Market

Trends

Q3 2022

Mpls/St Paul - Retail

REDI

Moody's Analytics | Catylist

MARKET TRENDS

Q3 2022 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,990,221	▲
Area Unemployment	2.1	▼
U.S. Unemployment	3.6	▼
Retail Jobs	184,900	▲

Source: BLS

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

Market Recap

Total Inventory (sf)	94,471,575
Total # of Bldgs (tracked)	1,830
Absorption	104,441
Vacancy	7.9%
Asking Rate (NNN)	$17.35
Under Construction	363,368

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) decreased 110 basis points to 2.1% for August 2022 from 3.2% for August 2021. The unemployment rate for the US was at 3.6% in August 2022 down from 5.2% last year. State of Minnesota unemployment rate was 1.9%. 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 13,500 during the same period.

Market Overview

The Mpls-St Paul retail market, consisting of over 94.4 msf of space in seven counties across the metro posted 104,400 sf positive absorption for Q3 2022 bringing the YTD to 464,536 sf positive absorption. Multi-tenant properties had 94,000 sf positive absorption this quarter. The vacancy rate for the overall market was 7.9% and multi -tenant only properties shows 11.0% for Q3 2022. Asking rates dropped from $18.26 last year to $17.35 during Q3 2022. To date there are 30 construction projects throughout the market totaling 363,000 sf.

Market Highlights

At the close of Q3 2022, the market experienced over 459,000 sf of leasing activity from 151 transactions. The West market posted the lowest vacancy rate at 6.1% for all properties while Mpls CBD was the highest at 26.7%. The Northwest market posted the largest increase in absorption with 75,500 sf positive absorption led by the new delivery of Floor & Décor with 50,000 sf. The Southeast market had the largest decline with (16,700) sf negative absorption. During Q3 2022 127 properties sold with 1.8 msf totaling $277 million in sale price. Thirty four properties were delivered year to date with 459,500 sf.

Market Statistics by Property Type

Total

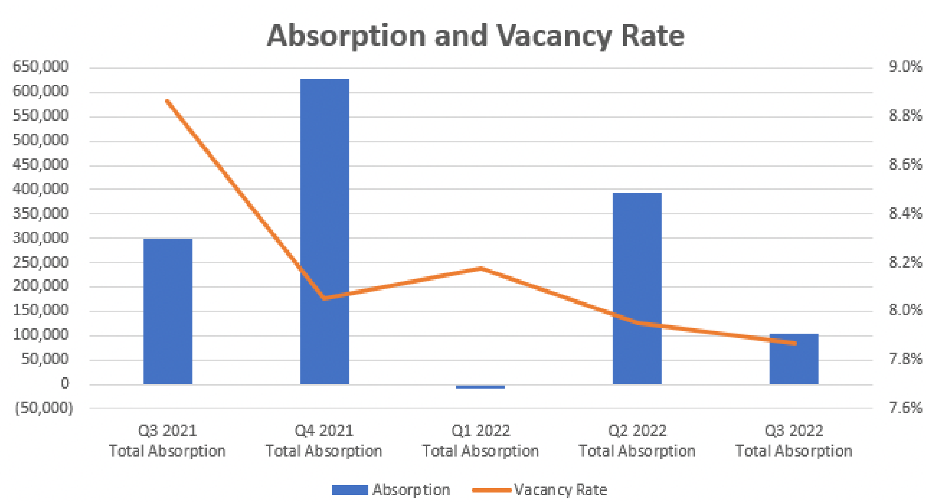
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	86	11,983,496	1,437,618	1,659,157	(2,947)	93,957	13.8%
Freestanding/Big Box	572	38,065,851	906,495	1,248,786	10,238	75,778	3.3%
Mixed Use	187	7,822,812	1,264,154	1,264,503	17,392	44,350	16.2%
Neighborhood Center	290	17,227,383	1,459,187	1,460,270	50,391	130,626	8.5%
Regional Center	9	7,505,085	1,012,270	1,009,266	6,219	82,908	13.4%
Strip Center	686	11,866,948	898,221	789,562	23,148	36,917	6.7%
Grand Total	**1,830**	**94,471,575**	**6,977,945**	**7,431,544**	**104,441**	**464,536**	**7.9%**

Direct

Property Type	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
Community Center	86	11,983,496	1,423,376	1,644,915	(2,947)	93,957	13.7%
Freestanding/Big Box	572	38,065,851	789,275	1,217,966	10,238	75,778	3.2%
Mixed Use	187	7,822,812	1,202,409	1,214,114	17,392	62,311	15.5%
Neighborhood Center	290	17,227,383	1,413,538	1,414,621	90,794	154,764	8.2%
Regional Center	9	7,505,085	1,012,270	1,009,266	6,219	82,908	13.4%
Strip Center	686	11,866,948	871,113	766,566	(6,269)	20,685	6.5%
Grand Total	**1,830**	**94,471,575**	**6,711,981**	**7,267,448**	**115,427**	**490,403**	**7.7%**

Sublease

Property Type	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
Community Center	86	11,983,496	14,242	14,242	0	0	0.1%
Freestanding/Big Box	572	38,065,851	117,220	30,820	0	0	0.1%
Mixed Use	187	7,822,812	61,745	50,389	0	(17,961)	0.6%
Neighborhood Center	290	17,227,383	45,649	45,649	(40,403)	(24,138)	0.3%
Regional Center	9	7,505,085			0	0	0.0%
Strip Center	686	11,866,948	27,108	22,996	29,417	16,232	0.2%
Grand Total	**1,830**	**94,471,575**	**265,964**	**164,096**	**(10,986)**	**(25,867)**	**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	60	2,828,651	801,394	870,014	(1,934)	10,087	30.8%
	Strip Center	2	18,520			0	0	0.0%
	Subtotal	**65**	**3,268,230**	**802,690**	**871,310**	**(1,934)**	**10,087**	**26.7%**
Northeast	Community Center	26	3,658,469	233,478	440,922	9,832	99,145	12.1%
	Freestanding/Big Box	195	13,188,044	420,186	767,361	0	141,322	5.8%
	Mixed Use	22	701,995	42,109	43,606	(2,371)	498	6.2%
	Neighborhood Center	85	5,174,690	508,782	483,864	(3,794)	(25,649)	9.4%
	Regional Center	4	2,775,830	383,882	383,882	1,903	(73,363)	13.8%
	Strip Center	195	3,546,148	274,564	250,552	(2,240)	(17,701)	7.1%
	Subtotal	**527**	**29,045,176**	**1,863,001**	**2,370,187**	**3,330**	**124,252**	**8.2%**
Northwest	Community Center	10	1,506,487	179,639	188,353	1,050	1,050	12.5%
	Freestanding/Big Box	82	5,599,497	13,077	273,636	49,938	49,938	4.9%
	Mixed Use	22	865,245	34,899	26,548	(1,140)	10,356	3.1%
	Neighborhood Center	51	3,120,483	271,663	344,588	12,387	23,880	11.0%
	Strip Center	124	1,975,455	113,499	104,223	13,309	27,180	5.3%
	Subtotal	**289**	**13,067,167**	**612,777**	**937,348**	**75,544**	**112,404**	**7.2%**
Saint Paul CBD	Mixed Use	14	631,927	89,295	90,704	1,077	(11,703)	14.4%
	Subtotal	**14**	**631,927**	**89,295**	**90,704**	**1,077**	**(11,703)**	**14.4%**
Southeast	Community Center	24	3,681,687	494,164	547,625	(17,863)	(45,314)	14.9%
	Freestanding/Big Box	171	11,918,076	221,550	207,789	(45,000)	(120,782)	1.7%
	Mixed Use	29	1,132,783	59,205	58,730	(2,490)	(12,186)	5.2%
	Neighborhood Center	94	5,510,022	441,245	433,968	28,966	112,623	7.9%
	Regional Center	1	1,046,207	206,374	206,374	3,338	18,943	19.7%
	Strip Center	212	3,519,509	339,121	314,882	16,318	30,205	8.9%
	Subtotal	**531**	**26,808,284**	**1,761,659**	**1,769,368**	**(16,731)**	**(16,511)**	**6.6%**
Southwest	Community Center	20	2,561,585	425,627	478,763	5,135	38,132	18.7%
	Freestanding/Big Box	93	5,462,434	251,682		5,300	5,300	0.0%
	Mixed Use	27	879,894	55,061	28,886	4,690	10,758	3.3%
	Neighborhood Center	37	2,183,497	113,630	108,679	(5,380)	(17,449)	5.0%
	Regional Center	2	2,087,941	289,568	289,568	2,093	17,432	13.9%
	Strip Center	106	1,849,167	119,553	84,406	(8,780)	(12,181)	4.6%
	Subtotal	**285**	**15,024,518**	**1,255,121**	**990,302**	**3,058**	**41,992**	**6.6%**
West	Community Center	5	427,625	103,414	2,198	(1,101)	944	0.5%
	Freestanding/Big Box	29	1,624,384			0	0	0.0%
	Mixed Use	13	782,317	182,191	146,015	19,560	36,540	18.7%
	Neighborhood Center	23	1,238,691	123,867	89,171	18,212	37,221	7.2%
	Regional Center	2	1,595,107	132,446	129,442	(1,115)	119,896	8.1%
	Strip Center	47	958,149	51,484	35,499	4,541	9,414	3.7%
	Subtotal	**119**	**6,626,273**	**593,402**	**402,325**	**40,097**	**204,015**	**6.1%**
Grand Total		**1,830**	**94,471,575**	**6,977,945**	**7,431,544**	**104,441**	**464,536**	**7.9%**

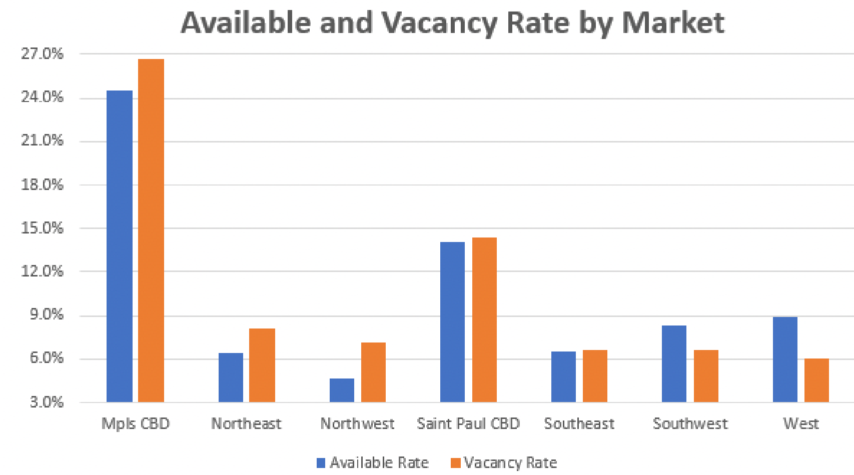
Vacancy Rates

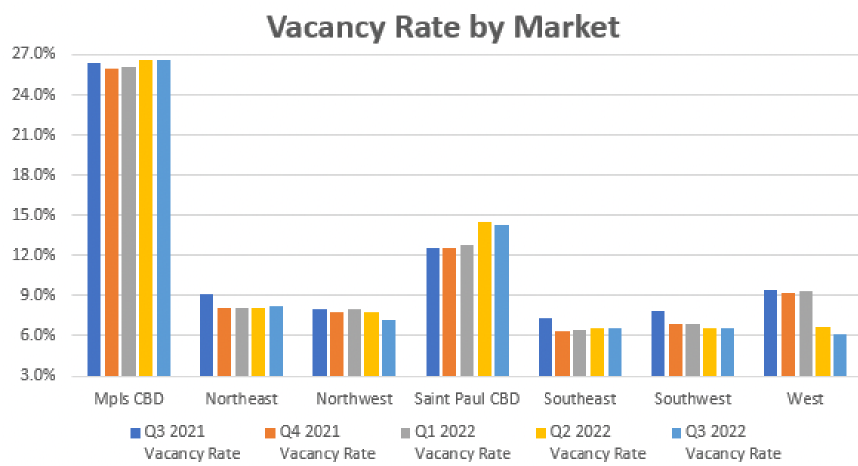
Market	Property Type	Q3 2021 Vacancy Rate	Q4 2021 Vacancy Rate	Q1 2022 Vacancy Rate	Q2 2022 Vacancy Rate	Q3 2022 Vacancy Rate
Mpls CBD	Community Center	0.9%	0.9%	0.9%	0.9%	0.9%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	30.6%	30.0%	30.1%	30.7%	30.8%
	Strip Center	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**26.4%**	**25.9%**	**26.1%**	**26.6%**	**26.7%**
Northeast	Community Center	14.5%	14.3%	14.2%	12.0%	12.1%
	Freestanding/Big Box	7.4%	6.0%	6.0%	5.8%	5.8%
	Mixed Use	10.9%	6.3%	5.9%	5.9%	6.2%
	Neighborhood Center	9.2%	8.9%	9.0%	9.3%	9.4%
	Regional Center	11.7%	9.6%	9.7%	13.9%	13.8%
	Strip Center	6.3%	6.6%	7.2%	7.0%	7.1%
	Subtotal	**9.1%**	**8.1%**	**8.2%**	**8.1%**	**8.2%**
Northwest	Community Center	12.9%	12.6%	12.6%	12.6%	12.5%
	Freestanding/Big Box	5.0%	5.0%	5.8%	5.8%	4.9%
	Mixed Use	4.1%	4.3%	3.4%	2.9%	3.1%
	Neighborhood Center	12.8%	12.1%	12.1%	11.4%	11.0%
	Strip Center	6.9%	6.3%	6.3%	5.9%	5.3%
	Subtotal	**8.0%**	**7.7%**	**8.0%**	**7.8%**	**7.2%**
Saint Paul CBD	Mixed Use	12.5%	12.5%	12.7%	14.5%	14.4%
	Subtotal	**12.5%**	**12.5%**	**12.7%**	**14.5%**	**14.4%**
Southeast	Community Center	14.2%	13.6%	14.5%	14.4%	14.9%
	Freestanding/Big Box	2.5%	0.6%	0.6%	1.4%	1.7%
	Mixed Use	4.3%	4.1%	3.7%	5.0%	5.2%
	Neighborhood Center	10.5%	9.9%	9.4%	8.4%	7.9%
	Regional Center	21.5%	21.5%	22.7%	20.0%	19.7%
	Strip Center	8.3%	8.9%	9.5%	9.2%	8.9%
	Subtotal	**7.3%**	**6.4%**	**6.5%**	**6.5%**	**6.6%**
Southwest	Community Center	24.0%	20.2%	20.0%	18.9%	18.7%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	5.2%	4.6%	7.6%	3.8%	3.3%
	Neighborhood Center	5.1%	4.2%	4.0%	4.7%	5.0%
	Regional Center	15.7%	14.7%	13.8%	14.0%	13.9%
	Strip Center	4.9%	4.0%	4.0%	4.1%	4.6%
	Subtotal	**7.9%**	**6.8%**	**6.9%**	**6.6%**	**6.6%**
West	Community Center	0.4%	0.7%	0.3%	0.3%	0.5%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	24.2%	23.3%	22.4%	21.2%	18.7%
	Neighborhood Center	10.0%	10.2%	9.7%	8.7%	7.2%
	Regional Center	16.5%	15.6%	16.4%	8.0%	8.1%
	Strip Center	4.9%	4.8%	6.0%	4.3%	3.7%
	Subtotal	**9.4%**	**9.2%**	**9.3%**	**6.7%**	**6.1%**
Grand Total		**8.9%**	**8.0%**	**8.2%**	**8.0%**	**7.9%**

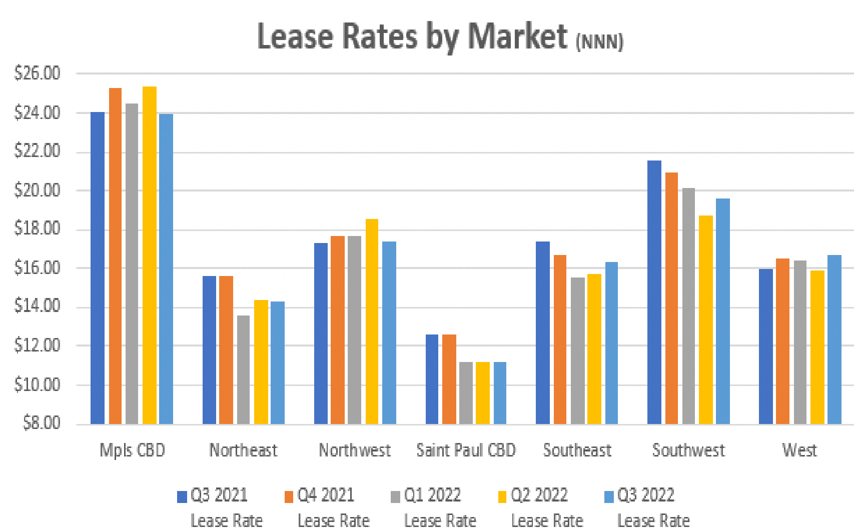
Lease Rates (NNN)

Market	Property Type	Q3 2021 Lease Rate	Q4 2021 Lease Rate	Q1 2022 Lease Rate	Q2 2022 Lease Rate	Q3 2022 Lease Rate
Mpls CBD	Community Center					
	Freestanding/Big Box					
	Mixed Use	$24.08	$25.30	$24.50	$25.34	$23.98
	Strip Center					
	Subtotal	**$24.08**	**$25.30**	**$24.50**	**$25.34**	**$23.98**
Northeast	Community Center	$24.00	$24.00	$8.00	$8.00	$11.50
	Freestanding/Big Box	$10.00	$10.00	$10.00	$10.00	$10.00
	Mixed Use	$16.31	$16.31	$17.58	$17.58	$17.58
	Neighborhood Center	$13.56	$13.33	$11.49	$11.89	$12.49
	Regional Center					
	Strip Center	$16.41	$16.90	$15.30	$16.32	$15.50
	Subtotal	**$15.61**	**$15.62**	**$13.55**	**$14.39**	**$14.27**
Northwest	Community Center					
	Freestanding/Big Box					
	Mixed Use	$14.50	$15.00	$15.00	$15.00	$15.00
	Neighborhood Center	$11.17	$11.17	$11.17	$10.75	$11.83
	Strip Center	$18.93	$19.50	$19.85	$20.27	$19.25
	Subtotal	**$17.33**	**$17.66**	**$17.64**	**$18.54**	**$17.36**
Saint Paul CBD	Mixed Use	$12.63	$12.63	$11.17	$11.17	$11.17
	Subtotal	**$12.63**	**$12.63**	**$11.17**	**$11.17**	**$11.17**
Southeast	Community Center	$16.50	$16.50	$16.50	$16.50	$17.33
	Freestanding/Big Box	$11.00	$11.00	$11.00	$11.00	$11.00
	Mixed Use	$16.00	$15.33	$15.33	$15.33	$15.33
	Neighborhood Center	$18.02	$17.18	$15.35	$14.81	$15.21
	Regional Center					
	Strip Center	$17.80	$16.95	$15.95	$16.94	$17.58
	Subtotal	**$17.44**	**$16.65**	**$15.50**	**$15.69**	**$16.32**
Southwest	Community Center					
	Freestanding/Big Box					
	Mixed Use	$26.00	$24.92	$22.93	$20.17	$20.75
	Neighborhood Center	$20.10	$17.83	$17.13	$16.17	$14.75
	Regional Center					
	Strip Center	$18.88	$19.13	$19.25	$19.29	$20.71
	Subtotal	**$21.58**	**$20.94**	**$20.16**	**$18.77**	**$19.64**
West	Community Center					
	Freestanding/Big Box					
	Mixed Use					
	Neighborhood Center	$12.75	$12.75	$12.63	$12.63	$13.17
	Regional Center					
	Strip Center	$20.26	$20.20	$20.20	$20.26	$20.26
	Subtotal	**$15.97**	**$16.47**	**$16.41**	**$15.90**	**$16.71**
Grand Total		**$18.26**	**$18.01**	**$17.04**	**$17.36**	**$17.35**

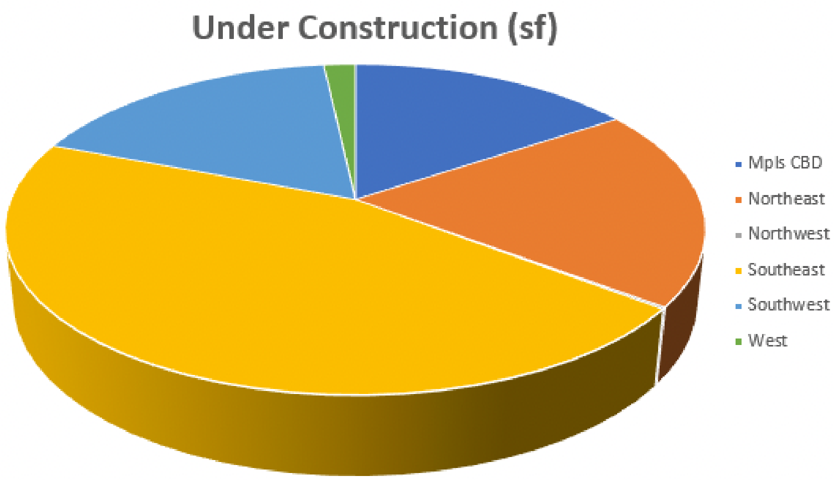
Vacancy and Lease Rates





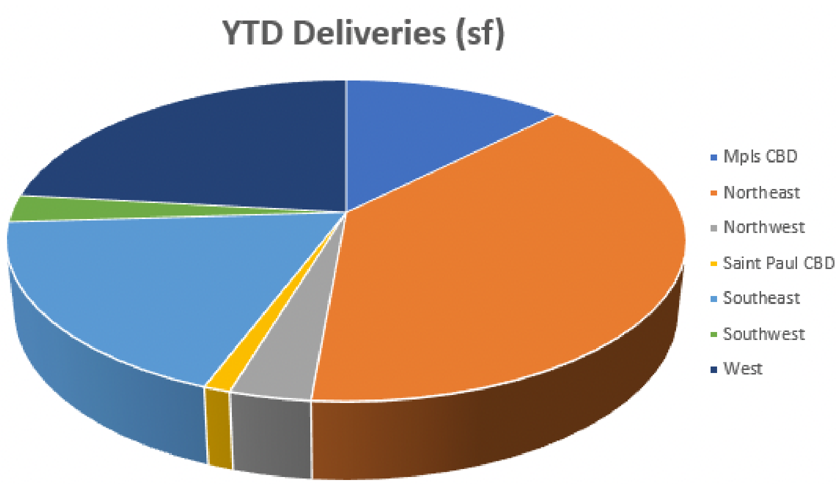


Construction by Market



Market	Bldg (sf)
Mpls CBD	57,000
Northeast	71,100
Northwest	600
Southeast	164,970
Southwest	63,398
West	6,300
Grand Total	**363,368**

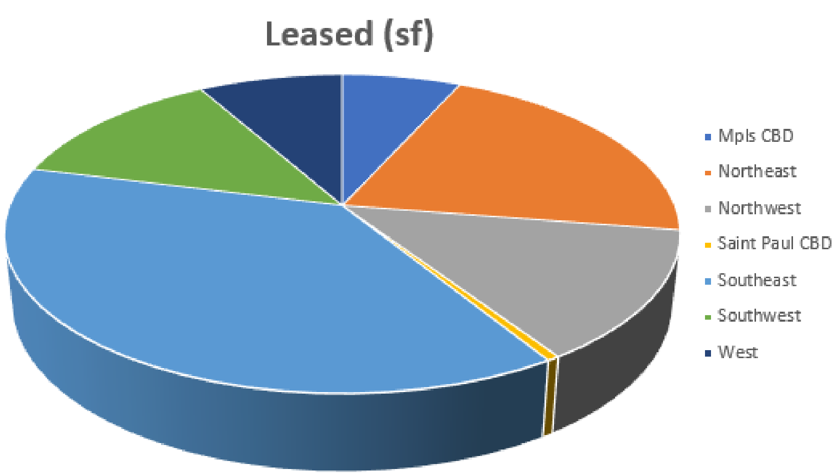
YTD Deliveries by Market



Market	Bldg (sf)
Mpls CBD	57,224
Northeast	178,928
Northwest	15,112
Saint Paul CBD	5,000
Southeast	83,971
Southwest	12,568
West	106,741
Grand Total	**459,544**

Leasing Activity

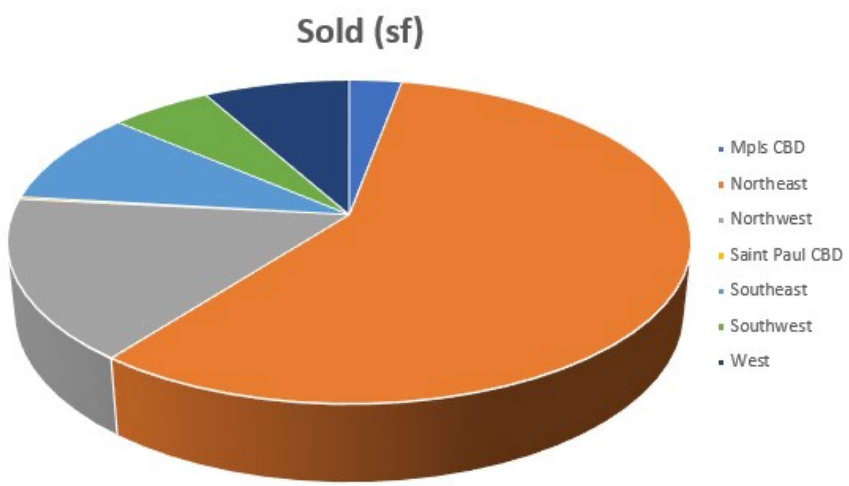
Property	Size (sf)	Market	Tenant	Landlord
966 Mississippi Blvd S	51,000	Southeast	Lunds & Byerly's	MN Ford & Cretin Apartments LLC
Southdale 494 Shopping Center 4200 W 78th St	20,843	Southwest	Total Wine	Menard Inc
Carbon 31 8100 31st Ave S	14,000	Southeast	Oxendale Market	Bloomington Central Station LLC
9776-9780 Hudson Rd	8,900	Southeast	Cycle Gear	Ban Tara Holdings I LLC
Fischer Marketplace 14969 Florence Trl	8,826	Southeast	Pet Supplies Plus	Florence Trail Retail LLC



Market	Leased (sf)
Mpls CBD	30,988
Northeast	95,240
Northwest	60,656
Saint Paul CBD	2,339
Southeast	173,352
Southwest	59,116
West	37,594
Grand Total	**459,285**

Sales Activity

Property	Price	Market	Buyer	Seller
HarMar Mall 2100 Snelling Ave N	$50,250,000	Northeast	Har Mar Retail Associates LLC	Gateway Washington Inc
Country Village Shopping Center 11301 Hwy 7	$18,460,000	West	Country Village 2022, LLC; Lakeville Crossroads East 2008 LLC	Country Village Shopping Center LLC
321 19th St SW	$11,700,000	Northeast	MAG FLCJ RE, LLC	Wilcox Properties of Forest Lake LLC
Zanebrook Shopping Center 7630 Brooklyn Blvd	$7,000,000	Northwest	Jaiteh Kunda Properties Inc	Pea Soup Properties LLC
200 N 1st St	$6,130,000	Mpls CBD	200 N. 1st St., LLC	200 North First Street, LLC



Market	Sold (sf)
Mpls CBD	54,253
Northeast	1,071,813
Northwest	300,251
Saint Paul CBD	4,200
Southeast	175,716
Southwest	104,660
West	151,094
Grand Total	**1,861,987**

Methodology

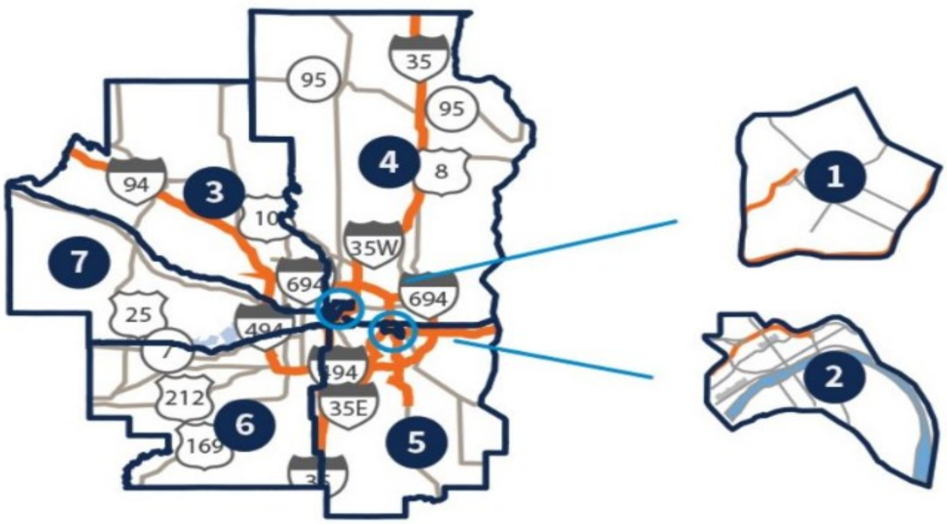
The Mpls-St Paul market consists of multi-tenant and single tenant retail buildings 15,000 sf or larger or are part of a complex larger than 15,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does include mixed use properties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

CBRE	David Daly	Kraus Anderson	Dan Mossey
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