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THE Connection



MINNESOTA SHOPPING CENTER ASSOCIATION

OCTOBER 2016



The Walking Dead: Department Stores



by Johnny Reimann, MID-AMERICA REAL ESTATE – MINNESOTA, LLC

It happens often in the big box circuit — lists of department stores that are open, but “available” throughout the country are circulated among other retailers. They are opportunity for these healthier concepts to pick through and determine if they can step into a cluster of the stores, whether through sublease or purchase if that user is headed for bankruptcy (like what Sports Authority tried doing with their portfolio).

Today the sharks are circling around a list of Sears and Kmart stores, and in some parts of the country, Macys, as they look to trim their fleet. Deterioration of these concepts provides opportunity for other retailers and for mall owners that control the space around the box to reposition an entire side of their property with fresh concepts that will drive new traffic. All over Minnesota, these strategy conversations are happening right now.

Today the sharks are circling around a list of Sears and Kmart stores, and in some parts of the country, Macys, as they look to trim their fleet.

Charting the course of department store popularity looks like a bell curve, and we’re down near the clapper. Don’t mistake this for suggestion that they’re going away completely — there is too much money tied up in the improvements, and certainly there are strong malls with anchors doing significant business. Macys, Sears, Mervyns, JC Penneys and others rode the wave of regional mall development in the 60’s and 70’s as retail developers gave the booming suburban areas what they wanted — large format shopping experiences with individual department store-within-a-store areas to drill down on what shoppers sought. There were probably too many built over that period of time. Then the rise of power center development gave consumers a different type of

shopping experience -convenient parking to walk directly into their stores. Park once, browse inside TJ Maxx for new shorts, pick up the dry cleaning and that evening’s dinner at Cub. There is still demand for new power centers such as Central Park Commons, Shingle Creek Crossing and City Place because the convenience, visibility and shopping experience continue to have relevance while the department store anchored malls of yesteryear are not going away, but like a land-line phone, not really being made anymore.

In our market, we should see Sears Holdings at the forefront of significant change in many of our malls because of their prime locations. The owners of

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FEATURE ARTICLE CONTINUED: **The Walking Dead: Department Stores**

Eden Prairie Center, Maplewood Mall, Kandi Mall in Willmar and Ridgedale Center have been quietly marketing their position for multiple years now as they anticipate what's to come. Scheels already took advantage of opportunity to tear down the Sears box and build new at Apache Mall in Rochester, and they backfilled a vacant Target position in Grand Forks. Those deals improved the mall in both cases.

A New York Real Estate News article from earlier this year detailed the reinvigoration of Simon Property Group. The main highlight was enclosed malls must use anchor redevelopment as a catalyst to remain relevant. The article chronicles how the slow, painful death of the anchor tenant has

served as the kiss of life for some of the country's largest mall owners, SPG in particular. After taking back a Saks space, Simon inked a deal to bring a nine-screen AMC movie theater, a bowling alley and a bocce restaurant to the space. I anticipate similar types of deals for our mall spaces when timing and terms finally do align.

The slow decline of department stores won't show like a zombie horror flick for mall owners. Regardless of what happens with their anchors, these properties have a commodity in high demand – seas of parking lot in prime locations that are ripe for development. As the Uber, car share and self-driving vehicle era develops, cities seem to grasp that the parking ratios of old

aren't relevant anymore. Our brick-and-mortar shopping places and experiences continue to evolve, and it's exciting to see what the future holds.

After taking back a Saks space, Simon inked a deal to bring a nine-screen AMC movie theater, a bowling alley and a bocce restaurant to the space.



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CycleBar

by Jessica Keefe, THIRTY EIGHT PROPERTIES, LLC



THE WORLD'S FIRST AND ONLY PREMIUM INDOOR CYCLING FRANCHISE HAS DEBUTED IN THE TWIN CITIES THIS YEAR. The latest Uptown studio opened September 1, following the April opening of the first location in Woodbury. Started in 2004 between a brother/sister duo, CycleBar became one of the first independent cycling studios in the country in their Boston neighborhood. Today, the concept has grown nationally to 25 studios that are individually owned and operated by passionate, like-minded franchisees.

The mission is simple: create a fun and accessible experience for riders of all ages and fitness levels. The classes are 50-minutes long and are offered in four different formats: Classic, Connect, Performance, and Endurance. In a studio of 50 bikes and led by an experienced CycleStar instructor, the CycleBar experience takes riders through a fueled ride, including great music, energy-enhancing video graphics and rider-specific performance data in a state-of-the-art CycleTheatre.

In addition, dependent on the classes, happy hour drinks, coffee, and fresh food are all parts of this royal CycleBar treatment. CycleBar also looks to give back to its communities through its CycleGiving rides, where the studio partners with local organizations and charities to help raise donations. This one-of-a-kind fundraising model allows groups to raise proceeds through exciting and energetic indoor rides, causing organizations such as the Pinky Swear Foundation to partner with the local Uptown studio.



On the ground floor of The Walkway apartments, the new Uptown studio has a footprint of just under 3,000 SF. Zach Pettus, the owner of CycleBar Uptown, commented on the expansion of the franchise into the Twin Cities market: "Minneapolis is thirsty for an option like CycleBar. There is nothing around here that offers the type of amenities and equipment we have, in a fun boutique environment. There is a strong following for specialty fitness, and it's time that people here can have get a good sweat to incredible music and have a glass of wine and socialize, all in the same place." Zach plans to expand to multiple studios in the Twin Cities, looking to give everyone the ability to 'rock a ride' at CycleBar.

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* Based on Commercial Multi-Peril direct premiums written, according to a 2013 report by SNL Financial.

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Hearts & Hammers – Fall Philanthropic Event Recap!

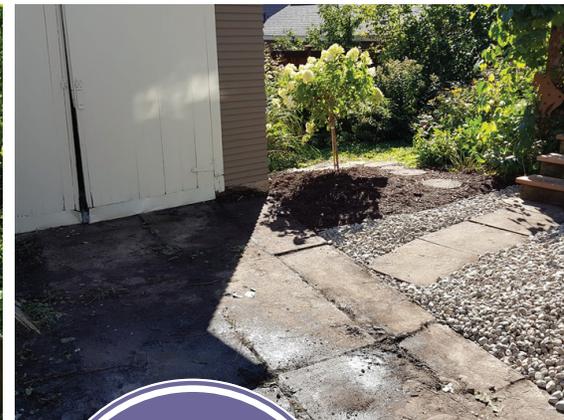
40 MSCA and IREM volunteers helped transform the outside of this house in St. Paul! **Huge thank you to our sponsors for the day and helping to make this event happen!** What a change, these volunteers really know what they're doing!

Thank you to our sponsors for the day:

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[Click here to see the full photo gallery](#)



by Katie Prater, PASTER PROPERTIES



Minnesota Marketplace

▶ Local boutique **MONA WILLIAMS** will close its original Northeast Minneapolis location at 18 University Ave. NE at the end of September. Owner, Patric Richardson, said he's open to another space in the Northeast/North Loop area, but is still "looking around." He recently opened a second location at Mall of America.

▶ The **HEWING HOTEL** will open in the Jackson Building in the North Loop later this fall. **TULLIBEE**, a Nordic restaurant, will open inside the boutique hotel. Tullibee will be led by chef Grae Nonas and focus on Nordic cuisine that aligns with Minnesota's Nordic roots.

▶ **YOGA CENTER OF MINNEAPOLIS** announced it will relocate its offices and studios into a 4,500 sf space at Velo Apartments in the North Loop. Owners hope the relocation will attract more walk-in traffic and boost the studio's retail business. Yoga Center plans to be open by mid-October.

▶ St. Louis Park mainstay, **BUNNY'S BAR & GRILL** will open a second location in the former Community Keg House space located at 34 13th Ave NE in Northeast Minneapolis. Bunny's plans to have the 4,000 sf space open in November.

▶ **ORANGETHEORY FITNESS** is relocating from a 3,000 sf location at Calhoun Village to a new 4,000 sf location at 2640 Hennepin Ave S. in Minneapolis. The new stand-alone location was formerly home to FirstTech and will allow members to utilize updated equipment, free parking, and more flexible hours.

▶ **HEALTH CONNECTIONS CHIROPRACTIC CENTER** opened a new chiropractic office at 7750 Harkness Ave. Suite 105 in Cottage Grove. The chiropractic office joins co-tenants Anytime Fitness, American Family Insurance, and Jimmy Johns in The Shoppes at Gateway North Shopping Center.

▶ **PIADA ITALIAN STREET FOOD** will open a 2,571 sf store in Woodbury's CityPlace Development. When the Woodbury location opens later this fall, it will be the third Piada to open in the Twin Cities.

▶ **KMART** announced more store closures. Two Minnesota stores made the list: Moorhead and the Signal Hills Shopping Center location in West St. Paul. The stores are expected to close to the public in mid-December.

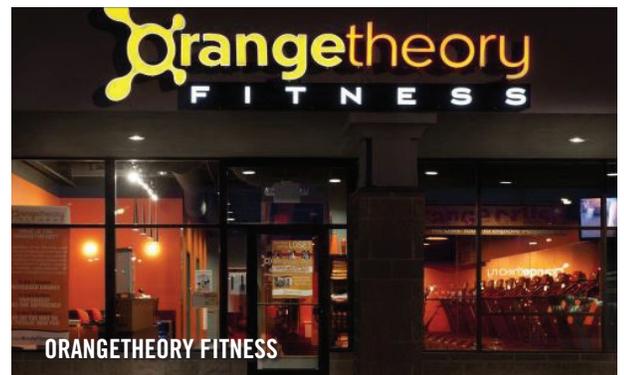
▶ **RUBY TUESDAY** announced several restaurant closures including eight restaurants in Minnesota: Apple Valley, Champlin, Chaska, Cottage Grove, Eden Prairie, Oak Park Heights, Plymouth, and Mall of America. Four Ruby Tuesday's will remain open: Rosedale, Southdale, Shakopee, and Inver Grove Heights.

▶ **PATRICK'S BAKERY CAFÉ** will open a fourth location in a former Snyder Drug in Navarre. The building is located at 2380 Shadywood Road. Patrick's will use the space as a retail bakery, restaurant serving lunch and dinner, and a production kitchen.

- continued on page 6



MONA WILLIAMS



ORANGETHEORY FITNESS



KMART



PATRICK'S BAKERY CAFÉ

CONTINUED: Minnesota Marketplace

▶ **COSTCO** will finally be opening a store in Woodbury after nearly a 20 year wait. The 163,500 sf warehouse store is expected to open in fall of 2017 located near the intersection of Tamarack Road and Weir Drive.

▶ **SEARS** at Eden Prairie Center will close in November. Sears was an original anchor for the shopping center when it opened in 1976.

▶ **MUSIC GO ROUND** opened at the Country Village Shopping Center in Minnetonka located at 11319 Highway 7 in the former Hobbytown USA space. The 3,136 sf space is adjacent to sister store Play It Again Sports.

OUT STATE:

▶ **CROOKED PINT ALEHOUSE** will open a location in Duluth in the Kenwood Village development. The restaurant is slated to open in Summer 2017 and will be roughly 4,958 sf with a patio.

▶ **LITTLE CAESAR'S** will open a second location in Duluth in Kenwood Village. The pizza restaurant will occupy 1,291 sf. Little Caesar's plans to open in Spring 2017.



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Legislative Update

by Zander Fried, MID-AMERICA REAL ESTATE – MINNESOTA, LLC

MSCA would like to thank Rich Forschler (Faegre Baker Daniels), Tom Freeman (Faegre Baker Daniels), and Todd Rapp (Himle Rapp & Company) for leading September's legislative education seminar. The dynamic trio discussed the upcoming presidential election and the impacts it will have on Minnesota's local political climate. They emphasized a number of items to track as this next election cycle moves forward.

Constituencies across the political spectrum are dissatisfied with either nominee for President – 44% believe both are terrible candidates.

VOTER TURNOUT

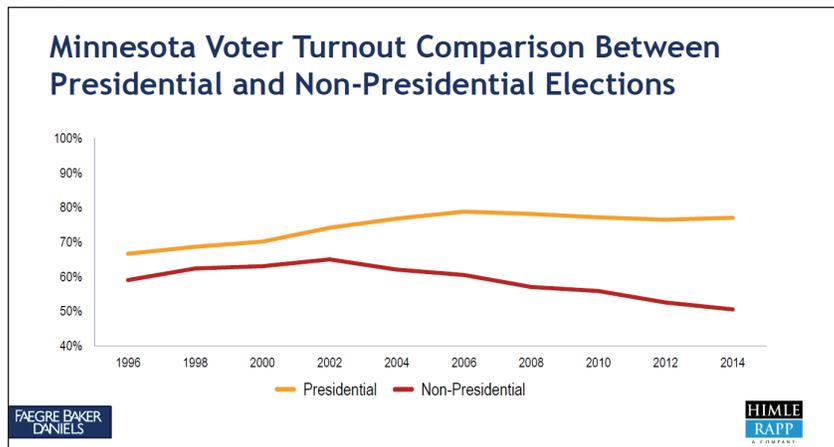
Al Gore lost Florida to George W. Bush by 467 votes. Minnesota's 2008 U.S. Senate Race was ultimately decided by 312 votes. In 2010, Zach Dorholt lost to King Banaian by 13 votes to become a Minnesota State Representative. These statistics reflect the very small margins by which election winners are selected. Voter turnout will absolutely be the deciding factor in both the presidential race and local elections.

either nominee for President – 44% believe both are terrible candidates. Yet, 91% say they have already made a decision. Polls reflect that the political issues at hand are an afterthought in solidifying a vote. A constituent's existing party loyalty and the personality traits of each candidate are the two primary factors impacting a voter's choice in this cycle. This rate of dissatisfaction only amplifies the effect voter turnout will have on this election.

cycle, Clinton's strategy provides a potential boost for the Democratic Party's overall success. Even if she loses the general election, her tactic may help the Democrats win control of other seats. Though it is being discussed, the Republicans have yet to pull money from Trump's war chest to combat this.

MSCA'S LEGISLATIVE PRIORITIES

MSCA's lobbying efforts continue to focus on reforming Minnesota's property tax laws, street improvement districts, transportation funding, estate taxes, and transparency legislation. It is widely unexpected that a special session will be called to resolve the inaction of the previous session. The upcoming elections then, will determine the issues to be addressed and the decision makers addressing them. Given the impact of voter turnout in the next election, MSCA urges all of its members to get out and vote in November, regardless of their political leanings.



A presidential year in Minnesota means far higher voter turnout in the election. This could prove problematic for the Republicans, as they have struggled in Minnesota during presidential election years: the DFL has not lost control of the Senate after a presidential election since 1972.

VASTLY DIFFERENT CAMPAIGN STRATEGIES

The two candidates are running very different kinds of campaigns. Donald Trump is utilizing an unproven, but thus far effective national free-media strategy. It's a blanket tactic that doesn't put much focus on local elections. Hilary Clinton's is far more traditional, using paid media to target voters state-by-state. Given the number of potential swing states at play this

MORE INFORMATION

Help us make your voice heard by becoming involved in our events, donating monetarily to the committee, and visiting MSCA's website for further updates. For the full PowerPoint detailing Rich Forschler, Tom Freeman, and Todd Rapp's presentation, please go to the legislative page on MSCA's website.

POPULARITY OF THE CANDIDATES

Constituencies across the political spectrum are dissatisfied with

**SEPTEMBER PROFESSIONAL SHOWCASE —
SHOWCASE LANDSCAPE AND OUTDOOR SERVICES**



As the seasons change from Iced Mochas to Pumpkins Lattes are you ready? We all know it goes from the hot days of summer to the frozen tundra in a blink of an eye.

Speaking of change, you may have noticed Natural Green has become **SHOWCASE LANDSCAPE AND OUTDOOR SERVICES!** They are excited about the switch and the future with MSCA and its members.

Give them a call and talk to them about any properties you need help with for outdoor services this up-coming winter and next spring at 763-425-8400.

SEPTEMBER SPEAKERS



L to R: **LIZ GRZECHOWIAK** – Metropolitan Airports Commission
LUCY GALBRAITH – Metro Transit
DAVID WELLINGTON – Wellington Management, Inc.
JOHNNY REIMANN – Mid-America Real Estate – Minnesota, LLC

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EVENT	VENUE	DATE
THE CHANGING FACE OF GROCERY AND THE IMPACT OF CONSUMER TRENDS	Doubletree Hotel Minneapolis Park Place	Oct 12, 8:00-9:30am
MINNESOTA'S BREWERY BOOM - FROM ALE TO Z	Lakes & Legends Brewery	Oct 18, 2:00-3:00pm
THIRD THURSDAYS NETWORKING - FREE Open Bar sponsored by Aspen Waste Systems!	Roat Osha - Calhoun Square	Oct 20, 3:30-5:00pm

[HTTP://WWW.MSCA-ONLINE.COM/EVENTS/CALENDAR/DATE/2016-10](http://www.msca-online.com/events/calendar/date/2016-10)

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HOLIDAY PARTY

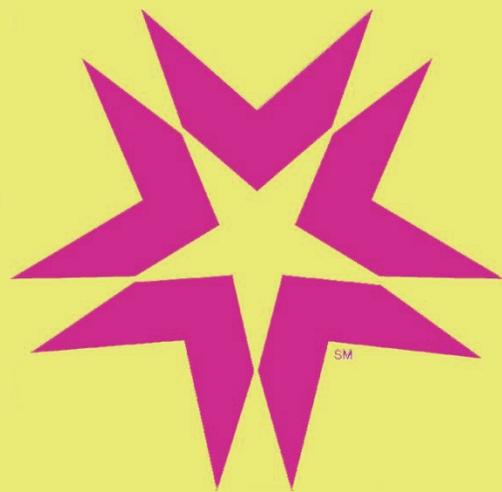


STARRSM AWARDS



YEAR END CEREMONIES

2016 STARRSM awards



Tuesday, December 6, 2016

Golden Valley Country Club

7001 Golden Valley Road ~ Golden Valley

3:30 p.m. Registration & Networking

5 p.m. Year End Ceremonies & Awards Presentation

6 p.m. Holiday Party

Reserve your tickets today online!

Corporate tables of eight: \$450

Corporate tables of four: \$250

Individual tickets: \$65 in advance / \$75 at the door

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LET'S CELEBRATE!



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