



Offering Memorandum Capitol Square Building

**14 W Mifflin Street
Madison, WI 53703**

**Key Commercial Real Estate LLC
608-729-1800 | www.keycomre.com**





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Overview of Opportunity



14 West Mifflin Street provides a rare opportunity for an owner-occupant or value-add investor looking to acquire a piece of iconic Capitol Square real estate.

The 3-story building, originally constructed in 1924 as Baron's Department Store, offers historic features blended with modern adaptations. The street level retail has a long-term lease with Rare Steakhouse, a premiere downtown dining experience which pays tribute to the old nostalgic romance of great American Steakhouses. The second and third floor office space is currently 85% occupied with short-term leases, offering maximum flexibility to a future owner-occupant or investor.

With an unsurpassed location and a multitude of options for reconfiguring, re-tenanting or redeveloping, the property at 14 W. Mifflin offers unique possibilities in the heart of the entertainment and employment district of downtown Madison.

Price: \$4,000,000



Building & Site Details



- **Building Size:** 36,760 sf gross building area (including lower level)
Three above grade stories of 9,190 SF each
Finished lower level storage space of 9,190 SF
- **Parcel Size:** 10,880 sf (0.25 ac)
- **Description:** 3 story multi-tenant office building w/restaurant located at street level.
- **Year Built:** 1924 (third floor addition 1938, plus three-story addition to the rear of the building in 1957)
- **Assessed Value:** \$4,030,000 (2020)
- **Zoning:** DC Downtown Core
- **Exterior:** Wood, masonry and steel frame construction with brick/stone exterior. Flat rubber membrane roof.
- **Unfinished/Finished Ceiling Height:** 14 feet/12 feet (varies)
- **Vertical Transport:** One elevator and stairs serving each floor
- **HVAC:** Heated and cooled by two boilers w with hot water central heating unit and compressor on each floor with water source heat pumps. Restaurant tenant has its own HVAC units.
- **Sprinklers:** Entire building is sprinkled
- **Walk Score:** 97 (Walker's Paradise) [walkscore.com](https://www.walkscore.com)
- **Bike Score:** 93 (Biker's Paradise) [walkscore.com](https://www.walkscore.com)
- **Deed Restriction:** Deed Restricted at 984 feet (to protect Concourse top floor/Governor's Club views) and no hotel use.
- **Parking :** None onsite. Options for parking in nearby public and private ramps

Income

1st Floor	\$	162,000
2nd Floor	\$	120,000
3rd Floor	\$	107,500
LL Storage	\$	19,500
CAM Income	\$	25,700

Total Existing Revenue \$ **434,700**

Expenses

Property Taxes	\$	95,200
Repairs & Maint	\$	19,100
Janitorial	\$	16,900
telephone	\$	6,600
Electric	\$	70,700
Gas	\$	9,300
Water/Sewer	\$	11,600
Admin/General	\$	13,400
Mgmt Fee (5%)	\$	21,700
Reserves (2%)	\$	8,700

Total Expenses \$ **273,200**

Net Operating Income \$ **161,500**

Net Operating Income calculation is based upon projected 2021 income and historical expenses as provided by Seller.

Vacancy Summary

	Total	Office/Retail	Storage
Rentable Area	25,264	19,429	5,835
Vacant Space	6,818	2,905	3,913
Vacancy Rate	27%	15%	67%

Investment Overview—As Is

Including the rentable office and storage space, the building is currently 73% occupied by approximately 14 tenants. The most prominent tenant is Rare Steakhouse, which occupies the first floor and is subject to a long-term lease through February 2027. The balance of the office space is structured as small incubator or executive style offices with suite sizes ranging from 100—700 square feet. Generally, the leases are full service gross with some minor variations and excluding Rare Steakhouse which is a triple net lease. Current tenants have access to shared conference rooms and a kitchenette.

The existing office tenants are on shorter term leases with per square foot rents ranging from \$14/SF to \$40/SF. Due to the short term nature of the leases, many are significantly below current market rates.

With the short term nature of the leases, a future owner has significant upside potential. This could be accomplished in a variety of ways ranging from a lease up of the building in as is condition with market rate rents, to a extensive renovation reducing the amount of common area and securing larger long term tenants.

The next page provides a sample valuation analysis under the latter scenario.

Current Rent Summary

	Total	Office/Retail	Storage
Total Rent	\$ 415,424	\$ 395,944	\$ 19,480
Rented Area	18,446	16,524	1,922
Rent/SF	\$ 22.52	\$ 23.96	\$ 10.14

* detailed financials and rent roll available upon request

Investment Overview—Stabilized

Stabilized Market Income

1st Floor	Rare	5,868	\$	27.66	\$	162,335
1st Floor	Vacant	1,502	\$	25.00	\$	37,550
2nd Floor	Vacant	9,190	\$	30.00	\$	275,700
3rd Floor	Vacant	9,190	\$	30.00	\$	275,700
Lower Level	Storage	5,835	\$	9.00	\$	52,515
CAM Income						\$ 25,700
Gross Potential Revenue						\$ 829,500
Vacancy Allowance		10%			\$	(82,950)
Total Net Revenue						\$ 746,550
Expenses						
Property Taxes						\$ 95,200
Repairs & Maint						\$ 19,100
Janitorial						\$ 16,900
telephone						\$ 6,600
Electric						\$ 70,700
Gas						\$ 9,300
Water/Sewer						\$ 11,600
Admin/General						\$ 13,400
Mgmt Fee (5%)						\$ 41,500
Reserves (2%)						\$ 16,600
Total Expenses						\$ 300,900
Net Operating Income						\$ 445,650
Cap Rate						7.50%
Value						\$ 5,950,000
PSF						\$ 188

*For illustrative purposes only

With the flexibility afforded by short-term leases for the 2nd and 3rd floor office space, a future value add investor has significant upside potential.

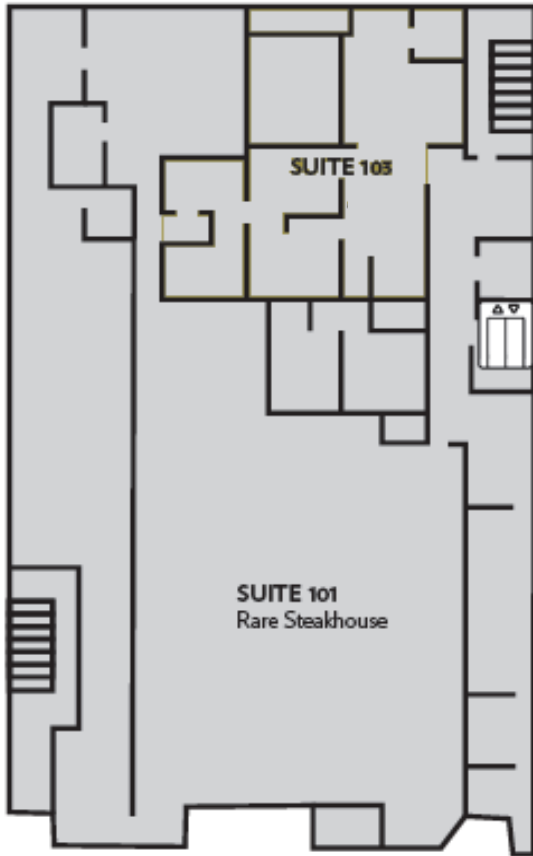
This analysis provides a *sample* future value of the property if the 2nd and 3rd floors were to be reconfigured as single tenant and/or had load factors assigned to increase the overall rentable area of the building. In addition, the stabilized analysis assumes longer term leases would bring forth market based rental rates and an overall vacancy rate of 10%. Under this scenario, the value of the property would be significantly increased from an income prospective.

There are a multitude of options for stabilizing the property long term which could range from a simple lease up to a full scale redevelopment. As property on the Capitol Square is an extremely limited commodity, this site offers an unique opportunity for not only an investor, but also an owner occupant.

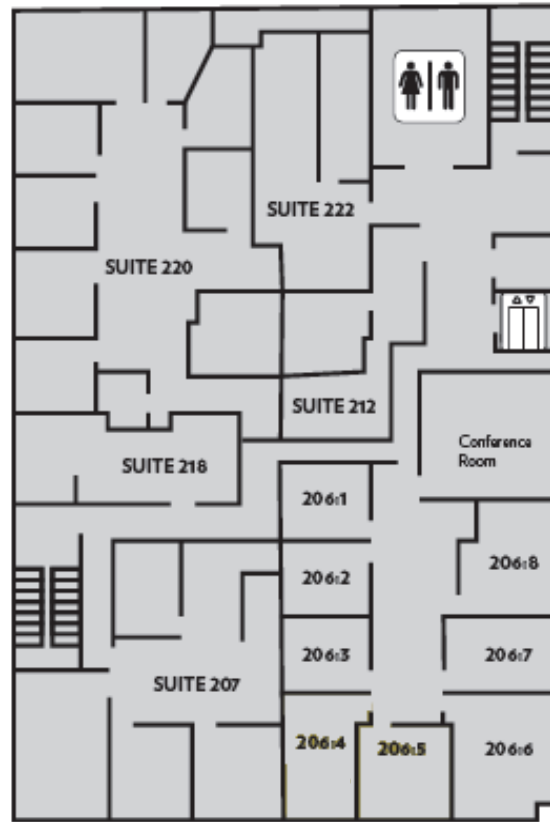
Photos



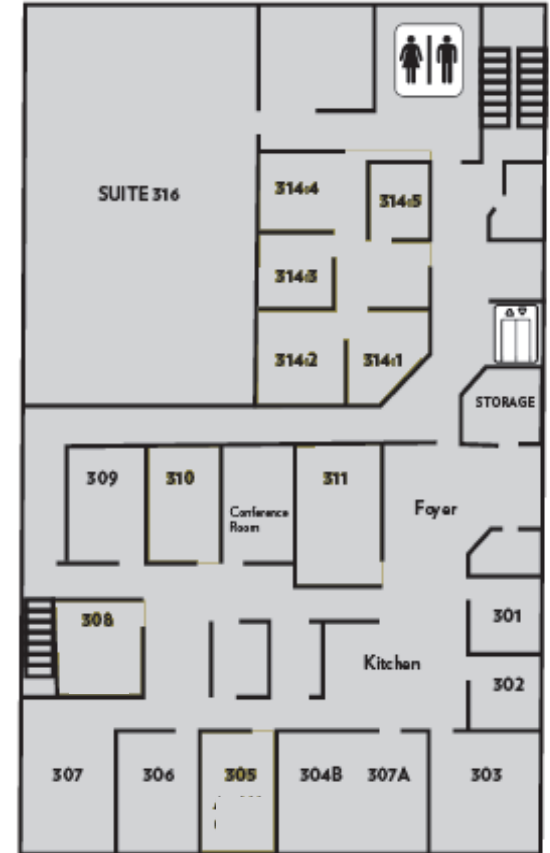
Floor Plans



First Floor



Second Floor



Third Floor

Madison Market Overview



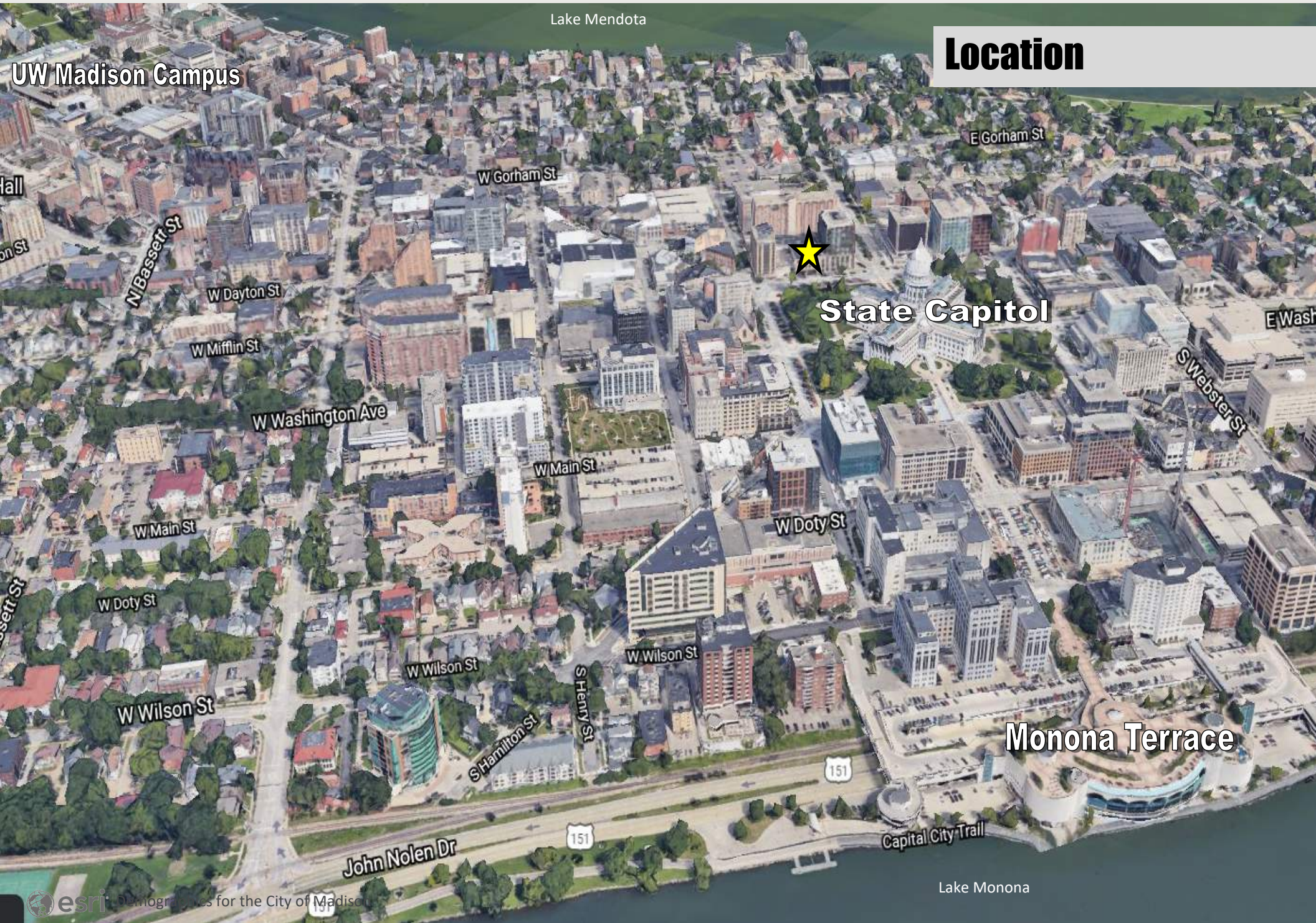
The City of Madison is consistently selected as one of the best places to live in the United States. As the state capitol and the second largest city in the state, Madison is a growing technology economy and the region is home to the headquarters of Epic Systems, American Family Insurance, Exact Sciences, Amazon, Promega, Sub-Zero, a regional office for Google, UW Madison, the University Research Park, as well as many biotech and health systems startups.

With the proximity to prominent employers, abundant high-end residential options, exciting nightlife and a wealth of outdoor recreational activities, the Capitol Square is the epicenter of downtown Madison. This area is experiencing tremendous growth and development with 1000+ new housing units and 500,000+SF of new commercial space entering the market over the past few years.

The dominance of downtown Madison is evidenced by the extremely low vacancy rates across all product types. The unique location on an isthmus creates a limited land area for downtown which continues to increase demand and property values.

Location

UW Madison Campus



State Capitol

Monona Terrace

Lake Monona

Downtown Developments & Demographics



Judge Doyle Square Development
Residential, Retail & Hotel 1 block off Capitol Square



American Exchange Redevelopment
300,000 SF Office on Capitol Square



125 W Mifflin Development
200,000 SF Office 1 block off Capitol Square



Barracuda Condo Development
1 Block off the Capitol Square



25 W Main Redevelopment
Office & Residential on the Capitol Square



400 E Washington New Development
Residential & Retail 4 blocks off Capitol Square

Downtown Demographics

	1 mile	3 miles	5 miles
2020 Population	37,117	104,247	203,575
2025 Population	40,093	111,319	215,713
2020-2025 annual rate	1.55%	1.32%	1.17%
2020 Daytime Population	51,259	137,355	240,487
2020 Owner Occupied Units	5.1%	30.4%	43.5%
2020 Renter Occupied Units	91.8%	65.4%	52.5%
Vacant Housing Units	3.1%	4.3%	4.0%
2020 Population By Age 15-24	62.5%	38.4%	25.3%
2020 Population By Age 25-34	19.5%	19.7%	17.5%
2020 Population By Age 35-44	4.8%	9.5%	11.8%
2020 Population Education			
Some College, No Degree	11.2%	13.8%	16.1%
Bachelor's Degree	28.5%	31.3%	28.9%
Graduate Degree	30.9%	32.9%	27.1%
2020 Average Household Income	\$57,484	\$74,800	\$80,862

WISCONSIN REALTORS® ASSOCIATION
4801 Forest Run Road, Madison, WI 53704

Key Commercial Real Estate LLC
Effective July 1, 2016

DISCLOSURE TO NON-RESIDENTIAL CUSTOMERS

1 Prior to negotiating on your behalf the brokerage firm, or an agent associated with the firm, must provide you the
2 following disclosure statement:

3 **DISCLOSURE TO CUSTOMERS** You are a customer of the brokerage firm (hereinafter Firm). The Firm is either an agent
4 of another party in the transaction or a subagent of another firm that is the agent of another party in the transaction. A
5 broker or a salesperson acting on behalf of the Firm may provide brokerage services to you. Whenever the Firm is
6 providing brokerage services to you, the Firm and its brokers and salespersons (hereinafter Agents) owe you, the
7 customer, the following duties:

- 8 (a) The duty to provide brokerage services to you fairly and honestly.
- 9 (b) The duty to exercise reasonable skill and care in providing brokerage services to you.
- 10 (c) The duty to provide you with accurate information about market conditions within a reasonable time if you request
11 it, unless disclosure of the information is prohibited by law.
- 12 (d) The duty to disclose to you in writing certain Material Adverse Facts about a property, unless disclosure of the
13 information is prohibited by law (see lines 42-51).
- 14 (e) The duty to protect your confidentiality. Unless the law requires it, the Firm and its Agents will not disclose your
15 confidential information or the confidential information of other parties (see lines 23-41).
- 16 (f) The duty to safeguard trust funds and other property held by the Firm or its Agents.
- 17 (g) The duty, when negotiating, to present contract proposals in an objective and unbiased manner and disclose the
18 advantages and disadvantages of the proposals.

19 Please review this information carefully. An Agent of the Firm can answer your questions about brokerage services,
20 but if you need legal advice, tax advice, or a professional home inspection, contact an attorney, tax advisor, or home
21 inspector. This disclosure is required by section 452.135 of the Wisconsin statutes and is for information only. It is a
22 plain-language summary of the duties owed to a customer under section 452.133(1) of the Wisconsin statutes.

23 **CONFIDENTIALITY NOTICE TO CUSTOMERS** The Firm and its Agents will keep confidential any information given to the
24 Firm or its Agents in confidence, or any information obtained by the Firm and its Agents that a reasonable person
25 would want to be kept confidential, unless the information must be disclosed by law or you authorize the Firm to
26 disclose particular information. The Firm and its Agents shall continue to keep the information confidential after the
27 Firm is no longer providing brokerage services to you.

28 The following information is required to be disclosed by law:

- 29 1. Material Adverse Facts, as defined in Wis. Stat. § 452.01(5g) (see lines 42-51).
- 30 2. Any facts known by the Firm or its Agents that contradict any information included in a written inspection
31 report on the property or real estate that is the subject of the transaction.

32 To ensure that the Firm and its Agents are aware of what specific information you consider confidential, you may
33 list that information below (see lines 35-41) or provide that information to the Firm or its Agents by other means. At a
34 later time, you may also provide the Firm or its Agents with other information you consider to be confidential.

35 **CONFIDENTIAL INFORMATION:** _____

36 _____

37 _____

38 **NON-CONFIDENTIAL INFORMATION** (the following information may be disclosed by the Firm and its Agents): _____

39 _____

40 _____

41 _____ (insert information you authorize to be disclosed, such as financial qualification information.)

DEFINITION OF MATERIAL ADVERSE FACTS

43 A "Material Adverse Fact" is defined in Wis. Stat. § 452.01(5g) as an Adverse Fact that a party indicates is of such
44 significance, or that is generally recognized by a competent licensee as being of such significance to a reasonable
45 party, that it affects or would affect the party's decision to enter into a contract or agreement concerning a transaction
46 or affects or would affect the party's decision about the terms of such a contract or agreement.

47 An "Adverse Fact" is defined in Wis. Stat. § 452.01(1e) as a condition or occurrence that a competent licensee
48 generally recognizes will significantly and adversely affect the value of the property, significantly reduce the structural
49 integrity of improvements to real estate, or present a significant health risk to occupants of the property; or information
50 that indicates that a party to a transaction is not able to or does not intend to meet his or her obligations under a
51 contract or agreement made concerning the transaction.

52 **NOTICE ABOUT SEX OFFENDER REGISTRY** You may obtain information about the sex offender registry and persons
53 registered with the registry by contacting the Wisconsin Department of Corrections on the Internet at
54 <http://www.doc.wi.gov> or by telephone at 608-240-5830.

No representation is made as to the legal validity of any provision or the adequacy of any provision in any specific transaction.
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