

2015 Year in Review

Wisconsin Chapter of the Appraisal Institute

## Tom Treder, CCIM

- Partner with Commercial Property Associates, Inc.
- Founded in 1989, we are a 10-broker boutique firm based in downtown Milwaukee specializing exclusively in retail real estate transactions in Wisconsin

 Specialize in landlord and tenant representation, land and building sales, and land assemblage.

#### 2015 – Year In Review

 Milwaukee's vacancy fell slightly from 6.7% in Q2 to 6.6% in Q3. Virtually no change over the course of 2015

Positive net absorption of 468,929
 square feet, up from 107,437 in Q2 and 93,338 square feet in Q1



#### 2015 – Year In Review

 Average quoted rental rate was \$10.52/sf. Virtually no change over the course of 2015

 Four retail buildings with 386,258 sf were delivered in Q3

824,389 square feet still under construction



The Green at 84<sup>th</sup> and Layton in Greenfield – 42-acre mixed use development with 200,000 sf of mid-box space and many outlots. Proposed anchors include Steinhafels, Hobby Lobby, Dick's Sporting Goods, Fresh Thyme Farmer's Market, PetSmart, additional mid-box soft good retailers, and others. Opening planned in 2017.

Whitestone Station in Menomonee Falls

 mixed use development with 300,000
 sf of retail space. Anchors are Costco,
 Ross Dress For Less, Sports Authority,
 Home Goods and Ulta, in addition to
 small shop space.

Drexel Town Square in Oak Creek – anchored by Meijer, other retailers include Water Street Brewery, Chick Fil A, U.S. Bank, PetSmart, Panda Express, and more.



- Mayfair Collection in Wauwatosa Phase 2 is anchored by Whole Foods, Home Goods and Osgood's, with another 35,000 sf available. Phase 3 will focus on additional restaurants, home furnishings and apparel retailers.
- Stamp Factory in Wauwatosa, across the street from Mayfair Collection, will be another adaptive reuse development of small shop retail space.

- The Corners in Brookfield 410,000 sf "lifestyle center" anchored by area's first Von Maur and Sendik's, among other fashion retailers and restaurants
- The Corridor in Brookfield 150,000 sf of retail anchored by Dick's Sporting Goods and two additional junior box stores. Portillo's will be opening first WI location here
- Calhoun Crossing in Brookfield 112,000 sf redevelopment of Plaza 173 anchored by Fresh Thyme Farmer's Market, DSW Shoes, Total Wine and others
- Brookfield Square Additional 76,000 sf retail expansion in 2 Phases, including Blackfinn, Jason's Deli, Mooyah Burgers and more

 Meijer – Opened 4 stores so far (Grafton, Kenosha, Oak Creek, Wauwatosa) with more to come in the region

 Costco – From two locations to five by the end of 2015 (Grafton, Pewaukee, New Berlin, Pleasant Prairie, Menomonee Falls)

## **Grocery Wars**

 Perhaps the biggest news of 2015 is Kroger's pending acquisition of Roundy's



Kroger operates 2,623 stores in 34 states

## **Grocery Wars**

- Kroger is publicly traded on NYSE
- 2014 sales totaled \$108.5 billion

Also operates 781 convenience stores

• How will this affect the local grocery market and will they close stores?

#### Downtown Renaissance

- 833 E. Michigan, 350,000 sf, including Rare Steakhouse opening in 2016
- Northwestern Mutual's 32-story, \$450 million office tower, completion 2017
- Northwestern Mutual's new 33-story, 925,600 sf, \$100 million mixed-use development, including 14,000 sf of ground level retail on Jackson, Mason, and Van Buren street, opening in 2017

#### Downtown Renaissance

 Couture – 44 stories, 294 apartments and several floors of retail space, projected to open in 2018

- Bucks Arena Project \$500 million arena and \$500 million of ancillary development
  - The North End phase 3 includes 168 apartments and the first Fresh Thyme Farmer's Market in Wisconsin

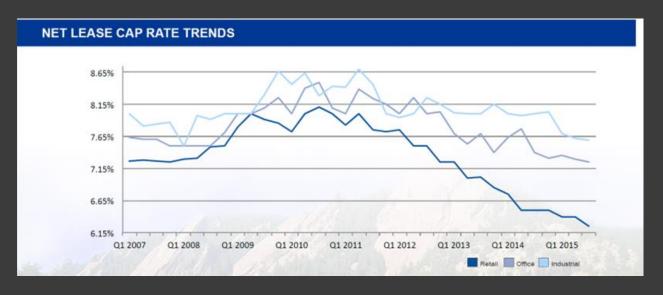
#### Downtown Renaissance

- Kimpton, 158 rooms, at Chicago and Broadway in 3<sup>rd</sup> Ward, completion 2016
- Homewood Suites, 93 rooms, Button Block building at 500 N. Water St. Will displace Joey Buona's

Marcus Corp renovating Intercontinental

#### Investment is RED HOT!

Net lease cap rates continue downward trend



Retail has outpaced all other categories



## Investment is RED HOT!

 Retail cap rates for STNL assets have hit a historic low of 6.25%

NATIONAL ASKING CAP RATES			
Sector	Q2 2015 (Previous)	Q3 2015 (Current)	Basis Point Change
Retail	6.40%	6.25%	-15
Office	7.30%	7.25%	-5
Industrial	7.62%	7.59%	-3



## Major Sale Transactions

- Speedwagon Properties paid \$43.7m to purchase the 612,000 sf Southport Plaza and Indian Trail Plaza, Kenosha
- Phillips Edison acquired The Village Center in Mount Pleasant, a 240,000 sf center, for \$31.75m
- DRA Advisors purchased the 70,000 sf Pick N Save anchored center at 1717 N. Mayfair Rd for \$19.9m

## New Retailers to Area



HomeGoods







































## 2015 Closings

- Pick N Save closed Waukesha,
   Saukville, West Allis, and Milwaukee
  - •Kmart closed at Mayfair Rd and Burleigh St, Wauwatosa
- Kmart closed at 5600 S. 108th St, Hales Corners

## 2015 Closings

LA Fitness, which opened in 2007, closed 42,000 sf location at Bayshore

 Target is closing Brown Deer Rd. store end of January 2016

 Walgreens is closing Brown Deer Rd. store

## 2016 Outlook

- Rents will continue to climb for "A" locations
- "B" and "C" locations will continue to struggle
- New development sites will get absorbed
- Investment sales will remain strong as interest rates remain stable

## Thank You!

# Have a Happy and Prosperous New Year!

