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# news

Volume 20, Number 10

October 2006

## Feature Consumer Behavioral Trends and Spending

by Andy McDermott, Shea, Inc.

For the past few years, investor interest in retail properties has topped the charts, but that seems to be changing. According to the Real Estate Research Corporation (RERC) and Certified Commercial Investment Member (CCIM) Institute Investment Trends Quarterly, retail properties were on the bottom of the list for investment potential this spring, with regional malls trailing neighborhood shopping centers

and power centers. Retail properties lagged behind properties in the office, industrial and residential sectors. RERC/CCIM reports that availability in the retail sector continues to increase, with vacancies across retail property types hitting 8.5%, up from 7.6% in the first quarter of 2006. Likely causes are a slowdown in retail sales, an increase in housing costs and the rising cost of fuel.

*Consumer Trends on page 2*

## Snapshot Park Place Promenade

**Location:** Intersection of Zane Ave. & Hwy. 610 in Brooklyn Park

**Month/Year Opened:** August 2006

**Owner:** PPP1, LLC

**Managing Agent:**  
H.J. Development, Inc.

**Center Manager:** Angela Hanson,  
Property Manager

**Leasing Agent:** Chris Moe, H.J.  
Development, Inc. (952) 476-9400

**Architect:** RSP Architects

**Construction Contractor:**  
Benson-Orth Associates

**GLA:** 61,000 sf

**Number of Stores:** Approximately 35

**Anchor Tenants:** Cub Foods, Caribou Coffee, Chan's Chinese Restaurant, Great Clips, Ike's Wine & Spirits, Jimmy John's, Brooklyn Park Chiropractic, Inches A Weigh, Nails Touch, National Karate, Nextel, Sammy's Pizza & Totally Tan



**Market Area Served:** North Brooklyn Park, Champlin, Osseo

**Construction Style:** Mixed-use retail

**Additional Facts/Narrative:** Park Place Promenade is an up-scale, 60-acre development offering excellent retail opportunities. Phase I consists of 61,000 sf of retail space, and is anchored by Cub Foods. Cub celebrated its grand opening at the end of August, and other tenants are soon to follow. Competitive lease rates and TI's are currently available. In addition, pad sites are also available for sale or ground lease.

## CONSUMER TRENDS *continued*

Some positive news from the New York Times, however, reports that spending by American consumers grew in July at twice the rate it did in June, suggesting that the economy may not be slowing as suddenly as some economists had thought. Personal income also rose in July, although not as much as spending did.

When attempting to forecast retail activity, economic ebbs and flows certainly keep us guessing, but staying abreast of trends can give us an edge. Trends in retail are often determined through a combination of quantitative data such as consumer spending figures, traffic patterns, and qualitative information derived through intensive studies and general observations on consumer behavior. Keeping a close watch on consumer spending is crucial, but an in-depth look at the behavior behind the spending can give some insight as to why the numbers shift as they do.

### Never Normal

WSL Strategic Retail, an advisor to retailers and manufacturers, publishes a bi-annual report on US buying habits called "How America Shops." The latest study reveals that the impact of "constant turmoil" over the last five years has finally taken its toll on consumers. With the war in Iraq, gas prices, hurricane damage and a cooling housing market, people are not so quick to part with their money, the study concludes.

The "How America Shops" report, compiled through interviews with nearly 1,000 consumers, reveals that 57% of people are making fewer trips to shopping centers and 50% are cutting back on what they buy. It points out that this is the first time in the last ten years that shopping has decreased. According to WSL Strategic Retail's previous studies, shopping across nearly all channels has been on a consistent increase until now, and price conscious consumers are beginning to change their ways. The study refers to this consumer behavior as a "never normal" mindset triggered by an extended period of uncertainty and economic anxiety.

### Rethinking Spending

As a trends expert for Hallmark, Marita Wesely-Clough reports her general observations on consumer behavior in order to add insight and perspective to quantitative information gathered by the

Hallmark Research Department. One of her discoveries echoes the "How America Shops" results. She believes that an emerging and strengthening trend is the "search for meaning in a technological, rapidly moving, pressure-filled society."

She suggests, however, that rather than strictly cutting their spending, people are rethinking their shopping habits. She believes they are still spending, and in some cases exorbitantly, but they are being more selective about where their dollars are going. She is finding that our "pressure-filled society" is going to extreme lengths to soothe their anguish and has determined some emerging and evolving trends.

She believes that this American angst is leading to consumer self-indulgence and notes that the desire for luxury lifestyles and products is evolving to a whole new level. The perfect bag, the couture gown or the import auto are important for status and attention. "Uber personalization" includes designer jewelry, high-end spa treatments and exclusive vacation destinations. Intangible luxuries such as time and space are increasingly important as people search for an island of calm in a turbulent world.

She claims that our need for luxury and material items in order to feel better could lead to what she calls a "point of no return." She suggests that as natural resources such as oil and water become scarce, even the most "green" among us will shift alliances. When shortages directly affect us, she says, expect attitudes and behaviors to change to an "all about me" attitude. This mindset will likely create an increase in spending on personal fitness routines, cosmetic treatments, alternative medicine, and plastic surgery options.

In addition to these significantly selfish behaviors, Wesely-Clough claims that there are emerging countertrends as well. Realizing that natural resources are not limitless, she thinks many individuals may feel forced to do their part. People may start living more "green," increasing volunteer activities and giving back to their communities. She believes that an "all about us" attitude could emerge where people find investing in human capital is more gratifying than a focus on physical beauty, material possessions and hedonism.

### How do forecasts measure up?

As we enter into the final quarter of 2006, watch for all kinds of new predictions for

2007. Magazines and Web sites will be printing their lists of "Top" behaviors, spending patterns, concepts and products.

I referenced a few lists from last year to see how they compare with today's climate. Chain Store Age magazine listed the "Top 10 Behavior Trends" to drive consumer purchases, and Cheryl Russell of New Strategist Publications also compiled a Top 10 list. Russell made spending forecasts based on the Consumer Expenditure Survey, an annual data collection effort by the Bureau of Labor Statistics that reveals who spends how much on what. For more than ten years, New Strategist has been tracking the Consumer Expenditure Survey results to uncover trends in household spending. I've broken down some of the common themes from the lists that are prevalent today:

*Technology:* Small, thin and flat electronics (TVs, monitors, cameras, phones) are all the rage. Consumers are eating up all the latest and greatest in computer and phone technology.

*Apparel:* Casual dressing for all occasions is continuing to have an effect on household spending on apparel. Sales of dressier clothes, especially suits and dresses continue to slump.

*Entertainment:* Americans are spending more of their entertainment dollars at home with cable/satellite and upgraded television sets, spending less on movies and sports.

*Eating:* People are eating less at home because of time pressure. People are visiting fast-food and full service restaurants equally. Fresh prepared food is what is selling in the grocery stores. Fad dieting (Atkins) is less prevalent, but people are replacing it with nutritional supplements, organics, non-sugar products and other diet books.

*Home:* With spending on home furnishings, supplies and services on a slight decline, lawn and garden is a bright spot. The backyard is being considered as another living room, complete with furniture, accessories, lighting and artwork.

*Pets:* With Baby Boomers empty-nesting, spending on children is falling, while spending on pets is on the rise. People are spending on their companions like never before, including on clothing, jewelry, dishware, boots, beds, and on and on. ■

# Program Recap

## ICSC/MSCA North Central States Retail Real Estate Forum

by Eric Beazley, Loucks Associates

**Who:** Michael Coles, Caribou Coffee

**What:** Keynote Speech

**When:** Wednesday, September 19

**Where:** Marriot Minneapolis Southwest

**Synopsis:** Michael Coles, CEO and Head Bou of Caribou Coffee, was recruited in 2003 to develop the company into a serious Number Two challenger for its main competitor, Starbucks. The result of his three years with Caribou is another grand success in his long list of career achievements, as Caribou is now the second largest specialty coffee company in the U.S. Caribou is headquartered in Minneapolis and is publicly traded on NASDAQ as CBOU. The first store opened in 1992, and the company now employs over 4,000 employees in 13 states.

Coles portrayed a calming inspiration through his speech, which not only spurred a standing ovation, but also taught a valuable lesson about achieving success. Coles spent the early part of his career in the clothing industry. When he and his partner founded the Great American Cookie Company in 1977, neither of them had experience in the food business. This caused the two entrepreneurs to find their path to success the hard way. During his time with the Great American Cookie Company, Coles was involved in a disabling motorcycle accident. He was told he would never be able to walk without a cane or crutches. However, by the time he sold the company in 1998 to run for a seat in the U.S. Senate, he was completely rehabilitated and had set three world records biking across the country.

Finding the courage to jump headfirst into an unknown business opportunity, recover from a disability and run for U.S. Senate has laid the foundation for Coles' strategies on facing the competition and winning. As Coles puts it: figure out what a business does well and do more of it; at the same time, figure out what a business does wrong and stop doing it. Going one step further, he says "if it ain't broke, you haven't looked hard enough." In an effort to accomplish this goal, Caribou has developed a formula for success. The following are three

factors that Caribou evaluates when implementing its formula for business success: 1) Understand objectives by defining a mission. Caribou's primary mission is service, service, service. 2) Determine the differentiating point through information, innovation, implementation and improvement. And 3) create the experience factor through superior service and unique experience. Ultimately, Coles believes the most critical step for success is learning how to deal with unexpected situations, which he likened to the story of David and Goliath. David had the courage to step into the valley, deal with unknowns and face the Goliath. Are you ready to step into the valley?

While the keynote speech was one of the highlights of the event, there were many opportunities for participants to complete their experience. Robert Johnson of AEI Capital Corporation spoke on AEI's growth over the past four decades, and on development financing, property pricing and the creation of the TIC market. A roundtable discussion session offered opportunities to learn about a variety of topics, such as retailer site selection and franchising concepts. Another presentation focused on an overview of current and new developments in the North Central States market. Finally, after the keynote speech, several businesses exhibited, offering participants an opportunity to network with retailers, brokers, developers, suppliers, redevelopment agencies and economic development organizations.

### What's New on the MSCA Website?

We value your feedback and want to hear from you! Members can go to the MSCA home page and click on Contact Us and select Program Comments to give us your MSCA program evaluation. You can also select MSCA Comment Card to provide general comments. This will be an option for non-members soon. For questions, please contact Cindy MacDonald at 952-948-9408.



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Aaron Barnard, *Northstar Partners LLC*

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John Tramm, *Griffin Companies*

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Ned Rukavina, *United Properties*

Bill McCrum

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# Member Profiles

## Betsy Budge



**Company:** Welsh Companies, LLC  
**Primary Career Focus:** Investment Sales  
**Family:** My fiancé and my pug (Hank)  
**Dream Job:** Clothing Designer  
**Favorite Song:** Anything by Dave Matthews Band  
**Favorite Food:** Artichoke Dip  
**MSCA Involvement:** Research Committee

## Jeff R. Blackwell, PE



**Company:** RLK, Incorporated  
**Primary Career Focus:** Senior Professional Engineer  
**Family:** Wife – Donna, Children – Matthew (11), Nathan (9), Emily (7)  
**Very First Job:** Dishwasher at TGI Fridays  
**Dream Job:** Owning a radio station that just plays songs that I like  
**MSCA Involvement:** Active on the STARR<sup>SM</sup> Awards committee for over two years

# Committee Profile

## Membership Committee



### Co-Chairs:

Cynthia Hable, *Schafer Richardson*  
 Aaron Barnard, *Northstar Partners*

The Membership Committee, chaired by Cynthia Hable and Aaron Barnard, is responsible for managing, promoting and expanding membership for the organization. Our current membership consists of 316 companies and over 730 members. Committee goals this year were to organize new member welcome luncheons, expand membership and create ideas to retain members. Membership benefits include valuable networking, earning continuing education credits, legislative representation and access to information on what's happening in the retail industry.

### Members:

Bobby Jensen, *TruGreen Landcare*  
 Peter Dugan, *CB Richard Ellis*  
 Mark Norman, *Park Midwest Commercial Real Estate*  
 Stefani Pennaz, *Business Journal*  
 Laura Schoenbauer, *Gray Plant Mooty*  
 Todd Streed, *Pinehurst Bank*  
 Lisa Diehl, *Steiner Development*  
 Scott Emmack, *Kraus-Anderson Realty Company*  
 Jeff Horstmann, *Paster Enterprises*  
 Nick Ertz, *United Properties*  
 Chris Biehle, *Bullis Insurance*  
 Debra Mahoney, *Mahoney Management, L.L.C.*

# New Members

MSCA would like to welcome our new members:

**Chad Nelson**, FPI Paving Contractors Inc.

**Timothy Rye**, Shenehon Company

**Jake Schwamb**, CEP Companies

**Galen Steiner**, Steiner Construction Services

**Peter Wehseler**, M&I Bank

**Teressa Kadlec**, M&I Bank

**Justin Reinholz**, TCF Bank

**Derek Naill**, M&I Bank

**Mark Brown**, Classic Asphalt & Sealcoating Company Inc.

**Suzette Rettinger**, Griffin Companies

**Brian Stanley**, TCF Bank

**Nick A. Furia**, Fredrickson & Byron

**Justin Wing**, Paster Enterprises

**Jerad Ducklow**, MikDen Properties

**Brent Anderson**, Old Republic Title

# October Member News

## Hable Joins Schafer Richardson

Cynthia Hable has joined Schafer Richardson as the Director of Asset Management.

## Zellmer Joins Park Midwest

Jesseka Zellmer has joined Park Midwest Commercial Real Estate in a retail leasing and landlord representative capacity.

## Ward Joins Grubb & Ellis/Northco

Dick Ward has joined Grubb & Ellis/Northco as the Vice President. He will have responsibilities in the areas of leasing, development and acquisitions.

# Marketplace Minnesota

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

- KKE Architects, Inc.'s work with restaurateurs D'Amico & Partners has resulted in **Masa**, a restaurant that is earning rave reviews for its authentic Mexican cuisine and its elegant, sophisticated design.

- Benson-Orth Associates recently started construction for H.J. Development on **Carson Street Station**, an upscale retail development that will consist of approximately 25,000 sf of new retail in two buildings. The project, scheduled for completion by December 2006, is located at the intersection of Highway 169 and Main Street in Elk River.

- Marshall Fields, formerly Dayton's, has now been rebranded and reopened as **Macys** in all locations.

- The first stores have now opened in the **Fountains at Arbor Lakes** in Maple

Grove. DSW and Dick's Sporting Goods opened the first week in September, followed by Marshalls, Circuit City, Caribou Coffee, Trade Secret and Mattress Giant. Opus announced that it is 80% leased in the retail shops.

- Paster Enterprises announces an agreement with Aldi USA Corporation. **Aldi** will occupy 16,155 sf as a prominent corner anchor in the Moundsview Square Shopping Center.

- The Blaine City Council approved a new plat for the northwest corner of Highway 65 and 109th Avenue. This plat includes a lot for a new 46,000 sf **Best Buy** store. Also planned for this site is a 7,150 sf multi-tenant retail building and one outlet.

- JCPenney has hired **Stahl Construction** to convert an existing

department store, previously a Mervyn's, into a JCPenney store. The new store, located in Eden Prairie Center, is two-levels totaling over 130,000 sf.

- **Lowe's** has started construction on a new 170,000 sf store and garden center to be located on the southwest corner of Highway 65 at 117th Avenue. The store is expected to open in February 2007.

- **Ben Bridge Jeweler** has opened its doors at Rosedale Center. This is the third store Ben Bridge has opened in the Twin Cities, joining Southdale Shopping Center and Mall of America.

- Benson-Orth Associates has recently started an exterior facelift and interior renovations to the **Mounds View Square** retail center for Paster Enterprises. The project is expected to be completed by December.

## Rising Star Massage Envy

by Sara Martin, Welsh Companies, LLC

If you talk to most people who treat themselves to one or two massages a year, they would tell you that either expense or time keeps them from more frequent visits. Conquering customers' lack of money and time is the foundation that CEO John Leonesio built Massage Envy around. After 30 years in the health and wellness industry, Leonesio recognized a need for an affordable massage, one that fit into his customer's busy schedule. With that in mind, he started Massage Envy in 2002. The Massage Envy concept offers massages on a monthly membership basis. This unique opportunity includes unlimited massages each month for \$49.00 per massage and over 4,000 monthly appointments to choose from.

Gary Meyers, Regional Developer for Massage Envy in Minnesota, says, "The first three locations are exceeding projected membership numbers and we are extremely pleased with the positive

feedback we have received from landlords and co-tenants alike."

It wasn't that long ago that many landlords would not allow a massage therapy clinic in their retail centers due to public and municipal perception of the industry. In 2006, massage therapy is a mainstream business, with 21% of the population getting massages on a regular basis. The growth of the industry is being attributed to several factors, including the aging baby boomer population and our increasingly over-worked and stressful lives. Recent scientific research also has proven that receiving a regular massage can also help people suffering from ailments ranging from allergies and asthma to insomnia.

Massage Envy currently has 119 locations open nationwide and another 59 slated to open in the next year. Minnesota currently has three locations and one is opening soon in Hudson, Wisconsin. Minnesota is

expecting a total of 30 franchises in the next 5-10 years.

The ideal site for Massage Envy is 2,500-3,500 sf in trade area with at least 5,000 households in the 3 mile radius and average household income of \$75,000 or higher. The preferred co-tenants include grocers, bookstores, health clubs and coffee shops. If you have a site that you feel may be a fit for Massage Envy you may send site information to

[realestate@massageenvy.com](mailto:realestate@massageenvy.com) ■  
[www.massageenvy.com](http://www.massageenvy.com) ■

### 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, November 1** – Retail Report

**Tuesday, December 5** – STARR<sup>SM</sup> Awards, *Golden Valley Country Club*

Watch for the release of the 2007 program schedule coming next month!

# Market Update

## Northtown Mall



by Ross Dahlin, Itasca Funding Group, Inc.

Driving along Old County Road 10 or University Avenue NE, one can no longer overlook Northtown Mall, with its huge copper and stone pylon signs surrounding a shopping center that continues to re-invent itself and attract retailers. Since Northtown was built in 1972, numerous retail centers have sprouted in the area. Glimcher Properties purchased the center in 1998 and has recently spent \$5 million on new monument signs, mall entries and an expanded food court. As the only enclosed regional shopping center in Anoka County, Northtown Mall always strives to be the primary “retail hub” for this large, fast-growing region that includes the suburbs of Andover, Ham Lake, Blaine, Coon Rapids, Mounds View, Spring Lake Park and Fridley.

Recent years have brought about profound changes to Northtown. In 2005, an 83,000 sf Burlington Coat opened in the former Kohl’s space. In addition to its traditional lines of coats, clothing, and shoes, the discount retailer offers linens, home décor, and a full line of baby items. The year 2005 also saw the development of an

outparcel building with Starbucks, Verizon, GameStop and Potbelly Sandwiches. Northtown has up to five additional outparcel lots available for development. Tradehome Shoes opened inside the mall in 2006, and Famous Footwear and d.e.m.o. are expected to open yet this fall. In 2007, Applebee’s will move to a pad site just north of their current location. The arrival of Home Depot in 2007 will completely transform much of the shopping center’s land area. Glimcher eliminated the old Montgomery Ward building to make way for Home Depot, which will feature attractive textured stone exterior walls on all four sides. In addition to a new mall entrance facing Home Depot, quality landscaping, carpeting in the common area, and replacing the remaining “bench” furniture with new soft-seating are some of the upgrades coming to Northtown.

The biggest challenge remaining for Northtown Mall is finding tenants to fill the vacant, two-story anchor space at the center’s north end. Paula Mueller, Northtown’s general manager, is optimistic

that Glimcher’s flexibility with re-leasing the space will attract tenants. Tenants with space needs from 500 to 100,000 sf could be accommodated. The anchor space could be divided in several ways with out-facing entrances added. According to Mueller, proven retailers in the sporting goods, fitness, booksellers, and restaurant categories are being sought for both the outparcels and vacant space within the center. Home décor retailers to complement Home Depot would also be an excellent addition to Northtown. Contact Paula Mueller at (763) 786-9705 for leasing information.

Surrounding Northtown Mall, numerous retail centers have sprouted, creating an unparalleled shopping destination for the northern metro. Leasing opportunities exist in Springbrook Village, anchored by Target Greatland and Sears Outlet. Spaces of 16,000, 2,897, and 2,000 sf are available in the recently renovated shopping center. Contact Doug Seward of Kraus-Anderson at (952) 948-9405 for leasing information. ■

## Transportation Amendment

by Howard Paster, Paster Enterprises, LLC

The 2005 Minnesota Legislature authorized the Transportation Constitutional Amendment, placing a question in front of voters about future transportation investments. The proposed amendment will ask whether all of the revenue from the existing motor vehicle sales tax should go to improve the state’s highways and public transit systems:

“Shall the Minnesota Constitution be amended to dedicate revenue from a tax on the sale of new and used motor vehicles over a five-year period, so that after June 30, 2011, all of the revenue is dedicated at least 40 percent for public transit assistance and not more than 60 percent for highway purposes?”

An amendment to the Minnesota Constitution is proposed to the people. If

the amendment is adopted, two sections will be added to article XIV to read:

“Sec. 12. Beginning with the fiscal year starting July 1, 2007, 63.75 percent of the revenue from a tax imposed by the state on the sale of a new or used motor vehicle must be apportioned for transportation purposes described in section 13, then the revenue apportioned for transportation purposes must be increased by ten percent for each subsequent fiscal year through June 30, 2011, and then the revenue must be apportioned 100 percent for transportation purposes after June 30, 2011.

Sec. 13. The revenue apportioned in section 12 must be allocated for the following transportation purposes: not more than 60 percent must be deposited in

the highway user tax distribution fund, and not less than 40 percent must be deposited in a fund dedicated solely to public transit assistance as defined by law.”

### *Importance of a YES vote*

In Minnesota, passing an amendment to the constitution requires a majority vote of all people voting. If a voter leaves this question blank on the ballot, it is considered a NO vote.

A NO vote tells state leaders that the public does not think improved transportation is important.

A YES vote sends the message that Minnesotans want more investments in roads and transit. By saying YES to dedication of all of the existing motor vehicle sales tax revenue to transportation purposes you can help fund critical safety and efficiency improvements to Minnesota’s roads, bridges and transit. A YES vote will boost transportation funding by more than \$300 million every year! ■

# Thank You!

## Featured Corporate Sponsors Company Visions

### Colliers

Premier third-party commercial real estate services to institutions, corporations and entrepreneurs.

### Paster Enterprises

Develop and manage first class neighborhood shopping centers that are dedicated to serving the needs of their communities. Paster Enterprises promotes entrepreneurialism with its foundation of a family business since 1948.

### Landform

Landform is committed to the development of long-lasting client relationships, the design of quality exterior environments, and the resolution of challenging site situations through technical excellence and professional ingenuity.

### Messerli & Kramer, P.A.

Where relationships and results go hand-in-hand.

### NorthMarq Capital, Inc.

To be the premier commercial real estate mortgage banking firm in the market.

### Solomon Real Estate

To develop a variety of properties that effectively meet the needs of our clients and the communities they serve.

### RSP Architects

What we imagine and build together is better than any of us can create alone.

### CSM Corporation

Development of real estate and relationships with a long-term perspective.

### Are you a Princess?

Almost 4 million children dressed as a princess for Halloween in 2005, making it the most popular costume, according to the National Retail Federation (NRF). This trend for classic, timeless costume favorites is expected to continue in 2006.

NRF's survey states that over 50% of consumers will buy a costume for Halloween, including one-third of all adults, and will spend an average of \$31.88 on that purchase. A whopping \$3.3 billion will be spent on the Halloween holiday, making it the sixth-largest spending holiday of the year.

### H.J. Development, Inc.

At H.J. Development, we strive to maintain our goal of superb performance in retail development, management, and investments resulting in successful, long-term ownership.

# Introducing...



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After years of planning and programming, Horizon Roofing & Sheet Metal, along with our programmers have come up with an online reporting system that is second to none in the roofing industry.

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We are currently setting up appointments to show customers the new system. We guarantee that our BirdsEye Reporting system will out perform any other program you have used or are currently using! Please give us a call for a demonstration.

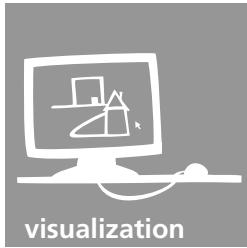
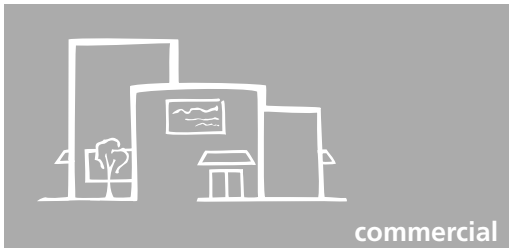
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