

MARKETBEAT



MILWAUKEE INDUSTRIAL REPORT

1Q11

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Overview

The strong fourth quarter last year, particularly November and December, is a strong indicator of future business. Cap rates are improving and there is strong demand for the typical free-standing 15 or 20 year credit leases generally in the food-stores and department stores. The first half of this year is expected to continue the uptick. We are beginning to see more activity with the larger box retailers. No doubt retailers are still being cautious. Where we previously saw little to no activity, we now see greater interest and the early signs of steady improvement. The asking lease rates are remaining relatively stable, due in large part to landlord concessions in an effort to get deals done.

According to the Metropolitan Milwaukee Association of Commerce, manufacturers have shown a “tangible track record” of rebounding. In December 2010, there were 113,800 manufacturing jobs in Metropolitan Milwaukee, the largest growth increase since March 1998, which was a 2.9 percent increase over prior year levels. Manufacturing business owners anticipate an 81 percent increase in sales in 2011 and a 57% job growth according to the first-quarter business survey.

The industrial submarket with the highest average asking rate for warehouse space is Waukesha Northwest, where we have experienced close to \$6.00 per square foot (psf). Flex rates remain somewhat steady with the average being \$5.25 psf.

Economy

The Milwaukee industrial market is one of only nine U.S. metropolitan areas with absorption that totaled over 1.0 million square feet (msf) in 2010. Nearly 1.2 msf of space was absorbed during the fourth quarter alone. The increase in absorption numbers can be largely attributed to an increase in transactions over 100,000

sf. In particular, the I-94 corridor in the Racine and Kenosha County submarkets accounts for 66% of the absorption figure for the quarter. The lack of speculative pre-recession development and stable lease rates throughout the downturn, as well as the vacancy rate continuing to remain well below the national average, have been integral components in the industrial market holding its own overall.

Outlook

The vacancy rate will continue to improve; however, the market recovery will be slower and far weaker than the typical robust recovery from a recession. The anticipation vs. reality may be more than a bit distorted. Once the vacancy rate remains at a steady pre-recession rate of 7% to 8%, we should begin to see speculative development. We expect to see landlord concessions remain in the market until excess inventory is absorbed.

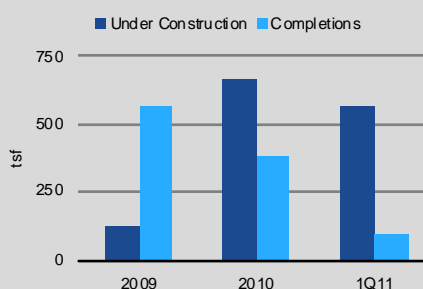
Continued industrial demand will depend largely on the speed of the recovery in employment growth and overall economic activity. Any new development will most likely be slated in the I-94 corridor in Racine and Kenosha due to its central location between Milwaukee & Chicago. Larger deals in this vicinity may cause supply shortfall.

There is a fair amount of speculation the newly elected Governor can promote a positive political and business climate to further expedite the slowly recovering Greater Milwaukee industrial market. Declining vacancy rates, positive absorption, increasing volume of sales and rising lease rates all are a part of the complex equation. Governor Scott Walker’s motto continues to be, “Wisconsin Is Open for Business!”

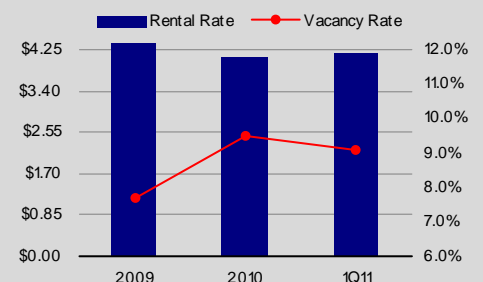
Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	9.5%	9.1%	-4 pp	◀▶
Direct Asking Rents	\$4.08	\$4.18	2.5%	◀▶
YTD Leasing Activity (sf)	774,944	1,411,647	82.2%	◀▶

Under Construction vs. Completions



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

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 HT**	Weighted Average Net Rental Rate*		
										MF	OS	W/D
Milwaukee Co.	95,736,650	11.1%	901,905	178,491	240,000	82,950	852,156	830,856	N/A	\$ 3.81	\$ 4.65	\$ 3.53
Ozaukee Co.	12,781,742	14.2%	9,400	0	0	0	(89,351)	(89,351)	N/A	\$ 4.06	\$ 4.97	\$ 3.20
Washington Co.	19,369,294	6.0%	13,937	364,880	60,000	0	(59,593)	(59,593)	N/A	\$ 4.46	\$ 4.94	\$ 5.34
Waukesha Co.	67,649,672	6.0%	486,405	694,488	271,200	13,750	(37,379)	(10,752)	N/A	\$ 5.06	\$ 6.32	\$ 4.69
Total	195,537,358	9.1%	1,411,647	1,237,859	571,200	96,700	665,833	671,160	N/A	\$4.21	\$5.39	\$3.69

* 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 1Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
10001 S Howell Avenue	Milwaukee	Bentley World Packaging Ltd	340,000	Office/Service
9053 N Deerwood Trail	Milwaukee	Pitney Bowes	121,000	Warehouse/Distribution
6200 N Baker Road	Milwaukee	Ascent Battery Supply LLC	113,754	Warehouse/Distribution

SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
505 Rolfs Avenue	Washington	Jeannes Amity LLC	262,000	\$3,000,000
8535 N 91st Street	Milwaukee	T & J Associates LP	104,000	\$3,400,000
116-118 N Oakridge	Waukesha	Zero Zone Inc.	99,955	\$800,000

SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
SE of I-94 & Ryan Road	Milwaukee	Crothall Laundry Services	82,950	1Q11
W126 N8652 Westbrook Crossing	Waukesha	E.J. Welch Co.	13,750	1Q11

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
3757 W Milwaukee Road	Milwaukee	Bilboa - Ingeteam	140,000	2Q11
5915 S Moorland Road	Waukesha	Buy Seasons	135,000	3Q11
3301 W Canal Street	Milwaukee	Palermo Villa Inc.	100,000	2Q11