MARKET TRENDS

Q1 2020 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,969,253	▲
Area Unemployment	3.1	▼
U.S. Unemployment	3.5	▼
Retail Jobs	183,800	▲

Source: BLS

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

Market Recap

Total Inventory (sf)	94,117,543
Total # of Bldgs	1,806
Absorption	(231,507)
Vacancy	7.9%
Asking Rate (NNN)	$17.51
Under Construction (sf)	1,694,921

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 3.1% for February 2020 from 3.4% for February 2019. The unemployment rate for the US was 3.5% in February 2020 down from 3.8% last year. State of Minnesota unemployment rate was 3.1%. 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 400 during the same period.

Market Overview

The Mpls-St Paul retail market, consisting of over 94 msf of space in seven counties across the metro posting over 231,000 sf negative absorption for Q1 2020 while multi-tenant properties had 22,277 sf negative absorption. The vacancy rate for the market increased to 7.9% and multi tenant properties was 9.9% for Q1 2020. The average asking lease rate for Mpls-St Paul came in at $17.51 psf NNN. To date, there are 53 construction projects throughout the market totaling just under 1.7 msf.

Market Highlights

At the close of Q1 2020, the market experienced over 408,000 sf of leasing activity from 109 transactions. The Southeast market posted the lowest rate at 6.2% for all properties. The West market posted the largest increase in absorption with over 52,000 sf positive absorption led by Hobby Lobby leasing 61,000 sf. The Southwest market recorded over 168,000 sf negative absorption led by Gander Mountain closing their 55,000 sf store. Northeast market was the most active holding four of the top 6 properties of 68,800 sf positive absorption but also posted the largest loss of Kmart closing a 136,000 sf store for a net 94,000 sf negative absorption.

Market Statistics by Property Type

Total

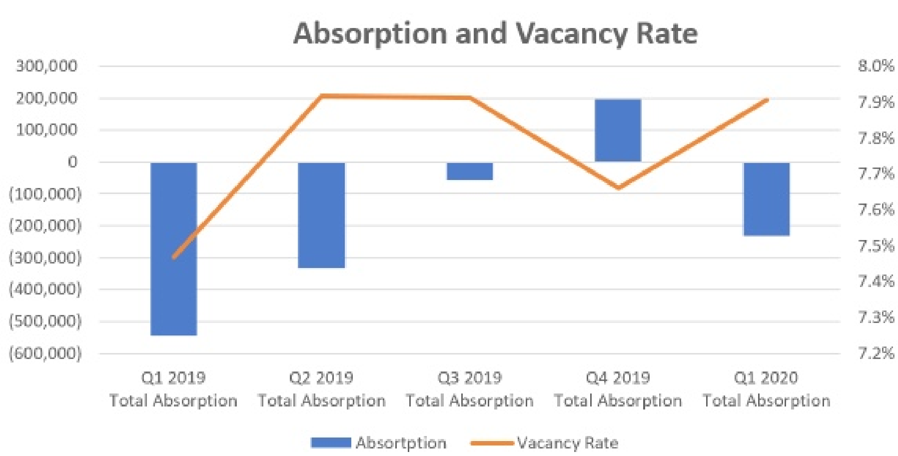
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	Vacancy Rate
Community Center	96	11,808,247	1,491,231	1,408,422	21,463	11.9%
Freestanding/Big Box	565	37,606,924	900,091	1,851,502	(209,230)	4.9%
Mixed Use	205	7,707,185	797,122	815,587	77,993	10.6%
Neighborhood Center	235	14,191,183	1,046,432	1,077,740	(15,941)	7.6%
Regional	13	9,243,765	1,231,604	1,230,026	(59,984)	13.3%
Strip Center	692	13,560,239	1,266,758	1,057,526	(45,808)	7.8%
Grand Total	**1,806**	**94,117,543**	**6,733,238**	**7,440,803**	**(231,507)**	**7.9%**

Direct

Property Type	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	Vacancy Rate
Community Center	96	11,808,247	1,452,878	1,398,967	29,761	11.8%
Freestanding/Big Box	565	37,606,924	787,081	1,752,129	(153,619)	4.7%
Mixed Use	205	7,707,185	748,789	783,390	71,376	10.2%
Neighborhood Center	235	14,191,183	976,196	1,026,024	9,450	7.2%
Regional	13	9,243,765	1,229,589	1,228,011	(59,984)	13.3%
Strip Center	692	13,560,239	1,200,082	1,003,378	(45,808)	7.4%
Grand Total	**1,806**	**94,117,543**	**6,394,615**	**7,191,899**	**(148,824)**	**7.6%**

Sublease

Property Type	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	Vacancy Rate
Community Center	96	11,808,247	38,353	9,455	(8,298)	0.1%
Freestanding/Big Box	565	37,606,924	113,010	99,373	(55,611)	0.3%
Mixed Use	205	7,707,185	48,333	32,197	6,617	0.4%
Neighborhood Center	235	14,191,183	70,236	51,716	(25,391)	0.4%
Regional	13	9,243,765	2,015	2,015	0	0.0%
Strip Center	692	13,560,239	66,676	54,148	0	0.4%
Grand Total	**1,806**	**94,117,543**	**338,623**	**248,904**	**(82,683)**	**0.3%**



Market Statistics by Market

Market	Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	Vacancy Rate
Mpls CBD	Community Center	1	147,643		4,426	0	3.0%
	Freestanding/Big Box	2	273,416			0	0.0%
	Mixed Use	59	2,376,149	300,718	384,394	8,888	16.2%
	Subtotal	**62**	**2,797,208**	**300,718**	**388,820**	**8,888**	**13.9%**
Northeast	Community Center	26	3,769,765	520,840	631,121	(23,264)	16.7%
	Freestanding/Big Box	189	13,101,377	568,433	1,111,871	(136,056)	8.5%
	Mixed Use	28	744,591	57,051	57,051	9,411	7.7%
	Neighborhood Center	71	4,418,462	291,319	278,965	39,839	6.3%
	Regional	4	3,227,849	372,478	372,478	23,232	11.5%
	Strip Center	199	4,123,932	319,535	298,753	(7,280)	7.2%
	Subtotal	**517**	**29,385,976**	**2,129,656**	**2,750,239**	**(94,118)**	**9.4%**
Northwest	Community Center	18	1,820,870	123,046	95,750	(9,300)	5.3%
	Freestanding/Big Box	80	5,461,625	13,013	286,578	0	5.2%
	Mixed Use	23	876,875	43,019	29,756	(3,241)	3.4%
	Neighborhood Center	36	2,192,524	143,809	279,339	(3,816)	12.7%
	Strip Center	131	2,395,650	253,544	212,873	(20,387)	8.9%
	Subtotal	**288**	**12,747,544**	**576,431**	**904,296**	**(36,744)**	**7.1%**
Saint Paul CBD	Mixed Use	15	641,003	105,660	104,076	0	16.2%
	Subtotal	**15**	**641,003**	**105,660**	**104,076**	**0**	**16.2%**
Southeast	Community Center	27	3,273,053	393,132	324,022	59,680	9.9%
	Freestanding/Big Box	174	11,976,729	61,473	195,881	5,897	1.6%
	Mixed Use	34	1,288,041	78,928	52,921	1,693	4.1%
	Neighborhood Center	64	3,824,332	338,870	361,795	(7,198)	9.5%
	Regional	5	2,239,565	330,266	330,266	(38,598)	14.7%
	Strip Center	207	3,994,993	453,554	388,383	(14,550)	9.7%
	Subtotal	**511**	**26,596,713**	**1,656,223**	**1,653,268**	**6,924**	**6.2%**
Southwest	Community Center	20	2,492,079	344,666	344,772	(5,653)	13.8%
	Freestanding/Big Box	93	5,362,702	257,172	257,172	(79,071)	4.8%
	Mixed Use	30	886,833	34,055	30,470	7,290	3.4%
	Neighborhood Center	37	2,120,487	128,362	110,107	(41,634)	5.2%
	Regional	2	2,181,244	271,474	271,474	(42,524)	12.4%
	Strip Center	114	2,140,740	181,495	128,119	(7,175)	6.0%
	Subtotal	**296**	**15,184,085**	**1,217,224**	**1,142,114**	**(168,767)**	**7.5%**
West	Community Center	4	304,837	109,547	8,331	0	2.7%
	Freestanding/Big Box	27	1,431,075			0	0.0%
	Mixed Use	16	893,693	177,691	156,919	53,952	17.6%
	Neighborhood Center	27	1,635,378	144,072	47,534	(3,132)	2.9%
	Regional	2	1,595,107	257,386	255,808	(2,094)	16.0%
	Strip Center	41	904,924	58,630	29,398	3,584	3.2%
	Subtotal	**117**	**6,765,014**	**747,326**	**497,990**	**52,310**	**7.4%**
Grand Total		**1,806**	**94,117,543**	**6,733,238**	**7,440,803**	**(231,507)**	**7.9%**

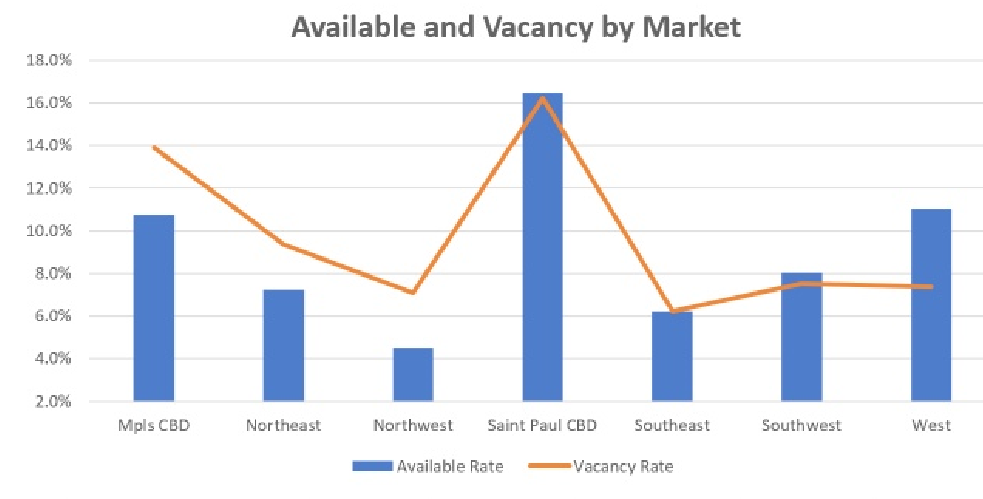
Vacancy Rates

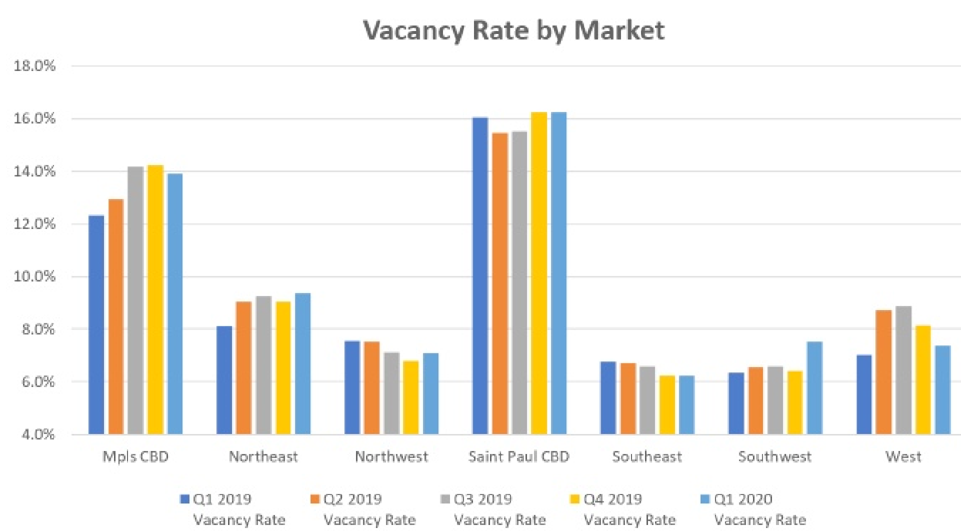
Market	Property Type	Q1 2019 Vacancy Rate	Q2 2019 Vacancy Rate	Q3 2019 Vacancy Rate	Q4 2019 Vacancy Rate	Q1 2020 Vacancy Rate
Mpls CBD	Community Center	9.1%	9.1%	3.0%	3.0%	3.0%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	14.1%	14.8%	16.5%	16.6%	16.2%
	Subtotal	**12.3%**	**12.9%**	**14.2%**	**14.3%**	**13.9%**
Northeast	Community Center	16.4%	16.1%	16.7%	16.1%	16.7%
	Freestanding/Big Box	5.4%	7.3%	8.0%	7.5%	8.5%
	Mixed Use	9.7%	9.2%	6.4%	8.9%	7.7%
	Neighborhood Center	6.8%	7.3%	7.1%	7.2%	6.3%
	Regional	11.9%	12.6%	12.2%	12.3%	11.5%
	Strip Center	6.9%	7.1%	7.1%	7.1%	7.2%
	Subtotal	**8.1%**	**9.0%**	**9.3%**	**9.0%**	**9.4%**
Northwest	Community Center	4.3%	4.0%	4.7%	4.7%	5.3%
	Freestanding/Big Box	5.5%	5.6%	5.6%	5.2%	5.2%
	Mixed Use	4.8%	3.9%	2.7%	3.0%	3.4%
	Neighborhood Center	15.6%	15.5%	13.6%	12.6%	12.7%
	Strip Center	8.1%	8.7%	8.4%	8.0%	8.9%
	Subtotal	**7.6%**	**7.5%**	**7.1%**	**6.8%**	**7.1%**
Saint Paul CBD	Mixed Use	16.1%	15.5%	15.5%	16.2%	16.2%
	Subtotal	**16.1%**	**15.5%**	**15.5%**	**16.2%**	**16.2%**
Southeast	Community Center	13.7%	13.4%	12.1%	11.7%	9.9%
	Freestanding/Big Box	1.4%	1.2%	1.7%	1.7%	1.6%
	Mixed Use	6.7%	6.7%	5.1%	4.2%	4.1%
	Neighborhood Center	9.0%	10.0%	10.3%	9.3%	9.5%
	Regional	11.7%	11.6%	12.8%	13.0%	14.7%
	Strip Center	10.6%	10.0%	9.2%	9.3%	9.7%
	Subtotal	**6.8%**	**6.7%**	**6.6%**	**6.2%**	**6.2%**
Southwest	Community Center	12.8%	13.4%	13.4%	13.6%	13.8%
	Freestanding/Big Box	3.4%	3.4%	3.4%	3.3%	4.8%
	Mixed Use	4.3%	4.7%	4.7%	4.3%	3.4%
	Neighborhood Center	4.0%	4.0%	3.7%	3.2%	5.2%
	Regional	9.2%	10.2%	10.6%	10.5%	12.4%
	Strip Center	5.2%	5.2%	5.4%	5.7%	6.0%
	Subtotal	**6.3%**	**6.5%**	**6.6%**	**6.4%**	**7.5%**
West	Community Center	3.6%	3.1%	3.1%	2.7%	2.7%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	26.9%	28.1%	24.2%	23.6%	17.6%
	Neighborhood Center	1.6%	2.8%	2.9%	2.7%	2.9%
	Regional	10.3%	16.0%	17.2%	15.9%	16.0%
	Strip Center	2.7%	1.7%	3.1%	3.6%	3.2%
	Subtotal	**7.0%**	**8.7%**	**8.9%**	**8.2%**	**7.4%**
Grand Total		**7.5%**	**7.9%**	**7.9%**	**7.7%**	**7.9%**

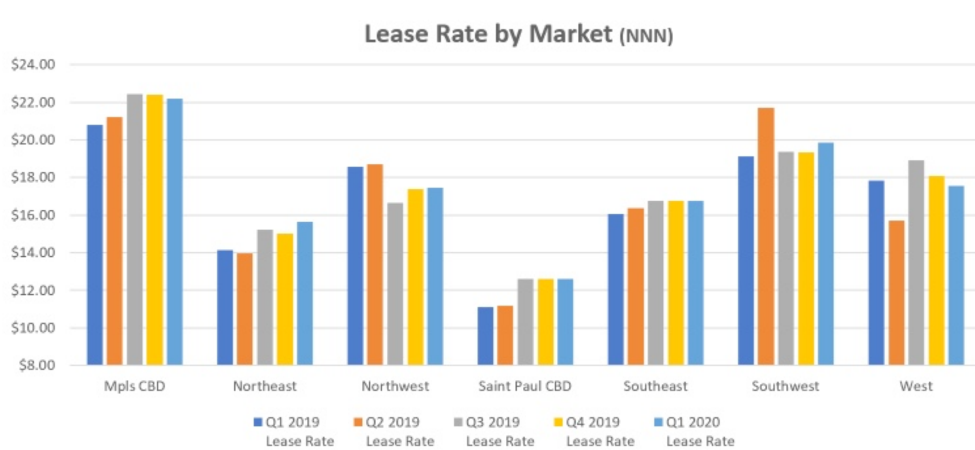
Lease Rates (NNN)

Market	Property Type	Q1 2019 Lease Rate	Q2 2019 Lease Rate	Q3 2019 Lease Rate	Q4 2019 Lease Rate	Q1 2020 Lease Rate
Mpls CBD	Community Center					
	Freestanding/Big Box					
	Mixed Use	$20.79	$21.22	$22.45	$22.39	$22.19
	Subtotal	**$20.79**	**$21.22**	**$22.45**	**$22.39**	**$22.19**
Northeast	Community Center	$8.00	$8.00	$8.00	$8.00	$8.00
	Freestanding/Big Box	$19.25	$19.25		$11.00	$11.00
	Mixed Use	$13.00	$13.00	$15.50	$15.50	$16.20
	Neighborhood Center	$14.14	$14.14	$14.18	$12.88	$13.61
	Regional					
	Strip Center	$14.20	$13.83	$15.84	$16.12	$16.87
	Subtotal	**$14.15**	**$13.96**	**$15.21**	**$15.03**	**$15.62**
Northwest	Community Center	$17.00	$14.00			
	Freestanding/Big Box	$18.00	$18.89			
	Mixed Use	$18.80	$21.00	$15.00	$9.33	$10.75
	Neighborhood Center	$8.00	$10.00	$10.50	$10.30	$10.50
	Strip Center	$19.43	$19.70	$18.42	$20.07	$20.04
	Subtotal	**$18.58**	**$18.70**	**$16.63**	**$17.37**	**$17.47**
Saint Paul CBD	Mixed Use	$11.13	$11.17	$12.63	$12.63	$12.63
	Subtotal	**$11.13**	**$11.17**	**$12.63**	**$12.63**	**$12.63**
Southeast	Community Center	$16.50	$16.50	$19.00	$16.50	$16.50
	Freestanding/Big Box	$12.63	$12.63	$17.00		
	Mixed Use	$16.54	$16.54	$17.38	$18.65	$19.07
	Neighborhood Center	$14.84	$15.07	$15.30	$15.36	$15.06
	Regional					
	Strip Center	$17.00	$17.65	$16.85	$16.90	$16.82
	Subtotal	**$16.04**	**$16.38**	**$16.74**	**$16.77**	**$16.75**
Southwest	Community Center	$18.14	$27.27	$18.14	$9.00	$9.00
	Freestanding/Big Box					$6.50
	Mixed Use	$23.92	$26.88	$21.08	$23.00	$24.50
	Neighborhood Center	$12.68	$19.00	$16.50	$17.13	$17.13
	Regional					
	Strip Center	$18.58	$19.75	$19.40	$19.40	$20.00
	Subtotal	**$19.12**	**$21.71**	**$19.36**	**$19.34**	**$19.84**
West	Community Center					
	Freestanding/Big Box		$12.00			
	Mixed Use		$19.00	$9.00		$17.00
	Neighborhood Center	$12.00		$29.00	$20.00	$18.33
	Regional					
	Strip Center	$19.01	$15.83	$18.88	$17.13	$17.13
	Subtotal	**$17.84**	**$15.70**	**$18.92**	**$18.08**	**$17.56**
Grand Total		**$17.05**	**$17.32**	**$17.21**	**$17.25**	**$17.51**

Vacancy and Lease Rates







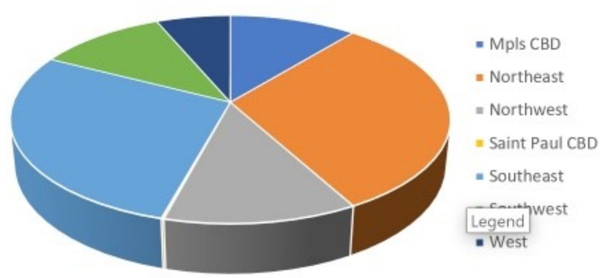
Construction by Market

Market	Bldg SF
Mpls CBD	369,897
Northeast	324,288
Northwest	156,136
Southeast	515,268
Southwest	302,632
West	26,700
Grand Total	**1,694,921**

Leasing Activity

Property	Size (sf)	Market	Tenant	Landlord
Northtown Center 170 89th Ave NE	34,000	Northeast	Salvation Army	405-551 87th Lane NE Holdings
Grove Plaza Shopping Center 7210 SE Point Douglas Rd	22,268	Southeast	Petsmart Corporate	Grove-Rainbow, LP
Burnsville Marketplace 13901 - 14121 Aldrich Ave S	19,250	Southeast	Sierra	JPT IND, Inc
Rosedale Marketplace 2401 N Fairview Ave	18,056	Northeast	Sierra	Rosedale Marketplace Associate
AutoPlus Auto Parts 8810 Lyndale Ave S	15,268	Southeast	AutoPlus Auto Parts	8810 Lyndale Ave, LLC

Leased SF

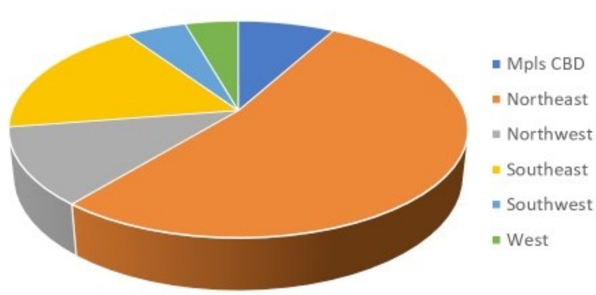


Market	Leased SF
Mpls CBD	44,734
Northeast	126,622
Northwest	49,719
Saint Paul CBD	635
Southeast	115,289
Southwest	45,250
West	26,067
Grand Total	**408,316**

Sales Activity

Property	Price	Market	Buyer	Seller
The Quarry - Portfolio 1520-1730 New Brighton Blvd	$49,500,000	Mpls CBD	SUP II Quarry Retail c/o Sterling Organization	IRC Quarry Retail, LLC c/o IRC Retail Centers
Silver Lake Village - Portfolio 3800-3930 Silver Lake Rd	$34,360,000	Northeast	SVAP III Silver Lake Village c/o Sterling Organization	IRC Silver Lake Village, LLC c/o IRC Retail Centers
Riverdale Commons - Portfolio 3320–3480 124th Ave NW	$28,500,000	Northeast	SVAP III Riverdale Commons c/o Sterling Organization	IRC Riverdale Commons, LLC c/o IRC Retail Centers
Park Place Plaza 5 Building Portfolio	$28,150,000	West	PK Investment Associates c/o Bianco Properties	IRC Park Place Plaza Minnesota c/o IRC Retail Centers
Woodbury Commons 10150 Hudson Rd	$17,160,000	Southeast	Woodbury Commons, 2020 Lakeville 2004 c/o HJ Development	IRC Park Place Plaza Minnesota c/o IRC Retail Centers

Bldg SF



Market	Bldg SF
Mpls CBD	203,169
Northeast	1,340,323
Northwest	293,091
Southeast	454,455
Southwest	127,685
West	112,225
Grand Total	**2,530,948**

Methodology

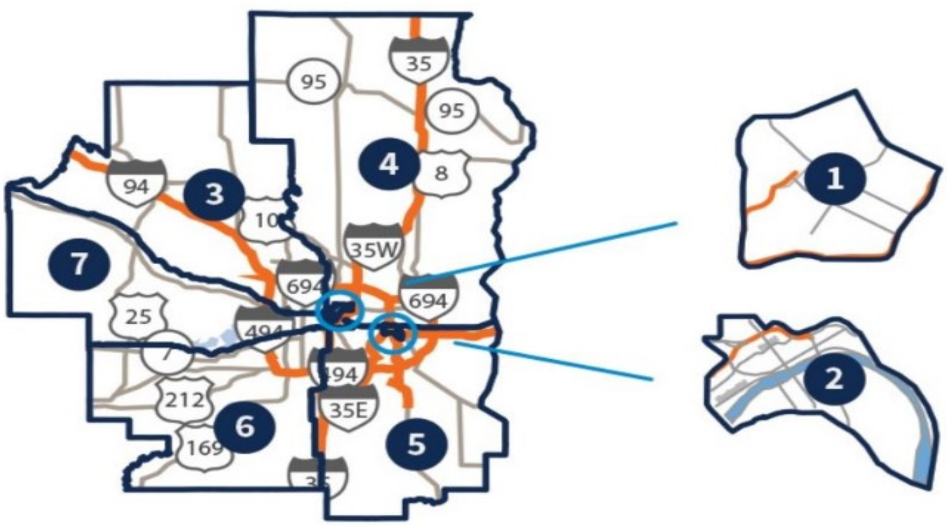
The Mpls-St Paul market consists of multi-tenant and single tenant retail buildings 15,000 sf or larger or are part of a complex larger than 15,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does include mixed use properties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

Market Map



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

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