

ECONOMIC ANALYSIS

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INTRODUCTION

ASSIGNMENT

Economics Research Associates (ERA) was hired by the City of Brookfield (Client) to perform a Brookfield Nodal Market Overview. ERA's analysis is concurrent with a related assignment headed by RTKL Associates, Inc. (RTKL) to create a comprehensive plan for an area within the City of Brookfield, Wisconsin (Study Area), which is centered around a proposed I-94 interchange. ERA is providing an overview of the market, specifically addressing three sites within the Study Area, in order to inform the planning process and insure a realistic outcome. ERA's primary focus is the current and near-term market opportunities for these sites, as well as their implications for the Client. Additionally, ERA estimated the impact of the planned area, once developed, on the economic and fiscal characteristics of Brookfield.

Data for this analysis is derived from several well-respected national and local sources including the Urban Land Institute (ULI), brokers like Mooney LeSage Group (MLG) and Polacheck Company, Woods & Poole Economics, the US Census Bureau, and others.

STUDY AREA

RTKL performed a more comprehensive land analysis of the Study Area to facilitate their planning efforts. The following summary is provided to inform the market perspective of the property.

Location: City of Brookfield, a western suburb of Milwaukee in Waukesha County, Wisconsin.

Identification: The boundaries of the Study Area are provided on the following map and generally include 1000 block addresses to the north, Greenfield Avenue to the south, Brookfield Road to the west, and Moorland Road/Pilgrim Parkway to the east. ERA is specifically concentrating on three priority sites:

1. Northeast Corner of Bluemound and Brookfield (24.80 Ac)
2. WTMJ/Ruby Farm/Swanson School (106.83 Ac)
3. North side of Bluemound at Executive Drive (14.65 Ac)

Current Buildings and Uses

1. Small "strip" Shopping Center
2. Farm House and Barns/Farming/Elementary School/Gas Station/Small Office
3. Golf Driving Range / Family Entertainment Center

Access: The primary arterial through the area is Bluemound Road (US Route 18), which is a six-lane divided highway that runs east/west; I-94 parallels Bluemound just south of the Study Area. North/south access is provided by several two and four lane roads including Barker, Brookfield Rd., Calhoun Dr., and Pilgrim Pkwy; I-94 exists at Pilgrim and Barker roads.

Visibility: The entire Study Area centers around Bluemound Road, to which it has excellent frontage and visibility; the southern portion of the Ruby Farm is visible from I-94.

Topography: Rolling hills, basically lower on the southern portion of the site. There are significant wetland and floodplain issues following I-94 on the south side of the study area.

Utilities: All urban utilities (water, sewer, electric, natural gas, telephone, etc.) are reportedly available at the site.

Neighboring Land Uses:

East: - A mid- to upper-end single family residential area (Rubywood, Bluebrook, and Brookfield Manner subdivisions) with about 180 homes. Farther east is the Executive Drive Business Park with about 1.1 million square feet of office space on 115 acres, and then the 1.3 million square foot Brookfield Square Shopping Center.

South: - I-94 acts as a significant barrier on the south side. Across the interstate are single-family homes (Todt Forest Subdivision) and Endicott Park.

West: - Brookfield Lakes Corporate Center, a 159-acre business park with almost 700,000 square feet of office space.

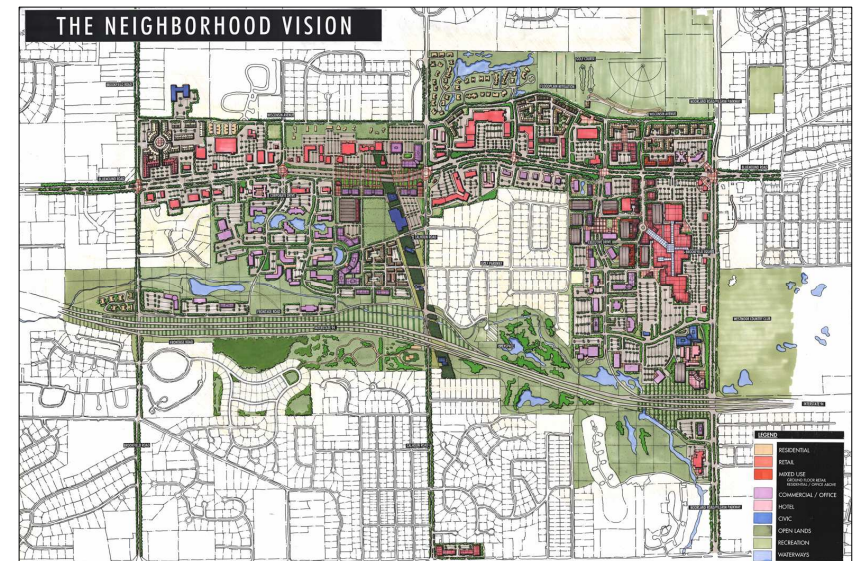
North: - Big-box and strip retail centers line Bluemound Road. North of Bluemound, land uses quickly become low-density residential subdivisions.

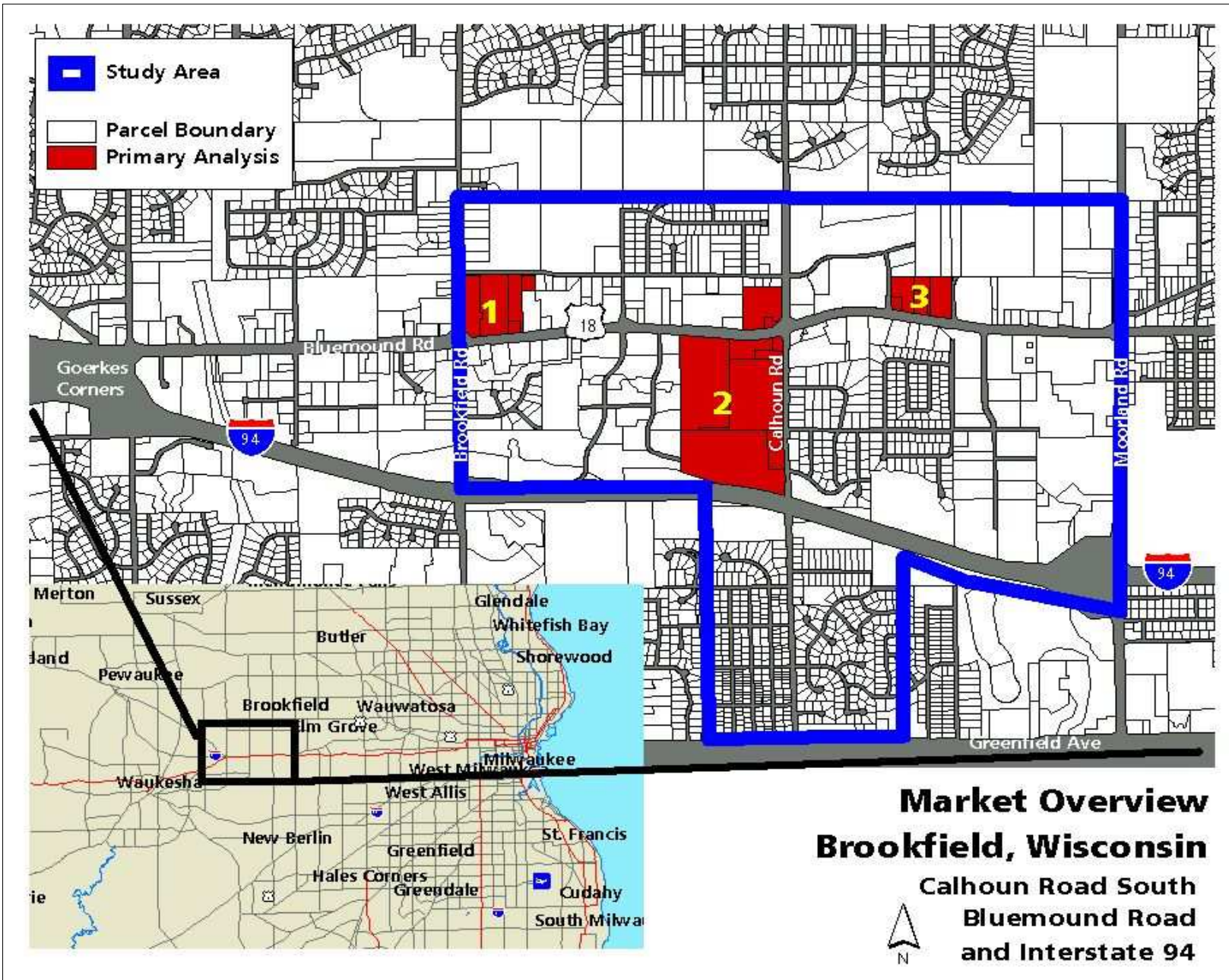
Initial Market Conclusions: Based on ERA’s field review and experience, the Study Area is an ideal location in metropolitan Milwaukee’s high growth corridor. There is primarily potential to develop office and higher density residential uses (condominium / townhouse / apartments). Additionally, the pending repositioning of Brookfield Square is a significant (and needed) element affecting this area. In general, the retail and hotel markets are overbuilt and single-family housing is not justified given current land values. Specifically for the three sites:

1. The first site is a high-traffic commercial intersection although the interstate access and visibility characteristics are less desirable than the second site. This site should be able to support any one of the commercial uses recommended, and the corner will likely be some sort of retail. The areas away from the street could potentially be redeveloped as office or hotel.
2. The second site is one of Brookfield’s primary remaining development locations, could offer excellent access through a new interchange, and could become the new entry to Brookfield. There is enough space to support the critical mass for a notable mixed-use commercial development. Land values could be extremely high, contingent on the new interchange. Relocation of the school is likely justified from a land use perspective but may require subsidy.
3. The third site is along a commercial corridor, but not at a high traffic intersection. It would therefore have the lowest land values of the three. Multifamily development may be appropriate on this site.

Impacts of RTKL Plan: The plans by RTKL incorporate these market findings into land-use and infrastructure improvements. There are several important factors of this plan that should be noted:

1. As development continues outward and redevelopment is occurs in the central areas, Brookfield, once the premier location, is facing improving competition from both sides.
2. Improved transportation relieves the negative impacts of congestion, and is important to secure the market position of this area.
3. Additional commercial development on infill parcels is important to keep the tax rates low and school quality high; this directly benefits the existing single-family neighborhoods since schools and taxes are two primary considerations in home purchases.
4. Redevelopment of existing commercial uses (e.g. Brookfield Square) is needed to keep the area fresh in the mind of the market.
5. The residential elements of these plans will create opportunities to serve significant portions of the residential market that are not currently well-served in Brookfield (e.g. single professionals, empty nesters, etc.), creating the necessary stability for long-term economic health.





DEMOGRAPHIC AND ECONOMIC OVERVIEW

Table 1. Population

Area	1970	1980	1990	2000	2010	2020	CAGR 90-00	CAGR 00-20
City of Brookfield	31,761	34,035	35,184	38,649	38,820	38,195	1.05%	-0.06%
Waukesha County	231,528	280,248	306,215	360,767	407,007	454,712	1.84%	1.23%
Milwaukee/ Racine MSA	1,574,752	1,569,831	1,609,751	1,689,572	1,718,552	1,789,115	0.54%	0.30%
Wisconsin USA (000)	4,425,979	4,713,956	4,902,100	5,363,675	6,314,659	6,107,961	1.00%	0.69%
	203,982	227,226	249,441	281,422	335,871	323,501	1.35%	0.74%

CAGR = Compound Annual Growth Rate

Sources: US Census Bureau, Brookfield Year 2020 Master Plan (Maxfield), Woods & Poole Economics

Table 2. Population Characteristics: Waukesha County, Wisconsin

Source: US Census

Characteristic	1970	1980	1990	2000	
Race					
White %	99.5%	99.0%	98.5%	95.8%	
Black %	0.2%	0.3%	0.4%	0.7%	
Other %	0.3%	0.7%	1.1%	3.5%	
Hispanic Origin %	1.4%	1.5%	1.8%	2.6%	
Gender					
Male	49.8%	49.8%	49.6%		
Female	50.2%	50.2%	50.4%		
Age					
Under 16	36.4%	27.4%	24.4%	26.3%	Under 18
16-24	13.1%	15.6%	11.5%	73.7%	18 and Over
25-44	26.0%	29.8%	33.2%		
45-64	18.1%	19.6%	21.0%		
65+	6.4%	7.5%	9.9%		

Table 3. Household Characteristics: Waukesha County, Wisconsin

Source: Woods & Poole Economics

Characteristic	1970	1980	1990	2000	2010
Households	62,386	88,917	106,274	127,580	146,623
Persons Per Household	3.711	3.152	2.881	2.840	2.776
Median Household Income (BEA)	\$16,486	\$37,859	\$67,877	\$108,470	\$162,536
Households by Income (90 Census)					
Under \$10,000			5.4%	3.7%	2.7%
\$20,000 - \$40,000			36.9%	25.5%	18.2%
\$40,000 - \$60,000			29.0%	28.5%	21.1%
\$60,000 - \$100,000			21.9%	32.3%	43.8%
Over \$100,000			6.8%	10.0%	14.2%

POPULATION

Brookfield is a western suburb within metropolitan Milwaukee, Wisconsin. Milwaukee has a metro area population of about 1.69 million if Racine is included. Population in the metro area declined in the 1970s corresponding to a decline in the manufacturing base. More recently, the Milwaukee region has been experiencing modest growth, which is expected to continue over the next decade. The State of Wisconsin as a whole is expected to grow slightly faster than the Milwaukee area, indicating faster growth is occurring in other areas of the State, but overall State growth is still slower than that of the United States. Within the Milwaukee area, Waukesha County and the City of Brookfield have grown significantly; the population base has been moving west away from Lake Michigan. The City of Brookfield's Year 2020 Master Plan anticipates a slight population increase in the near future, leading to stagnation and slight decline through 2020. This is because raw land within city limits is becoming somewhat scarce. Creating additional residential opportunities (e.g. condominiums) would provide an opportunity to continue population increases.

Within the County, the population is largely Caucasian, with modest increases in the percentage of Hispanic households. The County population is also aging, as indicated by the decrease in children under 16 and young adults with a corresponding increase in those 45 and over. This trend corresponds to the national trends driven by the aging “baby boomers”.

Also following national trends, the household size is decreasing. This is due to factors such as higher incidents of divorce, marriage later in life (or not at all), and fewer children per household. That said, the household size is slightly larger in Waukesha County than in the Milwaukee area overall. This is also typical, with suburban areas attracting more “traditional” families with children and urban areas attracting more singles and “empty nesters”.

The median household income in Waukesha County currently is about \$108,000. (This figure is based on the US Bureau of Economic Analysis figure that includes all sources of income; Census-based income figures, broken out by income category, tend to be lower.) This is notably above the metro Milwaukee figure of \$83,382 and the US figure of \$74,488.

Table 4. Employment Characteristics Source: Woods & Poole Economics

	Milwaukee/Waukesha PMSA			Waukesha County		
	1970	1990	2010	1970	1990	2010
Employment	659,942	885,558	1,121,492	82,224	190,760	322,607
Farm / Ag Svc/Mining	1.2%	1.0%	1.1%	3.1%	1.7%	1.6%
Construction	4.1%	4.1%	4.4%	8.6%	6.7%	6.5%
Manufacturing	31.4%	20.1%	15.8%	26.7%	23.5%	19.6%
T.C.U.	5.1%	4.5%	4.5%	3.0%	4.3%	4.2%
Wholesale Trade	5.2%	5.5%	6.1%	5.4%	8.4%	9.5%
Retail Trade	16.9%	16.7%	15.0%	17.5%	16.2%	14.0%
F.I.R.E.	6.4%	8.2%	8.3%	4.6%	6.9%	8.6%
Services	18.1%	29.3%	36.3%	18.6%	24.2%	30.3%
Government	11.6%	10.5%	8.6%	12.7%	8.1%	5.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TCU – Transportation, Communication, and Utilities; FIRE – Finance, Insurance, and Real Estate

EMPLOYMENT

The Milwaukee economic base is shifting rapidly from manufacturing to services. This is indicated in the drop of manufacturing employment from 31.4% of total employment in 1970 to only 15.8% in 2010; there is a corresponding increase in services employment from 18.1% in 1970 to 36.3% in 2010. While the US as a whole is experiencing a similar shift in economic base, the Milwaukee area economic shift is much more dramatic. Waukesha County employment closely parallels the metro shift, with added twists including more a more rapid increase in wholesale trade and F.I.R.E employment, and more notable declines in government and farming job share. Additionally, the overall number of jobs has been increasing faster in Waukesha County as people and businesses shift westward. Of the 236,000 additional jobs estimated between 1990 and 2010, over half (about 132,000) occur in Waukesha County.

The preference for businesses in Brookfield and Waukesha County is also noted in the unemployment rates. As the following table shows, the unemployment rate in Brookfield has remained significantly below the metropolitan, statewide, and national averages, particularly during the recession in the early 1990s. For the last six years it has hovered right around 2%.

Table 5. Unemployment Rate Source: Bureau of Labor Statistics

Year	City of Brookfield	Waukesha County	Milwaukee/Waukesha PMSA	State of Wisconsin	United States
1990	2.9%	3.4%	4.3%	4.4%	5.6%
1991	3.2%	4.2%	5.0%	5.5%	6.8%
1992	3.1%	4.1%	4.8%	5.2%	7.5%
1993	2.7%	3.6%	4.4%	4.7%	6.9%
1994	3.0%	3.6%	4.6%	4.7%	6.1%
1995	2.0%	2.6%	3.5%	3.7%	5.6%
1996	2.0%	2.4%	3.4%	3.5%	5.4%
1997	2.2%	2.6%	3.6%	3.7%	4.9%
1998	1.9%	2.3%	3.3%	3.4%	4.5%
1999	1.9%	2.1%	3.1%	3.0%	4.2%
2000	2.1%	2.4%	3.8%	3.5%	4.0%

LINKAGES

The Milwaukee area is relatively closely linked to the Chicago area, about 90 miles to the south. These two cities are growing closer to one another, with rapid development occurring near the Illinois/Wisconsin boarder. Two interstates link Chicago with Wisconsin: I-90 through Rockford (on to Madison) and I-94 through Milwaukee. I-94 operates in conjunction with Bluemound Road as Brookfield's "main street". I-94 reconnects with I-90 in Madison, and then connects with Minneapolis-St. Paul, which is 380 miles northwest of Milwaukee.

North-south access in the western suburbs is provided primarily by US 45. However, much of the regional development is west of this artery, and there is no clear alternative to move people or goods north or south. This is one of the challenges that the current study by RTKL is addressing.

Two airports service the Milwaukee area.

General Mitchell International Airport is the primary airport located south of downtown in Milwaukee County. The airport is served by 16 airlines offering 220 daily departures and 220 daily arrivals to 90 cities. Midwest Express, a unique small airline that focuses on passenger service, is based here. The airport is owned by Milwaukee County, and is entirely funded by user fees; no property tax dollars are used for the Airport's capital improvements or for its day-to-day operation. The airport is currently expanding parking options, and plans to add 6 more gates by 2002.

Crites Field is located just west of Brookfield off I-94, and is owned and operated by Waukesha County. The airport serves more corporate and recreational air activity, with Mitchell serving most of the area's commercial aviation needs. Crites had 105,776 operations (takeoffs and landings) in 1999.

RECOMMENDATIONS

With 1.69 million people, the Milwaukee area has the characteristics of a large city while being small enough to navigate. Within the metropolitan area, Waukesha County is exhibiting very strong growth, and is expected to continue growing. Brookfield grew dramatically in the 1980s and 1990s, but is expected to level off as development opportunities have become scarce. Expansion into the farm fields is expected to continue, as is an emerging renaissance in the downtown area. The Study Area is one of the few remaining development opportunities along I-94, the primary east-west transportation route. Bluemound Road parallels the Interstate as the primary business route. (North-south access is currently challenged and is one of the reasons for undertaking the study with RTKL.)

Based on ERA's field review and experience, the Study Area is an ideal location in metropolitan Milwaukee's high growth corridor. It is one of Brookfield's primary remaining development locations, could offer excellent access through a new interchange, and could become the new entry to Brookfield.

REAL ESTATE MARKET OVERVIEW

INTRODUCTION

The real estate markets respond to the foundation of economic and demographic patterns in an area. Given the stability of Milwaukee and the growth of the area around Brookfield, there are several potential development opportunities. In order to inform these possibilities, and therefore lay the framework for a realistic planning effort, ERA provides overviews of the primary real estate market segments.

INDUSTRIAL MARKET CHARACTERISTICS

Manufacturing remained strong in the Milwaukee Metropolitan area for 2000; there is over 240 million square feet industrial space in the market area. ULI data indicates that Milwaukee County retained the largest share of the market with more than one-half the total industrial space, followed by Waukesha County with 21 percent. In 2000, roughly 8 million square feet came online throughout the MSA. Absorption was healthy and vacancies remained about 4 percent. In light of healthy market conditions, larger and older industrial buildings are expected to continue being converted to new multi-tenant uses or torn down for new development.

The following table shows that the lowest vacancy rates are found in Washington County, with 1.16 percent in 2001, and Ozaukee County, with 1.78 percent; reflecting the significant fall in these rates for both counties since 1994. The market in all of the counties improved over this past year, save a slight increase in the very tight Ozaukee market.

Table 6. Industrial Market Vacancy Rates

Counties	1994	1995	1996	1997	1998	1999	2000	2001
Milwaukee	7.12%	5.32%	3.46%	3.47%	4.38%	4.16%	4.87%	4.68%
Waukesha	6.29%	3.95%	2.84%	3.38%	4.34%	3.64%	5.75%	4.44%
Ozaukee	7.36%	7.47%	7.08%	5.80%	2.49%	4.72%	1.51%	1.78%
Washington	4.45%	6.22%	1.57%	3.01%	2.00%	2.45%	2.35%	1.16%
Kenosha	N/A.	N/A.	N/A.	5.09%	2.25%	2.04%	7.36%	4.56%
Racine	N/A.	N/A.	N/A.	0.05%	2.25%	4.42%	4.59%	3.49%

Source: The Polachek Company

Business parks contain elements of both office and industrial properties. Parcels with good freeway access witnessed increased demand and have therefore become scarce. Rents have increased to \$4.25 per square foot for new construction with freeway access. Industrial parks that have freeway access sell out within six months, as seen with New Berlin's Towne Corporate Park. Land prices stayed within a \$40,000 and \$80,000 per acre bracket. Meanwhile, the high-tech space was spread throughout the Milwaukee MSA, rather than remaining concentrated in some areas as in other cities.

The following table (Table 7) represents information regarding industrial buildings and sites as provided by the Waukesha County Economic Development Corporation. This demonstrates the fact that Waukesha County is able to provide a broad spectrum of locations that are capable of meeting each company's individual need. Locations are available in 34 developed business parks and various privately owned sites.

This table also shows that Brookfield business parks are largely sold-out, and the remaining parcels command a premium. Roughly 900 acres of the 3,400 Milwaukee-area business park lands are found in Brookfield (27%), but these parks only have 11% of the available parcels. Some firms who wish to expand will be forced to locate further out in the suburbs due to the lack of available land near freeways.

Given the value and availability of industrial land in outlying areas, ERA would not recommend these uses be targeted toward the premier sites in the Study Area.

Table 7. Waukesha County Business Parks

Development Park	Municipality	Size (Ac)	Sold (Ac)	Occupancy	Cost Per Acre
1 Brookfield Lakes Corporate Center	City of Brookfield	160	145	90.6%	\$100,000 +
2 Wisconsin Avenue Office Park	City of Brookfield	45	33	73.3%	Varies
3 Executive Drive Office Park	City of Brookfield	115	110	95.7%	Varies
4 Bishop's Woods Office Park	City of Brookfield	210	150	71.4%	\$100,000 +
5 Acre Home Fields	City of Brookfield	106	104	98.1%	Varies
6 Sunset Industrial Park	City of Brookfield	163	161	98.8%	Varies
7 Gateway Commerce Center	City of Brookfield	115	79	68.7%	\$100,000 +
8 Crossroads Corporate Center	Town of Brookfield	57	53	93.0%	Varies
9 Goerke Business Park	Town of Brookfield	15	10	66.7%	Varies
10 Kettle Moraine Business Park	City of Delafield	70	14	20.0%	Varies
11 Bark River Commerce Center	Village of Hartland	135	55	40.7%	\$40,000
12 Heritage Reserve	Village of Menomonee Falls	221	0	0.0%	\$120,000+
13 Nor-X-Way II Industrial Park	Village of Menomonee Falls	123	120	97.6%	\$50,000
14 Nor-X-Way III Industrial Park	Village of Menomonee Falls	35	23	65.7%	\$40,000
15 Silver Spring Corporate Park	Village of Menomonee Falls	170	140	82.4%	\$45,000
16 Westridge Office/Industrial Park	City of New Berlin	175	153	87.4%	\$68,000
17 Oakridge Business Park	Village of North Prairie	40	35	87.5%	\$15,000
18 Olympia Business Park	City of Oconomowoc	40	0	0.0%	Varies
19 Oconomowoc Corporate Center	City of Oconomowoc	110	70	63.6%	\$42,500
20 Pewaukee Woods Commerce Center	Town of Pewaukee	78	41	52.6%	\$60,000
21 Pewaukee Business Center	Town of Pewaukee	65	48	73.8%	\$45,000
22 Riverwood Corporate Center	Town of Pewaukee	140	55	39.3%	\$90,000
23 Pewaukee Crossroads Center	Town of Pewaukee	15	0	0.0%	\$60,000
24 Stone Ridge Business Park	Town of Pewaukee	40	31	77.5%	\$75,000
25 RidgeView Corporate Park	Town of Pewaukee	200	140	70.0%	\$69 - \$120,000
26 Westwood Commerce Center	Town of Pewaukee	70	69	98.6%	\$80,000
27 Bluemound-East Industrial Park	Town of Pewaukee	150	130	86.7%	\$65,000
28 Quail Ridge Industrial/Business Park	Village of Pewaukee	35	3	8.6%	\$60,000
29 Sussex Corporate Center	Village of Sussex	221	69	31.2%	\$45,000
30 Waukesha Airport Industrial Park	City of Waukesha	93	84	90.3%	\$62,500
31 Hillcrest Business Park	City of Waukesha	88	30	34.1%	\$45,000
32 Waukesha Industrial Park South	City of Waukesha	60	44	73.3%	\$50,000
33 Pebble Creek Industrial Park	City of Waukesha	25	14	56.0%	\$60,000
34 Priedeman Business Center	City of Waukesha	24	6	25.0%	\$60,000
Total		3,409	2,219	65.1%	

Source: Waukesha County Economic Development Corporation, City of Brookfield

OFFICE MARKET CHARACTERISTICS

The Milwaukee office market has about 28 million square feet of space (ULI quotes a figure of 27.34 million square feet in 1999, while Polachek Company notes 28.17 square feet in 1998. Polachek's 2000 survey dropped 3 million square feet, but this difference is due to survey techniques and repositioning of market areas, not actual loss of inventory). Some of this space is located in the business parks noted above, as well as stand-alone office buildings and downtown office space.

Data from the Polachek Company shows that office expansion has occurred in the west downtown area of Milwaukee and in the suburban areas of Bishop's Woods and Brookfield Square. Notable development is occurring at Highway J and I-94 in Waukesha, as the markets continue to push westward. Liberty at Park Place, a development along Highways 41/45, is expected to draw the market northward, consisting of 630,500 square feet once completed in several years. Simultaneously, infill development is occurring east of Brookfield including the 360,000 square feet at Honey Creek (3 buildings) along I-94 in Milwaukee, 305,000 square feet in the Milwaukee County Research Park (3 buildings), and 134,000-square-foot High Point along Mayfair Road in

already there. Higher levels of construction are expected to continue in Milwaukee but they are not high by the norms of major U.S. markets. Therefore, most of the activity in the metropolitan Milwaukee office market will continue to take place in the suburbs.

The lowest vacancy rate for the metropolitan area is found in the Mayfair market (8.8%) and the east side of downtown Milwaukee (8.9%), while the highest is found on the west side of downtown with 27.0%. Much of this variance is due to the type of space, with a strong Class A market and much weaker Class B and C markets. All of the other suburban markets experienced increases in vacancy rates due to both increases in supply and the relocation of tenants. Of note is the quick absorption of the northern markets in spite of notable supply additions.

In general, land prices are \$5.00 to \$9.00 per square foot for a suburban high-rise location (about \$220,000 to \$390,000 per acre). Sites remained available in desired locations, despite the tightened supply in 1999 and 2000. According to ULI, the western markets of Pewaukee and Brookfield have seen the most leasing activity over the past three years,

Table 8. Metropolitan Milwaukee Office Market

Source: The Polachek Company

Downtown	Inventory (SF)				Change (%)	Share (%)	Available Space (SF)		Vacancy Rate (%)			
	1996	1998	2000	2001			1998	2001	1995	1998	2000	2001
East	8,080,708	9,310,038	6,701,518	6,872,859	-3.2	24.6	1,356,394	614,871	13.2	14.6	8.9	8.9
West	4,834,620	4,822,693	5,862,208	6,331,339	5.5	22.7	964,297	1,706,501	32.7	20.0	23.4	27.0
Downtown Total	12,915,328	14,132,731	12,563,726	13,204,198	0.4	47.3	2,320,691	2,321,372	20.9	16.4	15.7	17.6
Suburban												
Mayfair	1,792,915	2,133,689	1,278,542	2,775,959	9.1	9.9	225,796	245,280	5.2	10.6	11.9	8.8
Bishops Woods	855,493	942,626	963,968	843,968	-0.3	3.0	137,107	116,846	5.3	14.5	11.6	13.8
Brookfield Sq	3,353,909	3,568,102	3,837,317	4,647,147	6.7	16.6	358,908	638,016	5.3	10.1	13.3	13.7
West Allis	2,011,578	2,123,655	1,251,886	1,394,667	-7.1	5.0	371,706	323,559	19.2	17.5	17.0	23.2
North/Park Place	2,653,401	3,311,465	2,938,979	4,008,230	8.6	14.4	583,260	715,323	12.7	17.6	17.4	17.8
Waukesha	822,151	1,956,866	867,518	1,057,511	5.2	3.8	481,272	262,636	6.6	24.6	11.6	24.8
Suburban Total	11,489,447	14,036,403	12,229,951	14,727,482	5.1	52.7	2,158,049	2,301,660	9.3	15.4	16.0	15.6
Total Milwaukee	24,404,775	28,169,134	24,793,677	27,931,680	2.7	100.0	4,478,740	4,623,032	15.5	15.9	15.8	16.6

Wauwatosa. Little movement is anticipated in the downtown area since the majority of the tenants that require a downtown location are

absorbing more than 150,000 square feet annually or about 75 percent of all suburban space. This past year the activity can be seen as shifting

northward. Class A suburban rents are between \$12 and \$14 per square foot “triple net”; downtown rents are notably higher.

Ironically, the Executive Drive area (part of the Brookfield Square market area) has been losing tenants to some of the new developments; it had a vacancy rate of 15.3% this past year, several points higher than the area vacancy rate. There are several potential reasons for this. First, the inventory was built over the last 10 to 20 years (average year built is 1986), which is the typical length of office leases, and so many properties are losing tenants to new space coming on line through natural attrition. Some of the older properties are also getting tired and could use a “face lift”. Additionally, much of the vacant space is in small pieces (median size 8,500 SF); with the healthy economy many may have simply outgrown their space. The Polacheck Company notes a difficulty finding spaces for larger tenants while there is an excess of smaller spaces. Finally, the average asking rent in the corridor is \$17.75 (gross) and \$13.66 (net) - not bargains in the current market. What these factors indicate is that the long-term

marketability of this corridor is not necessarily obsolete and that new product of the right size and finish level could potentially perform as well as the other successes along the corridor such as new buildings in Bishops Woods and Honey Creek. (Bishops Woods is experiencing some of the same issues as Executive Drive.) ERA would recommend that office uses be considered as a primary component of the Study Area. Such uses could create the entrance characteristics desired.

RETAIL MARKET CHARACTERISTICS

There are several major developments and redevelopments occurring in the Milwaukee retail market as malls open and close. For example, the 445,090 square foot Southgate Shopping Center closed and was demolished, to be replaced with a new 135,000 SF Wal-Mart, Walgreen’s, and a 10-screen theater. Similarly, the 800,000 square foot Capital Court demolition is yielding a new Wal-Mart Food Store, movie theater, plus 20,000 to 40,000 square feet of other retail. Discussions are reportedly underway to expand the Bayshore Mall by replacing the Kohl’s Department and Food Emporium stores. Northridge Plaza is also being redeveloped, with two of its major anchors leaving recently. The following table outlines the status of the major retail centers in the Milwaukee area. Mayfair Mall retained the lead with the volume of shoppers, followed by Brookfield Square and Southridge. The expansion and repositioning of Mayfair should solidify its position in the marketplace. Bayshore currently has the healthiest occupancy.

Table 9. Major Retail Centers in the Milwaukee MSA

Source: National Research Bureau, Business Journal of Milwaukee, Journal Sentinel

Retail Center	City	Open	Last Renov	GLA	Change	Occup	Sales/SF	Rent/ SF	Anchor
Southridge Mall	Greendale	1970	1990	1,264,062		N/A	N/A	N/A	Boston Store, JC Penney, Kohl's, Sears, Younkers (closed)
Brookfield Square	Brookfield	1967	1997	1,182,381		87%	N/A	N/A	Boston Store, JC Penney, Sears
Northridge Mall	Milwaukee	1972	1989	1,019,504		65%	N/A	N/A	Boston Store, JC Penney (closed), Sears, Younkers (closed), Wal-Mart (soon)
Mayfair Mall	Wauwatosa	1958	1994	860,000	110,000	91%	\$460	\$20-100	Boston Store, Marshall Fields
The Grand Avenue	Milwaukee	1982	*	842,000		50%	N/A	N/A	Boston Store, Marshall Fields (closed)
Bay Shore Mall	Glendale	1954	1994	483,398		98%	\$250	\$15-30	Boston Store, Sears, Barnes & Noble
Capitol Court	Milwaukee	1956	*	800,000	(200,000)				Wal-Mart (soon)
Southgate Mall	Milwaukee	1951	*	445,090	(305,090)	30%	\$185	\$8-25	Wal-Mart (now 100% owner-occupied)

* Demolished or major redevelopment

It is in this context that the Brookfield Square Shopping Center (one of the few relatively healthy malls) has been purchased for repositioning by CBL and Associates Properties Inc. (CBL). CBL's plans for the mall are not yet known, but they purchased the Richard E. Jacobs Group, Inc. properties for the purposes of enhancing the portfolio. This may involve notable renovation and/or re-tenanting.

The Table 10 illustrates the fact that most other new retail development in 2000 took place in Milwaukee and Waukesha counties, with 1.1 million and 0.8 million additional square feet respectively. Drugstores, grocery stores, and some department stores left shopping centers to build their own freestanding space. In fact, the space in regional centers has generally been declining over the past several years. Total construction in the non-regional centers reached almost 2.3 million square feet, with Waukesha County accounting for approximately one third of the construction. Prices for suburban land varied from \$225,000 to \$300,000 per acre, with the best corner parcels reaching over a half-million dollars per acre.

As shown in the Table 11 vacancy rates in all categories and most areas increased this past year, and this is expected to continue. The retail fall out that ERA has identified as inevitable for some time now is beginning to occur. This is particularly true for dated retail malls. (Note: Polacheck vacancy rates by area do not match those by store type, likely due to the rapid churning of the market.)

Table 10. Metropolitan Milwaukee Retail Inventory (SF)

	1994	1995	1996	1997	1998	1999	2000
Regional Centers	7,252,158	7,159,733	6,554,733	6,493,128	6,275,303	6,896,435	6,501,345
All Other Centers							
Milwaukee	8,676,662	8,790,340	9,200,977	9,668,776	9,791,719	10,793,470	11,913,430
Waukesha	4,579,013	5,023,832	5,063,440	5,224,737	5,101,530	6,242,933	7,084,613
Ozaukee	1,339,483	1,370,181	1,370,181	1,423,707	1,355,653	1,679,896	1,701,896
Washington	1,074,641	1,070,822	1,083,062	1,224,629	1,203,117	1,710,453	1,991,460
Total Other Centers	15,669,799	16,255,175	16,717,660	17,541,849	17,452,019	20,426,752	22,691,399
Other Areas							
Racine	2,669,481	2,631,509	2,630,811	3,321,898	3,275,057	3,338,353	3,410,353
Kenosha	1,576,029	1,621,429	2,195,004	2,336,502	2,322,707	2,367,907	2,367,907
Total Milwaukee	27,167,467	27,667,846	28,098,208	29,693,377	29,325,086	33,029,447	34,971,004

Source: The Polacheck Company, Economics Research Associates

Table 11. Retail Vacancy Rate

Source: The Polacheck Company, REIS, ERA

Center/Area	1994	1995	1996	1997	1998	1999	2000	2001
By Center Type								
Regional	4.9%	4.5%	9.5%	9.1%	8.4%		7.1%	17.4%
Community	6.3%	8.4%	6.5%	10.3%	7.1%		8.0%	13.4%
Neighborhood	11.3%	7.8%	6.4%	6.8%	6.7%		9.9%	10.2%
Strip	9.5%	10.1%	8.0%	7.7%	6.5%		8.0%	11.4%
By Area								
Milwaukee	9.5%	9.9%	9.4%	10.4%	9.5%	9.4%	11.5%	10.0%
Waukesha	4.3%	4.3%	3.8%	3.7%	3.6%	4.0%	3.7%	3.9%
Ozaukee	4.4%	2.9%	2.6%	4.9%	7.0%	10.2%	10.1%	10.3%
Washington	15.3%	9.9%	4.2%	8.5%	13.1%	5.9%	6.3%	7.7%
Racine	N/A.	N/A.	N/A.	N/A.	4.7%	4.9%	7.2%	5.8%
Kenosha	N/A.	N/A.	N/A.	N/A.	4.6%	4.8%	2.1%	4.3%

Demand for retail space is anticipated to continue due to the area's significant residential development; however the general overbuilt nature of the market is being manifest in significant property repositioning. Major retailers, who used to consider the city to be a poor location for new retail space, are now reconsidering it since suburban opportunities are largely tapped out. In fact, large boxes (such as Wal-Mart, Target, and others) are the impetus for the redevelopment of the malls discussed above. Given the turmoil in this market, the repositioning opportunity at Brookfield Square, and the already retail-heavy characteristics of Bluemound, ERA would recommend that the area not be planned for significant additional retail. However, the repositioning (and potential expansion) of Brookfield Square is essential to the continued health of the corridor.

RESIDENTIAL MARKET CHARACTERISTICS

The residential market consists of several market segments addressing various household types. There are currently an estimated 698,400 units in the Milwaukee-Racine CMSA. Every year there are additions to this housing stock. The following table breaks out the total number of permits issued in the metropolitan area (including Racine) by type. As this table shows, roughly 35% of the development activity has consisted of multifamily development (apartments or condominiums), about 7% is attached single-family (townhouses or duplexes), with the remaining 60% +/- of the housing stock being single-family homes. By contrast, housing in the City of Brookfield consists of roughly 90% single-family homes. This shows a significant lack in the multi-family housing supply.

Table 12. Milwaukee CMSA Residential Permits Source: Urban Land Institute

	1995	1996	1997	1998	1999
Total Households	548,200	547,400	547,900	564,700	567,700
Annual Construction	5,750	6,325	5,778	6,607	5,650
Detached SF	3,200	3,651	3,176	3,652	3,750
Attached SF	450	338	486	478	400
Multifamily	2,100	2,336	2,116	2,477	1,500

Much of the new development is occurring in farther out in the suburbs where there is available land such as Waukesha and New Berlin. Other hot spots include Germantown, Menomonee Falls, Mequon, and Franklin.

Table 13. Average Sale Price Source: Multiple Listing Service

	1994	1999	Change	Growth
Milwaukee County	\$92,863	\$112,117	\$19,254	20.7%
City of Milwaukee	\$69,532	\$84,858	\$15,326	22.0%
River Hills	\$400,192	\$532,292	\$132,100	33.0% Highest Price
Fox Point	\$234,164	\$234,785	\$621	0.3% Smallest Gain (%)
Ozaukee County	\$183,491	\$226,458	\$42,967	23.4%
Washington County	\$130,487	\$158,689	\$28,202	21.6%
Waukesha County	\$159,390	\$196,226	\$36,836	23.1%
Brookfield	\$204,436	\$233,594	\$29,158	14.3%
Hartland	\$148,563	\$223,640	\$75,077	50.5% Largest Gain (%)
Racine County	\$97,583	\$117,711	\$20,128	20.6%
City of Racine	\$72,392	\$82,925	\$10,533	14.5% Lowest Price

The preceding table shows pricing for home sales; these figures include both single-family and condominium sales. As these figures show, Brookfield has some of the higher home values in the region, averaging about \$235,000. The cheapest homes are in Racine (Milwaukee prices have increased recently), while the most expensive are in River Hills. The fastest growing values are in Hartland, while the slowest are in Fox Point. Brookfield growth has been modest compared with regional averages. Realtors indicated that value gains have been fueled by a relatively lack of supply additions, particularly in the appropriate price range. Many areas have overpriced their products; municipalities have imposed large floor and / or lot area requirements essentially keeping out large segments of the market. This is particularly the case for multifamily developments. Initial indications reveal pent up market demand in the middle market segments for condominium and/or rental units at modest densities. These uses, if developed dense enough, would be valuable assets to the Study Area.

HOTEL MARKET CHARACTERISTICS

The most significant factor affecting the hotel market is the development and expansion of the Midwest Express Center in downtown Milwaukee. This facility, along with the annual events like Summerfest, continues to drive growth in visitor activity. Several new hotels are being built or renovated downtown in response to the Midwest Express Center. These include a 169-room Courtyard by Marriott, a 131-room Marriott Residence Inn (in the old Marshall Fields building), and a 250-room addition to the Milwaukee Hilton. Development plans for a 300-room Embassy Suites have been stalled. All told, about 700 rooms were added downtown, 400 rooms near the airport, and over 1,000 along the I-94 corridor have been added. In spite of these additions, the current 4-county occupancy rate is about 62.4%, down slightly from 62.7% in 1999.

Brookfield currently has several hotel properties, in addition to the other clusters along I-94 near Goerkes Corner and near the Zoo. The following table lists current Brookfield properties.

Table 14. Brookfield, Wisconsin Hotels

Name	Address	Rooms	Age
Baymont Inn & Suites	20391 W Bluemound Rd	101	10
Best Western Midway Hotel	1005 S Moorland Rd	125	20
Country Inn & Suites	1250 South Moorland Rd	150	2
Courtyard by Marriott	16865 W Bluemound Rd	147	10
Embassy Suites	1200 S Moorland Rd	203	14
Fairfield Inn by Marriott	20150 W Bluemound Rd	135	12
Hampton Inn	575 N Barker Rd	120	13
Homestead Village	325 N Brookfield Rd	137	3
Motel Six	20300 W Bluemound Rd	146	15
Residence Inn by Marriott	950 S Pinhurst Ct	104	12
Sheraton Milwaukee-Brookfield	375 S Moorland Rd	390	29
TownePlace Suites by Marriott	600 N Calhoun Rd	112	3
Wyndham Garden Hotel	18155 W Bluemound Rd	178	11
Total		2,048	

Source: Brookfield CVB

The most recent addition was the Country Inn & Suites. There are six or more hotels in or near Brookfield in various stages of planning, development, or recent opening. Unlike downtown, the greater driving force for demand in the western suburbs is the business traveler, not the leisure or group traveler. Without significant additions in these demand drivers, there are initial signs of weakening in the market. That said, a new interchange creates a logical location for one or more hotel developments; this possibility should be accounted for in the plan if a new interchange is included. Without an interchange, additional hotel development is unlikely.

CONCLUSIONS AND LAND USE IMPLICATIONS

The Brookfield area is now completing a major element in the development cycle. Over the past several decades, Brookfield has transitioned from rural to suburban, with farm fields being transformed into single-family subdivisions, shopping centers, and office parks. Most of the developable land in the City has now been built upon. The Ruby Farm/WTMJ property is a notable exception. Unfortunately, the City is starting to become a victim of this success. Increased traffic congestion and aging of the building stock are starting to affect market perceptions. This is revealed in slight

increases in retail and office vacancy rates, as well as stagnant rents over the past few years. New development has moved beyond Brookfield. In order to remain healthy, the development of the remaining parcels should be taken in light of securing the market position of the existing properties.

Given these general market conditions, ERA would recommend the following land uses be considered for the Study Area in general and the project sites in particular. Given the excellent visibility and access of this area, the land should be way too expensive for industrial park developers and single-family residential developers. It is unlikely that either of these uses would occur in the Study Area.

Office - The largest component of the development, and the one with the most immediate potential, would be mid-rise offices. While the Executive Drive area is experiencing some market difficulties, new developments to the east and west have reportedly performed well. The access provided by a new interchange, as well as the development of new space, would be accepted well in the marketplace. Absorption may be slow in the first few years with the possibility of a slowing economy and competition from other developments that got “out of the box” faster. However, the long-range prognosis is healthy. An appropriately priced inventory could absorb between 50,000 and 100,000 square feet annually until build-out on the three study parcels. Including repositioning / redevelopment of existing building stock and other parcels along the corridor, this estimate could increase. Without the interchange, the office development market would view this location as secondary, given the availability of properties adjacent to interchanges to the east and west. Allow roughly 30 to 50 acres on sites 1 and/or 2.

Residential - While single-family residential could be developed on this site, it is probably not the “highest and best use”. However, there is indicated demand for higher-density residential (condominiums / apartments) attracting middle-income families that are priced out of many new developments. In order to be cost effective, given the probably land values of the site, these developments should be multi-story. Assuming a developer would allocate about \$10,000 per unit for land costs, densities of 22 to 40 units per acre are needed to justify development on “office” land.

(At 1,000 SF per unit, the indicated FAR approaches 1.0). Allow roughly 30 to 50 acres on portions of site 2 and/or site 3.

Hotel - While the immediate hotel market has softened somewhat, the regional visitor market is healthy. An interchange location is logical for hotel site selection and, while a hotel may not be successful immediately at the site, if an interchange is built at least one parcel should be reserved for development in a few years. It should be noted that new properties generally outsell older ones, and that inclusion of unique amenities assist in a property's success. Given this, a well-designed and marketed hotel could have immediate success at an interchange. Without an interchange location, development of a hotel is ill advised. Allow roughly 10 to 15 acres on sites 1 and/or 2.

Retail - Sites with excellent access and visibility are strongly desired by retail developers. Regionally, the malls are in turmoil right now and the "big box" market is generally overbuilt. The possibility of retail development in the study area depends largely on the other activity along the Bluemound corridor and repositioning of Brookfield Square. Given the current market conditions, ERA would not recommend a retail-oriented development strategy. However, a component of convenience and/or highway-oriented retail uses (drug and grocery stores, restaurants, gas stations) could be considered. Additionally, repositioning is essential to keep Brookfield Square viable. Allow roughly 5 to 10 acres (possibly including the current developments at Calhoun and Bluemound).

Civic - In addition to these market-driven uses, there may be the potential to attract an "opportunity project", opportunities that stem from educational, health, sports, or other users that do not operate in the broader real estate markets. Examples include colleges or universities, hospitals, arenas, etc. One of these users could create the desired entrance to the City of Brookfield, create the synergies needed for upgrading and enhancing existing land uses, and act as the anchor for additional market-driven development such as office or residential users. One of these users

may particularly be interested in conversion of the Swanson School into a facility with direct commercial real estate synergies. While such users are not revealed in a market analysis, the RTKL plan could serve as an excellent marketing tool for the attraction of such a user.

