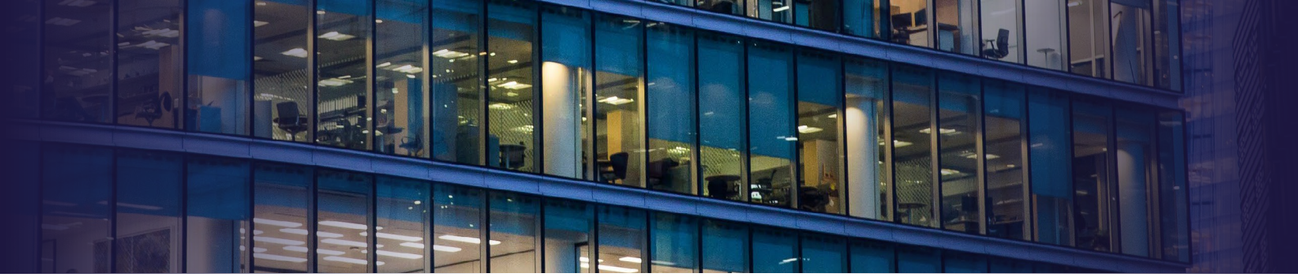
MARKETBEAT

MINNEAPOLIS

OFFICE Q3 2026



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MARKET FUNDAMENTALS

	YOY Chg	Outlook
27.0% Vacancy Rate	▼	–
102K YTD Net Absorption, SF	▲	▲
$30.33 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.0M Minneapolis Employment	▲	▲
4.1% Minneapolis Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMIC OVERVIEW:

The Minneapolis–St. Paul economy showed signs of cooling in Q3 2026. Nonfarm employment held at just over 2.0 million workers, while the local unemployment rate climbed 30 basis points (bps) year-over-year (YOY) to 4.1%. At just 10 bps below the U.S. average of 4.2%, the gap between local and national labor market conditions narrowed, reflecting a departure from the metro's longstanding pattern of outperforming national employment trends.

SUPPLY: VACANCY DECLINES AS OBSOLETE SPACE EXITS

The overall vacancy rate fell to 27.0% in Q3 2026, declining 20 bps quarter-over-quarter (QOQ) and 80 bps YOY. The decline continues to reflect the ongoing removal of aging product from the competitive inventory, as evidenced by a 266,624 square foot (sf) reduction in inventory for the quarter. While headline vacancy remains elevated, functional availability continues to tighten as demand concentrates in well-located, and capitalized buildings. Construction activity remained unchanged for the quarter at 339,000 sf, concentrated in the Northeast and Southwest, with tentative completions set for year-end.

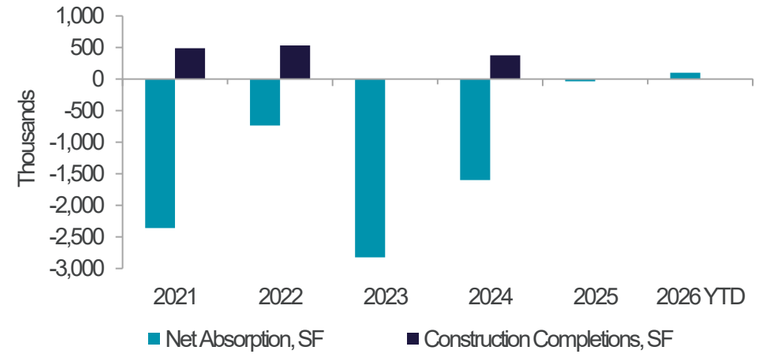
DEMAND: TENANTS REMAIN SELECTIVE AMID POSITIVE ABSORPTION

Overall absorption totaled 57,817 sf in Q3 2026, marking the second consecutive positive quarter after negative absorption in Q4 2025 and Q1 2026. Year-to-date (YTD) absorption of 102,351 sf was 54.8% below the same point in 2025, even as YTD leasing activity reached 2.2 million square feet (msf). Notable lease transactions in Q3 2026 included the Minnesota Department of Natural Resources leasing 124,520 sf at 10 River Park Plaza, while CBRE leased 27,265 sf at 1 Meridian Crossings. Class A space accounted for 64.1% of quarterly leasing activity, up from 60.1% in Q2 2026, underscoring tenants' continued preference for high-quality space.

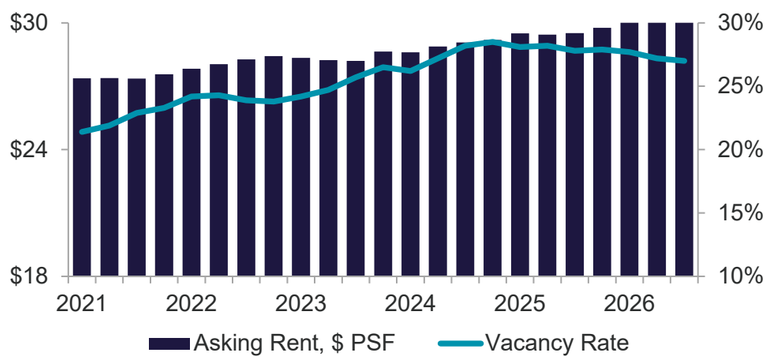
INVESTMENT SALES: ACTIVITY RISES AMID CONTINUED CAUTION

Investment sales activity picked up in Q3 2026, though buyer selectivity remained high. Enverra Real Estate Partners acquired the 512,814-sf West End Office Park from Bridge Investment Group for $85.3 million. In the Northeast, Hawkline II acquired the 68,737-sf Long Lake Executive Center from Atwater for $9.25 million. In addition to individual sales, the St. Paul CBD saw fresh capital directed at downtown revitalization, including $30 million from Securian and $15 million from the Downtown Development Corporation.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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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	28,118,246	8,818,927	409,671	32.8%	-96,937	6,983	461,133	0	$32.90	$35.38
St. Paul CBD	5,770,654	1,905,788	47,636	33.9%	-33,442	-37,019	190,992	0	$22.38	$28.29
Northeast	9,155,846	953,413	95,396	11.5%	10,583	89,821	240,986	87,000	$24.57	$28.78
Northwest	2,346,471	524,717	0	22.4%	-3,251	-15,801	36,029	0	$24.12	$30.00
South/Airport	6,629,859	1,625,466	65,050	25.5%	99,065	191,771	282,317	0	$25.84	$33.08
Southwest	16,135,728	4,477,057	242,202	29.3%	902	50,340	566,821	252,000	$31.38	$34.26
West	10,290,191	1,879,137	102,974	19.3%	80,897	-183,744	435,422	0	$32.43	$38.07
MINNEAPOLIS TOTALS	**78,446,995**	**20,184,505**	**962,929**	**27.0%**	**57,817**	**102,351**	**2,213,700**	**339,000**	**$30.33**	**$34.58**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10 River Park Plaza	St. Paul CBD	MN DNR	124,520	New
505 Waterford Park	West	Wealth Enhancement Group	39,530	Renewal*
4400 West 78th Street	Southwest	Black & Veatch	39,000	New
1 Meridian Crossings	South/Airport	CBRE	27,265	New
701 Carlson Parkway	West	Berger Financial Group	22,060	New

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
West End Office Park	West	Bridge Investment Group / Enverra Real Estate Partners	512,815	$85.3M / $165
Park Square Court	St. Paul CBD	Merchants Bank / Altitude Capital	136,000	$2.3M / $17
Long Lake Executive Center	Northeast	Atwater / Hawkline II	68,737	$9.3M / $135

**Leasehold sale. Property is subject to a land lease.*

KEY UNDER CONSTRUCTION PROJECTS Q3 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
The Craftsman	Southwest	Adolfson & Peterson Construction	140,000	Orion Investments
Arcadia	Southwest	The Opus Group	112,000	The Opus Group

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