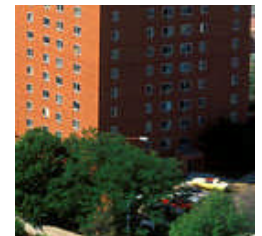


# NAI Sioux Falls

## Retail Report | 2010 Overview



# NAI Sioux Falls

Commercial Real Estate Services, Worldwide.  
Local Knowledge - Global Reach

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**\*\*In 2010 NAI Sioux Falls was voted Top Commercial Real Estate Company, Sioux Falls Business Journal\*\***

# Retail



## TRENDS

### VACANCY RATE



### NET ABSORPTION



### ASKING RENTS



## OVERVIEW

Growth in the Sioux Falls retail real estate market in 2010 exceeded that of the City's neighboring regional trade areas.

Net absorption of retail space increased across the four quadrants of the City. The overall vacancy rate dropped from 5.78% in 2009 to 5.27% by year-end 2010. Examples of this growth include the new Lewis Drug on 85<sup>th</sup> and Louise, the new Century Theatre, and the HOM Furniture acquisition and expansion of the former Sportsman's Warehouse. A minimal addition of space through speculative development further contributed to a lower vacancy rate.

While the vacancy rate decreased, the overall number of vacant spaces increased. This increase occurred mostly in strip malls, which suggests that smaller retail businesses had more difficulty in the marketplace than did their larger counterparts. This trend is not new for 2010, however, as smaller specialty shops continue to give way to larger, all-inclusive service retailers. On-line retailing has affected this sector as well, as traditional shopping habits shift away from main-street retailers toward more easily accessed internet venues.

The increase in available spaces is beginning to affect the negotiating strategy of prospective and existing tenants. To land new tenants, landlords must reduce rents, offer incentives, and increase improvement allowances relative to previous years. To retain desirable tenants, landlords must consider the competition—the type and amount of available space—and maintain a preemptive mindset in regard to bargaining and compromise with those tenants.

NAI Sioux Falls' annual market update is a comprehensive report designed to provide you with an accurate, objective representation of the local commercial real estate climate.

We have drawn on our resources, expertise and supporting data to compile this detailed snapshot of the local market. The retail market statistics have been extracted from our internal database, with up-to-date information supplied by our brokerage and management staff.

Our absorption statistics are calculated comparing occupancy to occupancy and account for occupied square footage associated with new construction.

## METHODOLOGY

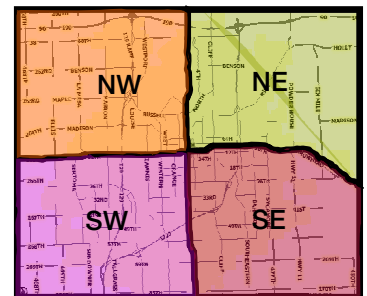
Our Retail Universe consists of having commercial zoning with retail sales and good services as the primary function:

\* Class A, B, and C buildings

\* The City of Sioux Falls is divided into quadrants as follows:

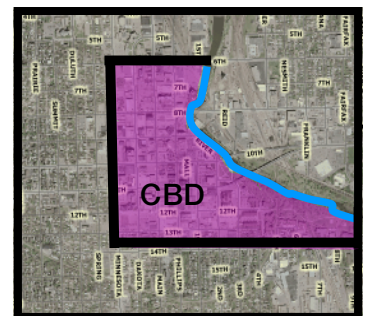
**Northeast**  
**Northwest**  
**Southeast**  
**Southwest**

10th/12th Street is the North/South dividing line  
Minnesota Avenue is the East/West dividing line

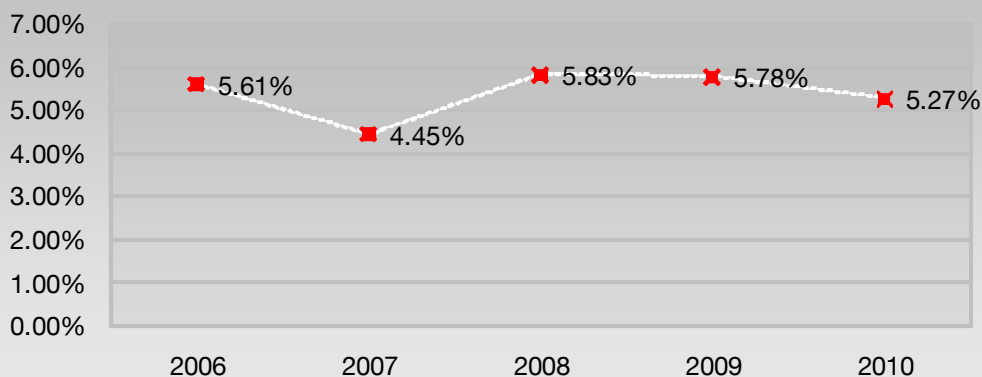


### Central Business District (CBD):

The CBD boundaries are 6th Street → 14th Street and Minnesota Avenue → Big Sioux River



Overall Retail Market Vacancy





# NAI Sioux Falls

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### NOTABLE LEASE TRANSACTIONS

TENANT	BUILDING	SIZE	SUBMARKET
Hy-Vee	Former Sunshine Foods	44,408 SF	Southeast
Opus Northwest, LLC	Century Theater	40,000 SF	Dawley Farm Village
Big Lots	Riverwood Plaza	28,000 SF	Meadows on the River
Star Performance	Former Midwest Office Products Building	18,000 SF	Southwest
Pomegranate Market	Beakon Centre	14,114 SF	Beakon Centre
Excite Family Fitness	38th Street Plaza	12,000 SF	Southwest
The Vault	Former Lava Lounge	7,585 SF	Meadows on the River
Buffalo Wild Wings	Former Sportsmans Warehouse	7,055 SF	Meadows on the River
2 Amigos	Dacotah Town Centre	5,400 SF	Southeast



**SIGNIFICANT SALE**  
Former **SPORTSMAN WAREHOUSE**  
To  
**HOM Furniture**  
Sale Price:  
**\$5,000,000**

**SIGNIFICANT LEASE**  
**Buffalo Wild Wings**  
7,055 sq. ft.

### NOTABLE SALE TRANSACTIONS

SELLER	BUYER	ADDRESS	SIZE	PRICE	PRICE PSF
National Retail Properties	HOM Furniture	2601 S. Louise Avenue	75,076 SF	\$5,000,000	\$66.60
Luverne Supermarket, Inc.	Sun Enterprises	1231 E. 57th Street	44,956 SF	\$3,800,000	\$84.53
Sun Enterprises	Hy-Vee	2700 W. 10th Street	44,408 SF	\$2,500,000	\$55.80
Sun Enterprises	Laverne Supermarket, Inc.	3809 E. 10th Street	39,840 SF	\$2,300,000	\$57.73
Timber Lodge	Last Stop CD Shop	3509 W. 41st Street	6,600 SF	\$1,450,000	\$21.97
AFJ, Inc.	Hardee's	4801 W. 12th Street	4,038 SF	\$1,230,000	\$304.60
AFJ, Inc.	Hardee's	2900 S. Minnesota	3,996 SF	\$1,225,000	\$306.56
Minnwest Bank	18th Amendment	1301 W. 41st Street	7,372 SF	\$1,150,000	\$156.00
AFJ, Inc.	Hardee's	1000 E. 10th Street	3,979 SF	\$865,000	\$217.39

# NAI Sioux Falls

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Building Class	Quadrant Total SF	Vacant SF	% Vacant	Quoted Triple Net Rental Rates per sf
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### Overall Market

A	3,152,878	185,479	5.88%	\$13.00 - \$15.00
B	7,849,820	369,129	4.70%	\$9.00 - \$11.00
C	495,423	50,874	10.27%	\$7.00 - \$9.00
<b>Totals:</b>	<b>11,498,121</b>	<b>605,482</b>	<b>5.27%</b>	

### Central Business District

A	22,517	1,493	6.63%	\$12.00 - \$13.00
B	575,868	23,051	4.00%	\$9.00 - \$10.00
C	40,607	15,920	39.21%	\$7.00 - \$8.00
<b>Totals:</b>	<b>638,992</b>	<b>40,464</b>	<b>6.33%</b>	

### Southwest

A	2,022,711	112,330	5.55%	\$18.00 - \$22.00
B	4,453,492	206,450	4.64%	\$10.00 - \$11.00
C	69,969	7,260	10.38%	\$7.50 - \$9.00
<b>Totals:</b>	<b>6,546,172</b>	<b>326,040</b>	<b>4.98%</b>	

### Southeast

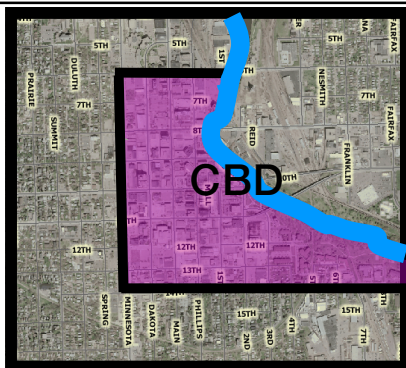
A	423,993	12,925	3.05%	\$14.00 - \$16.00
B	1,012,136	28,085	2.77%	\$10.00 - \$12.00
C	108,358	2,588	2.39%	\$7.00 - \$9.00
<b>Totals:</b>	<b>1,544,487</b>	<b>43,598</b>	<b>2.82%</b>	

### Northwest

A	174,111	11,987	6.88%	\$14.00
B	888,261	29,366	3.31%	\$10.00
C	170,220	8,001	4.70%	\$7.00 - \$8.00
<b>Totals:</b>	<b>1,232,592</b>	<b>49,354</b>	<b>4.00%</b>	

### Northeast

A	509,546	46,744	9.17%	\$12.00 - \$14.00
B	920,063	82,177	8.93%	\$10.00
C	106,269	17,105	16.10%	\$7.00 - \$9.00
<b>Totals:</b>	<b>1,535,878</b>	<b>146,026</b>	<b>9.51%</b>	



## Legend and Sub-Market Boundaries

### Property classification definitions

- Class A = Building condition is above average
- Class B = Building condition is average
- Class C = Building condition is below average

Sioux Falls  
Central Business  
District ("CBD")

Sioux Falls  
Metropolitan  
Area

