

THE KENWOOD QUARTERLY

2025 Q2 MINNEAPOLIS | ST. PAUL OFFICE MARKET



MARKET OVERVIEW

Over the past quarter, we've seen a continued push from major employers to bring staff back to the office. Target made headlines by mandating its Commercial division return three days per week, with more requirements expected. Today, more than half of Fortune 100 companies have reinstated full in-office policies.

As companies across the Twin Cities plan ahead, many are reevaluating how best to re-engage employees in the workplace—and real estate is playing a key role in that strategy. Overall market vacancy remains elevated at 20%, with multi-tenant buildings even higher at 24.3%, far above what's considered healthy.

As we've noted in prior updates, the gap between Class A and Class C properties continues to widen. Class A space is now commanding more than a 40% premium—and with rising construction costs, rents in these buildings could exceed 150% of those in Class C. That premium is helping fuel over 1.5 million square feet of new office development currently underway.

MARKET HIGHLIGHTS

- **1.5 million sq ft of new office product** is under construction compared to only 218,000 YTD delivered.
- **Schwan's is leaving Normandale Lakes for Excelsior Crossings.** This is a perfect example of a building challenged by debt, and the tenant leaving for ownership consistency/strength.
- **Opus paid \$6.8 Million** for 5100 Eden to develop a new Class A+ building.
- **Rents in new Class A buildings** are continuing to push all-time records, with some rents potentially approaching \$50 Net.

MARKET STATISTICS - TWIN CITIES

24.3%

VACANCY
RATE

24.1 K SF

ABSORPTION

\$28.11 PSF

AVERAGE GROSS
RENT PSF

To access the
**Industrial
Market Trends
Report** from
MNCAR/REDI,
scan the QR code:



from Q2 2025 Mpls-St. Paul Office Market Trends Report - All Properties - MNCAR/REDI
+/- change is vs. Q4 2024



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Consortium Building

Congratulations are in order for the new owners of the Consortium Building and the Fine Line Music Café! The property was sold in July, assisted by Mike Doyle and the Kenwood Team. A local ownership group made the purchase, and are looking forward to thoughtful and coordinated development of the entire Warehouse District, especially in light of the recent kickoff of the 1st Avenue North revitalization project.



Butler Square

Kenwood was pleased to announce the renewal of a valued long-term client at Butler Square in June, 2025. This marks the 7th lease amendment for the tenant, a testament to the strength and longevity of the relationship. At Kenwood, we believe that successful real estate solutions are built on collaboration. By fostering a strong working relationship between the tenant and landlord, we've once again delivered a win-win outcome that supports the tenant's continued success.



Multiple Downtown Deals

Kenwood is excited to announce the successful completion of SIX new leases and renewals across the Downtown Minneapolis office market. These transactions reflect the strong momentum and continued interest in establishing and maintaining a presence in the heart of the city. Each of our clients is enthusiastic about this new chapter and recognizes the value, energy, and potential that come with being located in Minneapolis.



Pancake Breakfasts!

New building, new culture! we've started getting together for pancakes on select mornings throughout the work week, with Mike Brehm as official pancake flipper. It's a good way to make sure we all show up to morning meetings! Pass the butter and maple syrup....



Kenwood Birthdays!

Our culture is so important to us, we want to celebrate special days for each and every member of the Kenwood Team. This month it was Nils Snyder, and Holly Becker, whose contributions make a real difference to our office's success.



TACO THURSDAY

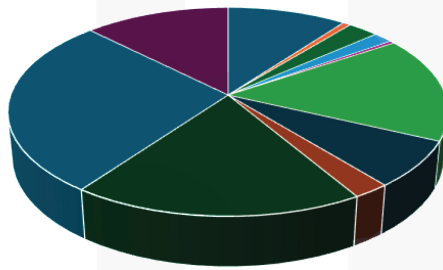
The Kenwood Team got together for lunch recently - a little friendly taste-test style competition between local taquerias. We ordered an array of tacos, quesadillas, churros, and chips + guac. Verdict: ALL DELICIOUS! and we didn't forget the Tito Puente tunes!



LARGE OFFICE LEASES

TENANT	Schwans	Leonardo DRS	Olsen Theilen	Human Powered Health	United Bankers Bank
SIZE	84,479	48,770	32,730	31,240	27,331
BUILDING	Excelsior Crossing 9320 Excelsior Blvd	Grand Oak Office 2750 Blue Water Rd	Rosedale Corp Plaza 2675 Long Lake Rd	The Craftsman 7250 France Ave S	Two Meridian 2 Meridian Crossing
LANDLORD	Piedmont 9320 Excelsior LLC	Grand Oak Minnesota Realty LP	Essjay MSPN LLC	France Property Partners LLC	Meridian Crossings II LLC
MARKET	Southwest	Southeast	Northeast	Southwest	Southeast

LEASING ACTIVITY - LEASED SF



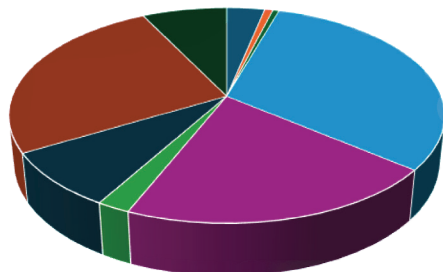
Mpls CBD Core	135,397	Northwest	95,145
Mpls CBD East	8,827	Saint Paul CBD	31,049
Mpls CBD Northeast	35,028	Southeast	245,843
Mpls CBD Northloop	22,056	Southwest	365,444
Mpls CBD Warehouse	5,593	West	165,702
Northeast	217,386		

Grand Total 1,327,470

LARGE OFFICE SALES

BUILDING	Arbor Lakes Medical 12000 Elm Creek Blvd	Lincoln Corp Ctr 5901 Lincoln Dr"	Minnesota Office Plaza 1500 Hwy 36 W	Eden 100 Building 5100 Eden Avenue	55 West Financial Ctr 10405 6th Ave N
SIZE	89,000	213,000	200,528	21,450	51,821
PRICE/SF	\$278.65	\$72.54	\$66.92	\$317.02	\$129.77
BUYER/SELLER	Maple Grove 12000 MP RK7, LLC Town Center Ptnrs, LLP"	Buhl Income Childrens LLC FFIV MN Edina LLC	State of MN MN Office Plaza LLC	100 Eden Avenue LLC Palia, LLC	Emperor Investments LLC DN Enterprises LLC
MARKET	Northwest	Southwest	Northeast	Southwest	Northwest

SALES ACTIVITY - SOLD SF



Mpls CBD Core	48,666	Saint Paul CBD	30,479
Mpls CBD Northeast	10,480	Southeast	120,924
Mpls CBD Northloop	7,900	Southwest	376,290
Northeast	454,118	West	108,277
Northwest	297,375		

Grand Total 1,454,509



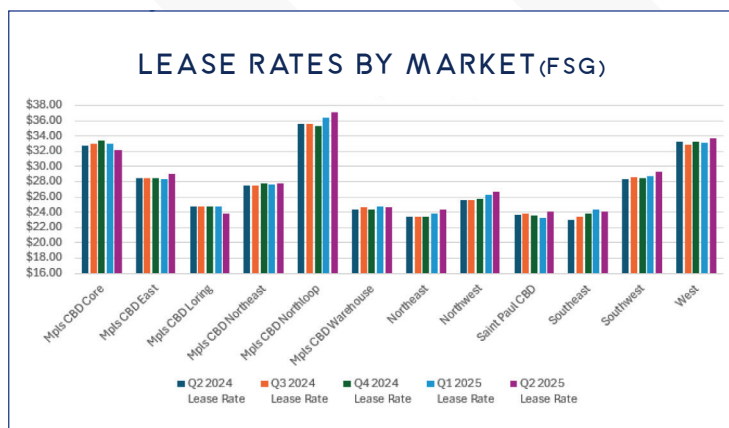
LEASE RATES BY MARKET

Market	Bldg Class	Q2 2024 Lease Rate	Q3 2024 Lease Rate	Q4 2024 Lease Rate	Q1 2025 Lease Rate	Q2 2025 Lease Rate
Mpls CBD Core	A	\$37.98	\$37.90	\$37.93	\$37.67	\$38.05
	B	\$27.95	\$28.49	\$29.24	\$29.36	\$28.55
	C	\$28.34	\$26.39	\$26.39	\$25.26	\$25.45
	Subtotal	\$32.70	\$32.98	\$33.44	\$33.00	\$32.22
Mpls CBD East	A	\$36.44	\$36.44	\$36.44	\$36.44	\$36.44
	B	\$30.57	\$30.57	\$30.57	\$30.20	\$31.70
	C	\$16.50	\$16.50	\$16.50	\$16.50	\$16.50
	Subtotal	\$28.52	\$28.52	\$28.52	\$28.33	\$29.08
Mpls CBD Loring	B	\$24.78	\$24.78	\$24.78	\$24.78	\$23.78
	C					
	Subtotal	\$24.78	\$24.78	\$24.78	\$24.78	\$23.78
Mpls CBD Northeast	A	\$36.69	\$36.69	\$36.69	\$36.69	\$36.69
	B	\$26.22	\$26.07	\$26.25	\$25.94	\$25.69
	C	\$22.61	\$22.96	\$24.16	\$27.05	\$27.55
	Subtotal	\$27.57	\$27.49	\$27.76	\$27.64	\$27.83
Mpls CBD Northloop	A	\$42.73	\$42.69	\$42.87	\$43.62	\$43.62
	B	\$31.31	\$31.30	\$32.26	\$33.11	\$33.69
	C	\$26.44	\$25.44	\$25.44	\$25.80	\$25.80
	Subtotal	\$35.66	\$35.56	\$35.34	\$36.39	\$37.14
Mpls CBD Warehouse	A					
	B	\$24.40	\$24.65	\$24.43	\$24.71	\$24.70
	C					
	Subtotal	\$24.40	\$24.65	\$24.43	\$24.71	\$24.70
Mpls CBD	A	\$38.72	\$38.69	\$38.74	\$38.93	\$39.26
	B	\$27.47	\$27.56	\$28.24	\$28.30	\$28.06
	C	\$24.14	\$23.86	\$24.20	\$24.85	\$25.12
	Subtotal	\$30.95	\$30.96	\$31.30	\$31.21	\$31.10



LEASE RATES BY MARKET, CONT.

Market	Bldg Class	Q2 2024 Lease Rate	Q3 2024 Lease Rate	Q4 2024 Lease Rate	Q1 2025 Lease Rate	Q2 2025 Lease Rate
Northeast	A	\$28.62	\$28.62	\$28.62	\$28.62	\$28.62
	B	\$23.67	\$23.59	\$23.53	\$24.13	\$24.44
	C	\$20.31	\$20.76	\$20.94	\$20.10	\$22.59
	Subtotal	\$23.41	\$23.39	\$23.40	\$23.85	\$24.38
Northwest	A	\$33.42	\$33.42	\$33.42	\$33.12	\$33.12
	B	\$25.82	\$25.83	\$26.01	\$26.40	\$27.08
	C	\$20.89	\$20.97	\$21.10	\$21.99	\$20.64
	Subtotal	\$25.61	\$25.61	\$25.79	\$26.21	\$26.68
Saint Paul CBD	A	\$29.62	\$29.56	\$29.56	\$29.30	\$29.69
	B	\$21.24	\$21.41	\$20.84	\$20.78	\$21.49
	C	\$16.30	\$16.65	\$16.77	\$17.11	\$16.99
	Subtotal	\$23.68	\$23.78	\$23.48	\$23.21	\$24.04
Southeast	A	\$28.65	\$28.65	\$28.65	\$31.05	\$31.16
	B	\$23.42	\$24.06	\$24.52	\$24.74	\$23.79
	C	\$17.81	\$17.89	\$18.00	\$18.38	\$19.06
	Subtotal	\$22.93	\$23.42	\$23.88	\$24.38	\$24.03
Southwest	A	\$34.86	\$35.00	\$35.30	\$35.49	\$35.45
	B	\$26.62	\$26.76	\$26.80	\$26.93	\$27.49
	C	\$23.81	\$23.93	\$23.93	\$25.79	\$27.16
	Subtotal	\$28.32	\$28.55	\$28.46	\$28.78	\$29.31
West	A	\$41.12	\$41.10	\$41.91	\$41.57	\$42.17
	B	\$30.49	\$30.37	\$30.47	\$29.88	\$30.10
	C	\$25.63	\$23.08	\$23.08	\$24.00	\$24.00
	Subtotal	\$33.28	\$32.87	\$33.29	\$33.07	\$33.67
Suburban	A	\$35.52	\$35.57	\$36.09	\$36.13	\$36.29
	B	\$25.66	\$25.80	\$26.00	\$26.15	\$26.35
	C	\$20.45	\$20.52	\$20.99	\$21.13	\$22.11
	Subtotal	\$26.58	\$26.71	\$27.01	\$27.19	\$27.61
Grand Total		\$27.23	\$27.30	\$27.60	\$27.83	\$28.12





Local Knowledge

Allows us to uncover unique opportunities for our clients in Minneapolis | St. Paul.



Independent Advantage

We provide personalized service and take the time to fully invest in our clients.



Full-Service

From start to finish: we're directly involved every step of the way.

Remember, regardless of the direction your workspace needs are going, the team at Kenwood Commercial is ready to assist and answer any questions you have.

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