Market

Trends

Q4 2022

Mpls/St Paul - Retail

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MARKET TRENDS

Q4 2022 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,990,976	▲
Area Unemployment	1.9	▼
U.S. Unemployment	3.6	▼
Retail Jobs	170,900	▲

Source: BLS

*Employment figures and area unemployment are based on Mpls-St Paul MSA data.

Market Recap

Total Inventory (sf)	95,102,926
Total # of Bldgs (tracked)	1,888
Absorption	77,799
Vacancy	8.0%
Asking Rate (NNN)	$17.44
Under Construction	470,026

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) decreased 30 basis points to 1.9% for November 2022 from 2.2% for November 2021. The unemployment rate for the US was at 3.6% in November 2022 down from 4.2% last year. State of Minnesota unemployment rate was 2.3%. The Mpls-St Paul MSA saw an increase in job growth as well as an increase in retail job growth, leisure and hospitality increasing by 13,000 during the same period.

Market Overview

The Mpls-St Paul retail market, consisting of over 95 msf of space in seven counties across the metro posted 77,800 sf positive absorption for Q4 2022 bringing the YTD to 501,000 sf positive absorption. Multi-tenant properties had 35,000 sf positive absorption this quarter bringing the YTD to 376,600 sf positive absorption. The vacancy rate for the overall market was 8.0% and multi-tenant only properties shows 11.2%. To date there are 35 construction projects throughout the market totaling 470,000 sf.

Market Highlights

At the close of Q4 2022, the market experienced over 412,000 sf of leasing activity from 140 transactions. The Southeast market posted the lowest vacancy rate at 6.1% for all properties while Mpls CBD was the highest at 28.4%. The Southeast market posted the largest increase in absorption with 145,000 sf positive absorption led by Floor & Décor leasing 72,000 sf. The Mpls CBD market had the largest decline with (44,000) sf negative absorption led by Nordstrom Rack closing and vacating 38,500 sf. During Q4 2022, 127 properties sold with 1.5 msf totaling $304 million in sale price. Forty six properties were delivered year to date with 630,000 sf.

Market Statistics by Property Type

Total

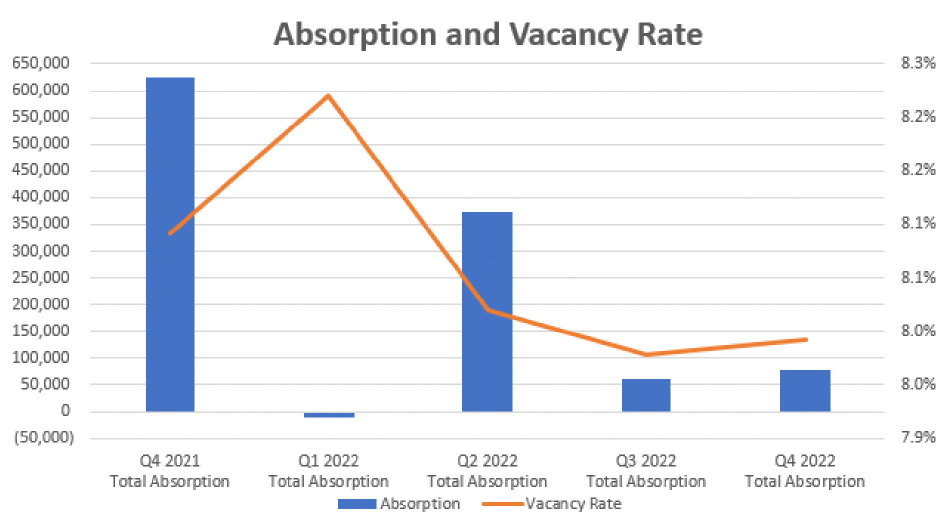
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	89	12,343,903	1,468,465	1,671,734	68,567	148,728	13.5%
Freestanding/Big Box	579	38,260,568	825,347	1,247,168	42,639	118,417	3.3%
Mixed Use	196	7,599,068	1,273,319	1,280,090	(12,193)	54,550	16.8%
Neighborhood Center	292	17,031,434	1,510,248	1,488,595	(32,198)	101,188	8.7%
Regional Center	9	7,505,085	1,019,046	1,016,042	42,768	76,132	13.5%
Strip Center	723	12,362,868	940,033	897,087	(31,784)	2,081	7.3%
Grand Total	**1,888**	**95,102,926**	**7,036,458**	**7,600,716**	**77,799**	**501,096**	**8.0%**

Direct

Property Type	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
Community Center	89	12,343,903	1,454,223	1,657,492	68,567	148,728	13.4%
Freestanding/Big Box	579	38,260,568	708,127	1,216,348	42,639	118,417	3.2%
Mixed Use	196	7,599,068	1,211,574	1,229,701	(12,193)	72,511	16.2%
Neighborhood Center	292	17,031,434	1,464,879	1,401,362	11,332	166,910	8.2%
Regional Center	9	7,505,085	1,019,046	1,016,042	42,768	76,132	13.5%
Strip Center	723	12,362,868	912,925	877,564	(35,257)	(17,624)	7.1%
Grand Total	**1,888**	**95,102,926**	**6,770,774**	**7,398,509**	**117,856**	**565,074**	**7.8%**

Sublease

Property Type	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
Community Center	89	12,343,903	14,242	14,242	0	0	0.1%
Freestanding/Big Box	579	38,260,568	117,220	30,820	0	0	0.1%
Mixed Use	196	7,599,068	61,745	50,389	0	(17,961)	0.7%
Neighborhood Center	292	17,031,434	45,369	87,233	(43,530)	(65,722)	0.5%
Regional Center	9	7,505,085			0	0	0.0%
Strip Center	723	12,362,868	27,108	19,523	3,473	19,705	0.2%
Grand Total	**1,888**	**95,102,926**	**265,684**	**202,207**	**(40,057)**	**(63,978)**	**0.2%**



Market Statistics by Market

Market	Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Mpls CBD	Community Center	1	147,643	1,296	1,296	0	0	0.9%
	Freestanding/Big Box	2	273,416	0	0	0	0	0.0%
	Mixed Use	61	2,843,951	848,348	931,807	(44,394)	(35,377)	32.8%
	Strip Center	2	18,520	0	0	0	0	0.0%
	Subtotal	**66**	**3,283,530**	**849,644**	**933,103**	**(44,394)**	**(35,377)**	**28.4%**
Northeast	Community Center	27	3,866,753	393,758	484,704	(31,637)	66,193	12.5%
	Freestanding/Big Box	195	13,188,044	268,017	767,361	0	141,322	5.8%
	Mixed Use	21	644,385	55,731	44,375	(1,769)	(1,271)	6.9%
	Neighborhood Center	85	5,024,584	508,317	535,339	(19,233)	(44,882)	10.7%
	Regional Center	4	2,775,830	400,411	400,411	33,015	(89,892)	14.4%
	Strip Center	205	3,663,344	299,204	278,219	(1,539)	(19,240)	7.6%
	Subtotal	**537**	**29,162,940**	**1,925,438**	**2,510,409**	**(21,163)**	**52,230**	**8.6%**
Northwest	Community Center	11	1,596,314	179,639	178,206	10,147	11,197	11.2%
	Freestanding/Big Box	85	5,619,885	13,077	273,636	0	49,938	4.9%
	Mixed Use	22	865,245	34,551	36,599	(10,051)	305	4.2%
	Neighborhood Center	52	3,196,756	349,153	339,224	5,364	29,244	10.6%
	Strip Center	130	2,076,721	138,740	123,305	(12,301)	10,319	5.9%
	Subtotal	**300**	**13,354,921**	**715,160**	**950,970**	**(6,841)**	**101,003**	**7.1%**
Saint Paul CBD	Mixed Use	14	568,156	89,295	81,989	0	(11,703)	14.4%
	Subtotal	**14**	**568,156**	**89,295**	**81,989**	**0**	**(11,703)**	**14.4%**
Southeast	Community Center	25	3,743,983	343,680	557,372	31,252	1,457	14.9%
	Freestanding/Big Box	174	12,051,384	221,550	135,150	72,639	(48,143)	1.1%
	Mixed Use	31	1,203,083	62,483	60,432	49,298	37,112	5.0%
	Neighborhood Center	93	5,313,674	378,814	389,707	(15,017)	100,366	7.3%
	Regional Center	1	1,046,207	206,374	206,374	0	18,943	19.7%
	Strip Center	218	3,583,820	263,109	301,280	6,695	38,408	8.4%
	Subtotal	**542**	**26,942,151**	**1,476,010**	**1,650,315**	**144,867**	**148,143**	**6.1%**
Southwest	Community Center	20	2,561,585	446,678	447,958	58,805	68,937	17.5%
	Freestanding/Big Box	94	5,503,455	322,703	71,021	(30,000)	(24,700)	1.3%
	Mixed Use	29	920,051	66,638	33,816	(3,977)	30,244	3.7%
	Neighborhood Center	38	2,216,111	129,634	114,691	(3,494)	(20,943)	5.2%
	Regional Center	2	2,087,941	264,505	264,505	25,063	42,495	12.7%
	Strip Center	111	1,879,077	126,507	101,081	(19,193)	(31,374)	5.4%
	Subtotal	**294**	**15,168,220**	**1,356,665**	**1,033,072**	**27,204**	**64,659**	**6.8%**
West	Community Center	5	427,625	103,414	2,198	0	944	0.5%
	Freestanding/Big Box	29	1,624,384	0	0	0	0	0.0%
	Mixed Use	18	554,197	116,273	91,072	(1,300)	35,240	16.4%
	Neighborhood Center	24	1,280,309	144,330	109,634	182	37,403	8.6%
	Regional Center	2	1,595,107	147,756	144,752	(15,310)	104,586	9.1%
	Strip Center	57	1,141,386	112,473	93,202	(5,446)	3,968	8.2%
	Subtotal	**135**	**6,623,008**	**624,246**	**440,858**	**(21,874)**	**182,141**	**6.7%**
Grand Total		**1,888**	**95,102,926**	**7,036,458**	**7,600,716**	**77,799**	**501,096**	**8.0%**

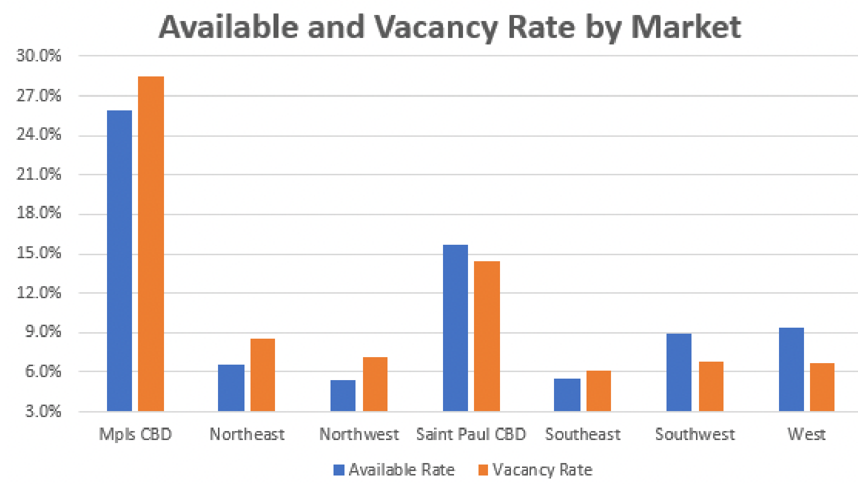
Vacancy Rates

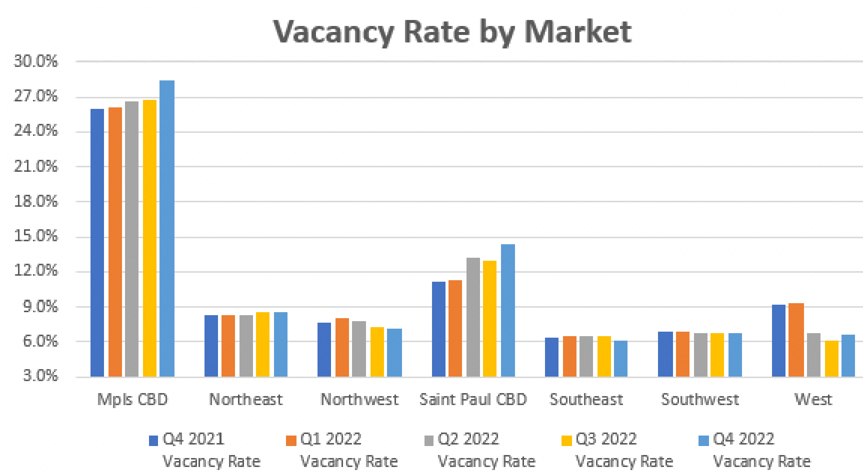
Market	Property Type	Q4 2021 Vacancy Rate	Q1 2022 Vacancy Rate	Q2 2022 Vacancy Rate	Q3 2022 Vacancy Rate	Q4 2022 Vacancy Rate
Mpls CBD	Community Center	0.9%	0.9%	0.9%	0.9%	0.9%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	30.1%	30.2%	30.7%	30.8%	32.8%
	Strip Center	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**26.0%**	**26.1%**	**26.6%**	**26.7%**	**28.4%**
Northeast	Community Center	13.8%	13.8%	11.6%	11.7%	12.5%
	Freestanding/Big Box	6.0%	6.0%	5.8%	5.8%	5.8%
	Mixed Use	6.7%	6.2%	6.2%	6.6%	6.9%
	Neighborhood Center	9.8%	9.9%	10.2%	10.3%	10.7%
	Regional Center	9.6%	9.7%	13.9%	15.6%	14.4%
	Strip Center	7.0%	7.5%	7.4%	7.4%	7.6%
	Subtotal	**8.3%**	**8.3%**	**8.3%**	**8.5%**	**8.6%**
Northwest	Community Center	12.6%	12.6%	12.6%	12.5%	11.2%
	Freestanding/Big Box	5.0%	5.8%	5.8%	4.9%	4.9%
	Mixed Use	4.3%	3.4%	2.9%	3.1%	4.2%
	Neighborhood Center	12.1%	12.1%	11.4%	11.0%	10.6%
	Strip Center	6.3%	6.4%	6.1%	5.5%	5.9%
	Subtotal	**7.7%**	**8.0%**	**7.8%**	**7.2%**	**7.1%**
Saint Paul CBD	Mixed Use	11.1%	11.3%	13.1%	13.0%	14.4%
	Subtotal	**11.1%**	**11.3%**	**13.1%**	**13.0%**	**14.4%**
Southeast	Community Center	14.4%	15.3%	15.1%	15.2%	14.9%
	Freestanding/Big Box	0.6%	0.6%	1.4%	1.7%	1.1%
	Mixed Use	4.1%	3.7%	5.0%	5.2%	5.0%
	Neighborhood Center	9.2%	8.7%	7.7%	7.1%	7.3%
	Regional Center	21.5%	22.7%	20.0%	19.7%	19.7%
	Strip Center	8.6%	9.3%	8.9%	8.7%	8.4%
	Subtotal	**6.3%**	**6.5%**	**6.5%**	**6.5%**	**6.1%**
Southwest	Community Center	20.2%	20.0%	19.5%	19.8%	17.5%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	1.3%
	Mixed Use	4.5%	7.5%	4.0%	3.3%	3.7%
	Neighborhood Center	4.2%	4.1%	4.8%	5.0%	5.2%
	Regional Center	14.7%	13.8%	14.0%	13.9%	12.7%
	Strip Center	4.0%	4.0%	4.1%	4.6%	5.4%
	Subtotal	**6.9%**	**6.9%**	**6.7%**	**6.8%**	**6.8%**
West	Community Center	0.7%	0.3%	0.3%	0.5%	0.5%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	23.3%	22.4%	21.2%	18.7%	16.4%
	Neighborhood Center	10.2%	9.7%	8.7%	7.2%	8.6%
	Regional Center	15.6%	16.4%	8.0%	8.1%	9.1%
	Strip Center	4.8%	6.0%	4.3%	3.7%	8.2%
	Subtotal	**9.2%**	**9.3%**	**6.7%**	**6.1%**	**6.7%**
Grand Total		**8.1%**	**8.2%**	**8.0%**	**8.0%**	**8.0%**

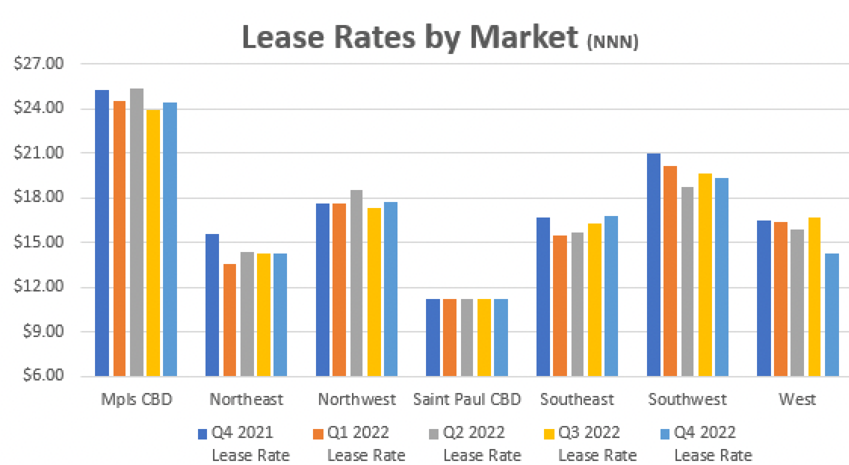
Lease Rates (NNN)

Market	Property Type	Q4 2021 Lease Rate	Q1 2022 Lease Rate	Q2 2022 Lease Rate	Q3 2022 Lease Rate	Q4 2022 Lease Rate
Mpls CBD	Community Center					
	Freestanding/Big Box					
	Mixed Use	$25.30	$24.50	$25.34	$23.98	$24.44
	Strip Center					
	Subtotal	**$25.30**	**$24.50**	**$25.34**	**$23.98**	**$24.44**
Northeast	Community Center	$24.00	$8.00	$8.00	$11.50	$8.00
	Freestanding/Big Box	$10.00	$10.00	$10.00	$10.00	$10.00
	Mixed Use	$16.31	$17.58	$17.58	$17.58	$17.58
	Neighborhood Center	$13.33	$11.49	$11.89	$12.49	$11.19
	Regional Center					
	Strip Center	$16.64	$15.18	$16.13	$15.36	$15.58
	Subtotal	**$15.56**	**$13.56**	**$14.38**	**$14.26**	**$14.26**
Northwest	Community Center					
	Freestanding/Big Box					
	Mixed Use	$15.00	$15.00	$15.00	$15.00	$15.00
	Neighborhood Center	$11.17	$11.17	$10.75	$11.83	$10.75
	Strip Center	$19.50	$19.85	$20.27	$19.25	$19.23
	Subtotal	**$17.66**	**$17.64**	**$18.54**	**$17.36**	**$17.71**
Saint Paul CBD	Mixed Use	$11.17	$11.17	$11.17	$11.17	$11.17
	Subtotal	**$11.17**	**$11.17**	**$11.17**	**$11.17**	**$11.17**
Southeast	Community Center	$16.50	$16.50	$16.50	$17.33	$17.00
	Freestanding/Big Box	$11.00	$11.00	$11.00	$11.00	$11.00
	Mixed Use	$15.33	$15.33	$15.33	$15.33	$16.00
	Neighborhood Center	$17.18	$15.35	$14.81	$15.21	$16.75
	Regional Center					
	Strip Center	$16.95	$15.95	$16.94	$17.58	$17.53
	Subtotal	**$16.65**	**$15.50**	**$15.69**	**$16.32**	**$16.85**
Southwest	Community Center					
	Freestanding/Big Box					
	Mixed Use	$24.92	$22.93	$20.17	$22.50	$18.75
	Neighborhood Center	$17.83	$17.13	$16.17	$14.75	$16.17
	Regional Center					
	Strip Center	$19.13	$19.25	$19.29	$20.71	$20.63
	Subtotal	**$20.94**	**$20.16**	**$18.77**	**$19.70**	**$19.31**
West	Community Center					
	Freestanding/Big Box					
	Mixed Use					$9.82
	Neighborhood Center	$12.75	$12.63	$12.63	$13.17	$13.17
	Regional Center					
	Strip Center	$20.20	$20.20	$20.26	$20.26	$22.00
	Subtotal	**$16.47**	**$16.41**	**$15.90**	**$16.71**	**$14.26**
Grand Total		**$17.98**	**$17.01**	**$17.33**	**$17.30**	**$17.44**

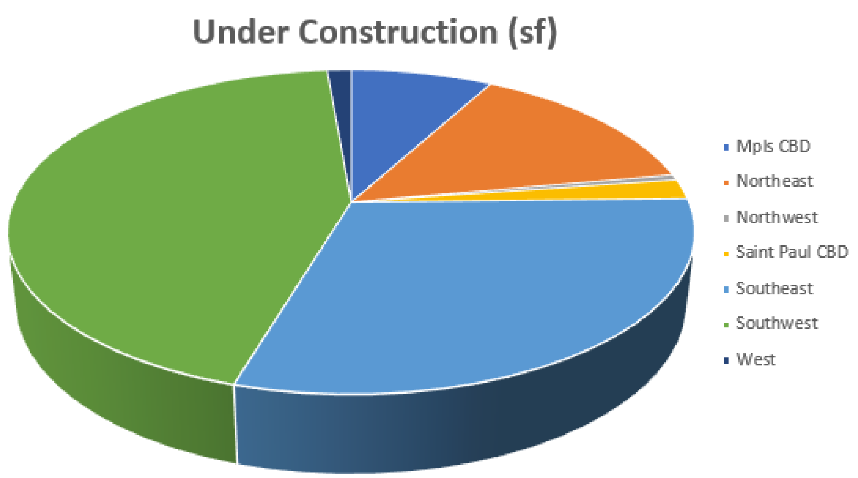
Vacancy and Lease Rates





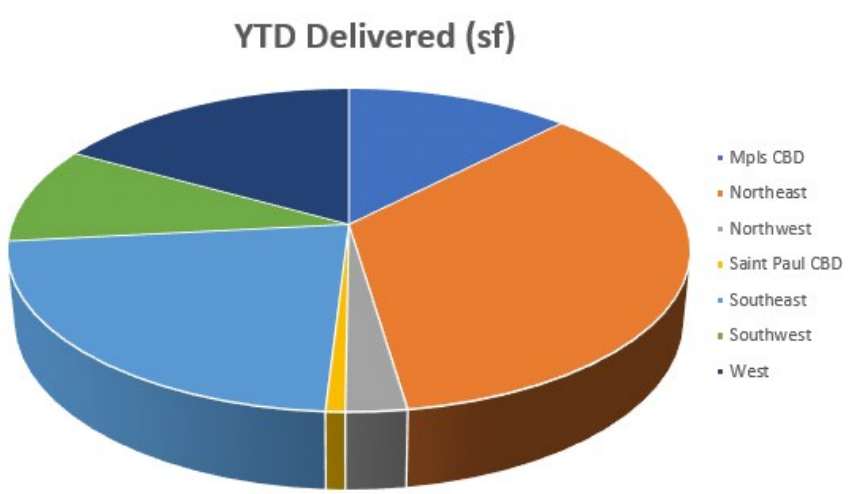


Construction by Market



Market	Bldg (sf)
Mpls CBD	37,400
Northeast	66,549
Northwest	2,536
Saint Paul CBD	9,250
Southeast	140,970
Southwest	207,021
West	6,300
Grand Total	**470,026**

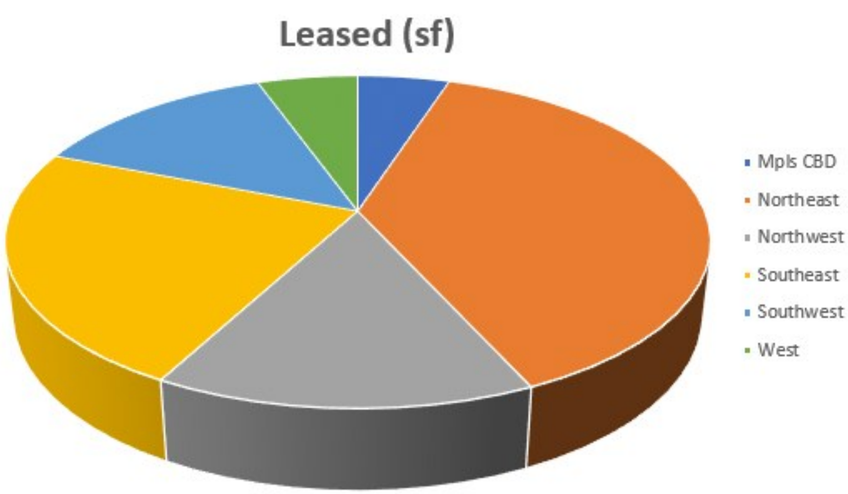
YTD Deliveries by Market



Market	Bldg (sf)
Mpls CBD	77,824
Northeast	222,379
Northwest	15,712
Saint Paul CBD	5,000
Southeast	141,091
Southwest	61,241
West	106,741
Grand Total	**629,988**

Leasing Activity

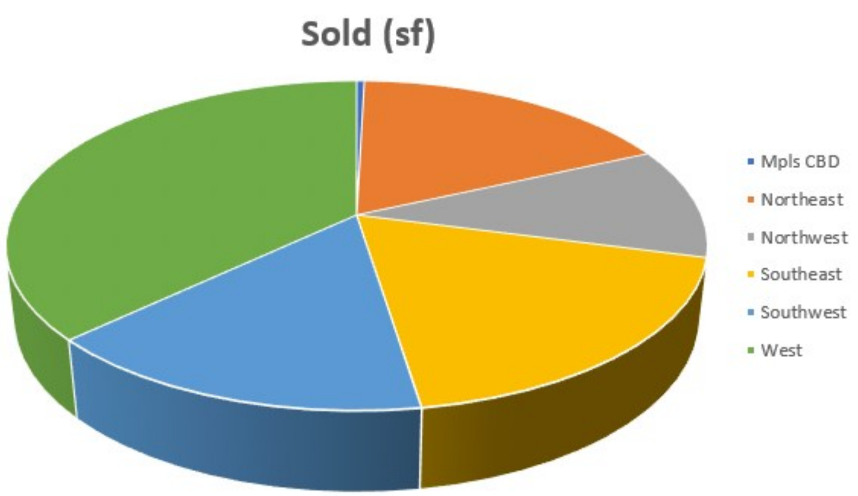
Property	Size (sf)	Market	Tenant	Landlord
Northtown Village Shopping Center 10 Coon Rapids Blvd NW	38,173	Northeast	The Modern Sportsman	L & K Capitals LLC
HarMar Mall 2100 Snelling Ave N	24,946	Northeast	K&G Fashion	Har Mar Retail Associates LLC
Heritage Commons 20164 Heritage Dr	8,859	Southeast	Lakeville Liquors	EREP Heritage Commons I LLC
Crystal Town Center 5640 W Broadway Ave	8,611	Northwest	Robbinsdale Women's Center	Bass Lk Rd Retail Assoc LLC
3050 Coon Rapids Blvd NW	8,300	Northwest	Choua Chang	3050 Coon Rapids LLC



Market	Leased (sf)
Mpls CBD	20,718
Northeast	157,254
Northwest	60,574
Southeast	95,122
Southwest	55,855
West	22,660
Grand Total	**412,183**

Sales Activity

Property	Price	Market	Buyer	Seller
The Shops at West End 1603–1695 West End Blvd	$64,750,000	West	MSP West End, L.L.C	ARC WEMPSMN001, LLC
The Village 812 Lake St E	$13,100,000	West	AP Wayzata Village, LLC	Bar Lazy H Three LLC
Cedar Point Common 6301 Richfield Pkwy	$12,400,000	Southeast	TCI LL, LLC	AX TC Retail LP
235 W State Hwy 5	$8,250,000	Southwest	Fury Properties MN, LLC	T & J Holdings, LLC
Walgreens 2920 White Bear Ave N	$8,183,838	Northeast	Katz Family LLC; Koff, LLC	2920 Maplewood LLC



Market	Sold (sf)
Mpls CBD	6,550
Northeast	275,184
Northwest	169,209
Southeast	285,616
Southwest	238,869
West	573,912
Grand Total	**1,549,340**

Methodology

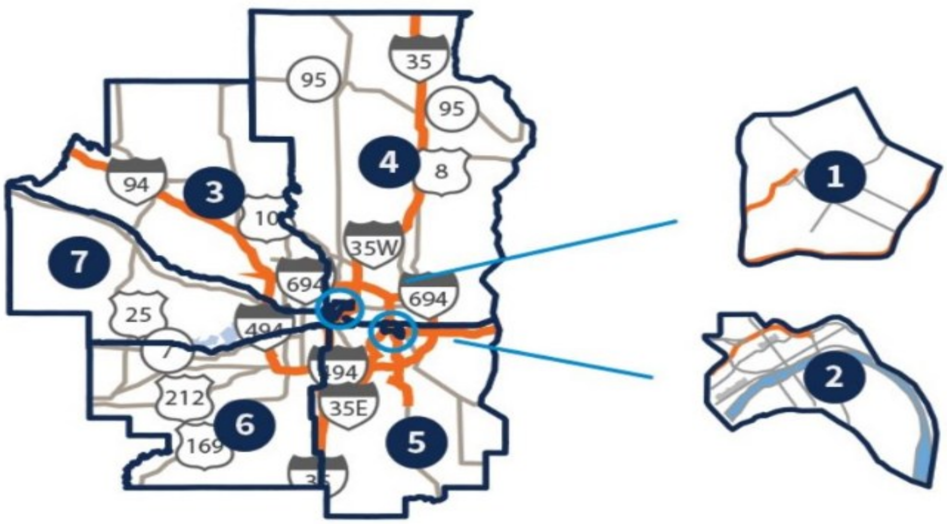
The Mpls-St Paul market consists of multi-tenant and single tenant retail buildings 15,000 sf or larger or are part of a complex larger than 15,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does include mixed use properties with less than 15,000 sf of retail space. All tracked properties are existing. Statistically, net absorption will be calculated based on occupancy change during the current quarter. Asking lease rates are based on an average asking rate and noted on NNN terms.

The Mpls-St Paul tracked set consists of an inventory of buildings considered to be competitive by the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for each market area.

Terminology

Inventory	The total square feet (sf) of existing multi-tenant and single tenant buildings greater than 15,000 sf or are part of a complex that totals greater than 15,000 sf located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant (sf)	The total of all the vacant square feet within a building including both direct and sublease space.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Sublease Space	Space that is offered for lease by a current tenant, or their agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Average Asking Rate	The average lease rated expressed as a per square foot value in NNN terms.
Community Specialty	Multi-tenant properties between 100,000-400,000 sf
Freestanding/Big Box	Single tenant properties
Mixed Use	Properties with retail and other uses like office and/or multi-family
Neighborhood Center	Multi-tenant properties between 30,000-100,000 sf
Regional	Multi-tenant properties over 400,000 sf
Strip Center	Multi-tenant properties less than 30,000 sf

Market Map



1. Minneapolis CBD
2. Saint Paul CBD
3. Northwest
4. Northeast
5. Southeast
6. Southwest
7. West

Advisory Board Members

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