

Draft Final Report

Northwest Side Market Study



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Northwest Side Market Study

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1. Executive Summary

Introduction

S.B. Friedman & Company was engaged by the Redevelopment Authority of the City of Milwaukee (RACM) to perform market study services in support of the update of the Northwest Side area plan. The market analysis was conducted to assess economic development opportunities in the Northwest Side and to provide further guidance to the Northwest Side's future land use plan.

The market analysis involved an evaluation of the existing land use/business mix of the Northwest Side and its competitive position in the local and sub-regional market. Socio-economic trends and projections of the local market were also examined to determine the potential future mix and amount of uses that could be supported. Residential, retail, office, and industrial uses were included in the analysis. This section presents the key facts and findings for each land use analyzed.

Residential Market Facts and Findings

- In 2005, the Northwest Side of Milwaukee was home to 76,474 people, accounting for more than 13 percent of the estimated 583,768 people residing in the City. This part of the city is relatively stable in terms of population change and diverse in terms of age.
- During the next five years, the Northwest Side is forecast to experience a net increase of more than 660 new householders aged 55 to 64 years, which primarily consists of empty nester householders. This parallels the nationwide trend of the aging baby boomer generation and the rise of empty nester households as a prominent market segment. In addition, the Northwest Side is likely to see a slight increase in the number of 35- to 54-year-old householders and 55- to 64-year-old householders earning more than \$150,000 per year. The existing base of 35- to 54-year-old householders and the projected growth in relatively affluent 35- to 64-year-old householders is conducive to the development of more upscale residential units. However, more than 60 percent of the existing base of households currently earns less than \$50,000, indicating the need for affordable or moderately priced housing as well.
- Approximately 320 single-family homes were built in the Northwest Side from 2000 to 2005. This accounts for more than 40 percent of the total single-family development in the City and indicates an annual absorption rate of 54 units per year. Most of the new single-family homes developed during the past six years are located within four major subdivisions, all of which are located in the western portion of the Northwest Side, west of 91st Street. Most homes in these new subdivisions are either one-story ranch style homes or two-story bungalow homes with sizes ranging from 1,800 to 3,000 square feet. Typical home prices range from \$280,000 to \$350,000.
- The Northwest Side has an ample supply of affordably priced single family homes. In 2006, the average sales price of an existing single family home in the Northwest Side was

\$141,837. Older and more dated single family homes generally range in price between \$100,000 and \$125,000 whereas average sales prices for newer resales (10 to 20 years of age) range between \$150,000 and \$200,000.

- Even though the boom in the for-sale residential market is subsiding nationally, the historical trends of residential development in the Northwest Side are likely to continue until available land for subdivisions is exhausted. Overall, there is a limited supply of available vacant land in the City, particularly for single-family development, making the available land in the Northwest Side attractive for residential development.
- In the future, as long as there is available land for subdivision development, the average annual absorption of single-family development is likely to reflect the historical absorption rate, between 2001 and 2006, of 50 to 55 units per year. Once the available vacant land area is absorbed, the pattern of single-family development is likely to shift from new greenfield subdivisions towards infill and redevelopment of existing structures, resulting in an overall decline in the absorption rates.
- During the past five years, absorption for multi-family development averaged 35 units per year. Most of the multi-family development in the Northwest Side has been limited to senior rental projects and duplex units. Two new tax credit senior projects were developed during the past six years, and one other tax credit senior project is currently under construction.
- There is some potential for future development of both for-sale and rental multi-family residential units. Although there is currently limited demand for for-sale multi-family development, a well designed, mixed-use development that integrates various housing types at moderate prices is likely to be successful in attracting the projected increase in the empty nester households in the area. One potential area where for-sale multi-family development may be feasible is near the Granville Station redevelopment site. With the rise of mortgage interest rates, the decline in the for-sale residential market, and an improving economy, market rate rental multi-family development is also likely to become more viable in the future. There will continue to be strong demand for affordable senior facilities in the region due to the aging population, combined with the projected increase in householders aged 55 to 64 who earn less than \$50,000. It is likely that two to four tax credit senior rental projects of 70 to 100 units each will be developed in the Northwest Side during the next decade.

Retail Market Facts and Findings

- The retail supply analysis shows a highly competitive retail environment in this part of the City, with significant market representation in most of the shopping center tenant classifications, such as general merchandise, hardware, and discount apparel and accessories stores. Currently, there is approximately 2.8 million square feet of retail space within the Northwest Side. The majority of the retail is located within the following three nodes/corridors:
 - **Brown Deer Road and 76th Street node.** This cluster accounts for more than 40 percent of the Northwest Side's retail space. It includes Granville Station, a

320,000-square-foot power center which opened in 2004 following redevelopment of the former Northridge Mall, which closed in 1999. This node also includes several freestanding “big box” stores and some older, obsolete shopping centers generally located along Brown Deer Road.

- **76th Street corridor.** This corridor is comprised of smaller neighborhood centers, many of which are currently underutilized and are likely be redeveloped. There is an emerging retail cluster along this corridor at the intersection of 76th Street and Good Hope Road.
 - **Silver Spring Drive corridor.** The retail located along Silver Spring Road is smaller in scale and more spread out. It is primarily composed of neighborhood-oriented convenience uses that tend to serve the nearby residents.
- There are four key competitive retail nodes/centers near the Northwest Side that are regional retail destinations and draw customers from a larger area - 1) Retail cluster in Menomonee Falls at County Line Road and Appleton Avenue, 2) Midtown Center, 3) Marketplace and Brown Deer Center in the Village of Brown Deer, and 4) Bayshore Mall in Glendale. These retail centers draw customers out of the Northwest Side and are likely to provide the greatest competition to the retail in the Northwest Side due to their proximity, ease of access, and tenant mix.
 - The Metro Auto Mall, located at 107th & US 45, is an emerging automobile cluster in the Northwest Side. The 10-acre site is being developed as an automobile sales center. Multiple dealers, including Toyota, Hummer, Chevrolet, and Carmax, have already located on the site, and Nissan and Honda dealerships are planned for the future. This regional automobile sales center has resulted in the shift of automobile sales from the 76th Street corridor to this new node.
 - The recent redevelopment of the former Northridge Mall site into Granville Station has improved the competitive position of the Northwest Side by generating new interest and activity in the area. Occupancy levels within the Granville Station redevelopment appear to be significantly higher than those at the older shopping centers along Brown Deer Road. So far, the development has been successful in attracting two major anchors and several smaller retailers, with additional deals pending. The recent development of single-family homes in the western portion of the Northwest Side is also an advantage for existing and future retail in this area because these new residents translate into potential sales in the Northwest Side.
 - Challenges facing the retail on the Northwest Side include a high level of competition, the scattered physical distribution of retail, and relatively low rents and occupancy levels. Rents for most types of centers in the Northwest Side are lower than the Milwaukee Metropolitan average, whereas vacancy rates are generally higher than the Milwaukee Metropolitan average. Accessibility may also be a disadvantage for the retail market in this part of the City, as most retail is auto-oriented but located away from highways and interstates.
 - A presence-absence analysis of the existing inventory of retail establishments in the Northwest Side indicates market niches or gaps in the supply. The analysis, confirmed

through interviews with retail brokers, indicates that café/coffee shops and fast casual and casual restaurants are needed in the area, and could potentially be supported in the short term. Café/coffee shops and restaurants are also likely to attract employees from the existing industrial and office clusters in the Northwest Side. The absence of a home decoration and furnishing store, such as Bed Bath and Beyond or Linens N' Things, might suggest a potential niche in this retailing category. A 40,000-square-foot home furnishings center could potentially serve as an anchor to an existing or new community center in the Northwest Side.

- Other types of retail such as a bookstore, sporting goods store, additional apparel/shoes/accessories stores, and a fitness center/gym are either missing or are under-represented in the Northwest Side. However, retail brokers in the area indicated that current demographic and income characteristics in the Northwest Side are not conducive to attracting these retailers. The likelihood that these uses are supportable in the Northwest Side in the future is dependent on several factors including the availability of suitable sites (including traffic counts, access, and visibility) to accommodate the requirements of these retailers, the pace of future residential growth, and corresponding income growth.

Office Market Facts and Findings

- The economic recession since 2001 has resulted in a weak office market in the Milwaukee Metropolitan Area. Although the office market began to show some recovery by the second quarter of 2005, vacancy rates for Class A and B space remain approximately 50 percent higher than the historical baseline of 10 percent.
- Higher-than-average vacancy rates suggest an oversupply of office space in the regional Milwaukee market. In such a competitive environment, the typical lease-up time for new speculative multi-tenant office buildings is likely to be longer and have greater financial risk, thereby encouraging built-to-suit development opportunities rather than multi-tenant speculative office developments.
- Growth in regional office employment is generally considered the primary driver of office space development and absorption. Regional office employment appears to be recovering since the economic recession between 2001 and 2003, but continues to grow at a slower pace of 1.1 percent relative to historic levels. Projections indicate that regional office employment will continue to grow, and that the pace of growth will increase to an average annual compounded growth rate of approximately 1.4 percent during the next 15 years.
- The major cluster of corporate office uses within the Northwest Side of Milwaukee is at Park Place. The key advantages of Park Place include its highway access and visibility, as well as the availability of land for future development. Park Place includes several key amenities necessary to attract firms and employees such as the Hilton Garden Inn, a KinderCare day care center, a small neighborhood retail center, and a sit-down restaurant. A new hotel is also planned for development.

- The Park Place office cluster currently occupies approximately 300 acres of land. While the office park has limited potential for further expansion due to the lack of adjacent vacant land, there are approximately 45 to 50 acres of vacant land within the park that is developable for future office space. Additionally, a 55-acre site in the northeast corner of the park appears to be only 50 percent utilized. Therefore, in total, there are likely to be approximately 75 gross acres at Park Place that have potential for future office development.
- Future corporate office market development in the Northwest Side of Milwaukee is likely to be limited to the 75 acres of gross land area in Park Place, as there appears to be no other available land parcels in the Northwest Side adjacent to primary transportation routes that could be assembled to support another major office park development. However, smaller scale professional office space may be developed as part of future retail center development, or as standalone professional office buildings at key arterial corridors such as Brown Deer Road and 76th Street.
- The total estimated 1.7 million square feet of office space at Park Place (Class A, B, and C) was developed over a period of approximately 23 years from the early 1980s, indicating an average development pace of approximately 75,000 square feet a year. If all 75 available acres are developed in the future, 650,000 square feet of additional office space would be added to Park Place. This would take an estimated eight to 10 years to develop at the historical development pace.

Industrial Market Facts and Findings

- Between 1995 and 2000 approximately 33.4 million square feet of industrial space and over 2,550 acres of industrial land was absorbed in the Milwaukee Metropolitan area. Overall during this time, the City had a capture rate of regional industrial absorption that ranged from 7 to 15 percent while most of the remaining growth (85 to 93 percent) in new industrial development occurred in the suburban counties. This trend is primarily due to the relative shortage of clean developable land in a business park atmosphere, and with good highway and interstate access, in the City compared to the suburban areas.
- The future annual absorption of industrial land in the City is projected to range from 32 to 63 acres based on projection of the regional absorption rate of industrial land and the City's historical capture rates (7 to 15 percent) of regional industrial growth.
- The average annual absorption of land in the City over the past three decades has been 41 acres. Annual absorption rates appear to have declined in recent times relative to the 1970s and 1980s. While the economic recession following 9/11 is a major contributing factor to the decline in absorption between 2000 and 2005, the slowdown in absorption since the nineties is explained at least in part by the limited supply of suitable industrial land in the City. As more suitable industrial land is added to the City's stock of industrial land and the economy emerges from the recent downturn, the absorption rates in the City may shift towards the higher end of the projection.
- Analysis of historical absorption data shows that nearly three-quarters of the total building area and over 80 percent of the land area developed for industrial uses within the City of Milwaukee during the past 15 years has taken place on the Northwest Side,

underscoring the importance of the Northwest Side industrial submarket. The strong historical capture rates of the Northwest Side are primarily due to the greater availability of clean development-ready sites in this area relative to the rest of the city.

- Most of the land on the Northwest Side zoned for industrial use lies along three major railroad lines. Various industrial parcels within the Northwest Side belong to the City of Milwaukee's Land Bank Program. The vast majority of the industrial uses in the Northwest Side are generally located in the following two areas.
 - **Bradley Woods Business Park Area.** The core industrial area of the Northwest Side is located near the Bradley Woods Business Park. This area, which is heavily developed with industrial uses, should be the focus of industrial retention because there are relatively few remaining large parcels that are suitable for industrial development.
 - **Havenwoods Area.** The Havenwoods area has greenfield and redevelopment sites available for additional industrial development. Several projects, including a U.S. Department of Labor Job Corps training center, are planned, and additional sites are available.
- Currently, there is not much land within the City that competes with the Northwest Side for industrial development. However, in the future, the City has plans to make additional industrial land available in the following areas: 1) Menomonee Valley Industrial Center, 2) Mitchell Airport area, and 3) the Port of Milwaukee.
- The Northwest Side boasts several key advantages in terms of attracting and retaining industrial users. The available sites offer easy access to major highways and roadways while avoiding the congestion associated with a downtown area. Businesses located within the Northwest Side are able to tap into the area's large available labor force. Also, the Northwest Side is one of the few places in the city where relatively large parcels of developable land remain.
- There are a few disadvantages affecting the competitiveness of the Northwest Side's ability to attract industrial users. The area suffers, to some degree, from negative perception, especially with respect to crime rates. The poor aesthetic appearance of some of the commercial corridors, such as 76th Street and Silver Spring Road, may have a negative impact on how potential industrial users view the area. Recent efforts to improve the perception of the area include planned streetscaping improvements for Silver Spring Road and 76th Street and the creation of Business Improvement Districts and other neighborhood beautification programs.
- During the next five years, the City is likely to absorb between 30 to 40 acres of land annually, and the Northwest Side is likely to continue capturing approximately 80 percent of total industrial development in the City. This translates into 24 to 34 acres of land to be absorbed annually on the Northwest Side in the short run.
- In the long run, as the City creates additional industrial land for redevelopment, absorption will likely increase as well. As land elsewhere, such as the 60 acres planned for the Menomonee Valley Industrial District, becomes available, the absorption of the City as a whole will increase closer to the higher end of the projected 32 to 63 acres

annually. At this point, the Northwest Side's overall share of industrial development is likely to decrease by half to around 40 to 45 percent due to this other major competitive cluster. At this capture rate, the Northwest Side will absorb an average of 20 to 28 acres annually. However, as the land supply in the Northwest Side starts to decline, the total absorption rate and associated capture rates in the Northwest Side are also likely to decline even further.

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2. Residential Market Assessment

To determine the future potential of the Northwest Side residential market, an analysis of demographic changes and a review of housing market supply characteristics were conducted. Historical and projected trends in population and households by age and income were analyzed using data from Claritas Inc., a national demographic data provider. A determination of the general characteristics of new residential development in the Northwest Side and data regarding pricing, unit types, sizes, and profiles of homebuyers were obtained based on field survey data and interviews with developers, brokers, and Realtors who are active in the area. Historical residential development patterns and the available inventory of land suitable for residential development were also analyzed based on the City's building permit and master property data.

Demographic Trends and Projections

In 2005, the Northwest Side of Milwaukee was home to 76,474 people, accounting for more than 13 percent of the estimated 583,768 people residing in the City (see Table A1 in Appendix). This part of the city is relatively stable in terms of population change. While the City population is estimated to have declined by approximately 2.2 percent since 2000, the Northwest Side experienced only a marginal decrease in population of less than 0.1 percent. Population projections indicate that the Northwest Side will remain stable in the future, with a decline of less than 50 people.

The estimated 28,690 householders in the Northwest Side are relatively diverse in terms of age and income (see Table A2 in Appendix for a breakdown of existing households by age and income). Householders in all age cohorts between 25 and 65 years are relatively well-represented and evenly split. As shown in Table A3 in the Appendix, projections indicate that the Northwest Side, on average, will become older due to the increase in the number of empty nester (55 to 64 years) households. During the next five years, the Northwest Side is forecast to experience a net increase of more than 660 new households aged 55 to 64 years. This parallels the nationwide trend of the aging baby boomer generation and the rise of empty nester households as a prominent market segment. In addition, the Northwest Side is likely to see a slight increase in the number of households aged 35 to 64 years earning more than \$150,000 per year. The existing base of 35- to 44-year-old householders and the projected growth in relatively affluent 34- to 64-year-old householders is conducive to the development of more upscale residential units. However, more than 60 percent of the existing base of households currently earns less than \$50,000, indicating the need for affordable or moderately priced housing.

Trends in Residential Development

Even though the population as a whole appears to be stable in the Northwest Side, this part of the City has exhibited significant housing development during the past few years. Table 1 shows the total number of housing units permitted in the Northwest Side during the past six years.

Table 1: Building Permits in the Northwest Side

Permits	Single Family	Multi-family		Total
		Apartments	Duplex/Other Multi-Family	
2000	42		4	46
2001	61		0	61
2002	55	20	0	75
2003	48		6	54
2004	56	96	10	162
2005	60	64	10	134
Total	322	180	30	532
Average	54	30	5	89

Source: *S.B. Friedman & Company*

Approximately 532 residential units were issued permits for the Northwest Side during the six years from 2000 to 2005. More than 320 (60 percent) of these residential units were single-family homes, indicating an average annual absorption rate of 54 units per year. Absorption for multi-family development averaged 35 units per year in the same time frame.

Single Family: Because the Northwest Side is one of the few parts of the City with available land for subdivision style single-family development, this area alone has accounted for 40 percent of the total single-family development in the City. Most of the new single-family homes developed in the Northwest Side during the past six years are located within four major subdivisions – The Heritage, River Ridge, Fairway Place, and Riverwoods. All four subdivisions are located in the western portion of the Northwest Side, west of 91st Street. Two of the subdivisions are sold out while the remaining two are currently under development. Additionally, 96 new units are being planned for development in two subdivisions. Tara Vista Estates, located near Brown Deer and Lauer, will contain 40 single-family homes, and River View Farms, located near Bradley and Granville, will be comprised of 56 single-family homes.

The characters of these subdivisions are comparable to lower density suburban subdivision developments with curvilinear streets and cul-de-sacs, and are unlike the older, more established subdivisions in the southern and southeastern portion of the Northwest Side that follow the typical City grid. The overall density of the newer subdivisions ranges from 1.9 to 2.6 units per acre.

These neighborhoods are particularly appealing to householders who prefer a more suburban development with larger homes and lots, but who have a desire/need to live in the City. Residential brokers and Realtors in the area have indicated that many of the homebuyers are police officers, firefighters, and teachers who are City employees, and thus required to live in the City. Additionally, the majority of the homebuyers are families with children, with relatively fewer empty nester and single householders.

Table 2 summarizes averages of unit prices, unit sizes, and prices per square foot for two active, single-family developments in the Northwest Side. Most homes in these new subdivisions are either one-story ranch style homes or two-story bungalow homes with sizes ranging from 1,800 to 3,000 square feet. Typical home prices range from \$280,000 to \$350,000. However, higher end single-family homes in the Heritage subdivision have sold for more than \$350,000. Average absorption rates for the homes in these subdivisions have ranged from two to four units per month.

Table 2: Summary of Active Developments

	The Heritage	River Ridge
Number of Units Planned	176	150
Density (Units Per Acre)	1.9	2.6
Average Price Per Unit	\$375,000	\$285,000
Average Square Footage Range	2,600-2,700	1,800-3,000
Average Price Per Sq. Ft.	\$142	\$119

Source: *S.B. Friedman & Company*

Multi-family: While condominium development in the City’s downtown has boomed during recent years, there has been no significant condominium and townhome development in the Northwest Side during the past six years. For-sale multi-family residential units such as condominiums and townhouses tend to attract young professionals or empty nesters that prefer to live near shopping, restaurants, and entertainment venues, and who seek transit and pedestrian orientation. The Northwest Side on the whole is largely auto-oriented and generally lacking in these amenities, and therefore has limited attractiveness for for-sale multi-family development.

Most of the multi-family development in the Northwest Side has been limited to senior rental projects and duplex units. Two new tax credit senior projects were developed during the past six years – Garden Place and The Meeting House. Garden Place is a 64-unit age-restricted (55 years and older) facility with rents affordable to households earning 50 percent of the Area Median Income (AMI) or less. The facility offers senior independent living and assisted living for its tenants. Garden Place is fully leased up and currently has a waiting list for seniors seeking to lease apartments. The Meeting House is a 96-unit independent senior housing facility. The development is age-restricted (55 years and older), and a portion of the apartments are affordable. A third senior development called Granville Heights has been approved for the Northwest Side and is currently under construction. This development will include 135 units with rents affordable to households earning 60 percent of the AMI or less.

Map 1 on the following page shows the active and planned residential developments surveyed in the competitive inventory.

Existing Single Family Home Sales

The Northwest Side has an ample supply of affordably priced single family homes. As shown in Table 3, in 2006, the average sale price of an existing single family home in the Northwest Side was \$141,837. Sale prices of existing single family homes have increased at a rate of approximately 8% annually over the past five years and the number of total listings has increased slightly.

Table 3: Resales of Existing Single Family Homes

Year	# Listings*	Average Sold Price
2001	468	\$94,860
2002	482	\$96,995
2003	535	\$107,547
2004	548	\$119,902
2005	598	\$131,934
2006	532	\$141,837
CAGR (2000-2005)	2.60%	8.38%

Source: Metro MLS & S.B. Friedman & Company.

*Boundary: 124th Street/ County Line Road/ Teutonia Avenue/ Silver Spring Road.

Interviews with realtors and brokers suggest that age of homes is a significant factor for home values. As shown in Table 4, over 90% of existing single family housing in the Northwest Side is over 25 years old. Older and more dated single family homes generally range in price between \$100,000 and \$125,000 whereas average sale prices for newer resales (10 to 20 years of age) range between \$150,000 and \$200,000.

Table 4: Age of Housing Stock – Northwest Side

Age	Number of Units	Percentage of Total
Over 50 years	3,239	21.8%
25 - 50 years old	10,242	69.1%
Less than 25 years old	1,348	9.1%
Total Units	14,829	100.0%

Source: City of Milwaukee Assessor Data; S. B. Friedman & Company.

Future Residential Market Potential

Even though the boom in the for-sale residential market is subsiding nationally, the historical trends of residential development in the Northwest Side are likely to continue until available land for subdivisions is exhausted. Overall, there is a limited supply of available vacant land in the City, particularly for single-family development, making the available land in the Northwest Side attractive for residential development.

Single-Family: As long as there is available land for subdivision development, the average annual absorption of single-family development is likely to reflect the historical absorption rate, between 2001 and 2006, of 50 to 55 units per year. Once the available vacant land area is absorbed, the pattern of single-family development is likely to shift

from new greenfield subdivisions towards infill and redevelopment of existing structures, resulting in an overall decline in the absorption rates.

The attractiveness of future subdivision developments may be enhanced if they are designed with pedestrian and bike path linkages to community amenities such as neighborhood parks and the recreational corridor along the Little Menomonee River, as well as institutions such as community centers and schools. There are several available vacant land parcels suitable for residential development that are adjacent to the Little Menomonee River recreation corridor that would allow for such linkages.

For-Sale Multi-family: As previously indicated, there is limited demand for for-sale multi-family development, primarily because of the lack of transit and pedestrian access to shopping and entertainment amenities. However, a well designed, mixed-use development integrating various housing types at moderate prices--and which provides pedestrian linkages to shopping amenities, entertainment amenities, and park space--is likely to be successful in attracting the projected increase in the empty nester households in the area.

One potential area where for-sale multi-family development may be feasible in the Northwest Side is near the Granville Station redevelopment site. This is an ideal location for a mix of residential housing types due to access to transit and proximity to retail uses. A mix of residential products that includes for-sale multi-family housing would serve to strengthen the retail uses by generating a critical mass of residents, and would potentially help improve public perception of the area. Any new residential units developed adjacent to Granville Station should be well designed and contain pedestrian linkages to the retail and restaurant uses to enhance the synergies between the two uses and make the area more vibrant. The most dense and most intensive residential development could occur closest to Granville Station and transition into less dense development farther west as it nears existing single-family homes.

Rental Multi-family: With the rise of mortgage interest rates, the decline in the for-sale residential market, and an improving economy, market rate rental multi-family development is also likely to become more viable in the future. Rental development is also more attractive when located near transit lines, providing access to job centers, shopping, and entertainment.

There will continue to be strong demand for affordable senior facilities in the region due to the aging population, combined with the projected increase in householders aged 55 to 64 who earn less than \$50,000. It is likely that two to four tax credit senior rental projects of 70 to 100 units each will be developed in the Northwest Side during the next decade.

3. Retail Market Assessment

The competitive position of the Northwest Side retail market was determined by evaluating the existing mix of retail in the Northwest Side, and in the broader region. Based on a detailed assessment of the competitive supply of retail, a “presence-absence¹” analysis was conducted to identify a list of types of key anchor retail uses that could potentially be supported in the Northwest Side. Interviews with retail brokers and developers were conducted to obtain information on rents and occupancy levels, and to gain additional insights on the overall retail potential of the Northwest Side.

Existing Retail Supply in the Northwest Side

Currently, there are approximately 2.8 million square feet of retail space within the Northwest Side. Table A4 lists the retail centers with information regarding the size and type of retail establishments. Map 2 on the following page shows the spatial distribution of the retail centers in the Northwest Side. As shown on Map 2, the majority of the retail centers are located within the following three nodes/corridors:

Brown Deer Road and 76th Street node: The most significant retail cluster in the Northwest Side is located along Brown Deer Road near the 76th Street intersection. This cluster accounts for more than 40 percent of the area’s total retail space. One of the more recent additions to this cluster is Granville Station, a power center which opened in 2004 following redevelopment of the former Northridge Mall, which closed in 1999. The 320,000-square-foot retail center is located on the northwest corner of Brown Deer Road and 76th Street, and includes Menard’s, Pick N Save, Value City Furniture, and several outlots, some of which are still being developed and leased. Along Brown Deer Road, to the west of Granville Station, there are several freestanding “big box” stores such as Target, Wal-Mart, and Best Buy. This cluster also includes some older, obsolete shopping centers that have high vacancy rates ranging from 10 to 50 percent. Retail rents in this area generally range from \$8 to \$12 per square foot for smaller scale in-line retail, and from \$6 to \$8 per square foot for big box retail. Rents at Granville Station are likely to be higher because it is a relatively new center. However, the retail broker for Granville Station was unwilling to share rent information because the center is still being leased up.

76th Street corridor: The retail in this corridor is spread out between Brown Deer Road to the north and Silver Spring Road at the southern end of the study area. Many of the smaller neighborhood centers along this corridor are older, obsolete retail centers that are currently underutilized and are likely to be redeveloped. There is an emerging retail cluster along this corridor at the intersection of 76th Street and Good Hope Road which includes a Home Depot and Pick N Save, as well as many smaller-scale retail developments. Sam’s Club is also located slightly to the north near the intersection of 76th and Calumet Road.

¹ A presence-absence analysis is conducted to identify specific retail categories of types of stores that are missing in the market area, based on a review of the inventory of existing retail stores in the market area by retail category.

Silver Spring Drive corridor: The retail located along Silver Spring Road is smaller in scale and more spread out. It is primarily composed of neighborhood-oriented convenience uses that tend to serve the nearby residents. Silver Spring Road, with its many underpasses and overpasses, is designed to move traffic quickly and avoid unnecessary stops at lights, and for pedestrians. This design, however, poses a challenge to retailers, who tend to locate in areas that are easily accessible by both automobiles and pedestrians.

Competitive Retail Clusters Near the Northwest Side

As shown in Map 3 on the following page, there are four key competitive retail nodes/centers near the Northwest Side that are regional retail destinations and draw customers from a larger area. The following are likely to be the most competitive within the Northwest Side due to their proximity, ease of access, and tenant mix.

Retail Cluster in Menomonee Falls: This cluster, located west of the study area at County Line Road and Appleton Avenue, contains many of the same retailers (Best Buy, Target, and Wal-Mart) as the Granville Station cluster. Interviews with brokers and Realtors indicate that many of the buyers of new single-family homes in the western portion of the study area drive to the Menomonee Falls cluster to do most of their shopping. Part of the reason for this is easy access via US 41 and US 45. Another factor is the perception of safety at the retail destination at Menomonee Falls versus the Northwest Side.

Midtown Center: This recently redeveloped retail center is located south of the study area at Capitol and Fond du Lac. This urban outdoor mall is arranged in a “Main Street” style and includes big box stores such as Wal-Mart and Lowe’s, as well as smaller retailers, including Starbucks, Culver’s, and Payless Shoes. The layout and design of this center provides a sense of place and is unique relative to all the other competitive centers which could potentially enhance the drawing power of the center.

Marketplace and Brown Deer Center: The Marketplace at Brown Deer and the Brown Deer Center, located in the Village of Brown Deer near the intersection of Brown Deer Road and Green Bay Road, comprise another competitive regional center. These centers include many retailers that are not currently located within the Northwest Side including Marshalls, Anna’s Linens, TJ Maxx, Kohl’s, Office Max, and Old Navy.

Bayshore Mall: This is the nearest super-regional mall to the Northwest Side. Located in the Northshore suburb of Glendale, this center is currently being redeveloped and repositioned as a “lifestyle center.” Situated just west of I-43 on Silver Spring Road, the mall is home to many higher end retailers such as the Boston Store, Sears, Williams Sonoma, and Banana Republic, and may therefore draw some customers, especially the more affluent residents, from the Northwest Side.

Automobile Dealership Cluster in the Northwest Side

In addition to retail clusters, there is an emerging automobile cluster in the Northwest Side. The Metro Auto Mall, located at 107th & US 45, is a 10-acre site that is being developed as an automobile sales center. Multiple dealers, including Toyota, Hummer, Chevrolet, and Carmax, have already located on the site, and Nissan and Honda dealerships are planned for the future. This regional automobile sales center has resulted in the shift of automobile sales from the 76th Street corridor to this new node. In the future, it is possible that sites along 76th Street, formerly occupied by auto dealers and those with existing auto dealerships, will become vacant and be redeveloped as other uses.

Competitive Position

Several factors influence the Northwest Side's potential to attract and support retail development. While some factors serve as strengths providing opportunities for expanding the range of retail uses in the area, others can limit the potential for retail development.

Strengths. The recent redevelopment of the former Northridge Mall site into Granville Station has generated new interest and activity in the area. Occupancy levels within the Granville Station redevelopment appear to be significantly higher than those at the older shopping centers along Brown Deer Road. Since leasing began approximately five years ago, the development has been successful in attracting two major anchors and several smaller retailers, and additional deals are pending. The success of the new development suggests that further revitalization of the area's retail is likely to continue.

The recent development of single-family homes in the western portion of the Northwest Side is a major strength for existing and future retail in this area because these new residents translate into potential sales at Granville Station. The added density and household income created by these residential developments will likely enhance retail activities in this area. The potential for continued single-family residential development is high, and as more households move into the area's new single-family developments, retailers are likely to benefit from increased spending and a greater share of the market area.

Also, as the redevelopment of Granville Station continues, the rear portion of the former mall building, which is no longer suitable for retail uses, may also be redeveloped into other uses that could complement retail. This site, which fronts the mall road, lacks the visibility to be viable for retail, but it may be a good site for residential uses. The proximity of the rear portion of the mall to the new Granville Station retail makes it an attractive place for new residential development. The new single-family development and the potential creation of additional residential uses in this area would work to enhance and support existing and future retailers.

The Northwest Side has the potential to reposition itself as an area with two strong retail clusters – one at Granville Station, the other at 76th Street and Good Hope Road. The

recent revival of this area is likely to make it more attractive to retailers looking to relocate into this area.

Weaknesses. The retail environment on the Northwest Side is highly competitive. Retailers face competition from the four main nearby retail clusters mentioned earlier, all of which are approximately equidistant from the Granville Station site, the heart of the Northwest Side's retail district. Much of the retail in the Northwest Side is scattered throughout major arterial streets and lacks the synergy and drawing power of a concentrated retail cluster/node

Retail rents on the Northwest Side for most types of retail centers generally lag behind the rest of the Milwaukee Metro Area while vacancies, on average, appear to be higher. Table 5 below illustrates the vacancy rates and weighted average rents for different types of retail on the Northwest Side and the rest of the Milwaukee Metro Area.

Table 5: Vacancy Rates and Weighted Average Rents for Different Types of Retailers

	Community		Free-standing		Neighborhood		Strip	
	Vacancy Rate	Weighted Average Rent	Vacancy Rate	Weighted Average Rent	Vacancy Rate	Weighted Average Rent	Vacancy Rate	Weighted Average Rent
Northwest Side [1]	2.2%	\$ 12.97	42.0%	\$ 15.00	19.8%	\$ 9.24	11.5%	\$ 11.38
Milwaukee Metro Area	3.6%	\$ 13.86	15.7%	\$ 10.30	10.8%	\$ 11.42	10.0%	\$ 16.52

[1]The Northwest Side Submarket includes the Village of Brown Deer.

Sources: Grubb & Ellis and *S.B. Friedman & Company*

Rents for all types of centers in the Northwest Side except freestanding centers (which are the newer, more established retail centers) are lower than the Milwaukee Metropolitan average. Typically, retail rents are a function of the total sales revenues retailers are able to make, and lower rents are indicative of weaker sales in the Northwest Side relative to the Metropolitan Area.

Accessibility may also be a disadvantage for the retail market in this part of the City. Unlike Bayshore Mall, which is positioned along I-43, the Menomonee Falls retail, which is conveniently located off of U.S. Route 45, and the Marketplace and Brown Deer Center, which are located between I-43 and Granville Station, the Northwest Side's retail is not located along a major highway. The Northwest Side's retail clusters are less visible, and may be more challenging to access than other competitive retail clusters. Additionally, the Northwest Side is more distant from the urban core of the City and has limited ability to tap into the denser urban submarkets within the City relative to more centrally located retail centers such as Midtown.

Perception of crime in the Northwest Side is also a challenge facing the area's retail potential. Even though recent redevelopment of the Northridge Mall into Granville Station is a positive indication, interviews with retail brokers and residential Realtors suggest that safety continues to be an issue in the area.

Retail Market Potential

The retail supply analysis shows a highly competitive retail environment in this part of the City, with significant market representation in most of the shopping center tenant classifications such as general merchandise, hardware, and discount apparel and accessories stores. However, a presence-absence analysis of existing inventory of retail establishments in the Northwest Side indicates market niches or gaps in the supply. The analysis and interviews with retail brokers indicate that the following retailing categories may be supportable in the short term based on current market conditions:

Café/coffee shops. Coffee shops such as Starbucks, Caribou, or Alterra Coffee do not currently have any locations within the Northwest Side, and could potentially locate in this part of the city, most likely near Granville Station. These uses tend to prefer to locate as outlot developments of larger centers, but could also potentially be key tenants of more neighborhood-oriented centers that are integrated with residential development.

Fast casual and casual restaurants. Much like café/coffee shops, casual restaurants such as Panera Bread, Culver's, Houlihan's, or Applebee's are missing in the Northwest Side. With the strong industrial and office clusters in the Northwest Side, casual restaurants are likely to be able to attract employees during lunch hours. These uses also prefer to locate as outlot developments of larger centers, or as key tenants of more neighborhood-oriented centers. When part of neighborhood centers, these uses should have strong pedestrian links to surrounding residential neighborhoods.

Home decoration and furnishing store. Home decoration and furnishing stores, such as Bed Bath and Beyond and Linens N Things, are also absent from the Northwest Side. Currently, it appears that consumers in the Northwest Side fulfill their home furnishing needs primarily from the home furnishings sections of department stores and power centers such as Target and Wal-Mart. If residential growth trends continue and this area continues to attract new single-family residential development, market demand for home decoration and home furnishing stores will likely increase. These kinds of users tend to be 40,000 square feet in size and serve as anchors of larger community or regional centers, which tend to be more auto-oriented in nature.

In addition to the categories of retail identified above, other retailing niches identified in the "presence-absence" analysis are as follows:

- Bookstore
- Sporting goods store
- Additional apparel/shoes/accessories stores
- Fitness center/gym

While these retail categories are currently either missing or underrepresented in the Northwest Side, retail brokers indicate that the current demographic and income characteristics in the Northwest Side are not conducive to attracting these retailers. The likelihood that these uses are supportable in the Northwest Side in the future is dependent on several factors, including the

availability of suitable sites (including traffic counts, access and visibility) to accommodate the requirements of these retailers and the pace of future residential growth and corresponding income growth. Additional analysis that reviews retail sales potential relative to the supply of existing and planned retail would need to be performed to determine if such retail categories can be supported in the future.

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4. Office Market Assessment

To understand the growth dynamics of the office market in the Milwaukee region, historical absorption trends and vacancy rates for Class A and Class B office market space were reviewed. Although a significant stock of Class C office space exists in the region, this type of space was not analyzed due to the lack of consistent time series data on the total stock and vacancy/occupancy of Class C space. In addition, Class C space tends to be older and less in demand. Therefore, it is less likely to compete with new development at Park Place – the major office park in the Northwest Side.

Employment trends are a significant driver of absorption for office space. Therefore, trends and future projections of total regional employment in North American Industry Classification System (NAICS) sectors deemed likely to dominate office employment were analyzed. Interviews with property managers and developers in Park Place were conducted to obtain an understanding of the competitive position of Park Place, the available land for development, and their likely future plans for development.

Regional Office Market Trends

Since 1995, the regional Class A and B office markets in the Milwaukee Metropolitan Region have broadly reflected the nationwide economic cycle of growth during the 1990s and decline during the early 2000s. Table 6 shows an annual summary of the Class A and B regional office markets from 1996 to 2005.

Table 6: Annual Class A and Class B Office Market Summary [1]

Year	Total Space (Square Feet)	Vacancy Rate	Total Occupied Space (Square Feet)	Net Absorption (Square Feet)	Net New Space Added [2] (Square Feet)
1996	10,894,656	11.5%	9,642,684	172,395	n/a
1997	10,894,451	9.1%	9,898,980	256,296	-
1998	11,503,751	10.1%	10,342,167	443,187	609,000
1999	12,021,811	10.3%	10,780,925	438,758	518,000
2000	12,469,362	9.4%	11,294,368	513,443	448,000
2001	13,147,349	10.8%	11,729,638	435,270	678,000
2002	13,382,805	12.2%	11,751,442	21,804	235,000
2003	14,302,404	14.1%	12,282,844	531,402	920,000
2004	14,302,095	16.1%	12,001,804	(281,040)	-
2005 (2 nd Quarter)	14,301,941	15.6%	12,072,053	70,249	-
Average 1996- 2000 [3]		10.1%		364,816	393,750
Average 2001-2005		13.8%		155,537	366,600

[1] Excludes Northshore office market because data prior to 2001 was not tracked by RFP

[2] Rounded to nearest thousand

[3] Average excludes 1996 data for “Net New Space Added”

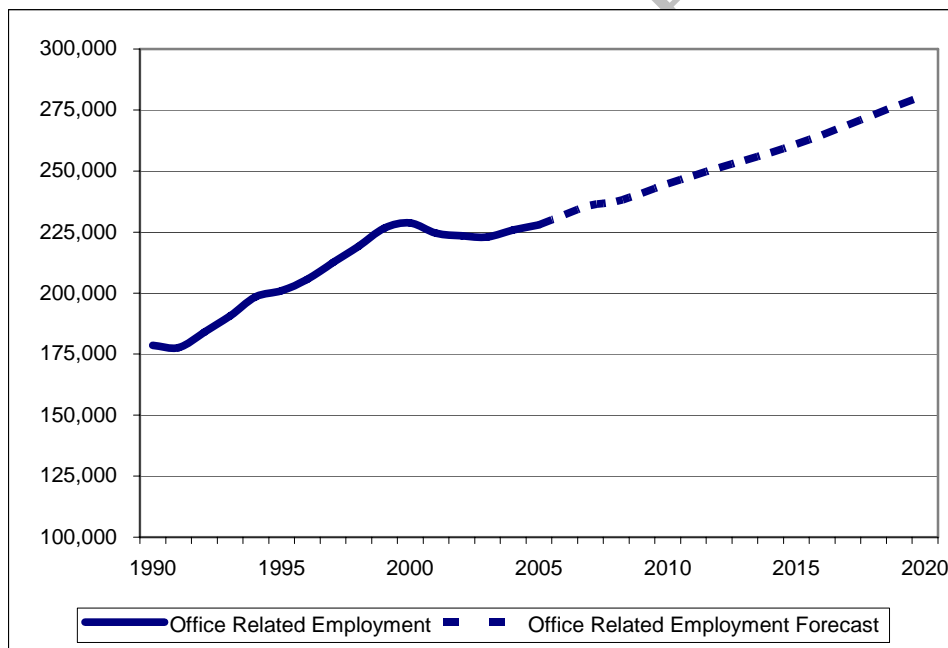
Sources: RFP Commercial and *S. B. Friedman & Company*.

Since the national economic recession in 2001, net absorption rates have slowed, and vacancies increased to more than 16 percent in 2004. However, by the second quarter of 2005, the office market showed some recovery with a positive absorption of more than 70,000 square feet and a decline in vacancy to 15.6 percent. Additional anecdotal information from regional office brokers reinforces this outlook, with generally positive leasing trends reported during recent months. Even though this is indicative of an improving office market, vacancy rates for Class A and B space remain approximately 50 percent higher than the historical baseline of 10 percent. Therefore, the rate of absorption for new space is likely to be slow during the next five years, until (1) overall vacancy levels return to historical baseline levels of approximately 10 percent and/or (2) lease rates for existing properties increase to levels that make new construction a feasible alternative. Regardless of market conditions, however, “build-to-suit” opportunities may occur as some users desire space specifically designed to accommodate their business.

Regional Employment Trends

Growth in regional office employment is generally considered the primary driver of office space development and absorption. Figure 1 shows the historical and forecast trends of the office market in the Milwaukee Primary Metropolitan Statistical Area (PMSA).

Figure 1: Milwaukee PMSA Office-Related Employment Trends and Projections



Sources: Moody’s Economy.com and S. B. Friedman & Company.

The Milwaukee area regional market experienced strong employment growth in office-related sectors during the 1990s. Employment in these sectors grew at a compounded annual rate of 2.5 percent between 1990 and 2000, adding more than 50,000 jobs during the 10-year period. From a peak of nearly 229,000 jobs in 2000, total office employment in the four-county region declined

for three years in a row, resulting in a total loss of more than 5,700 jobs. Since 2003, office employment has recovered, but has grown at a slower pace of 1.1 percent a year. This data generally correlates with the lag in office absorption that took place between 2002 and 2004. Projections indicate that office employment will continue to grow, and that the pace of growth will increase to an average annual compounded growth rate of approximately 1.4 percent during the next 15 years.

Northwest Side Office Market

The major cluster of corporate office uses within the Northwest Side of Milwaukee is at Park Place – a modern office park roughly bounded by U.S. Route 41/45 on the west, Good Hope Road on the south, 107th Street on the east, and Bradley Road on the north. The office park is surrounded by a golf course to the north; residential development to the north, east, and south; and U.S. Route 41/45 to the west.

The key advantages of Park Place include its highway access and visibility and the availability of land for future development. The park has a strong presence and distinctive character due to the two tall office towers, central water feature, and landscaping elements. In addition, Park Place includes several key amenities necessary to attract firms and employees such as the Hilton Garden Inn, a 128-room hotel with a business center and meeting rooms; a KinderCare day care center; a small neighborhood retail center with a coffee/sandwich shop; and Tumbleweed Southwest Grill. A new hotel is also planned for development at the southeast corner of the Park Place site, near the intersection of 107th Street and Good Hope Road.

The Park Place office cluster currently occupies approximately 300 acres of land. While the office park has limited potential for further expansion due to the lack of adjacent vacant land, there is approximately 45 to 50 acres of vacant land within the park that is developable for future office space. The key landowners, Marshall & Illsley Corporation and Liberty Property, own 27 acres and 14 acres of land, respectively. In addition, a 55-acre site in the northeast corner of the park which is owned by Metavante, a subsidiary of Marshall & Illsley Corporation, appears to be only 50 percent utilized. Therefore, in total, there are likely to be approximately 75 gross acres at Park Place that have potential for future office development. However, site constraints such as detention requirements and slope may limit the net developable area.

The total estimated 1.7 million square feet of office space at Park Place (Class A, B, and C) was developed over a period of approximately 23 years from the early 1980s, indicating an average development pace of approximately 75,000 square feet a year. Currently, approximately 131,000 square feet of space are available in the park's multi-tenant buildings. The floor area ratio of existing development ranges from 0.1 to 0.33 for the low-rise one- to three-story office buildings, and up to 0.6 for the two high-rise towers at the office park. Interviews with office brokers within Park Place indicate that triple net rents range from \$10.00 annually per square foot for older space to \$14.00 for the newer Class A space. Expenses such as common area maintenance, insurance, taxes, and utilities range from \$7.50 to \$9.00 per square foot.

In terms of the regional Milwaukee office market, Park Place is considered by real estate brokers to be a part of the Northwest Submarket. This submarket also includes Woodland Prime, an office park located in Menomonee Falls, approximately two miles west of Park Place. Currently, there are significant vacancies in this park due to the economic downturn and the loss of two major occupants -- Strong Capital Management Inc. and GE Medical. Strong Capital Management Inc., the original developer and key occupant of the park, was sold, and GE Medical consolidated their regional operations into a new 500,000-square-foot facility at the Milwaukee County Research Park in the City of Wauwatosa. The current vacancies in Woodland Prime and the region negatively affect the market potential for office development in the Northwest Side.

Future Office Market Potential

Future corporate office market development in the Northwest Side of Milwaukee is likely to be limited to the 75 acres of gross land area in Park Place, as there appears to be no other available land parcels in the Northwest Side adjacent to primary transportation routes that could be assembled to support another major office park development. However, smaller scale professional office space may be developed as part of future retail center development, or as standalone professional office buildings at key arterial corridors such as Brown Deer Road and 76th Street.

Higher-than-average vacancy rates suggest an oversupply of office space in the regional Milwaukee market. In such a competitive environment, the typical lease-up time for new speculative multi-tenant office buildings is likely to be longer and have greater financial risk. Therefore, landowners at Park Place such as Liberty Property Trust are currently considering built-to-suit development opportunities rather than multi-tenant speculative office developments. In such developments, prospective tenant(s) or buyer(s) typically execute a deal with the developer prior to development to lease or purchase the space that would be developed, thus mitigating the lease-up risk after development for the developer. However, there are fewer built-to-suit deals executed on the whole because such deals are typically executed with users who desire a larger space and represent a much smaller fraction of the entire market. If no built-to-suit deal is secured and the office market rebounds, landowners are likely to consider speculative developments and/or a combination of speculative and build-to-suit developments in the future.

Future office development is likely to follow recent development patterns of one- to two-story structures for built-to-suit developments, or three-story office buildings for multi-tenant buildings. Assuming historical development intensities for low-rise developments continue at an average FAR of 0.2, the total new office space that could potentially be added at Park Place if all 75 acres are developed (assuming no significant physical constraints to development) is estimated to be 650,000 square feet. At the historical development pace, this would take eight to 10 years to develop.

5. Industrial Market Assessment

In order to understand and assess historical growth patterns and future potential for industrial development on the Northwest Side, a market analysis was conducted. The market analysis included a review and analysis of historical building and land absorption trends, as well as interviews with industrial land brokers, current industrial users, and planning staff at the Department of City Development involved in industrial redevelopment.

Regional Market Trends

The “Milwaukee Industrial Land Base: An Analysis of Demand and A Strategy for Future Development” (“*SBFCo* study”) report prepared by *S.B. Friedman & Company* in May 2004 reviewed current trends in the regional and local industrial market and projected the future demand for new industrial space in the City. Based on an analysis of The Polacheck Company’s² industrial data, the *SBFCo* study showed that between 1995 and 2000, approximately 33.4 million square feet of industrial space and over 2,550 acres of industrial land were absorbed in the Milwaukee Metropolitan area. The *SBFCo* analysis showed that during the five-year time frame between 1995 and 2000, the City of Milwaukee captured approximately 7 percent of this total regional industrial growth at an average annual absorption rate of approximately 32 acres a year. A second data source, the industrial transaction data tracked by the Milwaukee Business Journal², showed that the City captured 15 percent of the total growth in the region between 1997 and 2002. Overall, the City had a capture rate of regional industrial absorption that ranged from 7 to 15 percent. Therefore, while the City experienced growth in industrial development, most of the remaining growth (85 to 93 percent) in new industrial development that occurred during the past decade occurred in the suburban counties of the Milwaukee Metropolitan Area. The *SBFCo* study attributed this trend primarily to the relative shortage of clean developable land in a business park atmosphere in the City, with good highway and interstate access, compared to the suburban areas. Interviews undertaken more recently with industrial brokers as a part of this study confirm this finding.

Future potential for industrial development in the City of Milwaukee is likely to continue to be constrained by the lack of suitable industrial land. There are recent efforts to replenish the available stock of industrial land in the City (as described later in this chapter) through the demolition and remediation of older/obsolete industrial property. However, the existing supply of available greenfield land suitable for industrial development in the City, which is primarily located in the Northwest Side, is also simultaneously being absorbed. Therefore, the historical capture rates of industrial development in the City ranging from 7 to 15 percent of the total metro area industrial development are unlikely to be exceeded until the supply of suitable industrial land in the City is increased substantially relative to current levels. The *SBFCo* study projected the future absorption rate of industrial land in the Milwaukee Metro area based on the relationship between the overall economy and overall economic trends. The future annual absorption of industrial land in the City was projected to range from 32 to 63 acres based on

² Both The Polacheck Company and the Milwaukee Journal have discontinued tracking detailed industrial absorption in the region.

projection of the regional absorption rate of industrial land and the City's historical capture rates (7 to 15 percent) of regional industrial growth.

To gain further insights regarding the historical absorption trends of industrial land in the City, the Milwaukee Master Property File was analyzed. Based on the land use designations and the "Year Built" field which indicated the year in which a specific improvement was developed, the historical absorption data of industrial space in the City was compiled. Table 7 illustrates the historical absorption of industrial space in the City by decade.

Table 7: Historical Absorption of Industrial Space in Milwaukee [1]

Decade	Average Annual Land Area Absorbed (Acres)
1970s	41
1980s	43
1990s	38
2000s[2]	29
Average 1970-2000	41
Average 1970-2005	38

[1] City of Milwaukee Master Property File data for Land Use Code 8 "Manufacturing, Construction, and Warehousing Space."

[2] The 2000s time period ranges from year 2000 to 2005

Source: City of Milwaukee Assessor Data; *S. B. Friedman & Company*

As shown in Table 7, the average annual absorption of land in the City over the past three decades has been 41 acres, which is nearly at the middle of the *SBFCo* high and low projection range. Additionally, annual absorption rates have declined in recent years relative to the 1970s and 1980s. While the economic recession following 9/11 is a major contributing factor to the decline in absorption between 2000 and 2005, the slowdown in absorption since the 1990s is explained at least in part by the limited supply of suitable industrial land in the City. As more suitable land is added to the City's stock of industrial land and the economy emerges from the recent downturn, the absorption rates in the City are likely to improve.

Northwest Side Industrial Market

Historical absorption in the Northwest Side was analyzed and compared to the overall absorption in the City to obtain a sense of the scale and size of the Northwest Side industrial submarket. The analysis was based on data from the Milwaukee Master Property File and included all economic sectors classified as manufacturing, construction, or warehousing space. Table 8 shows the historical absorption of industrial space in the Northwest Side compared to the City as a whole during the past 15 years.

Table 8: Absorption of Industrial Space – City of Milwaukee and the Northwest Side [1]

Year	City of Milwaukee		Northwest Side			
	Bldg Area Developed (SF)	Land Area Absorbed (Acres)	Bldg Area Developed (SF)	Land Area Absorbed (Acres)	Bldg Area Capture Rate	Land Area Capture Rate
1990	715,551	67	595,866	54	83%	81%
1991	727,916	90	671,403	86	92%	96%
1992	280,100	66	243,840	62	87%	94%
1993	514,575	53	274,472	37	53%	70%
1994	240,831	28	216,167	22	90%	79%
1995	83,248	8	22,440	2	27%	25%
1996	41,131	7	41,131	7	100%	100%
1997	310,621	21	72,874	7	23%	32%
1998	84,397	29	71,900	16	85%	55%
1999	61,373	6	61,373	6	100%	100%
2000	1,476,168	136	1,179,724	136	80%	100%
2001	92,902	6	40,774	3	44%	61%
2002	142,258	20	129,861	20	91%	100%
2003	71,710	8	0	0	0%	0%
2004	52,130	4	0	0	0%	0%
Total	4,894,911	550	3,621,825	459	74%	84%
Average 1990-2004	326,327	37	241,455	31	74%	84%
Average 1990-1999	305,974	38	227,147	30	74%	80%
Average 2001-2004	89,750	9	42,659	6	48%	62%

[1] City of Milwaukee Master Property File data for Land Use Code 8 "Manufacturing, Construction, and Warehousing Space."

Sources: City of Milwaukee Master Property File and *S.B. Friedman & Company*

Analysis of historical absorption data shows that nearly three-quarters of the total building area and over 80 percent of the land area developed for industrial uses within the City of Milwaukee during the past 15 years has taken place on the Northwest Side, underscoring the area's importance as an industrial submarket. As shown in Table 8, of the nearly 550 acres of industrial land absorbed by the City between 1990 and 2004, the Northwest Side absorbed nearly 85 percent or 460 acres of industrial land. Annual absorption within the City and the Northwest Side has generally followed the national economic cycle. During the nationwide economic boom of the 1990s, annual absorption in the City equaled approximately 38 acres. Industrial development peaked in 2000 in the City, when 30 new industrial developments absorbed 136 acres of land, and then sharply declined. While the overall industrial absorption in the City peaked and declined, the capture rate of the Northwest Side has generally remained consistent at nearly three-quarters of the total industrial building area and over 80 percent of industrial land area in the City during a 15-year period.

The strong historical capture rates of the Northwest Side are primarily due to the greater availability of clean development-ready sites in this area relative to the rest of the city. The Northwest Side has historically contained most of the development-ready land ideal for industrial

development because of the availability of vacant greenfield sites suitable for industrial uses. The rest of the City contains only smaller pockets of development-ready land and lacks the large industrial parcels that are still available on the Northwest Side.

The recent slowdown of industrial development within the Northwest Side in 2003 and 2004 reflects the overall nationwide and regional economic downturns since 2001. Another key factor is that parcels within the Northwest Side suitable for industrial use are slowly getting used up, leading to fewer available sites.

Distribution of Northwest Side Industrial Businesses

Most of the land on the Northwest Side that is zoned for industrial use lies along three major railroad lines. Various industrial parcels within the Northwest Side belong to the City of Milwaukee's Land Bank Program. The vast majority of the industrial uses in the Northwest Side are generally located in the following two areas.

Bradley Woods Business Park Area. The core industrial area of the Northwest Side is located near the Bradley Woods Business Park, which is roughly bounded by the Chicago and Northwestern Railroad and Dean Road on the north, the city limits on the east, Bradley Road to the south, and 91st Street to the west. This area, which is heavily developed with industrial uses, should be the focus of industrial retention because there are relatively few remaining large parcels that are suitable for industrial development. Most of the remaining parcels average 2 to 6 acres in size (although there is one 17-acre parcel) and are scattered between existing industrial developments.

Havenwoods Area. Unlike Bradley Woods, the Havenwoods area does have land available for additional industrial development. The Havenwoods area is roughly bounded by Good Hope Road on the north, Sherman Boulevard on the east, Silver Spring Road on the south, and 76th Street on the west. This industrial area is significant because it contains the largest amount of land available for future industrial development. The Havenwoods industrial area was the focus of another previous study conducted by *SBFCo*, which outlined key parcels and strategies developing them. At the time of the study, approximately 90 acres of industrial land was available in Havenwoods.

Since the study was completed in March 2001, the City has taken action by moving forward with the development of a 65-acre greenfield site known as the Bacher Farms Site. Twenty-five acres of the 65-acre Bacher Farms site, located near 60th Street and Green Tree Road, will soon house a U.S. Department of Labor Job Corps training center. Construction of the campus-like center--which will be comprised of seven buildings, including two dormitories (which will house up to 300 people), an administration building, a gymnasium, and several classroom buildings--is expected to begin by 2008. The Job Corps program will house and educate 18- to 24-year-olds in the construction trades. Although this use will not yield a direct tax benefit for the City, it is expected to help to improve the image of the Northwest Side and serve as a catalyst for further development of the remaining 40 City-owned acres of the Bacher Farms site. Potential

users of the remaining 40 acres could be of any size, and may range from several smaller users to one large user that occupies the entire 40 acres. For the rest of the site to be developed, either an access road or an easement will likely have to be built so that other users may have access to the site.

Additionally, since the Havenwoods Study was released, a formerly vacant 500,000-square-foot industrial building has been reused. The building, located in the western portion of “Site D” at the northeast corner of 76th Street and Florist Avenue, is currently occupied by light manufacturing and distribution uses.

The development of other parcels mentioned in the Havenwoods Study has not yet moved forward. Development of “Site I,” located on the south side of Mill Road between 67th Street and 73rd Street, has stalled. Roughly half of “Site D”--which is roughly bounded by 64th Street on the east, Florist Avenue on the south, 76th Street on the west, and the railroad on the north--was recommended for industrial use, and is likely to be at least partly redeveloped with tax-exempt church uses. These sites represent key opportunities to generate additional industrial activity in the city, and rezoning should be considered based on specific characteristics of the sites according to the guidelines set forth in the 2004 “Milwaukee’s Industrial Land Base” study.

The remaining available industrial land on the Northwest Side is generally scattered along the three railroad lines. Most of these vacant parcels are smaller and present opportunities for small-scale infill redevelopment. Some of these parcels may have access issues and tend to include a mix of land uses, making them less ideal for future industrial expansion.

Competitive Industrial Land in the City of Milwaukee

Currently, there is not much land within the City that competes with the Northwest Side for industrial development. In the future, however, the City has plans to create additional industrial land that may compete with the Northwest Side.

Menomonee Valley Industrial Center. The entire Menomonee Valley stretches about five miles and includes approximately 1,200 acres of land. Most of the Menomonee Valley is developed with industrial and commercial uses. The Menomonee Valley Industrial Center, located in the western portion of the Valley, contains approximately 60 acres of developable land that is currently being remediated, and which will be available for industrial development within the next five years. However, none of this land is currently available for industrial development. The Menomonee Valley has been successful in attracting various industrial users because it is centrally located along a major expressway and is near the lakefront. As more land becomes available in this area, industrial users are likely to locate there.

Mitchell Airport. The area by Mitchell International Airport, near the southeast side of the City, includes industrial businesses. The area experienced a decline in airport-related industrial activity following 9/11, but appears to be experiencing a renewal of activity.

Although a significant amount of the industrial land in this area is outside the City limits, there is some land available within the City limits and there may be potential for future industrial growth on existing vacant developable land.

Port of Milwaukee. In the past, the Port area was home to many booming industrial uses. While industry is still located in this part of the city, the future of this industrial district is unknown. The Port area, located south of downtown, is adjacent to newly redeveloped downtown areas such as the Third Ward, making it attractive for conversion rather than industrial redevelopment. Additionally, a planned transit line near the area may add pressure to change land use from industrial to residential or mixed use with residential rather than industrial.

Key Industrial Location Decision Factors

Interviews with brokers and industrial users suggest that the following are key real estate factors that influence the location decisions of industrial users.

- **Land availability.** The availability of clean, development-ready land with infrastructure is the one of the most important factors in industrial location decisions.
- **Parcel Size.** Parcel size plays a role, as many mid- to large-sized manufacturing businesses are looking to expand but require parcels of at least 30 acres. Parcels of this size are often difficult to find in the city, as there are limited vacant sites that can be assembled to this size.
- **Proximity of Compatible and Incompatible Land Uses.** Industrial users tend to prefer to locate in clusters, thereby making the proximity to nearby industrial users a likely influence on industrial location decisions. An industrial/business park atmosphere designed with features to create a unique identity is attractive for users. While such developments are common in the suburbs, where land parcels may be assembled to create a 100- to 200-acre business park, there is almost no vacant land area of similar size in the City to establish a large park-like identity. Industrial users also prefer to locate away from conflicting land uses such as residential.
- **Proximity to Transportation Corridors and Amenities.** Industrial users also prefer to locate near major transportation corridors, and within driving distance of amenities such as restaurants and retail for their employees.

Competitive Position of Study Area

The Northwest Side boasts several key advantages in terms of attracting and retaining industrial users. Although the industrial sites in the Northwest Side are not located along major interstate highways, the available sites offer easy access to major highways and roadways while avoiding the congestion associated with a downtown area. Additionally, businesses located within the Northwest Side are able to tap into the area's large available labor force. These workers are able to commute to the Northwest Side relatively easily due to the mass transit networks available within the city limits. Also, the Northwest Side is one of the few places in the city where relatively large parcels of developable land remain.

There are a few disadvantages affecting the competitiveness of the Northwest Side's ability to attract industrial users. Interviews with brokers and business owners have indicated that the area suffers, to some degree, from negative perception, especially with respect to crime. The poor aesthetic appearance of some of the commercial corridors, such as 76th Street and Silver Spring Road, may have a negative impact on how potential industrial users view the area. However, the industrial business community, along with various community groups and the City, has recently made efforts to improve the perception of the area. Efforts include planned streetscaping improvements for Silver Spring Road and 76th Street and the creation of Business Improvement Districts and other neighborhood beautification programs.

Future Industrial Market Potential

Future industrial development on the Northwest Side is likely to be limited by lack of available sites and future competition from other parts of the City. The previous *SBFCo* study concluded that future annual absorption of industrial land within the City is estimated to range from approximately 32 to 63 acres annually. During the past 15 years, there were few competitive products available in terms of greenfield industrial sites within the City of Milwaukee. This resulted in nearly 85 percent of the City's industrial development, in terms of land area, occurring within the Northwest Side.

In the short term, the 85 percent capture rate is likely to continue, as there is currently no additional land available for industrial development. During the next five years, as the economy recovers, the City is likely to follow historical trends and absorb between 30 to 40 acres of land annually. The Northwest Side has the potential to continue capturing approximately 80 to 85 percent of total industrial development in the City. This translates into roughly 24 to 34 acres of land to be absorbed annually on the Northwest Side in the short run.

In the long term, as the City creates additional industrial land for redevelopment, absorption in the City will likely increase as well. As new land, such as the Menomonee Valley Industrial Center, is slowly added to the inventory of available industrial land in the City, the annual average absorption of industrial land in the City as a whole could rise closer to the higher end of the projected 32 to 63 acres. However, the Northwest Side's overall share of industrial development is likely to decrease by half to around 40 to 45 percent due to this other major competitive cluster. At this capture rate, the Northwest Side will absorb an average of 20 to 28 acres annually. However, as the land supply in the Northwest Side starts to decline, the total absorption rate and associated capture rates in the Northwest Side are also likely to decline even further.

Strategies to Enhance Industrial Development

One way to promote industrial development is to increase the overall supply of industrial land in the Northwest Side. This can be achieved by consolidating existing vacant sites, making underutilized sites development-ready, and aggressively marketing these sites to potential users. Also, to preserve existing land suitable for industrial development, rezoning requests should be

evaluated using the guidelines set forth in the previous *SBFCo* study. The use of these guidelines will help ensure that industrial land is rezoned only where appropriate.

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Appendix

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