

Applebee's - Ground Lease

BLAINE, MN



OFFERING MEMORANDUM



Marcus & Millichap
Real Estate Investment Services

Applebee's - Ground Lease

BLAINE, MN

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Like all real estate investments, this investment carries significant risks. Buyer and Buyer's legal and financial advisors must request and carefully review all legal and financial documents related to the property and tenant. While the tenant's past performance at this or other locations is an important consideration, it is not a guarantee of future success. Similarly, the lease rate for some properties, including newly-constructed facilities or newly-acquired locations, may be set based on a tenant's projected sales with little or no record of actual performance, or comparable rents for the area. Returns are not guaranteed; the tenant and any guarantors may fail to pay the lease rent or property taxes, or may fail to comply with other material terms of the lease; cash flow may be interrupted in part or in whole due to market, economic, environmental or other conditions. Regardless of tenant history and lease guarantees, Buyer is responsible for conducting his/her own investigation of all matters affecting the intrinsic value of the property and the value of any long-term lease, including the likelihood of locating a replacement tenant if the current tenant should default or abandon the property, and the lease terms that Buyer may be able to negotiate with a potential replacement tenant considering the location of the property, and Buyer's legal ability to make alternate use of the property.

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Applebee's - Ground Lease

BLAINE, MN

TABLE OF CONTENTS

Section 1	PRICING AND FINANCIAL ANALYSIS
Section 2	PROPERTY DESCRIPTION
Section 3	MARKET OVERVIEW
Section 4	DEMOGRAPHIC ANALYSIS

Applebee's - Ground Lease

BLAINE, MN

FINANCIAL OVERVIEW

Location

199 Northtown Drive
Blaine, MN 55434

Price	\$2,086,000
Down Payment	100% / \$2,086,000
Rentable Square Feet	5,500
CAP Rate	5.80%
Year Built	2007
Lot Size	0.78 Acres
Type of Ownership	Leased Fee / Ground Lease

Annualized Operating Data

Rent Increases	Annual Rent	Monthly
12/10/07 - 12/31/12	\$110,000.00	\$9,166.67
1/1/13 - 12/31/17	\$121,000.00	\$10,083.33
1/1/18 - 12/31/22	\$133,100.00	\$11,091.67
Option 1: 1/1/23 - 12/31/27	\$146,410.00	\$12,200.83
Option 2: 1/1/28 - 12/31/32	\$161,051.00	\$13,420.92
Option 3: 1/1/33 - 12/31/37	\$177,156.00	\$14,763.00
Option 4: 1/1/38 - 12/31/42	\$194,871.00	\$16,239.25
Base Rent (\$22.00/SF)		\$121,000
Net Operating Income		\$121,000
Total Return		5.80% / \$121,000

**** Current Financial Information based on January 1, 2013 Rent of \$121,000 ****

Tenant Summary

Tenant Trade Name	Applebee's
Ownership	Public
Tenant	Franchisee
Lease Guarantor	Franchisee Guarantee
Lease Type	Ground Lease
Roof and Structure	Tenant Responsible
Lease Term	15 Year Base Term
Lease Commencement Date	12/10/07
Rent Commencement Date	12/10/07
Lease Expiration Date	12/31/22
Term Remaining on Lease	10+ Years
Increases	Fixed Every 5 years
Options	Four 5-yr Options

Tenant pays \$3,300.00 per year in CAM Reimbursements directly to Northtown Mall - Does not affect landlord NOI.

TENANT OVERVIEW

Property Name	Applebee's - Ground Lease
Property Address	199 Northtown Drive N.E. Blaine, MN 55434
Property Type	Net Leased Restaurant - Other
Rentable Square Feet	5,500

Tenant Trade Name	Applebee's
Ownership	Public
Tenant	Franchisee
Sales Volume	\$3.197 Million (\$581.27 PSF)
Rent-to-Sales Ratio	3.78%
Lease Guarantor	Franchisee Guarantee

Lease Commencement Date	12/10/07
Rent Commencement Date	12/10/07
Lease Expiration Date	12/31/22
Term Remaining on Lease	10+ Years
Lease Type	Ground Lease
Roof and Structure	Tenant Responsible
Lease Term	15 Year Base Term
Year 1 Net Operating Income	\$121,000.00
Increases	Fixed Every 5 years

Options to Renew	Four 5-yr Options
Options to Terminate	None
Options to Purchase	None
First Right of Refusal	None

No. of Locations - Minnesota Apple LLC (Apple American Group)	63 (337)
Headquartered	Independence, OH
Web Site	www.appleamerican.com

TENANT DESCRIPTION



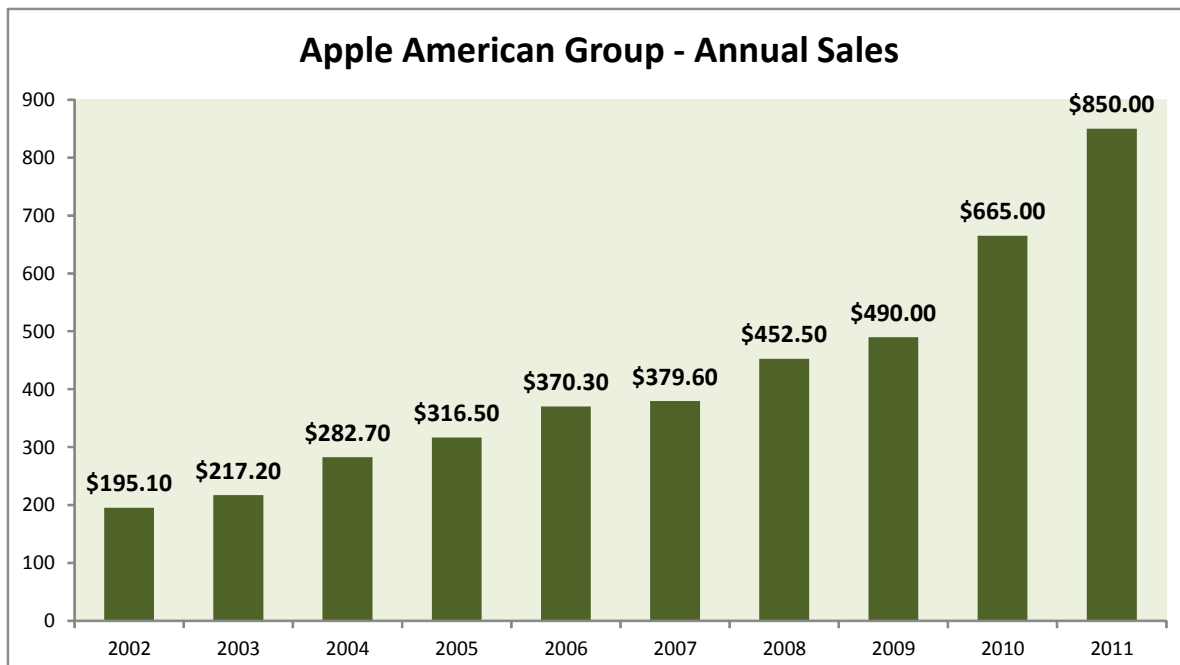
OUR VISION

To be the premier franchise group in the Applebee's system, having the best people to do "whatever it takes" to deliver great products and excellent service in a clean and welcoming environment to every guest, each and every time.

Apple American Group LLC owns and operates approximately 337 Applebee's Neighborhood Grill and Bar restaurants in California, Delaware, Indiana, Maine, Massachusetts, Minnesota, Nevada, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Wisconsin, Washington State, West Virginia.

With \$850 million in 2011 sales and directly employing over 20,000 people, Apple American is the largest Applebee's franchise, and is one of the 10 largest franchises of any concept in the world.

Founded in 1998 by Chairman and CEO Greg Flynn, Apple American is committed to growth. It is the fastest growing operator in the Applebee's system, having built and/or acquired more than 147 restaurants in the last three years alone.



PROPERTY DESCRIPTION

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BLAINE, MN

INVESTMENT OVERVIEW

Investment Highlights

- Absolute Net Ground Lease to Applebee's - Zero Landlord Responsibilities
- 10 Plus Years Remaining Plus Four -Five Year Options
- 10 Percent Rent Increases Every Five Years Including Options
- Outparcel to Northtown Mall - 694,347 Square Foot Regional Mall
- Apple Minnesota - 63 Location Franchisee (Part of Apple American Group - World's Largest Applebees Franchisee w/ \$850MM 2011 Sales)
- Over 2,000,000 Square Feet of Retail in the Surrounding Area - Walmart Supercenter, Target, Home Depot, Cub Foods
- Suburban Minneapolis Location Along Minnesota Highway-47 & Highway-10
- 2011 Store Sales of \$3,197,000 (\$581.27 Per Square Foot / 3.78% Rent-to-Sales)



Marcus & Millichap is pleased to present the Absolute Triple Net Applebee's ground lease (fee simple ownership of the land) property located in Blaine, Minnesota (Minneapolis MSA).

The subject property consists of a 0.78 acre fee simple ownership of the land under a 5,500 square foot Applebee's Neighborhood Grill & Bar on an outparcel to Northtown Mall. The tenant pays common area maintenance expenses of \$3,300 per year to Northtown Mall directly (does not affect NOI).

There are just over 10 years remaining on the ground lease with 10 percent rental increases every five years at the start of each option period. The next increase in rent occurs on January 1, 2013 to \$121,000, which has been used as the base rent (NOI) for pricing this asset.

The lease, is guaranteed by Apple Minnesota, LLC, which operates 63 locations in Minnesota and Wisconsin. Apple Minnesota is a part of the Apple American Group which owns and operates 337 Applebee's locations across the country. With \$850 million in 2011 sales and directly employing over 20,000 people, AAG is the largest Applebee's franchisee, and is one of the second largest franchisee of any concept in the world.

The subject property is an outparcel to Northtown Mall, a 694,347-square foot regional mall including LA Fitness, Best Buy, Herberger's, Becker Furniture World, Burlington Coat Factory, Champs Sports, H&R Block, Express, Famous Footwear, Victoria's Secret, Bath & Bodyworks, and more.

Other area tenants include: Home Depot, Cub Foods, Target, Walmart Supercenter, Sears Outlet, Sports Authority, Hancock Fabrics, Michael's, Bed Bath & Beyond, Marshalls, Dollar Tree, Rainbow Foods, Kmart, Office Max, Barnes & Noble, Walgreens, and many more including Northtown Mall.

PROPERTY SUMMARY

The Offering

Property	Applebee's - Ground Lease
Property Address	199 Northtown Drive N.E. Blaine, MN 55434
Assessor's Parcel Number	313123320002

Site Description

Number of Stories	1
Year Built	2007
Rentable Square Feet	5,500
Lot Size	0.78 Acres
Type of Ownership	Leased Fee / Ground Lease

PROPERTY PHOTOS



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BLAINE, MN

PROPERTY DESCRIPTION

PROPERTY PHOTOS



AREA PHOTOS



AREA PHOTOS



AREA PHOTOS



AREA PHOTOS



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BLAINE, MN

PROPERTY DESCRIPTION



Local Map



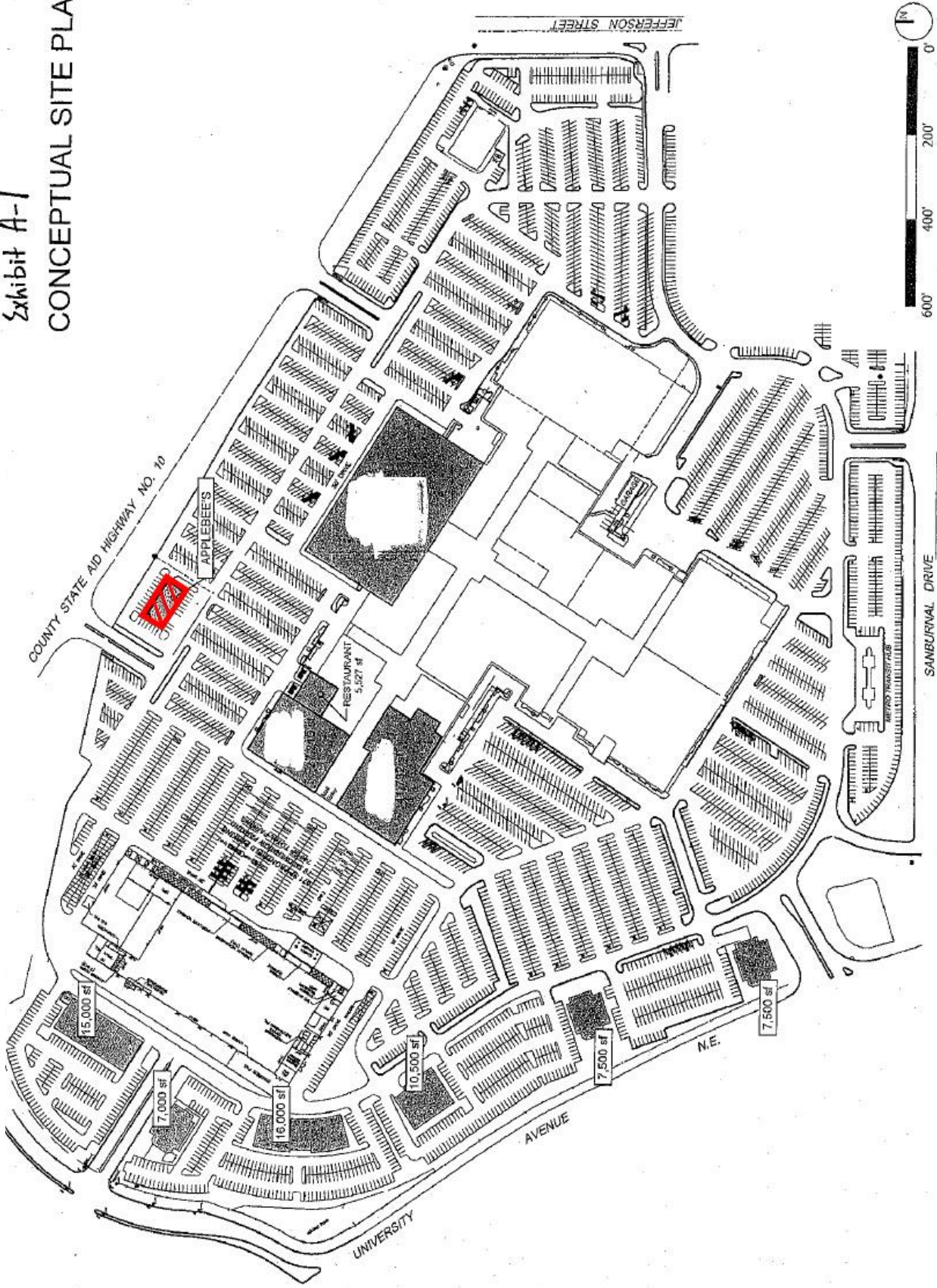
Regional Map



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SITE PLAN

Exhibit A-1
CONCEPTUAL SITE PLAN



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PROPERTY DESCRIPTION



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MINNEAPOLIS-ST PAUL

Market Highlights

High median household income

- The median household income is well above the national average.

Attractive business and living environment

- Companies are attracted to the region's high level of education and strong work ethic.

Concentration of large-scale firms

- Minneapolis-St. Paul is home to 19 Fortune 500 firms, including Target Corp., 3M and General Mills.

An abundance of higher education

- There are more than 20 colleges and universities in the Twin Cities.



Geography

The Minneapolis-St. Paul-Bloomington MSA is situated in the southeastern portion of central Minnesota and extends into western Wisconsin. Nearly 1,000 of Minnesota's 10,000 lakes are located within the MSA, along with the Mississippi, Minnesota and St. Croix rivers. The Twin Cities of Minneapolis and St. Paul straddle the Mississippi River, with Minneapolis located upstream from St. Paul. The MSA covers 6,364 square miles of fertile soil atop limestone and sandstone and includes 11 counties, two of which are in Wisconsin.



Minneapolis-St. Paul-Bloomington MSA

MINNEAPOLIS-ST PAUL

Metro

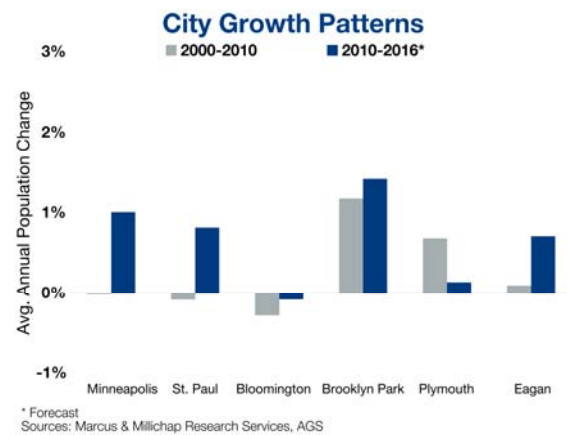
The 11-county Minneapolis-St. Paul MSA contains more than 200 municipalities and registers a population over 3.3 million. The Twin Cities metro area encompasses the seven core counties of the MSA, the largest being Hennepin County, with a population of 1.2 million. Minneapolis is the largest city in the state, with 388,200 citizens, while St. Paul is the second largest city, with 288,200 inhabitants.

Infrastructure

Minneapolis-St. Paul-Bloomington is the largest metropolitan area in the state of Minnesota and is served by the Minneapolis-St. Paul International Airport and six reliever airports.

Two major freeway systems run through the region: Interstate 94 and Interstate 35. Interstate 35 splits into Interstate 35E, which runs through St. Paul, and Interstate 35W, which passes through Minneapolis. Two beltline freeways - Interstate 494 and Interstate 694 - facilitate travel around the suburbs, and Interstate 394 runs east to west from Interstate 94 to Interstate 494.

Metro Transit operates bus, commuter rail and light-rail systems throughout the metro and some suburban cities have their own bus systems. The Hiawatha Light Rail Line runs along Hiawatha Avenue, taking passengers into downtown Minneapolis and to the airport and Mall of America, while the Northstar commuter line services the northern suburbs.



Largest Cities: Minneapolis-St. Paul MSA

Minneapolis	388,200
St. Paul	288,200
Bloomington	82,600
Brooklyn Park	77,400
Plymouth	70,600
Eagan	64,700

2011 Estimate
Sources: Marcus & Millichap Research Services, AGS

Airports

- Minneapolis-St. Paul International
- Six reliever airports

Roadways

- Interstates 35W, 35E, 94, 394, 494 and 694
- Extensive state highway system

Rail

- Freight - BNSF, Union Pacific
- Passenger - Amtrak
- Commuter - NorthStar, Hiawatha light rail

The Minneapolis-St. Paul MSA is:

- 75 miles from Rochester
- 300 miles from Milwaukee
- 400 miles from Chicago
- 600 miles from Indianapolis

MINNEAPOLIS-ST PAUL

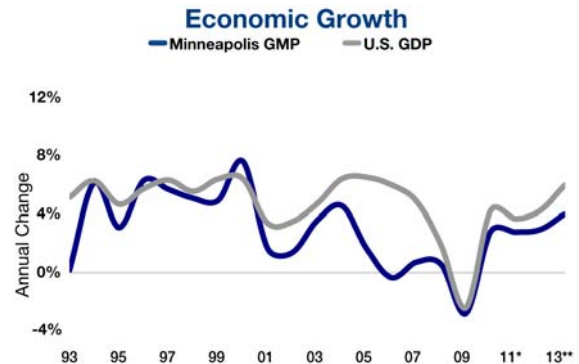
Economy

The Minneapolis-St. Paul metro has a diverse economic base and is home to 19 Fortune 500 companies. The local GMP will increase by an estimated 2.9 percent in 2012.

The Twin Cities are involved in all aspects of the food delivery system, ranging from initial production to final sale. Similar to many other Midwestern cities, the metro has a strong manufacturing base, encompassing both traditional industry and high-tech manufacturing. Relative to other areas, Minneapolis-St. Paul has a high concentration of technology companies. Many are biomedical firms that have developed from research at the University of Minnesota and the Mayo Clinic, located 75 miles south of the metro in Rochester. The region is also the base of a number of major retailers, including Target Corp. and Best Buy Co., in addition to many financial services firms.

Minneapolis houses the Ninth Federal Reserve District, which services Minnesota, the Dakotas, Montana, and portions of Michigan and Wisconsin. A number of financial and insurance institutions are also headquartered in the area.

An ability to handle air, land, river and sea transportation ranks the MSA among the top in the nation for its logistics infrastructure. Its location in the upper Midwest has made the Twin Cities a hub for motor freight companies. Barge lines operate on the Mississippi, Minnesota and St. Croix rivers, transporting agricultural goods to the world via the Mississippi. Minneapolis is only 150 miles from the Port of Duluth, which connects to the Atlantic Ocean through the Great Lakes/St. Lawrence Seaway System.

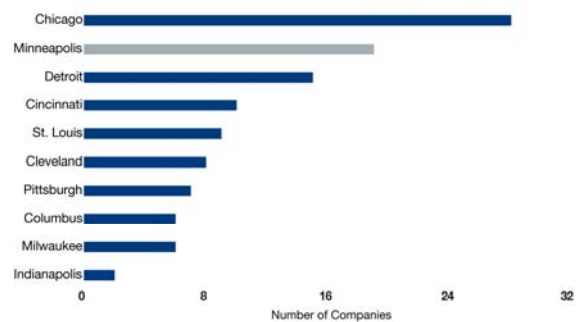


* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BEA, Economy.com



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, Economy.com, U.S. Census Bureau

2011 Midwest Fortune 500 Company Headquarters



Source: Marcus & Millichap Research Services, Fortune

MINNEAPOLIS-ST PAUL

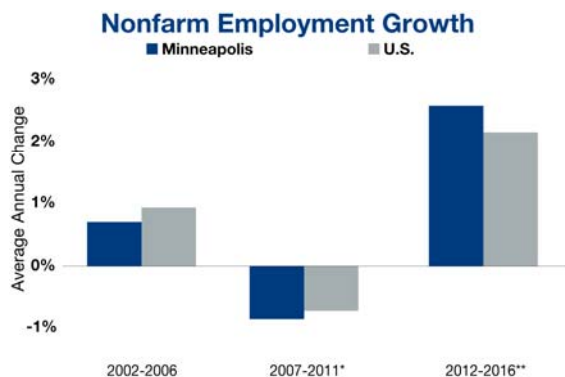
Labor

The local economy is supported by 1.7 million jobs in a wide range of sectors. Over the next five years, all segments will add positions, bringing average employment gains to 2.6 percent annually, which is higher than the projected national growth rate of 2.1 percent per year.

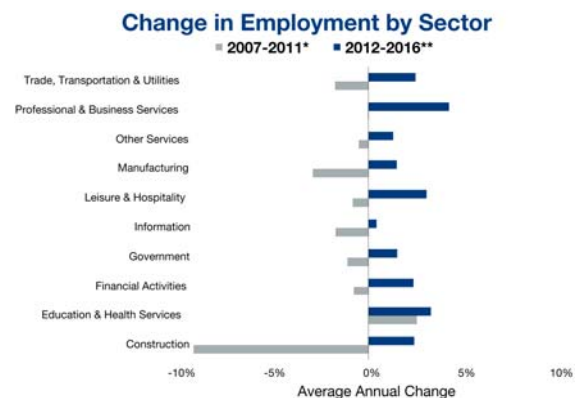
Once dominated by agriculture and manufacturing, the local economy is now driven by the trade, transportation and utilities sector, which employs approximately 310,000 laborers, or 18 percent of the work force. Major retailers headquartered in the area and Delta Airlines, which has a regional hub at the Minneapolis-St. Paul International Airport, account for many of these hires. This segment is forecast to increase 2.5 percent annually over the next five years.

About 16 percent of jobs in the MSA are in the education and health services sector, which is expected to expand by an average of 3.3 percent each year through 2016. The professional and business services sector follows closely behind, with 15 percent of the work force, or 262,000 jobs, and will record the largest growth through 2016, at 4.2 percent annually.

Skilled employees, quality of life and a diverse economy allow for a stable job base. The metro boasts a well-educated labor pool, with 93 percent of the population aged 25 and above attaining a high school diploma. It also ranks highly for its percentage of population aged 25 and above with a bachelor's degree. There are more than 20 institutions of higher learning in the metro, providing education and training to keep the local labor force among the most skilled in the country.



* 2011 Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BLS, Economy.com



* 2011 Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BLS, Economy.com

MINNEAPOLIS-ST PAUL

Employers

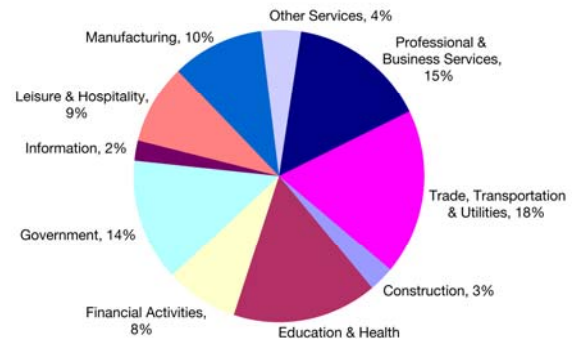
Large employers in the Twin Cities area include the State of Minnesota, the U.S. government, and the University of Minnesota. Other major employers fall within the banking, financial services, technology and healthcare sectors.

Wells Fargo, Travelers Co. and US Bank drive the banking and financial services sector, while Allina Health System, Fairview Health Services and United Health Group, Inc. are key to the growing healthcare industry.

The information sector is poised to add jobs in the coming years, as technology companies such as 3M and Medtronic maintain large presences in the region. Best Buy and Target have significant work forces in the retail sector, as both have headquarters here.

The Mall of America, located in Bloomington, is one of the most popular tourist destinations in the nation, making its economic impact significant. The mall employs approximately 11,000 year-round workers and generates nearly \$2 billion statewide. Plans are under consideration for a second phase of the mall, which could contain 5.6 million square feet of mixed-use space.

Share of 2011 Total Employment*



* Estimate
Sources: Marcus & Millichap Research Services, BLS, Economy.com

Major Employers

- Target Corp.
- University of Minnesota
- Allina Health System
- Fairview Health Services
- Best Buy Co. Inc.
- Wells Fargo Minnesota
- 3M Co.
- United Health Group, Inc.
- Health Partners
- U.S. Bancorp

Office-Using Employment Growth



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, BLS, Economy.com

MINNEAPOLIS-ST PAUL

Demographics

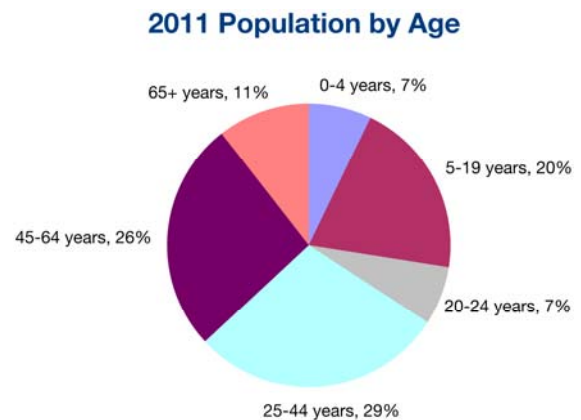
With around 3.3 million residents, Minneapolis-St. Paul is Minnesota's largest metropolitan area. Population growth in the MSA exceeded the national level over the past decade, and will match the U.S. rate over the next five years. High-growth areas fall outside of the urban core; however, new condo developments planned in the central cities will likely boost the populations in both Minneapolis and St. Paul through 2016.

Robust growth in the metro has been supported by an expanding population of well-educated and highly skilled young professionals. The region is home to the University of Minnesota, which has one of largest student populations in the United States at over 50,000. Many of the graduates remain in the area, employed by large corporations headquartered in the region. Nearly 39 percent of residents have attained a bachelor's degree, compared with just 28.6 percent for the nation. The highly skilled work force has helped raise the median household income to nearly \$65,000 annually, well above the U.S. median.

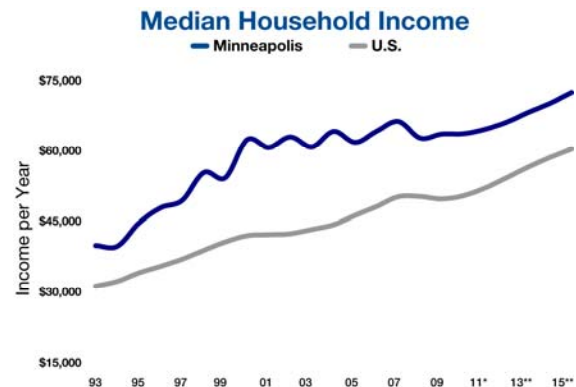
Home prices, which fell during the housing crisis, are affordable, with the median price near \$142,500. Almost 70 percent of residents in the MSA own their own home, which is much higher than 59 percent for the country.



* Forecast
Sources: Marcus & Millichap Research Services, AGS



Sources: Marcus & Millichap Research Services, AGS



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, Economy.com, U.S. Census Bureau

MINNEAPOLIS-ST PAUL

Quality Of Life

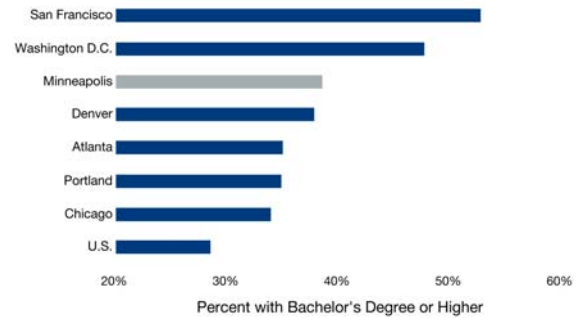
The vibrant Minneapolis-St. Paul area is the entertainment and cultural center of the upper Midwest. Scenery in the metro includes contemporary skylines, historic architecture, and greenways of parks, lakes and the Mississippi and Minnesota rivers.

Minneapolis and St. Paul are home to several professional sports teams, including the Minnesota Vikings, the Minnesota Twins, the Minnesota Timberwolves and the Minnesota Wild. Big Ten college sports also can be enjoyed at the University of Minnesota Twin Cities campus.

The Twin Cities are noted for their array of theaters, orchestras, art museums and gardens. The Walker Art Center, Minneapolis Public Library and the Guthrie Theatre all recently constructed new buildings, and the Minneapolis Institute of Arts had a major expansion. The region has over 100 theater venues, making it the third largest theater market in the country.

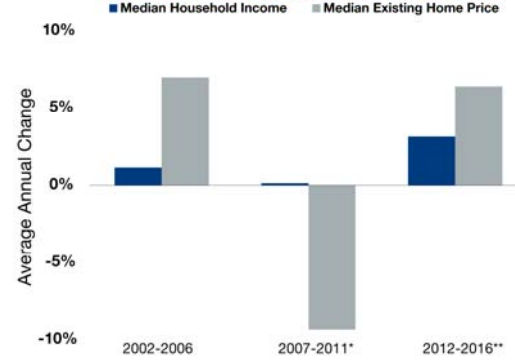
Arts education is also strong in the Minneapolis area, supported by the Minneapolis College of Arts and Design, the Children's Theatre, MacPhail Center for the Arts, Perpich Center for Arts Education, and a variety of education programs at local museums.

2011 Level of Education



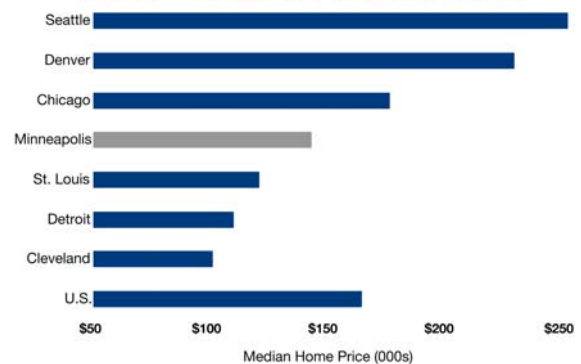
Sources: Marcus & Millichap Research Services, AGS

Income and Home Price Trends



* 2011 Estimate ** Forecast
Sources: Marcus & Millichap Research Services, Economy.com, National Association of Realtors®, U.S. Census Bureau

2011 Median Home Price Comparison



Sources: Marcus & Millichap Research Services, Economy.com, National Association of Realtors®

MINNEAPOLIS-ST. PAUL

Revitalized Corporate Balance Sheets Boost Retail Trends

As corporate profits soar to record levels, regional Fortune 500 companies are adding workers, which will stimulate retail spending and tenant demand. Target, for one, is widening its corporate presence with expansion plans announced for the company's north campus in Brooklyn Park, as well as additional real estate purchases in downtown. Best Buy is an exception, however, trimming its corporate staff earlier this year and planning more cuts as the company begins to close stores. Retailers are making aggressive moves into the market to capture higher demand. Whole Foods, for example, plans to open a store in Edina during the second quarter this year and will expand into a mixed-use apartment project in downtown Minneapolis. The grocer will also open in the former Ultimate Electronics site in the Shoppes of Arbor Lakes in Maple Grove. Both stores are slated to open in 2013. Besides these new projects, several redevelopment projects under way offer additional evidence of the recovery in the retail sector gaining traction. Work has resumed on the Inver Grove Heights Target store, which had been put on hold since the recession. Also, a Walmart Supercenter is taking shape in the former Brookdale Center. The center has been renamed and will also include some speculative inline space. Construction is expected to be completed by the end of the year.

Buyers are active in the Minneapolis-St. Paul retail arena. Local players are selling to move up the quality scale, although they must compete with out-of-state and, in some instances, institutional investors for the limited supply of high-quality properties for sale. In several cases, multiple offers are pushing prices higher and reducing initial yields to the high-6 to low-7 percent range for grocery-anchored centers. Single-tenant properties also trade with cap rates in the mid-5 to low-7 percent range, depending on the location and tenant quality.

2012 Annual Retail Forecast



Employment: Local employers will add 28,000 workers in 2012, increasing total employment by 1.6 percent. Job gains will be broad-based with most sectors expanding. Last year, payrolls in the metro widened by 1.2 percent.



Construction: Approximately 1.4 million square feet of shopping center space will be delivered in 2012, a 1.1 percent increase in total inventory. Last year, developers brought 313,000 square feet online. Some of the larger projects under way will not be completed until next year.



Vacancy: Although retail inventory will jump this year, a large portion of the square footage set to enter the market has been pre-leased. In addition, steady tenant demand will lower the overall vacancy rate in the metro by 50 basis points to 8.7 percent by year end. Vacancy remained unchanged in 2011.

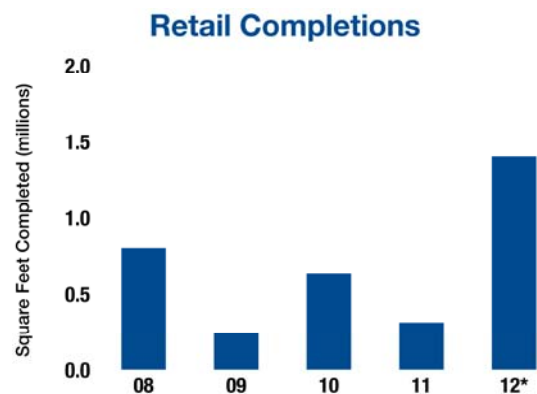
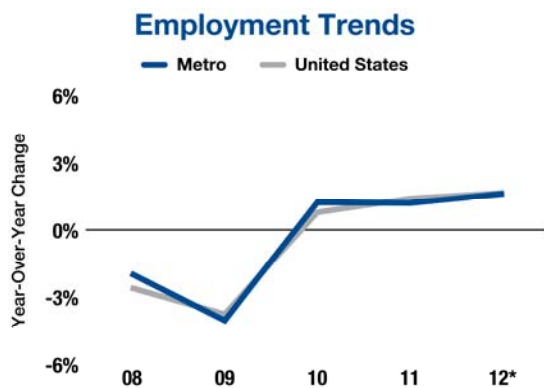


Rents: Higher occupancy will enable owners to lift rents in the metro during 2012. Asking rents will rise 0.4 percent to \$17.17 per square foot, while effective rents advance 0.7 percent to \$14.73 per square foot. Last year, asking and effective rents contracted 0.3 and 0.2 percent, respectively.

MINNEAPOLIS-ST. PAUL

Economy

- Total employment grew by 1.1 percent as approximately 18,800 workers have been added to payrolls year over year, with nearly 15,500 jobs added in the first quarter of 2012. Employment grew 2.3 percent during the preceding year.
- Most employment sectors gained jobs over the past 12 months, with the largest increases in professional and business services, and education and health services. These two segments each added more than 10,000 positions during that time. The sharpest declines were in the government, and leisure and hospitality sectors.
- Expanded job growth and rising consumer confidence gave a boost to retail spending. Retail sales jumped 8.9 percent over the past four quarters, up from a 7 percent rise in the previous 12 months.
- Outlook: Local employers will add 28,000 workers in 2012, increasing total employment by 1.6 percent. Job gains will be broad-based, with most sectors expanding. Last year, employment in the metro expanded 1.2 percent.



* Forecast. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

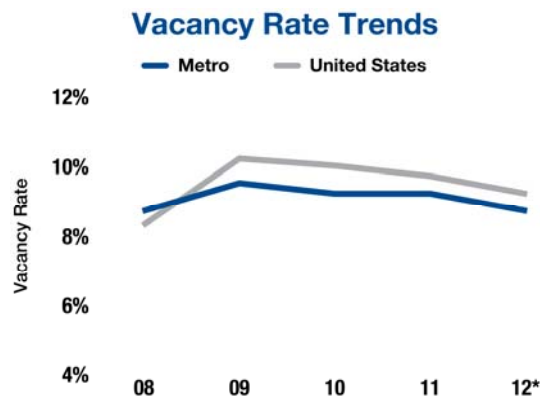
Construction

- More than 216,000 square feet of retail space was completed in the metro during the first three months of the year, bringing the year-over-year total to approximately 314,000 square feet. The annual total is down from more than 737,000 square feet brought online in the prior 12-month period.
- Construction is under way on the second phase of the Mall of America in Bloomington, totaling 5.6 million square feet of mixed-use space. The first building slated for completion is a Radisson Blu hotel. Along with retail space and restaurants, the expansion will also include a Mayo Clinic, a water park and a performing arts theater. The hotel is scheduled to open in late 2012.
- Building activity is ramping up, with more than 4.3 million square feet of retail space in planning. Over 1 million square feet of space is under consideration in the Dakota County submarket.
- Outlook: Approximately 1.4 million square feet of shopping center space will be delivered in 2012, a 1.1 percent increase in total inventory. Last year, developers completed nearly 313,000 square feet.

MINNEAPOLIS-ST. PAUL

Vacancy

- Tenant demand kept up with inventory additions in the first quarter of 2012, leaving vacancy unchanged at 9.2 percent, but down 10 basis points from one year ago. Net absorption totaled more than 408,000 square feet over the past 12 months, compared with more than 1 million square feet one year earlier.
- Vacancy fell 40 basis points from a 15-year high of 9.6 percent recorded in the first quarter of 2010. Since that time, an additional 1.4 million square feet was occupied in the metro.
- Vacancy in neighborhood and community centers declined 50 basis points to 11.7 percent year over year, aided by low construction output. Vacancy has retreated from a 25-year high of 12.6 percent in the second quarter of 2010.
- Outlook: A spike in tenant demand will lower the overall vacancy rate in the metro by 50 basis points to 8.7 percent by the end of 2012. Year over year vacancy remained unchanged in 2011.



* Forecast. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

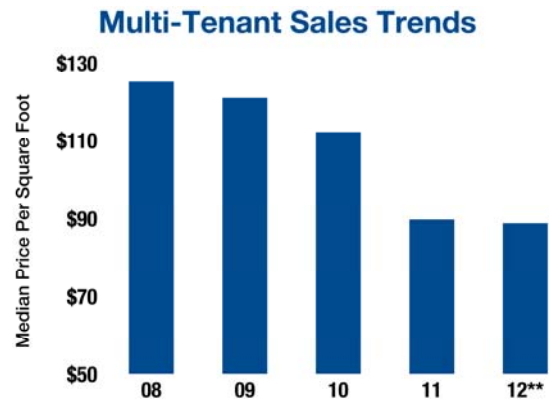
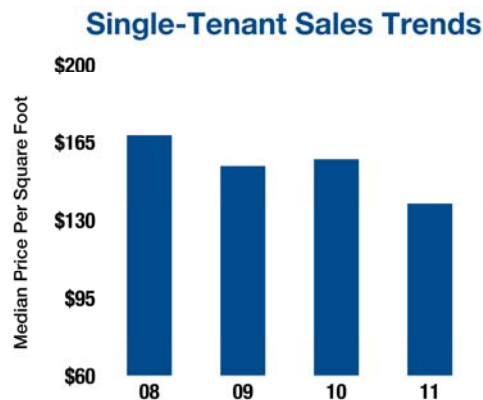
Rents

- Rents are climbing as tenant demand rises. The average asking rent rose 0.3 percent to \$17.15 per square foot year over year in the first quarter. In the preceding year, a 0.8 percent drop was recorded.
- Over the last 12 months, effective rents advanced 0.3 percent to \$14.66 per square foot, contracting concessions slightly. In the previous four quarters, effective rents declined 0.9 percent.
- Rents in all but two submarkets improved over the past year. The largest rent increase was posted in St. Paul. The average asking rent in the submarket bumped up 1.7 percent to \$16.54 per square foot while effective rent jumped 2.0 percent to \$13.90 per square foot year over year in the first quarter.
- Outlook: Higher occupancy will lift rents in the metro during 2012. Asking rents will rise 0.4 percent to \$17.17 per square foot, while effective rents advance 0.7 percent to \$14.73 per square foot. Last year, asking and effective rents contracted 0.3 and 0.2 percent, respectively.

MINNEAPOLIS-ST. PAUL

Single-Tenant Sales Trends**

- Single-tenant transaction velocity has remained relatively stable since 2010. Over the past 12 months, sales slowed just 2 percent, and rose 2 percent in the prior year. Out-of-state and institutional investors remain active in the market seeking quality properties with national tenants, while local buyers focus on smaller assets.
- The median price of single-tenant assets sold during the trailing 12 months was down 18 percent year over year to \$137 per square foot as a higher number of distressed properties traded. Last year, the median price contracted 3 percent.
- Cap rates for single-tenant assets compressed into the high-5 to low-7 percent range for creditworthy tenants in Class A properties. Lesser quality assets traded with initial yields in the high-7 percent range.
- Outlook: Stronger retail sales and active lending will keep investors interested in local assets. Improving values should encourage more sellers wanting to capitalize on cap rate compression to list, lifting transaction velocity in 2012.



* Forecast. Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Multi-Tenant Sales Trends**

- Investor demand for multi-tenant properties increased 75 percent over the past 12 months, after remaining stable in the prior year on light volume. Deal flow was relatively steady throughout the year with buyers active throughout the region.
- The median price of transactions finalized during the trailing 12 months was \$89 per square foot, up 17 percent from the amount recorded in previous year. Sales were active for larger, quality retail centers, the focus of many out-of-state and institutional investors.
- Cap rates for top-tier assets fell into the high-6 to low-7 percent range, while initial yields for lower-quality properties can range between high-7 to mid-8 percent.
- Outlook: The low cost of capital and rising retail sales and higher cap rates should attract buyer attention to multi-tenant assets in the metro. Strengthening operations will encourage more owners to list, while fewer available distressed properties will support a lift in prices.

** Trailing 12-month period

MINNEAPOLIS-ST. PAUL

Capital Markets

- The yield on the 10-year Treasury hovers below 2 percent as political uncertainty in the eurozone has investors flocking to the safety of U.S. bonds. In response, lenders have pushed out loan spreads by approximately 250 basis points to 300 basis points, with CMBS lenders pushing wider.
- Mortgage originations were up 46 percent in the second half of 2011 when compared with the same period the previous year, driven by higher activity among commercial banks and life insurance companies.
- Funding for single-tenant assets with credit tenants will remain plentiful this year. All-in lending rates for drugstore assets currently fall in the high-4 to mid-5 percent range, while loans for fast-food and restaurant properties price 50 to 100 basis points higher. In the multi-tenant sector, lenders are loosening criteria on anchored Class B centers and Class A strip centers.
- Deals under \$10 million will be dominated by local and regional banks, which offer three- to seven-year, fixed-rate recourse loans. In the \$10 million to \$20 million range, CMBS lenders and finance companies step into the picture, while deals over \$20 million typically have access to a full spectrum of sources. On average, debt yields will hover in the 9.5 to 10.5 percent range, translating into LTVs of 65 percent to as high as 75 percent.

Submarket Overview

- Retail construction is ramping up in the Dakota County submarket. Planned projects include a 400,000-square foot upscale outlet mall and the redevelopment of the former Lockheed Martin site in Eagan into a 510,000-square foot retail center. In addition, more than 340,000 square feet is planned in Lakeville.
- Major renovations are under way in three regional centers. In the East Hennepin County/Minneapolis submarket, the former Brookdale Center is being redeveloped into Shingle Creek Crossing with a Super Walmart anchor. At the southern end of the submarket, renovations are under way at Southdale Mall in Edina. Lastly, the Maplewood Mall in the St. Paul submarket is being transformed as well.
- A dearth of construction activity and rising tenant demand has pushed vacancy in the Washington County submarket to one of the lowest rate in the metro. At 6.4 percent, vacancy has fallen 400 basis points from a high of 12.2 percent in 2008.

Applebee's - Ground Lease

BLAINE, MN

DEMOGRAPHIC REPORT

	1 Mile	3 Miles	5 Miles
1990 Population	8,011	62,816	175,793
2000 Population	7,833	68,208	190,369
2010 Population	7,531	69,038	203,426
2011 Population	7,489	69,518	205,368
2016 Population	7,442	71,286	212,171
1990 Households	2,805	22,192	62,007
2000 Households	3,030	25,963	71,343
2010 Households	3,096	26,885	76,952
2011 Households	3,094	27,235	77,844
2016 Households	3,130	28,310	81,252
2011 Average Household Size	2.41	2.54	2.63
2011 Daytime Population	8,174	38,140	78,995
1990 Median Housing Value	\$77,015	\$82,840	\$83,968
2000 Median Housing Value	\$111,302	\$118,187	\$119,465
2000 Owner Occupied Housing Units	77.06%	78.65%	78.43%
2000 Renter Occupied Housing Units	21.95%	19.90%	20.11%
2000 Vacant	1.00%	1.44%	1.46%
2011 Owner Occupied Housing Units	70.96%	75.24%	75.99%
2011 Renter Occupied Housing Units	24.31%	20.68%	19.62%
2011 Vacant	4.73%	4.08%	4.39%
2016 Owner Occupied Housing Units	70.94%	75.10%	76.03%
2016 Renter Occupied Housing Units	24.32%	20.84%	19.58%
2016 Vacant	4.74%	4.06%	4.38%
\$ 0 - \$14,999	8.4%	6.5%	6.8%
\$ 15,000 - \$24,999	9.0%	8.8%	7.0%
\$ 25,000 - \$34,999	12.2%	9.9%	9.6%
\$ 35,000 - \$49,999	15.3%	15.0%	14.4%
\$ 50,000 - \$74,999	23.5%	24.8%	24.9%
\$ 75,000 - \$99,999	18.1%	15.7%	16.8%
\$100,000 - \$124,999	7.1%	10.2%	9.6%
\$125,000 - \$149,999	2.3%	4.3%	4.7%
\$150,000 - \$199,999	2.6%	3.3%	4.2%
\$200,000 - \$249,999	0.6%	0.6%	0.8%
\$250,000 +	0.9%	0.9%	1.2%
2011 Median Household Income	\$54,703	\$59,804	\$61,830
2011 Per Capita Income	\$24,979	\$25,674	\$26,264
2011 Average Household Income	\$60,634	\$65,671	\$68,994

Demographic data © 2010 by Experian/Applied Geographic Solutions.

SUMMARY REPORT

Geography: 5 Miles

Population

In 2011, the population in your selected geography was 205,368 . The population has changed by 7.88% since 2000. It is estimated that the population in your area will be 212,171 five years from now, which represents a change of 3.31% from the current year. The current population is 49.1% male and 50.9% female. The median age of the population in your area is 36.4 , compare this to the U.S. average which is 36.9. The population density in your area is 2,607.82 people per square mile.

Households

There are currently 77,844 households in your selected geography. The number of households has changed by 9.11% since 2000. It is estimated that the number of households in your area will be 81,252 five years from now, which represents a change of 4.38% from the current year. The average household size in your area is 2.63 persons.

Income

In 2011, the median household income for your selected geography is \$61,830 , compare this to the U.S. average which is currently \$53,620. The median household income for your area has changed by 11.92% since 2000. It is estimated that the median household income in your area will be \$65,285 five years from now, which represents a change of 5.59% from the current year.

The current year per capita income in your area is \$26,264 , compare this to the U.S. average, which is \$28,713. The current year average household income in your area is \$68,994 , compare this to the U.S. average which is \$73,458.

Race & Ethnicity

The current year racial makeup of your selected area is as follows: 75.32% White, 9.89% African American, 0.72% Native American and 4.42% Asian/Pacific Islander. Compare these to U.S. averages which are: 72.40% White, 12.60% African American, 0.95% Native American and 4.93% Asian/Pacific Islander.

People of Hispanic origin are counted independently of race. People of Hispanic origin make up 5.23% of the current year population in your selected area. Compare this to the U.S. average of 16.90%.

Housing

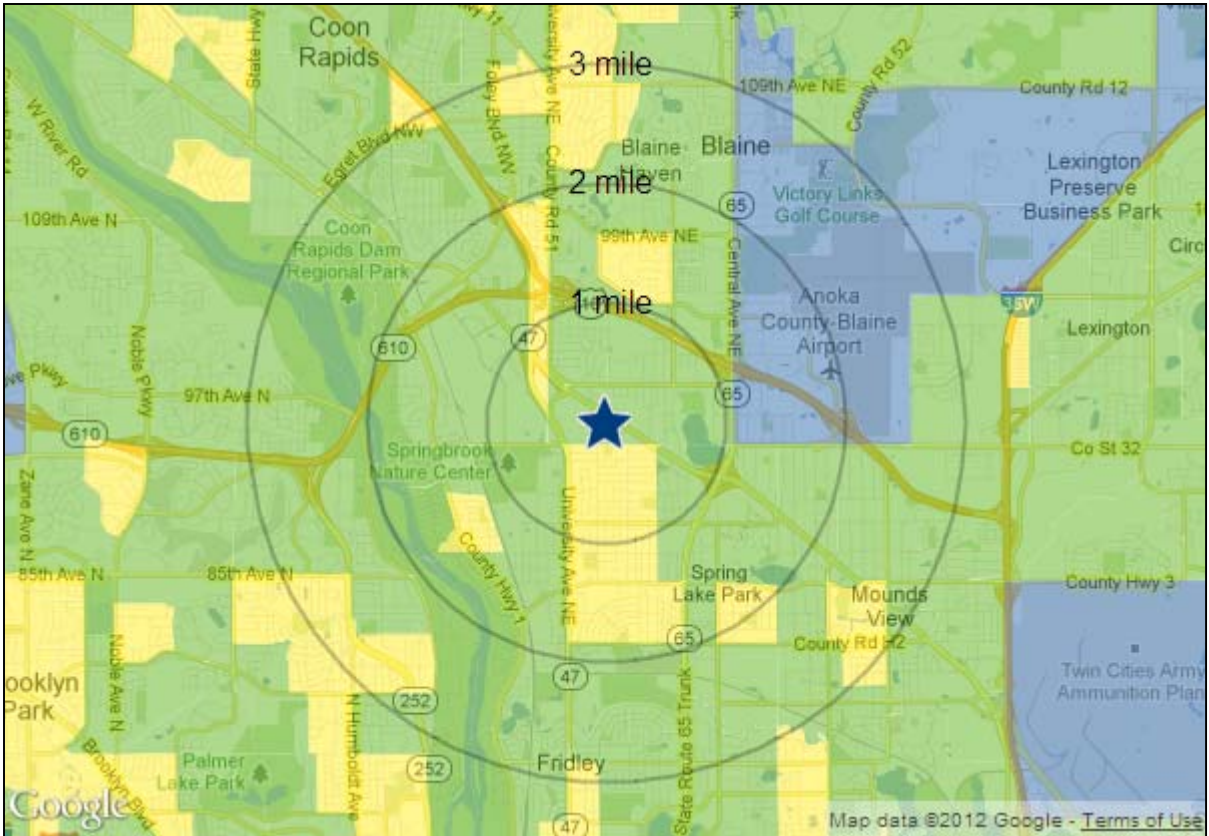
The median housing value in your area was \$119,465 in 2000, compare this to the U.S. average of \$110,796 for the same year. In 2000, there were 56,781 owner occupied housing units in your area and there were 14,563 renter occupied housing units in your area. The median rent at the time was \$637 .

Employment

In 2011, there are 78,995 employees in your selected area, this is also known as the daytime population. The 2000 Census revealed that 62.1% of employees are employed in white-collar occupations in this geography, and 37.9% are employed in blue-collar occupations. In 2011, unemployment in this area is 8.25% . In 2000, the median time traveled to work was 22.8 minutes.

Demographic data © 2010 by Experian/Applied Geographic Solutions.

POPULATION DENSITY



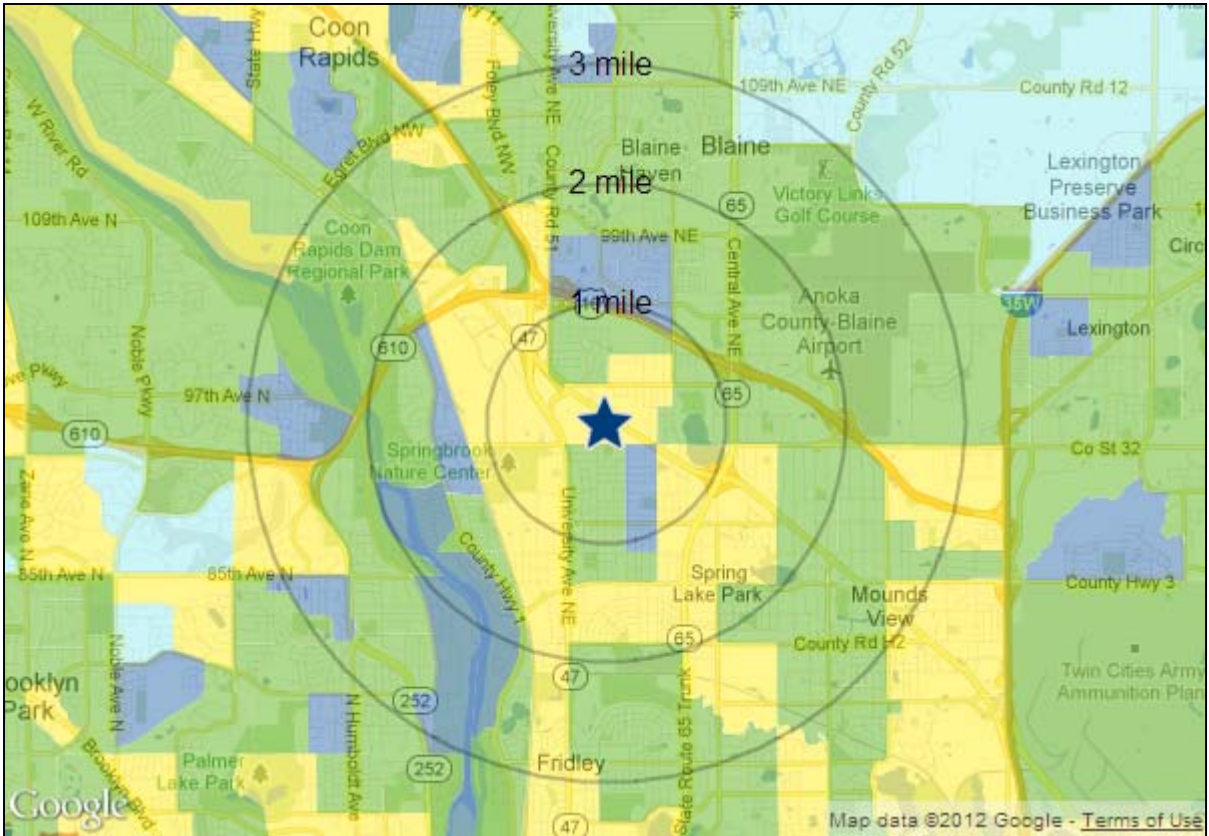
Demographic data © 2010 by Experian/Applied Geographic Solutions.

Population Density

Theme	Low	High
Low	less than	55
Below Average	55	475
Average	475	4100
Above Average	4100	35000
High	35000	or more

Number of people living in a given area per square mile.

EMPLOYMENT DENSITY



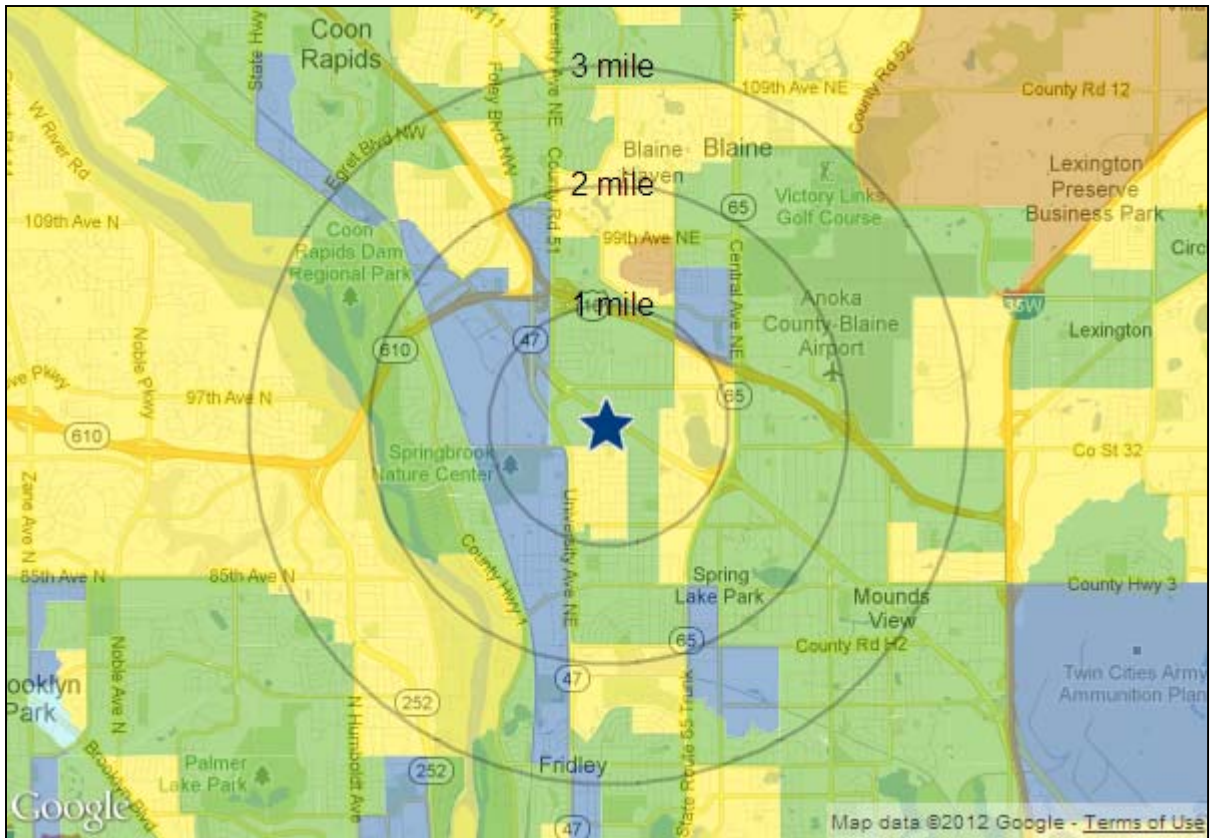
Demographic data © 2010 by Experian/Applied Geographic Solutions.

Employment Density

Theme	Low	High
Low	less than 9	9
Below Average	9	96
Average	96	1025
Above Average	1025	10875
High	10875	or more

The number of people employed in a given area per square mile.

AVERAGE HOUSEHOLD INCOME



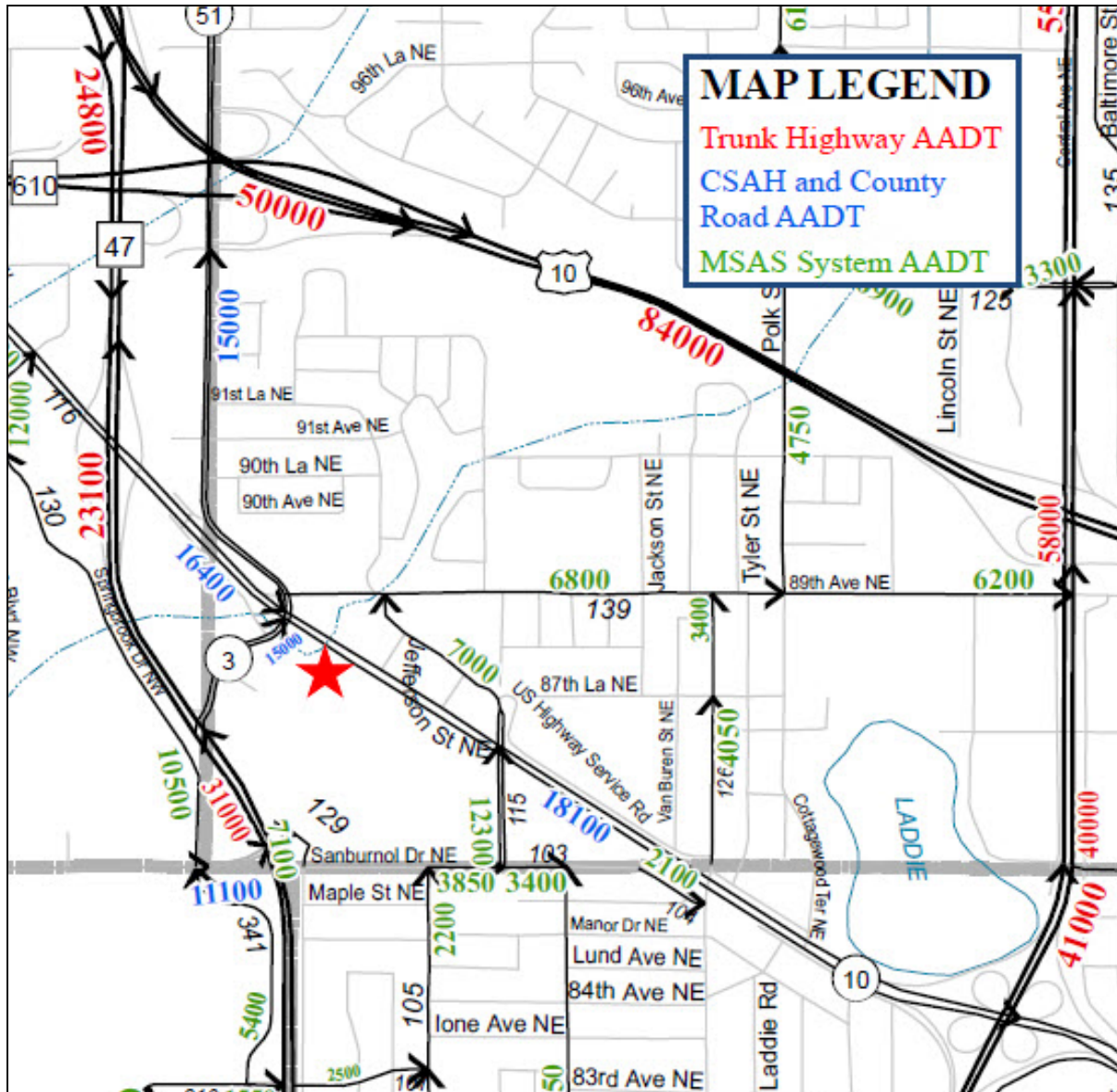
Demographic data © 2010 by Experian/Applied Geographic Solutions.

Average Household Income

Theme	Low	High
Low	less than	\$29,500
Below Average	\$29,500	\$48,500
Average	\$48,500	\$80,000
Above Average	\$80,000	\$132,500
High	\$132,500	or more

Average income of all the people 15 years and older occupying a single housing unit.

TRAFFIC COUNTS



Map Source:
 Minnesota Department of Transportation
 Office of Transportation Data and Analysis
 Traffic Volume Program
http://www.dot.state.mn.us/traffic/data/html/volume_program.html

Applebee's - Ground Lease

BLAINE, MN

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