Decrease in Market Availability despite Large Tenant Vacancies in Q1

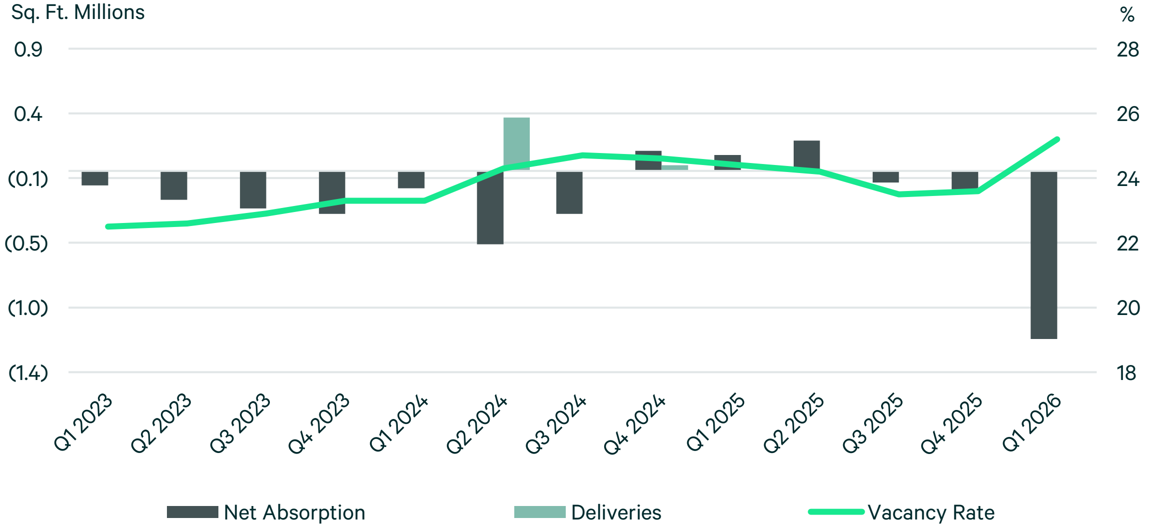
▲25.2%	▼(1.2M)	▶0	▶337,848	▲$29.92
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- The office market in Minneapolis/St. Paul was significantly impacted by two large tenant moves in the CBD and 394 submarkets. In the Minneapolis CBD, there was 700,000 sq. ft. of space that had been available for sublease since 2020 and was listed direct in Q1 2026.
- Market vacancy increased to 25.2%, up 160 bps quarter-over-quarter and 80 bps year-over-year.
- Despite a notable dip in net absorption and increase in vacancy rates, the overall health of the market remains consistent, supported by the simultaneous decrease in availability by 20 bps and a continued rise in asking rents to $29.92, up 3.4% year-over-year.
- In Q1 2026, Minneapolis/St. Paul transacted over 763,000 sq. ft., inclusive of all lease sizes. Class A properties represented over 371,000 square feet of transactions for Q1 2026.
- Office construction remained stable quarter-over-quarter consisting of three projects currently underway, with an overall prelease rate of 44.4%.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Net Absorption

The Minneapolis/St. Paul office recorded negative net absorption of 1.2 million sq. ft. in Q1 2026, with Class A properties accounting for negative 775,000 sq. ft. This represents a change of over 1 million sq. ft. from in Q4 2025 and a swing of roughly 1.3 million sq. ft. from the 105,000 sq. ft. of positive absorption in Q1 2025.

Notable moves contributing to the negative absorption includes Target, the former flagship tenant at City Center who exited their lease five years early, adding over 747,000 sq. ft. to direct listings. Additionally, Huntington Bank vacated over 423,000 sq. ft. at Plymouth Corporate Center.

Positive net absorption for Q1 2026 was concentrated primarily in the St. Paul CBD submarket, which saw 35,000 sq. ft, and the Northeast submarket with 30,000 sq. ft. Conversely, the Minneapolis CBD posted the largest negative absorption with over 800,000 sq. ft.

Figure 2: Net Absorption Trend

Source: CBRE Research, Q1 2026

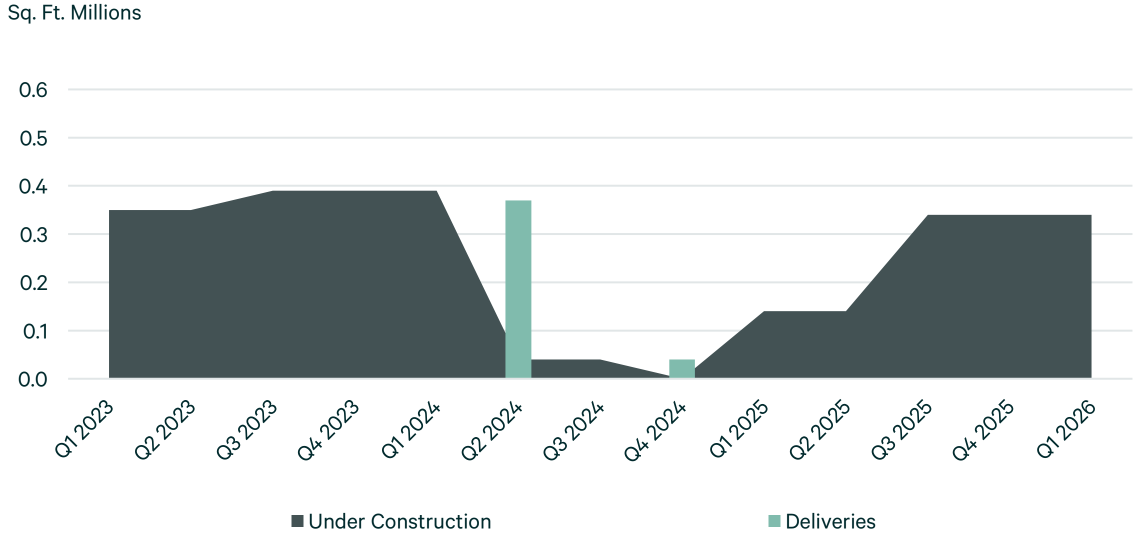
Construction Activity

Under construction office space totaled 338,000 sq. ft. in Q1 2026, with no new deliveries during the quarter. The amount remained unchanged from Q4 2025 but represents an increase of 144.9% year-over-year from 138,000 sq. ft. in Q1 2025.

Q1 2026 construction activity is concentrated in the 494 and Midway submarkets, which together account for all 338,000 sq. ft. across three projects. The 494 submarket holds the largest share, with 253,000 sq. ft. under construction with The Craftsman and Arcadia. Midway contributes 87,000 sq. ft. via United Village – Treehouse.

Pre-leasing stands at 45.8% in 494 and 40.0% in Midway, for an overall pre-lease rate of 44.4%. The Craftsman and The Treehouse at United Village are expected to be delivered in Q2 and Q3 2026, respectively. Arcadia, located in Edina, is planned for a Q1 2027 delivery.

Figure 3: Construction Activity



Source: CBRE Research, Q1 2026

Vacancy and Availability

Total vacancy in Minneapolis/St. Paul increased by 160 bps quarter-over-quarter and 80 bps year-over-year. Although vacancy increased, availability has decreased quarter-over-quarter to 29.4%, showing no impact from the Q1 vacancies at City Center and Plymouth Corporate Center, which had been listed since 2020 and 2024, respectively.

In Q1 2026, Class A office total vacancy climbed 200 bps quarter-over-quarter to 25.6%, while total Class B vacancy increased 120 bps to 25.0% and Class C vacancy saw as slight increase of 30 bps, reaching 23.4%.

Within the Downtown markets, Minneapolis CBD recorded an overall vacancy of 33.5% and a Class A vacancy of 33.7%. St. Paul CBD's overall vacancy was 33.1%, with its Class A vacancy at 24.3%, marking a decrease of 1.1%. quarter-over-quarter. The Suburban submarkets reported lower vacancies in Q1 2026, with Northeast holding the lowest total vacancy rate of 9.9%, followed by Midway at 11.1%.

The overall market sublease rate dropped to 2.4%, a decrease from 3.8% in Q4 2025 and an overall year-over-year decrease of over 150 bps.

Figure 4: Vacancy Rates by Class

Source: CBRE Research, Q1 2026

Asking Rent

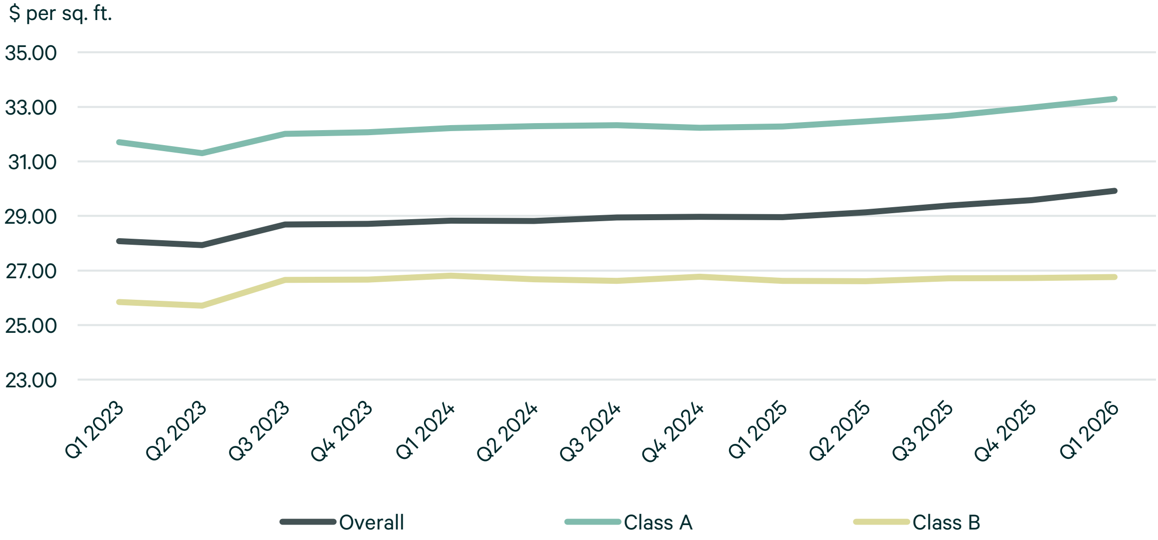
The overall average gross asking lease rate in Q1 2026 for Minneapolis/St. Paul is $ $29.92 per sq. ft., representing a 1.1% increase from Q4 2025 and 3.4% year-over-year. Class A office asking rents increased from $32.97 per sq. ft. in Q4 2025 to $33.29 per sq. ft., as well as a 3.1% increase year-over-year.

Class A asking rents are up 5.0% from Q1 2023, compared with 3.6% for Class B and remaining flat for Class C, underscoring a clear preference for higher-quality product.

As of Q1 2026, the Minneapolis CBD submarket recorded the highest overall average asking rent in the metro at $32.41 per sq. ft., with Class A space reaching $34.82 per sq. ft. The North Loop submarket posted the highest Class A rates at $39.25.

The Northwest submarket posted the lowest overall average at $22.55 per sq. ft., followed by Suburban St. Paul at $23.23 per sq. ft. Suburban asking rates have increased 3.5% year-over-year. Downtown asking rates have seen four consecutive quarters of growth, 2.3% growth from Q1 2025.

Figure 5: Average Direct Asking Rate by Class



Source: CBRE Research, Q1 2026

Leasing Activity

In Q1 2026, Minneapolis/St. Paul transacted over 763,000 sq. ft., inclusive of all lease sizes. This represents a 46.5% decrease quarter-over-quarter and a 44.4% decrease year-over-year.

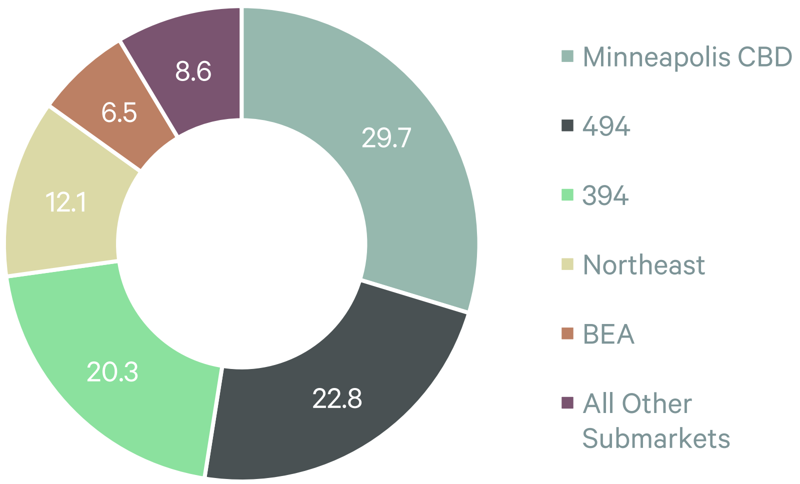
Of the total lease volume this quarter, 49.2% were in the mid-size range (between 10,000-50,000 sq. ft.) (inclusive of all sizes). Leases under 10,000 sq. ft. made up 44.2% of all leases. The 494 submarket recorded the largest transaction volume at nearly 240,000 sq. ft., followed by the Minneapolis CBD with 177,000 sq. ft.

Class A properties represented over 371,000 square feet of transactions for Q1 2026. New leases contributed over 601,000 sq. ft. to the total transactions, comprising 79% of the volume, and 87% of lease count.

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

Source: CBRE Research, Q1 2026 – transactions over 10,000 sq. ft.

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026 – transactions over 10,000 sq. ft.

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Vital Images	50,000	Renewal	5850 Opus Pkwy	494
Midwest Indoor Soccer	33,000	New Lease	575-635 9th St SE	Northeast
Husch Blackwell	26,000	New Lease	90 S 7th St	Minneapolis CBD
Atmosphere Commercial Interiors	25,000	New Lease	9320 Excelsior Blvd	394
Rise and Shine and Partners	24,000	New Lease	701 Washington Ave N	North Loop
CBIZ	22,000	New Lease	800 Lasalle Ave	Minneapolis CBD
Sequoia Financial Group	22,000	New Lease	1 Meridian Crossing	494
Haberman	19,000	New Lease	43 Main St SE	Northeast

Source: CBRE Research, Q1 2026

Market Statistics

Figure 9: Suburban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	19.80	20.5	25.3	22.0	3.3	32.45	5,000	5,000	-	338,000
Class B	19.03	18.2	21.4	20.0	1.4	26.68	(383,000)	(383,000)	-	-
Class C	3.84	23.3	19.4	17.8	1.6	19.71	(37,000)	(37,000)	-	-
Total	**42.68**	**19.7**	**23.0**	**20.7**	**2.3**	**29.02**	**(415,000)**	**(415,000)**	**-**	**338,000**

Source: CBRE Research, Q1 2026

Figure 10: Urban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	18.13	31.2	37.8	34.7	3.0	33.84	(780,000)	(780,000)	-	-
Class B	11.54	36.3	41.1	39.5	1.7	26.83	4,000	4,000	-	-
Class C	2.98	23.4	25.2	21.6	3.5	24.01	17,000	17,000	-	-
Total	**32.65**	**32.3**	**37.8**	**35.2**	**2.6**	**30.58**	**(760,000)**	**(760,000)**	**-**	**-**

Source: CBRE Research, Q1 2026

Figure 11: Metro Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Deliveries (SF)	Under Construction (SF)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)
Class A	37.93	25.6	31.3	28.1	3.2	33.29	-	338,000	(0.78)	(0.78)
Class B	30.58	25.0	28.8	27.3	1.5	26.76	-	-	(0.38)	(0.38)
Class C	6.82	23.4	21.9	19.5	2.4	21.71	-	-	(0.02)	(0.02)
Total	**75.33**	**25.2**	**29.4**	**27.0**	**2.4**	**29.92**	**-**	**338,000**	**(1.17)**	**(1.17)**

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Deliveries (SF)	Under Construction (SF)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)
394	11.95	20.4	24.2	20.3	3.9	29.78	-	-	(0.26)	(0.26)
494	16.31	24.0	29.1	26.7	2.4	30.60	-	253,000	(0.20)	(0.20)
BEA	3.28	13.2	15.4	14.5	0.9	26.65	-	-	0.01	0.01
Midway	2.82	11.2	12.9	12.7	0.2	23.99	-	85,000	0.01	0.01
Minneapolis CBD	22.64	33.5	38.5	36.3	2.2	32.41	-	-	(0.80)	(0.80)
North Loop	4.45	25.2	29.3	24.2	5.2	30.47	-	-	0.01	0.01
Northeast	2.73	10.0	12.4	10.4	2.0	27.77	-	-	0.03	0.03
Northwest	1.37	23.4	25.8	25.6	0.1	22.54	-	-	-	-
St. Paul CBD	5.56	33.1	41.8	39.6	2.2	23.84	-	-	0.03	0.03
Suburban St. Paul	4.21	17.4	14.9	14.1	0.8	23.23	-	-	(0.01)	(0.01)
Total	**75.33**	**25.2**	**29.4**	**27.0**	**2.4**	**29.92**	**-**	**338,000**	**(1.17)**	**(1.17)**

Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal.

The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Minneapolis/St. Paul Employment Update

4.0%
Unemployment Rate

2.1M
Labor Force

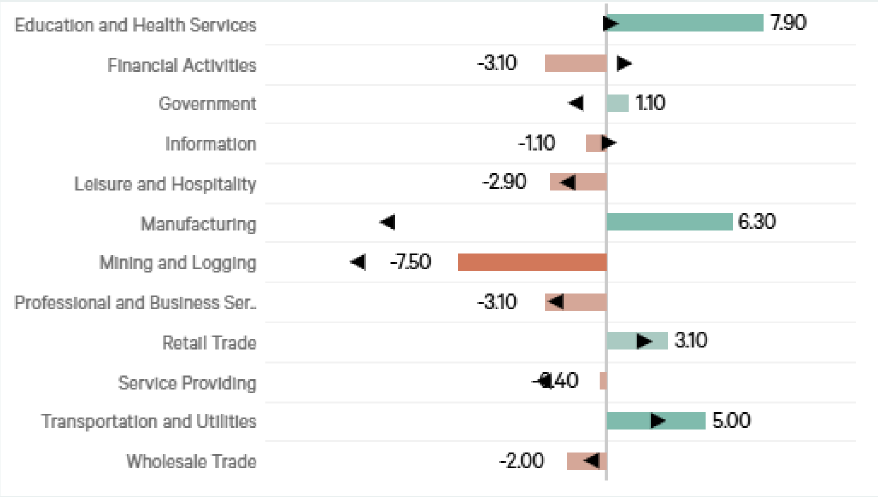
456.4k
Office Using Jobs

559.8k
Industrial Using Jobs

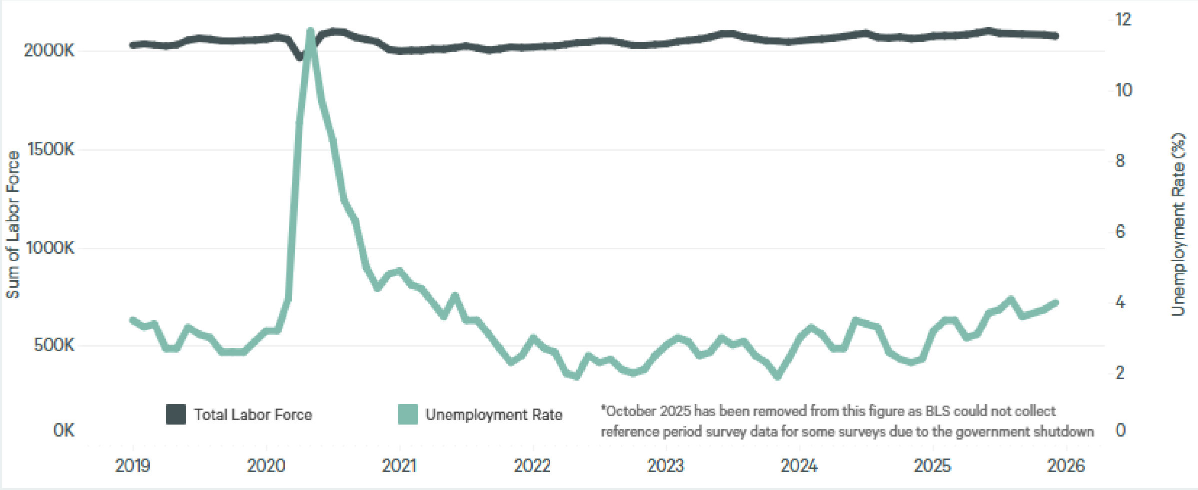
266.1k
Retail Using Jobs

Employment Change by Sector – Yearly + Monthly

Bars indicate yearly trend, arrows indicate monthly trend

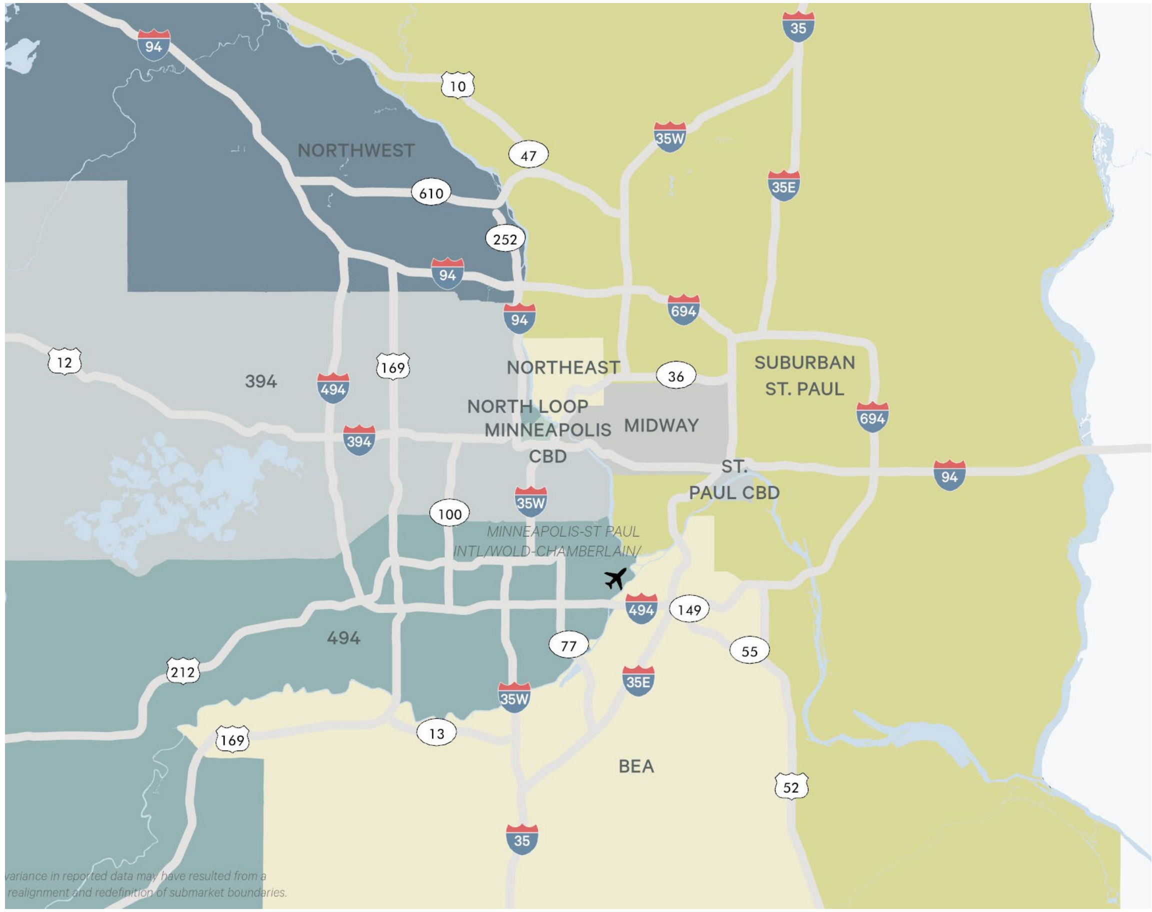


Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, December 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.

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