Robert Pounds

RealShare Minneapolis On Retail

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MINNEAPOLIS-When it comes to the real estate activity, retail is king in the Minneapolis/St. Paul market. But does that mean it's overheated?

"Retail in the Twin Cities isn't booming, contrary to what's being reported," said Russ McGinty, SVP of Madison Marquette, at Real Estate Media's second annual RealShare Minneapolis this week, kicking off a panel discussion on the area's retail market moderated by Howard Paster, development manager of Paster Enterprises. "It isn't skyrocketing," he continued. "It's just healthy, especially when compared to the office and industrial sectors, even with multifamily."

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Retail growth is following rooftops, growth in the metro area that McGinty characterizes as unique, "since it's going in every direction. There are nice pockets of housing everywhere, so retail responds to that. It's demand-driven, so it's healthy growth."

Robert Pounds, SVP at the Welsh Cos., told the roomful of area commercial real estate professionals at the conference that "retail is strong here for a number of reasons. It's hard to even remember the last time there were double-digit vacancy rates in retail. Also, development is brisk, but it's controlled. Developers can capture the rents they need to make the projects work, so it isn't irrational development," he said.

Rick Plessner, VP of Inland Commercial Property Management, noted that hometown player Target is "the market-maker in Minnesota. There are 55 Targets in this market -- one for every 65,000 people -- and great loyalty to Target among shoppers here."

Dick Grones, principal at Cambridge Commercial, agreed. "Adaptation is Target's middle name," he told the audience. "Right now, they're working on some smaller prototypes, so they can enter into more urban areas where they might not be able to go otherwise. Their corporate culture is such that they want to, nationally, be one-on-one with Wal-Mart."

Local loyalty to Target does not, however, mean that prospects are bad for the likes of WalMart or Costco or Sam's Club. "The outlook for all of them is positive," said Plessner. "There's a lot of in-migration of population to the Twin Cities, and some places, like Scott County, are growing very fast – among the fastest growing in the country. The opportunity is here."

Michael Sims, VP of retail brokerage for United Properties, called WalMart the 500-lb. gorilla of the market. "Just plan on it being here. WalMart wants all their locations to be Super WalMarts, and if you want to come into this market, you have to live with it. I think other retailers know that, and act accordingly."

McGinty, who noted that super-store sales are projected to triple by 2010, nevertheless sees a place in the market for smaller shops, especially the likes of Trader Joe's. "They look for a combination of education, income and population density, so Minnesota's a good market for them. They can compete with the WalMarts of the world because they really do different things. Originally Trader Joe's planned five or six stores in this market, but now they've decided to go with twice that many."

If there are any dark clouds for retail, it might be transportation issues. "Transportation is challenging," said Sims. "Minneapolis-St. Paul is facing some of the same issues that places like Phoenix or Denver faced a decade or two ago, and I'm not sure we've learning from their experience. Transportation issues won't stop retail growth, but they will cause trouble."

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