

# MARKETBEAT INDUSTRIAL SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q1 2013



### ECONOMIC OVERVIEW

Wisconsin continues to make steady upward gains out of the recession, due in part to its strong manufacturing sector. Manufacturing companies employ approximately 16 percent of the state's non-farm workforce, nearly twice the national average of 9 percent and second in the nation among the top 50 metros for manufacturing jobs. Due to our strong manufacturing base, Milwaukee has posted four consecutive months of manufacturing sector growth, currently posting 50.98 according to The Institute for Supply Management-Milwaukee. A score over 50 indicates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. With our local economy growing at a moderate pace, business optimism is improving slightly, although uncertainty still remains both locally and nationally.

### CONTINUED POSITIVE QUARTERLY RESULTS

The Milwaukee area industrial market continued to gain strength in Q1 2013, posting positive quarterly absorption. For the eleventh quarter in a row, overall absorption remained positive, starting the New Year with 491,670 square feet (sf) absorbed. The largest space absorption can be attributed to Hansen Storage Company, who absorbed 42,000 sf in Milwaukee County near the airport.

The overall vacancy rate remained steady at 7.0%, a result of three submarkets posting increases in the overall vacancy rate, while Ozaukee County experienced a decrease in overall vacancy to 8.7%, a decline of 190 basis points (bps) from the prior quarter. The decreased vacancy in the county can partially be attributed to Commercial Development Co. leasing over 70,000 sf in Saukville.

### WINS FOR WISCONSIN

Kenosha County, Pleasant Prairie in particular, has had recent success stories of luring companies in from out-of-state. Wins include Grand Rapids, MI based Meijer Inc.'s entrance into Wisconsin with their acquisition of a distribution center. Others include EMCO Chemical Distributors Inc., which will be moving their corporate headquarters from North Chicago, IL to a 260,000 sf facility, Taiwan-based Ta Chen International Inc. who has plans with CenterPoint WisPark Land LLC to build a 471,403 sf industrial building relocating from Gurnee, IL, L&M Corrugated Container Corp., who has plans to move from Zion, IL into a 99,838 sf building, and Chicago-based Good Foods Group LLC will move their corporate headquarters to a 57,000 sf facility. Given the close proximity over the state lines, Pleasant Prairie is a top destination for businesses looking to capitalize on Wisconsin's pro-business climate.

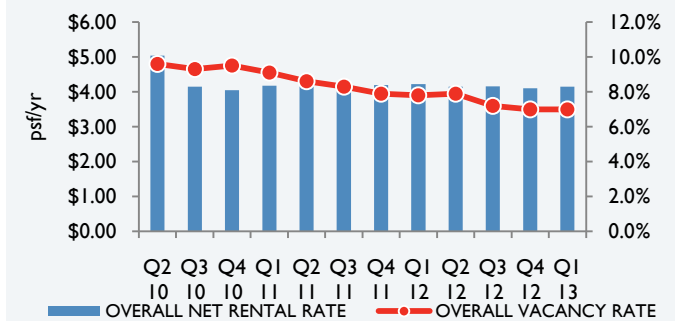
### OUTLOOK

Manufacturing continues to make advances in Wisconsin, with focus on maintaining and creating high skilled jobs for the workforce. Although the skills gap in manufacturing is present both on a national level in addition to locally, Wisconsin has taken steps to bridge the gap through various educational programs. As we continue into 2013, we anticipate industrial demand to be on the rise, which hopefully will generate increased deal velocity and steady demand for quality real estate product.

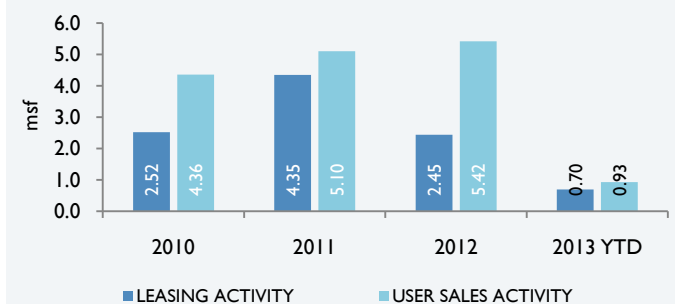
### STATS ON THE GO

	Q1 2012	Q1 2013	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.8%	7.0%	-0.8pp	▼
Direct Asking Rents (psf/yr)	\$4.18	\$4.13	-1.2%	◄►
YTD Leasing Activity (sf)	500,103	695,021	39.0%	▲

### 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.	94,146,723	9.5%	300,410	443,145	0	50,323	(31,966)	(31,966)	N/A	\$3.47	\$4.12	\$3.44
Ozaukee Co.	11,545,339	8.7%	117,403	89,100	65,260	45,218	9,268	9,268	N/A	\$3.31	\$3.90	\$3.25
Washington Co.	19,281,856	4.6%	3,600	33,596	113,000	23,764	143,068	143,068	N/A	\$4.61	\$5.90	\$6.41
Waukesha Co.	69,916,854	4.1%	273,608	363,509	203,424	215,500	449,276	371,300	N/A	\$5.35	\$5.84	\$5.35
<b>TOTALS</b>	<b>194,890,772</b>	<b>7.0%</b>	<b>695,021</b>	<b>929,350</b>	<b>381,684</b>	<b>334,805</b>	<b>569,646</b>	<b>491,670</b>	<b>N/A</b>	<b>\$3.98</b>	<b>\$5.03</b>	<b>\$3.76</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 Q1 2013 Lease Transactions</b>	<b>SUBMARKET</b>	<b>TENANT</b>	<b>PROPERTY TYPE</b>	<b>SQUARE FEET</b>
1900-2150 Ace Industrial Drive	Milwaukee Co.	Hansen Storage Co.	Warehouse/Distribution	42,000
1805 Pewaukee Road	Waukesha Co.	Wisconsin Oven Corp	Warehouse/Distribution	27,000
16235 Beloit Road	Waukesha Co.	Helium Trampoline Park	Warehouse/Distribution	25,000
<b>Significant Q1 2013 Sale Transactions</b>	<b>SUBMARKET</b>	<b>BUYER</b>	<b>PURCHASE PRICE / \$PSF</b>	<b>SQUARE FEET</b>
W226 N758 Eastmound Drive	Waukesha Co.	WHAH Properties LLC	\$2,500,000 / \$26	97,429
W21242 Lincoln Avenue	Milwaukee Co.	L-E IX, LLC	\$776,000 / \$11	72,101
1150 Mineral Springs Drive	Ozaukee Co.	Kickhaefer Manufacturing Company	\$1,130,000 / \$16	71,000
<b>Significant Q1 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
1051 Cheyenne Avenue	Ozaukee Co.	Regal Beloit / Leeson Electric Corp	Q1 2013	45,218
5635 S Westridge Drive	Waukesha Co.	Sumitomo Electric	Q1 2013	45,000
<b>Significant Projects Under Construction</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
1245 Chapman Drive	Waukesha Co.	Gaco Western LLC	Q2 2013	85,000
3776 Kettle Court	Waukesha Co.	Arcon Ring & Specialty Corp	Q2 2013	40,000