MINNEAPOLIS/ST. PAUL OFFICE MARKET
2026 MID-YEAR UPDATE

OVERVIEW

The office market remains highly bifurcated, with newer, amenity-rich properties continuing to outperform through stronger occupancy and record-high rental rates, while older assets face weak leasing demand. The market is further challenged by a significant number of office properties with loan balances exceeding current values, resulting in restructurings, special servicing, foreclosures, and sheriff's sales. These financial pressures often limit landlords' ability to fund lease incentives and capital improvements, making it critical to evaluate both a property's financial condition and the landlord's ability to meet its lease obligations.

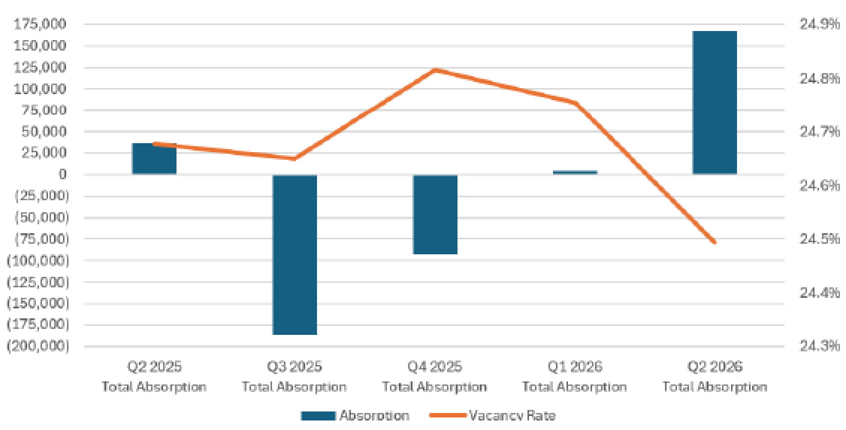
SNAPSHOT

Multi-Tenant Vacancy	**24.5%**	▼
Sublease Space	**1.5%**	▼
YTD Net Absorption	**171,000**	▲
Rental Rates	**Flat**	▬
Concessions	**Increasing**	▲

Market Size	Total Vacancy
86,019,335 SF	**21,068,470 SF**

- Vacancy, including sublease space, decreased slightly from 24.8% to 24.5% during the first half of 2026.
- Sublease space decreased from 2.7% to 1.5% in that same period.
- The Minneapolis and St. Paul CBD submarkets continue to carry the highest vacancy rate at 31.7% and 37.0%, respectively, both slight decreases over year-end 2025.
- Landlord decision making is taking longer, often hampered by lender or special servicer reviews and approvals, so being proactive in real estate strategies and negotiations is wise.
- Despite high market vacancy rates, some well-capitalized owners have invested in high-end, hospitality-inspired renovations to building common areas and amenity offerings, enabling them to attract premier tenants and achieve record-high rental rates.

ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

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