



Big Picture, Local Impacts

How Minnesota stacks up against the nation

APRIL 9, 2025

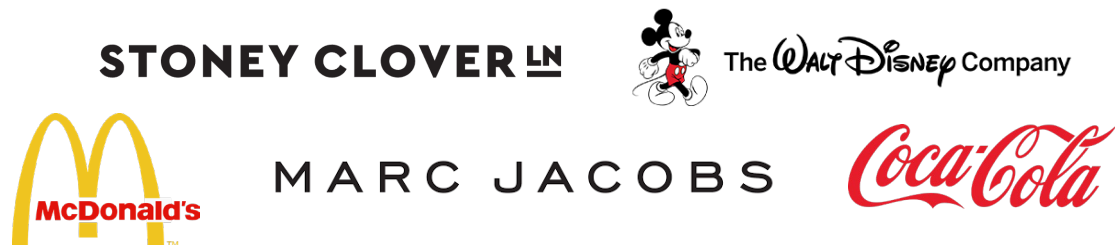




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OVERVIEW

- 01** Economic Trends
- 02** Migration Insights
- 03** Tax Shifts & Costs
- 04** Retail Fundamentals

01

Economic Trends

ECONOMIC TRENDS

Minneapolis Forecast Summary



GDP



Employment



Population



Spending



House Prices

2025 Growth Rate %y/y

Metro Growth Rate	2.4%	0.6%	0.7%	3.0%	3.8%
Rank of 382 Metros	156	311	99	80	127
US Growth Rate	2.6%	1.2%	0.6%	2.8%	3.6%

Average annual growth,
2025-29, %y/y

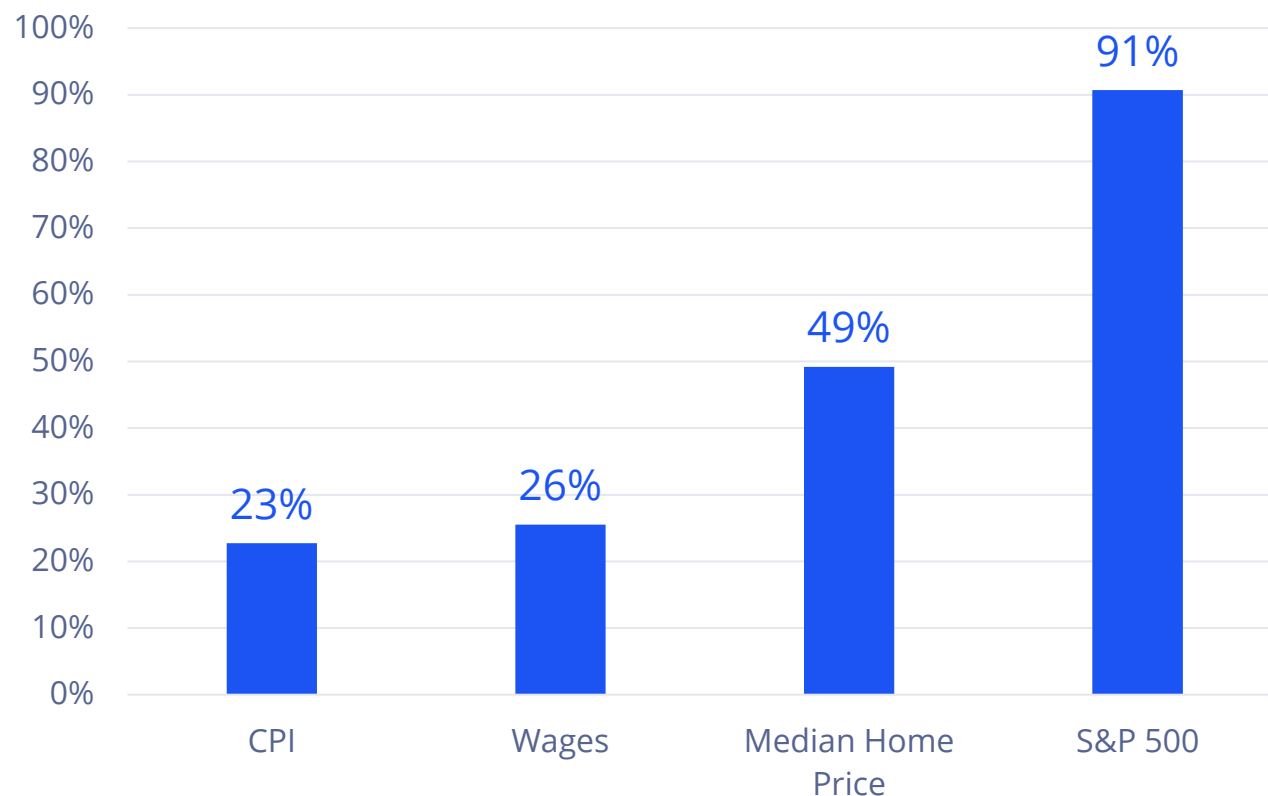
Metro Growth Rate	2.3%	0.5%	0.6%	2.6%	4.7%
Rank of 382 Metros	110	212	110	125	86
US Growth Rate	2.3%	0.6%	0.5%	2.5%	4.2%

Source: Oxford Economics

ECONOMIC TRENDS

Eggs Aren't the Only Thing Rising

Growth from 2019 - 2024



Source: Federal Reserve of St. Louis

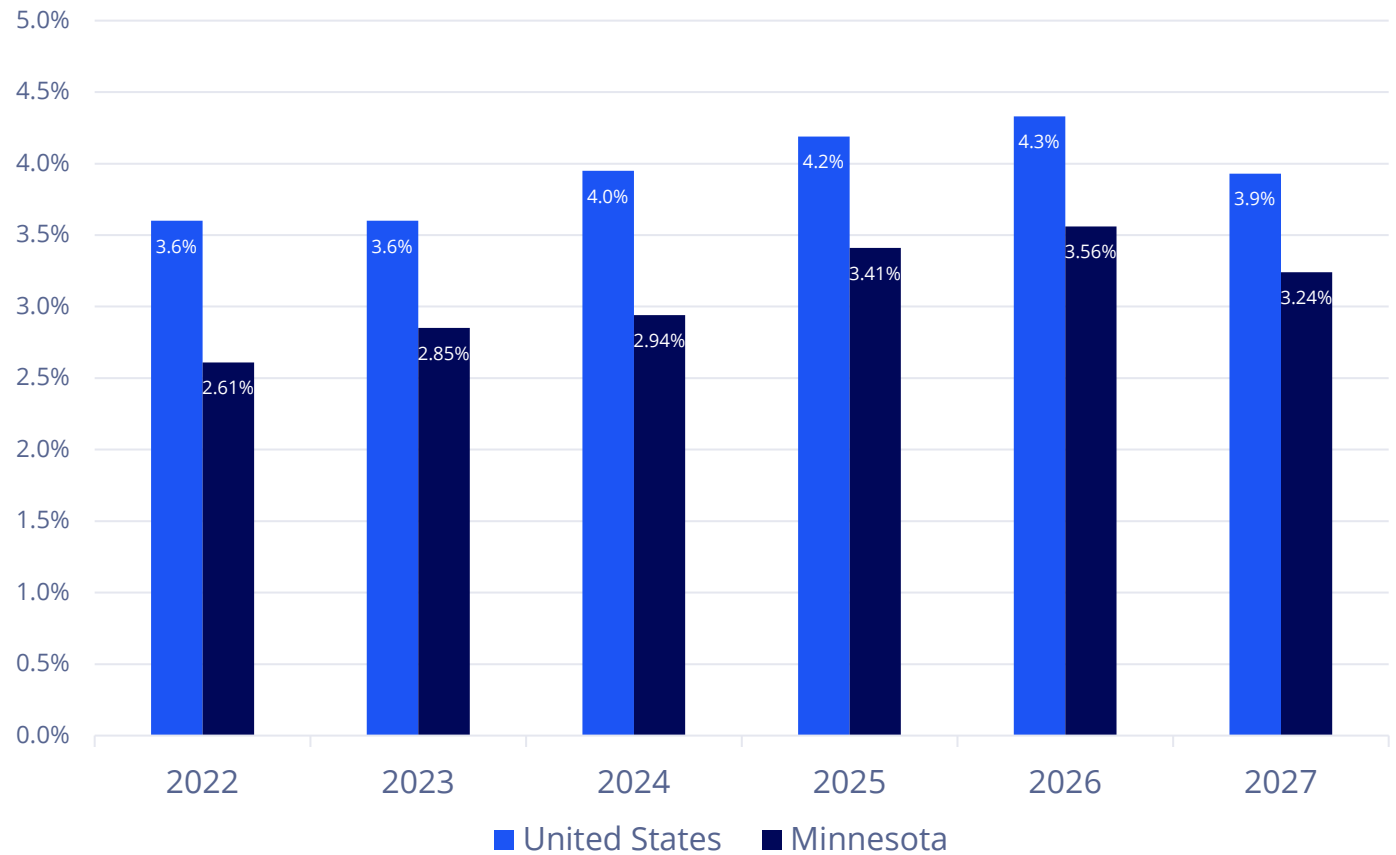


Since 2019,
egg prices are up

176%

Expansionary fiscal policy
and less immigration push
unemployment lower

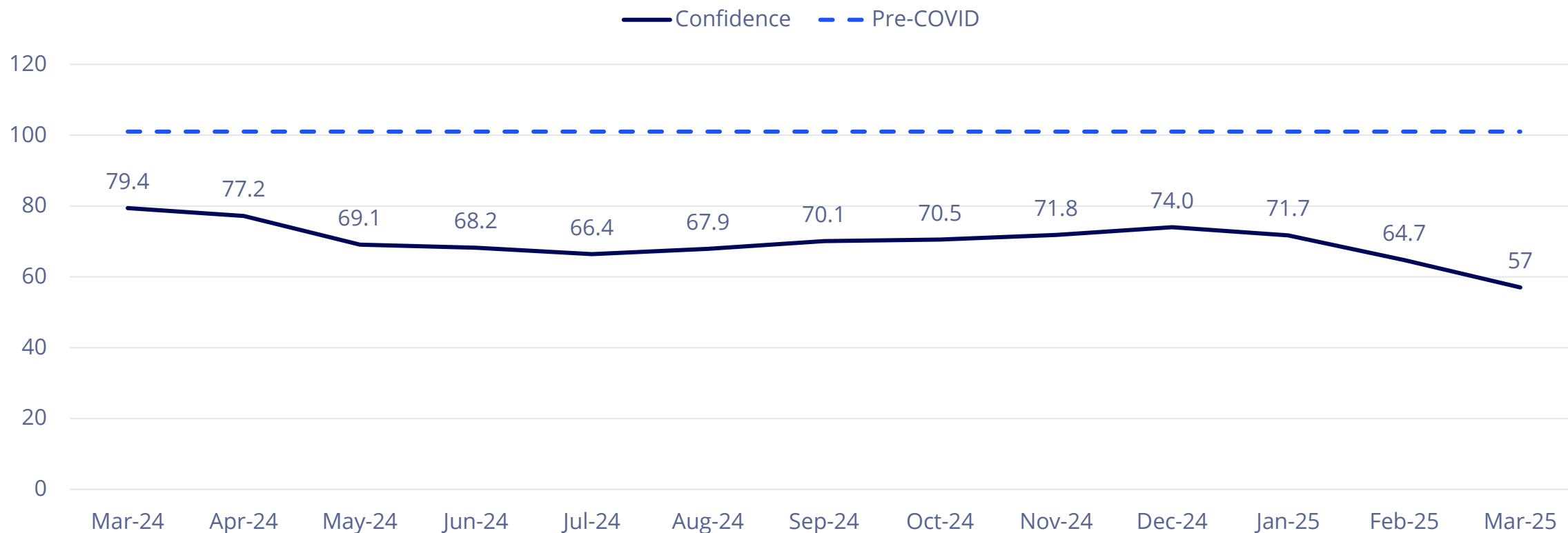
Unemployment Rate



Source: Oxford Economics

ECONOMIC TRENDS

Tariffs Not Sitting Well with Consumers

University of Michigan Consumer Confidence

Source: University of Michigan

ECONOMIC TRENDS

Recession? Four KPIs to watch

**10-year
Treasury**

A falling 10-year can be a sign of weaker economic growth

**GDP
Growth**

Declining growth points to a cooling economy

**Consumer Confidence
& Spending**

Declining confidence and reduced spending indicate concerns about future income and economic instability

**Job
Growth**

Slower hiring or rising unemployment points to weakening conditions

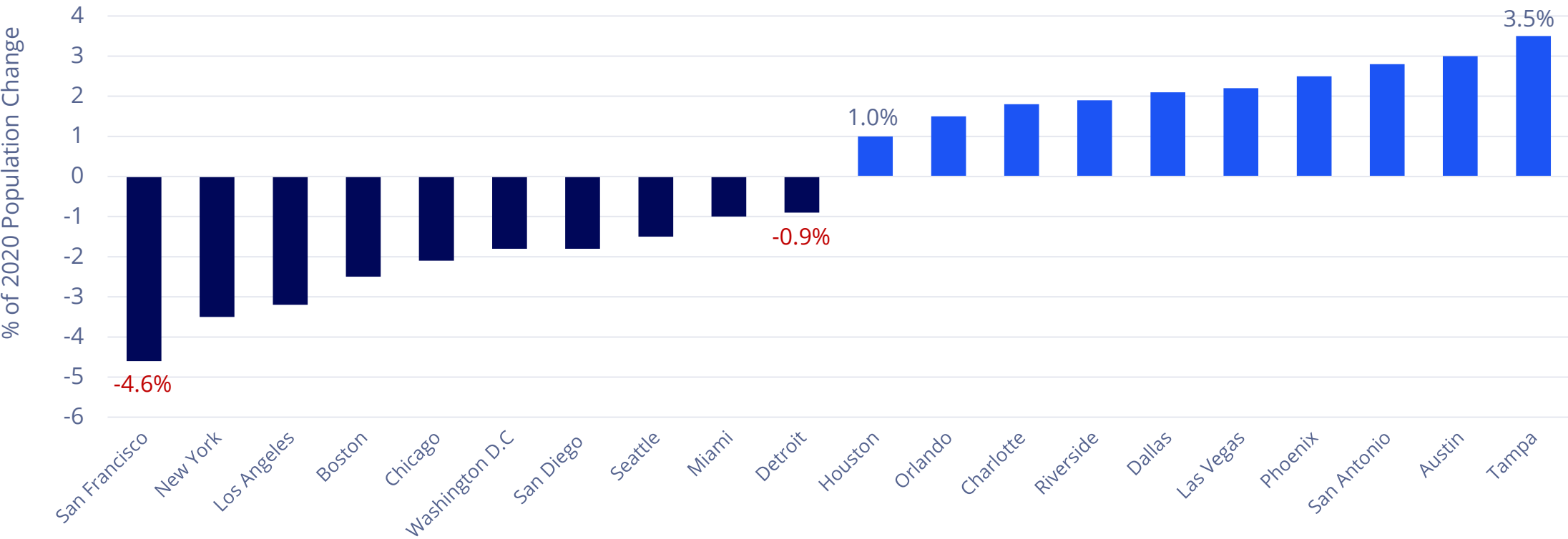


02

Migration Insights

MIGRATION INSIGHTS

COVID Era: Biggest Winners and Losers

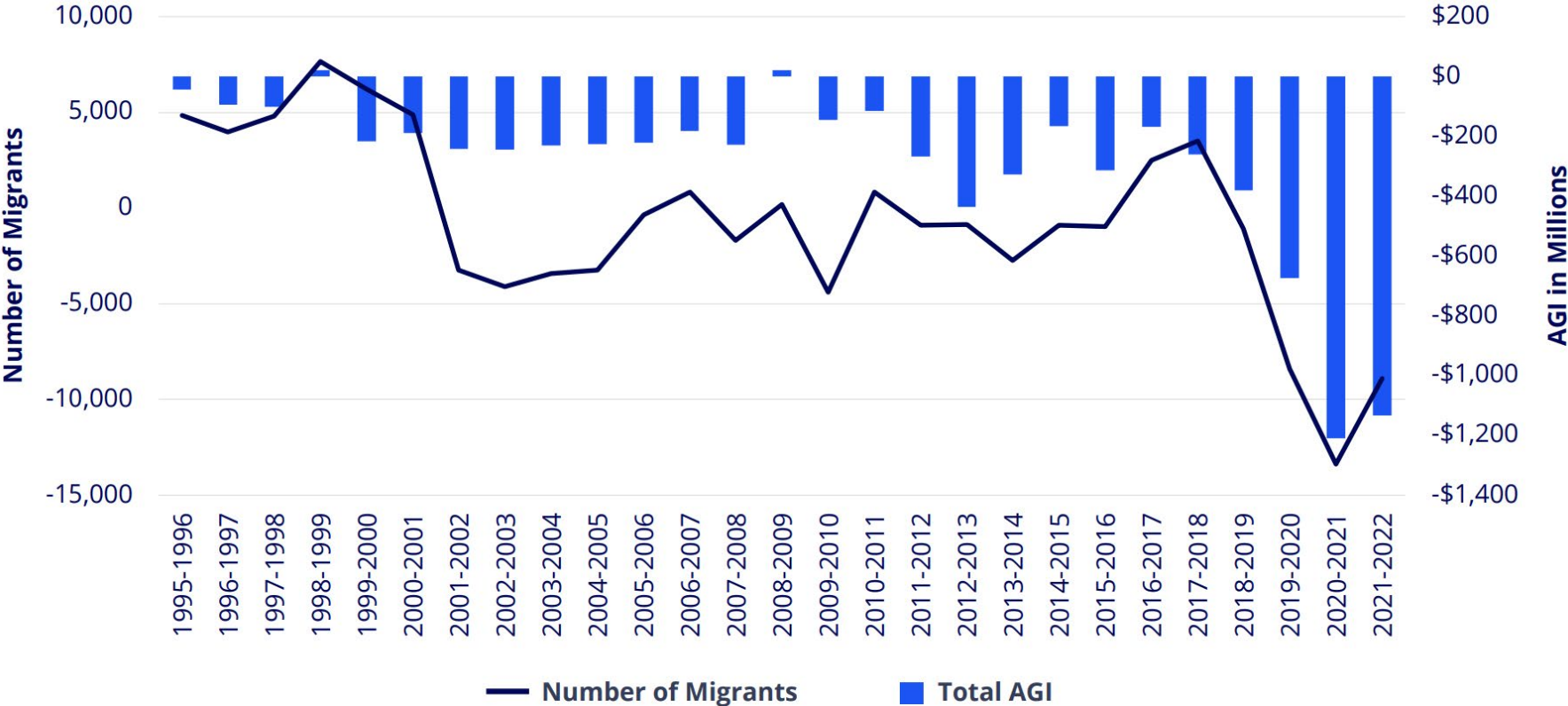


Source: IRS SOI

The Southern Region saw the most in-migration throughout COVID.

MIGRATION INSIGHTS

Minneapolis-St. Paul Net Historical Migration Trends



Top Destinations (last 5 years)

Phoenix
6,450

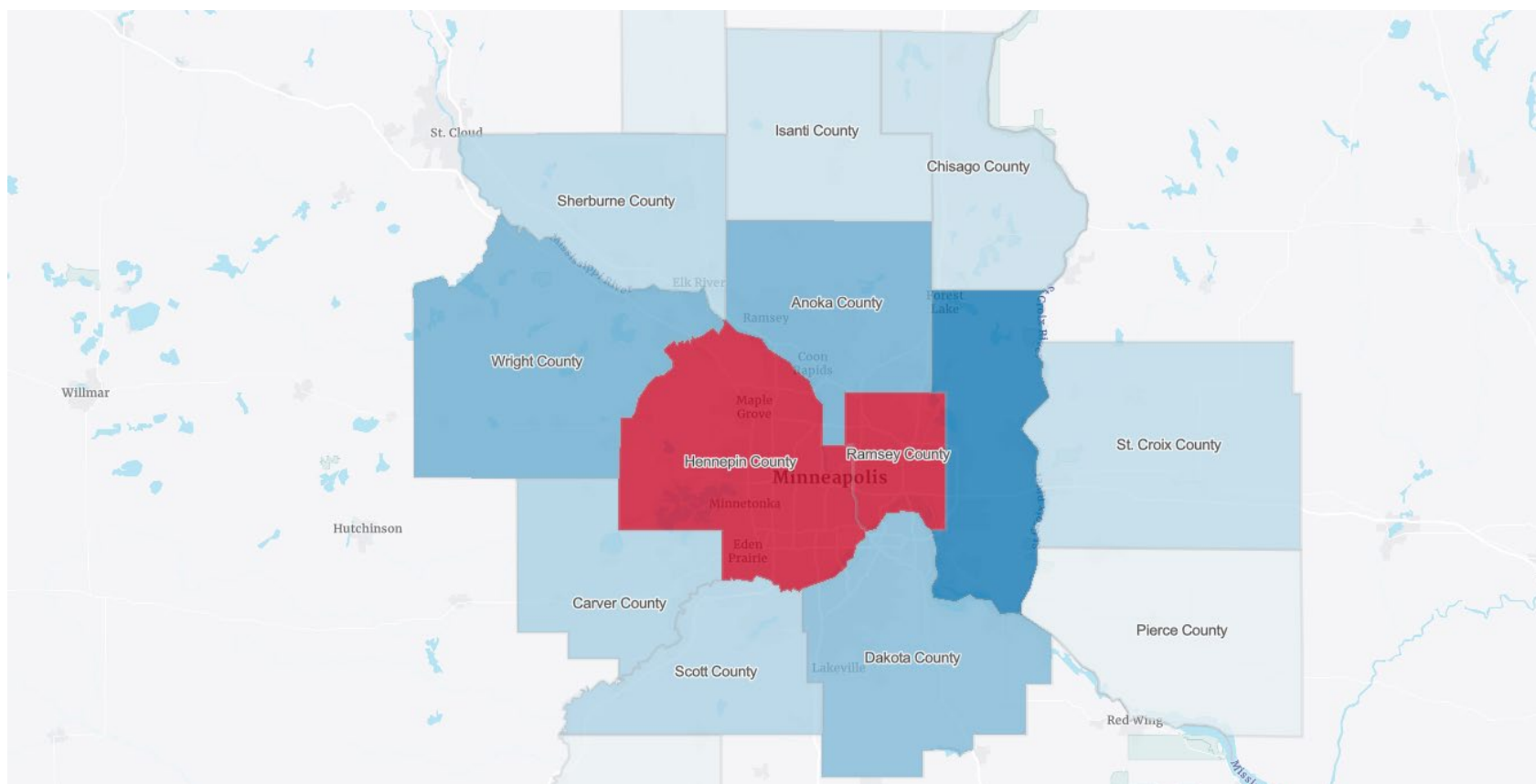
Brainerd
4,782

Dallas
3,835

Source: IRS SOI

MIGRATION INSIGHTS

Migrants left Hennepin and Ramsey counties in the past five years



Hennepin County
(52.7)K People

Ramsey County
(33.3)K People

Washington County
16.8K People

Anoka County
11.4K People

Wright County
11.3K People

Migration of people within the metro. Excludes people moving into and out of Minneapolis-St. Paul. Latest data from 2022.

Source: IRS SOI

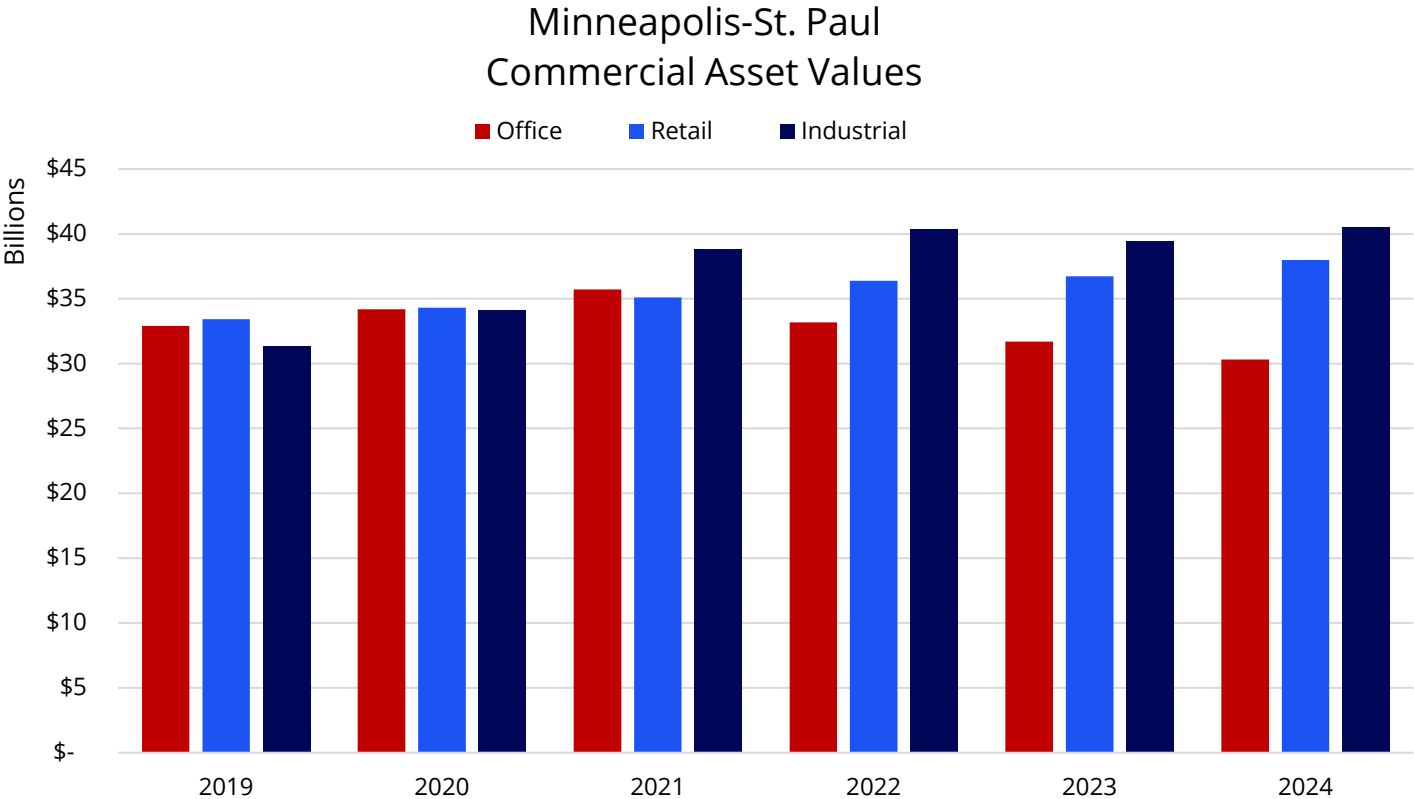
03

Tax Shifts & Costs

TAX SHIFTS & COSTS

Industrial and Retail asset values have not compensated for Office values...

Change since 2021	
Minneapolis-St. Paul	United States
Office (15.1)%	Office (18.9)%
Retail 8.3%	Retail 13.5%
Industrial 4.4%	Industrial 27.1%

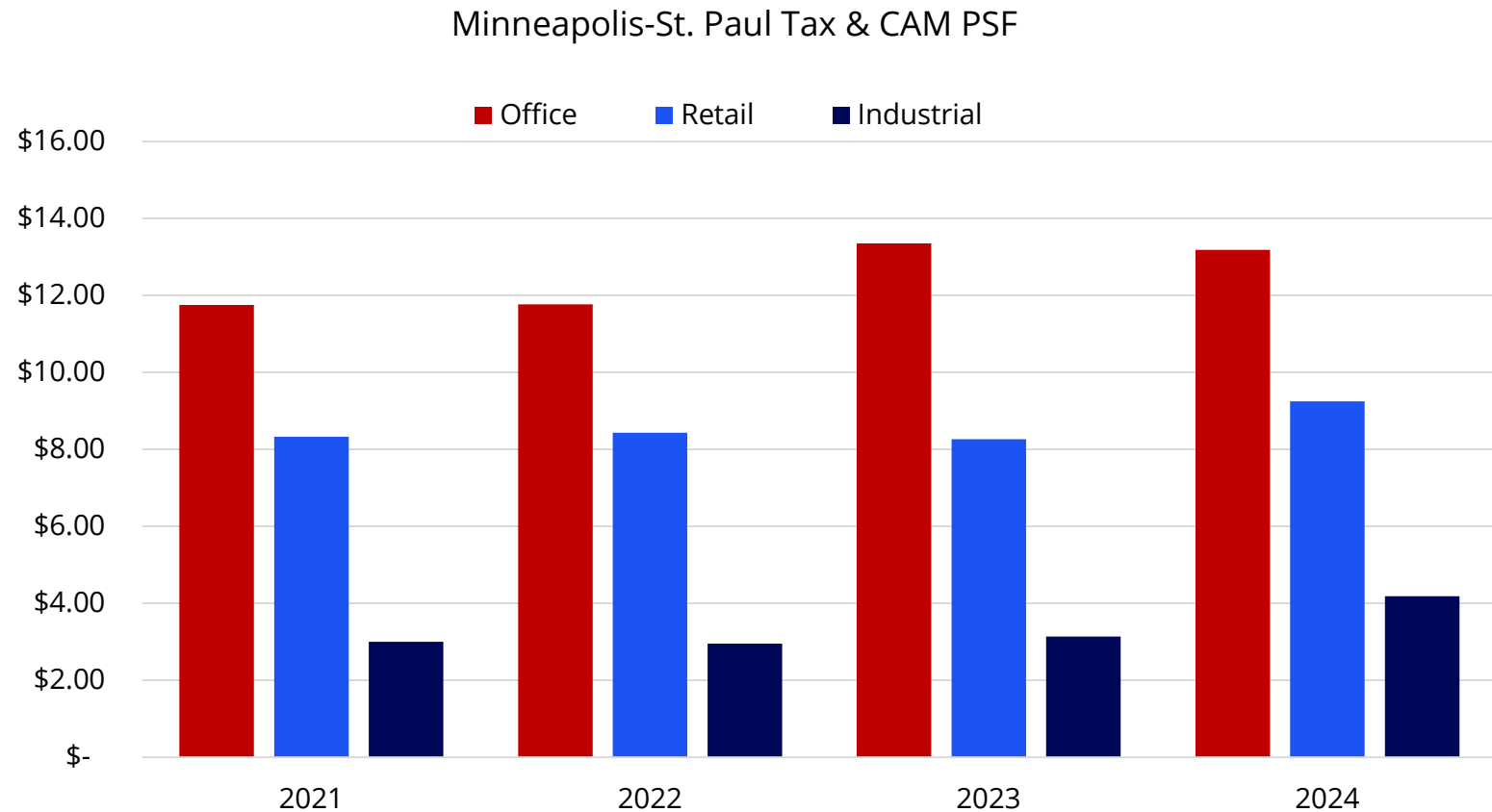


Source: CoStar

A building's property tax grows proportionally to the growth of its value and the levy

TAX SHIFTS & COSTS

Resulting in drastically increased operating expenses



Source: MNCAR

TAX SHIFTS & COSTS

Operations Benchmarks by Region

	U.S. National	East Region	Midwest Region	South Region	West Region
Total Operating Income	\$8.27	\$7.73	\$6.89	\$7.86	\$9.00
<i>% Change from Prior Year</i>	3.40%	0.20%	5.00%	6.20%	3.20%
Total Operating Expenses	\$2.84	\$2.57	\$2.97	\$2.61	\$3.16
<i>% Change from Prior Year</i>	3.40%	-1.20%	13.30%	5.50%	1.60%
Net Operating Income	\$5.39	\$5.13	\$3.91	\$5.23	\$5.77
<i>% Change from Prior Year</i>	4.20%	0.90%	5.90%	7.00%	4.10%

04

Retail Fundamentals

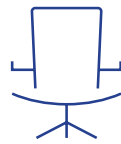
RETAIL FUNDAMENTALS

Consumer Spend per Household

United States

**\$2,382**

Apparel

**\$987**

Furniture

**\$4,091**Entertainment and
Recreation**\$7,302**

Food at Home

**\$3,891**

Food Away from Home

**\$653**

Alcoholic Beverages

Minnesota

**\$2,468**

Apparel

**\$1,044**

Furniture

**\$4,311**Entertainment and
Recreation**\$7,570**

Food at Home

**\$4,070**

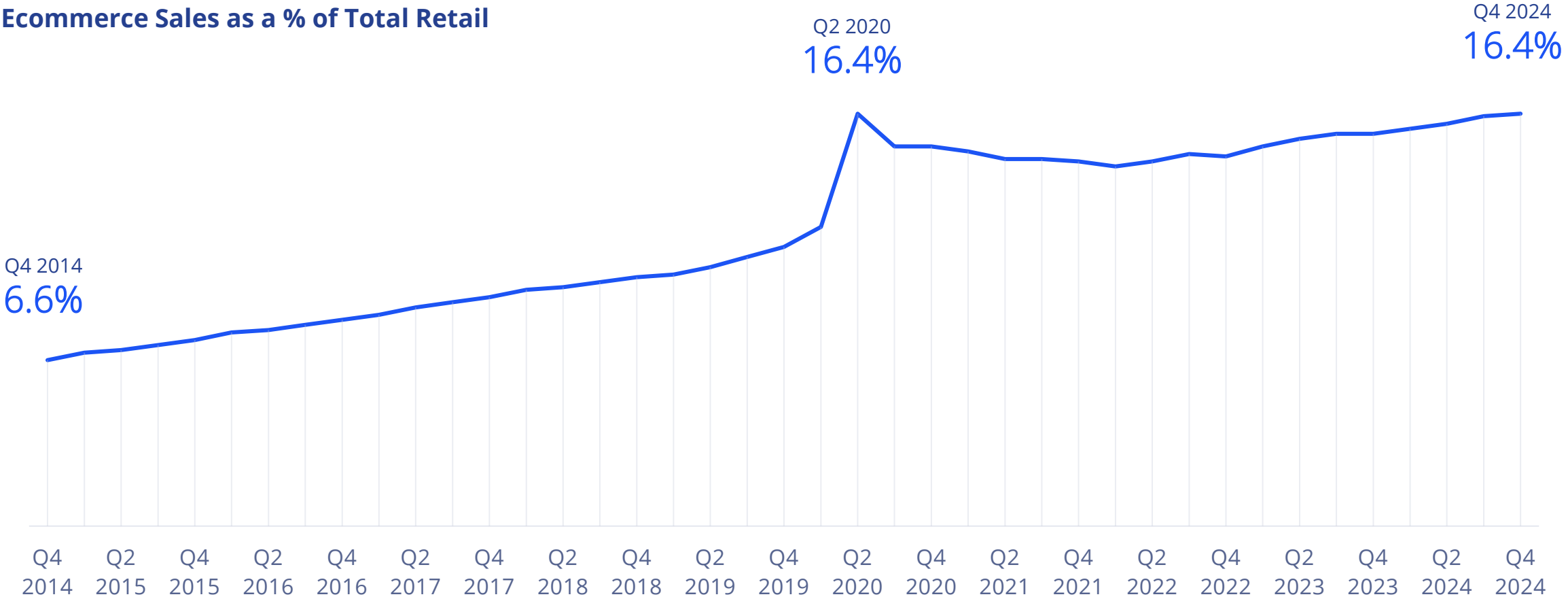
Food Away from Home

**\$264**

Alcoholic Beverages

RETAIL FUNDAMENTALS

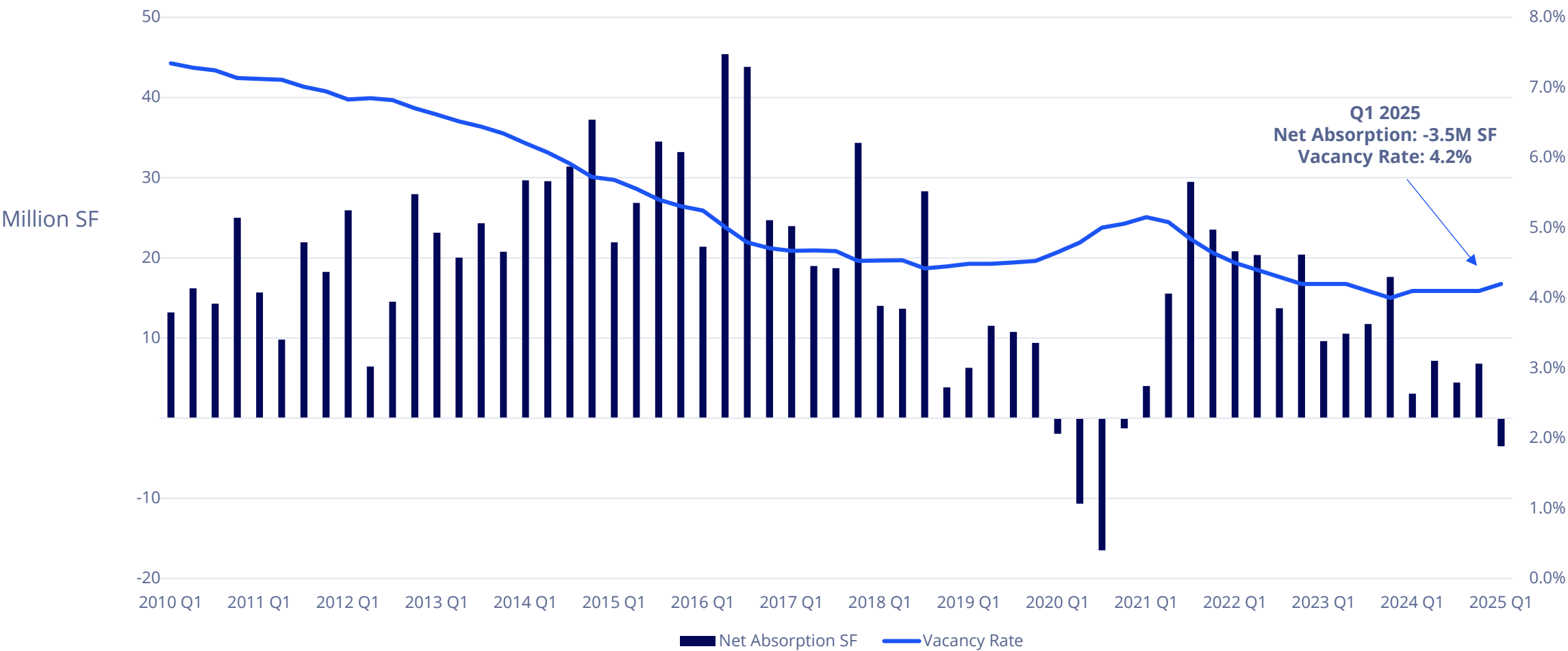
Ecommerce Growth Returns to Peak Levels



Source: U.S. Census Bureau

RETAIL FUNDAMENTALS

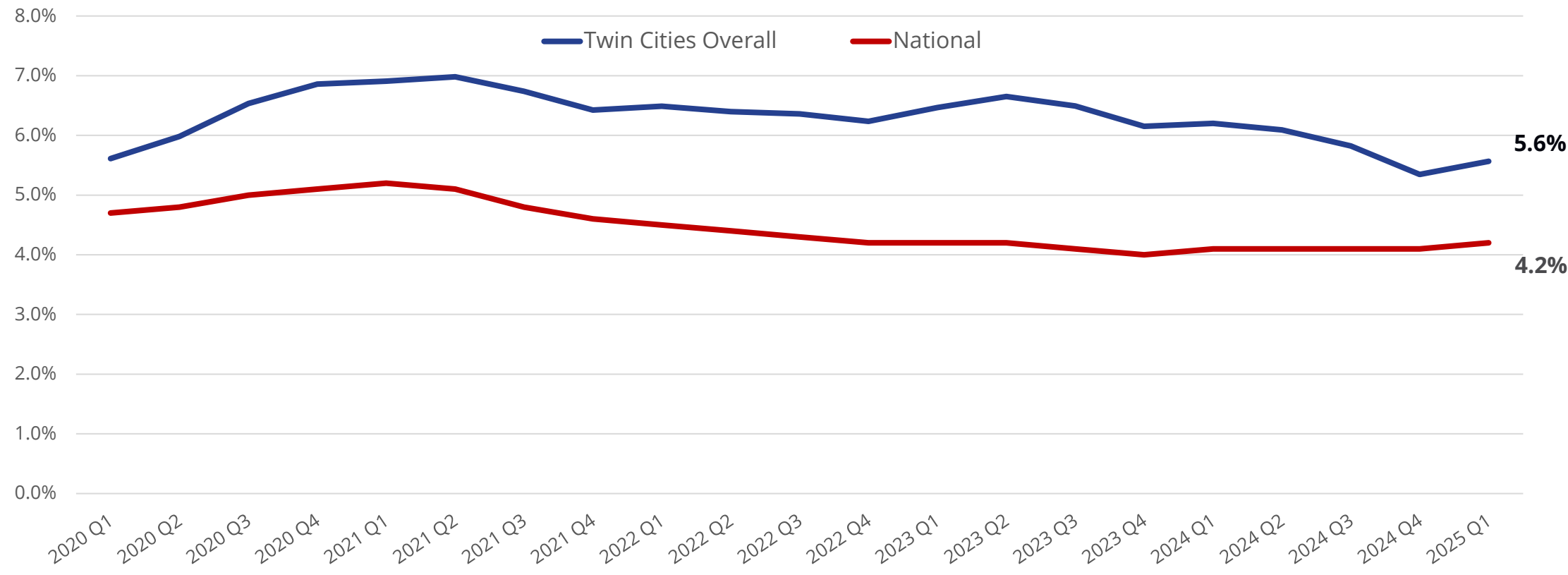
Retail Vacancy Edges Up



Source: CoStar

RETAIL FUNDAMENTALS

Vacancy also declines in Twin Cities

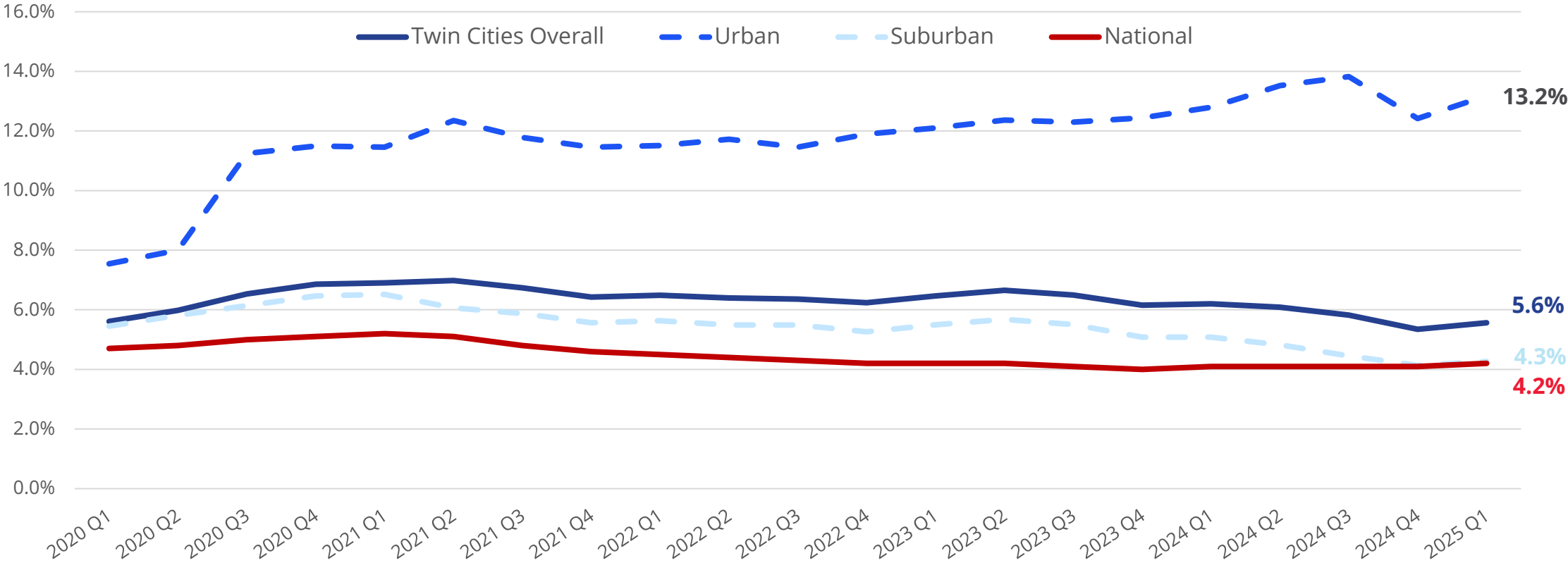


Source: Colliers, CoStar, Moody's

But most of our vacancy exists in
urban mixed-use properties

RETAIL FUNDAMENTALS

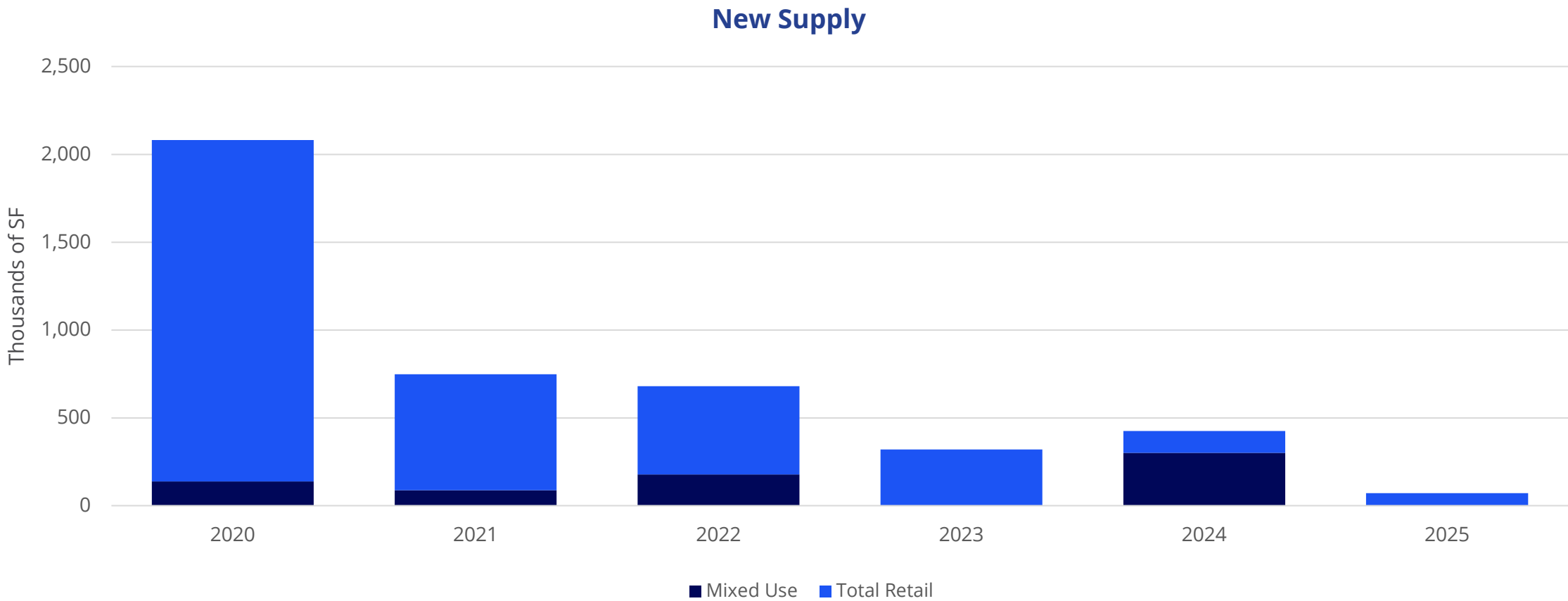
Urban retail struggling with elevated vacancy



Source: Colliers, CoStar, Moody's

RETAIL FUNDAMENTALS

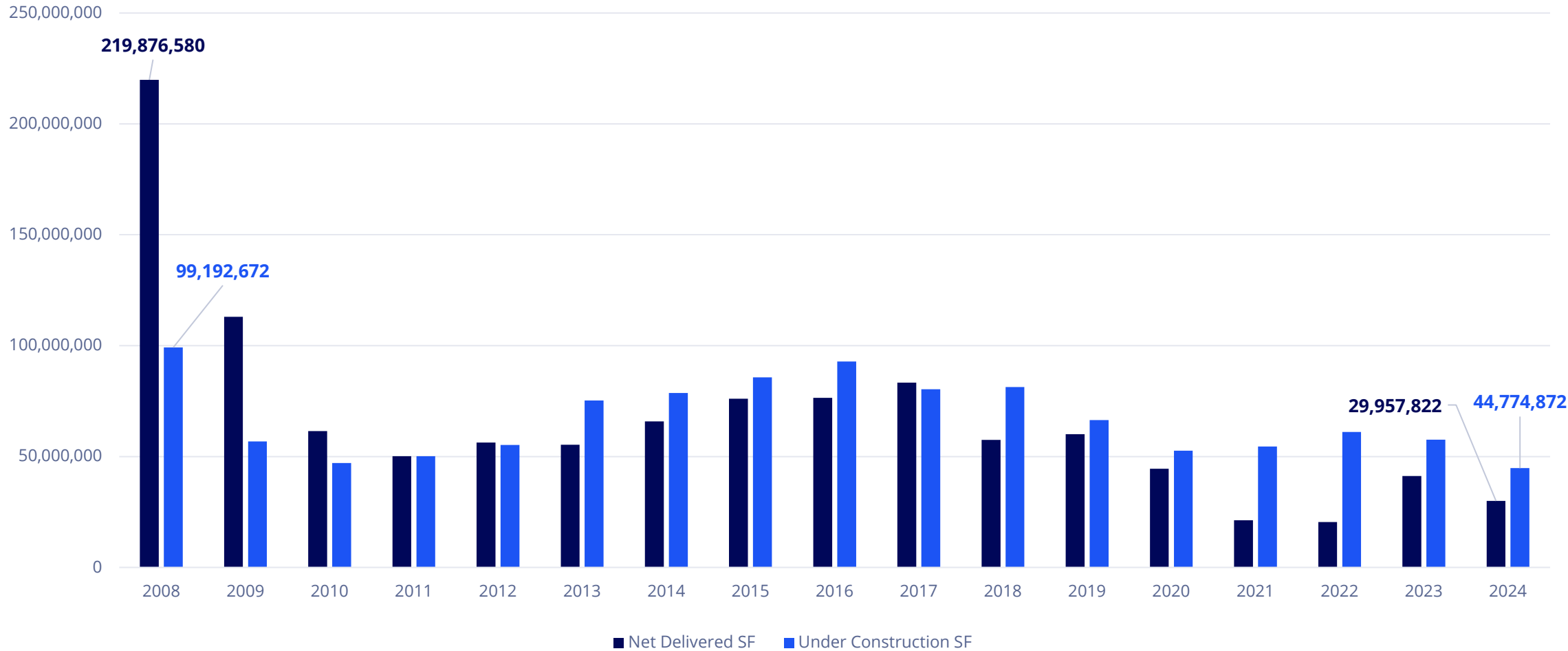
Twin Cities construction grinding to halt



Source: Colliers, CoStar, Moody's

RETAIL FUNDAMENTALS

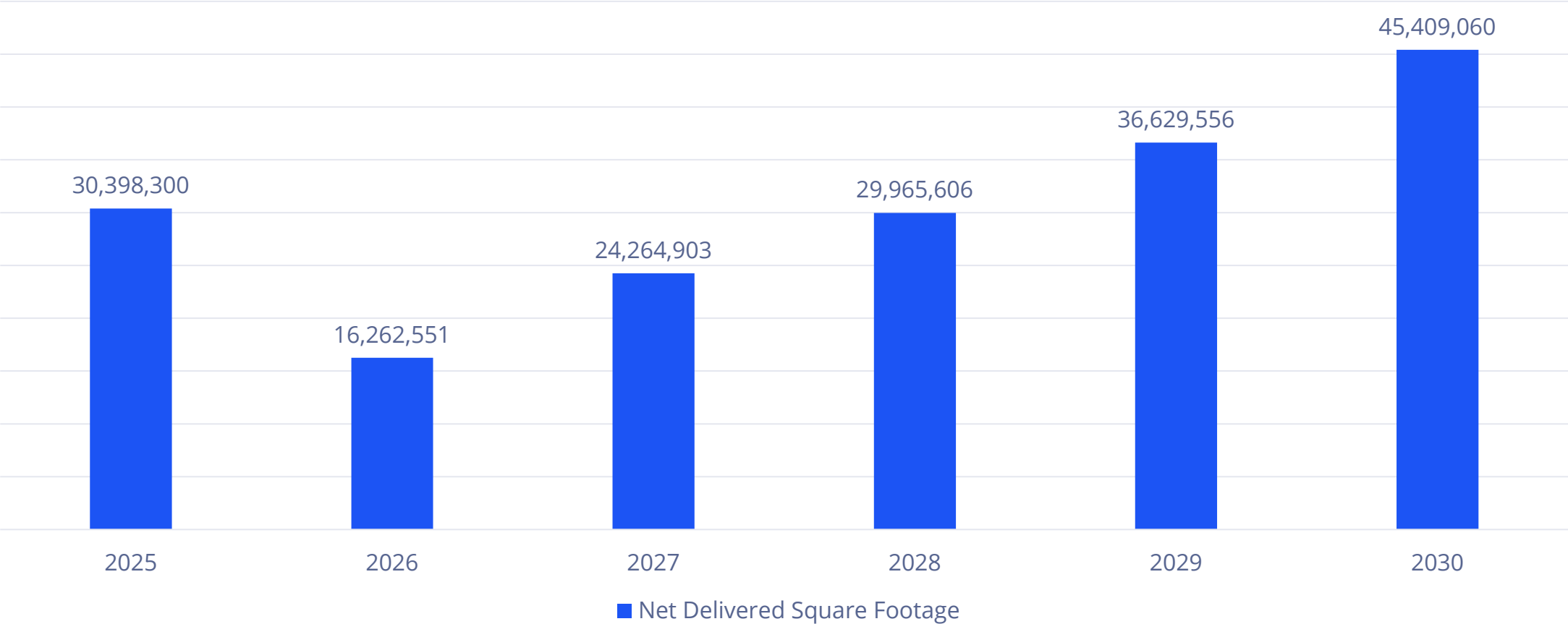
Space Crunch: Limited Retail Construction



Source: CoStar

RETAIL FUNDAMENTALS

U.S. Forecasted Deliveries by Year



Source: CoStar

RETAIL FUNDAMENTALS

Trends to Watch in 2025



Space Crunch

Retail development remains limited as construction costs sit 30–40% above pre-pandemic levels, with less than 20 million square feet expected in 2025—well below average—pushing retailers to innovate within existing space rather than pursue new builds.



Brick-and-Mortar Momentum

Physical retail is still central to consumer shopping habits, with shopping center occupancy at a decade-high rate. Brick-and-mortar locations are increasingly vital as critical drivers of omnichannel strategies, blending in-store and online shopping. Retailers that integrate experience and convenience are best positioned to thrive in 2025.



Adaptive Solutions

Most consumers are expected to maintain or reduce retail spending compared to the previous year. In response, retailers are investing in automation to meet customer demand more efficiently and adopting omnichannel solutions to lower service costs. As they also leverage AI and machine learning to create adaptable supply chains that can anticipate disruptions, consumers will be able to shop confidently yet cautiously within their budgets.



Prioritization of Value

Consumers are facing heightened financial caution, as nearly half report feeling pessimistic about their finances amid record-high credit card debt and rising interest rates. With discretionary spending expected to decline, retailers should respond by emphasizing savings opportunities and offering bundled deals to appeal to value-driven shoppers.

RETAIL FUNDAMENTALS

National Retail Forecast

Vacancy



Vacancy rates are forecast to remain steady throughout 2025, demonstrating the market's resilience.

Less new retail construction and store closures are balancing supply with consistent demand.

Demand



Absorption and leasing activity dipped in Q1,

Despite recent headwinds, underlying market health remains intact thanks to supply-side constraints and ongoing tenant interest.

Construction



New retail construction is projected to drop 45% in 2025, with fewer deliveries. This limited supply will help stabilize vacancy rates and sustain demand but also highlights rising construction costs and economic uncertainties.

Rents



Market asking rents are projected to rise by approximately 2% in 2025.

Landlords will leverage steady demand and limited new construction to sustain rental growth.

