



Market Research

RETAIL | THIRD QUARTER | 2008



MARKET INDICATORS

Q3 08 Actual Q4 08 Estimated

VACANCY RATE	→	→
NET ABSORPTION	↘	→
CONSTRUCTION	→	→
RENTAL RATE	↘	↘

SIGNIFICANT TRANSACTION



Spirit River Crossings
 Cambridge, MN
 Buyer: Kohl's and Lowe's
 Size: 117,000 SF and 68,000 SF



TURLEY
 MARTIN
 TUCKER

Commercial Real Estate Services

Retail Takes a Licking, But Keeps on Ticking

The Twin Cities retail market continued on a flat pace in the third quarter. Absorption registered a negative 4,146 SF for the quarter, making year-to-date absorption a negative 19,908 SF. Vacancy remained steady for the third straight quarter at 5.5%.

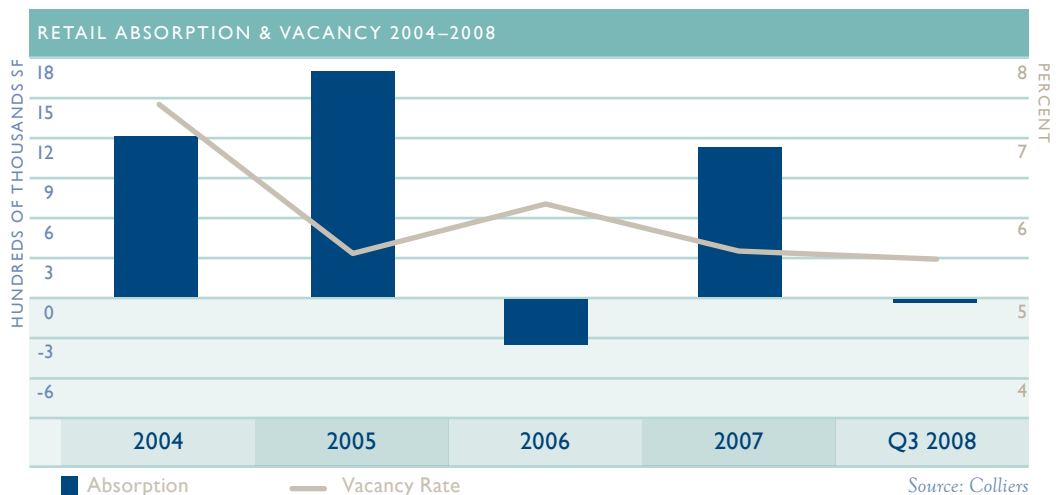
Retailers have borne the brunt of the economic slowdown this year, with announced store closures, both locally and nationwide. Many of these names are familiar to shoppers and mall owners in the Twin Cities.

Wickes is closing all stores nationally, which include six here in the Twin Cities. Bombay Company is also closing all national stores, including the three Minnesota stores in Rosedale, Southdale, and Albertville. Wilsons Leather will be closing their six remaining stores in the state. CompUSA will be closing four Minnesota stores in Hopkins, Minneapolis,

Woodbury, and Roseville. Starbucks is closing 600 stores nationwide, including seven here in the metro. Even home improvement giant Home Depot will be closing its Cottage Grove store.

Other retailers shutting down stores nationally include: Ethan Allen, Sprint Nextel, KB Toys, Steve & Barry's, Pep Boys, Movie Gallery, Hollywood Video, Lane Bryant, Fashion Bug, Catherine's, and Talbots.

Along with struggling retailers, there are also many restaurants in the same boat. Within the past year, Baker's Square, Don Pablo's, Joe's Crab Shack, Joey's Seafood, Steak & Ale, Bennigan's, J.P.'s Bistro, and Rossi's are just some establishments that have closed their doors in the Twin Cities market. As discretionary income continues to be pinched by rising food and gas prices, both restaurants and retailers will



Source: Colliers

continue to fight for the consumer's remaining dollars.

As a result of these closings, landlords (not in the primo deluxe locations) with vacant spaces are making deals. Many just do not know when the next prospect is going to come along and want to improve their center's position in the market. Developers are postponing projects or will only start with most of the space pre-leased. There is very little new development on the horizon.

But not all the news is bad. Despite the list of retailers and restaurants scaling back or closing stores, there are still several moving forward. Buffalo Wild Wings and Noodles both continue to expand their operations locally. Sonic, Homemade Pizza, Five Guys Burgers and Fries, and Cici's Pizza are looking at opening up restaurants in the metro. Add to that the growing interest in discount automotive stores like O'Riley's and AutoZone, there are still deals to be made.

The West metro shopping centers fared better than counterparts in the East, with the West, Southwest, and Northwest all registering positive absorption for the quarter. Conversely, the Northeast sector was the only one in the East Metro that had positive absorption.

When looking at the absorption by center type, Regional Centers led the way with 16,696 SF for the quarter and is the only type with positive absorption year-to-date with 38,738 SF. Convenience Centers had absorption of 8,533 SF for the quarter and is a negative 4,036 SF on the year. Neighborhood Centers were hit the hardest in third quarter with negative absorption of 38,664 SF, bringing the year-to-date absorption to a negative 49,239 SF.

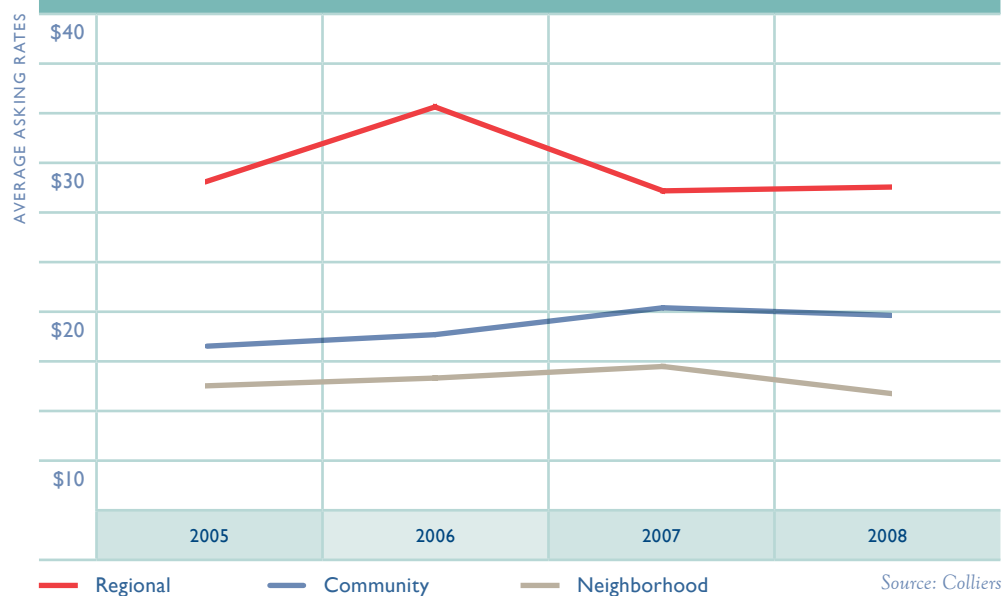
Average asking rents for retail properties continued to decline in the third quarter. Overall average asking rent for the market was \$17.86 SF, down 6% for the quarter. Increasingly, landlords are giving incentives to secure a tenant, such as free rent and more tenant improvement allowances.

THIRD QUARTER RETAIL MARKET STATISTICS BY SECTOR

SECTOR	INVENTORY (SF)	NET ABSORPTION (SF)	VACANCY RATE		VACANCY CHANGE
			Q2/08	Q3/08	
Anoka	8,414,054	(63,619)	5.0%	5.8%	0.8%
Dakota	8,567,847	(57,515)	4.5%	5.2%	0.7%
Minneapolis	3,860,741	7,613	7.0%	6.8%	-0.2%
Northeast	7,373,080	55,931	6.8%	6.1%	-0.7%
Northwest	9,815,024	76,926	7.1%	6.4%	-0.7%
Scott County	2,088,975	(13,010)	8.1%	8.7%	0.6%
St. Paul	2,760,901	(4,788)	5.8%	6.0%	0.2%
Southwest	12,216,285	17,038	5.0%	4.9%	-0.1%
Washington County	4,785,609	(23,551)	4.4%	4.9%	0.5%
West	7,421,813	829	3.1%	3.1%	0.0%
Twin Cities Metro	67,304,329	-4,146	5.5%	5.5%	0.0%

Source: Colliers

FOUR YEAR HISTORICAL AVERAGE ASKING RATES



Source: Colliers

SELECTED THIRD QUARTER RETAIL SALE TRANSACTIONS

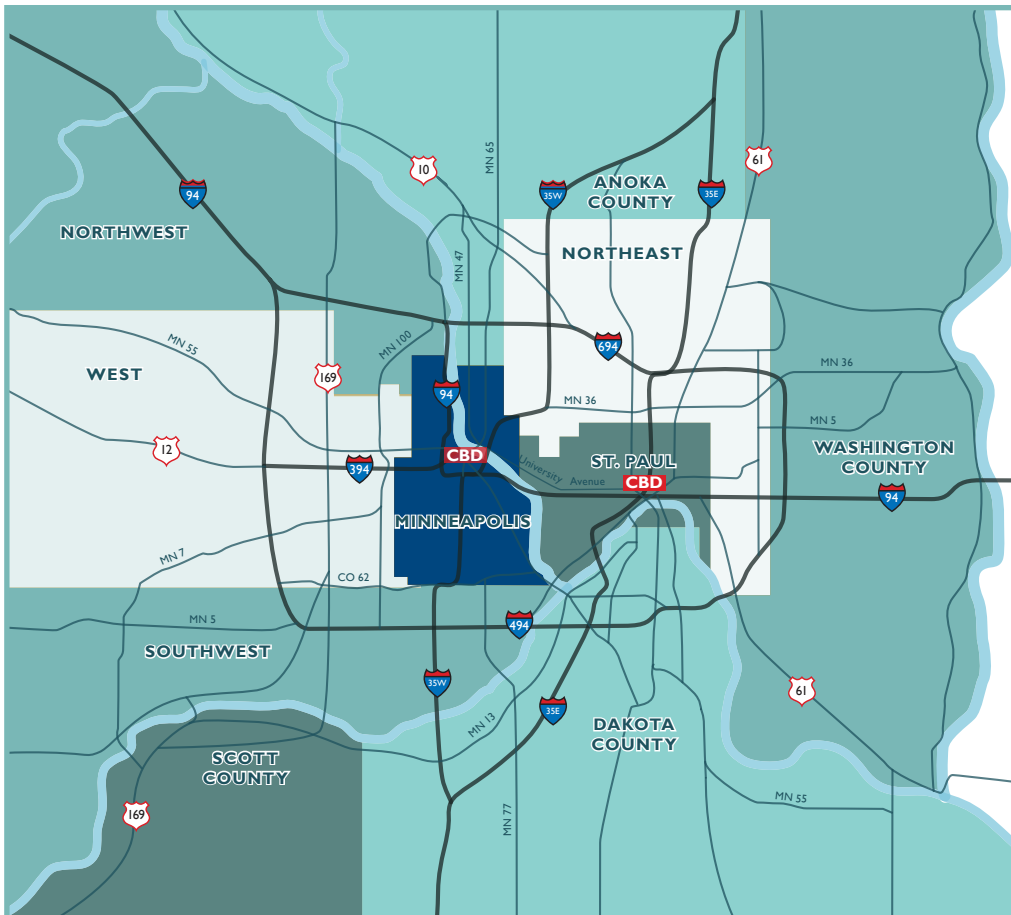
PROPERTY NAME	CITY, STATE	\$/SF	YEAR BUILT
Park Common	Minneapolis, MN	\$204	1993
13625 N. Dale Blvd.	Rogers, MN	\$181	
4854 Edgewater Dr.	Mound, MN	\$167	1950
Deepheven Court	Wayzata, MN	\$133	1979

Source: Colliers

SELECTED THIRD QUARTER RETAIL LEASE TRANSACTIONS

PROPERTY NAME	TENANT	CITY, STATE	SF
Sycamore Plaza	Glennco LLC	Maple Grove, MN	9,454
Baker Road Corporate Center	U.S. Compliance	Minnetonka, MN	9,450
Waterbury Building	Mercy Vineyard Church	Minneapolis, MN	9,133
Evergreen Industrial Bldg 12	Premium Carpet Installations	Roseville, MN	9,040
Bass Creek Corporate Center	Computer Training.com	Plymoth, MN	6,430
Timberland North I	Abel Conn	Brooklyn Park, MN	5,623
TimberCrest Development	Buffalo Wild Wings	Lakeville, MN	5,603
Quadrant Office Building	National Engineering Resources	Brooklyn Park, MN	2,139
Stinson Marketplace	Fast Subs d/b/a Jimmy John's Gourmet	Minneapolis, MN	1,971
US Bank Skyway	Proactive Chiropractic	St. Paul, MN	1,816
Rosedale Square Shopping Center	Zpizza	Roseville, MN	1,680
Cedar Point Commons	E-Nails	Richfield, MN	1,240
8301 Golden Valley Rd.	Lingate Financial Group	Golden Valley, MN	1,157

Source: Colliers

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTSAmericas 136
Asia Pacific 62
EMEA 95\$73 billion in annual
transaction volume868 million square feet
under management

11,048 Professionals

CONTACT INFORMATION

UNITED STATES

Minneapolis/St. 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

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