



# Industrial Real Estate Update

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**WCAI Presentation**  
**December 3, 2009**



# Presentation Overview

- Noteworthy Transactions
- Redevelopment
- New Construction
- Proposed Construction
- Appraising "**Green**"
- Market Considerations
- Forecast

# Noteworthy Transactions

*Mitchell Distribution Center  
5150 S. International Drive, Cudahy*



- **Building Size:** 151,064 Sq. Ft.
- **Sale Price:** \$6,400,000 (\$42.37/SF) on 8/19/2009
- **CAP Rate:** 10.6% CAP Rate
- **Seller:** Liberty Property
- **Buyer:** CenterPoint
- **Tenant:** Rexnord

# Noteworthy Transactions

*3801 W. Green Tree Road, Milwaukee*



- **Building Size:** 172,000 Sq. Ft.
- **Sale Price:** \$4,275,000 (\$24.86/SF) in 9/2009
- **Seller:** CJF4, LLC
- **Buyer:** C.H. Coakley & Co.

# Noteworthy Transactions

*8480 N. 87<sup>st</sup> Street, Milwaukee*



- **Building Size:** 91,400 Sq. Ft.
- **Sale Price:** \$2,700,000 (\$29.54/SF) in 7/22/09
- **Seller:** Carlisle Tire & Wheel Co.
- **Buyer:** Holland Beauty Flower & Bulb Corp.

# Noteworthy Transactions

*8691 109<sup>th</sup> Street & 8330 170<sup>th</sup> Street, Pleasant Prairie*



- **Leased Space:** 290,000 Sq. Ft.
- **Tenant:** Ozburn-Hessey Logistics LLC
- 316,807 SF total Q3 absorption Kenosha County

# Redevelopment

## *Delphi, Oak Creek*

- 1,000,000 SF on 85 acres
- No longer “*under contract*”
- City will likely not consider industrial uses.
- To be demolished by October 31, 2010



# Redevelopment

## *Tower Automotive, City of Milwaukee*

- 2,200,000 SF on 86 acres
- Not included in most industrial stats
- \$3.5 million acquisition
- \$34.6 million redevelopment
- To be demolished – 60 acre business park and retail/multi-family



# New Construction

## *Charter Wire*



- 160,000 SF
- Occupancy Q3 2009
- Vacated 141,234 SF – 3<sup>rd</sup> Ward, Milwaukee

# New Construction

## *GE Healthcare*



- 486,161 SF in Muskego
- Built-to-suit
- Neutral absorption for region due to more vacancy in ACE.

# Proposed Construction

## *Reed Street Lofts*



\$6.5 Million TIF for Reed Street

- 17 Acres near Walker's Point
- Could spur development near Harley Museum

# Proposed Construction

SINB Pike River Eco-Industrial Park  
7603 Durand Avenue, Mt. Pleasant, WI



- 54 acres, to be built in phases
- **Phase I:** 40,000 SF Office and 150,000-300,000 SF Industrial
- May 2010 Start-Date & December 2010 Completion (tentative)
- **Builder:** Anderson Ashton
- **Owner/Developer:** SINB
- **Green - Gold Standard:** Wind turbine for energy generation
- Sustainable & green building methods/products

# Effect of “Green” on Appraisals

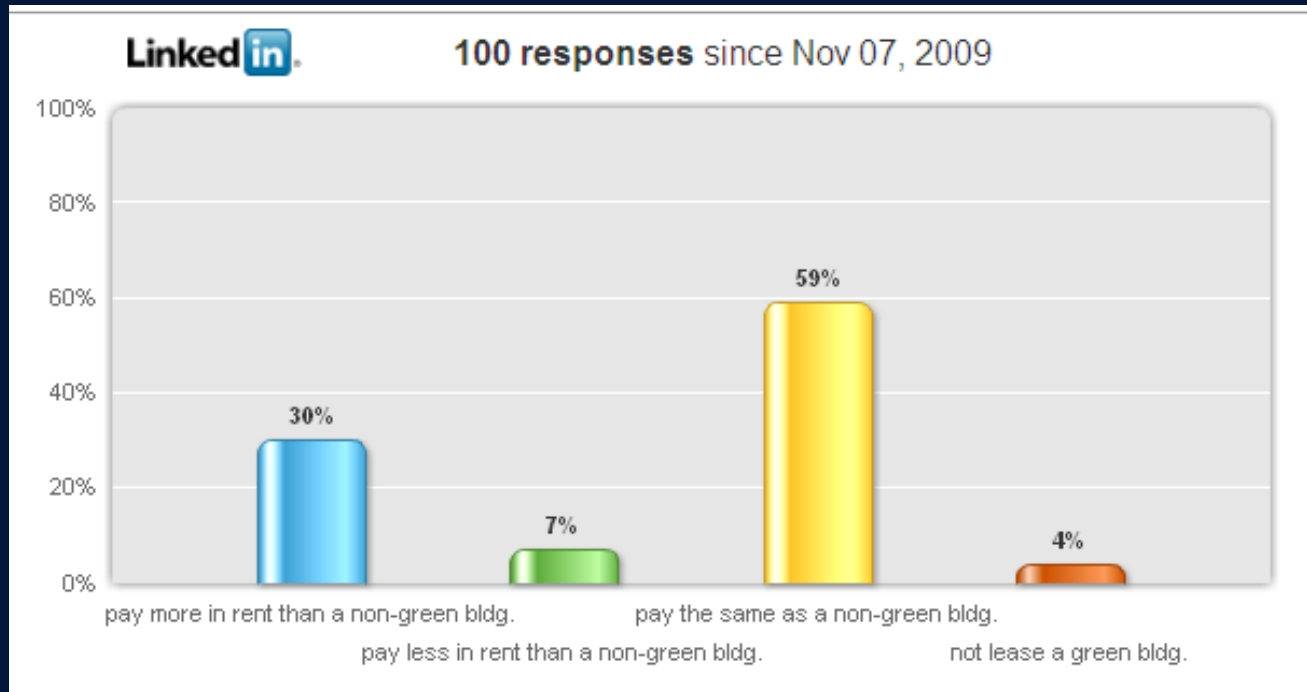
- Cost approach vs. Income approach
- NNN Industrial vs. FSG Office
- 3-6% premium on "green" construction (Source: Anderson Ashton)
- **Owner Occ. Property:** 6 year payback (approx.)
- **Investment Property:** Tenants receive energy savings



# Effect of "Green" on Appraisals

## Linked-In Poll

*If your company had the option to lease a "green" facility, it would....*



# Reconciliation of “Green”

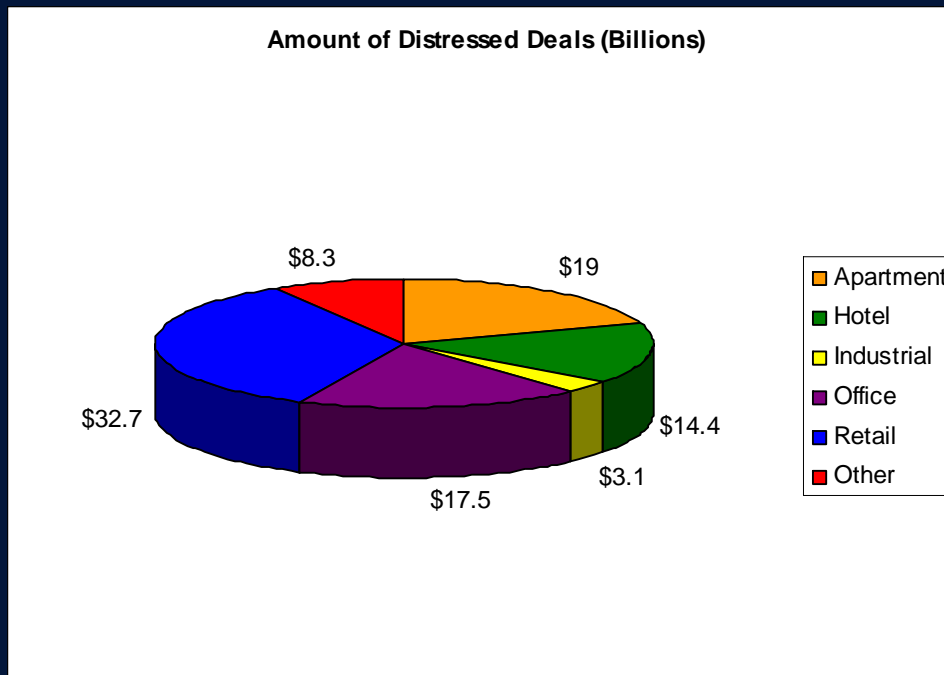
- Cost Approach vs. Income Approach
  - Green has construction Premium
- Functional Obsolescence

# The “Green” Conclusion

- Competitive advantage
  - Building occupant benefits from “Green”
- Better proforma for investment
  - Minimal effect on rents
- Industrial appraisals may not be affected by “Green” status
  - Contingent on affect to NOI

# Market Considerations

- More Receiverships
- Refinancing difficulties
  - \$6.4 billion didn't qualify during 10 months of 2009  
(Barclays Capital/Business Week)
  - 3.2% of the problem is industrial



Source: Business Week 11/16/2009

# Market Considerations

- Short-sales
- Financing
  - Creative sales: Seller notes, land contracts, trades
  - Continued difficulty in 2010
  - Higher equity stakes and collateral

# Forecast

- **Vacancy rate**: Will increase during Q1 2010.
- New construction will remain stalled (good for absorption)
- **Sales**: Prices will remain depressed but transactions will occur
  - Users
  - Bargain-hunters
- **Leases**: Rates will experience minimal decrease
  - Short-term leases to remain common
  - Heavy landlord concessions for long-term leases

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