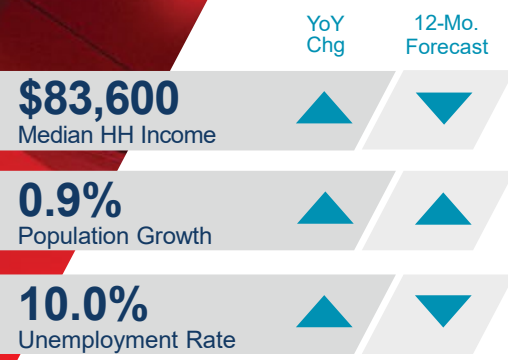


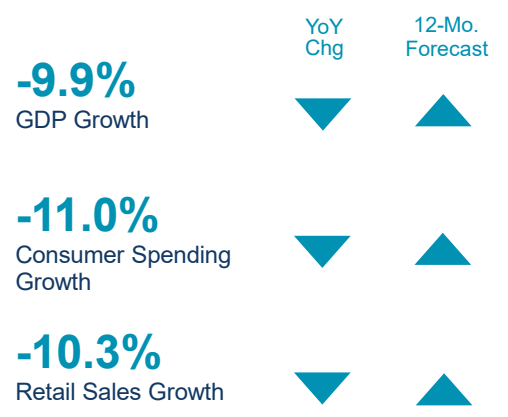
MINNEAPOLIS

Retail Q2 2020



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

U.S. ECONOMIC INDICATORS Q2 2020



Source: BEA, Census Bureau

ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

DEMAND: Opportunities Evolve Amid the Uncertainty and Slowdown in Activity

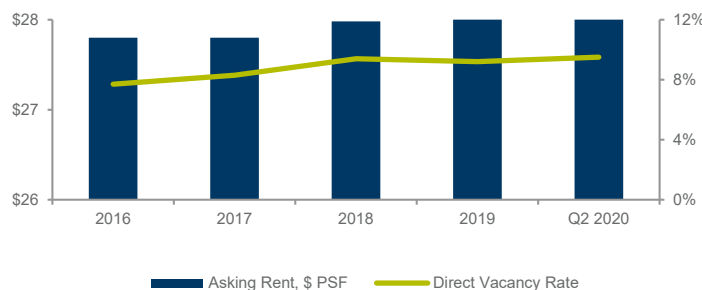
Direct vacancy rate at mid-year was 9.5% in the Twin Cities with first-half absorption virtually flat. HOM Furniture's 212,000-square-foot (sf) Bloomington location highlighted new deliveries. The slowdown in leasing during the second quarter paired with permanent closures of businesses in the fallout from the pandemic has created space-specific opportunities for established users. Some landlords will hold on deal activity if their portfolios are well-positioned to wait out the economic downturn; others will offer deals to tenants to fill a vacancy.

In the broader retail market, a dichotomy between the haves and have nots – particularly among fitness and restaurant concepts – was further solidified. Fitness operators with larger physical footprints that can accommodate social distancing are better positioned to withstand a decline in revenue. Concepts that offer group classes in settings with less square footage are struggling with limitations on occupancy imposed by the pandemic. Among restaurants, users that have successfully incorporated drive-through and carry-out options have been able to safely operate during the pandemic. These users remain active in the market, as the slowdown in leasing and widespread closures have created opportunities that did not previously exist. Restaurants in the Minneapolis and St. Paul CBDs, however, rely heavily on office tenants as well as large events, and staples of the Twin Cities food scene have permanently closed their doors.

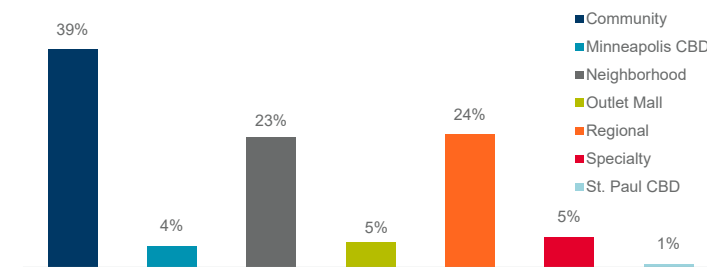
PRICING: Market Pauses to Evaluate Essential Versus Non-Essential

Investment sale volume in the Twin Cities declined significantly in the second quarter. The pandemic is challenging the market to better understand the distinction between essential and non-essential retail businesses. The fluidity of this environment has made underwriting particularly difficult among multi-tenant or NNN offerings with non-essential retail. As a result, in the near term, grocery anchored assets with 70% or more of NOI allocated to this category, and NNN assets with investment grade, "essential" credit, are likely to remain the focus for retail investors seeking new acquisitions.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



MARKET STATISTICS

| CENTER TYPE | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | DIRECT VACANCY RATE | FIRST HALF 2020 DIRECT NET ABSORPTION (SF) | YTD DIRECT NET ABSORPTION (SF) | UNDER CNSTR (SF) | DIRECT AVG ASKING RENT (NNN)* |
|---------------------------|-------------------|--------------------|--------------------|---------------------|--|--------------------------------|------------------|-------------------------------|
| Community | 32,255,561 | 127,545 | 2,567,483 | 8.0% | 181,768 | 181,768 | 200,700 | \$19.72 |
| Minneapolis CBD | 1,359,301 | 14,000 | 257,494 | 18.9% | -42,281 | -42,281 | 190,000 | \$26.05 |
| Neighborhood | 20,445,701 | 133,435 | 1,530,634 | 7.5% | 50,575 | 50,575 | 104,700 | \$16.74 |
| Outlet Mall | 1,197,440 | 0 | 300,623 | 25.1% | -67,139 | -67,139 | 0 | \$30.06 |
| Regional | 11,417,097 | 626 | 1,567,864 | 13.7% | -62,151 | -62,151 | 248,756 | \$62.77 |
| Specialty | 2,421,118 | 10,093 | 363,879 | 15.0% | -56,391 | -56,391 | 35,000 | \$32.63 |
| St. Paul CBD | 369,029 | 0 | 42,771 | 11.6% | -6,000 | -6,000 | 0 | \$18.05 |
| MINNEAPOLIS TOTALS | 69,465,247 | 285,699 | 6,630,748 | 9.5% | -1,619 | -1,619 | 779,156 | \$28.08 |

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS H1 2020

| PROPERTY | CENTER TYPE | TENANT | RSF | TYPE |
|--|-------------|----------|--------|------|
| 13901-14121 Aldrich Ave. S., Burnsville | Community | TJMaxx | 44,000 | New |
| 7280 E. Point Douglas Rd., Cottage Grove | Community | PetSmart | 22,370 | New |

KEY SALES TRANSACTIONS H1 2020

| PROPERTY | CENTER TYPE | SELLER / BUYER | SF | PRICE/\$ PSF |
|---------------------------------------|-------------|--|---------|-----------------|
| 1520 New Brighton Blvd., Minneapolis | Community | IRC Retail Centers / Sterling Organization | 281,648 | \$49.5M / \$176 |
| 3400 124th Ave. NW., Coon Rapids | Community | IRC Retail Centers / Sterling Organization | 231,753 | \$28.5M / \$123 |
| 2600-2800 39th Ave NE., Saint Anthony | Community | IRC Retail Centers / Sterling Organization | 159,303 | \$34.9M / \$219 |
| 10150 Hudson Rd., Woodbury | Community | IRC Retail Centers / HJ Development | 116,197 | \$17.2M / \$148 |
| 1650 Park Place Blvd., St. Louis Park | Community | IRC Retail Centers / Bianco Properties | 88,999 | \$28.2M / \$316 |

KEY CONSTRUCTION COMPLETIONS YTD 2020

| PROPERTY | CENTER TYPE | MAJOR TENANT | SF | OWNER / DEVELOPER |
|----------------------------------|-----------------|----------------------------------|---------|-------------------|
| 7800 Dupont Ave. S., Bloomington | Community | HOM Furniture, Gabberts, Dock 86 | 212,000 | HOM Furniture |
| 525 Fifth St. N., Minneapolis | Minneapolis CBD | Fillmore Minneapolis | 36,000 | United Properties |

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