

APPENDIX A: MARKET ANALYSIS



Overview

Market research defined the market and economic conditions as well as the potential to support new real estate investments in both long and short terms along the Highway 53 Corridor. The following is a summary of market conditions for each real estate sector analyzed and an assessment of development opportunities at each of the four identified pulse nodes and along the corridor.

Components of the market and economic analysis include:

- Locational analysis of the Highway 53 Corridor Master Plan study area.
- Socio-economic profile and trends of North La Crosse and the broader La Crosse metro area.
- Review of current market data for residential, retail, office, and industrial real estate sectors.
- Interviews with developers and other real estate experts regarding their perceptions and observations of the Highway 53 Corridor as an area for new development.
- Market Demand Calculations.
- Identification of Possible Redevelopment Sites.

Locational Analysis

Strong locational factors are an essential foundation to successful real estate redevelopment. Therefore, an understanding of these factors can help prioritize both public and private investments that will catalyze redevelopment in and along the Highway 53 Corridor. This section of the memo identifies the Study Area's key regional and local characteristics as they relate to the development of profitable and enduring uses.

Study Area Character

The Highway 53 Corridor extends over three miles from Interstate 90 to the La Crosse River. Although one characteristic that unites the Corridor is the high degree which land uses are co-mingled, it nevertheless embodies several different character districts that influence market dynamics.

The most northern portion of the Corridor, between Interstate 90 and Livingston Street, is the newest, most automobile-centric, and suburban portion of the Corridor. Key features that influence the character in this part of the Corridor are the Interstate 90 interchange, very long blocks, a divided 4-lane roadway with high speeds, significant building setbacks, limited pedestrian facilities, and the close proximity of the Black River in which there is no development. Despite this being the newest part of the Corridor, much of the building stock appears run down and in need of updating or renovation. This is exacerbated by the presence of the Bridgeview Plaza Shopping Center, which tends to dominate this part of the Corridor.

The central portion of the Corridor, between Livingston Street and the BNSF viaduct, has a overly eclectic character. Newer development exists between Highway 53 and the Black River, yet older development in the form of older houses and industrial uses define the east side of Highway 53. Copeland Park is a major land use and significant amenity that anchors this part of the Corridor. Although Highway 53 is no longer divided through this area, it also splits into two one-way pairs along Rose and Copela and Avenues, which creates a series of blocks situated between the two heavily traveled roadways. This part of the Corridor has the most points of public access to the Black River.

The southern portion of the Corridor, between the BNSF viaduct and the La Crosse River, is the most industrial section but by no means dominates industrial uses or has an overwhelmingly industrial character. The Three Rivers Plaza development provides an important commercial anchor to this portion of the Corridor and the planned Riverside North Neighborhood will likely reinforce this commercial character.

Regional Accessibility

Accessibility to other parts of the La Crosse region is excellent throughout the Corridor due to it being one of two primary corridors in the region that connect the job-rich areas of Downtown and South La Crosse with the suburban communities of Onalaska, Holmen, and West Salem. As a result, traffic volumes in portions of the Corridor peak at 35,000 vehicles per day. The visibility created by this volume of traffic makes several locations throughout the Corridor very attractive for retail uses. However, the high traffic volumes also present challenges to site accessibility, which limit the desirability of a site for many potential commercial uses.

Important Points of Interest + Amenities

Prominent points of interest in or near the Highway 53 Corridor study area help draw visitors to the area, which helps build awareness and generates interest in the Corridor. Although not an exhaustive list of points of interest, prominent destinations include Copeland Park, Black River access points, UPTOWNE Retail District, Three Rivers Plaza, and the Amtrak Station. The close proximity of Downtown La Crosse, especially to the southern portions of the Corridor, makes it an important point of interest and amenity.

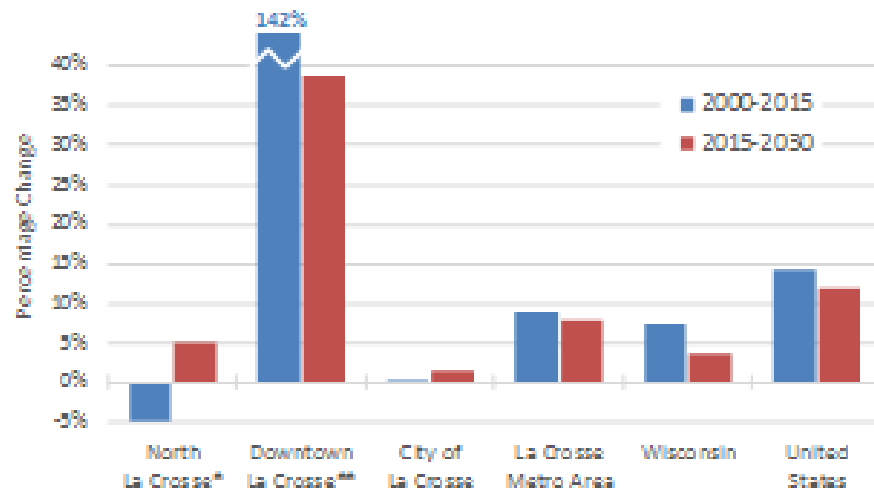
Driver Demands

Given the size of the study area, numerous potential redevelopment sites, and the likely need to phase development over many years, macro-level data was gathered and analyzed in order to better understand the fundamental drivers of demand in the study area. Although such high-level analysis may not be appropriate for determining the short-term market feasibility of a particular project or concept, it does help inform how to test conceptual site plans vis-à-vis overall scale, ratio of uses, density, among other things.

Population + Household Growth Trends

Figures 1 and 2 and Table 1 present data on the population and households for North La Crosse, Downtown La Crosse, the City of La Crosse, the La Crosse metro area, Wisconsin, and the United States. The following are key points:

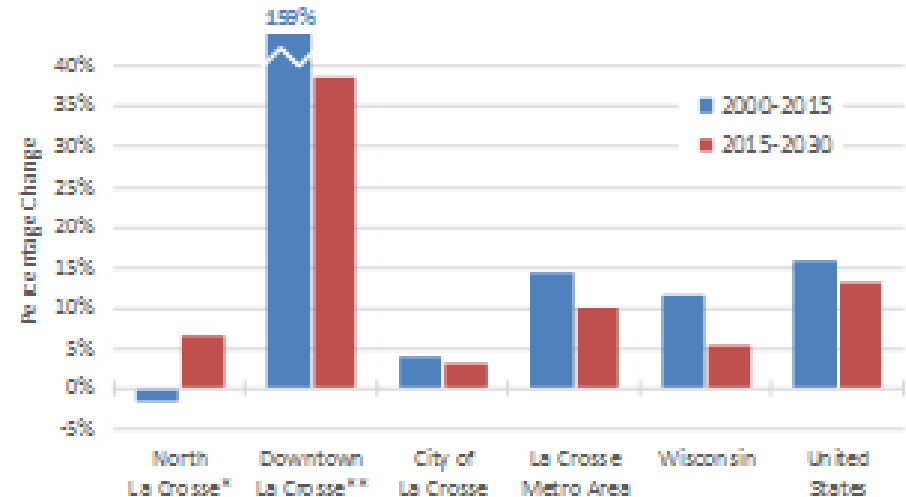
- Figure 5 indicates that North La Crosse lost population and households between 2000 and 2015, but that the trend toward population decline will likely reverse through 2030 given new redevelopment opportunities in strategic areas near the downtown and near Interstate 90.
- Downtown La Crosse, which borders North La Crosse and the Highway 53 Corridor study area, has experienced a remarkable rate of growth in terms of population and households between 2000 and 2015. This growth has been the result of two important trends: 1) strong efforts on the part of the City to attract new development to the Downtown; and 2) a nationwide trend toward more urban living in areas defined by pedestrian accessibility to amenities such as parks, trails, restaurants, and shops.
- The growth of Downtown La Crosse since 2000 has occurred despite the fact that the City of La Crosse has generally experienced a modest rate of growth. This indicates that when land is made available for redevelopment in close proximity to desired neighborhood amenities that growth can and does occur within the City. As key redevelopment sites are exhausted in the Downtown core, it is common that areas just outside the Downtown, such as the southern portion of the Highway 53 Corridor study area, will become ripe for redevelopment. This is why the forecasted growth for the Downtown is anticipated to slow down somewhat over the next 15 years from its torrid pace of the previous 15 years.



¹ Census Tracts 1 and 2

² Census Tract 3

Data Sources: US Census; Wisconsin Department of Administration; Perkins+Will



¹ Census Tracts 1 and 2

² Census Tract 3

Data Sources: US Census; Wisconsin Department of Administration; Perkins+Will

¹The Highway 53 Corridor study area extends from Interstate 90 on the north to the La Crosse River on the south and generally includes the blocks immediately adjacent to the corridor. This study area is almost entirely located within Census Tracts 1 and 2, which are generally bounded by Interstate 90 on the north, the La Crosse city limits on the east, the La Crosse River on the south, and the Black River on the west. These census tracts are assumed to comprise most of the area referred to locally as North La Crosse and would be a good approximation of the local market or trade for housing and neighborhood-scale retail.

²For analytical purposes, Downtown La Crosse is defined as Census Tract 3. This tract is generally bounded by the La Crosse River on the north, 7th Street on the east, Jackson Street on the south, and the Mississippi River on the west. This area contains the majority of commercial and residential uses that occur at densities consistent with a central business district or downtown area.

³The La Crosse metro area is defined by the US Census as La Crosse County in Wisconsin and Houston County in Minnesota.

| | | | Estimate | Projection | Projection | Numeric Change | | Percent Change | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|----------------|------------|----------------|---------|
| Geography | 2000 | 2010 | 2015 | 2020 | 2030 | '00-'15 | '15-'30 | '00-'15 | '15-'30 |
| POPULATION | | | | | | | | | |
| North La Crosse ¹ | 10,240 | 9,789 | 9,728 | 9,663 | 10,216 | -514 | 490 | -5.0% | 5.0% |
| Downtown La Crosse ² | 1,069 | 2,292 | 2,582 | 2,872 | 3,582 | 1,513 | 1,000 | 141.6% | 38.7% |
| City of La Crosse | 51,818 | 51,320 | 51,935 | 52,550 | 52,700 | 117 | 765 | 0.2% | 1.5% |
| La Crosse MSA ³ | 126,838 | 133,665 | 137,911 | 142,156 | 148,816 | 11,073 | 10,906 | 8.7% | 7.9% |
| Wisconsin | 5,363,675 | 5,686,986 | 5,760,431 | 5,833,876 | 5,974,304 | 396,756 | 213,873 | 7.4% | 3.7% |
| United States | 281,421,906 | 308,745,538 | 321,418,820 | 334,503,000 | 359,402,000 | 39,996,914 | 37,983,180 | 14.2% | 11.8% |
| HOUSEHOLDS | | | | | | | | | |
| North La Crosse ¹ | 4,495 | 4,424 | 4,428 | 4,432 | 4,722 | -67 | 293 | -1.5% | 6.6% |
| Downtown La Crosse ² | 491 | 1,131 | 1,273 | 1,415 | 1,763 | 782 | 490 | 159.3% | 38.5% |
| City of La Crosse | 21,110 | 21,428 | 21,983 | 22,538 | 22,676 | 873 | 693 | 4.1% | 3.2% |
| La Crosse MSA ³ | 49,232 | 53,986 | 56,369 | 58,753 | 61,990 | 7,137 | 5,621 | 14.5% | 10.0% |
| Wisconsin | 2,084,544 | 2,279,768 | 2,327,908 | 2,376,049 | 2,452,854 | 243,364 | 124,946 | 11.7% | 5.4% |
| United States | 105,480,101 | 116,716,292 | 122,133,235 | 127,550,179 | 138,243,421 | 16,653,134 | 16,110,186 | 15.8% | 13.2% |

¹ Census Tracts 1 and 2

² Census Tract 3

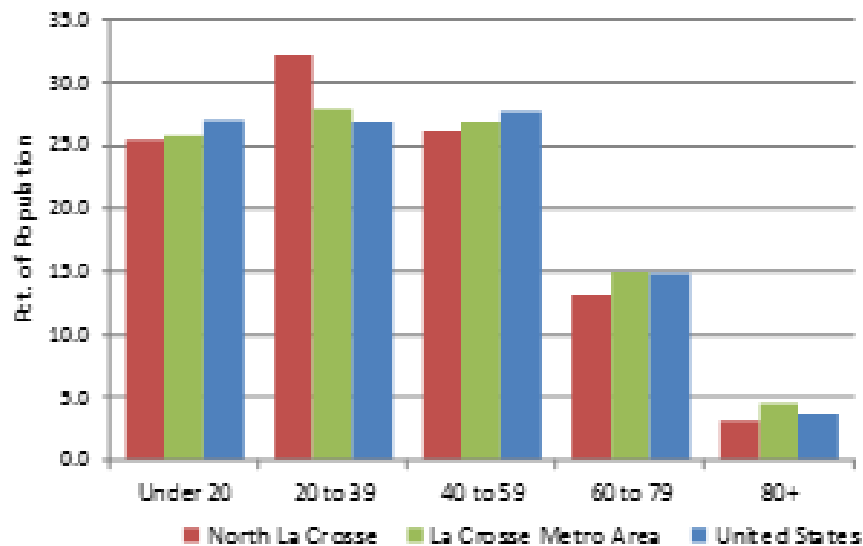
³ Consists of La Crosse County in Wisconsin and Houston County in Minnesota

Data Sources: US Census; Wisconsin Department of Administration; Perkins+Will

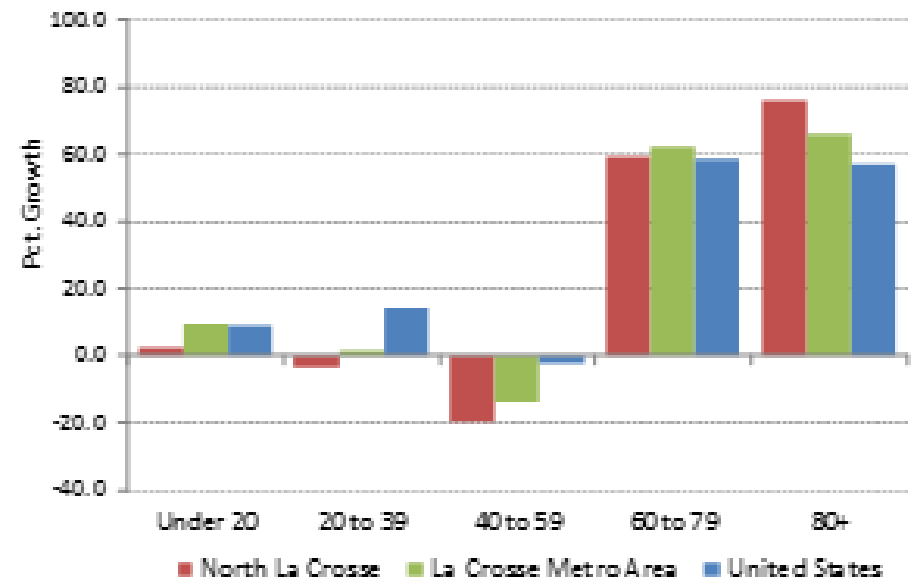
Age Distribution

Figures 3 and 4 along with Table 2 present data on the age distribution of the population and the projected growth rate by age group through 2030 for North La Crosse, the La Crosse Metro Area, and the United States. Shifts in the age profile of the population can have important effects on the demand for housing, retail, and services. The following are key points of the data:

- North La Crosse has a slightly younger age profile than the metro area and the nation. This is due in part to the proximity of the University of Wisconsin-La Crosse to North La Crosse. Interestingly, though, the age groups that primarily account for this younger profile are not necessarily college-age students but more likely recent college graduates or those between the ages of 25 and 30.
- According to Figure 8, population growth will not be distributed equally across all major age groups. Persons over 60 are projected to grow significantly through 2030 in North La Crosse as well in the La Crosse region and nationally. Conversely, younger age groups are projected to either remain stable (those under 40) or have a net decline in population (those ages 40 to 59) through 2030 in North La Crosse and the La Crosse region. Such a significant shift in the age profile will place substantial demand on housing, goods, and services needed by older adults.



Source: US Census



Source: US Census; Wisconsin Department of the Administration; Perkins+Will

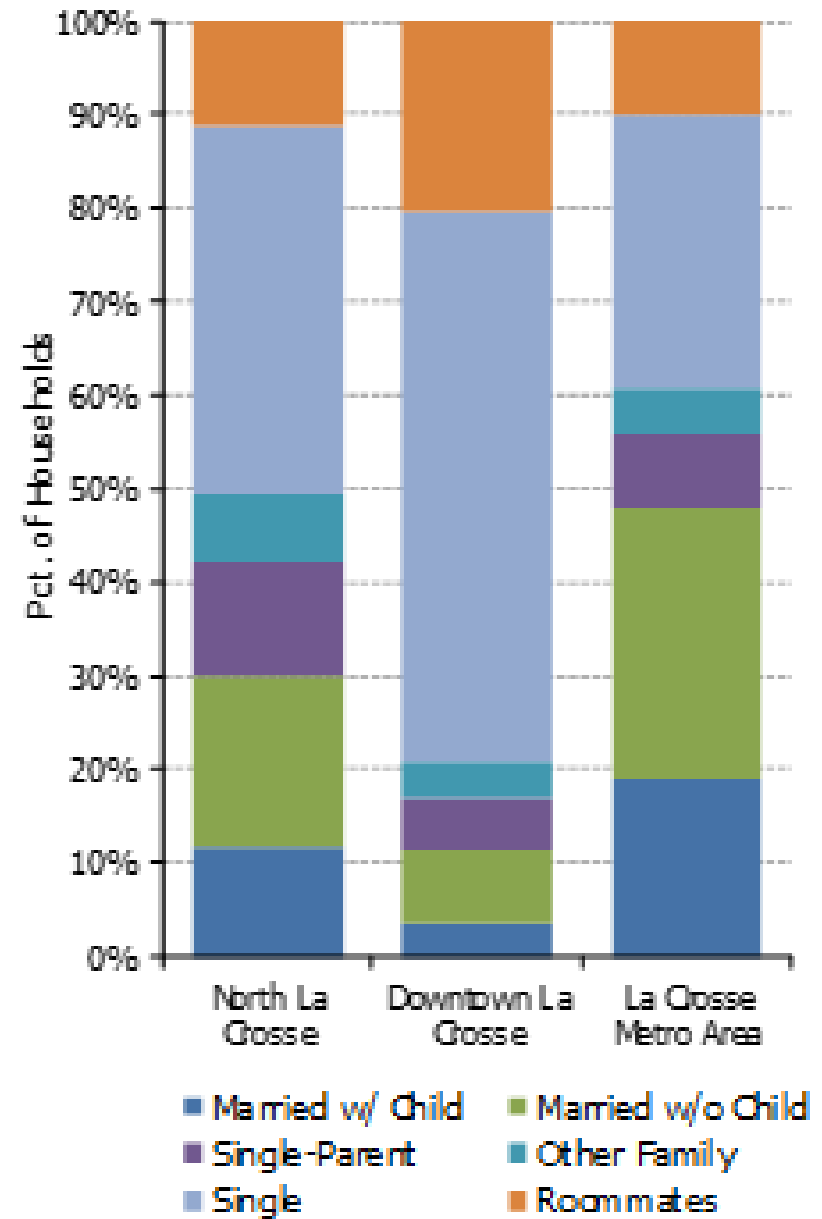
| | | | | | Change | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|------------|-----------|------------|-----------|------------|------|
| | | Projection | | 2000-2010 | | 2010-2020 | | 2020-2030 | | |
| Age Group | 2000 | 2010 | 2020 | 2030 | No. | Pct. | No. | Pct. | No. | Pct. |
| North La Crosse | | | | | | | | | | |
| Under 20 | 2,380 | 2,451 | 2,405 | 2,545 | 879 | 18.3 | 70 | 8.1 | 140 | 5.8 |
| 20 to 39 | 3,350 | 3,157 | 2,906 | 3,033 | 198 | 5.9 | 190 | 6.2 | 81 | 2.7 |
| 40 to 59 | 2,413 | 2,565 | 2,152 | 2,051 | 159 | 6.0 | -413 | -16.1 | -101 | -4.7 |
| 60 to 79 | 1,279 | 1,279 | 1,006 | 2,032 | 0 | 0.0 | 527 | 41.2 | 226 | 12.5 |
| 80+ | 333 | 312 | 343 | 550 | 20 | 7.7 | 31 | 9.9 | 207 | 60.5 |
| Total | 10,345 | 9,759 | 9,612 | 10,216 | -451 | -4.4 | -120 | -1.3 | 573 | 5.7 |
| Percentage of Population | | | | | | | | | | |
| Under 20 | 27.2 | 25.3 | 24.9 | 24.9 | --- | -2.6 | --- | -0.5 | --- | 0.0 |
| 20 to 39 | 32.7 | 32.2 | 30.6 | 29.7 | --- | 0.5 | --- | 1.6 | --- | 0.9 |
| 40 to 59 | 23.6 | 26.2 | 22.3 | 20.1 | --- | 2.0 | --- | 3.9 | --- | 2.2 |
| 60 to 79 | 12.5 | 13.1 | 10.7 | 19.9 | --- | 0.6 | --- | 5.6 | --- | 1.2 |
| 80+ | 3.2 | 3.2 | 3.5 | 5.4 | --- | -0.1 | --- | 0.4 | --- | 1.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | --- | 0.0 | --- | 0.0 | --- | 0.0 |
| La Crosse-Milwaukee Area | | | | | | | | | | |
| Under 20 | 35,035 | 34,301 | 35,047 | 37,770 | 1,564 | 4.4 | 1,540 | 4.5 | 1,723 | 4.8 |
| 20 to 39 | 37,457 | 37,382 | 37,476 | 37,949 | -75 | -0.2 | 61 | 0.1 | 472 | 1.3 |
| 40 to 59 | 32,206 | 35,038 | 32,035 | 30,036 | 2,732 | 11.6 | -3,303 | -9.2 | -1,737 | -5.3 |
| 60 to 79 | 15,061 | 19,352 | 29,144 | 32,292 | 3,821 | 25.8 | 9,202 | 46.0 | 3,148 | 10.8 |
| 80+ | 5,029 | 7,907 | 6,353 | 9,983 | 533 | 10.6 | 691 | 14.9 | 3,035 | 44.0 |
| Total | 124,818 | 133,985 | 142,156 | 148,036 | 6,827 | 5.4 | 8,401 | 6.4 | 6,660 | 4.7 |
| Percentage of Population | | | | | | | | | | |
| Under 20 | 28.4 | 25.8 | 24.9 | 25.4 | --- | -2.6 | --- | -0.5 | --- | 0.0 |
| 20 to 39 | 29.9 | 28.0 | 26.4 | 25.5 | --- | -1.6 | --- | -1.6 | --- | -0.9 |
| 40 to 59 | 25.8 | 26.9 | 22.8 | 20.8 | --- | 1.5 | --- | 3.9 | --- | 2.2 |
| 60 to 79 | 12.7 | 14.9 | 20.5 | 21.7 | --- | 2.2 | --- | 5.0 | --- | 1.2 |
| 80+ | 4.0 | 4.5 | 4.0 | 6.7 | --- | 0.5 | --- | 0.4 | --- | 1.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | --- | 0.0 | --- | 0.0 | --- | 0.0 |
| United States | | | | | | | | | | |
| Under 20 | 30,473,765 | 31,767,546 | 30,447,057 | 30,479,371 | 2,440,241 | 8.0 | 2,403,101 | 7.4 | 4,402,368 | 14.8 |
| 20 to 39 | 31,562,389 | 32,829,583 | 30,817,890 | 30,001,068 | 1,257,200 | 4.0 | 6,936,107 | 21.4 | 1,763,172 | 5.3 |
| 40 to 59 | 73,580,052 | 85,552,485 | 82,101,186 | 83,006,672 | 11,073,433 | 16.3 | 3,461,510 | 4.0 | 1,507,505 | 1.9 |
| 60 to 79 | 28,017,346 | 42,267,343 | 64,765,417 | 67,751,977 | 12,568,509 | 45.2 | 18,413,283 | 40.2 | 6,481,755 | 15.7 |
| 80+ | 9,084,974 | 11,736,710 | 17,124,471 | 17,124,727 | 2,017,801 | 22.0 | 1,184,183 | 12.0 | 1,987,288 | 19.9 |
| Total | 281,421,906 | 304,705,538 | 314,503,600 | 318,401,000 | 27,023,632 | 9.7 | 25,737,462 | 8.3 | 24,389,000 | 7.4 |
| Percentage of Population | | | | | | | | | | |
| Under 20 | 23.0 | 21.0 | 21.0 | 21.2 | --- | 1.0 | --- | 1.4 | --- | 0.4 |
| 20 to 39 | 23.0 | 26.8 | 26.9 | 26.3 | --- | 2.2 | --- | 0.0 | --- | 0.7 |
| 40 to 59 | 26.1 | 27.7 | 24.5 | 21.3 | --- | 1.6 | --- | -3.2 | --- | -1.7 |
| 60 to 79 | 12.0 | 24.0 | 25.2 | 30.2 | --- | 1.0 | --- | 4.4 | --- | 2.0 |
| 80+ | 3.3 | 3.6 | 3.8 | 4.9 | --- | 0.4 | --- | 0.1 | --- | 1.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | --- | 0.0 | --- | 0.0 | --- | 0.0 |

Sources: US Census; Wisconsin Department of the Administration; PredictiveWILL

Household Type

Figure 5 and Table 3 present data on household type for North La Crosse, Downtown La Crosse, and La Crosse Metro Area. Household type is an important indicator of housing retail demand in given market or trade areas. Data from the 2010 US Census states that 50% of North La Crosse's households have only one person or a non-related roommate. The national trend in recent years has been toward more single and roommate households. Increased numbers of single-person households is largely the result of an aging population with more widowed or widower households. However, it is also found in very dense, urban areas with many young professionals with incomes that can afford living alone. This helps explain why such a large proportion of Downtown La Crosse's households are singles.

Another important broad household trend is toward fewer married couple households with children. Again, this is somewhat the result of an aging population with fewer young children and also symptomatic of lower birth rates. Increasing numbers of households without children will increase the demand for housing types, such as apartments, condominiums, and townhomes.



Source: US Census

| Household Type | 2000 | 2010 | Change | | Distribution | | |
|------------------------------------|--------|--------|--------|---------|--------------|-------|--------|
| | | | Number | Percent | 2000 | 2010 | Change |
| <i>North La Crosse</i> | | | | | | | |
| Married with children | 657 | 516 | -141 | -21.5 | 14.6 | 11.7 | -3.0 |
| Married without children | 937 | 815 | -122 | -13.0 | 20.8 | 18.4 | -2.4 |
| Single-parent family | 539 | 533 | -6 | -1.1 | 12.0 | 12.0 | 0.1 |
| Other family* | 259 | 333 | 74 | 28.6 | 5.8 | 7.5 | 1.8 |
| Single | 1,637 | 1,735 | 98 | 6.0 | 36.4 | 39.2 | 2.8 |
| Roommate | 466 | 492 | 26 | 5.6 | 10.4 | 11.1 | 0.8 |
| Total Households | 4,495 | 4,424 | -71 | -1.6 | 100.0 | 100.0 | 0.0 |
| <i>Downtown La Crosse</i> | | | | | | | |
| Married with children | 3 | 41 | 38 | 1266.7 | 0.6 | 3.6 | 3.0 |
| Married without children | 61 | 88 | 27 | 44.3 | 12.4 | 7.8 | -4.6 |
| Single-parent family | 13 | 62 | 49 | 376.9 | 2.6 | 5.5 | 2.8 |
| Other family* | 5 | 46 | 41 | 820.0 | 1.0 | 4.1 | 3.0 |
| Single | 344 | 664 | 320 | 93.0 | 70.1 | 58.7 | -11.4 |
| Roommate | 65 | 230 | 165 | 253.8 | 13.2 | 20.3 | 7.1 |
| Total Households | 491 | 1,131 | 640 | 130.3 | 100.0 | 100.0 | 0.0 |
| <i>La Crosse Metro Area</i> | | | | | | | |
| Married with children | 11,438 | 10,243 | -1,195 | -10.4 | 23.2 | 19.0 | -4.3 |
| Married without children | 13,949 | 15,731 | 1,782 | 12.8 | 28.3 | 29.1 | 0.8 |
| Single-parent family | 3,606 | 4,152 | 546 | 15.1 | 7.3 | 7.7 | 0.4 |
| Other family* | 2,014 | 2,639 | 625 | 31.0 | 4.1 | 4.9 | 0.8 |
| Single | 13,741 | 15,763 | 2,022 | 14.7 | 27.9 | 29.2 | 1.3 |
| Roommate | 4,484 | 5,458 | 974 | 21.7 | 9.1 | 10.1 | 1.0 |
| Total Households | 49,232 | 53,986 | 4,754 | 9.7 | 100.0 | 100.0 | 0.0 |

* Other Family households can consist of households with adult siblings, parents with adult children, or householders with parents

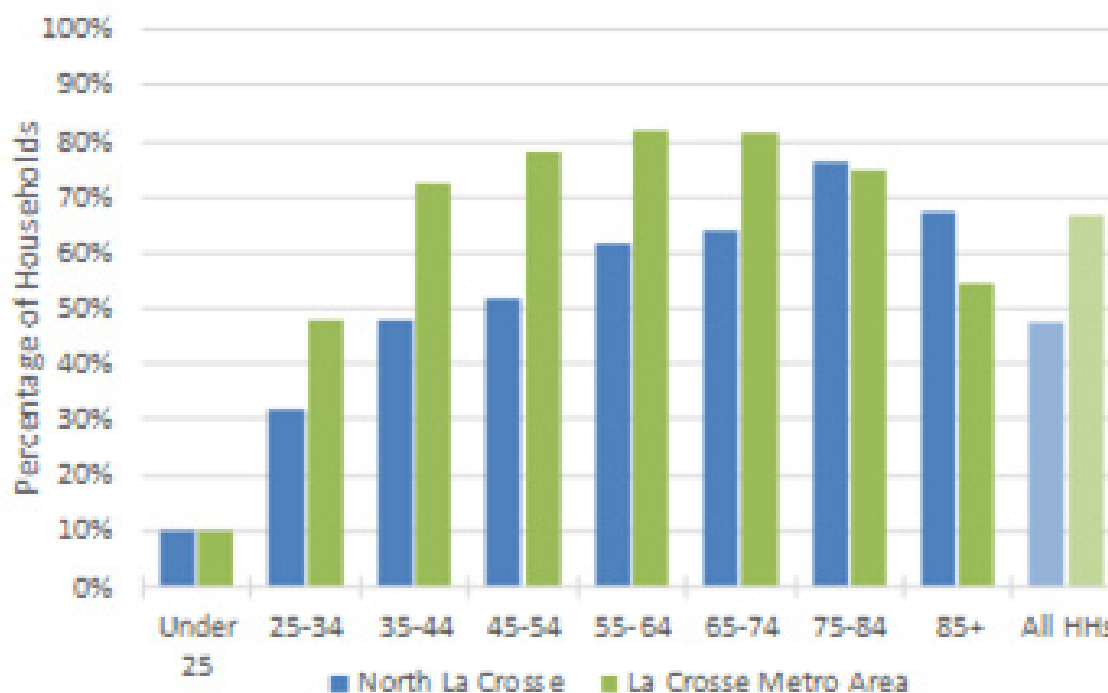
Source: US Census

Housing Tenure

Figure 6 and Table 4 display data on housing tenure (i.e., renters and owners) by age for North La Crosse and the La Crosse metro area. Homeownership tends to rise as we age and attain higher incomes. For the La Crosse metro area, homeownership peaks at just over 80% for households between the ages of 55 and 74. Homeownership then declines as households in their later retirement years transition to renting for maintenance free and/or health reasons.

Comparatively, North La Crosse has an overall lower homeownership rate than the metro area, which is consistent with the lower incomes found in North La Crosse. However, despite overall lower homeownership rates, it generally follows the same pattern of rising rates of homeownership as households age. However, households age 75 and older in North La Crosse do not appear to transition to rental housing in the same way the broader region does.

Higher than average rates of homeownership among older households suggests that there are not enough housing options in the study area for older adults. As a result, many older households are staying in their single-family homes longer than would be expected. This creates quality of life issues for older adults as the homes they live in may not be well-suited or safe for persons with decreased mobility and other aging-related impairments. It also means many affordable homes are unable to turnover to younger households who can transition into homeownership and who have the ability and motivation to maintain the homes and make necessary improvements to keep them marketable. Therefore, development of new housing options that can appeal to and accommodate older adults would help keep many long-time residents within the community and help provide an important supply of affordable homes to younger households.



Source: 2014 US Census: American Community Survey

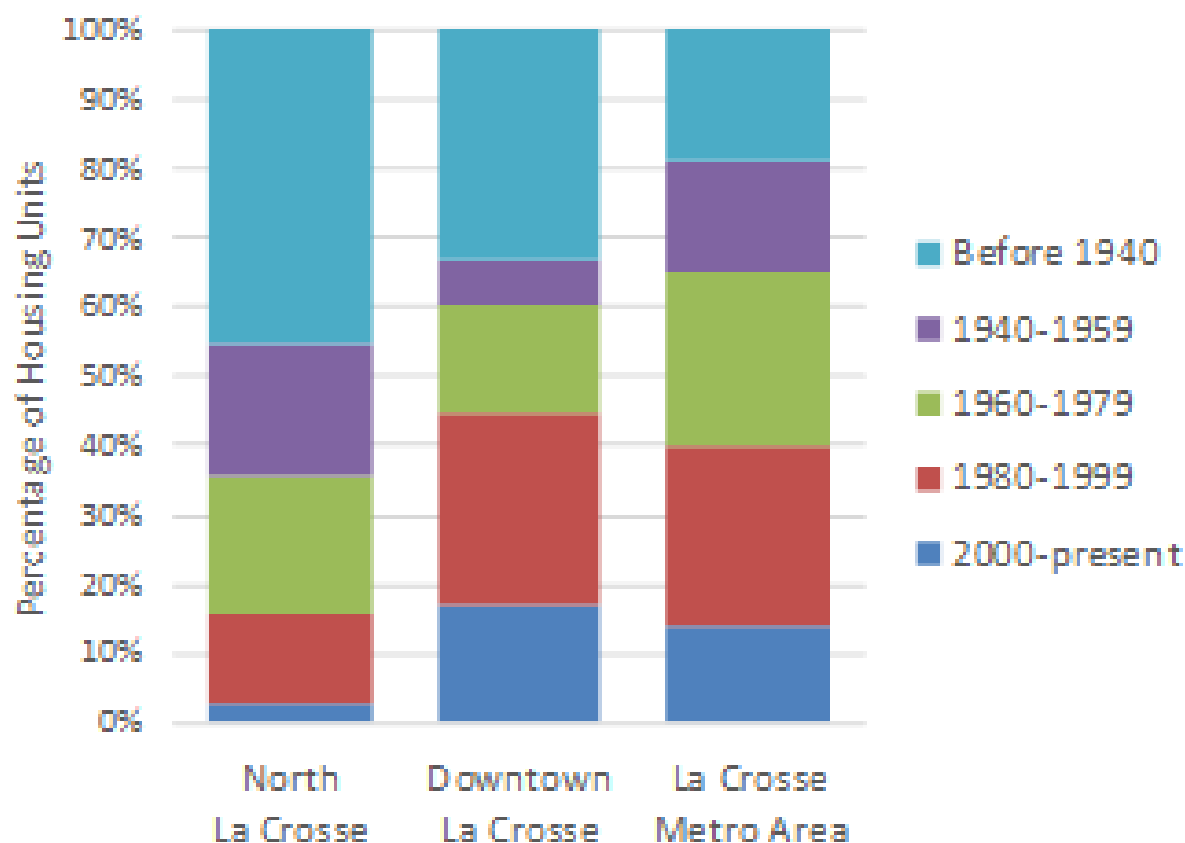
| Age Group | 2000 | | | 2010 | | | Change 2000-2010 | | |
|------------------------------------|--------|--------|-------|--------|--------|-------|------------------|--------|-------|
| | Rent | Own | % Own | Rent | Own | % Own | Rent | Own | % Own |
| <i>North La Crosse</i> | | | | | | | | | |
| Under 25 | 419 | 38 | 8.3% | 425 | 48 | 10.1% | 6 | 10 | 6.6% |
| 25-34 | 598 | 305 | 33.8% | 618 | 289 | 31.9% | 20 | -16 | 4.7% |
| 35-44 | 488 | 466 | 48.8% | 337 | 313 | 48.2% | -151 | -153 | 22.7% |
| 45-54 | 330 | 452 | 57.8% | 427 | 454 | 51.5% | 97 | 2 | -4.7% |
| 55-64 | 171 | 305 | 64.1% | 270 | 436 | 61.8% | 99 | 131 | 0.0% |
| 65-74 | 124 | 310 | 71.4% | 142 | 252 | 64.0% | 18 | -58 | 6.5% |
| 75-84 | 110 | 263 | 70.5% | 68 | 216 | 76.1% | -42 | -47 | -2.0% |
| 85+ | 50 | 66 | 56.9% | 42 | 87 | 67.4% | -8 | 21 | 43.1% |
| All HHs | 2,290 | 2,205 | 49.1% | 2,329 | 2,095 | 47.4% | 39 | -110 | 6.9% |
| <i>La Crosse Metro Area</i> | | | | | | | | | |
| Under 25 | 4,076 | 467 | 10.3% | 4,113 | 463 | 10.1% | 37 | -4 | -3.2% |
| 25-34 | 3,972 | 4,111 | 50.9% | 4,392 | 4,044 | 47.9% | 420 | -67 | -4.7% |
| 35-44 | 2,713 | 7,780 | 74.1% | 2,290 | 6,017 | 72.4% | -423 | -1,763 | 1.2% |
| 45-54 | 1,822 | 7,955 | 81.4% | 2,387 | 8,503 | 78.1% | 565 | 548 | -3.9% |
| 55-64 | 945 | 4,885 | 83.8% | 1,754 | 8,016 | 82.0% | 809 | 3,131 | 0.2% |
| 65-74 | 845 | 4,263 | 83.5% | 1,055 | 4,558 | 81.2% | 210 | 295 | -3.5% |
| 75-84 | 1,053 | 3,000 | 74.0% | 1,094 | 3,237 | 74.7% | 41 | 237 | 0.1% |
| 85+ | 557 | 788 | 58.6% | 934 | 1,129 | 54.7% | 377 | 341 | 3.9% |
| All HHs | 15,983 | 33,249 | 67.5% | 18,019 | 35,967 | 66.6% | 2,036 | 2,718 | -0.4% |

Source: US Census

Age of Housing

Figure 7 presents data on the percentage of housing units by decade built for North La Crosse, Downtown La Crosse, and the La Crosse metro area. North La Crosse has a very old housing stock with over 45% of the units built before 1940 and only 16% less than 25 years old. Across the Metro, nearly 40% of the housing stock has been built since 1980, and the downtown percentage is closer to 45% due to the amount of new construction in recent years. The aging housing stock can be a significant burden to homeowners, especially those with modest incomes due to the cost of maintenance is much higher than newer homes. Without regular modernization, the marketability of the homes decreases, making it more difficult for homeowners to extract the equity they have built up over the years.

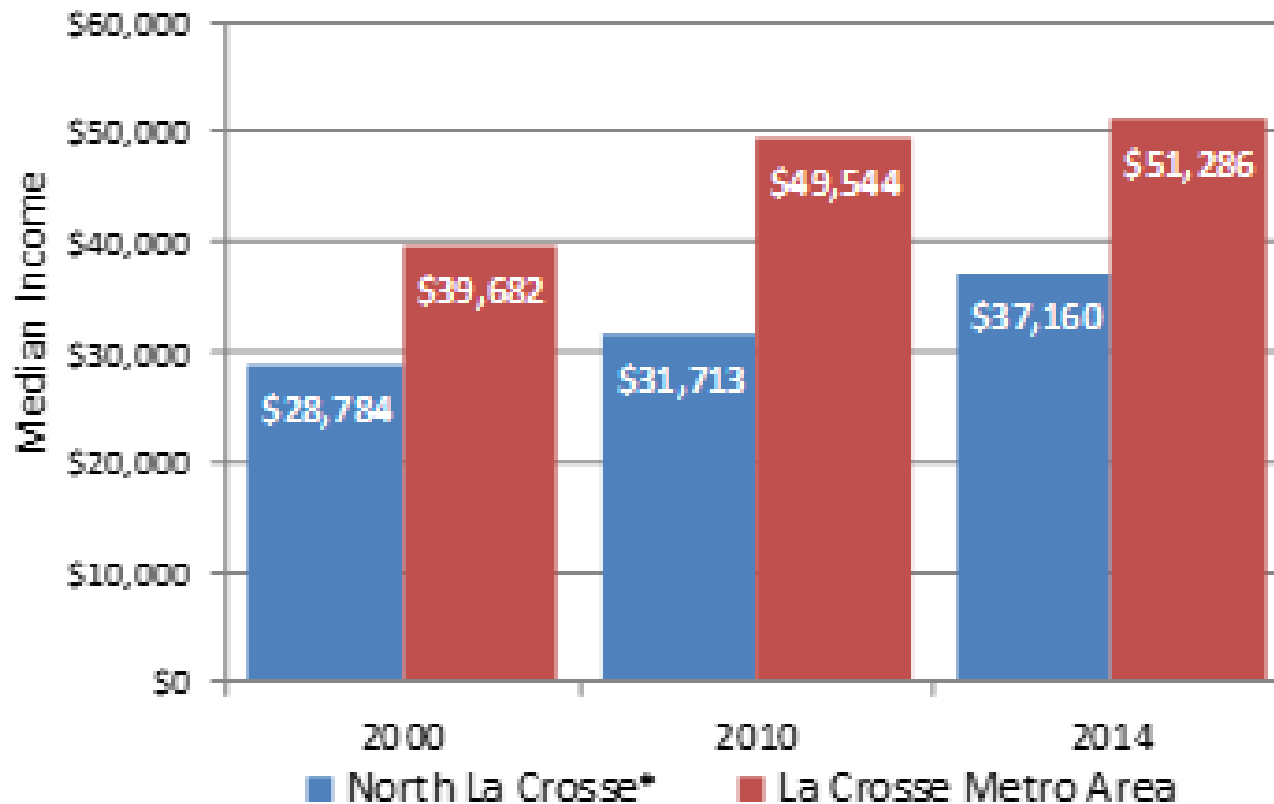
Maintaining an aging housing stock is especially challenging in light of the additional financial and insurance burdens when a house is located in a floodplain. Limited access to home insurance and general buyer concerns over potential risks will lower a property's value and become a disincentive to making improvements and upgrades. Over time, this can result in widespread disinvestment, which may require large scale demolitions and/or removals should properties fall too far into disrepair.



Source: 2014 US Census: American Community Survey

Household Income

Figure 8 displays the median household income for North La Crosse and the La Crosse metro area for 2000, 2010, and 2014. Incomes in North La Crosse have historically been well below that of the La Crosse region. However, the gap has decreased considerably since 2010. In 2010, the median household income in North La Crosse was roughly \$31,700, which was 64% of the La Crosse metro area median of \$49,500. By 2014, the North La Crosse median income grew to 72% of the metro median. Incomes in North La Crosse increased over 17% during this time to nearly \$37,200. Meanwhile the metro area median only increased 3.5% to \$51,300.



* Census Tracts 1 and 2
Source: US Census

Employment

Figures 9 and 10 and Table 5 present data on various employment trends and dynamics that affect the Highway 53 Corridor study area, such as unemployment, industry shifts, and employment growth rates. The unemployment rate for a given area is often a good barometer of its overall economic health. Figure 10 displays the rate for the La Crosse metro area and the United States since 1990. Over that period, the La Crosse metro area has generally experienced unemployment at a rate well below that of the Nation. During the 2007-2008 Recession, the metro area's unemployment rate peaked at just under 7%, but then underwent a precipitous decline to its current rate of 3.6%.

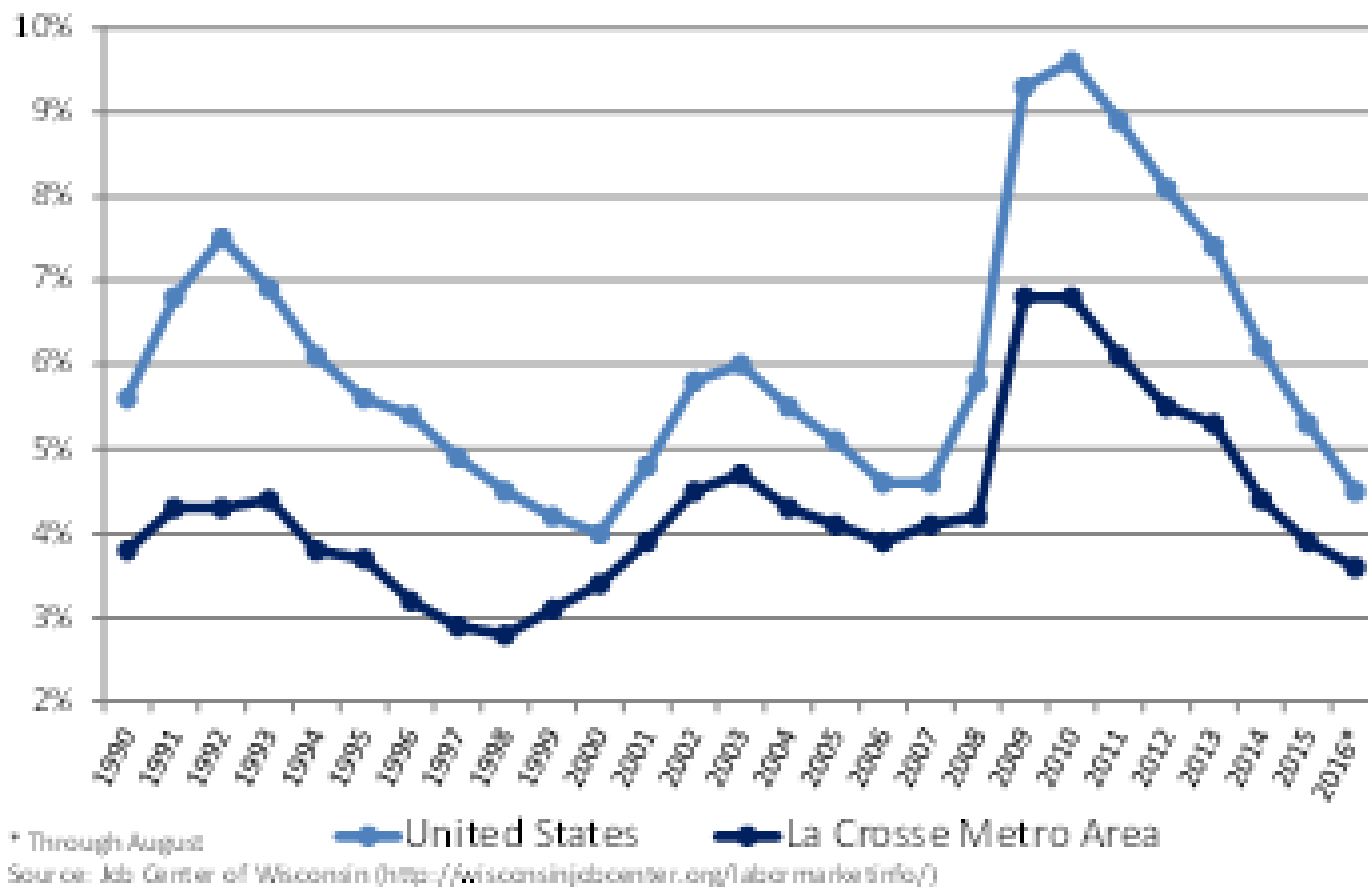
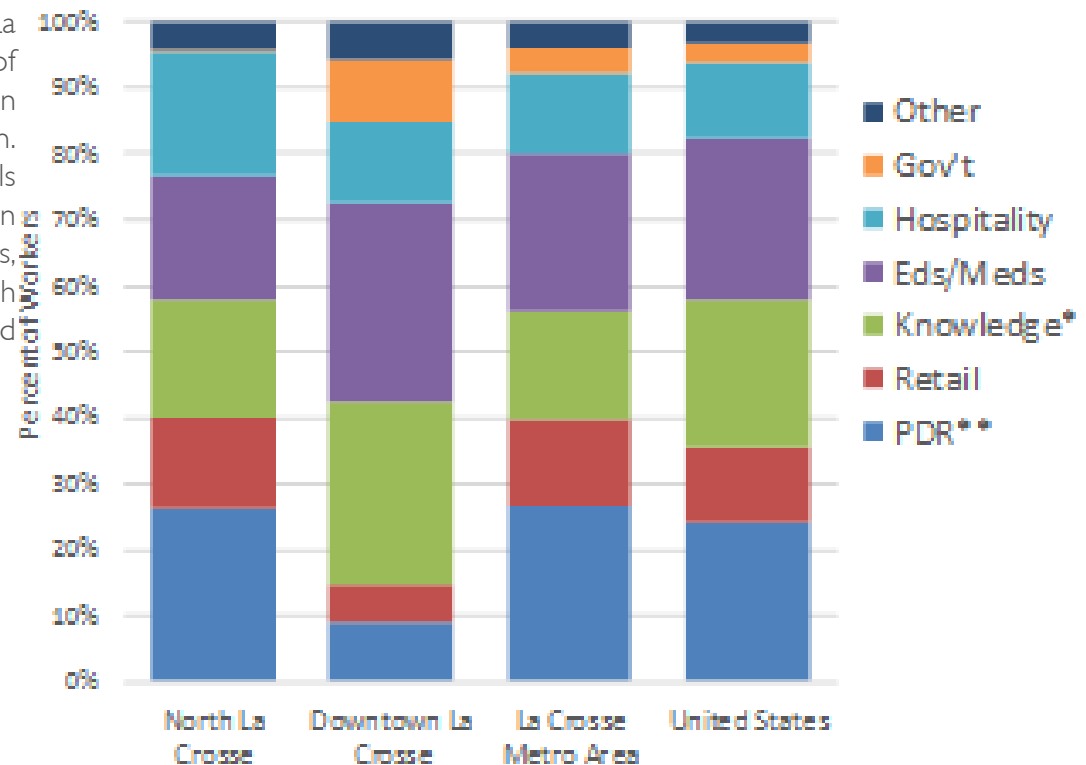


Figure 10 compares the 2015 employment profile of those who work in North La Crosse, Downtown La Crosse, the La Crosse metro area, and the United States. North La Crosse has a very similar employment profile to the La Crosse metro area and the nation. The only difference of any note would be a slightly higher proportion of jobs in the Hospitality sector compared to the region or nation. Downtown La Crosse, with its concentration of health care centers, educational facilities, and corporate offices has a much higher proportion of employment in the Educational and Healthcare (Eds/Meds), and Knowledge sectors.



* Knowledge – Consists of “knowledge based” industry sectors, such as Information, Finance, and Professional Services/Management

** PDR – Production, Distribution, and Repair Industries (i.e., Manufacturing, Construction, Transportation, Utilities, etc.)

Source: US Census Bureau’s GHD – Origin-Destination Employment Statistics program

Across the metro area, the industry sectors that are the primary drivers of employment are Educational and Healthcare services (Ed/Meds) and Production, Distribution, and Repair (PDR). These sectors employ the most people in the region and also make up a larger proportion of jobs than found at the national level.

Table 5 presents detailed data on which industry sectors have experienced the greatest rate of change since 2000 for North La Crosse, Downtown La Crosse, the La Crosse metro area, and the United States. The following are key points about the table:

- North La Crosse has experienced a sharp decline in employment since 2010. Based on government data sources, the area has lost over 2,300 jobs, which is a decline of -31%. The decline has been concentrated in the Knowledge and PDR sectors. In contrast, the Eds/Meds sector has grown by 65% during this period.
- Downtown La Crosse has experienced remarkable growth in employment since 2010. Employment has increased by over 4,500 jobs or 42%. Every industry sector has experienced employment growth with the Knowledge sector by far accounting for the most growth with a net gain of over 2,400 jobs.
- TDowntown has been so successful in attracting employment that it has likely come at the expense of other areas within the metro area. For example, the metro area only grew by 3,100 jobs since 2010, which suggests that outside of the downtown there has been a net loss of roughly 1,400 jobs since 2010.
- Although PDR remains the largest industry sector in the metro area, it has lost its dominance since 2000. The sector that now competes with PDR for dominance is Ed/Meds. This is consistent with the national experience, which has seen in a decline in PDR with concomitant increase in Ed/Meds.

| North La Crosse ¹ | | | | | Distribution | | | | Numeric Change | | | Percentage Change | | |
|------------------------------|-------|-------|-------|-------|--------------|--------|--------|--------|----------------|---------|---------|-------------------|---------|---------|
| Industry | 2000 | 2005 | 2010 | 2015 | 2000 | 2005 | 2010 | 2015 | '00-'05 | '05-'10 | '10-'15 | '00-'05 | '05-'10 | '10-'15 |
| PDR** | 2,466 | 3,004 | 2,779 | 1,361 | 31.0% | 36.0% | 36.8% | 26.1% | 538 | -225 | -1,418 | 21.8% | -7.5% | -51.0% |
| Retail | 918 | 724 | 725 | 708 | 11.5% | 8.7% | 9.6% | 13.5% | -194 | 1 | -22 | -21.1% | 0.1% | -3.1% |
| Knowledge* | 2,398 | 2,532 | 2,256 | 907 | 30.1% | 30.3% | 29.9% | 17.4% | 139 | -276 | -1,349 | 5.8% | -10.9% | -59.8% |
| Eds/Meds | 666 | 598 | 633 | 1,047 | 8.4% | 7.2% | 8.4% | 20.1% | -68 | 35 | 414 | -10.3% | 5.9% | 65.4% |
| Hospitality | 1,000 | 1,010 | 947 | 971 | 12.6% | 12.1% | 12.5% | 18.6% | 10 | -63 | 24 | 1.0% | -6.2% | 2.5% |
| Gov't | 16 | 13 | 13 | 9 | 0.2% | 0.2% | 0.2% | 0.2% | -3 | 0 | -4 | -20.0% | 0.0% | -30.4% |
| Other | 501 | 470 | 201 | 217 | 6.3% | 5.6% | 2.7% | 4.2% | -31 | -269 | 16 | -6.1% | -57.2% | 8.0% |
| Total | 7,961 | 8,351 | 7,554 | 5,215 | 100.0% | 100.0% | 100.0% | 100.0% | 390 | -797 | -2,339 | 4.9% | -9.5% | -31.0% |

| Downtown La Crosse ² | | | | | Distribution | | | | Numeric Change | | | Percentage Change | | |
|---------------------------------|--------|--------|--------|--------|--------------|--------|--------|--------|----------------|---------|---------|-------------------|---------|---------|
| Industry | 2000 | 2005 | 2010 | 2015 | 2000 | 2005 | 2010 | 2015 | '00-'05 | '05-'10 | '10-'15 | '00-'05 | '05-'10 | '10-'15 |
| PDR** | 1,592 | 894 | 1,230 | 1,384 | 12.2% | 7.9% | 11.4% | 9.0% | -698 | 336 | 154 | -43.9% | 37.6% | 12.5% |
| Retail | 954 | 929 | 705 | 867 | 7.1% | 8.2% | 6.5% | 5.7% | -5 | -224 | 162 | -0.5% | -24.1% | 23.0% |
| Knowledge* | 3,153 | 1,811 | 1,810 | 4,242 | 24.1% | 16.0% | 16.8% | 27.7% | -1,342 | -1 | 2,432 | -42.6% | -0.1% | 134.4% |
| Eds/Meds | 3,896 | 4,289 | 4,157 | 4,611 | 29.8% | 37.8% | 38.5% | 30.1% | 393 | -132 | 454 | 10.1% | -3.1% | 10.9% |
| Hospitality | 1,283 | 1,109 | 1,385 | 1,863 | 9.8% | 9.8% | 12.8% | 12.2% | -174 | 276 | 478 | -13.6% | 24.9% | 34.5% |
| Gov't | 1,580 | 1,621 | 1,290 | 1,492 | 12.1% | 14.3% | 12.0% | 9.7% | 41 | -331 | 202 | 2.6% | -20.4% | 15.6% |
| Other | 634 | 679 | 212 | 858 | 4.8% | 6.0% | 2.0% | 5.6% | 45 | -467 | 646 | 7.1% | -68.8% | 304.6% |
| Total | 13,072 | 11,332 | 10,789 | 15,317 | 100.0% | 100.0% | 100.0% | 100.0% | -1,740 | -543 | 4,528 | -13.3% | -4.8% | 42.0% |

| La Crosse Metro Area | | | | | Distribution | | | | Numeric Change | | | Percentage Change | | |
|----------------------|--------|--------|--------|--------|--------------|--------|--------|--------|----------------|---------|---------|-------------------|---------|---------|
| Industry | 2000 | 2005 | 2010 | 2015 | 2000 | 2005 | 2010 | 2015 | '00-'05 | '05-'10 | '10-'15 | '00-'05 | '05-'10 | '10-'15 |
| PDR** | 19,448 | 17,822 | 16,038 | 17,740 | 31.3% | 28.1% | 25.4% | 26.7% | -1,626 | -1,784 | 1,702 | -8.4% | -10.0% | 10.6% |
| Retail | 8,577 | 8,652 | 8,691 | 8,650 | 13.8% | 13.6% | 13.7% | 13.0% | 75 | 39 | -41 | 0.9% | 0.5% | -0.5% |
| Knowledge* | 10,628 | 11,456 | 11,092 | 10,953 | 17.1% | 18.1% | 17.5% | 16.5% | 828 | -364 | -139 | 7.8% | -3.2% | -1.3% |
| Eds/Meds | 11,781 | 13,406 | 15,195 | 15,776 | 19.0% | 21.1% | 24.0% | 23.8% | 1,625 | 1,789 | 581 | 13.8% | 13.3% | 3.8% |
| Hospitality | 6,938 | 7,310 | 7,122 | 7,979 | 11.2% | 11.5% | 11.3% | 12.0% | 372 | -188 | 857 | 5.4% | -2.6% | 12.0% |
| Gov't | 2,300 | 2,676 | 2,772 | 2,677 | 3.7% | 4.2% | 4.4% | 4.0% | 376 | 96 | -95 | 16.4% | 3.6% | -3.4% |
| Other | 2,482 | 2,100 | 2,322 | 2,561 | 4.0% | 3.3% | 3.7% | 3.9% | -382 | 222 | 239 | -15.4% | 10.6% | 10.3% |
| Total | 62,154 | 68,422 | 68,232 | 66,336 | 100.0% | 100.0% | 100.0% | 100.0% | 1,268 | -190 | 3,104 | 2.0% | -0.3% | 4.9% |

| United States | | | | | Distribution | | | | Numeric Change | | | Percentage Change | | |
|---------------|-------------|-------------|-------------|-------------|--------------|--------|--------|--------|----------------|------------|------------|-------------------|---------|---------|
| Industry | 2000 | 2005 | 2010 | 2015 | 2000 | 2005 | 2010 | 2015 | '00-'05 | '05-'10 | '10-'15 | '00-'05 | '05-'10 | '10-'15 |
| PDR** | 37,900,088 | 35,194,199 | 30,226,593 | 32,787,642 | 29.3% | 26.8% | 23.7% | 23.8% | -2,705,889 | -4,967,606 | 2,561,048 | -7.1% | -14.1% | 8.5% |
| Retail | 15,344,488 | 15,321,421 | 14,547,773 | 15,459,457 | 11.8% | 11.7% | 11.4% | 11.2% | -23,067 | -773,647 | 911,683 | -0.2% | -5.0% | 6.3% |
| Knowledge* | 28,238,310 | 28,385,876 | 27,236,236 | 30,212,264 | 21.8% | 21.6% | 21.3% | 21.9% | 147,566 | -1,149,641 | 2,976,028 | 0.5% | -4.1% | 10.9% |
| Eds/Meds | 24,788,001 | 27,691,167 | 30,235,490 | 32,782,750 | 19.1% | 21.1% | 23.7% | 23.7% | 2,903,166 | 2,544,323 | 2,547,261 | 11.7% | 9.2% | 8.4% |
| Hospitality | 12,127,146 | 13,187,637 | 13,479,279 | 15,297,094 | 9.4% | 10.0% | 10.6% | 11.1% | 1,060,491 | 291,642 | 1,817,815 | 8.7% | 2.2% | 13.5% |
| Gov't | 6,961,572 | 7,149,265 | 7,543,200 | 7,202,374 | 5.4% | 5.4% | 5.9% | 5.2% | 187,692 | 393,935 | -340,826 | 2.7% | 5.5% | -4.5% |
| Other | 4,200,335 | 4,379,841 | 4,404,848 | 4,305,658 | 3.2% | 3.3% | 3.5% | 3.1% | 179,506 | 25,007 | -99,190 | 4.3% | 0.6% | -2.3% |
| Total | 129,559,890 | 131,309,404 | 127,673,418 | 138,047,236 | 100.0% | 100.0% | 100.0% | 100.0% | 1,749,515 | -3,635,986 | 10,373,818 | 1.4% | -2.8% | 8.1% |

¹ Consists of Census Tracts 1 and 2 (west of BNSF rail yard)

² Consists of Census Tracts 3 and 4

**PDR = Production, Distribution, and Repair industries (i.e., Manufacturing, Construction, Transportation, Utilities, etc.)

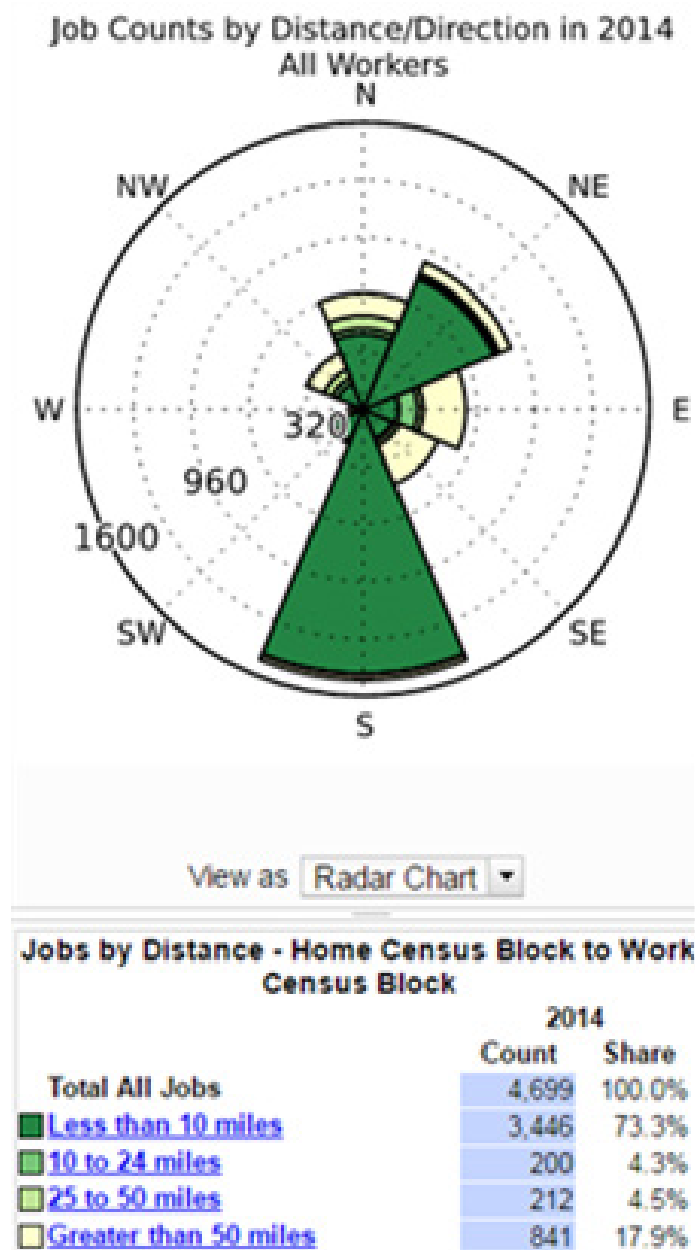
*Knowledge = Consists of "knowledge-based" industries, such as Information, Finance, and Professional Services/Management

Data Sources: Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW); US Census Bureau's LEHD Origin-Destination Employment Statistics program (<http://lehd.did.census.gov/>)

Worker Commutes

Historically, many of the workers employed in North La Crosse also lived in North La Crosse. With wide-spread automobile ownership in the mid-20th century, the pattern began to break down. The US Census collects data on where workers are employed and live in order to better understand modern commute patterns . Data specific to the WPAN was collected and analyzed and is presented in Figures 11 and 12.

Figure 11 shows where those who live in North La Crosse work. Based on the data, the overwhelming location is Downtown La Crosse with other important concentrations near the Gunderson Health Care Center and in the immediate east of North La Crosse along the BSNF Railway.



Source: US Census, Longitudinal Employer-Household Dynamics (LEHD)

* For more information on this important source of data, please visit the following website: <http://lehd.did.census.gov/>

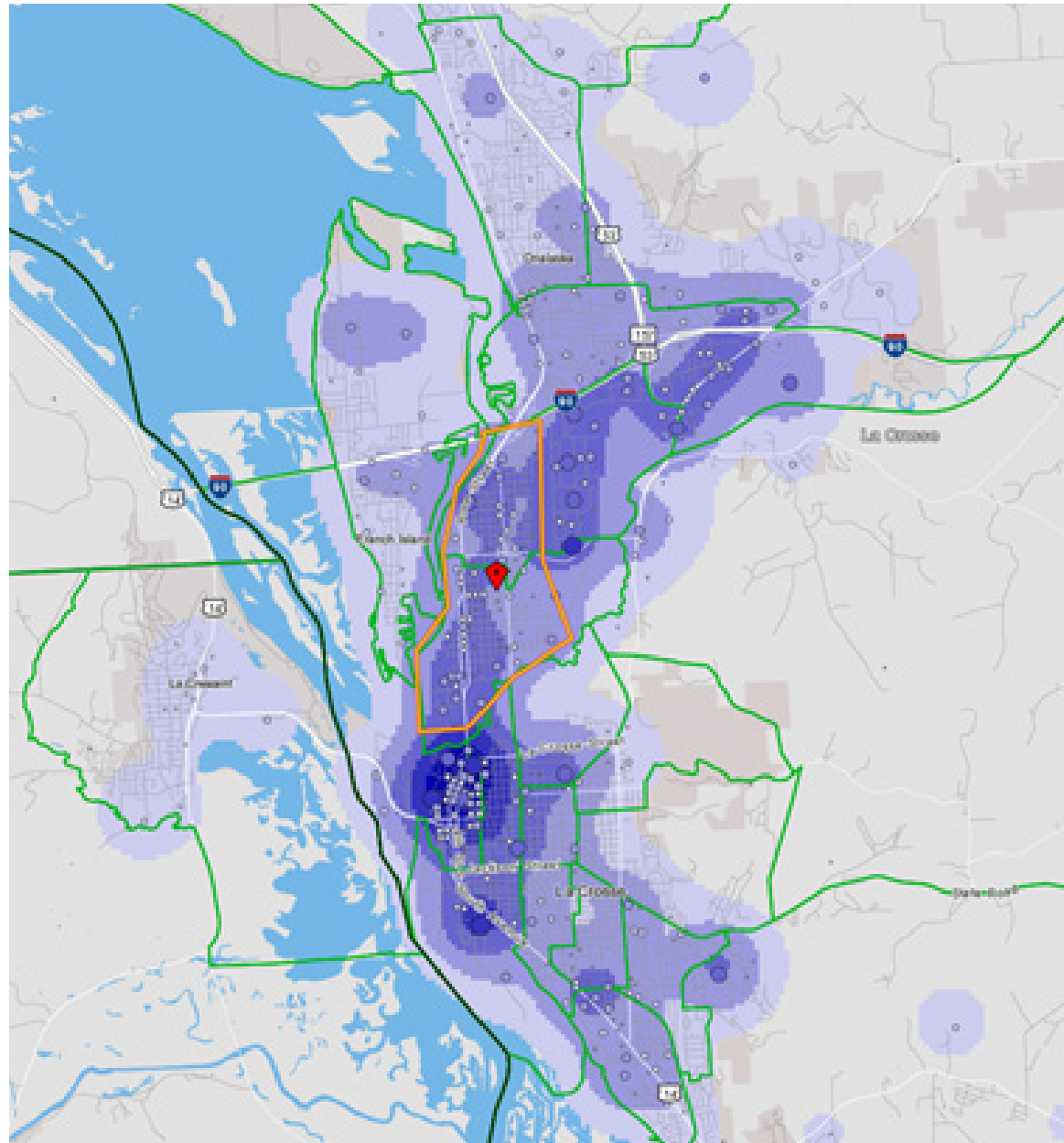
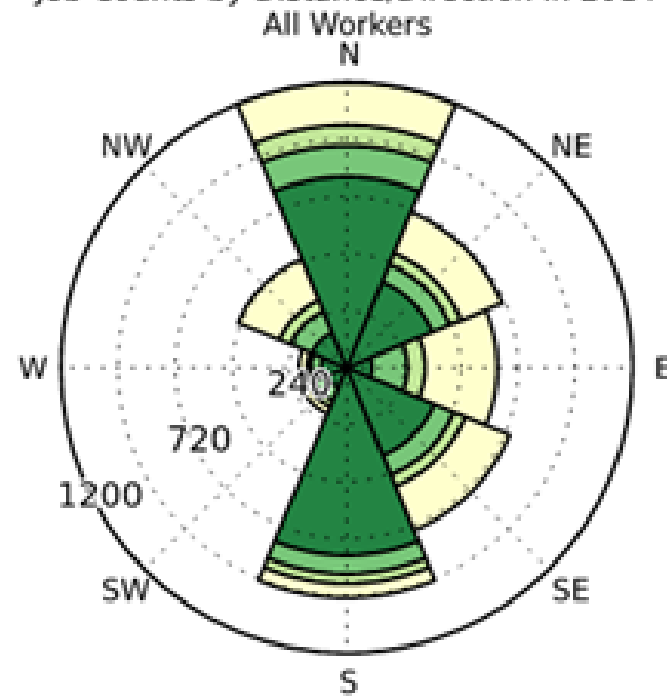


Figure 12 shows where those who work in North La Crosse reside. Based on the data, there is a high concentration of North La Crosse workers that live either in North La Crosse, South La Crosse, or in Onalaska. Those willing to put up with longer commutes and travel more than 25 miles outside of North La Crosse for work comprise more than 30% of North La Crosse residents.

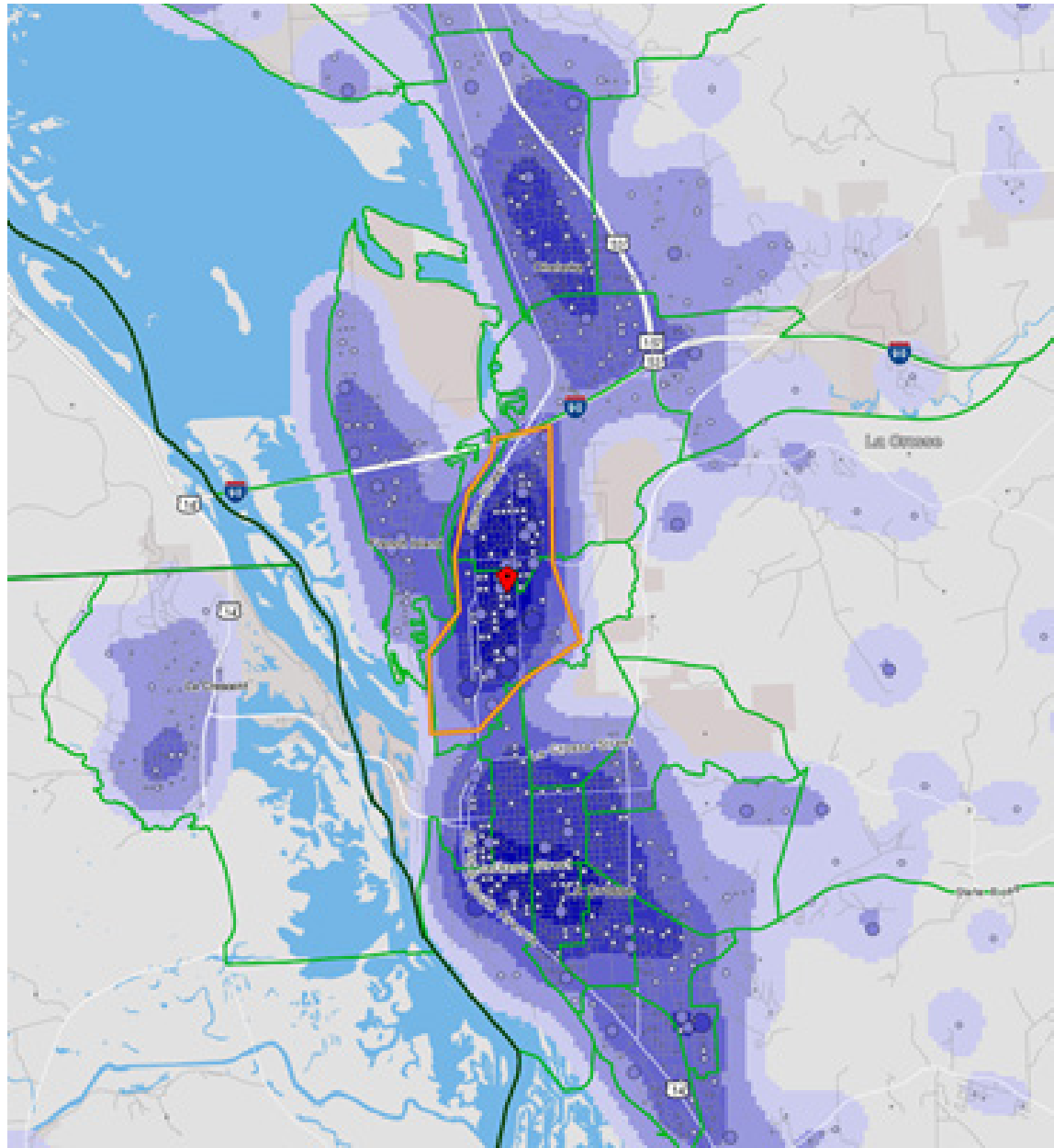
Job Counts by Distance/Direction in 2014



View as Radar Chart

Jobs by Distance - Work Census Block to Home Census Block

| | 2014 | |
|-----------------------|-------|--------|
| | Count | Share |
| Total All Jobs | 5,146 | 100.0% |
| Less than 10 miles | 2,845 | 55.3% |
| 10 to 24 miles | 724 | 14.1% |
| 25 to 50 miles | 398 | 7.7% |
| Greater than 50 miles | 1,179 | 22.9% |

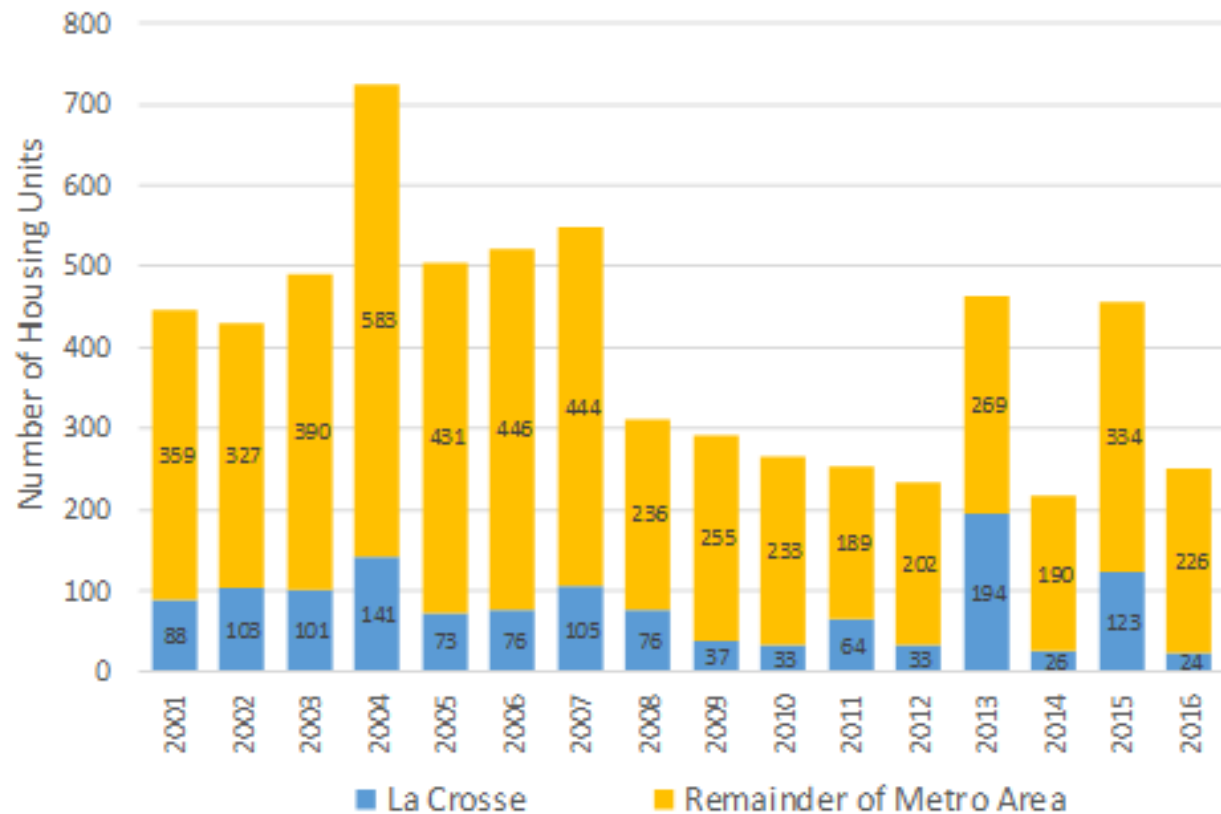


Construction Trends

The US Census tracks building permit data. This provides insight on construction trends and rates of new investment. Based on data presented in Figure 13, the La Crosse metro area constructed an annual average 524 new housing units per year between 2001 and 2007. When the housing bust and recession occurred, the rate of construction fell sharply. Between 2008 and 2012, the annual average dropped to 271 units, nearly a 50% decline. Since 2013, construction has increased, but it is sporadic and has not reached pre-bust levels.

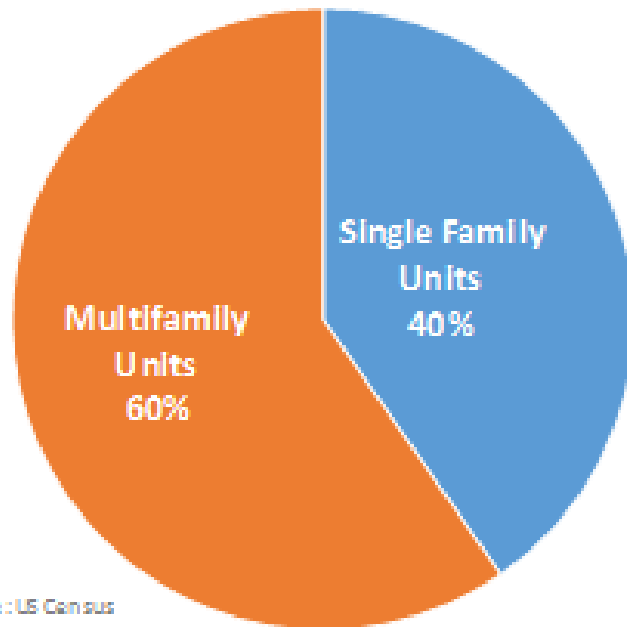
Since 2001, the City of La Crosse permitted nearly 1,300 units of new housing for construction. According to Figure 14, broken down by type, 60% were multifamily units and 40% were single-family units. On an annual basis, this translates to 48 units per year of multifamily housing and 32 units of single-family housing.

Although single-family housing will likely continue to recuperate from the bust of a very large bubble, interest in multifamily housing has clearly grown in recent years. Favorable demographics with strong numbers of young and older households have contributed to demand, but changing attitudes towards homeownership brought on by the historic bust in the housing market has as well. Much harder to quantify, but also significant, is the increasing cultural preference to live in locations not entirely dependent on automobiles. This has resulted in greater demand for multifamily products, especially in locations with a mixture of uses, multi-modal options, and convenient access to a variety of goods and services.

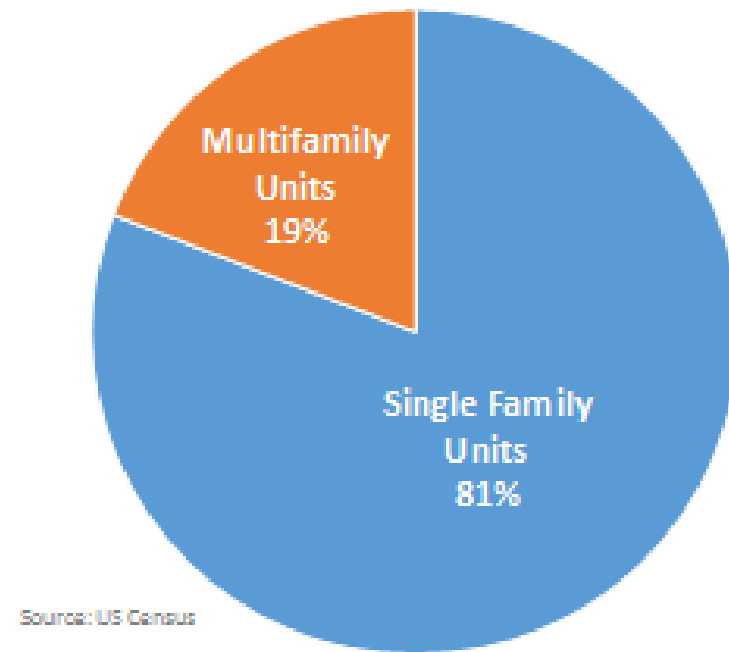


Source: US Census

City of La Crosse



Remainder of La Crosse Metro Area



Market Data

In addition to socio-economic data, market trend data for the residential, retail, office, and industrial real estate sectors was also collected to understand how pricing, vacancy, and new development are influencing supply. Although market data tends to be most meaningful when considering imminent development projects, it also can reveal broader trends that would impact longer-term development potential.

For-Sale Housing Market

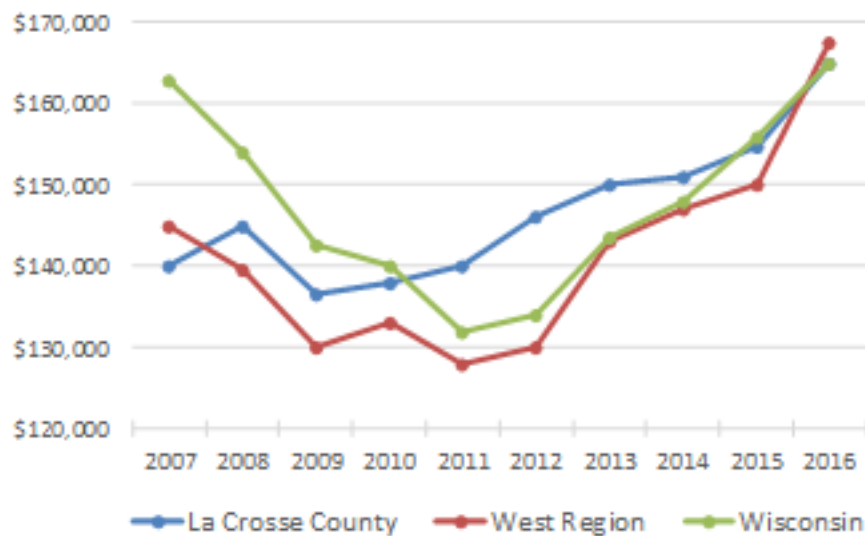
Figures 15 and 16 present data from the Wisconsin Association of Realtors on trends in the for-sale housing market for La Crosse County, Western Wisconsin, and the State of Wisconsin. The for-sale housing market has improved dramatically in recent years at the local, regional, and national levels. The median for sale price in La Crosse County has increased 21% since 2009 and is currently at \$165,000.

Although the rebound in prices since the housing bust has not been as dramatic as in other parts of Western Wisconsin or elsewhere in the state, prices did not drop off precipitously in La Crosse as well. This is a sign that the housing market in La Crosse has a certain degree of health as it is not as susceptible to wide swings in value. This is largely due to the strong employment base in La Crosse. Rising home prices are also a big contributor to overall consumer confidence and will likely influence spending and investment decisions on the part of homeowners.

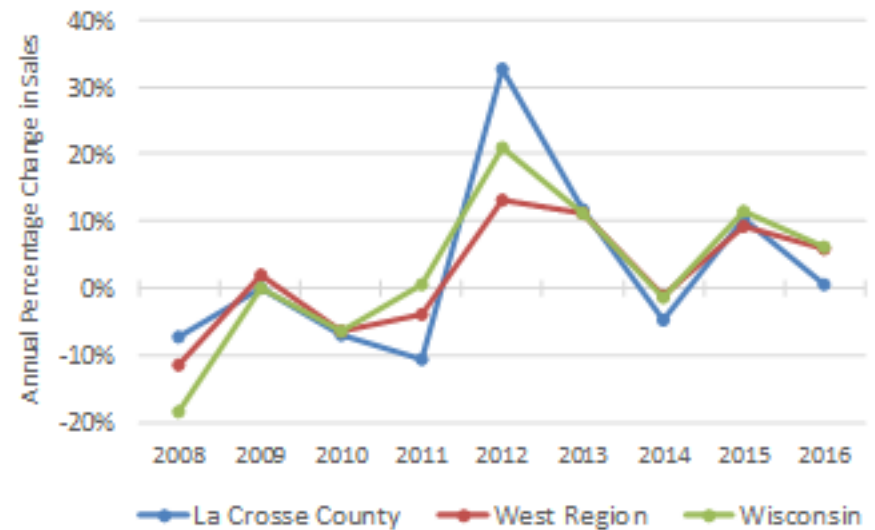
Year to year growth in the number of home sales is starting to stabilize after several years of strong increases. Declining sales in an environment with rising prices indicates that pricing and/or access to financing may be dampening demand and indicates that affordability may be an issue, especially for price sensitive groups such as first-time buyers. Without more mechanisms or opportunities for price-sensitive groups to enter the market, this will likely slow down the recent price increases.

Within North La Crosse and the Highway 53 Corridor study area, there has been very little new construction of for-sale housing in recent years. There is a three-story condominium building in the Three Rivers development that was built in 2008 at the beginning of the housing bust. Many units went unsold for a number of years. However, all the units in this building have been sold and are beginning to experience strong appreciation in re-sale prices signaling the possibility that the market may be ripe for new for-sale housing in or near the study area. Owner-occupied product, however, is typically very sensitive to the presence of site and neighborhood amenities, especially in urban areas. Such amenities include dramatic views, access to trails and open space, and close proximity to retail goods and services.

On the single-family side of the for-sale market, North La Crosse primarily contains older, modest homes built before 1940. Furthermore, many of the homes are within FEMA's 100-year flood plain, which means the property's carry additional insurance and investment liabilities due to flooding risks. As a result, home values tend to be much lower than other parts of the region. According to data from www.zillow.com, the average home sales price in North La Crosse in the second half of 2016 was approximately \$110,000, which was about 30-35% lower than the county-wide median sales price.



Source: Wisconsin Association of Realtors



Source: Wisconsin Association of Realtors

Rental Housing Market

For many years there has not been a definitive survey of the rental housing market in La Crosse. The US Census, however, does conduct a rolling sample survey of the population and housing for each major city and county called the American Community Survey. According to this dataset, the vacancy rate of rental housing units in La Crosse has declined from 3.1% in 2010 to 2.8% in 2015. This trend not only signifies a drop in vacancy but reveals a very low overall vacancy rate. Typically, rental markets are considered to be in equilibrium when overall vacancy is 5%. A vacancy rate below this level indicates pent-up demand in the market and the likelihood of rising rents and the potential for overcrowding, rapid wear-and-tear on the units, and tenant displacement.

In response to such low vacancies and pent-up demand in the market, the development community has been building new student-focused and market rate rental housing in recent years. In 2016, the Residences of Belle Square, which is a luxury development located in Downtown La Crosse, opened and set a new standard for price points in the rental market. According to their website, rents range from \$1,300 per month for a studio unit to nearly \$2,900 per month for a three-bedroom unit. On a per square foot basis, this property is commanding rents between \$1.75 and \$2.20 per square foot, which is unprecedented in the La Crosse. Previous market leaders, such as the Washburn on the Park, are commanding between \$1.10 and \$1.60 per square foot with highest monthly rents coming in at \$1,925.

Retail Market

Figure 16 and Table 6 present retail market statistics for the La Crosse metro area. The overall market vacancy rate is currently at a low 1.7%. Absorption has been strong over the last 12 months, despite the low vacancy rate. Typically, when vacancies reach low levels, absorption also slows due to the lack of adequate space. Part of this can be explained by the lack of new construction. As a matter of fact, construction has been so slow that the loss of retail space to demolitions and renovations has resulted in a net decrease of retail space over the last five years. As a result, the overall average asking rent per square foot has risen more than 20% in the last two years and is now \$12.50 per square foot.



SUMMARY STATISTICS

| Availability | Survey | 5-Year Avg |
|-------------------|---------|------------|
| NNN Rent Per SF | \$12.51 | \$10.40 |
| Vacancy Rate | 1.7% | 2.2% |
| Vacant SF | 105,522 | 137,862 |
| Availability Rate | 2.0% | 3.1% |
| Available SF | 125,398 | 193,045 |
| Sublet SF | 0 | 0 |
| Months on Market | 13.9 | 16.4 |

| Demand | Survey | 5-Year Avg |
|----------------------|--------|------------|
| 12 Mo. Absorption SF | 76,061 | -8,787 |
| 12 Mo. Leasing SF | 96,924 | 47,903 |

| Inventory | Survey | 5-Year Avg |
|----------------------|-----------|------------|
| Existing Buildings | 373 | 370 |
| Existing SF | 6,295,090 | 6,271,665 |
| 12 Mo. Const. Starts | 0 | 8,151 |
| Under Construction | 0 | 2,985 |
| 12 Mo. Deliveries | 3,015 | 8,966 |

| Sales | Past Year | 5-Year Avg |
|---------------------|-----------|------------|
| Sale Price Per SF | \$121 | \$80 |
| Asking Price Per SF | \$200 | \$105 |
| Sales Volume (Mil.) | \$32 | \$14 |
| Cap Rate | 6.9% | 7.3% |

Bridgeview Plaza Shopping Center

Bridgeview Plaza Shopping Center is near the north end of the Corridor. This suburban strip mall was originally designed to capture consumers from a fairly large trade area due to its location near Interstate 90. Over time, as competitive retail districts emerged elsewhere along Interstate 90, the shopping center's functional trade area shrank to mostly serving the surrounding North La Crosse area. However, its visibility and gateway function along Highway 53 has allowed to retain certain tenants that still pull consumers from a larger area. Nevertheless, with its primary trade area shrunk to the immediate neighborhoods surrounding it, the mix of tenants consist mostly of discount retailers due to the lower incomes of nearby households. Moreover, reinvestment in the shopping center needed to keep up with current consumer preferences has languished, further restricting the ability of the property to attract a broader spectrum of tenants.



UPTOWNE

Closer to the center of the study area and situated one block east of Highway 53 along Caledonia Street is the historic retail core of North La Crosse, now beoming known as UPTOWNE. This retail node is a two-block stretch of older commercial buildings with small storefronts facing sidewalks. Most of the buildings were constructed before the primacy of the automobile. Due to the emergence of competitive retail nodes along Interstate 90, many of the original types of businesses that served the everyday needs of local residents have closed or moved to more automobile-conducive locations. Currently, the businesses in the UPTOWNE district are leveraging lower rents. The unique character of the built environment attracts customers from throughout the La Crosse area with unique goods and services.



Three Rivers Plaza

The third important retail node along the Highway 53 Corridor is the Three Rivers Plaza located near the southern end of the study. Three Rivers Plaza is a new development (less than 10 years old) that is anchored by a grocery store, Festival Foods. Because of a strong anchor, other smaller retailers many national chains, exist within the Plaza. Furthermore, the Plaza's proximity to downtown La Crosse has meant that the neighborhood-scale retail that comprises the development largely serves a growing base of downtown residents as well as workers who live north of La Crosse who are willing to stop on their commute home. Although Three Rivers Plaza is considered a successful development in terms of occupancy, store mix, and customer traffic, it has yet to achieve the highest retail rents in the region, which are still found along Interstate 90 in Onalaska or select locations of the downtown.



Office Market

There are important macro trends influencing the demand for office space. The primary trend is toward greater efficiency in the use of office space, which is reducing the amount of square footage needed per worker. This is largely a byproduct of the digital revolution, but is also due to cultural preferences on the part of younger workers who no longer place a premium on larger, individualized workspaces. The result of this trend is less demand for office even in environments with employment. At the same time, many older office spaces are becoming obsolete and unmarketable because they do not feature the amenities needed to attract and retain a younger workforce, such as plentiful natural light, open floor plans, and proximity to goods, services, and restaurants.

The last phase of new office development not only pushed up the vacancy rate (though temporarily, but also the average asking rents. The 2013 peak in rents topped \$16 per square foot, but has since stabilized closer to \$13.50 per square foot.

Figure 21 and Table 7 present office market statistics for the La Crosse metro area. A flurry office construction in the 2000s resulted in increased vacancy, which peaked in 2011 at just over 9%. Since 2011 however, the overall market vacancy rate has declined and is currently at a low 4.6%. Absorption has been strong over the last 12 months despite a low vacancy rate. Unless new office space is developed, absorption will likely slow as well since large blocks of space have likely become very limited, decreasing the opportunity for businesses to move from one space to another.



SUMMARY STATISTICS

| Availability | Survey | 5-Year Avg |
|-------------------|---------|------------|
| Gross Rent Per SF | \$13.37 | \$13.94 |
| Vacancy Rate | 4.6% | 7.1% |
| Vacant SF | 115,380 | 175,841 |
| Availability Rate | 5.7% | 8.4% |
| Available SF | 141,948 | 209,626 |
| Sublet SF | 0 | 0 |
| Months on Market | 14.3 | 19.3 |

| Demand | Survey | 5-Year Avg |
|----------------------|--------|------------|
| 12 Mo. Absorption SF | 29,915 | 24,936 |
| 12 Mo. Leasing SF | 28,260 | 33,593 |

| Inventory | Survey | 5-Year Avg |
|----------------------|-----------|------------|
| Existing Buildings | 135 | 135 |
| Existing SF | 2,490,793 | 2,493,372 |
| 12 Mo. Const. Starts | 0 | 0 |
| Under Construction | 0 | 588 |
| 12 Mo. Deliveries | 0 | 2,476 |

| Sales | Past Year | 5-Year Avg |
|---------------------|-----------|------------|
| Sale Price Per SF | \$113 | \$104 |
| Asking Price Per SF | \$76 | \$89 |
| Sales Volume (Mil.) | \$47 | \$13 |
| Cap Rate | - | 7.9% |

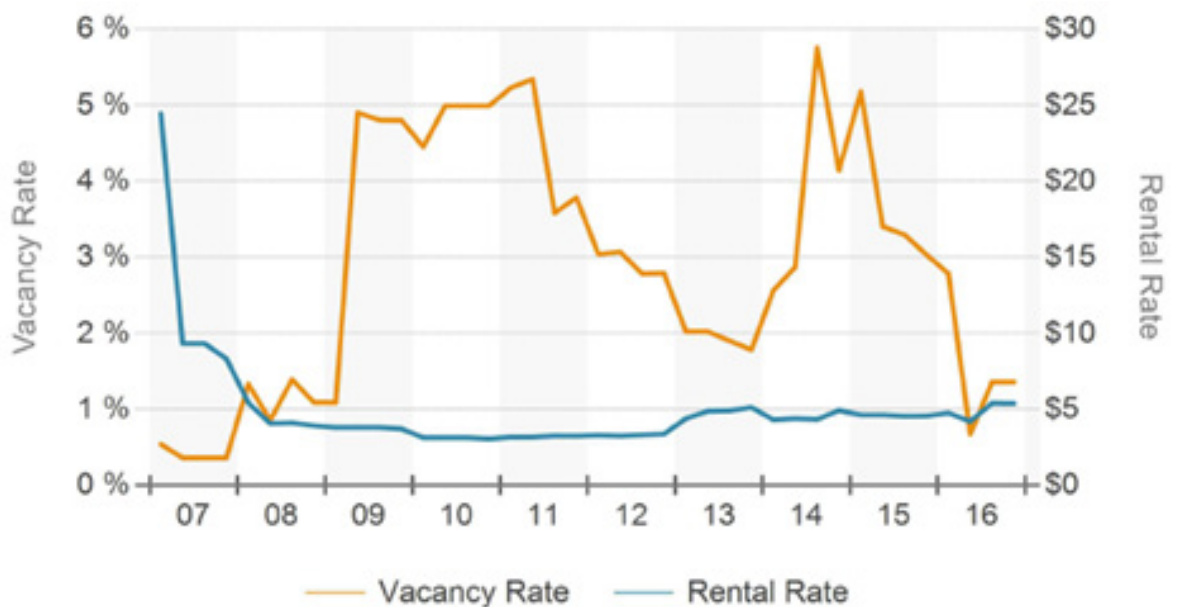
Industrial Market

Redeveloping land into industrial use is not typically feasible because achievable rents on a per square foot basis are often too low to support the cost of redevelopment. Although new industrial uses may not be envisioned as new development in the study area, the market dynamics affecting existing industrial uses may impact the potential to redevelop certain sites.

Figure 22 and Table 8 present data on the industrial market for the La Crosse metro area. Currently, the overall vacancy rate is a very low 1.7%. For comparison purposes, the national vacancy rate is above 6%. The tight market suggests that many businesses may be trying to relocate or expand but cannot due to the lack of available space. Although there have been periods in the last several years in where the La Crosse industrial vacancy rate has peaked above 5%, it appears it may be the result of new development that quickly gets absorbed.

This severe lack of industrial space is having an effect on the Highway 53 Corridor. For example, the Central States Warehouse, which occupies a very large prominent site in the middle of the study area and would be considered an ideal candidate for redevelopment, underwent a major renovation recently. This new investment was due in part to the property owner taking advantage of market conditions in order to keep tenants and increase rents. New investments, such as this, made to increase the marketability of industrial space only reduces their likelihood of being redeveloped in the near-term.

The extremely tight industrial market is only exacerbated by the lack of new development. No significant industrial development in the La Crosse region has occurred since 2009.



SUMMARY STATISTICS

| Availability | Survey | 5-Year Avg |
|-------------------|---------|------------|
| Rent Per SF | \$5.37 | \$4.30 |
| Vacancy Rate | 1.4% | 2.9% |
| Vacant SF | 83,590 | 181,756 |
| Availability Rate | 1.7% | 4.8% |
| Available SF | 106,590 | 298,123 |
| Sublet SF | 0 | 2,800 |
| Months on Market | 19.1 | 17.6 |

| Demand | Survey | 5-Year Avg |
|----------------------|---------|------------|
| 12 Mo. Absorption SF | 119,717 | 933 |
| 12 Mo. Leasing SF | 20,365 | 57,462 |

| Inventory | Survey | 5-Year Avg |
|----------------------|-----------|------------|
| Existing Buildings | 129 | 130 |
| Existing SF | 6,176,210 | 6,248,512 |
| 12 Mo. Const. Starts | 0 | 0 |
| Under Construction | 0 | 0 |
| 12 Mo. Deliveries | 0 | 0 |

| Sales | Past Year | 5-Year Avg |
|---------------------|-----------|------------|
| Sale Price Per SF | \$29 | \$27 |
| Asking Price Per SF | \$62 | \$41 |
| Sales Volume (Mil.) | \$3.9 | \$5.3 |
| Cap Rate | - | 7.7% |

Real Estate Expert Interviews

In order to augment the data presented in the previous section, 10 different real estate experts familiar with La Crosse and the Highway 53 Corridor study area were interviewed to gain their perspective on the market for residential and commercial uses, both at a macro level and specifically as relates to the Highway 53 Corridor study area. Interviewees had a wide range of backgrounds, including developer, business owner, property owner, broker/Realtor, contractor, and property manager. Six out of 10 had experience with a variety of real estate sectors (housing, retail, office, industrial, and hospitality). Three out of 10 interviewed focused primarily on housing and one interviewee focused on retail. The following summarizes key themes that recurred throughout the interviews.

- Majority of comments focused on the Corridor's assets and the opportunities to leverage those assets: proximity to river; proximity to Downtown; strong traffic counts; and a lot of underutilized property (which is considered a positive for purposes of redevelopment).
- Majority were positive about the potential to support new development along the Corridor.
- All agreed that there are no easy opportunities.
- All agreed that new housing is key to unlocking long-term opportunity (i.e., more households drives retail and other commercial uses).
- All agreed that Millennials are driving trends; they want to be close to the "action" -- walk to goods, services, and employment.
- Majority saw a lot of unknowns regarding the long-term financial impact of properties located in the flood plain (i.e., costs for clean-up/remediation, logistics, responsible parties, etc.).
- Potential in senior housing throughout the Corridor.

In addition to comments about the broader region and the Highway 53 Corridor, many observations focused on specific portions of the Corridor because of their unique character or influences impacting their redevelopment potential. Below is a summary of comments that pertain to the three major character districts that define the Corridor.

North Section (I-90 to Livingston Street)

- Viewed as a critical gateway.
- New infrastructure changes will have huge impact and present a great opportunity to capitalize on new investment.
- Property ownership issues are the biggest challenge to redevelopment, in particular out-of-town property owners who are not actively engaged in managing or repositioning their assets.
- Fundamentals are strong (visibility, regional access, traffic counts), though need to respect competition along I-90 in Onalaska and site specific access issues.
- Divergent opinions on Bridgeview Plaza. Half of interviewees stated it should be torn down and be redeveloped and the other half said it should get major rehabilitation and re-branding because market rents are not strong enough to support new construction.
- Everyone interviewed felt it is a retail area, but not solely exclusive to retail (market too competitive – any retail needs to be scaled to the trade area).

Middle Section (Livingston Street to BNSF Viaduct)

- Most challenging section of the Corridor: fewer large lots; discordant development and transportation patterns.
- Focus attention at key nodes.
- Copeland Park is a critical asset.
- Central States Warehouse, despite its prominence and appearance, is not a near-term redevelopment site due to recent re-investment.
- Land between Rose Street and Copeland Avenue will be challenging, but could represent opportunities for mixed-use development that would leverage the traffic volume along the Corridor.
- New housing would likely need to be subsidized in this section of the Corridor; middle market product has most depth, but financing new construction will be a challenge.
- UPTOWNE district has potential assets/anchors.

South Section (BNSF Viaduct to La Crosse River)

- Most immediate potential along the Corridor: leverage North Riverside redevelopment and strength of Downtown momentum.
- Flood plain issues will need to be resolved; currently limiting any type of reinvestment of existing properties; adds expense and complexity (i.e., uncertainty).
- Three Rivers development is strong evidence of market potential.
- Market rate housing could work in the south section as long as there are good connections to the river and/or trail system.
- Strong industrial market could be opportunity for new jobs near the Corridor; there are not a lot tech or R&D jobs in La Crosse and this could be an area to attract employers from larger, more expensive markets.

Demand Potential

Taking locational attributes of the Highway 53 Corridor, underlying socio-economic drivers of demand, current market conditions, and observations from real estate experts familiar with the Corridor into consideration, this section quantifies demand through 2030 for each of the major real estate markets. It should be stated that a number of assumptions were made in quantifying demand, each of which could certainly change and alter the findings. Nevertheless, it is helpful to quantify demands on some level in order to help stakeholders understand the reasonable scale or volume of current and future market demand. Doing so can help identify the level of potential redevelopment pressure and perhaps signal where more regulation might be needed in sensitive areas.

It is important to note, however, that the purpose of this section is not to give the green light to site-specific development plans. Such proposals will require more detailed analysis of short-term market conditions, such as a competitive analysis of the proposed use, and include an assessment of its market positioning and specific location.

Housing

Table 9 presents the methodology for estimating future housing demand in the Highway 53 Corridor through 2030. The table identifies two primary sources of demand: 1) metro area household growth; and 2) housing replacement need. These two sources are estimated to generate demand for up to 620 new housing units through 2030 or just over 200 units every five years.

The amenities found along the Corridor will help attract demand from throughout the metro area. Conversely, many of the existing homes in North La Crosse are aging and will likely need to be replaced over the next 15 years. Residents of these properties will have a strong propensity to remain in North La Crosse provided adequate housing options are available.

In order to attain the amount of housing development indicated in the demand calculation, it will be important to provide a variety of housing styles at various price points that appeal to a range of household types. Since most new development will occur on previously developed sites, the underlying costs of redevelopment will likely limit most housing developments to denser products and styles, such as townhomes and low-rise multifamily buildings (i.e. 3-6 stories). Low density housing, such as single-family homes, will likely not be feasible unless a site is sufficiently large enough to incorporate a wide variety of uses that could help subsidize or underwrite the cost of lower density housing. Truly high-density housing (more than 6 stories) is also not feasible without significant subsidy because the type of construction (i.e., reinforced concrete) and the need for a sizable parking structure will require pricing beyond what most of the market can afford.

Demand from Household Growth

| | | |
|--|---|-----------|
| 2015-2030 Forecasted Household Growth for La Crosse Metro Area | = | 5,620 |
| Capture rate of Highway 53 Corridor Study Area ¹ | x | 5% - 7% |
| Potential New Households (i.e., housing units) | = | 300 - 400 |

Demand from Replacement Need

| | | |
|--|---|---------------|
| Existing North La Crosse Housing Units ² | = | 4,565 |
| Annual Rate of Loss Based on Age of Units ³ | x | 0.27% - 0.32% |
| Estimated Annual Loss of Housing Units | = | 12 - 14 |
| Estimated Loss of Housing Units between 2015 and 2030 | = | 180 - 220 |

| | | |
|--|----------|------------------|
| 2015-2030 Estimated Demand for New Housing Units in the Highway 53 Corridor | = | 480 - 620 |
|--|----------|------------------|

| | | |
|--|---|-----------|
| <i>Estimated Demand Every Five Years</i> | = | 160 - 207 |
| <i>Estimated Demand Annually</i> | = | 32 - 41 |

¹ Downtown La Crosse captured 11% of metro area household growth between 2000 and 2015. This was largely due to land being made available for redevelopment and successful marketing of the Downtown as a desirable place to live given its access to the Mississippi River, Riverside Park, and numerous shops and restaurants. Based on this pattern, it would follow that if other central city neighborhoods with desirable amenities could make land available for redevelopment that they would capture a portion of regional growth as well. Given the Highway 53 Corridor's proximity to downtown, we have estimated this capture rate as 5-7% of household growth between 2015 and 2030.

² North La Crosse is assumed to be the primary geographic area in which units replaced due to age and/or damage that would drive demand for new housing in the Highway 53 Corridor.

³ US Census uses the age of housing to estimate housing loss and replacement need due to demolition and severe damage. The older the housing stock of a given area of analysis, the higher the estimate rate of annual replacement.

Source: Perkins+Will

Retail

Based on findings from the retail market overview and interviews with real estate experts, it is assumed that the Highway 53 Corridor study area, despite the potential for strong future growth, will not emerge as a regional center for retail goods and services. Areas such as the Valley View Mall district and downtown La Crosse will maintain their respective positions as the dominant regional and destination retail districts. However, neighborhood oriented retail and specialty retail driven by a unique setting that is smaller in scale than the downtown will become increasingly viable as more and more development occurs within the study area. Neighborhood-oriented retail is defined for purposes of this study as those goods and services that meet the regular needs of residents and workers and typically include grocery stores, salons, drug stores, liquor stores, dry cleaners, pizza parlors, coffee shops, etc.

Using the forecasted potential of 600 new households through 2030 as a basis for additional retail demand would result in a need for between 30,000 to 45,000 square feet of new neighborhood scale retail in the Highway 53 Corridor. This is consistent with findings found in a market study conducted in 2014 in support of the Riverside North Master Plan. However, there are existing retail buildings and structures throughout the Highway 53 Corridor that are likely no longer viable and could be either demolished and replaced or re-purposed with another use. Therefore, certain redevelopment sites may identify the need for new retail space instead of it being a net increase of retail space in the study area it could also represent a replacement of existing obsolete space.

Industrial

It is assumed that the costs associated with redevelopment would preclude almost every type of new industrial development because the revenue generated on a per square foot basis for new industrial properties is significantly below that of all other real estate types.

Office

Table 10 presents the demand methodology for estimating future office demand in the Highway 53 Corridor through 2030. Based on data from the Office of Economic Advisors at the Wisconsin Department of Workforce Development, the Western region of the State of Wisconsin, which includes La Crosse County, is forecasted to have a 9% increase in jobs in the Knowledge sector industries (i.e., Information, Financial Activities, and Professional and Business Services) between 2014 and 2024. The Knowledge sectors make up the vast majority of office-based jobs. Applying this growth rate to the La Crosse metro area would result in an estimated increase of approximately 1,500 new office-based jobs in the region from 2015 to 2030.

Assuming that 150 square feet of space is needed per worker, 225,000 square feet of new office space is needed in the region through 2030. Not all of this office space will be captured in the Highway 53 Corridor. However, based on its proximity to the downtown and Interstate 90, it would be reasonable that as much as 20% of this office space growth could be captured along the Corridor. This would then translate to a potential need for as much 45,000 square feet of new office space in the study area through 2030 or about 15,000 square feet every five years.

| | | |
|--|---|--------------------------------|
| 2015- 2030 Forecasted Growth in "Knowledge" Sector Jobs for La Crosse Metro Area ¹ | = | 1,500 (workers) |
| Average Square Feet Needed per Office Worker ² | x | <u>150</u> (sq.ft. per worker) |
| Potential New Office Space Capturable in the Study Area through 2030 | = | 225,000 (sq.ft.) |
| Capture Rate of Highway 53 Corridor Study Area ³ | x | <u>20%</u> |
| Potential New Office Space Needed in the Study Area through 2030 | = | 45,000 (sq.ft.) |
| ¹ The Office of Economic Advisors at the Wisconsin Department of Workforce Development forecasts that the counties that make up the Western Economic Region will grow the number of Knowledge sector jobs by 9% from 2014 to 2024. Applying this growth rate to the La Crosse metro region would suggest that the metro area would experience a growth of 1,500 Knowledge sector jobs through 2030. | | |
| ² Due to greater space efficiencies driven by technology and cultural preferences, average space needed per worker has declined significantly in recent years. Less than 10 years ago the average was assumed to be 250 square feet. | | |
| ³ Given the study area's proximity to the Downtown and Interstate 90, it was assumed that as much as 20% of future office space growth could be captured in the study area. | | |
| Source: Perkins+Will | | |

Redevelopment Opportunity Sites

The Highway 53 Corridor study area is fully developed with a legacy of numerous land uses co-mingled with one another. This adds complexity to the renewal and revitalization process, which is already hindered by a lack of willing sellers, redevelopment costs, incompatibilities with legacy uses, site control, blight, infrastructure constraints, possible contamination, and historic preservation.

One tool for helping a community manage this complexity during the planning process is to identify areas where change may be likely due to the presence of one or more key factors that would potentially attract developer interest. By identifying these areas, this allows the community to focus its attention and resources on those areas where they will have the most impact or conversely protecting areas from change by implementing new or strengthening existing controls.

This market and economic analysis report does not address the policy issue of whether it is more desirable to maintain existing uses or redevelop sites into new uses. The potential catalyst sites should not be considered priority redevelopment sites or threatened properties at this stage in the planning process. The goal of this analysis is to identify sites where there appear to be conditions that might make developers view the redevelopment potential as positive and therefore result in redevelopment pressure. Knowing where development pressures are located can help policymakers understand where there may be opportunities that need to be nurtured to ensure they reach their full potential or, if the existing conditions are to be preserved, where steps may need to be taken to protect it before it is acquired for redevelopment.

The following are sites in the Highway 53 Corridor study area that have been identified as being ripe for redevelopment based on their valuation, size, location, condition of existing uses, and feedback from interviews with local real estate experts. Market conditions would not support the redevelopment of all of the identified sites. However, identifying the range of possible sites will help project planners and stakeholders to narrow in on potential sites that may be worth elevating as candidates for redevelopment given their strategic location and potential to be catalyst developments that would spur additional investment in the Corridor.

1. North Gateway Site.

This area is the most visible to cars coming from the north onto Highway 53. The prospective site is a collection of six to 11 parcels situated between Walgreen's and America's Best Value Inn on the south, and Cargill plumbing on the north. Site assembly would be challenging, but the site might support a highly visible gateway attraction—such as a waterpark hotel. The finances probably do not work for destination retail. The poor access and the potential to cannibalize other area retail. However, medical office or a medium density housing development are alternatives, but there are potentially stronger sites in the Corridor, and absorption would be lengthy. The larger site assemblage is \$2.83 million assessed value, and 11.1 acres.

2. Expanded Bridgeview Plaza site.

Planned interchange upgrade will leave the gas station, McDonald's, and Burger King (unless they see an advantage to a new location on the site). Redevelopment could incorporate the city park, with the intention of creating a more usable park area. \$6.01 million assessed value. 17.4 acres total. This site was mentioned by many interviewees.

Map 2: Sites with Favorable Redevelopment Characteristics, Northern Portion



3. East side of Hwy 53, Livingston to Moore. This block has strong opportunity, if the west side of the highway starts becoming enhanced. It could be phased by starting with houses that front Rose Court along with elimination of the outsized right of way and service roads. The whole block, however, is underdeveloped and could represent an expanded site. The frontage properties have \$730K assessed value on 1.3 acres, not counting the excess ROW. The whole block shows \$1.51 million assessed value, on 5.02 acres.

4. Livingston Corner/Livingston-Gohres Block. The SE quadrant of Livingston and Highway 53 is a small site. It has an assessed value of \$670K on 1.26 acres. Expanded acquisition of the whole block would be ambitious, but would turn it into a very strong redevelopment site (better development dimensions) This would replace several properties that may be dampening values and perceptions along the corridor. The entire block has an assessed value of \$4.34 million on 4.38 acres. The smaller development site was referenced as an "A" site by one of the interviewees.

5. Expanded KFC at Livingston Street. This site is between the AmericInn Hotel and Black's Cove Marina and has an assessed value of \$1.64 million on 3.7 acres.

6. AmericInn and Best Western Riverfront Hotel Parcel. This property could be redeveloped by a developer, either after the expanded KFC site is completed or together with it. It has an assessed value of \$2.8 million on 6.39 acres. One interviewee mentioned the Best Western site as a good redevelopment site.

7. Mobile Home Court. Although redevelopment of this property would mitigate displacement of low-income households, it has characteristics that make it ripe for potential change. First, it is a large site with access to the Black River. There is only one property owner, though there are many mobile homeowners who are important stakeholders as well. Because only one of the two parcels has an assessed value, it is not clear if the value of the one parcel is supposed to represent both or not. It has an assessed value of \$1.86 million on 7.14 acres. It was mentioned during interviews that the owner has expressed a willingness to sell the property but that they generally want far too much for it; at \$5 million as mentioned by an interviewee. One possibility would be to buy the two parcels that front on Highway 53 and just enough mobile home sites to allow for support of a high quality new development along Highway. This would result in a good development site if the owner of the mobile home property is interested in subdividing. The two properties fronting on Highway 53 have an assessed value of \$527K on 0.86 acres.

8. Highway 53 Frontage, between Gillette and Rublee. With close proximity to public river frontage, AI Glass and Builders Exchange comprise a site of \$1.03 million assessed value on 1.30 acres. The site could be expanded through acquisition of the Super 8 site, which doesn't have close river access for it to be a selling point for guests. The Super 8 site is \$2.66 million in assessed value on 2.03 acres. This is an expensive site and therefore, it may not be realistic, but it would be premier and visible from the corridor.

9. Subway site, SW Corner, Gillette and Hwy 53.
\$850K assessed value, 1.18 acres.



10. BMO Harris Bank site at Highway 53 and Clinton, NE corner. With a very strong corner and Copeland Park nearby, this site would complement any redevelopment along the street. It has an assessed value of \$900K on 0.73 acres. Although the site is expensive on a per square foot basis, it may be an attractive location to buyers, as mentioned by one interviewee.

11. Hardees Site at Highway 53 & Clinton and Powerhouse Marine. The Black River Beach and Neighborhood Center is a public site that includes a nice conference center, beach, boat access to the river, and an attractive historic brick building utilized for an incompatible use—Powerhouse Marine. The Hardees property is at a very strong corner being across the street from Copeland Park and adjacent to the Black River public site. If the Hardees site. The Powerhouse Marine building was acquired for a public private partnership, the public space could be reconfigured, the Powerhouse Marine building could be rehabbed a live-work or a brewpub, and a mixed use development could be situated at the Highway 53 and Clinton Corner. The Hardees site has an assessed value of \$640K on .92 acres, but the site could be expanded with some of the public property. The Powerhouse Marine site has an assessed value of \$570K on 1.1 acres. Total land area with the public property is around 12.5 acres.

12. Holy Smokes block, Between Rose and Copeland, south of Clinton. Part publicly owned. Great visibility. Redevelopment of this site could set a new design tone for the area. The privately owned properties on the block have an assessed value of \$370K. The block is about 1.7 acres.

13. West side of Copeland, between St Cloud and Hagar. Currently industrial, but corner is adjacent to Copeland Park. Housing could work on the site. It has an assessed value of \$870K on 2.3 acres. The site was mentioned by two interviewees.

14. NE Corner, Rose and Hagar. Current use of the site is a used car dealership. The site contains two obsolete commercial buildings with an assessed value of \$600K on 1.14 acres.



I 5. Farrell Equipment Supply, Island between Rose and Copeland, south of Monitor. This site is currently an industrial property with high visibility and could represent a continuation of the “north of Candlewood Suites” site. It has an assessed value of \$900K on 1.33 acres.

I 6. SE Corner, Rose and Monitor, excluding the Taco John’s. This property backs onto a wetland and could be an extension of the development from the “north of Candlewood Suites” site. It has an assessed value of \$510K on 1.25 acres.

I 7. Block between Hwy 53 and wetlands, north of Candlewood Suites. This is a full block of underdeveloped property, which has great neighbors to the south, wetland amenity to the rear, and will be across the street from Riverside North when that site redevelops. Likely use would residential or mixed use. It would likely be underdeveloped as retail and would cannibalize the retail market to the north. Some site assembly required. It has an assessed value of \$1.23 million on 3.64 acres.

I 8. Riverside NoDevelopment. Already in the works.

