



Market Research

RETAIL | SECOND QUARTER | 2009



MARKET INDICATORS

	Q2 09 Actual	Q3 09 Estimated
VACANCY RATE	↗	↗
NET ABSORPTION	↘	→
CONSTRUCTION	→	→
RENTAL RATE	↘	↘

SIGNIFICANT TRANSACTION



Pinnacle Ridge - 3 Buildings
 Apple Valley, MN
 Buyer: Out of state investor
 Seller: Pinnacle Ridge, LLC
 Size: 25,509 SF
 Price: \$3,150,000.00



TURLEY
 MARTIN
 TUCKER

Commercial Real Estate Services

Il buono, il brutto, il cattivo - The Good, The Bad, The Ugly

The Good

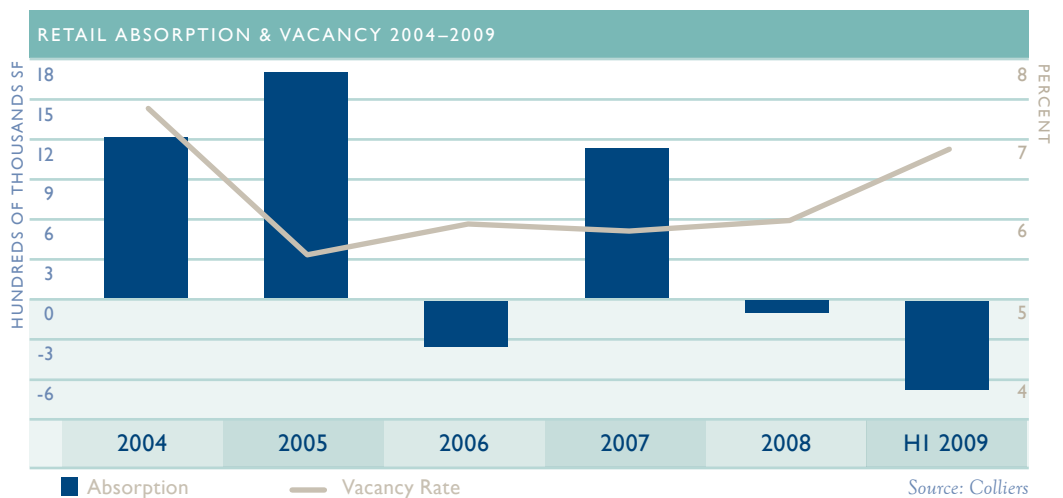
In these current economic times, any good news is welcome. Along those lines, Best Buy announced it would open 13 new stores nationally, including one in Hutchinson, MN. On the restaurant side of things Saint Louis Park based Buffalo Wild Wings is looking to expand internationally. After 22 years of operation in downtown Minneapolis, D'Amico Cucina closed in June, and then announced they would be taking over the food service at the Chambers Hotel. Locally, burger joints seem to be the new fad. In the current quarter Burger Jones opened at Calhoun Village, Five Guys opened in Edina, and Smash Burger open in St. Anthony. Also being rolled-out this year, is Good Earth's fast casual concept. In other retail news, The Hair District is opening another store at blue Apartments in Minneapolis.

Across the nation many large retailers are trying new, smaller concept stores to lure customers back. Richfield-based Best Buy has opened 30 mobile phone stores across the nation. Office Max has opened three 2,000 SF stores called Ink, Paper, Scissors in the Seattle area; Wal-mart

opened four specialty food stores in Phoenix; and Radio Shack has opened three high-end wireless stores in Dallas. Wal-mart has recently begun renovating its 3,600 stores with both cosmetic upgrades that include wider aisles, better lighting, and better sight lines, as well as bringing in more brand names in an attempt to hold on to the new customers that have started shopping there during the recession. Walgreens also began revamping stores to have lower shelves, a smaller selection, and a focus on "affordable essentials."

The Bad

The second quarter saw several more retailers closing stores in the area. Ritz Camera announced in early April that it would close 19 of the 24 stores in Minnesota. Barnes & Noble announced that it would close its Brookdale Shopping Center location. J. Jill announced it would close two Minnesota stores in Saint Cloud and Rochester.



The auto industry has been struggling for years, and this quarter saw Chrysler enter bankruptcy and reemerge from it less than two months later when it was sold to Fiat. General Motors is also hoping to have a similar trip through bankruptcy but is currently being resisted by creditors. Since last fall, Denny Hecker, has closed or sold 18 locations. Add to that the announcement that 19 Chrysler dealerships will be closing throughout the state, and retail is poised for some key redevelopment opportunities.

The Ugly

Retailers continue to shed space in 2009. The second quarter saw another 181,698 SF of negative absorption, accumulating over 600,000 SF of negative absorption so far in 2009. Vacancies have risen from 6.7% to 6.8%.

Community Centers were most affected with negative absorption of 141,423 SF. Vacancy for Community Centers has risen from 3.9% to 4.5% in the past six months. Neighborhood Centers added negative absorption of 48,042 SF for the quarter and increased vacancy from 7.0% to 7.6%. Regional Centers lost another 4,957 SF, causing vacancy to inch up to 7.5%.

The increase in vacancy is not just limited to the Minneapolis-Saint Paul market. In fact, the rising vacancy has caused some to speculate what the future of shopping centers is. According to the International Council of Shopping Centers,

there are currently 1,300 malls spread across the country. Recently, an executive managing director from a New York-based property services company predicted that 200 of those malls will close in the next two years. The basis for the prediction is that there is too much retail space per capita, more than the consumer base can currently support.

Along those lines, Dave Brennan, a professor at the University of Saint Thomas, recently presented some interesting statistics regarding the amount of retail space in the Minneapolis-Saint Paul area. The number of shopping centers tracked by the Minnesota Shopping Center Association has grown from 252 centers in 1990 to 420 in 2008. Even more interesting is the

growth in shopping center space per capita. In 1990 there was 14.64 SF of shopping center space per person, now up to 21.63 SF in 2008. That is almost a 50% increase in per capita space in less than 20 years.

Some fast facts about Minnesota's retail employment by subsector.

- 482,168 - Total Retail Employment
- 17.45% - Retail's Share of Total Employment in Minnesota
- 30,520 - Total Number of Retail Establishments
- \$86.73 - Total Retail Sales (\$ billions)
- 1.8% - Share of National Total Retail Sales

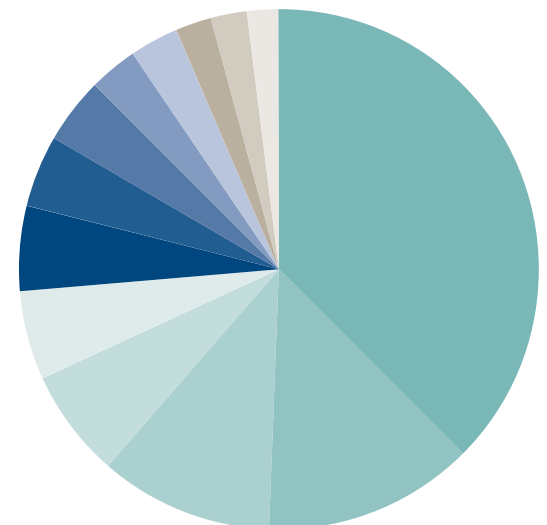
SECOND QUARTER RETAIL MARKET STATISTICS BY SECTOR

SECTOR	INVENTORY (SF)	NET ABSORPTION (SF)	VACANCY RATE		VACANCY CHANGE
			Q1/09	Q2/09	
Anoka	8,414,054	(25,971)	5.6%	5.9%	0.3%
Dakota	8,567,847	11,924	6.5%	6.5%	0.0%
Minneapolis	3,860,741	(120,715)	5.2%	5.2%	0.0%
Northeast	7,373,080	10,268	7.2%	7.0%	-0.2%
Northwest	9,815,024	(21,858)	10.6%	10.8%	0.2%
Scott County	2,088,975	(3,145)	8.2%	8.3%	0.1%
Saint Paul	2,760,901	(4,252)	5.5%	5.7%	0.2%
Southwest	12,232,785	34,083	5.6%	5.4%	-0.2%
Washington County	4,785,609	(44,804)	9.5%	10.5%	1.0%
West	7,421,813	(17,228)	3.2%	3.4%	0.2%
Twin Cities Metro	67,320,829	(181,698)	6.7%	6.8%	0.1%

Source: Colliers

RETAIL EMPLOYMENT

Restaurants & bars	181,416
Department stores, warehouse clubs & super stores	62,321
Grocery & liquor stores	51,959
Motor vehicle & parts dealers	32,392
Building material & garden supply stores	26,381
Clothing & clothing accessories stores	25,950
Gasoline stations	21,760
Miscellaneous store retailers	19,097
Health & personal care stores	15,678
Sporting goods, hobby, book & music stores	14,540
Furniture & home furnishings stores	10,924
Catalog, internet & mail-order retailers	10,328
Electronics & appliance stores	9,423

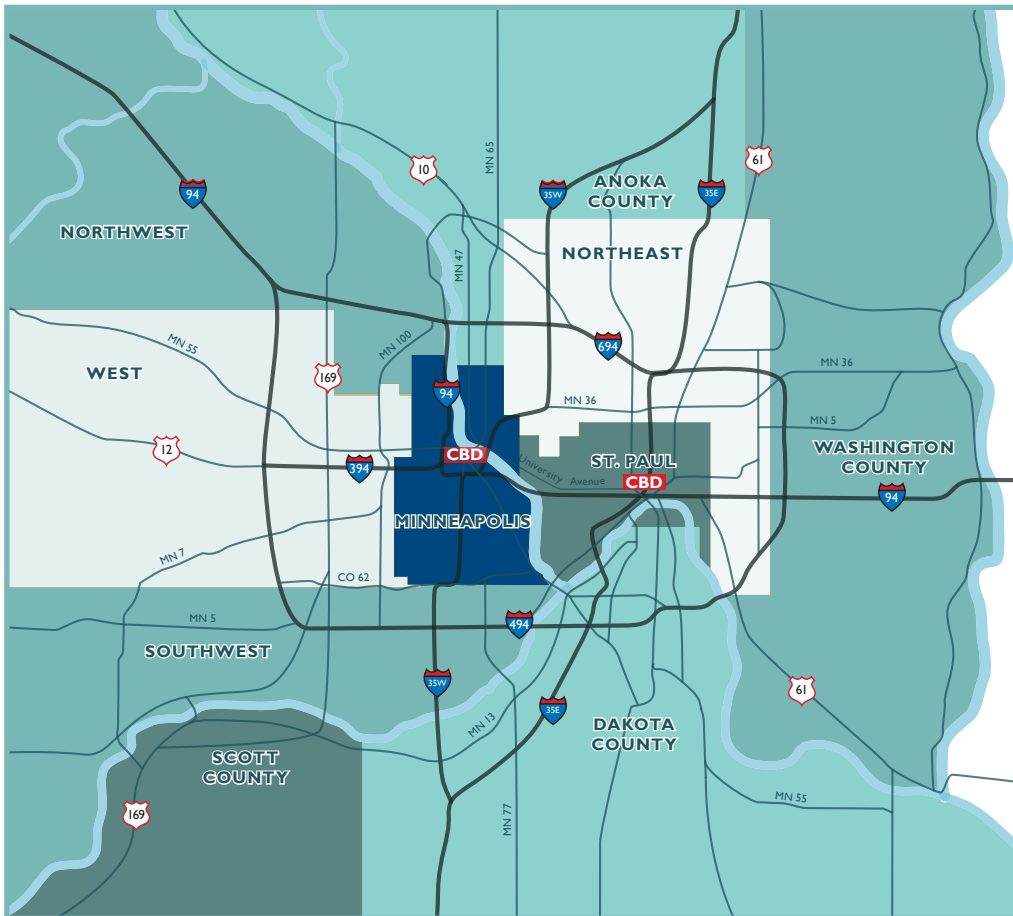


Source: Colliers

SELECTED SECOND QUARTER RETAIL SALE TRANSACTIONS

PROPERTY NAME	CITY, STATE	\$/SF	YEAR BUILT
Best Buy	Shakopee, MN	\$257	2007
Skyscape Retail	Minneapolis, MN	\$188	2006
Hopkins Marketplace	Hopkins, MN	\$170	2003
The Carlyle Retail	Minneapolis, MN	\$136	2006
Pinnacle Ridge	Apple Valley, MN	\$123	2003
fmr Target	Elk River, MN	\$37	1994

Source: Colliers

294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTSAmericas 133
Asia Pacific 64
EMEA 97\$48.1 billion in annual
transaction volume1.1 billion square feet
under management

12,749 Professionals

CONTACT INFORMATION

UNITED STATES

Minneapolis-Saint Paul
Colliers Turley Martin Tucker
200 South Sixth Street
Suite 1400
Minneapolis, MN 55402
Tel: 612-341-4444
Fax: 612-347-9389Researcher's information:
Jim Mayland
Email: jmayland@ctmt.com
Tel: 612-347-9311

This report and other research materials may be found on our website at www.ctmt.com. This is a research document of Colliers Turley Martin Tucker – Minneapolis/St. Paul. Questions related to information herein should be directed to the Research Department at 612-347-9311. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

COLLIERS
INTERNATIONALTURLEY
MARTIN
TUCKER

Commercial Real Estate Services

www.ctmt.com