

INVESTMENT FORECAST

Retail
Minneapolis-St. Paul

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Net Absorption Improves as Single-Tenant Assets Maintain Among Nation's Lowest Vacancy

Rising income levels may offset growing financial distress. Tenant demand in Minneapolis-St. Paul is expected to return to positive levels in 2026 after 2025's record year of negative net absorption. Rising minimum wages, alongside continued household income growth, could benefit consumer demand; however, rising statewide credit card delinquency in 2025 indicates that not all budgets are balanced. Slowing employment growth and sharply lower net migration also signal potential near-term pressure on retail spending. At the submarket level, Maple Grove entered the year with vacancy below 1 percent and is expected to remain tight. A triple-digit basis-point decline in local multifamily vacancy reflects a denser residential base that should support consumer spending. Sizable increases in occupied apartments since 2019 may also reinforce retail demand across Eden Prairie, Apple Valley, and Wright County. In urban areas, Minneapolis' core may remain better positioned in 2026, with vacancy entering the year near 2 percent, while a 120-basis-point increase has lifted central St. Paul's rate to around 4.5 percent, outpacing the metro level for the past six straight years.

Private investors lead the market. Deal flow rose modestly in 2025, driven by a tripling in convenience store sales year-over-year, with segment vacancy near 1 percent. Looking ahead, out-of-state buyers could become more active, drawn by Minneapolis' comparatively high yields and low entry costs, which entered 2026 as the second-lowest among major U.S. metros at approximately \$277 per square foot. Investor interest in single-tenant assets may also continue to build, following the third-strongest year of deal flow in over two decades, supported by segment rent growth above 4 percent – ranking 11th nationally – and the second-lowest vacancy among major U.S. metros.

2026 MARKET FORECAST

+0.1%



Employment: Minneapolis-St. Paul is forecast to gain approximately 3,000 jobs on net this year. Health care and local government stand out as sources of relative strength.

360,000
sq. ft.



Construction: Completions in 2026 mark a fourth straight year below the 1 million square-foot threshold, with nearly half of deliveries concentrated in Wright County.

+20 bps



Vacancy: Though vacancy will rise for the second year in a row, this year's rate of 3.5 percent is still expected to keep Minneapolis-St. Paul among the 10 least-vacant major U.S. metros.

+1.1%

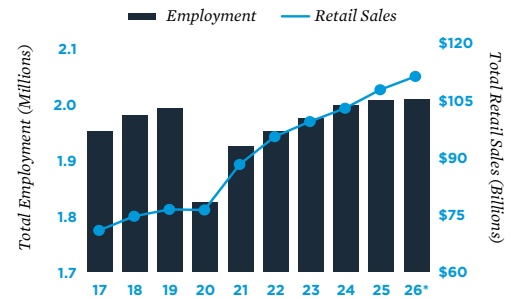


Rent: The average asking rent will increase modestly to \$19.01 per square foot, supported by minimal but positive net absorption. Rent growth will narrowly exceed the historical average.

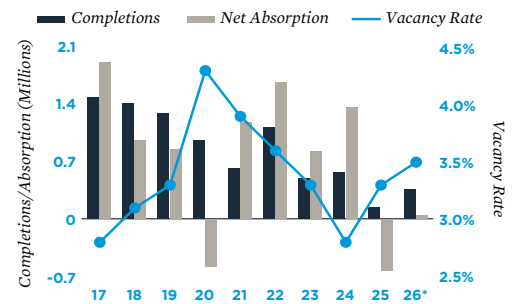
INVESTMENT:

St. Paul's Traditional Neighborhood (T) District zoning amendments support denser mixed-use corridors, walkability, and storefront visibility, which may enhance demand among retail investors.

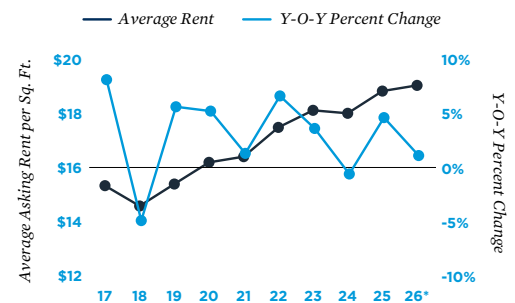
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. 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.