.
- Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes multitenant office buildings 10,000 sq. ft. and greater in size in the Minneapolis/St. Paul market, excluding single-tenant owner-occupied buildings, government-owned and –occupied buildings, and medical buildings. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Maggie Parra
Research Manager
CBRE | North Midwest
maggie.parra@cbre.com

Abigail Knop
Research Analyst
CBRE | Minneapolis/St. Paul
abigail.knop@cbre.com