

# MARKETBEAT INDUSTRIAL SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q4 2013



### ECONOMIC OVERVIEW

Wisconsin's unemployment rate at 6.3% , continues to beat out the national unemployment rate by 0.7 percentage points according to the Bureau of Labor Statistics' preliminary data. Wisconsin has a positive outlook for the coming year, as unemployment is down and revenue is up. Recently, over 30 businesses announced large economic development projects within the State of Wisconsin. These projects are expected to generate \$1.9 billion in revenue and 6.2 million square feet (msf) of development as well as to create more than 6,900 new jobs for the Wisconsin economy. The Milwaukee-area manufacturing sector continued to show positive results in December and positive market conditions are anticipated to continue throughout the coming year. The Institute of Supply Management scored Milwaukee at 54.0 for December 2013, 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.

### CONTINUED POSITIVE ABSORPTION

For the 14<sup>th</sup> consecutive quarter, the Milwaukee industrial market experienced positive absorption. At year-end 2013, Milwaukee saw 3.4msf of positive absorption, with Q4 2013 posting 977,000 square feet (sf) absorbed. Waukesha County saw the largest absorption figures in Q4 2013, with over 582,000 sf, followed by Milwaukee County with over 230,000 sf. In addition to positive absorption, the vacancy rate continued to decline, with Q4 2013 posting a slight decrease to 6.7%, marking a 0.3-percentage-point decrease year-over-year.

### INVESTMENT ACTIVITY ON THE RISE

Over the past year, industrial investment activity increased 72% , from just under 2.0 msf in 2012 to 3.4 msf at the end of 2013. Major acquisitions introduced two new investors into the Wisconsin market. Biynah Industrial Partners recently acquired five assets for a total portfolio price of \$15.6 million and Blackstone Group/IndCor Real Estate acquired two assets for \$13.3 million. Notable transactions included Zilber's acquisition of 10000 S. Franklin Drive, Franklin, a 246,000-sf building leased to Baptista's Bakery, Stag Industrial, Inc.'s acquisition of 5600 S. Moorland Road, New Berlin, a facility leased to Quad Graphics Inc., and Brennan Investment Group's acquisition of a 120,000-sf facility at 975 Cottonwood, Hartland leased to Dorner Manufacturing Corp.

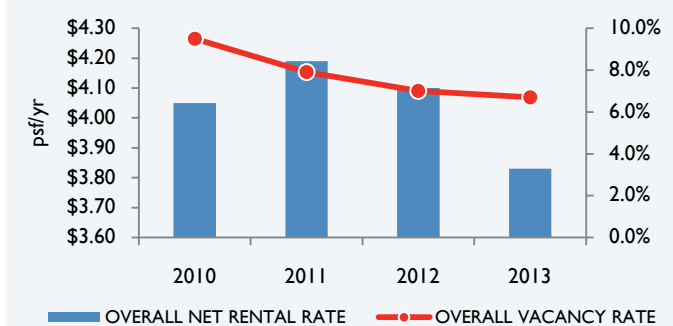
### OUTLOOK

Anticipate continued growth in the manufacturing and industrial sector through 2014. Manufacturing has always been a strong suit for the Milwaukee area, and with Wisconsin "open for business," more focus has been set on attracting and retaining businesses than ever before. From investing in workforce development to growing the economy through structural reforms, more businesses currently located within Wisconsin are taking advantage of incentives and are focusing on expansion. Wisconsin is also bringing in businesses located out of state with an inviting economic and political environment. Expect more big wins ahead in 2014.

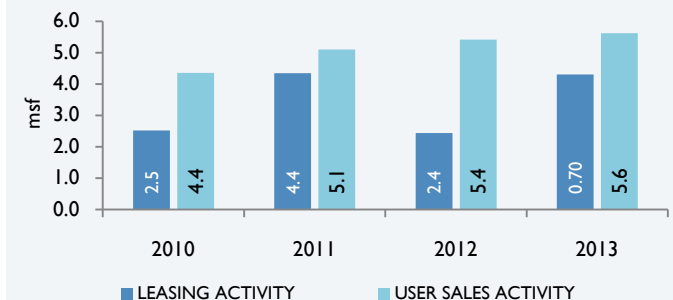
### STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.0%	6.7%	-0.3pp	▼
Direct Asking Rents (psf/yr)	\$4.12	\$4.09	-0.7%	◄
YTD Leasing Activity (sf)	2,445,637	3,498,231	43.0%	▲

### 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.	93,942,003	9.2%	2,071,350	3,448,092	100,000	134,323	1,011,248	1,016,050	N/A	\$3.49	\$3.88	\$3.35
Ozaukee Co.	11,823,148	8.6%	174,819	152,212	0	110,478	204,391	234,391	N/A	\$3.53	\$4.39	\$3.25
Washington Co.	19,036,226	4.8%	93,708	108,332	196,000	228,764	88,450	78,030	N/A	\$3.93	\$4.62	\$4.10
Waukesha Co.	70,353,402	3.7%	1,967,988	1,913,616	309,114	493,432	2,112,482	2,041,706	N/A	\$4.35	\$5.38	\$4.20
<b>TOTALS</b>	<b>195,154,779</b>	<b>6.7%</b>	<b>4,307,865</b>	<b>5,622,252</b>	<b>605,114</b>	<b>966,997</b>	<b>3,416,571</b>	<b>3,370,177</b>	<b>N/A</b>	<b>\$3.69</b>	<b>\$4.54</b>	<b>\$3.52</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 2013 Lease Transactions</b>	<b>SUBMARKET</b>	<b>TENANT</b>	<b>PROPERTY TYPE</b>	<b>SQUARE FEET</b>
700 W North Shore Drive	Waukesha Co.	PM Plastics	Warehouse/Distribution	285,000
10000 S Franklin Drive	Milwaukee Co.	Baptista's Bakery Inc.	Warehouse/Distribution	246,000
7221 – 7225 W Marcia Road	Milwaukee Co.	Sendik's Food Markets	Warehouse/Distribution	208,120
<b>Significant 2013 Sale Transactions</b>	<b>SUBMARKET</b>	<b>BUYER</b>	<b>PURCHASE PRICE / \$PSF</b>	<b>SQUARE FEET</b>
10001 S Howell Avenue	Milwaukee Co.	OC Holdings LLC	\$5,600,000 / \$18	305,065
W165 N5830 Ridgewood Drive	Waukesha Co.	Kohl's Department Store, Inc	\$15,200,000 / \$51	300,114
100000 S Franklin Drive	Milwaukee Co.	TI Investors of Franklin LLC	\$9,700,000 / \$39	246,348
<b>Significant 2013 Construction Completions</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	Q2 2013	85,000
1051 Cheyenne Avenue	Ozaukee Co.	Regal Beloit / Leeson Electric Corp	Q1 2013	45,218
<b>Significant Projects Under Construction</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
N168 W21455 Main Street	Washington Co.	Kerry Ingredients and Flavours	Q3 2014	120,000
9342 S 13 <sup>th</sup> Street	Milwaukee Co.	Aldi	2014	100,000
16515 W Beloit Road	Waukesha Co.	Speculative Development	2014	91,734