Market

Trends

Q1 2023

Mpls/St Paul - Retail

REDI

Moody's Analytics | Catylist

MARKET TRENDS

Q1 2023 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,939,922	▼
Area Unemployment	3.2	▲
U.S. Unemployment	3.6	▼
Retail Jobs	176,500	▲

Source: BLS

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

Market Recap

Total Inventory (sf)	94,867,264
Total # of Bldgs (tracked)	1,899
Absorption	(292,134)
Vacancy	8.0%
Asking Rate (NNN)	$17.57
Under Construction	655,586

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) increased 80 basis points to 3.2% for February 2023 from 2.4% for February 2022. The unemployment rate for the US was at 3.6% in February 2023 down from 3.8% last year. State of Minnesota unemployment rate was 3.0%. The Mpls-St Paul MSA saw a decrease in job growth but saw an increase in retail job growth, leisure and hospitality increasing by 16,700 during the same period.

Market Overview

The Mpls-St Paul retail market consists of over 94.8 msf of space in seven metro counties. This region posted (292,134) sf negative absorption for Q1 2023. Multi-tenant properties had (277,000) sf negative absorption this quarter. The vacancy rate for the overall market was 8.0% and multi-tenant only properties shows 11.2%. To date there are 46 construction projects throughout the market totaling 655,500 sf.

Market Highlights

At the close of Q1 2023, the market experienced over 509,000 sf of leasing activity from 154 transactions. The Southeast market posted the lowest vacancy rate at 6.2% for all properties while Mpls CBD was the highest at 29.5%. The Southeast market was the only market to post positive absorption with 29,000 sf led by Ashley Furniture leasing 30,000 sf. The Northeast market had the largest decline with (124,000) sf negative absorption led by Snappy Furniture & Mattress vacating 39,000 sf. During Q1 2023, 94 properties sold with 1.3 msf totaling $134.5 million in sale price. One property was delivered this quarter with 5,500 sf.

Market Statistics by Property Type

Total

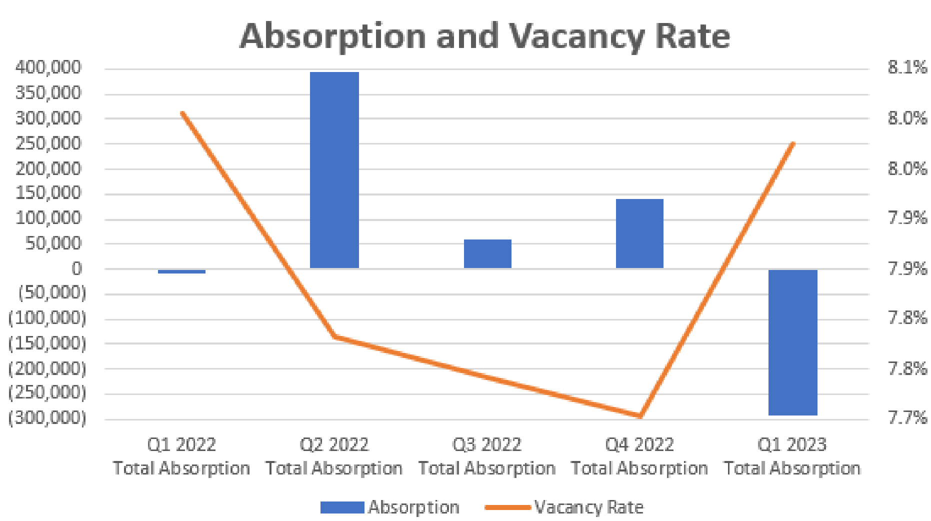
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	73	11,845,213	1,590,364	1,726,555	(118,325)	(118,325)	14.6%
Freestanding/Big Box	592	38,532,450	592,662	1,296,473	(14,805)	(14,805)	3.4%
Mixed Use	195	7,355,423	1,368,408	1,354,897	(36,507)	(36,507)	18.4%
Neighborhood Center	336	18,856,910	1,526,726	1,646,022	(32,921)	(32,921)	8.7%
Regional Center	9	7,505,085	836,271	833,267	(70,493)	(70,493)	11.1%
Strip Center	694	10,772,183	770,724	709,008	(19,083)	(19,083)	6.6%
Grand Total	**1,899**	**94,867,264**	**6,685,155**	**7,566,222**	**(292,134)**	**(292,134)**	**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	73	11,845,213	1,556,944	1,697,857	(118,325)	(118,325)	14.3%
Freestanding/Big Box	592	38,532,450	462,542	1,265,653	(14,805)	(14,805)	3.3%
Mixed Use	195	7,355,423	1,324,155	1,322,000	(40,999)	(40,999)	18.0%
Neighborhood Center	336	18,856,910	1,521,380	1,602,492	(74,958)	(74,958)	8.5%
Regional Center	9	7,505,085	836,271	833,267	(70,493)	(70,493)	11.1%
Strip Center	694	10,772,183	767,424	701,841	(16,983)	(16,983)	6.5%
Grand Total	**1,899**	**94,867,264**	**6,468,716**	**7,423,110**	**(336,563)**	**(336,563)**	**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	73	11,845,213	33,420	28,698	0	0	0.2%
Freestanding/Big Box	592	38,532,450	130,120	30,820	0	0	0.1%
Mixed Use	195	7,355,423	44,253	32,897	4,492	4,492	0.4%
Neighborhood Center	336	18,856,910	5,346	43,530	42,037	42,037	0.2%
Regional Center	9	7,505,085			0	0	0.0%
Strip Center	694	10,772,183	3,300	7,167	(2,100)	(2,100)	0.1%
Grand Total	**1,899**	**94,867,264**	**216,439**	**143,112**	**44,429**	**44,429**	**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%
	Mixed Use	63	2,885,951	908,166	974,367	(36,483)	(36,483)	33.8%
	Strip Center	2	18,520	5,206	5,206	(5,206)	(5,206)	28.1%
	Subtotal	**68**	**3,325,530**	**914,668**	**980,869**	**(41,689)**	**(41,689)**	**29.5%**
Northeast	Community Center	25	3,979,812	512,541	575,134	(44,005)	(44,005)	14.5%
	Freestanding/Big Box	200	13,360,701	307,560	767,361	0	0	5.7%
	Mixed Use	20	551,087	45,175	43,319	1,056	1,056	7.9%
	Neighborhood Center	93	5,294,284	520,432	617,465	(32,251)	(32,251)	11.7%
	Regional Center	4	2,775,830	252,422	252,422	(37,702)	(37,702)	9.1%
	Strip Center	201	3,210,738	243,165	229,902	(11,450)	(11,450)	7.2%
	Subtotal	**543**	**29,172,452**	**1,881,295**	**2,485,603**	**(124,352)**	**(124,352)**	**8.5%**
Northwest	Community Center	9	1,442,863	168,604	168,604	0	0	11.7%
	Freestanding/Big Box	87	5,576,452	13,077	288,441	(14,805)	(14,805)	5.2%
	Mixed Use	21	821,841	37,346	25,224	6,765	6,765	3.1%
	Neighborhood Center	59	3,390,613	291,146	281,907	(17,934)	(17,934)	8.3%
	Strip Center	124	1,812,861	141,266	105,466	(2,747)	(2,747)	5.8%
	Subtotal	**300**	**13,044,630**	**651,439**	**869,642**	**(28,721)**	**(28,721)**	**6.7%**
Saint Paul CBD	Mixed Use	14	568,156	91,834	84,528	(2,539)	(2,539)	14.9%
	Subtotal	**14**	**568,156**	**91,834**	**84,528**	**(2,539)**	**(2,539)**	**14.9%**
Southeast	Community Center	22	3,643,806	469,256	546,524	26,823	26,823	15.0%
	Freestanding/Big Box	180	12,245,704	242,025	169,650	0	0	1.4%
	Mixed Use	30	1,105,069	68,357	65,526	(9,571)	(9,571)	5.9%
	Neighborhood Center	108	5,918,044	370,932	471,082	15,551	15,551	8.0%
	Regional Center	1	1,046,207	206,374	206,374	0	0	19.7%
	Strip Center	205	3,031,662	203,499	213,525	(3,757)	(3,757)	7.0%
	Subtotal	**546**	**26,990,492**	**1,560,443**	**1,672,681**	**29,046**	**29,046**	**6.2%**
Southwest	Community Center	13	2,235,680	337,451	333,781	(2,125)	(2,125)	14.9%
	Freestanding/Big Box	93	5,428,429	30,000	71,021	0	0	1.3%
	Mixed Use	30	917,481	106,291	73,437	2,590	2,590	8.0%
	Neighborhood Center	47	2,731,028	162,616	142,864	10,535	10,535	5.2%
	Regional Center	2	2,087,941	299,605	299,605	(35,277)	(35,277)	14.3%
	Strip Center	109	1,785,148	97,198	77,502	2,530	2,530	4.3%
	Subtotal	**294**	**15,185,707**	**1,033,161**	**998,210**	**(21,747)**	**(21,747)**	**6.6%**
West	Community Center	3	395,409	101,216	101,216	(99,018)	(99,018)	25.6%
	Freestanding/Big Box	30	1,647,748			0	0	0.0%
	Mixed Use	17	505,838	111,239	88,496	1,675	1,675	17.5%
	Neighborhood Center	29	1,522,941	181,600	132,704	(8,822)	(8,822)	8.7%
	Regional Center	2	1,595,107	77,870	74,866	2,486	2,486	4.7%
	Strip Center	53	913,254	80,390	77,407	1,547	1,547	8.5%
	Subtotal	**134**	**6,580,297**	**552,315**	**474,689**	**(102,132)**	**(102,132)**	**7.2%**
Grand Total		**1,899**	**94,867,264**	**6,685,155**	**7,566,222**	**(292,134)**	**(292,134)**	**8.0%**

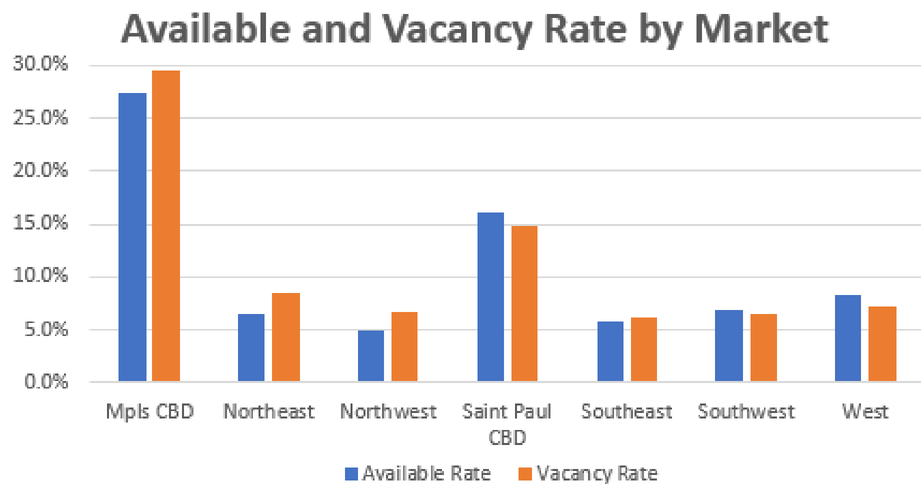
Vacancy Rates

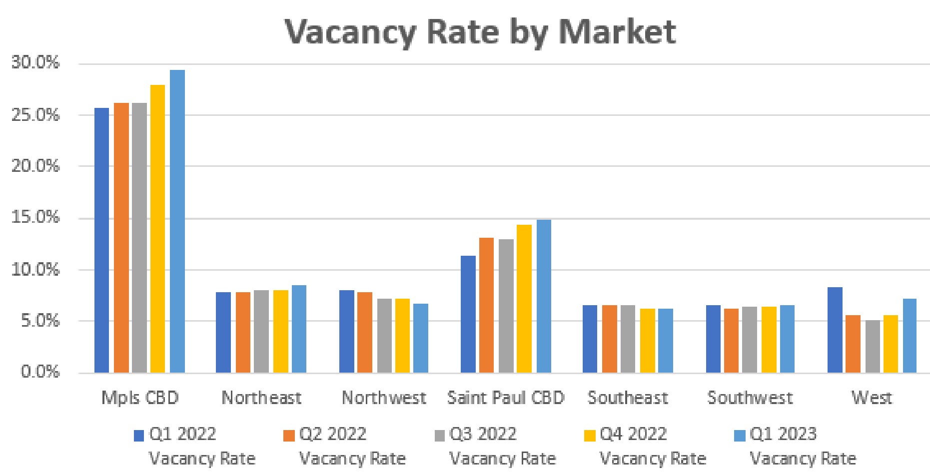
Market	Property Type	Q1 2022 Vacancy Rate	Q2 2022 Vacancy Rate	Q3 2022 Vacancy Rate	Q4 2022 Vacancy Rate	Q1 2023 Vacancy Rate
Mpls CBD	Community Center	0.9%	0.9%	0.9%	0.9%	0.9%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	29.7%	30.3%	30.3%	32.2%	33.8%
	Strip Center	0.0%	0.0%	0.0%	0.0%	28.1%
	Subtotal	**25.7%**	**26.2%**	**26.2%**	**27.9%**	**29.5%**
Northeast	Community Center	14.6%	12.4%	12.6%	13.3%	14.5%
	Freestanding/Big Box	6.0%	5.8%	5.8%	5.8%	5.7%
	Mixed Use	7.3%	7.3%	7.7%	8.1%	7.9%
	Neighborhood Center	9.6%	9.9%	9.9%	10.3%	11.7%
	Regional Center	5.6%	9.2%	10.9%	7.7%	9.1%
	Strip Center	6.7%	6.6%	6.7%	6.9%	7.2%
	Subtotal	**7.9%**	**7.9%**	**8.1%**	**8.0%**	**8.5%**
Northwest	Community Center	11.8%	11.8%	11.7%	11.7%	11.7%
	Freestanding/Big Box	5.8%	5.8%	4.9%	4.9%	5.2%
	Mixed Use	3.0%	2.5%	2.7%	3.9%	3.1%
	Neighborhood Center	12.2%	11.7%	11.4%	11.0%	8.3%
	Strip Center	6.3%	6.0%	5.5%	5.8%	5.8%
	Subtotal	**8.1%**	**7.8%**	**7.3%**	**7.3%**	**6.7%**
Saint Paul CBD	Mixed Use	11.3%	13.1%	13.0%	14.4%	14.9%
	Subtotal	**11.3%**	**13.1%**	**13.0%**	**14.4%**	**14.9%**
Southeast	Community Center	16.1%	15.9%	16.0%	15.7%	15.0%
	Freestanding/Big Box	0.6%	1.4%	1.7%	1.1%	1.4%
	Mixed Use	3.7%	5.1%	5.4%	5.1%	5.9%
	Neighborhood Center	9.7%	8.7%	8.0%	8.2%	8.0%
	Regional Center	22.7%	20.0%	19.7%	19.7%	19.7%
	Strip Center	7.9%	7.5%	7.4%	6.9%	7.0%
	Subtotal	**6.6%**	**6.6%**	**6.6%**	**6.2%**	**6.2%**
Southwest	Community Center	18.2%	17.6%	17.4%	14.8%	14.9%
	Freestanding/Big Box	0.0%	0.0%	0.0%	1.3%	1.3%
	Mixed Use	12.3%	6.9%	8.2%	8.4%	8.0%
	Neighborhood Center	4.8%	5.4%	5.7%	5.8%	5.2%
	Regional Center	13.8%	14.0%	13.9%	12.7%	14.3%
	Strip Center	3.5%	3.2%	3.6%	4.5%	4.3%
	Subtotal	**6.6%**	**6.3%**	**6.4%**	**6.4%**	**6.6%**
West	Community Center	0.4%	0.3%	0.6%	0.6%	25.6%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	21.8%	20.5%	19.9%	17.8%	17.5%
	Neighborhood Center	9.9%	9.0%	6.5%	8.1%	8.7%
	Regional Center	12.2%	3.8%	3.9%	4.8%	4.7%
	Strip Center	6.2%	4.1%	3.8%	8.3%	8.5%
	Subtotal	**8.3%**	**5.7%**	**5.1%**	**5.6%**	**7.2%**
Grand Total		**8.0%**	**7.8%**	**7.7%**	**7.7%**	**8.0%**

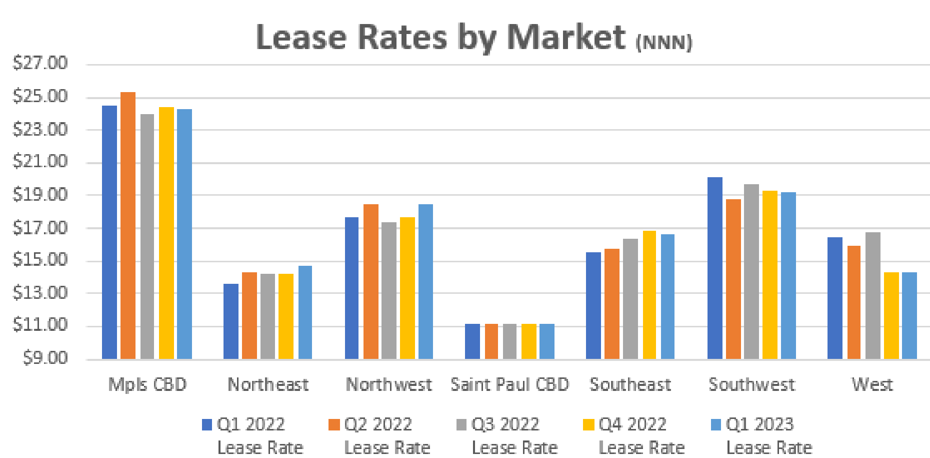
Lease Rates (NNN)

Market	Property Type	Q1 2022 Lease Rate	Q2 2022 Lease Rate	Q3 2022 Lease Rate	Q4 2022 Lease Rate	Q1 2023 Lease Rate
Mpls CBD	Community Center					
	Freestanding/Big Box					
	Mixed Use	$24.50	$25.34	$23.98	$24.44	$24.27
	Strip Center					
	Subtotal	**$24.50**	**$25.34**	**$23.98**	**$24.44**	**$24.27**
Northeast	Community Center	$8.00	$8.00	$11.50	$8.00	$8.00
	Freestanding/Big Box	$10.00	$10.00	$10.00	$10.00	$10.00
	Mixed Use	$17.58	$17.58	$17.58	$17.58	$17.88
	Neighborhood Center	$11.49	$11.89	$12.49	$11.19	$10.82
	Regional Center					
	Strip Center	$15.00	$15.88	$15.17	$15.38	$16.22
	Subtotal	**$13.54**	**$14.32**	**$14.21**	**$14.20**	**$14.69**
Northwest	Community Center					$15.00
	Freestanding/Big Box					
	Mixed Use	$15.00	$15.00	$15.00	$15.00	$15.00
	Neighborhood Center	$11.17	$10.75	$11.83	$10.75	$10.75
	Strip Center	$19.85	$20.27	$19.25	$19.23	$20.52
	Subtotal	**$17.64**	**$18.54**	**$17.36**	**$17.71**	**$18.52**
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	$17.33	$17.00	$17.00
	Freestanding/Big Box	$11.00	$11.00	$11.00	$11.00	$11.00
	Mixed Use	$15.33	$15.33	$15.33	$16.00	$16.67
	Neighborhood Center	$14.68	$14.81	$15.21	$15.78	$14.35
	Regional Center					
	Strip Center	$16.83	$16.94	$17.58	$18.40	$18.66
	Subtotal	**$15.50**	**$15.69**	**$16.32**	**$16.85**	**$16.67**
Southwest	Community Center	$32.50				
	Freestanding/Big Box					
	Mixed Use	$21.33	$20.17	$22.50	$18.75	$15.00
	Neighborhood Center	$17.13	$16.17	$14.75	$16.17	$17.33
	Regional Center					
	Strip Center	$19.25	$19.29	$20.71	$20.63	$20.38
	Subtotal	**$20.16**	**$18.77**	**$19.70**	**$19.31**	**$19.17**
West	Community Center					
	Freestanding/Big Box					
	Mixed Use				$9.82	$9.82
	Neighborhood Center	$12.63	$12.63	$13.17	$13.17	$13.17
	Regional Center					
	Strip Center	$20.20	$20.26	$20.26	$22.00	$22.00
	Subtotal	**$16.41**	**$15.90**	**$16.71**	**$14.26**	**$14.26**
Grand Total		**$16.97**	**$17.28**	**$17.25**	**$17.40**	**$17.57**

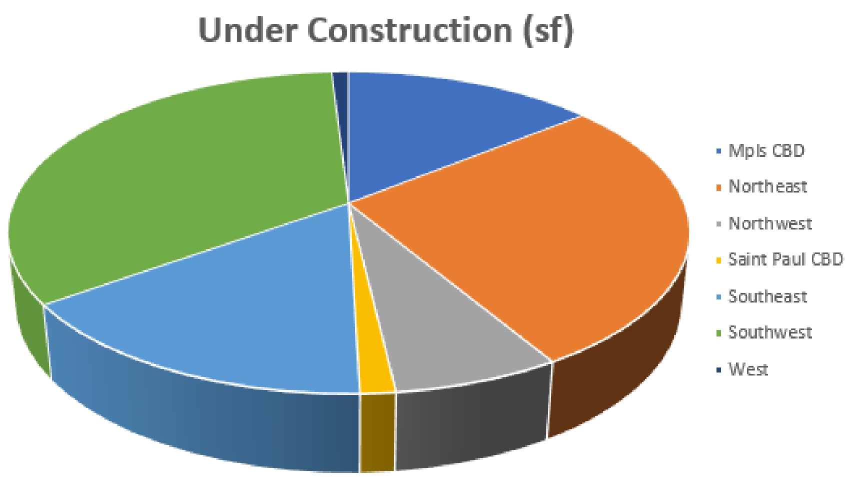
Vacancy and Lease Rates







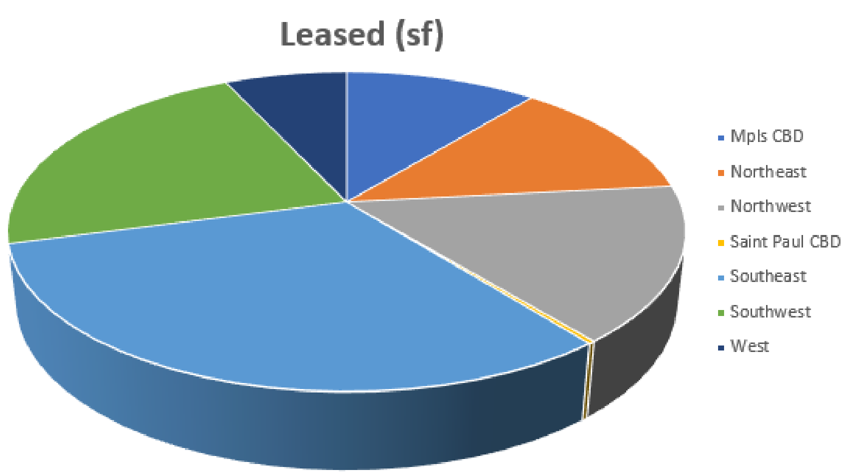
Construction by Market



Market	Bldg (sf)
Mpls CBD	92,891
Northeast	178,789
Northwest	43,971
Saint Paul CBD	9,250
Southeast	101,624
Southwest	222,761
West	6,300
Grand Total	**655,586**

Leasing Activity

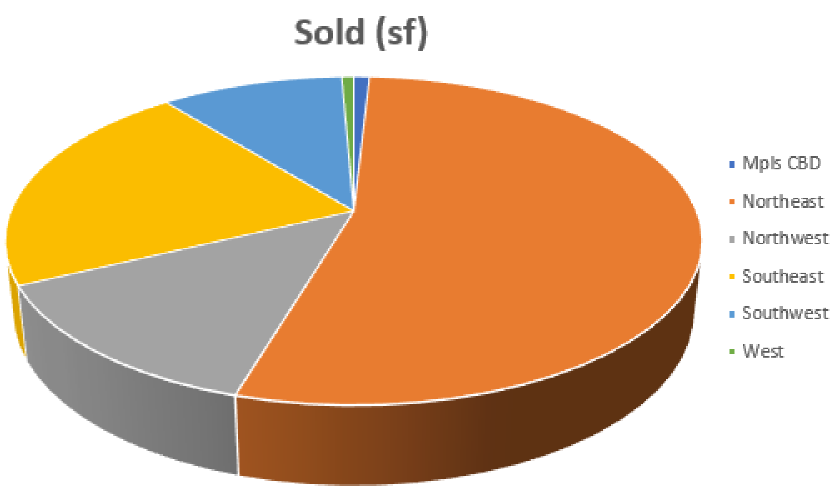
Property	Size (sf)	Market	Tenant	Landlord
17505-17585 State Hwy 7	35,000	Southwest	Pickle Ball	Minn Associates LP
Eagan Promenade 1259 Promenade Pl	30,290	Southeast	Ashley Furniture	Eagan Promenade Inc
Shakopee Town Square 1100 Shakopee Town Sq	24,017	Southwest	Drop Shot Pickleball	MSB Holdings-Shakopee LLC
Eagan Promenade 1259 Promenade Pl	23,628	Southeast	Office Max	Eagan Promenade Inc
270 Hennepin	20,365	Mpls CBD	Puttery	240 Hennepin Prop Owner LLC



Market	Leased (sf)
Mpls CBD	55,768
Northeast	63,138
Northwest	80,127
Saint Paul CBD	1,337
Southeast	160,617
Southwest	113,076
West	35,495
Grand Total	**509,558**

Sales Activity

Property	Price	Market	Buyer	Seller
Maplewood Mall 3001 White Bear Ave N	$15,000,000	Northeast	Maplewood Partners LLC	Brookwood Capital Partners
Cliff Lake Centre 1060 Cliff Lake Rd	$9,450,000	Southeast	SouthMetro Centers II LLC	IRC Cliff Lake, L.L.C.
1106 Mainstreet	$5,100,000	Southwest	Ovation Hopkins LLC	Hopkins Mainstreet, Inc.
Caliber Collision 8620 Central Ave	$4,978,000	Northeast	JRSLEA - Blaine LLC	FSC AB Blaine MN LLC
301 E Lake St	$4,900,000	Southeast	Prime Group Properties LLC	Golis Properties LLC



Market	Sold (sf)
Mpls CBD	11,305
Northeast	704,600
Northwest	173,485
Southeast	280,762
Southwest	132,091
West	8,713
Grand Total	**1,310,956**

Methodology

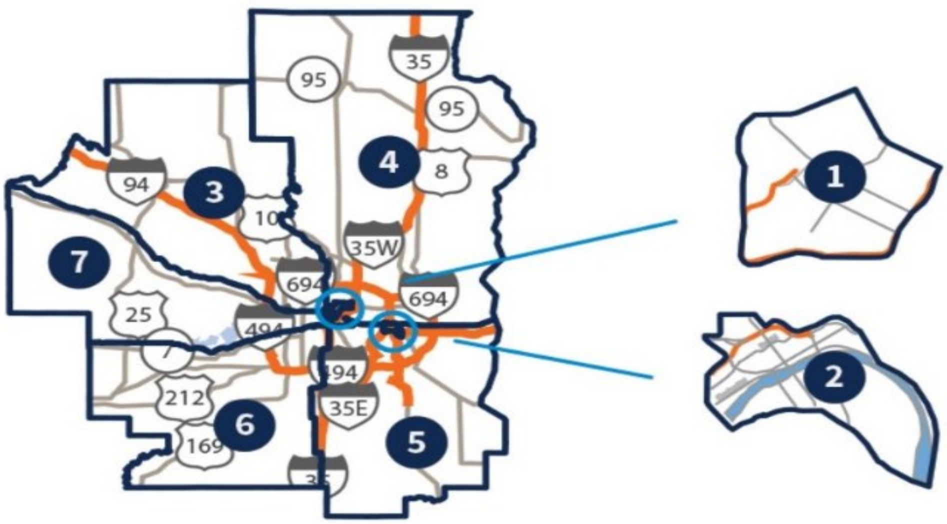
The Mpls-St Paul market consists of multi-tenant and single tenant retail buildings 15,000 sf or larger or are part of a complex larger than 15,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does include mixed use properties 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



- ❶ Minneapolis CBD
- ❷ Saint Paul CBD
- ❸ Northwest
- ❹ Northeast
- ❺ Southeast
- ❻ Southwest
- ❼ West

Advisory Board Members

CBRE	David Daly	JLL	Ted Gonsior
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	Maggie Parra	JLL	Sam Newberg
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