

# MARKETBEAT



## MILWAUKEE INDUSTRIAL REPORT

2Q11

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### Overview

Heavy activity in Racine and Kenosha counties led to almost 1.1 million square feet (msf) of absorption in the first three months of 2011. The past three months of activity promise to bring more good news and even higher absorption than the start of the year. The Milwaukee area's industrial market continues to perform better than markets in other parts of the country, which have higher vacancy and negative absorption rates.

Even in the worst of times for the southeast region, the local Milwaukee industrial market held onto lower vacancy rates than the national averages, as recorded by Reis Inc. The local market started to recover in the second half of 2010, bringing a year of decreasing vacancy as well as increasing rental rates. Overall vacancy rates continue to decrease.

### Economy

Manufacturers in the Milwaukee area continue to report improvement according to the most recent survey by the Milwaukee chapter of the Institute for Supply Management. Mirroring national trends, blue collar employment continues to outpace white collar employment. Recovery has been much better for the manufacturing sector than the construction sector. While the industrial sector remains significantly behind its pre-recession levels, the increased activity has generated a large portion of job gains in Wisconsin. Projections for manufacturing employment growth will remain strong over the next three years at 3.0% in 2011, 3.5% in 2012, and 3.3% in 2013.

According to the National Institute of Supply Management – Milwaukee Survey, findings for Milwaukee manufactures in June indicate new orders grew, production grew at a consistent level and employment grew but at a rate lower than May. Supplier deliveries grew while inventories and the backlog of orders declined substantially. Exports and imports were both up. With the rate of

growth in manufacturing activity in Southern Wisconsin continuing to grow, it is hopeful that the industrial real estate sector will continue to show improvement.

Many indicators that looked promising in fourth quarter of 2010, have continued to become stronger as the second quarter of 2011 draws to a close. The most positive is the increased leasing activity and closing of transactions in the brokerage community.

### Outlook

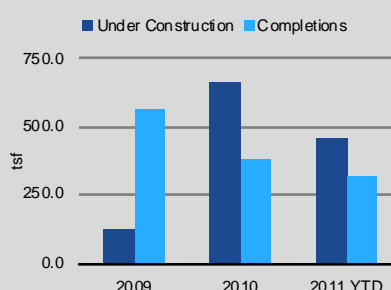
When the economy slowed, the areas where real estate activity remained steady were the areas around the Milwaukee Airport (General Mitchell International), the I-94 corridor in Racine and Kenosha, and Pewaukee, located on the western edge of metro Milwaukee. These areas have a minimal supply of large available properties and have seen the most action in recent months. As the economy improves and activity continues to increase, other areas should follow suit.

The vacancy rate is expected to continue to improve through 2011. As the vacancy rate reaches and remains at pre-recession rates, which were between 7% and 8%, the market should expect to see speculative development. However, there is one speculative development in the works in the Racine market. The proposed 100,000-square foot industrial building in consideration is to be located in the Park 94 industrial park.

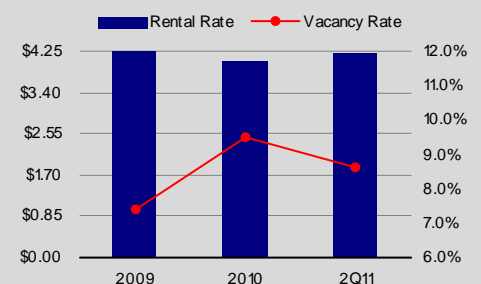
### Stats on the Go

	2Q10	2Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	9.6%	8.6%	-1.0 pp	◀▶
Direct Asking Rents	\$5.04	\$4.19	-16.9%	◀▶
YTD Leasing Activity (sf)	1,567,386	3,033,987	93.6%	◀▶

### 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 Weighted Average Net Rental Rate*			
									HT**	MF	OS	W/D
Milwaukee Co.	95,793,070	10.7%	2,021,937	523,044	322,400	82,950	902,507	881,207	N/A	\$3.69	\$4.76	\$3.54
Ozaukee Co.	12,785,490	14.1%	35,464	137,715	0	0	(90,023)	(90,023)	N/A	\$4.23	\$4.54	\$3.20
Washington Co.	19,360,894	5.8%	37,625	445,464	76,400	0	(20,243)	(20,243)	N/A	\$4.27	\$4.94	\$5.41
Waukesha Co.	67,804,807	5.3%	938,961	883,420	60,200	234,750	219,689	231,468	N/A	\$4.86	\$6.27	\$4.71
<b>Total</b>	<b>195,744,261</b>	<b>8.6%</b>	<b>3,033,987</b>	<b>1,989,643</b>	<b>459,000</b>	<b>317,700</b>	<b>1,011,930</b>	<b>1,002,409</b>	<b>N/A</b>	<b>\$4.11</b>	<b>\$5.39</b>	<b>\$3.70</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

### SIGNIFICANT 2Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
5211 S 3rd Street	Milwaukee	Bentley World Packaging Ltd	360,000	Warehouse/Distribution
11100-11500 W Burleigh Street	Milwaukee	Schoenck Containers Inc.	225,000	Warehouse/Distribution
16600 W Glendale Avenue	Waukesha	Quad/Graphics Inc.	91,000	Manufacturing

### SIGNIFICANT 2Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
607-627 E Polk Street	Milwaukee	Milwaukee World Festival, Inc.	141,234	\$3,750,000
606 Beech Street	Ozaukee	SLZ, LLC	135,345	\$1,400,000
W227 N6225 Sussex Road	Waukesha	Sussex Partners, LLC	129,970	\$2,625,000

### SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
5915 S Moorland Road	Waukesha	Buy Seasons	135,000	2Q11
2001 S Prairie Avenue	Waukesha	Weldall Manufacturing Co.	76,000	2Q11

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
3757 W Milwaukee Road	Milwaukee	Bilboa - Ingeteam	140,000	3Q11
3301 W Canal Street	Milwaukee	Palermo Villa Inc.	100,000	3Q11