Maxfield Research & Consulting

February 19, 2018

MEMORANDUM

TO: Ms. Kate Thunstrom
City of Saint Francis

FROM: Mr. Joe Hollman
Maxfield Research and Consulting, LLC

RE: Initial Market Assessment for Retail Development in Saint Francis, Minnesota

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Introduction/Purpose and Scope of Research

This memorandum provides an initial assessment of the market support for additional commercial retail development in the City of Saint Francis, Minnesota. The scope of this study includes a definition of the market area for retail space in Saint Francis and an overview of demographic and economic trends impacting the Market Area. The study concludes with demand calculations for retail space to 2022, along with preliminary recommendations of the type(s) of commercial retail business establishments needed in the City.

The methodology used to evaluate the market potential for commercial space in this memorandum is proprietary to Maxfield Research but is consistent with methodologies used by analysts throughout the commercial real estate industry. This report includes both primary and secondary research. Primary research includes interviews with City staff. Secondary research is credited to the source when used, and is usually data from the United States Census Bureau or regional planning agencies. Secondary research is always used as a basis for analysis, and is carefully reviewed in light of other factors that may impact projections.

It's important to note that this memorandum represents an initial market assessment. A full market potential analysis would provide a site analysis, comprehensive market information, and absorption projections.

Market Area Definition

Maxfield Research and Consulting, LLC determines Market Areas for commercial space based on geographic and man-made boundaries, commuting patterns, community orientation, places of employment, the distribution of commercial establishments, and our knowledge of the area. Due to factors such as accessibility, traffic volumes, and visibility of the area, we anticipate that the primary draw area for commercial goods and services in Saint Francis will be neighborhood- or convenience-oriented.

Neighborhood centers generally draw customers from a distance of one to three miles, while community centers draw from a larger area (i.e. three to six miles). Generally, a neighborhood center will be situated with direct access to a collector street and community centers typically have access to major thoroughfares and principal arterial roadways.

Highway 47, Ambassador Boulevard, and Bridge Street NW are classified as minor arterials. Minor arterial roadways serve slightly less concentrated traffic generators than principal arterials (i.e. Highways 65 and 169), such as neighborhood shopping centers and schools. The most likely retail uses to be drawn to sites in Saint Francis will be neighborhood- and convenience-oriented establishments that supply goods and services to area households and auto-oriented customers.

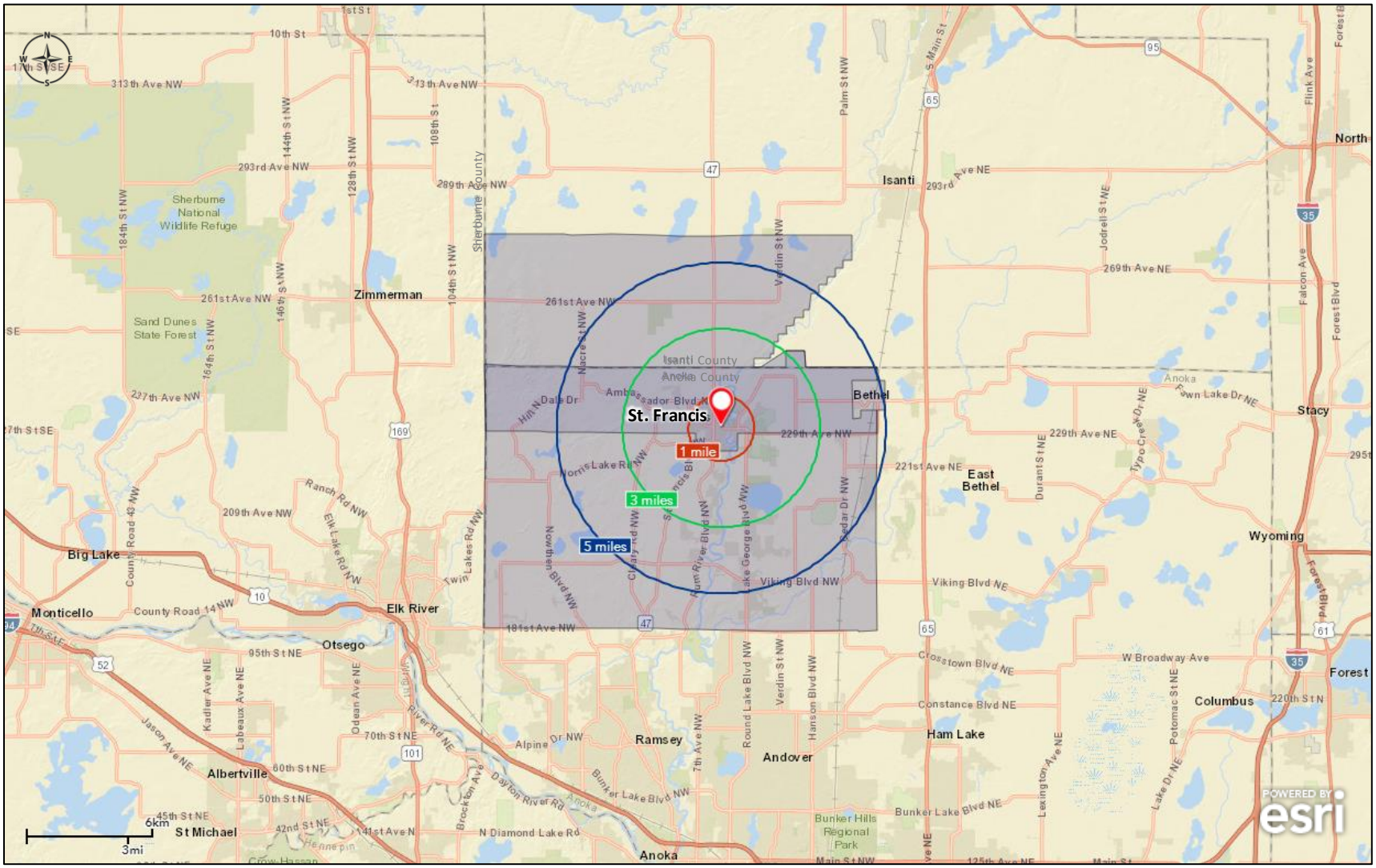
As such we define the Primary Market Area (PMA) for retail goods and services in Saint Francis as the following cities and townships in Anoka and Isanti County, Minnesota:

- City of Saint Francis (Anoka and Isanti County);
- City of Nowthen (Anoka County);
- City of Oak Grove (Anoka County); and,
- Stanford Township (Isanti County).

We anticipate that the primary source of demand for new retail space in Saint Francis will be generated by household and consumer expenditure growth in the PMA. However, retailers could also capture potential sales from employees working at businesses establishments in the area, the daily commuting traffic on the surrounding road network, and visitors to Saint Francis. As such, we expect that 75% of the demand for retail goods and services in the City will come from the PMA and the remaining 25% will come from sources other than PMA households.

The map on the following page illustrates the geographic boundaries of the PMA, along with one-, three-, and five-mile radii from the commercial core of Saint Francis (intersection of Bridge Street and Ambassador Boulevard). The radius circles are included to illustrate the typical draw area size for neighborhood-oriented retailers.

Primary Market Area



Population and Household Growth Trends

Table 1 presents a summary of population and household growth trends in the Market Area from 2000 to 2025. The 2000 and 2010 population and household figures were obtained from the U.S. Census Bureau. The 2017 estimates and projections for 2020 and 2025 are based on data provided by ESRI (a nationally recognized demographics firm) and the Metropolitan Council with adjustments made by Maxfield Research to reflect current year data. The following are key points from Table 1.

- As of 2010, the PMA contained 22,425 people and 7,695 households. Between 2000 and 2010, the population increased 24.9% (+4,474) while the number of households expanded 31.8% (+1,858). Saint Francis' population jumped 41.3% (+2,108) against household growth of 48.6% (+824) during the decade.

- The proportional increase in new households was high relative to population suggesting a trend toward shrinking households in the PMA. The trend toward declining household sizes indicates an aging household base and also reflects a general shift in demographic factors that favor smaller households, such as a declining proportion of married couple households with children.

TABLE 1
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
SAINT FRANCIS MARKET AREA
2000 - 2025

	Census		Estimate	Forecast		Change 2000-2010		Change 2010-2020	
	2000	2010	2017	2020	2025	No.	Pct.	No.	Pct.
Population									
Primary Market Area	**17,951**	**22,425**	**23,599**	**24,207**	**25,246**	**4,474**	**24.9%**	**1,782**	**7.9%**
City of St. Francis	5,110	7,218	7,624	7,835	8,197	2,108	41.3%	617	8.5%
Remainder of PMA	*12,841*	*15,207*	*15,975*	*16,372*	*17,049*	*2,366*	*18.4%*	*1,165*	*7.7%*
Anoka County	298,084	330,844	351,714	360,880	381,415	32,760	11.0%	30,036	9.1%
Twin Cities Metro Area*	2,642,062	2,849,567	3,070,137	3,127,660	3,258,305	207,505	7.9%	278,093	9.8%
Households									
Primary Market Area	**5,837**	**7,695**	**8,124**	**8,339**	**8,708**	**1,858**	**31.8%**	**644**	**8.4%**
City of St. Francis	1,696	2,520	2,674	2,751	2,884	824	48.6%	231	9.2%
Remainder of PMA	*4,141*	*5,175*	*5,450*	*5,588*	*5,824*	*1,034*	*25.0%*	*413*	*8.0%*
Anoka County	106,428	121,227	129,307	136,860	146,080	14,799	13.9%	15,633	12.9%
Twin Cities Metro Area*	1,021,456	1,117,749	1,201,993	1,256,580	1,317,525	*96,293*	*9.4%*	138,831	12.4%

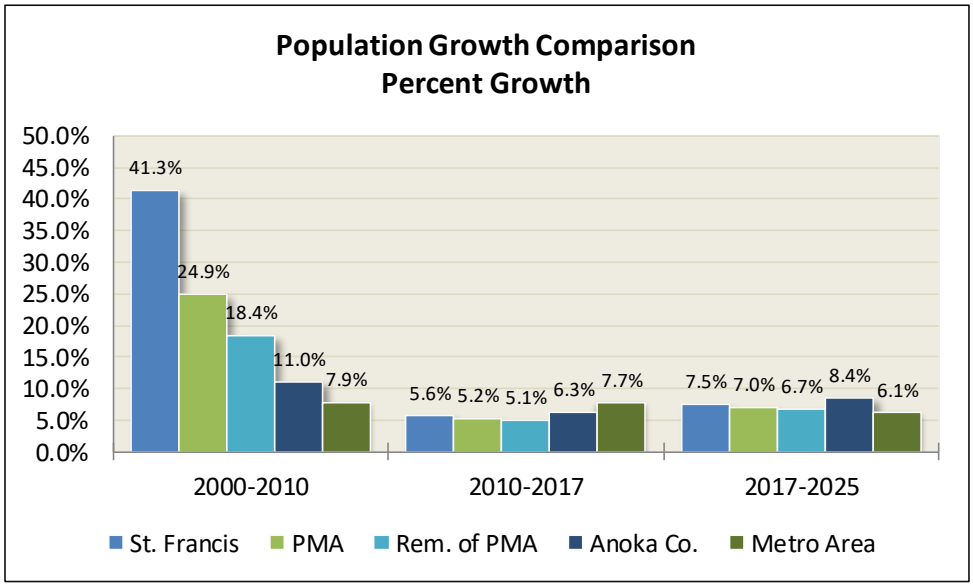
*Includes the 7-County Area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties)

Sources: US Census Bureau; Metropolitan Council; ESRI; Maxfield Research & Consulting, LLC

- The pace of household growth declined late last decade as residential development activity dropped off sharply due to the recession. Housing development has been gradually increasing since 2010, and we estimate that the PMA's population increased 5.3% to 23,599 between 2010 and 2017 while the number of households increased 5.6% (+429).

- Between 2017 and 2025, the PMA is projected to add 1,647 people (+7.0%) and 584 households (+7.2%). The rate of growth in the PMA is expected to be higher than the Twin Cities Metro Area (6.1% population growth between 2017 and 2025).

- Growth in the City of Saint Francis is projected to outpace the Remainder of the PMA, expanding by a total of 573 people (+7.5%) and 210 households (+7.9%) between 2017 and 2025. The Remainder of the PMA is projected to add 1,074 people (+6.7%) and 374 households (+6.9%).



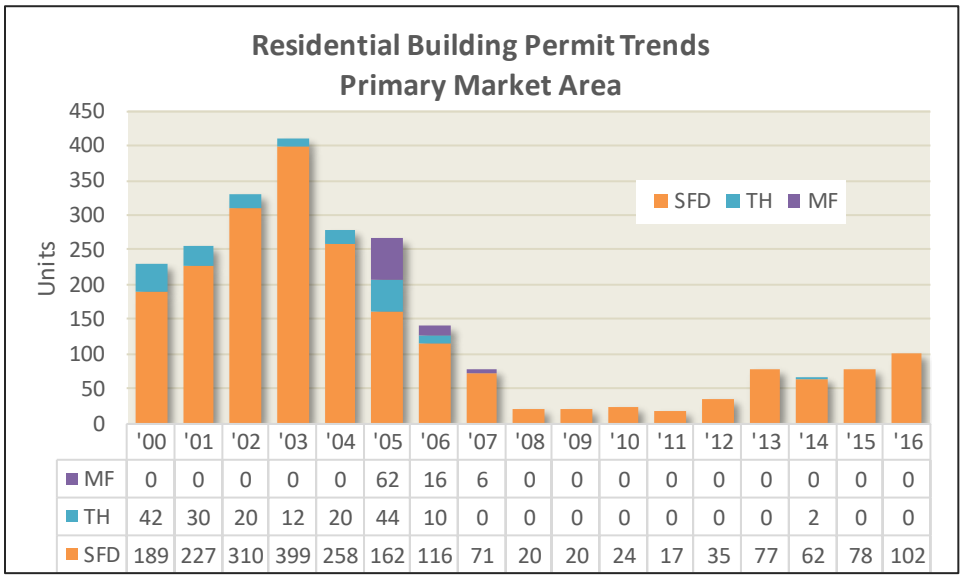
Residential Construction Trends

Based on building permit data, the following information summarizes residential construction activity in Saint Francis compared to the other cities in the PMA (Bethel, Nowthen, and Oak Grove) between 2000 and 2016, the most recent data available from the Metropolitan Council. The data represents the number of units permitted by housing type, including; single-family detached units (SFD), townhouse units (TH), and multifamily units (MF). Multifamily includes duplex, triplex, and four-plex units as well as buildings with five or more units.

- A total of 2,431 housing units were delivered in the Market Area between 2000 and 2016, including 1,105 units in Saint Francis and 1,326 units in the other cities comprising the PMA. Approximately 89% of the permitted units were for detached single-family homes (2,167), while 10% were for townhouse units (180), and 7% were multifamily (84 units).

- On average, the cities comprising the PMA permitted roughly 187 units per year between 2000 and 2010 and 62 new units per year since 2010.

- As illustrated in the following graph, residential construction activity has increased in recent years, but has not reached the pre-recession levels experienced during the early 2000s.



	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
MF	0	0	0	0	0	62	16	6	0	0	0	0	0	0	0	0	0
TH	42	30	20	12	20	44	10	0	0	0	0	0	0	0	2	0	0
SFD	189	227	310	399	258	162	116	71	20	20	24	17	35	77	62	78	102

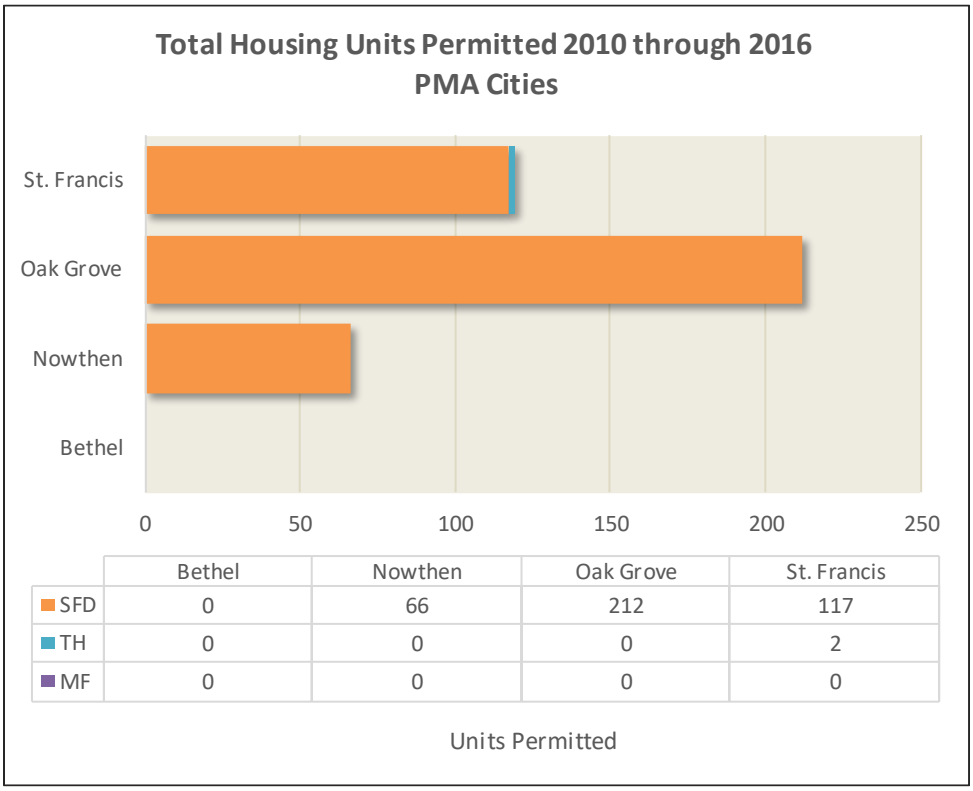
- Detached single-family homes have been the most common housing type developed since 2010, representing 99.5% of all units permitted in the Market Area. Townhouse units represented about 0.5% of all residential construction activity since 2010, and there have not been any multifamily units permitted in the PMA since 2010.

- Compared to the other cities in the PMA, Saint Francis experienced a relatively high proportion of townhouse development, as 14.7% of all units permitted were townhouses since 2000 compared to 1.4% in the other cities. Detached single-family residential development represented 82.4% of the residential units permitted in Saint Francis since 2000 and 2.9% of the units were in multifamily structures.

- Between 2000 and 2010, Saint Francis averaged roughly 91 permitted units per year (73 detached single-family homes, 15 townhouse units, and 3 multifamily units). Housing unit production in Saint Francis has dropped sharply since 2010. The City averaged 18 permitted units annually (17 detached single-family homes per year and one townhome unit) between 2010 and 2016.

- Oak Grove was the housing growth leader between 2010 and 2016 with 212 residential units permitted (53% of the total), followed by Saint Francis with 119 units (30%) and Nowthen with 66 units (17%). There were no residential units permitted in Bethel between 2010 and 2016.

- The following graph depicts the total number of residential units permitted from 2010 through 2016 for Saint Francis compared to Bethel, Nowthen, and Oak Grove. Permit data is presented for single-family detached housing (SFD), townhouse units (TH), and multifamily units (MF).



	Bethel	Nowthen	Oak Grove	St. Francis
SFD	0	66	212	117
TH	0	0	0	2
MF	0	0	0	0

- As noted earlier, nearly all of the residential development in the PMA has been detached single-family homes since 2010. No multifamily units and two townhouse units were permitted between 2010 and 2016.

Daytime Population

Table 2 on the following page displays information on the daytime population and resident workforce population in Saint Francis. People working in the City who do not reside there provide a potential supplemental commercial market for retail business establishments in the area. Information in the table is based on data from the U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD) program for 2010 and 2015, the most recent data available.

Outflow reflects the number of workers living in the Market Area but employed outside that area, while inflow measures the number of workers that are employed in the area but live outside the Market Area. Interior flow reflects the number of workers that live and work in that Market Area.

- As depicted in the table, the City of Saint Francis had a daytime population of 1,506 in 2015, a -0.6% decrease since 2010.

- Saint Francis is an exporter of workers, meaning that more residents commute out of the City for employment than non-residents commute into the City. With 1,506 workers commuting into the City, Saint Francis experienced a net outflow of -2,711 workers in 2015 as 3,895 workers commuted out of the City.

- Nearly 79% of the jobs in Saint Francis (1,184) were filled by workers commuting into the City in 2015, while 322 jobs were filled by residents already living in Saint Francis. Inflow in the City declined -1.4% between 2010 and 2015, while interior flow (workers that both reside and work in the City) increased 2.5%.

- The daytime population commuting into Saint Francis (1,184 workers in 2015) will contribute retail sales, along with area households, in the Market Area as employees at establishments located in Saint Francis will purchase commercial goods and services from area retailers. Restaurants, in particular, will benefit from an expanding daytime population in the City.

TABLE 2
DAYTIME POPULATION
CITY OF SAINT FRANCIS, MINNESOTA
2010 - 2015

	2010	2015	% Change 2010 - 2015
Daytime Population	**1,515**	**1,506**	**-0.6%**
Inflow	1,201	1,184	-1.4%
Interior Flow	314	322	2.5%
Resident Workforce	**3,531**	**4,217**	**19.4%**
Outflow	3,217	3,895	21.1%
Interior Flow	314	322	2.5%
Net Job Inflow (+) or Outflow (-)	**-2,016**	**-2,711**	**34.5%**
Live Here/Work Here Ratio	**0.43**	**0.36**	**-16.8%**

Sources: US Census Bureau LEHD; Maxfield Research & Consulting, LLC

- Approximately 52% of the daytime population in Saint Francis is aged 30 to 54, while 27% is younger than 30 and 21% is over the age of 54. Nearly 33% of these workers earn more than $3,333 per month ($40,000 per year), while 37% earn $1,250 or less per month. Over 71% are employed in the service industry. More detailed information is presented in the "Commuting Patterns" portion of this study.

Age Distribution

The age distribution of a community's population helps to understand the type(s) of commercial services needed. Younger people typically seek retail services such as entertainment, electronics, and specialty apparel. Child stores increase in popularity for the 25 to 34 and 35 to 44 age cohorts while home furnishings are more frequently sought by the 45 to 54 and 55 to 64 age groups.

Table 3 presents the age distribution of the Market Area population from 2000 to 2022. Information from 2000 and 2010 is sourced from the U.S. Census. The 2017 estimates and projections for 2022 were calculated by Maxfield Research based on information from ESRI, a reputable national demographics firm. The points following the table summarize key trends about the age distribution of the Market Area's population.

TABLE 3
AGE DISTRIBUTION
SAINT FRANCIS MARKET AREA
2000 - 2022

	Census		Estimate	Projection	Change 2000-2010		Change 2017-2022	
Age	2000	2010	2017	2022	No.	Pct.	No.	Pct.
Primary Market Area								
Under-20	6,317	6,896	6,542	6,655	579	9.2	113	1.7
20 to 24	898	1,196	1,338	1,207	298	33.2	-131	-9.8
25 to 34	2,547	2,498	2,908	3,253	-49	-1.9	345	11.9
35 to 44	3,661	3,554	3,214	3,419	-107	-2.9	205	6.4
45 to 54	2,433	4,059	3,852	3,405	1,626	66.9	-447	-11.6
55 to 64	1,329	2,491	3,233	3,433	1,162	87.5	200	6.2
65 to 74	509	1,214	1,775	2,205	705	138.6	430	24.2
75+	258	517	738	1,036	259	100.5	298	40.4
Total	**17,951**	**22,425**	**23,599**	**24,612**	**4,474**	**24.9**	**1,013**	**4.3**
Twin Cities Metro Area								
Under-20	768,030	774,287	802,462	811,826	6,257	0.8	9,364	1.2
20 to 24	173,732	190,135	212,497	199,975	16,403	9.4	-12,522	-5.9
25 to 34	411,156	420,311	440,734	446,693	9,155	2.2	5,959	1.4
35 to 44	469,325	391,324	402,005	443,052	-78,001	-16.6	41,047	10.2
45 to 54	363,593	440,753	432,944	396,037	77,160	21.2	-36,907	-8.5
55 to 64	200,981	326,007	392,848	412,605	125,026	62.2	19,757	5.0
65 to 74	130,615	163,425	227,124	284,409	32,810	25.1	57,285	25.2
75+	124,630	143,325	159,524	185,321	18,695	15.0	25,797	16.2
Total	**2,642,062**	**2,849,567**	**3,070,137**	**3,179,918**	**207,505**	**7.9**	**109,781**	**3.6**

Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC

- In 2017, we estimate that the largest adult cohort by age in the PMA is 45 to 54, totaling 3,852 people (16.3% of the total population), followed by the 55 to 64 age group with 3,233 people (13.7%) and the 35 to 44 age group with 3,214 people (13.6%).

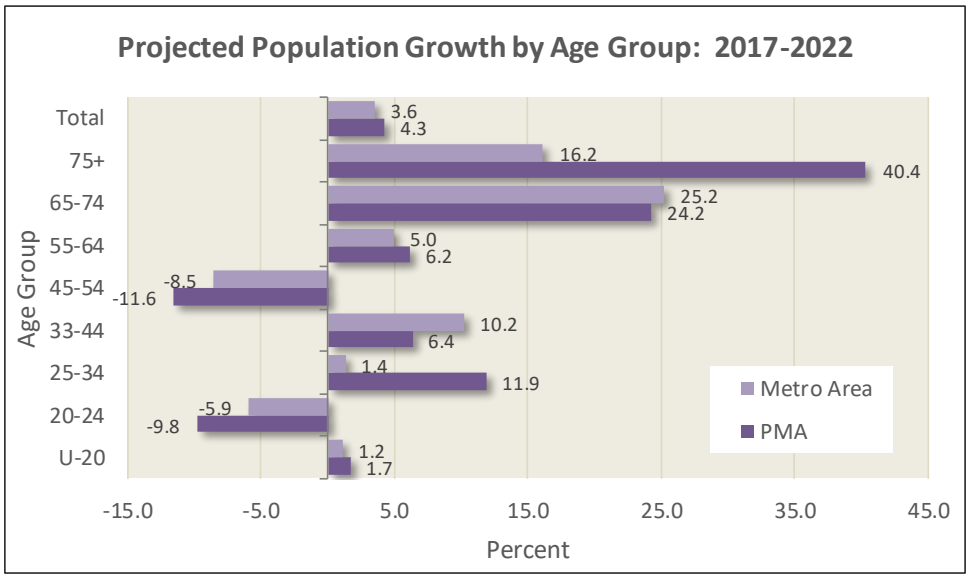
- The 25 to 34 age group is estimated to be the largest cohort in the Metro Area with 14.4% of the total population.

- Greatest growth is projected to occur among older adults in the Market Area. Aging of baby boomers led to an 88% increase (+1,162 people) in the 55 to 64 population between 2000 and 2010 in the PMA, while the Metro Area experienced a 62% increase in this age group during the decade. As this group ages, the 65 to 74 age group is projected to experience strong growth, adding 430 people (+24%) in the PMA between 2017 and 2022.

- A decline in the middle age cohorts is projected between 2017 and 2022 in the Market Area. The 45 to 54 age cohort is expected to contract -12% in the PMA (-447 people) and decline -8.5% in the Metro Area.

- The weak growth projected for the middle age population is a result of the comparatively small number of people who will move into those age cohorts between 2017 and 2022, a phenomenon known as the "baby bust." The "baby bust" is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.

- The PMA is expected to experience solid growth in the age 25 to 34 and 35 to 44 cohorts, expanding 12% (+345 people) and 6% (+205 people), respectively.

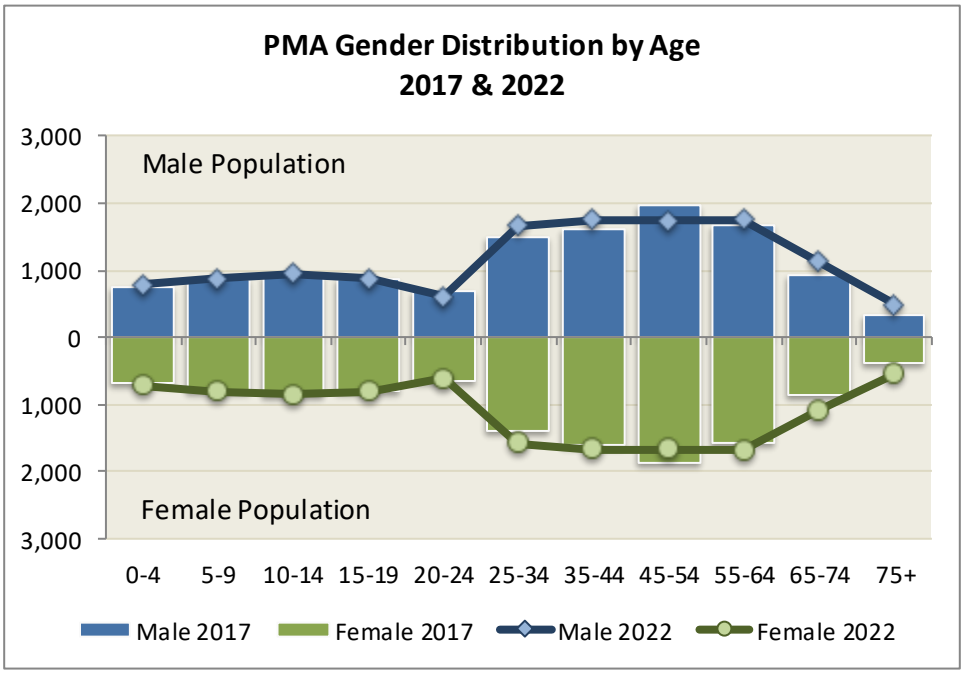


Gender Distribution by Age Group

In addition to the age of a community's population, understanding the gender distribution also helps in assessing the types of commercial services and products needed in a trade area. Table 4 on the following page presents the gender distribution by age group of the PMA population from 2010 to 2022. Information from 2010 is sourced from the U.S. Census. The 2017 estimates and projections for 2022 were calculated by Maxfield Research based on information from ESRI, a reputable national demographics firm.

- In 2017, the composition of the PMA population was fairly balanced between males and females, with males comprising 51.4% of the population (12,121) while 48.6% was female (11,478). Female population growth is projected to slightly outpace male population growth between 2017 and 2022, adding 524 females (+4.6%) while the male population increases by 489 (+4.0%).

- The greatest growth between 2017 and 2022 will occur in the 65 to 74 age group, adding 221 females (+26%) and 209 males (+23%). The youth population (under-20) will add 77 males (+2.2%) and 36 females (+36%), with the most significant growth occurring in the 0 to 4 age group.



- The adult population (age 20 to 64) will experience gains in the 25 to 34 (+169 males and +176 females), 35 to 44 (+128 males and +77 females), and the 55 to 64 (+85 males and +115 females) age groups. These increases will be partially offset by declining population in the 45 to 54 age group (-232 males and -215 females.

TABLE 4
GENDER DISTRIBUTION BY AGE GROUP
PRIMARY MARKET AREA
2010 - 2022

	Census					Estimate					Projection					Change			
	2010					2017					2022					2017 - 2022			
	Male		Female		Total	Male		Female		Total	Male		Female		Total	Male		Female	
	No.	Pct.	No.	Pct.	No.	No.	Pct.	No.	Pct.	No.	No.	Pct.	No.	Pct.	No.	No.	Pct.	No.	Pct.
Youth	**3,588**	**52.0**	**3,308**	**48.0**	**6,896**	**3,406**	**52.1**	**3,136**	**47.9**	**6,542**	**3,483**	**52.3**	**3,172**	**47.7**	**6,655**	**77**	**2.2**	**36**	**1.2**
0 to 4	784	51.7	731	48.3	1,515	764	52.6	689	47.4	1,452	793	52.5	717	47.5	1,510	29	3.8	28	4.1
5 to 9	891	50.3	879	49.7	1,770	869	52.2	796	47.8	1,665	870	52.1	800	47.9	1,669	1	0.1	4	0.5
10 to 14	976	51.5	919	48.5	1,895	919	51.8	855	48.2	1,774	952	52.9	849	47.1	1,800	33	3.6	-6	-0.7
15 to 19	937	54.6	779	45.4	1,716	855	51.8	796	48.2	1,651	869	51.8	807	48.2	1,675	14	1.6	11	1.3
Adult	**7,064**	**51.2**	**6,734**	**48.8**	**13,798**	**7,454**	**51.3**	**7,090**	**48.7**	**14,544**	**7,508**	**51.0**	**7,208**	**49.0**	**14,716**	**54**	**0.7**	**118**	**1.7**
20 to 24	628	52.5	568	47.5	1,196	697	52.1	641	47.9	1,338	601	49.8	606	50.2	1,207	-96	-13.8	-35	-5.5
25 to 34	1,269	50.8	1,229	49.2	2,498	1,501	51.6	1,407	48.4	2,908	1,670	51.3	1,583	48.7	3,253	169	11.3	176	12.5
35 to 44	1,798	50.6	1,756	49.4	3,554	1,619	50.4	1,595	49.6	3,214	1,747	51.1	1,672	48.9	3,419	128	7.9	77	4.8
45 to 54	2,107	51.9	1,952	48.1	4,059	1,975	51.3	1,877	48.7	3,852	1,743	51.2	1,662	48.8	3,405	-232	-11.7	-215	-11.5
55 to 64	1,262	50.7	1,229	49.3	2,491	1,663	51.4	1,570	48.6	3,233	1,748	50.9	1,685	49.1	3,433	85	5.1	115	7.3
Senior	**866**	**50.0**	**865**	**50.0**	**1,731**	**1,260**	**50.1**	**1,253**	**49.9**	**2,513**	**1,618**	**49.9**	**1,623**	**50.1**	**3,241**	**358**	**28.4**	**370**	**29.5**
65 to 74	629	51.8	585	48.2	1,214	915	51.5	860	48.5	1,775	1,124	51.0	1,081	49.0	2,205	209	22.8	221	25.7
75+	237	45.8	280	54.2	517	345	46.7	393	53.3	738	494	47.7	542	52.3	1,036	149	43.2	149	37.9
Total	**11,518**	**51.4**	**10,907**	**48.6**	**22,425**	**12,121**	**51.4**	**11,478**	**48.6**	**23,599**	**12,609**	**51.2**	**12,003**	**48.8**	**24,612**	**489**	**4.0**	**524**	**4.6**

Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC

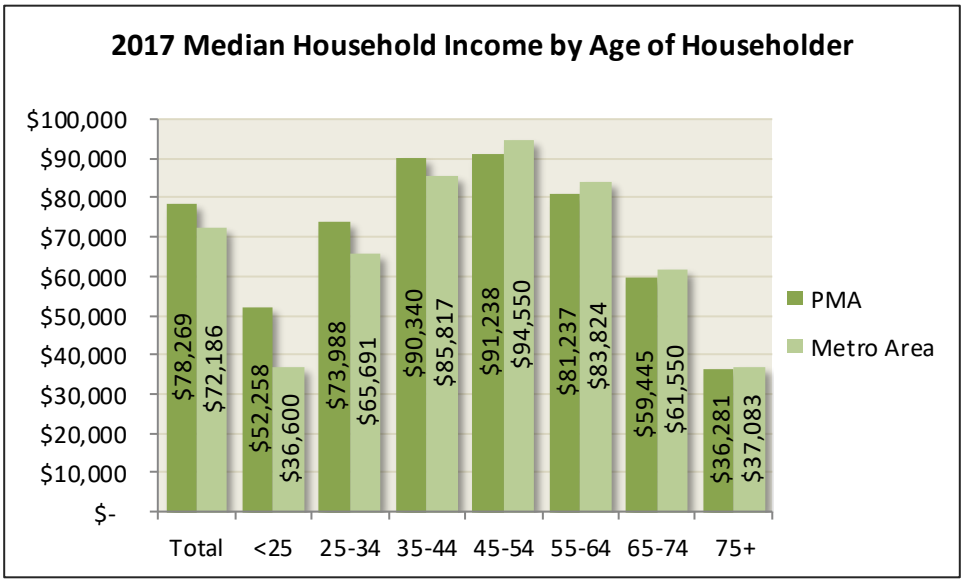
Household Income

Income data is useful in that it can reflect wage trends and helps assess living conditions and reveal demand for different types of retail goods and services. People with lower incomes are likely to seek out discount retailers and spend a higher proportion of their income on necessities like grocery items. Retail services and goods such as dining and home furnishings will experience higher spending from more moderate-income households while upper-income households will also shop for specialty apparel, recreation and sporting goods, and luxury items.

The next table presents data on household income by age of householder in 2017 and 2022 for the PMA. The data is estimated by ESRI, a nationally recognized demographic services firm, and adjusted by Maxfield Research to reflect the most current local household estimates and projections. The following points summarize key findings.

- In 2017, the median household income is estimated to be approximately $78,269 in the PMA, compared to $72,186 in the Twin Cities.

- As households age through the lifecycle, their household income tends to peak in their 40s and early 50s. This trend is evident in the Market Area as the age 45 to 54 age cohort has the highest estimated incomes at $91,238 in the PMA and $94,550 in the Metro Area.



- By 2022, the median household income is projected to increase 8.8% to $85,132 in the PMA, compared to 10.0% growth in the Metro Area. The average annual increase (+1.8% in the PMA) will slightly trail the historical annual inflation rate of 2.0% over the past ten years.

TABLE 5
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2017 & 2022

		Age of Householder						
	Total	**<25**	**25-34**	**35-44**	**45-54**	**55-64**	**65 -74**	**75+**
2017								
Less than $15,000	372	11	38	45	52	96	79	51
$15,000 to $24,999	382	12	38	48	51	71	90	72
$25,000 to $34,999	520	14	75	73	87	104	84	83
$35,000 to $49,999	1,026	37	151	153	193	203	177	113
$50,000 to $74,999	1,523	39	273	267	356	308	204	77
$75,000 to $99,999	1,387	24	241	295	380	278	153	17
$100,000 to $199,999	2,567	19	295	606	790	587	244	28
$200,000 or more	347	3	24	90	115	91	23	1
Total	**8,124**	**159**	**1,134**	**1,576**	**2,023**	**1,737**	**1,053**	**442**
Median Income	**$78,269**	**$52,258**	**$73,988**	**$90,340**	**$91,238**	**$81,237**	**$59,445**	**$36,281**
2022								
Less than $15,000	393	12	42	48	42	88	95	66
$15,000 to $24,999	384	12	38	40	35	64	99	96
$25,000 to $34,999	492	12	72	64	62	91	89	102
$35,000 to $49,999	965	35	144	130	139	173	192	152
$50,000 to $74,999	1,363	36	255	238	246	269	216	103
$75,000 to $99,999	1,343	24	259	282	302	272	179	25
$100,000 to $199,999	3,084	22	401	725	794	723	367	52
$200,000 or more	460	5	34	118	137	123	41	2
Total	**8,483**	**158**	**1,245**	**1,645**	**1,757**	**1,803**	**1,278**	**598**
Median Income	**$85,132**	**$53,799**	**$80,194**	**$100,990**	**$102,693**	**$93,653**	**$67,198**	**$37,352**
Change 2017 - 2022								
Less than $15,000	21	1	4	3	-10	-8	16	15
$15,000 to $24,999	2	0	0	-8	-16	-7	9	24
$25,000 to $34,999	-28	-2	-3	-9	-25	-13	5	19
$35,000 to $49,999	-61	-2	-7	-23	-54	-30	15	39
$50,000 to $74,999	-160	-3	-18	-29	-110	-39	12	26
$75,000 to $99,999	-44	0	18	-13	-78	-6	26	8
$100,000 to $199,999	516	3	106	119	4	136	123	24
$200,000 or more	113	2	10	28	22	32	18	1
Total	**359**	**-1**	**111**	**69**	**-266**	**66**	**224**	**156**
Median Income	**$6,863**	**$1,541**	**$6,206**	**$10,650**	**$11,455**	**$12,416**	**$7,753**	**$1,071**

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

- In the PMA, the 25 to 34 and 65 to 74 age groups are projected to experience significant household increases between 2017 and 2022, climbing 10% (+111 households) and 21% (+224 households), respectively. The 35 to 44 and 55 to 64 age groups are also projected to grow, but more modestly, adding 69 households (+4.4%) and 66 households (+3.8%), respectively.

- Median incomes in these age groups are also expected to climb, suggesting that there will be a growing opportunity for retail goods and services catering to these age groups.

- In the PMA, household growth is expected to occur in the upper-income brackets, as the number of households with incomes between $100,000 and $200,000 increases 20% (+516 households) while the number of households with incomes of $200,000 or higher grows 33% (+113 households).

- Household growth in these higher-income brackets suggests that there will be more demand for discretionary retail goods and services (i.e. dining, home furnishings, specialty apparel, recreation, sporting goods, luxury items).

Consumer Expenditure Patterns

Table 6 shows estimated consumer expenditures and average expenditures per household for retail goods and services in the PMA compared to the Twin Cities Metro Area in 2017, according to data obtained from ESRI based on Consumer Expenditure Surveys from the Bureau of Labor Statistics.

The table shows the average expenditures per household in the Market Area and the amount spent in the Metro Area by product or service. In addition, a Spending Potential Index (SPI) is illustrated for comparison purposes. The SPI is based on households and represents the annual expenditures for a product or service relative to the national average which is given a benchmark index of 100. An SPI of 115 indicates that the average annual expenditure by local consumers is 15% above the national average. In addition, the Metro Area is indexed in the table. The average expenditure reflects the average amount spent per household, while the total expenditure reflects the aggregate amount spent by all households.

Consumer spending is influenced by market conditions and trends. In times of economic troubles, market conditions drive spending patterns toward convenience and necessities, whereas in times of a booming economy consumer trends feature opportunity and luxury items. Sales of luxury items and other large purchases are generally the first to falter in economic downturns. Two-thirds of the national economy is driven by consumer spending.

During the most recent recession, households decreased spending, increased savings, and reduced credit card debt as many households have been faced with job losses. In essence, when the housing market began its decline in late 2006 into 2007, consumer spending and consumer confidence followed.

During the recession, consumers curtailed their spending habits as credit and home equity lines diminished as available sources of cash. As the nation exited the recession, consumers gained confidence and spending gradually recovered. The Conference Board's Consumer Confidence Index rose to its highest level since summer 2007 in early 2015, and has since climbed to over 120 in spring 2017, a level not experienced since the year 2000. An increase in consumer confidence suggests economic growth with higher consumption.

The following are key points from the household expenditures table.

- Overall, PMA residents spent an estimated $213.8 million on retail goods and services in 2017, excluding housing, finance/insurance, and travel expenditures, as well as vehicle purchases.

- Average annual expenditures (excluding the categories mentioned above) are estimated to be $25,632 per household in the PMA. This compares to an average of $27,137 per household in the Twin Cities Metro Area.

- As reflected in the SPI, expenditures by Market Area households are higher than the national average in nearly every product and service category (all categories except for smoking products).

- Total average annual expenditures per household are estimated to be approximately $66,396 in the PMA and $68,050 in the Metro Area.

- Housing expenses account for approximately 29.1% of total consumer expenditures in the PMA, compared to 27.8% in the Metro Area. PMA households spend roughly 2% more per year on housing costs than the Metro average.

- Compared to the Metro Area, PMA residents are allocating a slightly lower portion of their resources toward retail goods and services (most notably apparel and services and entertainment and recreation) as well as food.

- Among the retail categories, Market Area spending was greatest for Food at Home (i.e. groceries) at an average of $5,527 per household in the PMA compared to $5,943 per household in the Metro Area.

- Spending was also high for Food Away from Home ($3,807 per PMA household) and Entertainment and Recreation ($3,536 per household in the PMA).

- The 8,124 households in the PMA spent an estimated $544.9 million on consumer expenditures in 2017. With the number of households projected to grow to 8,483 by 2022, they would generate an additional $4.8 million in consumer expenditures annually, not factoring in inflation.

TABLE 6
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
PRIMARY MARKET AREA
2017

	PMA Annual Expenditures		Twin Cities Expenditures	Spending Potential Index to USA	
Category	Total ($000's)	Average Per HH	Average Per HH	PMA	Twin Cities
Goods & Services				**Index**	**Index**
Apparel & Services	$20,037	$2,466	$2,632	114	122
Entertainment and Recreation	$28,725	$3,536	$3,718	113	119
Nonprescription Drugs	$1,134	$140	$147	109	115
Prescription Drugs	$3,468	$427	$435	110	112
Eye Glasses & Contact Lenses	$874	$108	$111	114	117
Personal Care Products	$4,305	$530	$565	113	120
Child Care	$4,734	$583	$604	122	126
School Books & Supplies	$1,454	$179	$191	116	124
Smoking Products	$3,318	$408	$456	98	110
Computer Hardware	$1,587	$195	$215	113	124
Computer Software	$104	$13	$15	111	127
Pets	$5,516	$679	$684	114	115
Food				**Index**	**Index**
Food at Home	$44,901	$5,527	$5,943	110	118
Food Away from Home	$30,929	$3,807	$4,047	114	121
Alcoholic Beverages	$5,069	$624	$687	112	124
Home				**Index**	**Index**
Home Mortgage Payment/Rent	$88,734	$10,922	$10,349	127	120
Maintenance & Remodeling Services	$19,320	$2,378	$2,292	122	118
Maintenance & Remodeling Materials	$3,937	$485	$452	120	112
Utilities	$44,942	$5,532	$5,843	110	116
Household Furnishings, Equipment, & Operations				**Index**	**Index**
Household Textiles	$870	$107	$116	112	122
Furniture	$5,376	$662	$700	116	122
Rugs	$211	$26	$29	112	123
Major Appliances	$3,109	$383	$370	119	115
Small Appliances	$423	$52	$58	108	120
Housewares	$893	$110	$113	116	119
Luggage	$112	$14	$15	116	126
Telephone & Accessories	$661	$81	$85	118	123
Lawn & Garden	$4,030	$496	$480	118	115
Moving/Storage/Freight Express	$544	$67	$81	105	127
Housekeeping Supplies	$6,517	$802	$835	113	117
Financial & Insurance				**Index**	**Index**
Investments	$59,529	$7,328	$7,569	118	122
Vehicle Loans	$25,324	$3,117	$3,146	114	116
Owners & Renters Insurance	$5,013	$617	$586	119	113
Vehicle Insurance	$10,594	$1,304	$1,389	111	118
Life/Other Insurance	$4,084	$503	$504	118	118
Health Insurance	$33,636	$4,140	$4,245	113	116

CONTINUED

TABLE 6 CONTINUED
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
PRIMARY MARKET AREA
2017

Category	PMA Annual Expenditures Total ($000's)	PMA Annual Expenditures Average Per HH	Twin Cities Expenditures Average Per HH	Spending Potential Index to USA PMA	Spending Potential Index to USA Twin Cities
Transportation				**Index**	**Index**
Cars and Trucks (Net Outlay)	$21,393	$2,633	$2,637	117	118
Gasoline and Motor Oil	$25,064	$3,085	$3,222	111	116
Vehicle Maintenance/Repair	$9,790	$1,205	$1,266	112	118
Travel				**Index**	**Index**
Airline Fares	$4,735	$583	$635	114	125
Lodging	$5,002	$616	$635	117	121
Vehicle Rental	$252	$31	$32	118	122
Food & Drink on Trips	$4,672	$575	$598	117	121
Average Annual Household Expenditures Summary					
Goods & Services	$75,255	$8,584	$9,088		
Food	$80,899	$9,958	$10,677		
Home	$156,932	$19,317	$18,936		
Household	$22,746	$2,800	$2,884		
Financial and Insurance	$138,181	$17,009	$17,439		
Transportation	$56,248	$6,924	$7,125		
Travel	$14,660	$1,805	$1,900		
Total	***$544,921***	***$66,396***	***$68,050***		

Note: The Spending Potential Index is based on households and represents the amount spent for a product or service relative to the national average of 100.

Sources: ESRI; Maxfield Research & Consulting, LLC

	Goods & Services	Food	Home	Household	Fin. & Ins.	Transp.	Travel
Twin Cities	$9,088	$10,677	$18,936	$2,884	$17,439	$7,125	$1,900
PMA	$8,584	$9,958	$19,317	$2,800	$17,009	$6,924	$1,805

Employment Trends

Employment characteristics are an important component in assessing real estate needs in any given market area. These trends are notable since job growth can generally fuel household and population growth as people typically desire to live near where they work. Long commute times and the redevelopment of core cities have encouraged households to move closer to major employment centers. Job growth is a primary driver of demand for commercial real estate, particularly office space, although increased hiring in a market area can also lead to higher levels of consumer spending, stimulating demand for retail space.

Employment Growth

Table 7 shows employment growth trends and projections from 2000 to 2025 based on the most recent information available from the Minnesota Department of Employment and Economic Development (DEED) and the Metropolitan Council. Data for 2000, 2005, 2010, and 2016 represents the annual average employment for that year. Employment projections for 2020 and 2025 are based on forecast data provided by the Metropolitan Council.

Although employment growth often parallels population growth, it is tied more strongly to transportation access. Cities with interstate access and intra- and inter-metro transportation connections attract more businesses and post higher employment gains. Employment growth can fuel household and population growth as people generally desire to live near their work.

TABLE 7
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS
SAINT FRANCIS MARKET AREA
2000 to 2025

Annual Employment	City of Saint Francis		Anoka County		*Remainder of County*		Twin Cities Metro Area	
2000	1,135		108,921		*107,786*		1,600,741	
2005	1,517		114,447		*112,930*		1,593,692	
2010	1,504		105,319		*103,815*		1,537,041	
2016	1,533		120,907		*119,374*		1,704,925	
2020 Forecast	**2,200**		**127,160**		***124,960***		**1,791,080**	
2025 Forecast	**2,375**		**131,880**		***129,505***		**1,852,065**	
Change	**No.**	**Pct.**	**No.**	**Pct.**	***No.***	***Pct.***	**No.**	**Pct.**
2000 - 2010	369	32.5%	-3,602	-3.3%	*-3,971*	*-3.7%*	-63,700	-4.0%
2010 - 2016	29	1.9%	15,588	14.8%	*15,559*	*15.0%*	167,884	10.9%
2016 - 2020	**667**	**43.5%**	**6,253**	**5.2%**	***5,586***	***4.7%***	**86,155**	**5.1%**
2020 - 2025	**175**	**8.0%**	**4,720**	**3.7%**	***4,545***	***3.6%***	**60,985**	**3.4%**

Sources: MN DEED; Metropolitan Council; Maxfield Research & Consulting, LLC

- In 2000, there were 1,135 reported jobs in Saint Francis. Despite the economic recession, employment expanded 32.5% (+369 jobs) between 2000 and 2010 in Saint Francis.

- By comparison, employment in the Remainder of Anoka County declined -3.7% (-3,971 jobs) during that period, while employment in the Twin Cities contracted -4.0% between 2000 and 2010.

- Data from the Quarterly Census of Employment and Wages indicates that employment in Saint Francis expanded 1.9% (+29 jobs) between 2010 and 2016, while employment in the Remainder of the County jumped 15% (+15,559 jobs).

- According to Metropolitan Council projections, 2,200 jobs are expected to be located in Saint Francis by 2020. In order for this employment forecast to be realized, the City will need to add 667 jobs (+43.5%) between 2016 and 2020.

- Solid job growth is expected in the Market Area between 2016 and 2020. Anoka County is projected to experience a 5.2% gain (+6,253 jobs), while Metro Area employment expands 5.1%.

- Another 175 jobs (+8%) are expected to be added in Saint Francis between 2020 and 2025, while employment in the Remainder of Anoka County expands 3.6% (+4,545 jobs) and Twin Cities employment increases 3.4%. The pace of job growth is projected to slow after 2020, as the region will experience potential labor force shortages and a surge in retirements.

- Projected job growth in Saint Francis will increase the daytime population in the City, generating additional demand for commercial goods and services from area retailers.

Resident Employment

Table 8 on the following page shows information on the resident labor force and employment in Anoka County compared to the Twin Cities, Minnesota, and the United States. Data for the City of Saint Francis is not available. The data is sourced from the Minnesota Department of Employment and Economic Development (DEED).

Resident employment data reveals the work force and number of employed people living in the area. Therefore, not all of these individuals necessarily work in the area.

- At 3.5%, the 2017 annual average unemployment rate in Anoka County is slightly higher than the Twin Cities (3.2%) and comparable to Minnesota (3.6%), but it is substantially lower than the 4.4% unemployment rate across the United States.

- Unemployment rates in the Market Area experienced modest contraction over the past year, declining -0.3% in Anoka County, -0.2% in the Twin Cities Metro Area, and -0.2% in Minnesota.

TABLE 8
LOCAL AREA UNEMPLOYMENT STATISTICS
SAINT FRANCIS MARKET AREA

	2017			2016		
	Labor Force	Employment	UE Rate	Labor Force	Employment	UE Rate
Anoka County	194,595	187,849	3.5%	190,604	183,438	3.8%
Twin Cities	1,691,525	1,637,420	3.2%	1,656,274	1,598,995	3.5%
Minnesota	3,046,697	2,937,552	3.6%	3,026,752	2,912,693	3.8%
U.S. ('000s)	160,320	153,337	4.4%	159,187	151,436	4.9%

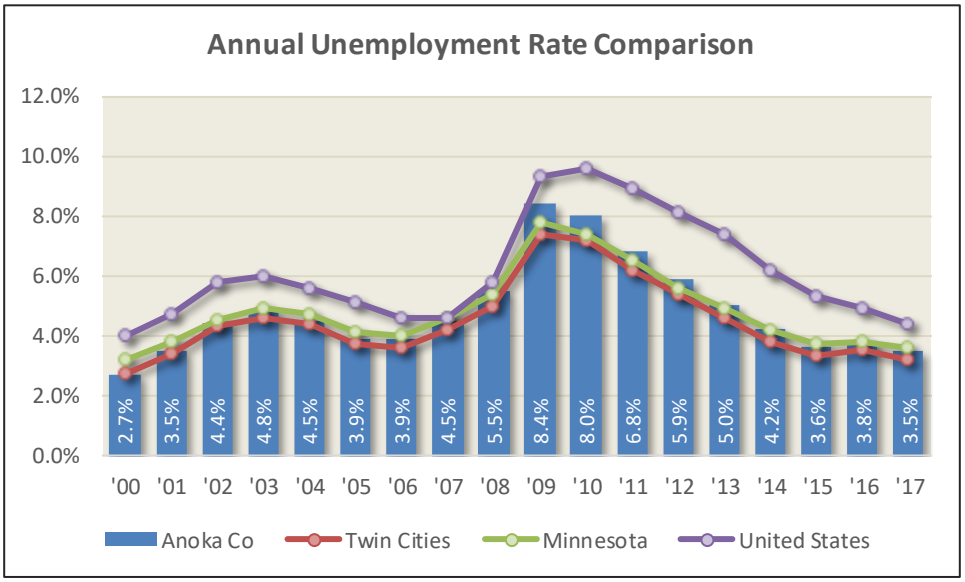
Data not seasonally adjusted

Sources: MN DEED; Maxfield Research & Consulting, LLC

- It appears that hiring is outpacing labor force growth throughout the Market Area, driving the unemployment rate down.

- Anoka County's labor force expanded 2.1% (+3,991) between 2016 and 2017, while the number of employed residents increased 2.4% (+4,441). The labor force in the Twin Cities also increased 2.1% against 2.4% resident employment growth over the year

- The following chart illustrates how unemployment in the Market Area has mirrored national trends but has remained well below the national rate throughout much of the past decade. Anoka County's unemployment rate has tracked consistently with unemployment trends in the Twin Cities and the State of Minnesota.



Industry Employment and Wage Data

Table 9 on the following page displays information on the employment and wage situation in Saint Francis compared to Anoka County and the Twin Cities Metro Area. The Quarterly Census of Employment and Wages (QCEW) data is sourced from DEED for the third quarter of 2016 compared to the third quarter of 2017, the most recent data available.

All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics to DEED quarterly. Certain industries in the table may not display any information which means that there is either no reported economic activity for that industry or the data has been suppressed to protect the confidentiality of cooperating employers. This generally occurs when there are too few employers or one employer comprises too much of the employment in that geography.

- In Saint Francis, total employment expanded 4.0% (+59 jobs) between the third quarters of 2016 and 2017, as the Education and Health Services and Leisure and Hospitality sectors added 30 jobs (+5.3%) and 24 jobs (+10.7%), respectively.

- Anoka County employment increased 0.9% during that same time period, gaining 1,066 jobs, as the Education and Health Services sector added 826 jobs (+3.4%).

- The Education and Health Services industry is the largest employment sector in Saint Francis, providing 600 jobs (39% of total employment) in the City.

- Trade, Transportation, and Utilities is the largest employment sector in the County with 26,093 jobs (22%), followed by Education and Health Services with 25,085 jobs (21%).

- Average weekly wages in Saint Francis ($679) are -33% lower than the County ($1,008) and roughly -40% lower than the Twin Cities ($1,134). Wages experienced modest growth in Saint Francis over the year, climbing 1.6%.

- In Saint Francis, the highest average wages are found in the Manufacturing ($1,080) and Construction ($1,063) sectors, while highest wages in Anoka County are also in the Manufacturing ($1,674) and Construction ($1,268) sectors.

- There are 174 Retail Trade jobs in Saint Francis as of the third quarter of 2017, representing 70% of Trade, Transportation, and Utilities employment. The average weekly wage in the Retail Trade industry is $461, roughly -17.5% lower than the average Retail Trade wage in Anoka County ($559).

- Steady job gains and wage increases should help stimulate retail sales growth in the Market Area, likely generating demand for retail space.

TABLE 9
QUARTERLY CENSUS OF EMPLOYMENT AND WAGES
SAINT FRANCIS MARKET AREA

Industry	2016 Q3			2017 Q3			Change 2016 Q3 - 2017 Q3			
	Establish-ments	Employ-ment	Weekly Wage	Establish-ments	Employ-ment	Weekly Wage	Employment #	Employment %	Wage #	Wage %
CITY OF SAINT FRANCIS										
Total, All Industries	125	1,484	$668	129	1,543	$679	59	4.0%	$11	1.6%
Natural Resources & Mining	--	--	--	--	--	--	--	--	--	--
Construction	30	66	$871	30	70	$1,063	4	6.1%	$192	22.0%
Manufacturing	10	147	$981	9	151	$1,080	4	2.7%	$99	10.1%
Trade, Transportation, Utilities	19	255	$490	19	248	$491	-7	-2.7%	$1	0.2%
Information	--	--	--	--	--	--	--	--	--	--
Financial Activities	13	86	$769	13	90	$814	4	4.7%	$45	5.9%
Professional & Business Services	6	17	$767	--	--	--	--	--	--	--
Education & Health Services	22	570	$816	25	600	$795	30	5.3%	($21)	-2.6%
Leisure & Hospitality	13	224	$228	13	248	$228	24	10.7%	$0	0.0%
Other Services	11	59	$418	12	53	$418	-6	-10.2%	$0	0.0%
Public Administration	1	58	$767	1	57	$812	-1	-1.7%	$45	5.9%
ANOKA COUNTY										
Total, All Industries	6,811	120,415	$1,025	7,127	121,481	$1,008	1,066	0.9%	($17)	-1.7%
Natural Resources & Mining	32	496	$585	32	493	$584	-3	-0.6%	($1)	-0.2%
Construction	997	8,711	$1,196	1,033	8,757	$1,268	46	0.5%	$72	6.0%
Manufacturing	586	23,021	$1,741	580	22,820	$1,674	-201	-0.9%	($67)	-3.8%
Trade, Transportation, Utilities	1,416	26,033	$880	1,463	26,093	$859	60	0.2%	($21)	-2.4%
Information	52	639	$915	53	712	$861	73	11.4%	($54)	-5.9%
Financial Activities	596	3,827	$1,147	632	3,851	$1,123	24	0.6%	($24)	-2.1%
Professional & Business Services	939	9,927	$949	975	9,976	$976	49	0.5%	$27	2.8%
Education & Health Services	866	24,259	$929	955	25,085	$916	826	3.4%	($13)	-1.4%
Leisure & Hospitality	598	13,574	$343	628	13,679	$351	105	0.8%	$8	2.3%
Other Services	669	4,889	$605	713	4,978	$597	89	1.8%	($8)	-1.3%
Public Administration	60	5,036	$1,037	63	5,035	$991	-1	0.0%	($46)	-4.4%
TWIN CITIES										
Total, All Industries	76,501	1,714,575	$1,166	80,014	1,734,582	$1,134	20,007	1.2%	($32)	-2.7%
Natural Resources & Mining	293	3,972	$874	300	4,044	$833	72	1.8%	($41)	-4.7%
Construction	6,146	73,107	$1,349	6,344	75,421	$1,357	2,314	3.2%	$8	0.6%
Manufacturing	3,981	170,925	$1,508	4,076	170,703	$1,450	(222)	-0.1%	($58)	-3.8%
Trade, Transportation, Utilities	15,320	321,831	$991	15,665	323,910	$970	2,079	0.6%	($21)	-2.1%
Information	1,321	37,736	$1,513	1,446	37,447	$1,438	(289)	-0.8%	($75)	-5.0%
Financial Activities	8,317	131,708	$1,653	8,700	133,301	$1,621	1,593	1.2%	($32)	-1.9%
Professional & Business Services	14,659	295,396	$1,569	15,358	294,235	$1,521	(1,161)	-0.4%	($48)	-3.1%
Education & Health Services	9,958	372,960	$986	10,658	383,426	$956	10,466	2.8%	($30)	-3.0%
Leisure & Hospitality	7,151	177,165	$481	7,534	180,496	$484	3,331	1.9%	$3	0.6%
Other Services	8,550	57,762	$697	9,110	57,709	$678	(53)	-0.1%	($19)	-2.7%
Public Administration	805	72,011	$1,244	823	73,887	$1,206	1,876	2.6%	($38)	-3.1%

Sources: Minnesota Department of Employment and Economic Development; Maxfield Research & Consulting, LLC

Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live and shop, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets. Additionally, people working in the Market Area who do not reside there provide a potential supplemental market for retail business establishments in the area. Table 10 highlights the commuting patterns of workers in Saint Francis based on data from the U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD) program for 2015, the most recent data available.

- As the table illustrates, about 79% of the workers employed in the City of Saint Francis reside outside the City. The largest proportion of workers in Saint Francis commutes from Oak Grove (12.5%), followed by East Bethel (7.9%), and Andover (5.6%).

- Approximately 57% of the workers in Saint Francis reside within ten miles of their place of employment while 32% travel from 10 to 24 miles. Roughly 7% of the workers commute from a distance of 25 to 50 miles while 4% come from more than 50 miles away.

TABLE 10
COMMUTING PATTERNS
CITY OF SAINT FRANCIS
2015

Home Destination			Work Destination		
Place of Residence	**Count**	**Share**	**Place of Employment**	**Count**	**Share**
St. Francis city, MN	322	21.4%	Minneapolis city, MN	409	9.7%
Oak Grove city, MN	188	12.5%	St. Francis city, MN	322	7.6%
East Bethel city, MN	119	7.9%	Anoka city, MN	301	7.1%
Andover city, MN	84	5.6%	Coon Rapids city, MN	269	6.4%
Coon Rapids city, MN	48	3.2%	Blaine city, MN	196	4.6%
Ramsey city, MN	43	2.9%	St. Paul city, MN	173	4.1%
Nowthen city, MN	38	2.5%	Fridley city, MN	125	3.0%
Cambridge city, MN	31	2.1%	Brooklyn Park city, MN	116	2.8%
Elk River city, MN	30	2.0%	Elk River city, MN	112	2.7%
Blaine city, MN	26	1.7%	Plymouth city, MN	103	2.4%
All Other Locations	577	38.3%	All Other Locations	2,091	49.6%
Distance Traveled			**Distance Traveled**		
Total Jobs	1,506	100.0%	Total Jobs	4,217	100.0%
Less than 10 miles	857	56.9%	Less than 10 miles	552	13.1%
10 to 24 miles	478	31.7%	10 to 24 miles	1,942	46.1%
25 to 50 miles	110	7.3%	25 to 50 miles	1,568	37.2%
Greater than 50 miles	61	4.1%	Greater than 50 miles	155	3.7%

Home Destination = Where workers live who are employed in the selection area
Work Destination = Where workers are employed who live in the selection area

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC

- Roughly 10% of the workers living in Saint Francis commute to Minneapolis for employment, while 8% remain in the City and 7% of Saint Francis' workforce commute to Anoka. Approximately 5% commute into Blaine.

- Roughly 13% of resident workers in Saint Francis travel less than ten miles for their jobs, while 46% have a commute distance from 10 to 24 miles. Approximately 37% commute between 25 and 50 miles while 4% commute more than 50 miles for employment.

Table 11 provides a summary of the inflow and outflow characteristics of the workers in Saint Francis. Outflow reflects the number of workers living in the City but employed outside Saint Francis, while inflow measures the workers that are employed in the City but live outside the City. Interior flow reflects the number of workers that live and work in Saint Francis.

- As the table shows, Saint Francis is an exporter of workers as a significantly higher number of residents leave the area for employment than nonresidents commute into the area. Roughly 1,184 workers come into the area for employment (inflow) while 3,895 residents leave the area (outflow) and 322 both live and work in the area (interior flow).

- Roughly 79% of the jobs in Saint Francis are filled by workers commuting into the City.

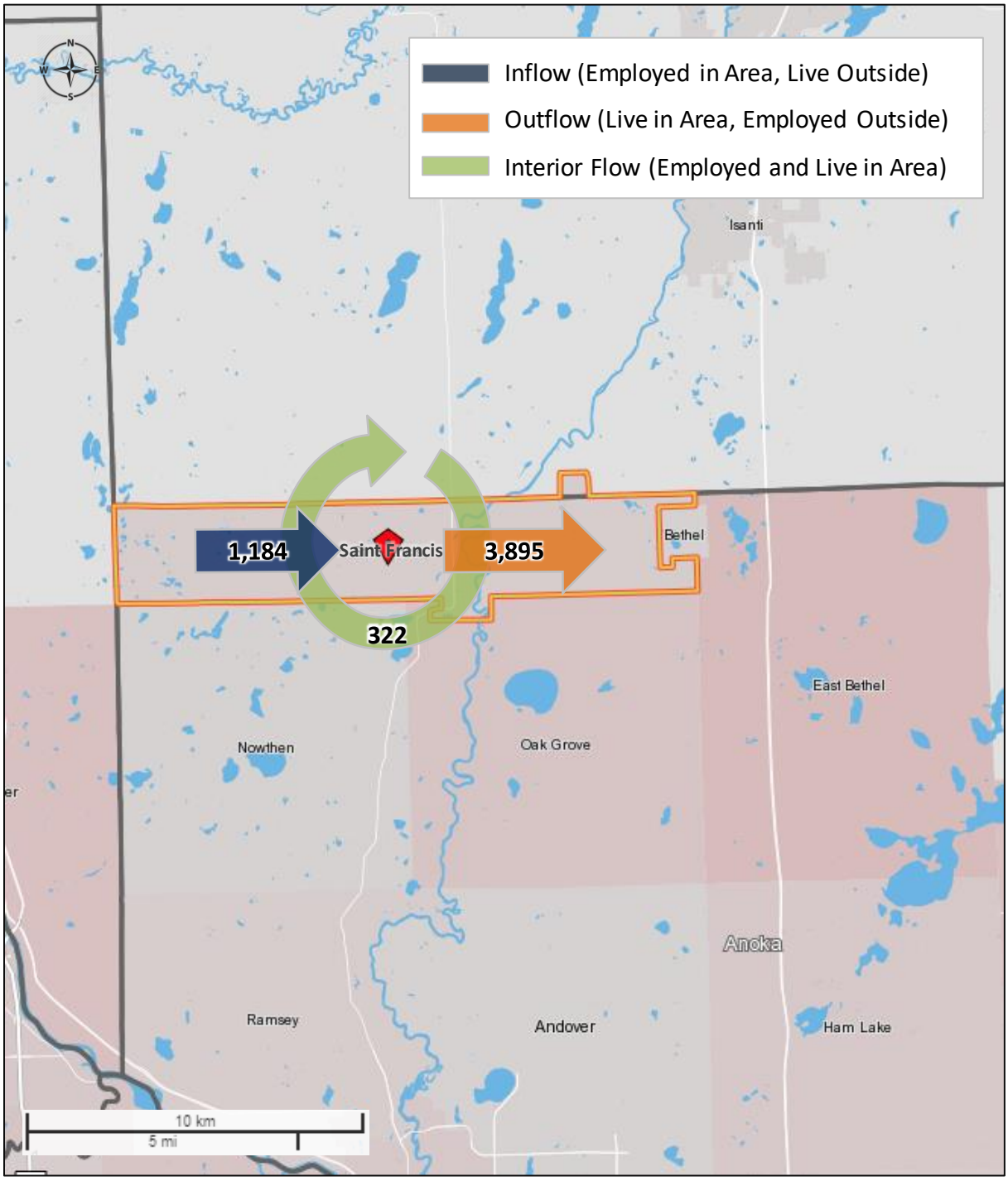
TABLE 11
COMMUTING INFLOW/OUTFLOW CHARACTERISTICS
CITY OF SAINT FRANCIS
2015

	Outflow		Inflow		Interior Flow	
Saint Francis	**3,895**	**100.0%**	**1,184**	**100.0%**	**322**	**100.0%**
By Age						
Workers Aged 29 or younger	809	20.8%	300	25.3%	107	33.2%
Workers Aged 30 to 54	2,484	63.8%	622	52.5%	161	50.0%
Workers Aged 55 or older	602	15.5%	262	22.1%	54	16.8%
By Monthly Wage						
Workers Earning $1,250 per month or less	683	17.5%	414	35.0%	136	42.2%
Workers Earning $1,251 to $3,333 per month	1,069	27.4%	347	29.3%	117	36.3%
Workers Earning More than $3,333 per month	2,143	55.0%	423	35.7%	69	21.4%
By Industry						
"Goods Producing"	1,091	28.0%	127	10.7%	41	12.7%
"Trade, Transportation, and Utilities"	702	18.0%	209	17.7%	54	16.8%
"All Other Services"*	2,102	54.0%	848	71.6%	227	70.5%

*includes the following sectors: Information, Financial Activities, Professional & Business Services, Education & Health Services, Leisure & Hospitality, Other Services, and Public Administration

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC

City of Saint Francis, Minnesota
Commuting Inflow/Outflow



Types of Retail Goods and Shopping Centers

The following describes the various types of retail goods and the manner in which customers generally shop for these goods. Because of the significant diversification of retail outlets, some of these categories overlap in certain cases.

Shopping goods are those on which shoppers spend the most effort and for which they have the greatest desire to comparison shop. The trade area for shopping goods tends to be governed by the urge among shoppers to compare goods based on selection, service and price. Therefore, the size of the trade area for shopping goods is affected most by the overall availability of goods in alternate locations. Some examples of shopping goods include furniture, appliances, clothing and automobiles.

Convenience goods are those that consumers need immediately and frequently and are therefore purchased where it is most convenient for shoppers. Shoppers as a rule find it most convenient to buy such goods near home, near work or near a temporary residence when traveling. Examples of these types of goods include gasoline, fast food, liquor, groceries, pharmaceuticals, health and beauty aids, among others.

Specialty goods are those on which shoppers spend more effort to purchase. Such merchandise has no clear trade area because customers will go out of their way to find specialty items wherever they are sold. By definition, comparison shopping for specialty goods is much less significant than for shopping goods. Examples of these include gift shops, florists, pet stores, art gallery, antiques, home furnishings, textiles (needlework and fabrics), art supplies, books. The home furnishings segment has some overlap between shopping goods and specialty goods.

*Impulse good*s are those that shoppers do not actively or consciously seek. In stores, impulse goods are positioned near entrances or exits or in carefully considered relationships to shopping goods. Examples of these types of goods are: candy and drinks at a dry cleaning establishment, candy or small novelty items near the cash register at a gift shop, accessories or jewelry at the counter in a clothing store. These may be located within existing stores, but would not be a separate establishment.

According to the International Council of Shopping Centers (ICSC), general-purpose retail shopping centers can generally be classified into five major categories, as described below.

Strip/Convenience: The smallest shopping center category, at less than 30,000 square feet. Strip centers are generally an attached row of stores with on-site parking typically located in front of the stores, and have a trade area of less than one mile.

Neighborhood Center: Neighborhood centers are usually anchored by a grocery store or a drug store and have a draw area of one to three miles. This type of center fulfills the day-to-day needs of the surrounding neighborhood, is located at major street intersections, and is typically between 30,000 and 125,000 square feet.

Community Center: Community Centers generally range in size from 125,000 to 400,000 square feet and have at least two anchor tenants which may include a general merchandise discount store in addition to a supermarket or drug store. Limited small shop space is occupied by a mix of service-oriented tenants and soft-goods retailers. Community centers typically have a trade area of three to six miles.

Regional Center: A regional center is a major shopping area generally with two or more anchor department stores and a variety of additional shops. These centers are generally 400,000 to 800,000 square feet in size and draw customers from a broad geographical area (i.e. five to 15 miles).

Super-Regional Center: Similar to a regional center, but larger in size (over 800,000 square feet) and offer a greater variety and number of goods and services. The trade area for a super-regional center is also larger, generally five to 25 miles.

There are also other specialized-purpose shopping centers, including lifestyle centers, factory outlets, festival/theme centers, and Central Business District retail. Central Business District retail offerings are typically located on skyways or street fronts and are often smaller than 20,000 square feet due to the smaller size and scope of the market.

Visibility and access are primary considerations for retailers seeking a location. Several factors are taken into consideration based on traffic counts and visibility when retailers select a site, including: daily traffic volumes in the area; proximity to public transportation; accessibility for potential customers as well as delivery vehicles; visibility of the store and business signage from surrounding road network; and, the sites proximity to other traffic generators.

The following figure summarizes the various types of retail shopping centers, typical size ranges, and typical trade area sizes.

Center Type	Size Range (Sq. Ft.)	Trade Area Size
Community	125,000 to 400,000	3 to 6 miles
Neighborhood	30,000 to 125,000	1 to 3 miles
Regional	400,000 to 800,000	5 to 15 miles
Super-Regional	800,000 or larger	5 to 25 miles
Strip/Convenience	Less than 30,000	Less than 1 mile

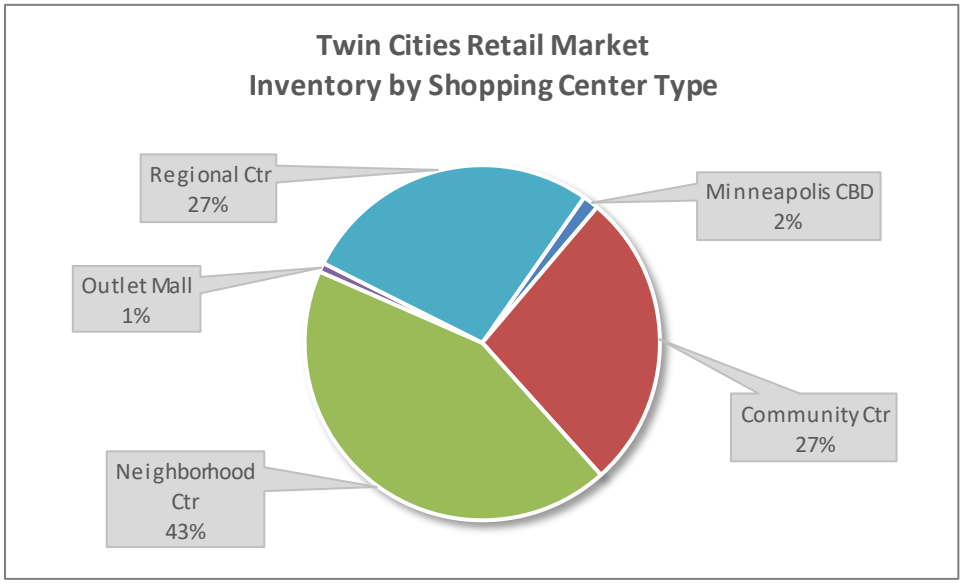
Source: International Council of Shopping Centers

Twin Cities Retail Market Conditions

Maxfield Research analyzed secondary data regarding retail market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, absorption, and lease rates. This information is useful in assessing the potential to develop retail uses in the City of Saint Francis as the overall health of the local retail market will influence the development potential in Saint Francis.

The data includes information for multi-tenant retail buildings greater than 20,000 square feet in size. The table on the following page shows the growth of retail space and changes in vacancy in the various retail center types. Data is provided by Colliers International for the third quarters of 2016 and 2017, the most recent information available. Maxfield Research also referenced market information provided by Cushman & Wakefield|NorthMarq for this analysis.

- Colliers International is tracking 65.9 million square feet of retail space in the Twin Cities Metro Area. As depicted in the following graph, neighborhood center space comprises the greatest proportion of retail space in the Metro Area with 28.5 million square feet (43% of the total).



- Regional centers represent 27% of the Twin Cities retail inventory (18.0 million square feet), while roughly 27% of the retail space is situated in community shopping centers (17.9 million square feet). Minneapolis Central Business District (961,000 square feet) and outlet malls (545,000 square feet) each represent less than 2% of the supply of retail space in the Twin Cities.

- As of the third quarter of 2017, there were 4.2 million square feet of retail space vacant in the Twin Cities, representing a vacancy rate of 6.4%, up 1.3% from 5.1% in the third quarter of 2016.

- In the Twin Cities, retail vacancy was highest in the Minneapolis Central Business District (14.0%), followed by neighborhood centers (8.1%). Community centers were 5.5% vacant and regional centers had a 4.2% vacancy rate while outlet malls were essentially fully-occupied.

TABLE 12
RETAIL MARKET STATISTICS
TWIN CITIES
Third Quarter 2016 to Third Quarter 2017

2017 Q3				
Submarket/ Shopping Center	**Total Rentable SF**	**Direct Vacant SF**	**Vacancy Rate**	**YTD Absorption**
Minneapolis CBD	**960,984**	**134,394**	**14.0%**	**34,132**
Northeast	**12,243,664**	**681,814**	**5.6%**	**-85,346**
Northwest	**18,658,681**	**1,334,580**	**7.2%**	**-210,645**
Community Ctr	*5,350,901*	*305,819*	*5.7%*	*34,489*
Neighorhood Ctr	*9,050,666*	*857,763*	*9.5%*	*-153,792*
Outlet Mall	*430,000*	*0*	*0.0%*	*0*
Regional Ctr	*3,827,114*	*170,998*	*4.5%*	*-91,342*
Southeast	**18,363,060**	**1,035,535**	**5.6%**	**175,903**
Southwest	**15,625,260**	**1,002,725**	**6.4%**	**19,142**
Total Market	**65,851,649**	**4,189,048**	**6.4%**	**-66,814**
Community Ctr	*17,899,298*	*985,604*	*5.5%*	*35,206*
Neighorhood Ctr	*28,452,594*	*2,312,904*	*8.1%*	*50,415*
Outlet Mall	*544,701*	*4,968*	*0.9%*	*-4,968*
Regional Ctr	*17,994,072*	*751,178*	*4.2%*	*-181,599*
2016 Q3				
Submarket/ Shopping Center	**Total Rentable SF**	**Direct Vacant SF**	**Vacancy Rate**	**YTD Absorption**
Minneapolis CBD	**980,041**	**143,912**	**14.7%**	**-25,425**
Northeast	**12,159,836**	**569,899**	**4.7%**	**-117,840**
Northwest	**19,107,576**	**1,082,460**	**5.7%**	**138,912**
Community Ctr	*5,707,514*	*392,998*	*6.9%*	*16,356*
Neighorhood Ctr	*9,069,693*	*627,926*	*6.9%*	*90,930*
Outlet Mall	*430,000*	*0*	*0.0%*	*0*
Regional Ctr	*3,900,369*	*61,536*	*1.6%*	*31,626*
Southeast	**18,018,245**	**906,194**	**5.0%**	**162,544**
Southwest	**16,127,071**	**700,366**	**4.3%**	**164,233**
Total Market	**66,392,769**	**3,402,831**	**5.1%**	**322,424**
Community Ctr	*17,867,005*	*951,023*	*5.3%*	*80,944*
Neighorhood Ctr	*27,942,396*	*1,982,663*	*7.1%*	*246,597*
Outlet Mall	*839,000*	*0*	*0.0%*	*0*
Regional Ctr	*18,764,327*	*325,233*	*1.7%*	*20,308*

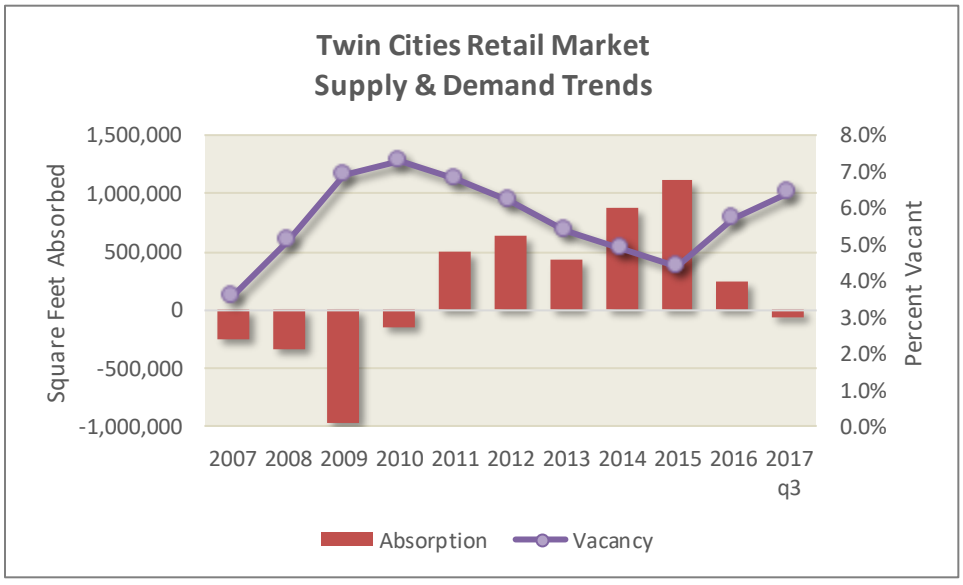
Sources: Colliers International; Maxfield Research & Consulting, LLC

- Absorption is the primary measure of leasing demand in the commercial real estate industry. Through the first three quarters of 2017, the retail market experienced roughly -67,000 square feet of negative absorption. Negative absorption, which occurs when the amount of physically occupied space in a market is reduced from one time-period to the next, suggests weak overall demand.

- Retailer demand was highest for neighborhood center space in the Twin Cities, which experienced over 50,000 square feet of absorption during the first three quarters of 2017. Roughly 35,000 square feet of community center space was absorbed during that time period, while regional centers experienced -182,000 square feet of negative absorption.

- Saint Francis is located in the Northwest submarket as defined by Colliers International. Within the submarket, roughly 9.1 million square feet is in neighborhood centers, 9.5% of which is vacant (858,000 square feet). Neighborhood centers in the Northwest submarket experienced approximately -154,000 square feet of negative absorption through the first three quarters of 2017.

- As illustrated in the following graph, the retail market recovered from high vacancy rates and weak demand during the Recession and moved into the expansion phase of the real estate cycle. Vacancy rates declined steadily between 2010 and 2015, while demand and construction activity increased. However, since 2015, vacancy rates have been increasing while demand (as measured by absorption) has contracted.



- Market conditions had been very competitive and retailers were faced with a shortage of available quality space and rising rental rates. However, the amount of available space increased sharply in 2016 and 2017 due to multiple store closings. Examples of these closings include Sports Authority, Macy's, Kmart, and Hancock Fabrics. Vacant stores in well-located shopping centers are being back-filled quickly, but other locations have been slower to fill.

- Much of the leasing activity is occurring in small-shop space, predominantly driven by fast-casual food concepts, fitness centers, and coffee concepts. Additionally, grocery stores have been actively expanding or seeking shopping center space, including; Hy-Vee, Fresh Thyme, Trader Joe's, Aldi, and Whole Foods. Discount retailers such as Hobby Lobby, Savers, and Total Wine are also seeking space.

- Average retail rental rates held steady over the year at $27.80 per square foot net. However, new centers in prime locations (e.g. France Avenue in Edina) are obtaining much higher rents in the $40 to $60 per square foot range, while centers in secondary locations generally have rental rates below $20 per square foot. These rents are pricing some retailers out of the prime markets and forcing them to seek space in secondary locations. However, it appears that premium rent growth is flattening.

TABLE 13
QUOTED AVERAGE NET RETAIL RENTAL RATES
TWIN CITIES METRO AREA
2013 - 2016

Shopping Center Type	2017	2016	2015	2014	2013
Minneapolis CBD	$24.65	$24.65	$24.14	$24.19	$27.65
Community Center	$19.09	$19.05	$18.92	$18.64	$18.66
Neighborhood Center	$16.48	$16.37	$16.04	$15.87	$15.72
Outlet Mall	$33.74	$33.74	$33.74	$33.74	--
Regional Center	$62.99	$62.99	$62.99	$62.68	$63.06
Total Market	$27.80	$27.81	$27.48	$27.55	$27.60

Sources: Cushman & Wakefield|NorthMarq; Maxfield Research & Consulting, LLC

- The retail industry is experiencing a period of uncertainty, as consumer spending on retail goods and services is strong, yet many well-known retailers have filed for bankruptcy or closed stores recently. Several trends have contributed to the current state of the market, but one of the most significant trends impacting store-based retailers is the growth of online and mobile retailing.

- Consumers have changed their spending habits since the Recession, shifting from material goods (i.e. clothing) to experiences (i.e. travel and dining out). Sales at restaurants have grown twice as fast as all other retail spending since 2005. In 2016, for the first time ever, spending was higher at bars and restaurants than at grocery stores in the United States.

- Moving forward, successful shopping mall owners will likely invest in the following: differentiating consumer offerings with a focus on experience and convenience; leveraging technology and omnichannel strategies; and, exploration of new formats. Shopping malls will likely not be able to compete with online shopping for convenience, but they can offer leisure, entertainment, and dining experiences. Additionally, mixed use developments that provide an integrated community where people can live, work, and shop are expected to gain in popularity.

Saint Francis Retail Inventory

The following points summarize key findings about the inventory of retail space in the City of Saint Francis. The retail inventory data was collected by Maxfield Research from CoStar, a provider of information, analytics, and marketing services to the commercial real estate industry.

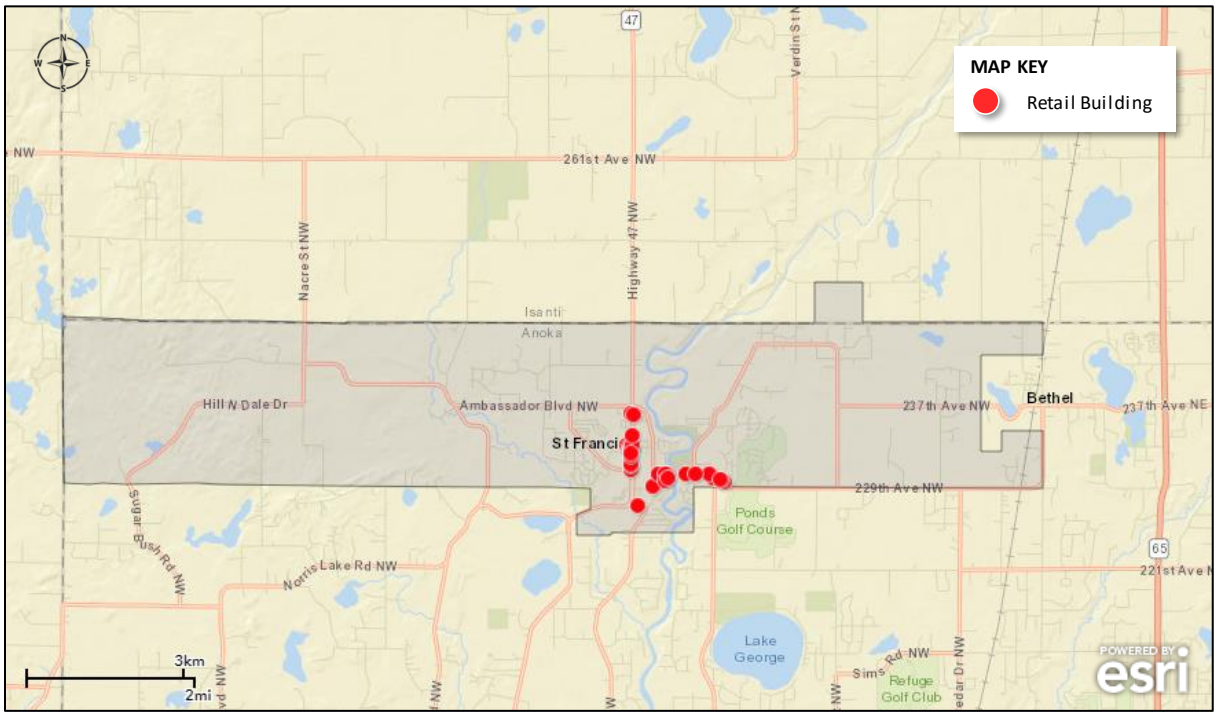
- We identified a total of 27 retail properties in Saint Francis, totaling approximately 242,000 square feet. Various retail property types are included among these 27 properties, such as; neighborhood and convenience centers, day care centers, banks, bowling alleys, and auto repair shops. There is 5,000 square feet of retail space currently available for lease in the City, representing a 2.1% vacancy rate.

- The average retail building size is roughly 9,000 square feet, with the largest being the 60,000 square-foot grocery-anchored Saint Francis City Center.

- Much of the retail development in Saint Francis coincided with the surge in residential construction activity that occurred in the City during the early 2000s, as nearly half (46%) of the retail space in Saint Francis opened between 2000 and 2005. Roughly 18,000 square feet (7% of the inventory) has been delivered since 2005.

- As depicted in the following map, the retail properties located in the City of Saint Francis are clustered along Highway 47 (Saint Francis Boulevard) and Bridge Street.

Retail Property Location Map

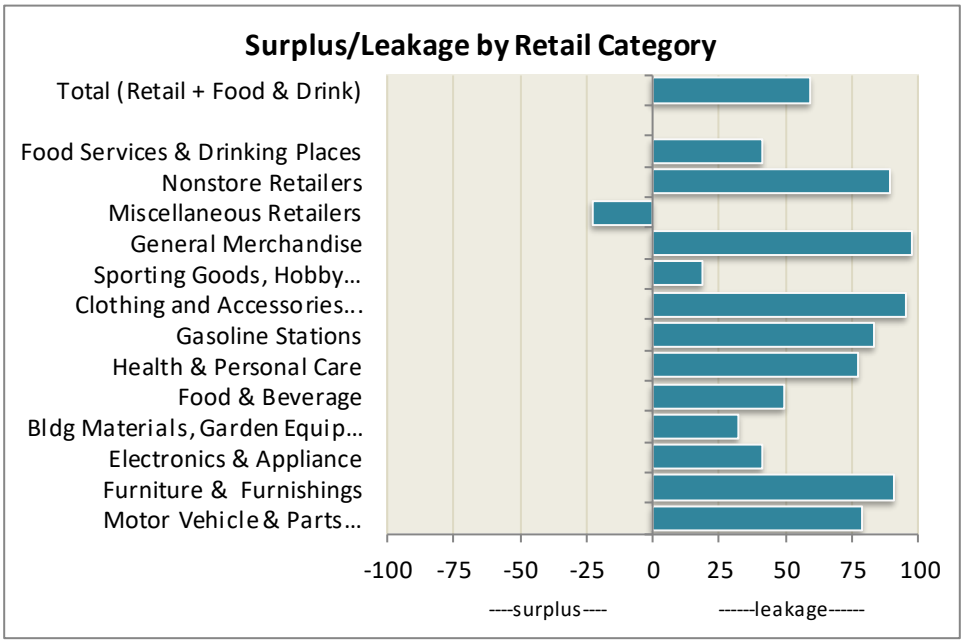


Retail Demand Potential and Leakage

Table 14 on the following page presents current retail sales and consumer expenditure data for the PMA. The sales information is from ESRI based on household counts. This information lists retail demand (potential sales), retail supply to consumers (retail sales) and provides a picture of the gap between the area's retail supply and demand. A positive value represents "leakage" of retail opportunity to stores outside of the Market Area. A negative value represents a "surplus," where more customers are coming into the area for retail goods and services than there are households in the area. Key points of the retail demand potential follow.

- There are 89 retail business establishments located in the PMA. These establishments generated roughly $89.1 million in sales in 2017, while retail expenditures totaled an estimated $351.1 million from PMA households. The result is a spending gap of nearly $262.1 million and a leakage factor of 59.5 in the PMA.

- It appears that PMA residents are purchasing retail goods and services at establishments located outside the area, generating "leakage" of retail opportunity outside the Trade Area. As illustrated in the following graph, nearly all of the major retail categories experienced leakage of retail sales during 2017 in the PMA.



- This data indicates that a variety of retailers considering Saint Francis could potentially capture sales that are currently being transacted outside of the Trade Area, including neighborhood-oriented goods and services, such as gasoline stations, grocery stores, health and personal care stores, and restaurants. The expanding household and employment base in the PMA will continue to generate demand for retail goods and services.

- New retail space in Saint Francis will likely be able to attract commercial establishments serving both the resident population as well as the daytime population in the area.

TABLE 14
RETAIL DEMAND POTENTIAL AND LEAKAGE
PRIMARY MARKET AREA
2017

Industry Group (NAICS Code)	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus/Leakage Factor	Number of Businesses
SUMMARY					
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	$351,134,379	$89,078,108	$262,056,271	59.5	89
Total Retail Trade (NAICS 44-45)	$316,877,201	$74,879,324	$241,997,877	61.8	68
Total Food & Drink (NAICS 722)	$34,257,178	$14,198,784	$20,058,394	41.4	21
EXPENDITURE TYPE					
Motor Vehicle & Parts Dealers	**$66,717,804**	**$7,741,159**	**$58,976,645**	**79.2**	**12**
Automobile Dealers	$53,316,304	$2,171,432	$51,144,872	92.2	4
Other Motor Vehicle Dealers	$7,650,188	$2,302,168	$5,348,020	53.7	3
Auto Parts, Accessories & Tire Stores	$5,751,312	$3,267,559	$2,483,753	27.5	5
Furniture & Home Furnishings Stores	**$10,231,569**	**$477,782**	**$9,753,787**	**91.1**	**1**
Furniture Stores	$6,024,813	$477,782	$5,547,031	85.3	1
Home Furnishings Stores	$4,206,756	$0	$4,206,756	100.0	0
Electronics & Appliance Stores	**$11,726,538**	**$4,868,635**	**$6,857,903**	**41.3**	**4**
Bldg Materials, Garden Equip. & Supply Stores	**$23,769,752**	**$12,224,623**	**$11,545,129**	**32.1**	**20**
Bldg Material & Supplies Dealers	$21,583,980	$10,092,926	$11,491,054	36.3	14
Lawn & Garden Equip & Supply Stores	$2,185,772	$2,131,697	$54,075	1.3	6
Food & Beverage Stores	**$49,038,151**	**$16,470,294**	**$32,567,857**	**49.7**	**7**
Grocery Stores	$40,557,059	$9,957,838	$30,599,221	60.6	4
Specialty Food Stores	$2,504,190	$0	$2,504,190	100.0	0
Beer, Wine & Liquor Stores	$5,976,902	$6,512,456	($535,554)	(4.3)	3
Health & Personal Care Stores	**$21,916,780**	**$2,755,165**	**$19,161,615**	**77.7**	**2**
Gasoline Stations	**$34,678,414**	**$3,094,916**	**$31,583,498**	**83.6**	**1**
Clothing & Clothing Accessories Stores	**$16,689,925**	**$385,308**	**$16,304,617**	**95.5**	**1**
Clothing Stores	$11,380,568	$385,308	$10,995,260	93.5	1
Shoe Stores	$2,431,482	$0	$2,431,482	100.0	0
Jewelry, Luggage & Leather Goods Stores	$2,877,875	$0	$2,877,875	100.0	0
Sporting Goods, Hobby, Book & Music Stores	**$9,715,471**	**$6,596,327**	**$3,119,144**	**19.1**	**9**
Sporting Goods/Hobby/Musical Instr Stores	$8,476,888	$6,596,327	$1,880,561	12.5	9
Book, Periodical & Music Stores	$1,238,583	$0	$1,238,583	100.0	0
General Merchandise Stores	**$55,271,107**	**$716,544**	**$54,554,563**	**97.4**	**1**
Department Stores Excluding Leased Depts.	$41,469,520	$0	$41,469,520	100.0	0
Other General Merchandise Stores	$13,801,587	$716,544	$13,085,043	90.1	1
Miscellaneous Store Retailers	**$12,116,736**	**$19,275,285**	**($7,158,549)**	**(22.8)**	**9**
Florists	$680,155	$136,700	$543,455	66.5	1
Office Supplies, Stationary & Gift Stores	$2,527,020	$132,399	$2,394,621	90.0	1
Used Merchandise Stores	$1,537,559	$103,650	$1,433,909	87.4	1
Other Miscellaneous Store Retailers	$7,372,002	$18,902,536	($11,530,534)	(43.9)	6
Nonstore Retailers	**$5,004,954**	**$273,286**	**$4,731,668**	**89.6**	**1**
Electronic Shopping & Mail-Order Houses	$3,957,964	$273,286	$3,684,678	87.1	1
Vending Machine Operators	$228,546	$0	$228,546	100.0	0
Direct Selling Establishments	$818,444	$0	$818,444	100.0	0
Food Services & Drinking Places	**$34,257,178**	**$14,198,784**	**$20,058,394**	**41.4**	**21**
Special Food Services	$876,179	$0	$876,179	100.0	0
Drinking Places - Alcoholic Beverages	$1,984,317	$193,038	$1,791,279	82.3	1
Restaurants/Other Eating Places	$31,396,682	$14,005,746	$17,390,936	38.3	20

Note: All figures quoted in 2016 dollars. Supply (retail sales) estimates sales to consumers by establishments, sales to businesses are excluded. Demand (retail potential) estimates the expected amout spent by consumers at a retail establishment. Leakage/Surplus factor measures the relationship between supply and demand at ranges from +100 (total leakage) to -100 (total surplus). A positive value represents "leakage" of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.

Sources: ESRI; Maxfield Research & Consulting, LLC

Retail Development Potential

Demand for additional retail space, measured in gross leasable space in square feet, is calculated in the table on the following page which combines demand information with supply to calculate the amount of retail space supportable in the PMA. Sources of data used in the calculations include Maxfield Research and the Metropolitan Council, ESRI, and the Urban Land Institute (sales per square foot).

The demand calculation begins with household growth projections combined with an estimate of the total expenditures for retail goods and services by Market Area residents, excluding expenditures for automobiles, homes, finance and insurance, education, and travel. We anticipate that the primary source of demand for new retail space in Saint Francis will be generated by household and consumer expenditure growth in the PMA. The following points summarize the retail demand methodology.

- As of 2017, there are an estimated 8,124 households in the PMA. The household base is projected to grow by 359 households between 2017 and 2022.

- Based on a review of consumer expenditure patterns in the PMA, Trade Area residents spent an average of $25,632 on retail goods and services in 2017.

- Because of growth in the household base and accounting for inflation, as well as projected increases in household income, PMA residents are expected to increase their overall retail expenditures from an estimated $208.2 million in 2017 to $240.1 million in 2022. Projected increases in households and annual expenditures will result in growth in retail expenditures by Trade Area residents of roughly $31.8 million between 2017 and 2022.

- As of 2017, total leakage of retail expenditures (including food and drink) from the Trade Area was estimated to be at 59%, indicating a substantial loss of potential sales. Saint Francis could potentially attract stores in a variety of neighborhood-oriented retail categories, as leakage exists in most major retail categories in the PMA. Deducting leakage from total Trade Area expenditures results in purchasing power that will be retained in the Trade Area.

- Accounting for inflation, we anticipate that the average retail sales per square foot will increase from an estimated $301 in 2017 to $324 in 2022. The retail sales per square foot reflects an average across neighborhood shopping centers in the Midwest and is based on information published in the “Dollars & Cents of Shopping Centers” prepared by the International Council of Shopping Centers and the Urban Land Institute.

- Dividing purchasing power by average retail sales per square foot equates to total demand for about 280,119 square feet of retail space in the PMA in 2017, increasing to about 303,556 square feet in 2022, for a net gain of 23,437 square feet from 2017 to 2022.

- We anticipate that 75% of the demand for retail goods and services will come from households in the PMA and the remaining 25% will come from sources other than Trade Area households. Some of these sources include employees working at businesses establishments in the area and daily traffic on the surrounding road network.

- Adding in demand generated by sources other than Trade Area households results in potential demand for an estimated 31,250 square feet of new retail space in the PMA between 2017 and 2022.

- Based on household growth trends and the distribution of existing retail space in the PMA, we estimate that the City of Saint Francis could capture 80% of the total growth in retail demand in the PMA, resulting in demand for approximately 25,000 square feet of retail space in the City between 2017 and 2022.

TABLE 15
DEMAND FOR RETAIL SPACE
CITY OF SAINT FRANCIS, MINNESOTA
2017 to 2022

		2017	2022
Trade Area Households		8,124	8,483
(times) Annual Household Expenditures [1]	x	$25,632	$28,300
(equals) Total Trade Area Expenditures	=	$208,234,368	$240,073,057
(plus) Approx. % Leakage Outside the Trade Area [2]	+	59%	59%
(equals) Leakage Outside of Trade Area	=	$123,795,332	$141,872,613
(equals) Total Purchasing Power		$84,439,036	$98,200,443
(divided by) Average sales per Sq. Ft.	/	$301	$324
(equals) Total Retail Space Demand (Sq. Ft.)	**=**	**280,119**	**303,556**
Growth in Retail Demand from PMA Households 2017 to 2022		**23,437**	
(plus) Demand from outside PMA (25%) [3]	+	7,812	
(equals) Potential Demand for Retail Space (Sq. Ft.) in PMA	**=**	**31,250**	
(times) % of Demand Growth Capturable in Saint Francis	x	80%	
(equals) Retail space supportable in Saint Francis (square feet)	**=**	**25,000**	

[1] Excluding expenditures for home buying, finance & insurance, travel, vehicle sales.

[2] Leakage is the estimated amount of retail dollars spent outside the Trade Area.

[3] An estimated 25% of the demand will be generated by households from outside the PMA.

Note: The leakage factor is derived from subtracting the estimated retail sales in the Trade Area from the total retail expenditures by Trade Area residents.

Sources: ESRI; ULI; Metropolitan Council; Maxfield Research & Consulting, LLC

Summary and Conclusions

Due to factors such as accessibility, traffic volumes, and population density, the most likely retail uses to be drawn to Saint Francis will be convenience- and neighborhood-oriented retailers, specialty stores, and personal and professional service firms offering services to local households. We find that there will be sufficient growth in demand to support additional retail space in Saint Francis between 2017 and 2022. Additionally, based on a review of retail space listed for lease in CoStar, there is only 5,000 square feet of space available in the City which equates to a 2.1% vacancy rate. This information suggests that there is pent-up demand for retail space in Saint Francis.

As of the third quarter of 2017, the Twin Cities retail market had a vacancy rate of 6.4%, up from 5.1% in the third quarter of 2016. The retail market recovered from high vacancy rates and weak demand during the Recession and moved into the expansion phase of the real estate cycle. Vacancy rates declined steadily between 2010 and 2015, while demand and construction activity increased. However, since 2015, vacancy rates have been increasing while demand (as measured by absorption) has contracted.

The amount of available space increased sharply in 2016 and 2017 due to multiple store closings. Examples of these closings include Sports Authority, Macy's, Kmart, and Hancock Fabrics. Vacant stores in well-located shopping centers are being back-filled quickly, but other locations have been slower to fill. Much of the leasing activity is occurring in small-shop space, predominantly driven by fast-casual food concepts, fitness centers, and coffee concepts. Additionally, grocery stores have been actively expanding or seeking shopping center space and discount retailers such as Hobby Lobby, Savers, and Total Wine are also seeking space.

The retail industry is experiencing a period of uncertainty, as consumer spending on retail goods and services is strong, yet many well-known retailers have filed for bankruptcy or shuttered stores recently. Several trends have contributed to the current state of the market, but one of the most significant trends impacting store-based retailers is the growth of online and mobile retailing. Moving forward, successful shopping mall owners will likely explore new formats and provide offerings that focus on experience and convenience, while retailers will shift toward leveraging technology and omnichannel strategies to increase sales. Additionally, mixed use developments that provide an integrated community where people can live, work, and shop are expected to gain in popularity.

The most likely retail uses to be drawn to Saint Francis would be neighborhood and convenience-oriented goods and services where there is currently leakage of sales opportunity. Examples include restaurants, coffee shops, health and personal care stores, boutique fitness centers, and gasoline stores. Retailers could capture potential sales from several sources, including; area households, employees working at businesses establishments in the area, and daily traffic on the surrounding road network.

We anticipate that new construction retail space would rent for approximately $20.00 to $25.00 per square foot, on average, in 2017, which is substantially higher than the average lease rate of $15.43 NNN for existing neighborhood center space in the submarket surrounding Saint Francis. National retailers would likely be able and willing to pay the higher rate for new construction retail space, but some locally-owned retailers may have a difficult time supporting new construction rents.

Commercial development in Saint Francis would most likely attract convenience- and neighborhood-oriented retailers, specialty stores, and personal and professional service firms offering services to local households that would consider locating in retail space. Table 16 provides a summary of these types of business establishments along with typical space sizes. We suggest that new commercial retail space in Saint Francis be marketed to these types of tenants.

TABLE 16
NEIGHBORHOOD- AND CONVENIENCE-ORIENTED BUSINESS ESTABLISHMENTS
POTENTIAL COMMERCIAL TENANT TYPES IN SAINT FRANCIS

Retail Uses	Median Size Range (Sq. Ft.)	Personal/Professional Service Uses	Median Size Range (Sq. Ft.)
Variety Store	1,900 - 8,900	Cosmetics/Beauty Supplies	1,600 - 2,100
Dollar Store	2,900 - 8,000	Dry Cleaner/Laundry	1,500 - 2,000
Specialty Food	2,700 - 2,800	Hair Salon	1,000 - 1,250
Bakery	1,500 - 1,500	Nail/Tanning/Day Spa	1,200 - 3,500
Health Food	1,200 - 1,800	Photographer/Film Processing	1,300 - 1,700
Convenience Market	1,000 - 1,200	Photocopy	1,400 - 1,400
Restaurant (without liquor)	2,600 - 4,000	Tailor	900 - 900
Restaurant (with liquor)	2,800 - 5,000	Mailing/Packaging	1,200 - 1,350
Ice Cream/Sandwich Shop	1,200 - 2,000	Learning Center/College	2,400 - 2,400
Hamburger/Pizza/Fast Food	1,400 - 2,400	Employment Agency	1,500 - 1,600
Clothing/Shoes/Footwear	1,700 - 4,500	Accounting and Finance	1,400 - 1,600
Home Accessories	8,000 - 9,000	Bank	2,500 - 3,200
Electronics/Telephones	1,200 - 2,400	Insurance	1,000 - 1,200
Hardware	10,000 - 10,100	Real Estate	1,700 - 2,400
Automotive	6,000 - 7,000	Optician/Optometrist	1,500 - 2,000
Sporting Goods	4,250 - 8,500	Medical and Dental	1,500 - 1,600
Hobby/Arts/Crafts	4,500 - 9,200	Veterinary	1,600 - 2,000
Gifts/Books/Games/Pets	1,400 - 4,000	Music Studio/Dance	2,200 - 2,300
Drugstore/Pharmacy	9,600 - 10,000	Health Club	1,700 - 3,600

Sources: Urban Land Institute/International Council of Shopping Centers; Maxfield Research & Consulting, LLC

This memorandum presents an initial market potential assessment, which is intended to broadly assess the demand for commercial retail development in Saint Francis. A full market potential analysis would provide a site analysis, comprehensive market information, absorption projections, and detailed recommendations.