



Market Rate Assessment  
for  
Whitewater University Technology Park  
Innovation Center

Research and report provided by the *Wisconsin Innovation Service Center*, a business outreach program of the University of Wisconsin-Whitewater and a specialty center of the Wisconsin SBDC Network.



## Table of Contents

<b>Introduction .....</b>	<b>3</b>
<b>Research Objectives:.....</b>	<b>3</b>
Project Tasks:.....	3
Interview Questions – Business Incubators .....	3
Interview Questions – Economic Development and Commercial Real Estate.....	4
<b>Market Rate Conclusions Executive Summary .....</b>	<b>5</b>
<b>Area Market Summaries.....</b>	<b>5</b>
Janesville Market Summary.....	5
Jefferson Market Summary.....	6
Whitewater Market Summary.....	6
Edgerton Market Summary.....	7
Milton Market Summary.....	7
Fort Atkinson Market Summary .....	7
Cambridge Market Summary.....	7
Lake Mills Market Summary.....	7
Johnson Creek Market Summary .....	7
Elkhorn Market Summary .....	8
Delavan Market Summary .....	8
East Troy Market Summary .....	8
<b>Average Lease Rates for Office Space in the Region .....</b>	<b>8</b>
<b>Properties that Include Utilities and More in Price.....</b>	<b>9</b>
<b>Summary of Incubator Interviews .....</b>	<b>10</b>
Jefferson Area Business Center .....	10
Janesville Innovation Center .....	10
Milwaukee County Technology Innovation Center .....	11
Madison Enterprise Center .....	11
<b>Comparison of Office Space Pricing by Incubator .....</b>	<b>12</b>
<b>References .....</b>	<b>13</b>

## **Introduction**

WISC reviewed currently available office and laboratory space in the region using internet resources and interviews with economic development and real estate professionals. Based on the findings, a fair market rate for the area competing with Whitewater was established. Likewise, representative of business incubators in the southern portion of the state were interviewed

## **Research Objectives:**

To establish what a representative regional market rate would be for a space that provides all of the free benefits that the innovation center provides. Regional area is defined as an 18-mile radius to include Lake Mills, Cambridge, Johnson Creek, Jefferson, Fort Atkinson, Edgerton, Palmyra, East Troy, Elkhorn, Delavan, Janesville, Milton. In addition, pricing at regional business incubators was researched and taken into consideration.

### *Project Tasks:*

- I. Research availability of space, amenities and market rates using internet resources.
- II. Place calls to the business incubator in Milwaukee and the one in Madison as well as to economic development representatives and commercial real estate brokers in the target municipalities to gather information on what types of properties are available, what the cost per square foot is and what is included in that price.
- III. Select three to five representative properties in each regional city to include in the matrix. (Selection will be based on closest comparable in terms of office space and/or laboratory space.)
- IV. Gather all available cost data on the selected comparable properties including utilities, maintenance fees, etc.
- V. Document findings on detailed spreadsheet.
- VI. Analyze market rates based on information gathered on market rate and cost of amenities in the targeted region and at the two business incubators.
- VII. Compile summary report and supporting research material and deliver electronically.

### *Interview Questions – Business Incubators*

1. What type of office space do you have available?
2. What types of lab space do you have available?
3. What type of manufacturing space, if any, do you have available?
4. Is your office space fully utilized/leased out?
  - a. If not, what percentage is not leased at this time?
  - b. If so, how common is it for your incubator to be full?
5. Is your lab space fully leased?
  - a. If not, what percentage is not leased at this time?
  - b. If so, how common is it for the lab space to be fully leased?
6. What is your rate per square foot for office space?
7. What is your rate per square foot for lab space?
8. When was the last time you adjusted your rates?
9. What type of lease does your tenant sign (length, terms)?

10. What amenities are included in your pricing?
  - a. Telephone service
  - b. Internet access
  - c. Electricity
  - d. Water
  - e. Other utilities?
  - f. Employee parking?
  - g. Building maintenance
  - h. Exterior maintenance (snow removal/mowing, etc.)
  - i. Insurance
  - j. Waste removal (garbage/recycling)
11. How would you characterize the market for commercial office space at this time?
12. How would you characterize the market for commercial lab space at this time?
13. As an incubator, what is your philosophy on pricing relative to the market rate?

*Interview Questions – Economic Development and Commercial Real Estate*

1. How would you characterize the market for commercial office space at this time?
  - a. Open/available space versus leased space?
  - b. Quality of available locations?
2. How would you characterize the market for commercial lab space at this time?
  - a. Open/available space versus leased space?
  - b. Quality of available locations?
3. How would you characterize the market for light manufacturing space at this time?
  - a. Open/available space versus leased space?
  - b. Quality of available locations?
4. What would you say is a typical rate per square foot for office space in your area?
5. Do you know if laboratory space is available and if so, what is a typical rate for that in your area?
6. What would you say is a typical rate per square foot for light manufacturing space in your area?
7. Could you provide information on a handful of available properties for lease including any laboratory space you have and at least one light manufacturing space if available? (Researcher will note property names and addresses on spreadsheet)
8. For each property collect the following information:
  - a. Type of space (office, lab, manufacturing)
  - b. Type of Lease
    - i. Length
    - ii. General Terms
  - c. Square foot of property
  - d. Rent total (researcher will calculate rate per square foot)
    - i. Does that include free internet access?
    - ii. Is parking available on the property?
  - e. Additional costs paid to property owner/manager or paid to service provider (best estimate)
    - i. Electricity
    - ii. Water
    - iii. Gas
    - iv. Building maintenance
    - v. Exterior maintenance (snow removal/mowing, etc.)
    - vi. Property Insurance
    - vii. Waste removal (garbage/recycling)

## **Market Rate Conclusions Executive Summary**

Comparable properties were taken from each community and lease prices vary greatly. The average overall rent prices of properties found online was \$9.63 per square foot. This is based on prices for office, lab, and some flex manufacturing spaces and does not include prices for incubator space or warehouses. The average typical rent prices provided by interviewed experts was \$9.40, which is highly consistent with the average cost of leasable properties located on the internet. If you add in the annual costs of internet and phone, and energy utilities, then the average for a 1,000 square foot space is \$14.22. If you also add exterior maintenance (lawn/snow), then the price per square foot jumps to an estimated \$19.45 real cost for the space.

The average price per square foot for incubators was \$12.10 per square foot when Whitewater University Innovation Center is not included. It is \$13.46 with Whitewater. These typically, but not always, include internet and phone and other amenities. It should be noted however that this average did not include outliers of \$30.00/sq. ft. for lab space at the Technology Innovation Center in Milwaukee. This higher price is due to a high demand for use of the space. It also does not include \$3.60/sq.ft. for space in Jefferson that is not comparable. To be competitive with other business incubators, Whitewater would have to lower rates to around \$12.50; however, if market rates from the region are included, then a higher overall rate can be supported.

## **Area Market Summaries**

### *Janesville Market Summary*

Janesville had numerous properties comparable to the Innovation Center that can be found online, with five including suite spaces. Based on online research of 17 spaces in Janesville, the average lease price per square foot is \$9.78, with employee parking included in four of them. The adjusted average including prices given in interviews is \$8.95. These spaces ranged from 600 to 6,000 total square feet in size and rent per month costs ranged from \$852.67 to \$5,000. The average square footage is 1,822 and the average rent per month is \$1463.39. Based on the interview with Bill Mears, a realtor from Coldwell Banker Commercial McGuire Mears & Associates, the typical price per square foot for office space in the area is \$6-7 triple net. He said that the market for office space is “flat” with more available space than demand, and that the quality of these spaces is average to good. Mike Matthews, from the Janesville Innovation Center incubator, said that their typical rate for office space is \$13.00 with a one-year lease, and that they currently have two available. Matthews stated that the rates were recently adjusted for the first time in three years and do not try to compete unfairly with private properties available. The center is reaching a full capacity and there is a high demand for their office spaces. Matthews said that their spaces are differentiated from others available because they offer management assistant services. Utilities and amenities included in the lease are the following: telephone service, internet access, electricity, water, employee parking, building maintenance, exterior maintenance, insurance, and waste removal.

The market for light manufacturing space was described as having higher demand than availability of space. Bill Mears stated that the quality of the leased spaces is high and that the typical square footage is 25,000 to 75,000. The typical rate per square foot for light manufacturing space provided is \$3.35. The Janesville Innovation Center has manufacturing bays and suites. The suites include all utilities and amenities, while the bays include the same with the exception of gas and electric utilities.

#### *Jefferson Market Summary*

Three comparable office space properties were found online. The available office spaces had an average price per square foot of \$9.54 and average square footage of 1,350. Two of these included street parking for employees. Steve Lewis, from the Jefferson Area Business Center incubator, stated that they offer A1 office space that is pre-wired. None are currently available, which is common for the center and Lewis characterized the market for office space as “strong.” Their typical rate per square foot of space is \$1.00. The center also has a space that is considered as a laboratory, but was turned into a common area IT center for use by all of the companies. The rate per square foot for this space is \$0.30. The company also has 50,000 square feet of manufacturing space.

The tenants have a typical lease term of three years, but the center offer companies the option to pay monthly. The center generally tries to stay below the market rate and has not adjusted their rates in five years. The lease prices also includes the following utilities and amenities: telephone service, internet access, electricity, water, employee parking, building maintenance, exterior maintenance, insurance, waste removal, and others (loading docks, fork lifts, FedEx office, delivery truck, and trade show booth holds).

#### *Whitewater Market Summary*

Several comparable properties were found for lease in Whitewater. The city has the highest average price per square foot of the sample compared to the other cities researched. The average was \$15.05 with an average square footage of 331. The sample included eight office spaces and one that could be office or manufacturing space. Three of the available spaces are desks rather than rooms or buildings. These spaces have all utilities included in the lease price. Three respondents from Whitewater stated that the typical price per square foot of office space is \$10.00 and \$6-8 with lots of variation. These respondents stated that there is more available office space in town than demand with the spaces offered consisting of adequate to good quality. Dennis Stanton, from Tincher Realty, stated that there are properties where the owner may be willing to remodel to fit the needs of the tenant. No respondents were able to provide information about laboratory and manufacturing space.



### *Edgerton Market Summary*

WISC found two comparable spaces online, one office space and one that can be used as office or manufacturing space. The average price was \$8.48 per square foot with an average available square footage of 5,400. Kyle Carrier, from Best of Edgerton Real Estate, stated that the typical rate for office space is \$10.00, with the highest demand in years for the area with equal supply and demand. He also stated that the quality of the available properties is improving. Carrier was not able to provide any information about laboratory or manufacturing space.

### *Milton Market Summary*

Four spaces were found on the market for lease in Milton, all being office space with three of them having the ability to be used as retail. The average rate per square foot of these spaces is \$7.10 with an average available square footage of 4,253. No respondents were able to provide information about properties in Milton.

### *Fort Atkinson Market Summary*

Three comparable spaces were found in Fort Atkinson. These spaces were previously used as medical offices and exam rooms, but can be leased for other purposes. The average price is \$10.00 per square foot and the average size of the spaces is 4,757 square feet. The respondent from Wayne Hayes Real Estate, Joanne Larsen, stated that the city has an over-abundance of available space against demand. Larsen said that there are commercial spaces available in the downtown area and near the hospital, because the city seems to be developing more on the west end near Madison. She said that for the available properties near the hospital, the owners are desperate for leasers, so they may be willing to remodel for tenants looking for office space. Larsen also mentioned good-quality manufacturing space available in the local industrial park for low rates. Researchers could not find availability for these online.

### *Cambridge Market Summary*

Four comparable spaces were found in Cambridge, three of them being office suites and one a manufacturing building. The average rate per square foot was \$6.13 with an average size of 5,859 square feet. WISC researchers could not find additional information about office, laboratory, and manufacturing space in Cambridge.

### *Lake Mills Market Summary*

Two comparable properties were found in Lake Mills, with a total of five spaces. Four of these are able to be used as office or manufacturing spaces. The average rent price was \$3.70 per square foot with an average size of 9,747 square feet. No additional information about the commercial space market in Lake Mills was found.

### *Johnson Creek Market Summary*

The Johnson Creek area had little available to be found for office space available. Two properties found averaged \$12.25 per square foot in rent and had an average size of 2,350 square feet. No additional information could be found for office space available in Johnson Creek.

### *Elkhorn Market Summary*

Four comparable properties with five spaces were found for Elkhorn. The average price was \$13.28 per square foot with an average size of 1,507 square feet. No additional information could be found for office space available in Elkhorn.

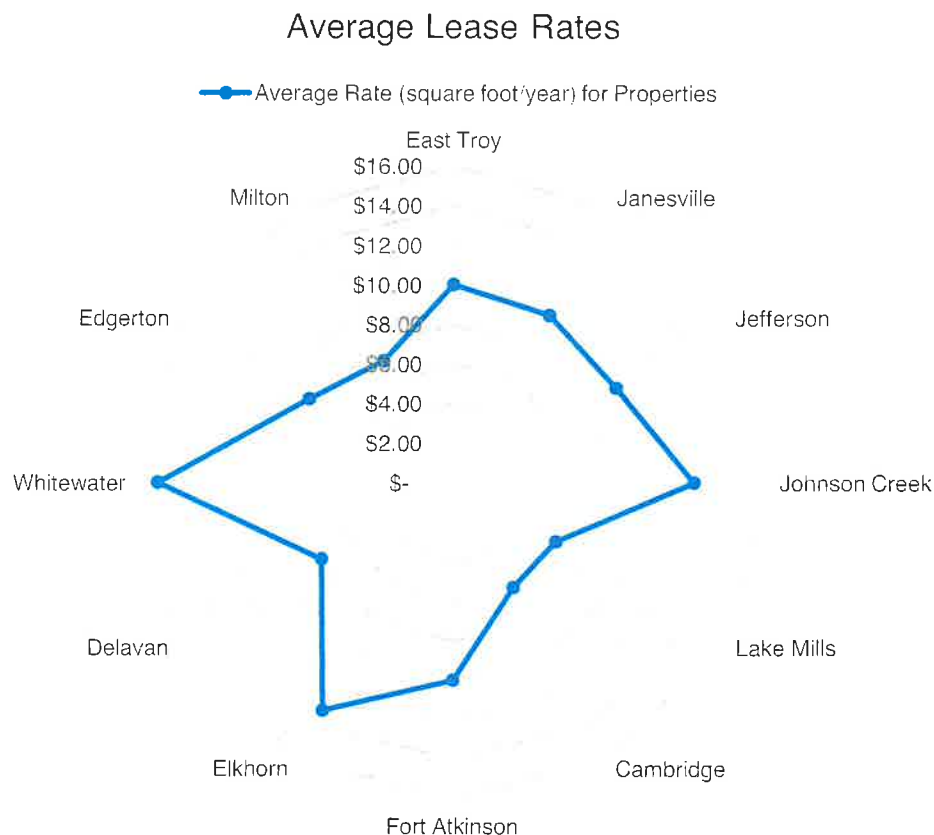
### *Delavan Market Summary*

One comparable space for lease has been found in Delavan for \$11.70 per square foot with 1,000 square feet available. No other comparable spaces were found for Delavan.

### *East Troy Market Summary*

One comparable property with two spaces for lease were found in East Troy. The average price per square foot was \$4.25/sq. ft. for warehouse space and \$8.25/sq. ft. for office space with ~4,900 square feet available in one space, and ~25,000 square feet available in the other space. No additional information could be found for office space in East Troy.

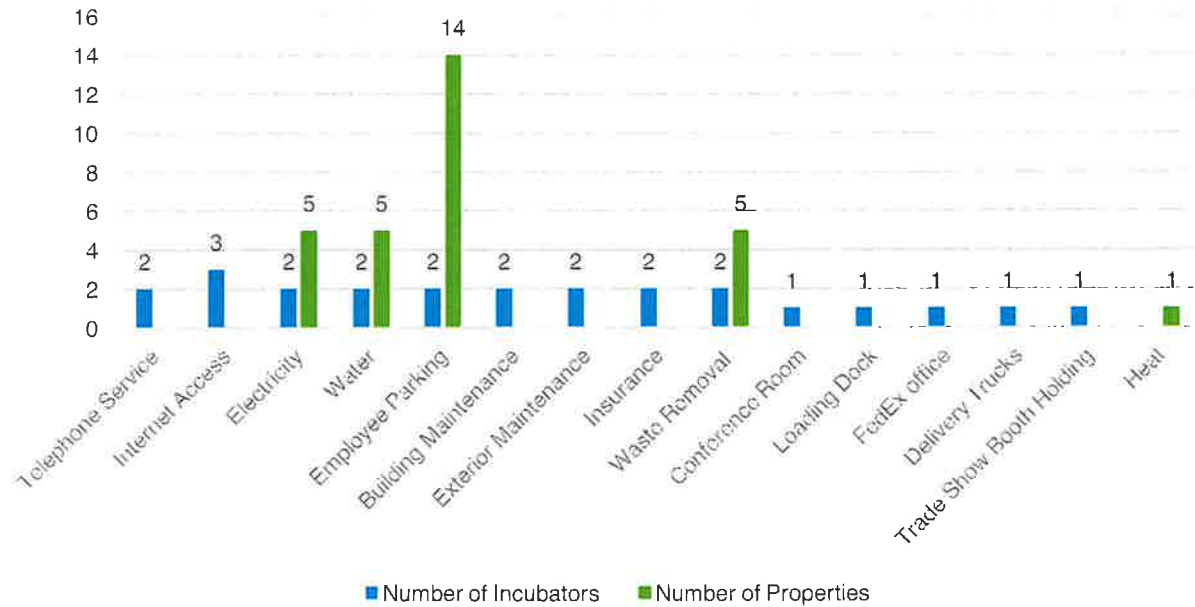
## **Average Lease Rates for Office Space in the Region**





## Properties that Include Utilities and More in Price

Utilities and Amenities Included in Price



## Summary of Incubator Interviews

### *Jefferson Area Business Center*

Contact: Steve Lewis, Owner

According to Steve Lewis the average rate per square foot for office space is \$1.00 per month or \$12.00 per year. He also said that his office space is fully utilized at this time and that this is a very common occurrence. When WISC asked Lewis to describe the market for office space he said, "Real strong." For the laboratory space, Lewis said, "The last lab space we had was converted to an IT center. However, we allow the companies to expand in the lab space as a courtesy area." The average rate per square foot is \$0.30 or \$3.60 per year. He also said that the market for lab space is, "Alright, Jefferson is not as strong as Whitewater." Lewis also mentioned that the last time they adjusted their rates for office/lab space was about five years ago. When asked what type of lease a tenant typically signs, Lewis said, "We are pretty flexible, the typical length is three years. We can even go month-to-month if it works better for the company." He also said that all amenities are included such as, telephone, internet, electricity, water, employee parking, building maintenance, exterior maintenance, insurance, waste removal, and they have loading docks, forklifts, a FedEx office, delivery trucks, and they hold spots for booths at trade shows. Lewis' philosophy on pricing relative to the market rate is to stay below it; his philosophy is to help young companies succeed. He also said that half of their total building space is dedicated to manufacturing.

### *Janesville Innovation Center*

Contact: Mike Matthews, Operations Manager

Mike Matthews said that the average rate per square foot is, "About \$13, maybe a little bit more." Matthews said that their office space is not fully utilized at this moment, however he also said, "We just opened April 2013, we are just now approaching full capacity." WISC asked Matthews to describe the market for commercial office space in his area, he said, "There is availability in Janesville. There are a lot of sub-markets, but we differentiate ourselves because we offer management assistant services. Our demand has exceeded our expectations." Matthews said that they do not have any lab spaces, so he could not describe the market or the rate per square foot. WISC asked Matthews when the last time they adjusted their rates was, and he said, "We recently adjusted our rates, first time in three years." The type of lease that a tenant typically signs is a one-year lease for office spaces. Matthews also indicated that tenants are given a 60-day notification. Matthews said that they provide telephone, internet, electricity, water, employee parking, building maintenance, exterior maintenance, insurance, and waste removal. WISC asked Matthews what his philosophy was on pricing relative to the market rate. He said, "We recognize the private market that is here. We don't compete unfairly with the private market. We are more than just real estate because we offer the management assistance service. We work high potential companies that can grow into the private sector." For the type of manufacturing space, Matthews said "We have manufacturing bays and suites. The suites include all amenities and utilities, the bays include everything besides gas and electric."

*Milwaukee County Technology Innovation Center*

Contact: Guy Mascari, Facility Director

WISC asked Guy Mascari what types of office space they had available, and he said, "We have large office space and some engineering space as well." He said that it is somewhat common for his incubator to be full and that his rate per square foot is \$12.50. He described the market for commercial office space as moderately strong. WISC asked Mascari what types of lab spaces they had available and he said, "We have one lab space, the only one in the area. We are almost always full." He went on to say that typical rate per square foot is \$30.00. Guy described the market for commercial lab space as "Excellent." WISC asked Mascari when the last time they adjusted their rates, and he said "Two years." The typical lease length that a tenant signs is one year, according to Mascari. He also said that no amenities or utilities are included. Finally, WISC asked Mascari what his philosophy was on pricing relative to the market rate. He answered, "Our pricing is the market rate. I see what I need to charge to stay solvent, and then I compare it to the market." Mascari also said that they have some light engineering and light manufacturing space available.

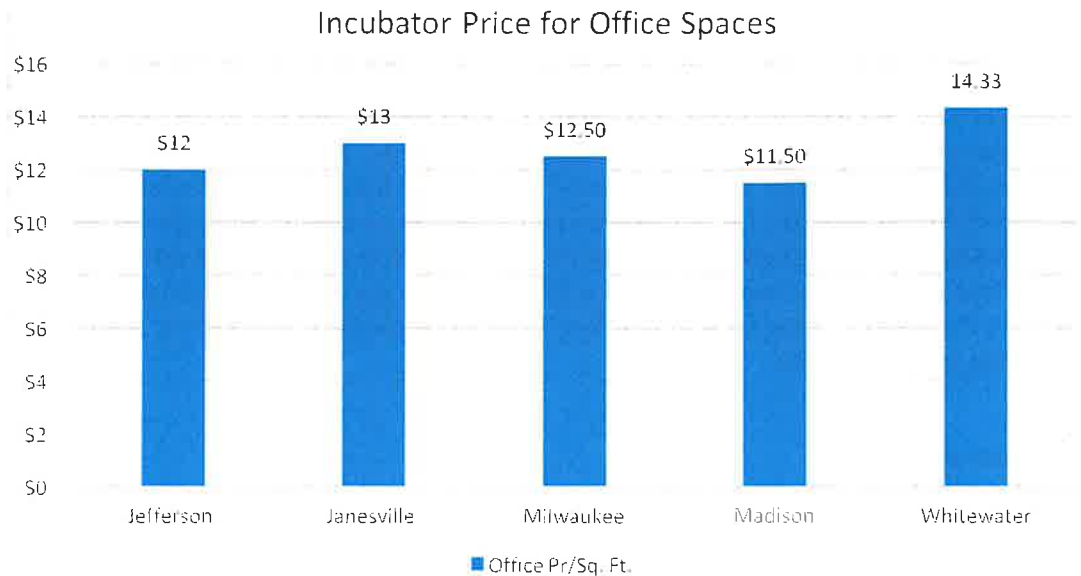
*Madison Enterprise Center*

Contact: Sarah Hole, Facility Director

When WISC asked Sara Hole what types of office space do they have available, she said, "We have a variety, we can fit light industrial, and even food production." Hole said that their rate per square foot varies from \$10-\$13. WISC asked Hole if their office space is fully utilized, she said, "No it is not, we have about six percent vacancy." When WISC asked Hole to describe the market for commercial office space, she said, "The market in the Madison area is very strong." She said that they do not have any laboratory space, so she does not know the rate per square foot. WISC asked Hole when was the last time she adjusted the rates and the type of lease that a typical tenant signs, she said, "I do it all the time. And one to two years, but typically one." According to Hole, the incubator includes internet access, and a conference room. WISC asked Hole what her philosophy was on pricing relative to the market rate, she said, "We do our best to make it affordable." The last question WISC asked was what type of manufacturing space do you have available, she said, "We have some, more for light industrial spaces."

### Comparison of Office Space Pricing by Incubator

The graph below shows a comparison of reported cost per square foot per year for incubator office space. Note that the Whitewater figure was calculated using an average of the current reported costs for spaces over 100 square feet and under 5,000 square feet in size. It is clear to see that Whitewater is priced well above the other incubators in the region.



## References

- Consumption & Efficiency Commercial Buildings Energy Consumption Survey (CBECS)*. (2016, March). Retrieved from Independent Statistics & Analysis U.S. Energy Information Administration: <https://www.eia.gov>
- Energy, U. D. (2016, September 26). *Electricity*. Retrieved from Independent Statistics & Analysis U.S. Energy Information Administration: <http://www.eia.gov>
- Home Advisor. (n.d.). *How Much Does it Cost to Mow and Maintain a Lawn?* Retrieved from Home Advisor: <http://www.homeadvisor.com/>
- Staff, P. (n.d.). *Commercial Parking Lot Plowing Cost*. Retrieved from ProMatcher: <http://snow-removal.promatcher.com/>

