Minneapolis-St. Paul
Office Market Trends

1Q26

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Market Observations

Market Observations

Economy

- Minnesota is home to 17 Fortune 500 headquarters, the highest per-capita concentration among major U.S. metros. More than 320 Fortune 1000 companies also maintain a presence in the Twin Cities.
- The state's labor force participation rate of 72% ranks among the strongest in the nation, reflecting an engaged, well-educated workforce.
- The Minneapolis–St. Paul economy is anchored by diverse sectors, including biotechnology, medical devices, food science and water technology, along with a financial services industry that rivals larger markets.
- Unemployment remains below the national average, registering 3.8% as of December 2025 compared with 4.4% nationally.
- Annual employment growth has lagged the national pace since the pandemic, driven by weak performance in office-using sectors and ongoing challenges tied to declining office space utilization.

Major Transactions

- In February, Target paid nearly $110 million to exit its long-term lease at City Center in downtown Minneapolis, where it leased more than 900,000 SF before vacating in 2021 as part of its remote work strategy. The lease was scheduled to expire in 2031.
- The owner of City Center, Samsung, defaulted on a $130 million loan, sending the property into special servicing, and is now preparing to sell the 1.2 MSF tower.
- Downtown Minneapolis' Northstar Center is being marketed for sale following a $96 million renovation completed in 2024. To date, owner Taconic Capital has signed one office tenant, Special Olympics Minnesota, which recently moved into a remodeled ninth-floor space.
- EY is relocating its Minneapolis office from The Dayton's Project to U.S. Bancorp Center, where it will occupy approximately 41,300 SF, up from 30,000 SF at its current location. The move follows a $15 million renovation of the 937,000 SF U.S. Bancorp Center by owner Piedmont Realty Trust, including lobby and skyway upgrades. EY moved to the Dayton's Project in late 2021.
- The St. Paul Downtown Development Corporation announced a new $30 million St. Paul-focused fund backed by Securian Financial and the Bush Foundation to support CBD revitalization. The nonprofit previously purchased distressed properties from the former Madison Equities portfolio and continues to focus on downtown investment.
- Sleep Number's downtown Minneapolis headquarters sold to a joint venture of Cloud Capital and Arcapita Group Holdings Limited for $235 million. The 500,000+ SF building includes 232,022 SF of office space occupied by Sleep Number and a 184,013 SF data center operated by Cogent Communications. The new owners plan to expand the building's megawatt capacity.
- The $235 million sale of Sleep Number's headquarters, supported by its data center component, contrasts with other downtown Minneapolis properties trading at a fraction of prior values.
- Opus' 86,000 SF former headquarters in Minnetonka is being marketed for sale or lease. Plans also call for demolition of the former Digital River office building connected to the campus, clearing obsolete space and creating a redevelopment-ready opportunity alongside an existing office asset.
- Hempel Real Estate is planning an 89,200 SF, four-story Class A office building at The Shops at West End in St. Louis Park. The project would replace a vacant 20,000 SF retail box east of Punch Bowl Social. Groundbreaking will depend on securing a lead tenant, given current financing constraints for speculative development.
- Part of the MoZaic office and retail complex in Uptown Minneapolis traded in a foreclosure sale, with lender First National Bank of Omaha acquiring the 78,000 SF MoZaic West building and Lagoon Cinema for $7 million.

Market Observations

Summary/Outlook

- Vacancy declined from 20.8% in 4Q25 to 19.9%, with 49,786 SF of absorption in the overall market. Multitenant vacancy decreased to 23.9%.
- Despite elevated vacancy, asking rents for Twin Cities office assets are edging higher as landlords prioritize maintaining quoted rates while using concessions and tenant improvement packages to secure leases and support values.
- In addition to higher tenant improvement allowances, landlords are offering increased free rent, beneficial occupancy and greater flexibility through expansion and early termination options.
- This dynamic has created a tenant-favorable market where the true cost of occupancy is driven more by concessions than by asking rent.
- Commercial property values continue to decline across Minneapolis and St. Paul, with office assessments down 11.7% citywide in Minneapolis and some downtown towers dropping more than 20%. Lower values and tax revenue are shifting the tax burden to residents.
- Demand remains concentrated in select nodes, including the North Loop in the Minneapolis CBD, the West End area of the West submarket, the 494 corridor in the Southwest submarket and properties along the France Avenue corridor.
- In the North Loop, parking remains limited, and well-amenitized buildings with strong parking ratios continue to attract tenants.
- Class B properties, and some Class A assets, are slower to lease, particularly those lacking updated amenities, convenient access and nearby services.

- Capital constraints continue to shape the market. Some landlords lack resources to fund improvements, limiting competitiveness, while lenders remain selective in extending credit and often require participation in future cash flow.
- Recent acquisitions in the Minneapolis CBD, including Wells Fargo Center and LaSalle Plaza, traded at steep discounts to pre-pandemic valuations, enabling new ownership to offer more aggressive leasing terms.
- This trend highlights an opportunity for investors to acquire downtown assets at discounted pricing, invest in upgrades and reposition them to compete more effectively.
- Workplace strategies have largely stabilized, with employers and employees operating under clearer hybrid expectations and making more defined real estate decisions.
- Selective expansion is emerging, particularly among financial institutions, with some occupiers reassessing prior space reductions.
- While many tenants have restructured their space design and downsized in response to remote work strategies; there is still a significant amount of right sizing ahead as lease expiration dates approach for tenants that signed 10-year leases in 2018 and 2019.

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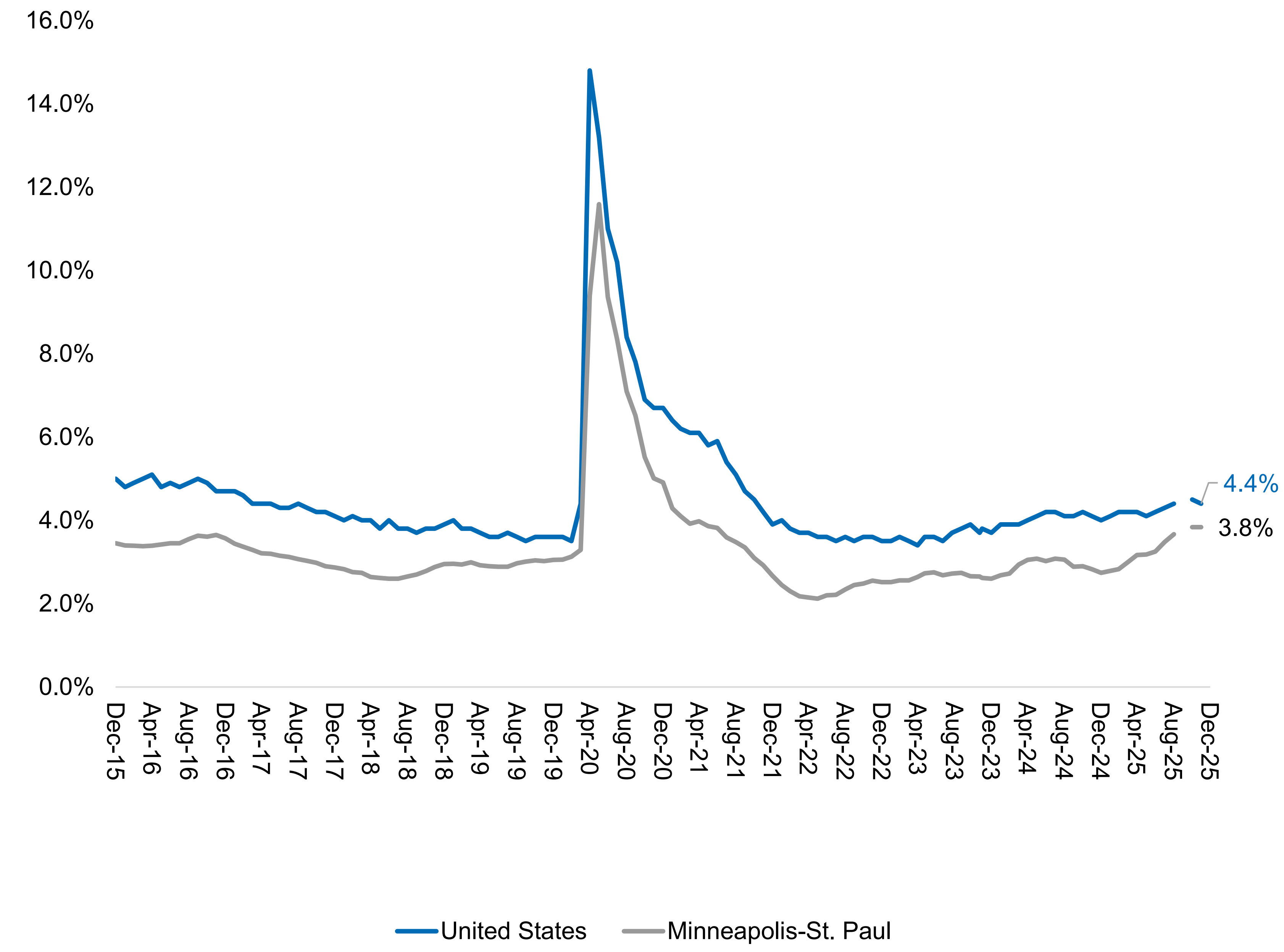
02

Economy

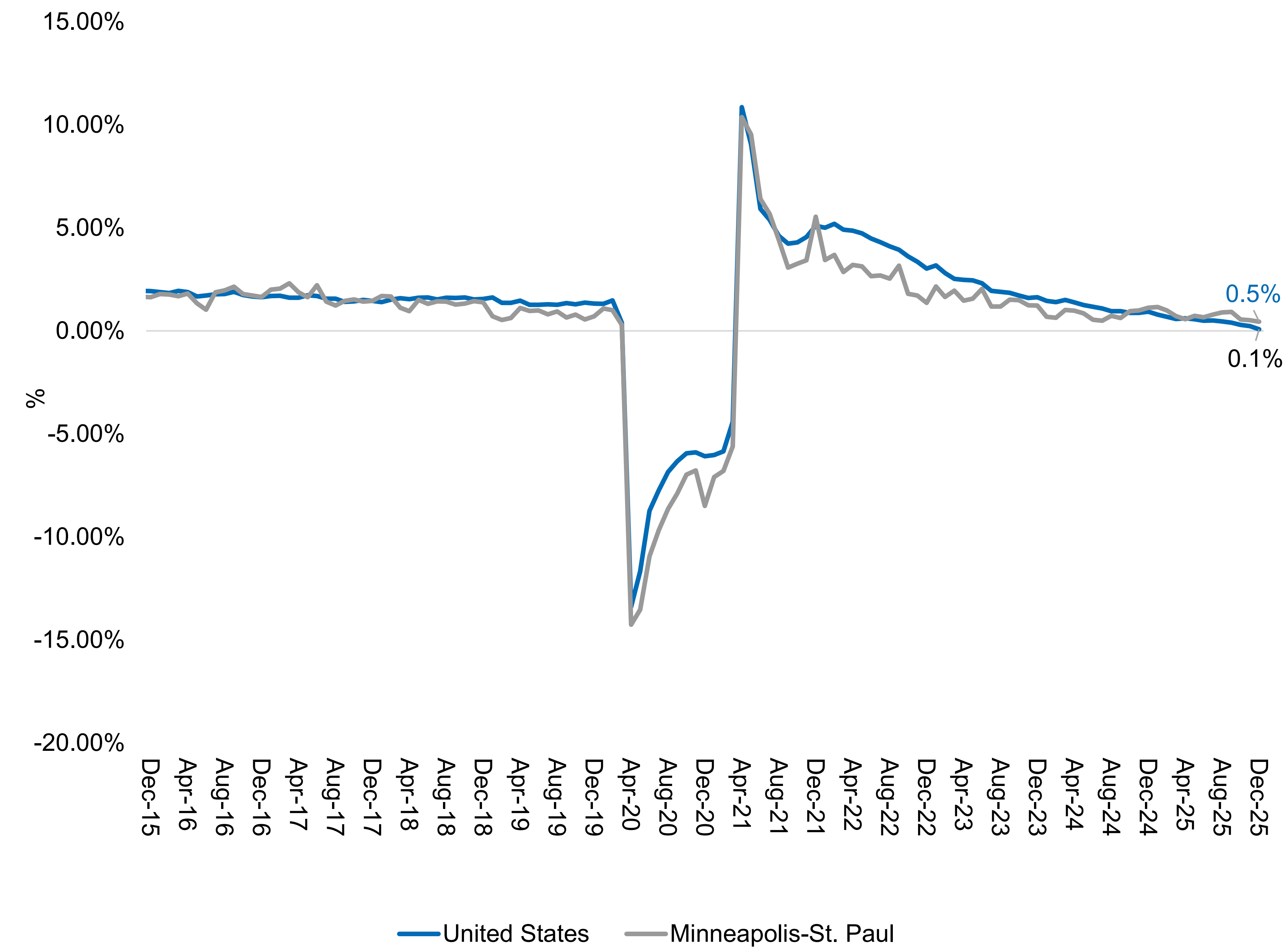
Low Unemployment, Limited Office Demand

Employment growth in Minneapolis-St. Paul has lagged the national pace since the pandemic, with office-using sectors trailing and weighing on space absorption.

Unemployment Rate



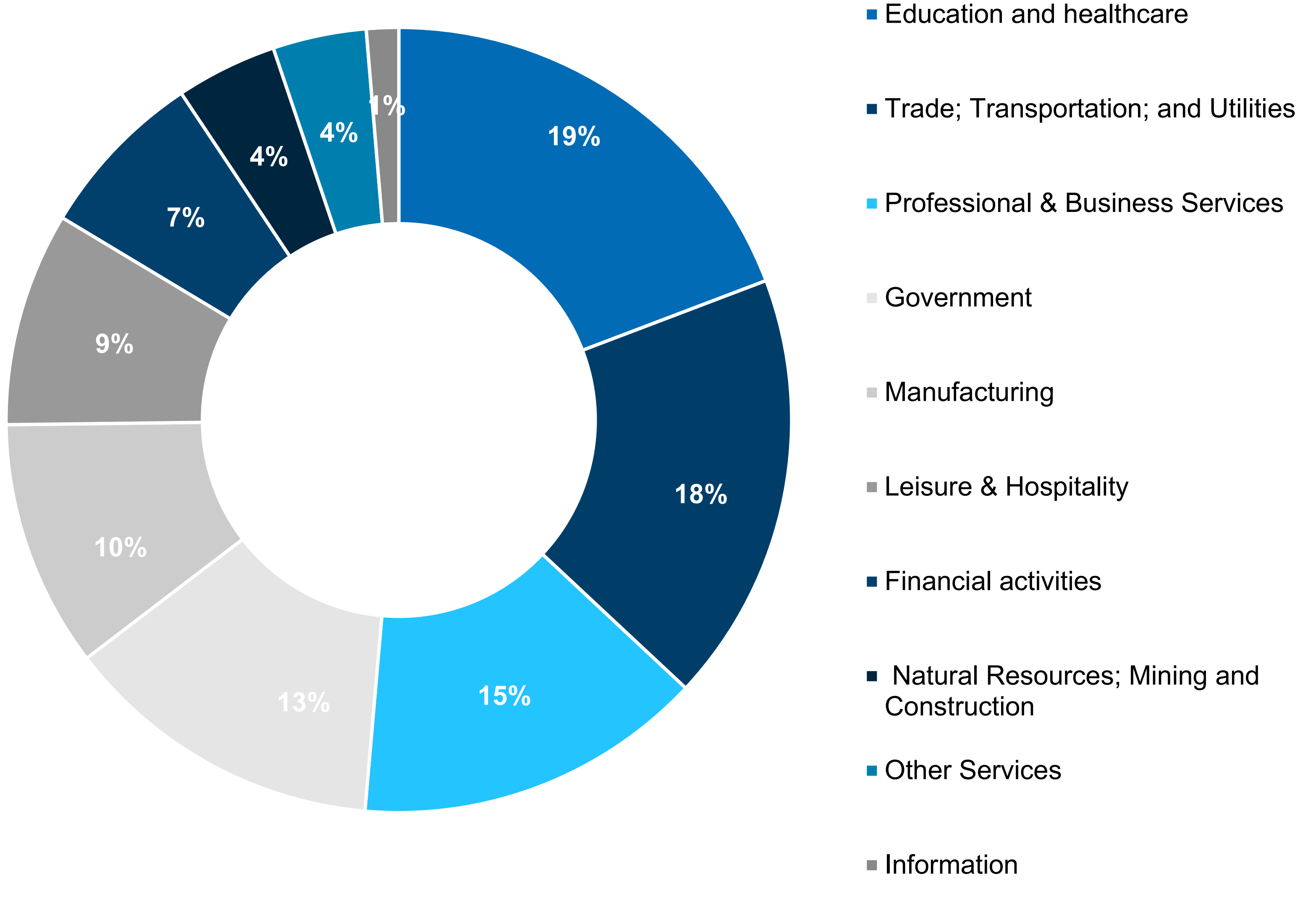
Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



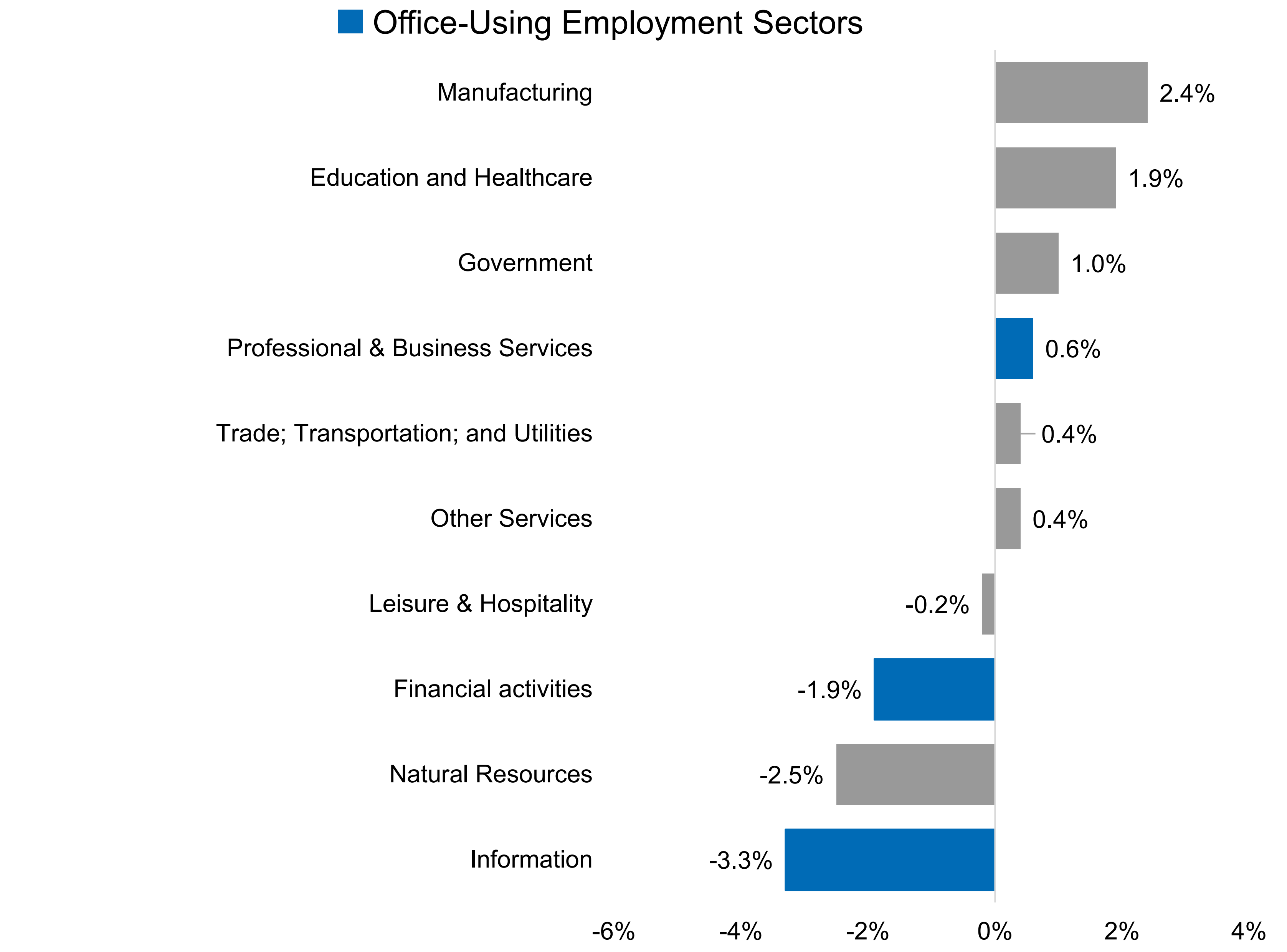
Office-Using Sectors Continue to Shed Jobs as Healthcare and Manufacturing Lead Regional Growth

Education, healthcare, and manufacturing are driving job gains in Minneapolis-St. Paul, while information and financial activities have recorded annual employment declines. Professional and business services has seen a slight year-over-year increase.

Employment by Industry, December, 2025



Employment Growth by Industry, 12-Month % Change, December, 2025

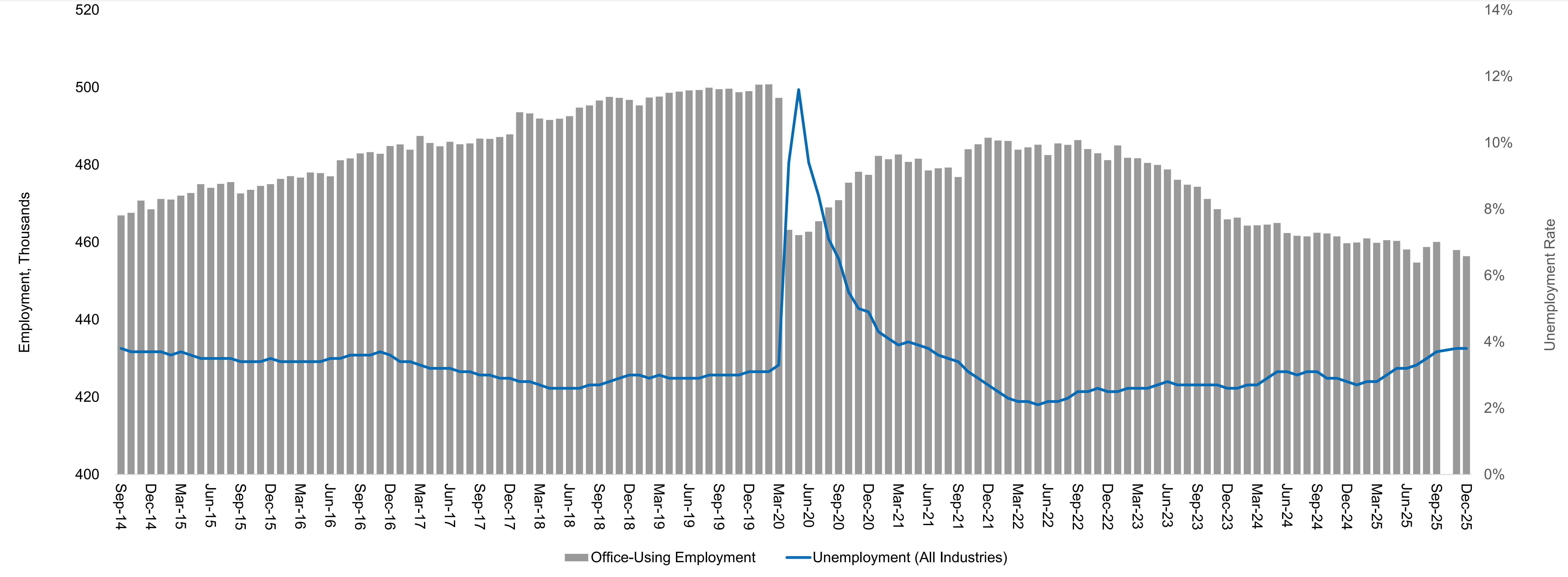


Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul

Office-Using Employment Has Not Recovered to Pre-Pandemic Levels

Despite unemployment returning to historic lows, office-using employment in Minneapolis-St. Paul remains below its 2020 peak and has trended downward since, reflecting a structural shift in office space demand.

Office-Using Employment and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Minneapolis-St. Paul
*Conventional office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.
*Newmark office-using employment: expanded set of industry categories, along with estimated share of office-using occupations

Fortune 500

	Fortune Rank		Employees		Revenue ($M)		Stock
UnitedHealth Group	3	↑ from 4	400,000	↓ -9.1%	$400,278	↑ 7.7%	↓ -44.9%
Target	41	↓ from 37	440,000	↑ 6.0%	$106,566	↓ -0.8%	↑ 33.5%
us bank	105	↑ from 107	70,263	↓ -6.9%	$42,712	↑ 5.1%	↑ 41.9%
Best Buy	108	↓ from 100	85,000	↔ 0.0%	$41,528	↓ -4.4%	↑ 12.2%
CHS	115	↓ from 97	10,730	↑ 1.1%	$39,261	↓ -13.9%	private
3M	174	↓ from 134	61,500	↓ -27.6%	$24,575	↓ -24.8%	↑ 15.94%
General Mills	216	↓ from 203	33,000	↔ 0.0%	$19,857	↓ -1.2%	↓ -33.6%
Ameriprise Financial	230	↑ from 254	13,600	↓ -1.4%	$17,926	↑ 11.4%	↑ 3.3%
C.H. Robinson	233	↔	13,781	↓ -9.6%	$17,725	↑ 0.7%	↑ 89.4%
Land O'Lakes Inc.	262	↓ from 245	9,000	↔ 0.0%	$16,207	↓ -3.5%	private
Ecolab	274	↓ from 269	48,000	↔ 0.0%	$15,741	↑ 2.7%	↑ 13.5%
Xcel Energy	319	↓ from 302	11,380	↑ 0.6%	$13,441	↓ -5.4%	↑ 22.2%
Hormel Foods	352	↓ from 343	20,000	↔ 0.0%	$11,921	↓ -1.6%	↓ -25.7%
thrivent	388	↑ from 405	3,983	↑ 4.5%	$10,918	↑ 12.3%	Private
solventum	462	new to list	22,000	NA	$8,254	NA	↓ -4.5%
Securian Financial	464	↓ from 462	5,570	↑ 0.1%	$8,226	↑ 2.0%	private
Fastenal	492	↓ from 488	20,958	↑ 1.1%	$7,546	↑ 2.7%	↑ 25.9%

17 Minnesota-Based Companies on the 2025 List

Minneapolis-St. Paul: The **most Fortune 500 companies per capita** of any major metro area in the nation.

Minnesota is also home to **Cargill**, the **largest private company** in the nation

Cargill

Source: Fortune updated 7/29/2025; data for latest twelve months reported.
Stock Price 1 year return (4/6/2026)

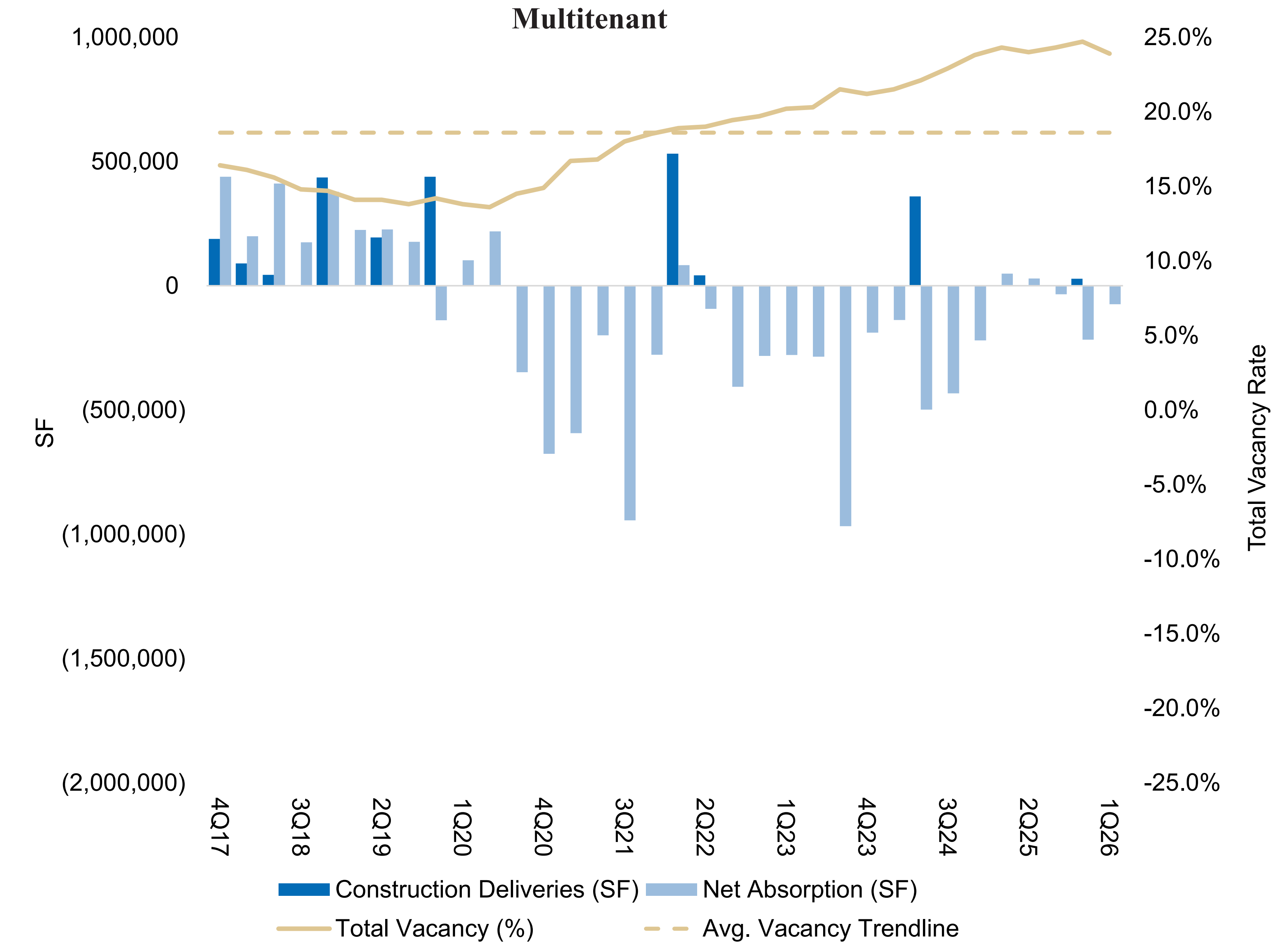
03

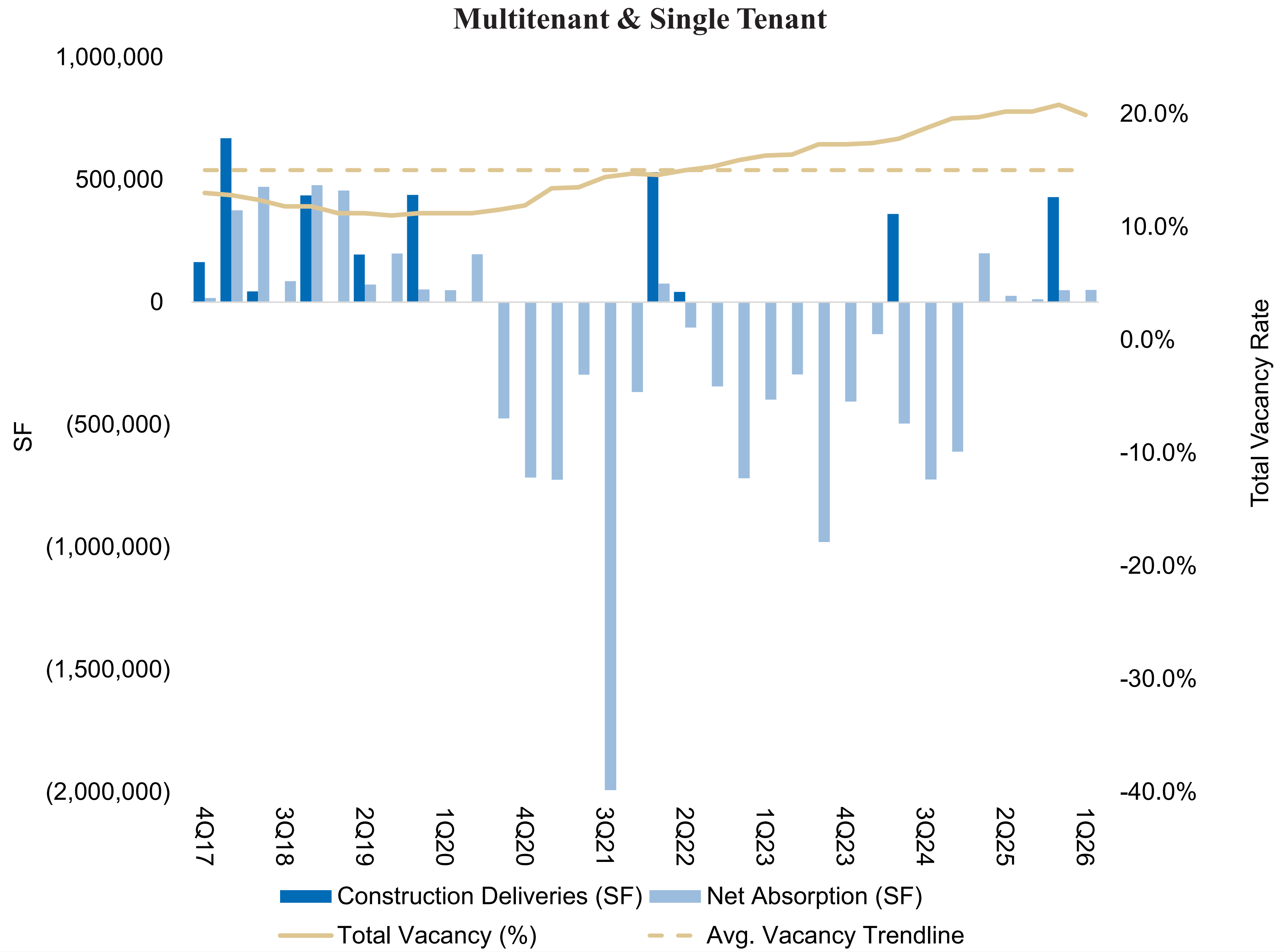
Leasing Market Fundamentals

Overall Vacancy Decreases as Obsolete Space Is Removed from Inventory

Overall vacancy decreased from 20.8% in 4Q25 to 19.9%, with 49,786 SF of positive absorption, while multitenant vacancy declined from 24.6% to 23.9% with negative absorption of 74,408 SF. Vacancy is also declining as obsolete space is removed from inventory through residential conversions, alternative uses, corporate campus redevelopments into industrial and demolitions. Office inventory has decreased by more than 3.4 MSF since 2024.

Historical Construction Deliveries, Net Absorption, and Vacancy

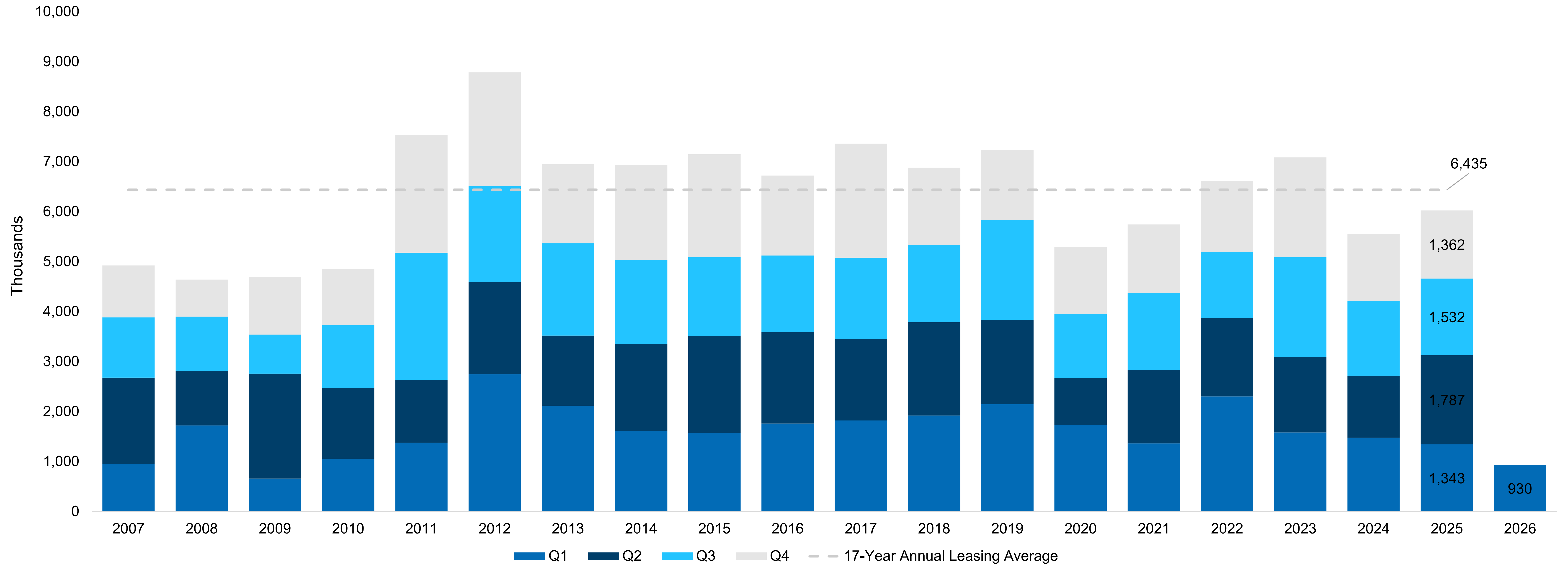




Leasing Activity Remains Subdued as Tenants Right-Size and Upgrade

Activity continues to trail the long-term average, with tenants renewing at smaller footprints or downsizing upon relocation — while the flight to quality drives investment in modern, amenity-rich space designed to attract and retain talent.

Total Leasing Activity (thousands)

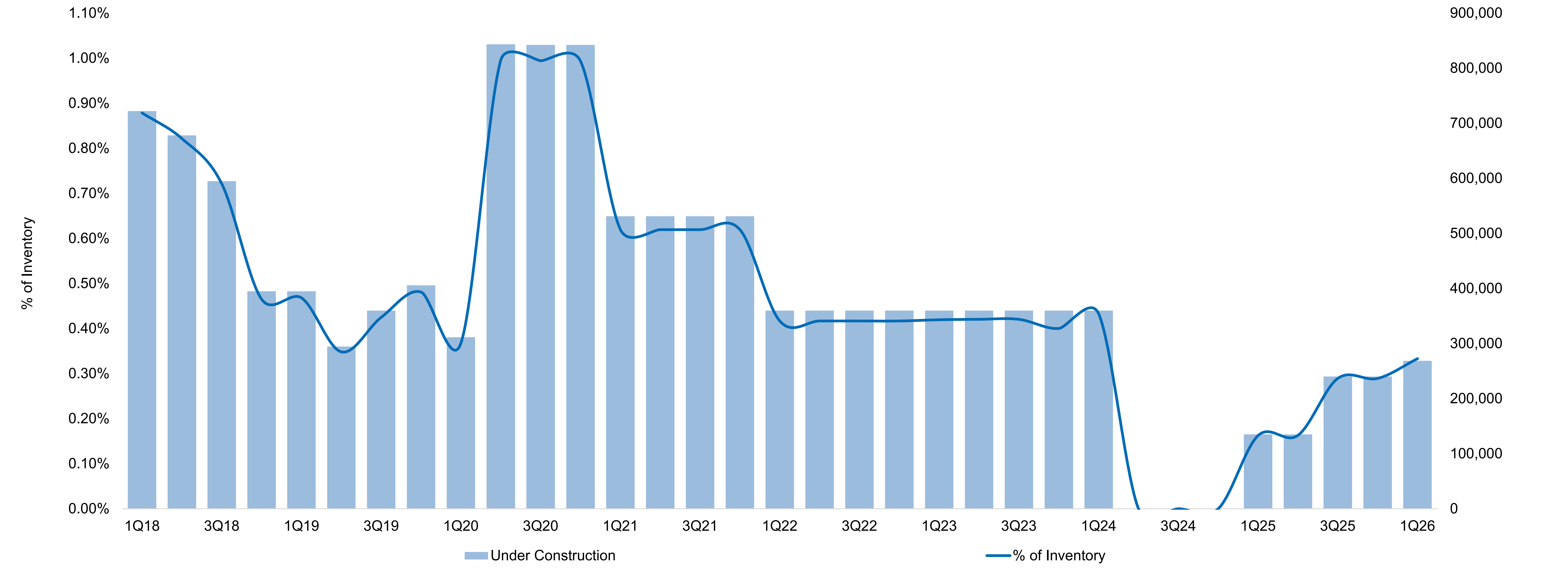


Source: Newmark Research, CoStar

Limited New Construction Underway, with Deliveries Expected in Late 2026

Opus Group is under construction on Arcadia, a 115,000 SF build-to-suit headquarters in Edina delivering in late 2026, while Orion Investments' The Craftsman on France, anchored by Charles Schwab and Adolfson & Peterson, is also scheduled for late 2026 delivery.

Office Under Construction and % of Inventory

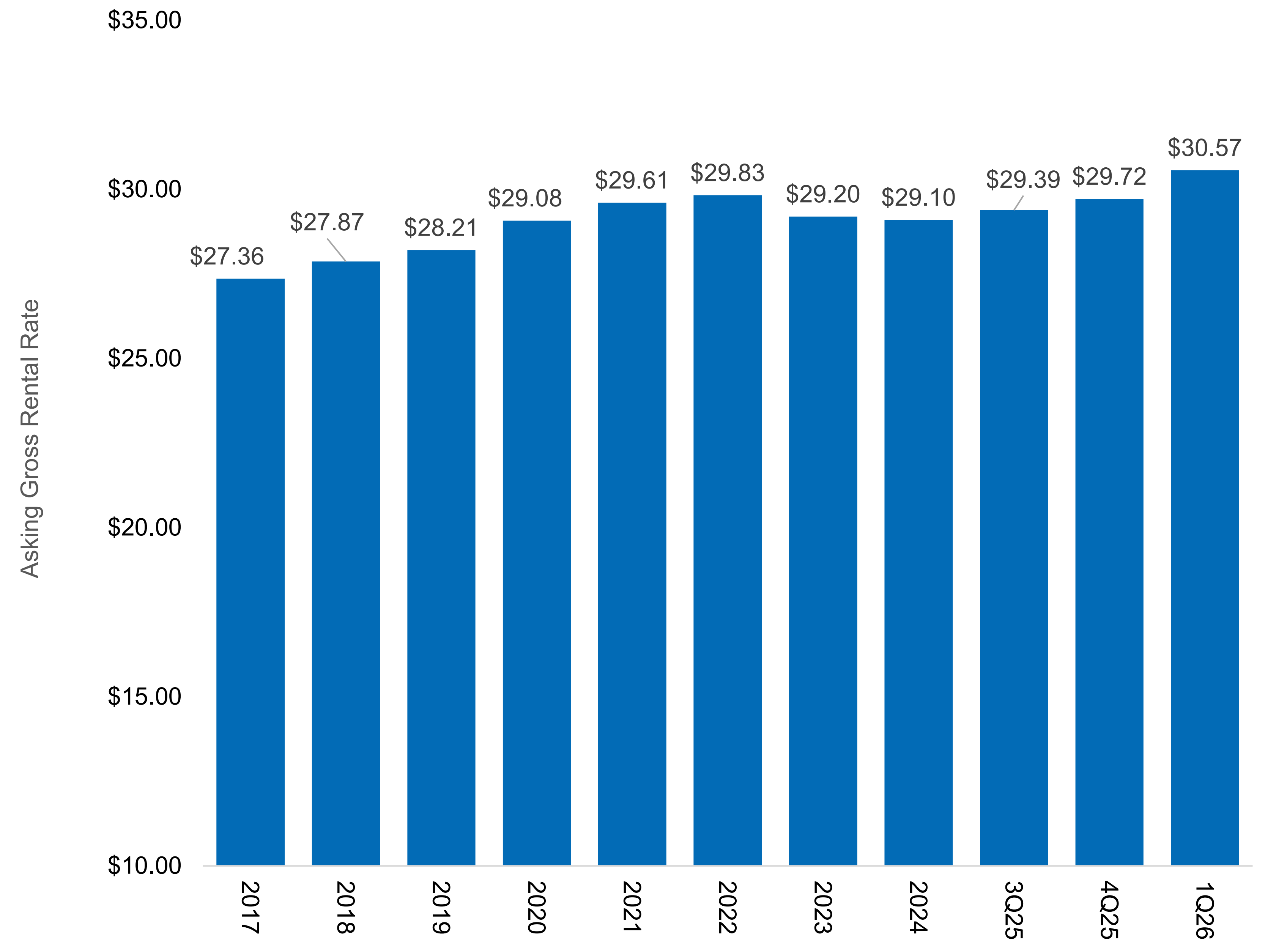


Source: Newmark Research, CoStar, MNCAR

Asking Rents Inch Higher as Occupancy Costs Decrease Due to Concessions

Landlords are holding or raising quoted rents to support asset values, but are increasingly offering higher tenant improvement allowances, free rent and flexible lease terms, making this a tenant-favorable market where concessions carry more weight than asking rates.

Office Average Asking Rent, $/SF, Gross



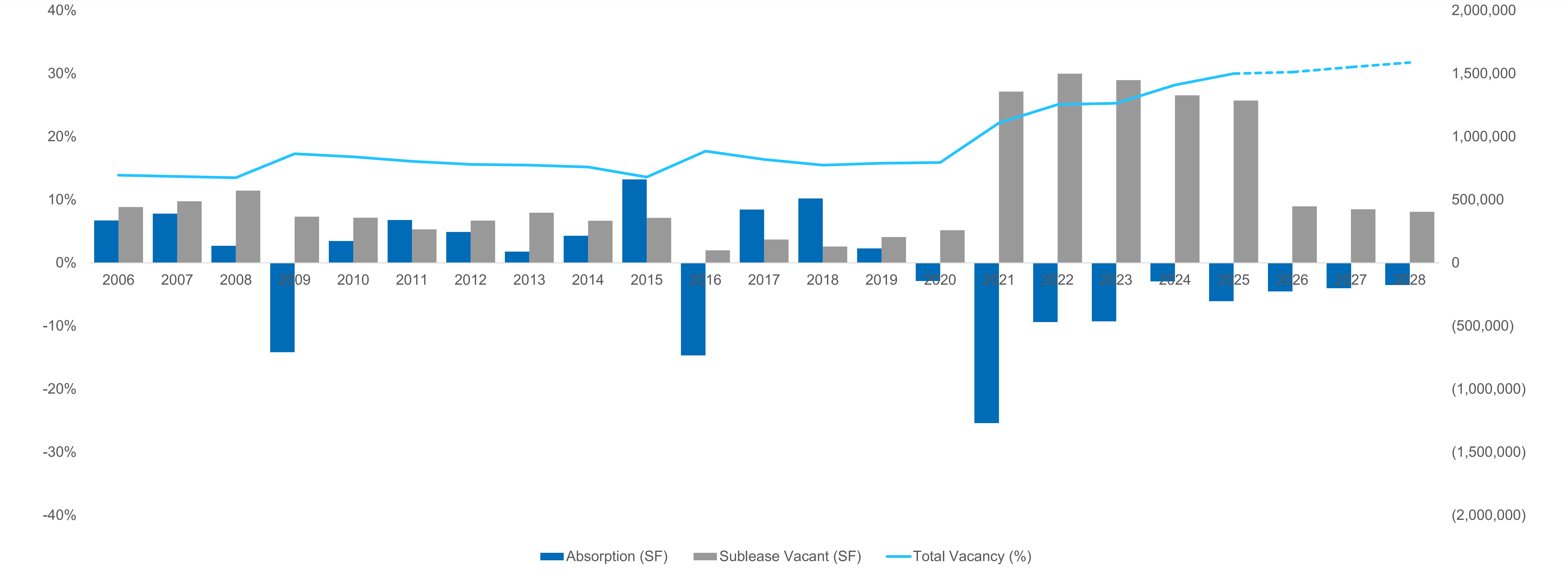
Year-over-Year Asking Gross Rent Growth Rate

Source: Newmark Research, CoStar

Conversions and Limited Development to Offset Rising CBD Vacancy

Downtown vacancy is projected to rise through 2028, potentially surpassing 31%, driven by weak tenant demand and continued space reductions. Target's $110 million lease buyout at City Center removes approximately 900,000 SF from the sublease market and reclassifies it as direct vacant space, underscoring the lasting impact of remote work strategies adopted since 2021.

CBD Absorption, Sublease & Total Vacancy

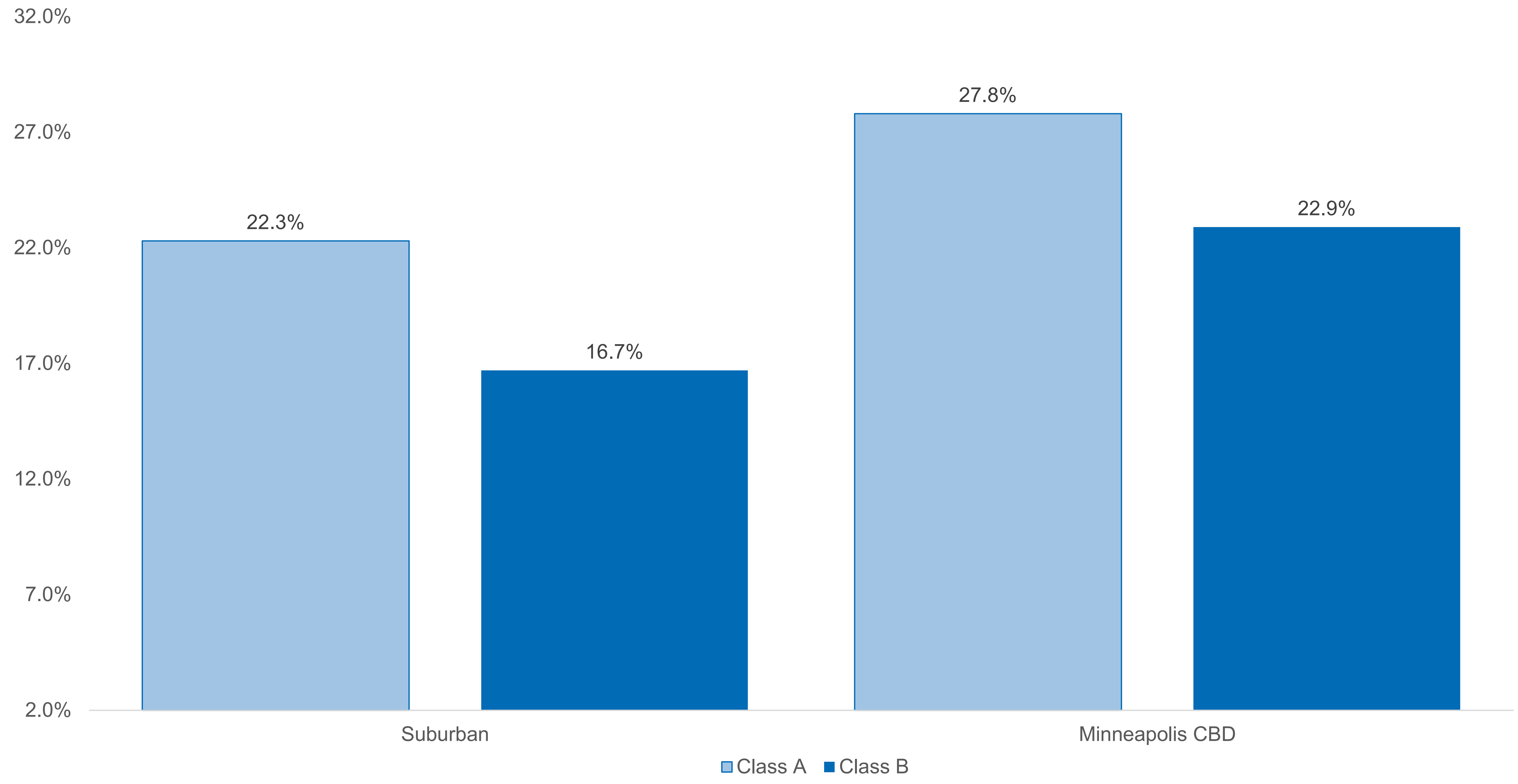


Source: Newmark Research, CoStar, MNCAR

Suburban Markets Outperform the CBD as Quality and Location Drive Demand

Vacancy remains lower across suburban submarkets than in the Minneapolis CBD. Class B vacancy in the suburbs is more stable than downtown, supported by a consistent base of value-oriented tenants. In many suburban locations, access and proximity often outweigh building class or amenities, allowing well-located Class B assets to outperform comparable downtown properties. Across both markets, demand remains concentrated in high-quality space, with buildings offering upgraded common areas and competitive tenant improvement packages continuing to outperform.

Vacancy by Class



Source: Newmark Research, CoStar
Multitenant properties

Office Transactions

Notable Lease Transactions

Tenant	Building	City	Submarket	Type	SF
AON	One Meridian Crossings	Richfield	Southeast	New	54,662
Northwestern Mutual	Solo 3311	Bloomington	Southwest	New	43,858
EY	US Bancorp Center	Minneapolis	Minneapolis CBD	New	41,294
Rise and Shine Partners	Loose Wiles Building	Minneapolis	Minneapolis CBD	New	24,000
Sequoia Financial Group	One Meridian Crossings	Richfield	Southeast	New	23,000
LeJeune Steel	The Nordic	Minneapolis	Minneapolis CBD	New	22,452
Coyote Logistics	1550 Tower at West End	St. Louis Park	West	New	18,272
Froehling Anderson	605 Waterford	Plymouth	West	New	18,149
Nilfisk	Atria Corporate Center	Plymouth	West	New	14,355

Source: Newmark Research, MNCAR

04

Statistics

Statistics – Multitenant Properties (page 1 of 2)

Submarkets – Minneapolis CBD

	Inventory	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	2025 Absorption	Q1 Absorption	Weighted AVG Rate (FSG)	UC
Class A	16,211,963	5,311,736	133,707	33.6%	(488,250)	43,645	$35.70	0
Class B	5,813,780	1,914,456	98,278	34.6%	(90,055)	(13,582)	$30.39	0
Class C	75,738	11,094	0	14.6%	0	0	$21.00	0
Core Total	**22,101,481**	**7,237,286**	**231,985**	**33.8%**	**(578,305)**	**30,063**	**$34.20**	**0**
Class A	163,400	10,450	59,477	42.8%	140	0	$35.15	0
Class B	527,912	136,084	0	25.8%	8,241	(2,696)	$30.85	0
Class C	109,111	48,807	0	44.7%	7,230	0	$21.50	0
East Total	**800,423**	**195,341**	**59,477**	**31.8%**	**15,611**	**(2,696)**	**$31.68**	**0**
Class B	48,012	3,597	0	7.5%	(14,640)	11,043	$22.00	0
Class C	96,724	0	0	0.0%	3,207	0	$13.00	0
Loring Total	**144,736**	**3,597**	**0**	**2.5%**	**(11,433)**	**11,043**	**$15.83**	**0**
Class A	200,739	4,162	0	2.1%	0	0	$28.14	0
Class B	1,420,507	195,716	34,556	16.2%	(4,300)	(663)	$26.81	0
Class C	989,285	48,877	0	4.9%	(8,709)	18,743	$20.54	0
Northeast Total	**2,610,531**	**248,755**	**34,556**	**10.9%**	**(13,009)**	**18,080**	**$25.14**	**0**
Class A	1,330,973	234,089	82,738	23.8%	165,852	(21,228)	$38.85	0
Class B	1,087,351	255,433	24,827	25.8%	415	16,768	$35.52	0
Class C	273,320	51,489	2,341	19.7%	(2,874)	0	$27.44	0
Northloop Total	**2,691,644**	**541,011**	**109,906**	**24.2%**	**163,393**	**(4,460)**	**$35.93**	**0**
Class A	434,333	20,004	0	4.6%	(1,214)	0	$33.79	0
Class B	1,367,140	377,909	11,666	28.5%	60,785	(6,537)	$29.80	0
Class C	161,093	67,727	0	42.0%	(15,869)	11,323	$22.06	0
Warehouse Total	**1,962,566**	**465,640**	**11,666**	**24.3%**	**43,702**	**4,786**	**$28.78**	**0**
Class A	18,341,408	5,580,441	275,922	31.9%	(306,113)	22,417	$35.86	0
Class B	10,264,702	2,883,195	169,327	29.7%	(10,945)	4,333	$30.55	0
Class C	1,705,271	227,994	2,341	13.5%	13,481	30,066	$23.88	0
Mpls CBD Total	**30,311,381**	**8,691,630**	**447,590**	**30.2%**	**(303,577)**	**56,816**	**$33.76**	**0**

Source: Newmark Research, MNCAR, Costar
Data includes multitenant office properties 20,000 SF or larger.

Statistics – Multitenant Properties (page 2 of 2)

Submarkets – Minneapolis CBD

	Inventory	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	2025 Absorption	Q1 Absorption	Weighted AVG Rate (FSG)	UC
Class A	2,005,781	391,797	108,576	24.9%	(15,704)	24,353	$29.92	0
Class B	3,814,416	1,700,087	14,495	45.0%	(292,054)	1,282	$20.83	0
Class C	345,484	83,746	0	24.2%	(14,417)	(741)	$17.00	0
St. Paul CBD Total	**6,165,681**	**2,175,630**	**123,071**	**37.3%**	**(322,175)**	**24,894**	**$25.30**	**0**
Class A	535,976	37,992	29,080	12.5%	1,785	4,235	$26.98	0
Class B	6,198,759	580,235	0	9.4%	11,420	(13,421)	$21.03	0
Class C	1,157,609	120,249	0	10.4%	11,125	(328)	$20.52	0
Northeast Total	**7,892,344**	**738,476**	**29,080**	**9.7%**	**24,330**	**(9,514)**	**$21.83**	**0**
Class A	451,567	16,094	5,532	4.8%	2,888	19,496	$23.30	0
Class B	2,278,607	422,869	1,951	18.6%	7,041	17,867	$20.91	0
Class C	362,578	2,848	2,742	1.5%	2,088	(16,078)	$9.02	0
Northwest Total	**3,092,752**	**441,811**	**10,225**	**14.6%**	**12,017**	**21,285**	**$20.78**	**0**
Class A	1,583,842	464,022	10,501	30.0%	61,859	61,494	$35.69	0
Class B	4,269,770	848,018	44,353	20.9%	211,281	(55,802)	$22.10	0
Class C	1,381,938	153,651	1,500	11.2%	(10,966)	(6,519)	$18.08	0
Southeast Total	**7,235,550**	**1,465,691**	**56,354**	**21.0%**	**262,174**	**(827)**	**$25.97**	**0**
Class A	6,605,715	1,373,013	288,701	25.2%	43,472	(200,377)	$34.12	268,621
Class B	6,935,234	1,290,341	273,458	22.5%	29,132	(12,247)	$28.20	0
Class C	2,182,225	307,641	0	14.1%	(105,717)	32,346	$24.79	0
Southwest Total	**15,723,174**	**2,970,995**	**562,159**	**22.5%**	**(33,113)**	**(180,278)**	**$31.23**	**268,621**
Class A	3,809,631	663,024	14,183	17.8%	84,105	27,175	$40.53	0
Class B	5,291,364	659,387	59,925	13.6%	160,217	(2,997)	$27.53	0
Class C	1,134,156	95,065	35,290	11.5%	26,582	(10,962)	$26.22	0
West Total	**10,235,151**	**1,417,476**	**109,398**	**14.9%**	**270,904**	**13,216**	**$31.35**	
Class A	33,333,920	8,526,383	732,495	27.8%	(127,708)	(41,207)	$35.19	268,621
Class B	39,052,852	8,384,132	563,509	22.9%	116,092	(60,985)	$26.84	0
Class C	8,269,261	991,194	41,873	12.5%	(77,824)	27,784	$22.45	0
Overall Total	**80,656,033**	**17,901,709**	**1,337,877**	**23.9%**	**(89,440)**	**(74,408)**	**$30.94**	**268,621**

Source: Newmark Research, MNCAR, Costar
Data includes multitenant office properties 20,000 SF or larger.

Statistics Single & Multitenant (page 1 of 2)

Submarkets – Minneapolis CBD

	Inventory	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	2025 Absorption	Q1 Absorption	Weighted AVG Rate (FSG)	UC
Class A	17,647,759	5,311,736	133,707	30.9%	(488,250)	43,645	$35.70	0
Class B	5,968,561	1,914,456	98,278	33.7%	(62,659)	(13,582)	$30.39	0
Class C	110,657	11,094	0	10.0%	(6,772)	0	$21.00	0
Core Total	**23,726,977**	**7,237,286**	**231,985**	**31.5%**	**(557,681)**	**30,063**	**$34.20**	**0**
Class A	263,400	10,450	59,477	26.5%	(140)	0	$35.15	0
Class B	879,568	136,084	0	15.5%	29,127	(2,696)	$30.85	0
Class C	222,687	63,670	0	28.6%	67,557	0	$11.23	0
East Total	**1,365,655**	**210,204**	**59,477**	**19.7%**	**96,544**	**(2,696)**	**$30.11**	**0**
Class B	58,312	3,597	0	6.2%	(14,640)	11,043	$22.00	0
Class C	169,048	0	0	0.0%	20,655	0	$13.00	0
Loring Total	**227,360**	**3,597**	**0**	**1.6%**	**6,015**	**11,043**	**$15.83**	**0**
Class A	200,739	4,162	0	2.1%	17,639	0	$28.14	0
Class B	1,559,461	195,716	34,556	14.8%	17,028	(663)	$26.81	0
Class C	1,149,702	70,413	0	6.1%	(50,416)	18,743	$19.97	0
Northeast Total	**2,909,902**	**270,291**	**34,556**	**10.5%**	**(15,749)**	**18,080**	**$24.51**	**0**
Class A	1,623,973	234,089	152,988	23.8%	165,852	(21,228)	$38.85	0
Class B	1,199,143	261,833	24,827	23.9%	415	16,768	$35.28	0
Class C	329,449	51,489	2,341	16.3%	(2,874)	0	$27.44	0
Northloop Total	**3,152,565**	**547,411**	**180,156**	**23.1%**	**163,393**	**(4,460)**	**$35.84**	**0**
Class A	434,333	20,004	0	4.6%	(1,214)	0	$33.79	0
Class B	1,417,259	377,909	11,666	27.5%	60,785	(6,537)	$29.80	0
Class C	205,565	67,727	0	32.9%	(15,869)	11,323	$22.06	0
Warehouse Total	**2,057,157**	**465,640**	**11,666**	**23.2%**	**43,702**	**4,786**	**$28.78**	**0**
Class A	20,170,204	5,580,441	346,172	29.4%	(306,113)	22,417	$35.86	0
Class B	11,082,304	2,889,595	169,327	27.6%	30,056	4,333	$30.54	0
Class C	2,187,108	264,393	2,341	12.2%	12,281	30,066	$22.39	0
MPLS CBD Total	**33,439,616**	**8,734,429**	**517,840**	**27.7%**	**(263,776)**	**56,816**	**$33.67**	**0**

Source: Newmark Research, MNCAR, Costar
Data includes single and multitenant leased office properties

Statistics Single & Multitenant (page 2 of 2)

Submarkets – Minneapolis CBD

	Inventory	Direct Vacant	Sublease Vacant	Vacancy % (w/sublease)	2025 Absorption	Q1 Absorption	Weighted AVG Rate (FSG)	UC
Class A	2,005,781	391,797	108,576	24.9%	(15,704)	24,353	$29.92	0
Class B	4,232,981	1,836,087	14,495	43.7%	(292,054)	1,282	$20.83	0
Class C	345,484	83,746	0	24.2%	(14,417)	(741)	$17.14	0
St. Paul CBD Total	**6,584,246**	**2,311,630**	**123,071**	**37.0%**	**(322,175)**	**24,894**	**$25.30**	**0**
Class A	1,405,396	37,992	29,080	4.8%	1,785	19,496	$26.98	0
Class B	12,093,662	803,453	8,930	6.7%	(5,184)	21,781	$21.11	0
Class C	3,357,738	175,927	0	5.2%	16,386	(17,757)	$20.26	0
Northeast Total	**16,856,796**	**1,017,372**	**38,010**	**6.3%**	**12,987**	**23,520**	**$21.65**	**0**
Class A	972,899	174,606	5,532	18.5%	383,202	30,969	$27.70	0
Class B	3,604,824	433,417	2,737	12.1%	46,105	(2,911)	$21.28	0
Class C	1,041,761	10,272	2,742	1.2%	4,192	(616)	$14.73	0
Northwest Total	**5,619,484**	**618,295**	**11,011**	**11.2%**	**433,499**	**27,442**	**$23.19**	**0**
Class A	2,773,041	585,610	246,501	30.0%	86,908	49,968	$33.42	0
Class B	7,733,310	913,460	44,353	12.4%	(63,958)	(25,531)	$21.85	0
Class C	3,342,692	174,644	5,278	5.4%	19,431	(3,748)	$17.83	0
Southeast Total	**13,849,043**	**1,673,714**	**296,132**	**14.2%**	**42,381**	**20,689**	**$25.20**	**0**
Class A	7,723,709	1,414,825	296,544	22.2%	40,125	(208,220)	$34.13	268,621
Class B	10,193,000	2,476,670	423,176	28.4%	86,496	79,850	$28.72	0
Class C	4,511,416	379,254	0	8.4%	(143,327)	13,922	$24.42	0
Southwest Total	**22,428,125**	**4,270,749**	**719,720**	**22.3%**	**(16,706)**	**(114,448)**	**$31.10**	**268,621**
Class A	3,931,631	663,024	14,183	17.2%	84,105	27,175	$40.53	0
Class B	5,676,755	665,282	63,698	12.8%	174,010	(6,770)	$27.43	0
Class C	1,854,688	123,134	35,290	8.5%	31,756	(9,532)	$24.97	0
West Total	**11,463,074**	**1,451,440**	**113,171**	**13.6%**	**289,871**	**10,873**	**$31.12**	**0**
Class A	38,982,661	8,848,295	1,046,588	25.4%	274,308	(33,842)	$34.91	268,621
Class B	54,616,836	10,017,964	726,716	19.7%	180,742	72,034	$26.79	0
Class C	16,640,887	1,211,370	45,651	7.6%	(82,001)	11,594	$21.62	0
Overall Total	**110,240,384**	**20,077,629**	**1,818,955**	**19.9%**	**373,049**	**49,786**	**$30.57**	**268,621**

Source: Newmark Research, MNCAR, Costar
Data includes single and multitenant leased office properties

05

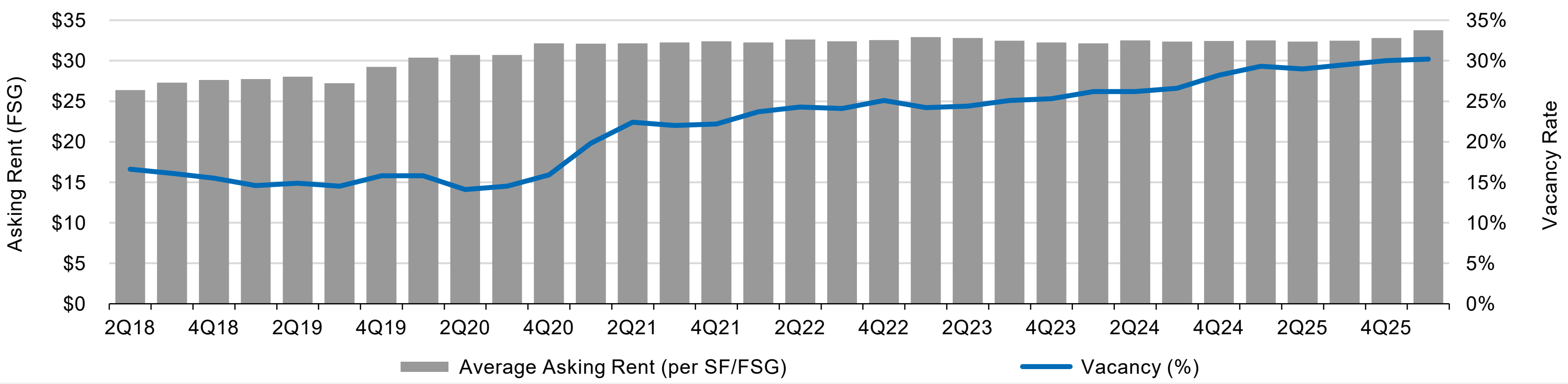
Submarkets

Minneapolis CBD

Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	30.3M	30.8M	30.5M
Vacancy Rate	30.2%	30.0%	28.2%
Quarterly Net Absorption (SF)	56,816	(96,576)	(76,359)
Average Asking Rent/SF	$33.76	$32.82	$32.44
Under Construction (SF)	0	0	0

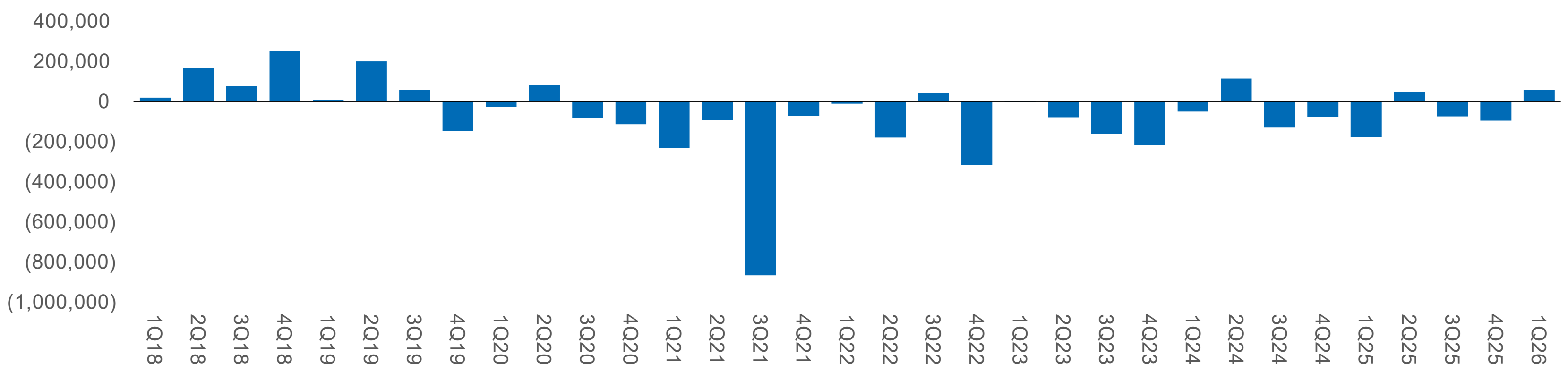
Asking Rent & Vacancy Rate



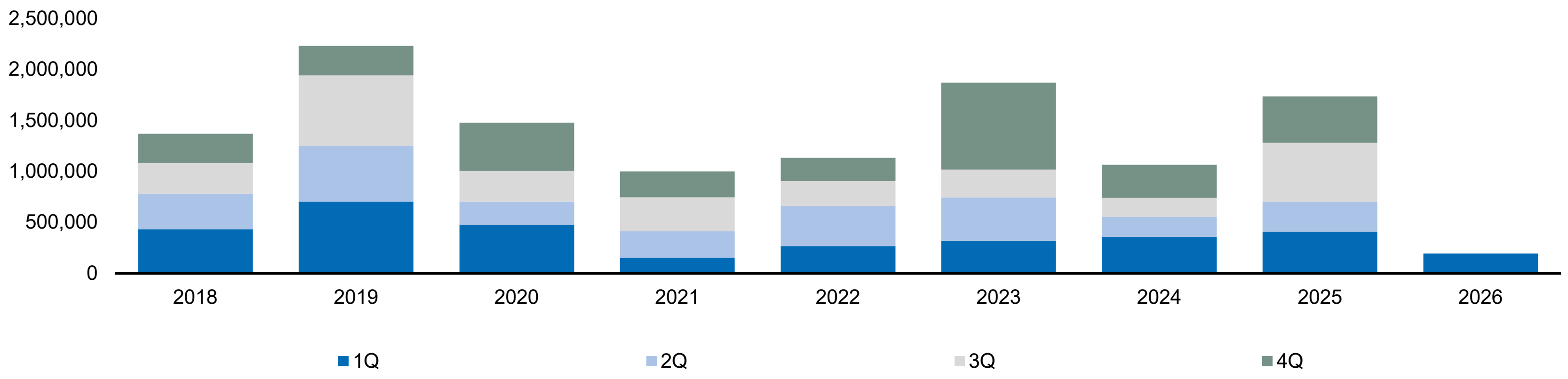
Current Market Trends

- Landlords of major mixed-use towers on Nicollet, including City Center, the Dayton's Project and IDS Center, are contending with elevated office vacancy and weak retail performance, limiting their ability to fund large-scale reinvestment and repositioning.
- Civic and business leaders are pushing a shift away from a traditional retail-focused model toward experience-oriented ground-floor uses, including event venues and artist studios, as a strategy to reactivate underused space and support upper-floor office tenancy.
- Minneapolis-based Space Unlimited purchased the Lumber Exchange building in downtown Minneapolis for $1 after the property entered special servicing due to a payment default. It had originally been marketed as a potential residential conversion opportunity. Space Unlimited, which specializes in restoring historic buildings, is planning a conversion into space for artists and the fashion industry. The company previously acquired the Kickernick Building in Minneapolis' Warehouse District for a similar artist-focused renovation.
- Downtown Minneapolis' Northstar Center is being marketed for sale following a $96 million renovation completed in 2024 that upgraded offices, common areas and amenities to a hospitality-style standard. To date, owner Taconic Capital has signed one office tenant, Special Olympics Minnesota, which recently moved into a remodeled ninth-floor space.
- LeJeune Steel will relocate its headquarters from a south Minneapolis complex to a 26,000 SF office at The Nordic in the North Loop, while moving factory operations to an existing Wisconsin facility, reflecting continued interest in urban office locations as industrial production shifts out of the CBD.
- UCare has listed its 210,000 SF Minneapolis headquarters in Northeast Minneapolis for sale or lease as the health insurer winds down operations.
- Minneapolis-based advertising agency Rise and Shine and Partners is relocating its headquarters from Linden Hills to the historic Loose Wiles building in the North Loop. The firm will occupy 24,000 SF across the sixth and seventh floors, more than double its current 10,500 SF footprint across two Linden Hills locations. The move consolidates employees into a single location with expanded collaboration and conference space.

Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

St. Paul CBD

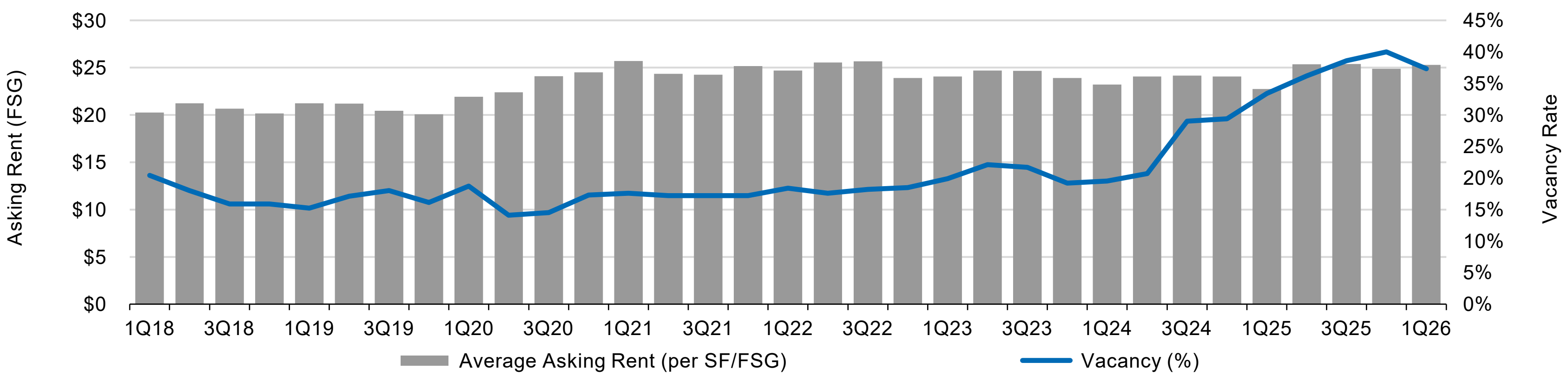
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	6.2M	6.4M	6.5M
Vacancy Rate	37.3%	40.0%	29.4%
Quarterly Net Absorption (SF)	24,894	(88,804)	(21,017)
Average Asking Rent/SF	$25.30	$24.88	$24.07
Under Construction (SF)	0	0	0

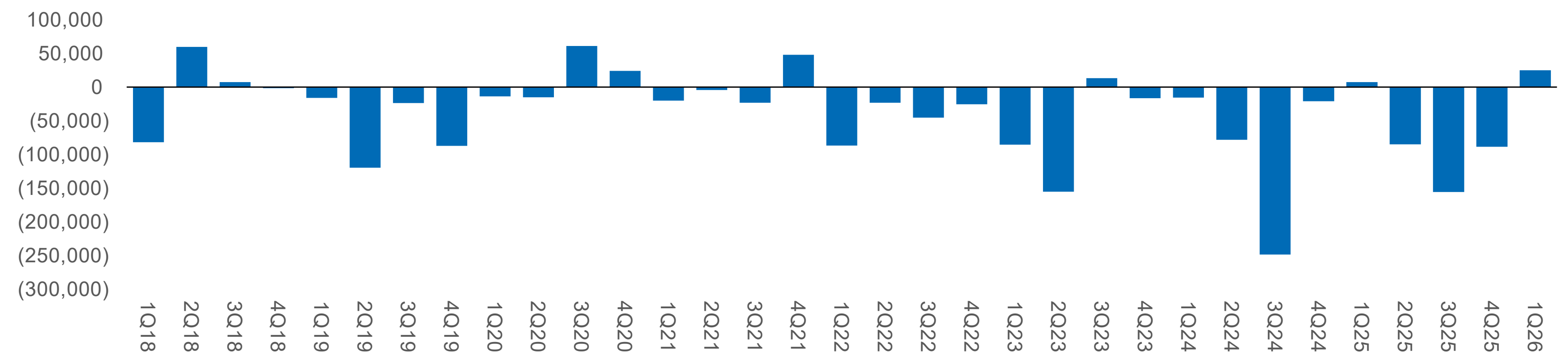
Current Market Trends

- Absorption was positive at 24,894 SF, and vacancy decreased to 37.4%, down from 40.0% at the end of 2024.
- The vacancy decline was driven in part by the removal of several high-vacancy properties from inventory, including Alliance Bank Center Tower and the Grace Building, both of which are likely candidates for redevelopment.
- The St. Paul Downtown Development Corporation announced a new $30 million St. Paul-focused fund backed by Securian Financial and the Bush Foundation to support CBD revitalization.
- The organization has also acquired several assets tied to Madison Equities, including Alliance Bank Center, Empire Building, Endicott Arcade and the Capital City parking ramp, as part of broader downtown stabilization efforts.

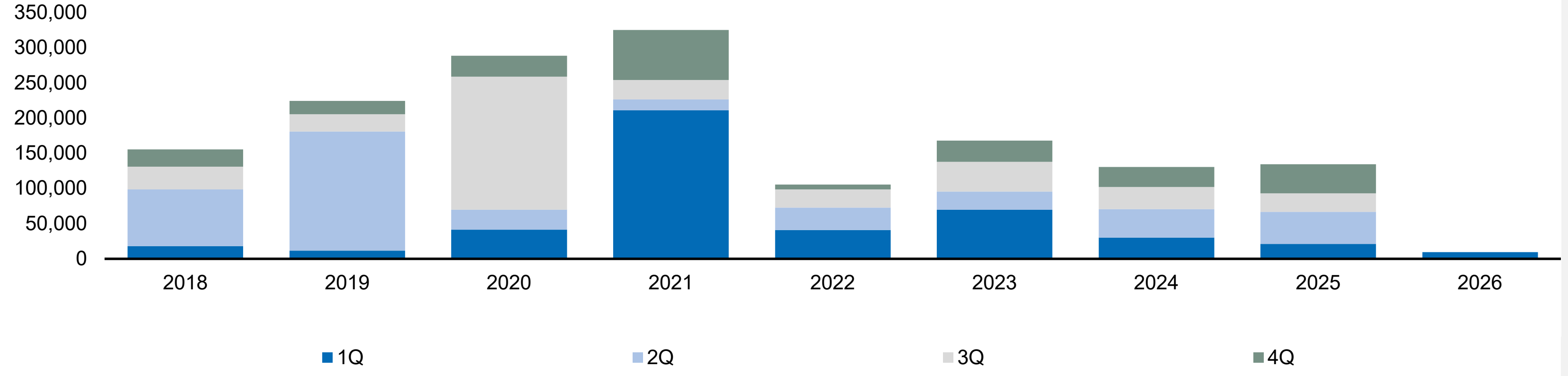
Asking Rent & Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity

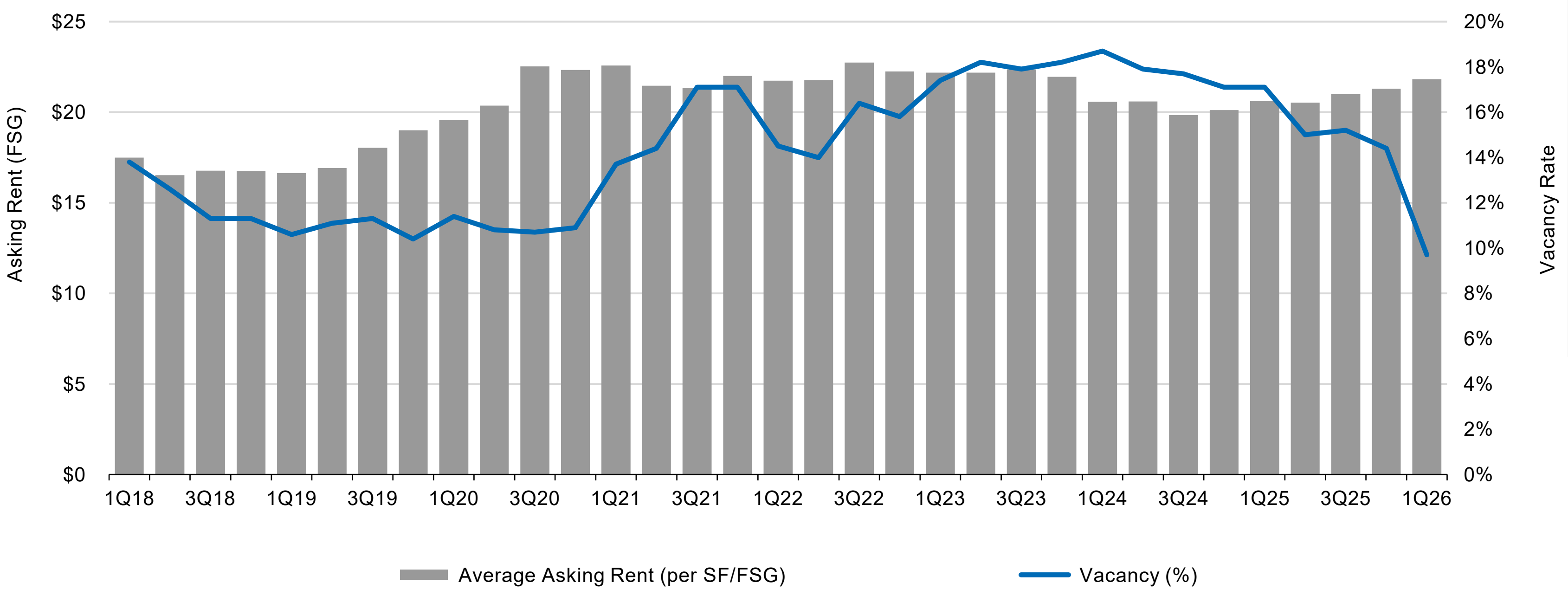


Northeast

Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	7.9M	8.5M	8.8M
Vacancy Rate	9.7%	14.4%	17.1%
Quarterly Net Absorption (SF)	(9,514)	64,372	50,786
Average Asking Rent/SF	$21.83	$21.29	$20.12
Under Construction (SF)	0	0	0

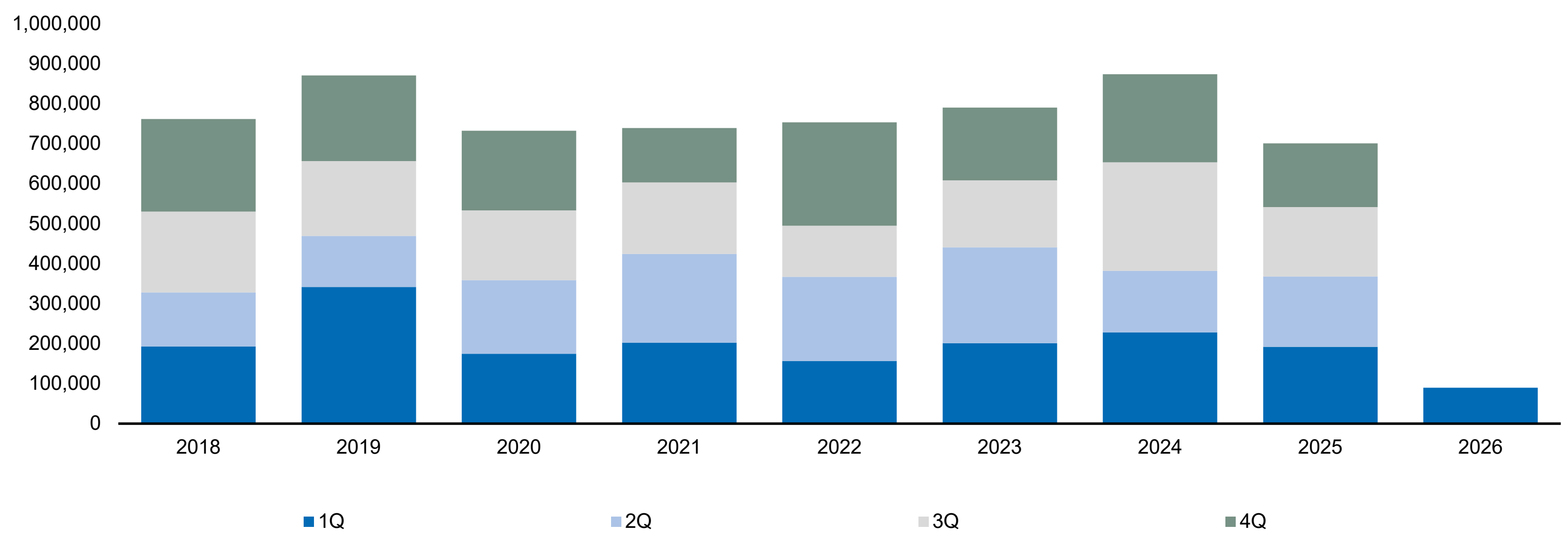
Asking Rent & Vacancy Rate



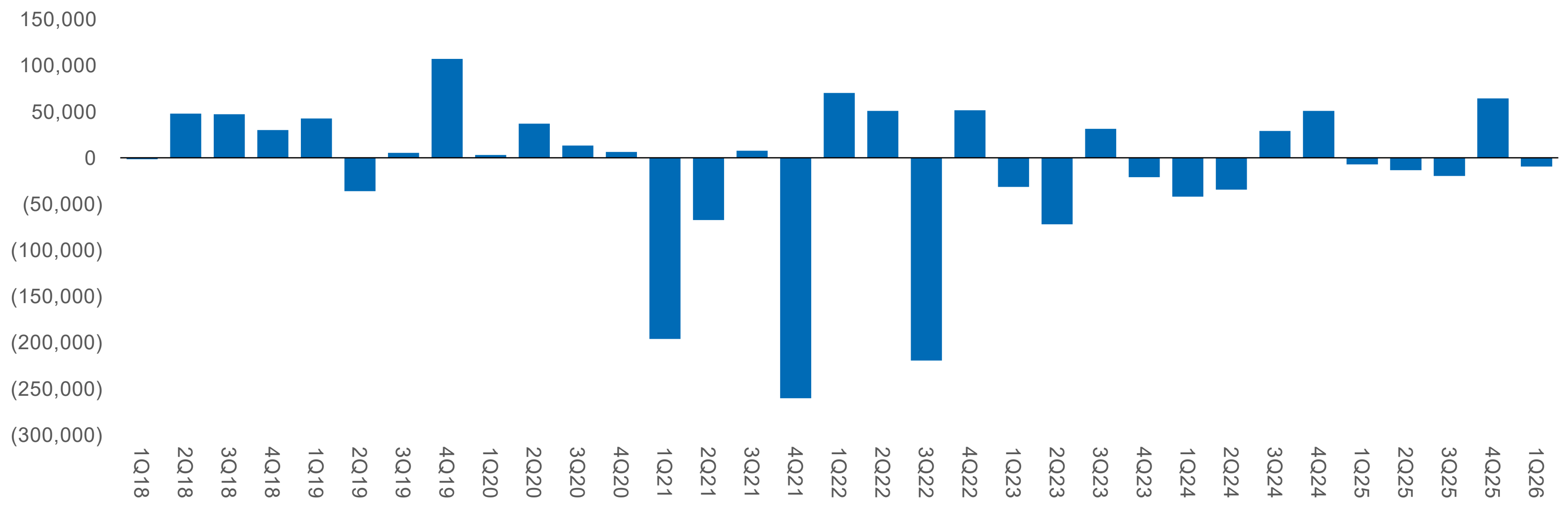
Current Market Trends

- Vacancy in the submarket decreased from 15.2% to 14.4%, with positive absorption of 64,372 SF.
- Encompass acquired two buildings totaling 118,000 SF at the Northpark Corporate Center in Arden Hills for $13.8 million.
- The multitenant properties are nearly fully leased, reflecting investor demand for well-leased, well-located suburban office product.

Overall Leasing Activity



Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

Northwest

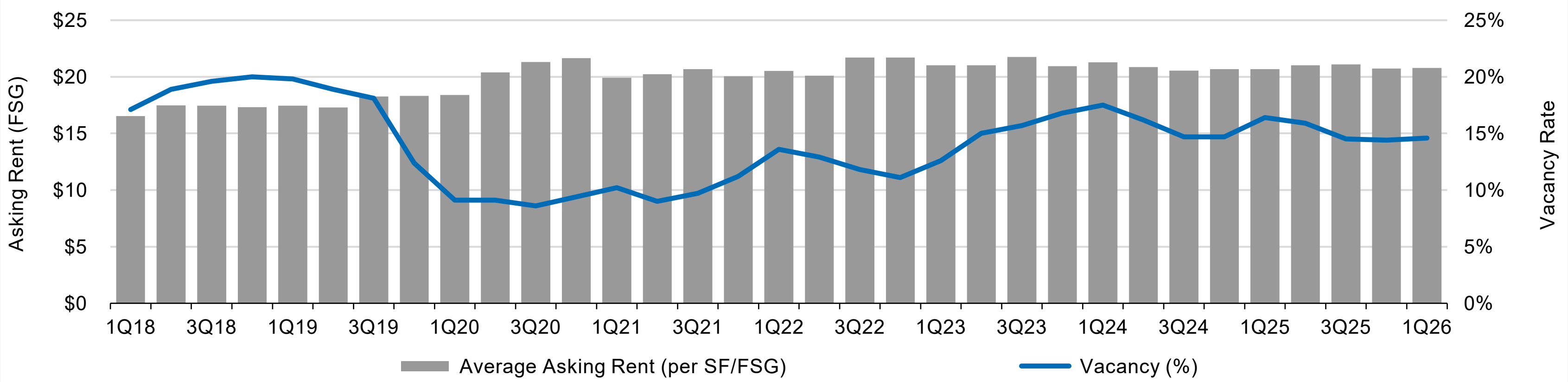
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	3.1M	3.1M	3.1M
Vacancy Rate	14.6%	14.4%	14.7%
Quarterly Net Absorption (SF)	21,285	4,533	(1,652)
Average Asking Rent/SF	$20.78	$20.74	$20.69
Under Construction (SF)	0	0	0

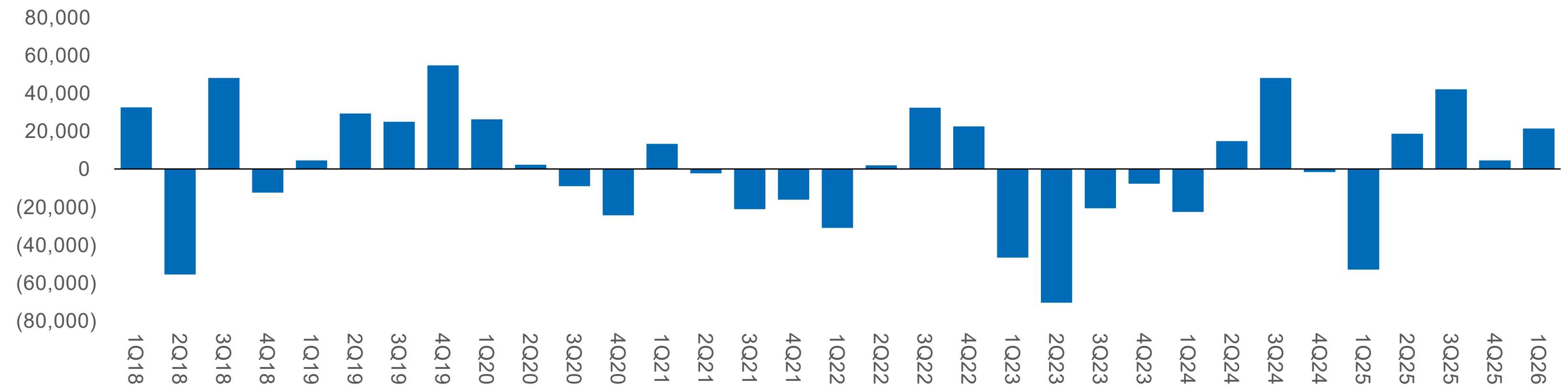
Current Market Trends

- The Northwest submarket vacancy rate among multitenant properties is 14.6%, with absorption of 21,285 SF.
- The Northwest is the smallest suburban multitenant submarket tracked at 3.1 MSF, compared with the next largest, the Northeast, at 8.5 MSF. Despite its size, the submarket has seen notable corporate campus activity in recent quarters.
- Graco Inc. is advancing plans for a new 96,000 SF global headquarters in Dayton, replacing its longtime headquarters in northeast Minneapolis, where the company has operated since the 1940s.
- The relocation is part of a broader consolidation of Graco's Minnesota operations to its northwest metro campuses in Rogers, Dayton and Anoka, where the company has expanded manufacturing and office facilities.
- Boston Scientific completed and opened its 400,000 SF, $170 million campus in Maple Grove, consolidating office, R&D and operations for more than 1,500 employees.

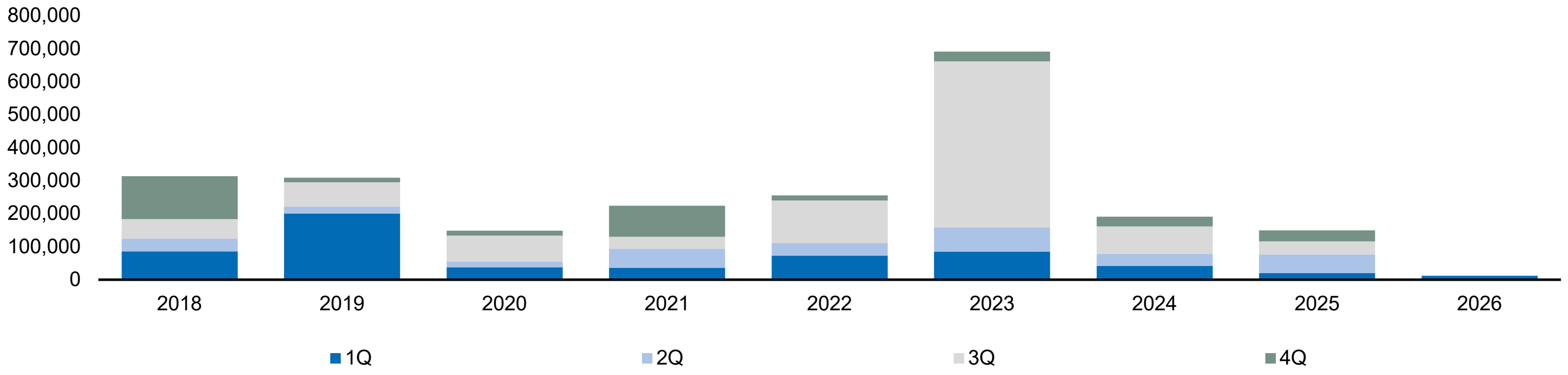
Asking Rent & Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Southeast

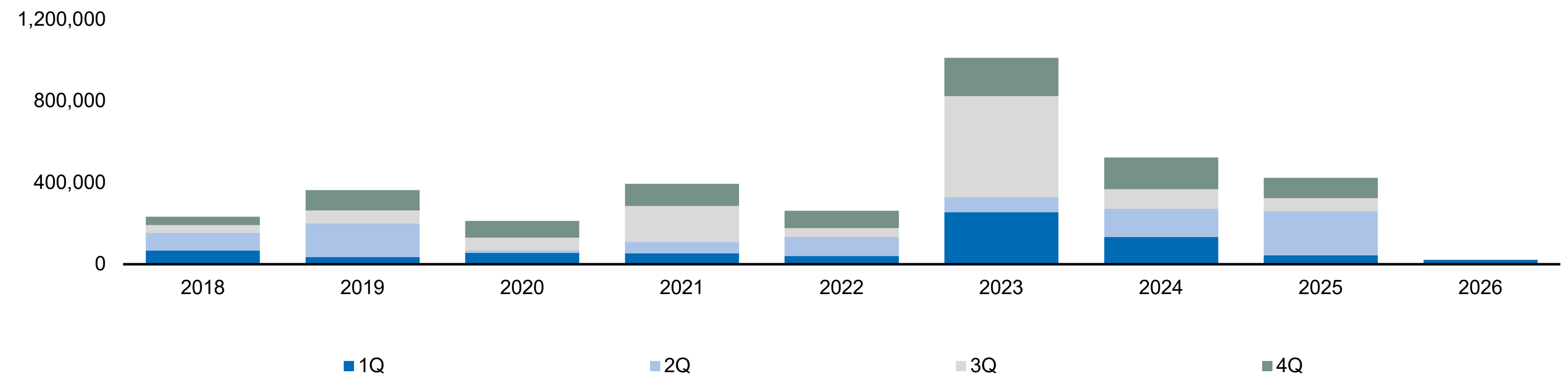
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	7.2M	7.3M	7.0M
Vacancy Rate	21.0%	20.9%	24.2%
Quarterly Net Absorption (SF)	(827)	109,103	(56,629)
Average Asking Rent/SF	$25.97	$25.31	$23.13
Under Construction (SF)	0	0	0

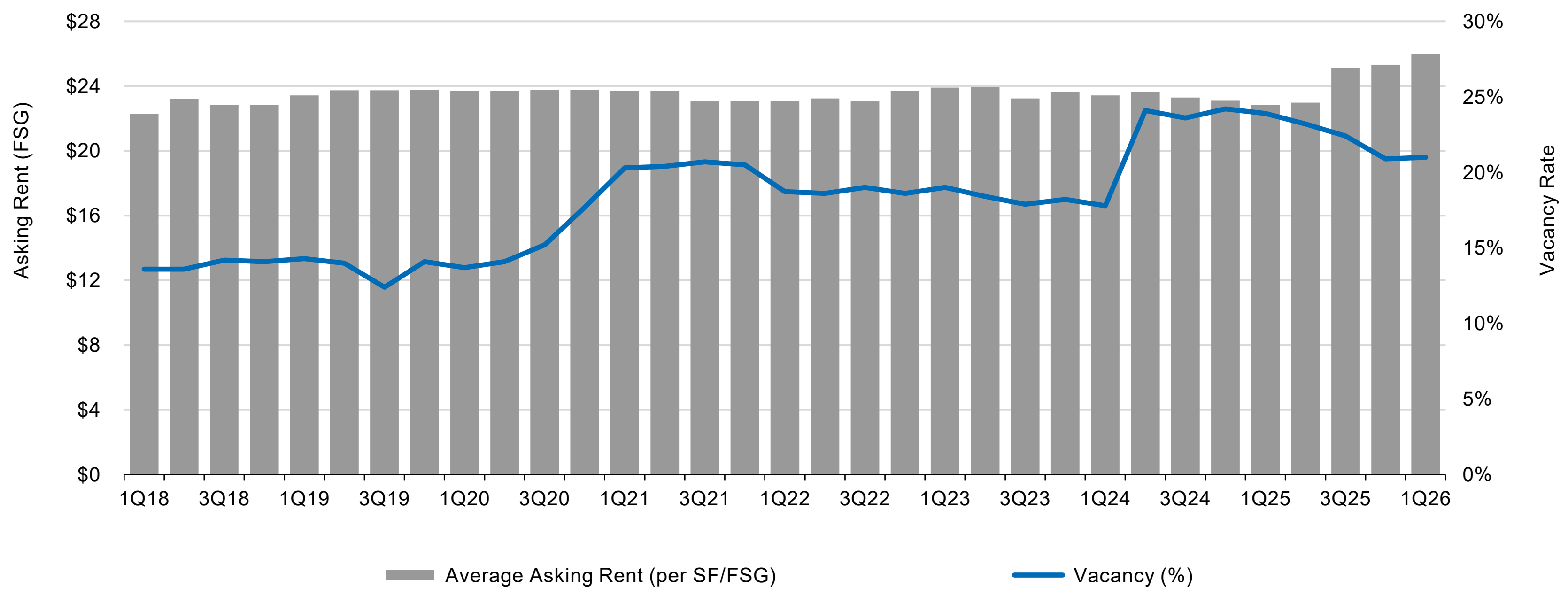
Current Market Trends

- Vacancy increased slightly to 21.0%, with negative absorption of 827 SF.
- Leasing momentum continues at Meridian Crossings, a two-building office complex in Richfield, where AON has leased 54,662 SF and Sequoia has leased 23,000 SF at 1 Meridian, following prior commitments from AgriBank (45,000 SF) and Barr Engineering (three floors). This activity highlights the advantage of well-capitalized landlords that can invest in common area upgrades and tenant improvement packages.
- Northwestern Mutual is relocating its 150-person Mendota Heights office to lease the 44,000 SF top floor of the Solo 3311 building in Bloomington, using the move to access upgraded amenities while expanding its footprint for future growth.

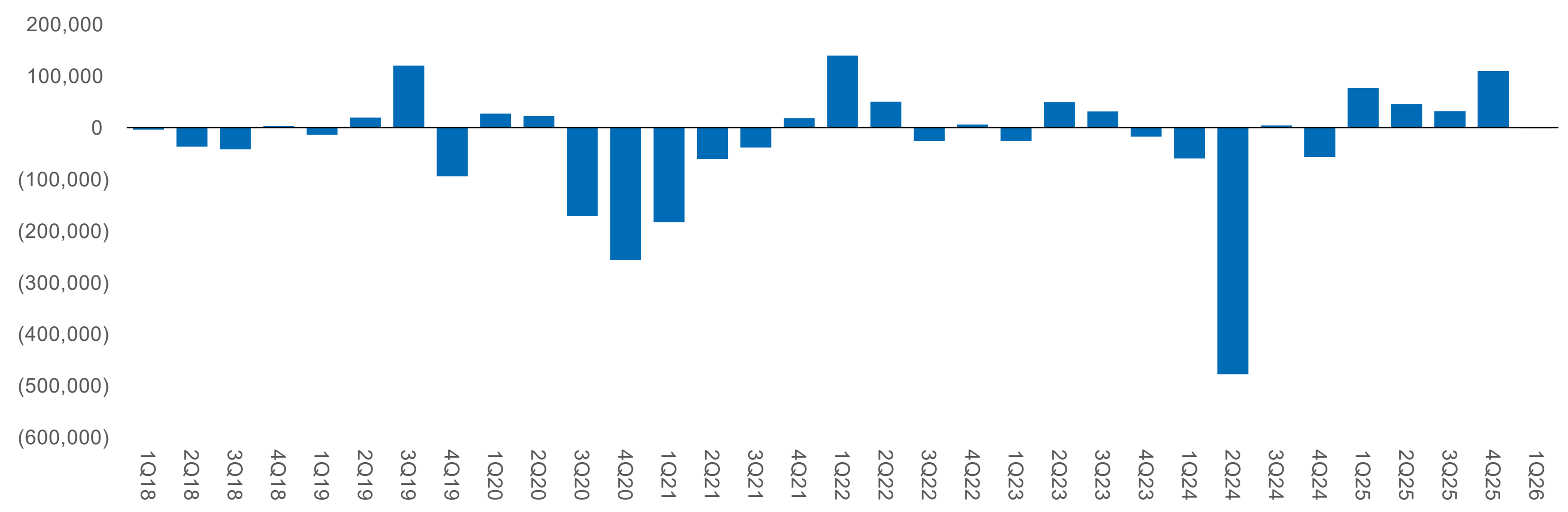
Overall Leasing Activity



Asking Rent & Vacancy Rate



Net Absorption (SF)



Source: Newmark Research, MNCAR, Costar

Southwest

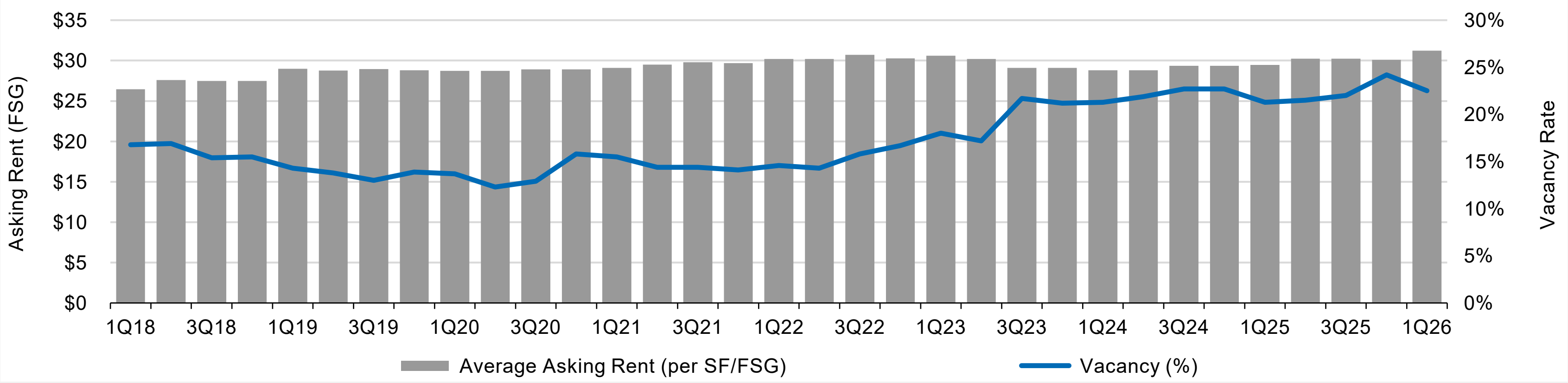
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	15.7M	16.5M	16.6M
Vacancy Rate	22.5%	24.2%	22.7%
Quarterly Net Absorption (SF)	(180,278)	(285,986)	(259)
Average Asking Rent/SF	$31.23	$30.08	$29.34
Under Construction (SF)	268,621	240,000	0

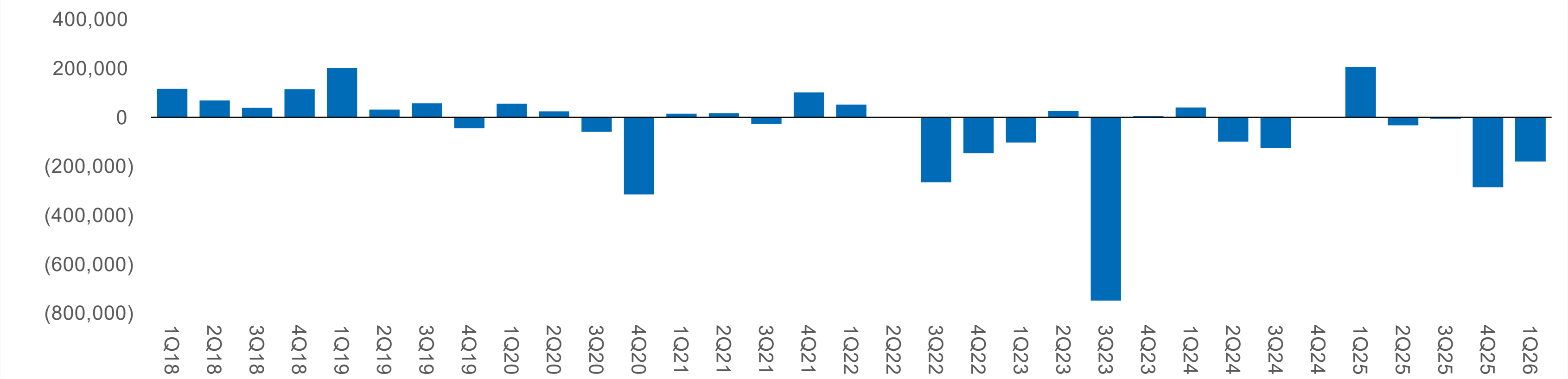
Current Market Trends

- Vacancy decreased to 22.5% despite negative absorption of 180,278 SF, driven by the removal of approximately 700,000 SF at the Best Buy Corporate Center in Richfield from tracked inventory. Approximately 600,000 SF had been marketed at the owner-occupied campus, but that option is no longer competitive in the market.
- Part of the MoZaic office and retail complex in Uptown Minneapolis has traded in a foreclosure sale, with the lender, First National Bank of Omaha, acquiring the roughly 78,000-square-foot MoZaic West building and Lagoon Cinema for $7 million. MoZaic East, a 188,000-square-foot office and retail building is scheduled for its own foreclosure auction in April. LLCs tied to developer Stuart Ackerberg own both the west and east MoZaic properties and owe more than $55 million to the lender.
- Opus' 86,000 square foot former headquarters in Minnetonka is being marketed for sale or lease. There are plans for demolition of the former Digital River office building, connected to the former Opus campus, which will clear obsolete space and create a redevelopment-ready opportunity alongside an existing office asset. Opus is building a new headquarters in Edina.
- One Corporate Center II in Edina, the former Dairy Queen corporate headquarters, sold for $13.4 million. The seller, Hempel, purchased the building from Dairy Queen for $7 million in 2019 and subsequently upgraded its amenities. The 112,000 SF property was 98% occupied at the time of sale, with tenants including Ebenezer Senior Living and Management Services, CAMP Digital and various accounting and financial services firms.

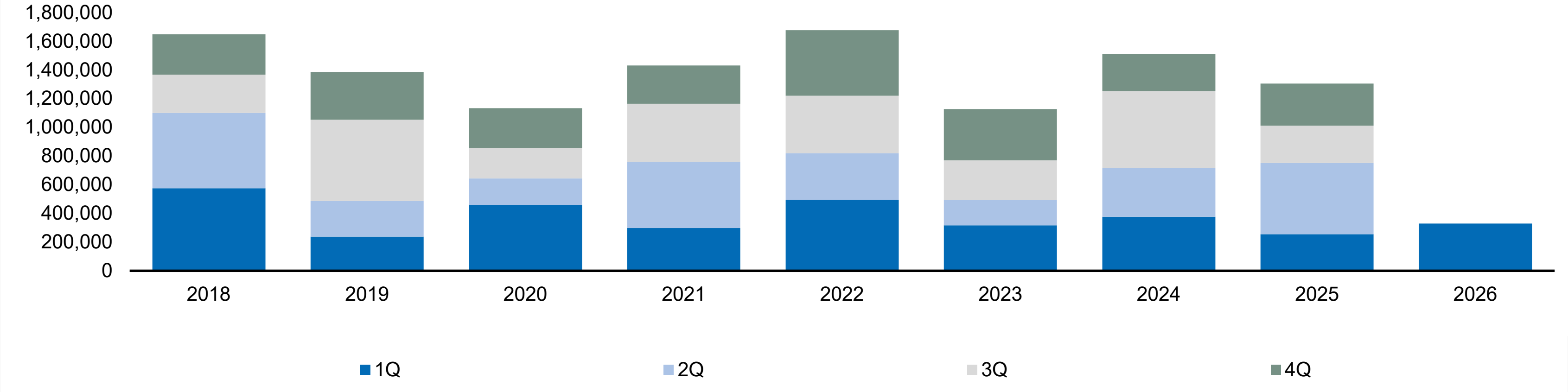
Asking Rent & Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



Source: Newmark Research, MNCAR, Costar

West

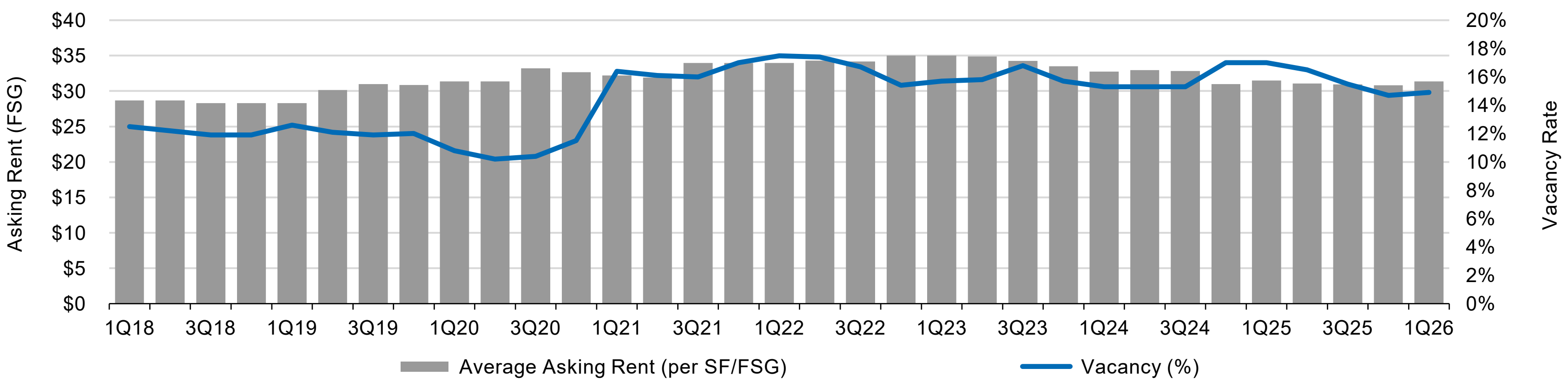
Statistical Summary

	Current Quarter	Prior Quarter	Year Ago Period
Total Inventory (SF)	10.2M	10.4M	10.4M
Vacancy Rate	14.9%	14.7%	17.0%
Quarterly Net Absorption (SF)	13,216	75,914	(114,895)
Average Asking Rent/SF	$31.35	$30.81	$31.00
Under Construction (SF)	0	0	0

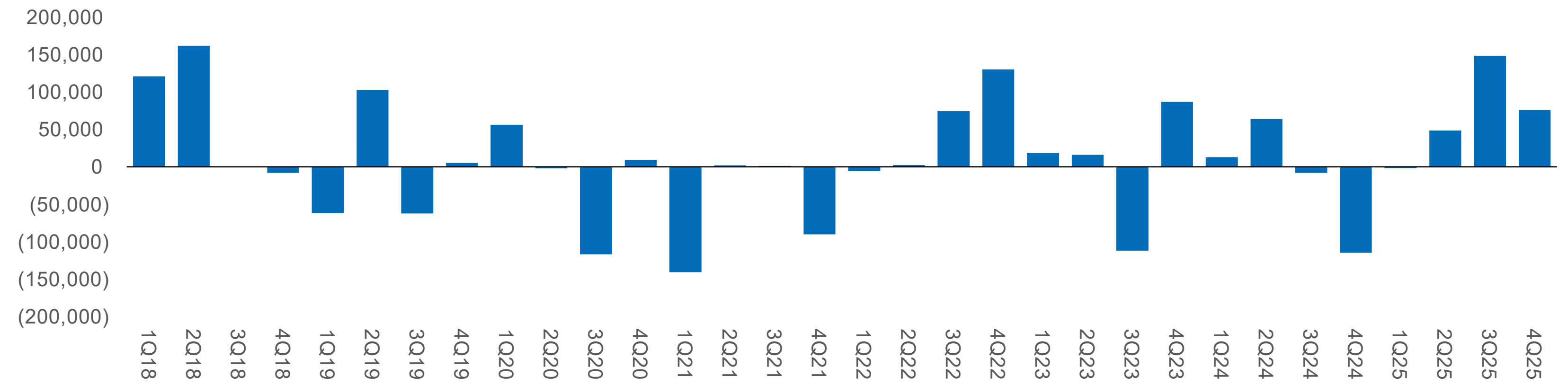
Current Market Trends

- Available space along the I-394 corridor remains limited, with few large contiguous blocks remaining, making it one of the tighter suburban submarkets. Tenants continue to be drawn to the corridor for its visibility, amenities, and access to both downtown Minneapolis and the western suburbs.
- Two Class A office buildings at Excelsior Crossings in Hopkins, totaling nearly 550,000 square feet, are on the market, with occupancy at 98% and U.S. Bank and Digi International as the largest tenants.
- Opus' fully leased Class A office campus at 3701 Wayzata Blvd. along I-394, a former Target corporate site, is currently being marketed for sale, with key tenants including Tactile Medical, Regis Corp. and SRF Consulting.
- Wings Financial sold the 75% vacant 435 Metropoint in the Metropoint Office Campus for $2.88 million to 435 Ford LLC. The sale illustrates steep pricing adjustments and value-add risk for high vacancy suburban offices.
- Hempel Real Estate is planning a 89,200 SF, four-story Class A office building at The Shops at West End in St. Louis Park. The building would replace a vacant 20,000 SF retail box just east of Punch Bowl Social. Hempel will not break ground until a lead tenant is secured, due to the challenge of securing financing on a speculative basis.

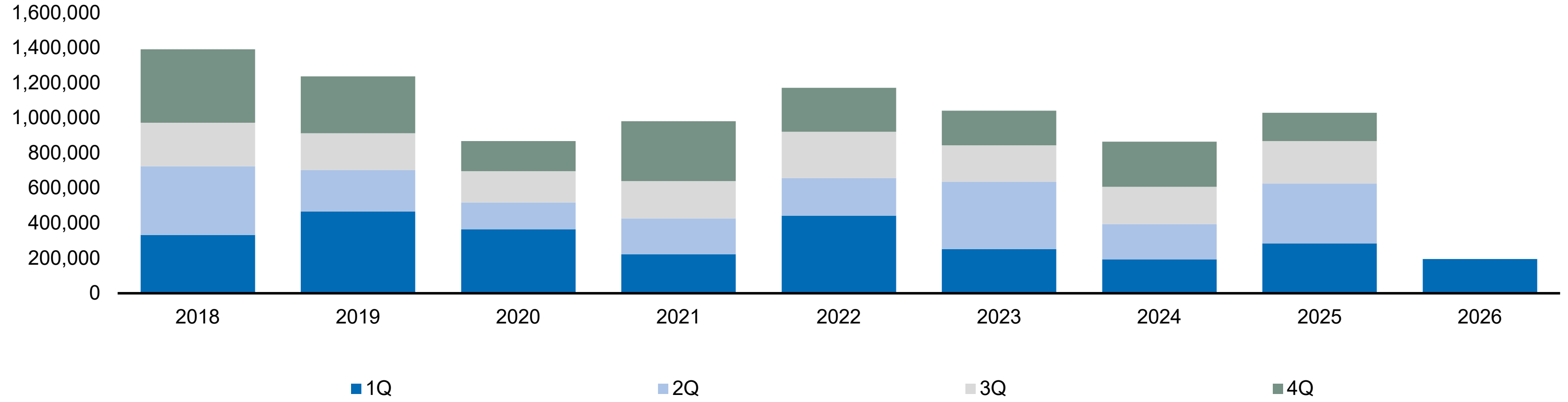
Asking Rent & Vacancy Rate



Net Absorption (SF)



Overall Leasing Activity



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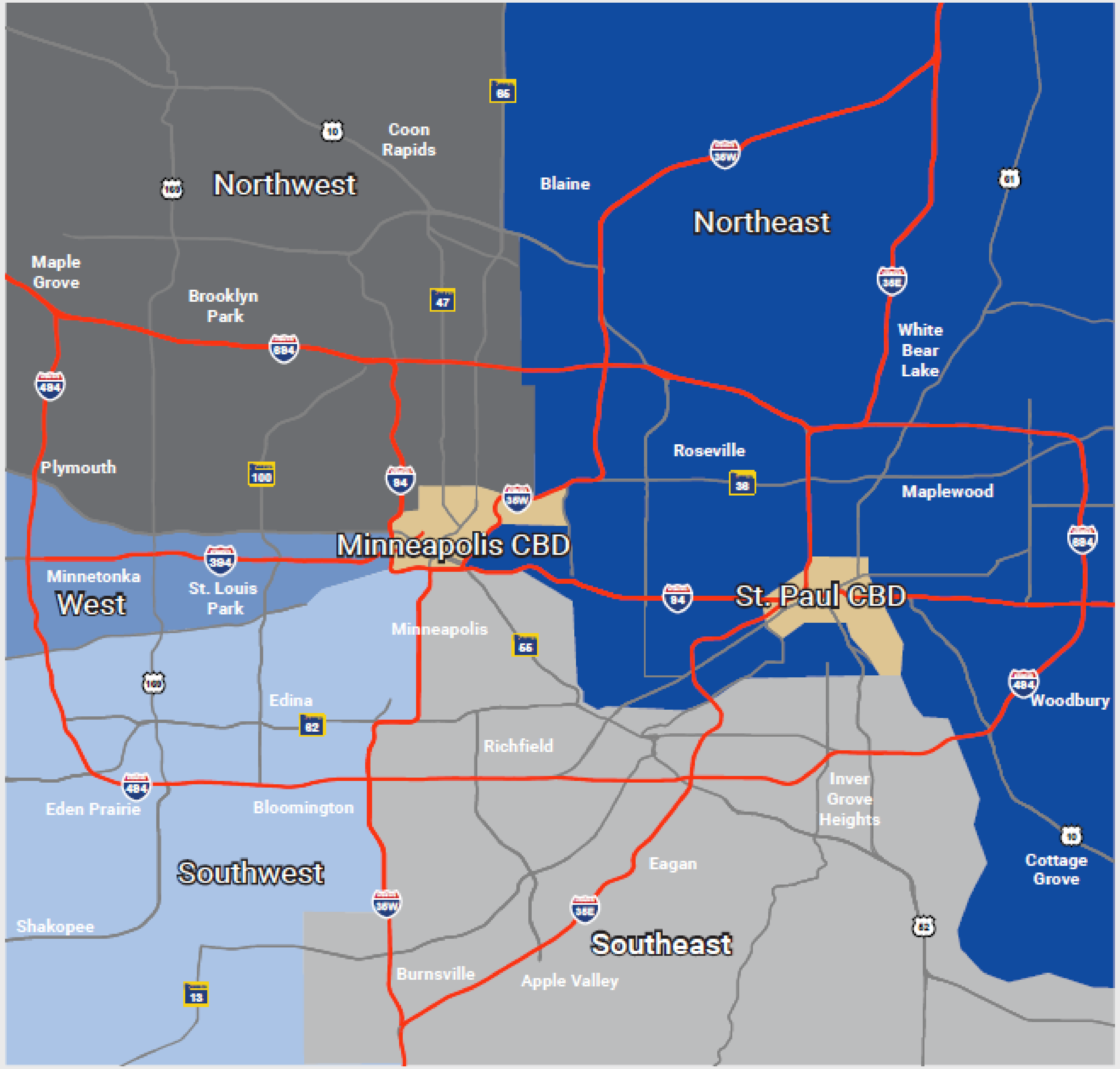
Map

Submarket Map



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