

MILWAUKEE

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CARW 2018—3rd Quarter Commercial Real Estate Market Report

Southeastern Wisconsin Commercial Real Estate Markets show robust activity and strong investment interest, according to the commercial real estate market reports for the second quarter of 2018, released today by CARW. The market reports are produced in collaboration with CARW members and REDIComps Research and Catylist.

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Market Overview

The office market experienced a significant number of lease transactions ranging in size from deals under 1,000 sf up to the largest – Fidelity Information Services (FIS) leasing 124,550 sf at 11200 W Parkland Ave in Milwaukee. FIS will occupy two floors of the Class A building at Park Place, formerly occupied by Molina Healthcare, who leased 31,500 sf at the nearby 11000 W Park Place. Though both are significant transactions for Park Place and the Northwest Submarket, it only accounts for 31,500 sf of positive absorption due to FIS backfilling space. In addition to the two leases, a majority of the top ten transactions took place outside of downtown. Wells Fargo renewed for 41,320 sf at 200 Woodland Prime in Menomonee Falls and a confidential tenant leased 30,000 sf of space at the same property as FIS.

Of the top ten lease transactions, two took place downtown and were both renewals. Gruber Law Offices renewed and expanded at 100 E Wisconsin Ave, bring their total footprint to 22,136 sf. Gardner Denver will remain at 214 E Erie Street, occupying 15,995 sf. Though not in the top ten, there were several other leases downtown, including Murphy and Prachthausser for 5,860 and the Green Bay Packers for 4,327 sf – both at 330 E Kilbourn Ave.

Investment Sales

The largest recorded investment sale during Q3 2018 was The Pabst Boiler House at 1243 N 10th Street in Milwaukee for \$5.7 million to J. Vollrath, LLC. The property was 100% leased at the time of the sale and is in a desirable area given its proximity to the Arena District and continued development of The Brewery. Another notable investment sale was the 125-year-old Sentinel Building at 225 E Mason St for \$1.525 million to real estate investor Doug Young. The plan is to improve the property and increase the occupancy, which is currently around 51 percent.

Notable Lease Transactions

Square Footage	Tenant Name	Location	Listing Company
124,550	Fidelity Information Services LLC (FIS)	11200 W Parkland Ave, Milwaukee, WI 53224	Founders 3
41,320	Wells Fargo Advisors	7338 Flint Rd, Menomonee Falls, WI 53051	Founders 3
31,546	Molina Healthcare of Wisconsin	11000 W Park Pl, Milwaukee, WI 53224	CBRE
30,000	Confidential Tenant	11200 W Parkland Ave, Milwaukee, WI 53224	Founders 3
28,832	Schenck	10401 Innovation Dr, Wauwatosa, WI 53226	Irgens
22,136	Gruber Law Offices	100 E Wisconsin Ave, Milwaukee, WI 53202	Colliers International
15,995	Gardner Denver	214-228 E Erie St, Milwaukee, WI 53202	Founders 3
11,462	Network Health	16960 W Greenfield Ave, Brookfield, WI 53045	St. John Properties
10,000	Rogers Behavioral Health System, Inc	2400 S 102nd St, West Allis, WI 53227	Colliers International
9,120	ABA of Wisconsin, LLC	10930 W Potter Rd, Wauwatosa, WI	Colliers International

Notable Investment Sale Transactions

Sale Price (\$)	Buyer	Seller	Location
\$5,700,000	J. Vollrath, LLC	PBH Redevelopment, LLC	1243 N 10th St, Milwaukee, WI 53205
\$4,045,000	DOR Properties Mequon, LLC	Bonten V, LLC	12075 Corporate Pkwy, Mequon, WI 53092
\$1,525,000	Sentinel Suites, LLC	Dermond Properties	225 E Mason St, Milwaukee, WI 53202

* Sale comp data obtained from sources deemed reliable. Sources include Catalist and Advisory Board members.

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Overall Office Market

CBD	Inventory (sf)	Available (sf)	Available (%)
A	8,909,935	1,359,887	15.26%
B	11,795,741	1,275,582	10.81%
C	642,558	224,960	35.01%
Total	21,348,234	2,860,429	13.40%
Suburban	Inventory (sf)	Available (sf)	Available (%)
A	8,727,014	1,291,434	14.80%
B	16,296,013	2,508,974	15.40%
C	1,747,424	62,795	14.43%
Total	26,770,451	3,863,203	14.42%
Overall Market	Inventory (sf)	Available (sf)	Available (%)
A	17,636,949	2,651,921	15.03%
B	28,091,754	3,784,556	13.47%
C	2,389,982	287,755	12.04%
Total	48,118,685	6,723,632	13.87%

Multi-Tenant Office Market

CBD	Inventory (sf)	Available (sf)	Available (%)
A	7,167,732	1,359,887	18.97%
B	8,626,018	1,222,662	14.17%
C	589,056	224,960	38.19%
Total	16,382,806	2,807,509	17.14%
Suburban	Inventory (sf)	Available (sf)	Available (%)
A	5,828,024	1,291,434	22.16%
B	10,671,618	2,202,248	20.64%
C	1,366,282	62,795	4.60%
Total	17,865,924	3,556,477	19.91%
Overall Market	Inventory (sf)	Available (sf)	Available (%)
A	12,995,756	2,651,321	20.40%
B	19,297,636	3,424,910	17.75%
C	1,955,338	287,755	14.72%
Total	34,248,730	6,363,986	18.58%

Market Overview

Industrial continues to drive real estate activity in Southeastern Wisconsin as leasing and sale activity picks up during 3Q 2018. The top ten transactions completed this quarter accounted for over 1.7 MSF, with the largest being a 706,044 sf warehouse and distribution facility for Briggs & Stratton's in Germantown. The new facility located in the Gateway Corporate Park on Holy Hill Road in Germantown, is expected to be completed by the beginning of 2Q 2019. Three other transactions topped 100,000 sf; Ryder Integrated Logistics at 5211 S 3rd Street in Milwaukee for 360,000 sf, R.R. Donnelley at 5201 International Dr in Cudahy for 153,300 sf, and Independence Corrugated at 525 W Marquette Ave in Oak Creek for 112,144 sf.

Investment Sales

The largest sale recorded during Q3 was for 9949 58th Pl in Kenosha to Colbert Packaging for \$13.579 million. Though they occupy a portion of the building, Gateway Classic Cars is also a tenant in the building and has lease term remaining. In addition, Pam-Joy Realty Inc. purchased N31 W22350 Green Rd in Pewaukee for \$7.0 million, or \$107 per square foot. The building is fully occupied by S.R. Sales Company.

Construction Activity

The largest project under way in Southeastern Wisconsin is Foxconn, with the first building expected to be completed at the beginning of 4Q 2018. The 100,000 sf building will be used initially by contractors working on the job site while the 20 MSF campus is developed. Besides build-to-suit projects underway or nearing construction start, there are other speculative developments under way. In total, there are six spec buildings under construction in the market, ranging in size from 100,000 sf up to 200,000 sf. Of the spec developments, the one closest to completion is a 192,800 sf development at 6501 S Moorland Rd in New Berlin, expected to be completed during 4Q 2018.

Notable Lease and User Sale Transactions

Sq Ft	Tenant Name	Location	Listing Company
706,044	Briggs & Stratton	Holy Hill Rd, Germantown, WI	Direct (LL)
360,000	Ryder Integrated Logistics, Inc.	5211 S 3rd St, Milwaukee, WI	Direct (LL)
153,300	RR Donnelley	5201 International Dr, Cudahy, WI	Cushman & Wakefield Boerke
112,144	Independence Corrugated	525 W Marquette Ave, Oak Creek, WI 53154	CBRE
94,599	Confidential Tenant	10651 S Oakview Pkwy, Oak Creek, WI 53154	The Dickman Company
91,528	Manesis 3PL, LLC	4120 S Kansas Ave, St. Francis, WI 53235	Phoenix Investors
78,260	Confidential Tenant	13855 Lilly Rd, Menomonee Falls, WI 53051	Zilber Property Group
60,945	Wacker Neuson Sales America, LLC	7025 W Parkland Ct, Milwaukee, WI 53223	CBRE
60,000	Logoplaste	1221 Grandview Pkwy, Sturtevant, WI 53177	Cushman & Wakefield Boerke
56,144	Confidential Tenant	901 Northview Road, Waukesha, WI 53188	The Dickman Company

* Lease comp data obtained from sources deemed reliable. Sources include Catalist and Advisory Board members.

** Any transactions in **bold** indicate that it is a user sale transaction.

Notable Investment Sale Transactions

Sale Price (\$)	Buyer	Seller	Location
\$13,579,036	Colbert-Kenosha, LLC	Zilber Property Group	9949 58th Pl, Kenosha, WI 53144
\$7,900,000	Four Horizons Zarin	Reich Brothers	4107 W Orchard St, Milwaukee, WI 53215
\$7,050,000	Pam-Joy Realty Inc.	AIC Ventures	N31 W22350 Green Rd, Pewaukee, WI 53072

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Overall Industrial Stats

Category	Sq ft	Total Available (sf)	Available (%)
Manufacturing	177,452,901	4,626,378	2.61%
Warehouse/Distribution	97,981,782	6,046,090	6.17%
Warehouse/Flex	8,063,289	1,486,283	18.43%
Warehouse/Office	70,081,158	7,706,604	10.99%
Total	353,579,130	19,865,355	5.62%

Market Overview

The retail market remains active despite the challenges landlords face having to backfill large spaces left vacant by department stores and grocers. Recently, Regency Mall owner Hull Property Group, purchased the former Boston Store property at the mall in an effort to gain control of the vacant space. Recent efforts to backfill space vacated at the struggling mall has been successful. Over the past few years, space formerly occupied by Sears and JC Penney has been filled by Dunham Sports, Ross Dress for Less, Party City and Jo-Ann Fabrics.

Regency Mall isn't the only center seeing activity – Southridge Mall in Greendale is seeing at the former Sears department store. Golf Galaxy will relocate from its current location at 7801 W Layton Avenue, to join Dick's Sporting Goods and Round 1 entertainment center. This comes as Kohl's Department Stores relocates from the mall to 84South.

Aside from the challenges, retailers are entering and expanding in Southeastern Wisconsin. One of the more notable new entrants into the market is Madison-based Maurer Foods, planning to open a 10,500 square foot grocery store at Northwestern Mutual's apartment development downtown at 7Seventy7. The new store to be called the Urban Market, is expected to open during Q1 2019. Another retailer looking to expand it's footprint in the market is Michigan-based Meijer, looking to open an approximately 160,000 square foot store on 27 acres east of the future Fleet Farm at Interstate 43 and Highway 50. If approved, construction could begin summer 2019.

Notable Investment Sale Transactions

Sale Price (\$)	Buyer	Seller	Location
\$24,302,400	Oak Street Real Estate Capital	IRC Retail Centers	N77 W14435 Appleton Ave, Menomonee Falls, WI 53051
\$6,817,000	MK Ave B, LLC	VEREIT	6817 S 76th St, Greenfield, WI 53220
\$5,500,000	Adams Group, LLC	MLG Capital	1230 Capitol Dr, Pewaukee, WI 53072
5,200,000	160 W Town Square Way Wisconsin, LLC	Midland Atlantic Properties	160 W Town Square Way, Oak Creek
4,300,000	Baseline Investments	General Capital Group	14625 W Capitol Dr, Brookfield

*Sale comp data obtained from sources deemed reliable. Sources include Catalist. Sale comps took place during the first half of 2018.

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