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**FEATURE** Compiled by **Natina James, KKE Architects, Inc.**

# OUTLOOK: REMAINDER OF 2010

Responses to the following questions feature the following MSCA members:

- JS** *Jeff Shopek* – President, Loucks Associates
- MA** *Matt Alexander* – Director, Real Estate Development, Kraus Anderson Companies
- DS** *Doug Sailor* – Principal and Managing Partner, Mid-America Real Estate – Minnesota LLC
- DJ** *Diane Johnson* – Vice President, Chesapeake Companies
- HR** *Holly Rome* – Leasing Director, Mall of America

## How will you be spending the remainder of your time in 2010?

**JS.** The working hours will be spent continuing to take care of our business and clients, and chasing new opportunities.

**MA.** Exploring new opportunities and business models to help create new business in 2011.

**DS.** I suspect no differently than the first half. We are focusing on retail-only value creation, lease executions, adding management and leasing contracts and continuing to build a top retail real estate management, leasing and tenant rep team.

**DJ.** Extending current loans, completing projects that are under construction, sourcing new business, managing the projects as they are completed and selling completed projects.

**HR.** We will be focusing on opening our new retailers, finalizing leases and working to attract new tenants for 2011-12.

## What are you looking forward to the rest of the year?

**JS.** Optimism seems to grow every day. We're seeing more interest and activity each week. There is clearly less competition chasing clients and projects. We're looking forward to growth and continuing to gain market share in our industry.

**MA.** We'll be looking for signals and optimistic information coming to shed light on the coming years 2011-12.

**DS.** Vacancies being filled, lenders loosening up and more opportunities for our development and redevelopment clients.

**DJ.** Retail tenant activity increasing, not necessarily signing of leases, but actively looking at sites and contemplating growth.

**HR.** The opening of our new stores! Microsoft, Hugo Boss, Cadillac Ranch, Lululemon, Guess Accessories, Lola, Scoops Spa for Kids, Betty's Pies, Niketown, 77 Kids, Freeziac, Lego Imaginations Center's remodel and the completion of our South Avenue renovation. Also, the back-to-school and holiday shopping seasons. This time of year is rewarding as we watch our work come to fruition.

## How is your current business model holding up?

**JS.** We made difficult staff reductions in 2008, but we've been stable. We've been able to maintain a solid financial business providing us an opportunity to react to a growth in work. Over the past six months we have brought back some →

## MSCA "THIRD THURSDAYS"

**Who:** MSCA members and their colleagues

**What:** Casual networking hosted by MSCA members

**When:** Third Thursday of every month from 8:30–9:30 am

**Where:** Different locations throughout the Twin Cities—watch the MSCA newsletter and website for locations

**Why:** Create synergy in the commercial real estate industry—share ideas and stories and make new effective relationships

Please join us for this fun and casual way of networking around the Twin Cities. **Next meeting: Thursday, August 19 at Panera Bread** at Burnsville Center (901 County Road 42 West, Burnsville). **MSCA member hosts include Kitty-Jo Burton of Burton Insurance Agency, Inc. and Matt Parten of Doran Companies.**

There is no fee for this event. Food and beverage are not included. RSVP to Stacey at [sbonine@msca-online.com](mailto:sbonine@msca-online.com) is preferred, but not required. Hope to see you there!

| AUGUST 2010 |     |      |     |       |     |     |
|-------------|-----|------|-----|-------|-----|-----|
| SUN         | MON | TUES | WED | THURS | FRI | SAT |
| 1           | 2   | 3    | 4   | 5     | 6   | 7   |
| 8           | 9   | 10   | 11  | 12    | 13  | 14  |
| 15          | 16  | 17   | 18  | 19    | 20  | 21  |
| 22          | 23  | 24   | 25  | 26    | 27  | 28  |
| 29          | 30  | 31   |     |       |     |     |

## Remainder of 2010 - continued

staff as well as added some new employees. There are some very good people out there looking for jobs, and we are always interested in finding key people to help our business grow. We will be careful in managing our resources and perhaps run a little leaner than normal to guard against a double dip in the market.

**MA.** Our model as it existed prior to the recession is dead. The typical business model will not function in today's marketplace.

**DS.** Excellent. A retail-only format assures our clients that we're solely dedicated to their retail assets by our focused knowledge of values, market conditions and retailer movement.

**DJ.** It has been adjusted to deal with the various changes that have occurred in the last year and a half.

**HR.** Our measurement of success is securing new tenants, renewals, sales and traffic. We have several wonderful stores opening this year, several planned for 2011, and both mall sales and traffic are up over 2008 and 2009.

### Are you making a large shift in the way you conduct business?

**JS.** Our business model has always stressed offering a high quality service at a fair price. We don't try to "buy" projects and then chase additional services at every opportunity. The current downward pressure on fees makes it difficult to compete on projects where only the lowest fee wins, but we continue to stress the importance of maintaining relationships with our clients and walk them through our proposals whenever possible to help explain the fee structure and the advantages we bring to a project.

**MA.** No – our historical conservative fundamentals will remain the same.

**DS.** Not at all. The business model works well.

**DJ.** Not really. We are still talking to tenants and consultants that we have worked with previously and networking in a manner similar to what we always have done.

**HR.** The decision-making processes for retailers are slower. Accordingly, we are working on deals much further in advance than in the past. Retailers are being more cautious in their decisions and critical in their evaluations of site selections. This increased focus on the decision-making process will make for stronger businesses in the long run.

### What types of new resources are you seeking to navigate in this economy?

**JS.** We were fortunate that we never had all of our eggs in one basket. We have diverse project experience, and we're always looking to expand in areas where we expect to see growth. We have also continued our commitment to staying current with our technology and equipment even though it would be cheaper to maintain our current resources.

**MA.** Business will move forward. Resources become relationships with other segments of the industry such as architects, engineers, brokers and attorneys. The due diligence costs must be a shared risk by all team members due to the lack of risk capital.

**DS.** More professional association involvement, stronger and more aggressive lending relationships for our clients and tenants, more retail-only brokers and managers, industry leading mapping, aerials and demographics.

**DJ.** Talking to more brokers and contractors. We are also talking to equity providers considering the requirements of the lenders.

**HR.** Overall, we are increasing our promotions, additional "top-of-mind" marketing and focusing on the guest experience.

### What is your sense of timing for a turnaround?

**JS.** We expect the turnaround will be slow growth over a longer period of time. We don't expect to see a large upswing until the housing market returns, which appears to be a couple years out. Lenders won't be as loose with their money, and we expect caution moving forward.

**MA.** There are two parts – the end of the economy's downturn, which we expect to stop in the third quarter of 2011 and waiting for negative absorption in all markets. At that point, the positive absorption can begin. Recovery is the next step which begins with an increase in jobs. Real estate cannot recover with a jobless recovery.

**DS.** We're on our way up now. To me, that's a turnaround.

**DJ.** I feel the turnaround has started regarding retail, but I do not think it will recover to the level we saw in 2006 and 2007. I think it will be more moderate so as to sustain the growth. Later in 2011 and into 2012 is when retailers will feel more comfortable, as will the people working in the industry, so that deals can be made.

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The pursuit of new retail developments and the acquisition of value add retail centers with a focus on long-term results.

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### MFRA, Inc.

With a focus on service, quality, integrity, and relationships, MFRA brings value and success by practicing "innovation beyond design" and striving to be the best company to work for and work with!

### Oppidan, Inc.

To be the leading merchant real estate developer of community shopping centers in the Midwest, providing our customers retail space for the lowest possible cost with our open book development approach and processes.

### Paster Enterprises

Paster Enterprises has over 60 years experience in the development, leasing, and management of retail real estate. Paster Enterprises is dedicated to being an industry leader in enhancing communities by providing a quality mix of retailers within vibrant, aesthetically pleasing shopping centers.

### Robert Muir Company

To create developments, which are designed and built to become centers of community pride, through innovative and visionary planning, creative use of the highest quality building materials, and exceptional property maintenance.

# THE CASE OF THE MISSING SHOPPING CENTER CONTRACT

Guest Author: **Steve Hoogenakker, Concierge Landscape Environments**

It was a typical hot July Monday afternoon in the property management office and the humidity made it feel like an Indian sweat lodge. The air conditioner was refusing to work through another day, much like the temp that was hired here last week. My desk, looking like it belonged to Andy Rooney, was strewn with paperwork facing every direction.

Emails had come in over the weekend about sprinkler heads shooting fountains 15 feet in the air, and I'd received two calls from my crabbiest tenant asking when the pruning was going to be done. I even got an email asking about the sidewalk edging. *Sidewalk edging? Who asks about sidewalk edging?* I scrambled through papers looking for the maintenance specs, then through my files. I called my assistant and asked her for the contract, but nobody had found it yet.

The contractor finally called me back at 3 pm. He didn't think the pruning had been due yet. The edging might have been kind of done using a weed whip—he didn't know. As for the sprinklers, how was he supposed to know? He said "I'll get my irrigation subcontractor out there in the next week." A week? *Oh no, I can hear the grass sizzling.* At 5:45 pm, I left the office, never finding the specifications. I emailed the crabby tenant before I left and told her I was working on it—but didn't feel like I had made a lot of headway.

Tuesday, my assistant found the specs! Here's EDGING: "Edging shall be completed once annually." *Well, no end date, so I guess they have until Halloween to finish. I'm sure they won't wait that long, but when?* Then I found PRUNING. "Pruning shall be completed twice annually, but after shrubs have flowered." *What does that mean, I wondered? Surely some shrubs have finished flowering—it's July for Pete's sake. Have they done any of it?* So, I feel good that I found the contract and specs, but I still don't have a single answer to give to the tenants.

So, what's the solution? You need to come up with your own set of specs and standardize as much of it as possible. To me, NOT having grounds maintenance specs for one of the biggest budget items

and complaint items is just like trying to run a shopping center without a budget!

There are a few large management companies that have their own specs and they have a big competitive advantage over all the others. Their property managers already know what's required at each site—why and when. They have deadlines for pruning and edging and they're the same date. So on July 15, sidewalk edging had better be done at every site. 80% of the thinking and brain damage of the property managers has already been eliminated. Just mark it in your Outlook calendar in February: First edging to be completed July 15. You'll see July 15 coming up so you can contact the vendor two weeks in advance with a reminder if you wish. The standardized specification makes less work for the manager, and in turn makes the manager more efficient, and that translates into a happier owner.

So, how do you go about making standardized specs? Since 90% of the horticultural items apply to all sites, standardize as many dates and descriptions as possible. For those few items that have to be customized, put them on as an addendum WITH DATES. Ask a landscape maintenance firm to review your specs and tighten them up. Start using the "ABC Properties Grounds Maintenance Specifications" as your own competitive advantage. Once done, 90% will always be done.

## SMALL TALK

### WEBSITES: GEARHEADS REJOICE!

Technology is always shifting, changing and evolving. Those who keep an ear to the rail are those who can figure out how to utilize technology to make their businesses and development efforts more streamlined. In today's challenging economy, every advantage counts! Check out these cool tech sites!

- [www.thetechguide.com](http://www.thetechguide.com)
- <http://gizmodo.com/>
- [www.guide4gadget.com](http://www.guide4gadget.com)

## EVENTS

- Aug 4 **Shopping Center Focus**
- Aug 17 **Learning Session**
- Aug 19 **Third Thursdays Networking**
- Sep 1 **Legislative Focus**
- Sep 16 **Third Thursdays Networking**
- Oct 6 **Professional Development**
- Oct 21 **Third Thursdays Networking**

For more info, please log on to  
[www.msca-online.com](http://www.msca-online.com)

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**Stefanie Meyer**, Mid-America Real Estate - Minnesota LLC

**Jesseka Doherty**, Mid-America Real Estate - Minnesota LLC

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## MN MARKETPLACE

- **Kohl's** is readying for a new store opening in Cambridge, Minnesota. Plans call for a fall 2010 opening.
- All the gear you could possibly need for your game such as bags, shoes, apparel, accessories, and more can be found at **Tennis on Selby**. Now open at 1599 Selby Avenue in St. Paul.
- **Fringe** has opened a second location in St. Paul. Known for its accessories the new store is located at 1055 Grand Avenue.
- Eco-friendly products from mattresses to décor, gifts and baby gear can be found at **Moss Envy**, now open in a new location at 3056 Excelsior Boulevard in Minneapolis.
- **Swagg Tagg** opened July 16 in northwest Rochester at 300 Elton Hills Drive NW in the Valhalla Center. Featuring urban clothing, shoes, jewelry, handbags, cologne and perfumes, the store is about giving customers the look to match their attitude.
- The Shops at West End announced the following businesses that have joined the West End tenant mix during the second quarter: **Raze Haircuts for Men, Republic of Couture, Uber Baby, Ringo Restaurant, lululemon athletica, Hot Mama, Glamour Nails, Subway, Toby Keith's I Love this Bar and Grill, Sauce Pizza & Wine** and **Pink Champagne Boutique**.

## COMMITTEE CHAT

by **Stefanie Meyer** and **Jesseka Doherty**,  
Mid-America Real Estate-Minnesota, LLC

The MSCA Cares Committee is responsible for The Caring Tree and its mission to promote educational success for Minnesota's K-12 students in need by ensuring that they have the appropriate school supplies. Our goal is to raise financial donations at our various events as well as brainstorming new ideas for smaller events/fundraisers to be held throughout the year. The second annual Bowling for Backpacks event was held again this year at Brunswick Zone on April 22 and the St. Paul Saints Game was held on July 28.

## MSCA CARES



Other fundraising events we are pursuing are Taste Testing, Gift Card Sales, Company Drives and raffles at monthly program meetings. Proceeds from these events, as well as the annual MSCA Golf Event in June, are earmarked for The Caring Tree.

This year we accepted applications from non-profit agencies based on their need and were able to help over 37 agencies statewide. We look forward to another successful Caring Tree campaign this year. Thank you for your contributions both in time, in-kind and financial donations. We need your continued support!

If you are interested in making a donation to the program, please visit [www.caringtree.org](http://www.caringtree.org). Your help makes it possible to send these kids back to school with confidence, enthusiasm and self-esteem to build a much better year and future.

# WATCH

## MEMBER PROFILES

### Craig Estrem

Currently seeking (formerly BlackRock)



**Primary Career Focus:** Retail property investment, management  
**Hometown:** Kenyon, MN  
**Education:** BA Business Administration, Augsburg College  
**Family:** Wife, Teri. Children: Carly and Lucas  
**Hobbies:** Golf, traveling, getting together with family and friends, Beer Club  
**Very First Job:** Northrup King Research Farm picking weeds  
**Dream Job:** Pro Golfer  
**Secret Talent:** Pretty good Weber chef  
**Favorite Food:** BBQ Ribs  
**Favorite Movie:** *A Christmas Story*  
**Favorite Quote:** "Any job, big or small, do it right or not at all."  
**Mentors:** My parents, Mike Kelly, Greg Karlen

### Matthew "MJ" Parten

Doran Companies



**Primary Career Focus:** Commercial general contracting and marketing  
**Hometown:** Prior Lake, MN  
**Education:** BS College of Engineering (Construction Management), South Dakota State University  
**Family:** Wife, Melinda. Stepsons: Joseph (8), Matthew (5)  
**Hobbies:** Speedboating, snowmobiling, skiing, golf  
**Very First Job:** Burger King: Whopper Line Technician  
**Dream Job:** Inventor  
**Secret Talent:** An exceptional dancer before it was cool  
**Favorite Food:** Bone on beef filet medium rare with grilled king crab legs and fresh green beans—Yeah, it is that specific  
**Favorite Book:** Construction Documents...anything else puts me to sleep  
**Mentors:** Danny Hoyt, Kelly Doran, Ken Braun  
**Favorite Place Traveled:** All family vacations  
**MSCA Involvement:** Co-Chair membership committee

## NEW MEMBERS

**Steve Hoogenakke**  
Concierge Landscape  
Environments

**John Bell**  
Klodt Incorporated

**Justin Moe**  
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**Want to maximize  
your membership?  
Join a committee!**

For more information,  
call MSCA at  
(952) 345-0452.

## RISING STAR by Richard Jahnke, Paster Enterprises

Edible Arrangements is a food delivery service, founded in 1999, that shapes fruit into colorful arrangements similar to floral bouquets. Edible Arrangements stores specialize in creating bouquets of fresh fruit overflowing with juicy strawberries, pineapple, grapes, oranges, cantaloupe and honeydew designed to look like flowers. Prices usually range from \$34 to \$200 for a bouquet of fruit. Customers can order an arrangement online and have the fruit delivered for occasions such as weddings, graduations, birthdays and corporate events.

## EDIBLE ARRANGEMENTS



According to its website, the consumer demand for healthy eating is on the rise, and because that trend is now turning into a lifestyle change, Edible Arrangements stores are blossoming around the world. There are about 964 franchised units throughout the US and 10 countries. The company opened 74 franchise locations in 2009 and another 43 locations have opened up so far this year. The downturn in the economy does not seem to have affected consumer demand for the product, and the company claims that even with such rapid expansion, no stores closed until March of 2008. Since then, only 20 stores have closed their doors creating a 2% failure rate. Corporate support can make the difference between a struggling or thriving franchise. It is for this reason that Edible Arrangements offers its franchisees comprehensive corporate and onsite training, unparalleled technology, national brand recognition, extensive support and now, financing.

The franchise fee is \$25,000 and an average investment of \$200,000 is required to open a store. Currently, locations include Edina, Roseville, Plymouth and Osseo. The stores occupy from 1,000 to 1,500 sf and are located in neighborhood open air centers. If you would like more information, visit [www.ediblearrangements.com](http://www.ediblearrangements.com).

## NEW BUSINESS MODEL FOR THE 2010 ECONOMY: ADAPT, MUTATE, MIGRATE OR DIE AN ECONOMIC AND REAL ESTATE FORECAST

If we learned anything from our July program speaker, Ted Jones, PhD Chief Economist at Stewart Title Guaranty Company, we learned "you can't fix stupid." We also learned that our current economic situation is likely the result of poor choices by many policy makers on both sides of the aisle.

With wit and humor, Ted shared a wealth of pertinent information on the current state of our economy and his projections for its recovery. Ted voiced a conclusion that we have been operating with an inappropriate business model; that our approach and expectations must change in order for this recovery to unfold. Points included: (1) cost control is essential; (2) consumers have changed their expectations, so we must as well; and (3) less is more. Ted compared pre-VCR and post-VCR expectations of communication. Pre-VCR, one could expect a phone call or message to be returned within 24 hours. Today, one expects this return within 15 minutes. We must operate with new expectations.

Ted outlined signs of the boom/bust cycle which this recession has mirrored:

### Boom

- We act like business cycles have been repealed
- Preceded by deregulation

### Bust – followed by:

- Six years of rising unemployment
- Five years of declining home prices
- Government debt growing by 86%

Government spin on unemployment statistics, housing sales, building permits and purported misinformation on [www.recovery.gov](http://www.recovery.gov) has some of the public



July presenters: l to r  
Ted C. Jones, PhD, Stewart Title Guaranty Company  
Brent Anderson, moderator, Stewart Title Guaranty Company

fooled, but Ted outlined some thought-provoking points including:

### Great concern with outstanding commercial real estate loans

- \$3.5 trillion outstanding loans
- \$400 billion to refinance per year for the next 10 years
- \$50 to \$80 billion per year available to refinance these loans

### Property values have dropped 40% over this recession (worth 2002 values)

- Property owners must work for property tax reduction on these reduced values

### 2010 – 2011 economic concerns include:

- Wall Street and Washington D.C.—liquidity
- Jobs—the stimulus is not working—GDP is up due to the increase in government spending. Each job created from the stimulus is costing tax payers \$747,700
- Inflation (and Cap Rates)
- Tax cut clock is ticking

Ted recommends a creative approach, looking through a different set of glasses, and to be prepared for 18 more months of the same before we see a turn in this economy.

## BOOKMARK: MARKETING ADVICE

### Unmarketing: Stop Marketing. Start Engaging by Scott Stratten

A simple and obvious concept: quit the cold calling for new clients and, instead, engage the clients you do have in a relationship that will retain their loyalty as well as help you expand your customer base by positive word of mouth. Who was it that said it takes 20% effort and dollars to retain a good customer and 80% effort and dollars to get a new one? Make the math work for you and your company.

Have a reading recommendation? Contact Christopher Max Naumann at [christopher@christophermax.org](mailto:christopher@christophermax.org) or Judy Lawrence at [jlawrence@karealty.com](mailto:jlawrence@karealty.com).

### SMALL TALK

## JULY PROFESSIONAL SHOWCASE



### Restoration Professionals

Classic Asphalt is family owned and operated, serving the greater Twin Cities for more than 20 years.

### SMALL TALK

## YOUR MSCA WEBSITE TIP: EMPLOYMENT OPPORTUNITIES

MSCA website provides your company with the opportunity to post current job opportunities, search for individuals seeking employment, as well as provide individuals who are searching for employment a site to post their resumes. It is easy to view or post current postings as well as search MSCA members looking for jobs. Several MSCA companies have received excellent responses for positions that they have posted on the MSCA website. Listing for members is free. Non-members can list a job for 30 days at a cost of \$50.

> Go to [www.msca-online.com](http://www.msca-online.com)

> View **Opportunities**

> Search **MSCA Job Opportunities** or **Members Looking for Jobs**

The next time you're looking to hire a new employee, let MSCA do your work.

## Remainder of 2010 - continued

For office and industrial, it will take over a year to start turning around because of all the "shadow" space that needs to be rented as well as companies must start hiring employees before more space is required.

**HR.** The summer months will be pivotal to determine the extent of the "double-dip" in the economy and its effect on the holiday season.

### Who do you believe will be "the ones to watch" the rest of the year?

**JS.** The aging population dictates that healthcare and senior housing will continue to grow. Services for alternative energy solutions will increase due to the goal to reduce oil dependency.

**MA.** The TWINS – it's a great year to be a baseball fan.

**DS.** National junior box retailers filling large vacancies with value-based retailing and individuals with a solid and focused work ethic. There is no more "order taking" for deals and those who know how to dig and create will be the "ones to watch" in our industry.

**DJ.** If you are talking in general, it is still the fast food and some smaller discount stores that are making deals.

**HR.** It will be interesting to watch the department stores as they adjust their business models to reflect current trends and the changed retail environment.

### How are you expanding your network and your business?

**JS.** We're always seeking new opportunities to increase our partnership with other successful firms. We offer accredited, educational seminars to potential clients to help them understand our business and why we're well-suited to assist them. We also are active in a variety of organizations to increase our exposure in the industry. However, our favorite work opportunities come from existing clients or referrals from existing clients.

**MA.** Time spent networking must be much more pin-pointed and direct.

**DS.** We're expanding with top professionals in the retail real estate industry to better serve our expanding institutional and developer clients, investing in the most up-to-date demographic, mapping, aerial and contacts programs and instituting in-house training and educational programs as well as vendor presentations and seminars for our management staff.

**DJ.** Basically, talking to more people, letting them know how we can help them with expanding or supplementing their business.

**HR.** Attending industry events through MSCA and ICSC, increasing the number of pitches to perspective tenants and meeting with retailers and the brokerage community locally and nationwide.

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