

A panoramic view of a city skyline at dusk. The sky is a mix of deep blue and orange, with scattered clouds. Numerous skyscrapers are visible, many of which are illuminated with warm yellow and orange lights, creating a vibrant contrast against the twilight sky. The buildings vary in height and architectural style, with some featuring glass facades that reflect the ambient light.

NEWMARK

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.

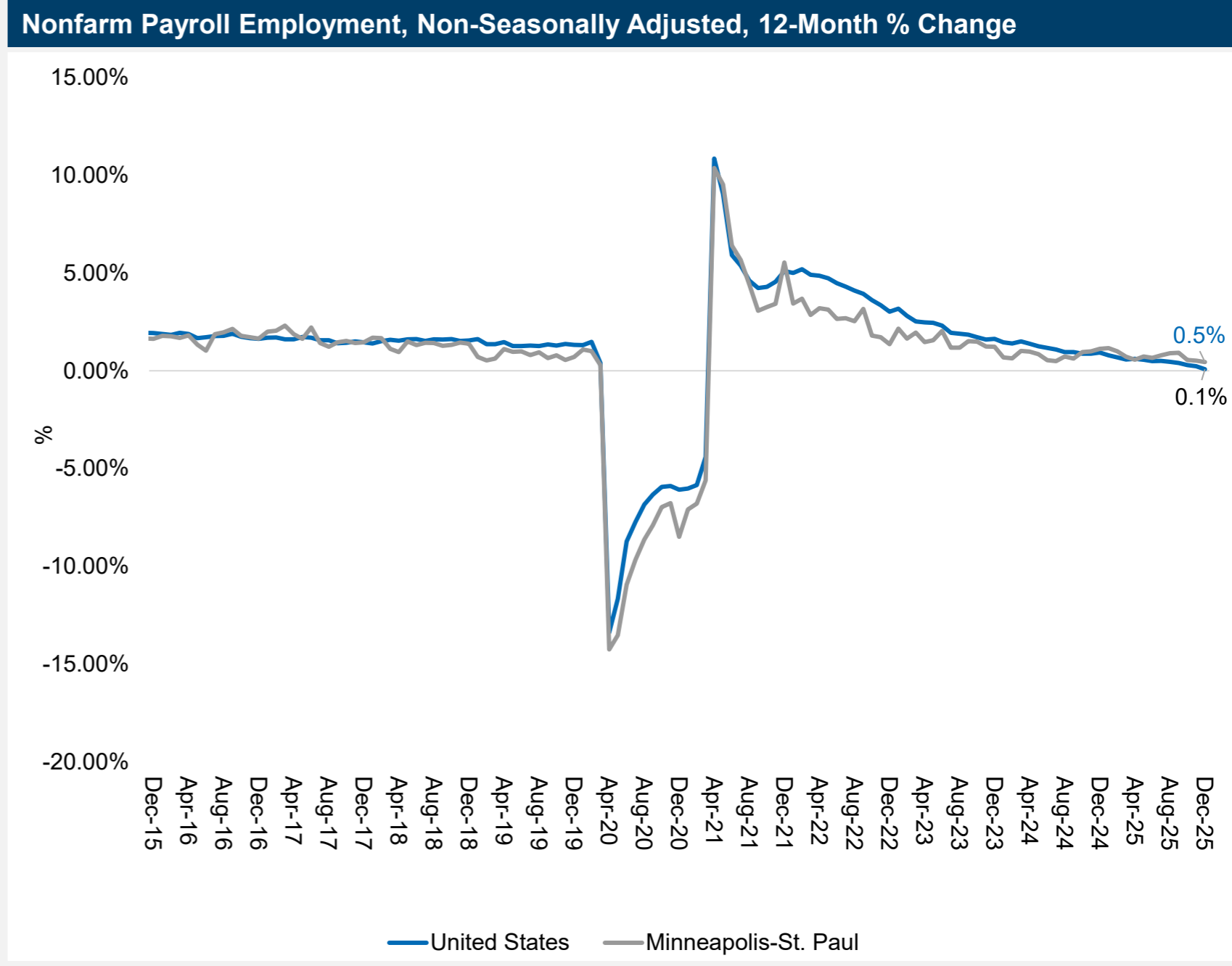
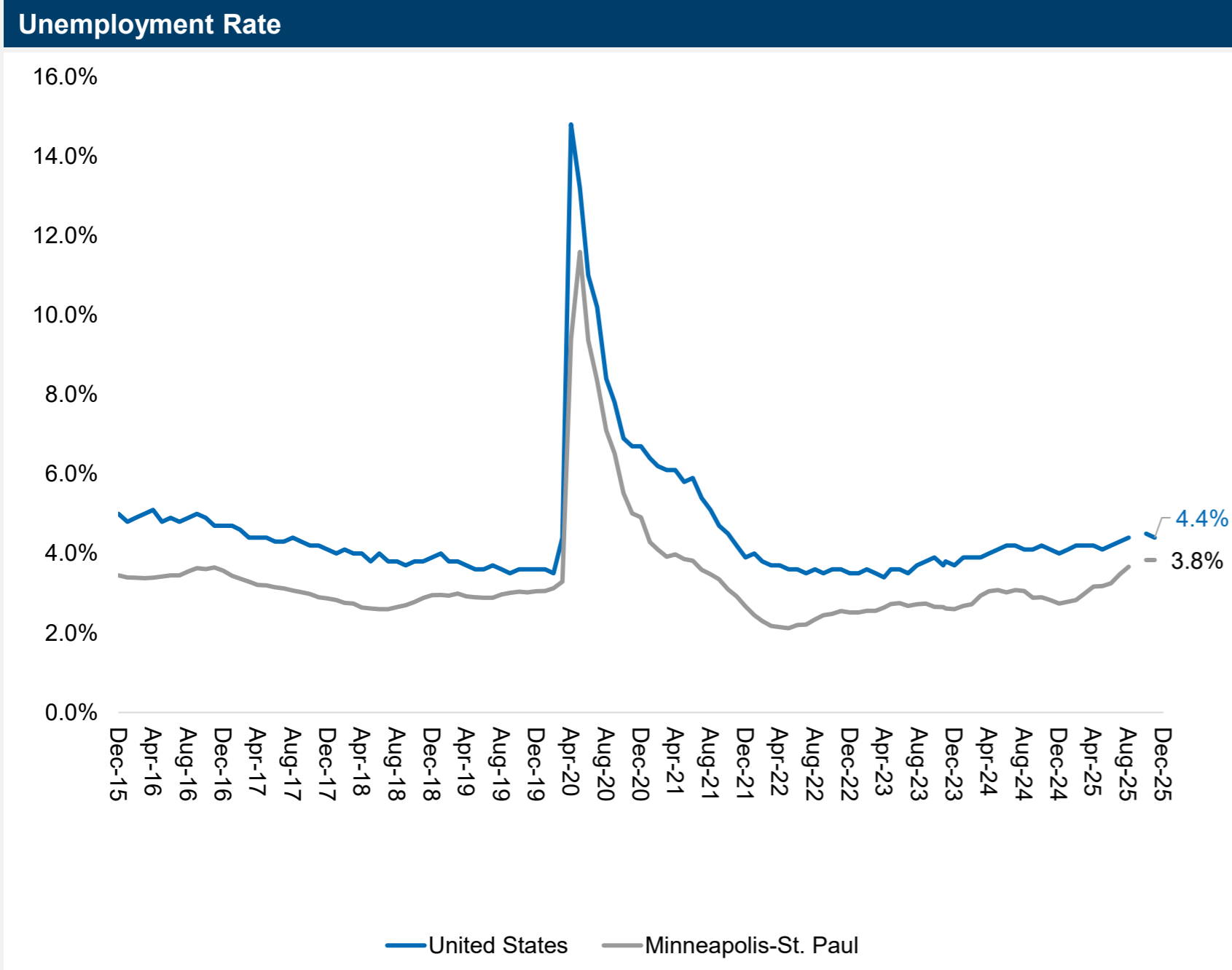
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Economy



Low Unemployment, Limited Office Demand

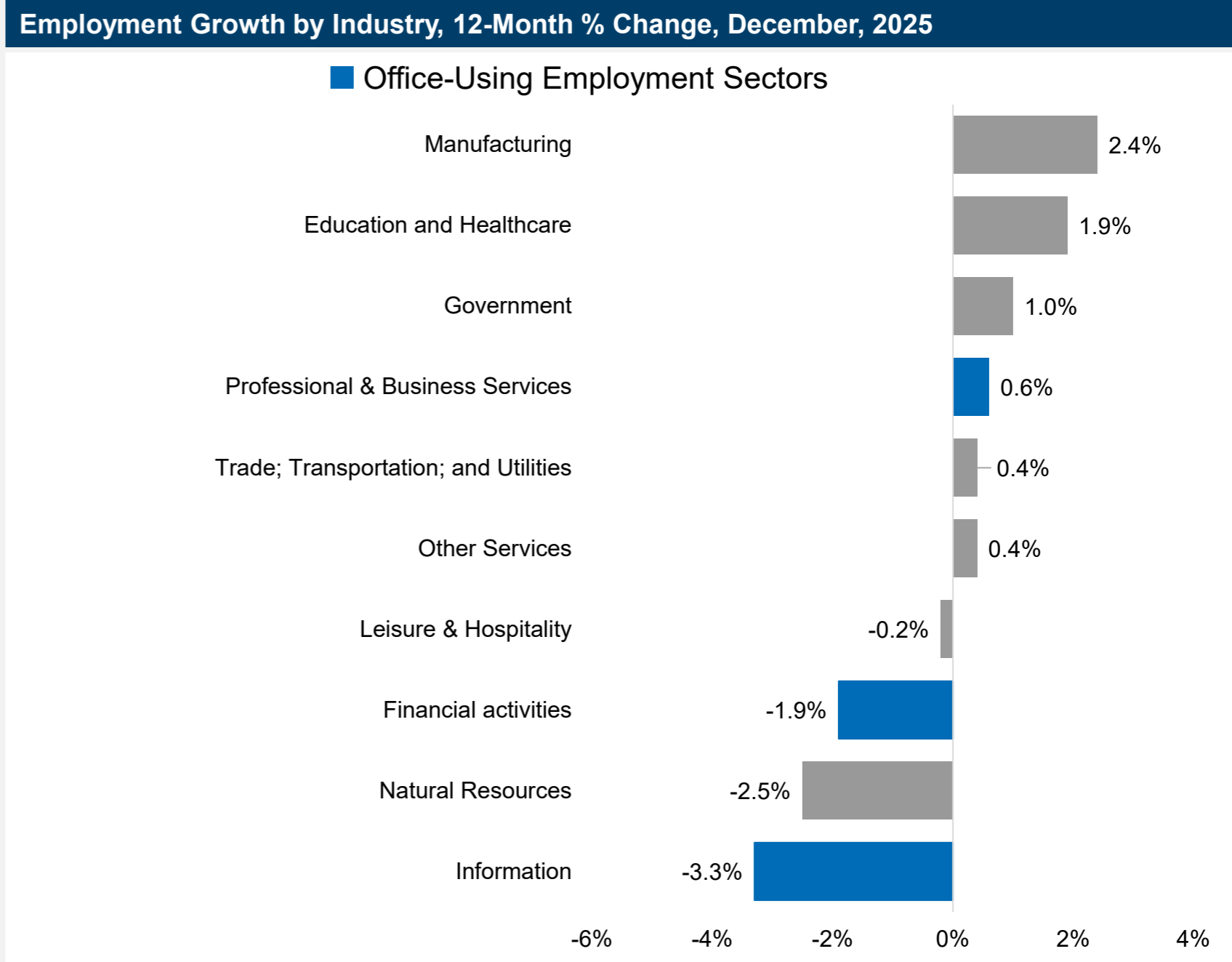
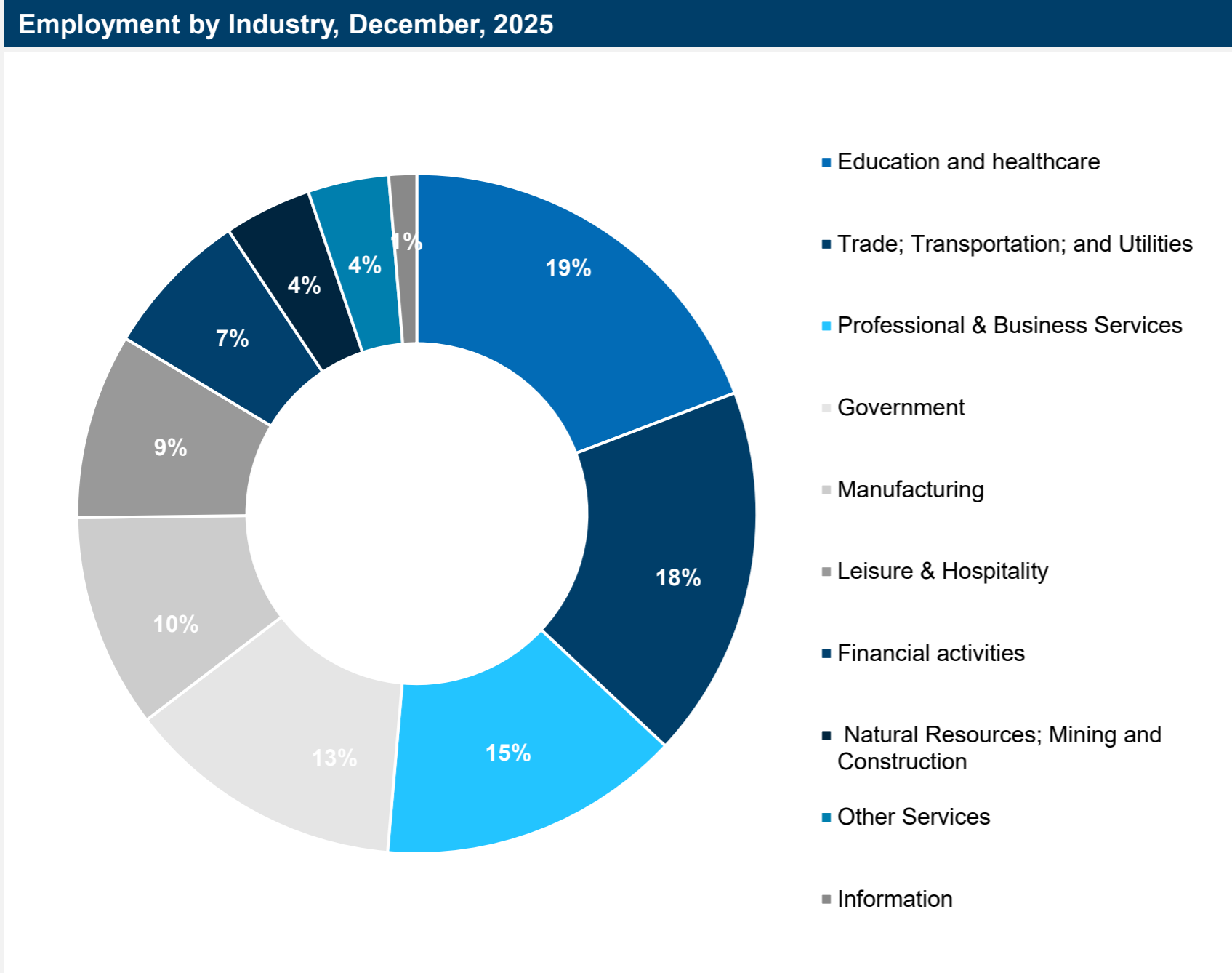
Employment growth in Minneapolis-St. Paul has lagged the national pace since the pandemic, with office-using sectors trailing and weighing on space absorption.



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

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

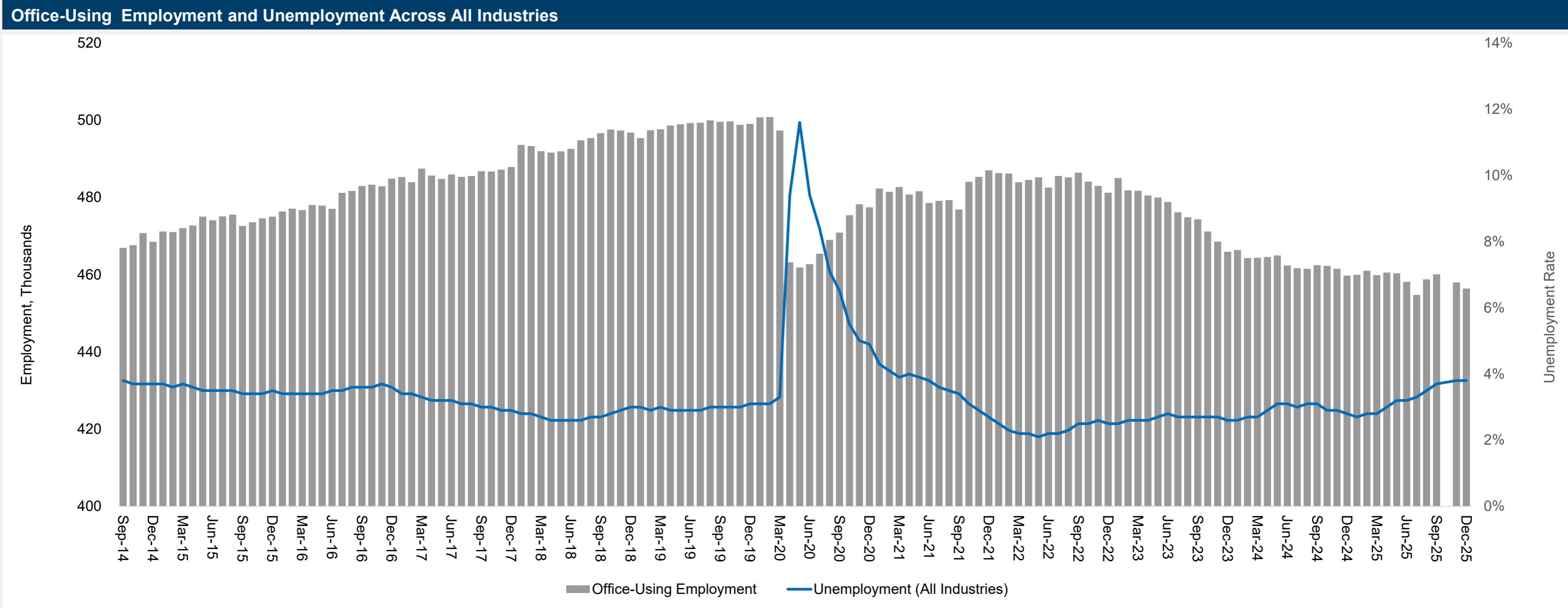
Education, healthcare, and manufacturing are driving job gains in Minneapolis-St. Paul, while information and financial activities have recorded annual employment declines. Professional and business services has seen a slight year-over-year increase.



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.



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



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

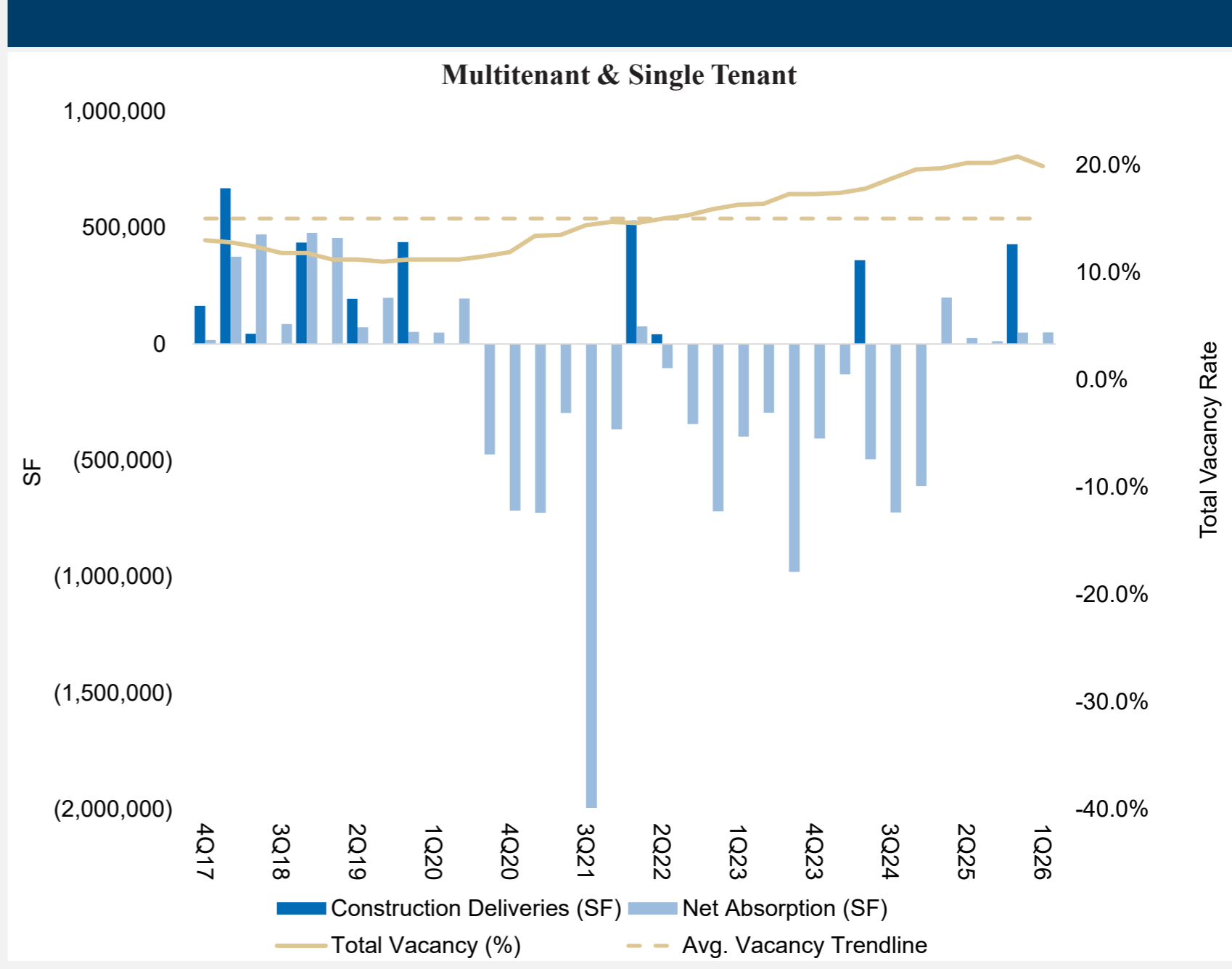
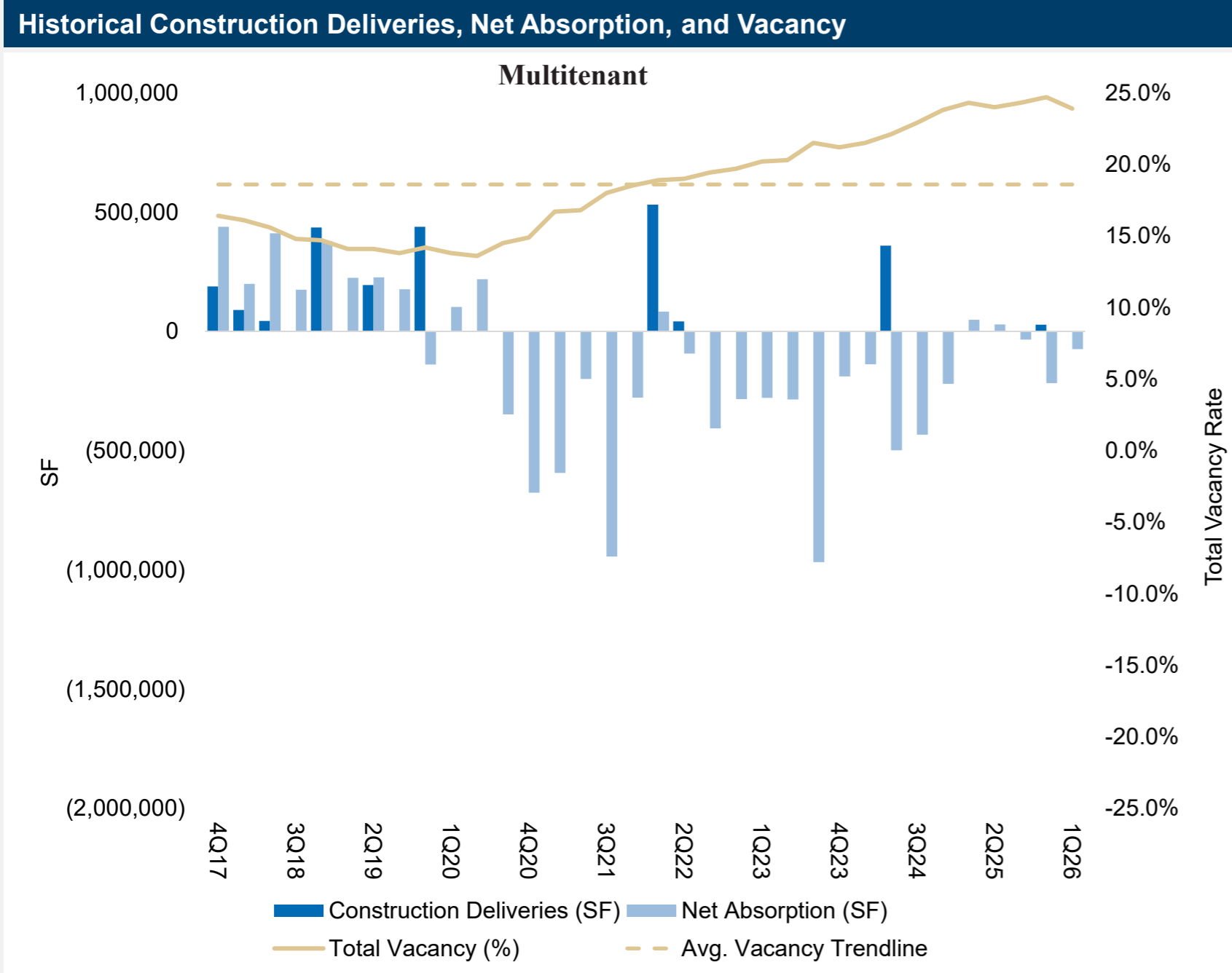
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Leasing Market Fundamentals



Overall Vacancy Decreases as Obsolete Space Is Removed from Inventory

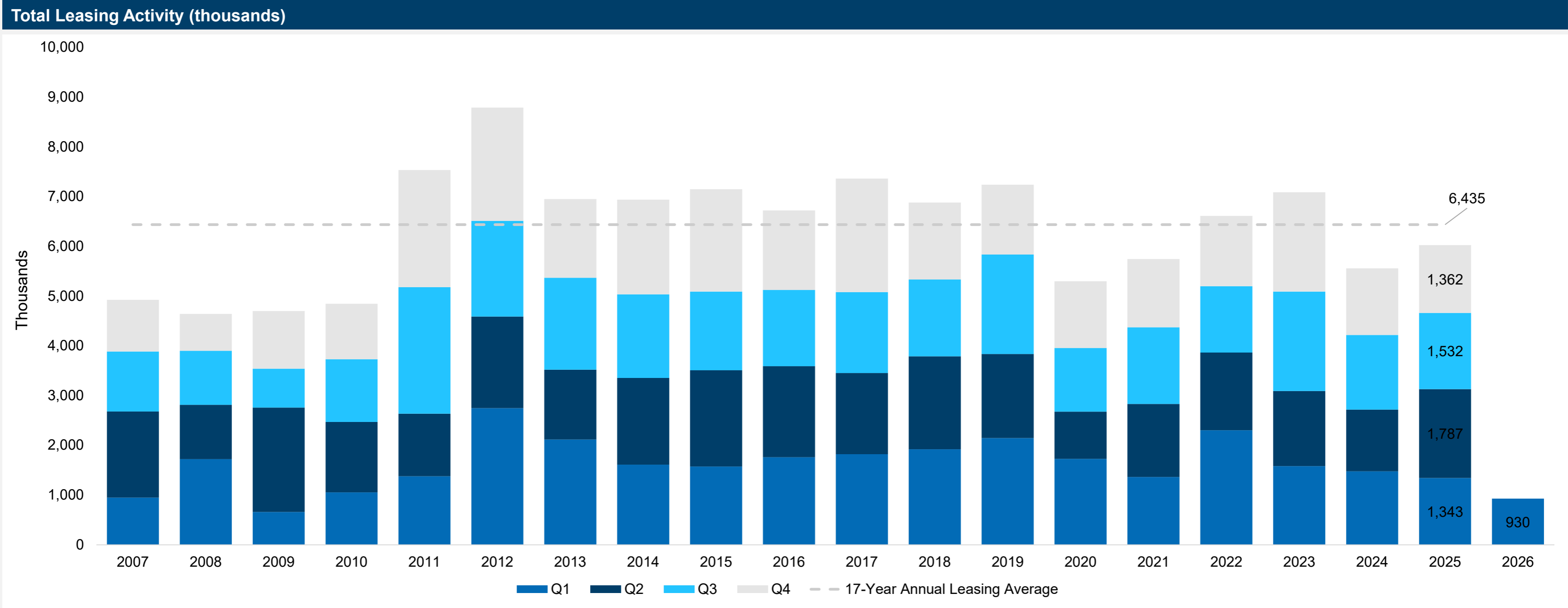
Overall vacancy decreased from 20.8% in 4Q25 to 19.9%, with 49,786 SF of positive absorption, while multitenant vacancy declined from 24.6% to 23.9% with negative absorption of 74,408 SF. Vacancy is also declining as obsolete space is removed from inventory through residential conversions, alternative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



Source: Newmark Research, MNCAR, Costar

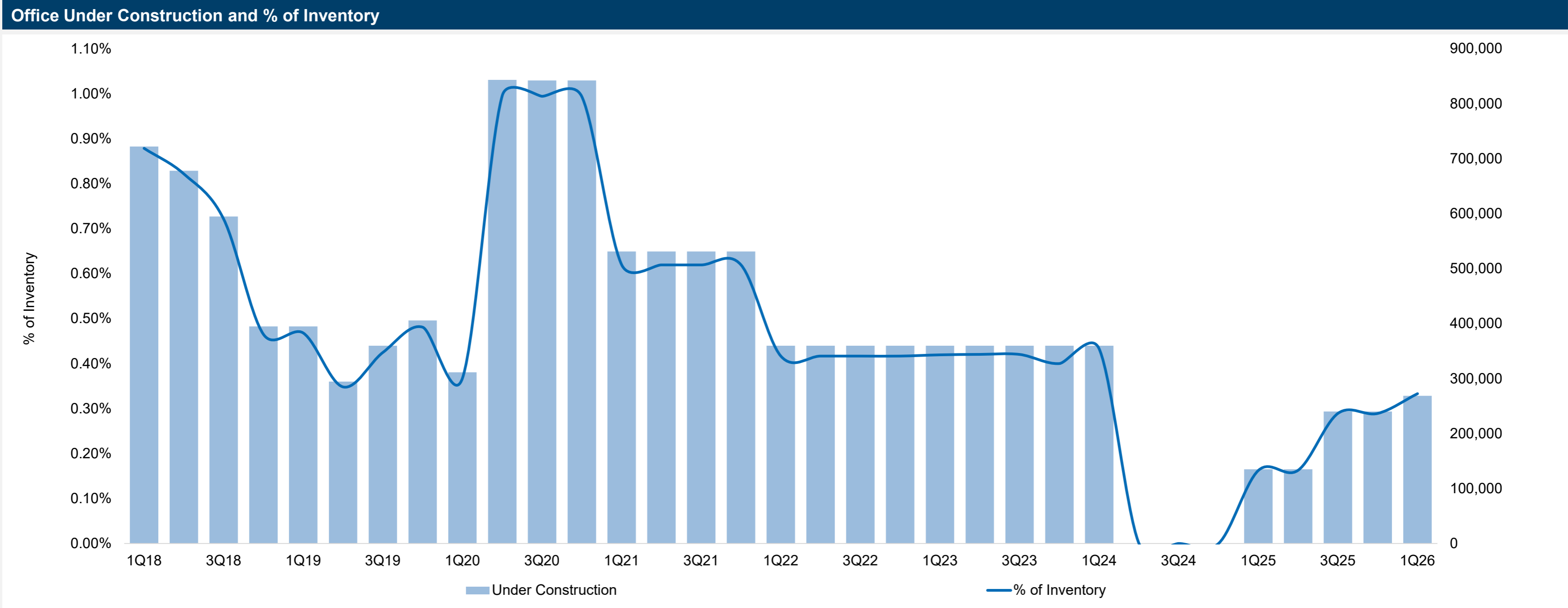
Leasing Activity Remains Subdued as Tenants Right-Size and Upgrade

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.



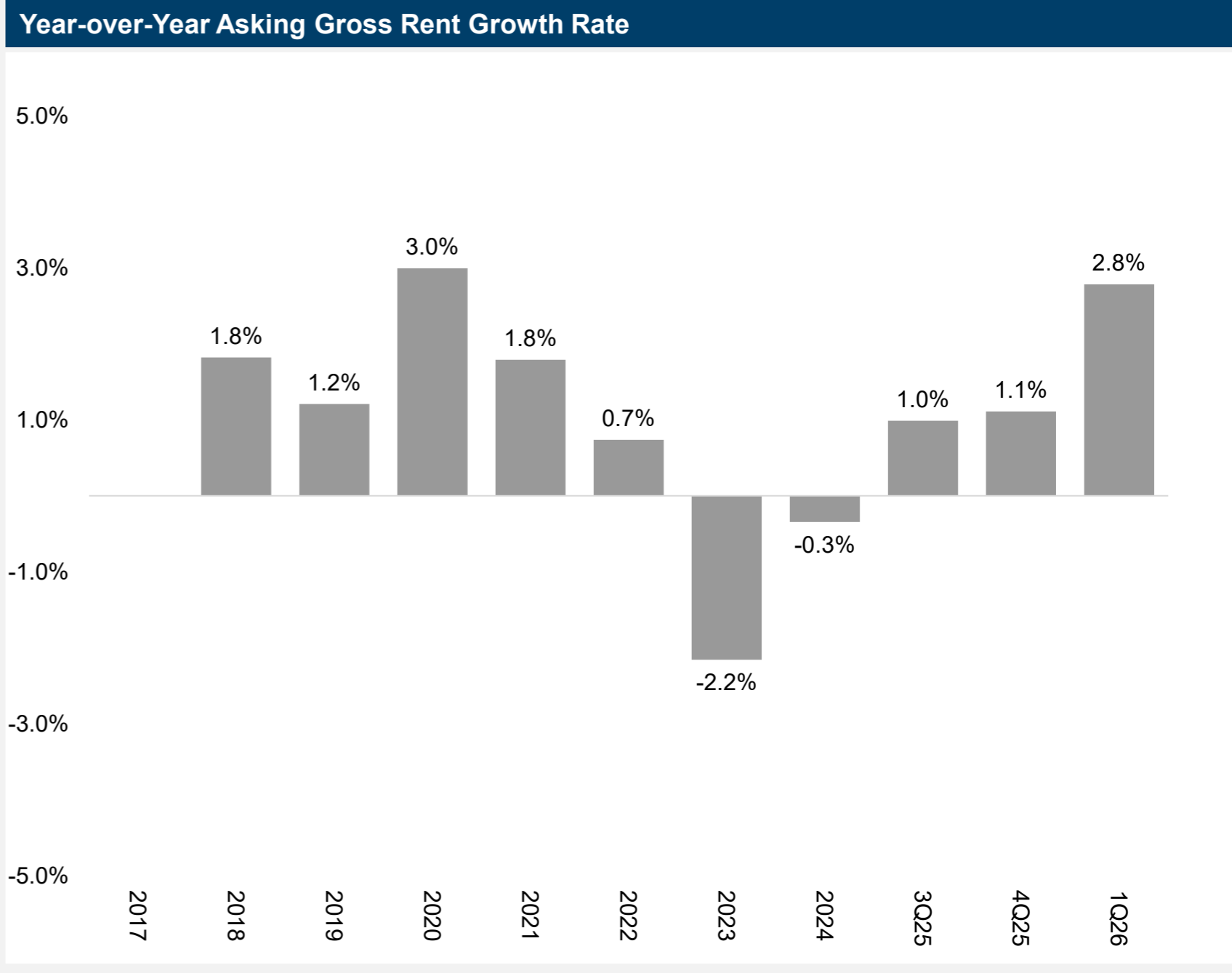
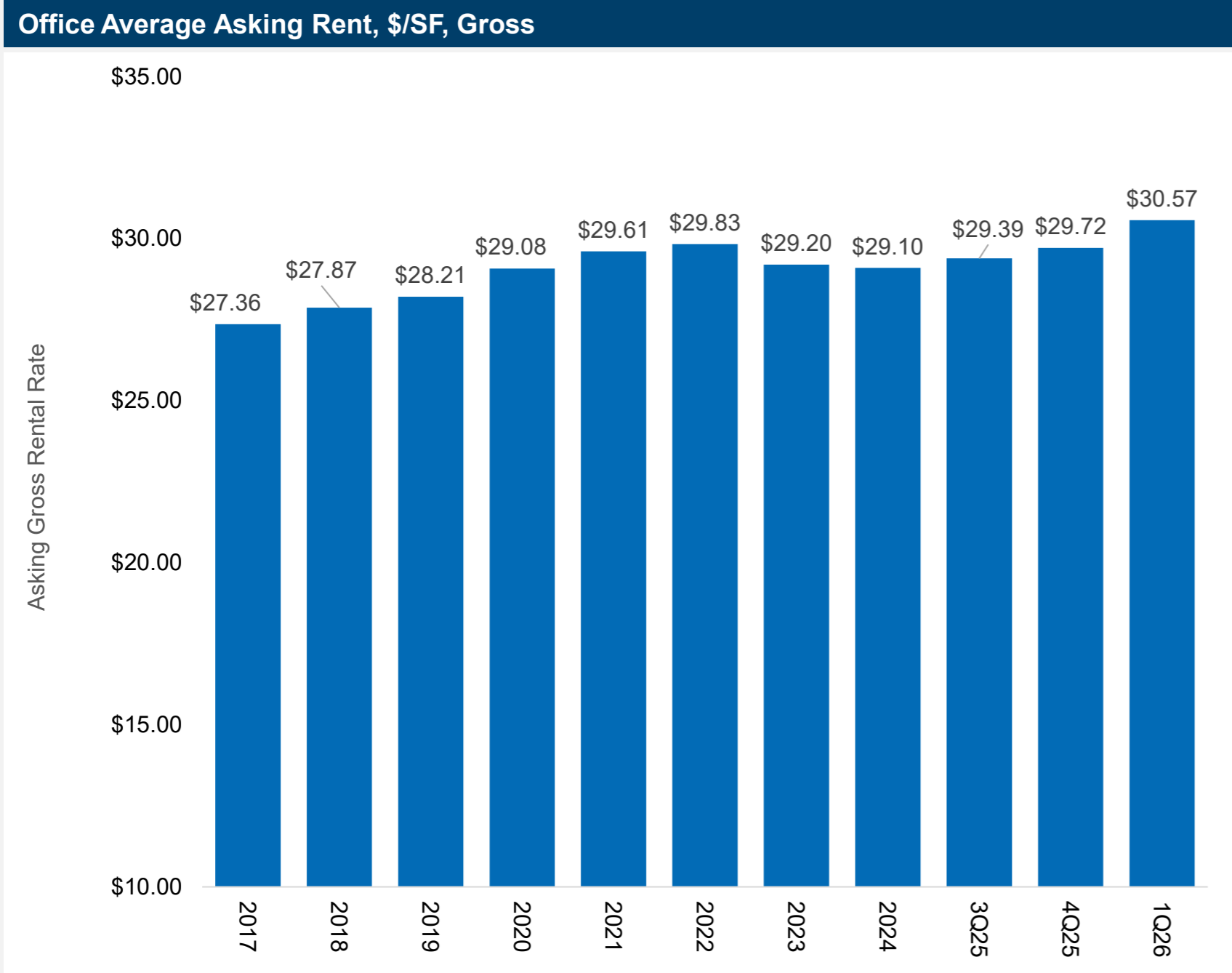
Limited New Construction Underway, with Deliveries Expected in Late 2026

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.



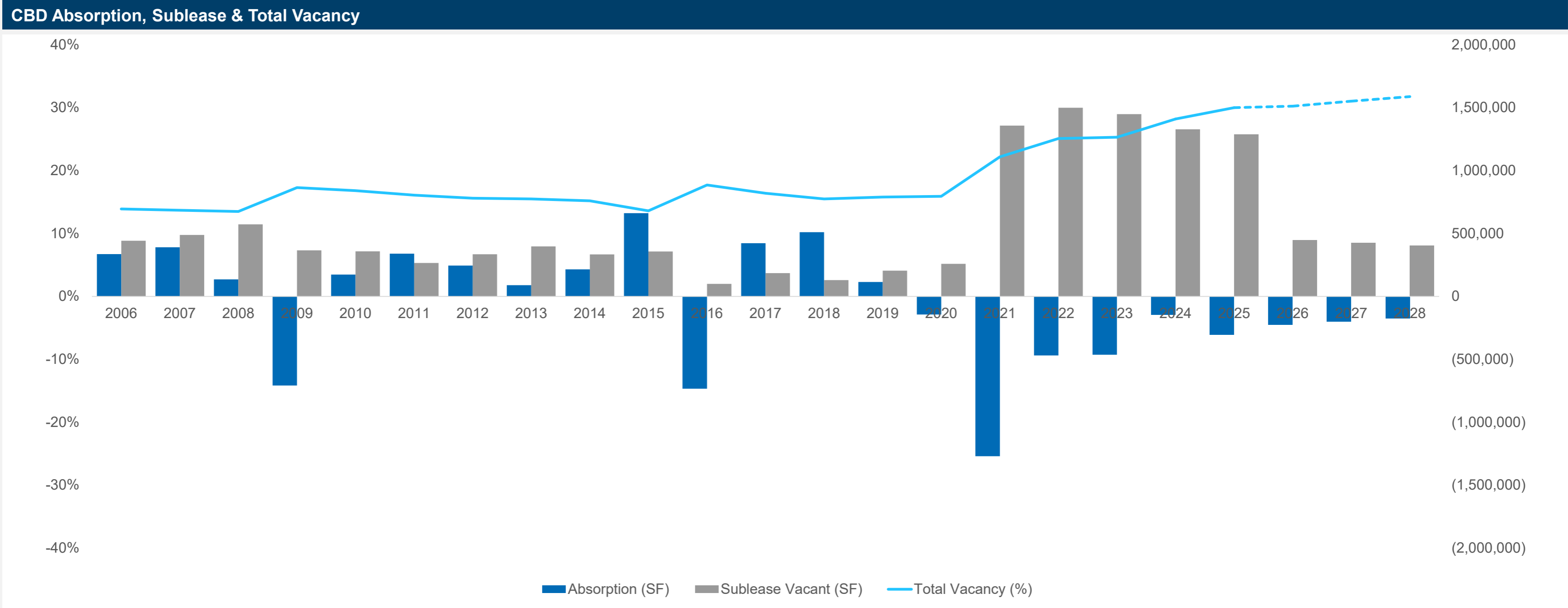
Asking Rents Inch Higher as Occupancy Costs Decrease Due to Concessions

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.



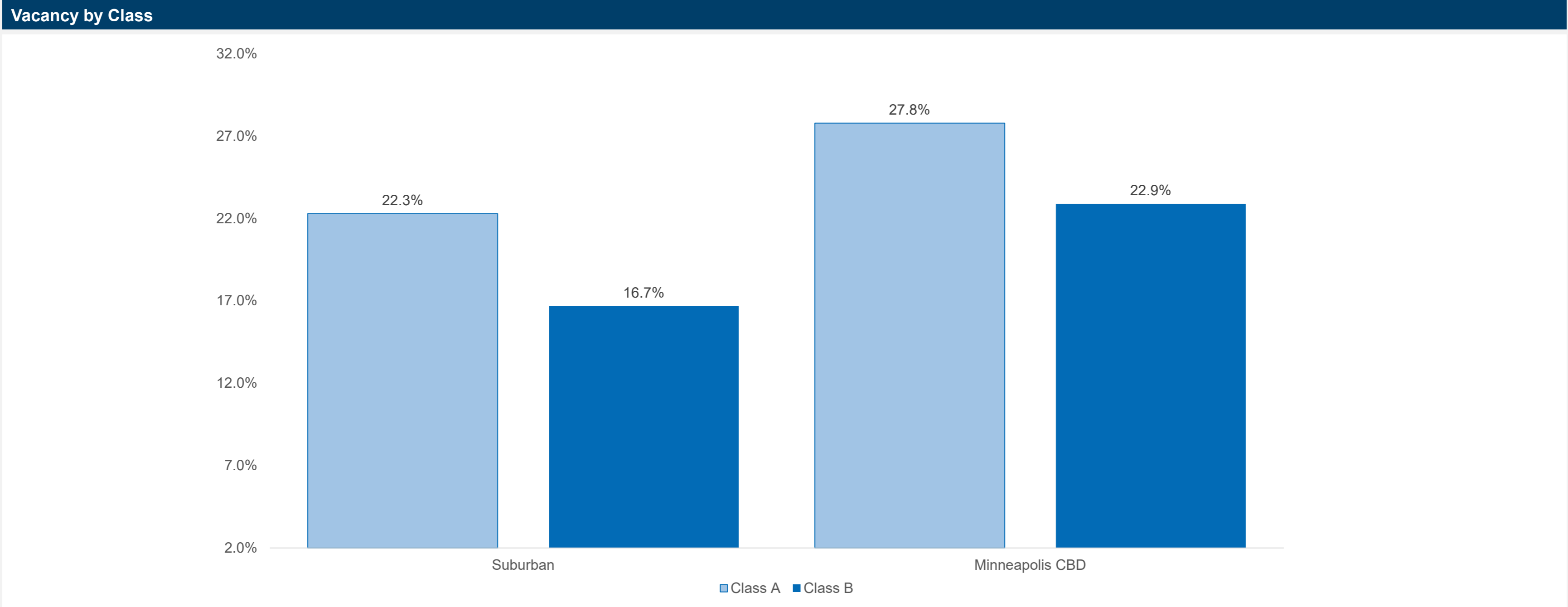
Conversions and Limited Development to Offset Rising CBD Vacancy

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.



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.



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

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Statistics



Statistics – Multitenant Properties (page 1 of 2)



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Statistics – Multitenant Properties (page 2 of 2)



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Statistics Single & Multitenant (page 1 of 2)



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Statistics Single & Multitenant (page 2 of 2)



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Submarkets



Minneapolis CBD



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St. Paul CBD



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Northeast



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Northwest



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Southeast



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Southwest



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Map



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