



Dear Valued Investors and Clients,

It's hard to believe halfway through 2023! On a positive note, the retail real estate sector in the Twin Cities is thriving, boasting low market vacancy and a demand for space that exceeds supply. This trend is expected to persist throughout the year, as there are minimal new developments in the pipeline.

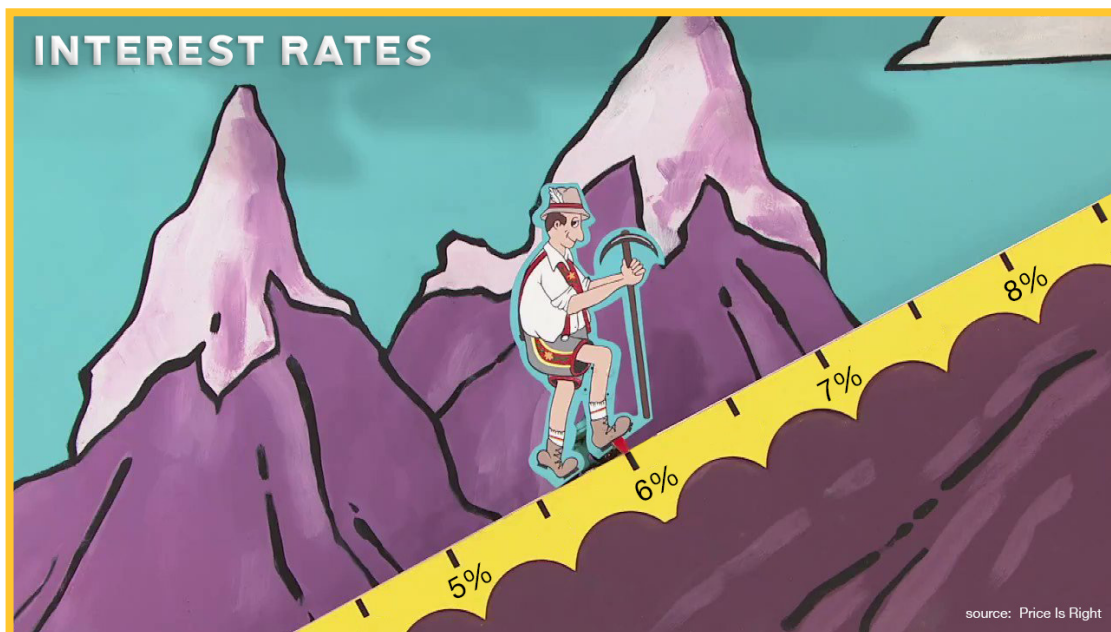
However, it comes as no surprise that the retail investment sales volume has seen a significant decline compared to our remarkable year in 2022. This decrease can be largely attributed to the current high interest rate environment. Depending on the articles you read, opinions on the Federal Reserve's future actions regarding interest rates vary. Some speculate that the Fed will continue to raise rates, while others suggest they might maintain the status quo. Interestingly, veteran economist Peter Linneman believes the Fed will acknowledge its mistakes and begin cutting rates by the end of the summer. It's worth noting that this article ([Walker Webcast: Peter Linneman Sees Light at End of the Interest Rate Tunnel](#)) was written before the recent key rate hike by the Fed on July 26. Nonetheless, if Linneman's track record of successful predictions holds true, there is hope for potential relief on the horizon.

As always, please feel free to reach out to our team to discuss the current market, to review your portfolio, or just to talk.

Enjoy the rest of your summer!

~ Mark, Amy, Zach, & Emily ~

2023 RETAIL INVESTMENT TRENDS

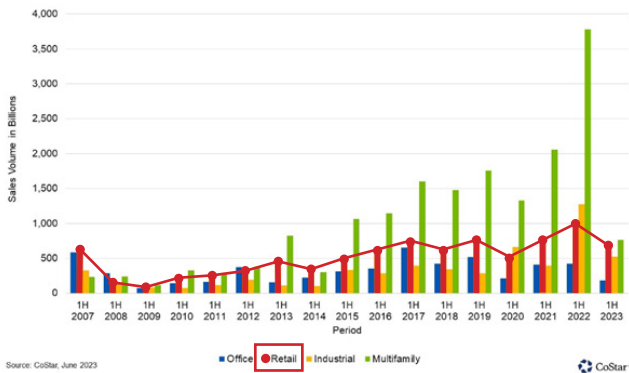


WHAT GOES UP ... MUST COME DOWN



TWIN CITIES MN RETAIL INVESTMENT SUMMARY Q2 2023

Sales Volume Down Markedly During First Half of 2023



CRE SALES VOLUME DOWN - BUT NOT DOOM & GLOOM!

Yes, sales volume is down significantly across the board from 2022 but 2022 was a BANNER year for CRE sales due to historically low interest rates, pent up demand, and many other factors. When you look at the past 10 years, sales volume is **normalizing**.

INTEREST RATES?

Interest rates have gone up 17 times in the past 17 months and it is unknown what the Federal Reserve will do at their next meeting. Due to supply and demand, cap rates haven't directly correlated to increased interest rates, but there is no denying they are up from a year ago, however, varying between asset classes and even sub-categories.



SUPPLY & DEMAND

There continues to be a **low supply** of quality retail investment properties on the market. There is still a lot of capital looking to be placed and investors are having a difficult time finding opportunities. We are seeing inventory levels rise and expect to see more deal flow in the second half of 2023.

AVERAGE DEAL SIZE IS DOWN

The largest retail investment sale in the 2nd Quarter of 2023 was \$6,850,000, for the sale of Golden Valley Town Square, to a local private equity investor. The average multi-tenant retail deal size was just **\$2.6M**.

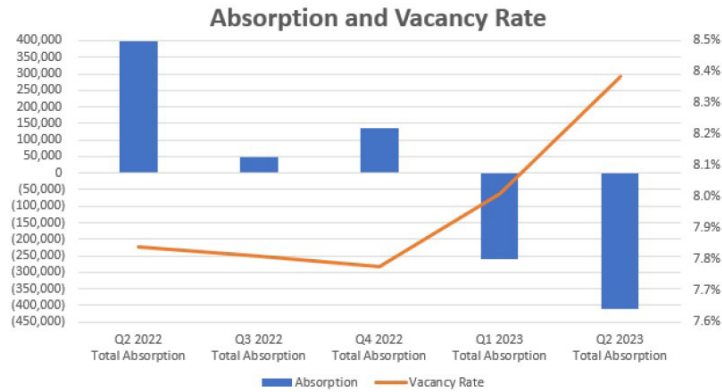


INCREASINGLY MORE DIFFICULT TO ACCESS CAPITAL

Inflation is cooling but the Federal Reserve is recommending for big lenders to set aside more capital as a buffer against losses making it more difficult for investors to find capital. Credit unions have remained an active source of capital for retail investments in the Twin Cities.



Q2 2023 RETAIL ABSORPTION & VACANCY RATE



7.6% Average Vacancy Rate w/o CBD

Source: MNCAR Q2 2023 Retail Report

Q2 2023 RETAIL VACANCY RATE BY MARKET



Southeast Leads Market at 6.1%

Source: MNCAR Q2 2023 Retail Report

Q2 2023 NOTABLE RETAIL SALES

\$117M Twin Cities Retail Investment Sales Volume in Q2 2023



Broadway Square | Brooklyn Park, MN

Price: \$6,730,000

GLA Sold: 48,996

PSF: \$143

Occupancy: 100%

Anchor: Sherwin Williams, State Farm, Caribou Coffee, Maple Brook Dental

[Click for Expanded Q2 Notable Transactions List](#)



OUR TEAMS' ACTIVE LISTINGS

click photo to
view listing



Chase Bank | Richfield, MN

Price: \$2,975,000

Site Size: 0.43 AC

Cap Rate: 4.35%

Gross Leasable Area: 3,720 SF



Planet Fitness | Duluth MN

Price: \$6,071,000

Year Built: 2023

Cap Rate: 6.25%

Gross Leaseable Area: 22,320 SF



Willmar Uptown Outlot | Willmar, MN

Price: \$1,000,000

Site Size: 1.49 AC

Cap Rate: 7.16%

Gross Leasable Area: 5,200 SF



Long Lake Retail Cntr | Long Lake, MN

UNDER CONTRACT

Gross Leasable Area: 12,100 SF



Hillside Mall | Monticello, MN

UNDER CONTRACT

Gross Leasable Area: 26,539 SF

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



NEW LEASES SIGNED Q2 2023

The Northeast submarket saw the most new leases with 145,925 SF leased



- **JARDIN SPANISH IMMERSION SCHOOL**
Lexington Plaza, Roseville



- **AUTOZONE**
Valley West Shopping Cener, Bloomington



- **SALONS BY JC**
Birch Lake Square, White Bear Lake



- **SWEET PARIS CREPERIE**
Woodbury



- **RED COW**
The Promenade, Wayzata



- **PIZZA PUB**
105th Ave NE & Radisson Rd



- **MY BURGER**
Pentagon Village, Edina



- **STARBUCKS**
Rochester



- **FAMOUS FOOTWEAR**
Southtown Shopping Center, Bloomington



- **ZE'S DINER**
The Village, Medonta Heights



- **TOTAL WINE**
Shoppes at Knollwood, St Louis Park



- **KPOT KOREAN BBQ & HOT POT**
Maplewood Town Center

RELY ON THE MIDWEST'S RETAIL REAL ESTATE EXPERTS



MARK ROBINSON, CCIM

Principal

mrobinson@midamericagrp.com
952-563-6664

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. 2022 MNCAR Broker Of The Year.



AMY SENN

Vice President

asenn@midamericagrp.com
952-563-6605

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

zachockency@midamericagrp.com
952-563-6659

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

eunger@midamericagrp.com
952-563-6683

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.



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Real Estate-Minnesota, LLC

MINNESOTA MARKET

Q2 2023 NOTABLE RETAIL TRANSACTIONS




	Property/Location	Date Sold	GLA Sold	Sale Price/ Price PSF	Year Built/Reno	Occupancy	Anchors
1	 Town Square 669-693 Winnetka Ave N Golden Valley, MN	5/23	37,849	\$6,850,000 \$181	2000	87%	Snap Fitness, Davanni's, H&R Block, Brookfield Animal Hospital
2	 Broadway Square 8401 W Broadway Ave Brooklyn Park, MN	5/23	48,996	\$6,730,000 \$143	1984	100%	Sherwin Williams, State Farm, Caribou Coffee, Maple Brook Dental
3	 Ridgedale Shoppes 1805 Plymouth Rd Minnetonka, MN	6/23	7,688	\$5,500,000 \$715	2018	100%	T-Mobile, Wedding Day, Dave's Hot CHicken
4	 Goodwill 1247 Northwood Pkwy Eagan, MN	6/23	20,737	\$5,370,000 \$259	2006	100%	Goodwill
5	 Super Center Square 1702 Westridge Rd New Ulm, MN	6/23	40,741	\$4,000,000 \$98	2007	94%	Dollar Tree, Great Clips, Cricket Wireless, Shoe Sensation, Maurices



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6	 <p>Salon Lofts & Dollar Tree 8040 Glen Lane Eden Prairie, MN</p>	4/23	41,503	\$3,700,000 \$89	2004	100%	Salon Lofts Dollar Tree
7	 <p>6244 Cedar Ave S Richfield, MN</p>	6/23	25,860	\$3,250,000 \$126	1973	100%	Maaco Collision Repair, Dogo Pet Hotels, Zero Rez
8	 <p>Oxboro Service Center 9501 Lyndale Ave S Bloomington, MN</p>	4/23	19,500	\$2,500,000 \$128	1987	91%	Red Wing Shoes, Sherwin Williams Snap Fitness
9	 <p>Aldi 1724 Mall Drive Duluth, MN</p>	5/23	19,200	\$2,400,000 \$125	2017	100%	Aldi
10	 <p>Excelsior Mill 310-318 Water St Excelsior, MN</p>	4/23	9,000	\$2,250,000 \$250	1906	100%	318 Cafe, Provisions Gourmet, Something Safari



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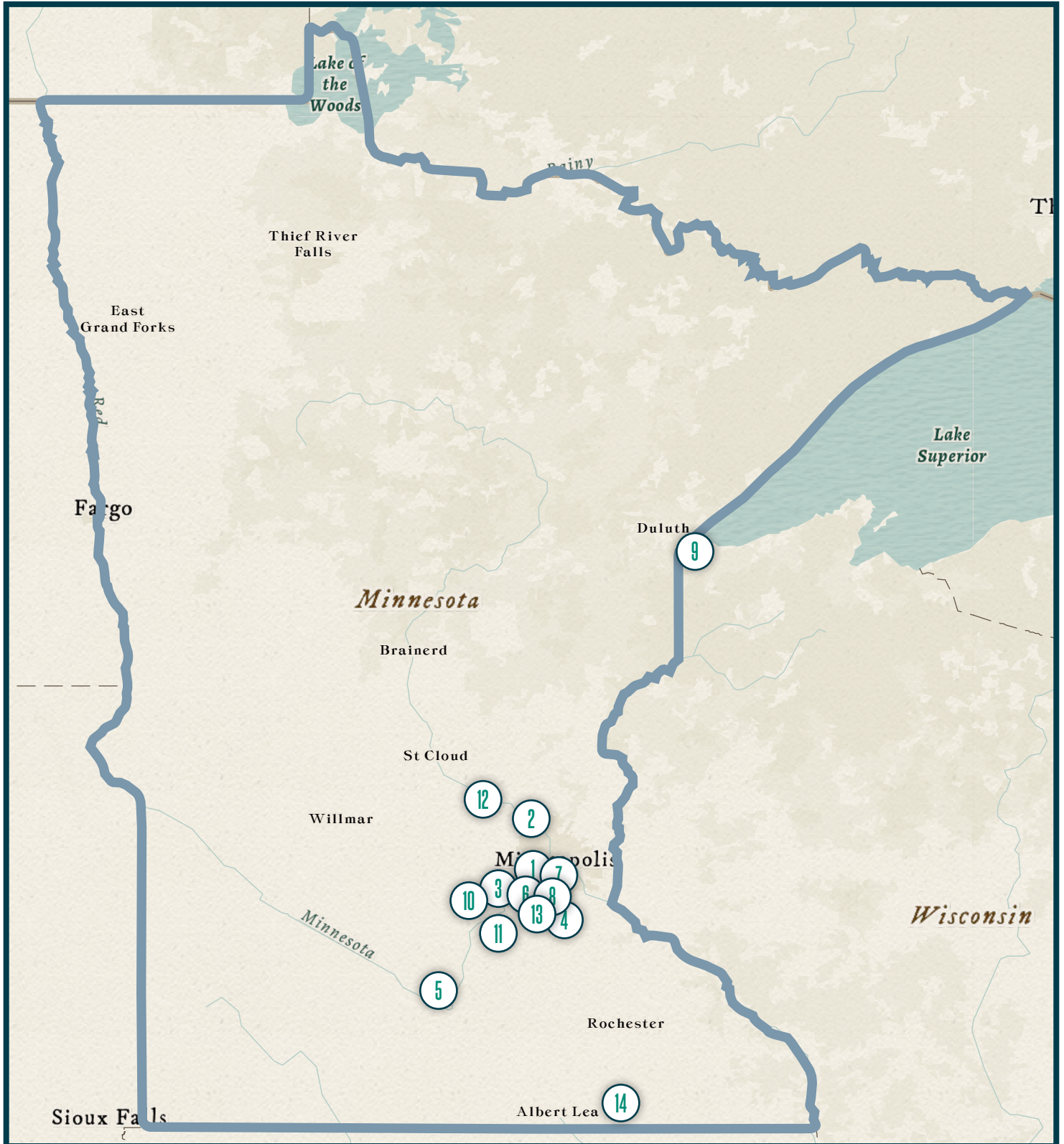
MINNESOTA MARKET Q2 2023 NOTABLE RETAIL TRANSACTIONS

	Property/Location	Date Sold	GLA Sold	Sale Price/ Price PSF	Year Built/Reno	Occupancy	Anchors
11	 4301-4331 Egan Dr Savage, MN	4/23	14,020	\$1,500,000 \$107	2004	100%	Von Hanson's, TFW, South Metro, D. Fongs, Thrift Store
12	 609-611 Locust St Monticello, MN	5/23	8,100	\$1,360,000 \$168	2000	100%	Rancho Grande, Dog Gone Gorgeous, Lovely Nail, ChrioWay
13	 6621-6637 Penn Ave S Richfield, MN	4/23	8,361	\$1,200,000 \$144	1952	100%	Penn Nutrition, A Cut Above, Cadao Express
14	 KFC 1401 18th Ave NW Austin, Mn	6/23	3,584	\$1,142,500 \$319	2004	100%	KFC



MINNESOTA MARKET

Q2 2023 NOTABLE RETAIL TRANSACTIONS MAP



THANK YOU



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MidAmericaGrp.com



▶ MINNESOTA

5353 Wayzata Blvd, Suite 650
Minneapolis, Minnesota 55416
952.563.6600

ILLINOIS

One Parkview Plaza, 9th Floor
Oakbrook Terrace, Illinois 60181
630.954.7300

CHICAGO

410 N Michigan Ave, Suite 1100
Chicago, Illinois 60611
630.954.7327

MICHIGAN

38500 Woodward Ave, Suite 100
Bloomfield Hills, Michigan 48304
248.855.6800

WISCONSIN

600 N Plankinton Ave, Suite 301
Milwaukee, Wisconsin 53203
414.273.4600