MARKET TRENDS

Q2 2019 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,950,668	▼
Area Unemployment	2.7	▲
U.S. Unemployment	3.6	▼
Retail Jobs	193,200	▼

Source: BLS

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

Market Recap

Total Inventory (sf)	91,201,228
Total # of Bldgs	1,722
Absorption	(341,017)
Vacancy	7.4%
Asking Rate (NNN)	$17.30
Under Construction (sf)	1,099,224

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) increased 40 basis points to 2.7% for May 2019 from 2.3% for May 2018. The unemployment rate for the US was at 3.6% in May 2019, down from 3.8% Y-o-Y for the US. The Mpls-St Paul MSA saw an decrease in retail job growth, leisure and hospitality dropping by 2,200 during the same period.

Market Overview

The Mpls-St Paul retail market, consisting of over 91 msf of space in seven counties across the metro posting over 341,000 sf negative absorption for Q2 2019. The vacancy rate for the market increased to 7.4% during second quarter 2019. The average asking lease rate for Mpls-St Paul came in at $17.30 psf NNN. To date, there are over 23 construction projects throughout the market totaling just over 1.0 msf while three properties were delivered with 84,647 sf.

Market Highlights

At the close of Q2 2019, the market experienced just shy of 585,000 sf of leasing activity and the vacancy rate finished second quarter at 7.4% for all properties and 9.5% for multi-tenant properties. The Southeast and St Paul CBD markets posting the lowest rate at 6.1% for all properties. The Lowa Forty Six delivered this quarter with a 46K sf Cub Foods in the Southeast market. The Southeast market posted the largest increase in absorption with over 61,800 sf positive absorption while the Northeast market recorded over 263,000 sf negative absorption.

Market Statistics by Property Type

Total

Property Type	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Community Center	79	11,630,174	1,261,319	1,241,816	(1,593)	(100,330)	10.7%
Freestanding/Big Box	516	34,053,689	955,051	1,326,986	(224,886)	(611,324)	3.9%
Mixed Use	215	8,347,363	738,894	772,459	60,903	47,497	9.3%
Neighborhood Center	230	13,841,784	1,144,334	1,175,793	(67,286)	(58,636)	8.5%
Regional	11	9,450,755	1,094,226	1,177,953	(111,216)	(297,193)	12.5%
Strip Center	671	13,877,464	1,372,491	1,011,607	3,061	(2,736)	7.3%
Grand Total	**1,722**	**91,201,228**	**6,566,315**	**6,706,614**	**(341,017)**	**(1,022,722)**	**7.4%**

Direct

Property Type	# of Bldgs	Inventory	Direct Avail SF	Direct Vacant SF	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
Community Center	79	11,630,174	1,218,888	1,240,481	(5,693)	(103,095)	10.7%
Freestanding/Big Box	516	34,053,689	827,793	1,224,081	(211,137)	(540,722)	3.6%
Mixed Use	215	8,347,363	694,891	731,065	75,317	64,774	8.8%
Neighborhood Center	230	13,841,784	1,100,879	1,150,858	(67,286)	(58,636)	8.3%
Regional	11	9,450,755	1,094,226	1,177,953	(111,216)	(297,193)	12.5%
Strip Center	671	13,877,464	1,337,447	991,658	5,771	1,927	7.1%
Grand Total	**1,722**	**91,201,228**	**6,274,124**	**6,516,096**	**(314,244)**	**(932,945)**	**7.1%**

Sublease

Property Type	# of Bldgs	Inventory	Sublease Avail SF	Sublease Vacant Sf	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
Community Center	79	11,630,174	42,431	1,335	4,100	2,765	0.0%
Freestanding/Big Box	516	34,053,689	127,258	100,615	(11,459)	(68,312)	0.3%
Mixed Use	215	8,347,363	44,003	41,394	(14,414)	(17,277)	0.5%
Neighborhood Center	230	13,841,784	43,455	24,935	0	0	0.2%
Regional	11	9,450,755			0	0	0.0%
Strip Center	671	13,877,464	35,044	19,949	(2,710)	(4,663)	0.1%
Grand Total	**1,722**	**91,201,228**	**292,191**	**188,228**	**(24,483)**	**(87,487)**	**0.2%**

Market Statistics by Market

Market	Property Type	# of Bldgs	Inventory	Total Avail	Vacant SF	Absorption (sf)	YTD Absorption (sf)	Vacancy Rate
Mpls CBD	Community Center	1	147,643	13,464	13,464	0	(13,464)	9.1%
	Freestanding/Big Box	2	273,416			0	0	0.0%
	Mixed Use	66	2,398,510	317,475	324,737	(4,485)	4,125	13.5%
	Subtotal	**69**	**2,819,569**	**330,939**	**338,201**	**(4,485)**	**(9,339)**	**12.0%**
Northeast	Community Center	21	3,360,891	274,616	309,046	(380)	(44,499)	9.2%
	Freestanding/Big Box	174	11,975,715	415,557	879,075	(224,250)	(451,452)	7.3%
	Mixed Use	30	1,031,210	54,201	53,211	9,131	16,314	5.2%
	Neighborhood Center	72	4,475,231	366,627	324,171	(17,084)	(17,108)	7.2%
	Regional	4	3,142,664	405,616	483,221	(20,978)	(88,472)	15.4%
	Strip Center	194	4,430,577	474,753	362,339	(9,903)	3,977	8.2%
	Subtotal	**495**	**28,416,287**	**1,991,370**	**2,411,063**	**(263,464)**	**(581,240)**	**8.5%**
Northwest	Community Center	16	1,795,346	116,999	71,787	3,800	(12,713)	4.0%
	Freestanding/Big Box	71	4,993,737	146,968	146,968	(15,196)	(146,968)	2.9%
	Mixed Use	23	823,421	31,024	30,708	7,225	17,369	3.7%
	Neighborhood Center	36	2,113,399	224,810	322,353	1,350	5,128	15.3%
	Strip Center	127	2,469,735	238,715	206,844	(14,913)	(18,860)	8.4%
	Subtotal	**273**	**12,195,638**	**758,516**	**778,660**	**(17,734)**	**(156,044)**	**6.4%**
Saint Paul CBD	Mixed Use	17	990,400	59,162	59,162	9,816	(14,200)	6.0%
	Subtotal	**17**	**990,400**	**59,162**	**59,162**	**9,816**	**(14,200)**	**6.0%**
Southeast	Community Center	24	3,310,008	376,746	423,135	11,868	23,049	12.8%
	Freestanding/Big Box	157	10,388,582	156,658	129,843	14,560	14,560	1.2%
	Mixed Use	34	1,381,205	117,438	92,501	50,479	38,770	6.7%
	Neighborhood Center	62	3,825,194	379,849	399,753	(36,694)	(31,826)	10.5%
	Regional	3	2,232,653	185,977	185,977	28	12,681	8.3%
	Strip Center	205	4,096,530	416,731	320,381	21,568	25,214	7.8%
	Subtotal	**485**	**25,234,173**	**1,633,399**	**1,551,590**	**61,809**	**82,448**	**6.1%**
Southwest	Community Center	15	2,606,665	389,603	360,703	(21,111)	(48,602)	13.8%
	Freestanding/Big Box	86	5,174,660	235,868	171,100	0	(27,464)	3.3%
	Mixed Use	32	967,792	54,436	48,613	(1,451)	1,157	5.0%
	Neighborhood Center	36	2,063,779	92,005	87,387	1,973	2,001	4.2%
	Regional	2	2,480,284	253,555	253,555	709	(131,748)	10.2%
	Strip Center	108	2,063,978	174,765	107,923	(1,377)	(20,184)	5.2%
	Subtotal	**279**	**15,357,158**	**1,200,232**	**1,029,281**	**(21,257)**	**(224,840)**	**6.7%**
West	Community Center	3	409,621	89,891	63,681	4,230	(4,101)	15.5%
	Freestanding/Big Box	24	1,247,578			0	0	0.0%
	Mixed Use	13	754,825	105,158	163,527	(9,812)	(16,038)	21.7%
	Neighborhood Center	24	1,364,181	81,043	42,129	(16,831)	(16,831)	3.1%
	Regional	2	1,595,154	249,078	255,200	(90,975)	(89,654)	16.0%
	Strip Center	37	816,643	67,527	14,120	7,686	7,117	1.7%
	Subtotal	**103**	**6,188,003**	**592,697**	**538,657**	**(105,702)**	**(119,507)**	**8.7%**
Grand Total		**1,721**	**91,201,228**	**6,566,315**	**6,706,614**	**(341,017)**	**(1,022,722)**	**7.4%**

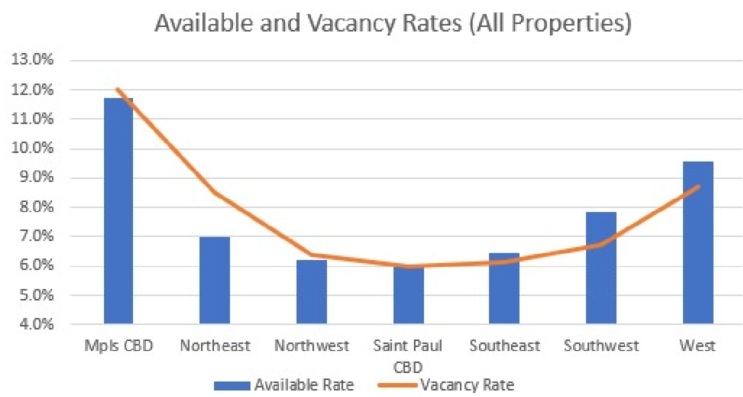
Vacancy Rates

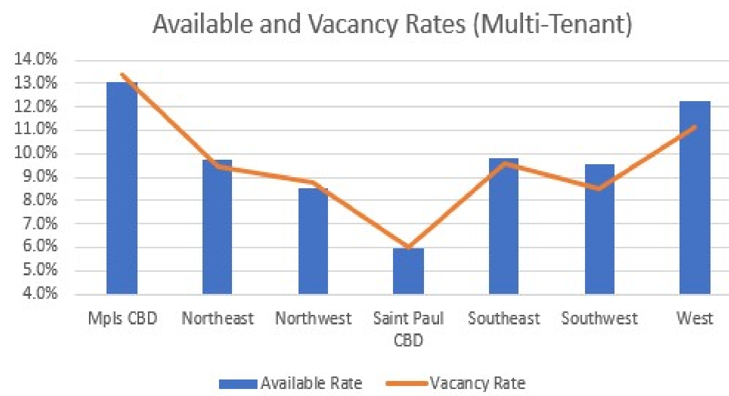
Market	Property Type	Q4 18 Vacancy Rate	Q1 19 Vacancy Rate	Q2 19 Vacancy Rate
Mpls CBD	Community Center	0.0%	9.1%	9.1%
	Freestanding/Big Box	0.0%	0.0%	0.0%
	Mixed Use	13.7%	13.4%	13.5%
	Subtotal	**11.7%**	**11.8%**	**12.0%**
Northeast	Community Center	7.9%	9.2%	9.2%
	Freestanding/Big Box	3.6%	5.5%	7.3%
	Mixed Use	6.7%	6.0%	5.2%
	Neighborhood Center	6.9%	6.9%	7.2%
	Regional	12.6%	14.7%	15.4%
	Strip Center	8.3%	8.0%	8.2%
	Subtotal	**6.4%**	**7.6%**	**8.5%**
Northwest	Community Center	3.3%	4.2%	4.0%
	Freestanding/Big Box	0.0%	2.6%	2.9%
	Mixed Use	5.8%	4.6%	3.7%
	Neighborhood Center	15.5%	15.3%	15.3%
	Strip Center	7.6%	7.8%	8.4%
	Subtotal	**5.1%**	**6.2%**	**6.4%**
Saint Paul CBD	Mixed Use	4.5%	7.0%	6.0%
	Subtotal	**4.5%**	**7.0%**	**6.0%**
Southeast	Community Center	13.5%	13.1%	12.8%
	Freestanding/Big Box	1.4%	1.4%	1.2%
	Mixed Use	9.5%	10.4%	6.7%
	Neighborhood Center	9.6%	9.5%	10.5%
	Regional	8.9%	8.3%	8.3%
	Strip Center	8.4%	8.3%	7.8%
	Subtotal	**6.5%**	**6.4%**	**6.1%**
Southwest	Community Center	12.0%	13.0%	13.8%
	Freestanding/Big Box	2.8%	3.3%	3.3%
	Mixed Use	5.1%	4.9%	5.0%
	Neighborhood Center	4.3%	4.3%	4.2%
	Regional	4.9%	10.3%	10.2%
	Strip Center	4.3%	5.2%	5.2%
	Subtotal	**5.2%**	**6.6%**	**6.7%**
West	Community Center	14.5%	16.6%	15.5%
	Freestanding/Big Box	0.0%	0.0%	0.0%
	Mixed Use	19.5%	20.4%	21.7%
	Neighborhood Center	1.9%	1.9%	3.1%
	Regional	10.4%	10.3%	16.0%
	Strip Center	2.6%	2.7%	1.7%
	Subtotal	**6.8%**	**7.0%**	**8.7%**
Grand Total		**6.2%**	**7.0%**	**7.4%**

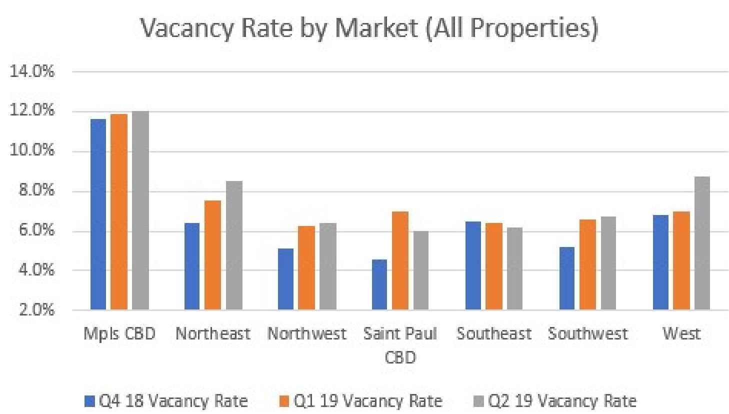
Lease Rates (NNN)

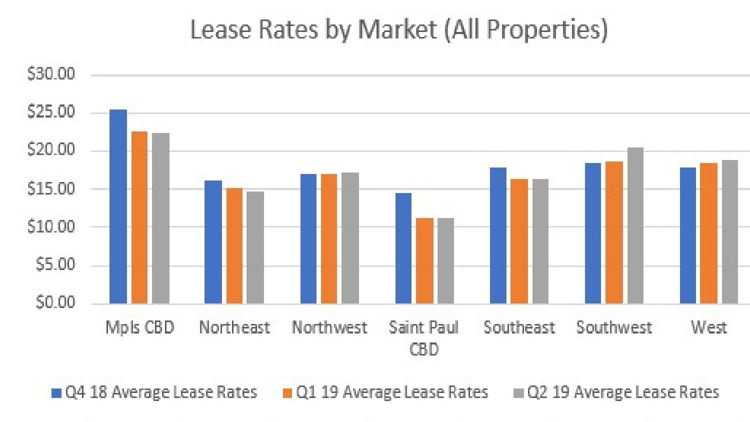
Market	Property Type	Q4 18 Average Lease Rates (NNN)	Q1 19 Average Lease Rates (NNN)	Q2 19 Average Lease Rates (NNN)
Mpls CBD	Community Center			
	Freestanding/Big Box			
	Mixed Use	$25.41	$22.68	$22.38
	Subtotal	**$25.41**	**$22.68**	**$22.38**
Northeast	Community Center	$22.00	$8.00	$8.00
	Freestanding/Big Box			
	Mixed Use	$15.86	$16.14	$15.50
	Neighborhood Center	$15.12	$14.33	$14.33
	Regional			
	Strip Center	$16.53	$15.26	$15.13
	Subtotal	**$16.24**	**$15.04**	**$14.81**
Northwest	Community Center			
	Freestanding/Big Box			
	Mixed Use	$15.00	$15.33	$18.00
	Neighborhood Center	$15.88	$14.38	$15.38
	Strip Center	$17.53	$18.03	$17.59
	Subtotal	**$16.91**	**$17.00**	**$17.23**
Saint Paul CBD	Mixed Use	$14.50	$11.13	$11.17
	Subtotal	**$14.50**	**$11.13**	**$11.17**
Southeast	Community Center	$19.50	$19.00	$19.00
	Freestanding/Big Box	$24.25	$17.00	$17.00
	Mixed Use	$17.57	$16.35	$16.89
	Neighborhood Center	$16.00	$14.71	$15.05
	Regional			
	Strip Center	$17.94	$16.74	$16.37
	Subtotal	**$17.85**	**$16.47**	**$16.45**
Southwest	Community Center	$18.14	$18.14	$18.14
	Freestanding/Big Box			
	Mixed Use	$19.50	$20.00	$21.81
	Neighborhood Center	$19.00	$15.51	$17.75
	Regional			
	Strip Center	$17.45	$18.71	$20.46
	Subtotal	**$18.37**	**$18.69**	**$20.49**
West	Community Center			
	Freestanding/Big Box			
	Mixed Use	$25.00	$30.00	$19.00
	Neighborhood Center	$18.50	$18.50	$27.67
	Regional			
	Strip Center	$13.75	$16.01	$15.83
	Subtotal	**$17.75**	**$18.38**	**$18.83**
Grand Total		**$17.86**	**$17.07**	**$17.30**

Vacancy and Lease Rates

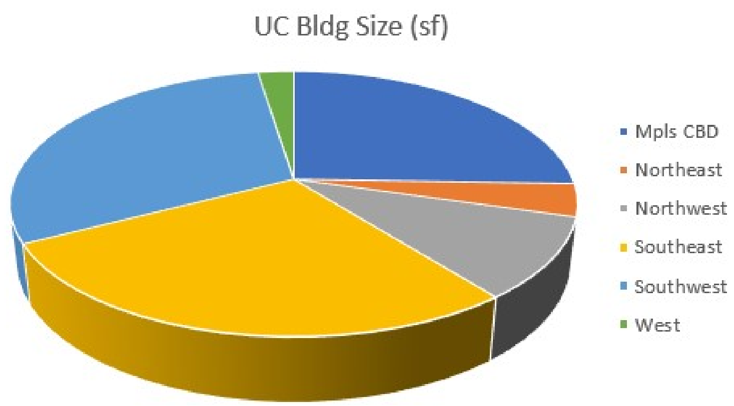






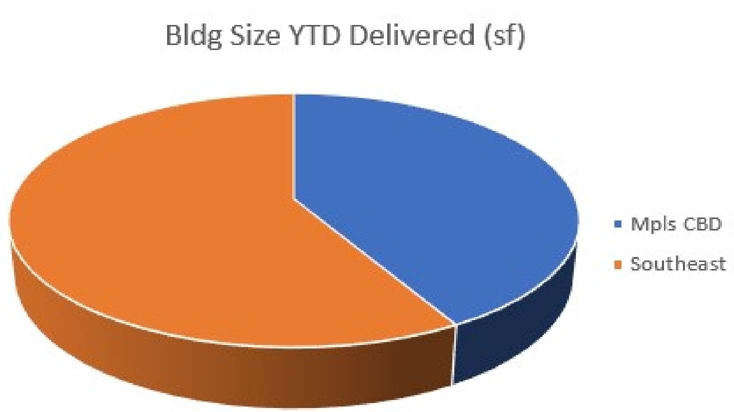


Construction by Market



Market	Bldg Size (sf)
Mpls CBD	280,753
Northeast	43,777
Northwest	108,500
Southeast	307,309
Southwest	332,098
West	26,787
Grand Total	**1,099,224**

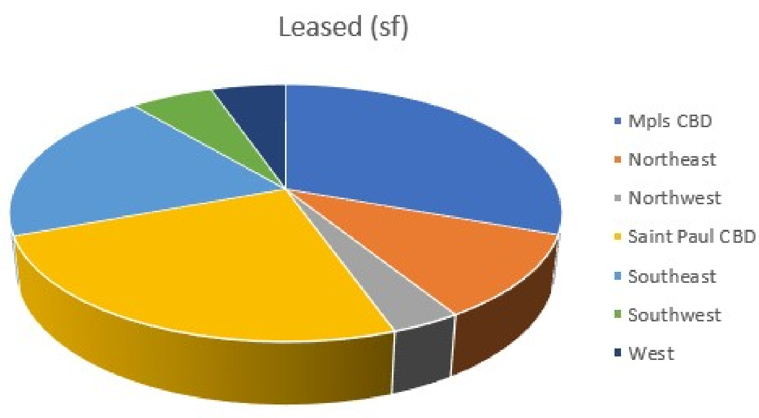
New Deliveries



Market	Bldg Size (sf)
Mpls CBD	35,420
Southeast	49,227
Grand Total	**84,647**

Leasing Activity

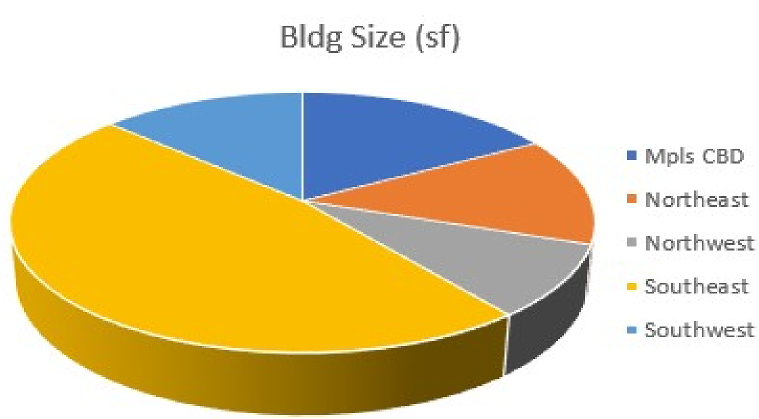
Property	Size (sf)	Market	Tenant	Landlord
Sibley Plaza 2395–2401 W 7th St	24,998	Southeast	Aldi	Paster Properties
Burnsville Marketplace 13901-14121 Aldrich Ave S	21,479	Southeast	Retro Fitness	JPT Ind, Inc
9124 Broderick Blvd	14,560	Southeast	Dollar Tree	Walgreens
South Robert Plaza 2000 S Robert St	13,559	Southeast	South View Veterinary Hospital	Foster Properties, LLC c/o
Sibley Plaza 2395–2401 W 7th St	12,465	Southeast	Planet Fitness	Paster Properties



Market	Leased (sf)
Mpls CBD	178,937
Northeast	61,962
Northwest	20,103
Saint Paul CBD	144,000
Southeast	115,244
Southwest	34,041
West	30,615
Grand Total	**584,902**

Sales Activity

Property	Price	Market	Buyer	Seller
Home Depot 1705 Annapolis Ln	$19,550,487	West	Realty Income Properties 20, LLC c/o Realty Income	HD Plymouth MN, LLC c/o David W Schostak
Walgreens 2099 Ford Pkwy	$17,250,000	Southeast	WBA Properties (MN), LLC c/o Joseph Myer	WB Capital Partners IV c/o Darrick Walker
CVS 17435 County Rd 6	$9,000,000	West	Tsoumpas 157, LLC	It's Cold MN, LLC c/o Five Star Development
TimberCrest at Lakeville 18307 Kenrick Ave	$8,850,000	Southeast	Agree Limited Partnership c/o Agree Realty	Viking Partners Timbercrest, LLC c/o Viking Partners
Walgreens 7200 Cedar Lake Rd	$8,608,300	West	Jams Hoffberg Family Limited Partnership	Whitman MN, LLC



Market	Bldg Size (sf)
Mpls CBD	57,142
Northeast	45,719
Northwest	30,586
Southeast	160,998
Southwest	44,962
Grand Total	**339,407**

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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REDIComps Team

Chris Allen	Regional Director of Analytics	chris@redicomps.com	952-456-1669
Jon Holm	Regional Director of Sales	jon@redicomps.com	612-802-0499
Jeremy Bengston	CEO	jeremy@redicomps.com	
Lisa Bengston	Regional Director of Sale Comps	lisa@redicomps.com	
Kim Platz	Regional Director of Research	kim@redicomps.com	816-651-6686
Beth Downey	Listings Researcher	beth@redicomps.com	816-536-1202
Lisa Ison	Listings Researcher	lisaison@redicomps.com	816-606-7737
Michelle Siegert	Listings Researcher	michelle@redicomps.com	816-230-0116