

# MINNEAPOLIS - SAINT PAUL RETAIL MARKET

Q3 2024



## TRENDLINES

	Q3 2023	Q3 2024	ONE-YEAR TREND	THREE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.1	3.8	↑	2.8	↑
NET ABSORPTION (THOUSANDS SF)	177.2	297.2	↑	31.2	↑
OVERALL VACANCY RATE	8.2%	7.5%	↓	7.9%	↓
OVERALL VACANT SF (MSF)	7.8	7.0	↓	7.5	↓
UNDER CONSTRUCTION (MSF)	0.6	0.5	↓	0.5	↓
ASKING RENT, NNN (PSF)	\$18.03	\$18.55	↑	\$17.96	↑
SALES VOLUME (MILLIONS)	\$88	\$103.6	↑	\$139.1	↑

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

## RETAIL MARKET CONTINUES TO GROW

The Minneapolis-Saint Paul (MSP) retail market continues to perform consistently. The vacancy rate was 7.5%, a 30 basis point decrease from last quarter and a decrease of 70 basis points year-over-year. The market totaled 297,242 SF of positive absorption in the quarter; the largest positive absorption since Q2 2022. Leasing activity increased from the previous quarter as there were 185 transactions totaling 671,600 SF.

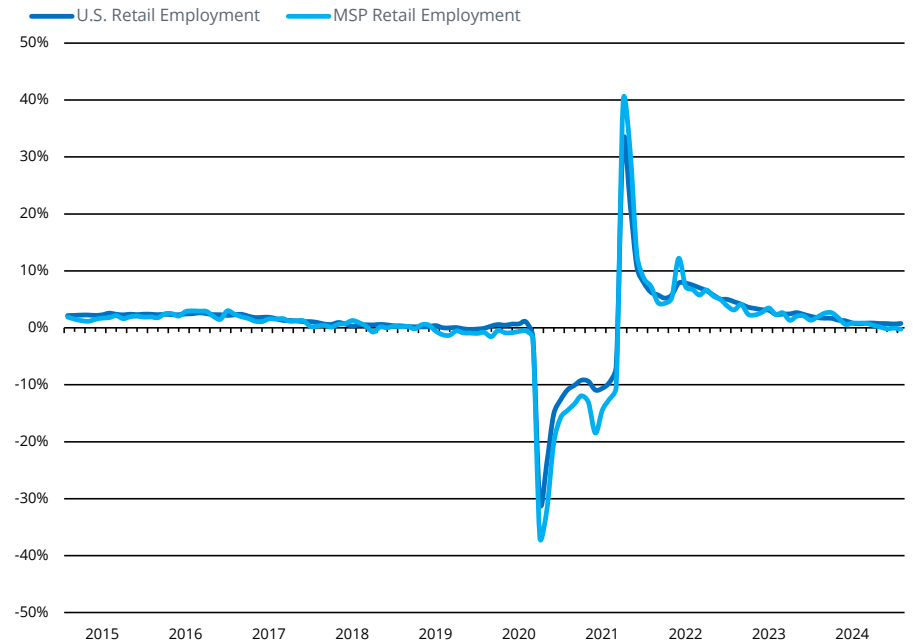
Asking lease rates continue to be competitive as they increased by 2.9% year-over-year (yoy) to \$18.55 PSF NNN. Rental rate growth slowed slightly from previous quarters, yet the market continues to see lack of available space in key retail submarkets and low vacancy rates. Rates may be slowing as more space was delivered totaling 248,444 SF in the quarter, nearly doubled the amount space yoy and over 464,000 SF is under construction.

**ECONOMY**

**Job Growth Remains Consistent**

- The unemployment rate for August 2024 was 3.9%, a 0.8 percentage point year-over-year (YoY) increase. The regional labor force decreased by 1.3% YoY to 2.01 million people.
- Total employment in the metro area was down by 2.6% YoY to 1.93 million. Employment has decreased from the previous year for four consecutive months.
- Retail employment slightly declined in the region. Retail employment decreased by 0.2% in August to 340,190, lower than U.S. employment growth of 0.8%. There has been negative employment growth for the second time in three months; the first time since 2021.
- Retail employment has slowed in the region, returning to pre-pandemic growth that was between 0%-1%.

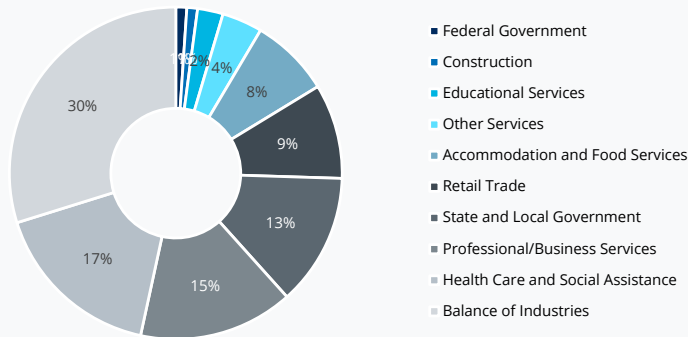
**Y-O-Y CHANGE IN RETAIL JOBS**



Source: Bureau of Labor Statistics, Transwestern

**SHARE OF EMPLOYEES BY INDUSTRY**

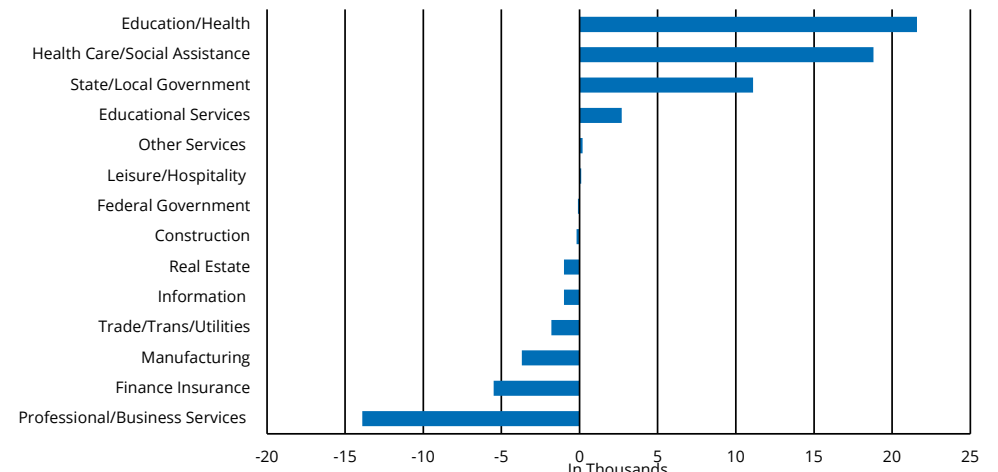
Minneapolis - Saint Paul | August 2024



Source: Bureau of Labor Statistics, Transwestern

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

Minneapolis - Saint Paul | August 2024



Source: Bureau of Labor Statistics, Transwestern

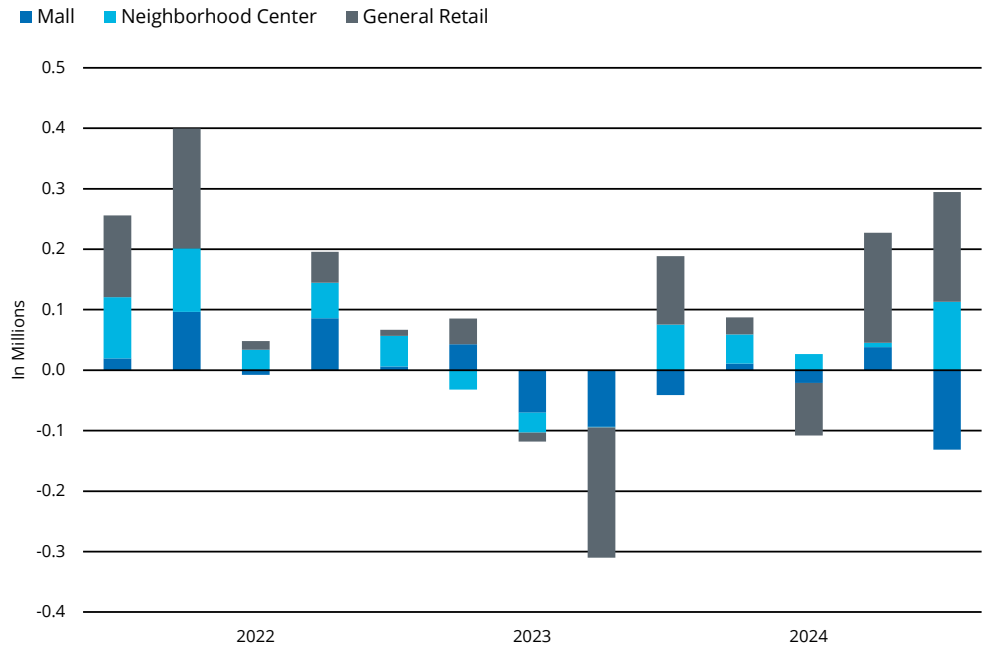


## NET ABSORPTION

### Demand for Space Returns

- Retail space demand returned in Q3 as the market recorded a positive net absorption of 297,242 SF.
- The majority of positive absorption was from Freestanding/Big Box properties, which totaled 181,586 SF, followed by Neighborhood Centers which had 113,100 SF of net absorption.
- The Regional Center property type was the only type to record negative net absorption, totaling negative 131,434 SF. The major vacancy in the property type was J.C. Penney vacating 129,422 SF at Eden Prairie Center in Eden Prairie.
- The Northeast submarket had the largest positive net absorption in the market, totaling 87,934 SF. This was due to large positive absorption in the Neighborhood Center property type as 22,572 SF was leased at 2201 37th Ave N in Columbia Heights and Mike's Discount Foods leased 12,000 SF at Lake Shoppes in Forest Lake.

## NET ABSORPTION BY CLASS



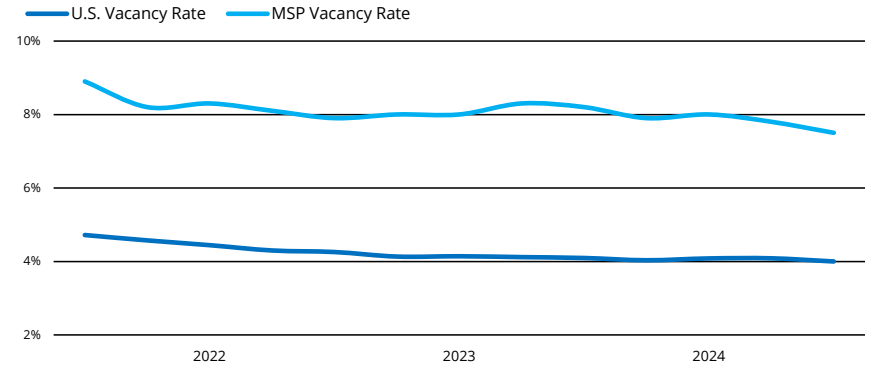
Source: CoStar, Transwestern

**VACANCY**

**Vacancy Rate Declines**

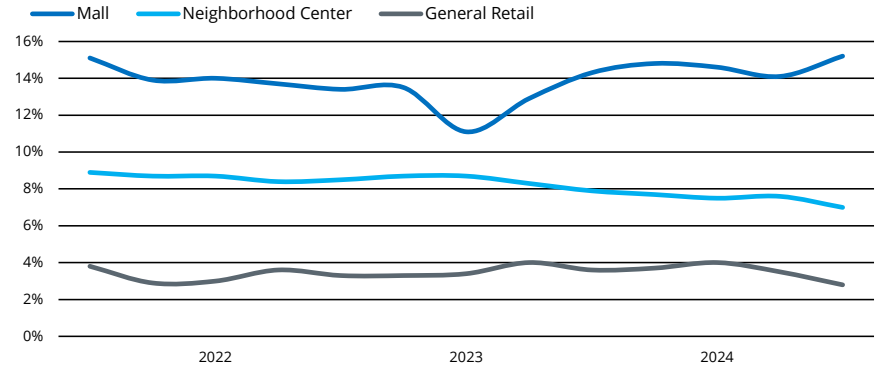
- Overall market vacancy for Q3 2024 was 7.5%, a decrease of 30 basis points from the previous quarter. Year-over-year vacancy decreased by 70 basis points.
- The Northwest submarket vacancy rate was the lowest in the market at 4.4% at the end of the quarter, followed by the Southeast submarket at 5.9%.
- The Northeast submarket saw vacancy rates decline for six consecutive quarters, from 8.4% in Q2 2023 to 7.1% in Q3 2024, decreasing by 130 basis points.
- Vacancy rates continue to be low for Freestanding/Big Box and Strip Center property types; the vacancy rates were 2.8% and 5.3% respectively.

**OVERALL VACANCY RATE**



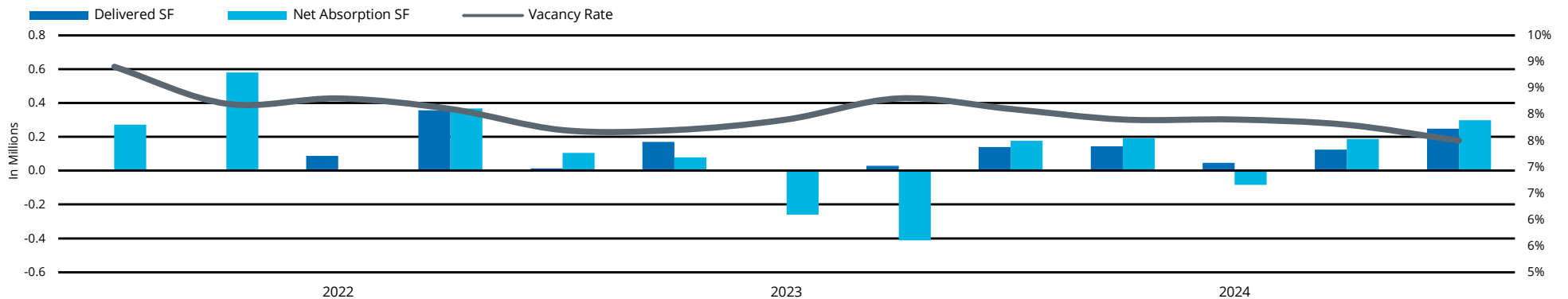
Source: CoStar, Transwestern

**OVERALL VACANCY RATE BY CLASS**



Source: CoStar, Transwestern

**DELIVERY IMPACT ON KEY INDICATORS**



Source: CoStar, Transwestern

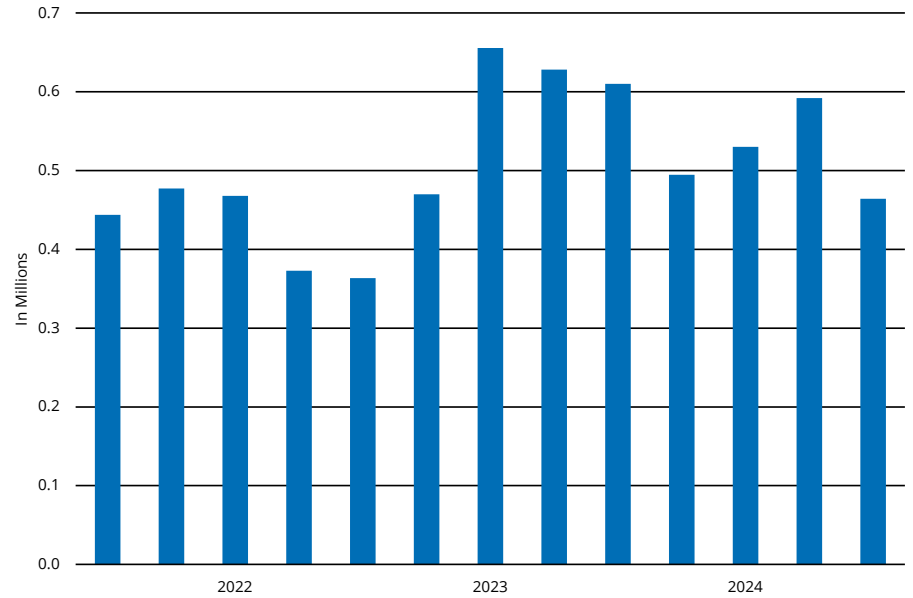


### UNDER CONSTRUCTION

#### Construction Slightly Decreases

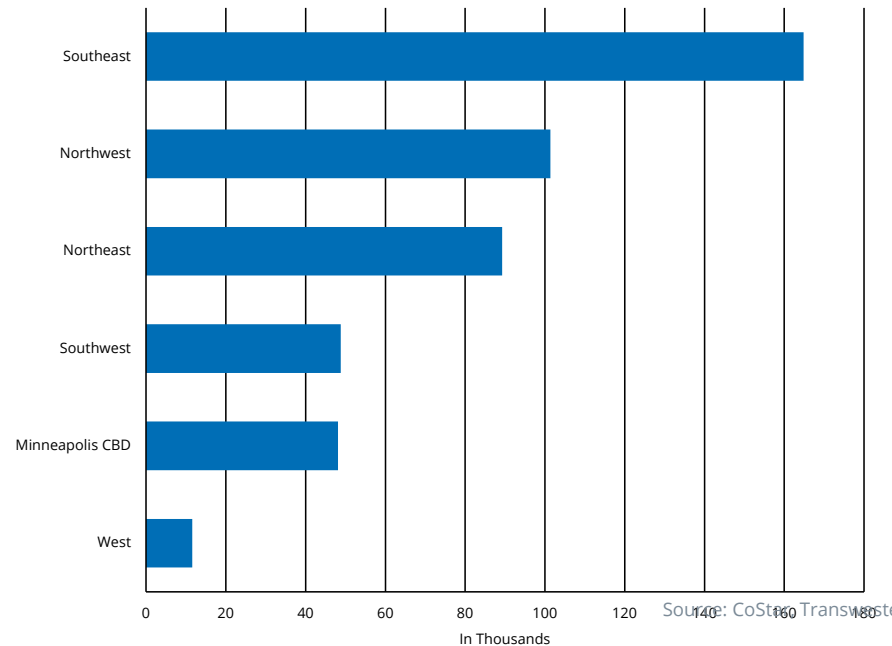
- There was 464,052 SF under construction in the region for Q3 2024. The Southeast submarket led the market with 164,848 SF under construction, followed by the Northwest submarket with 101,378 SF under construction.
- Space under construction decreased by 21.6% from the previous quarter; the first quarter that there was a decreased reported since Q4 2023.
- New deliveries totaled 248,444 SF in the quarter, a 77% increase from the previous quarter's of 124,752 SF. The largest space that was delivered was the 164,500 SF Costco in Chaska.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

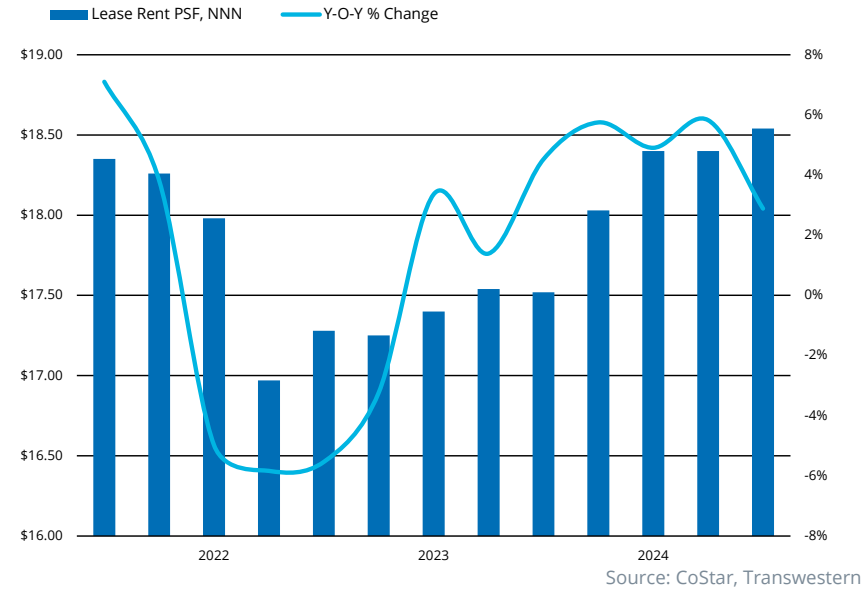


### RENTAL RATES

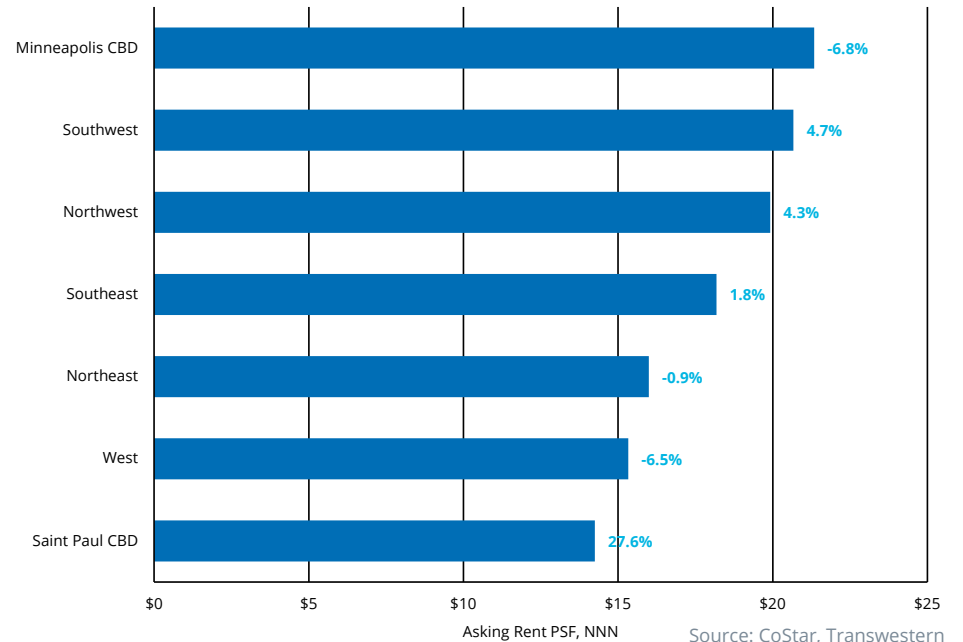
#### Rent Growth Continues to be Steady

- Average asking rents for the market increased by 2.9% in Q3 2024 to \$18.55 PSF (NNN).
- Average asking rents in the suburban markets increased by 1% year-over-year to \$18.02 PSF in Q3, while the Minneapolis CBD asking rent decreased by 4.3% to \$21.78 PSF.
- The largest year-over-year increase in suburban submarkets was in the Southwest submarket, where rates grew by 4.7% to \$20.67 PSF.
- Asking rents continue to increase, albeit slowly, as vacancy rates continue to be low and available space for rent limited.

### LEASE RENT



### LEASE RENTS BY SUBMARKET AND Y-O-Y GROWTH

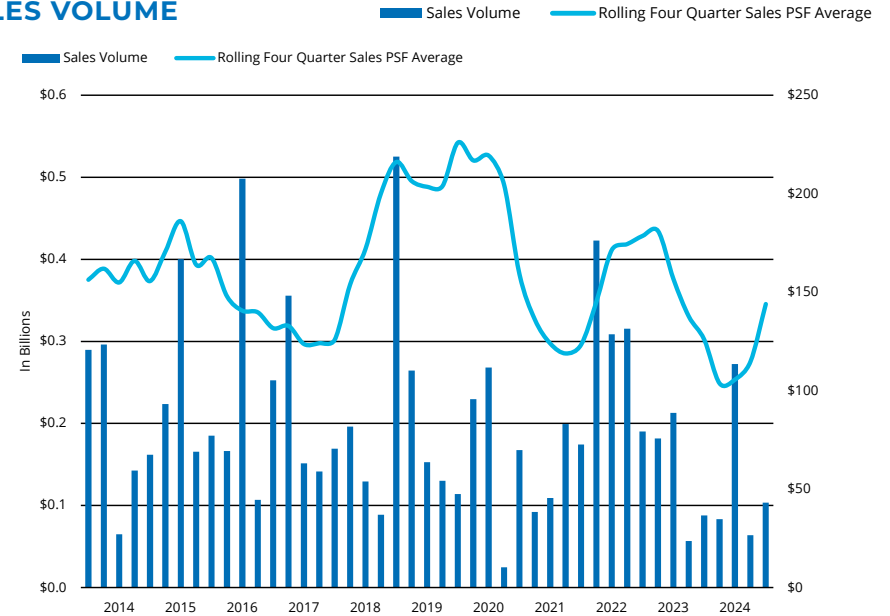


**SALES**

**Sales Volume Rebounds**

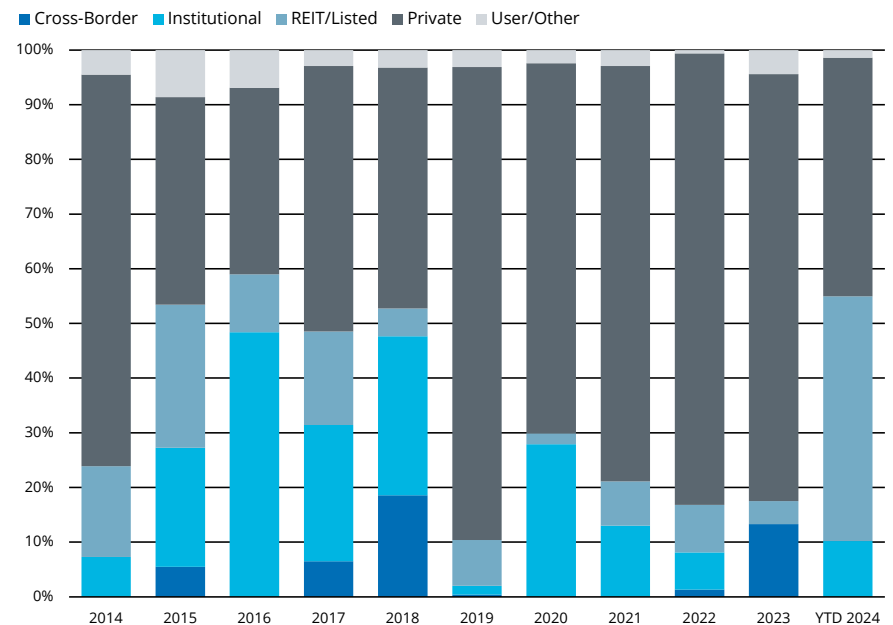
- Sales totaled \$103.5 million in Q3 2024. Sales volume increased by 18% year-over-year.
- The increase in sales activity was due to sales of several neighborhood centers in the quarter.
- The most notable sale of the quarter was Rue De France in Edina which sold for \$26.4 million; the buyer was Hempel and the seller was DRA Advisors.
- REITs and Private sources made up the vast majority of buyer capital for properties in Q3 which totaled 90.3% of capital used. Institutional capital totaled 7.7%, which is the highest share since 2022.

**SALES VOLUME**



Source: CoStar, Transwestern

**BUYER CAPITAL COMPOSITION**



Source: CoStar, Transwestern



## NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
CUB FOODS	5370 W 16th St, St. Louis Park	West	Renewal	52,000
SALVATION ARMY	17625 Kenrick Ave, Lakeville	Southeast	New	20,567
PLANET FITNESS	3400 150th St W, Rosemount	Southeast	New	19,286
PLANET FITNESS	3301 S Hazelton Rd, Edina	Southwest	New	18,965
COLONIAL MARKET	3110 Penn Ave N, Minneapolis	Northwest	New	18,076

## NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
RUE DE FRANCE 7101 FRANCE AVE S, EDINA	Southwest	\$26,401,470	64,768	\$408	Phillips Edison & Company	BentallGreenOak
SPIRIT PLACE AT BRANDTJEN FARM, 16150 PILOT KNOB RD, LAKEVILLE	Southeast	\$20,776,030	91,186	\$228	Hurd Real Estate	Hy-Vee
FOUNTAIN PLACE 12573 CASTLEMOOR DR, EDEN PRAIRIE*	Southwest	\$19,000,000	109,513	\$173	HJ Development	BentallGreenOak
3651 HIGHWAY 61 N*	Northeast	\$18,000,000	66,625	\$270	Apple Autos	AutoNation
5621-5695 DULUTH ST	Northwest	\$8,400,000	43,404	\$194	Transwestern Real Estate Services	Angela Alvig

= Transwestern deal

\* = Portfolio deal



**MARKET INDICATORS**

All Property Types | Q3 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	1,233,989	1,401,930	12.7%	68,911	25,230	N/A
FREESTANDING/BIG BOX	38,238,752	754,328	1,065,765	2.8%	181,586	276,767	N/A
MIXED USE	7,228,094	1,458,767	1,578,772	21.8%	29,848	11,378	\$17.43
NEIGHBORHOOD CENTER	18,998,421	1,338,016	1,327,042	7.0%	113,100	145,472	\$17.00
REGIONAL CENTER	7,018,869	1,067,458	1,065,725	15.2%	(131,434)	(104,369)	N/A
STRIP CENTER	10,973,944	741,806	576,405	5.3%	35,231	51,674	\$21.13
<b>TOTAL</b>	<b>93,455,565</b>	<b>6,594,364</b>	<b>7,015,639</b>	<b>7.5%</b>	<b>297,242</b>	<b>406,152</b>	<b>\$18.55</b>

Community Center | Q3 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	N/A
NORTHEAST	3,726,040	439,331	446,774	12.0%	28,568	110,410	\$8.00
NORTHWEST	1,331,047	33,113	144,298	10.8%	13,000	18,976	N/A
SOUTHEAST	3,342,689	307,931	504,043	15.1%	(40,133)	(68,568)	N/A
SOUTHWEST	2,054,657	290,475	171,475	8.3%	67,476	(35,588)	N/A
WEST	395,409	163,139	135,340	34.2%	0	0	N/A
<b>TOTAL</b>	<b>10,997,485</b>	<b>1,233,989</b>	<b>1,401,930</b>	<b>12.7%</b>	<b>68,911</b>	<b>25,230</b>	<b>N/A</b>



Freestanding/Big Box | Q3 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	0	N/A
NORTHEAST	3,726,040	439,331	446,774	5.1%	0	(13,500)	N/A
NORTHWEST	5,322,566	59,992	28,159	0.5%	41,990	223,933	N/A
SOUTHEAST	12,230,969	243,516	240,956	2.0%	2,560	(70,702)	\$11.00
SOUTHWEST	5,634,848	68,485	98,485	1.7%	137,036	137,036	N/A
WEST	1,676,144	0	27,898	1.7%	0	0	N/A
<b>TOTAL</b>	<b>28,863,983</b>	<b>811,324</b>	<b>842,272</b>	<b>2.9%</b>	<b>181,586</b>	<b>276,767</b>	<b>N/A</b>

Mixed Use | Q3 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	2,829,817	929,726	1,141,178	40.3%	7,994	8,396	\$21.34
NORTHEAST	602,868	50,351	41,127	6.8%	3,249	1,658	\$17.25
NORTHWEST	844,122	23,250	35,230	4.2%	(1,360)	5,035	\$15.00
SAINT PAUL CBD	539,043	163,808	97,433	18.1%	0	0	\$14.25
SOUTHEAST	1,005,408	90,525	81,071	8.1%	13,985	(10,841)	\$16.68
SOUTHWEST	882,683	99,683	86,462	9.8%	(956)	2,004	\$17.50
WEST	524,153	101,424	96,271	18.4%	6,936	5,126	N/A
<b>TOTAL</b>	<b>7,228,094</b>	<b>1,458,767</b>	<b>1,578,772</b>	<b>21.8%</b>	<b>29,848</b>	<b>11,378</b>	<b>\$17.00</b>

Neighborhood Center | Q3 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	5,465,191	426,546	431,058	7.9%	48,300	57,235	\$11.63
NORTHWEST	3,262,974	163,370	242,296	7.4%	10,692	19,761	\$17.00
SOUTHEAST	6,051,601	472,444	352,798	5.8%	32,325	89,266	\$14.83
SOUTHWEST	2,695,714	126,345	163,823	6.1%	11,973	(28,769)	\$16.50
WEST	1,522,941	149,311	137,067	9.0%	9,810	7,979	\$12.00
<b>TOTAL</b>	<b>18,998,421</b>	<b>1,338,016</b>	<b>1,327,042</b>	<b>7.0%</b>	<b>113,100</b>	<b>145,472</b>	<b>\$14.39</b>

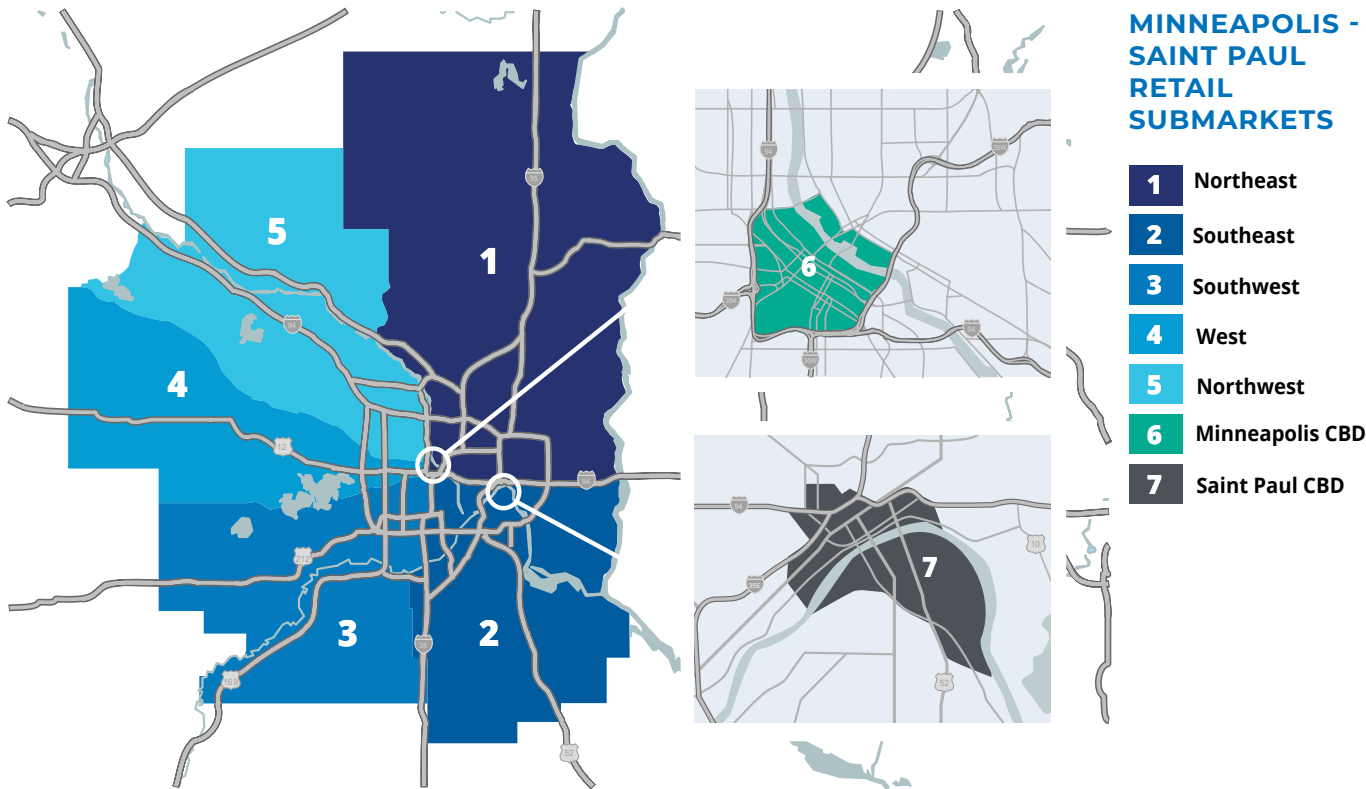


Regional Center | Q3 2024

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	293,062	293,062	10.8%	2,850	(7,866)	N/A
SOUTHEAST	609,991	206,374	206,374	33.8%	0	0	N/A
SOUTHWEST	2,087,941	530,338	530,338	25.4%	(142,874)	(99,155)	N/A
WEST	1,595,107	37,684	35,951	2.3%	8,590	2,652	N/A
<b>TOTAL</b>	<b>7,018,869</b>	<b>1,067,458</b>	<b>1,065,725</b>	<b>15.2%</b>	<b>(131,434)</b>	<b>(104,369)</b>	N/A

Strip Center | Q3 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	2,269	2,269	12.3%	2,937	2,937	N/A
NORTHEAST	3,293,807	165,299	176,762	5.4%	4,967	27,698	\$18.39
NORTHWEST	1,857,489	182,571	105,284	5.7%	(7,938)	4,859	\$21.11
SOUTHEAST	3,077,399	213,730	155,748	5.1%	26,355	11,264	\$21.65
SOUTHWEST	1,805,551	98,584	60,585	3.4%	6,617	(2,394)	\$22.50
WEST	921,178	79,353	75,757	8.2%	2,293	7,310	\$22.00
<b>TOTAL</b>	<b>10,973,944</b>	<b>741,806</b>	<b>576,405</b>	<b>5.3%</b>	<b>35,231</b>	<b>51,674</b>	<b>\$21.13</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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