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PURPOSE OF STUDY

In May 2014, Cushman & Wakefield/NorthMarq's Retail Advisory Services team was contracted by the City of Duluth to conduct a retail market survey of the key submarkets utilizing re-lytics®, our proprietary technology platform. In addition, we were asked to provide assistance in the development and implementation of a retail recruitment strategy for the City with an overall objective to help the City of Duluth attract new retail and development to meet the needs of its residents and neighborhood communities.

The retail market survey included, but was not limited to, the following neighborhoods:

- Miller Hill
- Downtown Duluth
- West Duluth
- London Road
- Lakeside
- Lincoln Park
- Superior

The purpose of the survey was to catalog properties and development opportunities within each submarket, analyze the demand characteristics of the resident population and determine if a gap exists between the demand and supply for retail goods and services that would allow for infill or new construction.

An analysis of 135 categories of retail goods and services was used to determine the most appropriate retail categories to target for each submarket in Duluth. Understanding the sales potential and the competitive environment provides a basis for rent projections and future marketing efforts.

Additionally, each retail submarket was studied to determine its competitive position. Primary research was conducted to inventory all of the competitive facilities and businesses. Databases were established that list the locations and estimated sales categories (where available) of all retail and service outlets within the trade area. These databases were used as a basis for rigorous primary research and fieldwork to verify the competition by traveling all of the major streets in the trade area. Through systematic observation, we made both quantitative and qualitative assessments of the submarket's constituents.

Population, demographics and spending characteristics were provided to help establish the retail spending patterns of consumers in each submarket. These data were used to narrow the list of retail categories and identify opportunities.

Each month, the Retail Advisory Services team met with City of Duluth staff to tour one of the subject submarkets. We reviewed our observations and scored competing properties. During this process, we visited key sites and vacancies. We then discussed a general strategy and immediate plan for attracting retailers to the submarket.

What follows is a detailed description of our observations on the local market together with our recommendations. We have enjoyed working on this assignment. We believe there is

great opportunity to attract more retailers to the City of Duluth and better engage with the local businesses and key constituents in the market to capture more annual retail sales.

OVERVIEW

Situated on Lake Superior, Duluth is one of the most important seaport cities in the country and a major regional center. It is the fifth-largest city in Minnesota with a population of 86,128. And thanks to its wide-array of attractions and activities, it welcomes 3.5 million tourists each year. In addition, it is home to two region-serving hospitals (St. Luke's and Essentia Health), several local colleges and universities and a robust growing economy. The diversity in its appeal is clear in the accolades it receives:

- *Best Place to Live* (Outside Magazine) June 2014
- One of 6 Best Vacation Destinations to help your work (Forbes)
- One of "The Best Places For Business And Careers 2013" (Forbes Magazine)
- *Top Port City* (Railway Industrial Clearance Association (RICA)) 2011
- *Top 5 Small City for Livability* (Money Magazine) 2010

The city's momentum is being fueled by two key cohorts – baby boomers and millennials – who are choosing Duluth for the employment opportunities and lifestyle. To meet the demand, new rooftops are being added and the retail is quickly following. The city is enjoying rising occupancy levels and new development. Further, the benefits of this new tide of activity are being felt in every submarket.

Contributing to the overall health of the city's retailers are the multiple demand surfaces at play:

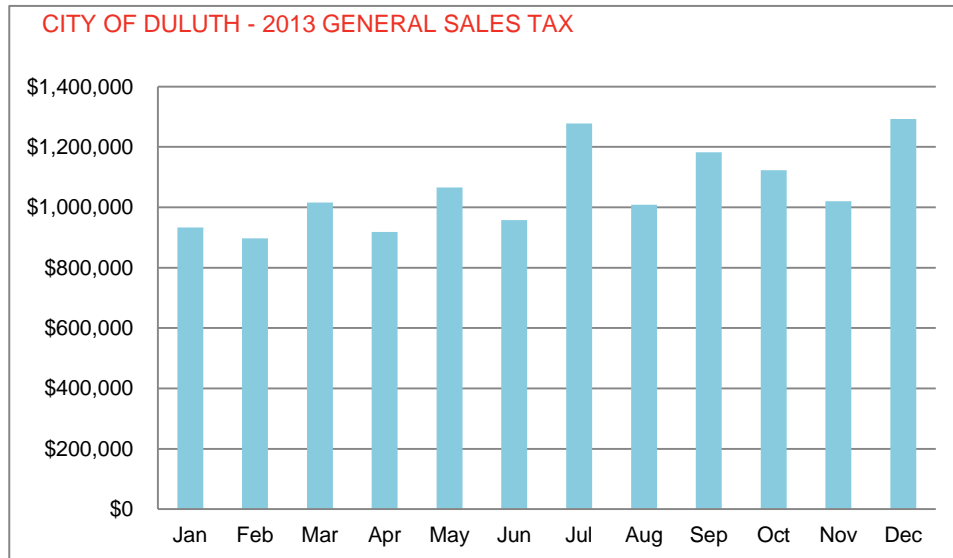
- Residents
- Employees
- Students
- Tourists
- Medical visitors

The overall greater Duluth / Superior retail market is very strong and rivals similar-sized markets across the country thanks to its low vacancy rate and dominance of major national brands. There are over 1,300 businesses encompassing 8.1 million square feet that are spread throughout the five major submarkets.

	Total SF	Vacant SF	Vacant %	Total Count	Vacant Count
Anchored Multi-Tenant Shopping Centers	1,867,297	49868	2.67%	214	17
Unanchored Multi-Tenant Shopping Centers	905,546	115,725	12.78%	254	26
Single-Tenant Multi-Tenant Shopping Centers	3,608,521	74,991	2.08%	357	17
Urban Form Properties	1,747,901	171,568	9.82%	528	73
Total Market	8,129,265	412,152	5.07%	1,353	133

A review of the general sales tax data for the City of Duluth demonstrates this strength. In 2013, the City generated \$12.69 million in sales tax revenue. While many would assume the sales tax revenue follows the tourism traffic, it is actually very consistent year-round with just

the expected peaks in July and December that coordinate with the height of summer vacations and holiday shopping.



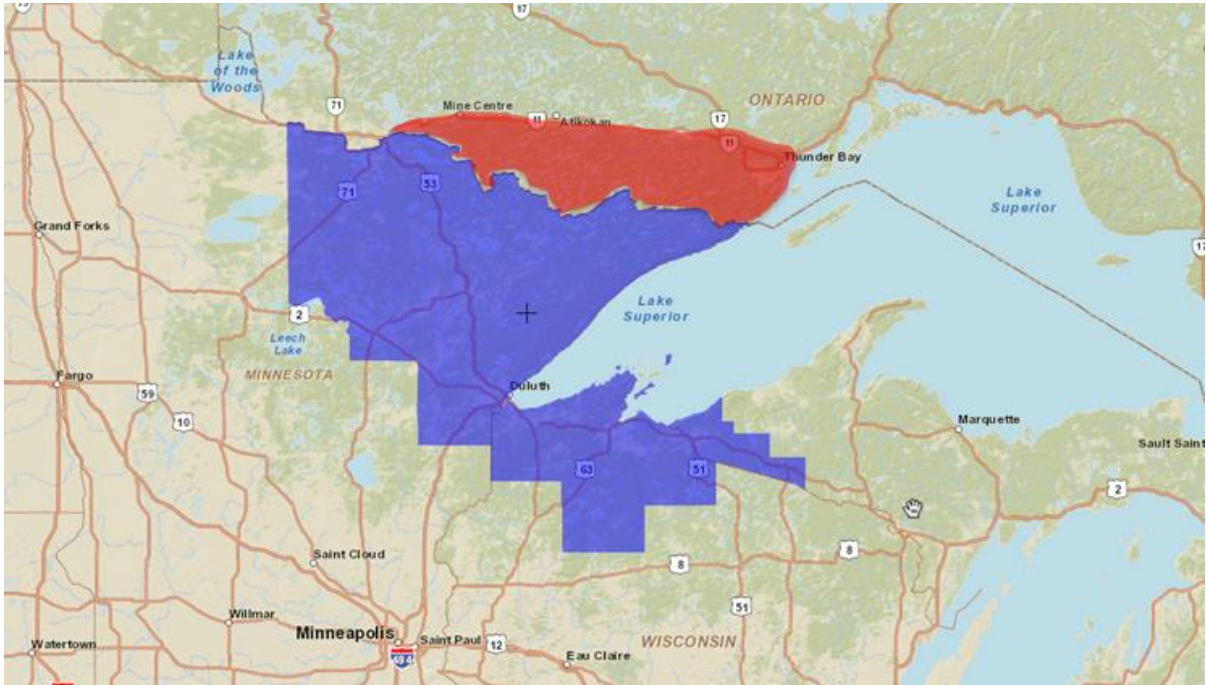
DEFINING THE TRADE AREA

Every business has its own trade area, which is defined by a number of factors starting with the type of goods to be sold. The businesses located in the City of Duluth vary in terms of how near and far their customers are located and will travel for the offered goods and services. For instance, it is likely that Marshall Hardware in the Lakeside neighborhood only draws nearby customers from East Duluth, while Menards in the West Duluth neighborhood has a much wider reach, even seeing 30% of its annual sales come from Canadian shoppers traveling down from the Thunder Bay area according to the local store manager.

To define the trade area for the overall Duluth retail market, we start with a generic standard then adjust for several key issues:

- *Urban Density* – drive times are much longer in urban areas than in rural areas. This means that the same class of goods will serve a smaller area in a denser urban environment. The first adjustment to the generic standards is to reflect the differences in drive times.
- *Competition* – as previously stated, people will not travel by many alternatives for most goods. Noting the store spacing for chain stores will often provide the best clues for the limits of a trade area.
- *Geography* – Many geographic features such as terrain, rivers, lakes and roads will place limits on retail trade areas in one direction or another. Social and political boundaries can have similar affects.
- *Traffic Patterns* – The inflection points in the traffic counts along key arterial roads are generally a very good indicator of trade area edges. Another of the key things that we look at is commute sheds. People will travel much further in the direction of their normal commute.
- *Brand / Image* – Most customers will trade up but not down. A retailer with a strong image can break all of the rules and pull much further than expected.

As a region-serving hub, Duluth attracts shoppers that naturally do not have good alternatives in their communities where they can seek out the large national brand stores and specialty shops, especially for stock up goods and larger purchases, such as major appliances and electronics. If we only use the city limits of the City of Duluth, which has a population of 86,211, it captures those residents shopping for daily needs but does not properly account for those shoppers looking for convenience and intermediate goods. A more accurate picture of the greater Duluth area in terms of its residential population is the Core Based Statistical Area (CBSA). The CBSA is a U.S. geographic area defined by the Office of Management and Budget (OMB) based around an urban center of at least 10,000



Defined retail trade area for the City of Duluth.

people and adjacent areas that are socioeconomically tied to the urban center by commuting. For Duluth, the CBSA totals the population at 280,425. This number, while much higher, better explains how so many retailers are operating multiple stores in Duluth and seeing strong sales numbers.

However, to define the overall retail trade area for the retail businesses and services located in the City of Duluth we can utilize the Designated Market Area (DMA), which is a geographic area that represents specific television markets as defined by and updated annually by the Nielsen Company. There are 210 DMA markets in the U.S. Utilizing the DMA for the greater Duluth market, we find that there is a population of 425,961.

Through our research, we have also come to understand that the “foreign shopper” coming down from Canada is a real component to the annual retail sales captured each year in Duluth. Upon review of the 2011 Canadian Census, we found that the census metropolitan area of Thunder Bay has a population of 121,596 and consists of the city of Thunder Bay, the municipalities of Oliver Paipoonge and Neebing, the townships of Shuniah, Conmee, O’Connor and Gillies and the Fort William First Nation.

We believe that the Duluth DMA combined with the Thunder Bay metropolitan area totaling 547,557 residents best represents the complete retail trade area for the City of Duluth. Each business will of course have its own trade area best defined by customer spotting and sales receipts, but this larger trade area is an accurate depiction of the market that the region-serving retailers, especially those located in Miller Hill and West Duluth, serve throughout the year.

- DMA Population = 425,961
- Thunder Bay metropolitan area = 121,596
- Total trade area = 547,557

DEMAND SURFACES

RESIDENTIAL

The residential population in the City of Duluth is currently 86,211 and growing. A recently completed study by Maxfield Research Inc. determined that the City of Duluth over the next six years (2014-2020) could support a total of 4,470 units incorporating a variety of price points, product types and including owned and rental housing.



Beyond the city limits, it is essential to recognize the wide breadth of the region, which has a trade area population of 556,000, which includes the entire DMA and Thunder Bay area of Canada.

EMPLOYMENT

In the City of Duluth alone, there are over 5,200 businesses and a total of 56,285 employees. Industries include tourism, healthcare, financial/banking, mining, paper, communications, education and shipping.



The list of top employers includes:

- SMDC Health System – 4,693
- University of Minnesota Duluth - 1,700
- St. Louis County, Duluth – 1,640
- Duluth Public Schools – 1,426
- Allete (aka Minnesota Power) – 1,400
- United Healthcare – 1,087
- Duluth Air National Guard Base - 1,028
- Cirrus Design – 992
- City of Duluth – 850
- US Government – 850
- Miner's (dba Super One) – 830
- Great Lakes Transportation – 776

- Superior School District – 742
- Benedictine Health System – 652
- Lake Superior College – 525
- Grandma's Restaurants – 500

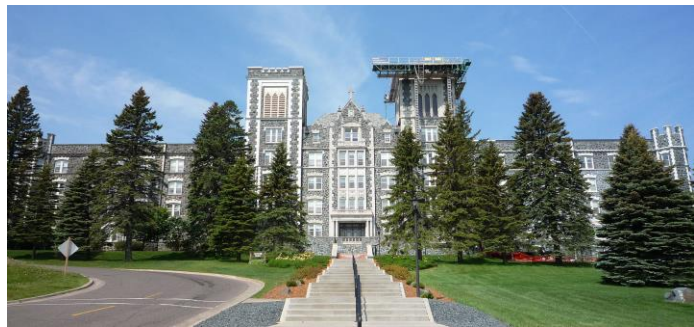
MEDICAL

Duluth is rated first in the United States for quality healthcare in communities of its size. It is a true regional medical center for surrounding states and provinces and is served by two major hospital systems: 1.) Essentia Health; and 2.) St. Luke's. Collectively these two providers employ over 7,000 medical workers and welcome 750,000 annual medical visits.



STUDENTS

Local colleges and universities include the University of Minnesota Duluth (UMD), The College of St. Scholastica, Lake Superior College, and Duluth Business University. The University of Wisconsin - Superior and Wisconsin Indianhead Technical College are in nearby Superior, Wisconsin. In total there are over 25,000 students



TOURISM

The City of Duluth welcomes 3.5 million tourist visitors per year accounting for a \$780 million economic impact. Serving these visitors are a total of 4,600 hotel rooms, 129 municipal parks, sculpture gardens and rose gardens, 100 miles of bike trails, and over 50 restaurants in the downtown area. In 2015, *Visit Duluth* is planning to conduct an extensive tourism survey, which when complete should allow for more clear metrics to utilize in explaining the importance of this demand surface to potential retail tenants.



COMPETITION

TWIN CITIES

Serving a metro wide population of over 3.25 million residents and beyond, the Twin Cities retail market consists today of 66.6 million square feet of retail goods and services. It offers shoppers access to practically every major national and regional brand imaginable, thanks especially to the constantly expanding Mall of America in Bloomington and the recently opened Twin Cities Premium Outlets in Eagan.



This huge critical mass of activity and wide offering is a natural draw and the primary source of competition to those businesses located in the City of Duluth, especially when trying to attract those regional shoppers who live south and are equal distance between the two.

IRON RANGE

The population that makes up the northeastern section of Minnesota, also known as the Iron Range, is clearly served by the City of Duluth. However, it needs to be identified as part of the competitive set as the larger cities, such as Grand Rapids, Hibbing and Virginia, offer residents in those areas viable alternatives to the good and services found in Duluth. Often it is a matter of convenience and access. Many will turn to the local grocer and hardware store rather than traveling a greater distance to shop at the Home Depot, Menards, Target or Walmart located in Duluth.



SUPERIOR

Though the city of Superior, WI is part of the greater Duluth market, it does serve as competition for those retail businesses located in the City of Duluth. There is approximately 1.04 million square feet of retail stores located along Tower Avenue, many of which are major national brands that are operating multiple stores in the greater metropolitan area.



MULTI-STORE OPERATORS

The City of Duluth is a region serving hub for retail, medical, education, tourism and transportation. Many national, regional and even local businesses have found that given the dynamics of the market and how it trades, that they can successfully operate multiple store locations, especially those serving the daily needs of residents in the greater trade area.

The following retailers and restaurants have found success in the market and have opened multiple locations:

- Arby's
- AT&T
- AutoZone
- Caribou Coffee
- CVS pharmacy
- Dairy Queen
- Dollar Tree
- Family Dollar
- GNC
- Goodwill
- Holiday Station store
- Jimmy John's
- Kwik Trip
- McDonald's
- Menards
- NAPA Auto Parts
- O'Reilly Auto Parts
- Republic Bank
- Sherwin Williams
- Starbucks
- Subway
- SuperOne Foods
- Taco John's
- Target
- US Bank
- Verizon Wireless
- Walgreens
- Walmart
- Wells Fargo
- Wendy's
- Younkers

RETAIL SUBMARKETS

MILLER HILL



Chipotle store opening at the Miller Hill Mall.

The Miller Hill retail market is the premier shopping destination of northern Minnesota and northwestern Wisconsin with more than 375 stores to fit all needs. Accessible thanks to connections to US-53, MN-194, and I-35, it attracts a strong mix of national and regional brands. From Target to Walmart to Best Buy and Cub Foods, the area boasts a wide variety of goods and services. It is the true center of retail activity for the region and the strongest generator of retail sales among all the submarkets for the City of Duluth.

	Total SF	Vacant SF	Vacant %	Total Count	Vacant Count
Anchored Multi-Tenant Buildings	1,349,247	16,423	1.22%	150	9
Unanchored Multi-Tenant Buildings	508,456	52,803	10.38%	123	11
Single-Tenant Buildings	1,724,846	34,329	1.99%	109	2
Submarket Total	3,582,549	103,555	2.89%	384	24

STRENGTHS

- Critical mass of activity
- Recognizable national and regional brands
- Accessibility (US-53, MN-194, and I-35)
- Major retail destination for the region
- Strong sales performance
- Near the Duluth International Airport, which serves over 300,000 passengers annually

WEAKNESSES

- Circulation of traffic
- Complicated entry points
- Lack of clear orientation / not cohesive
- Outdated – lacks overall aesthetic or “feel”
- Generally over parked / unused surface lots
- Car-centric (limited access for pedestrians and bikes)

PRIORITIES

- Maintain momentum
- Keep it as a regional shopping district with housing being on the peripherals
- Expand offerings
- Attract more big retailers i.e. Costco, Bass Pro, LL Bean or REI to the district
- Seek opportunities to intensify the use of the large parking lots.

KEY SITES

- Area behind Texas Roadhouse
- K Mart and Savers lot
- Arrowhead / Haines site
- Shopko parking lot
- Sundy Road

PROJECTED CHANGE

- Recent addition of Chipotle, Coach, Family Dollar, Panera, Hobby Lobby, and Build A Bear workshop – all national brands – in 2014
- Planned Mills Fleet Farm (260,000-sf) at the corner of Loberg Road and Mall Drive
- Kmart closure
- Kwik Trip and Dunkin Donuts developing stores
- Rezoning of church property at Arrowhead & Haines
- Multi-tenant small developments like the planned Platinum Plaza shops

GOALS

- Increase total GLA by 300,000 square feet by 2018
 - Establish a “hit list”
 - Create a marketing campaign
- Improve the identity of the Miller Hill retail submarket to create a more urban feel & better shopping experience
 - Streetscape
 - Public transit
 - Increase density

DOWNTOWN DULUTH



Bayfront Festival Park and Downtown Duluth

Downtown is the heart of the region, the center of transportation and employment core. It boasts a unique urban experience that is increasingly in demand. It is home to a diverse mix of primary uses, including office, retail, medical, education, hospitality and residential. The ability to truly live, work and play will be more fully realized in downtown than any other place.

On the west end is the business district. It will soon be anchored by the new 11-story, 200,000-sf headquarters for Maurice's. Connected by street and skyway are an additional 18,000 employees working in downtown. It is dominated by a cohort of young, highly-educated professionals who are the driving force behind the city's growth with a 25% increase among those ages 25-34 since 2009.

On the east end is the medical district, which is anchored by St. Luke's and Essentia Health. These two region-serving hospitals employ over 7,000 medical professionals and host 750,000 annual medical visits per year.

Bridging these two ends is the ever growing entertainment district. It attracts residents and visitors alike throughout the year thanks to its unique shops, restaurants and music / art venues. It also directly connects to Canal Park, which is populated by numerous hotels, eateries and additional tourist attractions.

	Total SF	Vacant SF	Vacant %	Total Count	Vacant Count
Anchored Shopping Centers	61,870	1,522	2.46%	8	1
Unanchored Shopping Centers	0	0	0.00%	0	0
Single-Tenant Buildings	35,767	0	0.00%	5	0
Urban Form Properties	1,207,027	114,667	9.50%	350	46
Submarket Total	1,304,664	116,189	8.91%	363	47

STRENGTHS

- Strong urban character and good building stock
- Access to DECC arena and freeway (I-35)
- Job growth (healthcare, government, professional services)
- Gaining momentum
- Tourist traffic / hotel rooms
- Skywalk system for winter months
- Established Greater Downtown Council & Visit Duluth
- Clean & Green Team is a friendly presence

WEAKNESSES

- Perception of security and concern over safety
- Current streetscape and lack of way finding (both at the street and skyway level)
- Connectivity to Canal Park and Waterfront
- Gaps in commercial corridors (Holiday Center, along 1st Street)
- Low quality signage, especially west
- Cost

PRIORITIES

- Enhance each of the main commercial districts:
 - Arts/entertainment on east end;
 - Business/office district on west end
- Create opportunities on First Street

KEY SITES

- Holiday Center including former Brownie Furniture Store (20,000-sf)
- Maurice's new building
- E First Street & Lake Ave
- Last Place on Earth – now vacant
- Connection to Canal Park and soon to be Pier B hotel near Lot D

PROJECTED CHANGE

- New DTA center – under construction
- Maurice's headquarters - under construction
- Enbridge employees
- More educational users
 - UMD will be moving downtown bringing more students into the district
 - Lake Superior College opening a program downtown
- NorShor Theatre renovations
- Superior Street – reconstruction planned for 2016
- Radisson Hotel under new ownership
- Holiday Inn recent renovations to banquet facilities
- Casino – ongoing litigation

GOALS

- Tactical urbanism
 - Way finding
 - Pocket parks / green spaces
 - Programming
- Play a significant role in the planning process for the Superior Street reconstruction
- Increase housing by 500 non-income restricted units by 2020
- Increase retail occupancy to 95% by 2016

WEST DULUTH



Denfeld Center in West Duluth.

Thanks to its easy access to I-35, the West Duluth retail submarket serves the daily needs of its surrounding residents as well as those from East Duluth and Superior. With a strong mix of high-volume retailers, it provides convenience to shoppers looking to get it all done, from groceries to hardware to haircuts. Arguably, this district may have the strongest near term potential for growth and success.

West Duluth has attracted national, regional and local retailers and restaurants because of its density and critical mass of activity. With over 7,500 residents and the second highest concentration of businesses outside the downtown core, it is now home to CVS, Kmart, Menards, SuperOne Foods, Walgreens and countless others. They are being joined by Whole Food Co-Op and Kwik Trip, who are both preparing to open brand new locations on Grand Avenue in 2015.

With its proximity to Spirit Mountain and the St. Louis River Corridor, West Duluth also welcomes the year-round outdoor enthusiasts who come to stock-up on food and supplies. And there is more room to grow and serve the residents and visitors thanks to a multitude of sites and properties currently available on the market.

	Total SF	Vacant SF	Vacant %	Total Count	Vacant Count
Anchored Shopping Centers	157,138	25,700	16.36%	19	4
Unanchored Shopping Centers	119,921	21,900	18.26%	30	6
Single-Tenant Shopping Centers	488,147	4,596	0.94%	43	2
Urban Form Properties	182,512	14,170	7.76%	62	7
Submarket Total	960,218	66,366	6.91%	155	19

STRENGTHS

- Strategic location with easy access to I-35
- Largely intact urban grid

- Strongest performing SuperOne Foods in the Duluth market
- Modest value building stock
- Well serves daily needs of residents
- Part of the larger St. Louis River Corridor initiative
- Location of high school
- Active business association

WEAKNESSES

- Inactive storefronts & signage
- Large interruptions in the grid
- Perceived Image / brand of neighborhood
- Underutilized sites
- Gaps in public transit to connect residents with shops

PRIORITIES

- Make it a gateway – better signage / way finding
- Continue to improve streetscape
- Promote the specialty retail and services
- Continue the positive growth of Grand Ave

KEY SITES

- Former Laura Macarthur site – new mixed use housing
- Kmart and parking lot
- Lot and buildings behind Kmart
- Grand Ave Vet Clinic – upgrades to storefront
- Iconic corporate building
- Housing projects
 - Ramsey Village (market rate)
 - Park Place (senior housing)

PROJECTED CHANGE

- Recently completed streetscape improvements
- Closure of Pizza Hut
- Vet clinic to be renovated and wants to expand
- Oneota development projects - CVS, Kwik Trip, Subway

GOALS

- Tactical urbanism
 - Activate storefronts
 - Implement a way finding program
- Establish a business Improvement District
- Determine the future of Spirit Valley Mall

LONDON ROAD



Duluth Rose Garden

The retailers, restaurants and services located along London Road and in the Lakeside neighborhood have been serving the surrounding residents and visitors for years. Running along the breathtaking shore of Lake Superior, it serves as a main commercial corridor year-round for those traveling within the city and those headed up to the famous North Shore.

	Total SF	Vacant SF	Vacant %	Total Count	Vacant Count
Anchored Shopping Centers	61,870	1,522	2.46%	8	1
Unanchored Shopping Centers	12,384	0	0.00%	9	0
Single-Tenant Buildings	177,607	2,175	1.22%	47	1
Urban Form Properties	113,657	5,866	5.16%	40	2
Submarket Total	365,518	9,563	2.62%	104	4

From established local restaurateurs to national retailers, the area has proved successful for so many due its easy access to I-35 and connections to the Lakewalk and Rose Garden. Further, the dense surrounding residential community boasts the strongest demographics in the City of Duluth. They are highly-educated with better than average household incomes and purchasing power.

There are many development sites currently available and a great opportunity for this submarket to continue to increase density and productivity.

STRENGTHS

- Heavy traffic counts
- Well connected to I-35 and North Shore by car
- Adjacent to dense residential neighborhood with strong demographic profile
- Purchasing power of submarket

- Scenic views of Lake Superior and public amenities (i.e. Rose Garden, Lakewalk)
- Proximity to the University of Minnesota Duluth and St. Scholastica college campuses

WEAKNESSES

- Security and down market feel at Plaza Shopping Center
- Disconnect between the residential and commercial corridor
- Limited walkability and poor connections to Lakewalk
- Lack of public transit bus system on London Road
- Not bike-friendly

PRIORITIES

- Maintain the corridor as commercial/retail environment with some residential
- Spruce up the properties to enhance curb appeal
- Need property owners to help develop a long-term vision and do something to clean up the area
- Intensify use with mixed-use projects
- Introduce more market rate housing
- Achieving a sense of cohesiveness

KEY SITES

- 21st & London Road
- 18th & London Road
- Plaza Shopping Center (12th St and Superior St.)
- Duluth Armory – historic renovation project and long term plans

PROJECTED CHANGE

- The two hospitals in this area have invested in significant renovations and building additions, for ex. St. Luke's is adding a surgical center in their new building on E 2nd St and 10th Ave and just finished with an employee parking lot project.
- Walgreens and CVS have joined the neighborhood.
- A new independently owned Ace Hardware is new and fills a gap
- A new coffee shop is in the area now where there is none
- London Road has been restriped and added bike lanes – though there was resistance from businesses who feel they will lose parking or lose business
- Planned mixed-use development at 2100 London Road (148 rental units and 12,000-sf of retail)

GOALS

- Increase total GLA by 75,000 square feet by 2018
 - Establish a “hit list”
 - Create a marketing campaign
- Improve public transit connections on London Road
- Increase housing by 500 units by 2020

LAKESIDE / LESTER PARK



Amity Coffee, which opened its door in the Lakeside neighborhood in September 2014.

The Lakeside / Lester Park neighborhood is a small enclave in East Duluth that thrives thanks to its enthusiastic organized community of residents and businesses. From the local hardware store to cafes, hair salons and specialty stores, it benefits from a linear design and access to numerous amenities. While its restriction on liquor sales might seem antiquated, the area maintains its goodwill and welcomes city residents and tourists throughout the year. It's a small concentration on retail shops, but perfectly captures the Duluth lifestyle.

	Total SF	Vacant SF	Vacant %	Total Count	Vacant Count
Single-Tenant Buildings	74,014	0	0.00%	23	0
Multi-Tenant Buildings	25,790	3,348	0.12982	21	2
Submarket Total	99,804	3,348	3.35%	44	2

STRENGTHS

- Charming neighborhood
- Organized community, including local businesses
- Amenities (i.e. Lester Park, public transit, Lakewalk access)
- Free parking
- Safe, clean environment with affordable housing
- Lots of young families
- Walkability
- Strong demographics (high income households)
- North Shore Railroad

WEAKNESSES

- Minimal daytime employment
- Lack of way finding
- Pedestrian experience
- Inconsistency among storefronts
- Limited availability and small retail spaces
- Liquor sales are prohibited

PRIORITIES

- Change liquor ordinance – its antiquated and limits the desire and opportunity for restaurants to enter the Lakeside market
- Need way finding from Hwy 61 to divert traffic into this charming retail/commercial area
- Keep it Local - maintain residential feel and small businesses rather than promote national brand stores/restaurants

KEY SITES

- Extension of the Lakewalk as it is a tourist draw right into the heart of the neighborhood
- 40th St & 47th St. and London Road is a good area for way finding signs
- Housing projects
 - Lester Park golf course
 - Hawk Ridge development (20-30 homes)
 - Jay St. and 40th (potential for 12 new housing units)

PROJECTED CHANGE

- City has issued an RFP for a portion of the Lester Park Golf course to be sold for development of mixed use residential/commercial
- Jay St – new housing potential
- Johnson's bakery, new coffee shop, renovated Super One grocery store
- Potential for more businesses along Superior St. or up some of the side roads like 45th Ave
- New apartments have been built near Superior and 60th St East
- St. Lukes has a clinic in the area
- Senior apartments near park and clinic
- The closed Rockridge elementary school has been parceled out for redevelopment

GOALS

- Put existing liquor law ordinance up for a vote to overturn to allow for sale of beer, wine and spirits at potential bar, restaurants and liquor stores
- Install way finding to better connect businesses and Lakewalk

LINCOLN PARK



The tap room at Bent Paddle Brewing Co. in the Lincoln Park neighborhood.

Lincoln Park is a neighborhood in transition. Businesses with a keen eye and an entrepreneurial spirit have recognized this area's key strengths, namely its existing building stock and double-loaded streetscape. Aerostich, Frost River Trading Co., the Duluth Grill, Bent Paddle Brewing Co., Lake Superior Brewery and Clyde Iron Works have all established themselves and continue to attract residents and visitors alike throughout the year.

However, while these destination businesses are good for the neighborhood, there is still a dearth of shops to actually serve the needs of the immediately surrounding residents. More investment is needed to redevelop the numerous vacant storefronts.

	Total SF	Vacant SF	Vacant %	Total Count	Vacant Count
Total Multi-Tenant Buildings	104,801	20,367	19.43%	44	16
Total Single-Tenant Buildings	348,281	34,479	9.90%	70	10
Submarket Total	453,082	54,846	12.11%	114	26

STRENGTHS

- "Good bones" - existing building stock
- Double-loaded streetscape makes for good pedestrian experience
- Long list of assets
 - Aerostich
 - Frost River Trading Co.
 - Bent Paddle Brewing Co.
 - Duluth Grill
 - Lake Superior Brewery

- Clyde Iron Works
- Access to the lake front
- Bike connections
- Sport complexes and fields

WEAKNESSES

- Lacks critical mass
- Crime and perceived lack of security
- Existing retail not meeting the needs of residents
- High vacancy rate
- Poor condition of buildings and retail sites
- Fragmented ownership
- Food desert

PRIORITIES

- Revitalization
- Continue to attract new businesses looking for affordable rent
- Increase safety factor
- Area is also known for recreation with Wheeler Fields and Wade stadium, now also with Duluth Heritage Sports Center

KEY SITES

- Superior Street
- Michigan Street
- Former Seaway Hotel and its retail storefronts
- There are multilevel brick buildings where furniture stores are phasing out – prime opportunity

PROJECTED CHANGE

- New Lincoln Park Middle School
- Wade Stadium renovations
- Cross City Trail is soon to open and wind through the LP neighborhood
- Adaptive reuse of Lincoln Park elementary school into apartments and office space
- The Esmond (renovation of the former Seaway Hotel)

GOALS

- Help attract entrepreneurial activity into area and increase overall employment
- Lower crime and improve overall safety of Lincoln Park retail district
- Improve quality of housing stock in surrounding neighborhood

RETAIL MARKET CONSITUENTS

OVERALL MARKET

- Anna Tanski, Visit Duluth
- Lars Kuehnow, Entrepreneur Fund
- Pam Kramer, Duluth LISC
- Chris Maddy, The Northspan Group, Inc.
- Barbara Hayden, St. Louis County Planning
- Mark Zimmerman, Itasca Economic Development Corporation
- David Ross, Duluth Area Chamber of Commerce
- Jeff Borling, Seaway Port Authority
- Brian Hanson, APEX
- Nancy Norr, MN Power
- Karla Keller Torp, MSCA
- MNCAR

OWNERS / DEVELOPERS

- Keith Ulstad, United Properties
- Brad Johnson, Lotus Realty Services Inc.
- Brad Schafer, Schafer Richardson
- Scott Smith, IRET Properties
- Jeffrey D. Hagen, Platinum Properties
- George Sherman, Sherman Associates
- Kathy Marinac, Sherman Associates
- Rob Kost, Sherman Associates
- John Geletka, Simon Property Group
- Katie Altrichter, Simon Property Group
- Jonathan Adam, Silverstone Realty
- Mark Lambert, Summit Management LLC

BROKERAGE COMMUNITY:

- Greg Follmer, Follmer Commercial Real Estate
- Shelley Jones, Atwater Group
- Jim Rock, Cushman & Wakefield/NorthMarq
- Aaron Barnard, Cushman & Wakefield/NorthMarq
- Andrew Heieie, Colliers International
- Beth Wentzlaff, CMRA
- John J. Johansson, Colliers International
- Matthew Johnson, Brixmor
- Natalie Hoff, F.I. Salter

- Theodore J. Gonsior, Colliers International
- Dave Holappa, Holappa Commercial Real Estate
- Frank Holappa, Holappa Commercial Real Estate
- Steve Hoyt, Hoyt Properties
- Steve Nelson, Hoyt Properties
- Matthew O'Brien, Suntide Commercial Realty
- Ned Rukavina, Cushman & Wakefield/Northmarq
- Steve Bragg, Calhoun Companies
- Fred Strom, Johnson Strom Properties
- Craig A. Fox, GA Keen Realty Advisers
- Steve LaFlamme, Oneida Realty

DOWNTOWN

- Kristi Stokes, Greater Downtown Council
- Essentia Health
- St. Luke's

MILLER HILL

- Simon Property Group (Miller Hill Mall)

EAST DULUTH

- Scott Marshall
- UMD
- St. Scholastica

WEST DULUTH

- IRET Properties (Denfeld Retail Center, Duluth Retail Center)
- Menards
- Whole Foods Co-Op
- SuperOne Foods
- Charlie Stauduhar, West Duluth Business Club

PROSPECTS

Based on an analysis of the current retail market and key business drivers, we determine a list of the top retail categories that would work best for a vacant space based on existing tenants and current market supply and demand. The following is a sample list of potential tenants that could meet the needs of the local employees and residents and annual visitors to Duluth:

OUTFITTERS / SPORTING GOODS

- Bass Pro Shop
- Cabela's
- REI

SPECIALTY GROCERS

- Aldi
- Fresh Thyme
- Trader Joe's

WHOLESALE CLUBS

- Costco

FAST-CASUAL RESTAURANTS

- Firehouse Subs
- Pizza Studio
- Pizza Rev
- Potbelly Sandwich Works
- SmashBurger
- Which Wich

RECOMMENDATIONS

UNDERSTAND THE KEY DRIVERS

Retailing is a very local business. You need to understand many nuances of local competition, culture, tradition, geography and taste. The competitive environment in particular, requires on-the-ground observation.

In attracting retail businesses to locate or open additional stores in the City of Duluth, it is crucial that your team has a clear understanding of the key drivers of activity: 1.) residents; 2.) employees; 3.) students; 4.) tourists; and 5.) medical visitors. Collecting current information on these drivers will be essential in explaining how the market works to prospective tenants. Without the benefit of local resources, they will rely on their own desktop analysis, which will not capture how these demand surfaces interact. Work with employers, schools, hospitals and other resources that can provide the necessary data.

BUILD A TOOL KIT

While your own understanding of how the retail market works in the city of Duluth is a necessity, it will be even more important that you understand how to explain it to prospective retailers. The best method to prepare for those incoming phone calls and inquiries is by preparing a robust tool kit. This tool kit should be a dynamic resource that goes far beyond just demographic reports. It needs to show them where shoppers come from, how the market trades, where the gaps are and what opportunities are available to them.

Some necessary steps in building this toolkit include the following:

- Create a narrative for the overall market and the individual submarkets. Help people understand how the market works and how the constituent sub-markets relate to one another.
- Maintain accurate and current data on retail properties and tenants. We recommend an annual update.
- Work with planning to articulate a cohesive small area plan for each submarket and then establish key priorities.
- Prepare images, competition maps and charts for prospective tenants that help visualize the opportunity within a context that makes sense to them.
- Keep an inventory of all available lease and sale opportunities.

ENGAGE WITH YOUR KEY CONSTITUENTS

The success of the City in attracting and retaining retail businesses will be dependent on how well you engage with the key constituents at both the macro- and micro-level. This means not only reaching out to the major developers and brokers that work throughout the region, but also the local neighborhood business associations and community groups. You need to maintain this list throughout the year and have a clear plan on how to keep opportunities in front of these key people.

One recommendation is to host a signature event that can serve as an exchange of ideas among these key constituents. It should be educational in nature and it should showcase Duluth's assets and take advantage of the unique venue, whether that be fishing on Lake Superior or mountain biking through the trails of Spirit Mountain. Don't merely tell them how

Duluth works, but show them. Leverage Duluth's many unique assets and very special sense of place. Take them on a tour of the key sites and opportunities in the city, but also share with them all the success stories.

CREATE A WAY FINDING PROGRAM

Few things are more frustrating than getting lost, and few things can affect visitors' feelings about a city more than the ease with which they can get around. As we toured each submarket, a repetitive chorus we heard was the lack of way finding. The City of Duluth is a region-serving place with a very unique geography and multiple distinctly different points of entry. The experience of coming to Duluth from different directions can be very different. For both residents and visitors alike, it can be confusing and disorienting. For a merchant considering expansion to the Duluth Superior market, this can be a real impediment.

We believe that creating a comprehensive way finding program for the entire city will help improve connections between the city's numerous amenities and businesses. Directing people from the Lakewalk to the shops in the Lakeside neighborhood or from the hotels in downtown to the Rose Garden will strengthen their overall experience and translate into more activity and sales.

Look to other cities that have successfully executed comprehensive way finding plans for best practices. One example is the Pittsburgh Wayfinder System, which installed a series of directional and destination signs throughout the city to guide travelers to popular destinations and services. The system was designed for easy mapping of neighborhood-to-neighborhood routes with the intent of creating a coherent pattern of travel in the city. While it was created in the early 1990s, it is still maintained today.

DEVELOP A TRANSIT PLAN

Retailers want to know how a market trades. How do people get to their stores? How much parking will they need? And how does public transit help or hinder their success?

In our conversations with the City of Duluth staff and its key constituents, we heard many instances of how the current public transit was not helping connect residents with the businesses they frequent. The lack of easy access and convenience reduces their frequency of trips and ruins their overall experience.

Similar to the recommendation for a way finding program, we recommend that the City take a comprehensive look at its current public bus routes and see where improvements can be made. Rather than implementing changes in one neighborhood at a time, make the extra effort to reroute buses as needed to better serve the population.

MANAGE THE PROCESS

While we try to be proactive, too often our jobs are reactive. The reason being is that with planning we are always dealing with a changing environment. Prospecting is the most important activity when we do not have active prospects but managing active transactions quickly takes over priority as deals develop. A key premise of any effective program is that we do the heavy lifting of establishing a course of action first. Then we execute.

To better manage the process, we recommend a comprehensive market study update for each retail submarket every twelve months, or whenever the team's efforts stall. Updating market data can usually be done within a day. It should be coupled with a market tour and team meeting to revisit the strategy canvas. This provides a great context for any planning or budgeting decisions.

Our experience has been that the process of looking at the change in a very granular way then aggregating the information into a cohesive picture always adds a great deal to our understanding of the market. We are always surprised by the magnitude of the change. This process always yields a deeper understanding and illuminates new ideas and actions.

CWN TEAM



JOHN BREITINGER
VICE PRESIDENT

Current Responsibilities

John is responsible for the Retail Advisory Practice of Cushman & Wakefield/NorthMarq (CWN). This team provides custom research, advocacy, training and tools to shopping center investors, owners, retailers and communities. He led the development of a proprietary technology platform called re-lytics®, which provides CWN's clients with unified market information systems together with distributed tools for the analysis and visualization of market data. For United Properties, John is responsible for researching and pursuing new investments for its retail division.

Past Experience

Prior to establishing the Retail Advisory practice, John spent 20 years with United Properties, most recently as the general manager of its retail investments. In that role, he established United Properties' retail investment program Midwest Retail and built it to a multi-state portfolio of 17 grocery-anchored shopping centers. The operating division acquired, developed and operated grocery-anchored neighborhood shopping centers.

John began his 30-year career in the shopping center business as a leasing agent with CBRE. He was a principal at Jackson-Scott & Associates prior to its acquisition by United Properties in 1992.

Professional and Community Involvement

John is the chair of the Urban Land Institute (ULI) and is a member of its Small Scale Development Council. He is a member of the Commercial Institute of the National Association of Realtors, the Minnesota Shopping Center Association (MSCA) and the International Council of Shopping Centers (ICSC). He also serves as the vice chair of the ULI Minnesota District Council. He also serves as the chair of the Transitional Governance Board for Plymouth Church.

Education

John graduated from Ohio State with a Bachelor of Science degree in marketing.



JEREMY STRIFFLER
ASSOCIATE

Current Responsibilities

Jeremy Striffler provides lease, buy, and sell services for corporations, nonprofits (including religious), and education organizations (charter, public, private, higher), supporting site selection, client relations, and project management. Prior to joining the real estate advisory group, Mr. Striffler assisted retail clients in their evaluation of retail project viability, providing market and competitive analysis, field research, and assisting in technology and information database activities.

Past Experience

Prior to CWN, Mr. Striffler was a marketing associate in the retail division of Vornado Realty Trust in New York, New York. In that capacity, he developed and produced marketing deliverables targeted at local and national retailers. He also conducted extensive market research and competitor analyses for a retail portfolio of over 200 owned and managed properties throughout the United States and Puerto Rico.

Professional and Community Involvement

Mr. Striffler is a member of the International Council of Shopping Centers (ICSC) and the Minnesota Shopping Center Association (MSCA). In addition, he serves on the Executive Committee of the Young Leaders Group for the Minnesota chapter of the Urban Land Institute (ULI). He volunteers with Propel, an organization of young professionals dedicated to furthering the mission of the Jeremiah Program, and with Loaves & Fishes of Minnesota.

Education

Mr. Striffler has a Bachelor of Arts degree in English from Colgate University in 2004 and an MBA with a concentration in International Business from the Rome campus of St. John's University. He has also completed certificate programs in marketing from the ICSC John T. Riordan School of Professional Development and New York University.