

MARKETBEAT INDUSTRIAL SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q3 2012



ECONOMIC OVERVIEW

The Metropolitan Milwaukee Association of Commerce (MMAC) is reporting, for the first time in four months, a decline in over half of the business activity indicators tracked.

According to the MMAC's economic research director, "much like the nation, local area economic growth has had difficulty getting fully established in 2012, which is largely due to a less than stellar job trend." In July, only one of the ten major industry sectors registered a year-over-year job increase, with manufacturing posting a 2.2 percent gain. The manufacturing-related indicators remain strong, while housing and real estate indicators continue to gather momentum. Manufacturing activity continues to stall according to the Purchasing Manager's Index (PMI) provided by the Institute of Supply Management at Marquette University. For the third consecutive month, the PMI has come in below 50, which indicates a general decline in growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. On a positive note for our state, the Wisconsin Manufacturing Extension Partnership helped create 322 jobs, retain 507 positions, and had an economic impact of \$156 million for state manufacturers in the 12 months ending June 2012.

CONTINUED POSITIVE QUARTERLY RESULTS

Industrial absorption for the Milwaukee area continues to gain strength in Q3 12 with total absorption of 1,061,898 square feet (sf), making it the ninth quarter in a row to experience positive quarterly absorption. Overall vacancy continues to improve, coming in at 7.2% at the end of Q3 12, a decline of 1.1 percentage points from Q2 12.

Notable lease transactions that occurred in the third quarter include; Quad/Graphics leasing over 86,500 sf and Zero Zone's move to New Berlin into 77,201 sf. Notable acquisitions include; Duplainville Road, LLC acquiring 288,820 sf at W288 N2801 Duplainville Road in a 1031 exchange and user ABB, Inc. acquiring 151,300 sf at 16250 W Glendale Drive.

CONSTRUCTION ACTIVITY

Industrial construction activity in the Milwaukee area has seen slight increased activity as small users are growing their manufacturing footprint by expanding their campus. Although construction activity has increased, there is a scarce supply of mid-size to large, quality warehouse/distribution facilities in the Racine & Kenosha submarkets with users waiting for build-to-suit opportunities or speculative development to occur to meet up with demand.

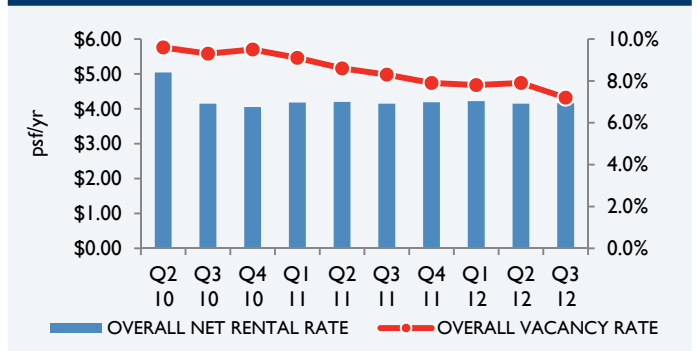
OUTLOOK

With the Gubernatorial Recall behind us in Q2, our third quarter has not experienced the anticipated growth as speculated by many individuals and business owners. Just as the recall had decision makers in a holding pattern, the economy overall is still seeing a lot of uncertainty, keeping companies at bay with regard to making any large-scale investments or major operational changes. This is further apparent that decisions, not only locally, but nationally, hinge on many factors, such as the upcoming presidential election, America's fiscal crisis, healthcare overhaul. Manufacturers are being more cautious and less optimistic than they were at the beginning of 2012.

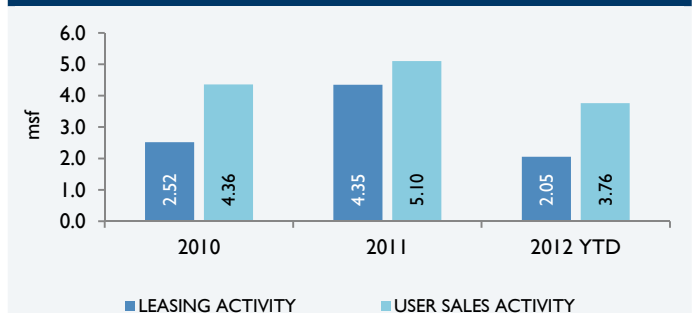
STATS ON THE GO

	Q3 2011	Q3 2012	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.3%	7.2%	-1.1pp	▼
Direct Asking Rents (psf/yr)	\$4.14	\$4.13	-0.2%	◄►
YTD Leasing Activity (sf)	3,840,681	2,054,052	-46.5%	▲

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 NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT**	MF	OS	W/D
Milwaukee Co.	93,691,297	9.4%	639,791	2,199,983	177,323	394,116	629,587	505,087	N/A	\$3.42	\$4.26	\$3.53
Ozaukee Co.	11,447,633	11.2%	214,439	115,521	108,350	86,413	241,725	306,725	N/A	\$3.31	\$4.13	\$3.25
Washington Co.	19,046,643	4.5%	87,916	308,849	300,764	190,000	215,879	256,973	N/A	\$4.70	\$5.89	\$6.41
Waukesha Co.	69,586,905	4.5%	1,111,906	1,135,011	387,905	310,535	885,456	940,706	N/A	\$4.95	\$5.91	\$5.14
TOTALS	193,772,478	7.2%	2,054,052	3,759,364	974,342	981,064	1,972,647	2,009,491	N/A	\$3.93	\$5.13	\$3.80

* 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 Q3 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
N53 W24700 Corporate Circle	Waukesha Co.	Quad/Graphics	Warehouse/Distribution	86,560
16555 W Ryerson Road	Waukesha Co.	Zero Zone	Office Service	77,201
5235 S International Drive	Milwaukee Co.	Sarnova	Warehouse/Distribution	54,602
Significant Q3 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
W227 N2837 Duplainville Road	Waukesha Co.	Duplainville Road, LLC	\$11,500,000 / \$40	287,950
16250 W Glendale Drive	Waukesha Co.	ABB Inc.	\$9,000,000 / \$59	151,300
975 Cottonwood Avenue	Waukesha Co.	NL Ventures VIII Cottonwood LLC	\$8,200,000 / \$55	150,180
Significant Q3 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N15 W24887 Bluemound Road	Waukesha Co.	Harken Inc.	Q3 2012	175,000
2221 Washington Street	Ozaukee Co.	Gauthier Biomedical Inc.	Q3 2012	70,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N83 W12529 Old Orchard Road	Waukesha Co.	Briggs & Stratton Corp	Q4 2012	150,000
W129 N10825 Washington Drive	Washington Co.	Ellsworth Adhesives	Q4 2012	77,000