

# Market Potential Assessment for the Hardman Triangle South St Paul, Minnesota

*Prepared for:*

City of South St Paul  
September 2019



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**Maxfield**  
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September 27, 2019

Mr. Peter Hellegers,  
Planning Division Manager  
South St Paul City Hall  
125 3<sup>rd</sup> Avenue N.  
South St Paul, MN 55075

Dear Mr. Hellegers:

Attached is the *Market Potential Assessment for the Hardman Triangle in South St Paul, MN* for the City of South St Paul conducted by Maxfield Research and Consulting LLC. The market assessment provides a high-level assessment of the types of land uses/real estate types best suited for the Hardman Triangle property based on market trends and site characteristics. A more detailed best use study could be completed at a later time that provide comprehensive market information on in-depth development concepts (i.e. types of users/tenants, square footages, pricing, absorption, timing, etc.)

The study finds the site due to the location near Downtown South St. Paul, proximity to St. Paul and to several transportation nodes; the site is underutilized and not the highest and best use of the land. Redevelopment on the site could take many forms such as, remain status quo, invest into the existing businesses, redevelopment of non-conforming uses, redevelop the entire site or creating a larger redevelopment are utilizing land to the South.

Furthermore, in order to realize the full potential of the site the City will most likely need to provide assistance for site clean-up and infrastructure costs. Initial real estate types supportable can be found in the *Conclusions and Recommendations* section at the end of the report.

We have enjoyed performing this study for you and are available should you have any questions or need additional information.

Sincerely,

Maxfield Research and Consulting, LLC

Matt Mullins  
Vice President

Daniel Gatchell  
Senior Research Associate

Attachment

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### Study Purpose

Maxfield Research and Consulting, LLC was engaged by the City of South St. Paul to assess the market potential of various real estate uses in the Hardman Triangle and the surrounding area, including occupancy, demand, pricing and development trends. This initial best use study is intended to provide guidance on the future demand for real estate products on the site, however detailed development concepts would be provided in the next phase that would provide specific recommendations on pricing, absorption, demand calculations, etc.

### Scope of Services

The scope of this study includes an evaluation of the subject property. The scope of this study provides a review of the economic and demographic characteristics of the South St Paul area that would factor into the type of development that could be supported on the subject property. In addition, various real estate market segments in South St Paul were analyzed including multifamily residential, retail, office, industrial, and lodging. We identified planned/pending and developments under construction in South St Paul that are in the development pipeline. Based on our initial analysis we have recommended various scenarios, product types, and development concepts that are best suited for the site.

The report contains primary and secondary research. Primary research includes interviews with property managers/owners, Realtors, builders, and city staffs. All of the information on competitive real estate developments and pending developments was collected by Maxfield Research and Consulting, LLC and is accurate to the best of our knowledge. This study also utilizes secondary data. Secondary research is always used as a basis for analysis and is carefully reviewed in light of other factors that may impact projections.

The analysis will assess the market potential to develop these product types in the Market Area and, more specifically, on the subject site.

### Introduction

This section of the report presents an overview of the location and characteristics of the subject property in South St Paul, Minnesota discussing the Site's regional location and the property's general characteristics. Adjacent land uses, accessibility to and visibility of the subject property and the Site's proximity to employment, shopping and services are presented. Finally, this section discusses the appropriateness of the Site for redevelopment.

### Regional Location

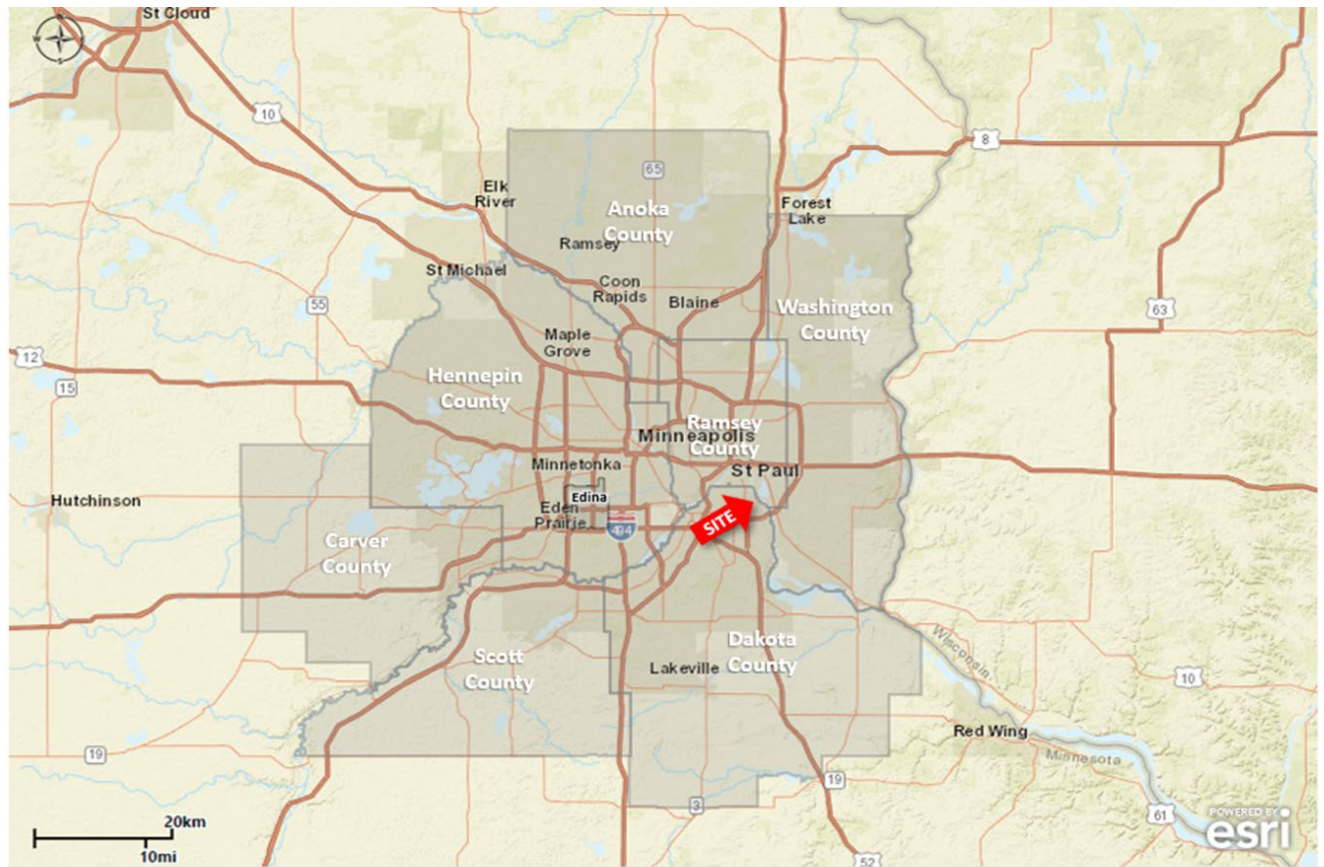
South St Paul is located south and southeast of St Paul, Minnesota in Dakota County. The city was historically notable as a major meat-packing producer however, due to changing economics the industry left the area and the Hardman Triangle and the surrounding land uses transitioned to other industrial-related land uses. The City is home to over 20,145 persons (2018 ACS 5-year Estimate) and the greater South St Paul area, which includes portions of southern Dakota County, and northern Washington County, has a combined population of 61,458.

The 22-acre Hardman Triangle is located near the Mississippi River, however, is not riverfront property but could potentially have river views with vertical structures. The Hardman Triangle is adjacent to a major access point to the Mississippi River Regional Trail (MRRT), providing access to miles of the riverfront. Sidewalk installation on the south side of Grand Avenue, just south of the site, provides a pedestrian link between the MRRT, the Concord Exchange area, and the primary residential areas of the community.

Interstate 494 runs through South St Paul with daily traffic counts between 119,000 and 128,000. Interstate 494 is a heavily used interstate that joins with Interstate 694 to create a loop around the Twin Cities Metro Area. The southeastern stretch of the corridor provides direct access to major destinations such as the Minneapolis-St. Paul International Airport and the Mall of America, cross city access for commuters and freight, and local access for the numerous businesses and residents along the freeway.

The map on the following page depicts the location of the Site and the City of South St Paul in relation to the rest of the region and the local highway network.

### Regional Location



### Site Location and Overview

The subject property consists of 16 parcels in South St Paul that comprise nearly 22 acres. The area identified as the “Hardman Triangle” consists of six vacant parcels totaling 3.41 acres and nine developed parcels consisting of 18.33 acres of land and 156,694 square feet of building space. Existing buildings in the Hardman Triangle were constructed from 1930 to 1991 with the majority of business use being industrial-related. Several of the sites are right-of-way and three sites have been acquired by the South St. Paul EDA.

The Hardman Triangle area was once occupied by the Swift Company meat packing business during a time when meat packing and stockyards were the industrial backbone of the community. Since the closure of the Swift plant in 1969, the site has been predominantly industrial or exterior storage use. Increased development near the area west of the Hardman Triangle known as Concord Exchange has witnessed development in recent years. A former office building was recently converted into a 67-unit apartment building (The Drover). The following table and photos depict the site and the surrounding land uses.

## SITE ANALYSIS

FIGURE 1  
SUBJECT SITES

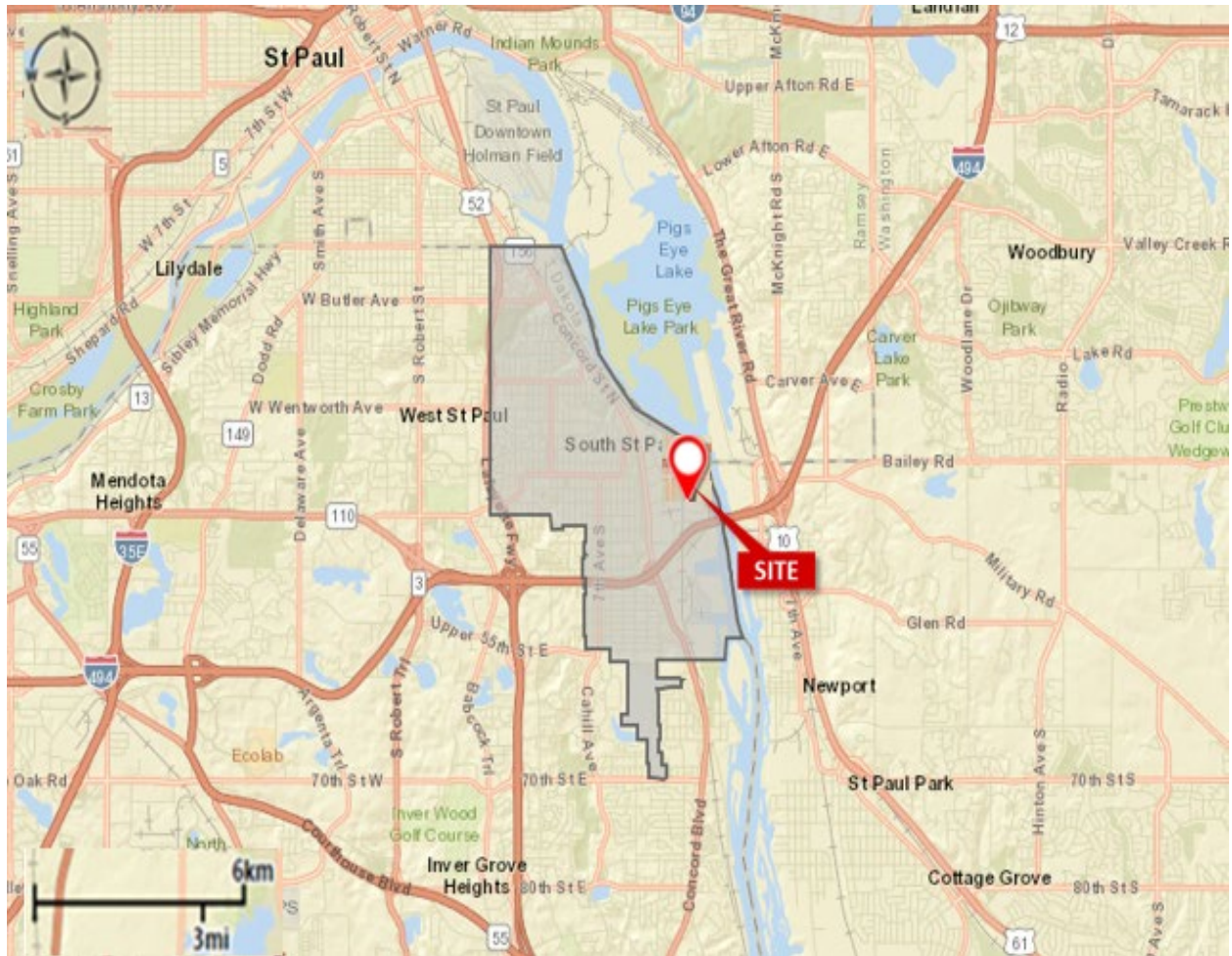
Map Code	Address	PID/Parcel ID	Acreeage	Bldg Sq. Ft.	Business Name	Owner	Current Use	Year Built	Market Value			Total Taxes	Last Sale	Sales Price
									Land	Bldg.	Total			
Hardman Triangle Site														
1	N/A - vacant	N/A	0.00	--	--			--	\$0	\$0	\$0	\$0		
2	N/A - vacant	N/A	0.00	--	--			--	\$0	\$0	\$0	\$0		
3	200 Hardman Ave. N.	037-36801750103C	3.38	34,941	SSP STEEL	SRM PROPERTIES INC	INDUSTRIAL-PREFERRED	1991	\$478,700	\$1,208,000	\$1,686,700	\$64,974	8/19/2003	\$1,025,000
4	N/A - vacant	037-360380000006J	1.84	--	--	SOUTH ST PAUL ECONOMIC DEVELOP AUTHORI	EXEMPT	--	\$241,000	\$0	\$241,000	\$3,264	6/30/2014	\$255,270
5	302 Hardman Ave. N.	037-360380000004I	1.82	4,680	QUALITY SERVICE CORP	COURY JEFFREY M	INDUSTRIAL-PREFERRED	1980	\$239,300	\$308,300	\$547,600	\$18,801		\$310,000
6	222 Hardman Ave. N.	037-36801750101C	0.99	6,173	BINDER AND BINDER SHEET METAL	BINDER RICHARD M	INDUSTRIAL-PREFERRED	1988	\$142,300	\$250,000	\$392,300	\$13,575		
7	N/A - vacant	037-360380000006J	0.37	--	--	STATE OF MN - F TAX	EXEMPT	--	\$4,100	\$0	\$4,100	\$0		
8	139 Grand Ave. E.	037-360380000007J	5.21	14,134	TWIN CITY PALLET INC	JBL PROPERTIES LLC	INDUSTRIAL-PREFERRED	1973	\$532,300	\$230,900	\$763,200	\$29,457	5/30/2007	\$1,200,000
9	N/A - vacant	037-360380000005J	0.31	--	--	SOUTH ST PAUL ECONOMIC DEVELOP AUTHORI	EXEMPT	--	\$37,700	\$0	\$37,700	\$0		
10	134 Hardman Ave. N.	037-360380000005J	0.95	2,870	LONG CHENG INC.	LONG CHENG PROPERTIES INC	INDUSTRIAL-PREFERRED	1970	\$93,300	\$44,700	\$138,000	\$3,412		\$145,000
11	N/A - vacant	037-36801750001C	0.15	--	--	BERG DAVID	INDUSTRIAL-PREFERRED	--	\$18,000	\$0	\$18,000	\$458		
12	N/A - vacant	037-360380000001C	0.74	--	CONCORD FRESH MEAT PROCESSING	VO TAN	INDUSTRIAL	--	\$90,200	\$3,800	\$94,000	\$3,473		\$44,627
13	135 Grand Ave. E.	037-360380000007J	1.78	56,252	TWENTY TWENTY	SOUTH ST PAUL ECONO DEVELOP AUTH	INDUSTRIAL-PREFERRED	1936	\$213,400	\$818,500	\$1,031,900	\$37,573	6/25/2019	\$1,000,000
14	130 Hardman Avenue E.	037-360380000005J	1.88	26,125	HMONG LIVESTOCK & MEAT MARKET	YANG PAO C	INDUSTRIAL-PREFERRED	1946	\$180,700	\$293,500	\$474,200	\$19,056		\$225,000
15	201 Concord St. N.	037-360380000006C	1.00	3,588	CONCORD FRESH MEAT PROCESSING	VO TAN	INDUSTRIAL-PREFERRED	1930	\$152,100	\$58,800	\$210,900	\$14,744		\$130,000
16	266 Hardman Ave. N.	037-36801750102C	1.32	7,931	UFCW	UNITED FOOD & COMM WORKERS	COMMERCIAL-PREFERRED	1987	\$173,000	\$456,200	\$629,200	\$24,251		
Subtotal			21.74	156,694					\$2,596,100	\$3,672,700	\$6,268,800	\$233,038		
Surrounding Sites to be Considered for Cohesive Development														
	100 Grand Ave. E.	037-36162500101C	1.19	3,254	Burger King	Store Master Funding I LLC	COMMERCIAL - FAST FOOD	1987	\$171,000	\$493,900	\$664,900	\$24,112		
	136 Grand Ave. E.	037-36150500101C	0.91	0	--	SOUTH ST PAUL ECONOMIC DEVELOP AUTHORI	EXEMPT	--	\$241,000	\$0	\$241,000	\$4,197	5/1/2017	
	110 Bridgepoint Drive	037-36150510101C	1.78	0	--	SOUTH ST PAUL ECONOMIC DEVELOP AUTHORI	EXEMPT	--	\$232,500	\$0	\$232,500		3/11/2011	\$800,000
Subtotal			3.88	3,254					\$644,500	\$493,900	\$1,138,400	\$28,309		

Source: Realist Tax, Dakota County GIS, Maxfield Research & Consulting, LLC

*Hardman Triangle Parcel Map*



## Hardman Triangle Location in South St. Paul



### **Aerial of Hardman Triangle**



## SITE ANALYSIS

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### *Hardman Triangle Property Photos*



*200 Hardman Avenue N. – Parcel 3*



*302 Hardman Avenue N – Parcel 5*



*222 Hardman Avenue N. – Parcel 6*



*139 Grand Avenue E. – Parcel 8*



*134 Hardman Avenue N – Parcel 10*



*135 Grand Avenue E – Parcel 13*

## SITE ANALYSIS

---



*130 Hardman Avenue N. – Parcel 14*



*266 Hardman Avenue N. – Parcel 16*

### Adjacent and Surrounding Land Uses

As previously stated, the subject site is a mix of older, industrial/warehouse uses and vacant parcels. The neighborhood surrounding the site is dominated by other commercial uses. The following real estate types are located adjacent to the property:

- North: The Union Pacific Rail Yard and the Mississippi River. Active railroad tracks run along the north and east sides of the site. The area directly north is zoned RT (Rail Transportation District).
- South: The area directly south of the site is predominately zoned I (Industrial) and GB (General Business District) and incorporates a wide variety of commercial and industrial uses.
- East: Active railroad tracks and the Mississippi River border the site to the east with the southernmost portion of the site bordering the Waterous Company parking lot which is zoned Industrial.
- West: Immediately west the site is bound by Concord Street. The area is predominately zoned R3 (General Residence) with a light amount of C1 (Retail Business District) distributed. The area west of the site also contains CGMU2 (Concord Gateway Mixed Use District 2) across Concord Avenue from the site. Historical/traditional residential areas including single family and multi-family development further west.

### *Surrounding Land Uses*



*205 Hardman Avenue S. – Southeast of Site*



*BridgePoint Business Park – South of Site*



*BridgePoint I – South of Site*



*BridgePoint II – South of Site*



*Cherokee Manufacturing – South of Site*



*Sojos Courier Experts – South of Site*

## SITE ANALYSIS

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*Office Space For-Sale/Lease – South of Site*



*Industrial For-Sale – South of Site*



*Industrial – South of Site*



*Holtkoetter International Inc – SE of Site*

## SITE ANALYSIS

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### Access and Visibility

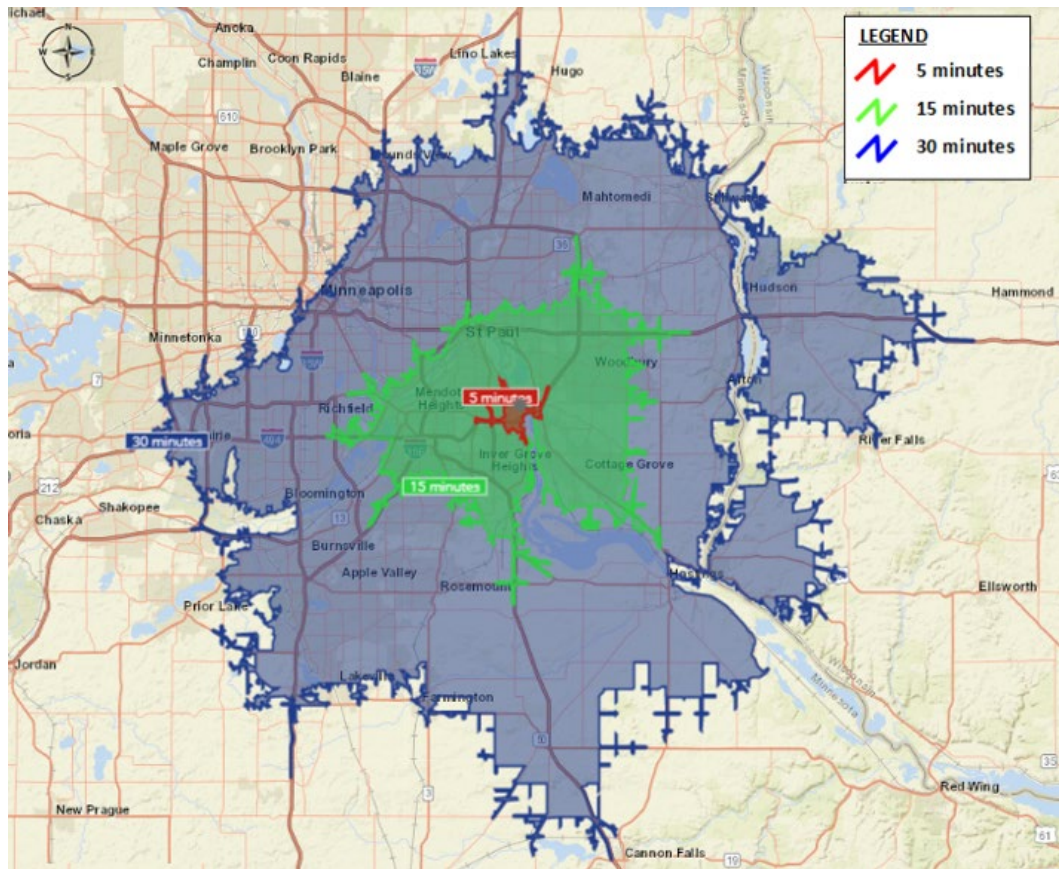
Access to the property will be obtained by Concord Street, Grand Avenue and Hardman Avenue. Concord Avenue provides access to both Hwy 52 and Interstate 494.

Traffic counts were available for Concord Street South and Grand Avenue E with counts of 8,500 daily. Most traffic entering the site will arrive via Concord Street which has daily traffic counts ranging from 8,200 to 10,700 near the site. Concord Street is the key north-south roadway serving the City of South St Paul that intersects with Interstate 494 to the south and U.S. Route 52 to the north in South St Paul. Traffic counts at Interstate 494 and Concord Street South were 119,000 daily and U.S. Route 52 and Concord Street North were 66,000 daily.

TRAFFIC COUNTS AVERAGE ANNUAL DAILY TRAFFIC (AADT)		
Location	2017	2012
Concord Street S and Grand Avenue E	8,500	7,900
Grand Avenue East between Concord Street S and Hardman Ave	2,900	1,600
County Road 52 and Concord Street N	66,000	51,000
Interstate 494 and Concord Street S	119,000	106,000
Source: MNDOT, Maxfield Research & Consulting		

The map below illustrates the drive time from the property based on a 5, 15, and 30-minute drive from the site. This information is helpful in determining a draw area for various services in the area. It is also useful to determine access to workforce as potential business operations would likely give strong consideration to commuting patterns when making location decisions.

## SITE ANALYSIS



As shown on the map, the Site can be reached within a 30-minute drive from much of the Metro Area. The 30-minute drive time reaches as far as Hugo and Lino Lakes on the north, Lakerville and Hampton to the south, Minnetonka and Eden Prairie to the west, and Hudson to the east. However, during peak travel times (such as rush hour) commute times from many of the communities would be longer than 30 minutes. In total, the subject property is situated within a 30-minute drive from an estimated 2.0 million people, and approximately 396,000 people reside within a 15-minute drive of the Site.

## **Appropriateness of the Subject Site for Redevelopment**

The following summarizes some of positive and negative attributes of the Site in-regards to potential redevelopment/infill development.

<b>Site Strengths</b>	<b>Site Limitations</b>
<ul style="list-style-type: none"> <li>• The site is located near Interstate 494 &amp; Highway 52 with convenient access to both Downtown St. Paul and Minneapolis. Interstate 494 is the southern bypass for the Metro Area.</li> </ul>	<ul style="list-style-type: none"> <li>• Emission of odor coming from within the Hardman Triangle and in the adjacent business park has a negative effect on potential redevelopment and business expansion</li> </ul>
<ul style="list-style-type: none"> <li>• The property boasts approximately 22 acres and would be a sought-after site for a mixed-use development and/or other commercial &amp; industrial site</li> </ul>	<ul style="list-style-type: none"> <li>• Non-conforming uses have an adverse effect on the site and hinder redevelopment of adjacent properties</li> </ul>
<ul style="list-style-type: none"> <li>• The site location in an urban area is within close proximity to the labor force which is attractive for employers</li> </ul>	<ul style="list-style-type: none"> <li>• Site acquisition and relocation of existing businesses may be costly and continue over a long-time frame</li> </ul>
<ul style="list-style-type: none"> <li>• The site is located near Downtown South St. Paul and has the potential to create synergy with the property's west of Concord Street</li> </ul>	<ul style="list-style-type: none"> <li>• The site has traffic counts of 8,500 AADT; sufficient for neighborhood retail but some national tenants require higher traffic volumes</li> </ul>
<ul style="list-style-type: none"> <li>• Future transportation improvements along Concord St. will improve vehicular and pedestrian access to the site.</li> </ul>	<ul style="list-style-type: none"> <li>• Given the existing industrial-related uses; it is likely the site will require clean-up costs</li> </ul>
<ul style="list-style-type: none"> <li>• The site is just north of the Bridgepoint Business park that is a major employer in the area. New development can complement and enhance the existing business park</li> </ul>	<ul style="list-style-type: none"> <li>• Berms along Mississippi River are high and limit the views of the river. River views would require vertical development to capture views</li> </ul>
<ul style="list-style-type: none"> <li>• The site runs parallel with the Mississippi River and recreational paths are located adjacent to the Site.</li> </ul>	
<ul style="list-style-type: none"> <li>• Existing business owners have successful businesses and many owners have a desire to expand operations.</li> </ul>	

## DEMOGRAPHICS

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### Introduction

Demographic characteristics and trends are an important component in assessing housing needs in any given market area. This section of the report begins by delineating the draw area for the highest and best uses for the subject property in South St Paul, Minnesota, and examines the demographic and economic characteristics of this draw area as they relate to demand for rental housing. A review of these characteristics provides insight into demand for affordable general occupancy rental housing in the draw area.

### Demographic Trends

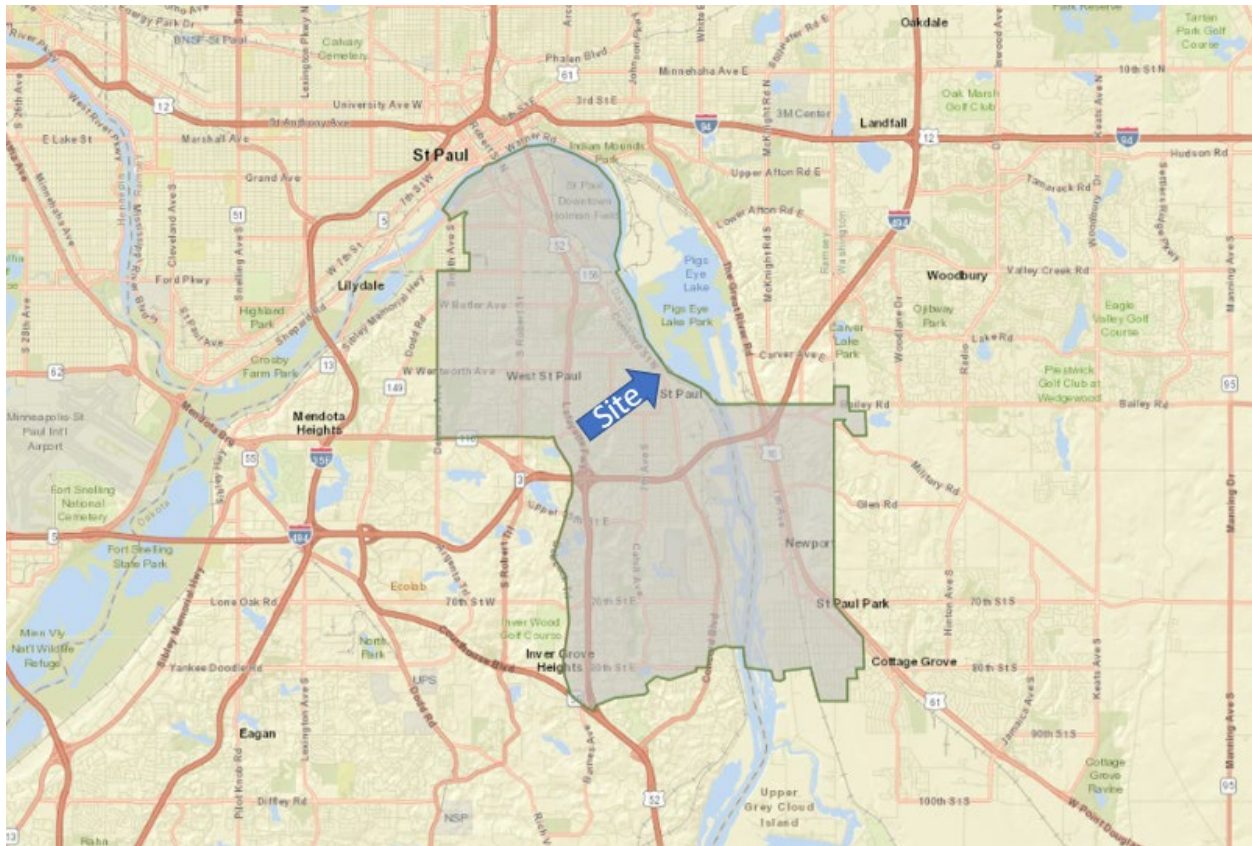
Demographic characteristics and trends are an important component in assessing the real estate needs of any given market area. This section of the report begins by delineating the draw area for multifamily and commercial products on the subject property and examines the demographic characteristics of the draw area as they relate to demand for multifamily housing, as well as commercial goods and services.

### Market Area Definition

The primary draw area (Market Area) for housing and commercial uses in South St Paul was defined based on traffic patterns, community and school district boundaries, and shopping patterns as indicated in our community interviews during this study. The Primary Market Area includes 20 census tracts, an area extending roughly 3 to 5 miles from the South St Paul border. A list of the 20 census tracts and a map of the Hardman Triangle Market Area are presented below:

Hardman Triangle Market Area Census Tract			
270370601.01	270370601.02	270370601.03	270370601.04
270370601.05	270370602.01	270370602.02	270370603.01
270370603.02	270370604.01	270370604.02	270370605.02
270370605.03	270370605.06	270370605.07	271230361.00
271230371.00	271230372.00	271630710.03	271630713.00

### Hardman Triangle Market Area Map



### Population and Household Growth Trends and Projections

Population and household growth trends and projections are analyzed in this section because these are key indicators of the potential demand for new housing units and additional commercial space in a community. We also analyze data on population age distribution, household income, household tenure, and household type to determine the housing and shopping needs of the local household base.

Table 1 presents population and household growth trends in the Market Area from 2000 to 2030. The 2000 and 2010 population and household figures were obtained from the U.S. Census Bureau. The 2019 estimates and projections for 2020 and 2030 are based on data provided by ESRI with adjustments made by Maxfield Research to reflect current year data. The following are key points from Table 1.

- In 2019, the population of South St Paul is estimated to make up approximately 25% of the total population of the PMA and 5% of the total population of Dakota County. The remainder of the PMA and Dakota County experienced higher levels of growth as South St Paul last decade.

## DEMOGRAPHICS

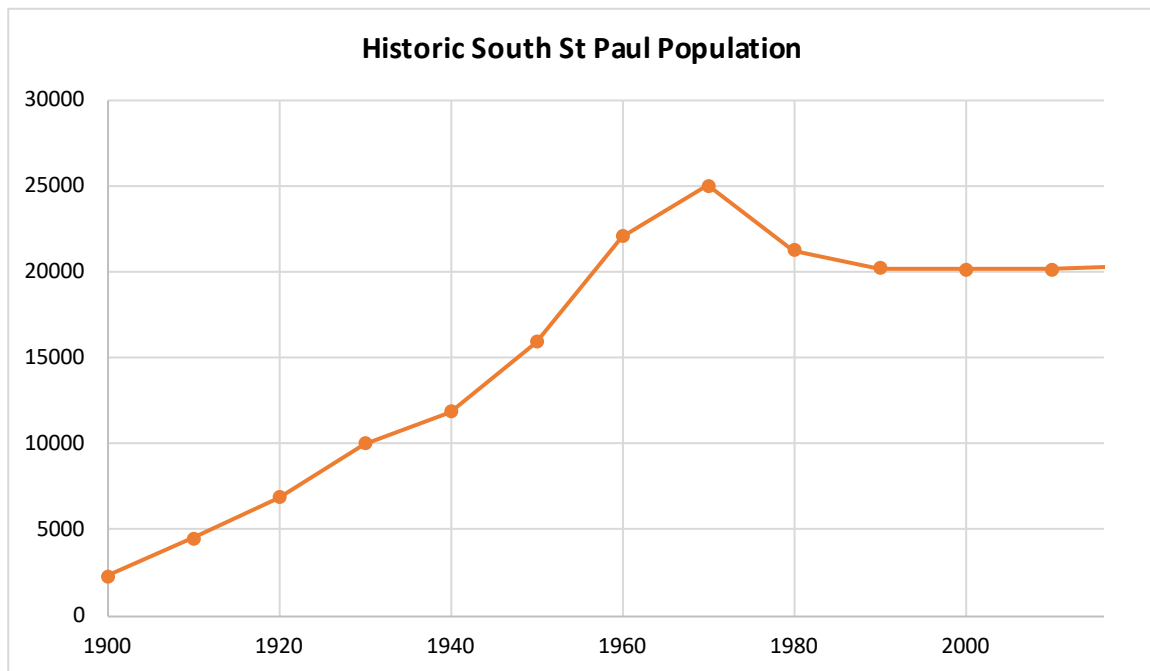
- Household growth slightly outpaced population growth during the 2000s and is forecast to do so through 2024. The aging of the baby-boom generation, declining birth rates, and many couples choosing to postpone having children until later in life are all factors contributing to a declining average household size. These trends will continue to generate demand for more diverse housing products such as townhomes, and condominiums.

<b>TABLE D-1</b> <b>POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS</b> <b>HARDMAN TRIANGLE SITE MARKET AREA</b> <b>2000 - 2030</b>									
	Census		Estimate	Forecast		Change			
						2000-2010		2010-2024	
	2000	2010	2019	2024	2030	No.	Pct.	No.	Pct.
<b>Population</b>									
<b>Primary Market Area</b>	<b>76,982</b>	<b>78,628</b>	<b>82,391</b>	<b>84,516</b>	<b>96,450</b>	<b>1,646</b>	<b>2.1%</b>	<b>5,888</b>	<b>7.5%</b>
City of South St Paul	20,167	20,160	20,933	21,339	21,500	-7	0.0%	1,179	5.8%
Remainder of PMA	56,815	58,468	61,458	63,177	74,950	1,653	2.9%	4,709	8.1%
Dakota County	355,904	398,552	432,300	452,327	475,370	42,648	12.0%	53,775	13.5%
Twin Cities Metro Area*	2,642,062	2,849,567	3,116,507	3,273,942	3,290,156	207,505	7.9%	424,375	14.9%
<b>Households</b>									
<b>Primary Market Area</b>	<b>30,682</b>	<b>31,550</b>	<b>33,125</b>	<b>34,021</b>	<b>41,050</b>	<b>868</b>	<b>2.8%</b>	<b>2,471</b>	<b>7.8%</b>
City of South St Paul	8,123	8,186	8,504	8,679	9,200	63	0.8%	493	6.0%
Remainder of PMA	22,559	23,364	24,621	25,342	31,850	805	3.6%	1,978	8.5%
Dakota County	131,151	152,060	164,800	172,400	188,220	20,909	15.9%	20,340	13.4%
Twin Cities Metro Area*	1,021,456	1,117,749	1,234,977	1,296,885	1,402,000	96,293	9.4%	179,136	16.0%
*Includes the 7-County Area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties)									
Sources: US Census Bureau; Metropolitan Council; ESRI; Maxfield Research & Consulting, LLC									

## DEMOGRAPHICS

Table 2 Historic Population South St Paul		
Year	Population	% Change
1900	2,322	-
1910	4,510	48%
1920	6,860	34%
1930	10,009	31%
1940	11,844	15%
1950	15,909	25%
1960	22,032	27%
1970	25,016	11%
1980	21,235	-15%
1990	20,197	-4%
2000	20,167	1%
2010	20,160	-0.3%
2017	20,256	4%

Sources: US Census Bureau, ACS

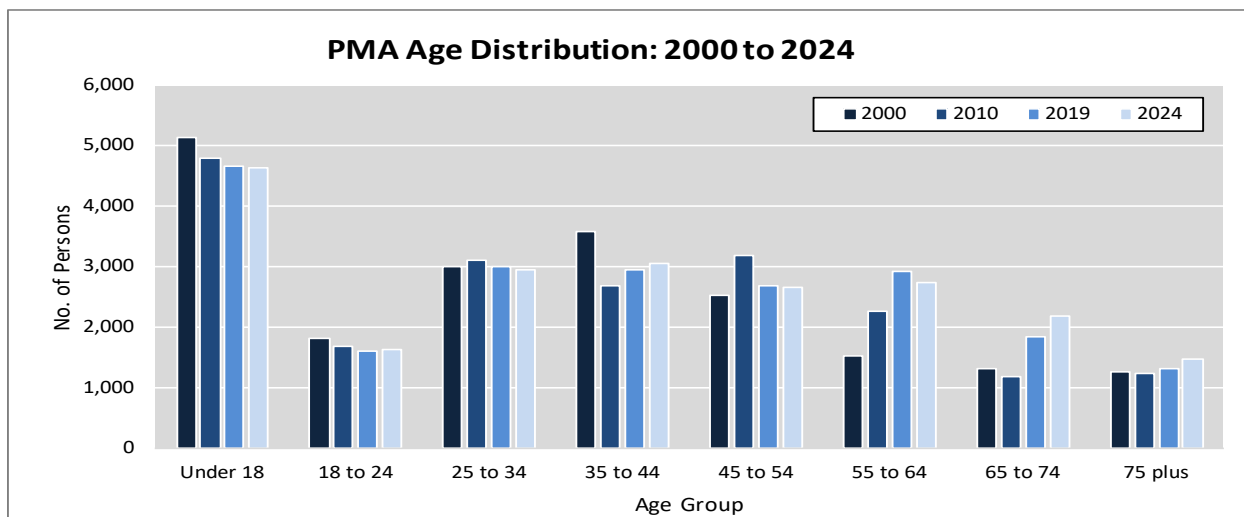


### Age Distribution

The age distribution of a community's population helps in assessing the type of housing and commercial services needed. For example, younger and older people are more attracted to higher density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes. In terms of retail, younger people typically seek services such as entertainment, electronics, and specialty apparel. Child stores increase in popularity for the 25 to 34 and 35 to 44 age cohorts while home furnishings are more frequently sought by the 45 to 54 and 55 to 64 age groups. Table 3 presents the age distribution of the Market Area population from 2000 to 2022. Information from 2000 and 2010 is sourced from the U.S. Census. The 2019 estimates and projections for 2024 were calculated by Maxfield Research based on information from local building permits and economic conditions. The following are key trends about the age distribution of the Market Area's population.

- In 2019, we estimate that the largest adult cohort by age in the PMA is 25 to 34, totaling 11,252 people (13.7% of the total population), followed by the 55 to 64 age group with 11,042 people (13.4%).
- The greatest growth is projected to occur among older adults. Aging of baby boomers led to a 47.9% increase (+2,897 people) in the 55 to 64 population between 2000 and 2010 in the PMA. As this group ages, the 65 to 74 age group is projected to experience rapid growth, expanding (+1,322 people) 17.7% in the PMA.
- A decline in the middle age cohorts is projected between 2019 and 2024 in the PMA. The 45 to 54 age cohort is expected to decline -1.9%.
- The weak growth projected for the middle age population is a result of the comparatively small number of people who will move into those age cohorts between 2019 and 2024, a phenomenon known as the "baby bust." The "baby bust" is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.
- The PMA is expected to experience growth in the age 35 to 44 cohort, expanding 3.2% (+ 354 people) as the peak of the "echo boom" moves into this age group.

## DEMOGRAPHICS



<b>TABLE D-3</b> <b>POPULATION AGE DISTRIBUTION</b> <b>HARDMAN TRIANGLE MARKET AREA</b> <b>2000-2024</b>								
	U.S. Census		ESRI		Change 2000-2010		Change 2019-2024	
	2000	2010	2019	2024	No.	Pct.	No.	Pct.
<b>South St Paul</b>								
Under 18	5,126	4,792	4,646	4,645	-334	-6.5%	-1	0.0%
18 to 24	1,825	1,686	1,605	1,631	-139	-7.6%	26	1.6%
25 to 34	3,001	3,112	2,993	2,958	111	3.7%	-35	-1.2%
35 to 44	3,586	2,693	2,939	3,057	-893	-24.9%	118	4.0%
45 to 54	2,531	3,186	2,679	2,650	655	25.9%	-29	-1.1%
55 to 64	1,524	2,264	2,924	2,740	740	48.6%	-184	-6.3%
65 to 74	1,314	1,191	1,830	2,194	-123	-9.4%	364	19.9%
75 plus	1,260	1,236	1,319	1,466	-24	-1.9%	147	11.1%
<b>Total</b>	<b>20,167</b>	<b>20,160</b>	<b>20,933</b>	<b>21,339</b>	<b>-7</b>	<b>0.0%</b>	<b>406</b>	<b>1.9%</b>
<b>Primary Market Area</b>								
Under 18	21,758	21,100	20,853	21,188	-658	-3.0%	335	1.6%
18 to 24	5,213	4,729	4,852	4,910	-484	-9.3%	58	1.2%
25 to 34	11,232	11,665	11,252	11,389	433	3.9%	137	1.2%
35 to 44	12,807	9,994	10,920	11,274	-2,813	-22.0%	354	3.2%
45 to 54	9,829	11,723	9,939	9,752	1,894	19.3%	-187	-1.9%
55 to 64	6,043	8,940	11,042	10,408	2,897	47.9%	-634	-5.7%
65 to 74	4,891	4,898	7,481	8,803	7	0.1%	1,322	17.7%
75 plus	5,209	5,579	6,052	6,792	370	7.1%	740	12.2%
<b>Total</b>	<b>76,982</b>	<b>78,628</b>	<b>82,389</b>	<b>84,516</b>	<b>1,646</b>	<b>2.1%</b>	<b>2,127</b>	<b>2.6%</b>
<b>Twin Cities Metro Area</b>								
Under 18	768,030	774,287	814,582	835,830	768,030	N/A	21,248	2.6%
18 to 24	173,732	190,135	215,706	205,888	173,732	N/A	-9,818	-4.6%
25 to 34	411,156	420,311	447,391	459,901	411,156	N/A	12,510	2.8%
35 to 44	469,325	391,324	408,077	456,152	469,325	N/A	48,075	11.8%
45 to 54	363,593	440,753	439,483	407,747	363,593	N/A	-31,736	-7.2%
55 to 64	200,981	326,007	398,781	424,805	200,981	N/A	26,024	6.5%
65 to 74	130,615	163,425	230,554	292,819	130,615	N/A	62,265	27.0%
75 plus	124,630	143,325	161,933	190,801	124,630	N/A	28,868	17.8%
<b>Total</b>	<b>2,642,062</b>	<b>2,849,567</b>	<b>3,116,507</b>	<b>3,273,943</b>	<b>2,642,062</b>	<b>N/A</b>	<b>157,436</b>	<b>5.1%</b>
Sources: U.S. Census; ESRI; Metropolitan Council; Maxfield Research & Consulting, LLC								

## DEMOGRAPHICS

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### Household Income

Income data is useful in that it can reflect wage trends and helps assess living conditions and reveal demand for different types of services. This data also helps determine demand for different types of owned and rented housing based on the size of the market at specific cost levels. In general, housing costs of up to 30 percent of income are considered affordable by the Department of Housing and Urban Development (HUD). Household income data also helps ascertain demand for different types of retail services. People with lower incomes are likely to seek out discount retailers and spend a higher proportion of their income on necessities like grocery items. Retail services and goods such as dining and home furnishings will experience higher spending from more moderate-income households while upper income households will also shop for specialty apparel, recreation and sporting goods, and luxury items.

The next four tables present data on household income by age of householder in 2019 and 2024 for the City of South St Paul and the Primary Market Area. The data is estimated by ESRI and adjusted by Maxfield Research and Consulting, LLC to reflect the most current local household estimates and projections. The following are key points.

- In 2019, the median household income for South St Paul is estimated to be \$56,988. This value is lower than the estimate for the Metro Area (\$79,195) and lower than that of Minnesota (\$69,559). However, the median income for South St Paul is expected to increase by 17% to \$69,093 by 2024.
- In South St Paul, the median incomes in the 25 to 34, 35 to 44, 45 to 54 and 55 to 64 age groups are projected to significantly increase by 2024, climbing 13%, 13%, 12% and 11%, respectively. This suggests there will be a growing opportunity for retail goods and services catering to these age groups.
- Rental housing often targets younger renter households. The median household income in South St Paul is \$41,643 for the under-25 age group and \$62,350 for the 25 to 34 age group. Households earning the median income for these age groups could afford monthly housing costs estimated at \$1,041 and \$1,558, respectively.
- Households in the 35 to 44 age group that may delay buying a home could afford a \$1,976 monthly rent, based on the median household income of \$79,072.

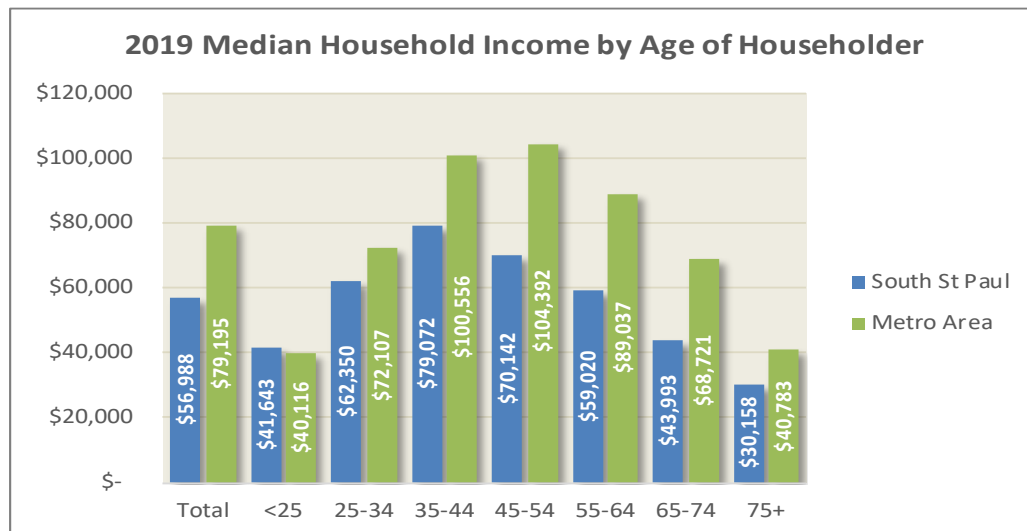
## DEMOGRAPHICS

TABLE D-4A  
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER  
SOUTH ST PAUL  
2019 & 2024

	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65 -74	75+
2019								
Less than \$15,000	802	37	89	92	110	194	136	144
\$15,000 to \$24,999	775	34	83	75	73	161	143	206
\$25,000 to \$34,999	726	39	129	94	90	99	104	171
\$35,000 to \$49,999	1,291	55	191	169	175	205	270	226
\$50,000 to \$74,999	1,763	59	316	283	358	471	200	76
\$75,000 to \$99,999	1,336	29	234	254	312	302	161	44
\$100,000 to \$199,999	1,678	24	289	531	375	314	108	37
\$200,000 or more	1,092	2	32	36	20	21	17	2
Total	8,501	279	1,363	1,534	1,513	1,767	1,139	906
Median Income	\$56,988	\$41,643	\$62,350	\$79,072	\$70,142	\$59,020	\$43,993	\$30,158
2024								
Less than \$15,000	633	37	59	66	79	132	123	137
\$15,000 to \$24,999	679	28	64	55	56	121	149	206
\$25,000 to \$34,999	647	34	104	74	63	79	110	183
\$35,000 to \$49,999	1,185	52	160	141	137	156	290	249
\$50,000 to \$74,999	1,787	64	314	274	328	442	264	101
\$75,000 to \$99,999	1,389	34	236	254	307	288	213	57
\$100,000 to \$199,999	2,179	30	371	667	482	388	175	66
\$200,000 or more	175	2	35	44	31	32	27	4
Total	8,674	281	1,343	1,575	1,483	1,638	1,351	1,003
Median Income	\$69,093	\$46,048	\$71,646	\$90,824	\$79,775	\$66,336	\$50,213	\$33,230
Change 2019 - 2024								
Less than \$15,000	-169	0	-30	-26	-31	-62	-13	-7
\$15,000 to \$24,999	-96	-6	-19	-20	-17	-40	6	0
\$25,000 to \$34,999	-79	-5	-25	-20	-27	-20	6	12
\$35,000 to \$49,999	-106	-3	-31	-28	-38	-49	20	23
\$50,000 to \$74,999	24	5	-2	-9	-30	-29	64	25
\$75,000 to \$99,999	53	5	2	0	-5	-14	52	13
\$100,000 to \$199,999	501	6	82	136	107	74	67	29
\$200,000 or more	-917	0	3	8	11	11	10	2
Total	-789	2	-20	41	-30	-129	212	97
Median Income	\$12,105	\$4,405	\$9,296	\$11,752	\$9,633	\$7,316	\$6,220	\$3,072

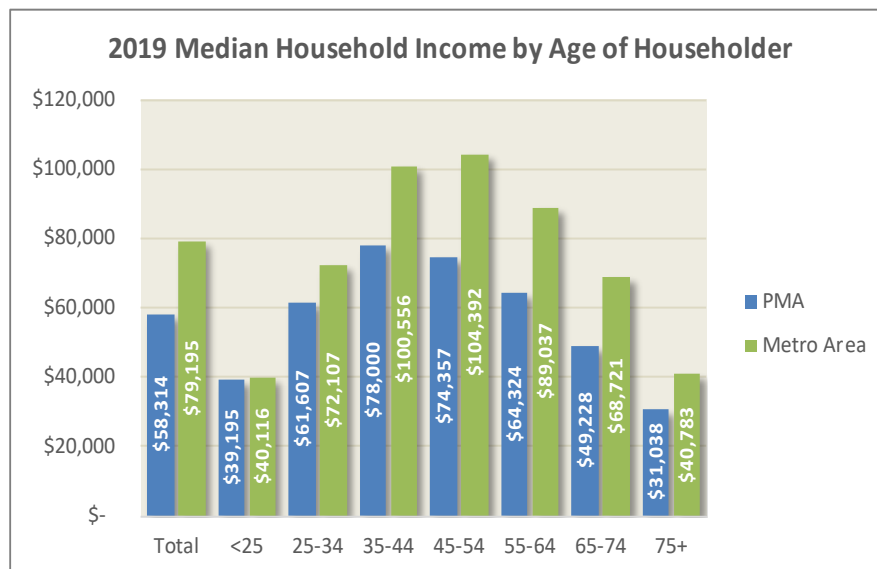
Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC



## DEMOGRAPHICS

- In 2019, the median household income for the PMA is estimated to be \$58,314. This value is lower than the estimate for the Metro Area (\$79,195) and lower than that of Minnesota (\$69,559). However, the median income for the PMA is expected to increase by 12% to \$66,447 by 2024.
- In the PMA, the median incomes in the 35 to 44, 45 to 54, and 55 to 64 age groups are projected to significantly increase by 2024, climbing 14%, 10%, and 13%, respectively. This suggests there will be a growing opportunity for retail goods and services catering to these age groups.
- Rental housing often targets younger renter households. The median household income in the PMA is \$39,195 for the under-25 age group and \$61,607 for the 25 to 34 age group. Households earning the median income for these age groups could afford monthly housing costs estimated at \$979 and \$1,540, respectively.
- Households in the 35 to 44 age group that may delay buying a home could afford a \$1,950 monthly rent, based on the median household income of \$78,000.



## DEMOGRAPHICS

<b>TABLE D-4B</b> <b>HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER</b> <b>HARDMAN TRIANGLE MARKET AREA</b> <b>2019 &amp; 2024</b>								
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
<b>2019</b>								
Less than \$15,000	3,113	167	392	376	384	624	481	689
\$15,000 to \$24,999	2,809	148	312	255	249	452	543	850
\$25,000 to \$34,999	3,150	167	515	426	387	438	474	743
\$35,000 to \$49,999	4,713	195	714	663	644	771	887	839
\$50,000 to \$74,999	6,488	209	1,102	1,047	1,181	1,549	927	473
\$75,000 to \$99,999	4,687	91	788	878	1,000	1,129	631	170
\$100,000 to \$199,999	7,073	111	1,119	1,925	1,569	1,458	615	276
\$200,000 or more	1,092	16	175	240	234	230	146	51
<b>Total</b>	<b>33,125</b>	<b>1,104</b>	<b>5,117</b>	<b>5,810</b>	<b>5,648</b>	<b>6,651</b>	<b>4,704</b>	<b>4,091</b>
<b>Median Income</b>	<b>\$58,314</b>	<b>\$39,195</b>	<b>\$61,607</b>	<b>\$78,000</b>	<b>\$74,357</b>	<b>\$64,324</b>	<b>\$49,228</b>	<b>\$31,038</b>
<b>2024</b>								
Less than \$15,000	2,458	165	278	269	276	422	420	628
\$15,000 to \$24,999	2,464	133	252	185	195	334	530	835
\$25,000 to \$34,999	2,905	160	440	344	308	355	494	804
\$35,000 to \$49,999	4,346	190	624	553	524	602	920	933
\$50,000 to \$74,999	6,557	238	1,089	999	1,067	1,428	1,136	600
\$75,000 to \$99,999	4,859	100	811	879	969	1,074	797	229
\$100,000 to \$199,999	9,051	160	1,456	2,392	1,891	1,727	954	471
\$200,000 or more	1,381	18	212	301	282	269	225	74
<b>Total</b>	<b>34,021</b>	<b>1,164</b>	<b>5,162</b>	<b>5,922</b>	<b>5,512</b>	<b>6,211</b>	<b>5,476</b>	<b>4,574</b>
<b>Median Income</b>	<b>\$66,447</b>	<b>\$43,601</b>	<b>\$71,707</b>	<b>\$90,790</b>	<b>\$83,076</b>	<b>\$74,090</b>	<b>\$56,055</b>	<b>\$35,210</b>
<b>Change 2019 - 2024</b>								
Less than \$15,000	-655	-2	-114	-107	-108	-202	-61	-61
\$15,000 to \$24,999	-345	-15	-60	-70	-54	-118	-13	-15
\$25,000 to \$34,999	-245	-7	-75	-82	-79	-83	20	61
\$35,000 to \$49,999	-367	-5	-90	-110	-120	-169	33	94
\$50,000 to \$74,999	69	29	-13	-48	-114	-121	209	127
\$75,000 to \$99,999	172	9	23	1	-31	-55	166	59
\$100,000 to \$199,999	1,978	49	337	467	322	269	339	195
\$200,000 or more	289	2	37	61	48	39	79	23
<b>Total</b>	<b>896</b>	<b>60</b>	<b>45</b>	<b>112</b>	<b>-136</b>	<b>-440</b>	<b>772</b>	<b>483</b>
<b>Median Income</b>	<b>\$8,133</b>	<b>\$4,406</b>	<b>\$10,100</b>	<b>\$12,790</b>	<b>\$8,719</b>	<b>\$9,766</b>	<b>\$6,827</b>	<b>\$4,172</b>

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

## Household Tenure

Tables 5 shows household tenure by household income and Table 5 shows household tenure by age of householder. Data was obtained from U.S. Census. All data excludes unoccupied units and group quarters such as dormitories and nursing homes.

Household tenure information is important in understanding households' preferences to rent or own their housing. Factors that contribute to these proportions include mortgage interest rates, household age, and lifestyle considerations, among others.

- In 2017, 66% of the households in South St Paul owned their housing, giving it a home ownership rate that is higher than the PMA (64% of households owned in 2017).

## DEMOGRAPHICS

- The 45-54 and 55-64 age cohorts had the highest 2017 homeownership rates in PMA at 71.1% and 73.9%, respectively. However, younger adults in the 25-34 and 35-44 cohorts have homeownership rates of 50.9% and 60.9% respectively. Therefore, younger adults in the Market area are finding rental housing often becomes a more desirable option than homeownership.

<b>TABLE D-5</b> <b>TENURE BY HOUSEHOLD INCOME</b> <b>HARDMAN TRIANGLE MARKET AREA</b> <b>2017</b>						
<b>Income</b>	<b>South St Paul</b>		<b>Remainder of MA</b>		<b>Market Area</b>	
<b>No. of Households</b>	<b>Owner</b>	<b>Renter</b>	<b>Owner</b>	<b>Renter</b>	<b>Owner</b>	<b>Renter</b>
Under \$14,999	181	642	648	1,862	829	2,504
\$15,000 to \$19,999	215	222	393	840	608	1,062
\$20,000 to \$24,999	175	203	274	612	449	815
\$25,000 to \$34,999	277	337	1,175	1,083	1,452	1,420
\$35,000 to \$49,999	702	518	1,559	1,380	2,261	1,898
\$50,000 to \$74,999	1,297	458	3,091	1,315	4,388	1,773
\$75,000 to \$99,999	962	237	2,707	741	3,669	978
\$100,000 to \$149,999	1,191	129	3,026	596	4,217	725
\$150,000 or more	333	7	1,969	95	2,302	102
<b>Total</b>	<b>5,333</b>	<b>2,753</b>	<b>14,842</b>	<b>8,524</b>	<b>20,175</b>	<b>11,277</b>
<b>Pct. of Households by Tenure</b>						
Under \$14,999	22.0%	78.0%	25.8%	74.2%	24.9%	75.1%
\$15,000 to \$19,999	49.2%	50.8%	31.9%	68.1%	36.4%	63.6%
\$20,000 to \$24,999	46.3%	53.7%	30.9%	69.1%	35.5%	64.5%
\$25,000 to \$34,999	45.1%	54.9%	52.0%	48.0%	50.6%	49.4%
\$35,000 to \$49,999	57.5%	42.5%	53.0%	47.0%	54.4%	45.6%
\$50,000 to \$74,999	73.9%	26.1%	70.2%	29.8%	71.2%	28.8%
\$75,000 to \$99,999	80.2%	19.8%	78.5%	21.5%	79.0%	21.0%
\$100,000 to \$149,999	90.2%	9.8%	83.5%	16.5%	85.3%	14.7%
\$150,000 or more	97.9%	2.1%	95.4%	4.6%	95.8%	4.2%
<b>Total</b>	<b>66.0%</b>	<b>34.0%</b>	<b>63.5%</b>	<b>36.5%</b>	<b>64.1%</b>	<b>35.9%</b>
<b>Median Income</b>	<b>\$69,552</b>	<b>\$33,815</b>	<b>\$75,813</b>	<b>\$36,806</b>	<b>\$75,152</b>	<b>\$37,306</b>

Sources: American Community Survey; Maxfield Research and Consulting, LLC

- The median income in the PMA in 2017 was \$75,152 for homeowners and \$37,306 for renters. This is primarily due to the higher proportion of those in the younger and much older age cohorts that rent.

## DEMOGRAPHICS

- Only 24.9% of those with a household income under \$14,999 owned their home in the PMA, while 85.3% of those with a household income of \$100,000 to \$149,999 were homeowners.

Age		Primary Market Area				Twin Cities Metro Area			
		2010		2017		2010		2017	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	262	22.7	123	10.8	7,947	16.0	5,253	12.7
	Rent	893	77.3	1,013	89.2	41,789	84.0	36,143	87.3
	<b>Total</b>	<b>1,155</b>	<b>100.0</b>	<b>1,136</b>	<b>100.0</b>	<b>49,736</b>	<b>100.0</b>	<b>41,396</b>	<b>100.0</b>
25-34	Own	3,055	55.5	2,647	50.9	102,236	50.6	97,479	46.3
	Rent	2,452	44.5	2,553	49.1	99,716	49.4	113,257	53.7
	<b>Total</b>	<b>5,507</b>	<b>100.0</b>	<b>5,200</b>	<b>100.0</b>	<b>201,952</b>	<b>100.0</b>	<b>210,736</b>	<b>100.0</b>
35-44	Own	3,583	65.8	3,284	60.9	154,678	72.3	143,430	67.9
	Rent	1,866	34.2	2,112	39.1	59,303	27.7	67,787	32.1
	<b>Total</b>	<b>5,449</b>	<b>100.0</b>	<b>5,396</b>	<b>100.0</b>	<b>213,981</b>	<b>100.0</b>	<b>211,217</b>	<b>100.0</b>
45-54	Own	5,072	74.1	4,233	71.1	202,404	79.8	184,562	78.1
	Rent	1,769	25.9	1,722	28.9	51,379	20.2	51,723	21.9
	<b>Total</b>	<b>6,841</b>	<b>100.0</b>	<b>5,955</b>	<b>100.0</b>	<b>253,783</b>	<b>100.0</b>	<b>236,285</b>	<b>100.0</b>
55-64	Own	4,215	75.8	4,922	73.9	162,595	82.6	181,161	80.3
	Rent	1,349	24.2	1,740	26.1	34,355	17.4	44,543	19.7
	<b>Total</b>	<b>5,564</b>	<b>100.0</b>	<b>6,662</b>	<b>100.0</b>	<b>196,950</b>	<b>100.0</b>	<b>225,704</b>	<b>100.0</b>
65 +	Own	4,750	67.5	4,966	69.9	152,615	75.8	185,549	76.6
	Rent	2,284	32.5	2,137	30.1	48,732	24.2	56,781	23.4
	<b>Total</b>	<b>7,034</b>	<b>100.0</b>	<b>7,103</b>	<b>100.0</b>	<b>201,347</b>	<b>100.0</b>	<b>242,330</b>	<b>100.0</b>
<b>TOTAL</b>	Own	20,937	66.4	20,175	64.1	782,475	70.0	797,434	68.3
	Rent	10,613	33.6	11,277	35.9	335,274	30.0	370,234	31.7
	<b>Total</b>	<b>31,550</b>	<b>100.0</b>	<b>31,452</b>	<b>100.0</b>	<b>1,117,749</b>	<b>100.0</b>	<b>1,167,668</b>	<b>100.0</b>

Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC

### Household Type

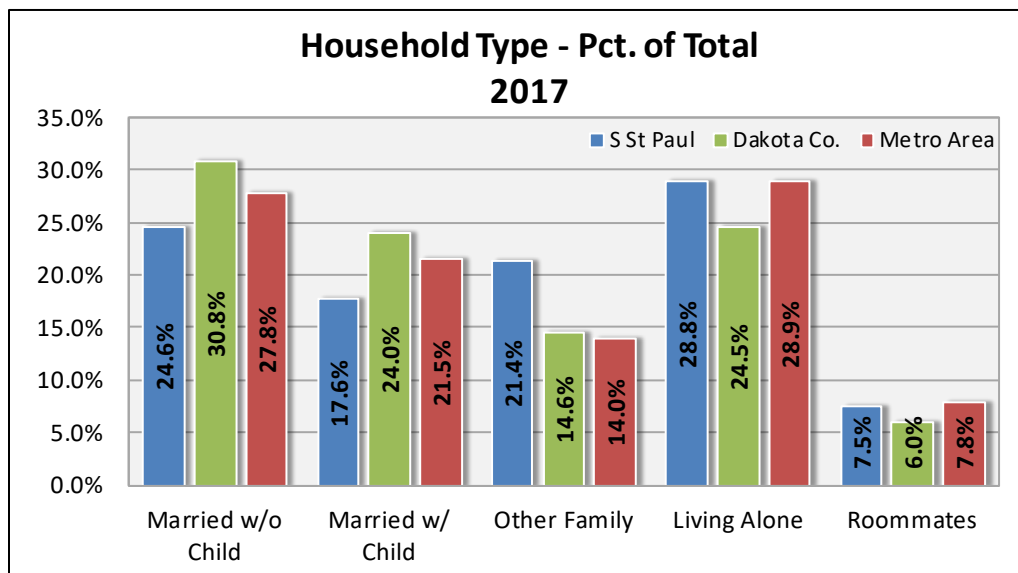
As with age distribution, the trends in types of households impact demand for different types of housing. Table 7 presents data on the types of households in the Market Area in 2010 and 2017. Family households include married-couple families with children (so-called "traditional" families), married couples without children (mostly empty nesters, but also young married couples without children), and other-family households (single parents and unmarried couples with children). Non-family households include persons living alone and roommates (unrelated individuals living together, including unmarried couples without children).

- In 2017, there were a total of 31,452 family households in the PMA including 5,410 married couples with children, 8,016 married couples without children, and 5,783 other

## DEMOGRAPHICS

families. Married couples without children include empty nesters, who are increasingly a market for for-sale multifamily housing and younger couples without children, who are also a primary market for rental housing.

- From 2010 to 2017, the greatest growth among family households in South St Paul was among married couples with children, which grew by 9 households. This is in contrast with the decrease by 45 households in the number of married couples without children in South St Paul. The future growth of married couples without children will have the greatest impact on demand for rental housing.
- Conversely, from 2010 to 2017 in the remainder of the Market Area the number of married couples with children decreased by -110 households and the number of married couples without children increased by 48 households.
- There were 12,243 non-family households in the PMA in 2017. This includes 9,793 persons living alone and 2,450 roommate households. Persons living alone added 70 households to the PMA from 2010 to 2017, while the number of roommate households increased by 187 households. Roommate households consist of unrelated persons living with each other to share housing costs and unmarried couples without children, among others. These persons also tend to be younger and often prefer to live in locations that are closer to entertainment, activities, and other nightlife.



## DEMOGRAPHICS

TABLE D-7 HOUSEHOLD TYPE HARDMAN TRIANGLE SITE MARKET AREA 2010 & 2017												
Number of Households	Total HH's		Married w/o Child		Family Households		Other *		Non-Family Households			
	2010	2017	2010	2017	Married w/ Child		Other *		Living Alone		Roommates	
					2010	2017	2010	2017	2010	2017	2010	2017
City of South St Paul	8,186	8,086	2,037	1,992	1,418	1,427	1,610	1,729	2,461	2,331	660	607
Rem. Of Market Area	23,364	23,366	5,976	6,024	4,093	3,983	4,430	4,054	7,262	7,462	1,603	1,843
Market Area Total	31,550	31,452	8,013	8,016	5,511	5,410	6,040	5,783	9,723	9,793	2,263	2,450
Dakota County	152,060	158,777	44,458	48,924	39,472	38,178	21,818	23,163	36,620	38,938	9,692	9,574
Twin Cities Metro Area	1,117,749	1,167,668	298,723	325,097	244,687	250,771	164,086	163,625	319,030	337,191	91,223	90,984
Percent of Total												
City of South St Paul	100%	100%	24.9%	24.6%	17.3%	17.6%	19.7%	21.4%	30.1%	28.8%	8.1%	7.5%
Rem. Of Market Area	100%	100%	25.6%	25.8%	17.5%	17.0%	19.0%	17.4%	31.1%	31.9%	6.9%	7.9%
Market Area Total	100%	100%	25.4%	25.4%	17.5%	17.1%	19.1%	18.3%	30.8%	31.0%	7.2%	7.8%
Dakota County	100%	100%	29.2%	30.8%	26.0%	24.0%	14.3%	14.6%	24.1%	24.5%	6.4%	6.0%
Twin Cities Metro Area	100%	100%	26.7%	27.8%	21.9%	21.5%	14.7%	14.0%	28.5%	28.9%	8.2%	7.8%
* Single-parent families, unmarried couples with children.												
Sources: U.S. Census Bureau; American Community Survey; Maxfield Research & Consulting, LLC												

### Summary of Demographic Trends

The following points summarize key demographic trends that will impact demand for redevelopment in the market area.

- In 2019, the population of South St Paul is estimated to make up approximately 25% of the total population of the PMA and 5% of the total population of Dakota County. The remainder of the PMA and Dakota County experienced higher levels of growth as South St Paul last decade.
- The greatest growth is projected to occur among older adults. Aging of baby boomers led to a 47.9% increase (+2,897 people) in the 55 to 64 population between 2000 and 2010 in the PMA. As this group ages, the 65 to 74 age group is projected to experience rapid growth, expanding (+1,322 people) 17.7% in the PMA.
- In 2019, the median household income for the PMA is estimated to be \$58,314. This value is lower than the estimate for the Metro Area (\$79,195) and lower than that of Minnesota (\$69,559). However, the median income for South St Paul is expected to increase by 12% to \$66,447 by 2024.
- In 2017, 66% of the households in South St Paul owned their housing, giving it a home ownership rate that is higher than the PMA (64% of households owned in 2017).
- The 45-54 and 55-64 age cohorts had the highest 2017 homeownership rates in PMA at 71.1% and 73.9%, respectively. However, younger adults in the 25-34 and 35-44 cohorts have homeownership rates of 50.9% and 60.9% respectively. Therefore, younger adults in the Market area are finding rental housing often becomes a more desirable option than homeownership.
- In 2017, there were a total of 31,452 family households in the PMA including 5,410 married couples with children, 8,016 married couples without children, and 5,783 other families. Married couples without children include empty nesters, who are increasingly a market for for-sale multifamily housing and younger couples without children, who are also a primary market for rental housing.
- From 2010 to 2017, the greatest growth among family households in South St Paul was among married couples with children, which grew by 9 household. This is in contrast with the decrease by 45 households in the number of married couples without children in South St Paul.

### Introduction

Employment characteristics are an important component in assessing real estate needs in any given market area. These trends are important to consider since job growth can generally fuel household and population growth as people typically desire to live near where they work. While long commute times and employment centers have encouraged households to move closer to major employment centers, housing is often less expensive in smaller towns, making commuting from outlying communities an attractive alternative for households concerned about housing affordability. Additionally, job growth is a primary driver of demand for commercial real estate, particularly office space, although increased hiring in a market area can also lead to higher levels of consumer spending, stimulating demand for retail space.

Recent employment growth trends for Dakota County are shown in Tables E-1 while employment trends for South St Paul and Dakota County are shown in Tables E-2 through Table E-5. Table E-1 shows annual average resident employment, Table E-2 shows the quarterly census of employment and wages, Table E-3 shows major employers, and Table E-4 and E-5 show commuting patterns. The following are key trends derived from the employment data.

## Resident Labor Force

Table E-1 shows information on the resident labor force and employment in South St Paul and Dakota County. The data is sourced from the Minnesota Department of Employment and Economic Development (DEED). Resident employment data reveals the work force and number of employed people living in the area. It is important to note that not all of these individuals necessarily work in the area.

- The labor force of Dakota County increased 9.4% (+22,652) between 2000 and 2018. Similarly, the number of employed persons increased 9.3% (21,874) in the same time period, despite significantly dipping in 2010 and 2011.
- The unemployment rate has almost consistently dropped year over year since 2009, the same year the recession ended. The unemployment rate in Dakota County in 2018 was 2.5% which was slightly lower than the Twin Cities Metro (2.6%) and the State of Minnesota (2.9%).

**TABLE E-1**  
**LABOR FORCE AND RESIDENT EMPLOYMENT TRENDS**  
**HARDMAN TRIANGLE MARKET AREA**  
**2000 - 2018**

Year	Dakota County			Twin Cities Metro			Minnesota		
	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate
2018	239,835	233,744	2.5%	1,711,198	1,667,434	2.6%	3,070,223	2,980,884	2.9%
2017	238,058	230,951	3.0%	1,699,266	1,647,577	3.0%	3,057,014	2,952,960	3.4%
2016	235,328	228,962	3.1%	1,671,119	1,617,418	3.2%	3,033,406	2,916,353	3.9%
2015	234,087	226,389	3.3%	1,656,951	1,601,571	3.3%	2,997,748	2,887,132	3.7%
2014	233,382	223,522	3.8%	1,644,257	1,581,267	3.8%	2,972,800	2,848,787	4.2%
2013	230,737	220,342	4.5%	1,632,500	1,557,054	4.6%	2,958,595	2,811,761	4.9%
2012	228,959	217,062	5.2%	1,616,551	1,530,237	5.3%	2,946,355	2,781,140	5.6%
2011	227,975	214,174	6.1%	1,603,521	1,504,084	6.2%	2,946,355	2,755,263	6.5%
2010	227,259	211,414	7.0%	1,593,386	1,479,386	7.2%	2,938,795	2,721,194	7.4%
2009	229,412	212,895	7.2%	1,601,871	1,482,667	7.4%	2,941,976	2,713,426	7.8%
2008	230,661	219,345	4.9%	1,603,501	1,522,589	5.0%	2,925,088	2,766,342	5.4%
2007	229,769	220,453	4.1%	1,597,123	1,530,575	4.2%	2,906,389	2,773,704	4.6%
2006	228,974	220,905	3.5%	1,585,859	1,528,197	3.6%	2,887,831	2,772,114	4.0%
2005	227,941	219,756	3.6%	1,585,047	1,526,490	3.7%	2,879,759	2,762,732	4.1%
2004	225,803	216,611	4.1%	1,584,838	1,515,715	4.4%	2,880,427	2,745,614	4.7%
2003	223,604	214,057	4.3%	1,581,907	1,509,305	4.6%	2,874,663	2,734,287	4.9%
2002	221,067	212,363	3.9%	1,574,037	1,506,834	4.3%	2,859,601	2,731,080	4.5%
2001	219,504	212,745	3.1%	1,573,992	1,520,898	340.0%	2,845,202	2,737,960	3.8%
2000	217,183	211,870	2.4%	1,563,293	1,521,414	2.7%	2,812,947	2,724,117	3.2%

Sources: Minnesota DEED; Maxfield Research & Consulting, LLC

### Quarterly Census of Employment and Wages

Table E-2 displays information on the employment and wage situation in South St Paul compared to Dakota County. The Quarterly Census of Employment and Wages (QCEW) data is sourced from DEED for the first quarters of 2017, 2018 and 2019, the most recent data available. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics to DEED quarterly.

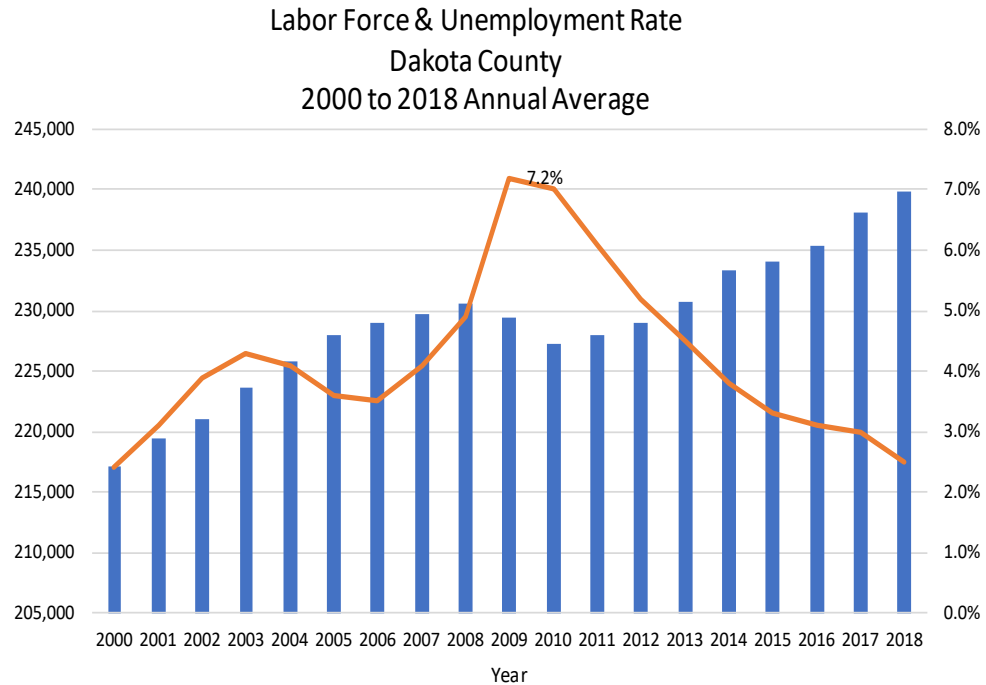
Certain industries in the table may not display any information which means that there is either no reported economic activity for that industry or the data has been suppressed to protect the confidentiality of cooperating employers. This generally occurs when there are too few employers or one employer comprises too much of the employment in that geography

- In South St Paul between 2017 and 2019 the most notable employment growth was in the Leisure & Hospitality industries, which added 64 jobs (+19.2%).
- In Dakota County, total employment expanded 1.1% (+1,989 jobs) during that time period. While the Professional & Business Services industry sector experienced the largest increase in number of jobs (+2,117), it also was the most significant growth in the county (11.9%).
- A number of business establishments in South St Paul experienced contraction from 2017 to 2019 (-1.8%), with growth occurring only in the Leisure and Hospitality (+64), Manufacturing (+22), and Education (+8). Manufacturing; Trade, Transportation, and Utilities; Information; Professional and Business; and Other Services all contracted.
- Trade, Transportation, Utilities is the largest employment sector in South St Paul, providing 1,981 jobs (32.3% of total employment), followed by Education & Health Services with 1,002 jobs (16.4%). Trade, Transportation, Utilities (25.6%) and Education & Health Services (20.7%) are also the two largest industry sectors for Dakota County.
- Average weekly wages in South St Paul (\$977) are lower than Dakota County (\$1,167). Average wages increased 1.7% in South St Paul from 2017 to 2019, while Dakota County experienced a 9.5% increase in the average weekly wage.
- In South St Paul, highest average wages are found in the Construction Industry (\$1,483), Public Administration (\$1,310), and Manufacturing (\$1,217) sectors, while highest wages in Dakota County are in Information (\$2,211) and Financial Activities (\$2,071).
- A household earning the average weekly wage in South St Paul (\$977) would be able to afford an apartment renting for approximately \$1,270 per month to not exceed 30% of its monthly income on housing costs. Also, assuming a buyer has good credit and makes

## EMPLOYMENT ANALYSIS

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a 10% down payment, a household earning the average wage in South St Paul would be able to purchase a home priced at roughly \$219,000 or lower to not be cost-burdened (paying more than 30% of their income for housing).



## EMPLOYMENT ANALYSIS

### Average Weekly Wage, All Industries vs. Annual Inflation

#### Dakota County

2000 to 2018

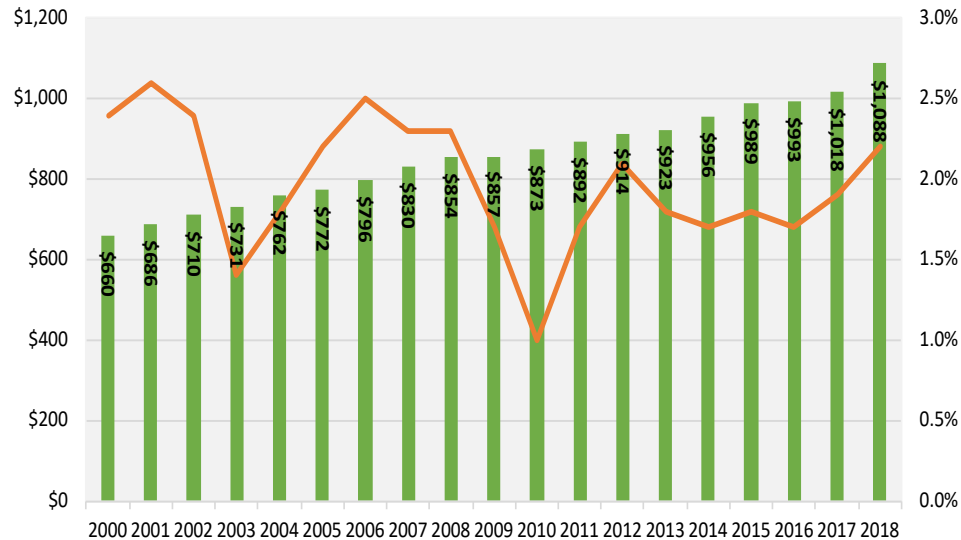


TABLE E-2  
QUARTERLY CENSUS OF EMPLOYMENT AND WAGES  
South St Paul & Dakota County  
2017 Q1 to 2019 Q1

Industry	2017 Q1			2018 Q1			2019 Q1			Change 2017 - 2019			
	Establish-ments	Employ-ment	Weekly Wage	Establish-ments	Employ-ment	Weekly Wage	Establish-ments	Employ-ment	Weekly Wage	Employment #	%	Wage \$	%
<b>South St Paul</b>													
Total, All Industries	377	6,614	\$958	390	6,250	\$961	410	6,140	\$977	-110	-1.8%	\$16	1.7%
Natural Resources & Mining	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	43	645	\$1,344	46	520	\$1,526	49	500	\$1,483	N/A	N/A	N/A	N/A
Manufacturing	38	917	\$1,295	36	917	\$1,256	38	939	\$1,217	22	2.4%	(\$39)	-3.1%
Trade, Transportation, Utilities	80	2,135	\$1,010	84	2,026	\$967	85	1,981	\$976	-45	-2.2%	\$9	0.9%
Information	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Financial Activities*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professional & Business Services	64	469	\$912	68	443	\$865	72	421	\$929	-22	-5.0%	\$64	7.4%
Education & Health Services	40	997	\$732	46	994	\$734	53	1,002	\$751	8	0.8%	\$17	2.3%
Leisure & Hospitality	30	373	\$375	27	334	\$429	30	398	\$426	64	19.2%	(\$3)	-0.7%
Other Services	45	632	\$523	45	573	\$578	46	457	\$684	-116	-20.2%	\$106	18.3%
Public Administration	3	206	\$1,237	3	215	\$1,241	3	213	\$1,310	-2	-0.9%	\$69	5.6%
<b>Dakota County</b>													
Total, All Industries	9,678	184,797	\$1,066	10,060	186,714	\$1,126	10,567	186,786	\$1,167	1,989	1.1%	\$101	9.5%
Natural Resources & Mining	61	676	\$968	60	691	\$975	61	641	\$785	-35	-5.2%	(\$183)	-18.9%
Construction	902	8,585	\$1,317	927	8,224	\$1,364	984	8,495	\$1,408	-90	-1.0%	\$91	6.9%
Manufacturing	481	18,817	\$1,350	484	18,574	\$1,375	477	18,853	\$1,399	36	0.2%	\$49	3.6%
Trade, Transportation, Utilities	2,222	48,962	\$1,021	2,258	49,383	\$1,002	2,307	47,781	\$968	-1,181	-2.4%	(\$53)	-5.2%
Information	149	6,773	\$1,819	158	6,464	\$1,911	169	6,319	\$2,211	-454	-6.7%	\$392	21.6%
Financial Activities	1,023	14,590	\$1,852	1,062	15,005	\$2,043	1,084	15,060	\$2,071	470	3.2%	\$219	11.8%
Professional & Business Services	1,694	17,837	\$1,239	1,788	18,381	\$1,381	1,885	19,954	\$1,549	2,117	11.9%	\$310	25.0%
Education & Health Services	1,265	38,067	\$834	1,378	39,225	\$834	1,566	38,708	\$860	641	1.7%	\$26	3.1%
Leisure & Hospitality	848	18,347	\$349	883	18,645	\$623	919	18,624	\$672	277	1.5%	\$323	92.6%
Other Services	967	6,925	\$617	996	6,857	\$667	1,043	6,969	\$674	44	0.6%	\$57	9.2%
Public Administration	66	5,215	\$1,099	66	5,263	\$1,133	72	5,380	\$1,167	165	3.2%	\$68	6.2%

Sources: Minnesota Department of Employment and Economic Development; Maxfield Research and Consulting LLC

## EMPLOYMENT ANALYSIS

### Major Employers

Table E-3 displays major employers in the PMA which is covered by the River Heights Chamber of Commerce and the number of total persons employed. The table shows major employers by two sources: The River Heights Chamber of Commerce and Progress Plus Economic Development Partnership. The following are key points regarding the major employers in the area.

- The nine employers in the Market Area listed by the River Heights Chamber of Commerce, employ a total of approximately 4,259 persons. All of the employers have over 100 employees.
- The top three employers in Market Area (CHS Inc, Sportsman's Guide Mail Order, and Flint Hills Resources) account for over 2,600 of the market area's total employees, or 62% of the employees among the major employers.
- Sportsman's Guide Mail Order, Waterous Company Pumps and American Bottling and Distribution are all located less than a mile from the site.

Table E-3 Major Employers from River Heights Chamber of Commerce Includes South St Paul and Inver Grove Heights			
Area/Name	No. Employers	Area/Name	No. Employers
<b>South St Paul</b>		<b>Inver Grove Heights</b>	
Sportsman's Guide Mail Order	800	CHS Inc.	1,000
Waterous Company Pumps	387	Flint Hills Resources	800
American Bottling and Distribution	160	Travel Tags Flexographic Printing	430
Wipaire, Inc	142	Gertens Greenhouse & Garden	300
		Wal-Mart Retail	240
<b>Total</b>	<b>1,489</b>		<b>2,770</b>

### Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets. Additionally, people working in the Market Area who do not reside there provide a potential supplemental market for retail business establishments in the area. Tables E-4 and E-5 highlight the commuting patterns of workers in South St Paul and Dakota County based on data from the U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD) program for 2015, the most recent data available.

## EMPLOYMENT ANALYSIS

- While 55.5% of the workers in South St Paul reside within ten miles of their place of employment, only 10.1% of the workers employed in South St Paul reside within the city. Approximately 37.1% travel from 10 to 24 miles, while 5% of the workers commute from greater than 50 miles. The low level of residence living and working in South St Paul is typical of suburban locations in the market area.
- Other than unidentified locations, The City of St Paul is the most common place of employment for South St Paul residents with 1,493 (16.4%) followed by the City of Minneapolis with 996 residence (10.9%).
- The four major employers in South St Paul employ approximately 25% of all employees in South St Paul.

**TABLE E-4  
COMMUTING PATTERNS  
CITY OF SOUTH ST PAUL  
2017**

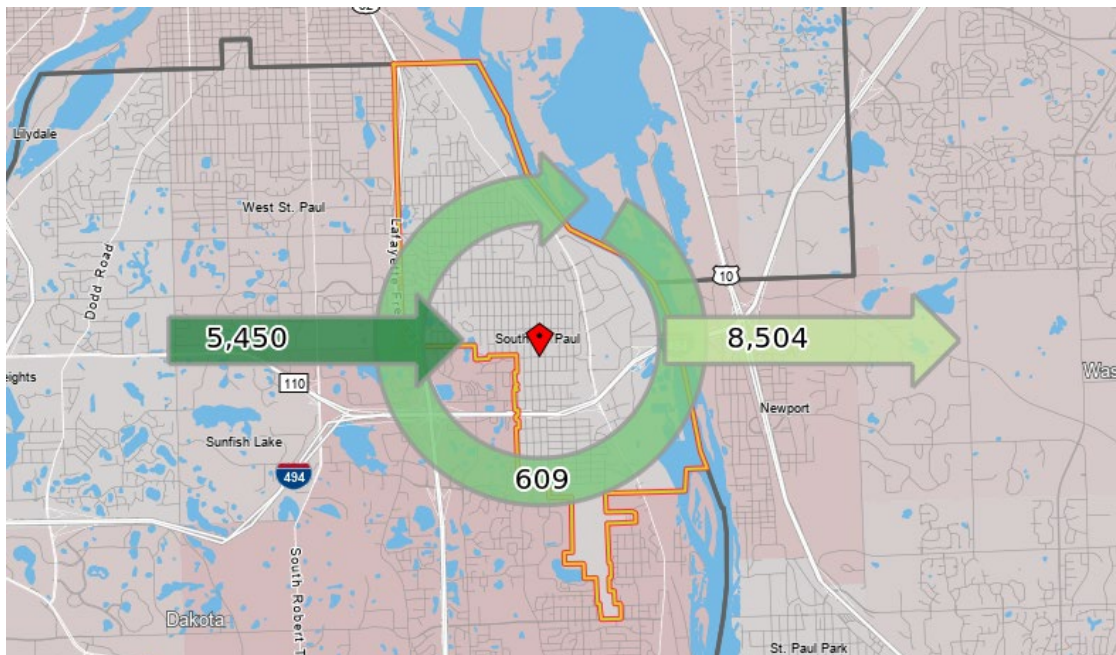
Home Destination			Work Destination		
<u>Place of Residence</u>	<u>Count</u>	<u>Share</u>	<u>Place of Employment</u>	<u>Count</u>	<u>Share</u>
St. Paul city, MN	750	12.4%	St. Paul city, MN	1,493	16.4%
South St. Paul city, MN	609	10.1%	Minneapolis city, MN	996	10.9%
Inver Grove Heights city, MN	432	7.1%	Eagan city, MN	627	6.9%
Minneapolis city, MN	247	4.1%	South St. Paul city, MN	609	6.7%
Woodbury city, MN	205	3.4%	Inver Grove Heights city, MN	453	5.0%
Cottage Grove city, MN	201	3.3%	Bloomington city, MN	437	4.8%
West St. Paul city, MN	174	2.9%	West St. Paul city, MN	370	4.1%
Eagan city, MN	156	2.6%	Woodbury city, MN	271	3.0%
Hastings city, MN	103	1.7%	Mendota Heights city, MN	255	2.8%
Lakeville city, MN	103	1.7%	Burnsville city, MN	212	2.3%
All Other Locations	3,079	50.8%	All Other Locations	3,390	37.2%
Total All Jobs	6,059		Total All Jobs	9,113	

Home Destination = Where workers live who are employed in South St Paul

Work Destination = Where workers are employed who live in South St Paul

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC

## EMPLOYMENT ANALYSIS



**TABLE E-5  
COMMUTING PATTERNS  
DAKOTA COUNTY  
2017**

Home Destination			Work Destination		
<u>Place of Residence</u>	<u>Count</u>	<u>Share</u>	<u>Place of Employment</u>	<u>Count</u>	<u>Share</u>
St. Paul city, MN	10,677	6.9%	Minneapolis city, MN	22,344	12.2%
Lakeville city, MN	9,952	6.4%	Eagan city, MN	17,223	9.4%
Eagan city, MN	9,675	6.3%	St. Paul city, MN	17,062	9.3%
Burnsville city, MN	8,911	5.8%	Bloomington city, MN	14,479	7.9%
Minneapolis city, MN	8,060	5.2%	Burnsville city, MN	12,552	6.9%
Apple Valley city, MN	7,939	5.1%	Lakeville city, MN	7,023	3.8%
Inver Grove Heights city, MN	4,888	3.2%	Apple Valley city, MN	5,907	3.2%
Farmington city, MN	4,681	3.0%	Eden Prairie city, MN	5,644	3.1%
Bloomington city, MN	4,148	2.7%	Edina city, MN	4,684	2.6%
Hastings city, MN	4,064	2.6%	Mendota Heights city, MN	3,678	2.0%
All Other Locations	81,406	52.7%	All Other Locations	71,998	39.4%
Total All Jobs	154,401		Total All Jobs	182,594	

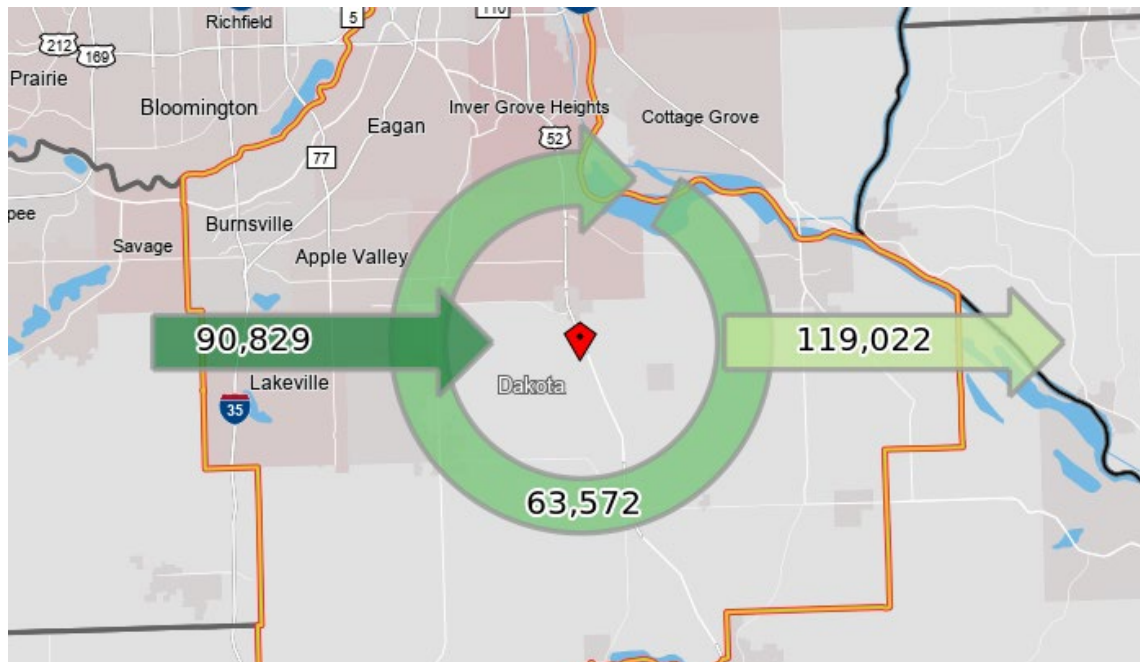
Home Destination = Where workers live who are employed in Dakota County

Work Destination = Where workers are employed who live in Dakota County

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC

## EMPLOYMENT ANALYSIS

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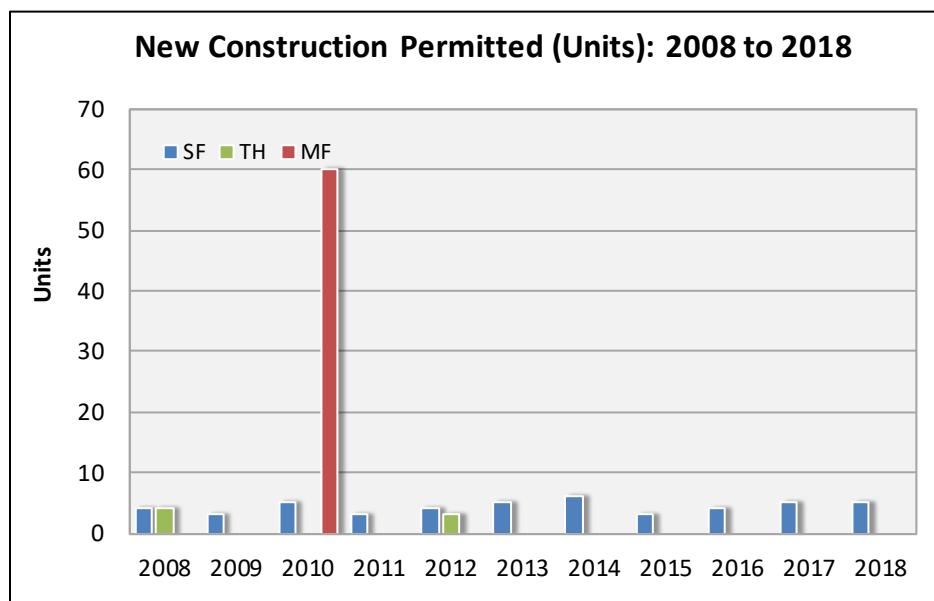
### Introduction

This section of the report presents our initial analysis of the demand for various housing types in South St Paul that could be captured at the Hardman Triangle site, based on our examination of demographic characteristics, growth trends, and the housing market situation in the Market Area.

### South St Paul Building Permit Data

Based on building permit data obtained from the City of South St Paul, Table HC-1 presents the number of housing units added in South St Paul since 2010.

- A total of 114 new housing units were delivered in South St Paul between 2008 and 2018. Approximately 41.3% of the permitted units were for detached single-family homes (47), while 52.7% were for multifamily units (60 units).
- The number of new single family permits generally stayed consistent each year since the 2010, while the number of multifamily permits stalled after 2010.
- The Drover Apartments opened in 2019 and is the only multifamily development built in South St Paul since 2010. The Drover Apartments was a vacant office building converted into a 67-unit development with rents ranging \$895 to \$2,040.

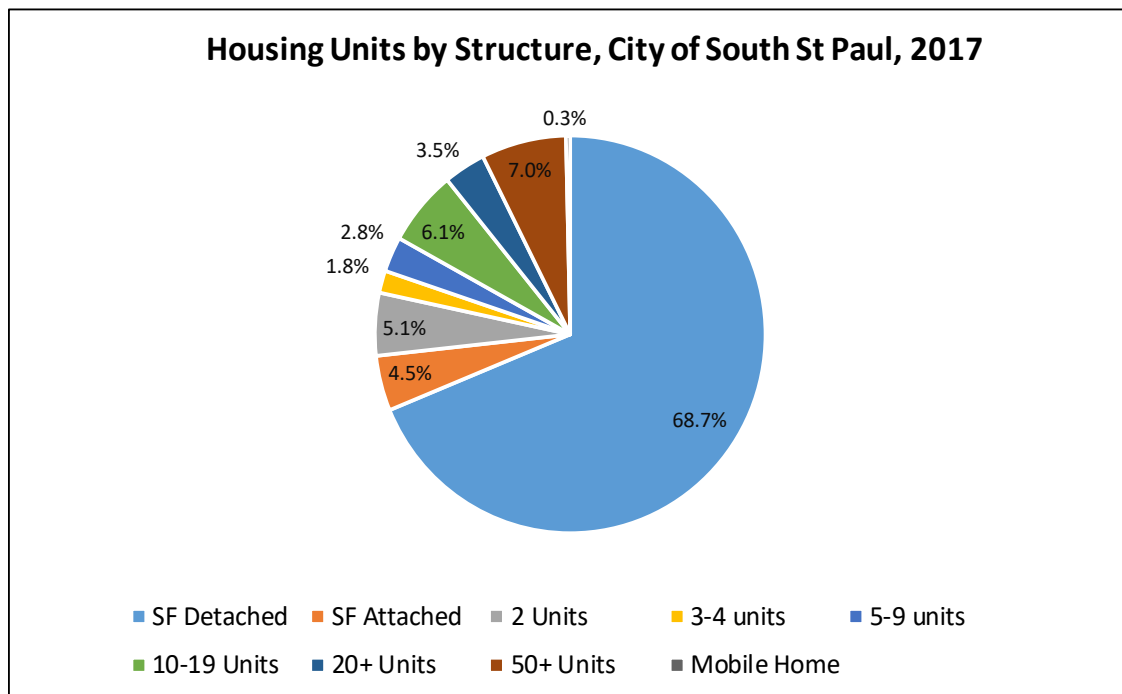


HC-1 RESIDENTIAL CONSTRUCTION BUILDING PERMITTED UNITS ISSUED CITY OF SOUTH ST PAUL <i>per City of South St Paul</i> 2008 to 2018				
Year	Units Permitted			Total Units
	Single-Family (Detached)	Townhomes (Single-Family Attached)	Multifamily	
2008	4	4	0	8
2009	3	0	0	3
2010	5	0	60	65
2011	3	0	0	3
2012	4	3	0	7
2013	5	0	0	5
2014	6	0	0	6
2015	3	0	0	3
2016	4	0	0	4
2017	5	0	0	5
2018	5	0	0	5
<b>Total</b>	<b>47</b>	<b>7</b>	<b>60</b>	<b>114</b>
Sources: City of South St Paul; Maxfield Research & Consulting LLC				

## Housing Units by Structure Type

Based on Census data, Table HC-2 presents the number of housing units by housing type as compared with housing tenure. Housing types compared include single-family detached units, townhouse units, and multifamily units. Multifamily includes duplex, triplex, and four-plex units as well as buildings with five or more units.

- Out of all residential housing units in the City of South St Paul, about 73.2% were single-family homes, while only 7% of units were in structures containing 50 or more units. However, when considering housing tenure, out of owner-occupied units, 96.1% were single family homes, while out of renter-occupied units only 28.9% of units were single family homes.
- For the PMA in 2017, single detached homes accounted for 93.2% of owner-occupied housing units. The largest portion of renter-occupied units in the PMA were those in structures with 50 or more units for 31.1% of renter-occupied housing units followed by structures containing 20 to 49 or more units accounting for 18.3% of all units.



## HOUSING MARKET ANALYSIS

**TABLE HC-2  
HOUSING UNITS BY STRUCTURE & TENURE  
SOUTH ST PAUL ANALYSIS AREA  
2017**

Units in Structure	City of South St Paul				Dakota County				Seven-County Metro Area			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
1, detached	4,997	93.7%	559	20.3%	88,433	74.9%	4,501	11.1%	643,989	80.8%	50,760	14%
1, attached	127	2.4%	236	8.6%	21,590	18.3%	7,156	17.6%	92,624	11.6%	37,807	10%
2	69	1.3%	343	12.5%	242	0.2%	1,030	2.5%	7,044	0.9%	22,090	6%
3 to 4	0	0.0%	146	5.3%	862	0.7%	1,824	4.5%	5,391	0.7%	18,607	5%
5 to 9	11	0.2%	219	8.0%	649	0.5%	1,715	4.2%	5,781	0.7%	21,715	6%
10 to 19	0	0.0%	495	18.0%	452	0.4%	3,665	9.0%	3,387	0.4%	43,592	12%
20 to 49	52	1.0%	228	8.3%	996	0.8%	7,467	18.3%	8,215	1.0%	63,528	17%
50 or more	49	0.9%	519	18.9%	1,856	1.6%	12,660	31.1%	18,422	2.3%	110,102	30%
Mobile home	28	0.5%	0	0.0%	2,978	2.5%	677	1.7%	12,434	1.6%	1,919	1%
Boat, RV, van, etc.	0	0.0%	8	0.3%	0	0.0%	24	0.1%	147	0.0%	114	0%
<b>Total</b>	<b>5,333</b>	<b>100%</b>	<b>2,753</b>	<b>100%</b>	<b>118,058</b>	<b>100%</b>	<b>40,719</b>	<b>100%</b>	<b>797,434</b>	<b>100%</b>	<b>370,234</b>	<b>100%</b>

Sources: U.S. Census Bureau; American Community Survey; Maxfield Research & Consulting, LLC

Table HC-3 displays average monthly rent and vacancy rate data from Marquette Advisors *Apartment Trends* report for the Twin Cities Metro Area compared to the submarkets surrounding the subject property, including W St Paul/S St Paul and Inver Grove Heights. The data is shown for the second quarter of 2018 compared to the second quarter of 2019, the most recent data available.

- The equilibrium vacancy rate for rental housing is considered to be 5.0%. This allows for normal turnover and an adequate supply of alternatives for prospective renters. During the second quarter of 2019, the vacancy rate was 2.3% in the Twin Cities Metro Area and 1.8% in the Hardman Triangle Market Area.
- Vacancy rates were below equilibrium across all unit types in the PMA. One-bedroom and studio units have the highest vacancy rates in the PMA at 2.1%. Two-bedroom units were 1.5% vacant while one-bedroom plus den, two-bedroom plus den and three-bedroom units all had zero vacancies.

## HOUSING MARKET ANALYSIS

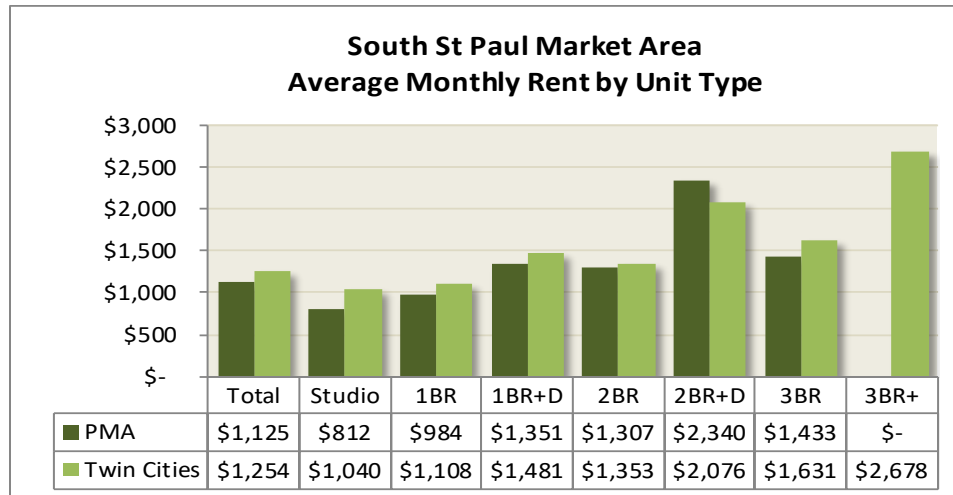


TABLE HC-3 AVERAGE RENTS/VACANCIES TRENDS SOUTH ST PAUL PRIMARY MARKET AREA Second Quarter 2018 and Second Quarter 2019										
		Total	Studio	1 BR	1 BR w/ Den	2 BR	2 BR w/ Den	3 BR	3 BR/D or 4BR	Average Increase
W ST PAUL/S. ST PAUL										
Q2/2018	Units	2,104	48	1,019	20	991	6	20	--	--
	No. Vacant	43	0	25	0	18	0	0	--	--
	Avg. Rent	\$832	\$676	\$748	\$853	\$918	\$999	\$1,125	--	4.5%
	Vacancy	2.0%	0.0%	2.5%	0.0%	1.0%	0.0%	0.0%	--	0.7%
Q2/2019	Units	2,104	48	1,019	20	991	6	20	--	--
	No. Vacant	37	1	21	0	15	0	0	--	--
	Avg. Rent	\$948	\$771	\$842	\$853	\$1,062	\$999	\$1,170	--	6.8%
	Vacancy	1.8%	2.1%	2.1%	0.0%	1.5%	0.0%	0.0%	--	-1.3%
REMAINDER OF PMA										
Q2/2018	Units	2,599	36	841	43	1,451	13	215	--	--
	No. Vacant	54	1	21	1	28	0	3	--	--
	Avg. Rent	\$1,103	\$795	\$987	\$1,317	\$1,124	\$2,250	\$1,353	--	---
	Vacancy	2.1%	2.8%	2.5%	2.3%	1.9%	0.0%	1.4%	--	---
Q2/2019	Units	2,730	36	914	43	1,509	13	215	--	--
	No. Vacant	49	1	13	1	30	0	4	--	--
	Avg. Rent	\$1,262	\$866	\$1,143	\$1,351	\$1,307	\$2,340	\$1,433	--	7.2%
	Vacancy	1.9%	2.8%	1.4%	2.3%	2.0%	0.0%	1.9%	--	-0.5%
TWIN CITIES METRO AREA										
Q2/2018	Units	141,509	8,058	62,834	3,421	58,069	1,638	7,046	443	--
	No. Vacant	3,087	154	1,411	80	1,269	33	132	8	--
	Avg. Rent	\$1,164	\$945	\$1,028	\$1,412	\$1,248	\$2,009	\$1,519	\$2,350	4.7%
	Vacancy	2.2%	1.9%	2.2%	2.3%	2.2%	2.0%	1.9%	1.8%	-0.3%
Q2/2019	Units	148,886	10,530	65,297	3,589	59,467	2,217	7,431	355	--
	No. Vacant	3,377	265	1,428	70	1,350	87	165	12	--
	Avg. Rent	\$1,254	\$1,040	\$1,108	\$1,481	\$1,353	\$2,076	\$1,631	\$2,678	7.7%
	Vacancy	2.3%	2.5%	2.2%	2.0%	2.3%	3.9%	2.2%	3.4%	0.1%
Sources: Marquette Advisors; Maxfield Research & Consulting, LLC										

Sources: Marquette Advisors; Maxfield Research & Consulting, LLC

## Renter-Occupied Units by Contract Rent

Table H-4 presents information on the monthly housing costs for renters, called contract rent (also known as asking rent). Contract rent is the monthly rent agreed to regardless of any utilities, furnishings, fees, or services that may be included.

- In the City of South St Paul, the highest proportion of contract rent was within the \$750 to \$999 range, accounting for 36.1% of cash rentals, followed by contract rents within the \$500 to \$749 range, accounting for 18.2% of cash rentals. In Dakota County and the Metro Area, the largest proportion of cash rentals were in the \$1,000 to \$1,500 range.
- Rentals with a contract rent of \$1,000 or higher accounted for 20.7% of rentals in South St Paul.
- The number of rentals where no cash rent was paid account for 2.5% in South St Paul. South St Paul reported a slightly smaller proportion of no cash rental compared to Dakota County (2.9%).
- The median contract rent as reported by the ACS in South St Paul was \$790. The median contract rent in South St Paul was lower than the median contract rent reported by Dakota County (\$973) and lower than the median contract rent in the Metro Area (\$936).

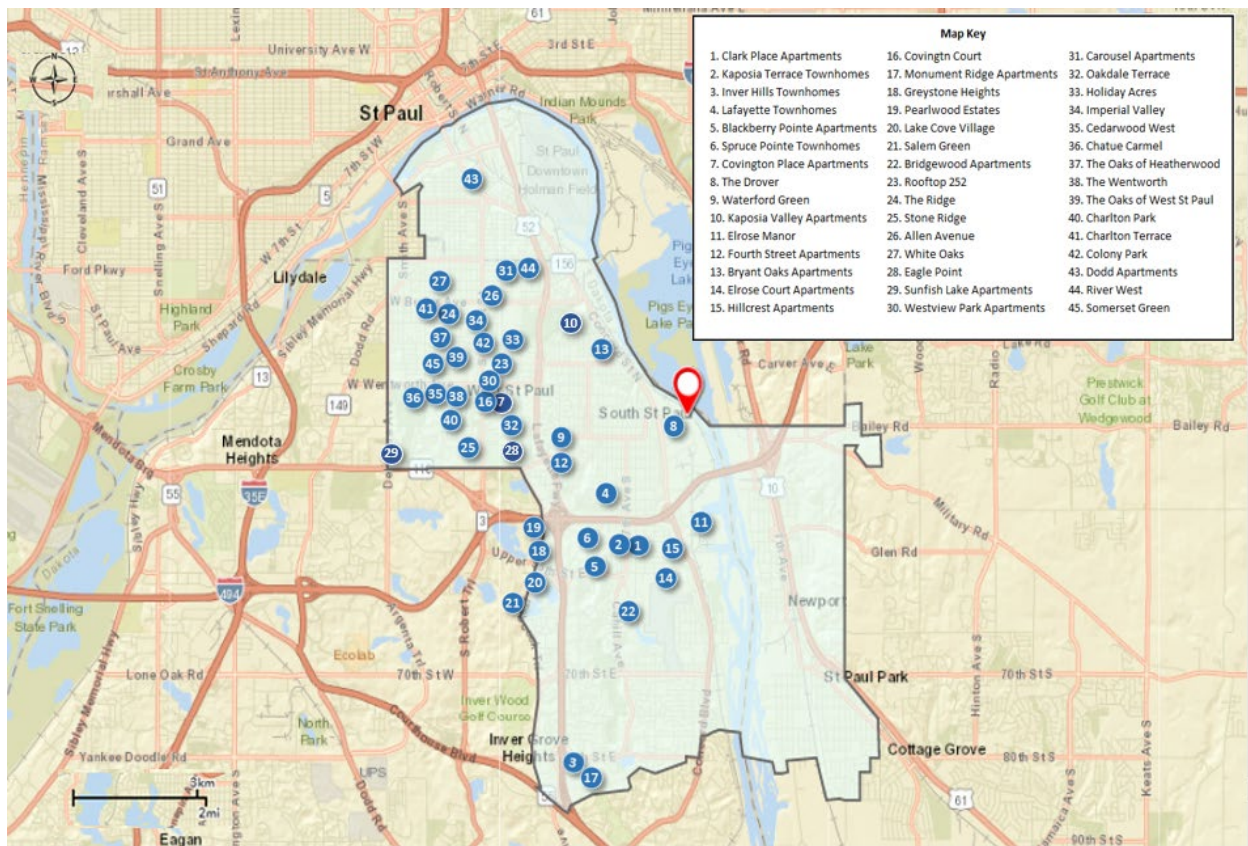
TABLE HC-4 RENTER-OCCUPIED UNITS BY CONTRACT RENT SOUTH ST PAUL ANALYSIS AREA 2017						
Contract Rent	South St Paul		DAKOTA COUNTY		METRO AREA	
	No.	Pct.	No.	Pct.	Pct.	Pct.
No Cash Rent	68	2.5	1,173	2.9	8,355	2.4
Cash Rent	2,685	97.5	39,546	97.1	336,766	97.6
\$0 to \$249	175	6.4	885	2.2	17,943	5.2
\$250-\$499	152	5.5	2,277	5.6	20,271	5.9
\$500-\$749	501	18.2	5,468	13.4	55,066	16.0
\$750-\$999	994	36.1	12,417	30.5	100,121	29.0
\$1,000-\$1,500	465	16.9	14,272	35.0	102,533	29.7
\$1,500+	104	3.8	4,227	10.4	40,832	11.8
Total	2,753	100.0	40,719	100.0	345,121	100.0
Median Contract Rent	\$790		\$973		\$936	
Sources: U.S. Census Bureau; American Community Survey; Maxfield Research & Consulting, LLC						

## Selected General Occupancy Rental Developments

Maxfield Research compiled detailed information for a select group of the newest market rate apartment properties in South St Paul and the PMA that would compete either directly or indirectly with general occupancy market rate apartment units on the subject property.

Data on these competitive properties is presented in Tables HC-5, HC-6 & HC-7 on the following pages. The rents shown represent quoted rental rates and have not been adjusted to reflect the inclusion or exclusion of utilities. Most new rental properties (post 2000) require the tenant to pay most, if not all, of the utilities.

### Competitive Properties Location Map



# HOUSING MARKET ANALYSIS

TABLE HC-5 SELECT GENERAL OCCUPANCY RENTAL DEVELOPMENT SURVEY SOUTH ST PAUL MARKET AREA AUGUST 2019						
Property Name/Location	Year Built	Units/ Vacant	Unit Mix	Unit Size	Monthly Rent	Rent per Square Foot
Affordable						
South St Paul						
Clark Place Apartments	1965	48	48 - 2BR	749 - 839	\$1,095 - \$1,125	\$1.34 - \$1.46
1040 8th Avenue South	2002R	0				
South St Paul		0.0%				
Kaposia Terrace Townhomes	2003	20	10 - 2BR	1,034 - 1,034	\$1,125 - \$1,125	\$1.09 - \$1.09
1028th 8th Ave South		0	10 - 3BR	1,318 - 1,318	\$1,325 - \$1,325	\$1.01 - \$1.01
South St Paul		0.0%				
Inver Grove Heights						
Inver Hills Townhomes	2014	24	14 - 2BR	860 - 951	\$745 - \$745	\$0.78 - \$0.87
College Trail and Bower Path		1	10 - 3BR	1,024 - 1,124	\$825 - \$825	\$0.73 - \$0.81
Inver Grove Heights		4.2%				
Lafayette Townhomes	2006	30	16 - 1BR	750 - 750	\$745 - \$745	\$0.99 - \$0.99
4889-4993 Bongard Way		1	14 - 2BR	951 - 951	\$825 - \$825	\$0.87 - \$0.87
Inver Grove Heights		3.3%				
Blackberry Pointe Apartments	2004	87	29 - 1BR	843 - 876	\$979 - \$979	\$1.12 - \$1.16
5470 & 5480 Blackberry Trail		0	52 - 2BR	1019 - 1238	\$1,173 - \$1,173	\$0.95 - \$1.15
Inver Grove Heights		0.0%	6 - 3BR	1,448 - 1,512	\$1,355 - \$1,355	\$0.94 - \$0.94
Spruce Pointe Townhomes	1995	24	5 - 1BR	520 - 520	\$745 - \$745	\$1.43 - \$1.43
7801-7873 Chandler Lane		0	19 - 2BR	760 - 845	\$825 - \$825	\$0.98 - \$1.09
Inver Grove Heights		0.0%				
West St Paul						
Covington Place Apartments	1962	159	100 - 1BR	500 - 500	\$845 - \$855	\$1.69 - \$1.71
364 Marie Avenue E		0	59 - 2BR	700 - 700	\$975 - \$1,030	\$1.39 - \$1.47
West St Paul		0.0%				
Affordable South St Paul Total		68	0	0.0%		
Affordable Total		392	2	0.5%		
Market Rate						
The Drover	2019	67	25 - Studio	485 - 554	\$895 - \$983	\$1.77 - \$1.85
161 Concord Exchange	(Rehab)	3	25 - 1BR	566 - 658	\$1,390 - \$1,690	\$2.46 - \$2.57
South St Paul		4.5%	17 - 2BR	863 - 1,007	\$1,740 - \$2,040	\$2.02 - \$2.03
In Initial Lease-up						
Waterford Green	1990	130	10 - Studio	475 - 475	\$725 - \$725	\$1.53 - \$1.53
2200 Southview Blvd		0	33 - 1BR	701 - 845	\$850 - \$875	\$1.04 - \$1.21
South St Paul		0.0%	79 - 2BR	956 - 1,294	\$1,011 - \$1,241	\$0.96 - \$1.06
			8 - 3BR	1,343 - 1,343	\$1,381 - \$1,381	\$1.03 - \$1.03
Kaposia Valley Apartments	1989	33	6 - 1BR	737 - 737	\$855 - \$855	\$1.16 - \$1.16
1905 Parkwood Ave		0	21 - 2BR	1034 - 1067	\$1,029 - \$1,029	\$0.96 - \$1.00
South St Paul		0.0%	6 - 3BR	1,318 - 1,318	\$1,308 - \$1,308	\$0.99 - \$0.99
Elrose Manor	1976	24	6 - 1BR	775 - 775	\$777 - \$777	\$1.00 - \$1.00
1549 Elrose Court		0	18 - 2BR	962 - 962	\$802 - \$802	\$0.83 - \$0.83
South St Paul		0.0%				
Fourth Street Apartments	1976	24	12 - 1BR	478 - 478	\$690 - \$690	\$1.44 - \$1.44
2008 4th Street S		0	12 - 2BR	735 - 735	\$900 - \$900	\$1.22 - \$1.22
South St Paul		0.0%				
-Continued-						

# HOUSING MARKET ANALYSIS

<b>TABLE HC-5</b> <b>SELECT GENERAL OCCUPANCY RENTAL DEVELOPMENT SURVEY</b> <b>SOUTH ST PAUL MARKET AREA</b> <b>AUGUST 2019</b>						
<b>Property Name/Location</b>	<b>Year Built</b>	<b>Units/ Vacant</b>	<b>Unit Mix</b>	<b>Unit Size</b>	<b>Monthly Rent</b>	<b>Rent per Square Foot</b>
<b>Bryant Oaks Apartments</b>	1970	66	2 - Studio	500 - 500	\$697 - \$697	\$1.39 - \$1.39
1230-1250 Bryant Ave		1	46 - 1BR	625 - 720	\$750 - \$750	\$1.04 - \$1.20
South St Paul		1.5%	18 - 2BR	800 - 820	\$860 - \$860	\$1.05 - \$1.08
<b>Elrose Court Apartments</b>	1970	24	7 - Studio	775 - 775	\$777 - \$777	\$1.00 - \$1.00
1532 Elrose Court		0	17 - 1BR	963 - 963	\$802 - \$802	\$0.83 - \$0.83
South St Paul		0.0%				
<b>Hillcrest Apartments</b>	1917	48	16 - Studio	762 - 762	\$838 - \$838	\$1.10 - \$1.10
205 & 241 3rd Ave S		0	29 - 1BR	966 - 996	\$1,082 - \$1,082	\$1.09 - \$1.12
South St Paul		0.0%	3 - 2BR	1,175 - 1,175	\$1,508 - \$1,508	\$1.28 - \$1.28
<b>Inver Grove Heights</b>						
<b>Blackberry Pointe Apartments</b>	2005	220	82 - 1BR	843 - 876	\$1,036 - \$1,226	\$1.23 - \$1.40
5470 & 5480 Blackberry Trail		0	120 - 2BR	1019 - 1238	\$1,173 - \$1,516	\$1.15 - \$1.22
Inver Grove Heights		0.0%	18 - 3BR	1,448 - 1,512	\$1,725 - \$1,795	\$1.19 - \$1.19
<b>Monument Ridge Apartments</b>	2004	136	61 - 1BR	730 - 960	\$1,109 - \$1,182	\$1.23 - \$1.52
8851 & 8891 Broderick Blvd		1	63 - 2BR	1,020 - 1,330	\$1,301 - \$1,358	\$1.28 - \$1.33
Inver Grove Heights		0.7%	12 - 3BR	1,420 - 1,420	\$1,509 - \$1,702	\$1.06 - \$1.20
<b>Greystone Heights</b>	1995	100	100 - 3BR	1,303 - 1,303	\$1,617 - \$1,617	\$1.24 - \$1.24
5220 Greystone Drive		3				
Inver Grove Heights		3.0%				
<b>Pearlwood Estates</b>	1989	240	75 - 1BR	706 - 706	\$940 - \$940	\$1.33 - \$1.33
1860-1910 52nd Street		0	125 - 2BR	924 - 1022	\$1,025 - \$1,155	\$1.11 - \$1.13
Inver Grove Heights		0.0%	40 - 3BR	1,306 - 1,306	\$1,394 - \$1,394	\$1.07 - \$1.07
<b>Lake Cove Village</b>	1975	486	151 - 1BR	751 - 759	\$894 - \$929	\$1.19 - \$1.22
5335-5365 Audobon Ave		3	314 - 1BR+D	819 - 910	\$954 - \$1,019	\$1.12 - \$1.16
Inver Grove Heights		0.6%	21 - 3BR	1,052 - 1,052	\$1,229 - \$1,309	\$1.17 - \$1.24
<b>Salem Green</b>	1974	320	13 - Studio	685 - 685	\$895 - \$895	\$1.31 - \$1.31
1405-1475 Upper 55th Street E		2	137 - 1BR	717 - 820	\$1,045 - \$1,045	\$1.27 - \$1.46
Inver Grove Heights		0.6%	150 - 2BR	850 - 988	\$1,215 - \$1,315	\$1.33 - \$1.43
			20 - 3BR	1,177 - 1,250	\$1,450 - \$1,450	\$1.16 - \$1.23
<b>Bridgewood Apartments</b>	1973	159	92 - 1BR	850 - 850	\$760 - \$760	\$0.89 - \$0.89
3100-3122 East 65th Street		0	67 - 2BR	950 - 950	\$898 - \$898	\$0.95 - \$0.95
Inver Grove Heights		0.0%				
<b>West St Paul</b>						
<b>Rooftop 252</b>	2019	56	2 - Studio	410 - 410	\$995 - \$995	\$2.43 - \$2.43
252 Marie Ave E		11	10 - 1BR	656 - 713	\$1,290 - \$1,290	\$1.81 - \$1.97
West St Paul		19.6%	36 - 2BR	960 - 1,054	\$1,425 - \$1,695	\$1.48 - \$1.61
In Initial Lease-up			2 - 3BR	1,289 - 1,289	\$2,060 - \$2,070	\$1.60 - \$1.61
			6 - Loft	1,358 - 1,462	\$2,170 - \$2,340	\$1.60 - \$1.60
<b>The Ridge</b>	1986	44	2 - Studio	848 - 967	\$1,009 - \$1,052	\$1.09 - \$1.19
1380 Bidwell Street		2	42 - 1BR	1,106 - 1,171	\$1,235 - \$1,280	\$1.12 - \$1.16
West St Paul		4.5%				
<b>Stone Ridge</b>	1986	60	26 - Studio	793 - 793	\$945 - \$945	\$1.19 - \$1.19
2060 Charlton Ave		2	34 - 1BR	1,120 - 1,190	\$1,200 - \$1,228	\$1.07 - \$1.10
West St Paul		3.3%				
<b>-Continued-</b>						

## HOUSING MARKET ANALYSIS

-Continued-						
TABLE HC-5						
SELECT GENERAL OCCUPANCY RENTAL DEVELOPMENT SURVEY						
SOUTH ST PAUL MARKET AREA						
AUGUST 2019						
Property Name/Location	Year Built	Units/ Vacant	Unit Mix	Unit Size	Monthly Rent	Rent per Square Foot
<b>Allen Avenue</b>	1980	24	10 - 1BR	720 - 720	\$721 - \$721	\$1.00 - \$1.00
1508 & 1526 Allen Ave		0	2 - 1BR+D	676 - 793	\$789 - \$789	\$0.99 - \$1.17
West St Paul		0.0%	12 - 3BR	880 - 880	\$832 - \$832	\$0.95 - \$0.95
<b>White Oaks</b>	1973	80	32 - 1BR	663 - 663	\$890 - \$890	\$1.34 - \$1.34
425 East Arion Street		2	48 - 2BR	926 - 926	\$1,042 - \$1,042	\$1.13 - \$1.13
West St Paul		2.5%				
<b>Eagle Point</b>	1972	216	84 - Studio	555 - 750	\$881 - \$945	\$1.26 - \$1.59
2044 Oakdale Ave		9	132 - 1BR	900 - 1,331	\$1,205 - \$1,328	\$1.34 - \$1.48
West St Paul		4.2%				
<b>Sunfish Lake Apartments</b>	1971	61	18 - 1BR	783 - 783	\$950 - \$1,095	\$1.21 - \$1.40
2050 Delaware Ave		0	37 - 1BR+D	906 - 1220	\$1,180 - \$1,251	\$1.03 - \$1.30
West St Paul		0.0%	6 - 3BR	1,392 - 1,392	\$1,341 - \$1,416	\$0.96 - \$1.02
<b>Westview Park Apartments</b>	1970	298	1 - Studio	520 - 520	\$1,005 - \$1,005	\$1.93 - \$1.93
285 Westview Drive E		0	171 - 1BR	690 - 700	\$795 - \$1,182	\$1.15 - \$1.69
West St Paul		0.0%	122 - 2BR	820 - 1,060	\$930 - \$2,031	\$1.13 - \$1.92
			4 - 3BR	1,289 - 1,289	\$1,971 - \$1,971	\$1.53 - \$1.53
<b>Carousel Apartment</b>	1970	58	19 - 1BR	790 - 790	\$816 - \$816	\$1.03 - \$1.03
1335 Oakdale Ave		0	39 - 2BR	1,050 - 1,050	\$1,033 - \$1,052	\$0.98 - \$1.00
West Paul						
<b>Oakdale Terrace</b>	1969	170	2 - Studio	600 - 600	\$877 - \$877	\$1.46 - \$1.46
1910-1940 Oakdale Ave		2	120 - 1BR	690 - 690	\$920 - \$920	\$1.33 - \$1.33
West St Paul		1.2%	48 - 2BR	930 - 930	\$1,110 - \$1,110	\$1.19 - \$1.19
<b>Holiday Acres</b>	1969	188	20 - Studio	500 - 500	\$787 - \$827	\$1.57 - \$1.65
1762-1812 Oakdale Ave		0	99 - 1BR	680 - 680	\$897 - \$935	\$1.32 - \$1.38
West St Paul		0.0%	69 - 2BR	858 - 858	\$1,103 - \$1,124	\$1.29 - \$1.31
<b>Imperial Valley</b>	1965	46	23 - 1BR	600 - 600	\$950 - \$950	\$1.58 - \$1.58
85 East Emerson		0	23 - 2BR	735 - 735	\$1,095 - \$1,095	\$1.49 - \$1.49
West St Paul		0.0%				
<b>Cedarwood West</b>	1969	36	6 - 1BR	750 - 750	\$926 - \$926	\$1.23 - \$1.23
222 West Wentworth		0	30 - 2BR	965 - 1,075	\$1,051 - \$1,061	\$1.09 - \$1.10
West St Paul		0.0%				
<b>Chatue Carmel</b>	1969	38	14 - 1BR	828 - 828	\$958 - \$990	\$1.16 - \$1.20
1555 Bellows Street		0	24 - 2BR	1,129 - 1,129	\$1,250 - \$1,265	\$1.11 - \$1.12
West St Paul		0.0%				
<b>The Oaks of Heatherwood</b>	1969	108	54 - 1BR	750 - 750	\$926 - \$926	\$1.23 - \$1.23
171-191 E. Thompson		2	54 - 2BR	1,030 - 1,030	\$1,219 - \$1,219	\$1.18 - \$1.18
West St Paul		1.9%				
-Continued-						

## HOUSING MARKET ANALYSIS

<b>TABLE HC-5</b> <b>SELECT GENERAL OCCUPANCY RENTAL DEVELOPMENT SURVEY</b> <b>SOUTH ST PAUL MARKET AREA</b> <b>AUGUST 2019</b>						
<b>Property Name/Location</b>	<b>Year Built</b>	<b>Units/ Vacant</b>	<b>Unit Mix</b>	<b>Unit Size</b>	<b>Monthly Rent</b>	<b>Rent per Square Foot</b>
<b>The Wentworth</b> 205 West Wentworth <i>West St Paul</i>	1968	46 2 4.3%	27 - 1BR 19 - 2BR	713 - 713 840 - 966	\$905 - \$1,005 \$1,019 - \$1,165	\$1.27 - \$1.41 \$1.21 - \$1.39
<b>The Oaks of West St Paul</b> 171-191 E. Thompson <i>West St Paul</i>	1966	132 0 0.0%	66 - 1BR 66 - 2BR	535 - 788 900 - 1,015	\$825 - \$999 \$1,075 - \$1,150	\$1.27 - \$1.54 \$1.19 - \$1.28
<b>Charlton Park</b> 100-232 Thompson <i>West St Paul</i>	1966	170 2 1.2%	78 - 1BR 92 - 2BR	750 - 750 1,000 - 1,000	\$764 - \$764 \$967 - \$967	\$1.02 - \$1.02 \$0.97 - \$0.97
<b>Charlton Terrace</b> 211 & 232 Thompson <i>West St Paul</i>	1966	90 2 2.2%	3 - Studio 51 - 1BR 36 - 2BR	450 - 450 720 - 720 870 - 870	\$640 - \$640 \$681 - \$681 \$852 - \$852	\$1.42 - \$1.42 \$0.95 - \$0.95 \$0.98 - \$0.98
<b>Colony Park</b> 1423-1445 Bidwell <i>West St Paul</i>	1965	24 1 4.2%	12 - 1BR 12 - 2BR	478 - 478 735 - 735	\$823 - \$823 \$880 - \$880	\$1.72 - \$1.72 \$1.20 - \$1.20
<b>Dodd Apartments</b> 845 & 848 Dodd Road <i>West St Paul</i>	1965	33 1 3.0%	33 - Studio	478 - 478	\$825 - \$895	\$1.73 - \$1.87
<b>River West</b> 1073 & 1075 Waterloo <i>West St Paul</i>	1963	36 1 2.8%	12 - 1BR 24 - 2BR	700 - 750 850 - 850	\$800 - \$800 \$931 - \$931	\$1.07 - \$1.14 \$1.10 - \$1.10
<b>Somerset Green</b> 1550 Charleton Street <i>West St Paul</i>	1965	168 2 1.2%	96 - 1BR 72 - 2BR	830 - 830 980 - 980	\$800 - \$800 \$1,050 - \$1,050	\$0.96 - \$0.96 \$1.07 - \$1.07
<b>Covington Court</b> 354-396 Marie Ave <i>West St Paul</i>	1962	160 0 0.0%	100 - 1BR 60 - 2BR	550 - 550 700 - 700	\$728 - \$792 \$951 - \$951	\$1.32 - \$1.44 \$1.36 - \$1.36
<b>Market Rate South St Paul Total</b>		<b>416</b>	<b>1</b>	<b>0.2%</b>		
<b>Market Rate Total</b>		<b>4,419</b>	<b>40</b>	<b>0.9%</b>		
Source: Maxfield Research & Consulting, LLC						

<b>HC-6</b> <b>SURVEYED UNIT TYPE SUMMARY</b> <b>SELECT GENERAL OCCUPANCY RENTAL DEVELOPMENT SURVEY</b> <b>HARDMAN TRIANGLE</b> <b>AUGUST 2019</b>					
<b>Market Rate</b>			<b>Monthly Rents</b>		
<b>Unit Type</b>	<b>Total Units</b>	<b>% of Total</b>	<b>Range Low - High</b>	<b>Avg. Rent</b>	<b>Avg. Rent/ Sq. Ft.</b>
Studio	246	6%	\$777 - \$855	\$785	\$1.27
1BR	1969	45%	\$681 - \$1,029	\$918	\$1.24
1BR/D	388	9%	\$1,308 - \$1,308	\$990	\$1.14
2BR	1,567	35%	\$750 - \$1,690	\$1,116	\$0.92
3BR	249	6%	\$832 - \$2,070	\$1,499	\$1.18
<b>Total:</b>	<b>4,419</b>	<b>100%</b>	<b>\$681 - \$2,070</b>	<b>\$1,020</b>	<b>\$1.15</b>
<b>Vacant:</b>		<b>0.0%</b>			

<b>Affordable</b>			<b>Monthly Rents</b>		
<b>Unit Type</b>	<b>Total Units</b>	<b>% of Total</b>	<b>Range Low - High</b>	<b>Avg. Rent</b>	<b>Avg. Rent/ Sq. Ft.</b>
1BR	150	38%	\$745 - \$979	\$767	\$1.29
2BR	216	55%	\$745 - \$1,173	\$858	\$0.98
3BR	26	7%	\$825 - \$1,355	\$1,012	\$0.80
<b>Total:</b>	<b>392</b>	<b>100%</b>	<b>\$745 - \$1,355</b>	<b>\$833</b>	<b>\$1.05</b>
<b>Vacant:</b>	<b>2</b>	<b>0.5%</b>			

\* This table includes data from rental developments that provided complete survey information

Source: Maxfield Research & Consulting, LLC

## Senior Housing Analysis

The term “senior housing” refers to any housing development that is restricted to persons age 55 or older. Today, senior housing includes a spectrum of housing alternatives, which occasionally overlap, thus making the differences somewhat ambiguous. However, the level of support services offered best distinguishes them. Maxfield Research Inc. classifies senior housing projects into five categories based on the level of support services that are offered:

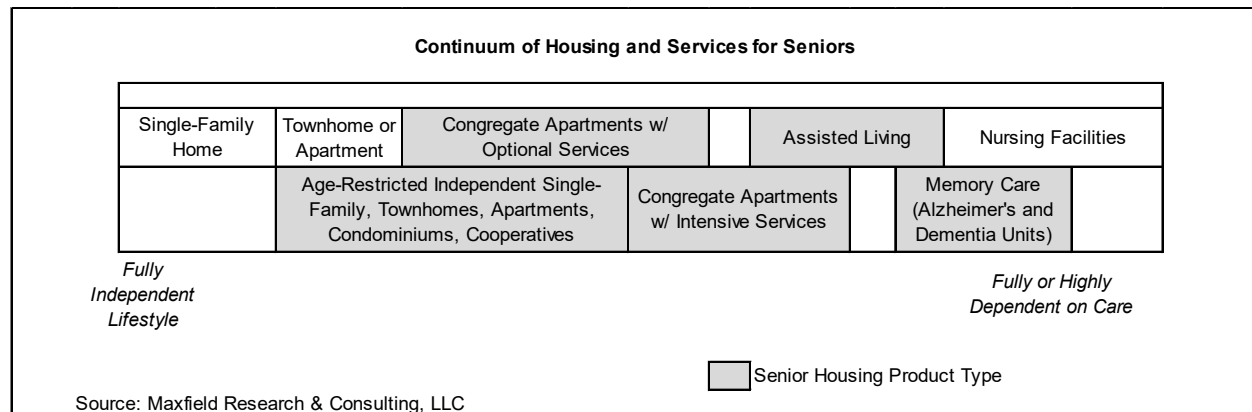
1. Adult/Few Services; where few, if any, support services are provided and rents tend to be modest as a result;
2. Congregate/Optional-Services; where support services, such as meals and light housekeeping, are available for an additional fee;
3. Congregate/Service-Intensive; where support services, such as meals and light housekeeping, are included in the monthly rents;

4. Assisted Living; where two or three daily meals as well as basic support services such as transportation, housekeeping and/or linen changes are included in the fees. Personal care such as assistance with bathing, grooming and dressing, is included in the fees or is available either for an additional fee or included in the rents.

5. Memory Care; where more rigorous and service-intensive personal care is required for persons with dementia and Alzheimer's disease. Typically, support services and meal plans are similar to those found at Assisted Living facilities, but the increased levels of personal care require more staffing and higher rental fees.

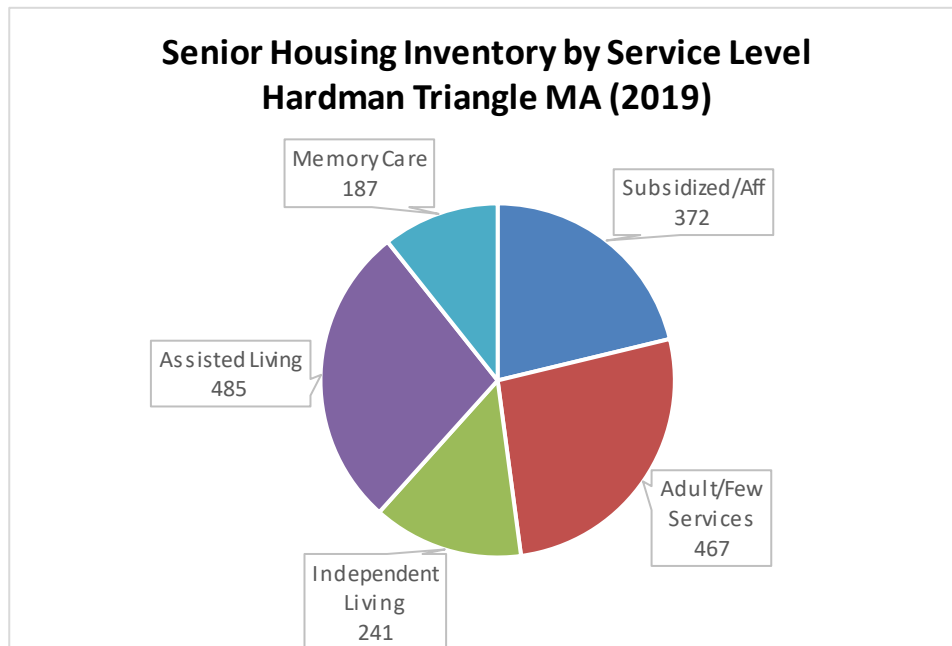
These five senior housing products share several characteristics. First, they usually offer independent living apartments with living areas, bathrooms, and kitchens or kitchenettes. Second, they generally have an emergency response system with pull-cords or pendants to promote security. Third, they often have a community room and other common space to encourage socialization. Finally, they are age-restricted and offer conveniences desired by seniors, although assisted living projects sometimes serve non-elderly persons with special health considerations. The five senior housing products offered today form a continuum of care (see Figure 1 below), from a low level of care to fairly intensive; often, the services at one level overlap with those at another. In general, Adult/Few Services projects tend to attract younger, more independent seniors, while assisted living and memory care projects attract older, frailer seniors.

Table HC-7 shows the inventory of existing market rate senior housing products in South St Paul that would be competitive with a new market rate senior housing development on the subject property.



- As displayed in Table HC-7, 15 senior housing service level projects with a total of 1,752 units were identified in Hardman Triangle Market Area.

- The following chart illustrates the breakdown of senior housing units by service level in the market area. As shown, 27.7% of the units are assisted living units and 13.8% are Independent Living (congregate living with services available) units. Active adult ownership units represent 26.7% of the senior housing inventory in the market area.



- Vista Prairie at River Heights is currently the only market rate senior living development in South St Paul. The development currently provides Assisted Living and Memory Care. At the time of this study the development did not have vacancies and is offering a waiting list for future residents. Dakota Heights, River Heights Terrace and Thompson Heights are all subsidized/affordable developments.

## HOUSING MARKET ANALYSIS

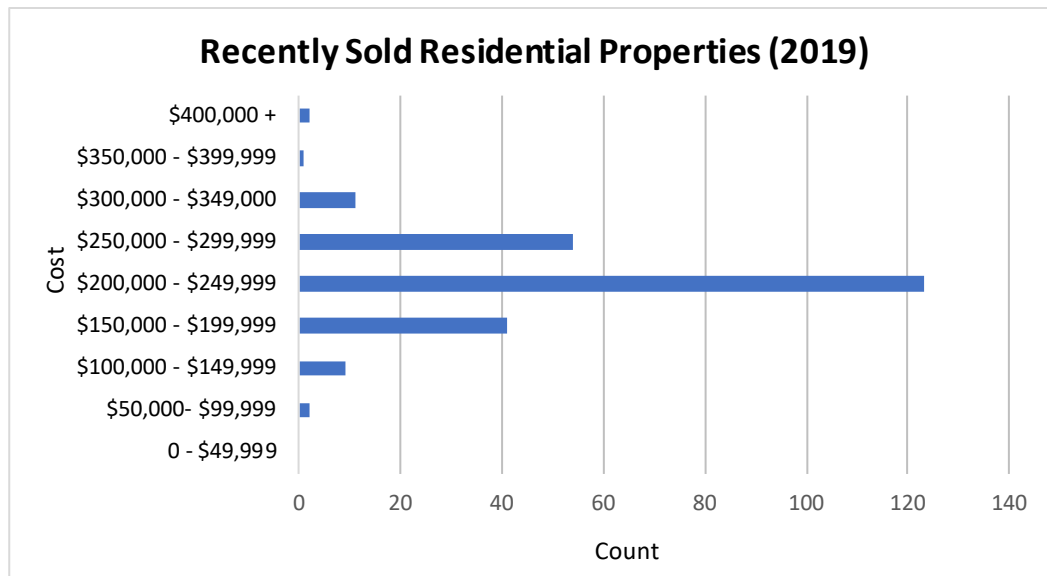
Table HC-7 Senior Housing Developments Hardman Triangle Market Area August 2019			
Project	Address	Year Built	Number of Units
<b>Adult/Few Services</b>			
<b>Inver Grove Heights</b>			
Black Hawk Trail	6842-6876 Black Hawk Trail	2002	32
Gramercy Park of IGH	5688 Brent Avenue	1997	111
Inverness Village	70th & Babcock Trail	1997	55
Timber Hills of IGH	6307 Burnham Circle	2004	67
<b>West St Paul</b>			
Country Club Manor	1945 Oakdale Avenue	1970	105
Realife Cooperative of West St Paul	1545 Livingston Ave S.	2001	97
<b>Subtotal</b>			<b>467</b>
<b>Independent Living (Congregate)</b>			
<b>Inver Grove Heights</b>			
Timber Hills	6307 Burnham Circle	2003	90
Inver Glen Senior Living	7260 S Robert Trail	2009	39
<b>West St Paul</b>			
Southview Sr. Living	1984 Oakdale Avenue	2005	48
Walker at Westwood Ridge	1 West Thompson	1988	64
<b>Subtotal</b>			<b>241</b>
<b>Assisted Living</b>			
<b>South St Paul</b>			
Vista Prairie at River Heights	744 19th Avenue N	2000	44
<b>Inver Grove Heights</b>			
Timber Hills	6307 Burnham Circle	2003	66
Inver Glen Senior Living	7260 S Robert Trail	2009	36
Brookdale of IGH	5891 Carmen Avenue	1997	20
White Pines	9056 Buchanan Trail	2010	63
<b>West St Paul</b>			
Brookdale of WSP	315 East Thompson Ave	1998	19
Southview Senior Living	1984 Oakdale Avenue	2005	33
Walker at Westwood Ridge	1 West Thompson	1998	64
Sanctuary West St Paul	1746 Oakdale Ave	2017	140
<b>Subtotal</b>			<b>485</b>
<b>Memory Care</b>			
<b>South St Paul</b>			
Vista Prairie at River Heights	744 19th Avenue N	2000	16
<b>Inver Grove Heights</b>			
Timber Hills	6307 Burnham Circle	2003	18
Inver Glen Senior Living	7260 S Robert Trail	2009	33
White Pines	9056 Buchanan Trail	2010	44
<b>West St Paul</b>			
Brookdale of WSP	315 East Thompson Ave	1998	19
Southview Sr Living	1984 Oakdale Avenue	2005	9
Walker at Westwood Ridge	1 West Thompson	2012	24
Sanctuary West St Paul	1746 Oakdale Ave	2017	24
<b>Subtotal</b>			<b>187</b>
<b>Subsidized/Affordable</b>			
<b>South St Paul</b>			
Dakota Heights	337 15th Ave N	2007	56
River Heights Terrace	1720 Thompson Avenue	1997	40
Thompson Heights	1400 Thompson Avenue	2011	60
<b>Inver Grove Heights</b>			
Cahill Commons	5840 Cahill Avenue	2002	60
Carmen Court	5825 Carmen Avenue	1994	51
Hillcrest Pointe	Cahill and Concord	2015	66
Prairie View Height	8121 College Trail	2006	39
<b>West St Paul</b>			
The Dakotah	900 South Robert	2004	59
Haskell Court	140 East Haskell	1992	42
<b>Subtotal</b>			<b>372</b>
<b>Total</b>			<b>1,752</b>
Source: Maxfield Research & Consulting, LLC			

## Housing Resale Values

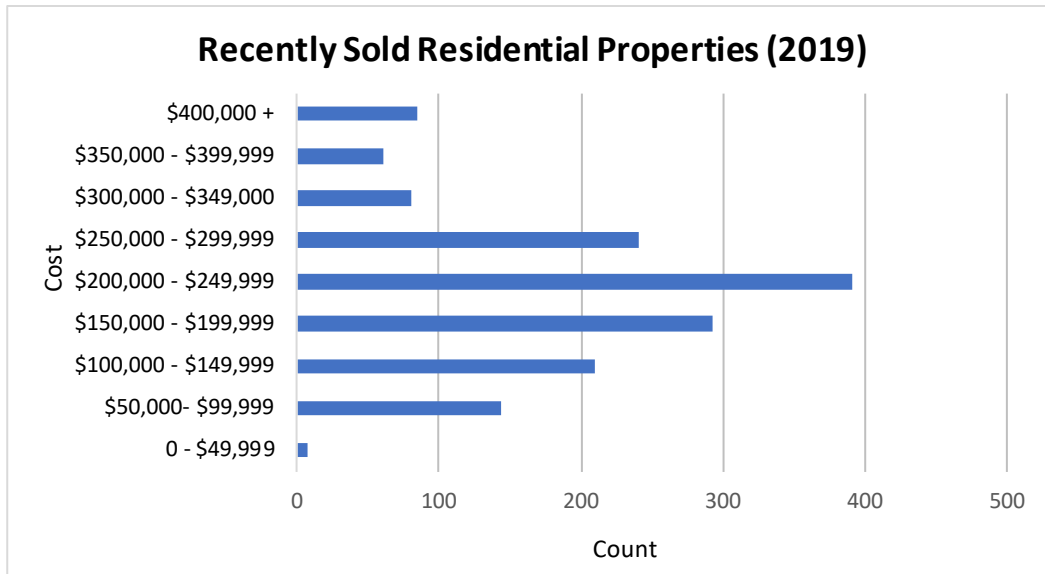
Table H-8 & H-9 presents recently sold single family homes, condos/townhomes, and multi-family homes in South St Paul and the PMA from January to August 2019.

- A total of 243 properties were identified as recently sold in South St Paul with 227 single family homes transactions (93%) and only 16 condo or multi-family homes.
- The largest percentage (51%) of single-family homes were sold between \$200,000 to \$249,000 followed by homes priced from \$250,000 to \$299,900 (22%). About 73% of the sales were priced between \$200,000 and \$300,000.
- Only 5% of single-family homes were sold for over \$300,000.

<b>Table H-8</b> <b>Recently Sold Residential Properties</b> <b>South St Paul 2019</b>						
Cost	Single Family Homes		Condo/ Townhomes/ Multi-Family Homes		Total	
	Count	Percent	Count	Percent	Count	Percent
0 - \$49,999	0	0%	0	0%	0	0%
\$50,000- \$99,999	2	1%	0	0%	2	0%
\$100,000 - \$149,999	9	4%	0	0%	9	2%
\$150,000 - \$199,999	39	17%	2	7%	41	10%
\$200,000 - \$249,999	116	51%	7	25%	123	29%
\$250,000 - \$299,999	50	22%	4	14%	54	13%
\$300,000 - \$349,000	8	4%	3	11%	11	3%
\$350,000 - \$399,999	1	0%	0	0%	1	0%
\$400,000 +	2	1%	0	0%	2	0%
<b>Total</b>	<b>227</b>	<b>100%</b>	<b>16</b>	<b>57%</b>	<b>243</b>	<b>58%</b>
* 2019: January to -August 2019						
Sources: Northstar MLS; Maxfield Research & Consulting, LLC						



<b>Table H-9</b> <b>Recently Sold Residential Properties</b> <b>Hardman Triangle Market Area 2019</b>						
Cost	Single Family Homes		Condo/ Townhomes/ Multi-Family Homes		Total	
	Count	Percent	Count	Percent	Count	Percent
0 - \$49,999	2	0%	5	1%	7	0%
\$50,000- \$99,999	6	1%	138	19%	144	10%
\$100,000 - \$149,999	40	5%	169	23%	209	14%
\$150,000 - \$199,999	135	17%	157	22%	292	19%
\$200,000 - \$249,999	264	34%	127	17%	391	26%
\$250,000 - \$299,999	151	19%	90	12%	241	16%
\$300,000 - \$349,999	57	7%	24	3%	81	5%
\$350,000 - \$399,999	46	6%	15	2%	61	4%
\$400,000 +	81	10%	4	1%	85	6%
<b>Total</b>	<b>782</b>	<b>100%</b>	<b>729</b>	<b>100%</b>	<b>1,511</b>	<b>100%</b>
* 2019: January to -August 2019						
Sources: Northstar MLS; Maxfield Research & Consulting, LLC						



- A total of 1,511 properties were identified as recently sold in the market area with 782 single family homes transactions (48%) and 729 condo or multi-family homes.
- The largest percentage (51%) of single-family homes were sold between \$200,000 to \$249,999 followed by homes priced from \$250,000 to \$299,999 (19%). About 53% of the sales were priced between \$200,000 and \$300,000.
- Only 23.6% of single-family homes were sold for over \$300,000.

### Active Listings

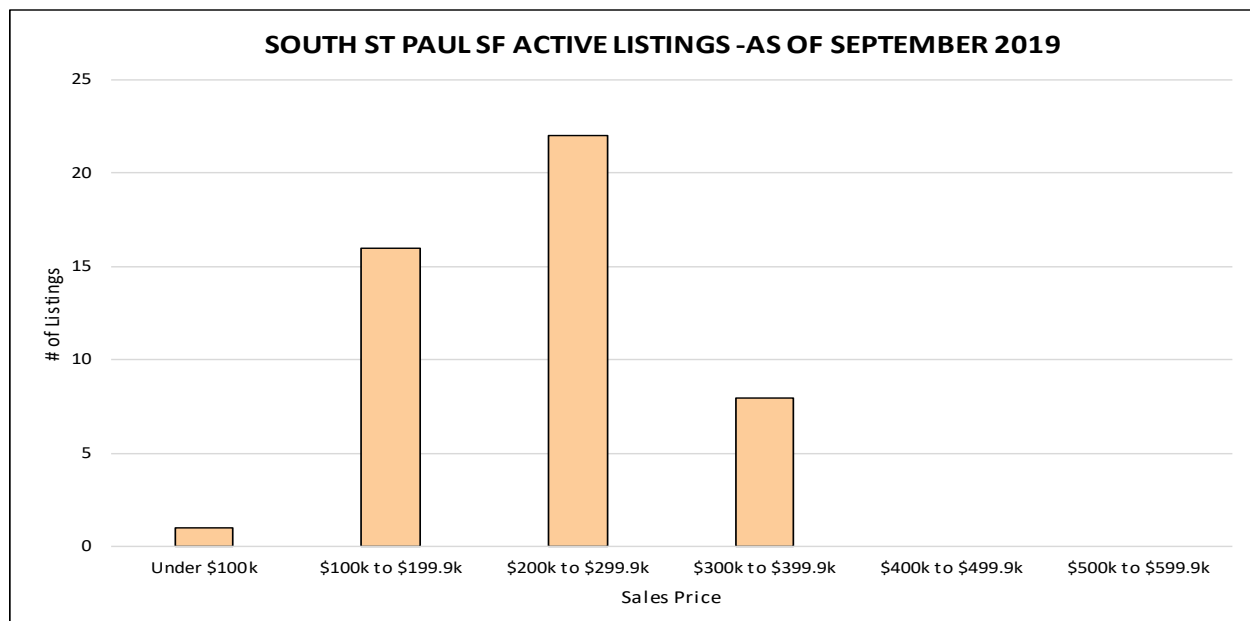
Table H-10 & H-11 presents currently listed, for-sale single family homes, condos, and multi-family homes for-sale in South St Paul and the Market Area as of September 2019.

- A total of 50 properties were identified as actively listed for-sale in South St Paul with 47 single family homes listed and three condo or multi-family home
- The largest percentage (46.8%) of single-family homes were listed between \$200,000 to \$299,999. Only one single family was priced under \$100,000 and only 17% were over \$300,000.
- Like the number of resales, the “sweet spot” in South St Paul tends to be in the \$200,000 to \$299,999 price range where about nearly half of the listings are priced.

## HOUSING MARKET ANALYSIS

- The “sweet spot” in the PMA is consistent with South St Paul with 34.6% of listing in the \$200,000 to \$299,999 range. The market area has a higher percentage of listings in the \$400,000 to \$499,999 (11.6%) and \$500,000 to \$599,999 (16.2%) ranges.

TABLE H-10 HOMES CURRENTLY LISTED FOR-SALE CITY OF SOUTH ST PAUL MN SEPTEMBER 2019				
Price Range	South St Paul Total			
	Single-Family		Multifamily <sup>1</sup>	
	No.	Pct.	No.	Pct.
< \$99,999	1	2.1%	0	0.0%
\$100,000 to \$199,999	16	34.0%	1	25.0%
\$200,000 to \$299,999	22	46.8%	3	75.0%
\$300,000 to \$399,999	8	17.0%	0	0.0%
\$400,000 to \$499,999	0	0.0%	0	0.0%
\$500,000 to \$599,999	0	0.0%	0	0.0%
	47	100%	3	100%
Minimum	\$150,000		\$175,900	
Maximum	\$489,000		\$289,900	
Median	\$237,500		\$220,000	
Average	\$254,083		\$228,900	
<sup>1</sup> Includes townhomes (detached and attached), twinhomes and condominiums				
Note: NA: Not Available				
Sources: Northstar MLS, Maxfield Research & Consulting, LLC				



**TABLE H-11  
HOMES CURRENTLY LISTED FOR-SALE  
HARDMAN TRIANGLE MARKET AREA  
SEPTEMBER 2019**

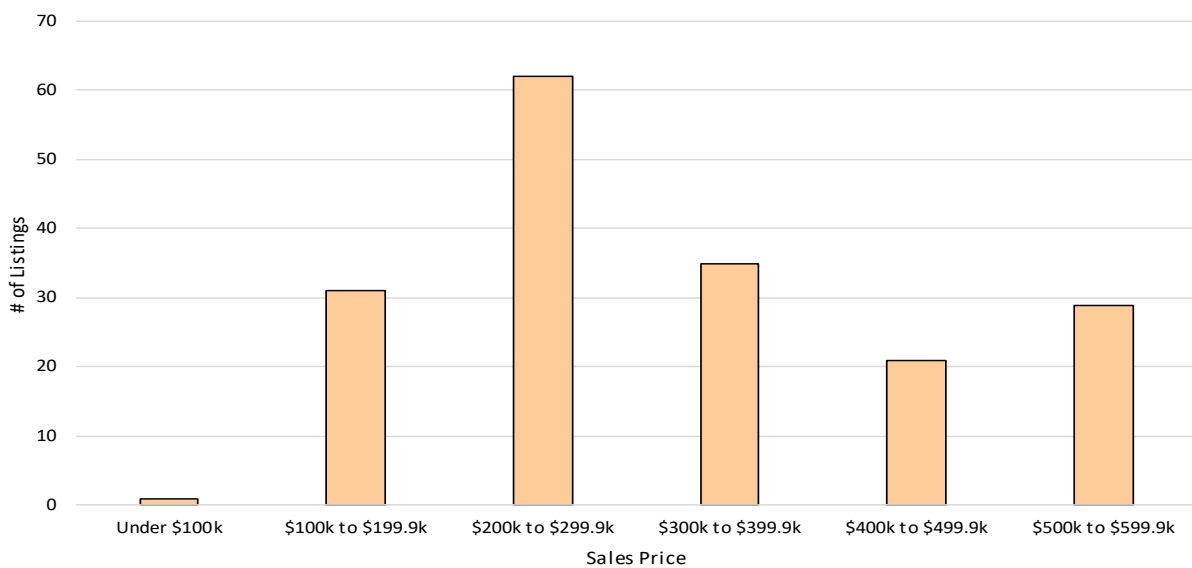
Price Range	Hardman Triangle Market Area			
	Single-Family		Multifamily <sup>1</sup>	
	No.	Pct.	No.	Pct.
< \$99,999	1	0.6%	0	0.0%
\$100,000 to \$199,999	31	17.3%	1	14.0%
\$200,000 to \$299,999	62	34.6%	3	43.0%
\$300,000 to \$399,999	35	19.6%	0	0.0%
\$400,000 to \$499,999	21	11.7%	0	0.0%
\$500,000 to \$599,999	29	16.2%	3	43.0%
	179	100%	7	100%
Minimum	\$92,777		\$175,900	
Maximum	\$1,250,000		\$549,000	
Median	\$238,000		\$225,000	
Average	\$285,371		\$267,250	

<sup>1</sup> Includes townhomes (detached and attached), twinhomes and condominiums

Note: NA: Not Available

Sources: Northstar MLS, Maxfield Research & Consulting, LLC

**MARKET AREA SF ACTIVE LISTINGS -AS OF SEPTEMBER 2019**



## Comparison to Peer Cities

Table H-12 compares the population and housing characteristics of South St. Paul to other comparable cities in Twin Cities Metro Area. Below are key points from the table.

- Median income in South St Paul (\$58,026) was similar to all other cities surveyed in 2018 with the exception of Shoreview (\$84,362) and St. Louis Park (\$71,346).
- Among owner households, the median income in South St. Paul (\$69,552) was comparable to most of the similar sized cities surveyed. Among like sized cities, comparable median incomes included the City of Columbia Heights (\$59,183), the City of Fridley (\$72,279), the City of New Hope (\$73,810) and the City of Hopkins (\$77,198). Shoreview (\$84,362) and St. Louis Park (\$91,092) were the cities reporting a median owner income significantly higher than that of the City of South St. Paul.

TABLE H-12 PEER CITY SUMMARY SOUTH ST. PAUL & LIKE SIZED CITIES														
	South St Paul		Hopkins		Fridley		Columbia Heights		New Hope		Shoreview		St. Louis Park	
	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.
Demographic Summary														
Population (2018)	20,256		18,300		27,742		20,500		21,755		25,043		45,250	
Households (2018)	8,397		8,773		11,283		8,653		11,283		15,620		24,222	
HH Median Income (2018)	58,026		53,027		56,583		51,071		53,228		\$84,362		71,346	
Median Income Own (2018)	69,552		77,198		72,279		59,183		73,810		86,773		91,092	
Median Income Rent(2018)	33,815		44,754		41,127		28,055		25,090		33,333		51,628	
Housing Characteristics														
Percent Own (2018)	64.1%		32.7%		61.5%		63.9%		55.4%		81.7%		63.9%	
Percent Rent (2018)	35.9%		67.3%		38.5%		36.1%		44.6%		18.3%		36.1%	
Median Home Value (2018)	169,200		214,200		174,000		161,100		202,400		248600		197,500	
Median Contract Rent (2018)	790		910		855		830		877		1,105		1,032	
Percent with a Mortgage (2018)	71.2%		73.4%		63.5%		68.5%		69.6%		65.6%		68.5%	
Employment														
Unemployment Rate (2019)	2.5%		2.6%		3.0%		2.8%		2.7%		2.6%		2.5%	
Market Analysis														
Apartment Deliveries since 2015	67 units		239 units		256 units		339 units		292 units		346 units		770 units	
Under Construction/Pending/Proposed	308 units		493 units		267 units		77 units		0 units		48 units		594 units	
Source: U.S. Census Bureau: CoStar: Maxfield Research and Consulting LLC														

Source: U.S. Census Bureau; CoStar; Maxfield Research and Consulting LLC

- At the same time, renters in South St. Paul reported the fourth highest median income (\$33,815) of like sized cities surveyed. Similar to median income own, the City of St. Louis Park has the highest median income for renters.
- Home ownership rates in South St. Paul (64.1%) are comparable with most cities surveyed ranging in ownership rates from 55.4% to 64.1%. As of 2018, Hopkins had the lowest ownership rate reported at 32.7% and Shoreview was the highest with 81.7%.
- A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income on a single-family home.

The median home value in South St. Paul was 2.9 times the median household income, indicating that home ownership is relatively affordable in South St. Paul.

- Among like size cities, contract rent reported in South St. Paul in 2018 was the lowest of all cities surveyed at \$790 with Columbia Heights having the second lowest median contract rent at \$830. St. Louis Park and Shoreview had the highest median contract rents at \$1,032 and \$1,105 respectively.
- Amongst like sized cities, South St. Paul had had the fewest apartments constructed over the past five years (67 units). Most peer cities have constructed at least 250+ units during this time frame; with St. Louis Park with the most development (770 units). However, South St. Paul has several potential projects that could deliver over 300 units in the coming years.

### Introduction

This section of the report analyzes the retail, office, medical, industrial and hospitality markets in the Market Area. Included in the analysis are an examination of employment and business growth trends in the Market Area and a review of the existing supply of space for each industry mentioned above Market Area.

### Twin Cities Retail Market Conditions

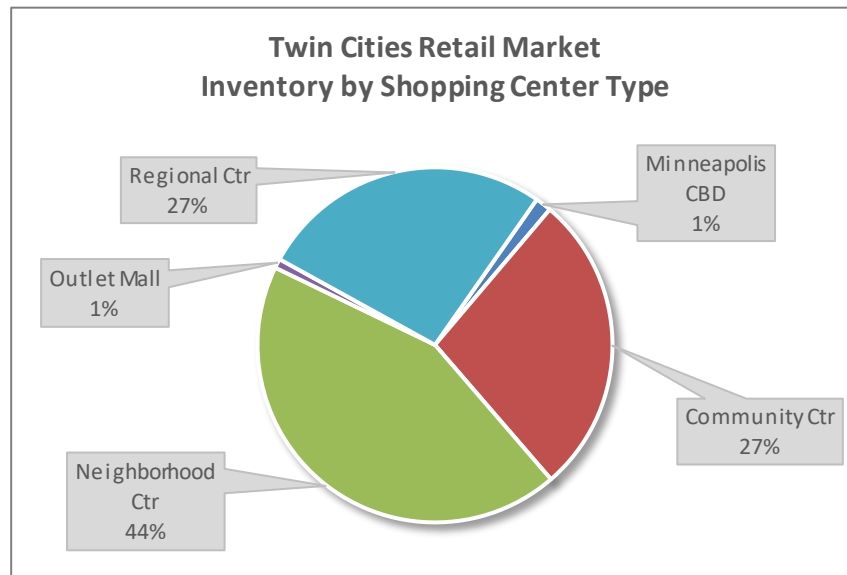
Maxfield Research analyzed secondary data regarding retail market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, and absorption. This information is useful in assessing the potential to develop retail uses on the subject property as the overall health of the local retail market will influence the development potential in South St Paul.

The data includes information for multi-tenant retail buildings greater than 20,000 square feet in size. The table on the following page shows the growth of retail space and changes in vacancy in the various retail center types. Data in Table C-2 is provided by Colliers International for the second quarters of 2019 and 2018. Maxfield Research also referenced market information provided by Cushman & Wakefield|NorthMarq for this analysis.

- Colliers International is tracking 65.1 million square feet of retail space in the Twin Cities Metro Area. As depicted in the following graph, neighborhood center space comprises the greatest proportion of retail space in the Metro Area with 28.3 million square feet (44% of the total).

### Commercial Market Analysis

This section of the Study analyzes economic and demographic characteristics of the PMA, from which retail, and to a lesser extent office-using, establishments considering the Site would draw the majority of their customers. Certain office users, such as medical, accountants, and insurance agencies rely on the surrounding household base, while others have a client base that's more regional in nature.

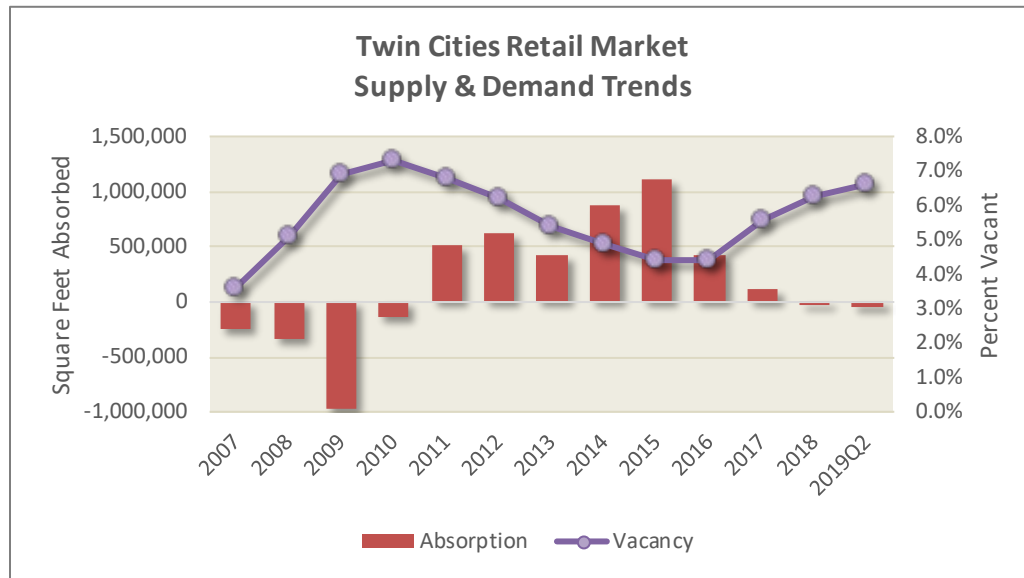


- Community shopping centers represent 27% of the Twin Cities retail inventory (17.9 million square feet), while roughly 27% of the retail space is situated in regional centers (17.4 million square feet). Minneapolis Central Business District (960,984 square feet) and outlet malls (554,701 square feet) each represent roughly 1% of the supply of retail space in the Twin Cities.
- As of the second quarter of 2019, there were 4.3 million square feet of retail space vacant in the Twin Cities, representing a vacancy rate of 6.6%, which is only slightly higher than the second quarter of 2018 retail space vacant of 6.3%.
- In the Twin Cities, retail vacancy was highest in the Minneapolis Central Business District (12.6%), followed by neighborhood centers (7.8%). Regional Centers were 6.2% vacant and community centers had a 5% vacancy rate while outlet malls were near fully occupied.

<b>TABLE C-1</b> <b>RETAIL MARKET STATISTICS</b> <b>TWIN CITIES</b> <b>Second Quarter 2018 to Second Quarter 2019</b>				
<b>2019 Q2</b>				
<b>Submarket/ Shopping Center Type</b>	<b>Total Rentable SF</b>	<b>Direct Vacant SF</b>	<b>Vacancy Rate</b>	<b>YTD Absorption</b>
Minneapolis CBD	960,984	121,551	12.6%	4,478
Northeast	12,162,432	800,983	6.6%	-74,359
Northwest	18,034,068	1,126,083	6.2%	110,146
Southwest	15,625,260	1,332,684	8.5%	-171,503
<b>Southeast</b>	<b>18,363,060</b>	<b>934,525</b>	<b>5.1%</b>	<b>89,653</b>
Community Ctr	4,810,163	245,353	5.1%	24,318
Neighborhood Ctr	7,422,994	590,427	8.0%	78,992
Regional Ctr	6,015,202	93,777	1.6%	-13,657
<b>Total Market</b>	<b>65,145,804</b>	<b>4,315,826</b>	<b>6.6%</b>	<b>-41,585</b>
Community Ctr	17,899,298	899,905	5.0%	-104,972
Neighborhood Ctr	28,339,764	2,205,539	7.8%	214,263
Outlet Mall	554,701	4,968	0.9%	0
Regional Ctr	17,401,057	1,083,863	6.2%	-155,354
<b>2018 Q2</b>				
<b>Submarket/ Shopping Center Type</b>	<b>Total Rentable SF</b>	<b>Direct Vacant SF</b>	<b>Vacancy Rate</b>	<b>YTD Absorption</b>
Minneapolis CBD	960,984	141,886	14.8%	-45,829
Northeast	12,162,432	705,021	5.8%	-138,715
Northwest	18,648,571	1,217,431	6.5%	107,201
Southwest	15,625,260	991,672	6.3%	50,865
<b>Southeast</b>	<b>18,363,060</b>	<b>1,095,636</b>	<b>6.0%</b>	<b>1,867</b>
Community Ctr	4,810,163	264,939	5.5%	4,465
Neighborhood Ctr	7,422,994	742,698	10.0%	-53,716
Regional Ctr	6,015,202	83,031	1.4%	51,118
<b>Total Market</b>	<b>65,760,307</b>	<b>4,151,646</b>	<b>6.3%</b>	<b>-24,611</b>
Community Ctr	17,899,298	791,557	4.4%	119,138
Neighborhood Ctr	28,361,252	2,480,036	8.7%	-117,448
Outlet Mall	544,701	4,968	0.9%	0
Regional Ctr	17,994,072	733,199	4.1%	19,528
Sources: Colliers International; Maxfield Research & Consulting, LLC				

- In the Minneapolis-St Paul retail market, the first half of 2019 concluded with negative 41,585 sf in absorption, causing an increased vacancy rate of 6.6%.
- The negative absorption that took place occurred when three Herberger's locations closed for a total of 223,000 sf at Southdale Mall, Northtown Mall and Midway Shopping Center. In addition, the closure of three Big Lots at Knollwood Village, Tamarack Village, and Valley West Shopping Center add another 87,000 sf of negative absorption.

- As illustrated in the following graph, vacancy rates have increased each year since 2016. According to Colliers International's 2019 Retail Market Report, vacancy is expected to decline, however, in the second half of 2019 as redevelopment projects such as Sibley Plaza and Texa-Tonka are estimated to complete construction.



- The product type that performed best in the first half of the year were in neighborhood centers with a positive absorption of 215,000 sf. Non-traditional users were the largest contributor to positive gains in neighborhood centers.
- According to Cushman & Wakefield | NorthMarq growing populations, an access to undeveloped land and not losing big box tenants that have vacated from more traditional regional trade areas are reasons for continued absorption. Vacancy remains tight in desired inner ring regional trade areas such as Rosedale, Southdale, and Ridgedale.
- The retail trade area with the most positive absorption in 2019 Q2 were Northtown with 57,00 sf, Woodbury 42,000 sf and Blaine 25,000 sf. Retail trade areas with the most positive absorption the past six quarters have been outside the Interstate 494/694 ring. Only the trade area of Apple Valley, Shakopee and Woodbury have averaged over 20,000 sf in positive absorption.
- Of the space tracked by Colliers International, roughly 18.3 million square feet is located in the Southeast Submarket (includes South St Paul), 28% of the Metro Area inventory. Approximately 934,525 square feet was vacant at mid-year 2019, representing a 5% vacancy rate.

- Within the Southeast Submarket, roughly 6.6 million square feet is in neighborhood centers, 7.9% of which is vacant (934,525 square feet). Neighborhood centers in the Southeast submarket experienced approximately 78,992 square feet of absorption through the first six months of 2019.
- Much of the neighborhood center leasing activity is occurring in small-shop space, predominantly driven by fast-casual food concepts, hair-care service providers, cellular retailers, and fitness centers.
- Additionally, grocery stores have been actively expanding or seeking neighborhood center space, including; Hy-Vee, Jerry's Foods, Fresh Thyme, Trader Joe's, Aldi, Lunds & Byerly's, Kowalski's Markets, and Whole Foods.
- Average rental rates in neighborhood centers increased roughly 1.9% from \$16.32 in 2017 to \$16.65 per square foot net. However, new centers in prime locations are obtaining much higher rents in the \$40 to \$60 per square foot range, while centers in secondary locations generally have rental rates below \$20 per square foot.

<b>TABLE C-2</b> <b>QUOTED AVERAGE NET RETAIL RENTAL RATES</b> <b>TWIN CITIES METRO AREA</b> <b>2015 - 2018</b>				
<b>Shopping Center Type</b>	<b>2018 Q4</b>	<b>2017 Q4</b>	<b>2016 Q4</b>	<b>2015 Q4</b>
<b>Minneapolis CBD</b>	\$25.45	\$24.65	\$24.66	\$24.14
<b>Community Center</b>	\$19.43	\$19.11	\$18.87	\$18.92
<b>Neighborhood Center</b>	\$16.65	\$16.32	\$16.25	\$16.04
<b>Outlet Mall</b>	\$30.06	\$33.74	\$33.74	\$33.74
<b>Regional Center</b>	\$62.99	\$62.99	\$62.99	\$62.99
<b>Total Market</b>	\$27.98	\$27.85	\$27.54	\$27.48
Sources: Cushman & Wakefield   NorthMarq; Maxfield Research & Consulting, LLC				

## Consumer Expenditure Patterns

Table C-3 shows estimated consumer expenditures and average expenditures per households for retail goods and services in the PMA compared to the Twin Cities Metro Area in 2019, according to data obtained from ESRI based on Consumer Expenditure Surveys from the Bureau of Labor Statistics.

The table shows the average expenditures per household in the Market Area and the amount spent in the Metro Area by product or service. In addition, a Spending Potential Index (SPI) is illustrated for comparison purposes. The SPI is based on households and represents the annual expenditures for a product or service relative to the national average which is given a bench-

mark index of 100. An SPI of 115 indicates that the average annual expenditure by local consumers is 15% above the national average. In addition, the Metro Area is indexed in the table. The average expenditure reflects the average amount spent per household, while the total expenditure reflects the aggregate amount spent by all households.

Consumer spending is influenced by market conditions and trends. In times of economic troubles, market conditions drive spending patterns toward convenience and necessities, whereas in times of a booming economy consumer trends feature opportunity and luxury items. Sales of luxury items and other large purchases are generally the first to falter in economic downturns. Two-thirds of the national economy is driven by consumer spending. During the most recent recession, households decreased spending, increased savings, and reduced credit card debt as many households have been faced with job losses. In essence, when the housing market began its decline in late 2006 into 2007, consumer spending and consumer confidence followed.

The following are key points from the household expenditures table.

- Overall, residents will spend an estimated \$2,182,784 on retail goods and services in 2019 in the market area, excluding housing, finance/insurance, and travel expenditures, as well as vehicle purchases.
- Average annual expenditures (excluding the categories mentioned above) are estimated to be \$19,916 per household in the PMA. This compares to an average of \$25,153 per household in Minnesota.
- Total average annual expenditures per household are estimated to be approximately \$65,355 in the PMA and \$82,091 in the Minnesota.
- Compared to Minnesota, it appears that PMA residents are allocating a slightly lower portion of their resources toward housing. Housing expenses account for approximately 22.6% of total consumer expenditures in the PMA, compared to 23% in Minnesota.
- Among the retail categories, Market Area spending was greatest for Food at Home (i.e. groceries) at an average of \$4,474 per household in the PMA compared to \$5,591 per household in Minnesota.
- Spending was also high for Food Away from Home goods and services (\$3,126 per household in the PMA) and Entertainment and Recreation (\$2,793 per PMA household).

TABLE C-3  
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE  
HARDMAN TRIANGLE MARKET AREA  
2019

Category	S St Paul PMA Expenditures		Minnesota Expenditures	Spending Potential Index to USA	
	Total (\$000's)	Average Per HH	Average Per HH	S St Paul PMA	Minnesota
<b>Goods &amp; Services</b>				<b>Index</b>	<b>Index</b>
Apparel & Services	\$60,679	\$1,832	\$2,266	86	106
Entertainment and Recreation	\$92,533	\$2,793	\$3,558	85	109
Nonprescription Drugs	\$4,076	\$123	\$159	86	111
Prescription Drugs	\$10,265	\$310	\$409	85	112
Eye Glasses & Contact Lenses	\$2,566	\$77	\$103	86	114
Personal Care Products	\$14,210	\$429	\$538	86	107
Child Care	\$14,434	\$436	\$548	85	107
School Books & Supplies	\$4,379	\$132	\$166	85	107
Smoking Products	\$11,604	\$350	\$451	87	112
Computer Hardware	\$4,887	\$148	\$176	89	106
Computer Software	\$295	\$9	\$11	88	104
Pets	\$17,907	\$541	\$745	82	113
<b>Food</b>				<b>Index</b>	<b>Index</b>
Food at Home	\$148,211	\$4,474	\$5,591	86	108
Food Away from Home	\$103,541	\$3,126	\$3,934	85	107
Alcoholic Beverages	\$16,764	\$506	\$610	88	106
<b>Home</b>				<b>Index</b>	<b>Index</b>
Home Mortgage Payment/Rent	\$279,425	\$8,435	\$10,776	84	107
Maintenance & Remodeling Services	\$59,497	\$1,796	\$2,260	84	106
Maintenance & Remodeling Materials	\$13,264	\$400	\$567	82	116
Utilities	\$137,764	\$4,159	\$5,267	86	108
<b>Household Furnishings, Equipment, &amp; Operations</b>				<b>Index</b>	<b>Index</b>
Household Textiles	\$2,906	\$88	\$109	88	108
Furniture	\$17,811	\$538	\$661	88	108
Rugs	\$960	\$29	\$37	89	115
Major Appliances	\$9,884	\$298	\$389	84	110
Small Appliances	\$1,405	\$42	\$53	87	108
Housewares	\$2,983	\$90	\$116	85	109
Luggage	\$399	\$12	\$15	86	104
Telephone & Accessories	\$2,065	\$62	\$81	83	107
Lawn & Garden	\$12,808	\$387	\$525	82	112
Moving/Storage/Freight Express	\$1,964	\$59	\$71	89	106
Housekeeping Supplies	\$21,105	\$637	\$820	85	109
<b>Financial &amp; Insurance</b>				<b>Index</b>	<b>Index</b>
Investments	\$636,018	\$19,201	\$23,156	90	108
Vehicle Loans	\$76,534	\$2,310	\$3,113	81	109
Owners & Renters Insurance	\$15,640	\$472	\$640	81	111
Vehicle Insurance	\$43,765	\$1,321	\$1,673	85	108
Life/Other Insurance	\$12,934	\$390	\$501	85	109
Health Insurance	\$111,823	\$3,376	\$4,328	86	110
CONTINUED					

<b>TABLE C-3 CONTINUED</b> <b>ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE</b> <b>HARDMAN TRIANGLE MARKET AREA</b> <b>2019</b>					
<b>Category</b>	<b>S St Paul PMA Expenditures</b>		<b>Minnesota Expenditures</b>	<b>Spending Potential Index to USA</b>	
	<b>Total (\$000's)</b>	<b>Average Per HH</b>	<b>Average Per HH</b>	<b>S St Paul PMA</b>	<b>Minnesota</b>
<b>Transportation</b>				<b>Index</b>	<b>Index</b>
Cars and Trucks (Net Outlay)	\$68,924	\$2,081	\$2,822	82	111
Gasoline and Motor Oil	\$63,518	\$1,918	\$2,491	84	109
Vehicle Maintenance/Repair	\$33,482	\$1,011	\$1,268	88	111
<b>Travel</b>				<b>Index</b>	<b>Index</b>
Airline Fares	\$15,740	\$475	\$565	87	103
Lodging	\$17,626	\$532	\$664	86	107
Vehicle Rental	\$759	\$23	\$29	87	109
Food & Drink on Trips	\$15,432	\$466	\$576	86	107
<b>Average Annual Household Expenditures Summary</b>					
<b>Goods &amp; Services</b>	\$237,836	\$6,639	\$8,384		
<b>Food</b>	\$268,516	\$8,106	\$10,136		
<b>Home</b>	\$489,949	\$14,791	\$18,869		
<b>Household</b>	\$74,289	\$2,243	\$2,875		
<b>Financial and Insurance</b>	\$896,714	\$27,071	\$33,412		
<b>Transportation</b>	\$165,924	\$5,009	\$6,581		
<b>Travel</b>	\$49,557	\$1,496	\$1,834		
<b>Total</b>	<b>\$2,182,784</b>	<b>\$65,355</b>	<b>\$82,091</b>		
<b>Note:</b> The Spending Potential Index is based on households and represents the amount spent for a product or service relative to the national average of 100.					
<b>Sources:</b> ESRI; Maxfield Research & Consulting, LLC					

## Types of Retail Goods and Customer Shopping Patterns

The following describes the various types of retail goods and the manner in which customers generally shop for these goods. Because of the significant diversification of retail outlets, some of these categories overlap in certain cases.

*Shopping goods* are those on which shoppers spend the most effort and for which they have the greatest desire to comparison shop. The trade area for shopping goods tends to be governed by the urge among shoppers to compare goods based on selection, service and price. Therefore, the size of the trade area for shopping goods is affected most by the overall availability of goods in alternate locations. Some examples of shopping goods include furniture, appliances, clothing and automobiles.

*Convenience goods* are those that consumers need immediately and frequently and are therefore purchased where it is most convenient for shoppers. Shoppers as a rule find it most convenient to buy such goods near home, near work or near a temporary residence

when traveling. Examples of these types of goods include gasoline, fast food, liquor, groceries, pharmaceuticals, health and beauty aids, among others.

*Specialty goods* are those on which shoppers spend more effort to purchase. Such merchandise has no clear trade area because customers will go out of their way to find specialty items wherever they are sold. By definition, comparison shopping for specialty goods is much less significant than for shopping goods. Examples of these include gift shops, florists, pet stores, art gallery, antiques, home furnishings, textiles (needlework and fabrics), art supplies, books. The home furnishings segment has some overlap between shopping goods and specialty goods.

*Impulse goods* are those that shoppers do not actively or consciously seek. In stores, impulse goods are positioned near entrances or exits or in carefully considered relationships to shopping goods. Examples of these types of goods are: candy and drinks at a dry-cleaning establishment, candy or small novelty items near the cash register at a gift shop, accessories or jewelry at the counter in a clothing store. These may be located within existing stores but would not be a separate establishment.

According to the International Council of Shopping Centers (ICSC), general-purpose retail shopping centers can generally be classified into five major categories, as described below.

*Strip/Convenience:* The smallest shopping center category, at less than 30,000 square feet. Strip centers are generally an attached row of stores with on-site parking typically located in front of the stores and have a trade area of less than one mile.

*Neighborhood Center:* Neighborhood centers are usually anchored by a grocery store or a drug store and have a draw area of one to three miles. This type of center fulfills the day-to-day needs of the surrounding neighborhood, is located at major street intersections, and is typically between 30,000 and 125,000 square feet.

*Community Center:* Community Centers generally range in size from 125,000 to 400,000 square feet and have at least two anchor tenants which may include a general merchandise discount store in addition to a supermarket or drug store. Limited small shop space is occupied by a mix of service-oriented tenants and soft-goods retailers. Community centers typically have a trade area of three to six miles.

*Regional Center:* A regional center is a major shopping area generally with two or more anchor department stores and a variety of additional shops. These centers are generally 400,000 to 800,000 square feet in size and draw customers from a broad geographical area (i.e. five to 15 miles).

*Super-Regional Center:* Similar to a regional center, but larger in size (over 800,000 square feet) and offer a greater variety and number of goods and services. The trade area for a super-regional center is also larger, generally five to 25 miles.

There are also other specialized purpose shopping centers, including lifestyle centers, factory outlets, festival/theme centers, and Central Business District retail. Central Business District retail offerings are typically located on skyways or street fronts and are often smaller than 20,000 square feet due to the smaller size and scope of the market.

Visibility and access are primary considerations for retailers seeking a location. Several factors are taken into consideration based on traffic counts and visibility when retailers select a site, including: daily traffic volumes in the area; proximity to public transportation; accessibility for potential customers as well as delivery vehicles; visibility of the store and business signage from surrounding road network; and, the sites proximity to other traffic generators.

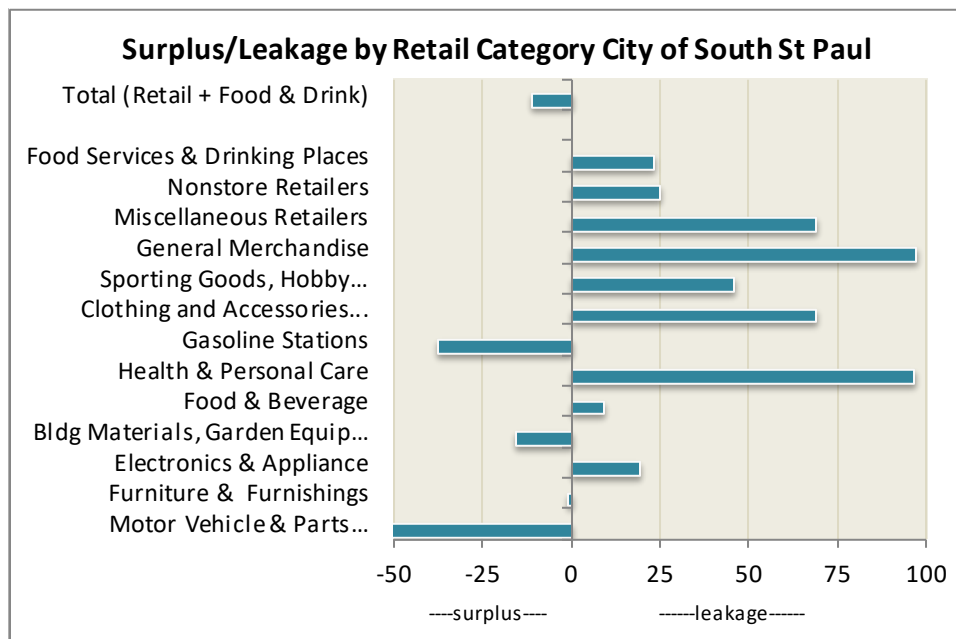
The following figure summarizes the various types of retail shopping centers, typical size ranges, and typical trade area sizes.

Center Type	Size Range (Sq. Ft.)	Trade Area Size
Community	125,000 to 400,000	3 to 6 miles
Neighborhood	30,000 to 125,000	1 to 3 miles
Regional	400,000 to 800,000	5 to 15 miles
Super-Regional	800,000 or larger	5 to 25 miles
Strip/Convenience	Less than 30,000	Less than 1 mile

## Retail Demand Potential and Leakage

Table C-4 on the following page present current retail sales and consumer expenditure data for the PMA. The sales information is from ESRI based on household counts. This information lists retail demand (potential sales), retail supply to consumers (retail sales) and provides a picture of the gap between the area's retail supply and demand. A positive value represents "leakage" of retail opportunity to stores outside of the Market Area. A negative value represents a "surplus," where more customers are coming into the area for retail goods and services than there are households in the area.

- As depicted in the tables and illustrated in the following graph, leakage exist in most retail industry segments in South St Paul. The two categories noted to have a surplus of good in South St Paul were Gasoline Stations and Motor Vehicle & Parts. This surplus illustrates what services are currently available in South St Paul.
- This data indicates that there is a lack of retailers in South St Paul able to capture sales from the local market plus attracting non-local shoppers. The retail leakage suggest that South St Paul is able to support additional retail establishments.



- It appears South St Paul residents are purchasing neighborhood-oriented retail goods and services at establishments located outside the area, generating "leakage" of retail opportunity outside the city, including; grocery stores, hardware stores, gasoline stations, and restaurants.

<b>TABLE C-4</b> <b>RETAIL DEMAND POTENTIAL AND LEAKAGE</b> <b>CITY OF SOUTH ST PAUL</b> <b>2019</b>					
Industry Group (NAICS Code)	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus/Leakage Factor	Number of Businesses
<b>SUMMARY</b>					
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	\$272,796,619	\$341,165,037	(\$68,368,418)	(11.1)	92
Total Retail Trade (NAICS 44-45)	\$246,223,121	\$324,707,651	(\$78,484,530)	(13.7)	71
Total Food & Drink (NAICS 722)	\$26,573,498	\$16,457,386	\$10,116,112	23.5	21
<b>EXPENDITURE TYPE</b>					
<b>Motor Vehicle &amp; Parts Dealers</b>	<b>\$50,395,519</b>	<b>\$188,779,673</b>	<b>(\$138,384,154)</b>	<b>(57.9)</b>	<b>18</b>
Automobile Dealers	\$40,239,577	\$186,492,098	(\$146,252,521)	(64.5)	16
Other Motor Vehicle Dealers	\$5,601,995	\$451,952	\$5,150,043	85.1	1
Auto Parts, Accessories & Tire Stores	\$4,553,947	\$1,835,623	\$2,718,324	42.5	1
<b>Furniture &amp; Home Furnishings Stores</b>	<b>\$7,731,157</b>	<b>\$3,030,168</b>	<b>\$4,700,989</b>	<b>43.7</b>	<b>6</b>
Furniture Stores	\$4,657,157	\$2,250,011	\$2,407,146	34.8	4
Home Furnishings Stores	\$3,074,000	\$780,157	\$2,293,843	59.5	2
<b>Electronics &amp; Appliance Stores</b>	<b>\$9,071,249</b>	<b>\$6,158,757</b>	<b>\$2,912,492</b>	<b>19.1</b>	<b>5</b>
<b>Bldg Materials, Garden Equip. &amp; Supply Stores</b>	<b>\$17,323,626</b>	<b>\$23,776,714</b>	<b>(\$6,453,088)</b>	<b>(15.7)</b>	<b>6</b>
Bldg Material & Supplies Dealers	\$15,574,559	\$23,776,714	(\$8,202,155)	(20.8)	6
Lawn & Garden Equip & Supply Stores	\$1,749,067	\$0	\$1,749,067	100.0	0
<b>Food &amp; Beverage Stores</b>	<b>\$39,481,631</b>	<b>\$32,799,834</b>	<b>\$6,681,797</b>	<b>9.2</b>	<b>12</b>
Grocery Stores	\$32,612,493	\$15,620,887	\$16,991,606	35.2	6
Specialty Food Stores	\$2,020,348	\$12,922,028	(\$10,901,680)	(73.0)	3
Beer, Wine & Liquor Stores	\$4,848,790	\$4,256,919	\$591,871	6.5	3
<b>Health &amp; Personal Care Stores</b>	<b>\$17,416,609</b>	<b>\$283,608</b>	<b>\$17,133,001</b>	<b>96.8</b>	<b>1</b>
<b>Gasoline Stations</b>	<b>\$27,243,143</b>	<b>\$59,900,329</b>	<b>(\$32,657,186)</b>	<b>(37.5)</b>	<b>5</b>
<b>Clothing &amp; Clothing Accessories Stores</b>	<b>\$13,195,738</b>	<b>\$2,402,255</b>	<b>\$10,793,483</b>	<b>69.2</b>	<b>6</b>
Clothing Stores	\$8,962,177	\$2,402,255	\$6,559,922	57.7	6
Shoe Stores	\$1,853,955	\$0	\$1,853,955	100.0	0
Jewelry, Luggage & Leather Goods Stores	\$2,379,606	\$0	\$2,379,606	100.0	0
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>	<b>\$7,477,074</b>	<b>\$2,795,220</b>	<b>\$4,681,854</b>	<b>45.6</b>	<b>5</b>
Sporting Goods/Hobby/Musical Instr Stores	\$6,473,374	\$2,795,220	\$3,678,154	39.7	5
Book, Periodical & Music Stores	\$1,003,700	\$0	\$1,003,700	100.0	0
<b>General Merchandise Stores</b>	<b>\$43,327,050</b>	<b>\$572,381</b>	<b>\$42,754,669</b>	<b>97.4</b>	<b>1</b>
Department Stores Excluding Leased Depts.	\$32,441,610	\$0	\$32,441,610	100.0	0
Other General Merchandise Stores	\$10,885,440	\$572,381	\$10,313,059	90.0	1
<b>Miscellaneous Store Retailers</b>	<b>\$9,438,786</b>	<b>\$1,747,451</b>	<b>\$7,691,335</b>	<b>68.8</b>	<b>5</b>
Florists	\$532,785	\$0	\$532,785	100.0	0
Office Supplies, Stationary & Gift Stores	\$1,944,802	\$0	\$1,944,802	100.0	0
Used Merchandise Stores	\$1,210,619	\$518,252	\$692,367	40.0	1
Other Miscellaneous Store Retailers	\$5,750,580	\$1,229,199	\$4,521,381	64.8	4
<b>Nonstore Retailers</b>	<b>\$4,121,539</b>	<b>\$2,461,261</b>	<b>\$1,660,278</b>	<b>25.2</b>	<b>1</b>
Electronic Shopping & Mail-Order Houses	\$3,079,491	\$0	\$3,079,491	100.0	0
Vending Machine Operators	\$182,952	\$0	\$182,952	100.0	0
Direct Selling Establishments	\$859,096	\$2,461,261	(\$1,602,165)	(48.3)	1
<b>Food Services &amp; Drinking Places</b>	<b>\$26,573,498</b>	<b>\$16,457,386</b>	<b>\$10,116,112</b>	<b>23.5</b>	<b>21</b>
Full-Service Restaurants	\$669,394	\$4,527,502	(\$3,858,108)	(74.2)	3
Limited-Service Eating Places	\$1,596,878	\$2,199,019	(\$602,141)	(15.9)	2
Special Food Services	\$24,307,226	\$9,730,865	\$14,576,361	42.8	16
<b>Note:</b> All figures quoted in 2019 dollars. Supply (retail sales ) estimates sales to consumers by establishments, sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at a retail establishment. Leakage/Surplus factor measures the relationship between supply and demand at ranges from +100 (total leakage) to -100 (total surplus). A positive value represents "leakage" of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.					
Sources: ESRI; Maxfield Research & Consulting, LLC					

## Selected Retail Properties for Lease

The following tables shows selected retail space currently listed as available for lease within a one-mile radius of the Site. The data is provided to show the types and amount of space available along with pricing and shopping center type in the area surrounding the Site. Data was collected by Maxfield Research and Consulting, LLC from the CoStar and Cushman & Wakefield|NorthMarq.

- Maxfield Research identified two properties with retail space currently listed for lease within a one-mile radius of the Site with a total of 18,892 sf of available retail space.

<b>TABLE C-5</b> <b>RETAIL BUILDINGS AVAILABLE FOR LEASE</b> <b>ONE-MILE RADIUS SURROUNDING SITE</b> <b>August 2019</b>						
<b>Building Location</b>	<b>Year Built</b>	<b>Bldg Size/ SF Available</b>	<b>Lease Rates/ Lease Type</b>	<b>Taxes/ SF</b>	<b>Op. Exp/</b>	<b>Center Type</b>
<b>621 Marie Ave</b> 621 Marie Ave, South St. Paul	1957	5,892 5,892	\$14.40 - \$14.40 Net	\$1.17	\$1.79	General/Street Retail
<b>Southview Shopping Center</b> 1205 Southview Blvd, South St. Paul	1956	13,000 3,000-13,000	\$10.00 - \$15.00 NNN	\$5.09	\$1.49	Shopping Center
Sources: CoStar; Cushman & Wakefield NorthMarq; Maxfield Research & Consulting, LLC						

- The largest contiguous block of available space in the area is a 13,000 square-foot anchor location at Southview Shopping Center.
- Robert Street Retail located at 1450 S Robert Street in West St Paul is a proposed building with 8,000 sf of retail space available. The site is located with neighboring tenants including Menards, CVS, Denny's and Starbucks. The site is noted to be visible to over 20,900.
- Inver Point Business Park in Inver Grove Heights is a master planned business park that, pending city approvals, will be up to 450,000 sf with prominent visibility and convenient access to Highway 55. The site is being proposed for potential retail/office/industrial uses.

## COMMERCIAL & INDUSTRIAL MARKET ANALYSIS

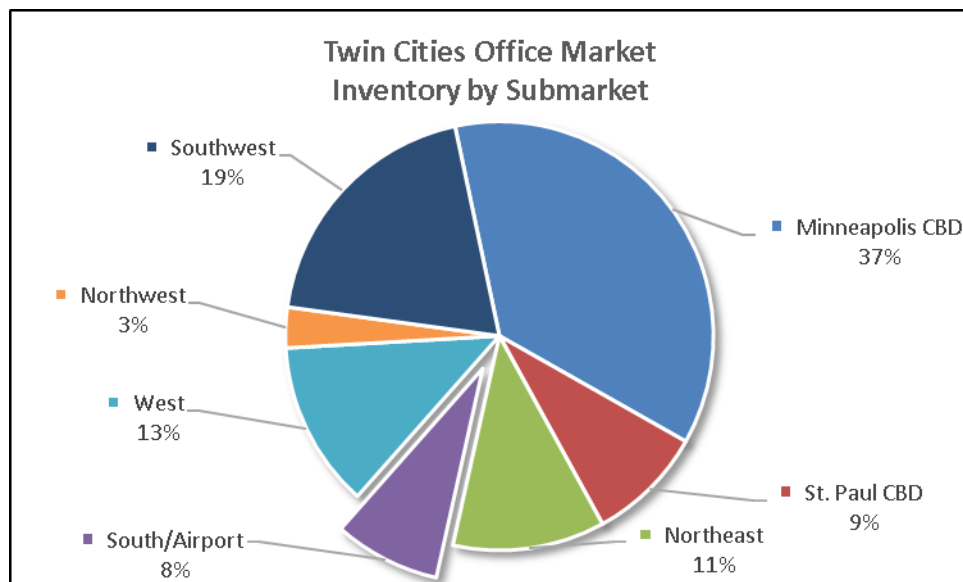
**TABLE C-6**  
**RETAIL BUILDINGS CURRENTLY LEASED**  
**THREE-MILE RADIUS SURROUNDING SITE**  
**August 2019**

<b>Building Location</b>	<b>Year Built</b>	<b>Available SF</b>	<b>Lease Rates/ Lease Type</b>	<b>Taxes/ SF</b>	<b>Op. Exp/</b>	<b>Center Type</b>
<b>Southview Shopping Center</b> 1201-1209 S 3rd Street	1959	15,194	\$13.00 - \$16.00	\$1.60	\$1.79	Neighborhood Ctr
<b>104 S 5th Ave</b> 104 S th Ave, S St Paul	1972	15,136	\$14.00 - \$17.00	\$0.93	\$1.49	Freestanding
<b>100 S 7th Ave</b> 100 S 7th Ave, S St Paul	1941	5,545	\$14.00 - \$17.00	\$1.53	\$1.49	Restaurant
<b>Southview Shopping Center</b> 201-231 S 13th Ave, S St Paul	1956	56,638	\$16.00 - \$19.00	\$0.25	\$1.49	Neighborhood Ctr
<b>214 S 13th Ave</b> 214 S 13th Ave, S St Paul	1955	380	\$14.00 - \$17.00	\$6.79	\$6.25	Restaurant
<b>401-407 15th Ave</b> 401-407 15th Ave, S St Paul	1946	12,500	\$10.00 - \$12.00 Net	\$0.59	\$1.87	Freestanding
<b>353-355 N 15th Ave</b> 353-355 N 15th Ave, S St Paul	1950	3,090	\$14.00 - \$17.00	\$1.55	\$2.05	Freestanding
<b>Marathon Gas Station</b> 1180 N Concord Street, S St Paul	1947	7,777	\$14.00 - \$17.00	\$2.60	\$1.50	Gas Station
<b>Auto Dealership</b> 103 S Concord Street, S St Paul	1947	12,656	\$14.00 - \$17.00	\$1.10	\$1.98	Freestanding
<b>Subway</b> 166 N Concord Exchange, S St Paul	1980	1,774	\$13.00 - \$16.00	\$7.45	\$8.24	Neighborhood Ctr
<b>515-523 Marie Ave</b> 515-523 Marie Ave, S St Paul	1951	6,392	\$14.00 - \$17.00	\$1.58	\$3.50	Neighborhood Ctr
<b>901-909 Southview Blvd</b> 901-909 Southview Blvd, S St Paul	1953	2,782	\$11.00 - \$14.00	\$1.75	\$4.20	Neighborhood Ctr
<b>499-525 Villuame Ave</b> 499-525 Villuame Ave, S St Paul	1978	8,800	\$15.00 - \$18.00	\$7.15	\$8.30	Neighborhood Ctr
<b>1413 Thompson Ave</b> 1413 Thompson Ave, S St Paul	1947	16,255	\$14.00 - \$18.00	\$0.64	\$3.50	Neighborhood Ctr
<b>740 S Concord Street</b> 740 S Concord Street, S St Paul	1982	21,112	\$13.00 - \$16.00	\$4.68	\$5.90	Auto Dealership
<b>Kaposia Club</b> 456 Concord Exchange, S St Paul	2018	5,481	\$15.00 - \$18.00	\$1.56	\$6.42	Neighborhood Ctr
<b>Totals:</b>						
Sources: CoStar; Maxfield Research & Consulting, LLC						

## Twin Cities Office Market Conditions

Maxfield Research and Consulting, LLC analyzed office market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, rental rates and absorption. The data is provided by Cushman & Wakefield|NorthMarq. The data includes information for multi-tenant office buildings greater than 20,000 square feet in size. Market statistics for each submarket are identified in the table on the following page. The following points summarize key findings from the Cushman & Wakefield|NorthMarq July 2019 *Compass* report.

- The market posted 440,746 square feet of positive absorption during the first half of 2019, following 550,171 square feet of absorption in 2018. Space available pushed the direct vacancy rate down 0.3% over the past year to 16.4%.
- Vacancy rates vary greatly across the Metro Area, with the West submarket (i.e. the I-394 corridor) being the tightest submarket with a 9.5% vacancy rate, while the St Paul CBD has the highest vacancy rate at 20.1%.

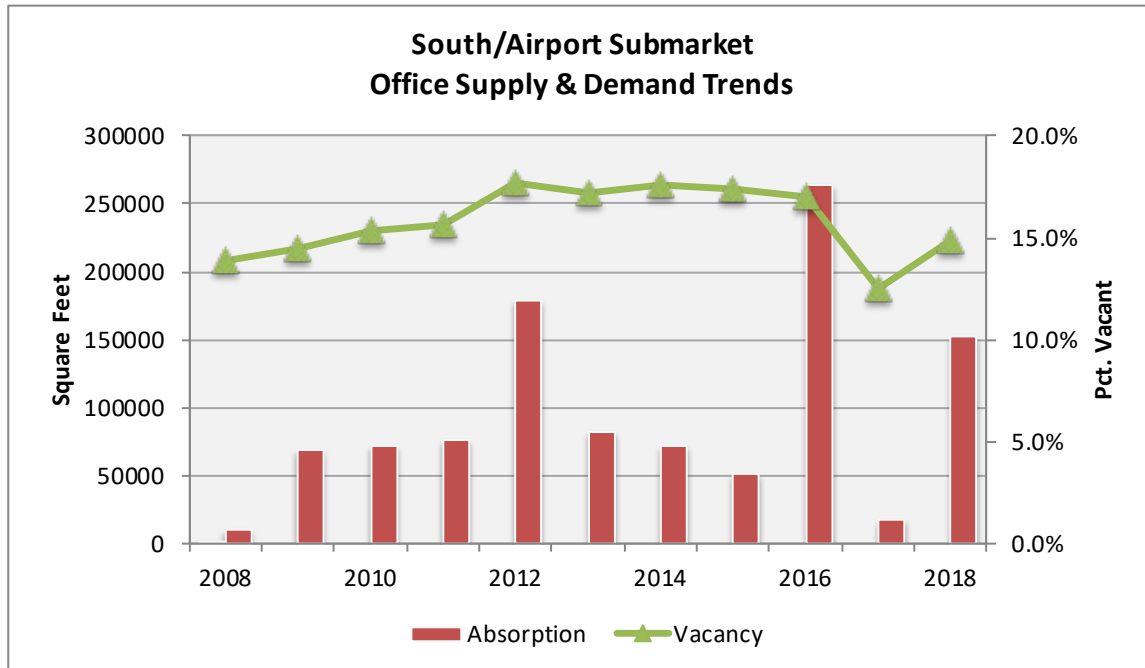


- All of the submarkets experienced positive absorption during the first half of 2019, led by the Minneapolis CBD with over 221,606 square feet of absorption and the Southwest submarket with 116,242 square feet of absorption.
- Across the Metro Area, Class A office space is the tightest product type with a 13.1% vacancy rate, although Class A properties experienced -77,442 square feet of negative absorption in the first half of 2019. Class B space, which experienced 132,181 square feet of absorption in the first six months of 2019, is 18.5% vacant.

- Rental rates are gradually increasing, particularly at Class A properties in high-demand locations. Market wide, Class A rents increased 2.4% over the past year to \$16.89 per square foot net. Class A rents have been climbing steadily since 2010, increasing 2.9% per year, on average. Class B rents are also climbing, rising 4.6% over the past year to \$12.25 per square foot net.

<b>TABLE C-7</b> <b>OFFICE MARKET STATISTICS</b> <b>TWIN CITIES METRO AREA</b> <b>Second Quarter 2018 to Second Quarter 2019</b>						
<b>2019 Q1</b>						
<b>Submarket</b>	<b># of Bldgs</b>	<b>Total Rentable SF</b>	<b>Total Vacant SF</b>	<b>Vacancy Rate</b>	<b>YTD Absorption</b>	<b>Net Rent</b>
Minneapolis CBD	114	27,461,343	5,291,136	19.3%	221,606	\$17.56
Northeast	136	8,640,488	1,207,175	14.0%	40,552	\$12.88
Northwest	37	2,298,471	296,746	12.9%	4,296	\$11.35
South/Airport	88	6,061,640	1,142,413	18.8%	16,026	\$13.07
<b>Southwest</b>	<b>139</b>	<b>14,670,555</b>	<b>2,196,068</b>	<b>15.0%</b>	<b>116,242</b>	<b>\$15.31</b>
St. Paul CBD	38	6,631,571	1,331,036	20.1%	13,412	\$12.05
West	97	9,438,658	900,071	9.5%	28,612	\$17.28
<b>Total Market</b>	<b>649</b>	<b>75,202,726</b>	<b>12,364,645</b>	<b>16.4%</b>	<b>440,746</b>	<b>\$15.64</b>
<b>2018 Q1</b>						
<b>Submarket</b>	<b># of Bldgs</b>	<b>Total Rentable SF</b>	<b>Total Vacant SF</b>	<b>Vacancy Rate</b>	<b>2018 Absorption</b>	<b>Net Rent</b>
Minneapolis CBD	111	27,010,414	5,297,182	19.6%	103,000	\$16.99
Northeast	131	8,053,725	1,115,090	13.8%	112,753	\$12.39
Northwest	37	2,331,471	409,213	17.6%	50,890	\$10.88
South/Airport	88	5,980,278	890,445	14.9%	36,057	\$12.22
<b>Southwest</b>	<b>143</b>	<b>14,635,436</b>	<b>2,331,261</b>	<b>15.9%</b>	<b>94,504</b>	<b>\$14.72</b>
St. Paul CBD	39	6,694,998	1,166,454	17.4%	149,948	\$11.19
West	96	8,877,856	1,107,367	12.5%	3,019	\$16.46
<b>Total Market</b>	<b>645</b>	<b>73,584,178</b>	<b>12,317,012</b>	<b>16.7%</b>	<b>550,171</b>	<b>\$14.02</b>
Sources: Cushman & Wakefield   NorthMarq; Maxfield Research & Consulting, LLC						

- Vacancy in the Southeast submarket, which includes South St Paul, increased 3.2 percentage point to 18.8%. Class A vacancy in the Southwest submarket is at 19.9%, while vacancy in Class B and C properties is at 16.4% and 15.2%, respectively.



- Equilibrium in the office market is generally considered to be vacancy of approximately 10% to 12%. While vacancy for the entire market remains well-above equilibrium, Class A vacancy is at or approaching equilibrium in several submarkets suggesting that these submarkets may soon be able to support new office development.
- Sales accelerated in the second half of the year, with transactions occurring across the metro. Office sales could increase in the remainder of 2019 due to several major downtown assets coming to the market.
- There are some large blocks of vacant space weighing on the market. Notably, these large vacancies are concentrated in the Minneapolis and St Paul CBDs, South/Airport and North-east submarkets.
- Despite recent tightening, office vacancy rates remain above equilibrium and there is little demand for new speculative office development, particularly in most suburban submarkets. The slow recovery has been driven, in part, by a shift in office space utilization as companies strive to become more efficient by increasing densities in office space. Additionally, the tight labor market is a major consideration for companies considering expansion or relocation.

### Twin Cities Medical Office Market Conditions

Maxfield Research and Consulting, LLC analyzed medical office market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, and absorption. The data is provided by Cushman & Wakefield|NorthMarq. A medical office building is defined as a property where 50% or more of the tenants are medical-oriented. Medical properties typically have a higher parking ratio than traditional office properties and are generally marketed to medical tenants and have the infrastructure capable to accommodate medical uses.

Cushman & Wakefield|NorthMarq divides the local medical office market into two product types; On Campus and Off Campus. On Campus properties are connected by a tunnel or skyway to a hospital or major ambulatory surgery center or located in a distinct area adjacent to a hospital or ambulatory surgery center. Off Campus properties are not connected or immediately adjacent to a hospital or ambulatory surgery center. The following points summarize key findings from the Cushman & Wakefield|NorthMarq July 2019 *Compass* report.

- Going forward, mergers and alliances within the healthcare industry will impact demand for medical space. In an effort to become more efficient, independent practices will likely continue merging or aligning with systems, reducing the number of independent providers in the market. The medical office market will be impacted as these new partnerships and organizations evaluate their real estate inventory to determine if redundancies exist and where service delivery can be expanded.
- Additionally, the pool of potential patients has grown after roughly 180,000 residents of Minnesota gained health insurance due to the Affordable Care Act. In an attempt to serve this larger group of patients, the major health systems are restructuring their service delivery models. This restructuring has involved the creation of new urgent care, transitional care, and ambulatory care facilities in locations that are closer to where people live.

<b>TABLE C-8</b> <b>MEDICAL OFFICE MARKET STATISTICS</b> <b>TWIN CITIES METRO AREA</b> <b>Second Quarter 2018 to Second Quarter 2019</b>						
<b>2019 Q2</b>						
	<b># of Bldg</b>	<b>Total Rentable SF</b>	<b>Total Vacant SF</b>	<b>Vacancy Rate</b>	<b>YTD Absorption</b>	<b>Net Rent</b>
On Campus	40	3,205,650	291,466	9.1%	5,358	\$19.00
Off Campus	75	3,237,474	359,646	11.1%	13,326	\$17.82
Northeast	20	812,177	131,546	16.2%	(1,756)	\$17.49
Northwest	17	824,486	87,040	10.6%	16,009	\$16.37
Southeast	21	756,443	105,085	13.9%	9,435	\$18.91
<b>Southwest</b>	<b>18</b>	<b>893,995</b>	<b>72,812</b>	<b>8.1%</b>	<b>1,749</b>	<b>\$19.04</b>
<b>Total Medical Office</b>	<b>115</b>	<b>6,443,124</b>	<b>651,112</b>	<b>10.1%</b>	<b>18,684</b>	<b>\$18.42</b>
<b>2018 Q2</b>						
	<b># of Bldg</b>	<b>Total Rentable SF</b>	<b>Total Vacant SF</b>	<b>Vacancy Rate</b>	<b>YTD Absorption</b>	<b>Net Rent</b>
On Campus	40	3,205,650	286,078	8.9%	132,913	\$19.28
Off Campus	73	3,158,861	333,079	10.5%	12,131	\$17.33
Northeast	20	812,177	124,008	15.3%	(8,505)	\$17.50
Northwest	15	790,054	84,490	10.7%	1,194	\$15.15
Southeast	19	695,993	78,148	11.2%	(11,782)	\$18.62
<b>Southwest</b>	<b>18</b>	<b>893,995</b>	<b>89,925</b>	<b>10.1%</b>	<b>(29,211)</b>	<b>\$18.47</b>
<b>Total Medical Office</b>	<b>113</b>	<b>6,364,511</b>	<b>619,157</b>	<b>9.7%</b>	<b>145,044</b>	<b>\$18.38</b>
Sources: Cushman & Wakefield   NorthMarq; Maxfield Research & Consulting, LLC						

- The Off-Campus market will continue to evolve to find the best way to serve patients under the new healthcare model with an emphasis on delivering care closer to the patient. This will likely result in the continued trend of moving ambulatory care clinics away from On Campus hospital settings and healthcare systems are expected to continue locating in sub-urban markets. This is expected to be a major trend as healthcare providers and practitioners seek out space in locations that offer easier access and convenience to their patients.
- Roughly 677,000 square feet of space is under construction, with about 235,000 square feet slated for delivery in the next 12 months, although none of the medical office space currently under construction is located in the PMA.

## Selected Office Properties in the Commercial Market Area

The following table shows selected office space currently listed as available for lease within a one-mile radius of the subject property. The data is provided to show the types and amount of space available along with pricing and class. Data was collected by Maxfield Research and Consulting, LLC from the Costar.

Class A buildings, are generally newer, offer a variety of amenities, provide a good location with convenient access and visibility, and are generally considered the highest-quality buildings in the area. Older Class B buildings are sometimes renovated and situated in a good location, while newer buildings are relatively small, located in non-prime areas, and do not provide the amenities and finishes of a Class A building. Class C properties are typically the oldest in the area and are typically in average to poor condition.

- In total, we identified three properties with office space currently listed for lease within a one-mile radius or of the site. Combined, these properties contain an inventory of roughly 154,162 square feet with 21,380 square feet available for lease.
- These office buildings average 51,387 square feet in size and range from 12,720 square feet (Riverfront Business Park) to 110,000 square feet (1185 Building).
- There is approximately 122,720 square feet of Class B vacancy, representing 79% of all vacancy, and there is also 6,136 square feet of Class C space available. No Class A properties are available at the time of this study.

<b>TABLE C-9</b> <b>OFFICE BUILDINGS AVAILABLE FOR LEASE</b> <b>ONE-MILE RADIUS SURROUNDING SITE</b> <b>August 2019</b>								
<b>Building Location</b>	<b>Year Built</b>	<b>Bldg Size/ SF</b>	<b>Lease Rates/ Lease Type</b>	<b>Property Type</b>	<b>Taxes/ SF</b>	<b>Op. Exp/ SF</b>	<b>Class</b>	<b>Floors</b>
<b>380 Airport Road</b>	1995	31,442	\$15.00 - \$15.00	General	\$4.45	\$5.29	C	1
380 Airport Road, S. St. Paul		2,250	Net					
<b>Riverfront Business Park</b>	2001	12,720	\$9.75 - \$9.75	General	\$3.70	\$4.84	B	1
820 N Concord Street, S St. Paul		1,723	NNN					
<b>1185 Building</b>	1957	110,000	\$14.00 - \$17.00	General	\$4.50	\$5.35	B	6
1185 N Concord Street, S. St. Paul		17,407	NNN					
Sources: CoStar; Maxfield Research & Consulting, LLC								

Table C-10 shows current lease data from office buildings within one-mile of the Hardman Triangle. Data available presents the building size, lease rates per square foot and building classification.

## COMMERCIAL & INDUSTRIAL MARKET ANALYSIS

- Commercial leases are generally net leases, as is the case in the properties in and near the subject property. The average net rent is \$18.32 per square foot with quoted net rental rates ranging from a low of \$13.00 per square foot to a high of \$25 per square foot.

Building Location	Year Built	Available SF	Lease Rates/ Lease Type	Property Type	Taxes/ SF	Op. Exp/ SF	Class	Floors
<b>Lenertz Office Building</b> 222 W Grand Ave S, St Paul	1980	18,446	\$16.00 - \$19.00	General	\$1.77	\$5.29	B	2
<b>105 Hardman Court</b> 105 Hardman Court, S St Paul	2012	11,414	\$20.00 - \$25.00	General	\$5.18	\$4.84	B	1
<b>300 S Harman Ave</b> 300 S Harman Ave, S St Paul	1994	23,052	\$21.00 - \$25.00	General	\$3.49	\$5.35	B	2
<b>BridgePoint Station Building</b> 100 Bridgepoint Drive, S St Paul	1977	18,000	\$19.00 - \$23.00	General	\$4.33	\$4.00	B	1
<b>Bremer Bank Building</b> 633 S Concord Street, S St Paul	1973	40,244	\$19.00 - \$23.00	General	\$1.78	\$8.71	B	4
<b>412 Southview Blvd</b> 412 Southview Blvd, S St Paul	1965	5,400	\$16.00 - \$19.00	General	\$1.15	\$6.75	C	2
<b>820 Southview Blvd</b> 820 Southview Blvd, S St Paul	1962	12,000	\$16.00 - \$19.00	General	\$0.93	\$6.32	C	1
<b>710 19th Ave N</b> 710 19th Ave N	1972	25,879	\$21.00 - \$25.00	General	\$1.22	\$5.78	C	2
<b>379 Bridgepoint Drive</b> 379 Bridgepoint Drive, S St Paul	2004	2,880	\$17.00 - \$20.00	General	\$2.80	\$8.24	C	1
<b>1351 Red Rock Road</b> 1351 Red Rock Road, S St Paul	1969	2,668	\$16.00 - \$19.00	General	\$1.25	\$5.81	C	1
<b>450 Southview Blvd</b> 450 Southview Blvd, S St Paul	1967	7,539	\$17.00 - \$21.00	General	\$1.98	\$5.68	C	2
<b>620 Southview Blvd</b> 620 Southview Blvd, S St Paul	1951	1,182	\$15.00 - \$18.00	General	\$2.12	\$6.78	C	1
<b>1115 Southview Blvd</b> 1115 Southview Blvd, S St Paul	1955	2,700	\$11.00 - \$14.00	General	\$0.63	\$5.45	C	1
<b>1203 Thompson Ave</b> 1203 Thompson Ave, S St Paul	1955	1,936	\$16.00 - \$19.00	General	\$0.72	\$5.30	C	1
<b>Bywords Building</b> 1325-1345 Thompson Ave	1955	6,876	\$13.00 - \$16.00	General	\$1.35	\$6.87	C	1
<b>533 9th Ave S</b> 533 9th Ave S, S St Paul	1993	1,704	\$15.00 - \$19.00	General	\$1.49	\$5.18	C	1
<b>218 S 13th Ave S</b> 218 S 13th Ave S, S St Paul	1966	12,821	\$17.00 - \$21.00	General	\$1.12	\$8.21	B	2
Sources: CoStar; Maxfield Research & Consulting, LLC								

## COMMERCIAL & INDUSTRIAL MARKET ANALYSIS

TABLE C-11 COMMERCIAL BUILDINGS FOR-SALE ONE-MILE RADIUS SURROUNDING SITE August 2019										
Building Location	Year Built	Bldg Size/ SF	Acres	List Price	Price Per/ Sq Ft	Tax/ SF	Op. Exp/ SF	Class	Floors	Property Type
205 Hardman Ave S. 205 Hardman Ave S, S St Paul	1980	18,446	4.92	\$2,950,000	\$55.23	\$1.75	\$1.25	B	2	Office/Industrial
1185 Building 1185 N Concord Street, S St Paul	1957	110,000	7.76	\$2,300,000	\$20.91	\$1.16	\$1.75	B	3	Office
490 Villaume Ave 490 Villaume Ave, S St Paul	1973	25,000	2.61	\$1,800,000	\$72.00	\$1.35	\$1.45	C	1	Office
710 19th Ave N 710 19th Ave N, S St Paul	1972	25,879	0.48	\$1,195,000	\$46.18	\$1.22	\$2.13	C	2	Medical Office
621 Marie Ave 621 Marie Ave, S St Paul	1957	5,892	0.14	\$599,000	\$101.66	\$1.17	\$1.50	B	1	Office
Bridge Point Station Building B 100 Bridgepoint Drive, S St Paul	1977	18,000	N/A	\$397,500	\$94.64	\$4.33	\$4.00	B	1	Office
201-205 Concord Exchange N South St Paul	1928	29,700	1.45	\$1,200,000	\$40.40	\$1.13	\$3.50	B	2	Office
150-168 Hardman Ave 150 Hardman Ave, S St Paul	2004	47,104	N/A	\$379,000	\$92.44	\$0.77	\$1.28	B	1	Office
139 Grand Ave E 139 Grand Ave E, S St Paul	1973	14,134	5.21	\$1,800,000	\$127.00	\$2.08	N/A	C	1	Office/Warehouse
351 N 15th Ave 351 N 15th Ave, S St Paul	1960	1,400	0.12	\$189,000	\$135.00	\$3.35	\$2.35	C	1	Office
Sources: CoStar; Maxfield Research & Consulting, LLC										

**TABLE C-12  
COMMERCIAL LAND CURRENTLY AVAILABLE FOR SALE  
SOUTH ST PAUL MARKET AREA  
SEPTEMBER 2019**

<b>Building Location</b>	<b>Acres</b>	<b>List Price</b>	<b>Price Per/ Sq Ft</b>	<b>Land Use Type</b>
<b>205 Hardman Ave S.</b> 205 Hardman Ave S, S St Paul	3.20	N/A	N/A	Office/Warehouse/Industrial
<b>136 Grand Avenue E</b> 136 Grand Avenue E	0.91	180,000	\$4.50	Office/Warehouse/Industrial
<b>285 Hardman Ave S</b> 285 Hardman Ave S, S St Paul	2.18	\$285,000	\$3.00	Office/Warehouse/Industrial
<b>121 Hardman Court</b> 121 Hardman Court, S St Paul	2.43	\$285,000	\$2.69	Office/Warehouse/Industrial
<b>110 Bridgepoint Court</b> 110 Bridgepoint Court, S St Paul	1.80	\$400,000	\$5.10	Office/Warehouse/Industrial
<b>450 Hardman Ave S</b> 330 Armour Ave, S St Paul	3.80	\$435,000	\$2.68	Office/Warehouse/Industrial
<b>1777 Oakdale Ave</b> 1777 Oakdale Ave, W St Paul	1.78	\$348,916	\$4.50	Industrial Manufacturing
<b>1685 S Robert Street</b> 1685 S Robert Street, W St Paul	0.65	\$285,000	\$10.07	Office
<b>E Annapolis Street @ S Robert Street</b> W St Paul	1.64	N/A	N/A	Office
<b>Inver Grove Heights</b> 70th Street @ S Robert Trail	39.55	\$2,000,000	\$1.16	Agricultural
<b>NE 80th Street E of HWY 55</b> Inver Grove Heights	20.11	\$1,400,000	\$1.60	Agricultural
<b>Village Square</b> 6566 E Cahill Street E, IGH	3.00	\$1,400,000	\$10.71	Retail
<b>10620 Courthouse Blvd</b> 10620 Courthouse Blvd, IGH	6.36	\$1,246,687	\$4.50	Warehouse/Industrial
<b>7855 Cahill Ave</b> 7855 Cahill Ave, IGH	3.81	\$699,900	\$5.42	Offic/Retail
<b>1620 E 80th Street</b> 1620 E 80th Street, IGH	4.86	\$846,806	\$4.00	Industrial
<b>2390 50th Street E</b> 2390 50th Street E, IGH	1.95	\$750,000	\$8.83	Office/Retail
<b>Upper 55th Street E &amp; Blackshire Ave</b> Inver Grove Heights	0.78	\$275,000	\$8.09	Office
<b>Southview Shopping Center Outlot</b> 3rd Street S, South Saint Paul	0.37	N/A	N/A	Retail
<b>9028 Jefferson Trail</b> 9028 Jefferson Trail, IGH	1.00	\$239,900	\$5.51	Industrial

Sources: CoStar; Maxfield Research & Consulting, LLC

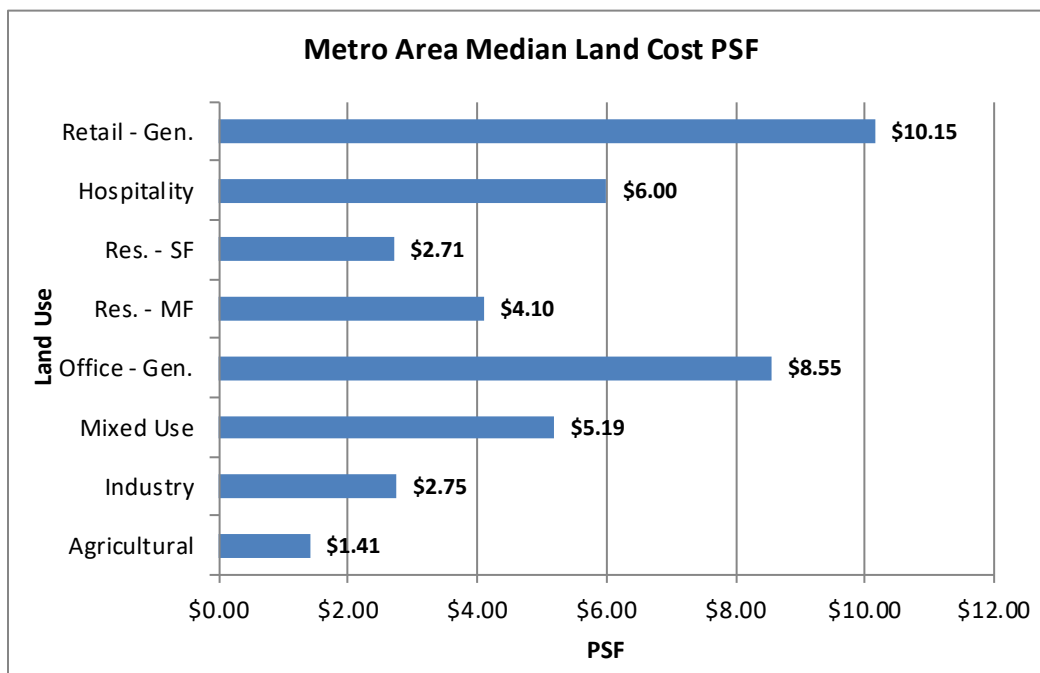
## Land Costs by Land Use Type

Table C-13 shows typical land costs across the Twin Cities Metro Area by land use type. Data is presented by average and median PSF and per acre. The information is valuable when considering the value of the Hardman Triangle should the area redevelop. Land values are driven by many factors, such as proximity to transportation corridors, traffic counts, employment, adjacent land uses, zoning, demographic factors, etc.

As illustrated in the table, industrial land uses typically have the lowest land costs compared to other commercial uses. However, lower density housing developments have the lowest land costs among all property types. In general, retailers, office, and hotels pay the highest PSF land costs.

<b>TABLE C-13</b>				
<b>Land Costs Per Square Foot (PSF) by Land Use</b>				
<b>Twin Cities Metro Area</b>				
<b>2019</b>				
<b>Land Use</b>	<b>Average</b>		<b>Median</b>	
	<b>PSF</b>	<b>Acre</b>	<b>PSF</b>	<b>Acre</b>
Agricultural	\$1.20	\$52,272	\$1.41	\$61,420
Industrial	\$4.36	\$189,922	\$2.75	\$119,790
Mixed Use	\$8.54	\$372,002	\$5.19	\$226,076
Office - General	\$10.10	\$439,956	\$8.55	\$372,438
Residential - Multifamily	\$8.09	\$352,400	\$4.10	\$178,596
Residential - Single-family	\$3.20	\$139,392	\$2.71	\$118,048
Hospitality	\$8.48	\$369,389	\$6.00	\$261,360
Retail - General	\$12.85	\$559,746	\$10.15	\$442,134

Sources: Costar, Maxfield Research & Consulting, LLC



### Multi-Tenant Industrial Market Conditions

Maxfield Research and Consulting, LLC analyzed industrial market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, and absorption for the various submarkets in the Twin Cities as well as property subtypes in the Northeast Submarket compared to the Metro Area. The data is provided by Cushman & Wakefield | NorthMarq.

This information is useful in assessing the potential for additional industrial space in the PMA as the overall health of the industrial market will influence the development potential on the subject property. The following points summarize key findings from the Cushman & Wakefield | NorthMarq year-end 2018 *Compass* report.

Definitions of the various industrial product types are as follows:

**Office Showroom:** One-story multi-tenant projects over 20,000 rentable square feet with more than 30% finished office space. Typical clear height ceilings are below 16 feet and these properties generally offer smaller bay sizes and heavier than normal finishes and landscaping.

**Office Warehouse:** Multi-tenant facilities of 20,000 rentable square feet or larger which generally offer 10% to 20% office finish and have 16- to 24-foot clear height ceilings. Office Warehouse properties

**Bulk Warehouse (Distribution):** Multi-tenant buildings with 20,000 rentable square feet or larger which typically offer 5% to 10% office finish and have 24-foot or greater clear height ceilings. Bulk Warehouse is also frequently referred to as Distribution.

- The Twin Cities industrial market is in the expansion phase of the real estate cycle, as demand for space has been robust and vacancy is at equilibrium, generally considered between 10% and 12% vacancy in the industrial market. Strong demand and a tightening supply of space are exerting upward pressure on rental rates and development activity is at record levels.
- At 8% vacant (excluding sublease space), the industrial market is below equilibrium with the tightest vacancy rate since the late 1990s.

<b>TABLE I-1 INDUSTRIAL SPACE VACANCY AND ABSORPTION TWIN CITIES METRO AREA 2017 - 2018</b>							
<b>Market Sector</b>	<b># of Bldgs</b>	<b>Total Rentable SF</b>	<b>Total Vacant SF</b>	<b>Vacancy Rate</b>	<b>Annual Absorption</b>	<b>Average Net Rent Warehouse</b>	<b>Office</b>
<b>2018</b>							
Northeast	411	35,620,636	3,131,954	8.8%	790,023	\$4.55	\$8.07
Northwest	336	31,210,959	3,184,834	10.2%	1,017,546	\$4.75	\$8.63
Southeast	230	18,458,352	1,115,118	6.0%	308,263	\$4.79	\$8.57
Southwest	315	27,308,401	1,579,761	5.8%	666,785	\$4.98	\$8.99
<b>Market</b>	<b>1,292</b>	<b>112,598,348</b>	<b>9,011,667</b>	<b>8.0%</b>	<b>2,782,617</b>	<b>\$4.77</b>	<b>\$8.57</b>
<b>2017</b>							
Northeast	396	33,768,818	2,838,456	8.4%	540,618	\$4.63	\$7.94
Northwest	319	29,975,170	3,247,988	10.8%	871,278	\$4.70	\$8.39
Southeast	224	18,103,591	1,246,009	6.9%	646,143	\$4.87	\$8.47
Southwest	307	26,816,258	1,719,204	6.4%	956,520	\$4.84	\$8.68
<b>Market</b>	<b>1,246</b>	<b>108,663,837</b>	<b>9,051,657</b>	<b>8.3%</b>	<b>3,014,559</b>	<b>\$4.76</b>	<b>\$8.37</b>
Note: Data includes multi-tenant industrial buildings larger than 20,000 square feet							
Sources: Cushman & Wakefield   NorthMarq; Maxfield Research, Inc.							

- According to the *Compass* report, roughly 2.7 million square feet of space absorption occurred in 2018, which was the highest amount of absorption recorded in the Twin Cities in ten years. All submarkets experienced strong absorption during the year, but demand for space was highest in the Northwest submarket, as nearly 1.1 million square feet were absorbed in 2018.
- Demand has been strongest for functional space with high clear heights as tenants are generally seeking more efficient 24-foot or 32-foot-clear, state-of-the-art buildings.
- Most new Bulk Warehouse properties are being built with 32-foot clear height, 50-foot by 50-foot bay depths, and less than 10% office finish. New construction Office Warehouse properties typically have 24-foot clear height, 40-foot by 40-foot bay depths, up to 30% office finish, along with higher parking ratios, natural light, and glass.
- Industrial vacancy is down from the end of 2017 in nearly every submarket. The Southwest submarket is the tightest with an 5.8% vacancy rate, followed by the Southeast submarket with an 6% vacancy rate and the Northeast submarket (8.8% vacant). The Northeast submarket's vacancy rate decreased from 10.8% in 2017 to 10.2% in 2018.

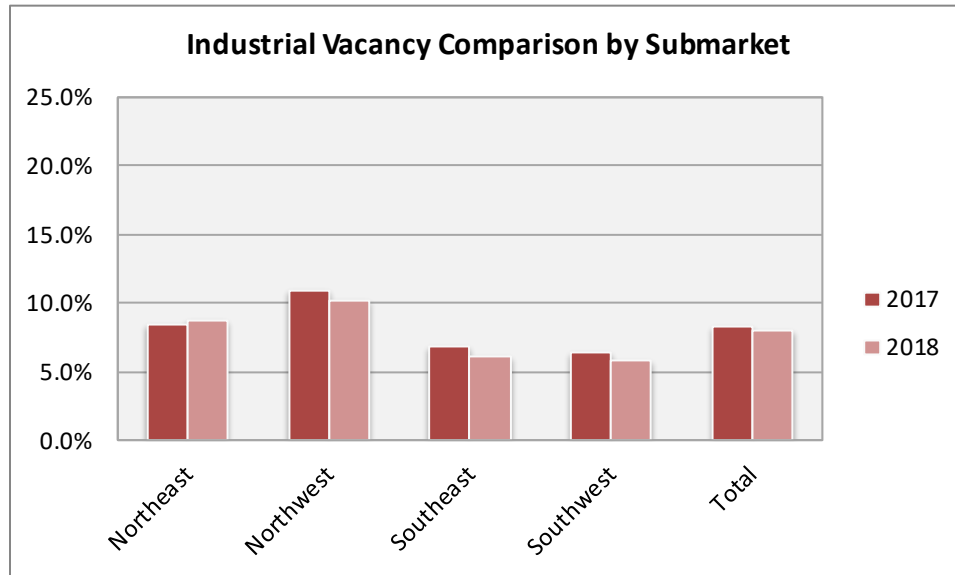
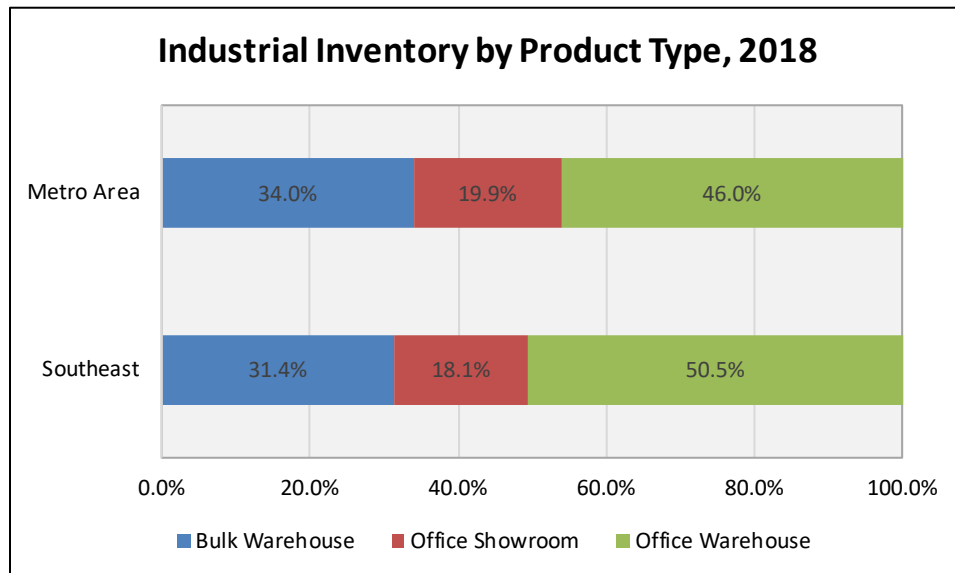


Table I-2 on the following page summarizes industrial space vacancy and absorption by industrial product type in the Southeast submarket compared to the Twin Cities Metro area from 2015 to 2018, while Table I-3 breaks down the average asking rental rate for each submarket and is displayed by product type.

- Positive space absorption pushed the industrial vacancy rate in the Southeast submarket down from 7.6% to 5.9%. Bulk Warehouse is the tightest product type with a 4.3% vacancy rate, followed by Office Warehouse at 5.9% vacant and Office Showroom (9.6% vacancy).
- As illustrated in the table on the following page, Office Warehouse space represents roughly 50% of the inventory in the Southeast submarket, compared to 46% in the Metro Area. The proportion of Office Showroom space is fairly lower in the southeast submarket (18%) than in the Metro Area (20%), while the Bulk Warehouse proportion is nearly the same in the Southeast (31%) as it is in the Metro Area (34%).
- Bulk Warehouse buildings are, by far, the largest properties in the Northeast submarket, averaging 140,574 square feet in size. Office Warehouse buildings average nearly 70,464 square feet while Office Showroom properties have an average size of 65,709 square feet.

<b>TABLE I-2 INDUSTRIAL SPACE VACANCY AND ABSORPTION SOUTHEAST AND TWIN CITIES METRO AREA 2015 to 2018</b>						
<b>Market Sector</b>	<b>Year</b>	<b># of Bldgs</b>	<b>Total Building SF</b>	<b>Total Vacant SF</b>	<b>Vacancy Rate</b>	<b>Annual Absorption</b>
<b>Southeast Submarket</b>						
Bulk Warehouse	2015	55	5,365,858	180,792	3.4%	-51,760
	2018	43	6,044,692	258,026	4.3%	507,036
Office Showroom	2015	70	3,450,779	493,514	14.3%	63,675
	2018	53	3,482,606	332,943	9.6%	64,439
Office Warehouse	2015	261	9,255,713	702,836	7.6%	19,654
	2018	138	9,724,109	541,959	5.6%	218,548
Total	2015	386	18,072,350	1,377,142	7.6%	31,569
	2018	234	19,251,407	1,132,928	5.9%	790,023
<b>Twin Cities Market</b>						
Bulk Warehouse	2015	194	33,441,738	2,928,110	8.8%	554,377
	2018	200	34,589,957	3,283,245	9.5%	613,999
Office Showroom	2015	307	20,285,154	2,879,701	14.2%	187,305
	2018	307	20,257,320	2,469,107	12.2%	426,354
Office Warehouse	2015	670	46,682,268	4,825,556	10.3%	1,176,534
	2018	670	46,790,904	3,878,360	8.3%	837,694
Total	2015	1,171	100,409,160	10,633,367	10.6%	1,918,216
	2018	1,177	101,638,181	9,630,712	9.5%	1,878,047
Note: Data includes multi-tenant industrial buildings larger than 20,000 square feet						
Sources: Cushman & Wakefield   NorthMarq; Maxfield Research, Inc.						



- Most new Bulk Warehouse properties are being built with 32-foot clear height, 50-foot by 50-foot bay depths, and less than 10% office finish. New construction Office Warehouse

properties typically have 24-foot clear height, 40-foot by 40-foot bay depths, up to 30% of-fice finish, along with higher parking ratios, natural light, and glass.

- Properties in highest demand have the following characteristics: functionally well-designed, energy efficient, ample parking, well-landscaped, and good lighting. Demand for space across the Metro was highest for Office Warehouse space, generating 838,000 square feet of absorption in 2018, while roughly 614,000 square feet of Bulk Warehouse space were absorbed. Office Showroom demand was hit hardest during the recession and will often compete against Class B office space in good locations, but demand appears to be recovering. Roughly 426,000 square feet were absorbed in 2018, the highest absorption in over ten years. At 12.2%, Office Showroom vacancy remains relatively high compared to Bulk Warehouse and Office Warehouse, but the vacancy rate has been declining steadily since 2010 when vacancy reached 19.4%.
- Average asking rental rates for warehouse and office space in the Northeast submarket were the lowest per square foot (PSF) when compared to the other three submarkets. Rental rates in the Northeast submarket were \$4.55 for warehouse and \$8.07 PSF.

<b>TABLE I-3</b> <b>AVERAGE ASKING INDUSTRIAL RENTAL RATES BY SUBMARKET</b> <b>2018</b>				
<b>Submarket</b>	<b>Warehouse Rate</b>	<b>Office Rate</b>	<b>Total Tax and Ops</b>	<b>Taxes</b>
<b>Northeast</b>				
Bulk Warehouse	\$4.24	\$7.01	\$2.08	\$0.98
Office Showroom	\$5.31	\$9.59	\$4.09	\$2.02
Office Warehouse	\$4.59	\$8.41	\$2.33	\$1.17
<b>Total Northwest</b>	<b>\$4.55</b>	<b>\$8.07</b>	<b>\$2.45</b>	<b>\$1.20</b>
<b>Northwest</b>				
Bulk Warehouse	\$4.55	\$8.27	\$2.65	\$1.61
Office Showroom	\$5.11	\$9.81	\$3.93	\$2.18
Office Warehouse	\$4.83	\$8.51	\$2.75	\$1.31
<b>Total Northeast</b>	<b>\$4.75</b>	<b>\$8.63</b>	<b>\$2.91</b>	<b>\$1.60</b>
<b>Southeast</b>				
Bulk Warehouse	\$4.44	\$7.61	\$2.09	\$1.17
Office Showroom	\$5.37	\$9.68	\$3.99	\$2.02
Office Warehouse	\$4.85	\$8.90	\$2.59	\$1.35
<b>Total Southeast</b>	<b>\$4.79</b>	<b>\$8.57</b>	<b>\$2.66</b>	<b>\$1.40</b>
<b>Southwest</b>				
Bulk Warehouse	\$4.79	\$8.14	\$2.32	\$1.13
Office Showroom	\$5.39	\$9.77	\$4.21	\$2.21
Office Warehouse	\$4.78	\$8.86	\$2.89	\$1.51
<b>Total Southwest</b>	<b>\$4.98</b>	<b>\$8.99</b>	<b>\$3.19</b>	<b>\$1.65</b>
Sources: Cushman & Wakefield   NorthMarq; Maxfield Research, Inc.				

### Hospitality Market Analysis

This section provides initial research to examine the potential to develop a hotel on the subject property. Maxfield Research and Consulting, LLC analyzed lodging supply and demand characteristics in the region to provide insight into the conditions of the hospitality industry. This section includes a summary of hotel market conditions along with an inventory of hotel rooms in area surrounding the Site.

#### Regional Conditions

Occupancy, demand, revenue, room rate, supply, and revenue per available room (RevPAR) are the key metrics used to measure performance in the hotel industry. Smith Travel Research defines these key industry metrics as shown below.

**Occupancy** – Rooms sold divided by rooms available; occupancy is always displayed as a percentage of rooms available.

**Revenue** – Total room revenue generated from the sale or rental of rooms.

**Supply** – The number of rooms times the number of days in the period.

**Room Rate (Average Daily Rate or ADR)** – Room revenue divided by rooms sold, displayed as the average rental rate for a single room.

**Demand** – The number of rooms sold.

**RevPAR** – Room revenue divided by rooms available.

Table 29 on the following page displays the occupancy rate, average daily rate, and RevPAR for the Twin Cities Metro Area submarkets in 2019 (through March). Comparisons are made to Minnesota and the United States. The Table also displays the year-over-year percentage change for the six key metrics considered when evaluating the performance of the lodging industry. The information is provided by Explore Minnesota, which utilized data from Smith Travel Research Inc.

- As of March 2019, occupancy rates are lower in Minnesota at 56.3%, compared to 68.4% in the United States. Among the Twin Cities Metro Area submarkets, occupancies were highest in Bloomington and St Paul, at 73.1% and 62.3%, respectively.
- At \$106.97, the average daily rental rate in Minnesota is -24% lower than the national rate of nearly \$132.66 per day. Average daily rates are highest in Minneapolis (\$137.13) and Bloomington (\$119.43), while rates are most affordable in the Minneapolis South submarket (\$86.46).

**TABLE L-1  
LODGING INDUSTRY PERFORMANCE  
TWIN CITIES METRO AREA  
March 2019**

	Mar-19			March 2019 compared to March 2018 (year-to-date)					
	Occ. %	ADR	RevPAR	Occ.	ADR	RevPAR	Rev.	Supply	Demand
United States	68.4%	\$132.66	\$90.78	0.0%	0.6%	0.6%	2.6%	2.0%	2.0%
Minnesota	56.3%	\$106.97	\$60.21	0.4%	1.2%	1.5%	4.0%	2.4%	2.8%
<b><u>Twin Cities Submarkets</u></b>									
Minneapolis	60.4%	\$137.13	\$82.80	-3.6%	6.6%	2.8%	6.9%	4.0%	0.3%
Bloomington	73.1%	\$119.43	\$87.35	1.5%	2.1%	3.7%	7.1%	3.3%	4.8%
Saint Paul	62.3%	\$105.18	\$65.57	4.3%	-2.6%	1.6%	3.0%	1.4%	5.8%
Minneapolis North	58.6%	\$101.25	\$59.38	3.1%	1.5%	4.6%	8.4%	3.6%	6.8%
Minneapolis South	60.1%	\$86.46	\$51.95	4.2%	-1.3%	2.9%	6.3%	3.3%	7.7%
Note: Supply reflects rooms available while Demand is a reflection of rooms sold.									
Sources: Explore Minnesota; Smith Travel Research, Inc.; Maxfield Research & Consulting, LLC									

- Over the past year, occupancy rates in Minnesota increased 0.4%. Occupancies in Bloomington increased slightly (1.5%), while the Minneapolis South submarket experienced a -3.6% decline in the occupancy rate.
- Minnesota's lodging industry ended March 2019 with year-over-year growth in all six lodging industry metrics, including; occupancy, room rate, revenue per available room (RevPAR), revenue, supply, and demand. Similarly, the Bloomington submarkets experienced growth in all six metrics while Minneapolis and St Paul experience growth in five of the six categories. Bloomington, in particular, experienced very strong growth in revenue, supply, and demand.
- Strong room supply growth over the last 12 months has kept occupancy rates in check and posed revenue-related challenges for properties that are reluctant to raise rates in areas with expanded room supply. Statewide supply growth peaked at 3.5% in November 2018, then spiked again for a single month at 3.2% in May 2019.
- According to information provided by Smith Traveler, the first half of 2019 included big Super Bowl related dips in January and February lodging metrics. Most metrics bounced back in March, aided by the NCAA Men's Final Four in Minneapolis. Statewide first half demand growth was positive, as was room supply growth. Room supply growth was concentrated in and around Minneapolis, as well as in the St. Cloud/I-94 corridor and southern Minnesota in particular Rochester.

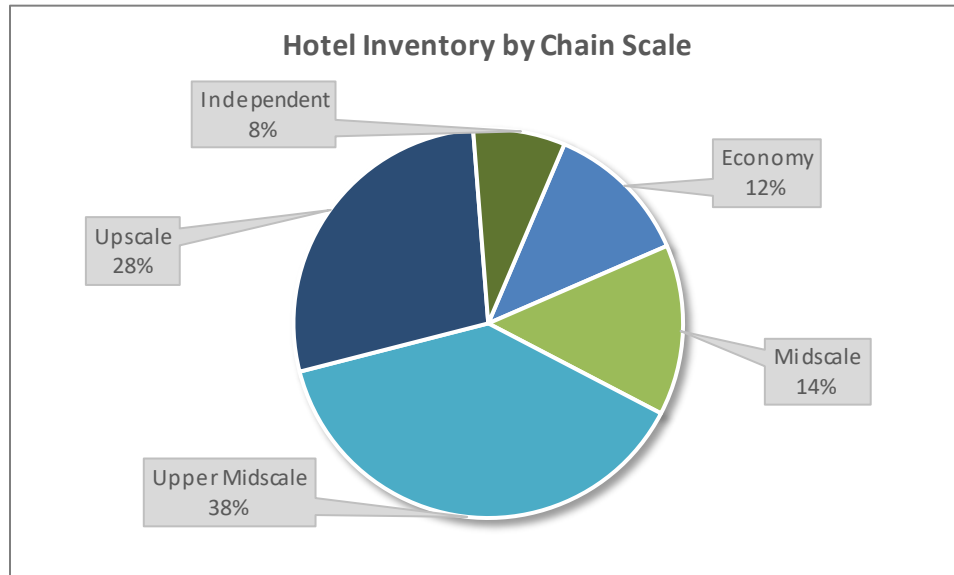
**Selected Hotel Properties in the Market Area**

Maxfield Research and Consulting, LLC inventoried hotel properties within a five-mile radius of the subject property excluding to gain an understanding of the size of the hotel market in the area surrounding the South St Paul site and to evaluate primary competitors. Table L-2 provides a summary of the hotel properties located within a five-mile radius of the Site that would be competitive with a new hotel project on the subject property.

- In total, 10 hotel properties with 1,009 rooms were identified within five miles of the Site.
- Two hotels, containing a total of 199 rooms, opened in the past year, including the Palace Inn & Suites with 77 units, and the 122-room WoodSpring Suites. Three other properties, totaling 271 rooms opened in the 2000s, including the Hampton Inn & Suites (100 rooms), the La Quinta Inn & Suites (108 rooms), and Microtel Inn & Suites (63 rooms).

<b>TABLE L-2 HOTEL PROPERTIES FIVE-MILE RADIUS SURROUNDING SITE AUGUST 2019</b>				
<b>Property</b>	<b>City</b>	<b>Yr. Built</b>	<b>Rooms</b>	<b>Chain Scale</b>
Ascend Collection Envision Hotel	South St Paul	2016	85	Upscale
Microtel Inn & Suites	Inver Grove Heights	2001	63	Midscale
AmericInn Hotel & Suites	Inver Grove Heights	1998	80	Midscale
Holiday Inn Express St Paul South	Inver Grove Heights	1998	89	Upper Midscale
Palace Inn & Suites	Inver Grove Heights	2019	77	Independent
Holiday Inn Express Woodbury	Woodbury	1998	90	Upper Midscale
La Quinta Inn & Suites	Woodbury	2016	108	Upper Midscale
WoodSpring Suites	Woodbury	2019	122	Economy
Hampton Inn & Suites	Woodbury	2017	100	Upper Midscale
DoubleTree by Hilton	St Paul	1984	195	Upscale
<b>Total Rooms in 5-Mile Radius:</b>			<b>1,009</b>	
Sources: Smith Travel Research, Inc.; Maxfield Research & Consulting, LLC				

- As depicted in the following graph the highest proportion of the hotel rooms in the area surrounding the subject property are classified as Upper Midscale, with 38% of the total room inventory (387 rooms), and another 28% are Upscale (280 rooms). Midscale and Economy properties represent 14% and 12% of the hotel inventory with 143 rooms and 122 rooms, respectively. There are also 77 Independent rooms in the Market Area (8% of the inventory).
- The Ascend Collection Envision Hotel from Choice Hotels International and the enVision Hotel Management Company contains 85 rooms and the ability to accommodate up to 380 guests. The 85-room hotel has an indoor heated pool and exercise room as well as a business center.



### **Hotel Demand Generators**

In general, demand for hotel rooms comes primarily from the following sources: Leisure travelers (including the transient segment); Visitors to the area for meetings, conventions, or special gatherings; and, Commercial travelers (i.e. regular business travelers).

- **Commercial Segment** – This demand generally includes individuals traveling on business. Commercial demand is generally strongest Monday through Thursday nights, while declining significantly on weekends. The typical length of stay ranges from one to three days and demand is generally consistent year-round. Business travelers tend not to be as price sensitive as leisure travelers, and often utilize a property's food and beverage amenities.
- **Group/Convention Segment** – This source of room night demand would be generated by visitors traveling to the area to attend conventions, conferences, seminars, trade shows, training, sporting events, or other activities that generally include ten or more people. A large proportion of this activity occurs Monday through Friday. Most group travelers require full-service accommodations, quality meeting space and banquet facilities, and an adequately trained staff to deliver efficient meeting coordination.
- **Leisure (Transient) Segment** – A substantial source of room night demand in Minnesota is generated by the leisure market segment. Leisure demand is generated by people visiting the area for non-business reasons and travelers passing through the area en-route to another destination. Leisure demand is generally strongest Friday and Saturday nights and during the holiday seasons. Due to seasonal factors, this demand is strongest overall in the summer months. The leisure traveler tends to be the most price-sensitive segment of the lodging industry.

- Typically, a 60% to 65% occupancy rate is considered equilibrium in the hotel/lodging market, and the existing hotels in the surrounding Market Area are currently operating above equilibrium (73.1% occupancy in Bloomington and 60.4% occupancy in the Minneapolis sub-market). Based on this data, it appears that the Market Area could support additional hotel rooms.

### Introduction

The impetus for this study was to complete an analysis of the Hardman Triangle redevelopment area to assess the potential for future uses within the non-conforming site area. Previous sections examined the demographic, economic, and market performance of various real estate uses in South St. Paul and the immediate area. This section summarizes the market potential findings and makes recommendations on the most appropriate product types that may be captured within the Hardman Triangle site.

### Recommended Real Estate Uses for the Hardman Triangle

Maxfield Research & Consulting evaluated the real estate development potential based on the characteristics of the Site and the demand for various real estate products at this time. Due to the site's location near Downtown South St. Paul, proximity to St. Paul and to several transportation nodes; we find the site is underutilized and not the highest and best use of the land.

Redevelopment on the site could take many forms, such as:

- Status Quo. Do nothing and let the market dictate what happens.
- Business Retention: Assist existing non-conforming owners with property improvements; focus on business retention and growing existing businesses.
- Redevelopment of non-conforming uses and maintain Binder Sheet Metal, UFCW, and SSP Steel. Relocate existing non-conforming users.
- Redevelop entire site. Relocate all existing users.
- Cohesive development strategy redevelopment with parcels to the south of Grand Avenue creating a larger redevelopment area.

#### Status Quo:

The City of St. South can continue to allow the non-conforming uses to operate "As Is" and let any future development result organically. The existing moratorium could be lifted and each business can continue operations and can move at their desired pace. Because many of the non-conforming uses are unique and are established businesses; it is likely these businesses will continue to operate within the Hardman Triangle. Many property owners expressed the desire to stay at their current location while potentially pursuing building and operational improvements. Several property owners mentioned they have been very happy with the current location and the City of South St. Paul was very accommodating.

## CONCLUSIONS

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The decision to do nothing or a delayed action often can be a step backwards that has consequences later. Inaction can lead to an uncertain future. At a minimum, we recommend lifting the moratorium, so the existing property owners have direction and decide how they want to move forward (if at all).

Given the exiting land uses, it is highly likely organic growth will be very slow and could take years, if never to redevelop.

### Business Retention/Expansion:

Business owners expressed the desire to continue to operate in the City of South St. Paul. Several property owners have been told by the City to hold on any property improvements as the Hardman Triangle is in transition and it is unknown what the future holds. Business owners are looking for clarity, guidance, and would welcome input on any future plans to the Hardman Triangle area. At the same time, some business owners expressed on expanding their business and improving their property assets through remodeling and expansion.

The City can either work with existing business owners to improve their current buildings or they can assist with site selection and relocate non-conforming uses to another location in South St. Paul (or in another community if a site is unavailable).

### Redevelop Non-Conforming Uses

The South St. Paul EDA has already acquired three parcels combining for 3.93-acres within the Hardman Triangle:

- 1.84-acre property along Concord St. N @ Grand Avenue W. (vacant);
- 1.78-acre site that is currently operated by 2020 Brand Solutions. (office/manufacturing); and
- 0.31-acre site (vacant) surrounded by Quality Service Corp. and the Hmong Livestock and Meat Market.

We recommend exploring the option of the South St. Paul EDA acquire the adjacent non-conforming properties that would boost the total site size up to 15.5-acres (existing city owned 3.93-acres plus 11.6-acres below):

- Quality Service Corp. – 1.82-acres
- Concord Meats – 0.74-acres
- Concord Meats – 1.0-acre
- Hmong Livestock and Meat Market: 1.88-acres
- Hmong Livestock and Meat Market: 0.95-acres
- Twin City Pallet: 5.21

## CONCLUSIONS

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The acquisition of these six parcels would result in a redevelopment site that could complement the three remaining users (Binder Sheet Metal, UFCW, and SSP Steel – collectively accounting for over 5.5-acres). We recommend exploring the option of acquiring these parcels and relocating the existing owners to another property in South St. Paul. A cohesive redevelopment plan for all the parcels vs. as a piece-meal approach that may never reach the desired outcome.

Because of access, visibility, and a cohesive vision for the property all of these six properties will require acquisition and the clearing of the site for any redevelopment to occur. Because the two, meat processing facilities are located in the center of the site and they omit odors; it will be imperative they are acquired. In addition, the Twin City Pallet site in its current site configuration will be difficult to redevelop or reuse, hence it is imperative this site is included as future uses could be functionally or physically impaired with surrounding land uses.

### Redevelop Entire Site – Acquire All Properties

Similar to the previous option, the acquisition of all the properties in the Hardman Triangle would allow for a master plan development of approximately 21 acres. Under this scenario, all existing businesses would be relocated to other South St. Paul sites and this would be the costliest endeavor. Although this scenario will have the highest acquisition and relocation costs, the benefits could be higher as a cleared site would present a blank canvas for future redevelopment potential.

### Acquire Burger King Property

Should the redevelopment of the Hardman Triangle site proceed, we also recommend exploring the option of relocating or repositioning the existing 1.19-acre Burger King site. This property combined with the two other sites owned by the St. Paul EDA would generate a site of 3.88 acres. The acquisition of the Burger King site would allow a redevelopment to have both hard corners at Concord Street and Grand Avenue. In addition, a master plan could incorporate the land to the south of Grand Avenue while incorporating a cohesive street scape design along Grand Avenue. Burger King could be relocated within the redevelopment area but should be repositioned within the site to maximize the aesthetics and flow of the redevelopment area. Maxfield Research & Consulting LLC has summarized potential real estate uses in Table CR-1 and CR-2 that summarizes the probability of attracting various real estate development based on land use and current market conditions. Although the site is physically excellent for many real estate types, various real estate types are not may not be suitable due to market factors.

As outlined in Tables CR-1 and CR-2, there are several real estate types that may be feasible on the site. However, most of the concepts would require the clearing of the non-conforming uses for future redevelopment while other concepts would also require the acquisition of the easternmost three properties. The following describes potential land uses by product type.

## CONCLUSIONS

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Product types that potentially could be explored on the site include:

- Industrial Related: The industrial market continues to be among the best performing asset classes among all real estate types in the Twin Cities. Low vacancy rates have hit 10-year lows while lease rates continue to post strong gains. The strong local economy, together e-commerce is generating the demand for large distribution space as well as for the “last mile” location located in the urban core neighborhoods. Pricing for all industrial real estate is up and demand is especially high for sites close to downtown cores and in suburban infill locations.

Given the Hardman Triangle has existing industrial users, compatible surrounding land uses, and the roadway proximity to Interstate 494 and Highway 52; industrial-related real estate land uses would be the quickest redevelopment opportunity on the site. The industrial sector is a broad category that includes several building types, some of these uses may include:

- Warehouse/Distribution;
- Manufacturing;
- Storage (cold storage, exterior storage, etc.);
- Flex (i.e. light manufacturing, research and development, office, retail showroom, etc.);
- Light Manufacturing;
- Research and Development;
- Showroom (retail showroom at least 50% of building)
- Biotech

If the site were to maintain an industrial identity, demand would be strong from various industrial and commercial users seeking a larger site in this location. Demand may be highest from build-to-suit end users over multi-tenant space. Industrial land on the site would be attractive at \$4 PSF or higher pending the future business type.

## CONCLUSIONS

TABLE CR-1  
REAL ESTATE TYPES MATRIX  
HARDMAN TRIANGLE SITE

Real Estate Type/Concept	Position in RE Cycle	Strengths	Weaknesses	Comments	Probability
<b>Housing</b>					
For-Sale Multifamily (Twin homes, row homes, detached townhomes)	Expansion	For-sale market at peak values today with strong appreciation. Popular product type for baby boomers and millennials.	Although many new multifamily for-sale product types are located along transportation corridors; lower density residential development favors residential zoning and mixed use vs. commercially zoned corridors.	Existing site favors commercial and mixed-uses development and the site acreage promotes high-density uses vs. mid-density for-sale products. However, rowhomes could line a portion of the site and buffer between land uses.	Low to Moderate
Condominiums	Recovery/Expansion	Condominium market is in short supply and there is demand for new product. Excellent location for mid-rise condominium development.	Due to home warranty 10-year statute, condominium development outside the core or select neighborhoods has not been pursued by developers as condos are still risky.	Mid-rise condominium development would be a good land use; however given the complexities of condo development it is highly unlikely. Given development costs and current home warranty; pricing would target higher-end buyers and the site cannot support luxury sales prices.	Low
General-Occupancy Apartments (Market rate non age-restricted)	Expansion/Peak	Market rate apartments are one of the preferred real estate asset classes today in the Metro Area. Excellent location for apartments in a mixed-use format.	Market rate apartments are being developed at a frenzied pace in the Metro Area at this time. New development activity is peaking this year and many submarkets may face concessions as new developments compete for tenants. South St. Paul rental market has been largely untested for new construction.	Desired asset class with developers seeking prime sites. Strong desire to invest in apartments and lenders are actively seeking apartment deals. Potential for a mixed-use development at the site with an apartment component. Potential for mixed-income project with an affordable component.	Moderate to High
Senior Housing (55+ or 62+)	Expansion	Strong increase in older adult and senior population. Demand will continue to increase over next two decades as baby boomers start to need services. Site provides excellent visibility and is easily accessible for residents and staff.	Senior housing on a high-profile commercial site does not provide high returns on land costs compared to other real estate types.	Excellent site for senior housing in a mixed-use or multi-use format. Few senior housing options in South St. Paul proper. High land or redevelopment costs may prohibit senior housing concepts	Low to Moderate
<b>Hospitality</b>					
Limited-Service Flag	Expansion/Peak	Strong business climate in the vicinity of the site. Few hotels in South St. Paul proper.	Twin Cities hotel market in a massive hotel building boom and development is peaking. Multiple other hotels under construction near will increase supply. Site lacks visibility to major highway or interstate	Developers continue to chase high-demand sites and new flags, but concern that the market will be overbuilt with rising construction and development costs will make hotel development challenging at the site	Low

CONTINUED

## CONCLUSIONS

TABLE CR-1  
REAL ESTATE TYPES MATRIX  
HARDMAN TRIANGLE SITE

Real Estate Type/Concept	Position in Cycle	Strengths	Weaknesses	Comments	Probability
Retail	Stable	Retail demand is high in South St. Paul due to large retail sales gap. Most retail categories in South St. Paul show residents are spending outside the city for retail goods and services.	Retail is evolving and "right sizing" as retail tenants reinvent themselves to meet changing consumer tastes. Older retail formats are downsizing and existing spaces will be repositioned into new concepts. New retail commands lease rates higher than existing tenants are paying.	Although retail is constantly evolving today; the site remains an excellent location for retail-oriented uses. South St. Paul is under-retailed and the site is located in close proximity to all the jobs in the business park.	Moderate to High
Office (Traditional)	Recovery/Equilibrium	Excellent visibility, access, and transportation connections. Strong economy with growing demand for newer spaces to attract and retain employees. Potential for build-to-suite user	New office development would command top-of-the market rents to cover development costs. Employers continue to increase density of employees, driving down square footage needs.	Good site for an office component, most likely a build-to-suit. Twin Cities office market still in recovery mode with most development in Mpls CBD and along 394.	Low
Office (Medical Office)	Stable	Excellent site for medical office offering larger floor plates & efficiencies today's tenants desire.	Medical office being driven today by major health care providers; many seek large campus settings. Unknowns with future of health care in the U.S.	Medical office will continue to expand, however consolidation and mergers are expected in the health care industry. Construction likely to be driven by single-tenant medical developments	Low to Moderate
Industrial Related	Expansion	Industrial real estate is in high demand today and vacancies are falling and absorption has been positive. Strong demand for infill redevelopment within the core	Site acquisition costs may be too high for industrial uses.	Industrial real estate has been strong for the past few years and continues to hit new peaks for development. Many companies struggling to find labor; proximity to labor markets key	High

Source: Maxfield Research & Consulting, LLC

## CONCLUSIONS

**TABLE CR-2**  
**RECOMMENDED LAND USES BY DEVELOPMENT SCENARIO**  
**HARDMAN TRIANGLE**

Real Estate Type	Market Probability	RECOMMENDED SCENARIOS			
		Status Quo/ Market Driven	Existing Business Retention/Expansion	Redevelop Non-Conforming Uses	Relocate Tenants/ Redevelop Site
Industrial related	High	x	x	x	x
Retail	Moderate to High		x	x	x
Rental Housing	Moderate to High			x	x
Senior Housing	Low to Moderate			x	x
Medical Office	Low to Moderate			x	x
For-Sale Townhomes	Low to Moderate				x
Condominiums	Low			x	x
Office	Low		x	x	x
Hospitality	Low			x	x
Source: Maxfield Research & Consulting					

## CONCLUSIONS

- Retail:** As illustrated in Table C-4 there is a slight oversupply of retail goods and services in the City of South St. Paul. However, the excess supply is related to two industries: motor vehicles and parts and gasoline stations. Motor vehicle sales are high in South St. Paul given the existing vehicle dealers at I-494 and Concord Street that draw consumers from throughout the Metro Area. Similarly, gasoline sales are high given the number of trucking industry related business in the City. After adjusting for these two industries; nearly every retail category in South St. Paul shows leakage – or that consumers are spending retail dollars outside the City.

Nearly every category shows retail sales leakage; however, the largest opportunities appear with General Merchandise, Health and Personal Care, Clothing, and Miscellaneous Retailers. In addition, there appears to be strong demand for restaurants, bars, and other food-related concepts as there are few options in the City. Given the number of jobs and businesses near the Hardman Triangle, there is strong demand for daytime food establishments to meet this need.

Although the traffic counts to Hardman Triangle are about 8,500 vehicles per day, the site is still well-positioned for a retail component given the leakage and lack of retail in South St. Paul. Because of the lack of retail and lack of national tenants in South St. Paul, most retailers are paying discounted lease rates compared to new construction. Because of the development costs, retail on the site either as a stand-alone concept or within a retail strip center will need to command rents of over \$24 PSF to cash flow. Table CR-3 shows potential square footage needs by type of retailer.

<b>TABLE CR-3 CONVENIENCE/NEIGHBORHOOD SHOPPING CENTER POTENTIAL COMMERCIAL TENANT CATEGORIES</b>			
<b>Tenant Classification (Food)</b>	<b>Median Size (Sq. Ft.)</b>	<b>Tenant Classification (Retail and Services)</b>	<b>Median Size (Sq. Ft.)</b>
Restaurant without liquor	2,560	Beauty Supply/Body Care	1,600
Restaurant with liquor	2,310	Dry Cleaner	1,200
Sandwich Shop	1,800	Nail Salon	1,200
Pizza	1,185	Insurance	1,138
Chinese fast food	1,400	Real Estate	1,350
Ice cream parlor	1,200	Finance Company	1,500
Hamburgers	3,352	Additional Fitness Center	1,500
Coffee shop	1,575	Educational Center (Adults)	1,400
Health Food	1,234	Hair Salon	1,224
Doughnuts	1,200	Veterinary	1,945
Bakery	1,500	Hardware Store	2,500
Bagels	2,388	Liquor/Wine	2,400
Specialty Food	2,750	Flower/Plant Store	1,200
Wine Bar/Tap Room	2,400	Medical and Dental	1,600
Mexican Fast Food	2,590	Bank	2,594
Sources: Urban Land Institute/ICSC; Maxfield Research & Consulting, LLC			

## CONCLUSIONS

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- Rental Housing: Table HC-5 showed the inventory of rental apartments in South St. Paul and the PMA that showed vacancy rates under 1%. A normal, healthy rental market should have a 5% vacancy rate at equilibrium. Hence the current rental market is under supplied and there are few options for renters in South St. Paul if they wanted to relocate to the community. The renovated *Drover* will be the first new apartment in South St. Paul since 1990 and has been very well-received as only a few units remain during the initial lease-up period. Furthermore, the *Drover* is achieving strong rents averaging \$1,400 per month or \$2.13 PSF.

Because rental housing is one of the preferred asset classes by developers and investors; rental housing is a potential land use type in the Hardman Triangle; either market rate rentals, affordable rentals, or a mixed-income concept. However, any future multi-family housing in the site would only be desirable if the site was redeveloped as the existing non-conforming uses would hinder any future multifamily rental component.

New market rate rental housing on the site will most likely need average rents per square foot of at least \$1.80 PSF to be supportable. An affordable tax credit project with rents between 50% and 80% Ami would also be in strong demand.

- Senior Housing: Long-term the senior housing outlook is very promising given the aging of the population and future demographic shifts. Over the next five years the 65+ population in South St. Paul is projected to increase by 16% and is the fastest growing age cohort in the community. Table HC-8 illustrated there are few senior housing developments in the City of South St. Paul – three affordable/subsidized active adult projects, one assisted living/memory care project. Given the growth in the senior demographics and lack of senior housing product; there is potential for additional senior housing development in the community. Various service levels could be incorporated into a senior housing campus. In addition, any medical office uses incorporated into the site would complement senior housing. However, similar to the rental housing analysis, senior housing could only be developed under the redevelopment scenario.
- Medical Office: The medical office market in the Twin Cities remains healthy with occupancy rates hovering 90% and rising rental rates. There is also a shift from multi-tenant to single-tenant buildings as health care companies want to offer several service lines in one building. Large providers continue talks around consultation and mergers in the industry to leverage target markets and reduce operating costs. Finally, the instability in the health care industry from political uncertainty, reimbursements, and reworking of government programs has many health care providers on the sidelines navigating the future delivery.

Although there are uncertainties in the medical office market, the industry in transitioning to “Retail-ization” as medical spaces evolve from traditional health-campus orientation to convenience retail-like settings close to jobs and households. Like retail development, the health care industry likes to follow new household growth and is attracted to

## CONCLUSIONS

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locations in denser neighborhoods with new multifamily development while seeking redevelopment opportunities. The Hardman Triangle could be considered a medical office location if the non-conforming uses were relocated and the site was cleared for future redevelopment.

- For-Sale Townhomes: After years of lackluster demand after the recession; for-sale townhomes are in strong demand throughout the Twin Cities. New townhome construction priced under \$275,000 is rare to find and demand is exceptionally high for sites located in core neighborhoods. A for-sale townhome component would be well-received in the Hardman Triangle only if the entire site was cleared and row-style townhomes lined the eastern half of the site. The site would be within walking distance to Downtown South St. Paul and the recreational paths along the Mississippi River across the street. However, townhome land costs are usually lower than other multifamily densities hence the financial return on townhomes would be lower than other housing types located in multi-story concepts. Townhomes would complement other real estate uses while providing a buffer between commercial land uses.
- For-Sale Condominiums: Although a condominium component may have the potential to be incorporated into a redevelopment of the entire site; condominiums will be more difficult to develop given presale requirements and the sale costs needed to cash flow the property. The recent passage of new legislation should help mitigate some risks with condominium development; however, the market for condominiums is too premature for sites outside the central business district. Should the site develop with other higher amenity uses and retail goods and services; then the potential for condominiums could increase.
- Hospitality: Although the Hardman Triangle is adjacent to many businesses in the BridgePoint Business Park; a hospitality component does not appear desirable given the distance from I-494 and the traffic count volumes needed for a limited-service property. The existing Envision Hotel is able to capture both I-494 traffic and business travelers and should meet the demand in the near-term.
- Office: Although new office construction is at a decade's high this year (450,000 square feet), new office development has been focused in urban locations such as Downtown Minneapolis, the North Loop, or speculating along the I-394 corridor. New office spaces are offering flexible, modern features, high ceilings, and highly amenities (roof top decks, fitness facilities, common areas, etc.) Outside these geographic area's office development has been very slow across the Metro Area since the Great Recession. As a result, attracting a multi-tenant office development will be extremely challenging as achievable lease rates on the site may not justify the cost of new construction. Most office tenants in South St. Paul are located in older Class B and Class C buildings and are paying less than \$20 PSF net. New office construction would likely command rental rates of around \$25 PSF; significantly higher than what most existing office users are paying.

However, a build-to-suit office user would be an excellent development type on the site. However, this will be predicated on the ability to secure a major tenant who will commit to a built-to-suit office structure. Similar to multi-tenant office space, the built-to-suit office market is very competitive as many end-users desire sites with excellent access, visibility, and transit availability.

TABLE CR-4 OFFICE-ORIENTED BUSINESSES BY MEDIAN SIZE POTENTIAL OFFICE TENANTS - MULTITENANT SEPTEMBER 2019	
Office Use	Median Size Range (Sq. Ft.)
Learning Center/College	2,400 - 2,400
Employment Agency	1,500 - 1,600
Accounting	1,400 - 1,500
Bank	2,500 - 3,200
Finance Company	1,500 - 1,600
Insurance	1,000 - 1,200
Real Estate	1,700 - 2,400
Optician/Optomertist	1,500 - 2,000
Medical and Dental	1,500 - 1,800
Sources: Urban Land Institute; Maxfield Research & Consulting, LLC	

## Potential Property Tax Revenue from Redevelopment

Maxfield Research & Consulting has prepared high-level estimates on development costs and potential property tax revenue generated from new development. Table CR-5 shows general findings based on construction costs and land costs for various land uses. Although several of the properties in the Hardman Triangle are exempt and not paying property taxes, the 21.74-acre site is only generating \$233,000 annually in property taxes. For comparison, one new 100-unit multifamily building would likely generate about \$240,000 in property taxes while only absorbing a few acres of land. Although other commercial uses may produce higher property taxes per square foot; multifamily housing is able to produce higher taxes due to density and the vertical nature of a mid-rise building.

## CONCLUSIONS

<b>TABLE CR-5 HARDMAN TRIANGLE MARKET AREA SEPTEMBER 2019</b>						
	<b>MR Apartments</b>	<b>Senior Housing</b>	<b>Office</b>	<b>Retail</b>	<b>Industrial</b>	<b>Hospitality</b>
Site Size (Acres) (Est.)	3.0	3.0	2.0	2.0	8.0	1.5
Land Price (PSF)	\$11.00	\$10.00	\$10.00	\$13.00	\$4.00	\$9.00
Sq. Ft./Acre	43,560	43,560	43,560	43,560	43,560	43,560
Total Land Cost	\$1,437,480	\$1,306,800	\$871,200	\$1,132,560	\$1,393,920	\$588,060
Construction Cost (PSF)	\$150	\$175	\$155	\$140	\$80	\$145
Building Size (Sq. Ft.)	110,000	110,000	55,000	20,000	80,000	35,000
Total Building Costs	\$16,500,000	\$19,250,000	\$8,525,000	\$2,800,000	\$6,400,000	\$5,075,000
Total Project Costs	\$17,937,480	\$20,556,800	\$9,396,200	\$3,932,560	\$7,793,920	\$5,663,060
Number of Units	100	100	--	--	--	60
Hard Cost Per Unit	\$179,375	\$205,568	--	--	--	
Development Cost/Per Unit	\$193,750	\$218,636	--	--	--	\$94,384
Property Tax	\$240,000	\$240,000	\$165,000	\$60,000	\$240,000	\$105,000
Per Unit/Key	\$2,400	\$2,400	--	--	--	\$2,000
Per Sq Ft.	\$2.18	\$2.18	\$3.00	\$3.00	\$3.00	\$3.00
Per Acre:	\$80,000	\$80,000.00	\$82,500	\$30,000	\$30,000	\$70,000
Sources: Costar; Cushman & Wakefield; Maxfield Research & Consulting						

## Projected Absorption and Timeframes

To achieve the highest and best use, the preferred plan of action is a full or partial redevelopment of the Hardman Triangle area. The City of South St. Paul has already acquired two key parcels near the intersection of Grand Avenue and Concord Street that collectively make-up about 3.6 acres. In addition, the city acquired a small 0.31-acre site near the entrance of the Long Cheng meat processing business. However, to realize the full potential of the existing acquisitions and to achieve the highest returns on the property; additional measures are needed to achieve the Hardman Triangle's development potential.

Maxfield Research & Consulting recommends the City acquire the following properties:

- Concord Fresh Meat (1.74 acres)
- Long Cheng (2.83 acres); and
- Twin City Pallet (5.21 acres).

The acquisition of these properties is critical; without the acquisition the marketability of the city's existing properties is limited to the corner parcel. However, the existence of the current non-conforming business uses impedes development on the city's parcels and all the other land uses in the Hardman Triangle.

Collectively the acquisition of these three businesses equals 9.78 acres; together with the existing city properties the total developable acreage would equal approximately 14 acres. As such,

## CONCLUSIONS

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a significant development could be achieved that could transform the site area and provide connectivity to Downtown South St. Paul.

Maxfield Research anticipates about a two-year time frame for the acquisition and relocation of the three businesses previously identified. As such, the additional 9.78-acre site would not be shovel ready until 2022 or 2023; however the hard corner that consists of around 4 acres would be marketable sooner as long as the city has made it public that the surrounding sites will be transitioning to alternative uses.

Given the acquisition time-frame and the other multifamily projects in the pipeline in Downtown South St. Paul (Drover Phase II @ 110 units and the other 198 market rate units); a total of 308 rental units could be on-line by the time the Hardman Triangle is ready for construction. This timeframe would align nicely as the proposed projects would be either leased or nearly stabilized by the time the Hardman Triangle sites would be ready to start construction.

Multifamily housing continues to be one of the preferred asset classes for development in the Twin Cities as record apartment deliveries have resulted in the past three years and 2020 looks to break another peak (11,000 units estimated). As illustrated in Table H-12, South St. Paul has delivered the fewest apartment units since 2015 compared to other inner-ring suburban communities across the Metro Area. Apartment development in many of the peer cities has resulted from infill and redevelopment; which in most cases results in higher development costs than vacant, pad-ready sites. In many cases, communities have offered TIF or other incentives to help alleviate the costs associated with redevelopment.

Maxfield Research and Consulting estimates South St. Paul can absorb about 150 units annually across all multifamily product types (i.e. market rate or affordable rental, senior housing, for-sale housing, etc.). As such the build-out of the 14-acre site with predominantly multifamily housing could certainly achieve 700 units; or a five-year plus build-out. Assuming commencement in 2023, the build-out would most likely run the course of the decade. Because the retail sales leakage in South St. Paul, we highly encourage mixed-used formats with first-floor commercial space. The addition of commercial square footage will complement the housing development while providing amenities to South St. Paul residents and workers.

**This market potential assessment was attended to provide a high-level assessment of market trends and the potential for development on the site. Maxfield Research can complete a more thorough analysis that will provide detailed market information and project specific recommendations and concepts (i.e. product types, units and square footage, pricing, absorption, marketing, etc.).**