MARKET TRENDS

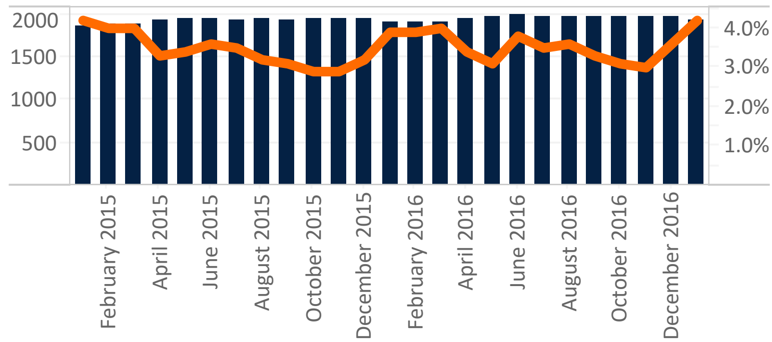
1Q 2017 | Mpls-St Paul | Retail

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate increased 0.3 percentage points from 3.9% in January 2016 to 4.2% in January 2017. This is higher than Minnesota (4.0%) but compares favorably to the US (4.8%). The Mpls-St Paul metropolitan statistical area nonfarm job creation totaled 27,900 over the past year. Retail using jobs (industries include trade transportation and utilities) added 4,600 jobs during the past year.

Mpls-St Paul Employment

Source: BLS



Market Overview

The Mpls-St Paul retail market recorded 67,976 square feet of negative absorption during 1Q 2017. The total vacancy rate has increased from 6.4% in 1Q 2016 to 6.7% at the close of first quarter 2017. Direct vacancy rates increased 0.3 percentage points from 6.3% to 6.6% during the same time period. Weighted average rent growth continued to improve during 1Q 2017 especially in convenience/strip center properties in northwest, northeast and west markets. Weighted average asking rents in all classes remained unchanged recording $15.32 per square foot (psf) at the close of 1Q 2017 compared to 1Q 2016. Strip center weighted average rents improved 6.8% year-over-year, recording $15.40 psf at the close of 1Q 2017.

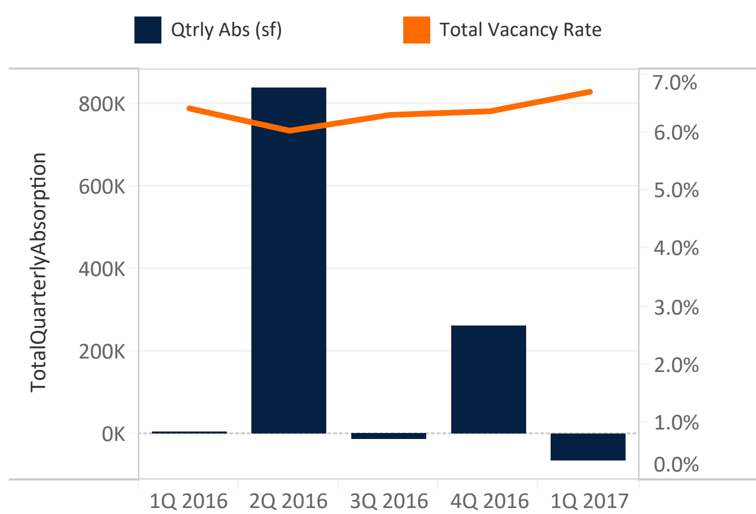
Market Recap

Inventory (sf)	88,502,996
# of Bldgs	1,611
Qtrly Abs (sf)	-67,976
Total Avail Rate	6.9%
Total Vacancy Rate	6.7%
U/C Inventory (sf)	1,192,654
Delivered (sf)	119,616
Weighted Average Asking Rate (NNN)	$15.32

Market Highlights

Due to the growth of the grocery sector and the increase in retailors closing their shops, absorption is expected to be unpredictable during 2017. Major occupiers of space included HyVee as they opened two new locations of 98,000 square feet in southwest market and 90,000 square feet in northeast market. Off setting the gains was Sears closing their 132,000 sf store in the northeast market. Other notable closings were Xperience Fitness, Marshalls and Pawn America. Retailors are learning how to re-invent themselves as the industry is being effected due to e-commerce and consumers going to brick and mortar locations less.

Absorption and Vacancy Rate



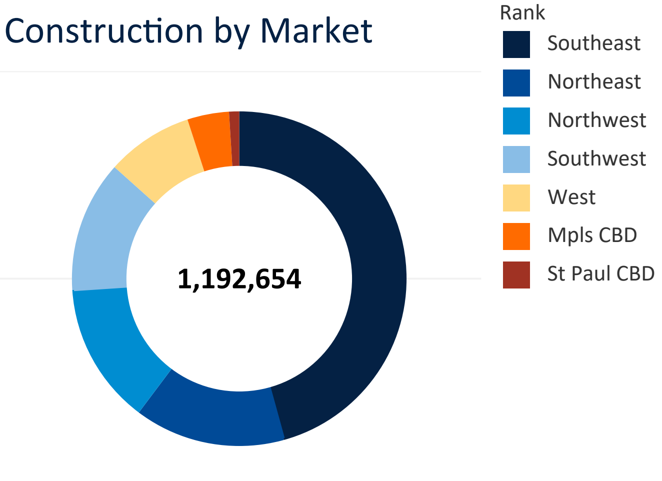
Overview by Specific Use (Total)

Specific Use	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	12,304,223	1,183,651	915,340	7.4%	64,053	64,053
Free/Gen	34,775,770	1,460,871	1,369,842	3.9%	-158,260	-158,260
Nbrhd/Comm Ctr	32,253,840	3,071,578	3,211,668	10.0%	59	59
Reg/Power Ctr	9,169,163	432,612	442,244	4.8%	26,172	26,172
Overall	88,502,996	6,148,712	5,939,094	6.7%	-67,976	-67,976

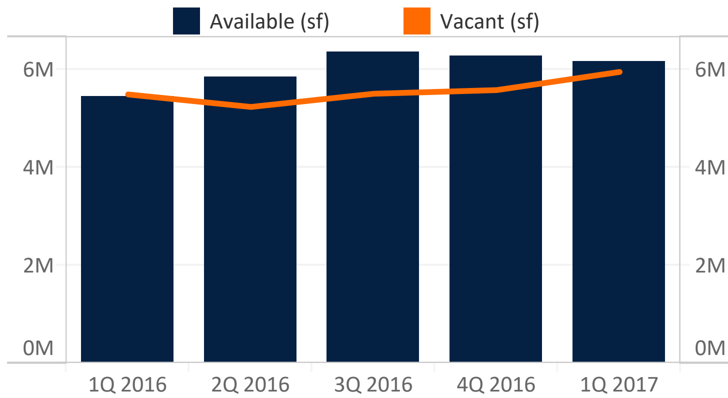
Overview by Market (Total)

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	1,184,092	132,882	100,714	8.5%	5,982	5,982
	Nbrhd/Comm Ctr	824,877	91,557	146,051	17.7%	220	220
	Reg/Power Ctr	426,337	0	0	0.0%	0	0
Northeast	Conv/Strip Ctr	3,288,742	354,664	282,712	8.6%	-50,337	-50,337
	Free/Gen	11,840,216	736,061	671,457	5.7%	-136,462	-136,462
	Nbrhd/Comm Ctr	11,159,130	944,784	1,006,187	9.0%	95,087	95,087
	Reg/Power Ctr	1,987,713	60,331	60,331	3.0%	0	0
Northwest	Conv/Strip Ctr	1,724,262	229,230	179,085	10.4%	-14,460	-14,460
	Free/Gen	5,432,874	120,973	167,050	3.1%	-4,174	-4,174
	Nbrhd/Comm Ctr	5,391,578	487,242	574,425	10.7%	-34,203	-34,203
	Reg/Power Ctr	400,022	32,596	32,596	8.1%	0	0
Southeast	Conv/Strip Ctr	3,568,817	389,527	282,432	7.9%	-1,134	-1,134
	Free/Gen	9,602,540	295,224	254,886	2.7%	-29,969	-29,969
	Nbrhd/Comm Ctr	8,121,947	941,340	965,950	11.9%	-30,790	-30,790
	Reg/Power Ctr	2,964,248	230,513	28,293	1.0%	29,109	29,109
Southwest	Conv/Strip Ctr	2,383,596	141,823	114,605	4.8%	140,537	140,537
	Free/Gen	5,040,416	97,687	61,977	1.2%	6,425	6,425
	Nbrhd/Comm Ctr	3,972,130	323,966	277,297	7.0%	-22,454	-22,454
	Reg/Power Ctr	1,710,102	81,563	284,674	16.6%	-2,937	-2,937
St Paul CBD	Free/Gen	388,367	54,446	90,160	23.2%	1,641	1,641
West	Conv/Strip Ctr	1,255,546	68,407	56,506	4.5%	-10,553	-10,553
	Free/Gen	1,287,265	23,598	23,598	1.8%	-1,703	-1,703
	Nbrhd/Comm Ctr	2,784,178	282,689	241,758	8.7%	-7,801	-7,801
	Reg/Power Ctr	1,680,741	27,609	36,350	2.2%	0	0
Overall		88,502,996	6,148,712	5,939,094	6.7%	-67,976	-67,976

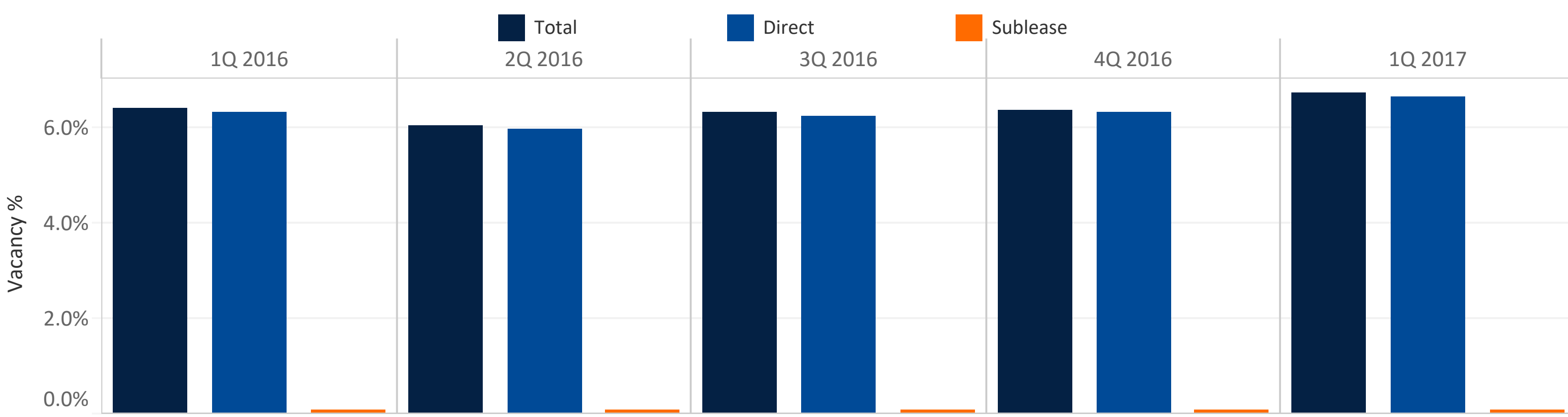
Construction by Market



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	12,304,223	1,166,887	902,149	7.3%	77,244	80,294
Free/Gen	34,775,770	1,460,871	1,369,842	3.9%	-158,260	-158,260
Nbrhd/Comm Ctr	32,253,840	2,980,809	3,153,344	9.8%	59	30,876
Reg/Power Ctr	9,169,163	432,612	442,244	4.8%	26,172	26,172
Overall	88,502,996	6,041,179	5,867,579	6.6%	-54,785	-20,918

Overview by Specific Use (Sublease)

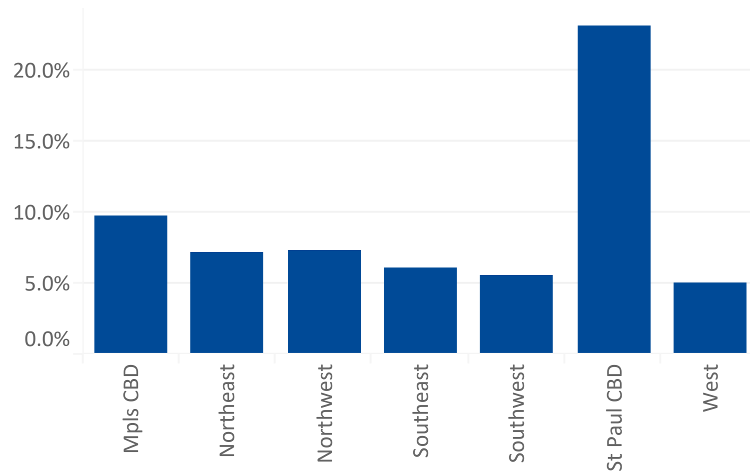
Specific Use	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
Conv/Strip Ctr	12,304,223	16,764	13,191	0.1%	-13,191	-16,241
Free/Gen	34,775,770	0	0	0.0%	0	0
Nbrhd/Comm Ctr	32,253,840	90,769	58,324	0.2%	0	-30,817
Reg/Power Ctr	9,169,163	0	0	0.0%	0	0
Overall	88,502,996	107,533	71,515	0.1%	-13,191	-47,058

Direct Vacancy Rate

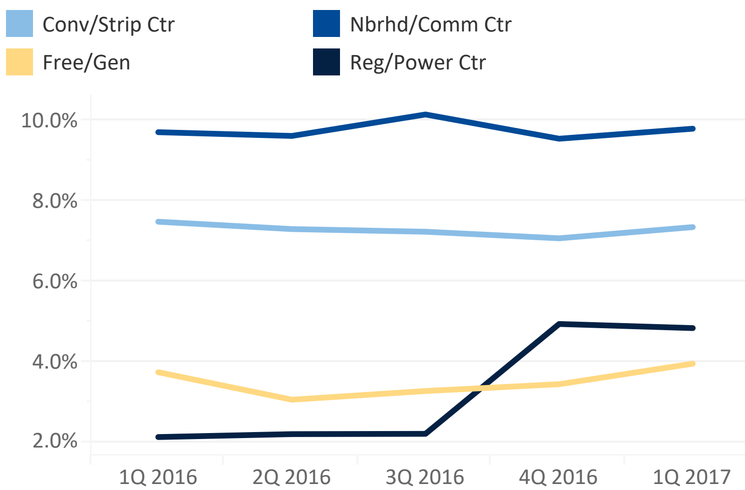
By Market and Specific Use

Market Name	Specific Use	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Mpls CBD	Conv/Strip Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
	Free/Gen	6.3%	7.2%	7.1%	5.4%	8.5%
	Nbrhd/Comm Ctr	16.3%	12.5%	16.1%	17.7%	17.7%
	Reg/Power Ctr	0.0%	0.0%	0.0%	0.0%	0.0%
Northeast	Conv/Strip Ctr	7.6%	7.7%	7.9%	7.1%	8.4%
	Free/Gen	5.6%	4.4%	4.7%	4.6%	5.7%
	Nbrhd/Comm Ctr	10.9%	10.9%	11.1%	9.3%	9.0%
	Reg/Power Ctr	0.0%	0.0%	0.0%	0.0%	3.0%
Northwest	Conv/Strip Ctr	9.9%	9.8%	9.3%	9.2%	10.4%
	Free/Gen	3.1%	3.0%	2.9%	3.1%	3.1%
	Nbrhd/Comm Ctr	9.2%	9.9%	10.1%	9.7%	10.7%
	Reg/Power Ctr	8.1%	8.1%	8.1%	8.1%	8.1%
Southeast	Conv/Strip Ctr	8.0%	7.5%	7.6%	7.8%	7.9%
	Free/Gen	2.0%	0.7%	1.3%	2.3%	2.7%
	Nbrhd/Comm Ctr	9.4%	9.5%	10.5%	10.9%	11.3%
	Reg/Power Ctr	1.1%	1.0%	1.1%	1.9%	1.0%
Southwest	Conv/Strip Ctr	6.8%	6.7%	6.2%	6.3%	4.8%
	Free/Gen	1.1%	1.5%	1.3%	1.3%	1.2%
	Nbrhd/Comm Ctr	6.4%	6.3%	6.7%	6.1%	6.6%
	Reg/Power Ctr	4.1%	5.2%	5.2%	16.5%	16.6%
St Paul CBD	Free/Gen	25.4%	25.4%	24.7%	23.6%	23.2%
West	Conv/Strip Ctr	4.0%	3.9%	3.9%	3.7%	3.9%
	Free/Gen	2.0%	2.0%	1.3%	1.1%	1.8%
	Nbrhd/Comm Ctr	9.2%	8.0%	8.3%	8.4%	8.7%
	Reg/Power Ctr	4.0%	3.0%	2.7%	2.7%	2.2%
Overall		6.3%	6.0%	6.2%	6.3%	6.6%

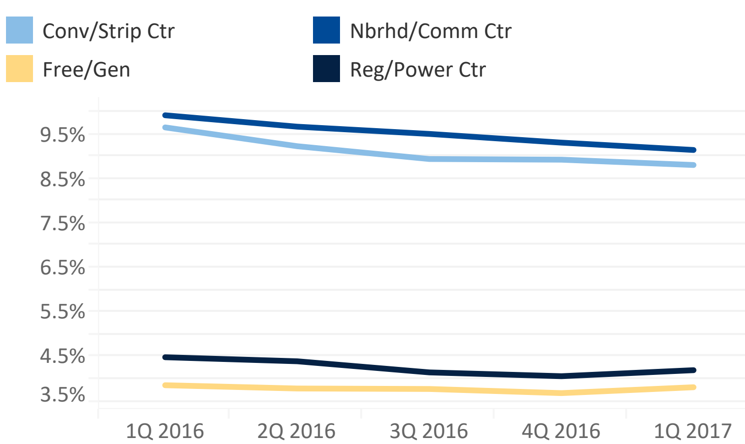
By Market



Mpls-St Paul by Specific Use



National by Specific Use



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MARKET TRENDS

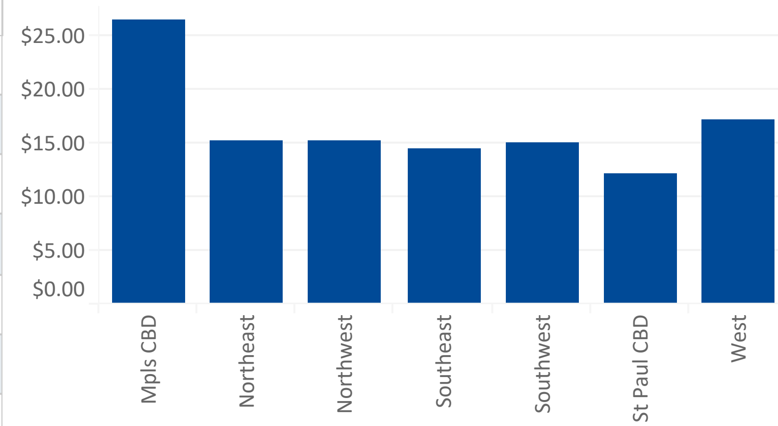
1Q 2017 | Mpls-St Paul | Retail

Direct Weighted Average Asking Rates (NNN)

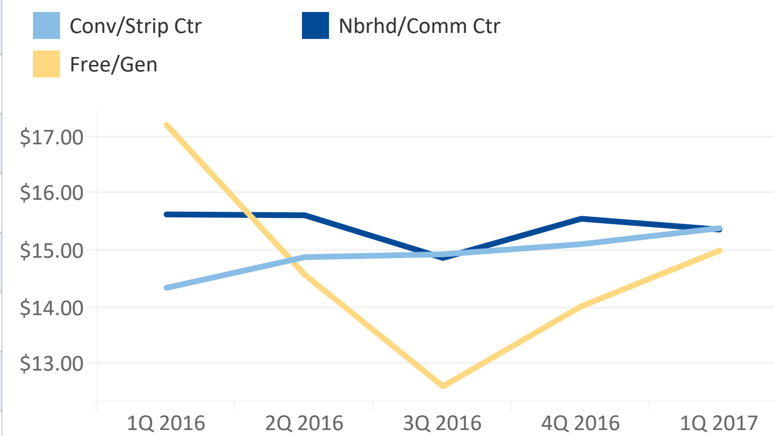
By Market and Specific Use

Market Name	Specific Use	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
Mpls CBD	Conv/Strip Ctr	-	-	-	-	-
	Free/Gen	$23.76	$23.76	$23.92	$26.31	$26.38
	Nbrhd/Comm Ctr	$27.50	$27.50	-	-	-
	Reg/Power Ctr	-	-	-	-	-
Northeast	Conv/Strip Ctr	$15.33	$15.72	$16.19	$16.27	$15.81
	Free/Gen	$8.69	$12.19	$12.19	$16.97	$17.10
	Nbrhd/Comm Ctr	$12.86	$13.53	$14.23	$15.03	$14.35
	Reg/Power Ctr	-	-	-	-	-
Northwest	Conv/Strip Ctr	$15.34	$15.59	$14.53	$14.79	$15.85
	Free/Gen	$11.51	$12.01	$12.01	$13.84	$14.36
	Nbrhd/Comm Ctr	$15.35	$15.56	$15.16	$15.72	$14.63
	Reg/Power Ctr	-	-	-	-	-
Southeast	Conv/Strip Ctr	$14.44	$15.01	$15.46	$15.37	$15.41
	Free/Gen	-	$5.50	$5.50	$5.50	$5.50
	Nbrhd/Comm Ctr	$15.96	$15.35	$14.96	$16.36	$16.45
	Reg/Power Ctr	-	-	-	-	-
Southwest	Conv/Strip Ctr	$13.19	$13.55	$13.18	$13.30	$14.42
	Free/Gen	$27.50	$27.35	$18.70	$19.08	$19.08
	Nbrhd/Comm Ctr	$19.21	$19.27	$15.21	$14.69	$14.88
	Reg/Power Ctr	-	-	-	-	-
St Paul CBD	Free/Gen	$13.86	$13.86	$12.39	$12.09	$12.09
West	Conv/Strip Ctr	$12.72	$13.54	$13.66	$15.41	$15.19
	Free/Gen	$22.80	$22.33	$22.33	$23.48	$23.48
	Nbrhd/Comm Ctr	$17.30	$17.12	$17.21	$18.15	$17.55
	Reg/Power Ctr	-	-	-	-	-
Overall		$15.30	$15.11	$14.47	$15.13	$15.32

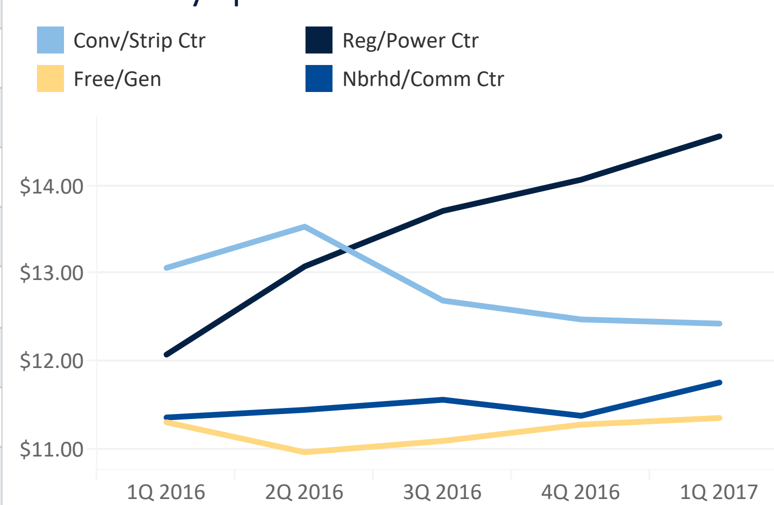
By Market



Mpls-St Paul by Specific Use

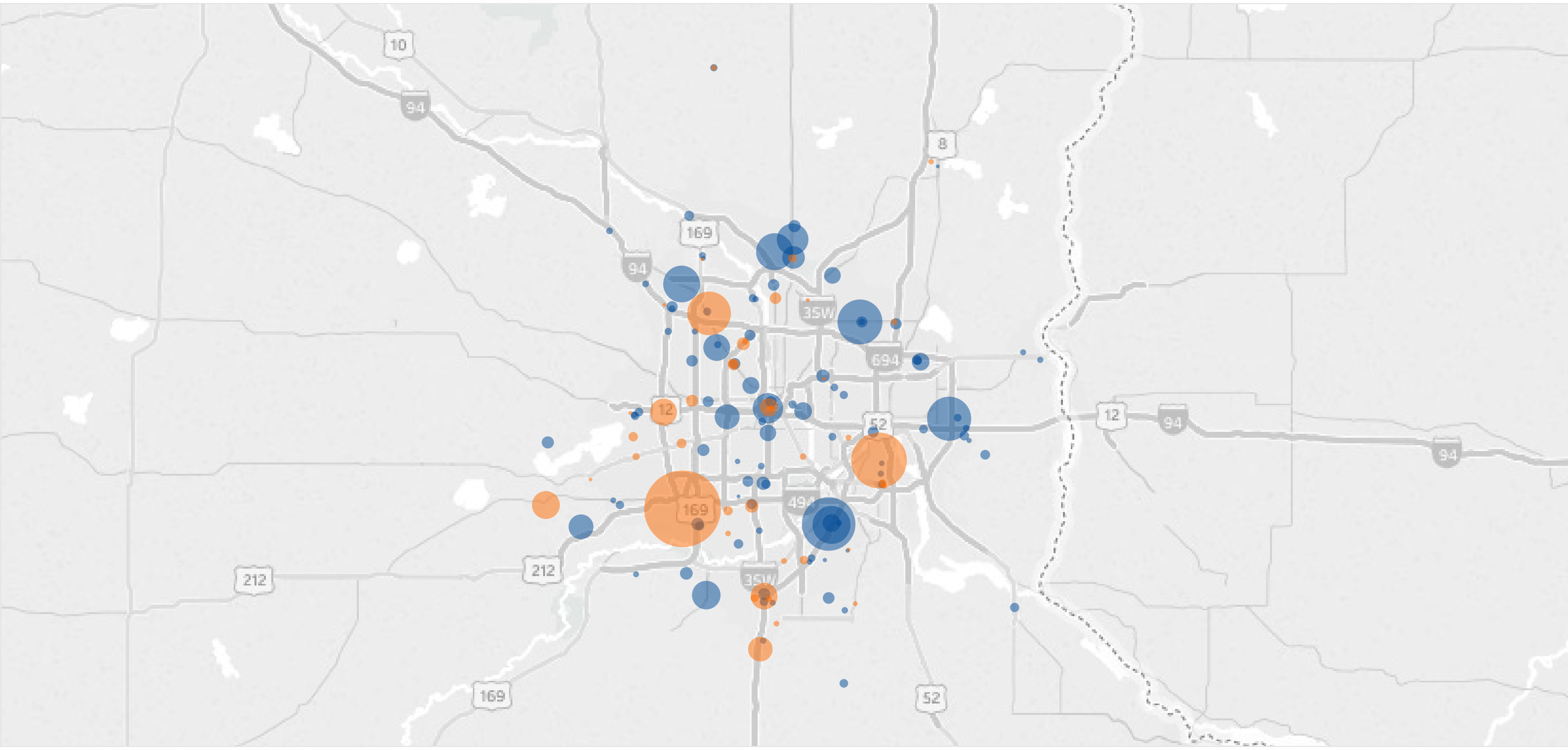


National by Specific Use



Absorption Map

Negative Positive



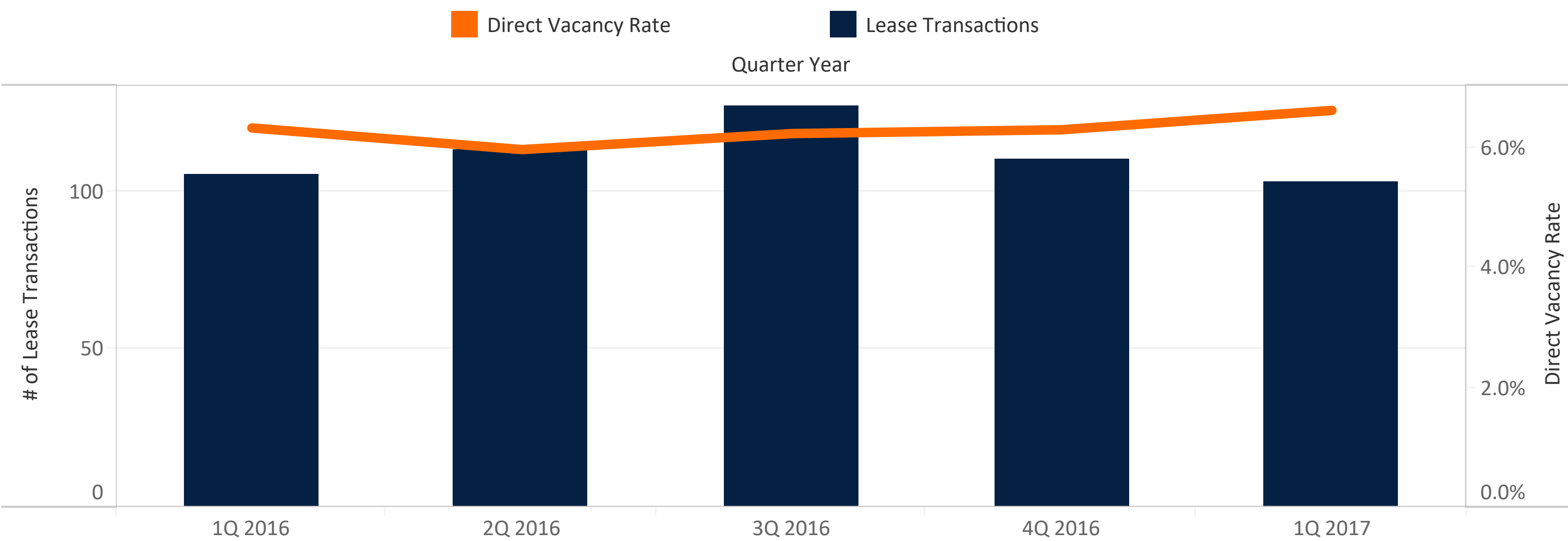
Largest Positives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
HyVee	HyVee delivery	Southwest	Conv/Strip Ctr	98,141
Central Valu Center	HyVee	Northeast	Nbrhd/Comm Ctr	90,946
Riverdale Crossing Bldg D & E	Hobby Lobby and Clothes Mentor	Northeast	Nbrhd/Comm Ctr	26,953
Midway Corners Development	Furniture Barn	Northeast	Free/Gen	26,000
Central Park Commons A-B-C-D	Petco	Southeast	Reg/Power Ctr	15,125
Central Park Commons - T & U	The Tile Shop	Southeast	Reg/Power Ctr	13,984
Bergen Plaza	A Rising Star; IRC (owner) and Undisclosed tenant	Northeast	Nbrhd/Comm Ctr	13,958
Birch Run Station	Octapharma	Northeast	Nbrhd/Comm Ctr	12,146

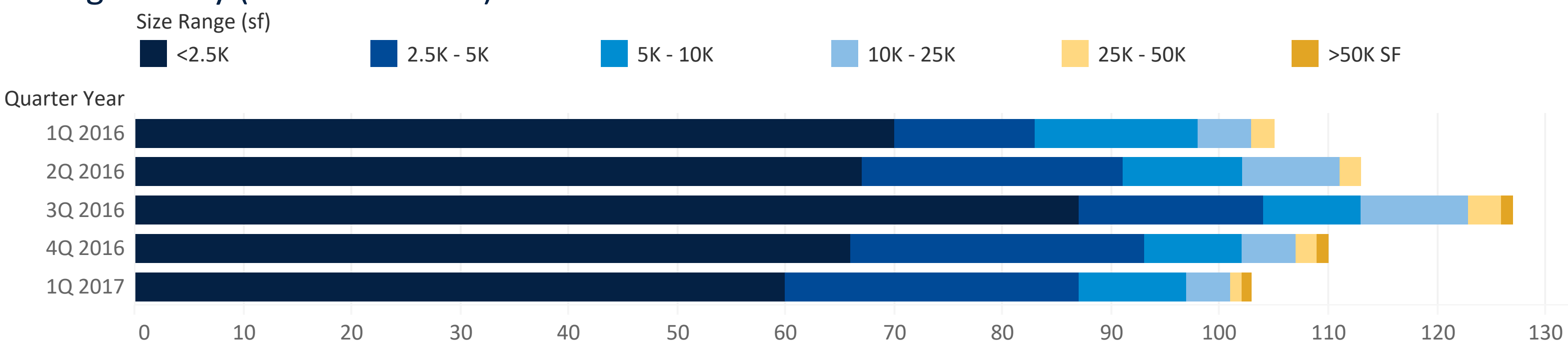
Largest Negatives (Direct)

PropertyName	Significant Transactions	Market Name	Specific Use	
Sears, Roebuck And Co.	Sears	Northeast	Free/Gen	-132,700
Northwind Plaza	Xperience Fitness	Northwest	Nbrhd/Comm Ctr	-26,982
Rainbow Village	Marshalls	Northeast	Nbrhd/Comm Ctr	-26,247
1885 Suburban Ave	Pawn America	Southeast	Free/Gen	-25,873
Brooklyn Center Place	Big lots	Northwest	Nbrhd/Comm Ctr	-19,383
Golfsmith	Golfsmith	Northeast	Free/Gen	-18,480
Woodbury Commons	Spirit Halloween and Kiln Kreations	Southeast	Nbrhd/Comm Ctr	-14,800
Clydesdale Marketplace I	OfficeMax	Northwest	Conv/Strip Ctr	-14,577

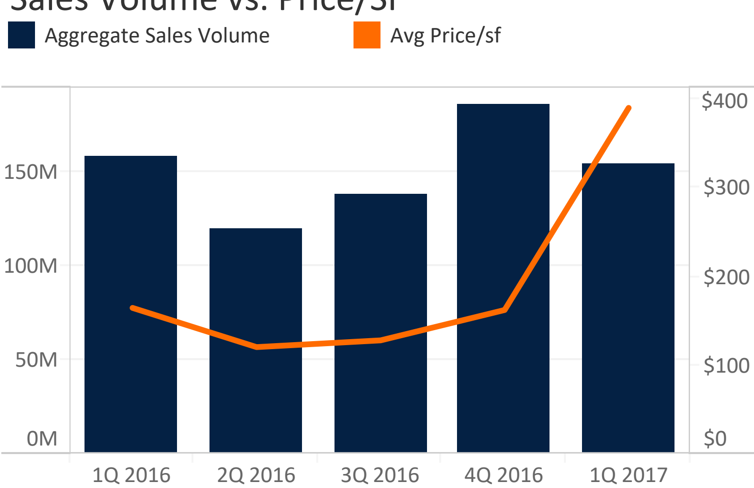
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
The Macys Building	02/28/2017	601 W Companies Minnesota LLC	$59,000,000
Walgreens	03/28/2017	Inbesa America Inc.	$12,500,000
Walgreens	01/05/2017	POMCO LLC	$11,720,000
Shopko	03/01/2017	St. Croix Trail, LLC	$11,250,000
Canyon Grille Restaurant	01/17/2017	Scott & Deborah Cooper	$6,720,849

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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