

**MARKET FUNDAMENTALS**

|  | YOY Chg | Outlook |
|--|---------|---------|
| <b>27.9%</b><br>Vacancy Rate   | ▼       | —       |
| <b>115K</b><br>YTD Net Absorption, SF  | ▲       | ▲       |
| <b>\$29.64</b><br>Asking Rent, PSF<br><i>(Overall, All Property Classes)</i> | ▲       | ▲       |

**ECONOMIC INDICATORS**

|   | YOY Chg | Outlook |
|---|---------|---------|
| <b>2.0M</b><br>Minneapolis Employment*                      | ▲       | —       |
| <b>3.5%</b><br>Minneapolis Unemployment Rate*               | ▲       | ▲       |
| <b>4.6%</b><br>U.S. Unemployment Rate<br><i>Source: BLS</i> | ▲       | ▲       |

**ECONOMIC OVERVIEW:**

Employment data for Q4 2025 was interrupted by the government shutdown. As of Q3 2025, the Minneapolis–St. Paul market was showing slower momentum, with the local unemployment rate rising 40 basis points (bps) year-over-year (YOY) to 3.5%. Even with the uptick, the metro remained 110 bps below the national average of 4.6%, extending its streak of more than 20 consecutive quarters of outperforming national unemployment levels.

**SUPPLY: VACANCY STABILIZES AS INVENTORY ADJUSTS**

The overall vacancy rate rose 10 bps quarter-over-quarter (QOQ) in Q4 2025 to 27.9% but stayed below the 28.6% recorded a year earlier, indicating continued market stabilization. Sublease vacancy continued to improve, with vacant sublease space down to nearly 2.1 million square feet (msf), a decline of 2.8% QOQ and 13.2% YOY. New construction remained limited at 252,000 square feet (sf) underway, keeping supply tight for newer, best-in-class space that tenants prefer over commodity and second-generation options. Landlords are responding with targeted repositioning and leasing strategies to manage elevated vacancies.

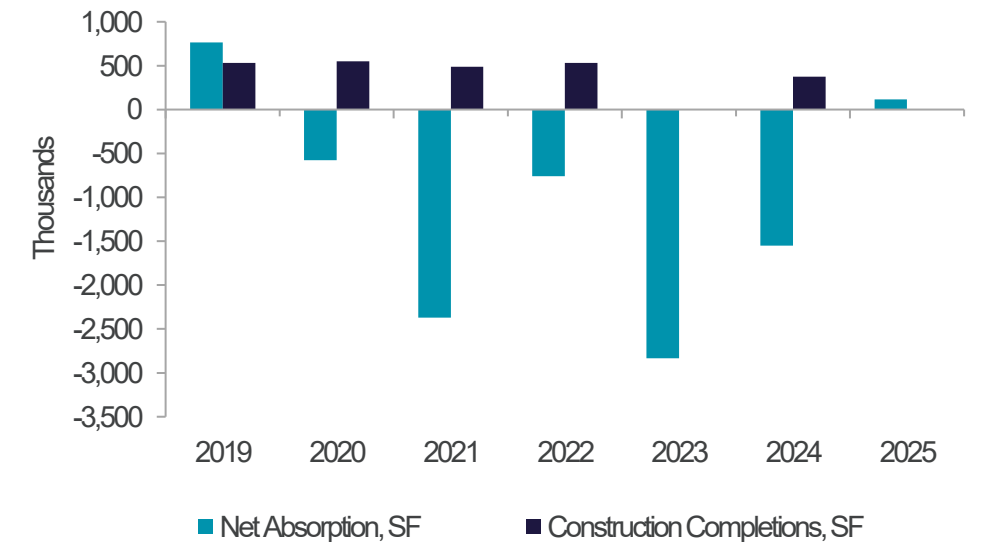
**DEMAND: FULL-YEAR ABSORPTION TURNS POSITIVE**

Net absorption in Q4 2025 totaled negative 193,987 sf, reflecting ongoing tenant space optimization. Despite the quarterly decline, full-year 2025 absorption finished positive at 115,436 sf, marking the first year of positive annual absorption since 2019 and a significant improvement compared to the 1.55 msf of negative absorption recorded in 2024. New leasing activity reached 401,430 sf during the quarter, bringing total 2025 new leasing volume to 2.69 msf, a decrease of 13 percent YOY as tenants remained selective on location and term. Suburban submarkets continued to capture the greatest share of activity, supported by newer inventory and stronger occupancy performance.

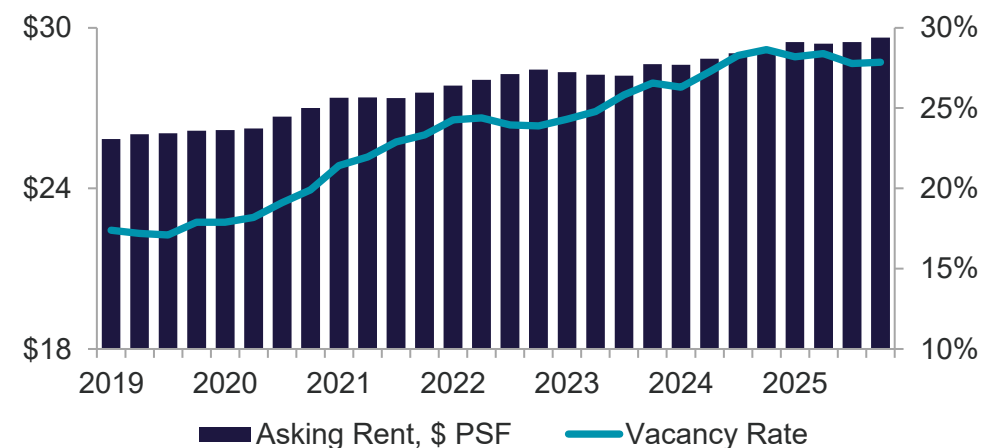
**INVESTMENT SALES: PRICE DISCOVERY CONTINUES**

Investment activity in Q4 2025 continued to reflect a period of price discovery, with transaction volume concentrated among private investors seeking repositioning opportunities. Noteworthy transactions included Pioneer Acquisitions' purchase of 100 and 111 Washington Avenue South for \$48.3 million, as well as Kaeding Development Group's acquisition of Riverview Office Tower for \$5.0 million. These deals underscore investors' readiness to transact at recalibrated pricing levels, particularly where opportunities for capital improvements and leasing value creation remain compelling heading into 2026.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & ASKING RENT**



MARKET STATISTICS

| SUBMARKET                 | INVENTORY (SF)    | DIRECT VACANT (SF) | SUBLET VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|---------------------------|-------------------|--------------------|--------------------|----------------------|---|---------------------------------|---------------------------|------------------|--|------------------------------------|
| Minneapolis CBD           | 28,669,892        | 7,945,450          | 1,411,283          | 32.6%                | -305,382                                | -133,768                        | 495,542                   | 0                | \$32.43                                | \$35.41                            |
| St. Paul CBD              | 5,770,654         | 1,863,607          | 47,636             | 33.1%                | 11,157                                  | -111,493                        | 88,403                    | 0                | \$22.34                                | \$27.80                            |
| Northeast                 | 9,198,088         | 1,080,263          | 66,133             | 12.5%                | 40,127                                  | 105,813                         | 361,400                   | 0                | \$24.32                                | \$27.47                            |
| Northwest                 | 2,204,971         | 524,471            | 0                  | 23.8%                | 3,680                                   | -76,455                         | 103,010                   | 0                | \$23.83                                | \$29.90                            |
| South/Airport             | 6,894,533         | 2,052,076          | 71,705             | 30.8%                | 71,596                                  | 168,821                         | 535,733                   | 0                | \$25.29                                | \$33.29                            |
| Southwest                 | 16,683,221        | 4,922,819          | 409,270            | 32.0%                | -115,918                                | 83,569                          | 702,108                   | 252,000          | \$30.74                                | \$33.48                            |
| West                      | 10,354,191        | 1,745,353          | 87,773             | 17.7%                | 100,753                                 | 78,949                          | 407,508                   | 0                | \$32.49                                | \$36.89                            |
| <b>MINNEAPOLIS TOTALS</b> | <b>79,775,550</b> | <b>20,134,039</b>  | <b>2,093,800</b>   | <b>27.9%</b>         | <b>-193,987</b>                         | <b>115,436</b>                  | <b>2,693,704</b>          | <b>252,000</b>   | <b>\$29.64</b>                         | <b>\$34.14</b>                     |

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2025

| PROPERTY                  | SUBMARKET       | TENANT                | SF      | TYPE     |
|---------------------------|-----------------|-----------------------|---------|----------|
| 333 S 7 <sup>th</sup> St. | Minneapolis CBD | SPS Commerce          | 189,621 | Renewal* |
| 3500 American Blvd. W.    | Southwest       | Northmarq Capital Inc | 50,755  | Renewal* |
| 3311 E. Old Shakopee Rd.  | South/Airport   | Northwestern Mutual   | 43,858  | New      |
| 333 S 7 <sup>th</sup> St. | Minneapolis CBD | Regus                 | 36,002  | New      |
| 7480 Flying Cloud Dr. E.  | Southwest       | Cardinal Glass        | 33,009  | New      |

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2025

| PROPERTY                   | SUBMARKET       | SELLER/BUYER                                    | SF      | PRICE / \$ PSF |
|----------------------------|-----------------|---|---------|----------------|
| 100/111 Washington Ave. S. | Minneapolis CBD | Shorenstein Properties / Pioneer Acquisitions   | 833,594 | \$48.3M / \$58 |
| Riverview Office Tower     | South/Airport   | JMS Capital Group / Kaeding Development Group   | 227,127 | \$5.0M / \$22  |
| 20 Washington Ave. S.      | Minneapolis CBD | Shorenstein Properties / CDT Realty Corporation | 187,000 | \$7.1 M / \$38 |

KEY UNDER CONSTRUCTION PROJECTS Q4 2025

| PROPERTY         | SUBMARKET | MAJOR TENANT                     | SF      | OWNER/DEVELOPER   |
|------------------|-----------|----------------------------------|---------|-------------------|
| The Craftsman    | Southwest | Adolfson & Peterson Construction | 140,000 | Orion Investments |
| 5100 Eden Avenue | Southwest | Opus                             | 112,000 | Opus              |

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