

# A Market Potential Assessment for “South Urban Gateway” Corridor in Rosemount, Minnesota

*Prepared for:*

City of Rosemount

South Urban Gateway Analysis for Reinvestment (SUGAR)

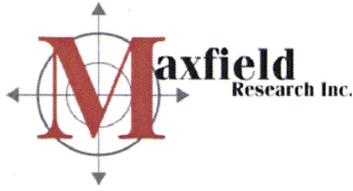
Committee

Rosemount, Minnesota

May 2014



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Minneapolis, MN 55403  
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May 31, 2014

Ms. Kim Lindquist  
Director of Community Development  
City of Rosemount  
2875 145<sup>th</sup> Street West  
Rosemount, MN 55068

Dear Ms. Lindquist:

Attached is the analysis titled, "A Market Potential Analysis for the South Urban Gateway Corridor in Rosemount, Minnesota". The market analysis focuses on the amount of development supportable in the South Urban Gateway Corridor with attention given to a potential mix of retail categories based on the demographic characteristics, growth trends in the area, and the existing retail supply in Rosemount and the surrounding area.

Maxfield Research, Inc. estimates demand for retail and other uses on the property based on projected growth for the Rosemount Trade Area, changing demographic patterns, and projected market conditions for commercial, residential and other real estate sectors. Recommendations regarding the amount of square footage supportable over various periods of time are provided along with the calculations of demand through 2025 and to 2035.

Detailed findings and recommendations are found in the *Conclusions and Recommendations* section at the end of the report.

Please contact us if you have questions or require additional information.

Sincerely,

**MAXFIELD RESEARCH INC.**

A handwritten signature in black ink that reads "Mary C. Bujold". The signature is written in a cursive style with a large, looped 'M' and 'B'.

Mary Bujold  
President  
Attachment

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**Purpose and Scope of Study**

Maxfield Research Inc. was engaged by the City of Rosemount to complete a market potential analysis to evaluate existing market conditions in the Corridor and to determine, based on a plan for redevelopment, the amount of commercial, residential and industrial square footage supportable in the Corridor over various periods of time. The South Urban Gateway Corridor is located on either side (east-west) of State Highway 3 (South Robert Trail) between County Road 42 (150<sup>th</sup> Street) and County Road 46 (160<sup>th</sup> Street) in Rosemount, Minnesota.

The South Urban Gateway Corridor has long been a core commercial and industrial area in the City. While Rosemount has an historic Downtown which lays to the north of the South Urban Gateway Corridor, higher traffic counts along County Road 42 and South Robert Trail made the South Urban Gateway Corridor area an attractive location for uses that generally require convenient access and high visibility. Over time, as other commercial nodes to the west of this area have been developed and increased in size, the South Urban Gateway Corridor district has experienced less development intensity.

Our research includes an analysis of the existing supply of commercial and industrial uses in the South Urban Gateway Corridor in addition to market conditions for retail, office, residential and industrial development. The market analysis focuses on the amount of development supportable on the subject property with attention given to a potential mix of retail and office categories based on the demographic characteristics and growth trends in the area.

### **Introduction**

This section of the report presents an analysis of the location and characteristics of the South Urban Gateway Corridor in Rosemount, Minnesota discussing the regional location, the City of Rosemount, and the property's general characteristics. Adjacent land uses, accessibility to and visibility of the South Urban Gateway Corridor and its proximity to employment concentrations, shopping and services are presented. Finally, this section discusses the appropriateness of the Corridor for various uses including retail, office, industrial and multifamily development.

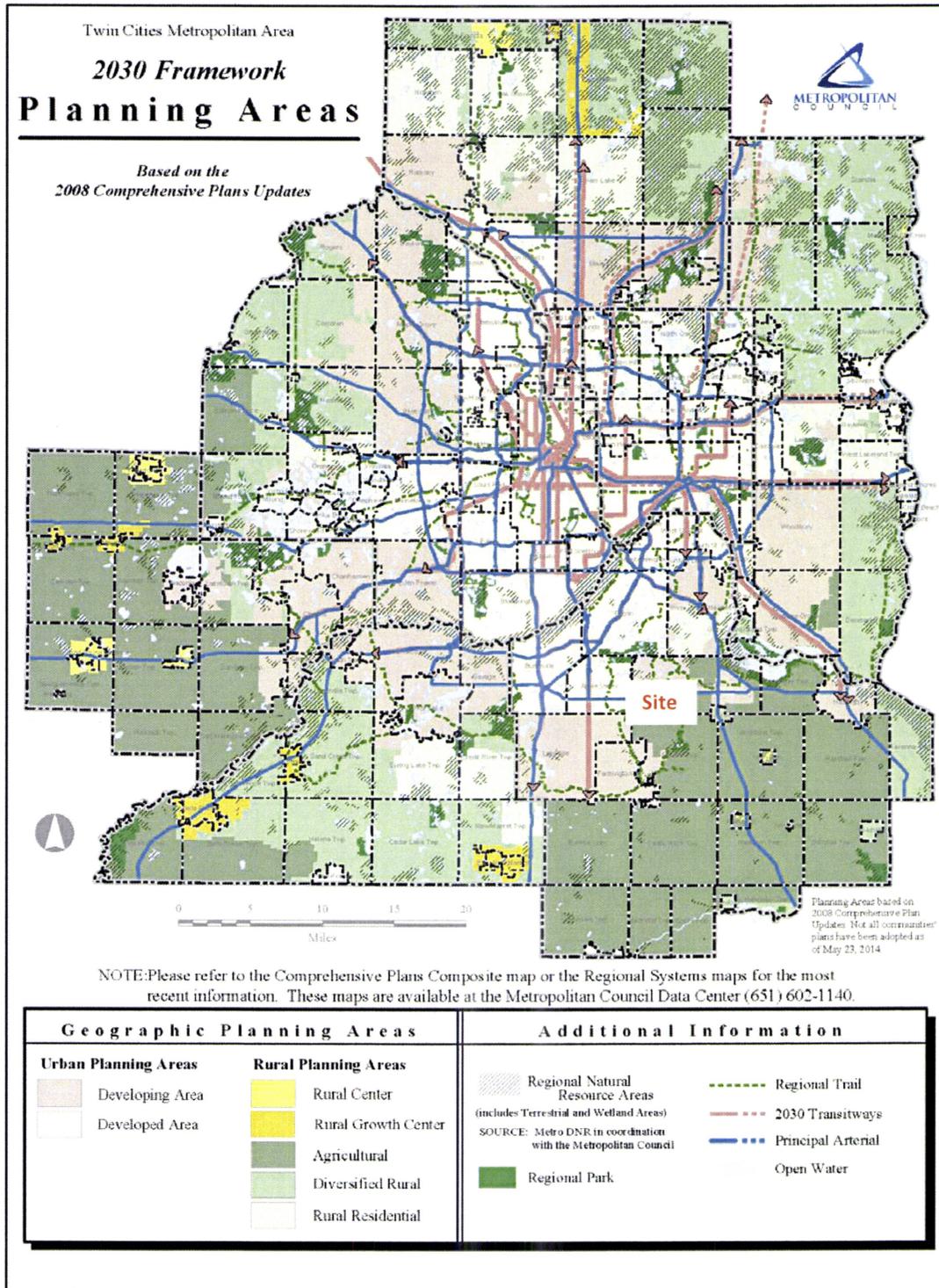
### **Regional Location**

Rosemount had a 2010 population (Census) of 21,874 people and is located in northeastern Dakota County in the southern half of the Twin Cities Metro Statistical Area, which encompasses 13 counties and includes about 3.0 million people (2010 Census). Dakota County is the third most populous county in Minnesota, behind Hennepin County and Ramsey County. As of 2010, Dakota County had reached a population of 398,552 people. The map below shows the location of the South Urban Gateway Corridor within the seven-county core of the Metro Area. Non-urbanized portions of the region are shaded green.

The map shows that Rosemount is located in an area designated as "Developing" by the Metropolitan Council, the regional planning agency serving the Twin Cities seven-county metropolitan area. Much of the southeast Metro Area south of I-494 is designated as a developing area, including the City of Rosemount. Developing Communities focus on accommodating growth, supporting centers along corridors, encouraging connected land use patterns for new development and encouraging the development of communities where shopping, jobs and a variety of housing choices coexist.

Although the South Urban Gateway has commercial and industrial uses that have been in existence for a number of years, Rosemount as a community still has a substantial amount of land remaining for development. As the community adds new households and jobs, the potential demand for additional commercial space will increase.

**Map 1  
Regional Location**



### **Rosemount Characteristics**

The City of Rosemount covers approximately 35.21 square miles in northern Dakota County. The City of Eagan (pop. 64,206) is located north of Rosemount and the City of Inver Grove Heights (pop. 33,880) forms the eastern border. Rosemount is bounded by Apple Valley (pop. 49,084) and Empire Township (pop. 2,444) to the south.

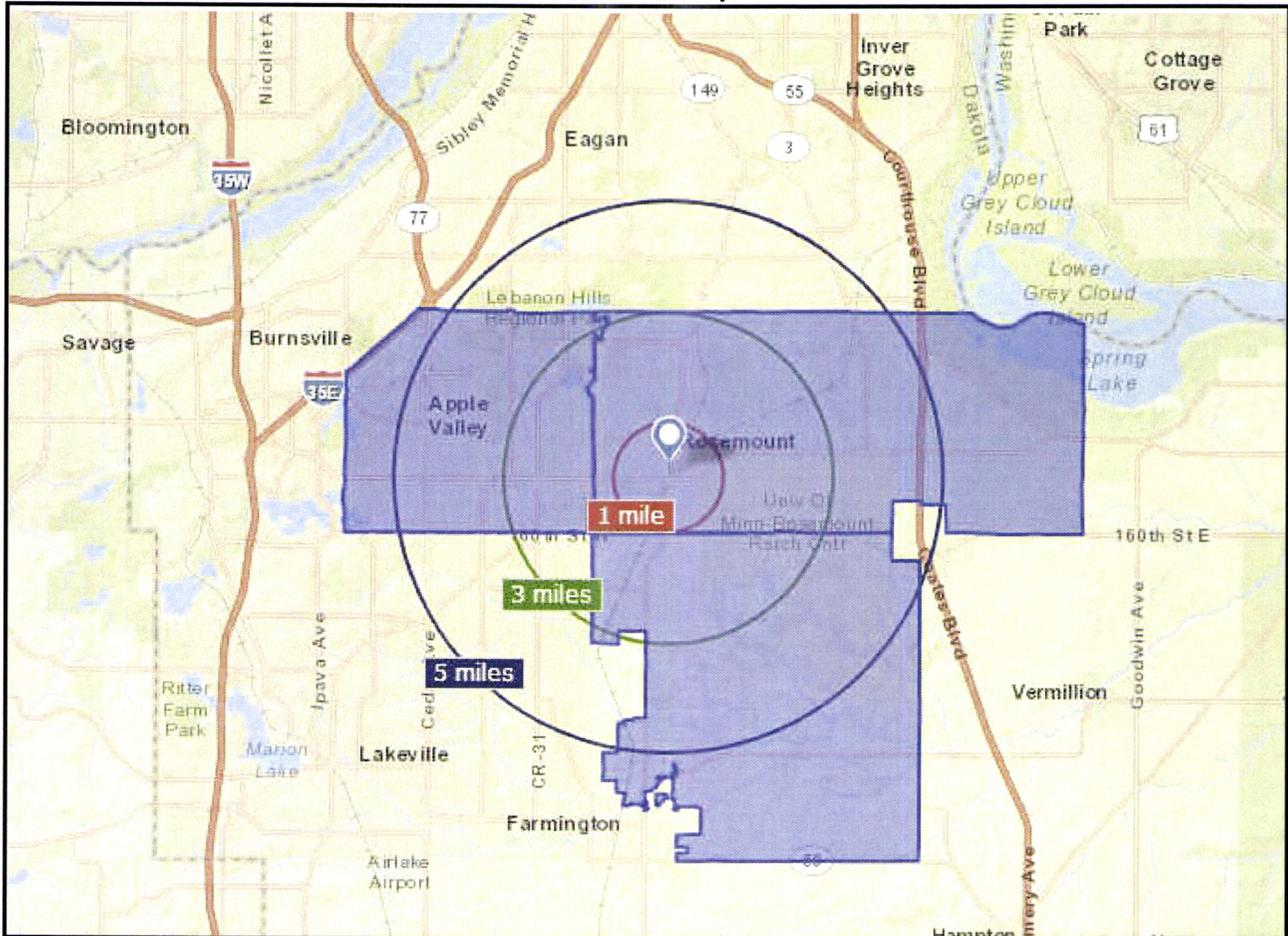
Rosemount expanded rapidly in the 2000s, adding an average of 726 people per year for a growth rate of 49.6% between 2000 and 2010. Over the next 20 years, Rosemount is projected to nearly double in population, adding about 19,200 people, a growth rate of 87.8% to 2030. In comparison, the Twin Cities Metro Area household base is projected to expand by only 25.6% during this same period (2010-2030).

All of Rosemount is located within the Metropolitan Urban Service Area (MUSA) which is the area in the Seven-County Metro Area where the Metropolitan Council ensures that regional services are provided or planned. The City of Rosemount is approximately one-third developed. Rosemount has a significant amount of land to its east which is currently undeveloped. As growth pushes further to the west and south, we anticipate that development in the community will fill in a logical progression.

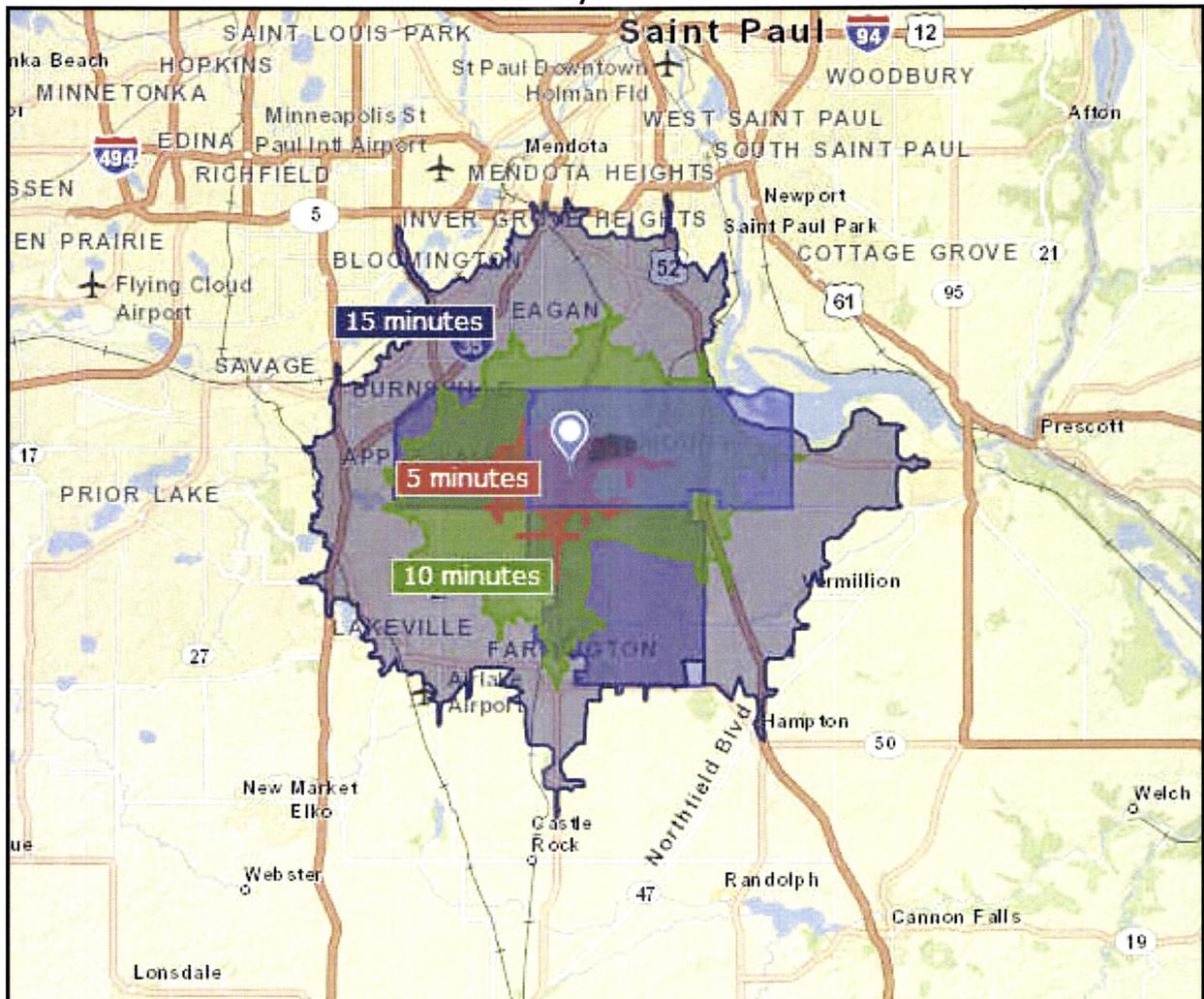
Map 2 shows one, three and five-mile radii from the South Urban Gateway Corridor location. Map 3 shows drive times from various locations to the South Urban Gateway Corridor. This information is helpful in determining a draw area for retail and other commercial services in the Corridor. As shown on the map, properties in the South Urban Gateway Corridor can be reached within a 15-minute drive from much of the immediate surrounding area. This 15-minute drive time reaches up into northern Eagan and as far south as the southern border of Lakeville.

**SITE LOCATION ANALYSIS**

**Map 2  
South Urban Gateway Corridor**



Map 3  
South Urban Gateway Corridor Drive Times



## **SITE LOCATION ANALYSIS**

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The South Urban Gateway Corridor is currently designated as predominantly commercial uses. Agricultural land is expected to be rezoned in the future toward commercial or industrial use, but most likely commercial uses. Commercial uses extend to the north into the Downtown. The adjacent roadways, current traffic volumes and other characteristics continue to support the South Urban Gateway Corridor as a primary commercial node in the community.

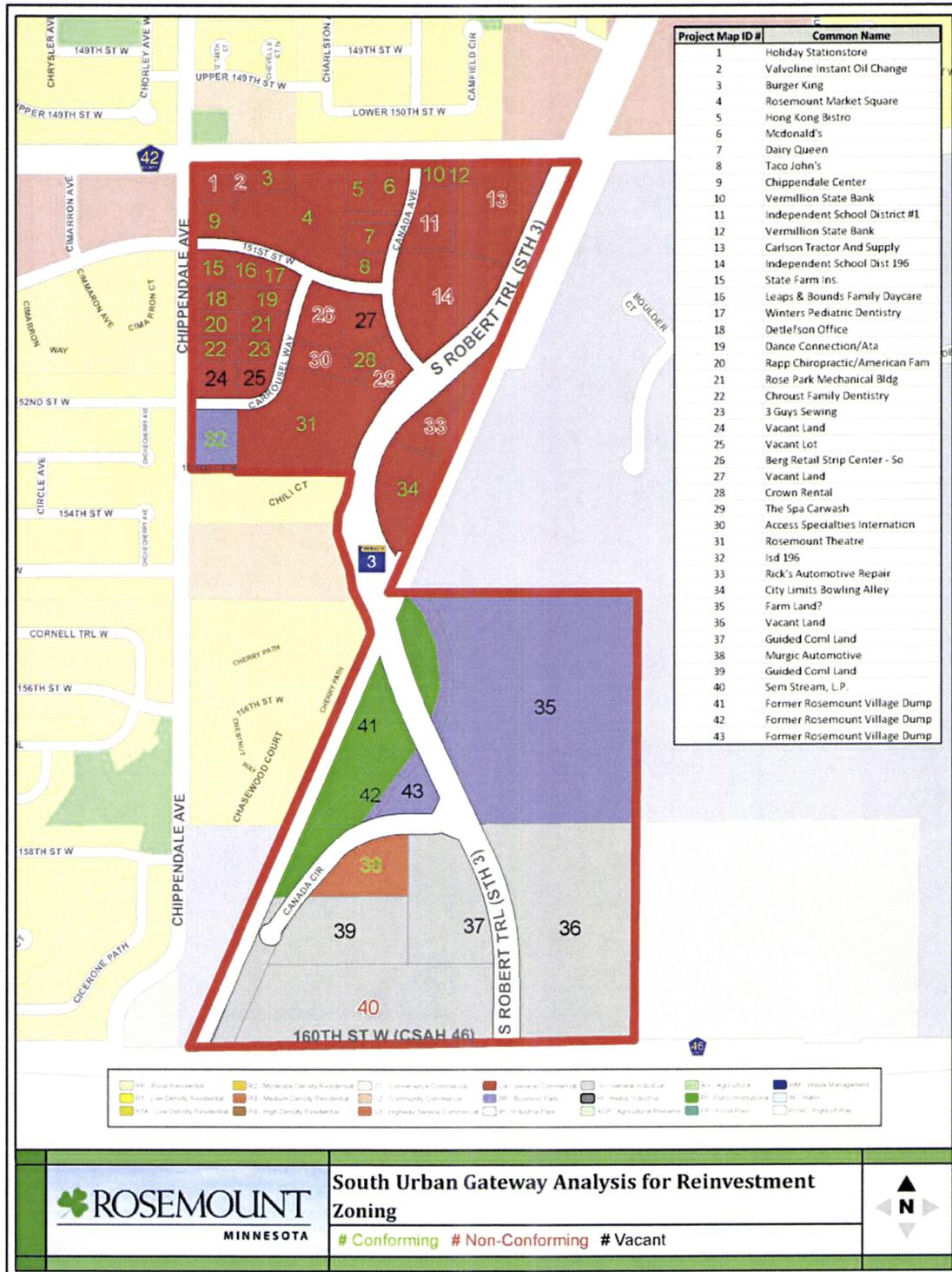
The majority of land in Rosemount is most likely to be developed over time with residential uses, including a mix of single-family and medium and high-density multifamily. Although single-family and owner-occupied multifamily construction was robust in the 2000s, Rosemount also has its share of industrial, commercial and agricultural land uses.

The large amount of land owned by the University of Minnesota, UMore Park, is currently being mined for sand and gravel. A plan to convert the property to a mix of uses with predominantly residential (low, medium densities) has been identified. It is anticipated that development on the property will begin sometime this decade and continue through 2030. The substantial number of housing units that can be accommodate in UMore Park will enhance the Corridor's ability to attract these households to retail, entertainment and service uses in the area.

The South Urban Gateway property is currently planned primarily for commercial uses with some allowances made for industrial/business park and some high-density residential on the west side of the property that would abut existing medium to high-density residential that already exists. The intent with redevelopment would be to shift all parcels to land uses that would conform to the City's Comprehensive Guide Plan, treating the South Urban Gateway Corridor area as a major commercial node in the City.

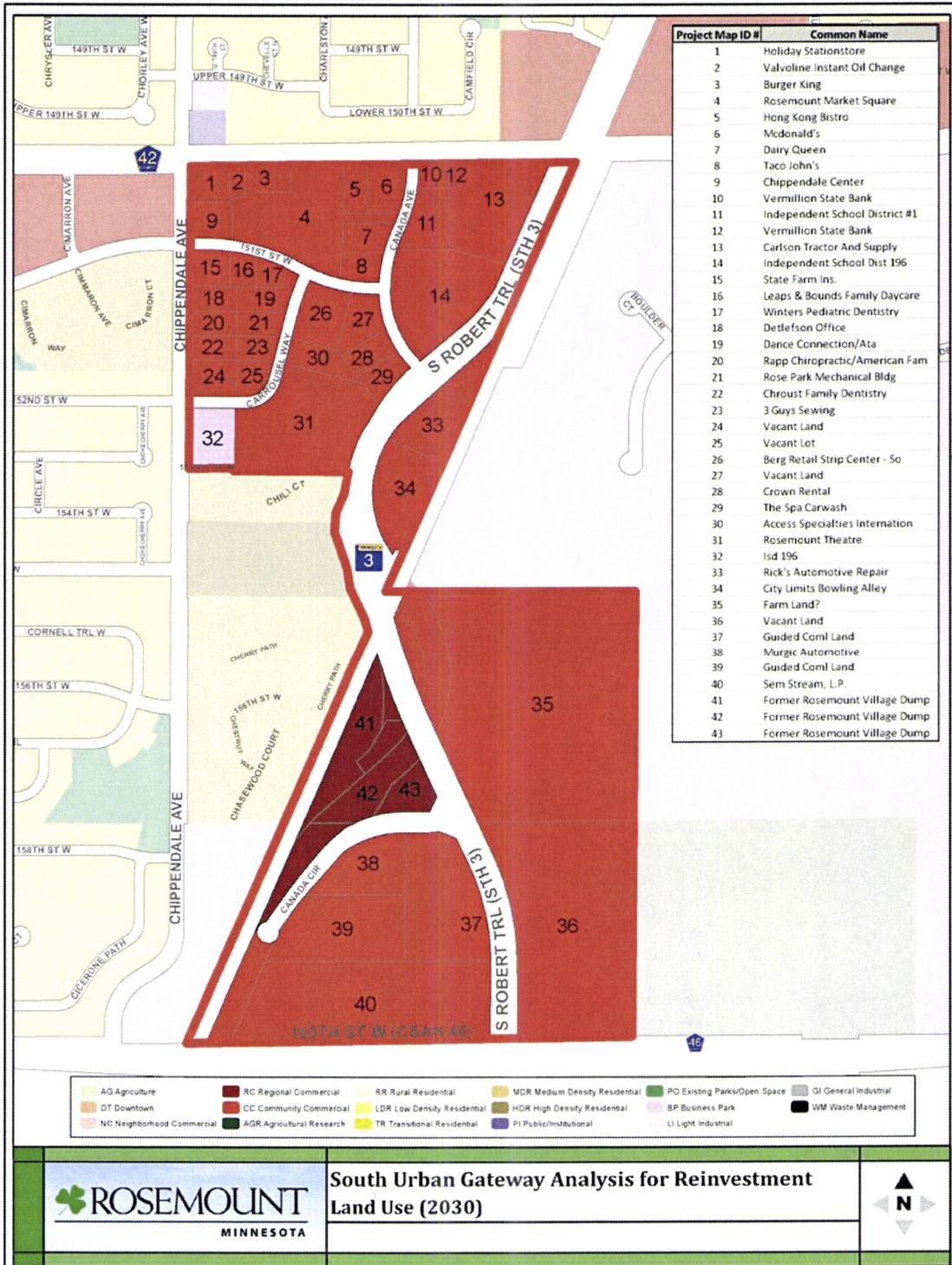
**SITE LOCATION ANALYSIS**

**Map 4  
South Urban Gateway Corridor, Zoning-Conforming/Non-Conforming Uses, 2014**



**SITE LOCATION ANALYSIS**

**Map 5  
South Urban Gateway Corridor, Future Land Use, 2030**



### Site Location and Characteristics

The subject property totals approximately 47.4 acres in the southern portion of Rosemount. The south border of the Gateway Corridor is the south border of the City of Rosemount. The Gateway Corridor is located between County Road 42 and County Road 46 on either side of State Highway 3. The map below shows an outline of the South Urban Gateway Corridor and its relationship to the immediate surrounding area.

**Map 6**  
**South Urban Gateway Corridor**



### Adjacent and Surrounding Land Uses

- North: Commercial office and retail uses; access into Downtown Rosemount
- East: Commercial and industrial uses, vacant land, institutional use.
- South: Industrial uses and vacant agricultural land.
- West: Multifamily for-sale and senior housing; commercial office and retail uses.

## SITE LOCATION ANALYSIS

### Access and Visibility

Excellent access and visibility are vital to the success of retail and service businesses. Currently, access to parcels in the South Urban Gateway Corridor can be obtained from several locations off South Robert Trail and at selected access points off County Road 42. Due to the heavy traffic volumes on County Road 42, access to parcels south of County Road 42 may be restricted in the future as additional improvements are made to County Road 42 to move traffic along more rapidly.

Improvements and upgrades made to County Road 46 have quickly siphoned traffic off of County Road 42 to County Road 46 due to east-west travel now being more rapid along County Road 46 between Highway 52/55, Cedar Avenue (Highway 77) and Interstate 35 than taking County Road 42. While this has reduced traffic increases along County Road 42 recently, it has also pulled some drive-by traffic off County Road 42 down to County Road 46, likely affecting some convenience uses on the north side of the South Urban Gateway Corridor. Traffic counts on County Road 46 are projected to rise over time to about 36,000 by 2030. Larger development parcels that are under-utilized and/or vacant have the potential to attract larger commercial retail uses. These larger sites sandwiched in between two major thoroughfares (County Roads 42 and 46) should be promoted to larger users that could capture traffic from both of these thoroughfares.

Table 1 displays the 2007 and 2012 estimated traffic volumes (measured in annual average daily trips) and the 2030 projected traffic volumes for adjacent roads near the Gateway Corridor.

TABLE 1 TRAFFIC VOLUME TRENDS GATEWAY CORRIDOR 2007, 2012, & 2030							
	Annual Average Daily Traffic (AADT)			Change, 2007 - 2012		Change, 2012 - 2030	
	Estimate 2007	Estimate 2011/2012	Projected 2030	No.	Pct.	No.	Pct.
<b>County Road 42</b>							
West of Highway 3	18,000	17,700	28,000	-300	-1.7%	10,300	58.2%
East of Highway 3	15,300	12,600	27,000	-2,700	-17.6%	14,400	114.3%
<b>County Road 46</b>							
West of Highway 3	12,500	13,700	36,000	1,200	9.6%	22,300	162.8%
East of Highway 3	10,900	9,800	25,000	-1,100	-10.1%	15,200	155.1%
<b>Highway 3</b>							
North of County Road 42	14,000	12,400	n/a	-1,600	-11.4%	---	---
South of County Road 42	9,600	8,900	n/a	-700	-7.3%	---	---
AADT = Annual Average Daily Traffic							
Sources: MnDOT; City of Rosemount; Dakota County; Maxfield Research Inc.							

## SITE LOCATION ANALYSIS

Traffic counts show that there have been fluctuations in traffic volumes over the past five years from 2007 through 2012. Traffic fluctuations can result from any number of factors including detours, road construction, additional improvements to adjacent roadways, etc. It appears as though there has been some traffic diversion away from Highway 3 and from County Road 42. Some of this traffic has moved over to County Road 46 and other traffic may be finding alternate routes to travel east-west or north-south. However, strong growth is projected in AADT on the major roadways to 2030.

To provide some perspective on traffic volumes, Table 2 shows traffic volumes as of 2010 for four other commercial intersections in the nearby area as well as four intersections where lifestyle/open-air centers are located. Table 2 highlights that areas with higher traffic volumes generally support a greater amount of commercial and retail uses.

The volumes shown on Tables 1 and 2 reflect average annual daily trips (AADT) and incorporate the turning movements of vehicles at the intersection. The figures shown on the tables are individual counts for each side of the intersection and do not necessarily account for separate vehicles. A vehicle may cross the intersection or make a turn in a specific direction and may cross the intersection more than one time in a day. The counts are not intended to be aggregated but show the average level of traffic volume on a portion of the roadway.

<b>TABLE 2</b>				
<b>2010 TRAFFIC VOLUMES*</b>				
<b>SURROUNDING COMMERCIAL AREAS</b>				
	Side of Intersection			
	North	East	South	West
<b>Neighboring Commercial Nodes</b>				
Hwy 77 @ Hwy 13, Eagan	76,000	26,500	68,000	22,500
Hwy 52 @ I-494, Inver Grove Heights	57,000	97,000	61,000	77,000
Hwy 52 @ Concord, Inver Grove Heights	48,000	10,000	45,500	1,550
Cedar Ave @ Co Rd 42, Apple Valley	46,500	35,500	36,000	28,000
<b>Lifestyle Centers</b>				
I-94 @ Hemlock Ln, Maple Grove (Arbor Lakes)	32,000	119,000	18,900	108,000
I-494 @ Valley Creek Rd, Woodbury (Woodbury Village)	76,000	34,000	61,000	21,000
Hwy 10 @ Main St, Coon Rapids (Riverdale Village)	67,000	31,000	32,000	77,000
I-35W @ Lexington Ave, Blaine (Village of Blaine)	22,600	42,000	17,300	52,000
* Annual Average Daily Traffic (AADT).				
Sources: MnDOT; Maxfield Research Inc.				

**Appropriateness of the South Urban Gateway Corridor for Commercial Uses**

Strengths and weaknesses of the commercial potential of the South Urban Gateway Corridor are summarized below.

<b>Corridor Strengths</b>	<b>Corridor Weaknesses</b>
<ul style="list-style-type: none"><li>• Convenient access to major roadways including South Robert Trail, County Road 42 and County Road 46;</li><li>• Current heavy traffic volumes on County Roads 42 and 46 and increasing traffic on County Road 46</li><li>• High household incomes in the area which are desired by many retailers</li><li>• Solid household growth projected for Rosemount</li><li>• Situated in an existing, recognized commercial node within the City; most residents in the City are aware of the Gateway Corridor; additional surrounding uses are a mix of commercial, industrial, agricultural and residential</li></ul>	<ul style="list-style-type: none"><li>• Mix of uses (office, retail, industrial) not always compatible with each other</li><li>• Older retail uses appear worn</li><li>• Apple Valley retail competes with this area for customers for some types of uses</li><li>• Small parcel sizes for properties to the west of South Robert Trail will pose a challenge for redevelopment</li></ul>

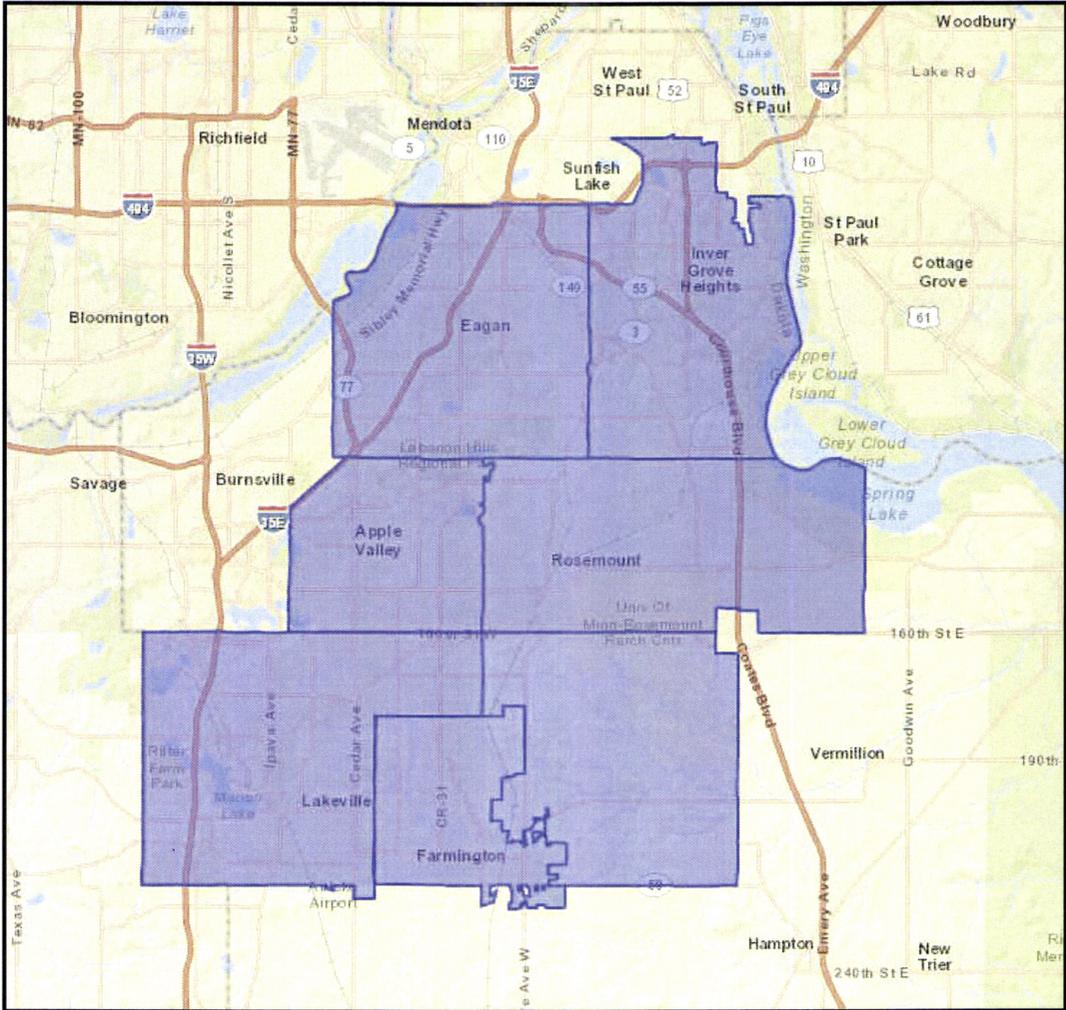
### **Introduction**

This section of the report presents our analysis of demographic characteristics and growth trends in the South Urban Gateway Corridor. An appropriate draw area was determined from which commercial uses and retail space would likely attract shoppers and tenants. We then analyze key demographic data in the Market Area, as they relate to the demand for various types of commercial uses including retail, office and industrial development.

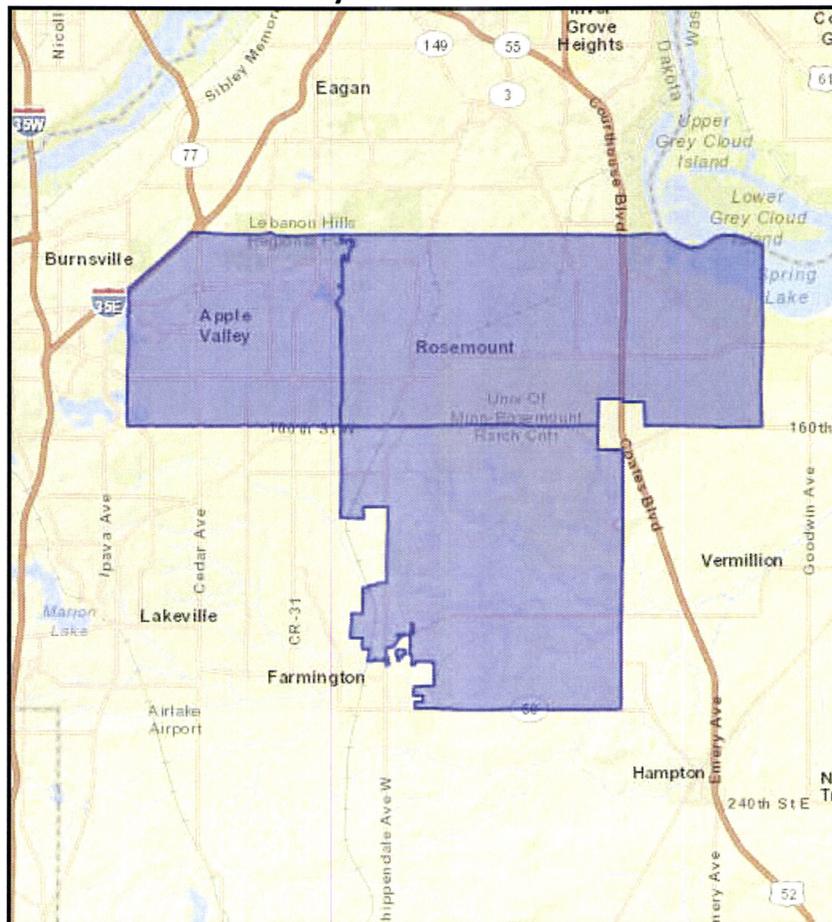
### **Market Area Definition**

Maxfield Research Inc. determined the Market Area for the South Urban Gateway Corridor based on proximity to other commercial nodes, commuting patterns, geographic boundaries, and interviews with commercial brokers and our expertise in commercial analysis. The Primary Market Area (PMA) includes a larger area from which a wide variety of uses would be drawn including commercial uses and industrial uses. A smaller Retail Trade Area was also determined that comprises a geographic area from which residents would likely consider patronizing businesses that offer products and services or entertainment-based retail located in the Corridor. The larger PMA includes the Cities of Rosemount, Eagan, Apple Valley, Inver Grove Heights, Lakeville, Empire Township and Farmington. This is the area from which a broad base of industrial and commercial uses could be drawn. Industrial users tend to look for locations that offer them a strong central location to vendors and customers and good access to distribution corridors. Destination commercial uses are based on the purchase of major products and services, such as furniture, appliances, or products that are distinctive in some way. Although we do not necessarily view the Corridor as a destination retail location, some destination uses could be accommodated there in the future. We also identified Dakota County as a Secondary Market Area for some types of goods and services that would have a regional draw such as the movie theater. Maps of the Market Areas follow.

Map 7  
South Urban Gateway Corridor Primary Market Area



**Map 8**  
**South Urban Gateway Corridor Commercial Draw Area**



### Population and Household Growth Trends

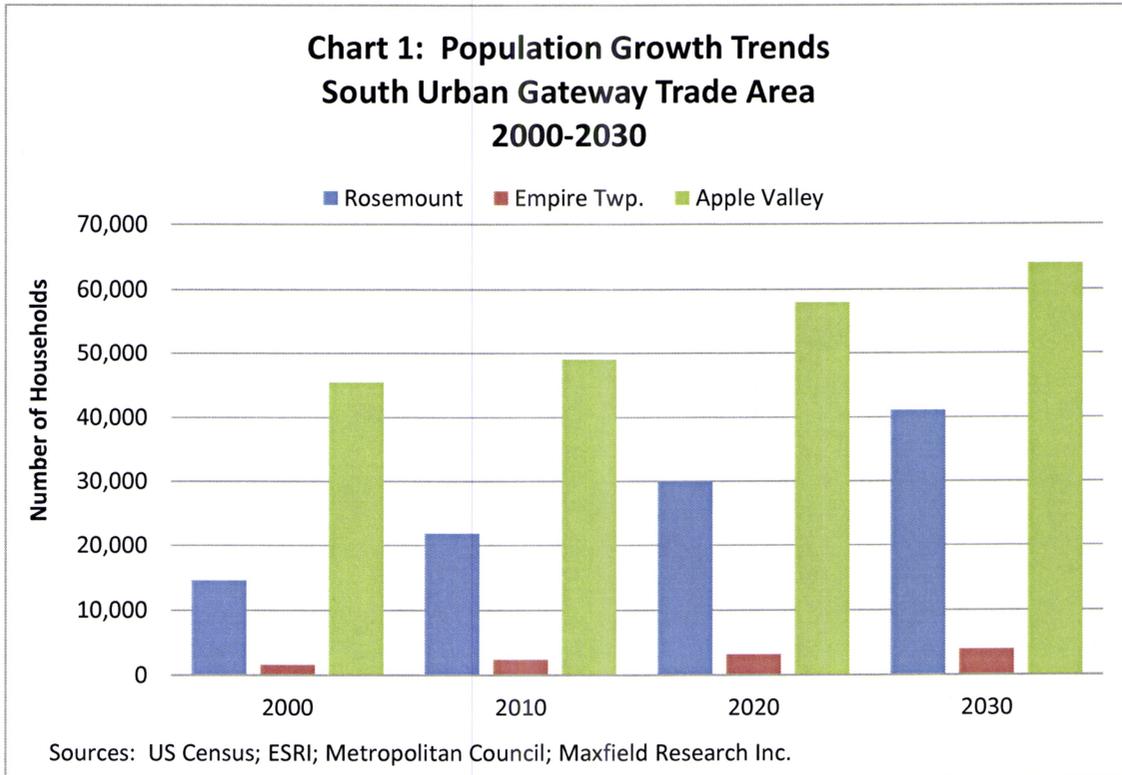
The following charts present population and household growth trends and projections for the Retail Draw Area from 2000 to 2030. The 2000 and 2010 population and household figures were obtained from the U.S. Census Bureau. Projections for 2020 and 2030 were compiled by Maxfield Research Inc. based on building permit trends, existing land area, historic growth trends and projected economic development.

The following points summarize key demographic findings.

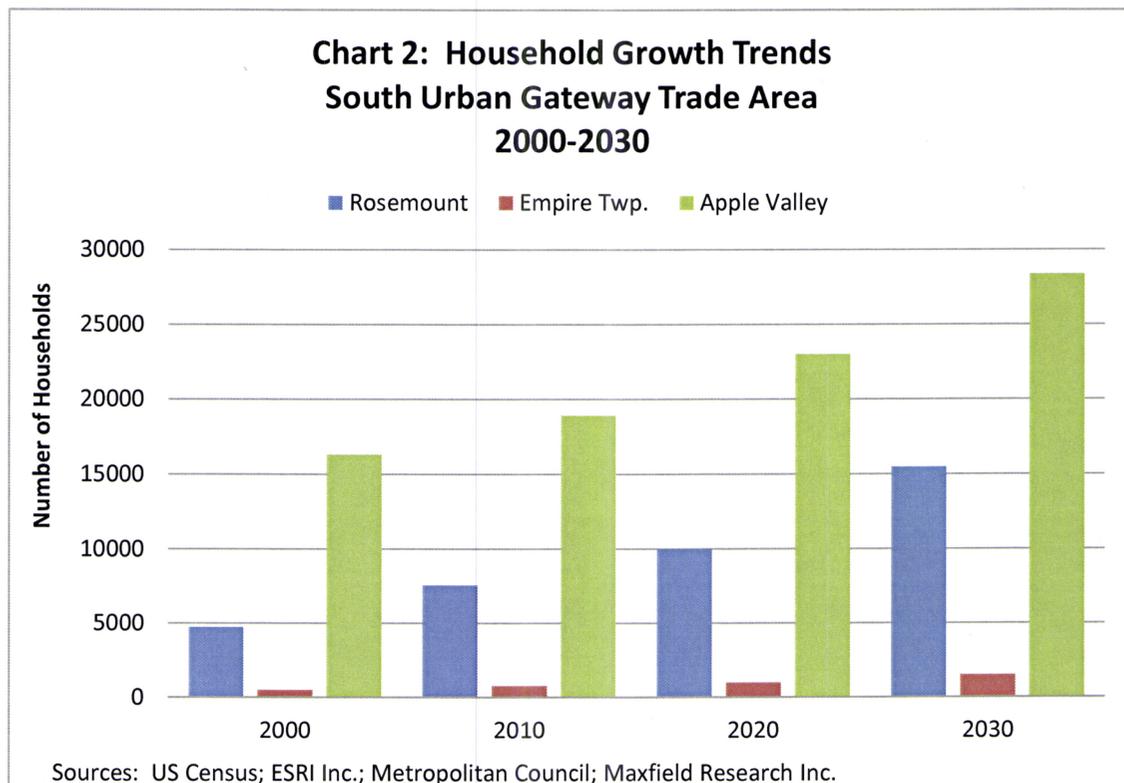
- As of 2010, Rosemount and the surrounding communities contained 73,402 people and 27,254 households. From 2000 to 2010, the population increased 18.8% while the number of households expanded by 26.3%. Rosemount alone gained 7,255 people and 2,845 households during this period.

## DEMOGRAPHIC ANALYSIS

- By 2020, the Rosemount and the surrounding communities are projected to add nearly 18,000 people and 7,200 households. The substantial growth in population is expected to occur as families are attracted to new housing in the area.



- Between 2010 and 2020, Dakota County's population and household base are expected to increase +8.4% to 432,100 and +10.3% to 167,700, respectively. As of 2010, Rosemount, Apple Valley and Empire Township contained roughly 18.4% of the County's population. By 2020, these communities are expected to contain approximately 20.5% of the County's population.
- Population in the Seven-County Metro Area is projected to increase 6.5% to 3,035,000 in 2020 while the number of households will grow by 7.8%.

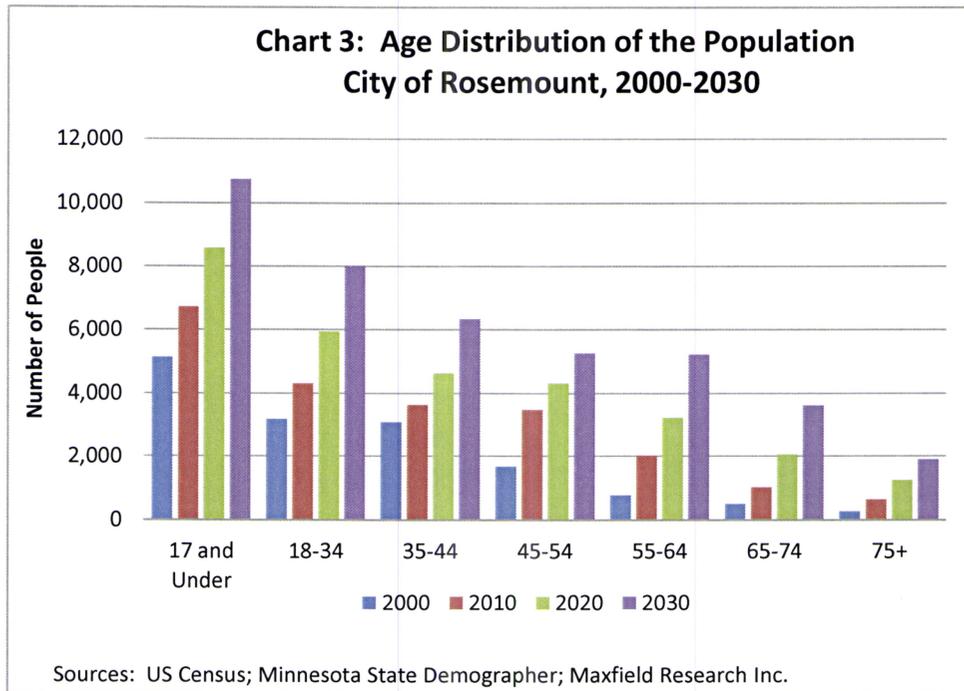


**Population Age Distribution**

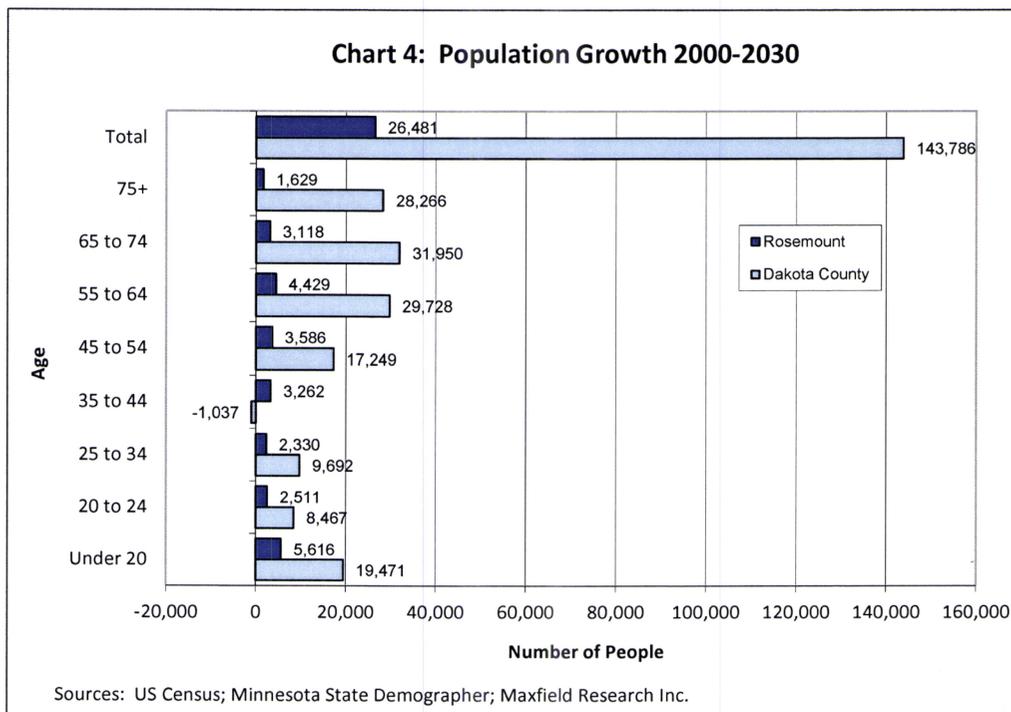
The age distribution of the population relates to the type of retail services needed in a given community. Younger people are more likely to seek a variety of retail services including entertainment, electronics and specialty apparel. Child stores increase in popularity for the 25 to 34 and 35 to 44 cohorts while home furnishings are more frequently sought by the 45 to 54 and 55 to 64 age groups. The following chart presents the age distribution of the population in Rosemount from 1990 to 2030, based on Census data and projected demographic trends by age cohort.

- The table shows that largest age cohort in Rosemount will continue to be children and teens. This group is expected to continue to increase over the next 20 years as families move to Rosemount. Older adults and young seniors (55 to 74) are expected to experience the greatest rate of growth during this period, as the baby boom generation ages in to their early senior years.
- Although all age groups in Rosemount will experience population growth during the next 20 years, the middle ages groups are not expected to experience quite as much growth as other cohorts. This is primarily because those ages 35 to 54 are generally a smaller age cohort in the Twin Cities overall, due to demographic shifts and fewer births during the period when these people were born.

**DEMOGRAPHIC ANALYSIS**



- Overall, as more households relocate to Rosemount, the need for retail goods and services in close proximity to residences will increase. These next ten to 15 years should reflect strong household growth in Rosemount and an increase in the potential opportunity to attract more retail goods and services to the community.



### **Household Incomes**

Household income data helps ascertain demand for different types of retail services. People with lower incomes are likely to seek out discount retailers as well as necessities like grocery items. Retail services and goods such as dining and home furnishings will experience higher spending from more moderate income households while upper income households will also shop for specialty apparel, recreation and sporting goods, and luxury items. Tables 3 and 4 show household incomes for Rosemount and other communities in Dakota County for 2013 and 2018. Household income data was compiled by Ribbon Demographics.

The following summarizes the significant points from Table 3.

- The 2013 estimated median income in Rosemount (\$77,178) is 7.5% higher than the median income in Dakota County (\$71,361). Therefore, the Market Area is relatively affluent compared to Dakota County as a whole, suggesting that households have more resources to devote toward retail services and goods.
- By 2018, the median household income in Rosemount is expected to increase just slightly to \$77,475. The median household income for Dakota County is expected to increase to \$79,593 during this time period. The anticipated increase in household incomes in Rosemount however, may be significantly affected by new housing that is developed in the area, especially in UMore Park. This could cause the median household income to rise to equal or above that of the County.

**DEMOGRAPHIC ANALYSIS**

TABLE 3  
HOUSEHOLDS BY MEDIAN HOUSEHOLD INCOME  
DAKOTA COUNTY  
2013

City	Ages 15 - 24	Ages 25 - 34	Ages 35 - 44	Ages 45 - 54	Ages 55 - 64	Ages 65 - 74	Ages 75+	Total
<b>Developed Communities</b>								
Burnsville	\$30,258	\$55,096	\$68,710	\$80,945	\$76,352	\$50,981	\$29,205	\$55,096
Eagan	\$36,280	\$62,095	\$82,211	\$98,975	\$93,790	\$49,457	\$29,508	\$62,095
Inver Grove Heights	\$38,446	\$59,985	\$76,139	\$81,238	\$76,152	\$54,489	\$36,552	\$59,985
Lilydale	\$62,500	\$76,786	\$89,583	\$101,786	\$99,167	\$77,083	\$44,625	\$77,083
Mendota	\$62,500	\$50,000	\$112,500	\$100,000	\$100,000	\$83,333	\$33,416	\$83,333
Mendota Heights	\$43,333	\$74,826	\$106,849	\$107,036	\$106,461	\$61,900	\$49,764	\$74,826
South St. Paul	\$25,313	\$52,769	\$61,021	\$61,820	\$57,453	\$40,865	\$26,316	\$52,769
Sunfish Lake	\$112,500	\$175,000	\$162,500	\$155,000	\$150,000	\$70,313	\$48,333	\$150,000
West St. Paul	\$30,797	\$48,648	\$59,418	\$66,134	\$61,496	\$35,087	\$24,047	\$48,648
<b>Subtotal</b>	<b>\$38,446</b>	<b>\$59,985</b>	<b>\$82,211</b>	<b>\$98,975</b>	<b>\$93,790</b>	<b>\$54,489</b>	<b>\$33,416</b>	<b>\$62,095</b>
<b>Growth Communities</b>								
Apple Valley	\$39,116	\$62,500	\$77,907	\$89,448	\$87,617	\$55,875	\$31,169	\$62,500
Farmington	\$55,645	\$79,912	\$90,098	\$80,635	\$76,533	\$56,042	\$34,725	\$76,533
Hastings	\$28,144	\$65,660	\$76,228	\$72,769	\$69,089	\$40,737	\$45,642	\$65,660
Lakeville	\$41,486	\$75,889	\$94,717	\$97,376	\$94,278	\$54,550	\$62,439	\$75,889
Rosemount	\$54,009	\$77,178	\$91,986	\$94,351	\$92,275	\$60,587	\$31,197	\$77,178
<b>Subtotal</b>	<b>\$41,486</b>	<b>\$75,889</b>	<b>\$90,098</b>	<b>\$89,448</b>	<b>\$87,617</b>	<b>\$55,875</b>	<b>\$34,725</b>	<b>\$75,889</b>
<b>Rural Area</b>								
Castle Rock township	\$62,500	\$74,219	\$81,500	\$76,293	\$72,500	\$54,167	\$31,875	\$72,500
Coates	\$62,500	\$62,500	\$70,833	\$87,500	\$87,500	\$46,250	\$42,500	\$62,500
Douglas township	\$0	\$79,167	\$92,857	\$95,000	\$90,625	\$45,500	\$26,875	\$79,167
Empire township	\$55,357	\$71,111	\$80,147	\$75,852	\$72,581	\$54,348	\$35,625	\$71,111
Eureka township	\$112,500	\$85,227	\$101,786	\$93,548	\$91,000	\$55,882	\$31,875	\$91,000
Greenvale township	\$62,500	\$69,643	\$93,056	\$87,500	\$81,944	\$51,389	\$30,313	\$69,643
Hampton	\$42,500	\$73,611	\$84,375	\$82,500	\$78,125	\$48,929	\$34,375	\$73,611
Hampton township	\$46,250	\$76,923	\$83,594	\$78,125	\$75,735	\$46,667	\$44,643	\$75,735
Marshan township	\$62,500	\$71,875	\$81,250	\$72,783	\$72,619	\$45,625	\$27,750	\$71,875
Miesville	\$0	\$62,500	\$30,000	\$87,500	\$95,833	\$87,500	\$42,500	\$62,500
New Trier	\$30,000	\$62,500	\$87,500	\$68,750	\$81,250	\$75,000	\$14,999	\$68,750
Nininger township	\$42,500	\$75,000	\$85,000	\$85,000	\$80,769	\$43,036	\$25,000	\$75,000
Northfield	\$70,833	\$73,750	\$91,071	\$86,806	\$83,333	\$49,063	\$26,500	\$73,750
Randolph	\$25,000	\$75,000	\$82,143	\$81,944	\$76,563	\$50,000	\$77,500	\$76,563
Randolph township	\$35,000	\$80,682	\$84,615	\$79,412	\$73,750	\$46,250	\$33,250	\$73,750
Ravenna township	\$83,333	\$81,250	\$91,554	\$95,109	\$91,554	\$65,948	\$49,028	\$83,333
Sciota township	\$62,500	\$65,625	\$100,000	\$90,000	\$82,500	\$55,000	\$30,625	\$65,625
Vermillion	\$75,000	\$75,000	\$85,417	\$76,786	\$73,438	\$59,375	\$75,000	\$75,000
Vermillion township	\$66,667	\$74,219	\$83,824	\$82,065	\$78,289	\$60,119	\$42,875	\$74,219
Waterford township	\$175,000	\$71,875	\$87,500	\$84,375	\$87,500	\$51,786	\$23,750	\$84,375
<b>Subtotal</b>	<b>\$62,500</b>	<b>\$73,985</b>	<b>\$84,808</b>	<b>\$83,438</b>	<b>\$81,010</b>	<b>\$51,588</b>	<b>\$32,563</b>	<b>\$73,750</b>
<b>Total</b>	<b>\$39,259</b>	<b>\$66,625</b>	<b>\$83,856</b>	<b>\$91,812</b>	<b>\$79,892</b>	<b>\$55,205</b>	<b>\$29,522</b>	<b>\$71,361</b>

Sources: Ribbon Demographics, Maxfield Research Inc.

## DEMOGRAPHIC ANALYSIS

City	Ages 15 - 25	Ages 25 - 35	Ages 35 - 45	Ages 45 - 55	Ages 55 - 65	Ages 65 - 75	Ages 75+	Total
<b>Developed Communities</b>								
Burnsville	\$31,526	\$56,216	\$69,332	\$82,625	\$79,382	\$53,610	\$30,369	\$56,216
Eagan	\$38,672	\$65,417	\$81,466	\$104,012	\$99,840	\$54,266	\$32,113	\$65,417
Inver Grove Heights	\$38,402	\$62,494	\$75,090	\$84,346	\$80,217	\$57,162	\$37,890	\$62,494
Lilydale	\$75,000	\$81,250	\$100,000	\$110,417	\$106,818	\$80,357	\$45,875	\$81,250
Mendota	\$75,000	\$87,500	\$100,000	\$100,000	\$106,250	\$75,000	\$31,042	\$87,500
Mendota Heights	\$47,237	\$86,089	\$110,887	\$113,655	\$113,018	\$66,694	\$36,839	\$86,089
South St. Paul	\$26,176	\$54,182	\$62,900	\$63,446	\$59,157	\$42,178	\$27,006	\$54,182
Sunfish Lake	\$112,500	\$175,000	\$200,000	\$175,000	\$178,571	\$72,500	\$46,250	\$175,000
West St. Paul	\$31,972	\$50,365	\$61,202	\$67,240	\$63,928	\$36,715	\$24,704	\$50,365
<b>Subtotal</b>	<b>\$38,672</b>	<b>\$65,417</b>	<b>\$81,466</b>	<b>\$100,000</b>	<b>\$99,840</b>	<b>\$57,162</b>	<b>\$32,113</b>	<b>\$79,835</b>
<b>Growth Communities</b>								
Apple Valley	\$40,337	\$65,525	\$78,823	\$91,465	\$91,494	\$59,282	\$34,129	\$65,525
Farmington	\$58,036	\$81,510	\$91,807	\$83,176	\$79,470	\$58,403	\$41,280	\$79,470
Hastings	\$30,213	\$67,647	\$78,031	\$75,139	\$71,512	\$42,261	\$24,438	\$67,647
Lakeville	\$43,631	\$81,583	\$97,623	\$101,386	\$99,327	\$58,708	\$35,326	\$81,583
Rosemount	\$40,682	\$77,475	\$88,092	\$94,878	\$85,723	\$50,169	\$34,796	\$77,475
<b>Subtotal</b>	<b>\$40,682</b>	<b>\$77,475</b>	<b>\$88,092</b>	<b>\$91,465</b>	<b>\$85,723</b>	<b>\$58,403</b>	<b>\$34,796</b>	<b>\$74,340</b>
<b>Rural Area</b>								
Castle Rock township	\$55,000	\$74,219	\$84,239	\$79,000	\$76,500	\$57,895	\$42,500	\$74,219
Coates	\$112,500	\$68,750	\$68,750	\$112,500	\$95,833	\$47,500	\$38,750	\$68,750
Douglas township	\$14,999	\$83,333	\$95,833	\$100,000	\$92,188	\$44,643	\$43,750	\$83,333
Empire township	\$60,000	\$73,355	\$80,882	\$77,394	\$76,042	\$57,661	\$43,750	\$73,355
Eureka township	\$62,500	\$87,500	\$104,167	\$97,396	\$96,000	\$65,132	\$36,250	\$87,500
Greenvale township	\$66,667	\$82,500	\$96,429	\$96,250	\$91,250	\$52,083	\$31,250	\$82,500
Hampton	\$42,500	\$73,611	\$88,462	\$82,692	\$81,667	\$50,000	\$29,375	\$73,611
Hampton township	\$46,250	\$79,808	\$86,765	\$81,250	\$78,947	\$50,962	\$29,375	\$78,947
Marshan township	\$42,500	\$73,077	\$87,500	\$77,344	\$74,375	\$49,423	\$40,625	\$73,077
Miesville	\$0	\$125,000	\$112,500	\$100,000	\$95,833	\$42,500	\$36,250	\$95,833
New Trier	\$20,000	\$75,000	\$62,500	\$81,250	\$79,167	\$75,000	\$31,250	\$75,000
Nininger township	\$42,500	\$75,000	\$90,278	\$93,750	\$86,667	\$45,000	\$27,250	\$75,000
Northfield	\$62,500	\$79,688	\$101,042	\$94,853	\$86,765	\$54,375	\$27,500	\$79,688
Randolph	\$30,000	\$81,250	\$90,625	\$78,125	\$79,167	\$53,571	\$31,250	\$78,125
Randolph township	\$50,000	\$78,409	\$88,393	\$80,833	\$79,688	\$48,500	\$30,000	\$78,409
Ravenna township	\$85,417	\$85,227	\$94,500	\$99,128	\$95,427	\$69,595	\$50,834	\$85,417
Sciota township	\$87,500	\$70,833	\$100,000	\$100,000	\$95,000	\$57,143	\$23,750	\$87,500
Vermillion	\$87,500	\$72,917	\$89,583	\$83,333	\$84,375	\$63,750	\$38,750	\$83,333
Vermillion township	\$54,167	\$77,500	\$88,281	\$86,875	\$82,955	\$62,069	\$49,375	\$77,500
Waterford township	\$68,750	\$78,125	\$97,500	\$94,643	\$93,750	\$54,167	\$26,250	\$78,125
<b>Subtotal</b>	<b>\$54,584</b>	<b>\$77,813</b>	<b>\$89,931</b>	<b>\$90,313</b>	<b>\$85,521</b>	<b>\$53,869</b>	<b>\$33,750</b>	<b>\$79,461</b>
<b>Total</b>	<b>\$43,103</b>	<b>\$78,417</b>	<b>\$93,032</b>	<b>\$101,043</b>	<b>\$90,755</b>	<b># \$64,510</b>	<b>\$32,313</b>	<b>\$79,593</b>

Sources: Ribbon Demographics, Maxfield Research Inc.

## Employment Forecast

The employment data in Table 5 is from the Metropolitan Council and the Minnesota Department of Employment and Economic Development for Rosemount, Apple Valley and Empire Township. The following are key trends derived from Table 5.

- Although employment growth often parallels population growth, it often is tied more strongly to transportation access. Cities with interstate access and intra- and inter-metro transportation attract more businesses and post higher employment gains. By 2015, more than 4,000 jobs are forecast to be added in the PMA. Employment over the decade is anticipated to increase 15.1% in the PMA, compared to 14.4% throughout Dakota County and 9.7% in the Seven-County Metro Area.

## DEMOGRAPHIC ANALYSIS

**TABLE 5  
EMPLOYMENT GROWTH TRENDS  
SOUTH URBAN GATEWAY CORRIDOR TRADE AREA  
2000-2030**

	Estimates		Forecast			Change			
	2000	2010	2015	2020	2030	2000-2010		2010-2020	
						No.	Pct.	No.	Pct.
<b>Employment</b>									
Apple Valley	12,106	15,259	16,711	20,100	22,000	3,153	26.0	4,841	31.7
Eagan	42,750	54,725	57,073	62,550	69,550	11,975	28.0	7,825	14.3
Rosemount	6,356	7,332	8,162	10,100	12,500	976	15.4	2,768	37.8
Empire Township	217	268	350	390	480				
<b>Market Area Total</b>	<b>61,212</b>	<b>77,316</b>	<b>81,946</b>	<b>92,750</b>	<b>104,050</b>	<b>16,104</b>	<b>26.3</b>	<b>15,434</b>	<b>20.0</b>
<i>Dakota County</i>	<i>154,242</i>	<i>185,261</i>	<i>198,540</i>	<i>229,523</i>	<i>261,892</i>	<i>31,019</i>	<i>20.1</i>	<i>44,262</i>	<i>23.9</i>
<i>7-County Metro Area</i>	<i>1,563,245</i>	<i>1,690,757</i>	<i>1,716,972</i>	<i>1,743,000</i>	<i>1,943,000</i>	<i>127,512</i>	<i>8.2</i>	<i>52,243</i>	<i>3.1</i>

Sources: MN Department of Employment and Economic Development; Maxfield Research Inc.

### Covered Employment by Industry

Table 6 shows covered employment in Rosemount in 2000 and 2013. The chart following the table shows the increase in covered employment in Rosemount and Dakota County from 2012 to 2013. Covered employment data is published by the Minnesota Department of Employment and Economic Development. Some categories of employment may have been suppressed due to non-disclosure regulations. The following are key trends from Table 6 and Chart 5.

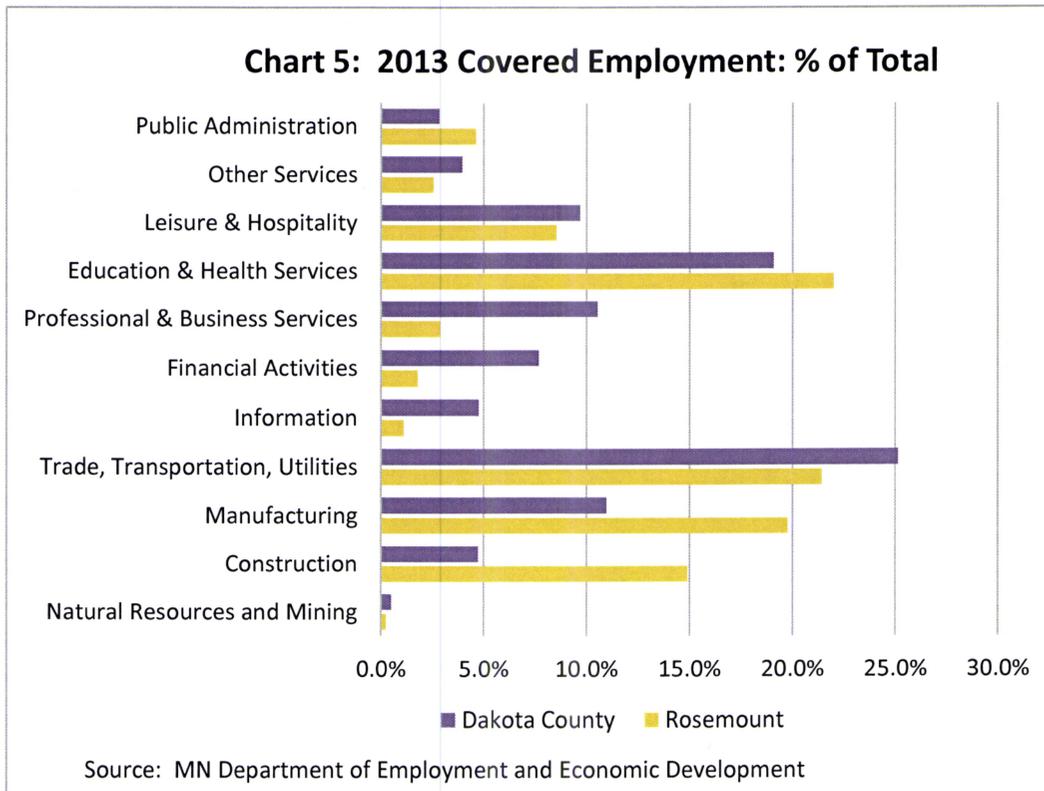
- The number of covered jobs (Chart 5) located in the City of Rosemount increased by 8.7% from year-end 2012 to year-end 2013;
- Average weekly wages increased by 6.9% over this same period. Since 2000, average weekly wages increased by 59.0% (Table 6).
- Compared to Dakota County as a whole, Rosemount has higher proportions of jobs in Manufacturing and Education and Health Services than does the County. These industries increased substantially since 2000 in Rosemount. Despite the Recession, Rosemount experienced an increase in Manufacturing employment. Rosemount also has a relatively high proportion of jobs in the Trade, Transportation and Warehousing industry sector, although somewhat lower than the County as a whole.
- A substantial number of jobs are found in the Retail Trade sector as many suburban communities have jobs that provide goods and services to the local population. Future growth in industrial space could provide more jobs in the manufacturing, construction or other type of production sectors. These jobs tend to pay higher wages than those in the Retail Trade sector.

**DEMOGRAPHIC ANALYSIS**

**TABLE 6  
COVERED EMPLOYMENT BY INDUSTRY SECTOR  
CITY OF ROSEMOUNT  
2000 and 2013**

Industry Sector	2000		2013		Employment Change 2000-2013
	Total Employment	Avg. Weekly Wage	Total Employment	Avg. Weekly Wage	
Construction	1,108	\$1,232	1,127	\$1,598	19
Manufacturing	1,254	\$1,190	1,492	\$2,059	238
Wholesale Trade	217	\$788	---	---	---
Retail Trade	272	\$367	345	\$442	73
Transportation and Warehousing	357	\$885	1,009	\$1,029	652
Information	---	---	85	\$840	---
Finance and Insurance	---	---	68	\$1,007	---
Real Estate Rental/Leasing	---	---	69	\$485	---
Professional, Scientific, Technical	200	\$883	110	\$920	-90
Management of Companies and Enterprises	---	---	---	---	---
Administrative and Support	142	\$406	105	\$603	-37
Education	1,786	\$551	1,242	\$991	-544
Health Services	149	\$448	300	\$516	151
Arts Entertainment & Recreation	65	\$254	96	\$221	31
Accommodation and Food Service	273	\$172	543	\$228	270
Other Services	126	\$341	193	\$605	67
Public Administration	137	\$751	343	\$801	206
Self-Employed	122	N/A	360	N/A	238
<b>Total Employment</b>	<b>6,208</b>	<b>\$625</b>	<b>7,487</b>	<b>\$974</b>	<b>1,279</b>

Sources: MN DEED; Maxfield Research Inc.



### **Introduction**

This section presents and analyzes information relating to the condition of the retail market and the potential for future retail development in the South Urban Gateway Corridor. The potential for new retail development in Rosemount and in the Corridor is influenced by overall market conditions in the Trade Area, also referred to as the Market Area.

Information analyzed in this section includes consumer expenditures by Trade Area residents, regional retail development trends, the commercial supply in the Trade Area, retail businesses by type in the Trade Area, and an assessment of lease rates among retail shopping centers in the area. Based on an analysis of this information, calculations of the retail potential for the South Urban Gateway Corridor are presented.

### **Consumer Expenditure Patterns**

Table 7 shows consumer expenditures on retail goods and services in the Retail Trade Area in 2014, according to data obtained from ESRI based on Consumer Expenditure Surveys from the Bureau of Labor Statistics. The table shows the average expenditures per household and the amount spent in the Trade Area by product or service. In addition, a Spending Potential Index (SPI) is illustrated for comparison purposes. The SPI is based on households and represents the amount spent for a product or service relative to the national average of 100. An SPI of 115 shows that the average annual expenditure by local consumers is 15% above the national average. The average expenditure reflects the average amount spent per household, while the total expenditure reflects the aggregate amount spent by all households in the area.

Consumer spending is influenced by market conditions and trends. In times of economic troubles, market conditions drive spending patterns, whereas in times of a booming economy consumer trends feature opportunity and convenience. Two-thirds of the national economy is driven by consumer spending. During the current recession, households have decreased spending, increased savings, and reduced credit card debt as many households have been faced with job losses. In essence, when the housing market began its decline in late 2006 into 2007, consumer spending and consumer confidence followed.

During the recent recession, consumers curtailed their spending habits as credit and home equity lines diminished as available sources of cash. Although consumer spending has increased in recent quarters, a change in consumer habits is likely to result in consumer spending levels below pre-recession rates in the near term.

**RETAIL MARKET ANALYSIS**

**TABLE 7  
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE  
SOUTH URBAN GATEWAY MARKET AREA  
2014**

Category	PMA Annual Expenditures		Dakota County	Spending Potential Index to USA	
	Total (\$'000's)	Average Per HH	Average Per HH	PMA Index	Dakota Cty. Index
<b>Goods &amp; Services</b>					
Apparel & Services	\$15,354	\$1,766	\$1,872	82	87
Entertainment and Recreation	\$34,416	\$3,959	\$4,121	128	134
Nonprescription Drugs	\$1,193	\$137	\$144	117	122
Prescription Drugs	\$4,444	\$511	\$554	111	120
Eye Glasses & Contact Lenses	\$846	\$97	\$104	119	127
Personal Care Products	\$4,567	\$525	\$542	124	128
Child Care	\$5,202	\$599	\$585	142	139
School Books & Supplies	\$1,864	\$214	\$225	121	127
Smoking Products	\$3,953	\$455	\$514	99	111
Computer Hardware	\$2,075	\$239	\$254	123	131
Computer Software	\$215	\$25	\$25	132	135
Pets	\$6,471	\$744	\$761	147	151
<b>Food</b>					
Food at Home	\$48,599	\$5,591	\$5,967	117	125
Food Away from Home	\$32,558	\$3,746	\$3,926	124	130
Alcoholic Beverages	\$5,370	\$618	\$661	122	131
Misc. Beverages at Home	\$4,504	\$518	\$555	115	123
<b>Home</b>					
Home Mortgage Payment/Rent	\$110,725	\$12,739	\$12,635	142	140
Maintenance & Remodeling Services	\$17,242	\$1,984	\$2,054	129	134
Maintenance & Remodeling Materials	\$2,897	\$333	\$339	121	123
Utilities	\$48,915	\$5,628	\$5,993	117	125
<b>Household Furnishings, Equipment, &amp; Operations</b>					
Household Textiles	\$1,058	\$122	\$130	122	130
Furniture	\$5,114	\$588	\$603	129	132
Floor Coverings	\$237	\$27	\$32	113	134
Major Appliances	\$2,894	\$333	\$334	127	128
Small Appliances	\$429	\$49	\$53	116	126
Housewares	\$668	\$77	\$80	108	113
Luggage	\$100	\$12	\$12	137	140
Telephone & Accessories	\$500	\$57	\$59	113	117
Lawn & Garden	\$4,125	\$475	\$505	118	125
Moving/Storage/Freight Express	\$629	\$72	\$81	117	130
Housekeeping Supplies	\$6,989	\$804	\$848	119	126
<b>Financial &amp; Insurance</b>					
Investments	\$24,721	\$2,844	\$2,816	145	143
Vehicle Loans	\$41,126	\$4,732	\$4,733	130	130
Owners & Renters Insurance	\$5,182	\$596	\$607	128	130
Vehicle Insurance	\$11,981	\$1,378	\$1,452	122	129
Life/Other Insurance	\$4,426	\$509	\$530	123	128
Health Insurance	\$24,107	\$2,773	\$2,973	118	126

CONTINUED

## RETAIL MARKET ANALYSIS

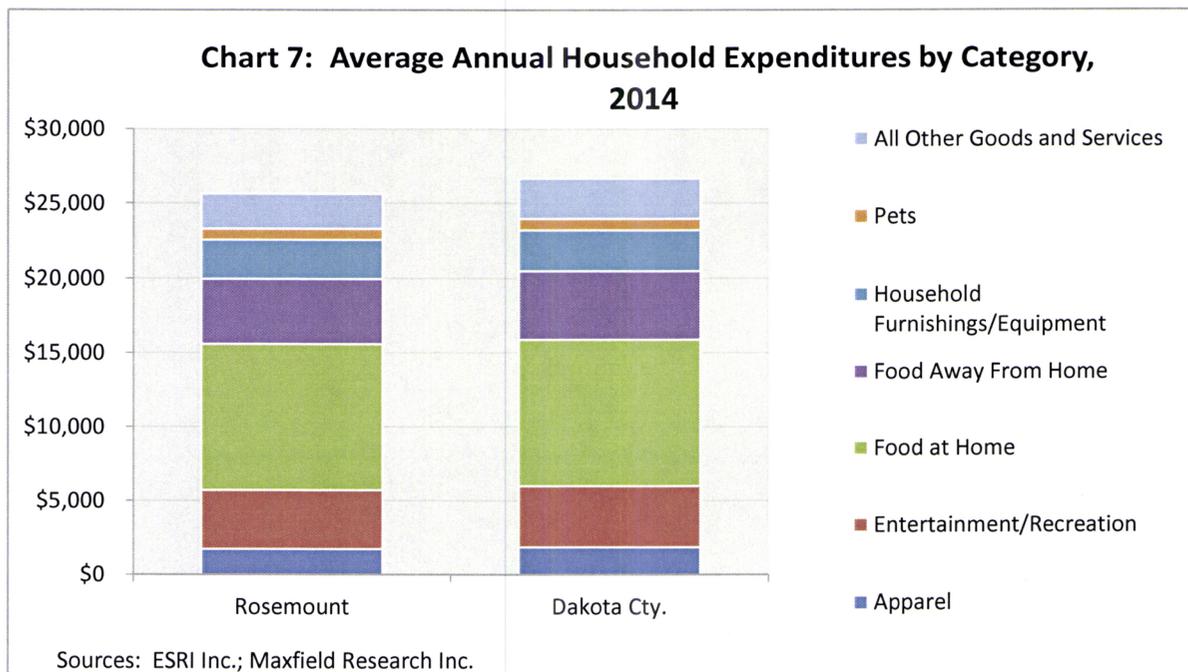
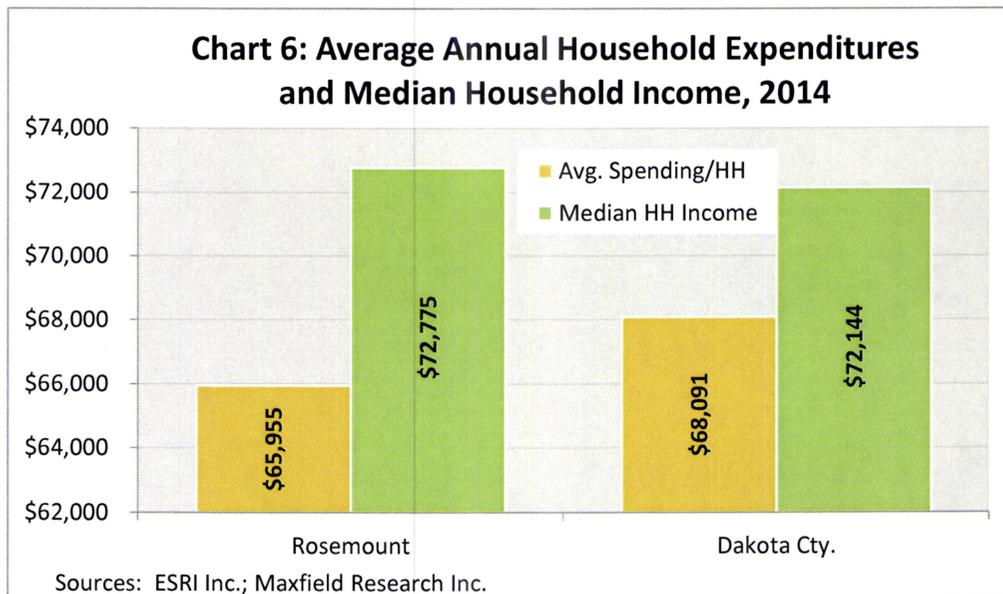
TABLE 7 CONTINUED					
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE					
SOUTH URBAN GATEWAY MARKET AREA					
2014					
Category	PMA Annual Expenditures		Dakota County	Spending Potential Index to USA	
	Total (\$000's)	Average Per HH	Average Per HH	PMA Index	Dakota Cty. Index
<b>Transportation</b>					
Cars and Trucks (Net Outlay)	\$37,472	\$4,311	\$4,408	126	129
Gasoline and Motor Oil	\$30,803	\$3,544	\$3,666	121	125
Vehicle Maintenance/Repair	\$11,144	\$1,282	\$1,344	124	130
<b>Travel</b>					
Airline Fares	\$5,067	\$583	\$606	134	139
Lodging	\$4,523	\$520	\$544	129	135
Vehicle Rental	\$373	\$43	\$45	134	139
Food & Drink	\$4,671	\$537	\$558	129	134
<b>Average Annual Household Expenditures Summary</b>					
Goods & Services	\$80,601	\$8,529	\$8,940		
Food	\$91,030	\$10,473	\$11,109		
Home	\$179,780	\$20,683	\$21,021		
Household	\$22,743	\$2,617	\$2,738		
Financial and Insurance	\$111,544	\$12,833	\$13,111		
Transportation	\$79,419	\$9,137	\$9,419		
Travel	\$14,634	\$1,684	\$1,753		
<b>Total</b>	<b>\$579,751</b>	<b>\$65,955</b>	<b>\$68,091</b>		
<b>Note:</b> The Spending Potential Index is based on households and represents the amount spent for a product or service relative to the national average of 100.					
Sources: ESRI; Maxfield Research Inc.					

The following are key points from Table 7.

- Overall, residents from PMA are estimated to have spent approximately \$194.4 million on retail goods and services in 2014, excluding housing, finance/insurance, and travel expenditures as well as vehicle purchases
- Average annual expenditures (excluding the categories mentioned above) are estimated to be \$21,619 per household in the PMA.
- In virtually every product and service category, expenditures by PMA households are substantially higher than the national average and somewhat higher than the Twin Cities Metro Area.
- Housing expenses account for approximately one-third of total consumer expenditures in the PMA with residents spending between 15% and 25% more than the Metro average.

## RETAIL MARKET ANALYSIS

- Households in the PMA spent a total of \$575 million on retail expenditures in 2014. With the number of households projected to grow substantially to 2020, they would generate additional expenditures annually, not factoring in inflation. The South Urban Gateway parcels would have an ability to compete for this additional retail potential.

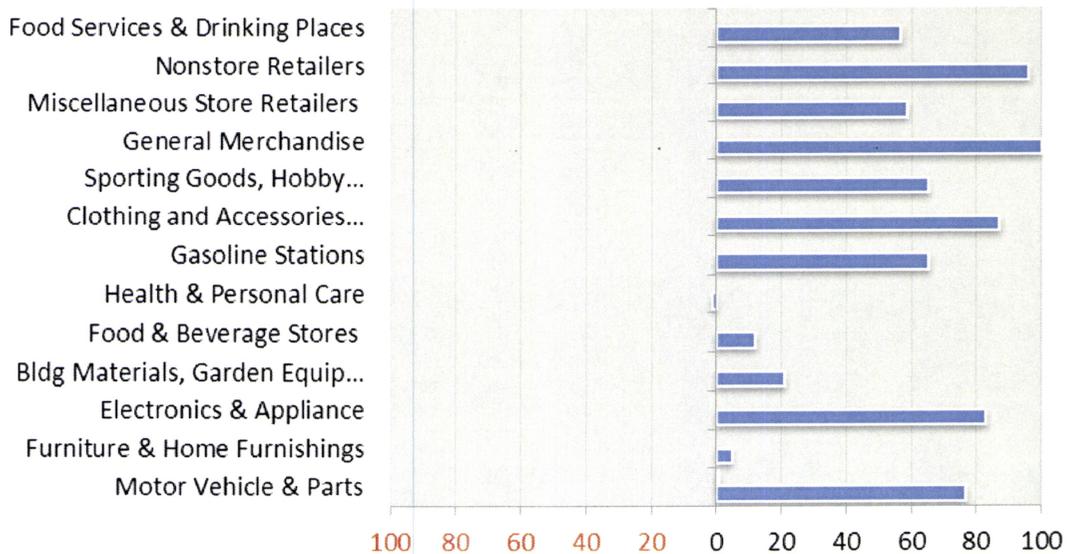


**Retail Demand Potential and Leakage**

Table 8 presents retail sales for the PMA in 2014. The sales information is from ESRI based on household counts from the U.S. Census Bureau. This information lists retail demand (potential sales), retail supply to consumers (retail sales) and provides a picture of the gap between the area’s retail supply and demand. A positive value represents “leakage” of retail opportunity to stores outside of the PMA, while a negative value represents a surplus of retail sales, where customers are drawn to area retailers from outside the PMA. The following are key points of the retail demand potential.

- In 2014, the City of Rosemount had leakage in retail sales in nearly all retail industry groups except for Health and Personal Care (i.e. tanning, spa, nails, massage, and hair salons), Lawn and Garden Equipment Supply Stores, Furniture Stores and Auto Parts and Accessories.
- The highest leakage in retail sales occurs in General Merchandise, Clothing and Accessories and Electronics and Appliances and non-store retailers. Leakage in these categories is generally over 80%.

**Chart 8: Retail Surplus/Leakage Factor by Industry, 2014**



Sources: ESRI, Inc.; Maxfield Research Inc.

## RETAIL MARKET ANALYSIS

**TABLE 8**  
**RETAIL DEMAND POTENTIAL AND LEAKAGE**  
**CITY OF ROSEMOUNT**  
**2014**

Industry Group (NAICS Code)	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus/Leakage Factor	Number of Businesses
<b>SUMMARY</b>					
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	\$293,653,491	\$88,092,914	\$205,560,577	53.8	117
Total Retail Trade (NAICS 44-45)	\$263,843,850	\$79,909,990	\$183,933,860	53.5	102
Total Food & Drink (NAICS 722)	\$29,809,641	\$8,182,923	\$21,626,718	56.9	15
<b>EXPENDITURE TYPE</b>					
<b>Motor Vehicle &amp; Parts Dealers</b>	<b>\$50,982,437</b>	<b>\$6,641,315</b>	<b>\$44,341,122</b>	<b>76.9</b>	<b>12</b>
Automobile Dealers	\$43,805,299	\$812,456	\$42,992,843	96.4	2
Other Motor Vehicle Dealers	\$3,271,548	\$1,337,921	\$1,933,626	41.9	3
Auto Parts, Accessories & Tire Stores	\$3,905,591	\$4,490,938	(\$585,347)	(7.0)	7
<b>Furniture &amp; Home Furnishings Stores</b>	<b>\$5,731,354</b>	<b>\$5,191,469</b>	<b>\$539,885</b>	<b>4.9</b>	<b>4</b>
Furniture Stores	\$3,507,496	\$5,022,013	(\$1,514,518)	(17.8)	2
Home Furnishings Stores	\$2,223,859	\$169,455	\$2,054,403	85.8	2
<b>Electronics &amp; Appliance Stores</b>	<b>\$6,562,260</b>	<b>\$609,717</b>	<b>\$5,952,543</b>	<b>83.0</b>	<b>7</b>
<b>Bldg Materials, Garden Equip. &amp; Supply Stores</b>	<b>\$9,670,865</b>	<b>\$6,298,132</b>	<b>\$3,372,733</b>	<b>21.1</b>	<b>11</b>
Bldg Material & Supplies Dealers	\$8,114,087	\$741,548	\$7,372,539	83.3	7
Lawn & Garden Equip & Supply Stores	\$1,556,778	\$5,556,584	(\$3,999,806)	(56.2)	4
<b>Food &amp; Beverage Stores</b>	<b>\$40,597,447</b>	<b>\$31,785,490</b>	<b>\$8,811,957</b>	<b>12.2</b>	<b>14</b>
Grocery Stores	\$35,085,814	\$27,615,759	\$7,470,055	11.9	8
Specialty Food Stores	\$947,175	\$203,423	\$743,752	64.6	3
Beer, Wine & Liquor Stores	\$4,564,458	\$3,966,308	\$598,151	7.0	3
<b>Health &amp; Personal Care Stores</b>	<b>\$18,293,181</b>	<b>\$18,750,234</b>	<b>(\$457,053)</b>	<b>(1.2)</b>	<b>5</b>
<b>Gasoline Stations</b>	<b>\$29,265,775</b>	<b>\$6,124,221</b>	<b>\$23,141,554</b>	<b>65.4</b>	<b>1</b>
<b>Clothing &amp; Clothing Accessories Stores</b>	<b>\$13,484,652</b>	<b>\$925,570</b>	<b>\$12,559,082</b>	<b>87.2</b>	<b>8</b>
Clothing Stores	\$10,543,167	\$498,287	\$10,044,880	91.0	4
Shoe Stores	\$2,339,721	\$0	\$2,339,721	100.0	0
Jewelry, Luggage & Leather Goods Stores	\$601,763	\$427,283	\$174,481	17.0	4
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>	<b>\$6,474,885</b>	<b>\$1,364,542</b>	<b>\$5,110,343</b>	<b>65.2</b>	<b>8</b>
Sporting Goods/Hobby/Musical Instr Stores	\$5,089,253	\$1,048,878	\$4,040,376	65.8	6
Book, Periodical & Music Stores	\$1,385,632	\$315,665	\$1,069,967	62.9	2
<b>General Merchandise Stores</b>	<b>\$50,374,406</b>	<b>\$92,851</b>	<b>\$50,281,554</b>	<b>99.6</b>	<b>1</b>
Department Stores Excluding Leased Depts.	\$21,577,278	\$92,851	\$21,484,427	99.1	1
Other General Merchandise Stores	\$28,797,128	\$0	\$28,797,128	100.0	0
<b>Miscellaneous Store Retailers</b>	<b>\$6,106,629</b>	<b>\$1,591,323</b>	<b>\$4,515,306</b>	<b>58.7</b>	<b>23</b>
Florists	\$341,176	\$306,922	\$34,254	5.3	2
Office Supplies, Stationery & Gift Stores	\$1,256,936	\$307,050	\$949,886	60.7	5
Used Merchandise Stores	\$969,614	\$0	\$969,614	100.0	0
Other Miscellaneous Store Retailers	\$3,538,904	\$977,352	\$2,561,552	56.7	16
<b>Nonstore Retailers</b>	<b>\$26,299,959</b>	<b>\$535,125</b>	<b>\$25,764,834</b>	<b>96.0</b>	<b>8</b>
Electronic Shopping & Mail-Order Houses	\$23,515,916	\$0	\$23,515,916	100.0	0
Vending Machine Operators	\$752,406	\$81,260	\$671,146	80.5	1
Direct Selling Establishments	\$2,031,637	\$453,865	\$1,577,772	63.5	7
<b>Food Services &amp; Drinking Places</b>	<b>\$29,809,641</b>	<b>\$8,182,923</b>	<b>\$21,626,718</b>	<b>56.9</b>	<b>15</b>
Full-Service Restaurants	\$12,419,391	\$1,703,011	\$10,716,380	75.9	4
Limited-Service Eating Places	\$15,193,160	\$6,385,248	\$8,807,912	40.8	10
Special Food Services	\$1,034,446	\$94,664	\$939,781	83.2	1
Drinking Places - Alcoholic Beverages	\$1,162,644	\$0	\$1,162,644	100.0	0

**Note:** All figures quoted in 2014 dollars. Supply (retail sales) estimates sales to consumers by establishments, sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at a retail establishment. Leakage/Surplus factor measures the relationship between supply and demand at ranges from +100 (total leakage) to -100 (total surplus). A positive value represents "leakage" of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.

Sources: ESRI; Maxfield Research Inc.

## **RETAIL MARKET ANALYSIS**

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- By dollar volume, retail leakage was greatest in General Merchandise Retailers, Automobile Dealers, Eating and Drinking Establishments and Gasoline Stations.
- Data indicates that, while surpluses exist in a few categories, Rosemount households are generally leaving the community to spend most of their retail dollars at retail outlets outside of Rosemount.
- Considering the forecasted age distribution and household incomes of the Rosemount and surrounding areas' populations, store types with high potential include: General Merchandise stores, Sporting Goods, Pet Stores, and Food and Beverage Outlets.
- Demand potential in Rosemount and in the surrounding Trade Area will increase along with household growth over the coming years, especially as the economy continues to rebound.

### **Types of Retail Goods and Customer Shopping Patterns**

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

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

*Convenience goods* are those that consumers need immediately and frequently and are therefore purchased where it is most convenient for shoppers. Shoppers as a rule find it most convenient to buy such goods near home, near work or near a temporary residence when traveling. Examples of these types of goods include gasoline, fast food, liquor, groceries, pharmaceuticals, health and beauty aids, among others.

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

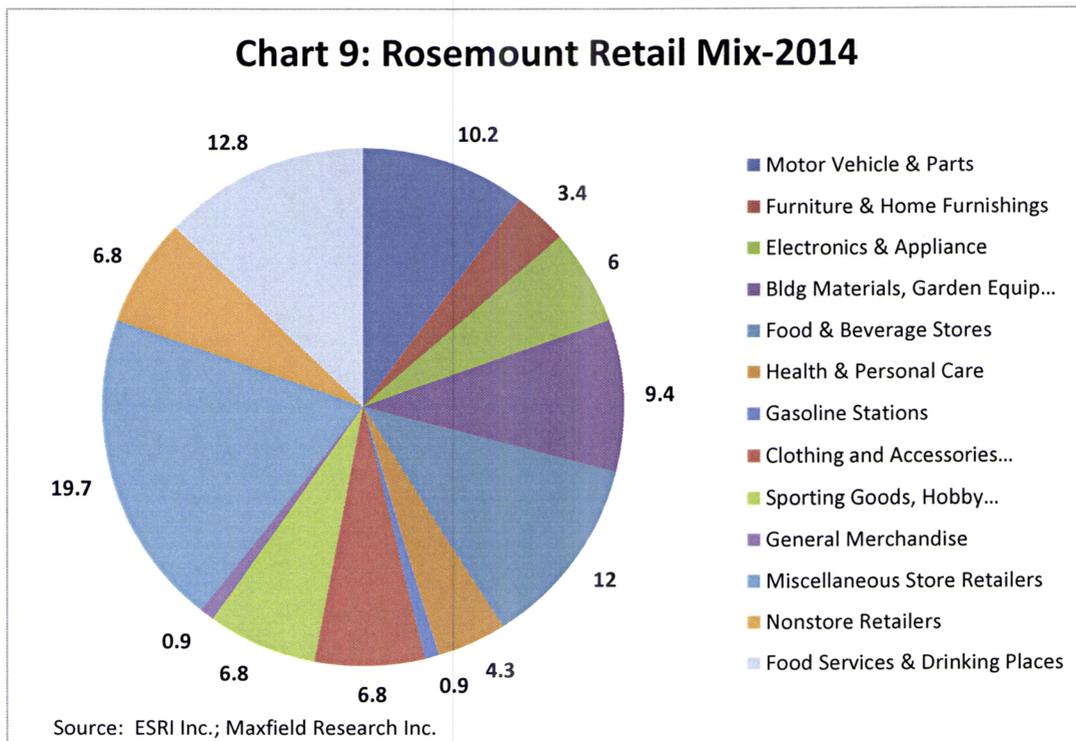
## RETAIL MARKET ANALYSIS

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

### Retail Mix in Rosemount

The following chart displays information on the mix of retailers in Rosemount. The information is based on the North American Industry Classification System (NAICS) for businesses in the Retail Trade and Food Services and Drinking Places sectors. This data is compiled by ESRI from Infogroup and is current as of April 2014. Infogroup references several sources to obtain their information including directory listings such as Yellow Pages and business white pages; annual reports; SEC (Securities and Exchange Commission) information; federal, state, and municipal government data; and, information from the US Postal Service.

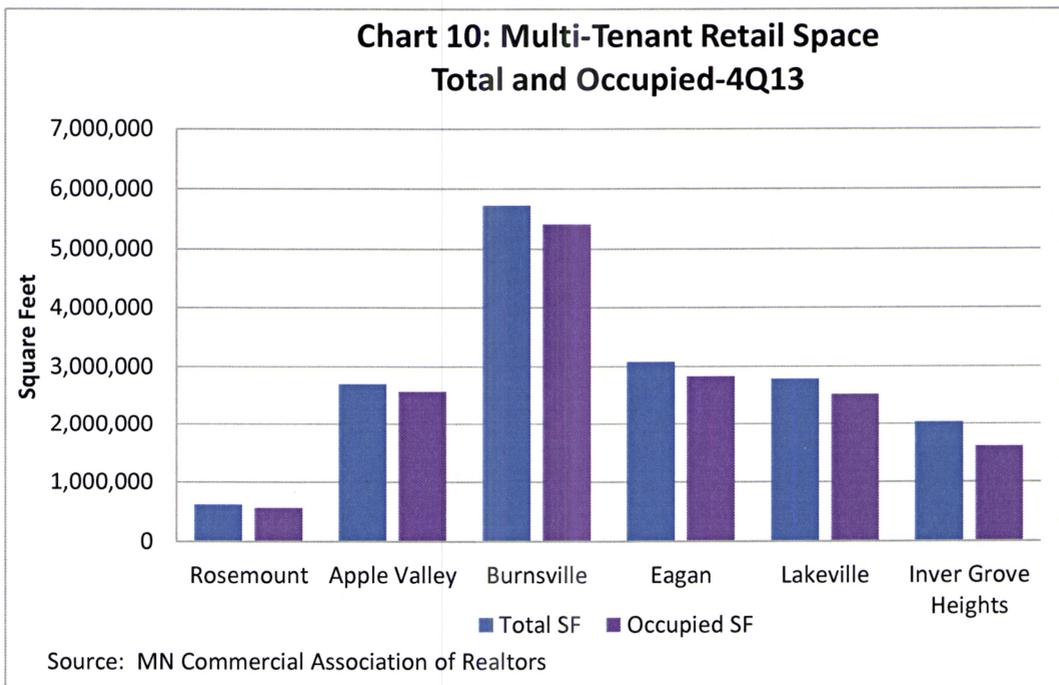
- Miscellaneous Store Retailers represent the largest number of retailers in Rosemount at 19.7%. Food and Beverage outlets represent almost 13.0% of all retailers in the City while Motor Vehicle Parts and Services represent 10.2% of all retail businesses.



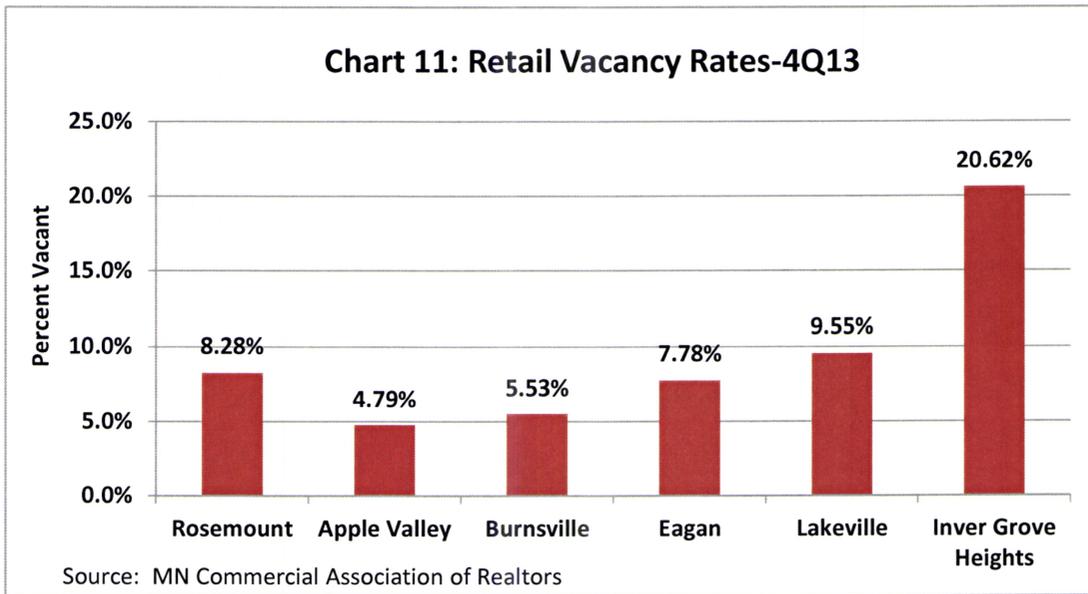
**Local Retail Market Conditions**

The following chart shows a comparison of multi-tenant retail space in Rosemount and surrounding communities in square feet. The blue represents total square feet and the purple represents occupied square feet. In most cases, vacancy rates appear to be quite low in northern Dakota County with only a couple of exceptions (Burnsville and Inver Grove Heights).

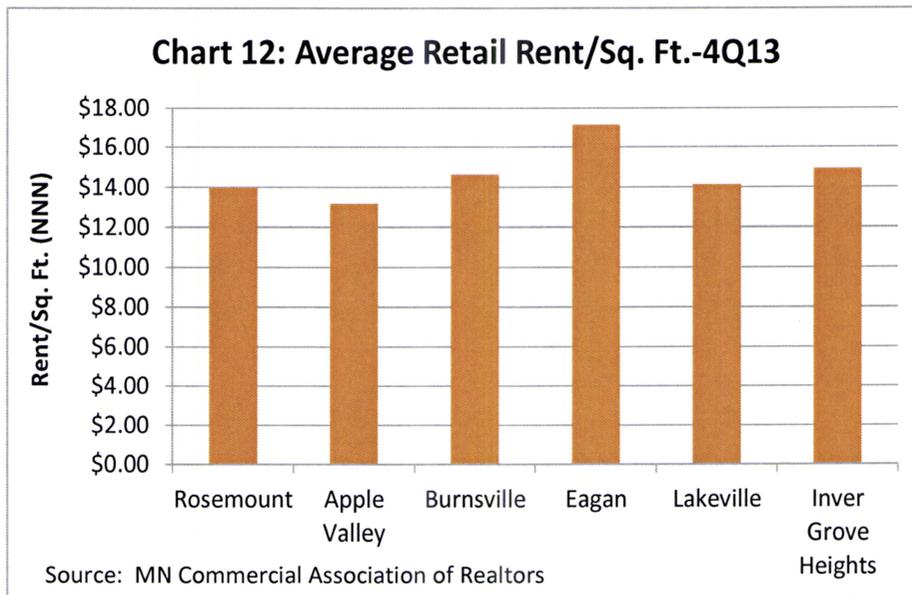
As shown, Eagan has the highest amount of multi-tenant retail space followed by Burnsville. Apple Valley and Lakeville are almost equal, followed by Inver Grove Heights. Rosemount has the least multi-tenant retail space, although Rosemount’s Downtown has more single-tenant and owner-occupied retail users.



A comparison of vacancy rates shows that retail vacancy in Rosemount was 8.28% as of 4<sup>th</sup> Quarter 2013. This vacancy rate compares to 4.79% in Apple Valley, 7.78% in Eagan and 20.62% in Inver Grove Heights. Compared to other communities in northern Dakota County, Rosemount is in the middle of the group in terms of its retail vacancy rates.



Average retail rents for space in northern Dakota County communities are shown on the chart below. Average retail rents are highest in Eagan, followed by Burnsville and Inver Grove Heights. Lakeville and Rosemount have similar average retail rents and Apple Valley is slightly lower than Lakeville and Rosemount, most likely because of the significant amount of space that is located in Apple Valley and its competitiveness.



- Metro-wide, the delivery of new retail space has been flat over the past three years. The ensuing recession has been particularly hard on the retail sector as retail development typically follows new housing “roof tops.”

## RETAIL MARKET ANALYSIS

- After steadily increasing the past several years, retail market conditions seem poised for recovery as increasing employment and consumer spending will boost demand for retail space. The retail vacancy rate declined in the Metro Area from 7.3% at the end of 2010 to 6.3% during the third quarter of 2011. Regional centers posted the lowest vacancy rate in the Metro Area (3.3%), while Neighborhood centers posted the highest (9.6%).

### Retail Development Potential

Demand for additional retail space, measured in gross leasable space in square feet, is calculated in Table 9. The table combines demand information with supply to calculate the amount of retail space supportable for the South Urban Gateway Corridor. Sources of data used in the calculations include the Metropolitan Council and Maxfield Research Inc. (household growth trends), ESRI (consumer expenditures), Minnesota Department of Revenue (retail sales data by community). The demand calculation in Table 9 begins with an estimation of the total expenditures for retail goods and services by PMA residents, excluding expenditures for automobiles, homes, finance and insurance, and travel. The following points summarize the retail demand methodology.

- Because of growth in the Trade Area household base and accounting for inflation, Trade Area residents are expected to increase their overall retail expenditures.

	2014	2020	2025
<b>Retail Demand from Rosemount PMA</b>			
Trade Area Households	9,939	11,500	14,250
(times) Annual Household Expenditures <sup>1</sup>	x \$21,619	\$23,869	\$26,353
(equals) Total Trade Area Expenditures	= \$214,871,241	\$274,494,913	\$375,536,525
(plus) Approx. % Leakage Outside the Trade Area <sup>2</sup>	+ 35%	32%	28%
(equals) Leakage Outside of Trade Area	= \$75,204,934	\$87,838,372	\$105,150,227
(equals) Total Purchasing Power <sup>3</sup>	\$139,666,307	\$186,656,541	\$270,386,298
(divided by) Average sales per Sq. Ft.	/ \$257	\$272	\$285
<b>(equals) Total Retail Space Demand (Sq. Ft.)</b>	<b>= 543,449</b>	<b>686,237</b>	<b>948,724</b>
Growth in retail demand 2014 to 2025		405,275	
(times) % of PMA demand growth capturable by Site	x 8%	-- to --	10%
<b>(equals) Retail space supportable in the Gateway Corridor (sq. ft.)</b>	<b>= 32,422</b>	<b>-- to --</b>	<b>40,528</b>
<sup>1</sup> Excluding expenditures for home buying, finance & insurance, travel, vehicle sales.			
<sup>2</sup> Leakage is the estimated amount of retail dollars spent outside the PMA.			
<sup>3</sup> 2014 purchasing power is equal to the estimated PMA retail sales based on information from the MN Dept. of Revenue.			
<b>Note:</b> The 2014 leakage factor is derived from subtracting the estimated retail sales in the PMA from the total retail expenditures by PMA residents.			
Sources: ESRI; MN Department of Revenue: Tax Research Division; Maxfield Research, Inc.			
Maxfield Research Inc.			

## RETAIL MARKET ANALYSIS

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- As of 2014, total leakage of retail expenditures from Rosemount is estimated to be at 54%, indicating a significant loss of potential sales outside of the City. New retail businesses that would locate in the South Urban Gateway Corridor and existing businesses that would upgrade and/or improve their spaces could likely attract stores in the previously-mentioned retail categories where leakage exists as the local population grows and development expands in the community.
- We anticipate that as new retail square footage and new uses would be added to the community that leakage of sales from Rosemount would decrease to 28% by 2025. It may be difficult to reduce leakage beyond this level due to the strong pull of the concentration of retail in Apple Valley.
- Considering the forecast age distribution and household incomes of the local population, store types with high potential include: General Merchandise retailers, Food and Beverage outlets, and Sporting Goods Equipment stores.
- Data indicates that, while surpluses exist in a few categories, retailers that would consider locating in Rosemount should be able to capture sales that are currently being transacted outside of community.
- The household base in the community is expected to grow substantially over the next 20 years, but also show considerable growth over the next ten years. The result will be growth in retail expenditures by local Trade Area residents of \$130.7 million over the next ten years.
- The current leakage of retail sales, growth in the number of households, and increased retail expenditures by residents results in total “purchasing power” – or retail sales in the PMA – of \$270.4 million by 2025.
- Dividing purchasing power by average retail sales per square foot equates to total demand for about 543,000 square feet of retail space in the PMA in 2014, increasing to about 948,000 square feet in 2025.
- We estimate that the subject property can capture 8% to 10% of the growth in retail demand between 2014 and 2020 and additional demand between 2020 and 2025.

## **Introduction**

This section presents and analyzes information relating to the condition of the local office market and the potential for future office development in the South Urban Gateway Corridor. The potential for new office development in Rosemount and in the Corridor is influenced by overall market conditions in the Trade Area, also referred to as the Market Area.

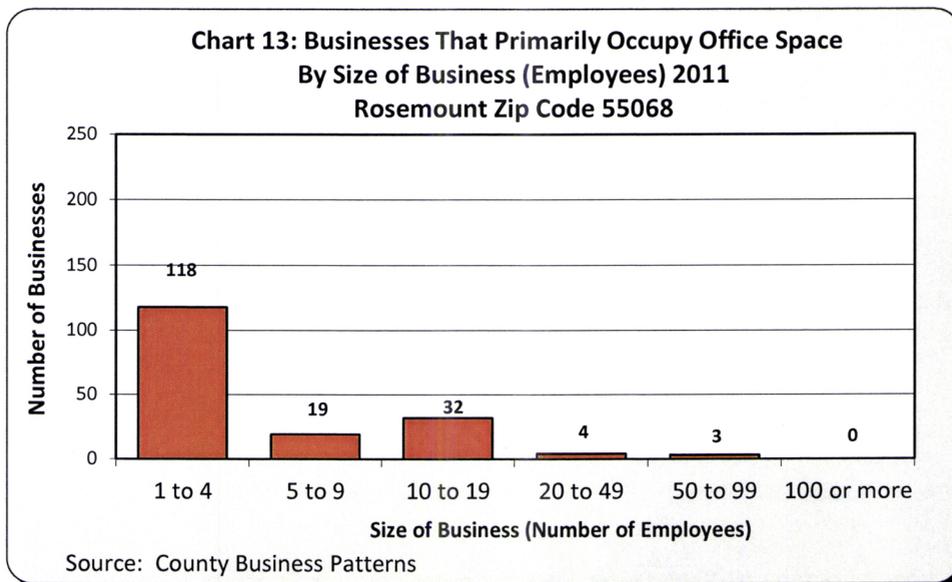
Information analyzed in this section includes total number of business establishments that use office space in Rosemount and in the South Urban Gateway Corridor and information on the supply of office space, vacancy rates and average lease rates in Rosemount and in surrounding northern Dakota County communities.

## **Business Establishment Growth**

The following charts show growth in business establishments for Zip Code 55068, the primary Zip Code for the City of Rosemount.

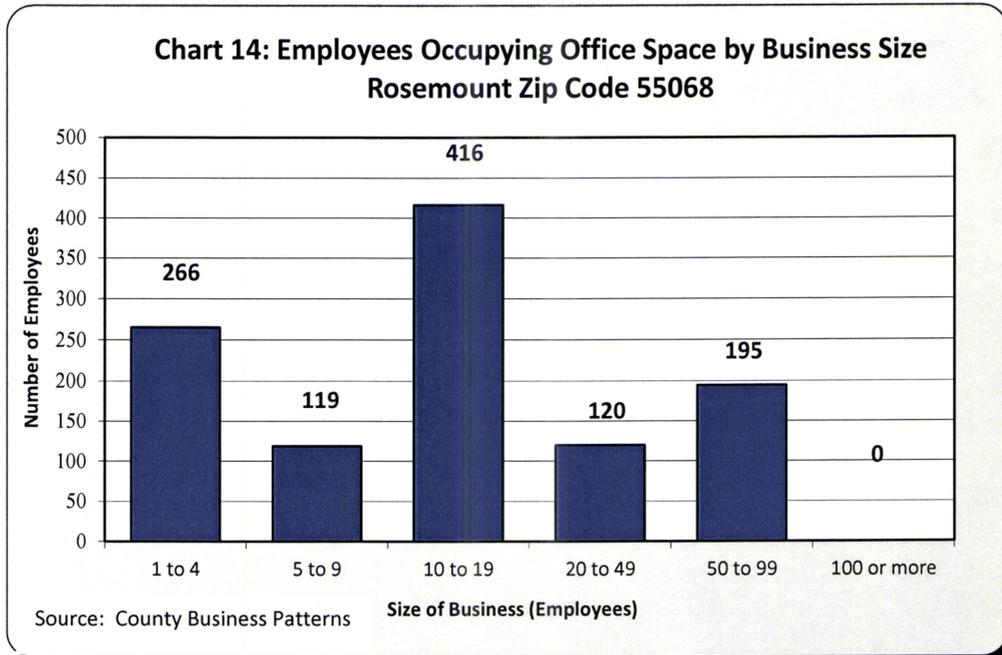
### **Business Establishment Growth in Rosemount**

As shown on the chart below, the largest number of businesses that primarily occupy office space tend to be smaller with fewer than five employees. We identified a total of 118 businesses that were categorized as having between one and four employees. The next highest category shows 32 businesses that have between 10 and 19 employees (32) followed by those that have five to nine employees (19). No businesses were listed as having 100 or more employees that primarily use office space.



## OFFICE MARKET ASSESSMENT

The chart below shows the number of employees by business size category for those businesses that are primarily occupying office space. The largest number of employees, 416, is found in businesses with between 10 and 19 employees. Although there are only a small number of businesses with between 50 and 99 employees, the total number of employees, 195, accounts for 17.5% of all employees that utilize office space in the City.



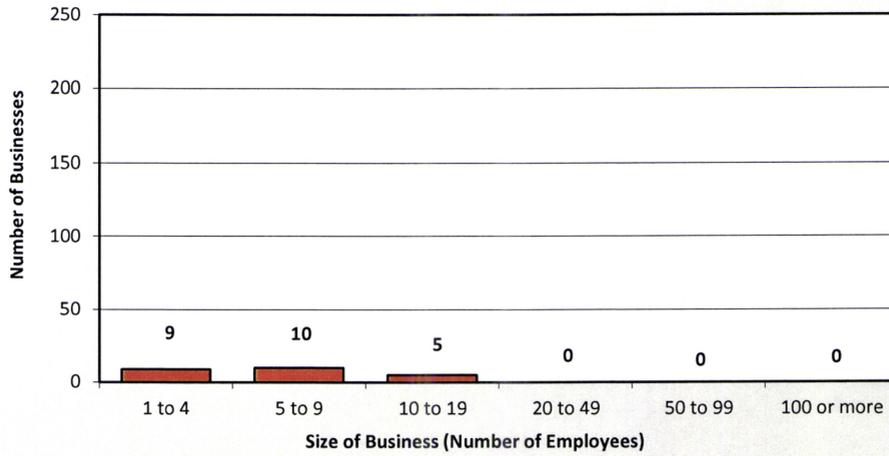
### Businesses Occupying Office Space in the South Urban Gateway Corridor

The following charts show the number of businesses in the South Urban Gateway Corridor that occupy office space.

The chart shows that most of the businesses in the Corridor that occupy office space have between five and nine employees (ten businesses). This is followed by those with fewer than five employees (nine businesses). There are no businesses that occupy office space in the Corridor with 20 or more employees.

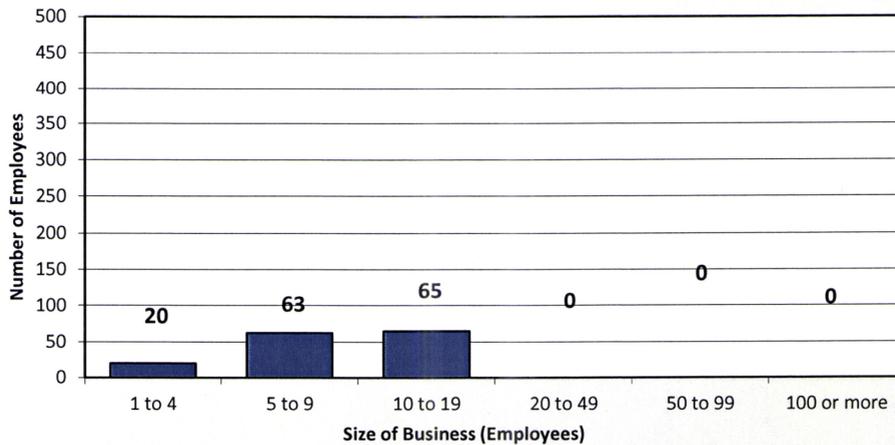
The second chart shows the total number of employees by business size for businesses in the Corridor that primarily occupy office space. As shown, we identified a total of 148 employees among the businesses that primarily occupy office space. These generally include service businesses such as insurance, accounting, small medical, real estate, finance and banking.

**Chart 15: Businesses that Primarily Occupy Office Space  
By Size of Business (Employees) 2012  
South Urban Gateway Corridor**



Sources: County Business Patterns

**Chart 16: Employees Occupying Office Space by Business Size  
South Gateway Corridor 2012**



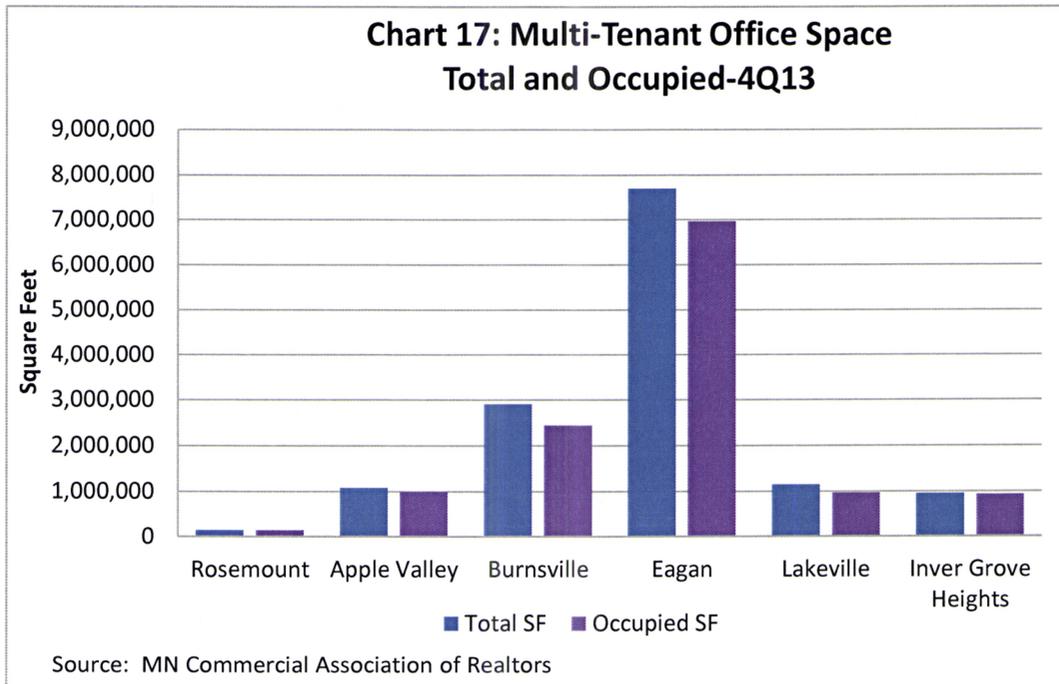
Source: County Business Patterns

**Local Office Market Conditions**

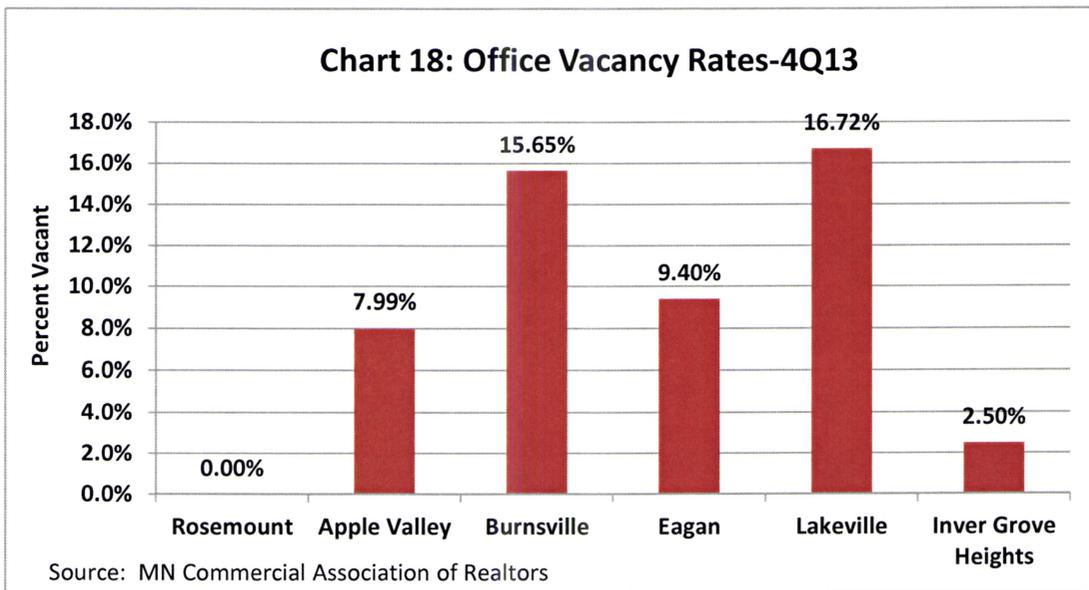
The following charts show total occupied and vacant multi-tenant office space in Rosemount and the surrounding communities.

## OFFICE MARKET ASSESSMENT

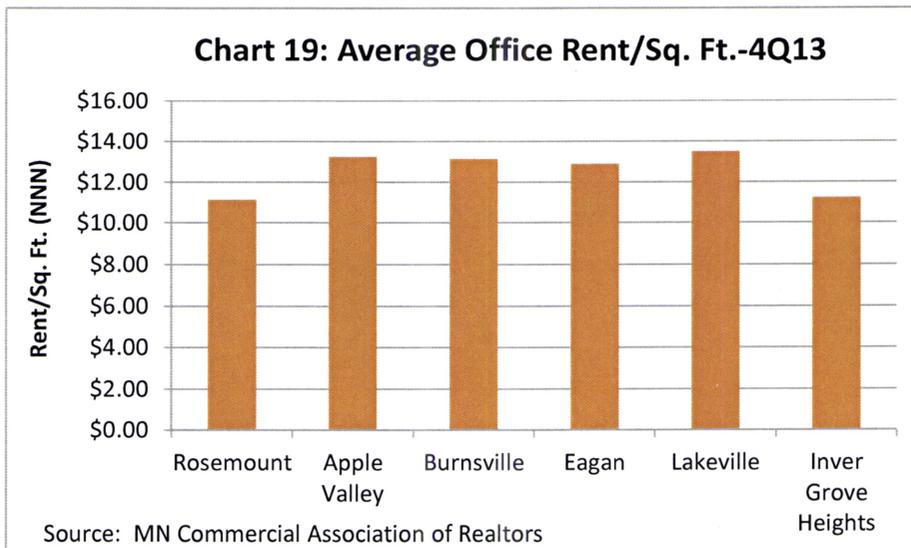
The following charts show the total amount of square footage and occupied square footage. Eagan has the highest amount of multi-tenant office space among the communities in northern Dakota County. Burnsville has the second highest amount of office space, followed by Apple Valley. The other communities including Rosemount have much smaller amounts of multi-tenant office space.



Office vacancy rates are mixed throughout the area. The highest office vacancy rate is in Lakeville at nearly 17% followed by Burnsville with nearly 16%. Office vacancies are lowest in Rosemount at 0.0%. The office sector has for some time now been the weakest performing real estate sector as compared to retail, industrial, and residential.



Average office rents for 4<sup>th</sup> Quarter 2013 are very similar to Burnsville, Apple Valley and Eagan. Rosemount’s average rents are somewhat lower, primarily due to the older age of the office space in Rosemount, similar to Inver Grove Heights. The other communities have higher proportions of new office space.



**Office Demand Projections**

Table 10 shows the calculation of demand for office space for the South Urban Gateway Corridor from 2014 to 2035. The table shows the projected number of jobs in Rosemount from projected growth with an allocation of the proportion of office jobs that would typically require office space.

## OFFICE MARKET ASSESSMENT

Job growth is projected to account for potential demand for about 89,000 square feet of office space between 2014 and 2025 and another 100,000 square feet of office space between 2025 and 2035. We estimate that Rosemount could capture approximately 45% to 60% of the potential office space demand between 2014 and 2025 and another 60% to 80% of potential office space demand between 2025 and 2035.

Within the Gateway Corridor, demand capturable from the larger community demand would be smaller, approximately 8,500 square feet to 16,000 square feet between 2015 and 2025 and between 15,000 and 28,000 square feet between 2025 and 2035. The South Urban Gateway Corridor space summary is found in the Conclusions and Recommendations section of the report.

TABLE 10 PROJECTED DEMAND FOR OFFICE SPACE SOUTH URBAN GATEWAY CORRIDOR 2014 to 2035			
	2014	2025	2035
<b>Office Demand-Rosemount</b>			
Projected number of jobs in Rosemount	7,996	11,300	15,000
(times) % of jobs in industry types that typically require office space	x 20.0%	20.0%	20.0%
(equals) Projected number of office-type jobs in Rosemount	= 1,599	2,260	3,000
(times) % of office-type jobs seeking/needing office space*	x 75%	75%	75%
(equals) Projected # of employees in office space in Rosemount	= 1,199	1,695	2,250
(times) Square feet of office space per employee	x 180	180	180
<b>(equals) Projected demand for office space in Rosemount (sq. ft.)</b>	<b>= 215,892</b>	<b>305,100</b>	<b>405,000</b>
Growth in office demand (2014 to 2035)		89,208	99,900
(times) % of demand growth capturable by Gateway Corridor	45% - 60%		60%-80%
<b>(equals) Office space supportable on subject property (sq. ft.)</b>	<b>40,144 - 53,525</b>	<b>59,940 - 79,920</b>	
* Percent of office-type jobs seeking office space versus home offices or retail spaces.			
Source: Maxfield Research Inc.			

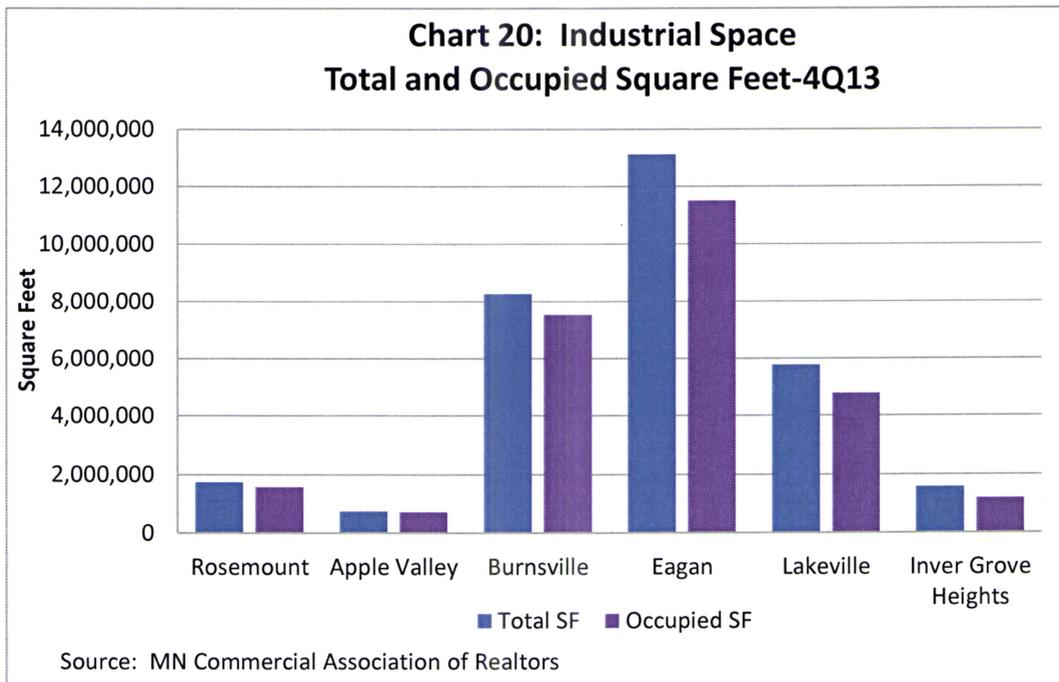
## Introduction

This section presents and analyzes information relating to the condition of the local industrial market and the potential for future industrial development in the South Urban Gateway Corridor. The potential for new industrial development in Rosemount and in the Corridor is influenced by overall market conditions in the Trade Area, also referred to as the Market Area.

Information analyzed in this section includes total amount of industrial space occupied and total supply, vacancies and average lease rates for industrial space among the communities in northern Dakota County.

## Local Industrial Market Conditions

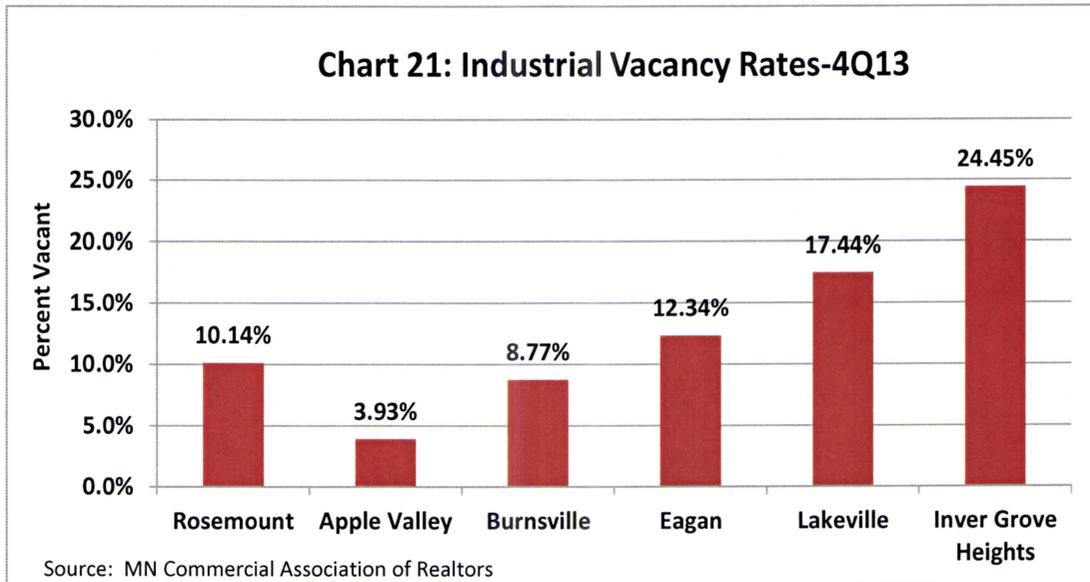
The chart below shows that Eagan has the highest amount of total industrial and occupied industrial space among the communities, followed by Burnsville and Lakeville. Rosemount has more total and occupied industrial space than Apple Valley and slightly more than Inver Grove Heights.



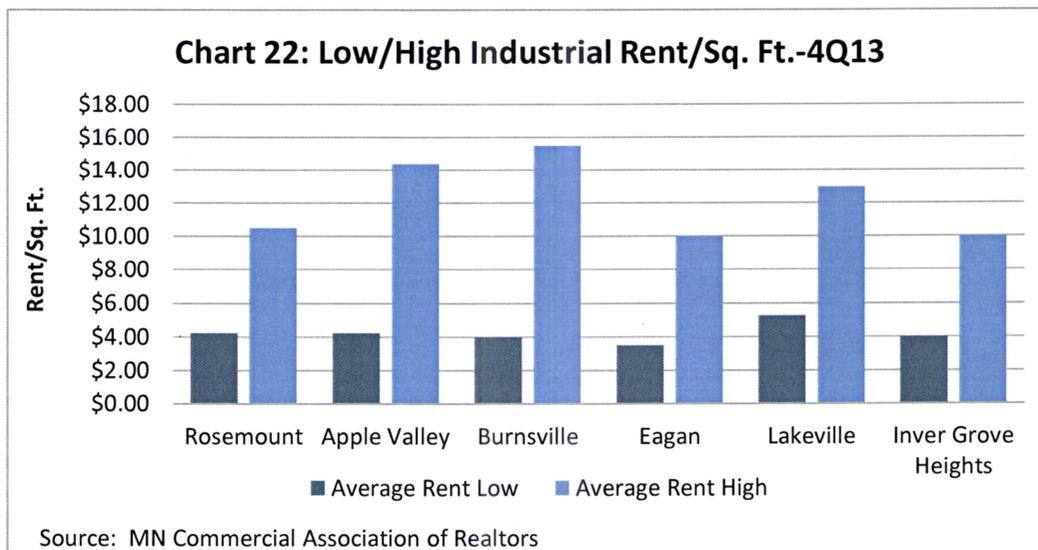
The following chart shows the industrial vacancy rates for Rosemount and the surrounding northern Dakota County communities.

## INDUSTRIAL MARKET ASSESSMENT

The information shows that the lowest industrial vacancy rate is found in Apple Valley followed by Burnsville and then Rosemount. Conversely, the highest industrial vacancy rate was in Inver Grove Heights at 24.45%.



The highest lease rates for industrial space are found in Burnsville, followed by Apple Valley and Lakeville. Again, a higher proportion of new industrial space is likely the result of the highest lease rates. However, Eagan's lease rates are somewhat lower despite also having a high proportion of new space. In industrial market in Eagan is likely experiencing a higher level of competition among various buildings resulting in some discounting of industrial lease rates.



**Industrial Demand Potential**

Industrial demand calculations are found on Table 11. Industrial demand is calculated by considering the proportion of jobs in the community that are found in industrial businesses and allocating that proportion to total job growth. As shown, the amount of industrial space demand projected as capturable in the South Urban Gateway Corridor ranges from about 124,000 to 248,000 square feet of space between 2014 and 2025 and another 278,000 to 370,000 square feet of space between 2025 and 2035.

We note that these figures represent the optimal amount that could be captured. Analysis of the number of sites and space available should be given consideration in regard to optimizing the potential demand for commercial space in the Corridor. The demand for industrial space would not be in addition to but would be instead of the amounts shown for office and retail.

<b>TABLE 11 PROJECTED DEMAND FOR INDUSTRIAL SOUTH URBAN GATEWAY CORRIDOR 2014 to 2035</b>			
	<u>2014</u>	<u>2025</u>	<u>2035</u>
<b>Office Demand-Rosemount</b>			
Projected number of jobs in Rosemount	7,996	11,300	15,000
(times) % of jobs in industry types that typically require industrial space	x 25.0%	25.0%	25.0%
(equals) Projected number of industrial-type jobs in Rosemount	= 1,999	2,825	3,750
(times) % of industrial-type jobs seeking/needing industrial space*	x 100%	100%	100%
(equals) Projected # of employees in industrial space in Rosemount	= 1,999	2,825	3,750
(times) Square feet of industrial space per employee	x 500	500	500
<b>(equals) Projected demand for industrial space in Rosemount (sq. ft.)</b>	<b>= 999,500</b>	<b>1,412,500</b>	<b>1,875,000</b>
Growth in industrial space demand (2014 to 2035)		413,000	462,500
(times) % of demand growth capturable by Gateway Corridor		30% - 60%	60%-80%
<b>(equals) Industrial space supportable on Gateway property (sq. ft.)</b>		<b>123,900 - 247,800</b>	<b>277,500 - 370,000</b>
Source: Maxfield Research Inc.			

**Introduction**

This section discusses feature of the South Urban Gateway Corridor parcels and their potential for redevelopment.

**Land Values**

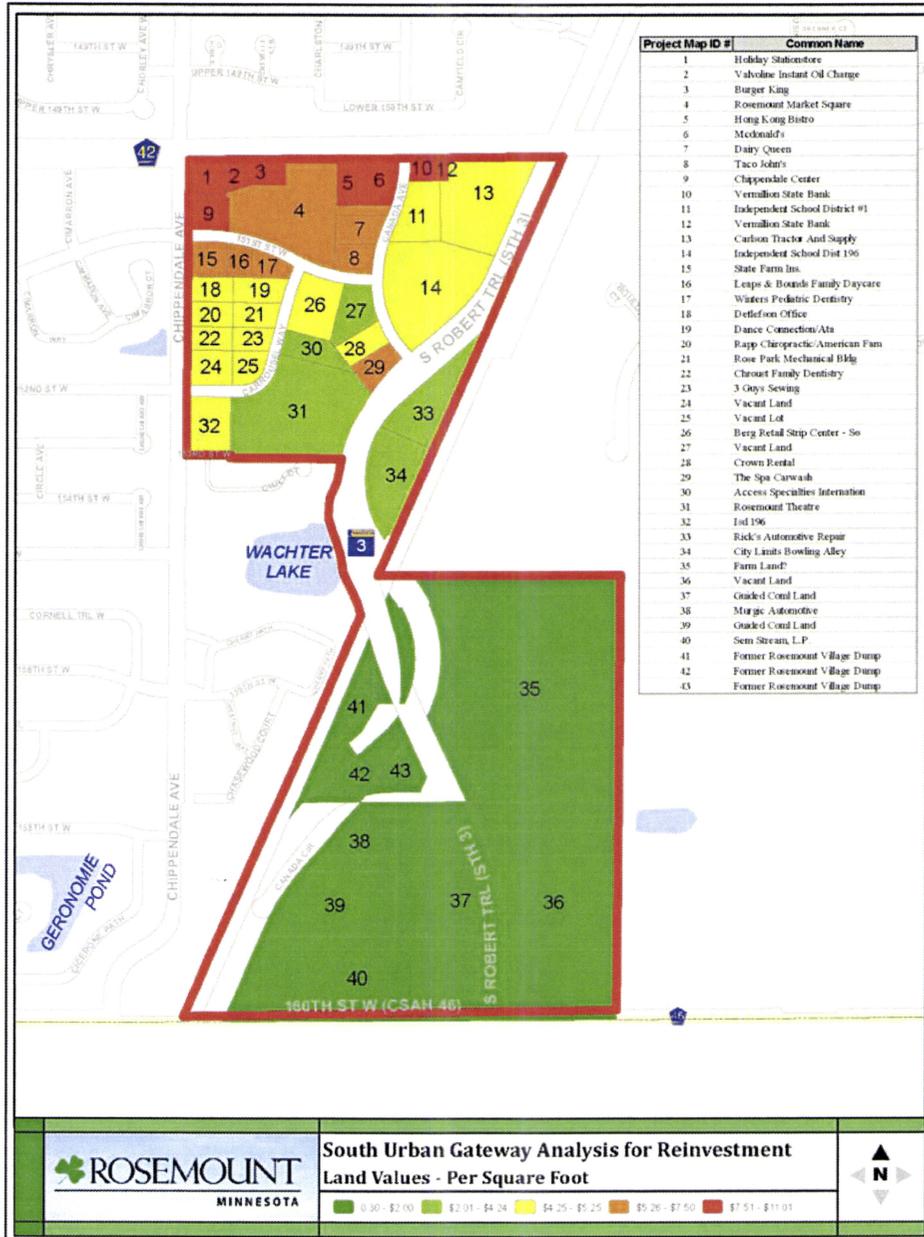
Table 12 shows sample land values by use type for Rosemount and surrounding northern Dakota County communities. As shown on the table, Rosemount’s land values have a range similar to that for Burnsville, but below that of Apple Valley for retail and office. Again, lower land values likely reflect the older age of most properties and the current potential demand for space. With the economic recovery, land values are already rising again. The low end of the range value range is lowest in Rosemount while the high end of the range is equal to the high end of the range in Burnsville for retail values. Office values in Rosemount are about equal to Burnsville and Eagan on the low end of the range and have a limited range compared to the other surrounding communities. We would expect that as Rosemount increases its household base, that land values should rise commensurate with increased demand for new development.

<b>TABLE 12</b>		
<b>SAMPLE LAND VALUES BY USE TYPE</b>		
<b>2013 Sample Land Values</b>		
	<b>Retail</b>	<b>Office</b>
Rosemount	\$4.00-\$11.01	\$4.50-\$5.25
Apple Valley	\$10.50-\$13.49	\$6.25-\$8.24
Burnsville	\$6.00-\$11.00	\$4.00-\$10.00
Eagan	\$8.87-\$13.98	\$4.00-\$10.15
Lakeville	\$9.00-\$16.06	\$2.00-\$8.50
Inver Grove Heights	\$5.50-\$9.04	\$4.35-\$9.02

Source: Dakota County Assessor

The map on the following page shows land values for parcels in the South Urban Gateway Corridor. As shown, land values are highest along County Road 42 and reflect the parcels that are developed with retail and office uses, but primarily retail uses. Parcels to the southeast have the lowest land values and reflect primarily agricultural and industrial uses.

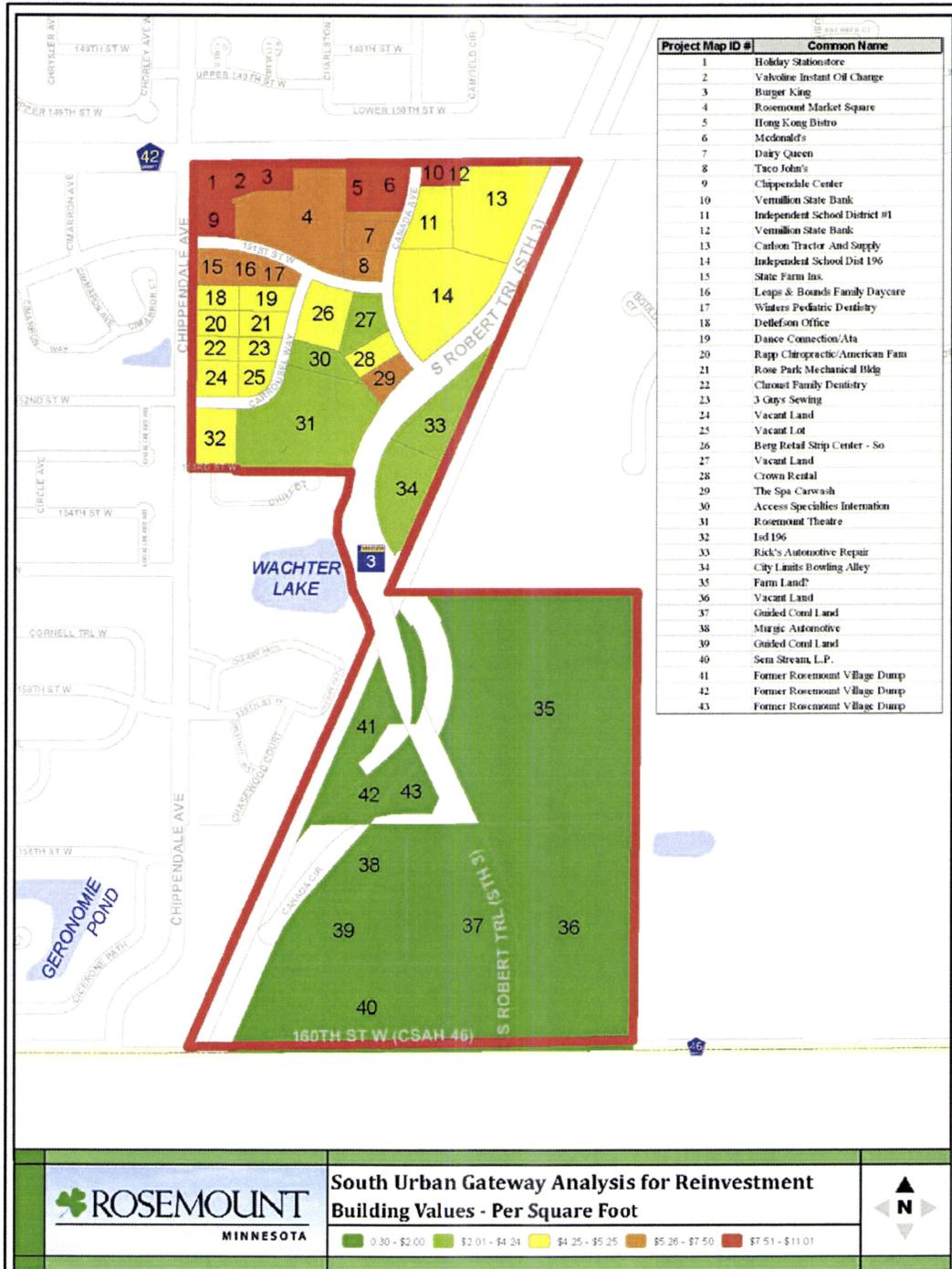
**Map 9: South Urban Gateway Corridor-Land Values/Square Foot**



**Building Values**

The following map shows building values per square foot for parcels in the South Urban Gateway Corridor. As shown, building values are highest for properties that are located along County Road 42. Building values in yellow and green highlight properties that may have the potential to be considered for redevelopment in the short-term.

**Map 10: South Urban Gateway Corridor Building Values/Square Foot**



## CONCLUSIONS AND RECOMMENDATIONS

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### Introduction

The previous sections focused on the “demand” and “supply” factors for various real estate sectors. Estimates of demand for retail, office and industrial uses in the South Urban Gateway Corridor are based on projected growth for Rosemount and the immediate surrounding area, changing demographic patterns, and projected market conditions for each real estate segment.

### Conclusions and Recommendations

The following provides a summary of our findings and presents amounts of square footage supportable for the South Urban Gateway Corridor along with suggested timeframes for redevelopment for groups of properties.

- The South Urban Gateway Corridor has several characteristics that make it a strong commercial district with potential for redevelopment.
  - Strong anticipated population growth across all age cohorts in Rosemount will create opportunities for a variety of retail and commercial space in the community.
  - The 2013 median income in Rosemount is high (\$77,178) and is higher than that for Dakota County although the County’s median income is expected to catch up over the next five years. Rosemount would have the capability to pull ahead of the County again through continued development of more upper market single-family homes. However, Rosemount is relatively affluent compared to the Metro Area, suggesting that households have more resources to devote toward retail services and goods.
  - The South Urban Gateway Corridor is sandwiched between two major thoroughfares, County Road 42 and County Road 46, providing the area with high visibility and high traffic counts from these roadways. This will be attractive to potential retailers.
  - The Site is situated in a solid existing retail trade area with high incomes, and it is surrounded by other commercial uses.
- While the local market has been sluggish, it is exhibiting signs of improvement.
  - After steadily increasing the past several years, retail market conditions seem poised for recovery as increasing employment and consumer spending will boost demand for retail space. The retail vacancy rate declined in the Metro Area to 6.3% during the third quarter of 2011. Regional centers posted the lowest vacancy rate in the Metro Area (3.3%), while Neighborhood centers posted the highest (9.6%).

## CONCLUSIONS AND RECOMMENDATIONS

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- Consumer spending and retail sales trends in Rosemount support the perception that Rosemount is “under-retailed”.
  - As of 2014, total leakage of retail expenditures from Rosemount is estimated to be at 57%, indicating a significant loss of potential sales outside of the community.
  - Examining consumer expenditure data with retail sales data, we note that the largest leakage rates occur in General Merchandise, Electronics and Appliances, Automobile Dealers and Food and Beverage Outlets with factors of up to 60% or higher leakage rates. Leakage is occurring in other categories, but the above represent the highest.
  - Because of growth in the PMA household base and accounting for inflation, PMA residents are expected to increase their overall retail expenditures from \$139.7 million in 2014 to nearly \$270.4 million by 2025.
  - Inclusion of new retailers not already serving the local population will help reduce the leakage factor in Rosemount as local residents begin making a portion of their purchases locally that were previously made outside the community. Leakage will also be reduced as residents from outside the area who will travel to the Gateway area due to the availability of a new variety of goods.
  - Office users at the site are more likely to be smaller users or health care facilities that would serve the local population with needed services. Existing business service users are already located in the South Urban Gateway Corridor. Additional uses could be supported to serve local business and service needs of the community as the household and business bases expand.

**CONCLUSIONS AND RECOMMENDATIONS**

**Estimated Demand for Space-South Urban Gateway Corridor**

Table 13 shows the estimated demand for space in the South Urban Gateway Corridor from 2015 to 2025 and from 2025 to 2035. Demand estimates are provided for retail, office, residential and industrial space. Following the table is a map that shows the suggested redevelopment timeframes for properties in the Corridor.

<b>TABLE 13 ESTIMATED DEMAND FOR SPACE SOUTH URBAN GATEWAY CORRIDOR</b>		
	<b>2015-2025</b>	<b>2025-2035</b>
<b>Retail</b>		
General Commercial (Sf)	25,000 - 35,000	80,000 - 100,000
Specialty Retail (Sf)	3,000 - 5,000	5,000 - 15,000
Estimated Lease Rates (PSF)	\$16.00 - \$20.00	\$12.00 - \$23.00
<b>Office</b>		
General Office (Sf)	5,000 - 10,000	10,000 - 20,000
Medical Office (Sf)	3,500 - 6,000	5,000 - 8,000
Estimated Lease Rates (PSF)	\$12.00 - \$20.00	\$18.00 - \$25.00
<b>Residential</b>		
Apartments (Units)	80 - 100	100 - 125
Senior Housing (Units)	0 - 0	50 - 60
For-Sale Townhomes (Units)	0 - 0	40 - 50
Estimated Lease Rates (PSF)	\$1.40 - \$1.40	\$1.65 - \$1.65
<b>Industrial</b>		
Office-Warehouse (Sf)	25,000 - 30,000	35,000 - 50,000
Warehouse (Sf)	100,000 - 150,000	100,000 - 200,000
Single-User (Sf)	50,000 - 150,000	100,000 - 150,000
Estimated Lease Rates (PSF)	\$4.00 - \$8.00	\$5.00 - \$10.00
Notes: Square footages shown reflect new space which would replace some older space and/or increase the total amount of commercial space in the Corridor. Corridor property is currently guided as commercial; industrial is anticipated to occur south of the Gateway Corridor commercial district. Square footages assume that land area is available to accommodate building sizes. Source: Maxfield Research Inc.		

Table 14 on the following page shows similar calculations/recommendations for the City of Rosemount as a whole. Estimates for each time period are not cumulative but demand remaining from the earlier time period may be added onto the next period provided that the space has not already been captured elsewhere in Rosemount or in the South Urban Gateway Corridor.

**CONCLUSIONS AND RECOMMENDATIONS**

<b>TABLE 14</b> <b>ESTIMATED DEMAND FOR RESIDENTIAL UNITS AND</b> <b>COMMERCIAL AND INDUSTRIAL SPACE</b> <b>CITY OF ROSEMOUNT</b>		
	<b>2015-2025</b>	<b>2025-2035</b>
<b>Retail</b>		
General Commercial (Sf)	221,565 - 360,145	461,084 - 500,000
Specialty Retail (Sf)	50,000 - 60,000	75,000 - 80,000
Estimated Lease Rates (PSF)	\$16.00 - \$20.00	
<b>Office</b>		
General Office (Sf)	35,000 - 50,000	60,000 - 80,000
Medical Office (Sf)	15,000 - 20,000	30,000 - 50,000
Estimated Lease Rates (PSF)	\$12.00 - \$20.00	
<b>Residential</b>		
Single-Family (For-Sale) (Units)	1,280 - 1,800	3,000 - 3,400
Apartments (Units)	400 - 440	355 - 380
Senior Housing (Units)	260 - 280	410 - 440
For-Sale Townhomes (Units)	800 - 820	685 - 750
Estimated Lease Rates (PSF)	\$1.40 - \$1.40	
<b>Industrial</b>		
Office-Warehouse (Sf)	80,000 - 125,000	150,000 - 200,000
Warehouse (Sf)	200,000 - 250,000	300,000 - 350,000
Single-User (Sf)	250,000 - 350,000	280,000 - 350,000
Estimated Lease Rates (PSF)	\$4.00 - \$8.00	
Source: Maxfield Research Inc.		

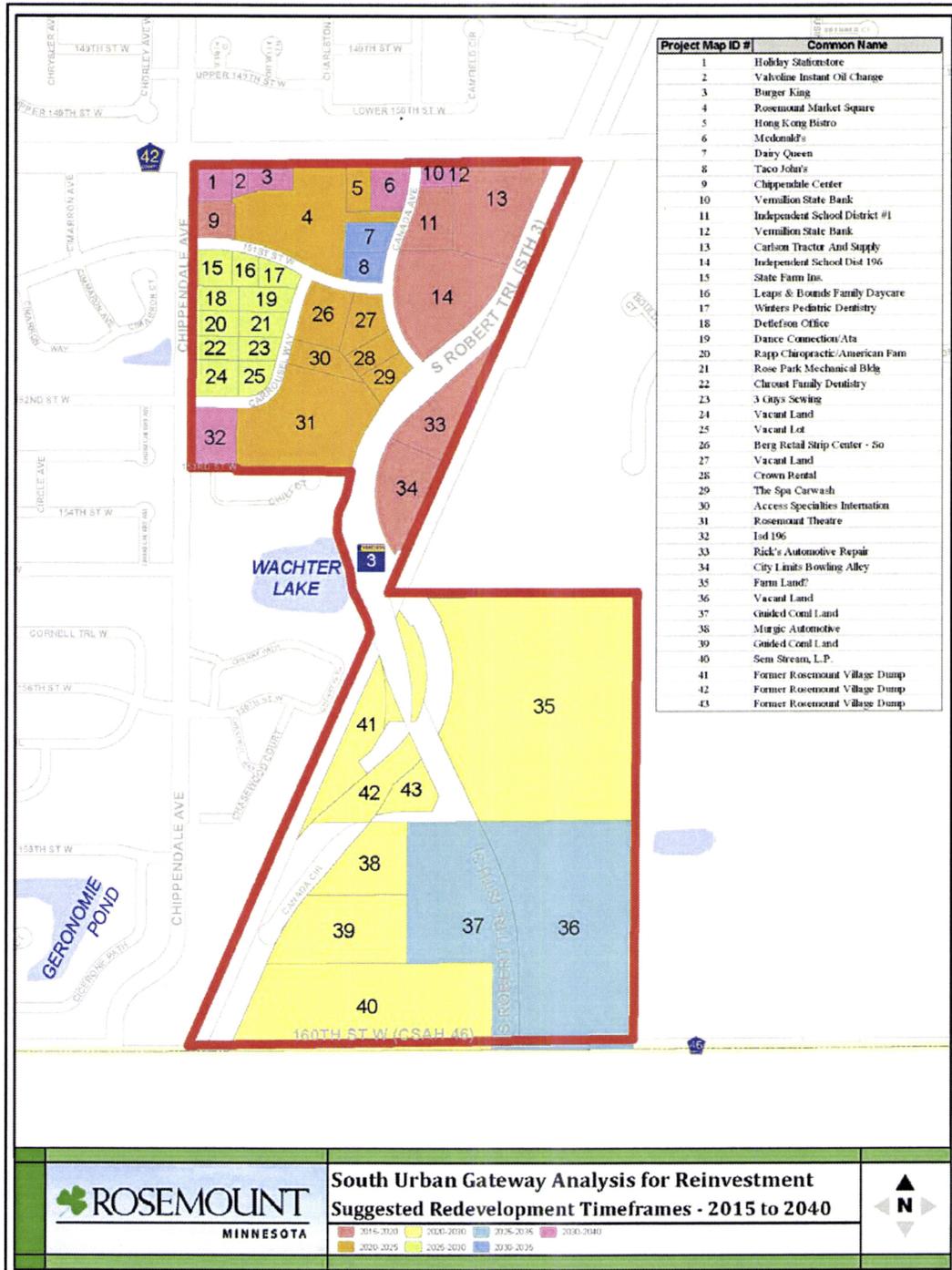
**Suggested Redevelopment Timeframes**

The map on the following page shows suggested timeframes for redevelopment of parcels in the South Urban Gateway Corridor. Parcels that are non-conforming uses and those where land value ratios are the highest relative to the existing buildings and are not compatible with an overall focus for the area of a commercial retail and service district could be considered for redevelopment in the short-term.

Vacant parcels also may have higher redevelopment potential in the short-term as potential users may view vacant parcels as easier to develop.

**CONCLUSIONS AND RECOMMENDATIONS**

**Map 11: South Urban Gateway Corridor – Suggested Redevelopment Timeframes**



## CONCLUSIONS AND RECOMMENDATIONS

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### Financial Tools

Financial tools to assist with redevelopment in Minnesota have over time become more limited. Tax increment financing is, however still widely used to support redevelopment efforts at the municipal level.

Other tools that have been used in the past and could be considered include:

- Land Write-Downs
- Grants
- Low-Interest Loans
- Partnering with other County and State Agencies
- Essential Function Bonds

All of these tools have specific benefits and challenges, but they generally represent the best methods of funding assistance for large-scale redevelopment.

### Key Takeaways

#### *South Urban Gateway Corridor*

- Rosemount is projected to add more than 7,900 households over the next 20 years to 2030.
- Although demand for rental housing will increase modestly, we anticipate continued strong demand for single-family homes in the community. This will generally bring more families to Rosemount and larger household sizes, increasing the demand for retail goods and services.
- Rosemount has a growing household base with a high median household income \$77,178-2013.
- There is a growing employment base in the community that includes higher proportions of jobs in Manufacturing, Education and Health Services and Trade-Transportation-Utilities. Many of these jobs pay higher than average wages.
- Retail service businesses in Rosemount are spread out across several different concentrations. Rosemount has a historic Downtown where a number of small independent businesses have located.
- With projected high traffic volumes, the South Urban Gateway Corridor could attract more commercial development.

## CONCLUSIONS AND RECOMMENDATIONS

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- Rosemount households are currently spending a high proportion of their retail dollars outside of the community, most likely in Apple Valley.
- Retailers generally look for locations where there is a growing customer base, sites for new stores (vacant) and/or locations adjacent to major anchors.
- Attracting new retail to the South Urban Gateway Corridor may require removing older space to make property available for new construction.
- We recommend that you provide/offer larger size parcels for greater flexibility in attracting new retail. This would mean combining smaller parcels to create larger development parcels in the South Urban Gateway Corridor.
- The South Urban Gateway Corridor could be repurposed as a focus for a larger community commercial center. This would require some site assembly and most likely waiting for a larger user.

### *City-Wide Findings*

- Coming out of the Recession, development interest is expanding, but is focused primarily on residential and industrial development at this time.
- Retail and office development are lagging behind as technology is causing shifts in the manner in which we purchase goods and utilize office space.
- Fundamentally, population and household growth will feed demand for retail goods and services, but there will be greater emphasis on retail services than retail goods moving forward.
- Retail development will evolve toward convenience nodes and central commercial districts with higher concentrations of goods and services; the South Urban Gateway Corridor has excellent visibility and access and is situated between two well-traveled highway corridors.
- Industrial development typically fluctuates in demand; it is currently on an upswing and there is greater movement toward bringing some manufacturing process and jobs back into the US from overseas.

