

MARKETBEAT INDUSTRIAL SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q2 2014



ECONOMIC OVERVIEW

The Wisconsin economic momentum continues to show slow and steady improvement. Wisconsin's unemployment rate declined to 5.7% for May, a decrease of 0.1 percentage points (pp) from the prior month and 1.1 pp decrease from a year ago and still remains below the national unemployment rate of 6.3%.

The Institute of Supply Management Report on Manufacturing, scored the Milwaukee metro area at 63.49 for May 2014, indicating positive growth. A score in excess of 50 indicates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry.

The Milwaukee region was one of 12 areas, selected from a group of 70 across the country, named "Manufacturing Communities." This special designation allows the 12 areas to receive preferential consideration for up to \$1.3 billion in federal grant money. With this classification, it gives our area the opportunity to continue grow our economy, increase our workforce, and have a positive impact on our state.

CONTINUED POSITIVE ABSORPTION

For the 16th consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with 364,598 square feet (sf) absorbed year-to-date. Three of the four counties experienced positive absorption in Q2 2014. Milwaukee County experienced the most absorption for the quarter, with over 380,000 sf absorbed, while the Waukesha County submarket experiencing negative absorption, mostly in part to American TV vacating the distribution center. In addition to overall positive absorption, the vacancy rate continued to decline, with Q2 2014 posting a slight decrease to 6.6%, marking a 0.7-percentage-point decrease year-over-year.

CONSTRUCTION ACTIVITY ON THE RISE

The four county Milwaukee Metro area delivered over 625,000 sf in the second quarter of 2014, the highest level seen since 2008. In addition, the construction pipeline is at the highest level since pre-Great Recession levels, another positive sign that the economy is on the upswing. In Southeastern Wisconsin, there is currently 6.3 million square feet of industrial space under construction, of which 1.1 million is speculative development. Local and out of state developers have Wisconsin on their speculative development radar, as Zilber Property Group, HSA Commercial, CenterPoint Properties, Liberty Property Trust, Majestic Realty Group, Land and Lakes

Development, and Jon Henderson Real Estate Inc. have all announced projects in the area.

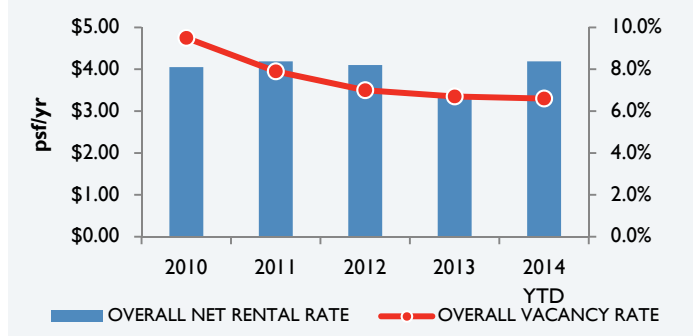
OUTLOOK

With the U.S. Department of Commerce's announcement that Wisconsin was named one of the 12 "manufacturing communities," momentum is in the state's favor for continued growth and recovery. Economic indicators and positive industrial activity point to another great year for Wisconsin.

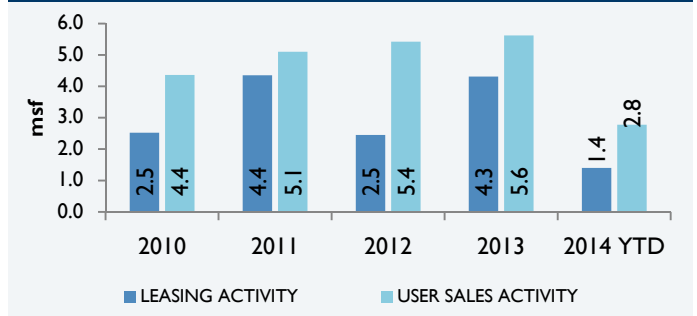
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.3%	6.6%	-0.7pp	◀▶
Direct Asking Rents (psf/yr)	\$4.13	\$4.21	1.9%	◀▶
YTD Leasing Activity (sf)	1,887,552	1,399,274	-25.9%	▲

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.	93,916,732	8.8%	819,114	1,709,282	148,000	115,000	294,709	361,869	N/A	\$3.58	\$3.88	\$3.69
Ozaukee Co.	11,843,448	8.3%	5,400	236,904	0	39,803	39,446	39,446	N/A	\$3.64	\$6.19	\$2.50
Washington Co.	18,951,128	4.7%	15,337	67,649	463,263	80,000	8,544	8,544	N/A	\$4.28	\$5.65	\$4.24
Waukesha Co.	70,329,923	4.0%	559,423	760,872	309,114	390,409	(111,356)	(45,261)	N/A	\$5.26	\$6.31	\$4.82
TOTALS	195,041,231	6.6%	1,399,274	2,774,707	920,377	625,212	231,343	364,598	N/A	\$3.96	\$5.14	\$3.90

* 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 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
10001 S Howell	Milwaukee Co.	Joy Global	Warehouse/Distribution	305,065
6100 Baker Road	Milwaukee Co.	Milwaukee Center for Independence	Manufacturing	86,760
21800 Doral Road	Waukesha Co.	Acrylics USA	Manufacturing	71,620
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1900 E College, 1920 E College, 2100-2130 E College, 5877 S Pennsylvania, 6205-6275 S Ace, 6055 S Ace, 6120 S Ace, 6055 S Pennsylvania, 6001 S Pennsylvania, 5877 S Pennsylvania	Milwaukee Co.	Building ABC Investor LLC	\$27,308,315 / \$24	1,124,118
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
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
9342 S 13 th Street	Milwaukee Co.	Aldi	Q2 2014	100,000 (100%)
W160 S6471 Commerce Drive	Waukesha Co.	Northern Gear LLC	Q2 2014	96,000 (100%)
16515 W Beloit Road	Waukesha Co.	Speculative Development	Q2 2014	91,734 (70%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Mequon & Eisenhower	Washington Co.	Airgas Inc.	2014	253,263 (100%)
111 W Oakview Parkway	Milwaukee Co.	Stella & Chewy's	2015	164,007 (100%)
NI68 W21455 Main Street	Washington Co.	Kerry Ingredients and Flavours	2014	120,000 (100%)