

THE KENWOOD QUARTERLY

2025 Q1 MINNEAPOLIS | ST. PAUL OFFICE MARKET



MARKET OVERVIEW

In the First Quarter of 2025, the Twin Cities office market recorded 1.3 million square feet of leasing activity across 337 transactions, averaging 3,858 rentable square feet per deal. Many firms are still searching for ways to encourage employees back into the office, often rethinking and reshaping their real estate strategies to support that goal.

Although the city's strong base of corporate headquarters once provided stability before the pandemic, it has ironically contributed to demand declines in the aftermath. Major employers like Target, UnitedHealth Group, and Best Buy continue to shed surplus space. Across the market, tenants are downsizing or consolidating into fewer locations, typically leasing 20% to 40% less space compared to previous years.

Even with these headwinds, demand hasn't disappeared — it's simply become more selective. Newer properties in areas like the West End, I-494/France Avenue, Eagan, and the North Loop are seeing robust leasing activity, outperforming the broader metro, which is still in a period of adjustment.

MARKET HIGHLIGHTS

- **The Craftsman on France** is a new Class A multi-use development that has started construction at 72nd Street and France Avenue in Edina, due to be completed in June 2026.
- **West End One (5401 Gamble Drive)** has been acquired by Hempel, who will be building Terasă - a new development consisting of apartments and retail, due for completion in Q2 2027.
- **Two22 (222 South 9th Street)** has been taken over by lender Oaktree Capital.
- **City Center** owner Samsung has defaulted on a \$13 million loan, which has moved to special servicing.
- **60 properties** sold across the Twin Cities with an average price of \$50 per square foot.
- **The Average Lease** signed in the first quarter was approximately 3,800 square feet.

MARKET STATISTICS - TWIN CITIES

↑ **19.9%**

VACANCY
RATE

↑ **254K SF**

ABSORPTION

↓ **\$27.83 PSF**

AVERAGE GROSS
RENT PSF

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



from Q1 2025 Mpls-St. Paul Office Market Trends Report - All Properties - MNCAR/REDI
+/- change is vs. Q4 2024



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Hennepin Partners

We are thrilled to have completed a lease for Hennepin Partners in Capella Tower/225 South 6th for over 11,000 square feet. Hennepin Partners was in the market for expanded space for their firm, and Kenwood made a great deal for them.



Young Quinlan Building

Kenwood filled a vacancy in the Young Quinlan Building in the first quarter, with offices for the firm "OUR Rescue". OUR Rescue works with law enforcement agencies all over the world to educate, assist, and provide support for enforcement and prosecution of trafficking and exploitation cases.



Lake Street Capital

Lake Street Capital will be moving to offices at 121 S 8th Street this spring. We assisted them in finding the ideal location for their growing business - congratulations on the new and beautiful space!



Nils' Polar Plunge

10 Years, 10 Polar Plunges done, with over \$20,000 raised for Special Olympics Minnesota! What an adventure - cold water, new friends, and shared experiences. Nils is grateful for the support over the last month - Plunge Season is officially done, and he surpassed his \$20,000 goal!



A View from The Top

Sometimes we get asked to do some fun things, and in this case a client wanted to tour the halo on top of Capella Tower! Thanks to Nathan Reed at CBRE for getting us up there!



Holly Becker at CCIM Class

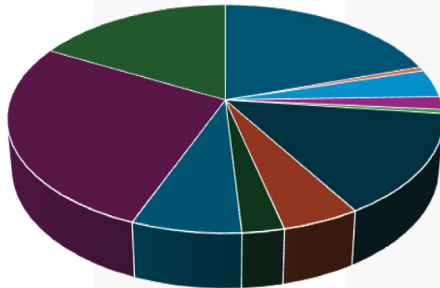
In March, Holly Becker spent a week working on CCIM (Certified Commercial Investment Member) certification. Holly walked away with a deeper understanding of the tools we use every day in commercial real estate, armed with valuable insights into financial analysis and investment strategies.



LARGE OFFICE LEASES

| TENANT | Huntington Bank | MN Star Tribune | Wold Architects | Adolfson & Peterson Construction | Southdale Peds |
|----------|---|-----------------------------------|-------------------------------|------------------------------------|--|
| SIZE | 100,000 | 89,100 | 58,000 | 41,195 | 38,306 |
| BUILDING | Crescent Ridge Corp Ctr 11100 Wayzata Blvd | Capella Tower 225 S 6th St | 50 South Sixth 50 S 6th St | The Craftsman 7250 France Ave S | Southdale Office Centre 6600 France Ave S |
| LANDLORD | Property Reserve INC | SRI Eleven Minneapolis 225 LLC | South Sixth Office LLC | France Property Partners LLC | Southdale Office Partners LLC |
| MARKET | West | Mpls CBD - Core | Mpls CBD - Core | Southwest | Southwest |

LEASING ACTIVITY - LEASED SF

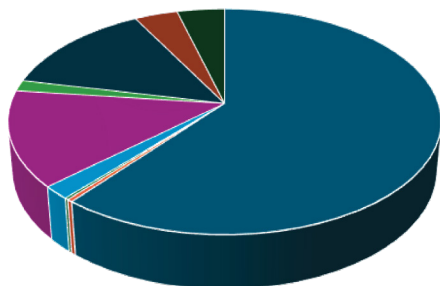


| | | | |
|--------------------|---------|--------------------|------------------|
| Mpls CBD Core | 261,449 | Northeast | 188,913 |
| Mpls CBD East | 7,441 | Northwest | 65,001 |
| Mpls CBD Loring | 418 | Saint Paul CBD | 34,981 |
| Mpls CBD Northeast | 51,821 | Southeast | 91,560 |
| Mpls CBD Northloop | 23,706 | Southwest | 353,043 |
| Mpls CBD Warehouse | 7,495 | West | 223,535 |
| | | Grand Total | 1,309,363 |

LARGE OFFICE SALES

| BUILDING | The Grove 9550 Upland Lane N | 9800 at Bass Creek 9800 59th Avenue N | West End One 5401 Gamble Drive | Ameriprise Financial 707 S 2nd Avenue | 3560 Delta Dental Drive |
|--------------|---|---|---|--|---|
| SIZE | 46,648 | 159,056 | 37,547 | 959,264 | 66,286 |
| PRICE/SF | \$341.92 | \$62.24 | \$226.38 | \$6.52 | \$85.39 |
| BUYER/SELLER | Maple Grove Health Property Owner, LP Grove Health Owner, LLC | Spinnaker Real Estate Holdings LLC Cantel Medical LLC | Terasa LLC BOF II MN West End Office Park LLC | OIVF III 707 2nd Ave S LLC AE Lender, LLC | YH Great Oaks Academy, LLC Denta Dental of Minnesota |
| MARKET | Northwest | Northwest | West | Mpls CBD Core | Southeast |

SALES ACTIVITY - SOLD SF



| | | | |
|--------------------|-----------|--------------------|------------------|
| Mpls CBD Core | 1,226,837 | Saint Paul CBD | 32,079 |
| Mpls CBD Northeast | 7,525 | Southeast | 276,203 |
| Mpls CBD Northloop | 4,735 | Southwest | 75,673 |
| Northeast | 37,470 | West | 83,538 |
| Northwest | 275,921 | | |
| | | Grand Total | 2,019,981 |



LEASE RATES BY MARKET

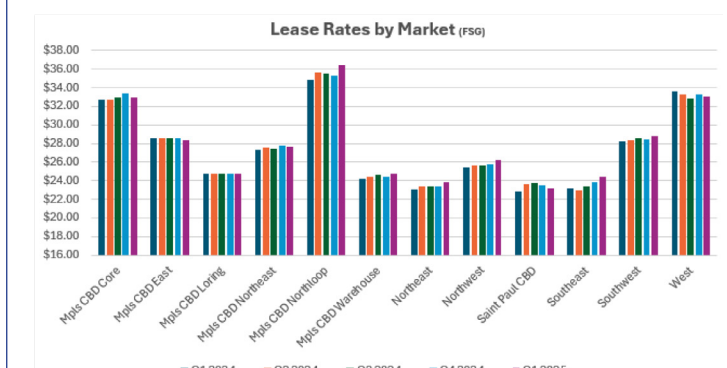
| Market | Bldg Class | Q4 2024 | Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025 |
|--------------------|------------|---------|---------|---------|---------|---------|
| Mpls CBD Core | A | \$37.95 | \$37.98 | \$37.90 | \$37.93 | \$37.67 |
| | B | \$27.95 | \$27.95 | \$28.49 | \$29.24 | \$29.36 |
| | C | \$28.34 | \$28.34 | \$26.39 | \$26.39 | \$25.26 |
| | Subtotal | \$32.68 | \$32.70 | \$32.98 | \$33.44 | \$33.00 |
| Mpls CBD East | A | \$36.44 | \$36.44 | \$36.44 | \$36.44 | \$36.44 |
| | B | \$30.57 | \$30.57 | \$30.57 | \$30.57 | \$30.20 |
| | C | \$16.50 | \$16.50 | \$16.50 | \$16.50 | \$16.50 |
| | Subtotal | \$28.52 | \$28.52 | \$28.52 | \$28.52 | \$28.33 |
| Mpls CBD Loring | B | \$24.78 | \$24.78 | \$24.78 | \$24.78 | \$24.78 |
| | C | | | | | |
| | Subtotal | \$24.78 | \$24.78 | \$24.78 | \$24.78 | \$24.78 |
| Mpls CBD Northeast | A | \$36.69 | \$36.69 | \$36.69 | \$36.69 | \$36.69 |
| | B | \$25.83 | \$26.22 | \$26.07 | \$26.25 | \$25.94 |
| | C | \$24.14 | \$22.61 | \$22.96 | \$24.16 | \$27.05 |
| | Subtotal | \$27.36 | \$27.57 | \$27.49 | \$27.76 | \$27.64 |
| Mpls CBD Northloop | A | \$42.52 | \$42.73 | \$42.69 | \$42.87 | \$43.62 |
| | B | \$29.83 | \$31.31 | \$31.30 | \$32.26 | \$33.11 |
| | C | \$26.44 | \$26.44 | \$25.44 | \$25.44 | \$25.80 |
| | Subtotal | \$34.83 | \$35.66 | \$35.56 | \$35.34 | \$36.39 |
| Mpls CBD Warehouse | A | | | | | |
| | B | \$24.24 | \$24.40 | \$24.65 | \$24.43 | \$24.71 |
| | C | | | | | |
| | Subtotal | \$24.24 | \$24.40 | \$24.65 | \$24.43 | \$24.71 |
| Mpls CBD | A | \$38.65 | \$38.72 | \$38.69 | \$38.74 | \$38.93 |
| | B | \$27.17 | \$27.47 | \$27.56 | \$28.24 | \$28.30 |
| | C | \$24.57 | \$24.14 | \$23.86 | \$24.20 | \$24.85 |
| | Subtotal | \$30.75 | \$30.95 | \$30.96 | \$31.30 | \$31.21 |



LEASE RATES BY MARKET, CONT.

| Market | Bldg Class | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 |
|----------------|------------|---------|---------|---------|---------|---------|
| Northeast | A | \$28.62 | \$28.62 | \$28.62 | \$28.62 | \$28.62 |
| | B | \$23.42 | \$23.67 | \$23.59 | \$23.53 | \$24.13 |
| | C | \$19.24 | \$20.31 | \$20.76 | \$20.94 | \$20.10 |
| | Subtotal | \$23.02 | \$23.41 | \$23.39 | \$23.40 | \$23.85 |
| Northwest | A | \$33.42 | \$33.42 | \$33.42 | \$33.42 | \$33.12 |
| | B | \$25.76 | \$25.82 | \$25.83 | \$26.01 | \$26.40 |
| | C | \$20.96 | \$20.89 | \$20.97 | \$21.10 | \$21.99 |
| | Subtotal | \$25.42 | \$25.61 | \$25.61 | \$25.79 | \$26.21 |
| Saint Paul CBD | A | \$29.49 | \$29.62 | \$29.56 | \$29.56 | \$29.30 |
| | B | \$20.60 | \$21.24 | \$21.41 | \$20.84 | \$20.78 |
| | C | \$17.13 | \$16.30 | \$16.65 | \$16.77 | \$17.11 |
| | Subtotal | \$22.85 | \$23.68 | \$23.78 | \$23.48 | \$23.21 |
| Southeast | A | \$28.65 | \$28.65 | \$28.65 | \$28.65 | \$31.05 |
| | B | \$23.79 | \$23.42 | \$24.06 | \$24.52 | \$24.74 |
| | C | \$18.34 | \$17.81 | \$17.89 | \$18.00 | \$18.38 |
| | Subtotal | \$23.24 | \$22.93 | \$23.42 | \$23.88 | \$24.38 |
| Southwest | A | \$34.72 | \$34.86 | \$35.00 | \$35.30 | \$35.49 |
| | B | \$26.56 | \$26.62 | \$26.76 | \$26.80 | \$26.93 |
| | C | \$23.21 | \$23.81 | \$23.93 | \$23.93 | \$25.79 |
| | Subtotal | \$28.20 | \$28.32 | \$28.55 | \$28.46 | \$28.78 |
| West | A | \$40.71 | \$41.12 | \$41.10 | \$41.91 | \$41.57 |
| | B | \$30.46 | \$30.49 | \$30.37 | \$30.47 | \$29.88 |
| | C | \$25.63 | \$25.63 | \$23.08 | \$23.08 | \$24.00 |
| | Subtotal | \$33.60 | \$33.28 | \$32.87 | \$33.29 | \$33.07 |
| Suburban | A | \$35.55 | \$35.52 | \$35.57 | \$36.09 | \$36.13 |
| | B | \$25.61 | \$25.66 | \$25.80 | \$26.00 | \$26.15 |
| | C | \$20.26 | \$20.45 | \$20.52 | \$20.99 | \$21.13 |
| | Subtotal | \$26.53 | \$26.58 | \$26.71 | \$27.01 | \$27.19 |
| Grand Total | | \$27.08 | \$27.23 | \$27.30 | \$27.60 | \$27.83 |

LEASE RATES BY MARKET (FSG)





KENWOOD

COMMERCIAL



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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