

Demand still high for Twin Cities industrial product. But will rising rates scuttle new developments?

By Dan Rafter, Editor



Chaska Creek 1 in Chaska, Minnesota.

Demand for industrial product remains high throughout the Twin Cities market. The challenge? Rising interest rates are already scuttling several planned industrial developments, something that will make it that much more challenging for end users to find space in this market.

And the brokers working in the Minneapolis-St. Paul industrial market say that the imbalance between demand for and availability of industrial product won't be evening out anytime soon.

But while rising interest rates might slow new construction, vacancy rates and industrial rents continue to rise

in the Twin Cities market as 2022 nears a close. That's evidence of just how strong the industrial market has been here.

DEMAND (continued on page 14)

Year in review 2022: If it wasn't COVID, it was rising interest rates and persistent inflation

By Dan Rafter, Editor

How strong of a year was 2022 for the commercial real estate market in the Minneapolis area? That depends largely on the sector.

Industrial and multifamily? They continued to boom in 2022, with demand for warehouse buildings and multifamily properties soaring throughout the last 12 months.

The retail sector continued to rebound, too, especially in the suburban areas of the Twin Cities market. Retailers learned well the lessons of the COVID-19 pandemic – online ordering, curbside pickup and enhanced delivery services are keys to success – and are applying them today to keep the business coming.

But the office sector? That market remained largely in limbo as companies throughout the Twin Cities area con-

tinued to finalize their back-to-the-office plans. And as those plans remained hazy, the vacancies in St. Paul and Minneapolis office properties continued to rise. It's a trend showing few signs of slowing as 2023 arrives.

How best, then, to sum up 2022? It was a largely resilient year in the Twin Cities, even as worries rose along with

YEAR IN REVIEW (continued on page 16)



Innovative Design Project at Wakpada Apartments

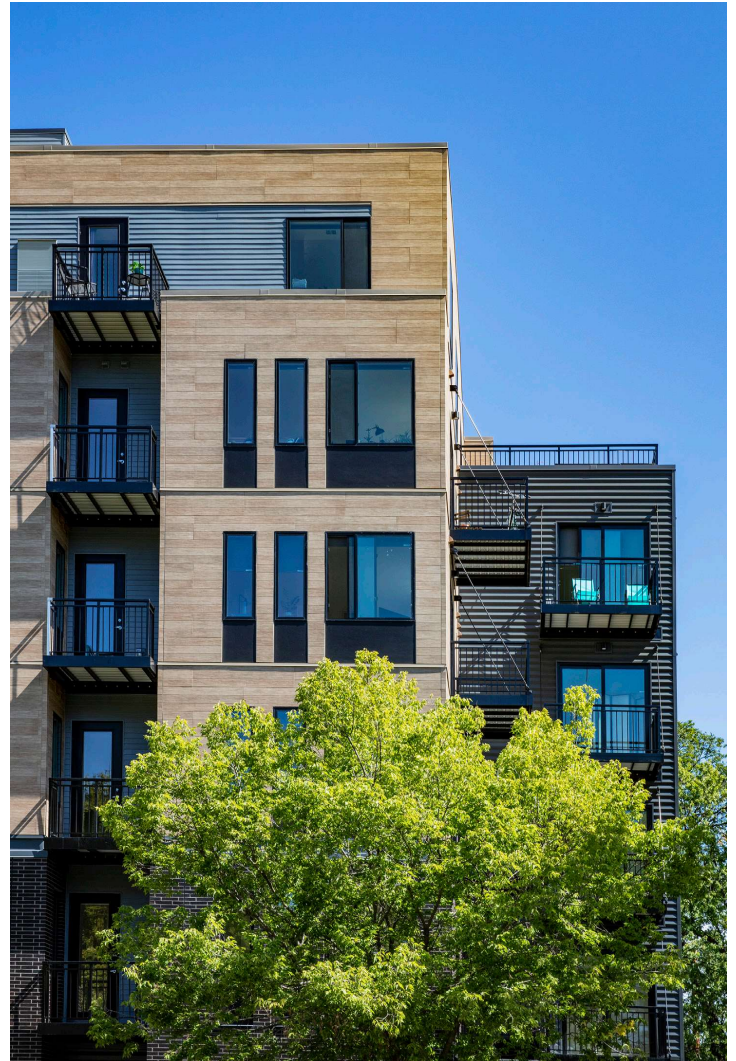
Hall Sweeney Properties revives neighborhood corner with building that honors Dakota culture and language

By Christopher Johnston

Despite being in the midst of a global pandemic, Jeff Hall and Sean Sweeney saw the potential to revitalize an urban corner of the scenic Hiawatha neighborhood in Minneapolis. The name “Wakpada” is the Dakota word for creek. So, they also optimized an ideal opportunity to connect their building to the area’s beautiful natural setting along the Minnehaha Creek and the authentic Native American culture and history of the region.

Despite being in the midst of a global pandemic, Jeff Hall and Sean Sweeney saw the potential to revitalize an urban corner of the scenic Hiawatha neighborhood in Minneapolis. The name “Wakpada” is the Dakota word for creek. So, they also optimized an ideal opportunity to connect their building to the area’s beautiful natural setting along the Minnehaha Creek and the authentic Native American culture and history of the region.

The resulting 126-unit, \$26.3 million Wakpada Apartments delivers a sharply designed, modern urban living opportunity conveniently located near public bus routes and a light rail system that connects residents to the rest of the city. The six-story building opened this past summer and is already more than 90% occupied. All of this stands in keeping with Hall Sweeney Properties’ underlying mission to promote neighborhood development.



“We are very design focused, and we’re long-term owners of the projects,” says Sean Sweeney, co-founder of the firm. Our ethos is to spend time in the community, learn and understand their needs, and work closely with the community to produce projects that will fit well into that community.”

According to Sweeney, the Hall Sweeney philosophy is to build units that are slightly smaller than the average size, so their one-bedroom units are approximately 450 to 550 square feet where the more common standard might be 650 to 760 square feet. That approach allows the five-year-old development company to produce higher density projects and fit more units into the site.

“Most of the time, our goal is to produce units that are slightly less expensive than the top of the market, Class A luxury units, but offer what we consider a comparable product,” Sweeney explains.

What makes Hall Sweeney properties more attractive to many is the fact that their buildings are nicely designed with all of the “bells and whistles” in terms of amenities and location. What’s truly enticing for residents, Sweeney says, is they receive that much more bang for their buck even though they could have another 150 or 200 square feet of space across the street for another several hundred dollars per month.

“We’ve found a sweet spot in that area and have just continued to do buildings like that because we feel good about it,” he says. “They have resonated well with the communities, and they’ve all filled up relatively quickly with people wanting to make that choice.”

Ten of the units or 8% of the building offer affordable housing, which are restricted for people making 60% of the area median income, and those rents are capped at a certain level.

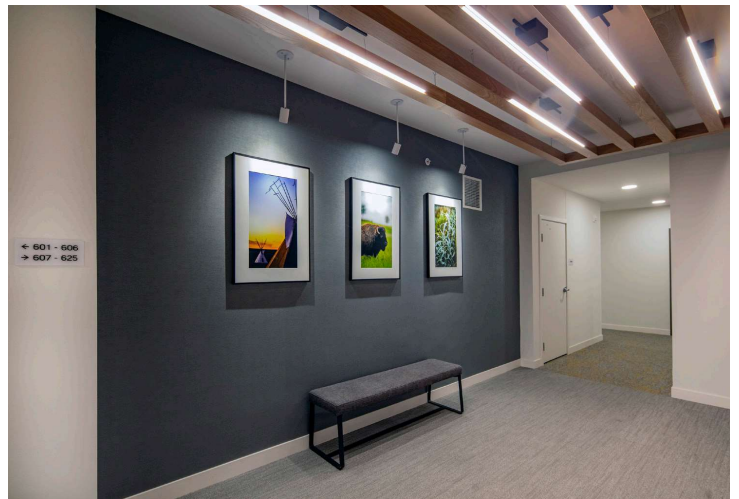
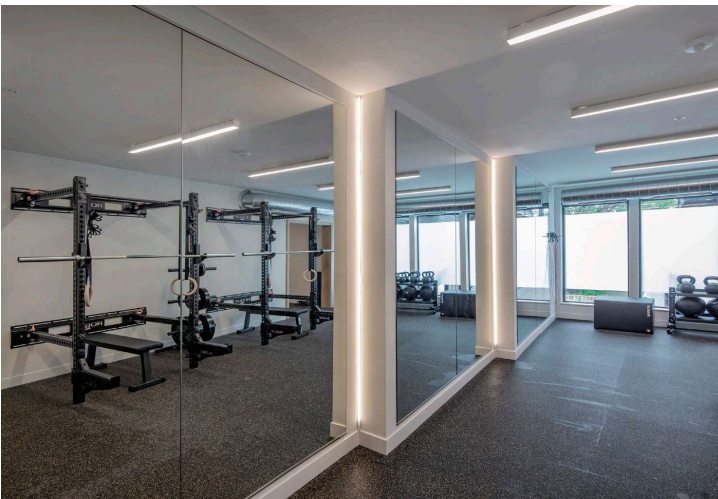
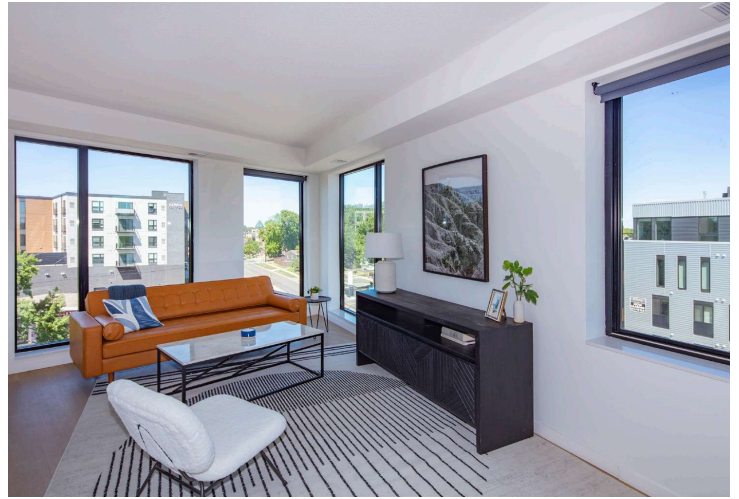
History of the project

The company was already familiar with this neighborhood corridor because Sweeney was a partner in the new building across the street from the site, MN46 Apartments near the 46th Street light rail station. Hall Sweeney had heard that a previous deal to redevelop an existing gas station on the site had fallen apart.

Hall Sweeney began to investigate acquiring the property, but they knew that to build an apartment structure of any size with sufficient parking spaces, they would need to acquire two neighboring properties, which were two duplexes. Next, they went through the city entitlement process, which was a bit challenging because Minneapolis’s new long-range 2040 plan had been approved but not implemented at the zoning code level yet. The entitlement process required Jeff and Sean to go door to door to obtain the signed approval of 13 of the 19 surrounding property owners to apply for the rezoning from residential to allow a larger building.

Having to knock on doors was doubly challenging at a time when COVID-19 made everyone afraid to talk with strangers, but Hall Sweeney did it.

“It’s just a great location,” Sweeney says. “It’s very central, close to the airport, close to downtown, with many walkable amenities nearby. We’re one block north of the largest park in the Minneapolis park system, two blocks from the light rail station, and there are five bus lines that run past the property. For our tenant base, our folks are typically on the younger side who want to live in great spots and are willing to trade location and amenities for space.”



Key design features

To take full advantage of their location, the design maximized the beautiful setting, starting with a rooftop deck on the 6th floor boasting splendid views of downtown. The community room on the same floor offers comfortable places to relax and enjoy similar views year-round.

Inside, Wakpada Apartments are full of alluring and engaging attractions as well. A fully-decked out fitness center complete with squat racks and a bench press was custom curated by Logan Bauth of Custom Wellness Spaces, a friend of Sweeney's who owns a couple of cross-fit training gyms. "In a lot of apartment buildings, gyms are an afterthought," Sweeney notes. "But we took a risk and invested a little more time and effort and ended up with a really cool space, and it's been a huge hit."

As part of the effort to navigate the world of COVID, the design by Collage Architects converted spaces originally intended as storage areas into Zoom rooms on the third, fourth and fifth floors. The goal was to provide residents now working from home with an option to take a Zoom call in privacy, if necessary.

The building also features 4,000 square feet of commercial space on the first floor that has not been leased yet. However, the partners envision a corner coffee bar or boutique gallery with some co-working space for residents. Additionally, it will likely contain third-party co-working space, since leasing retail space is more difficult with the predominance of online purchasing; co-working spaces continue to grow in popularity.



“We had to evaluate a number of different capacities and strategies based on different zoning,” informs Pete Keely, president, Collage Architects. “So a lot of the initial work was determining what could go on the site at this time with the city of Minneapolis changing a lot of its policies, but the neighbors appreciated the fact there would be some spaces to balance the large commercial building.”

Keely adds that the exterior colorings and the expansive, floor-to-ceiling windows on the first floor make the building appear to float above the glass band.

“We wanted to create corners for each of the units,” he adds. “So, we have internal recesses from balconies but when you go into those spaces it creates a section that has two-sided light even though it’s the mid-level of the building.”

Honoring American Indian Culture and Language

On a spring break vacation with his family, while walking on the beach, Hall was listening to a favorite podcast, “Seeing White.” The fifth episode about the

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U.S.-Dakota War in nearby Mankato, Minnesota, made him reflect on the importance of the location of Hall Sweeney's new project that would rise on the banks of Minnehaha Creek.

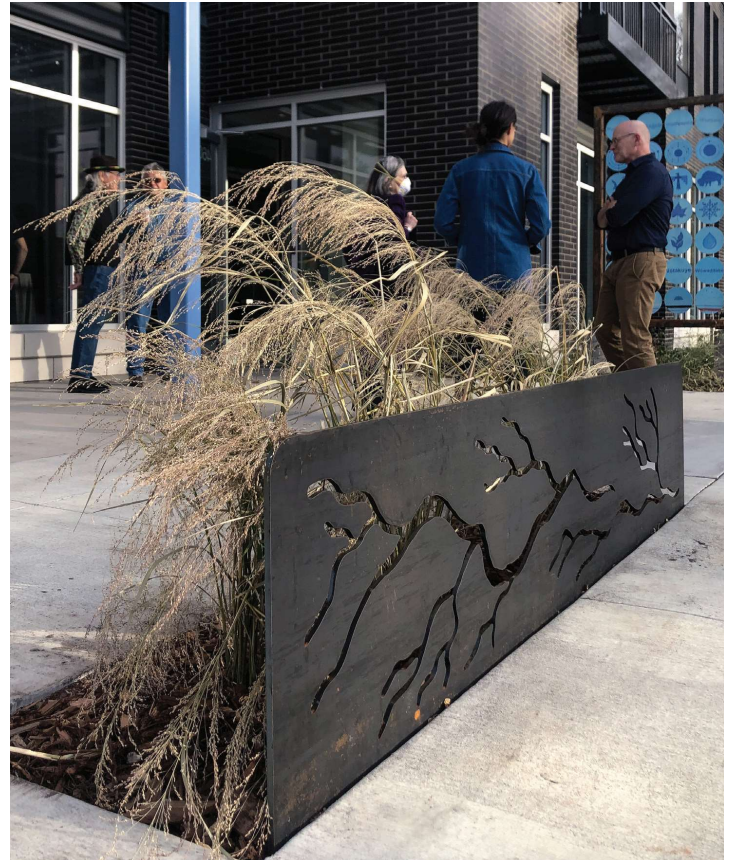
"A lot of apartment buildings have random names, often with no connection to the site," Hall says of the responsibility he began to feel to acknowledge the great heritage of the Native Americans who have lived here for many centuries. "I thought if we could tie our building to the history and make a market-rate building but give it a deeper meaning so that people learn about the history, language and culture of the Dakota people who still live in Minnesota, it would be interesting and educational."

He did not know any Native Americans at that time, but he soon met Sisoka Duta while attending a 5K fundraiser event for the Wakan Tipi Dakota Educational Center in St. Paul. Duta teaches Dakota language at the University of Minnesota's Twin Cities campus. Hall asked him to join the project as a linguistics expert who could guide them in finding an appropriate Dakota name for the apartment building and other aspects to help preserve the Dakota language and "share some history and values so that people come in contact with the language and the culture as they live in or walk by the building." The name Wakpada ("creek") emerged because of the proximity to Minnehaha Creek and because American Indians know water is essential for life, and must be protected.

Sustainability is an important American Indian value, and because the project incorporated sustainable features and native landscaping, Duta helped create small signs to identify the different plants in English and Dakota and describe how the Dakota traditionally use some of the plants in their culture. Also, Hall Sweeney donated to the National Forest Foundation to plant new trees to offset the wood that was used to build Wakpada.

Duta, who is also an investor in the building, said "These two guys are showing that it is possible for other businesses in the area to consider how they can work with local people in the community to do projects like this."

Hall also met Angela Two Stars at the opening of her installation at the Walker Art Center Sculpture Garden in October 2021. She agreed to work with Hall Sweeney,



and created three pieces that are installed outdoors in an art plaza at the front entrance: a corten steel and enamel sculpture that addresses the teachings from the Native American Medicine Wheel that represents the sacred circle of life; four sidewalk stamps that represent the elements in water: hydrogen, oxygen, nitrogen and phosphorous; and four corten planter panels displaying a creek that was laser cut into them.

"I was inspired by the name of the building, which is Dakota for creek," she says. "I was inspired by the theme of let life flow, and I was thinking about all of the elements of life, and they all fall into the Medicine Wheel teachings and the Seventh Generation teachings that everything you do will impact people seven generations from us."

Additionally, Angela Two Stars assisted Hall Sweeney in connecting with other American Indian artists. Gordon Coons painted a colorful mural for the fitness center, and Jordan Iwan took wonderful waterfall photographs displayed in different locations. Ne-dah-ness Greene shot the gorgeous nature photographs featured in the elevator lobbies, and Brian Dow created the background art in the office rooms.

"Jeff and Sean felt it was important to support Native artists as a whole," Angela Two Stars says. "So, I think that was one of the biggest values with Wakpada that Hall Sweeney invested in Native artists."

Construction challenges

Kirk Pennings from Yellow Tree Construction Services, the general contractor, worked closely with Collage Architects and Hall Sweeney to provide real-time feedback on different pricing numbers early in the project.

"We developed the budget going through the design-build process so that they wouldn't design the building and get to the end and figure out it didn't work," he says. "So that's one of the reasons for the success of the team approach that Sean and Jeff have brought into our projects that we've all done together over the past few years, including Wakpada."

There were several initial challenges on the site, including the removal of a leaking gas tank and contaminated soil and water from under the closed gas station on the corner, Pennings says. Complicating the operation and the environmental cleanup was the high water table on the site.

“You could smell the fuel down in the pit, so we had to pump contaminated water and haul it off the site,” Pennings recalls. “But we specialize in that type of urban infill project, so that part of it was challenging, but it wasn’t anything out of the ordinary for us.”

Yellow Tree had to deal with all of the supply chain obstacles caused by the pandemic, too. For example, they knew they had to order all of the appliances for the building early to get them installed on time. Several different carpentry crews they had hired either didn’t show up or they couldn’t be on the site, he says. They ended up hiring several individual carpenters to complete the finished carpentry on the cabinets, doors and trim.

“We really had to cobble together our project team from our different subcontractors,” he says. “It was important for us to be really flexible and think outside the box as we managed the process.”

Because of the various supply and workforce issues, they had to phase the construction and complete the top floors first. Floors 4, 5 and 6 opened in late June 2022, with Floor 3 completed in late July, and Yellow Tree turned over Floor 2 around Labor Day.

Conclusion

For Keely’s firm, one of the key design goals for Wakpada was to activate that corner of the neighborhood. The building steps down from the rooftop terrace

toward the street on the north and south sides, and the open balconies create more opportunities for residents to enjoy the views.

“It feels like it has more vitality and that corner has more lighting to it, as well,” Keely says. “We wanted to step the building down into the neighborhood to provide a transition from the larger commercial building into the single-family homes and the neighborhood.”

“We have now built two buildings on that corner,” Pennings comments. “But Wakpada and the other newer building have really changed that neighborhood for the better. People want to live there.”

For his firm’s part, Sweeney says they are very happy with the mix of housing and commercial opportunities Wakpada brings to the neighborhood, which will help keep it vital and thriving. He also believes in the effectiveness of the team approach they have employed for all of their projects.

“You hit some of those ‘out of your hands’ challenges like COVID and supply chain issues, and it’s great to have partners you’ve worked with before to navigate difficult situations together,” Sweeney concludes. “Because we’ve all worked together on a bunch of projects, this one ran pretty smoothly.”

Project Team:

Collage Architects
Horizon Roofing
RSM
Yellow Tree



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