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Twin Cities Land Trends

By Bradford J. Pfaff, CCIM and Christopher M. Little, Colliers Land Acquisition & Disposition Services

Over the last five years, the Twin Cities Metro Area, along with many other parts of the country, has experienced appreciations in land values that are more profound than many of us have seen in our lifetimes. There are a number of factors that have contributed toward this shift in the marketplace, including housing and retail demands, however, there is more to this phenomenon than simple supply and demand economics.

One of the biggest contributors, outside of supply and demand, is the perception of land as an investment to investors, developers and banks. Many investors have come to realize that a well thought out land acquisition can outperform almost any investment in the marketplace today.



While land values continue to climb, we investigate some of the driving forces behind the different sectors of commercial land markets in the Twin Cities Metro Area:

INDUSTRIAL

As industrial infill sites in the inner ring suburbs become scarce, developers and industrial users are looking into the outer ring suburbs for tracts of industrial land with good access to the major freeway corridors. Yet even these types of sites, particularly along the I-94 corridor, are becoming difficult to find and many developers are now looking to "land bank" and hold properties in anticipation of the future availability of sewer and water. At the same time, industrial absorption rates are on the rise and owner occupied opportunities are becoming scarce. With fewer owner occupied options available to industrial users and the addition of declining industrial vacancy rates, many in the industry are anticipating a significant increase in industrial lease rates that haven't been seen in years, ultimately driving up industrial land values even further.

OFFICE

While the retail and housing markets have experienced significant growth over the last several years, the office market has remained fairly slow, leaving a number of office land development opportunities available to users and developers. Speculative office developments have been few and far between in recent years, with the exception of the growth in the office condominium market. That being said, the Twin Cities office market is finally beginning to see absorption rates on the rise and as a result the demand for office and business park land may finally experience a spark in the near future. Opportunities for high profile office developments are still available and many office land sites have been on the market for years, forcing land owners to drop their prices or seek rezoning. If the office vacancy rates continue to decline in the various sectors of the Twin Cities, expect to see a rush for developable office and business park land in the near future.

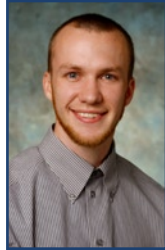
RETAIL

In the early 1980's, retail pad sites in Maple Grove were selling for \$3.00 to \$4.00/sq. ft. Today, we are seeing retail pad sites selling for north of \$30.00/sq. ft. in the Arbor Lakes area. Considering the lack of developable land and saturation of the inner city and suburban markets, the only opportunities retailers are finding for expansion are 1) redevelopments in larger cities, 2) suburban markets, or 3) open land in the rural and out of state markets. Given the importance of the real estate and the impact that location variables have on a retailer's gross sales, certain drug stores, fast food users and banks are paying anywhere from \$5.00/sq. ft. up to \$95.00/sq. ft., depending on the volume they forecast for a specific location or intersection. We are seeing 25 acres of raw retail land for sale in Monticello for over \$12.00/sq. ft. and land on University Avenue selling upwards of \$40.00/sq. ft..

Retail market still hustling in '06

By Adam Fisher, Colliers Research Associate

Last year the Twin Cities experienced nearly three million sq. ft. of new retail construction. Vacancy levels remained low despite the abundance of new space added to the market as retailers sought space, eager to take advantage of strong consumer spending.



Adam Fisher

2006 is shaping up to be another strong year for the retail market. There are numerous developments and expansions of existing properties both planned and underway by developers and owners looking to capitalize on favorable market fundamentals.

The 850,000 sq. ft. Fountains at Arbor Lake in Maple Grove is underway by Opus, with a partial opening slated for mid-2006. Duke has broken ground on a development at highways 100 and 394 which will include a 360,000 sq. ft. lifestyle center, two office towers, a theatre and condos.

Ground breaking on the expansion of Calhoun Square in the Uptown area of Minneapolis to three times its current size is set to begin this month. The project is expected to be completed in 2009. Plans for expanding the Mall of America by 5.6 million sq. ft. have been submitted to the City of Bloomington. Mall owners have asked for additional public subsidies for the project, without which the project scope may be curtailed.



Fountains at Arbor Lakes

Skilled. Seasoned. Sharp. Colliers' Dedicated Land Team.

Combining sales and consulting with regulatory experience, the team of Brad Pfaff, CCIM and Chris Little specializes in servicing buyers and sellers of industrial, commercial and residential land throughout the Twin Cities metropolitan area and surrounding communities.

Bradford J. Pfaff, CCIM, Second Vice President, joined Colliers in 1995, specializing in investment sales, retail leasing and land development. As his predominant focus became land acquisition and disposition, Brad led the Twin Cities office with the Land Sale of the Year in 1999 and 2004. He was awarded the Executive Sales Award in 2005, Master Level Sales Award in 2004 and has been the recipient of the Distinguished Sales Award twice in his career with Colliers. Brad is a member of ICSC- International Council of Shopping Centers, NAIOP – National Association of Industrial & Office Parks, NAR-National Association of REALTORS, MSCA – Minnesota Shopping Center Association, MNCAR-Minnesota Commercial Association of REALTORS and Colliers International Property Consultants.



Brad Pfaff, CCIM

Christopher M. Little, Associate, worked as a Right of Way agent for Wisconsin Electric Power Company and We Energies in Milwaukee for nearly six years prior to joining Colliers. During that time he contributed toward the management of more than 65,000 acres of land in Wisconsin and Michigan and was responsible for real estate development projects, leasing of land and facilities, and the disposition and acquisition of company land and easements. Since 2005, Chris has utilized his experience in zoning and land-use regulations as well as his proficiency in understanding the issues that affect land development and property pricing. He is a member of NAR, MNCAR, IRWA-International Right of Way Association.



Chris Little



Colliers Connects to Camps

The Minneapolis office of Colliers is pleased to announce its partnership with the YMCA of Metropolitan Minneapolis through our Colliers Connects to Camps program. Through a grant to the YMCA, Colliers will fund summer YMCA memberships for students age 10 and above who register to attend camp, and a free session of swimming lessons for those ages 7-9. As a company, Colliers has a long history of giving back to the community by promoting civic involvement and encouraging employees by providing opportunities to volunteer. Both organizations share the same values of caring, honesty, respect, and responsiveness. Colliers is looking forward to this year's camping season and building relationships with the children in the Metropolitan Minneapolis community.

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