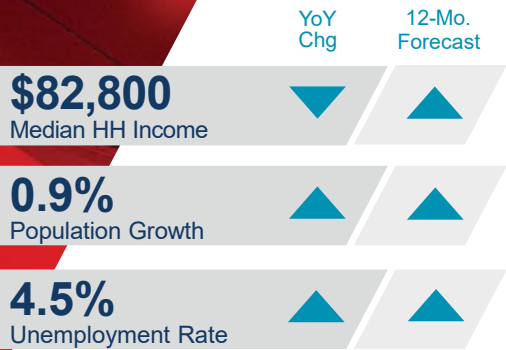


MINNEAPOLIS

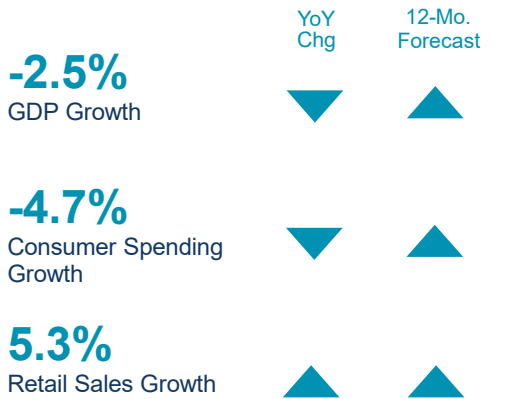


Retail Q4 2020



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

U.S. ECONOMIC INDICATORS Q4 2020



Source: BEA, Census Bureau

SUPPLY: Closures Push Vacancy Rate to Nearly 11%

Year-to-date absorption in the Twin Cities retail market totaled negative 380,000 square feet (sf), which pushed the direct vacancy rate to 10.9%. COVID-19 and the sharp economic downturn of the first half of the year hastened the closures of many retailers that were already on uneven financial footing. For retailers that were able to navigate the initial downturn, the second half of 2020 saw the emergence of a recovery, albeit unevenly distributed within the sector, as consumer spending and confidence levels rebounded. Changing consumer preferences and behavior, however, have significantly impacted retail business models and sparked right-sizing strategies that will continue to play out across the real estate market.

DEMAND: Inconsistent Retail Experience Has Varying Impact on Users

Notable inconsistencies in the 2020 retail experience affected different types of users in different ways. The importance of drive-throughs, for example, has spurred activity in the market among quick-service restaurants. Historically, new drive-throughs have received pushback from some municipalities, and it remains to be seen whether cities will reevaluate such restrictions going forward. Restaurants with footprints larger than ±4,000 sf, on the other hand, have struggled and many have consequently either closed locations or otherwise pivoted their businesses. Similar to drive-through food groups, car washes ranging from local shops to franchisees and national chains have pursued growth opportunities in the market, particularly at available outlot pad sites.

Grocers and other retailers of essential goods and services performed relatively well through 2020, and these users remain active in the market. Landlords have been willing to be somewhat flexible with leasing to these quality tenants, which may otherwise be categorized as more “pandemic-resistant,” by offering more free rent in the short term in order to get new deals done. In aggregate, average asking rates remained stable despite the uptick in vacancy recorded at year-end. Rents will start to decline if the vacancy rate continues to climb.

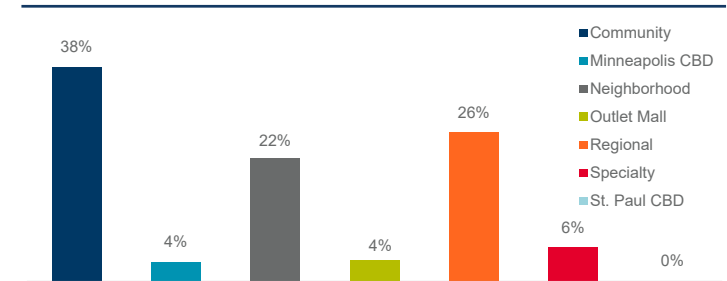
INVESTMENT SALES: Industry Shake-Up Slows Deal Velocity

Investors remained quiet as retail sales volume in 2020 decreased by 16% in the Twin Cities compared to the previous year. More fallout in the sector is expected during the first half of 2021, which will have further impacts on occupancy and add some needed clarity to investor underwriting assumptions. Kohan Retail Investment Group purchased Burnsville Center at auction during the second half, representing a lone outlier example of a distressed asset sale in the market. Grocery-anchored centers that have cleared the market have seen marginal, if any, downward pricing adjustment, with a notable example of Riverdale Village, which traded in the second half for \$70.0 million.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



MARKET STATISTICS

CENTER TYPE	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	SECOND HALF 2020 DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (NNN)*
Community	32,255,561	86,848	2,910,229	9.0%	-342,746	-160,978	0	\$19.64
Minneapolis CBD	1,359,301	14,000	267,443	19.7%	-26,504	-68,785	221,657	\$26.05
Neighborhood	20,376,311	120,934	1,665,612	8.2%	-143,978	-93,403	104,700	\$16.82
Outlet Mall	1,197,440	0	284,943	23.8%	15,680	-51,459	0	\$30.06
Regional	11,668,779	626	2,016,942	17.3%	151,404	89,253	0	\$62.60
Specialty	2,454,579	4,335	459,890	18.7%	-62,550	-118,941	0	\$32.63
St. Paul CBD	369,029	0	13,373	3.6%	29,398	23,398	0	\$18.05
MINNEAPOLIS TOTALS	69,681,000	226,743	7,618,432	10.9%	-379,296	-380,915	326,357	\$28.19

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS H2 2020

PROPERTY	CENTER TYPE	TENANT	RSF	TYPE
Ridgedale Center, Minnetonka	Regional	Dick's Sporting Goods	105,000	New
Shakopee Valley Marketplace, Shakopee	Community	Planet Fitness	23,492	New

KEY SALES TRANSACTIONS H2 2020

PROPERTY	CENTER TYPE	SELLER / BUYER	SF	PRICE/\$ PSF
Riverdale Village, Coon Rapids	Community	Retail Value Inc. / North American Development Group	779,100	\$70.0M / \$90
RH Gallery, Edina	Single-Tenant	Restoration Hardware / NAI Legacy	58,000	\$25.5M / \$440

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	CENTER TYPE	MAJOR TENANT	SF	OWNER / DEVELOPER
8301 Flying Cloud Dr., Eden Prairie	Regional	Scheels	251,682	Cypress Equities / Kraus-Anderson
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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