

Industrial Snapshot Q1 2016

Milwaukee, WI



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MILWAUKEE INDUSTRIAL

Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Milwaukee Employment	850k	861k	▲
Milwaukee Unemployment	5.2%	4.5%	▲
U.S. Unemployment	5.6%	4.9%	▲

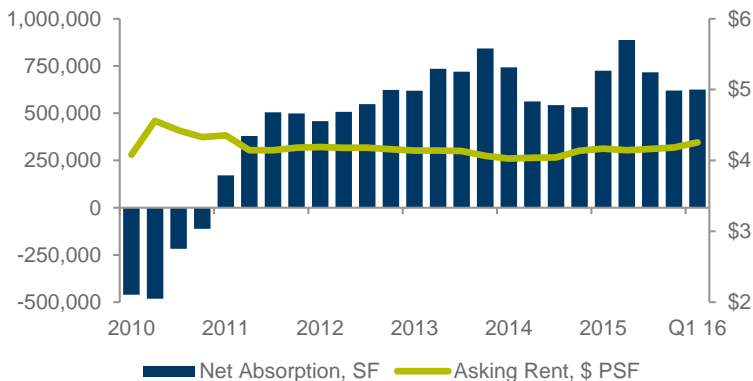
Market Indicators (Overall, All Product Types)

	Q1 2015	Q1 2016	12-Month Forecast
Vacancy	5.6%	4.8%	▲
Net Absorption (sf)	865k	885k	▲
Under Construction (sf)	1.2M	1.0M	▲
Average Asking Rent*	\$4.12	\$4.41	▲

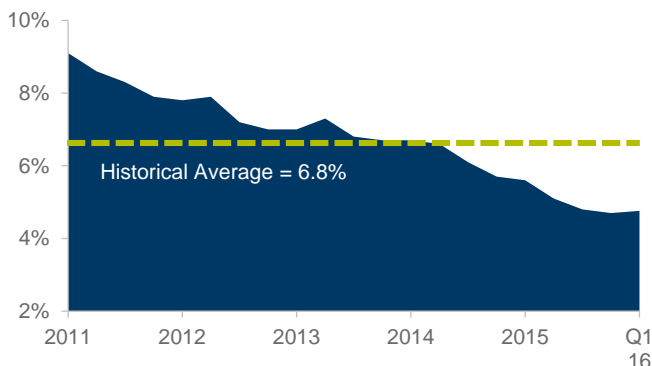
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate remained stable at 4.5% in March, down 0.1 percentage points (pp) from February, where it had remained unchanged for over a year. The 4.5% unemployment rate for Wisconsin remains lower than the national unemployment rate of 5.0%. The latest National Manpower Employment Outlook survey once again indicates positive prospects for job growth. Employers nationally included in the survey indicated that 22% are expecting hiring to increase in the Q2 of 2016. Locally, the outlook is consistently upbeat: 26% of those surveyed expect to increase staff levels in the second quarter of 2016. The Milwaukee-Waukesha-West Allis market scored a 23% net employment outlook, a decrease from 28% from the second quarter of 2015. The net employment outlook is measured by percentage of plan hires offset by percentage of plan reduction in payroll.

The Institute of Supply Management (ISM) Report on Manufacturing scored Wisconsin and Northern Illinois at 57.78 for March 2016, the highest reading since November 2014. A score in excess of 50 demonstrates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. The purchasing managers' index has been positive for three straight months following nine months of contraction. Of those surveyed, 44% expect positive conditions in the next six months, while only 11% anticipate conditions to worsen.

Market Overview

For the 23rd consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with 885,374 square feet (sf) absorbed in the first quarter. This total represents a sharp increase compared to Q4, when just over 540,000 sf was absorbed. Waukesha County captured the majority of quarterly absorption, posting 691,270 sf absorbed. Most of this absorption was the result of C.H. Coakley and Milwaukee Sting Volleyball occupying the former Kohl's Distribution facility. The overall vacancy rate remained stable, with Q1 remaining unchanged at 4.7%, marking a 0.09-pp decrease year-over-year.

Outlook

The Southeastern Wisconsin industrial market started off 2016 by again positing positive figures even as more product comes to market. Although manufacturers reported positive outlooks, the sector lost 1,700 manufacturing jobs in February. Expect the industry to remain cautiously optimistic, especially as we approach the November elections.

MARKETBEAT

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SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Milwaukee County	93,897,875	303,813	424,609	5.3%	54,783	146,500	\$3.81	\$5.21	\$3.55
Ozaukee County	11,822,020	9,600	48,906	6.5%	(21,940)	0	\$4.61	\$4.49	\$2.50
Washington County	19,609,264	0	7,879	3.9%	161,261	58,635	\$5.51	\$5.60	\$4.23
Waukesha County	72,182,746	656,698	294,119	4.1%	691,270	823,561	\$4.91	\$5.75	\$4.89
MILWAUKEE TOTALS	197,511,905	970,111	775,513	4.8%	885,374	1,028,696	\$4.31	\$5.28	\$3.95

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
CrossLake Airport Industrial	113,778	Menasha Paper	Warehouse/Distribution	Milwaukee County
5475 S Westridge Court	82,387	Pieper Electric	Manufacturing	Waukesha County
N54 W13901 Woodale Drive	70,000	Sting Volleyball	Warehouse/Distribution	Waukesha County
5050 S Towne Drive	61,300	GMR Marketing	Office Service/Flex	Waukesha County

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$PSF	SUBMARKET
901 North Street	341,523	BLWL/Phoenix Investors	Office Service/Flex	\$894,000 / \$3	Ozaukee County
13118 W Leon Road	255,677	Arandell/W.P Carey	Manufacturing	\$15,800,000 / \$62	Waukesha County
N96 W14849 County Line Road	194,325	2015 Menomonee Falls/ ARCP FE Menomonee Falls WI LLC	Warehouse/Distribution	\$19,957,800 / \$103	Waukesha County
Portfolio Sale	191,632	Zilber/Amor Investments	Warehouse/Distribution	\$7,215,000 / \$38	Milwaukee County

Cushman & Wakefield |
The Boerke Company
731 N Jackson Street, Suite 700
Milwaukee, WI 53202
www.cushmanwakefield.com

For more information, contact:
Katie Gremban, Director of Research
Tel: +0 414 203 3045
kgremban@boerke.com

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