MNCAR | MINNESOTA COMMERCIAL ASSOCIATION OF REAL ESTATE/REALTORS®

REDI

MARKET TRENDS

Q3 2019 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,981,958	▲
Area Unemployment	2.9	▲
U.S. Unemployment	3.7	▼
Retail Jobs	206,900	▼

Source: BLS

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

Market Recap

Total Inventory (sf)	91,355,431
Total # of Bldgs	1,721
Absorption	10,039
Vacancy	7.6%
Asking Rate (NNN)	$17.34
Under Construction (sf)	1,670,426

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 2.9% for August 2019 from 2.5% for August 2018. The unemployment rate for the US was at 3.7% in August 2019 down from 3.8% for the state of Minnesota from last year. The Mpls-St Paul MSA saw an increase in retail job growth, leisure and hospitality increasing by 5,800 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 10,000 sf positive absorption for Q3 2019. The vacancy rate for the market decreased to 7.6% during third quarter 2019. The average asking lease rate for Mpls-St Paul came in at $17.34 psf NNN. To date, there are over 40 construction projects throughout the market totaling just over 1.6 msf while six properties were delivered YTD with 185,547 sf.

Market Highlights

At the close of Q3 2019, the market experienced over 425,000 sf of leasing activity and the vacancy rate finished second quarter at 7.6% for all properties and 9.7% for multi -tenant properties. The Northwest market posted the lowest rate at 6.1% for all properties. The Southwest market posted the largest increase in absorption with over 76,000 sf positive absorption while the Northeast market recorded over 99,000 sf negative absorption. Restoration Hardware was the largest gain of 58,000 sf in a new delivery in Southwest market. Aldi opened three stores in Southeast, Northeast and West markets. Walmart closed a 120,000 store in Northeast while Appliance Smart closed two stores in Southeast and Northeast markets.

Market Statistics by Property Type

Total

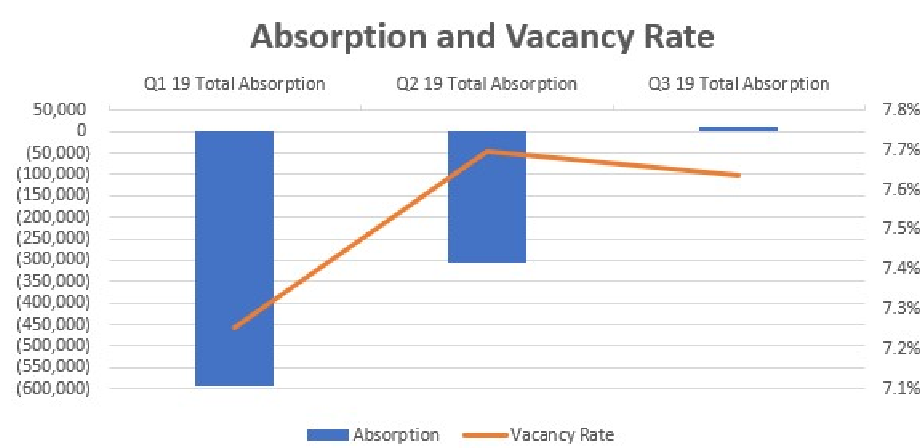
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	81	11,780,248	1,585,699	1,352,862	49,013	(20,842)	11.5%
Freestanding/Big Box	517	34,477,580	990,418	1,483,601	(70,895)	(680,541)	4.3%
Mixed Use	212	8,710,644	829,403	850,245	(9,541)	52,556	9.8%
Neighborhood Center	230	13,752,252	1,041,119	1,130,605	45,668	(16,848)	8.2%
Regional	11	9,218,149	1,155,601	1,161,723	(22,281)	(238,868)	12.6%
Strip Center	670	13,416,558	1,298,784	996,198	18,075	15,339	7.4%
Grand Total	**1,721**	**91,355,431**	**6,901,024**	**6,975,234**	**10,039**	**(889,204)**	**7.6%**

Direct

Property Type	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
Community Center	81	11,780,248	1,536,181	1,350,370	50,170	(22,450)	11.5%
Freestanding/Big Box	517	34,477,580	863,160	1,382,986	(70,895)	(612,229)	4.0%
Mixed Use	212	8,710,644	770,961	810,548	(11,238)	68,136	9.3%
Neighborhood Center	230	13,752,252	1,006,850	1,098,012	53,326	(9,190)	8.0%
Regional	11	9,218,149	1,153,586	1,159,708	(20,266)	(236,853)	12.6%
Strip Center	670	13,416,558	1,265,250	977,759	16,565	18,492	7.3%
Grand Total	**1,721**	**91,355,431**	**6,595,988**	**6,779,383**	**17,662**	**(794,094)**	**7.4%**

Sublease

Property Type	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
Community Center	81	11,780,248	49,518	2,492	(1,157)	1,608	0.0%
Freestanding/Big Box	517	34,477,580	127,258	100,615	0	(68,312)	0.3%
Mixed Use	212	8,710,644	58,442	39,697	1,697	(15,580)	0.5%
Neighborhood Center	230	13,752,252	34,269	32,593	(7,658)	(7,658)	0.2%
Regional	11	9,218,149	2,015	2,015	(2,015)	(2,015)	0.0%
Strip Center	670	13,416,558	33,534	18,439	1,510	(3,153)	0.1%
Grand Total	**1,721**	**91,355,431**	**305,036**	**195,851**	**(7,623)**	**(95,110)**	**0.2%**



Market Statistics by Market

Market	Bldg Class	# 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	4,426	4,426	9,038	(4,426)	3.0%
	Freestanding/Big Box	2	273,416			0	0	0.0%
	Mixed Use	63	2,408,078	369,718	363,370	(28,490)	(9,765)	15.1%
	Subtotal	**66**	**2,829,137**	**374,144**	**367,796**	**(19,452)**	**(14,191)**	**13.0%**
Northeast	Community Center	22	3,639,238	527,643	505,440	(21,193)	(57,692)	13.9%
	Freestanding/Big Box	174	11,917,654	443,012	979,644	(99,957)	(552,021)	8.2%
	Mixed Use	31	1,191,326	69,740	69,740	(1,676)	14,638	5.9%
	Neighborhood Center	72	4,391,485	341,925	309,813	10,958	(6,150)	7.1%
	Regional	4	3,227,849	393,430	393,430	12,186	1,319	12.2%
	Strip Center	193	4,092,530	331,103	287,353	(198)	3,779	7.0%
	Subtotal	**496**	**28,460,082**	**2,106,853**	**2,545,420**	**(99,880)**	**(596,127)**	**8.9%**
Northwest	Community Center	16	1,801,411	116,999	83,787	(12,000)	(24,713)	4.7%
	Freestanding/Big Box	71	4,993,130	158,264	144,678	0	(144,678)	2.9%
	Mixed Use	23	914,880	35,567	24,860	5,848	23,217	2.7%
	Neighborhood Center	36	2,113,429	149,562	281,324	41,029	46,157	13.3%
	Strip Center	126	2,377,328	234,974	203,561	3,283	(15,577)	8.6%
	Subtotal	**272**	**12,200,178**	**695,366**	**738,210**	**38,160**	**(115,594)**	**6.1%**
Saint Paul CBD	Mixed Use	15	1,073,522	87,043	87,043	(5,032)	(19,232)	8.1%
	Subtotal	**15**	**1,073,522**	**87,043**	**87,043**	**(5,032)**	**(19,232)**	**8.1%**
Southeast	Community Center	24	3,274,883	411,971	383,702	39,433	62,482	11.7%
	Freestanding/Big Box	159	10,793,347	122,813	181,178	(28,938)	(14,378)	1.7%
	Mixed Use	34	1,424,522	94,525	79,876	12,625	51,395	5.6%
	Neighborhood Center	62	3,814,838	371,151	411,376	(11,623)	(43,449)	10.8%
	Regional	3	2,213,949	283,919	283,919	(27,674)	(11,992)	12.8%
	Strip Center	206	4,078,278	508,796	368,467	33,064	58,278	9.0%
	Subtotal	**488**	**25,599,817**	**1,793,175**	**1,708,518**	**16,887**	**102,336**	**6.7%**
Southwest	Community Center	15	2,507,452	384,320	336,383	9,178	(16,949)	13.4%
	Freestanding/Big Box	87	5,238,102	266,329	178,101	58,000	30,536	3.4%
	Mixed Use	32	917,495	57,449	51,626	(3,013)	(1,856)	5.6%
	Neighborhood Center	36	2,062,319	98,875	82,756	4,631	6,632	4.0%
	Regional	2	2,181,244	209,987	209,987	12,394	(119,354)	9.6%
	Strip Center	107	2,036,286	161,252	109,250	(4,627)	(24,811)	5.4%
	Subtotal	**279**	**14,942,898**	**1,178,212**	**968,103**	**76,563**	**(125,802)**	**6.5%**
West	Community Center	3	409,621	140,340	39,124	24,557	20,456	9.6%
	Freestanding/Big Box	24	1,261,931			0	0	0.0%
	Mixed Use	14	780,821	115,361	173,730	10,197	(5,841)	22.2%
	Neighborhood Center	24	1,370,181	79,606	45,336	673	(20,038)	3.3%
	Regional	2	1,595,107	268,265	274,387	(19,187)	(108,841)	17.2%
	Strip Center	38	832,136	62,659	27,567	(13,447)	(6,330)	3.3%
	Subtotal	**105**	**6,249,797**	**666,231**	**560,144**	**2,793**	**(120,594)**	**9.0%**
Grand Total		**1,721**	**91,355,431**	**6,901,024**	**6,975,234**	**10,039**	**(889,204)**	**7.6%**

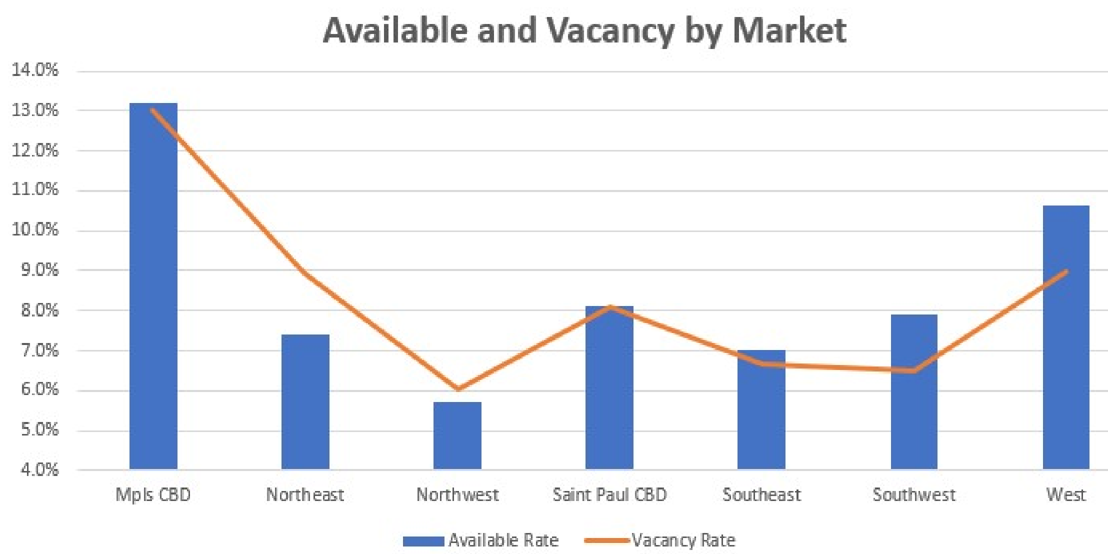
Vacancy Rates

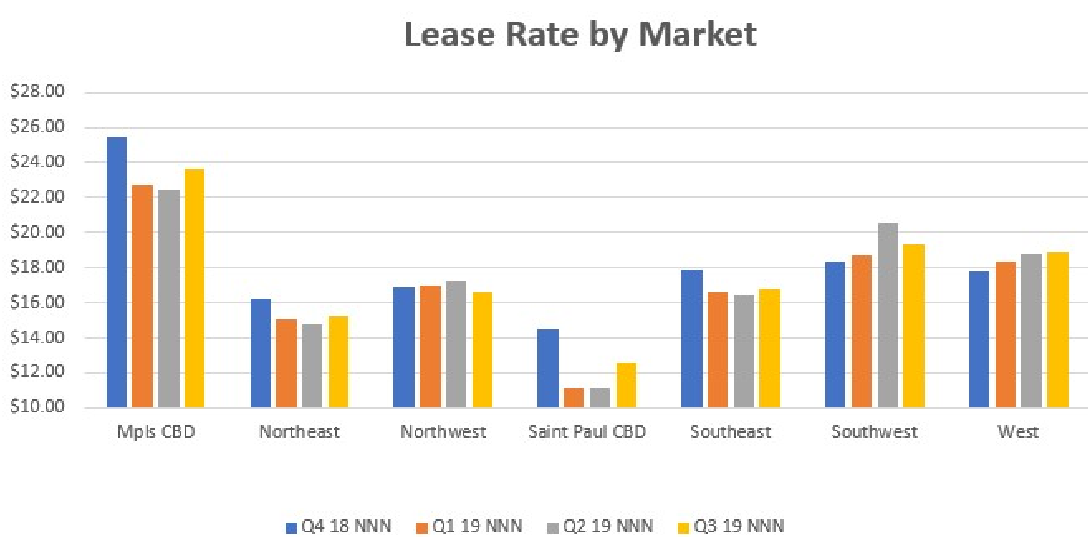
Market	Property Type	Q4 2018 Vacancy Rate	Q1 2019 Vacancy Rate	Q2 2019 Vacancy Rate	Q3 2019 Vacancy Rate
Mpls CBD	Community Center	0.0%	9.1%	9.1%	3.0%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%
	Mixed Use	14.4%	13.8%	14.8%	15.1%
	Subtotal	**12.1%**	**12.1%**	**13.0%**	**13.0%**
Northeast	Community Center	12.3%	13.5%	13.3%	13.9%
	Freestanding/Big Box	3.6%	5.5%	7.4%	8.2%
	Mixed Use	9.3%	8.5%	8.0%	5.9%
	Neighborhood Center	6.8%	6.8%	7.3%	7.1%
	Regional	13.3%	11.9%	12.6%	12.2%
	Strip Center	7.2%	6.8%	7.0%	7.0%
	Subtotal	**7.0%**	**7.8%**	**8.7%**	**8.9%**
Northwest	Community Center	3.2%	4.3%	4.0%	4.7%
	Freestanding/Big Box	0.0%	2.7%	2.9%	2.9%
	Mixed Use	6.0%	4.8%	3.9%	2.7%
	Neighborhood Center	15.7%	15.3%	15.3%	13.3%
	Strip Center	8.5%	8.3%	8.8%	8.6%
	Subtotal	**5.3%**	**6.5%**	**6.5%**	**6.1%**
Saint Paul CBD	Mixed Use	9.5%	13.6%	13.3%	8.1%
	Subtotal	**9.5%**	**13.6%**	**13.3%**	**8.1%**
Southeast	Community Center	13.7%	13.3%	12.9%	11.7%
	Freestanding/Big Box	1.4%	1.4%	1.3%	1.7%
	Mixed Use	6.5%	7.2%	7.2%	5.6%
	Neighborhood Center	10.2%	9.6%	10.5%	10.8%
	Regional	12.0%	11.7%	11.6%	12.8%
	Strip Center	10.6%	10.3%	9.8%	9.0%
	Subtotal	**7.0%**	**6.9%**	**6.8%**	**6.7%**
Southwest	Community Center	12.0%	13.5%	13.8%	13.4%
	Freestanding/Big Box	2.9%	3.4%	3.4%	3.4%
	Mixed Use	5.5%	5.2%	5.4%	5.6%
	Neighborhood Center	4.4%	4.3%	4.2%	4.0%
	Regional	3.2%	9.2%	10.2%	9.6%
	Strip Center	4.2%	5.1%	5.1%	5.4%
	Subtotal	**5.0%**	**6.5%**	**6.6%**	**6.5%**
West	Community Center	14.5%	16.6%	15.5%	9.6%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%
	Mixed Use	20.4%	21.3%	22.9%	22.2%
	Neighborhood Center	1.9%	1.9%	3.4%	3.3%
	Regional	10.4%	10.3%	16.0%	17.2%
	Strip Center	2.6%	2.7%	1.7%	3.3%
	Subtotal	**6.9%**	**7.0%**	**8.8%**	**9.0%**
Grand Total		**6.6%**	**7.3%**	**7.7%**	**7.6%**

Lease Rates (NNN)

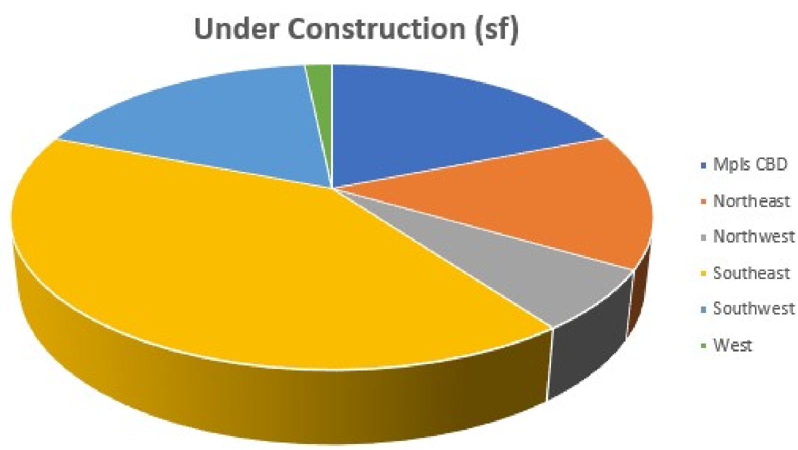
Market	Property Type	Q4 2018 Lease Rate	Q1 2019 Lease Rate	Q2 2019 Lease Rate	Q3 2019 Lease Rate
Mpls CBD	Community Center				
	Freestanding/Big Box				
	Mixed Use	$25.41	$22.68	$22.42	$23.60
	Subtotal	**$25.41**	**$22.68**	**$22.42**	**$23.60**
Northeast	Community Center	$22.00	$8.00	$8.00	$8.00
	Freestanding/Big Box				
	Mixed Use	$15.86	$16.14	$15.50	$15.50
	Neighborhood Center	$15.12	$14.33	$14.33	$14.18
	Regional				
	Strip Center	$16.53	$15.26	$15.13	$15.84
	Subtotal	**$16.24**	**$15.04**	**$14.81**	**$15.21**
Northwest	Community Center				
	Freestanding/Big Box				
	Mixed Use	$15.00	$15.33	$18.00	$15.00
	Neighborhood Center	$15.88	$14.38	$15.38	$13.67
	Strip Center	$17.53	$18.03	$17.59	$17.81
	Subtotal	**$16.91**	**$17.00**	**$17.23**	**$16.63**
Saint Paul CBD	Mixed Use	$14.50	$11.13	$11.17	$12.63
	Subtotal	**$14.50**	**$11.13**	**$11.17**	**$12.63**
Southeast	Community Center	$19.50	$19.00	$19.00	$19.00
	Freestanding/Big Box	$24.25	$17.00	$17.00	$17.00
	Mixed Use	$17.57	$16.89	$16.89	$16.89
	Neighborhood Center	$16.00	$14.71	$15.05	$15.31
	Regional				
	Strip Center	$17.94	$16.74	$16.37	$16.86
	Subtotal	**$17.85**	**$16.57**	**$16.45**	**$16.74**
Southwest	Community Center	$18.14	$18.14	$18.14	$18.14
	Freestanding/Big Box				
	Mixed Use	$19.50	$20.00	$21.81	$19.64
	Neighborhood Center	$19.00	$15.51	$17.75	$16.50
	Regional				
	Strip Center	$17.45	$18.71	$20.46	$20.00
	Subtotal	**$18.37**	**$18.69**	**$20.49**	**$19.36**
West	Community Center				
	Freestanding/Big Box				
	Mixed Use	$25.00	$30.00	$19.00	$9.00
	Neighborhood Center	$18.50	$18.50	$27.67	$29.00
	Regional				
	Strip Center	$13.75	$16.01	$15.83	$18.88
	Subtotal	**$17.75**	**$18.38**	**$18.83**	**$18.92**
Grand Total		**$17.86**	**$17.10**	**$17.27**	**$17.34**

Vacancy and Lease Rates



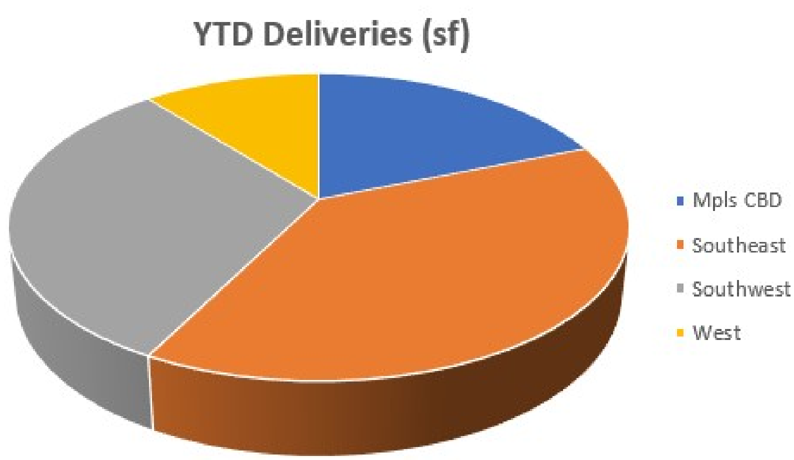


Construction by Market



Market	Bldg Size (sf)
Mpls CBD	317,022
Northeast	240,618
Northwest	108,500
Southeast	684,309
Southwest	292,390
West	27,587
Grand Total	**1,670,426**

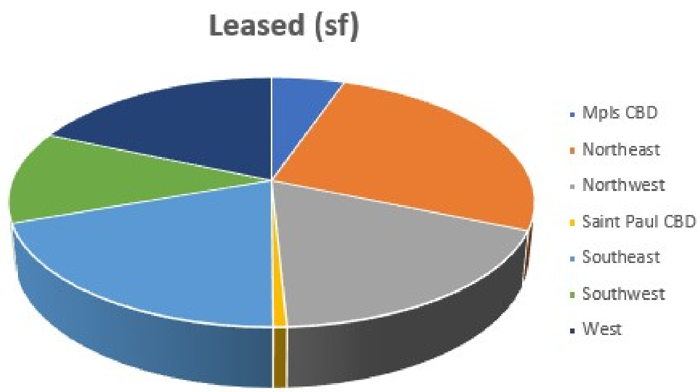
New Deliveries



Market	Bldg Size (sf)
Mpls CBD	35,420
Southeast	71,727
Southwest	58,000
West	20,400
Grand Total	**185,547**

Leasing Activity

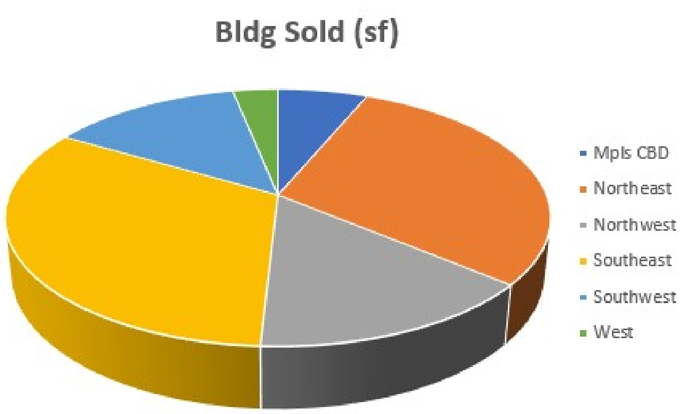
Property	Size (sf)	Market	Tenant	Landlord
Arbor Lakes 12550 Elm Creek Blvd N	32,572	Northwest	Burlington	Kir Maple Grove, LP
Ridgehaven Shopping Center 13081-13101 Ridgedale Dr	26,210	West	Barnes & Noble	Ridgehaven Mall, Inc
The Promenade of Wayzata Lake St & Superior Blvd	20,588	West	The Commonwell	The Promenade Master Assn
Salem Square 5300 S Robert Trail	19,482	Southeast	Berean Church	D & T Property, Inc
Rosedale Center 1705 W Hwy 36	18,000	Northeast	H&M	Ppf Rtl Rosedale Shopping Cntr



Market	Leased (sf)
Mpls CBD	22,485
Northeast	110,494
Northwest	75,896
Saint Paul CBD	3,000
Southeast	83,472
Southwest	50,809
West	78,309
Grand Total	**424,465**

Sales Activity

Property	Price	Market	Buyer	Seller
Commons Plaza 700 Commons Dr	$11,580,000	Southeast	A.E. Peterson Enterprises, Inc	700 Comm LLC
9's on Nicollet Mall 915-927 Nicollet Mall	$10,120,000	Mpls CBD	St. Armands Circle Investments	TJR Properties, LLC; ADR Property, LLC;
12730 Elm Creek Blvd	$9,140,000	Northwest	JLYND Joint, LLC	EC North, LLC c/o OneCorp
Ridgedale Plaza 1800 Plymouth Rd	$9,067,500	West	Blackhawk Ridgedale, LLC c/o Taylor Hara	Ridgedale Plaza Center, LLC c/o Anne Larsen Hooley
Riverdale Village 3550 River Rapids Dr NW	$7,900,000	Northeast	Blackhawk Coon Rapids, LLC c/o Taylor Hara	River Rapids Prop, LLC



Market	Bldg Sold (sf)
Mpls CBD	62,251
Northeast	294,326
Northwest	146,059
Southeast	321,899
Southwest	132,533
West	31,290
Grand Total	**988,358**

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

Advisory Board Members

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