

MINNEAPOLIS - SAINT PAUL RETAIL MARKET

Q1 2024



TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	THREE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.9	2.9	↔	2.9	↑
NET ABSORPTION (THOUSANDS SF)	(83.7)	(260.1)	↑	17.7	↑
OVERALL VACANCY RATE	8.0%	8.0%	↔	8.0%	↓
OVERALL VACANT SF (MSF)	7.5	7.6	↓	7.7	↓
UNDER CONSTRUCTION (MSF)	0.5	0.7	↓	0.5	↓
ASKING RENT, NNN (PSF)	\$18.40	\$17.54	↑	\$17.64	↑
SALES VOLUME (MILLIONS)	\$272.4	\$193	↑	\$161.9	↓

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

RETAIL MARKET CONTINUES TO PERFORM

The Minneapolis-Saint Paul (MSP) retail market continues to be solid as the MSP's retail market vacancy rate was 8.0%, a 10 basis point decrease from last quarter and no change year-over-year. The market totaled negative 83,718 SF of absorption in the quarter; the first quarter of negative net absorption since Q2 2023. Leasing activity slightly decreased from the previous quarter as there was 113 transactions totaling 353,900 SF.

Asking lease rates continue to be competitive as they increased by 4.9% year-over-year to \$18.40/SF NNN. Rental rates continued to increase due to lack of availability in key retail submarkets, low vacancy, and a lack of retail space under construction and being delivered to the market. Retail space under construction decreased by 19% from Q1 2023 to 530,077 SF and 46,376 SF was delivered this quarter.

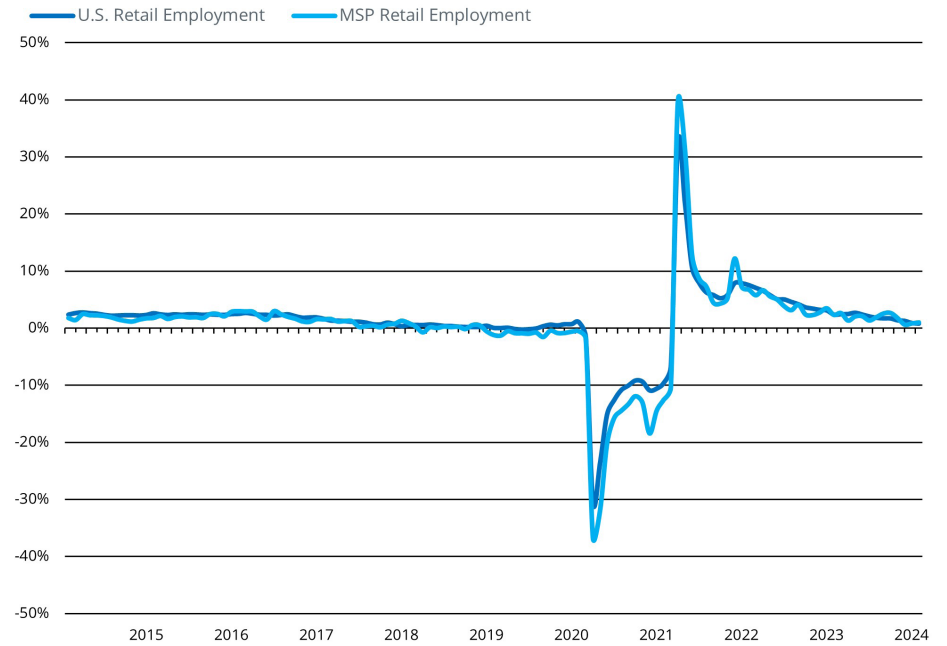


ECONOMY

Job Growth Remains Consistent

- The Minneapolis - Saint Paul (MSP) unemployment rate for Q1 2024 was 2.9%, no change from the previous year. The regional labor force increased by 0.6% to 2.02 million people.
- Total employment in the Minneapolis - Saint Paul metro area grew by 1.1% YoY to 1.95 million. While solid growth, MSP employment growth continues to be lower than the United States overall, which was 1.8%.
- Retail employment saw steady growth in the region. Retail employment grew by 1.0% in February to 324,000, slightly higher than U.S. employment growth of 0.8%. This was the first month since November 2023 where employment growth was at or above 1%.
- Retail employment continues to be robust, signaling the strength of the sector in Minneapolis - Saint Paul and retail spending continues to be strong as inflation wanes.

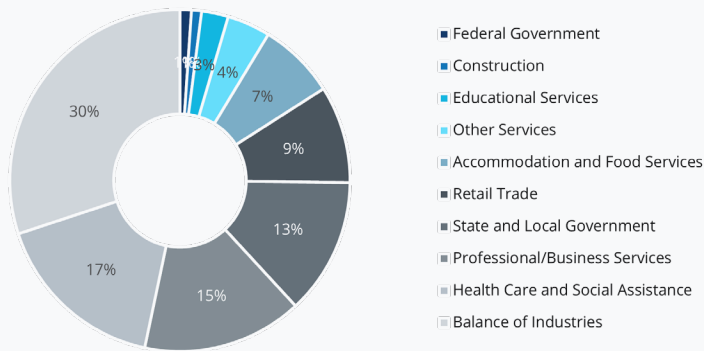
Y-O-Y CHANGE IN RETAIL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

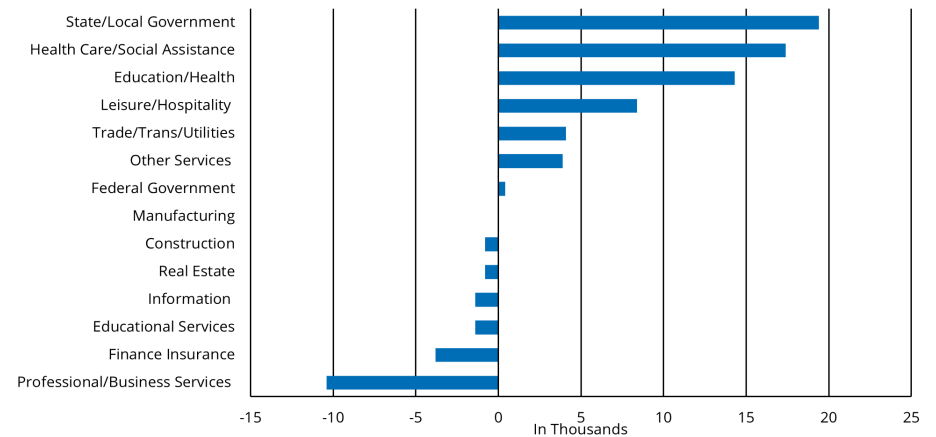
Minneapolis - Saint Paul | February 2024



Source: Bureau of Labor Statistics, Transwestern

YEAR-OVER-YEAR CHANGE IN JOBS BY INDUSTRY

Minneapolis - Saint Paul | February 2024



Source: Bureau of Labor Statistics, Transwestern

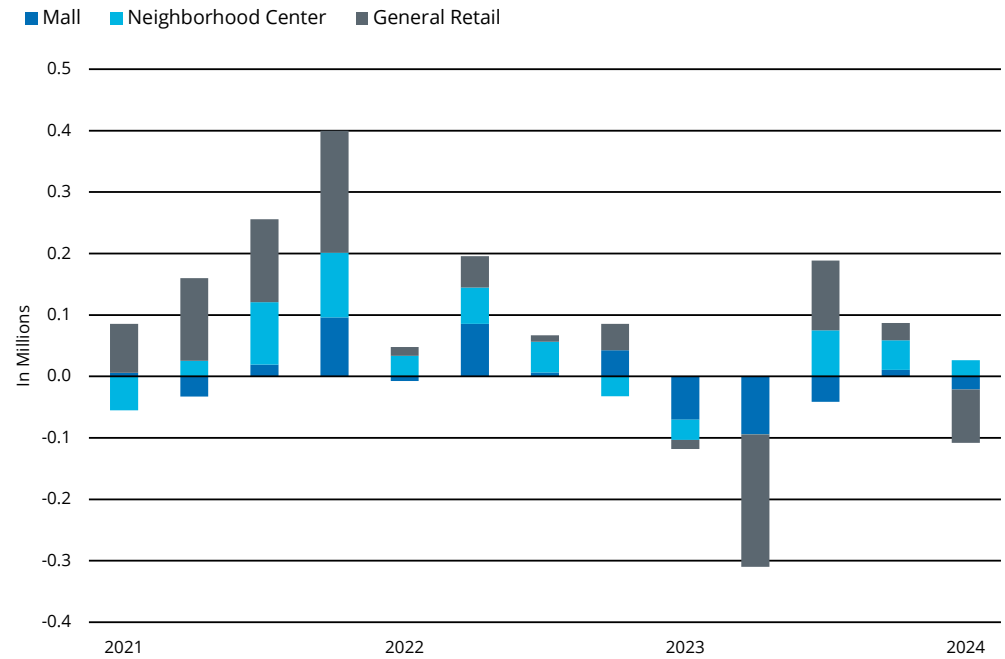


NET ABSORPTION

Demand for Space Decreases

- The year began slowly as net absorption totaled negative 83,718 SF in Q1 2024.
- The majority of negative absorption was from Freestanding/Big Box properties, which totaled a negative 86,762 SF of net absorption, followed by Regional Centers which had a negative 21,245 SF of net absorption.
- The Community Center and Neighborhood Center property types had positive net absorption for the quarter, totaling 29,369 SF and 26,507 SF respectively.
- The Northeast submarket had the largest positive net absorption in the market, totaling 36,834 SF. This was due to large positive absorption, 45,324 SF in the Community Center property type.
- The Southeast submarket recorded the largest negative absorption, totaling negative 114,733 SF of net absorption, with the Freestanding/Big Box property type recording negative 114,733 of net absorption. Several large tenants vacated space including Kowalski's, Best Buy, and Bed, Bath, and Beyond vacated a total of 104,387 SF.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

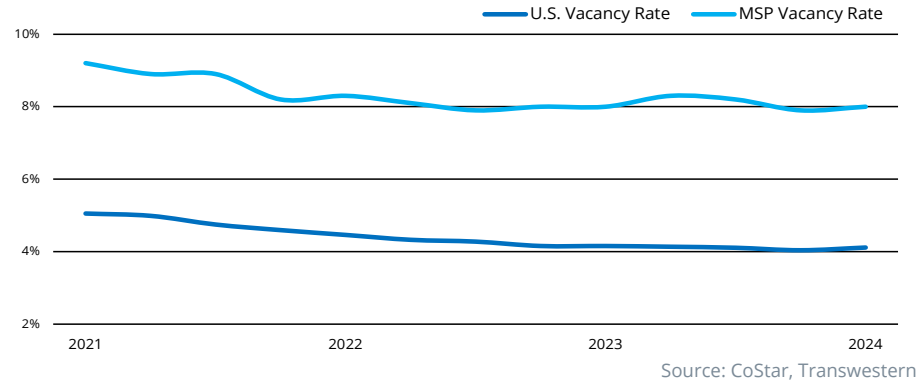


VACANCY

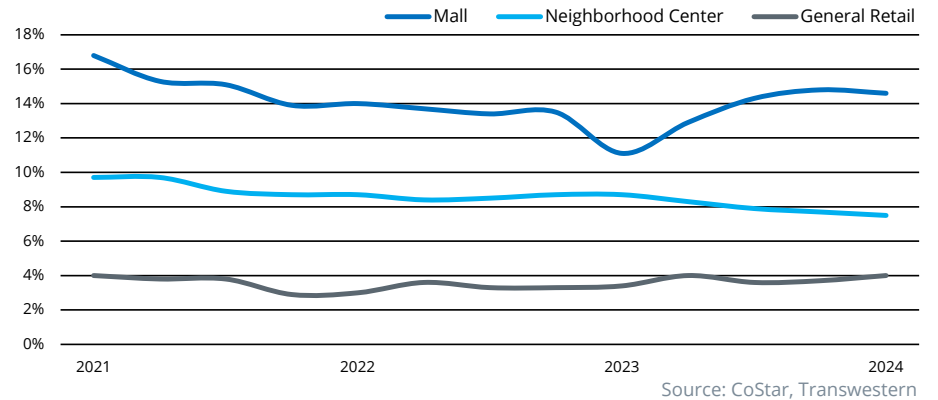
Vacancy Rate Stabilizes

- Overall market vacancy for Q1 2024 was 8.0%, an increase of 10 basis points from the previous quarter. There was no change in vacancy year-over-year.
- The Southwest submarket vacancy rate was the lowest in the market at 6.2% at the end of the quarter, followed by the Southeast submarket at 6.3%.
- The Northeast submarket saw vacancy rates decline for three consecutive quarters, from 8.6% in Q2 2023 to 7.8% in Q1 2024, decreasing by 80 basis points.
- Vacancy rates continue to be low for Freestanding/Big Box and Strip Center property types; the vacancy rates were 4.0% and 5.9% respectively.

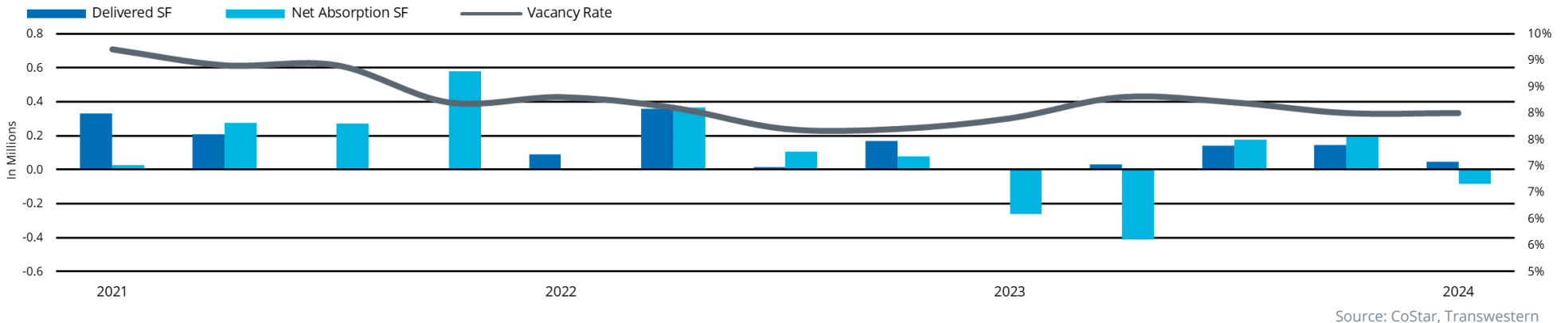
OVERALL VACANCY RATE



OVERALL VACANCY RATE BY CLASS



DELIVERY IMPACT ON KEY INDICATORS



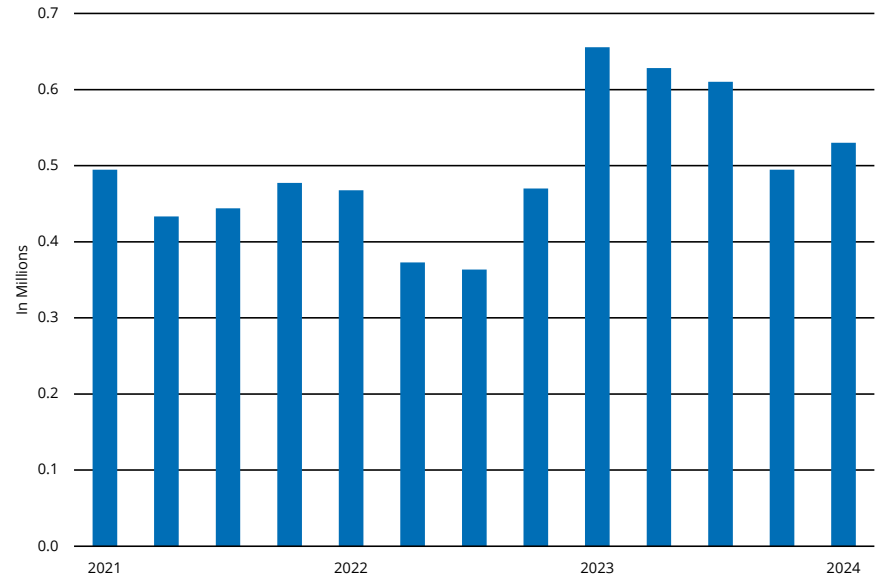


UNDER CONSTRUCTION

Construction Slightly Declines

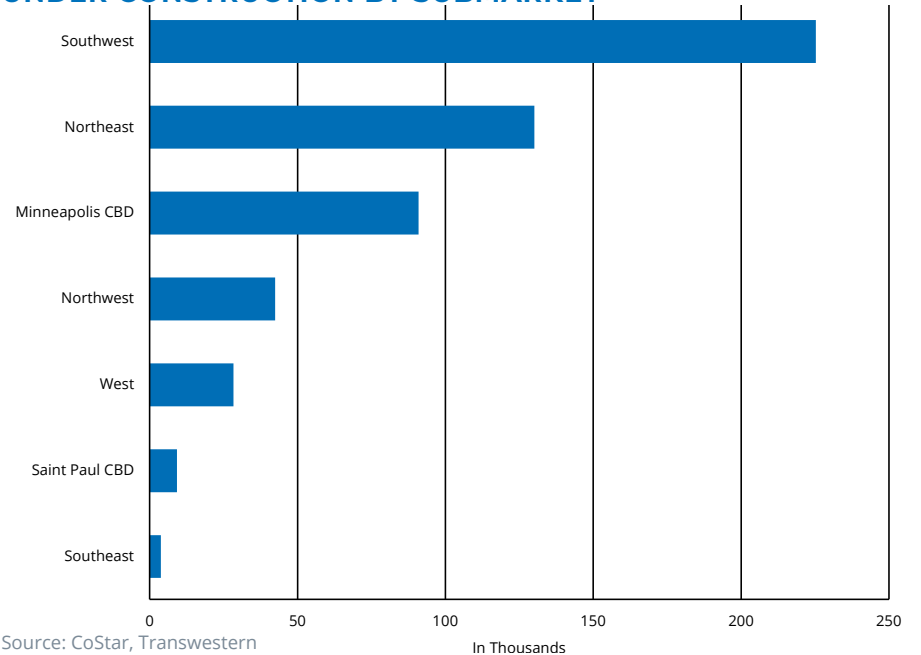
- There was 530,077 SF under construction in the MSP region for Q1 2024. The Southwest submarket led the market with 225,305 SF under construction, followed by the Northeast submarket with 130,100 SF under construction.
- Space under construction year-over-year decreased by 19.1%, highlighting that demand may be decreasing for new space as interest rates continue to be elevated and concerns about a slowing economy may delay projects.
- New deliveries totaled 46,376 SF in the quarter. The Southeast submarket had the largest amount of space delivered totaling 35,104 SF, followed by the Northwest submarket with 7,572 SF delivered.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

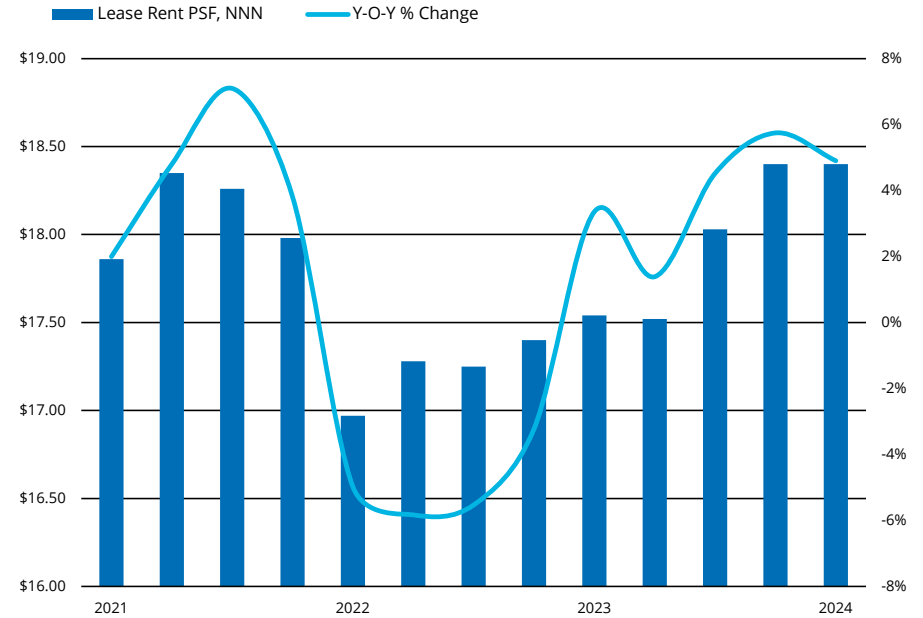


RENTAL RATES

Rent Growth Continues to be Steady

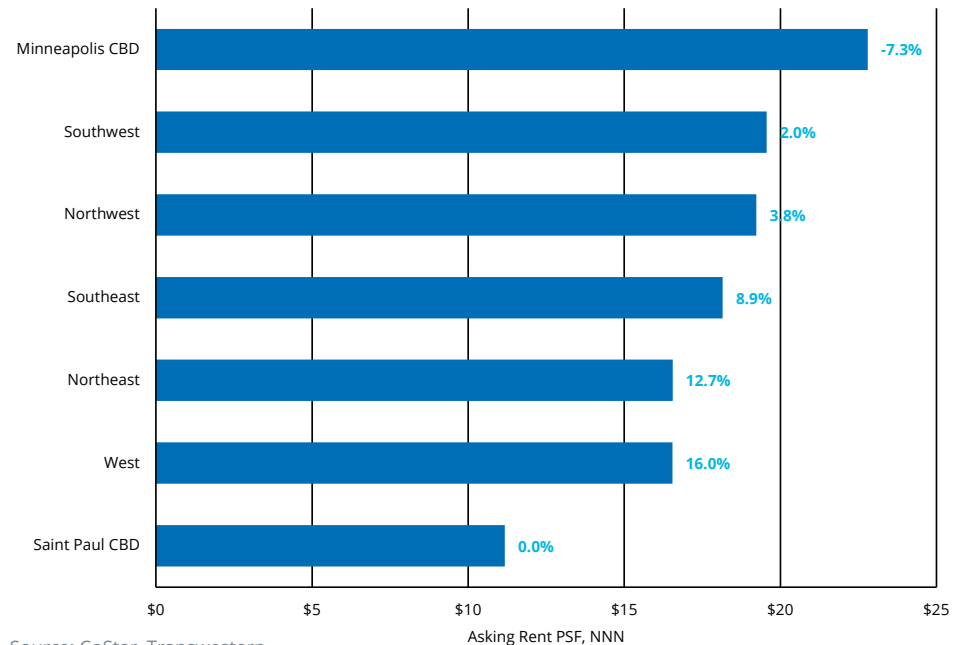
- Average asking rents for the Minneapolis Saint-Paul retail market increased by 4.9% in Q1 2024 to \$18.40 PSF.
- Average asking rents in the suburban markets increased by 8% year-over-year to \$18.00 PSF in Q1, while the Minneapolis CBD asking rent decreased by 7.3% to \$22.80 PSF.
- The largest year-over-year increase was in the West submarket, where rates increased by 16% to \$16.54 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

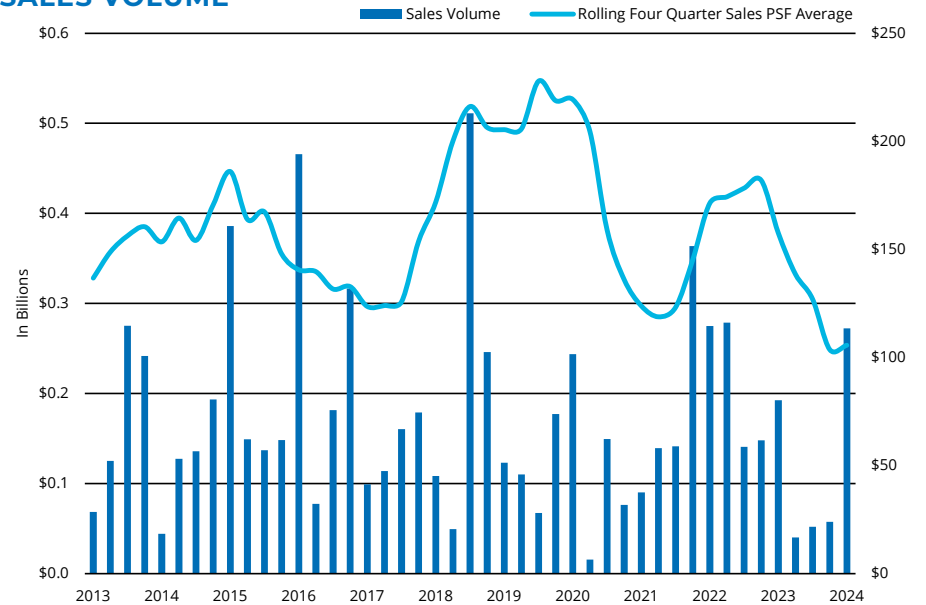


SALES

Sales Volume Rebounds

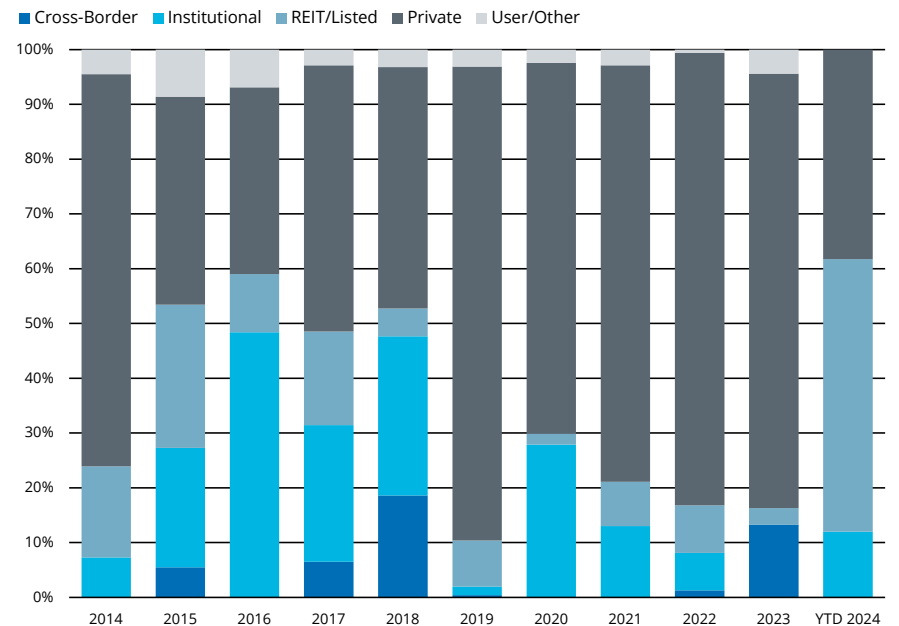
- Sales totaled \$272.3 million in Q1 2024. Sales volume increased by 41.4% year-over-year.
- The sales volume increase was due to a portfolio sales transaction for several car dealerships that traded for \$104.4 million.
- The most notable sale of the quarter was Cabelas in Rogers which sold for \$41.7 million; the buyer was Fortress Investment Group and the seller was Starwood Property Trust. Two other Cabelas stores also sold during the quarter to the same buyers.
- REITs and Private sources made up the vast majority of buyer capital for properties in Q1 2024 which totaled 88% of capital used. REIT made up nearly 50% of buyer capital, which has been the highest share in at least the last decade.

SALES VOLUME



Source: CoStar, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
JERRY'S FOODS	125 Ave NW & Lexington Ave NE, Blaine	Northeast	New	45,000
O'REILLY AUTO PARTS	634 County Rd 10 NE, Blaine	Northeast	New	18,086
NORTHSTAR REGIONAL	500 Marschall Rd S, Shakopee	Southwest	New	14,623
OFFICE DEPOT	1601 W County Rd C, Roseville	Northeast	New	12,831
HOPE BREAKFAST BAR & SALT AND FLOWER	350 N 5th St, Minneapolis	MPLS CBD - North Loop	New	10,000

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
CABELAS 20200 ROGERS DR, ROGERS	Northwest	\$41,795,379	186,379	\$224	Fortress Investment Group	Starwood Property Trust
BMW OF MINNETONKA 15802 WAYZATA BLVD, WAYZATA	West	\$40,310,017	81,417	\$495	Lithia Real Estate, Inc.	Carousel Motor Group
TWIN CITIES PERFORMANCE 9191 WAYZATA BLVD GOLDEN VALLEY	West	\$35,050,000	10,393	\$3,372	Lithia Real Estate, Inc.	Carousel Motor Group
MAPLEWOOD AUDI 2450 MAPLEWOOD DR MAPLEWOOD	Northeast	\$29,050,000	33,967	\$855	Lithia Real Estate, Inc.	Carousel Motor Group
RAISING CANE'S 13001 ROUND LAKE BLVD COON RAPIDS	Northwest	\$5,400,000	2,780	\$1,942	TBD	John A Williams Trust

= Transwestern deal



MARKET INDICATORS

All Property Types | Q1 2024

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	1,186,616	1,495,249	13.4%	29,369	29,369	\$11.50
FREESTANDING/BIG BOX	39,154,821	906,829	1,525,353	4.0%	(86,762)	(86,762)	\$11.00
MIXED USE	7,323,668	1,098,199	1,390,582	19.3%	(16,691)	(16,691)	\$17.63
NEIGHBORHOOD CENTER	19,080,741	1,461,070	1,426,319	7.5%	26,507	26,507	\$14.88
REGIONAL CENTER	7,018,869	1,030,099	1,027,095	14.6%	(21,245)	(21,245)	N/A
STRIP CENTER	10,820,661	791,293	650,055	5.9%	(14,896)	(14,896)	\$20.23
TOTAL	95,010,197	6,474,106	7,514,653	8.2%	(83,718)	(83,718)	\$18.40

Community Center | Q1 2024

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	0	N/A
NORTHEAST	3,857,852	434,250	510,051	13.7%	45,324	45,324	\$8.00
NORTHWEST	1,331,047	58,516	157,298	11.8%	5,976	5,976	\$15.00
SOUTHEAST	3,643,806	401,817	564,784	16.2%	(30,042)	(30,042)	N/A
SOUTHWEST	2,062,361	152,776	127,776	6.2%	8,111	8,111	N/A
WEST	395,409	139,257	135,340	34.2%	0	0	N/A
TOTAL	11,438,118	1,405,682	1,612,174	15.6%	30,850	(168,095)	N/A



Freestanding/Big Box | Q1 2024

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		N/A
NORTHEAST	13,380,978	417,743	670,267	5.1%	(13,500)	(13,500)	N/A
NORTHWEST	5,625,919	88,149	512,651	9.1%	0	0	N/A
SOUTHEAST	12,171,034	329,916	243,516	2.0%	(73,262)	(73,262)	\$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	38,582,134	906,829	1,525,353	3.6%	(86,762)	(86,762)	N/A

Mixed Use | Q1 2024

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	641,138	955,276	34.0%	(3,010)	(3,010)	\$22.80
NORTHEAST	602,868	60,689	55,758	9.2%	(3,473)	(3,473)	\$17.25
NORTHWEST	844,122	43,360	38,671	4.6%	1,594	1,594	\$15.00
SAINT PAUL CBD	539,043	91,834	84,528	15.7%	0	0	\$11.17
SOUTHEAST	1,005,168	74,582	63,753	6.4%	(9,659)	(9,659)	\$15.63
SOUTHWEST	882,683	93,350	89,625	10.2%	(1,159)	(1,159)	\$16.50
WEST	524,153	93,246	102,971	19.6%	(984)	(984)	N/A
TOTAL	7,274,508	1,098,199	1,390,582	18.7%	(16,691)	(16,691)	\$17.63

Neighborhood Center | Q1 2024

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	487,266	496,108	9.1%	5,719	5,719	\$11.25
NORTHWEST	3,262,974	188,392	258,998	7.9%	3,059	3,059	\$19.00
SOUTHEAST	5,972,271	487,328	401,290	6.7%	7,552	7,552	\$15.33
SOUTHWEST	2,818,209	135,032	124,877	4.4%	10,177	10,177	\$16.50
WEST	1,522,941	163,052	145,046	9.5%	0	0	\$12.33
TOTAL	18,960,376	1,461,070	1,426,319	7.9%	26,507	26,507	\$14.88

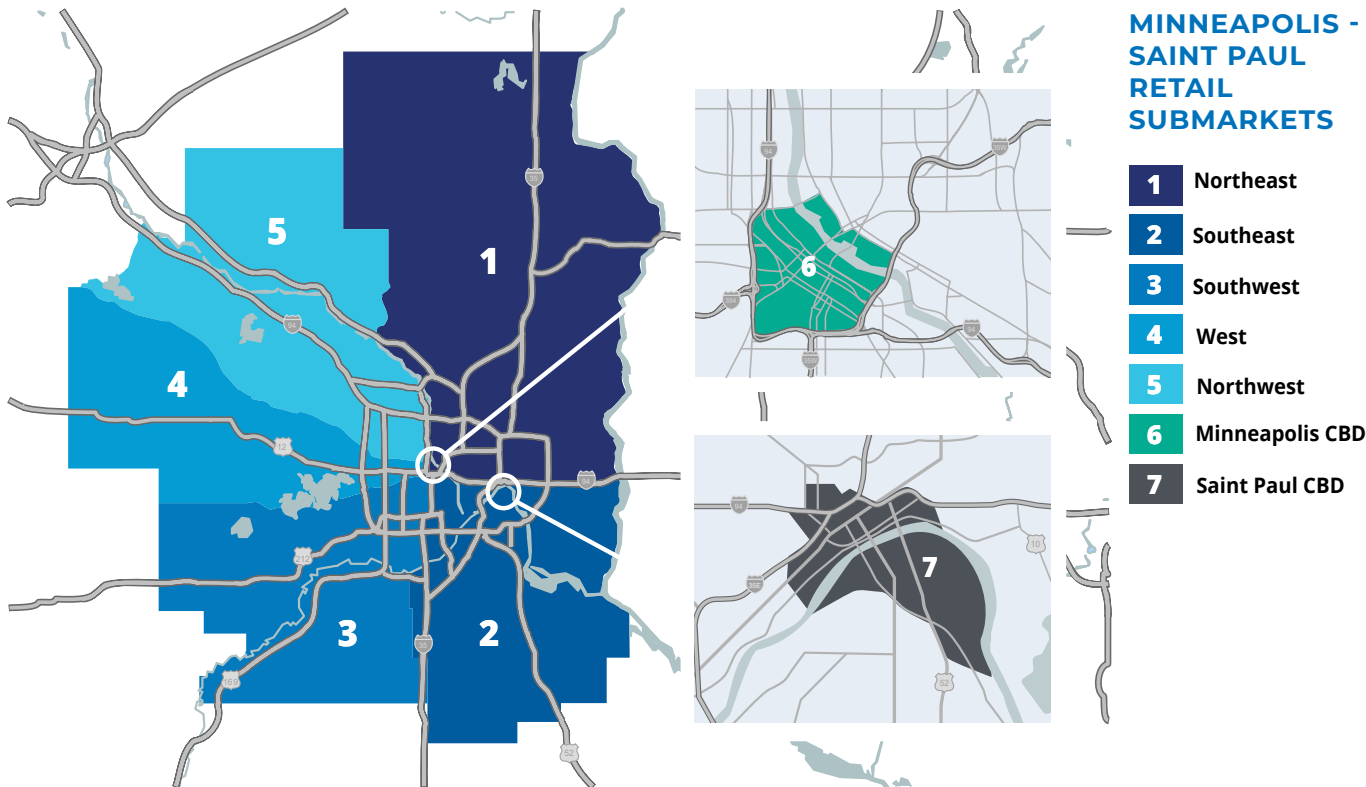


Regional Center | Q1 2024

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	339,148	339,148	12.4%	(9,458)	(9,458)	N/A
SOUTHEAST	609,991	206,374	206,374	33.8%	0	0	N/A
SOUTHWEST	2,087,941	437,816	437,816	21.0%	(6,633)	(6,633)	N/A
WEST	1,595,107	46,761	43,757	2.7%	(5,154)	(5,154)	N/A
TOTAL	7,018,869	1,030,099	1,027,095	14.3%	(21,245)	(21,245)	N/A

Strip Center | Q1 2024

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	0	N/A
NORTHEAST	3,248,774	190,826	200,991	6.1%	12,222	12,222	\$18.42
NORTHWEST	1,817,318	148,553	109,021	6.0%	(5,950)	(5,950)	\$20.15
SOUTHEAST	3,057,701	213,816	178,636	5.8%	(9,322)	(9,322)	\$20.99
SOUTHWEST	1,788,527	155,506	80,003	4.5%	(13,641)	(13,641)	\$20.84
WEST	914,696	77,386	76,198	8.3%	1,795	1,795	\$20.75
TOTAL	10,845,536	791,293	650,055	6.2%	(14,896)	(14,896)	\$20.23



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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