



GAUGHAN
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October 2010

Commercial Real Estate Brief

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Real Estate Sales & Leasing



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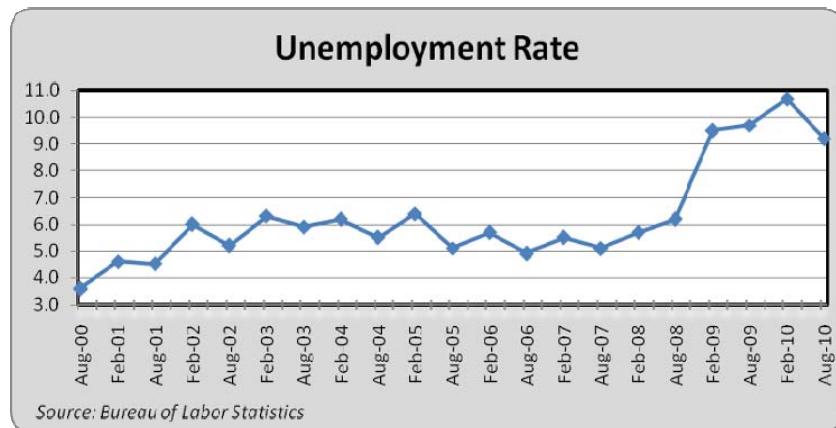
Retail on the Rebound?

The Great Recession has adversely affected all sectors of the commercial real estate market. Perhaps none more so than the Retail Sector which recently saw vacancy rates climb above 9% for the first time in more than a decade. Retailers, from national chains to local "mom and pop" stores, were hit hard by the drop in consumer confidence and rising unemployment numbers. As a result, many big boxes and small storefronts went dark as retailers closed their doors and went out of business.



Lou Suski

However, despite this gloomy recent history, the skies appear to be brightening in the Retail sector. Net absorption for the first half of 2010, while still negative, was only 150,000 SF compared to over 500,000 SF for 2009. Consumer confidence is on the rise and unemployment rates are slowly dropping. Restaurant parking lots are starting to be full again.





Julie Nash Smith

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Lou Suski

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John Chirhart

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David Glass

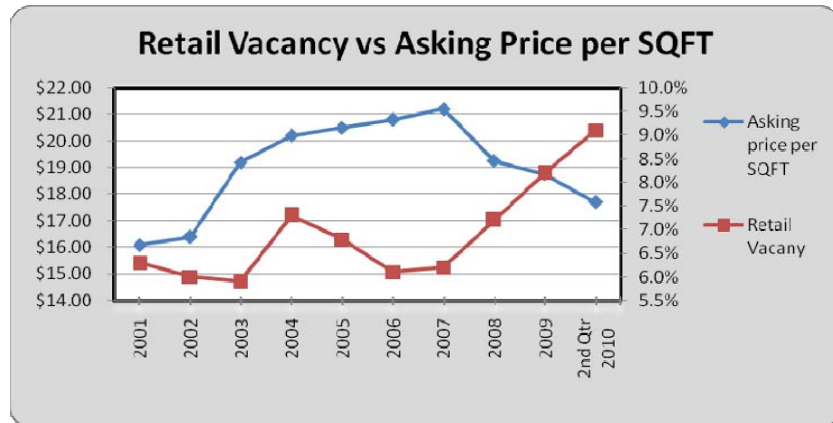
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George Novak

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More importantly, leasing activity in the retail sector has picked up dramatically in the last six months. While value concepts such as Big Lots and Goodwill continue to grow, national retailers are once again becoming active in the market and strong local retailers are moving forward with long shelved expansion plans. Average asking rental rates have dropped by almost 25% from their pre-recession high. None the less, for quality retail tenants, Landlords are routinely offering even greater rent discounts as well as increased concessions in the forms of free rent or increased tenant improvement allowances. The result is that storefronts are beginning to fill up as solid retailers take advantage of these discounts. The Gaughan Companies retail leasing team has evidenced this with three new leases in the last three months, almost double their production for all of 2009.



Likewise, investment capital, both large and small, is also beginning to creep back into the retail sector. Block E in Downtown Minneapolis and Oakdale Village were acquired within the last six months. Closer to home, Gaughan Companies recently closed the sale of the Apollo Crossings, an 18,000 SF retail strip center in Lino Lakes, that twelve months ago would have been considered unmarketable due to no interest in the investment community. The Gaughan Companies team of John Chirhart and Julie Nash Smith took on this assignment and sold the property for 90% of asking price within 4 months of having it listed.

So, the question remains, is Retail on the Rebound? We think the answer is yes, although the climb back to a healthy market will still be a long slow one. Until we can see state unemployment rates below 5%, the retail market will continue to be slow. However, any positive signs are better than the experience of the last two years and we fully expect this slow recovery to continue.

In Focus...



Mandy Novak
*Commercial
Sales & Leasing*



Joseph Minwegen
*Commercial
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Kristen Ives
Property Manager



Liz Neudecker
Project Coordinator

Sky Media, LLC - More Space for Less \$\$\$



When Sky Media wanted to reduce costs while increasing the size of their office and warehouse, they worked with Lou Suski of the Gaughan Companies who provided a market assessment and a written evaluation of options. Lou conducted an initial market survey of more than 20 buildings and toured a dozen properties before narrowing the list of facilities that would meet his client's requirements.

Lou negotiated a long term lease for Sky Media at the Broadway Business Center just off I-35W at Stinson Boulevard. This 21,600 SF facility provides Sky Media with 7,200 SF of newly remodeled office space, air-conditioned warehousing, and dock high loading. The landlord provided significant free rent and paid for all tenant improvements as incentives.

Due to Lou Suski's successful negotiations, Sky Media increased their space by over 30% while reducing their occupancy costs by over \$2,000 per month. The total economic package provided the client with a 20% rent savings over the lease term.

Sky Media is the parent company of Historic Sales and its subsidiaries, Historic Aviation, Historic Rail, Military Issue and Civil War Standard. The company sells a broad line of collectibles, including models, kits, books, videos, art prints, calendars and historic artifacts to dealers and consumers nationwide. They can be reached at (612) 206-3270.

Notable Transactions

Sale of Former Market Place Foods in Forest Lake



Gaughan Companies sold the former Marketplace Foods in Forest Lake, MN with a sales price of \$1.4M. The property consists of a 27,190 SF facility on 2.62 acres. The sale closed on August 30th, 2010.

The sellers, a local family partnership we represented by Julie Nash Smith and Dan Hebert. The buyer was Family Pathways, a regional non-profit organization headquartered in Cambridge, MN.



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Gaughan Companies Sells Bank Owned Property

John Chirhart and Lou Suski represented the seller, Anchor Bank in the sale of a 16,466 SF industrial property located at 2120 108th Lane NE, Blaine, MN. The buyer, On Demand EDM, a precision metal machine shop, purchased the building for \$675,000 on August 20, 2010.



This transaction closed within 120 days of being listed with Gaughan Companies.

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