

MARKETBEAT INDUSTRIAL SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q2 2013



ECONOMIC OVERVIEW

The Wisconsin economy as a whole has been stalled with an uneasy feeling of malaise for the past few years. Although continued efforts have been made to climb out of the recession, lackluster employment growth coupled with general economic uncertainty still plagues Wisconsin. Hope can still be found in Wisconsin's main economic driver, manufacturing. The Institute of Supply Management scores Milwaukee for Q2 2013 at a 51.55, a result showing positive growth, which is an improvement after two consecutive months of contraction. A score over 50 indicates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. While the indices pointed positive, many surveyed point to uneasiness and stagnant sales growth.

INCREASED LEASING ACTIVITY

Milwaukee's industrial market has seen 1.887 million square feet (msf) of leasing activity in the first half of 2013, a 56% increase in activity compared to the first half of 2012. Waukesha County was the most active submarket in the second quarter, with 554,087 sf in signed deals, while Milwaukee County trailed closely behind with 550,195 sf. Each submarket reported increased activity quarter-over-quarter of 103% and 83% respectively.

In addition, Milwaukee industrial posted the twelfth consecutive quarter of positive absorption, posting an additional 992,386 square feet (sf) of absorption in Q2 13, bringing the total year-to-date absorption up to 1.48 msf. Large space absorptions can be attributed to Sendik's Food Markets absorbing over 208,000 sf on Marcia Road in Milwaukee as well as Quad/Graphics, Inc. absorbing over 205,000 sf in New Berlin off Moorland Road.

OUTLOOK

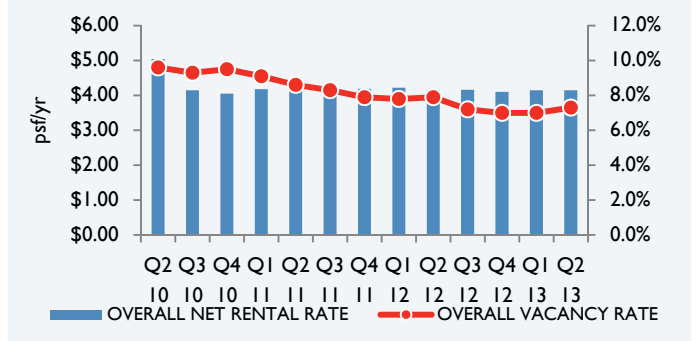
A recently released report, The Wisconsin Economic Future Study, commissioned by the Wisconsin Economic Development Corporation (WEDC), indicated manufacturing is the engine that drives the Wisconsin economy. According to the study, 36 of the state's 37 largest industries remain in manufacturing. Of the top five largest sectors, three are related to paper and printing, an industry that dates back more than a century in the state. With such a large component of Wisconsin's economy focused on paper, Wisconsin will need to make efforts to capitalize on growth in order to adapt to

the ever changing competitive and global marketplace. Wisconsin is taking pro-active steps with lawmakers passing into law a venture capital bill that will invest \$75 million in young Wisconsin companies. Although we are said to lag in innovation and technology when compared to much of the nation, hopefully this bill, in addition to the WEDC commissioned report's findings will spur job creating, entrepreneurial activity in Wisconsin.

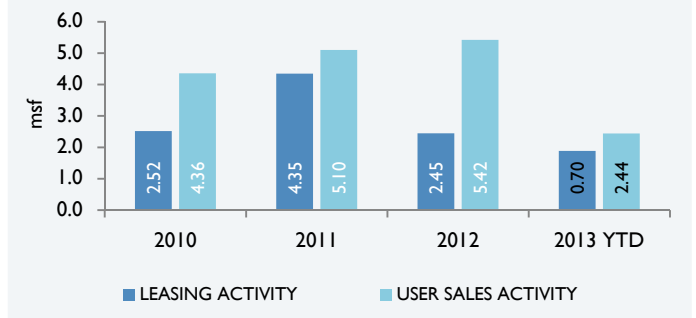
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.9%	7.3%	-0.6pp	▼
Direct Asking Rents (psf/yr)	\$4.13	\$4.09	-1.0%	◄►
YTD Leasing Activity (sf)	1,209,437	1,887,552	56.1%	▲

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 NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT**	MF	OS	W/D
Milwaukee Co.	94,414,283	9.4%	850,605	1,554,309	48,000	74,323	510,108	520,310	N/A	\$3.52	\$4.17	\$3.18
Ozaukee Co.	11,823,148	8.7%	142,319	107,532	33,760	76,718	67,838	72,838	N/A	\$3.31	\$6.28	\$3.25
Washington Co.	19,107,926	5.2%	66,933	48,492	205,000	23,764	80,006	69,586	N/A	\$4.61	\$5.40	\$4.24
Waukesha Co.	70,331,164	4.7%	827,695	728,460	75,424	398,254	1,179,298	821,322	N/A	\$5.40	\$6.00	\$4.74
TOTALS	195,676,521	7.3%	1,887,552	2,438,793	362,184	573,059	1,837,250	1,484,056	N/A	\$4.00	\$5.16	\$3.54

* 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 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
7221-7225 W Marcia Road	Milwaukee Co.	Sendik's Food Markets	Warehouse/Distribution	208,120
5600 S Moorland Road	Waukesha Co.	Quad/Graphics, Inc.	Warehouse/Distribution	205,063
1900-2150 Ace Industrial Drive	Milwaukee Co.	Hansen Storage	Warehouse/Distribution	93,200
Significant Q2 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
7221-7225 W Marcia Road	Milwaukee Co.	Marcia Road Partners, LLC	\$4,992,000 / \$24	208,120
5111 S 9th Street	Milwaukee Co.	BRE/Mars Property Owner LLC	\$7,600,000 / \$41	187,572
11500 W Brown Deer Road	Milwaukee Co.	Shining Light Investments, LLC	\$2,100,000 / \$16	127,608
Significant Q2 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
1245 Chapman Drive	Waukesha Co.	Gaco Western, LLC	Q2 2013	85,000
3776 Kettle Court	Waukesha Co.	Arcon Ring & Specialty Corp	Q2 2013	40,000
5657 Frontier Road	Waukesha Co.	Premold Corporation	Q2 2013	38,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
10910 N Industrial Drive	Ozaukee Co.	Telsmith, Inc.	Q3 2013	33,760
1180 Walnut Ridge Drive	Waukesha Co.	JTS Direct	Q3 2013	26,424
2045 W Mill Road	Milwaukee Co.	Ampco Pumps Co	Q3 2013	26,000