



NEWMARK

Minneapolis-St. Paul
Office Market Trends

4Q25

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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. In addition, more than 320 Fortune 1000 companies 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 and 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 robust financial services industry that rivals much larger markets.
- Unemployment continues to trend below the national average, registering 3.7% as of fall 2025 compared with 4.4% nationally.
- Annual employment growth has lagged national employment growth since the pandemic, driven by weak performance in office-using sectors and compounding challenges tied to declining office space utilization.



Major Transactions

- SPS Commerce reaffirmed its commitment to the Minneapolis CBD by renewing its 200,000-SF headquarters lease at SPS Tower for a 15-year term and planning a full renovation of the space. SPS Tower is owned by Sumitomo Corp. and is debt-free.
- At Southdale Office Center in the Southwest submarket, ownership had considered redevelopment of portions of the campus but instead is investing \$12 million in renovations across the complex.
- The property has recorded 150,000 SF of leasing activity, including Evereve, Edina Realty and Southdale Pediatrics. This reflects the strength of the France Avenue corridor and tenant preference for upgraded locations with abundant parking and proximity to amenities.

- Construction was completed on Boston Scientific's 400,000-SF, \$170 million Maple Grove campus, consolidating office, R&D and operations for more than 1,500 employees. The company acquired the facility from Ryan Companies for \$188 million, one of the highest-priced office transactions in recent years.
- The St. Paul Downtown Development Corp., a nonprofit formed by downtown stakeholders to support a strong and vibrant core, acquired the distressed mortgage on the 450,000-SF U.S. Bank Center in downtown St. Paul and has also acquired multiple Madison Equities-related properties as part of broader downtown stabilization efforts.
- In the Southeast submarket, Kaeding Development acquired the 235,000-SF Riverview Office Tower and adjacent parking ramp for \$5 million, a steep discount from its \$29 million sale in 2013. Kaeding plans to invest to stabilize the highly vacant property and sought to secure control of the parking ramp given its nearby apartment and hotel ownership.
- In the Southwest submarket, two Ackerberg Group-owned office assets are facing distress. The 254,000-SF MoZaic East and West complex in Uptown is headed to a sheriff's auction after defaulting on more than \$55 million in loans, while Huntington National Bank has moved to foreclose on the 115,000-SF Lakeside Center near Bde Maka Ska due to unpaid property taxes.
- Pioneer Acquisitions purchased the 100 and 111 Washington buildings and an adjacent parking ramp for \$48 million, while CDT Realty acquired 20 Washington Square for \$7.1 million, a significant discount from the \$103 million paid by Shorenstein Properties in 2014. Separately, Goldman Sachs sold the 400,000-SF TractorWorks Building and parking ramp to Singerman Real Estate for \$25.5 million, roughly half of its 2014 purchase price.

Market Observations



Summary/Outlook

- Multitenant vacancy increased to 24.7%, up from 24.3% in the third quarter.
- A high volume of net space reductions in the 10,000 to 50,000 SF range drove negative absorption of 217,444 SF across the multitenant market.
- In the combined multi- and single-tenant market, the delivery of Boston Scientific's 400,000-SF Maple Grove office building partially offset losses, resulting in 288,049 SF of positive absorption and a vacancy rate of 20.8%.
- Capital constraints continue to shape the market, as some landlords lack the resources to fund improvements, limiting their ability to attract and retain tenants.
- At the same time, lenders remain reluctant to take properties back and are increasingly selective in extending credit, with new capital often contingent on sharing future cash flow alongside ownership.
- Market strength is concentrated in select, high-demand nodes, including Edina and the West End, where strategic, well-capitalized landlords are finding success. Office development remains highly concentrated, with Edina being the only city in the metro where new construction is underway.
- Edina continues to attract new office development as a highly sought-after first-ring suburb offering metro-wide access and proximity to employees, customers and business networks.
- Recent leasing success at Southdale Office Center in Edina demonstrates a viable path to recovery for walkable, amenity-rich buildings, even within class B inventory.

- Workplace strategies have largely stabilized, as employers and employees now operate with more defined work-from-home and in-office expectations.
- Tenant confidence is improving, with employers showing greater decisiveness around real estate strategy compared with prior quarters.
- There are signs of selective expansion, particularly among certain financial institutions that are beginning to grow their footprints. In addition, some employers are reassessing prior space reductions.
- Sales at steep discounts to pre-pandemic valuations continue to establish new value benchmarks as higher interest rates, tighter credit and leasing risk reset pricing.
- New office construction is expected to remain limited, with future demand absorbed by existing high-quality inventory rather than new supply.

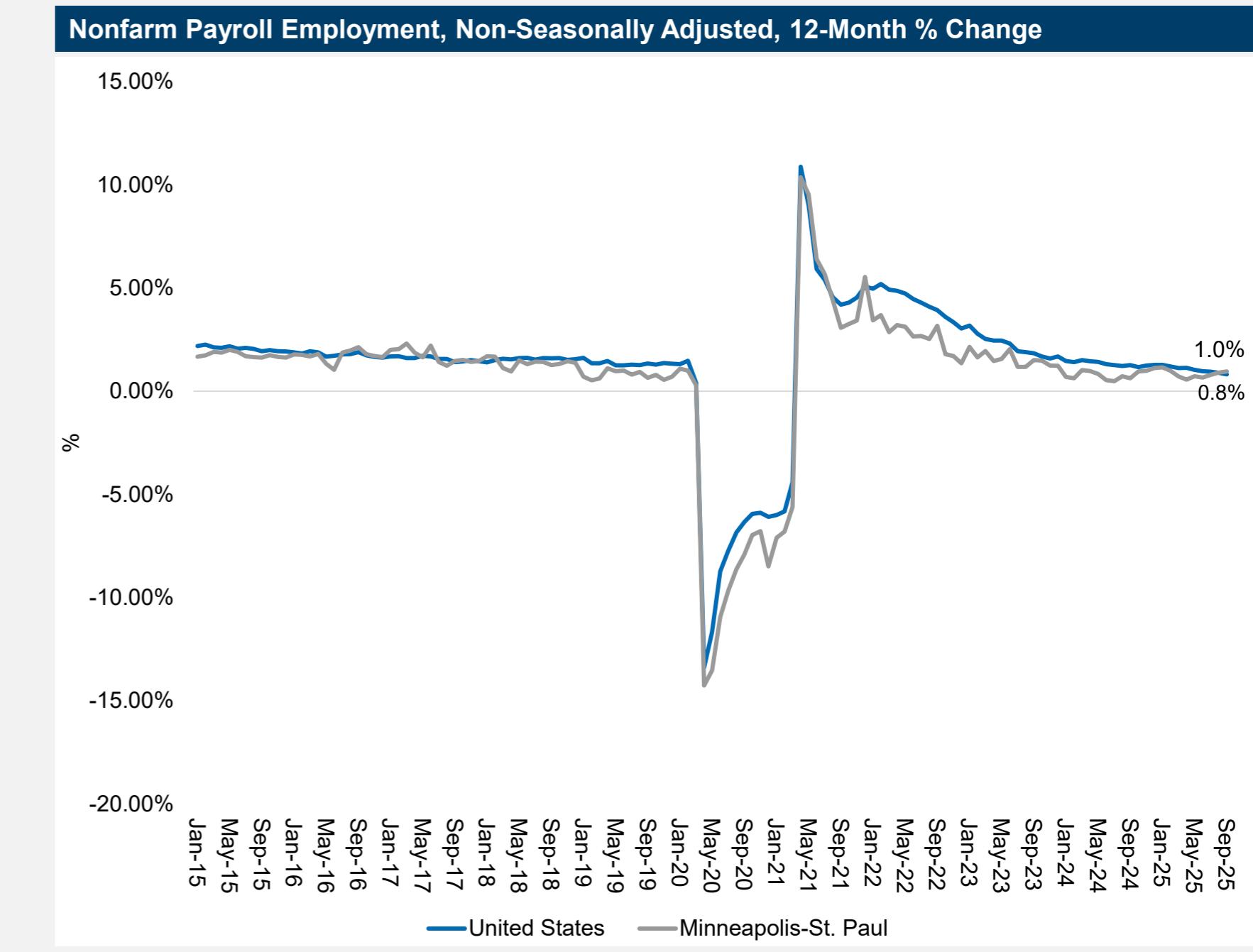
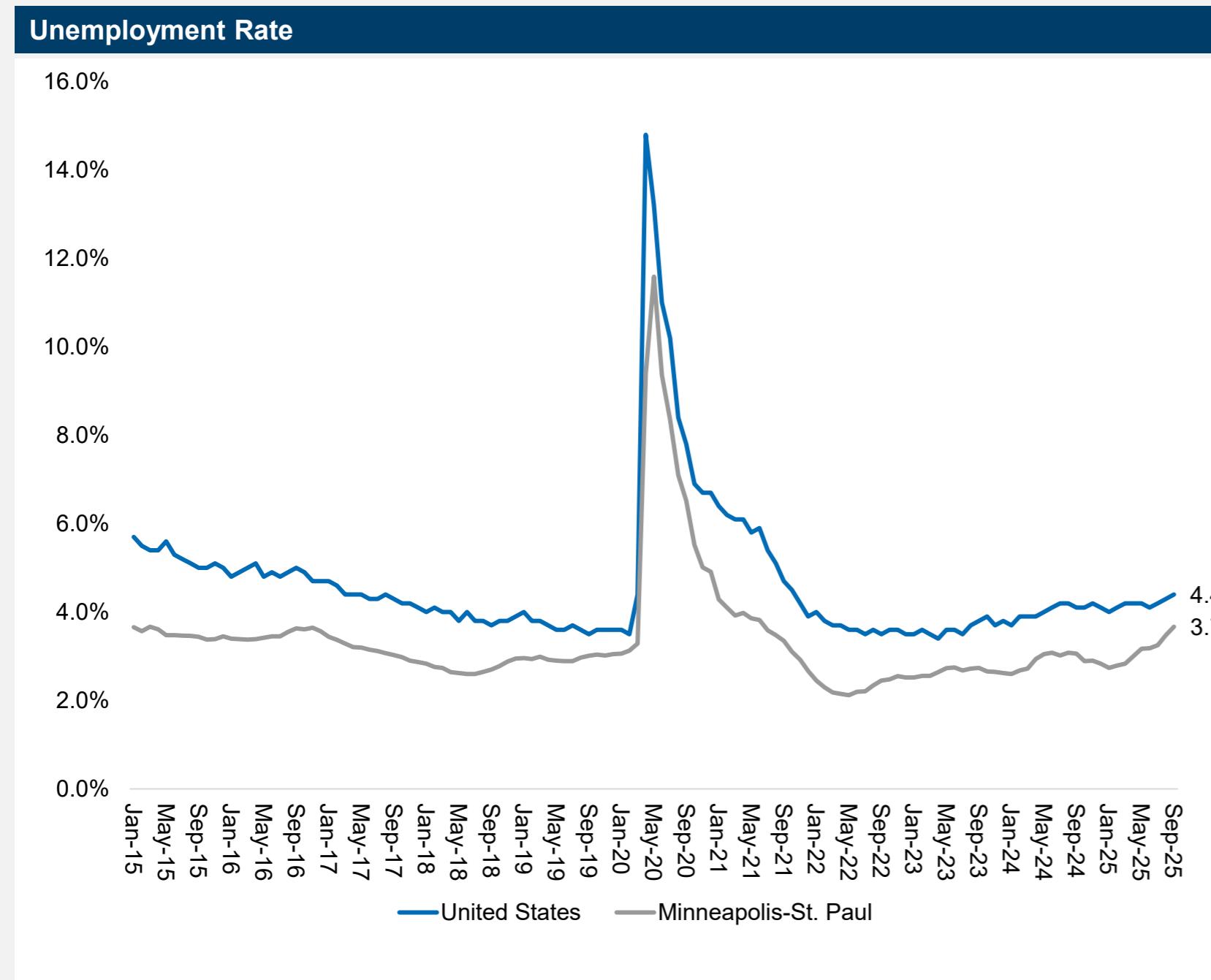
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Economy



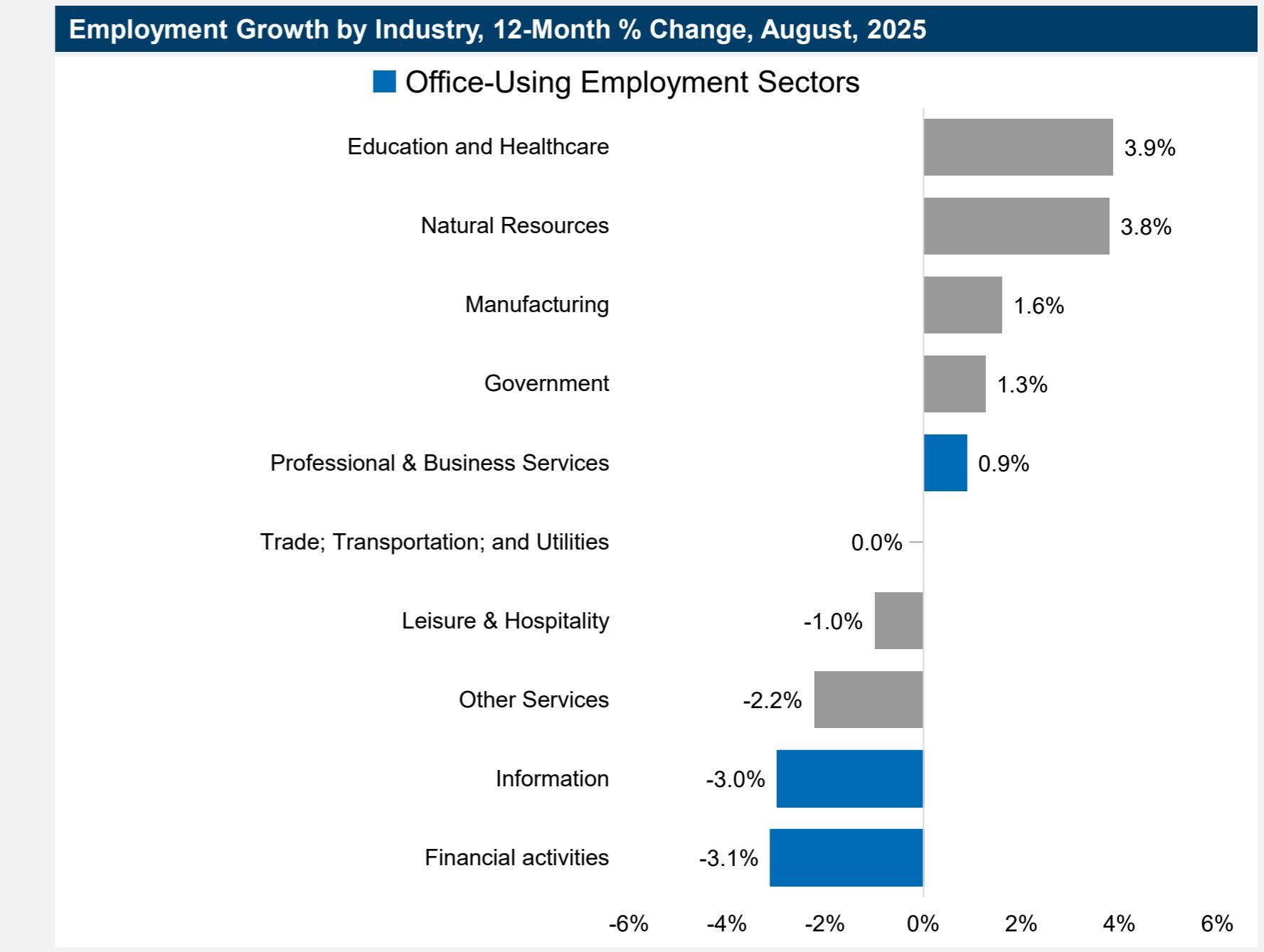
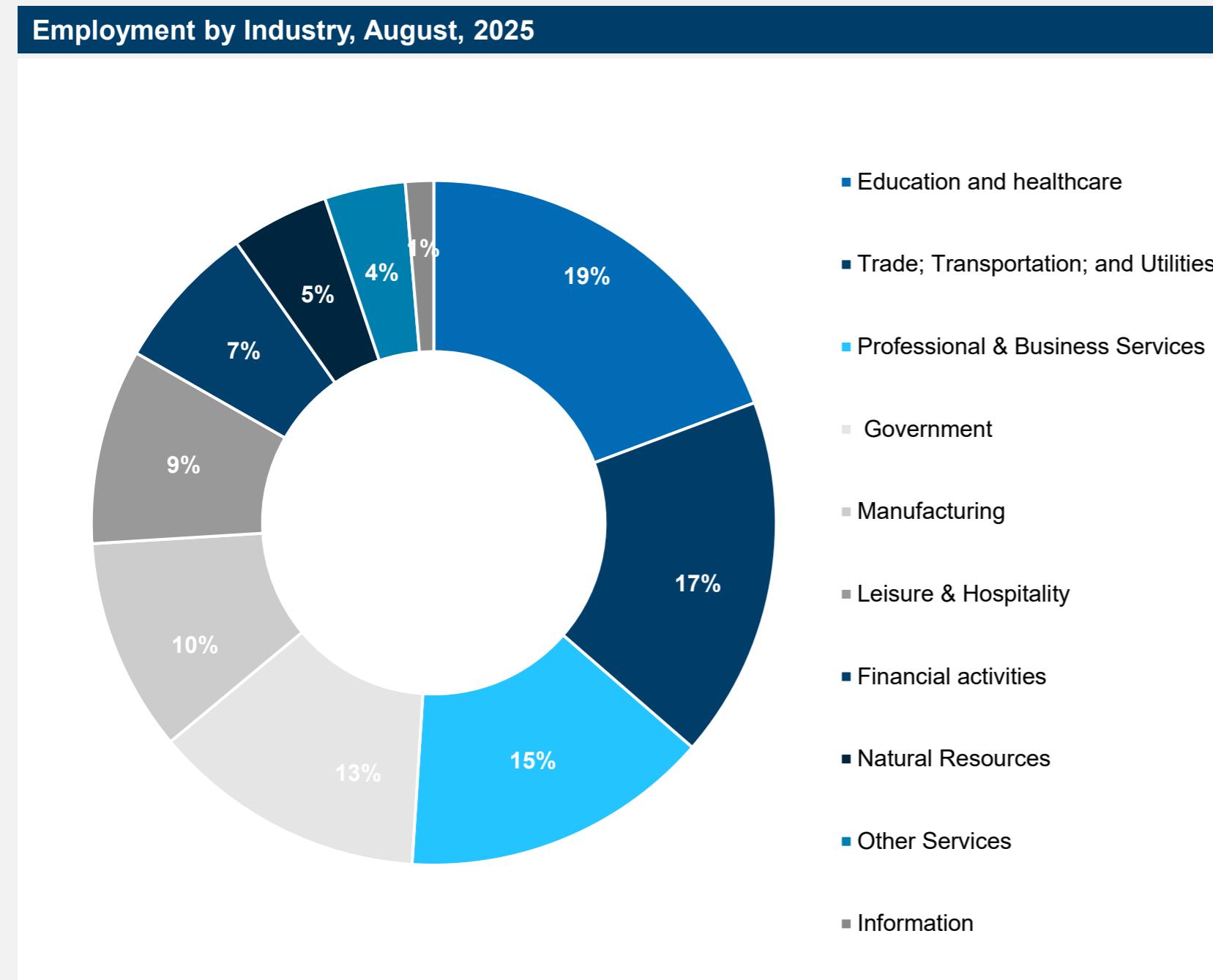
Unemployment Remains Low, While Weak Office-Using Employment Growth Weighs on Space Utilization

Minneapolis-St. Paul's unemployment rate remains historically low and below the national average. Annual employment growth has trailed the national pace since the pandemic, driven by weak growth in office-using sectors and extending challenges tied to declining office space utilization.



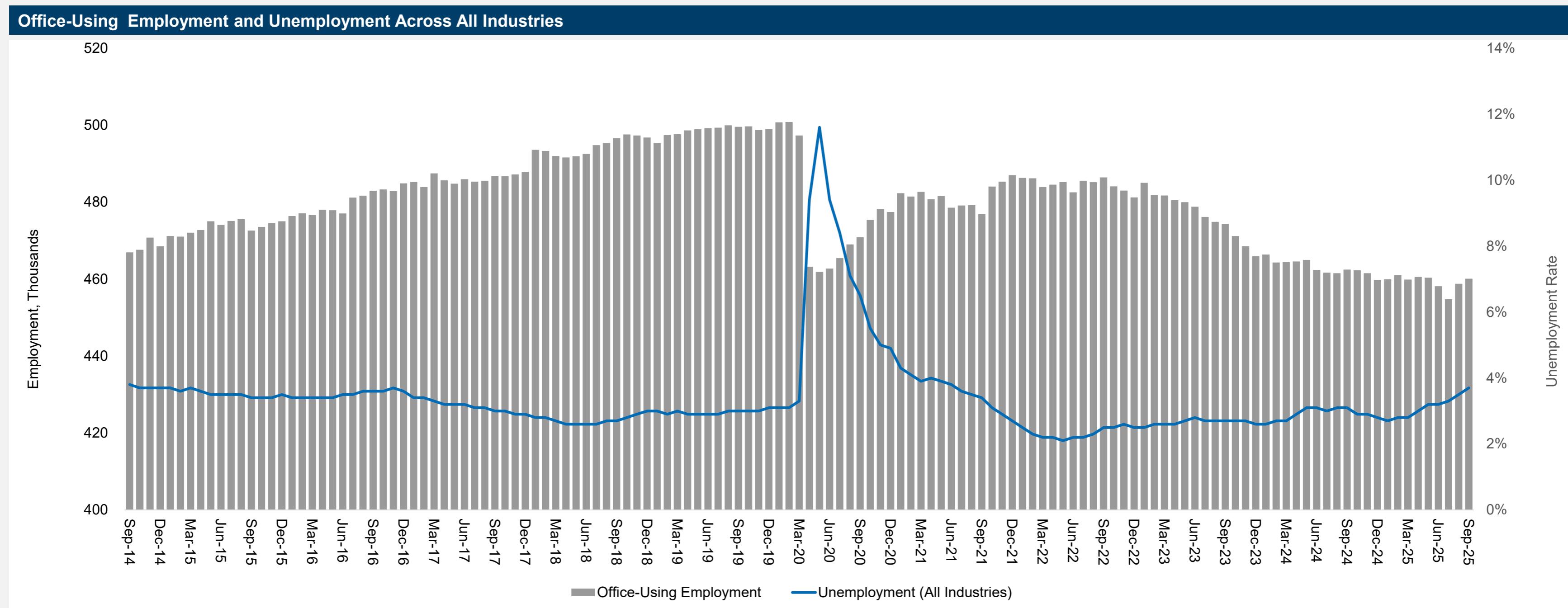
Education and Health Services Drive Job Growth

Job gains in the region continue to be driven by the education and healthcare sectors, reflecting steady demand in essential industries. However, the information, financial activities, and professional and business services sectors have recorded annual employment declines since 2021, a trend that has continued through 2025.



Office Employment Trails while Return-to-Office Momentum Builds

Office-using employment remains below pre-pandemic levels and continues to decline. At the same time, return-to-office momentum is building among major Twin Cities employers, with the Federal Reserve Bank of Minneapolis, RBC Wealth Management, Target, Ameriprise and 3M increasing required in-office days. However, recent layoffs among Target headquarters employees highlight continued job losses within higher-paying office-using sectors.



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% ↓ -34.1%
TARGET	41	↓	from 37	440,000	↑ 6.0%	\$106,566 ↓ -0.8% ↓ -25.5%
usbank	105	↑	from 107	70,263	↓ -6.9%	\$42,712 ↑ 5.1% ↑ 13.6%
BEST BUY	108	↓	from 100	85,000	↔ 0.0%	\$41,528 ↓ -4.4% ↓ -17.4%
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% ↑ 22.5%
General Mills	216	↓	from 203	33,000	↔ 0.0%	\$19,857 ↓ -1.2% ↓ -28.6%
Ameriprise Financial	230	↑	from 254	13,600	↓ -1.4%	\$17,926 ↑ 11.4% ↓ -4.8%
C.H. ROBINSON	233	↔		13,781	↓ -9.6%	\$17,725 ↑ 0.7% ↑ 58.4%
LAND 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% ↑ 16.4%
XcelEnergy	319	↓	from 302	11,380	↑ 0.6%	\$13,441 ↓ -5.4% ↑ 11.84%
Hormel Foods	352	↓	from 343	20,000	↔ 0.0%	\$11,921 ↓ -1.6% ↓ -25.2%
thrivent	388	↑	from 405	3,983	↑ 4.5%	\$10,918 ↑ 12.3% private
S solventum	462	new to list		22,000	NA	\$8,254 NA ↑ 21.8%
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% ↑ 12.9%

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



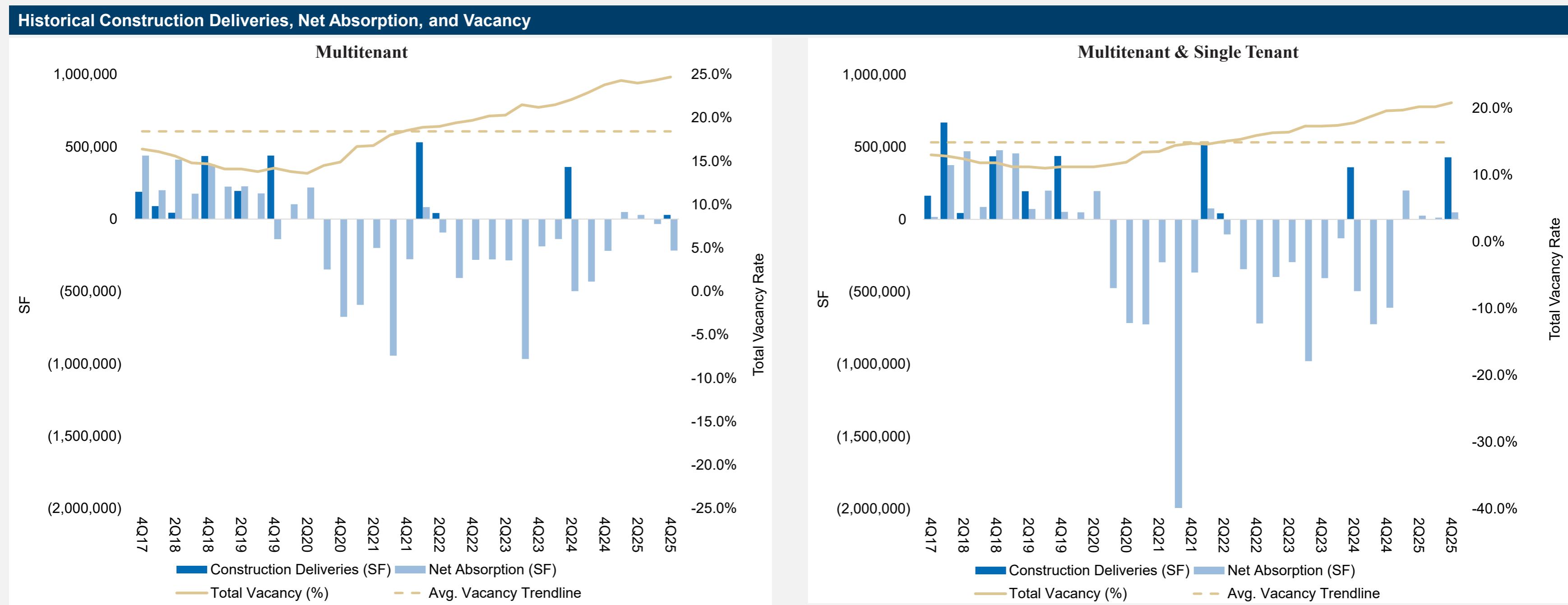
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Leasing Market Fundamentals



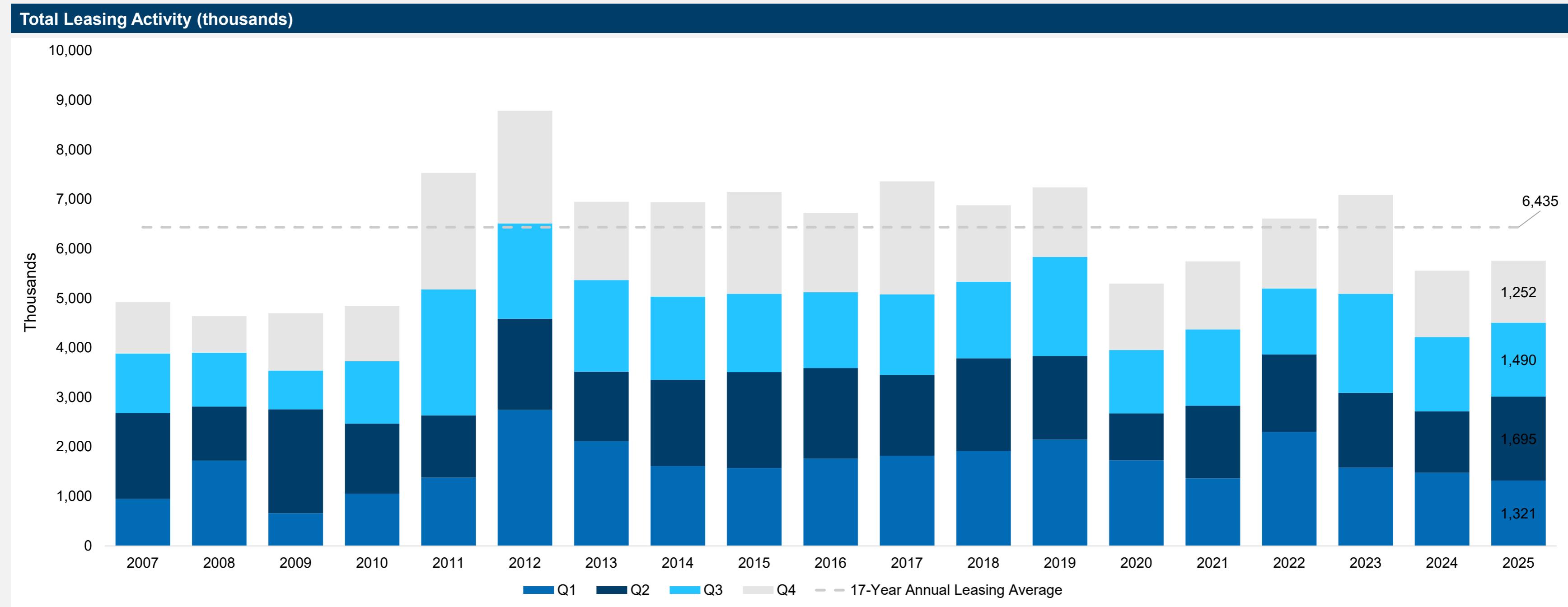
Mid-Size Tenant Contractions Drive Negative Absorption as Boston Scientific HQ Delivers

A high volume of net space reductions in the 10,000 to 50,000 SF range contributed to negative absorption of 217,444 SF across the multitenant market. Vacancy rose to 24.7%, up from 24.3% in the third quarter. This was partially offset in the combined multi- and single-tenant market by the completion of Boston Scientific's 400,000-SF office building in Maple Grove, resulting in 288,049 SF of positive absorption and a vacancy rate of 20.8%.



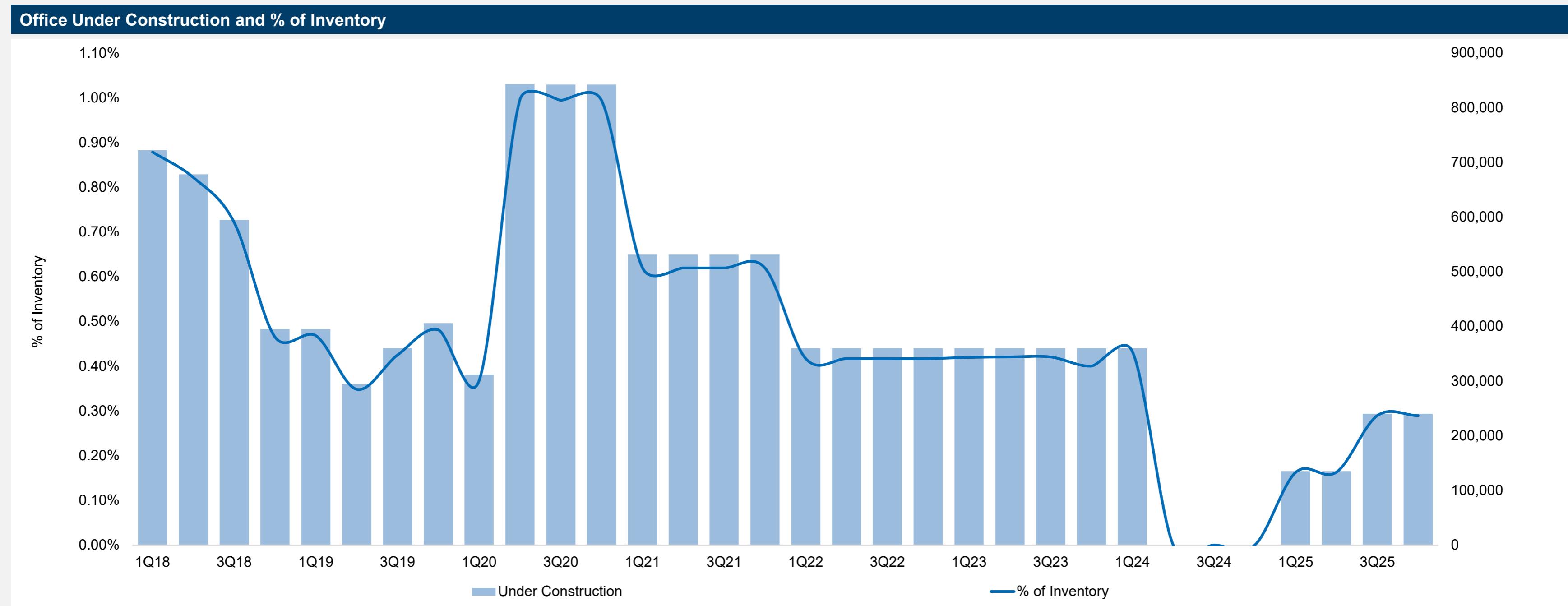
Leasing Modest as Tenants Continue to Downsize

Leasing activity remains below the long-term average as tenants continue to renew with smaller footprints or downsize upon relocation. The ongoing flight to quality often involves right-sizing space while investing in modern, amenity-rich offices designed to attract and retain top talent.



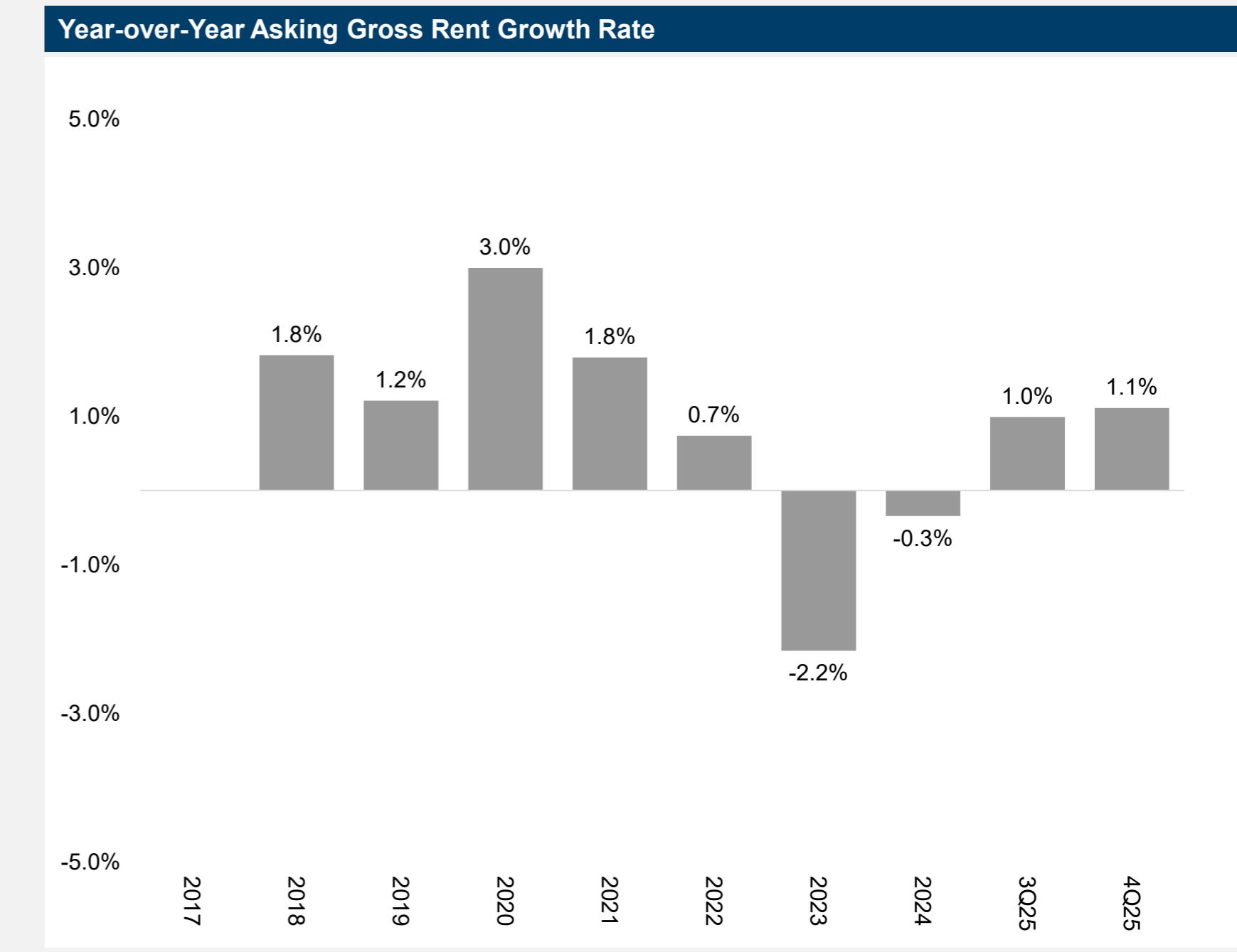
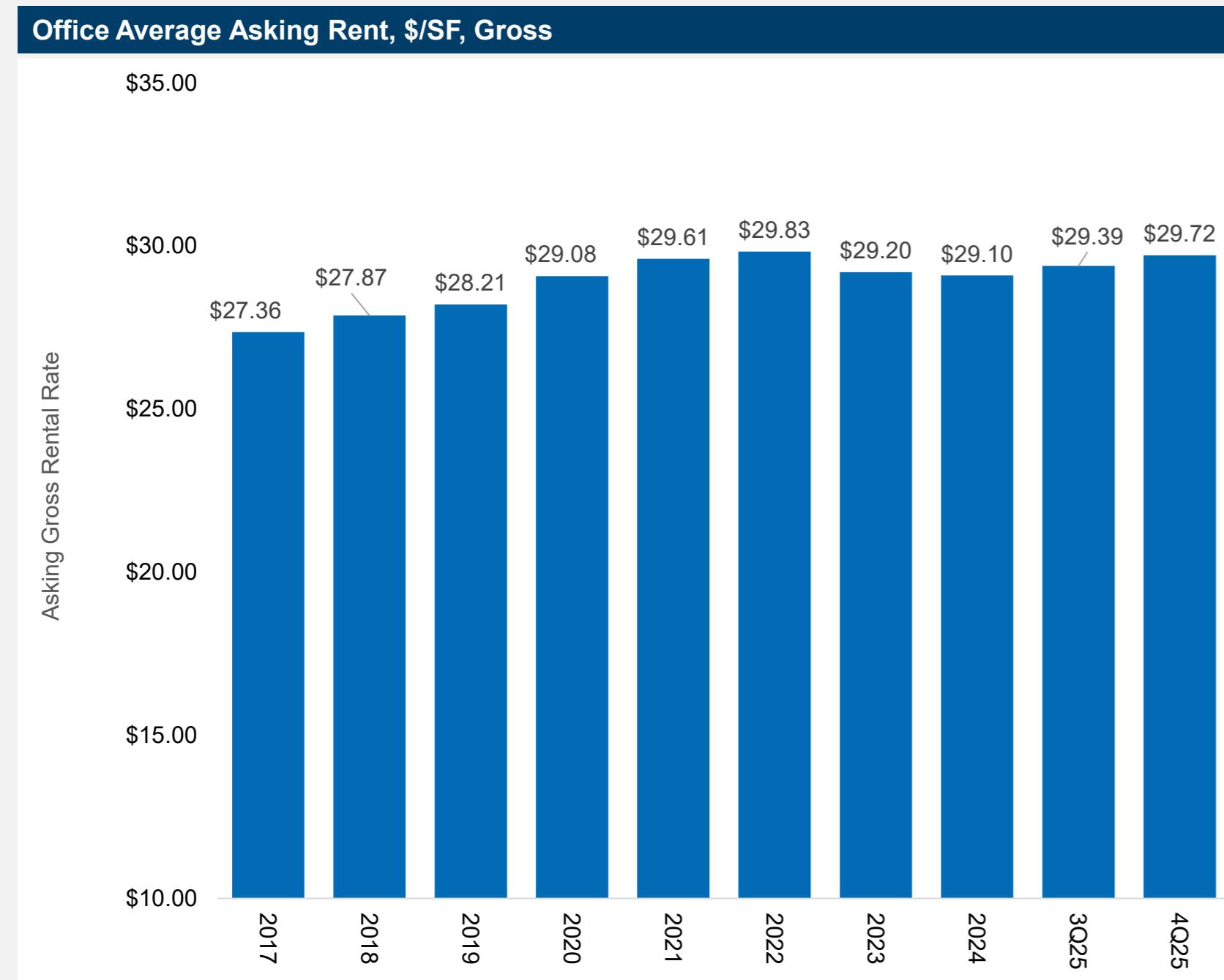
Office Development Activity Concentrated in the Southwest Submarket's City of Edina

In the third quarter, Opus Group began construction on Arcadia, its new 115,000-SF headquarters at 5100 Eden Avenue in Edina, where it will occupy the top floor and lease the remaining 87,000 SF. Construction is expected to be completed in late 2026. Earlier in the year, Orion Investments broke ground on The Craftsman on France, scheduled to deliver in summer 2026, with Charles Schwab Corp. (12,000 SF) and Adolfson & Peterson (41,195 SF) secured as tenants.



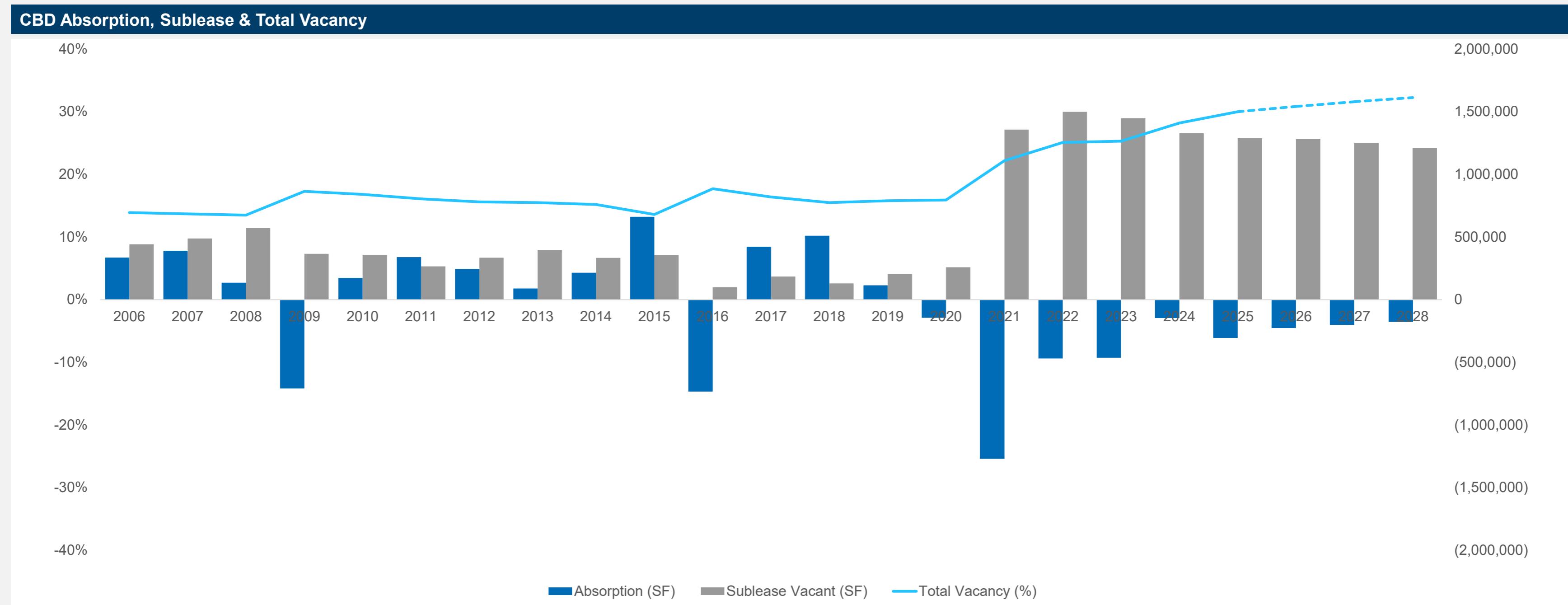
Landlords Leverage Concessions to Stay Competitive

Landlords with strong capital positions continue to rely on generous concession packages, including free rent and substantial tenant improvement allowances, to attract and retain tenants. While asking rents rose 1.1% year-over-year in the fourth quarter of 2025 to \$29.72 PSF, effective rents remain lower due to the prevalence of concessions.



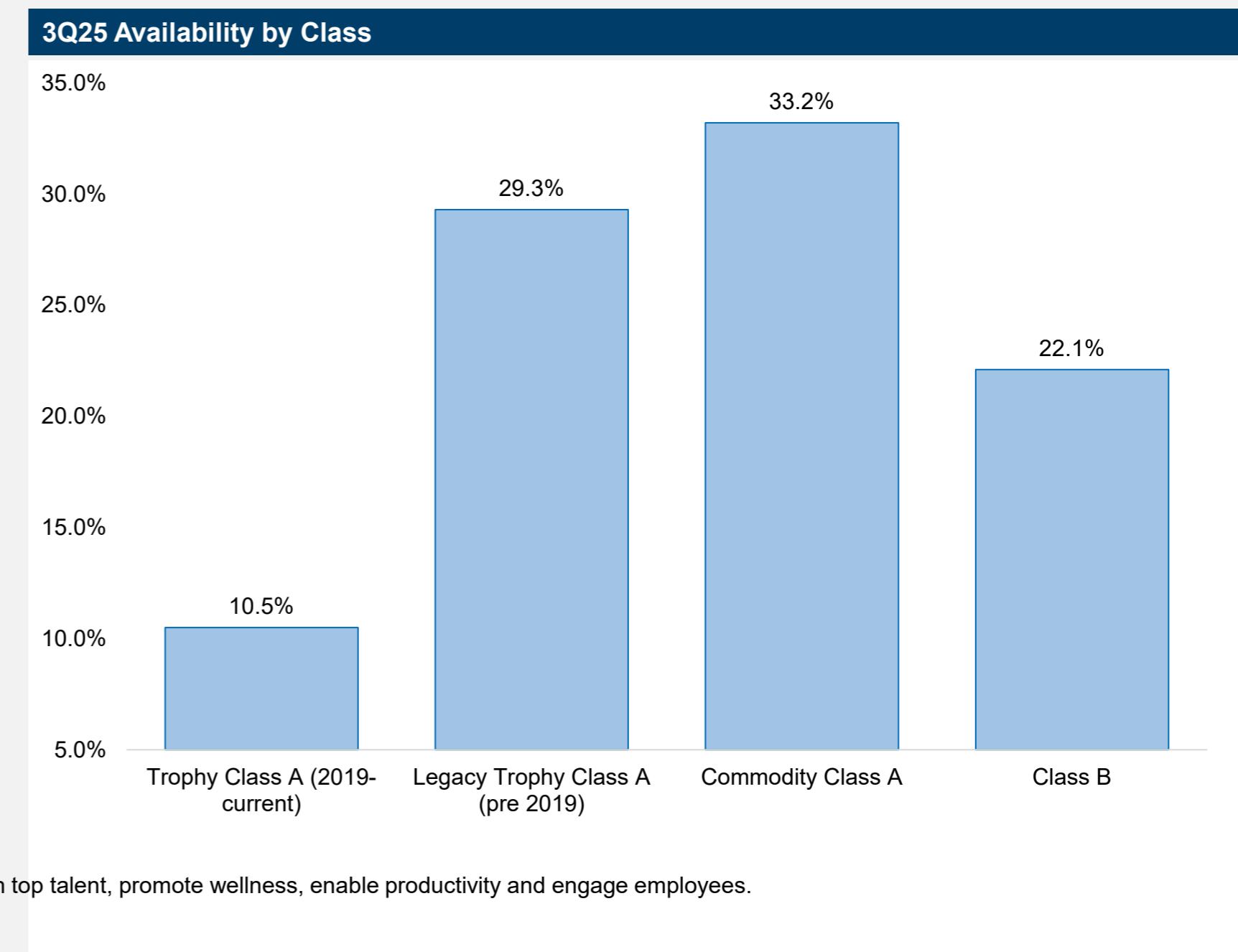
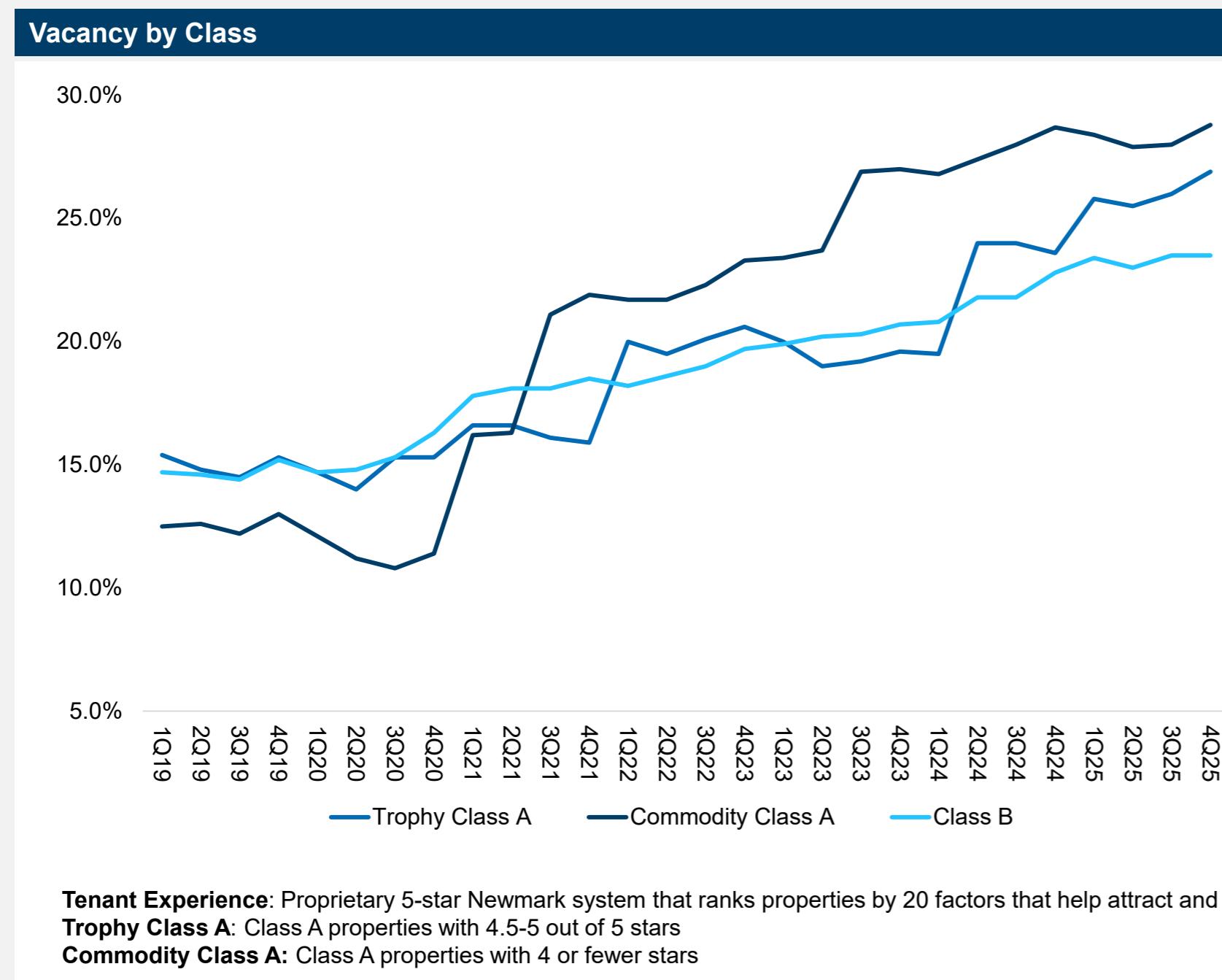
Conversions, Limited Development to Offset Rising CBD Vacancy

Downtown vacancy is projected to rise through 2028, potentially surpassing 31% amid weak tenant demand and continued space reductions. However, limited new construction, office-to-residential conversions and declining sublease availability are expected to help moderate vacancy increases.



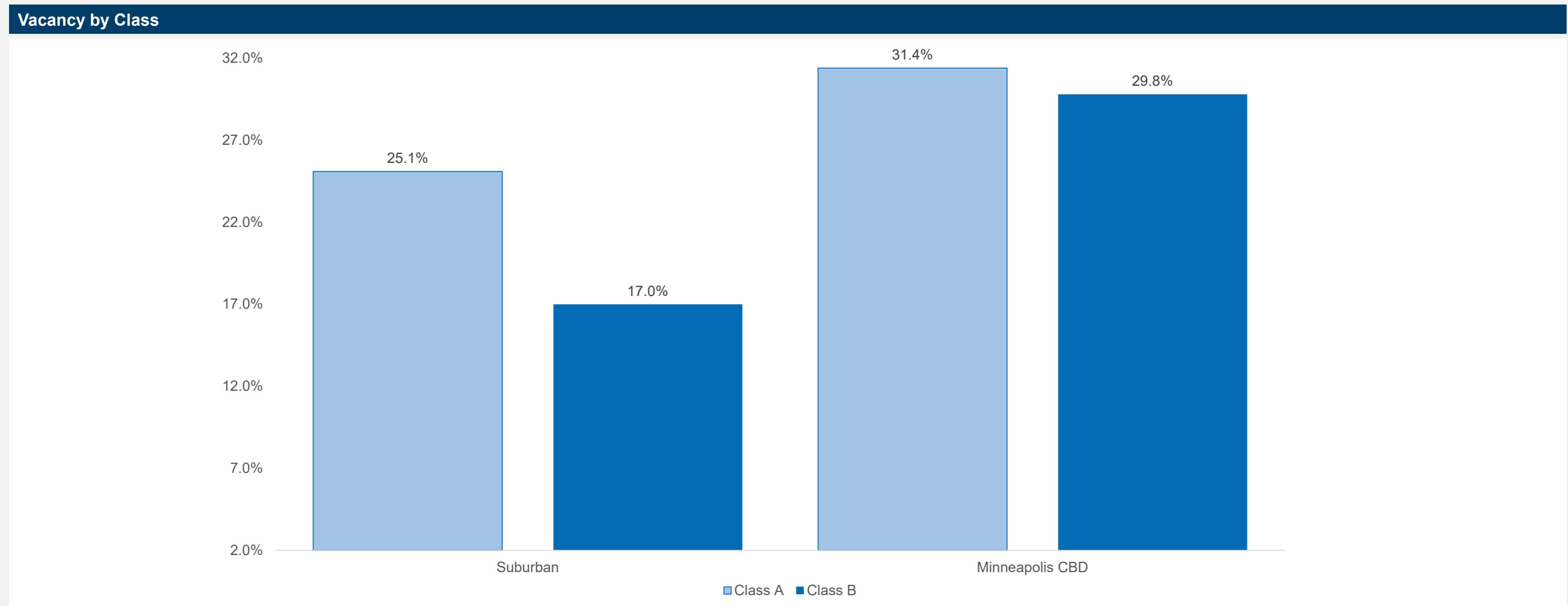
Steady Class B While Trophy A Outperforms Commodity A

Class B assets have maintained steady vacancy rates since 2019, supported by office-to-residential conversions that have reduced supply. Trophy Class A properties (4.5–5 stars) continue to lead the market, driven by sustained demand for modern, amenity-rich space. In contrast, commodity Class A buildings face pressure as tenants consolidate into higher-quality, more efficient spaces. Newly delivered post-2019 Trophy Class A buildings report the lowest availability at 10.5%, underscoring the ongoing flight to quality.



Wider Suburban vs. CBD Class A/B Vacancy Gap

Suburban submarkets posted 451,312 SF of positive absorption in 2025, while the CBD recorded 303,577 SF of negative absorption and continues to experience higher overall vacancy. The vacancy gap between Class A and B is more pronounced in the suburbs than downtown, supported by a stable base of value-oriented Class B tenants. In many suburban locations, access and proximity often outweigh building class or amenities, allowing well-located Class B assets to outperform comparable CBD properties. Across both suburban and CBD markets, demand remains concentrated in high-quality space, with new developments and buildings offering upgraded common areas and competitive tenant improvement packages outperforming the broader market.



Office Transactions

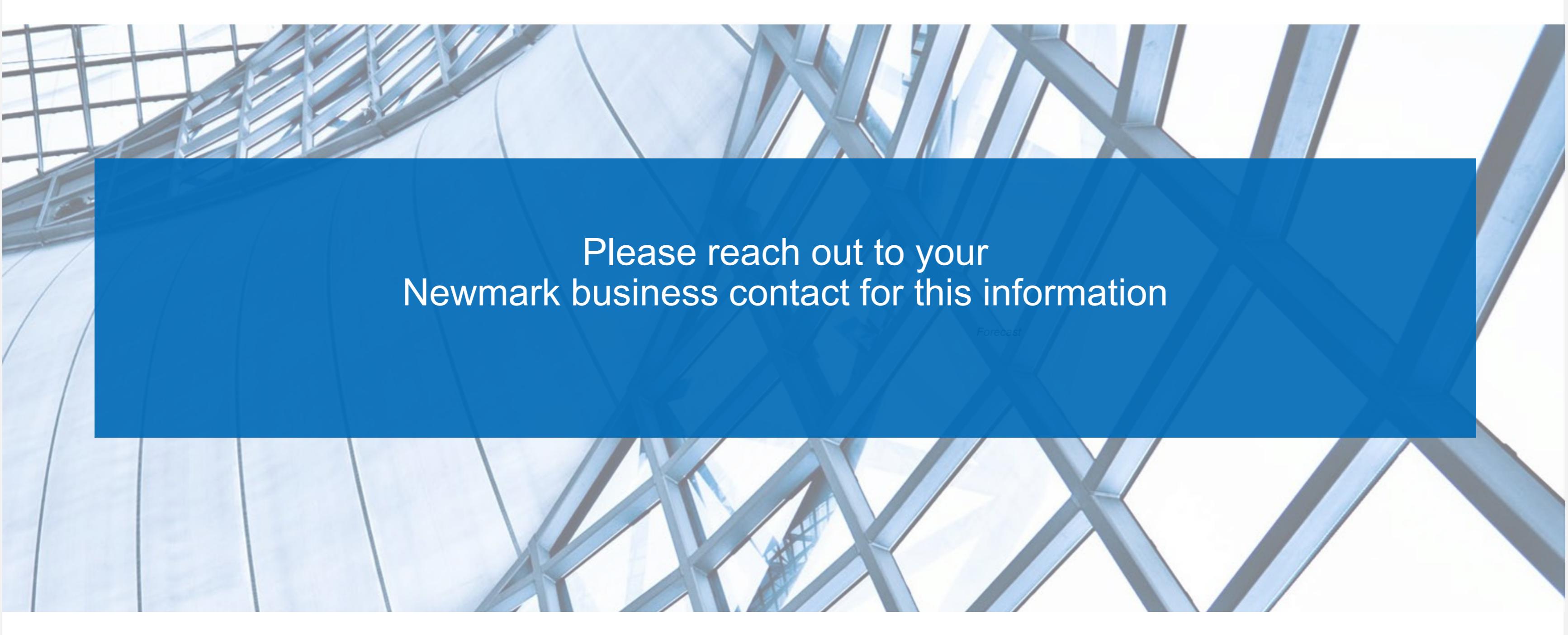
Notable Lease Transactions					
Tenant	Building	City	Submarket	Type	SF
SPS Commerce	SPS Tower	Minneapolis	Minneapolis CBD	Renewal	197,610
MNGI Digestive Health	Broadway Ridge	Minneapolis	Minneapolis CBD	Renewal	79,842
Robins Kaplan	Wells Fargo Center	Minneapolis	Minneapolis CBD	New	75,000
Compass Group USA, Inc.	700 Fifth	Minneapolis	Minneapolis CBD	New	51,193
Ernst & Young U.S. LLP	US Bancorp Center	Minneapolis	Minneapolis CBD	New	41,294
Evereve	Southdale Office Centre - 6800 Bldg	Edina	Southwest	Expansion	40,000
American Family Insurance	Excelsior Crossings	Hopkins	Southwest	New	40,000
Cardinal Glass Industries	Creekside Corporate Center	Eden Prairie	Southwest	New	33,009
IWG/Regus	SPS Tower	Minneapolis	Minneapolis CBD	New	30,736
Heroes Technology (US) LLC	444 Centerville Rd	White Bear Lake	Northeast	Renewal	23,457
VHA Upper Midwest	Centennial Lakes Office Park II	Edina	Southwest	Renewal	22,494
Trinity Logistics	Fifth Street Towers	Minneapolis	Minneapolis CBD	Renewal	19,823

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Statistics

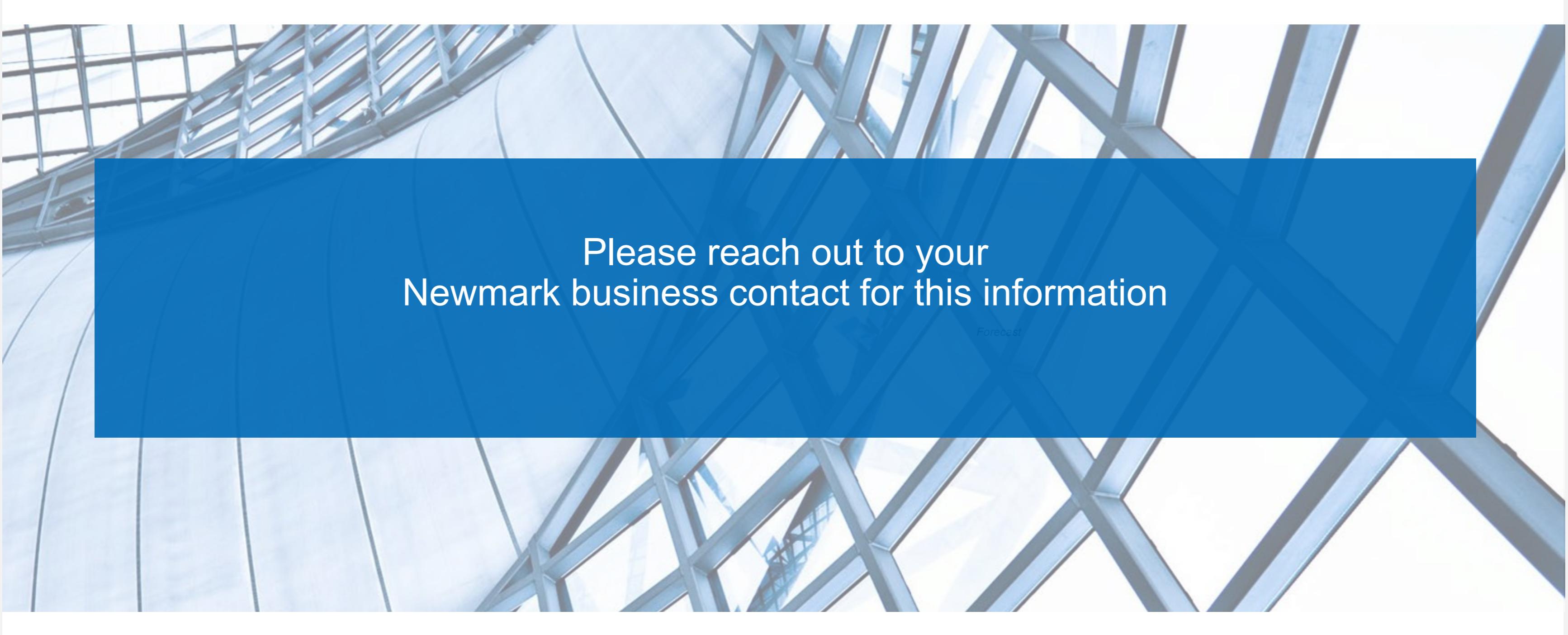


Statistics – Multitenant Properties (page 1 of 2)



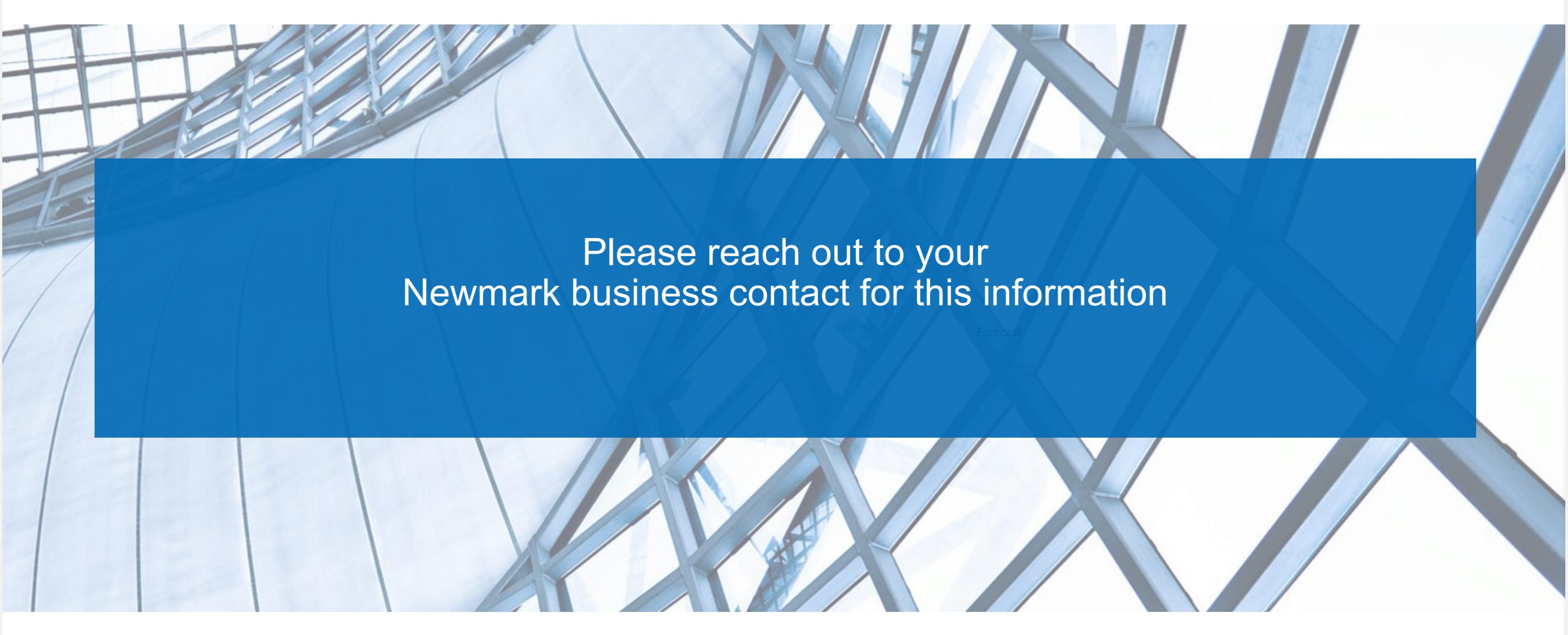
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Statistics – Multitenant Properties (page 2 of 2)



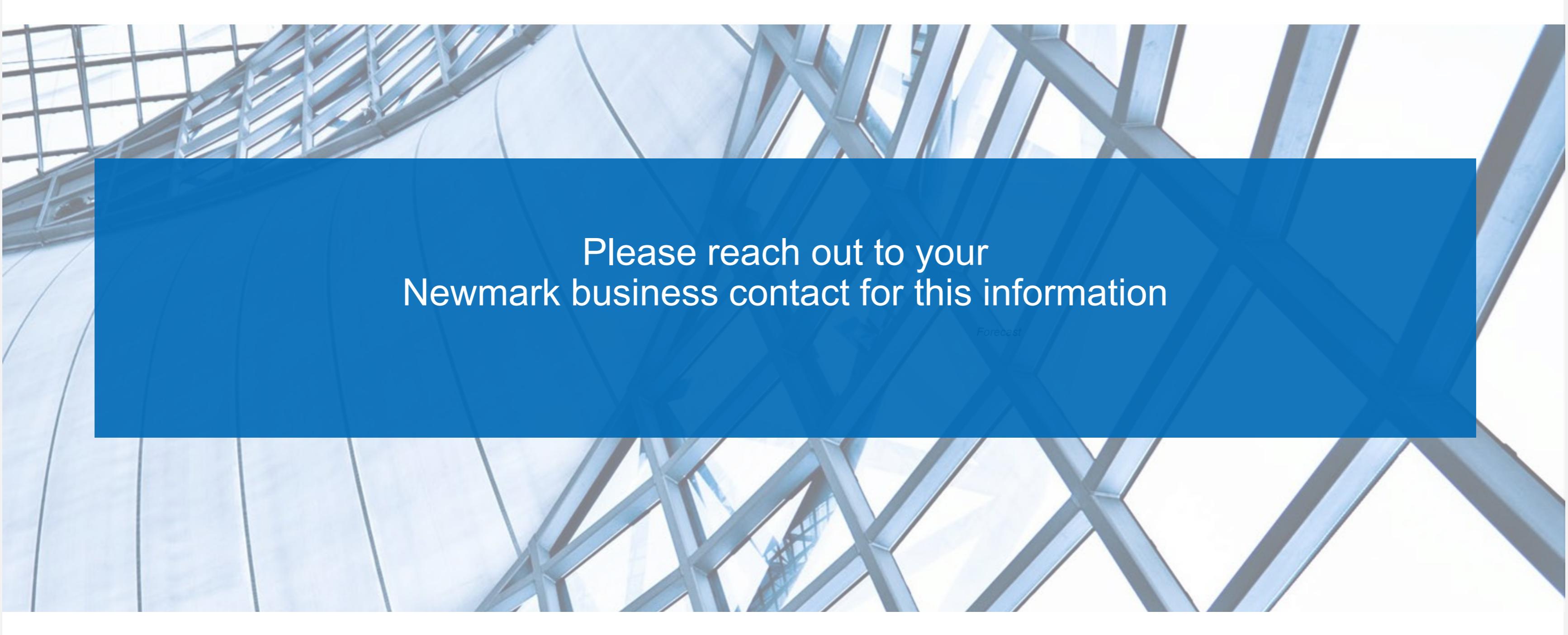
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Statistics Single & Multitenant (page 1 of 2)



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Statistics Single & Multitenant (page 2 of 2)



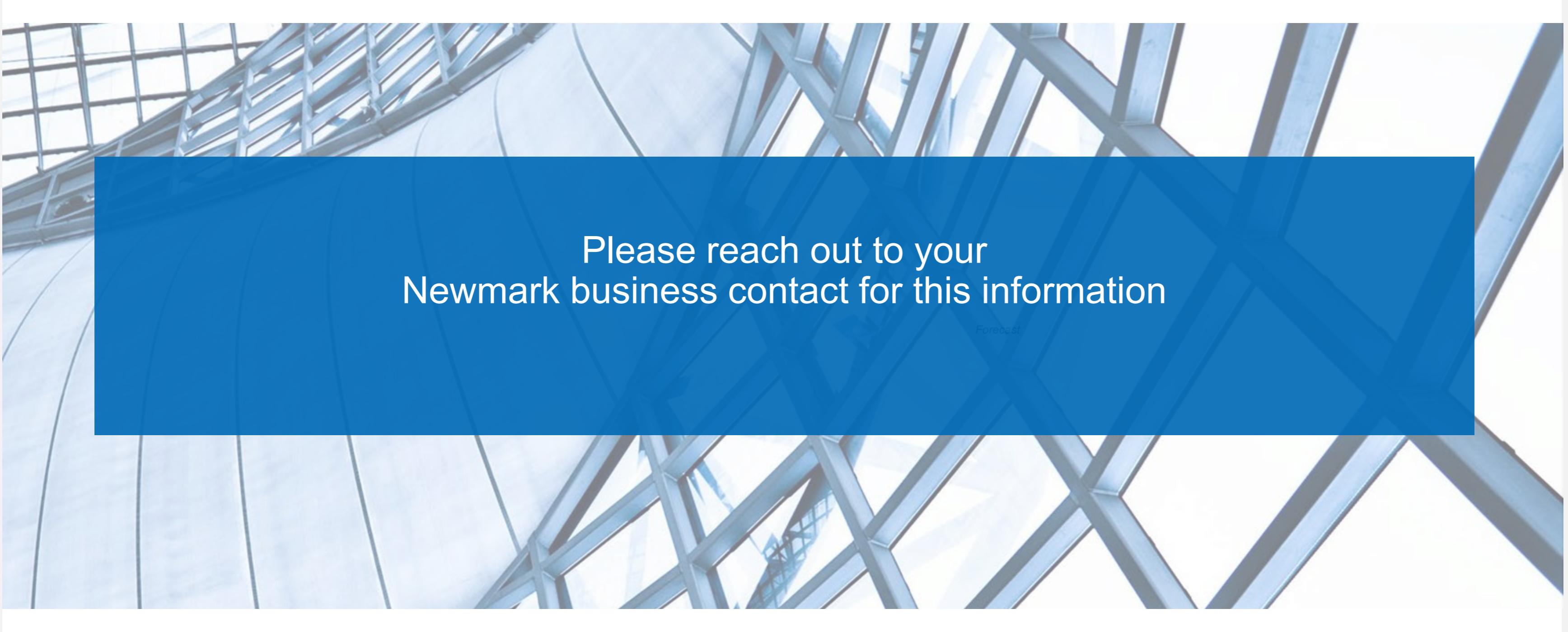
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Submarkets

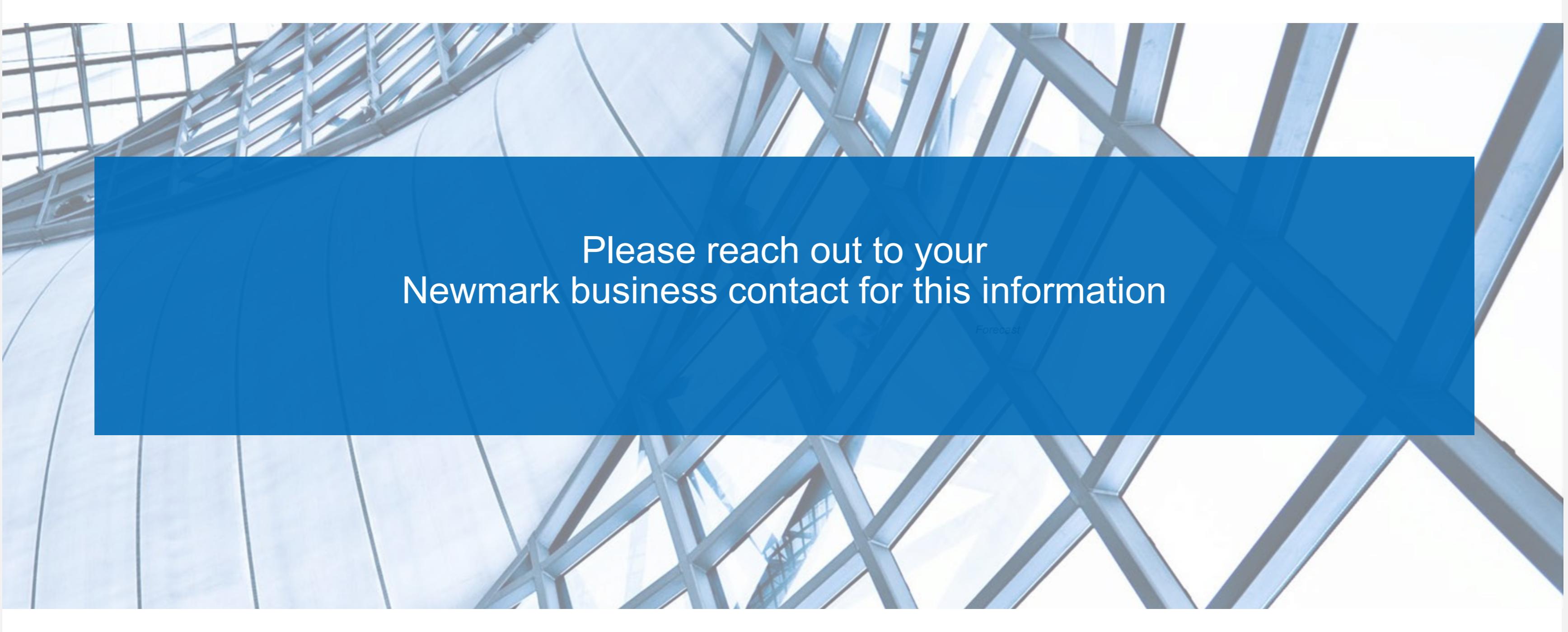


Minneapolis CBD



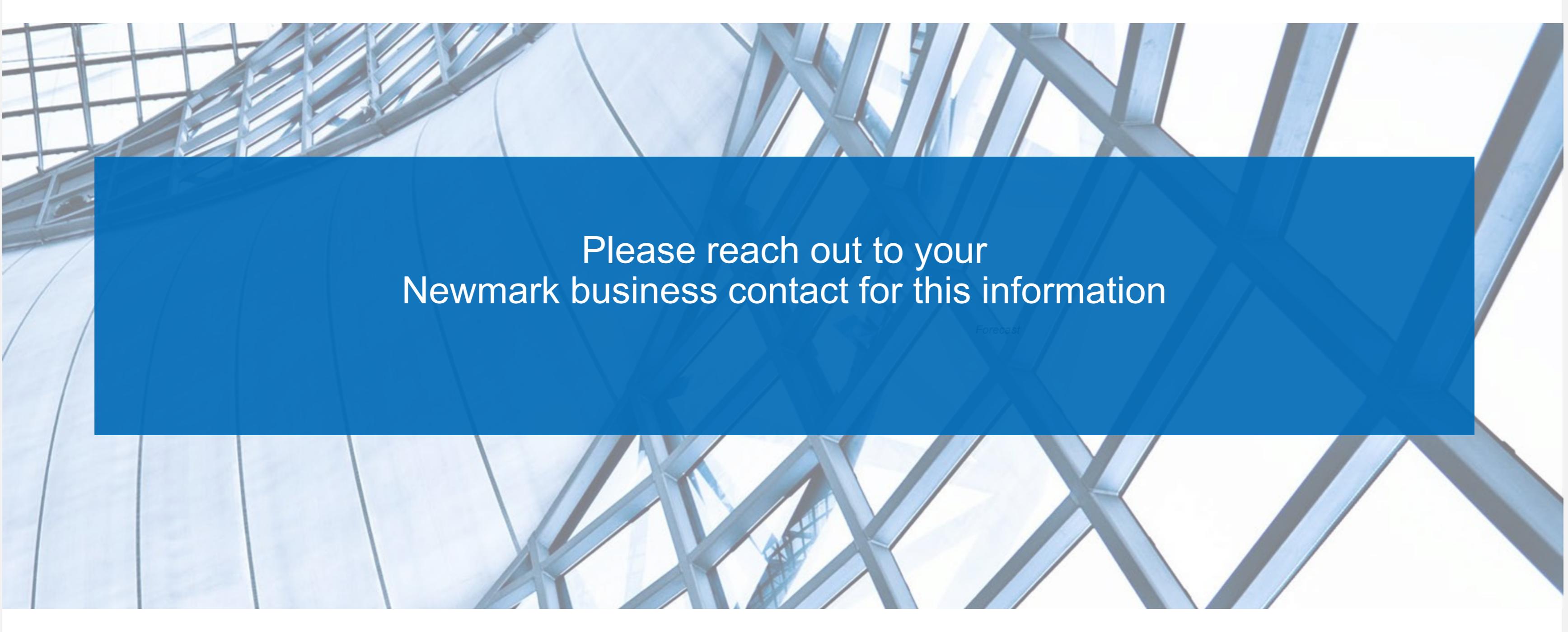
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St. Paul CBD



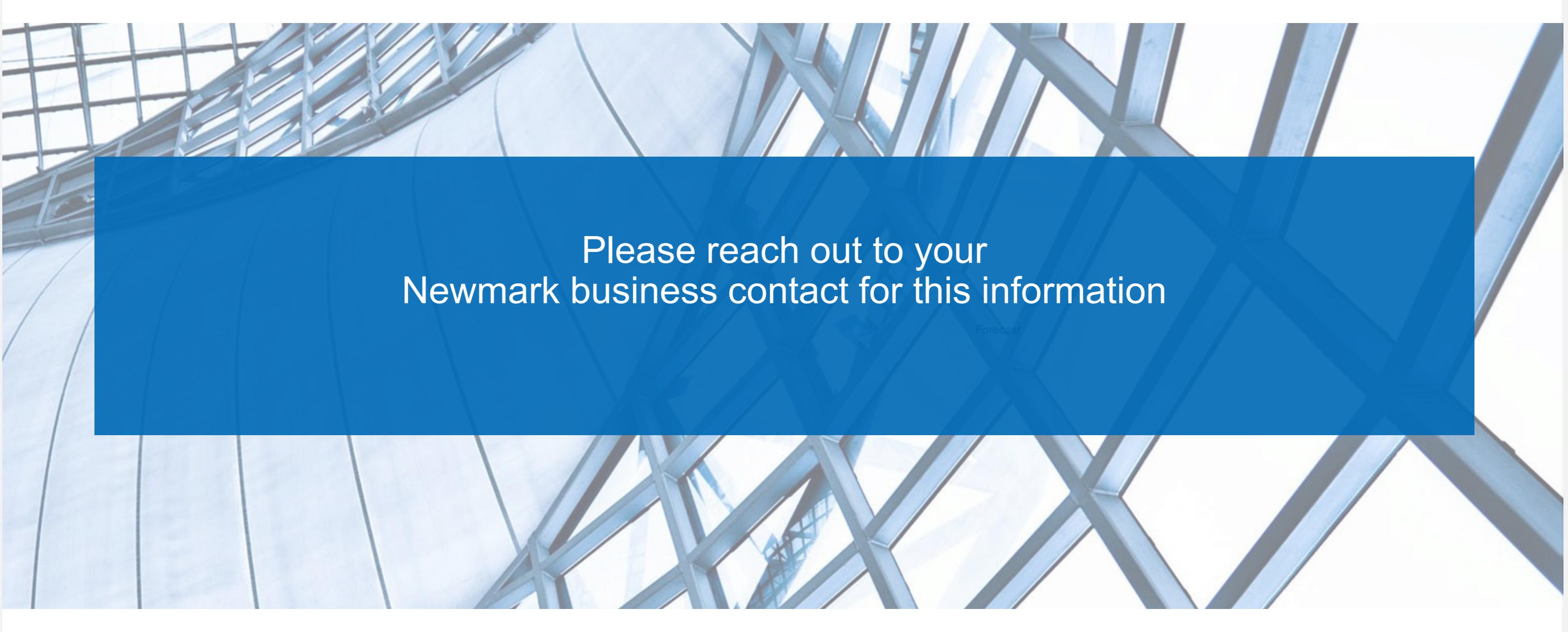
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Northeast



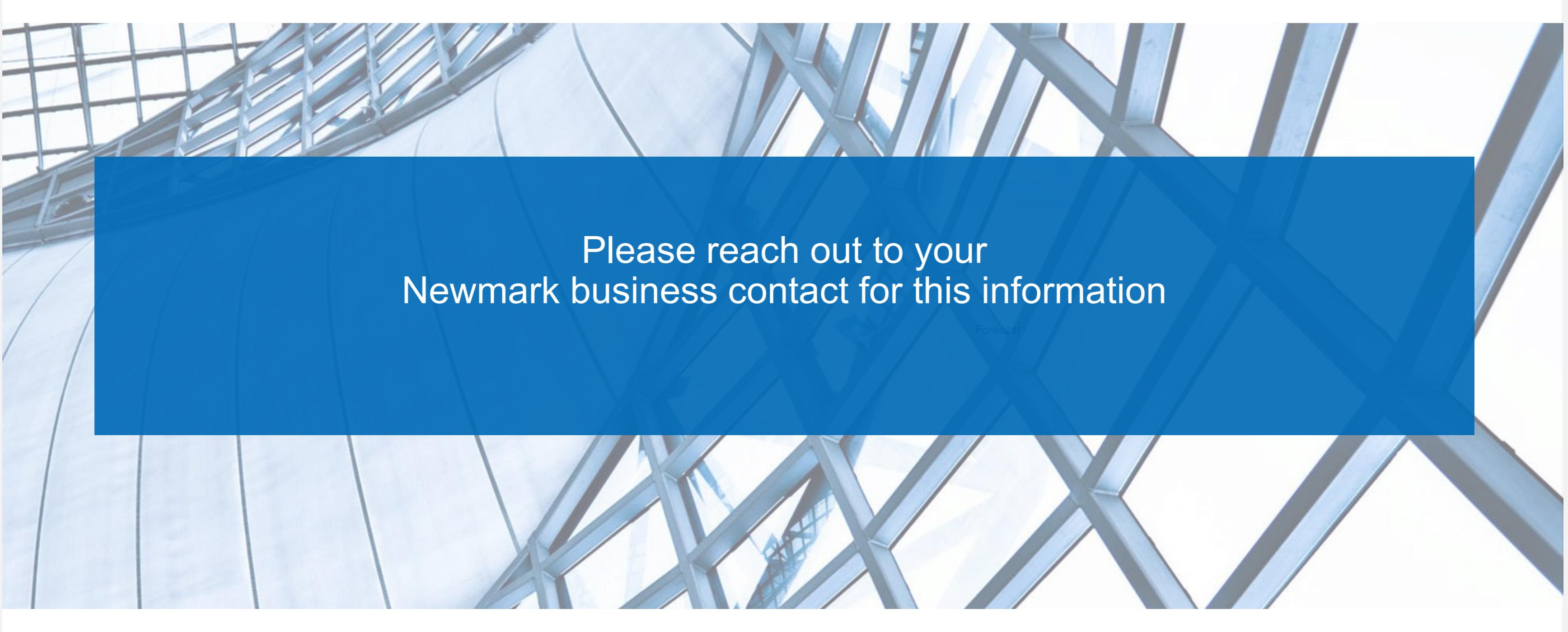
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Northwest



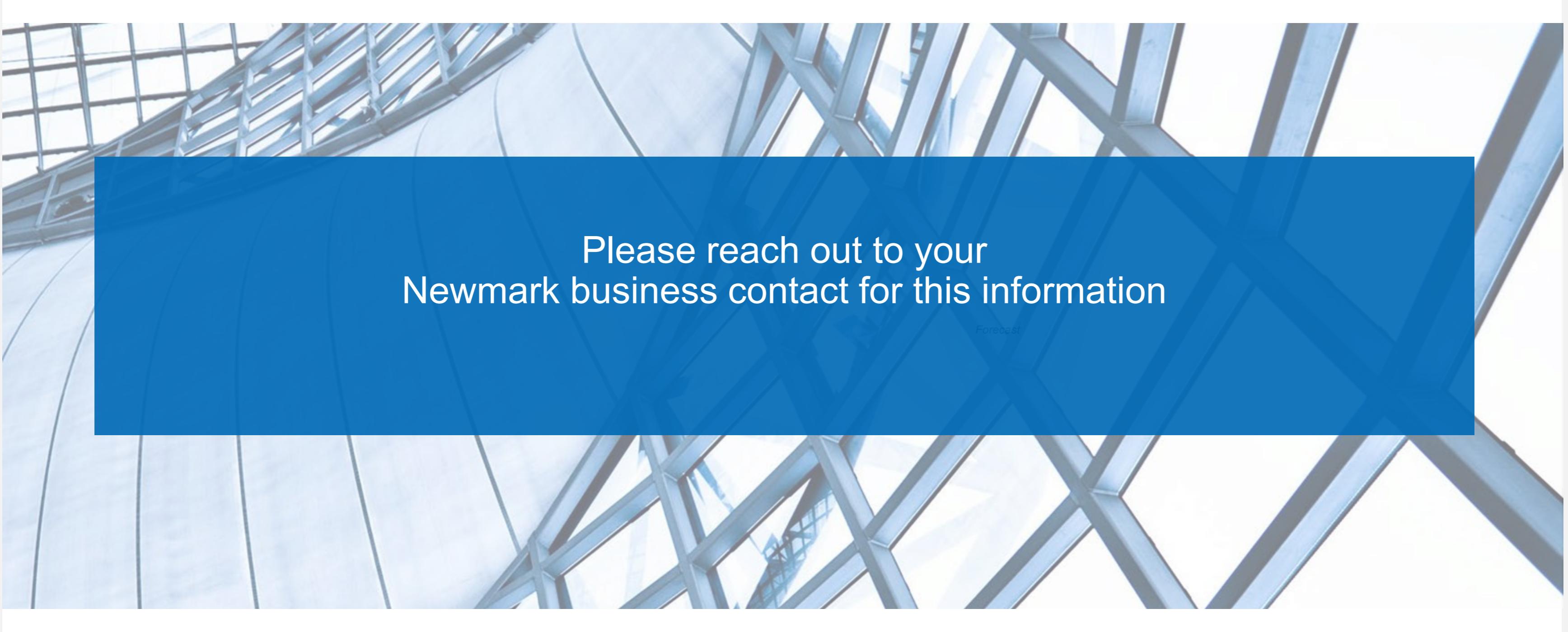
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Southeast



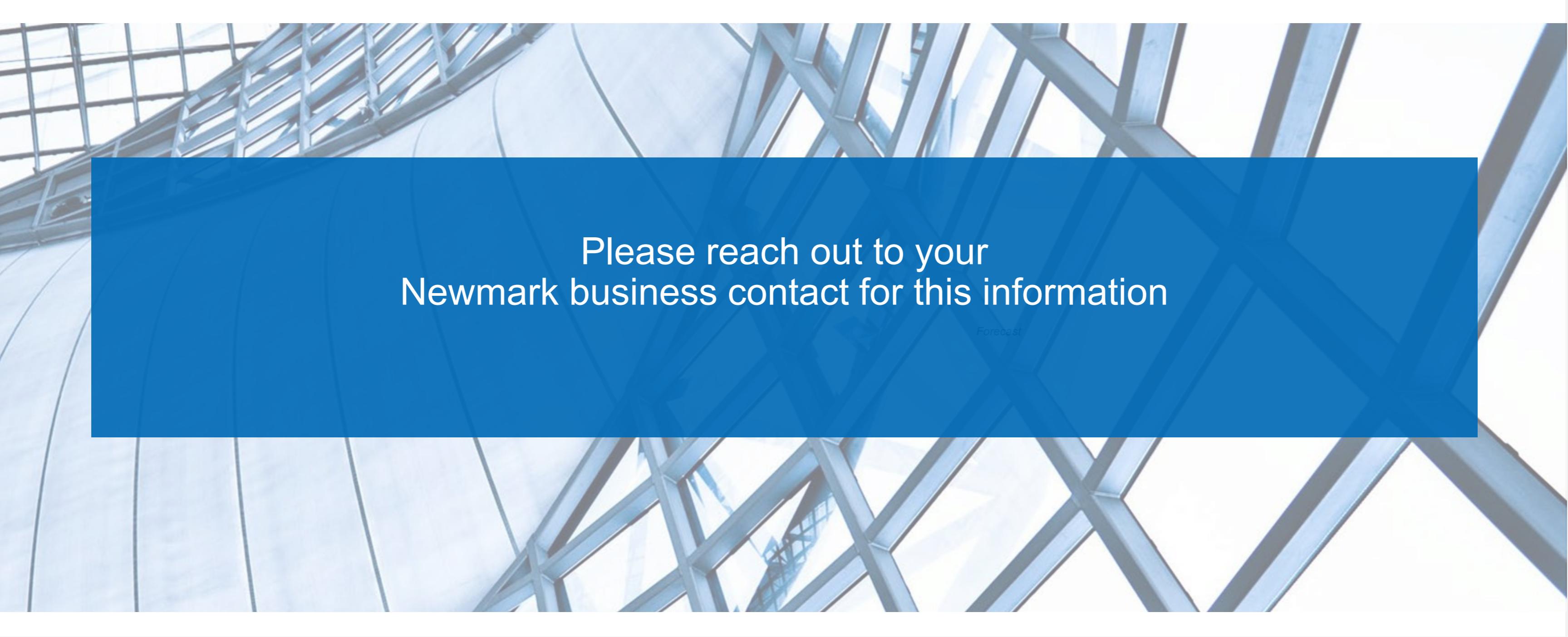
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Southwest



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West



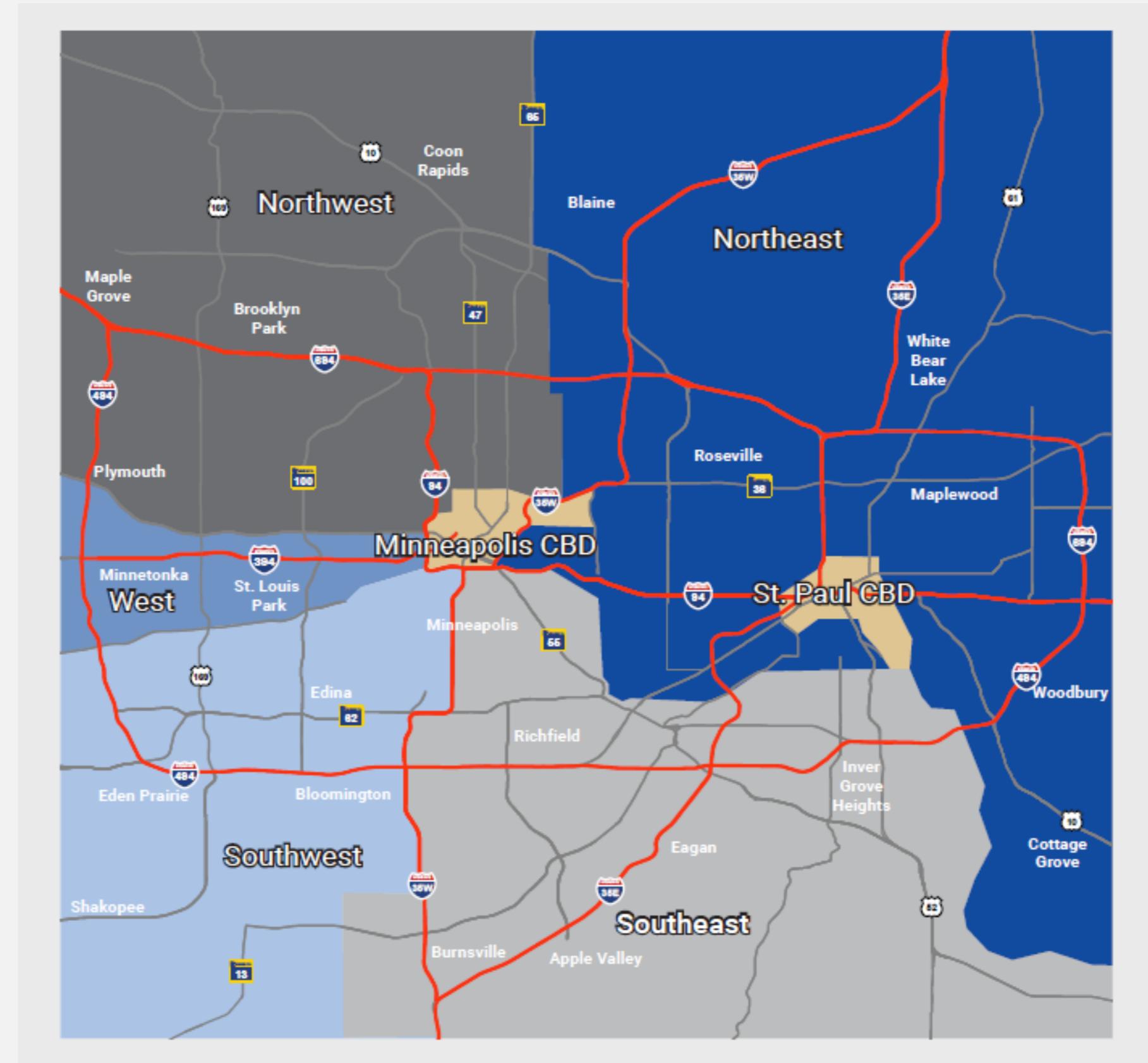
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Map



Submarket Map



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