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news

Volume 20, Number 4

April 2006

Feature E-Commerce: Changing The Way We Do Business

by Lisa Diehl, Steiner Development, Inc.

Did you know it wasn't until recently that e-commerce gained widespread attention among the general public thanks to online retailing. Before online retail stores were popular, transactions of e-commerce were mostly among business organizations as a form of electronic data interchange (EDI). E-commerce provided many benefits to almost every sector of business worldwide for over two decades. With the significant global economic forces of today, e-commerce will have a changing impact on the way consumers go about their retail shopping experiences.

In 2005, e-commerce sales rose by 24.6%. E-tailing, retailing on the Internet, is redefining how consumers select retailers, enabling people to choose products that precisely meet their requirements. More and more shoppers

are parking in front of their computers instead of at the malls allowing them to shop at a time that suits them. Consumers are embracing the Internet as integral to everyday life, and today's web buyers are more discriminating and demanding.

Web sites have three seconds to make an impression by a potential customer. If you were one of the 51% of consumers who purchased from a website for the first time this past holiday season, it is clear that quickly establishing your trust is vital to e-tailers. A survey completed by Marketing Vox noted 55% said a frustrating online shopping experience has a negative impact on their overall opinion of that retailer. Nearly a third said a frustrating experience when shopping

E-Commerce on page 2

Snapshot Granite City Crossings

Location: Northwest Quadrant of I-94 and Hwy 75

Month/Year Opening: New Development
2007 Opening Anticipated

Owner: Granite City Crossings, LLC

Co-Developers: Allied Properties & Management, LLC & Mosborg Ventures

Center Manager: Allied Properties & Management, LLC

Leasing Agents: Steven Mosborg (651) 209-9626 or Scott Mason (651) 209-9614, Suntime Commercial Realty, Inc.

Architect: Architectural Consortium LLC

Total GLA for Plan A: 259,532 sf



Additional Facts/Narrative: Gateway to St. Cloud project consisting of 29+ prime commercial acres with 44,000 linear feet of frontage on I-94 & Hwy 75. For sale, for lease and build-to-suit leaseback opportunities for large and medium format retail, hotel, bank, restaurants and medical/service buildings.

E-COMMERCE *continued*

online would make them less likely to buy at that retailer's brick-and-mortar store.

Today, 6% of all retail sales are made online, and twice that sales percentage of offline sales are greatly influenced by online marketing or by research that customers perform on the Web. Experts predict in five years, Internet purchases could account for as much as 15% of retail sales in the United States. As e-tailing goes mainstream, its growth will be driven increasingly by highly skilled e-tailers who are committed to expanding their online market presence.

Nordstrom, with fewer than 200 stores spread across 27 states, can reach only a limited number of buyers for its designer fashions. They recently began leveraging the web to broaden their customer base by featuring fashion merchandise in a new Designer Collections micro-site linked to the home page of Nordstrom.com.

NeimanMarcus.com is broadening its market for niche products like maternity collections online, which are not offered in its stores. They believe it is hard to justify targeting the small percentage that makes up the maternity market in any given store location.

In the home improvement market, Home Depot is using the Web to expand further into services and back-to-back sales. A new back-to-back Contractor Services site linked from the home page of HomeDepot.com is broadening its base of contractors in both private industry and government agencies.

Consumer Satisfaction

According to the annual American Customer Satisfaction Index, E-commerce Report, customer satisfaction with the e-commerce sector improved by 1.3% in 2005. Retailers seem to be creating a better online shopping experience, at least on the leading sites. As consumer standards rise, the best e-commerce organizations are increasingly standing out from the rest of the pack, challenging competitors in their categories to enhance their focus on customer satisfaction in order to compete successfully.

What Consumers Are Telling E-tailers

Research has been done on the attributes of what shoppers consider when patronizing a

retail store and shopping via the cyber mall. Consumers want clean, obvious site design coupled with simple choices. Information overload is a consistent problem. Have you browsed through pages and pages looking for the exact product you wanted? The process can be time-consuming and frustrating. Too many choices are likely to confuse you, and a frustrated e-shopper does not become a repeat customer. Online shoppers want to know the order status promptly and accurately.

Web Design

1. Online shopping should be as convenient to customers as possible
2. A Web site should have an easy to follow hierarchy
3. Managers should provide dependable guaranteed online security
4. Protecting private information is an important concern among current online shoppers
5. Customers should be allowed to do comparison-shopping
6. FAQ sections should be designed to effectively improve customer relationship management
7. Give online shoppers the necessary features to download information in a reasonable amount of time

As noted recently in the Wall Street Journal, it is becoming increasingly clear on Wall Street and beyond that just as established brick-and-mortar companies must maintain capital spending to remain competitive, Web companies, too, must keep spending for workers and customers, as well as for the technology that keeps their businesses humming: computers, servers, networking equipment, data-storage equipment, etc.

As the big survivors among Internet companies mature, they are learning a painful and unexpected lesson: staying in the online game requires heavy, constant spending. Retailers want you coming back to their web sites. Last year Internet advertising was estimated at \$12.6 billion, which was a 30% increase over 2004's record revenue of \$9.6 billion. Fourth quarter revenues accounted for \$3.6 billion, the highest quarter reported and represent a 35% increase over the same period in 2004 and a 17% increase over third quarter 2005. Best Buy will aggressively expand its budget for search engine marketing this year, just as it did

last year. Amazon is one of the Web's biggest spenders, which must pay for online costs and maintain inventories of books, CD's and other products. They are a retailer but they have to react and behave like an Internet company.

Teens

Teen shoppers have been one of the most misunderstood, yet coveted demographics dwelling in cyberspace today. Research firms have emerged to try and pinpoint the online spending and usage patterns of this group. Teenage Research Unlimited completed a study, which revealed that 50% of all fashion-forward teenagers search online for clothing, accessories, shoes or jewelry, and turn to search more than television ads and fashion Web sites when researching information on these types of products.

When it comes to which sector is performing best with customers online (i.e. brokerage, retail and travel), retail is in the lead. In terms of keeping customers happy, e-commerce sales are growing faster than offline retail. While e-tail scores climbed by 1.3% last year, the overall retail industry moved in the opposite direction, dropping by 0.3%.

The Internet is far from being a mature business. There is no simple online store design to accommodate everyone and each retailer will follow a different marketing strategy. Retailers will continue to find innovative and practical ways to connect with consumers via the Web. The risky nature of the Web itself will drive costs higher; however, they will use the Web to reduce catalog costs, drive store traffic, deepen an advertising message, and enable self-service.

As retailers become more sophisticated, it is certain they will be working hard to keep you coming back for that repeated online purchase. When strategically conceived, the Web will make possible the seamless experience that every customer desires and every business aims to deliver. ■

MSCA's Fiesta

Celebrate Fiesta-style following the meeting May 3, poolside at the Sheraton South, featuring cash bar, hors d'oeuvres and a Mariachi band.

Program Recap

Trends in Mixed-Use Projects

by Peter Berrie, Faegre & Benson LLP

Who: Len Pratt, Pratt Homes; Michael Lander, Lander Group and Keith Ulstad, United Properties

What: Trends in Mixed-Use Projects

When: Wednesday, March 1

Where: Sheraton Bloomington Hotel

Synopsis: Mixed-use projects continue to spring up throughout the Twin Cities and greater Minnesota. On Wednesday, March 1, Len Pratt, Michael Lander and Keith Ulstad discussed trends in mixed-use projects.



March presenters (l to r)
Kathy Anderson, Architectural Consortium LLC
Michael Lander, Lander Group
Keith Ulstad, United Properties
Len Pratt, Pratt Homes

What is a Mixed-Use Development?

Most people imagine mixed-use projects as buildings with residential units above first-floor retail. But these “vertical” mixes are not the only examples. Silver Lake Village, a redevelopment of Apache Plaza, is an example

of a “horizontal” mixed-use project, featuring shops, restaurants, Wal-Mart, residential apartments and condominiums, office space, parks, ponds and an amphitheater. Although none of these uses are on the same parcel, their proximity to each other creates an energy and vitality that many homebuyers now desire.

Mixed-use developments are part of a larger trend encouraging people to live, work and shop within walkable distances. The retail components of these projects, when done right, can serve as a community gathering spot, especially when combined with public amenities, such as a plaza.

Do Mixed-Use Projects Work for Retail?

Mixed-use projects present challenges for retailers. For example, residential neighbors might enjoy the idea of shopping close to home, but may be less enamored with smells emanating from the local restaurant or the noise accompanying late-night revelers departing from the community watering hole. Also, parking can be a challenge. While the peak parking needs of the different uses are generally complementary (e.g. office workers need parking during the day when many residential users are away), there are usually “overlap” periods, such as early evening, when there is excessive demand.

On the other hand, mixed-use projects provide some benefits. Infrastructure costs for new developments can be shared with the residential components. Also, because of their popularity with cities, mixed-use projects provide resources and access to sites that might not otherwise be available.

March Professional Showcase

Horizon Roofing & Sheet Metal is excited to announce The BirdsEye Reporting System[®]. We feel this program is better than any other program on the market for managing roofing information between engineers, property managers, asset managers, and building owners.



MREJ Conference

The Real Estate Investment, The Future of Tenant In Common (TIC) Investments Conference is on Thursday, April 13 at the Minneapolis Southwest Marriott Hotel in Minnetonka. For more information, visit www.mrej.com.



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Margaret Jordan



Title: Real Estate Manager, Great Clips for Hair

Primary Career Focus: Works with franchisees in securing the best sites for successfully operating a Great Clips hair salon

Education: BS University of Wisconsin, Madison in Real Estate and Urban Land Economics

Family: Husband, Brian, son, Peter (15) and daughter, Leah (12)

Hobbies: Gardening, quilting and spending time at the horse barn

Secret Talent: Horse groomer for horse shows

Mike Melton



Title: Director of Corporate Services, Shingobee Builders, Inc.

Primary Career Focus: Marketing corporate services

Family: Wife, Tammy, and children, Tyler, Hannah, Emma and Mathew

Hometown: Denver, Colorado

Dream Job: PGA Touring Pro

Secret Talent: Calf roping

Members

MSCA would like to welcome our new members:

- Kathy Schauer Windels**, Old Republic Title
- Robert Youngquist**, Northstar Partners/Cushman & Wakefield
- Lee Gregory**, Sir Lines-A-Lot
- Will Matzek**, Olsson Associates
- Gregory A. Hayes**, Shingobee Builders, Inc.
- Amy Kantar**, United Properties
- Craig Patterson**, Welsh Development Company, LLC
- Randy Fischer**, Counselor Realty, Inc. of Alexandria
- Kirk Ballard**, General Growth Properties, Inc.
- Ken Meyers**, CBL & Associates Properties, Inc.
- Kent Sticha**, Krass Monroe, P.A.

April Member News

Press releases are printed based upon availability of space and relevance to the local market.

Moore

Laura Moore has joined Park Midwest as a Retail Brokerage Associate. She will be representing Landlords in the leasing and sale of their properties and tenant representation across the metro.

Hable

Cynthia Hable has joined Shingobee Builders, Inc. as the Vice President of Development.

Bird

Molly Bird has initiated her own company - m2 Real Estate Group, Inc.

McDonough

Westwood is pleased to announce the appointment of Clare McDonough to Client Relations Manager. Clare has over 20 years in the AEC industry and has been employed with Westwood since 2003.

Marketplace Minnesota

- Architectural Consortium LLC has completed city approvals, design and construction documents for The Point, a 36,500 sf mixed-use project at the intersection of Old Shakopee Road and France Avenue in Bloomington. The development features office above retail in an urban masterplan with a showy outdoor patio environment at the corner.
- Benson-Orth Associates recently started construction for H.J. Development on Park Place Promenade, a new retail development, which is located at the intersection of Zane Avenue and Highway 610 in Brooklyn Center. The first phase of shop space, initially includes six multi-tenant buildings totaling approximately 40,000 sf. The project is scheduled to be completed by August 1.

- Morcon Construction, Inc. recently completed the tenant buildout for Edina's new Salut Bar Americain, located just south of 50th Street on France Avenue. The lively bistro concept includes extensive wood finishes, warm colors, high ceilings and a bustling kitchen visible from the dining space.

Members are encouraged to use this column as their platform for local industry announcements; sharing customer, tenant and landlord news; new retail developments and listings; or stores opening/closing in the marketplace. E-mail your releases and announcements to Stacey Bonine at sbonine@msca-online.com. We will print as many as space allows.

Committee Profile

Legislative Committee

Co-Chairs:

Howard Paster, *Paster Enterprises*
Todd Johnson, *Steiner Development*

Members:

Jack Amdal, *KKE Architects, Inc.*
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The MSCA Legislative Committee serves to act as our voice in Minnesota's political circles. As representatives of MSCA membership, the Legislative Committee is active in lobbying efforts with the State Governors office, the State Legislature, and various other bodies who make policy recommendations to our elected officials. The Legislative Committee also organizes MSCA's participation at the annual "Business Day at the Capitol" event, where business people are granted access to the political players at the Capitol. The annual event is well attended by MSCA members and has proven extremely valuable to help establish MSCA as a significant lobbying group in political circles. The MSCA Legislative Committee emphasizes member education and participation in the political process.

In 2006, the MSCA Legislative Committee will be examining: CI property tax relief

and preserving tax reforms of 2001, eminent domain reform, development impact fees and transportation funding. The Committee will also be working hard to educate public officials to the significant contributions the shopping center industry makes to the State economy.

Commercial Real Estate Women (CREW) Careers

CREW Careers, a program of CREW Foundation that is being held in 20 cities throughout the nation, will be in the Twin Cities area on Saturday, April 22, 2006. Sponsored by Cushman & Wakefield nationally and Opus locally, it reaches out to area high school girls through an innovative course designed to educate teens on career opportunities for women within commercial real estate. Participants will work side by side with female architects, brokers, property managers and others to gain exposure to the commercial real estate industry. For more information, contact Ericka Miller, Opus at (952) 656-4643 or Deb Carlson, Northstar Partners at (952) 465-3370.

Rising Star

Wireless Toyz

by Carol Ulstad,
Suntide Commercial Realty, Inc.



Wireless Toyz is the nation's largest independently owned chain of multi-carrier cellular superstores. Each Wireless Toyz outlet brings together cellular phones, accessories and service plans from multiple carriers, including Sprint, Nextel, T-Mobile, Verizon, Alltel, and others, as well as satellite TV and radio offerings from DirecTV, Dish Network and Sirius. The company is headquartered in Farmington Hills, Michigan, opened in 1996 and began franchising in 2001. At the end of 2005, Wireless Toyz had over 125 stores open and expects to be at 250 stores in 23 states by the end of 2006.

In Minnesota, Wireless Toyz now has 4 locations open in Lakeville, Champlin, Rochester and Minneapolis (Lake & Chicago). They have commitments in New Hope and Spring Lake Park, and expect to sign another 3-4 leases this year. Their expansion plans call for opening 5-7 stores

per year over the next five years in the greater Minneapolis/St. Paul metropolitan area, Saint Cloud and Rochester. There are currently six franchisees in Minnesota, including the master franchiser, and they are looking to sell another 4-5 franchises in the next year.

Wireless Toyz stores generally range in size from 1,600 – 2,500 sf, with a preference of 1,800-2,000 sf. They require end cap or pad site locations at the hard corner or a signalized intersection that has a combined traffic count of 35,000+ cars per day. They look for population of approximately 75,000 within a three mile radius having a median income of \$50,000-\$70,000. Ideal frontage is 25+ feet and has most of the front and sides of the building glass to accommodate its generous signage requirements.

Wireless Toyz is represented locally by Suntide Commercial Realty (651) 603-0321.

Bookmark

The Price of Government: Getting the Results We Need in the age of Permanent Fiscal Crisis by David Osborne & Peter Hutchinson. On one hand, skyrocketing health care, Social Security and pensions and on the other is opposition to tax increases. This author offers step-by-step change, focusing on buying results for citizens rather than cutting or adding to spending.

Contact Deb Carlson at dcarlson@northstarparkers.net with your reading recommendation.

Market Update

Ridgedale Center



by Anne Knuth, Solomon Real Estate Group

Ridgedale Center is still the retail powerhouse of the western Twin Cities. Opened in 1974, and located at I-394 and Ridgedale Drive, the two-level, enclosed super regional mall is one of the four “dale” shopping centers (along with Southdale, Rosedale and Brookdale) and one of the strongest retail performers. Like other metro malls, Ridgedale was built on a four-anchor design, with Montgomery Ward as the original fourth anchor. After Ward’s bankruptcy, the fourth anchor spot was held by a wide variety of stores. In the 1980’s, Nordstrom was slated for the fourth position, but Target ultimately leased it for a Marshall Field’s Men’s and Home Store, which remains today along with the original anchors: Marshall Field’s (now Women’s and Children), Sears, and JCPenney. All anchors continue to be strong performers for their respective chains. For now, Federated plans to keep both Marshall Fields’ locations but will re-brand this year as Macy’s.

Located in Minnetonka, one of Minneapolis/St. Paul’s most affluent residential areas, Ridgedale Center’s trade area extends eight miles south and twenty miles north and west, including 707,000 residents who generate 77% of the center’s sales. With average household incomes over \$90,000 within five miles and a daytime population of over 200,000 within that same radius, Ridgedale is often the regional center of choice for new retailers entering the market, due in large part to the trade area’s affluence and existing retailers’ strong performance. While recent competition has heated up the northwest segment of the market with the entry of The Shoppes at Arbor Lakes in Maple Grove, retailers are finding they can “happily” co-exist in both locations. In fact, there are thirty “like-kind” retailers between both centers and sales at each are up for the year. The indoor/outdoor difference between the two centers may contribute to their mutual success, each offering a unique shopping experience, albeit with some of the same retailers.

General Growth acquired Ridgedale from Rouse in August 2004 and, as with Eden Prairie Center, may also be credited with increasing the strength and mix of the retail at Ridgedale. New retailers recently opened include Helly Hensen Kids last October. Leases have also been finalized with Apple and White House Black Market, scheduled to open this fall. White House Black Market will backfill a portion of the existing Ann Taylor. According to Laurie Paquette of General Growth, General Manager of Ridgedale Center, the downsizing of Eddie Bauer, in order to accommodate their new smaller concept, led to a remerchandising plan affecting over 56,000 sf. Another five new leases are close to being signed and will be announced shortly for late 2006/early 2007 openings. Currently, the center has 96% of its over one million sf leased with over 140 different retailers. The new retail additions just further enhance an already impressive low vacancy rate for this thirty-year old shopping center. ■

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TRIA Extended for Another Two Years

Just days before the Terrorism Risk Insurance Act (TRIA) of 2002 was set to run out, President Bush enacted legislation that pushes back the expiration date to December 31, 2007. Bush’s signing of the extension came just days after Congress passed its compromise version of the bill.

In addition to the two-year extension, the law contains new provisions, among them the boosting of TRIA’s activation level from \$5 million to \$50 million in 2006 and then to \$100 million in 2007. Other stipulations include the increase in deductibles and co-payments, which will augment the insurance industry’s responsibility, the repayment of 25% of federal aid for payments in 2006 and 27.5% for 2007 payments, and the creation of the President’s Working Group on Financial Markets, which is charged with developing long-term solutions to supplant TRIA.

For many organizations, the next step involves more lobbying; this time around, for the development of the most desirable alternatives to TRIA.

Census Bureau

The Census Bureau of the Department of Commerce recently announced the estimate of U.S. retail e-commerce sales for the fourth quarter 2005. E-commerce estimates increased 23.0% from the fourth quarter of 2004 while total retail sales increased 6.0% in the same period. Total year-end retail sales for 2005 were estimated at \$960.3 billion, an increase of 0.3% from 2004 or 2.3% of total sales. E-commerce sales in the fourth quarter accounted for 2.4% of total retail sales or \$86.3.

| % OF TOTAL RETAIL SALES | |
|-------------------------|------|
| 2004 | 2.0% |
| 2005 | 2.3% |
| 4th quarter of 2005 | 2.6% |

The Quarterly Retail E-Commerce sales estimate for the first quarter of 2006 is scheduled for release on May 18, 2006.

For more information, visit www.census.gov/estats.

Thank You!

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Minneapolis/ St. Paul Business Journal

To deliver late-breaking, impactful business news to the Twin Cities business community every week. Subscribers who know more about their local business market and are able to capitalize on opportunities they won't find elsewhere to improve their company's bottom-line.

Watch for your 2006 Membership Directory coming soon!

2006 Event Schedule

Our monthly program meeting date is the first Wednesday of every month. All meetings will be held at 8:00 a.m. (registration at 7:30 a.m.) at the Sheraton Bloomington Hotel unless otherwise noted or publicized before the program. Program topics and location are subject to change.

Wednesday, May 3 (afternoon) – Retailer Focus

Wednesday, June 7 – Development

Wednesday, July 12 – Professional Development

Wednesday, August 2 – Shopping Center Focus

Tuesday, September 19 – MSCA/ICSC Program, *Minneapolis Marriott, Southwest*

Tuesday, October 3 – MSCA/MREJ Program

Wednesday, November 1 – Retail Report

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