TRANSWESTERN

MINNEAPOLIS – SAINT PAUL

RETAIL MARKET | Q3 2025

93.7 MSF
Inventory

(12,373) SF
Net Absorption

7.6%
Vacancy Rate

7.0%
Total Availability

202,525 SF
Under Construction

$19.44 PSF
Asking Rent/NNN

Retail Activity Is Feeling Impacts from National Trends

Market Observations

- The Q3 2025 vacancy rate was 7.6%, representing a 0.1 percentage point increase from the previous quarter and a 0.3 percentage point decline year over year. This is the first time since Q4 2022 that the vacancy rate increased two quarters in a row.

- Net absorption totaled negative 12,373 SF in Q3 2025, driven largely by store closures. JoAnn Fabrics closed two locations totaling 72,384 SF, while CVS vacated five stores totaling 64,891 SF. However, leasing activity at Regional Centers helped offset some of the negative absorption, with Rosedale Center and Southdale Center contributing a combined 84,851 SF of positive net absorption.

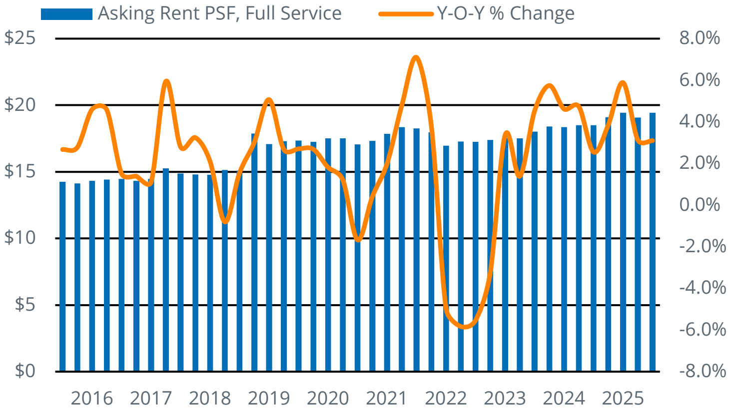
- Asking rents rose 1.9% during Q3 2025, reaching $19.44 PSF. On a year-over-year basis, rents increased by 3.1%. However, general retail space—particularly Neighborhood Centers and Strip Centers—experienced slight declines in asking rents.

- The development pipeline measured 202,525 SF in Q3 2025, representing a 69% decline from the post-pandemic peak of 655,586 SF in Q1 2023. Although new construction has slowed over the past two years, this has helped maintain stable vacancy rates and driven lease rate growth due to constrained inventory in the market.

- Sales volume in Q3 2025 reached $184 million, marking a 33% increase from the $138.2 million recorded in Q3 2024. The average sales price per square foot rose to $179—the highest level in the past year. A standout transaction during the quarter was the sale of the Shoppes at Knollwood, located at 8440 MN Highway 7 in St. Louis Park, which KPR Centers acquired from Heitman for $85.2 million.

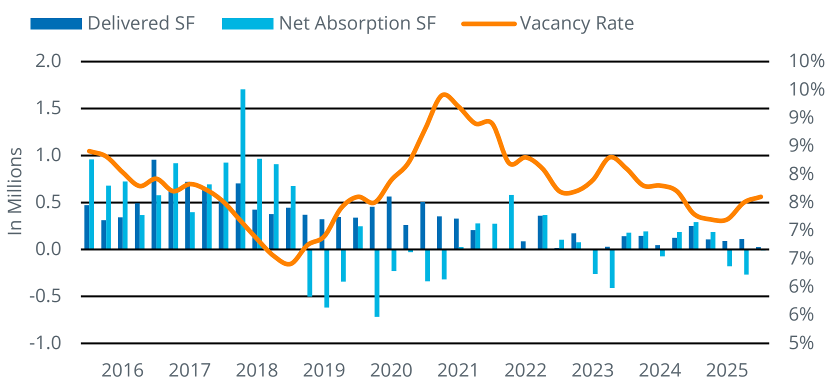
- **Net absorption** totaled negative 12,373 SF in Q3 2025. This was the third consecutive quarter of negative absorption, a trend that has not occurred since Q1 of 2020.
- The **vacancy rate** rose to 7.6% in Q3 2025, up from 7.3% year over year. Excluding the Minneapolis and Saint Paul CBDs, the West submarket recorded the highest vacancy rate at 8.4%, while the Northwest submarket posted the lowest at 5.4%.
- **Asking rents** increased by 1.9% during Q3 2025, reaching $19.44 PSF. On a year over year basis, rents rose by 3.1%.
- A total of 202,525 SF is currently **under construction** in the market, with the Northwest and Southwest submarkets comprising 73% of the activity. Key developments include the Boulevard Retail Project in Plymouth, the Goodwill Store in Waconia, and 570 Marketplace in Chanhassen.

ASKING RENT



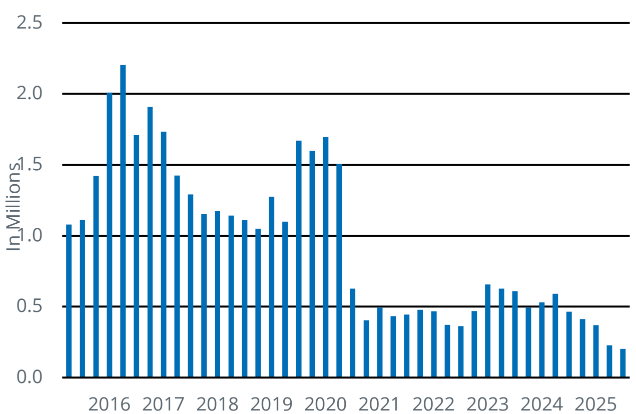
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

MARKET INDICATORS TABLE

All Classes of Space | Q3 2025

SUBMARKET	INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
MINNEAPOLIS CBD	3,296,715	933,139	28.3%	8,120	(15,290)	10,098	$21.83
NORTHEAST	28,948,046	1,950,820	6.7%	0	(12,706)	(51,337)	$18.01
NORTHWEST	12,725,707	682,513	5.4%	76,580	(17,585)	(164,622)	$20.21
SAINT PAUL CBD	540,799	122,614	22.7%	2,800	(4,188)	(31,557)	$14.28
SOUTHEAST	26,439,582	1,804,186	6.8%	20,538	(10,167)	(153,418)	$18.75
SOUTHWEST	15,177,757	1,030,813	6.8%	78,382	43,890	(12,485)	$18.95
WEST	6,661,441	559,283	8.4%	16,105	3,673	(42,470)	$22.14
TOTAL	**93,790,047**	**7,083,368**	**7.6%**	**202,525**	**(12,373)**	**(445,791)**	**$19.44**

Source: MNCAR, Transwestern

PROPERTY TYPE	INVENTORY SF	TOTAL VACANT SF	VACANCY RATE	AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF
COMMUNITY CENTER	11,094,785	1,439,608	13.0%	12.1%	0	(31,826)	(104,974)
FREESTANDING/BIG BOX	38,280,435	1,173,821	3.1%	2.3%	119,530	595	(151,747)
MIXED USE	7,147,326	1,411,123	19.7%	16.3%	61,690	(43,413)	(44,054)
NEIGHBORHOOD CENTER	19,064,365	1,490,618	7.8%	7.4%	0	20,240	(163,225)
REGIONAL CENTER	7,018,869	885,620	12.6%	13.3%	0	50,726	29,517
STRIP CENTER	11,184,267	682,578	6.1%	7.4%	21,305	(8,695)	(11,308)
TOTAL	**93,790,047**	**7,083,368**	**7.6%**	**7.0%**	**202,525**	**(12,373)**	**(445,791)**

Source: MNCAR, Transwestern

Research Methodology

The information in this report is the result of a compilation of information on retail properties located in the Minneapolis-Saint Paul metro area. This report includes multi-tenant and single tenant retail buildings 15,000 SF or larger, complexes 15,000 SF or larger, and mixed-use properties with less than 15,000 SF of retail space.

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