

FIGURES | MINNEAPOLIS/ST. PAUL OFFICE | Q3 2026

Modest Office Market Stabilization Amid Persistent Suburban-Urban Divide

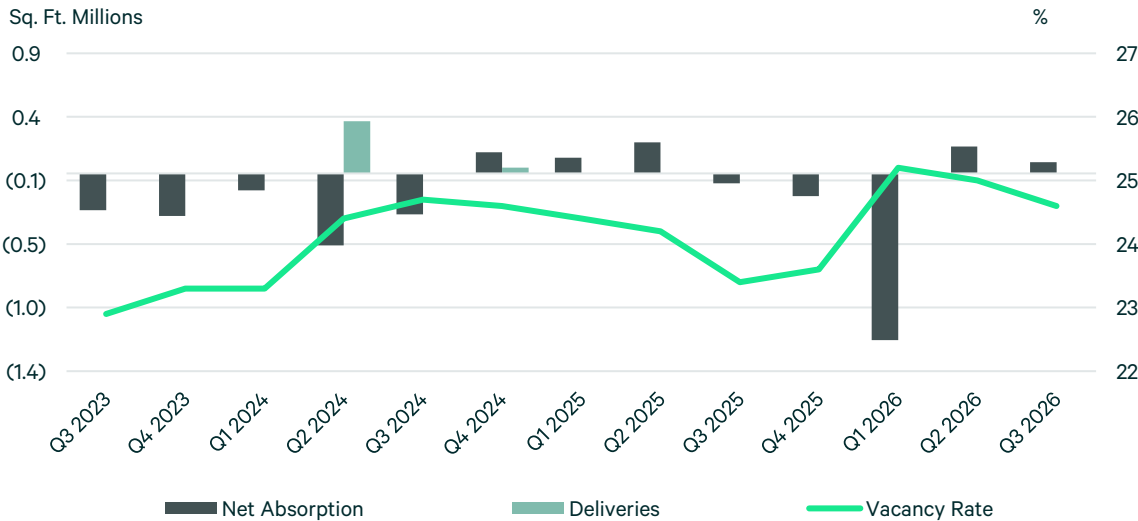


Note: Arrows indicate change from previous quarter.

Market Overview

- The Minneapolis/St. Paul office market showed signs of stabilization in Q3 2026, with net absorption turning positive at 79,000 sq. ft., though annual absorption remains deeply negative at (915,000) sq. ft. year-to-date.
- Construction activity remained stable at 338,000 sq. ft. underway, with the two largest projects both in the 494 corridor and well-absorbed ahead of delivery. With 138,000 sq. ft. expected to deliver by year-end, new supply is modest and largely committed.
- Vacancy edged down 40 bps to 24.6%, with outlying submarkets like Northeast (8.3%) and Midway (10.2%) outperforming the core CBDs, where Minneapolis CBD vacancy hit 33.8%.
- The average FSG direct lease rate was \$30.14 across the full market, demonstrating a 5.1% growth over the last three years. Class A rates reported at \$33.69, nearly 12% above the full market average.
- Leasing activity of 746,000 sq. ft. was led by the 394 and 494 corridors, keeping year-to-date volume above 2.3 million sq. ft.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



CBRE Research

Net Absorption

Net absorption shifted back to modest occupancy growth in Q3 2026 driven by suburban submarkets. Total net absorption measured 79,000 sq. ft., below the 190,000 sq. ft. recorded in Q2 2026 on a quarter-over-quarter basis but exceeding the negative 71,000 sq. ft. posted in Q3 2025 year-over-year. Class A contributed 99,000 sq. ft. of positive net absorption, while Class C added 61,000 sq. ft., partially offsetting negative 81,000 sq. ft. of net absorption in Class B. This mix of gains and losses signaled a more balanced demand environment relative to Q1 2026, when occupancy contracted sharply.

Submarkets 394 and North Loop recorded the strongest positive net absorption this quarter. Each of these submarkets posted 54,000 sq. ft. of net absorption, while Northeast followed with 44,000 sq. ft. At the other end of the spectrum, Minneapolis CBD recorded the largest occupancy losses, with negative net absorption of 65,000 sq. ft. This divergence underscored the importance of submarket selection, with strong gains in select corridors offset by weakness in core CBD locations.

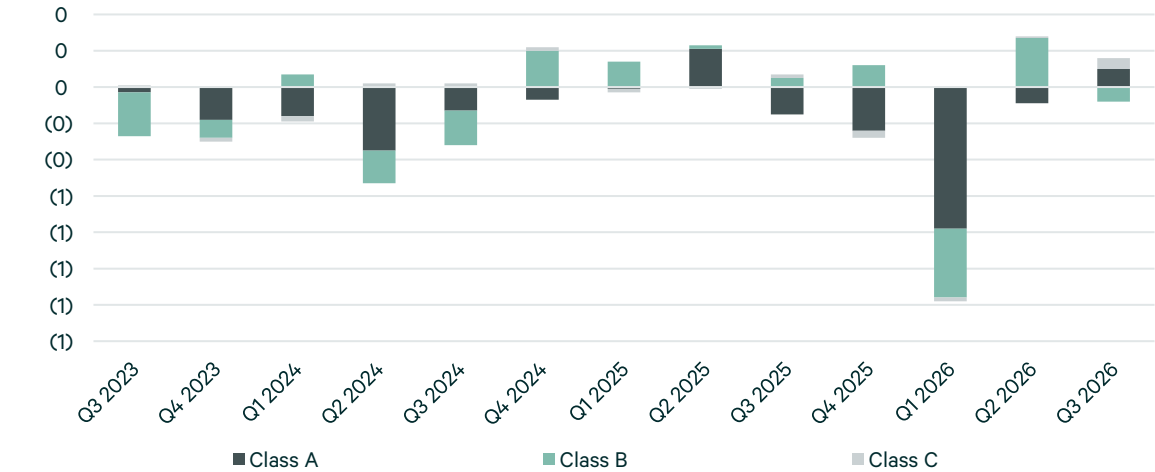
Construction Activity

Construction activity in Q3 2026 was steady, with projects remaining in the pipeline and no new completions. Under construction space totaled 338,000 sq. ft. in the quarter, with 138,000 sq. ft. of deliveries anticipated by end-of-year.

Submarkets 494 and Midway accounted for nearly all construction underway this quarter. In submarket 494, The Craftsman at 7250 France Ave S comprised 138,000 sq. ft. and was 70% pre-leased, while Arcadia at 5115 Arcadia Ave added 115,000 sq. ft. and was 79% pre-leased; Midway recorded United Village - Treehouse at 1574 University Ave W with 84,850 sq. ft. and 40% pre-leased.

Figure 2: Net Absorption Trend

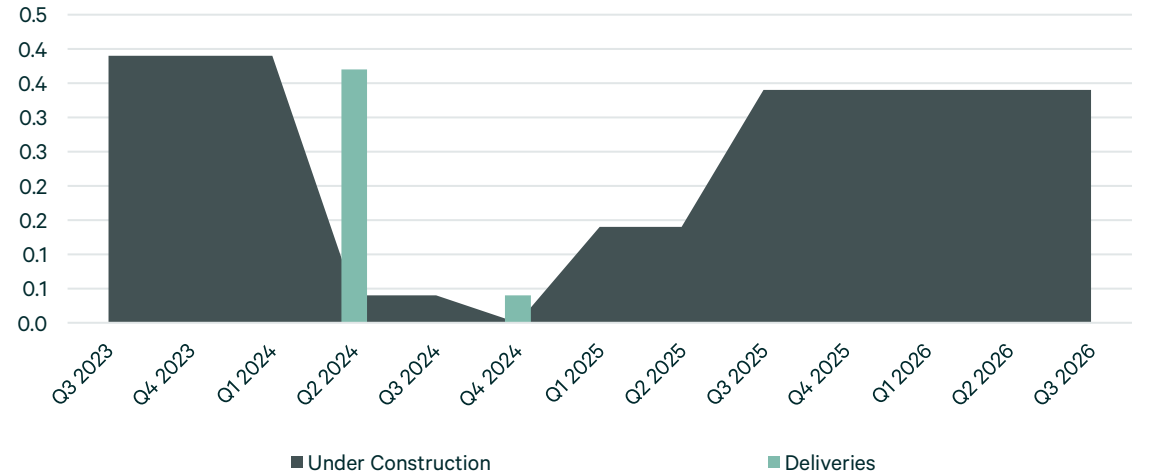
Sq. Ft. (millions)



CBRE Research

Figure 3: Construction Activity

Sq. Ft. Millions



CBRE Research

Vacancy

In Q3 2026, overall market vacancy stood at 24.6%, a 40 basis points (bps) decline from the previous quarter, but the market remains deeply split by location. Class A vacancy fell 30 bps to 25.5%, though it remains 520 bps higher than three years ago, reflecting the ongoing repositioning of downtown product.

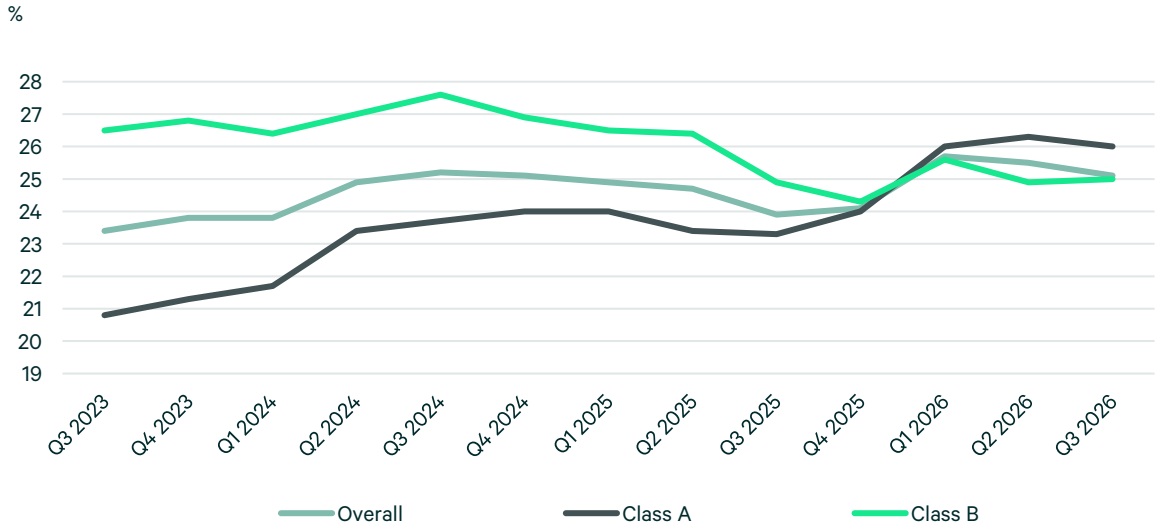
Vacancy varied widely by submarket, with downtown cores carrying substantially more available space than outlying areas. Northeast recorded the lowest overall vacancy at 8.3%, followed by Midway at 10.2%, while Suburban St. Paul and BEA also remained relatively tight at 11.4% and 15.5% respectively. At the other end of the spectrum, Minneapolis CBD posted the highest overall vacancy at 33.8%, with St. Paul CBD close behind at 32.3%, underscoring the concentration of empty space in the two core CBDs.

Asking Rent

Overall office asking rents in Q3 2026 continued a modest upward trend over the recent data series. The overall average asking rent reached \$30.14 per sq. ft. in Q3 2026, lifting cumulative growth to 5.1% over the last three years. Class A product maintained a clear premium, with asking rents rising to \$33.69 per sq. ft. in Q3 2026, nearly 12% above the market average and recording stronger year-over-year gains than the overall market, while Class B rents remained comparatively lower and more stable.

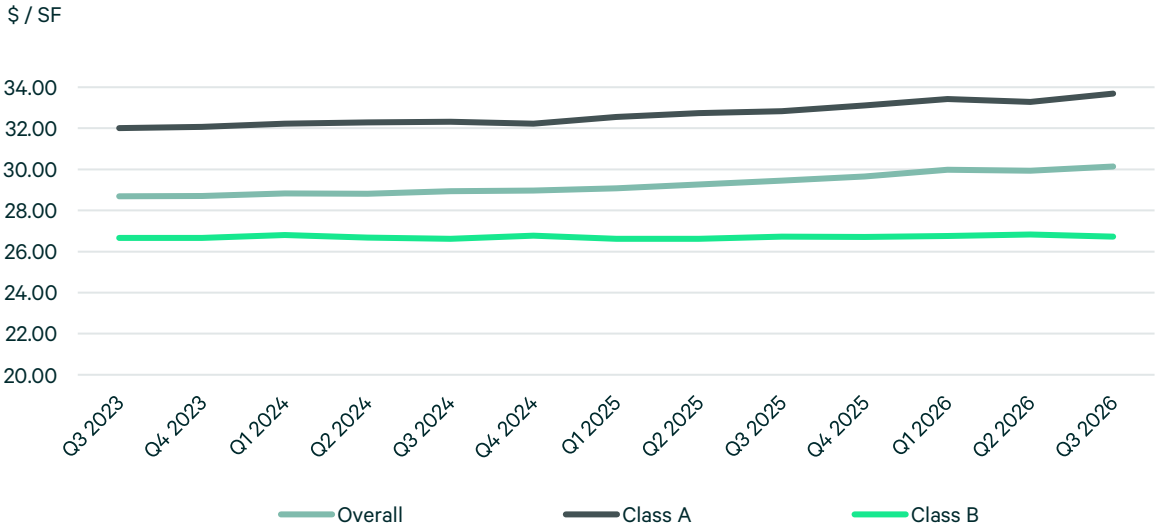
Across the Minneapolis–St. Paul region, asking rents in Q3 2026 varied notably by submarket, with the highest overall levels in the 394, Minneapolis CBD, North Loop, and 494 submarkets all recording asking rates above \$31.00 FSG. Elsewhere, Midway, Northwest and Suburban St. Paul posted relatively low overall averages below \$24.00 FSG, underscoring a clear tiering of office pricing across the metro.

Figure 4: Vacancy Rates by Class



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Figure 5: Average Direct Asking Rate by Class



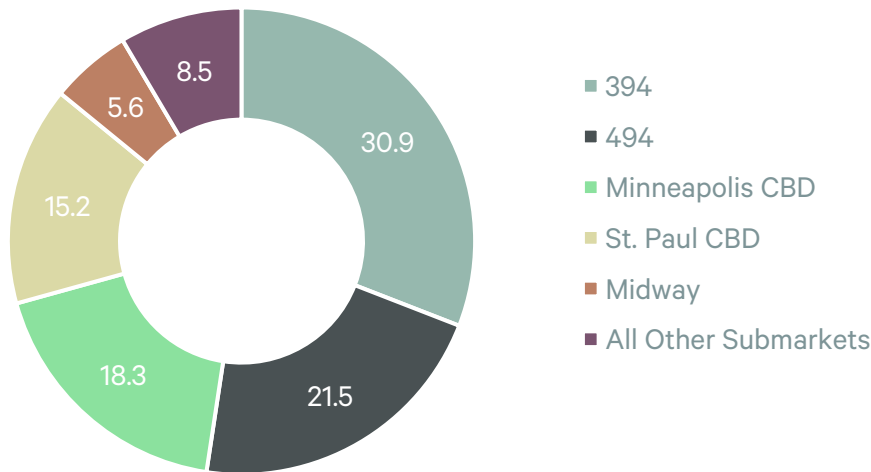
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Leasing Activity

Leasing activity in Q3 2026 slowed from recent peaks but remained solid on a year-to-date basis. Total leasing activity (inclusive of deals >10,000 sq. ft.) reached 746,000 sq. ft. in Q3 2026, bringing year-to-date 2026 leasing to 2.3 million sq. ft. Leasing volumes decreased 20.4% quarter-over-quarter from 937,000 sq. ft. in Q2 2026 and fell 21.7% year-over-year from 953,000 sq. ft. in Q3 2025, with Class A deals totaling 494,000 sq. ft. compared with 252,000 sq. ft. of Class B leasing.

By submarket, leasing in Q3 2026 was strongest in the 394 and 494 corridors, which together captured the largest share of activity. The 394 corridor recorded 230,000 sq. ft. and the 494 corridor 160,000 sq. ft. of combined Class A and Class B leasing, while positive demand also extended to Minneapolis CBD with 137,000 sq. ft., St. Paul CBD with 113,000 sq. ft., Minneapolis CBD with 137,000 sq. ft., St. Paul CBD with 113,000 sq. ft.

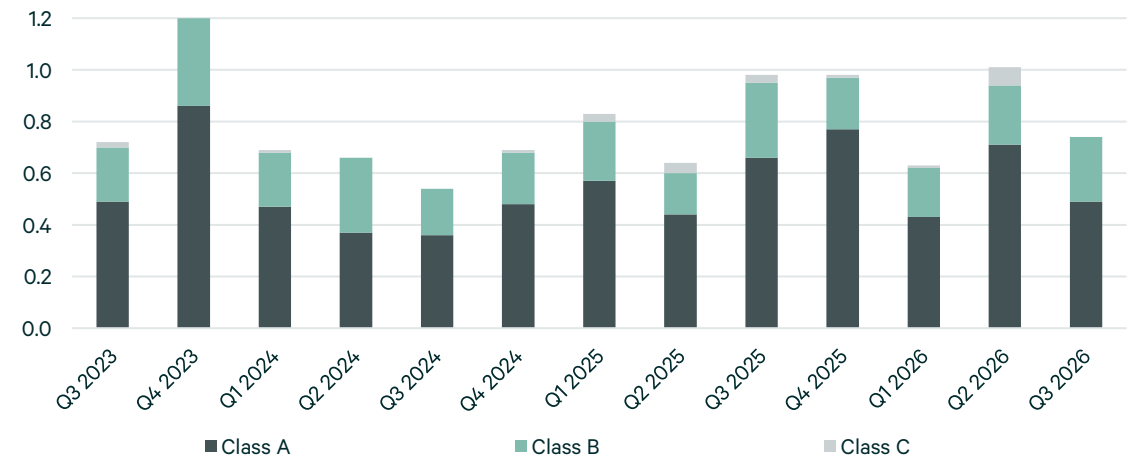
Figure 7: Leasing by Submarket (% of Total Activity)



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Figure 6: Leasing Activity Trend (Inclusive of leases >10,000 sq. ft.)

Sq. Ft. (millions)



CBRE Research

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Minnesota Department of Natural Resources	102,000	New Lease	10 River Park Plz	St. Paul CBD
Bank of America NA	50,000	Renewal	80 S 8th St	Minneapolis CBD
Confidential Tenant	42,000	New Lease	2344 Energy Park Dr	Midway
Wealth Enhancement Group	40,000	Renewal	505 US Highway 169 N	394
Black & Veatch	39,000	New Lease	4400 W 78th St	494
Messerli & Kramer	37,000	New Lease	505 US Highway 169 N	394
Cushman & Wakefield	32,000	Renewal	3500 W American Blvd	494

Source: CBRE Research, Q3 2026

Market Statistics

Figure 12: Suburban Market Statistics by Class

Property Class	Net Rentable Area (SF)	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	19.80M	20.2	24.1	21.1	3.0	33.69	83,000	40,000	-	338,000
Class B	19.03M	17.7	22.0	20.5	1.6	26.66	12,000	(238,000)	-	-
Class C	3.54M	17.5	21.7	20.2	1.5	20.69	5,000	(22,000)	-	-
Total	42.38M	18.8	23.0	20.7	2.2	29.65	99,000	(221,000)	-	338,000

Source: CBRE Research, Q3 2026

Figure 13: Urban Market Statistics by Class

Property Class	Net Rentable Area (SF)	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	18.13M	31.3	35.8	33.0	2.8	33.68	17,000	(811,000)	-	-
Class B	11.50M	35.8	38.1	36.9	1.2	26.77	(93,000)	45,000	-	-
Class C	2.91M	21.8	21.2	17.3	3.9	23.35	56,000	72,000	-	-
Total	32.54M	32.1	35.3	33.0	2.3	30.53	(21,000)	(694,000)	-	-

Source: CBRE Research, Q3 2026

Market Statistics by Class

Figure 14: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	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	37.93M	25.5	29.7	26.8	2.9	33.69	99,000	(771,000)	-	338,000
Class B	30.54M	24.5	28.1	26.7	1.4	26.72	(81,000)	(193,000)	-	-
Class C	6.45M	19.4	21.4	18.9	2.6	21.73	61,000	49,000	-	-
Total	74.92M	24.6	28.3	26.0	2.3	30.14	79,000	(915,000)	-	338,000

Source: CBRE Research, Q3 2026

Market Statistics by Submarket

Figure 15

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
394	11.95M	19.7	25.5	21.2	4.3	31.45	36.61	53,000	(179,000)	-	-
494	16.21M	23.6	27.6	25.3	2.3	31.07	34.61	(40,000)	(155,000)	-	253,000
BEA	3.28M	15.5	18.7	17.8	0.9	26.07	27.61	(38,000)	(69,000)	-	-
Midway	2.82M	10.2	13.4	13.3	0.1	23.42	22.35	23,000	34,000	-	85,000
Minneapolis CBD	22.64M	33.8	36.8	35.1	1.7	32.07	34.69	(48,000)	(873,000)	-	-
North Loop	4.34M	22.6	24.8	19.0	5.8	31.34	38.35	54,000	78,000	-	-
Northeast	2.73M	8.3	11.9	11.1	0.8	25.85	31.26	53,000	77,000	-	-
Northwest	1.37M	24.0	26.7	26.4	0.3	22.79	26.08	18,000	(4,000)	-	-
St. Paul CBD	5.56M	32.3	37.3	35.1	2.2	24.02	26.47	(26,000)	102,000	-	-
Suburban St. Paul	4.02M	11.4	13.2	13.0	0.3	23.21	25.09	31,000	75,000	-	-
Total	74.92M	24.6	28.3	26.0	2.3	30.14	33.69	79,000	(915,000)	-	338,000

Source: CBRE Research, Q3 2026

Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.



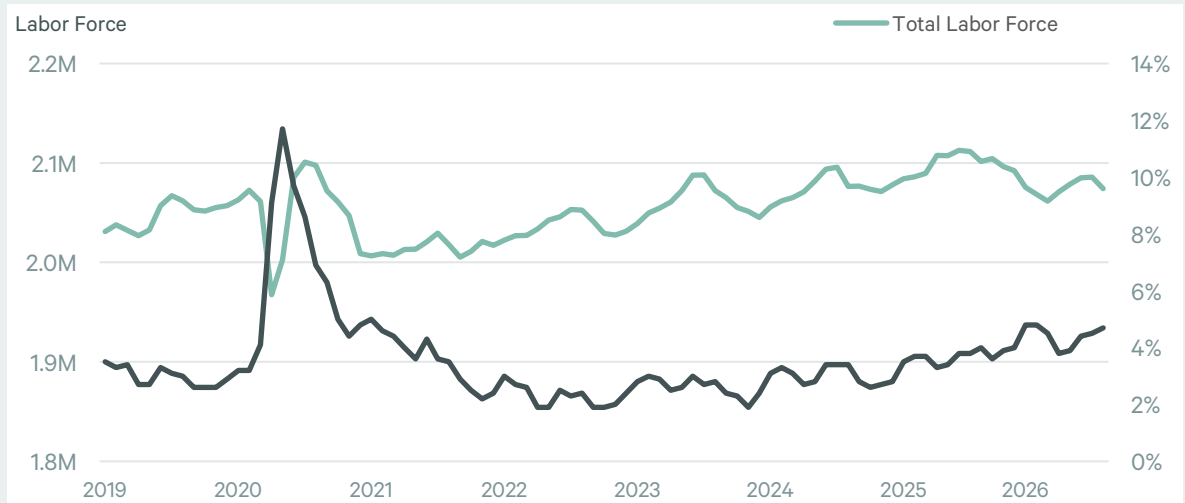
Minneapolis/St. Paul Employment Update

- ▲ 4.7%
Unemployment Rate
- ▼ 2.1M
Labor Force
- ▲ 458.1k
Office Using Jobs
- ▲ 1,055k
Industrial Using Jobs
- ▼ 254.7k
Retail Using Jobs

Employment Change by Sector – Yearly + Monthly
Bars indicate yearly trend, arrows indicate monthly trend

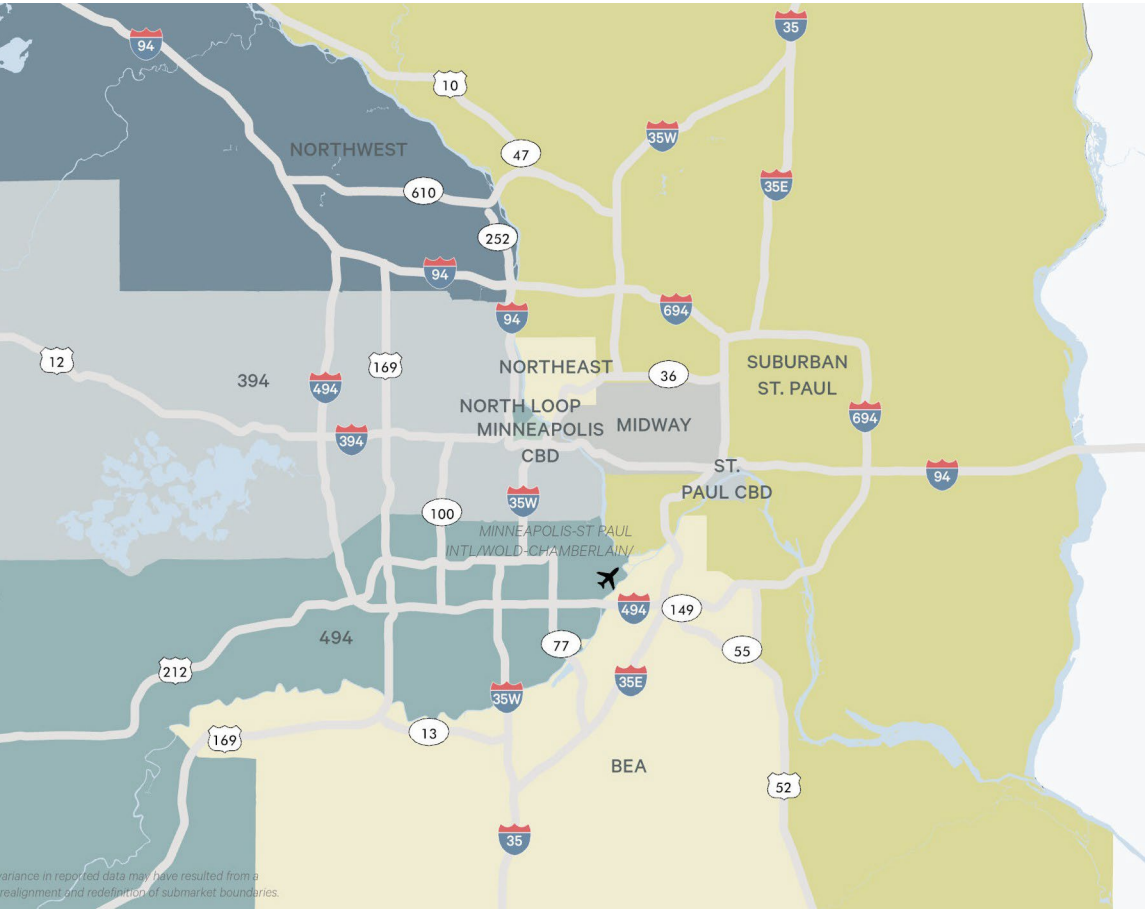


Minneapolis/St. Paul Unemployment Rate and Labor Force Trends



Source: US BLS, September 2026

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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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
maggie.parra@cbre.com

Abby Knop
Research Analyst
abigail.knop@cbre.com

Marissa Oberlander
Research Director
marissa.oberlander@cbre.com