MARKET TRENDS

Q4 2019 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,978,126	▲
Area Unemployment	2.7	▲
U.S. Unemployment	3.5	▼
Retail Jobs	190,000	▲

Source: BLS

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

Market Recap

Total Inventory (sf)	94,123,283
Total # of Bldgs	1,795
Absorption	212,115
Vacancy	7.5%
Asking Rate (NNN)	$17.25
Under Construction (sf)	1,598,284

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) increased 70 basis points to 2.7% for November 2019 from 2.0% for November 2018. The unemployment rate for the US was at 3.5% in November 2019 down from 3.7% last year. State of Minnesota unemployment rate was 3.3%. The Mpls-St Paul MSA saw an increase in retail job growth, leisure and hospitality increasing by 5,700 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 212,000 sf positive absorption for Q4 2019 while multi-tenant properties had 67,000 sf positive absorption. The vacancy rate for the market decreased to 7.5% and multi tenant properties was 9.6% for Q4 2019. The average asking lease rate for Mpls-St Paul came in at $17.25 psf NNN. To date, there are 50 construction projects throughout the market totaling just under 1.6 msf while 30 properties were delivered YTD with 554,000 sf.

Market Highlights

At the close of Q4 2019, the market experienced over 274,000 sf of leasing activity from 105 transactions while 512 transactions leased over 1.4 msf year to date. The vacancy rate finished fourth quarter at 7.5% for all properties and 9.6% for multi-tenant properties. The Southwest market posted the lowest rate at 6.2% for all properties. The Southeast market posted the largest increase in absorption with over 176,000 sf positive absorption while the Northeast market recorded over 22,000 sf negative absorption. Southeast market held four of the top 6 properties of 220,000 sf positive absorption led by new delivery of Costco with 167,000 sf but also posted two or the largest losses totaling over 56,000 sf.

Market Statistics by Property Type

Total

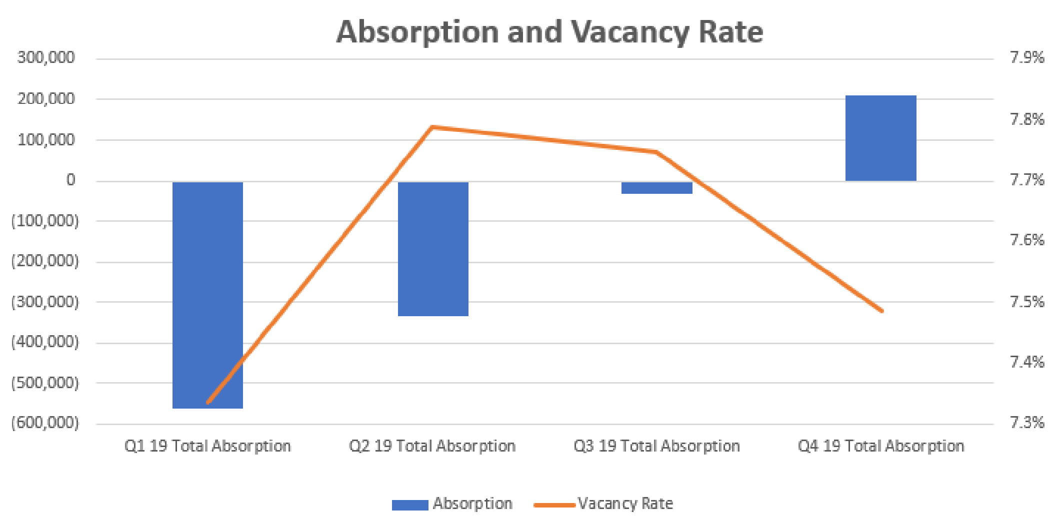
Property Type	# of Bldgs	Inventory	Total Avail (sf)	Total Vacant (sf)	Total Absorption (sf)	Total YTD Absorption (sf)	Vacancy Rate
Community Center	97	11,890,720	1,484,172	1,313,914	8,155	(32,787)	11.0%
Freestanding/Big Box	558	37,466,536	806,554	1,642,272	144,402	(552,812)	4.4%
Mixed Use	212	7,881,399	810,025	848,957	22,493	84,142	10.8%
Neighborhood Center	234	14,093,235	988,766	1,069,773	38,691	22,086	7.6%
Regional	14	9,309,214	1,171,620	1,170,042	12,649	(247,187)	12.6%
Strip Center	680	13,482,179	1,273,563	1,000,915	(14,275)	8,012	7.4%
Grand Total	**1,795**	**94,123,283**	**6,534,700**	**7,045,873**	**212,115**	**(718,546)**	**7.5%**

Direct

Property Type	# of Bldgs	Inventory	Direct Avail (sf)	Direct Vacant (sf)	Direct Absorption (sf)	Direct YTD Absorption (sf)	Vacancy Rate
Community Center	97	11,890,720	1,435,989	1,312,757	6,820	(43,063)	11.0%
Freestanding/Big Box	558	37,466,536	736,149	1,598,510	87,549	(541,353)	4.3%
Mixed Use	212	7,881,399	752,950	810,143	21,610	98,839	10.3%
Neighborhood Center	234	14,093,235	943,921	1,043,448	32,423	23,476	7.4%
Regional	14	9,309,214	1,169,605	1,168,027	12,649	(245,172)	12.5%
Strip Center	680	13,482,179	1,204,320	946,767	21,434	46,874	7.0%
Grand Total	**1,795**	**94,123,283**	**6,242,934**	**6,879,652**	**182,485**	**(660,399)**	**7.3%**

Sublease

Property Type	# of Bldgs	Inventory	Sublease Avail (sf)	Sublease Vacant (sf)	Sublease Absorption (sf)	Sublease YTD Absorption (sf)	Vacancy Rate
Community Center	97	11,890,720	48,183	1,157	1,335	2,943	0.0%
Freestanding/Big Box	558	37,466,536	70,405	43,762	56,853	(11,459)	0.1%
Mixed Use	212	7,881,399	57,075	38,814	883	(14,697)	0.5%
Neighborhood Center	234	14,093,235	44,845	26,325	6,268	(1,390)	0.2%
Regional	14	9,309,214	2,015	2,015	0	(2,015)	0.0%
Strip Center	680	13,482,179	69,243	54,148	(35,709)	(38,862)	0.4%
Grand Total	**1,795**	**94,123,283**	**291,766**	**166,221**	**29,630**	**(65,480)**	**0.2%**



Market Statistics by Market

Market	Property Type	# of Bldgs	Inventory	Total Avail (sf)	Total Vacant (sf)	Total Absorption (sf)	Total YTD Absorption (sf)	Vacancy Rate
Mpls CBD	Community Center	1	147,643	4,426	4,426	0	(4,426)	3.0%
	Freestanding/Big Box	2	273,416			0	0	0.0%
	Mixed Use	61	2,363,407	335,955	358,422	(3,298)	(27,917)	15.2%
	Subtotal	**64**	**2,784,466**	**340,381**	**362,848**	**(3,298)**	**(32,343)**	**13.0%**
Northeast	Community Center	26	3,769,765	530,727	516,671	(11,231)	(68,923)	13.7%
	Freestanding/Big Box	187	13,088,489	510,566	975,815	(1,998)	(548,192)	7.5%
	Mixed Use	30	798,683	68,910	68,910	830	15,468	8.6%
	Neighborhood Center	71	4,418,462	328,813	313,604	(6,158)	(12,308)	7.1%
	Regional	4	3,227,849	395,710	395,710	(2,280)	(961)	12.3%
	Strip Center	193	4,052,490	331,271	289,025	(1,672)	2,107	7.1%
	Subtotal	**511**	**29,355,738**	**2,165,997**	**2,559,735**	**(22,509)**	**(612,809)**	**8.7%**
Northwest	Community Center	18	1,820,870	119,662	86,450	(2,663)	(27,376)	4.7%
	Freestanding/Big Box	79	5,459,160	26,019	286,578	0	(144,678)	5.2%
	Mixed Use	23	876,875	39,361	26,515	(1,655)	21,562	3.0%
	Neighborhood Center	37	2,231,901	134,196	276,586	4,738	50,895	12.4%
	Strip Center	129	2,378,663	209,581	191,423	11,078	(3,439)	8.0%
	Subtotal	**286**	**12,767,469**	**528,819**	**867,552**	**11,498**	**(103,036)**	**6.8%**
Saint Paul CBD	Mixed Use	15	617,696	87,043	87,043	0	(19,232)	14.1%
	Subtotal	**15**	**617,696**	**87,043**	**87,043**	**0**	**(19,232)**	**14.1%**
Southeast	Community Center	29	3,384,273	383,702	383,702	0	62,482	11.3%
	Freestanding/Big Box	171	11,869,755	49,363	201,778	146,400	109,522	1.7%
	Mixed Use	34	1,288,041	78,383	54,614	16,452	67,849	4.2%
	Neighborhood Center	63	3,790,027	364,846	360,731	35,956	(10,342)	9.5%
	Regional	5	2,239,565	291,668	291,668	(7,749)	(19,741)	13.0%
	Strip Center	207	4,080,091	495,630	376,363	(14,899)	47,772	9.2%
	Subtotal	**509**	**26,651,752**	**1,663,592**	**1,668,856**	**176,160**	**257,542**	**6.3%**
Southwest	Community Center	19	2,463,332	336,108	314,334	22,049	12,433	12.8%
	Freestanding/Big Box	93	5,362,702	220,606	178,101	0	30,536	3.3%
	Mixed Use	32	974,428	43,513	43,443	15,651	10,307	4.5%
	Neighborhood Center	38	2,151,492	75,341	74,450	7,216	14,938	3.5%
	Regional	2	2,181,244	228,950	228,950	2,005	(138,317)	10.5%
	Strip Center	110	2,064,387	170,021	109,904	(654)	(25,465)	5.3%
	Subtotal	**294**	**15,197,585**	**1,074,539**	**949,182**	**46,267**	**(95,568)**	**6.2%**
West	Community Center	4	304,837	109,547	8,331	0	(6,977)	2.7%
	Freestanding/Big Box	26	1,413,014			0	0	0.0%
	Mixed Use	17	962,269	156,860	210,010	(5,487)	16,105	21.8%
	Neighborhood Center	25	1,501,353	85,570	44,402	(3,061)	(21,097)	3.0%
	Regional	3	1,660,556	255,292	253,714	20,673	(88,168)	15.3%
	Strip Center	41	906,548	67,060	34,200	(8,128)	(12,963)	3.8%
	Subtotal	**116**	**6,748,577**	**674,329**	**550,657**	**3,997**	**(113,100)**	**8.2%**
Grand Total		**1,795**	**94,123,283**	**6,534,700**	**7,045,873**	**212,115**	**(718,546)**	**7.5%**

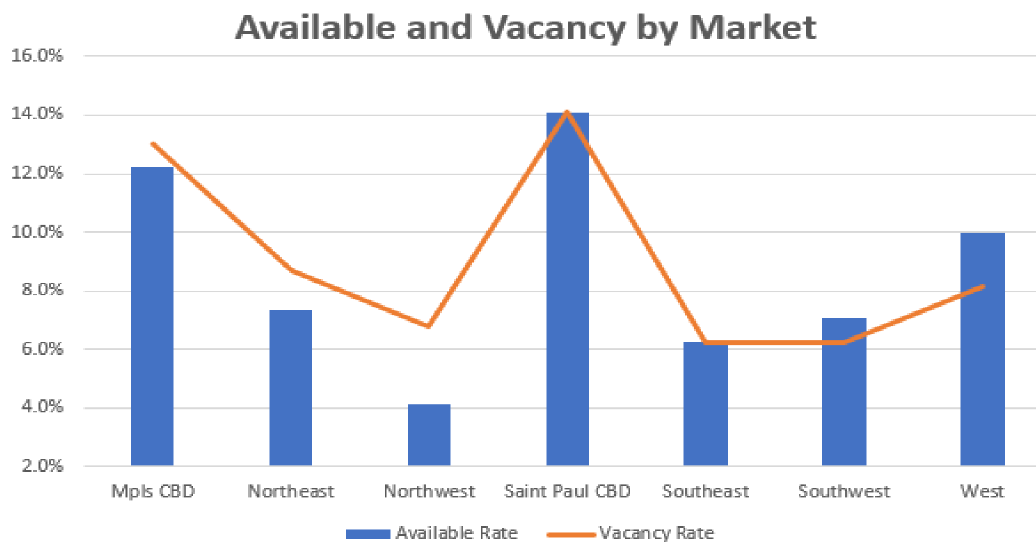
Vacancy Rates

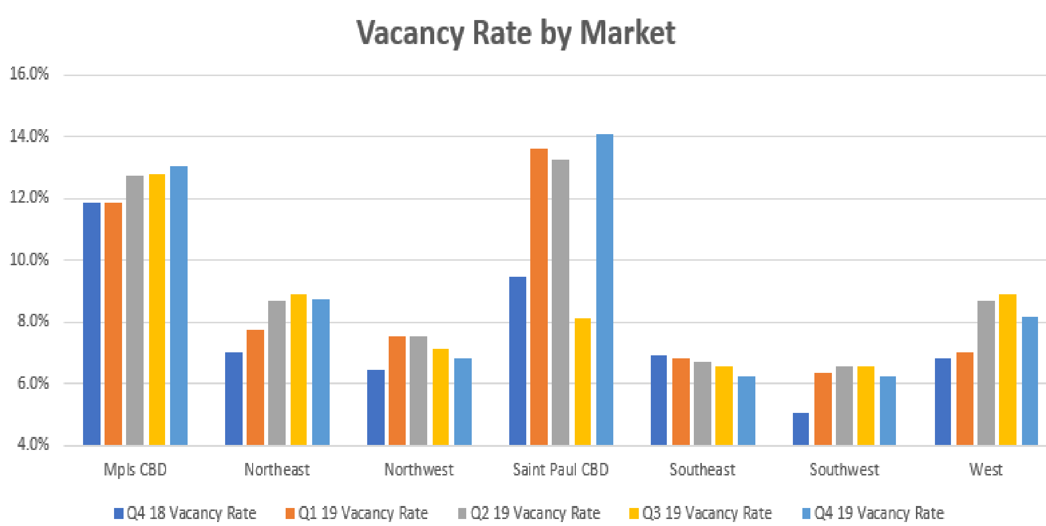
Market	Property Type	Q4 2018 Vacancy Rate	Q1 2019 Vacancy Rate	Q2 2019 Vacancy Rate	Q3 2019 Vacancy Rate	Q4 2019 Vacancy Rate
Mpls CBD	Community Center	0.0%	9.1%	9.1%	3.0%	3.0%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	14.1%	13.5%	14.5%	14.9%	15.2%
	Subtotal	**11.9%**	**11.8%**	**12.7%**	**12.8%**	**13.0%**
Northeast	Community Center	12.5%	13.8%	13.6%	14.2%	13.7%
	Freestanding/Big Box	3.6%	5.4%	7.3%	8.0%	7.5%
	Mixed Use	10.5%	9.9%	9.4%	6.4%	8.6%
	Neighborhood Center	6.6%	6.7%	7.2%	6.9%	7.1%
	Regional	13.3%	11.9%	12.6%	12.2%	12.3%
	Strip Center	7.3%	6.9%	7.1%	7.1%	7.1%
	Subtotal	**7.0%**	**7.8%**	**8.7%**	**8.9%**	**8.7%**
Northwest	Community Center	3.2%	4.3%	4.0%	4.7%	4.7%
	Freestanding/Big Box	2.9%	5.5%	5.6%	5.6%	5.2%
	Mixed Use	6.1%	4.8%	3.9%	2.7%	3.0%
	Neighborhood Center	15.7%	15.3%	15.3%	13.3%	12.4%
	Strip Center	8.5%	8.2%	8.8%	8.5%	8.0%
	Subtotal	**6.5%**	**7.6%**	**7.5%**	**7.1%**	**6.8%**
Saint Paul CBD	Mixed Use	9.5%	13.6%	13.3%	8.1%	14.1%
	Subtotal	**9.5%**	**13.6%**	**13.3%**	**8.1%**	**14.1%**
Southeast	Community Center	13.7%	13.3%	12.9%	11.7%	11.3%
	Freestanding/Big Box	1.4%	1.4%	1.3%	1.7%	1.7%
	Mixed Use	6.0%	6.7%	6.7%	5.1%	4.2%
	Neighborhood Center	9.8%	9.2%	10.2%	10.5%	9.5%
	Regional	12.0%	11.7%	11.6%	12.8%	13.0%
	Strip Center	10.6%	10.5%	9.9%	9.0%	9.2%
	Subtotal	**6.9%**	**6.8%**	**6.7%**	**6.6%**	**6.3%**
Southwest	Community Center	12.5%	12.9%	13.5%	13.4%	12.8%
	Freestanding/Big Box	2.9%	3.4%	3.4%	3.4%	3.3%
	Mixed Use	4.6%	4.6%	4.9%	5.1%	4.5%
	Neighborhood Center	4.3%	4.2%	4.2%	3.9%	3.5%
	Regional	3.2%	9.2%	10.2%	10.6%	10.5%
	Strip Center	4.3%	5.1%	5.2%	5.4%	5.3%
	Subtotal	**5.0%**	**6.3%**	**6.5%**	**6.6%**	**6.2%**
West	Community Center	0.5%	3.6%	3.1%	3.1%	2.7%
	Freestanding/Big Box	0.0%	0.0%	0.0%	0.0%	0.0%
	Mixed Use	23.9%	24.7%	25.7%	22.3%	21.8%
	Neighborhood Center	1.8%	1.7%	2.9%	3.0%	3.0%
	Regional	10.4%	10.3%	16.0%	17.2%	15.3%
	Strip Center	2.6%	2.7%	1.7%	3.1%	3.8%
	Subtotal	**6.8%**	**7.0%**	**8.7%**	**8.9%**	**8.2%**
Grand Total		**6.7%**	**7.3%**	**7.8%**	**7.7%**	**7.5%**

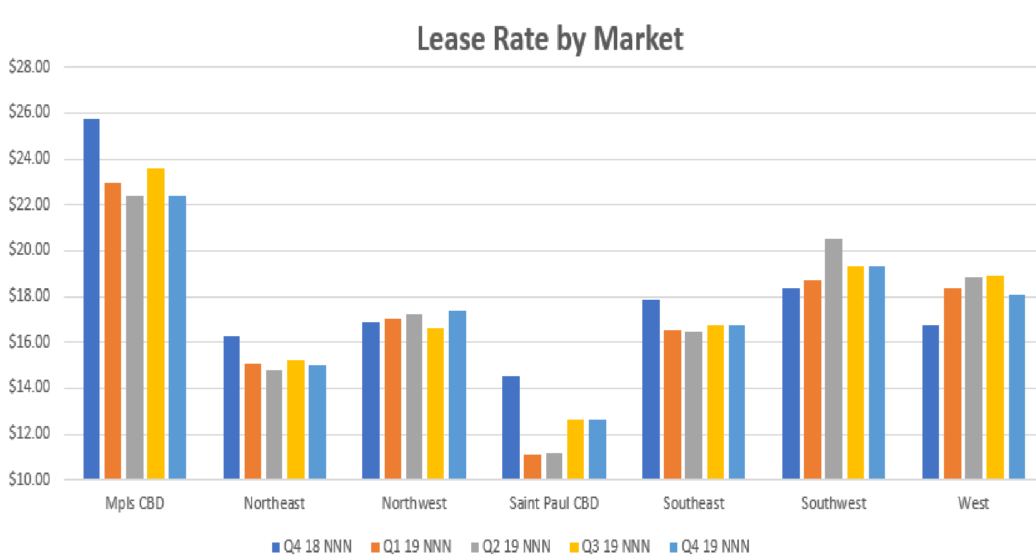
Lease Rates (NNN)

Market	Property Type	Q4 2018 Lease rate	Q1 2019 Lease Rate	Q2 2019 Lease Rate	Q3 2019 Lease Rate	Q4 2019 Lease Rate
Mpls CBD	Community Center					
	Freestanding/Big Box					
	Mixed Use	$25.71	$22.93	$22.42	$23.60	$22.39
	Subtotal	**$25.71**	**$22.93**	**$22.42**	**$23.60**	**$22.39**
Northeast	Community Center	$22.00	$8.00	$8.00	$8.00	$8.00
	Freestanding/Big Box					$11.00
	Mixed Use	$15.86	$16.14	$15.50	$15.50	$15.50
	Neighborhood Center	$15.12	$14.33	$14.33	$14.18	$12.88
	Regional					
	Strip Center	$16.53	$15.26	$15.13	$15.84	$16.12
	Subtotal	**$16.24**	**$15.04**	**$14.81**	**$15.21**	**$15.03**
Northwest	Community Center					
	Freestanding/Big Box					
	Mixed Use	$15.00	$15.33	$18.00	$15.00	$9.33
	Neighborhood Center	$15.88	$14.38	$15.38	$13.67	$13.50
	Strip Center	$17.53	$18.03	$17.59	$17.81	$19.62
	Subtotal	**$16.91**	**$17.00**	**$17.23**	**$16.63**	**$17.37**
Saint Paul CBD	Mixed Use	$14.50	$11.13	$11.17	$12.63	$12.63
	Subtotal	**$14.50**	**$11.13**	**$11.17**	**$12.63**	**$12.63**
Southeast	Community Center	$19.50	$19.00	$19.00	$19.00	$16.50
	Freestanding/Big Box	$24.25	$17.00	$17.00	$17.00	
	Mixed Use	$18.25	$17.38	$17.38	$17.38	$18.65
	Neighborhood Center	$15.86	$14.82	$15.09	$15.30	$15.36
	Regional					
	Strip Center	$17.97	$16.73	$16.34	$16.85	$16.90
	Subtotal	**$17.85**	**$16.57**	**$16.45**	**$16.74**	**$16.77**
Southwest	Community Center	$18.14	$18.14	$18.14	$18.14	$9.00
	Freestanding/Big Box					
	Mixed Use	$19.50	$20.00	$21.81	$19.64	$21.00
	Neighborhood Center	$19.00	$15.51	$17.75	$16.50	$17.13
	Regional					
	Strip Center	$17.45	$18.71	$20.46	$20.00	$20.00
	Subtotal	**$18.37**	**$18.69**	**$20.49**	**$19.36**	**$19.34**
West	Community Center					
	Freestanding/Big Box					
	Mixed Use	$25.00	$30.00	$19.00	$9.00	
	Neighborhood Center	$12.00	$18.50	$27.67	$29.00	$20.00
	Regional					
	Strip Center	$13.75	$16.01	$15.83	$18.88	$17.13
	Subtotal	**$16.71**	**$18.38**	**$18.83**	**$18.92**	**$18.08**
Grand Total		**$17.84**	**$17.12**	**$17.27**	**$17.34**	**$17.25**

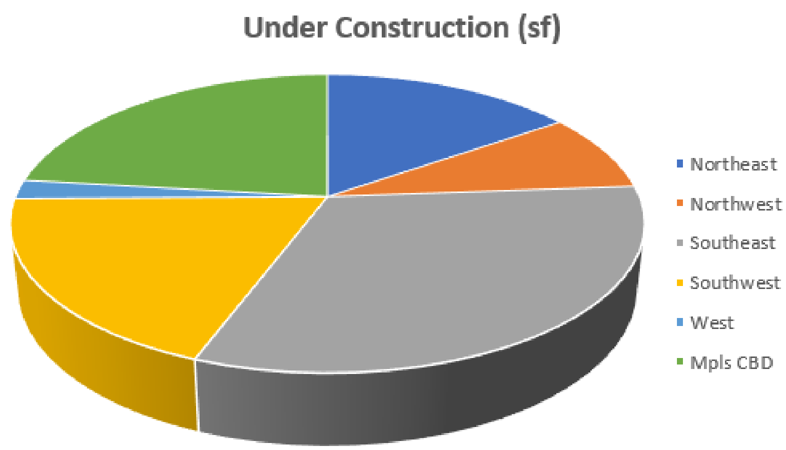
Vacancy and Lease Rates





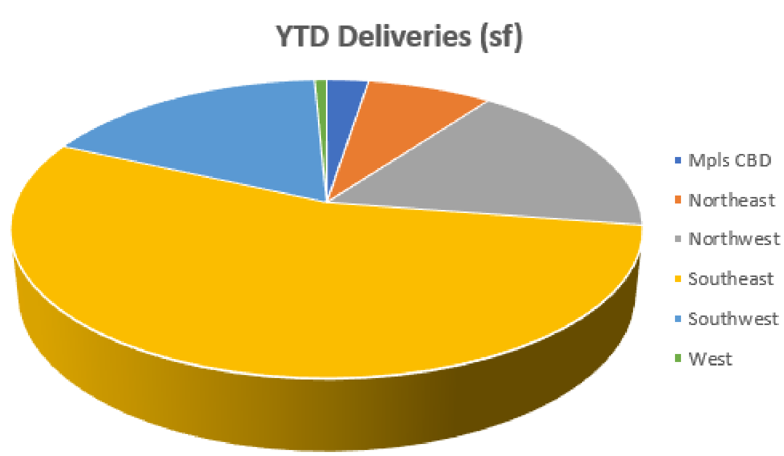


Construction by Market



Market	Bldg Size (sf)
Northeast	245,088
Northwest	135,800
Southeast	510,106
Southwest	304,306
West	33,087
Mpls CBD	369,897
Grand Total	**1,598,284**

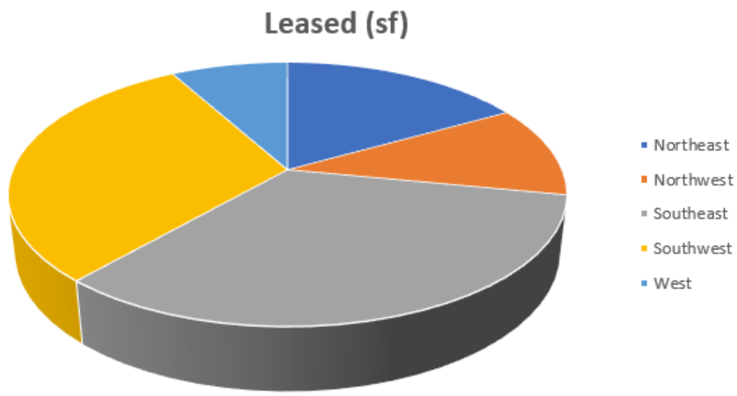
New Deliveries



Market	Bldg Size (sf)
Mpls CBD	14,100
Northeast	42,009
Northwest	96,072
Southeast	301,568
Southwest	96,684
West	4,087
Grand Total	**554,520**

Leasing Activity

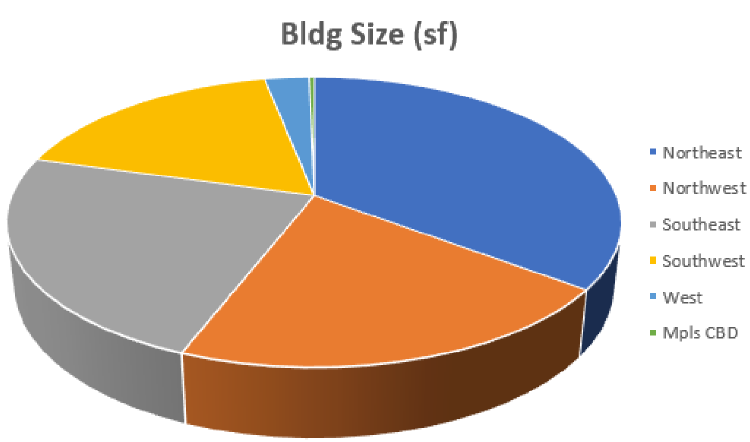
Property	Size (sf)	Market	Tenant	Landlord
Fountain Place 12573-12595 Castlemoor Dr	20,147	Southwest	Sierra Trading Post	Sun Capital Advisers LLC
Salem Square 5300 S Robert Trail	12,683	Southeast	Open Window Theatre	D&T Property, Inc
Arbor Lakes Retail Center 12748-12865 Elm Creek Blvd N	10,628	Northwest	DMP Furniture	KIR Maple Grove LP
Southtown Shopping Center 7971-7995 Southtown Center	8,400	Southwest	My Salon Suite	Kraus-Anderson, Inc
Village of Blaine 4255-4549 Pheasant Ridge Dr NE	8,000	Northeast	Five Below	Blaine Associates



Market	Leased (sf)
Northeast	46,243
Northwest	30,723
Southeast	91,796
Southwest	83,496
West	22,176
Grand Total	**274,434**

Sales Activity

Property	Price	Market	Buyer	Seller
Mills Fleet Farm 17070 Kenrick Ave	$33,000,000	Southeast	JWT Pillsbury, LLC c/o James Tindall Jr	MFF Mortgage Borrower 6, LLC c/o Davidson Kempner Capital Management
Calhoun Square 3001 Hennepin Ave S	$30,000,000	Southwest	NP Uptown, LLC c/o Northpond Partners	Calhoun Square Endeavors, LLC c/o The Ackerberg Group and JPMorgan Chase
Oakdale Village Shopping Center 8301-8368 3rd St N	$25,250,000	Northeast	RCG-Oakdale c/o RCG Ventures	AX Oakdale Village, LP
Hy-Vee 6100 Egan Dr	$22,400,120	Southwest	Exchange Right	Hy-Vee, Inc
Walgreens 5035 Vernon Ave	$11,550,000	Southwest	Oral Two, Crazyhorse, Bird of Prey Four, Circle II,	Vernon Partners, LLC



Market	Bldg Size (sf)
Northeast	560,429
Northwest	329,168
Southeast	372,302
Southwest	279,518
West	44,641
Mpls CBD	4,814
Grand Total	**1,590,872**

Methodology

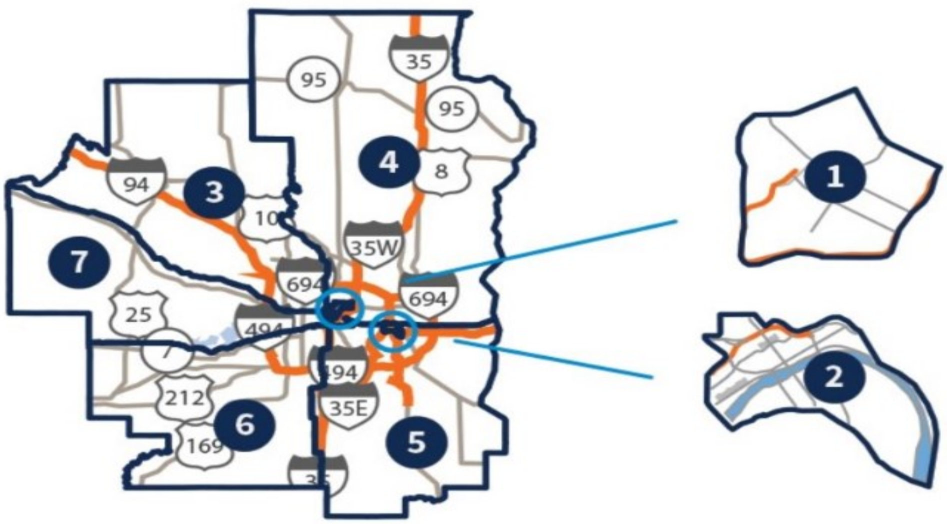
The Mpls-St Paul market consists of multi-tenant and single tenant retail buildings 15,000 sf or larger or are part of a complex larger than 15,000 sf. The geographic area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The tracked set does include mixed use properties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

Avison Young	Jim Rock	Hempel	Ben Krsnak
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