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Stewart Wangard speaks out

COVER STORY

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[Stewart Wangard](#) is a thoughtful guy, researching everything from the behavior of millennials to the price of a barrel of oil when planning his developments.

He can discuss those and other topics in great detail, but he digested the big picture for the region into a quick sentiment — Milwaukee is on a roll.

Wangard is a quiet leader in the region and one of the most active developers in southeastern Wisconsin. Wangard Partners Inc. will complete \$100 million in development this year and is on pace to nearly double that in 2016.

That includes projects in downtown Milwaukee, the first-ring suburbs and out to Kenosha and Oconomowoc.

Wangard covers what he called the "four main food groups" of development — housing, office, retail and industrial buildings.

He sat down for an extensive interview with the Milwaukee Business Journal on what's driving his company's projects and regional growth as a whole. Speaking softly in slow, measured statements, he shares his perspectives on economic and racial segregation, job training and major proposals such as the streetcar and downtown arena.

Beyond a strict government policy standpoint, what things here in the state's southeast region have been driving the opportunities for you to do more projects?" That goes back to the federal level. The federal level, underneath the Obama administration, that's the flip side. Again, it's balance. It's the president, it's the Senate and it's the House of Representatives that come up with the whole program. They have provided additional tax relief that encourages development, and there has also been a general

lowering of the cost of debt. Our average cost of debt about 30 months ago was 6 percent. Today it is hovering around 4 percent."

Does that create a sense of urgency?"To some extent. Real estate is a long-term investment. What we build today will generally have a life of over 50 years, so you can't go and make short-term decisions on a long-term investment. It has to be sustainable. You need job growth and even though there are a lot of jobs in the state of Wisconsin that are remaining open, you need to have a workforce to fill it.

"Right now, there's over 70,000 jobs open in the state of Wisconsin. The only way we're going to go and have true growth in this state is with a combination of putting our existing population to work, having them fully employed, creating an environment that encourages migration from other parts of the country and an immigration policy that makes sense."

For the real estate industry in general, where do you fit into that? How can it drive positive change?"To grow a workforce you need three things — you need education, you need training and you have to have opportunity. We provide the training for the people who are here. We will work with other companies to provide the training they need, and we provide the opportunities for creating jobs. I think we have close to 5,000 people that go to work in a Wangard building every day, and by the end of 2015 we'll have over 1,000 people living in Wangard properties."

One thing that has been talked about in the region is economic and racial segregation. Do you see places where the real estate industry can create more job opportunities and more new development?"Yes, but if we're going to be doing work in the central city, we'll be partnering up with other developers who already have the expertise, and providing resources that we have within our own office that they might not have in their firms. Earlier I said, we're throughout the state. Real estate is a local business. In some cases it can be as local as block by block. When we go into a neighborhood and we start developing there, we look for other opportunities in the neighborhoods that we are already in. If we're going into an area that we're not as familiar with, either we need to have a vendor who is an expert in that neighborhood — that can be a real estate broker, that can be an architect, that can be a builder — or we partner with somebody who has skills in that area."

How does the vitality of those neighborhoods become important to the other developments you are doing in Waukesha County and downtown?"It's critical. You have a lot of untapped talent there. For some reason or another their education has been dislocated, or they are not moving forward with that. They don't see where there are training opportunities and they need the job opportunities. Look at what the next two years will bring for us. Right now we're in full employment in the construction trades. We'd better look for ways to grow the workforce. You have to find out who is out there and provide them with the training opportunity.

"A journeyman electrician or somebody who is doing concrete form work needs training and experience. We have an aging workforce in this city in the construction trades, so you need to bring the young people in. Their job may be more in the area as a laborer or an apprentice but they will pick up the skills. Just because they are unemployed doesn't mean

they don't have ability, and these jobs pay extremely well. If you have somebody who is working on one of the major jobs, such as Northwestern Mutual, they get paid well enough that it's a family supporting wage."

Are there opportunities similar to that in other industries, too?"Sure, but I'm not a manufacturer. You've got construction, you've got factory jobs, you have white-collar jobs being created. A lot of people don't know this, but Milwaukee is considered one of the strong areas of concentration within the country for investment. The University of Wisconsin has a school of applied analytics. The school of applied analytics is one of the great training grounds for future money managers in this country. That's the reason why you get firms like Strong (Funds) that grew here, and Artisan (Partners) and Heartland Funds and Fiduciary (Management Inc.)."

Do you see opportunity for growth of that industry here?"There's significant growth. Look at firms like Wipfli (LLP). There's a lot of accounting firms that are headquartered in Wisconsin. Baker Tilly has huge operations in the state of Wisconsin and they are growing throughout the nation."

What are the challenges to making this region competitive on a national or international basis?"Milwaukee, and to some degree Wisconsin, we're not as good about celebrating the success of others. We're not as good at talking about all of the positive things that occur here. We have a tendency to look inward rather than outward. Look at the new (Milwaukee) Bucks ownership. Even though we have a lot of local owners, the lead owners are from New York, and they are spending money here. We should say, 'Hey, that is fantastic. We are bringing money from the outside.' And yet these other people are saying, 'Well, the lead owners are from New York. They are not Milwaukeeans.'

"Give them a chance to put some roots in here, because if they do that they are going to introduce their friends and their contacts to other people in Milwaukee and figure out other ways to grow this area, and also say there's some really nice things about coming to work in this community. We do have a tendency to shut out outsiders every once in a while."

Do you find yourself day-to-day playing the role of the ambassador?"Heck, people were shocked and saying where's Wangard getting the money from to grow in this area? They didn't realize that we were developing out-state for many, many years and we started selling off our properties in small towns like Boscobel, like Howard's Grove, and we brought the money back here. I grew up in this community. There's opportunity. We don't always get as high of returns in the city of Milwaukee as we do in the suburban rings, but if you look at it in the long haul, it's a community that people want to live in.

"When I was growing up in this area the first thing that would greet your sense when you drove down the freeway was the smell of the stockyard and the rendering areas, and then Red Star Yeast. We have cleaner water, cleaner air and a more diverse job base.

"We talk about brain drain because we still lose a certain amount of the smart people here to other cities. There's a certain point in their life where they come back to the city and the young people who have been exposed to the city because of the fact that they are going to school here, whether it's Marquette (University) or UWM or Alverno (College) or Concordia

(University), they are exposed to the advantages of living here. A lot of them are choosing to make Milwaukee their home. There's a vibrancy we haven't had in a long time."

That being what's happened over the past two decades, do you want to polish the crystal ball and give us a prediction of what things will look like 20 years from now?"If you look at the changes that are already being put into place — we have a lot more diverse transportation at work. I look at the streetcar really as a starter, not the end-all. I think that will attract some major office employers from Chicagoland.

"I think the current administration will realize how important retail is to the vibrancy of a neighborhood and they will start encouraging more of that. Hopefully, you will see elected officials take an overall stronger leadership role rather than just looking at protecting their own turf. At least three new high-rises downtown in the next 10 years."

In addition to those already out there?"Yes. When you look at our major law firms, they can grow here and do the legal work here, or they can grow in other cities. The accounting firms, investment managers, insurance companies, it's the same thing. If there is a strong vision that meshes between the community, business and government, and they find more things they can work on together rather than fight about, you will see a lot of progress because then we'll have a reputation as a city that can make things happen."

Stewart Wangard

Age: 58

Company: Wangard Partners Inc., Milwaukee

Title: Chairman and CEO

Education: Attended University of Wisconsin-Eau Claire

Background: Founded Wangard Partners in 1992 primarily as a real estate brokerage and in 2005 shifted the company's direction into new development. Previously was president of The Boerke Co., Milwaukee.

On politics:

"Politics play a much greater role in business than most people really give it credit for. What do businesspeople want? They want a predictable landscape. You don't always have to agree with the politics that are out there, but if you know it's stable, you know what to expect. It's even better if you do agree with what's going on with our elected officials."

On the streetcar:

"I have to give credit also to Tom Barrett. He is taking a leadership role in trying to get the streetcar moving ahead. There's a lot of people saying, 'OK, the city doesn't need the streetcar now.' The city has the density. The city has the population. We're seeing significant growth with major companies, with medium and large companies. They are very concerned about workforce development and improvement. If they don't have the amenities

available in Milwaukee to make it attractive, they are going to have a tougher time holding onto people or bringing in the talent that they need."

If the streetcar or arena don't get built:

"You are not going to see an immediate change. It's a sapping of vitality. Business leaders are not supposed to be taking huge amounts of risk. They are going to go and grow their firms where they can find the talent and where the talent wants to live."

On future development

"I think you are going to see significant amounts of new buildings being built here in the next two years. What's also shifting is we're seeing rental growth in those markets. Office has been in the doldrums since probably 2006. Up until last year the rates were the same as what we were getting in 2006. We're now starting to see rent growth on the Class A side."

Reporter Sean Ryan covers commercial and residential real estate for the Milwaukee Business Journal and through the [Real Estate Roundup blog](#) on the website. He also covers construction, highways and public transit.