



Year in review symposium

Southeast WI industrial real estate market

Monday, December 2, 2015

Presentation by:

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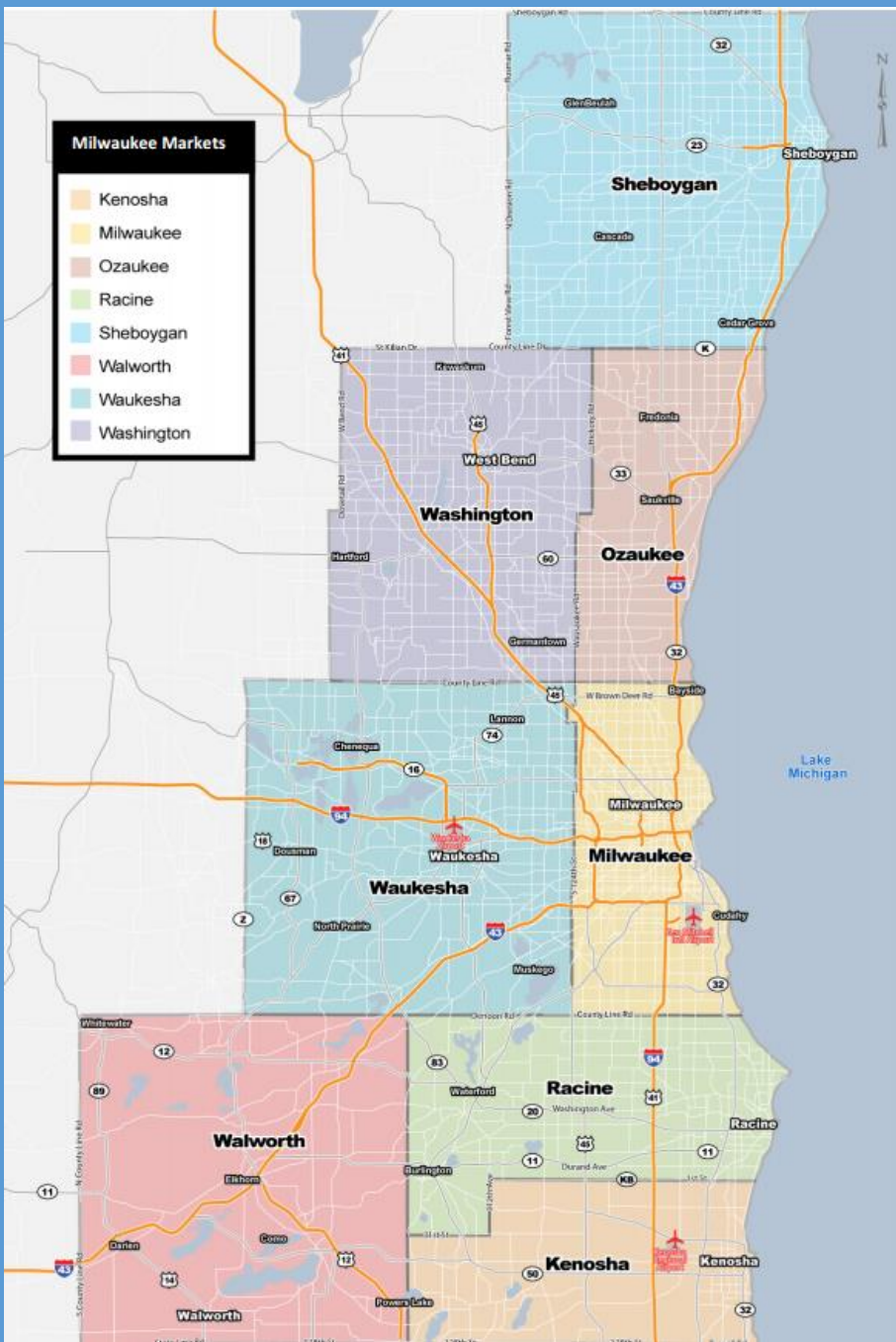
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We anticipate the industrial trends for southeast Wisconsin to remain strong in the 4th Quarter; both on the user-buyer and investment side. Leasing has slowed as banks compete to lend money to industrial users for building acquisitions or expansions.



Brian S. Parrish
President & CEO
Paradigm Real Estate LLC



Southeastern Wisconsin Industrial Market

| | |
|---------------------|------------------------|
| Tracking: | Greater than 10,000 SF |
| # of buildings: | 4,346 |
| Total Inventory: | 272,199,935 SF |
| Total Available: | 19,302,011 SF |
| Total Vacant: | 13,385,555 SF |
| Total Vacancy Rate: | 4.92% |

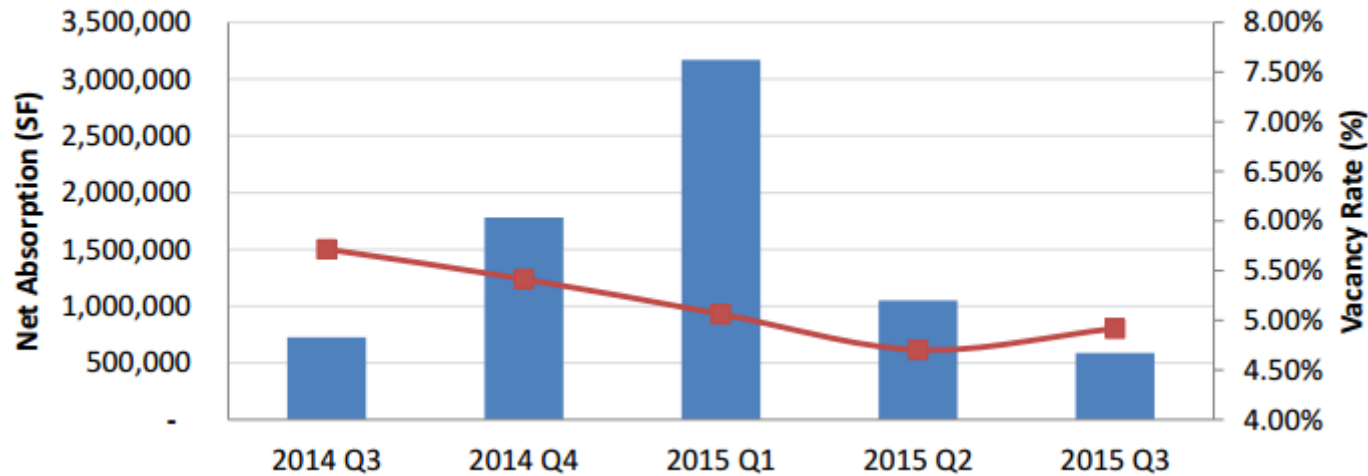
Source: Xceligent Data

Talking Points

- Vacancy & Absorption
- Deal Velocity
- New Construction
- Factors Affecting Manufacturers—Jobs coming and going
- Lease Transactions of Interest
- Sales Transactions of Interest-Owner Occupied
- Notable Investment Sales
- New Projects
- SE WI Industrial Real Estate Forecast

Vacancy & absorption

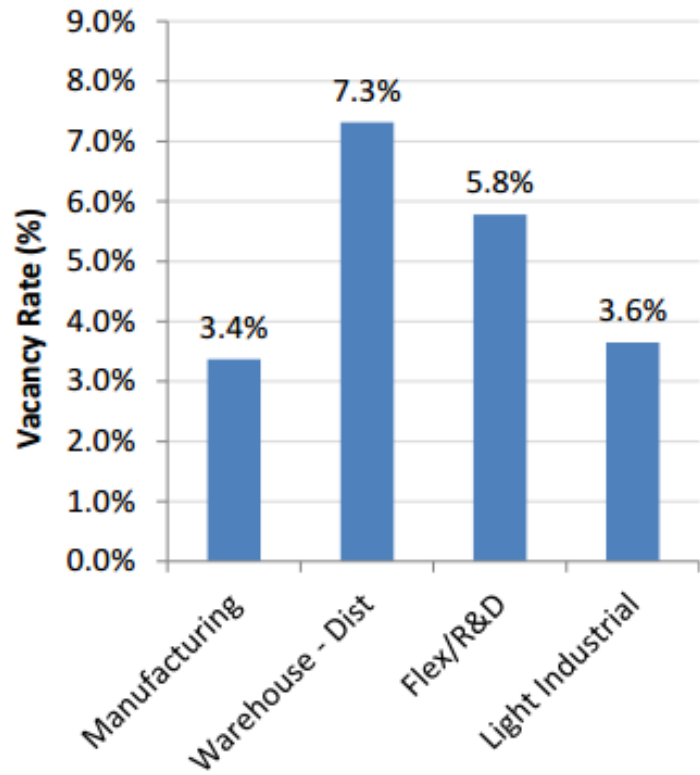
Total Vacancy & Total Net Absorption



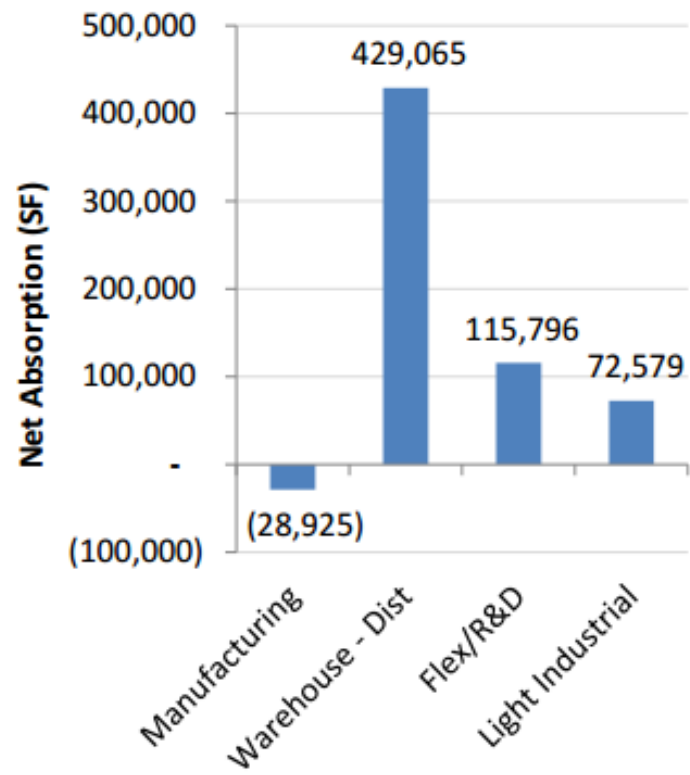
- Vacancy rate dropped from 5.44% (Q3 2014) to 4.92% (Q3 2015)
- 22 consecutive quarters of positive absorption
- Q3 Absorption 588,515 SF
- YTD Absorption 4.8 Million SF

Source: Xceligent

Vacancy Rate by Type



Net Absorption by Type



Source: Xceligent

Deal velocity

| Year | Avg Age | # of Sales | Avg \$/SF |
|-------|---------|------------|-----------|
| 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 |
| 2015* | 41 | 152 | \$34.89 |

Source: Xceligent Data

* Year to date sales

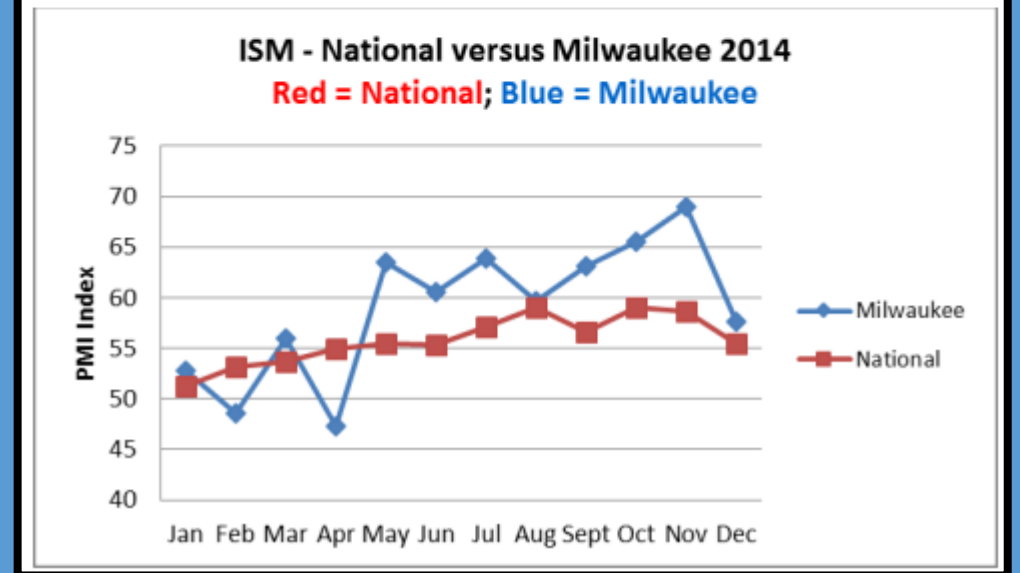
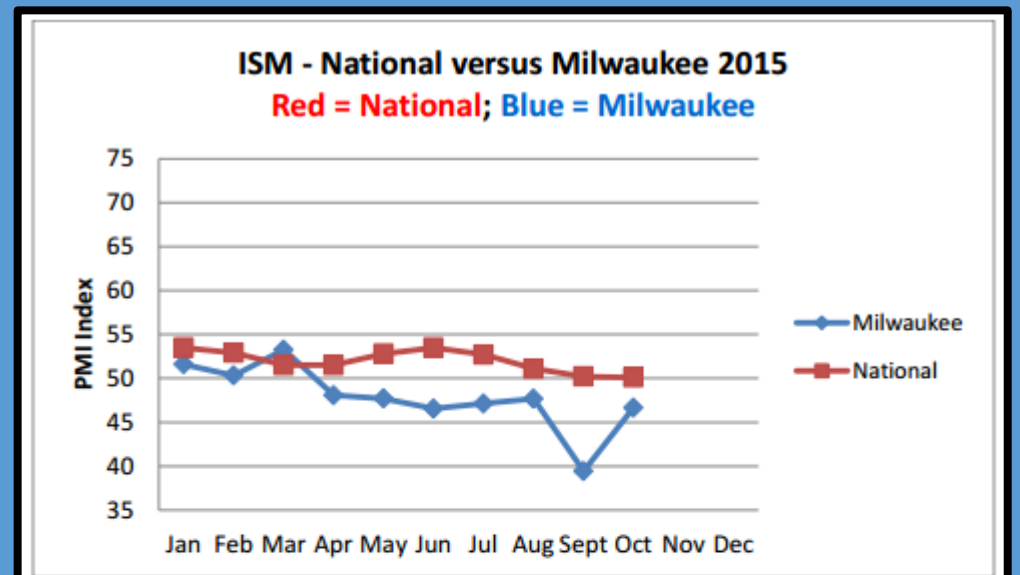
- 2015 lags behind 2014; but price per pound is greater.
- 8.2% increase in \$/SF since 2012.
- 69 % of sales in Milwaukee and Waukesha counties
- Prices of existing building on average still lower than new construction.



New construction

- Shortage of land, materials, labor
- Prices are increasing, concrete and Labor up 15%-17%, steel has decreased but the labor to install steel has increased.
- 5.1mm Sq. Ft. under construction
(76.4% 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. Wisconsin is still dominated by Owner Occupied buildings.

- ISM Milwaukee's PMI dropped from last years 70.25 in November 2014 to 46.66 in October 2015.
- Stagnant local economy
- “There is a very pessimistic market demand. Customers are running inventory lean to year end, but 2016 orders are significantly lagging” from the Marquette ISM Report on Manufacturing November report.



Factors affecting manufacturers

Source: Marquett ISM Report on Manufacturing

Strengths

- Cheaper oil
- Low interest rates
- Auto Industry solid outlook
- Wisconsin is still open for business
- Illinois business culture continues to be a boost for SE Wisconsin

Challenges

- Continued Labor shortage
- Construction Costs
- High Taxes
- Slowdown in energy sector, specifically oil and gas
- Strong Dollar

Factors affecting manufacturers

Interesting leases

- **QuadGraphics** leased 188,210 SF at the old American TV distribution facility on Duplainville in Pewaukee
- **Briggs and Stratton** leased 235,600 Sq. Ft. at 4355 N. Richards St, Milwaukee
- **Beck Aluminum** leased 193,605 SF at 7505 Durand Ave Mount Pleasant
- **Nordco** leased 156,553 SF at 315 W. Forest Hill, Oak Creek
- **RCS Systems Inc.** leased in two stages 120,000 SF at 7025 W. Parkland Ct., Milwaukee
- **Gardner Pet Group** leased 160,000 at 2845 Wingate St., West Bend
- **OTR Wheel & Engineering Inc.** leased 71,778 SF at Brown Deer Business Park Bldg 5, Brown Deer



Old American TV Distribution buildings

Interesting leases (cont.)

- **Undisclosed Tenant** leased 279,828 SF at the former Staples distribution facility at 120 W. Opus Dr. for 10 year deal
- **ACS Group** leased 53,295 SF at 3015 S 163rd St. New Berlin
- **Seko World Wide** leased 50,564 SF at Liberty Property Trust Spec building in Oak Creek leaving 120,550 remaining.



Staples Distribution Facility

INTERESTING SALES (owner occupied)

Integrated Lubricants

- 1956 S. Pine, Burlington
- Feb. 2015
- 123,212 SF
- \$3,050,000
- \$24.75/Ft.



Redwall Screen Printing

- 7655 S. 6th Street Oak Creek
- Feb. 2015
- 88,820 SF
- \$1,975,000
- \$22.23/FT.



INTERESTING SALES (owner occupied)

U-Haul

- 11700 W. Capital Dr. (Harley Davidson facility)
- April 2015
- 394,840 SF
- \$5,250,000
- \$13.29/Ft.



Hilmot

- 11925 W. Carmen Ave, Milwaukee
- May 2015
- 100,000 SF
- \$2,800,000
- \$28.00/FT.



INTERESTING SALES (owner occupied)

Busy Guys LLC (Birchwood storage group)

- 15800 Megal Dr. Menomonee Falls
- May 2015
- 48,000 SF
- \$2,000,000
- \$41.66/FT.



Glenroy Inc.

- 15966 Megal Dr. Menomonee Falls
- July 2015
- 52,820 SF
- \$1,850,000
- \$35.02/Ft.



INTERESTING SALES (owner occupied)

Midwest Refrigeration Services

- Lakeview XIV Pleasant Prairie
- Sept. 2015
- 411,415 SF
- \$22,808,693
- \$55.43/Ft.



Indiana Investment LLC (Kreilkamp)

- 13300 Whitney Dr. Germantown
- Oct. 2015
- 102,400 SF
- \$3,380,000
- \$33.00/FT.



Notable Investment Sales

Westmount Realty Capital LLC purchased CenterPoint Properties Portfolio

- Feb. 2015
- 1.74 Million SF (10 Buildings) 80% occupied
- \$61,483,556
- \$35.33/FT

Gramercy Property Trust purchased KTR Capital Partners Portfolio

- Feb. 2015
- 590,000 SF (two properties in Milwaukee market) 100% occupied
- \$44,400,000
- \$75.25
- 7.5% cap rate

Notable Investment Sales(Cont.)

Broadstone Net Lease Inc. purchased single building from Zilber

- March 2015
- 310,480 SF in Westbrook Corporate Center
- \$21,750,000
- \$70.05/FT
- 6.75% cap rate

KP Development purchased 1 & 2 World Packaging Facilities with Quad owned companies

- April 2015
- 496,000 SF
- \$33,000,027
- \$66.53

Notable Investment Sales(Cont.)

Luterbach Realty purchased on SPEC at Westridge Ct in New Berlin

- April 2015
- 100,000 SF
- \$4,917,000
- \$49.17/FT

STORE Capital purchased Sale/Lease back opportunity from Waukesha Foundry Inc.

- June 2015
- 112,539 SF
- \$11,226,100
- \$99.75/FT

Notable Investment Sales(Cont.)

Lexington Realty Trust purchased the Stella and Chewy's facility in the Oak View Business Park from Venture One who developed the project.

- Aug. 2015
- 164,007 SF
- \$22,556,242
- \$137.53/ft.

Wangard Partners purchase on SPEC a single building in Wauwatosa

- Aug. 2015
- 196,921 SF
- \$4,800,000
- \$24.37/ft.

Notable Investment Sales(Cont.)

Becknell Industrial and UBS purchase a two building portfolio from Westminster Funds

- Oct. 2015
- 232,200 SF
- \$16,000,000
- \$71.68
- 6.67% cap rate

Notable Investment Sales(Cont.)

R2 Companies and Polsky Holdings purchase US Postal Service buiding from Enco Realty

- Nov. 2015
- 1,105,000 SF
- \$13,100,000
- \$11.85



New projects

Planned & Underway: Users and Developers

- **ER Wagner** purchased 31 acres in Menomonee Falls and plans on building 135,000 SF facility to bring multiple operations under one roof. They purchased Rite Hite land on Old Orchard road for \$1,542,422 or \$48,593/acre.
- **Spincraft** has plans to lease an Additional 70,000 sq ft facility from Luterbach Realty in New Berlin
- **Zilber** to Launch 2nd building in Menomonee Falls
- **Interstate Partners** to Launch 2nd building in Pewaukee
- **HSA Commercial Properties** has a planned 214,533 SF spec planed for Northview Road in Waukesha.
- **Oberlin Filter** building a 90,000 SF new facility in Waukesha just north of the airport.
- **AD-Tech Medical Instrument Corp.** to build new HQ facility in Oak View Business Park in Oak Creek and will be the 2nd project in the park Joining Stella and Chewy's.

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



- **Wangard** Has completed 2 buildings in West Allis totaling 112,000 Sq. Ft. They have filled up both buildings with a need to add an additional 10,000SF



Looking a head to 2016

****Election****

Strength of Dollar

Housing Market

Auto Industry

Interest Rates

- *2015 CARW Survey*

83% describe industrial market as improving

- 2016 will be good year
 - Continue low vacancy trend
 - Relatively flat absorption
 - Lease rates will continue to grow.
 - Cap rates to remain stable/strong
- New construction will continue on a similar path to 2015.
- Uncertainty has returned.

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Thank you