



## MILWAUKEE INDUSTRIAL

### Economic Indicators

|                        | 2Q 15 | 2Q 16 | 12-Month Forecast |
|------------------------|-------|-------|-------------------|
| Milwaukee Employment   | 854k  | 859k  | ▲                 |
| Milwaukee Unemployment | 5.0%  | 4.8%  | ▲                 |
| U.S. Unemployment      | 5.4%  | 4.9%  | ▲                 |

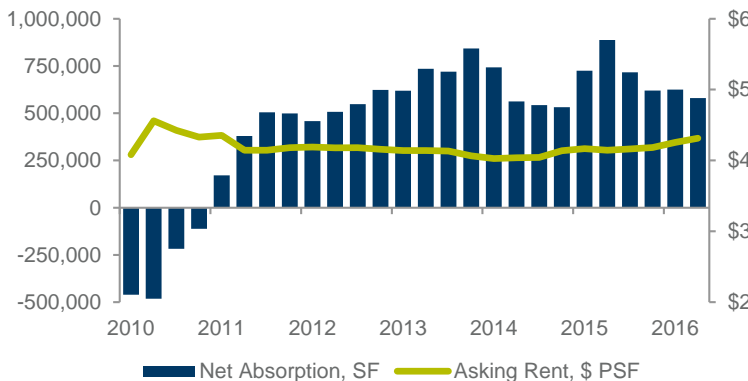
### Market Indicators (Overall, All Product Types)

|                         | 2Q 2015 | 2Q 2016 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy                 | 5.1%    | 4.2%    | ▲                 |
| Net Absorption (sf)     | 924k    | 743k    | ▲                 |
| Under Construction (sf) | 1.5M    | 1.1M    | ▲                 |
| Average Asking Rent*    | \$4.10  | \$4.33  | ▲                 |

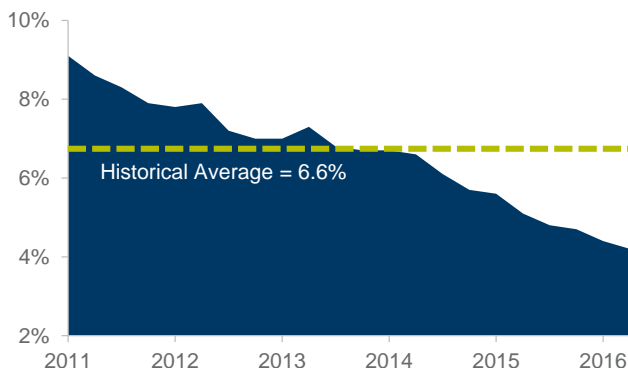
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Wisconsin's unemployment rate declined to 4.2% in May 2016, a figure that has reported gradual decline since February 2016, and only a slight change of a 40-basis-points decrease from a year ago. The 4.2% unemployment rate for Wisconsin remains lower than the national unemployment rate of 4.7%.

According to The Institute of Supply Management (ISM) Report on Manufacturing, economic activity in the manufacturing sector nationally scored a 53.2 for June 2016, the highest reading since February 2015. 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 four straight months following five months of contraction. Of the 18 manufacturing industries surveyed, 72.2% are reporting growth, including printing, textile, petroleum and coal, food, beverage and tobacco, fabricated metal, apparel and leather, paper, miscellaneous manufacturing, computers and electronics, chemicals, primary metals, machinery and nonmetallic mineral products.

Manufacturers in Wisconsin account for 18.8% of the total output in the State, employing 16.4% of the workforce. As of 2015, Wisconsin is second to only Indiana in terms of employment in manufacturing. Nationally, nearly 9% of all nonfarm workers work for a manufacturer, 770-basis-points less than Wisconsin.

## Market Overview

For the 24th consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with 743,340 square feet (SF) absorbed in the second quarter. Waukesha County continues to capture the majority of quarterly absorption, posting 538,364 SF absorbed. Much of the absorption can be contributed to build-to-suit construction deliveries as well as Zilber Industrial I – Ridgeview Corporate Park in Pewaukee reaching 82% occupancy. The overall vacancy rate declined slightly to 4.2%, marking a 90-basis-point decrease year-over-year.

## Outlook

The Southeastern Wisconsin industrial market continues to record strong activity and solid fundamentals as it relates to real estate activity. Manufacturing has not been a large driver of absorption in the past several quarters, however, we remain cautiously optimistic that manufacturing indices will continue on its recent trend of slow growth. Given the upcoming Presidential Election, as well as national and global uncertainty, manufacturers still may be reluctant to commit to long term capital expenditures.

MARKETBEAT

# Industrial Snapshot 2Q 2016

Milwaukee, WI



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| SUBMARKET               | INVENTORY (SF)     | YTD LEASING ACTIVITY (SF) | YTD USER SALES ACTIVITY (SF) | OVERALL VACANCY RATE | YTD NET ABSORPTION (SF) | OVERALL UNDER CNSTR (SF) | OVERALL WEIGHTED AVG. NET RENT (MF) | OVERALL WEIGHTED AVG. NET RENT (OS) | OVERALL WEIGHTED AVG. NET RENT (W/D) |
|-------------------------|--------------------|---------------------------|------------------------------|----------------------|-------------------------|--------------------------|-------------------------------------|-------------------------------------|--------------------------------------|
| Milwaukee County        | 94,028,680         | 867,292                   | 951,515                      | 5.0%                 | 365,803                 | 163,500                  | \$3.75                              | \$4.68                              | \$3.25                               |
| Ozaukee County          | 11,822,020         | 11,100                    | 48,906                       | 6.8%                 | (47,940)                | 62,500                   | \$4.68                              | \$4.45                              | \$2.50                               |
| Washington County       | 19,709,264         | 45,840                    | 108,999                      | 4.3%                 | 81,217                  | 81,635                   | \$5.51                              | \$5.62                              | \$4.23                               |
| Waukesha County         | 71,691,631         | 1,109,952                 | 935,869                      | 2.7%                 | 1,229,634               | 799,000                  | \$5.10                              | \$5.08                              | \$4.84                               |
| <b>MILWAUKEE TOTALS</b> | <b>197,251,595</b> | <b>2,034,184</b>          | <b>2,045,289</b>             | <b>4.2%</b>          | <b>1,628,714</b>        | <b>1,106,635</b>         | <b>\$4.30</b>                       | <b>\$5.08</b>                       | <b>\$3.90</b>                        |

\*Rental rates reflect asking \$psf/year

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

## Key Lease Transactions 2Q 2016

| PROPERTY                       | SF      | TENANT                     | PROPERTY TYPE       | SUBMARKET        |
|--------------------------------|---------|----------------------------|---------------------|------------------|
| 4143 N 27 <sup>th</sup> Street | 155,856 | Briggs & Stratton          | Manufacturing       | Milwaukee County |
| 11311 W Forest Home            | 67,544  | Avanti Wind Systems        | Office Service/Flex | Milwaukee County |
| N24 W23501 Watertown Road      | 61,000  | Keiser                     | Manufacturing       | Waukesha County  |
| W238 N1700 Rockwood Drive      | 58,320  | Midwest Engineered Systems | Manufacturing       | Waukesha County  |

## Key Sales Transactions 2Q 2016

| PROPERTY                       | SF      | SELLER/BUYER                                      | PROPERTY TYPE          | PRICE/\$PSF        | SUBMARKET        |
|--------------------------------|---------|---|------------------------|--------------------|------------------|
| Airport International Center   | 340,272 | MLG Capital/First Industrial                      | Warehouse/Distribution | \$8,500,000 / \$25 | Milwaukee County |
| 1492 N Westwood Drive          | 190,000 | SCL Properties LLC/JW Leasing                     | Warehouse/Distribution | \$5,350,000 / \$28 | Waukesha County  |
| 6001 S Ace Industrial Drive    | 172,201 | 1900 College Avenue/<br>Building K Investor       | Warehouse/Distribution | \$6,250,000 / \$36 | Milwaukee County |
| 9009 N 51 <sup>st</sup> Street | 154,800 | 51 <sup>st</sup> Street Industrial LLC/Jason Inc. | Manufacturing          | \$3,100,000 / \$20 | Milwaukee County |

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