

THE KENWOOD QUARTERLY

2025 Q3 MINNEAPOLIS | ST. PAUL OFFICE MARKET



MARKET OVERVIEW - A K-SHAPED RECOVERY

As we close out the third quarter of 2025, the market continues to show clear signs of divergence — what one economist aptly described as a K-shaped economy (where segments of an economy recover from a recession at different rates). Some asset classes and properties continue to perform well, while others struggle and will likely continue to do so for the foreseeable future.

The multi-tenant office market posted a net absorption of (271,000) square feet this quarter, bringing overall vacancy to 24.4%. Despite the elevated vacancy rate, there are nine new construction projects underway across the market, totaling approximately 1.2 million square feet. This underscores a consistent trend: occupiers remain willing to pay for quality space. A prime example is Boston Scientific, which recently broke ground on a 400,000 square foot build-to-suit facility.

Normandale Lakes: A Cautionary Tale: The biggest news of the quarter was the Normandale Lakes transaction. When New York-based Opal acquired the Normandale Park complex in 2022, they paid \$366 million, or about \$215 per square foot — a post-COVID record for office space. However, the structure of the deal has since proven problematic. Opal placed individual debt on each of the five buildings and created separate ground leases for each, retaining ownership of the land, while obligating the building entities to pay the ground rent in perpetuity. When Opal stopped servicing the building mortgages, the result was predictable: the separation of land and improvements destroyed the buildings' value. Several properties have since entered foreclosure, with the 8500 Tower recently selling for just \$4 million — roughly \$8.56 per square foot.

MARKET HIGHLIGHTS

- Wells Fargo Downtown has leased over 200,000 square feet since its acquisition by Onward Investors last year.
- Two new multi-tenant office buildings are under construction, with asking rents in the mid-\$40s net.
- Meridian Crossings continues to perform well, with one building now fully leased and a second under construction.

MARKET STATISTICS - TWIN CITIES

24.4%

VACANCY
RATE

271 K SF

NEGATIVE NET
ABSORPTION LEVEL

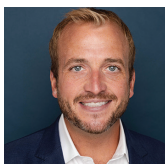
\$28.14

AVERAGE GROSS
RENT PSF

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



from Q3 2025 Mpls-St. Paul Office Market Trends Report - All Properties - MNCAR/REDI
+ / - change is vs. Q2 2025



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KENWOOD

COMMERCIAL



Lease Renewal

A well-known law firm in Minneapolis engaged Kenwood to review their lease and evaluate the entire market. After an extensive search and strategic negotiations, we successfully renewed their tenancy with a substantial incentive package — providing the best financial outcome while enhancing flexibility within their lease.



Hennepin Partners

Kenwood partnered with Hennepin Partners early in 2024 to strategize and develop a long-term solution for their next office space. We began with 40 building options across multiple markets, and ultimately selected Capella Tower in Downtown Minneapolis. Through the process, we negotiated very favorable leasing terms, ensuring an excellent outcome for the team. They officially moved in this month and are already loving their new space.



One Pass Solutions

Kenwood was honored to partner with One Pass (a subsidiary of United Healthcare). With their future growth plans still taking shape, we secured a short-term and highly flexible lease in the popular West End area—giving them the agility to adapt as their business evolves.



Roeslein & Associates

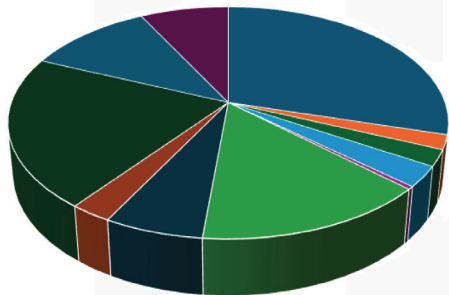
Kenwood's team identified a high-quality office space that met the client's amenity, budget, and location needs, securing a rare two-year lease term at a competitive rental rate. The lease will deliver a turnkey space that will preserve cost savings and flexibility for future growth.



LARGE OFFICE LEASES

TENANT	Barr Engineering	Robins Kaplan	Colliers Mortgage & Securities	Agribank	American Family
SIZE	81,936	75,000	50,226	43,402	40,793
BUILDING	One Meridian 1 Meridian Crossings	Wells Fargo Center 90 S 7th St	Wells Fargo Center 90 S 7th St	Two Meridian 2 Meridian Crossings	Excelsior Crossing 9320 Excelsior Blvd
LANDLORD	Meridian Crossings LLC	90 7th Street South LLC	90 7th Street South LLC	Meridian Crossings LLC	Piedmont
MARKET	Southeast	Mpls CBD Core	Mpls CBD Core	Southeast	Southwest

LEASING ACTIVITY - LEASED SF



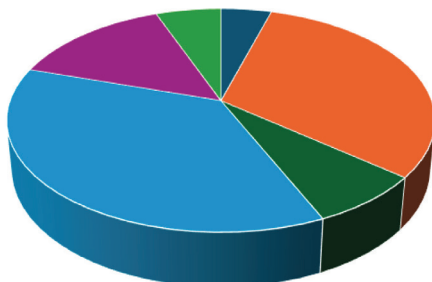
Mpls CBD Core	373,634	Northwest	78,997
Mpls CBD East	25,201	Saint Paul CBD	33,372
Mpls CBD Northeast	28,625	Southeast	267,273
Mpls CBD Northloop	36,129	Southwest	138,211
Mpls CBD Warehouse	5,129	West	97,344
Northeast	186,274		

Grand Total 1,270,189

LARGE OFFICE SALES

BUILDING	Project Vanderbilt 610 Opperman Dr	MISO 2985 Ames Crossing Rd	Crossroads on Hudson 8147 Globe Dr	Centre Pointe Pro Ctr 2955 Centre Pointe Dr	The Fine Line Consortium 318 N 1st Ave
SIZE	150,000	60,463	28,549	62,420	35,676
PRICE/SF	\$113.33	\$190.20	\$192.65	\$68.65	\$89.70
BUYER/ SELLER	CADC MSP01, LLC Eagan Property Owner, LLC	EWR Eagan COB, LLC, R & F Real Estate, LLC MIS EGN (MN), LLC	Friends of WLA Crossroads on Hudson, LLC	MSP Center Point, LLC Centre Pointe Drive, LLC	Consortium Building LLC DP Property Acquisition LLC
MARKET	Southeast	Southeast	Southeast	Northeast	Mpls CBD Warehouse

SALES ACTIVITY - SOLD SF



Mpls CBD Warehouse	39,459
Northeast	274,311
Northwest	65,277
Southeast	319,167
Southwest	125,177
West	50,885

Grand Total 874,276



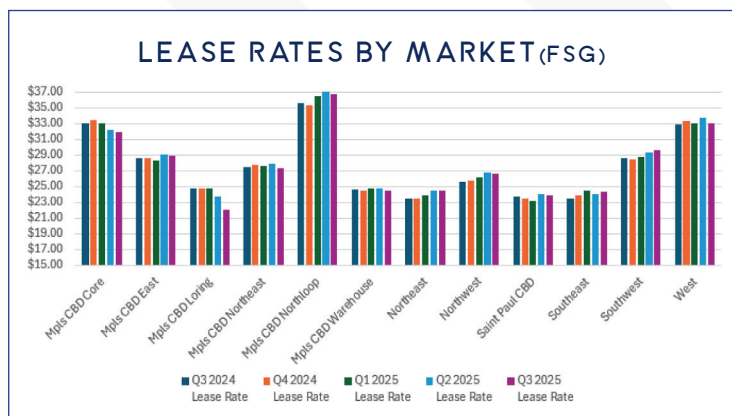
LEASE RATES BY MARKET

Market	Bldg Class	Q3 2024 Lease Rate	Q4 2024 Lease Rate	Q1 2025 Lease Rate	Q2 2025 Lease Rate	Q3 2025 Lease Rate
Mpls CBD Core	A	\$37.90	\$37.93	\$37.67	\$38.05	\$37.76
	B	\$28.49	\$29.24	\$29.36	\$28.55	\$28.77
	C	\$26.39	\$26.39	\$25.26	\$25.45	\$25.45
	Subtotal	\$32.98	\$33.44	\$33.00	\$32.22	\$31.94
Mpls CBD East	A	\$36.44	\$36.44	\$36.44	\$36.44	\$35.75
	B	\$30.57	\$30.57	\$30.20	\$31.70	\$31.70
	C	\$16.50	\$16.50	\$16.50	\$16.50	\$16.50
	Subtotal	\$28.52	\$28.52	\$28.33	\$29.08	\$28.91
Mpls CBD Loring	B	\$24.78	\$24.78	\$24.78	\$23.78	\$22.00
	C					
	Subtotal	\$24.78	\$24.78	\$24.78	\$23.78	\$22.00
Mpls CBD Northeast	A	\$36.69	\$36.69	\$36.69	\$36.69	\$36.74
	B	\$26.07	\$26.25	\$25.94	\$25.69	\$25.08
	C	\$22.96	\$24.16	\$27.05	\$27.55	\$24.98
	Subtotal	\$27.49	\$27.76	\$27.64	\$27.83	\$27.25
Mpls CBD Northloop	A	\$42.69	\$42.87	\$43.62	\$43.62	\$43.60
	B	\$31.30	\$32.26	\$33.11	\$33.69	\$32.94
	C	\$25.44	\$25.44	\$25.80	\$25.80	\$25.80
	Subtotal	\$35.56	\$35.34	\$36.39	\$37.14	\$36.73
Mpls CBD Warehouse	A					
	B	\$24.65	\$24.43	\$24.71	\$24.70	\$24.43
	C					
	Subtotal	\$24.65	\$24.43	\$24.71	\$24.70	\$24.43
Mpls CBD	A	\$38.69	\$38.74	\$38.93	\$39.26	\$39.12
	B	\$27.56	\$28.24	\$28.30	\$28.06	\$27.95
	C	\$23.86	\$24.20	\$24.85	\$25.12	\$23.86
	Subtotal	\$30.96	\$31.30	\$31.21	\$31.10	\$30.90



LEASE RATES BY MARKET, CONT.

Market	Bldg Class	Q3 2024 Lease Rate	Q4 2024 Lease Rate	Q1 2025 Lease Rate	Q2 2025 Lease Rate	Q3 2025 Lease Rate
Northeast	A	\$28.62	\$28.62	\$28.62	\$28.62	\$30.62
	B	\$23.59	\$23.53	\$24.13	\$24.44	\$24.31
	C	\$20.76	\$20.94	\$20.10	\$22.59	\$24.88
	Subtotal	\$23.39	\$23.40	\$23.85	\$24.38	\$24.49
Northwest	A	\$33.42	\$33.42	\$33.12	\$33.12	\$33.12
	B	\$25.83	\$26.01	\$26.40	\$27.08	\$26.91
	C	\$20.97	\$21.10	\$21.99	\$20.64	\$21.44
	Subtotal	\$25.61	\$25.79	\$26.21	\$26.68	\$26.55
Saint Paul CBD	A	\$29.56	\$29.56	\$29.30	\$29.69	\$29.69
	B	\$21.41	\$20.84	\$20.78	\$21.49	\$20.99
	C	\$16.65	\$16.77	\$17.11	\$16.99	\$17.00
	Subtotal	\$23.78	\$23.48	\$23.21	\$24.04	\$23.93
Southeast	A	\$28.65	\$28.65	\$31.05	\$31.16	\$31.36
	B	\$24.06	\$24.52	\$24.74	\$23.79	\$23.87
	C	\$17.89	\$18.00	\$18.38	\$19.06	\$20.64
	Subtotal	\$23.42	\$23.88	\$24.38	\$24.03	\$24.33
Southwest	A	\$35.00	\$35.30	\$35.49	\$35.45	\$35.86
	B	\$26.76	\$26.80	\$26.93	\$27.49	\$27.67
	C	\$23.93	\$23.93	\$25.79	\$27.16	\$27.19
	Subtotal	\$28.55	\$28.46	\$28.78	\$29.31	\$29.54
West	A	\$41.10	\$41.91	\$41.57	\$42.17	\$41.83
	B	\$30.37	\$30.47	\$29.88	\$30.10	\$30.17
	C	\$23.08	\$23.08	\$24.00	\$24.00	\$27.48
	Subtotal	\$32.87	\$33.29	\$33.07	\$33.67	\$32.97
Suburban	A	\$35.57	\$36.09	\$36.13	\$36.29	\$36.24
	B	\$25.80	\$26.00	\$26.15	\$26.35	\$26.40
	C	\$20.52	\$20.99	\$21.13	\$22.11	\$23.56
	Subtotal	\$26.71	\$27.01	\$27.19	\$27.61	\$27.66
Grand Total		\$27.30	\$27.60	\$27.83	\$28.12	\$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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