

MARKETVIEW

RETAIL

Minneapolis/St. Paul, H1 2021

In-person shopping helps retail recovery

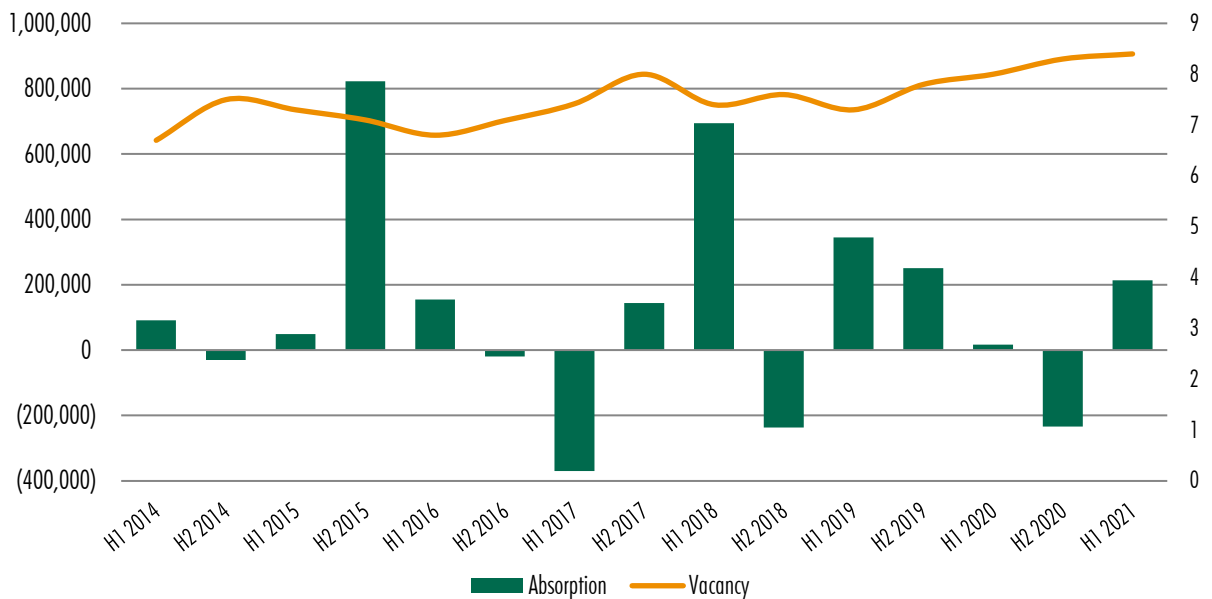
Vacancy Rate **8.5%**

Net Asking Rate **\$19.06 per sq. ft.**

Under Construction **28,000 sq. ft.**

Net Absorption **213,771 sq. ft.**

Figure 1: Direct Vacancy Rate and Absorption



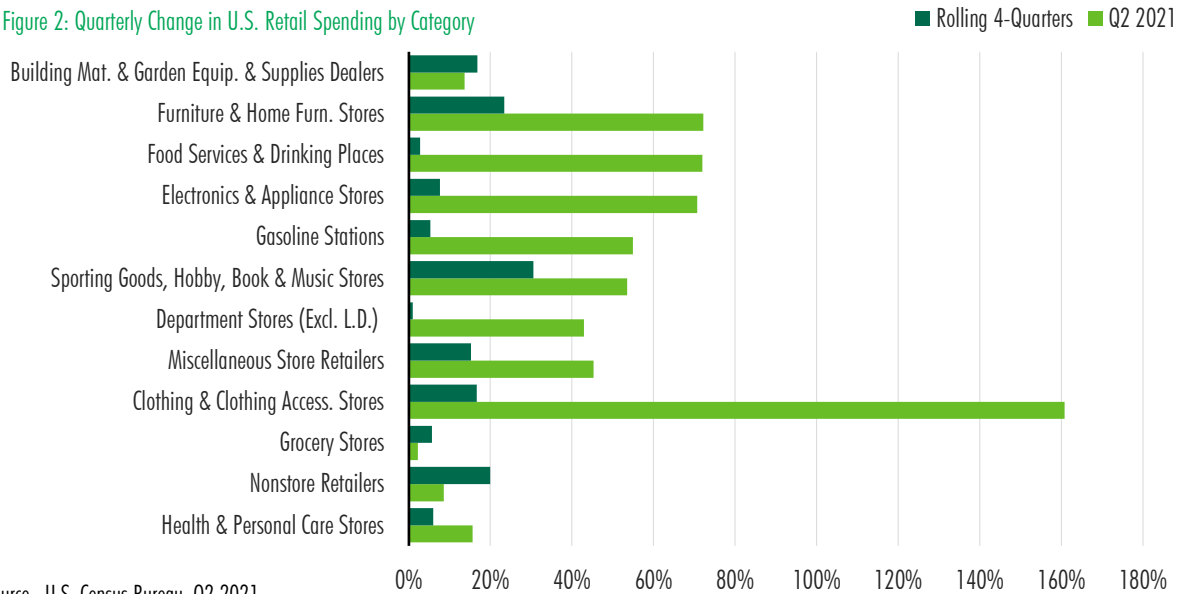
Source: CBRE Research, H1 2021.

- Net absorption in H1 2021 was 213,771 sq. ft. as retail sales recovered and shoppers returned to stores in person
- Furniture and sporting goods drove the largest leases in H1 2021
- Investor sales volume picked up slightly as net leased properties and grocery-anchored centers remained attractive

MARKET OVERVIEW

The Minneapolis/St. Paul retail market showed considerable recovery in H1 2021 as pandemic restrictions eased, allowing in-person shopping to resume. Although average asking rates fell to \$19.06 per sq. ft., absorption was 213,771 sq. ft., a sign of retail recovery. A slight uptick in retail investment sales was evidence of new capital flowing into the market.

Figure 2: Quarterly Change in U.S. Retail Spending by Category



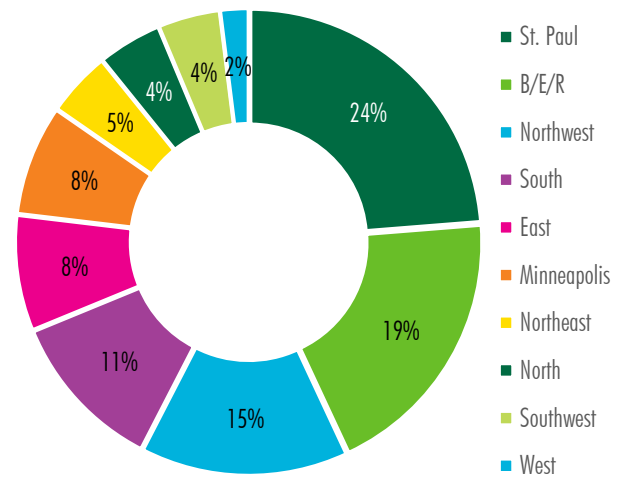
Source: U.S. Census Bureau, Q2 2021.

Clothing, furniture, restaurants and electronics stores showed the strongest quarterly recovery in Q2 2021.

A 114,608 sq. ft. lease by HOM Furniture at Midway Marketplace placed the St. Paul submarket ahead of all others with 24% of all H1 2021 leasing. A 75,000 sq. ft. lease by Rypen at the Galleria put the Bloomington/Edina/Richfield (B/E/R) submarket in second place with 19%, just ahead of the Northwest submarket, which had 15% of all leasing.

Furniture stores represented the top four leases in H1 2021, including Schneiderman’s 47,103 sq. ft. lease at Rosedale Commons and Bob’s Discount Furniture further expanding with a 37,109 sq. ft. lease at Arbor Lakes.

Figure 3: Major Leases by Submarket



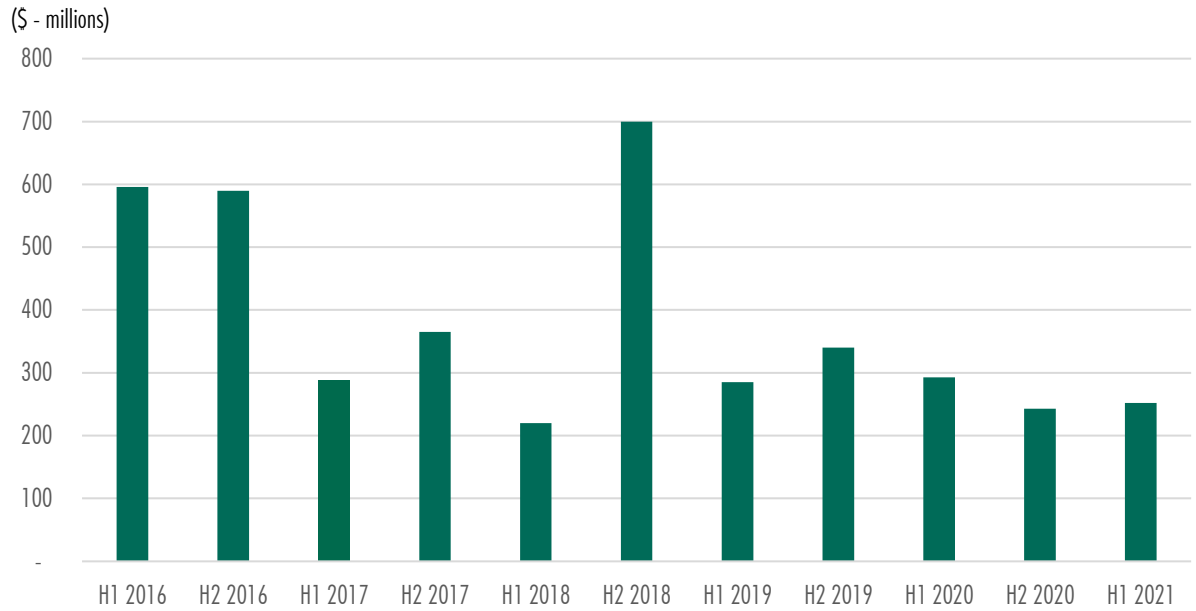
Source: CBRE Research, H1 2021.

Figure 4: Top Lease Transactions

Tenant	Sq. Ft.	Center	City	Landlord
HOM Furniture	114,608	Midway Marketplace	St. Paul	Kraus-Anderson
Rypen	75,000	Galleria	Edina	Hines
Schneiderman’s	47,103	Rosedale Commons	Roseville	Tanurb Developments, Inc.
Bob’s Discount Furniture	37,109	Arbor Lakes	Maple Grove	Kimco Realty
Burlington	32,874	Hi-Lake Center	Minneapolis	Wellington Management

Source: CBRE Research, H1 2021.

Figure 5: Transaction Volume — Previous Five Years



Source: CBRE Research, H1 2021.

INVESTMENT SALES

Investment activity picked up slightly in H1 2021 over H2 2020, and grocery-anchored centers topped the list of transactions. Chanhassen West Village Center, anchored by Lunds & Byerlys, sold for \$24.0 million, and the Cub Foods-anchored Champlin Marketplace sold for \$15.5 million.

Smaller multitenant properties with a quality mix of grab-and go restaurants and essential businesses continued to be popular, including 1840 E 66th St in Richfield, which sold for \$455 per sq. ft.

Single-tenant net leased properties, large and small, continued to attract investor interest, notably the \$14.0 million acquisition of Mills Fleet Farm, as well as properties occupied by discount retailers, pharmacies and automotive stores.

Other centers were sold for redevelopment, some as retail and some as other uses. The former Sam’s Club at 3745 Louisiana Avenue was sold to Loffler to become its headquarters and distribution hub, and the former Gander Mountain in Eden Prairie was purchased for \$7.2 million for redevelopment to a multitenant grocery anchored Asian retail plaza.

Figure 6: Largest Property Sales Transactions by Price

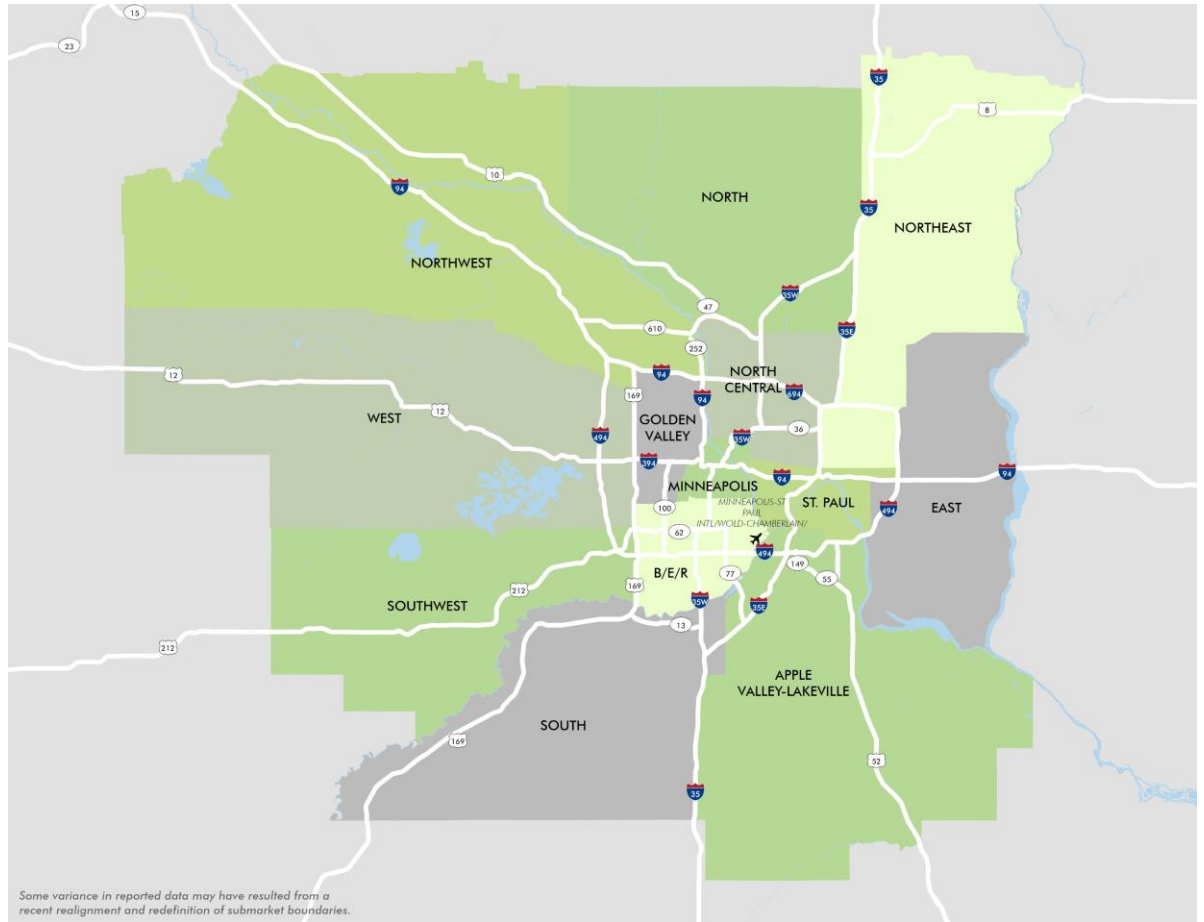
Property Name	Buyer	Price (\$)	Total Sq. Ft.	City
Chanhassen West Village Center	Phillips Edison & Co	24,800,000	137,572	Chanhassen
Champlin Marketplace	Brixmor	15,500,000	88,577	Champlin
Mills Fleet Farm	Northpointe Cambridge LLC	14,000,000	174,178	Cambridge
Former Sam’s Club	Louisiana Crossing LLC	9,100,000	150,637	St. Louis Park
Former Gander Mountain	Asian Plaza Property LLC	7,200,000	64,388	Eden Prairie

Source: CBRE Research, Real Capital Analytics, H1 2021.

Figure 7: Minneapolis/St. Paul Multi-Tenant Retail Market Statistics

Submarket	Market Rentable Area (Sq. Ft.)	Direct Vacancy Rate (%)	Average Net Asking Rate (\$/Sq. Ft./Yr)	2020 Net Absorption (Sq. Ft.)	2021 YTD Net Absorption (Sq. Ft.)	Active Construction (Sq. Ft.)
Apple Valley-Lakeville	6,856,932	6.0	15.82	(98,396)	23,231	28,000
B/E/R	7,134,780	8.5	26.84	230,094	22,401	-
East	4,745,029	6.8	20.49	(87,348)	-	-
Golden Valley	4,569,318	9.6	21.38	(10,350)	(917)	-
Minneapolis	2,872,974	11.1	26.26	(22,585)	3,000	-
North	5,131,708	7.7	11.50	(151,112)	22,500	-
North Central	7,698,508	13.0	17.56	(16,254)	(29,580)	-
Northeast	3,390,421	11.3	15.24	(20,613)	123,733	-
Northwest	6,767,996	5.9	20.01	(162,110)	(6,600)	-
South	5,084,003	7.7	14.82	(123,413)	42,339	-
Southwest	3,091,760	3.1	19.36	264,577	(23,129)	-
St. Paul	3,075,324	18.2	16.07	11,399	38,901	-
West	5,455,068	4.2	20.80	(37,008)	(1,608)	-
Totals	65,873,839	8.5	19.06	(341,440)	213,771	28,000

Source: CBRE Research, H1 2021.



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