



YEAR IN REVIEW SYMPOSIUM

SOUTHEAST WI INDUSTRIAL REAL ESTATE MARKET

Monday, December 8, 2014

Presentation by:

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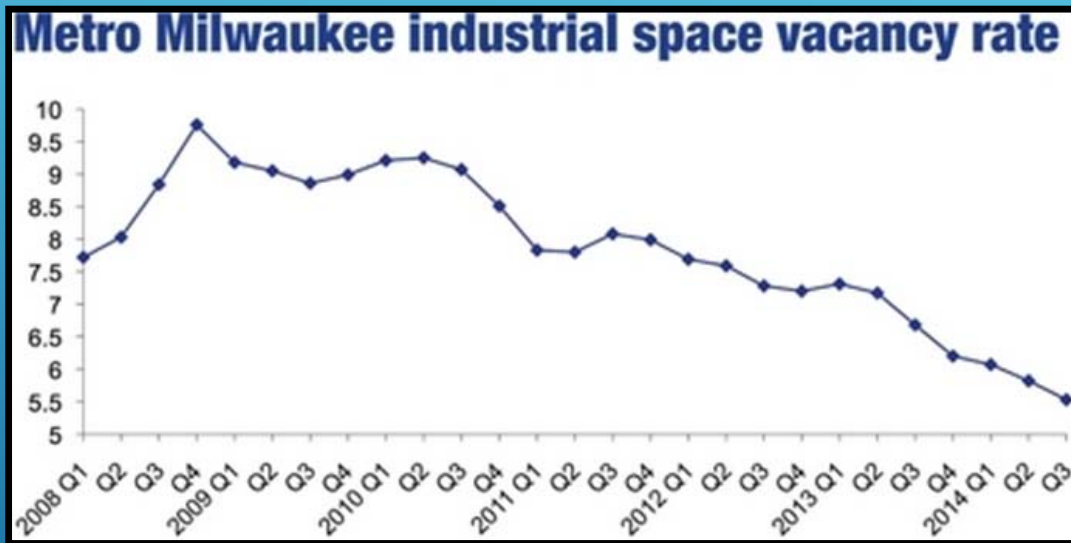
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Talking Points

- Vacancy & Absorption
- Deal Velocity
- New Construction
- Factors Affecting Manufacturers
- Interesting Leases
- Interesting Sales
- Self Storage Building Boom
- Portfolio Sale Bonanza
- New Projects
- SE WI Industrial Real Estate Forecast

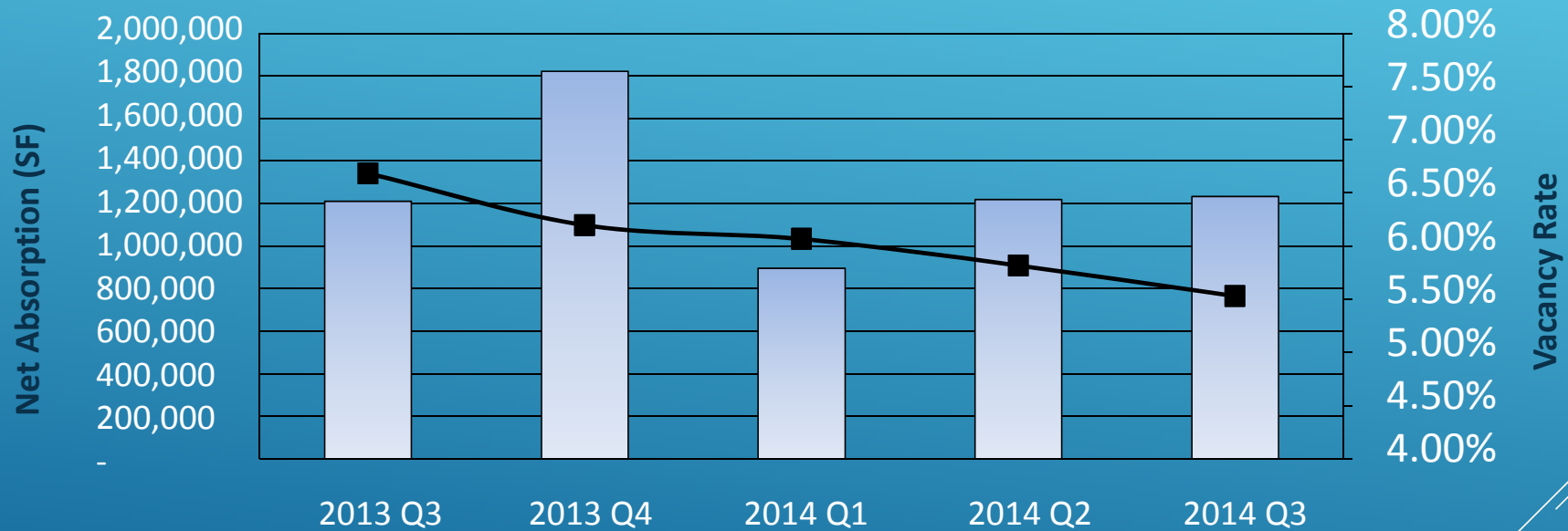
VACANCY & ABSORPTION



- Vacancy rate hit 9.75% in 2008
- Vacancy rate dropped from 6.68% (Q3 2013) to 5.53% (Q3 2014)
- 17+ quarters of positive absorption
- Q3 YTD Absorption 3,348,064 Sq. Ft.

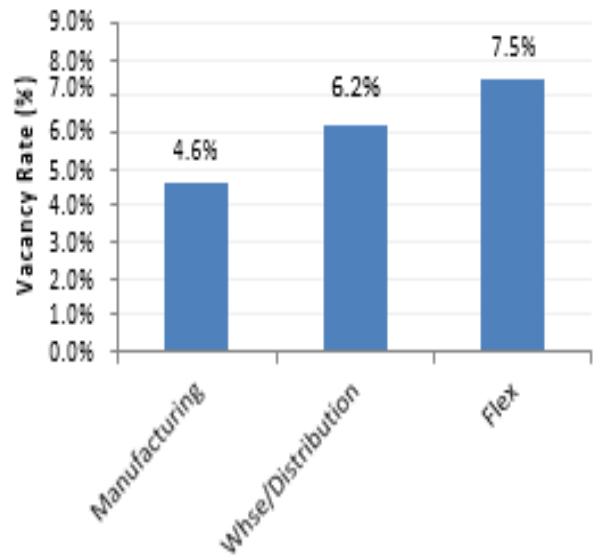
Source: Xceligent & BizTimes

Total Vacancy & Total Net Absorption

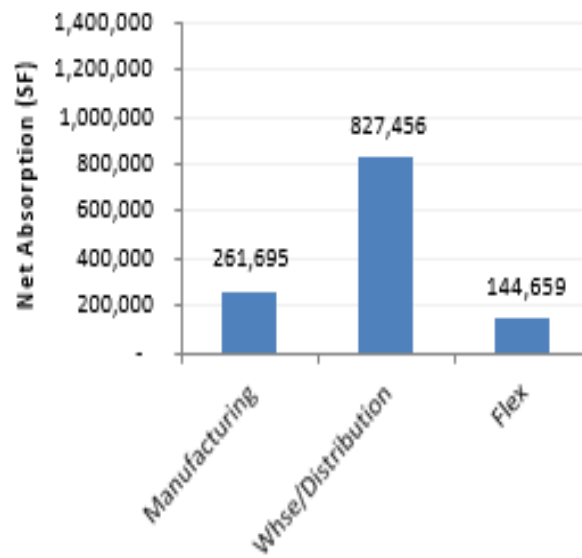


Source: Xceligent

Vacancy Rate by Type



Net Absorption by Type



Source: Xceligent

DEAL VELOCITY

Year	Avg Age	# of Sales	Avg \$/SF
2009	28	77	\$41.98
2010	35	97	\$35.39
2011	33	163	\$30.59
2012	39	269	\$32.24
2013	40	215	\$29.75
2014*	40	189	\$33.45

Source: Xceligent Data, PARADIGM analysis

* Excludes some November and all December sales

- 2014 should beat 2013; more comparable to 2012.
- 3.75% increase in \$/SF since 2012.
- 2014: 56% of sales in Q1 & 2, \$30.85/SF Avg.
- \$36.86/SF Avg. in Q3 & Q4 (up 19%!)
- Prices of existing buildings nearly half new construction.



NEW CONSTRUCTION

- Shortage of land, materials, labor
- Prices are increasing
- 6.3mm Sq. Ft. under construction
(88.9% is BTS or Owner Occupied, not Spec)
- Ideal lending environment for manufacturers – generally cheaper to build and own, than lease new construction from a developer.

- ▶ ISM Milwaukee's PMI rose to 70.25 in November
- ▶ Noted: gains in new orders, production, inventories, prices, backlogs of orders, exports and imports.
- ▶ Cheaper oil, higher exports, low interest rates
- ▶ Labor shortage is worsening
- ▶ Construction costs are rising
- ▶ Highly active industrial real estate market

FACTORS AFFECTING MANUFACTURERS

INTERESTING LEASES

- **QuadGraphics** leased 99,740 Sq. Ft. at the American TV building on Duplainville in Pewaukee
- **Joy Global** leased 305,065 Sq. Ft. at 10001 S Howell, Oak Creek.
- **InSinkErator** leased 160,000 Sq. Ft. at 5612 95th Ave, Kenosha



INTERESTING SALES

- Exeter Property Group purchased the 279,828 Sq. Ft. Staples building on Opus Dr. in Oak Creek for \$17mm, or \$61.81/Sq. Ft. Lease expires in 2017 (with extensions).
- Icahn Ent. Sold 208,882 Sq. Ft. on River Ln in Germantown and occupied by Rock-Tenn to Stag for \$44.52/Sq. Ft.
- Ziegler sold 66,000 Sq. Ft. occupied by Tailored Label Products in Men. Falls to Hendricks Dev. for \$68.18/Sq. Ft.

INTERESTING SALES (CONTINUED)

- **Founders Properties** purchased a 440,202 Sq. Ft. building at 6400 W Enterprise Dr. in Mequon for \$32.37mm, or \$73.54/Sq. Ft. Leased to **Rockwell Automation**.



- **Jonco** purchased 202,592 Sq. Ft. at 2800 W Custer in Milwaukee for \$7.77/Sq. Ft.
- **Zilber** purchased the former 246,348 Sq. Ft. building at 10000 S Franklin Dr. in Franklin for \$39.37/Sq. Ft. and leased it to **Baptista's**.



- ▶ Conversion at 27th & Silver Spring, 233,200 Sq. Ft., **Silver Spring Self Storage**. Purchased for \$2.78/Sq. Ft.
- ▶ Conversion at 4059 W Bradley, 85,291 Sq. Ft., **Metro Storage**. Purchased for \$17.19.
- ▶ Conversion by **Storage Master**, 57,234 Sq. Ft. in Muskego. Purchased for \$20.96/Sq. Ft.
- ▶ Conversion by **WI Self Storage West Allis LLC** of 123,986 Sq. Ft. on Cleveland Ave. Purchased for \$16.13/Sq. Ft.



SELF STORAGE BUILDING BOOM

SELF STORAGE BUILDING BOOM (CONTINUED)



- ▶ **Scenic Self Storage, Waukesha** sold on 11/5/14 for \$3,604,100 (\$43.70/Sq.Ft.), 435 units (\$8,285/unit).
- ▶others coming soon!
- ▶ That's 499,711 Sq. Ft. converted; 4,000+ new self storage units

- **CenterPoint** is completing exit of multi-tenant flex portfolios.
- **CenterPoint** sold **CrossLake Airport Business Park** (formerly ACE) to **Building ABC Investor LLC** for \$27mm, or \$24.95/Sq. Ft.



- **Zilber** purchased six industrial buildings from **CenterPoint**, with a total of 206,000 square feet near Gen. Mitchell International Airport for \$2.55 million, or \$12.38/Sq. Ft.

PORTFOLIO SALE BONANZA

Q1 2015 Spoiler Alert

Portfolio sale of 12 industrial buildings totaling
1,796,294 Sq. Ft. happening soon!

NEW PROJECTS

Planned & Underway: Users and Developers

Source: BizTimes, November 9, 2014

- **Weimer Bearing** is planning a 68,390 Sq. Ft. in Germantown
- **Amazon** is occupying 2 buildings totaling 1,500,000 Sq. Ft. in Kenosha



- **Uline** is planning 2 buildings totaling 2,000,000 Sq. Ft. in Pleasant Prairie and Kenosha
- **CenterPoint** is building 412,000 Sq. Ft. on spec in Pleasant Prairie
- **Niagra Bottling** is building 377,000 Sq. Ft. in Pleasant Prairie

- **Zilber** is building 176,000 Sq. Ft. on spec in Pleasant Prairie
- **Kenall Manufacturing** is building 354,000 Sq. Ft. in Kenosha
- **Ryan Companies** is planning 2, 230,000 Sq. Ft. spec buildings in Oak Creek
- **Liberty Property Trust** is building 171,144 Sq. Ft. in Oak Creek
- **Venture One Real Estate** is building 164,007 Sq. Ft. in Oak Creek **for Stella and Chewy's** in Oak View Business Park
- **Interstate Partners** is building 100,000 Sq. Ft. on its land in Pewaukee
- **Sharp Packaging** plans to build a new 151,970 Sq. Ft. in Sussex
- **Ryan Companies** is planning 158,292 Sq. Ft. in Menomonee Falls

- **General Capital** is building 53,160 Sq. Ft. spec in Century City, Milwaukee

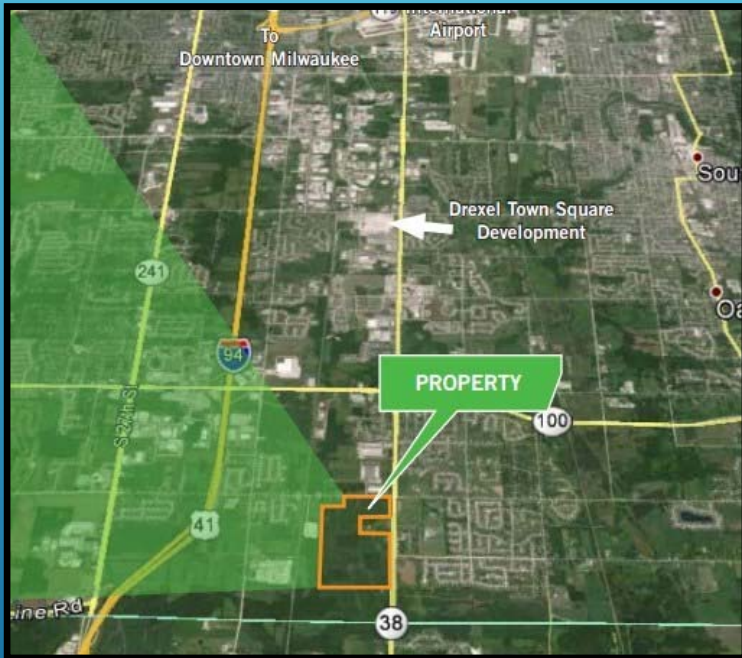


- **Solaris** is building 68,000 Sq. Ft. in Menomonee Valley, Milwaukee
- **Wangard** is building 2 buildings in West Allis totaling 112,000 Sq. Ft. 72,000 Sq. Ft. was preleased to **Ferguson**.



NEW BUSINESS PARKS ON THE WAY

Source: BizTimes, November 9, 2014



- **Wispark** and **Zilber** have begun the **OakView Business Park** in Oak Creek on 220 acres, \$96,000-\$142,000/acre

- **Bridge Development Partners** planning 400 acre business park at I-94 and Highway 142 in Kenosha (**Uline** took half)
- **Venture One Real Estate LLC** is planning a 248 acre business park in Pleasant Prairie
- **MLG Capital** is planning 120 acre business park in Germantown
- **Ashley Capital** is planning to develop up to 1.2mm Sq. Ft. on 87 acres at Highway 11 and CH H in Mount Pleasant
- **Rizzo Dev. Group** is planning an industrial park for 320,000 Sq. Ft. on 26 acres on Gumina Rd in Brookfield

2015



**SE WI INDUSTRIAL
REAL ESTATE FORECAST**

- ***2014 CARW Survey***

90.2% describe industrial market as improving
(compare to 53.3% office, 70.65% retail)

- 2015 will be another strong year
 - Lower vacancy
 - Slower rate of positive absorption
 - Lease rates to return to pre-recession levels
 - Cap rates to remain stable
- New construction will become even more prevalent as supply dwindles. Appraisers will be challenged more than ever to reconcile historical sales with new construction pricing.
- Uncertainty will return late 2015 into 2016 due to elections and rising interest rates.
- Equilibrium will return to the SE WI industrial RE market.

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THANK YOU