

MARKET UPDATE 2019

PRESENTED BY:



FIFTH THIRD BANK

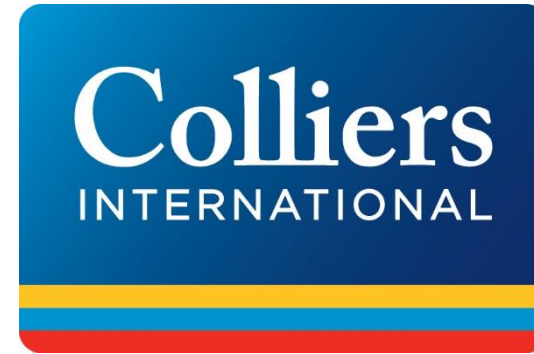
NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION

WISCONSIN CHAPTER

— FIFTEENTH ANNIVERSARY —

Capital Markets



Adam Connor
Colliers International | Wisconsin

Capital Markets

Market Update

Capital Markets Overview

- State of the US Economy & how it relates to Real Estate Investment
- Milwaukee Area Investment Trends
- Outlook and Predictions





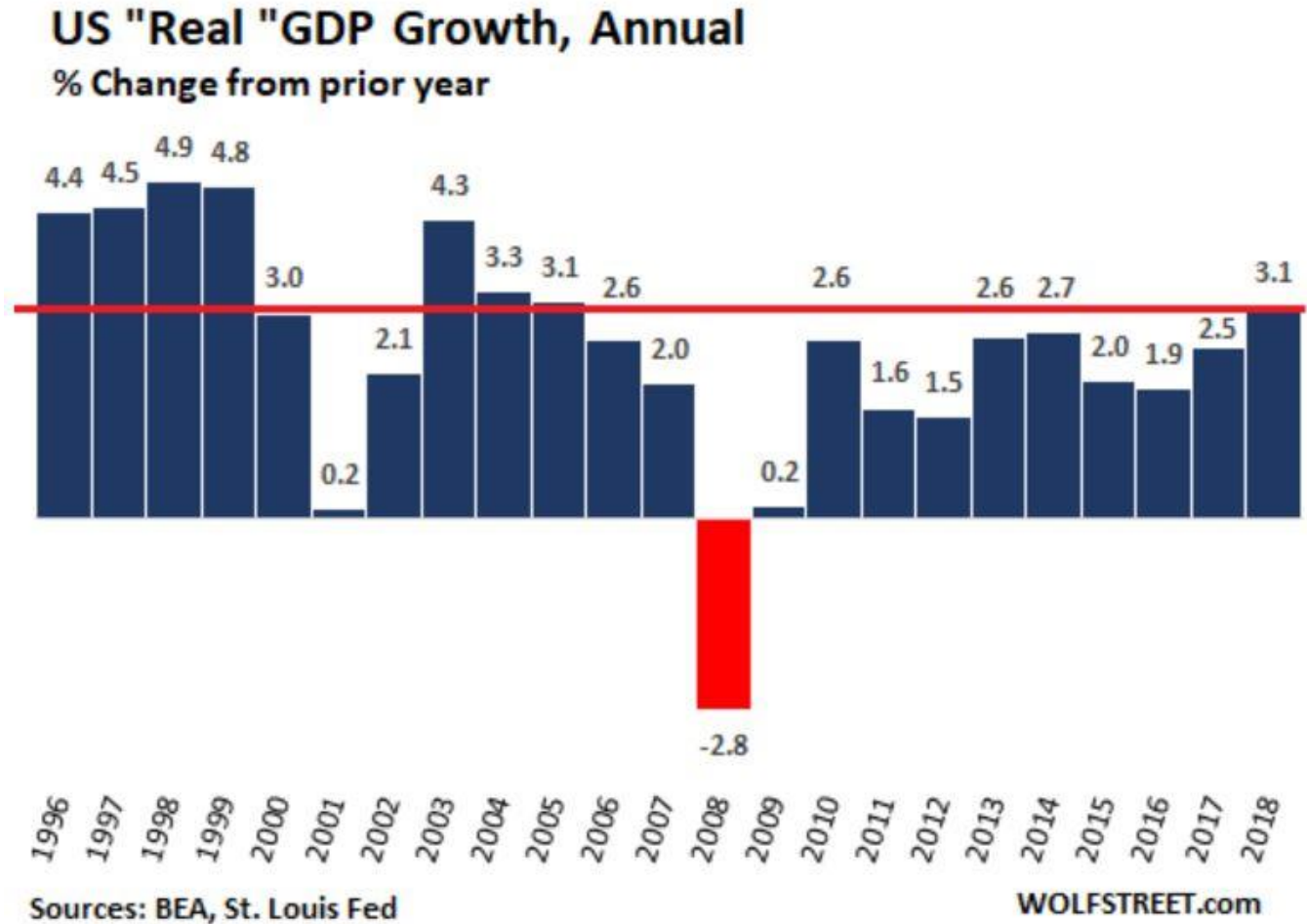
US Economy

 GDP – 2.1% (2019)

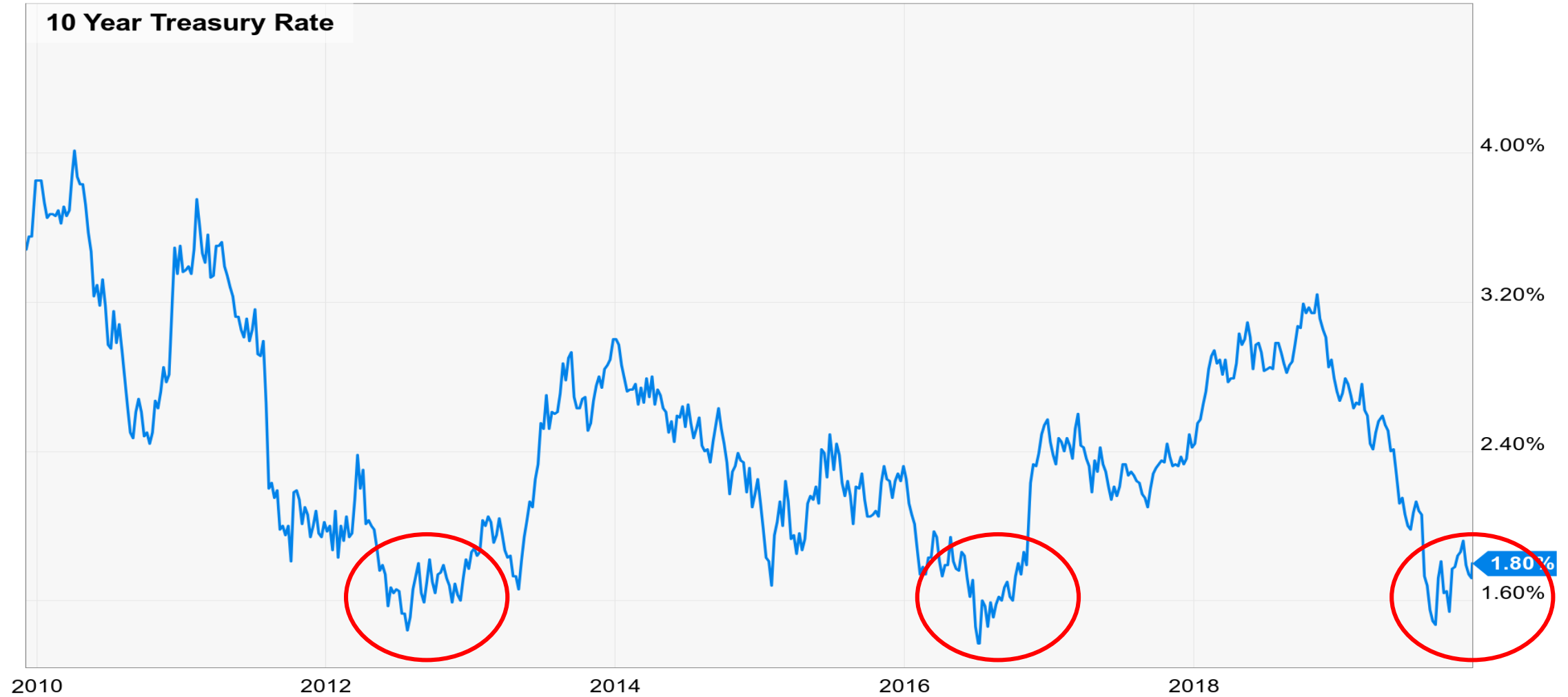
 Unemployment – 3.5%

 Population Growth – 0.61%

 Jobs Growth – November 266,000

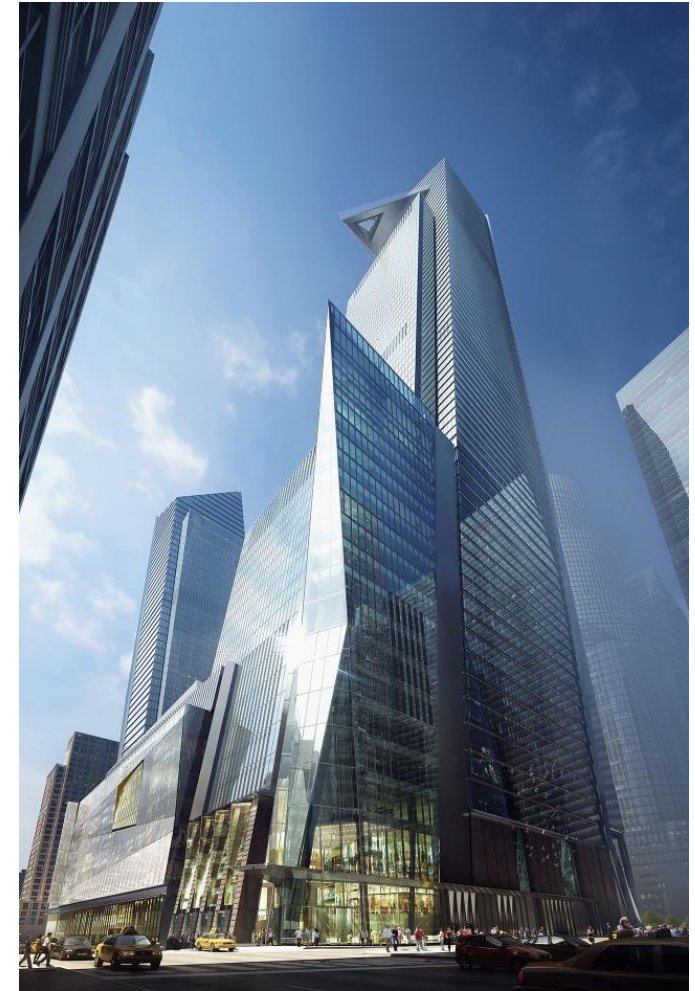


US 10-Year Treasury Rate - Historical



US Real Estate – The Gold Standard

- Search for Yield
- Strong fundamentals
- Uncertainty in other markets
 - UK and Brexit
 - China economy slowing, Hong Kong citizen protests
 - Germany - GDP 0.1% last quarter
 - Italy – GDP 0.2% last quarter
- Private Equity Funds – Record Year - \$121 Billion
 - Core Funds outpacing 2018 fundraising – Flight to safety





Wisconsin Economy



GDP Growth

1.1% (as of Q2 2019)



Unemployment Rate

3.3% as of October



Population Growth

0.35% (est. for final
2019 stat)



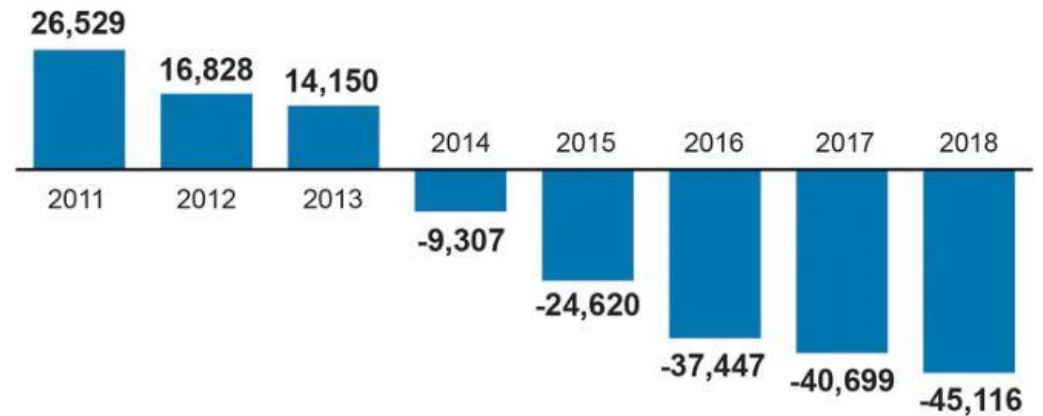
Jobs Growth

Flat as of June

Where NOT to Invest? – Da Bears



Change of population in Illinois by year

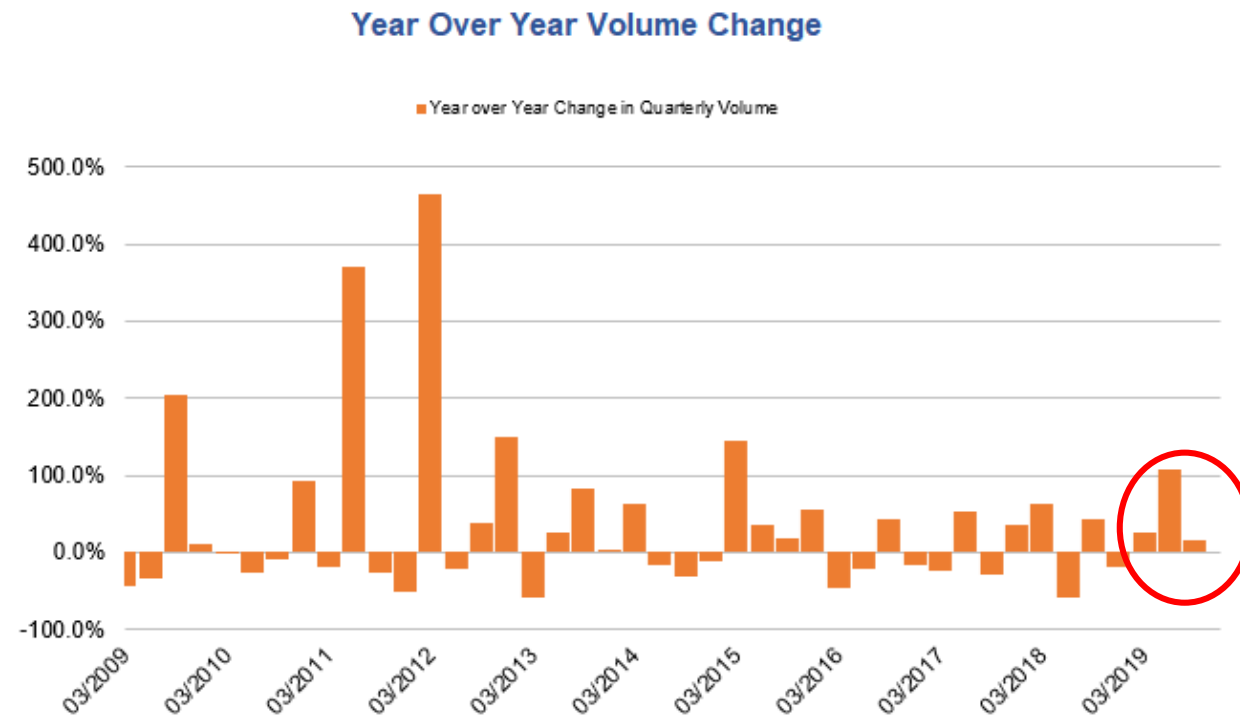
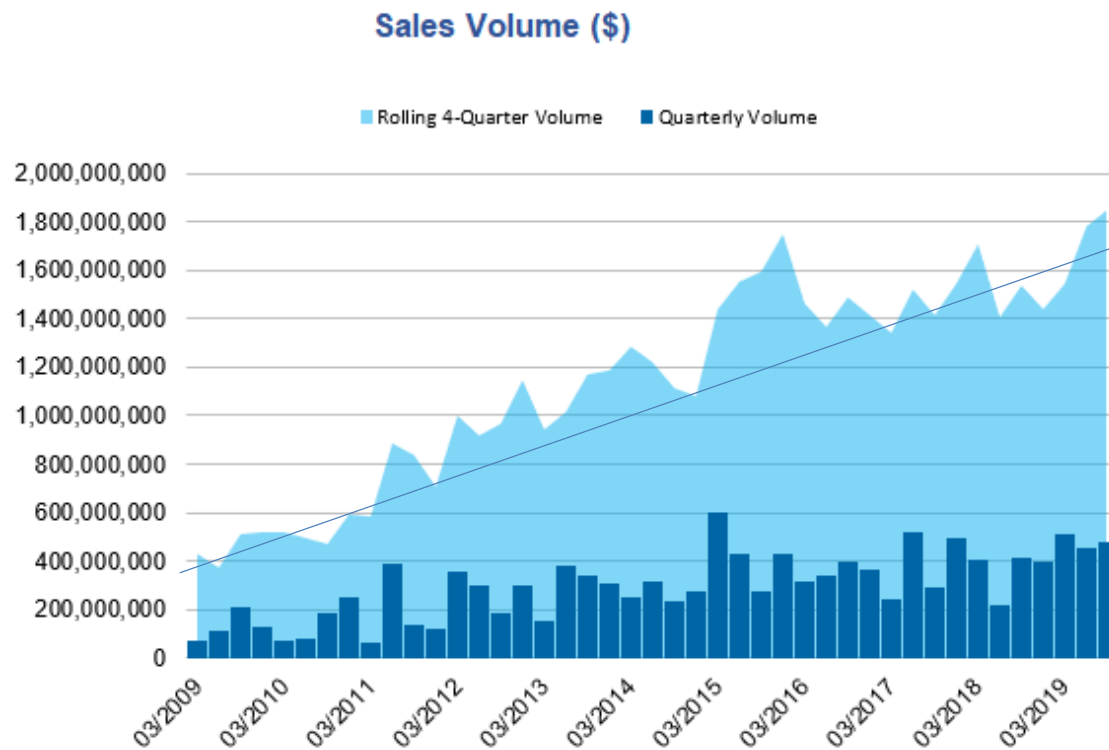


Sources: U.S. Census Bureau

@ChiTribGraphics

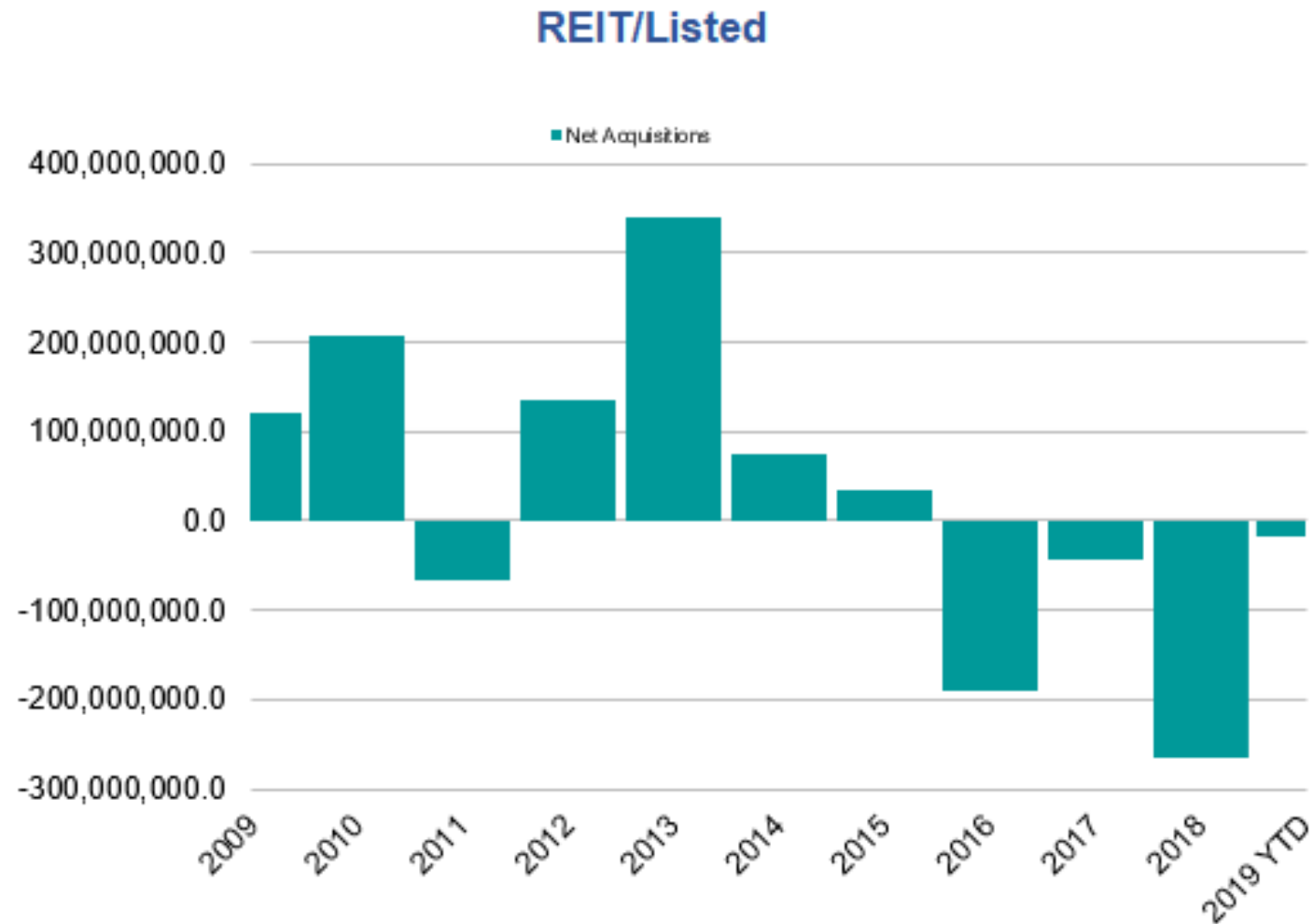
Milwaukee Trends - Seven County Region

Total Sales Volume



Source: Real Capital Analytics

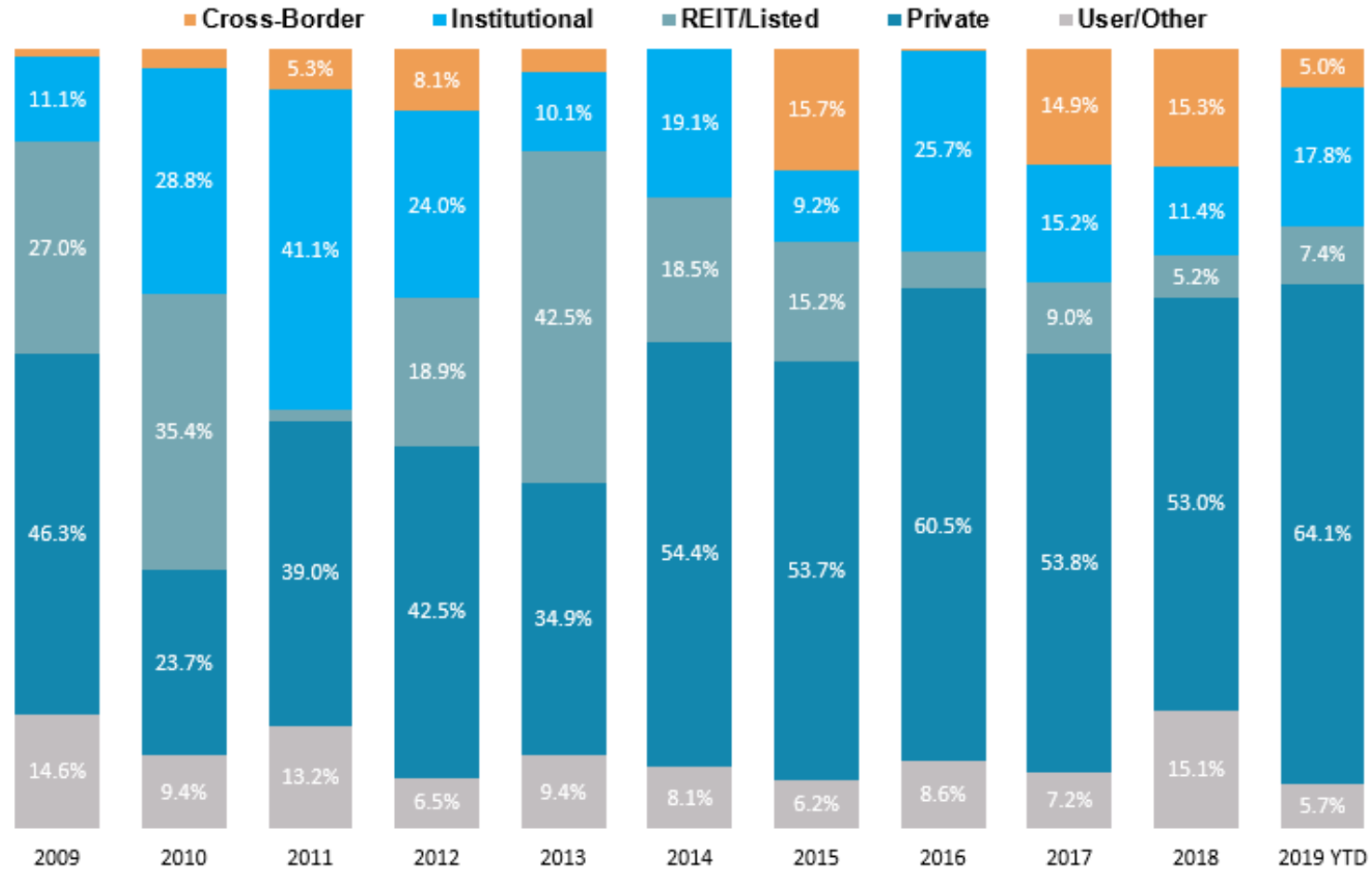
Milwaukee Trends



Source: Real Capital Analytics

Milwaukee Trends

Buyer Composition



Private

Major Investment Sales YTD 2019



- **Schlitz Park – Milwaukee**
774,256 SF
\$101,250,000 | \$131 PSF
Buyer: Crestlight Capital (Detroit, MI) & TPG Real Estate (San Francisco, CA)



- **Shoppes at Fox River – Waukesha**
238,594 SF
\$55,000,000 | \$231 PSF
Buyer: Etkin & Company (Walled Lake, MI)

Major Investment Sales YTD 2019



- **15 Building Industrial Portfolio**

Racine & Kenosha Counties

\$132,000,000

\$79 PSF

Buyer: High Street Realty (Boston, MA)



- **Stitchweld Apartments**

Milwaukee, WI

\$54,300,000

\$186,597 per Unit

Buyer: Weidner Property Mgmt (Kirkland, WA)

Major Investment Sales YTD 2019



- **Spectrum Brands Headquarters**
Middleton, WI
\$52,100,000
\$237 PSF
Buyer: Harbor Group Int'l (Norfolk, VA)



- **The Vue at Pinnacle Park**
Fitchburg, WI
\$47,550,000
\$165,679 per unit
Buyer: Weidner Property Mgmt (Kirkland, WA)

Major Investment Sales YTD 2019



- **6 Building Suburban Office Portfolio**
Waukesha & Milwaukee, WI
\$37.7 Million
\$96 PSF
Buyer: Felton Properties (Bellevue, WA)

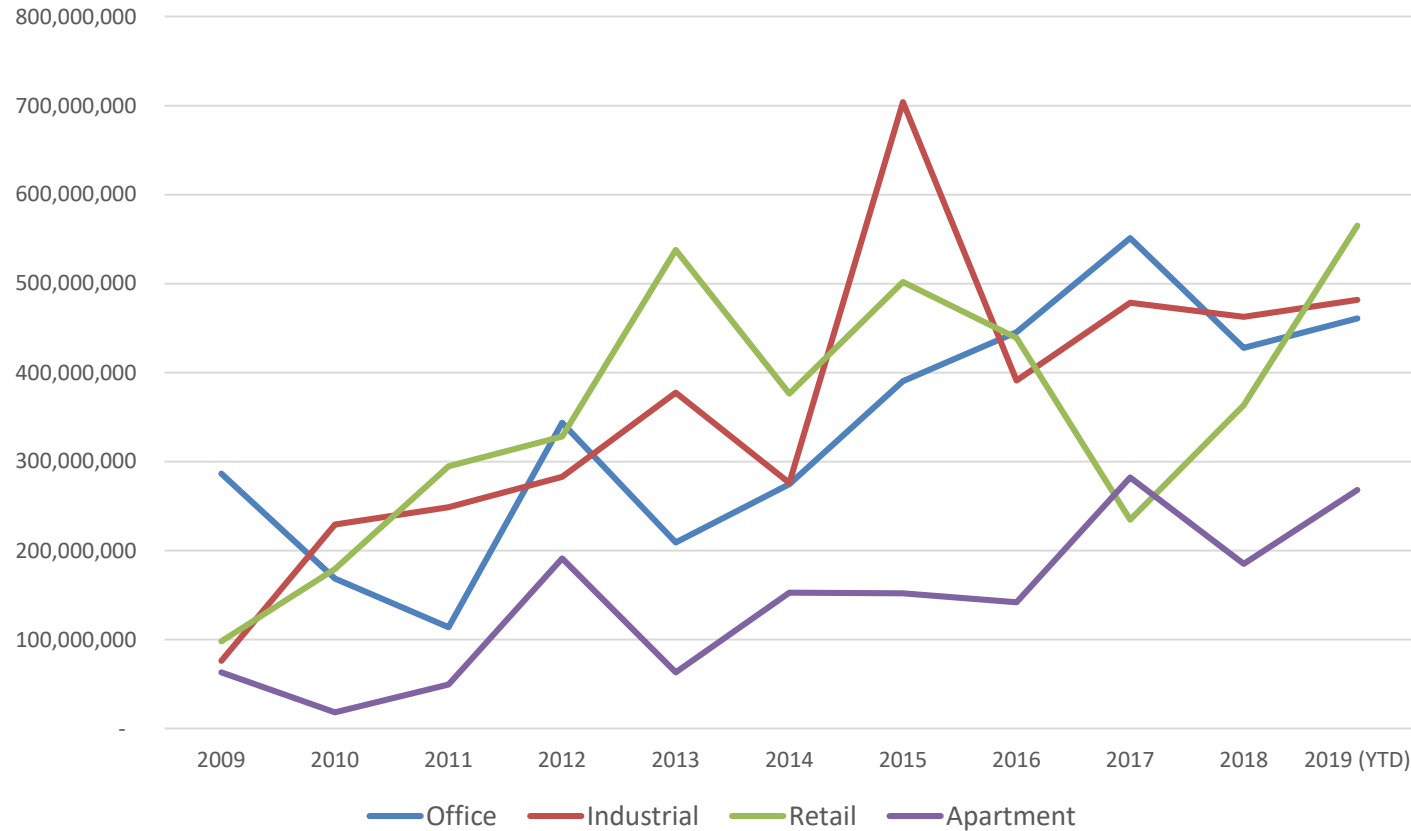


- **Wingra Family Medical Center**
Madison, WI
\$30.82 Million
\$477 PSF
Buyer: Welltower (Toledo, OH)



Milwaukee Seven County Trends

Property Type Analysis – Volume(\$)

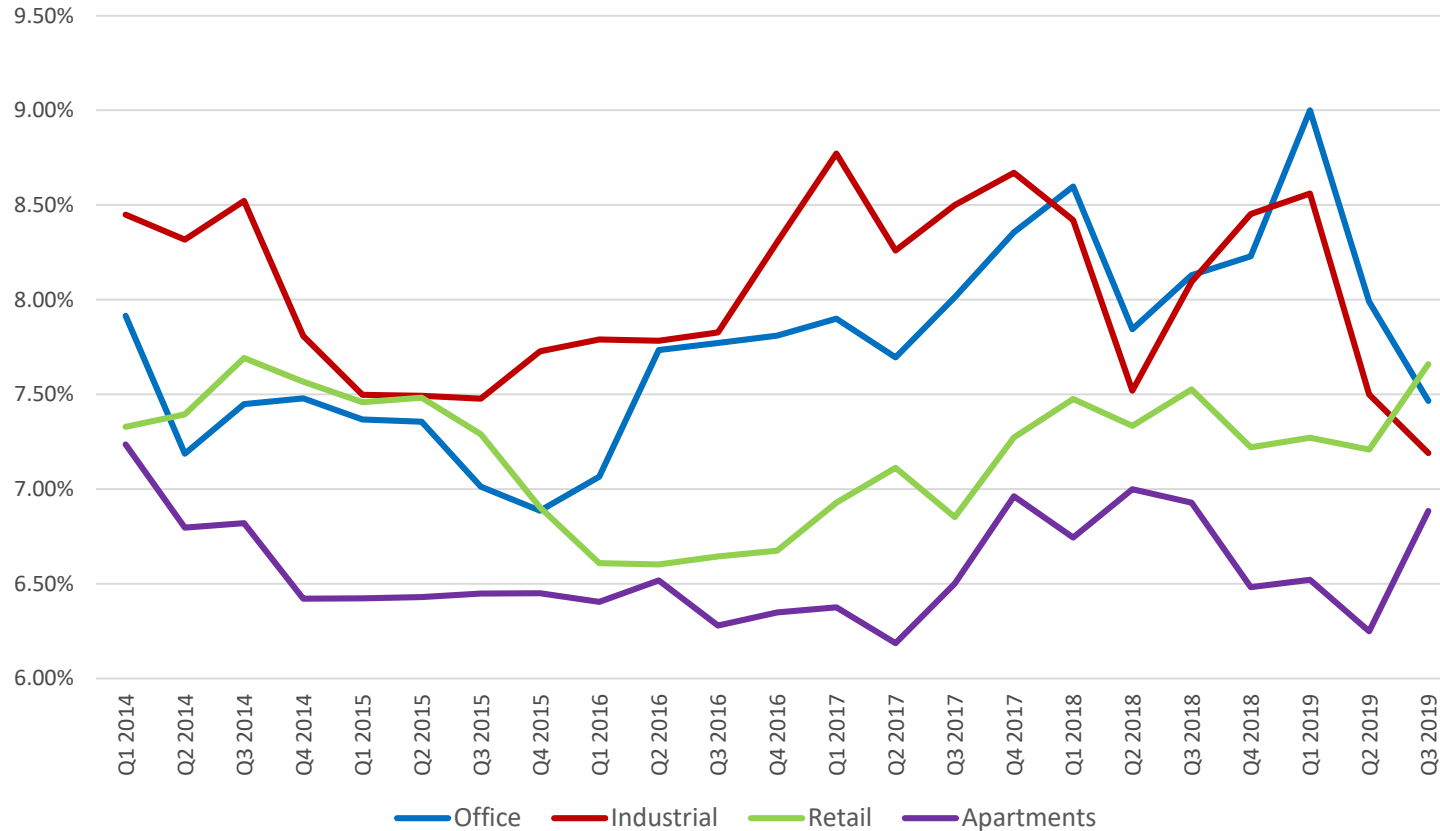


Year To Date

#1 – Retail	\$565M
#2 – Industrial	\$481M
#3 – Office	\$460M
#4 – Apartments	\$267M

Milwaukee Seven County Trends

Property Type Analysis – Cap Rates



Q3 2019 Avg. Cap Rates

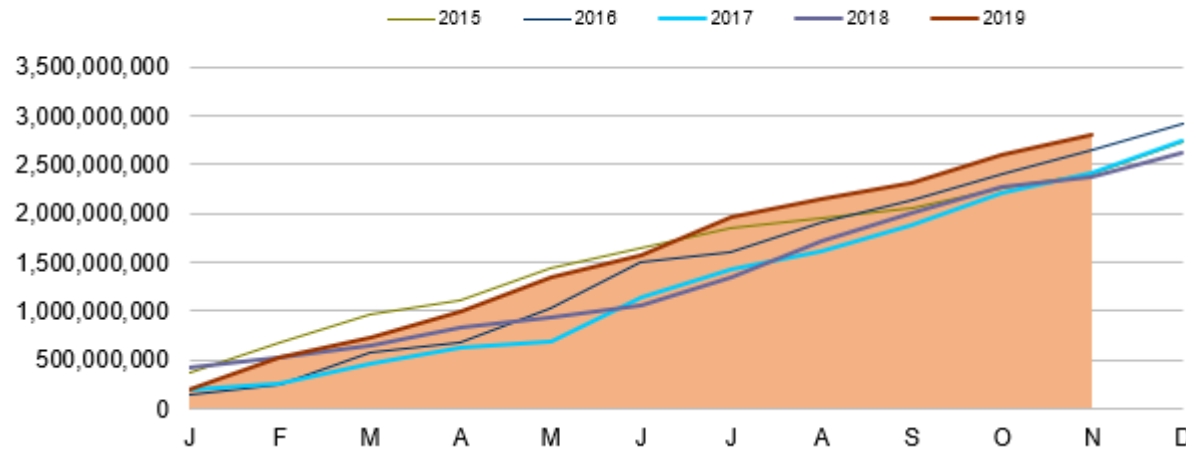
#1 – Apartments	6.88%
#2 – Industrial	7.19%
#3 – Office	7.47%
#4 – Retail	7.66%

WI vs MKE Trends

Shaping the Market

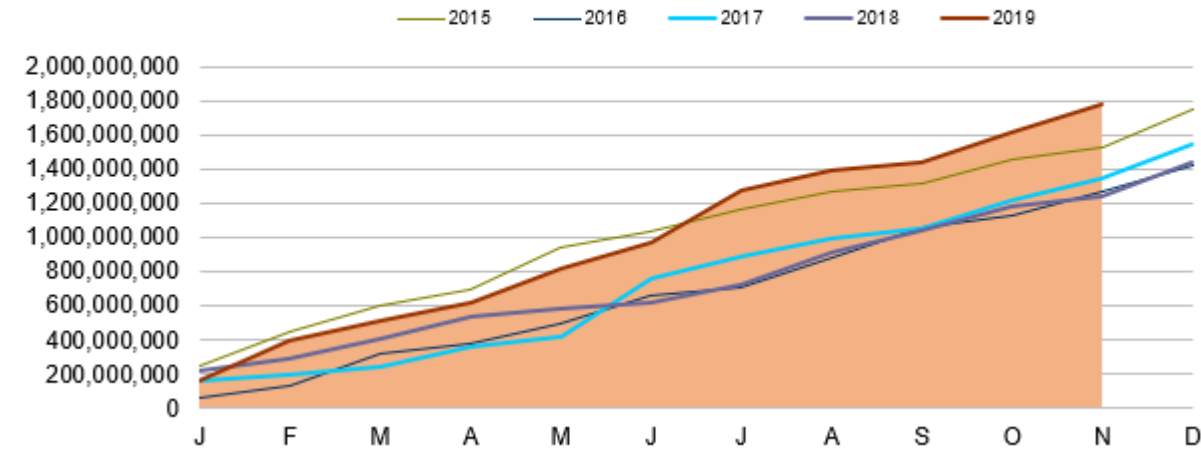
Wisconsin up 7.6% over 2018

Cumulative Monthly Value (\$)

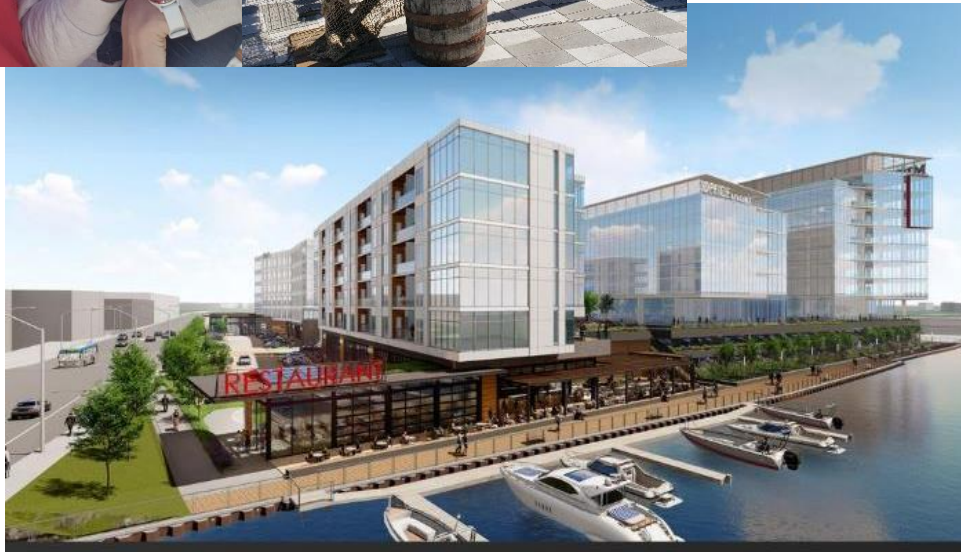


Seven County up 21% over 2018

Cumulative Monthly Value (\$)



Wisconsin vs Milwaukee Trends



The Election

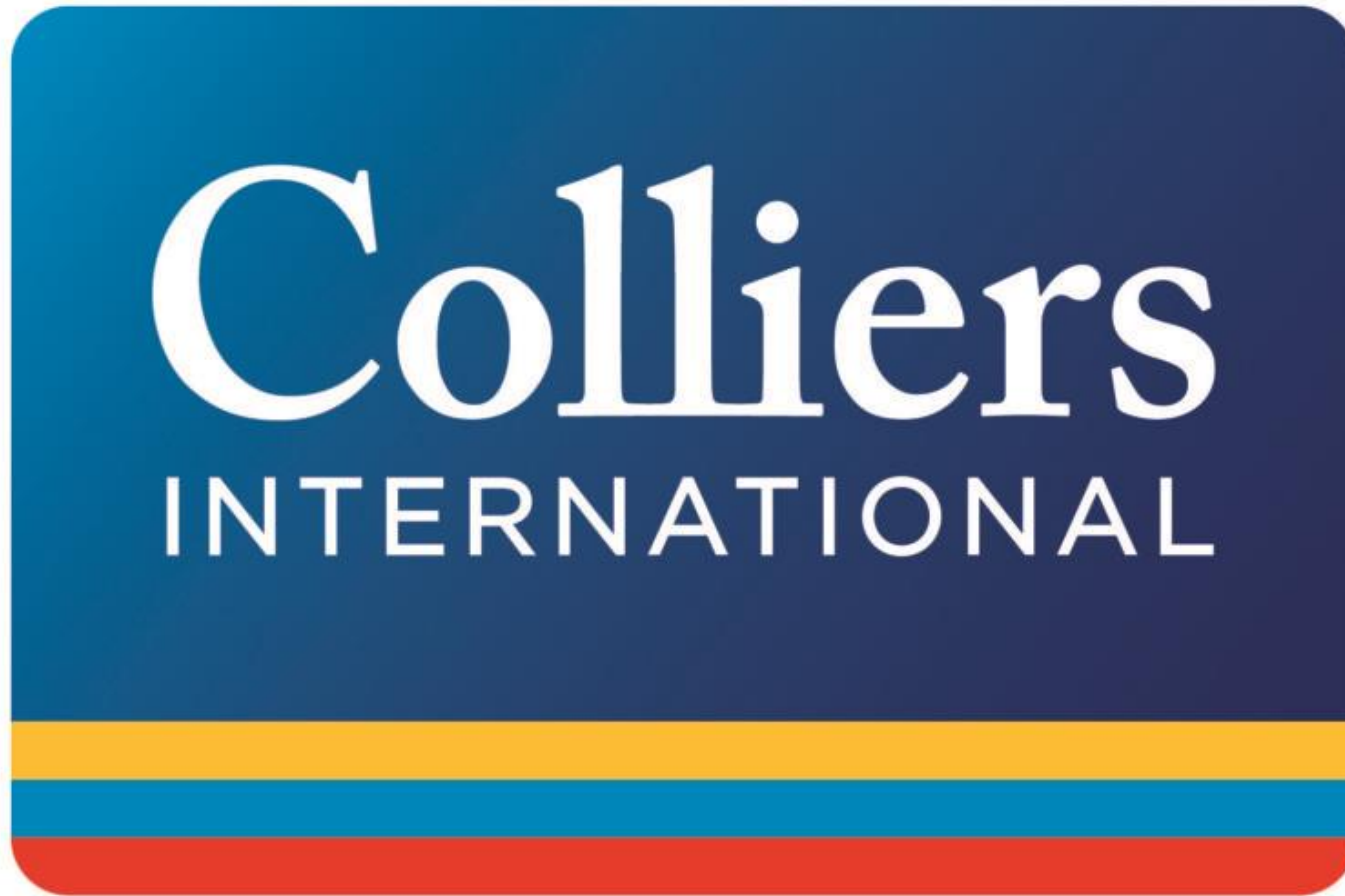


Or...



Sell Your Property Before Sept/Oct 2020

Broker Suggestions...



Or...



RECAP

- REIT/Listed are Net Sellers in Wisconsin
- Pricing at historic highs and Cap Rates at historic lows
- Time to sell is now!!!...
 - (If you don't plan on holding 5+ years)
- State of US/Wisconsin Economy is Solid

2018 Predictions Recap

Ben Adank, SARA Investment Real Estate



- Total transactions as measured by number of deals will be flat year over year. – **False (15% increase in # deals from 2017 to 2018 statewide)**
- Cap Rates will remain stable as non Wisconsin based money continues to find its way here. – **Mostly True**
- At least one significant office portfolio sale will occur between Milwaukee and Madison. – **True (in early 2019)**

2020 Predictions

Adam Connor, Colliers International | Wisconsin

- Cap rates will remain flat for 2020
- Transaction volume will be down vs 2019 – but not by much
- Infrastructure investment continue to spur more development
- There will be some record cap rates hit for Net-Lease and apartments in Q1 and Q2 2020