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REDI

MARKET TRENDS

Q1 2019 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,939,990	▼
Area Unemployment	3.4	—
U.S. Unemployment	3.8	▼
Retail Jobs	181,500	▼

Source: BLS

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

Market Recap

Total Inventory (sf)	90,637,223
Total # of Bldgs	1,713
Absorption	(617,727)
Vacancy	6.9%
Asking Rate (NNN)	$17.08
Under Construction (sf)	1,049,256

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) remained unchanged at 3.4% compared to February 2018. The unemployment rate for the US was at 3.8% in February 2019, down from 4.1% for the State of Minnesota. The Mpls-St Paul MSA saw an decrease in retail job growth, leisure and hospitality dropping by 900 during the same period.

Market Overview

The Mpls-St Paul retail market, consisting of over 90 msf of space in seven counties across the metro posting over 617,700 sf negative absorption for Q1 2019. The vacancy rate for the market increased to 6.9% to start 2019. The average asking lease rate for Mpls-St Paul came in at $17.08 psf NNN. To date, there are over 38 construction projects throughout the market totaling just over 1.0 msf while two properties were delivered with 15,960 sf.

Market Highlights

At the close of Q1 2019, the market experienced over 378,000 sf of leasing activity and the vacancy rate finished the year at 6.9% in total. The Southeast and West markets posting the lowest rate at 6.2%. The Northeast market was hit the hardest with 5 of the top 8 properties showing negative absorption and a total of 255,671 sf. Herbergers and Target accounted for 369,487 sf of negative absorption this quarter in the metro. The only market showing an increase in absorption was Southeast with over 24,000 sf positive absorption.

Market Statistics by Property Type

Total

Property Type	# of Bldgs	Inventory	Q1 19 Total Avail (sf)	Q1 19 Vacant (sf)	Q1 19 Absorption (sf)	Q1 19 Vacancy Rate
Community Center	75	11,285,661	1,183,768	1,121,587	(89,037)	9.9%
Freestanding/Big Box	523	34,308,345	1,011,895	1,142,481	(329,585)	3.3%
Mixed Use	215	8,011,029	792,861	759,357	(42,763)	9.5%
Neighborhood Center	227	13,670,762	1,151,819	1,119,584	(44,205)	8.2%
Regional	13	9,679,180	1,166,526	1,169,149	(106,833)	12.1%
Strip Center	660	13,682,247	1,294,505	981,789	(5,304)	7.2%
Grand Total	**1,713**	**90,637,223**	**6,601,374**	**6,293,947**	**(617,727)**	**6.9%**

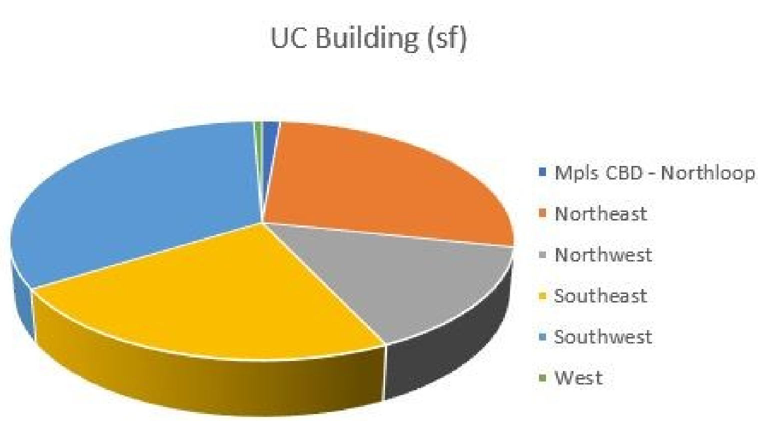
Direct

Property Type	# of Bldgs	Inventory	Q1 19 Direct Avail (sf)	Q1 19 Direct Vacant (sf)	Q1 19 Direct Absorption (sf)	Q1 19 Direct Vacancy Rate
Community Center	75	11,285,661	1,157,490	1,116,152	(87,702)	9.9%
Freestanding/Big Box	523	34,308,345	936,105	1,093,334	(329,585)	3.2%
Mixed Use	215	8,011,029	767,861	732,377	(39,900)	9.1%
Neighborhood Center	227	13,670,762	1,068,355	1,054,640	12,648	7.7%
Regional	13	9,679,180	1,166,526	1,169,149	(106,833)	12.1%
Strip Center	660	13,682,247	1,267,023	964,550	(3,351)	7.0%
Grand Total	**1,713**	**90,637,223**	**6,363,360**	**6,130,202**	**(554,723)**	**6.8%**

Sublease

Property Type	# of Bldgs	Inventory	Q1 19 Sublease Avail (sf)	Q1 19 Sublease Vacant (sf)	Q1 19 Sublease Absorption (sf)	Q1 19 Sublease Vacancy Rate
Community Center	75	11,285,661	26,278	5,435	(1,335)	0.0%
Freestanding/Big Box	523	34,308,345	75,790	49,147	0	0.1%
Mixed Use	215	8,011,029	34,938	26,980	(2,863)	0.3%
Neighborhood Center	227	13,670,762	83,464	64,944	(56,853)	0.5%
Regional	13	9,679,180			0	0.0%
Strip Center	660	13,682,247	27,482	17,239	(1,953)	0.1%
Grand Total	**1,713**	**90,637,223**	**247,952**	**163,745**	**(63,004)**	**0.2%**

Construction by Submarket



Market	UC Building (sf)
Mpls CBD - Northloop	14,100
Northeast	282,665
Northwest	153,658
Southeast	244,089
Southwest	348,357
West	6,387
Grand Total	1,049,256

Market Statistics by Market

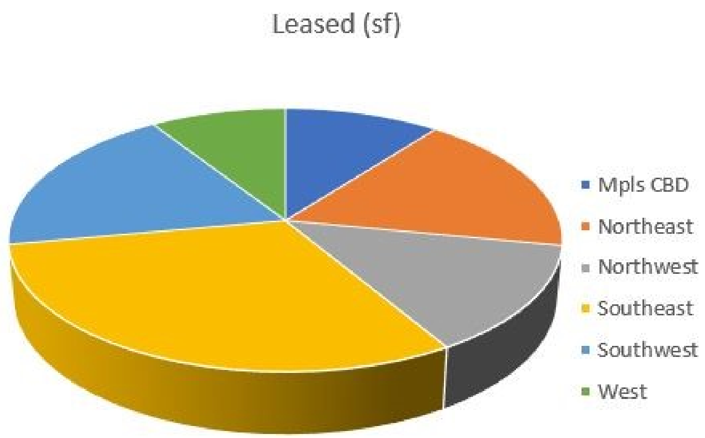
Market	Property Type	# of Bldgs	Inventory	Q1 19 Total Avail (sf)	Q1 19 Vacant (sf)	Q1 19 Absorption (sf)	Q1 19 Vacancy Rate
Mpls CBD	Community Center	1	147,643	13,464	13,464	(13,464)	9.1%
	Freestanding/Big Box	2	273,416			0	0.0%
	Mixed Use	64	2,358,434	313,252	322,807	(13,446)	13.7%
	Subtotal	**67**	**2,779,493**	**326,716**	**336,271**	**(26,910)**	**12.1%**
Northeast	Community Center	21	3,298,596	269,183	248,335	(44,119)	7.5%
	Freestanding/Big Box	175	12,089,374	466,645	647,303	(170,349)	5.4%
	Mixed Use	30	971,055	74,332	73,342	(3,817)	7.6%
	Neighborhood Center	72	4,494,551	412,342	363,940	(56,877)	8.1%
	Regional	4	3,100,071	449,469	449,469	5,611	14.5%
	Strip Center	191	4,312,251	446,483	352,436	13,880	8.2%
	Subtotal	**493**	**28,265,898**	**2,118,454**	**2,134,825**	**(255,671)**	**7.6%**
Northwest	Community Center	15	1,656,143	108,683	75,587	(16,513)	4.6%
	Freestanding/Big Box	74	5,086,988	178,345	175,166	(131,772)	3.4%
	Mixed Use	24	795,146	42,448	37,933	10,144	4.8%
	Neighborhood Center	34	1,973,839	186,064	276,871	3,778	14.0%
	Strip Center	124	2,413,529	198,750	165,381	(3,947)	6.9%
	Subtotal	**271**	**11,925,645**	**714,290**	**730,938**	**(138,310)**	**6.1%**
Saint Paul CBD	Mixed Use	17	935,881	68,978	68,978	(24,016)	7.4%
	Subtotal	**17**	**935,881**	**68,978**	**68,978**	**(24,016)**	**7.4%**
Southeast	Community Center	22	3,215,462	401,621	427,975	11,181	13.3%
	Freestanding/Big Box	160	10,420,062	274,673	144,403	0	1.4%
	Mixed Use	32	1,262,926	114,078	91,673	(11,709)	7.3%
	Neighborhood Center	61	3,772,953	362,689	364,115	8,866	9.7%
	Regional	5	2,354,114	190,410	193,033	12,653	8.2%
	Strip Center	204	4,114,257	423,139	344,029	3,646	8.4%
	Subtotal	**484**	**25,139,773**	**1,766,610**	**1,565,228**	**24,637**	**6.2%**
Southwest	Community Center	13	2,558,196	322,906	288,315	(17,791)	11.3%
	Freestanding/Big Box	87	5,180,070	92,232	175,609	(27,464)	3.4%
	Mixed Use	33	918,999	65,266	57,617	508	6.3%
	Neighborhood Center	36	2,065,238	106,716	89,360	28	4.3%
	Regional	2	2,629,804	362,422	362,422	(126,418)	13.8%
	Strip Center	105	2,043,444	156,781	98,137	(18,314)	4.8%
	Subtotal	**276**	**15,395,751**	**1,106,323**	**1,071,460**	**(189,451)**	**7.0%**
West	Community Center	3	409,621	67,911	67,911	(8,331)	16.6%
	Freestanding/Big Box	25	1,258,435			0	0.0%
	Mixed Use	15	768,589	114,507	107,007	(427)	13.9%
	Neighborhood Center	24	1,364,181	84,008	25,298	0	1.9%
	Regional	2	1,595,191	164,225	164,225	1,321	10.3%
	Strip Center	36	798,766	69,352	21,806	(569)	2.7%
	Subtotal	**105**	**6,194,782**	**500,003**	**386,247**	**(8,006)**	**6.2%**
Grand Total		**1,713**	**90,637,223**	**6,601,374**	**6,293,947**	**(617,727)**	**6.9%**

Lease and Vacancy Rates

Market	Property Type	Q4 18 Average Lease Rates (NNN)	Q1 19 Average Lease Rates (NNN)	Q4 18 Vacancy Rate	Q1 19 Vacancy Rate
Mpls CBD	Community Center			0.0%	9.1%
	Freestanding/Big Box			0.0%	0.0%
	Mixed Use	$24.79	$22.47	13.1%	13.7%
	Subtotal	**$24.79**	**$22.47**	**11.1%**	**12.1%**
Northeast	Community Center	$22.00	$8.00	6.2%	7.5%
	Freestanding/Big Box			3.9%	5.4%
	Mixed Use	$15.86	$16.14	7.2%	7.6%
	Neighborhood Center	$15.12	$14.33	6.8%	8.1%
	Regional			14.7%	14.5%
	Strip Center	$16.53	$15.26	8.5%	8.2%
	Subtotal	**$16.24**	**$15.04**	**6.6%**	**7.6%**
Northwest	Community Center			3.6%	4.6%
	Freestanding/Big Box			0.9%	3.4%
	Mixed Use	$15.00	$15.33	6.0%	4.8%
	Neighborhood Center	$15.88	$14.38	14.2%	14.0%
	Strip Center	$17.53	$18.03	6.7%	6.9%
	Subtotal	**$16.91**	**$17.00**	**5.0%**	**6.1%**
Saint Paul CBD	Mixed Use	$14.50	$11.13	4.8%	7.4%
	Subtotal	**$14.50**	**$11.13**	**4.8%**	**7.4%**
Southeast	Community Center	$19.50	$19.00	13.7%	13.3%
	Freestanding/Big Box	$24.25	$17.00	1.4%	1.4%
	Mixed Use	$16.51	$15.41	6.3%	7.3%
	Neighborhood Center	$16.00	$14.71	9.9%	9.7%
	Regional			8.7%	8.2%
	Strip Center	$18.13	$16.99	8.5%	8.4%
	Subtotal	**$17.85**	**$16.47**	**6.3%**	**6.2%**
Southwest	Community Center	$18.14	$18.14	10.6%	11.3%
	Freestanding/Big Box	$15.00		2.9%	3.4%
	Mixed Use	$19.18	$20.22	6.3%	6.3%
	Neighborhood Center	$19.00	$15.51	4.3%	4.3%
	Regional			9.0%	13.8%
	Strip Center	$17.72	$18.71	3.9%	4.8%
	Subtotal	$18.33	$18.81	5.7%	7.0%
West	Community Center			14.5%	16.6%
	Freestanding/Big Box			0.0%	0.0%
	Mixed Use	$25.00	$30.00	13.9%	13.9%
	Neighborhood Center	$18.50	$18.50	1.9%	1.9%
	Regional			10.4%	10.3%
	Strip Center	$13.75	$16.01	2.7%	2.7%
	Subtotal	**$17.75**	**$18.38**	**6.1%**	**6.2%**
Grand Total		**$17.87**	**$17.09**	**6.3%**	**6.9%**

Leasing Activity

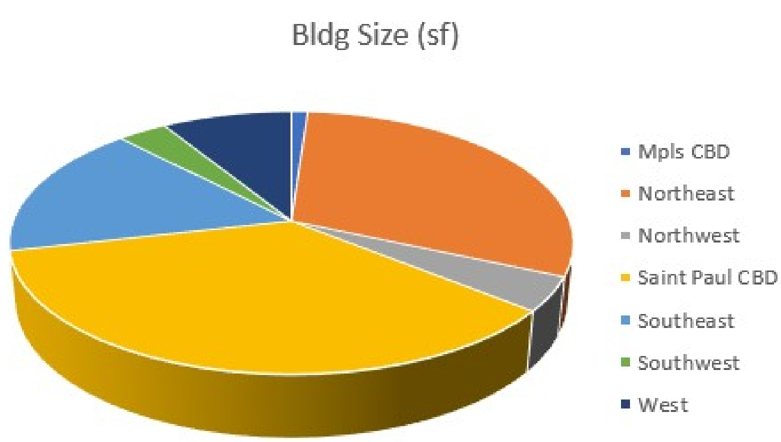
PROPERTY	SIZE (sf)	MARKET	TENANT	LANDLORD
Valley West Shopping Center 10520-10608 S France Ave	19,037	Southwest	Planet Fitness	Osborne Properties
3016 Hennepin Ave	11,200	Southwest	Salons by JC	Urban Anthology
4864 Central Ave NE	10,800	Northeast	Pooja Grocers	Wells Fargo
The Nordic 729 N Washington Ave	9,230	Mpls CBD	Thr3 Jack	United Properties
The Nordic 729 N Washington Ave	8,748	Mpls CBD	The Galley	United Properties



Market	Leased (sf)
Mpls CBD	39,643
Northeast	66,481
Northwest	50,658
Southeast	116,281
Southwest	71,017
West	34,597
Grand Total	**378,677**

Sales Activity

PROPERTY	PRICE	MARKET	BUYER	SELLER
Midway Marketplace 1360-1450 University Ave W	$31,210,000	Northeast	Kraus-Anderson	BRE DDR Midway Marketplace, LLC c/o Retail Value Inc
Prairie Village Shopping Center 16500–16550 Main St	$17,000,000	Southwest	GRI Eden Prairie LLC c/o First Washington Realty	Prairie Partners Six LLC
LA Fitness 4175 West 76th St	$13,650,000	Southwest	VEREIT	Edina Fitness LLC c/o Goldrich Kest
TA Rogers 13400 Rogers Dr	$9,590,000	Northwest	TA Operating LLC c/o TravelCenters of America LLC	HPT TA Properties Trust
7000 France Ave S	$8,250,000	Southwest	7000 France Avenue Edina LLC	EFrance2 LLC



Market	Bldg Size (sf)
Mpls CBD	16,620
Northeast	467,415
Northwest	63,993
Saint Paul CBD	542,900
Southeast	252,664
Southwest	51,240
West	133,183
Grand Total	**1,528,015**

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 more 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 his 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

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