

Minneapolis/St. Paul Retail, H2 2019

Retail market continues to weather the storm

 Vacancy Rate
7.8%

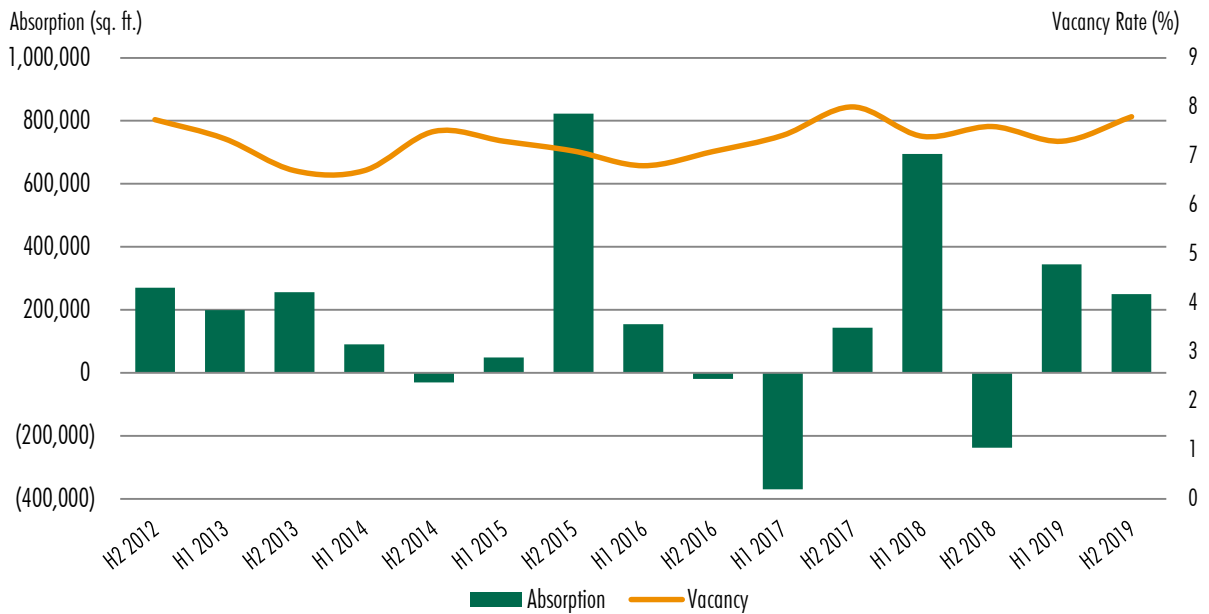
 Net Asking Rate
\$19.14 PSF

 Net Absorption
250,310 SF

 Under Construction
357,800 SF

*Arrows indicate change from previous quarter.

Figure 1: Direct Vacancy Rate and Absorption



Source: CBRE Research, H2 2019.

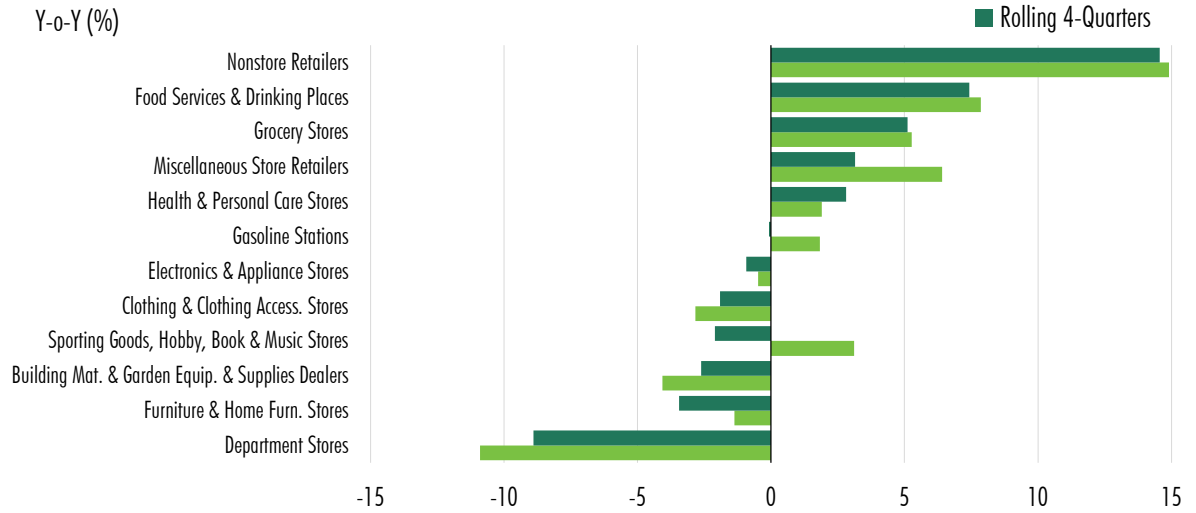
MARKET OVERVIEW

- Net absorption in H2 2019 was 250,310 sq. ft.
- The Southdale submarket led absorption, including the 204,000 sq. ft. Life Time Edina at Southdale and the 60,000 sq. ft. RH Gallery
- Five Below, ALDI, TJX concepts and Hobby Lobby continue to expand in the Minneapolis market and fill junior and big box vacancies
- Concepts including SoulCycle and Barry’s Bootcamp have announced their first locations in the Minneapolis market

Retail continued its evolution in H2 2019 with 250,310 sq. ft. of net positive absorption. Overall average net asking rates in Minneapolis/St. Paul were \$19.14. Junior and big box stores continue to face closures and are seeing a variety of new uses including discount retailers such as Five Below and Sierra Trading, as well as redevelopment to new uses.

Concepts including those in the health and wellness categories continue to expand in the Minneapolis/St. Paul market. SoulCycle announced its first location in Edina and Life Time’s Live/Work/Play luxury club opened a 204,000 sq. ft. facility in a portion of Southdale Center in Edina.

Figure 2: U.S. Retail Spending by Category



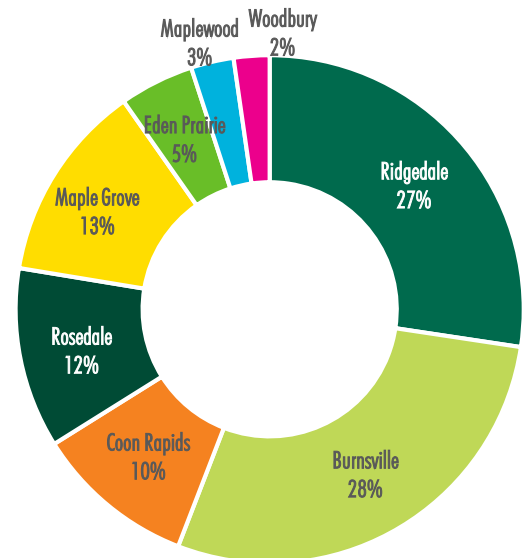
Source: U.S. Census Bureau, Q4 2019.

NEW CONCEPTS, DISCOUNT RETAILERS BOLSTER THE MARKET

The market has continued to see some retailers in the junior box arena choose to either downsize or close up shop for good. With this there have been a handful of retailers that take advantage of this opportunity. Discount apparel, fitness and grocery continued to lead the charge in backfilling these empty boxes in H2 2019 including TJ Maxx/Homegoods and Planet Fitness.

Established national and international retail concepts have announced their first locations in the Minneapolis market. Barry’s Bootcamp will occupy 8,000 sq. ft. in the North Loop, SoulCycle will occupy 3,000 sq. ft. at 50th and France, and Roche Bobois will occupy 4,702 sq. ft. at The Shoppes at Estelle in Edina.

Figure 3: Major Leases by Submarket



Source: CBRE Research, H2 2019.

Figure 4: Largest Leases

Tenant	Sq. Ft.	Center	City	Landlord
Hobby Lobby	61,369	Ridgedale Festival Center	Minnetonka	Kimco Realty Corporation
TJ Maxx/Homegoods	47,000	Cobblestone Court	Burnsville	Schafer Richardson
Planet Fitness	35,540	The Village of Blaine	Blaine	VEREIT, Inc
Burlington Coat Factory	32,572	Arbor Lakes	Osseo	Kimco Realty Corporation
Planet Fitness	28,800	7-Hi Shopping Center	Minnetonka	7-Hi Retail, LLC

Source: CBRE Research, H2 2019.

QUALITY DEALS SEE LOW CAP RATES

The \$34.5 million purchase by NorthPond Partners of Calhoun Square was the largest investment sale in the Minneapolis market in H2 2019. Major tenants include LA Fitness and Kitchen Window, as well as a one-acre redevelopment site and plans for a major renovations of the center.

James W. Tindall purchased the Fleet Farm in Lakeville for \$33.0 million, and RCG Ventures purchased the Best Buy and HomeGoods-anchored Oakdale Village for \$25.3 million. ExchangeRight purchased a 98,141 sq. ft. Hy-Vee in Savage for \$22.4 million and Peterson Enterprises purchased the brand-new 700

Commons Drive in Woodbury, with tenants that include Sleep Number and Wellhaven Pet Health.

Smaller properties continued to be attractive to investors, fetching per sq. ft. prices greater than \$800. Properties occupied by high-credit tenants like Starbucks, U.S. Bank, and Walgreens experienced continued downward pressure on cap rates and upward pressure on rents, which drove prices for these top-tier properties into record territory. The high demand for these properties shows that investors continue their flight to quality. Cap rates on select H2 2019 sales shown in Figure 6 range from 4.64% to 6.00%.

Figure 5: Largest Single Property Sales Transactions by Price

Property Name	Buyer	Price (\$)	Total Sq. Ft.	City
Calhoun Square	NorthPond Partners	34,500,000	177,251	Minneapolis
Fleet Farm	James W. Tindall	33,000,000	202,669	Lakeville
Oakdale Village	RCG Ventures	25,300,000	168,860	Oakdale
Hy-Vee	ExchangeRight	22,400,000	98,141	Savage
700 Commons Drive	AE Peterson Enterprises	11,800,000	13,676	Woodbury

Source: CBRE Research, H2 2019.

Figure 6: Largest Single Property Sales Transactions by Price Per Sq. Ft.

Property Name	Buyer	Price (\$)	Total Sq. Ft.	Price (\$) PSF	City
Starbucks	Confidential	2,575,000	2,325	1,108	Lakeville
U.S. Bank	Diversified Equities Corp	3,500,000	3,636	959	Lakeville
Walgreens	Diversified Equities Corp	9,000,000	10,189	880	Robbinsdale
700 Commons Drive	AE Peterson Enterprises	11,800,000	13,676	861	Woodbury
Bank of America/Crave	Diep L Nguyen	9,200,000	11,015	833	Maple Grove

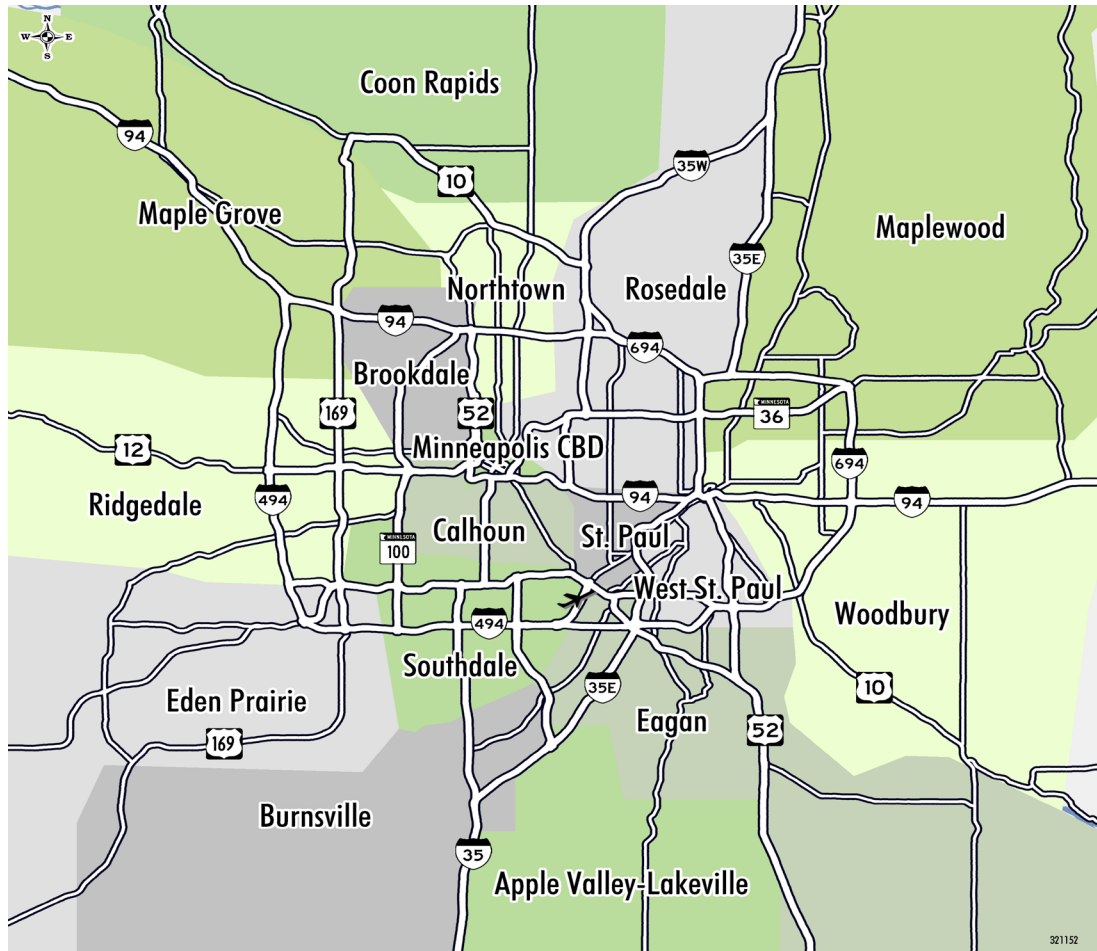
Source: CBRE Research, H2 2019.

Figure 7: Minneapolis/St. Paul Retail Market Statistics

Submarket	Market Rentable Area (Sq. Ft.)	Direct Vacancy Rate (%)	Average Net Asking Rate (\$/Sq. Ft./Yr)	2018 Net Absorption (Sq. Ft.)	2019 Net Absorption (Sq. Ft.)	Active Construction (Sq. Ft.)
A.V. - Lakeville	3,324,839	5.1	17.53	42,962	(8,000)	-
Brookdale	3,221,670	8.3	13.21	(47,940)	8,723	-
Burnsville	3,809,332	7.5	15.73	11,513	78,776	-
Calhoun	1,007,123	9.7	27.68	(4,806)	9,638	-
Coon Rapids	4,227,534	7.9	11.13	(22,410)	(9,274)	-
Eagan	2,733,503	5.9	15.29	(32,204)	2,182	-
Eden Prairie	4,281,737	3.3	19.01	15,933	11,596	250,000
Maple Grove	5,320,552	2.8	21.73	(22,499)	50,478	-
Maplewood	3,576,649	12.3	16.30	41,047	(49,052)	-
Minneapolis CBD	1,508,659	9.5	25.90	(715)	60,809	-
Northtown	3,195,598	12.3	17.12	145,806	237	66,800
Ridgedale	6,498,415	4.8	26.96	212,345	28,929	-
Rosedale	6,027,439	8.9	20.03	55,803	60,588	-
Southdale	7,592,792	10.0	23.48	297,710	404,711	46,000
St. Paul Highlands	1,069,093	26.8	18.06	(102,633)	(77,749)	-
West St. Paul	1,186,174	21.8	13.22	46,578	8,149	-
Woodbury	5,242,927	4.3	17.45	99,208	14,747	-
Totals	64,036,412	7.8	19.14	735,698	594,277	357,800

Note: tracked base includes only buildings (retail or multi-use with retail component) greater than 30,000 sq. ft.

Source: CBRE Research, H2 2019.



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