



TRANSWESTERN

MINNEAPOLIS - SAINT PAUL RETAIL MARKET

Q4 2023



TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TREND	THREE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.5	2.3	↑	3.2	↑
NET ABSORPTION (THOUSANDS SF)	192.7	77.8	↑	91.4	↑
OVERALL VACANCY RATE	8.0%	7.7%	↑	8.0%	↑
OVERALL VACANT SF (MSF)	7.6	7.6	↔	7.7	↑
UNDER CONSTRUCTION (MSF)	0.5	0.5	↔	0.5	↑
ASKING RENT, NNN (PSF)	\$18.40	\$17.40	↑	\$17.58	↑
SALES VOLUME (MILLIONS)	\$57.6	\$148	↓	\$172.0	↓

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

RETAIL MARKET CONTINUES TO PERFORM

The Minneapolis-Saint Paul (MSP) retail market saw increased leasing activity in Q4 2023. At the close of Q4 2023, the market had 528,800 SF of leasing activity from 139 transactions. MSP's retail market vacancy rate was 8.0%, a 30 basis point decrease from last quarter, but a 20 basis point increase year-over-year. The market had 192,670 SF positive absorption in Q4 and for the year a total of 337,505 negative absorption. The beginning of 2023 started slow, but activity and growth increased the last two quarters.

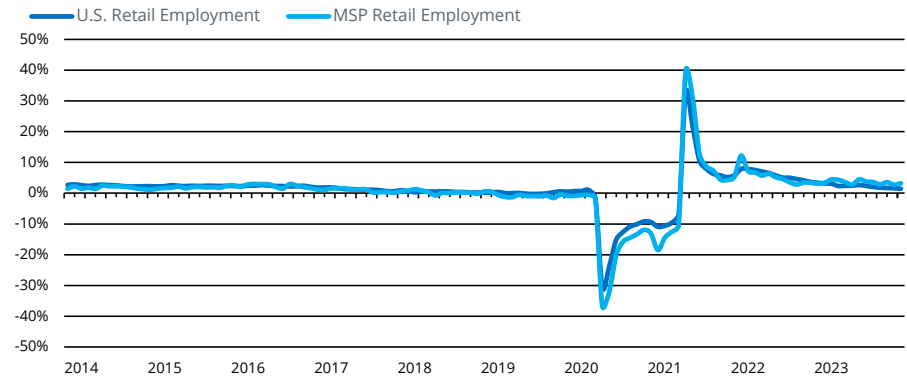
Asking lease rates continue to be competitive as they increased by 5.7% year-over-year to \$18.40/SF NNN. Rental rates have increased significantly due to lack of availability, low vacancy, and a lack of new retail space under construction and being delivered to the market. Retail space under construction increased by 5% from Q4 2022 to 494,571 SF. 284,628 SF was delivered in 2023, significantly lower than the 629,988 SF that was delivered in 2022,

ECONOMY

Job Growth Remains Consistent

- Minneapolis - Saint Paul unemployment decreased from Q3 2023, reaching a historical low of 1.9% in November.
- Total employment in the Minneapolis - Saint Paul metro area grew by 1.5% from the previous year. While solid growth, MSP employment growth continues to be lower than the United States overall, which was 1.8%.
- Retail employment continues to increase in the region. Retail employment grew by 3.2% annually in November to 340,331. Retail employment increased by 3% or more for the 8th time this year and has recorded larger growth than the U.S. overall for 12 consecutive months.
- Retail employment continues to be robust, signaling the strength of the sector in Minneapolis - Saint Paul and that retail spending continues to be solid as inflation wanes.

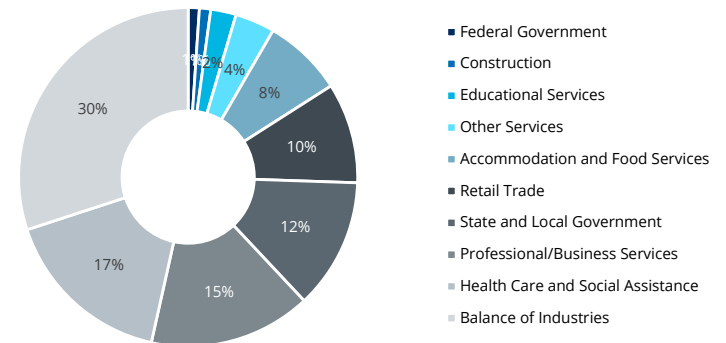
Y-O-Y CHANGE IN RETAIL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

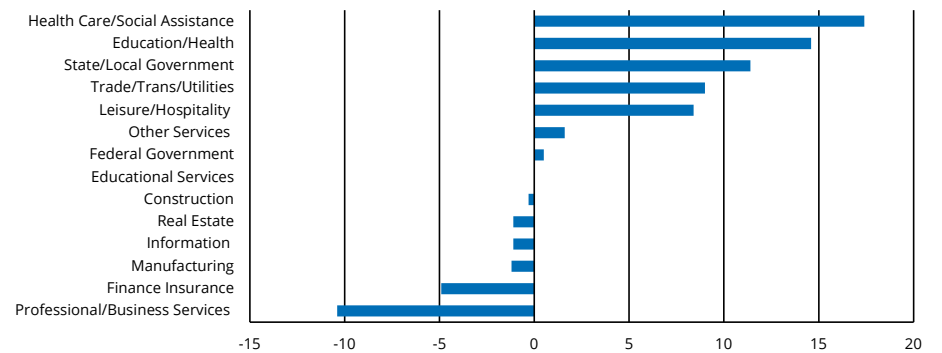
Minneapolis - Saint Paul | November 2023



Source: Bureau of Labor Statistics, Transwestern

YEAR-OVER-YEAR CHANGE IN JOBS BY INDUSTRY

Minneapolis - Saint Paul | November 2023



Source: Bureau of Labor Statistics, Transwestern

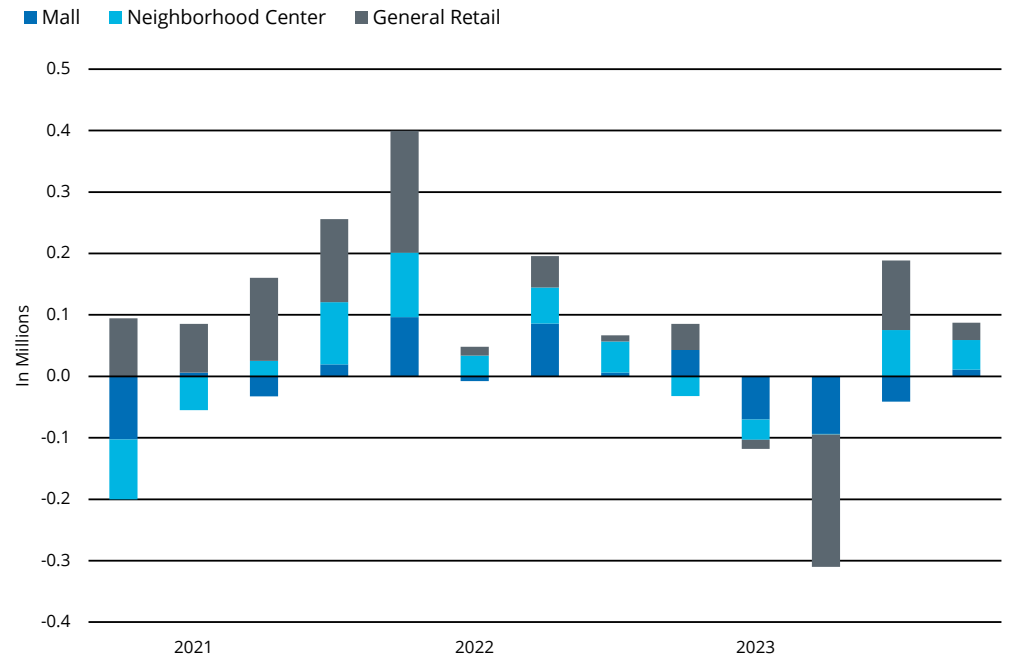


NET ABSORPTION

Demand for Space Rebounds

- The year ended on a stronger foot as net absorption returned to positive. The fourth quarter had 192,670 SF of positive net absorption, bringing the year's total up to negative 337,505 SF.
- The majority of positive absorption in 2023 came from the Neighborhood Center and Strip Center sectors, which contributed 93,861 SF of positive absorption. No property sector recorded a negative net absorption for the quarter.
- The Northeast and Southeast submarkets had the largest positive net absorption in the market. The Northeast submarket had 84,644 SF and the Southeast submarket had 77,791 SF of positive absorption. This was due to large positive absorption in the Strip Center property sector in the Southeast submarket and in the Neighborhood Center property sector in the Northeast submarket.
- The Southwest submarket was the only submarket to record a negative absorption. The Submarket recorded 7,893 SF of negative absorption, with the Neighborhood Center property sector recording 12,279 SF of negative absorption.

NET ABSORPTION BY CLASS



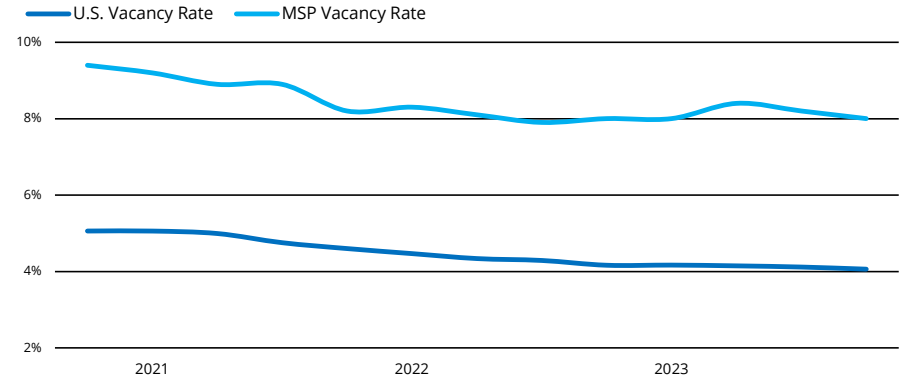
Source: CoStar, Transwestern

VACANCY

Vacancy Rate Stabilizes

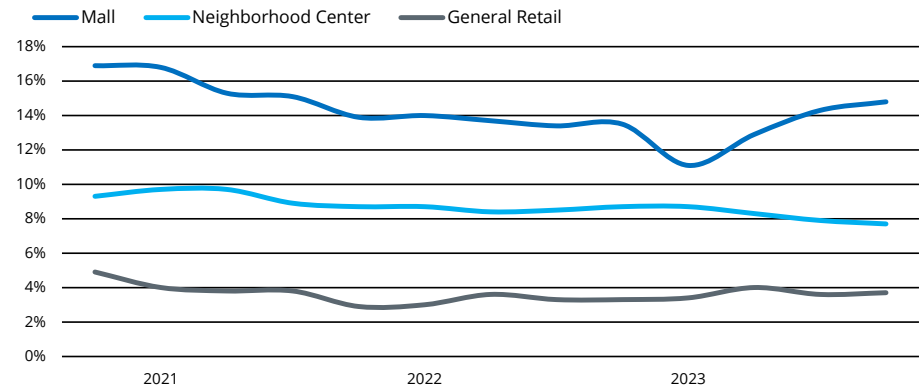
- Overall market vacancy for Q4 2023 was 8.0%, a decrease of 30 basis points from Q3 2023. Year-over-year market vacancy increased by 20 basis points.
- The Southeast submarket vacancy rate was the lowest in the market at 5.8% at the end of the Q4, followed by the Southwest submarket at 6.2%.
- The Minneapolis CBD submarket saw vacancy rates decline for three consecutive quarters, from 29.9% in Q1 2023 to 28.4% in Q4 2023, decreasing by 150 basis points.
- Vacancy rates continue to be low for Freestanding/Big Box and Strip Center property types; the vacancy rates were 3.7% and 5.9% respectively.

OVERALL VACANCY RATE



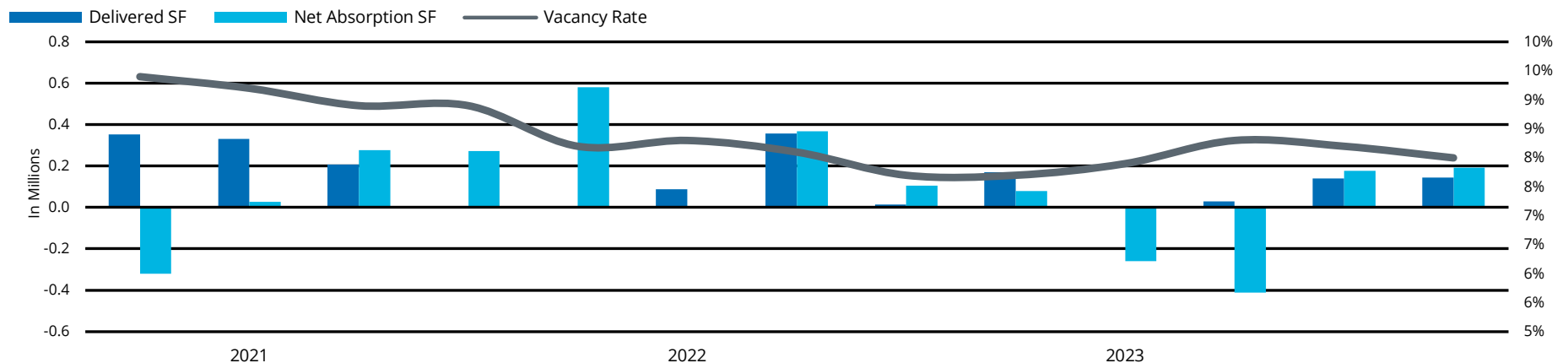
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

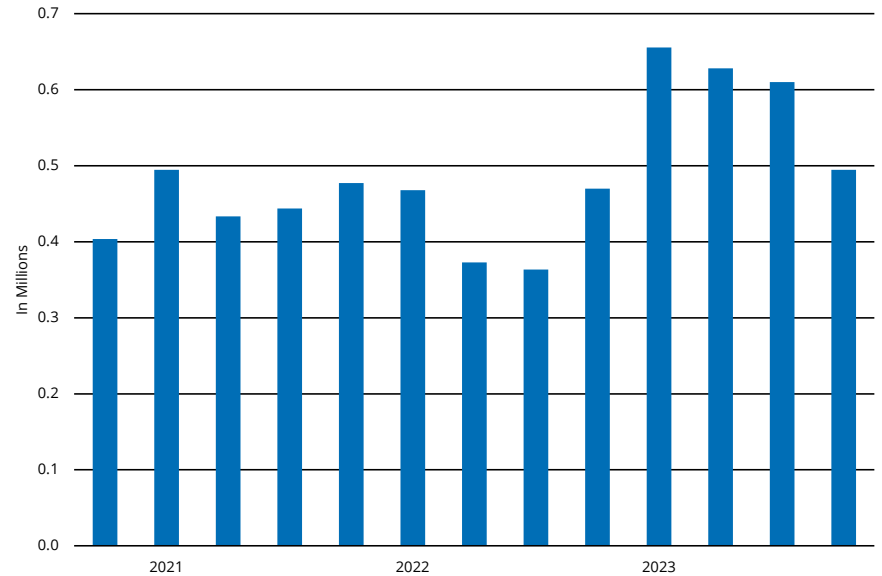


UNDER CONSTRUCTION

Construction Slightly Declines

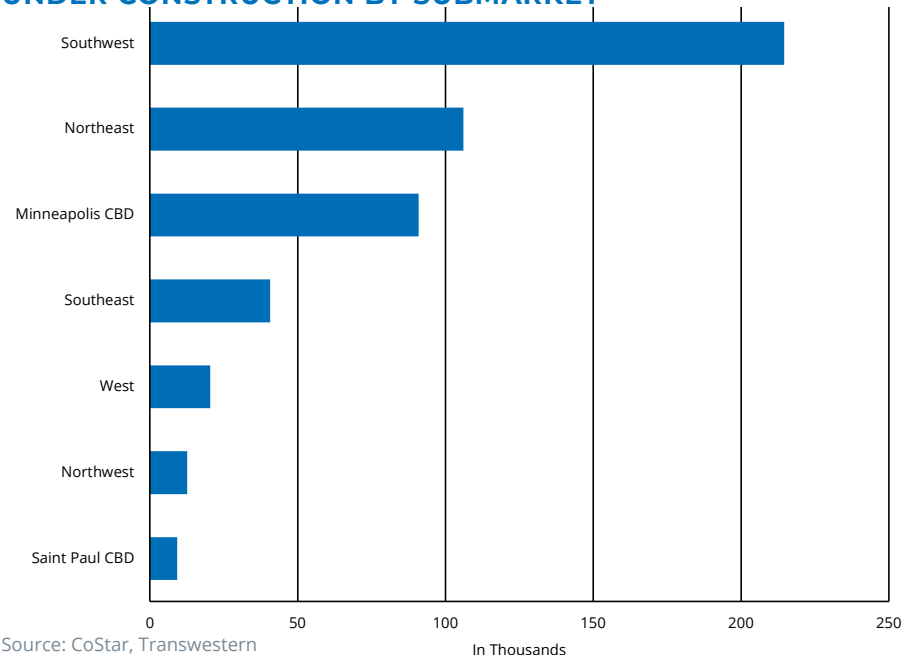
- There was 494,571 SF under construction in the MSP region for Q4 2023. Southwest submarket led the market with 214,605 SF under construction, followed by the Northeast submarket with 106,100 SF under construction.
- Space under construction year-over-year increased by 5%, highlighting that demand is increasing for new space as interest rates moderate opening up increased financing for development and construction.
- New deliveries totaled 284,628 SF in 2023, a 36% decline from 2022. The Southeast submarket had the largest amount of space delivered totaling 215,902 SF, followed by the Southeast submarket with 145,167 SF delivered.
- Construction in 2023 continued to lag as there was tepid demand for new office space as well as the difficulty of obtaining financing for office projects as interest rates increased to the highest level in 20 years.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



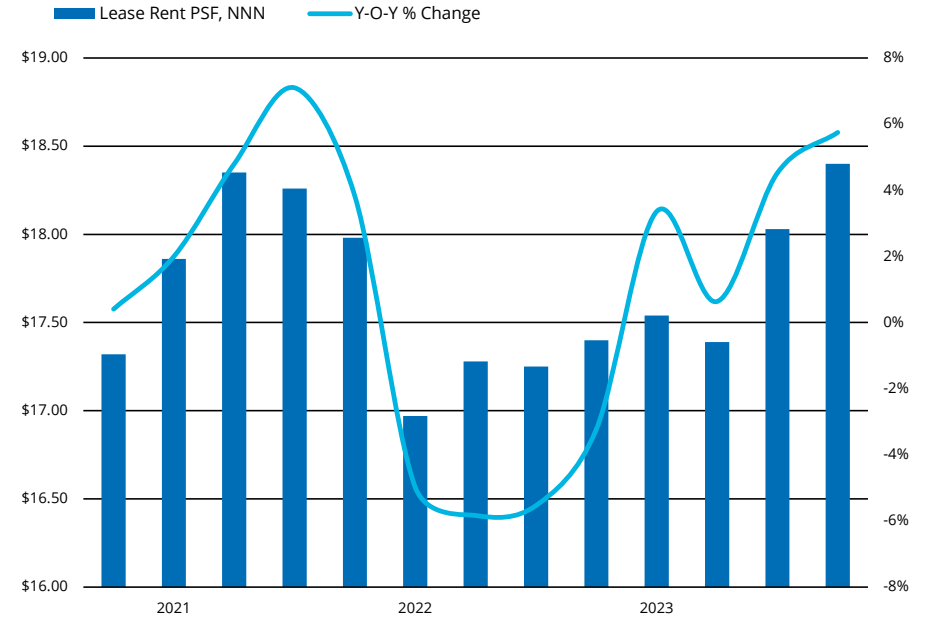
Source: CoStar, Transwestern

RENTAL RATES

Rent Growth Accelerates

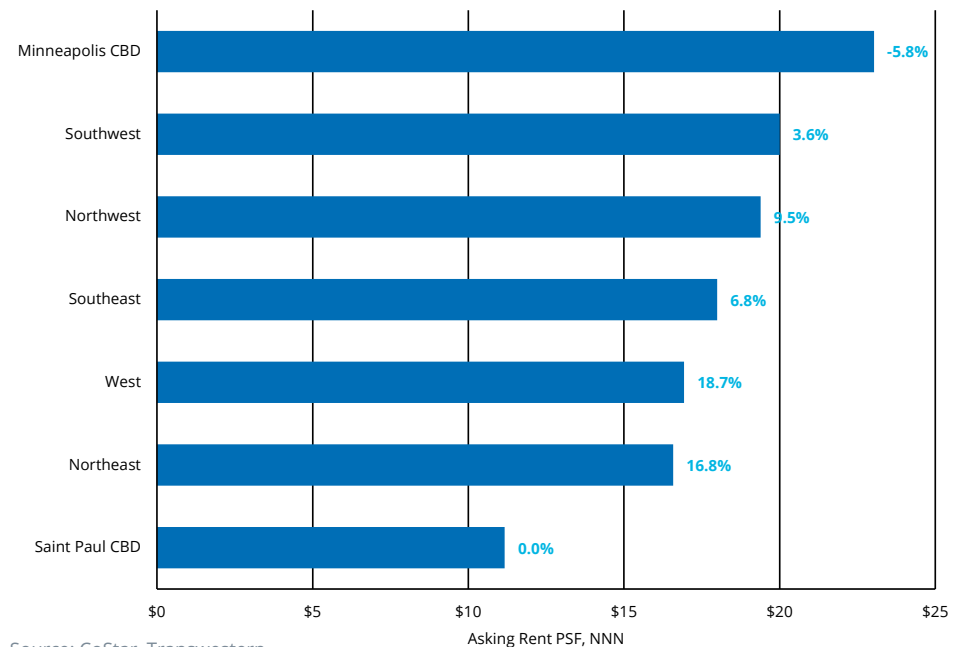
- Average asking rents for the Minneapolis Saint-Paul retail market increased by 3.7% in Q4 2023 to \$18.40 PSF, which was 5.7% higher than rates were at the end of 2022.
- Average asking rents in the suburban submarkets increased by 10.4% in 2023 to \$18.18 PSF. Minneapolis CBD asking rates decreased by 5.8% in 2023 to \$23.03 PSF.
- The largest year-over-year increase was in the West submarket, where rates increased by 18.7% to \$16.93 PSF.
- Asking rents continue their growth as record-low availabilities across most retail subtypes have pushed market asking rents up. While historic annual rent growth trends have been witnessed across all retail subtypes, bifurcation exists between urban and suburban submarkets.

LEASE RENT



Source: CoStar, Transwestern

LEASE RENTS BY SUBMARKET AND Y-O-Y GROWTH



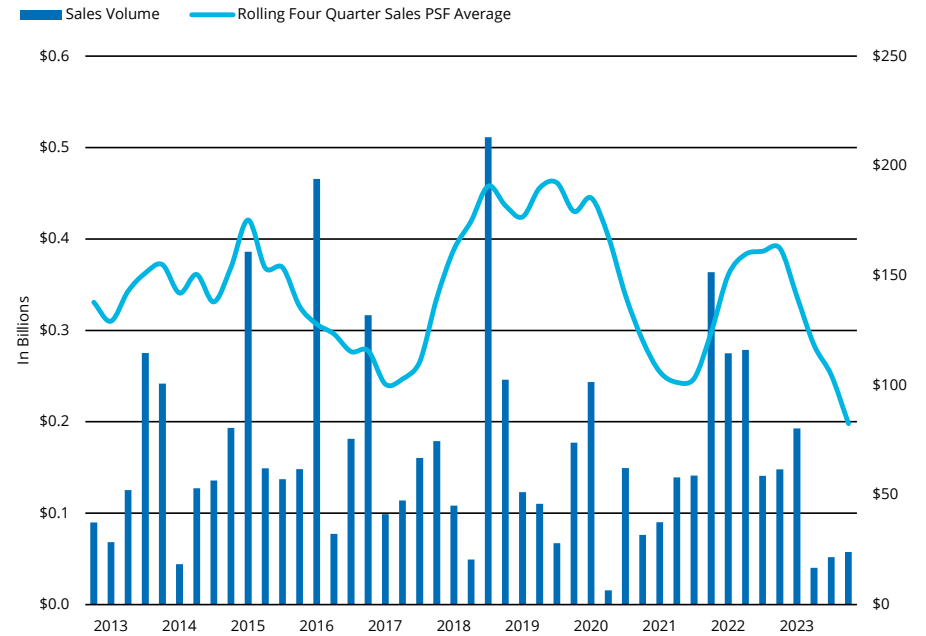
Source: CoStar, Transwestern

SALES

Sales Volume Decreases for 2023

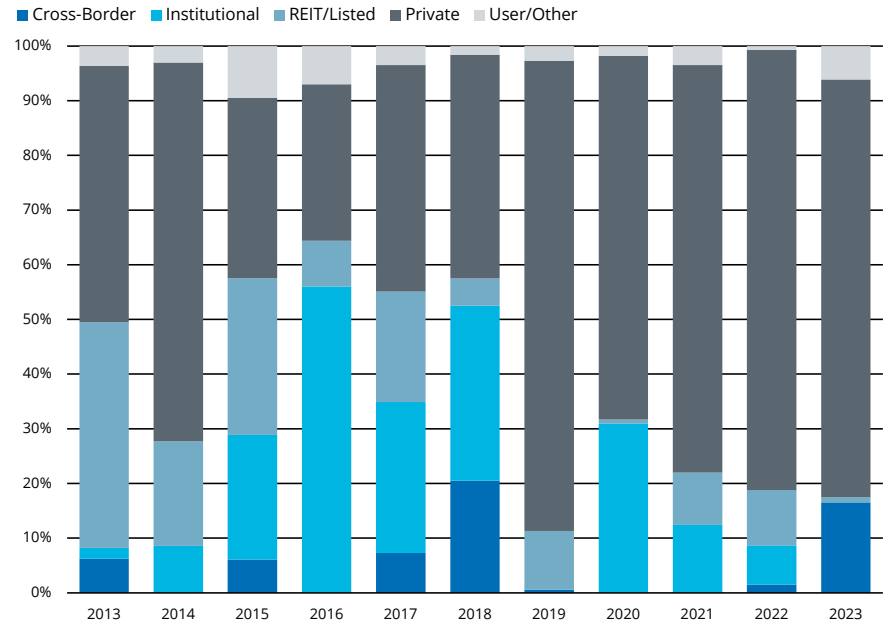
- Sales totaled \$57.5 million in Q4. For 2023 sales totaled \$342.3 million, a 59.4% decline from 2022 when sales totaled \$842.4 million.
- Factors causing this large decrease were the increase in interest rates and reduced per SF price per historical average. Additionally the reduction of equity and debt lending by banks to purchase retail properties continued to slow sales.
- The most notable sale of the quarter was Elk Park Center in Elk River which sold for \$20.8 million; the buyer was Essential Growth Properties and the seller was Brent Herron. The most notable sale for 2023 was Northtown Mall in Blaine for \$31 million in August; the buyer was 4th Dimension Properties and the seller was Washington Prime Group.
- Private and Cross-Border sources made up the vast majority of buyer capital for properties in 2023 which totaled 93% of all capital used in 2023.

SALES VOLUME



Source: CoStar, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
SLUMBERLAND	8490 University Ave NE, Fridley	Northeast	New	35,076
SLUMBERLAND	888 County Rd 42 W, Burnsville	Southeast	New	31,069
ASHLEY FURNITURE	7900 Wedgewood Ln N, Maple Grove	Northwest	New	29,706
PUBLIC LANS (DICKS SPORTING GOODS)	9100 Hudson Rd, Woodbury	Southeast	New	28,785
HOMEGOODS	2480 Fairview Ave N, Roseville	Northeast	New	26,716

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
ELK PARK CENTER 19112 - 19216 FREEPORT ST. ELK RIVER	Northwest	\$20,800,000	205,009	\$101	Essential Growth Properties	Brent Herron
875 GENERAL SIEBEN DR. HASTINGS	Southeast	\$9,800,000	125,958	\$78	Steve Cheney	Fleet Farm
EDINBURGH FESTIVAL CENTER 8505 EDINBURGH CENTER DR N BROOKLYN CENTER	Northeast	\$11,915,000	91,563	\$130	Tamer Alpagot	LS Capital
RAINBOW VILLAGE 405 87TH LN NE BLAINE	Northeast	\$7,575,000	130,806	\$58	405 87th LLC	William Cooley
UNION CROSSINGS 1417-1425 E 7TH ST. MONTICELLO	Northwest	\$7,170,000	70,960	\$101	Black Equities Group, LLC	RCG Ventures

 = Transwestern deal

MARKET INDICATORS

All Property Types | Q4 2023

PROPERTY TYPE	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, NNN
COMMUNITY CENTER	11,611,437	1,405,682	1,612,174	14.1%	30,850	(168,095)	\$14.00
FREESTANDING/BIG BOX	39,154,821	824,149	1,441,689	3.7%	28,000	(88,553)	\$11.00
MIXED USE	7,323,668	1,057,501	1,355,529	18.6%	29,234	(33,588)	\$17.86
NEIGHBORHOOD CENTER	19,080,741	1,402,078	1,462,405	7.7%	48,344	81,727	\$14.64
REGIONAL CENTER	7,018,869	1,043,062	1,040,058	14.8%	10,725	(214,974)	N/A
STRIP CENTER	10,820,661	762,972	638,538	5.9%	45,517	85,978	\$20.35
TOTAL	95,010,197	6,495,444	7,550,393	8.2%	192,670	(337,505)	\$18.40

Community Center | Q4 2023

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
MINNEAPOLIS CBD	147,643	0	0	0.0%	0	1,296	N/A
NORTHEAST	3,857,852	513,454	636,027	16.5%	21,136	(104,898)	\$13.00
NORTHWEST	1,331,047	58,516	163,274	12.3%	5,330	5,330	\$15.00
SOUTHEAST	3,643,806	519,122	533,942	14.7%	1,694	39,049	N/A
SOUTHWEST	2,062,361	168,591	143,591	7.0%	2,690	24,270	N/A
WEST	395,409	145,999	135,340	34.2%	0	(133,142)	N/A
TOTAL	11,438,118	1,405,682	1,612,174	15.6%	30,850	(168,095)	N/A

Freestanding/Big Box | Q4 2023

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
MINNEAPOLIS CBD	273,416	0	0	0.0%	0	0	N/A
NORTHEAST	13,380,978	374,739	674,510	5.0%	8,000	50,822	N/A
NORTHWEST	5,648,555	94,108	518,610	9.2%	0	(203,975)	N/A
SOUTHEAST	12,116,310	284,281	149,650	1.2%	20,000	64,600	\$11.00
SOUTHWEST	5,455,141	71,021	71,021	1.3%	0	0	N/A
WEST	1,675,646	0	27,898	1.7%	0	0	N/A
TOTAL	38,550,046	824,149	1,441,689	3.6%	28,000	(88,553)	N/A

Mixed Use | Q4 2023

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
MINNEAPOLIS CBD	2,876,471	621,524	935,170	32.5%	6,137	(27,811)	\$23.03
NORTHEAST	602,868	55,507	52,285	8.7%	18,796	21,890	\$17.25
NORTHWEST	844,122	50,400	40,265	4.8%	6,925	(8,276)	\$15.00
SAINT PAUL CBD	539,043	91,834	84,528	15.7%	0	(2,539)	\$11.17
SOUTHEAST	1,005,168	66,991	55,796	5.6%	5,894	3,534	\$16.50
SOUTHWEST	882,683	92,787	85,498	9.7%	(5,806)	(9,471)	\$17.50
WEST	524,153	78,458	101,987	19.5%	(2,712)	(10,915)	N/A
TOTAL	7,274,508	1,057,501	1,355,529	18.7%	29,234	(33,588)	\$17.86

Neighborhood Center | Q4 2023

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
NORTHEAST	5,383,981	470,427	501,521	9.3%	29,975	43,179	\$8.13
NORTHWEST	3,262,974	186,057	262,057	8.0%	3,055	285	\$19.00
SOUTHEAST	5,972,271	380,844	404,061	6.8%	21,433	58,848	\$15.17
SOUTHWEST	2,818,209	165,740	149,720	5.3%	(12,279)	2,479	\$16.50
WEST	1,522,941	199,010	145,046	9.5%	6,160	(23,064)	\$14.39
TOTAL	18,960,376	1,402,078	1,462,405	7.9%	48,344	81,727	\$14.64

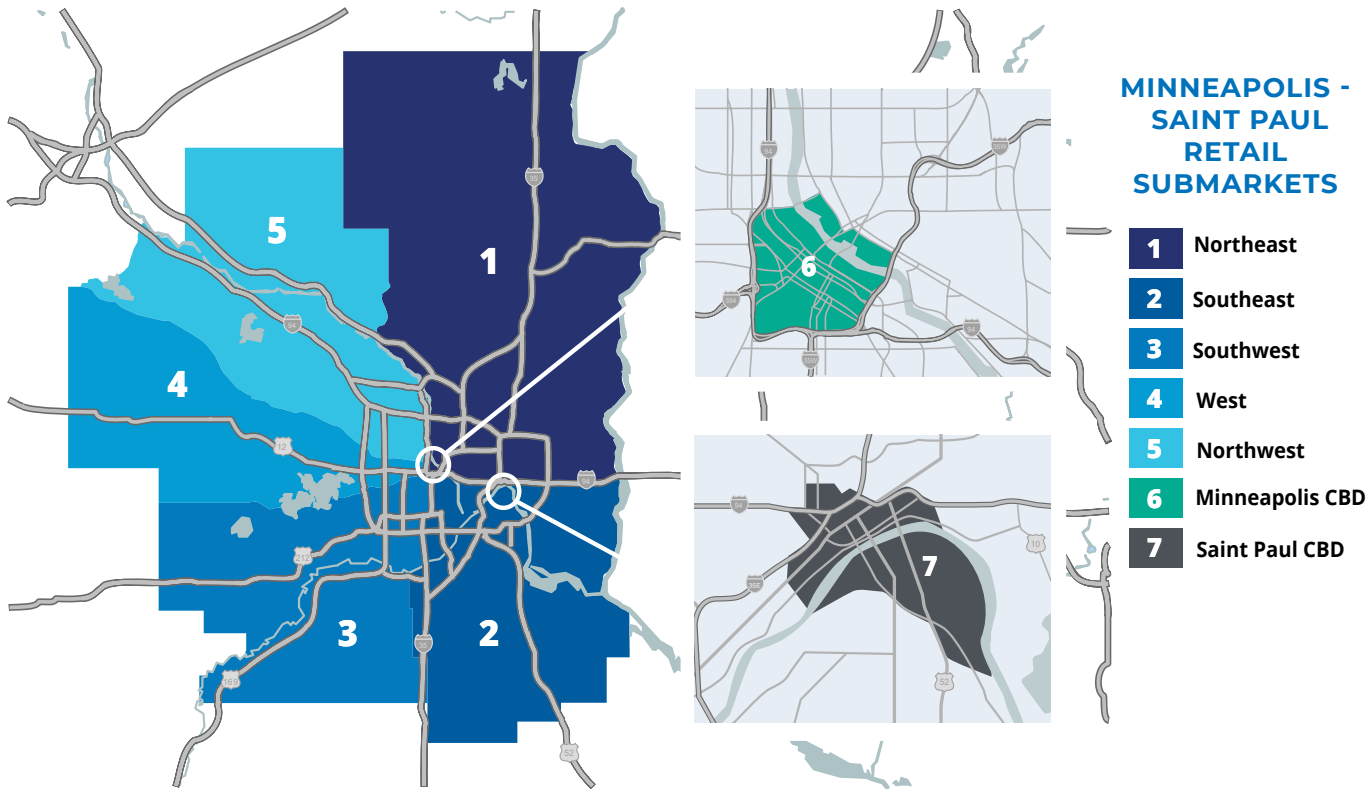


Regional Center | Q4 2023

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
NORTHEAST	2,725,830	390,121	390,121	14.3%	3,056	(163,182)	N/A
SOUTHEAST	609,991	206,374	206,374	33.8%	0	0	N/A
SOUTHWEST	2,087,941	408,971	408,971	19.6%	(7,619)	(94,522)	N/A
WEST	1,595,107	37,596	34,592	2.2%	15,288	42,760	N/A
TOTAL	7,018,869	1,043,062	1,040,058	14.3%	10,725	(214,944)	N/A

Strip Center | Q4 2023

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
MINNEAPOLIS CBD	18,520	5,206	5,206	28.1%	0	(5,206)	N/A
NORTHEAST	3,248,774	211,328	210,302	6.5%	3,681	20,127	\$18.42
NORTHWEST	1,817,318	149,183	103,071	5.7%	(3,374)	2,604	\$20.15
SOUTHEAST	3,057,701	200,168	169,314	5.5%	28,770	50,471	\$20.71
SOUTHWEST	1,788,527	119,422	71,572	4.0%	15,121	18,101	\$21.71
WEST	914,696	77,665	79,073	8.6%	1,319	(119)	\$20.75
TOTAL	10,845,536	762,972	638,538	6.2%	45,517	85,978	\$20.35



RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on retail properties located in the Minneapolis - Saint Paul seven county metro area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties). This report includes single tenant and multi-tenant retail properties 15,000 SF and larger or are a part of a complex larger than 15,000 SF.

FOR MORE INFORMATION

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