MARKET TRENDS

Q2 2020 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,759,074	▼
Area Unemployment	10.4	▲
U.S. Unemployment	13.3	▲
Retail Jobs	96,900	▼

Source: BLS

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

Market Recap

Total Inventory (sf)	94,064,777
Total # of Bldgs	1,793
Absorption	(30,244)
Vacancy	8.2%
Asking Rate (NNN)	$17.51
Under Construction (sf)	1,505,598

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) increased 780 basis points to 10.4% for May 2020 from 2.6% for May 2019. The unemployment rate for the US was 13.3% in May 2020 up from 3.6% last year. State of Minnesota unemployment rate was 9.9%. The Mpls-St Paul MSA saw a decrease in job growth as well as a decrease in retail job growth, leisure and hospitality decreasing by 98,500 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 30,000 sf negative absorption for Q2 2020 while multi-tenant properties had 52,779 sf negative absorption. The vacancy rate for the market increased to 8.2% and multi tenant properties was 10.4% for Q2 2020. The average asking lease rate for Mpls-St Paul came in at $17.51 psf NNN. To date, there are 57 construction projects throughout the market totaling just over 1.5 msf.

Market Highlights

At the close of Q2 2020, the market experienced over 222,000 sf of leasing activity from 78 transactions. The Southeast market posted the lowest rate at 6.5% for all properties. The Southeast market posted the largest increase in absorption with over 168,000 sf positive absorption led by new delivery of Hom Furniture/Gabberts with 210,000 sf. The Southwest market recorded over 108,000 sf negative absorption led by Gabberts vacating 43,548 sf as they moved to the Southeast market. Forty five properties sold during Q2 2020 totaling $47 million in sale price. Six properties have been delivered year to date with over 264,000 sf.

Market Statistics by Property Type

Total

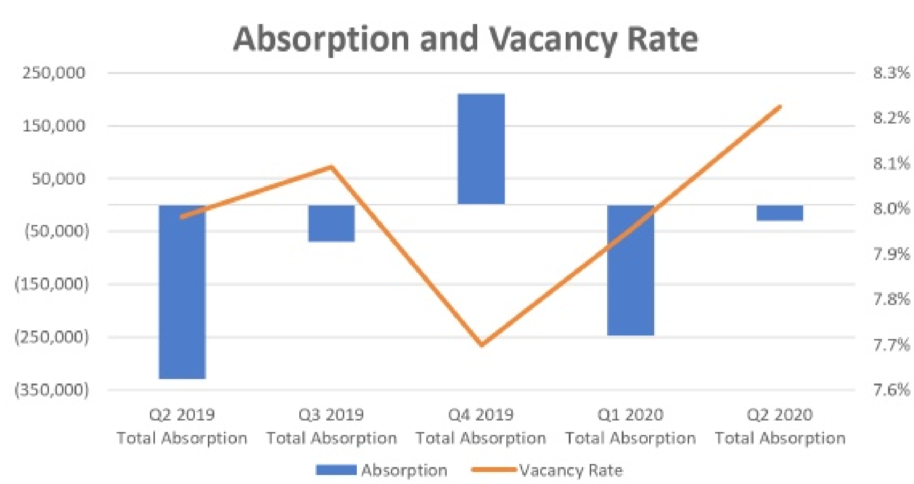
Market	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	100	12,435,044	1,821,937	1,527,489	142,064	236,896	12.3%
Freestanding/Big Box	561	37,289,655	1,055,943	1,846,312	22,535	(192,830)	5.0%
Mixed Use	193	7,331,937	811,211	852,986	(42,926)	(46,116)	11.6%
Neighborhood Center	233	14,147,027	1,063,786	1,107,522	(8,510)	(23,433)	7.8%
Regional	13	9,224,046	1,297,690	1,296,112	(64,474)	(124,458)	14.1%
Strip Center	693	13,637,068	1,316,121	1,107,175	(78,933)	(127,098)	8.1%
Grand Total	**1,793**	**94,064,777**	**7,366,688**	**7,737,596**	**(30,244)**	**(277,039)**	**8.2%**

Direct

Market	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
Community Center	100	12,435,044	1,795,164	1,527,489	132,069	235,199	12.3%
Freestanding/Big Box	561	37,289,655	942,933	1,746,939	22,535	(137,219)	4.7%
Mixed Use	193	7,331,937	764,575	822,486	(42,926)	(52,733)	11.2%
Neighborhood Center	233	14,147,027	993,550	1,055,806	(8,510)	1,958	7.5%
Regional	13	9,224,046	1,295,675	1,294,097	(64,474)	(124,458)	14.0%
Strip Center	693	13,637,068	1,245,989	1,045,986	(71,892)	(120,057)	7.7%
Grand Total	**1,793**	**94,064,777**	**7,037,886**	**7,492,803**	**(33,198)**	**(197,310)**	**8.0%**

Sublease

Market	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
Community Center	100	12,435,044	26,773		9,995	1,697	0.0%
Freestanding/Big Box	561	37,289,655	113,010	99,373	0	(55,611)	0.3%
Mixed Use	193	7,331,937	46,636	30,500	0	6,617	0.4%
Neighborhood Center	233	14,147,027	70,236	51,716	0	(25,391)	0.4%
Regional	13	9,224,046	2,015	2,015	0	0	0.0%
Strip Center	693	13,637,068	70,132	61,189	(7,041)	(7,041)	0.4%
Grand Total	**1,793**	**94,064,777**	**328,802**	**244,793**	**2,954**	**(79,729)**	**0.3%**



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	4,541	4,541	(115)	(115)	3.1%
	Freestanding/Big Box	2	273,416			0	0	0.0%
	Mixed Use	56	2,268,926	307,685	415,398	(26,345)	(25,071)	18.3%
	Strip Center	2	18,520			0	0	0.0%
	Subtotal	**61**	**2,708,505**	**312,226**	**419,939**	**(26,460)**	**(25,186)**	**15.5%**
Northeast	Community Center	27	3,921,997	533,763	629,559	(4,734)	(27,998)	16.1%
	Freestanding/Big Box	186	12,891,481	711,463	1,118,845	22,170	(104,356)	8.7%
	Mixed Use	24	701,163	39,825	52,678	0	6,111	7.5%
	Neighborhood Center	69	4,374,306	305,371	303,614	(417)	39,422	6.9%
	Regional	4	3,227,849	391,134	391,134	(18,656)	4,576	12.1%
	Strip Center	201	4,154,441	382,312	324,402	(19,904)	(31,977)	7.8%
	Subtotal	**511**	**29,271,237**	**2,363,868**	**2,820,232**	**(21,541)**	**(114,222)**	**9.6%**
Northwest	Community Center	19	1,962,647	251,134	133,352	(9,857)	(7,157)	6.8%
	Freestanding/Big Box	79	5,346,398	13,013	286,578	0	0	5.4%
	Mixed Use	23	860,675	45,624	36,849	3,707	466	4.3%
	Neighborhood Center	36	2,192,524	146,519	279,339	0	(3,816)	12.7%
	Strip Center	129	2,396,100	220,609	164,574	11,154	(9,233)	6.9%
	Subtotal	286	12,758,344	676,899	900,692	5,004	(19,740)	7.1%
Saint Paul CBD	Mixed Use	15	641,003	89,350	89,350	8,236	8,243	13.9%
	Subtotal	**15**	**641,003**	**89,350**	**89,350**	**8,236**	**8,243**	**13.9%**
Southeast	Community Center	28	3,483,053	427,992	357,582	204,425	264,105	10.3%
	Freestanding/Big Box	174	11,984,583	74,295	211,181	365	(9,403)	1.8%
	Mixed Use	32	1,244,080	75,399	49,615	1,037	2,730	4.0%
	Neighborhood Center	64	3,824,332	341,306	363,624	(672)	(6,852)	9.5%
	Regional	5	2,219,846	343,433	343,433	(11,555)	(50,153)	15.5%
	Strip Center	207	4,039,459	455,396	420,929	(25,570)	(40,120)	10.4%
	Subtotal	**510**	**26,795,353**	**1,717,821**	**1,746,364**	**168,030**	**160,307**	**6.5%**
Southwest	Community Center	20	2,492,079	493,263	392,427	(47,655)	(53,308)	15.7%
	Freestanding/Big Box	93	5,362,702	257,172	229,708	0	(79,071)	4.3%
	Mixed Use	29	859,825	31,270	27,609	(1,539)	(3,156)	3.2%
	Neighborhood Center	37	2,120,487	127,533	109,228	(3,238)	(44,872)	5.2%
	Regional	2	2,181,244	301,899	301,899	(30,425)	(72,949)	13.8%
	Strip Center	113	2,123,624	198,810	145,098	(25,423)	(26,578)	6.8%
	Subtotal	**294**	**15,139,961**	**1,409,947**	**1,205,969**	**(108,280)**	**(279,934)**	**8.0%**
West	Community Center	5	427,625	111,244	10,028	0	61,369	2.3%
	Freestanding/Big Box	27	1,431,075			0	0	0.0%
	Mixed Use	14	756,265	222,058	181,487	(28,022)	(35,439)	24.0%
	Neighborhood Center	27	1,635,378	143,057	51,717	(4,183)	(7,315)	3.2%
	Regional	2	1,595,107	261,224	259,646	(3,838)	(5,932)	16.3%
	Strip Center	41	904,924	58,994	52,172	(19,190)	(19,190)	5.8%
	Subtotal	**116**	**6,750,374**	**796,577**	**555,050**	**(55,233)**	**(6,507)**	**8.2%**
Grand Total		**1,793**	**94,064,777**	**7,366,688**	**7,737,596**	**(30,244)**	**(277,039)**	**8.2%**

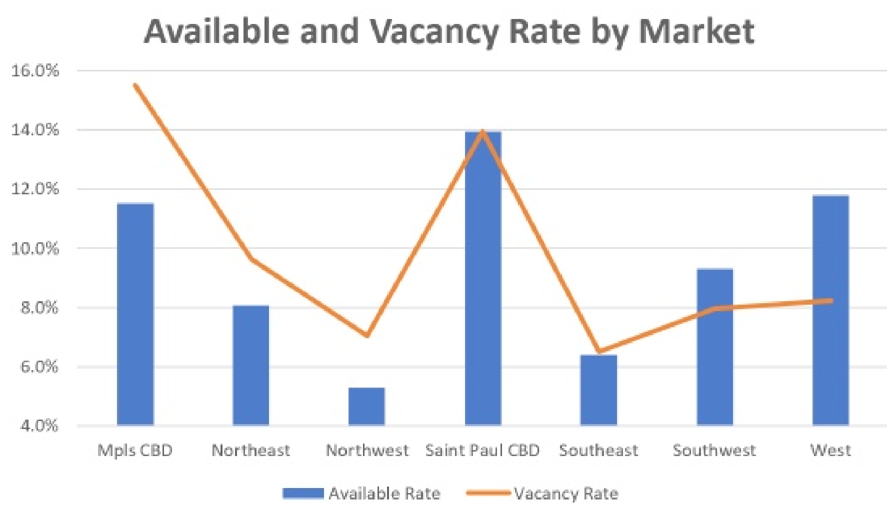
Vacancy Rates

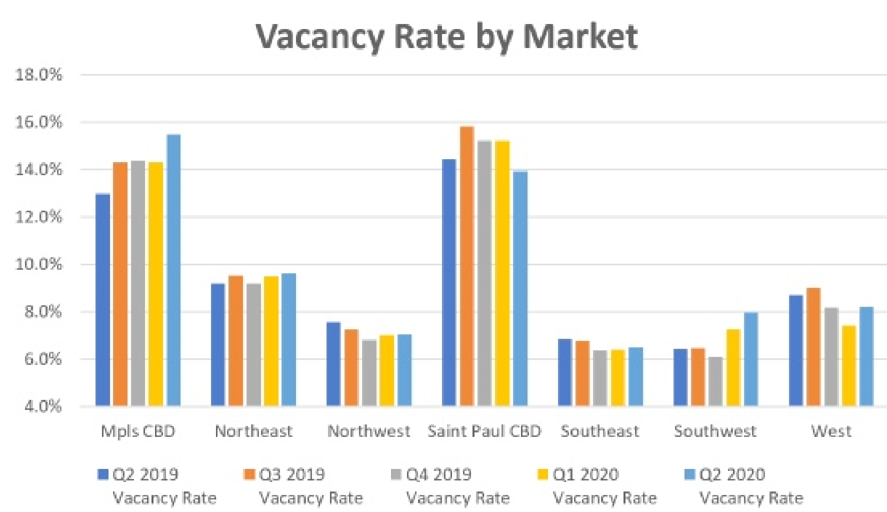
Market	Property Type	Q2 2019 Vacancy Rate	Q3 2019 Vacancy Rate	Q4 2019 Vacancy Rate	Q1 2020 Vacancy Rate	Q2 2020 Vacancy Rate
Mpls CBD	Community Center	9.1%	3.0%	3.0%	3.0%	3.1%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	14.8%	16.7%	16.8%	16.7%	18.3%
	Strip Center	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**13.0%**	**14.3%**	**14.4%**	**14.3%**	**15.5%**
Northeast	Community Center	15.5%	16.0%	15.3%	15.9%	16.1%
	Freestanding/Big Box	7.5%	8.3%	7.7%	8.7%	8.7%
	Mixed Use	8.6%	8.9%	8.4%	7.5%	7.5%
	Neighborhood Center	8.0%	7.7%	7.8%	6.9%	6.9%
	Regional	12.6%	12.2%	12.3%	11.5%	12.1%
	Strip Center	6.9%	7.0%	7.1%	7.3%	7.8%
	Subtotal	**9.2%**	**9.5%**	**9.2%**	**9.5%**	**9.6%**
Northwest	Community Center	5.7%	6.4%	6.4%	6.3%	6.8%
	Freestanding/Big Box	5.7%	5.7%	5.4%	5.4%	5.4%
	Mixed Use	4.1%	3.3%	3.1%	3.5%	4.3%
	Neighborhood Center	15.5%	13.6%	12.6%	12.7%	12.7%
	Strip Center	7.2%	7.0%	6.5%	7.3%	6.9%
	Subtotal	**7.6%**	**7.2%**	**6.8%**	**7.0%**	**7.1%**
Saint Paul CBD	Mixed Use	14.4%	15.8%	15.2%	15.2%	13.9%
	Subtotal	**14.4%**	**15.8%**	**15.2%**	**15.2%**	**13.9%**
Southeast	Community Center	14.2%	13.0%	12.6%	10.8%	10.3%
	Freestanding/Big Box	1.2%	1.7%	1.7%	1.8%	1.8%
	Mixed Use	6.8%	5.6%	4.2%	4.1%	4.0%
	Neighborhood Center	10.0%	10.3%	9.3%	9.5%	9.5%
	Regional	11.6%	12.9%	13.2%	14.9%	15.5%
	Strip Center	10.0%	9.3%	9.4%	9.8%	10.4%
	Subtotal	**6.9%**	**6.8%**	**6.4%**	**6.4%**	**6.5%**
Southwest	Community Center	14.1%	14.1%	13.6%	13.8%	15.7%
	Freestanding/Big Box	2.9%	2.9%	2.8%	4.3%	4.3%
	Mixed Use	4.7%	4.8%	2.8%	3.0%	3.2%
	Neighborhood Center	4.0%	3.7%	3.0%	5.0%	5.2%
	Regional	10.2%	10.6%	10.5%	12.4%	13.8%
	Strip Center	5.5%	5.7%	5.6%	5.6%	6.8%
	Subtotal	**6.4%**	**6.5%**	**6.1%**	**7.2%**	**8.0%**
West	Community Center	19.3%	18.4%	16.7%	2.3%	2.3%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	24.4%	22.3%	19.8%	20.8%	24.0%
	Neighborhood Center	2.8%	2.9%	2.7%	2.9%	3.2%
	Regional	16.0%	17.2%	15.9%	16.0%	16.3%
	Strip Center	1.7%	3.1%	3.6%	3.6%	5.8%
	Subtotal	**8.7%**	**9.0%**	**8.2%**	**7.4%**	**8.2%**
Grand Total		**8.0%**	**8.1%**	**7.7%**	**8.0%**	**8.2%**

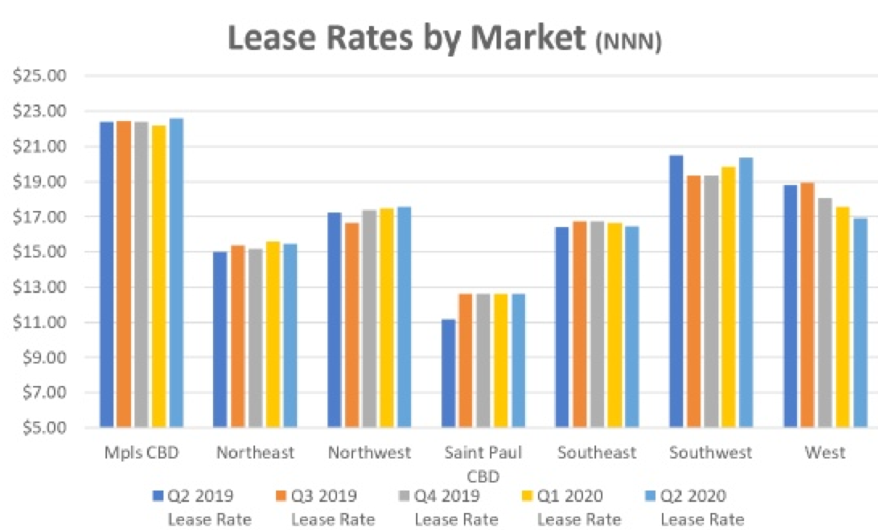
Lease Rates (NNN)

Market	Property Type	Q2 2019 Lease Rate	Q3 2019 Lease Rate	Q4 2019 Lease Rate	Q1 2020 Lease Rate	Q2 2020 Lease Rate
Mpls CBD	Community Center					
	Freestanding/Big Box					
	Mixed Use	$22.42	$22.45	$22.39	$22.19	$22.58
	Strip Center					
	Subtotal	**$22.42**	**$22.45**	**$22.39**	**$22.19**	**$22.58**
Northeast	Community Center	$8.00	$8.00	$8.00	$8.00	$8.00
	Freestanding/Big Box			$11.00	$11.00	$11.00
	Mixed Use	$16.80	$16.80	$16.80	$16.20	$16.20
	Neighborhood Center	$14.33	$14.18	$12.88	$13.61	$13.02
	Regional					
	Strip Center	$15.13	$15.84	$16.12	$16.87	$16.77
	Subtotal	**$14.99**	**$15.39**	**$15.20**	**$15.62**	**$15.47**
Northwest	Community Center					
	Freestanding/Big Box					
	Mixed Use	$18.00	$15.00	$10.25	$11.83	$11.83
	Neighborhood Center	$10.67	$10.50	$10.30	$10.50	$10.30
	Strip Center	$18.29	$18.42	$19.52	$19.54	$19.83
	Subtotal	**$17.23**	**$16.63**	**$17.37**	**$17.47**	**$17.59**
Saint Paul CBD	Mixed Use	$11.17	$12.63	$12.63	$12.63	$12.63
	Subtotal	**$11.17**	**$12.63**	**$12.63**	**$12.63**	**$12.63**
Southeast	Community Center	$19.00	$19.00	$16.50	$16.50	$16.50
	Freestanding/Big Box	$17.00	$17.00			
	Mixed Use	$17.36	$17.36	$18.88	$18.88	$19.07
	Neighborhood Center	$15.09	$15.30	$15.36	$15.06	$14.45
	Regional					
	Strip Center	$16.34	$16.85	$16.90	$16.82	$16.50
	Subtotal	**$16.42**	**$16.72**	**$16.75**	**$16.67**	**$16.48**
Southwest	Community Center	$18.14	$18.14	$9.00	$9.00	
	Freestanding/Big Box				$6.50	$6.50
	Mixed Use	$23.36	$21.08	$23.00	$24.50	$25.31
	Neighborhood Center	$17.75	$16.50	$17.13	$17.13	$17.13
	Regional					
	Strip Center	$19.73	$19.40	$19.40	$20.00	$19.53
	Subtotal	**$20.49**	**$19.36**	**$19.34**	**$19.84**	**$20.38**
West	Community Center		$9.00			
	Freestanding/Big Box					
	Mixed Use				$17.00	$20.00
	Neighborhood Center	$27.67	$29.00	$20.00	$18.33	$13.50
	Regional					
	Strip Center	$15.83	$18.88	$17.13	$17.13	$17.13
	Subtotal	**$18.79**	**$18.92**	**$18.08**	**$17.56**	**$16.94**
Grand Total		**$17.32**	**$17.26**	**$17.30**	**$17.50**	**$17.51**

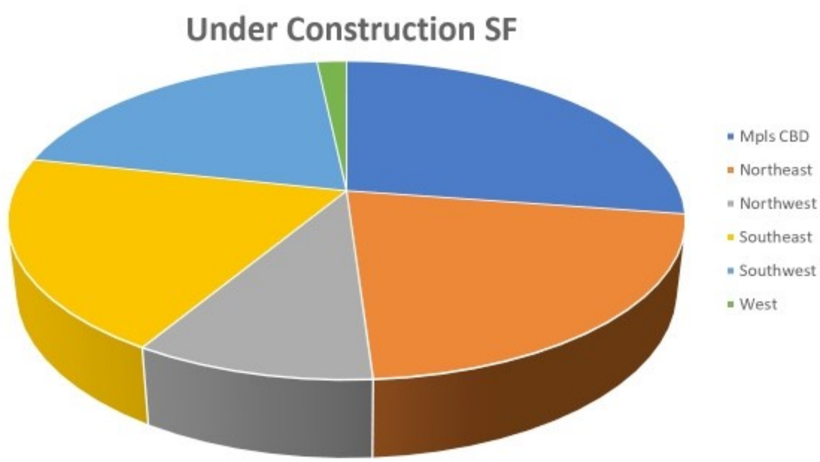
Vacancy and Lease Rates





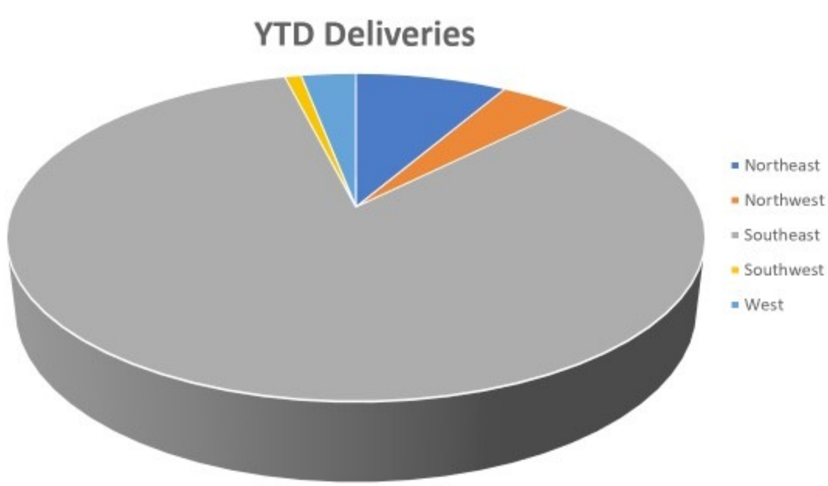


Construction by Market



Market	Bldg SF
Mpls CBD	411,658
Northeast	325,544
Northwest	145,336
Southeast	297,439
Southwest	300,232
West	25,389
Grand Total	**1,505,598**

YTD Deliveries by Market



Market	Bldg SF
Northeast	22,170
Northwest	10,800
Southeast	221,000
Southwest	2,400
West	8,000
Grand Total	**264,370**

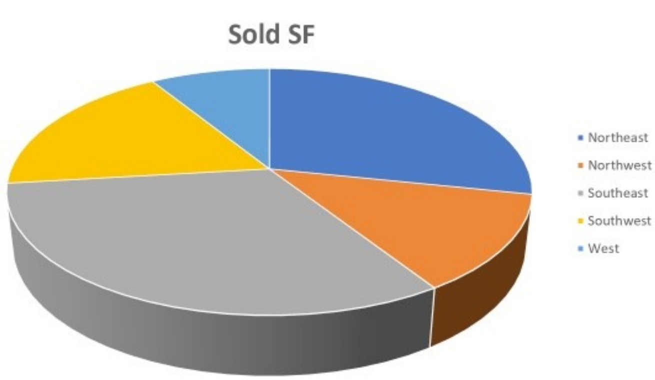
Leasing Activity

Property	Size (sf)	Market	Tenant	Landlord
Shakopee Town Square 1202-1208 Shakopee Town Square	22,475	Southwest	Charter School	River Valley Crossing LLC
Stillwater Marketplace II 1901-2080 Market Dr	16,445	Northeast	Planet Fitness	Chase Properties
1422 S Robert St	10,000	Southeast	Auto Zone	Danco Food & Entertainment Company LP
9012 Griggs Ave	7,200	Northeast	Mary's Montessori	Menlo Capital Partners, LLC
13380 Grove Dr N	6,271	Northwest	Chase Bank	Realty Income Corporation

Market	Leased SF
Mpls CBD	10,401
Northeast	59,072
Northwest	37,474
Saint Paul CBD	9,827
Southeast	47,364
Southwest	45,248
West	13,049
Grand Total	**222,435**

Sales Activity

Property	Price	Market	Buyer	Seller
Coborn's 209 6th Ave NE	$7,500,000	Northeast	Coborn's Inc	Isanti Holdings LLC
Portillo's 1800 County Rd B2	$4,700,000	Northeast	1800 Baxter County Road LLC	Rosedale Retail LLC
Walgreen's 2134 Bunker Lake Blvd NW	$4,614,285	Northeast	SCI Georgia Funeral Services LLC c/o Service Corporation International	Schewe Farms Inc
815 Nicollet Mall	$3,700,000	Mpls CBD	815 Nicollet LLC	815 Nicollet Mall LLC
583 Cherry Dr	$3,430,000	West	Moravian Care Housing Corporation	Lil' Explorers Properties LLC c/o Jennifer Jean Schultz



Market	Sold SF
Northeast	108,428
Northwest	48,499
Southeast	123,325
Southwest	69,366
West	33,655
Grand Total	**383,273**

Methodology

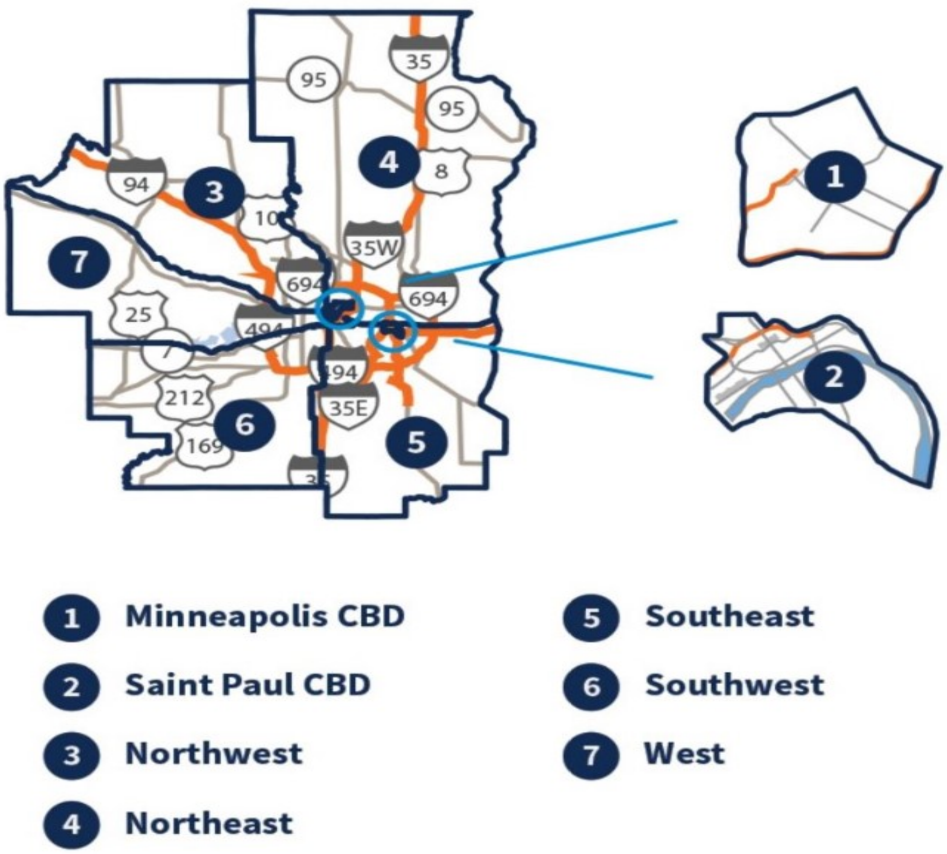
The Mpls-St Paul market consists of multi-tenant and single tenant retail buildings 15,000 sf or larger or are part of a complex larger than 15,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does include mixed use properties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



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

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