



MINNEAPOLIS/ST. PAUL OFFICE MARKET

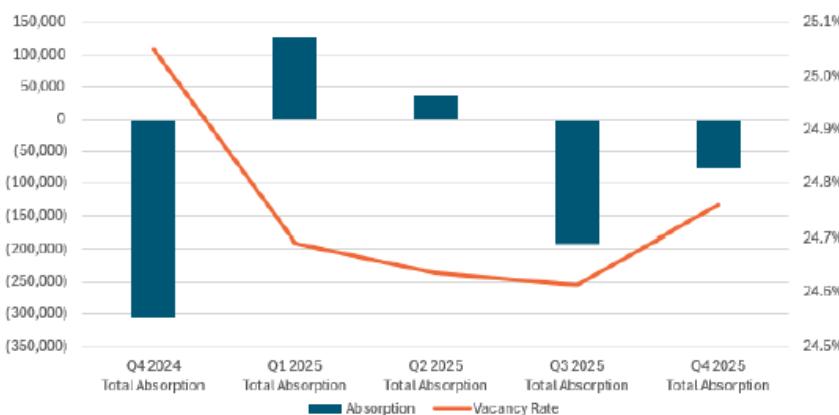
2025 YEAR-END UPDATE

OVERVIEW

The office market experienced positive absorption during the first half of 2025, the first positive absorption in nearly 5 years, only to have those gains negated in the second half. Generally, suburban office buildings are fairing better than the downtowns and well positioned highly amenitized Class A assets are seeing the most demand. Nonetheless, many buildings, regardless of their market or class, are financially distressed. Landlord concessions to tenants, such as free rent and improvement allowances are on the rise, particularly for larger multi-floor tenants that can help a Landlord shore up its occupancy.

- Vacancy, including sublease space, increased slightly from 24.4% to 24.8% during the year.
- 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 32.3% and 37.9%, respectively. Both slight increases over year-end 2024.
- Lease rates, generally, have held firm. While some Class A buildings are achieving increases, they are usually paired with significant increases in concessions such as improvement allowances and free rent.
- It remains critical to understand the financial stability of a landlord and their ability to perform their lease obligations, particularly their ability to fund tenant improvement allowances.
- 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.

ABSORPTION & VACANCY



Source: MNCAR/REDICOMPS.COM

SNAPSHOT

Multi-Tenant Vacancy	24.8%	▲
Sublease Space	2.7%	■
YTD Net Absorption	-152,308	▼
Rental Rates	Flat	■
Concessions	Increasing	▲
Market Size	86,509,873 SF	
Total Vacancy	21,420,204 SF	

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