

# Industrial Snapshot Q3 2015

Milwaukee, WI



## MILWAUKEE OFFICE

### Economic Indicators

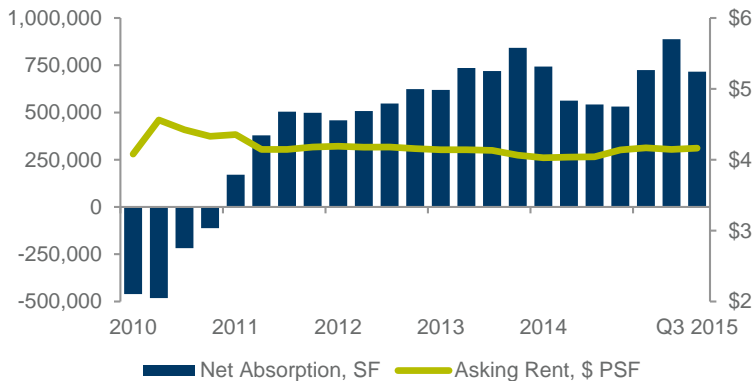
	Q3 14	Q3 15	12-Month Forecast
Milwaukee Employment	845k	853k	▲
Milwaukee Unemployment	5.8%	4.9%	▲
U.S. Unemployment	6.1%	5.1%	▲

### Market Indicators

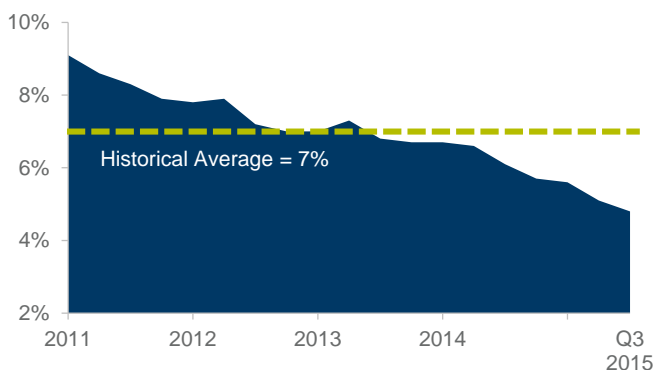
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	6.1%	4.8%	▲
Net Absorption	829k	145k	▲
Under Construction	1.3M	1.4M	▲
Overall Average Asking Rent	\$4.15	\$4.22	▲

### Net Absorption/Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Wisconsin's unemployment rate declined to 4.5% for August, a decrease of 0.1 percentage point (pp) from the prior month and a 0.8 pp decrease from a year ago. The 4.5% unemployment rate for Wisconsin remains lower than the national unemployment rate of 5.1%. The latest National Manpower Employment Outlook survey indicates the strongest hiring expectation since Q4 2007. Locally, employers included in the survey indicated that 23% of employers anticipate hiring additional employees in the final quarter of 2015. The Milwaukee-Waukesha-West Allis market scored a 20% net employment outlook, which represents a decrease from 27% in the previous quarter. The national net employment outlook was 18%, an increase from the previous three quarters of 16%. The net employment outlook is measured by percentage of plan hires offset by percentage of plan reduction in payroll.

The Institute of Supply Management Report on Manufacturing scored Wisconsin and Northern Illinois at 39.44 for September 2015, indicating a contraction outlook. A score below 50 means reduction as a measure of new orders, production, employment, supplier deliveries, and inventories in the manufacturing industry. The purchasing managers' index has been below 50 for the sixth consecutive month. Of those surveyed, 38% expect positive conditions in the next six months, while 23% anticipate conditions to worsen.

## Market Overview

For the 21<sup>st</sup> consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with 144,626 square feet (sf) absorbed in the third quarter. This total represents a sharp decrease in comparison to Q2, when just under 1 million square feet (msf) was absorbed. Waukesha and Washington reported positive absorption in Q3. Waukesha County captured the majority of absorption for the quarter, while Milwaukee County accounted for the largest negative absorption. In addition to overall positive absorption, the overall vacancy rate continued to decline, with Q3 2015 posting a 0.3-percentage point (pp) decrease quarter-over-quarter to 4.8%, marking a 1.3-pp decrease year-over-year.

## Outlook

The Wisconsin economy continues to display positive growth through 2015. The global economy however is filled with mixed signals that headwinds may be coming for manufacturers. Locally, four global companies-General Electric, Joy Global, Johnson Controls, and Caterpillar- have announced significant job reductions.

MARKETBEAT

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SUBMARKET	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	YTD CNSTR COMPLETIONS	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Milwaukee County	1,447	93,638,275	1,202,536	4,148,734	6.1%	1,338,521	149,500	716,421	\$3.65	\$6.13	\$3.80
Ozaukee County	178	11,848,259	4,950	193,193	6.1%	(9,853)	0	76,850	\$3.95	\$5.63	\$2.50
Washington County	323	19,360,149	188,200	385,356	4.1%	297,038	105,810	109,286	\$5.40	\$5.68	\$6.47
Waukesha County	1,493	70,585,281	863,599	2,140,313	3.1%	307,342	1,156,088	435,044	\$4.85	\$5.39	\$4.41
<b>MILWAUKEE TOTALS</b>	<b>3,441</b>	<b>195,431,964</b>	<b>2,259,285</b>	<b>6,867,596</b>	<b>4.8%</b>	<b>1,933,048</b>	<b>1,411,398</b>	<b>1,337,601</b>	<b>\$4.07</b>	<b>\$5.70</b>	<b>\$3.93</b>

\*Rental rates reflect asking \$psf/year

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

## Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
2845 Wingate Street	160,000	Gardner Pet Group, Inc.	Warehouse/Distribution	Washington County
4801 Woolworth Avenue	105,000	Novozymes Bioag, Inc.	Manufacturing	Milwaukee County
9153 Deerbrook Trail	71,778	OTR Wheel & Engineering, Inc.	Warehouse/Distribution	Milwaukee County
10020 S Reinhart Drive	50,564	SEKO/Kat Logistics	Warehouse/Distribution	Milwaukee County

## Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE	SUBMARKET
1300 Lincoln Avenue	230,000	Waukesha Foundry/Store Master	Warehouse/Distribution	\$11,226,100	Waukesha County
111 W Oakview Parkway	164,007	Venture One/Lexington Realty Advisors	Manufacturing	\$22,556,242	Milwaukee County

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### Katie Gremban

Director of Research  
731 N Jackson Street  
Suite 700  
Tel: +0 414 203 3045  
Fax: +0 414 347 1606  
[kgremban@Boerke.com](mailto:kgremban@Boerke.com)