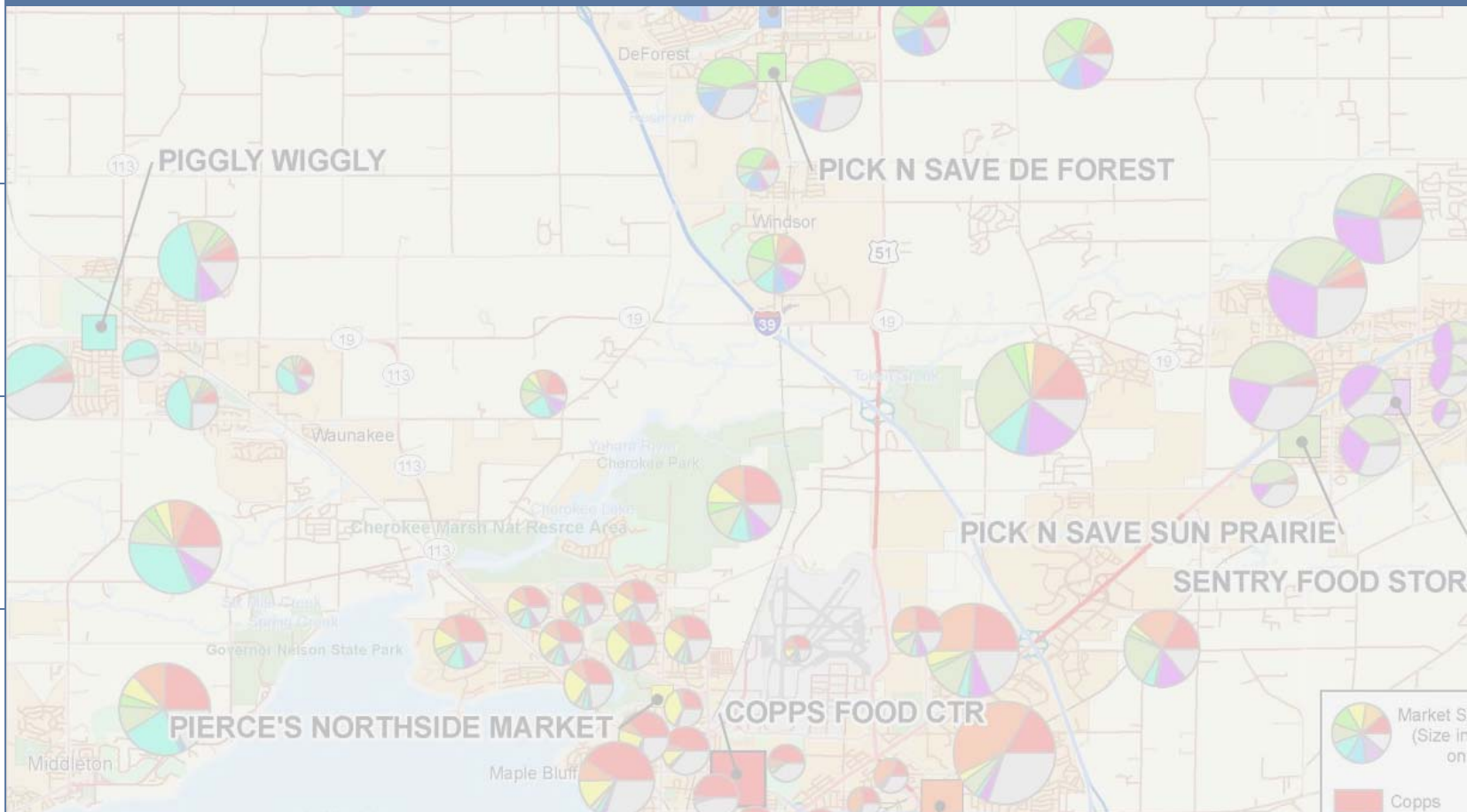




North Side Market Analysis

City of Madison, Wisconsin



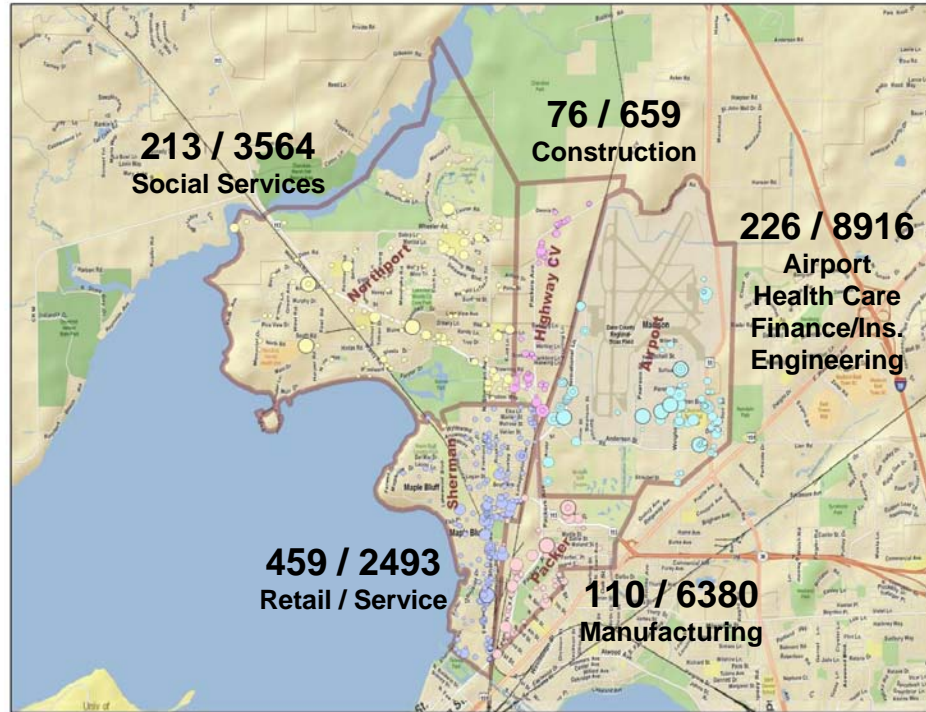


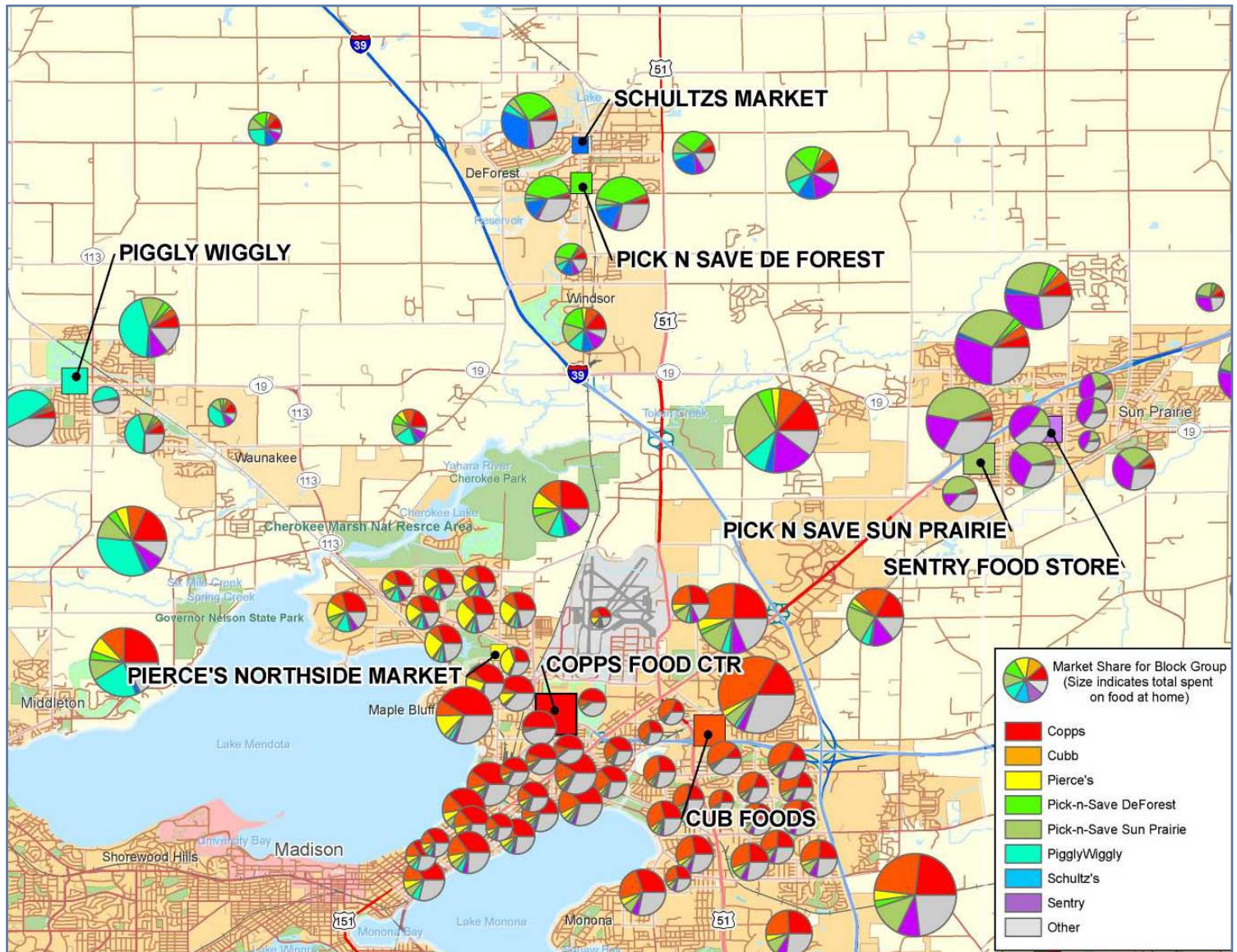
Summary of the Findings

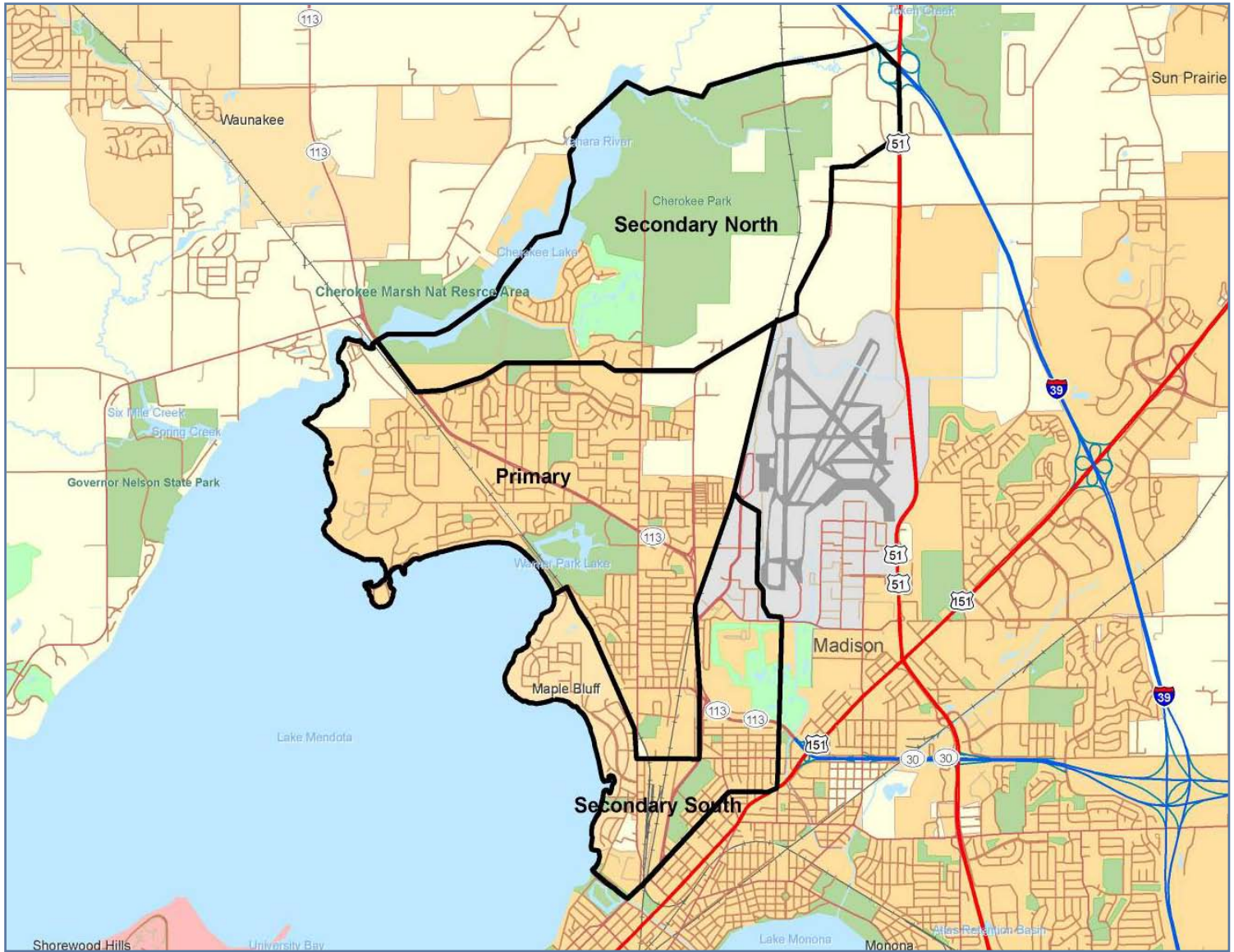
- Area demographics are good, but mixed
- Prospects for housing are good
- Limited opportunities for retail and services
 - intense competition
 - lack of drawing power
- Secondary office location
- Good location for construction and manufacturing
- Very unlikely location for a hotel
- Physical conditions and perceptions are an impediment

General Environmental Conditions

- ❑ Diverse character
- ❑ Mixed employment
- ❑ Lack of identity
- ❑ Warner Park
- ❑ Airport
- ❑ Building quality
- ❑ Road design issues
- ❑ Perceptions









Trade Area Demographics



	Madison	Primary	North	South
2000 Population	208,140	16,635	1,822	6,575
2008 Population Estimate	227,137	17,074	1,912	6,523
2013 Population Forecast	239,759	17,675	1,997	6,685
Annual Change, 2008-2013	1.09%	0.69%	0.87%	0.49%
2000 Households	89,070	7,035	886	3,227
2008 Households Estimate	99,744	7,356	952	3,266
2013 Households Forecast	106,462	7,675	1,003	3,375
Average Household Size, 2008	2.15	2.22	2.01	1.98
2008 Housing Units	106,653	7,882	1,050	3,448
2008 Owner Occupied	44.5%	59.1%	85.6%	45.5%
2008 Renter Occupied	49.0%	34.2%	5.0%	49.2%
2008 Median Hhold Income	\$55,290	\$53,226	\$78,079	\$49,587
2008 Average Hhold Income	\$70,476	\$63,048	\$98,773	\$74,541
2008 Per Capita Income	\$31,633	\$27,711	\$48,960	\$37,659
Households Without Vehicles	11.8%	11.4%	0.0%	10.8%



Trade Area Demographics



	Madison	Primary	North	South
2008 Median Age	31.9	38.2	56.4	37.1
2008 Under 18 Years	16.8%	21.3%	13.5%	17.2%
2008 Age 65 or Older	10.4%	13.2%	31.6%	9.5%
2008 White	84.3%	80.9%	96.4%	85.7%
2008 Black	5.7%	9.2%	1.0%	5.6%
2008 Asian / Pacific Island	5.6%	4.4%	1.5%	3.2%
2008 Other Race	4.4%	5.5%	1.1%	5.5%
2008 Hispanic Origin	4.2%	4.7%	1.3%	4.9%
Less Than High School Grad.	6.2%	12.5%	2.8%	7.4%
High School Degree	17.5%	30.3%	24.4%	17.7%
Some College	18.1%	22.1%	21.4%	17.1%
Associate's Degree	8.4%	9.9%	9.9%	6.8%
Bachelor's Degree	27.9%	17.3%	23.9%	30.0%
Graduate Degree	22.0%	7.8%	17.6%	21.0%
In Labor Force	73.1%	69.1%	63.3%	78.4%
Employed	69.5%	65.3%	62.5%	75.3%
Unemployed	3.5%	3.8%	0.2%	3.0%
Employed in White Collar Jobs	72.7%	61.8%	82.2%	68.3%
Employed in Services	15.5%	17.9%	9.3%	17.2%
Employed in Blue Collar Jobs	11.8%	20.3%	8.5%	14.6%

Market Segmentation (Community Tapestry)





Competitive Analysis

❑ Regional centers:

- East Town
- West Town

❑ Community centers:

- Madison – East, West , Highways 51/30
- Sun Prairie

❑ Neighborhood centers:

- Deforest
- Waunakee
- Middleton
- Madison – Washington Avenue, Shopko Drive



Retail and Service Performance

- ❑ \$172 million in potential in the primary trade area
 - \$88 million (51.5%) captured in the area
 - \$83 million spent elsewhere
- ❑ \$260 million in potential in the combined primary and secondary trade areas
 - airport skews motor vehicles and gasoline
 - \$165 million in revised potential
 - \$54 million in actual sales
 - \$110 million spent outside of the area
- ❑ Greatest leakage in grocery stores, food and drinking places, general merchandise, clothing, furniture and home furnishings



Retail and Service Opportunities

- Motor vehicle and parts dealers (good)
- Furniture and home furnishings (poor-good)
- Electronics and appliance stores (limited)
- Building materials, garden, supply stores (limited)
- Food and beverage stores (limited)
- Health and personal care (good)
- Gasoline stores (good)
- Clothing and clothing accessories (poor)
- Sporting goods, hobby, book, music stores (limited)
- General merchandise stores (poor)
- Miscellaneous stores (limited-good)



Supply of Retail Space

❑ Madison

- 65 properties available to lease
- 970,000 square feet total
- \$17.84 / square foot average (range \$7.59 to \$48.00)

❑ Surrounding communities

- 17 properties available
- 508,000 square feet total
- \$16.21 / square foot average

❑ North side

- 3 properties available
- 123,000 square feet total
- \$11.66 / square foot average



Retail and Services Considerations

- Immediate opportunities are few, with better prospects in the long term
- Crime and perceptions of safety are an obstacle
- Sherman Avenue may attract redevelopment, specialty stores, or mixed-use
- “Main Street” on Sherman Avenue from Northgate Shopping Center to Shabazz High School
- Is there a mismatch between the space available and the businesses likely to locate on the north side?
- Prevailing rents will not support significant redevelopment



Office Market Analysis

❑ Office vacancy

- US average – 13.5%
- Midwest average – 15.8%
- Madison average – 12.1%
 - Class A – 8.2%
 - Class B – 15.0%
 - Class C – 22.3%
- East and west sides have highest vacancies
- West and south sides have the strongest activity

❑ New construction remains strong

- 250,000 square feet completed in 2007
- 763,000 square feet under construction
- 258,000 square feet planned



Office Market Analysis

- ❑ 125 office properties listed for lease in Madison
 - 1,579,000 square feet in total
 - 385,000 square feet available in 30 properties in surrounding communities
 - \$15.60 / square foot average lease rate
- ❑ Five properties listed on Madison's north side
 - 104,000 square feet in total
 - \$11.57 / square foot average lease rate
- ❑ Competitive properties
 - Median rent is \$13.50
 - 20% of properties at or less than \$11.50 / square foot
 - 40% of properties at or less than \$12.00 / square foot



Office Market Analysis

- ❑ The Madison market has performed well as the area draws new companies
- ❑ The north side competes as Class B space (or less)
- ❑ There is nearly 2 million square feet of space available with another million planned
- ❑ Expansion may slow as the market absorbs available space
- ❑ Visibility, access, amenities, and market perception can be poorer on the north side
- ❑ Efforts to “brand” the airport business parks may yield positive results



Industrial Market Analysis

❑ Regional trends are turning downward

- Vacancy rates are increasing
 - Chicago and Southeastern Wisconsin – 9.1%
 - Milwaukee – 10.3%
 - Waukesha – 8.4%
- Speculative construction is slowing
- Rents are decreasing

❑ Madison performs somewhat better

- Vacancy at 5.8 percent and declining since 2004
- Very little speculative construction
- Rents are decreasing
- 800,000 square feet added in 2006 (717,000 absorbed)
- 300,000 square feet added in 2007 (895,000 absorbed)



Industrial Market Analysis

□ 18 properties for sale

- 300,000 square feet in total
- 16,400 square feet average size
- 16,000 square foot average size on north side
- \$72.00 / square foot average asking price
- \$44.40 / square foot average asking price on north side

□ 47 properties for lease

- 575,000 square feet in total
- 12,000 square feet average size
- 10,000 square foot average on north side
- \$6.50 / square foot asking rent
- \$4.00 / square foot asking rent on north side



Industrial Market Analysis

❑ Competitors

- business parks in Waunakee, Sun Prairie, and Deforest
- Highway 14 area in Middleton
- Beltline, Highway 30 and Stoughton Road in Madison

❑ North side advantages

- Dane County Regional Airport
- public transportation
- work force proximity (increasing importance?)

❑ Competitor advantages

- highway access and visibility
- more recent construction / building suitability / size
- available land in planned industrial developments

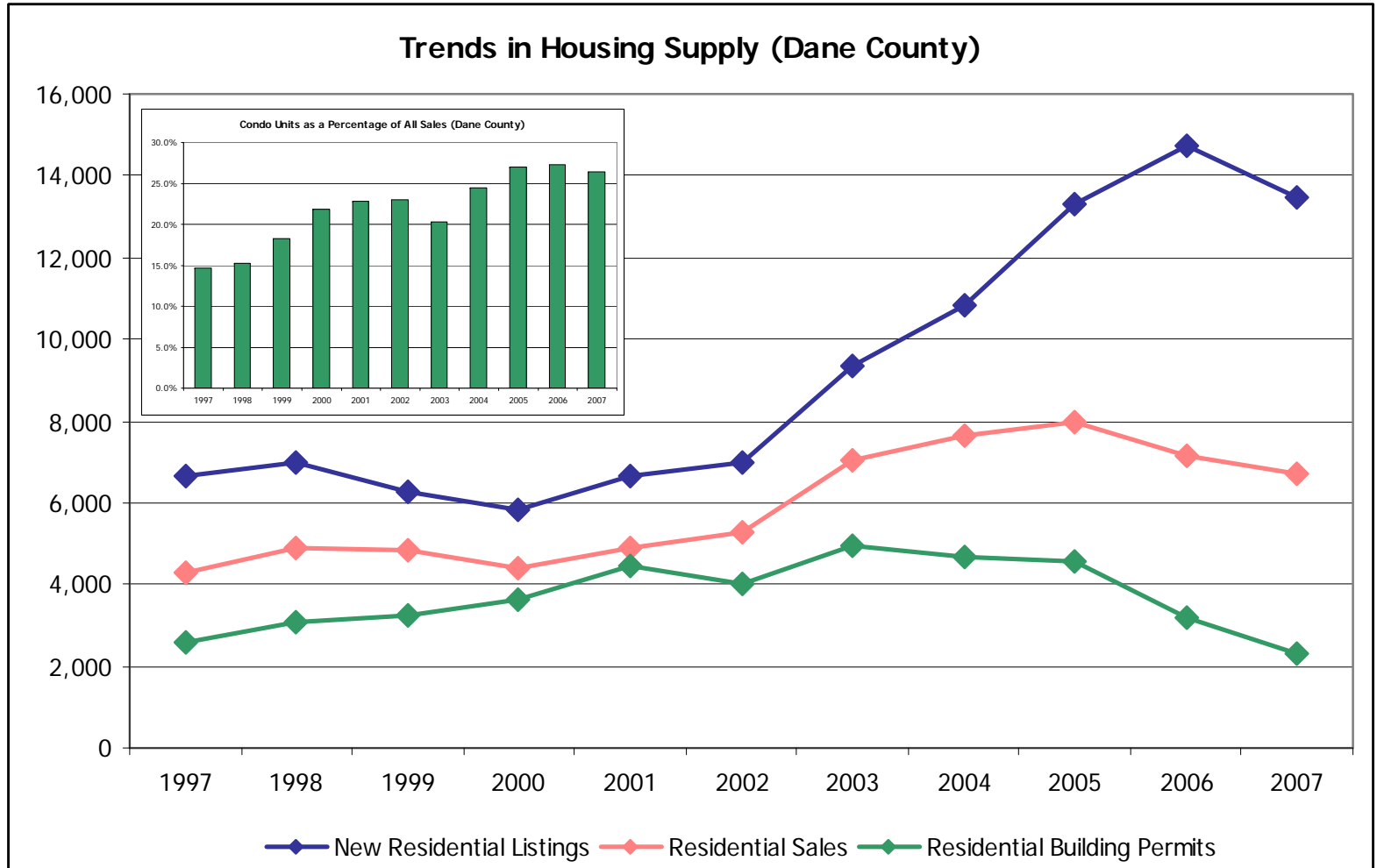


Industrial Overview

- ❑ Industrial has not yet experienced the slide seen in housing and retail
- ❑ Build-to-suit has been favored over spec in Madison
- ❑ Technology businesses have not been attracted to the north side (with exceptions)
- ❑ Small manufacturing, distribution, and construction have been attracted by the airport and lower costs
- ❑ Increasing commuting costs may cause businesses to seek locations closer to Madison
- ❑ Direct public transit from north side residential to nearby employment centers could benefit both businesses and workers on the north side



Residential Market Performance





Residential Opportunities (and Threats)

- ❑ Current market limits opportunities
- ❑ Home renovation (existing / new buyers)
- ❑ Future opportunities
 - age-restricted apartments (Sherman Avenue)
 - empty-nest housing (Cherokee)
 - urban living (Sherman Avenue)
 - Mendota Mental Health Center
- ❑ Foreclosure concerns
- ❑ Rental housing concerns
 - concentration of subsidized housing
 - conversion of affordable units

Questions?

