

# MINNEAPOLIS - SAINT PAUL RETAIL MARKET

Q2 2024



## TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	THREE- YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.7	2.7	↔	2.8	↑
NET ABSORPTION (THOUSANDS SF)	187.1	(411.9)	↑	17.7	↑
OVERALL VACANCY RATE	7.8%	8.3%	↓	7.9%	↓
OVERALL VACANT SF (MSF)	7.3	7.9	↓	7.6	↓
UNDER CONSTRUCTION (MSF)	0.6	0.6	↔	0.5	↓
ASKING RENT, NNN (PSF)	\$18.54	\$17.52	↑	\$17.82	↑
SALES VOLUME (MILLIONS)	\$83.5	\$57	↑	\$164.3	↑

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

## RETAIL MARKET CONTINUES TO GROW

The Minneapolis-Saint Paul (MSP) retail market continues to be solid as the MSP's retail market vacancy rate was 7.8%, a 10 basis point decrease from last quarter and a decrease of 50 basis points year-over-year. The market totaled 181,943 SF of positive absorption in the quarter; the largest positive absorption since Q4 2021. Leasing activity increased from the previous quarter as there were 125 transactions totaling 412,600 SF.

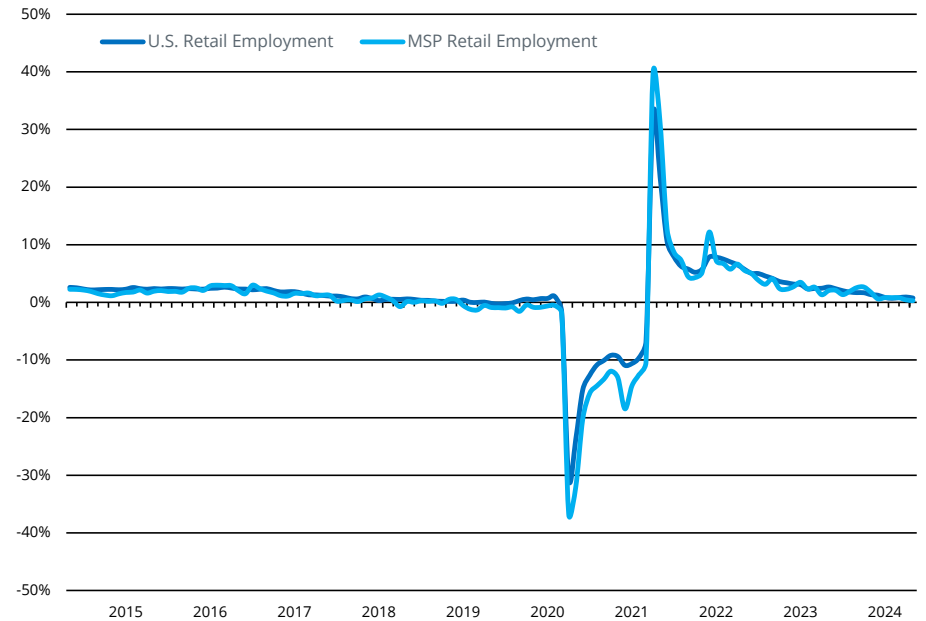
Asking lease rates continue to be competitive as they increased by 5.8% year-over-year to \$18.54/SF NNN. Rental rates continued to increase due to lack of availability in key retail submarkets, low vacancy rates, and lack of new space being delivered to the market. There are signs, though, that new construction may be rebounding, as 124,752 SF of space was delivered in Q2, nearly doubled the amount space year-over-year and over 591,000 SF is under construction, it's highest level in nearly a year.

**ECONOMY**

**Job Growth Remains Consistent**

- The Minneapolis - Saint Paul (MSP) unemployment rate for May 2024 was 2.6%, no change from the previous year. The regional labor force, year-over-year, decreased by 0.9% to 2.15 million people.
- Total employment in the Minneapolis - Saint Paul metro area was down by 1.1% YoY to 1.96 million. Employment, year-over-year, decreased for the first time since March 2021.
- Retail employment saw slowing growth in the region. Retail employment grew by 0.3% in May to 335,500, lower than U.S. employment growth of 0.8%. This was the first time employment growth was below 0.5% for consecutive months since July and August 2018.
- Retail employment continues grow, signaling the strength of the sector in Minneapolis - Saint Paul and retail spending continues to see solid growth as inflation wanes.

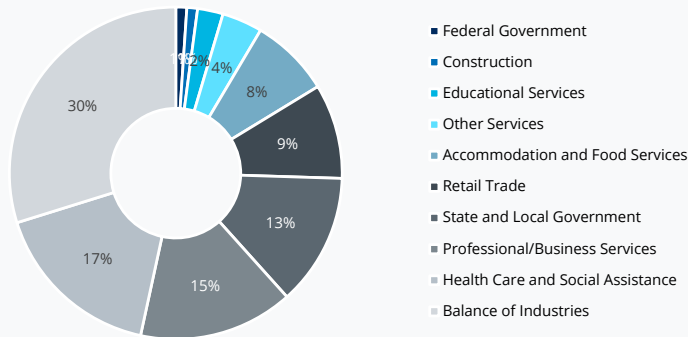
**Y-O-Y CHANGE IN RETAIL JOBS**



Source: Bureau of Labor Statistics, Transwestern

**SHARE OF EMPLOYEES BY INDUSTRY**

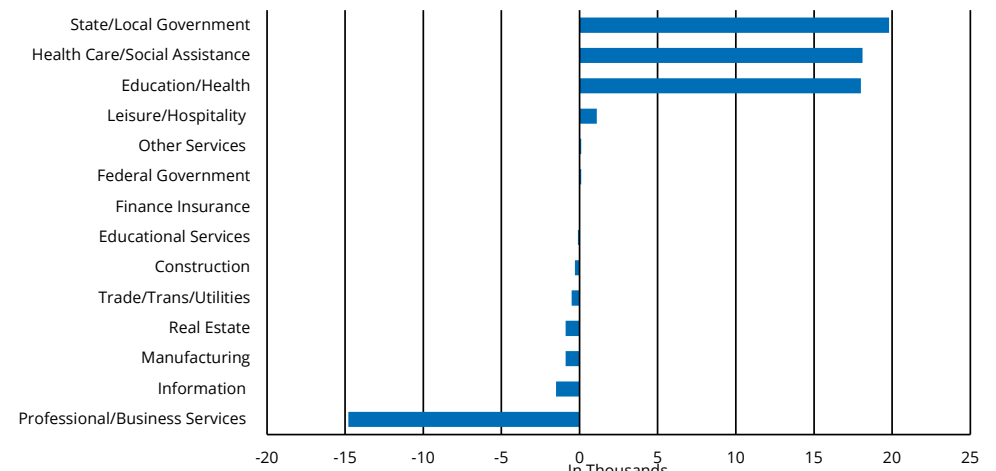
Minneapolis - Saint Paul | May 2024



Source: Bureau of Labor Statistics, Transwestern

**YEAR-OVER-YEAR CHANGE IN JOBS BY INDUSTRY**

Minneapolis - Saint Paul | May 2024



Source: Bureau of Labor Statistics, Transwestern

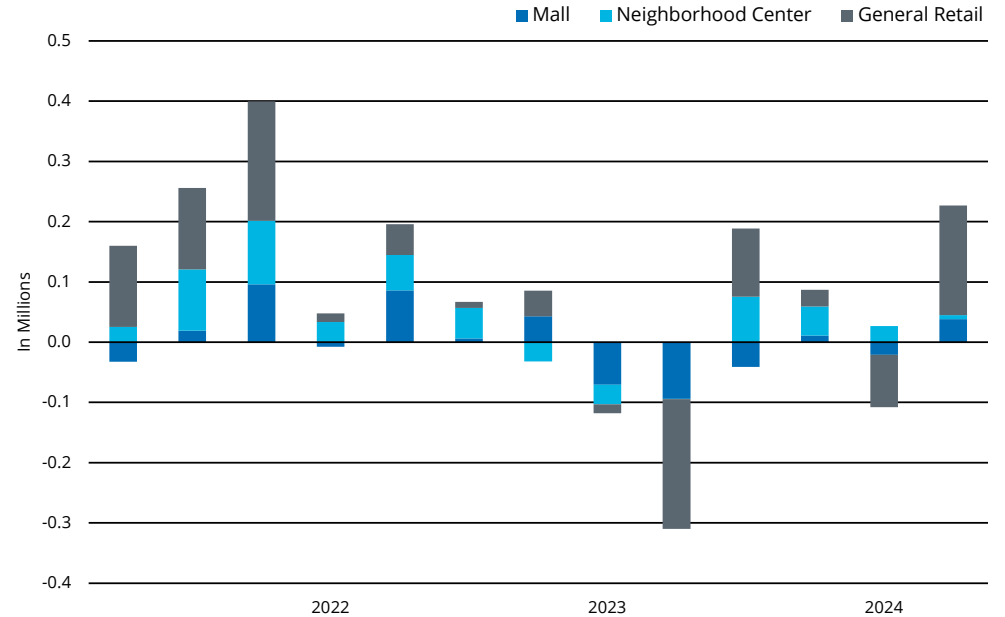


## NET ABSORPTION

### Demand for Space Returns

- Retail space demand returned in Q2 as the market recorded a positive net absorption of 187,083 SF.
- The majority of positive absorption was from Freestanding/Big Box properties, which totaled 181,943 SF, followed by Regional Centers which had 38,010 SF of net absorption.
- The Community Center property type was the only type to record negative net absorption, totaling negative 66,001 SF.
- The Northwest submarket had the largest positive net absorption in the market, totaling 200,020 SF. This was due to large positive absorption, 181,943 SF in the Freestanding/Big Box property type as Empire Foods opened in the former Wal-Mart store in Brooklyn Center.
- The Southwest submarket recorded the largest negative absorption, totaling negative 97,506 SF of net absorption, with the Community Center property type recording negative 105,688 SF of net absorption. Several tenants in the Galleria Shops in Edina, including Ryphen and Luluemon, vacated totaling negative 99,205 SF.

## NET ABSORPTION BY CLASS



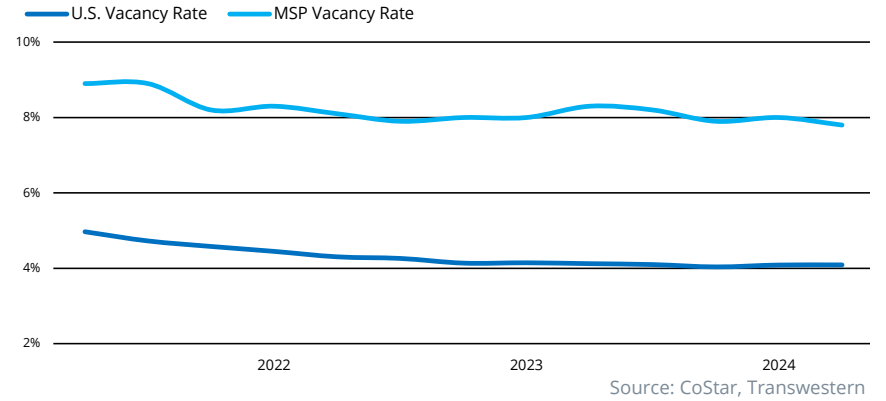
Source: CoStar, Transwestern

**VACANCY**

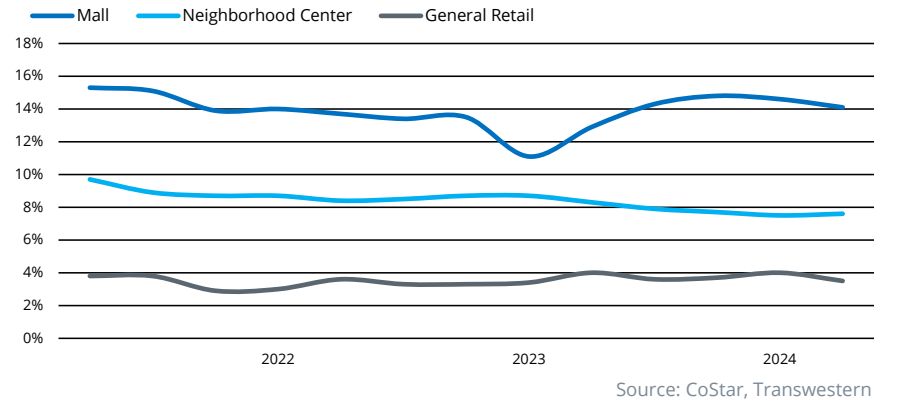
**Vacancy Rate Stabilizes**

- Overall market vacancy for Q1 2024 was 7.8%, a decrease of 10 basis points from the previous quarter. Year-over-year vacancy decreased by 50 basis points.
- The Southeast submarket vacancy rate was the lowest in the market at 5.9% at the end of the quarter, followed by the Northwest submarket at 6.7%.
- The Northeast submarket saw vacancy rates decline for five consecutive quarters, from 8.4% in Q2 2023 to 7.6% in Q2 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 3.5% and 5.6% respectively.

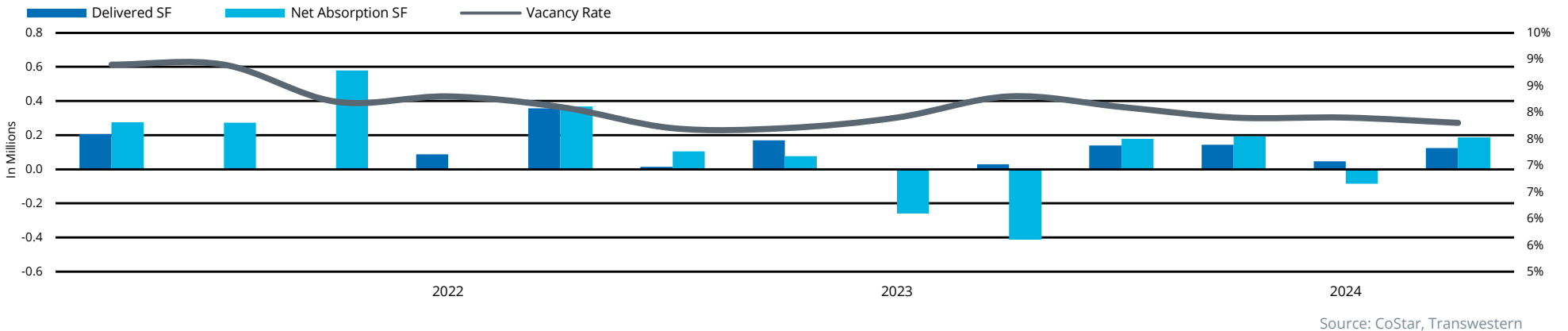
**OVERALL VACANCY RATE**



**OVERALL VACANCY RATE BY CLASS**



**DELIVERY IMPACT ON KEY INDICATORS**



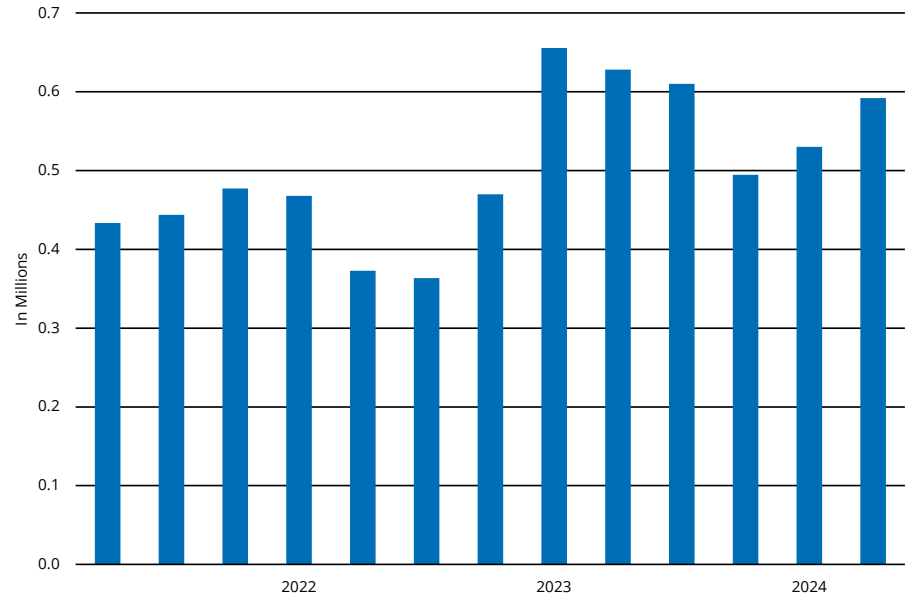


### UNDER CONSTRUCTION

#### Construction Slightly Increases

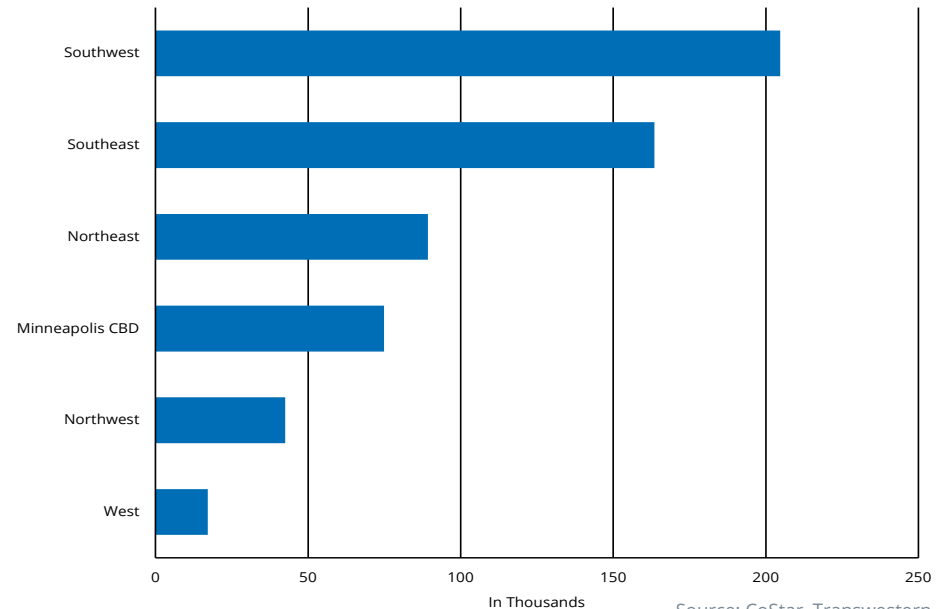
- There was 591,925 SF under construction in the MSP region for Q2 2024. The Southwest submarket led the market with 204,705 SF under construction, followed by the Southeast submarket with 163,451 SF under construction.
- Space under construction increased by 11.7% from the previous quarter; the third consecutive quarter that construction increased. This is highlighting that demand for new space is increasing as interest rates have stabilized and that consumer demand continues to be consistent.
- New deliveries totaled 142,752 SF in the quarter, a significant rebound from the previous quarter's total of 46,376 SF. Major deliveries include North Loop Green's 15,000 SF of retail space, Park Place Plaza in St. Louis Park adding 7,900 SF of space and Arbor Lakes Retail Center in Maple Grove adding 7,000 SF of space.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

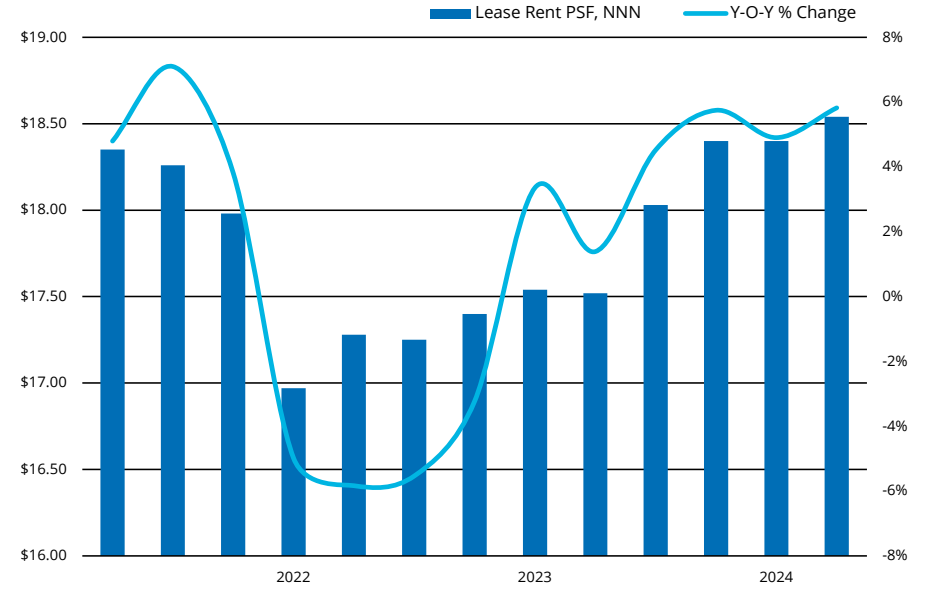


### RENTAL RATES

#### Rent Growth Continues to be Steady

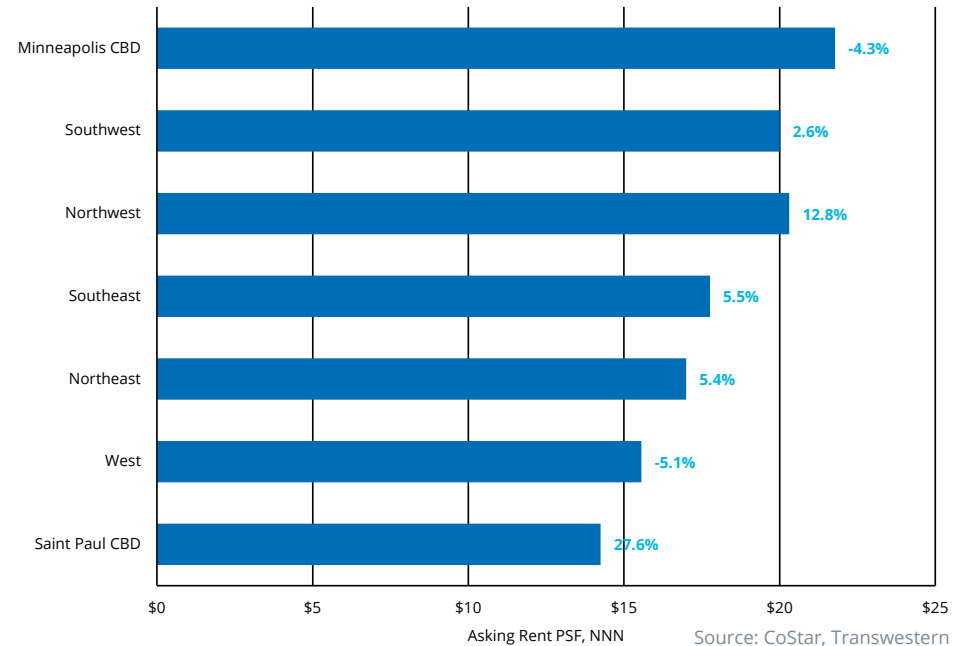
- Average asking rents for the Minneapolis Saint-Paul retail market increased by 5.8% in Q2 2024 to \$18.54 PSF (NNN).
- Average asking rents in the suburban markets increased by 4.3% year-over-year to \$18.13 PSF in Q2, while the Minneapolis CBD asking rent decreased by 4.3% to \$21.78 PSF.
- The largest year-over-year increase was in the Northwest submarket, where rates increased by 12.8% to \$20.31 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

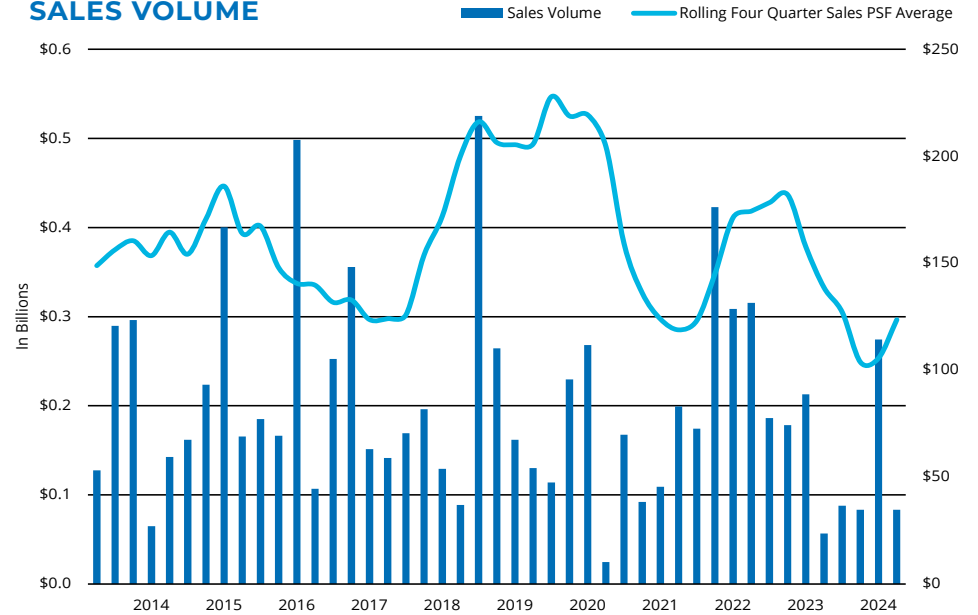


### SALES

#### Sales Volume Rebounds

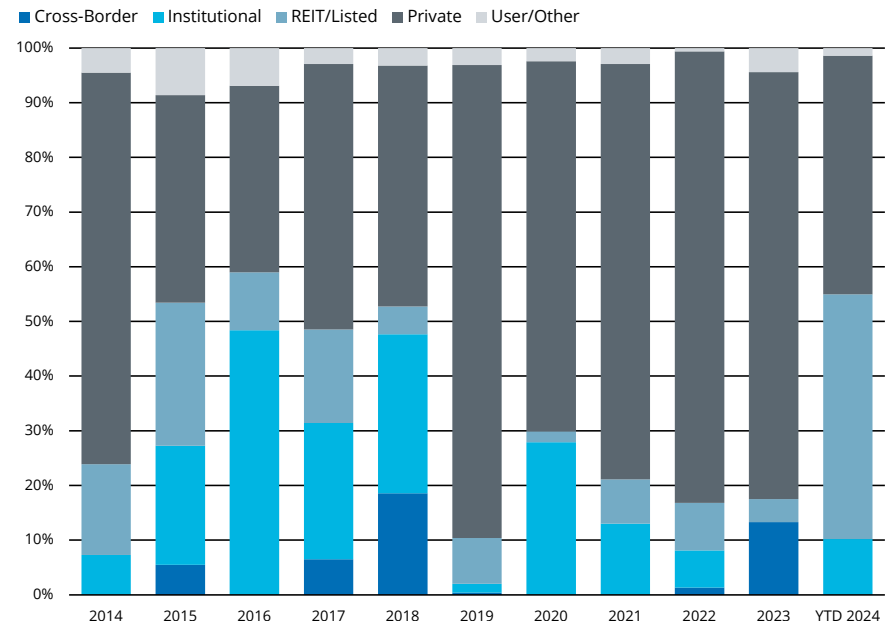
- Sales totaled \$83.4 million in Q2 2024. Sales volume increased by 47.1% year-over-year.
- The increase in sales activity was due to a sale of two car dealerships that traded for \$47.8 million.
- The most notable sale of the quarter was Bergen Plaza in Oakdale which sold for \$23.5 million; the buyer was Hempel and the seller was DRA Advisors.
- REITs and Private sources made up the vast majority of buyer capital for properties in Q2 which totaled 88.3% of capital used. Institutional capital totaled 10%, which is the highest share since 2021.

### SALES VOLUME



Source: CoStar, Transwestern

### BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern



## NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
SLUMBERLAND FURNITURE	7831 Southtown Dr, Bloomington	Southwest	New	48,820
BOB'S FURNITURE	13901 Aldrich Ave S, Burnsville	Southeast	New	31,615
NORDSTROM RACK	14880 Florench Trl,	Southeast	New	30,339
PETSMART	14240 Plymouth Ave, Burnsville	Southeast	New	26,040
HAYDEN MURPHY EQUIPMENT CO.	17369 Highway 10,	Northwest	New	14,150

## NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
5900 STILLWATER BLVD N, STILLWATER	Northeast	\$24,300,000	23,548	\$1032	Cornerstone Auto	Daniel J Raduenz
TESLA LAKE ELMO, 9703 HUDSON BLVD N, LAKE ELMO	Northeast	\$23,500,000	50,000	\$470	Kingsbarn Realty Capital	Drake Real Estate Services, Inc.
BERGEN PLAZA, 7057 10TH ST N, OAKDALE	Northeast	\$23,010,000	109,082	\$211	Hempel	DRA Advisors
BURNSVILLE CROSSINGS, 14240 PLYMOUTH AVE, BURNSVILLE	Southeast	\$7,025,000	103,510	\$68	Arrow Companies	Pine Tree
12109 MAIN ST, MAPLE GROVE	Northwest	\$6,600,000	7,500	\$880	Todd W Hanson & Lori A Hanson	Jonathan W David

= Transwestern deal



**MARKET INDICATORS**

All Property Types | Q2 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	10,997,485	1,096,304	1,450,961	13.2%	(66,001)	(36,632)	N/A
FREESTANDING/BIG BOX	38,357,799	797,204	1,343,410	3.5%	181,943	95,181	\$11.00
MIXED USE	7,238,731	1,375,874	1,494,784	20.6%	4,224	(12,652)	\$17.43
NEIGHBORHOOD CENTER	19,026,144	1,529,761	1,440,142	7.6%	7,067	31,227	\$15.42
REGIONAL CENTER	7,018,869	991,789	988,785	14.1%	38,010	17,065	N/A
STRIP CENTER	10,907,187	796,891	613,357	5.6%	21,840	18,425	\$21.00
<b>TOTAL</b>	<b>93,546,215</b>	<b>6,587,823</b>	<b>7,331,439</b>	<b>7.8%</b>	<b>187,083</b>	<b>112,614</b>	<b>\$18.54</b>

Community Center | Q2 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	3,726,040	423,436	460,949	12.4%	38,080	83,404	N/A
NORTHWEST	1,331,047	46,113	157,298	11.8%	0	5,976	N/A
SOUTHEAST	3,342,689	251,644	463,910	13.9%	1,607	(28,435)	N/A
SOUTHWEST	2,054,657	209,644	233,464	11.4%	(105,688)	(97,577)	N/A
WEST	395,409	165,467	135,340	34.2%	0	0	N/A
<b>TOTAL</b>	<b>10,997,485</b>	<b>1,096,304</b>	<b>1,450,961</b>	<b>13.2%</b>	<b>(66,001)</b>	<b>(36,632)</b>	<b>N/A</b>

**Freestanding/Big Box | Q2 2024**

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
<b>MINNEAPOLIS CBD</b>	273,416	0	0	0.0%	0	0	N/A
<b>NORTHEAST</b>	13,172,308	415,725	670,267	5.1%	0	(13,500)	N/A
<b>NORTHWEST</b>	5,625,919	66,942	330,708	5.9%	181,943	181,943	N/A
<b>SOUTHEAST</b>	12,155,369	243,516	243,516	2.0%	0	(73,262)	N/A
<b>SOUTHWEST</b>	5,455,141	71,021	71,021	1.3%	0	0	N/A
<b>WEST</b>	1,675,646	27,898	27,898	1.7%	0	0	N/A
<b>TOTAL</b>	<b>38,357,799</b>	<b>825,102</b>	<b>1,343,410</b>	<b>3.5%</b>	<b>181,943</b>	<b>95,181</b>	<b>N/A</b>

**Mixed Use | Q2 2024**

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
<b>MINNEAPOLIS CBD</b>	2,841,074	906,368	1,062,495	37.4%	11,297	8,102	\$21.78
<b>NORTHEAST</b>	602,868	59,414	46,258	7.7%	0	(3,473)	\$17.25
<b>NORTHWEST</b>	844,122	41,718	33,870	4.0%	4,801	6,395	\$15.00
<b>SAINT PAUL CBD</b>	539,043	77,113	84,528	15.7%	0	0	\$14.25
<b>SOUTHEAST</b>	1,004,788	89,749	78,920	7.9%	(15,167)	(24,826)	\$15.63
<b>SOUTHWEST</b>	882,683	96,446	85,506	9.7%	4,119	2,960	\$17.50
<b>WEST</b>	524,153	105,066	103,207	19.6%	(826)	(1,810)	N/A
<b>TOTAL</b>	<b>7,238,731</b>	<b>1,375,874</b>	<b>1,494,784</b>	<b>20.6%</b>	<b>4,224</b>	<b>(12,652)</b>	<b>\$16.90</b>

**Neighborhood Center | Q2 2024**

MARKET	INVENTORY SF	TOTAL AVAILABLE SF	TOTAL VACANT SF	OVERALL VACANCY RATE	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF (NNN)
<b>NORTHEAST</b>	5,401,692	483,751	479,358	8.9%	4,416	7,790	\$12.65
<b>NORTHWEST</b>	3,262,974	181,562	252,988	8.9%	6,010	9,069	\$19.00
<b>SOUTHEAST</b>	6,051,601	510,040	385,123	6.4%	49,391	56,941	\$15.43
<b>SOUTHWEST</b>	2,786,936	190,662	175,796	6.3%	(50,919)	(40,742)	\$17.67
<b>WEST</b>	1,522,941	163,746	146,877	9.6%	(1,831)	(1,831)	\$12.33
<b>TOTAL</b>	<b>19,026,144</b>	<b>1,529,761</b>	<b>1,440,142</b>	<b>7.6%</b>	<b>7,067</b>	<b>31,227</b>	<b>\$15.42</b>

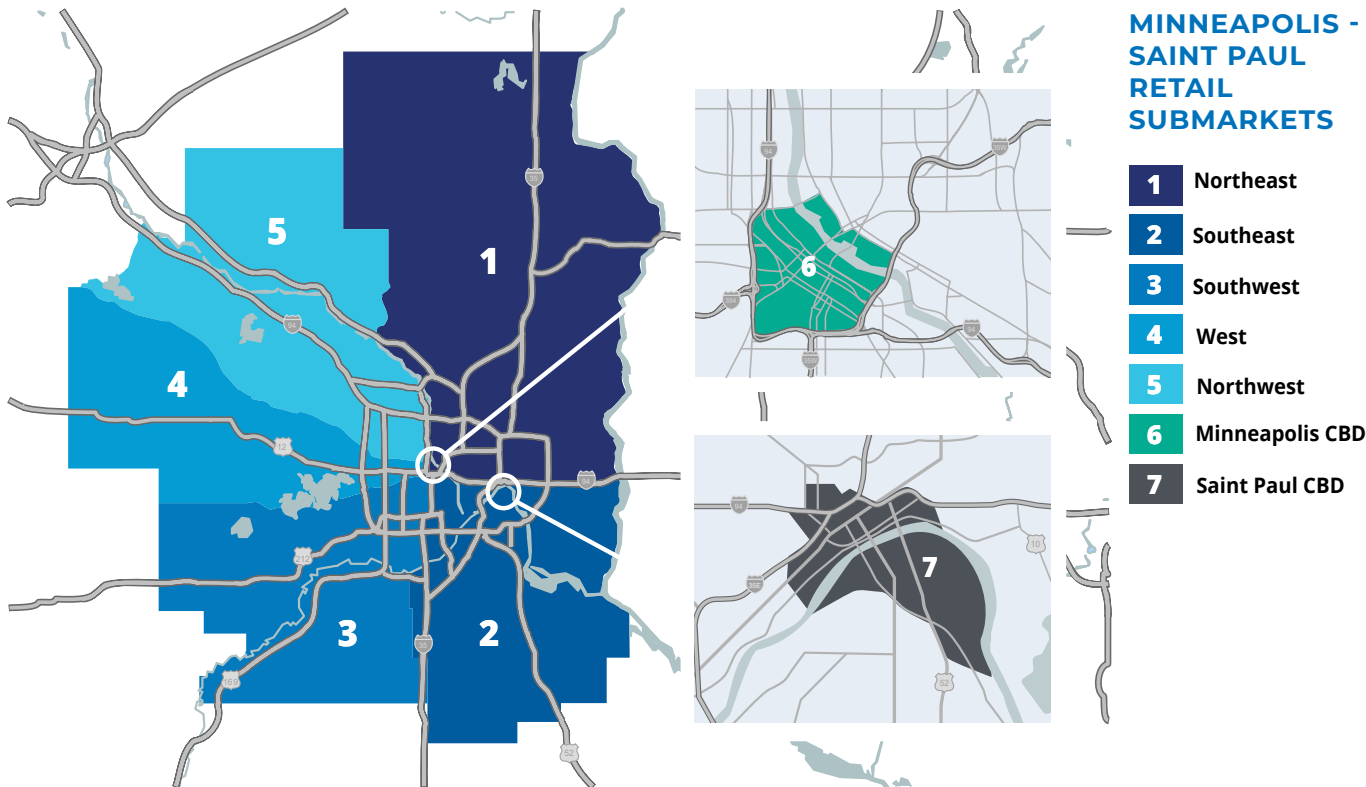


Regional Center | Q2 2024

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	350,406	350,406	12.9%	(11,558)	(20,716)	N/A
SOUTHEAST	609,991	206,374	206,374	33.8%	0	0	N/A
SOUTHWEST	2,087,941	387,464	387,464	18.6%	50,352	43,719	N/A
WEST	1,595,107	47,545	44,541	2.8%	(784)	(5,938)	N/A
<b>TOTAL</b>	<b>7,018,869</b>	<b>991,789</b>	<b>988,785</b>	<b>14.1%</b>	<b>38,010</b>	<b>17,065</b>	N/A

Strip Center | Q2 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	3,276,559	191,348	185,705	5.7%	12,491	24,713	\$19.31
NORTHWEST	1,817,318	191,175	90,274	5.0%	7,266	12,797	\$21.33
SOUTHEAST	3,077,399	211,943	180,999	5.9%	(5,769)	(15,091)	\$20.64
SOUTHWEST	1,796,213	115,573	73,123	4.1%	4,630	(9,011)	\$21.71
WEST	921,178	81,646	78,050	8.5%	3,222	5,017	\$22.00
<b>TOTAL</b>	<b>10,907,187</b>	<b>796,891</b>	<b>613,357</b>	<b>5.6%</b>	<b>21,840</b>	<b>18,425</b>	<b>\$21.00</b>



**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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