

THE KENWOOD QUARTERLY

2026 Q1 MINNEAPOLIS | ST. PAUL OFFICE MARKET



MARKET OVERVIEW

The Twin Cities office market kicked off 2026 with continued headwinds — rising vacancy, negative absorption, and accelerating property value declines that are reshaping how both tenants and owners approach decision-making. Market wide vacancy climbed to 24.8%, with the Mpls CBD pushing even higher at 28.8%, driven in large part by a dramatic mid-quarter move by Target that converted over 1.2 million square feet from sublease to direct vacancy. Despite the challenges, leasing activity remained active at over 958,000 SF across 298 transactions, and the Northwest submarket stood out as a bright spot with just 8.7% vacancy. Sales volume of \$125.9 million across 62 properties tells a story of a market still transacting, but at values that reflect the new reality. Five highlights define the quarter, and understanding them is key to making smart real estate decisions in the months ahead:

MARKET HIGHLIGHTS

- **Accelerating Property Value Decline**
Values are sliding faster than the headline numbers suggest. With vacancy climbing to 21% marketwide and Class A space sitting at 23.5%, the gap between asking prices and what the market will bear is widening. For tenants, this creates real leverage. For owners, the clock is ticking on repositioning strategies.
- **Target Pays \$110M to Exit City Center Lease**
This was the single biggest driver of Q1's market story. Target's conversion from sublease to direct vacancy triggered 1.2 MSF of direct negative absorption in the Mpls CBD Core — pushing that submarket's vacancy to 33.8%. The \$110M exit payment is a headline number, but the real story is what it means for landlords holding large blocks of direct space downtown. Read more on our blog.
- **Lumber Exchange Sells for \$1.00**
A landmark sale at a symbolic price point. The Lumber Exchange transaction is a stark illustration of where distressed assets are trading — and a preview of more repricing to come across the metro. The offering memorandum noted that the cost to carry the building after rental income was \$100,000 per month.
- **Dakota Jazz Club Expansion Signals Downtown Activation**
The addition of the Quinlan Room is a great win for Downtown. Employers making return-to-office decisions are watching neighborhood vitality closely and this adds significant value.
- **Mozaic & Uptown Buildings Add Inventory Pressure**
The MoZaic East office building in Uptown Minnepold sold in foreclosure for \$7 million. Uptown continues to struggle, and office vacancy continues to decline.

MARKET STATISTICS - TWIN CITIES



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



from Q1 2026 Mpls-St. Paul Office Market Trends Report - All Properties - MNCAR/REDI (+/- change is vs. Q4 2025)



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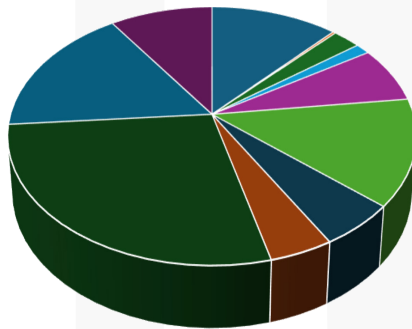


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LARGE OFFICE LEASES

TENANT	Northwestern Mutual	EY (Ernst & Young)	Metropolitan Council	Rise and Shine and Partners	LeJeune Steel
SIZE	43,858	41,294	30,611	23,575	22,452
BUILDING	Solo 3311 3311 E Old Shakopee Rd	US Bancorp Center 800 Nicollet Mall	Securian Center 400 Robert St N	Loose Wiles Building 701 N Washington Ave	The Nordic 729 N Washington Ave
LANDLORD	State Street BK	Piedmont	MN Mutual Life Ins Co	United Properties	701 Washington Investments, LLC
MARKET	Southeast	Mpls CBD Core	Saint Paul CBD	Mpls CBD North Loop	Mpls CBD North Loop

LEASING ACTIVITY - LEASED SF

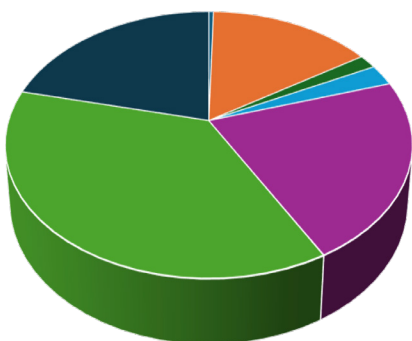


Mpls CBD Core	113,055	Northwest	51,441
Mpls CBD East	2,432	Saint Paul CBD	41,693
Mpls CBD Loring	24,772	Southeast	265,449
Mpls CBD Northeast	12,985	Southwest	160,191
Mpls CBD Northloop	67,479	West	91,417
Northeast	127,320	Grand Total	958,234

LARGE OFFICE SALES

BUILDING	920 Medical 920 E 28th St	Northpark Corp Ctr 6-8 Pine Tree Dr	One Corporate Center II 7505 Metro Blvd	Eagan Place Prof Bldg 1215 Town Centre Dr	Edina 100 7301 Ohms Ln
SIZE	76,499	97,765	111,468	35,800	112,085
PRICE/SF	\$189.54	\$141.15	\$120.21	\$251.40	\$44.39
BUYER/ SELLER	Allina Health System HCP Medical Office Bldg II LLC	Ponky Properties LLC Northpark CC LLC	PAR-Fect Properties LLC OCC 2 Property LLC	CE Eagan Place LLC MSP/Eagan Place LLC	LRE Edina 100 LLC OCC IV Holdings LLC
MARKET	Southeast	Northeast	Southwest	Southeast	Southwest

SALES ACTIVITY - SOLD SF



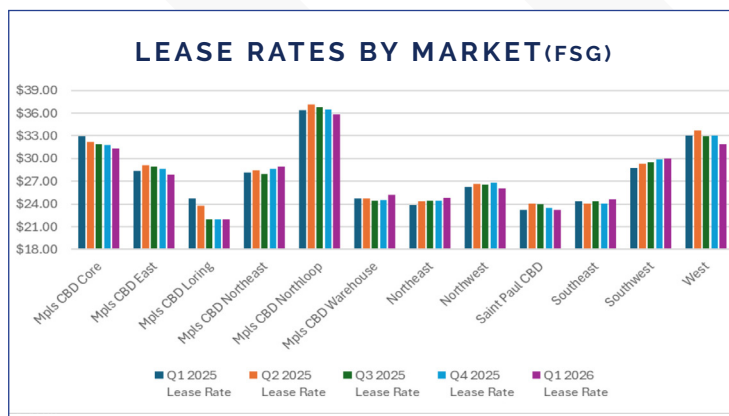
Mpls CBD East	6,960	Southeast	343,897
Northeast	242,105	Southwest	577,777
Northwest	26,963	West	334,626
Saint Paul CBD	40,520	Grand Total	1,572,848

LEASE RATES BY MARKET

Market	Bldg Class	Q1 2025 Lease Rate	Q2 2025 Lease Rate	Q3 2025 Lease Rate	Q4 2025 Lease Rate	Q1 2026 Lease Rate
Mpls CBD Core	A	\$37.67	\$38.05	\$37.76	\$37.80	\$37.41
	B	\$29.36	\$28.55	\$28.77	\$28.53	\$28.01
	C	\$25.26	\$25.45	\$25.45	\$25.45	\$24.00
	Subtotal	\$33.00	\$32.22	\$31.94	\$31.81	\$31.29
Mpls CBD East	A	\$36.44	\$36.44	\$35.75	\$35.75	\$35.15
	B	\$30.20	\$31.70	\$31.70	\$31.70	\$31.70
	C	\$16.50	\$16.50	\$16.50	\$22.00	\$22.84
	Subtotal	\$28.33	\$29.08	\$28.91	\$28.63	\$27.84
Mpls CBD Loring	B	\$24.78	\$23.78	\$22.00	\$22.00	\$22.00
	C					
	Subtotal	\$24.78	\$23.78	\$22.00	\$22.00	\$22.00
Mpls CBD Northeast	A	\$36.69	\$36.69	\$36.74	\$36.85	\$38.81
	B	\$26.58	\$26.48	\$25.89	\$26.23	\$25.97
	C	\$27.05	\$27.55	\$24.98	\$28.53	\$28.53
	Subtotal	\$28.17	\$28.47	\$27.94	\$28.67	\$28.90
Mpls CBD Northloop	A	\$43.62	\$43.62	\$43.60	\$43.01	\$41.77
	B	\$33.11	\$33.69	\$32.94	\$32.57	\$32.56
	C	\$25.80	\$25.80	\$25.80	\$25.23	\$25.17
	Subtotal	\$36.39	\$37.14	\$36.73	\$36.52	\$35.78
Mpls CBD Warehouse	A					
	B	\$24.71	\$24.70	\$24.43	\$24.55	\$25.20
	Subtotal	\$24.71	\$24.70	\$24.43	\$24.55	\$25.20
Mpls CBD	A	\$38.93	\$39.26	\$39.12	\$39.00	\$38.54
	B	\$28.53	\$28.30	\$28.19	\$28.10	\$27.75
	C	\$24.85	\$25.12	\$23.86	\$24.78	\$24.31
	Subtotal	\$31.39	\$31.28	\$31.09	\$31.15	\$30.56

LEASE RATES BY MARKET, CONT.

Market	Bldg Class	Q1 2025 Lease Rate	Q2 2025 Lease Rate	Q3 2025 Lease Rate	Q4 2025 Lease Rate	Q1 2026 Lease Rate
Northeast	A	\$28.62	\$28.62	\$30.62	\$30.62	\$31.50
	B	\$24.13	\$24.44	\$24.31	\$24.26	\$24.73
	C	\$20.10	\$22.59	\$24.88	\$24.97	\$24.03
	Subtotal	\$23.85	\$24.38	\$24.49	\$24.45	\$24.82
Northwest	A	\$33.12	\$33.12	\$33.12	\$33.12	\$34.62
	B	\$26.40	\$27.08	\$26.91	\$26.87	\$25.94
	C	\$21.99	\$20.64	\$21.44	\$23.00	\$23.00
	Subtotal	\$26.21	\$26.68	\$26.55	\$26.82	\$26.03
Saint Paul CBD	A	\$29.30	\$29.69	\$29.69	\$29.07	\$29.06
	B	\$20.78	\$21.49	\$20.99	\$20.98	\$20.99
	C	\$17.11	\$16.99	\$17.00	\$18.17	\$18.28
	Subtotal	\$23.21	\$24.04	\$23.93	\$23.51	\$23.18
Southeast	A	\$31.05	\$31.16	\$31.36	\$31.63	\$32.91
	B	\$24.74	\$23.79	\$23.87	\$23.48	\$23.83
	C	\$18.38	\$19.06	\$20.64	\$20.52	\$19.97
	Subtotal	\$24.38	\$24.03	\$24.33	\$24.09	\$24.65
Southwest	A	\$35.49	\$35.45	\$35.86	\$35.81	\$37.07
	B	\$26.93	\$27.49	\$27.67	\$28.10	\$27.76
	C	\$25.79	\$27.16	\$27.19	\$27.25	\$27.54
	Subtotal	\$28.78	\$29.31	\$29.54	\$29.93	\$30.02
West	A	\$41.57	\$42.17	\$41.83	\$40.99	\$39.55
	B	\$29.88	\$30.10	\$30.17	\$30.45	\$29.98
	C	\$24.00	\$24.00	\$27.48	\$27.48	\$26.87
	Subtotal	\$33.07	\$33.67	\$32.97	\$33.00	\$31.90
Suburban	A	\$36.13	\$36.29	\$36.24	\$35.95	\$36.47
	B	\$26.15	\$26.35	\$26.40	\$26.44	\$26.40
	C	\$21.13	\$22.11	\$23.56	\$23.74	\$23.66
	Subtotal	\$27.19	\$27.61	\$27.66	\$27.72	\$27.78
Grand Total		\$27.86	\$28.15	\$28.15	\$28.20	\$28.13





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