

Overview

The third quarter continues to provide positive results for the Milwaukee area industrial market. For the fifth consecutive quarter, Milwaukee continues to experience positive quarterly absorption. In the third quarter alone, the market absorbed over 750,000 square feet (sf) of space. As a result of continued positive absorption, the vacancy rate has dropped from 8.6% in the second quarter of 2011 to 8.3% in the third quarter of 2011.

Economy

According to the most recent survey by the Milwaukee chapter of the Institute for Supply Management, the Milwaukee area manufacturing sector continues to show growth, although the rate of growth has slowed during the course of the last quarter. With all the volatility on Wall Street during the past quarter, contrary to the market, the Milwaukee manufacturing community still remained in growth mode. Positive findings collected from the September survey indicate new orders and employment rate grew but at a slower pace than August. However, production has declined and supplier deliveries slowed. All while inventories grew and backlogged orders declined. Both export and imports also fell within the past month.

Contrary to national news, most manufacturing observers in southeast Wisconsin are reporting the economy is slowly and steadily improving this year. Manufacturing continues to remain the largest single economic force in Wisconsin and is a driving force for our current economic recovery. According to the Metropolitan Milwaukee Association of Commerce (MMAC), seventy-three percent of manufacturers expect to increase hiring this year while forty-nine percent of non-manufacturers said they would add staff. Though some companies are reluctant to add staff and are instead increasing the workload. With all the cautious optimism abuzz, businesses have begun to look at making acquisitions or expanding their plants and building facilities.

Construction Activity

While speculative development has remained stagnant due to economic uncertainties, more manufacturing companies are looking at facility expansion, new construction and equipment/training upgrades. Milwaukee's Menomonee Valley Business Park has seen a glut of activity recently with a planned 50,000-sf addition to the park for Suzy's Cream Cheesecake, a recently completed 100,000-sf expansion for Palermo's Pizza and a 140,000-sf production facility addition for Ingeteam. Additionally, J.F. Ahern Co. has proposed developing a 67,000-sf office within the Menomonee Valley while Rexnord Industrial LLC is planning a \$35-million upgrade in equipment, maintenance and worker training at their facility.

In addition to the construction going on in the Menomonee Valley, Waukesha County has seen solid activity as well. Harken Inc. broke ground with a 175,000-sf manufacturing facility in Pewaukee and Bradley Corporation is underway with a nearly 190,000-sf manufacturing facility in Germantown.

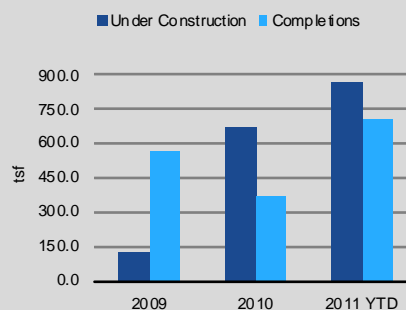
Outlook

The Milwaukee industrial market is well positioned for continued positive results through 2011. According to the U.S. Bureau of Labor Statistics, the Milwaukee-metro area posted the ninth-largest gain in the raw number of manufacturing jobs added across the county. With the increase in employment, paired with increase in activity, expect to see positive absorption and a continued drop in vacancy as we head towards the end of 2011.

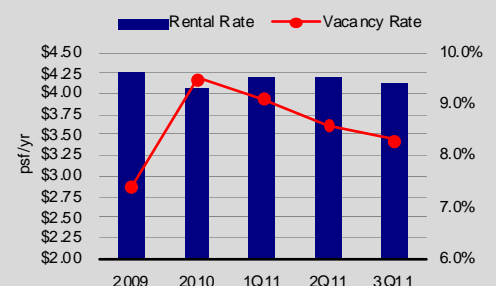
Stats on the Go

	3Q10	3Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	9.3%	8.3%	-1.0 pp	◀▶
Direct Asking Rents	\$4.15	\$4.14	-0.2%	◀▶
YTD Leasing Activity (sf)	1,934,024	3,840,681	98.6%	◀▶

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.	95,038,160	10.4%	2,517,429	1,338,762	120,000	405,350	1,159,267	1,170,163	N/A	\$3.65	\$4.88	\$3.60
Ozaukee Co.	12,849,889	12.8%	40,504	427,909	0	0	110,789	110,789	N/A	\$4.00	\$4.73	\$3.36
Washington Co.	19,344,794	5.4%	59,265	518,650	156,400	0	158,117	158,117	N/A	\$4.32	\$4.74	\$6.41
Waukesha Co.	67,908,690	5.4%	1,223,483	1,761,894	595,000	294,950	362,575	374,354	N/A	\$4.99	\$5.25	\$4.69
Total	195,141,533	8.3%	3,840,681	4,047,215	871,400	700,300	1,790,748	1,813,423	N/A	\$4.07	\$5.00	\$3.77

* 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 3Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
340 Mahn Court	Milwaukee	American Tire Distributors Inc.	120,000	Warehouse/Distribution
N53 W24700 S Corporate Circle	Waukesha	Quad/Graphics Inc.	105,600	Warehouse/Distribution
5424 N 27th Street	Milwaukee	Heinn Chapman Corp	62,000	Warehouse/Distribution

SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
5915 S Moorland Road	Waukesha	AGNL Costumes, LLC	495,000	\$30,008,000*
W160 S6471 Commerce Drive	Waukesha	ARC GEMSKWI001, LLC	486,161	\$23,688,368*
6101 N 64th Street	Milwaukee	T & M Industrial Properties LLC	374,736	\$3,300,000

* Investment Sale

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

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

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N106 W13500 Bradley Way	Waukesha	Bradley Corporation	190,000	1Q12
N15 W24887 Bluemound Road	Waukesha	Harken, Inc.	175,000	2Q12



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