

MARKETBEAT INDUSTRIAL SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q2 2012



ECONOMIC OVERVIEW

The Metropolitan Milwaukee Association of Commerce (MMAC) is reporting improvement in both the local manufacturing & housing and real estate indicators in 2012. The manufacturing sector posted the largest year-over-year gain in job increases, with a 3.9 percent growth. Job growth increase ranks 1.9 percent higher than the 2 percent manufacturing job growth at the national level over the past year. According to the Purchasing Manager's Index (PMI) provided by the Institute of Supply Management at Marquette University, the manufacturing growth reported a 2.5 percent jump in June. The region achieved a 60.2, up from 57.7 in May. A score over 50 indicates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. Of the individual categories measured, employment is the fastest growing, up 10.8 percent over May. While the manufacturing sector of our economy has seen improvement, the overall Milwaukee metro area's economy has grown accustomed to a slightly uncomfortable trend; a small majority of indicators point upward, but the overall job trend remains sluggish, according to the MMAC.

CONTINUED POSITIVE QUARTERLY ABSORPTION

The Milwaukee area industrial market continues to gain strength in Q2 12 with total absorption of 528,181 square feet (sf), making it the eighth quarter in a row to experience positive quarterly absorption. Further positive indicators in the Southeast Wisconsin industrial market include a Q2 12 vacancy rate of 7.95% which is down from 8.6% in Q2 11. However, the second quarter brought a slight uptick from the first quarter, which had posted 7.8% vacancy rate. The vacancy rate has remained relatively unchanged as most of the quarterly positive absorption can be attributed to new construction and expansion in the Milwaukee industrial market.

INVESTMENT SALES

Investment sales made impressive gains in Q2 12 with Centerpoint Properties Trust and Zilber Property Group both completing large portfolio acquisitions. Centerpoint acquired over 829,000 sf of industrial buildings located in Milwaukee and Yorkville in their purchase from Benderson Properties in May. Zilber purchased over 607,000 sf of industrial space located in Oak Creek, Glendale and Pleasant Prairie in April from Clarion Partners.

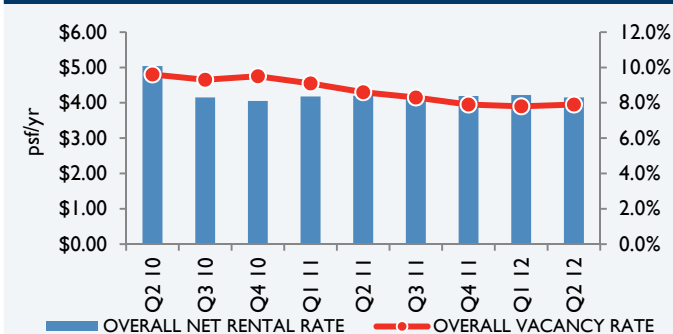
OUTLOOK

With the national spotlight no longer focusing on Wisconsin's Gubernatorial Recall, there is strong hope, given incumbent Scott Walker's re-election success, that the state will be "Moving Forward". The outlook for continued strong growth in the Milwaukee industrial market is predicted as manufacturing employment figures have been increasing in the state's favor. Industrial demand is on the rise with expectations to have another positive absorption quarter in Q3 12 as well as a potential for announcements of speculative development in the area.

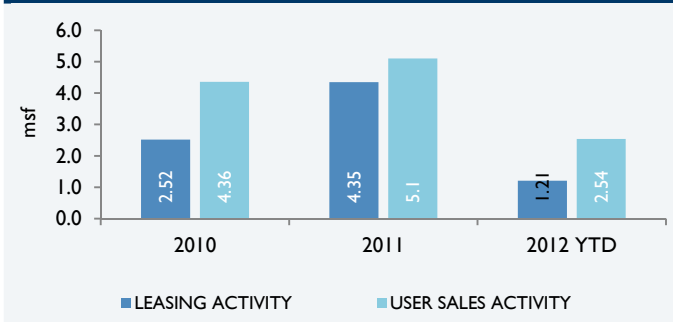
STATS ON THE GO

| | Q2 2011 | Q2 2012 | Y-0-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|-----------|-----------|--------------|-------------------|
| Overall Vacancy | 8.6% | 7.9% | -0.7pp | ▼ |
| Direct Asking Rents (psf/yr) | \$4.19 | \$4.13 | -1.4% | ◀▶ |
| YTD Leasing Activity (sf) | 3,033,987 | 1,209,437 | -60.1% | ▲ |

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



MILWAUKEE, WI

| SUBMARKET | INVENTORY | OVERALL VACANCY RATE | YTD LEASING ACTIVITY | YTD USER SALES ACTIVITY | UNDER CONSTRUCTION | YTD CONSTRUCTION COMPLETIONS | YTD DIRECT NETABSORPTION | YTD OVERALL NET ABSORPTION | DIRECT WEIGHTED AVERAGE NET RENTAL RATE | | | |
|----------------|--------------------|----------------------|----------------------|-------------------------|--------------------|------------------------------|--------------------------|----------------------------|---|---------------|---------------|---------------|
| | | | | | | | | | HT** | MF | OS | W/D |
| Milwaukee Co. | 93,559,661 | 10.1% | 401,823 | 1,783,054 | 273,383 | 286,056 | 431,124 | 306,624 | N/A | \$3.46 | \$4.19 | \$3.61 |
| Ozaukee Co. | 11,377,633 | 11.6% | 153,079 | 47,360 | 93,263 | 0 | 160,286 | 155,286 | N/A | \$3.25 | \$4.26 | \$3.25 |
| Washington Co. | 18,844,005 | 5.4% | 14,120 | 85,538 | 152,000 | 190,000 | 20,071 | 41,165 | N/A | \$4.52 | \$5.84 | \$6.41 |
| Waukesha Co. | 69,600,937 | 5.1% | 640,415 | 625,262 | 403,650 | 76,000 | 512,910 | 534,518 | N/A | \$4.92 | \$5.52 | \$5.05 |
| TOTALS | 193,382,236 | 7.9% | 1,209,437 | 2,541,214 | 922,296 | 552,056 | 1,124,391 | 1,037,593 | N/A | \$3.96 | \$4.96 | \$3.86 |

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

** HIGH TECH INVENTORY DOES NOT EXIST IN THIS MARKET

MARKET HIGHLIGHTS

| Significant Q2 2012 Lease Transactions | SUBMARKET | TENANT | PROPERTY TYPE | SQUARE FEET |
|--|---------------|------------------------------|------------------------|-------------|
| 16250 W Rogers Drive | Waukesha Co. | CCI | Warehouse/Distribution | 45,208 |
| 9720 S Oakwood Park Drive | Milwaukee Co. | Central Garden & Pet | Office Service | 45,187 |
| 11300 – 11500 Burleigh Street | Milwaukee Co. | Schoeneck Containers Inc. | Warehouse/Distribution | 35,000 |
| Significant Q2 2012 Sale Transactions | SUBMARKET | BUYER | PURCHASE PRICE / \$PSF | SQUARE FEET |
| 5211 S 3 rd Street | Milwaukee Co. | CenterPoint Properties Trust | \$12,600,000 / \$35.00 | 360,000 |
| 5170 S 6 th Street | Milwaukee Co. | CenterPoint Properties Trust | \$9,500,000 / \$58.21 | 163,200 |
| 5700 W Bender court | Milwaukee Co. | Bridge Holdings LLC | \$3,155,000 / \$20.65 | 152,800 |
| Significant Q2 2012 Construction Completions | SUBMARKET | MAJOR TENANT | COMPLETION DATE | SQUARE FEET |
| 4625 South Oakwood Park Drive | Milwaukee Co. | Baptista's Bakery Inc. | Q2 2012 | 120,000 |
| 4403 W Basswood Drive | Milwaukee Co. | Maybar Manufacturing Co. | Q2 2012 | 10,938 |
| Significant Projects Under Construction | SUBMARKET | MAJOR TENANT | COMPLETION DATE | SQUARE FEET |
| N15 W24887 Bluemound Road | Waukesha Co. | Harken, Inc. | Q3 2012 | 175,000 |
| N83 W12529 Old Orchard Road | Waukesha Co. | Briggs & Stratton Corp | Q4 2012 | 150,000 |