

MARKETBEAT INDUSTRIAL SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

Wisconsin's unemployment rate declined to 5.5% for September, a decrease of 0.1 percentage points (pp) from the prior month and 1.1 pp decrease from a year ago. The 5.5% unemployment rate for Wisconsin is also the

lowest it has been since October of 2008 and remains lower than the national unemployment rate of 5.9%.

The Institute of Supply Management Report on Manufacturing, scored Wisconsin and Northern Illinois at 63.18 for September 2014, indicating positive growth. A score in excess of 50 demonstrates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry.

According to the Metropolitan Milwaukee Association of Commerce's fourth quarter Business Outlook Survey and the Parant Group's Mid-Year Survey, a survey of 100 local manufacturing executives, both resulted in employment optimism to remain at a healthy level and to have an increase in hiring in the fourth quarter. Local Manufacturers, according to the MMAC respondents, project nearly two-thirds of those surveyed see fourth quarter, year-over-year job growth.

CONTINUED POSITIVE ABSORPTION

For the 17th consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with nearly 1.2 million square feet absorbed year-to-date. All four counties experienced positive absorption in Q3 2014. Milwaukee County experienced the majority of absorption for the quarter, with over 405,000 square feet (sf) absorbed. In addition to overall positive absorption, the vacancy rate continued to decline, with Q3 2014 posting a 0.5 percentage-point decrease quarter-over-quarter to 6.1%, marking a 0.7-percentage-point decrease year-over-year.

CONSTRUCTION ACTIVITY ON THE RISE

Metropolitan Milwaukee has seen a rise in construction activity as user demand is outpacing the supply of quality industrial product. Milwaukee County in Q3 2014 has over 583,000 sf currently under construction, the highest level of activity in the four county metro Milwaukee area. Most of the development is driven by user build-to-suit projects. However, Milwaukee County broke ground on the first speculative construction with a 172,000-sf facility built by Liberty Property Trust in Oak Creek since the recession began. In addition, Ryan Companies and Wangard have proposed developments in Oak Creek and West Allis, respectively. Waukesha County is second in pace to Milwaukee, with over 464,000 sf currently under

construction. Although no speculative development is currently underway, Zilber Ltd. recently completed various multi-tenant facilities in the Westridge Business Park in New Berlin in 2013 and the beginning of 2014. In addition, multiple proposed speculative development should break ground in the next few quarters for a combined total of 500,000 sf.

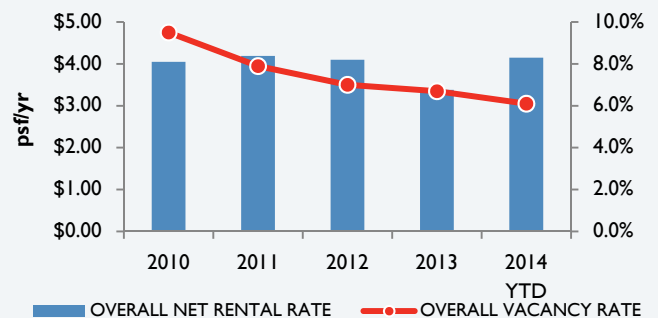
OUTLOOK

With the Wisconsin Gubernatorial election around the corner, anticipate continued cautious optimism for the coming weeks. Should Scott Walker prevail, expect to see additional construction announcements from the Milwaukee manufacturing community.

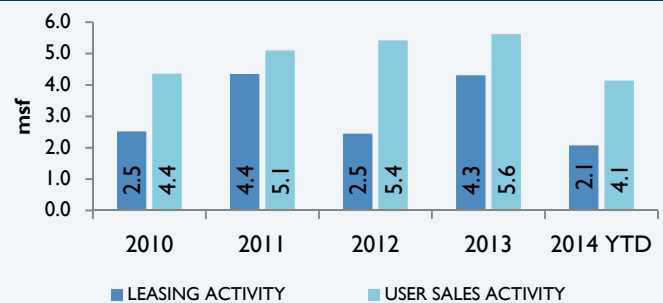
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.8%	6.1%	-0.7pp	↕
Direct Asking Rents (psf/yr)	\$4.07	\$4.14	1.7%	↕
YTD Leasing Activity (sf)	3,498,231	2,075,721	-40.7%	▲

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.	93,692,644	8.2%	1,143,859	2,545,255	583,186	208,674	699,789	842,153	N/A	\$3.51	\$3.68	\$3.73
Ozaukee Co.	11,913,448	5.8%	19,579	311,778	0	39,803	171,790	173,340	N/A	\$4.45	\$6.06	\$2.50
Washington Co.	18,934,514	4.6%	32,984	98,849	464,063	80,000	65,772	65,772	N/A	\$4.28	\$5.53	\$4.27
Waukesha Co.	70,334,433	3.8%	879,299	1,184,086	232,760	390,409	48,611	112,668	N/A	\$4.89	\$6.15	\$4.55
TOTALS	194,875,039	6.1%	2,075,721	4,139,968	1,280,009	718,886	985,962	1,193,933	N/A	\$3.89	\$4.96	\$3.92

* 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
W2388 N2801 Duplainville Road	Waukesha Co.	Quad Graphics	Warehouse/Distribution	99,740
6100 Baker Road	Milwaukee Co.	Milwaukee Center for Independence	Manufacturing	86,760
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Portfolio Sale	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
120 W Opus Drive	Milwaukee Co.	Exeter 120 West Opus, LLC	\$17,000,000 / \$61	279,828
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 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Mequon & Eisenhower	Washington Co.	Airgas Inc.	2014	253,263 (100%)
County Line Road & Pilgrim Road	Waukesha Co.	Fed-Ex Ground	2015	253,263 (100%)
111 W Oakview Parkway	Milwaukee Co.	Stella & Chewy's	2015	164,007 (100%)