

MINNEAPOLIS - SAINT PAUL RETAIL MARKET

Q4 2024



TRENDLINES

	Q4 2023	Q4 2024	ONE-YEAR TREND	THREE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.2	2.9	↑	2.7	↑
NET ABSORPTION (THOUSANDS SF)	192.7	184.6	↑	40.1	↑
OVERALL VACANCY RATE	7.8%	7.3%	↓	7.8%	↓
OVERALL VACANT SF (MSF)	7.6	6.5	↓	7.4	↓
UNDER CONSTRUCTION (MSF)	0.5	0.4	↓	0.5	↓
ASKING RENT, NNN (PSF)	\$18.35	\$19.11	↑	\$18.13	↑
SALES VOLUME (MILLIONS)	\$83	\$31.2	↓	\$125.0	↑

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 7.3%, a 20-basis point decrease from last quarter and down 50 basis points year over year (YoY). The market totaled 184,580 SF of positive absorption in the quarter—the fifth out of six quarters that positive absorption was recorded. Leasing activity for the quarter was 118 transactions totaling 456,700 SF.

Asking lease rates increased significantly this quarter by 3.9% YoY to \$19.11 PSF for triple-net (NNN) lease deals. Rental rate growth returned to its significant increases of past quarters of nearly 5% since Q4 2023. Leasing rates continue to increase as vacant space decreases, a lack of new space is delivered, and space that is under construction remains low, keeping available space tight.

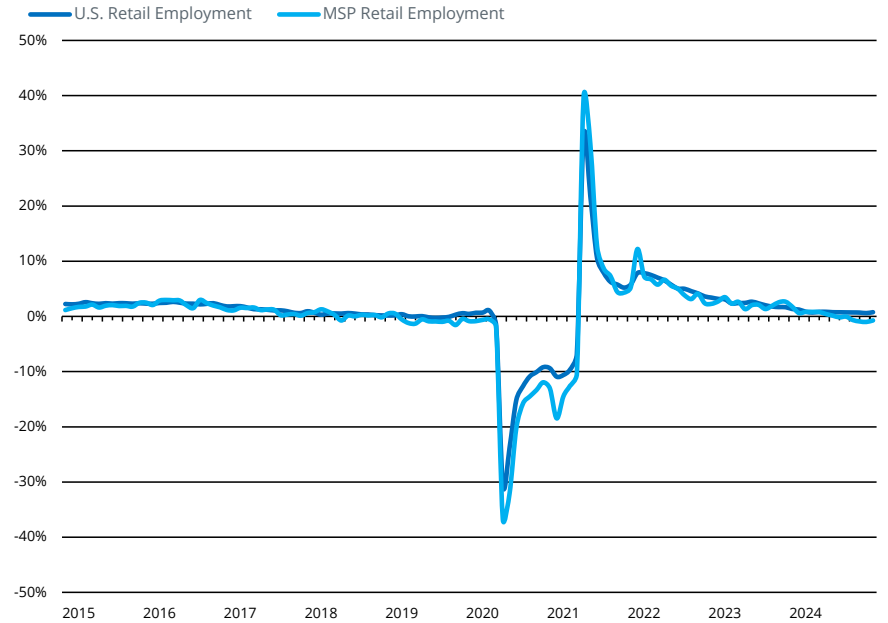


ECONOMY

Job Growth Remains Consistent

- The Minneapolis - Saint Paul (MSP) unemployment rate for November 2024 was 2.9%, up one percentage point year over year. The regional labor force decreased by 50 basis points to 2 million people.
- Metro area employment decreased by 70 basis points to 1.98 million, marking four consecutive months of decline.
- MSP retail employment fell by 0.7% from last year, continuing a six-month trend of annual decline.
- Health Care and Social Assistance employment increased by 21,900 jobs, while Professional & Business Services saw a net loss of 18,200 jobs compared to last year.

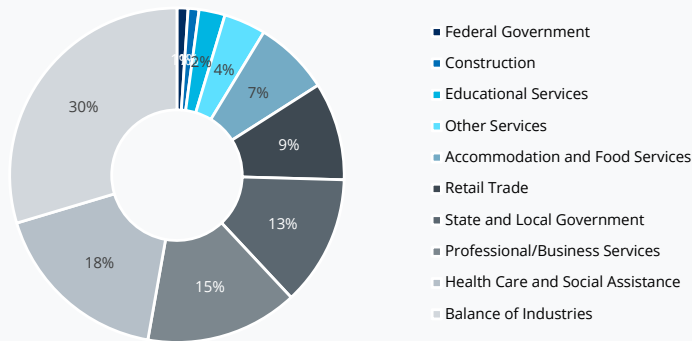
YOY CHANGE IN RETAIL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

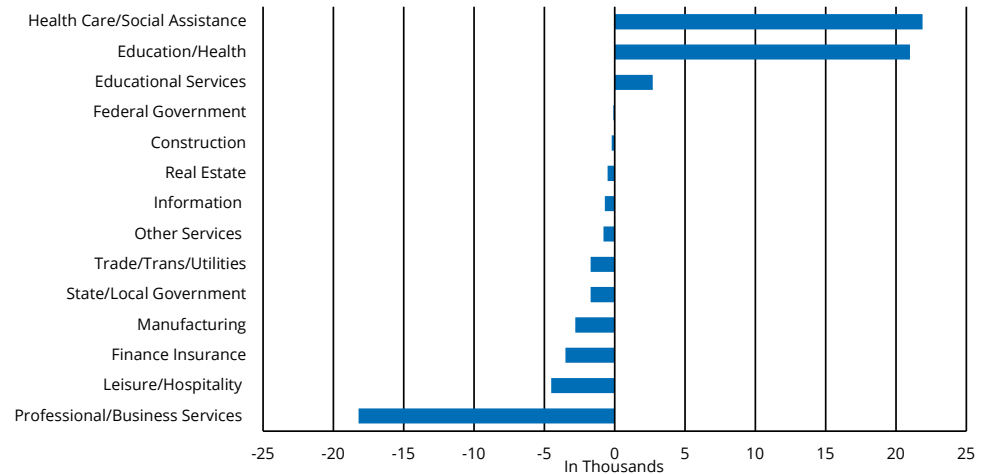
Minneapolis - Saint Paul | November 2024



Source: Bureau of Labor Statistics, Transwestern

YOY CHANGE IN JOBS BY INDUSTRY

Minneapolis - Saint Paul | November 2024



Source: Bureau of Labor Statistics, Transwestern

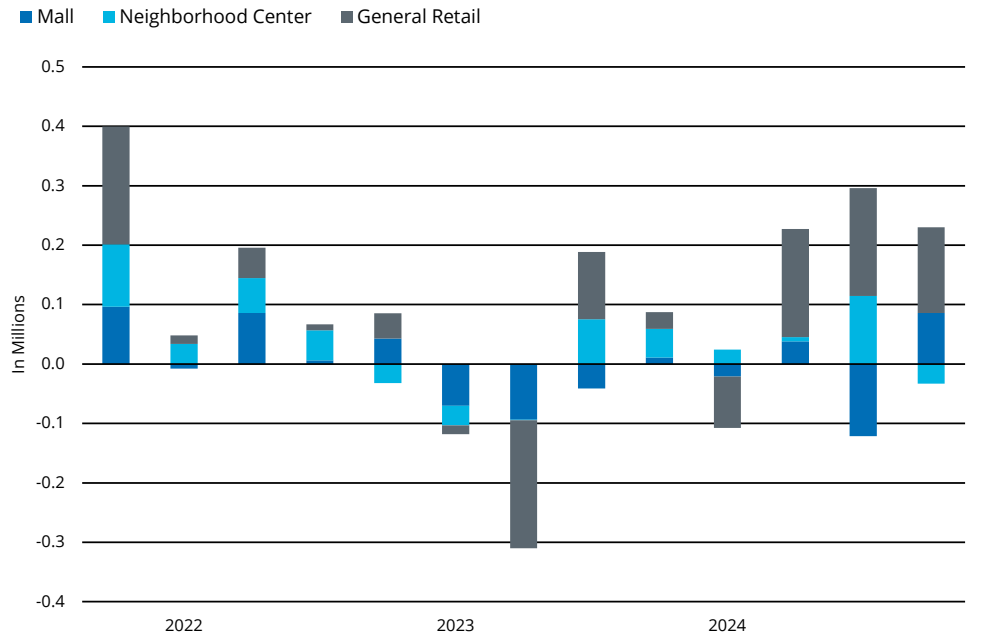


NET ABSORPTION

Demand for Space Remains Stable

- The Minneapolis - Saint Paul retail market continues to experience positive absorption, with Q4 totaling a positive net absorption of 184,580 SF, bringing the annual total to 587,599 SF.
- Most of the positive absorption for the quarter came from Freestanding/Big Box space, contributing 144,292 SF. Regional Center space had 85,588 SF of positive absorption. Community Center and Neighborhood Center space made up the bulk of negative net absorption totaling a negative 36,538 SF and negative 32,854 SF, respectively.
- The Southwest submarket had positive net absorption of 81,079 SF in Q4. The Northwest submarket was the only submarket with negative absorption, totaling 4,018 SF for the quarter.
- The Minneapolis and Saint Paul Central Business Districts recorded positive net absorption for the year, totaling 22,011 SF and 7,274 SF respectively. The uptick in absorption is mostly due to return-to-office policies that have rekindled foot traffic in downtown and other areas, sparking an uptick in the desirability of CBD retail properties.
- Absorption of retail vacancies will continue to increase, along with increasing rental rates due to limited supply. Even though retailer bankruptcies have increased over the last year, the spaces in desired retail nodes are generally rapidly re-tenanted with new and existing retailers that continue to expand their bricks and mortar presence.

NET ABSORPTION BY CLASS



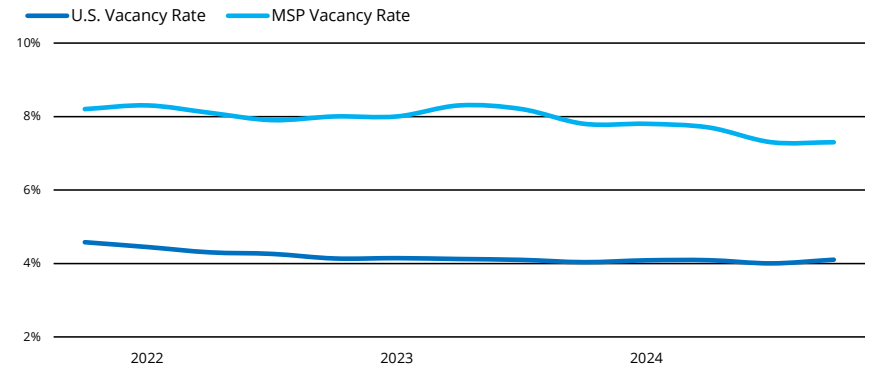
Source: CoStar, Transwestern

VACANCY

Vacancy Rate Declines

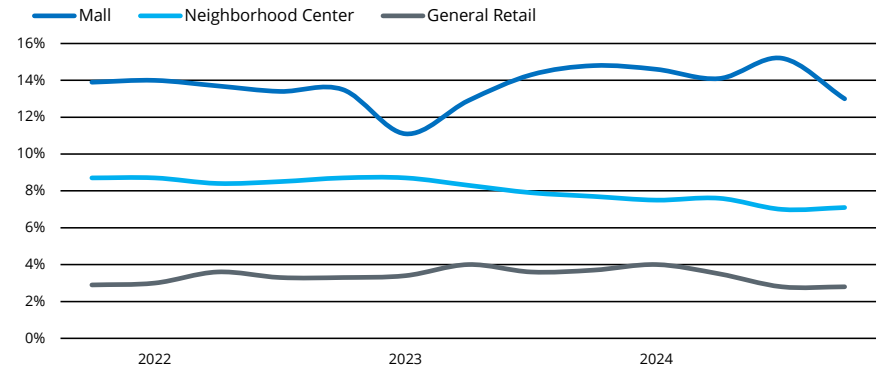
- Overall market vacancy for the fourth quarter of 2024 was 7.3%, no change from the third quarter and down 50 basis points year over year.
- Minneapolis CBD vacancy rate reached 30.9% in the fourth quarter, increasing by 70 basis points from the third quarter and 240 basis points from last year.
- The Suburban submarket vacancy rate was 6.4% in the fourth quarter of 2024, with no change from the last quarter and a 60 basis points decrease from the fourth quarter of 2023's rate of 7.0%.
- Vacancy rates continue to fall as space availability is limited and users lease what is available. Significant lease activity this quarter were Coborns leasing 65,000 SF in Plymouth, Big Air Trampoline leasing 26,040 SF at Burnsville Crossing in Burnsville, and Planet Fitness leasing 25,115 SF at Mounds View Square in Mounds View.

OVERALL VACANCY RATE



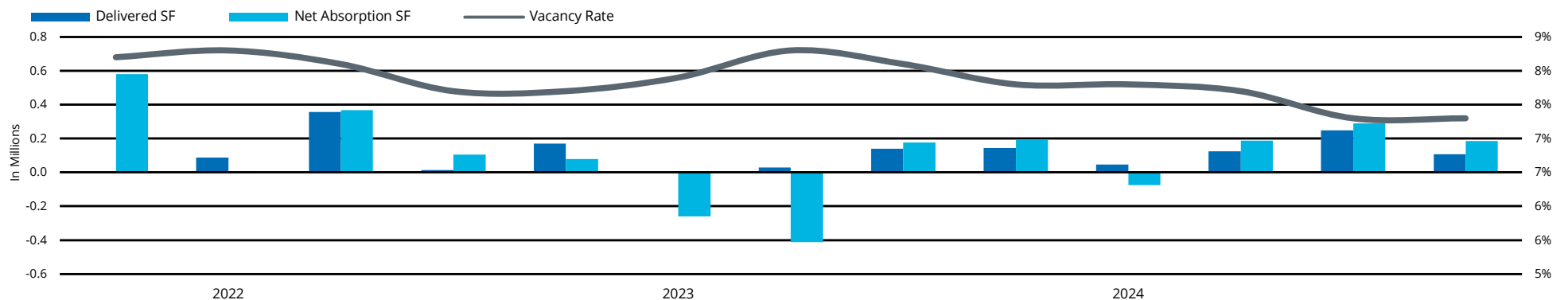
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

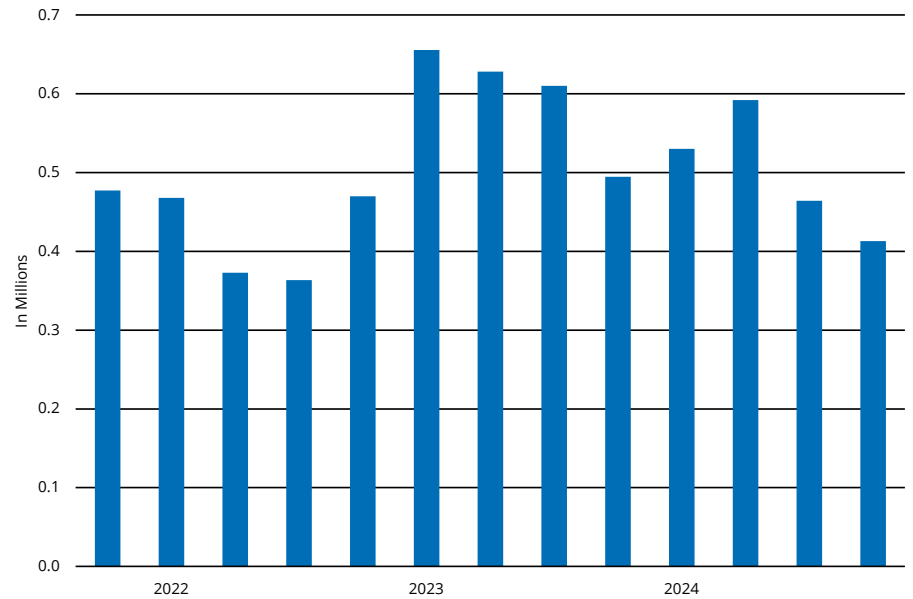


UNDER CONSTRUCTION

Construction Slightly Decreases

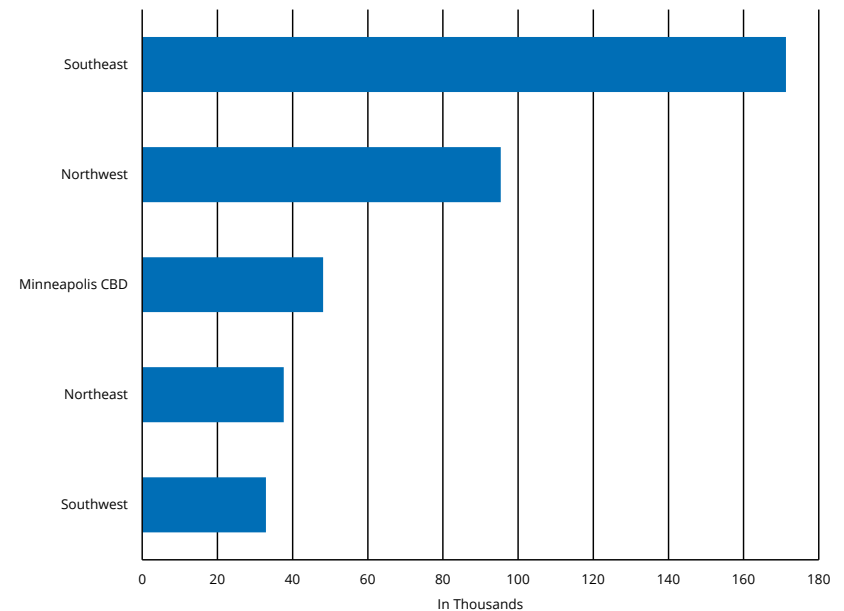
- There was 412,978 SF under construction in the MSP region for Q4 2024. New construction remains limited, with construction down 16.5% year over year, primarily due to elevated interest rates and high building costs.
- Year over year, space under construction decreased by 16.5% displaying the challenging development environment as rising costs, capital market constraints, and lender underwriting requirements will continue to favor retailer expansion into re-purposed existing real estate, and limit the expansion of new retail square footage through new shopping center developments.
- Several properties were delivered this quarter totaling 107,151 SF of new space. The largest space that was delivered was Dick’s House of Sport at Rosedale Center totaling 86,000 SF.
- The largest property that was completed in 2024 was Costco in Chaska, which was delivered in the third quarter.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

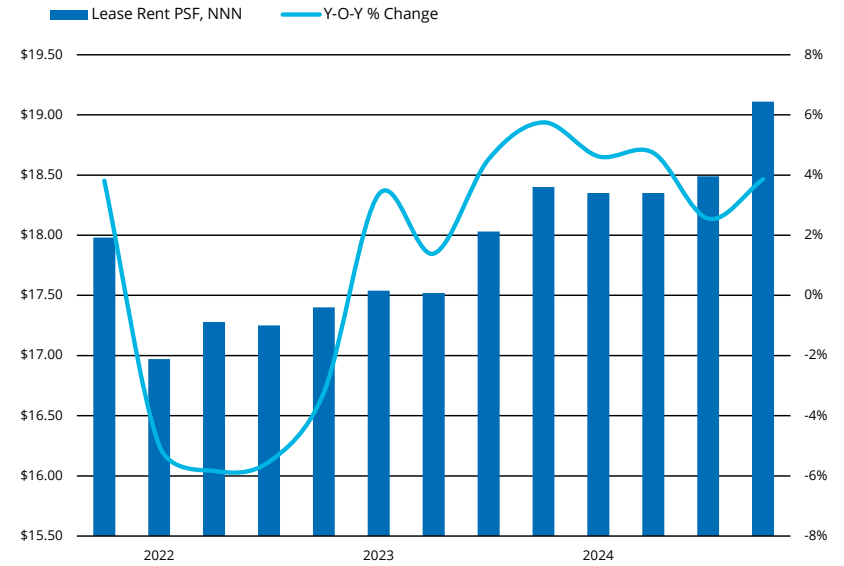


RENTAL RATES

Rent Growth Continues to be Steady

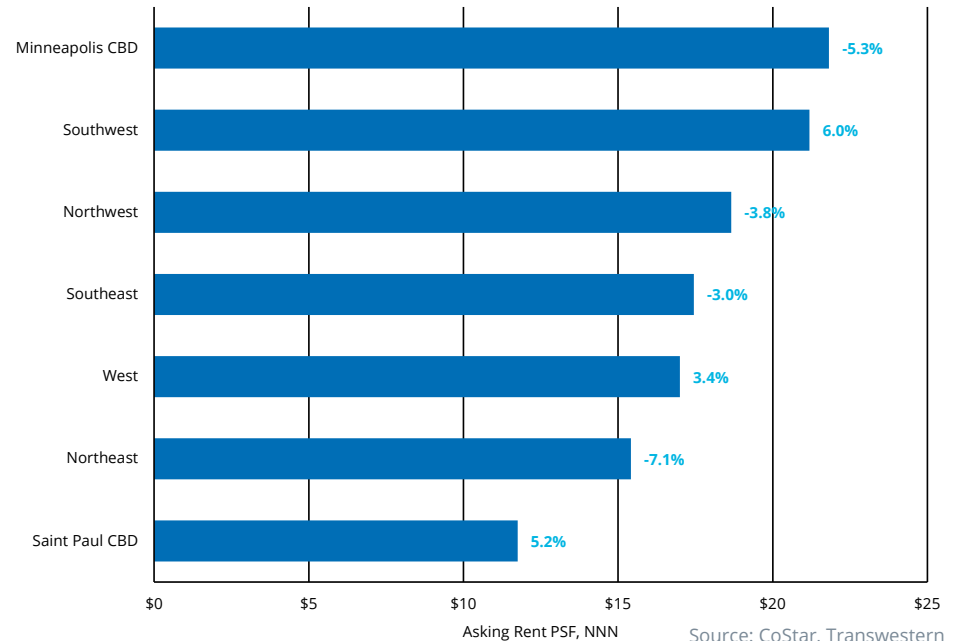
- Average asking rents for the Minneapolis Saint-Paul retail market increased by 3.4% in Q4 2024 from the previous quarter to \$19.11 PSF, and by 3.9% year over year (YoY).
- The largest year-over-year increase was in the Southwest submarket, where rates increased by 6.0% to \$21.19 PSF. The Northeast submarket saw rates decrease by 7.1% to \$15.41 PSF.
- Overall rents continue to see steady growth as inventory growth continues to be limited with little new construction in the pipeline and increasing development costs. This is pushing asking rates higher for tenants and pushing owners to be more creative with available space in order to lease.

LEASE RENT



Source: CoStar, Transwestern

LEASE RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

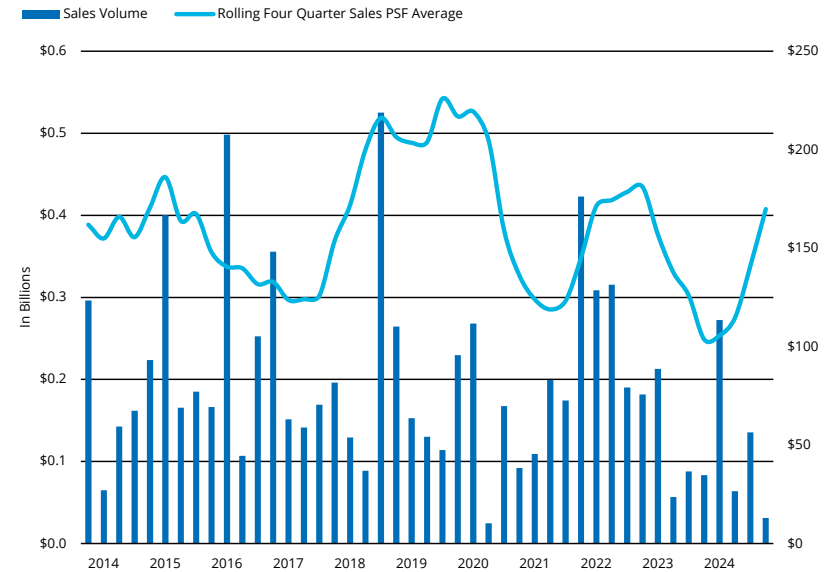


SALES

Sales Volume Increased For 2024

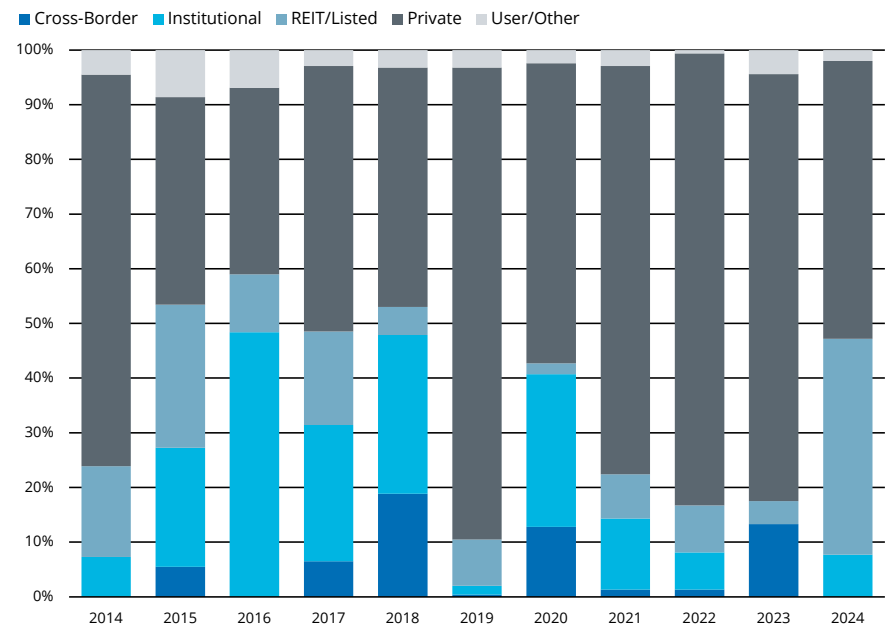
- Sales totaled \$36.9 million for the quarter, 73% lower from the fourth quarter 2023. For 2024 overall sales volume totaled \$508.7 million, an increase of approximately \$67 million from 2023.
- Large transactions drove sales activity this quarter. Overall market activity remains muted as capital waits for interest rates to decline, potentially increasing purchases by Institutional and REIT buyers.
- Grocery-anchored retail centers and core assets continue to be highly sought after, as investors seek well located assets and properties with credit tenancies located in significant retail nodes.
- The most notable sale of the quarter, by price per square foot, was 1600 Monroe Drive in Chaska, which sold for \$5.2 million, or \$1,065 PSF. The buyer was HomeTown Bank and the seller was HTB Carver.
- 2024 saw an increase in private investor acquisition and fewer large portfolio sales. Private and REIT sources accounted for 90.3% of buyer capital in 2024, while institutional sources made up 7.7%.

SALES VOLUME



Source: CoStar, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
COBORNS	13001 Bass Lake Rd, Plymouth	Northwest	New	65,000
BIG AIR TRAMPOLINE	14240 Plymouth Ave, Burnsville	Southeast	New	26,040
PLANET FITNESS	2537 Hwy 10 NE	Northeast	New	25,115
VIENGCHAN ORIENTAL MARKET	633 7th St W, Saint Paul	Southeast	New	18,007
DAISO	7020 Valley Creek Plaza, Woodbury	Southeast	New	15,732

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
3574-3580 MAIN ST W*	Northeast	\$8,100,000	10,190	\$795	Curblin Properties	Escom Properties Inc
SHOPS AT GATEWAY NORTH, 38500 TANGER DR, NORTH BRANCH	Northeast	\$7,250,000	158,077	\$46	RIC Property Management	Kingdom Home Services
3575 NORTH BERENS RD NW, SHAKOPEE	Southwest	\$6,500,000	41,150	\$158	Shakopee Mdewakanton Sioux Community of Minnesota	Shepherd of the Lake Evangelical Lutheran Church
1600 MONROE DR, CARVER	Southwest	\$5,271,349	4,950	\$1065	Hometown Bank	HTB Carver, LLC
38420 TANGER DR, NORTH BRANCH	Northeast	\$4,800,000	17,560	\$273	Tom Kadlec Automotive Group	Lithia Real Estate, Inc.

= Transwestern deal

* = Portfolio deal



MARKET INDICATORS

All Property Types | Q4 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	1,255,016	1,449,327	13.2%	(36,538)	(11,308)	N/A
FREESTANDING/BIG BOX	38,246,254	876,904	1,079,018	2.8%	144,292	421,059	N/A
MIXED USE	7,172,094	1,376,312	1,367,938	19.1%	31,895	38,458	\$18.23
NEIGHBORHOOD CENTER	19,089,185	1,292,236	1,347,189	7.1%	(32,854)	112,618	\$14.76
REGIONAL CENTER	7,018,869	916,870	915,137	13.0%	85,588	(18,781)	N/A
STRIP CENTER	11,115,145	793,601	636,196	5.7%	(7,803)	45,553	\$20.99
TOTAL	93,639,032	6,510,939	6,794,805	7.3%	184,580	587,599	\$19.11

Community Center | Q4 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	443,271	504,034	13.5%	(46,401)	64,009	\$8.00
NORTHWEST	1,331,047	33,113	144,298	10.8%	0	18,976	N/A
SOUTHEAST	3,342,689	325,018	494,180	14.8%	9,863	(58,705)	N/A
SOUTHWEST	2,054,657	290,475	171,475	8.3%	0	(35,588)	N/A
WEST	395,409	163,139	135,340	34.2%	0	0	N/A
TOTAL	10,997,485	1,255,016	1,449,327	13.2%	(36,538)	(11,308)	N/A



Freestanding/Big Box | Q4 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	13,091,197	382,335	670,267	5.1%	86,000	72,500	N/A
NORTHWEST	5,322,566	136,159	28,159	0.5%	0	223,933	N/A
SOUTHEAST	12,248,083	240,152	219,585	1.8%	21,371	(49,331)	\$11.00
SOUTHWEST	5,634,848	103,109	133,109	2.4%	36,921	173,957	N/A
WEST	1,676,144	15,149	27,898	1.7%	0	0	N/A
TOTAL	38,246,254	876,904	1,079,018	2.8%	144,292	421,059	N/A

Mixed Use | Q4 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	2,773,817	875,534	945,848	34.1%	15,493	19,074	\$21.82
NORTHEAST	602,868	45,238	36,014	6.0%	5,113	6,771	\$17.67
NORTHWEST	844,122	25,134	22,364	2.6%	12,866	17,901	\$15.00
SAINT PAUL CBD	539,043	150,126	91,057	16.9%	7,274	7,274	\$14.25
SOUTHEAST	1,005,408	88,541	85,125	8.5%	(4,054)	(14,895)	\$16.68
SOUTHWEST	882,683	79,793	86,462	9.8%	0	2,004	\$20.00
WEST	524,153	111,946	101,068	19.3%	(4,797)	329	N/A
TOTAL	7,172,094	1,376,312	1,367,938	19.1%	31,895	38,458	\$17.00

Neighborhood Center | Q4 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	5,555,955	432,072	435,245	7.8%	(4,187)	53,048	\$11.50
NORTHWEST	3,262,974	168,740	240,986	7.4%	(5,307)	14,454	\$17.00
SOUTHEAST	6,051,601	422,757	347,300	5.7%	(592)	88,674	\$14.83
SOUTHWEST	2,695,714	122,594	193,391	7.2%	(29,568)	(58,337)	\$18.50
WEST	1,522,941	146,073	130,267	8.6%	6,800	14,779	\$12.00
TOTAL	19,089,185	1,292,236	1,347,189	7.1%	(32,854)	112,618	\$14.39

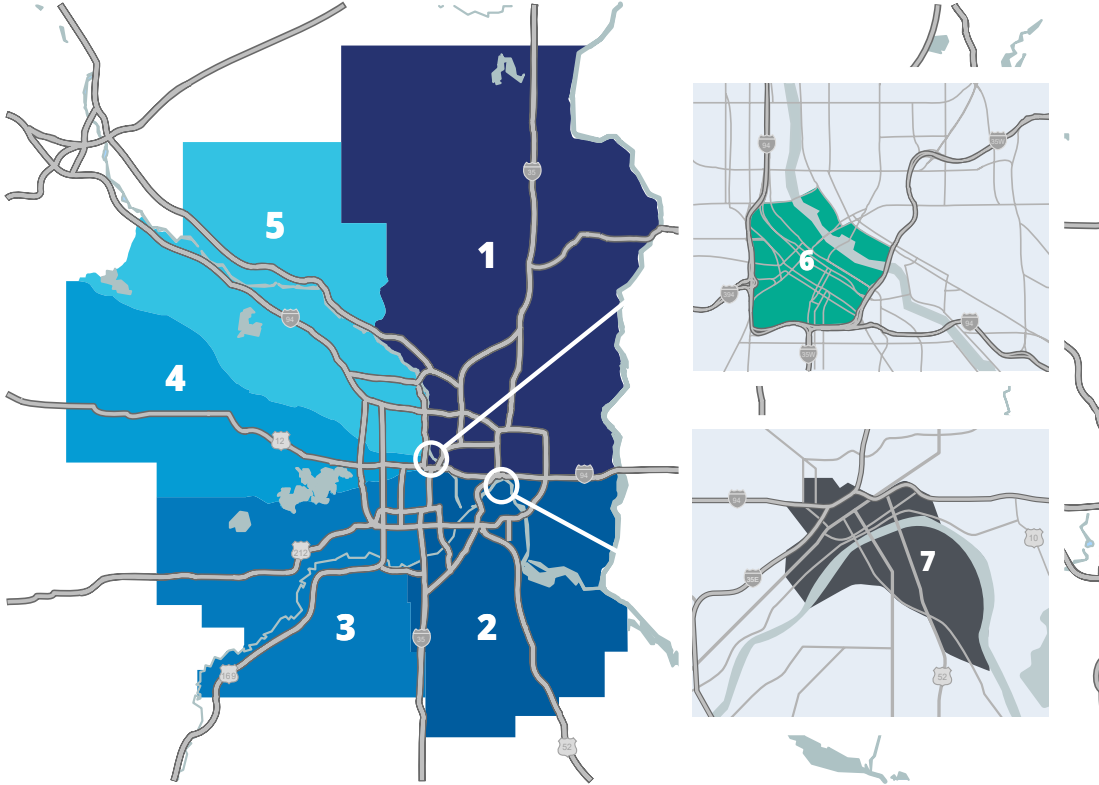


Regional Center | Q4 2024

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	292,191	292,191	10.7%	871	(6,995)	N/A
SOUTHEAST	609,991	206,374	206,374	33.8%	0	0	N/A
SOUTHWEST	2,087,941	379,913	379,913	18.2%	85,425	(13,730)	N/A
WEST	1,595,107	38,392	36,659	2.3%	(708)	1,944	N/A
TOTAL	7,018,869	1,067,458	1,065,725	15.2%	(131,434)	(104,369)	N/A

Strip Center | Q4 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%	0	2,937	N/A
NORTHEAST	3,298,655	169,995	169,123	5.1%	15,776	41,860	\$16.65
NORTHWEST	1,969,305	221,897	153,776	7.8%	(11,577)	(4,996)	\$24.00
SOUTHEAST	3,077,399	203,896	154,717	5.0%	(1,959)	9,305	\$20.05
SOUTHWEST	1,805,551	100,333	72,210	4.0%	(11,699)	(12,519)	\$22.28
WEST	945,715	95,211	84,101	8.9%	1,656	8,966	\$22.00
TOTAL	11,115,145	793,601	636,196	5.7%	(7,803)	45,553	\$21.13



MINNEAPOLIS - SAINT PAUL RETAIL SUBMARKETS

- 1** Northeast
- 2** Southeast
- 3** Southwest
- 4** West
- 5** Northwest
- 6** Minneapolis CBD
- 7** Saint Paul CBD

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

Maurice Harris

Research Manager
Maurice.Harris@transwestern.com
612.359.1621

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).