

2019

Duluth Downtown Waterfront District MARKET REPORT

Duluth's Downtown Waterfront is going through a transformation. This bustling central business district, located on the western tip of Lake Superior, has more than \$1 billion in economic development projects slated to begin in 2019-2020. From the expansion of the medical district and the addition of more than 200 residential units to the reconstruction of Superior Street, these projects are all instrumental in building the momentum in our commercial district.

The Duluth Downtown Waterfront District comprises more than 700 businesses and continues to be a place for business to grow:

- 90 square blocks
- 9.0 million square feet of privately and publicly owned property
- 3.0 million square feet of competitive business space
- 12.4% of competitive space is vacant and ready for business (a drop of 2.2% from 2017)
- Commercial rents range from \$12.25-23.00/square foot depending on location and class

Duluth is a destination for tourism, recreation, entrepreneurship, health care and creativity.

- 6.7 million visitors
- \$957 million in annual tourism impact
- 18,000 people working downtown
- 700-plus businesses downtown
- 3.5 miles of skywalk
- 7.25 miles of lakewalk

RENT SUMMARY

AREA	OVERALL	CLASS A	CLASS B	CLASS C
Downtown (Superior Street)	\$19.85	\$22.19	\$18.17	\$13.00
Downtown (First Street/Michigan Street)	\$14.29	N/A	\$15.31	\$12.25
Canal Park	\$20.17	\$23.00	\$18.75	N/A
All Downtown	\$18.38	\$22.28	\$17.03	\$12.63

Figures reflect the average of the range of rents provided by building owners or managers per building. Building classifications come from 2016 Cushman Wakefield Duluth Office Market Study.

2019 GREATER DOWNTOWN COUNCIL MARKET STUDY UPDATE (Prepared by the Northspan Group, Inc.)

- Overall vacancies in downtown Duluth dropped by 2.2% from 2017-2019. This shift was driven primarily by a decrease in retail vacancy attributable to both the removal of numerous retail properties from the overall universe and a decline in vacancy in several retail spaces such as the Holiday Center.
- Vacancy rates in downtown Duluth are driven largely by significant vacancy in older, Class C office buildings. A separate Northspan study in summer 2018 revealed vacancy rates below the national averages for Class A and B office space, but significantly higher than the average for Class C space.

2019 DULUTH MARKET REPORT (measured in square feet)

TYPE	TOTAL DISTRICT SPACE	COMPETITIVE SPACE	NON-COMPETITIVE SPACE	VACANT SPACE	2019 % VACANT OF COMPETITIVE SPACE	2017 % VACANT OF COMPETITIVE SPACE
TOTAL (Downtown and Canal Park)	9,072,117	3,020,181	5,178,005	373,752	12.4%	14.6%
Office/Medical	3,944,682	2,213,229	1,700,940	322,152	14.6%	16.5%
Restaurant/Bar	355,537	249,799	105,738	4,680	1.9%	0.0%
Retail	549,424	406,860	129,558	34,920	8.6%	18.6%
Hotel	828,047	0	828,047	0	0.0%	0.0%
Other	2,561,815	150,293	2,413,722	12,000	7.98%	0.0%
DOWNTOWN	7,137,237	2,620,502	3,712,961	360,156	13.7%	16.2%
Office/Medical	3,703,224	1,999,135	1,673,576	308,556	15.4%	17.6%
Restaurant/Bar	205,852	155,131	50,721	4,680	3.0%	0.0%
Retail	419,031	325,943	84,158	34,920	10.7%	22.9%
Hotel	414,062	0	414,062	0	0.0%	0.0%
Other	1,630,737	140,293	1,490,444	12,000	8.55%	0.0%
CANAL PARK	1,934,880	399,679	1,465,044	13,596	3.4%	3.5%
Office/Medical	241,458	214,094	27,364	13,596	6.4%	16.5%
Restaurant/Bar	149,685	94,668	55,017	0	0.0%	0.0%
Retail	130,393	80,917	45,400	0	0.0%	0%
Hotel	413,985	0	413,985	0	0.0%	0.0%
Other	931,078	10,000	923,278	0	0.0%	0.0%

The Greater Downtown Council retained the Northspan Group to conduct a 2019 vacancy rate report. This report serves as a tool in gauging the market conditions.