

# MARKETBEAT INDUSTRIAL SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q4 2012



### ECONOMIC OVERVIEW

For the first time in five months, The Institute for Supply Management-Milwaukee reported that the Milwaukee-area manufacturing sector grew in December. The indices, the Purchasing Manager's Index (PMI), grew to 52.2 in December, up from 45.3 in November. A score over 50 indicates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. Individual segments showing expansion include production which was up 16.8 percent over November and employment which increased 7.3 percent in December. New orders, prices, exports and imports were growing; while inventories, customers' inventories and backlog of orders were declining.

While indicators turned positive in December, our local economy has largely sputtered through much of 2012 with cautious optimism given the economic uncertainty nationally.

### CONTINUED REAL ESTATE MOMENTUM

Milwaukee's manufacturing sector continues to experience positive results with Q4 12 posting both an increase in absorption and a decrease in vacancy. For the tenth quarter in a row, overall absorption remained positive, finishing out the 2012 calendar year with 2,494,506 square feet (sf) absorbed. As a result of the positive absorption, the vacancy rate decreased to 7.0%, a decline of 20 basis points (bps) from Q3 12 and down 90 bps year over year. Over the past quarter, each submarket saw a decrease in vacancy, with Ozaukee County experiencing the largest decrease. This can be attributed to Birchwood Snow & Landscape Contractors acquisition of the former International Paper building on Pioneer Road in Cedarburg.

### CONSTRUCTION ACTIVITY STRONG IN 2012

Over the past year, the Milwaukee industrial market has seen an increase in construction activity over 2011 levels. For the year, over 1.5 msf has been delivered, an increase of over 50 percent of the activity seen in 2011. While the construction activity is at the highest level since the great recession began, speculative construction has yet to make a huge impact on development. Of note, Zilber Property Group completed the first speculative development deal in Waukesha County, completing their 54,100-sf building in Towne Corporate Park of New Berlin in Q4 12. A recently announced 25,000-sf Helium Trampoline user has announced plans to occupy slightly over half of the space in this new Zilber building.

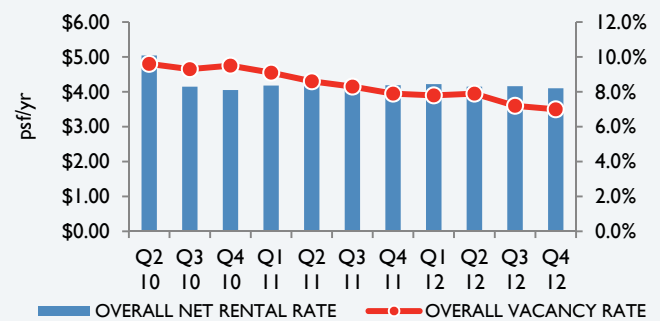
### OUTLOOK

As we enter into 2013, there is hope for U.S. economic growth, however, much of the answers and/or resolutions that our country is looking for remain unresolved due to the continued fiscal crisis, healthcare overhaul, and general political uncertainty. With market fundamentals continuing to be in the manufacturing sectors favor, we anticipate seeing increased velocity and steady demand for quality product. Although cautious optimism abounds, look for continued growth in our local market.

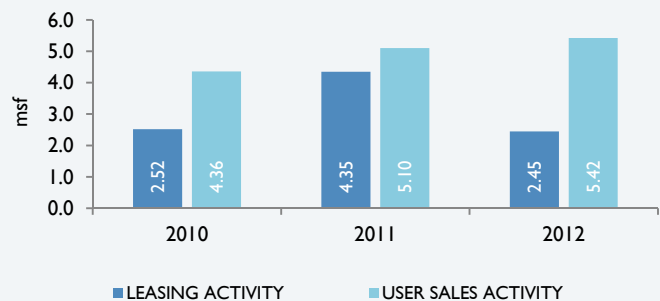
### STATS ON THE GO

	Q4 2011	Q4 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.9%	7.0%	-0.9pp	▼
Direct Asking Rents (psf/yr)	\$4.14	\$4.12	-0.5%	◀▶
YTD Leasing Activity (sf)	4,359,297	2,445,637	-43.9%	▲

### 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.	94,047,845	9.2%	768,188	3,060,101	50,323	521,116	570,901	437,401	N/A	\$3.45	\$4.07	\$3.51
Ozaukee Co.	11,703,099	10.6%	217,974	417,121	110,260	118,263	536,334	601,334	N/A	\$3.31	\$3.95	\$3.25
Washington Co.	19,046,643	4.4%	96,874	489,689	136,764	382,000	230,063	271,157	N/A	\$4.80	\$5.90	\$6.41
Waukesha Co.	69,741,333	4.1%	1,362,601	1,454,570	359,424	480,440	1,134,526	1,184,614	N/A	\$5.07	\$5.78	\$5.11
<b>TOTALS</b>	<b>194,538,920</b>	<b>7.0%</b>	<b>2,445,637</b>	<b>5,421,481</b>	<b>656,771</b>	<b>1,501,819</b>	<b>2,471,824</b>	<b>2,494,506</b>	<b>N/A</b>	<b>\$3.95</b>	<b>\$5.02</b>	<b>\$3.78</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

<b>Significant 2012 Lease Transactions</b>	<b>SUBMARKET</b>	<b>TENANT</b>	<b>PROPERTY TYPE</b>	<b>SQUARE FEET</b>
6600 Washington Street	Milwaukee Co.	Joy Global	Manufacturing	111,903
17005 West Ryerson Road	Waukesha Co.	Reynolds Machine Company	Manufacturing	100,520
N53 W24700 Corporate Circle	Waukesha Co.	Quad/Graphics	Warehouse/Distribution	86,560
<b>Significant 2012 Sale Transactions</b>	<b>SUBMARKET</b>	<b>BUYER</b>	<b>PURCHASE PRICE / \$PSF</b>	<b>SQUARE FEET</b>
5211 South 3 <sup>rd</sup> Street	Milwaukee Co.	CenterPoint Properties Trust	\$12,600,000 / \$35	360,000
W227 N2837 Duplainville Road	Waukesha Co.	Duplainville Road, LLC	\$11,500,000 / \$40	287,950
5170 South 6 <sup>th</sup> Street	Milwaukee Co.	CenterPoint Properties Trust	\$9,500,000 / \$58	163,200
<b>Significant 2012 Construction Completions</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
N106 W13500 Bradley Way	Washington Co.	Bradley Corporation	Q1 2012	190,000
N15 W24887 Bluemound Road	Waukesha Co.	Harken Inc.	Q3 2012	175,000
4625 South Oakwood Park Drive	Milwaukee Co.	Baptista's Bakery Inc.	Q2 2012	120,000
<b>Significant Projects Under Construction</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
N83 W12529 Old Orchard Road	Waukesha Co.	Briggs & Stratton Corp	Q1 2013	150,000
1245 Chapman Drive	Waukesha Co.	Gaco Western LLC	Q1 2013	85,000