

Feature Article

Great Grocers, Great Challenges in Greater Minnesota

by Jon Dahlin, Itasca Funding Group, Inc.

How will the congestion in the grocery store aisles be affected as the competition heats up in this market? Here's an overview of what's happening with the grocery competitors in Minnesota. Cub Foods currently dominates the market and Roundy's recently purchased the 31 Rainbow Food stores and is aggressively pursuing a path to regain some of its market share. Lunds and Byerly's are firmly entrenched in their upper-scale niche. Newer factors in the market such as the new Aldi discount stores, the expansion of the grocery departments in Sam's Club stores and Costco, as well as SuperTarget and Wal-Mart Supercenters. However, it may be instructive to take a look at what is going on in the grocery business in outstate Minnesota to foresee what we can expect in the metropolitan area in years to come.

The advent of the Wal-Mart Supercenter with its very large grocery component has changed the market dynamics for everyone in the grocery industry. There

are currently 13-15 Wal-Mart Supercenters in operation with approximately nine in various planning stages. To compete and survive in this competitive environment certainly dominates the marketing and growth strategy of every grocer. Most of the major operators in outstate Minnesota appear to be withstanding the competition so far, and nobody is standing still. It can be argued that Rainbow Foods stores in outstate Minnesota may be the first casualty of the Wal-Mart Supercenter competition. Certainly, Fleming/Rainbow was beset by other problems, but with two supercenters in Rochester and one in Mankato, it is very likely that Fleming did not foresee a very bright future for their stores in these markets, thus canceling their leases via bankruptcy.

SuperTarget, the grocery and general merchandize concept of Minneapolis-based Target corporation, will have 11 stores in its hometown market by the end of this year.

Great Grocers continued on page 2

WANT VISIBILITY?



A Shopping Center Snapshot on the front page of the MSCA monthly newsletter is a great opportunity to gain exposure for new, existing or redeveloped properties. Use this space to detail center specifics, such as a photo or rendering, location, opening date, management and contact information, GLA, occupancy, anchor tenants, market area served and additional narrative about the site. Call the MSCA office at (952) 888-3491 to schedule your Shopping Center Snapshot for 2004. Advertising space is on a first-come, first-serve basis. The MSCA newsletter goes out to approximately 600 members as well as prospective members. See rates below for additional newsletter advertising opportunities.

	MEMBER RATE	NON-MEMBER RATE
Announcement Advertisement - 2" x 3"	\$75	\$100
Quarter Page Advertisement - 3 3/4" x 5"	\$100	\$150
Half Page Advertisement - 7 1/2" x 5"	\$150	\$225
Shopping Center Snapshot - 6" x 4.5"	\$275	\$325
Advertising Insert (members only) - 8.5" x 11"	\$250	N/A

GREAT GROCERS *continued from page 1*

The Coborn's operation based in St. Cloud appears to be the most aggressive of the retail chains in greater Minnesota. The chain is supplied by SuperValu and currently operates 25 stores including 18 Coborn's full-service supermarkets and seven Cash Wise discount markets in the southern two-thirds of the state. The stores are concentrated in central Minnesota and clearly dominate the St. Cloud market. Coborn's has stores ranging from Moorhead to Austin and are moving closer to the Twin Cities with recent stores in Delano, Albertville and Elk River. Stores targeting for opening in 2004 include Long Prairie and Sartell.

Nash Finch currently operates 19 retail grocery stores in Minnesota. Its 16 Econo Foods stores are concentrated in central and southeastern Minnesota in addition to three Sun Mart stores in the Fargo/Moorhead area. The majority of their growth plans are concentrating on their hispanic Avanza markets which are expanding in the Denver and Chicago areas.

Miner's, Inc. based in Hermantown currently operates 12 stores in Minnesota and is the dominant grocer in Duluth and the Iron Range. Their primary format is the Super One super store, which in many ways has all the trappings of a Rainbow or Cub Foods store. Miner's, Inc. recently switched suppliers from Fleming to SuperValu with SuperValu's purchase of the warehouse and distribution rights of

known for its outstanding customer service and competitive pricing. Hy-Vee currently operates 16 stores in southern Minnesota and its closest store to the Twin Cities is Faribault. The most recent store opened in April of 2002 in Winona and no new stores have been announced for 2004.

SuperValu is by far the dominant wholesaler in Minnesota and supplies many

All of the grocery chains are spending more money on marketing and store maintenance and cutting their profit margins.

Fleming's operation based in LaCrosse, Wisconsin. There are no new stores planned for 2004 and, like other retail operators, are concentrating on strengthening their existing operations.

Hy-Vee, Inc. stores rank among the top ten retail grocery operations in the United States and currently operate approximately 218 stores in the central part of the country. The company, based in Des Moines, Iowa is employee-owned and

local operators and small chain grocers flying the "SuperValu" or "County Market" banners. Currently there are 54 company-owned and franchised Cub Foods stores in Minnesota: 44 of them are in the Twin Cities area. It appears SuperValu is concentrating its efforts in the metropolitan area with two recent stores opening and another four currently under construction. The most recent Cub Foods store opened in conjunction with the redeveloped mall on the east side of Brainerd. Cub Foods is projected to have 50 metro-area stores by early 2005. They appear to be proceeding much more cautiously in the rural region with no new announced stores.

There is little or no growth in most of the rural region of Minnesota. All of the grocery chains are spending more money on marketing and store maintenance and cutting their profit margins. Sooner or later something has to give. One thing is certain, Wal-Mart will continue to get a bigger and bigger share of the same size pie. Within five years, the landscape for retail grocers in outstate Minnesota will be significantly different. The one-store or small chain operations are likely to be the earliest victims to the Wal-Mart Supercenter onslaught.

It seems to be the consensus in the grocery industry, sooner or later Wal-Mart Supercenter will enter the Minneapolis/St. Paul metropolitan market. It could be that they are not ready to take on the union issue or they are not ready to go head-to-head with local grocers. Nevertheless, they will come and the turmoil currently being experienced in other parts of Minnesota will impact the more local market in very dramatic ways. ■

2004 Schedule of Events

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

Wednesday, January 7 - Technology

Wednesday, February 4 - Stock Analyst Panel

Thursday, March 18 - Legislative/Business Day at the Capitol
Four Points Sheraton St. Paul/Capital Hotel

Wednesday, April 7 (Afternoon) - Geographic Focus

Wednesday, May 5 - Development

Wednesday, June 2 - Industry Trends & Demographics

Monday, June 21 - Annual Golf Event
Majestic Oaks

Wednesday, July 7 - Professional Development

Wednesday, August 4 - Retail Focus

Wednesday, September 8 - Mall Focus

Wednesday, October 6 - Economic Outlook

Wednesday, November 3 (Afternoon) - Retail Report

Tuesday, December 7 (Evening) - Year End Ceremonies/STARR Awards/
Holiday Party



MSCA 2003 Retail Tournament of Champions

by **Anita Johnson**, Premier Commercial Properties

The 15th annual MSCA Retail Real Estate Report program on November 5th was a fun and informative event attended by 165 local investors, developers, brokers, property managers, vendors and appraisers. The enthusiastic program emcee, **Jerry Ciardelli** of Erdahl Aerial Photos, hosted the Jeopardy-style interactive game show, involving 25 questions regarding market trends, development and retail activity in the Twin Cities and outstate markets. The participants at each table competed against other tables for the title of Retail Champions, which sparked some healthy and good-natured rivalry. Between rounds, presenters gave overviews on the retail market, challenges and opportunities, new developments/retailers to the local market and the investment market.

This year's Research Committee was co-chaired by **Janet Goossens** and **Paul Sevenich** of Kraus-Anderson Realty Company. Sevenich began the presentation with an overview of the market and

discussed the reports findings that vacancy had been reduced from 7.6% in 2002 to 7.3% in 2003 despite multiple store closing by Snyder Drug, Paper Warehouse, K-Mart and Rainbow Foods, and that the universe for retail shopping centers greater than 30,000 square feet in the Twin Cities had grown to just under 50 million square feet. He described the developing relationship between MSCA and MnCAR and how the Research Committee has continued to assist MnCAR in improving the accuracy of their Xceligent database of Minnesota retail properties. Several of the new retail concepts entering our market were mentioned as well as the quick absorption of a handful of vacated K-Marts in 2003 by Home Depot, Wal-Mart, Burlington Coat Factory and JCPenney. Sevenich thanked the eleven members of the Research Committee and the many industry experts who gave their time and talents in making the report a reality.

After another round of questions, **Betty Ewens** of Kraus-Anderson Companies presented the opinion section, which included the Top 5 Challenges and Opportunities in 2003. Once again real estate taxes were the number one challenge in 2003 followed by economic conditions, competition, retailer bankruptcy, and lack of available land/space. Ewens showed the correlation these challenges made with the Top 5 Opportunities, which were restoration/center redevelopment, financing, mixed-use development, infill opportunities/municipal redevelopment, and retailers new to the market. It was interesting to note that new development ranked number 6 under both Opportunities and Challenges. Therefore, Ewens deduced that the Challenges are the Opportunities.

Tricia Pitchford of United Properties described the continued success of retail



Above: 165 industry professionals attended the Retail Tournament of Champions.

Below: Each table worked as a team to answer questions regarding retail real estate.



developments "spurred on" by the "strong residential growth" in the Twin Cities and outlying areas. New developments opened in 2003 included Excelsior & Grand in St. Louis Park, Arbor Lakes in Maple Grove, and Southwest Station in Eden Prairie. Cub Foods, Super Target, and Wal-Mart continue to be the strong anchors for shopping centers with some new retailers coming on the scene including CVS Pharmacy, Roundy's, IKEA and Lowe's. "Fast Casual" had been the new buzzword on the restaurant scene – some of these restaurants include Panera Bread, Noodles and Company, Baja Fresh and many more.

After the final round of questions, **Eric Bjelland** of United Properties energetically put forth his expertise regarding Retail Investments. Some of the highlights included more product coming available, a strong demand from all buyers, particularly for grocery anchored centers. Bjelland says that some of the aggressive buyers are pension fund advisors, REITS, life companies, and major private entities. What's ahead in investments? Bjelland

Retail Tournament continued on page 4

The November Professional Showcase was sponsored by Terracon



Terracon is a nationwide consulting engineering company that provides quality environmental, geotechnical, construction materials, testing, facilities and pavement engineering services to their clients.

What's Happening

2,000th Great Clips Opens

Great Clips, Inc., headquartered in Minneapolis, opened its 2,000th salon. The 2,000th and 2,001st salons opened on opposite coasts on November 6 – at Main Street in Metuchen, NJ (part of the New York DMA) and at Campus Crossroads in San Bernardino, CA (Los Angeles DMA). A total of 250 new Great Clips salons are expected to open this calendar year, following a company-high 224 in 2002.

JCPenney Leaves Brookdale

The JCPenney at Brooklyn Center's Brookdale Center mall will close early next year. As a result, the Talisman Cos., the Florida-based company that owns Brookdale, has begun looking for ways to fill the department store's 140,000 sf with new specialty shops and a mini-anchor tenant. Plano, Texas-based Penney's imminent departure was "a mutual decision" between the department store and the mall, according to Talisman.

Solner Presents at CenterBuild 2003

In December 2003 MSCA member and Cuningham Group Principal and Corporate/Retail Studio Director David Solner will speak on "Engaging the Shopper: Keys to Success" at CenterBuild 2003. The CenterBuild Conference is the premier specialty conference for design and construction held by the International Council of Shopping Centers. It provides opportunities to meet and discuss issues with industry professionals and features nationally known speakers representing development, retailing, department stores, design and construction.

Galleria Offers Gift Registry

MallGiftRegistry is a new concept in gift registries that lets consumers visit virtually every store within one retail center to build a single personal wish list. MallGiftRegistry is similar to the registry services that brides and mothers-to-be use to create gift lists before their big events, but it is unique in that it includes items from multiple stores and gift wish lists can be created for any life celebration. In addition, MallGiftRegistry uses the latest wireless technology for real-time access to wish lists at www.mallgiftregistry.com. MallGiftRegistry is currently available at Galleria in Edina.

Gaviidae Hosts Wishing Tree

Gaviidae Common and Children's Home society and Family services will help holiday wishes come true for local children in need with the 2003 Wishing Tree. The Wishing Tree booth will be located on the Skyway level in Gaviidae's Saks Fifth Avenue wing and will run from November 28 through December 16.

Gander Mountain Sold in Forest Lake

Upland Real Estate Group and Upland Capital Advisors recently completed the sale and financing of the Gander Mountain Superstore located in Forest Lake, Minnesota. The 96,275 sf property sold for \$11.9 million to a 1031 Tax Deferred Exchange investor from western Wisconsin. ■

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Please call the MSCA office for more details. (952) 888-3491



**WINTER FUN
EVENT 2004**
A fundraiser for The Caring Tree Foundation

RETAIL TOURNAMENT *continued from page 3*

states that Rainbow "eats" at Cub market share, as previously stated, more property is coming to market, and yields depend on interest rates.

Overall, it was a fabulous program followed by a social hour with opportunities to network with others in the industry. A huge "thank you" is extended to the many people who volunteered their time and knowledge to share the report and program with others in the industry. A printed copy of the 2003 Retail Real Estate Report is available for purchase at the MSCA office by calling (952) 888-3491. ■

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2003 Committees and Accomplishments

The Minnesota Shopping Center Association would like to thank all of the committee volunteers for 2003 and recognize each committee's accomplishments. The following volunteers make it possible for MSCA to function and have driven the association to become the success that it is today. THANK YOU!

The **Awards Committee** is responsible for the annual Shopping Center Tribute Awards for Retail Real Estate (STARR Awards) to recognize excellence in retail real estate. Preparation includes award criteria, judging process, and the planning, promotion and implementation of the STARR Awards event in December.

In 2003, the committee redefined the nomination categories to clarify renovation and redevelopment and now includes retail in multi-use developments. In addition, 24 nominations were received, which is the greatest number of nominees to date.

Co-chairs: Tricia Pitchford, United Properties and Brett Christofferson, Weis Builders, Inc.

Committee: Peter Lund, CBL Properties/Burnsville Center; Kim Meyer, United Properties; Sara Stafford, KKE Architects, Inc. and Ronn Thomas, United Properties

The **Community Enhancement Committee** facilitates and enhances the community outreach functions of MSCA, focusing on The Caring Tree Foundation and its annual campaign to give low-income, K-12 children new school supplies. The committee coordinates many efforts to help The Caring Tree reach its yearly goals, including raising donations for the annual MSCA Golf Tournament, working closely with participating malls, educating and involving the MSCA membership in the program.

This year, the committee members raised \$8,382 in prize donations for Golf Auction and Raffle. The committee members were instrumental in increasing mall participation in The Caring Tree from 27 to 39, which directly contributed to The Caring Tree helping more than 14,000 students this year.

Co-chairs: Wendy Aaserud, Madison Marquette Realty Services and Liz Lee, The Wall Companies

Committee: Lee Bastyr Ching, Base Real Estate; Lisa Chubb, Glimcher Properties; Gina Gossman, RSM McGladrey; Tom

Heuer, Aspen Waste Systems; Shelley Klaessy, Rouse Ridgedale Management and Stefanie Meyer, United Properties

The **Golf Committee** coordinates MSCA's highest attended event, the annual MSCA Golf Tournament. The committee is responsible for soliciting hole sponsorships, auction prizes and donations, encouraging golfer sign-ups and coordinating events at the tournament. Monies raised from the auctions, raffle and putting contest benefit MSCA's charity, The Caring Tree.

The committee streamlined the raffle by implementing a key raffle to replace the time-intensive raffle tickets. 242 golfers



attended the 12th annual Golf Tournament in 2003 and the event raised a record high of \$10,000 for The Caring Tree.

Co-chairs: Bob Lucius, RSP Architects Ltd. and Matt Alexander, Contractor Property Developers Company

Committee: Kevin Conway, Pfeffer Company, Inc.; Chris Hussman, Aspen Waste Systems; Kent Larson, Weis Builders, Inc.; Tom Madsen; Greg Michael, Olson Contractors; Tom Moran, Stahl Construction; Luann Sawochka, Rochon Corporation and Carol Ulstad

The **Legislative Committee** informs MSCA members about pending legislation and other legislative efforts, including generating and directing grass-roots efforts by MSCA members. The committee works closely with MSCA's paid lobbyist to influence the legislative agenda and legislation in the best interests of our industry. Past and current efforts include work on issues such as property tax reform, taxation of internet sales, "smart growth" initiatives and special taxing districts. In 2003 the committee released the fourth annual Comparative Retail Property Tax Study. Legislative Coffee meetings for 6 Districts were implemented to give members the opportunity to meet with their legislators and discuss issues important to them and the shopping center

industry, concerns about high property taxes and the State's role in our increasing transportation problems.

Co-Chairs: Howard Paster, Paster Enterprises and Dick Ward, Capps Companies, Inc.

Committee: Trish Rein Cowle, C.G. Rein Company; Kelly Doran, Robert Muir Company; Sonnie Elliot, Faegre & Benson LLP; Richard Forschler, Faegre & Benson LLP; Nancy Frykman, Robert Muir Company; Todd Johnson, Colliers Towle Turley Martin Tucker; Mike Korsh, Kraus-Ander-son Companies; Chad Macy, Regis Corporation; Joe Nunez, Target Corporation; Kathy Ostertag, Robert Muir Company; George Ramler, First American Title Insurance Company; Rob Stolpestad, Exeter Realty Company; Greg Suckow, Park Midwest Commercial Real Estate; Scott Thompson, Construction 70, Inc. and Joseph Weis, Weis Builders, Inc.

The **Marketing and Communications Committee** is responsible for promoting MSCA through advertising, public relations, and the consistent development and use of MSCA collateral materials and member communications. This committee develops ideas for expanding the reach of MSCA, promotes monthly meetings, produces the annual Membership Directory, solicits MSCA advertising and assists other committees in their promotional efforts.

The 2003 committee produced the 13th annual comprehensive membership directory and added history information, such as past presidents as well as additional information on 2003 corporate sponsors. The committee also created a "Member of MSCA" logo for current members to include on company stationery and updated the comprehensive membership survey to seek member feedback. They also created at "Celebrating 15 Years" logo to celebrate MSCA's 15th anniversary.

Co-chair: Kelly Slawson, RSM McGladrey

Committee: Peter Austin, Welsh Companies, Amy Barth, Cambridge Commercial Realty; Laura Bradford, United Properties; Diane Scherer, LandAmerica Commonwealth and Amy Senn, Welsh Companies

The **Membership Committee's** primary responsibility is to oversee all membership aspects of the organization. This committee

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ACCOMPLISHMENTS

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discusses new strategies for increasing membership, as well as devising or improving ways to make new members feel welcome and maintaining MSCA's current membership.

The 2003 committee surpassed their internal membership goal of 550 members to reach an all-time high of 590 members as of the end of November. This number represents the highest member retention of 90% and the highest number of new members to date (92) in MSCA's history.

Co-Chairs: Mick Thorsland, Venture Mortgage and Kevin Krolczyk, Dalbec Roofing

Committee: Bill McCrum, RSP Architects Ltd.; Jay Moore, Oppidan; Nick Reynolds, Welsh Companies; Crystal Rundle, Construction 70; Brian Treber, Target Corporation and Royanne Carper, Paster Enterprises

The **Newsletter Committee** is committed to providing MSCA members with an interesting monthly newsletter with accurate and up-to-date information. The committee members discuss new ideas and work together to obtain and prepare articles, including features about existing and future retail development projects within the state, profiles, program recaps, and retail trends that affect our industry and members.

The 2003 committee continues to provide a timely and high-quality newsletter with useful information for our membership, including feature articles on all aspects of the industry, program recaps, industry tidbits to name a few.

Co-chairs: Tim Hilger, Diversified Acquisitions and Lonnie Pierce, Meridian Real Estate

Committee: Albi Albinson, Architectural Alliance; Kathy Anderson, Architectural Consortium; Bob Barton, Kraus-Anderson Companies; Nancy Murdakes Brown, Sundt Commercial; Jon Dahlin, Itasca Funding; Lisa Diehl, McDonald's Corporation; Stephen Eggert, Target Corporation; Betty Ewens, Kraus-Anderson Companies; Cynthia Hable, Kraus-Anderson Companies; Christopher Naumann, KKE Architects, Inc. and Terry Smith, TRS Commercial

The **Program Committee** brainstorms for program ideas, organizes and prepares for future monthly meetings. Sub-committees are formed to handle individual programs

MSCA Member Profile

Laura Ramme Giertsen



Title: Manager, Real Estate Development

Company: Opus Northwest, LLC

Career Focus: Retail Development

Hometown: Edina, Minnesota

Education: B.S. Business Administration – University of Colorado, Boulder; M.S. Real Estate and Urban Land Economics – University of Wisconsin, Madison.

Family: Husband Drew and son Brady (2)

Hobbies: Water skiing, walking, spending time at the cabin and being outdoors.

Job History: Commercial Banking Asso-

ciate at US Bank prior to joining Opus

Very First Job: Volleyball referee for the community park program

Dream Job: A perfect balance between being a career woman and a mom

Secret Talent: Video clip editing on my computer - a talent I have slowly taught myself and come to really enjoy!

Favorite Food: Sushi

MSCA Involvement: Member for 5 years and formerly on the Program Committee

and meet as needed for their designated program.

In 2003, the committee had the highest average monthly program attendance of 160 attendees and sold-out each month's Professional Showcase for the year.

Co-Chairs: Doug Sailor, Park Midwest Commercial Real Estate and Tony Pasko, Bremer Bank

Committee: Peter Austin, Welsh Companies; Peter Berrie, Faegre & Benson LLP; Kristi Broderick, First American Title Insurance Company; Miesche Francis, Target Corporation; Ed Karsnia, Midwest Maintenance & Mechanical, Inc.; Nancy Litwin, Glimcher Properties/Northtown Mall; Tom Madsen; Andy Meelberg, TCF National Bank; Liz Picking, Cambridge Commercial Realty; Emily Smith, US Bank and John Tramm, Griffin Companies

The **Research Committee** prepares the annual *MSCA Retail Real Estate Report*. The 52-page report summarizes key areas of concern for the state's shopping center industry, and includes a detailed summary of rents, common area charges and taxes for each center that answers the survey put out by the committee. The committee's findings are presented at the MSCA November meeting.

This year's committee produced another quality retail real estate report detailing information on 383 Minnesota shopping centers greater than 30,000 square feet. 182 people were registered for the interac-

tive program Retail Tournament of Champions and 165 actually attended the program.

Co-chairs: Paul Sevenich, Kraus-Anderson Companies and Janet Goossens, Kraus-Anderson Companies

Committee: Eric Bjelland, United Properties; Molly Bird, United Properties; Jerry Ciardelli, Erdahl Aerial Photos; Betty Ewens, Kraus-Anderson Companies; Jim Mayland, MnCAR; Tricia Pitchford, United Properties; Holly Rome, Jones Lang LaSalle and Ken Vinje, Kraus-Anderson Companies

The **Sponsorship Committee** raises funds for MSCA through solicitation of corporate sponsors by inquiring about sponsorship renewal, identifying potential sponsors and following-up with sponsors regarding their MSCA benefits.

The 2003 committee secured the highest number of corporate sponsors (60) since MSCA's inception, and increased exposure for corporate sponsors with the Mission, Vision and Quotes that were included in the membership directory, newsletter and on the monthly program PowerPoint presentations.

Co-chairs: Cindy MacDonald, Urban Retail and Ned Rukavina, United Properties

Committee: Amy Coleman, Urban Retail; Bill McCrum, RSP Architects Ltd.; Shelly Muelken, Tanurb; David Solner, Cuninghame Group and Andrea Thompson, Brookfield Properties

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Industry Tidbits

If you have additional tidbits, please forward them to
Tim Hilger, newsletter co-chair, at thilger@ix.netcom.com



by **Tim Hilger**, Diversified Acquisitions, Inc.

Holiday Station Stores are taking a verse or two from the old song "North to Alaska." They are acquiring 26 Williams' Company gas/convenience stores in our fiftieth and largest state. The Alaska acquisition is part of a \$265 million deal involving two Kansas-based companies, **Koch Alaska Pipeline** and **Flint Hills Resources** acquisition of Williams' Alaska's assets. Holiday will take over the ownership and operation of the gas/C-store portion of the transaction. Holiday presently operates over 350 stations and the growing chain of Gander Mountain stores. The Alaskan stores will obtain its exclusive Holiday fuel, "Blue Planet", low sulfur fuel from its present supplier Flint Hills Resources of Minnesota. The real estate guys at Holiday will be easy to spot now, dog sleds packed with fishing and hunting gear, muckluks, fur parkas and a propensity to shout "mush"!

● **Home Depot** reported a record profit quarterly profits ending November 2nd. The 22% gain was the highest in 15

months. The increase was due to a very broad merchandise mix, higher prices, the continued growth of home building and remodeling and property protection and repairs from weather related incidents around the country.

● Advertisers continue to look for new ways to "pummel" us with their messages. The latest involves in-store TV ads distributed via **Premier Retail Networks (PRN)** which operates the in-store systems in numerous retailers. As home TV viewers decline, ratings on prime shows fall, the aggressive advertisers seek us out while we are "attending our retail therapy sessions". Ads from **Gillette, Sony, Procter and Gamble, Unilever**, even **NBC** itself, seek us out at our favorite retail store. Retailers using PRN include, **Wal-Mart, Circuit City, Ralph's Super Markets** and many others, with the ads tailored to each chain.

● Looking for a 10,000 to 12,000 sf grocery store with marketing punch? How about **Trader Joe's**? The popular grocer is mapping out locations in the Minnesota. It

joins **Aldi's** and other local brands in the market for efficient merchandising, high quality, limited, selection grocery stores seeking sites.

● The competition in the "quick casual restaurant" segment is ratcheting up another notch with the remaking of **Bruegger's Bagels** restaurants. The nation's second largest primary bagel restaurant recently completed the remodeling and re-menus of its North Oaks store. The North Oaks store is one of the first five in the U.S to get the store and menu overhaul. The changes include redesigned interior decor and expanded menu to reflect the food niche it is in. New furniture, earth tone colors, light fixtures and a broader menu are in their plans to gain market share. The completion of the national "roll-out" should be completed over the next 22 months and they plan on adding an additional 100 new restaurants over the next 3 years.

● A recent article in **Fortune** magazine about **Costco** did an interesting comparison of **Sam's** and Costco. Here are some of the comparisons. Sam's has 71% more stores than Costco (532 Sam's vs 312 Costcos), but Costco produces annual sales of \$34.4 billion to Sam's \$32.9 billion, a 5% lead to Costco. The average Sam's store does \$63 million on sales annually compared to the average Costco stores sales of \$112 million annually. Costco sells 55,000 rotisserie cooked chickens annually; it is the U.S. number 1 seller of fine wines; it sold 45 million cooked hot dogs at \$1.50 each to its customers while they shopped; and 60,000 carats of diamonds with some costing \$100,000. Costco has had only one CEO since its founding and Sam's has had seven which may imply consistency of direction and focus. The article cited a distinct advantage that Costco has over Sam's. Costco can compete with **Wal-Mart** anyway they want, Sam's has to be cautious on how it competes with its parent retailer.

● **KFC** announced in November that they are pulling their ads touting KFC fried chicken as healthy! Customer, and probably

ACCOMPLISHMENTS *continued from page 6*

The **Technology Committee** is responsible for staying current on technologies that might improve the way MSCA operates and serves its members as a professional association. Their main focus is to ensure that the web site www.msca-online.com provides timely information about the organization and responds to member needs.

Thanks to the 2003 Technology committee, online registration is available for MSCA events and in January 2004, they will roll out the new "Members Only" section that will include an online directory, past newsletters and job postings.

Co-Chair: Adam Davies, Urban Retail Properties Co.

Committee: Peter Austin, Welsh Companies, LLC; Larry Calhoun, Kraus-Anderson Companies; Charlie Casserly, Casserly Media and Paul Sevenich, Kraus-Anderson Companies

The 2003 **Leadership Committee**, also known as the Officers and Board of Directors, are vital to the success of MSCA by making decisions that affect current and future endeavors. As shown in the committee accomplishments above, this year has been our most successful to date. Thank you for your commitment and guidance!

Officers: President - Steven Mosborg, Park Midwest Commercial Real Estate; 1st Vice President - Michael G. Sims, United Properties; 2nd Vice President - Peter C. Austin, Welsh Companies, LLC; Treasurer - Kenneth M. Vinje, CSM, Kraus-Anderson Companies; Secretary - Thomas Madsen.

Directors: Kathy Anderson, AIA, Architectural Consortium; Bruce Carlson, United Properties; Lisa Diehl, McDonald's Corporation; Bob Lucius, RSP Architects Ltd.; John Meyers, Opus Northwest, LLC; Paul Sevenich, CCIM, Kraus-Anderson Companies; Sara Stafford, KKE Architects and Scott A. Thompson, Construction 70, Inc.

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Food News

● **Baja Fresh Mexican Grill** is partnering with Twin Cities businessmen Mike Givens and Denny Hecker to open at least 21 Baja Fresh restaurants in the next five years. Givens is a major franchise operator of Wendy's International with more than 20 Wendy's restaurants opened or under construction. Hecker owns several automobile dealerships. The first Baja site noted is in Coon Rapids. The restaurant will open next March. The restaurants are 3,000 to 3,500 sf and serve tacos, burritos and fresh salsas.

● **Louis XIII** is on track to open this month at Southdale next to Cheesecake Factory, Maggiano's and P.F. Chang's.

● Word has it **Mojito** will open its second location in Maple Grove's Shoppes at Arbor Lakes in the spring.

● In St. Paul, **Axel's Bonfire** replaces the Ciatti's location on St. Paul's Grand Avenue. Also, bid farewell to **The Lotus**. Look forward to another well-known casual dining restaurant to fill the void.

● In downtown Minneapolis, the Pillsbury Center is getting a new retailer. Look for **Beyond Juice Café** to open early next year. They will open at least four Twin Cities locations. **Window's On Minnesota** in the IDS Center recently opened its doors to the public again after a major renovation. The owners of Atlas Grill in the Pillsbury Center will be opening a contemporary American restaurant next spring in the former Aquavit location in the IDS Center. **Pancho's Mexican Grill** and the piano bar club, **The Shout House**, will open around December 1st in Block E. And, upscale Italian restaurant **Bellanotte** will open the end of December as well.

● **Coco Cha Cha** will reinvent itself this month as a breakfast and lunch spot. The short-lived Billfish Grill on Highway 394 is now the new home to the metro's fourth **Major's Sport Café**. They are also opening Tonic in Uptown in the renovated Lakeland Dental Academy building.

● High-end steakhouse operators are coping with an extended period of extraordinarily high prices, particularly for USDA Prime steaks, owing to continuing supply shortages. The factors

are blamed on several reasons including: increased demand, lowered production in partly attributable to a drought in Western beef-producing regions and a continued ban on the importing of Canadian beef, where one case of mad cow disease occurred earlier this year. The USDA projects that the 2004 total beef production will be 3.4 percent below already low 2003 levels, where the shortage is coming from the demand side.

● As a wave of tropical-theme concepts appears to be growing, Dave Anderson, founder and chairman of Famous Dave's of America, the 88-unit barbecue chain operator and franchisor, has debuted his entry into the segment, called **Kokomo's Island Café** at the Mall of America. The colorfully decorated, 300-seat restaurant and tiki bar is meant to transport patrons to a tropical island paradise. Kokomo's is positioned to appeal to families as well as to adults who enjoy tropical cocktails.

● **The Pickled Parrot**, a Caribbean-themed, casual dinner-house and bar opened its third location in Uptown. Soon to also open is **Zeno**, coffee/dessert/wine bar.

● **Qdoba** just opened their doors the week of Thanksgiving at Excelsior Grand in St. Louis Park. **McCoy's Restaurant** also recently opened. The development is 97% leased. The condominium phase is 70% pre-sold and 4,000 sf of retail/office available.

● The classic supper club on Lake Street in Minneapolis, **Nora's** closed last month due to a drop off in customers.

● The already covered market for take-and-bake pizzas is about to have another competitor. **Gifaro's Italian Pizza, Inc.** is coming to town. The company based out of Salem, Oregon plans to have about a half-dozen stores in the Twin Cities by the end of 2004 and a state-wide goal of 100 in the next 10 years. They will be primarily franchised. Other competitors are Papa Murphy's and Leonardo's Take and Bake.

● Look for the former **Portofino's** location in Wayzata to be leased again. They closed their doors in late November unable to generate enough revenue to cover expenses.

TIDBITS *continued from page 7*

competitors, notified the federal regulators. KFC said they are terminating the ad as a regular course of business. A KFC spokesperson stated that the ad tried to inform customers that KFC's original receipt chicken could be incorporated into a balanced diet.

● October retail sales softened compared to prior months. According to the Bank of Toyko-Mitsubishi October's "same store sales" increased an industry average of 3.2%. **Target** stores reported a sales increase of +4.5%, **Marshall Field's** reported a decline of -10.5%, **Mervyn's** had a decline of -15.1%, **Gander Mountain** an increase of +14.3%, **Christopher & Banks** had an increase of +1%, **Shopko** had a decrease of -3.5%, **Kohl's** decreased -11.6%, **Wilson's Leather** decreased 19.2%, **Wal-Mart** had an increase of +4.5%, and **Costco** increased +11%.

● **Developers Diversified Realty** has decided to alter their shopping center investment strategy. In the past few years they have been primarily investing (over half) in existing centers and the balance of their investment dollars have gone into new developments. Starting in 2004 they are going to invest most of their money into their new developments and much less in acquisitions of existing properties. The reason cited was the low cap rates for existing centers averaging approximately 7%. While new developments cap rates are closer to 11%.

● **Best Buy** got exclusive rights to the newest **Rolling Stones** "Four Flicks" DVD release. Other retailers "cut-out" of the release are refusing to stock the full complement of other recordings by the English rock group.

Tidbits continued on page 9



The top five retailers had the greatest stock gains in 2003:
Books-A-Million,
AMC Entertainment, 7-Eleven,
Shopko and Party City.

TIDBITS *continued from page 8*

● **FAO Inc.**, the parent company of **FAO Schwartz**, **Right Start** and **Zany Brainy**, revealed that they are having continued liquidity problems. Knowledgeable sources are predicting that FAO may not make it through the Holidays.

● **Home Depot** announced that they have purchased **RMA Home Services** who is a contract installer or replacement windows and home siding. RMA is the #3 company nationally in that business. This purchase by Home Depot illustrates the retailer's commitment to expanding its "At-home Services" division.

● **JCPenney** and **May Companies** both announced 3rd quarter sales that beat Wall Streets predictions and both see a positive Holiday retailing season. On the other end of the spectrum, **Federated Department** stores announced that their 3rd quarter income fell a -15% from the prior year's quarter.

● **McDonald's** announced in November that they opened the first of seven **McCafe** coffee shops in Raleigh, North Carolina. The interior of the cafes encourages a broad mix of customers to meet, discuss business, relax and enjoy the gourmet coffee, sandwiches and desserts. The design includes couches, music, wireless and internet connections. Sound familiar? A McDonalds franchisee tested the concept in Chicago from April 2001 until May 2002, but closed the café when the building it was located in underwent a major renovation. The latest concept was launched in Australia in 1993. Plans call for the roll out of 400 units worldwide by the end of 2004. The concept is a store within a store.

● The high-end jeweler **Tiffany & Co.** announced that they will launch a new store concept focused around the sale of pearls. Primary locations will be in the high-end regional malls. Details about the stores were not released.

● **McDonald's** announced that they will introduce proprietary line of books, clothing, toys and videos called **McKids**. The merchandise will be sold through traditional kids retailers and the items will go on sale spring 2004.

● **Best Buy** and **Wal-Mart** both announced that they will both offer on-line musical downloads.

● A recent **ACNielsen** survey of Americans found out that 61% of U.S. households have used self-service check-out lanes, with 32% stating that it was a "great procedure".

● **Spiegel, Inc.** has asked the bankruptcy court to allow it to open 17 new **Eddie Bauer** stores. The retailer states that the request is part of its original plan to emerge from bankruptcy. This plan also calls for the closing of 60 underperforming Eddie Bauer stores.

● **Starbucks** announces record 4th quarter revenue increase of +24.9% on sales of \$1.08 billion, and same store sales increase of +9%.

● The Albertville Outlet Mall is now the **Albertville Premier Outlet Mall**.

● Cold and flu season is just around the corner. U.S. Consumers spent \$17 billion on vitamins and nutritional supplements in 2002, more than double the \$8 billion spent five years ago. The average person spends \$12.28 on vitamins. There are 20,000 varieties of dietary supplements to cure anything from memory loss to a host of other illnesses.

● Despite the hype about radio frequency identification (RFID) technology, and the great promise it holds for inventory management, the reality is many manufacturers are just not ready. **Wal-Mart** could speed things along with its demand for RFID tags on all incoming pallets and cases from its top 100 suppliers by 2005.

Web Sites

The most web sites visited include eBay, Amazon.com, Yahoo Shopping, Expedia, DealTime, Travelocity, AOL Shopping, Orbitz.com and Wal-Mart.



Electronic readers mounted on loading docks or at other locations receiving product will automatically check in orders, reducing labor demands, and increasing inventory accuracy.

● **Regis** purchased 758 hair salons in 25 transactions in fiscal 2003. One of the most important for future growth was the acquisition of Vidal Sassoon. They are looking to open two studio-size Sassoon stores in the United Kingdom in December and another in Chicago early next year.

● **Sears** announced that it has indicated plans to move 200-300 of the retailer's stores out of regional malls and into larger, free-standing stores built to new Sears Grand Prototype specifications.

● Classic women's wear specialist **Talbot's** has taken the notion of tailoring one's offerings to a whole new level with the recent introduction of an entirely new retail store—this time targeted exclusively to men. They recently opened their sixth Talbot's Man store in Manhattan this year. Initial sales results have been encouraging and expansion plans are moving ahead for 2004 and beyond, including approximately six to eight new Men's stores per year. The stores stand approximately 4,500 square feet.

● In 2001 and 2003, ICSC interviewed 48,500 shoppers exiting General Growth, Rouse and Simon malls to compile data concerning the number of times they visited the mall in a three-month period and the amount of time they spent at the mall per trip. The results are somewhat predictable: teenagers between 14 and 17 years old made the most trips to and spent the most time at the mall. Young adults spent the least amount of time per visit at 70.1 minutes, and adults ages 35-44 made the fewest trips to the mall.

● After emerging from Chapter 11 in April of last year, Factory Card and Party Outlet has reached another milestone: a listing on the Nasdaq National Market. The ticker symbol is FCPO. They currently operate 175 company-owned stores in 20 states. ■

Up and Online Holiday Spending

Online holiday sales will reach \$18.35 billion this year, a 22% increase over last year's holiday spending online, according to BizRate.com Inc. Consumers are speaking up and saying their spending decisions will be influenced by convenience and value and not just the lowest price. A recent survey showed that the web is the second most popular shopping destination among consumers after discount department stores, with an average 21% of their holiday budget spent online.

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