MARKET TRENDS

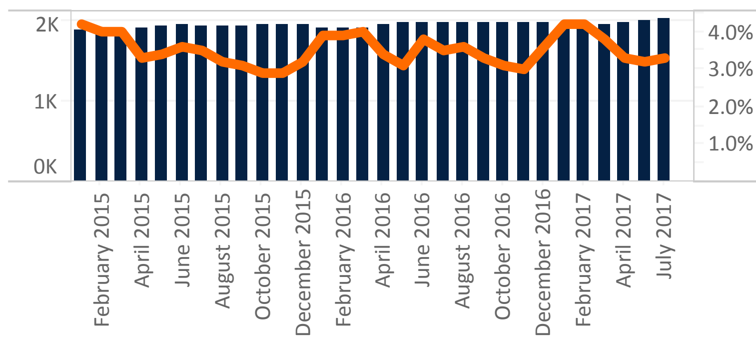
3Q 2017 | Mpls-St Paul | Retail

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate decreased 0.3 percentage points from 3.8% in July 2016 to 3.5% in July 2017. The unemployment rate decreased 0.7% compared to January 2017. The current rate compares favorabley to Minnesota (3.7%) and the US (4.4). The Mpls-St Paul metropolitan statistical area nonfarm job increased 51,200 jobs over the past year. Retail using jobs (trade transportation and utilities) added 4,800 jobs during the past year.

Mpls-St Paul Employment

Source: BLS



Market Overview

The Mpls-St Paul retail market recorded 177,652 square feet (sf) of negative total absorption during 3Q 2017 and 468,281 sf negative total absorption year-to-date (ytd). Absorption was down from 16,716 sf negative absorption recorded during 3Q 2016. The total vacancy rate increased year-over-year from 6.3% in 3Q 2016 to 7.6% at the close of 3Q 2017. Direct vacancy has increased 1.3 percentage points during the same time period posting 7.5% in 3Q 2017. Weighted average rent in all specific uses has increased 3.5% compared wtih 3Q 2016 recording $15.65 per square foot (psf) at the close of 3Q 2017.

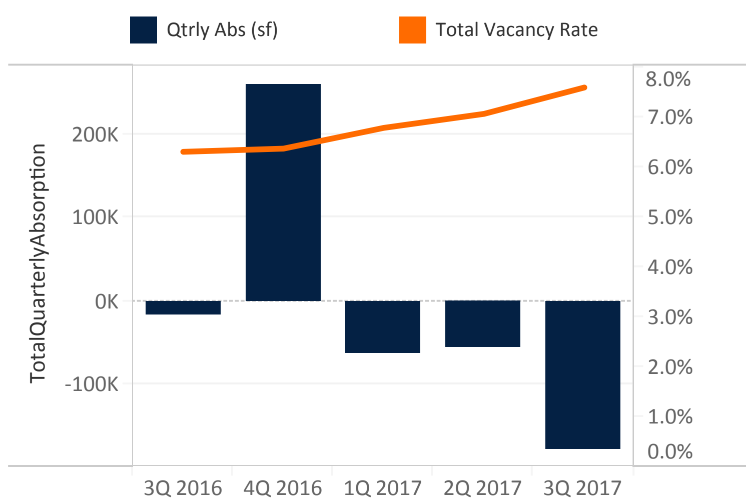
Market Recap

Inventory (sf)	92,078,726
# of Bldgs	1,673
Qtrly Abs (sf)	-177,652
Total Avail Rate	8.3%
Total Vacancy Rate	7.6%
U/C Inventory (sf)	920,096
Delivered (sf)	143,619
Weighted Average Asking Rate (NNN)	$15.65

Market Highlights

The Mpls-St Paul market recorded its third consecutive quarter of negative absorption resulting from large retailer store closings. The southwest market had two of the largest closings which were JC Penney with 220,000 square feet (sf) and Gander Mountain with 64,500 sf. The Northeast market had two of the other largest closings which were Gander Mountain with 67,500 sf and Gordmans with 65,800 sf. A total of three Gander Mountains closed this quarter totaling 162,000 sf in our metro. The Southeast market recorded the largest gain of 166,027 sf with two of the largest transactions of HyVee opening a new 95,700 sf store and Hobby Lobby's store with 52,700 sf. Also notable is Nordstrom Rack opening a 39,000 sf store in Mpls CBD market.

Absorption and Vacancy Rate



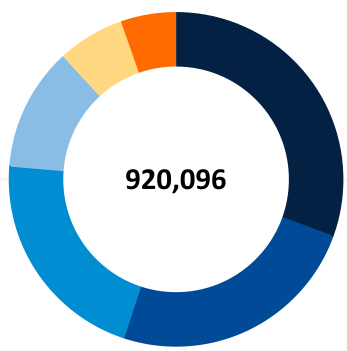
Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	12,392,729	1,221,457	880,708	7.1%	51,448	188,306
Free/Gen	35,749,429	1,963,114	2,047,839	5.7%	59,852	-504,130
Nbrhd/Comm Ctr	32,081,453	3,564,852	3,144,912	9.8%	-80,975	52,250
Reg/Power Ctr	11,855,115	908,334	929,458	7.8%	-207,977	-204,707
Overall	**92,078,726**	**7,657,757**	**7,002,917**	**7.6%**	**-177,652**	**-468,281**

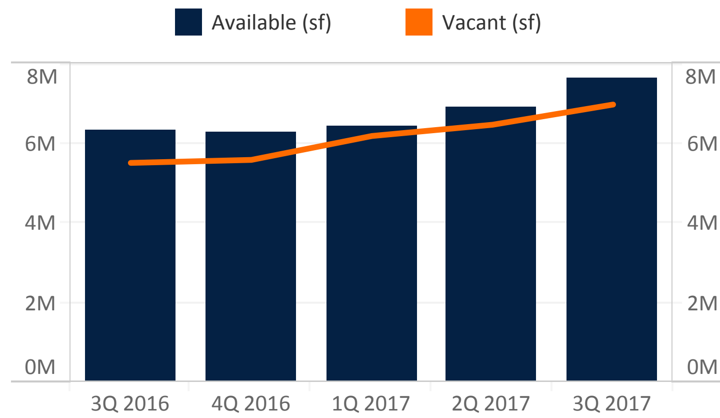
Overview by Market (Total)

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	1,165,597	470,123	462,619	39.7%	-3,826	-369,207
	Nbrhd/Comm Ctr	824,877	120,285	97,783	11.9%	44,221	48,488
	Reg/Power Ctr	426,337	0	0	0.0%	0	0
	Subtotal	**2,500,071**	**590,408**	**560,402**	**22.4%**	**40,395**	**-320,719**
Northeast	Conv/Strip Ctr	3,235,884	396,866	279,323	8.6%	8,809	-40,648
	Free/Gen	12,307,200	738,395	835,938	6.8%	2,902	-297,871
	Nbrhd/Comm Ctr	11,227,538	1,248,064	1,134,555	10.1%	-132,259	46,035
	Reg/Power Ctr	2,813,519	167,042	164,542	5.8%	1,500	1,500
	Subtotal	**29,584,141**	**2,550,367**	**2,414,358**	**8.2%**	**-119,048**	**-290,984**
Northwest	Conv/Strip Ctr	1,820,715	230,728	191,144	10.5%	16,350	-3,238
	Free/Gen	5,380,558	152,099	147,099	2.7%	13,653	12,384
	Nbrhd/Comm Ctr	5,272,236	593,404	522,753	9.9%	-44,241	-56,426
	Reg/Power Ctr	400,022	50,484	50,484	12.6%	-17,888	-17,888
	Subtotal	**12,873,531**	**1,026,715**	**911,480**	**7.1%**	**-32,126**	**-65,168**
Southeast	Conv/Strip Ctr	3,626,602	359,346	256,735	7.1%	27,626	88,056
	Free/Gen	9,958,700	431,361	340,660	3.4%	115,912	174,607
	Nbrhd/Comm Ctr	8,018,745	989,606	881,664	11.0%	28,549	33,510
	Reg/Power Ctr	3,003,013	284,829	133,577	4.4%	-6,060	-6,060
	Subtotal	**24,607,060**	**2,065,142**	**1,612,636**	**6.6%**	**166,027**	**290,113**
Southwest	Conv/Strip Ctr	2,385,722	170,162	109,115	4.6%	-8,953	142,574
	Free/Gen	5,217,923	91,210	124,986	2.4%	-60,256	-45,021
	Nbrhd/Comm Ctr	3,953,879	342,745	276,200	7.0%	-2,645	-21,357
	Reg/Power Ctr	3,610,697	347,621	536,497	14.9%	-184,382	-198,847
	Subtotal	**15,168,221**	**951,738**	**1,046,798**	**6.9%**	**-256,236**	**-122,651**
St Paul CBD	Free/Gen	399,844	55,648	106,508	26.6%	-8,533	-3,230
	Subtotal	**399,844**	**55,648**	**106,508**	**26.6%**	**-8,533**	**-3,230**
West	Conv/Strip Ctr	1,240,546	64,355	44,391	3.6%	7,616	1,562
	Free/Gen	1,319,607	24,278	30,029	2.3%	0	24,208
	Nbrhd/Comm Ctr	2,784,178	270,748	231,957	8.3%	25,400	2,000
	Reg/Power Ctr	1,601,527	58,358	44,358	2.8%	-1,147	16,588
	Subtotal	**6,945,858**	**417,739**	**350,735**	**5.0%**	**31,869**	**44,358**
Overall		**92,078,726**	**7,657,757**	**7,002,917**	**7.6%**	**-177,652**	**-468,281**

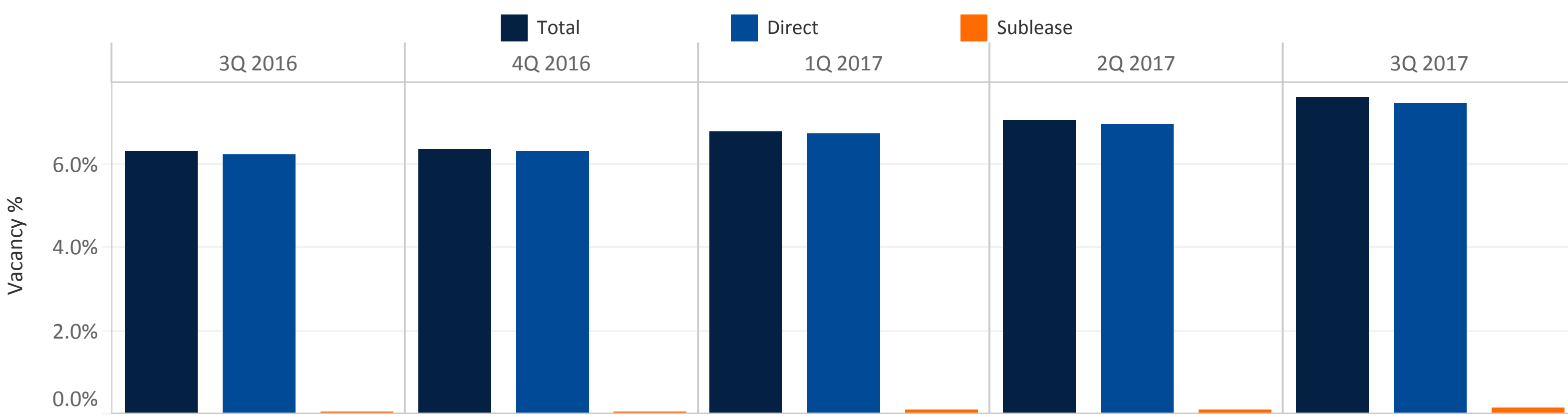
Construction by Market



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	12,392,729	1,215,142	875,417	7.1%	43,548	196,647
Free/Gen	35,749,429	1,912,371	2,027,239	5.7%	59,852	-404,765
Nbrhd/Comm Ctr	32,081,453	3,409,976	3,055,315	9.5%	-59,043	89,403
Reg/Power Ctr	11,855,115	894,334	929,458	7.8%	-207,977	-204,707
Overall	92,078,726	7,431,823	6,887,429	7.5%	-163,620	-323,422

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	12,392,729	6,315	5,291	0.0%	7,900	-8,341
Free/Gen	35,749,429	50,743	20,600	0.1%	0	-99,365
Nbrhd/Comm Ctr	32,081,453	154,876	89,597	0.3%	-21,932	-37,153
Reg/Power Ctr	11,855,115	14,000	0	0.0%	0	0
Overall	92,078,726	225,934	115,488	0.1%	-14,032	-144,859

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MARKET TRENDS

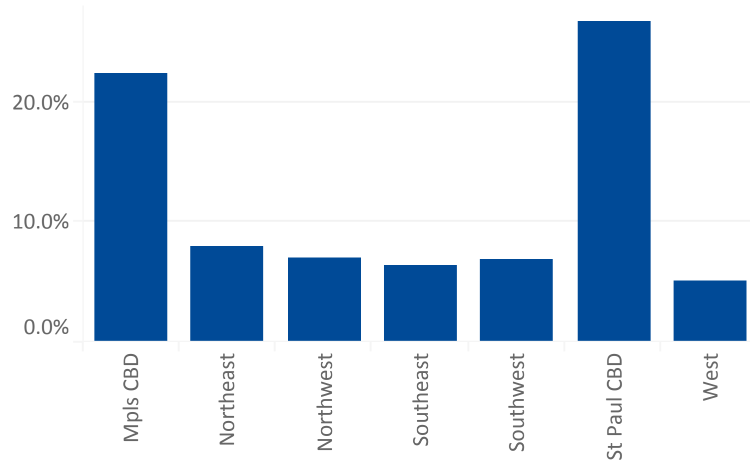
3Q 2017 | Mpls-St Paul | Retail

Direct Vacancy Rate

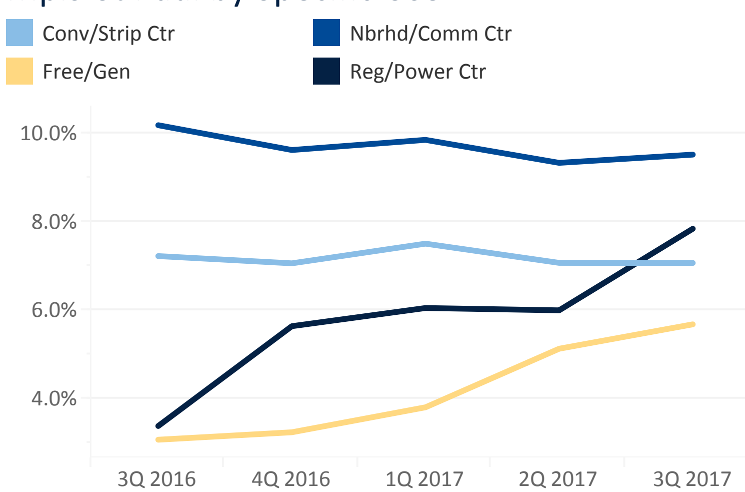
By Market and Specific Use

Market Name	Specific Use	Quarter Year 3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Mpls CBD	Conv/Strip Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
	Free/Gen	6.7%	4.9%	7.8%	39.2%	39.7%
	Nbrhd/Comm Ctr	16.1%	17.7%	17.7%	17.2%	11.9%
	Reg/Power Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	**8.0%**	**7.4%**	**9.5%**	**24.0%**	**22.4%**
Northeast	Conv/Strip Ctr	8.1%	7.3%	8.6%	8.6%	8.5%
	Free/Gen	4.2%	4.1%	5.2%	5.3%	6.6%
	Nbrhd/Comm Ctr	11.6%	9.8%	9.7%	9.0%	9.8%
	Reg/Power Ctr	3.5%	3.5%	5.9%	5.9%	5.8%
	Subtotal	**7.5%**	**6.7%**	**7.4%**	**7.1%**	**8.0%**
Northwest	Conv/Strip Ctr	9.3%	9.1%	10.4%	10.6%	10.5%
	Free/Gen	2.9%	3.1%	3.0%	3.0%	2.7%
	Nbrhd/Comm Ctr	10.2%	9.7%	10.7%	8.8%	9.9%
	Reg/Power Ctr	8.1%	8.1%	8.1%	8.1%	12.6%
	Subtotal	**7.0%**	**6.8%**	**7.4%**	**6.6%**	**7.1%**
Southeast	Conv/Strip Ctr	7.6%	7.8%	8.4%	7.2%	7.1%
	Free/Gen	1.2%	2.3%	2.6%	3.7%	3.4%
	Nbrhd/Comm Ctr	10.0%	10.6%	10.6%	10.8%	10.4%
	Reg/Power Ctr	2.9%	2.8%	4.2%	4.2%	4.4%
	Subtotal	**5.3%**	**5.9%**	**6.3%**	**6.6%**	**6.4%**
Southwest	Conv/Strip Ctr	6.1%	6.2%	4.7%	4.2%	4.6%
	Free/Gen	1.3%	1.3%	1.4%	1.2%	2.4%
	Nbrhd/Comm Ctr	6.8%	6.2%	6.7%	6.6%	6.6%
	Reg/Power Ctr	3.8%	11.9%	8.8%	9.2%	14.9%
	Subtotal	**4.1%**	**5.4%**	**5.1%**	**5.0%**	**6.8%**
St Paul CBD	Free/Gen	24.7%	23.6%	23.2%	24.5%	26.6%
	Subtotal	**24.7%**	**23.6%**	**23.2%**	**24.5%**	**26.6%**
West	Conv/Strip Ctr	4.0%	3.7%	3.9%	3.6%	3.6%
	Free/Gen	1.3%	1.1%	3.0%	2.3%	2.3%
	Nbrhd/Comm Ctr	8.3%	8.4%	8.7%	9.2%	8.3%
	Reg/Power Ctr	2.7%	2.7%	4.5%	3.4%	2.8%
	Subtotal	**5.3%**	**5.3%**	**5.8%**	**5.6%**	**5.0%**
Overall		**6.2%**	**6.3%**	**6.7%**	**7.0%**	**7.5%**

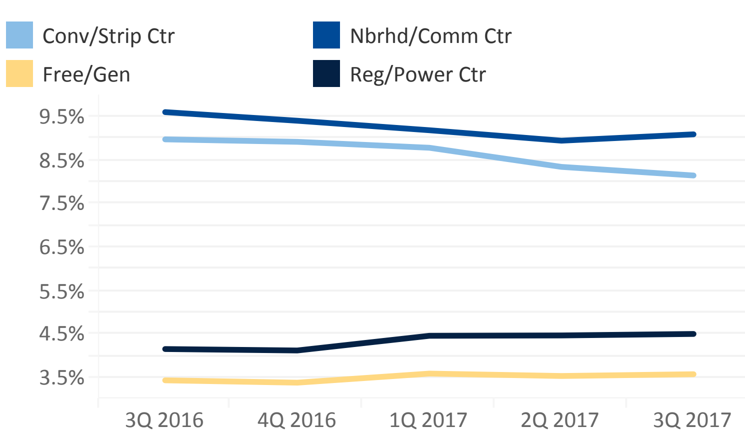
By Market



Mpls-St Paul by Specific Use



National by Specific Use

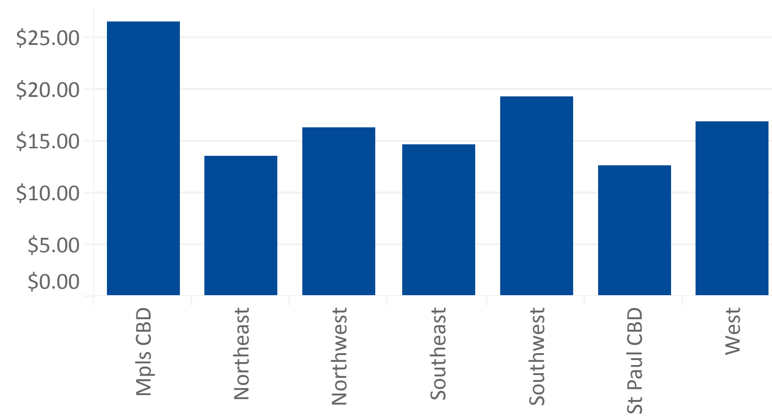


Direct Weighted Average Asking Rates (NNN)

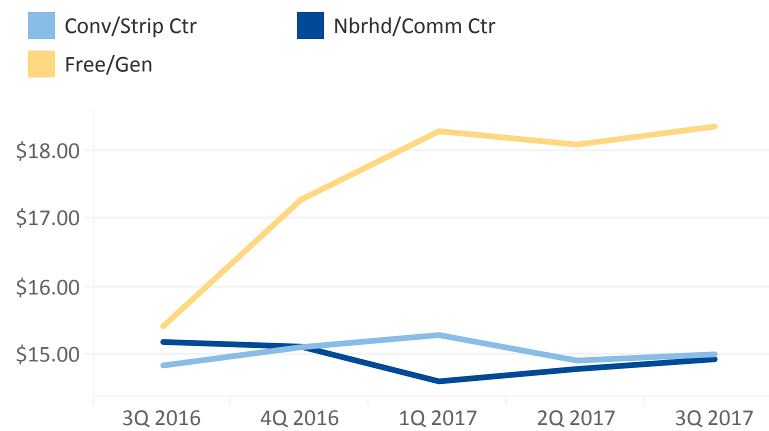
By Market and Specific Use

Market Name	Specific Use	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
		Quarter Year				
Mpls CBD	Conv/Strip Ctr	-	-	-	-	-
	Free/Gen	$23.92	$26.31	$26.38	$26.38	$26.41
	Nbrhd/Comm Ctr	-	-	-	-	-
	Reg/Power Ctr	-	-	-	-	-
	Subtotal	**$23.92**	**$26.31**	**$26.38**	**$26.38**	**$26.41**
Northeast	Conv/Strip Ctr	$16.29	$16.27	$15.81	$14.55	$12.85
	Free/Gen	$12.19	$16.97	$17.10	$16.76	$17.20
	Nbrhd/Comm Ctr	$12.48	$12.93	$12.39	$12.75	$13.02
	Reg/Power Ctr	-	-	-	-	-
	Subtotal	**$13.74**	**$14.28**	**$13.90**	**$13.73**	**$13.44**
Northwest	Conv/Strip Ctr	$14.61	$14.91	$15.38	$13.90	$15.11
	Free/Gen	$12.01	$13.84	$14.36	$15.34	$20.96
	Nbrhd/Comm Ctr	$15.16	$16.96	$14.63	$15.07	$15.92
	Reg/Power Ctr	-	-	-	-	-
	Subtotal	**$14.55**	**$15.82**	**$14.95**	**$14.56**	**$16.18**
Southeast	Conv/Strip Ctr	$15.02	$15.25	$15.29	$15.58	$16.30
	Free/Gen	$5.50	$5.50	$8.09	$9.26	$7.53
	Nbrhd/Comm Ctr	$16.46	$16.34	$16.45	$16.76	$16.61
	Reg/Power Ctr	-	-	-	-	-
	Subtotal	**$14.66**	**$14.27**	**$14.54**	**$14.65**	**$14.67**
Southwest	Conv/Strip Ctr	$13.27	$13.42	$14.42	$14.06	$13.08
	Free/Gen	$28.18	$28.93	$29.37	$30.38	$31.97
	Nbrhd/Comm Ctr	$15.21	$14.69	$14.88	$15.11	$15.30
	Reg/Power Ctr	-	-	-	-	-
	Subtotal	**$17.47**	**$17.56**	**$18.67**	**$19.10**	**$19.15**
St Paul CBD	Free/Gen	$12.39	$12.09	$12.09	$12.13	$12.50
	Subtotal	**$12.39**	**$12.09**	**$12.09**	**$12.13**	**$12.50**
West	Conv/Strip Ctr	$13.66	$15.41	$15.19	$15.86	$15.86
	Free/Gen	$22.33	$23.48	$23.48	$23.41	$22.00
	Nbrhd/Comm Ctr	$17.21	$17.36	$17.01	$14.99	$17.55
	Reg/Power Ctr	-	-	-	-	-
	Subtotal	**$15.82**	**$17.20**	**$17.11**	**$17.18**	**$16.82**
Overall		**$15.11**	**$15.49**	**$15.64**	**$15.56**	**$15.65**

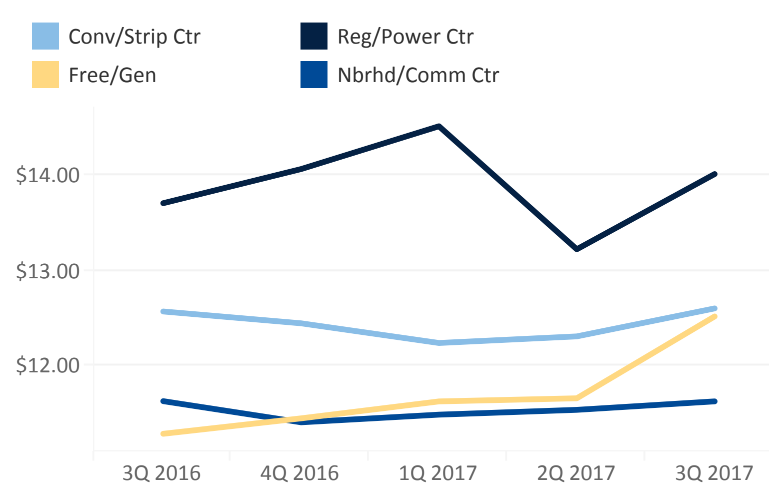
By Market



Mpls-St Paul by Specific Use

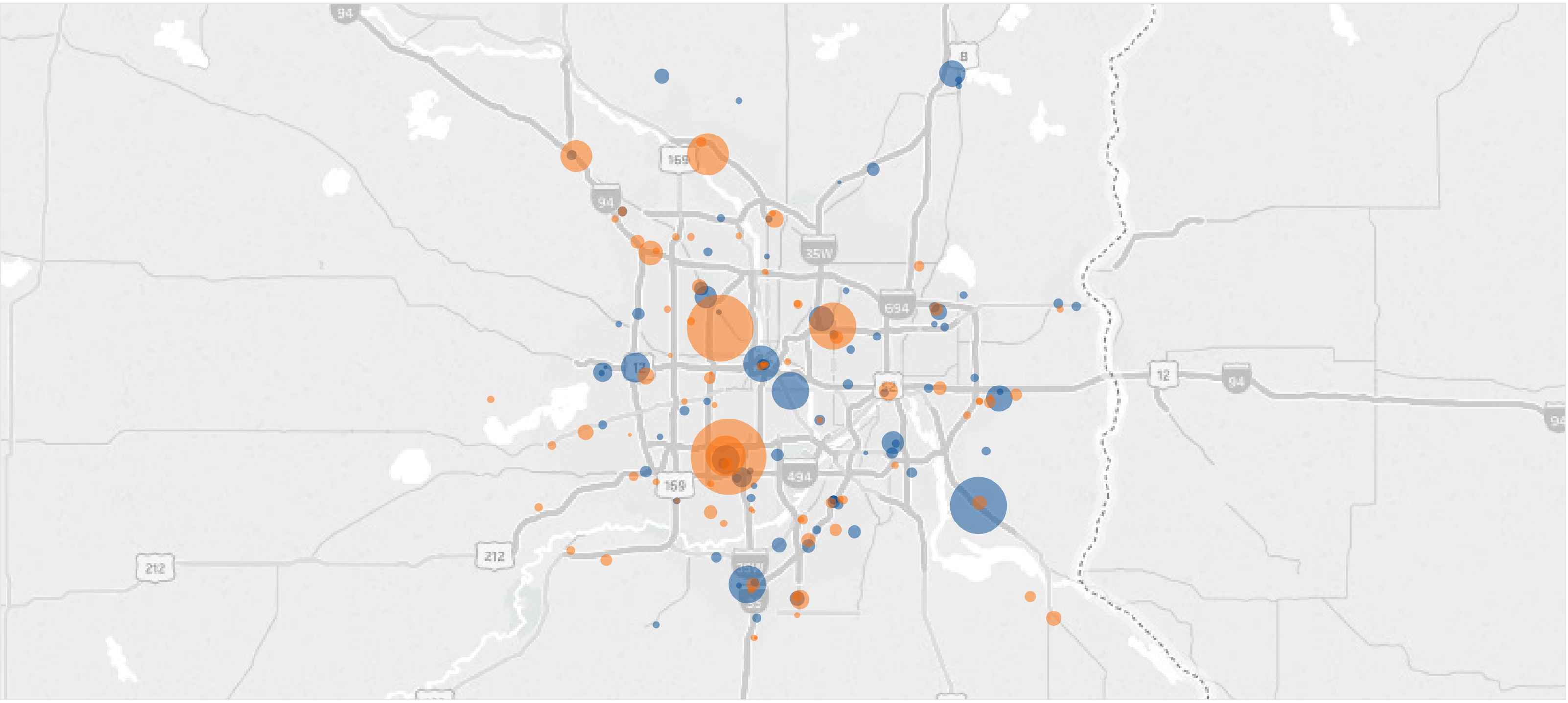


National by Specific Use



Absorption Map

Negative   Positive



Largest Positives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Grove Plaza Shopping - HyVee	HyVee was delivered with 95,700 SF	Southeast	Free/Gen	95,700
Minnehaha Crossing	Charter School will be occupying space for 2017 season	Northeast	Free/Gen	42,563
Burnhill Plaza	Hobby Lobby leased 52,783 SF of which 42,000 sf was vacant	Southeast	Nbrhd/Comm Ctr	42,000
Crystal Court	Nordstrom Rack leased 38,696 SF	Mpls CBD	Nbrhd/Comm Ctr	38,696
Ridgedale Festival Center	Total Wine & More leased 25,775 SF	West	Nbrhd/Comm Ctr	25,775
Galleria Shops	CoV occupied 10,000 SF and Design within Reach leased 13,913 SF	Southwest	Reg/Power Ctr	23,913
Sierra Trading Post	Sierra Trading Post occupying 20,814 SF in new delivery	Southeast	Nbrhd/Comm Ctr	20,814
West Lake Center	Petsmart leased 20,700 SF	Northeast	Nbrhd/Comm Ctr	20,700

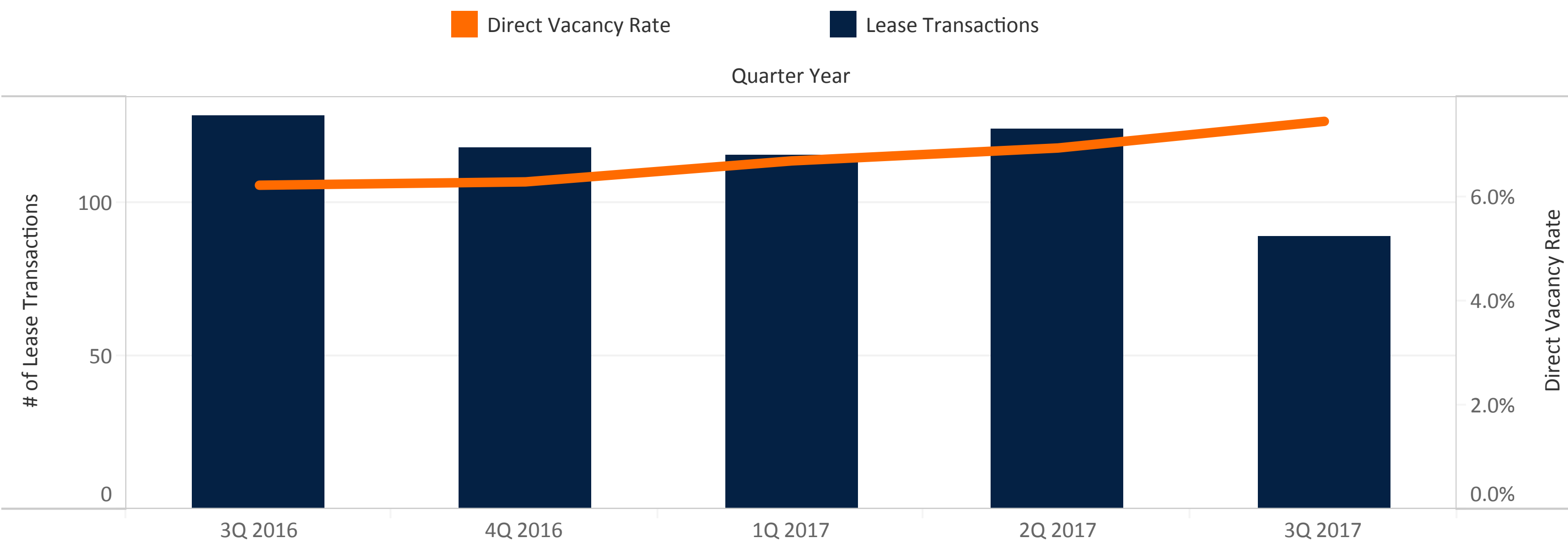
Largest Negatives (Total)

PropertyName	Significant Transactions	Market Name	Specific Use	
Southdale Center - JC Penney	JC Penny vacated 171,413 SF is	Southwest	Reg/Power Ctr	-171,413
Gander Mountain	Gander Mountain vacated 67,516 SF	Northeast	Free/Gen	-67,516
Crossroads of Roseville	Gordmans closed and vacated 65,874 SF	Northeast	Nbrhd/Comm Ctr	-65,874
Gander Mountain	Gander Mountain vacated 64,500 SF	Southwest	Free/Gen	-64,500
Riverdale Commons	Five Below lease; Gordmans and Rainbow Foods vacancies	Northeast	Nbrhd/Comm Ctr	-52,274
Southdale Center	Weight Watchers lease & JC Penny closed vacating 49,000 SF	Southwest	Reg/Power Ctr	-47,500
Goodwill & Gander Mountain	Gander Mountain vacated 30,021 SF	Northwest	Nbrhd/Comm Ctr	-30,021
Rosedale Marketplace	Office Max vacated 21,932 SF on a sublease	Northeast	Nbrhd/Comm Ctr	-21,932

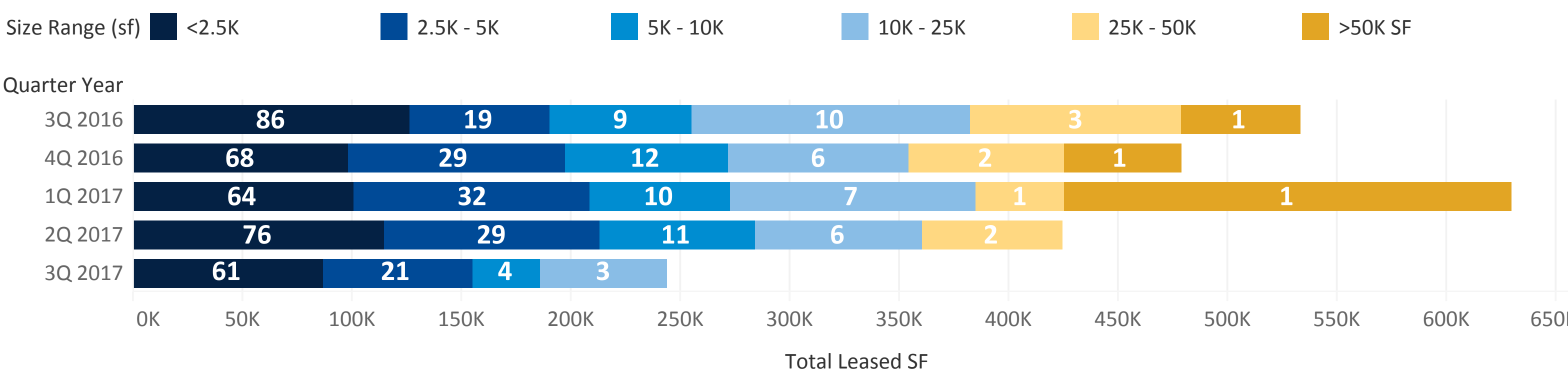
MARKET TRENDS

3Q 2017 | Mpls-St Paul | Retail

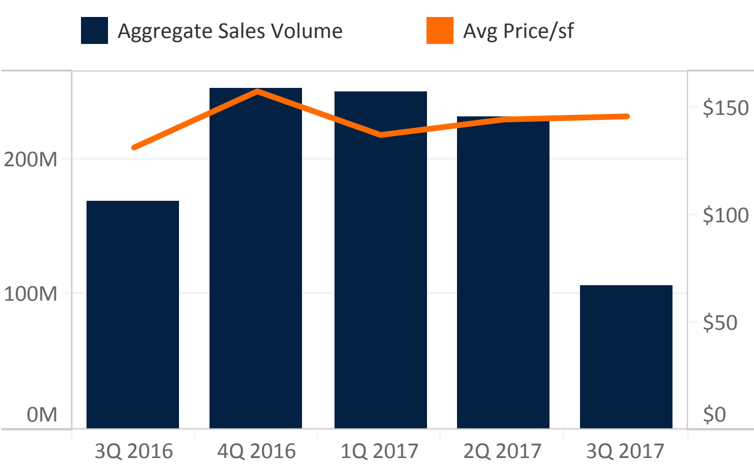
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
Rosedale Center - Herbergers	09/07/2017	PPF RTL Rosedale Shopping Center, LLC	$18,900,000
Mapleridge Shopping Center	08/08/2017	Slate Asset Management aka Slate Retail REIT	$13,400,000
Goodwill/Dollar Tree	09/15/2017	Cambridge MN Partners LLC	$6,875,000
Red Lobster	08/10/2017	Jean Ann Becker	$4,750,000
Maple Ridge Center	07/07/2017	Ted Glasrud	$4,300,000

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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Xceligent Team

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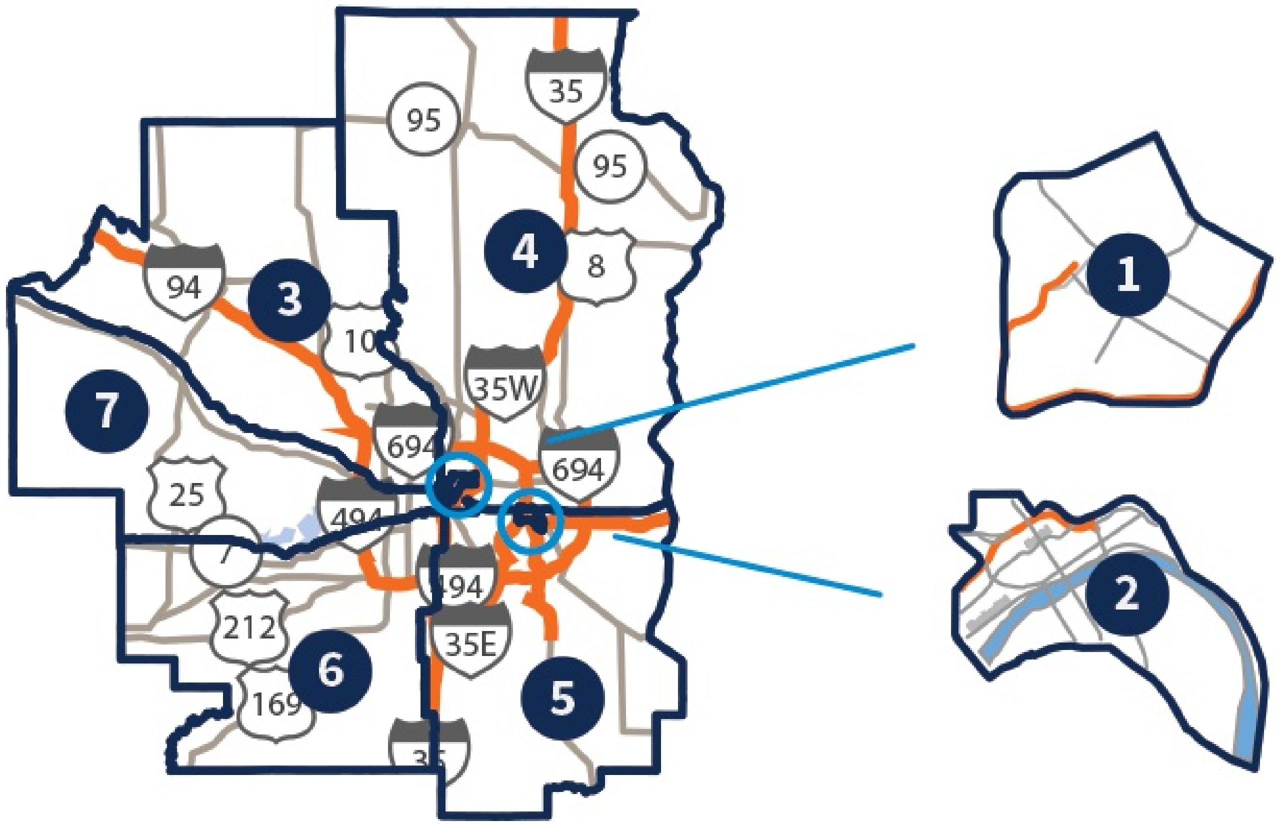

1. Minneapolis CBD
2. Saint Paul CBD
3. Northwest
4. Northeast
5. Southeast
6. Southwest
7. West