

MARKET REPORT

Retail

Minneapolis-St. Paul Metro Area

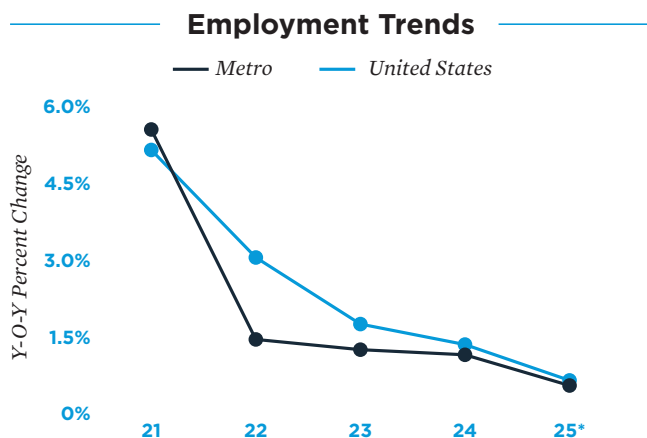
IPA INSTITUTIONAL PROPERTY ADVISORS

3Q/25

Stable Suburban Retail Demand Keeps Market Among Most Resilient Nationwide

Vacancy compression common across Minneapolis submarkets. The Twin Cities' retail market remains well positioned, despite a recent uptick in local vacancy. Property performance continues to stand out in the south and western reaches of the metro. Here, six of eight submarkets recorded year-over-year vacancy compression during the yearlong period ended in June. Ridgedale, Calhoun, Eden Prairie and Maple Grove highlighted this group, as each entered July with vacancy in the low-1 percent to low-3 percent range. Tight conditions in these submarkets and limited active construction have the potential to steer expanding retailers to other areas of the metro. Should this materialize, leasing activity in Downtown Minneapolis and northern submarkets could improve, preventing a notable increase in metro-wide vacancy from occurring over the near term.

Standout performance extends to St. Paul. The group of submarkets that compose St. Paul entered July with a collective vacancy rate of 2.9 percent. While vacancy increases were more common in these areas over the past year than in Minneapolis submarkets, tenant demand remains encouraging. Rosedale entered the second half with a sub-2 percent rate, even with a minor vacancy uptick. Woodbury, another inner-ring suburb, experienced year-over-year vacancy compression in the second quarter that lowered the local rate to 1.6 percent. Moving forward, retail demand in these suburbs should continue to be supported by localized population growth.



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2025 Outlook



**10,000
JOBS**

will be created

EMPLOYMENT:

Job growth will ease to 0.5 percent in 2025, driven primarily by the education and health services sector. The metro's unemployment rate was 3.2 percent in July, ranking among the lowest nationally.



**150,000
SQ. FT.**

will be completed

CONSTRUCTION:

Deliveries decline for a third straight year, with the volume of square footage added in 2025 representing the lowest tally on record. During the prior 10 years, a mean of 1.1 million square feet was completed annually.



**40
BASIS POINT**

increase in vacancy

VACANCY:

Negative net absorption in the first half and anticipated store closures in the coming months will lead to net space relinquishment in 2025. Still, at 3.4 percent, metro vacancy ranks as the second lowest nationally.



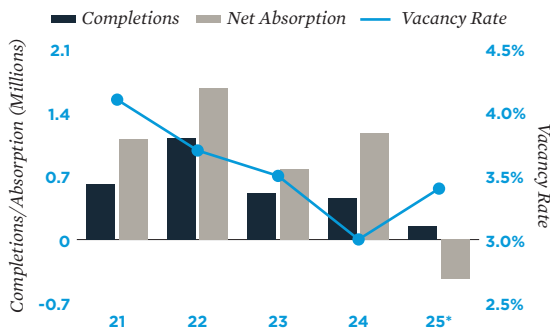
**0.9%
INCREASE**

in asking rent

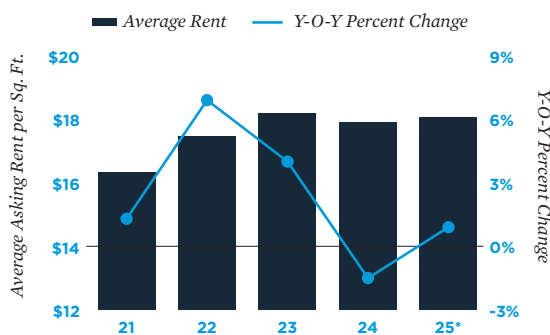
RENT:

After a moderate decline last year, the average asking rent is projected to rebound to \$18.05 per square foot in 2025. Limited single-tenant vacancy will support a more pronounced rate of growth for net-leased properties.

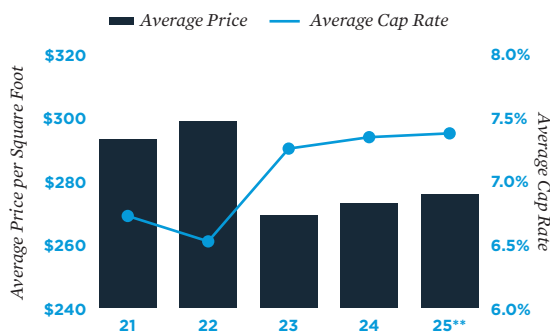
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2025 – 12-Month Period



CONSTRUCTION

387,000 sq. ft. completed

- Minneapolis-St. Paul is experiencing a notable construction slowdown. Developers added less than 50,000 square feet of space in three of the past four quarters — a rare occurrence in the metro since at least 2007.
- Two projects accounted for most of last year’s deliveries: a Costco in Eden Prairie and a Dick’s Sporting Goods in Rosedale.



VACANCY

30 basis point increase in vacancy Y-O-Y

- The metrowide vacancy rate edged up to 3.3 percent in June, reflecting negative net absorption in the first half of 2025. Even with the increase, vacancy remains well below the metro’s long-term average of 4.1 percent.
- Single-tenant vacancy of 2.8 percent in June was second lowest among major markets. The multi-tenant rate of 4.6 percent ranked tenth.



RENT

2.9% increase in the average asking rent Y-O-Y

- Low-3 percent vacancy allowed the metro’s average asking rent to grow at a steady pace, reaching \$18.29 per square foot in June.
- Eleven submarkets with more than 5 million square feet of inventory, posted year-over-year rent growth. Coon Rapids, Ridgedale and Maple Grove led the way, each recording gains above 30 percent.

Investment Highlights

- Transaction activity over the past 12 months ended in June mirrored activity recorded during the prior yearlong stretch. Pricing, meanwhile, rose nearly 2 percent to an average of \$276 per square foot, which is still roughly 10 percent below the metro’s 2022 peak. Concurrently, the average cap rate rose to 7.4 percent — about 50 basis points above the metro’s previous five-year average, yet still among the lowest in the Midwest.
- Private buyers and owner-users accounted for more than 90 percent of sales volume during the past year, underscoring their dominant role in shaping market activity. Many of these investors are focused on leveraging softer pricing conditions and higher yields, particularly in suburban submarkets that offer more accessible entry points.
- Transaction counts doubled in top-performing submarkets such as Rosedale, Eden Prairie and Eagan, highlighting a growing investor preference for assets in areas with affluent demographics and established employment bases. A recent wave of multifamily deliveries across these submarkets is likely to reinforce their position as long-term local growth hubs, which in turn may draw additional investor attention.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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