

Milwaukee Retail, Q3 2015

New construction expected to bring 1.5MSF to Milwaukee market by year-end

<p>▲ Multi-tenant Vacancy Rate 10.2%</p>	<p>▲ Multi-tenant Asking Lease Rate \$14.67</p>	<p>▶ Combined Vacancy Rate 8.3%</p>	<p>▲ Combined Asking Lease Rate \$14.16</p>
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*Arrows indicate change from previous quarter.



Meijer opens two new store locations in Oak Creek at Drexel Town Square and Wauwatosa, across from The District.
Source: Meijer.

- The former Parkland Mall, off of Janesville Road in Muskego, will be redeveloped by Greenfield-based Ener-Con Cos. and will include a Sendik's Food Market, along with 99 condominiums. The 10.7-acre site known as Parkland Towne Center is projected to be valued at \$33 million once completed.
- DeRosa Corporation, owner of the Chancery restaurants, closed its Milwaukee location at 4624 South 27th Street, and sold its Racine operation, located in the Harbourwalk Hotel, to Graves Hospitality Corporation.
- Nashville-based developer, Oldacre McDonald, purchased roughly two acres at Highway 50 and 94th Avenue in Pleasant Prairie, with plans for up to 13,450 sq. ft. of retail space in front of the new Costco.

MARKET OVERVIEW

THE CONSTRUCTION BOOM

New construction continues to drive the positive momentum in the Milwaukee market as more than 1.5 million sq. ft. of new retail has either already been completed or will be delivered by year-end. Even more encouraging is the new construction that either is or will be fully occupied, which will help increase the overall market footprint, while driving vacancy rates down to pre-recession levels. This quarter, 375,332 sq. ft. of new retail was delivered, comprised of two new Meijer stores in Oak Creek and Wauwatosa, and Wisconsin's first Container Store, located at Mayfair Mall in Wauwatosa.

Expected completions in Q4 2015 will include two Costco locations in New Berlin and at White Stone Station in Menomonee Falls, and a Nordstrom department store at Mayfair Mall in Wauwatosa. Construction activity will continue well into 2016 and beyond, as site work progresses at The Corners, Von Maur-anchored retail development at Bluemound and Barker roads in the Town of Brookfield, and at The Corridor at Bluemound and Calhoun roads in City of Brookfield. Both projects combined will bring over 1.6 million sq. ft. of new commercial space to the market.

Figure 1: Milwaukee Market Retail Statistics

Submarket	Multi-Tenant Market Rentable Area (SF)	Multi-Tenant Vacancy Rate (%)	Multi-Tenant Asking Lease Rate (\$/SF/Yr)	Combined Market Rentable Area (SF)	Combined Vacancy Rate (%)	Combined Asking Lease Rate (\$/SF/Yr)
Downtown	692,113	17.2	19.13	692,113	17.2	19.13
Milwaukee East	280,918	7.1	10.88	552,594	7.5	10.88
Milwaukee North Shore	2,010,973	3.6	21.47	2,073,073	3.5	21.47
Milwaukee Northwest	2,805,545	23.2	15.42	3,999,562	17.8	15.42
Wauwatosa	2,200,236	3.5	24.96	2,756,709	2.8	24.96
Milwaukee South Central	2,108,837	2.8	19.44	2,580,728	2.3	19.44
Milwaukee Southeast	2,199,337	16.5	11.49	4,118,922	8.8	11.49
Milwaukee Southwest	5,121,671	10.9	16.34	6,465,614	8.7	16.34
Menomonee Falls	996,518	10.4	13.68	1,802,195	5.8	13.68
Brookfield	3,990,234	6.8	15.46	4,388,618	6.2	15.46
New Berlin/Muskego	906,740	15.1	13.61	1,392,303	9.7	13.61
Waukesha Central	3,462,818	9.2	13.02	6,543,630	7.6	12.73
Waukesha West	716,863	4.8	19.84	848,795	8.7	19.84
Ozaukee/Washington	3,612,448	10.4	13.27	5,695,653	6.6	13.27
Racine	3,541,140	17.0	12.35	4,577,863	13.1	12.35
Kenosha	3,213,330	5.7	14.68	4,704,063	7.7	10.82
Total	37,859,721	10.4	14.76	53,192,435	8.3	14.16

Source: CBRE Research, Q3 2015.

Additional projects currently underway include Drexel Town Square, located at Drexel and Howell avenues in Oak Creek. Anchored by one of four new Meijer stores, it is part of a large, mixed-use development including additional retail, apartments and a civic center. Phase two of the Mayfair Collection is expected to be completed by spring 2016, which will include Whole Foods, HomeGoods, a Homewood Suites hotel and four new Bartolotta concept restaurants.

HSA Commercial, the developer for The District and Mayfair Collection, purchased two industrial properties on the south side of Burleigh Street, west of 114th Street, with the most recent purchase of the Wauwatosa Business Plaza taking place at the beginning of August. The original purchase of the former Schwaab building along Burleigh Street, will be redeveloped into the western gateway to The District, and include additional retail space and a bike rest area. There are no immediate plans for the Wauwatosa Business Plaza, as the building is currently 50.0% occupied. HSA Commercial is also in the process of redeveloping the neighborhood shopping center at the northwest corner of Bluemound and Calhoun roads, called Calhoun Crossings, which will be anchored by a Fresh Thyme Market, as well as Men’s Wearhouse and Kessler’s Diamond Center.

Cobalt Partners is also moving forward with its second Milwaukee-area development at Layton Avenue and 84th Street in Greenfield, anchored by a Steinhafels furniture store. The mixed-use development is expected to include retail space, outlots, a hotel and apartments. To aid in financing, the City of Greenfield approved a \$30 million tax incremental financing district to help fund the project.

MARKET OUTLOOK

The multi-tenant retail market for Milwaukee witnessed a 20 basis point (bps) increase in vacancy to 10.4% during Q3 2015, while the overall market remained unchanged at 8.3%. Despite an increase in vacancy for multi-tenant retail in the area, leasing activity remains strong as new tenants enter the market and existing retailers continue to expand. New entrants into the market include restaurant concepts MOD Pizza and Mooyah Burger, women’s apparel store Evereve, and children’s clothing store Hanna Andersson. It was also announced that Ross Dress for Less will open two new stores in Milwaukee, at Shoppers World located at North 124th Street and West Capitol Drive in Brookfield, and at the West Allis Towne Center at South 70th Street and West Greenfield Avenue in West Allis. Retailers continuing to expand include Noodles & Company, Jersey Mike’s and Firehouse Subs.

Figure 2: Top Lease Transactions

Tenant	Sq. Ft.	Address	Business Sector	Type
Salvation Army	31,398	4901 Washington Avenue, Racine	Thrift Store	New Lease
The Container Store	24,000	10400 West North Avenue, Wauwatosa	Home Goods	New Lease
JoAnn Fabrics	23,371	2629 South Green Bay Road, Racine	Fabric Store	New Lease
Octapharma Plasma	15,900	8600 West Brown Deer Road, Milwaukee	Health Care	New Lease
Tuesday Morning	12,000	18110 West Bluemound Road, Brookfield	Home Goods	Renewal

Source: CBRE Research, Q3 2015.



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