



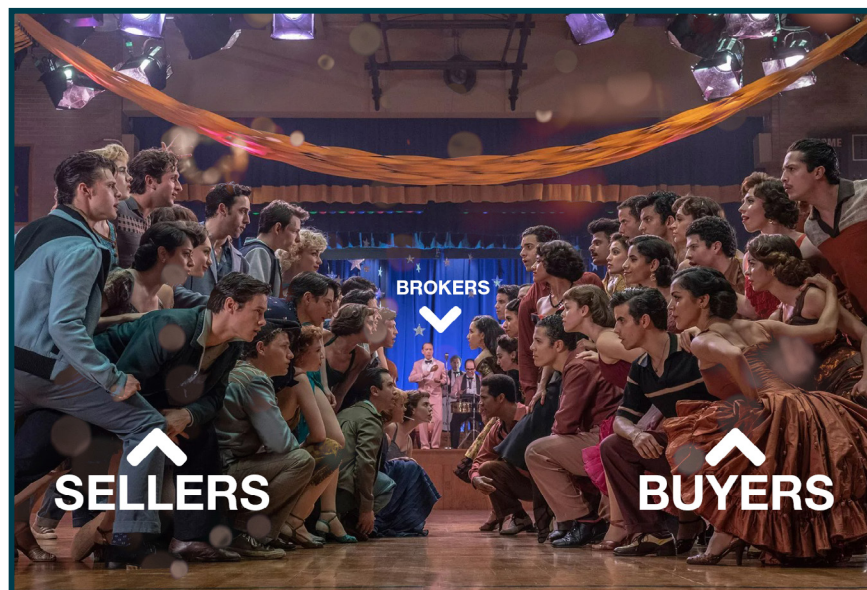
TWIN CITIES MN RETAIL INVESTMENT SUMMARY Q1 2023

Dear Valued Investors and Clients,

2022 was a banner year for retail investment sales with total sales volume of over \$1.3 Billion in the Twin Cities. What a difference a year makes! It's safe to say that Q1 2023 was nothing like Q1 2022, with retail investment sales **down 61% year over year** and transaction volume continues to be slow. In this quarter's newsletter, we'll go over why activity has been so sluggish (spoiler: it's interest rates) and what needs to change to see more deal flow.

As always, please feel invited to reach out to our team directly to discuss the market or to review your portfolio and investment requirements.

~ Mark, Amy, Zach, & Emily ~



IT TAKES *TWO* TO TANGO

**BUYERS AND SELLERS ARE ON THE DANCE FLOOR,
THEY JUST WON'T DANCE WITH EACH OTHER.**

Here are the challenges facing capital markets today that are sidelining many buyers and sellers:

Interest Rates

It's no surprise that this is at the top of the list. Mortgage interest rates have skyrocketed over the last 12 months, with the 10-year treasury yield up 200+ bps since January 2022. **The higher mortgage rates have changed buyers' pricing ability, thereby removing the price-motivated sellers from the market.**

Scarcity of Debt

The not-seen-since-the-great-financial-crisis banking turmoil that happened in Q1 2023 has sidelined many lenders, as they pause to focus on deposits. Additionally, CMBS lenders are virtually non-existent as they grapple with both the rising interest rates and rising delinquencies on existing loans. **While there are still plenty of active lenders, this scarcity of debt has made it more difficult and cumbersome for buyers to find the right lender and debt terms, further impacting their pricing.**

(continued)



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Alternative Investments

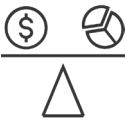
If we had a dollar for every time an investor recently asked us “why would I buy a 4% cap Chick-Fil-A when I can buy 4 or 5% government backed bonds?”, we’d have more than a few dollars. **Investors are challenging the returns forecasted on commercial real estate investments relative to other options in the market such as bonds, CD’s, and money market accounts, which is putting downward pressure on pricing.**



Record-Low Vacancy

If there’s any silver lining for retail investments in this market, it’s that we have record low vacancy rates. **However, because of excellent occupancy and rising rents, sellers aren’t motivated to sell at a perceived discount (relative to 2021/2022 pricing) and have no financial motivation to do so given the property is likely cash-flowing well and the rents/returns are increasing, unless they have maturing debt.**

What must change to see more deal flow:



Debt Maturity

This will happen naturally as loan terms come due this year and beyond, most with interest rates well below today’s current rates of 6 – 7%. It’s estimated that \$1.5 Trillion (with a T) in CRE debt is coming due by the end of 2025. **Many of these properties and loans will be healthy and easily refinanced, though some of these will put borrowers in precarious positions which may encourage them to sell versus refinance.**



Interest Rates

It’s no surprise that when the government pushes the fed funds rate lower, with mortgage interest rates to follow, this will ease the market and push pricing back up to a range where more sellers are motivated to sell versus hold. **Given there have been no signs of the fed’s willingness to do this anytime soon, we’re not holding our breaths on this one.**



Retail Disruption

With vacancy rates at all-time lows, there is very little distress in the market. There would need to be some form of retail disruption that may be caused by retailers filing bankruptcy, closing stores, and/or consumer spending dropping dramatically which could force more retail closures and vacancy rates to rise. **Because the industry has seen very little new development, contrary to the 2008/2009 crisis, it appears there is a lower chance of large amounts of distress and spikes in vacancy rates.**



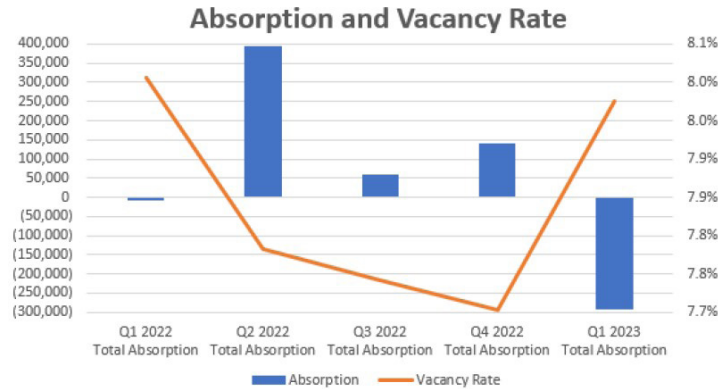
Investment Criteria

Perhaps instead of waiting and hoping the market changes to create more deal flow, buyers and sellers need to change their criteria. **Buyers seeking value-add deals which have been scarce may want to focus on well-occupied centers with below-market rents where they can force appreciation through rental increases. Sellers need to consider that it’s all relative and if they “sell low” they will likely be able to “buy low”.**

In Summary, despite high interest rates, scarcity of debt, alternative investment options, and general market uncertainty, there is **STILL STRONG DEMAND FOR RETAIL INVESTMENT PROPERTIES AND A LACK OF SUPPLY**. This supply/demand imbalance is resulting in multiple offers on properties that do go to market, albeit at pricing that is less than at the height of the market, however demand is helping to keep pricing from falling off a cliff. Investors that have the wherewithal to put up more equity, have patience, and the willingness to be flexible, will thrive in this market.



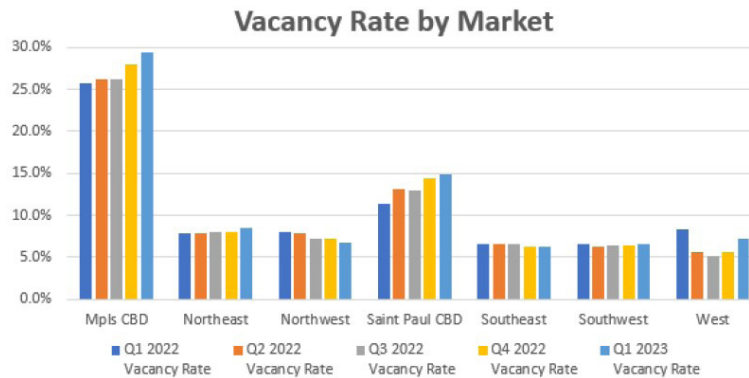
Q1 2023 RETAIL ABSORPTION & VACANCY RATE



8.0% Average Vacancy Rate

Source: MNCAR Q1 2023 Retail Report

Q1 2023 RETAIL VACANCY RATE BY MARKET



Southeast Leads Market at 6.2%

Source: MNCAR Q1 2023 Retail Report

Q1 2023 NOTABLE RETAIL SALES

\$148 Million Twin Cities Retail Investment Sales Volume in Q1 2023



Crossroads of Roseville | Roseville, MN

Price: \$29,000,000

GLA Sold: 357,099

PSF: \$81

Occupancy: 97%

Anchor: Best Buy, JoAnn, Kohls, Noodles & Company, Ulta, Lane Bryant

[Click for expanded Q1 Notable Transactions List](#)



OUR TEAMS' ACTIVE LISTINGS

click photo to
view listing



Westland Mall | Westland, IA

Price: \$4,625,000

Site Size: 36.22 AC

Price PSF: \$11.41

Gross Leasable Area: 405,298 SF



45 & 55 Park Ave S | St. Cloud, MN

Price: \$2,895,000

Site Size: 3.08 AC

Land Price PSF: \$21.58

Gross Leasable Area: 130,190 SF



Long Lake Retail Cntr | Long Lake, MN

Price: \$1,835,000

Stabilized Cap Rate: 9.47%

Year 1 NOI: \$173,734

Gross Leasable Area: 12,100 SF



Uptown Willmar Mall Anchor | Willmar, MN

Price: \$1,495,000

Price PSF: \$19

Gross Leaseable Area: 77,500 SF

Site Size: 4.62 Acres



Broadway Square | Brooklyn Park, MN

UNDER CONTRACT

Gross Leasable Area: 48,998 SF

Click [HERE](#) to see all of our listings



TWIN CITIES MN RETAIL INVESTMENT SUMMARY Q1 2023

NEW LEASES SIGNED Q1 2023



- **ASHLEY FURNITURE**
Eagan Promenade, Eagan



- **DROP SHOT PICKLEBALL**
Shakopee Town Square, Shakopee



- **MEGA PICKLE & PONG**
Hwy 101, Minnetonka



- **CRUMBL COOKIE**
Ridgehaven, Minnetonka
1860 Adams St, Mankato



- **STARBUCKS**
Roseville
Robbinsdale



- **THE LITTLE GYM**
Eagan Convenience Center, Eagan



- **VALVOLINE**
Blaine
Edina
Oakdale
Waconia



MARK ROBINSON, CCIM

Principal

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Mark joined Mid-America Real Estate – Minnesota, LLC in 2012 and focuses on single & multi-tenant retail investment sales throughout Minnesota and Western Wisconsin. Mark has completed transactions with an aggregate value of over \$550M.



AMY SENN

Vice President

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Amy's primary focus is on the sale of retail properties in the Twin Cities and greater Minnesota. She currently serves as Vice President of the Investment Sales team at Mid-America Real Estate-Minnesota, LLC. For her entire 22 year career, Amy has specialized in retail real estate.



ZACH SHOCKENCY, CCIM

Analyst

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Zach joined Mid-America Real Estate – Minnesota, LLC in 2022. He focuses on financial underwriting and analysis of investment sales, property due diligence, document preparation, including ebuyer/seller communications. Thus far in his career, he has been directly involved in transactions with an aggregate value of over \$220M



EMILY UNGER

Marketing Assistant

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Emily joined Mid-America Real Estate - Minnesota, LLC in 2021. She is responsible for marketing, social media, providing creative direction relating to pitch packages, property brochures, and all related marketing materials as well as providing administrative support.

RELY ON THE MIDWEST'S RETAIL REAL ESTATE EXPERTS




MID-AMERICA®
Real Estate-Minnesota, LLC

MINNESOTA MARKET

Q1 2023 NOTABLE RETAIL TRANSACTIONS

	Property/Location	Date Sold	GLA Sold	Sale Price/ Price PSF	Year Built/Reno	Occupancy	Anchors
1	 Crossroads of Roseville 1649 Cty Rd B2 Roseville, MN	3/23	357,099	\$29,000,000 \$81	1985	97%	Best Buy, Joann, Kohls, Noodles & Company, Ulta, Lane Bryant, Dicks
2	 Cliff Lake Centre 1960 Cliff Lake Rd Eagan, MN	2/23	74,184	call for details	1988	78%	Dollar Tree, H&R Block, Davanni's, The UPS Store, Great Clips
3	 Plymouth Collection 4130 Berkshire Ln N Plymouth, MN	3/23	45,522	call for details	1998	100%	Cowboy Jack's, Dollar Tree, Toppers Pizza, Golf Galaxy, Haskell's Wine & Spirits
4	 Caliber Collision STNL 8620 Central Ave Blaine, MN	3/23	18,026	\$4,978,900 \$276	2019	100%	Caliber Collision
5	 Walgreens STNL 2134 Bunker Lake Blvd NW Anoka, MN	1/23	14,560	\$4,705,000 \$323	2004	100%	Walgreens

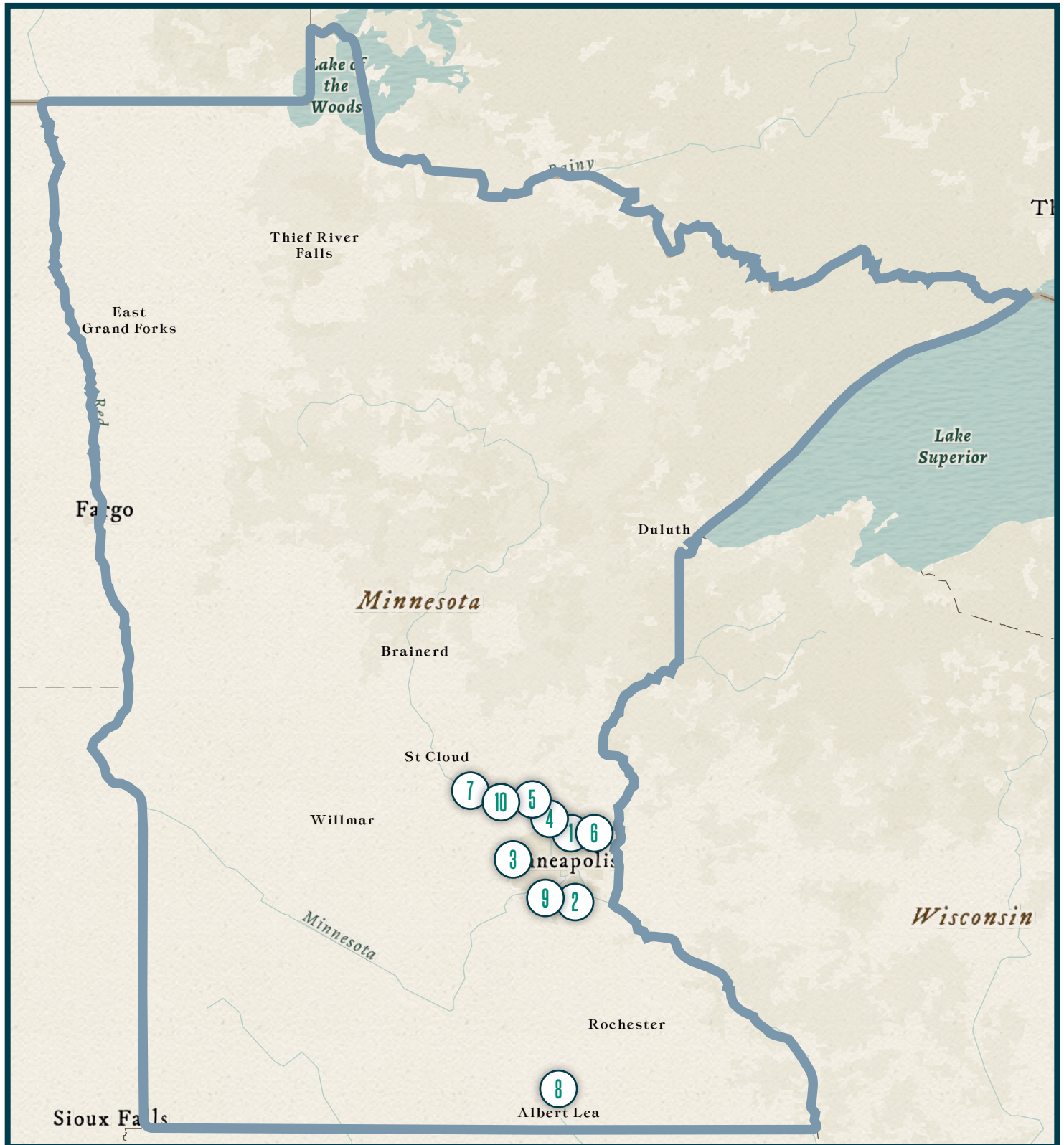


	Property/Location	Date Sold	GLA Sold	Sale Price/ Price PSF	Year Built/Reno	Occupancy	Anchors
6	 Roseville Retail Strip 2109 Snelling Ave Roseville, MN	1/23	9,800	\$4,615,000 \$471	1973	100%	Caribou Coffee, Carpet King, Taco Libre
7	 Hamburg Plaza 11008 61st St NE Albertville, MN	3/23	11,030	\$3,000,000 \$272	2015	100%	T-Mobile, Subway, Caribou Coffee
8	 Northbridge Mall 2500 Bridge Ave Albert Lea, MN	3/23	114,901	\$2,475,000 \$22	1985	70%	Dumham's Sports, Anytime Fitness, Mall Cinema 7, Pizza Ranch, Edward Jones, H&R Block
9	 Riverview Center 3401-3431 Hwy 13 E Burnsville, MN	2/23	34,704	\$2,425,000 \$70	1965	N/A	Redevelopment
10	 St Michael Mall 400 Central Ave E St Michael, MN	3/23	19,652	\$1,800,000 \$92	1988	100%	Eye Care Center, Saukura Express, Techmate, Colonial Jewelers



MINNESOTA MARKET

Q1 2023 NOTABLE RETAIL TRANSACTIONS MAP



THANK YOU



MID-AMERICA®

MidAmericaGrp.com



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