April 23, 2019

MEMORANDUM

TO: Mr. Monte Hillman
Senior VP of Real Estate Development
St. Paul Port Authority

FROM: Ms. Mary C. Bujold
Maxfield Research and Consulting, LLC

RE: Initial Market Assessment for Various Land Uses on the Hillcrest Golf Course Site in St. Paul, Minnesota

---

Introduction/Purpose and Scope of Research

This memorandum contains an initial market assessment to evaluate the development potential for various land uses (residential, commercial and industrial) on the site of the former Hillcrest Golf Course in St. Paul, Minnesota. The Hillcrest Golf Course is adjacent to Larpenteur Avenue East and McKnight Road in St. Paul, Minnesota. The property is bounded by single-family homes to the west and south, institutional use to the north and single-family homes to the east. Commercial concentrations are found primarily on White Bear Avenue to the east, scattered along Larpenteur Avenue and at the intersection of Frost and Larpenteur Avenues. Redevelopment of the property may be single- or multi-use. Maxfield Research and Consulting, LLC (Maxfield Research) calculates demand for residential and commercial uses based on 1) projected household growth and household turnover, 2) consumer expenditures and retail gaps analysis and 3) the amount of pending product in the surrounding market area. Industrial demand is calculated through an analysis of 1) employment growth for industrial-based users and 2) availability of certain types of industrial space in the marketplace and 3) the amount of pending product in the surrounding market area.

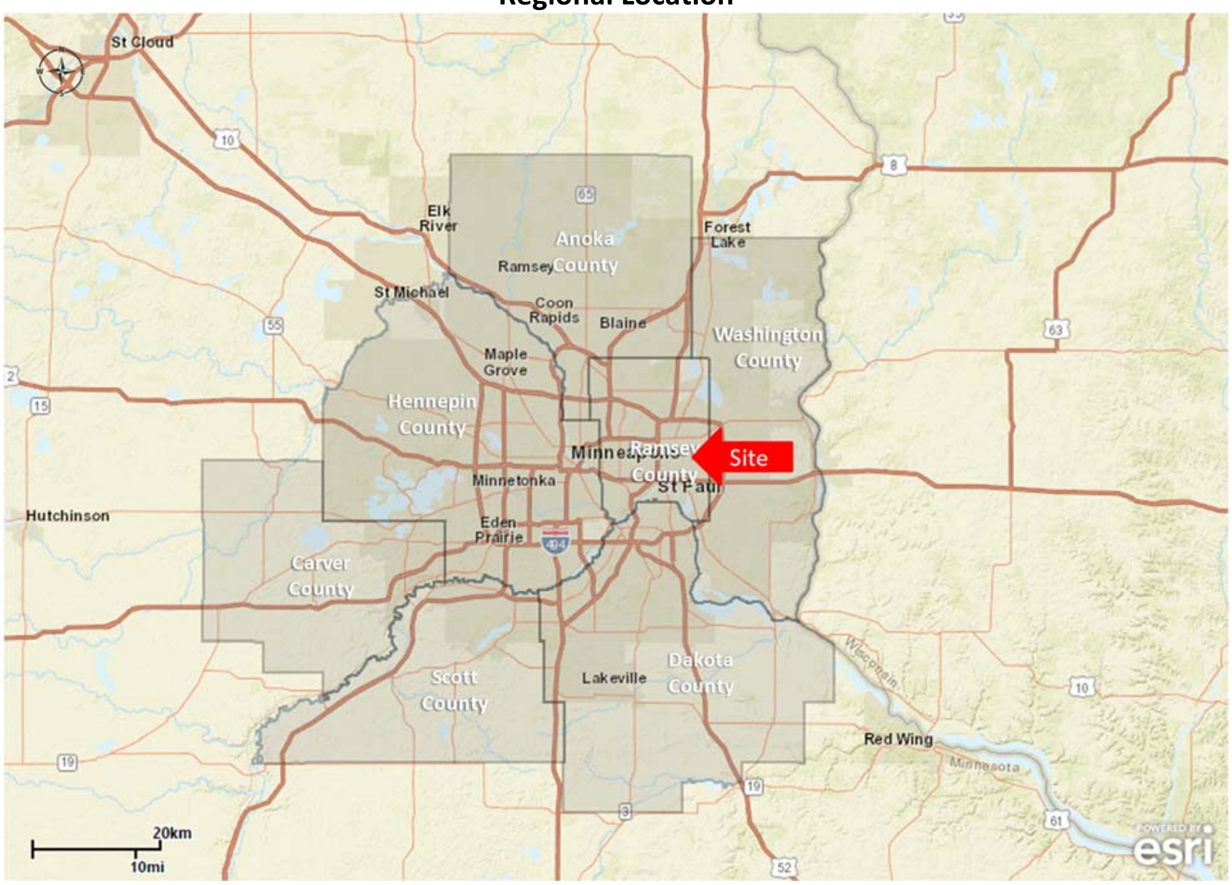
The scope of the study includes a demographic review of population and household growth trends, household income trends, household tenure, employment trends, consumer expenditures and retail gaps analysis, an assessment of current market conditions for each residential, commercial and industrial segment and an inventory of pending developments in the respective Market Areas. Preliminary demand calculations are provided for each land use and preliminary recommendations are offered for land uses that present the highest level of demand at the Site. The methodologies used to calculate demand in this memorandum are proprietary to Maxfield Research but is consistent with methodologies used by analysts throughout the real estate industry.

This report includes both primary and secondary research. Primary research includes interviews with rental property managers and data on existing and proposed rental properties. Secondary research is credited to the source when used and is usually data from the U.S. Census or regional planning agencies. Secondary research is always used as a basis for analysis and is carefully reviewed considering other factors that may impact projections. All the information on existing and competitive developments and pending projects was gathered by Maxfield Research and is accurate to the best of our knowledge.

Regional Location

The Hillcrest Golf Course property is in the City of St. Paul in Ramsey County, in the northeast corner of the City. Ramsey County is the second largest County in Minnesota and the location of the State Capitol. The subject property is in the eastern one half of the Twin Cities, generally centrally located within the 7-County Twin Cities Metropolitan Area.

Regional Location



Major highways near the Hillcrest Site include Highway 36, Interstate 94 and Interstates 694/494. Highway 36 extends from the St. Croix River on the border with Wisconsin west to Interstate 35W on the west, connecting the northeastern portions of the Metro with Downtown Minneapolis. Interstate 694 and 494 connect the northern and southern portions of the Twin Cities as these highways ring the core Twin Cities Metro Area. Interstate 94 bisects the northern and southern halves of the Twin Cities and connects Downtown St. Paul with Downtown Minneapolis. These Interstates carry most of the freeway traffic in the 7-County Metro Area.

Site Location and Adjacent Land Uses

The subject property is southwest of the intersection of Larpenteur Avenue East and McKnight Road North. Currently, the Site houses former Hillcrest Golf Course. As illustrated on the following aerial map, general boundary descriptions for the property include single-family residential homes to the west, single-family homes along McKnight Road N to the east, single-family residential to the south, and single-family residential and commercial space to the north. In total, the subject property encompasses 109 acres. The subject property is accessible from Larpenteur Avenue on the north side of the property and from McKnight Road on the east side of the property.

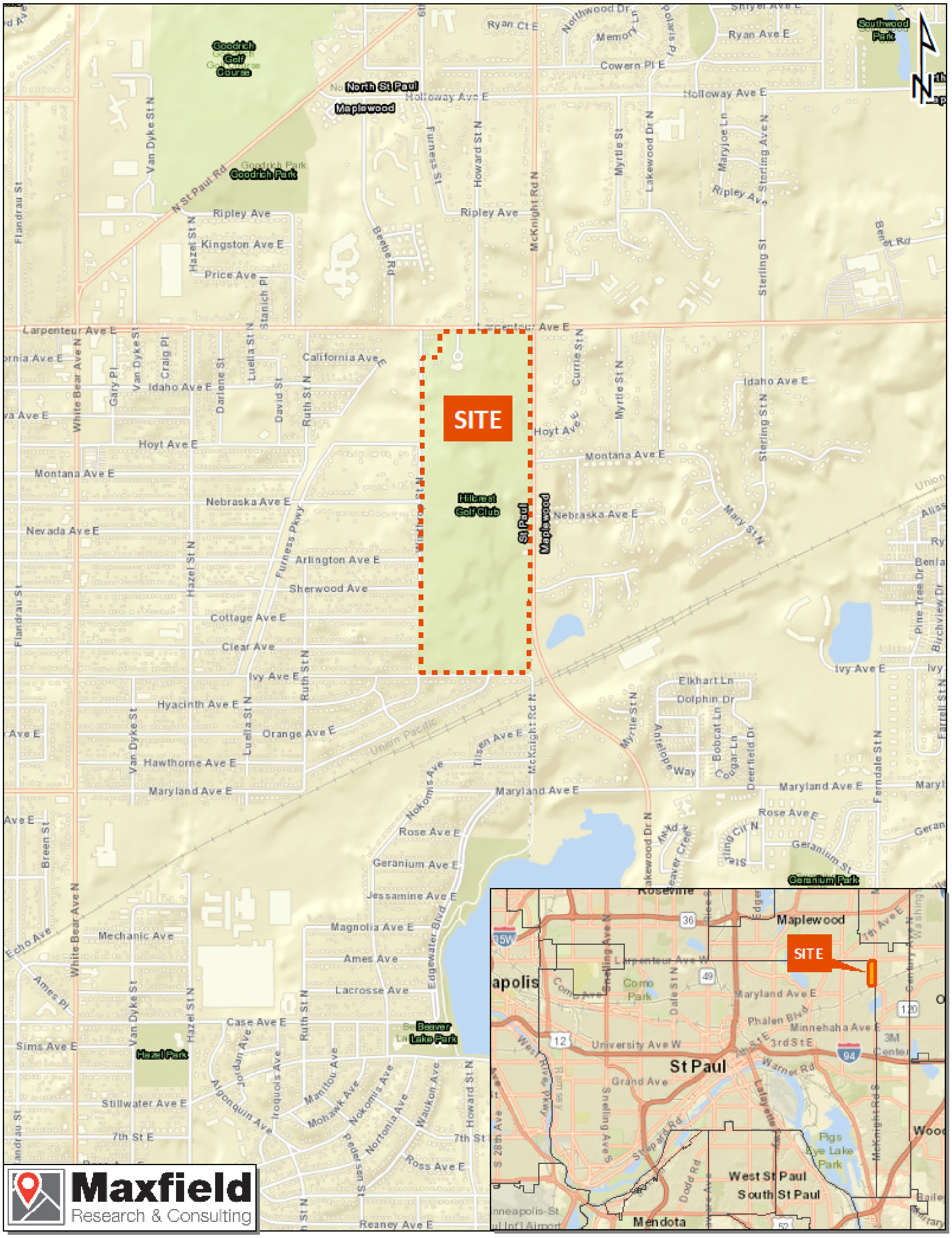
Existing land uses directly adjacent to the subject property are as follows:

- North – Single-family residential, Maple Leaf Center;
- South – Single-family residential;
- East – Single-family residential, Parks & Lakes;
- West – Single-family residential.

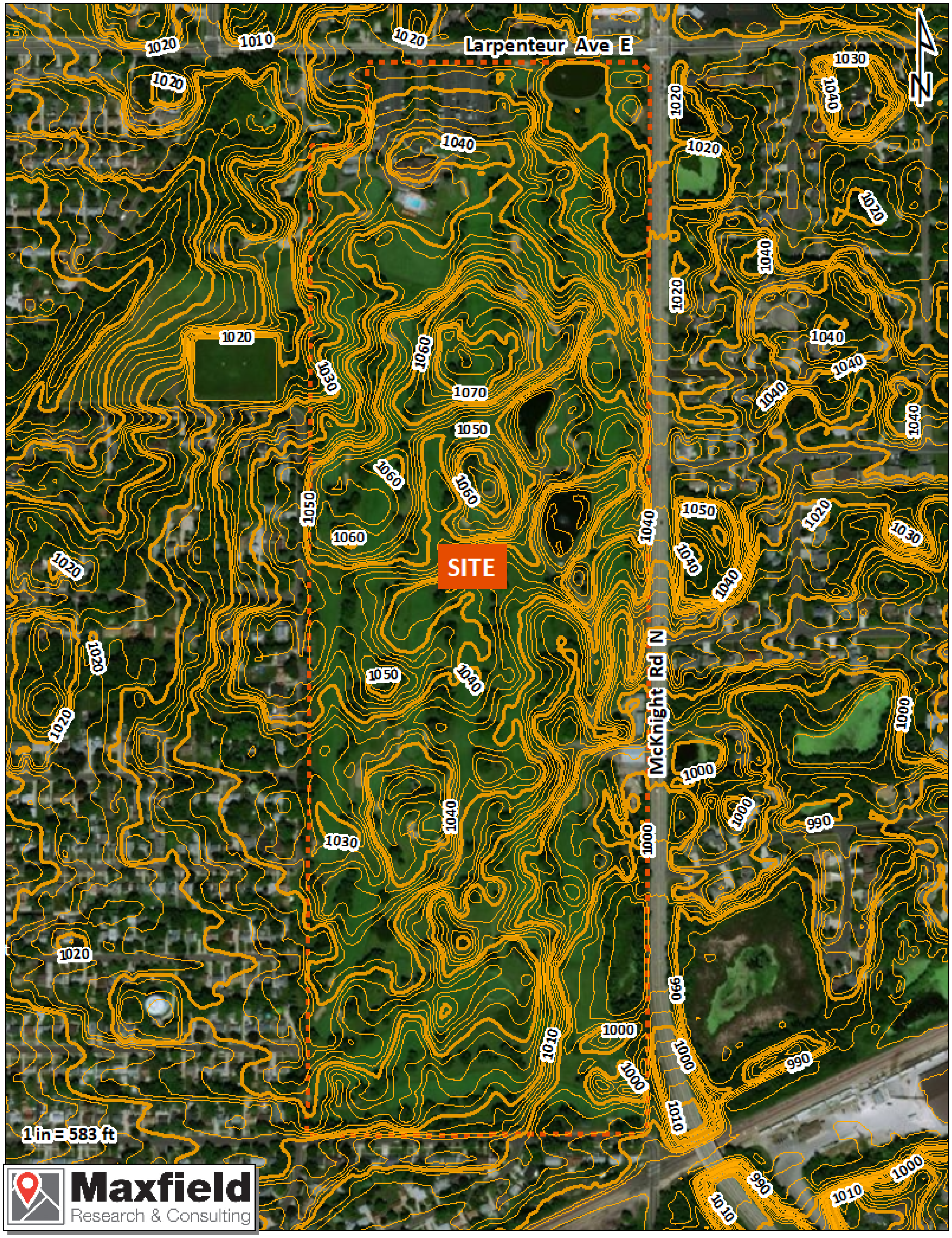
Aerial View


Maplewood
St Paul
Larpenteur Ave E
SITE
Hillcrest Golf Club
McKnight Rd N
N
Maxfield
Research & Consulting

Site Location



Topography


Larpenteur Ave E
McKnight Rd N
SITE
1020
1010
1030
1040
1050
1060
1070
1000
990
1 in = 583 ft
Maxfield
Research & Consulting

Photos of Site and Surrounding Area
April 2019


Hillcrest Clubhouse, northeast corner of Site


North end of Site, facing south

East side of Site along McKnight Rd N (Ramsey County 68)


West of Site along Larpenteur Ave E, Single-family residential


North of Site, Single-family homes


South of Site, Single-family residential

Photos of Site and Surrounding Area
April 2019

North of Site, NE corner of Larpenteur Ave & McKnight Rd, shopping center

North of Site, NE of Larpenteur Ave & McKnight Rd int., child care/rec. facility

East of Site, Single-family residential

Northeast of Site, gas station & shopping center

Access and Visibility

Access and visibility are vital to the success of commercial establishments while industrial businesses generally rely on efficient access to transportation and shipping corridors. I-94, located three-miles south of the Site, is the major transportation route in the area, extending east-west from Downtown St. Paul and runs into Wisconsin. McKnight Road is the main north-south corridor in the area, carrying traffic from North St. Paul to I-94. Larpenteur Avenue runs east-west along the Northside of the Site and connects to MN-120 (Century Avenue North), which is a main north-south corridor.

Table S-1 displays the 2015 and 2016 estimated traffic volumes (measured in annual average daily trips) traffic volumes for roads surrounding the Hillcrest Golf Course Site. Traffic in the area fluctuated modestly between 2015 and 2016. Traffic along the portion of McKnight Road N, directly East of the Site, increased 6.5% while vehicle traffic along McKnight Road N, North of the Larpenteur Avenue E intersection dropped 2.3%. Larpenteur Avenue E, East of the intersection also experienced a decrease in daily traffic.

TABLE S-1
TRAFFIC VOLUME TRENDS
SURROUNDING ROAD NETWORK
2015 & 2016

	Annual Average Daily Traffic (AADT)		Annual Average Daily Traffic (AADT)	
			Change, 2015-2016	
	Estimate 2015	Estimate 2016	**No.**	**Pct.**
Larpenteur Ave E (North of Site)	8,300	N/A	--	--
Larpenteur Ave E (NE of Site)	7,200	6,900	-300	-4.2%
McKnight Rd N (East of Site)	12,900	12,600	-300	-2.3%
McKnight Rd N (NE of Site)	12,400	13,200	800	6.5%

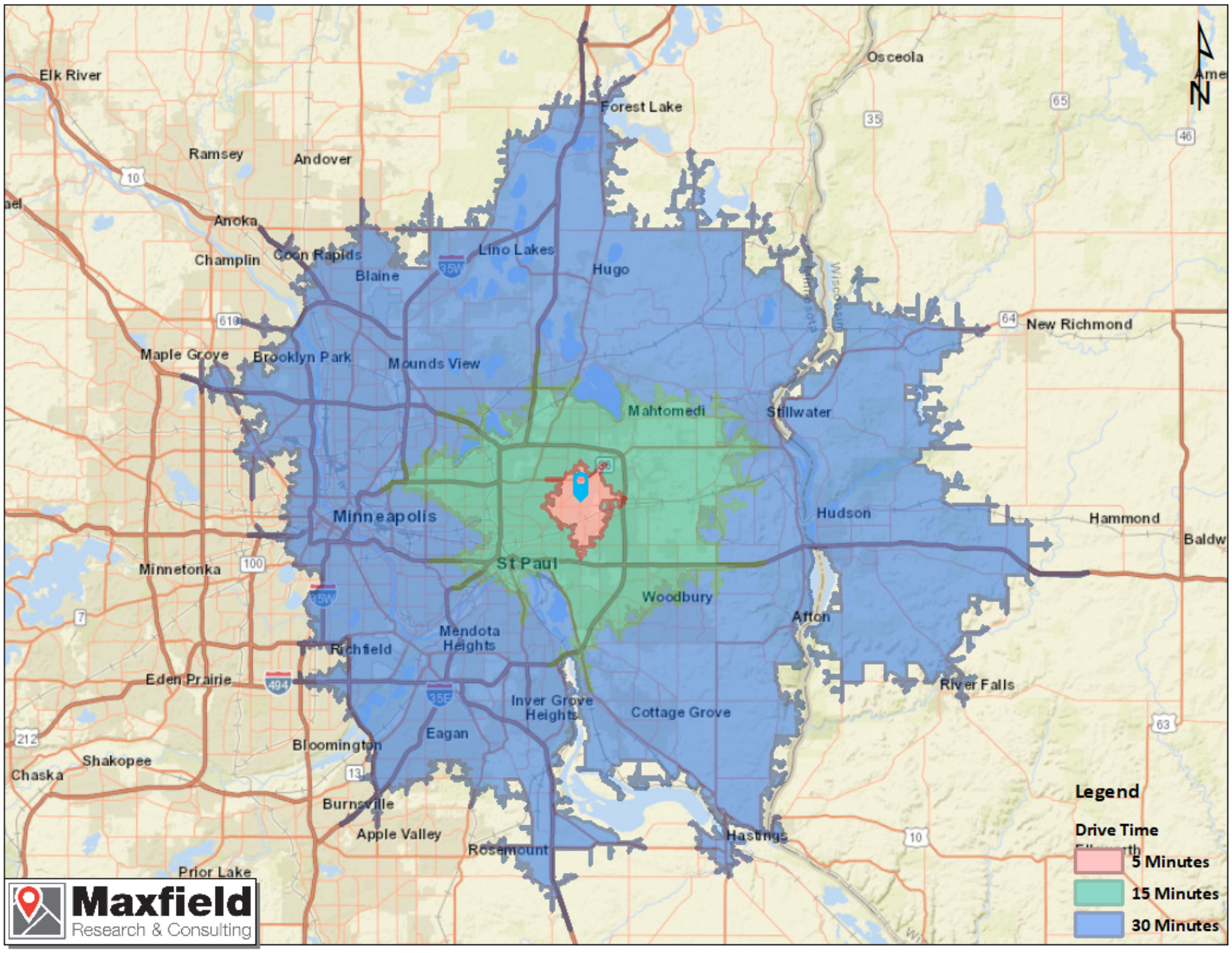
Sources: MnDOT; Maxfield Research & Consulting, LLC

Larpenteur Avenue is served by a transit line to the west of the Site; while no buses run on McKnight Road within a close vicinity of the Site. Numerous bus stops are located near the Larpenteur Avenue/White Bear Avenue intersection, as there are many recreational and retail destinations nearby.

The following map illustrates drive times from the Site. This information is helpful in determining a draw area for various services in the area. It is also useful to determine access to workforce as potential business operations are likely to strongly consider employee commuting patterns when making location decisions.

As shown on the map, the Site can be reached within a 30-minute drive from much of the Metro Area. The 30-minute drive time reaches as far as Maple Grove to the west, Rosemount to the south, Forest Lake to the north, and western Wisconsin to the east. However, during peak travel times (such as rush hour) commute times from many of the communities would be longer than 30 minutes.

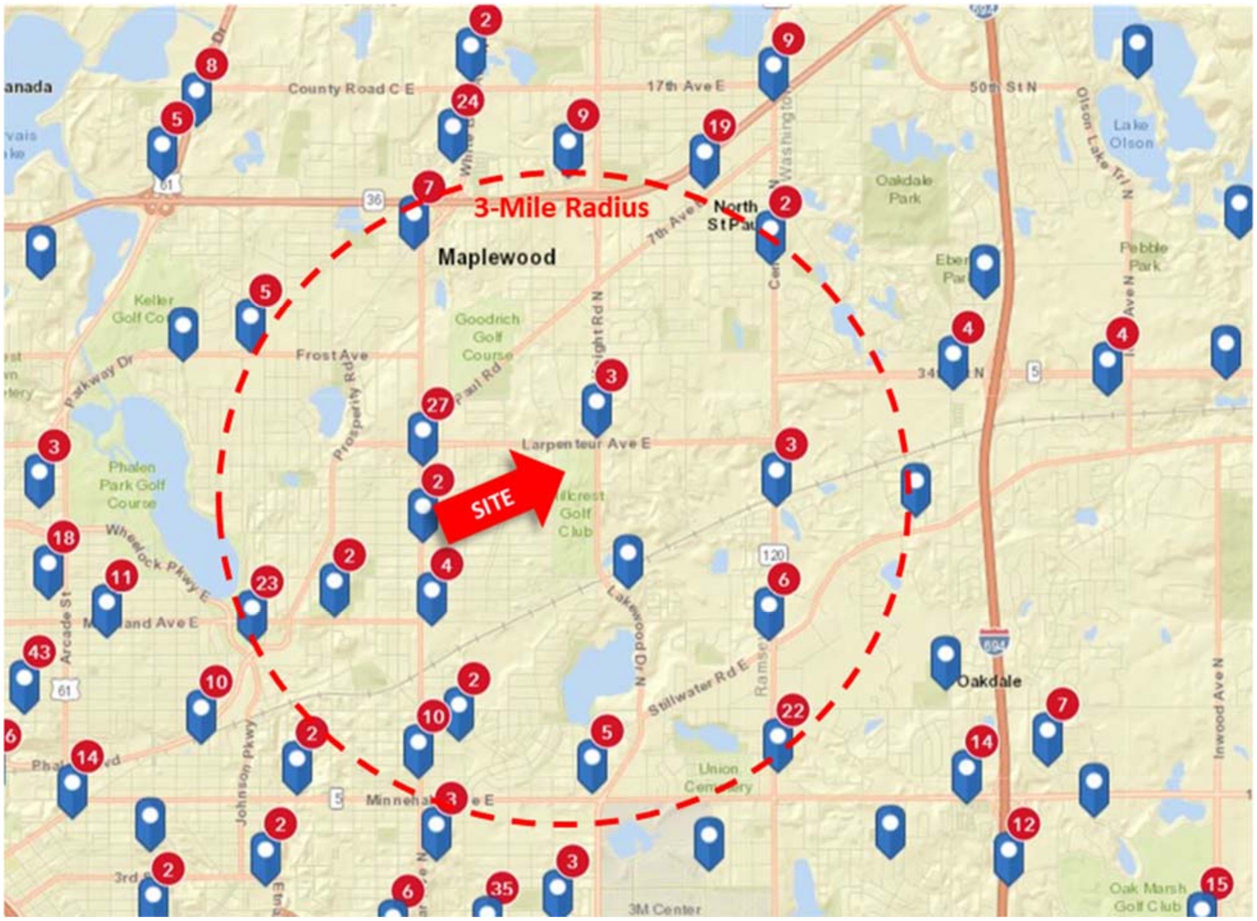
Hillcrest Golf Course Site Drive Time



Proximity to Shopping, Employment, Recreation and Services

Development opportunities are partly influenced by proximity to housing, employment, retail, and other services. The subject property is surrounded by a mix of residential, commercial, and industrial uses and is situated near major employment concentrations and nodes of retail activity. The following map displays numerous services within a two-mile radius of the Site.

Major Business & Facilities



Large employment centers in the neighboring area can be found at established business/retail facilities surrounding the Site. St. Paul and the surrounding communities are home to several major employers, including 3M Corporate, south of the Site. Additionally, the Site is approximately a 16-mile drive to Downtown Minneapolis and an eight-mile drive to Downtown Saint Paul.

The area surrounding the Site is home to several entertainment, and recreation destinations. The Site is situated adjacent to the Maple Leaf Center and the Hillside Center. Other key destinations in the immediate area include:

- Goodrich Golf Course;
- The Plaza Theater;
- Arc's Value Village;
- Maplewood Community Center;

- Aldrich Ice Arena;
- Perkins Restaurant;
- Woodland Hills Church;
- Mounds Park Academy.

St. Joseph's Hospital, Regions Hospital, and United Hospital are about eight miles southwest of the Site in Downtown Saint Paul.

St. John's Hospital, a 184-bed acute care facility, is roughly five miles northeast of the Site at 1575 Beam Avenue in Maplewood.

The subject property is in the St. Paul School District and directly to the East is the North St. Paul - Maplewood School District. These two School Districts serve just under 50,000 students and are home to several elementary, middle and high schools.

Appropriateness of the Site for Development

Visibility and access are primary considerations for retailers seeking a location. The success of a retail location depends, in part, on the ease of access for customers in locating the business, distinguish the business from competitors, include the business in other activities and stop at the business during their daily commute.

The following matrix summarizes key attributes of the subject property and highlights whether those attributes support the various uses being considered for the Site. A "+" sign indicates that the attribute strongly supports the potential use, while a "--" sign suggests that the particular attribute could conflict with the proposed use. A blank cell indicates that the attribute would have a nominal impact on the use.

	----- Potential Land Use on Subject Property -----					
Site Attribute	**Medium Density Res.**	**High Density Res.**	**Retail**	**Office**	**Medical Office**	**Light Industrial**
Highway Access	--	--	--	--	--	--
Access to Transit	+	+	+	+	+	+
Proximity to Employment	+	+	+	+	+	+
Traffic Volumes	--	--	+	+	+	
Nearby Attractions	+	+			--	
Adjacent to Rail	--	--			--	+
Access to Labor			+	+	+	+
Adjacent Land Uses	+	+	+	+	+	--

Based on our analysis of the characteristics of the subject property, we find that the Site is most suitable for single-family residential, multifamily (owner occupied) residential, followed by retail, although industrial also benefits. Low traffic volumes would be a benefit for light industrial users as they would have less competition from local traffic. Due primarily to the Site's location adjacent to many single-family homes, we anticipate that it may be difficult to market industrial on the property, but this was not the case at Beacon Bluff Business Park, nearly sold out and west of Hillcrest. Additionally, the area surrounding the Site offers features and services that would draw families to the area.

Primary Market Area Definition

Maxfield Research determined the draw area for residential and commercial land uses on the subject Site in the northeast sector of St. Paul based on geographic and man-made barriers, commuting and community orientation patterns, renter leasing patterns, and our general knowledge of rental housing draw areas. Considering these factors, we determined a Primary Market Area (PMA) composed of the following Census Tracts in Ramsey and Washington Counties, Minnesota:

Census Tracts - Primary Market Area 2010				
305.00	317.01	403.01	423.01	709.06
306.01	317.02	403.02	423.02	709.07
306.02	318.01	404.01	424.01	709.09
307.02	318.02	405.03	424.02	709.10
307.03	330.00	406.03	425.01	709.11
307.04	331.00	406.04	426.01	709.12
309.00	345.00	416.01	426.02	
310.00	346.01	421.01	427.00	
314.00	346.02	421.02	428.00	
315.00	347.01	422.01	703.03	
316.00	347.02	422.02	703.04	

We estimate that 75% of the demand for residential uses (owned/rented) on the Site will be generated from the PMA. The remaining portion of the demand (25%) will come from outside the defined PMA. The following map illustrates the Site's location in the PMA.

Primary Market Area

Population and Household Growth Trends

Table 1 presents population and household growth trends in the Primary Market Area from 2000 to 2025. The 2000 and 2010 population and household figures were obtained from the U.S. Census Bureau. The 2019 estimates and projections for 2024 and 2030 were based on estimates and forecasts made by the Metropolitan Council (the regional planning organization for the seven-county Metro Area) and ESRI (a nationally recognized demographics firm) 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 220,497 people and 82,643 households. Between 2000 and 2010, the population increased 1.3% (2,935) while households expanded 1.4% (1,127). The proportional change in households was nearly equal to that of the population suggesting that the household size remained relatively stable in the PMA during that period.

TABLE 1
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
HILLCREST PRIMARY MARKET AREA
2000 - 2030

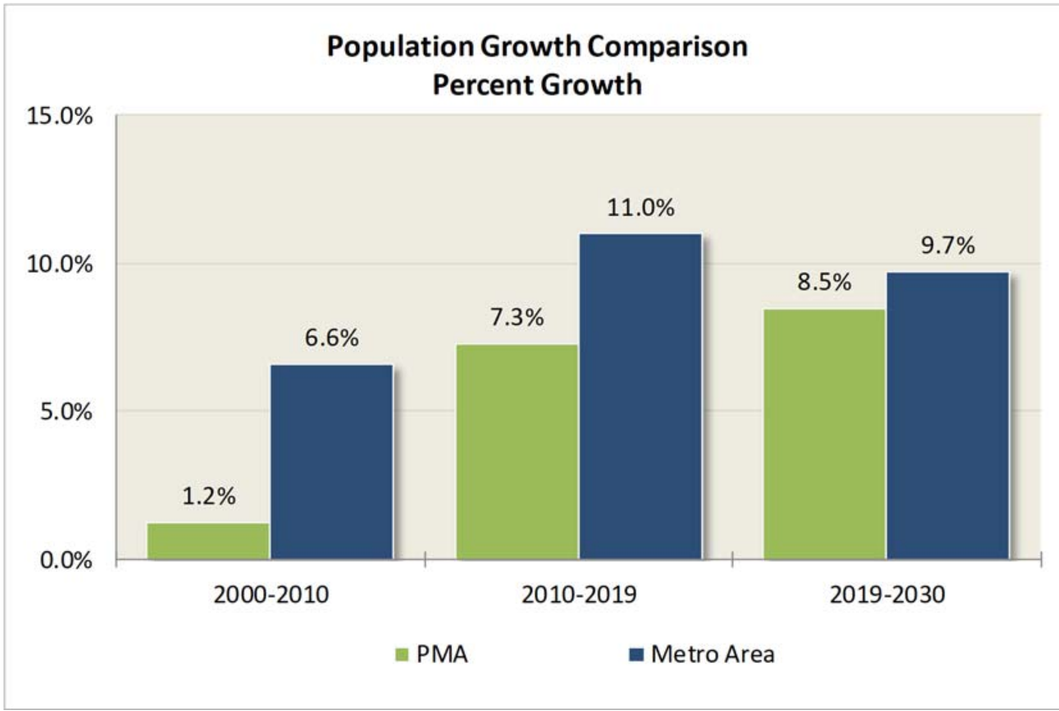
	Census		Estimate	Forecast		Change			
						2010-2019		2019-2030	
	2000	2010	2019	2024	2030	No.	Pct.	No.	Pct.
Population									
Primary Market Area	**217,562**	**220,497**	**236,406**	**245,900**	**257,300**	**15,909**	**7.3%**	**20,894**	**9.5%**
Ramsey County	511,035	508,640	557,000	559,076	572,510	48,360	9.5%	15,510	3.0%
Twin Cities Metro Area*	2,642,062	2,849,567	3,140,135	3,279,600	3,459,000	290,568	11.0%	318,865	11.2%
Households									
Primary Market Area	**81,516**	**82,643**	**87,315**	**90,560**	**93,800**	**4,672**	**5.7%**	**6,485**	**7.8%**
Ramsey County	201,236	202,691	217,400	229,310	236,890	14,709	7.3%	19,490	9.6%
Twin Cities Metro Area*	1,021,456	1,117,749	1,224,580	1,319,200	1,402,000	*106,831*	*10.5%*	177,420	15.9%

*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

- In the PMA, the average household size remained the same between 2000 and 2010 (2.67 people) but is estimated to have increased slightly between 2010 and 2019. This may indicate a transition to slightly larger household sizes in the PMA as older households move out of single-family homes and relocate to alternate housing options.

- We estimate that the PMA's population increased 7.3% to 236,406 between 2010 and 2019 (15,909) people), while the number of households increased 5.7% (4,672). The pace of growth escalated between 2010 and 2019 as rising transportation costs and shifting lifestyle preferences increased the desirability of living close to employment, entertainment and goods and services.

- Between 2019 and 2030, the PMA is projected to add 20,894 people (9.5%) and 6,485 households (7.8%). The pace of growth in the PMA is expected to modestly trail the Twin Cities Metro Area growth rate, as nearly all the PMA is fully-developed. The Metro Area is projected to experience 11.2% population growth and 15.9% household growth between 2019 and 2030.



- Growth in the Remainder of the PMA is projected to be slightly less than that of the PMA, expanding by 16,263 people (8.9%) and 3,393 households (5.0%) between 2019 and 2030. ***We note that the population projection for St. Paul city may reflect too conservative a figure given the most recent 2018 estimates recently released from the Metropolitan Council. Population growth may exceed St. Paul's 2020 projection by 2019.***

- Nearly all the Primary Market Area communities are fully-developed but are experiencing growth through redevelopment and turnover of existing households. Young people are purchasing entry-level homes in older communities while a portion of seniors are relocating to high-density senior housing or for-sale townhomes.

Age Distribution

The age distribution of a community's population helps in assessing the type of housing needed. For example, younger and older people are more attracted to higher density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family and townhomes.

Table 2 presents the age distribution of the Market Area population from 2000 to 2024. Information from 2000 and 2010 is sourced from the U.S. Census. The 2019 estimates and projections for 2024 were calculated by Maxfield Research based on information from ESRI, a reputable national demographics firm and the Metropolitan Council. The following are key trends about the age distribution of the Market Area's population.

- In 2019, the largest adult cohort by age in the PMA is people ages 25 to 34, totaling an estimated 36,407 people (15.4% of the total population), followed by the 35 to 44 age group with an estimated 28,842 people (12.2%).

- By comparison, the 25 to 34 cohort is the largest adult age group in the Metro Area in 2019, representing 14.4% of the population, followed by the 35 to 44 cohort (13.3%).

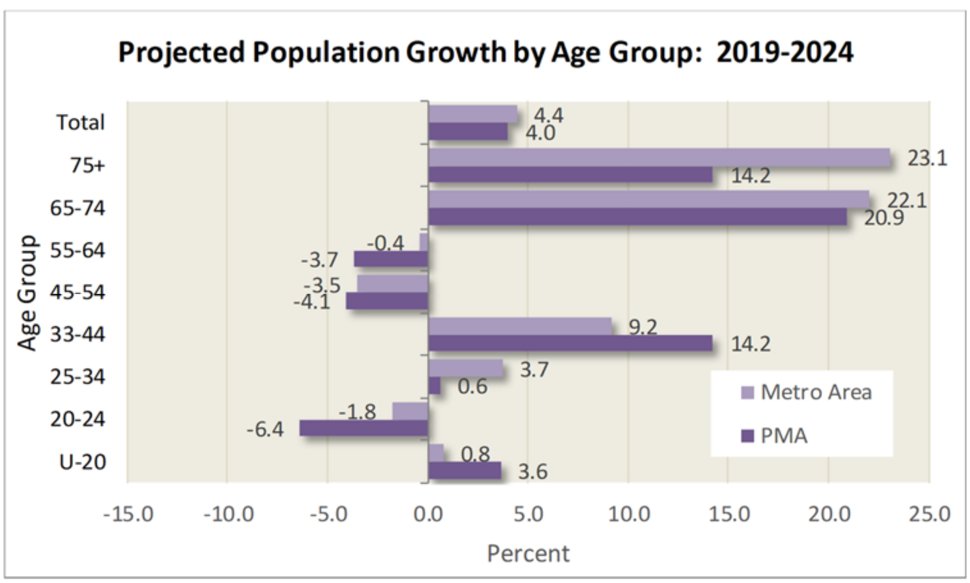


TABLE 2
AGE DISTRIBUTION
HILLCREST PRIMARY MARKET AREA
2000 - 2024

	Census		Estimate	Projection	Change			
					2000-2010		2019-2024	
Age	2000	2010	2019	2024	No.	Pct.	No.	Pct.
Primary Market Area								
Under-20	69,600	65,805	65,012	67,377	-3,795	-5.5	2,365	3.6
20 to 24	14,303	16,033	16,548	15,492	1,730	12.1	-1,057	-6.4
25 to 34	31,186	31,825	36,407	36,639	639	2.0	233	0.6
35 to 44	35,688	26,353	28,842	32,951	-9,335	-26.2	4,109	14.2
45 to 54	27,119	31,427	27,423	26,311	4,308	15.9	-1,112	-4.1
55 to 64	15,933	23,867	28,842	27,787	7,934	49.8	-1,055	-3.7
65 to 74	12,449	12,559	18,912	22,869	110	0.9	3,956	20.9
75+	11,284	12,628	14,421	16,475	1,344	11.9	2,055	14.2
Total	**217,562**	**220,497**	**236,406**	**245,900**	**2,935**	**1.3**	**9,494**	**4.0**
Twin Cities Metro Area								
Under-20	768,030	774,287	803,875	810,061	6,257	0.8	6,187	0.8
20 to 24	173,732	190,135	210,389	206,615	16,403	9.4	-3,774	-1.8
25 to 34	411,156	420,311	452,179	468,983	9,155	2.2	16,803	3.7
35 to 44	469,325	391,324	417,638	455,864	-78,001	-16.6	38,226	9.2
45 to 54	363,593	440,753	411,358	396,832	77,160	21.2	-14,526	-3.5
55 to 64	200,981	326,007	408,218	406,670	125,026	62.2	-1,547	-0.4
65 to 74	130,615	163,425	260,631	318,121	32,810	25.1	57,490	22.1
75+	124,630	143,325	175,848	216,454	18,695	15.0	40,606	23.1
Total	**2,642,062**	**2,849,567**	**3,140,135**	**3,279,600**	**207,505**	**7.9**	**139,465**	**4.4**

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

- The most rapid growth is expected to occur among seniors age 65 to 74 and young mid-age (35 to 44) in the PMA. Aging of baby boomers led to an increase of 7,934 people (49.8%) in the 55 to 64 population in the PMA between 2000 and 2010. Over the next five years, the cohort 35 to 44 is expected to experience the largest numerical increase (4,109 people) while the 65 to 74 and 75+ experiencing the highest proportional increases (20.9% and 14.2%).

- The Primary Market Area is expected to see a decline among people age 20 to 24 and 45 to 64 between 2019 and 2024. The 45 to 54 age group is projected to decline -4.1% while the 55 to 64 cohort is projected to decrease by 3.7% in the PMA. The Metro Area is also projected to experience decreases in these two age cohorts over the same period.

- The loss projected for the middle age population is a result of the comparatively small number of people who will move into this age group between 2019 and 2024, 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 substantial size and projected growth among the younger age cohorts in the PMA (25 through 44) indicate that there will continue to be strong demand for rental housing from cohorts that have been traditional renters. In addition, there is a growing group of people age 55 years or older that are exhibiting a greater preference for rental housing due to shifting lifestyles. Substantial growth projected for the 65+ age group is likely to have an impact on the tenant profile of the proposed development.

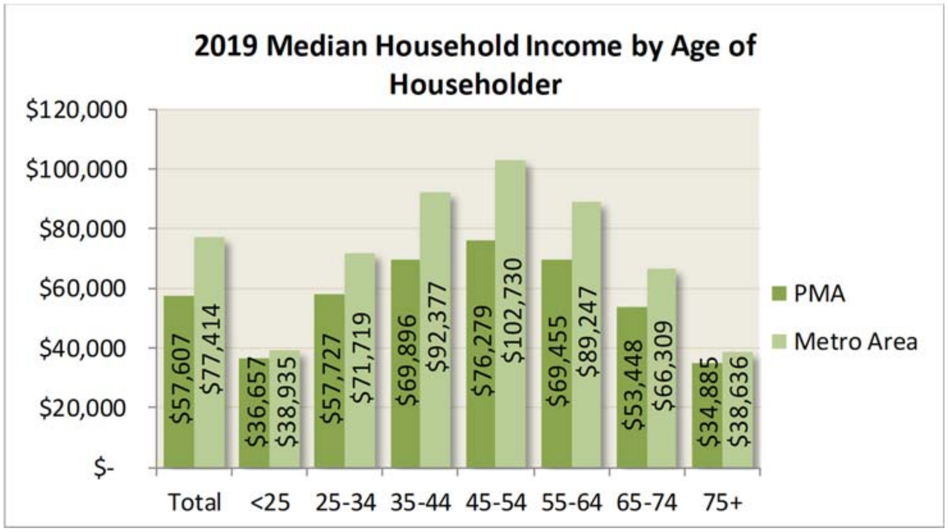
- The younger age groups have traditionally been drawn to rental housing and continue to exhibit the highest proportions of renters in the Twin Cities. In the PMA, the 35 to 44 age population is expected to increase substantially 14.2% (4,109 people) between 2019 and 2024. Due to lifestyle and economic factors, a higher proportion of this age group now than in the past is likely to rent their housing for a longer period versus shifting over into the for-sale market.

- The PMA is expected to also experience a modest increase in the number of people age 25 to 34, a prime renter cohort. This group is projected to grow by 233 people over the next five years (0.6%). In the Twin Cities Metro Area, this group is projected to increase by 3.7% or an estimated 16,800 people. The 35 to 44 age cohort however, is expected to grow by 38,226 people over the same period (2019 to 2024).

Household Income

Household income data is important when considering the ability of households to pay different rent levels. In general, housing costs of up to 30% of income are considered affordable by the Department of Housing and Urban Development (HUD). Table 3 presents data on household income by age of householder for the Primary Market Area in 2019 and 2024. The data is estimated by ESRI and adjusted by Maxfield Research to reflect the most current local household estimates and projections. The following are key points.

- In 2019, the median household income was estimated to be $57,607 in the PMA, 18.5% lower than the median income of $77,414 in the Twin Cities Metro Area. As households age through the lifecycle, household incomes tend to peak in their late 40s and early 50s. This trend is evident in the Market Area as the age 45 to 54 cohort has the highest estimated income at $76,279 in the PMA and $102,730 in the Metro Area.



- The PMA median household income is expected to increase by 10.4% over the next five years to $96,352 in the PMA compared to 9.9% growth in the Metro Area. The average annual increase between 2018 and 2023 in the PMA (2.0%) will equal the historical annual inflation rate of 2.0% over the past ten years.

- Rental housing often targets younger renter households. The median household income in the PMA is $36,657 for the under-25 age group, $57,727 for the 25 to 34 age group and $69,896 for the 35 to 44 age group. Households earning the median income for these cohorts could afford monthly housing costs estimated at $916, $1,443 and $1,747, respectively.

- Based on average pricing of $1,280 for one-bedroom units among newer rental properties in and outside of the PMA, a household would need to have an annual income of about $51,200 or greater to not exceed 30% of its monthly income on housing costs. In 2019, an estimated 48,178 PMA households (55% of the total) are estimated to have incomes of at least $51,200. By 2024, total income-qualified households are projected to increase to 51,976 households (8%) after accounting for inflation.

- Households under age 35 are most likely to rent their housing, although there is a growing group of households over age 35 that are choosing to rent for lifestyle reasons. In 2019, 66% of households age 25 to 34 and 72% of households age 35 to 44 in the PMA are estimated to have incomes of at least $45,000. Because younger householders are often willing to live with roommates, the percent income-qualified is likely slightly higher.

TABLE 3
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
HILLCREST PRIMARY MARKET AREA
2019 & 2024

		Age of Householder						
	Total	**<25**	**25-34**	**35-44**	**45-54**	**55-64**	**65 -74**	**75+**
2019								
Less than $15,000	8,469	697	1,431	1,198	1,136	1,566	1,077	1,365
$15,000 to $24,999	8,532	591	1,463	1,031	848	1,316	1,283	2,000
$25,000 to $34,999	8,294	486	1,606	1,273	999	1,216	1,237	1,477
$35,000 to $49,999	13,037	716	2,433	2,122	1,908	2,099	1,993	1,766
$50,000 to $74,999	16,081	675	3,371	2,820	2,726	3,066	2,199	1,224
$75,000 to $99,999	11,409	241	2,306	2,259	2,181	2,299	1,386	738
$100,000 to $199,999	17,905	223	2,973	3,745	4,361	4,065	1,855	682
$200,000 or more	3,587	22	318	713	984	1,033	424	93
Total	**87,315**	**3,651**	**15,900**	**15,161**	**15,142**	**16,662**	**11,453**	**9,346**
Median Income	**$57,607**	**$36,657**	**$57,727**	**$69,896**	**$78,084**	**$69,455**	**$53,448**	**$34,885**
2024								
Less than $15,000	7,372	635	1,218	1,124	845	1,187	1,026	1,336
$15,000 to $24,999	7,653	508	1,250	852	659	1,076	1,256	2,052
$25,000 to $34,999	7,664	431	1,408	1,192	774	997	1,337	1,526
$35,000 to $49,999	12,680	706	2,262	2,095	1,633	1,804	2,202	1,978
$50,000 to $74,999	16,074	681	3,275	2,981	2,407	2,769	2,499	1,463
$75,000 to $99,999	12,155	265	2,357	2,589	2,078	2,215	1,715	937
$100,000 to $199,999	22,336	279	3,623	5,161	4,814	4,604	2,782	1,073
$200,000 or more	4,626	25	427	1,039	1,118	1,171	689	158
Total	**90,560**	**3,529**	**15,819**	**17,032**	**14,328**	**15,823**	**13,506**	**10,523**
Median Income	**$64,584**	**$38,948**	**$63,332**	**$82,239**	**$87,323**	**$80,290**	**$59,813**	**$38,299**
Change 2019 - 2024								
Less than $15,000	-1,097	-62	-213	-74	-290	-379	-50	-28
$15,000 to $24,999	-880	-83	-213	-179	-189	-240	-27	52
$25,000 to $34,999	-630	-55	-198	-81	-226	-219	100	49
$35,000 to $49,999	-357	-10	-171	-28	-275	-296	209	212
$50,000 to $74,999	-7	6	-96	161	-318	-297	300	238
$75,000 to $99,999	746	24	52	330	-103	-84	329	198
$100,000 to $199,999	4,431	56	649	1,416	453	539	927	391
$200,000 or more	1,039	3	109	326	133	138	265	64
Total	**3,245**	**-122**	**-81**	**1,871**	**-814**	**-839**	**2,053**	**1,176**
Median Income	**$6,977**	**$2,291**	**$5,606**	**$12,343**	**$9,239**	**$10,835**	**$6,365**	**$3,415**

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

- Between 2019 and 2024, the number of PMA households in the 35 to 44 age cohort is expected to increase by 1,871 households, growth of 12.3%. The number of income-qualified households in the age 35 to 44 cohort is projected to increase 14.4% (2,180 households).

- Income-qualified households in the age 45 to 54 cohort are projected to decrease by 17 households (-0.1%) over the next five years, while those in the 55 to 64 age group are expected to grow by 100 households (0.6%) and by 1,958 households (17.1%) in the 65 to 74 cohort.

Household Tenure

Table 4 on the following page shows household tenure by age of householder for the PMA and the Metro Area in 2010 and 2019. Data for 2010 is obtained from the Decennial Census, while the 2019 data is derived from the 2013-2017 American Community Survey estimates. The table shows the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as dormitories and nursing homes. Household tenure information is important in understanding households' preferences to rent or own their housing. In addition to preferences, contributing factors include mortgage interest rates, household age, and lifestyle considerations, among others.

- In the PMA, an estimated 36% of all households rented in 2019, giving it a rental rate that was higher than the Metro Area (an estimated 32% of households rented in 2019). Within the prime ownership years (35 to 64), an estimated 70% of households in the PMA owned in 2019, lower than 77% in the Metro Area.

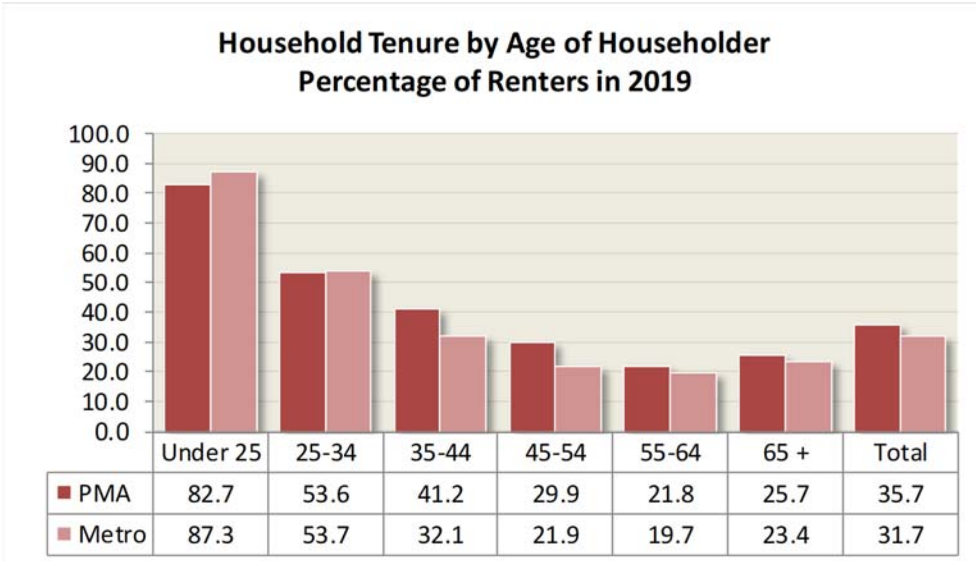
- Typically, the youngest and oldest households rent their housing in greater proportions than middle-age households. This pattern is apparent among the younger Primary Market Area households as 58% of the population under the age of 35 rents in the PMA while 60% of Metro Area householders under age 35 rent.

- An estimated 83% of households under age 25 rented in the PMA in 2019 while 54% of households age 25 to 34 rented. These percentages are lower than the Metro Area for the under age 25 cohort, which had 88% of households renting, but equal to the age 25 to 34 cohort, which had 54% of its households renting in 2019.

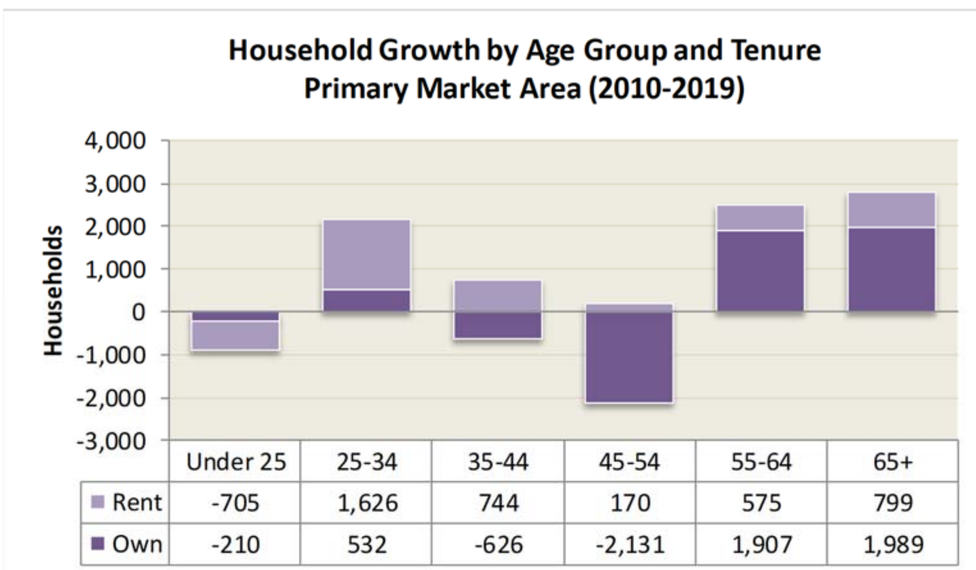
TABLE 4
TENURE BY AGE OF HOUSEHOLDER
HILLCREST PRIMARY MARKET AREA
2010 & 2019

		Primary Market Area				Twin Cities Metro Area			
		2010		2019		2010		2019	
Age		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	750	18.6	540	17.3	7,947	16.0	5,509	12.7
	Rent	3,284	81.4	2,579	82.7	41,789	84.0	37,905	87.3
	Total	**4,034**	**100.0**	**3,120**	**100.0**	**49,736**	**100.0**	**43,414**	**100.0**
25-34	Own	7,259	49.6	7,791	46.4	102,236	50.6	102,230	46.3
	Rent	7,375	50.4	9,001	53.6	99,716	49.4	118,777	53.7
	Total	**14,634**	**100.0**	**16,792**	**100.0**	**201,952**	**100.0**	**221,007**	**100.0**
35-44	Own	9,256	63.6	8,630	58.8	154,678	72.3	150,421	67.9
	Rent	5,305	36.4	6,049	41.2	59,303	27.7	71,091	32.1
	Total	**14,561**	**100.0**	**14,679**	**100.0**	**213,981**	**100.0**	**221,512**	**100.0**
45-54	Own	13,508	74.3	11,377	70.1	202,404	79.8	193,558	78.1
	Rent	4,672	25.7	4,842	29.9	51,379	20.2	54,244	21.9
	Total	**18,180**	**100.0**	**16,219**	**100.0**	**253,783**	**100.0**	**247,802**	**100.0**
55-64	Own	11,412	78.4	13,319	78.2	162,595	82.6	189,991	80.3
	Rent	3,139	21.6	3,714	21.8	34,355	17.4	46,714	19.7
	Total	**14,551**	**100.0**	**17,034**	**100.0**	**196,950**	**100.0**	**236,705**	**100.0**
65 +	Own	12,473	74.8	14,462	74.3	152,615	75.8	194,593	76.6
	Rent	4,210	25.2	5,009	25.7	48,732	24.2	59,548	23.4
	Total	**16,683**	**100.0**	**19,471**	**100.0**	**201,347**	**100.0**	**254,141**	**100.0**
TOTAL	Own	54,658	66.1	56,121	64.3	782,475	70.0	836,301	68.3
	Rent	27,985	33.9	31,194	35.7	335,274	30.0	388,279	31.7
	Total	**82,643**	**100.0**	**87,315**	**100.0**	**1,117,749**	**100.0**	**1,224,580**	**100.0**

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



- The number of PMA renter households increased for almost all age cohorts between 2010 and 2019 as the total number of renter households residing in the PMA grew by an estimated 3,209 households, an increase of 11.5%. By comparison, the number of owner households in the PMA grew by a much smaller proportion, 2.7% or 1,463 households, between 2010 and 2019.



- As depicted in the preceding chart, the largest overall increase occurred in the 65+ age group where 1,989 owner households were added in the PMA, followed by 1,907 owner households among the 55 to 64 age cohort.

- Substantial renter household growth occurred in the 25 to 34 cohort with the addition of 1,626 renter households (22%). Notable renter household growth also occurred in the 65+ age group and the 35 to 44 age group, adding 799 and 744 renter households, respectively.

Employment Trends

Employment characteristics are an important component in assessing housing needs in any given market area. These trends are important to consider since employment growth often fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. This preference is particularly true among renters. Young adults entering the workforce, a primary target market for rental housing, often place great value on living near employment, education, shopping, and entertainment.

Employment Growth

Table 5 on the following page shows employment growth trends and projections from 2000 to 2030 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 and 2010 represents the annual average employment for that year. Data for 2018 is an average of the first three quarters. Employment projections for 2020 and 2025 are based on data provided by the Metropolitan Council.

Although employment growth often parallels population growth, it is tied more closely 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.

- In 2000, there were 113,107 reported jobs in the PMA, including 3,495 in North St. Paul. Employment in the PMA decreased modestly between 2000 and 2005 down to 111,176 jobs.

- Due, in large part, to the economic recession, PMA employment contracted again by -6.0% (6,640 jobs) between 2005 and 2010. North St. Paul's employment also continued to decrease during this period by 316 jobs (9.8%), while employment in the Remainder of the PMA declined -5.9% (6,324 jobs). By comparison, employment in the Twin Cities contracted -3.6% between 2005 and 2010.

- Data from the Quarterly Census of Employment and Wages indicates that employment in the PMA expanded 18.6% (15,489 jobs) between 2010 and 2018 (fourth quarter). The St. Paul portion of the PMA increased by 2,972 jobs (16.0%) while the Remainder of the PMA expanded 14.5% (12,487 jobs).

- Modest job growth is expected in the PMA between 2018 and 2020. The St. Paul portion is projected to gain 745 jobs (3.5%) by 2020, while the Remainder of the PMA grows 3.6% (3,805 jobs).

- Another 1,500 jobs (6.7%) are expected to be added in the St. Paul portion of the Market Area between 2020 and 2025, while employment in the Remainder of the PMA expands 4.7% (4,755 jobs) and Twin Cities employment increases 2.2%. The pace of job growth is projected to slow after 2020, as the region will experience potential labor force shortages and an increase in retirements.

- In the PMA, job growth will likely be focused along the major transportation corridors in the area; primarily Highways 36, I-694 and I-35E where there are large concentrations of existing businesses and convenient access.

TABLE 5
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS
HILLCREST PRIMARY MARKET AREA
2000 to 2025

Annual Employment	St. Paul (part)	Primary Market Area (PMA)	*Remainder of PMA*	Twin Cities Metro Area
2000	32,532	113,007	*80,475*	1,600,741
2005	20,849	111,176	*90,327*	1,593,692
2010	18,583	104,536	*85,953*	1,537,041
2018	21,555	119,995	*98,440*	1,760,581
2020 Forecast	**22,300**	**124,545**	***102,245***	**1,828,000**
2025 Forecast	**23,800**	**130,800**	***107,000***	**1,869,000**

Change	St. Paul No.	St. Paul Pct.	PMA No.	PMA Pct.	*Remainder No.*	*Remainder Pct.*	Twin Cities No.	Twin Cities Pct.
2000 - 2010	-13,949	-42.9%	-8,471	-7.5%	*5,478*	*6.8%*	-63,700	-4.0%
2010 - 2018	2,972	16.0%	15,459	14.8%	*12,487*	*14.5%*	223,540	14.5%
2018 - 2020	**745**	**3.5%**	**4,550**	**3.8%**	***3,805***	***3.9%***	**67,419**	**3.8%**
2020 - 2025	**1,500**	**6.7%**	**6,255**	**5.0%**	***4,755***	***4.7%***	**41,000**	**2.2%**

*PMA includes North St. Paul, Little Canada, Maplewood, Oakdale, Vadnais Heights, Roseville, Birchwood Village, Pine Springs, Willernie, Mahtomedi and the eastern half of St. Paul.

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

Resident Employment

Table 6 shows information on the resident labor force and employment in St. Paul compared to Ramsey County, the Twin Cities, Minnesota, and the United States. 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. Not all these individuals however, work in the area.

The following points summarize key trends that will impact the demand potential for rental housing in the PMA.

- At 2.8%, the December 2018 unemployment rate in St. Paul is just above Ramsey County, but lower than the Twin Cities, (3.2%), Minnesota (3.2%) and the United States (3.7%).

- The unemployment rate decreased between December 2017 and December 2018, by 0.6% in St. Paul, 0.6% in Ramsey County, 0.7% in the Twin Cities and Minnesota and 0.7% in the United States.

TABLE 6
LOCAL AREA UNEMPLOYMENT STATISTICS
HILLCREST PRIMARY MARKET AREA

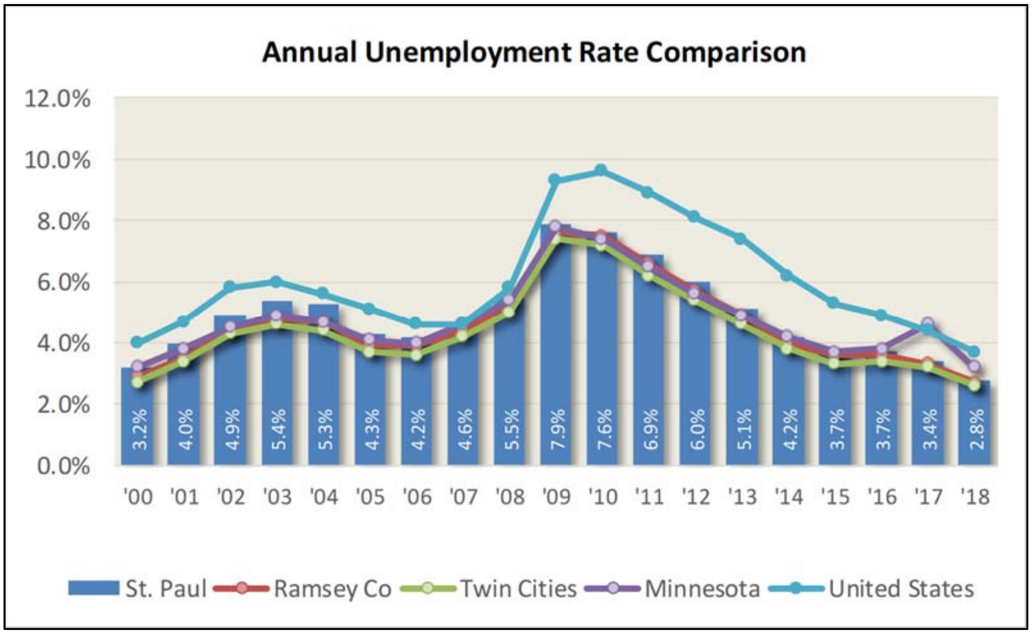
	December 2018			December 2017		
	Labor Force	Employment	UE Rate	Labor Force	Employment	UE Rate
St Paul	158,941	154,547	2.8%	157,111	151,726	3.4%
Ramsey County	289,761	281,965	2.7%	286,523	276,945	3.3%
Twin Cities	1,691,525	1,637,240	3.2%	1,656,274	1,598,995	3.5%
Minnesota	3,089,811	2,991,883	3.2%	3,063,604	2,957,837	3.5%
United States	162,510,000	156,481,000	3.7%	160,319,000	153,337,416	4.4%

Data not seasonally adjusted and available only for large cities
Sources: MN DEED; Maxfield Research & Consulting, LLC

- Hiring has been outpacing labor force growth throughout the Primary Market Area and the Metro Area, causing the unemployment rate to decrease.

- St. Paul's labor force expanded by 1.2% between December 2017 and December 2018. The number of employed residents however, increased by 1.9% (2,821) in St. Paul. Resident employment in Ramsey County increased 1.8% (5,020) against 1.1% labor force growth (3,238) over the year.

- The following chart illustrates how unemployment in the St. Paul and the Twin Cities Metro Area has mirrored national trends but has remained below the national rate throughout much of the past decade. St. Paul's unemployment rate has generally tracked consistent with Ramsey County, the Twin Cities and Minnesota.



Industry Employment and Wage Data

Table 7 on the following page displays information on the employment and wage situation in the PMA and the Twin Cities Metro Area. The Quarterly Census of Employment and Wages (QCEW) data is sourced from DEED for the third quarter of 2018 compared to the third quarter of 2017, the most recent data available. Employment data for the PMA includes the Cities of Maplewood, North St. Paul, Little Canada, Vadnais Heights, Roseville, Oakdale, Mahtomedi, Birchwood Village, Pine Springs, Willernie and the east side of St. Paul (Zip Codes 55106/55107).

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.

TABLE 7
QUARTERLY CENSUS OF EMPLOYMENT AND WAGES
HILLCREST PRIMARY MARKET AREA

Industry	2017 Q3 Establish-ments	2017 Q3 Employ-ment	2017 Q3 Weekly Wage	2018 Q3 Establish-ments	2018 Q3 Employ-ment	2018 Q3 Weekly Wage	Change 2017 Q3-2018 Q3 Employment #	Employment %	Wage #	Wage %
PRIMARY MARKET AREA*										
Total, All Industries	5,134	119,752	$1,115	5,064	119,860	$1,046	108	0.1%	($68)	-6.1%
Natural Resources & Mining	4	9	$250	---	---	---	--	--	--	--
Construction	148	1,773	$1,235	110	1,458	$1,204	-315	-17.7%	($31)	-2.5%
Manufacturing	249	7,790	$1,293	239	7,681	$1,261	-109	-1.4%	($32)	-2.5%
Trade, Transportation, Utilities	1,184	24,733	$798	1,212	24,699	$827	-34	-0.1%	$30	3.7%
Information	64	1,490	$1,259	69	1,485	$1,359	-5	-0.4%	$99	7.9%
Financial Activities	489	6,608	$1,233	495	6,657	$1,272	49	0.7%	$39	3.1%
Professional & Business Services	830	24,796	$1,783	891	24,809	$1,345	13	0.1%	($439)	-24.6%
Education & Health Services	786	27,521	$904	847	27,289	$937	-232	-0.8%	$33	3.6%
Leisure & Hospitality	480	11,414	$348	499	11,516	$355	102	0.9%	$7	1.9%
Other Services	514	3,537	$667	529	3,488	$685	-49	-1.4%	$18	2.7%
Public Administration	53	3,132	$1,066	53	3,150	$1,102	18	0.6%	$37	3.4%
TWIN CITIES										
Total, All Industries	81,092	1,758,979	$1,210	83,249	1,751,275	$1,239	-7,704	-0.4%	$29	2.4%
Natural Resources & Mining	308	3,585	$899	312	3,698	$902	113	3.2%	$3	0.3%
Construction	6,394	71,576	$1,388	6,592	71,342	$1,386	-234	-0.3%	($2)	-0.1%
Manufacturing	4,113	170,723	$1,472	4,182	170,802	$1,495	79	0.0%	$23	1.6%
Trade, Transportation, Utilities	15,795	331,229	$1,025	15,912	322,685	$1,034	-8,544	-2.6%	$9	0.9%
Information	1,527	37,518	$1,551	1,626	37,321	$1,603	-197	-0.5%	$52	3.4%
Financial Activities	8,791	135,001	$1,934	8,957	136,903	$2,053	1,902	1.4%	$119	6.2%
Professional & Business Services	15,704	297,496	$1,675	16,200	296,184	$1,704	-1,312	-0.4%	$29	1.7%
Education & Health Services	11,011	414,352	$989	11,497	405,814	$1,019	-8,538	-2.1%	$30	3.0%
Leisure & Hospitality	7,593	170,167	$482	7,784	176,633	$496	6,466	3.8%	$14	2.9%
Other Services	9,032	56,924	$710	9,363	56,853	$709	-71	-0.1%	($1)	-0.1%
Public Administration	824	70,408	$1,216	824	73,040	$1,245	2,632	3.7%	$29	2.4%

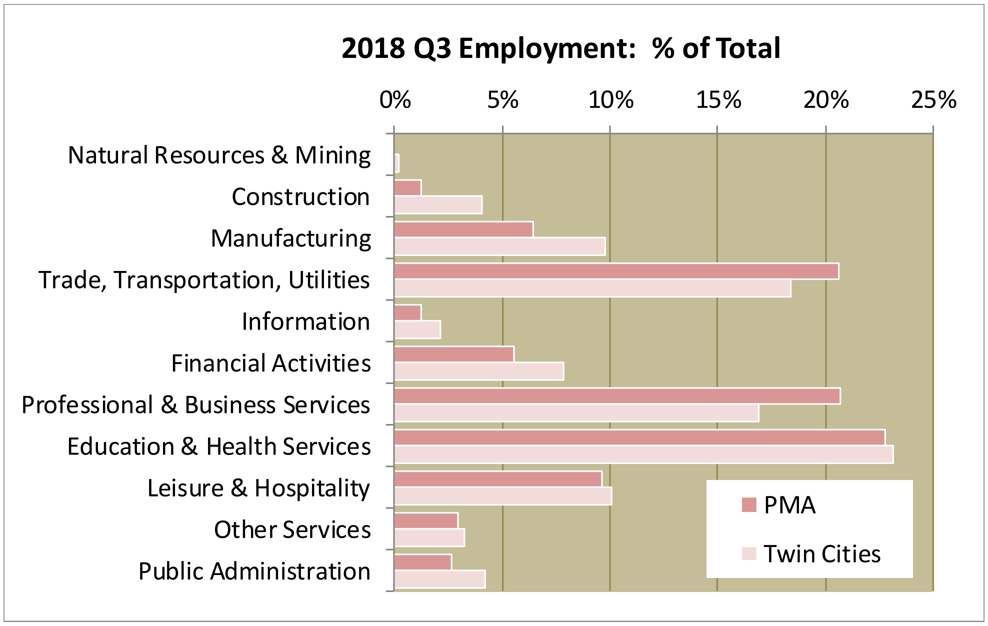
*PMA includes North St. Paul, Maplewood, Little Canada, Roseville, East St. Paul, Oakdale, Mahtomedi, Vadnais Heights, Birchwood Village, Pine Springs, and Willernie.

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

- PMA employment increased 0.1% during that same period, gaining only 108 jobs, as the Construction sector lost 315 jobs and the Education and Health Services sector contracted by 232 jobs (-0.8%).

- The Education and Health Services sector is the largest employment sector in the Primary Market Area with 27,289 jobs (23% of total employment) followed by the Professional and Business Services sector, providing 24,809 jobs (21%).

- Education and Health Services is the largest employment sector in the Metro Area with over 405,814 jobs (23%), followed by the Trade, Transportation, and Utilities sector with nearly 322,685 jobs (18%).

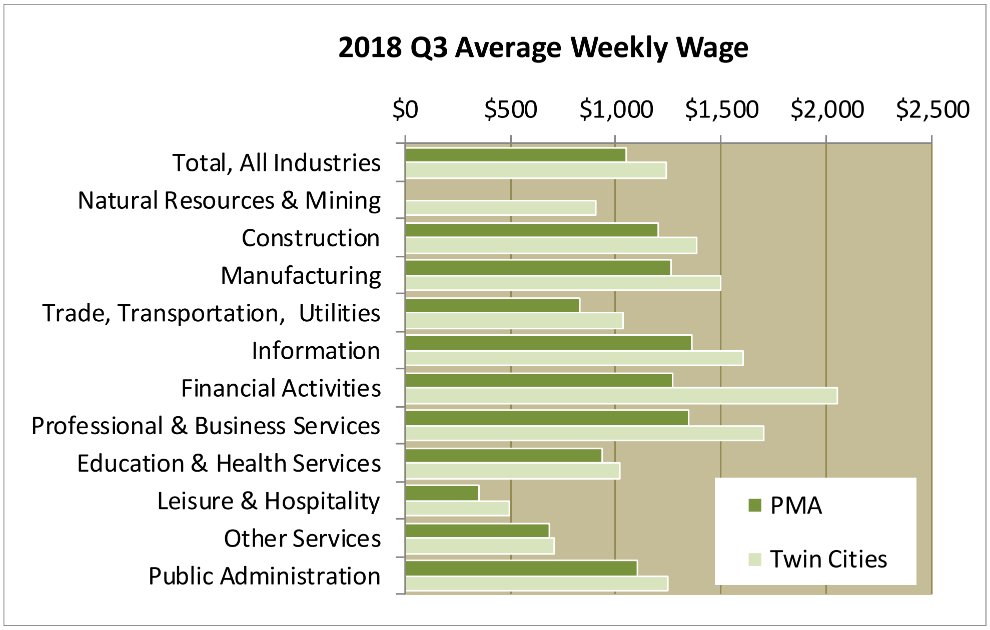


- The number of business establishments in the PMA contracted 1.3% over the year (65 businesses). The decreases were most significant in the Construction and Manufacturing sectors.

- Average weekly wage in the PMA ($1,046) is 0.8% lower than the Twin Cities ($1,134). Wages in the PMA decreased by 6.1%, likely due to decreases in Construction and Manufacturing while the weekly wage rose by 2.4% in the Metro Area.

- In the PMA, the highest average wages are found in the Information sector ($1,359), Professional and Business Services sector ($1,345), Financial Activities ($1,272), Manufacturing ($1,261), and Construction ($1,204).

- A household earning the average weekly wage in the PMA ($1,046) would be able to afford an apartment renting for about $1,360 per month to not exceed 30% of its monthly income on housing costs. This rent is higher than the average rent for a one-bedroom unit among the competitive set of rental properties in and near the PMA ($1,171).

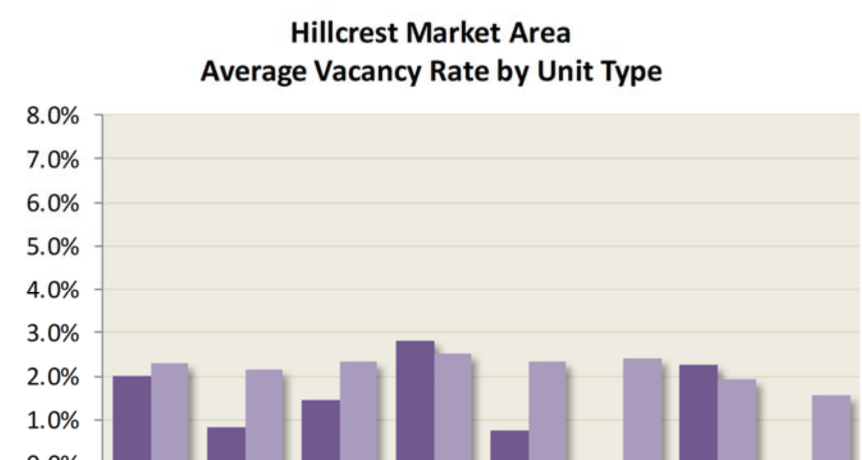

2018 Q3 Average Weekly Wage
$0
$500
$1,000
$1,500
$2,000
$2,500
Total, All Industries
Natural Resources & Mining
Construction
Manufacturing
Trade, Transportation, Utilities
Information
Financial Activities
Professional & Business Services
Education & Health Services
Leisure & Hospitality
Other Services
Public Administration
PMA
Twin Cities

Overview of Rental Market Conditions

Table 8 on the following page displays average monthly rent and vacancy rate data from Marquette Advisors *Apartment Trends* report for the Twin Cities Metro Area along with the submarkets surrounding the subject property. The data is shown for the third quarter 2017 compared to the third quarter of 2018, the most recent data available.

- The equilibrium vacancy rate for rental housing is considered to be 5.0%. This allows for normal turnover and an adequate supply of alternatives for prospective renters. During the third quarter of 2018, the vacancy rate was 2.3% in the Twin Cities Metro Area, 2.0% in East St. Paul, 1.8% in Maplewood and 2.1% across the remaining combined submarkets. In effect, the overall supply of rental housing in the Market Area is well-below the level considered adequate to meet demand.

- As illustrated in the following chart, vacancy rates were below equilibrium across all unit types. Two-bedroom plus den and three-bedroom plus units were 0% vacant; studio units were 0.8% vacant. One-bedroom units were 1.4% vacant and one-bedroom plus den units were 2.8% vacant. Two-bedroom units were 0.8% vacant.



	Total	Studio	1BR	1BR+D	2BR	2BR+D	3BR	3BR+
PMA	2.0%	0.8%	1.4%	2.8%	0.8%	0.0%	2.2%	0.0%
Twin Cities	2.3%	2.2%	2.3%	2.5%	2.3%	2.4%	1.9%	1.5%

- Across the Metro Area, vacancies were lowest for units with more than three bedrooms (1.5%) and three-bedroom units (1.9%). Studio units were 2.2% vacant and one-bedroom and two-bedroom units were each 2.3% vacant. Two-bedroom plus den units were 2.4% vacant and one-bedroom plus den units were 2.5% vacant.

TABLE 8
AVERAGE RENTS/VACANCIES TRENDS
HILLCREST PRIMARY MARKET AREA
Third Quarter 2017 and Third Quarter 2018

		Total	Studio	1 BR	1 BR w/ Den	2 BR	2 BR w/ Den	3 BR	3 BR/D or 4BR	Average Increase
EAST ST. PAUL										
Q3/2017	Units	**4,491**	130	2,163	4	1,915	10	269	--	--
	No. Vacant	**91**	0	39	0	47	0	5	--	--
	Avg. Rent	**$818**	$582	$734	$829	$890	$829	$1,091	--	-2.4%
	Vacancy	**2.0%**	0.0%	1.8%	0.0%	2.5%	0.0%	1.9%	--	0.1%
Q3/2018	Units	**4,718**	154	2,259	--	2,035	10	260	--	--
	No. Vacant	**91**	0	39	--	50	0	2	--	--
	Avg. Rent	**$837**	$578	$760	--	$909	$862	$1,097	--	2.4%
	Vacancy	**1.9%**	0.0%	1.7%	--	2.5%	0.0%	0.8%	--	-0.1%
MAPLEWOOD										
Q3/2017	Units	**1,539**	11	598	--	871	11	48	--	--
	No. Vacant	**29**	0	13	--	16	0	0	--	--
	Avg. Rent	**$956**	$692	$845	--	$1,012	$1,192	$1,326	--	4.3%
	Vacancy	**1.9%**	0.0%	2.2%	--	1.8%	0.0%	0.0%	--	0.0%
Q3/2018	Units	**1,693**	61	652	--	921	11	48	--	--
	No. Vacant	**31**	0	14	--	15	0	2	--	--
	Avg. Rent	**$1,001**	$709	$900	--	$1,057	$1,192	$1,336	--	4.8%
	Vacancy	**1.8%**	0.0%	2.1%	--	1.6%	0.0%	4.2%	--	-0.1%
ADDITIONAL SUBMARKETS*										
Q3/2017	Units	**6,175**	571	3,032	143	2,185	18	226		
	No. Vacant	**137**	6	76	3	49	0	3		
	Avg. Rent	**$951**	$762	$872	$1,137	$1,051	$1,563	$1,307		3.8%
	Vacancy	**2.2%**	1.1%	2.5%	2.1%	2.2%	0.0%	1.3%		-0.5%
Q3/2018	Units	**6,260**	517	3,116	143	2,240	18	226		
	No. Vacant	**134**	6	73	4	39	0	12		
	Avg. Rent	**$968**	$784	$890	$1,137	$1,070	$1,563	$1,021		2.9%
	Vacancy	**2.1%**	1.2%	2.3%	2.8%	1.7%	0.0%	5.3%		-0.2%
TWIN CITIES METRO AREA										
Q3/2017	Units	**139,527**	7,854	61,324	3,153	57,009	1,559	6,976	1,652	--
	No. Vacant	**3,497**	128	1,656	68	1,418	43	164	20	--
	Avg. Rent	**$1,147**	$885	$998	$1,380	$1,210	$1,963	$1,584	$2,702	5.1%
	Vacancy	**2.5%**	1.6%	2.7%	2.2%	2.5%	2.8%	2.4%	1.2%	0.0%
Q3/2018	Units	**141,705**	8,072	62,872	3,504	58,065	1,660	7,080	452	--
	No. Vacant	**3,274**	175	1,470	88	1,358	40	136	7	--
	Avg. Rent	**$1,188**	$980	$1,047	$1,438	$1,272	$2,025	$1,561	$2,481	3.6%
	Vacancy	**2.3%**	2.2%	2.3%	2.5%	2.3%	2.4%	1.9%	1.5%	-0.2%

*Remainder includes Little Canada, North St. Paul, Oakdale, Roseville, and Vadnais Heights

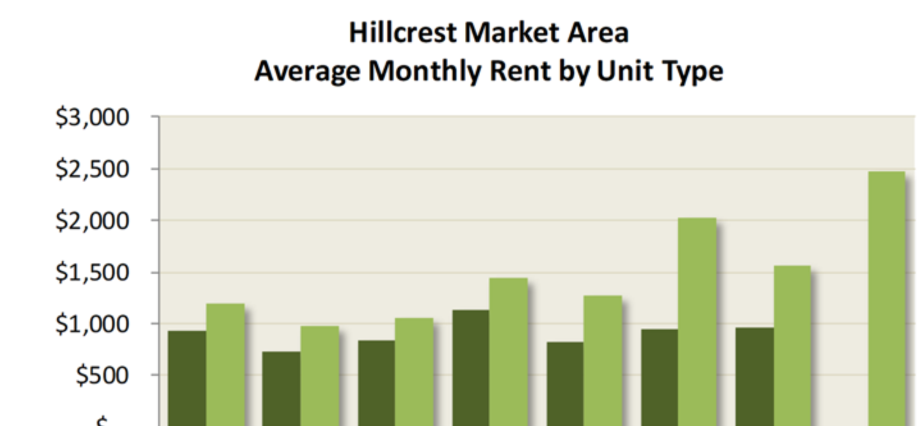
Sources: Marquette Advisors; Maxfield Research & Consulting, LLC

- Among the PMA submarkets, North St. Paul had the lowest vacancy rate at 1.0%, followed by 1.6% in Little Canada, 1.8% in Maplewood, 2.0% in East St. Paul, 2.1% in Oakdale, 2.4% in Vadnais Heights and 2.5% in Roseville.

- Total vacancy in the PMA decreased by 0.2 and vacancies continue to be very low in the PMA.

- One-bedroom units are the predominant unit type in the submarkets comprising the sub-markets shown, representing 47% of the inventory, followed by two-bedroom units at 38% of the inventory. Three-bedroom units represent 3% of the inventory and studio units represent 7%. One-bedroom plus den units represent 3.5% of the inventory and two-bedroom plus den units make up a small proportion at only 0.4% of the supply.

- The Metro Area has a modestly lower proportion of one-bedroom units (44%) but a somewhat higher proportion of two-bedroom units (41%). Roughly 5% of the units in the Metro Area have three-bedrooms and 2.5% have one-bedroom plus a den. Studio units represent 6% of the Metro Area inventory, while 1.2% of the units have two bedrooms plus a den and 0.3% have more than three bedrooms.

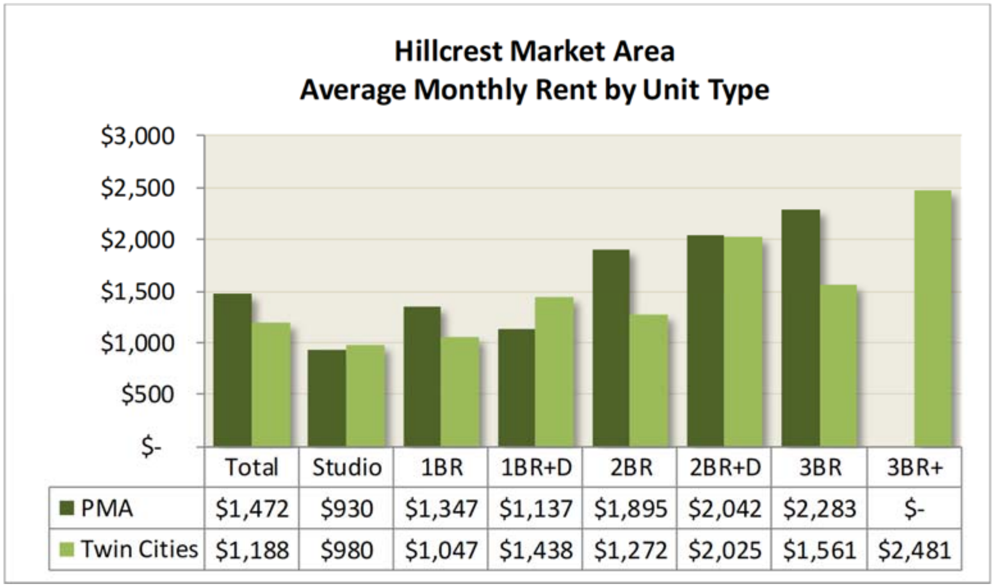


	Total	Studio	1BR	1BR+D	2BR	2BR+D	3BR	3BR+
PMA	$924	$734	$842	$1,137	$817	$942	$966	$-
Twin Cities	$1,188	$980	$1,047	$1,438	$1,272	$2,025	$1,561	$2,481

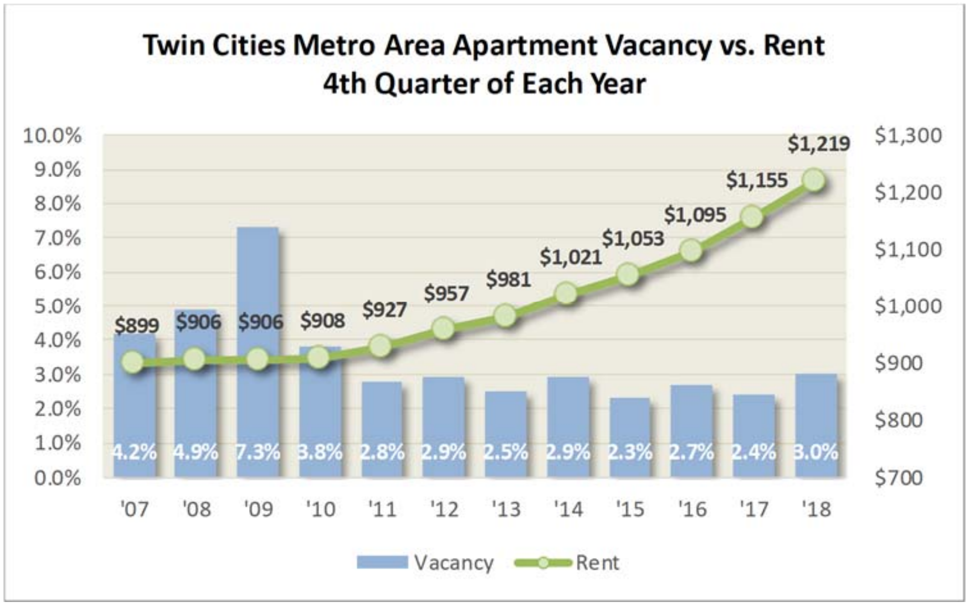
- Average monthly rents increased 3.6% over the year to $1,188 across the Metro Area, while the submarkets experienced a 2.4% increase in rents. At $924, the average monthly rent in the submarkets is nearly 29% lower than the Twin Cities average.

- Among the submarkets, average rental rates as of 3rd Quarter 2018 were $838 in East St. Paul, $977 in Little Canada, $1,001 in Maplewood, $988 in Roseville, $963 in Oakdale and $902 in Vadnais Heights.

- Average rents increased 2.4% in East St. Paul, 4.8% in Maplewood and 2.9% in the remaining combined submarkets. Average rents in the Twin Cities Metro Area increased by 3.6%.



- The following chart illustrates how the general occupancy apartment market recovered after struggling with rapidly rising vacancy rates between the fourth quarter of 2007 and the fourth quarter of 2009. Since 2009, apartment rents in the Metro Area have increased at an average rate of 3.4% per year.



- The Metro Area's tight rental market can be partially attributed to a group of foreclosed homeowners that entered the rental market during the Great Recession and traditional renters, who are potential home-owners, staying in the rental market longer due to lifestyle preferences. Job growth is also contributing to demand for apartment units, as new people are relocating to the region for employment and moving into rental properties.

- According to Marquette Advisors, 3,922 apartment units were absorbed as of the end of 2018, which was well above the full year absorption of 3,465 in 2017. An estimated 2,621 apartment units were absorbed in 2016, compared to 3,928 units in 2015, 2,767 units in 2014 and 3,378 units in 2013. Roughly 5,600 units are estimated to have been delivered in 2018, up from 4,820 in 2017 and 3,100 in 2016.

- Since 2011, the Metro Area has absorbed 2,700 units per year on average, slightly higher than the pace of new construction (average of 2,600 units delivered annually since 2011).

- Numerous projects are either under construction or in the development pipeline in the Twin Cities. Maxfield Research is tracking an estimated 6,000 units that are under construction or scheduled to move forward. Much of the new construction is in or near Downtown Minneapolis as over 4,000 new units have opened in the past three years, and an estimated 2,800 units are currently under construction in or near Downtown Minneapolis. New market rate rental construction however, continues to make inroads into suburban locations with significant success.

Selected Market Rate Apartment Developments

Maxfield Research compiled detailed information for a select group of the newest market rate apartment properties in the PMA that would compete either directly or indirectly with general occupancy apartment units on the subject property. Because there are relatively few new rental developments in the PMA, we also include new projects located in nearby suburban communities.

Data on these competitive properties is presented in Tables 9 and 10 on the following pages. The rents shown represent quoted rental rates and have not been adjusted to reflect the inclusion or exclusion of utilities. Most new rental properties (post 2000) require the tenant to pay most, if not all, of the utilities.

TABLE 9
SELECT NEWER MARKET RATE RENTAL PROJECTS
HILLCREST MARKET AREA & NEARBY COMMUNITIES
MARCH 2019

Project Name/Location		Occp. Date	No. of Units	Total Vacant	Unit Description Type	No.	Vac.	Size	Monthly Rent Min	Max	Rent/sq. ft. Min	Max
HILLCREST MARKET AREA AND ADJACENT COMMUNITIES												
Ascend at Woodbury		2018	153	34	Studio	27	1	527 - 598	$1,281	$1,298	$2.17	$2.43
4151 Benjamin Dr			vacancy rate:	22.2%	1BR	59	19	682 - 1,009	$1,371	$1,395	$1.38	$2.01
Woodbury, MN					2BR	51	4	1,055 - 1,185	$1,795	$1,920	$1.62	$1.70
In initial lease-up					3BR	16	0	1,409 - 1,549	$2,354	$2,693	$1.67	$1.74
	Notes:	*New development located near Jerry's Foods Grocery Store, East Ridge High School, and HealthEast Sports Center. Ascend at Woodbury is also conveniently located close to Interstate 494, US Highway 10, and Radio Drive in Woodbury.*										
City Walk at Woodbury		2011	453	27	1BR	159	10	771 - 1,217	$1,201	$1,697	$1.39	$1.56
10225 City Walk Drive			vacancy rate:	6.0%	2BR	272	17	1,079 - 1,421	$1,496	$2,005	$1.39	$1.41
Woodbury, MN					3BR	22	0	1,880 - 1,902	$2,095	$2,203	$1.11	$1.16
	Notes:	*Mixed use development with walking trails, a variety of shopping in close proximity, and easy access to Interstate 94.*										
Conifer Ridge Apartments		2018	150	1	Studio	3	0	670 - 670	$1,099	$1,099	$1.64	$1.64
3090 Hazelwood St			vacancy rate:	0.7%	1BR	57	1	690 - 690	$1,344	$1,359	$1.95	$1.97
Maplewood, MN					2BR	90	0	1,000 - 1,000	$1,532	$1,539	$1.53	$1.54
	Notes:	*Recent development located a short drive from Maplewood Mall and entertainment options and serivces including Myth Live and St Johns Hospital. The property is also located near Interstate 694 and US Highway 61.*										
NEARBY COMMUNITIES												
Mendota Heights Apartments		2019	140	0	1BR	110	0	771 - 958	$1,375	$1,710	$1.78	$2.22
2180 State Highway 13			vacanc	0.0%	2BR	30	0	1,113 - 1,347	$2,130	$2,250	$1.91	$2.02
Mendota Heights, MN												
	Notes:	*Mendota Heights Apartments is located off Minnesota Highway 494 near both Interstate 494 and Minnesota Highway 62 providing easy access to such destinations as Mall of America and Minneapolis-St Paul International Airport.*										
The Reserve at Mendota Village		2018	139	0	1 BR	78	0	620 - 1,655	$1,395	$1,936	$1.17	$2.25
720 S Plaza Way			vacanc	0.0%	2 BR	61	0	1,000 - 1,510	$2,004	$2,859	$1.89	$2.00
Mendota Heights, MN												
	Notes:	*The Reserve at Mendota Village is located next to shopping and Mendakota Country Club. The building is also a short drive from both Minneapolis-St Paul International Airport and Henry Sibly High School.*										
Flats at Cedar Grove		2018	192	21	1BR	96	24	765 - 765	$1,286	$1,553	$1.68	$2.03
3825 Cedar Grove Pky			vacancy rate:	10.9%	2BR	76	12	1,152 - 1,152	$1,580	$2,079	$1.37	$1.80
Eagan MN					3BR	20	6	1,562 - 1,562	$2,311	$2,436	$1.48	$1.56
	Notes:	*Flats at Cedar Grove is located in Eagan and a short work from the Twin Cities Premium Outlets and various dinning options from fast food to restaurant and bars. The property is also a short drive from Mall of America.*										
CityVue Commons		2015	233	2	1BR	163	16	547 - 885	$1,303	$1,694	$1.91	$2.38
3435 Promenade Ave			vacancy rate:	0.9%	2BR	70	7	792 - 1,113	$1,705	$2,210	$1.99	$2.15
Eagan, MN												
	Notes:	*CityVue Commons are located off of Interstate 35 East and within walking disance of the Town Center Shoppes which includes a Cub Grocery Store.*										
The Quarry at Central Park		2019	183	126	Studio	23	0	473 - 492	$1,195	$1,213	$2.47	$2.53
1555 Quarry Rd			vacancy rate:	68.9%	1BR	88	0	611 - 953	$1,275	$1,595	$1.67	$2.09
Eagan, MN					2BR	72	0	1,201 - 1,298	$1,885	$2,025	$1.56	$1.57
In initial lease-up												
		The Quarry at Central Park is located within walking distance of Central Park Commons and a Hy-Vee Grocery Store, the Eagan Community Center, as well as Central Park. The property is also located off of Interstate 35-East providing quick and easy access to various destinations.										
Maplewood New Property Totals:			**150**	**1**								
Maplewood New Properties Vacancy Rate:				**0.7%**								
New Property Totals Adjacent Communities:			**1,493**	**210**								
New Properties Vacancy Rate:				**14.1%**	**Stabilized Vac Rate:**			**4.3%**				

Source: Maxfield Research & Consulting, LLC

The per square foot average rents presented reflect a weighted average based on the number of units in each development. Therefore, developments with a larger number of units of any one type contribute more toward the average than those with only a few units of a specific type. Table 10 and the points that follow summarize key observations for the selected general occupancy market rate rental developments.

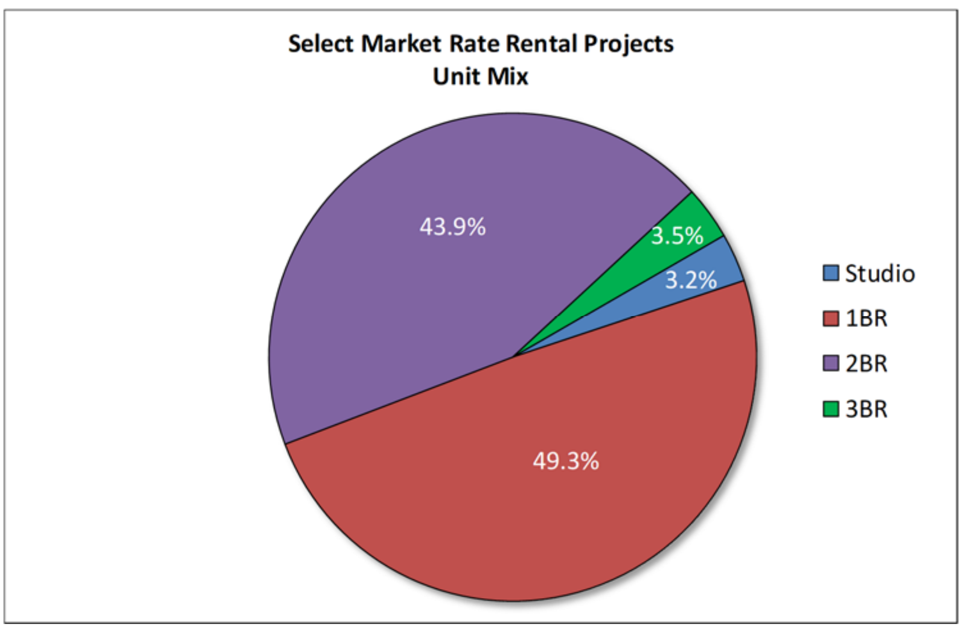
- A total of 899 units is represented among six of the newer and renovated properties in the PMA and another 451 units are presented in five properties outside the PMA that are scheduled to come on-line in early 2019 or were recently built within the past three years. Data on these properties has been segmented to provide an assessment of rent levels among the older properties in the PMA and the newest properties that have come on-line in semi-urban/urban areas of the eastern half of the Twin Cities.

TABLE 10
UNIT TYPE SUMMARY
SELECTED MARKET RATE RENTAL DEVELOPMENTS
MARCH 2019

				Monthly Rents		
Unit Type	**Total Units**	**% of Total**	**Avg. Size**	**Range Low - High**	**Avg. Rent**	**Avg. Rent/ Sq. Ft.**
Studio	53	3.2%	534	$1,099 - $1,298	$1,242	$2.34
1BR	810	49.3%	748	$1,275 - $1,936	$1,280	$1.60
2BR	722	43.9%	1,064	$1,496 - $2,859	$1,627	$1.42
3BR	58	3.5%	1,664	$2,095 - $2,693	$2,330	$1.43
Total:	**1,643**	**100%**	**1,002**	**$1,099 - $2,859**	**$1,620**	**$1.70**

Source: Maxfield Research & Consulting, LLC

- Roughly 49% of all units in the competitive set are one-bedroom units and 44% of the units have two bedrooms. Three-bedroom units present almost 4% of the inventory and studio units represent 3%.



- On average, units in these properties have 1,002 square feet, with studio units being the smallest (534 square feet) and the three-bedroom units being the largest at 1,664 square feet.

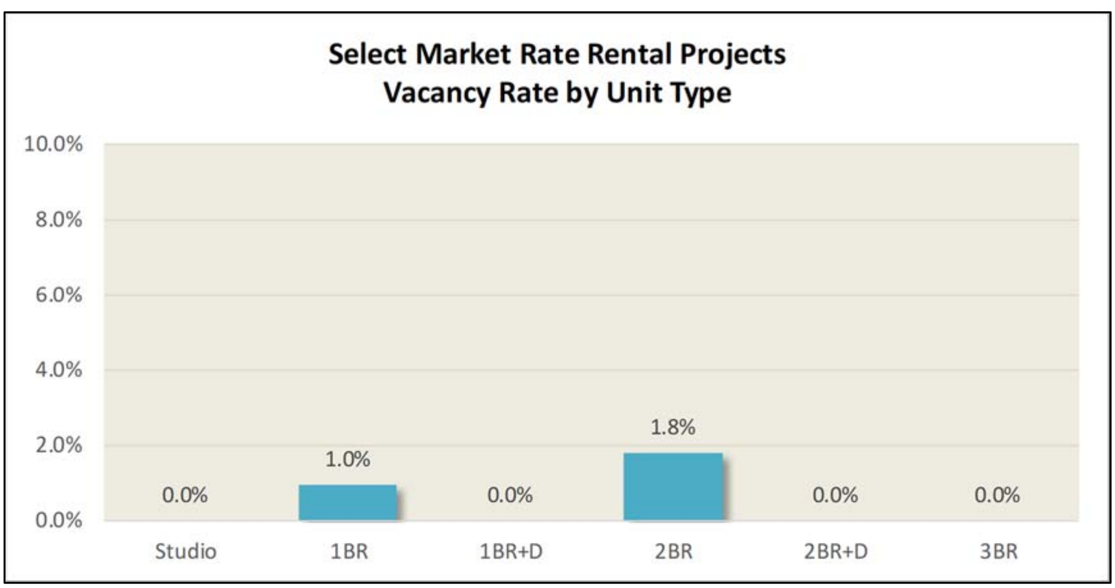
- Monthly rental rates range from a low of $1,009 for studio units at Conifer Ridge Apartments in Maplewood to a high of $2,859 for a two-bedroom plus den unit at The Reserve at Mendota Heights.

- Monthly rents average $1,242 for studio units, $1,280 for one-bedroom units, $1,627 for two-bedroom units and $2,330 for three-bedroom units. One-bedroom plus den units are included with the one-bedroom units and two-bedroom plus den units are included with the two-bedroom plus den units.

- The weighted average monthly rent at these properties is $1,620 which equates to $1.70 per square foot.

- Per square foot rents for these properties range from an average of $1.41 per square foot at Citywalk at Woodbury to a high of $2.08 at City View Commons in Eagan. Conifer Ridge, in Maplewood, has an average rent per square foot of $1.70. Conifer Ridge opened in 2018 and leased rapidly.

- As illustrated in the following graph, vacancy rates are highest in two-bedroom and one-bedroom units at 1.8% and 1.0%, respectively but are still very low. The remaining unit types were all fully-occupied.



New Market Rate Properties In and Outside of the PMA

- The following list identifies the average per square foot rent for the newest market rate rental properties outside of the PMA along with their City and year built:

– City Vue Commons (2015/18)	Eagan	$2.08 per square foot
– Quarry at Central Park (2019)	Eagan	$1.81 per square foot
– Mendota Heights Apts (2019)	Mendota Heights	$1.78 per square foot
– Ascend at Woodbury (2018)	Woodbury	$1.77 per square foot
– Flats at Cedar Grove (2018)	Eagan	$1.71 per square foot
– Conifer Ridge (2018)	Maplewood	$1.70 per square foot
– Reserve at Mendota Village (2018)	Mendota Heights	$1.67 per square foot
– CityWalk at Woodbury (2011)	Woodbury	$1.41 per square foot

- The newest properties outside of the PMA have an overall vacancy rate of 4.3% for those that are stabilized (95% occupancy or better after initial absorption). The competitive set of properties in the PMA have an overall vacancy rate of 0.7%, well below the market equilibrium rate of 5%. These vacancy rates indicate that there is additional pent-up demand for new rental units in and out of the PMA.

- Average absorption has ranged from an estimated 12 units per month on the low end to 25 units on the high end.

- Monthly rental rates range from a low of $1,099 for studio units at Conifer Ridge in Maplewood to a high of $2,859 for a two-bedroom unit at The Reserve at Mendota in Mendota Heights.

- Monthly rents at these properties average $1,242 for studio units, $1,280 for one-bedroom units, $1,627 for two-bedroom units and $2,330 for three-bedroom units. There are no one-bedroom plus den or two-bedroom plus den units in this set.

- The weighted average monthly rent at these properties is $1,620 which equates to $1.70 per square foot.

- Per square foot rents for these properties range from an average of $1.71 at Conifer Ridge in Maplewood to a high of $2.08 per square foot at City Vue Commons in Eagan.

- Roughly 49% of all units in the competitive set are one-bedroom units and 44% are two-bedroom units. Studio and three-bedroom units each account for about 3% of the inventory.

- On average, units in these properties have 1,002 square feet, with studio units being the smallest (584 square feet). One-bedroom units have an average of 748 square feet and two-bedroom units have an average of 1,064 square feet.

The newest properties continue to increase the level of features and amenities offered to residents. Amenities that have become standard for new properties include:

- Nine-foot ceilings or higher, walk-in closets, in-unit laundry, patios or balconies;
- Full kitchen appliance packages with stainless steel appliances and granite or quartz countertops;
- Fitness center, outdoor living/entertainment options such as firepits, grilling stations, outdoor lounge seating; outdoor pool with sundeck terrace and water feature, rooftop lounge, club room with large screen TV, comfortable seating areas, fireplace, and outdoor terrace; entertainment suites are being developed at Reserve at Arbor Lakes in the clubhouse;
- Secure keyless entry, private theater, concierge, and package receiving services;
- Dog run; pet grooming area; car wash in parking garage;
- Heated underground parking, bike repair and storage, and free Wi-Fi in common areas.

Pending Rental Developments

Maxfield Research interviewed planning staff in the Market Area to identify any new rental developments that are proposed, planned or under construction that may be competitive with the proposed development. Table 11 lists pending market rate and affordable general occupancy apartment developments in the PMA with their locations, number of units, and name of developer, if known.

- A total of ten pending general occupancy rental developments were identified in the PMA proposed to contain a total of 1,535 units. This total includes the subject project.

- Two properties are currently under construction. One is in Maplewood, Trails Edge, and is being developed as a joint venture between the owner of the property and INH Properties of Waite Park, MN. The other is being developed Engselma Construction and is at 1880 Old Hudson Road in east St. Paul. Hudson Road Apartments is scheduled to open April 2019 and Trails Edge is scheduled to open April 2020.

- Another 99 units have been approved for a Site at 848 Payne Avenue in St. Paul and will be developed by Schafer Richardson utilizing funds through the Low-Income Housing Tax Credit Program.

TABLE 11
PENDING GENERAL OCCUPANCY RENTAL DEVELOPMENTS
HILLCREST PRIMARY MARKET AREA
April 2019

Project Name Location	City	Total Units	Market Rate Affordable	Developer/Applicant	Status/Notes
Under Construction					
Trails Edge Apts 2988 Country View Drive	Maplewood	152	152 0	INH Properties	Under Construction Opening April 2020
Hudson Road Apartments 1880 Old Hudson Road	St. Paul	116	114 0	Engselma Construction	Under Construction Opening Spring 2019
Planned/Approved					
848 Payne 848 Payne Avenue	St. Paul	99	0 99	Schafer Richardson	Approved Est. start 2018, phase I
Proposed					
Former City Hall Site 7th Ave E/W of Margaret St	North St Paul	87	87 0	NSP Land Development	Proposed
Margaret St/N of Seppala Blvd Margaret St/N of Seppala Blvd	North St Paul	74	74 0	Rachel Development	Proposed Market Rate Affordable
Anchor Block Site McKnight Rd/S of Hwy 36	North St Paul	250	250 0	Inland Partners	Proposed Timing uncertain
520 Payne 520 Payne Avenue	St. Paul	67	0 67	Johnny Opara	Proposed Preliminary approval
Hopewell 7th Street E/Hazelwood St	St. Paul	480 200-I 280-II	480 0	Tradition LLC	Proposed Market Rate Affordable
7th Street E/Birmingham St 7th Street E/Birmingham St	St. Paul	60	0 60	JB Vang	Proposed 50%-60% AMI
South Maplewood Apts Lower Afton Rd/Century Avenue	Maplewood	150	150 0	Kami Inc.	Proposed
		Total	**Market Rate**	**Affordable**	
Under Construction Subtotal:		**268**	**266**	**0**	
Planned/Approved Subtotal:		**99**	**0**	**99**	
Proposed Subtotal:		**1,168**	**1,041**	**127**	
Totals:		**1,535**	**1,307**	**226**	

Source: Maxfield Research & Consulting, LLC

- the remaining units are all proposed and are in various stages of the planning and development process. Three properties are in North St. Paul, one is in Maplewood and the other three are in the east side of St. Paul.

- NSP Land Development is proposing 87 market rate rental units on the site of the former City Hall in North St. Paul. This development is in the planning stages but has not yet received final approval. The project would have some commercial space on the first floor.

- Rachel Development is proposing 74 units of affordable market rate rental housing with slightly below market rents and smaller unit sizes on property in Downtown North St. Paul. This property is under consideration by the Council for approval.

- Inland Partners has proposed a redevelopment of the former Anchor block site in North St. Paul. They are partnering with M/I Homes to develop a first phase of for-sale townhomes on the property with the potential to add rental housing later.

- Hopewell Tradition LLC is proposing to develop 480 market rate rental units on property at 7th Street East and Hazelwood Street in east St. Paul. A first phase of 280 units is contemplated. The apartments would be developed through a modular construction format. This is in the early planning stages and development timing is uncertain. JB Vang is also proposing to develop 60 units of affordable rental housing on a portion of the same site but would utilize tax credits for its development. This is also in the initial planning stages.

- Kami Inc., a local developer is proposing 150 market rate general occupancy units on property in southern Maplewood, adjacent to the Ramsey County Correctional Center east of Century Avenue. This project is in the initial development stages and no approvals have been granted.

- Johnny Opara, a local developer, is proposing 67 units of affordable housing at 520 Payne Avenue in St. Paul. This development would also utilize tax credits through the LIHTC program.

Market Rate General Occupancy Rental Demand Calculations

Table 12 presents our calculation of general occupancy market rate rental housing demand for the PMA and assesses the potential for the subject property to capture a portion of demand. Factors considered include competitiveness of nearby rental properties, pending developments, demographic trends and population shifts, and the overall image and popularity of the neighborhood as a residential location. Potential demand is calculated from two categories:

1. From new household growth by age group based on the propensity of households to rent their housing in the Primary Market Area; and,

2. From existing households that will remain in the Market Area because new product is available and they value other area amenities including proximity to employment, entertainment and recreation.

First, we calculate potential demand from new income-qualified household growth over the next five years by age group based on the propensity of households to rent their housing. We focus on households between the ages of 18 and 64 that will account for the clear majority of rental demand on the subject property. We also include a portion (20%) of the demand generated by households age 65 and older, as a segment of this age group that can live independently could be drawn to a new general occupancy rental housing development on the subject property. The propensity to rent or own is based on 2017 American Community Survey figures by age cohort adjusted to 2019.

TABLE 12
PROJECTED DEMAND FOR MARKET RATE RENTAL HOUSING
HILLCREST PRIMARY MARKET AREA
2019 - 2024

		Number of Households				
		Age <25	Age 25 to 34	Age 35 to 44	Age 45 to 64	Age 65 & Over
Demand From Household Growth						
Projected Income-Qualifed Household Growth 2019 - 2024[1]		88	714	2,223	461	2,713
(times) Proportion estimated to be renting their housing[2]	x	83%	54%	41%	26%	26%
(equals) Demand For Rental Housing, 2019 - 2024	=	**73**	**386**	**911**	**120**	**705**
Demand From Existing Households						
Estimated number of renter households in 2019		2,579	9,001	6,049	8,556	5,009
(times) Estimated % Turnover between 2019 & 2024	x	75%	72%	56%	48%	32%
(equals) Total Existing Households Projected to Turnover	=	**1,934**	**6,481**	**3,387**	**4,107**	**1,603**
(times) Percent of Households Income Qualified[2]	x	32%	56%	63%	65%	41%
(equals) Total Number of Income-Qualified Households	=	**619**	**3,629**	**2,134**	**2,669**	**657**
(times) Estimated % Desiring New Rental Housing[3]	x	5%	15%	25%	25%	15%
(equals) Demand From Existing Households	=	**31**	**544**	**534**	**667**	**99**
Total Demand From Household Growth and Existing Households		**104**	**930**	**1,445**	**787**	**804**
Demand Summary						
Total Market Area Demand for Rental Housing in PMA	=			**3,427**		
(plus) Demand from outside PMA (20%)	+			857		
(equals) Potential demand for rental housing in the PMA (2019 to 2024)	=			**4,284**		
(minus) Pending rental units in the PMA at equilibrium	-			1,150		
(equals) Excess demand for rental housing in the PMA (2019 to 2024)	=			**3,134**		
(times) Percent capturable on Site				10%		
(equals) Total Demand Capturable on Site (units)	=			**313**		

[1] $50,000 in 2019 based on average price of one-bedroom apartments in the competitive set.
[2] Data from U.S. Census Bureau.
[3] Source - *The Upscale Apartment Market: Trends and Prospects*. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council.

Source: Maxfield Research & Consulting, LLC

Next, we calculate the percentage of renters who are income-qualified for market rate rental housing. For new market rate housing, household incomes must equal or exceed $50,000 to afford a one-bedroom unit in the competitive set of newer market rate properties in and near the PMA.

The second part of the analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. The youngest households are often unable to afford rents at the top of the market unless they receive assistance from their parents or desire a roommate. Mobility rates were identified by age group (utilizing Census data) and were applied to the existing household base.

Together with demand from projected household growth and turnover, the total demand for PMA market rate rental housing is summarized. In the PMA, total demand for income-qualified market rate housing over the next five years is 3,427 units. An additional proportion is added for households that would move to a rental project in the PMA who currently reside outside the PMA. We estimate that 20% of the demand potential for market rate rental housing in the PMA would be derived from outside the PMA, increasing demand to 4,284 units.

From the demand potential, we subtract pending rental developments in the PMA at market equilibrium (95% occupancy) to find the remaining excess demand in the Market Area. We identified several developments at various stages of development. **We exclude the 250 units on the Anchor Block Site in North St. Paul from the total.** The remaining units are anticipated to be delivered to the market within the 2019 to 2024 timeframe. Therefore, we subtract 1,150 units from the demand, resulting in excess demand for 3,134 units in the PMA between 2019 and 2024.

We anticipate that a development on the subject property on the Hillcrest Site in St. Paul could capture up to 10% of the total excess demand potential in the PMA. This capture rate is based on the size and location of the Site and considers its potential draw from the PMA. It also accounts for the number and location of other developments that would satisfy demand. Based on a 10% capture rate, we anticipate that the subject property could support up to 313 units of new general occupancy market rate rental housing between 2019 and 2024.

Initial Conclusions General Occupancy Rental Housing

Multifamily rental housing has been a bright spot in the real estate industry for the past several years; here in the Twin Cities Metro Area and nationally. The downturn in the housing market and the overall economic slowdown initially created increased demand for rental housing, but vacancy rates climbed steadily from 2007 through 2009 with increased home buying due to the tax credit and increased unemployment. However, vacancy rates declined in 2010 and 2011 and have since held steady while rental traffic has increased according to leasing personnel.

As of the third quarter 2018, the vacancy rate was 2.3% in the Metro Area and 2.1% in the sub-markets comprising the PMA. Additionally, the newest and/or completely renovated competitive market rate properties in and near the PMA are currently 2.1% vacant, suggesting that there is pent-up demand for general occupancy rental housing units in the PMA.

Apartment development is very active in the Twin Cities, with numerous projects either under construction or in the development pipeline. New rental properties recently completed or under construction in the Twin Cities are charging rents (on average) from $1.60 per square foot to over $2.80 per square foot, depending on the location of the property. Although many of the new rental properties have been built in or near Downtown Minneapolis, development has expanded outward to first- and second-tier suburban locations near areas of high employment. New suburban rental properties are charging rents (on average, per month) between $1.60 and $2.20 per square foot.

Strong demographics from the echo boom generation will likely continue to generate rental housing demand over the next several years. Additionally, the Twin Cities Metro Area is experiencing more lifestyle renters, those with busy professional lives and people who prefer to spend their free time in leisure pursuits rather than on upkeep and maintenance of a home.

The strongest sources of demand for new rental housing in the PMA will likely be young singles, couples and small families in their late-20s to mid-30s who work in the area. Mid-age households with modest incomes who are currently renting or who want to sell their single-family homes may could also account for a small portion of demand for new moderate price rental housing in the area.

Based on our assessment of general occupancy rental housing in the Market Area, including the occupancy rates and overall performance of newer product, we find sufficient market support for additional general occupancy rental units in the PMA. We estimate there is excess demand in the Primary Market Area for 3,134 market rate rental housing units between 2019 and 2024. The PMA however, is of substantial size and the Hillcrest site is centrally located within this geography. We anticipate that the subject property could support up to 313 units of market rate rental housing.

For-Sale Market Conditions

This section identifies current market conditions for owned housing in the Primary Market Area and provides information on new construction subdivisions currently marketing homes. This section includes single-family detached (including villas) and single-family attached (town-homes/twinhomes) as part of the analysis. There are no new condominium properties currently under consideration in the Primary Market Area.

Existing Home Values

Table M-1 presents information on resale values for existing homes in PMA communities. Data for St. Paul has been combined to include east side neighborhoods such as Dayton's Bluff, East Side and Payne Phalen.

TABLE M-1
HOME RESALE VALUES
2018

2018	Closed Sales	Median Sales Price	Average Sales Price	Median Square Feet	Median Price Per Square Foot	Year Built	Association Fees	Cumulative Days on Market
Single-Family								
Maplewood	403	$250,000	$263,356	1,972	$136	1967	n/a	19
North St Paul	166	$225,750	$232,052	1,703	$135	1959	n/a	20
Little Canada	78	$300,000	$338,153	2,132	$147	1979	n/a	28
Roseville	115	$279,900	$307,959	2,086	$150	1956	n/a	18
Oakdale	260	$275,000	$277,649	1,901	$143	1987	n/a	18
Vadnais Heights	111	$304,000	$322,687	2,136	$140	1980	n/a	19
East St. Paul	874	$189,250	$190,869	1,466	$130	1950	n/a	20
Total/Med/Avg	**2,007**	**$275,000**	**$277,649**	**1,972**	**$140**	**1963**	**n/a**	**19**
Multifamily								
Maplewood	149	$185,000	$187,000	1,488	$120	1991	$240	18
North St Paul	14	$152,610	$157,575	1,111	$138	2003	$240	22
Little Canada	100	$115,000	$155,427	1,342	$107	1979	$360	23
Roseville	143	$152,000	$185,564	1,130	$131	1973	$320	124
Oakdale	205	$310,000	$343,288	2,536	$131	2003	$280	43
Vadnais Heights	28	$325,000	$326,700	2,503	$140	1998	$230	159
East St. Paul	44	$168,950	$173,871	1,641	$109	1981	$235	21
Total/Med/Avg	**683**	**$168,950**	**$185,564**	**1,488**	**$131**	**1995**	**$240**	**23**

Sources: Greater Minneapolis Area Association of Realtors; Maxfield Research and Consulting, LLC

The table shows that the median resale price of single-family homes in East St. Paul was $189,250 as of year-end 2018. The average resale price was $190,869. The median and average resales overall for the communities in the PMA were $275,000 and $277,649, respectively. Days on Market was exceptionally low at 19.

The median and average multifamily resale prices were $185,000 and $187,000, respectively in Maplewood as of year-end 2018. Days on market was 18, which is very low. The median and average resale prices for the PMA were $168,950 and $187,000, respectively with an overall average market time of 43 days. Average market times were much higher for Vadnais Heights, Oakdale and East St. Paul.

Active Listings and Months of Supply

Table M-2 shows active listings for communities in the Primary Market Area and months of supply from March 2016 through March 2019. The table shows that the number of active listings year over year for properties single-family and multifamily owned properties in the PMA have continued to decrease over the period and as of March 2019, are generally at their lowest level in four years. This demonstrates the low supply of housing not only in the PMA, but generally throughout the Twin Cities Metro Area.

The average number of single-family listings decreased from 57 in 2016 to only 31 in 2019, a drop of almost half. Months of supply decreased from 2.9 in 2016 to only 1.5 in 2019.

The average number of owned multifamily homes decreased from 20 in 2016 to 11 in 2019 and the months of supply decreased from 2.5 in 2016 to only 1.2 in 2019.

These figures signal a very tight housing market with many homes being sold in bid situations and median and average prices rising.

Because of the fully-developed character of most of the communities in the PMA, new home construction is most likely to be limited and on in-fill sites. New homes in Roseville on in-fill sites have absorbed well at prices well above the average and median sales prices for existing homes. Most new homes are priced at $350,000 for townhomes and $450,000 or higher for new single-family homes.

New Home Subdivisions – PMA Communities

Tables M-3 and M-4 present information on new home subdivisions in the PMA communities with data on current performance. Also shown are any future subdivisions that have been identified but have not yet received final plat approval or are just in the process of getting underway.

<u>Maplewood</u>

There is one subdivision, **Cahanes Estates**, which is an in-fill subdivision just north of Minnehaha Avenue East, north of the 3M corporate campus. Homes were priced between $296,000 and $315,000, base price and there are ten lots, of which eight homes were built. In reviewing the existing subdivision, it appears that this is built out, with the remaining two lots not available for sale. Resales of homes in this subdivision have been in the high $300,000s.

Roseville

Farrington Estates is a new single-family subdivision that began marketing in 2015. Six lots were available with base prices beginning in the mid-$400,000s. Prices ranged from $400,000 to $600,000 and as of the end of 2018, all the lots had been sold.

Little Canada

Moore's Whispering Pines is an eight lot, single-family subdivision with home prices starting in the low-$400,000s. The property began marketing in 2015. All the lots except one have been sold and the overall price range for new homes was from the low-$400,000s to $550,000. Lot widths were 100'.

A second subdivision, **Hamel Estates**, began marketing in 2008 with 7 lots. To date, five lots have been developed with two lots remaining. Lot widths average 75' and base home prices ranged from $375,000 to $600,000, depending on the home.

Vadnais Heights

There are two single-family subdivisions in Vadnais Heights with lots available. **Oak Creek Ridge** began marketing in 2005 with 15 lots and a price range that was between $200,000 and $250,000. Most homes sold pre-Recession, but there is one home currently under construction and one remaining vacant lot. Lot widths average 100'.

Kreyfish Addition began marketing in 2016 and has five lots. Average lot width is 80' and home prices range from $240,000 to $415,000. To date, there are two lots remaining. The two remaining lots are being marketed at $114,900 with a size of almost one-half acre each. A new custom home in the Kreyfish Addition sold in 2017 for $411,000.

Creekview in Vadnais Heights is currently marketing five single-family lots. Spec homes are valued at $499,000 to $519,900.

Oakdale

There was a proposed subdivision in Oakdale, **Delaney Green**, with four lots, but this subdivision application was withdrawn.

Many first-tier suburban communities have lot width requirements that are much wider than what is currently being developed today in many second- and third-tier suburban communities. National builders are maximizing the amount of home on the lot, with the result that most single-family homes are being constructed on lot widths of 65' to 70'.

Owned Multifamily

St. Paul

Homes of Whitall is a 19-unit duplex subdivision in the Payne Phalen neighborhood of east St. Paul. As of March 2019, four units were available with pricing ranging from the mid- to high $100,000s. There are 13 remining vacant lots.

Maplewood

Towns of New Century is a 100-lot townhome development in Maplewood that began marketing in 2000. There are 84 existing homes and 16 remaining lots that were never built on. This property was targeted to entry level buyers with home prices in the low to mid-$100,000s. Resale values for these units range from the low to the mid-$200,000s. It is in the southern portion of Maplewood near the Woodbury border.

Woodlyn Ponds twinhomes is a 26-lot development that began marketing in 2004. There are 24 existing homes and two lots remaining. Pricing ranged from the mid-$200,000s to the low-$300,000s. It is likely that the one remaining lot will never be built on.

Roseville

Midland Hills Villas (detached townhome) began marketing six lots in 2005 with homes priced from $600,000 to $900,000. The one lot remaining recently sold and the home is under construction.

Wheaton Woods (detached townhomes) began marketing 17 lots in 2016 and two lots remain. Home prices range from $485,000 to $900,000.

Rose Place (rowhomes) began marketing in 2018 and has six units. Pricing ranges from $310,000 to $350,000 and as of March 2019, four of the six units had been sold. The property is an in-fill development north of Highway 36 between Lexington Avenue and Victoria Street.

Vadnais Heights

Liberty Village townhomes is an existing 42-unit rowhome development that began marketing in 2018. Unit pricing ranges from $280,000 to $329,000. As of March 2019, 26 units had been sold and 16 units remain.

PMA Lot Absorption

Single-Family

Over the past two years, closings increased each year in the PMA, while starts decreased. The decline in starts is primarily due to the significant reduction in inventory that occurred over the past 12 months reducing the home supply. Vacant Developed Lot supply also continues to decrease due to limited land availability in the PMA as most developments are small, in-fill projects.

As of 4Q 2018, existing housing inventory was five homes, down from 21 at the end of 4Q 2017. Vacant developed lot inventory decreased from 33 at the end of 2017 to 26 at the end of 2018. This is down from 53 VDLs at the end of 2016.

Owned Multifamily

There was virtually no inventory in this product type at the end of 2017, but there were 31 vacant developed lots. Home starts in 2018 totaled 27, with five closings. Nearly all of these were in Vadnais Heights in one subdivision. The vacant developed lot inventory increased from 31 at the end of 2017 to 52 at the end of 2018. Most of this product is rowhomes.

Pending For-Sale Developments

Maplewood

The Maplewood City Council approved a rezoning for 3.82 acres of land at 2135 Larpenteur Avenue East from medium-density residential to low-density residential (2.6 to 6.0 units per acre) for the development of seven single-family lots with a minimum buildable lot size of 7,500 square feet. Although not specifically stated in the rezoning proposal, the homes may be developed as detached villas, although the proposed rezoning narrative classifies the homes as small lot, single-family. The subdivision is known as **Beebe Meadows.** A portion of the Site is wetlands and would be undevelopable but will provide an appropriate buffer between the single-family homes and the surrounding area, maintaining a green space for the neighborhood. Concerns were voiced by surrounding neighbors regarding increased traffic due to construction and additional homes in the area.

Vadnais Heights

There are no new subdivisions currently planned for Vadnais Heights.

Little Canada

There are no single-family or owned multifamily subdivisions under consideration currently in Little Canada.

Roseville

There are no new single-family or owned multifamily subdivisions currently under consideration in Roseville. The City however, has identified some sites as appropriate for in-fill single-family and townhomes.

North St. Paul

M/I Homes is approved to develop new for-sale townhomes, **Gateway at McKnight Townhomes**, on property in North St. Paul on South Avenue East and 7th Avenue East. The development is approved, but pricing is not yet available. A model home is anticipated to be available by Fall 2019. A total of 100 units is anticipated. Prices will begin in the high $200,000s.

Oakdale

There are no new single-family or owned multifamily subdivisions under consideration currently in Oakdale.

For-Sale Demand Analysis

Table M-5 presents a preliminary calculation of the potential demand for owned housing products on the Hillcrest Site. The table identifies the projected new household growth for households under age 75, along with potential turnover of existing owner households in the PMA that may purchase another existing or new home.

Household growth over the next five years is estimated at 2,069 households, most of which are anticipated to be households age 65 to 74 years. These households would be a market for detached villa, twinhome or condominium products, which are currently being developed throughout the Twin Cities Metro Area.

Additional demand will be generated from existing owner households that would move-up or right size from their existing homes. Turnover for the five-year period is estimated to be 58% in the PMA. This results in an estimated 32,550 households that would turnover during the period.

Of that total, we estimate that 5% of households would desire to purchase new housing products, resulting in potential demand for 1,628 new housing units from turnover. Total demand from new household growth and turnover is estimated at 2,952 households between 2019 and 2024.

An estimated 20% of demand is projected to come from outside of the PMA from households moving into the PMA seeking housing. This increases potential demand to 3,690 households seeking new owned housing.

We separate demand between single-family and owned multifamily products. Because of the in-fill nature of the Site and increased household growth in older age groups, the split is estimated at 50%/50%, resulting in 1,845 units for each category.

From these totals, we subtract existing vacant units in the PMA along with existing vacant developed lots for each product category from data provided on Tables M-3 and M-4.

This equals potential demand for 1,827 new single-family and 1,794 new multifamily units in the PMA. The lack of available land for new development is likely to substantially limit the ability of PMA communities to accommodate the projected level of demand.

We estimate that the subject Site could capture 3% of the excess demand identified or a total of 55 single-family and 54 multifamily units.

TABLE M-5
FOR-SALE HOUSING DEMAND
HILLCREST PRIMARY MARKET AREA
2019 to 2024

Demand from Projected Household Growth			
Projected HH growth under age 75 in the PMA 2019 to 2024[1]		2,069	
(times) % propensity to own[2]	x	64.0%	
(equals) Projected demand from new HH growth	=	**1,324**	
Demand from Existing Owner Households			
Number of owner households (age 64 and younger) in the PMA (2019)[3]		56,121	
(times) Estimated percent of owner turnover[4]	x	58%	
(equals) Total existing households projected to turnover	=	32,550	
(times) Estimated percent desiring new housing	x	5.0%	
		1,628	
(equals) Total demand from HH growth and existing HHs 2019 to 2024	**=**	**2,952**	
(times) Demand from outside the PMA		20%	
(equals) Total demand potential for ownership housing, 2016 to 2040		**3,690**	
		Single Family	**Multi-family***
(times) Percent desiring for-sale single-family vs. multifamily[5]	x	50%	50%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	1,845	1,845
(minus) Units marketing or approved platted lots (developed and vacant developed lots)[6]	-	18	51
(equals) Excess demand for new general occupancy for-sale housing	**=**	**1,827**	**1,794**
(times) Percent capturable on Hillcrest Site	=	3%	3%
(equals) Demand for new single-family & multifamily for-sale housing on Site	**=**	**55**	**54**

[1] Estimated household growth based on data from Table 1 as adjusted by Maxfield Research & Consulting, LLC
[2] Pct. of owner households under the age of 65 (U.S. Census - 2017, ESRI, Maxfield Research). Adjusted by Maxfield Research to account for
[3] Estimate based on 2010 owner households and new owner household growth 2010 to 2017 (under age 65)
[4] Based on on turnover from 2010 American Community Survey for households moving over 10-year period.
[5] Based on preference for housing type and land availability
[6] Approved platted lot data does not account for the scattered lot supply which includes individual lots and lots in older non-marketing
* Multi-family demand includes demand for townhomes, detached townhomes, twinhomes, and condominium units.

Source: Maxfield Research & Consulting, LLC

Senior Housing Assessment and Market Conditions

Older Adult (55+) Population and Household Growth Trends

Table S-1 shows the age distribution of people and households age 55 and older in the PMA. Historical information for 2000 and 2010 is supplied by the U.S. Census Bureau. Estimates for the age distribution for 2019 and projections for 2024 were calculated based on demographic information supplied by ESRI, Inc., a nationally recognized demographics firm.

The following are key points from Table S-1:

- In 2019, the PMA totaled 234,506 people and 86,667 households. The older adult and senior population (age 55+) comprised an estimated 26.5% of the total population and 43.5% of total households in the PMA.

- The PMA's older adult and senior population and household bases experienced mixed growth in the older age segments between 2000 and 2010. Between 2000 and 2010, the PMA's population age 55-64 grew by 7,934 people (49.8%) and 4,667 households (12.0%). The age 70 to 80 cohorts decreased modestly while the age 85+ cohort also expanded substantially.

- Projected forward, the older adult and senior population is anticipated to experience solid growth over the next five years. Between 2019 and 2024, the PMA's 55+ senior population is projected to add 4,712 people (7.6%) and 2,383 households (6.3%). Growth is anticipated to be greater among the 65+ cohort.

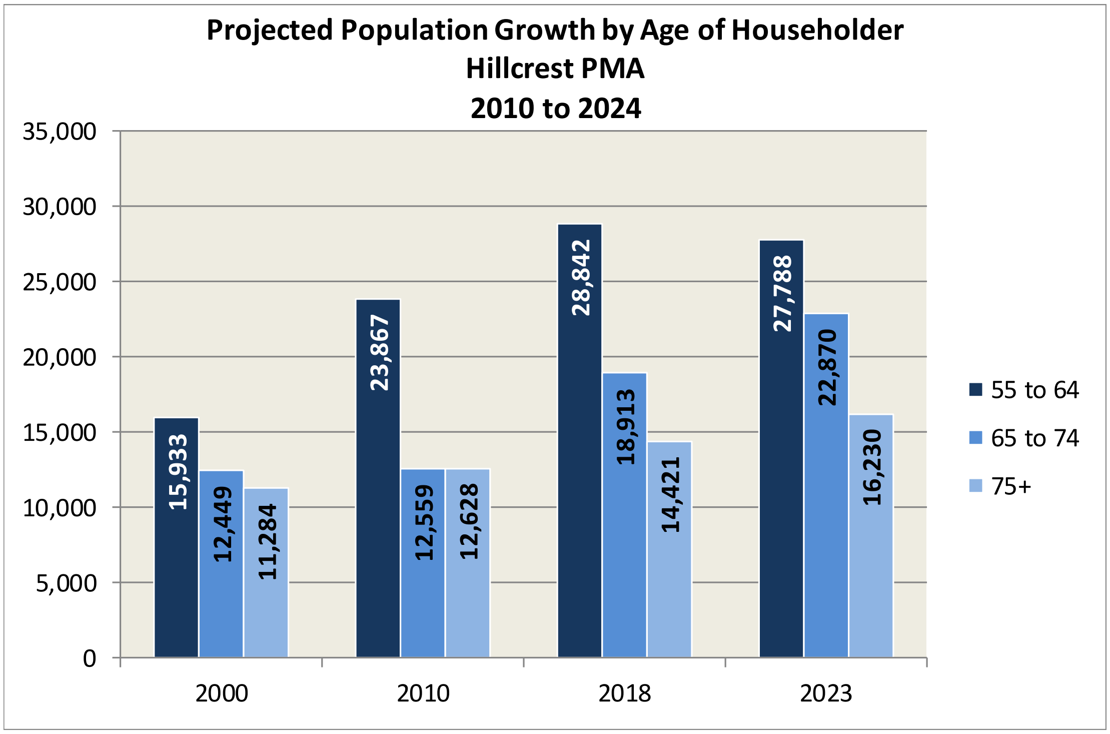
- The target market for independent living (congregate), assisted living and memory care is typically seniors age 75 and older. Between 2000 and 2010, the 75+ age segment increased by 1,344 people (11.9%) and 1,032 households (13.4%) and is projected to increase by 1,809 people (12.5%) and 1,150 households (12.1%) between 2019 and 2024.

- Representing the leading edge of the baby boom population, the significant growth among the 55 to 64 age cohort will directly impact the demand for housing with services in 20 years but also could have an immediate indirect impact on demand as this population is often the primary caregiver for their elderly parents and are usually involved in their parents' decision-making processes. This is important when considering elderly parents that may not reside in the Primary Market Area but may desire to move closer to their adult children.

TABLE S-1
OLDER ADULT (55+) POPULATION & HOUSEHOLD AGE DISTRIBUTION
HILLCREST PRIMARY MARKET AREA
2000 to 2024

	Census		Estimate	Projection	Change			
POPULATION								
Age	**2000**	**2010**	**2019**	**2024**	**2000 - 2010**		**2019 - 2024**	
55 to 64	15,933	23,867	28,842	27,788	7,934	49.8%	-1,054	-3.7%
65 to 69	6,366	7,168	11,111	12,787	802	12.6%	1,676	15.1%
70 to 74	6,083	5,391	7,801	10,082	-692	-11.4%	2,281	29.2%
75 to 79	5,242	4,744	5,437	6,885	-498	-9.5%	1,448	26.6%
80 to 84	3,448	3,930	4,019	4,426	482	14.0%	407	10.1%
85 +	2,594	3,954	4,965	4,918	1,360	52.4%	-46	-0.9%
Total 55+	39,666	49,054	62,175	66,887	9,388	23.7%	4,712	7.6%
Total 65+	23,733	25,187	33,333	39,100	1,454	6.1%	5,766	17.3%
Total 75+	11,284	12,628	14,421	16,230	1,344	11.9%	1,809	12.5%
Tot. Pop.	**119,514**	**220,497**	**234,506**	**244,009**	**100,983**	**84.5%**	**9,503**	**4.1%**
HOUSEHOLDS								
Age	**2000**	**2010**	**2019**	**2024**	**2000 - 2010**		**2019 - 2024**	
55 to 64	9,884	14,551	16,372	15,525	4,667	12.0%	-847	-5.2%
65 to 74	7,940	7,966	11,764	13,845	26	0.3%	2,080	17.7%
75+	7,685	8,717	9,521	10,670	1,032	13.4%	1,150	12.1%
Total 55+	25,509	31,234	37,657	40,040	5,725	22.4%	2,383	6.3%
Total 65+	15,625	16,683	21,285	24,515	1,058	6.8%	3,230	15.2%
Total 75+	7,685	8,717	9,521	10,670	1,032	13.4%	1,150	12.1%
Tot. HH	**81,516**	**82,643**	**86,667**	**89,908**	**1,127**	**1.4%**	**3,241**	**3.7%**

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



Older Adult and Senior Household Incomes

Table S-2 provides data on incomes for older adult and senior households in the PMA in 2019 and 2024 based on information provided by ESRI Inc. The data does not account for the asset base of senior households or supplemental income that a senior household could gain from the proceeds of the sale of a home or from contributions from family members.

The data in Table S-2 helps determine demand for senior housing based on the size of the market at specific income levels. This data is incorporated into our demand calculations, which are presented in a following section.

The frailer the senior, the greater the proportion of their income they will typically spend on housing and services. Studies have shown that seniors are willing to pay increasing proportions of their incomes on housing with services, beginning with an income allocation of 40% to 50% for market rate adult senior housing with little or no services, increasing to 65% for congregate (independent with some services) and to 80% to 90% or more for assisted living and memory care housing. Seniors also often use the proceeds from the sales of their homes, as well as financial assistance from their adult children, as supplemental income to afford senior housing alternatives.

The following are key points from Table S-2:

- In 2019, the median income for all age 65+ households in the PMA is $42,849. Within this age group, the median income for households between the ages of 65 and 74 is $52,204 and for households age 75+ is $34,215. The higher median income for younger senior households (age 65 to 74) compared to older seniors (age 75+) is primarily due to the higher proportion of younger seniors, that is married and more likely to have two incomes, along with the fact that many younger seniors continue to have income-producing employment.

- The target market for active adult, age-restricted housing is households age 65 years or older, although the federal government allows these properties to accept households from age 55 years or older. Historically, these properties have attracted an older household base with most elevator-style buildings usually attracting households age 70 years or older. As of 2019, there are an estimated 11,372 households age 65 years or older in the PMA with incomes of $40,000 or higher who would qualify for an active adult property.

- The target market for independent living (congregate) with limited or optional services is generally senior households age 75 and older with incomes of at least $35,000 (plus senior homeowners with incomes of at least $30,000). Younger seniors, age 65 to 74, may also move into these facilities, but they usually account for a small portion of the demand in any given Market Area. As of 2019, there are an estimated 4,594 older senior households in the PMA with incomes of at least $35,000, accounting for 48% of all older senior (age 75+) households.

- Including all households age 75+ with incomes of $40,000 and over (adjusted for inflation), the number of households projected to income-qualify for independent living (congregate) senior housing is expected to increase by 405 households between 2019 and 2024, for a total of 4,999 age- and income-qualified households in 2024.

- The target market for assisted living housing is typically senior households age 75+ with incomes of at least $40,000 (plus a portion of senior homeowners with incomes of less than $40,000). In 2019, there are an estimated 3,980 senior households age 75+ in the PMA with incomes of at least $40,000 or who would qualify based on income and assets, or an estimated 42% of all 75+ households.

- Including all households age 75+ with incomes of $45,000 and over (adjusted for inflation), in addition to a portion of households with incomes of less than $45,000 and qualifying assets, the number of households projected to income-qualify for assisted living senior housing is expected to increase by 357 households between 2019 and 2024, for a total of 4,337 age- and income-qualified households in 2024.

TABLE S-2
OLDER ADULT (55+) INCOME DISTRIBUTION
PRIMARY MARKET AREA
2019 & 2024

	55 - 64		65 - 74		75+		Total 65+	
2019								
	No.	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**
Under $15,000	1,539	9.4%	1,107	9.4%	1,389	14.6%	2,496	11.7%
$15,000-$24,999	1,293	7.9%	1,319	11.2%	2,035	21.4%	3,354	15.8%
$25,000-$34,999	1,195	7.3%	1,272	10.8%	1,503	15.8%	2,775	13.0%
$35,000-$49,999	2,063	12.6%	2,049	17.4%	1,807	19.0%	3,856	18.1%
$50,000-$74,999	3,012	18.4%	2,249	19.1%	1,246	13.1%	3,495	16.4%
$75,000-$99,999	2,259	13.8%	1,425	12.1%	751	7.9%	2,176	10.2%
$100,000-$149,999	2,800	17.1%	1,401	11.9%	561	5.9%	1,962	9.2%
$150,000-$199,999	1,195	7.3%	506	4.3%	133	1.4%	640	3.0%
$200,000 or more	1,015	6.2%	436	3.7%	95	1.0%	531	2.5%
Total	**16,372**	**100.0%**	**11,764**	**100.0%**	**9,521**	**100.0%**	**21,285**	**100.0%**
Median Income	**$67,353**		**$52,204**		**$34,215**		**$42,849**	
2024								
	55 - 64		**65 - 74**		**75+**		**Total 65+**	
	No.	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**
Under $15,000	1,164	7.5%	1,050	7.6%	1,356	12.7%	2,407	9.8%
$15,000-$24,999	1,056	6.8%	1,285	9.3%	2,083	19.5%	3,368	13.7%
$25,000-$34,999	978	6.3%	1,368	9.9%	1,549	14.5%	2,917	11.9%
$35,000-$49,999	1,770	11.4%	2,252	16.3%	2,008	18.8%	4,260	17.4%
$50,000-$74,999	2,717	17.5%	2,584	18.7%	1,474	13.8%	4,058	16.6%
$75,000-$99,999	2,174	14.0%	1,755	12.7%	951	8.9%	2,705	11.0%
$100,000-$149,999	3,152	20.3%	2,073	15.0%	865	8.1%	2,938	12.0%
$150,000-$199,999	1,366	8.8%	774	5.6%	224	2.1%	998	4.1%
$200,000 or more	1,149	7.4%	705	5.1%	160	1.5%	865	3.5%
Total	**15,525**	**100.0%**	**13,845**	**100.0%**	**10,670**	**100.0%**	**24,515**	**100.0%**
Median Income	**$77,860**		**$58,421**		**$37,564**		**$47,557**	
Change 2019 - 2024								
	55 - 64		**65 - 74**		**75+**		**Total 65+**	
	No.	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**
Under $15,000	-375	-24.3%	-57	-5.1%	-32	-2.3%	-89	-3.6%
$15,000-$24,999	-238	-18.4%	-34	-2.6%	47	2.3%	14	0.4%
$25,000-$34,999	-217	-18.2%	96	7.6%	46	3.1%	142	5.1%
$35,000+	-18	-0.1%	2,075	25.7%	1,088	23.7%	3,164	25.0%
Total	**-847**	**-5.2%**	**2,080**	**17.7%**	**1,150**	**12.1%**	**3,230**	**15.2%**
Median Income	**$10,507**		**$6,217**		**$3,349**		**$4,707**	

Sources: ESRI, Maxfield Research and Consulting, LLC

- The target market for memory care senior housing is typically senior households age 65+ with incomes of at least $60,000 (plus a portion of senior homeowners with incomes below $60,000 who would qualify with sufficient assets). A limited number of individuals below the age of 65 may experience early onset and may require the care and services provided by a memory care facility, but this is usually a very small portion of the overall demand. In 2019, there are an estimated 2,289 senior households age 65+ in the PMA with incomes of at least $60,000 and sufficient assets to support the care and services delivered by a memory care facility, or an estimated 24% of all 65+ households.

- Including all households age 65+ with incomes of $65,000 and over (adjusted for inflation) in addition to a portion of households with incomes less than $65,000, but sufficient assets to support residing in memory care housing, the number of households projected to income-qualify for memory care senior housing is expected to increase by 501 households between 2019 and 2024, for a total 2,790 age- and income-qualified households in 2024 or 26% of all age and income-qualified households.

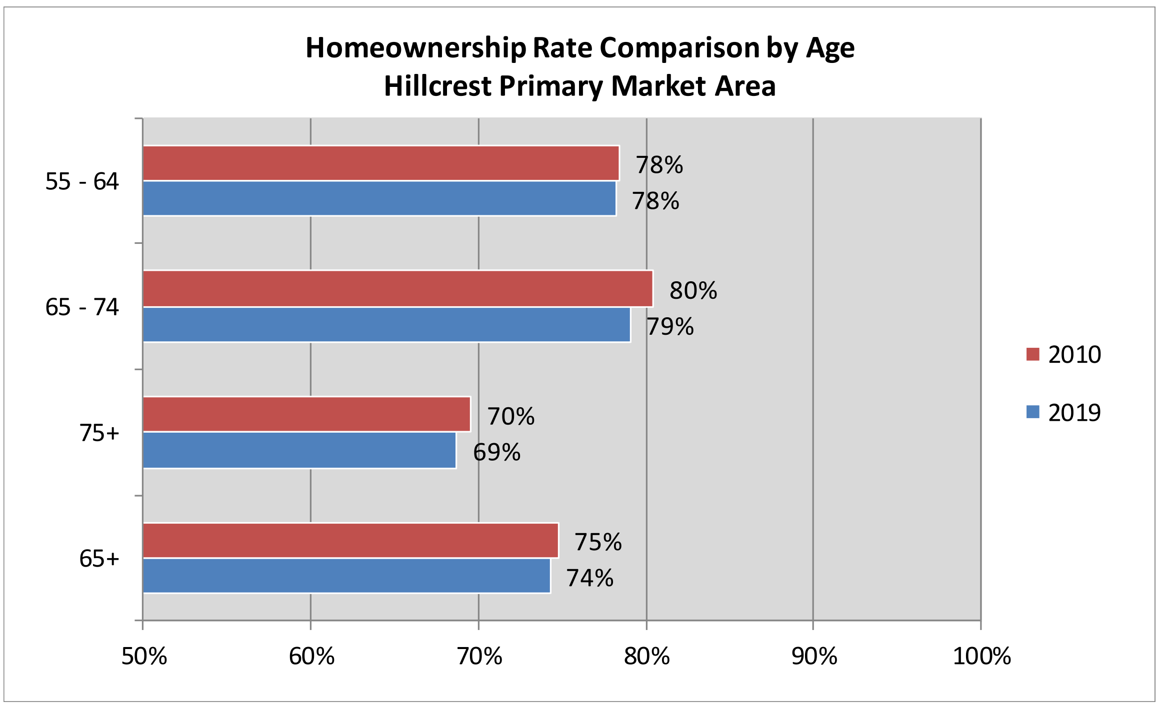
Senior Homeownership Rates

Table S-3 shows the number of older adult and senior households that owned and rented their housing in the PMA in 2010 and 2019. Data for 2010 is from the Decennial Census and data for 2019 is adjusted from calculations made by Maxfield based on the most recent data from the American Community Survey. This information aids in quantifying the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to cover the costs associated with either purchasing a new residence or using the income derived to support a rental format.

- Between 2010 and 2018, the pattern of homeownership rates between older adults and seniors declined gradually. Once households reach their mid-70s, an increasing proportion begin to consider more convenient housing alternatives.

- Given the high homeownership rates, residents could use the proceeds from the resale of a single-family home toward a rental format. Since equity from the sale of a single-family home often funds a portion of senior housing costs, the smaller proportion of seniors able to tap into this resource affects the potential demand for market rate senior housing. However, with the high proportion of homeowners in this Market Area, a majority are likely to be financially prepared to support the costs of senior housing.

TABLE S-3 OLDER ADULT (55+) HOUSEHOLD TENURE HILLCREST PRIMARY MARKET AREA 2010 & 2019								
	------- Age of Householder --------							
	55-64		65-74		75+		Total 65+	
	Own	Rent	Own	Rent	Own	Rent	Own	Rent
2010								
No. of Households	11,412	3,139	6,409	1,557	6,064	2,653	12,473	4,210
Homeownership Rate	78%		80%		70%		75%	
2019								
No. of Households	13,319	3,714	8,260	2,187	6,202	2,822	14,462	5,009
Homeownership Rate	78%		79%		69%		74%	
Sources: U.S. Census Bureau, ESRI, Maxfield Research and Consulting, LLC								



Types of Senior Housing in Today's Market

For analytical proposes, Maxfield Research and Consulting LLC classifies market rate senior housing into four categories based on the level and type of services offered:

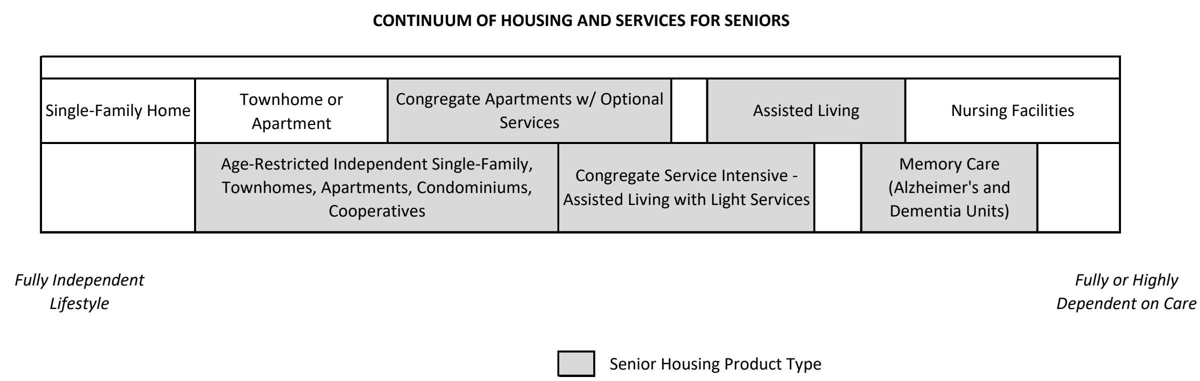
- **Active Adult** properties (or independent living without services available) are similar to a general-occupancy building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Organized activities and occasionally a transportation program are usually all that are available at these properties. Because of the lack of services, active adult properties typically do not command the rent premiums of more service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.

- **Congregate** properties (or independent living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties typically dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Congregate properties attract a slightly older target market than adult housing, typically seniors age 75 or older. Rents are also above those of the active adult buildings, even excluding the services. Sponsorship by a nursing home, hospital or other health care organization is common.

- **Assisted Living** properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.

- **Memory Care** properties, designed specifically for persons suffering from Alzheimer's disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which deals almost exclusively with widows or widowers, a higher proportion of persons afflicted with Alzheimer's disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver's concern of incurring the costs of health care at a special facility while continuing to maintain their home.

- **Skilled Nursing Care**, or long-term care facilities, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs, insurance as well as use of private funds.



Source: Maxfield Research and Consulting, LLC

The senior housing products available today, when combined with long-term care facilities form a full continuum of care, extending from virtually a purely residential model to a medically intensive one. Often the services available at these properties overlap with another making these definitions somewhat ambiguous. In general, active adult properties tend to attract younger active seniors, who merely wish to rid themselves of home maintenance; congregate properties serve independent seniors that desire support services (i.e., meals, housekeeping, transportation, etc.) while assisted living properties tend to attract older, frail seniors who need assistance with daily activities, but not the skilled medical care available only in a nursing facility.

Senior Housing Developments in the PMA

Table S-4 shows an inventory of existing market rate senior housing properties in the PMA. Information presented includes the project name, location, Year built, number of units, and service level of property.

- There are 29 market rate senior housing facilities in the PMA, a portion of which would be competitive with any senior housing that would be developed on the Hillcrest site. Several of these properties provide more than one service level. Combined, there are 2,556 units.

- Of the 2,556 units, active adult rental units accounted for the largest share, 887 units, or 34% of the market, followed by assisted living (872 units or 34%). Memory care accounts for 12%, independent living (congregate) accounts for 11% and active adult-ownership accounts for 8%.

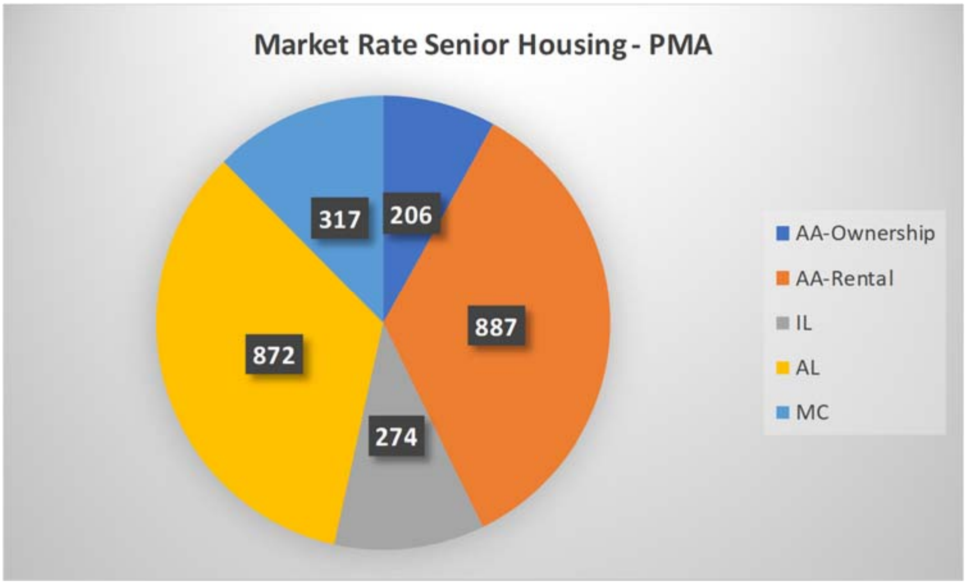


TABLE S-4
SENIOR HOUSING PROPERTIES
HILLCREST PRIMARY MARKET AREA
APRIL 2019

Development Name	City	Year Built	Units
Active Adult-Ownership			
Condominiums of Oak Hill	North St. Paul	2004	77
Living Choice	St. Paul	2003	26
Realife of Phalen Village	St. Paul	2003	59
Summerhill of Maplewood	Maplewood	2007	44
Active Adult Ownership Total			**206**
Active Adult-Rental			
Carefree Cottages & Chateau	Maplewood	1996	60
English Frost Village	Maplewood	2018	107
Cottages of Vadnais Heights	Vadnais Heights	1995	100
Cottages of North St. Paul	North St. Paul	1991	94
Lodge at Little Canada	Little Canada	2004	79
Mayfield	Little Canada	1992	93
Norgard Court	Maplewood	1999	60
Rosoto Villa	Maplewood	2002	70
Woodlyn Village	Maplewood	1990	59
Phalen Village Lofts	St. Paul	2002	39
Pathways on the Park	St. Paul	1984	126
Active Adult Total			**887**
Independent Living (Congregate)			
Cardigan Ridge	Little Canada	2017	59
Walker at Hazel Ridge	Maplewood	1987	75
Ecumen Seasons	Maplewood	2010	38
Shores of Lake Phalen	Maplewood	2012	20
Gable Pines	Vadnais Heights	2016	43
Polar Ridge	North St. Paul	2015	39
Independent (Congregate) Total			**274**
Assisted Living			
Bickford Senior Living	Maplewood	2014	42
Cardigan Ridge	Little Canada	2017	58
Gracewood Sr Living	Maplewood	2008	22
Carefree Cottages	Maplewood	1996	110
Ecumen Lakeview Commons	Maplewood	1995	68
Ecumen Seasons	Maplewood	2010	82
Gable Pines	Vadnais Heights	2016	64
Suite Living	Vadnais Heights	2018	18
Homestead	Maplewood	1995	37
Maple Hill	Maplewood	2015	80
Polar Ridge	North St. Paul	2015	66
Shores of Lake Phalen	Maplewood	2012	55
Summit Hill	St. Paul	2012	82
Dellwood Gardens	St. Paul	2014	88
Assisted Living Total			**872**

(continued)

TABLE S-4
SENIOR HOUSING PROPERTIES
HILLCREST PRIMARY MARKET AREA
APRIL 2019

Development Name	City	Year Built	Units
Memory Care			
Bickford Sr. Maplewood	Maplewood	2014	25
Cardigan Ridge	Little Canada	2017	32
Gracewood Sr. Living	Maplewood	2008	20
Ecumen Lakeview	Maplewood	1995	16
Ecumen Seasons	Maplewood	2010	30
Gable Pines	Vadnais Heights	2016	23
Suite Living	Vadnais Heights	2018	14
Homestead	Maplewood	1995	24
Maple Hill	Maplewood	2015	35
Polar Ridge	North St. Paul	2015	20
Shores of Lake Phalen	Maplewood	2012	32
Summit Hill	St. Paul	2012	33
Dellwood Gardens	St. Paul	2014	13
Memory Care Total			**317**

Sources: Maxfield Research & Consulting, LLC

Pending Senior Housing Developments in the PMA

Maxfield Research interviewed local officials in communities in the Primary Market Area to learn of any under construction or planned senior housing developments that may impact senior housing demand in the PMA.

Maplewood

Cassia is proposing to add senior housing to the existing site of the New Harmony Care Center in Maplewood at 135 Geranium Street. A senior housing continuum of care would be incorporated along with skilled nursing beds, which will include a transitional care unit. This development is still in the planning stages.

Roseville

The Pointe, 100 units of market rate senior rental housing is under construction and planned to come on-line in Spring 2020. United Properties is the developer and Weis Builders is the contractor.

Little Canada

Suite Living plans 32 units of assisted living and memory care housing on Rice Street between County Road C and Little Canada Road. The development is under construction and scheduled to come on-line in late 2019.

Oakdale

There is a proposal to add a 33-unit addition to an existing 55-unit assisted living facility in Oakdale. This is currently in the planning stages and has not received final approval.

Demand Summary – Senior Housing

As described below, a preliminary assessment of the potential demand for senior housing, supports new market rate active adult, independent living, assisted living, and memory care senior housing in the PMA in 2019. Projected growth in the age- and income-qualified population over the next several years will generate limited growth in demand by 2024.

As shown in Table S-5, we find demand to support an estimated 99 active adult ownership units, 182 active adult rental units, 180 independent congregate units, 68 assisted living units and 83 memory care units as of 2019. Demand is expected to increase in each service level category by 2024 after accounting for properties that are in the development stages.

The conclusions presented herein are preliminary and do not consider the historical performance of other senior housing developments in the PMA, price and positioning of a potential project or other important factors (i.e. architectural, marketing and management issues) that would likely impact the market feasibility of a senior housing development on the subject Site.

TABLE S-5
SUMMARY OF EXCESS DEMAND IN THE PMA
HILLCREST PRIMARY MARKET AREA
2019 & 2024

	2019	2024
Adult/Few Services-Ownership		
Excess Demand	496	568
Units Capturable by Site	**99**	**114**
Adult/Few Services-Rental		
Excess Demand	912	1,071
Units Capturable by Site	**182**	**214**
Independent Living (congregate)		
Excess Demand	899	958
Units Capturable by Site	**180**	**192**
Assisted Living		
Excess Demand	340	378
Units Capturable by Site	**68**	**76**
Memory Care		
Excess Demand	415	486
Units Capturable by Site	**83**	**97**
Total Demand		
Excess Demand	2,566	2,893
Units Capturable by Site	**513**	**579**

Source: Maxfield Research and Consulting, LLC

Retail Market Conditions

This section presents and analyzes information relating to the condition of the retail market and the potential for future retail development in the Market Area. Information analyzed in this section includes a review of the existing supply of retail space in the surrounding area, consumer expenditures by Market Area residents, and retail sales trends. Based on this information, calculations of the development potential for retail space in the Market Area are presented. The potential for new retail development on the subject property is greatly influenced by overall market conditions in the surrounding area.

Types of Retail Goods and Customer Shopping Patterns

The following describes the various types of retail goods and the how 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.

Retail properties can be classified into five major categories. These classifications are described below as defined by Cushman & Wakefield|NorthMarq.

Community Center: Community Centers are greater than 100,000 square feet and have at least two anchor tenants which may include a general merchandise 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. This classification also includes power centers which are built around large format category killers such as electronic, home improvement and sporting goods stores.

Neighborhood Center: Neighborhood centers are usually anchored by a grocery store or a drug store. This type of center fulfills the day-to-day needs of the surrounding neighborhood, is located at major street intersections, and is roughly 30,000 to 100,000 square feet in size.

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 draw customers from a broad geographical area.

Specialty Center: Specialty centers are unanchored and have a theme or specialty tenants with a different character than the other center types. These centers are not located in CBD's and they may be a part of a larger, community center development.

Central Business District: Centers located in the Central Business District (CBD) of Minneapolis and St. Paul. This includes space located on the skyway or street fronts. To properly reflect the status of these submarkets, some of these centers may be smaller than 20,000 square feet due to the smaller size and scope of this market.

Outlet Mall: Outlet malls are located along major freeways within a 100-mile radius of the Twin Cities in the outer suburbs or Outstate Minnesota. Tenants are typically large retailers or manufacturers that use these locations to sell directly to consumers. Outlet malls have traditionally been designed to appeal to the value-conscious shopper who wants brand-name merchandise at off-retail prices.

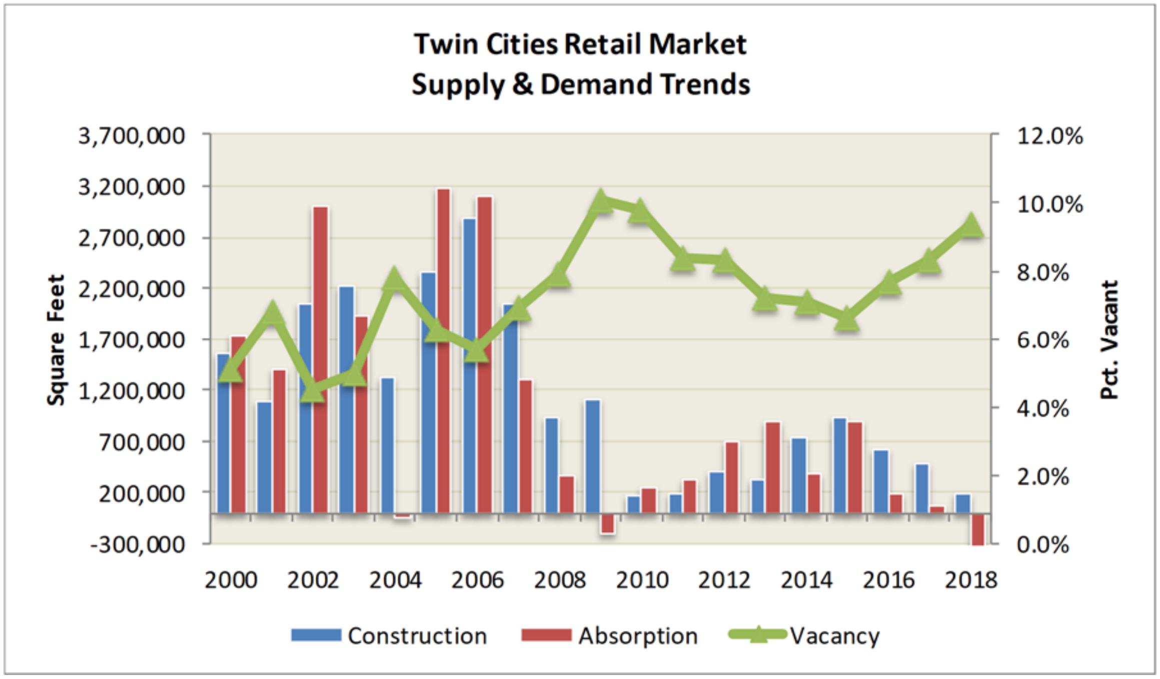
Neighborhood centers generally draw customers from one and one-half to three miles, while community centers draw from a larger area (i.e. three to five miles). Generally, a neighborhood center will be situated with direct access to a collector street and community centers typically have access to major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

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.

Twin Cities Retail Market Conditions

Maxfield Research analyzed retail market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, and absorption. The data is provided by Cushman & Wakefield|NorthMarq. This information is useful in assessing the potential to develop retail uses on the subject property as the overall health of the local retail market will influence the development potential of the Site. 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 covered by Cushman & Wakefield|NorthMarq from year-end 2017 to year-end 2018. The points following the table summarize key points from the 2018 *Compass* report.

- As illustrated in the following graph, the Twin Cities Retail Market is returning to high vacancy rates saw during the Recession. Vacancy rates have been increasing since 2016, while absorption and construction activity have decreased.



- Roughly 605,000 square feet of negative absorption occurred in 2018, driving the vacancy rate up to 9.4% which represents an increase of 1.1% between 2017 and 2018.

- Retail demand was highest in specialty centers, which experienced nearly 43,494 square feet of absorption during the year. In 2015, approximately 42,977 square feet of neighborhood center space were absorbed. Between 2017 and 2018, specialty centers experienced a 0.1% drop in vacancy to 12.6%.

TABLE R-1
RETAIL MARKET STATISTICS
TWIN CITIES
2017 - 2018

Shopping Center Type	# of Bldgs	Total Rentable SF	Total Vacant SF	Vacancy Rate	2018 Absorption	Avg. Net Rent
2018						
Community	137	31,915,787	2,585,312	8.1%	-309,810	$19.43
Minneapolis CBD	18	1,319,301	195,408	14.8%	-21,889	$25.45
Neighborhood	316	20,411,839	1,663,290	8.1%	9,288	$16.65
Outlet Mall	4	1,197,440	172,784	14.4%	-8,000	$30.06
Regional	8	11,122,097	1,493,811	13.4%	-349,687	$62.99
Specialty	22	2,369,118	298,913	12.6%	43,494	$32.67
St. Paul CBD	9	369,029	29,714	8.1%	31,084	$18.05
Total Market	**514**	**68,704,611**	**6,439,232**	**9.4%**	**-605,520**	**$27.98**

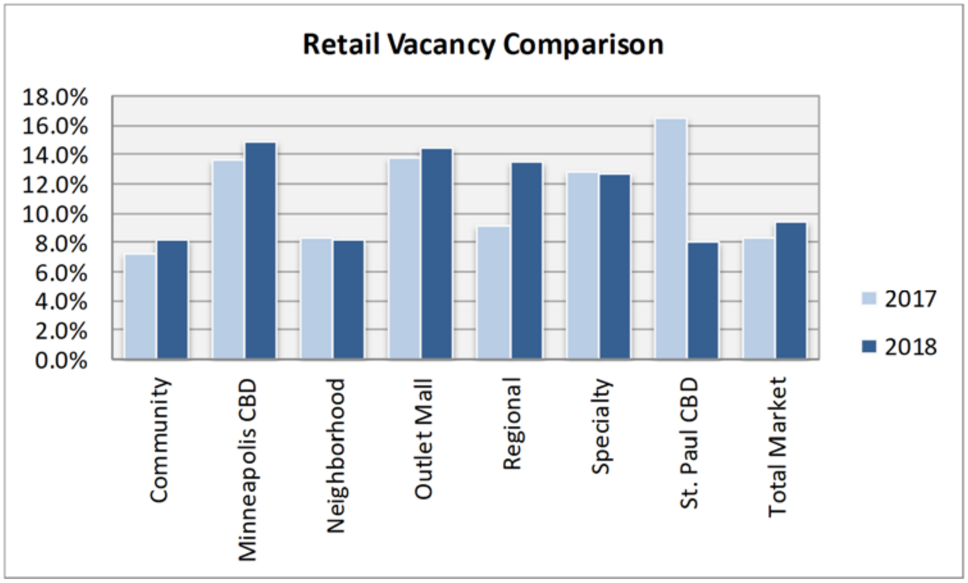
Shopping Center Type	# of Bldgs	Total Rentable SF	Total Vacant SF	Vacancy Rate	2017 Absorption	Avg. Net Rent
2017						
Community	137	32,030,870	2,290,106	7.1%	136,662	$19.05
Minneapolis CBD	18	1,319,301	179,119	13.6%	43,184	$24.65
Neighborhood	317	20,452,197	1,687,772	8.3%	143,618	$16.37
Outlet Mall	4	1,197,440	164,782	13.8%	-34,194	$33.74
Regional	8	10,981,097	1,003,124	9.1%	-262,514	$62.99
Specialty	22	2,322,728	296,017	12.7%	42,977	$32.62
St. Paul CBD	9	369,029	60,798	16.5%	23,132	$16.42
Total Market	**515**	**68,672,662**	**5,681,718**	**8.3%**	**92,865**	**$27.81**

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

- Much of the neighborhood center leasing activity is occurring in small-shop space, predominantly driven by fast-casual food concepts, hair-care service providers, cellular retailers, and fitness centers.

- Neighborhood centers experienced roughly 9,000 square feet of absorption during 2018, after 143,618 square feet of absorption in 2017. Vacancy dropped 0.2% at year-end 2018 to 8.1%.

- While value and discount retailers were active during the recession (dollar-store concepts, Goodwill, Big Lots, etc.), much of the smaller junior-box community center retail space is now being filled by specialty retailers, including tenants such as Total Wine, Planet Fitness, Hobby Lobby, and At Home.



- Space availability is tightening in some of the top retail trade areas (i.e. Edina, Bloomington, Maple Grove, Eden Prairie, Woodbury) and rents are climbing. New development projects are quoting rents above $40 per square foot on small-shop space in many of the top trade areas. These rents are pricing some retailers out of those markets and forcing them to seek space in secondary locations.

Consumer Expenditure Patterns

Table R-2 shows estimated consumer expenditures and average expenditures per households for retail goods and services in the PMA compared to the Twin Cities Metro Area in 2018, 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 PMA and the amount spent in the Metro 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. 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 have gained confidence and spending has gradually recovered. The Conference Board's Consumer Confidence Index rose to its highest level since summer 2007 in early 2015. An increase in consumer confidence suggests economic growth with higher consumption.

The following are key points from the household expenditures table.

- Average annual expenditures per household are estimated to be approximately $53,550 in the PMA and to $70,650 in the Metro Area. Housing expenses account for approximately 27% of total consumer expenditures in the PMA and in the Metro Area.

- As reflected in the SPI, expenditures by Market Area households are lower than the national average in every product and service category. Average expenditures in the Metro Area are significantly higher than the national average in all categories.

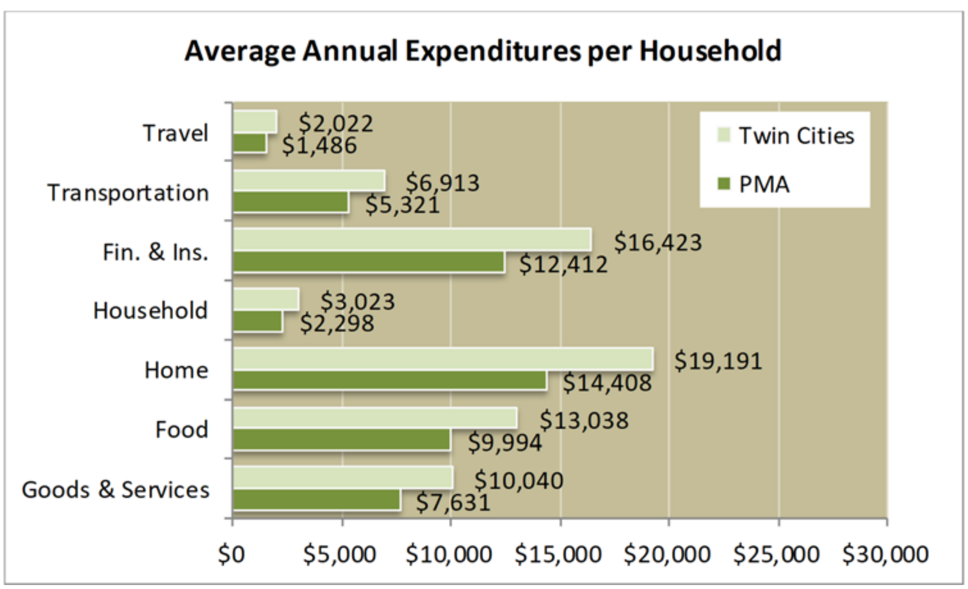


TABLE R-2
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
PRIMARY MARKET AREA
2018

	PMA Annual Expenditures		Metro Expenditures	Spending Potential Index to USA	
Category	**Total ($000's)**	**Average Per HH**	**Average Per HH**	**PMA**	**Metro**
Goods & Services				**Index**	**Index**
Apparel & Services	$175,400	$2,009	$2,661	92	122
Entertainment and Recreation	$255,120	$2,922	$3,853	91	120
Nonprescription Drugs	$10,573	$121	$156	91	117
Prescription Drugs	$28,213	$323	$411	89	114
Eye Glasses & Contact Lenses	$7,350	$84	$110	91	119
Personal Care Products	$39,124	$448	$589	92	121
Child Care	$41,426	$474	$648	92	126
School Books & Supplies	$12,149	$139	$185	93	119
Smoking Products	$33,511	$384	$468	92	113
Computer Hardware	$13,988	$160	$213	94	125
Computer Software	$879	$10	$13	95	127
Pets	$48,572	$556	$733	87	115
Food				**Index**	**Index**
Food at Home	$405,143	$4,640	$5,982	92	119
Food Away from Home	$282,836	$3,239	$4,294	92	122
Alcoholic Beverages	$45,605	$522	$699	93	125
Snacks and Other Food	$139,021	$1,592	$2,062	92	119
Home				**Index**	**Index**
Home Mortgage Payment/Rent	$667,363	$7,643	$10,374	89	120
Maintenance & Remodeling Services	$155,598	$1,782	$2,436	87	119
Maintenance & Remodeling Materials	$37,036	$424	$567	87	116
Utilities	$398,058	$4,559	$5,814	92	117
Household Furnishings, Equipment, & Operations				**Index**	**Index**
Household Textiles	$7,976	$91	$120	93	122
Furniture	$49,422	$566	$751	93	123
Floor Coverings	$2,005	$23	$30	93	122
Major Appliances	$27,137	$311	$406	89	117
Small Appliances	$3,981	$46	$59	93	120
Housewares	$8,267	$95	$125	91	120
Luggage	$1,103	$13	$17	92	126
Telephone & Accessories	$5,479	$63	$85	89	121
Lawn & Garden	$32,728	$375	$499	87	116
Moving/Storage/Freight Express	$5,428	$62	$83	96	129
Housekeeping Supplies	$57,100	$654	$846	91	118
Financial & Insurance				**Index**	**Index**
Investments	$392,518	$4,495	$6,141	89	122
Vehicle Loans	$215,985	$2,474	$3,213	88	115
Owners & Renters Insurance	$43,451	$498	$652	88	115
Vehicle Insurance	$101,012	$1,157	$1,492	92	118
Life/Other Insurance	$32,289	$370	$495	89	119
Health Insurance	$298,480	$3,418	$4,431	91	117

CONTINUED

TABLE R-2 CONTINUED
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
PRIMARY MARKET AREA
2018

Category	PMA Annual Expenditures Total ($000's)	PMA Annual Expenditures Average Per HH	Metro Expenditures Average Per HH	Spending Potential Index to USA PMA	Spending Potential Index to USA Metro
Transportation				**Index**	**Index**
Cars and Trucks (Net Outlay)	$187,645	$2,149	$2,814	90	118
Gasoline and Motor Oil	$190,979	$2,187	$2,815	91	118
Vehicle Maintenance/Repair	$86,022	$985	$1,284	92	119
Travel				**Index**	**Index**
Airline Fares	$42,019	$481	$658	91	125
Lodging	$44,660	$511	$697	89	122
Vehicle Rental	$2,180	$25	$35	90	125
Food & Drink on Trips	$40,919	$469	$633	91	122
Average Annual Household Expenditures Summary					
Goods & Services	$666,306	$7,631	$10,040		
Food	$872,605	$9,994	$13,038		
Home	$1,258,055	$14,408	$19,191		
Household	$200,625	$2,298	$3,023		
Financial and Insurance	$1,083,735	$12,412	$16,423		
Transportation	$464,646	$5,321	$6,913		
Travel	$129,778	$1,486	$2,022		
Total	***$4,675,750***	***$53,550***	***$70,650***		

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

- Among the retail business establishments, PMA spending was greatest for Food at Home (i.e. groceries) at an average of $4,640 per household compared to $5,982 per household in the Metro Area. Spending was also high for Entertainment and Recreation goods and services ($2,922 per household in the PMA) and Food Away from Home ($3,239 per PMA household).

- The roughly 87,000 households in the PMA spent a total of $4.6 billion on consumer expenditures in 2018. With the number of households projected to grow to roughly 90,000 by 2024, they would generate an additional $34 million in consumer expenditures annually, not factoring in inflation.

Retail Demand Potential and Leakage

Table R-3 on a 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 the tables.

TABLE R-3
RETAIL DEMAND POTENTIAL AND LEAKAGE
PRIMARY MARKET AREA
2019

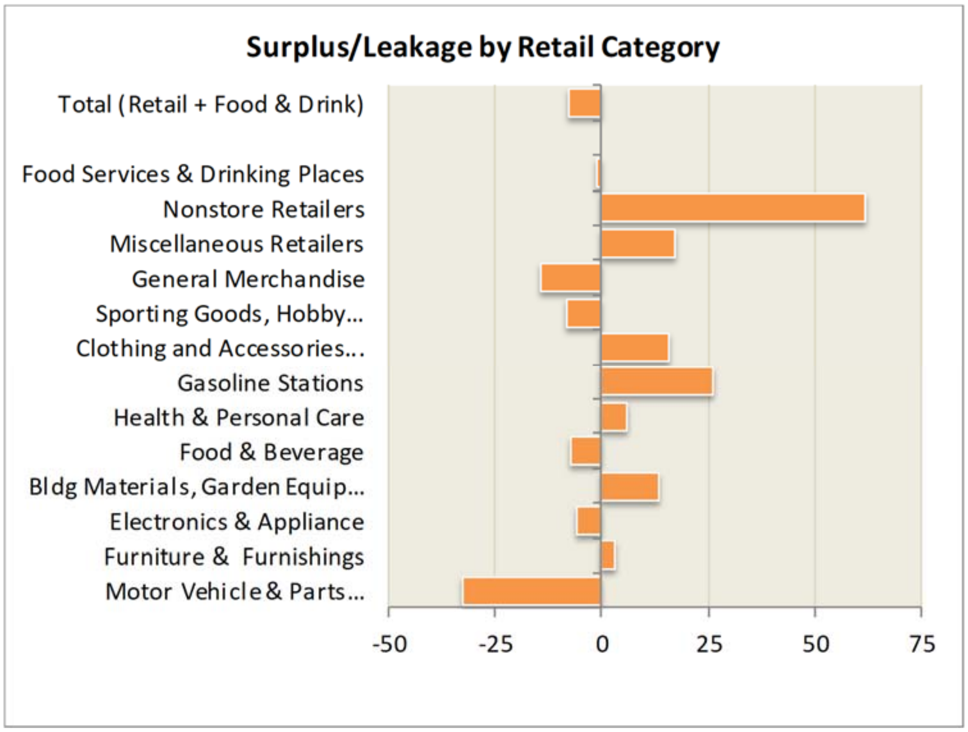
Industry Group (NAICS Code)	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus/Leakage Factor	Number of Businesses
SUMMARY					
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	$3,032,185,126	$3,548,552,189	($516,367,063)	(7.8)	1,228
Total Retail Trade (NAICS 44-45)	$2,737,692,386	$3,247,062,719	($509,370,334)	(8.5)	872
Total Food & Drink (NAICS 722)	$294,492,740	$301,489,470	($6,996,730)	(1.2)	356
EXPENDITURE TYPE					
Motor Vehicle & Parts Dealers	**$568,680,679**	**$1,122,912,820**	**($554,232,141)**	**(32.8)**	**115**
Automobile Dealers	$455,005,570	$950,318,970	($495,313,400)	(35.2)	62
Other Motor Vehicle Dealers	$63,511,637	$89,894,470	($26,382,834)	(17.2)	14
Auto Parts, Accessories & Tire Stores	$50,163,472	$82,699,380	($32,535,907)	(24.5)	39
Furniture & Home Furnishings Stores	**$86,136,518**	**$80,866,697**	**$5,269,821**	**3.2**	**43**
Furniture Stores	$51,846,247	$61,793,283	($9,947,036)	(8.8)	21
Home Furnishings Stores	$34,290,271	$19,073,414	$15,216,857	28.5	22
Electronics & Appliance Stores	**$100,435,002**	**$112,618,682**	**($12,183,680)**	**(5.7)**	**47**
Bldg Materials, Garden Equip. & Supply Stores	**$192,777,857**	**$147,501,679**	**$45,276,178**	**13.3**	**69**
Bldg Material & Supplies Dealers	$173,909,624	$144,367,658	$29,541,966	9.3	59
Lawn & Garden Equip & Supply Stores	$18,868,233	$3,134,021	$15,734,212	71.5	10
Food & Beverage Stores	**$435,276,649**	**$502,829,960**	**($67,553,310)**	**(7.2)**	**142**
Grocery Stores	$360,223,417	$412,676,202	($52,452,785)	(6.8)	68
Specialty Food Stores	$22,293,348	$19,115,956	$3,177,392	7.7	14
Beer, Wine & Liquor Stores	$52,759,884	$71,037,801	($18,277,917)	(14.8)	60
Health & Personal Care Stores	**$192,438,984**	**$170,875,843**	**$21,563,141**	**5.9**	**72**
Gasoline Stations	**$304,142,285**	**$178,353,290**	**$125,788,995**	**26.1**	**55**
Clothing & Clothing Accessories Stores	**$145,003,750**	**$105,094,794**	**$39,908,956**	**16.0**	**91**
Clothing Stores	$98,880,727	$62,399,137	$36,481,590	22.6	53
Shoe Stores	$20,723,793	$22,099,071	($1,375,278)	(3.2)	15
Jewelry, Luggage & Leather Goods Stores	$25,399,230	$20,596,586	$4,802,644	10.4	23
Sporting Goods, Hobby, Book & Music Stores	**$83,267,540**	**$98,064,002**	**($14,796,462)**	**(8.2)**	**59**
Sporting Goods/Hobby/Musical Instr Stores	$72,235,580	$79,900,398	($7,664,819)	(5.0)	49
Book, Periodical & Music Stores	$11,031,961	$18,163,603	($7,131,643)	(24.4)	10
General Merchandise Stores	**$479,967,563**	**$643,410,936**	**($163,443,374)**	**(14.5)**	**57**
Department Stores Excluding Leased Depts.	$359,207,522	$383,086,754	($23,879,232)	(3.2)	23
Other General Merchandise Stores	$120,760,041	$260,324,182	($139,564,141)	(36.6)	34
Miscellaneous Store Retailers	**$105,175,696**	**$74,058,292**	**$31,117,405**	**17.4**	**112**
Florists	$5,727,524	$5,585,447	$142,077	1.3	11
Office Supplies, Stationary & Gift Stores	$21,574,509	$28,640,210	($7,065,700)	(14.1)	23
Used Merchandise Stores	$13,369,732	$11,337,613	$2,032,119	8.2	24
Other Miscellaneous Store Retailers	$64,503,931	$28,495,022	$36,008,909	38.7	54
Nonstore Retailers	**$44,389,863**	**$10,475,726**	**$33,914,138**	**61.8**	**10**
Electronic Shopping & Mail-Order Houses	$34,007,091	$2,139,636	$31,867,455	88.2	5
Vending Machine Operators	$2,022,650	$247,963	$1,774,687	78.2	1
Direct Selling Establishments	$8,360,122	$8,088,126	$271,996	1.7	4
Food Services & Drinking Places	**$294,492,740**	**$301,489,470**	**($6,996,730)**	**(1.2)**	**356**
Full-Service Restaurants	$7,326,893	$13,028,940	($5,702,047)	(28.0)	9
Limited-Service Eating Places	$17,259,814	$34,096,447	($16,836,632)	(32.8)	27
Special Food Services	$269,906,033	$254,364,083	$15,541,950	3.0	320

Note: All figures quoted in 2018 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

- As depicted in the preceding table and illustrated in the following graph, most of the major retail categories experienced surplus of retail sales during 2018. It appears that Market Area residents are purchasing retail goods and services at establishments located outside the area, generating "leakage" of retail opportunity outside the Market Area, indicating that a variety of retailers considering the Market Area could potentially capture sales that are currently being transacted outside of the Market Area.

- Significant leakage is occurring in the PMA in several categories that would likely be in a neighborhood- or convenience-oriented retail setting, including: non-store retailers; gasoline stations; clothing and accessories retailers; and building materials and garden equipment.



- Residents in the in the PMA however, do not have to travel far to purchase goods and services, as there are major retail concentrations north of the Site (i.e. Maplewood Mall area) and South of the Site (i.e. Sunray Mall Area) as well as along White Bear Avenue in the Hillcrest District.

- Surpluses exist in most retail industry groups in the PMA and the total Retail Trade and Food and Drink retail segment experienced a $3 billion sales surplus in 2018. This surplus illustrates the large draw of the PMA as a consumer destination, notably Maplewood Mall. Data indicates that, while surpluses exist, a variety of retailers considering the PMA could potentially capture sales that are currently being transacted outside the PMA. By dollar volume, retail leakage was greatest in the following categories: Gasoline Stations; Building Materials, Garden Equipment and Supply Stores; and Health and Personal Care Stores.

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 in the PMA. Sources of data used in the calculations include the Metropolitan Council and Maxfield Research and Consulting, LLC (household growth trends), and ESRI (consumer expenditure).

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

- Due to the size and configuration of the subject property, and its location on Larpenteur Avenue, we do not recommend a large retail development as this would not be suitable. A small neighborhood/convenience retail component may be appropriate in conjunction with other uses on the property such as residential, office and industrial uses.

- As of 2018, there are 87,315 households in the PMA. The household base is projected to grow between 2018 and 2030 with a total household base projected at 93,800 by 2030.

- Based on a review of consumer expenditure patterns among PMA households, they spent an average of $25,244 on retail goods and services in 2018 excluding travel, financial and home.

- 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 $2.2 billion in 2018 to $3.0 billion in 2030. Projected increases in households and annual expenditures will result in growth in retail expenditures by in the PMA of $799 million between 2018 and 2030.

- As of 2018, total surplus of retail expenditures (including food and drink) from the PMA was estimated to be at 8%, indicating an influx of retail sales into the PMA. The subject property is not likely to be able to attract retail sales to its location from outside of the PMA. Therefore, we subtract the surplus of 8% from the potential retail demand. Deducting the surplus from the PMA expenditures results in purchasing power generated by the PMA.

- Accounting for inflation, we anticipate that the average retail sales per square foot will increase from an estimated $307 in 2018 to $318 in 2020 and $379 in 2030. 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 2.0 million square feet of retail space in the PMA in 2018, increasing to 2.1 million square feet in 2020 and 2.8 million square feet in 2030, for a net gain of 687,000 square feet from 2018 to 2030.

- We estimate that the subject property could capture 2% to 3% of the total growth in retail demand in the PMA, resulting in demand from PMA households for between 13,700 to 20,600 square feet of retail space capturable on the subject property between 2018 and 2030.

- Retailers located on the subject property could also capture potential sales from employees working at businesses establishments in the area as well as daily commuting traffic if the Site is developed in with businesses.

TABLE R-4
DEMAND FOR RETAIL SPACE
HILLCREST PRIMARY MARKET AREA
2018-2030

		2018	2020	2030
Trade Area Households		87,315	88,395	93,800
(times) Annual Household Expenditures[1]	x	$25,244	$26,264	$32,015
(equals) Total Trade Area Expenditures	=	$2,204,179,860	$2,321,593,693	$3,003,053,512
(plus) Approx. % Leakage Outside the Trade Area[2]	+	-8%	-8%	-8%
(equals) Leakage Outside of Trade Area	=	-$171,926,029	-$185,727,495	-$240,244,281
(equals) Total Purchasing Power		$2,032,253,831	$2,135,866,197	$2,762,809,231
(divided by) Average sales per Sq. Ft.	/	$307	$318	$379
(equals) Total Retail Space Demand (Sq. Ft.)	**=**	**6,609,153**	**6,709,236**	**7,296,351**
Growth in retail demand 2018 to 2030			**687,198**	
(times) % of Demand Growth Capturable on Site	x	2%	-- to --	3%
(equals) Retail space supportable on Site (sq. ft.)	**=**	**13,744**	**-- to --**	**20,616**

[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.

Note: The 2018 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; Metropolitan Council; Maxfield Research & Consulting, LLC

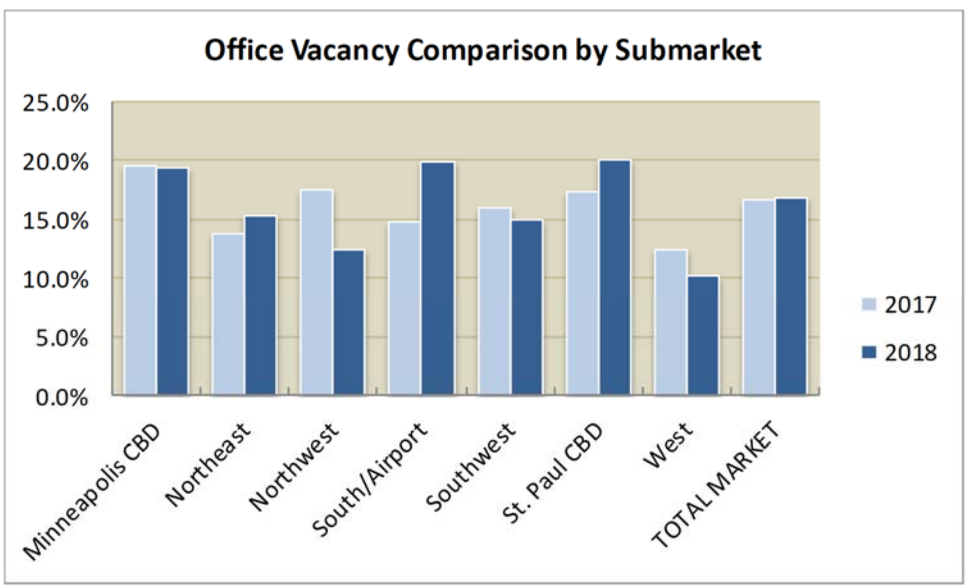
Office Market Conditions

This section of the report analyzes the office market in the Market Area and calculates the potential for office development. Included in the analysis are a review of market conditions in the Twin Cities and an examination of employment and business growth trends. The potential for new office development in the PMA is greatly influenced by overall market conditions.

Twin Cities Office Market Conditions

Maxfield Research and Consulting, LLC analyzed office market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, rental rates and absorption. The data is provided by Cushman & Wakefield|NorthMarq. The data includes information for multi-tenant office buildings greater than 20,000 square feet in size. Market statistics for each submarket are identified in the table on the following page. The following points summarize key findings from the Cushman & Wakefield|NorthMarq 2018 *Compass* report.

- The market posted nearly 600,000 square feet of positive absorption during 2018, pushing the direct vacancy rate (excluding sublease space) down 1.5% over the past year to 15.2%. Vacancy rates vary greatly across the Metro Area, with the West submarket (i.e. the I-394 corridor) being the tightest submarket with an 10.2% vacancy rate, while the St. Paul CBD submarket has the highest vacancy rate at 20.1%.



- Across the Metro Area, Class A office space is the tightest product type with a 13.7% vacancy rate. Demand for Class A space generated 746,255 square feet of absorption in 2018. Class B space, which experienced 483,507 square feet of absorption in 2018, is 20.6% vacant.

- Five of the seven submarkets experienced positive absorption during the year, led by the Minneapolis CBD with nearly 521,000 square feet of absorption. The Northeast submarket ranked third with 120,000 square feet of absorption.

- Though rental rates were not available for 2017, the Metro Area has seen gradual increases. Market-wide, Class A average rents are$17.84 per square foot net. Class A rents have been climbing steadily since 2010, increasing roughly 2.8% per year, on average. Class B rents are $13.63 per square foot net in 2018. Overall, rental rates for the Northeast submarket are $12.88 per square foot net.

TABLE O-1
OFFICE MARKET STATISTICS
TWIN CITIES
2017 - 2018

2018

Submarket	# of Bldgs	Total Rentable SF	Total Vacant SF	Vacancy Rate	2018 Absorption	Net Rent
Minneapolis CBD	114	27,408,114	5,310,145	19.4%	520,865	$17.56
Northeast	**135**	**8,473,264**	**1,299,060**	**15.3%**	**120,005**	**$12.88**
Northwest	37	2,298,471	284,744	12.4%	91,469	$11.35
South/Airport	88	6,061,640	1,209,760	20.0%	-246,815	$13.07
Southwest	138	14,419,596	2,161,160	15.0%	39,136	$15.31
St. Paul CBD	38	6,631,571	1,333,390	20.1%	-106,951	$12.05
West	97	9,166,314	936,957	10.2%	181,884	$17.28
Total Market	**647**	**74,458,970**	**12,535,216**	**16.8%**	**599,593**	**$15.64**

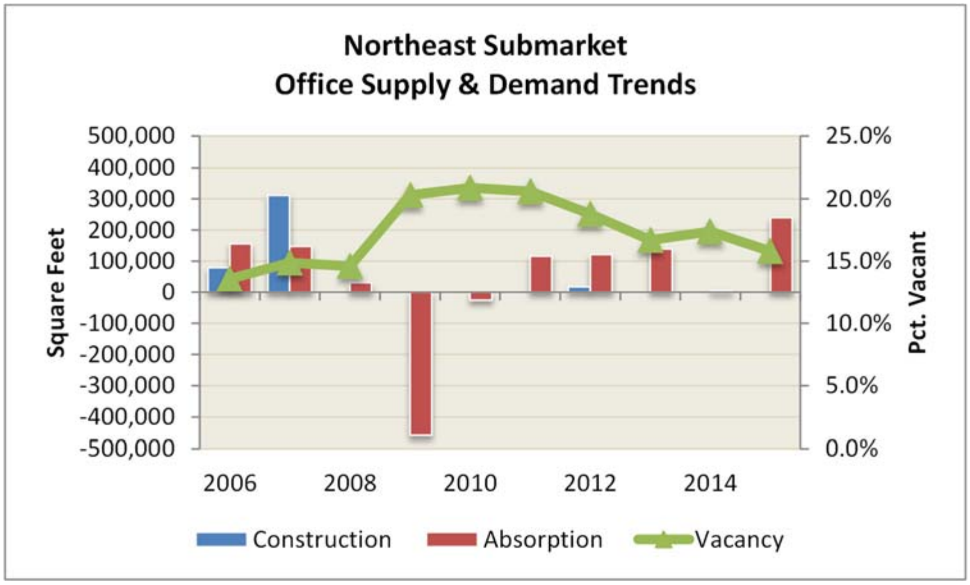
2017

Submarket	# of Bldgs	Total Rentable SF	Total Vacant SF	Vacancy Rate	2017 Absorption	Net Rent
Minneapolis CBD	111	27,010,414	5,297,182	19.6%	308,863	N/A
Northeast	**131**	**8,053,725**	**1,115,090**	**13.8%**	**99,835**	N/A
Northwest	37	2,331,471	409,213	17.6%	60,909	N/A
South/Airport	88	5,980,278	890,445	14.9%	151,756	N/A
Southwest	143	14,635,436	2,331,261	15.9%	-68,969	N/A
St. Paul CBD	39	6,694,998	1,166,454	17.4%	62,827	N/A
West	96	8,877,856	1,107,367	12.5%	17,215	N/A
Total Market	**645**	**73,584,178**	**12,317,012**	**16.7%**	**632,436**	N/A

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

- Absorption in the Northeast submarket was relatively balanced over the year, with Class A properties experiencing 9,952 square feet of absorption. Class B and C space experienced 106,669 square feet and 3,585 square feet of absorption, respectively.

- As depicted in the following graph, the delivery of new product coupled with a sharp drop in demand due to the recession caused direct vacancy rates to climb sharply in the Northeast submarket between 2008 and 2010. However, direct vacancy has been gradually declining since peaking at 20.9% in 2010.



- Equilibrium in the office market is generally considered to be vacancy of approximately 10% to 12%. While vacancy for the entire market remains well-above equilibrium, Class A vacancy is at or approaching equilibrium in several submarkets suggesting that these submarkets may soon be able to support new office development.

Twin Cities Medical Office Market Conditions

Maxfield Research and Consulting, LLC analyzed medical office market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, and absorption. The data is provided by Cushman & Wakefield|NorthMarq. A medical office building is defined as a property where 50% or more of the tenants are medical-oriented. Medical properties typically have a higher parking ratio than traditional office properties and are generally marketed to medical tenants and have the infrastructure capable to accommodate medical uses.

Cushman & Wakefield|NorthMarq divides the local medical office market into two product types; On Campus and Off Campus. On Campus properties are connected by a tunnel or skyway to a hospital or major ambulatory surgery center or located in a distinct area adjacent to a hospital or ambulatory surgery center. Off Campus properties are not connected or immediately adjacent to a hospital or ambulatory surgery center. The following points summarize key findings from the Cushman & Wakefield|NorthMarq 2018 *Compass* report.

- Overall vacancy is 9.9%, up slightly from 9.7% at year-end 2018, with Off Campus vacancy at 10.9% and On Campus vacancy at 9%.

- The medical office market experienced roughly 57,000 square feet of absorption during 2018. The 58,699 square feet of Off Campus absorption was slightly offset by negative absorption in the On-Campus market (-1,854 square feet).

- The Northeast submarket, which encompasses the subject property, contains 18 total Campus properties, totaling over 714,761 square feet of medical office space. These projects are 16.6% vacant, the highest vacancy rate among the four medical office submarkets, after experiencing -8,875 square feet of negative absorption during 2018.

- Going forward, mergers and alliances within the healthcare industry will impact demand for medical space. To become more efficient, independent practices will likely continue merging or aligning with systems, reducing the number of independent providers in the market. The medical office market will be impacted as these new partnerships and organizations evaluate their real estate inventory to determine if redundancies exist and where service delivery can be expanded.

- The Off-Campus market will continue to evolve to find the best way to serve patients under the new healthcare model with an emphasis on delivering care closer to the patient. This will likely result in the continued trend of moving ambulatory care clinics away from On Campus hospital settings and healthcare systems are expected to continue locating in suburban markets. This is expected to be a major trend as healthcare providers and practitioners seek out space in locations that offer easier access and convenience to their patients.

TABLE O-2
MEDICAL OFFICE MARKET STATISTICS
TWIN CITIES
2017 - 2018

2018	# of Bldgs	Total Rentable SF	Total Vacant SF	Vacancy Rate	2018 Absorption	Net Rent
On Campus	40	3,205,650	287,932	9.0%	-1,854	$20.18
Off Campus	75	3,237,474	352,993	10.9%	58,699	$18.19
Northeast	**18**	**714,761**	**118,855**	**16.6%**	**-8,875**	**$17.47**
Northwest	17	824,486	89,815	10.9%	-3,797	$16.70
Southeast	22	806,443	89,689	11.1%	50,643	$19.43
Southwest	18	891,784	54,634	6.1%	20,728	$19.40
Total Medical Office	**115**	**6,443,124**	**640,925**	**9.9%**	**56,845**	**$19.20**

2017	# of Bldgs	Total Rentable SF	Total Vacant SF	Vacancy Rate	2017 Absorption	Net Rent
On Campus	40	3,205,650	286,078	8.9%	138,913	N/A
Off Campus	73	3,158,861	333,079	10.5%	-5,001	N/A
Total Medical Office	**113**	**6,364,511**	**619,157**	**9.7%**	**133,912**	**$18.61**

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

Business Growth by Type of Business

The following table presents the distribution of businesses that are typical users of office space by number of employees in Ramsey and Washington County in 2016, the most recent data available. The data is extracted from the Business Register, a database of all known employer companies which is maintained and updated by the U.S. Census Bureau and is accumulated based on county boundaries.

Growth in these sectors is an important indicator of total demand for office space and the size of businesses provides an indication of the type and sizes of office spaces required. In addition to businesses in these sectors, a small amount of office demand will be generated from other sectors, including government agencies. The following are key points.

- The office-using business categories include Information; Finance and Insurance; Real Estate; Professional, Scientific, and Technical Services; Management of Companies and Enterprises; Education; and, Health Care and Social Assistance. The number of businesses in these categories in Ramsey County are 5,867 businesses, while there are 2,458 businesses in Washington County.

TABLE O-4
OFFICE-USING BUSINESSES BY INDUSTRY AND SIZE OF BUSINESS
PRIMARY MARKET AREA
2016

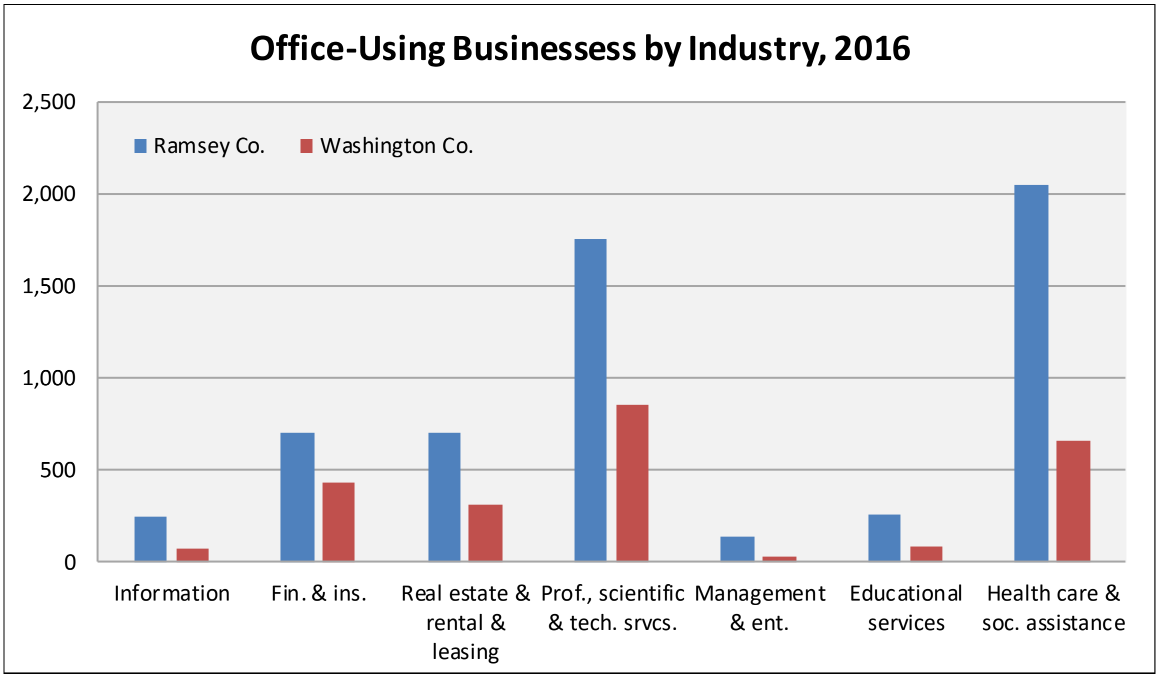
# of Employees	Information	Finance & Insurance	Real Estate & Rental & Leasing	Professional Scientific & Tech. Services	Mgmt of Companies & Enterprises	Education	Health Care & Social Assistance	Total No.	Total Pct.
RAMSEY COUNTY									
1 to 4	119	404	510	1,285	41	99	834	3,292	56.1
5 to 9	38	137	100	183	21	25	428	932	15.9
10 to 19	32	65	58	144	16	40	338	693	11.8
20 to 49	27	52	31	87	22	47	248	514	8.8
50 to 99	10	19	6	31	12	23	90	191	3.3
100 to 249	12	18	3	26	17	13	77	166	2.8
250 or more	7	9	0	3	13	9	38	79	1.3
Total	**245**	**704**	**708**	**1,759**	**142**	**256**	**2,053**	**5,867**	**100.0**
WASHINGTON COUNTY									
1 to 4	39	303	252	690	12	32	276	1604	65.3
5 to 9	18	70	36	80	2	13	141	360	14.6
10 to 19	7	33	12	39	4	17	108	220	9.0
20 to 49	9	13	6	34	9	17	88	176	7.2
50 to 99	4	6	2	7	3	4	32	58	2.4
100 to 249	3	1	1	3	2	3	14	27	1.1
250 or more	0	5	1	0	1	0	6	13	0.5
Total	**80**	**431**	**310**	**853**	**33**	**86**	**665**	**2,458**	**100.0**

Sources: Bureau of the Census, County Business Patterns; Maxfield Research & Consulting, LLC

- There were 2,053 (35%) establishments in the Health Care and Social Assistance industry, which was the largest sector in Ramsey County. The Health Care and Social Assistance industry includes child day care, dentists, chiropractors and other medical doctors. The largest industry in Washington County was the Professional, Scientific, and Technical Services, accounting for 35% (853 establishments).

- Demand for commercial office space can also be generated from sectors other than the traditional office-using industries, including: Administrative and Support and Waste Management and Remediation Services (i.e. temporary employment agencies, security firms, cleaning companies); Arts, Entertainment, and Recreation; and, Other Services (i.e. grantmaking, advocacy, dry-cleaning and laundry services).

- In total, these non-traditional office users (1,515 establishments) represent 11% of all businesses establishments in Ramsey County and 9.5% (559 establishments) in Washington Count, while the traditional office-using sectors represent 43% of the businesses in Ramsey County and 41% in Washington County.



- Among the retail business establishments, PMA spending was greatest for Food at Home (i.e. groceries) at an average of $4,640 per household compared to $5,982 per household in the Metro Area. Spending was also high for Entertainment and Recreation goods and services ($2,922 per household in the PMA) and Food Away from Home ($3,239 per PMA household).

- The roughly 87,000 households in the PMA spent a total of $4.6 billion on consumer expenditures in 2018. With the number of households projected to grow to roughly 90,000 by 2024, they would generate an additional $34 million in consumer expenditures annually, not factoring in inflation.

Growth of Jobs Using Office Space

Table O-5 presents total employment growth trends and projections in the PMA from 2000 to 2030, including the estimated percentage of total employment among industries that typically occupy office space. For this analysis, we include jobs in the Information, Financial Activities and Professional and Business Services sectors, as well as half of the jobs in the Education and Health Services sector. These figures were compiled by Maxfield Research and Consulting, LLC, based on data from Minnesota DEED.

TABLE O-5
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS - OFFICE SECTORS
HILLCREST PRIMARY MARKET AREA
2000 to 2030

	Hillcrest Primary Market Area			Twin Cities Metro Area		
Employment	Total Jobs	Office Jobs*	% Office Jobs	Total Jobs	Office Jobs*	% Office Jobs
2000	113,007	16,843	14.9%	1,600,741	559,442	34.9%
2010	104,536	14,452	13.8%	1,537,041	638,591	41.5%
2018	119,995	15,240	12.7%	1,760,581	751,541	42.7%
2020 Forecast	**124,545**	**15,942**	**12.8%**	**1,828,000**	**784,212**	**42.9%**
2030 Forecast	**130,800**	**16,873**	**12.9%**	**1,910,000**	**823,210**	**43.1%**

Change	No.	Pct.	No.	Pct.	Pct.	No.	Pct.	No.	Pct.	Pct.
2000 - 2010	-8,471	-7.5%	-2,391	-14.2%	-1.1%	-63,700	-4.0%	79,149	14.1%	6.6%
2010 - 2018	15,459	14.8%	788	5.5%	-1.1%	223,540	14.5%	112,950	17.7%	1.1%
2018 - 2030	10,805	9.0%	1,633	10.7%	0.2%	149,419	8.5%	71,669	9.5%	0.4%

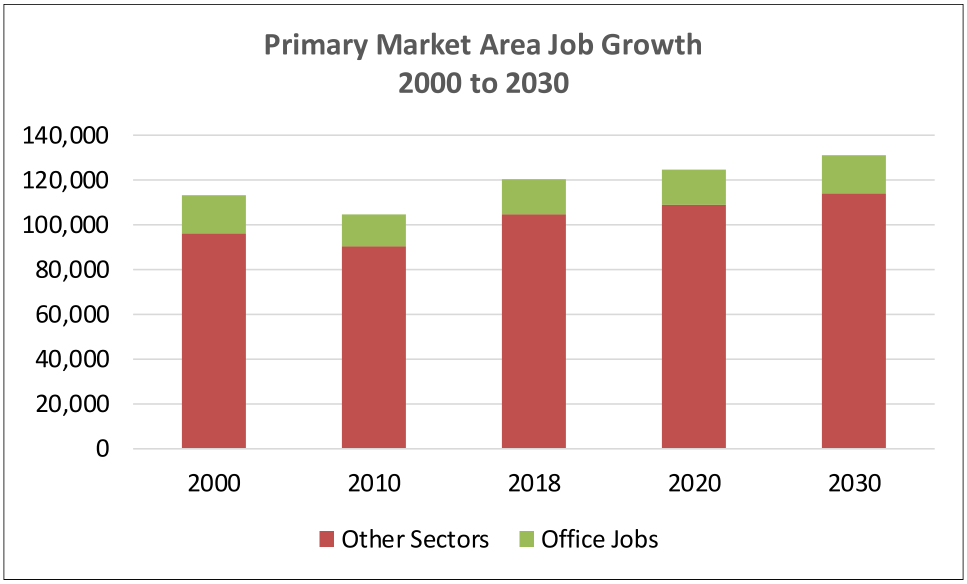
*Office jobs include jobs primarily in the Information, Financial Activities, Professional and Business Services and Education and Health Services sectors.

Sources: MN DEED; Maxfield Research and Consulting LLC

- Between 2000 and 2010, the Hillcrest PMA lost 8,471 jobs (-7.5%) while the estimated number of jobs requiring office space decreased -14.2% (2,391 jobs). Based on the Quarterly Census of Employment and Wages data from DEED, job growth in the industries that traditionally occupy office space increased more slowly than other sectors in the PMA between 2010 and 2018. The PMA gained 15,459 jobs (14.8%), while the number of jobs in the industries that typically occupy office space increased by only 5.5% (788 jobs).

- According to long-term industry projections provided by DEED for the Twin Cities Metro Area, the number of jobs in office-using industries is expected to grow 11.8% between 2012 and 2022. Office jobs accounted for 41.5% of all Metro Area jobs in 2010 and are projected to increase to 43.1% of total jobs by 2030.

- The proportion of office jobs in the PMA decreased between 2000 and 2010, declining from 14.9% in 2000 to 13.8% in 2010. As of 2018, the proportion of office jobs had decreased again down to 12.7%. We expect the proportion of office jobs in the PMA to hold steady, lower than the projected growth for the Twin Cities Metro Area. Therefore, we forecast that the proportional increase in office jobs will rise to 12.9% by 2030, whereas the proportion of office jobs in the Twin Cities Metro will increase to 43.1%. Growth in office jobs is projected to total 1,633 jobs in the PMA between 2018 and 2030 and 71,669 jobs in the Metro Area, growth rates of 10.7% in the PMA and 9.5% in the Metro Area.



- According to a recent CoreNet Global Corporate Real Estate 2020 survey, the average amount of office space per employee has declined from over 225 square feet in 2010 to roughly 150 square feet per employee in 2018. With the addition of 1,633 office jobs between 2018 and 2030 in the PMA, it can be estimated that 244,950 square feet of office space would be needed to accommodate these new employees. The actual amount of office space needed will be less however, because this figure includes people working from home offices and some professional businesses may prefer to locate in retail space.

Office Development Potential

This section focuses on factors that influence the demand for office space, primarily business and employment growth. The amount (in square feet) of additional office space supportable in the PMA is based on projected office employment growth and the amount of employment growth that would be capturable by suitable space located on the subject property. Our demand calculations are shown in Table O-6 and are summarized in the following points.

- As of 2018, there were an estimated 119,995 jobs in the PMA, 12.7% of which were in typical office-using industries. This percentage is projected to remain relatively stable (proportionally) in the PMA, although the greatest job growth over the next several years, according to the Minnesota Department of Employment and Economic Development, will be among industries that often require office space, such as Education and Health Services, Professional and Business Services, and Financial Activities.

- We project that by 2020, an estimated 12.8% of all jobs in the PMA will be in industries that typically require office space (15,942 jobs in the office-using industries) and by 2030, 12.9% of PMA jobs will be in office-using industries.

- Not all the office-using jobs created will seek or want space in office buildings. As shown earlier in this section, 55% of the office-using businesses in the surrounding area have fewer than five employees. Most of these businesses are likely one-person or two-person businesses with many operating from peoples' homes. In addition to home offices, some businesses will prefer traditional retail space. Examples include an accounting firm, insurance agency, or a health care provider that may seek retail space with higher visibility.

- Based on business size data for the area, we estimate that 90% of the office-using jobs in the PMA in 2018 are in traditional office space, or 13,716 jobs in the PMA.

- Multiplying the estimated number of employees in office space by the industry standard of 150 square feet of office space per job, results in demand for 2.1 million square feet of office space in the PMA in 2018.

- As mentioned previously, corporate office users are reducing their footprints and attempting to better utilize their office space and the amount of space allocated per employee has been declining steadily over the years. As such, we estimate the amount of office space per employee metric will remain at 150 square feet to 2030.

- Based on our analysis, demand for office space in the PMA is expected to increase by 220,455 square feet between 2018 and 2030.

- There is 8.5 million square feet of space in the PMA, 1.2 million square feet of which is being actively-marketed as available for lease or for sale. With a 15.1% vacancy rate, it appears that the inventory of office space in the PMA is above equilibrium (10% vacancy), suggesting that demand for new office space is quite limited.

- Based on a Floor Area Ratio (FAR) range of 0.25 to 0.30, we estimate that the subject property could support 25,000 square feet of space, considering the types of users that may be attracted to the Site. As such, an office development on the Site would need to capture approximately 11% of the growth in office demand in the PMA between 2018 and 2030.

- The remaining demand of 195,455 square feet would be absorbed by existing vacancies and developments on other sites in the PMA.

TABLE O-6
PROJECTED DEMAND FOR OFFICE SPACE
HILLCREST PRIMARY MARKET AREA
2018 TO 2030

		2018	2020	2030
Office Demand				
Projected number of jobs in PMA		119,995	124,545	122,660
(times) % of jobs in industry types that typically require office space	x	12.7%	12.8%	13.8%
(equals) Projected number of office-type jobs in the PMA	=	15,240	15,942	16,873
(times) % of office-type jobs seeking/needing office space*	x	90%	90%	90%
(equals) Projected # of employees in office space in the PMA	=	13,716	14,348	15,186
(times) Square feet of office space per employee	x	150	150	150
(equals) Projected demand for office space in the PMA (sq. ft.)	=	**2,057,400**	**2,152,170**	**2,277,855**
		2018-2020		**2020 - 2030**
Projected Growth in Office Demand in the PMA (sq. ft.)		94,770		125,685
Total Growth in Office Demand (2018 to 2030)			**220,455**	
(divided by) Office Space Capturable on Site (sq. ft.)	/		**25,000**	
(equals) Pct. of Demand Capturable on Site	=		**11%**	

* Percent of office-type jobs seeking office space versus home offices or retail spaces.
Source: Maxfield Research & Consulting, LLC

- The office demand calculation presented above is based primarily on employment and business growth factors. Demand for office space can also result from existing companies seeking opportunities to relocate or consolidate their employees and operations into new office space. These real estate decisions can be generated by the need to expand to support additional employees or increase productivity, but they are often driven by a desire to become more operationally efficient.

Industrial Market Conditions

This section of the report analyzes the industrial market in the Market Area and calculates the potential for future industrial development on the subject property. Included in the analysis are an examination of employment and business growth trends in the Market Area and a review of the existing supply of industrial space in the PMA.

Because industrial users will often base location decisions on land availability, real estate costs, proximity to labor, and access to shipping and transportation corridors, the draw area for industrial development is typically larger than for commercial uses. As such, we review business and employment growth trends for the entire Metro Area when calculating demand for industrial space on the Site.

Multi-Tenant Industrial Market Conditions

Maxfield Research and Consulting, LLC analyzed industrial market trends for the Twin Cities Metro Area, including total rentable area, vacancy rates, and absorption for the various submarkets in the Twin Cities as well as property subtypes in the Northeast Submarket compared to the Metro Area. The data is provided by Cushman & Wakefield|NorthMarq.

This information is useful in assessing the potential for additional industrial space in the PMA as the overall health of the industrial market will influence the development potential on the subject property. The following points summarize key findings from the Cushman & Wakefield|NorthMarq year-end 2018 *Compass* report.

Definitions of the various industrial product types are as follows:

Office Showroom: One-story multi-tenant projects over 20,000 rentable square feet with more than 30% finished office space. Typical clear height ceilings are below 16 feet and these properties generally offer smaller bay sizes and heavier than normal finishes and landscaping.

Office Warehouse: Multi-tenant facilities of 20,000 rentable square feet or larger which generally offer 10% to 20% office finish and have 16- to 24-foot clear height ceilings. Office Warehouse properties

Bulk Warehouse (Distribution): Multi-tenant buildings with 20,000 rentable square feet or larger which typically offer 5% to 10% office finish and have 24-foot or greater clear height ceilings. Bulk Warehouse is also frequently referred to as Distribution.

- The Twin Cities industrial market is in the expansion phase of the real estate cycle, as demand for space has been robust and vacancy is at equilibrium, generally considered between 10% and 12% vacancy in the industrial market. Strong demand and a tightening supply of space are exerting upward pressure on rental rates and development activity is at record levels.

- At 8% vacant (excluding sublease space), the industrial market is below equilibrium with the tightest vacancy rate since the late 1990s.

TABLE I-1
INDUSTRIAL SPACE VACANCY AND ABSORPTION
TWIN CITIES METRO AREA
2017 - 2018

Market Sector	# of Bldgs	Total Rentable SF	Total Vacant SF	Vacancy Rate	Annual Absorption	Average Net Rent Warehouse	Average Net Rent Office
			2018				
Northeast	411	35,620,636	3,131,954	8.8%	790,023	$4.55	$8.07
Northwest	336	31,210,959	3,184,834	10.2%	1,017,546	$4.75	$8.63
Southeast	230	18,458,352	1,115,118	6.0%	308,263	$4.79	$8.57
Southwest	315	27,308,401	1,579,761	5.8%	666,785	$4.98	$8.99
Market	**1,292**	**112,598,348**	**9,011,667**	**8.0%**	**2,782,617**	**$4.77**	**$8.57**
			2017				
Northeast	396	33,768,818	2,838,456	8.4%	540,618	$4.63	$7.94
Northwest	319	29,975,170	3,247,988	10.8%	871,278	$4.70	$8.39
Southeast	224	18,103,591	1,246,009	6.9%	646,143	$4.87	$8.47
Southwest	307	26,816,258	1,719,204	6.4%	956,520	$4.84	$8.68
Market	**1,246**	**108,663,837**	**9,051,657**	**8.3%**	**3,014,559**	**$4.76**	**$8.37**

Note: Data includes multi-tenant industrial buildings larger than 20,000 square feet
Sources: Cushman & Wakefield | NorthMarq; Maxfield Research, Inc.

- According to the *Compass* report, roughly 2.7 million square feet of space absorption occurred in 2018, which was the highest amount of absorption recorded in the Twin Cities in ten years. All submarkets experienced strong absorption during the year, but demand for space was highest in the Northwest submarket, as nearly 1.1 million square feet were absorbed in 2018.

- Demand has been strongest for functional space with high clear heights as tenants are generally seeking more efficient 24-foot or 32-foot-clear, state-of-the-art buildings.

- Most new Bulk Warehouse properties are being built with 32-foot clear height, 50-foot by 50-foot bay depths, and less than 10% office finish. New construction Office Warehouse properties typically have 24-foot clear height, 40-foot by 40-foot bay depths, up to 30% office finish, along with higher parking ratios, natural light, and glass.

- Industrial vacancy is down from the end of 2017 in nearly every submarket. The Southwest submarket is the tightest with an 5.8% vacancy rate, followed by the Southeast submarket with an 6% vacancy rate and the Northeast submarket (8.8% vacant). The Northeast submarket's vacancy rate decreased from 10.8% in 2017 to 10.2% in 2018.

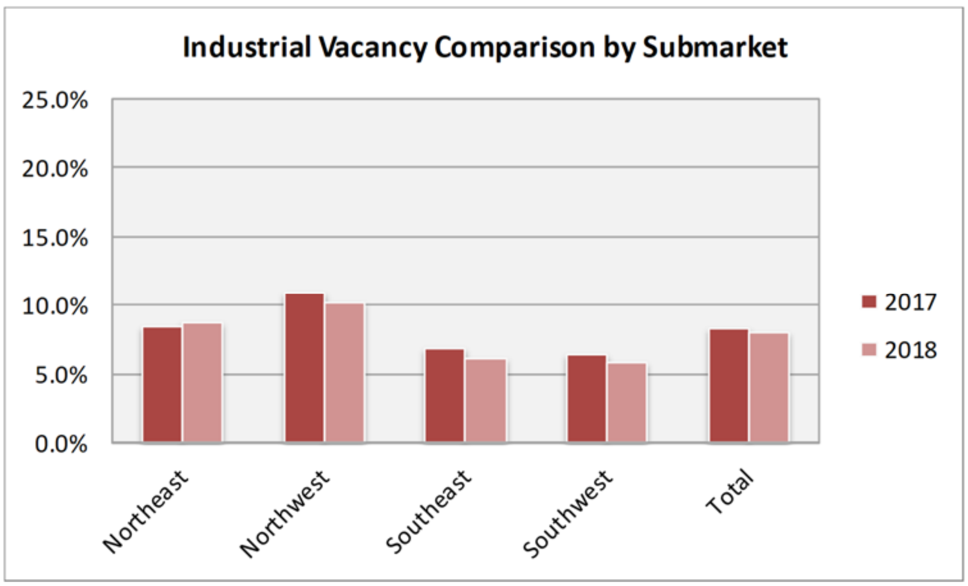


Table I-2 on the following page summarizes industrial space vacancy and absorption by industrial product type in the Northeast submarket compared to the Twin Cities Metro area from 2015 to 2018, while Table I-3 breaks down the average asking rental rate for each submarket and is displayed by product type.

- Minimal space absorption pushed the industrial vacancy rate in the Northeast submarket up 4.6% to 15.6%. Office Warehouse is the tightest product type with a 5.1% vacancy rate, followed by Office Showroom at 6.9% vacant and Bulk Warehouse (15.6% vacancy).

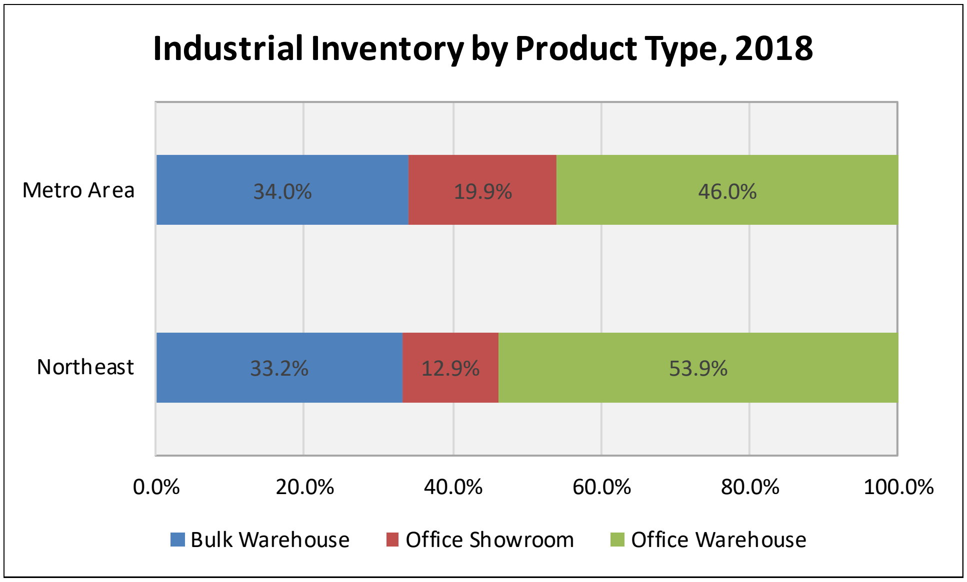
- As illustrated in the table on the following page, Office Warehouse space represents roughly 54% of the inventory in the northeast submarket, compared to 46% in the Metro Area. The proportion of Office Showroom space is fairly lower in the Northeast submarket (13%) than in the Metro Area (20%), while the Bulk Warehouse proportion is nearly the same in the Southwest (33%) as it is in the Metro Area (34%).

- Bulk Warehouse buildings are, by far, the largest properties in the Northeast submarket, averaging 185,000 square feet in size. Office Warehouse buildings average nearly 71,000 square feet while Office Showroom properties have an average size of 62,000 square feet.

TABLE I-2
INDUSTRIAL SPACE VACANCY AND ABSORPTION
SOUTHWEST SUMBARKET AND TWIN CITIES METRO AREA
2015 to 2018

Market Sector	Year	# of Bldgs	Total Rentable SF	Total Vacant SF	Vacancy Rate	Annual Absorption
Northeast Submarket						
Bulk Warehouse	2015	55	11,090,471	1,219,375	11.0%	-51,760
	2018	64	11,816,034	1,840,400	15.6%	507,036
Office Showroom	2015	70	4,459,204	445,164	10.0%	63,675
	2018	74	4,594,564	317,836	6.9%	64,439
Office Warehouse	2015	261	18,033,124	1,073,404	6.0%	19,654
	2018	273	19,210,038	973,718	5.1%	218,548
Total	2015	386	33,582,799	2,737,943	8.2%	31,569
	2018	411	35,620,636	3,131,954	8.8%	790,023
Twin Cities Market						
Bulk Warehouse	2015	194	33,441,738	2,928,110	8.8%	554,377
	2018	200	34,589,957	3,283,245	9.5%	613,999
Office Showroom	2015	307	20,285,154	2,879,701	14.2%	187,305
	2018	307	20,257,320	2,469,107	12.2%	426,354
Office Warehouse	2015	670	46,682,268	4,825,556	10.3%	1,176,534
	2018	670	46,790,904	3,878,360	8.3%	837,694
Total	2015	1,171	100,409,160	10,633,367	10.6%	1,918,216
	2018	1,177	101,638,181	9,630,712	9.5%	1,878,047

Note: Data includes multi-tenant industrial buildings larger than 20,000 square feet
Sources: Cushman & Wakefield | NorthMarq; Maxfield Research, Inc.



- Most new Bulk Warehouse properties are being built with 32-foot clear height, 50-foot by 50-foot bay depths, and less than 10% office finish. New construction Office Warehouse properties typically have 24-foot clear height, 40-foot by 40-foot bay depths, up to 30% office finish, along with higher parking ratios, natural light, and glass.

- Properties in highest demand have the following characteristics: functionally well-designed, energy efficient, ample parking, well-landscaped, and good lighting. Demand for space across the Metro was highest for Office Warehouse space, generating 838,000 square feet of absorption in 2018, while roughly 614,000 square feet of Bulk Warehouse space were absorbed. Office Showroom demand was hit hardest during the recession and will often compete against Class B office space in good locations, but demand appears to be recovering. Roughly 426,000 square feet were absorbed in 2018, the highest absorption in over ten years. At 12.2%, Office Showroom vacancy remains relatively high compared to Bulk Warehouse and Office Warehouse, but the vacancy rate has been declining steadily since 2010 when vacancy reached 19.4%.

- Average asking rental rates for warehouse and office space in the Northeast submarket were the lowest per square foot (PSF) when compared to the other three submarkets. Rental rates in the Northeast submarket were $4.55 for warehouse and $8.07 PSF.

TABLE I-3
AVERAGE ASKING INDUSTRIAL RENTAL RATES BY SUBMARKET
2018

Submarket	Warehouse Rate	Office Rate	Total Tax and Ops	Taxes
Northeast				
Bulk Warehouse	$4.24	$7.01	$2.08	$0.98
Office Showroom	$5.31	$9.59	$4.09	$2.02
Office Warehouse	$4.59	$8.41	$2.33	$1.17
Total Northwest	**$4.55**	**$8.07**	**$2.45**	**$1.20**
Northwest				
Bulk Warehouse	$4.55	$8.27	$2.65	$1.61
Office Showroom	$5.11	$9.81	$3.93	$2.18
Office Warehouse	$4.83	$8.51	$2.75	$1.31
Total Northeast	**$4.75**	**$8.63**	**$2.91**	**$1.60**
Southeast				
Bulk Warehouse	$4.44	$7.61	$2.09	$1.17
Office Showroom	$5.37	$9.68	$3.99	$2.02
Office Warehouse	$4.85	$8.90	$2.59	$1.35
Total Southeast	**$4.79**	**$8.57**	**$2.66**	**$1.40**
Southwest				
Bulk Warehouse	$4.79	$8.14	$2.32	$1.13
Office Showroom	$5.39	$9.77	$4.21	$2.21
Office Warehouse	$4.78	$8.86	$2.89	$1.51
Total Southwest	**$4.98**	**$8.99**	**$3.19**	**$1.65**

Sources: Cushman & Wakefield | NorthMarq; Maxfield Research, Inc.

Business Growth by Type of Business

In order to estimate demand for industrial space on the subject property, Maxfield Research and Consulting, LLC examines demand and supply trends affecting the industrial real estate market. In this section, we focus on demand trends – namely, business growth and the existing industrial labor market and employment projections.

The primary business sectors impacting demand for industrial real estate include Construction, Manufacturing, Wholesale Trade, and Transportation and Warehousing. The following definitions for these sectors come from the U.S. Census Bureau 2007 NAICS definitions.

Construction

The construction sector comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged in subdividing land for sale as building sites also are included in this sector.

Manufacturing

The Manufacturing sector comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing. Establishments in the Manufacturing sector are often described as plants, factories, or mills and characteristically use power-driven machines and materials-handling equipment.

Wholesale Trade

The Wholesale Trade sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The wholesaling process is an intermediate step in the distribution of merchandise. Wholesalers sell merchandise to other businesses and normally operate from a warehouse or office, which are characterized by having little or no display of merchandise. In addition, neither the design nor the location of the premises is intended to solicit walk-in traffic.

Transportation and Warehousing

The Transportation and Warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Warehousing establishments in this sector are distinguished from merchant wholesaling in that the warehouse establishments do not sell the goods.

Table I-4 on the following page compares the distribution of typical industrial space-using businesses by number of employees in Ramsey County and Washington County in 2010 and 2016, the most recent information available. The data is extracted from the Business Register, a database of all known employer companies which is maintained and updated by the U.S. Census Bureau and is accumulated by County based on the establishment's physical location.

While the industries shown do not represent all users of industrial space, these industries account for most users. Growth in these sectors is an important indicator of total demand for industrial space and the size of businesses provides an indication of the type and sizes of spaces required.

- The number of businesses in these categories in Ramsey County contracted from 2,532 in 2016 to 2,440 businesses in 2016 (3.6% decline over that period). By comparison, the total number of business establishments operating in Washington County expanded slightly from 1,201 in 2010 to 1,216 in 2016, an increase of 1.2%. Business growth occurred in most industry sectors during that period, although the most substantial growth occurred in the Construction sector, which gained over 13 businesses (2%).

- Between 2010 and 2016, the number of establishments with 250 employees or more increased 33% in Ramsey County (9 businesses), while most other size ranges contracted.

- In 2016, the Ramsey County had a total of 2,440 businesses which typically occupy industrial space. There were 888 businesses in the Construction sector, representing 36% of all the businesses that would likely occupy industrial real estate. The Manufacturing sector comprised 577 business establishments (24%). The Transportation and Warehousing sector accounted for 280 companies (11.5%) while the Wholesale Trade sector comprised 695 business establishments (28%).

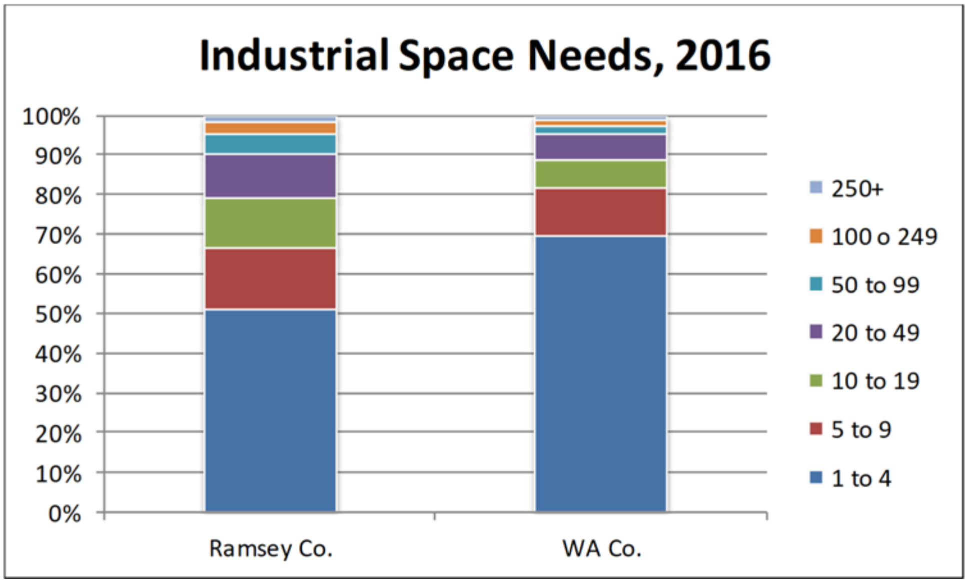


TABLE I-4
INDUSTRIAL BUSINESSES BY INDUSTRY AND SIZE OF BUSINESS
RAMSEY & WASHINGTON COUNTY
2010 and 2016

	Construction		Manufacturing		Wholesale Trade		Transportation/ Warehousing		*Ramsey Co. Total*		*Washington Co. Total*	
	Ramsey	Wash.	Ramsey	Wash.	Ramsey	Wash.	Ramsey	Wash.	*No.*	*Pct.*	*No.*	*Pct.*
2010												
1 to 4	633	515	185	102	361	152	126	94	*1,305*	*51.5*	*863*	*71.9*
5 to 9	111	54	107	22	133	42	51	18	*402*	*15.9*	*136*	*11.3*
10 to 19	85	32	93	22	109	25	35	12	*322*	*12.7*	*91*	*7.6*
20 to 49	50	16	96	29	89	11	29	9	*264*	*10.4*	*65*	*5.4*
50 to 99	20	6	49	6	42	5	14	2	*125*	*4.9*	*19*	*1.6*
100 to 249	14	3	46	7	12	2	15	6	*87*	*3.4*	*18*	*1.5*
250 or more	4	0	14	6	9	2	0	1	*27*	*1.1*	*9*	*0.7*
Total	***917***	***626***	***590***	***194***	***755***	***239***	***270***	***142***	***2,532***	***100.0***	***1,201***	***100.0***
2016												
1 to 4	605	508	191	102	308	155	133	81	*1,237*	*50.7*	*846*	*69.6*
5 to 9	111	72	98	22	127	34	47	22	*383*	*15.7*	*150*	*12.3*
10 to 19	76	28	78	22	113	22	39	11	*306*	*12.5*	*83*	*6.8*
20 to 49	56	17	102	29	80	18	32	17	*270*	*11.1*	*81*	*6.7*
50 to 99	19	5	51	6	41	9	14	4	*125*	*5.1*	*24*	*2.0*
100 to 249	14	8	38	7	20	2	11	3	*83*	*3.4*	*20*	*1.6*
250 or more	7	1	19	6	6	2	4	3	*36*	*1.5*	*12*	*1.0*
Total	***888***	***639***	***577***	***194***	***695***	***242***	***280***	***141***	***2,440***	***100.0***	***1,216***	***100.0***

Sources: Bureau of the Census, County Business Patterns; Maxfield Research & Consulting, LLC

Growth of Jobs Occupying Industrial Space

Table I-5 presents total employment growth trends and projections in the PMA from 2000 to 2030, including the estimated percentage of total employment among jobs that typically occupy industrial space. The figures were compiled by Maxfield Research and Consulting, LLC, based on data from the Minnesota Department of Trade and Economic Development (DEED) and the Metropolitan Council.

- Between 2000 and 2010, the Metro Area lost -63,700 jobs (-4.0%) while the estimated number of jobs occupying industrial space contracted -23.2% (-106,802 jobs).

- During the same period, Ramsey County lost -18,894 jobs (-5.6%) while jobs that typically utilize industrial space decreased -28,780 or -36.2%. Manufacturing and Construction sectors lost the most employment during this period, while Transportation and Warehousing remained relatively stable or increased slightly. Wholesale Trade also decreased during this period.

- Employment losses in the industrial-using sectors, particularly manufacturing, is not unique to the Market Area, as the proportion of manufacturing jobs to total jobs has been declining for years in both the State of Minnesota and the United States. Declining manufacturing employment is the result of several factors, including the offshoring of jobs, but also technology improvements have allowed manufacturers to increase productivity with fewer employees. Technological advancements have created job opportunities for workers with technical skills, but demand for lower-skill assembly line positions has dropped sharply.

- Based on the Quarterly Census of Employment and Wages data from DEED, job growth in the industries that traditionally occupy industrial space in Ramsey County gained 9,775 jobs (19.3%) between 2010 and 2018 against total employment growth of 4.9% (15,671 jobs). In the Metro Area, total employment increased 14.5% between 2010 and 2018 compared to 15.1% growth in the industrial-using sectors.

- According to long-term industry projections provided by DEED for the Twin Cities, the number of jobs in the industry sectors that typically locate in industrial space is expected to increase 4.2% between 2012 and 2022. Much of this growth is expected to occur in the Construction sector (16,000 jobs for a 32% increase) and the Wholesale Trade sector (4,500 jobs for a 5% increase). The Transportation and Warehousing industry is projected to contract -2% (900 jobs), while employment in the Manufacturing industry is expected to decline -3% (5,000 jobs).

- Jobs occupying industrial space accounted for 23% of all Metro Area jobs in 2010. This proportion increased modestly as of 2018, up to 23.1% and is projected to essentially hold steady over the next decade, declining modestly to 22.5% of total jobs by 2030. In Ramsey County, the proportion of industrial-using jobs increased from 15.9% in 2010 up to 18.1% in 2018. We anticipate this proportion to hold steady to 2030 at 18%. With job growth anticipated in Ramsey County and the Metro Area, there is projected to be an increase in jobs at companies that utilize industrial space over the next 12 years.

- Therefore, the increase in jobs utilizing industrial space in Ramsey County is projected to be a little over 7,000 jobs (11.6%), while the number of jobs in the Metro Area in this same category is projected to increase by 22,443 or 5.5%. As shown, Ramsey County is anticipated to capture a higher share of the jobs that typically use industrial space than perhaps other counties in the 7-County Metro Area.

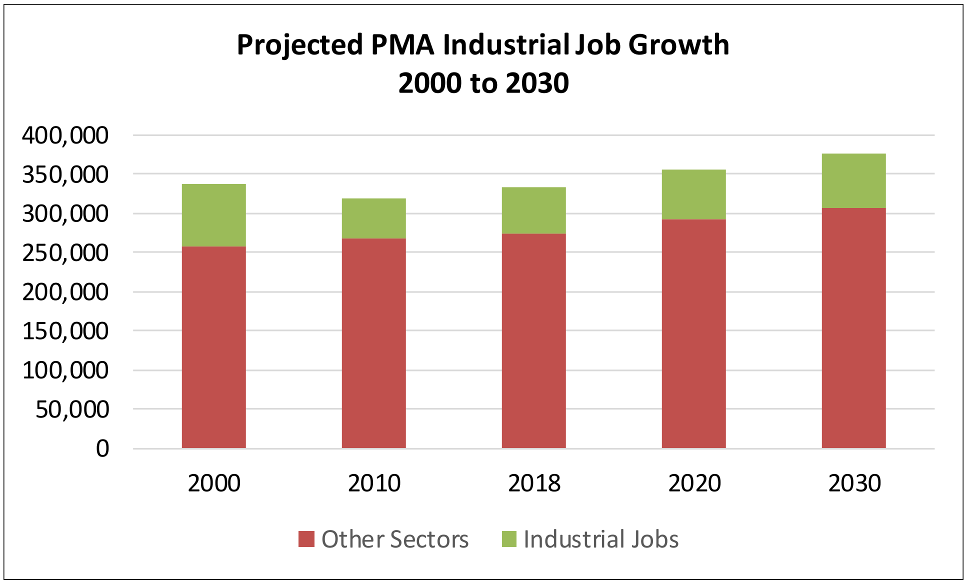
TABLE I-5
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS - INDUSTRIAL SECTORS
HILLCREST INDUSTRIAL MARKET AREA
2000 to 2030

	Ramsey County			Twin Cities Metro Area		
Employment	**Total Jobs**	**Industrial Jobs***	**% Ind. Jobs**	**Total Jobs**	**Industrial Jobs***	**% Ind. Jobs**
2000	337,484	79,512	23.6%	1,600,741	460,562	28.8%
2010	318,590	50,732	15.9%	1,537,041	353,760	23.0%
2018	334,261	60,507	18.1%	1,760,581	407,307	23.1%
2020 Forecast	**356,130**	**64,460**	**18.1%**	**1,828,000**	**420,440**	**23.0%**
2030 Forecast	**375,220**	**67,540**	**18.0%**	**1,910,000**	**429,750**	**22.5%**

Change	**No.**	**Pct.**	**No.**	**Pct.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**Pct.**
2000 - 2010	-18,894	-5.6%	-28,780	-36.2%	-7.6%	-63,700	-4.0%	-106,802	-23.2%	-5.8%
2010 - 2018	15,671	4.9%	9,775	19.3%	2.2%	223,540	14.5%	53,547	15.1%	0.1%
2018 - 2030	40,959	12.3%	7,033	11.6%	-0.1%	149,419	8.5%	22,443	5.5%	-0.6%

*Industrial jobs include jobs primarily in the Construction, Manufacturing, Wholesale Trade, and Transportation/Warehousing sectors.

Sources: MN DEED; Maxfield Research and Consulting LLC



Beacon Bluff Business Center – St. Paul

The Beacon Bluff Business Center is a redevelopment of 3M's former 46-acre St. Paul campus and was purchased by the St. Paul Port Authority in 2010. The redevelopment is the largest in St. Paul's history and in less than ten years, the entire area has been absorbed with a mix of light industrial, health care and office uses.

Industrial land in the core Twin Cities is scarce, but when efforts have been made to make land and sites available, companies have been quick to respond.

Companies are seeking:

- Central locations near major transportation arteries;
- Access to public transit for their workers;
- A sizeable and ready labor force
- Convenient access to vendors and customers

The rapid absorption of the Beacon Bluff sites attests to the significant demand for this type of property in the core Twin Cities Metro Area.

The table on the following page identified the firms that purchased sites in Beacon Bluff along with the square footage of the buildings,

BEACON BLUFF BUSINESS PARK COMPLETED DEVELOPMENT
2010-2019

Parcel	Owner/Business	Square Feet	Business Type	Date Sold
1	Healtheast Medical Transportation	46,000	Logistics	2010
Griffin	Baldinger	143,000	Lt Industrial; Food Produc.	2010
Globe	MacQueen Equipment	45,000	Repair; Logistics	2016
3S	East Side Family Clinic	32,000	Medical Clinic	2010
3N	Archdiocese	100,000	Admin/Office Use	2016
4E	Loomis Armored	17,000	Logistics	2014
5W	Viking Electric	35,000	Utility Supplier/Installer	2015
5W	Jones Sign	35,000	Sign Fabrication/Mfg.	2017
5E	Opus Spec	90,000	Terracon	2018
2	Vomela	275,000	Office/Prod/Mfg/HQ (Printing)	2019
Total		**818,000**		
Avg Annual				
One Remaining Parcel		3.22 acres		

Source: St. Paul Port Authority

Industrial Demand Estimates

Maxfield Research and Consulting, LLC projects demand for industrial space based on forecasted employment growth trends in the industrial-using industries. Table I-6 shows projected demand for industrial space in the PMA from 2018 to 2030 based on the Market Area employment growth forecast in the industrial-using industries which include: Construction; Manufacturing; Wholesale Trade and Transportation and Warehousing.

- As of 2018, there are an estimated 60,500 jobs in the industry sectors that typically occupy industrial space in Ramsey County, 18.1% of all jobs. This percentage is projected to remain stable as of 2020 based on projections provided by the Minnesota Department of Employment and Economic Development. We project that by 2020, 18.1% of all jobs in the County will be in industries that typically occupy industrial space, as 3,953 industrial jobs are expected to be added in the County between 2018 and 2020, with another 3,080 jobs being added between 2020 and 2030.

- We estimate that 700 square feet of industrial space will be required to accommodate every new industrial job. This estimate is based on information in a 2016 Building Owners and Manager's Exchange Report which identified an average of 600 square feet per employee among single-tenant industrial users. We have estimated slightly higher than this for Ramsey County as Minnesota has typically been on the higher end of national averages.

- Multiplying the average space required per industrial employee results in demand for an estimated 2.77 million square feet of occupied industrial space in Ramsey County by 2020, with another 2.2 million square feet needed between 2020 and 2030.

- Using an estimated floor area ratio range of 0.20 to 0.35 results in 118 to 318 acres of industrial land absorption in the County by 2020, with another 141 to 247 acres of land absorption between 2020 and 2030. This floor area ratio is based on a review of industrial buildings that have been built in the Market Area.

- Based on our review of existing industrial properties in the Market Area, there is roughly 75.8 million square feet of space in Ramsey County. Approximately 4.8 million square feet of space is listed as available, equating to an overall industrial vacancy rate of 6.3% in Ramsey County. As such, it appears that the inventory of industrial space in the County is currently below equilibrium (10% vacancy).

- Based on a Floor Area Ratio (FAR) range of 0.20 to 0.35, we estimate that the subject property could capture the following:

	Ramsey County	**Remainder of Metro Area**
2018-2020	**100,000 SF**	**400,000 SF**
2020-2030	**300,000 SF**	**500,000 SF**

- At the above estimates of square feet, business development on the Site would need to capture 3.6% of the industrial demand growth in Ramsey County between 2018 and 2020 and 13.9% between 2020 to 2030. Depending on the availability of industrial space however, there may be additional pent-up demand that would revert to the Hillcrest Site after 2020 in addition to the ten-year calculated demand.

- As mentioned previously, because industrial users will often base location decisions on land availability, real estate costs, proximity to labor, and access to shipping and transportation corridors, the Remainder of the Twin Cities Metro Area is a secondary source of demand for industrial space on the Site. Following the methodology outlined above, the Site could capture 400,000 square feet on the Site between 2018 and 2020 (a capture rate of 4.4%) and 500,000 square feet between 2020 and 2030 (a capture rate of 7.7%).

- We anticipate a preliminary annual absorption on the property of 100,000 to 150,000 square feet over ten years.

TABLE I-6
PROJECTED DEMAND FOR INDUSTRIAL SPACE
HILLCREST PRIMARY MARKET AREA (RAMSEY COUNTY)
2018 to 2030

		2018-2020	2020-2030
Ramsey County			
Projected industrial employment growth in Ramsey County	=	3,953	3,080
(times) Avg. space (square feet) required per employee[1]	x	700	700
(equals) Total industrial building space (square feet) required in County	**=**	**2,767,100**	**2,156,000**
(times) Projected land absorption (at 20%-35% FAR[2])	x	0.35 - 0.20	0.35 - 0.20
(equals) Total acres required to accommodate industrial demand	**=**	**181 - 318**	**141 - 247**
(times) Percent Capturable on Site	x	3.6%	13.9%
(equals) Industrial building space (square feet) capturable on Site	**=**	**100,000**	**300,000**
(equals) Acres required to accommodate industrial demand	**=**	**7 - 11**	**20 - 34**
Remainder of Metro Area			
Projected industrial employment growth in Remainder of Metro Area	=	13,133	9,310
(times) Avg. space (square feet) required per employee[1]	x	700	700
(equals) Total industrial building space (square feet) required in Metro	**=**	**9,193,100**	**6,517,000**
(times) Projected land absorption (at 20%-35% FAR[2])	x	0.35 - 0.20	0.35 - 0.20
(equals) Total acres required to accommodate industrial demand	**=**	**603 - 1,055**	**427 - 748**
(times) Percent Capturable on Site	x	4.4%	7.7%
(equals) Industrial building space (square feet) capturable on Site	**=**	**400,000**	**500,000**
(equals) Acres required to accommodate industrial demand	**=**	**26 - 46**	**33 - 57**

[1] Average for Minneapolis/St. Paul based on Core Global Net Market Report
[2] Typical Floor Area Ratio range for industrial buildings in the Market Area

Source: Maxfield Research & Consulting, LLC

Summary Conclusions

The preliminary analysis identified the following potential demand for various types of real estate residential, commercial and industrial products on the subject Site. Various development scenarios may be considered for the property that would incorporate one use or a mix of uses on the property.

Preliminary Demand Summary

<u>Residential Uses</u>

Single-Family	2019-2024	55 units
Owned Multifamily	2019-2024	54 units
Rental Multifamily	2019-2024	313 units
Senior Housing	2019/2024	513/579 units (includes all service levels)

<u>Commercial Uses</u>

Retail	2018-2030	13,700 to 20,600 SF
Office	2018-2030	25,000 SF

Industrial Uses

Single-Tenant	2018-2020	Up to 500,000 SF
And/or Multitenant	2020-2030	Up to 800,000 SF A portion of projected demand between 2018 and 2020 will be available to be captured between 2020 and 2030