MNCAR | MINNESOTA COMMERCIAL ASSOCIATION OF REAL ESTATE/REALTORS®

REDI

MARKET TRENDS

Q3 2020 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,879,529	▼
Area Unemployment	7.9	▲
U.S. Unemployment	8.4	▲
Retail Jobs	157,400	▼

Source: BLS

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

Market Recap

Total Inventory (sf)	94,660,211
Total # of Bldgs	1,812
Absorption	116,334
Vacancy	8.8%
Asking Rate (NNN)	$17.05
Under Construction (sf)	628,214

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) increased 500 basis points to 7.9% for August 2020 from 2.9% for August 2019. The unemployment rate for the US was 8.4% in August 2020 up from 3.7% last year. State of Minnesota unemployment rate was 7.4%. 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 46,400 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 116,000 sf positive absorption for Q3 2020 while multi-tenant properties had 268,765 sf negative absorption. Three of the top four positive absorption resulted from single tenant deliveries of 368,000 sf. The vacancy rate for the market increased to 8.8% and multi tenant properties was 11.4% for Q3 2020. To date, there are 37 construction projects throughout the market totaling just over 628,000 sf.

Market Highlights

At the close of Q3 2020, the market experienced over 413,000 sf of leasing activity from 132 transactions. The Southeast market posted the lowest rate at 6.6% for all properties. The Southwest market posted the largest increase in absorption with over 169,000 sf positive absorption led by new delivery of Scheels with 251,000 sf. The Southeast market recorded over 56,000 sf negative absorption led by Big Lots vacating 17,000 sf. Big Thrill vacated the largest space of 45,000 sf in the Southwest market. Seventy four properties sold during Q3 2020 totaling $126 million in sale price. Twenty two properties have been delivered year to date with over 902,000 sf.

Market Statistics by Property Type

Total

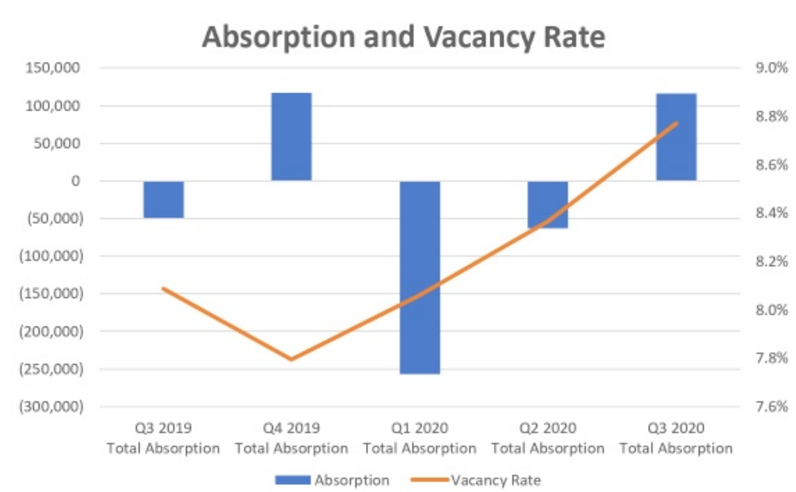
Property Type	# of Bldgs	Inventory	Total Available (sf)	Total Vacant (sf)	Total Absorption (sf)	YTD Total Absorption (sf)	Vacancy Rate
Community Center	93	12,040,890	2,098,909	1,653,198	(111,640)	63,230	13.7%
Freestanding/Big Box	574	38,003,176	1,364,028	1,829,231	385,099	192,269	4.8%
Mixed Use	185	7,456,612	1,080,687	1,163,412	(15,483)	(75,492)	15.6%
Neighborhood Center	250	14,921,909	1,370,154	1,252,412	(66,969)	(93,638)	8.4%
Regional	11	8,809,213	1,274,066	1,274,213	(13,108)	(118,379)	14.5%
Strip Center	699	13,428,411	1,430,810	1,131,350	(61,565)	(171,918)	8.4%
Grand Total	**1,812**	**94,660,211**	**8,618,654**	**8,303,816**	**116,334**	**(203,928)**	**8.8%**

Direct

Property Type	# of Bldgs	Inventory	Direct Available (sf)	Direct Vacant (sf)	Direct Absorption (sf)	YTD Direct Absorption (sf)	Vacancy Rate
Community Center	93	12,040,890	2,078,066	1,653,198	(111,640)	61,533	13.7%
Freestanding/Big Box	574	38,003,176	1,251,018	1,742,864	372,093	234,874	4.6%
Mixed Use	185	7,456,612	1,034,051	1,132,912	(15,483)	(82,109)	15.2%
Neighborhood Center	250	14,921,909	1,304,049	1,210,177	(76,450)	(77,728)	8.1%
Regional	11	8,809,213	1,272,051	1,272,198	(13,108)	(118,379)	14.4%
Strip Center	699	13,428,411	1,373,960	1,078,100	(69,504)	(172,816)	8.0%
Grand Total	**1,812**	**94,660,211**	**8,313,195**	**8,089,449**	**85,908**	**(154,625)**	**8.5%**

Sublease

Property Type	# of Bldgs	Inventory	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	YTD Sublease Absorption (sf)	Vacancy Rate
Community Center	93	12,040,890	20,843		0	1,697	0.0%
Freestanding/Big Box	574	38,003,176	113,010	86,367	13,006	(42,605)	0.2%
Mixed Use	185	7,456,612	46,636	30,500	0	6,617	0.4%
Neighborhood Center	250	14,921,909	66,105	42,235	9,481	(15,910)	0.3%
Regional	11	8,809,213	2,015	2,015	0	0	0.0%
Strip Center	699	13,428,411	56,850	53,250	7,939	898	0.4%
Grand Total	**1,812**	**94,660,211**	**305,459**	**214,367**	**30,426**	**(49,303)**	**0.2%**



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	0	(115)	3.1%
	Freestanding/Big Box	2	273,416			0	0	0.0%
	Mixed Use	57	2,507,895	563,574	701,760	(11,053)	(36,125)	28.0%
	Strip Center	2	18,520			0	0	0.0%
	Subtotal	**62**	**2,947,474**	**568,115**	**706,301**	**(11,053)**	**(36,240)**	**24.0%**
Northeast	Community Center	27	3,842,235	600,580	674,797	(29,452)	(73,236)	17.6%
	Freestanding/Big Box	194	12,998,766	692,735	1,100,117	18,728	(85,628)	8.5%
	Mixed Use	19	576,790	37,860	50,713	1,965	(924)	8.8%
	Neighborhood Center	76	4,699,980	366,641	318,341	(11,052)	37,370	6.8%
	Regional	4	3,227,849	394,680	394,680	(3,546)	1,030	12.2%
	Strip Center	200	3,919,314	428,298	323,495	(10,566)	(42,543)	8.3%
	Subtotal	**520**	**29,264,934**	**2,520,794**	**2,862,143**	**(33,923)**	**(163,931)**	**9.8%**
Northwest	Community Center	11	1,531,328	184,891	89,632	(7,455)	(14,612)	5.9%
	Freestanding/Big Box	80	5,460,269	13,013	273,572	129,342	129,342	5.0%
	Mixed Use	21	849,875	36,144	27,369	2,300	(2,126)	3.2%
	Neighborhood Center	44	2,623,843	329,272	371,954	(41,440)	(45,256)	14.2%
	Strip Center	131	2,409,365	218,062	185,198	(14,716)	(19,057)	7.7%
	Subtotal	**287**	**12,874,680**	**781,382**	**947,725**	**68,031**	**48,291**	**7.4%**
Saint Paul CBD	Mixed Use	15	641,003	82,292	82,292	7,058	15,301	12.8%
	Subtotal	**15**	**641,003**	**82,292**	**82,292**	**7,058**	**15,301**	**12.8%**
Southeast	Community Center	29	3,599,980	602,958	383,371	(15,465)	243,145	10.6%
	Freestanding/Big Box	174	11,984,041	91,426	225,834	(14,653)	(24,056)	1.9%
	Mixed Use	32	1,244,080	77,929	49,985	(370)	2,360	4.0%
	Neighborhood Center	69	4,120,368	390,539	395,102	(8,407)	(27,495)	9.6%
	Regional	3	1,805,013	306,551	308,276	150	(30,816)	17.1%
	Strip Center	212	4,052,664	486,906	418,693	(17,412)	(54,272)	10.3%
	Subtotal	**519**	**26,806,146**	**1,956,309**	**1,781,261**	**(56,157)**	**108,866**	**6.6%**
Southwest	Community Center	20	2,492,079	594,695	490,829	(59,268)	(153,321)	19.7%
	Freestanding/Big Box	95	5,662,662	566,854	229,708	251,682	172,611	4.1%
	Mixed Use	28	880,704	61,185	57,524	(3,101)	(6,257)	6.5%
	Neighborhood Center	36	2,035,287	139,022	113,675	(4,447)	(49,319)	5.6%
	Regional	2	2,181,244	308,060	308,060	(6,161)	(79,110)	14.1%
	Strip Center	113	2,123,624	220,710	147,906	(9,169)	(29,386)	7.0%
	Subtotal	**294**	**15,375,600**	**1,890,526**	**1,347,702**	**169,536**	**(144,782)**	**8.8%**
West	Community Center	5	427,625	111,244	10,028	0	61,369	2.3%
	Freestanding/Big Box	29	1,624,022			0	0	0.0%
	Mixed Use	13	756,265	221,703	193,769	(12,282)	(47,721)	25.6%
	Neighborhood Center	25	1,442,431	144,680	53,340	(1,623)	(8,938)	3.7%
	Regional	2	1,595,107	264,775	263,197	(3,551)	(9,483)	16.5%
	Strip Center	41	904,924	76,834	56,058	(9,702)	(26,660)	6.2%
	Subtotal	**115**	**6,750,374**	**819,236**	**576,392**	**(27,158)**	**(31,433)**	**8.5%**
Grand Total		**1,812**	**94,660,211**	**8,618,654**	**8,303,816**	**116,334**	**(203,928)**	**8.8%**

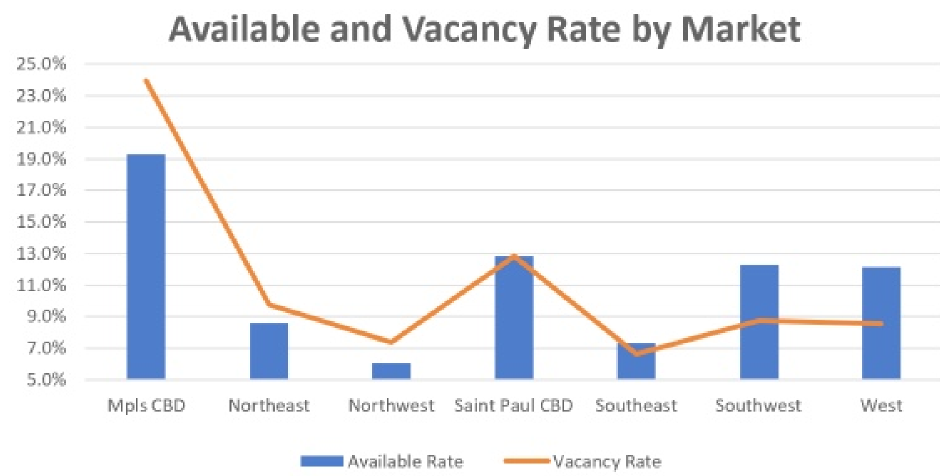
Vacancy Rates

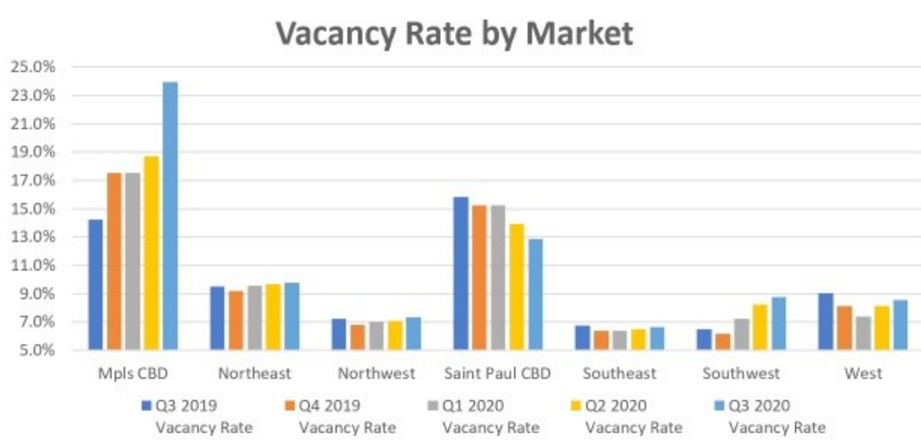
Market	Property Type	Q3 2019 Vacancy Rate	Q4 2019 Vacancy Rate	Q1 2020 Vacancy Rate	Q2 2020 Vacancy Rate	Q3 2020 Vacancy Rate
Mpls CBD	Community Center	3.0%	3.0%	3.0%	3.1%	3.1%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	16.5%	20.5%	20.4%	22.0%	28.0%
	Strip Center	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**14.2%**	**17.6%**	**17.5%**	**18.7%**	**24.0%**
Northeast	Community Center	16.4%	15.7%	16.7%	16.8%	17.6%
	Freestanding/Big Box	8.3%	7.7%	8.7%	8.7%	8.5%
	Mixed Use	9.3%	8.6%	9.1%	9.1%	8.8%
	Neighborhood Center	7.3%	7.5%	6.5%	6.5%	6.8%
	Regional	12.2%	12.3%	11.5%	12.1%	12.2%
	Strip Center	7.2%	7.3%	7.5%	8.0%	8.3%
	Subtotal	**9.5%**	**9.2%**	**9.5%**	**9.7%**	**9.8%**
Northwest	Community Center	4.8%	4.9%	4.7%	5.4%	5.9%
	Freestanding/Big Box	5.7%	5.4%	5.4%	5.4%	5.0%
	Mixed Use	3.1%	3.0%	3.4%	3.5%	3.2%
	Neighborhood Center	13.3%	12.5%	12.6%	12.6%	14.2%
	Strip Center	7.0%	6.5%	7.3%	7.1%	7.7%
	Subtotal	**7.2%**	**6.8%**	**7.0%**	**7.0%**	**7.4%**
Saint Paul CBD	Mixed Use	15.8%	15.2%	15.2%	13.9%	12.8%
	Subtotal	**15.8%**	**15.2%**	**15.2%**	**13.9%**	**12.8%**
Southeast	Community Center	12.6%	12.3%	10.7%	10.2%	10.6%
	Freestanding/Big Box	1.7%	1.7%	1.8%	1.8%	1.9%
	Mixed Use	5.6%	4.2%	4.1%	4.0%	4.0%
	Neighborhood Center	9.8%	8.9%	9.2%	9.4%	9.6%
	Regional	15.2%	15.3%	16.9%	17.1%	17.1%
	Strip Center	9.3%	9.4%	9.8%	10.3%	10.3%
	Subtotal	**6.8%**	**6.4%**	**6.4%**	**6.5%**	**6.6%**
Southwest	Community Center	14.1%	13.5%	13.8%	17.3%	19.7%
	Freestanding/Big Box	2.8%	2.8%	4.2%	4.2%	4.1%
	Mixed Use	4.8%	3.5%	3.7%	3.9%	6.5%
	Neighborhood Center	3.9%	3.2%	5.2%	5.4%	5.6%
	Regional	10.6%	10.5%	12.4%	13.8%	14.1%
	Strip Center	5.7%	5.6%	5.5%	6.5%	7.0%
	Subtotal	**6.5%**	**6.1%**	**7.2%**	**8.2%**	**8.8%**
West	Community Center	18.4%	16.7%	2.3%	2.3%	2.3%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	22.3%	19.8%	20.8%	24.0%	25.6%
	Neighborhood Center	3.0%	3.1%	3.3%	3.6%	3.7%
	Regional	17.2%	15.9%	16.0%	16.3%	16.5%
	Strip Center	3.1%	3.2%	3.2%	5.1%	6.2%
	Subtotal	**9.0%**	**8.1%**	**7.4%**	**8.1%**	**8.5%**
Grand Total		**8.1%**	**7.8%**	**8.1%**	**8.4%**	**8.8%**

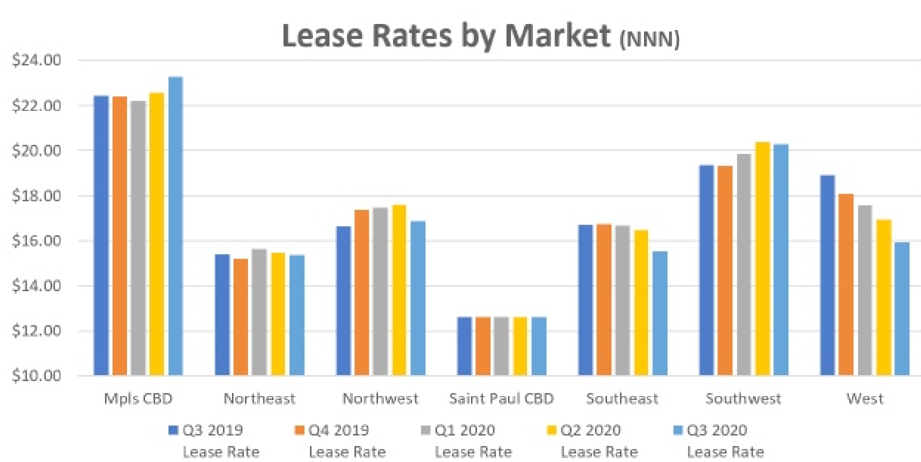
Lease Rates (NNN)

Market	Property Type	Q3 2019 Lease Rate	Q4 2019 Lease Rate	Q1 2020 Lease Rate	Q2 2020 Lease Rate	Q3 2020 Lease Rate
Mpls CBD	Community Center					
	Freestanding/Big Box					
	Mixed Use	$22.45	$22.39	$22.19	$22.58	$23.30
	Strip Center					
	Subtotal	**$22.45**	**$22.39**	**$22.19**	**$22.58**	**$23.30**
Northeast	Community Center	$8.00	$8.00	$8.00	$8.00	$16.00
	Freestanding/Big Box		$11.00	$11.00	$11.00	$10.00
	Mixed Use	$17.25	$17.25	$16.20	$16.20	$16.20
	Neighborhood Center	$13.34	$12.06	$12.38	$11.88	$12.16
	Regional					
	Strip Center	$16.36	$16.68	$17.46	$17.36	$16.48
	Subtotal	**$15.39**	**$15.20**	**$15.62**	**$15.47**	**$15.36**
Northwest	Community Center					
	Freestanding/Big Box					
	Mixed Use	$15.00	$10.25	$11.83	$11.83	$11.83
	Neighborhood Center	$10.50	$10.30	$10.50	$10.30	$10.30
	Strip Center	$18.42	$19.52	$19.54	$19.83	$19.28
	Subtotal	**$16.63**	**$17.37**	**$17.47**	**$17.59**	**$16.88**
Saint Paul CBD	Mixed Use	$12.63	$12.63	$12.63	$12.63	$12.63
	Subtotal	**$12.63**	**$12.63**	**$12.63**	**$12.63**	**$12.63**
Southeast	Community Center	$19.00	$16.50	$16.50	$16.50	$15.10
	Freestanding/Big Box	$17.00				
	Mixed Use	$17.36	$18.88	$18.88	$19.07	$15.90
	Neighborhood Center	$15.30	$15.36	$15.06	$14.45	$14.78
	Regional					
	Strip Center	$16.85	$16.90	$16.82	$16.50	$15.72
	Subtotal	**$16.72**	**$16.75**	**$16.67**	**$16.48**	**$15.54**
Southwest	Community Center	$18.14	$9.00	$9.00		
	Freestanding/Big Box			$6.50	$6.50	$5.50
	Mixed Use	$21.08	$23.00	$24.50	$25.31	$25.31
	Neighborhood Center	$16.50	$17.13	$17.13	$17.13	$17.13
	Regional					
	Strip Center	$19.40	$19.40	$20.00	$19.53	$19.43
	Subtotal	**$19.36**	**$19.34**	**$19.84**	**$20.38**	**$20.29**
West	Community Center	$9.00				
	Freestanding/Big Box					
	Mixed Use			$17.00	$20.00	
	Neighborhood Center	$29.00	$20.00	$18.33	$13.50	$13.50
	Regional					
	Strip Center	$18.88	$17.13	$17.13	$17.13	$17.13
	Subtotal	**$18.92**	**$18.08**	**$17.56**	**$16.94**	**$15.92**
Grand Total		**$17.26**	**$17.30**	**$17.50**	**$17.51**	**$17.05**

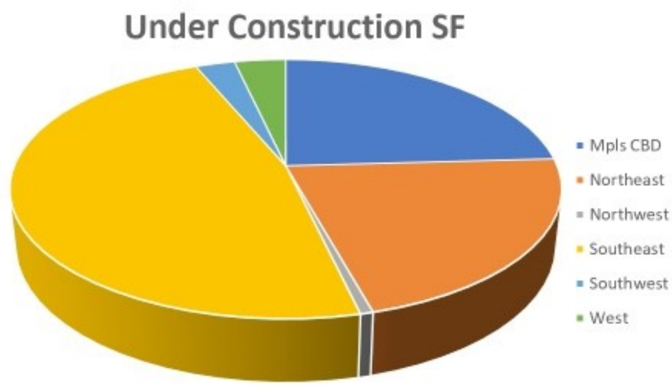
Vacancy and Lease Rates





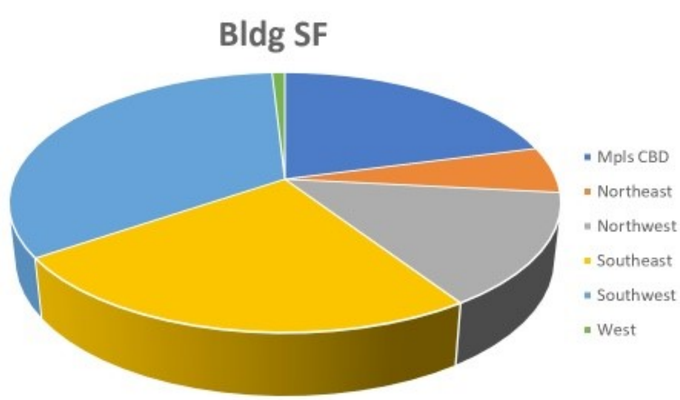


Construction by Market



Market	Under Construction SF
Mpls CBD	151,392
Northeast	135,826
Northwest	4,000
Southeast	297,439
Southwest	17,168
West	22,389
Grand Total	**628,214**

YTD Deliveries by Market



Market	Bldg SF
Mpls CBD	188,742
Northeast	52,026
Northwest	127,136
Southeast	223,040
Southwest	303,981
West	8,000
Grand Total	**902,925**

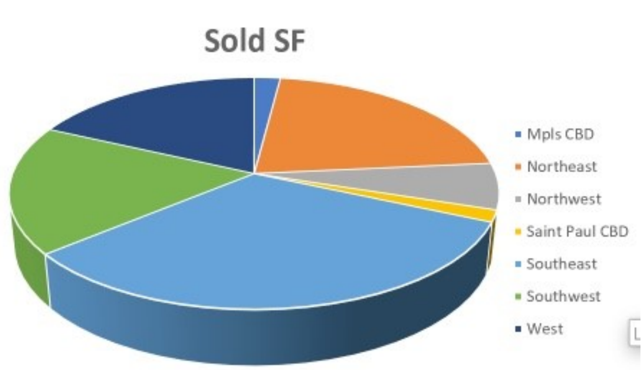
Leasing Activity

Property	Size (sf)	Market	Tenant	Landlord
Shops at Gateway North 38500 Tanger Dr	30,550	Northeast	North Branch School ISD 138	CBMT 2006-C5 Tanger Drive, LLC
17505-17585 Hwy 7	21,746	Southwest	Northern Tool	Minn Associates LTD Partnership
Southdale Square	12,448	Southwest	Foss	DRFC Southdale Square, LLC
12901 Wayzata Blvd	9,946	West	Borofka Furniture	12901 Wayzata Boulevard, LLC
Mapleridge Shopping Center 2515 White Bear Ave	9,826	Northeast	HyVee	Suso 4 Mapleridge Lp c/o Slate Asset Management, LP

Market	Leased SF
Mpls CBD	16,122
Northeast	127,691
Northwest	73,184
Saint Paul CBD	18,623
Southeast	82,372
Southwest	58,392
West	37,122
Grand Total	**413,506**

Sales Activity

Property	Price	Market	Buyer	Seller
Restoration Hardware 6801 France Ave S	$25,500,000	Southwest	6801 France DST	FLDG, LLC c/o Restoration Hardware
Home Depot 1300 Mendota Rd E	$17,200,000	Southeast	FOG Ferry, LLC c/o Forman Group/Peter Forman	Vansouth, LP
300-320 Hennepin Ave E	$8,100,000	Mpls CBD	AP Northeast Portfolio 1, LLC c/o Asana Partners	Melzer Investment Co
Walgreen's 18267 Carson Ct NW	$5,515,000	Northwest	Meadow Village, LLC	18267 Elk River, LLC c/o Swanson Development Group
Walgreen's 4323 Chicago Ave S	$5,400,000	Southeast	Cardinal Green Investments, LLC	NLD Chicago, LLC



Market	Sold SF
Mpls CBD	13,870
Northeast	146,400
Northwest	43,959
Saint Paul CBD	11,150
Southeast	220,533
Southwest	122,246
West	123,344
Grand Total	**681,502**

Methodology

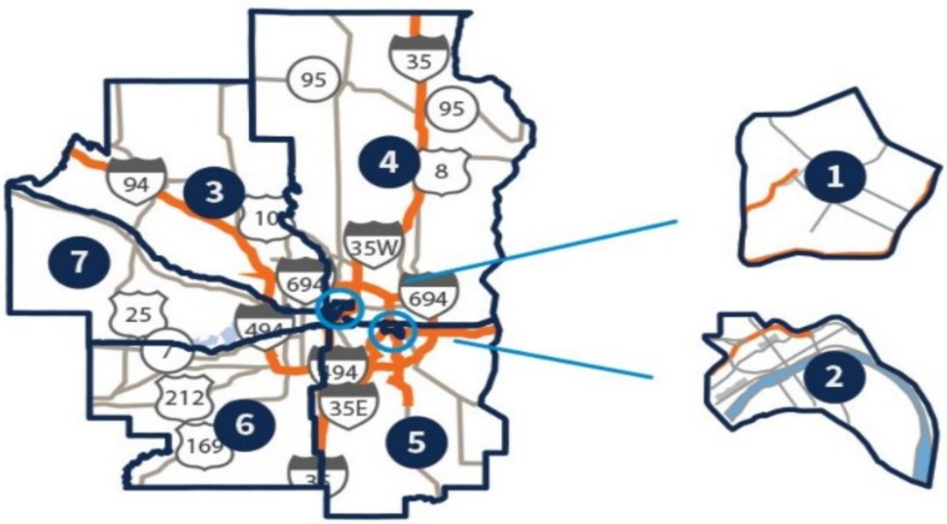
The Mpls-St Paul market consists of multi-tenant and single tenant retail buildings 15,000 sf or larger or are part of a complex larger than 15,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does include mixed use properties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

Advisory Board Members

CBRE	David Daly	Kraus Anderson	Dan Mossey
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