Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate increased 0.1 percentage point from 3.1% in May 2016 to 3.2% in May 2017. The unemployment rate decreased 1% percent compared to February 2017. This current rate compares favorably to Minnesota (3.7%) and the US (4.3%). The Mpls-St Paul metropolitan statistical area nonfarm job creation totaled 38,500 over the past year. Retail using jobs (industries include trade transportation and utilities) added 1,800 jobs during the past year.

Market Overview

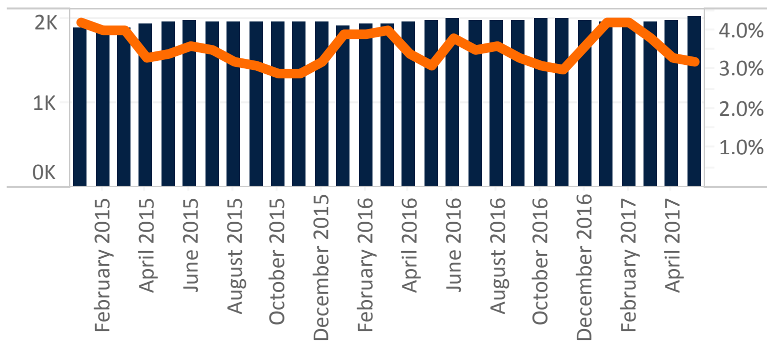
The Mpls-St Paul retail market recorded 57,349 square feet (sf) of negative absorption during 2Q 2017. The total vacancy rate has increased 1% from 6.0% in 2Q 2016 to 7.0% at the close of 2Q 2017. Direct vacancy rates increased 0.9 percentage points from 6.0% to 6.9% during the same time period. Weighted average rent growth continued to improve during 2Q 2017 especially in convenience/strip center properties in Southeast and West markets. Neighborhood and community centers weighted average asking rents decreased during the same period. Weighted average asking rents in all specific uses increased 1.2% recording $15.27 per square foot (psf) at the close of 2Q 2017 compared to 2Q 2016.

Market Highlights

Mpls-St Paul retail market would have posted 304,306 square feet (sf) of positive absorption if Macy's hadn't closed their Mpls CBD store with 361,655 sf of negative absorption. New deliveries accounted for most of the largest gains in absorption this quarter. Schneidermans opened their new 122,000 sf store and closed their store with 63,000 sf for a net gain of 59,000 sf in the Southeast market. Other new deliveries included Goodwill, Aldi, Petsmart and Walgreens and there is over 1,000,000 sf currently under construction. Northeast and Southeast markets had the top 9 transactions creating positive absorption during this quarter with the Southeast market posting 151,855 sf of positive absorption. Every market except Mpls CBD posted positive absorption.

Mpls-St Paul Employment

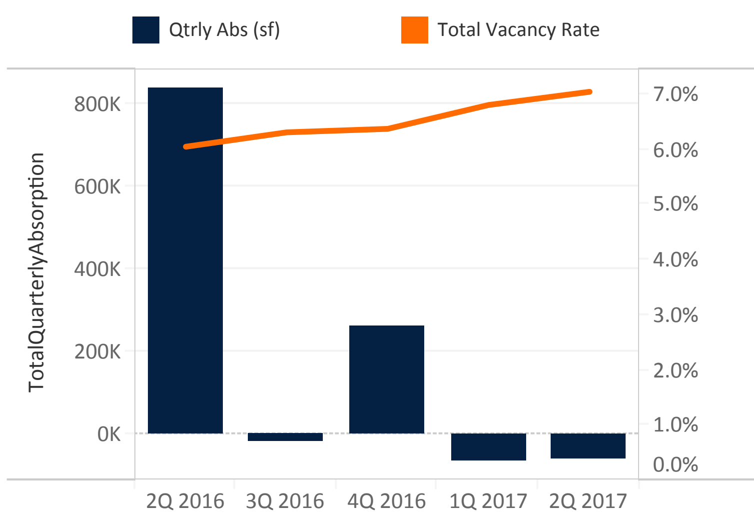
Source: BLS



Market Recap

Inventory (sf)	90,042,245
# of Bldgs	1,651
Qtrly Abs (sf)	-57,349
Total Avail Rate	7.5%
Total Vacancy Rate	7.0%
U/C Inventory (sf)	1,037,875
Delivered (sf)	370,455
Weighted Average Asking Rate (NNN)	$15.27

Absorption and Vacancy Rate



Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	12,332,338	1,154,923	878,082	7.1%	70,732	139,284
Free/Gen	35,509,070	2,005,511	1,897,288	5.3%	-231,025	-388,521
Nbrhd/Comm Ctr	32,018,815	3,105,390	2,970,760	9.3%	96,737	131,405
Reg/Power Ctr	10,182,022	521,050	597,597	5.9%	6,207	3,270
Overall	90,042,245	6,786,874	6,343,727	7.0%	-57,349	-114,562

Overview by Market (Total)

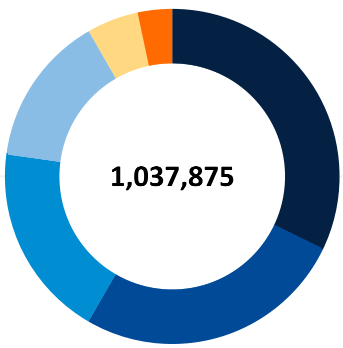
Market Name	Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Mpls CBD	Conv/Strip Ctr	83,260	0	0	0.0%	0	0
	Free/Gen	1,174,092	469,456	459,852	39.2%	-368,570	-362,340
	Nbrhd/Comm Ctr	824,877	128,376	142,004	17.2%	4,047	4,267
	Reg/Power Ctr	426,337	0	0	0.0%	0	0
	Subtotal	2,508,566	597,832	601,856	24.0%	-364,523	-358,073
Northeast	Conv/Strip Ctr	3,288,176	354,874	281,832	8.6%	880	-49,457
	Free/Gen	12,111,015	750,509	720,449	5.9%	10,933	-125,529
	Nbrhd/Comm Ctr	11,163,948	972,082	924,800	8.3%	75,887	176,474
	Reg/Power Ctr	1,579,664	142,935	142,935	9.0%	0	0
	Subtotal	28,142,803	2,220,400	2,070,016	7.4%	87,700	1,488
Northwest	Conv/Strip Ctr	1,737,819	222,430	180,663	10.4%	-2,702	-17,162
	Free/Gen	5,409,481	165,752	160,752	3.0%	2,905	-1,269
	Nbrhd/Comm Ctr	5,256,555	522,114	462,831	8.8%	22,018	-12,185
	Reg/Power Ctr	400,022	32,596	32,596	8.1%	0	0
	Subtotal	12,803,877	942,892	836,842	6.5%	22,221	-30,616
Southeast	Conv/Strip Ctr	3,597,238	359,351	259,965	7.2%	57,065	60,430
	Free/Gen	9,877,303	448,365	360,872	3.7%	88,148	58,695
	Nbrhd/Comm Ctr	8,015,927	888,542	910,213	11.4%	6,642	4,961
	Reg/Power Ctr	2,985,138	220,745	70,993	2.4%	0	0
	Subtotal	24,475,606	1,917,003	1,602,043	6.5%	151,855	124,086
Southwest	Conv/Strip Ctr	2,385,299	145,333	103,615	4.3%	10,990	151,527
	Free/Gen	5,217,923	93,977	64,730	1.2%	8,810	15,235
	Nbrhd/Comm Ctr	3,973,330	329,457	273,555	6.9%	3,742	-18,712
	Reg/Power Ctr	3,108,803	81,563	296,202	9.5%	-11,528	-14,465
	Subtotal	14,685,355	650,330	738,102	5.0%	12,014	133,585
St Paul CBD	Free/Gen	399,844	46,823	97,975	24.5%	3,662	5,303
	Subtotal	399,844	46,823	97,975	24.5%	3,662	5,303
West	Conv/Strip Ctr	1,240,546	72,935	52,007	4.2%	4,499	-6,054
	Free/Gen	1,319,412	30,629	32,658	2.5%	23,087	21,384
	Nbrhd/Comm Ctr	2,784,178	264,819	257,357	9.2%	-15,599	-23,400
	Reg/Power Ctr	1,682,058	43,211	54,871	3.3%	17,735	17,735
	Subtotal	7,026,194	411,594	396,893	5.6%	29,722	9,665
Overall		90,042,245	6,786,874	6,343,727	7.0%	-57,349	-114,562

XCELIGENT™

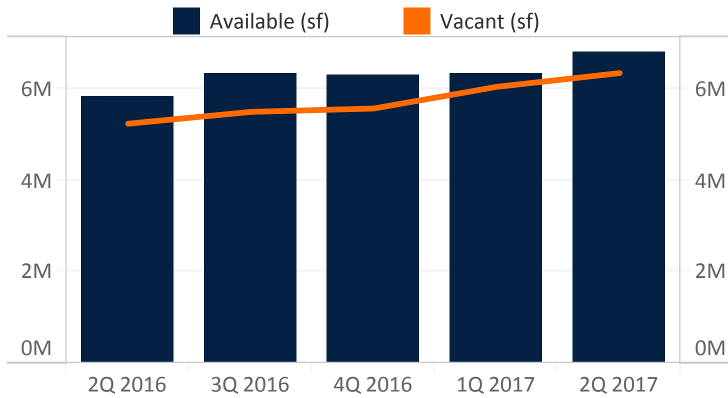
MARKET TRENDS

2Q 2017 | Mpls-St Paul | Retail

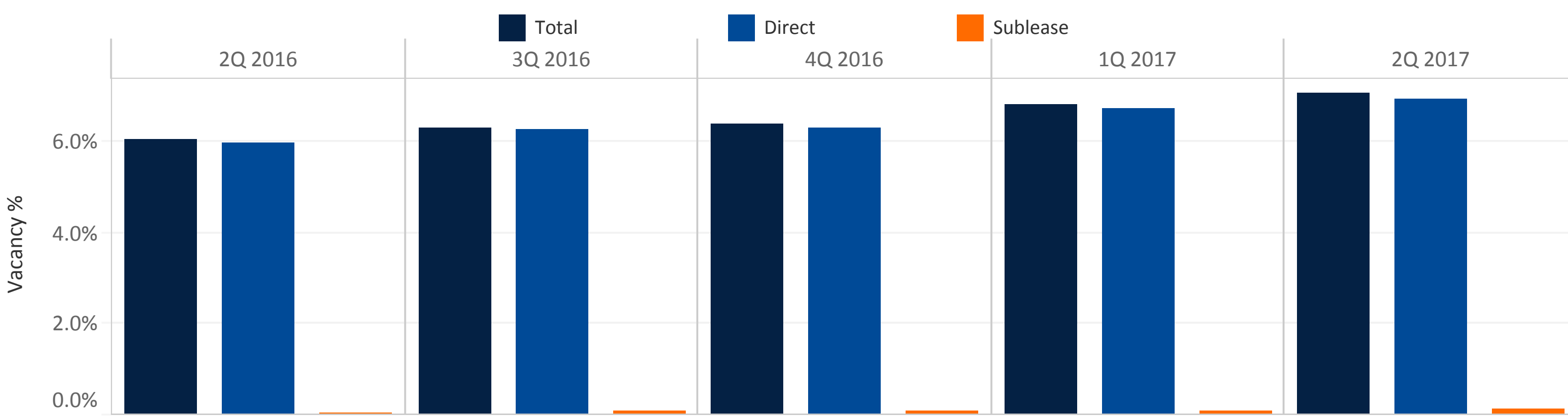
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Specific Use (Direct)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	12,332,338	1,137,135	864,891	7.0%	70,732	155,525
Free/Gen	35,509,070	1,954,768	1,876,688	5.3%	-210,425	-367,921
Nbrhd/Comm Ctr	32,018,815	3,001,308	2,903,095	9.1%	106,078	172,873
Reg/Power Ctr	10,182,022	521,050	597,597	5.9%	6,207	3,270
Overall	90,042,245	6,614,261	6,242,271	6.9%	-27,408	-36,253

Overview by Specific Use (Sublease)

Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	12,332,338	17,788	13,191	0.1%	0	-16,241
Free/Gen	35,509,070	50,743	20,600	0.1%	-20,600	-20,600
Nbrhd/Comm Ctr	32,018,815	104,082	67,665	0.2%	-9,341	-41,468
Reg/Power Ctr	10,182,022	0	0	0.0%	0	0
Overall	90,042,245	172,613	101,456	0.1%	-29,941	-78,309

MARKET TRENDS

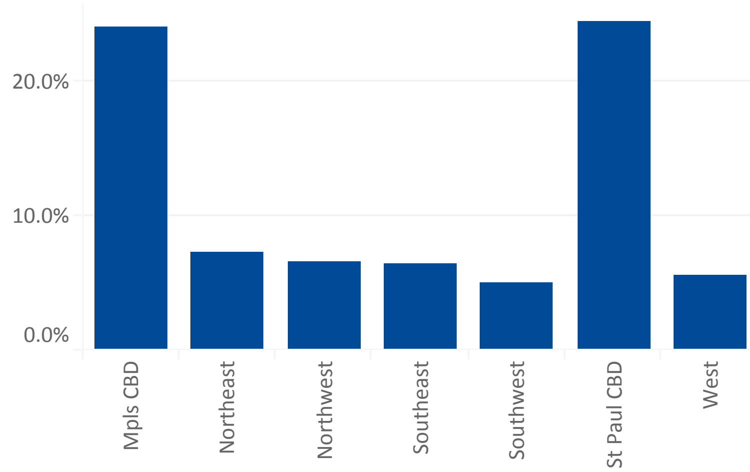
2Q 2017 | Mpls-St Paul | Retail

Direct Vacancy Rate

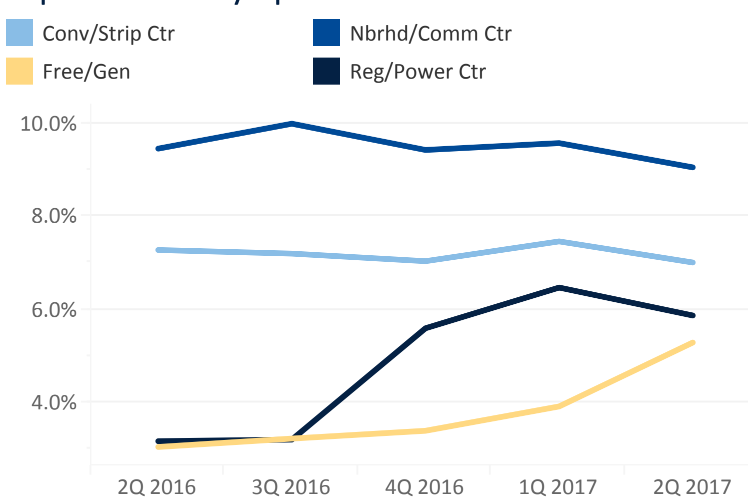
By Market and Specific Use

Market Name	Specific Use	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
Mpls CBD	Conv/Strip Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
	Free/Gen	7.2%	6.7%	4.9%	7.8%	39.2%
	Nbrhd/Comm Ctr	12.5%	16.1%	17.7%	17.7%	17.2%
	Reg/Power Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
Northeast	Conv/Strip Ctr	7.7%	7.9%	7.1%	8.5%	8.4%
	Free/Gen	4.4%	4.7%	4.6%	5.6%	5.8%
	Nbrhd/Comm Ctr	10.9%	11.1%	9.3%	9.0%	8.2%
	Reg/Power Ctr	4.3%	4.3%	4.3%	9.0%	9.0%
Northwest	Conv/Strip Ctr	9.7%	9.3%	9.1%	10.3%	10.4%
	Free/Gen	2.9%	2.9%	3.1%	3.0%	3.0%
	Nbrhd/Comm Ctr	10.0%	10.2%	9.7%	10.7%	8.8%
	Reg/Power Ctr	8.1%	8.1%	8.1%	8.1%	8.1%
Southeast	Conv/Strip Ctr	7.5%	7.6%	7.8%	8.4%	7.2%
	Free/Gen	0.7%	1.2%	2.3%	2.6%	3.7%
	Nbrhd/Comm Ctr	9.0%	10.0%	10.6%	10.6%	10.8%
	Reg/Power Ctr	1.0%	1.2%	1.1%	3.3%	2.4%
Southwest	Conv/Strip Ctr	6.7%	6.2%	6.3%	4.8%	4.3%
	Free/Gen	1.5%	1.3%	1.3%	1.4%	1.2%
	Nbrhd/Comm Ctr	6.3%	6.7%	6.1%	6.6%	6.5%
	Reg/Power Ctr	4.7%	4.7%	14.9%	9.2%	9.5%
St Paul CBD	Free/Gen	25.4%	24.7%	23.6%	23.2%	24.5%
West	Conv/Strip Ctr	3.9%	4.0%	3.7%	3.9%	3.6%
	Free/Gen	2.0%	1.3%	1.1%	1.8%	2.5%
	Nbrhd/Comm Ctr	8.0%	8.3%	8.4%	8.7%	9.2%
	Reg/Power Ctr	3.0%	2.7%	2.7%	4.3%	3.3%
Overall		6.0%	6.2%	6.3%	6.7%	6.9%

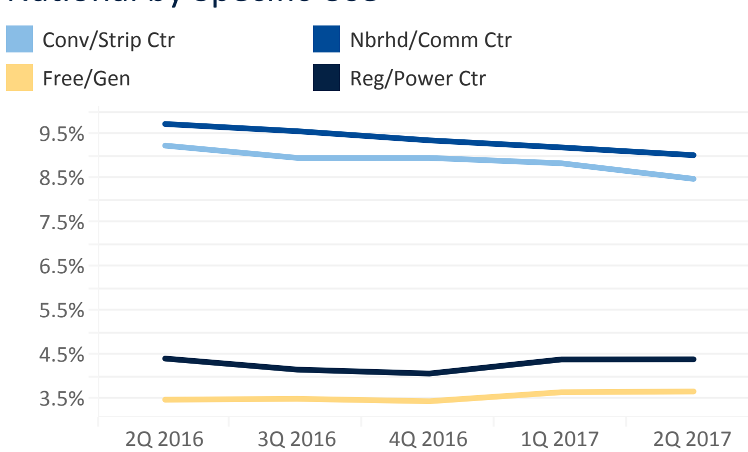
By Market



Mpls-St Paul by Specific Use



National by Specific Use

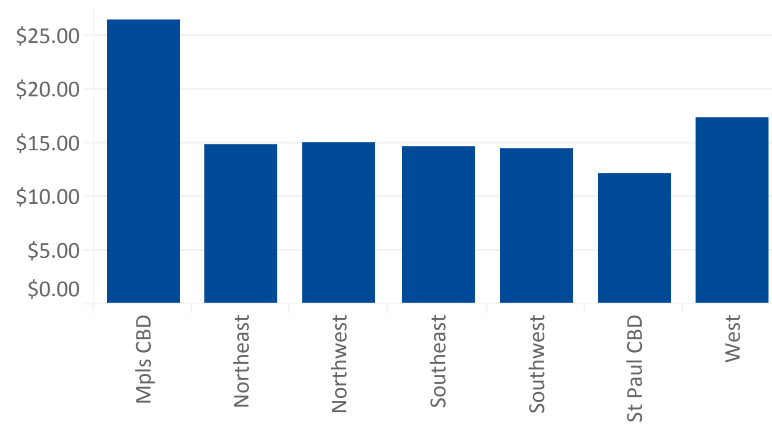


Direct Weighted Average Asking Rates (NNN)

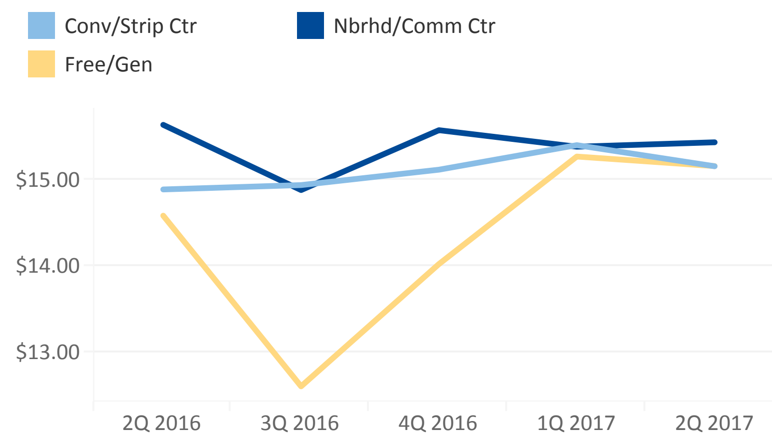
By Market and Specific Use

Market Name	Specific Use	Quarter Year 2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
Mpls CBD	Conv/Strip Ctr	-	-	-	-	-
	Free/Gen	$23.76	$23.92	$26.31	$26.38	$26.38
	Nbrhd/Comm Ctr	$27.50	-	-	-	-
	Reg/Power Ctr	-	-	-	-	-
Northeast	Conv/Strip Ctr	$15.72	$16.19	$16.27	$15.81	$14.55
	Free/Gen	$12.19	$12.19	$16.97	$17.10	$16.76
	Nbrhd/Comm Ctr	$13.53	$14.23	$15.03	$14.35	$14.64
	Reg/Power Ctr	-	-	-	-	-
Northwest	Conv/Strip Ctr	$15.56	$14.48	$14.75	$15.82	$14.91
	Free/Gen	$12.01	$12.01	$13.84	$14.36	$15.34
	Nbrhd/Comm Ctr	$15.56	$15.16	$15.72	$14.63	$15.07
	Reg/Power Ctr	-	-	-	-	-
Southeast	Conv/Strip Ctr	$15.01	$15.46	$15.37	$15.41	$15.78
	Free/Gen	$5.50	$5.50	$5.50	$8.09	$9.26
	Nbrhd/Comm Ctr	$15.35	$14.96	$16.36	$16.45	$16.76
	Reg/Power Ctr	-	-	-	-	-
Southwest	Conv/Strip Ctr	$13.55	$13.18	$13.30	$14.42	$14.06
	Free/Gen	$27.35	$18.70	$19.08	$19.08	$18.24
	Nbrhd/Comm Ctr	$19.27	$15.21	$14.69	$14.88	$14.43
	Reg/Power Ctr	-	-	-	-	-
St Paul CBD	Free/Gen	$13.86	$12.39	$12.09	$12.09	$12.13
West	Conv/Strip Ctr	$13.54	$13.66	$15.41	$15.19	$15.86
	Free/Gen	$22.33	$22.33	$23.48	$23.48	$23.41
	Nbrhd/Comm Ctr	$17.12	$17.21	$18.15	$17.55	$14.34
	Reg/Power Ctr	-	-	-	-	-
Overall		$15.10	$14.47	$15.12	$15.36	$15.27

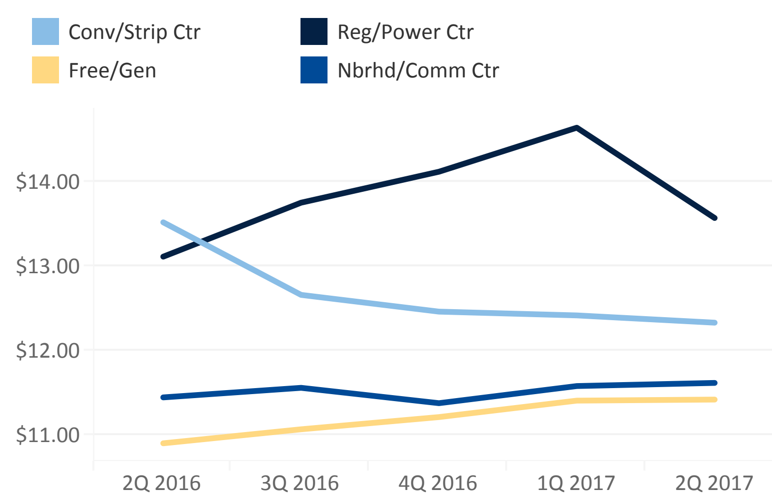
By Market



Mpls-St Paul by Specific Use

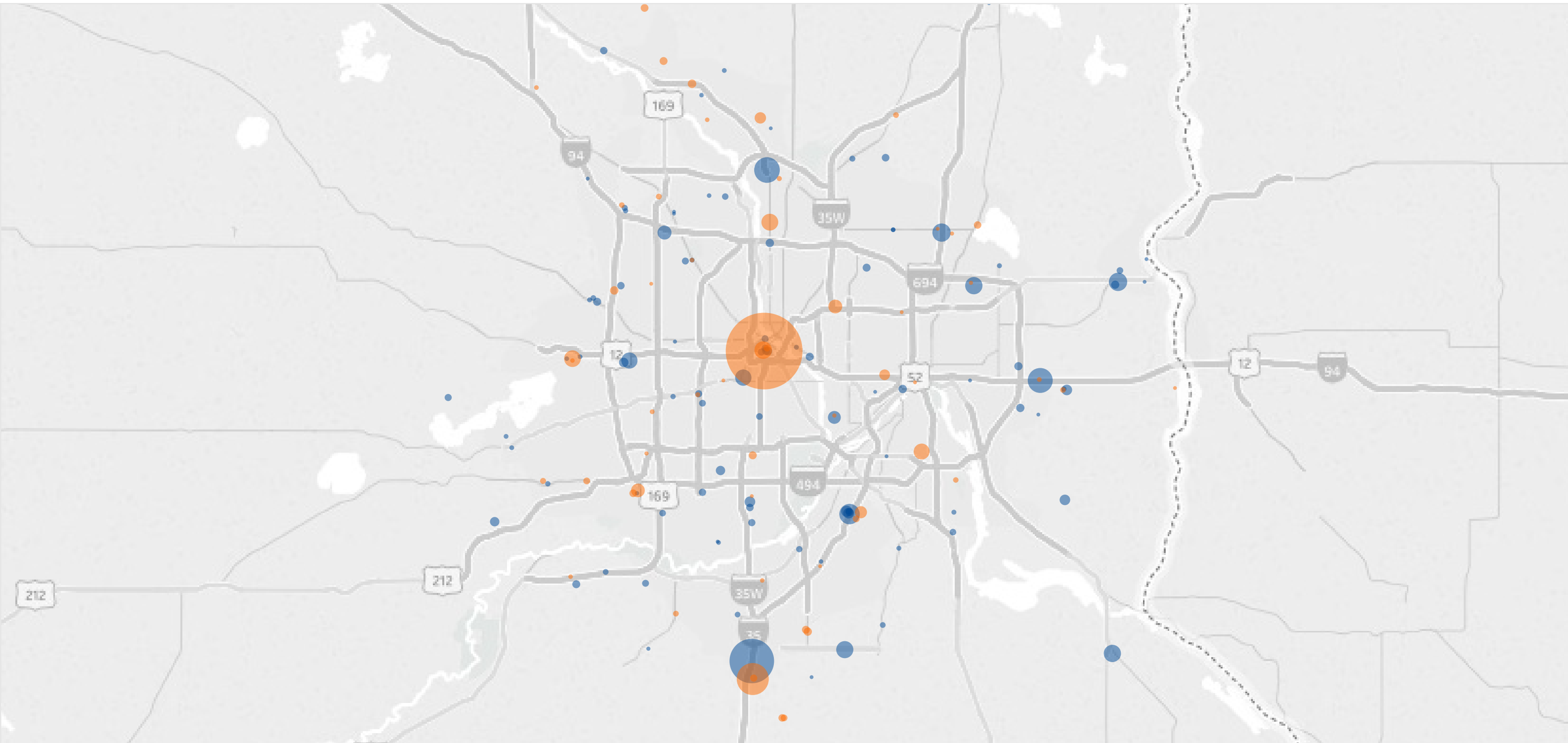


National by Specific Use



Absorption Map

Negative Positive



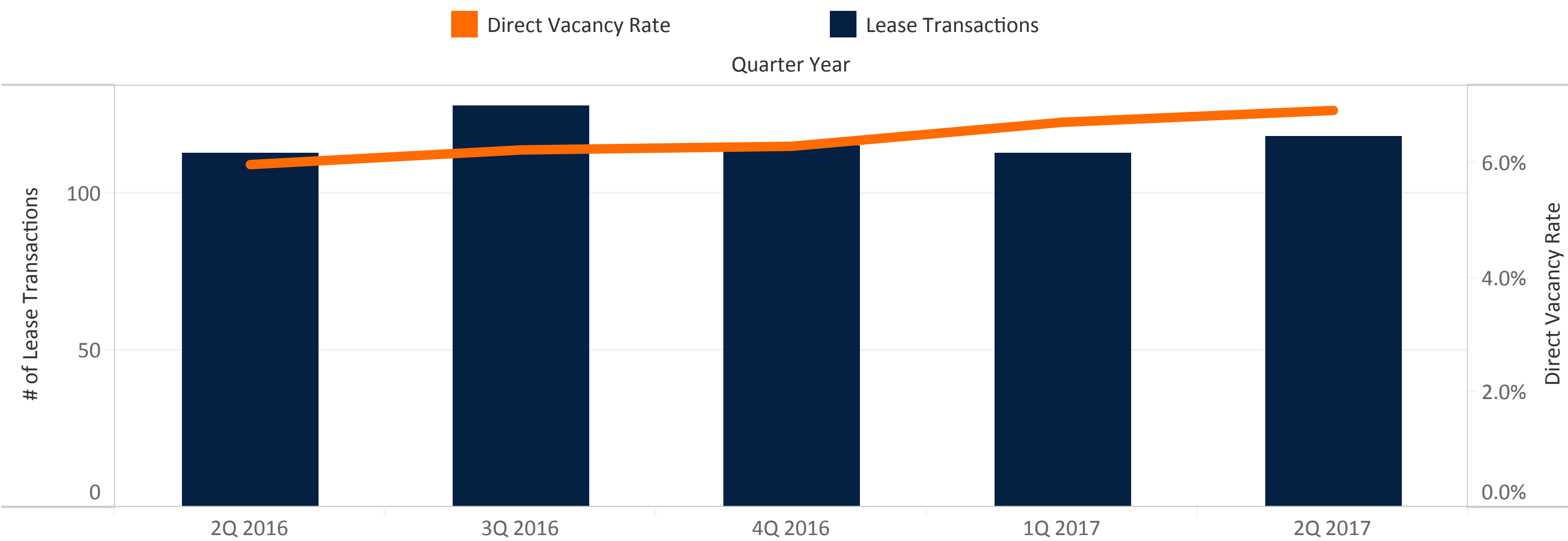
Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Schneidermans	Schneidermans occupied 122,000 SF in new delivery	Southeast	Free/Gen	122,000
Northtown Village Shopping Center	Urban Air leased 40,319 SF	Northeast	Nbrhd/Comm Ctr	40,319
Oakdale Village Shopping Center	Burlington Coat Factory leased 38,194 SF	Northeast	Nbrhd/Comm Ctr	38,194
Central Park Commons Q-R-S	DSW leased 16,144 SF; Five Below leased 10,066 SF	Southeast	Conv/Strip Ctr	25,698
Goodwill	Goodwill occupied 20,600 SF on new delivery	Northeast	Free/Gen	20,600
Oak Park Heights Retail - Goodwill	Goodwill was delivered with 20,600 SF	Northeast	Free/Gen	20,600
Plaza 3000	Aldi leased 18,375 SF occupying Q2 2017	Northeast	Nbrhd/Comm Ctr	18,375
Crossroads Center	Crossroads Church occupied 18,311 SF	Southeast	Nbrhd/Comm Ctr	18,311

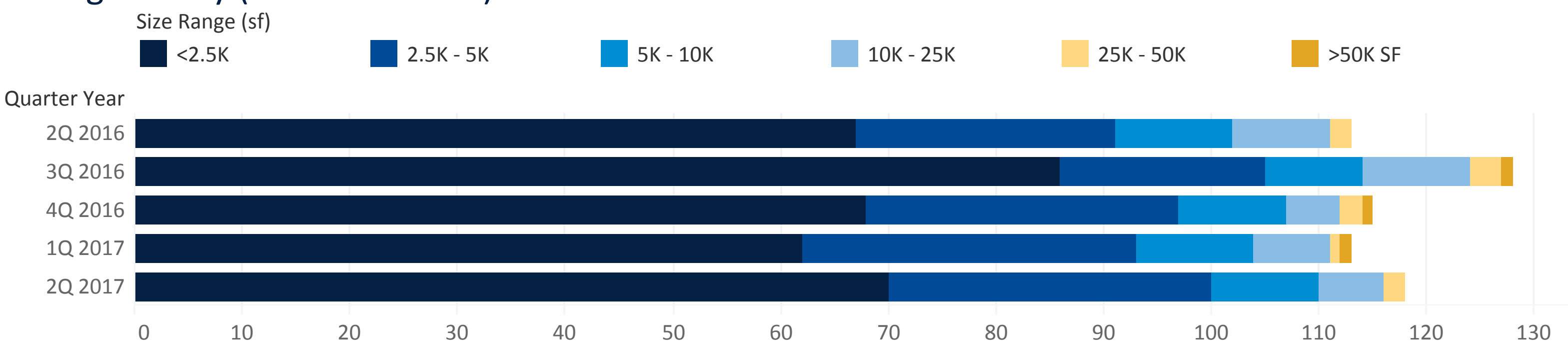
Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
The Macys Building	Macy's vacated 361,655 SF	Mpls CBD	Free/Gen	-361,655
17630 Juniper Path	Schneidermans Furniture vacated 63,000 SF	Southeast	Free/Gen	-63,000
Former Goodwill	Goodwill vacated 20,600 SF on a sublease	Northeast	Free/Gen	-20,600
RSM Plaza - Retail	Barnes & Noble vacated	Mpls CBD	Free/Gen	-18,794
Holly Center	Holy Buffet vacated 12,367 SF; Rays vacated 2,583 SF	Northeast	Nbrhd/Comm Ctr	-17,387
The Promenade of Wayzata	Lunds and Byerly's Kitchen vacated 17,481 SF	West	Nbrhd/Comm Ctr	-17,070
Southview Square	Talecris vacated 10,796 SF; Opportunity Partners vacated 4,766 SF	Southeast	Nbrhd/Comm Ctr	-15,582
2436-2440 N Cleveland Ave	Schmitt Music vacated 11,700 SF	Northeast	Free/Gen	-11,700

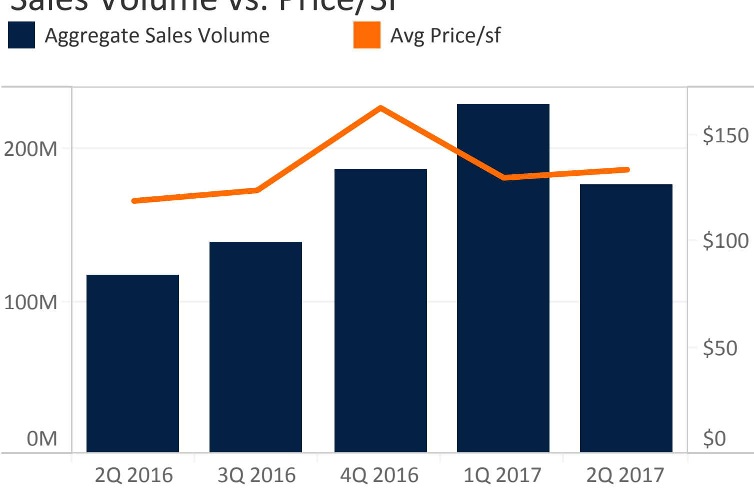
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
Grove Square Center	05/11/2017	Houston Chengdu Jindi	$26,830,000
Eagan Town Centre	04/04/2017	Epic Real Estate Partners	$21,605,185
Shakopee Valley Marketplace	05/04/2017	Essjay Investment Company	$19,200,000
Edinburgh Festival Center	06/01/2017	LS Capital	$9,600,000

Terminology

Term	Definition
Conv/Strip Ctr	Multi-tenant building less than 30,000 sf.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Freestanding/General	Includes Freestanding, Big Box, Mixed Use and General properties.
Inventory	The total square feet (sf) of existing single and multi-tenant buildings greater than 15,000 sf or are part of a complex that totals greater than 15,000 sf located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.
Nbrhd/Comm Ctr	Multi-tenant complex between 30,000-400,000 sf.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Regional/Power Ctr	Multi-tenant complex over 400,000 sf.
Sublease Space	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant (sf)	The total of all the vacant square feet within a building including both direct and sublease space.
Weighted Average Rents	The weighted average of all direct asking lease rents expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rents (such as NNN) have been grossed up to reflect a full service/gross rate.
Xceligent Partner	MNCAR

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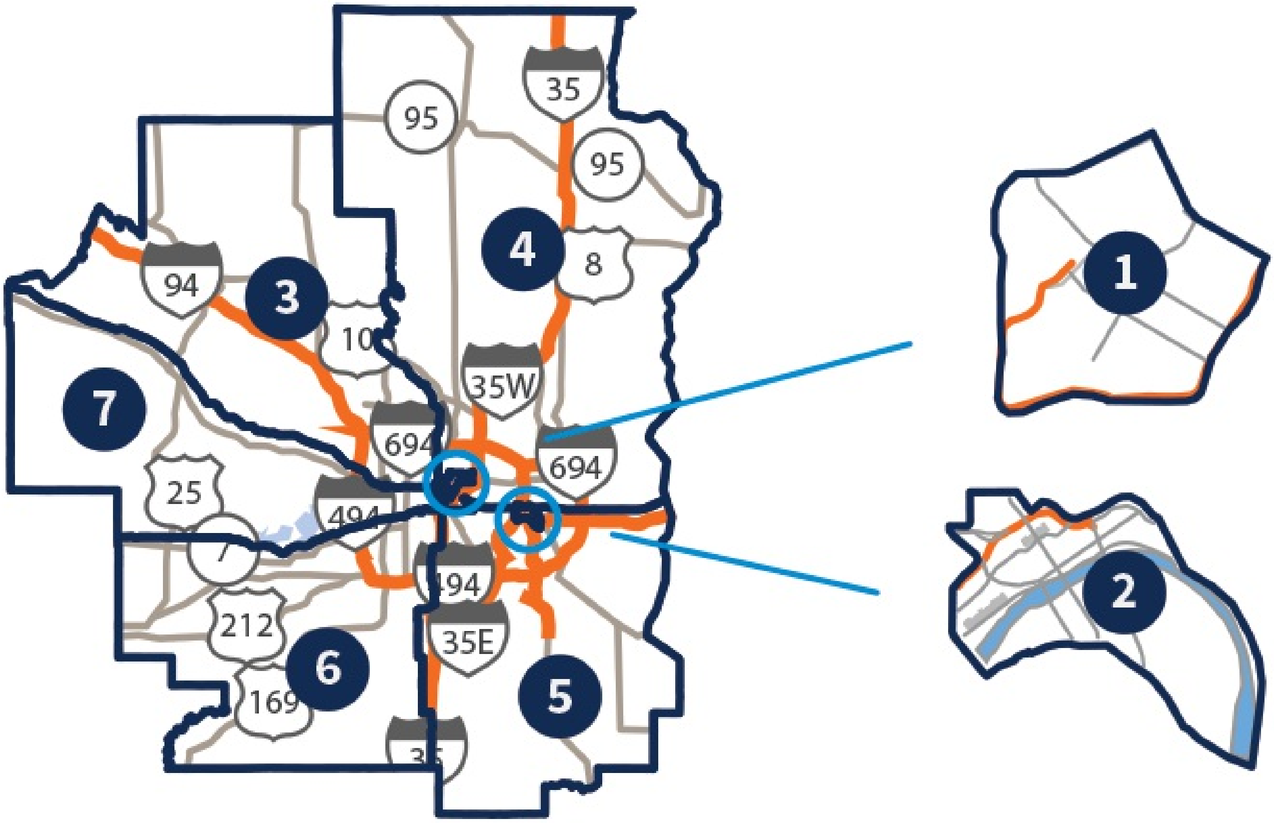

1 **Minneapolis CBD**

2 **Saint Paul CBD**

3 **Northwest**

4 **Northeast**

5 **Southeast**

6 **Southwest**

7 **West**