

## MINNEAPOLIS

Retail Q4 2019

CUSHMAN &amp; WAKEFIELD

\$80,500

Median HH Income

YoY  
Chg12-Mo.  
Forecast

1.0%

Population Growth



3.0%

Unemployment Rate



Source: BLS (Economic Indicators are representative of MSA.)

U.S. ECONOMIC INDICATORS  
Q4 2019

2.4%

GDP Growth

YoY  
Chg12-Mo.  
Forecast

4.3%

Consumer Spending  
Growth

4.1%

Retail Sales Growth



Source: BEA, Census Bureau

## ECONOMIC OVERVIEW

The Twin Cities unemployment rate remained stable in the fourth quarter 2019 at 3.0%, which is 40 basis points (bps) higher than the historic low of 2.6% in fourth quarter 2018. Healthy employment levels have contributed to rising household income, although the tight labor market continues to limit job growth across sectors.

## SUPPLY: Twin Cities Retailers Adapt to Changing Marketplace

Real estate decisions for retailers have been increasingly influenced by the need to offer consumers a seamless buying experience across channels. As traditional brick-and-mortar retailers bolster their omnichannel platforms to better compete with online players, digitally native retailers, including Warby Parker, Love Your Melon, and Bonobos, have expanded their physical footprints in the market to boost exposure and sales. Class A regional malls have emphasized experiential retail as they transform into all-in-one places to live, work, eat, visit, and shop. At Southdale Center in Edina, for example, Life Time opened a luxury health club/co-working space in a former JCPenney space and is also planning a luxury apartment tower.

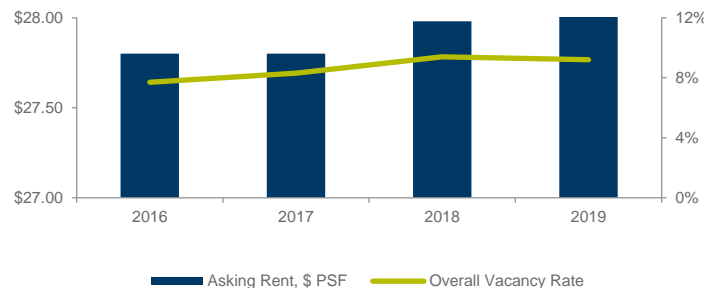
Fewer big box and junior boxes came back to the market in the second half of 2019 following a wave of national bankruptcies and store closures including Sears/Kmart, Herberger's, Toys R Us, and Babies R Us. Many of these vacated boxes are well-located in prime trade areas and were snapped up by expanding concepts. For example, Hobby Lobby will open in the former Toys R Us in Minnetonka in the first half of 2020. Many boxes are being divided for multiple tenants, as few big-box retailers are expanding.

## PRICING: Healthy Market Fundamentals Despite Slower Deal Velocity

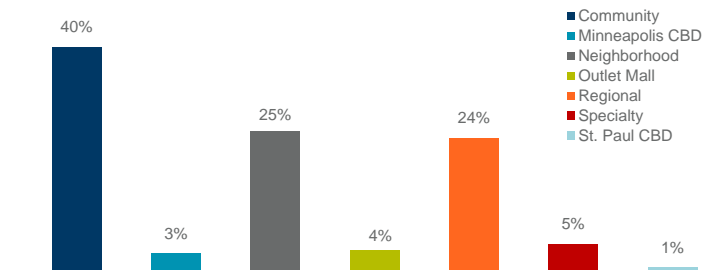
Retail fundamentals in the Twin Cities market remained solid with good absorption and stable rents. The market's vacancy rate, while still high, dipped to 9.2%, and absorption increased to just over 425,000 square feet (sf) for the second half of 2019. Multi-tenant retail property sales volume, however, trailed the pace of 2018, due in part to less for-sale property on the market as well as uncertainty in the grocery sector surrounding new ownership for the Cub Foods chain. New owners of the 177,000-sf Calhoun Square in Minneapolis, which sold for \$34.5 million, have a great opportunity to join the retail renaissance and leverage the asset's prime location in the heart of the Uptown neighborhood.

The single-tenant NNN market remained a vibrant part of the retail sales market in 2019. High-demand assets with good credit and term commanded some exceptionally high prices on a price per square foot (psf) basis. For example, a Walgreens property on West Broadway in Robbinsdale sold for more than \$880 psf.

## RENT / VACANCY RATE



## AVAILABILITY BY PRODUCT TYPE



## MARKET STATISTICS

CENTER TYPE	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	SECOND HALF 2019 DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (NNN)*
Community	32,043,561	273,652	2,537,251	7.9%	84,469	184,166	200,700	\$19.72
Minneapolis CBD	1,339,301	0	195,213	14.6%	-5,812	20,195	246,000	\$25.80
Neighborhood	20,505,701	65,422	1,581,209	7.7%	108,812	157,620	104,700	\$16.70
Outlet Mall	1,197,440	0	233,484	19.5%	-12,300	-40,900	0	\$30.06
Regional	11,417,097	626	1,505,713	13.2%	262,854	92,361	248,756	\$62.77
Specialty	2,421,118	4,335	306,515	12.7%	-3,892	44,398	71,400	\$32.63
St. Paul CBD	369,029	0	36,771	10.0%	-5,505	-7,057	0	\$18.05
<b>MINNEAPOLIS TOTALS</b>	<b>69,293,247</b>	<b>344,035</b>	<b>6,396,156</b>	<b>9.2%</b>	<b>428,626</b>	<b>450,783</b>	<b>871,556</b>	<b>\$28.07</b>

\*Rental rates reflect NNN asking \$PSF/Year

## KEY LEASE TRANSACTIONS 2H 2019

PROPERTY	CENTER TYPE	TENANT	SF	TYPE
12000 Elm Creek Blvd. N., Maple Grove	Community	Burlington	32,572	New
4405 Pheasant Ridge Dr. NE., Blaine	Community	Planet Fitness	25,000	Sublease
5801 Neal Ave. N., Stillwater	Neighborhood	Lakeview Hospital	19,480	Sublease
5300 S. Robert Trail, Inver Grove Heights	Neighborhood	Open Window Theatre	12,683	New
12748 Elm Creek Blvd. N., Maple Grove	Specialty	DMP Furniture	10,628	New

## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	CENTER TYPE	SELLER / BUYER	SF	PRICE / \$PSF
17070 Kenrick Ave., Lakeville	Specialty	Davidson Kempner / James Tindall Jr.	202,669	\$33.0M/\$163
3001 Hennepin Ave. S., Minneapolis	Specialty	JP Morgan, The Ackerberg Group / NorthPond Partners	177,251	\$32.2M/\$182
8301 3rd St. N., Oakdale	Community	Artis REIT / RCG Ventures	168,860	\$25.2M/\$150
6190 142nd St., Savage	Neighborhood	Hy-Vee / ExchangeRight	98,141	\$22.4M/\$228
711 Rose Dr., Big Lake	Neighborhood	IRC Retail Center, Prudential RE Investors / HJ Development	67,858	\$9.9M/\$147

## KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	CENTER TYPE	MAJOR TENANT	SF	OWNER / DEVELOPER
250 Southdale Center, Edina	Regional	Life Time	220,000	Simon Property Group
995 Blue Gentian Rd., Eagan	Community	Costco	167,000	Costco

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