MINNEAPOLIS/ST. PAUL OFFICE MARKET
2025 MID-YEAR UPDATE

OVERVIEW

For the first time in nearly 5 years, the office market has experienced positive absorption, a sign that vacancy rates may have finally peaked. However, with vacancies still at high levels, a full return to a stabilized market is expected to take several years. Landlords of well-located, recently renovated, and amenity-rich buildings are likely to remain resilient, as tenants continue to seek upgraded environments. Conversely, the remainder of the market will need to adopt creative strategies and offer aggressive lease terms to attract occupants. Lower-tier assets are expected to face ongoing challenges, with many at risk of foreclosure or deeply discounted sales.

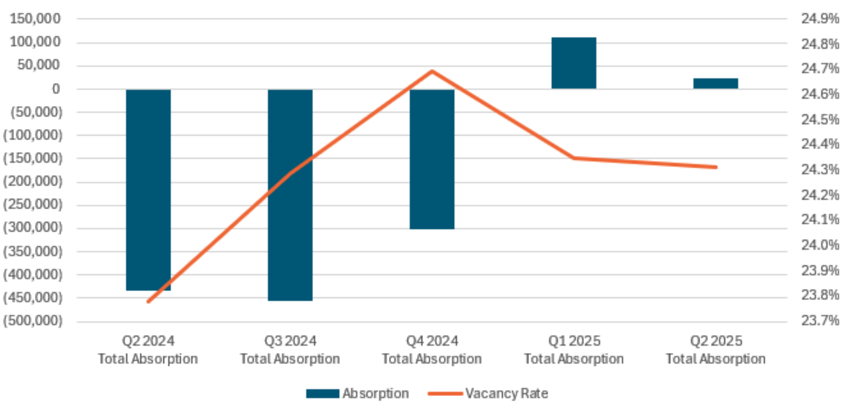
SNAPSHOT

Multi-Tenant Vacancy	**24.3%**
Sublease Space	**2.7%**
YTD Net Absorption	**136,823**
Rental Rates	**Flat**
Concessions	**Flat**

Market Size	Total Vacancy
87,142,659 SF	**21,185,080**

- Vacancy, including sublease space, decreased slightly from 24.4% to 24.3% year-to-date.
- Sublease space remained flat at 2.7% in that same period.
- The Minneapolis and St. Paul CBD submarkets continue to carry the highest vacancy rate at 31.0% and 36.9%, respectively.
- Lease rates, generally, have been flat. While some Class A buildings are achieving increases, they are usually paired with significant increases in concessions such as improvement allowances and free rent.
- If a building is financially stressed, in receivership, with special servicer or for sale, lease transactions will take significantly longer, so advancing negotiations and having a backup plan are crucial.
- It has never been more critical to understand the financial stability of a landlord and their ability to perform their lease obligations.

ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

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