MNCAR | MINNESOTA COMMERCIAL ASSOCIATION OF REAL ESTATE/REALTORS®

REDI

MARKET TRENDS

Q4 2018 | Mpls-St Paul | Retail

Employment

	Current	Y-o-Y
Employment	1,966,722	▲
Area Unemployment	2.0	▼
U.S. Unemployment	3.8	▼
Retail Jobs	382,100	▲

Source: BLS

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

Market Recap

Total Inventory (sf)	89,164,095
Total # of Bldgs	1,660
Availability	7.3%
Vacancy	6.5%
Asking Rate (NNN)	$18.01
Under Construction (sf)	768,897

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Mpls-St Paul metropolitan statistical area (MSA) decreased 50 basis points from 2.5% in November 2017 to 2.0% in November 2018. The unemployment rate for the US was at 3.8% in October 2018, up from 2.8% for the state of Minnesota. The Mpls-St Paul MSA saw an increase in retail job growth, leisure and hospitality growing by 3,600 during the same period.

Market Overview

The Mpls-St Paul retail market, consisting of over 89 msf of space in seven counties across the metro posting an availability rate of 7.3% for Q4 2018. The vacancy rate for the market stands at 6.5% to close out 2018. The average asking lease rate for Mpls-St Paul came in at $18.01 psf NNN. To date, there are over 34 construction projects throughout the market, totaling over 768,000 sf.

Market Highlights

At the close of Q4 2018, the market experienced over 344,000 sf of leasing activity and the vacancy rate finished the year at 6.5% in total and the Southwest market posting the lowest rate at 5.3%. The top five lease transactions accounted for over 135,000 sf throughout Mpls-St Paul with the largest leased space for Hobby Lobby leasing 61,000 sf.

Market Statistics by Submarkets

Submarket	Property Type	# of Bldgs	Total Building Size SF	Total Avail SF	Total Vacant SF	Average Lease Rates (NNN)	Vacancy Rates %
Mpls CBD							
	Freestanding/Big Box	2	273,416				0.0%
	Mixed Use	52	2,187,362	297,902	291,670	25.48	13.3%
	Community Center	1	147,643				0.0%
	Mpls CBD Total	**55**	**2,608,421**	**297,902**	**291,670**	**25.48**	**11.2%**
Northeast							
	Freestanding/Big Box	172	11,958,712	675,677	601,374		5.0%
	Regional	3	2,794,767	425,491	425,491		15.2%
	Neighborhood Center	74	4,779,786	471,184	290,275	15.12	6.1%
	Strip Center	187	4,328,345	474,667	410,620	16.64	9.5%
	Mixed Use	26	735,895	52,983	52,983	15.17	7.2%
	Community Center	19	3,273,235	343,459	304,597	22.00	9.3%
	Northeast Total	**481**	**27,870,740**	**2,443,461**	**2,085,340**	**16.24**	**7.5%**
Northwest							
	Freestanding/Big Box	73	5,121,846	33,136	90,524		1.8%
	Regional	9	491,819	55,325	15,214		3.1%
	Neighborhood Center	31	1,818,336	157,228	264,752	15.10	14.6%
	Strip Center	118	2,241,595	214,334	161,434	17.30	7.2%
	Mixed Use	23	736,812	65,461	48,077	15.00	6.5%
	Community Center	7	1,201,900	45,158	24,412		2.0%
	Northwest Total	**261**	**11,612,308**	**570,642**	**604,413**	**16.60**	**5.2%**
St Paul CBD							
	Mixed Use	14	642,545	47,908	47,908	14.50	7.5%
	St Paul CBD Total	**14**	**642,545**	**47,908**	**47,908**	**14.50**	**7.5%**

Market Statistics by Submarkets Continued

Submarket	Property Type	# of Bldgs	Total Building Size SF	Total Avail SF	Total Vacant SF	Average Lease Rates (NNN)	Vacancy Rates %
Southeast							
	Freestanding/Big Box	160	10,415,566	269,546	148,543	24.25	1.4%
	Regional	10	2,883,780	340,150	316,804		11.0%
	Neighborhood Center	58	3,567,955	352,283	323,833	16.30	9.1%
	Strip Center	200	4,054,596	370,912	303,548	18.00	7.5%
	Mixed Use	31	1,209,240	90,660	62,862	16.76	5.2%
	Community Center	16	2,591,599	375,303	400,969	19.50	15.5%
	Southeast Total	**475**	**24,722,736**	**1,798,854**	**1,556,559**	**17.79**	**6.3%**
Southwest							
	Freestanding/Big Box	88	5,229,358	69,277	148,145	15.00	2.8%
	Regional	2	2,436,919	236,022	236,022		9.7%
	Neighborhood Center	35	2,037,699	101,642	89,388	19.00	4.4%
	Strip Center	99	1,960,289	150,635	64,877	17.72	3.3%
	Mixed Use	32	876,775	68,336	57,342	21.88	6.5%
	Community Center	13	2,507,452	228,915	208,599	20.59	8.3%
	Southwest Total	**269**	**15,048,492**	**854,827**	**804,373**	**19.75**	**5.3%**
West							
	Freestanding/Big Box	26	1,288,935				0.0%
	Regional	2	1,595,191	167,414	157,846		9.9%
	Neighborhood Center	24	1,455,081	57,493	25,298	18.50	1.7%
	Strip Center	35	769,230	71,405	21,237	13.75	2.8%
	Mixed Use	15	743,812	104,920	106,580	25.00	14.3%
	Community Center	2	268,611	59,580	59,580		22.2%
	West Total	**104**	**6,120,860**	**460,812**	**370,541**	**17.75**	**6.1%**
Grand Total		**1659**	**88,626,102**	**6,474,406**	**5,760,804**	**18.01**	**6.5%**

Market Statistics by Property Type

Total

Property Type	Total Building Size SF	Total Avail SF	Total Vacant SF	Vacancy Rate
Freestanding/Big Box	34,287,833	1,047,636	988,586	2.9%
Regional	10,202,476	1,224,402	1,151,377	11.3%
Neighborhood Center	13,658,857	1,139,830	993,546	7.3%
Strip Center	13,354,055	1,281,953	961,716	7.2%
Mixed Use	7,132,441	728,170	667,422	9.4%
Community Center	9,990,440	1,052,415	998,157	10.0%
Grand Total	**88,626,102**	**6,474,406**	**5,760,804**	**6.5%**

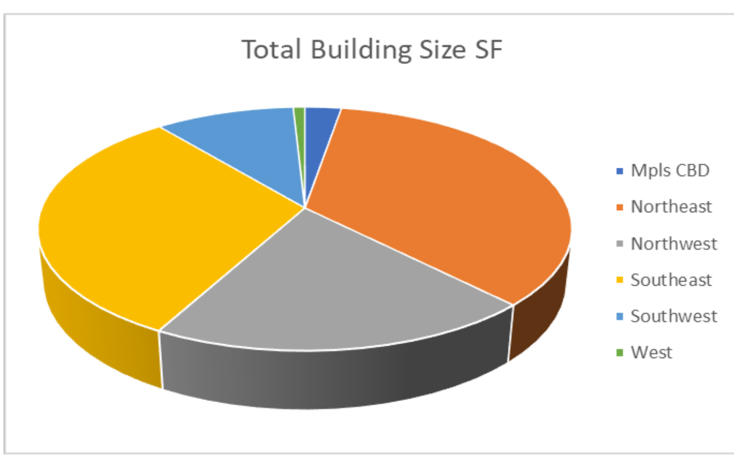
Direct Lease

Property Type	Total Building Size SF	Total Direct Avail SF	Total Direct Vacant SF	Vacancy Rate
Freestanding/Big Box	34,287,833	966,353	953,999	2.8%
Regional	10,202,476	1,222,534	1,151,377	11.3%
Neighborhood Center	13,658,857	1,113,219	985,455	7.2%
Strip Center	13,354,055	1,251,973	946,430	7.1%
Mixed Use	7,132,441	701,064	643,305	9.0%
Community Center	9,990,440	1,005,715	994,057	10.0%
Grand Total	**88,626,102**	**6,260,858**	**5,674,623**	**6.4%**

Sublease

Property Type	Total Building Size SF	Total Sublease Avail SF	Total Sublease Vacant Sf	Vacancy Rate
Freestanding/Big Box	34,287,833	81,283	34,587	0.1%
Regional	10,202,476	3,000		0.0%
Neighborhood Center	13,658,857	26,611	61,944	0.5%
Strip Center	13,354,055	29,580	15,286	0.1%
Mixed Use	7,132,441	27,106	24,117	0.3%
Community Center	9,990,440	46,700	4,100	0.0%
Grand Total	**88,626,102**	**214,280**	**140,034**	**0.2%**

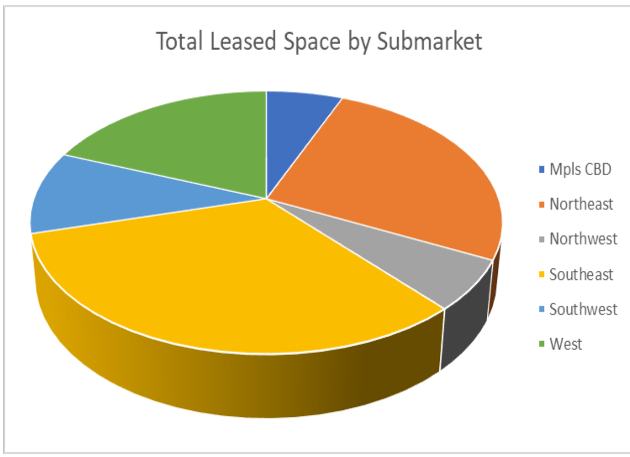
Construction by Submarket



Submarket	**Total Building Size (SF)**
Mpls CBD	20,000
Northeast	270,730
Northwest	153,658
Southeast	241,686
Southwest	76,436
West	6,387
Grand Total	**768,897**

Leasing Activity

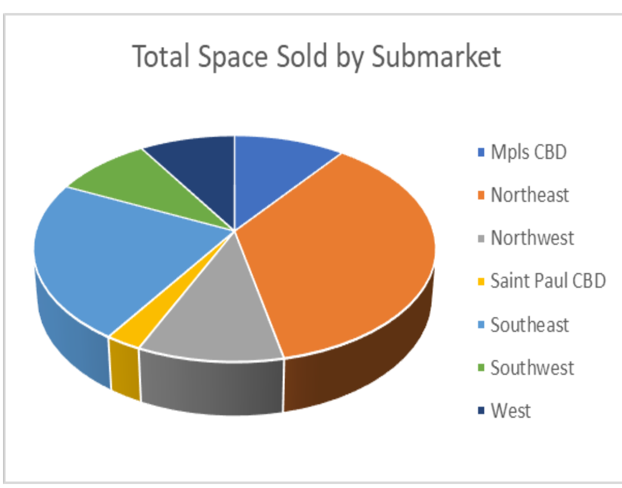
Property Name	Tenant	Occupancy	Submarket	Leased (SF)
Ridgedale Festival 14200 Wayzata Blvd	Hobby Lobby		West	61,369
Shops at Lyndale East 710-900 78th St W	Aldi	Q2 2019	Southeast	23,210
Knollwood Village 8906 Hwy 7	Aldi	Q1 2019	West	20,000
Shops at Lyndale East 710-900 78th St W	Sierra Trading Post	Q2 2019	Southeast	18,458
Shops at Gateway North 38500 Tanger Dr	Dollar Tree	Q2 2019	Northeast	12,000



Submarket	Leased SF
Mpls CBD	21,457
Northeast	89,870
Northwest	21,048
Southeast	111,169
Southwest	35,272
West	65,306

Sales Activity

Property Name	Buyer	Seller	Submarket	Sale Price ($)
City Place 245-375 Radio Dr	Inland Real Estate Group	Elion Partners	Southeast	77,800,000
Top Golf 6420 Camden Ave	VEREIT	Stonemont Financial Group	Northwest	37,800,000
Fire Barn Complex 14-24 University Ave NE	Falcon Ridge Parners LLC	Dan Hunt	Mpls CBD	16,400,000
Roseville Plaza 1720-1800 Hwy 36 W	Roseville Properties LLC and Roseville Holdings LLC	Roseville Plaza 1273 LLC c/o Kimco	Northeast	7,600,000
8450 Hudson Rd	KLLR Realty LLC	Launch Radio LLC	Southeast	7,476,638



Submarket	Size SF
Mpls CBD	96,354
Northeast	337,581
Northwest	94,710
Saint Paul CBD	23,440
Southeast	211,834
Southwest	84,313
West	82,678

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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