



Welcome to Wisconn Valley

The third quarter in Metro Milwaukee and the State of Wisconsin came with a historic announcement when Foxconn, one of the world's largest electronics manufacturers, unveiled plans to open their first major U.S. factory in Wisconsin. In addition to Wisconsin, several other states, including Ohio, Michigan, Pennsylvania and North Carolina, publicly vied for Foxconn's \$10 billion investment. In the end, Wisconsin came out on top and has been busy partnering with Foxconn to move the massive project forward.

Since the initial announcement from Foxconn, additional news has been released including the planned location of the 20 million square foot campus (Mount Pleasant in Racine County – officially dubbed “Wisconn Valley”) and the signing of legislation for up to \$3 billion in subsidies and sales tax exemptions. This represents the largest incentive package for a foreign company in U.S. history¹.

For the real estate industry, this means all eyes are on Wisconsin. Foxconn has cited one of the primary reasons they selected Wisconsin was for existing corporate partners and potential partners, specifically GE Healthcare, Rockwell Automation, Johnson Controls and Harley-Davidson, all of which have headquarters or major operations in Metro Milwaukee. In theory, Foxconn's presence could help solidify the commitment to Wisconsin from these mostly Fortune 500 companies in addition to bringing a slew of new vendors and suppliers to the state. Many of these companies will be on the hunt for real estate with proximity to the planned Foxconn campus. This surge in real estate demand will extend beyond industrial and office product to multi-family, retail and hotel as well. The existing cornfields of Wisconn Valley stand to be the next major development site in the region.

¹Milwaukee Journal Sentinel

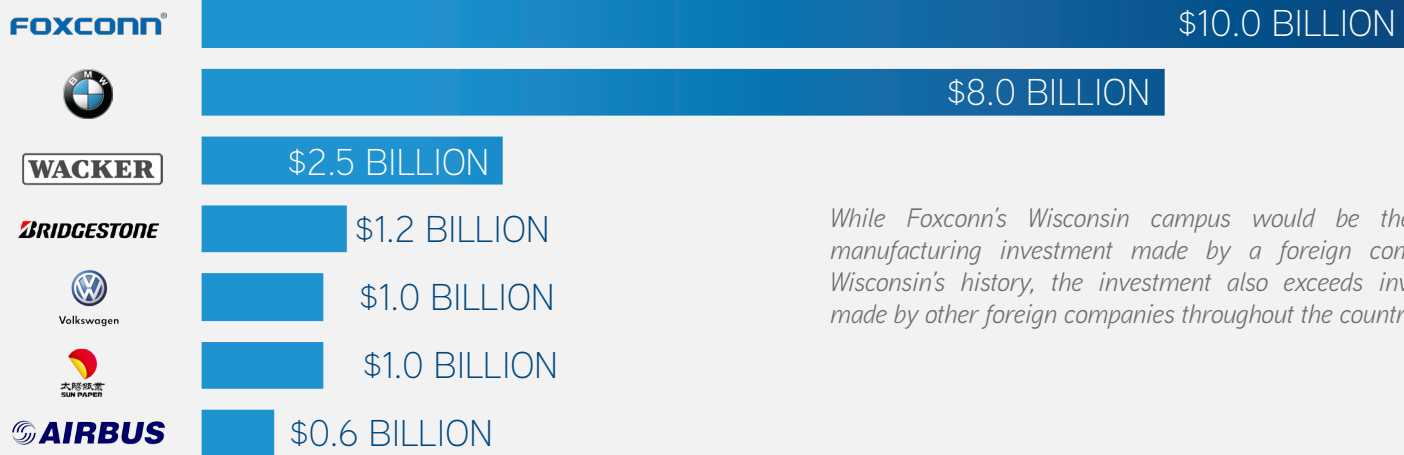


LOCATION OVERVIEW

After months of anticipation on the announcement of the exact location, Wisconsin and Racine County officials designated the Village of Mount Pleasant as the future home of Foxconn. The electronics manufacturer's initial site will be over 1,000 acres and additional phases of expansion could total an additional 800 acres.

Sources: BizTimes & Milwaukee Journal Sentinel

FOREIGN INVESTMENT IN U.S. MANUFACTURING



While Foxconn's Wisconsin campus would be the largest manufacturing investment made by a foreign company in Wisconsin's history, the investment also exceeds investments made by other foreign companies throughout the country.

Sources: New York Times, USA Today, & Forbes

The above list is not intended to be all encompassing. Rather it is a sampling of better known foreign manufacturing who have garnered national attention for opening large scale US manufacturing facilities.

WHY FOXCONN CHOSE WISCONSIN

- > **Partnerships** Existing corporate and potential partners such as GE Healthcare and Rockwell Automation
- > **Location** Central location in the US with proximity to Chicago, a global hub
- > **Transportation & Logistics** Access to rail lines, interstate system and two international airports (General Mitchell in Milwaukee and O'Hare in Chicago)
- > **Manufacturing History** Milwaukee has a strong manufacturing foundation that continues to thrive and advance
- > **Education System** Strong university and technical college system in the state
- > **Lake Michigan** Selected location is just miles from Lake Michigan, fulfilling a key production need of access to a fresh water source.
- > **Energy** Availability and reliability of energy in the state
- > **Public & Private Partnerships** High level of responsiveness and cooperation from government officials (including the Governor, House Speaker and President) plus private partners such as MMAC

Source: Milwaukee Journal Sentinel



Industrial Market

Colliers handled the dispositions of two major industrial portfolios that traded in the third quarter. The first transaction was an 11 building, 2.5 million square foot portfolio that was purchased for \$100 million by Brennan Investment Group (approximately \$40 per square foot). Three of the buildings in the portfolio totaling 296,290 square feet were located in Racine and New Berlin (2 buildings), Wisconsin. The going-in cap rate was approximately 10%, and the properties were sold by a joint venture of Minneapolis-based Wildamere Properties

LLC and Orlando-based CNL Financial Group. Wildamere and CNL had previously purchased the portfolio ten years prior from Texas-based AIC Ventures.

The second major transaction of the third quarter was a ten building light industrial and logistics campus near Milwaukee's General Mitchell Airport. The 879,704 square foot, 95% occupied Mitchell Industrial Park closed in August for approximately \$30.5 million (\$35 per square foot). The buyer, Oak Realty Group out of Deerfield, Illinois, made their first industrial acquisition in Wisconsin. The going-in cap rate was approximately 10.2% and there was an average term of approximately 3.25 years remaining on 23 tenant leases. The seller was a Chicago-based joint venture between BK Ace Industrial Holdings LLC and William Harris Investors Inc. They had previously purchased the campus in 2014 from Centerpoint Properties as a value-add deal for \$25 per square foot at 63% occupancy.

Office Market

The bull run on the office sale market in downtown Milwaukee took a brief pause to catch its breath in the third quarter of 2017. Last quarter we reported on the closings of the Manpower headquarters building and the 411 East Wisconsin Avenue tower, and in other recent reports we've listed nearly two dozen CBD properties that have traded hands recently. The Westtown neighborhood in Milwaukee currently has several major assets on the sale market including the Hyatt Hotel, 310 W. Wisconsin Avenue (578,000 square foot office and 606-stall garage) and 648 N Plankinton Avenue (195,000 square foot office).



Investor optimism is cresting after recent major downtown development announcements from Marquette University, the Milwaukee Symphony Orchestra, the Milwaukee Bucks and the Convention Center District.

In the Milwaukee suburb of Brookfield, a significant 195,221 square foot BMO Harris Bank NA (NYSE: BMO) sale leaseback sold in July for \$40.3 million (\$206 per square foot). SunTrust Robinson Humphrey Inc out of Atlanta, Georgia was the buyer and the reported capitalization rate was 6.3%. The portfolio of three buildings was 100% occupied by BMO Harris Bank NA under a long term lease agreement. The price and cap rate indicates that national investors are willing to pay premium pricing for well-located, credit tenant office properties in southeast Wisconsin.

Multifamily Market

The third quarter saw a continued softening of multifamily sector fundamentals. Both cap rates are flattening and vacancy is starting to increase. On the demand side, household formation remains steady but rental rate growth continues to outpace wage rate growth.

In metro Milwaukee, year-to-date supply has slightly outpaced demand, resulting in a market wide vacancy rate of 5.5%. While downtown Milwaukee is home to a significant number of the projects currently under construction, Waukesha County and the Oak Creek area are both seeing a number of new projects. Thanks to new “Life-Style” developments, specifically The Corners in Brookfield and Drexel Town Square in Oak Creek, these areas have outpaced the Third Ward and Wauwatosa in deliveries since 2013.

Notable third quarter transactions include the 96-unit Prairie Park Senior Apartments in Madison and the 114-unit Regency House senior apartment portfolio. Prairie Park Senior Apartments closed in July at \$10.3 million (\$107,291 per unit). Regency House was a two-building portfolio with one property in Janesville and the other in Sheboygan. The portfolio closed at \$5.95 million (\$52,193 per unit).



Retail Market

Retail sale activity remained relatively light during the third quarter with a lack of major multi-tenant transactions. The two largest transactions in the quarter were single tenant buildings. A Pick 'n Save grocery store in West Bend traded hands for \$18.2 million on August 10th, representing a 6.25% cap rate and \$288 per square foot. The wholly owned subsidiary of Kroger is under a lease running for 12.5 years through 2030. General Capital Group (Fox Point, WI) developed the building in 2010 and sold it to JRW Investments (Pasadena, CA) as 1031 and 1033 exchanges. In Neenah, an 86,854 square foot Kohl's department store sold on August 25th for \$10 million to Brooklyn, NY investor Zalman Skoblo. Kohl's Corporation sold the building under a sale-leaseback transaction, signing a 13 year NNN lease at closing. The deal represented a 7.30% cap rate at \$115 per square foot.

Multi-tenant retail investment sales were few and far between during the third quarter. The largest transaction that occurred was the sale of Grand Plaza, a 23,720 square foot retail center located in Appleton. The center was 100% leased at the time of sale to eight tenants including HuHot Mongolian Grill, Fleet Feet Sports and the US Army, among others. The transaction closed on August 9th for \$5 million or \$211 per square foot at an 8.21% cap rate. Slinde Realty Company of Madison, WI purchased the property from Oshkosh, WI based Alliance Development.

Notable Recent Investment Sales

Q3 2017							
INDUSTRIAL & FLEX							
BUILDING	CITY	BUYER	SELLER	SALE DATE	PRICE	PRICE PSF	CAP RATE
Single Tenant Industrial Portfolio - 11 Buildings ¹	New Berlin & Caledonia	Brennan Investment Group	Welsh/CNL Properties I, LLC	8/31/2017	\$100,000,000	\$40	10.00%
Mitchell Industrial Park - 10 Building Portfolio ²	Cudahy	Oak Realty Group, Inc.	BK Ace Industrial Holdings LLC	8/17/2017	\$30,585,000	\$35	10.20%
Kaiser WI Portfolio	Beloit & Jefferson	Phoenix Investors	Kaiser Property Group	8/28/2017	\$25,800,000	\$25	Undisclosed
8900 N 55th St	Milwaukee	The MCR Group LLC	STAG Industrial Inc	7/13/2017	\$4,850,000	\$41	Undisclosed
OFFICE							
BUILDING	CITY	BUYER	SELLER	SALE DATE	PRICE	PRICE PSF	CAP RATE
BMO Harris Bank SLB	Brookfield	SunTrust Robinson Humphrey Inc	BMO Harris Bank	7/27/2017	\$40,300,000	\$193	6.32%
5 Innovation Ct	Grand Chute	Frank Soyka	Pfefferle Investments	9/1/2017	\$8,000,050	\$109	9.10%
2725 S Moorland Rd	New Berlin	Frank Soyka	Security Insurance & Financial Services	9/12/2017	\$3,550,000	\$100	10.50%
500 Midland Ct	Janesville	Kraemer Development LLC	Sara Investment Real Estate	7/20/2017	\$3,275,000	\$135	8.50%
RETAIL							
BUILDING	CITY	BUYER	SELLER	SALE DATE	PRICE	PRICE PSF	CAP RATE
Pick 'n Save	West Bend	JRW Investments	General Capital Group	8/10/2017	\$18,186,840	\$288	6.25%
Kohl's	Neenah	Zalman Skoblo	Kohl's Corporation	8/25/2017	\$10,000,000	\$115	7.30%
Grand Plaza	Appleton	Slinde Realty Company	Alliance Development	8/9/2017	\$5,000,000	\$211	8.21%
PetSmart & Mattress Firm	Oak Creek	VEREIT, Inc	Thompson Thrift	8/25/2017	\$5,000,000	\$306	7.03%
4101-4109 Rib Mountain Dr	Wausau	Chazin Group Inc	Midwest Capital Management LLC	8/2/2017	\$3,590,000	\$248	8.25%
MULTIFAMILY & SENIOR HOUSING							
BUILDING	CITY	BUYER	SELLER	SALE DATE	PRICE	PRICE / UNIT	CAP RATE
Prairie Park Senior Apts	Madison	Harmony Housing	Stone House Development, Inc	7/24/2017	\$10,300,000	\$107,291	Undisclosed
Regency House 2 Bldg Portfolio	Janesville & Sheboygan	Meridian Group	Doneff Asset Company, LLC	7/5/2017	\$5,950,000	\$52,193	Undisclosed
Arcade Apartments	Racine	Greystone Funding Corporation	Arcade Partners, LLC	6/19/2017	\$4,450,000	\$222,500	Undisclosed
Northern Bluffs Apartments	Madison	Northern Bluffs LLC	Northridge Terrace LLC	6/6/2017	\$4,360,000	\$90,833	7.00%
1733 N Cambridge Ave	Milwaukee	Ryan Gibson	Moshe & Marcy Yavor	9/25/2017	\$3,200,000	\$88,888	7.00%
HOTEL							
BUILDING	CITY	BUYER	SELLER	SALE DATE	PRICE	PRICE / UNIT	CAP RATE
Park East Hotel	Milwaukee	Mike Klein & Jeno Cataldo	Rapids Drive LLC	9/4/2017	\$9,000,000	\$56,604	Undisclosed
Best Western East Towne Suites	Madison	Bird Dog Equity Partners	Seth Cutsinger	7/7/2017	\$8,500,000	\$69,672	Undisclosed

¹ Nationwide portfolio sale of 11 single tenant industrial/office properties of which three properties were located in Wisconsin; An additional two buildings were initially part of the portfolio and were sold to tenants.

² Portfolio sale of 10 industrial buildings adjacent to the airport in Milwaukee/Cudahy

68 countries

\$2.6

billion in
annual revenue

2

billion square feet
under management

15,000

professionals
and staff

\$105

billion in
total transaction value

*All statistics are for 2016, are in U.S. dollars and include affiliates.

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