

NOVEMBER 2024

CITY OF SOUTH SAINT PAUL

S CONCORD CORRIDOR

MARKET STUDY ANALYSIS





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I. EXECUTIVE SUMMARY

PROJECT INTRODUCTION

The City of South St. Paul initiated the South Concord Corridor Study (“Project”) to evaluate the economic development and redevelopment potential within the Study Area. The Study Area is defined generally as the land lying south of I-494, west of the Mississippi River, north of Linden Street and east of the bluffline abutting the Concord Street corridor. The Project scope addresses three primary components to be prepared in the following order:

1. Market Study
2. Corridor Vision
3. Zoning and Comprehensive Plan Amendments/Updates

The City selected Swanson Haskamp Consulting, LLC (SHC) and Michael Lamb Consulting, LLC as the consultant team to complete the Project. The intent is that the Market Study guide the preparation of the Corridor Vision which will subsequently require certain amendments to the Comprehensive Plan and the Zoning Ordinance.

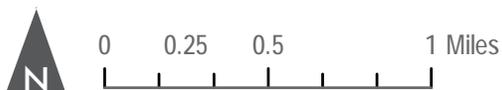
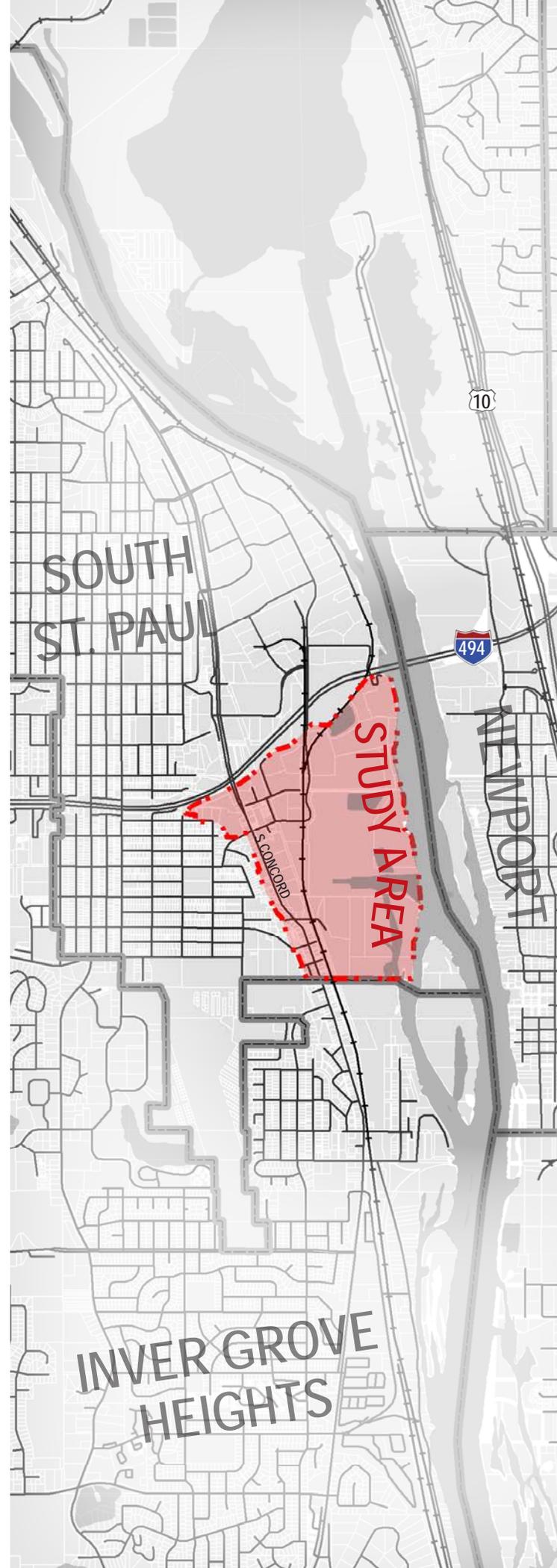


Figure 1. South Concord Corridor Study Area
Sources: MNDOT, Net Council. MNDNR





MARKET STUDY OBJECTIVES

The purpose of the Market Study is to determine the highest-and-best land uses within the Project Area. The City has identified the Study Area as an area with development and redevelopment potential, but the area lacks a cohesive vision. Existing land uses are co-mingled, intermittent and aging leading to non-conformities and other inconsistencies that make redevelopment and development challenging within the corridor. One objective of the Study is to evaluate the market potential for future development and redevelopment. To that end, the following key objectives for the Market Study were identified by the City:

- Through market data determine if the existing/current development pattern constitutes the highest-and-best land use within the Study Area.
- If the existing conditions are not optimal, provide recommendations rooted in market realities for potential land use/development changes within the corridor.
- Based on the outcomes of the highest-and-best land use analysis identifies if any changes to the zoning and land use are necessary to support future redevelopment and/or reinvestment in the Study Area.

RESEARCH METHODOLOGY

The data analyzed within the market study was collected using various resources as identified throughout the report. The data was collected in the third and fourth quarters of 2024. The analysis includes both quantitative and qualitative data as referenced throughout the report. Data collection was supplemented by interviews and conversations with local developers that are active within the submarket area. For the purposes of the market analysis national, regional and local trends within the commercial real estate market were evaluated. The most significant data collection was compiled utilizing the Minnesota Commercial Association of Realtors data.

FINDINGS, OUTCOMES AND ECONOMIC OPPORTUNITIES

The market data analysis focused on four primary commercial development sectors including industrial, office, retail and to a lesser extent multi-family. The industrial, office and retail sectors are all present within the existing land use and development patterns within the Study Area. Known redevelopment plans were included within the analysis. The following findings, outcomes and economic opportunities were identified within the market study:



NATIONAL/REGIONAL TRENDS:

- Both at the national and regional level the industrial market sector continues to experience moderate growth that has largely stabilized over the past two years.
- Industrial development has transitioned from a speculative market during the pandemic peak to build-to-suit as the market contracted to pre-pandemic typical growth patterns.
- The office market remains challenged as work-from-home and hybrid work environments continue to become more common. While some return-to-work mandates have been issued, most companies continue to have hybrid work environments which has reduced the amount of square footage needed and desired by those businesses. As a result, demand for highly amenitized offices and locations are experiencing some demand but suburban office parks and Class B/C offices continue to decline.
- The retail/service sector continues to be strong with increasing demand for experience-based opportunities. Certain types of retail that fit this category do not require traditional retail environments and have relocated into industrial, light industrial, and creative office locations.
- Multi-family development/redevelopment peaked in the latter part of 2023 with continued delivery of new units in 2024. However, in 2024 new permits and builds had declined significantly due to the higher interest rate environment. The recent fed cut in the fourth quarter of 2024 combined with expected additional rate cuts in the first half of 2025 may loosen up the multi-family market, but the delivery of those units will be delayed likely into 2026 or 2027.

LOCAL TRENDS

- The Southeast Submarket area as defined by MNCAR demonstrates that there is continued demand for industrial space within the market particularly for existing space as well as smaller single-tenant spaces that are less than 100,000 square feet.
- The market data shows more than 3.2 million square feet of entitled industrial space that is scheduled to come online within the southeast submarket, if and when, tenants (build-to-suit) are identified. The majority of the entitled and approved projects are for multi-tenant industrial warehouse and distribution space.
- Industrial uses within the submarket have been most successful when the project location is accessible to major transportation infrastructure. The Study Area is well positioned within the region with efficient access to the I-494/I-694 loop, rail and river. The access and geographic proximity to the region make the land desirable especially for industrial users.
- Industrial uses since the pandemic have focused on distribution warehouse space which demands taller clear heights ranging from 28-36'. New industrial space is designed to meet this expectation, but aging buildings that predate the 2010s were not built to meet this expectation. Much of the existing industrial product within the southeast submarket does not meet the modern expectations with typical clear heights ranging from 16-24'.



RECOMMENDATIONS

The following recommendation regarding the highest-and-best uses within the corridor, and subsequent changes to the City's land use and zoning are provided:

- The land use pattern within the Study Area is impacted by existing physical constraints and conditions. The parcel configurations and existing land uses can be organized into subareas (See Figure 2), and the development/redevelopment potential is heavily influenced by the physical characteristics and constraints of the parcel configurations.
- Each Subarea has a different set of physical characteristics, constraints and development/redevelopment opportunities based on the parcel configurations and existing land uses. Land Use recommendations by Subarea are shown on Figure 2. The subareas identified are:
 - » Subarea A – Large Land Parcels
 - » Subarea B – Balanced Land + Building Parcels
 - » Subarea C – Bluff Constrained Parcels
 - » Subarea D – Small Dominant Residential Parcels
- The following summary recommendations are provided by Subarea:
 - » Subarea A – Large Land Parcels: Opportunity sites provide locations for large scale/ footprint industrial development and redevelopment. This subarea has adequate land area to support targeted redevelopment with multi-tenant industrial development that exceeds 100,000 square feet. Industrial uses, including modern clear heights, are best suited to this area. Considerations for access, including rail crossings, should be evaluated in subsequent sections of this Study.
 - » Subarea B – Balanced Land + Building Parcels: Opportunities for development or redevelopment within the subarea may require consolidation and/or combinations to create adequate land area. Existing parcel configurations may support redevelopment for single-tenant industrial uses for buildings with 10,000 to 50,000 square feet and opportunities for outdoor storage. Demand for this type of demand is high and there is a lack of supply within the market.
 - » Subarea C – Bluff Constrained Parcels: The highest-and-best use for the subarea is similar to the existing development pattern. Continued support for a mix of uses will promote infill and redevelopment that responds to market demand. Wholesale redevelopment is unlikely due to the expense associated with consolidation, demolition and the presence of multiple owners within the subarea.
 - » Subarea D – Small Dominant Residential Parcels: The highest-and-best land use for the subarea is similar to the existing development patterns. Residential uses in the corridor support continued opportunities for more affordable home ownership, and this can be protected and reinforced within this subarea. The character of the subarea is different from the other subareas, which makes the continuation of residential uses reasonable.

SUBAREA A: LARGE LAND PARCELS

- Highest-and-best use is for industrial
- Opportunity sites provide significant redevelopment of industrial users
- Multi-tenant industrial buildings with smaller suites (25,000 – 50,000+) are in-demand within the market areas
- The UP Railroad presents both an opportunity and a challenge
- Future development/redevelopment should address additional (and connected) access

SUBAREA B: BALANCED LAND + BUILDING PARCELS

- Opportunities within Subarea B require consolidation/combination of parcels
- Parcel areas support potential redevelopment with smaller single-user industrial buildings (10,000-50,000 SF)
- Parcels within the subarea are not constrained by natural features
- Regulations should address the appropriate site-building balance, and the regulations associated with outdoor storage

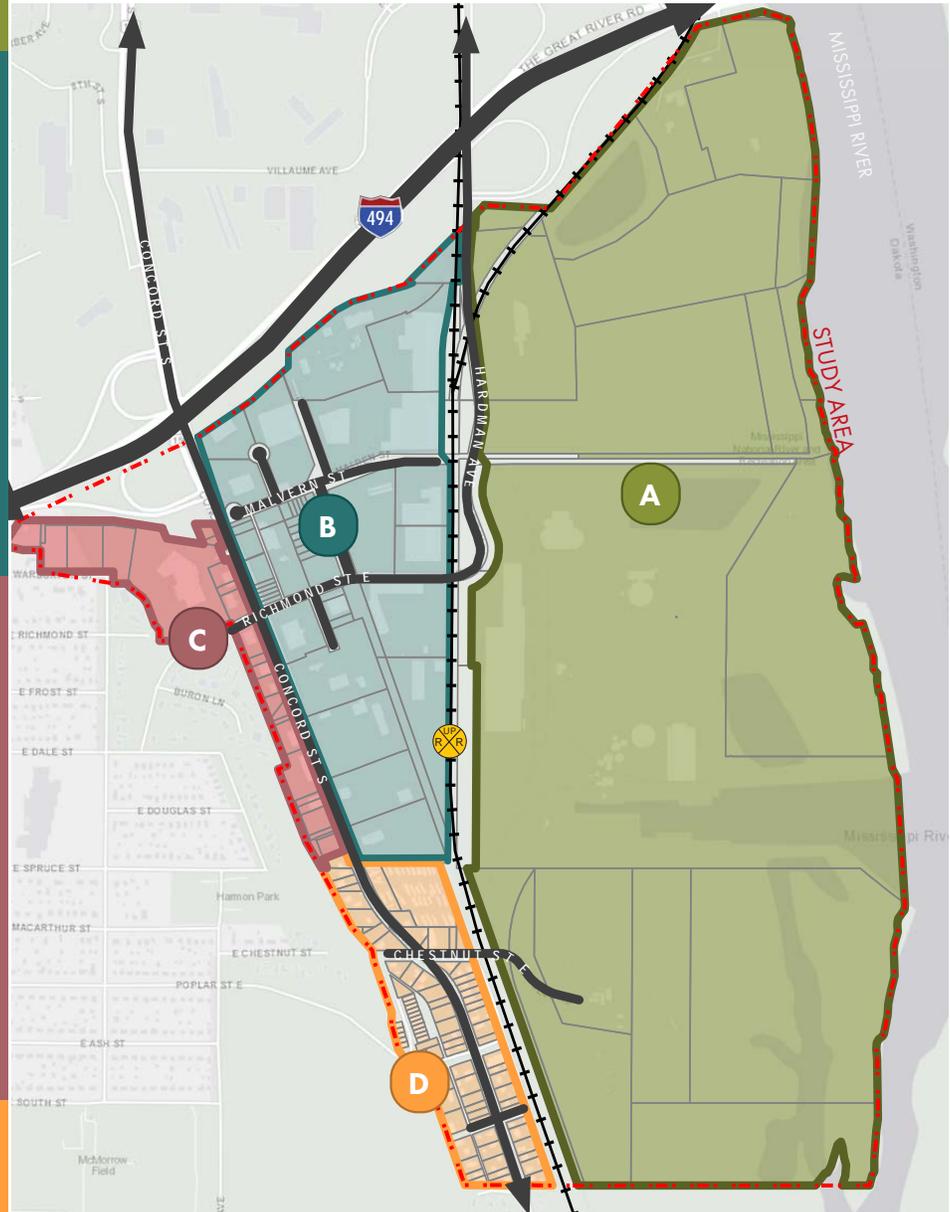
SUBAREA C: BLUFF CONSTRAINED PARCELS

- Highest-and-best use is likely similar to the existing use/development pattern
- Mix of uses provides greatest market potential
- Parcels are generally constrained by physical characteristics, so flexibility of use provides options to property owners
- Conversion and reuse of structures should be addressed within zoning/land use regulations

SUBAREA D: SMALL DOMINANT RESIDENTIAL PARCELS

- Highest-and-best use is likely similar to the existing use/development pattern
- Residential uses in the Subarea provide naturally occurring affordable housing
- Infill and redevelopment will be most marketable if it fits the character of the surrounding area
- Allowing for a mix of properly scaled uses would further support the character of the Subarea

Figure 2. Subarea Recommendations Summary



Sources: FEMA, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community



- Zoning and Land Use Considerations:
 - » Review, and modification where necessary, of the industrial zoning district dimensional standards should be performed as part of the subsequent phases of this Project. Dimensional standards should 1) support the established vision for the Study Area; and 2) respond to market expectations to encourage development and/or redevelopment.
 - » Mixed-use opportunities within the corridor are not likely multi-family dominant. Opportunities for a mix of smaller-scale residential, light industrial, office and makers space is possible particularly within Subarea C. Revisions to the land use plan, as well as rezoning within the subarea should be considered as part of the visioning phase of this Project.
 - » Rezoning within Subarea D should be considered if the City determines that it is important to support and reinforce existing land use patterns. Rezoning would clearly signal a desire to support reinvestment within the existing housing stock while allowing for redevelopment within the subarea with similar residential uses. Consideration of incorporating a mix of small-scale retail/office uses within the rezoning should also be evaluated given current uses and the potential to allow for opportunities to introduce neighborhood scale businesses within the land use pattern.

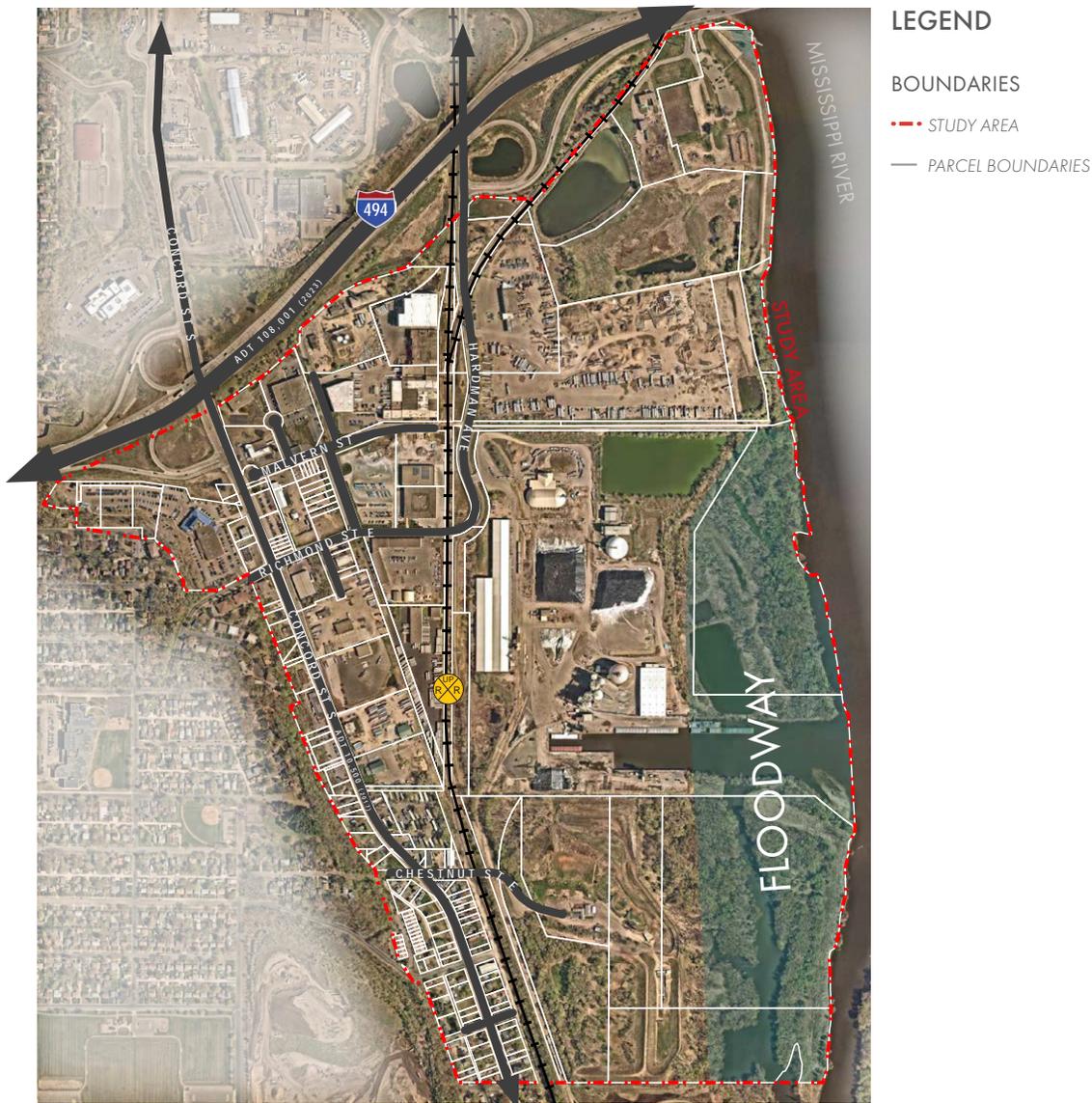




IV. INTRODUCTION + BACKGROUND

The South Concord Corridor Study Area (Study Area) is geographically bound by I-494 on the north, the Mississippi River on the east, Linden Street on the south, and the bluffline west of Concord Street (Figure 3. South Concord Corridor Market Study Area). The Study Area comprises approximately 430 acres surrounding approximately 4,800 linear feet of the Concord Street Corridor. Historically the Study Area has been developed with a mix of uses and development intensities from single-family detached homes to heavy transportation-centric industrial uses. The range of development intensity and uses creates a unique corridor that lacks a cohesive development pattern and character. The City initiated this Study to 1) better understand market trends and likely redevelopment opportunities for the corridor; and 2) to establish a Vision for development and redevelopment rooted in market realities.

Figure 3. South Concord Corridor Market Study Area



Sources: FEMA, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community



MARKET STUDY OBJECTIVES

The purpose of this Market Study is to define the real estate and development context from which a Vision for the corridor can be developed. Past planning efforts in the Study Area lacked market context and ignored the strength of the existing businesses within the corridor, calling for the removal of industrial businesses through the eventual reguiding and rezoning for retail and multifamily residential redevelopment. Given the previous vision, this market analysis considers the viability of mixed-use (retail/multifamily) development within the corridor and considers where, and if, this type of development or redevelopment may be suitable given the physical and socio-economic characteristics of the corridor. Since the mixed-use vision did not gain traction, the existing land uses and development patterns have remained relatively intact for the past decade but little redevelopment has occurred. This market study seeks to answer 1) if the existing/current development pattern constitutes the highest and best use; 2) if current and expected market trends warrant changes to the future land use and development pattern for the area; and 3) what, if any, changes to zoning and land use would support the future redevelopment and/or reinvestment plans in the corridor.

The following report and analysis are structured as follows:

- **Overview of National and Twin Cities Metropolitan Area TCMA Market Trends.** This section will provide a description of the national market trends that impact each commercial real estate sector, followed by TCMA data collected from the Minnesota Commercial Association of Realtors (MNCAR) quarterly market reports for the Office, Industrial and Retail Sectors.
- **South Concord Corridor Market Trend Analysis.** Based on identified National and TCMA trends, further refinement and data of the local market including directly comparable geographic areas to the South St. Paul commercial real estate market is provided.
- **South Concord Corridor – (Macro + Micro Area Analysis).** Building on the market analysis and data collected, an existing condition, land use and zoning analysis will provide a baseline to consider what the recommended highest-and-best use for the corridor.
- **Findings and Recommendations.** The Findings and Recommendations for the corridor are presented, and specific opportunity sites are given a closer look at (re)development potential.



V. NATIONAL AND TWIN CITIES METROPOLITAN AREA (TCMA) MARKET TRENDS

INTRODUCTION

National market trends influence and impact our local market and economy including the real estate industry. As a midwestern state, Minnesota often experiences trends and changes within our real estate market slightly delayed from the coasts where trends are often frequent, fast and can be volatile. In some cases, our geographic position isolates us from trends altogether, or our markets may not experience as much volatility because of size, population and geography. Given that not all trends equally impact us, it is important to evaluate what is happening at the national level and then determine how such activity may or may not affect our real estate market. The following macro-level summary of national economic and real estate characteristics and trends is provided as an overview, and subsequent sections of this report will evaluate the regional, subregional and local market characteristics.

ECONOMIC SNAPSHOT

As of the second quarter of 2024, the US economy was relatively strong and gross domestic product (GDP) was estimated to grow at an annualized rate of 2.8%. Unemployment remained low, though it was an increase of approximately 80 basis points year-over-year from 2023 to 4.3% (Bureau of Labor Statistics). The increase in the unemployment rate is the first significant increase since the pandemic, however, it remains low and has not caused extreme concern by economists yet – though some have indicated some increasing concern over the potential for recession in 2025.

Nationally, the Federal Open Market Committee (FOMC) establishes the interest rates which have been high in an effort to curb inflation. After several years of increasing interest rates, the FOMC cut interest rates by 50 basis points in September, which is the first cut in nearly four (4) years. Per JP Morgan Global Insights, additional interest rate cuts are expected over the next 12-18 months, as inflation is expected to continue its downward trend toward 2% which is the FOMC targeted inflationary rate. Direct impact to reduce consumer interest rates on products such as mortgages and car loans will likely lag behind these cuts, but provided they continue, will eventually be passed onto the borrower.

The national GDP, inflation and interest rates impact the local economy and directly influence the real estate market. Since interest rates peaked over the past couple of years the real estate market has contracted because money is more expensive, and it has been difficult to make projects pencil out making new construction difficult to finance. This has had the effect of a contraction in nearly every commercial real estate market and sector across the US including the TCMA.



COMMERCIAL REAL ESTATE MARKETS/SECTORS

Commercial Real Estate as a market is further segregated into Office, Industrial, Retail/Commercial, and Multifamily Housing sectors. Note that mixed-use that includes multifamily and some commercial/office use are typically grouped with the more dominant principal use – in most cases, that is multifamily. A brief summary of national trends in each sector is provided:

OFFICE SECTOR

Nationally, the Office market sector continues to struggle with high vacancy rates, lower values and many owners/investors either in default or in need of refinancing. This shift is most pronounced in major metropolitan areas with a core Central Business District (CBD). NAIOP, the commercial real estate development association, studies national trends and classifies markets in Large, Medium and Small Markets (Note the Minneapolis/St. Paul market is classified as one of the Largest 51 Markets). As demonstrated in Table 1, the biggest hit in transaction volumes occurred year-over-year from 2022 to 2023, with some further contraction (though not as significant) in 2023/2024. Whether this indicates a bottoming out remains to be seen, however, many believe that the office market is at or approaching its bottom, but recovery will be slow and may not look the same as pre-pandemic.

Table 1. Aggregate Changes in Transaction Volume Among the Largest 102 Office Markets

Office	Q1-over-Q1			
	2022/2019	2023/2022	2024/2023	2024/2019
Largest 51 Markets	31.4%	-72.6%	-18.9%	-70.8%
Second Largest 51 Markets	89.5%	-62.9%	-2.2%	-31.3%
Total Top 102	35.0%	-71.8%	-17.0%	-68.3%

Source: NAICP Market Monitor, 2024

Minneapolis/St. Paul MSA Observations:

Office absorption (when it does happen) over the past couple years has changed with respect to the type of space, square footage per employee, location and amenities demanded. Businesses are trending towards smaller office footprints, in highly amenitized locations that may, or oftentimes is not, in one of the CBDs. This trend towards smaller, amenitized offices is dominating the TCMA market which has significantly impacted vacancy rates in both the Minneapolis CBD and Saint Paul CBD and in large suburban office parks. Per the NAIOP Market Report, the Minneapolis/St. Paul market volatility is classified as moderate which is consistent with recent noted trends, and is similar to other large midwestern markets. Many industry professionals speculate that office market transactions will continue to decline until the ‘bottom’ in asset prices is identified and lower interest rates are available – which we may be approaching in the TCMA according to some local real estate analysts.



The MNCAR Q2 Market Trends Report shows that high vacancy rates remain in the local market, particularly in certain subareas. The Mpls-St. Paul market consists of 126.7 million square feet of space across the 7-county metro area. Total vacancy rates across the entire area were at approximately 18.3% with some areas, including parts of downtown Minneapolis with significantly higher rates. There were just six construction projects active with a total of 1.3 million square feet under construction, but the fact that there was any construction within the office sector could be viewed as a positive indicator. Another positive indicator in the market is that during the second quarter of the year the market’s leasing activity resulted in 299 transactions with more than 1.0 million square feet of absorption. However, the southeast market posted the most negative absorption in the local market with US Bank vacating 329,800 square feet of space, resulting in a total negative absorption in the subarea of 446,000 square feet.

Table 2. Mpls/St. Paul Office Q2 Market Summary

Total Inventory	31.4%
Total Buildings (tracked)	89.5%
Absorption	35.0%
Vacancy	18.3%
Asking Rate (FSG)	\$27.25
New Construction	1,375,466 SF

Source: MNCAR Q2 2024 Office Report

The trend of large companies vacating suburban office campus/businesses parks is consistent with the post-pandemic office trends previously noted (i.e. smaller footprints, in highly amenitized locations, etc.) It is worth noting that several of these large campuses/business parks are within the southeast subarea including Unisys, Blue Cross Blue Shield, Thomson Reuters, and the afore mentioned US Bank, to name a few. Such large campuses are not desirable to the current office market and many, if not all, are being repurposed and redeveloped into other uses that are planned for conversion to industrial, mixed-use, retail and residential uses. Many of these campuses have been placed on the market and are now mostly vacant contributing to the high vacancy rates and for-sale footage identified in the following data.



The following analysis focuses on the southeast subarea, which includes the City of South St. Paul and compares the activity and rates within the subarea to the total Mpls/Saint Paul market for reference. Table 3 provides a summary of all second quarter market statistics by office building class. As shown, the southeast subarea makes up approximately 10% of the total building inventory square footage, but was responsible for nearly 63% of the year-to-date negative absorption across the entire seven-county metro area.

Table 3. Southeast Submarket and Total Q2 Market Area Statistics by Office Building Class

Market	Bldg. Class	# of Buildings	Inventory	Total Available (SF)	Total Vacant (SF)	Total Absorption (SF)	YTD Total Absorption (SF)	Vacancy Rate
Southeast Subarea	A	16	3,781,324	636,577	584,296	-337,358	-318,870	15.5%
	B	124	7,466,629	1,454,026	1,521,833	-74,200	-173,586	20.4%
	C	39	3,142,246	65,521	551,025	-34,533	-45,205	17.5%
	Subtotal	179	14,390,199	2,786,126	2,657,154	-446,091	-537,661	18.5%
Mpls/St. Paul MSA	A	143	52,585,019	11,655,323	10,323,796	-398,375	-547,255	19.6%
	B	724	63,407,303	11,768,359	11,165,295	-172,632	-232,798	17.6%
	C	170	10,765,178	1,530,190	1,734,543	-63,157	-78,241	16.1%
	Total*	1,037	126,757,500	24,953,872	23,223,634	-634,165	-858,294	18.3%

Source: MNCAR Q2 2024 Office Report



As shown in Table 4, vacancy rates are also higher in the southeast subarea as compared to the seven county metro area. As previously noted, there are several large corporate campuses and business parks located in the southeast metro area that have been vacated and put on the market. The square footage associated with these campuses, in some cases, is included within the vacancy rate for the subarea.

Table 4. Southeast Submarket and Total Q2 Market Area - Vacancy Rates

Market	Bldg. Class	Q2 2023 Vacancy Rate	Q3 2023 Vacancy Rate	Q4 2023 Vacancy Rate	Q1 2024 Vacancy Rate	Q2 2024 Vacancy Rate
Southeast Subarea	A	6.6%	6.9%	7.0%	6.5%	15.5%
	B	19.3%	18.8%	18.7%	20.3%	20.4%
	C	16.9%	16.6%	16.7%	16.4%	17.5%
	Subtotal	15.5%	15.2%	15.2%	15.8%	18.5%
Mpls/St.Paul MSA	Total *	13.7%	14.3%	14.3%	15.1%	15.6%

Source: MNCAR Q2 2024 Office Report, Q2 2024 Mpls/St. Paul Office, Market Trends, REDi Moody's, MNCAR

*Total excludes all Minneapolis CBD subareas.

The lease rate in the southeast subarea blended across all building types is approximately 15% lower than the lease rates across the seven-county metropolitan area. Table 5, demonstrates continuing decline in the lease rates across all building classes, except within Class A buildings which showed signs of stabilization in the first two quarters of 2024.

Table 5. Southeast Submarket and Total Q2 Market Area – Lease Rates (Direct + Sublease)

Market	Bldg. Class	Q2 2023 Lease Rate	Q3 2023 Lease Rate	Q4 2023 Lease Rate	Q1 2024 Lease Rate	Q2 2024 Lease Rate
Southeast Subarea	A	\$30.16	\$30.19	\$29.99	\$28.65	\$28.65
	B	\$22.85	\$23.16	\$22.84	\$23.79	\$23.42
	C	\$18.67	\$17.93	\$18.60	\$18.34	\$17.81
	Blended Subarea	\$22.92	\$23.04	\$22.61	\$23.24	\$22.93
Mpls/St.Paul MSA	Total *	\$26.51	\$26.87	\$26.74	\$27.08	\$27.25

Source: MNCAR Q2 2024 Office Report

*Total excludes all Minneapolis CBD subareas.



INDUSTRIAL SECTOR

The Industrial market sector continues to perform well; however, net absorption is trending down significantly (though many suggest more towards a normalized market) since the pandemic peak of 2021/2022. Per the NAIOP Quarterly Report, “total U.S. industrial net absorption in the first half of 2024 totaled 67.1 million square feet, down substantially from a historic peak in absorption in 2021, when it totaled 749.3 million square feet for the year...” During the peak, demand for warehouse/distribution space was driven by shifting expectations of consumers for same-day delivery of goods which was driven by the COVID pandemic. Contraction in the industrial market came as a result of increased interest rates over the past couple of years and the slowing of retailer logistics space to serve e-commerce deliveries.

Table 6. Aggregate Changes in Transaction Volume Among the Largest 102 Industrial Markets

Office	Q1-over-Q1			
	2022/2019	2023/2022	2024/2023	2024/2019
Largest 51 Markets	62.0%	-44.8%	-12.0%	-21.3%
Second Largest 51 Markets	92.3%	-56.1%	17.9%	-0.4%
Total Top 102	65.3%	-46.4%	-8.5%	-18.7%

Source: NAACP Market Monitor, 2024

Recent demand for industrial space is once again largely attributed to the strong retail market and continued growth trajectory in the e-commerce industry. E-commerce reached 15.9% of total retail sales in the first quarter of 2024, up from 14.9% in the prior year and is approaching the historical peak of 16.4% which occurred in the second quarter of 2024 . Demand for distribution and last-mile facilities continues to grow, which places secondary pressure on other industrial building types that may be converted to serve the e-commerce industry.

Since the pandemic peak, industrial has contracted and adjusted towards a more normalized growth trend line that was present pre-pandemic. Per the NAIOP Industrial Space Demand Forecast, “Total net absorption for the second half of 2024 is forecast to be approximately 114 million square feet, full-year absorption in 2025 is forecast to be around 249 million square feet, and absorption in the first half of 2026 is forecast to be approximately 154 million square feet...” The forecast assumes that there is no significant macroeconomic impact such as recession and assumes that there will be a gradual lowering of interest rates as inflation falls and employment remains relatively stable . Vacancy rates year-over-year have increased slightly, but still remain the average of 6.3%. Rents are up year-over-year 4.3% which is consistent with a healthy market, and are likely to continue to grow provided there is no macroeconomic shock in the economy.



Minneapolis/St. Paul MSA Observations:

Per the Minnesota Commercial Association of Realtors (MNCAR) Q2 2024 Industrial Market Report, the TCMA industrial market consists of 295.4 million square feet of industrial space in eight counties. The year-to-date total industrial space absorption in 2024 is approximately 1.1 million square feet of positive absorption. The overall vacancy rate for the quarter was 5.3% with slightly higher vacancies reported for multi-tenant buildings. As of Q2 2024, there was 3.3 million square feet of space in 29 projects under construction, and 3.1 million square feet has been brought online this year. South St. Paul is within the MNCAR southeast submarket, which performed better than all other submarkets for the quarter with 456,700 square feet of positive absorption. This information is summarized in Table 7.

Table 7. Mpls/St. Paul Industrial Q2 Market Summary

Total Inventory	295,421,375 SF
Total Buildings (tracked)	3,309
Absorption	228,025 SF
Vacancy	5.3%
Asking Rent Low (NNN)	\$8.43
Asking Rent High (NNN)	\$11.17
New Construction	3,294,792 SF

Source: MNCAR Q2 2024 Industrial Report





Table 8 provides a summary of market statistics by market area for each property type year-to-date. The Southeast subarea has higher vacancy rates in the Flex/R&D and Warehouse Distribution Space than other subareas. The vacancy rates and available space can be attributed to some of the large suburban campuses on the market, and some of the new warehouse/distribution spaces that were built on spec over the past couple of years in the Woodbury and Cottage Grove markets.

Table 8. Southeast Submarket and Total Q2 Market Area Statistics by Industrial Property Type

Market	Property Type	# of Buildings	Inventory	Total Available (SF)	Total Vacant (SF)	Total Absorption (SF)	YTD Total Absorption (SF)	Vacancy Rate
Southeast Subarea	Flex/R&D	132	8,058,622	1,337,070	908,559	-46,464	-41,427	11.3%
	Warehouse Distribution	145	28,456,236	2,880,908	2,685,157	325,708	586,112	9.4%
	Warehouse Office	419	26,233,039	1,254,682	612,582	177,510	332,178	2.3%
	Subtotal	696	62,747,897	5,472,660	4,206,244	456,754	876,863	6.7%
Mpls/St. Paul MSA	Total *	3,309	295,421,375	22,952,465	15,793,925	228,025	1,178,523	5.3%

Source: MNCAR Q2 2024 Industrial Report

*Total excludes all Minneapolis CBD subareas.





When comparing vacancy rates year-over-year, the southeast subarea has remained relatively flat with no significant changes within the property types except warehouse distribution which increased by nearly 5% between 2023 Q3 and Q4. The increase in vacancy within this property type represents nearly 5% higher vacancy rates within this property type as compared to the eight-county metropolitan area. This indicates that there may be an oversupply of this product type, at least in the near term. Notably, the Warehouse Office property type is below the blended vacancy rate within the metropolitan area, which indicates there may be some additional demand for new warehouse/industrial space. Generally, the vacancy rates in all other industrial property types indicate that there continues to be available SF, and that some larger spaces have either not found tenants or there is negative absorption occurring within the southeast subarea.

Table 9. Southeast Submarket and Total Q2 Market Area - Industrial Vacancy Rates

Market	Bldg. Class	Q2 2023 Vacancy Rate	Q3 2023 Vacancy Rate	Q4 2023 Vacancy Rate	Q1 2024 Vacancy Rate	Q2 2024 Vacancy Rate
Southeast Subarea	Flex/R&D	10.3%	11.1%	10.8%	10.7%	11.3%
	Warehouse Distribution	5.3%	4.8%	9.6%	9.4%	9.4%
	Warehouse Office	2.0%	2.5%	3.2%	2.8%	2.3%
	Subtotal	4.6%	4.7%	7.1%	6.8%	6.7%
Mpls/St.Paul MSA	Total *	3.9%	4.3%	4.9%	5.0%	5.3%

Source: MNCAR Q2 2024 Office Report

* Total excludes all Minneapolis CBD subareas.





As shown in Table 10, the average low and high lease rates by property type within the southeast area are approximately 5-10% less than the eight-county metropolitan area average rates. While there is likely some correlation between the higher vacancy rates in the subarea and lower lease rates there are likely other metrics such as the age of the building stock, clear heights, and size that also impact the lease rates.

Table 10. Southeast Submarket and Total Q2 Market Area - Industrial Lease Rates

Market	Property Type	Q2 2023 Avg. Lease Rate		Q3 2023 Avg. Lease Rate		Q4 2023 Avg. Lease Rate		Q1 2024 Avg. Lease Rate		Q2 2024 Avg. Lease Rate	
		Low	High								
Southeast Subarea	Flex/R&D	\$7.97	\$10.92	\$8.24	\$10.71	\$8.91	\$11.99	\$8.20	\$12.17	\$8.32	\$12.16
	Warehouse Distribution	\$6.75	\$6.75	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25	\$6.25
	Warehouse Office	\$5.54	\$9.54	\$5.65	\$9.45	\$5.10	\$8.21	\$5.81	\$8.06	\$6.17	\$9.81
	Subtotal	\$7.28	\$10.38	\$7.49	\$10.17	\$7.80	\$10.76	\$7.56	\$10.93	\$7.46	\$11.08
Mpls/St.Paul MSA	Total *	\$7.92	\$11.20	\$8.10	\$11.31	\$8.21	\$11.47	\$8.33	\$11.21	\$8.43	\$11.17

Source: MNCAR Q2 2024 Industrial Report

*Total excludes all Minneapolis CBD subareas.

The industrial market is continuing to deliver new square footage to the market with a notable shift towards build-to-suit. Tables 11 and 12 show new industrial under construction and newly delivered space as of the second quarter of 2024. The southeast submarket has the most industrial space under construction by nearly double compared to any other submarket.

Table 11. Industrial (all Property Types) Under Construction Q2 2024

Submarket Area	Building SF
Northeast	660,693 SF
Northwest	597,809
Southeast	1,280,639
Southwest	616,751
West	138,900
TOTAL	3,294,792

Source: MNCAR Q2 2024 Industrial Report

Table 12. Year-to-Date Deliveries 2024

Submarket Area	Building SF
Northeast	401,592
Northwest	1,251,464
Southeast	811,589
Southwest	718,666
TOTAL	3,183,311

Source: MNCAR Q2 2024 Industrial Report



RETAIL/COMMERCIAL SECTOR

The retail sector, which includes some experience-based retail, continues to be strong throughout the nation. Prior to the pandemic the retail sector had contracted significantly as e-commerce increased. Given that the most significant contraction occurred prior to the pandemic, the retail sector stabilized a bit during the pandemic even when stores were closed to the public. In the years since the pandemic, the retail sector has continued to recover, albeit in a different manner that now balances both in-person and e-commerce to meet consumer demand.

As reported in the Jones Lang Lasalle (JLL) U.S. Retail Dynamics -Q2 2024 research report , the retail sector experienced approximately 7,702,288 square feet of positive absorption across all retail subtypes in the second quarter. This positive absorption was strongest in the General Retail subtype which is defined as single-tenant freestanding general-purpose commercial buildings that have associated on-site parking.

The report notes an increase in specific subtypes and also identifies certain retailers that were most active within the quarter. Experiential tenants were active in the quarter which includes operators such as Sky Zone, Altitude Trampoline Park and Club Pickleball. These types of tenants often seek spaces off of the retail main street and are looking at building types such as office/industrial conversions where lease rates are lower. Discount retailers remain the most active with retailers such as Kohl's, Dollar Tree, Bob's Discount Store and Nordstrom Rack specifically noted. Other retailers such as Planet Fitness, Club Pilates and food services included Wingstop, Krispy Kreme and Crumbl Cookies were noted.





Minneapolis/St. Paul MSA Observations:

The Minneapolis-St. Paul seven county metropolitan area has continued to experience lower than national average unemployment rates, with job growth in the retail, leisure and hospitality sectors. According to the Bureau of Labor Statistics (BLS), the Mpls/St. Paul seven county metro area had an unemployment rate of 2.6% which was 30 basis points when compared to Q2 2023. The relatively strong economy is supporting a relatively strong retail real estate market over the past couple of years, which is consistent with national trends. As shown in Table 13, vacancy rates remain relatively low at 7.8%, though are slightly higher in multi-tenant retail buildings, which is higher than national rates which are hovering around 4-4.5%. Some of the discrepancy can be associated to the high vacancy rate in the regional malls – which is also the highest property type vacancy rate in the market nationally. The southeast submarket has the lowest vacancy rates compared to all other submarkets with a vacancy rate of 5.9%, while the Minneapolis CBD had the highest vacancy rate at 32.5%. More than a half of a million square feet of retail space is under construction as of the second quarter of 2024, and approximately 171,000 square feet of retail space had been delivered year-to-date.

Table 13. Mpls/St. Paul Retail Q2 Market Summary

Total Inventory	93,546,215 SF
Total Buildings (tracked)	1,929
Absorption	187,083 SF
Vacancy	7.8%
Asking Rate (NNN)	\$18.54
New Construction	591,925 SF

Source: MNCAR Q2 2024 Retail Report



As shown in Table 14, certain property types are performing better than others within the southeast submarket.

The Neighborhood Centers are the second largest property type within the retail sector, and have the highest amount of positive absorption over the year despite a 6.4% vacancy rate. This is in contrast to the community center, freestanding/big box and mixed-us properties that all lost tenancy and posted negative absorption over the same period. When the southeast submarket is compared to the Minneapolis/St. Paul seven county metropolitan area, the vacancy rate is nearly 2% lower, indicating that the submarket remains relatively strong within the region.

Table 14. Southeast Submarket and Total Q2 Market Area Statistics by Retail Property Type

Market	Property Type	# of Buildings	Inventory	Total Available (SF)	Total Vacant (SF)	Total Absorption (SF)	YTD Total Absorption (SF)	Vacancy Rate
Southeast Subarea	Community Center	20	3,342,689	251,644	463,910	1,607	-28,435	13.9%
	Freestanding/ Big Box	184	12,155,369	243,516	243,516	0	-73,262	2.0%
	Mixed Use	30	1,004,788	89,749	78,920	-15,167	-24,826	7.9%
	Neighborhood Center	110	6,051,601	510,040	385,123	49,391	56,941	6.4%
	Regional Center	1	609,991	206,374	206,374	0	0	33.8%
	Strip Center	211	3,077,399	211,943	180,999	-5,769	-15,091	5.9%
	Blended Subtotal	556	26,241,837	1,513,266	1,558,842	3,062	-84,673	5.9%
Mpls/St. Paul MSA	Total *	1,929	93,546,215	6,587,823	7,331,439	187,083	112,614	7.8%

Source: MNCAR Q2 2024 Retail Report

*Total excludes all Minneapolis CBD subareas.



The blended retail lease rates within the southeast submarket are approximately 3-5% less than the Minneapolis/St. Paul seven county metropolitan area but are generally comparable. As shown in Table 15, The Strip Center retail subtype posted the strongest lease rates in the market and exceeded the blended regional rate.

The blended retail lease rates within the southeast submarket are approximately 3-5% less than the Minneapolis/St. Paul seven county metropolitan area but are generally comparable. As shown in Table 15, The Strip Center retail subtype posted the strongest lease rates in the market and exceeded the blended regional rate.

Table 15. Southeast Submarket and Total Q2 Market Area – Retail Lease Rates (NNN)

Market	Bldg. Class	Q2 2023 Lease Rate	Q3 2023 Lease Rate	Q4 2023 Lease Rate	Q1 2024 Lease Rate	Q2 2024 Lease Rate
Southeast Subarea	Community Center	\$17.00	\$17.00	\$17.00	\$17.00	\$17.00
	Freestanding/Big Box	\$11.00	\$11.00	\$11.00	\$11.00	\$11.00
	Mixed Use	\$16.50	\$16.67	\$16.50	\$15.63	\$15.63
	Neighborhood Center	\$14.35	\$14.35	\$15.17	\$15.33	\$15.43
	Regional Center					
	Strip Center	\$19.22	\$21.08	\$20.71	\$20.99	\$21.64
	Blended Submarket	\$16.84	\$17.86	\$17.99	\$18.15	\$17.76
Mpls/St. Paul MSA	Total *	\$17.52	\$18.03	\$18.40	\$18.40	\$18.54

Source: MNCAR Q2 2024 Retail Report

*Total excludes all Minneapolis CBD subareas.



As of the second quarter, retail leasing activity was strongest in the southeast submarket with approximately 176,608 square feet of absorption. As shown in Table 16, the southeast submarket represents 40% of the total square footage absorbed in the Minneapolis/St. Paul seven county metropolitan area. Likewise, in Table 17, approximately 255,235 square feet of retail space was sold, which is nearly 20% of the total square footage sold.

Table 16. Year-to-Date Retail Lease 2024

Submarket Area	Building SF
Mpls CBD	14,604
Northeast	68,113
Northwest	51,542
Saint Paul CBD	158
Southeast	176,608
Southwest	89,754
West	11,903
TOTAL	412,682

Source: MNCAR Q2 2024 Retail Report

Table 17. Year-to-Date Sold 2024

Submarket Area	Building SF
Mpls CBD	17,439
Northeast	685,511
Northwest	90,083
Saint Paul CBD	2,000
Southeast	255,235
Southwest	138,953
West	104,675
TOTAL	1,293,896

Source: MNCAR Q2 2024 Retail Report

There was nearly 600,000 square feet of retail space under construction in the first half of 2024, and approximately 170,000 square feet of space had been delivered. Of the total for the metropolitan area, approximately 200,000 square feet of space in the southeast submarket has either been delivered or was under construction. (Tables 18 and 19)

Table 18. Retail (all Property Types) Under Construction Q2 2024

Submarket Area	Building SF
Mpls CBD	74,891
Northeast	89,278
Northwest	42,500
Southeast	163,451
Southwest	204,705
West	17,100
TOTAL	591,925

Source: MNCAR Q2 2024 Retail Report

Table 19. Year-to-Date Deliveries 2024

Submarket Area	Building SF
Mpls CBD	74,891
Northeast	89,278
Northwest	42,500
Southeast	163,451
Southwest	204,705
West	17,100
TOTAL	591,925

Source: MNCAR Q2 2024 Retail Report



MULTIFAMILY HOUSING

As interest rates increased over the past couple of years, the number of new multifamily projects and housing units decreased. However, many projects were in the pipeline before significant increases and therefore delivery of those units/projects to the market was delayed. In 2024, those units/projects were delivered, bringing approximately 440,000 new units online, with an additional 900,000 under construction and expected to be delivered to the market in the next 6-12 months. The number of units, nationally, represents a slight oversupply of units leading to a slight uptick in vacancy and deceleration in rent growth.

Despite the slight oversupply, overall demand should keep occupancy rates at about 94% which remains a fairly balanced market.

In the first half of 2024, interest rates remained elevated and volatile, which has affected transaction volume in the multi-family sector. According to Fannie Mae, cap rates have been steadily increasing which has led to a cap rate spread that is less than half the long-run average going back to 2021. Cap rate increases have occurred while property prices fell nearly 19% from their high in 2022. Some modest rebound from 2023 estimates could occur in the second half of the year if market conditions improve.

Minneapolis/St. Paul MSA Observations:

The multi-family housing sector hit its peak a couple of years ago when interest rates were low and demand for housing was high. Over the past two years 20,000 new apartments have been delivered in the Minneapolis/St. Paul metropolitan area, but that construction peak is expected to taper off significantly in the coming years. As reported by the Minnesota Star Tribune, market rate multi-family construction is expected to decelerate in 2024, with further contraction in 2025 with new permits down significantly from the past few years. Over the past two years, more than 60% of all new apartment construction has been in the southwest metro and in Minneapolis where absorption has remained relatively high. Based on Marquette Advisors data, the average monthly rent at the end of March 2024 was 3.6% higher year-over-year. Rent growth is expected to continue as the supply becomes further depleted. Vacancies are less than 4% in many suburban markets, which is anticipated to be further reduced with the lack of construction activity in the market over the next couple of years. Locally, investors and developers are projecting that new projects will become more viable as interest rates come down but there will still be a lag in the delivery of those units because they are not yet entitled or under construction.



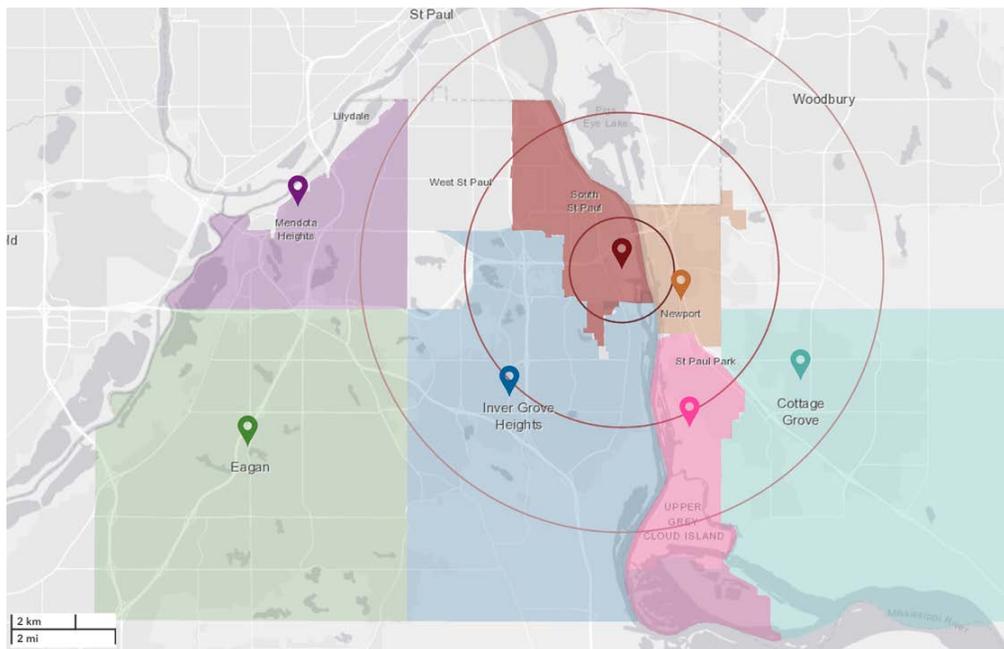
IV. SOUTH CONCORD CORRIDOR SUBMARKET TREND ANALYSIS

INTRODUCTION

National, Regional and subregional market trends have an impact on the local level, but to determine potential demand within the South Concord Corridor further refinement of the data is necessary. The submarket analysis that follows utilizes the same Minnesota Association of Commercial Realtors (MNCAR) dataset, but further refines the southeast submarket geographic area to better align with the market conditions in the City of South St. Paul South Concord Corridor.

As shown in Figure 4, the Concord Submarket area is a subset of the southeast submarket area and includes the cities of Inver Grove Heights, Eagan, Newport, Cottage Grove, Mendota Heights and Saint Paul Park as comparable. Because the Concord Submarket is smaller than the southeast submarket area previously described, the data contained in this analysis is not limited to the most recent quarters. Therefore, the data must be considered for the time it was recorded and whether the data point is from the pre-pandemic or post-pandemic era.

Figure 4. South Concord Corridor Market Study Area



EAGAN	MENDOTA HEIGHTS	INVER GROVE HEIGHTS	NEWPORT	COTTAGE GROVE	ST. PAUL PARK
<ul style="list-style-type: none"> Population (2024): 69,287 Located approximately 5-miles from study area Located along the river Access to major roadways 	<ul style="list-style-type: none"> Population (2024): 11,622 Located approximately 5-miles from study area Located along the river Access to major roadways 	<ul style="list-style-type: none"> Population (2024): 36,596 Located approximately 1-mile from study area Located along the river Access to major roadways 	<ul style="list-style-type: none"> Population (2024): 4,111 Located approximately 1-mile from study area Located across the river from study area Access to major roadways Similar industrial district 	<ul style="list-style-type: none"> Population (2024): 43,704 Located approximately 3-miles from study area Access to river and major roadways 	<ul style="list-style-type: none"> Population (2024): 5,835 Located approximately 3-miles from study area Access to river and major roadways Similar industrial district



MNCAR SOUTHEAST SUBMARKET FINDINGS

This section builds on the MNCAR southeast submarket data and responds to the existing land use pattern in the South Concord Corridor Study Area. The Study Area is predominantly developed for industrial uses, with some single-family residential uses on the south end and intermittent retail uses along the Concord Street Corridor. As shown in the previous section, the office market continues to contract and there is an oversupply with the southeast submarket; therefore, the recommendations contained in this report do not recommend guiding land within the Study Area for traditional business park or office uses. The MNCAR southeast submarket analysis also demonstrated that retail uses can be viable, but the type of retail and prime locations are necessary in today's market. Given that retail in the corridor is likely to remain intermittent (similar to the existing pattern), the southeast submarket analysis is adequate and no further analysis in the Corridor submarket is needed. Instead, recommendations regarding permitted/conditionally permitted retail uses are incorporated into the subarea analysis.

As demonstrated by the southeast submarket analysis, within the region, the industrial market is the strongest with the lowest vacancies and subsequently likely the most short-term demand. Demand for industrial space type is also a factor, and therefore understanding the local submarket is important to be able to identify what types of buildings and uses might be most viable within the Study Area. Further, distinctions between multi-tenant and single-tenant industrial uses should be considered. Market data collected as part of the southeast submarket analysis demonstrates that single-tenant spaces perform better, both from a rental rate and vacancy rate perspective, than multi-tenant spaces. This is further evaluated in the subsequent analysis.

Finally, the residential market within the Study Area is also different than the commercial multifamily housing market identified in previous sections. Therefore, digging into the existing single-family housing market in the Corridor Submarket will help inform the ultimate recommendations for the continued low-density residential uses in the Study Area.





INDUSTRIAL SECTOR ANALYSIS – SOUTH CONCORD CORRIDOR MARKET AREA

The Concord Submarket area industrial sector analysis includes the City of South St. Paul, and comparable cities including Eagan, Mendota Heights, Inver Grove Heights, Newport, Cottage Grove, and Saint Paul Park. The following table (Table 20) summarizes the physical characteristics that make it a comparable city.

Table 20. Comparable City Analysis

	Eagan	<ul style="list-style-type: none"> • Industrial zoned property similar proximity/accessibility to I-494 • Active Railroad through Industrial Park • Similar building age • Similar/comparable clear heights • Dakota County – similar tax rates, etc.
	Mendota Heights	<ul style="list-style-type: none"> • Industrial zoned property similar proximity/accessibility to I-494 • Similar building age • Similar/comparable clear heights • Dakota County – similar tax rates, etc.
	Inver Grove Heights	<ul style="list-style-type: none"> • Industrial land located with proximity to major highways/interstate • Similar building age (older industrial park area) • Similar clear heights (older industrial park area) • Dakota County – similar tax rates, etc.
	Newport	<ul style="list-style-type: none"> • Industrial zoned property similar proximity/accessibility to I-494 from Hwy 61 • Active Railroad through Industrial Park • Industrial area adjacent to Mississippi River • Similar building age • Similar clear heights
	Cottage Grove	<ul style="list-style-type: none"> • Industrial land located with proximity to major highways/interstate • Active Railroad through Industrial Park • Similar building age (older industrial park area) • Similar clear heights (older industrial park area)
	Saint Paul Park	<ul style="list-style-type: none"> • Industrial zoned property similar proximity/accessibility to I-494 from Hwy 61 • Active Railroad through Industrial Park • Industrial area adjacent to Mississippi River • Similar building age • Similar clear heights



Table 21 summarizes the sales data in the Concord Submarket over the past 10 years. Because the data is somewhat limited, a 10-year time period was utilized for data collection. Sold data is the most informative because it indicates at what price the market will transact business. Both the Median and Average sales price per square foot are shown because the Median can often times be a better indicator of whether there is a significant spread in the data. For example, the South St. Paul market age is consistent with construction of buildings predominantly in the 1970s – 1990s; whereas the Cottage Grove market has new buildings in combination with older buildings so the average skews higher while the median is much older.

Table 21. Concord Area Submarket Industrial Sales (2019-2024 Yr)

City		Building Size	Ceiling Height	% Building	Sale Price/SF	Year Built
South Saint Paul	Average	16,651	19	26%	\$74.01	1981
	Median	8,800	18	25%	\$74.47	1979
Eagan	Average	44,000	23	21%	\$95.10	1991
	Median	40,160	23	23%	\$93.37	1996
Mendota Heights	Average	80,826	25	29%	\$99.35	1991
	Median	64,550	22	25%	\$99.35	1997
Inver Grove Heights	Average	34,598	23	19%	\$73.23	1980
	Median	25,756	23	14%	\$70.07	1982
Newport	Average	19,877	21	10%	\$75.61	1991
	Median	11,200	21	25%	\$72.58	1986
Cottage Grove	Average	96,907	21	30%	\$102.34	1993
	Median	52,778	22	27%	\$97.01	1994
Saint Paul Park	Average	12,680	18	26%	\$101.02	1988
	Median	13,057	18	22%	\$101.02	1991
All	Average	43,402	21	24%	\$88.66	1987
	Median	28,271	22	23%	\$93.37	1991

Source: MNCAR REDI, September 2024



Table 22 shows lease data across the local Concord Submarket area. The data demonstrates that the City of South St. Paul’s rents are approximately 5-15% less than comparable cities in the Concord Submarket area but that clear heights and average age are also lower which decreases lease rates. The cities with the highest rent rates also have higher ceiling heights approaching 30+ feet and the buildings are younger. When comparing these rates to the Southeast Submarket in Table 10, the average rental rate in South St. Paul is approximately 10% lower than the average rental rates. Most of the leases signed in the past six years are associated with the Bridgepoint Drive campus which is a multi-tenant industrial space that is divided into small industrial condos. Per the MNCAR industrial report, multi-tenant industrial spaces have slightly higher vacancy rates which may be contributing to a lower lease rate per square foot to attract interest and improve occupancy rates.

Table 22. Concord Area Submarket Industrial Lease (2019-2024 Yr) TO BE UPDATED

City		Building Size	Ceiling Height	Year Built	Rent Rate
South Saint Paul	Average				
	Median				
Eagan	Average				
	Median				
Mendota Heights	Average				
	Median				
Inver Grove Heights	Average				
	Median				
Newport	Average				
	Median				
Cottage Grove	Average				
	Median				
Saint Paul Park	Average				
	Median				
All	Average				
	Median				

Source: MNCAR REDI, September 2024



There are limited industrial properties for sale in the Concord Submarket area and many are listed with negotiable asking prices. In the current market, both Inver Grove Heights and Newport have not existing industrial space for-sale. Of those that are listed, industrial properties with lower clear heights (less than 20 feet) and that are older than 20 years are generally listed between \$90 and \$120 per square foot, while newer buildings and the industrial condo property types garner higher rents per square foot. The listing prices are higher than what the buildings have sold for as shown on Table 21. The following table (Table 23) identifies current listings and total available square footage.

Table 23. For Sale, Active Market

Address	City	SF	Listing Price	\$/SF
205 Hardman Ave S	SSP	58,836	\$5,400,000	\$92.63
165-167 Bridgepoint Dr	SSP	8,658	\$1,000,000	\$116
1200 Trapp Rd	Eagan	89,951	Negotiable	NA
2805 W Service Rd	Eagan	48,062	\$6,000,000	\$124.84
3000 Ames Crossing Road	Eagan	116,549	Negotiable	NA
3199 Pilot Knob Rd	Eagan	312,495	Negotiable	NA
3285 Northwood Cir	Eagan	44,511	Negotiable	NA
3370 Mike Collins Dr	Eagan	20,096	\$2,700,000	\$134.36
511 Moto Dr (condo)	Eagan	1,204	\$275,000	\$228.41
521 Classic Ct	Eagan	2,832	\$595,000	\$210.10
8200 97th St	Cottage Grove	44,650	\$5,581,250	\$125
100th St S & Jamaica	Cottage Grove	180,000	Negotiable	NA
9800 Hemingway Ave	Cottage Grove	46,591	\$5,060,000	\$108.60
2500 Lexington	Mendota Heights	13,975	\$2,750,000	\$196.77
1315 Mendota Heights Rd	Mendota Heights	70,000	\$8,000,000	\$114.29
2400 Pilot Knob Rd	Mendota Heights	38,083	\$6,000,000	\$157.55
TOTAL SF AVAILABLE:		1,096,493		



Current lease offerings identify negotiable terms for most listings, especially those that are new to the market and have not been previously leased. As shown in Table 24, asking rents are consistent across all cities within the Concord Submarket with the higher end of the lease rate associated with newer construction and/or office-warehouse space. Most listings provide separate rates for warehouse versus warehouse/office space as opposed to providing a blended rate. As shown in both Table 24 and Table 25, there is more than three (3) million square feet of proposed industrial space that has not yet been constructed. This space is accounted for within the active market but is considered “build to suit” and could not be delivered for 12-24 months.

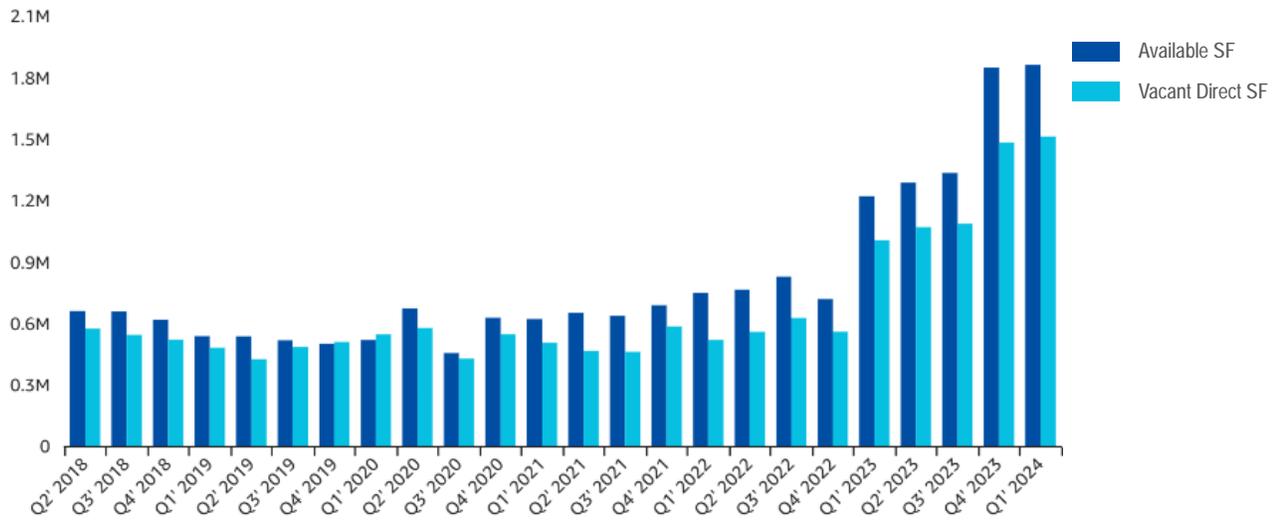
Table 24. Total Industrial for Lease by City, Active Market

City	For Lease	Rent \$/SF - Range
South St. Paul	67,494	\$7 - 12
Inver Grove Heights	436,361	\$8 - 16
Eagan	1,148,973	\$7 - 14
Mendota Heights	284,249	\$8 - 16
Newport	18,600	\$10
Cottage Grove	3,635,932	NA
St. Paul Park	190,308	\$8 - 18
Sub Total (Proposed + Existing)		5,849,847
Proposed (Table 25)		(3,206,500)
TOTAL Existing		2,643,347



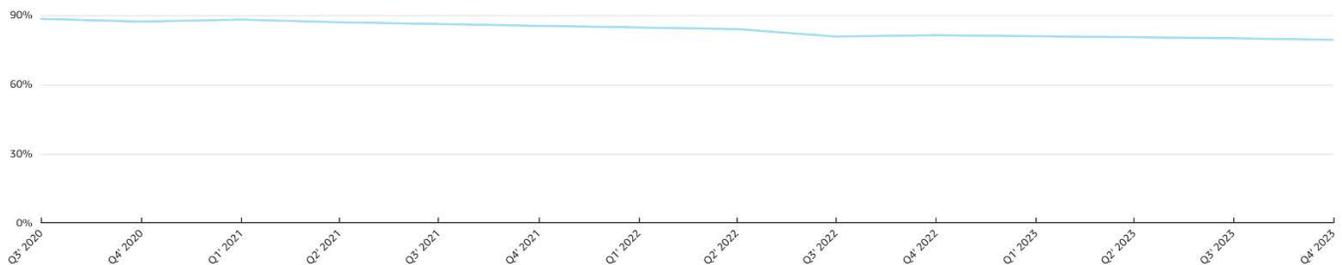
Vacant and available space is tracked separately to differentiate between space that is no longer occupied, and space that is anticipated to become available that is still leased and/or occupied by a tenant that will soon vacate. Figure 5 shows both increasing available square footage and vacant square footage in Q4 2023 and Q1 2024. As shown, in Q1 2024 nearly 2 million square feet were available across the Concord submarket, and of that approximately 1.5 million square feet were vacant. Based on the information contained in Table 24, this trend appears to be increasing rather than trending downward.

Figure 5. Concord Submarket Vacant Space and Available SF



Shown as occupancy rates, the same data demonstrates a slow decline in occupancy rates over a similar time period. As shown on Figure 6, in Q4 2023 occupancy rates were below 90% which matches up with the delivery of new square footage in the Cottage Grove market as shown on Table 24.

Figure 6. Concord Submarket Occupancy Rate





In addition to the active for sale and for lease market for existing inventory, there are several build-to-suit and speculative buildings proposed in the Concord Submarket area. The following projects are in various stages of development and entitlement. The Cottage Grove Logistics Park accounts for more than 80% of the proposed square footage within the Concord Submarket.

Table 25. Built-to-Suit and/or Under Construction (Proposed)

Development Name	City	Proposed SF (Land)	Approved (Y/N)	Notes
Yankee Doodle	Eagan	50,000	Y	
Cottage Grove Logistics Park (Buildings 3 – 9)	Cottage Grove	2,613,000	Y	Building 1 and 2 are constructed; Bldg 1 fully leased, Bldg 2 available for lease and included in Table 24. Total SF of Logistics Park is 3.6 MSF
Inver Grove Heights Industrial Center – Building 2	Inver Grove Heights	120,000	Y	Building 1 is constructed, and a portion of the building is for lease and identified in Table 24
1620 80th St E	Inver Grove Heights	48,000	Y	
Bailey Rd – Bldg A	Newport	270,500	Y	
Bailey Rd – Bldg B	Newport	105,000	Y	
TOTAL		3,206,500		

CONCORD SUBMARKET SUMMARY FINDINGS & MARKET OBSERVATIONS

The data collected for the Concord Submarket demonstrates consistency across the comparable municipalities with respect to price per square foot and asking rents. Several factors and/or metrics are associated with the market and pricing including the following:

- The 2021 spike in demand for industrial has since contracted and now more closely aligns with the modest growth trajectory pre-pandemic. The sector continues to grow, and as described in national trends, remains strong. However, there has been a softening of the market compared to the spike.
- The contraction of the market back to a more normal trend has resulted in less speculative development and now more than 70% of new development is build-to-suit. This trend is reflected in the Proposed square footage, which is marketed for lease but requires a tenant for the developer to actually construct the building.
- The age of the structure is directly correlated to ceiling heights (“clear heights”) in most cases.



- Across the submarket area, buildings constructed in the 1970s-1990s have average clear heights between 16 and 20' which results in lower average price per square foot and lease rates when compared to newer products.
- New/modern industrial is developed with a minimum of 28-foot clear heights, and in most cases are constructed between 30 and 36' tall.
- Demand for taller clear heights is driven by e-commerce that need warehouse storage and are more often turning to automation. This is both a national and regional trend that is also present within the Concord Submarket area.
- Proposed buildings in the submarket are mostly large multi-tenant spaces that exceed 100,000 square foot footprints, and in many cases exceeds 150,000 square feet.
- The Cottage Grove Logistics Park is proposed to include more than 3.6 million square feet at completion but has been slow to gain traction and to lease up. More than 2.3 million square remain unbuilt and in a proposed phase.
- Demand remains strong for smaller buildings, new or old, that are between 25,000 and 100,000 square feet. This is consistent with developer interviews from 2023 . This space size/type is hard to find with only a handful of buildings in the submarket available for sale or lease.
- Land Area and Building footprint in new industrial areas is averaging 25-30%. This allows for large truck courts, stormwater management/ponding and parking. There is little, to no, outdoor storage associated with most new projects in the submarket.





V. SOUTH CONCORD CORRIDOR STUDY AREA (MACRO + MICRO AREA ANALYSIS)

INTRODUCTION

The following physical and regulatory corridor analysis is intended to supplement the national, regional and local market data contained in this market study. As noted above, the commercial real estate sector is dynamic and supply and demand for space fluctuates with the economy. Growth of a specific sector that outpaces supply may result in operators/users accepting less than optimal spaces and or locations, but this condition cannot be expected and therefore it is best to plan and guide land for its highest-and-best use. Each commercial real estate sector seeks different physical land and building characteristics based on the industry, property type, and class expectations for the asset. These general expectations can be matched with the physical characteristics of an area so that the planning/guiding for that area will support the intended user and/or operator. Development, redevelopment and/or reuse of a property or wholesale master planning efforts must be realistic for the market to deliver. Understanding the physical characteristics, constraints, and regulatory framework of the property within the Study Area in conjunction with the market data provides a baseline for the highest and best use recommendations contained within Section VI of this report.

EXISTING CONDITIONS

The following existing conditions analysis focuses on the who, what, and where of the corridor today. A brief socio-economic and demographic snapshot in the corridor and surrounding area sets the foundation for the physical characteristics analysis within the Study Area.

STUDY AREA OVERVIEW

As shown in Figure 1, the South Concord Corridor Study Area (Study Area) contains approximately 430 Acres and is bound by I-494 on the north, the Mississippi River on the east, Linden Street ROW on the south, and the bluffline to the west. The Study Area is diverse with multiple land uses and development patterns from single-family residential to heavy industrial users.

Historically, the Concord Street corridor served as the north-south artery through South St. Paul's main industrial and business district dating back to the late 1800s. This industrial/commercial area was "down the hill" from the residential neighborhoods and areas where many of the workers lived. Connections between the neighborhoods "up the hill" and the commerce and industry on Concord Street were limited given the steep grades of the Mississippi River bluffline bordering the western edge of the Study Area. Developed as the main commercial thoroughfare in the area, Concord frontage was developed with smaller parcels and a mix of retail, general commercial and lighter industrial users that had some public facing activities.



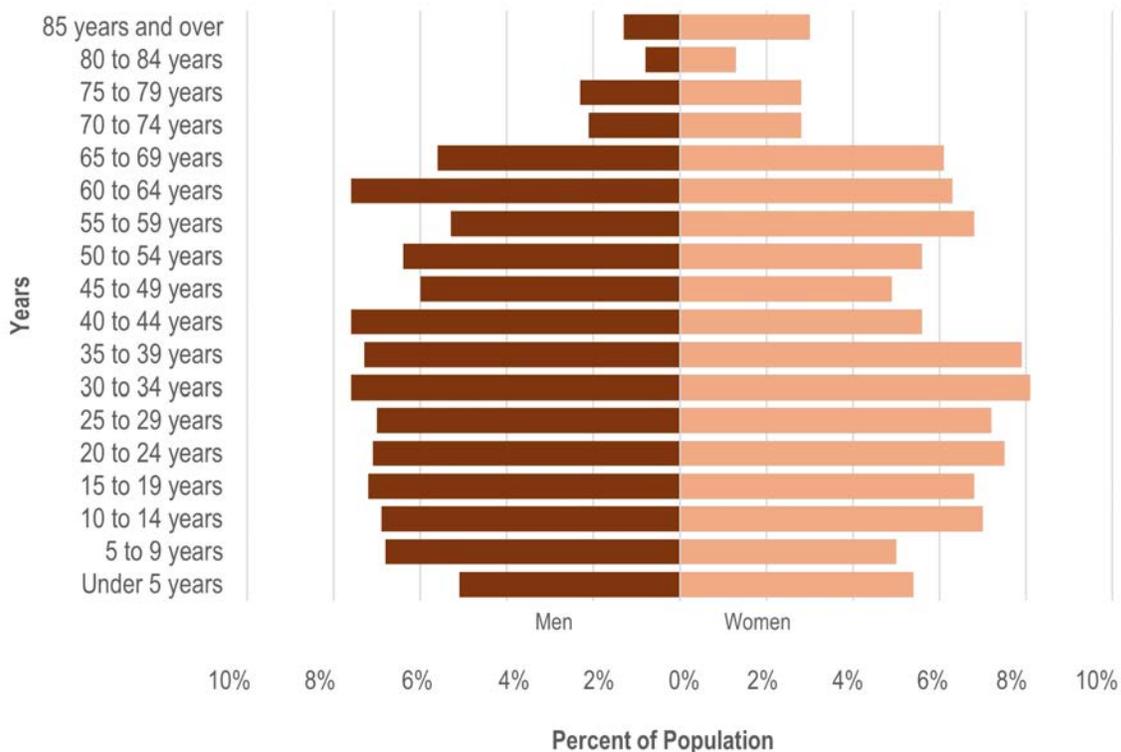
Lying east of the Concord frontage are larger parcels and users that have historically leveraged both the Union Pacific (UP) Railroad and the Mississippi River as part of their operations. The south end of the Corridor becomes less intensely developed as the Study Area transitions to a residential development pattern predominantly developed with single-family detached uses.

Much of this historic development pattern remains present today. Roadways, railroads, spurs, and parcel configurations remain intact with modern businesses leveraging many of the same physical assets that defined the corridor historically. Today, connecting Concord Street with I-494 is essential to the successful (re) development of the Study Area for commerce and industry. The I-494 bridge crossing over the Mississippi northeast of the Study Area results in significant topographic changes within the Study Area which results in some areas having unobscured visible accessibility from the interstate, while others are less visible. In 2016, the ADT on I-494 was 119,000 ADT and the Concord Street corridor was approximately 14,400 ADT, and Concord Street S is projected increase to 19,000 ADT by 2040 . The trip counts are significant both from a visibility/market perspective, as well compatibility with certain land uses.

SOCIO-ECONOMIC AND DEMOGRAPHIC SNAPSHOT

As of 2024, the City of South St. Paul has a total population of 20,500, and the surrounding Concord Submarket area has a total population of 191,660. The age distribution of the South St. Paul population is shown in Figure 7.

Figure 7. City of South St. Paul Age Distribution (2022)





A key location consideration for operators and businesses is the labor shed, given the tightening labor market as the baby boomer population ages out of the workforce. As shown in Table 26 and in Figure 7, within the Concord Submarket area there are more than 105,000 people between the ages of 18 and 60. There is also a fairly large population younger than 18 with the submarket who will eventually become working age. Generally, the labor shed within proximity to the Study Area is relatively strong, which should help to attract new investment and businesses to the area.

Table 26. Concord Market Area Population (2024)

City	Total Population	Population Age 16 - 60	Percent of Total Population Age 18 - 60	Percent of Blue Collar Workers	Percent of White Collar Workers
South Saint Paul	20,505	11,657	57%	24.9%	57.2%
Eagan	5,835	3,194	55%	29.9%	53.3%
Mendota Heights	43,704	24,033	55%	20.6%	67.8%
Inver Grove Heights	4,111	2,283	56%	23.4%	55.9%
Newport	11,622	5,261	45%	8.1%	82.2%
Cottage Grove	36,596	19,880	54%	18.2%	69.2%
Saint Paul Park	69,287	38,790	56%	14.2%	74.1%
TOTAL	191,600	105,098			

Source: ESRI Business Analyst, 2024



There are 24 businesses within the Corridor (Figure 8). All the retail-focused businesses are located adjacent to the S Concord St frontage, while industrial and warehousing businesses are generally located along or east of the UP rail lines.

Figure 8. Existing Businesses



- 1 South St. Paul Compost Site
Hardman Avenue & Verderosa Ave
- 2 Danner, Inc.
843 Hardman Ave S
- 2 Twin City Hide
491 Malden St
- 4 River Country Cooperative
425 Clinton Ave
- 5 Mathias Die Company
391 Malden St
- 6 TEM Properties LLC
929 Concord St S
- 7 MN Total Refrigeration
949 Concord St S
- 8 Fury Motors St Paul
1000 Concord St S
- 9 Holiday Station
1040 Concord St S
- 10 LKQ Heavy Truck
316 Malden St
- 11 Carpet Brothers & Flooring
1100 Concord St S
- 12 Battery Mart
1111 Concord St S
- 13 Mendota Valley
390 Richmond St E
- 14 Comprehensive Services, Inc
1210 Concord St S
- 15 Lutheran World Relief
398 Richmond St E
- 16 Midwest Fabrics
1226 Concord St S
- 17 Amiri Auto Sales
1304 Concord St S
- 18 Bestway
1201 Concord St S
- 19 Dakota Bulk Terminal
925 Hardman Ave S
- 20 Kamish Excavating, Inc
1301 Concord St S
- 21 Taiwanese Sausages
1443 Concord St S
- 22 Auto Body Lopez
1449 Concord St S
- 23 Quality Tape
1607 Concord St S
- 24 South St Paul Rod & Gun Club
600 Chestnut St

LEGEND

BOUNDARIES

- STUDY AREA
- PARCEL BOUNDARIES

USES

- INDUSTRIAL/WAREHOUSE/RECREATIONAL
- PLANNED UNIT DEVELOPMENT
- RETAIL

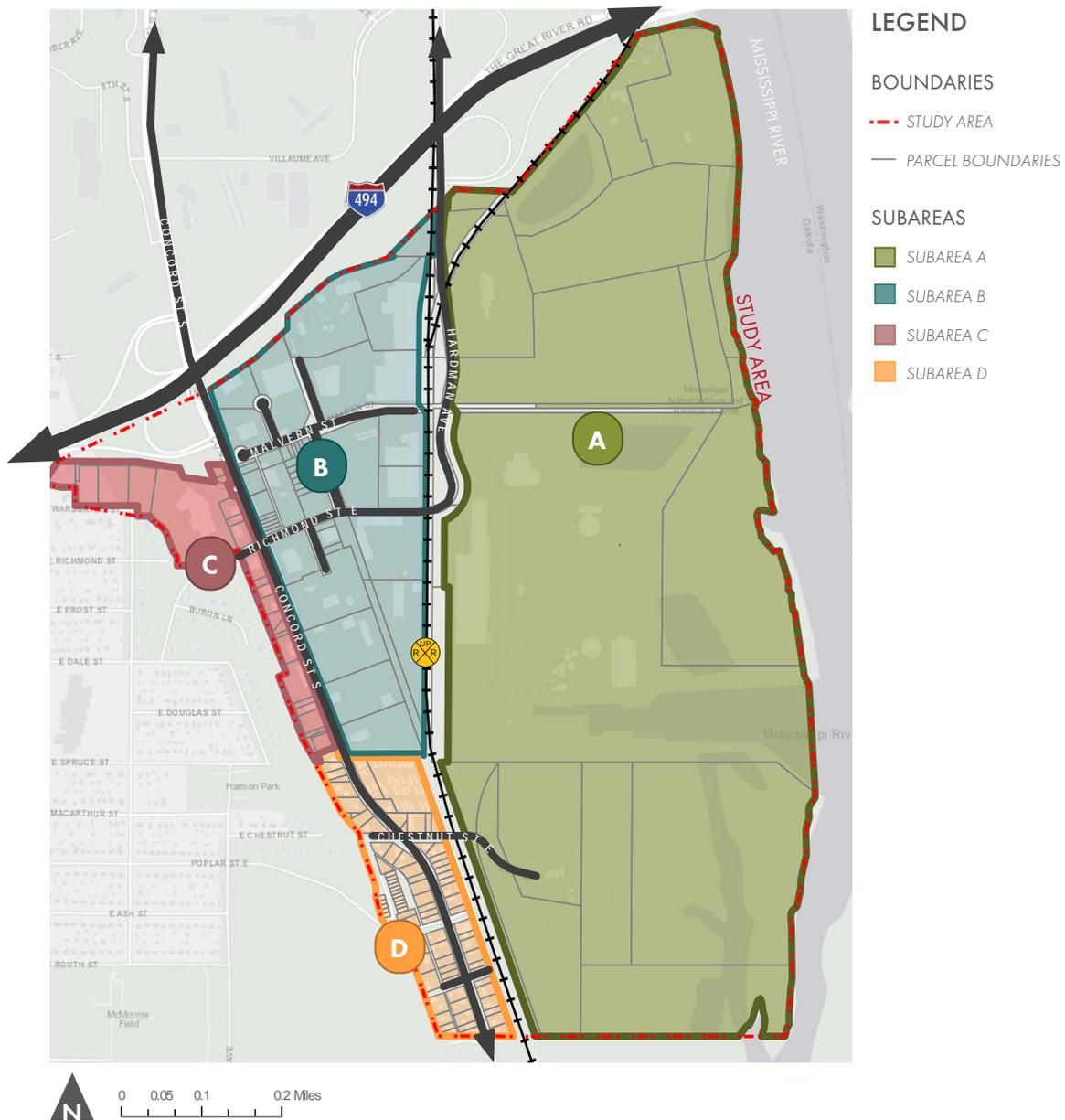


LAND USE + URBAN CONTEXT ANALYSIS

SUBAREAS IN THE STUDY AREA (FIGURE 9)

The physical characteristics of the land within the Study Area create a dynamic land use pattern that includes residential, recreational, business and industrial activities. Both natural and man-made physical attributes create smaller subareas within the corridor, and within each subarea a different land use/development pattern has emerged over the past several decades (Figure 9). The defining natural attributes include the river, the associated bluffline, wetlands and FEMA floodplain area which are intertwined and bisected by man-made attributes such as roadways, the railroad and rail spurs. The physical characteristics establish a boundary or land constraint that influences the development pattern within the subarea.

Figure 9. Study Area Subareas



Sources: FEMA, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community



The existing development pattern within each subarea has been influenced by not only the physical characteristics, but also the existing zoning districts and land use designations (Figures 10 - 11).

Figure 10. Study Area Zoning Districts



LEGEND

BOUNDARIES

- - - STUDY AREA
- PARCEL BOUNDARIES

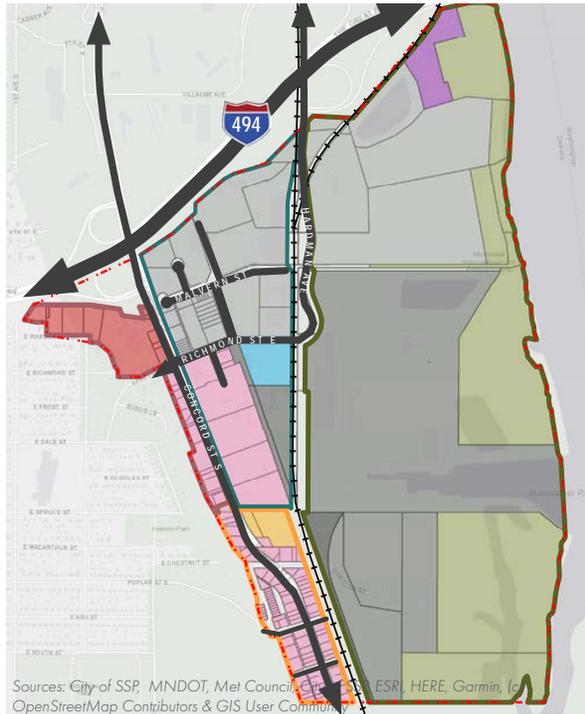
SUBAREAS

- SUBAREA A
- SUBAREA B
- SUBAREA C
- SUBAREA D

ZONING

- I - INDUSTRIAL
- GB - GENERAL BUSINESS
- PUD - PLANNED UNIT DEVELOPMENT
- MH - MOBILE HOME
- R-1 - SINGLE FAMILY

Figure 11. Study Area Future Land Use



LEGEND

BOUNDARIES

- - - STUDY AREA
- PARCEL BOUNDARIES

SUBAREAS

- SUBAREA A
- SUBAREA B
- SUBAREA C
- SUBAREA D

FUTURE LAND USE

- I - INDUSTRIAL
- LI - LIGHT INDUSTRIAL
- COM - COMMERCIAL
- IN - INSTITUTIONAL
- UTL - UTILITY
- OS - OPEN SPACE
- MU - MIXED USE
- MDR - MEDIUM DENSITY
- RR - RAIL ROAD

Sources: City of SSP, MNDOT, Met Council, Esri, HERE, Garmin, Ig...
OpenStreetMap Contributors & GIS User Community



It has also been influenced by common ownership patterns (Figure 12). These characteristics are correlated to the market and what it will deliver with respect to development and/or redevelopment. This is demonstrated by the existing uses and development patterns that populate the corridor and subareas today, which are reflected by existing market values that have a significant range dependent on the intensity of development present on a parcel or collection of parcels (Figure 13). Reinforcement of the development pattern occurs when zoning is established which further dictates acceptable uses, development intensity and dimensional standards. All of these characteristics must be considered collectively to determine the highest-and-best land use for a property and to identify the most immediate or short-term opportunities for (re)development in the Study Area. The following analysis of each Subarea is provided.

Figure 12. Common Ownership

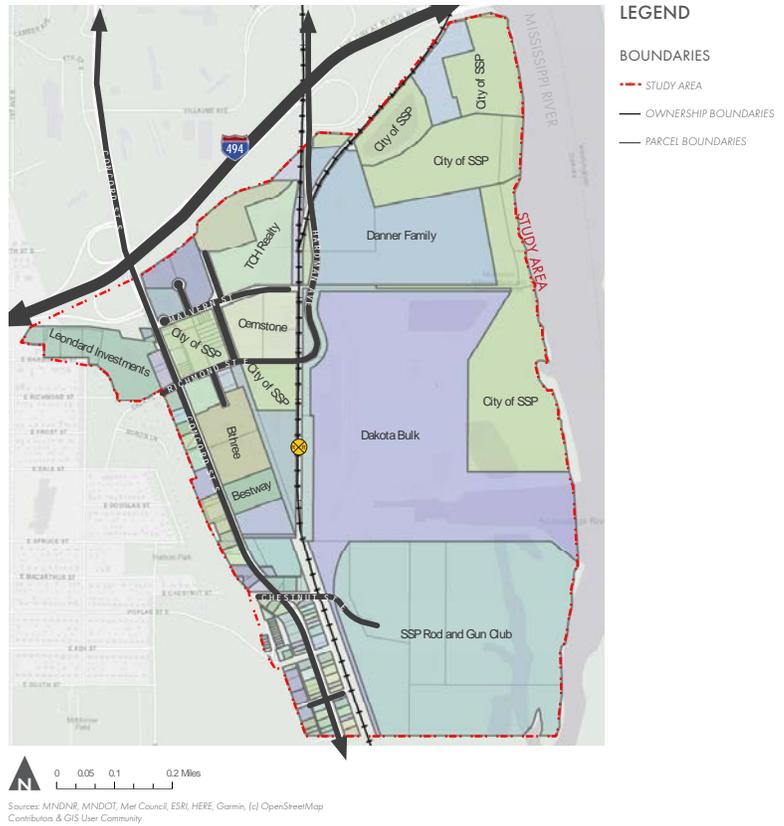
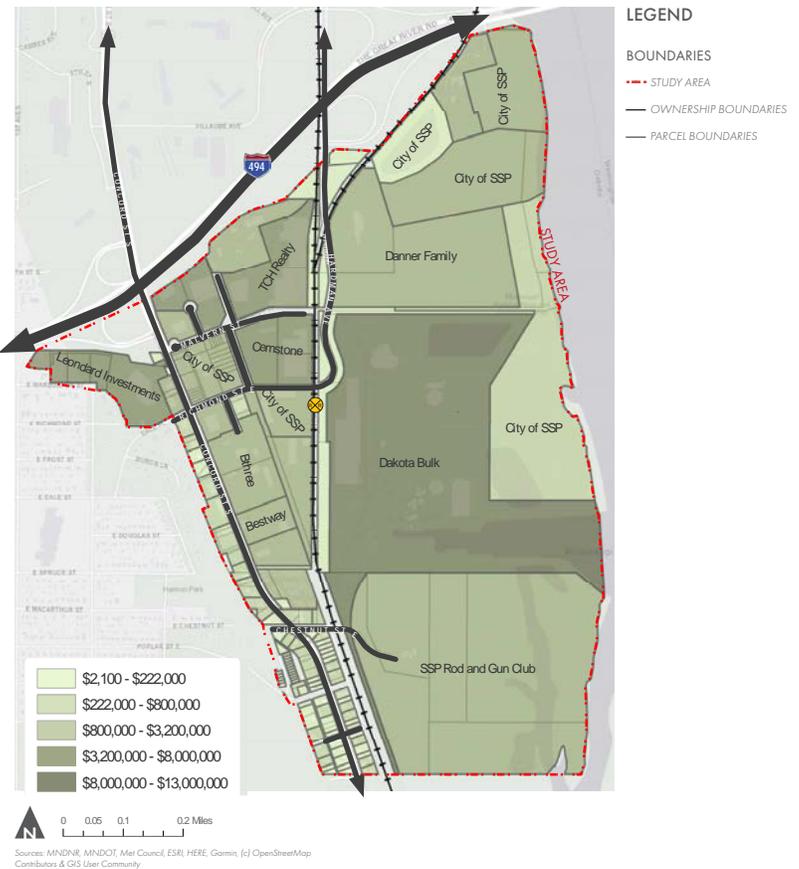


Figure 13. Market Value Analysis: Total Estimated Value



SUBAREA A: LARGE LAND AREA (FIGURE 14)

Physical Characteristics:

Subarea A contains approximately 283 acres of land and is located between the Union Pacific (UP) Railroad on the west, the Mississippi River on the east, and is bound by I-494 on the north and Linden Street on the south. This subarea is clearly bound by both natural and manmade physical attributes that establish clear boundaries and/or edges. Within Subarea A, approximately 80-acres is within the floodplain and a freight port serving Dakota Bulk extends through the designated floodway. These physical characteristics have impacted the development pattern over time, which has resulted in large open space areas, outdoor storage and surface water bodies. The land naturally slopes downward towards the river and existing and prior landowners have brought fill into the area to slowly increase the elevation of parcels within the area to make parcels more buildable which is visible from historical aerials. Access to the local roadway network is challenging given the presence of the UP Railroad on the west boundary of the subarea. Site reconnaissance and observation indicates that the railroad crossing at Richmond Street/Hardman Avenue can significantly delay egress and ingress into the subarea when trains temporarily block the intersections.

Figure 14. Subarea A: Physical Constraints



Sources: FEMA, National Wetland Inventory, MNDNR, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community

Development and Ownership Patterns:

Subarea A is dominated by open space and industrial uses with a dominant outdoor storage component. The users are predominantly within the transportation/storage and commercial recreation sectors. Vacant and/or underutilized land is also present. As shown in Table 27. Subarea A Ownership and Market Values, the majority of the Subarea is owned by five (5) landowners which affects the market potential for redevelopment. Large private landowners in the area include Dakota Bulk, South St. Paul Rod & Gun Club, and the Danner Family Trust. Public entities such as the MnDNR, South St. Paul EDA and the Metropolitan Sewer Board make up the remainder of the ownership in the subarea.

Table 27. Subarea A: Ownership and Market Values

PID	Ownership	Ownership	Acres	Estimated Market Value - Land	Estimated Market Value - Total
360260058013 360260060012 360260060013 360260060020 360350003012 368320000010 360350004011	Yankee Doodle	City of S St. Paul	52.8	\$1,460,800.00	\$1,555,300.00
360350050010 360350051010 360350055010 360350057010 360350058010 360350060010	Cottage Grove Logistics Park (Buildings 3 – 9)	S St. Paul Rod & Gun Club	79.6	\$1,149,800.00	\$1,262,500.00
360350060010 366582138131	Inver Grove Heights Industrial Center – Building 2	Dakota Bulk Property, LLC	93.5	\$6,075,600.00	\$12,158,000.00
368320000020 368320001010 368320001020	1620 80th St E	Danner Family Limited Partnership	33.5	\$2,026,000.00	\$3,026,500.00
368321000010	Bailey Rd – Bldg A	Metro Sewer Board	23.9	\$1,561,700.00	\$1,896,000.00

Source: Dakota County GIS

Except for Dakota Bulk, there are limited development improvements present in the subarea and the market value is established primarily by the quantity of land available (See Figures 15 and 16). Dakota Bulk's operations leverage the Mississippi River as a "Working River" and provide bulk storage and access to the region. Their property is improved with a port and several structures that create the highest building/improvement market value within Subarea A. Lying south of Dakota Bulk, is the South St. Paul Rod & Gun Club which is a commercial recreational use. There are minimal structural improvements on the property and the value is largely established by the size of the land area. The Gun Club use is compatible with the surrounding land uses including the railroad, river and Dakota Bulk operations. Both Dakota Bulk and the South St. Paul Rod & Gun Club have operated in the Subarea for decades and there are no known plans to move or modify their operations significantly. The remaining parcels are owned by the South St. Paul EDA (~16 acres) and the Danner Family Trust (~33 acres). The St. Paul EDA and Danner Parcels are largely undeveloped or underdeveloped based on the established market values. The Danner Parcels are minimally improved with outdoor storage/graveled areas and a filling station/small structure, while the South St. Paul EDA property is undeveloped. Both the EDA and Danner properties are impacted by the UP Railroad which bifurcates the land in the subarea from the parcels to the local roadway network.

Figure 15. Market Value Analysis: Estimated Building Value

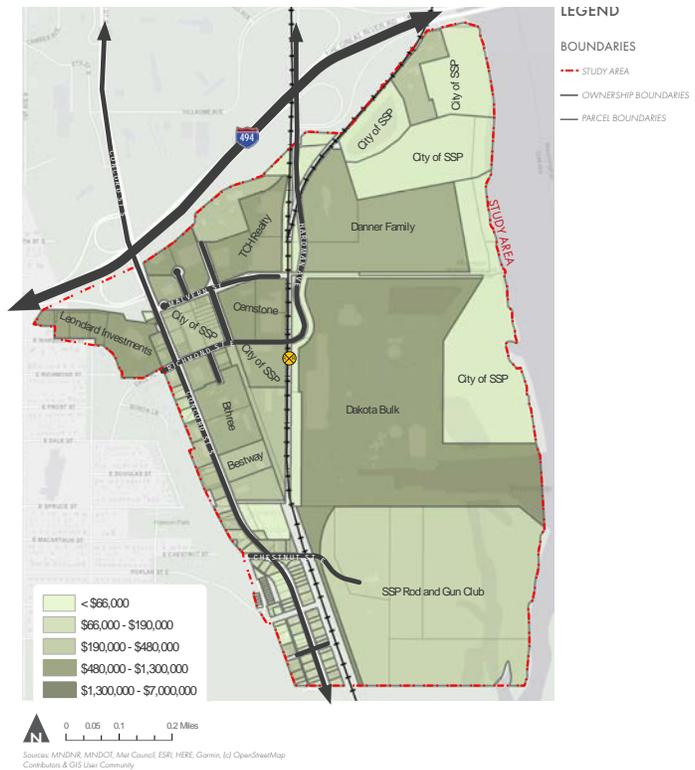
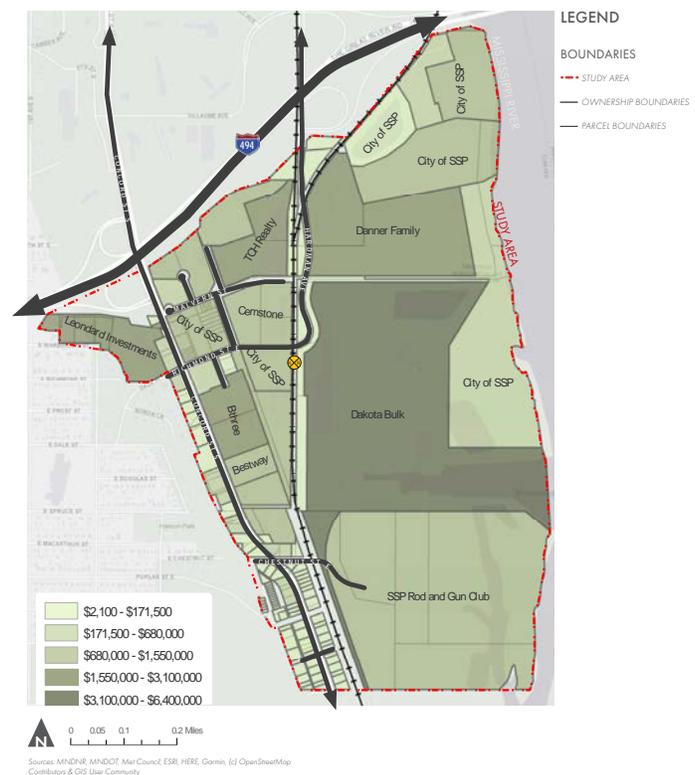


Figure 16. Market Value Analysis: Estimated Land Value



Land Use and Zoning:

The 2040 Comprehensive Plan guides the subarea for a mix of Industrial, Light Industrial, Utility and Open Space Uses (Figure 9). The key differentiation between the light industrial and industrial land use designations is that the Light Industrial land use is more visible from the I-494 corridor and therefore different uses and standards may be permitted within the supporting zoning.

The entire Subarea is zoned Industrial per the 2023 Official Zoning Map. The Industrial zoning district establishes specific standards for development and/or redevelopment. The purpose of the Industrial Zoning District is stated as, “...to provide for the continuation and establishment of industrial and manufacturing uses that are of high quality and can be built to high performance standards. All new uses in the industrial zone that are not going into existing facilities or are going into existing structures that are being structurally modified shall go before the city council for site plan approval.”

Uses within the Industrial Zoning District include warehousing, manufacturing, distribution, etc., provided such activities are conducted indoors. Exceptions for outdoor principal uses are provided but are set to/or have expired, and permissions were given only for certain parcels for a certain time period. General Commercial and retail uses, including restaurants, bars, motels/hotels, etc., are permitted with a Conditional Use Permit. Residential uses are largely prohibited, unless a caretaker associated with the industrial/business use is needed.

Dimensional standards with the Industrial Zoning District include a minimum lot size of 1.0 acres, and floor area ratio minimum of 0.2. As an example, the South St. Paul EDA site in the subarea is approximately 15.62 acres and requires a minimum of 136,081 square feet to be constructed per the zoning district requirements.

Market Observations:

- As shown on Figures 15 and 16, the land value exceeds the building value which is an indicator that redevelopment/development may be viable.
- The fill brought into the subarea towards the river frontage has not been verified and it is unknown the quality and/or if it is buildable in its current condition. Additional corrections or special construction methods may be required if development is proposed. This will impact the value of the land.
- The UP Railroad crossing at Hardman Ave blocks the intersections at various times throughout the day causing ingress/egress delays into and from the site. This may impact market demand for the sites.
- Industrial uses within the Subarea are most compatible with existing uses in the adjacent Subareas. Existing businesses such as Twin Cities Hyde have recently made significant capital investments in the area, and therefore are not likely to move out of the area.
- Multi-family residential development in the subarea is unlikely to meet current developer metrics for new construction. The area lacks amenities and is adjacent to several heavy/light industrial uses. Multi-family (re)development is more likely to occur in the North Concord Corridor as part of a master planned area.



- Based on market data, vacancy rates in South St. Paul’s industrial market and the larger southeast submarket remain tight. Additional industrial square footage is needed to meet demand. However, given that more than 4 million square feet is in the pipeline in the area, differentiators within the SSP market must be established to be competitive.
- Build-to-suit is a more conservative approach, however, preliminary entitlements should be obtained to be competitive with other proposed industrial development with the southeast submarket.

Opportunity Sites:

Several properties within the Subarea could be more intensely developed or redeveloped, however, given current operators the most likely short-term opportunities include the Danner Family properties (Figure 17) and the South St. Paul Economic Development Authority Land (Figure 18). Both properties have been conceptually planned with large-scale industrial buildings/uses. A summary of the development/land capacity analysis of each opportunity site is provided.

Figure 17. Opportunity Site: Danner Properties

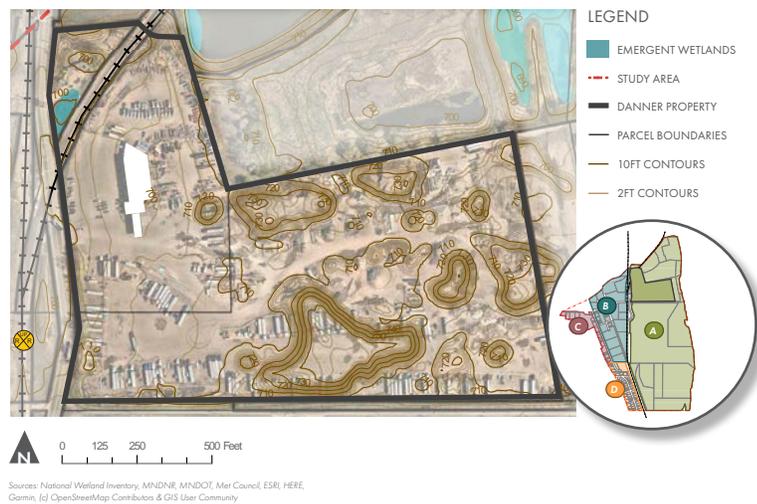
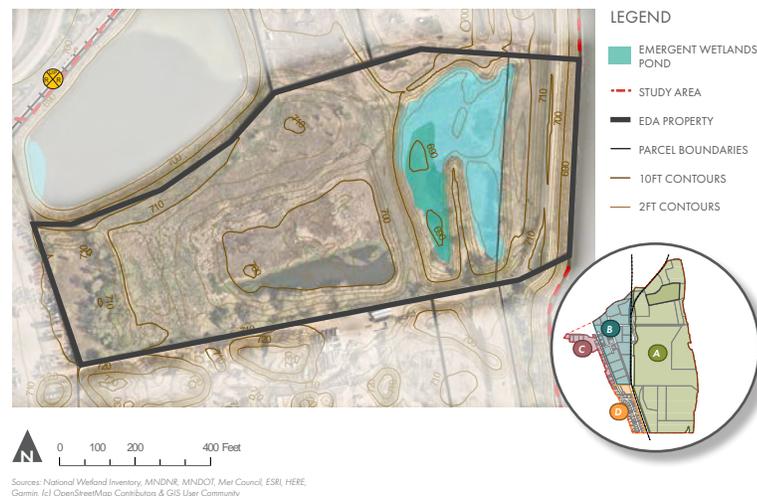


Figure 18. Opportunity Site: South Saint Paul Economic Development Authority





As shown in Table 28, the opportunity sites are largely vacant and can support significant industrial square footage if the existing land use and zoning is implemented. The concept plans show an opportunity for more than a half million square feet of industrial space that would be constructed in four large multi-tenant buildings. This building type is similar to what is proposed in the Cottage Grove Logistics Park and other similar industrial campuses across the metropolitan area.

Table 28. Opportunity Site Development Capacity

Property	Acres (SF)	Use/ Zoning	FAR Minimum (0.2)	Concept Plan	Concept Plan Notes
SSP EDA PID 368321001020, 368321000010 Figure 16	18.18 (791,921)	Industrial	158,345 SF of constructed/ indoor building space	161,725 SF	<ul style="list-style-type: none"> • One large industrial structure • Road connection north and to west • Connected road network south Danner properties/development • Stormwater ponding east and west of building area • SSP EDA plans to sell the site to developer/owner(s)
Danner Family Limited Partnership PID 368320001020, 368320001010 Figure 15	32.33 (1,408,295)	Industrial	281,659 SF of constructed/ indoor building space	417,480 SF	<ul style="list-style-type: none"> • 3 Buildings: 105,000 SF, 132,600 SF, 161,980 SF • Connected road/access master plan with north SSP EDA site • Build-to-suit, Danner Family retains ownership with long-term lease structure
TOTAL	50.51 Ac.		440,004 SF	579,205 SF	



SUBAREA B: BALANCED LAND + BUILDING (FIGURE 19)

Physical Characteristics:

Subarea B contains approximately 65 acres and is bound by I-494 on the north, the UP Railroad on the east, the shared property line with the mobile home park on the south, and Concord St on the west. The parcels within this Subarea are generally flat, with parcel configurations ranging between one (1) and six (6) acres. The physical attributes that define this subarea are manmade and are not created by the natural features or attributes of the corridor, which is different than the other subareas within the Study Area. The lack of natural constraints would allow for lot combinations and replats to allow for redevelopment. However, the local roadway network within the subarea provides connectivity to Subarea A, which is challenged given the presence of the UP Railroad and the constraints already present due to the crossing at Richmond Street/Hardman Avenue.

Figure 19. Subarea B: Physical Constraints





Development and Ownership Patterns

Subarea B includes a mix of landowners and light industrial uses. The parcels within the Subarea are generally developed with small or medium size buildings, accessory structures, parking lots and outdoor storage areas. Given the lack of common ownership, parcels tend to range between half (1/2) and six (6) acres and different owners share property lines. Some exceptions including the South St. Paul EDA block generally bound by Concord, Malden, Schumacher and Richmond and Cemstone that has purchased three parcels lying southeast of the Malden and Schumacher intersection. Structures in the Subarea, based on the estimated market values, have intermittent capital improvements and investments.

Table 29. Subarea B: Ownership and Market Values

PID	Ownership	Acres	Estimated Market Value - Land	Estimated Market Value - Total
367150015293	AJK PROPERTIES LLC	2.9	\$825,100.00	\$1,066,800.00
367150019211	BBND MINNESOTA LLC	1.6	\$596,600.00	\$1,531,500.00
367150015291	BESTWAY INC	3.1	\$740,100.00	\$980,900.00
367150017171	BTHREE LLC	8.1	\$1,873,500.00	\$2,260,800.00
367150016250				
360340005020	CEMSTONE PRODUCTS COMPANY	8.4	\$1,196,900.00	\$5,253,400.00
360340005010				
360340004010				
360270080050	CHICAGO & NW TRANS CO	1.0	\$11,800.00	\$11,800.00
360340006010	CITY OF S ST PAUL	4.7	\$986,300.00	\$1,734,100.00
360270082010	FARMERS UNION COOP OIL ASSN	6.0	\$1,057,600.00	\$1,309,100.00
360340010010	MIDWEST WAREHOUSE HOLDINGS LLC	6.1	\$879,200.00	\$1,904,600.00
360340008011				
360340007010				
367150018250	SOUTH ST PAUL ECONOMIC DEVELOP AUTHORI	1.5	\$433,700.00	\$452,200.00
367150018240				
367150018230				
367150018220				
367150018210				
367150018200				
367150018143				
367150018142				
367150018080				
367150018060				
360340001021	TCH REALTY INC	10.4	\$1,870,800.00	\$5,900,000.00
360270082021				
364752001020	TEM PROPERTIES LLC	4.7	\$1,126,800.00	\$4,584,200.00
364752001010				

367150018350	THOMPSON PROPERTIES LLC	4.0	\$776,700.00	\$1,031,000.00
367150018050				
367150011160				
367150011120				
367150011110				
367150011100				
367150011090				
367150011080				
367150011070				
367150011060				
367150011050				
367150011040				
367150011030				
367150011020				
367150011010				
367150017291	TWANG HOLDINGS 3 LLC	1.8	\$545,300.00	\$1,037,100.00
367150012050	WESMOE HOLDINGS LLC	0.6	\$135,900.00	\$749,100.00

Source: Dakota County GIS

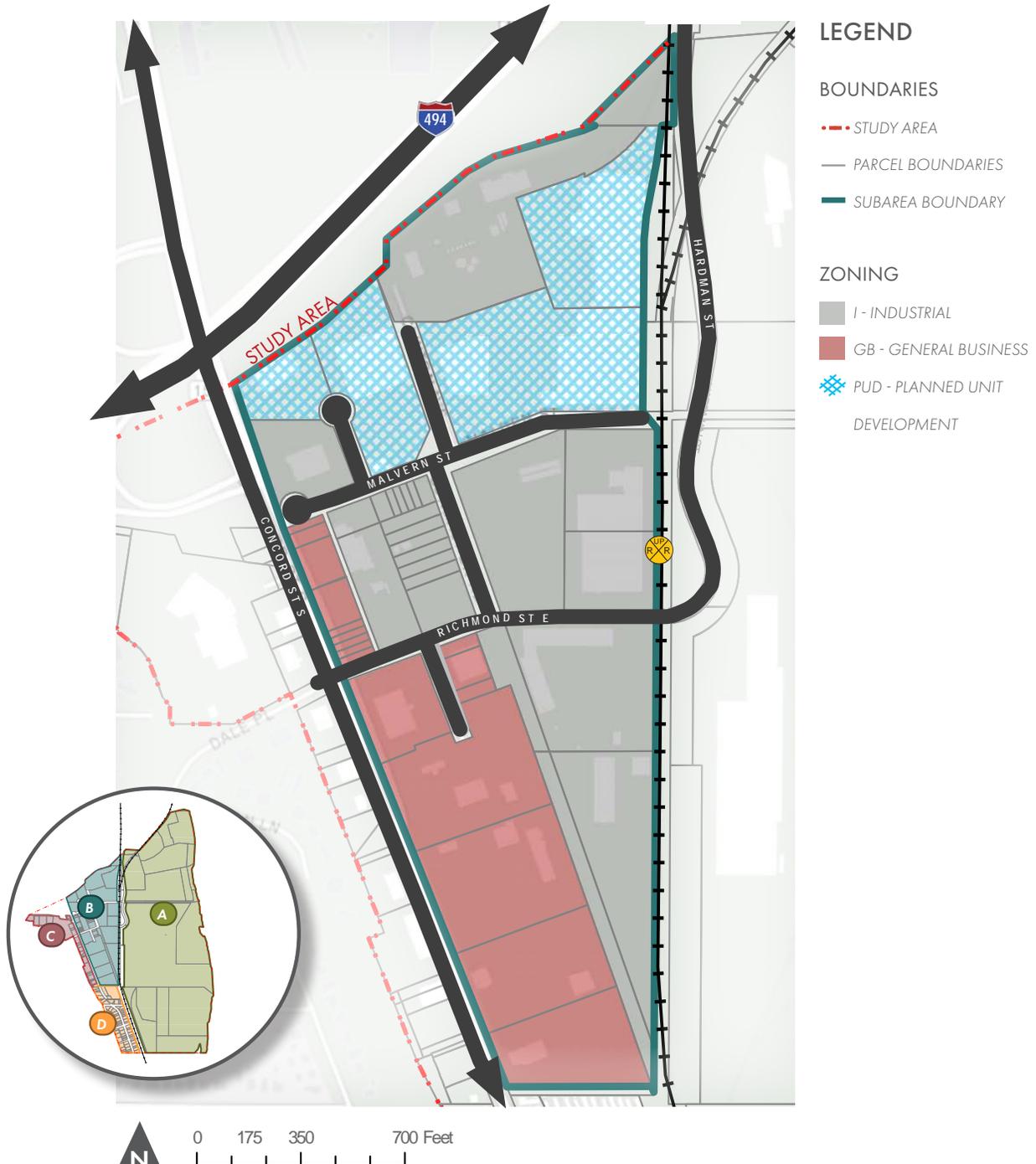
Land Use and Zoning:

The 2040 Comprehensive Plan guides Subarea B for Light Industrial, Institutional, and Mixed-Use land use designations (Figure 10). The Light Industrial and Institutional uses are consistent with the existing uses and ownership which includes a mix of light industrial, outdoor storage and vacant land. The Mixed-Use land use designation is guided for the parcels south of Richmond Street lying between Concord Street on the west and the UP-Railroad corridor on the east. The Mixed-Use land use designation is defined as, "...intended to allow for developments which combine residential, office, retail, and commercial uses through planned development. These uses may be mixed within the same building (vertical mixed use) or may be in separate buildings that are mixed within the same area (horizontal mixed use). Overall, throughout all mixed-use areas, 40% of development is expected to be residential..." is inconsistent with the current development and land ownership pattern.



Subarea B is zoned General Business and Industrial. The General Business zoning is established along the Concord Street frontage with the east half of the parcels adjacent to the UP Railroad corridor zoned Industrial. The current General Business/Industrial zoning along the Concord Street corridor within this Subarea splits parcels and does not follow parcel lines. This is not consistent with current/existing uses that utilize the full parcel for light industrial or general business uses.

Figure 20. Subarea B: Zoning



Sources: MNDNR, MNDOT, Met Council, City of SSP, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community



Market Observations:

- Parcel consolidation and combinations may be more difficult given the current ownership, use and development patterns.
- If industrial zoning is applied, parcels between 1.0 and 6.0 acres require building improvements between 8,712 and 52,272 square feet. This is similar to the existing development patterns, though several parcels/buildings would be undersized from the FAR requirements.
- Industrial users that occupy buildings between 5,000 and 25,000 square feet typically require/expect outdoor storage opportunities as well as onsite parking, which may not be feasible from a market demand perspective given building size requirements based on the industrial FAR.
- Market rate mixed-use redevelopment adjacent to, and abutting, existing industrial users and outdoor storage is not likely to generate enough rent to support the redevelopment of the site. Wholesale redevelopment and elimination of industrial uses (even if projected long-term) would likely be necessary to support a more traditional mixed-use development pattern described in the comprehensive plan.
- Certain businesses within the subarea have reinvested significant amounts of money and made recent capital improvements. These users are not likely to be bought out, or to change operations in the near future.
- Compatible uses are likely to be most marketable, especially if efforts to attract smaller general business and industrial users are prioritized.





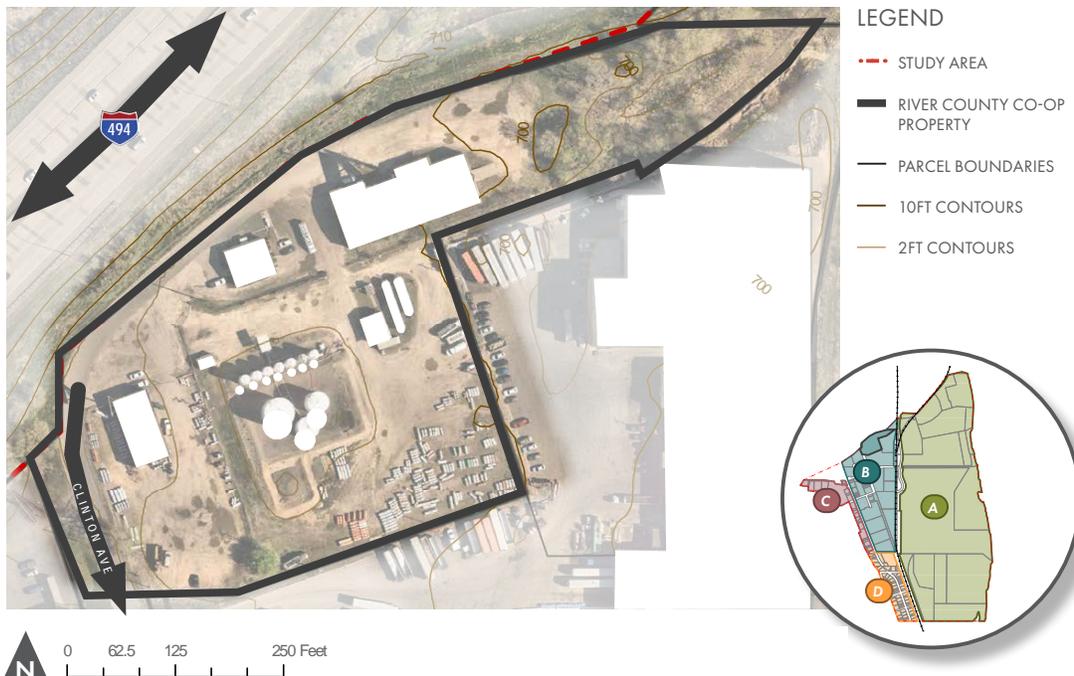
Opportunity Sites:

Given the current ownership patterns and lot configurations, opportunity sites within the Subarea are somewhat limited unless existing (or prospective) businesses and/or developers were to assemble larger parcel areas. Larger contiguous properties that have equal or higher land values as compared to the building values present the greatest short-term opportunity. Parcels/owners that meet these conditions are identified in Table 29. The analysis provided considers existing land uses that are predominantly industrial, which is consequently the recommendation for the Subarea as described in Section VI of this report.

Table 29. Opportunity Site Development Capacity

Property	Acres (SF)	Use/ Zoning	FAR Minimum (0.2)	Concept Plan Notes
River Country Coop PID 360270082010 Figure 19	6.05 (263,538)	Industrial	52,708 SF	3,280 SF of finished building space are present on the current parcel. While the existing user is spread across the property, there may be future opportunities for redevelopment.
City of SSP PID 360340006010 Figure 20	4.66 (202,990)	Industrial	40,598 SF	33,065 SF of finished building space are present on the property. SSP currently uses the site for public works and storage.
SSP EDA PID Multiple Figure 21	~5.33 (232,175)	Industrial	46,435 SF	The site is an assembly of several smaller parcels. A new industrial building 40,000 SF+ is consistent with market expectations and demands.

Figure 21. Opportunity Site: River County CO-OP



Sources: MNDNR, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community

SUBAREA C: BLUFF-CONSTRAINED PARCELS (FIGURE 21)

Physical Characteristics:

Subarea C contains approximately 18.5 acres and is comprised of small parcels ranging from approximately 0.2 to 6.0 acres. The parcels in this subarea are generally west of Concord and east of the bluff line. The developable area on the parcels are generally described as at the toe of the bluff. The dominant natural feature in the subarea is the bluff which is identified within the Mississippi River Corridor Critical Area (MRCCA) overlay as the Bluff Impact Zone (BIZ). The City has adopted a MRCCA ordinance that identifies the BIZ, and subsequently requires verification of the bluff line as part of any development proposal. The developable area of the parcels is further constrained by Concord which abuts the easterly frontage of the parcels within the subarea.

Figure 21. Subarea C: Physical Constraints



Sources: National Wetland Inventory, MNDNR, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community



Table 30. Subarea C: Ownership and Market Values

PID	Ownership	Acres	Estimated Market Value – Land	Estimated Market Value – Total
367150023160	AMIRI HOSSEIN	1.4	\$248,200.00	\$506,600.00
367150023112				
367150022342				
367150022300				
367150022290				
367150022280				
367150022230				
367150022210				
367150022100	COMPREHENSIVE SERVICES INC	0.6	\$121,400.00	\$352,300.00
367150022020				
367150021071	GREVAS DANIEL J	0.5	\$203,900.00	\$407,300.00
367150020220	HOLIDAY STATIONSTORES INC	1.0	\$374,700.00	\$1,020,000.00
367150020160				
364480000012				
367150023200	KRUEGER ANDREW R	0.2	\$16,400.00	\$16,400.00
367150020051	LEONARD INVESTMENTS LLC	10.2	\$3,322,300.00	\$6,490,400.00
364510001080				
364510001070				
364510001060				
364510001050				
364510001040				
364510000010				
367150023106	MIDWEST FABRICS PROPERTIES LLC	1.0	\$163,700.00	\$393,300.00
364510001100	NGUYEN JAMES	0.0	\$91,400.00	\$428,900.00
367150021120	R M DREYLING CONST INC	0.4	\$122,400.00	\$302,900.00
367150021090				
367150022010	SOUTH ST PAUL ECONOMIC DEV AUTHORITY	0.4	\$68,000.00	\$68,000.00
367150021181				
367150020030	STATE OF MN - DOT	0.2	\$2,100.00	\$2,100.00
367150021172	VITEK DALE E	0.3	\$127,700.00	\$193,800.00

Source: Dakota County GIS

Development and Ownership Patterns

The parcels within the subarea are owned and developed by several different property owners and businesses. Consolidation and combinations in the subarea are possible, and some common contiguous ownership exists such as on the Fury Motor parcels. However, consolidation and combinations are challenging, given the current development patterns which are largely developed with smaller user/operators that include a principal building/structure, outdoor storage and parking lot areas. Many of the parcels were developed prior to the adoption of the MRCCA standards, and therefore several structures and parking lot areas are within the Bluff Impact Zone. While not a concern for existing users, the standards established in the new MRCCA ordinance would require improvements to be located outside of the Bluff Impact Zone.



Land Use and Zoning:

The 2040 Comprehensive Plan guides the north end of the subarea (north of Dale St) for Commercial uses, and all other parcels south of Dale St. as Mixed-Use (Figure 21). As described within the Subarea B analysis, the parcels within this Subarea are constrained and were developed prior to the adoption of the MRCCA overlay district. Existing land uses in the subarea are dominated by small commercial, retail, office, and light industrial uses. A few single-family residential uses and structures remain on the south end of the subarea.

The parcels within Subarea C are all zoned General Business. The existing development and uses within Subarea C are generally consistent with the purpose and intent of the General Business zoning district. However, it should be noted that the existing residential uses are legally non-conforming, however, any redevelopment or development of new single-family residential uses would not be permitted.

Figure 21. Subarea C: Zoning



Sources: MNDNR, MNDOT, Met Council, City of SSP, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community



Market Observations:

- As shown on Figure 20. Subarea C Physical Constraints, the buildable/developable area within the subarea is severely constrained.
- Any new construction will be required to be constructed outside the bluff impact zone, which results in limited or no buildable area on several parcels.
- New uses will be required to obtain a Conditional Use Permit, which may, or may not, be viewed as an additional hurdle within the marketplace.
- Given the presence of the bluff, the highest and best use within the subarea is likely to preserve/retain the existing site improvements to avoid the rules/requirements with respect to the bluffline. It should be noted that the variance process is available for any redevelopment, but the process requires review by the MnDNR.

Opportunity Sites:

In both the short-term and long-term the highest-and-best use of this area is likely similar to the existing use patterns that allow for retail, light industrial, office and some residential. As demonstrated in Table 30, the land value within the corridor makes up less than half the total estimated value across the subarea, which is an indicator that redevelopment may be challenging and may not be viable. There are no clear and/or obvious opportunity sites given the estimated market values in the Subarea. However, there will likely be opportunities for repurpose, reuse and small infill development as property ownership turns over in the Subarea.



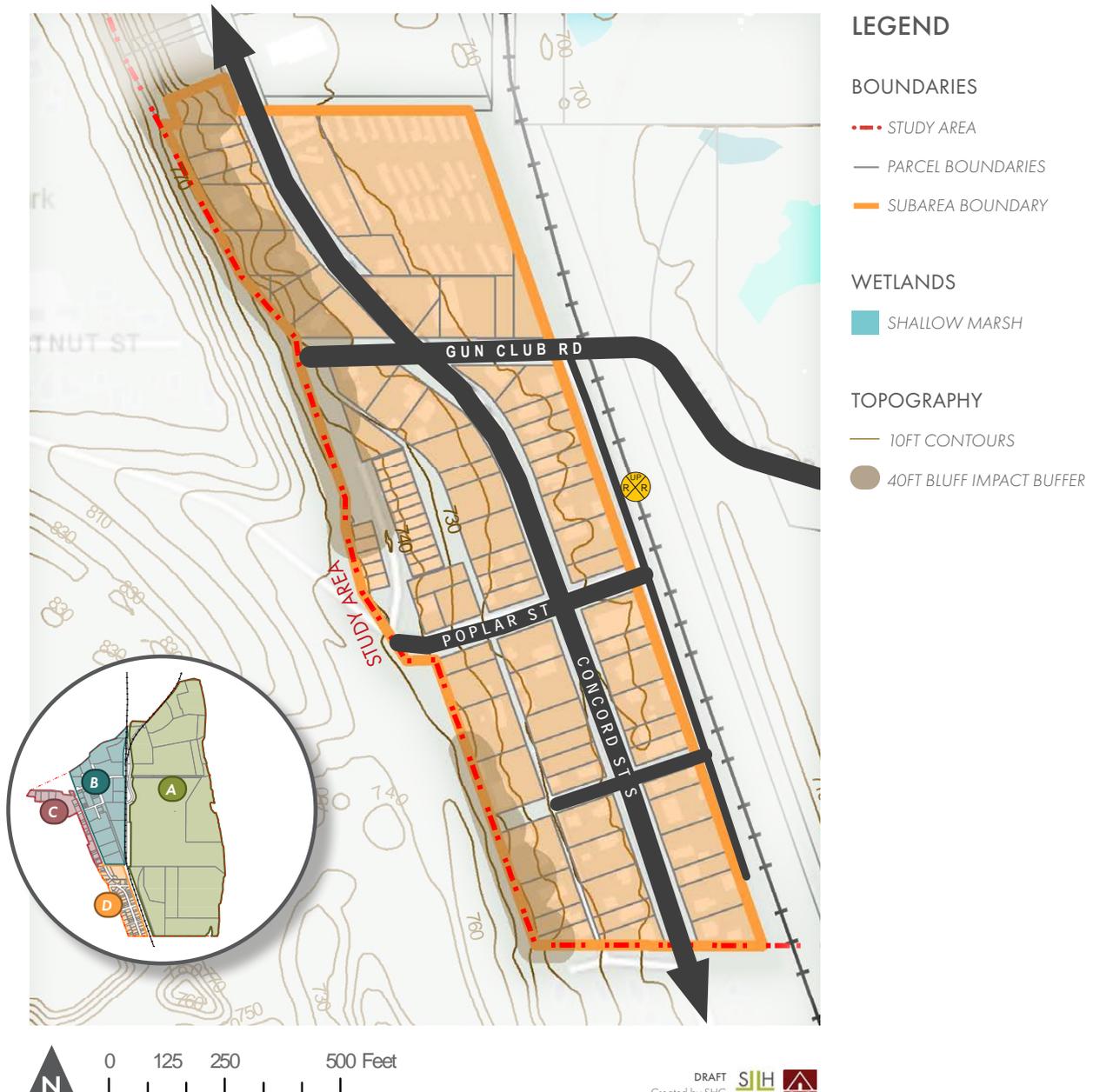


SUBAREA D: SMALL DOMINANT RESIDENTIAL PARCELS (FIGURE 22)

Physical Characteristics:

Subarea D contains approximately 16 acres and parcel sizes range from approximately 0.10 acres to 2.5 acres. The median parcel size is approximately 0.20 acres and the predominant use in the Subarea is for single-family residential detached uses. The Subarea includes property on both the east and west side of Concord Street and includes the Mobile Home Park. The parcels on the west side of Concord are minimally constrained by the bluffline on the west and Concord on the east side, while the parcels on the east side of Concord are constrained by the Concord St. right-of-way and the railroad on the east.

Figure 22. Subarea D: Physical Constraints



Sources: National Wetland Inventory, MNDNR, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community

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Development and Ownership Patterns

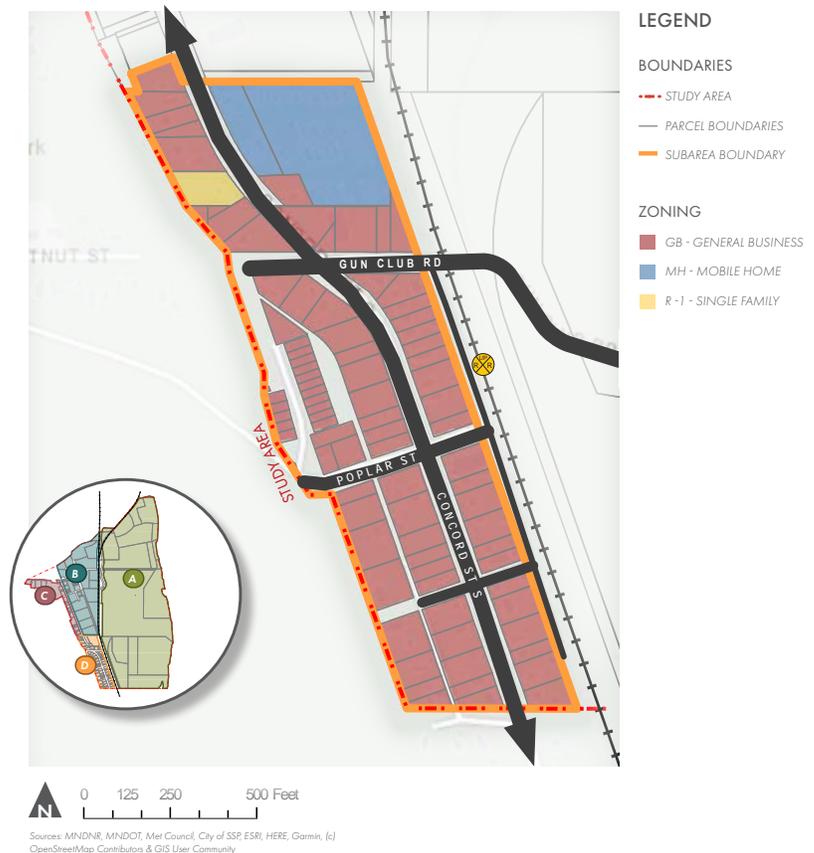
Subarea D is the only Subarea within the Study Area that is developed with predominantly single-family residential uses. A few small businesses are co-mingled into the neighborhood fabric, but the majority of the parcels are developed with single-family detached homes constructed between the late 1890s and the 1950s. Several lot owners have purchased adjacent small lots/properties which have enlarged their individual lots. In many of those cases (per GIS records) the parcel combinations have not been formally consolidated, however, the residual/small lots are not likely buildable given current zoning standards. However, there are a few vacant undeveloped lots within the subarea internal to a block. These parcels, as currently zoned, could not be developed with similar single-family detached uses, but could be developed with multi-family uses or mixed-use if a commercial/business was located on the first floor.

Land Use and Zoning:

The 2040 Comprehensive Plan guides Subarea D as Mixed-Use except the Mobile Home Park which is guided Medium Density Residential (MDR) (Figure 10).

Parcels within Subarea D are zoned General Business with the exception of the Mobile Home Park which is zoned Mobile Home. The subarea is dominated by detached single-family residential uses that were constructed between approximately 1890 and 1950. The existing single-family residential uses are considered legally non-conforming and can remain into perpetuity, however, no new single-family detached or attached units could be constructed in the subarea based on the current zoning regulations. The current zoning does include a provision to permit apartment homes and/or residential units above commercial uses within the zoning district – but would prohibit the construction of a new single-family or two-family residential structures.

Figure 23. Subarea D: Zoning





Market Observations:

- The single-family detached homes have retained their value based on the available comparable residential market data.
- Redevelopment for similar density/development types would be consistent with the character of the subarea and would likely be well received by the market.
- The existing General Business zoning district, as written, makes redevelopment challenging given that parcel sizes are relatively small and would not make multi-family development viable without additional lot combinations.
- Co-mingling of small, low-intensity businesses is consistent with the character of the subarea.
- (Re)Development of parcels for mixed-use would require densities to exceed 20 dwelling units per acre, and to include a commercial/retail component. The current multi-family market remains constrained as referenced within the national and regional market analysis, and given the small parcel size is unlikely to be delivered by the market.

Opportunity Sites:

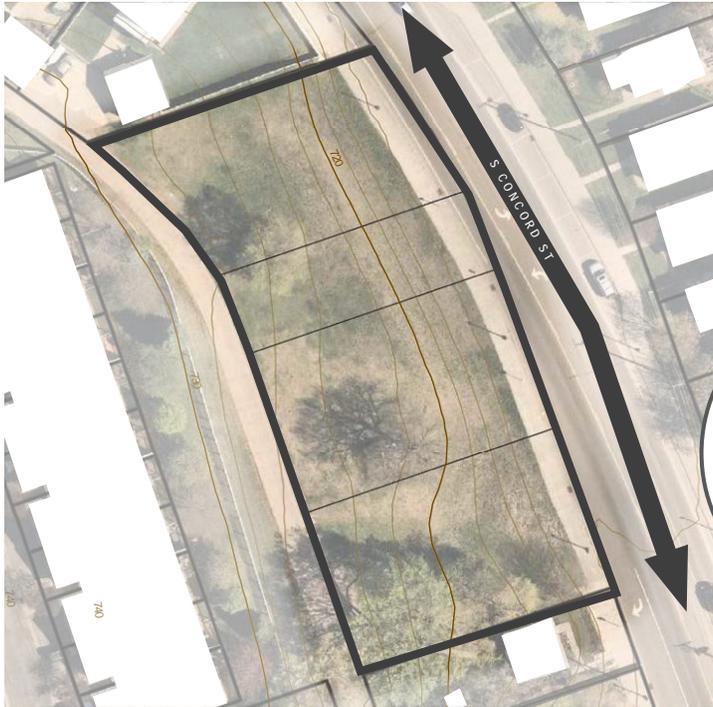
Within Subarea D there are two areas that have been acquired for (re)development. The first collection of parcels is owned by Dakota County and is contains approximately 0.65 acres and South St. Paul owns the second area which contains approximately 0.39 acres. Both sites are most likely to support some type of residential uses to be compatible with the surrounding neighborhood. Rezoning for consistency with either the Mixed-Use land use designation would provide the opportunity for both residential and small infill commercial/retail uses. The following capacity analysis considers the mixed-use land use designation that guides residential uses at 20+ dwelling units/acre.

Table 32. Opportunity Site Development Capacity

Property	Acres (SF)	Use/ Zoning	Mixed-use Density (25 -60 DU/Ac)	Notes & Observations
Dakota County Property PID 364530011220 PID 364530011200 PID 364530011191 PID 364530011170 Figure 24	0.65 (28,314)	Use: Vac. Zoning: GB	16-39 DU; must include commercial use	A new zoning district may be better matched that does not require commercial/retail uses within the same project. Density range is unrealistic given the parcel size and should be addressed.
SSP EDA Property PID 364530010140 PID 364530010120 PID 364530010110 Figure 25	0.39 (16,988)	Use: Vac. Zoning: GB	10-23 DU; must include commercial use	A new zoning district may be better matched that does not require commercial/retail uses within the same project. Density range is unrealistic given the parcel size and should be addressed.



Figure 24. Opportunity Site: Dakota County



LEGEND

- DAKOTA COUNTY PROPERTY
- PARCEL BOUNDARIES
- 10FT CONTOURS
- 2FT CONTOURS



Sources: MNDNR, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community

Figure 24. Opportunity Site: South Saint Paul Economic Development Authority



LEGEND

- EDA PROPERTY
- PARCEL BOUNDARIES
- 10FT CONTOURS
- 2FT CONTOURS



Sources: MNDNR, MNDOT, Met Council, ESRI, HERE, Garmin, (c) OpenStreetMap Contributors & GIS User Community



VI. FINDINGS + RECOMMENDATIONS

Based on the national, regional and local market findings the Study Area is well positioned for development and/or redevelopment with a dominant industrial land use pattern. The Study Area is geographically positioned within the region to leverage the existing transportation resources including proximity to the I-494 loop and the UP Railroad that is integral to the success of industrial uses. Because of South Concord Street’s historical development patterns, there is also an opportunity to develop and support small retail businesses, creative industrial opportunities and compatible low-medium-and-high residential uses all within the context of Subarea A and B that are best suited for industrial uses. As described within this analysis, the corridor can (and does) have different levels of development and intensity along the corridor – and this can be maintained and supported as redevelopment occurs. The Subareas are a way to organize the existing land use patterns, to describe the different market expectations and to establish a long-term vision for the corridor. The subareas can serve as a foundation for the land use and zoning analysis that follows this market study. The following observations/recommendations by Subarea are summarized:

Table 33. Findings and Recommendations by Subarea

Subarea	Observations/Recommendations
<p style="text-align: center;">A Large Land Parcels</p>	<ul style="list-style-type: none"> • Highest-and-best use is for industrial. Industrial uses are dominant and existing patterns should be respected. • Opportunity sites provide significant redevelopment of industrial users that are consistent with the market. • Multi-tenant industrial buildings with smaller suites are in-demand and there is a lack of supply in the market. Spaces from 25,000 – 50,000+ are hard to find within the Southeast subarea and the Concord Submarket. • Analysis assumes that Dakota Bulk and the Gun Club will not relocate in the short or long term. As such, their development capacity is not identified as opportunity sites. If either operator were to leave, the extensive land area would be a prime opportunity. • The UP Railroad presents both an opportunity and a challenge. Industrial uses can leverage access to the railroad, however, access is constrained by the lack of egress/ingress options. • Future development/redevelopment of the Opportunity Sites within the Subarea should address additional (and connected) access to improve the marketability of the area.



<p>B Balanced Land + Building Parcels</p>	<ul style="list-style-type: none">• Opportunities within Subarea B require consolidation/combination of parcels.• Parcel areas support potential redevelopment with smaller single-user industrial buildings. The single-tenant, small (10,000-50,000 SF) industrial market is in demand, but there is a lack of available existing buildings or land to support the use.• Parcels within the subarea are not constrained by natural features which makes redevelopment easier with greater opportunities for flexibility through regulation.• Outdoor storage is often demanded by smaller industrial users because this subtype typically includes businesses such as landscapers, utility contractors, etc., that have materials on site. Regulations should address the appropriate site-building balance, and the regulations associated with outdoor storage.
<p>C Bluff Constrained Parcels</p>	<ul style="list-style-type: none">• The highest-and-best use within Subarea C is likely similar to the existing use/development pattern.• Allowing for a mix of uses including retail/commercial, light industrial and office within this subarea provides the greatest market potential.• Since parcels are generally constrained by the bluff, bluff impact zone and the Concord right-of-way, flexibility of use provides options to property owners to be creative with development or redevelopment.• Conversion and reuse of structures in the corridor is likely given the existing bluff conditions and use patterns. This should be addressed within the zoning/land use regulations for the Subarea.
<p>D Small Dominant Residential Parcels</p>	<ul style="list-style-type: none">• The highest-and-best use within Subarea D is likely similar to the existing residential patterns.• Residential uses in the Subarea provide naturally occurring affordable housing options to the community and can be protected and reinforced through the zoning/land use update process.• Infill and redevelopment will be most marketable if it fits the character of the surrounding area. Review of the existing land use and zoning should look for opportunities to align the current pattern with regulations.• Allowing for a mix of properly scaled uses would further support the character of the Subarea while providing opportunities for further investment.