

**SECTION III: COMMERCIAL MARKET ANALYSIS**

## ANCILLARY USES

As previously mentioned, the proposed Ballpark Commons Development is centered around the proposed baseball stadium located near the existing Rock sports complex. C.H. Johnson Consulting, Inc. has already concluded that *the development of a proposed Franklin stadium would be a successful investment on behalf of the City, which would serve as a catalyst to spur new development and entertainment in the City of Franklin.* The Market Feasibility Study completed by C.H. Johnson Consulting, Inc. (March 2014) analyzed the market viability of a proposed minor league stadium in Franklin and quantified the total economic and fiscal impact the proposed stadium would have on the local community. At the time of the study The Rock had an annual attendance of approximately 84,000 people, with projections anticipated to increase to just under 100,000 people annually. Under the best case scenario included within the study, average annual attendance with the proposed stadium in place was projected to total over 220,000 visitors, an increase of approximately 140,000 people to the immediate neighborhood annually.

Given the amount of visitors anticipated to be generated by the development of the baseball stadium it appears likely that the adjacent subject sites could provide a viable location for complimentary commercial uses. These uses could potentially compliment any proposed multi-family development on the southern portion of the subject property. As shown previously within the report, the developer is proposing a mix of commercial uses along a strip of land immediately south of West Rawson Avenue (to the north of the proposed multi-family area) and along a to-be-acquired strip on land that is located in between West Loomis Road (to the southeast) and the existing Rock complex (to the northwest). Proposed complimentary uses include a mix of retail (including restaurant uses), office, and lodging type uses. Given the potential for a population increase, both permanent (with the proposed multi-family) and transient (with the proposed baseball stadium) it appears that the subject site could support such complimentary commercial uses.

The previously referenced Market Feasibility Study highlights details on five case studies of recently developed minor league stadiums throughout the country that spurred additional area development. Though each of these developments varied and are somewhat different from the City of Franklin, they still are examples of ancillary development as a result of the addition of a minor league baseball stadium to the area. Specific details on the five case studies can be found within the referenced report however, the concluded implications for the City of Franklin on a potential development by C.H. Johnson Consulting, Inc. were as follows:

*Redevelopment projects can be tipping points for many communities. Through such catalyst developments, many communities find themselves with increased attractions and amenities that add to the quality of life for residents. Hence, the importance of the baseball stadium cannot be overlooked. It can change the course of Franklin and add vitality to attract visitors and residents. In the first year or two, the key is to make existing businesses do better. Our experiences in Pensacola, Greenville and other markets supports that they will.*

*Officials in Tulsa, Norfolk, and Birmingham were creative in transforming blighted areas through their baseball stadiums. Officials in Pearl and Pensacola worked collaboratively with private developers in an attempt to realize their area vision. The combination of the concepts seen in these other markets will occur in Franklin. Baseball stadiums drive ancillary development. Through proper planning, use of selected incentives, and community engagement that many of the cities described earlier in this section used, Franklin can position the baseball stadium to entice additional revitalization in the area.*

### **General Market Conditions**

The local office market is relatively soft and there has been minimal construction within recent years. Further, few developers would consider constructing such a property on a speculative basis. Given the current market conditions, it is likely that any proposed office use would have to be substantially pre-leased (if not fully pre-leased) for any development to occur.

New retail development has been realized on a slightly steadier pace within the greater Milwaukee area. Most of the new retail development is centered around these “town center” style developments that have been occurring in recent years. In areas like Wauwatosa, Brookfield, Mequon and Oak Creek, there has been construction of large scale mixed-use developments that include residential and commercial components. The subject is somewhat unique as it will be potentially anchored by a baseball stadium, however, retail development (including restaurant uses) appears to be reasonable. Similarly to the current office segment, current market conditions would not support purely speculative development. It is likely that any proposed retail use would have to be substantially pre-leased or have users in place (owner occupant), for any development to occur. Later within this section we will test the financial feasibility of the other proposed complimentary uses at the subject property. It should be noted that any of these potential development uses are tied to the proposed development of the baseball stadium (I.e. if the stadium is not constructed, the other uses may not make sense given current market conditions).

### **City Survey**

In July 2005, the City of Franklin conducted a city-wide planning survey as a part of the initial involvement phase of the Comprehensive Master Plan Update. This survey asked residents open-ended questions to determine specific types of businesses that are desired or not desired within the City of Franklin. For the entire City, the respondents indicated that dining, specialty shops, and large format retail were the top three types of desired businesses. On a micro level, residents indicated the top three businesses for Planning Area D (where the subject is located) of dining, specialty shops, and large retail. Therefore, it appears what the residents desire from a commercial standpoint for the City as a whole, they would also like to see within the subject’s specific neighborhood. At the time of the survey, the subject’s neighborhood realized the highest average household income of the designated trade areas throughout the City.

**What types of businesses would you  
like to see in Franklin?**

Area D	Dining	23.3%
	Specialty shops	17.3%
	Large retail	16.5%

Survey respondents suggested a number of business uses for the City that included a wide variety of specific retail and restaurant type uses. Suggested retailers included a mix of large format retailers, specialty shops, and boutique retailers, while suggested restaurant uses including a mix of cafes, parlors, sit-down family-style, fast casual, casual, and fine dining. Based on the responses, there was no desire for additional fast food style restaurants in the neighborhood. From discussions with those who are active within the City of Franklin, it was generally indicated that the City lacked quality dining options. Residents often have to travel to nearby communities to fulfill these dining needs. Based on this survey it appears there is demand for new retail and/or restaurant developments within the subject's neighborhood.

**Retail / Restaurant**

In terms of the type of users of the ancillary commercial space, recent mixed-use developments have trended toward including more local community users versus national credit retailers. Local users reflect the broader community and are more closely aligned to the specific interests of the community. Whereas national grade users, though attractive investment components, may not represent the local community as a whole and can create a less cohesive environment. A lack of cohesion could potentially be a negative facet to the property from a marketing and leasing standpoint for both the residential and commercial tenants. With a greater focus on local users, the development as a whole tends to feel like one large mixed use development comprised of complimentary type uses and users.

For example, some of WiRED Properties, most recently completed (and under construction) mixed-use developments from the greater Milwaukee area have leased 75 to 100 percent of their commercial space to local users. These developments (located in Mequon and Shorewood) include local users such as Café Hollander, a chiropractor's office, a yoga studio, a physical therapy office, Collectivo coffee shop, women's and children's boutique clothing stores, the Ruby Tap, etc. Even some of the national branded tenants are owned and operated by local franchisees. Furthermore, the commercial space within the nearby Drexel Town Square (approximately half leased) includes a local mix of tenants including BelAire Cantina, a chocolate factory restaurant, and Performance Running Outfitters. The inclusion of the local users helps to ensure long term viability and value at each respective development. Similar types of uses and users would be appropriate for the proposed commercial space at the subject development.

The primary objective with the mix of residential and commercial uses that includes a focus on local users is to create an all-encompassing community with a local identity where residents and neighbors can live, eat, work, and be entertained all within walking distance or a short drive.

Given the proposed development will include a mix of consumers, both quasi-permanent (multi-family residents) and transient (attendees of the recreational complex), it would be appropriate to include a mix of users in regards to retail and restaurant types. In order to cater to the needs of the varying demographics (primarily age and income) of the consumers a variety of retail and dining options is recommended. For example, the proposed apartments are considered luxury in nature and appeal to a more affluent consumer that may prefer casual or fine dining versus the transient consumers that may have less disposable income (due to travel/recreational expenses at the stadium) and would prefer the less expensive fast-casual options. It is important to note, the overall development will appeal to a wide range of consumers, from the residents who live there year round within the luxury apartments to those who come to the area for the recreational facility or entertainment and are only there for a short period of time. Therefore, the ancillary commercial space should include a mix of uses and users that meets the needs of the different types of consumers that will be active in the neighborhood.

Some of the local uses that would be viewed as complementary fits to the proposed subject development include the following:

- Restaurants (Casual, Fast-Casual, Fine Dining)
- Smaller Café-Style Shops (i.e. coffee shop)
- Boutique Retail
- Health/Wellness
- Beauty
- Professional Services

The above referenced uses have been successfully integrated into newer mixed-use developments within suburban Milwaukee (see WiRED Properties) in recent years. Furthermore, the operators of these uses are primarily local and provide for a unique identity and sense of community for each of the respective developments. As a result the overall appeal and long term viability of these projects is strengthened. The subject's location, which is a desirable suburban Milwaukee location when compared to the areas that have realized these larger developments, appears to be compatible with the proposed mixed-use development anchored by a baseball stadium and luxury apartments. Such development would benefit from additional ancillary commercial uses (see above) to service the needs of the consumers. The resulting overall development would be an all-encompassing community with a local identity. Furthermore, the development would be a positive for the area that could spur additional development within the City of Franklin.

### Lodging

The Market Feasibility Study performed by C.H. Johnson Consulting, Inc. projected annual visitors to total over 220,000 visitors with the inclusion of the baseball stadium. It should be noted that this report did not consider the impact of the proposed four seasons indoor stadium. From discussions with parties involved within the development of the subject property, current estimates are closer to 250,000 annual visitors once the proposed stadium and indoor facility are complete. The Market Feasibility Study projects there to be 16,200 visitors that would require room nights between the existing Rock complex and the proposed stadium. Again, this figure does not consider any visitors as a result of the proposed indoor facility. A total of 16,200 overnight visitors equates to approximately seven percent of the total anticipated annual visitors.

Located on the opposite side of West Loomis Road, across from The Rock, is the recently constructed five-story, 100-room Hampton Inn. From discussions with the property owner the hotel opened in August 2015, which was somewhat behind schedule. The hotel is currently in the process of stabilizing, a period that ownership believes will take approximately three years based on their experience in the hotel industry. The owner is fairly confident the hotel will reach stabilization within the projected three-year period and a full season of exposure to The Rock complex and planned events there should help increase average daily rates.

The owner of the Hampton Inn did indicate he would have an interest in developing a future hotel in the neighborhood if the baseball stadium and indoor facility were constructed. He believes these two facilities (with the indoor facility being the main year-round driver) would increase the demand for additional hotel space in the immediate area. He did indicate that though there may be demand for a second hotel, once the recreational facilities are completed, that there most likely would not be demand for a third hotel of a similar size (approximately 100 rooms). It was noted that there are too many other opportunities for hotels with superior locations (i.e. closer to the airport), where a third hotel in the subject's immediate area would be desired.

Per the Market Feasibility Study, there are approximately 99 lodging facilities within a 20 mile radius of the subject offering a total of approximately 12,000 rooms. However, the only other chain hotel within the City of Franklin is the 114-room Staybridge Suites (constructed in 2009), which is located approximately seven miles southeast of the subject property. There are a number of chain hotels located within a pocket near the General Mitchell International Airport, approximately six miles east of the subject.

From discussions with the owner of the existing Hampton Inn, it was indicated that the Staybridge and the cluster of hotels located near the airport are the primary competition for this property. Any future hotel development at the subject property would likely have a similar competitive set. Per an Milwaukee Airport Monthly STAR Report (dated August 2015), the average occupancy of the competitive set for the trailing 12 months was 68.2 percent, while the ADR was \$91.12, resulting in a RevPAR of \$62.13 for the T12 period.

The competitive set is comprised of the LaQuinta Inn & Suites, Hampton Inn, Comfort Suites, Holiday Inn Express, and Fairfield Inn & Suites. The T12 occupancy and ADR figures, and resulting RevPar figures have each increased in the past three years. Therefore, given the amount of room nights to be generated the proposed baseball stadium, and lack of existing lodging facilities within the City of Franklin, a lodging use within close proximity to the facility could capture a majority of the overnight visitors along with the existing Hampton Inn facility.

Based on number of overnight rooms anticipated to be generated by the baseball stadium, a number that would increase with an indoor facility with year-round use, and the general discussions with the abutting Hampton Inn owner, it appears that there would be additional demand for hotel space if the Ballpark Commons were to be developed. Given, the lack of recent success at the neighboring Hampton Inn, which can somewhat be attributed to the delayed opening, it is difficult to forecast demand for a significant amount of hotel rooms within the immediate area. It appears there may be demand for an additional similarly sized hotel within the immediate area, however, the other area lodging facilities (located approximately seven miles from the subject property) help to satisfy the demand of current and proposed operations. Additionally, any future hotel development should potentially be phased in after the existing Hampton Inn facility nears a stabilized level of operations.

## **FINANCIAL FEASIBILITY**

We have performed a financial feasibility test for retail, office, and lodging type uses. The retail analysis includes general restaurant type uses. For purposes of comparison we have analyzed each of the proposed uses on a per square foot basis. Each of the property types are subject to a set of assumptions. The bullet points below summarize the assumptions utilized within each property type. It should be noted that lease and sales comparables that provide insight into the per square foot market rates and overall capitalization rates utilized within our projections are included within our workpapers.

### **Retail**

- In general, recently signed retail leases at suites within newly constructed multi-tenant facilities from the area have ranged from approximately \$25 to \$35 per square foot, with a midpoint of \$30 per square foot, triple net. As a conservative estimate, we have utilized the low end of the range in our analysis.
- Per the CoStar report included within the **Appendix**, the Total Retail Market for the SW Outlying Milwaukee submarket, which includes the subject property, realized a Fourth Quarter 2015 vacancy of 7.5 percent. We have utilized a similar vacancy rate within our analysis.
- We have applied an overall capitalization rate of 7.00 percent, which is within range of many of the recent newly-constructed multi-tenant retail sales within southeastern Wisconsin.
- Restaurant leases are often a function of store sales as opposed to the more commonly used per square foot rates utilized in traditional retail developments. The most appropriate way to estimate an appropriate market rent for a successful restaurant property is to analyze historical sales of the property and apply a market supported rent factor. From our discussions with market professionals of restaurant leases, a rent of five to 10 percent of net sales, with six to nine percent being the more common range realized. Total occupancy costs, including real estate taxes, CAM, insurance, and relates property occupancy costs paid for directly by the tenant will add an additional approximately three to four percent on top of the six to nine percent of sales triple net rent. Total occupancy costs should be no more than 12 percent, while a more typical ceiling is 10 percent. Given the proposed status of the subject development and the lack of historical sales to analyze we have included the restaurant type uses within our general retail analysis.

### **Office**

- Asking rates for newer office product within the subject's submarket tend to vary, but for the most part can range from \$11 to \$15 per square foot, triple net. The subject's location from a pure office standpoint is considered to be inferior to those suburban office parks located within nearby Brookfield or Wauwatosa, where rental rates tend to be in the mid-to-high teens on a per square foot basis (triple net). Our projections are based on a more traditional office user and we have utilized a market rental rate of \$10.00 per square foot, triple net.

- Additionally, newly constructed medical office space (often on a built-to-suite basis) generally has realized lease rates ranging from \$20 to \$28 per square foot, triple net in the greater Milwaukee area.
- Per CoStar the Total Office Market for the SW Outlying Milwaukee submarket, which includes the subject property, realized a Fourth Quarter 2015 vacancy of 10.7 percent. We have utilized a similar vacancy rate within our analysis.
- We have applied an overall capitalization rate of 8.50 percent, which is within range of many of the recent office sales within southeastern Wisconsin.

### Lodging

- The Competitive Set, which would most likely compete with any future subject lodging development realized a T12 RevPar of approximately \$62.00 as of August 2015. It should be noted that the RevPar within the competitive set has increased approximately \$4.00 in each of the past two years. However, this does not factor in the recently opened Hampton Inn, which is currently not stabilized. Therefore, while a total RevPar projection increase could be likely, given the status of the neighborhoods newest lodging facility we have utilized a RevPar of \$62 within our projections.
- RevPar, which is the Average Daily Rate (ADR) multiplied by occupancy, directly considers a vacancy deduction.
- We have based our analysis on an average of 525 gross square feet per room, which is typical within the Milwaukee marketplace.
- Total operating expenses, which includes Undistributed Expenses, Departmental Expenses, and fixed expenses are projected to total 70 percent of revenue, which is near the average for the subject's region per the 2014 STR Host Study.
- An overall capitalization rate of 8.75 percent is near the average of the National Limited-Service Midscale Lodging Segment, as indicated by PwC within their Third Quarter 2015 report.

Presented on the following page is the **Financial Feasibility Test** for the potential general retail, office, and lodging uses at the subject property. It should be noted, based on the specific use and/or user the base construction costs could vary significantly, especially for a retail or restaurant type users. Supporting documents including rent comparables, sales comparables, and costs (provided by Marshall Valuation Services - MVS) are included within our workpapers.

<b>FINANCIAL FEASIBILITY TEST</b>				
<b>Front Door Analysis</b>				
<b>Rent to Cost</b>	<b>Retail</b>	<b>Office</b>	<b>Lodging</b>	
Market Rent / SF	\$ 25.00	\$ 10.00	\$ 43.10	
Land Subtraction (15%)	15%	15%	15%	
Market Rent Pre-Land	\$ 21.25	\$ 8.50	\$ 36.64	
SF / Unit	1.00	1.00	1.00	
PGI	\$ 21.25	\$ 8.50	\$ 36.64	
Market Vacancy	<u>7.50%</u>	<u>10.00%</u>	-	
EGI	\$ 19.66	\$ 7.65	\$ 36.64	
Operating Expenses	<u>3.00%</u>	<u>3.00%</u>	<u>70.00%</u>	
Annual NOI	\$ 19.07	\$ 7.42	\$ 10.99	
Capitalization Rate	7.00%	8.50%	8.75%	
Est. Stabilized Value	\$ 272	\$ 87	\$ 126	
<b>Justified Cost / SF</b>	<b>\$ 272</b>	<b>\$ 87</b>	<b>\$ 126</b>	
<b>Back Door Analysis</b>				
<b>Cost to Rent</b>	<b>Retail</b>	<b>Office</b>	<b>Lodging</b>	
Cost / SF (MVS)**	\$ 200	\$ 175	\$ 150	
Land Addition (15%)	\$ 230	\$ 201	\$ 173	
SF / Unit	1.00	1.00	1.00	
Total Cost / Unit	\$ 230	\$ 201	\$ 173	
Capitalization Rate	7.00%	8.50%	8.75%	
NOI	\$ 16.10	\$ 17.11	\$ 15.09	
Operating Expenses	<u>3.00%</u>	<u>3.00%</u>	<u>70.00%</u>	
EGI	\$ 16.60	\$ 17.64	\$ 50.31	
Market Vacancy	<u>7.50%</u>	<u>10.00%</u>	-	
PGI	\$ 17.94	\$ 19.59	\$ 50.31	
<b>Justified Rent / SF</b>	<b>\$ 17.94</b>	<b>\$ 19.59</b>	<b>\$ 50.31</b>	

\*\*Includes 15% Entrepreneurial Profit on top of base costs from Marshall Valuation Services.

We have performed both a Front Door Analysis (from market rental rates to justified costs) as well as a Back Door Analysis (from costs to construct new to justified market rental rates) for the potential uses at the subject property utilizing the assumptions detailed previously. As shown in the table above retail type use is a financially feasible use for the subject property that would be supported by the marketplace. Given the current market condition, current rental rates achieved in the marketplace for office and lodging type properties, these rates do not justify costs of new construction. However, construction costs for an office user could be justified in a built-to-suite scenario where a lease rate would be a function of the total costs.

Though current market conditions do not indicate a lodging use to be financially feasible, it appears there could be future demand if the proposed baseball stadium and indoor facility are constructed. Based on current construction costs if a RevPar of approximately \$70.00 (or \$8.00 higher than the current competitive set) could be achieved, then the lodging use becomes financially feasible. An increase in RevPar could come from an increase in occupancy, an increase in ADR, or a combination of the two. If the baseball stadium and indoor facility are constructed, it is likely the occupancy variable could be the one to increase. As previously mentioned, the RevPar of the competitive set, which is comprised of a set of five hotels located near the airport, has increased by approximately \$4.00 each of the past two years. It is likely that any future hotel development should potentially be phased in after the existing Hampton Inn facility nears a stabilized level of operations.

Based on the above analyses, current market conditions support retail uses as a financially feasible use, while office and lodging uses are not currently financially feasible.

## CONCLUSIONS

Our conclusions regarding the proposed ancillary commercial component are included below:

- It appears that a potential baseball stadium development would spur ancillary commercial uses. Additionally, the inclusion of a multi-family component to the stadium would help to enhance the population of permanent and transient consumers to the area.
- The residents of Franklin appear to desire more traditional retail and dining uses for the subject's immediate neighborhood. Such uses would complement the proposed baseball stadium and multi-family residential component.
- Ancillary commercial uses (including retail and restaurant) should focus on local users in order to reflect the broader community as these users are more closely aligned to the specific interests of the community.
- The proposed subject development would benefit from additional ancillary commercial uses (retail/restaurant) to service the needs of the potential consumers. The resulting overall development would be an all-encompassing community with a local identity.
- Current market conditions support retail uses as a financially feasible use, while office and lodging uses are not currently financially feasible. However, given current market conditions, it is likely that any proposed ancillary use would have to be substantially pre-leased or have users in place (owner occupant), for any development to occur.
- While not currently financially feasible, if the RevPar (Average Daily Rate x Occupancy) were to increase at a rate that is currently being realized by the competitive set, a lodging use could be financially feasible within approximately two years. This assumes that the neighboring Hampton Inn stabilizes as projected and realizes a RevPar that is in line with or superior to the competitive set.
- It appears as though the proposed baseball stadium and indoor facility could generate enough overnight stays for an additional lodging facility in the immediate area, however, any future hotel development should potentially be phased in after the existing Hampton Inn facility nears a stabilized level of operations.
- Any of these potential development uses are tied to the proposed development of the baseball stadium (i.e. if the stadium is not constructed, the other uses would not be financially feasible given current market conditions).

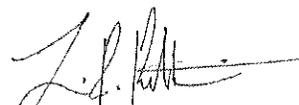
## CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Peter A. Moegenburg, MAI, ASA and F. Russell Rutter have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- F. Russell Rutter made a personal inspection of the property that is the subject of this report on January 22, 2016. Peter A. Moegenburg, MAI, ASA did not inspect the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Peter A. Moegenburg, MAI, ASA has completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, F. Russell Rutter has completed the Standards and Ethics Education Requirements for practicing affiliates of the Appraisal Institute.



Peter A. Moegenburg, MAI, ASA  
Wisconsin Certified General Appraiser No. 296



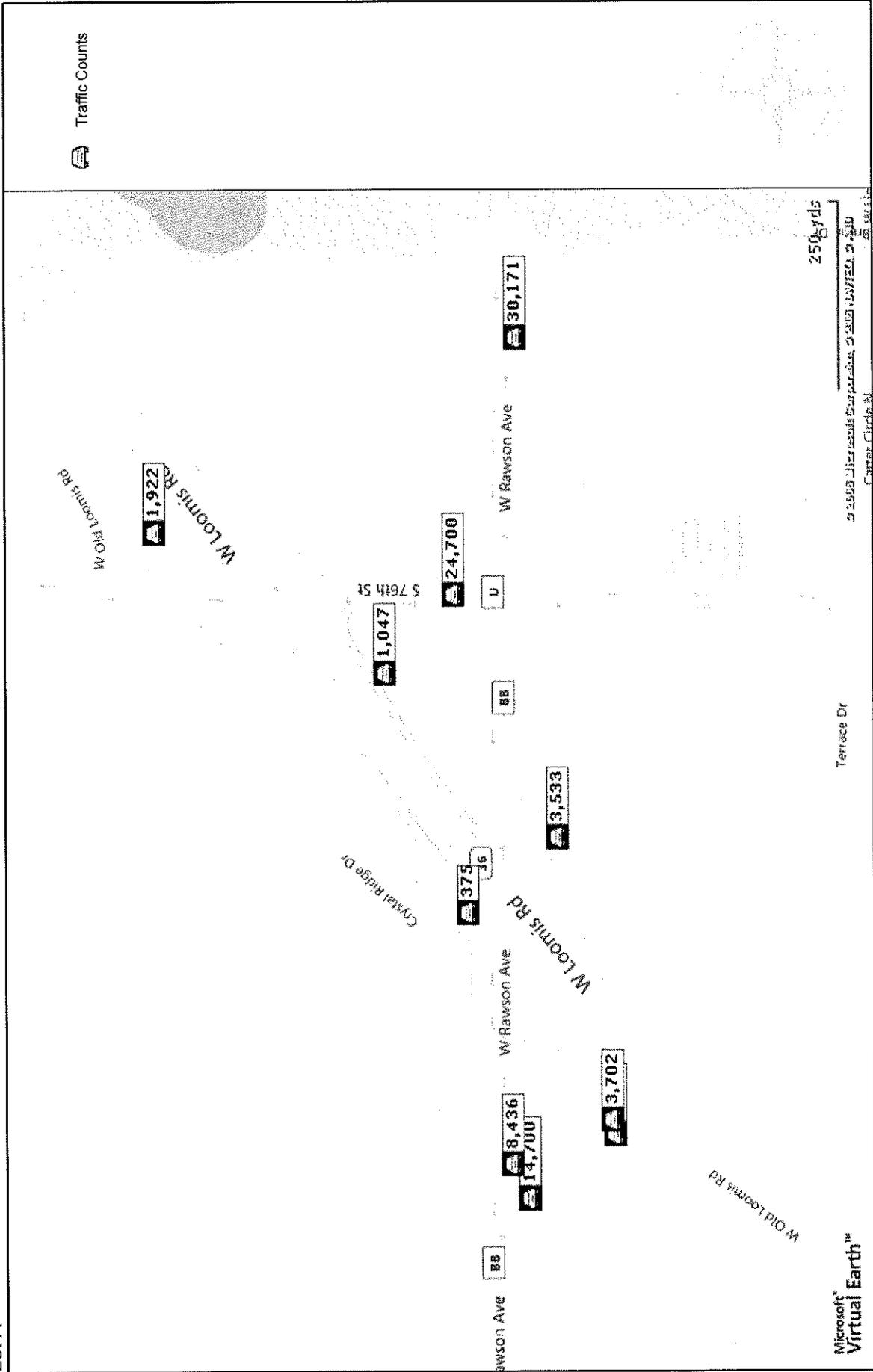
F. Russell Rutter, Associate  
Wisconsin Certified General Appraiser No. 2149

**SECTION IV: APPENDIX**

**ADDITIONAL PROPERTY INFORMATION**

# Traffic Count Map

8201 W Rawson Ave, Franklin, WI 53132  
 Lot A



# ECONOMIC PROFILE

City of Franklin, WI

## Population

Year	Number	Percent Change
1980	6,871	--
1990	21,855	29.5
2000	29,494	35.0
2010	35,451	20.2
2011(est.)	35,504	0.1

Source: U.S. Bureau of the Census, and the Wisconsin Department of Administration.

## Housing

Year	Number	Percent Change
1980	5,360	--
1990	7,753	44.6
2000	10,602	36.7
2010	13,642	28.7

### Unit Information: 2010

Total Units.....	14,356
Owner Occupied.....	10,485
Median Value.....	(2006-2010) \$239,800
Renter Occupied.....	3,157
Median Rent.....	(2006-2010) \$841
Vacancy Rate.....	7.1%

### Units Authorized by Building Permits: 2011

Total Units.....	91
------------------	----

Source: U.S. Bureau of the Census, City of Franklin Building Inspection Department

## Income

### 2006-2010 Per Capita Personal Income

City of Franklin.....	\$33,362
Milwaukee County.....	\$23,740
Metro Milwaukee.....	\$43,042
Wisconsin.....	\$26,624

Source: U.S. Bureau of the Census, and the Metropolitan Milwaukee Association of Commerce

## Taxes

### Local Property Taxes: 2011

Assessment Ratio:	0.992596108
Net Rate/\$1,000:	
Franklin School District in MMSD:	\$24.12
Franklin School District not in MMSD:	\$22.60
Oak Creek School District in MMSD:	\$21.34
Oak Creek School District not in MMSD:	\$19.82
Whitnall School District in MMSD:	\$22.06
Aggregate Full Equalized Value:	\$3,676,379,700

## Media

### Local Newspapers

- Franklin Now, Weekly
- Franklin / Hales Corners Citizen, Weekly
- Milwaukee Journal-Sentinel, Daily

## Transportation

### Highways

- Interstate Highway I-94 located immediately east of the City; Interstate Highway 43 located immediately north of the City.
- United States Highways 41 and 45
- State Trunk Highways 36 and 100
- County Trunk Highways A, H, J, U, BB, MM, OO, and ZZ

### Trucking

- 273 Trucking establishments located in Milwaukee County

### Air Services

- General Mitchell International Airport, located 8 miles northeast of Franklin
- John H. Batten Field, located 10 miles southeast of Franklin
- Chicago's O'Hare International Airport, located 70 miles south of Franklin.

### Water Transportation Facilities

- Port of Milwaukee located 12 miles northeast, with direct freeway connections to the City

### Public Transit

- Northeastern portion of the City is served by one freeway flyer bus route
- Specialized transportation service available to the elderly and persons with disabilities through two special Milwaukee County Public Transit programs

### Railway Service

- Accessible in nearby Oak Creek via the Canadian Pacific Railway and the Union Pacific Railroad.

## Financial

Anchor Bank  
7745 W. Rawson Ave.  
(414) 525-0600

Landmark Credit Union  
7780 S. Lovers Lane Rd.  
(414) 425-1339

Bank Mutual  
5170 W. Rawson Ave.  
(414) 423-0363

Marine Bank  
10068 W. Loomis Rd.  
(414) 427-2740

Chase Bank  
7100 S. 76<sup>th</sup> St.  
(414) 425-3713

North Shore Bank  
7151 S. 76<sup>th</sup> St.  
(414) 425-5959

Guaranty Bank  
7201 S. 76<sup>th</sup> St.  
(414) 427-2300

Pyramax Bank  
9000 W. Drexel Ave.  
(414) 425-9000

Harris Bank  
7000 S. 76<sup>th</sup> St.  
(414) 529-2252 AND  
9719 S. Franklin Dr.  
(414) 423-4500

US Bank  
9109 W. Drexel Ave.  
(414) 427-3000

Johnson Bank  
3001 W. Rawson Ave.  
(414) 304-7000

WaterStone Bank  
6555 S. 108<sup>th</sup> St.  
(414) 425-4140

# ECONOMIC PROFILE

City of Franklin, WI

## Labor and Wages

### City of Franklin Average Employment: 2005-2009

<u>Employment by Industry</u>	<u>Number of Persons Employed</u>	<u>Percent of Persons Employed</u>
Construction.....	965	5.4
Education & Health.....	4,337	24.2
Financial Activities.....	1,617	9.0
Information.....	685	3.8
Leisure and Hospitality.....	1,174	6.6
Manufacturing.....	2,839	15.9
Natural Resources.....	51	0.3
Other Services.....	765	4.3
Prof. & Business Services.....	1,313	7.3
Public Administration.....	493	2.8
Transportation & Utilities	935	5.2
Wholesale Trade	582	3.3
Retail Trade	2,146	11.9
Unclassified.....	0	0.0
Total.....	17,902	100.0

### Median Hourly Wages For Selected Occupations: 2010

Milwaukee-Waukesha-West Allis MSA OEA Wage Survey  
[http://dwd.wisconsin.gov/oea/occupational\\_employment\\_and\\_wages/#occupational\\_employment\\_and\\_wages](http://dwd.wisconsin.gov/oea/occupational_employment_and_wages/#occupational_employment_and_wages)

### Milwaukee/WOW Workforce Development Areas Occupational Projections: 2008-2018

Milwaukee, Washington, Ozaukee, and Waukesha Counties  
Occupational Projections Report

[http://dwd.wisconsin.gov/oea/employment\\_projections/milwaukee\\_wow/](http://dwd.wisconsin.gov/oea/employment_projections/milwaukee_wow/)

### Milwaukee County Civilian Labor Force: December 2011

Total Civilian Labor Force....	463,328
Employed Labor Force.....	427,382
Unemployed Labor Force....	35,946

## Major Private-Sector Employers

### MANUFACTURING

#### Food

Strauss Veal & Lamb Int'l Inc.  
Baptista's Bakery, Inc.

#### Wood Product

BTL Pallet Corp.

#### Paper

Proteus Packaging Corp of America  
Packaging Corp of America

#### Printing and Support Activities

Repacorp Label Products  
Pen & Inc. of Milwaukee, LLC  
Precision Color Graphics, LTD  
Trojk Screen Printing Corp.

#### Chemicals

Carma Laboratories, Inc.  
Becton Dickson Medical Systems

#### Plastics and Rubber Products

Vesta, Inc.  
Premier Plastics  
EMP of Franklin, Inc.  
Broker MFG, Inc.

### Nonmetallic Mineral Product

All-Glass Aquarium Co., Inc.

### Fabricated Metal Product

GAMFG Precision, LLC  
Thermasys Corporation  
Northern Gear, LLC  
Allis Roller, LLC  
Steele Solutions, Inc.  
Hudapack Metal Treating, Inc.  
The Howard G. Hinz Company, Inc.  
Chromtech of Wisconsin, Inc.  
Excel Tool & Fabrication, Inc.

### Machinery

Krones, Inc.  
Nova Coil, Inc.  
Maybar Manufacturing, Inc.  
Tooling Technologies, Inc.  
Hypneumat, Inc.

### Computer and Electronic Product

Electronic Cable Specialists, Inc.

### Electrical Equipment

S & C Electric Co.  
Meltric Corp.

### Transportation Equipment

Rocore Industries, Inc.

### SERVICES

#### Amusement and Recreation

Tuckaway Country Club  
Innovative Health & Fitness LTD

#### Educational

Altius Gymnastics Academy, Inc.  
Swimtastic Swim School

#### Transportation

Con-Way Freight  
Fedex Freight, Inc.

#### Insurance

Northwestern Mutual Life

Source: Wisconsin Department of  
Workforce Development

## Government Services

The City of Franklin has a mayor/council form of Government

### Police and Fire

Police Department: 76 full-time personnel

Fire Department: 46 full-time firefighters/paramedics

### Other

The City of Franklin provides or contracts with others to provide standard services such as street maintenance, snow removal, street lighting, trash pick-up, recycling facilities, and a park and recreation system.

# ECONOMIC PROFILE

City of Franklin, WI

## Education

The City of Franklin is served by the Franklin School District; the Oak Creek/Franklin School District; and the Whitnall School District, the latter two of which also serve adjacent areas in Milwaukee County.

### Public High School Graduates: 2009-2010

Franklin Sch. Dist	305
Avg. Graduation Rate	97.7%

### Average ACT Scores: 2010-2011

Franklin.....	23.0
Oak Creek-Franklin.....	22.1
Whitnall.....	23.2
Wisconsin.....	22.0
United States.....	20.9

Source: Wisconsin Department of Public Instruction

The following post-secondary educational facilities are located within Milwaukee County:

### Colleges and Universities

Alverno College  
 Cardinal Stritch University  
 Columbia College of Nursing  
 Lakeland College - Milwaukee  
 Marquette University  
 Medical College of Wisconsin  
 Milwaukee School of Engineering  
 Milwaukee Institute of Art & Design  
 Mount Mary College  
 Ottawa University  
 University of Wisconsin - Milwaukee  
 Wisconsin Lutheran College

### Technical and Vocational Schools

ITT Technical Institute  
 Milwaukee Area Technical College,  
 Oak Creek-South campus

### Library

The City of Franklin Library is a member of the Milwaukee County Federated Library System. The City of Franklin Library is located at 9151 W. Loomis Road.

## Industrial Sites

<u>Name</u>	<u>Industrial Parks (2011)</u>		<u>Contact Person</u>
	<u>Total</u>	<u>Available</u>	
<u>Acres</u>			
City of Franklin Phase I & II Industrial Parks	200	0	City of Franklin Dept. of City Development (414) 425-4024
Franklin Business Park	425	19.55	Barry Chavin NAI/MLG Commercial (262) 797-9400

## Utilities

### Electric Power

- We Energies  
 Business Customer Service: 1 (800) 714-7777

### Water

- City of Franklin Water Utility  
 Source: Lake Michigan (via City of Oak Creek)  
 Pumping Capacity:  
 6.5 million gallons per day  
 Average Daily Consumption:  
 1.3 million gallons  
 Adequate capacity for new industry.  
 Rate Information: Engineering Department  
 (414) 425-7510

### Natural Gas

- We Energies  
 Business Customer Service: 1 (800) 714-7777

### Sanitary Sewerage

- Milwaukee Metropolitan Sewerage District (MMSD)  
 South Shore Service Area  
 Average Annual Hydraulic Loading:  
 100 million gallons per day  
 Average Hydraulic Design Capacity:  
 250 million gallons per day  
 Rate Information: Utility Manager (414) 272-5100

### Telecommunication

- Telephone Service Providers include AT&T, Verizon, Charter, and Time Warner Cable among others. Internet Broadband service providers include AT&T, Sprint, U.S. Cellular, Cricket, and Time Warner Cable among others.

### Solid Waste

- The City of Franklin contracts with John's Disposal Services, a private firm, to collect municipal wastes from houses and condominiums. Apartment owners and commercial/industrial uses hire their own private contractors to collect their wastes.  
 General Information:  
 Dept. of Public Works (414) 425-2592

## Health

The mission of the Franklin Health Department is to protect and promote health and prevent disease and injury. Registered nurses and a registered sanitarian are available at the Franklin Health Department for information and referral Monday through Friday, from 8 a.m. until 4 p.m. The Health Department offers residents a wide range of programs, services, and educational resources.  
 General Information:  
 Health Department (414) 425-9101

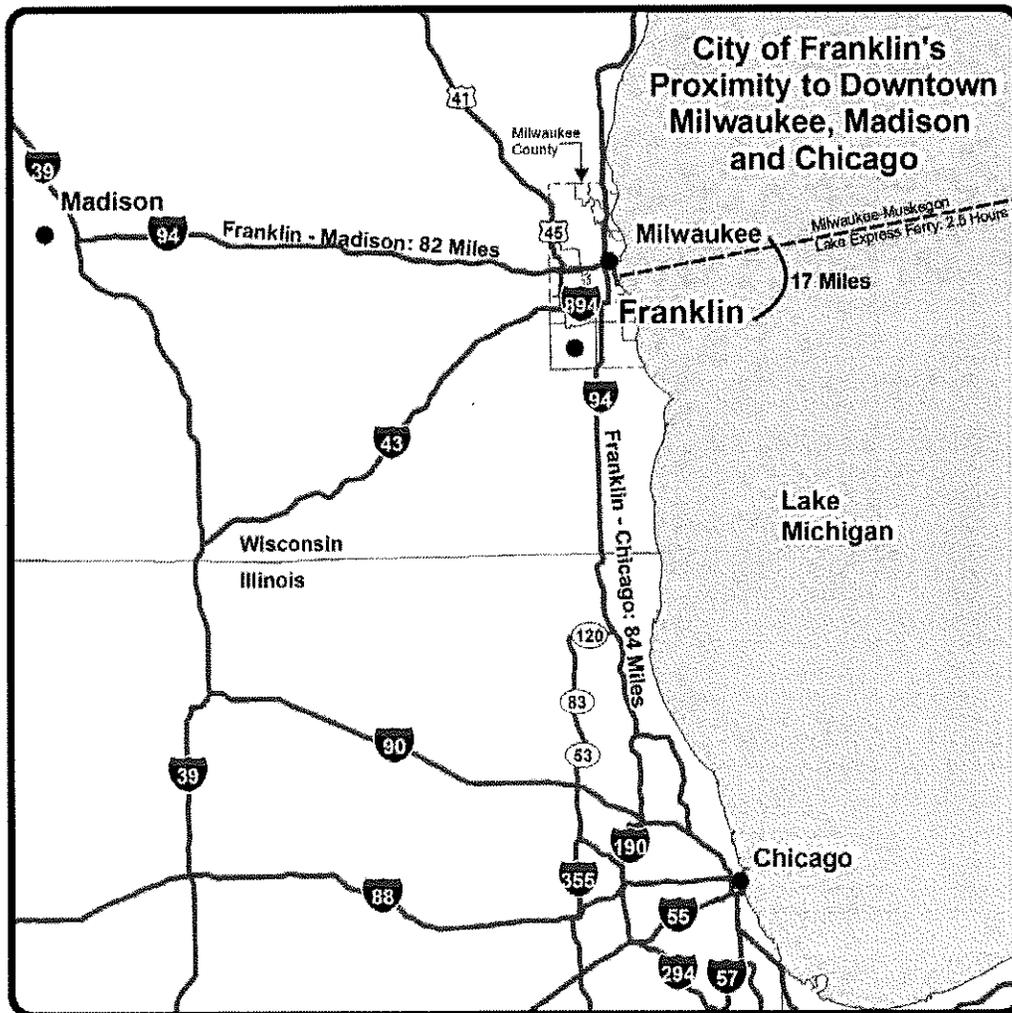
# ECONOMIC PROFILE

City of Franklin, WI

## Local Contacts

For industrial, commercial, and business information about the City of Franklin contact:

- Department of City Development  
9229 W. Loomis Road  
Franklin, WI 53132  
Telephone: (414) 425-4024  
Facsimile: (414) 427-7691
- Engineering Department  
9229 W. Loomis Road  
Franklin, WI 53132  
Telephone: (414) 425-7510  
Facsimile: (414) 425-3106
- South Suburban Chamber of Commerce  
8580 S. Howell Ave.  
Oak Creek, WI 53154  
Telephone: (414) 768-5845  
Facsimile: (414) 768-5848
- Director of Administration  
9229 W. Loomis Road  
Franklin, WI 53132  
Telephone: (414) 858-1100  
Facsimile: (414) 427-7527
- Building Inspection Department  
9229 W. Loomis Road  
Franklin, WI 53132  
Telephone: (414) 425-4024  
Facsimile: (414) 427-7513
- NAI MLG Commercial  
13400 Bishops Lane, Suite 100  
Brookfield, WI 53005  
Telephone: (262) 797-9400  
Facsimile: (262) 797-8940





## Franklin at a Glance

**Location:**

Milwaukee County, Wisconsin, 10 miles south of downtown Milwaukee, and 80 miles north of downtown Chicago.

**Housing Units:**

14,356 (2010 Census)

**Education Level:**

91.1% of population aged 25 and older are high school graduates, 33.7% have a bachelor's degree or higher (2008-2010 Census)

**Income:**

\$75,740 Median Household (2008-2010 Census)

**Median Equalized Home Value****(Single-family):**

\$234,500 (2010 Franklin Assessor's Office)

**Average Sale Price (based on 318 total sales):**

\$231,400 (2010 Franklin Assessor's Office)

**Office and Industrial Parks:**

425 acre Franklin Business Park

200 acre Franklin Industrial Park

**Equalized Value:**

\$3,607,450,880 (2010 WI Dept. of Revenue)

**2011 Local Property Tax Rates****(Per/\$1,000):**

City of Franklin:	\$ 5.79
Oak Creek/Franklin School District:	\$ 8.83
Whitnall School District:	\$ 9.56
Franklin School District:	\$11.62

**Population:**

35,520 (2012 Wis. Dept. of Admin. Final Est.)

**Median Age:**

41.5 Years (2010 Census)

**Schools:**

The Franklin Public School District consists of five Elementary Schools, one Middle School, and one High School. Total public school enrollment is 4,143 (2010 WI DPI). There are also three private elementary schools in the City of Franklin.

**Transportation:**

With its strategic location between Milwaukee and Chicago, Franklin offers convenient access to Interstate Freeways I-94, I-894, and I-43.

Franklin is directly served by U.S. Highways 45, and 241, as well as Wisconsin State Highways 36 and 100.

**Local News:**

Franklin Now, weekly

Franklin/Hales Corners Citizen, weekly

Milwaukee Journal-Sentinel, daily

**Parks:**

The City of Franklin has sixteen City parks, eleven Milwaukee County parks, and seven parks at school sites for a total of 3,881 acres of park, open space, and outdoor recreation sites.

**Health Care:**

Wheaton Franciscan Hospital – Franklin is located at 10101 S. 27th Street. Franklin also has six clinics and twenty-four group, assisted living, and retirement homes.

**Places of Worship:**

The City of Franklin is home to 15 churches which represent over five denominations.



# Demographic and Income Profile

7900 Crystal Ridge Road Franklin WI 53132  
 Ring: 3 mile radius

Latitude: 42.91679  
 Longitude: -88.01442

Summary	Census 2010	2015	2020
Population	54,884	55,676	56,458
Households	22,407	22,901	23,253
Families	14,692	14,947	15,136
Average Household Size	2.36	2.34	2.34
Owner Occupied Housing Units	15,475	15,377	15,565
Renter Occupied Housing Units	6,932	7,524	7,687
Median Age	42.8	43.8	44.4

Trends: 2015 - 2020 Annual Rate	Area	State	National
Population	0.28%	0.32%	0.75%
Households	0.31%	0.39%	0.77%
Families	0.25%	0.31%	0.69%
Owner HHS	0.24%	0.37%	0.70%
Median Household Income	3.95%	2.81%	2.66%

Households by Income	2015		2020	
	Number	Percent	Number	Percent
<\$15,000	1,779	7.8%	1,539	6.6%
\$15,000 - \$24,999	1,980	8.6%	1,393	6.0%
\$25,000 - \$34,999	2,443	10.7%	1,957	8.4%
\$35,000 - \$49,999	2,550	11.1%	2,317	10.0%
\$50,000 - \$74,999	4,088	17.9%	3,754	16.1%
\$75,000 - \$99,999	3,468	15.1%	4,058	17.5%
\$100,000 - \$149,999	4,244	18.5%	5,060	21.8%
\$150,000 - \$199,999	1,446	6.3%	2,082	9.0%
\$200,000+	902	3.9%	1,092	4.7%
Median Household Income	\$64,303		\$78,060	
Average Household Income	\$80,453		\$93,098	
Per Capita Income	\$33,538		\$38,801	

Population by Age	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	2,812	5.1%	2,663	4.8%	2,657	4.7%
5 - 9	3,099	5.6%	2,971	5.3%	2,822	5.0%
10 - 14	3,427	6.2%	3,197	5.7%	3,157	5.6%
15 - 19	3,399	6.2%	3,400	6.1%	3,209	5.7%
20 - 24	2,925	5.3%	3,272	5.9%	3,027	5.4%
25 - 34	6,555	11.9%	6,736	12.1%	6,753	12.0%
35 - 44	6,873	12.5%	6,392	11.5%	7,025	12.4%
45 - 54	8,866	16.2%	7,787	14.0%	6,885	12.2%
55 - 64	7,614	13.9%	8,616	15.5%	8,394	14.9%
65 - 74	4,509	8.2%	5,671	10.2%	6,968	12.3%
75 - 84	3,381	6.2%	3,293	5.9%	3,659	6.5%
85+	1,425	2.6%	1,678	3.0%	1,902	3.4%

Race and Ethnicity	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
White Alone	49,104	89.5%	48,947	87.9%	48,711	86.3%
Black Alone	1,995	3.6%	2,171	3.9%	2,340	4.1%
American Indian Alone	230	0.4%	254	0.5%	280	0.5%
Asian Alone	2,225	4.1%	2,661	4.8%	3,149	5.6%
Pacific Islander Alone	15	0.0%	18	0.0%	18	0.0%
Some Other Race Alone	500	0.9%	631	1.1%	780	1.4%
Two or More Races	815	1.5%	995	1.8%	1,180	2.1%
Hispanic Origin (Any Race)	2,637	4.8%	3,300	5.9%	4,139	7.3%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

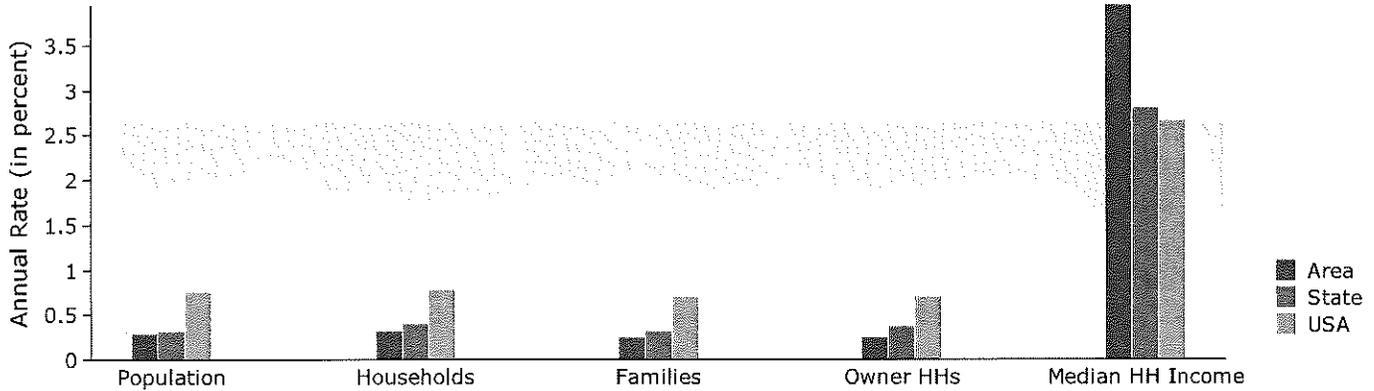


# Demographic and Income Profile

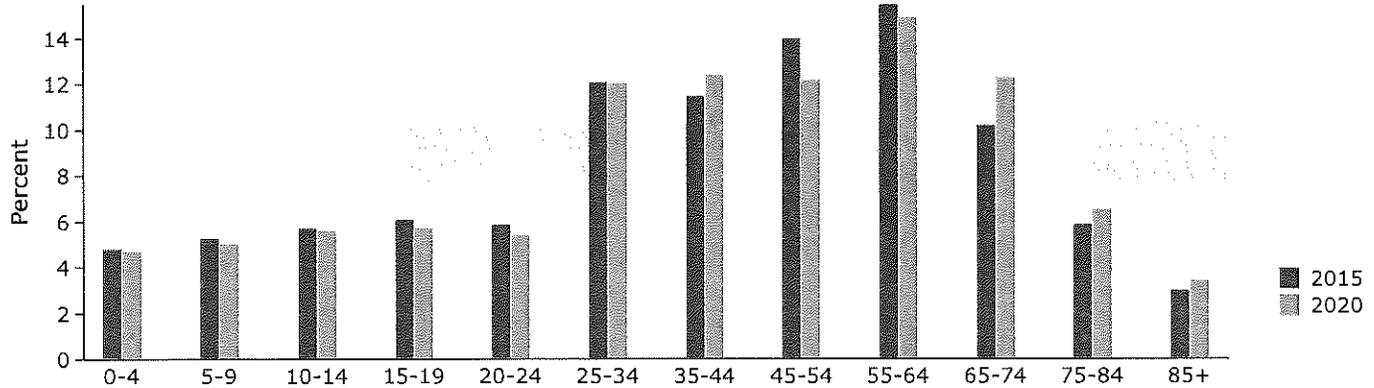
7900 Crystal Ridge Road Franklin WI 53132  
 Ring: 3 mile radius

Latitude: 42.91679  
 Longitude: -88.01442

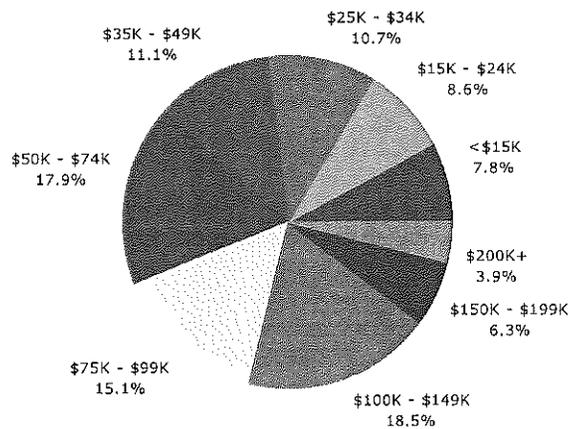
## Trends 2015-2020



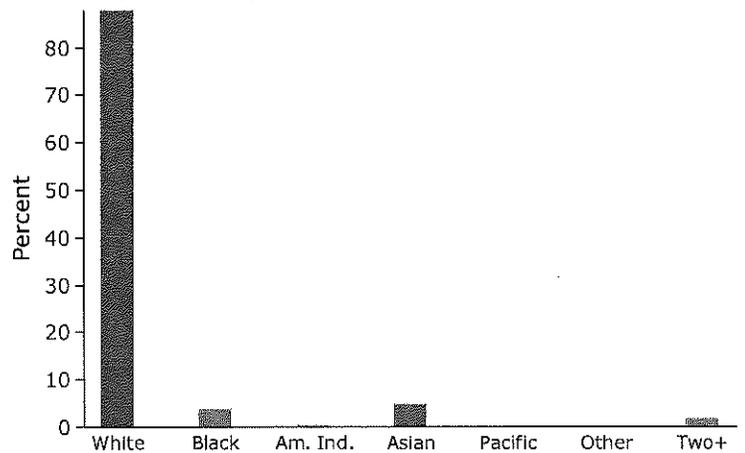
## Population by Age



## 2015 Household Income



## 2015 Population by Race



2015 Percent Hispanic Origin: 5.9%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.



# Demographic and Income Profile

7900 Crystal Ridge Road Franklin WI 53132  
 Ring: 7 mile radius

Latitude: 42.91679  
 Longitude: -88.01442

Summary	Census 2010	2015	2020
Population	316,338	317,377	320,122
Households	132,258	132,939	134,080
Families	81,781	81,971	82,554
Average Household Size	2.36	2.35	2.35
Owner Occupied Housing Units	83,661	81,814	82,509
Renter Occupied Housing Units	48,597	51,125	51,571
Median Age	39.6	40.4	41.3

Trends: 2015 - 2020 Annual Rate	Area	State	National
Population	0.17%	0.32%	0.75%
Households	0.17%	0.39%	0.77%
Families	0.14%	0.31%	0.69%
Owner HHs	0.17%	0.37%	0.70%
Median Household Income	3.08%	2.81%	2.66%

Households by Income	2015		2020	
	Number	Percent	Number	Percent
<\$15,000	13,557	10.2%	12,393	9.2%
\$15,000 - \$24,999	13,733	10.3%	10,297	7.7%
\$25,000 - \$34,999	15,765	11.9%	13,310	9.9%
\$35,000 - \$49,999	19,051	14.3%	17,429	13.0%
\$50,000 - \$74,999	25,246	19.0%	24,173	18.0%
\$75,000 - \$99,999	18,076	13.6%	21,695	16.2%
\$100,000 - \$149,999	18,496	13.9%	22,858	17.0%
\$150,000 - \$199,999	5,605	4.2%	7,819	5.8%
\$200,000+	3,408	2.6%	4,107	3.1%
Median Household Income	\$53,011		\$61,707	
Average Household Income	\$68,322		\$78,559	
Per Capita Income	\$28,743		\$33,028	

Population by Age	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	19,735	6.2%	18,403	5.8%	18,256	5.7%
5 - 9	19,604	6.2%	19,311	6.1%	18,119	5.7%
10 - 14	19,280	6.1%	19,244	6.1%	19,514	6.1%
15 - 19	18,245	5.8%	18,035	5.7%	18,148	5.7%
20 - 24	18,226	5.8%	18,055	5.7%	16,985	5.3%
25 - 34	44,856	14.2%	43,525	13.7%	40,760	12.7%
35 - 44	40,695	12.9%	40,192	12.7%	43,593	13.6%
45 - 54	48,549	15.3%	43,163	13.6%	38,910	12.2%
55 - 64	39,022	12.3%	44,303	14.0%	44,510	13.9%
65 - 74	22,008	7.0%	27,403	8.6%	34,050	10.6%
75 - 84	17,486	5.5%	16,255	5.1%	17,509	5.5%
85+	8,633	2.7%	9,488	3.0%	9,768	3.1%

Race and Ethnicity	Census 2010		2015		2020	
	Number	Percent	Number	Percent	Number	Percent
White Alone	270,204	85.4%	265,056	83.5%	261,246	81.6%
Black Alone	9,827	3.1%	10,513	3.3%	11,169	3.5%
American Indian Alone	2,491	0.8%	2,663	0.8%	2,806	0.9%
Asian Alone	10,450	3.3%	12,062	3.8%	13,905	4.3%
Pacific Islander Alone	112	0.0%	113	0.0%	113	0.0%
Some Other Race Alone	15,410	4.9%	17,913	5.6%	20,505	6.4%
Two or More Races	7,844	2.5%	9,057	2.9%	10,378	3.2%
Hispanic Origin (Any Race)	41,956	13.3%	48,644	15.3%	56,608	17.7%

Data Note: Income is expressed in current dollars.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

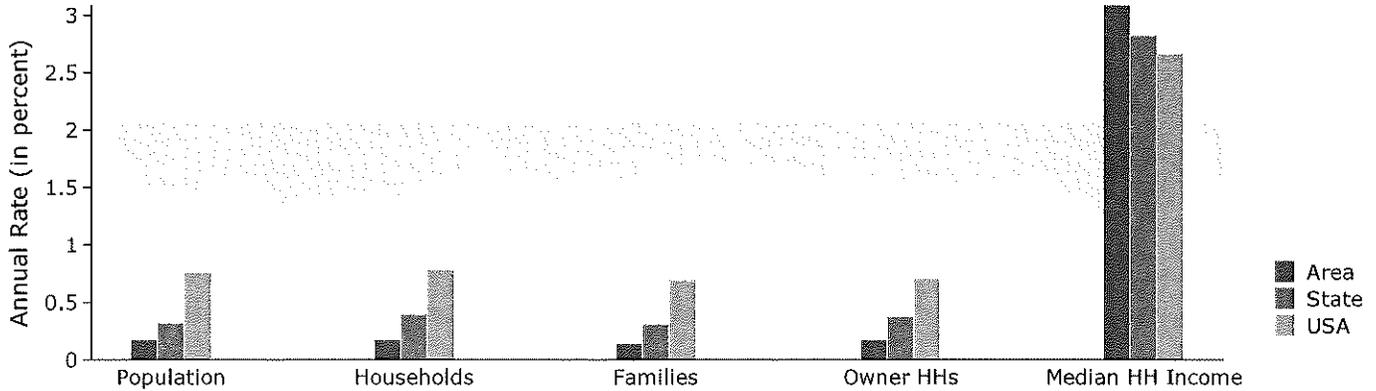


# Demographic and Income Profile

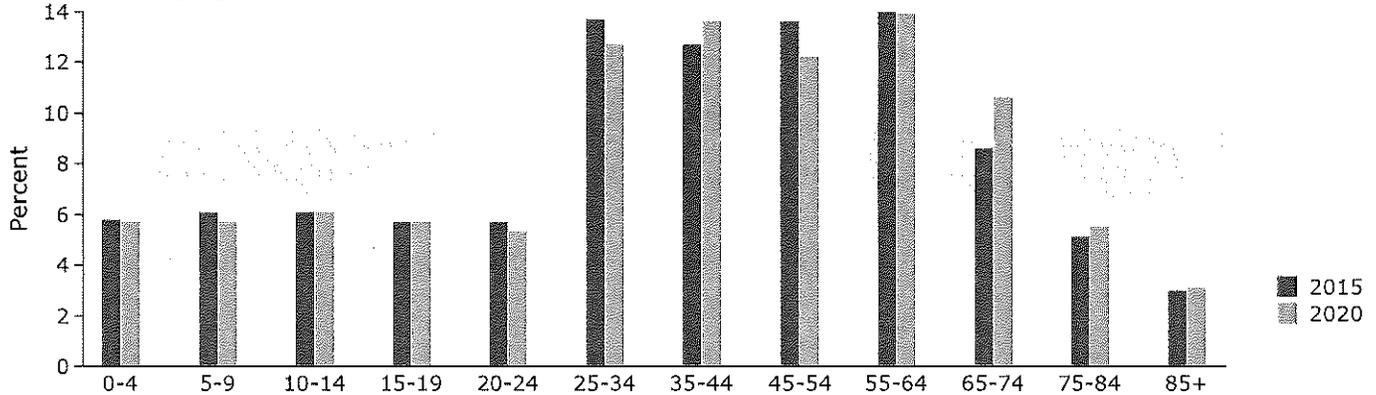
7900 Crystal Ridge Road Franklin WI 53132  
 Ring: 7 mile radius

Latitude: 42.91679  
 Longitude: -88.01442

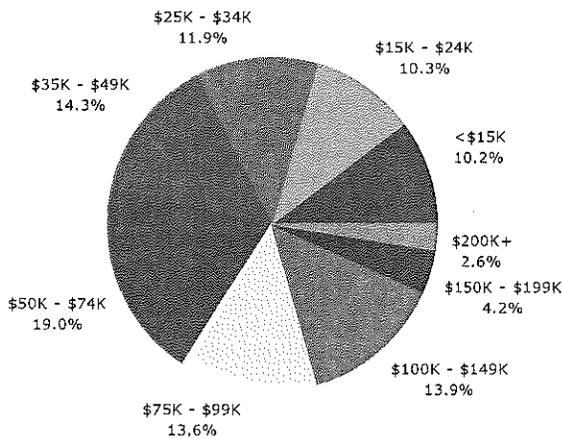
## Trends 2015-2020



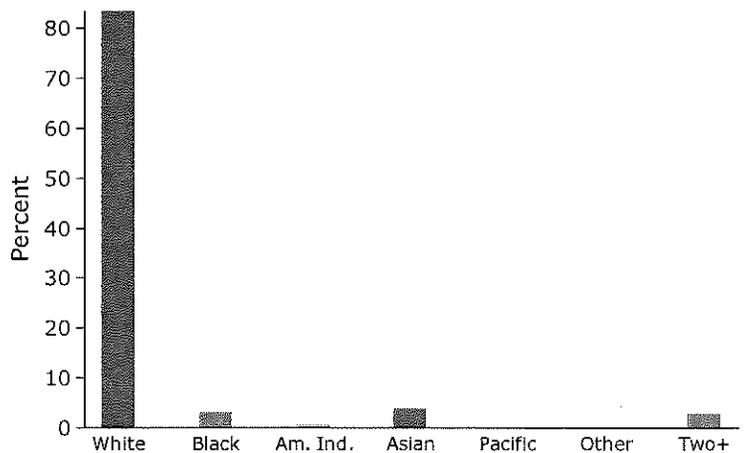
## Population by Age



## 2015 Household Income



## 2015 Population by Race



2015 Percent Hispanic Origin: 15.3%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2015 and 2020.

## MARKET INFORMATION



journalmediagroup

## Franklin will explore possible baseball stadium

By [Tom Daykin](#) of the Journal Sentinel  
Feb. 4, 2016 7:00 a.m.

An agreement that requires Franklin city staff to help developer Mike Zimmerman seek approvals for a proposed baseball stadium, and investigate public improvements needed for the project, has received Common Council approval.

That agreement, which received unanimous approval at the council's Tuesday night meeting, doesn't commit the city to any zoning and planning approvals. Nor does it provide any possible city financing for [the project](#).

But it does outline the next steps for city officials and Zimmerman to consider the project's viability. That includes hiring a financial consultant for the city to review the development proposal, and to consider any possible city financing help.

Zimmerman envisions a 2,500-seat stadium for an independent professional baseball team; an indoor sports complex with four Little League-sized baseball fields and space for other sports; one or two hotels with up to 220 rooms; around 300 apartments; restaurants and other retail space, and an office building.

The project would be known as Ballpark Commons. It would be developed at The Rock, Zimmerman's sports complex near S. 76th St. and W. Loomis Road, and some adjacent vacant land.

The Common Council in April 2014 unanimously rejected a financing proposal for the baseball stadium.

Under the rejected proposal, Zimmerman would have provided the upfront costs for the stadium. He could then recover up to \$10.5 million through property taxes generated by new commercial development at The Rock and nearby properties.

That rejected plan didn't include the additional projects Zimmerman is now proposing.

### Find this article at:

<http://www.jsonline.com/blogs/business/367553991.html>

Check the box to include the list of links referenced in the article.



**FOR THE EXCLUSIVE USE OF PETE@MOEGENBURG.COM**

From the Milwaukee Business Journal:

<http://www.bizjournals.com/milwaukee/print-edition/2016/01/15/therock-s-project-pitch-evolved-over-two-years.html>

REPORTER SEAN RYAN

## The Rock's project pitch evolved over two years

🔒 **SUBSCRIBER CONTENT:** Jan 15, 2016, 5:00am CST

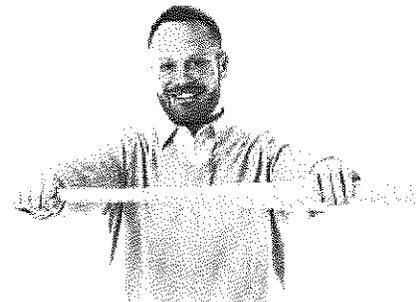
Both Franklin Mayor Steve Olson and Mike Zimmerman said a lot has changed since 2014, when city officials rejected Zimmerman's proposal for a baseball stadium and surrounding development at The Rock Sports Complex.

Franklin's Common Council shot down the Rock owner's 2014 proposal, saying there wasn't enough evidence that more buildings would spring up around the stadium and not enough commitment from Zimmerman to move ahead.

Zimmerman is now pitching a more than \$100 million Ballpark Commons project, anchored by the stadium, with retail, hotels and hundreds of apartments on land he owns or controls around The Rock.

"When I looked at what reasons they gave, they cited a number of unknowns," Zimmerman said. "When you look at the unknowns at that time, we have all of those unknowns check-boxed."

Olson agreed it is a more complete package. The city held a hearing on the proposal on Jan. 11, and is awaiting a proposal and funding request from



SCOTT PAULUS  
Mike Zimmerman



**FOR THE EXCLUSIVE USE OF PETE@MOEGENBURG.COM**

From the Milwaukee Business Journal:

[http://www.bizjournals.com/milwaukee/blog/real\\_estate/2016/01/the-rock-owner-presents-stadium-plan-to-franklin.html](http://www.bizjournals.com/milwaukee/blog/real_estate/2016/01/the-rock-owner-presents-stadium-plan-to-franklin.html)

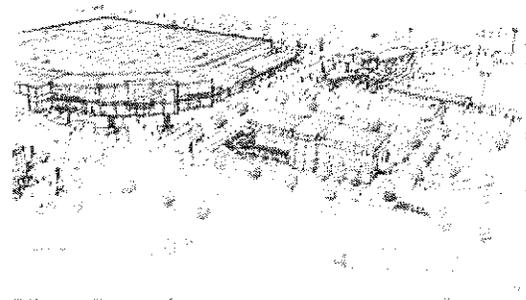
## The Rock owner presents stadium plan to Franklin officials, hopes for summer start

Jan 11, 2016, 6:32pm CST Updated: Jan 11, 2016, 6:45pm CST

After months of meeting with residents around **The Rock Sports Complex** in Franklin, Mike Zimmerman is approaching the city for approvals to build a minor league baseball stadium to anchor a new development with apartments, retail and hotels.

If the development secures Franklin approvals and city financing support, construction on the stadium could start in summer and could be followed later this year by other portions of the project, Zimmerman said. As pitched, the more than \$100 million "Ballpark Commons" development would use the stadium at The Rock to stimulate development of a surrounding neighborhood.

It marks another attempt by The Rock's owner to move forward with the stadium development in a community where residents and some elected officials have been skeptical. Zimmerman unveiled plans for the commons development in October. However, he said negative reactions from a neighborhood meeting that month caused him to hold back on seeking city approval.



A rendering of the proposed indoor sports complex and neighboring baseball stadium.

“Frankly it didn’t go well,” he said. “It signaled to us we needed to spend more time being respectful of our neighbors to solicit their input and thoughts.”

The project team in the past two months went door-to-door to meet with 133 residents and 48 businesses to hear about concerns. Common concerns were over building the stadium on The Rock, which is a former landfill, and the impact of apartments on surrounding residents and their property values.

Regarding the landfill, the project team will emphasize that nothing can be built without full environmental approvals, including clearance from the Wisconsin Department of Natural Resources, said Richard Lincoln, a Milwaukee developer who is consulting on the project.

“We won’t put a shovel in the ground until we’ve been through the process with the DNR, with the county and with the city and everybody has approved what we’re doing,” he said.

The project team on Monday night was to present their concept to Franklin elected officials, kicking off the process of gaining approval for the plan and request city financing to help build it. That team now includes Milwaukee developer **WiRED Properties**, which specializes in mixed-use community-building in the suburbs similar to what’s envisioned for the southern portion of Ballpark Commons.

Blair Williams, president of WiRED Properties, said Ballpark Commons could create momentum for additional development in Franklin, similar to the impact of the arena district or Northwestern Mutual’s tower in downtown Milwaukee.

“One of the things suburban communities often lack is that opportunity for big change,” Williams said. “The southern Milwaukee markets have all of the opportunity that all of the other municipalities around Milwaukee have been enjoying. This is, in one fell swoop, an opportunity for Franklin to take underutilized land, give it a dynamic new identity that is not only new for Franklin. This is the type of environment that doesn’t exist anywhere in metro Milwaukee.”

The Rock, a sports complex built and managed by Zimmerman’s MKE Sports & Entertainment, is at 76th Street and Rawson Road. The stadium would be built at The Rock property. It would host games for the University of Wisconsin-Milwaukee Panthers baseball program, the minor league American Association MKE Sports would operate, professional soccer and other events. If the project starts in summer, it could open for games in spring 2017, Zimmerman said.

Other planned buildings include an indoor sports complex next to the stadium and surrounding stores, restaurants or hotels north of Rawson Road. Between 200 and 250 apartments could be built south of Rawson Road on land Zimmerman owns with Greg Marso, president and CEO of Marso Construction and Carstensen Homes.

Those apartments would be built to the “top of the market” in southern Milwaukee County, Williams said. Most will be two-bedroom units. The main demographics of renters are young professionals and baby boomers, including potentially some who live in Franklin now, who want to move out of their long-time single-family houses, he said.

Ballpark Commons also could include office buildings facing the south side of Rawson Road that would include space for MKE Sports and other health care companies Zimmerman has founded. Next to those offices could be mixed-use buildings with apartments and first-floor retail or restaurant space.

The project team declined to comment in detail about city financial support. The city of Franklin has begun studies to create a tax incremental financing district around the area of 76th Street and Rawson Road to raise money to stimulate development. That TIF study began independent of the pending Ballparks Commons proposal.

“This thing will not happen unless we can all come together,” Zimmerman said. “What the financial stack is, I’m not sure. Definitely I’m coming in on the deal. We would expect that the city would offer a tool like a TIF in part because they are doing the study and they have signaled that might be something that is available.”

That TIF study and interest by city officials to see development in the area is among the things Zimmerman said prompted him to return to Franklin with the proposal. In spring 2014, Franklin officials rejected a proposal to help finance the stadium, saying they wanted more details and commitments on the envisioned surrounding development.

“We have all of those unknowns now,” Zimmerman said. “I think a lot has changed since we made a run at this two years ago.”

**Sean Ryan**  
Reporter  
Milwaukee Business Journal





journalmediagroup

PRINT THIS

## Oak Creek apartment plan with nearly 300 units wins initial city approval

By [Tom Dwykin](#) of the Journal Sentinel  
Jan. 20, 2016

Construction will begin this summer on a higher-end Oak Creek apartment development with nearly 300 units following a preliminary city approval.

HSI Properties LLC plans to develop the apartments on 24.8 acres at 7721 S. Pennsylvania Ave. and 2100, 2200 and 2280 E. Drexel Ave., north and east of Life Creek Church. That site is vacant.

The Common Council voted 5-1 Tuesday night to change the city's comprehensive plan, allowing apartments on the site. It had been restricted to single-family homes.

HSI still needs separate council approval for its detailed development proposal. But the council vote "is a big step forward" for the project, said Tony DeRosa, executive vice president.

The firm plans to develop the apartment buildings in two phases, with the first units completed in spring 2017, DeRosa said Wednesday. HSI plans to complete the entire \$40 million development by 2018, he said.

The council's vote came after HSI reduced the proposed total unit count to 288 from 396 after nearby residents raised objections to the project's size.

Those apartments, ranging from studios to two-bedrooms, will be in 21 two-story buildings, according to a city report. The target market will be younger residents who want townhome-style rentals, DeRosa said, with projected average monthly rents of \$1,000 to \$2,000.

The development will include a clubhouse, outdoor swimming pool and a walking path with a gazebo.

DeRosa said the project will complement apartments planned for Oak Creek's Drexel Town Square mixed-use development at S. Howell and W. Drexel avenues.

Facebook: [facebook.com/HSIproperties](#)

Twitter: [twitter.com/TomDwykin](#)

Find this article at:  
<http://www.journal-sentinel.com/story/2016/01/20/oak-creek-apartment-plan-nearly-300-units-wins-initial-city-approval/82905558121-365934721.html>

Check this box to include the list of links referenced in the article.

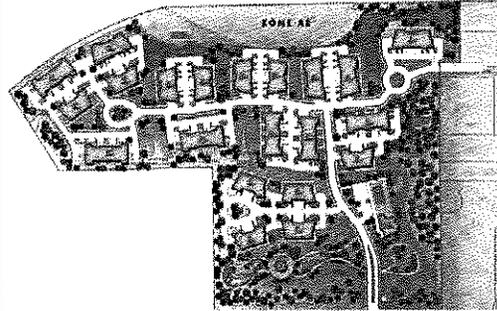
HOME NEWS POLICE REPORT SPORTS WEDDINGS PHOTOS CLASSIFIED OBITUARIES COUPONS POST YOUR STORY

NEWS AND FEATURES

Home » News and Features

Oak Creek planners can live with modified apartment proposal

Oak Creek Plan Commission OKs amendment in comprehensive plan



By John Rascha Nov. 17, 2015

Oak Creek — When HSI Properties garnered mixed reviews for a proposed, high-end apartment complex, the real estate developer went back to the drawing board.

HSI's new concept plan for the development includes fewer apartment units (now at 288), further setbacks from the main roads and more green space for potential park development. The development would incorporate two-story buildings, attached garages, a pool and a clubhouse.

Still, the project required a change in the city's comprehensive plan to even proceed.

In a 6-2 decision, the Oak Creek Plan Commission on Nov. 10 ultimately passed an amendment to change the proposed site from "single-family residential" to "mixed residential," thus allowing HSI to further pursue the upscale development. Commission members Walter Dickmann and Fred Slepota opposed the initiative.

HSI will pursue it.

"We find this is an opportunity to provide a unique, luxury housing option in a growing community," said Tony DeRosa, executive vice president of HSI Properties, at the commission's meeting last week.

At least one commissioner agreed that such an option is lacking in the city.

"I am part of a group that is looking for luxury apartments in Oak Creek and we can't find any, other than (in Draxel Town Square)," said plan commission member Dawn Canino. "There aren't any in our city ... and I think there's definitely a niche for them. I will even like the proposed development" into our city."

Public concerns

When HSI first proposed a 396-unit apartment development along South Pennsylvania Avenue and East Draxel Avenue in September, the plan commission consideration of the comp plan amendment ended in a tie vote.

"At the last meeting, there was a lot of feedback from neighbors, plan commission members as well as city staff — and we listened, we took a step back," DeRosa said. "We believe in this great community and all the exciting things that are happening in Oak Creek and that's why we wanted ... to find a way to make this work."

Residents neighboring the proposed development, however, argued the property would better serve single-family homes, which already surround the area.

"As single-family subdivision developments become increasingly scarce, it will be more important to think strategically about the mix of development types and densities within the community moving forward," said Oak Creek resident Dave Kullback. "... I think we need to find out how many apartment buildings we really need in this community."

Some opponents also suggested the complex — which would include studio, one-bedroom and two-bedroom apartments — would be too costly for tenants. The average monthly rent for an apartment would range from \$1,000 to \$2,000, DeRosa said.

In addition, many of the residents in attendance feared the new apartments would result in more traffic for the already busy avenues. The plan commission agreed, emphasizing a need to conduct a traffic impact analysis.

More revenue

But most commissioners also agreed the development would benefit the city.

"In a situation like this, you have to look at what's going to benefit the entire community over the long run," said alderman Daniel Boklevic, who serves on the plan commission.

As a growing population, Oak Creek must find new ways to fund additional resources for the increase in services, Boklevic added.

"We're in a tax freeze, so we need to find a revenue source," he said. From a tax base, "I do believe this (apartment) development would benefit the community more than single-family homes."

In fact, the apartment complex would result in a significant tax increase, DeRosa said. The \$34 million project would have a current assessment of \$152,000 and produce an annual tax increase of \$770,000 — or more than \$8 million over the course of 10 years.

Commenting Policy

We welcome your input and strive to keep things civil. Please see our discussion guidelines and terms of use for more information. If you see a comment that violates our guidelines, please flag it for review. If you have any other issues with our commenting system, please let us know.



More from News and Features

- Oak Creek police report: Feb. 11, 2016 issue
- Oak Creek and Franklin primary: What's on the buffet
- Oak Creek Chick-fil-A announces Marsh grand opening, First 100 promotion
- Former MLB player John Mallee to coach at Prospect Training Academy (1)
- Black Bear Bottling named 2015 Business of the Year by South Suburban Chamber of Commerce (1)
- Oak Creek denies police chief's request for 7.5% raise
- Oak Creek police report: Feb. 4, 2016 issue
- Tickets now on sale for annual 'Taste of Oak Creek-Franklin' fundraiser
- Oak Creek's former city hall, library now demolished
- Oak Creek participates in national Water and Health Study

MOST POPULAR VIEWED

# BizTimes

MILWAUKEE BUSINESS NEWS

## Cobalt Partners moving forward with Greenfield multi-use development

### 40-acre site has been on city's radar for redevelopment for 20 years

by Corrinne Hess    October 20, 2015, 11:56 AM

<http://www.biztimes.com/2015/10/20/cobalt-partners-moving-forward-with-greenfield-multi-use-development/>

Cobalt Partners closed on about 20 parcels of land this week in Greenfield for a mixed-use development along Interstate 894.

"We will be starting site work within the next month and are planning on spring construction," said Scott Yauck, president and CEO of Cobalt Partners said in an interview Monday night.

The name of the development will be released next week, Yauck said.

Plans for the 40-acre site at I-894 and South 84th Street include more than 300,000-square-feet of retail shops and restaurants, as well as a possible hotel and 350 market-rate apartments.

Steinhafels was the first retailer to announce it would build a new store within the development, which will replace the existing Steinhafels store at 8400 W. Layton Ave.

Yauck said he has gotten a lot of national retail interest, including tenants that would be new to the Milwaukee market and big-box retailers. A fitness facility could also be added, Yauck said.

The project will take about three years to complete and a hotel could be added in 2018, if market demand warrants it, Yauck said.

The project will be similar to the White Stone Station development in Menomonee Falls, Yauck said.

Cobalt Partners is developing White Stone Station within the 65-acre former industrial area west of the interchange of US 41/45 and Pilgrim Road. Retail tenants for the development include Costco, Ulta Beauty, Sports Authority, Ross Dress for Less and Home Goods. The development also includes 320 market-rate apartments.

The Greenfield development has only been in the works for one year, a timeline Yauck said is typically unheard of.

"Things have really lined up," Yauck said. "This project has been very exciting. We've been pleased with the level of support from the homeowners and all the stakeholders."

The site has been on the city of Greenfield's radar screen for redevelopment for 20 years and has been looked at by many developers, who were unable to put a deal together for a number of reasons, said Richard Sokol, director of neighborhood services, for the city.

"Cobalt Partners was able to use some of that experience and assemble a very exciting project for the future of Greenfield," Sokol said. "We think that this 40 acres is going to be a strong compliment to an already strong commercial development that surrounds the Southridge Mall area and will help provide new shopping, restaurant and commercial opportunities for people throughout the southwestern portion of the metropolitan area."



Scott Yauck

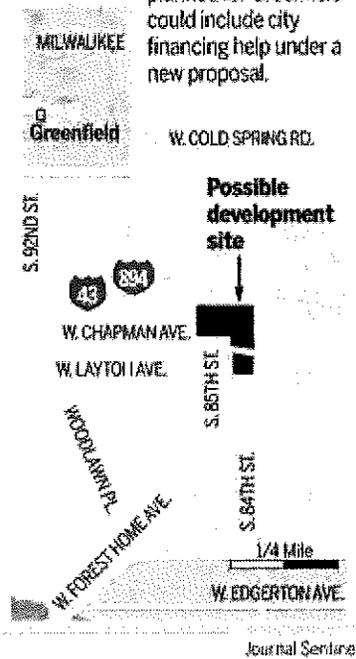
# Major development plans moving forward in Greenfield

## City financing help proposed for large mixed-use project

By Tom Daykin of the Journal Sentinel  
July 17, 2015

### Development in Greenfield

A large, mixed-use development planned for Greenfield could include city financing help under a new proposal.



Under a new proposal, a large, mixed-use development planned for Greenfield could include around \$30 million in city financing help.

Cobalt Partners LLC in May unveiled plans to develop more than 350,000 square feet of commercial space, including stores, restaurants, a medical office building, a fitness center, a hotel and nearly 400 apartments.

Cobalt plans to develop those buildings on nearly 50 acres between I-894 and W. Layton Ave., west of S. 84th St. The value of the development, to be built in phases from 2016 through 2020, would total around \$114 million, according to a city report.

City officials are proposing to spend \$10 million to help Cobalt finance its land acquisition costs and \$19.7 million on new streets, sewers, water mains and other public improvements at the site.

Greenfield would borrow \$33 million to finance those costs, along with fees and capitalized interest, through a new tax incremental financing district at the development site, according to the proposal.

The new property taxes generated by the commercial development would pay back those funds, and interest, by 2037, according to the city's estimate. The total estimated city debt, including interest, would be \$54.1 million.

Once that debt is paid off, the property taxes would go to the city, its school district and other local governments.

The Community Development Authority is to conduct a public hearing on the tax financing proposal at 6:30 p.m. Thursday at Greenfield City Hall, 7325 W. Forest Home Ave. The proposal will require Common Council approval, with the council to review the plan at its Aug. 11 meeting.

Cobalt has so far announced one anchor tenant for the project: Steinhafels Inc., which would replace its store at 8400 W. Layton Ave. That store would be demolished to help make way for the new development.

The project site includes the former Chapman Elementary School, 8500 W. Chapman Ave., and several single-family homes being sold to Cobalt.

The Community Development Authority on Thursday also will conduct public hearings on two other tax financing proposals:

■A 78.5-acre district centered at the intersection of W. Layton Ave. and S. 60th St., including the former Mount Carmel nursing home, 5700 W. Layton Ave. Meijer Inc. is developing a new supermarket and discount store at that site, which will generate property tax revenue to pay for nearby street improvements.

The Meijer store will have an estimated \$18 million value, with additional expected nearby retail and apartment developments creating an additional \$6.2 million in new property value, according to a city report.

The city would spend \$4.5 million on street work within that tax financing district. The city's debt, totaling an estimated \$10.9 million with interest, would be paid off by 2035.

■A 69-acre district centered at an underused park-and-ride lot north of I-894 and east of W. Loomis Road. The city is negotiating to buy the lot from the state Department of Transportation, with developers showing strong interest in the site, Mayor Mike Neitzke said.

If commercial development occurs, it would create an estimated \$55 million in new property values, according to a city report.

The city would spend \$10.3 million on items such as the parking lot purchase, new streets and other public improvements, and grants to developers. The city's debt, totaling an estimated \$26.6 million with interest, would be paid off by 2035.

The three tax financing district proposals amount to an unprecedented wave of development in Greenfield, Neitzke said.



journalmediagroup

## Drexel Town Square complex promises to transform Oak Creek

```
.leadmedia {margin-bottom:5px;} .leadmedia #brightcove-container {position: relative;} .leadmedia .BrightcoveExperience {z-index:1;}
#leadmedia-cover {position:relative; max-height:372px; overflow:hidden;} #leadmedia-cover:hover {cursor:pointer;} #leadmedia-cover
span {position: absolute; left: 0px; bottom: 0px; width: 100%; height: 100%; z-index: 2; background: transparent
url(http://media.jsonline.com/designimages/BCplay4.gif) no-repeat center center; opacity:0.75;}
```

**The \$162 million Drexel Town Square is being built in Oak Creek. A Water Street Brewery brew pub, Meijer supermarket and discount store and City Hall and library are well on their way to being completed**

By [Tom Daykin](#) of the Journal Sentinel  
May 16, 2015

**Oak Creek** — One of the Milwaukee area's largest mixed-use developments is making its mark, with a brew pub, supermarket/discount store and new library all heading toward summer and fall openings.

The \$162 million Drexel Town Square is being built on 85 acres south of W. Drexel Ave. and west of S. Howell Ave., in Oak Creek.

It will be a mix of stores, restaurants, a hotel, higher-end apartments, health care center and a new City Hall and Oak Creek Public Library when most of the development is completed by the end of 2016.

One year after its groundbreaking, three of Drexel Town Square's bigger projects are well on their way to being completed:

- Water Street Brewery is opening its fourth location this summer at the southwest corner of W. Drexel and S. Howell avenues.

The 12,000-square-foot restaurant will brew its beer on site and offer a menu of burgers, pizzas, entrées and other items similar to its locations in downtown Milwaukee, Delafield and Grafton. There also will be a covered patio for outdoor dining.

- Grand Rapids, Mich.-based Meijer Inc. is opening a 190,000-square-foot supermarket and discount store, facing W. Drexel Ave., in August, said Frank Guglielmi, senior director of communications.

It is among several area stores Meijer is opening with its entry this year into southeastern Wisconsin.

- The City Hall and library, marked by a bell tower, will be completed by October in the public square area west of the future Meijer store, said Gerald Peterson, Oak Creek city administrator.

The public square will provide a defined center for Oak Creek, which has around 35,000 residents and sprawls throughout 28.4 square miles south of College Ave. to the Racine County line, between Lake Michigan and S. 27th St.

Construction is to start this summer on a 108-room Four Points by Sheraton hotel once the internal roads connecting to that site are completed, said Jerry Franke, president of Wispark LLC, the site's master developer.

That four-story hotel, 7929 S. Howell Ave., is planning a September 2016 opening, according to the hotel chain's online directory.

Chicago-based Salita Development LLC was to start construction by May 30, but ran into delays in obtaining financing for the project, Peterson said.

Meanwhile, construction will soon begin on the apartments.

Wired Properties LLC plans to begin work this month on two apartment and retail buildings: a four-story building with 36 units and around 16,500 square feet of street-level retail space, and a three-story building with 26 units and a similar amount of retail space.

Those will be built on the future Main St., north of City Hall and the library. The commercial tenants will likely include such businesses

as a restaurant, a beauty salon and a clothing store, said Blair Williams, Wired's owner.

Barrett Visionary Development LLC plans to begin work in June on the four-story, 167-unit Emerald Row Apartments, at 601 W. Drexel Ave., Franke said.

That will be the first phase of buildings totaling around 500 apartments that developer Rick Barrett plans for Drexel Town Square.

Also, Chicago-based HSA Commercial Real Estate Inc. is to begin construction this fall on Froedert Health's primary and specialty health care center that could be as large as 200,000 square feet, with a four-level parking structure.

It will be built near W. Drexel Ave. and S. 6th St.

Drexel Town Square's smaller buildings include a Panda Express fast-food restaurant, which opens this month; a U.S. Bank branch and a PetSmart store, with construction beginning this summer; and a Chick-fil-A restaurant, with construction likely to begin later this year.

Meanwhile, a 17-acre wetland area is being built on the site's western portion, with public walking paths that will connect to Emerald Row Apartments.

Along with Barrett's additional apartment buildings, there will be other future projects at Drexel Town Square.

Sites for more retail buildings are planned for an area on Main St. north of the Wired Properties buildings, Franke said.

Wispark also owns two Drexel Ave. parcels, in front of Meijer, that are being reserved for sit-down, casual dining restaurants.

"The city has spoken loud and clear: They want additional eating establishments," Franke said.

### **Combination project**

Drexel Town Square is a combination of suburban development, with Meijer, Water Street Brewery, the hotel and other commercial buildings in the east and middle parts of the site, and a more urban-oriented town square development, with City Hall, the apartments and neighborhood-oriented retail on the site's western portion, Franke said.

Initially, Wispark planned to have stores no larger than 20,000 square feet. But that plan was dropped, drawing opposition from some residents, because Drexel Town Square was unable to attract commercial tenants without a large anchor store.

"We could have never developed this entire site as a town center," Franke said. "It would have failed miserably."

That's because Wispark, a division of Wisconsin Energy Corp., needed city cash through a tax incremental financing district to help pay for the site's roads, sewer and water lines and other public improvements, Franke said.

The Meijer store and other suburban-oriented buildings will play a key role in generating the property tax revenue to make the tax financing district work, Franke said.

The city is providing around \$38 million to help finance the project, with Drexel Town Square's property taxes paying back those funds.

Once those funds are repaid, the new property taxes will go to the city's general fund, Oak Creek-Franklin Joint School District and other local governments.

Drexel Town Square will have an estimated value of \$162 million when it's completed, with that expected to increase to \$220 million by 2032, when the city's debt is scheduled to be paid off, Peterson said.

The Common Council approved spending \$23.5 million through the tax financing district for the site improvements, which include the public square and wetlands, Peterson said.

Another \$8.3 million is helping finance the apartments, he said.

Up to \$6.4 million could be spent to help finance the Froedert Health facility and the hotel, Peterson said, if the council approves those proposals.

Also, the Wisconsin Economic Development Corp. is providing a \$1 million grant for Froedert Health's parking structure.

In related projects, the city is spending \$20.5 million on its new City Hall and library; \$3.5 million for the I-94/Drexel Ave. interchange, which opened in 2012, and \$8 million to rebuild and widen W. Drexel Ave. between S. 13th and S. 27th streets, Peterson said.

## APARTMENT MARKET OVERVIEW

# National Apartment Market

Although the national apartment market is moving into the latter stages of the expansion phase of the real estate cycle with some metros entering the contraction phase, the pace of transactions remains quite steady. Total sales volume through third quarter 2015 was 26.0% greater than the prior year, as per Real Capital Analytics.

While some surveyed investors indicate more aggressive underwriting strategies for apartment assets given current market conditions, others are more conservative than they were at the beginning of this year. "There is too much equity chasing too few deals, so we have to stay aggres-

sive," states an investor. Another explains, "We are underwriting more conservatively and building a national economic downturn in the near future into our forecasts."

Two key cash flow assumptions reveal little movement this quarter, underscoring the varied views on the apartment sector's outlook. First, the average initial-year market rent change rate slips just five basis points to 3.18%. Second, the average overall cap rate dips only four basis points to 5.35%. Despite the small changes in these indicators, investors do foresee apartment property values increasing an average of 3.1% in the coming year. +

## KEY 4Q15 SURVEY STATS\*

### Total Vacancy Assumption:

Average	6.0%	=
Range	2.0% to 15.0%	

### Months of Free Rent<sup>(1)</sup>:

Average	0.8	=
Range	0 to 3	
% of participants using	50.0%	=

### Market Conditions Favor:

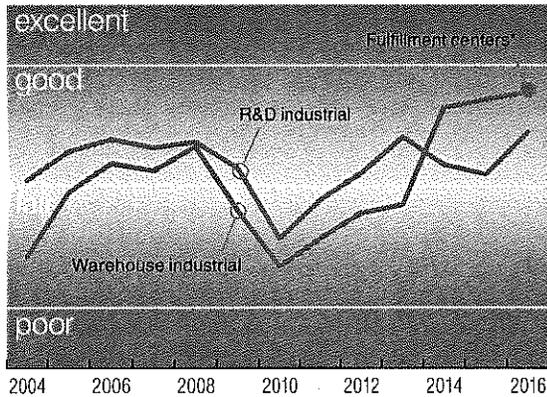
Buyers	0.0%	=
Sellers	70.0%	▼
Neither	30.0%	▲

\* ▼, ▲, = change from prior quarter  
(1) on a one-year lease

**Table 29**  
**NATIONAL APARTMENT MARKET**  
Fourth Quarter 2015

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>DISCOUNT RATE (IRR)<sup>a</sup></b>					
Range	5.00% - 10.00%	5.00% - 11.00%	5.50% - 10.00%	5.25% - 14.00%	5.50% - 14.00%
Average	7.26%	7.30%	7.34%	8.17%	8.91%
Change (Basis Points)		- 4	- 8	- 91	- 165
<b>OVERALL CAP RATE (OAR)<sup>a</sup></b>					
Range	3.50% - 8.00%	3.50% - 8.00%	3.50% - 8.00%	3.75% - 10.00%	4.25% - 10.00%
Average	5.35%	5.39%	5.36%	5.72%	6.51%
Change (Basis Points)		- 4	- 1	- 37	- 116
<b>RESIDUAL CAP RATE</b>					
Range	4.25% - 8.50%	4.25% - 8.50%	4.25% - 9.00%	4.50% - 9.75%	5.00% - 9.75%
Average	5.84%	5.88%	6.03%	6.17%	7.03%
Change (Basis Points)		- 4	- 19	- 33	- 119
<b>MARKET RENT CHANGE<sup>b</sup></b>					
Range	0.00% - 6.00%	0.00% - 8.00%	0.00% - 8.00%	(2.00%) - 6.00%	(2.00%) - 5.00%
Average	3.18%	3.23%	2.83%	2.57%	0.93%
Change (Basis Points)		- 5	+ 35	+ 61	+ 225
<b>EXPENSE CHANGE<sup>b</sup></b>					
Range	1.00% - 4.00%	1.00% - 4.00%	1.00% - 4.00%	1.00% - 3.50%	0.00% - 4.00%
Average	2.81%	2.81%	2.74%	2.71%	2.42%
Change (Basis Points)		0	+ 7	+ 10	+ 39
<b>MARKETING TIME<sup>c</sup></b>					
Range	1 - 9	1 - 9	1 - 9	0 - 18	0 - 18
Average	3.8	3.8	4.1	5.1	6.3
Change (▼, ▲, =)		=	▼	▼	▼
a. Rate on unleveraged, all-cash transactions    b. Initial rate of change    c. In months					

**Exhibit 4-7 Industrial/Distribution Investment Prospect Trends**



Source: *Emerging Trends in Real Estate* surveys.  
\* First year in survey.

**U.S. warehouse industrial**

2016	Prospects	Ranking
Investment prospects	3.78	2
Development prospects	4.04	1
<b>Buy</b>		<b>Hold</b>
54.4%		26.9%
		<b>Sell</b>
		18.8%
Expected capitalization rate, December 2016	6.1%	

**U.S. R&D industrial**

2016	Prospects	Ranking
Investment prospects	3.45	9
Development prospects	3.42	9
<b>Buy</b>		<b>Hold</b>
31.3%		42.4%
		<b>Sell</b>
		26.4%
Expected capitalization rate, December 2016	6.7%	

**U.S. fulfillment centers**

2016	Prospects	Ranking
Investment prospects	3.80	1
Development prospects	3.92	2
<b>Buy</b>		<b>Hold</b>
44.2%		40.6%
		<b>Sell</b>
		15.2%
Expected capitalization rate, December 2016	6.1%	

Source: *Emerging Trends in Real Estate 2016* survey.  
Note: Based on U.S. respondents only.

property market. Those who are nervous about incipient over-supply seem to focus on the growth rate, absent a longer-term perspective, or are worried by past patterns to continue building

past the cyclical peak in demand. Meanwhile, they observe the prior weighting toward build-to-suit industrial shifting toward the more familiar area of speculative construction.

The multiyear period of supply discipline should not breed complacency, though, especially for industrial assets where the development period is exceptionally short. As one institutional investment manager exclaimed, "Supply constraint? Really?" It is true that the past five years are not likely to be a good guide to the next five, and industrial construction is one area to watch vigilantly.

Two additional considerations should be highlighted: The first is the rotation forward of investor appetite for R&D/flex space, both by owner-users (particularly the big Silicon Valley brand names) and by traditional investors from the institutional and private equity sectors. The second is the targeting of industrial property portfolios as a way to put money to work at scale by sovereign wealth funds, real estate investment trusts (REITs), and pension funds.

In the more globalized, institutionalized real estate environment, size *does* matter, especially in the efficiency of capital deployment. However, we should have already learned that when the big guys concentrate on the biggest assets in the biggest markets, that opens up viable niches elsewhere. Entrepreneurs have often nimbly seized such opportunities, in the computer field, in transportation, and in finance as well. A niche-sensitive investment ecology will shape real estate trends over the foreseeable future.

**Apartments**

The highly favored multifamily rental sector has enjoyed a long run of success during this decade. Our *Emerging Trends* survey respondents still rate its prospects well, yet the extraordinarily high prices and low cap rates in many locations are giving quite a few of our interviewees pause as they contemplate the future. We may well be seeing the beginning of a shift in investment/development outlook as we go forward in 2016 and later. The executive vice president of a major national developer remarked, "I have never seen the apartment sector so good. That will change. There is too much building in some markets. High rent increases will have to come down." A private equity manager observed, "This is a great market to sell. Investing is more challenging."

Too often, issues in this sector are conflated in an attempt to draw a broadly sketched picture. The urban/suburban choice, for instance, is frequently identified with the rent/buy choice, and that's just not the case. An investment banker told us, "The

question is now: do people want to own a house, or do they want to live in the city and rent an apartment? Is property ownership still a main trend?" Many couch the discussion in such a framework. But, for residential investment, a huge range of options means that there are selections for investors and developers in all products. A fine-grained look in this sector is not only essential analytically, but also the key for those who need to pull the trigger on deals.

An analyst with one of the major housing data firms believes that the size of generation Y ("a very interesting cohort") should support expanding housing demand for both rentals and ownership housing. It is not an either/or proposition. "The demographic forces are very positive to support residential construction, support multifamily, while serving a growing need for additional single-family housing stock."

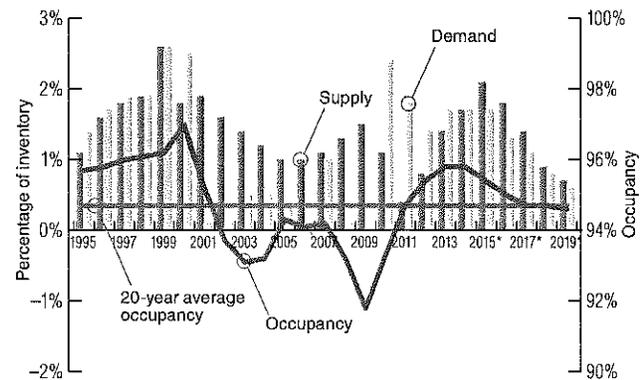
**Garden apartments.** Institutions have enjoyed a "golden era" in the apartment market. Robust leasing activity has continued in 2015, pushing occupancy and rent growth higher even as multifamily development accelerated swiftly. NCREIF has reported double-digit total returns continuing, with the garden apartment subsector moving ahead of higher-density residential, largely on the strength of superior net operating income (NOI) growth.

According to a midyear 2015 report by Real Capital Analytics, the garden apartment sector is also seeing stronger investment volume growth in the transaction data. While the pressure of institutional investment competition in this recovery has inexorably pushed cap rates lower for mid- and high-rise multifamily assets, garden apartments have maintained average cap rates above 6 percent, compared with mid-/high-rise going-in rates that average 4.9 percent.

Some adopt the Baseball Hall of Famer "Wee" Willy Keeler's advice: "Keep your eye on the ball and hit 'em where they ain't." A West Coast investment manager reported an investment program on Florida's Gulf Coast—still rebounding from the subprime mortgage crisis—where good-quality apartment complexes have been acquired at 7.5 percent cap rates at prices in the \$50,000 to \$75,000 per unit range. So with many echoing the financier who told us, "Values in New York and San Francisco are just ridiculous," we see a trend in finding multifamily housing opportunities where costs are more manageable, looking more favorably to the garden apartment subsector.

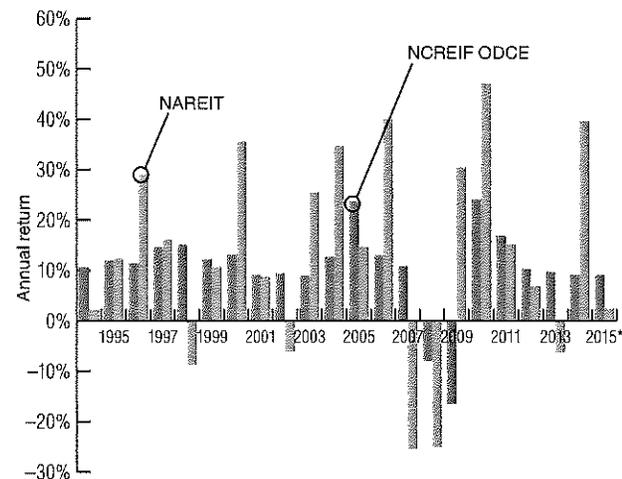
**Urban multifamily.** For some investors, the best tactical approach means taking profits in a market that will still be strong in 2016, and redeploying the capital into preferred assets. A Wall

**Exhibit 4-8 Change in Supply and Demand—U.S. Multifamily Housing**



Source: REIS Inc.  
\* Forecast.

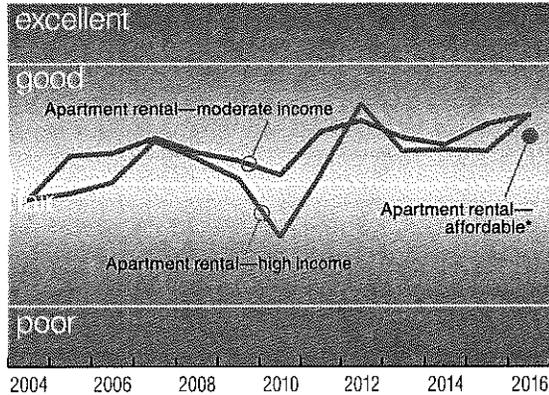
**Exhibit 4-9 U.S. Multifamily Property Total Returns**



Sources: NCREIF Fund Index Open-End Diversified Core (ODCE); NAREIT Equity REIT Index.  
\* Returns as of June 30, 2015.

Street fund manager comments, "Our portfolio has very much evolved. We are selling out of the older-style apartments at very high prices and replacing them with newer and much more urban properties in the seven or eight target markets where we can create scale." A public pension fund investor calls luxury apartments in urban infill areas the "best bet" for 2016: "We love the big three [Manhattan, San Francisco, Los Angeles] and we also like the multifamily markets in Seattle, Dallas, and Atlanta."

**Exhibit 4-10 Apartment Investment Prospect Trends**



Source: *Emerging Trends in Real Estate* surveys.  
 \* First year in survey.

**U.S. high-income apartments**

2016	Prospects	Ranking
Investment prospects	3.58	4 (tie)
Development prospects	3.66	4
<b>Buy</b>	<b>Hold</b>	<b>Sell</b>
21.0%	25.7%	53.4%
Expected capitalization rate, December 2016		4.9%

**U.S. moderate-income apartments**

2016	Prospects	Ranking
Investment prospects	3.58	4 (tie)
Development prospects	3.48	6
<b>Buy</b>	<b>Hold</b>	<b>Sell</b>
38.8%	37.4%	23.8%
Expected capitalization rate, December 2016		5.6%

**U.S. affordable apartments**

2016	Prospects	Ranking
Investment prospects	3.40	12
Development prospects	3.28	11
<b>Buy</b>	<b>Hold</b>	<b>Sell</b>
32.9%	45.2%	21.9%
Expected capitalization rate, December 2016		6.1%

Source: *Emerging Trends in Real Estate 2016* survey.  
 Note: Based on U.S. respondents only.

Others, such as the president of a Southeast brokerage, also encourage a close look at what is going on in the regional markets with which he is familiar. "Downtown housing has more of a boutique feel than in New York. Millennials here can rent

affordably at incomes of \$125,000." This interviewee went on to mention that this group's downtown experience has led to interest in close-in-for-sale housing as a next step. And as for the proposition that educational choices will drive millennials to traditional suburbs eventually, he notes that charter schools and homeschooling have expanded educational choice: neither needs the traditional suburb to be successful.

While many other interviewees still view schools as the stumbling block to city living (as one institutional investor argued, "Unless you can fix the school system in urban areas, as much as millennials say they'll never go to the suburbs, when they have children they probably will"), others concur with the position stated in the previous paragraphs ("I definitely don't think you'll find [gen Y] moving for a school district; they might find a magnet school," as a seasoned appraiser-consultant said in her interview).

**Infill and mixed-use development.** With the evolution of 18-hour cities, more places around the country are benefiting from additional diversity and complexity in their populations and economic bases. A Tennessee developer lauds the planning trend to rethink "separation of uses" zoning. He believes that "it is smart to seek an environment where something is going on every night." Mixed-use development in such a context reinforces value across the varied uses. An executive with a retail REIT concurs, "Infill and MXD [mixed-use development] are megatrends, and horizontal MXD is easier than vertical. It is more efficient, too, since you have greater cross-use of the parking requirement over the course of the day."

A New York-based firm that intermediates cross-border investment has been doing ground-up apartment development in spots like Altamont Springs outside Orlando; Revere, Massachusetts, near Boston; and the Clayton suburb near St. Louis. "We see these as infill locations, too, not sprawl at the perimeter—and our projects have been exceeding pro-forma projections."

**Residual impact of the bubble years.** Quite a hangover remains from the U.S. housing market collapse, epitomized by the subprime mortgage-induced bubble a decade ago. More than 7.4 million homeowners are still seriously underwater as of mid-2015, with the market value of the homes 25 percent or more lower than the outstanding mortgage balance, according to Realty Trac. Based on such data, a Wall Street finance specialist sees a slow recovery in the suburban housing markets and a disincentive for homebuying for now.

Such conditions surely influence the buy/rent decision. Many have spoken of the trauma felt by millennials who saw their families' net worth evaporate in the housing debacle. Those scars, they feel, will be very slow to heal. Moreover, the tenuous situation they experience in terms of job security gives them pause when contemplating a long-term mortgage commitment. "Jobs are not 'sticky' anymore," declares an executive with a global investment and asset manager, "and this impacts on the home purchase and mortgage decision."

With such factors in mind, many long-term investors align with an institutional investor who concludes for the years ahead, "We are still bullish on the apartment sector, although there are certainly markets with emerging supply issues. Overall, we think that the **demographic tailwind for rental apartments and continued urbanization is a longer-term trend that will make multifamily a good sector for a long time.**"

**Design, price, and user preferences.** A Chicago-based developer described the difference between product for millennials and baby boomers this way: "The gen Y product is a 700-square-foot apartment at \$2,000 per month, but empty nesters need 1,500 square feet." This is another instance where granular market analysis is absolutely required.

Lest we think this is simply the case in the largest U.S. cities, listen to a Nashville housing investor/developer: "My key demographic is women in their 60s, whose social life centers on their jobs and their church affiliations. They need a low-maintenance home with enough size and community amenity to be happy at this stage in life. The micro unit is not the answer for this group." And a West Coast investor wonders about the durability of the market for such a product: "When people are successful, they don't want to be crammed into micro units."

So even as we see a push in demand coming from new household formation, as jobs become more plentiful and release "boomerang" kids into the housing market, there will be a need for a range of development—not just luxury. A challenge for the industry is making the economics of affordable housing work. As one investment manager noted, both ends of the income inequality spectrum need to be satisfied: "We need to ask where workers will be living."

One consultant from the Carolinas maintains, "We are going to have to deal with affordable housing in a more holistic way." A private developer in Florida defines the issue even more sharply: "**Affordable housing is much more than simply a real estate issue. It is a significant cultural issue. Products will be delivered that will accommodate millennials, small/**

**young families, workforce housing—and how that housing changes . . . in size of home, style of home, where they are located, and how they're constructed."**

That challenge will not be going away in 2016, 2017, or 2018. It is safe to label it an "emerging trend."

## Office

Mind the gap! That's the gap between CBD and suburban offices, the top and bottom lines respectively in Moody's/RCA Commercial Property Price Index in exhibit 4-2. One property type diverging on two separate tracks—and the gap has been widening.

The breadth of the U.S. office market is one of its greatest strengths. Having options provides value. Secondary office markets are experiencing higher levels of investment for just this reason, somewhat greater volatility priced by higher yields, and the ability to accommodate fast-growing companies with a volume of new construction at costs much lower than that available in the primary downtowns. Interviewees spoke of "pocket markets," conversions and redevelopments, and opportunities to reposition struggling suburban office parks with vast parking into more effective mixed use.

**Where?** Quite a few interviewees find themselves overweighted in office at this stage of the cycle. Almost universally, that concentration of investment has been in the downtowns of the largest cities. Research has validated the claims that 24-hour cities would provide superior returns over time. New studies of "vibrancy" have extended the connection between live/work/play locations and commercial real estate performance into the category of 18-hour cities introduced in *Emerging Trends 2015*.

Institutional investors with a long-range perspective have been looking past the high prices for core office assets in gateway markets, doubling down on offices in Boston, Chicago, D.C., New York, Los Angeles, and San Francisco. Even at higher prices, CBD has topped suburban office in total returns over the one-, three-, five-, ten-, and 20-year time horizons in the NCREIF Property Index. No wonder that one interviewee specializing in office investment sales said, "**Tenants want to be in urban locations, so investors want to be there, too.** There is a good degree of due diligence being done on deals, so we are not getting out over our skis."

It is not just the insurance companies and pension funds, though. A variety of buyer types is represented in the current wave of downtown office acquisitions. A private owner/investor told us, "Sell noncore assets; invest in quality office." One inter-

# ApartmentResearch

## MARKET REPORT

Marcus & Millichap

Milwaukee Metro Area

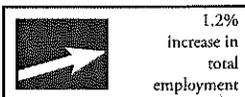
Fourth Quarter 2015

### Apartment Demand Brewing in Milwaukee

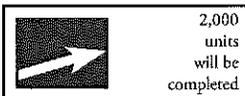
Employment gains bolster the Milwaukee apartment market, drawing new residents to the region and increasing the demand for housing. Approximately 6,100 households will be formed in the metro during 2015 and many of these will seek rental units, keeping vacancy below the traditional replacement level. The rise in tenant demand spurs robust multifamily construction activity. This year, apartment inventory will increase by the largest number of units since the recession. The impact of construction will be lessened as projects are most prevalent in areas with significant demand such as downtown Milwaukee or in neighborhoods just the north of the core. So far, many units have been absorbed; vacancy rests below 5 percent in all submarkets. Concessions, however, have begun to creep up in some regions to entice tenants to these new properties. Despite a surge in construction this year, vacancy will remain tight, pushing rent growth throughout the market and improving NOI.

The relatively steady Milwaukee economy continues to attract investors to the apartment market, many coming from Chicago, drawn by lower entry costs and higher yields. Even though owners have been bringing more inventory to market, buyer demand still remains well above supply, keeping capital waiting on the sidelines. Stabilized properties built since the 1980s with more than 100 units and established rent rolls are most sought after and will receive multiple bids in prime locations. The aggressive competition for these assets is driving prices upward and compressing cap rates. Best-of-class assets will list at initial yields that begin in the high-5 percent range if well located. A climb in apartment deliveries this year should provide additional buying opportunities. First-year returns for assets in secondary locations or quality will trade 100 to 200 basis points higher. Suburban properties near major employment hubs such as Waukesha or Dane County will receive significant investor attention.

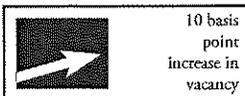
### 2015 Annual Apartment Forecast



**Employment:** In 2015, 10,000 positions will be added to payrolls, lifting employment by 1.2 percent. This is an increase from last year when 9,000 jobs were created, led by gains in the education and health services sector.



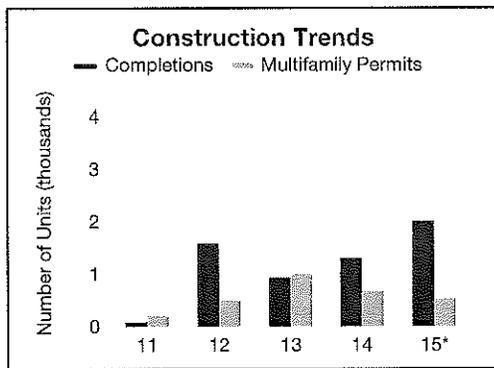
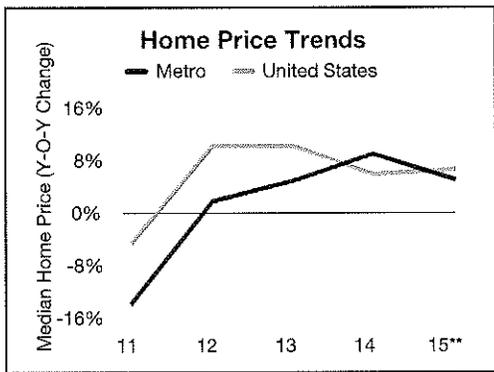
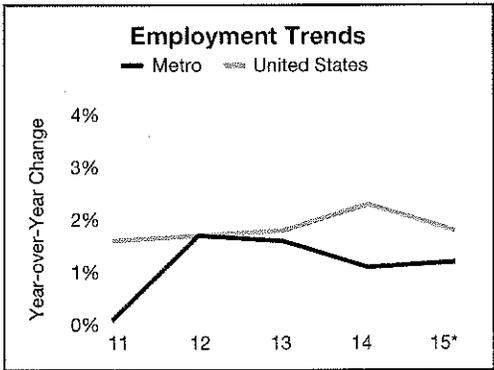
**Construction:** Approximately 2,000 rentals will be completed metrowide during 2015, the largest portion of which will be in the Near North/West Side/Wauwatosa submarket. Last year, 1,300 units were brought into service.



**Vacancy:** After vacancy tightened 110 basis points last year, the rate will inch upward as completions reach the highest level in seven years. During 2015 vacancy will tick up 10 basis points to 3.1 percent.



**Rents:** The addition of new luxury rentals will contribute to rents climbing. During 2015, the average effective rent in the metro will jump 3.3 percent to \$968 per month, building on a 2.4 percent rise last year.



\* Forecast  
 \*\* Trailing 12-month period through 3Q

## Economy

- In the past four quarters ending in September, employers in Milwaukee created 7,400 new positions, increasing total employment by 0.9 percent. This is down from the prior 12 months, when 7,700 positions were generated.
- The education and health services sector led job gains with nearly 6,800 new workers, followed by professional and business services with 3,900. The leisure and hospitality and financial activities sectors added approximately 1,000 slots each.
- Unemployment in the metro has tightened 90 basis points in the last 12 months to 4.8 percent in the third quarter. One year earlier, unemployment dropped 130 basis points.
- **Outlook:** Employers will lift payrolls 1.2 percent in 2015 with the addition of 10,000 positions. An increase in workers will boost household formation. This year 5,000 new households are expected, generating demand for rentals.

## Housing and Demographics

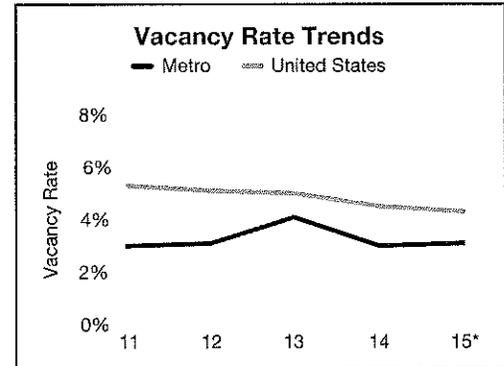
- In September, an annualized 1,500 single-family homes were permitted, a 15 percent advance from the same period last year. During the same time span, multifamily issuance fell 71 percent to 365 units.
- Over the past 12 months, home prices escalated 5.1 percent to a median of \$218,300 in the third quarter. The median household income, meanwhile, ticked up 2.9 percent to \$54,800 per year, which is \$4,100 more than the minimum qualifying income needed to purchase a median-priced home in the metro.
- Using traditional financing, the difference between effective rents at 2000s-vintage apartments and the monthly mortgage obligation on a median-priced home is \$85 per month in favor of homeownership.
- **Outlook:** Home prices that remain affordable to many Milwaukee area renters will limit the amount that apartment operators in some middle-class neighborhoods can push rent growth before tenants consider transitioning to homeownership.

## Construction

- Developers finalized 377 apartments during the third quarter, raising the 12-month total to 1,100 units. The Near North/West Side/Wauwatosa submarket received the largest portion of these deliveries. Completions dipped from last year when 1,200 units were added to the metrowide inventory.
- Robust building activity features more than 3,300 apartments underway with deliveries scheduled into 2017. The bulk of completions will be in the Downtown/Shorewood and Near North/West Side/Wauwatosa submarkets. The planning pipeline contains 7,500 proposed rentals with due dates that extend into 2017.
- The largest project underway is the Corners at Brookfield, a 235-unit building. Part of a mixed-use development, the luxury apartments will be built above ground-floor retail and include concierge services, a health and fitness center, and a social-media center for residents.
- **Outlook:** Approximately 2,000 rentals will be completed during 2015, the highest level since 2008. Last year 1,300 apartments were brought into service marketwide.

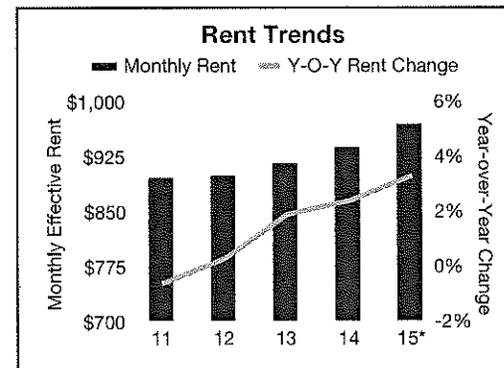
## Vacancy

- The vacancy rate ticked up 30 basis points to 2.8 percent in the third quarter. The rate is down 80 basis points year over year and follows a 40-basis-point rise 12 months earlier.
- Renters have been steadily absorbing new units. Vacancy in properties built since 2000 fell 130 basis points year over year to 3.0 percent in the third quarter, after a 50-basis-point drop the prior period. Properties constructed in the 1990s have the lowest vacancy at 2.3 percent.
- Downtown/Shorewood has the highest vacancy among submarkets in the Milwaukee metro, at 4.1 percent in September. The rate has remained stable year over year even though 400 units were brought into service. This submarket also registers the most expensive average effective rent at \$1,223 per month, down 3.4 percent during the period, due in part to an expansion in concessions.
- **Outlook:** Vacancy will end 2015 at 3.1 percent, up 10 basis points for the year mainly resulting from an escalation in completions. In 2014, vacancy tightened 110 basis points.



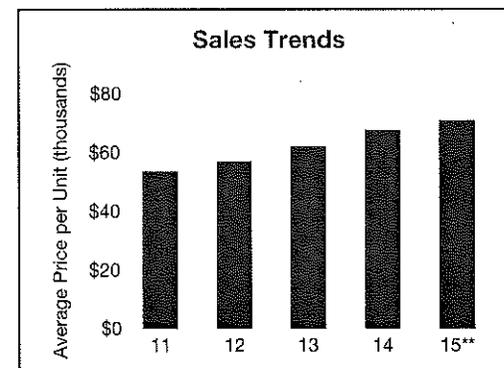
## Rents

- Metrowide, effective rents advanced 2.1 percent to an average of \$962 per month year over year in September. A 1.1 percent rise was recorded 12 months earlier.
- The most affordable rents among the metro's submarkets were registered in South Side/West Allis/Greenfield at an average of \$809 per month in the third quarter. Rents here jumped 3.1 percent in the last 12 months following a 0.9 percent increase one year earlier.
- By vintage, properties constructed in the 1970s offered the lowest rents at an average of \$845 per month. Here, rents hiked 3.7 percent in the past four quarters, the highest jump among vintages. Effective rents in properties built since 2000 declined 1.0 percent to \$1,226 per month during this period as concessions expanded.
- **Outlook:** During 2015, the average effective rent in the metro will climb 3.3 percent to \$968 per month, building on a 2.4 percent rise last year.



## Sales Trends

- Transaction velocity remained relatively steady year over year. During this time, private buyers were active as indicated by the domination of trades of less than \$5 million. Many local investors targeted Class C assets in the Avenues West, Jackson Park and Lower East Side neighborhoods in the city of Milwaukee.
- The average price of assets traded over the last 12 months was \$70,900 per unit, an annual increase of 4.9 percent. Lower-tier assets sold at an average of \$58,200 per unit.
- Cap rates for properties traded in the last 12-month period averaged in the low-7 percent range metrowide. First-year yields for institutional-grade assets averaged in the high-5 percent area.
- **Outlook:** Investors will remain focused on steady cash flows in stabilized assets. Properties with more than 100 units, near major employment hubs or in cities with lower tax rates will garner significant buyer attention.



\* Forecast  
 \*\* Trailing 12 months through 3Q  
 Sources: CoStar Group, Inc.; Real Capital Analytics

# Marcus & Millichap

## NATIONAL MULTI HOUSING GROUP

Visit [www.NationalMultiHousingGroup.com](http://www.NationalMultiHousingGroup.com) or call:

**John Sebree**

Director, National Multi Housing Group

Tel: (317) 327-5417

[john.sebree@marcusmillichap.com](mailto:john.sebree@marcusmillichap.com)

Prepared and edited by

**Nancy Olmsted**

Market Research Analyst, Research Services

For information on national  
apartment trends, contact

**John Chang**

First Vice President, Research Services

Tel: (602) 687-6700

[john.chang@marcusmillichap.com](mailto:john.chang@marcusmillichap.com)

*Milwaukee Office:*

**Matthew Fitzgerald**

First Vice President, Regional Manager

[matt.fitzgerald@marcusmillichap.com](mailto:matt.fitzgerald@marcusmillichap.com)

13890 Bishops Drive, Suite 300

Brookfield, Wisconsin 53005

Tel: (262) 364-1900

Fax: (262) 364-1910

**Price: \$150**

© Marcus & Millichap 2015

[www.MarcusMillichap.com](http://www.MarcusMillichap.com)

## Capital Markets

By WILLIAM E. HUGHES, Senior Vice President, Marcus & Millichap Capital Corporation

- The Federal Reserve continues to weigh domestic economic trends against greater volatility and softer growth overseas to guide its course on interest rates. The central bank will deliberate again on the Fed Funds rate at two additional meetings this year but may withhold its first rate hike until 2016. Initial movements by the Fed on its overnight lending rate will likely be gradual and measured in order to minimize a potential disruption in U.S. economic growth.
- The yield on the 10-year U.S. Treasury, an important benchmark in real estate lending, has hovered in the low-2 percent range throughout 2015 in response to rising demand for low-risk, fixed-income assets. Long-term rates such as the 10-year U.S. Treasury are not directly tied to short-term rates, or the short end of the yield curve, and thus will be largely insulated from the Fed's actions.
- Agency lenders are underwriting 10-year apartment loans with LTVs at up to 80 percent in select markets and rates ranging from 4.3 percent to 4.7 percent. Portfolio lenders offer similar LTVs at rates from 3.85 to 4.5 percent. Floating bridge loans are issued at LTVs of 70 percent for stabilized assets, with a spread of 250 to 400 basis points above Libor. Value-add deals, meanwhile, attract a spread of 350 to 500 basis points with dollars capped at 60 to 65 percent of cost.
- Total CMBS issuance reached \$77.6 billion for all commercial properties year to date through the third quarter and lenders remain on track to issue \$100 billion to \$125 billion in 2015, a sizable gain from last year. In the apartment sector, CMBS lenders will issue loans at terms of up to 10 years and as much as 80 percent leverage in specific circumstances. Interest rates for good-quality multifamily product start at 240 basis points over the 10-year U.S. Treasury, and have widened slightly recently.

## Local Highlights

- Northwestern Mutual plans to construct a 33-story upscale apartment tower next to its downtown Milwaukee headquarters. The development will include 25 stories and 308 apartments, an eight-story parking garage and ground-floor retail space. Amenities include a rooftop swimming pool and fireplace, indoor golf simulator and fitness center. Northwestern Mutual has not yet released information on the expected completion date.
- Milwaukee received a \$30 million grant to help fund the redevelopment of 708 mixed-income housing units and the neighborhood surrounding them on the city's northwest side. The redevelopment plan aims to help combat Milwaukee's foreclosure crisis, provide better access to retail and transportation and offer improved educational opportunities. Foreclosed homes will serve as temporary housing as units go under construction. City officials expect to break ground on homes in the spring of 2016.
- Land has been purchased in Greenfield for a massive mixed-use project with plans to break ground in midyear 2016. The development, located between Interstate 894 and West Layton Avenue, will include 400 apartments, a 120-room hotel, office space and several retail buildings.

## Apartment Demand Brewing in Milwaukee As Jobs and Amenities Lure Renters Downtown

Slow but relatively steady employment gains will draw new residents to Milwaukee, underpinning the need for rentals. Many of the jobs will be in office-using firms that are expanding or relocating into new office towers in the city. The increase in workers will generate demand for rentals in the core as many people seek housing nearby. Additional apartment leasing will come from downsizing households that seek a more walkable lifestyle proximate to cultural amenities. Metrowide, strong tenant demand has activated developers. For the second year in a row, deliveries will reach approximately 2,000 units, yet the vacancy rate will remain below the traditional level in most areas. Also, single-family home prices, especially in some of the most desired neighborhoods, are beyond the means of many tenants, keeping them in the renter pool longer. This will contribute to stable vacancies and higher rent growth this year.

Stable operations and the availability of low-cost financing are attracting investors to apartment assets in Milwaukee. Less intense competition for available properties than in nearby markets will likely draw regional buyers, especially from Chicago and Minneapolis, keeping investor demand ahead of listed assets. Many buyers will target properties built since the 1980s with more than 100 units and a consistent income stream. Cap rates for these assets typically start in the high-5 percent range but may dip below that for premium properties. The rise in construction should provide additional investment opportunities, although developers may need to offer concessions to quicken the pace of leasing to stabilize new buildings. Higher property tax rates in Milwaukee will move other buyers into surrounding counties. Assets with some upside potential near employment centers or along major transit routes in Waukesha County will be highly desired.

### 2016 Market Forecast

- NMI Rank**  
25, down 2 places

Average operational improvement this year will keep Milwaukee near the middle of the ranking.
- Employment**  
up 0.8%

Approximately 7,000 jobs will be generated throughout the metro in 2016, a 0.8 percent expansion. This is down from the 10,000 workers added to payrolls last year.
- Construction**  
2,000 units

Developers will complete 2,000 rentals throughout the metro in 2016, a 1.4 percent increase in inventory. This is a slight decline from last year's 2,100 units. Builders will be most active in downtown Milwaukee.
- Vacancy**  
down 10 bps

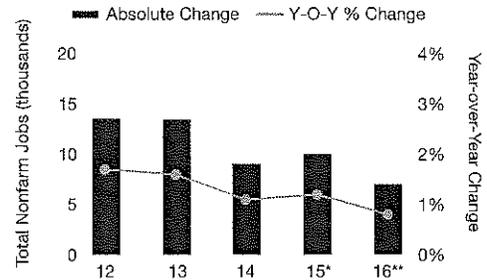
During 2016, the vacancy rate will dip 10 basis points to 3.0 percent, a reversal from last year's 10-basis-point climb. The rate has stayed below 4.2 percent since 2010.
- Rent**  
up 3.5%

Strong tenant demand will contribute to the highest rent gain in five years. During 2016, effective rents will rise 3.5 percent to an average of \$1,002 per month. Last year, a 3.3 percent advance was posted.
- Investment**

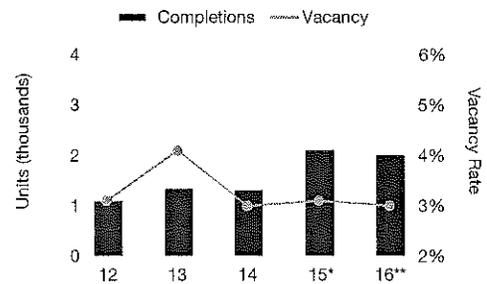
For buyers seeking value-add and redevelopment prospects, older properties in revitalizing neighborhoods surrounding downtown Milwaukee should provide investment opportunities.

## Milwaukee

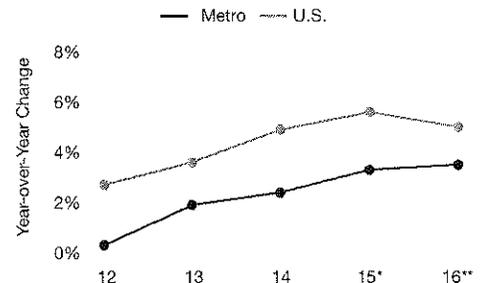
### Employment Trends



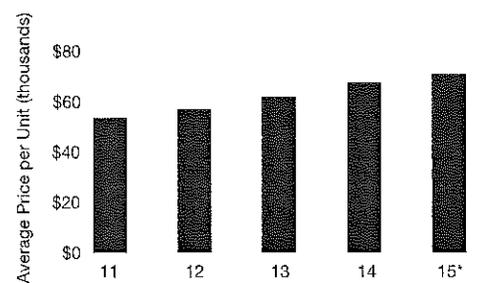
### Supply and Demand



### Effective Rent Trends



### Sales Trends



\* Estimate \*\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics

## RETAIL MARKET OVERVIEW

# National Strip Shopping Center Market

From an investment standpoint, buyer demand remains quite strong for strip shopping centers as this sector continues to perform well and recover – albeit at a slow pace. Even though the national vacancy rate held steady at 10.1% in the third quarter of 2015, it was down 20 basis points on a year-over-year basis, as per Reis. As a result, many surveyed investors are seeing increasing “net” rents and slightly more aggressive pricing on the part of sellers, especially for Class-A assets.

As shown in Table 3, the average overall cap rate for this market falls 43 basis points this quarter to 6.38% – the lowest average for this

market since it debuted in 1991. In addition, the quarterly decrease marks the fourth consecutive quarterly decline for this key cash flow assumption. Even though rent growth expectations hold steady this quarter, fewer Survey participants are offering free rent. Specifically, 63.0% of participants are using free rent – down from 75.0% three months ago.

In the sales arena, investors note that “there aren’t enough buying opportunities” as many owners are opting to hold not sell. In secondary locations, an increase in property offerings has occurred, but pricing is “too steep” for most private institutional buyers. ♦

## KEY 4Q15 SURVEY STATS\*

### Tenant Retention Rate:

Average 72.0% =  
Range 60.0% to 85.0%

### Months of Free Rent<sup>(1)</sup>:

Average 2 =  
Range 0 to 6  
% of participants using 63.0% ▼

### Market Conditions Favor:

Buyers 0.0% ▼  
Sellers 75.0% ▲  
Neither 25.0% ▼

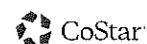
\* ▼, ▲, = change from prior quarter (1) on a ten-year lease

**Table 3**  
**NATIONAL STRIP SHOPPING CENTER MARKET**  
Fourth Quarter 2015

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>DISCOUNT RATE (IRR)<sup>a</sup></b>					
Range	6.00% - 10.75%	6.00% - 10.75%	6.00% - 11.00%	6.50% - 12.50%	6.00% - 12.50%
Average	7.78%	7.80%	8.11%	8.43%	8.88%
Change (Basis Points)		- 2	- 33	- 65	- 110
<b>OVERALL CAP RATE (OAR)<sup>a</sup></b>					
Range	4.50% - 9.50%	4.50% - 9.00%	5.00% - 10.00%	5.25% - 9.50%	5.50% - 9.50%
Average	6.38%	6.81%	7.05%	7.06%	7.63%
Change (Basis Points)		- 43	- 67	- 68	- 125
<b>RESIDUAL CAP RATE</b>					
Range	4.75% - 9.75%	4.75% - 9.75%	5.00% - 10.00%	6.00% - 12.00%	6.50% - 12.00%
Average	6.70%	6.97%	7.22%	7.66%	8.26%
Change (Basis Points)		- 27	- 52	- 99	- 156
<b>MARKET RENT CHANGE<sup>b</sup></b>					
Range	0.00% - 3.00%	0.00% - 3.00%	0.00% - 5.00%	0.00% - 4.00%	0.00% - 3.00%
Average	1.88%	1.88%	1.97%	1.75%	0.61%
Change (Basis Points)		0	- 9	+ 13	+ 127
<b>EXPENSE CHANGE<sup>b</sup></b>					
Range	0.00% - 3.00%	0.00% - 3.00%	0.00% - 3.00%	2.50% - 4.00%	1.00% - 4.00%
Average	2.72%	2.72%	2.72%	3.05%	2.86%
Change (Basis Points)		0	0	- 31	- 14
<b>MARKETING TIME<sup>c</sup></b>					
Range	2 - 12	2 - 12	2 - 12	2 - 18	2 - 18
Average	5.6	6.2	6.1	7.1	8.2
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions    b. Initial rate of change    c. In months

# Milwaukee Retail Market



Overview

## Milwaukee's Vacancy Decreases to 6.6% Net Absorption Positive 487,549 SF in the Quarter

The Milwaukee retail market did not experience much change in market conditions in the fourth quarter 2015.

The vacancy rate went from 6.7% in the previous quarter to 6.6% in the current quarter. Net absorption was positive 487,549 square feet, and vacant sublease space decreased by (3,200) square feet. Quoted rental rates increased from third quarter 2015 levels, ending at \$10.71 per square foot per year. A total of 7 retail buildings with 516,816 square feet of retail space were delivered to the market in the quarter, with 1,178,815 square feet still under construction at the end of the quarter.

### Net Absorption

Retail net absorption was strong in Milwaukee fourth quarter 2015, with positive 487,549 square feet absorbed in the quarter. In third quarter 2015, net absorption was positive 322,969 square feet, while in second quarter 2015, absorption came in at positive 113,407 square feet. In first quarter 2015, positive 113,612 square feet was absorbed in the market.

Tenants moving out of large blocks of space in 2015 include: JC Penney moving out of 146,196 square feet at 5900 Durand Avenue; Walmart moving out of 104,231 square feet at 15333 W National Avenue; and Ace Hardware moving out of 65,400 square feet at 1303 N 4th Street.

Tenants moving into large blocks of space in 2015 include: Costco moving into 156,000 square feet at 153000 W Grange Avenue; Walmart moving into 152,000 square feet at 15205 W Greenfield Avenue; and Costco moving into 150,000 square feet at N91W16262 Pershing Avenue.

### Vacancy

Milwaukee's retail vacancy rate decreased in the fourth quarter 2015, ending the quarter at 6.6%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 6.7% in the first quarter 2015, to 6.7% at the end of the second quarter 2015, 6.7% at the end of the third quarter 2015, to 6.6% in the current quarter.

The amount of vacant sublease space in the Milwaukee market has trended down over the past four quarters. At the end of the first quarter 2015, there were 388,131 square feet of vacant sublease space. Currently, there are 309,517 square feet vacant in the market.

### Largest Lease Signings

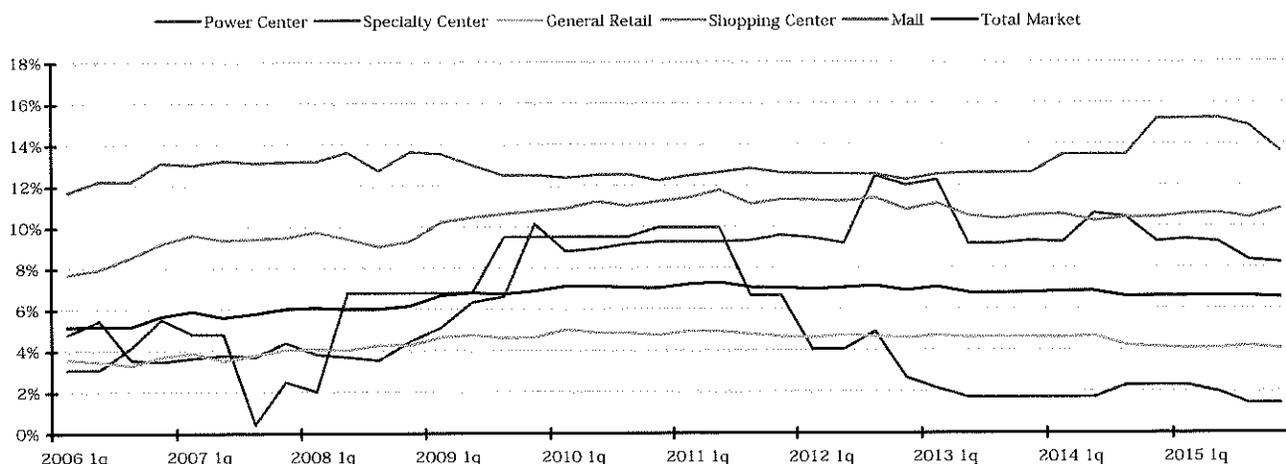
The largest lease signings occurring in 2015 included: the 218,705-square-foot-lease signed by Boston Store at 95 N Moorland Rd; the 210,714-square-foot-deal signed by Boston Store at 2400 N Mayfair Road; and the 160,000-square-foot-lease signed by Bon-Ton at 95 N Moorland Road.

### Rental Rates

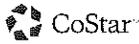
Average quoted asking rental rates in the Milwaukee retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the fourth quarter 2015 at \$10.71 per square foot per year. That compares to \$10.50 per square foot in the third quarter 2015, and \$10.48 per square foot at the end of the first quarter 2015. This represents a 2.0% increase in rental rates in the current quarter, and a 2.15% increase from four quarters ago.

## Vacancy Rates by Building Type

2006-2015



Source: CoStar Property®



# Milwaukee Retail Market

Overview

## Inventory & Construction

During the fourth quarter 2015, seven buildings totaling 516,816 square feet were completed in the Milwaukee retail market. Over the past four quarters, a total of 1,319,349 square feet of retail space has been built in Milwaukee. In addition to the current quarter, five buildings with 389,258 square feet were completed in third quarter 2015, four buildings totaling 221,675 square feet completed in second quarter 2015, and 191,600 square feet in six buildings completed in first quarter 2015.

There were 1,178,815 square feet of retail space under construction at the end of the fourth quarter 2015.

Some of the notable 2015 deliveries include: Meijer, a 192,000-square-foot facility that delivered in third quarter 2015 and is now 100% occupied, and Meijer, a 191,352-square-foot building that delivered in second quarter 2015 and is now 100% occupied.

Total retail inventory in the Milwaukee market area amounted to 140,610,481 square feet in 13,243 buildings and 727 centers as of the end of the fourth quarter 2015.

## Shopping Center

The Shopping Center market in Milwaukee currently consists of 699 projects with 35,698,810 square feet of retail space in 1,172 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers.

After absorbing (145,843) square feet and delivering no new space in the current quarter, the Shopping Center sector saw the vacancy rate go from 10.5% at the end of the third quarter 2015 to 10.9% this quarter.

Over the past four quarters, the Shopping Center vacancy rate has gone from 10.6% at the end of the first quarter 2015, to 10.7% at the end of the second quarter 2015, to 10.5% at the

end of the third quarter 2015, and finally to 10.9% at the end of the current quarter.

Rental rates ended the fourth quarter 2015 at \$11.10 per square foot, up from the \$10.94 they were at the end of third quarter 2015. Rental rates have trended down over the past year, going from \$11.13 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled 50,765 square feet over the past four quarters. In addition to the negative (145,843) square feet absorbed this quarter, positive 77,498 square feet was absorbed in the third quarter 2015, positive 165,097 square feet was absorbed in the second quarter 2015, and negative (45,987) square feet was absorbed in the first quarter 2015.

## Power Centers

The Power Center average vacancy rate was 8.3% in the fourth quarter 2015. With positive 6,514 square feet of net absorption and no new deliveries, the vacancy rate went from 8.4% at the end of last quarter to 8.3% at the end of the fourth quarter.

In the third quarter 2015, Power Centers absorbed positive 37,469 square feet, delivered no new space, and the vacancy rate went from 9.3% to 8.4% over the course of the quarter. Rental rates started the quarter at \$5.37 per square foot and ended the quarter at \$4.80 per square foot.

## General Retail Properties

The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 4.1% at the end of fourth quarter 2015. There was a total of 3,712,480 square feet vacant at that time. The General Retail sector in Milwaukee currently has average rental rates of \$10.87 per square foot per year. There are 606,376 square feet of space under construction in this sector, with 376,816 square feet having been completed in the fourth quarter. In all, there are a total of 11,883 buildings with 90,692,519 square feet of General Retail space in Milwaukee.

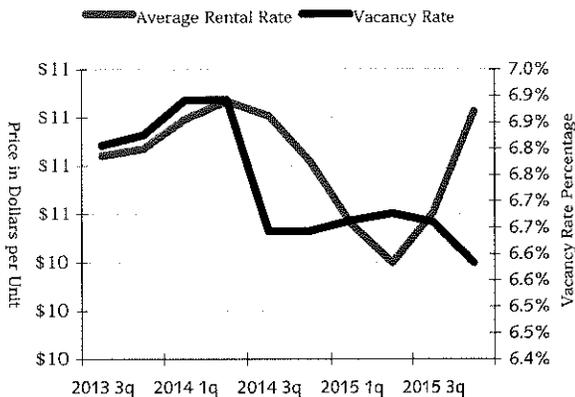
## Specialty Centers

There are currently 3 Specialty Centers in the Milwaukee market, making up 438,127 square feet of retail space. In this report the Specialty Center market is comprised of Outlet Center, Airport Retail and Theme/Festival Centers.

Specialty Centers in the Milwaukee market have experienced positive 3,838 square feet of net absorption in 2015. The vacancy rate currently stands at 1.4%, and rental rates average \$17.23 per square foot.

## VACANCY & RENT

Past 10 Quarters



Source: CoStar Property®

# Milwaukee Retail Market



Overview

## Malls

Malls recorded net absorption of positive 235,744 square feet in the fourth quarter 2015. This net absorption number, combined with the 140,000 square feet that was built in the quarter, caused the vacancy rate to go from 14.9% a quarter ago to 13.7% at the end of the fourth quarter 2015. Rental rates went from \$9.48 per square foot to \$9.48 per square foot during that time. In this report the Mall market is comprised of 13 Lifestyle Center, Regional Mall and Super Regional Malls.

## Sales Activity

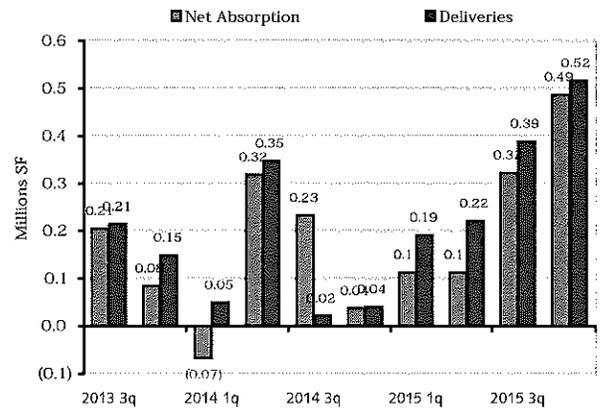
Tallying retail building sales of 15,000 square feet or larger, Milwaukee retail sales figures rose during the third quarter 2015 in terms of dollar volume compared to the second quarter of 2015.

In the third quarter, 15 retail transactions closed with a total volume of \$48,188,598. The 15 buildings totaled 460,108 square feet and the average price per square foot equated to \$104.73 per square foot. That compares to 12 transactions totaling \$37,560,980 in the second quarter 2015. The total square footage in the second quarter was 564,623 square feet for an average price per square foot of \$66.52.

Total retail center sales activity in 2015 was down compared to 2014. In the first nine months of 2015, the market saw 34 retail sales transactions with a total volume of \$112,699,578. The price per square foot averaged \$66.21. In the same first nine months of 2014, the market posted 45 transactions with a total volume of \$154,128,772. The price per square foot averaged \$70.67.

## ABSORPTION & DELIVERIES

Past 10 Quarters



Source: CoStar Property®

Cap rates have been higher in 2015, averaging 8.02% compared to the same period in 2014 when they averaged 7.89%.

One of the largest transactions that has occurred within the last four quarters in the Milwaukee market is the sale of Village Center in Racine. This 241,074 square foot retail center sold for \$31,750,000, or \$131.70 per square foot. The property sold on 11/3/2015.

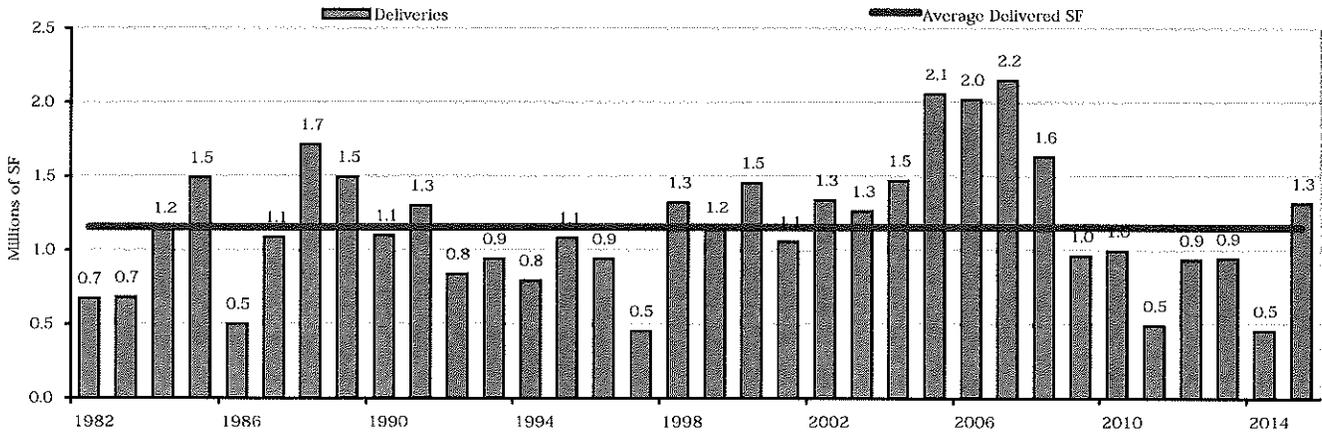
Report compiled by Research Manager, Ryan Forman, and the Wisconsin Research Team.

# Milwaukee Retail Market



Inventory & development

## Historical Deliveries 1982 - 2015



Source: CoStar Property® \* Future deliveries based on current under construction buildings.

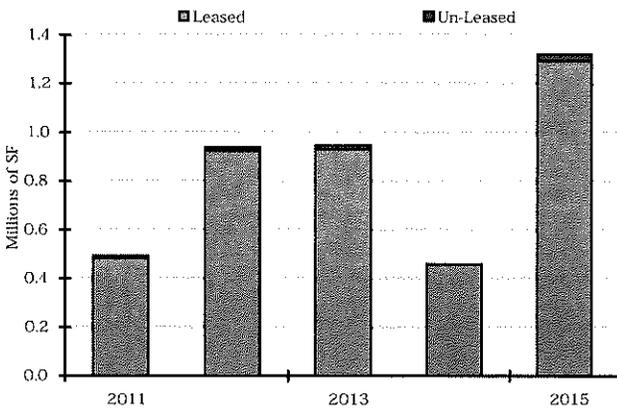
## Construction Activity Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total GLA	Preleased SF	Preleased %	All Existing	U/C
Waukesha County	13	749,259	650,038	86.8%	14,926	57,635
Milwaukee County	8	356,556	249,070	69.9%	9,276	44,569
Downtown	3	73,000	44,614	61.1%	14,648	24,333
Dodge County	0	0	0	0.0%	10,039	0
Fond du Lac County	0	0	0	0.0%	11,624	0
Ozaukee County	0	0	0	0.0%	12,050	0
Racine County	0	0	0	0.0%	8,896	0
Sheboygan County	0	0	0	0.0%	12,475	0
Walworth County	0	0	0	0.0%	8,528	0
Washington County	0	0	0	0.0%	13,010	0
<b>Totals</b>	<b>24</b>	<b>1,178,815</b>	<b>943,722</b>	<b>80.1%</b>	<b>10,618</b>	<b>49,117</b>

Source: CoStar Property®

## Recent Deliveries

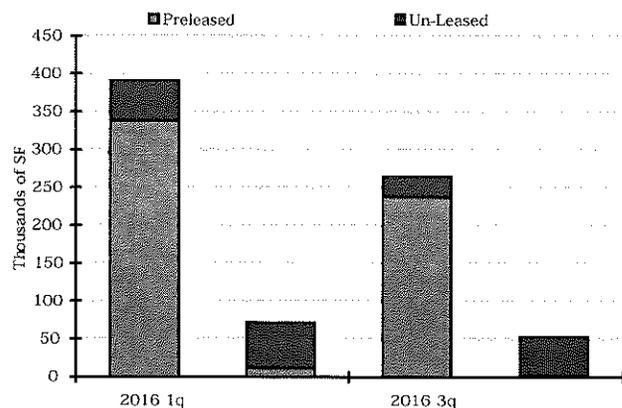
Leased & Un-Leased SF in Deliveries Since 2011



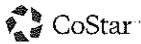
Source: CoStar Property®

## Future Deliveries

Preleased & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

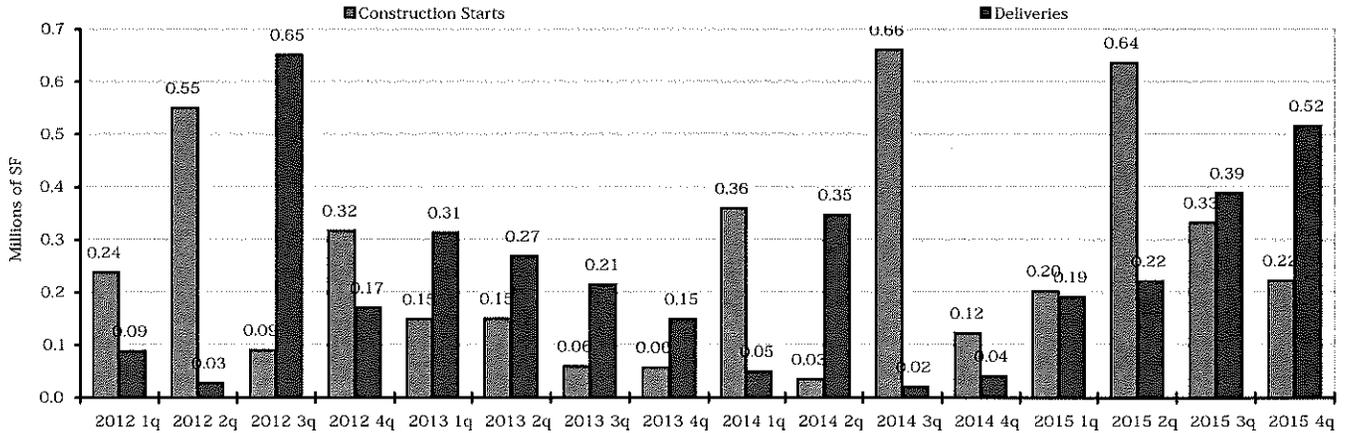


# Milwaukee Retail Market

Inventories & Development

## Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

## Recent Deliveries by Project Size of Year-to-Date Development

Building Size	# Bldgs	GLA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	15	180,645	153,630	85.0%	\$19.52	114,932	65,713
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
100,000 SF - 249,999 SF	7	1,138,704	1,138,704	100.0%	\$0.00	986,704	152,000
250,000 SF - 499,999 SF	0	0	0	0.0%	\$0.00	0	0
>= 500,000 SF	0	0	0	0.0%	\$0.00	0	0

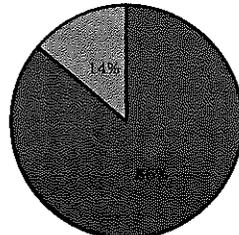
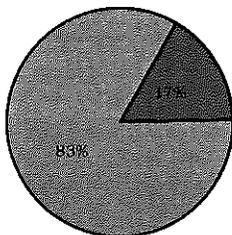
Source: CoStar Property®

## Recent Development by Tenancy

Based on GLA Developed for Single & Multi Tenant Use

2015 Deliveries

Currently Under Construction

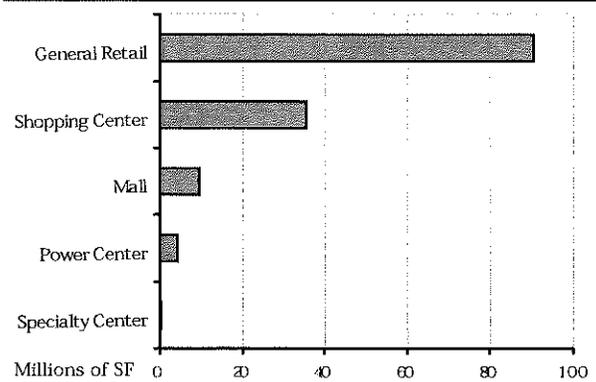


■ Multi ■ Single ■ Multi ■ Single

Source: CoStar Property®

## Existing Inventory Comparison

Based on Total GLA



Source: CoStar Property®

## Milwaukee Retail Market



Figures at a Glance

## General Retail Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %				
Dodge County	358	3,044,271	166,519	166,519	5.5%	(44,389)	0	0	\$7.03
Downtown	361	4,943,862	150,330	150,330	3.0%	69,101	0	73,000	\$18.64
Fond du Lac County	420	3,544,213	355,231	355,231	10.0%	(127,409)	0	0	\$9.21
Milwaukee County	5,766	37,241,058	1,521,269	1,521,269	4.1%	101,677	187,552	216,104	\$11.17
Ozaukee County	376	3,090,623	160,682	160,682	5.2%	13,276	30,982	0	\$10.46
Racine County	1,504	9,659,539	393,841	393,841	4.1%	(37,471)	7,000	0	\$8.73
Sheboygan County	492	4,274,007	84,519	84,519	2.0%	(83,354)	0	0	\$10.04
Walworth County	656	4,174,319	144,108	144,108	3.5%	(36,560)	0	0	\$11.15
Washington County	463	4,492,062	122,769	122,769	2.7%	21,281	0	0	\$8.55
Waukesha County	1,487	16,228,565	550,770	613,212	3.8%	633,722	539,145	317,272	\$11.13
<b>Totals</b>	<b>11,883</b>	<b>90,692,519</b>	<b>3,650,038</b>	<b>3,712,480</b>	<b>4.1%</b>	<b>509,874</b>	<b>764,679</b>	<b>606,376</b>	<b>\$10.87</b>

Source: CoStar Property®

## Mall Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Dodge County	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown	1	293,596	36,086	36,086	12.3%	(5,000)	0	0	\$0.00
Fond du Lac County	1	519,340	18,000	18,000	3.5%	0	0	0	\$16.52
Milwaukee County	6	5,423,573	998,121	1,059,090	19.5%	318,905	334,118	34,352	\$9.27
Ozaukee County	0	0	0	0	0.0%	0	0	0	\$0.00
Racine County	1	892,950	106,954	106,954	12.0%	116,784	0	0	\$0.00
Sheboygan County	1	367,147	60,014	60,014	16.3%	0	0	0	\$0.00
Walworth County	0	0	0	0	0.0%	0	0	0	\$0.00
Washington County	0	0	0	0	0.0%	0	0	0	\$0.00
Waukesha County	3	1,967,708	16,890	16,890	0.9%	(1,767)	0	396,000	\$18.50
<b>Totals</b>	<b>13</b>	<b>9,464,314</b>	<b>1,236,065</b>	<b>1,297,034</b>	<b>13.7%</b>	<b>428,922</b>	<b>334,118</b>	<b>430,352</b>	<b>\$9.48</b>

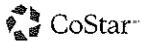
Source: CoStar Property®

## Power Center Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Dodge County	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown	0	0	0	0	0.0%	0	0	0	\$0.00
Fond du Lac County	0	0	0	0	0.0%	0	0	0	\$0.00
Milwaukee County	5	1,705,352	310,924	310,924	18.2%	(2,033)	0	0	\$4.00
Ozaukee County	1	398,723	0	0	0.0%	0	0	0	\$0.00
Racine County	1	308,060	22,312	22,312	7.2%	0	0	0	\$0.00
Sheboygan County	1	438,554	2,267	2,267	0.5%	(2,267)	0	0	\$0.00
Walworth County	1	525,917	2,346	2,346	0.4%	0	0	0	\$14.00
Washington County	1	352,895	15,225	15,225	4.3%	0	0	0	\$0.00
Waukesha County	2	587,210	3,814	3,814	0.6%	48,438	0	0	\$18.00
<b>Totals</b>	<b>12</b>	<b>4,316,711</b>	<b>356,888</b>	<b>356,888</b>	<b>8.3%</b>	<b>44,138</b>	<b>0</b>	<b>0</b>	<b>\$4.80</b>

Source: CoStar Property®



# Milwaukee Retail Market

Figures at a Glance

## Shopping Center Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Dodge County	12	654,385	107,617	107,617	16.4%	(14,092)	0	0	\$5.64
Downtown	3	123,532	1,098	1,098	0.9%	3,400	0	0	\$11.00
Fond du Lac County	24	1,341,699	173,698	173,698	12.9%	18,057	0	0	\$7.12
Milwaukee County	283	13,597,366	1,172,787	1,350,057	9.9%	66,490	19,200	106,100	\$12.08
Ozaukee County	41	1,908,457	165,479	165,479	8.7%	184,878	191,352	0	\$9.98
Racine County	48	3,560,605	487,918	487,918	13.7%	(27,207)	0	0	\$8.93
Sheboygan County	29	1,843,740	380,089	380,089	20.6%	(45,477)	0	0	\$8.37
Walworth County	28	1,362,890	86,833	86,833	6.4%	3,325	0	0	\$9.59
Washington County	59	2,596,640	274,734	274,734	10.6%	16,539	0	0	\$10.16
Waukesha County	172	8,709,496	847,722	856,558	9.8%	(155,148)	10,000	35,987	\$13.42
<b>Totals</b>	<b>699</b>	<b>35,698,810</b>	<b>3,697,975</b>	<b>3,884,081</b>	<b>10.9%</b>	<b>50,765</b>	<b>220,552</b>	<b>142,087</b>	<b>\$11.16</b>

Source: CoStar Property®

## Specialty Center Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Dodge County	1	75,929	0	0	0.0%	1,338	0	0	\$13.00
Downtown	0	0	0	0	0.0%	0	0	0	\$0.00
Fond du Lac County	0	0	0	0	0.0%	0	0	0	\$0.00
Milwaukee County	1	301,549	6,269	6,269	2.1%	2,500	0	0	\$17.71
Ozaukee County	1	60,649	0	0	0.0%	0	0	0	\$0.00
Racine County	0	0	0	0	0.0%	0	0	0	\$0.00
Sheboygan County	0	0	0	0	0.0%	0	0	0	\$0.00
Walworth County	0	0	0	0	0.0%	0	0	0	\$0.00
Washington County	0	0	0	0	0.0%	0	0	0	\$0.00
Waukesha County	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>3</b>	<b>438,127</b>	<b>6,269</b>	<b>6,269</b>	<b>1.4%</b>	<b>3,838</b>	<b>0</b>	<b>0</b>	<b>\$17.23</b>

Source: CoStar Property®

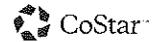
## Total Retail Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %				
Dodge County	376	3,774,585	274,136	274,136	7.3%	(57,143)	0	0	\$6.30
Downtown	366	5,360,990	187,514	187,514	3.5%	67,501	0	73,000	\$18.37
Fond du Lac County	465	5,405,252	546,929	546,929	10.1%	(109,352)	0	0	\$8.88
Milwaukee County	6,282	58,268,898	4,009,370	4,247,609	7.3%	487,539	540,870	356,556	\$10.76
Ozaukee County	453	5,458,452	326,161	326,161	6.0%	198,154	222,334	0	\$10.18
Racine County	1,621	14,421,154	1,011,025	1,011,025	7.0%	52,106	7,000	0	\$8.86
Sheboygan County	555	6,923,448	526,889	526,889	7.6%	(131,098)	0	0	\$8.57
Walworth County	711	6,063,126	233,287	233,287	3.8%	(33,235)	0	0	\$10.60
Washington County	572	7,441,597	412,728	412,728	5.5%	37,820	0	0	\$9.91
Waukesha County	1,842	27,492,979	1,419,196	1,490,474	5.4%	525,245	549,145	749,259	\$12.55
<b>Totals</b>	<b>13,243</b>	<b>140,610,481</b>	<b>8,947,235</b>	<b>9,256,752</b>	<b>6.6%</b>	<b>1,037,537</b>	<b>1,319,349</b>	<b>1,178,515</b>	<b>\$10.76</b>

Source: CoStar Property®

## Milwaukee Retail Market



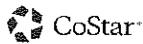
Figures at a Glance

## General Retail Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total GLA	Direct SF	Total SF	Vac %				
Brookfield/New Berli.	283	2,969,654	137,128	137,128	4.6%	157,510	167,906	85,247	\$12.27
Central Waukesha	516	6,719,156	194,168	256,610	3.8%	158,216	34,825	0	\$11.06
Dodge East	84	458,087	23,908	23,908	5.2%	(16,788)	0	0	\$4.80
Dodge West	274	2,586,184	142,611	142,611	5.5%	(27,601)	0	0	\$7.19
Downtown East	94	2,132,564	48,488	48,488	2.3%	18,993	0	0	\$20.04
Downtown West	56	727,854	19,932	19,932	2.7%	24,251	0	0	\$15.54
Fond du Lac	420	3,544,213	355,231	355,231	10.0%	(127,409)	0	0	\$9.21
Mayfair/Wauwatosa	280	2,347,538	87,155	87,155	3.7%	176,831	187,552	32,000	\$20.95
Milwaukee East	681	4,250,559	201,345	201,345	4.7%	(69,826)	0	90,320	\$17.73
Milwaukee Near SW	1,257	6,319,131	224,588	224,588	3.6%	(34,273)	0	0	\$12.63
Milwaukee NW	906	6,492,425	308,373	308,373	4.7%	24,939	0	80,000	\$5.45
Milwaukee SE	853	5,117,678	197,959	197,959	3.9%	(12,173)	0	13,784	\$11.01
Milwaukee West	862	4,957,954	122,958	122,958	2.5%	5,769	0	0	\$9.41
NE/Delafield	273	2,372,631	100,717	100,717	4.2%	(21,552)	0	0	\$9.22
NE/Menomonee Falls	162	1,716,129	49,319	49,319	2.9%	161,716	150,000	2,100	\$14.55
North Ozaukee	273	2,179,169	121,004	121,004	5.6%	(18,388)	0	0	\$9.88
North Shore	90	911,260	19,426	19,426	2.1%	9,689	0	0	\$17.19
North Washington	227	1,945,724	72,321	72,321	3.7%	(4,060)	0	0	\$12.17
North/Sussex	45	318,454	33,091	33,091	10.4%	(6,149)	0	191,350	\$12.62
Outlying Sheboygan	179	1,348,178	39,442	39,442	2.9%	4,542	0	0	\$10.41
Racine East	1,083	7,103,111	322,025	322,025	4.5%	(56,438)	7,000	0	\$7.73
Racine West	421	2,556,428	71,816	71,816	2.8%	18,967	0	0	\$12.88
SE Ozaukee/I-43 Corr	43	487,721	18,118	18,118	3.7%	18,866	24,684	0	\$17.21
SE/Muskego	115	1,293,751	18,566	18,566	1.4%	157,552	158,798	0	\$12.00
Sheboygan	313	2,925,829	45,077	45,077	1.5%	(87,896)	0	0	\$9.38
SW Outlying Milwaukee	274	3,071,066	169,645	169,645	5.5%	(41,073)	0	0	\$14.54
SW Ozaukee	60	423,733	21,560	21,560	5.1%	12,798	6,298	0	\$9.73
SW/Mukwonago	93	838,790	17,781	17,781	2.1%	26,429	27,616	38,575	\$7.51
Third Ward/Walkers P.	211	2,083,444	81,910	81,910	3.9%	25,857	0	73,000	\$18.75
Wauworth East	249	1,808,704	63,589	63,589	3.5%	(14,457)	0	0	\$13.15
Wauworth West	407	2,365,615	80,519	80,519	3.4%	(22,103)	0	0	\$9.12
Washington East	122	1,473,452	15,948	15,948	1.1%	4,371	0	0	\$0.00
Washington West	114	1,072,886	34,500	34,500	3.2%	20,970	0	0	\$4.63
West Allis	563	3,773,447	189,820	189,820	5.0%	41,794	0	0	\$10.04
<b>Totals</b>	<b>11,883</b>	<b>90,692,519</b>	<b>3,650,038</b>	<b>3,712,480</b>	<b>4.1%</b>	<b>509,874</b>	<b>764,679</b>	<b>606,376</b>	<b>\$10.87</b>

Source: CoStar Property®



# Milwaukee Retail Market

Figures at a Glance

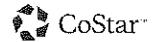
## Shopping Center Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Brookfield/New Berli.	53	3,250,764	334,782	334,782	10.3%	(164,095)	10,000	0	\$15.54
Central Waukesha	43	1,742,430	231,776	231,776	13.3%	(13,869)	0	0	\$12.67
Dodge East	3	110,734	0	0	0.0%	0	0	0	\$0.00
Dodge West	9	543,651	107,617	107,617	19.8%	(14,092)	0	0	\$5.64
Downtown East	2	109,700	1,098	1,098	1.0%	3,400	0	0	\$11.00
Downtown West	0	0	0	0	0.0%	0	0	0	\$0.00
Fond du Lac	24	1,341,699	173,698	173,698	12.9%	18,057	0	0	\$7.12
Mayfair/Wauwatosa	18	894,246	40,237	40,237	4.5%	(18,075)	0	106,100	\$19.81
Milwaukee East	15	453,875	36,429	36,429	8.0%	(4,038)	0	0	\$16.39
Milwaukee Near SW	34	1,850,877	113,666	114,986	6.2%	(8,790)	0	0	\$13.99
Milwaukee NW	58	2,119,135	302,922	307,922	14.5%	34,594	19,200	0	\$8.98
Milwaukee SE	45	2,942,047	152,777	152,777	5.2%	40,044	0	0	\$16.55
Milwaukee West	8	383,031	182,905	182,905	47.8%	(2,900)	0	0	\$2.42
NE/Delafield	27	1,161,735	94,346	94,346	8.1%	1,439	0	6,687	\$14.33
NE/Menomonee Falls	20	1,551,478	96,768	105,604	6.8%	21,682	0	0	\$13.22
North Ozaukee	26	1,239,012	137,451	137,451	11.1%	188,352	191,352	0	\$9.38
North Shore	14	494,998	15,299	15,299	3.1%	2,117	0	0	\$21.19
North Washington	26	1,205,192	103,377	103,377	8.6%	996	0	0	\$10.58
North/Sussex	6	361,782	27,850	27,850	7.7%	3,522	0	25,000	\$13.66
Outlying Sheboygan	7	379,828	111,179	111,179	29.3%	(76,552)	0	0	\$9.36
Racine East	40	2,800,641	363,334	363,334	13.0%	(36,633)	0	0	\$8.34
Racine West	8	759,964	124,584	124,584	16.4%	9,426	0	0	\$12.78
SE Ozaukee/I-43 Corr	8	439,971	20,154	20,154	4.6%	(3,080)	0	0	\$17.90
SE/Muskego	9	366,695	18,999	18,999	5.2%	1,200	0	4,300	\$13.03
Sheboygan	22	1,463,912	268,910	268,910	18.4%	31,075	0	0	\$7.35
SW Outlying Milwauke.	43	2,205,844	225,649	311,092	14.1%	26,220	0	0	\$14.91
SW Ozaukee	7	229,474	7,874	7,874	3.4%	(394)	0	0	\$13.52
SW/Mukwonago	14	274,612	43,201	43,201	15.7%	(5,027)	0	0	\$8.21
Third Ward/Walkers P.	1	13,832	0	0	0.0%	0	0	0	\$0.00
Walworth East	12	676,248	14,961	14,961	2.2%	3,375	0	0	\$12.94
Walworth West	16	686,642	71,872	71,872	10.5%	(50)	0	0	\$8.79
Washington East	19	848,087	94,770	94,770	11.2%	14,850	0	0	\$10.48
Washington West	14	543,361	76,587	76,587	14.1%	693	0	0	\$9.22
West Allis	48	2,253,313	102,903	188,410	8.4%	(2,682)	0	0	\$14.78
<b>Totals</b>	<b>690</b>	<b>35,698,810</b>	<b>3,697,975</b>	<b>3,884,081</b>	<b>10.9%</b>	<b>50,765</b>	<b>230,552</b>	<b>142,087</b>	<b>\$11.10</b>

Source: CoStar Property®

# Milwaukee Retail Market



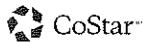
Figures at a Glance

## Specialty Center Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Brookfield/New Berll.	0	0	0	0	0.0%	0	0	0	\$0.00
Central Waukesha	0	0	0	0	0.0%	0	0	0	\$0.00
Dodge East	0	0	0	0	0.0%	0	0	0	\$0.00
Dodge West	1	75,929	0	0	0.0%	1,338	0	0	\$13.00
Downtown East	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown West	0	0	0	0	0.0%	0	0	0	\$0.00
Fond du Lac	0	0	0	0	0.0%	0	0	0	\$0.00
Mayfair/Wauwatosa	0	0	0	0	0.0%	0	0	0	\$0.00
Milwaukee East	0	0	0	0	0.0%	0	0	0	\$0.00
Milwaukee Near SW	0	0	0	0	0.0%	0	0	0	\$0.00
Milwaukee NW	1	301,549	6,269	6,269	2.1%	2,500	0	0	\$17.71
Milwaukee SE	0	0	0	0	0.0%	0	0	0	\$0.00
Milwaukee West	0	0	0	0	0.0%	0	0	0	\$0.00
NE/Delafield	0	0	0	0	0.0%	0	0	0	\$0.00
NE/Menomonee Falls	0	0	0	0	0.0%	0	0	0	\$0.00
North Ozaukee	1	60,649	0	0	0.0%	0	0	0	\$0.00
North Shore	0	0	0	0	0.0%	0	0	0	\$0.00
North Washington	0	0	0	0	0.0%	0	0	0	\$0.00
North/Sussex	0	0	0	0	0.0%	0	0	0	\$0.00
Outlying Sheboygan	0	0	0	0	0.0%	0	0	0	\$0.00
Racine East	0	0	0	0	0.0%	0	0	0	\$0.00
Racine West	0	0	0	0	0.0%	0	0	0	\$0.00
SE Ozaukee/I-43 Corr	0	0	0	0	0.0%	0	0	0	\$0.00
SE/Muskego	0	0	0	0	0.0%	0	0	0	\$0.00
Sheboygan	0	0	0	0	0.0%	0	0	0	\$0.00
SW Outlying Milwaukee	0	0	0	0	0.0%	0	0	0	\$0.00
SW Ozaukee	0	0	0	0	0.0%	0	0	0	\$0.00
SW/Mukwonago	0	0	0	0	0.0%	0	0	0	\$0.00
Third Ward/Walkers P.	0	0	0	0	0.0%	0	0	0	\$0.00
Walworth East	0	0	0	0	0.0%	0	0	0	\$0.00
Walworth West	0	0	0	0	0.0%	0	0	0	\$0.00
Washington East	0	0	0	0	0.0%	0	0	0	\$0.00
Washington West	0	0	0	0	0.0%	0	0	0	\$0.00
West Allis	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>3</b>	<b>438,127</b>	<b>6,269</b>	<b>6,269</b>	<b>1.4%</b>	<b>3,838</b>	<b>0</b>	<b>0</b>	<b>\$17.23</b>

Source: CoStar Property®



# Milwaukee Retail Market

Figures in \$/SqFt

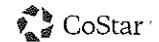
## Total Retail Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %				
Brookfield/New Berli.	403	7,826,480	488,800	488,800	6.2%	(8,352)	177,906	481,247	\$14.08
Central Waukesha	608	8,791,046	425,944	488,386	5.6%	144,347	34,825	0	\$12.09
Dodge East	87	568,821	23,908	23,908	4.2%	(16,788)	0	0	\$4.80
Dodge West	289	3,205,764	250,228	250,228	7.8%	(40,355)	0	0	\$6.34
Downtown East	97	2,242,264	49,586	49,586	2.2%	22,393	0	0	\$18.18
Downtown West	57	1,021,450	56,018	56,018	5.5%	19,251	0	0	\$15.54
Fond du Lac	465	5,405,252	546,929	546,929	10.1%	(109,352)	0	0	\$8.88
Mayfair/Wauwatosa	320	4,963,226	160,540	160,540	3.2%	311,480	327,552	138,100	\$20.62
Milwaukee East	699	4,704,434	237,774	237,774	5.1%	(73,864)	0	90,320	\$17.28
Milwaukee Near SW	1,317	8,170,008	338,254	339,574	4.2%	(43,063)	0	0	\$13.45
Milwaukee NW	1,022	11,302,493	1,809,215	1,875,184	16.6%	45,496	19,200	80,000	\$7.70
Milwaukee SE	940	8,455,109	350,736	350,736	4.1%	221,989	194,118	48,136	\$13.92
Milwaukee West	870	5,340,985	305,863	305,863	5.7%	2,869	0	0	\$3.85
NE/Delafield	332	3,896,012	195,063	195,063	5.0%	(20,113)	0	6,687	\$11.77
NE/Menomonee Falls	198	3,267,607	146,087	154,923	4.7%	183,398	150,000	2,100	\$13.56
North Ozaukee	325	3,877,553	258,455	258,455	6.7%	169,964	191,352	0	\$9.58
North Shore	122	2,209,161	68,525	68,525	3.1%	11,806	0	0	\$19.35
North Washington	271	3,503,811	190,923	190,923	5.4%	(3,064)	0	0	\$10.95
North/Sussex	55	680,236	60,941	60,941	9.0%	(2,627)	0	216,350	\$13.27
Outlying Sheboygan	187	1,728,006	150,621	150,621	8.7%	(72,010)	0	0	\$9.51
Racine East	1,188	11,104,762	814,625	814,625	7.3%	23,713	7,000	0	\$8.14
Racine West	433	3,316,392	196,400	196,400	5.9%	28,393	0	0	\$12.82
SE Ozaukee/I-43 Corr	58	927,692	38,272	38,272	4.1%	15,786	24,684	0	\$17.47
SE/Muskego	132	1,918,196	41,379	41,379	2.2%	207,190	158,798	4,300	\$13.63
Sheboygan	368	5,195,442	376,268	376,268	7.2%	(59,088)	0	0	\$7.53
SW Outlying Milwauke.	352	7,096,722	445,740	531,183	7.5%	(28,286)	0	0	\$16.08
SW Ozaukee	70	653,207	29,434	29,434	4.5%	12,404	6,298	0	\$11.47
SW/Mukwonago	114	1,113,402	60,982	60,982	5.5%	21,402	27,616	38,575	\$7.93
Third Ward/Walkers P.	212	2,097,276	81,910	81,910	3.9%	25,857	0	73,000	\$18.75
Walworth East	272	2,484,952	78,550	78,550	3.2%	(11,082)	0	0	\$13.11
Walworth West	439	3,578,174	154,737	154,737	4.3%	(22,153)	0	0	\$9.03
Washington East	162	2,321,539	110,718	110,718	4.8%	19,221	0	0	\$10.48
Washington West	139	1,616,247	111,087	111,087	6.9%	21,663	0	0	\$8.10
West Allis	640	6,026,760	292,723	378,230	6.3%	39,112	0	0	\$12.34
<b>Totals</b>	<b>13,243</b>	<b>140,610,481</b>	<b>8,947,236</b>	<b>9,256,762</b>	<b>6.6%</b>	<b>1,037,537</b>	<b>1,319,340</b>	<b>1,178,813</b>	<b>\$10.7</b>

Source: CoStar Property®

## Milwaukee Retail Market



Figures at a Glance

## General Retail Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2015 4q	11,883	90,692,519	3,650,038	3,712,480	4.1%	391,134	6	376,816	17	606,376	\$10.87
2015 3q	11,879	90,425,703	3,771,156	3,836,798	4.2%	9,437	4	197,258	14	789,361	\$10.50
2015 2q	11,877	90,296,447	3,651,337	3,716,979	4.1%	(56,577)	2	11,123	14	687,849	\$10.40
2015 1q	11,877	90,365,121	3,660,434	3,729,076	4.1%	165,880	4	179,482	10	457,781	\$10.38
2014 4q	11,875	90,226,234	3,687,427	3,756,069	4.2%	114,281	2	13,830	9	440,863	\$10.73
2014 3q	11,875	90,212,404	3,787,878	3,856,520	4.3%	289,803	2	21,169	7	350,664	\$10.70
2014 2q	11,874	90,337,133	4,200,290	4,271,052	4.7%	28,576	8	95,037	7	365,205	\$10.87
2014 1q	11,867	90,245,616	4,094,874	4,208,111	4.7%	38,951	3	50,057	13	439,558	\$10.75
2013	11,866	90,216,839	4,108,248	4,218,285	4.7%	585,533	29	768,474	10	130,274	\$10.63
2012	11,847	89,566,840	4,021,268	4,153,819	4.6%	205,480	17	328,112	17	548,729	\$10.59
2011	11,838	89,417,284	4,064,828	4,209,743	4.7%	255,827	13	354,022	6	186,094	\$10.05
2010	11,831	89,211,847	4,036,853	4,260,133	4.8%	334,022	19	704,698	3	115,466	\$10.51
2009	11,823	88,781,192	3,768,210	4,163,500	4.7%	1,551	16	454,621	11	556,466	\$11.27
2008	11,818	88,422,340	3,524,823	3,806,199	4.3%	350,402	30	623,685	10	221,885	\$11.49
2007	11,792	87,850,919	3,367,996	3,585,180	4.1%	60,889	43	594,589	19	497,469	\$11.67
2006	11,763	87,479,032	3,243,470	3,274,182	3.7%	92,791	52	857,131	29	335,339	\$10.70

Source: CoStar Property®

## Mall Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2015 4q	13	9,464,314	1,236,065	1,297,034	13.7%	235,744	1	140,000	3	430,352	\$9.48
2015 3q	13	9,324,314	1,331,809	1,392,778	14.9%	196,065	1	192,000	4	570,352	\$9.48
2015 2q	13	9,132,314	1,335,874	1,396,843	15.3%	(1,780)	0	0	3	728,000	\$9.08
2015 1q	13	9,132,314	1,334,094	1,395,063	15.3%	(1,107)	1	2,118	2	332,000	\$9.09
2014 4q	12	9,130,196	1,330,869	1,391,838	15.2%	(156,999)	0	0	3	334,118	\$9.09
2014 3q	12	9,130,196	1,234,839	1,234,839	13.5%	0	0	0	3	334,118	\$9.09
2014 2q	12	9,130,196	1,234,839	1,234,839	13.5%	0	0	0	0	0	\$9.09
2014 1q	12	9,130,196	1,234,839	1,234,839	13.5%	(80,555)	0	0	0	0	\$9.09
2013	12	9,130,196	1,154,284	1,154,284	12.6%	(29,559)	0	0	0	0	\$9.09
2012	12	9,130,196	1,124,725	1,124,725	12.3%	31,754	0	0	0	0	\$8.57
2011	12	9,130,196	1,156,479	1,156,479	12.7%	(33,962)	0	0	0	0	\$8.72
2010	12	9,130,196	1,089,433	1,122,517	12.3%	24,647	0	0	0	0	\$8.97
2009	12	9,130,196	1,099,130	1,147,164	12.6%	102,814	0	0	0	0	\$8.76
2008	12	9,130,196	1,168,355	1,249,978	13.7%	146,682	5	221,014	0	0	\$18.34
2007	11	8,909,182	1,160,696	1,175,646	13.2%	71,921	2	87,008	0	0	\$15.47
2006	11	8,822,174	1,160,559	1,160,559	13.2%	(60,207)	7	132,768	2	87,008	\$16.81

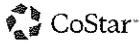
Source: CoStar Property®

## Power Center Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2015 4q	12	4,316,711	356,888	356,888	8.3%	6,514	0	0	0	0	\$4.80
2015 3q	12	4,316,711	363,402	363,402	8.4%	37,469	0	0	0	0	\$4.80
2015 2q	12	4,316,711	352,137	400,871	9.3%	5,329	0	0	0	0	\$5.37
2015 1q	12	4,316,711	357,466	406,200	9.4%	(5,174)	0	0	0	0	\$5.55
2014 4q	12	4,316,711	352,292	401,026	9.3%	52,250	0	0	0	0	\$5.74
2014 3q	12	4,316,711	404,542	453,276	10.5%	7,389	0	0	0	0	\$5.52
2014 2q	12	4,316,711	411,931	460,665	10.7%	169,087	1	252,249	0	0	\$5.93
2014 1q	11	4,064,462	328,769	377,503	9.3%	2,000	0	0	1	252,249	\$7.61
2013	11	4,064,462	330,769	379,503	9.3%	110,554	0	0	1	252,249	\$8.29
2012	11	4,064,462	441,323	490,057	12.1%	(55,650)	1	47,000	1	252,249	\$17.96
2011	11	4,017,462	333,511	387,407	9.6%	(13,226)	0	0	0	0	\$16.77
2010	11	4,017,462	320,285	374,181	9.3%	54,572	3	22,667	0	0	\$17.65
2009	11	3,994,795	357,352	406,086	10.2%	37,010	7	276,793	3	22,667	\$19.08
2008	10	3,718,002	126,186	166,303	4.5%	206,316	3	218,197	8	276,460	\$17.17
2007	10	3,499,805	114,305	154,422	4.4%	55,219	3	89,905	2	139,508	\$17.53
2006	10	3,409,900	79,619	119,736	3.5%	59,132	10	452,905	1	18,404	\$17.50

Source: CoStar Property®



# Milwaukee Retail Market

Figures at a Glance

## Shopping Center Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2015 4q	699	35,698,810	3,697,975	3,884,081	10.9%	(145,843)	0	0	4	142,087	\$11.10
2015 3q	699	35,698,810	3,552,132	3,738,238	10.5%	77,498	0	0	2	112,787	\$10.94
2015 2q	699	35,698,810	3,630,950	3,815,736	10.7%	165,097	2	210,552	2	112,787	\$10.87
2015 1q	697	35,488,258	3,560,495	3,770,281	10.6%	(45,987)	1	10,000	4	323,339	\$11.10
2014 4q	697	35,478,258	3,504,508	3,714,294	10.5%	27,912	2	27,129	4	326,652	\$11.13
2014 3q	696	35,451,129	3,588,778	3,715,077	10.5%	(61,964)	0	0	5	334,581	\$11.27
2014 2q	696	35,451,129	3,526,814	3,653,113	10.3%	120,726	0	0	2	14,000	\$11.23
2014 1q	696	35,451,129	3,614,640	3,773,839	10.6%	(26,793)	0	0	0	0	\$11.14
2013	696	35,451,129	3,585,585	3,747,046	10.6%	266,569	10	177,906	0	0	\$11.06
2012	695	35,273,223	3,620,865	3,835,709	10.9%	537,776	15	415,698	4	111,558	\$11.47
2011	690	34,857,525	3,747,036	3,957,787	11.4%	92,626	6	139,486	8	320,617	\$11.46
2010	688	34,718,039	3,716,551	3,910,927	11.3%	85,299	4	270,733	1	12,167	\$12.43
2009	685	34,447,306	3,403,353	3,725,493	10.8%	(296,260)	12	233,545	3	263,938	\$12.99
2008	681	34,213,761	3,036,674	3,195,688	9.3%	583,449	21	571,514	8	185,008	\$13.80
2007	675	33,642,247	3,093,656	3,207,623	9.5%	1,152,756	55	1,380,820	16	425,396	\$13.13
2006	648	32,261,427	2,908,868	2,979,559	9.2%	(291,070)	33	580,789	39	945,191	\$13.53

Source: CoStar Property®

## Specialty Center Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2015 4q	3	438,127	6,269	6,269	1.4%	0	0	0	0	0	\$17.23
2015 3q	3	438,127	6,269	6,269	1.4%	2,500	0	0	0	0	\$16.71
2015 2q	3	438,127	8,769	8,769	2.0%	1,338	0	0	0	0	\$16.71
2015 1q	3	438,127	10,107	10,107	2.3%	0	0	0	0	0	\$16.40
2014 4q	3	438,127	10,107	10,107	2.3%	0	0	0	0	0	\$16.40
2014 3q	3	438,127	10,107	10,107	2.3%	(2,500)	0	0	0	0	\$16.40
2014 2q	3	438,127	7,607	7,607	1.7%	0	0	0	0	0	\$16.80
2014 1q	3	438,127	7,607	7,607	1.7%	0	0	0	0	0	\$16.80
2013	3	438,127	7,607	7,607	1.7%	4,231	0	0	0	0	\$17.71
2012	3	438,127	11,838	11,838	2.7%	155,406	1	147,806	0	0	\$20.12
2011	3	290,321	19,438	19,438	6.7%	9,631	0	0	1	147,806	\$20.12
2010	3	290,321	29,069	29,069	10.0%	(1,338)	0	0	0	0	\$12.03
2009	3	290,321	27,731	27,731	9.6%	(7,931)	0	0	0	0	\$12.00
2008	3	290,321	19,800	19,800	6.8%	(12,462)	0	0	0	0	\$12.00
2007	3	290,321	7,338	7,338	2.5%	8,784	0	0	0	0	\$12.89
2006	3	290,321	16,122	16,122	5.6%	(7,100)	0	0	0	0	\$13.50

Source: CoStar Property®

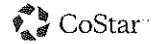
## Total Retail Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %		# Blds	Total GLA	# Blds	Total GLA	
2015 4q	13,243	140,610,481	8,947,235	9,256,752	6.6%	487,549	7	516,816	24	1,178,815	\$10.71
2015 3q	13,238	140,203,665	9,024,768	9,337,485	6.7%	322,969	5	389,258	20	1,472,500	\$10.50
2015 2q	13,235	139,882,409	8,979,067	9,339,198	6.7%	113,407	4	221,675	19	1,528,636	\$10.40
2015 1q	13,233	139,740,531	8,922,596	9,310,727	6.7%	113,612	6	191,600	16	1,113,120	\$10.48
2014 4q	13,229	139,589,526	8,885,203	9,273,334	6.6%	37,444	4	40,959	16	1,101,633	\$10.61
2014 3q	13,225	139,548,567	9,026,144	9,269,819	6.6%	232,728	2	21,169	15	1,019,363	\$10.70
2014 2q	13,226	139,673,296	9,381,481	9,627,276	6.9%	318,389	9	347,286	9	379,205	\$10.73
2014 1q	13,218	139,329,530	9,280,729	9,601,899	6.9%	(66,397)	3	50,057	14	691,807	\$10.70
2013	13,217	139,300,753	9,186,493	9,506,725	6.8%	937,328	39	946,380	11	382,523	\$10.64
2012	13,188	138,472,848	9,220,019	9,616,148	6.9%	874,766	34	938,616	22	912,536	\$10.88
2011	13,162	137,712,788	9,321,292	9,730,854	7.1%	310,896	19	493,508	15	654,517	\$10.73
2010	13,149	137,367,865	9,192,171	9,696,827	7.1%	497,202	26	998,098	4	127,633	\$11.37
2009	13,134	136,643,810	8,655,776	9,469,974	6.9%	(162,816)	35	964,959	17	843,071	\$11.95
2008	13,110	135,774,620	7,875,838	8,437,968	6.2%	1,274,387	59	1,634,410	26	683,353	\$13.02
2007	13,055	134,192,474	7,743,991	8,130,209	6.1%	1,349,569	103	2,152,322	37	1,062,373	\$12.77
2006	12,966	132,262,854	7,408,638	7,550,158	5.7%	(206,454)	102	2,023,593	71	1,385,942	\$12.82

Source: CoStar Property®

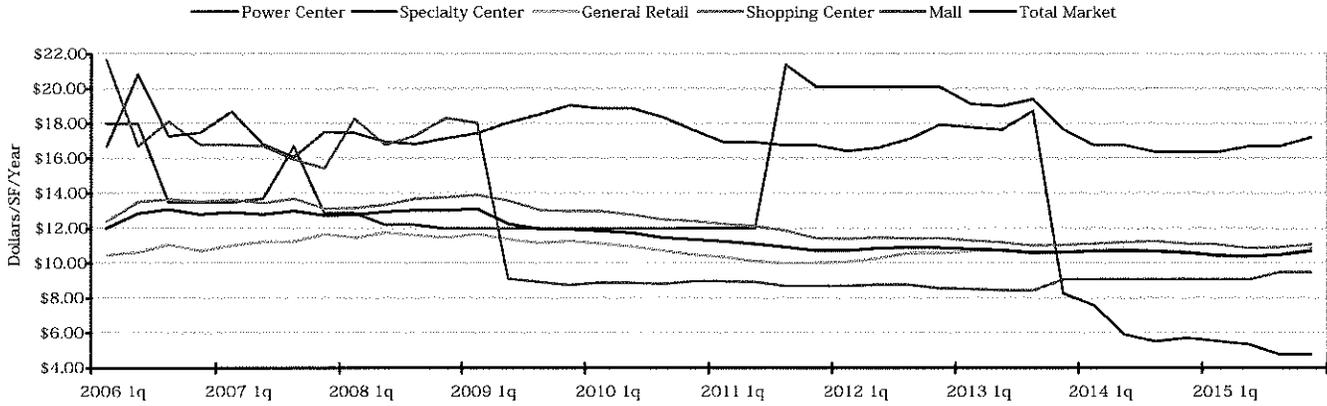
# Milwaukee Retail Market



Leasing Activity

## Historical Rental Rates

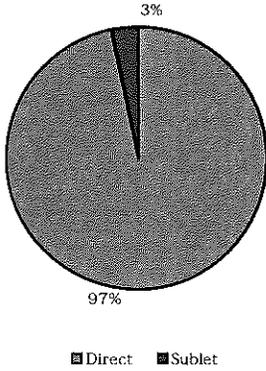
Based on NNN Rental Rates



Source: CoStar Property®

## Vacancy by Available Space Type

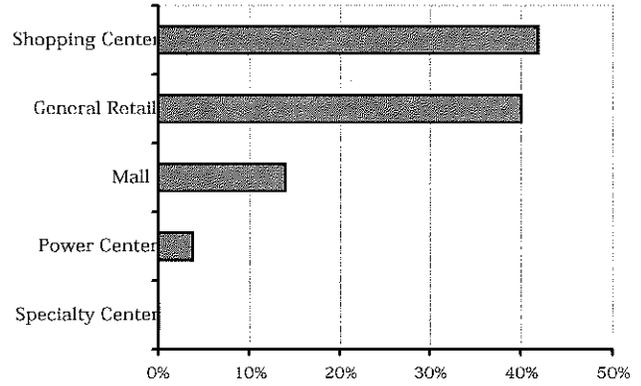
Percent of All Vacant Space in Direct vs. Sublet



Source: CoStar Property®

## Vacancy by Building Type

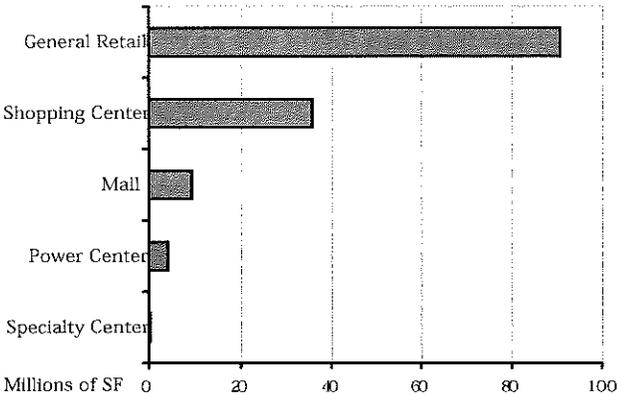
Percent of All Vacant Space by Building Type



Source: CoStar Property®

## GLA By Building Type

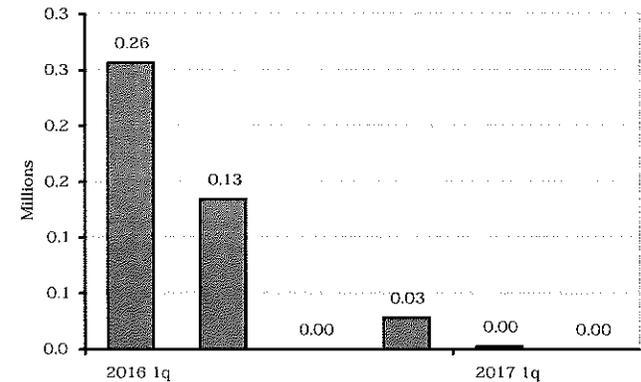
Ratio of Total GLA by Building Type



Source: CoStar Property®

## Future Space Available

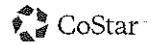
Space Scheduled to be Available for Occupancy\*



\* Includes Under Construction Spaces

Source: CoStar Property®

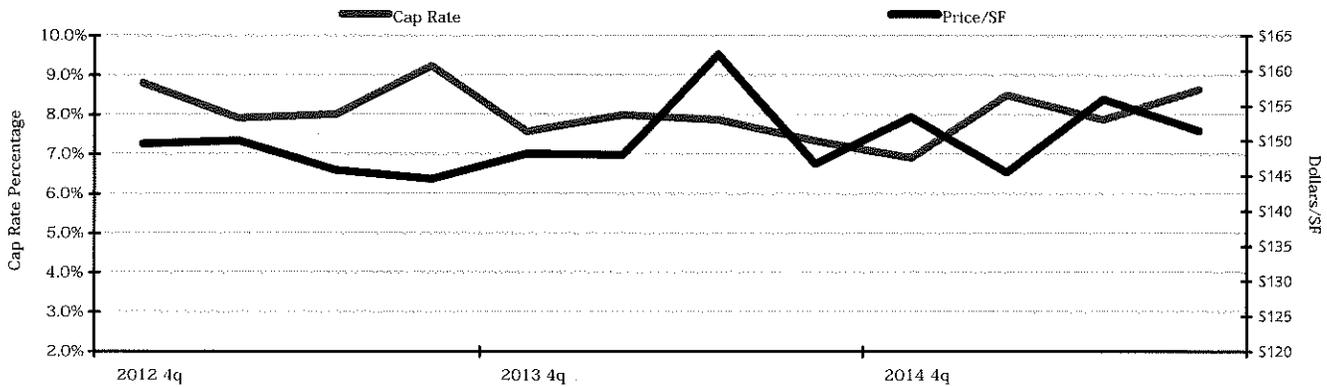
# Milwaukee Retail Market



Sales Activity

## The Optimist Sales Index

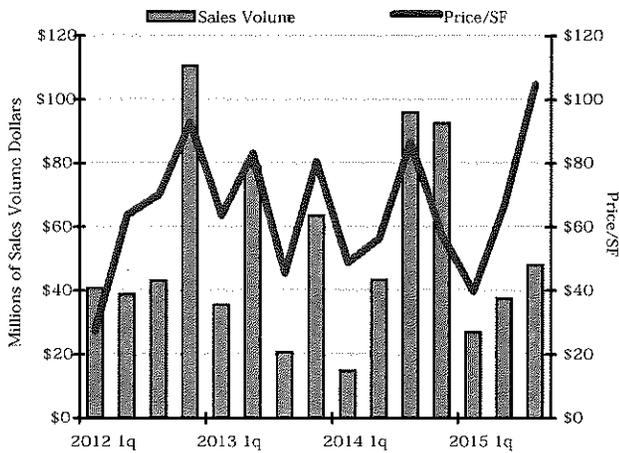
Average of Two Highest Price/SF's and Two Lowest Cap Rates



Source: CoStar COMPS®

## Sales Volume & Price

Based on Retail Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## Sales Analysis by Building Size

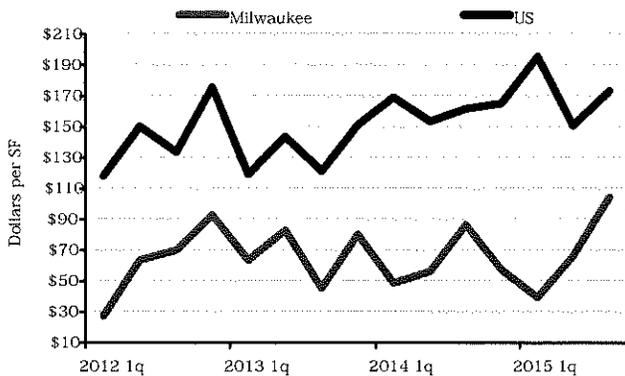
Based on Retail Building Sales From Oct. 2014 - Sept. 2015

Bldg-Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 25,000 SF	128	1,083,752	\$196,531,744	\$ 181.34	7.20%
25K-99K SF	24	1,257,478	\$75,346,378	\$ 59.92	8.43%
100K-249K SF	7	1,004,733	\$54,414,000	\$ 54.16	6.86%
>250K SF	2	660,743	\$27,250,000	\$ 41.24	6.03%

Source: CoStar COMPS®

## U.S. Price/SF Comparison

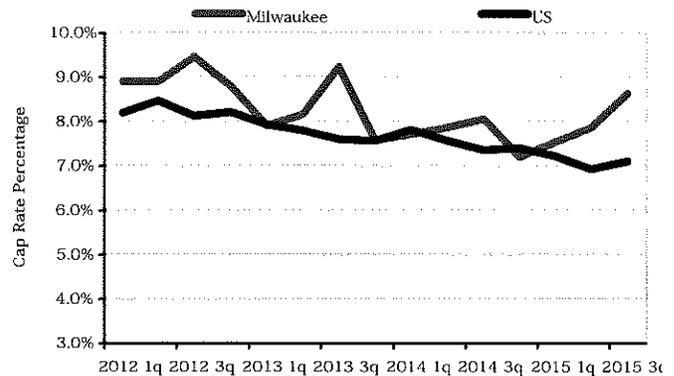
Based on Retail Building Sales of 15,000 SF and Larger



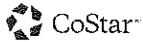
Source: CoStar COMPS®

## U.S. Cap Rate Comparison

Based on Retail Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

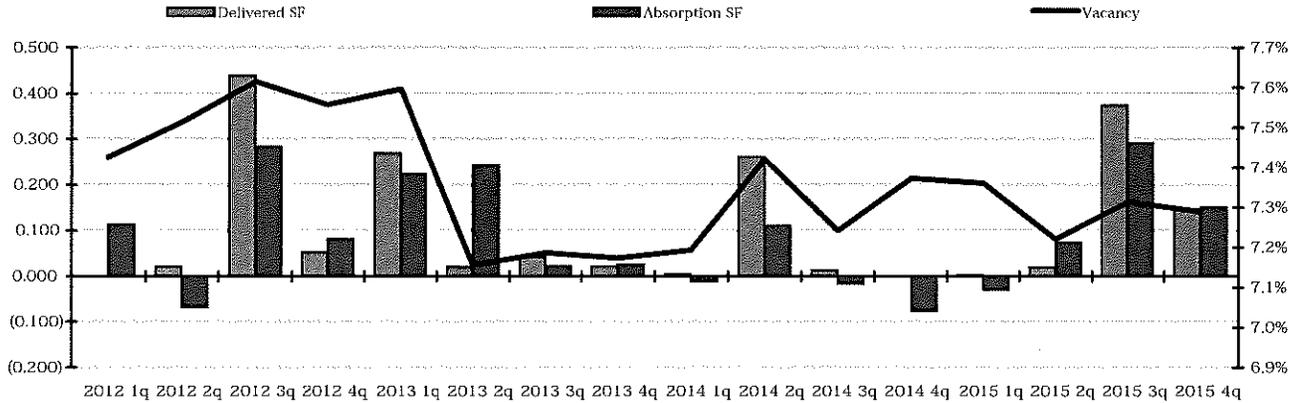


# Milwaukee Retail Market

Milwaukee County Market  
Market Highlights - Class "A, B & C"

## Deliveries, Absorption & Vacancy

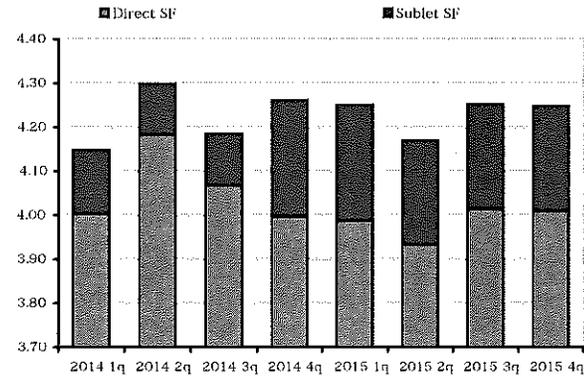
Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

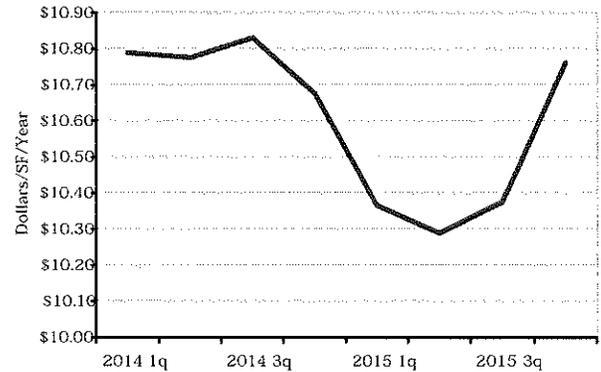
Historical Analysis, All Classes



Source: CoStar Property®

## Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2015 4q	6,282	58,268,898	4,247,609	7.3%	150,419	2	146,200	8	356,556	\$10.76
2015 3q	6,280	58,122,698	4,251,828	7.3%	291,408	3	373,352	8	459,972	\$10.38
2015 2q	6,277	57,749,346	4,169,884	7.2%	74,388	1	19,200	8	708,652	\$10.29
2015 1q	6,277	57,756,757	4,251,683	7.4%	(28,676)	1	2,118	8	724,852	\$10.37
2014 4q	6,278	57,795,234	4,261,484	7.4%	(75,685)	0	0	7	696,770	\$10.68
2014 3q	6,278	57,795,234	4,185,799	7.2%	(16,132)	1	13,440	5	597,570	\$10.83
2014 2q	6,279	57,924,292	4,298,725	7.4%	110,026	2	260,859	2	170,792	\$10.78
2014 1q	6,277	57,663,433	4,147,892	7.2%	(10,615)	1	4,500	4	431,651	\$10.79
2013 4q	6,277	57,662,805	4,136,649	7.2%	25,318	1	22,000	3	265,359	\$10.59
2013 3q	6,277	57,643,658	4,142,820	7.2%	22,411	4	42,810	4	287,359	\$10.70
2013 2q	6,273	57,600,848	4,122,421	7.2%	242,751	3	19,704	8	330,169	\$10.88
2013 1q	6,272	57,612,174	4,376,498	7.6%	223,096	7	268,517	7	299,043	\$11.02
2012 4q	6,266	57,346,297	4,333,717	7.6%	80,590	6	51,397	13	561,560	\$11.12
2012 3q	6,260	57,294,900	4,362,910	7.6%	283,713	8	438,609	15	595,569	\$11.17
2012 2q	6,253	56,925,291	4,277,014	7.5%	(66,816)	2	21,000	20	973,394	\$11.11
2012 1q	6,253	56,943,521	4,228,428	7.4%	113,140	0	0	12	571,920	\$10.83

Source: CoStar Property®

## OFFICE MARKET OVERVIEW

# National Suburban Office Market

Consistent quarterly declines in the national suburban office market's overall vacancy rate continue to inspire investors to search for investment opportunities despite a belief among many investors that investment prospects are better for center city office buildings than for suburban ones in the near term. In *Emerging Trends in Real Estate*<sup>®</sup> 2016, suburban office investing ranked as the 13th preferred investment prospect out of 16 property types included in the publication. By comparison, center city office building investing placed eighth.

When analyzing potential acquisitions in this office market, some survey participants are being more

aggressive with their underwriting assumptions than they were at the start of the year in certain instances. "Cash flow assumptions have been mainly steady, but more aggressive in select top cities," shares a participant. "Our assumptions have been about the same for the past year for investing in suburban office," reveals another.

A "consistent" outlook for this market is evident when looking at the key indicators in Table 5, where the average overall cap rate posts the largest shift – a mere decline of six basis points. "Outside of top-performing suburbs, like San Francisco, there are few changes for this sector," adds an investor. †

## KEY 4Q15 SURVEY STATS\*

### Tenant Retention Rate:

Average	64.0%	=
Range	50.0% to 75.0%	

### Months of Free Rent<sup>(1)</sup>:

Average	5	=
Range	0 to 12	
% of participants using	88.0%	=

### Market Conditions Favor:

Buyers	13.0%	▲
Sellers	25.0%	=
Neither	62.0%	▼

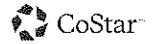
\* ▼, ▲, = change from prior quarter  
(1) on a ten-year lease

**Table 5**  
**NATIONAL SUBURBAN OFFICE MARKET**  
Fourth Quarter 2015

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>DISCOUNT RATE (IRR)<sup>a</sup></b>					
Range	5.75% – 10.00%	5.75% – 10.00%	6.25% – 10.50%	6.00% – 12.50%	6.50% – 12.50%
Average	7.61%	7.64%	7.92%	8.49%	9.14%
Change (Basis Points)		-3	-31	-88	-152
<b>OVERALL CAP RATE (OAR)<sup>a</sup></b>					
Range	4.25% – 9.00%	4.25% – 9.00%	5.00% – 9.00%	5.00% – 10.50%	6.00% – 11.50%
Average	6.36%	6.42%	6.66%	7.42%	8.17%
Change (Basis Points)		-6	-30	-106	-181
<b>RESIDUAL CAP RATE</b>					
Range	5.50% – 9.75%	5.50% – 9.75%	6.00% – 9.50%	6.00% – 11.00%	6.50% – 11.50%
Average	7.20%	7.25%	7.27%	7.89%	8.38%
Change (Basis Points)		-5	-7	-69	-118
<b>MARKET RENT CHANGE<sup>b</sup></b>					
Range	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%	(3.00%) – 4.00%	(10.00%) – 4.00%
Average	2.88%	2.88%	2.63%	1.55%	(0.17%)
Change (Basis Points)		0	+25	+133	+305
<b>EXPENSE CHANGE<sup>b</sup></b>					
Range	1.00% – 4.00%	1.00% – 4.00%	1.00% – 3.50%	2.00% – 4.00%	2.00% – 4.00%
Average	2.81%	2.81%	2.75%	2.73%	2.77%
Change (Basis Points)		0	+6	+8	+4
<b>MARKETING TIME<sup>c</sup></b>					
Range	3 – 12	3 – 12	3 – 12	2 – 18	2 – 24
Average	6.3	6.6	7.1	9.0	9.0
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions    b. Initial rate of change    c. In months

# Milwaukee Office Market



Overview

## Milwaukee's Vacancy Increases to 9.9% Net Absorption Negative (191,885) SF in the Quarter

The Milwaukee Office market ended the fourth quarter 2015 with a vacancy rate of 9.9%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (191,885) square feet in the fourth quarter. Vacant sublease space decreased in the quarter, ending the quarter at 206,563 square feet. Rental rates ended the fourth quarter at \$16.00, an increase over the previous quarter. There was 2,462,572 square feet still under construction at the end of the quarter.

### Absorption

Net absorption for the overall Milwaukee office market was negative (191,885) square feet in the fourth quarter 2015. That compares to negative (75,080) square feet in the third quarter 2015, positive 329,840 square feet in the second quarter 2015, and positive 185,888 square feet in the first quarter 2015.

Tenants moving out of large blocks of space in 2015 include: Wells Fargo Bank, N.A. moving out of 240,675 square feet at 11200 W Parkland Avenue; Minacs Marketing Solutions moving out of 29,444 square feet at 310 W Wisconsin Avenue; and Airgas Safety, Inc. moving out of 13,113 square feet at 12000 W Park Place.

Tenants moving into large blocks of space in 2015 include: Kohls Corporate moving into 80,569 square feet at 7800 N 113th Street; Northwestern Mutual moving into 54,594 square feet at 411 East Wisconsin Center; and Seeds of Health Inc. moving into 30,520 square feet at 2745 S 13th Street.

The Class-A office market recorded net absorption of negative (173,260) square feet in the fourth quarter 2015,

compared to negative (70,637) square feet in the third quarter 2015, positive 274,554 in the second quarter 2015, and positive 2,846 in the first quarter 2015.

The Class-B office market recorded net absorption of negative (15,749) square feet in the fourth quarter 2015, compared to positive 57,849 square feet in the third quarter 2015, positive 33,682 in the second quarter 2015, and positive 33,346 in the first quarter 2015.

The Class-C office market recorded net absorption of negative (2,876) square feet in the fourth quarter 2015 compared to negative (62,292) square feet in the third quarter 2015, positive 21,604 in the second quarter 2015, and positive 149,696 in the first quarter 2015.

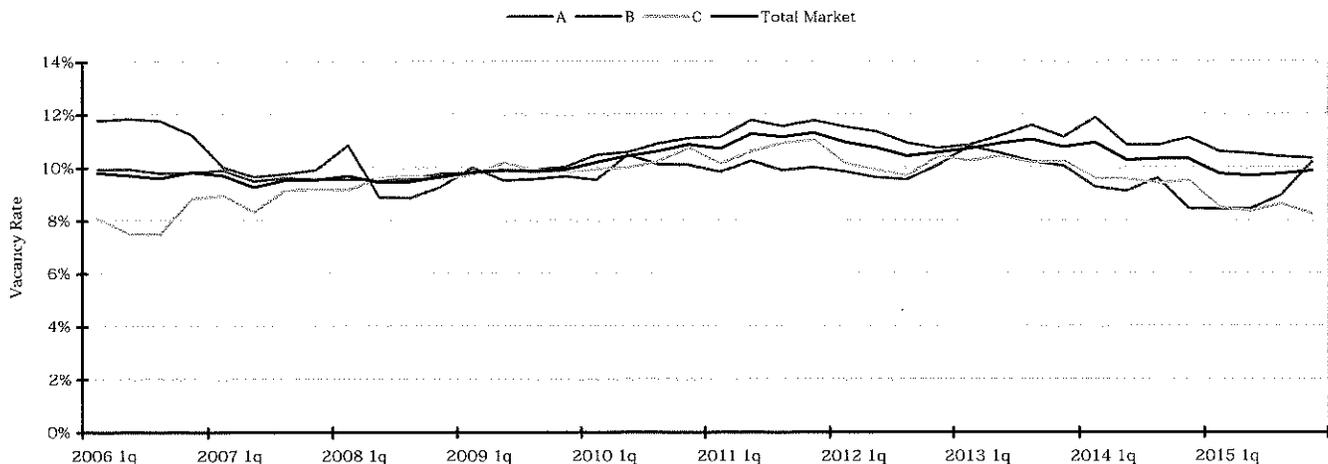
Net absorption for Milwaukee's central business district was negative (56,059) square feet in the fourth quarter 2015. That compares to negative (1,927) square feet in the third quarter 2015, positive 12,464 in the second quarter 2015, and positive 103,891 in the first quarter 2015.

Net absorption for the suburban markets was negative (135,826) square feet in the fourth quarter 2015. That compares to negative (73,153) square feet in third quarter 2015, positive 317,376 in the second quarter 2015, and positive 81,997 in the first quarter 2015.

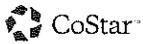
### Vacancy

The office vacancy rate in the Milwaukee market area increased to 9.9% at the end of the fourth quarter 2015. The vacancy rate was 9.8% at the end of the third quarter 2015, 9.7% at the end of the second quarter 2015, and 9.8% at the end of the first quarter 2015.

## Vacancy Rates by Class 2006-2015



Source: CoStar Property®



# Milwaukee Office Market

Q4/2015

Class-A projects reported a vacancy rate of 10.2% at the end of the fourth quarter 2015, 9.0% at the end of the third quarter 2015, 8.5% at the end of the second quarter 2015, and 8.5% at the end of the first quarter 2015.

Class-B projects reported a vacancy rate of 10.4% at the end of the fourth quarter 2015, 10.4% at the end of the third quarter 2015, 10.5% at the end of the second quarter 2015, and 10.6% at the end of the first quarter 2015.

Class-C projects reported a vacancy rate of 8.3% at the end of the fourth quarter 2015, 8.6% at the end of third quarter 2015, 8.4% at the end of the second quarter 2015, and 8.5% at the end of the first quarter 2015.

The overall vacancy rate in Milwaukee's central business district at the end of the fourth quarter 2015 increased to 8.4%. The vacancy rate was 8.0% at the end of the third quarter 2015, 8.0% at the end of the second quarter 2015, and 8.1% at the end of the first quarter 2015.

The vacancy rate in the suburban markets changed to 10.3% in the fourth quarter 2015. The vacancy rate was 10.3% at the end of the third quarter 2015, 10.2% at the end of the second quarter 2015, and 10.3% at the end of the first quarter 2015.

## Largest Lease Signings

The largest lease signings occurring in 2015 included: the 124,550-square-foot lease signed by Molina at 11200 W Parkland Ave in the Milwaukee County market; the 80,569-square-foot deal signed by Kohls Corporate at 7800 N 113th St in the Milwaukee County market; and the 78,082-square-foot lease signed by Zywave at 10100 W Innovation Drive in the Milwaukee County market.

## Sublease Vacancy

The amount of vacant sublease space in the Milwaukee market decreased to 206,563 square feet by the end of the fourth quarter 2015, from 227,480 square feet at the end of

the third quarter 2015. There was 233,006 square feet vacant at the end of the second quarter 2015 and 261,299 square feet at the end of the first quarter 2015.

Milwaukee's Class-A projects reported vacant sublease space of 57,265 square feet at the end of fourth quarter 2015, down from the 68,650 square feet reported at the end of the third quarter 2015. There were 50,298 square feet of sublease space vacant at the end of the second quarter 2015, and 53,264 square feet at the end of the first quarter 2015.

Class-B projects reported vacant sublease space of 144,986 square feet at the end of the fourth quarter 2015, down from the 158,530 square feet reported at the end of the third quarter 2015. At the end of the second quarter 2015 there were 182,408 square feet, and at the end of the first quarter 2015 there were 206,435 square feet vacant.

Class-C projects reported increased vacant sublease space from the third quarter 2015 to the fourth quarter 2015. Sublease vacancy went from 300 square feet to 4,312 square feet during that time. There was 300 square feet at the end of the second quarter 2015, and 1,600 square feet at the end of the first quarter 2015.

## Rental Rates

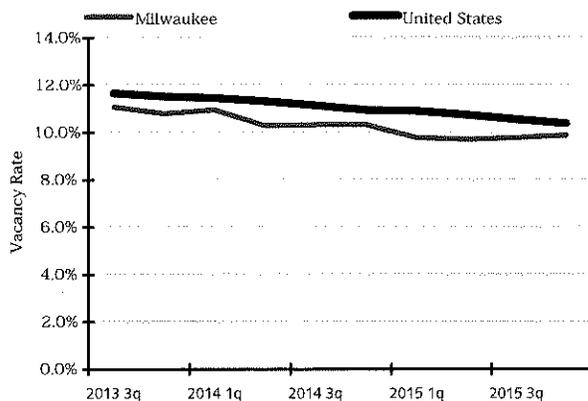
The average quoted asking rental rate for available office space, all classes, was \$16.00 per square foot per year at the end of the fourth quarter 2015 in the Milwaukee market area. This represented a 2.0% increase in quoted rental rates from the end of the third quarter 2015, when rents were reported at \$15.68 per square foot.

The average quoted rate within the Class-A sector was \$19.56 at the end of the fourth quarter 2015, while Class-B rates stood at \$15.58, and Class-C rates at \$11.93. At the end of the third quarter 2015, Class-A rates were \$18.61 per square foot, Class-B rates were \$15.49, and Class-C rates were \$11.64.

The average quoted asking rental rate in Milwaukee's CBD was \$19.62 at the end of the fourth quarter 2015, and \$15.13 in the suburban markets. In the third quarter 2015, quoted rates were \$18.29 in the CBD and \$14.88 in the suburbs.

## U.S. Vacancy Comparison

Past 10 Quarters



Source: CoStar Property®

## Deliveries and Construction

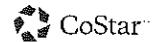
During the fourth quarter 2015, no new space was completed in the Milwaukee market area. This compares to nothing completed in the third quarter 2015, one building totaling 300,200 square feet completed in the second quarter 2015, and nothing completed in the first quarter 2015.

There were 2,462,572 square feet of office space under construction at the end of the fourth quarter 2015.

The only delivery in 2015 has been Kohl's Innovation Center, a 300,200-square-foot facility that delivered in second quarter 2015 and is now 100% occupied.

The largest projects underway at the end of fourth quarter 2015 were Northwestern Mutual Tower and Commons, a

# Milwaukee Office Market



Overview

1,100,000-square-foot building with 100% of its space pre-leased, and Corporate & Technology Park, a 500,000-square-foot facility that is 0% pre-leased.

## Inventory

Total office inventory in the Milwaukee market area amounted to 78,721,863 square feet in 3,654 buildings as of the end of the fourth quarter 2015. The Class-A office sector consisted of 13,832,417 square feet in 91 projects. There were 1,471 Class-B buildings totaling 47,889,295 square feet, and the Class-C sector consisted of 17,000,151 square feet in 2,092 buildings. Within the Office market there were 188 owner-occupied buildings accounting for 8,580,215 square feet of office space.

## Sales Activity

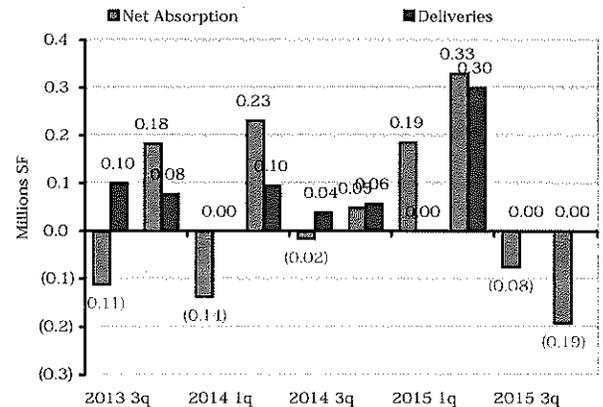
Tallying office building sales of 15,000 square feet or larger, Milwaukee office sales figures rose during the third quarter 2015 in terms of dollar volume compared to the second quarter of 2015.

In the third quarter, nine office transactions closed with a total volume of \$40,564,000. The nine buildings totaled 522,301 square feet and the average price per square foot equated to \$77.66 per square foot. That compares to seven transactions totaling \$33,761,800 in the second quarter 2015. The total square footage in the second quarter was 341,288 square feet for an average price per square foot of \$98.92.

Total office building sales activity in 2015 was down compared to 2014. In the first nine months of 2015, the market saw 26 office sales transactions with a total volume of \$169,585,800. The price per square foot averaged \$110.08. In the same first nine months of 2014, the market posted 23

## Absorption & Deliveries

Past 10 Quarters



Source: CoStar Property®

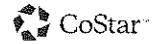
transactions with a total volume of \$176,218,698. The price per square foot averaged \$95.17.

Cap rates have been higher in 2015, averaging 8.85% compared to the same period in 2014 when they averaged 8.07%.

One of the largest transactions that has occurred within the last four quarters in the Milwaukee market is the sale of Riverwood Corporate Center in Pewaukee. This 205,646-square-foot office building sold for \$26,026,800, or \$126.56 per square foot. The property sold on 4/14/2015, at a 10.02% cap rate.

Report compiled by Research Manager, Ryan Forman, and the Wisconsin Research Team.

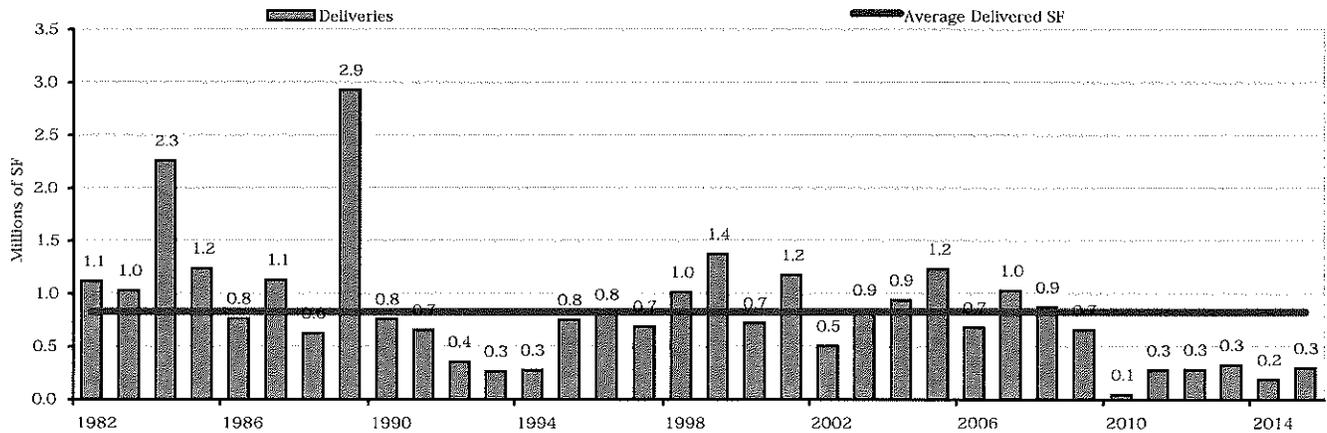
# Milwaukee Office Market



Inventory & Development

## Historical Deliveries

1982 - 2015



Source: CoStar Property®

\* Future deliveries based on current under construction buildings.

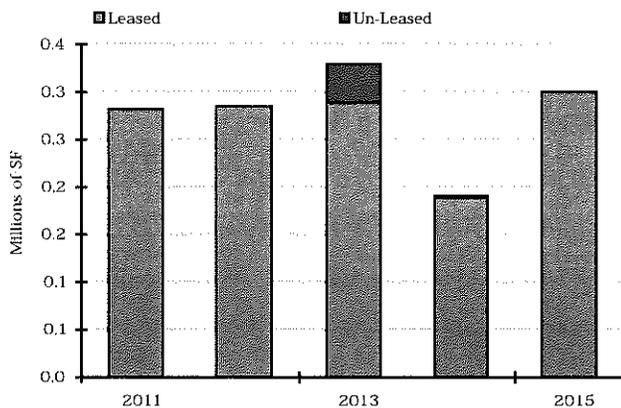
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Downtown	4	1,555,767	1,358,858	87.3%	81,264	388,942
Waukesha County	2	511,141	11,141	2.2%	22,661	255,570
Milwaukee County	2	196,164	130,575	66.6%	18,936	98,082
Sheboygan County	1	100,000	100,000	100.0%	14,035	100,000
Fond du Lac County	1	87,000	87,000	100.0%	10,738	87,000
Washington County	2	12,500	12,500	100.0%	14,541	6,250
Ozaukee County	0	0	0	0.0%	10,623	0
Dodge County	0	0	0	0.0%	8,266	0
Walworth County	0	0	0	0.0%	5,196	0
Racine County	0	0	0	0.0%	12,757	0
<b>Totals</b>	<b>12</b>	<b>2,462,572</b>	<b>1,700,074</b>	<b>69.0%</b>	<b>21,544</b>	<b>205,214</b>

Source: CoStar Property®

## Recent Deliveries

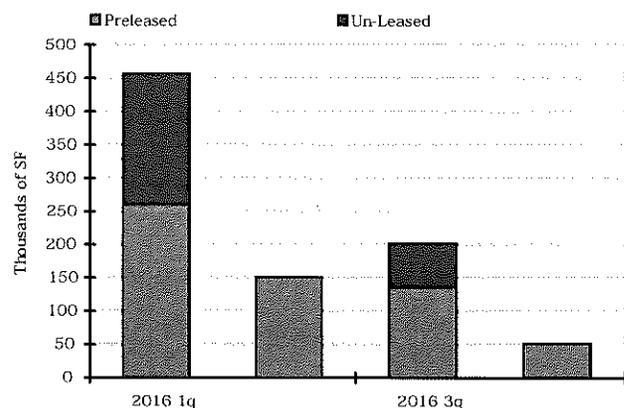
Leased & Un-Leased SF in Deliveries Since 2011



Source: CoStar Property®

## Future Deliveries

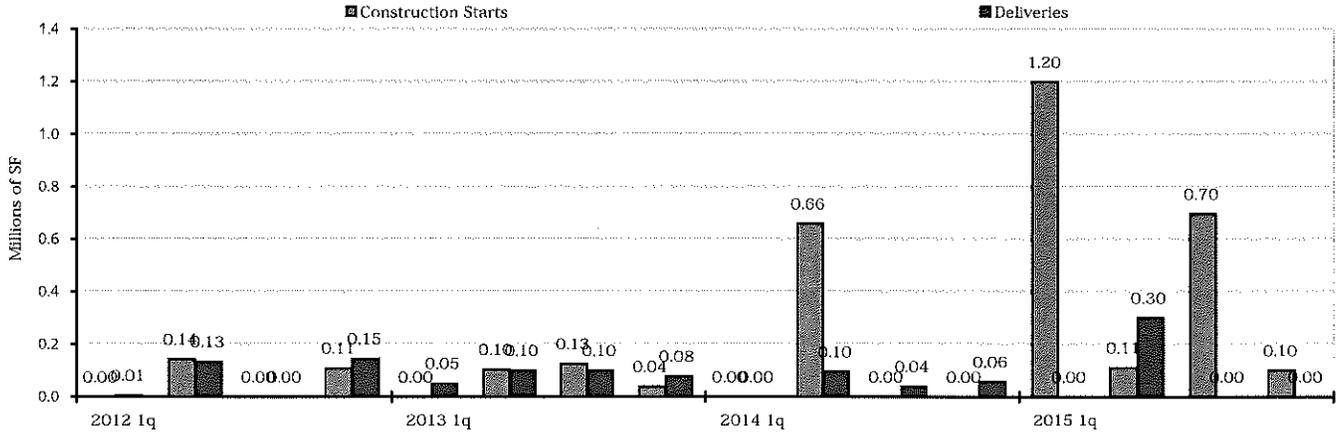
Preleased & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

## Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

## RECENT DELIVERIES BY PROJECT SIZE Breakdown of Year-to-Date Development Based on RBA of Project

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	0	0	0	0.0%	\$0.00	0	0
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
100,000 SF - 249,999 SF	0	0	0	0.0%	\$0.00	0	0
250,000 SF - 499,999 SF	1	300,200	300,200	100.0%	\$0.00	300,200	0
>= 500,000 SF	0	0	0	0.0%	\$0.00	0	0

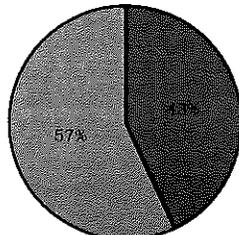
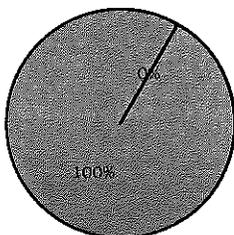
Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi Tenant Use

2015 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

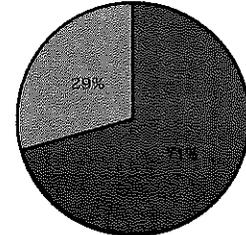
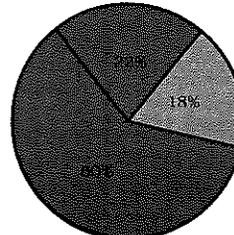
Source: CoStar Property®

## Existing Inventory Comparison

Based on Total RBA

By Class

By Space Type



■ Class A ■ Class B ■ Class C

■ Multi ■ Single

Source: CoStar Property®



# Milwaukee Office Market

Figures at a Glance

## Class A Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Dodge County	1	20,024	0	0	0.0%	0	0	0	\$0.00
Downtown	13	5,334,393	505,492	507,634	9.5%	(9,622)	0	1,555,767	\$21.76
Fond du Lac County	0	0	0	0	0.0%	0	0	87,000	\$0.00
Milwaukee County	21	3,188,967	419,510	434,432	13.6%	(191,101)	0	196,164	\$16.06
Ozaukee County	2	110,279	16,858	16,858	15.3%	8,700	0	0	\$0.00
Racine County	1	277,440	0	0	0.0%	0	0	0	\$0.00
Sheboygan County	1	89,781	12,559	12,559	14.0%	259	0	100,000	\$14.32
Walworth County	0	0	0	0	0.0%	0	0	0	\$0.00
Washington County	0	0	0	0	0.0%	0	0	0	\$0.00
Waukesha County	52	4,811,533	401,875	442,076	9.2%	225,267	300,200	500,000	\$19.65
<b>Totals</b>	<b>91</b>	<b>13,832,417</b>	<b>1,356,294</b>	<b>1,413,559</b>	<b>10.2%</b>	<b>33,503</b>	<b>300,200</b>	<b>2,438,931</b>	<b>\$19.56</b>

Source: CoStar Property®

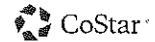
## Class B Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Dodge County	26	444,388	42,045	42,045	9.5%	1,134	0	0	\$11.93
Downtown	151	13,522,574	1,156,731	1,175,631	8.7%	95,561	0	0	\$17.46
Fond du Lac County	41	705,856	74,767	74,767	10.6%	(16,137)	0	0	\$10.88
Milwaukee County	488	15,366,169	1,894,202	1,972,582	12.8%	(105,488)	0	0	\$15.30
Ozaukee County	113	1,647,135	152,470	157,554	9.6%	(26,426)	0	0	\$15.68
Racine County	61	2,120,030	86,157	86,157	4.1%	(4,707)	0	0	\$14.83
Sheboygan County	82	1,681,944	87,245	87,245	5.2%	41,880	0	0	\$17.22
Walworth County	36	294,221	29,516	29,516	10.0%	3,595	0	0	\$10.04
Washington County	76	1,704,210	130,777	150,887	8.9%	17,512	0	12,500	\$14.50
Waukesha County	397	10,402,768	1,171,868	1,194,380	11.5%	102,204	0	11,141	\$15.45
<b>Totals</b>	<b>1,471</b>	<b>47,889,295</b>	<b>4,825,778</b>	<b>4,970,764</b>	<b>10.4%</b>	<b>109,128</b>	<b>0</b>	<b>23,641</b>	<b>\$15.58</b>

Source: CoStar Property®

## Milwaukee Office Market



Figures in Millions

## Class C Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Dodge County	49	163,805	14,752	14,752	9.0%	(2,673)	0	0	\$13.27
Downtown	96	2,271,579	116,167	119,879	5.3%	(39,323)	0	0	\$14.73
Fond du Lac County	68	464,632	56,208	56,808	12.2%	(11,589)	0	0	\$10.34
Milwaukee County	840	6,989,584	625,689	625,689	9.0%	87,454	0	0	\$12.03
Ozaukee County	95	473,337	74,125	74,125	15.7%	(14,998)	0	0	\$9.85
Racine County	321	2,488,615	267,050	267,050	10.7%	53,018	0	0	\$8.55
Sheboygan County	83	558,105	9,970	9,970	1.8%	10,642	0	0	\$11.75
Walworth County	134	589,146	56,375	56,375	9.6%	1,716	0	0	\$11.14
Washington County	69	404,207	19,348	19,348	4.8%	3,799	0	0	\$10.89
Waukesha County	337	2,597,141	160,591	160,591	6.2%	18,086	0	0	\$12.57
<b>Totals</b>	<b>2,092</b>	<b>17,000,151</b>	<b>1,400,275</b>	<b>1,404,587</b>	<b>8.3%</b>	<b>106,132</b>	<b>0</b>	<b>0</b>	<b>\$11.95</b>

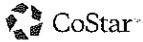
Source: CoStar Property®

## Total Office Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Dodge County	76	628,217	56,797	56,797	9.0%	(1,539)	0	0	\$12.13
Downtown	260	21,128,546	1,778,390	1,803,144	8.5%	46,616	0	1,555,767	\$19.27
Fond du Lac County	109	1,170,488	130,975	131,575	11.2%	(27,726)	0	87,000	\$10.68
Milwaukee County	1,349	25,544,720	2,939,401	3,032,703	11.9%	(209,135)	0	196,164	\$14.80
Ozaukee County	210	2,230,751	243,453	248,537	11.1%	(32,724)	0	0	\$13.76
Racine County	383	4,886,085	353,207	353,207	7.2%	48,311	0	0	\$11.92
Sheboygan County	166	2,329,830	109,774	109,774	4.7%	52,781	0	100,000	\$15.88
Walworth County	170	883,367	85,891	85,891	9.7%	5,311	0	0	\$10.47
Washington County	145	2,108,417	150,125	170,235	8.1%	21,311	0	12,500	\$14.07
Waukesha County	786	17,811,442	1,734,334	1,797,047	10.1%	345,557	300,200	511,141	\$16.20
<b>Totals</b>	<b>6,654</b>	<b>78,721,863</b>	<b>7,982,347</b>	<b>7,788,910</b>	<b>9.9%</b>	<b>248,763</b>	<b>300,200</b>	<b>2,462,572</b>	<b>\$16.00</b>

Source: CoStar Property®



# Milwaukee Office Market

Figures at a Glance

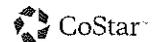
## Class A Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bld's	Total RBA	Direct SF	Total SF	Vac %				
Brookfield/New Berli.	22	1,539,017	204,606	234,606	15.2%	(57,139)	0	500,000	\$20.28
Central Waukesha	18	1,471,517	143,336	146,570	10.0%	(20,746)	0	0	\$18.00
Dodge East	1	20,024	0	0	0.0%	0	0	0	\$0.00
Dodge West	0	0	0	0	0.0%	0	0	0	\$0.00
Downtown East	9	4,395,232	349,896	352,038	8.0%	(25,707)	0	1,458,017	\$23.90
Downtown West	4	939,161	155,596	155,596	16.6%	16,085	0	0	\$16.24
Fond du Lac	0	0	0	0	0.0%	0	0	87,000	\$0.00
Mayfair/Wauwatosa	10	1,568,583	113,437	128,359	8.2%	12,765	0	196,164	\$17.20
Milwaukee East	2	196,740	36,236	36,236	18.4%	(15,302)	0	0	\$16.10
Milwaukee Near SW	0	0	0	0	0.0%	0	0	0	\$0.00
Milwaukee NW	5	767,751	269,837	269,837	35.1%	(188,564)	0	0	\$15.57
Milwaukee SE	2	364,146	0	0	0.0%	0	0	0	\$0.00
Milwaukee West	0	0	0	0	0.0%	0	0	0	\$0.00
NE/Delafield	2	114,682	6,787	6,787	5.9%	0	0	0	\$0.00
NE/Menomonee Falls	9	1,630,303	47,146	54,113	3.3%	303,152	300,200	0	\$22.75
North Ozaukee	2	110,279	16,858	16,858	15.3%	8,700	0	0	\$0.00
North Shore	0	0	0	0	0.0%	0	0	0	\$0.00
North Washington	0	0	0	0	0.0%	0	0	0	\$0.00
North/Sussex	0	0	0	0	0.0%	0	0	0	\$0.00
Outlying Sheboygan	0	0	0	0	0.0%	0	0	0	\$0.00
Racine East	1	277,440	0	0	0.0%	0	0	0	\$0.00
Racine West	0	0	0	0	0.0%	0	0	0	\$0.00
SE Ozaukee/I-43 Corr	0	0	0	0	0.0%	0	0	0	\$0.00
SE/Muskego	1	56,014	0	0	0.0%	0	0	0	\$0.00
Sheboygan	1	89,781	12,559	12,559	14.0%	259	0	100,000	\$14.32
SW Outlying Milwauke.	0	0	0	0	0.0%	0	0	0	\$0.00
SW Ozaukee	0	0	0	0	0.0%	0	0	0	\$0.00
SW/Mukwonago	0	0	0	0	0.0%	0	0	0	\$0.00
Third Ward/Walkers P.	0	0	0	0	0.0%	0	0	97,750	\$0.00
Walworth East	0	0	0	0	0.0%	0	0	0	\$0.00
Walworth West	0	0	0	0	0.0%	0	0	0	\$0.00
Washington East	0	0	0	0	0.0%	0	0	0	\$0.00
Washington West	0	0	0	0	0.0%	0	0	0	\$0.00
West Allis	2	291,747	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>91</b>	<b>13,832,417</b>	<b>1,356,294</b>	<b>1,413,569</b>	<b>10.2%</b>	<b>33,503</b>	<b>300,200</b>	<b>2,438,931</b>	<b>\$16.56</b>

Source: CoStar Property®

## Milwaukee Office Market



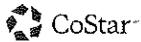
Figures at a Glance

## Class B Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
Brookfield/New Berli.	158	4,511,705	604,183	606,059	13.4%	121,146	0	0	\$15.63
Central Waukesha	128	3,514,741	369,670	390,306	11.1%	(11,280)	0	11,141	\$16.65
Dodge East	2	46,156	0	0	0.0%	0	0	0	\$0.00
Dodge West	24	398,232	42,045	42,045	10.6%	1,134	0	0	\$11.93
Downtown East	85	6,489,396	617,840	630,840	9.7%	(11,946)	0	0	\$17.92
Downtown West	32	4,992,062	293,854	293,854	5.9%	39,286	0	0	\$16.27
Fond du Lac	41	705,856	74,767	74,767	10.6%	(16,137)	0	0	\$10.88
Mayfair/Wauwatosa	86	2,961,773	447,598	447,598	15.1%	(3,052)	0	0	\$16.70
Milwaukee East	66	2,114,518	328,033	328,033	15.5%	6,455	0	0	\$12.76
Milwaukee Near SW	17	520,772	29,000	29,000	5.6%	(20)	0	0	\$11.12
Milwaukee NW	122	3,608,377	477,729	543,672	15.1%	(176,812)	0	0	\$15.34
Milwaukee SE	37	1,094,891	175,654	175,654	16.0%	1,469	0	0	\$14.09
Milwaukee West	33	1,202,264	19,591	19,591	1.6%	(440)	0	0	\$12.00
NE/Delafield	46	889,761	73,824	73,824	8.3%	(17,286)	0	0	\$16.81
NE/Menomonee Falls	36	959,354	84,816	84,816	8.8%	3,511	0	0	\$10.27
North Ozaukee	43	574,950	67,206	70,551	12.3%	(22,663)	0	0	\$15.59
North Shore	44	966,171	109,282	109,282	11.3%	(7,040)	0	0	\$17.53
North Washington	31	864,893	68,743	68,743	7.9%	(4,021)	0	2,500	\$13.98
North/Sussex	7	84,875	10,129	10,129	11.9%	3,248	0	0	\$11.64
Outlying Sheboygan	17	292,921	0	0	0.0%	27,390	0	0	\$0.00
Racine East	53	1,965,518	83,657	83,657	4.3%	(4,707)	0	0	\$14.80
Racine West	8	154,512	2,500	2,500	1.6%	0	0	0	\$16.80
SE Ozaukee/I-43 Corr	64	986,500	83,591	85,330	8.6%	(3,763)	0	0	\$15.68
SE/Muskego	13	351,531	2,000	2,000	0.6%	0	0	0	\$0.00
Sheboygan	65	1,389,023	87,245	87,245	6.3%	14,490	0	0	\$17.22
SW Outlying Milwaukee	41	782,929	79,132	79,132	10.1%	(10,589)	0	0	\$18.60
SW Ozaukee	6	85,685	1,673	1,673	2.0%	0	0	0	\$16.99
SW/Mukwonago	9	90,801	27,246	27,246	30.0%	2,865	0	0	\$13.71
Third Ward/Walkers P.	34	2,041,116	245,037	250,937	12.3%	68,221	0	0	\$18.58
Walworth East	25	198,497	22,085	22,085	11.1%	3,595	0	0	\$11.74
Walworth West	11	95,724	7,431	7,431	7.8%	0	0	0	\$7.04
Washington East	30	486,796	43,186	63,296	13.0%	23,693	0	10,000	\$15.32
Washington West	15	352,521	18,848	18,848	5.3%	(2,160)	0	0	\$0.00
West Allis	42	2,114,474	228,183	240,620	11.4%	84,541	0	0	\$14.83
<b>Totals</b>	<b>1,471</b>	<b>47,889,295</b>	<b>4,825,776</b>	<b>4,970,764</b>	<b>10.4%</b>	<b>109,128</b>	<b>0</b>	<b>23,641</b>	<b>\$15.66</b>

Source: CoStar Property®



# Milwaukee Office Market

Figures in Millions

## Class C Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Brookfield/New Berli.	92	904,980	19,892	19,892	2.2%	21,780	0	0	\$15.35
Central Waukesha	117	931,827	67,115	67,115	7.2%	(401)	0	0	\$11.39
Dodge East	10	25,094	0	0	0.0%	0	0	0	\$0.00
Dodge West	39	138,711	14,752	14,752	10.6%	(2,673)	0	0	\$13.27
Downtown East	31	537,901	46,708	50,420	9.4%	14,651	0	0	\$8.69
Downtown West	20	593,068	17,796	17,796	3.0%	26,000	0	0	\$12.37
Fond du Lac	68	464,632	56,208	56,808	12.2%	(11,589)	0	0	\$10.34
Mayfair/Wauwatosa	74	558,005	28,252	28,252	5.1%	(17,217)	0	0	\$12.04
Milwaukee East	88	846,658	46,650	46,650	5.5%	9,400	0	0	\$14.08
Milwaukee Near SW	105	1,089,884	69,054	69,054	6.3%	33,685	0	0	\$11.78
Milwaukee NW	122	817,862	116,103	116,103	14.2%	12,046	0	0	\$13.42
Milwaukee SE	125	862,017	104,712	104,712	12.1%	8,416	0	0	\$7.87
Milwaukee West	106	1,062,637	82,572	82,572	7.8%	4,449	0	0	\$8.33
NE/Delafield	66	434,967	50,420	50,420	11.6%	(3,293)	0	0	\$11.19
NE/Menomonee Falls	17	63,748	13,170	13,170	20.7%	0	0	0	\$8.50
North Ozaukee	57	261,750	48,780	48,780	18.6%	(1,000)	0	0	\$9.40
North Shore	24	114,172	21,601	21,601	18.9%	498	0	0	\$12.00
North Washington	36	205,367	19,348	19,348	9.4%	(301)	0	0	\$11.23
North/Sussex	6	17,244	0	0	0.0%	0	0	0	\$0.00
Outlying Sheboygan	27	117,652	6,570	6,570	5.6%	2,654	0	0	\$12.00
Racine East	233	1,918,363	259,847	259,847	13.5%	52,706	0	0	\$8.55
Racine West	88	570,252	7,203	7,203	1.3%	312	0	0	\$0.00
SE Ozaukee/I-43 Corr	17	118,536	22,145	22,145	18.7%	(14,667)	0	0	\$10.76
SE/Muskego	17	118,788	3,880	3,880	3.3%	0	0	0	\$0.00
Sheboygan	56	440,453	3,400	3,400	0.8%	7,988	0	0	\$11.72
SW Outlying Milwaukee	83	564,202	65,333	65,333	11.6%	(1,390)	0	0	\$14.81
SW Ozaukee	21	93,051	3,200	3,200	3.4%	669	0	0	\$13.12
SW/Mukwonago	22	125,587	6,114	6,114	4.9%	0	0	0	\$11.64
Third Ward/Walkers P.	45	1,140,610	51,663	51,663	4.5%	(79,974)	0	0	\$15.77
Walworth East	58	286,853	49,475	49,475	17.2%	(1,300)	0	0	\$11.59
Walworth West	76	302,293	6,900	6,900	2.3%	3,016	0	0	\$10.10
Washington East	20	142,665	0	0	0.0%	2,700	0	0	\$0.00
Washington West	13	56,175	0	0	0.0%	1,400	0	0	\$7.44
West Allis	113	1,074,147	91,412	91,412	8.5%	37,567	0	0	\$13.79
<b>Totals</b>	<b>2,092</b>	<b>17,000,154</b>	<b>1,400,275</b>	<b>1,404,587</b>	<b>8.3%</b>	<b>106,132</b>	<b>0</b>	<b>0</b>	<b>\$11.96</b>

Source: CoStar Property®

## Milwaukee Office Market



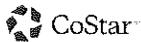
Figures at a Glance

## Total Office Submarket Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %				
Brookfield/New Berli.	272	6,955,702	828,681	860,557	12.4%	85,787	0	500,000	\$16.67
Central Waukesha	263	5,918,085	580,121	603,991	10.2%	(32,427)	0	11,141	\$16.60
Dodge East	13	91,274	0	0	0.0%	0	0	0	\$0.00
Dodge West	63	536,943	56,797	56,797	10.6%	(1,539)	0	0	\$12.13
Downtown East	125	11,422,529	1,014,444	1,033,298	9.0%	(23,002)	0	1,458,017	\$21.68
Downtown West	56	6,524,291	467,246	467,246	7.2%	81,371	0	0	\$16.02
Fond du Lac	109	1,170,488	130,975	131,575	11.2%	(27,726)	0	87,000	\$10.68
Mayfair/Wauwatosa	170	5,088,361	589,287	604,209	11.9%	(7,504)	0	196,164	\$16.62
Milwaukee East	156	3,157,916	410,919	410,919	13.0%	553	0	0	\$13.35
Milwaukee Near SW	122	1,610,656	98,054	98,054	6.1%	33,665	0	0	\$11.53
Milwaukee NW	249	5,193,990	863,669	929,612	17.9%	(353,330)	0	0	\$15.22
Milwaukee SE	164	2,321,054	280,366	280,366	12.1%	9,885	0	0	\$11.18
Milwaukee West	139	2,264,901	102,163	102,163	4.5%	4,009	0	0	\$8.85
NE/Delafield	114	1,439,410	131,031	131,031	9.1%	(20,579)	0	0	\$14.61
NE/Menomonee Falls	62	2,653,405	145,132	152,099	5.7%	306,663	300,200	0	\$13.85
North Ozaukee	102	946,979	132,844	136,189	14.4%	(14,963)	0	0	\$11.46
North Shore	68	1,080,343	130,883	130,883	12.1%	(6,542)	0	0	\$16.70
North Washington	67	1,070,260	88,091	88,091	8.2%	(4,322)	0	2,500	\$13.52
North/Sussex	13	102,119	10,129	10,129	9.9%	3,248	0	0	\$11.64
Outlying Sheboygan	44	410,573	6,570	6,570	1.6%	30,044	0	0	\$12.00
Racine East	287	4,161,321	343,504	343,504	8.3%	47,999	0	0	\$11.87
Racine West	96	724,764	9,703	9,703	1.3%	312	0	0	\$16.80
SE Ozaukee/I-43 Corr	81	1,105,036	105,736	107,475	9.7%	(18,430)	0	0	\$15.12
SE/Muskego	31	526,333	5,880	5,880	1.1%	0	0	0	\$0.00
Sheboygan	122	1,919,257	103,204	103,204	5.4%	22,737	0	100,000	\$15.94
SW Outlying Milwaukee	124	1,347,131	144,465	144,465	10.7%	(11,979)	0	0	\$16.49
SW Ozaukee	27	178,736	4,873	4,873	2.7%	669	0	0	\$14.61
SW/Mukwonago	31	216,388	33,360	33,360	15.4%	2,865	0	0	\$13.32
Third Ward/Walkers P.	79	3,181,726	296,700	302,600	9.5%	(11,753)	0	97,750	\$17.36
Walworth East	83	485,350	71,560	71,560	14.7%	2,295	0	0	\$11.68
Walworth West	87	398,017	14,331	14,331	3.6%	3,016	0	0	\$8.11
Washington East	50	629,461	43,186	63,296	10.1%	26,393	0	10,000	\$15.32
Washington West	28	408,696	18,848	18,848	4.6%	(760)	0	0	\$7.44
West Allis	157	3,480,368	319,595	332,032	9.5%	122,108	0	0	\$14.36
<b>Totals</b>	<b>3,654</b>	<b>78,721,863</b>	<b>7,582,347</b>	<b>7,788,910</b>	<b>9.9%</b>	<b>248,768</b>	<b>300,200</b>	<b>2,462,572</b>	<b>\$16.00</b>

Source: CoStar Property®



# Milwaukee Office Market

Figures at a Glance

## Class A Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	13	5,334,393	505,492	507,634	9.5%	(9,622)	0	1,458,017	\$21.76
Suburban	78	8,498,024	850,802	905,925	10.7%	43,125	300,200	980,914	\$17.79
<b>Totals</b>	<b>91</b>	<b>13,832,417</b>	<b>1,356,294</b>	<b>1,413,559</b>	<b>10.2%</b>	<b>33,503</b>	<b>300,200</b>	<b>2,438,931</b>	<b>\$19.56</b>

Source: CoStar Property®

## Class B Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	117	11,481,458	911,694	924,694	8.1%	27,340	0	0	\$17.17
Suburban	1,354	36,407,837	3,914,084	4,046,070	11.1%	81,788	0	23,641	\$15.34
<b>Totals</b>	<b>1,471</b>	<b>47,889,295</b>	<b>4,825,778</b>	<b>4,970,764</b>	<b>10.4%</b>	<b>109,128</b>	<b>0</b>	<b>23,641</b>	<b>\$16.56</b>

Source: CoStar Property®

## Class C Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	51	1,130,969	64,504	68,216	6.0%	40,651	0	0	\$11.68
Suburban	2,041	15,869,182	1,335,771	1,336,371	8.4%	65,481	0	0	\$11.94
<b>Totals</b>	<b>2,092</b>	<b>17,000,151</b>	<b>1,400,275</b>	<b>1,404,587</b>	<b>8.3%</b>	<b>106,132</b>	<b>0</b>	<b>0</b>	<b>\$11.93</b>

Source: CoStar Property®

## Class A & B Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	130	16,815,851	1,417,186	1,432,328	8.5%	17,718	0	1,458,017	\$19.85
Suburban	1,432	44,905,861	4,764,886	4,951,995	11.0%	124,913	300,200	1,004,555	\$15.84
<b>Totals</b>	<b>1,562</b>	<b>61,721,712</b>	<b>6,182,072</b>	<b>6,384,323</b>	<b>10.3%</b>	<b>142,631</b>	<b>300,200</b>	<b>2,462,572</b>	<b>\$16.75</b>

Source: CoStar Property®

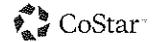
## Total Office Market Statistics

Year-End 2015

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	181	17,946,820	1,481,690	1,500,544	8.4%	58,369	0	1,458,017	\$19.62
Suburban	3,473	60,775,043	6,100,657	6,288,366	10.3%	190,394	300,200	1,004,555	\$15.13
<b>Totals</b>	<b>3,654</b>	<b>78,721,863</b>	<b>7,582,347</b>	<b>7,788,910</b>	<b>9.9%</b>	<b>248,763</b>	<b>300,200</b>	<b>2,462,572</b>	<b>\$16.00</b>

Source: CoStar Property®

## Milwaukee Office Market



Figures at a Glance

## Class A Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %		# Bids	Total RBA	# Bids	Total RBA	
2015 4q	91	13,832,417	1,356,294	1,413,559	10.2%	(173,260)	0	0	9	2,438,931	\$19.56
2015 3q	91	13,832,417	1,171,649	1,240,299	9.0%	(70,637)	0	0	7	2,341,181	\$18.61
2015 2q	91	13,832,417	1,119,364	1,169,662	8.5%	274,554	1	300,200	4	1,645,017	\$18.93
2015 1q	90	13,532,217	1,090,752	1,144,016	8.5%	2,846	0	0	4	1,845,217	\$19.19
2014 4q	90	13,532,217	1,093,361	1,146,862	8.5%	156,403	0	0	2	658,217	\$19.92
2014 3q	90	13,532,217	1,231,220	1,303,265	9.6%	(32,991)	1	38,992	2	658,217	\$19.53
2014 2q	89	13,493,225	1,189,081	1,231,282	9.1%	108,456	1	95,000	3	697,209	\$19.39
2014 1q	88	13,398,225	1,205,559	1,244,738	9.3%	106,849	0	0	2	133,992	\$20.24
2013	88	13,398,225	1,313,532	1,351,587	10.1%	41,487	1	43,279	2	133,992	\$21.97
2012	87	13,354,946	1,337,616	1,349,795	10.1%	120,253	1	145,000	1	43,279	\$22.05
2011	86	13,209,946	1,303,544	1,325,048	10.0%	140,698	2	142,303	1	145,000	\$20.88
2010	84	13,067,643	1,288,486	1,323,443	10.1%	(57,694)	0	0	2	142,303	\$20.94
2009	84	13,067,643	1,223,424	1,265,749	9.7%	137,531	2	208,014	0	0	\$20.41
2008	82	12,859,629	1,075,598	1,195,266	9.3%	254,186	2	189,800	1	152,000	\$17.62
2007	80	12,669,829	1,232,428	1,259,652	9.9%	586,413	5	471,550	1	163,500	\$16.49
2006	75	12,198,279	1,296,811	1,374,515	11.3%	91,631	1	33,081	4	191,550	\$16.39

Source: CoStar Property®

## Class B Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %		# Bids	Total RBA	# Bids	Total RBA	
2015 4q	1,471	47,889,295	4,825,778	4,970,764	10.4%	(15,749)	0	0	3	23,641	\$15.58
2015 3q	1,473	47,932,815	4,840,005	4,998,535	10.4%	57,849	0	0	2	21,141	\$15.49
2015 2q	1,473	47,932,815	4,873,976	5,056,384	10.5%	33,682	0	0	2	21,141	\$15.29
2015 1q	1,473	47,932,815	4,883,631	5,090,066	10.6%	33,346	0	0	1	11,141	\$15.56
2014 4q	1,474	48,182,149	5,178,135	5,372,746	11.2%	(88,471)	1	57,079	0	0	\$15.10
2014 3q	1,473	48,125,070	5,035,190	5,227,196	10.9%	6,422	0	0	1	57,079	\$15.31
2014 2q	1,473	48,125,070	5,089,637	5,233,618	10.9%	122,059	0	0	1	57,079	\$15.22
2014 1q	1,475	48,553,450	5,599,096	5,784,057	11.9%	(356,845)	0	0	1	57,079	\$15.53
2013	1,475	48,553,450	5,262,551	5,427,212	11.2%	(61,547)	8	286,615	1	57,079	\$15.10
2012	1,469	48,395,119	5,073,974	5,207,334	10.8%	452,202	4	140,195	5	209,068	\$15.34
2011	1,467	48,451,058	5,565,646	5,715,475	11.8%	(357,376)	6	139,701	4	140,195	\$15.81
2010	1,465	48,489,894	5,233,108	5,396,935	11.1%	(480,422)	4	50,471	3	93,509	\$15.86
2009	1,461	48,439,423	4,714,088	4,866,042	10.0%	276,324	11	438,581	2	28,312	\$15.96
2008	1,450	48,000,842	4,629,972	4,703,785	9.8%	454,356	18	623,278	10	400,385	\$15.25
2007	1,432	47,377,564	4,449,782	4,534,863	9.6%	578,349	24	503,604	15	626,241	\$15.18
2006	1,408	46,873,960	4,501,612	4,609,608	9.8%	356,518	23	564,085	17	725,333	\$15.06

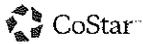
Source: CoStar Property®

## Total Office Market Statistics

Year-End 2015

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Bids	Total RBA	Direct SF	Total SF	Vac %		# Bids	Total RBA	# Bids	Total RBA	
2015 4q	3,654	78,721,863	7,582,347	7,788,910	9.9%	(191,885)	0	0	12	2,462,572	\$16.00
2015 3q	3,657	78,840,203	7,487,885	7,715,365	9.8%	(75,080)	0	0	9	2,362,322	\$15.68
2015 2q	3,658	78,858,704	7,425,780	7,658,786	9.7%	329,840	1	300,200	6	1,666,158	\$15.44
2015 1q	3,657	78,558,504	7,427,127	7,688,426	9.8%	185,888	0	0	5	1,856,358	\$15.70
2014 4q	3,659	78,836,638	7,902,736	8,152,448	10.3%	48,113	1	57,079	2	658,217	\$15.35
2014 3q	3,658	78,779,559	7,877,831	8,143,482	10.3%	(16,136)	1	38,992	3	715,296	\$15.38
2014 2q	3,658	78,761,967	7,921,972	8,109,754	10.3%	231,116	1	95,000	4	754,288	\$15.38
2014 1q	3,659	79,095,347	8,450,110	8,674,250	11.0%	(136,868)	0	0	3	191,071	\$15.68
2013	3,659	79,095,347	8,334,666	8,537,382	10.8%	(82,177)	9	329,894	3	191,071	\$15.65
2012	3,655	79,000,417	8,212,857	8,360,275	10.6%	676,827	5	285,195	6	252,347	\$15.80
2011	3,652	78,911,356	8,774,108	8,948,041	11.3%	(268,857)	8	282,004	5	285,195	\$16.13
2010	3,648	78,807,889	8,376,933	8,575,717	10.9%	(701,546)	4	50,471	5	235,812	\$16.21
2009	3,646	78,762,760	7,632,539	7,829,042	9.9%	380,227	14	660,595	2	28,312	\$16.09
2008	3,633	78,104,168	7,354,622	7,550,677	9.7%	694,846	22	877,372	12	566,385	\$15.30
2007	3,612	77,235,337	7,257,325	7,376,692	9.6%	1,153,751	31	1,031,986	18	854,035	\$15.16
2006	3,581	76,203,351	7,297,502	7,498,457	9.8%	352,269	27	683,900	22	968,251	\$15.01

Source: CoStar Property®

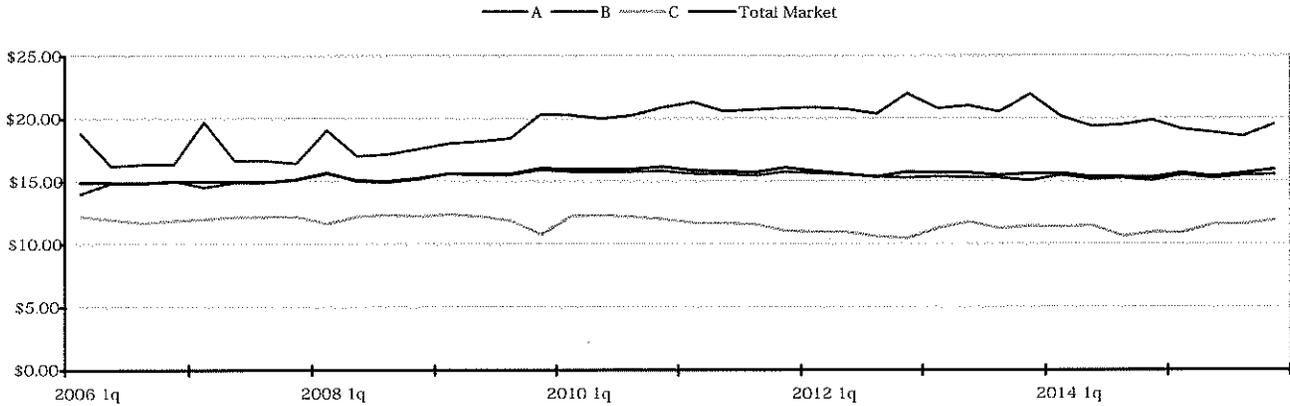


# Milwaukee Office Market

Lending Activity

## Historical Rental Rates

Based on Full-Service Equivalent Rental Rates



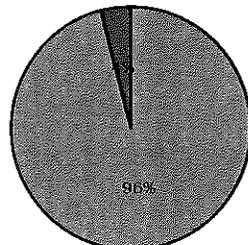
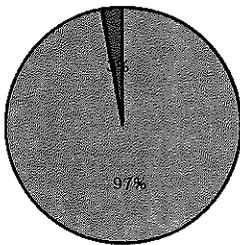
Source: CoStar Property®

## Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Milwaukee

United States



Direct Sublet

Direct Sublet

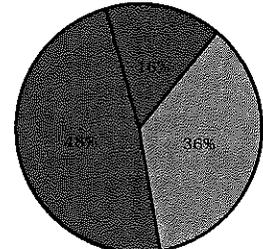
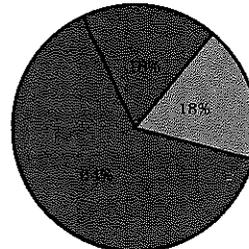
Source: CoStar Property®

## Vacancy by Class

Percent of All Vacant Space by Class

Milwaukee

United States



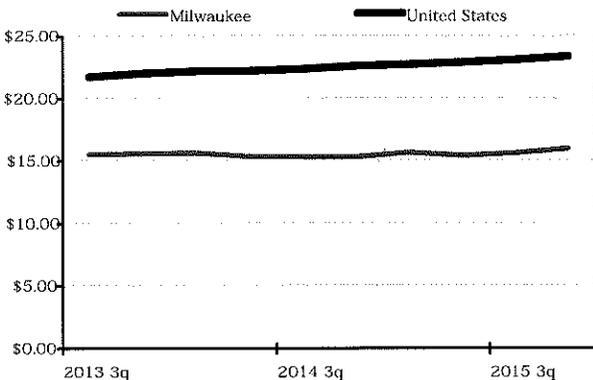
Class A Class B Class C

Class A Class B Class C

Source: CoStar Property®

## U.S. Rental Rate Comparison

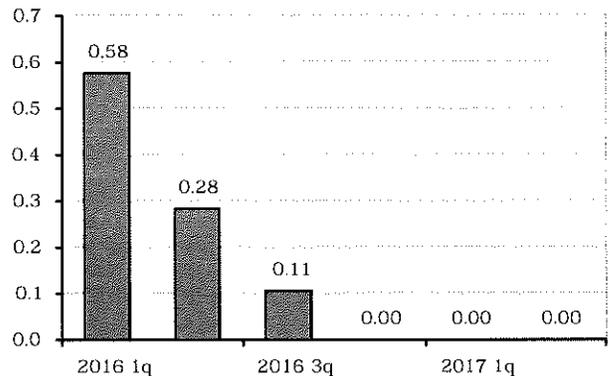
Based on Full-Service Equivalent Rental Rates



Source: CoStar Property®

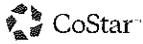
## Future Space Available

Space Scheduled to be Available for Occupancy\*



\* Includes Under Construction Spaces

Source: CoStar Property®

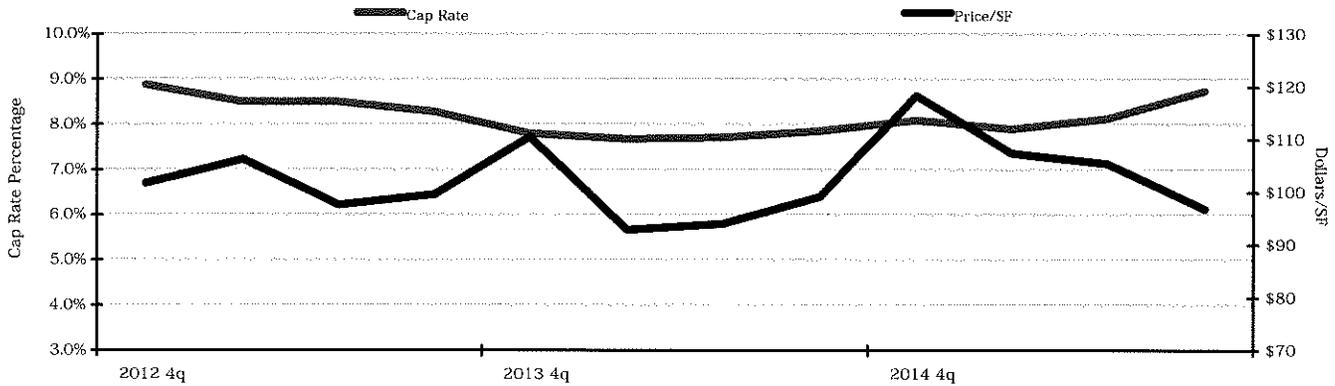


# Milwaukee Office Market

Sales Activity

## The Optimist Sales Index

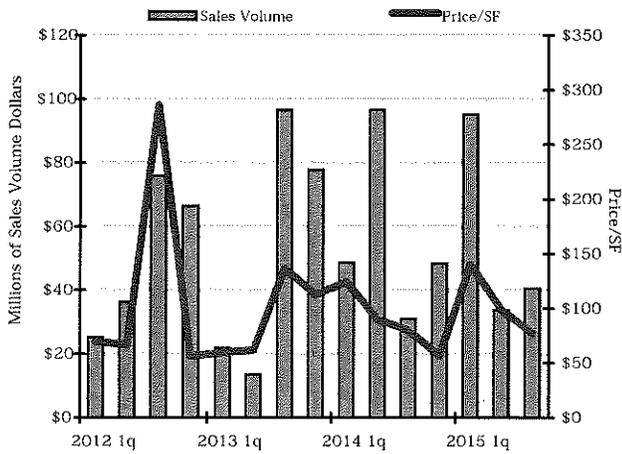
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



Source: CoStar COMPS®

## Sales Volume & Price

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## Sales Analysis by Building Size

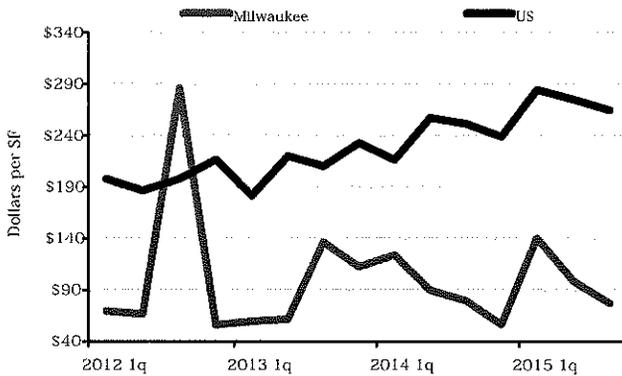
Based on Office Building Sales From Oct. 2014 - Sept. 2015

Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 50,000 SF	43	785,437	\$66,744,400	\$ 84.98	9.39%
50K-249K SF	17	1,776,393	\$166,876,800	\$ 93.94	8.17%
250K-499K SF	-	-	-	\$ -	-
>500K SF	-	-	-	\$ -	-

Source: CoStar COMPS®

## U.S. Price/SF Comparison

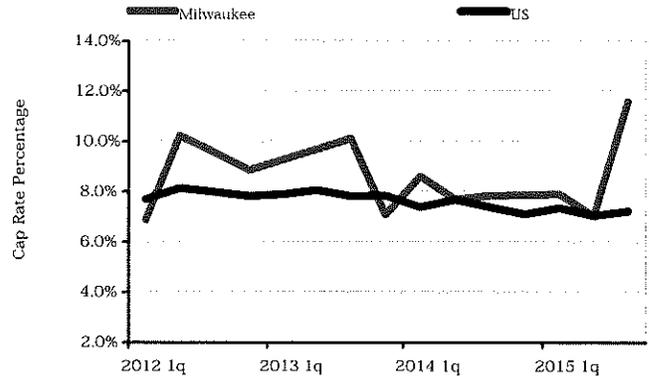
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

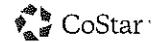
## U.S. Cap Rate Comparison

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

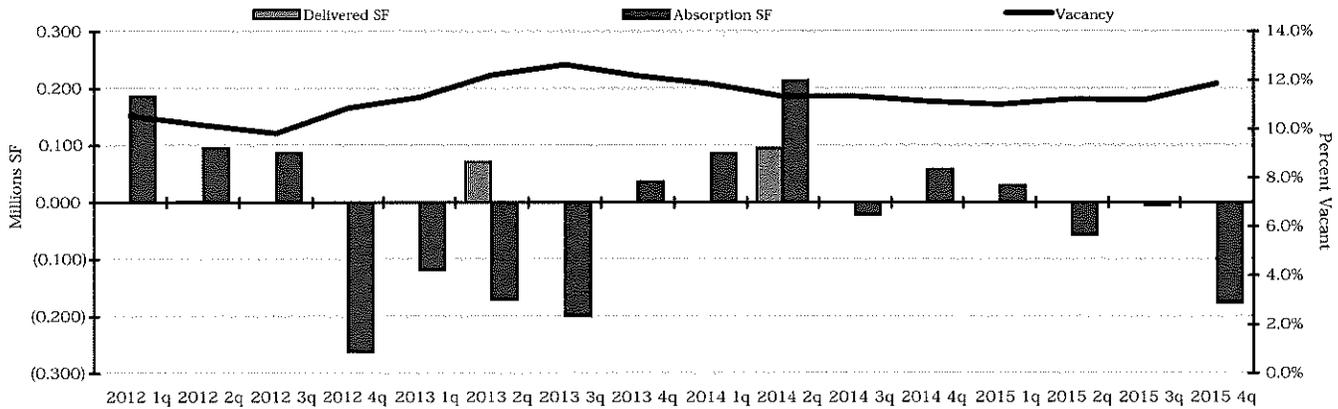
# Milwaukee Office Market



Milwaukee County Market  
Market Highlights - Class "A, B & C"

## Deliveries, Absorption & Vacancy

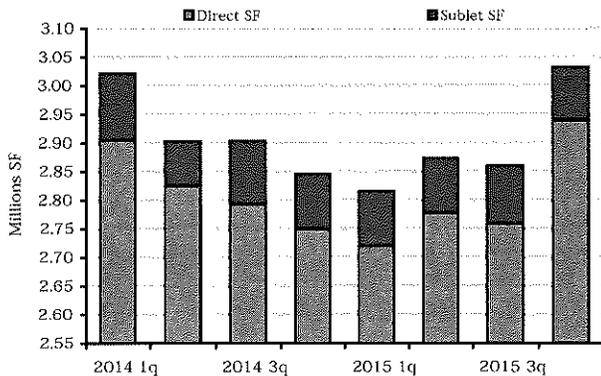
### Historical Analysis, All Classes



Source: CoStar Property®

## Vacant Space

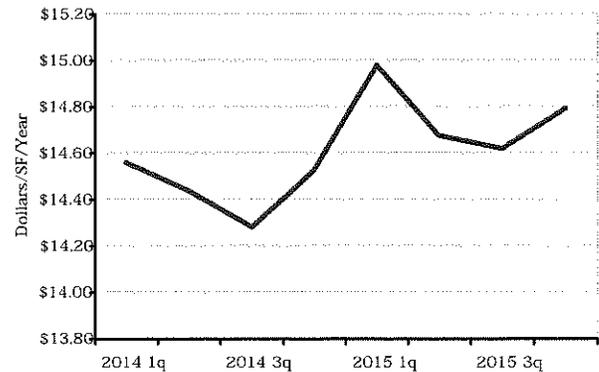
### Historical Analysis, All Classes



Source: CoStar Property®

## Quoted Rental Rates

### Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2015 4q	1,349	25,544,720	3,032,703	11.9%	(176,144)	0	0	2	196,164	\$14.80
2015 3q	1,350	25,548,240	2,860,079	11.2%	(4,901)	0	0	2	196,164	\$14.62
2015 2q	1,351	25,566,741	2,873,679	11.2%	(57,705)	0	0	0	0	\$14.68
2015 1q	1,351	25,566,741	2,815,974	11.0%	29,615	0	0	0	0	\$14.98
2014 4q	1,351	25,566,741	2,845,589	11.1%	58,415	0	0	0	0	\$14.53
2014 3q	1,351	25,566,741	2,904,004	11.4%	(22,031)	0	0	0	0	\$14.28
2014 2q	1,352	25,588,141	2,903,373	11.3%	214,373	1	95,000	0	0	\$14.44
2014 1q	1,351	25,493,141	3,022,746	11.9%	86,696	0	0	1	95,000	\$14.56
2013 4q	1,351	25,493,141	3,109,442	12.2%	36,722	0	0	1	95,000	\$14.60
2013 3q	1,352	25,581,425	3,234,448	12.6%	(198,561)	0	0	1	95,000	\$14.55
2013 2q	1,353	25,684,425	3,138,887	12.2%	(170,380)	1	71,262	1	95,000	\$14.72
2013 1q	1,353	25,614,323	2,898,405	11.3%	(117,663)	0	0	1	71,262	\$14.29
2012 4q	1,353	25,614,323	2,780,742	10.9%	(261,459)	0	0	1	71,262	\$14.35
2012 3q	1,353	25,614,323	2,519,283	9.8%	87,352	0	0	0	0	\$14.51
2012 2q	1,353	25,614,323	2,606,635	10.2%	95,282	1	1,900	0	0	\$15.01
2012 1q	1,352	25,612,423	2,700,017	10.5%	186,560	0	0	1	1,900	\$15.09

Source: CoStar Property®

## LODGING MARKET OVERVIEW

# National Lodging Highlights

The following is extracted from "Hospitality Directions US" updated August 2015, published by PwC Hospitality & Leisure.

As the U.S. economy rebounded from a first-quarter slump driven by the absence of transitory factors, performance of the U.S. lodging sector in the second quarter of 2015 generally met expectations with a year-over-year RevPAR increase of 6.5%. During that time, average daily rate (ADR) growth drove RevPAR increases to a larger degree than in prior quarters with a 4.8% year-over-year increase. Demand trends also remained robust with both transient and group demand showing strong momentum and year-over-year occupancy growth of 1.4% and 1.5%, respectively, during the first half of 2015.

Overall, occupancy levels in the first half of 2015 were at the highest since 1987, giving many operators the confidence to test price increases in many markets. Overall, PwC's outlook for 2015 remains optimistic with

a RevPAR increase of 6.9%, driven mainly by a forecast annual ADR growth of 5.0%. The combination of strong demand trends and low supply growth is expected to drive peak occupancy levels, pushing U.S. lodging occupancy to 65.6% in 2015 – the highest level since 1981.

As occupancy peaks in the U.S. lodging industry, ADR growth is expected to become more meaningful, as the effects of the rise in the value of the U.S. dollar wane, giving many hotel operators more pricing power, especially in certain gateway cities. In 2016, ADR growth of 5.8% is forecast for the U.S. lodging industry with the luxury and upper-upscale chain-scale segments both outperforming the industry with ADR growth of 6.3% and 5.9%, respectively, as per the August 2015 issue of PwC Hospitality & Leisure US.

## DEMAND

As a whole, demand for the lodging industry is expected to increase 2.9%

in 2015 – below the level of demand reported for 2014 (+4.3%). While each chain-scale segment is expected to see growing demand in 2015, year-over-year increases are each below 2014 levels. For 2015, PwC forecasts lodging demand growth to be the strongest for the upscale lodging segment, increasing 5.5%, followed by the upper-midscale chain-scale segment at 3.9%.

## SUPPLY

The supply pipeline continues to expand throughout much of the lodging industry with hotel additions for 2015 and 2016 expected to be well above prior years. As a result, PwC's outlook anticipates supply growth to increase 1.1% for the industry in 2015 and 2.0% for 2016 – above the 0.8% recorded for 2014 and the long-term average annual increase of 1.9%.

For 2015 and 2016, the upscale chain-scale segment is forecast to see the greatest increase in supply, growing at 4.5% and 5.7%, respectively. On the other hand, the economy segment is expected to see a 0.0% increase in supply in 2015 and a 0.5% decrease in supply in 2016.

## OCCUPANCY

Occupancy for the U.S. lodging industry was 65.2% for the first half of 2015, a 2.3% increase from the same period in 2014, according to Smith Travel Research (STR). Occupancy improved in each chain-scale segment during this period with the midscale segment posting the largest gain of 2.9%.

For 2015, the U.S. lodging industry's occupancy is forecast to increase 1.8%. As shown in Exhibit L-1, occu-

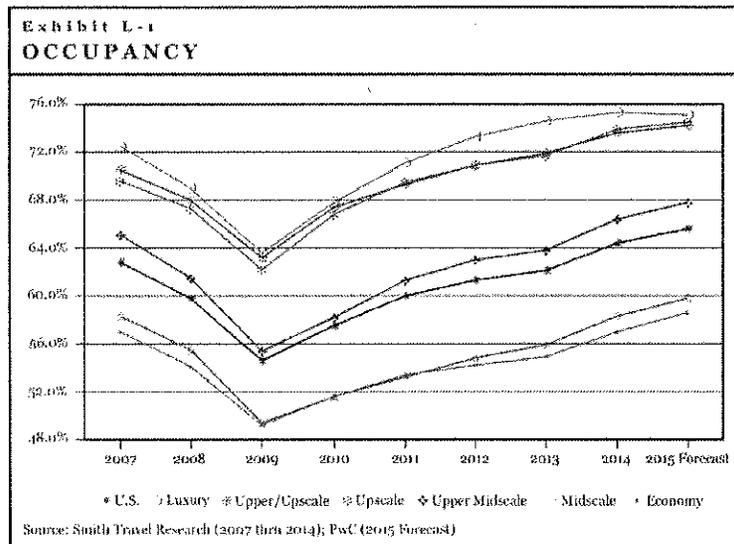
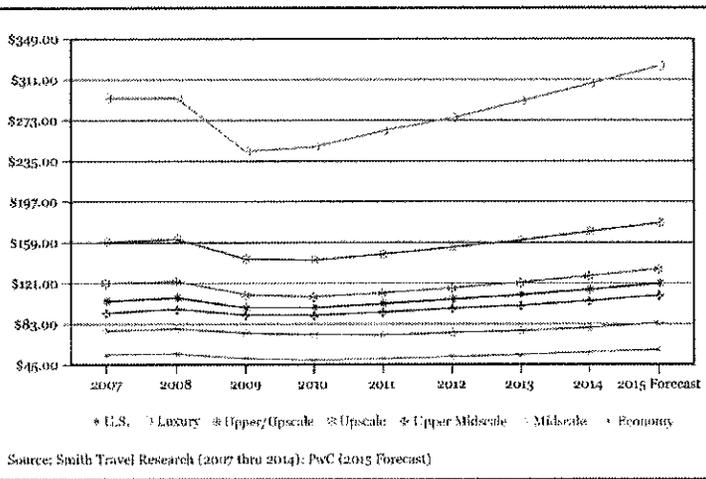


Exhibit L-2

**AVERAGE DAILY RATE (ADR)**



pany gains are forecast for each chain-scale segment in 2015 with upper-upscale, midscale, and economy hotels outperforming the industry.

**AVERAGE DAILY RATE (ADR)**

ADR for the U.S. lodging industry was \$119.02 for the first half of 2015, a 4.8% increase from the same period in 2014, as per STR. ADR grew in each chain-scale segment over this period with the luxury (+5.3%), up-scale (+5.2%), and economy (+5.4%) chain-scale segments each surpassing the industry average.

For 2015, ADR for the U.S. lodging industry is forecast to increase 5.0%. As shown in Exhibit L-2, ADR growth is forecast for each chain-scale segment in 2015.

**MANHATTAN**

Manhattan hotels performed inconsistently in the first six months of this year with consecutive periods of RevPAR decline interspersed with modest increases. After a meaningful decline in the first quarter of 2015, RevPAR decreased 6.1% in April. As the second quarter progressed, this

downward trend was less pronounced with RevPAR decreasing 2.5% in May and increasing 1.8% in June for an overall decline of 2.2% for the quarter.

Manhattan's quarterly RevPAR decline was driven by downward shifts in both occupancy and ADR, which decreased 1.0% and 1.3%, respectively, compared to a year ago. In addition, RevPAR declined across all hotel classes in Manhattan in the second quarter with the upscale segment experiencing the largest decline in RevPAR levels, declining 4.3% year over year.

The luxury segment outperformed the other segments by being able to trade a decline in occupancy for growth in ADR, resulting in a flat RevPAR level, while the upper-midscale and upper-upscale segments experienced RevPAR decreases of 3.4% and 2.4%, respectively. The declines in RevPAR were driven by a combination of losses in occupancy and ADR in these local segments.

**INVESTMENT ACTIVITY**

U.S. hotel investment volume totaled \$26.9 billion for the first half of

2015 – up 67.5% from the same time in 2014, according to Real Capital Analytics. Full-service hotels accounted for a larger portion of this volume, totaling \$19.0 billion, compared to limited-service hotels, which totaled \$7.9 billion. Furthermore, single-property hotel sales accounted for \$16.6 billion of the total sales volume during the first half of 2015 while portfolio sales made up the balance.

The top-five markets in terms of sales volume for the first half of 2015 are shown in Table NLH-1. While three of the five metros had the distinction of also being in the top ten at year-end 2014, Orlando and Phoenix have both made impressive leaps during the past six months. †

Table NLH-1  
**2015 HOTEL SALES VOLUME\***

Top U.S. Metros		
Metro	Total Volume (\$M)	Rank 2014
Manhattan	\$4,086	2
Orlando	\$2,086	22
San Francisco	\$1,352	4
Miami	\$1,262	6
Phoenix	\$873	12

\*First half of 2015  
Source: Real Capital Analytics, Inc.

**Trends and forecasts have been extracted from *Hospitality Directions US*, published by PwC Hospitality & Leisure. Released August 2015, this report provides historical data and forecasts for the U.S. lodging industry and seven chain-scale segments with respect to ADR, supply, demand, occupancy, RevPAR, and revenue. For more information, email contact.hospitality@us.pwc.com.**

# National Limited-Service Midscale & Economy Lodging Segment

Optimism prevails among surveyed investors for the national limited-service midscale & economy lodging segment due to restricted additions to supply and an improved near-term performance outlook. In fact, annual growth in ADR, occupancy, and RevPAR for both the midscale and economy chain-scale segments is forecasted above that of the industry for 2015.

As shown in Table ELM-1, the combined impact of strong occupancy and ADR growth for the midscale segment is expected to result in

RevPAR growth of 7.7% – well above the national figure of 6.9% and the highest among the seven chain-scale segments analyzed in *Hospitality Directions US*. With an annual rate of 7.3%, the economy chain-scale segment's RevPAR forecast represents the second-highest growth estimate.

Investors' confidence in this lodging segment is also displayed by the 17-basis-point decline in its average overall cap rate this quarter, as well as the ten-basis-point increase in its average ADR change rate (see Table 35). ♦

Table ELM-1

## LODGING FORECASTS

Segment	2015	Annual Change
<b>Midscale</b>		
Occupancy	59.8%	+ 2.4%
ADR	\$83.98	+ 5.2%
Nominal RevPAR	\$50.18	+ 7.7%
<b>Economy</b>		
Occupancy	58.6%	+ 2.0%
ADR	\$59.09	+ 5.2%
Nominal RevPAR	\$34.65	+ 7.3%

Source: *Hospitality Directions US, August 2015*; published by PwC

Table 35

## NATIONAL LIMITED-SERVICE MIDSACLE & ECONOMY LODGING SEGMENT

Third Quarter 2015

	CURRENT	FIRST QUARTER 2015	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>DISCOUNT RATE (IRR)<sup>a</sup></b>					
Range	8.50% – 12.00%	8.50% – 12.00%	9.00% – 12.00%	9.00% – 13.00%	10.00% – 14.00%
Average	10.53%	10.55%	10.70%	10.94%	12.31%
Change (Basis Points)		- 2	- 17	- 41	- 178
<b>OVERALL CAP RATE (OAR)<sup>a</sup></b>					
Range	7.50% – 10.00%	7.50% – 10.00%	8.00% – 10.00%	8.00% – 12.00%	8.00% – 12.00%
Average	8.78%	8.95%	9.00%	9.70%	10.20%
Change (Basis Points)		- 17	- 22	- 92	- 142
<b>RESIDUAL CAP RATE</b>					
Range	7.75% – 10.50%	7.75% – 11.00%	8.00% – 11.00%	8.00% – 12.00%	9.00% – 12.00%
Average	9.50%	9.63%	9.55%	9.85%	10.43%
Change (Basis Points)		- 13	- 5	- 35	- 93
<b>AVERAGE DAILY RATE<sup>b</sup></b>					
Range	2.00% – 5.00%	2.00% – 5.00%	2.00% – 5.00%	0.00% – 7.00%	(4.00%) – 3.00%
Average	3.50%	3.40%	3.30%	3.60%	(0.25%)
Change (Basis Points)		+ 10	+ 20	- 10	+ 375
<b>OPERATING EXPENSE<sup>b</sup></b>					
Range	2.50% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%	1.00% – 3.00%
Average	2.95%	2.75%	2.75%	2.75%	2.55%
Change (Basis Points)		+ 20	+ 20	+ 20	+ 40
<b>MARKETING TIME<sup>c</sup></b>					
Range	2 – 12	2 – 12	2 – 12	2 – 12	4 – 12
Average	7.0	7.0	7.0	7.6	7.6
Change (▼, ▲, =)		=	=	▼	▼

a. Rate on unleveraged, all-cash transactions

b. Initial rate of change

c. In months

# HospitalityResearch

MARKET UPDATE

Marcus & Millichap

Midwest Region

Third Quarter 2015

## Investors Target Limited-Service, Select-Service Hotels

Increases in travel volume will lift primary performance measures this year in the Midwest, a region encompassing Illinois, Indiana, Michigan, Ohio and Wisconsin. Results in the first half were particularly solid, mostly reflecting strengthening transient business demand and a modestly greater contribution from group events. The economies of major markets Chicago, Cincinnati, Cleveland, Detroit and Indianapolis are clearly stronger than they were in the first half of 2014. Employers are expanding payrolls, spending on business trips, and generating inbound travel by contractors and vendors, trends that were evident in consistently higher occupancy and gains in other performance gauges throughout the first half. Hotel operations in July remained strong, with only Cleveland among the major markets posting a drop in occupancy to a still-respectable 72.7 percent. While demand will likely continue to rise in the region as business-related occupancy grows and additional consumers spend on leisure trips, the delivery of new rooms over the next two years will affect occupancy and RevPAR growth. The size and potential impact of statewide pipelines vary, but the greatest pressures on performance will occur in Illinois and Ohio.

Broad brand representation, markets with varied demand drivers, improving property performance and reasonable asset pricing continue to draw investors to the Midwest region. Transactions and dollar volume increased in the first half of this year compared with the corresponding period in 2014. Small private investors are active, spurring deal flow in the economy and midscale segments. These assets accounted for about 45 percent of all flagged hotels changing hands, a marked advance from the prior year. On a national level, brands occupying the lower rungs of the chain-scale ladder are posting solid performance, including rate-driven gains in RevPAR that surpass other chain scales. Additional owners are able to sell and will continue to test the market in the Midwest in attempts to monetize the value appreciation that has occurred through stronger operations. Select-service properties also frequently trade in the region, and investors can realize potential upsides by raising property performance to market levels or performing PIPs that can provide a lift to RevPAR.

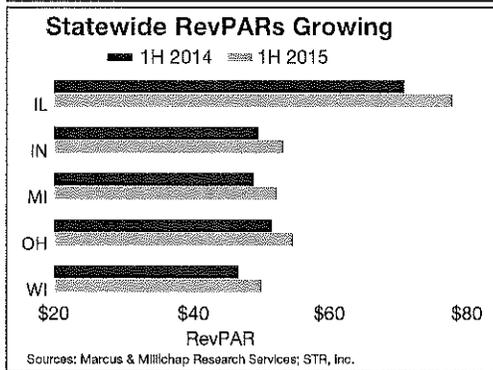
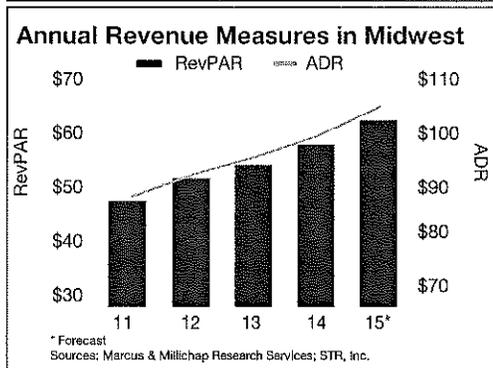
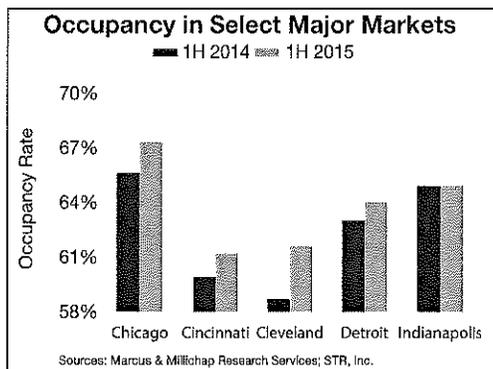
### 2015 Forecast

	2014	2015*
Occupancy	60.6%	61.7%
Demand Growth	3.5%	3.0%
Supply Growth	0.8%	1.2%
Average Daily Rate	\$99.15	\$104.60
Annual Change	4.1%	5.5%
RevPAR	\$60.04	\$64.53
Annual Change	6.8%	7.5%
Revenue Growth	7.5%	8.3%

\* Forecast

Sources: Marcus & Millichap Research Services; STR, Inc.

- **All Metrics Poised to Rise.** Room demand growth of 3.0 percent will outpace an increase in available rooms this year to raise full-year regional occupancy 110 basis points to 61.7 percent. Fueled by an rise in the largest market, Chicago, the ADR will climb 5.5 percent during 2015 and drive most of the gain in RevPAR.
- **Buildup in Select-Service Stock.** Approximately 30 percent of the rooms under construction in the region are in Detroit and Chicago, with the much greater contribution to the total occurring in Chicago. Of the more than 2,700 rooms underway in Chicago, nearly 2,000 are select-service brands. An additional 1,900 select-service rooms are planned in the market.
- **Occupancy Gain in Cincinnati.** The city posted overall strong results in the first half, when room nights grew 3.6 percent to spark a 120-basis-point rise in occupancy to 61.2 percent. ADR growth was tepid, however, coming in at 2.5 percent in the first half, though an increase of 9 percent was recorded in July, when the city hosted the Major League Baseball All-Star Game.



## Occupancy Trends

- Hotels in the Midwest performed well in the first half. Year to date through the second quarter, regional occupancy rose 100 basis points to 58.9 percent. Room nights grew 3.1 percent during the period to nearly match the national rate of growth, and supply rose 1.2 percent, exceeding the nationwide gain.
- The Chicago market posted a 170-basis-point jump in occupancy during the first half to 67.3 percent behind a 3.7 percent rise in room nights. Demand in the entire state rose by an identical amount in the first half, but higher supply growth underpinned a slightly lower increase in occupancy in Illinois of 140 basis points, to 63.5 percent.
- Available rooms rose 2.4 percent year to date in Ohio, but new stock has been well absorbed. Statewide occupancy climbed 90 basis points thus far in 2015 to 59.0 percent. Cleveland and Cincinnati each posted gains in the first half, with a nearly 300-basis-point rise in Cleveland attributable to an outside 8.1 percent climb in occupied rooms. Supply in the market also grew 3.1 percent as developers prepared for the Republican National Convention next year.

## Revenue Trends

- ADR in the Midwest rose 5.7 percent in this year's first half, accounting for most of the 7.7 percent jump in RevPAR during that stretch. The results surpass the pace set in the first half of 2014, when ADR advanced 3.1 percent and RevPAR grew 5.5 percent.
- Illinois led statewide markets in RevPAR growth, notching a 9.7 percent rise that reflects the robust 11.2 percent gain in Chicago. RevPAR in Chicago grew only 2.6 percent during the first six months of 2014. Elsewhere in the region, a 10.8 percent RevPAR increase in Cleveland was nearly two times the rate of growth statewide, while RevPAR in Michigan jumped 7.1 percent.
- In Indiana, 5.7 percent growth in the daily rate drove most of the state's 7.5 percent jump in RevPAR year to date. Excluding the elevated April results that were influenced by visitor volume for the NCAA Men's Final Four in Indianapolis, RevPAR grew approximately 5 percent in this year's opening half.

## Sales Trends

- Sales of independent hotels fell in the first half of this year, while more flagged assets changed hands compared with the first six months of 2014. The gain in branded property deals occurred in the limited-service segment comprising economy and midscale brands.
- By state, the number of transactions were little changed in Illinois and Ohio during the first half of this year but rose significantly in Michigan and Indiana. Volume in Indiana was heaviest in the upper midscale tier, and all of the transactions occurred outside of the Indianapolis metro in highway locations or college markets. Select-service hotels in secondary markets were also a common target of investors in Michigan.
- In Illinois, sales of economy and midscale properties accounted for about half of all transactions in the first half of 2015. Economy prices varied by age and location but were around \$30,000 per key at the upper end of the range.

# Marcus & Millichap

## NATIONAL HOSPITALITY GROUP

For information on hospitality trends, contact  
**Peter Nichols**  
 National Director, National Hospitality Group  
 Tel: (212) 430-5100  
 Cell: (678) 772-6561  
 peter.nichols@marcusmillichap.com

Prepared and edited by  
**Art Gering**  
 Senior Hospitality Analyst  
 Research Services

© Marcus & Millichap 2015  
 www.MarcusMillichap.com

## QUALIFICATIONS

**PETER A. MOEGENBURG, MAI**  
**MOEGENBURG RESEARCH, INC.**  
**REAL ESTATE APPRAISAL AND CONSULTING**  
[www.moegenburg.com](http://www.moegenburg.com)

**AREAS OF SPECIAL COMPETENCE**

Valuation of institutional quality real estate including office buildings, hotels, shopping centers, industrial property, multi-family residential complexes, condominiums, vacant land, and commercial mixed-use complexes; feasibility, financial and valuation analysis for development properties and real estate counseling for financial institutions; analysis of portfolio assignments; financial planning and projection, and economic and demographic analysis for municipal clients; business plan creation with corporate and real estate finance application; computer applications to real estate research and valuation analysis.

**PROFESSIONAL HISTORY**

1994 - Present	President, Moegenburg Research, Inc., Milwaukee, WI
1988 - 1994	Managing Director, Gloodt Associates, Inc., Milwaukee, WI President, Moegenburg Holdings, Milwaukee, WI
1987	Administrator, Commercial Loan Administration Aetna Realty Investors, Hartford, CT
1986	Associate, Aldrich, Eastman & Waitch, Inc. Boston, MA
Prior	Acquisition management and disposition of commercial property in Wisconsin and selected sites nationally.

**ACADEMIC BACKGROUND**

University of Wisconsin - Madison 1985  
MS, Real Estate Appraisal and Investment Analysis

University of Wisconsin - Madison 1982  
BBA, Real Estate and Urban Land Economics

**INSTRUCTION**

"Real Property Appraisal Principles," United States Department of Veterans Affairs, 2011.  
"The Valuation of Real Estate," School of Business, University of Wisconsin – Milwaukee, 1990.  
"Appraisal Theory/Valuation Methodology," American Institute of Banking, 1994.  
"Appraisal Methodology and the Valuation Process," Milwaukee Legal Bar Association, 1997.  
"Appraisal Methodology and the Valuation Process," Metropolitan Builders Assoc. of Greater Milwaukee, 1997.

**PUBLICATIONS**

Peter A. Moegenburg, *"Distressed Real Estate: Returning to the Fundamentals Between the Source and Use of Funds," Real Estate Outlook*, Warren, Gorham and Lament, Inc., Volume 13, No. 1, Spring 1990.

**PETER A. MOEGENBURG, MAI**

**Page 2**

**CLIENTS SERVED**

**Commercial Banks/Trust Departments/Special Servicers**

PNC Bank (Pittsburgh, Pennsylvania)  
US Bank (Milwaukee, Wisconsin, Illinois and Minnesota systems)  
MB Financial (Chicago, Illinois)  
JPMorgan Chase Bank (Chicago, Illinois; Cleveland, Ohio)  
BMO Harris Bank (Milwaukee, Wisconsin & Chicago, Illinois)  
CIB Marine Bank (Milwaukee, Wisconsin)  
Anchor Bank (Madison, Wisconsin)  
Southport Bank (Kenosha, Wisconsin)  
Johnson Bank (Milwaukee and Madison, Wisconsin)  
Citigroup Real Estate, Inc. (Chicago, Illinois)  
Bank of America (Chicago, Illinois and San Francisco, California)  
Wells Fargo Bank (Milwaukee, Wisconsin, Minneapolis, Minnesota & Chicago, Illinois)  
Bank First National (Sheboygan, Wisconsin)  
Cole-Taylor Bank (Chicago, Illinois)  
Waukesha State Bank (Waukesha, Wisconsin)  
Associated Bank (Milwaukee, Wisconsin)  
First Internet Bank (Indianapolis, Indiana)  
Layton State Bank (Milwaukee, Wisconsin)  
The Private Bank (Chicago, Illinois)  
Hometown Bank (Fond du Lac, Wisconsin)  
First Merit Bank (Chicago, Illinois)  
Key Bank (Cleveland, Ohio)  
First National Bank (Waupaca, Wisconsin)  
Wintrust Financial (Chicago, Illinois)  
Seaway Bank (Milwaukee, Wisconsin)  
Cornerstone Community Bank (Milwaukee, Wisconsin)  
First Bank Financial Center (Oconomowoc, Wisconsin)

**Savings Banks**

Waterstone Bank (Wauwatosa, California)  
Bank Mutual Savings Bank (Milwaukee, Wisconsin)  
TCF Banking and Savings (Minneapolis, Minnesota)

**Insurance Companies**

Allstate Insurance Company (Northbrook, Illinois)  
Allianz Insurance Company of North America (Westport, Connecticut)  
Nationwide Insurance Company (Columbus, Ohio)  
Jackson National Life Insurance Company (Indianapolis, Indiana)  
Sun Life Insurance Company (Los Angeles, California)  
Thrivant Financial (Appleton, Wisconsin)  
American United Life Insurance Company (Indianapolis, Indiana)  
Lincoln National Life Insurance Company (Ft. Wayne, Indiana)  
Lutheran Brotherhood Insurance Company (Minneapolis, Minnesota)  
Northwestern Mutual Life Insurance Company (Milwaukee, Wisconsin)  
Prudential Insurance Company (Newark, New Jersey)  
American Family Insurance Company (Madison, Wisconsin)  
Ohio National Life (Columbus, Ohio)

**Credit Unions**

Landmark Credit Union (Milwaukee, Wisconsin)  
CoVantage Credit Union (Antigo, Wisconsin)  
Business Lending Group (Appleton, Wisconsin)

**Government Agencies**

WHEDA (Madison, Wisconsin)  
HUD (Milwaukee, Wisconsin & Washington, D.C.)  
GSA (Chicago, Illinois & Washington, D.C.)  
Numerous local Wisconsin, State of Wisconsin and Federal Agencies

**PETER A. MOEGENBURG, MAI**

Page 3

**Law Firms**

Foley and Lardner (Milwaukee, Wisconsin)  
Cannon & Dunphy, S.C. (Brookfield, WI)  
Reinhart, Boerner, Van Deuren, Norris and Reiselbach, S.C. (Milwaukee, Wisconsin)  
Godfrey & Kahn, S.C. (Milwaukee, Wisconsin)  
Michael, Best & Friedrich (Milwaukee, Wisconsin)  
Davis & Kuelthau (Milwaukee, Wisconsin)  
von Briesen and Roper, S.C. (Milwaukee, Wisconsin)  
Peckerman, Klein & Van Kirk S.C. (Milwaukee, Wisconsin)  
Quarles and Brady (Milwaukee, Wisconsin)  
Whyte, Hirschboeck, Dudek, S.C. (Milwaukee, WI)  
Weiss, Berzowski (Milwaukee, Wisconsin)

**Litigation Support and Expert Witness Testimony**

United States Bankruptcy Court (Milwaukee, Wisconsin)  
State of Wisconsin Circuit Court (Milwaukee, Milwaukee County, Wisconsin)  
Various municipalities in Wisconsin, Illinois and Minnesota

**Corporations**

General Electric Company (Stamford, Connecticut)  
Kohler Corporation (Kohler, Wisconsin)  
Millard Refrigerated Services (Omaha, Nebraska)  
WISPARK Corporation (Milwaukee, Wisconsin)  
Target Stores, Inc. (Minneapolis, Minnesota)

**Investment Advisors/Pension Fund Managers/Capital Corporations**

AEW Capital Management, Inc. (Boston, Massachusetts)  
Walker & Dunlop (Milwaukee & Madison, Wisconsin; Bethesda, Maryland)  
Greystone Funding Corporation (New York, New York)  
Grandbridge Real Estate Capital, LLC (Dallas, Texas)  
RED Capital Group (Columbus, Ohio)  
Love Funding Corporation (Washington, D.C.)  
Northmarq Capital (Milwaukee, Wisconsin)  
State of Wisconsin Investment Board (Madison, Wisconsin)  
Oak Grove Capital (Minneapolis, MN)  
Berkadia Capital Advisors (Chicago, Illinois)  
Cohen Financial Corporation (Chicago, Illinois)  
Cushman & Wakefield Advisors (Chicago, Illinois)  
CBRE (Chicago, Illinois)  
TIAA/CREF (New York, New York)  
Fiduciary Partners (Appleton, Wisconsin)

**Investment Banks/Merchant Banks/Conduit Facilitators**

UBS Warburg (New York, New York)  
Amalgamated Bank (New York, New York)  
JP Morgan Chase (New York, New York)  
Goldman Sachs Group (New York, New York)  
Morgan Stanley Realty Group (New York, New York)  
Credit Suisse First Boston (New York, New York)  
PSAM (New York, New York)

**PROFESSIONAL MEMBERSHIPS/AFFILIATIONS**

- Appraisal Institute, MAI Member 1992-Present
- American Society of Appraisers, ASA Member 2015-Present
- University of Wisconsin Real Estate Alumni Association Board of Directors (1995 - 2001) 1982-Present
- Certified General Appraiser WI, IL, IN, MI, MN, OH, IA
- Real Estate Appraisers Application Advisory Committee (Wisconsin Department of Safety and Professional Services) 2014 - Present

4/15

**F. RUSSELL RUTTER**  
**MOEGENBURG RESEARCH, INC.**  
**REAL ESTATE APPRAISAL AND CONSULTING**

**PROFESSIONAL FOCUS**

Employed as an Analyst and involved in the valuation of institutional quality real estate including: Industrial, Retail, Multi-Use, Special-Use, Office, Multi-Family / Residential, Vacant Land (Commercial, Agricultural).

**PROFESSIONAL HISTORY**

June 2011 – Current      Associate; Moegenburg Research, Inc.: Milwaukee, Wisconsin

**PROFESSIONAL MEMBERSHIPS & INDUSTRY INVOLVEMENT**

2011 – Current      Associate Member of the Appraisal Institute

**ACADEMIC BACKGROUND**

University of Wisconsin Milwaukee – Milwaukee, Wisconsin

Bachelor of Business Administration in Finance and Real Estate Certification (Class of 2011)

- Course work included: Real Estate Markets, Real Estate Law, Real Estate Development, Valuation of Real Estate, Principles of Finance, Intermediate Finance, Financial Institutions, Investment Finance, Business Law, and numerous other business and non-business courses.
- Other achievements included: Dean's List Spring of 2010 and 2011.

**CONTINUING EDUCATION**

- Appraisal Institute (*the following courses, which are required to earn the general appraiser license have been satisfied*):  
Basic Appraisal Procedures; Basic Appraisal Principles; National USPAP Course; Business Practices and Ethics; General Appraiser Sales Comparison Approach; General Appraiser Income Approach I; General Appraiser Income Approach II, Real Estate Finance Statistics and Valuation Modeling, General Appraiser Site Valuation and Cost Approach, General Appraiser Market Analysis and Highest & Best Use, General Appraiser Report Writing.
- Multiple real estate seminars in the most recent year.

**PROFESSIONAL DESIGNATIONS**

Certified General Appraiser, State of Wisconsin (Credential #2149-010), 2015 to Present.

**CLIENTS SERVED**

Clients include: commercial banks, savings banks, investment banks, merchant banks, credit unions, conduit facilitators, mortgage brokers, insurance companies, law firms, corporations, investment advisors, government bodies/agencies, school districts, non-profit organizations, and individuals.