

MARKETBEAT INDUSTRIAL SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q3 2013



ECONOMIC OVERVIEW

Wisconsin's economy has been the subject of positive news in the third quarter, a contrast to lackluster economic headlines of prior quarters. The State of Wisconsin ended the fiscal year with nearly a \$760 million surplus, \$89 million more than what was anticipated when the 2013-15 budget was released this past summer. In addition, The Philadelphia Federal Reserve Bank issued new rankings that put Wisconsin first in economic outlook for the next six months and has Wisconsin ranked number two in the nation for economic growth in September 2013. Wisconsin's unemployment rate of 6.7 percent also continues to be below the national average of 7.3 percent. Along with positive state news, Milwaukee's manufacturing industry has been making headlines as well. According to the latest report from the Institute for Supply Management-Milwaukee, the Milwaukee manufacturing industry saw a significant increase in activity in September. The Institute of Supply Management scores Milwaukee at 55.0 for Q3 2013, a number showing positive growth. A score over 50 indicates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry.

CONTINUED POSITIVE ABSORPTION

For the 13th consecutive quarter, the Milwaukee industrial market experienced positive absorption. Year-to-date 2013, Milwaukee saw 2.39 million square feet (msf) of positive absorption, with Q3 2013 posting 939,000 square feet (sf) absorbed. Large space absorptions can be attributed to PM Plastics leasing 285,000 sf on North Shore Drive in Hartland as well as Lyall absorbing 94,250 sf on Ryerson Road in New Berlin. In addition to positive absorption, the vacancy rate continues to decline, with Q3 2013 posting a 0.5-percentage-point decrease quarter-over-quarter to reach a 6.8% vacancy rate.

KENOSHA COUNTY IS BURSTING WITH ACTIVITY

Kenosha County has been a hotbed of activity given its close proximity to the Chicago area. Recently, several firms announced their plans to relocate their offices from Illinois to the Kenosha County area, including Kenall Manufacturing Co and Hanna Cylinders, as well as EMCO Chemical Distributors Inc., Konecranes, L&M Corrugated Container Corp and Good Foods Group. The latter announced its plans earlier in 2013 to hop over the border to Wisconsin. In addition, several firms announced plans to develop build-to-suit or spec buildings and a new industrial park, including Majestic Realty Company, KTR Capital Partners, Venture One Real Estate, Zilber Property Group and Meijer Inc. to name a few.

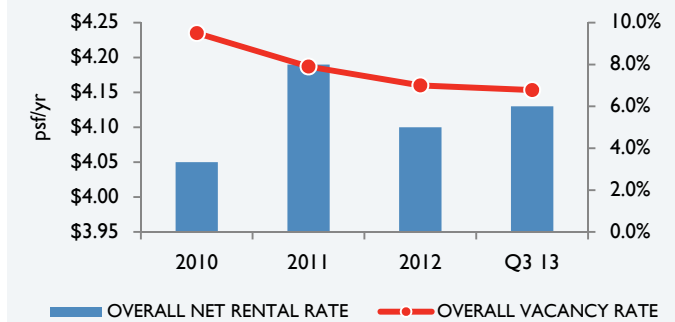
OUTLOOK

The manufacturing sector of the economy has always been a strong suit for the Milwaukee area, with the foundation of Milwaukee being built upon the industrial sector. As Wisconsin continues to take numerous actions to make the state more desirable as a strong location for businesses, more companies are expected to decide for Wisconsin. Speculative developments are expected to spread to other counties, while the market will see continued positive absorption and vacancy compression.

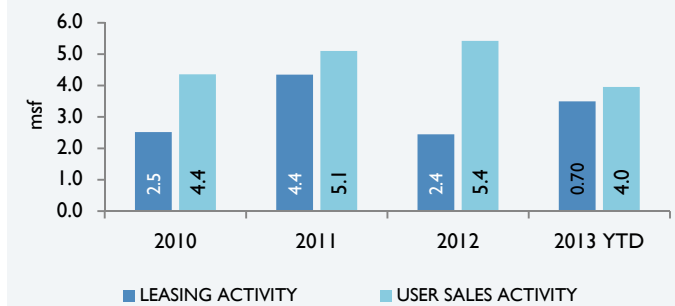
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.2%	6.8%	-0.4pp	▼
Direct Asking Rents (psf/yr)	\$4.13	\$4.09	-1.0%	◄►
YTD Leasing Activity (sf)	2,054,052	3,498,231	70.3%	▲

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.	94,056,602	8.8%	1,465,046	2,442,338	160,000	74,323	769,541	777,343	N/A	\$3.56	\$3.77	\$3.37
Ozaukee Co.	11,823,148	8.7%	162,319	127,212	33,760	76,718	99,157	88,857	N/A	\$3.63	\$6.32	\$3.25
Washington Co.	19,110,658	5.1%	90,108	89,732	271,000	23,764	77,407	66,987	N/A	\$4.71	\$5.56	\$4.27
Waukesha Co.	70,339,335	4.2%	1,780,758	1,293,863	246,974	464,432	1,830,439	1,459,663	N/A	\$5.48	\$6.03	\$4.39
TOTALS	195,329,743	6.8%	3,498,231	3,953,145	711,734	639,237	2,776,544	2,392,850	N/A	\$4.03	\$4.99	\$3.58

* 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 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
700 W North Shore Drive	Waukesha Co.	PM Plastics	Warehouse/Distribution	285,000
5801 W Franklin Drive	Milwaukee Co.	Allis Roller, LLC	Office Service	111,800
16555 Ryerson Road	Waukesha Co.	Technical Metal Specialties Inc.	Office Service	108,000
Significant Q3 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
5600 S Moorland Road	Waukesha Co.	Stag New Berlin LLC	\$9,280,000 / \$45	205,063
7000 W Calumet Road	Milwaukee Co.	7000 West Calumet Road LLC	\$3,500,000 / \$19	181,700
W234 N2100 Ridgeview Parkway Court	Waukesha Co.	DL Ridgeview, LLC	\$8,000,000 / \$66	121,600
Significant Q3 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
1180 Walnut Ridge Drive	Waukesha Co.	JTS Direct	Q3 2013	26,424
W234 N700 Busse Road	Waukesha Co.	Kenrich Industrial Inc.	Q3 2013	20,000
N60 W15288 Bobolink Avenue	Waukesha Co.	Butler Wire & Metal Products	Q3 2013	19,754
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
9342 S 13 th Street	Milwaukee Co.	Aldi	2014	100,000
W160 S6471 Commerce Drive	Waukesha Co.	Northern Gear LLC	Q4 2014	96,000
16515 W Beloit Road	Waukesha Co.	Speculative Development	2014	91,734