

# MARKETBEAT INDUSTRIAL SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q1 2014



### ECONOMIC OVERVIEW

The Wisconsin economy is making headway with steady signs of recovery as we start off 2014. Wisconsin's unemployment rate declined to 5.9% for March, a decrease of 1.3 percentage points (pp) from a year ago and still remains below the national unemployment rate of 6.7%.

The southeastern Wisconsin and northern Illinois manufacturing sector is growing, but the growth, when compared to the national trends, has been volatile over the past six months. The Institute of Supply Management Report on Manufacturing, scored the Milwaukee metro area at 56.03 for March 2014, indicating positive growth. Since September 2013, the index has been above 50 for six of the seven months, but in February the index dipped to 48.9. A score in excess of 50 indicates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. With the manufacturing measure showing growth, those surveyed had "guarded optimism" that the economy would continue to improve.

### CONTINUED POSITIVE ABSORPTION

For the 15<sup>th</sup> consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with 92,566 square feet (sf) absorbed in Q1 2014. However, unlike prior quarters, two of the four Milwaukee submarkets experienced negative absorption, with Waukesha County being the only submarket with positive absorption, at 131,151 sf. With only slight positive absorption, the vacancy rate remained the same quarter-over-quarter at 6.7%.

### DEVELOPMENT ON THE RISE

With Wisconsin's pro-business mentality and a proactive economic development corporation, southeastern Wisconsin has seen a rise in industrial build-to-suit and speculative development as well as business park creations. In Kenosha County, there are three proposed business park slated for development, totaling over 911 acres between Majestic Realty Co., Venture One Real Estate, and Bridge Development Partners LLC's proposals. In the Racine County market, three developers are evaluating new business park opportunities, including Majestic Realty Co.'s planned 57-acre business park, Jon Hendersen Real Estate Inc.'s proposed 36-acre business park, and Land and Lakes Development Company's proposed 60-acre business park. In Milwaukee County, Wispark LLC has plans for a 220 acre business park in Oak Creek and in

Washington County the Village of Germantown and MLG Development have a proposed 192-acre business park in consideration.

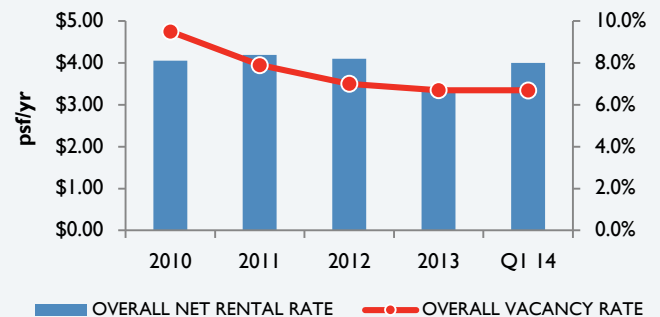
### OUTLOOK

Wisconsin has been hard at work enacting pro-business policies to attract and maintain manufacturers to the state. As a result of private-sector job growth and creating a budget surplus for the State, Wisconsin is in a good position as we continue on into 2014 for more big wins for the State.

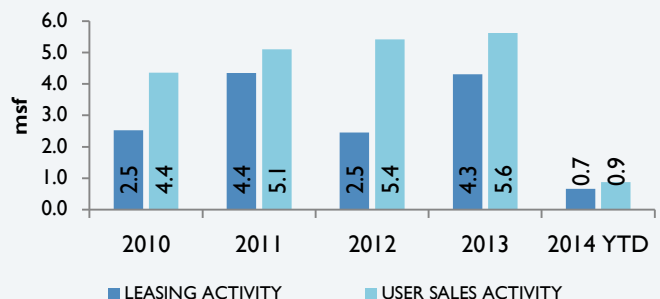
### STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.0%	6.7%	-0.3pp	◀▶
Direct Asking Rents (psf/yr)	\$4.13	\$4.01	-2.9%	◀▶
YTD Leasing Activity (sf)	695,021	664,020	-4.5%	▲

### 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.	94,413,890	9.2%	349,968	565,985	148,000	0	(90,297)	(36,637)	N/A	\$3.50	\$4.15	\$3.28
Ozaukee Co.	11,753,148	8.6%	0	37,985	0	0	0	0	N/A	\$3.63	\$6.21	\$3.06
Washington Co.	19,106,128	4.7%	5,137	25,844	463,263	0	(1,948)	(1,948)	N/A	\$4.16	\$5.83	\$2.96
Waukesha Co.	70,115,938	3.5%	308,915	244,794	309,114	0	77,856	131,151	N/A	\$5.43	\$6.34	\$5.02
<b>TOTALS</b>	<b>195,389,104</b>	<b>6.7%</b>	<b>664,020</b>	<b>874,608</b>	<b>920,377</b>	<b>0</b>	<b>(14,389)</b>	<b>92,566</b>	<b>N/A</b>	<b>\$3.93</b>	<b>\$5.26</b>	<b>\$3.45</b>

\* 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 Q1 2014 LEASE TRANSACTIONS				
	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
6100 Baker Road	Milwaukee Co.	Milwaukee Center for Independence	Manufacturing	86,760
21800 Doral Road	Waukesha Co.	Acrylics USA	Manufacturing	71,620
6770 N 43 <sup>rd</sup> street	Milwaukee Co.	Leader Towing and Transport	Office Service	53,270
SIGNIFICANT Q1 2014 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
6400 Enterprise Drive	Ozaukee Co.	FFII WI Mequon, LLC	\$32,375,000 / \$74	440,202
10000 S Franklin Drive	Milwaukee Co.	TI Investors of Franklin LLC	\$9,700,000 / \$40	246,348
7040-7150 N Teutonia Avenue	Milwaukee Co.	7044 Teutonia, LLC	\$2,500,000 / \$19	134,000
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS				
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
NI68 W21455 Main Street	Washington Co.	Kerry Ingredients and Flavours	2014	120,000
9342 S 13 <sup>th</sup> Street	Milwaukee Co.	Aldi	2014	100,000
16515 W Beloit Road	Waukesha Co.	Speculative Development	2014	91,734

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS