

# THE KENWOOD QUARTERLY

2025 Q4 MINNEAPOLIS | ST. PAUL OFFICE MARKET



## MARKET OVERVIEW

2025 showed strong overall activity, along with significant signs that the market is slowly moving up from rock bottom. The number of new office leases signed in 2025 exceeded the 2015–2019 average by 5%; however, overall leasing volume declined roughly 25% as deal sizes continued to shrink. After two years of uneven hybrid experimentation, 2025 became a decisive year for return-to-office policies, with major Twin Cities employers tightening in-office requirements, creating a meaningful test of demand for office space.

Even with these policy shifts, the average size of new office leases fell nearly 30% below the 2015–2019 average. Smaller tenants are increasingly absorbing available space in the region's most desirable live-work-play centers, such as West End, the I-494/France corridor, Egan, and the North Loop, while 1980s-era downtown Minneapolis properties continue to face structurally weaker demand, pushing the divide between Class A buildings and the rest of the market. It's creating a K shaped recovery where Class A buildings are achieving record high rents, and other buildings are struggling to lease space unless it's 2nd generation.

Looking into 2026, we still see a disconnect between owners and users of office space, with extremely high transaction costs resulting in higher net rents for users, but lower returns for owners.

## MARKET HIGHLIGHTS

- SPS Commerce renewed their 200,000 SF Downtown lease for 15 years.
- The newly renovated Meridian Projects in Bloomington successfully leased up in 18 months, proving that new tenants desire elevated space
- Downtown Minneapolis posted the largest negative absorption to date. The Ameriprise lease came to an end, adding 960K SF to the Downtown market, causing the largest jump ever in Class A vacancy: -18.6% to -20.0%.
- Based on historic absorption, the Twin Cities have enough office supply to last 31 years.

## MARKET STATISTICS - TWIN CITIES



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



from Q4 2025 Mpls-St. Paul Office Market Trends Report - All Properties - MNCAR/REDI  
+ / - change is vs. Q3 2025



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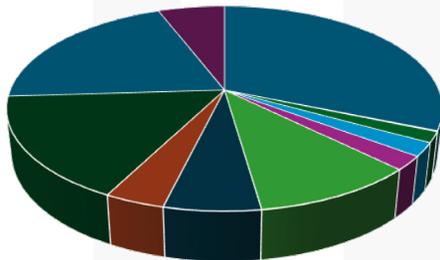


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## LARGE OFFICE LEASES

TENANT	SPS Commerce	Edina Realty	Cardinal Glass Industries	IWG/Regus	VHA Upper Midwest
SIZE	197,610	38,680	33,009	30,736	22,494
BUILDING	SPS Tower 333 S 7th St	Southdale Office Centre 6800 France Ave S	Creekside Corporate Ctr 7480 Flying Cloud Dr	SPS Tower 333 S 7th St	Centennial Lakes Office Pk 7601 France Ave S
LANDLORD	USPO Minneapolis, LLC	Southdale Office Partners LLC	CSC Trust	USPO Minneapolis, LLC	Centennial Lakes II LLC
MARKET	Mpls CBD Core	Southwest	Southwest	Mpls CBD Core	Southwest

## LEASING ACTIVITY - LEASED SF



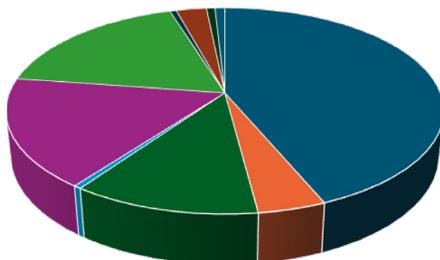
■ Mpls CBD Core	373,634	■ Northwest	78,997
■ Mpls CBD East	25,201	■ Saint Paul CBD	33,372
■ Mpls CBD Northeast	28,625	■ Southeast	267,273
■ Mpls CBD Northloop	36,129	■ Southwest	138,211
■ Mpls CBD Warehouse	5,129	■ West	97,344
■ Northeast	186,274		

**Grand Total 1,270,189**

## LARGE OFFICE SALES

BUILDING	Boston Scientific 1 Boston Scientific Way	100 Washington Ave S	TractorWorks Building 800 Washington Ave N	Northrup Grumman 4700 Nathan Ln	Roseville Medical Center 1835 County Rd C W
SIZE	400,000	1,191,343	462,316	191,336	74,699
PRICE/SF	\$472.02	\$40.81	\$55.16	\$130.66	\$207.50
BUYER/ SELLER	Boston Scientific Corporation Black Bear MN LLC	1662 Farwell Owner LLC SRI Ten Washington Square LLC	Singerman RE Goldman Sachs	NG Nathan Ln Owner LLC Boom LLC	Roseville 1835 MP WRK7 LLC Welltower OM Group LLC
MARKET	Northwest	Mpls CBD Core	Mpls CBD North Loop	Northwest	Northeast

## SALES ACTIVITY - SOLD SF



■ Mpls CBD Core	39,459	■ Saint Paul CBD	39,459
■ Mpls CBD East	274,311	■ Southeast	274,311
■ Mpls CBD Northloop	65,277	■ Southwest	65,277
■ Mpls CBD Warehouse	319,167	■ West	319,167
■ Northeast	125,177		
■ Northwest	50,885		

**Grand Total 874,276**

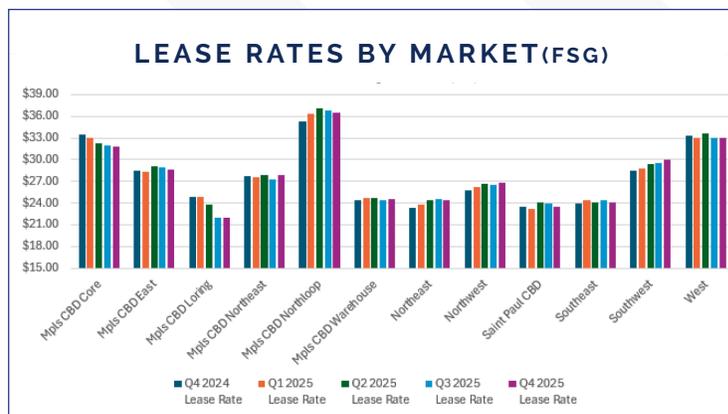
**Grand Total 874,276**

## LEASE RATES BY MARKET

Market	Bldg Class	Q4 2024 Lease Rate	Q1 2025 Lease Rate	Q2 2025 Lease Rate	Q3 2025 Lease Rate	Q4 2025 Lease Rate
Mpls CBD Core	A	\$37.93	\$37.67	\$38.05	\$37.76	\$37.80
	B	\$29.24	\$29.36	\$28.55	\$28.77	\$28.53
	C	\$26.39	\$25.26	\$25.45	\$25.45	\$25.45
	<b>Subtotal</b>	<b>\$33.44</b>	<b>\$33.00</b>	<b>\$32.22</b>	<b>\$31.94</b>	<b>\$31.81</b>
Mpls CBD East	A	\$36.44	\$36.44	\$36.44	\$35.75	\$35.75
	B	\$30.57	\$30.20	\$31.70	\$31.70	\$31.70
	C	\$16.50	\$16.50	\$16.50	\$16.50	\$22.00
	<b>Subtotal</b>	<b>\$28.52</b>	<b>\$28.33</b>	<b>\$29.08</b>	<b>\$28.91</b>	<b>\$28.63</b>
Mpls CBD Loring	B	\$24.78	\$24.78	\$23.78	\$22.00	\$22.00
	C					
	<b>Subtotal</b>	<b>\$24.78</b>	<b>\$24.78</b>	<b>\$23.78</b>	<b>\$22.00</b>	<b>\$22.00</b>
Mpls CBD Northeast	A	\$36.69	\$36.69	\$36.69	\$36.74	\$36.85
	B	\$26.25	\$25.94	\$25.69	\$25.08	\$25.39
	C	\$24.16	\$27.05	\$27.55	\$24.98	\$28.53
	<b>Subtotal</b>	<b>\$27.76</b>	<b>\$27.64</b>	<b>\$27.83</b>	<b>\$27.25</b>	<b>\$27.89</b>
Mpls CBD Northloop	A	\$42.87	\$43.62	\$43.62	\$43.60	\$43.01
	B	\$32.26	\$33.11	\$33.69	\$32.94	\$32.57
	C	\$25.44	\$25.80	\$25.80	\$25.80	\$25.23
	<b>Subtotal</b>	<b>\$35.34</b>	<b>\$36.39</b>	<b>\$37.14</b>	<b>\$36.73</b>	<b>\$36.52</b>
Mpls CBD Warehouse	A					
	B	\$24.43	\$24.71	\$24.70	\$24.43	\$24.55
	C					
	<b>Subtotal</b>	<b>\$24.43</b>	<b>\$24.71</b>	<b>\$24.70</b>	<b>\$24.43</b>	<b>\$24.55</b>
Mpls CBD	A	\$38.74	\$38.93	\$39.26	\$39.12	\$39.00
	B	\$28.24	\$28.30	\$28.06	\$27.95	\$27.85
	C	\$24.20	\$24.85	\$25.12	\$23.86	\$24.78
	<b>Subtotal</b>	<b>\$31.30</b>	<b>\$31.21</b>	<b>\$31.10</b>	<b>\$30.90</b>	<b>\$30.96</b>

## LEASE RATES BY MARKET, CONT.

Market	Bldg Class	Q4 2024 Lease Rate	Q1 2025 Lease Rate	Q2 2025 Lease Rate	Q3 2025 Lease Rate	Q4 2025 Lease Rate
Northeast	A	\$28.62	\$28.62	\$28.62	\$30.62	\$30.62
	B	\$23.53	\$24.13	\$24.44	\$24.31	\$24.26
	C	\$20.94	\$20.10	\$22.59	\$24.88	\$24.97
	<b>Subtotal</b>	<b>\$23.40</b>	<b>\$23.85</b>	<b>\$24.38</b>	<b>\$24.49</b>	<b>\$24.45</b>
Northwest	A	\$33.42	\$33.12	\$33.12	\$33.12	\$33.12
	B	\$26.01	\$26.40	\$27.08	\$26.91	\$26.87
	C	\$21.10	\$21.99	\$20.64	\$21.44	\$23.00
	<b>Subtotal</b>	<b>\$25.79</b>	<b>\$26.21</b>	<b>\$26.68</b>	<b>\$26.55</b>	<b>\$26.82</b>
Saint Paul CBD	A	\$29.56	\$29.30	\$29.69	\$29.69	\$29.07
	B	\$20.84	\$20.78	\$21.49	\$20.99	\$20.98
	C	\$16.77	\$17.11	\$16.99	\$17.00	\$18.17
	<b>Subtotal</b>	<b>\$23.48</b>	<b>\$23.21</b>	<b>\$24.04</b>	<b>\$23.93</b>	<b>\$23.51</b>
Southeast	A	\$28.65	\$31.05	\$31.16	\$31.36	\$31.63
	B	\$24.52	\$24.74	\$23.79	\$23.87	\$23.48
	C	\$18.00	\$18.38	\$19.06	\$20.64	\$20.52
	<b>Subtotal</b>	<b>\$23.88</b>	<b>\$24.38</b>	<b>\$24.03</b>	<b>\$24.33</b>	<b>\$24.09</b>
Southwest	A	\$35.30	\$35.49	\$35.45	\$35.86	\$35.81
	B	\$26.80	\$26.93	\$27.49	\$27.67	\$28.10
	C	\$23.93	\$25.79	\$27.16	\$27.19	\$27.25
	<b>Subtotal</b>	<b>\$28.46</b>	<b>\$28.78</b>	<b>\$29.31</b>	<b>\$29.54</b>	<b>\$29.93</b>
West	A	\$41.91	\$41.57	\$42.17	\$41.83	\$40.99
	B	\$30.47	\$29.88	\$30.10	\$30.17	\$30.45
	C	\$23.08	\$24.00	\$24.00	\$27.48	\$27.48
	<b>Subtotal</b>	<b>\$33.29</b>	<b>\$33.07</b>	<b>\$33.67</b>	<b>\$32.97</b>	<b>\$33.00</b>
Suburban	A	\$36.09	\$36.13	\$36.29	\$36.24	\$35.95
	B	\$26.00	\$26.15	\$26.35	\$26.40	\$26.44
	C	\$20.99	\$21.13	\$22.11	\$23.56	\$23.74
	<b>Subtotal</b>	<b>\$27.01</b>	<b>\$27.19</b>	<b>\$27.61</b>	<b>\$27.66</b>	<b>\$27.72</b>
<b>Grand Total</b>		<b>\$27.60</b>	<b>\$27.83</b>	<b>\$28.12</b>	<b>\$28.12</b>	<b>\$28.17</b>





### 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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