

MARKETBEAT INDUSTRIAL SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

Wisconsin's unemployment rate declined to 5.2% for November, a decrease of 0.2 percentage point (pp) from the prior month and 1.2 pp decrease from a year ago. The 5.2% unemployment rate for Wisconsin is also the lowest since October of 2008 and remains lower than the national unemployment rate of 5.8%.

The Institute of Supply Management Report on Manufacturing, scored Wisconsin and Northern Illinois at 70.25 for November 2014, indicating positive growth and capturing an all-time high index. A score in excess of 50 demonstrates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. Growth was not as robust in December, when the area recorded a 57.6.

According to the ASQ 2015 Manufacturing Outlook Survey, manufacturers are becoming increasingly positive and optimistic. Of those surveyed, 83% expect revenue growth in 2015, up from 64% who anticipated growth in 2014. Also, more manufacturers are expecting salary increases and an increase in health benefits within 2015.

CONTINUED POSITIVE ABSORPTION

For the 18th consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with over 2.1 million square feet absorbed year-to-date. All four counties experienced positive absorption in Q4 2014. Milwaukee County experienced the majority of absorption for the quarter, with over 474,000 square feet (sf) absorbed. In addition to overall positive absorption, the vacancy rate continued to decline, with Q4 2014 posting a 0.4 percentage-point decrease quarter-over-quarter to 5.7%, marking a 1.0-percentage-point decrease year-over-year.

BUILD TO SUIT AND SPECULATIVE CONSTRUCTION ACTIVITY ON THE RISE

The metropolitan Milwaukee industrial market's construction activity is on the rise, with over 7.3 million square feet (msf) projected to be delivered to the market in 2015. Within the past two quarters, speculative development has increased, with over 1.2 msf currently under construction and an additional 3.2 msf proposed to break ground within the coming year. In addition, new industrial parks are being planned from Milwaukee to the Illinois border. Developer and owners alike are seeking the help of Tax Incremental Financing in

many instances to help bridge the financing gap, thus enabling projects to break ground.

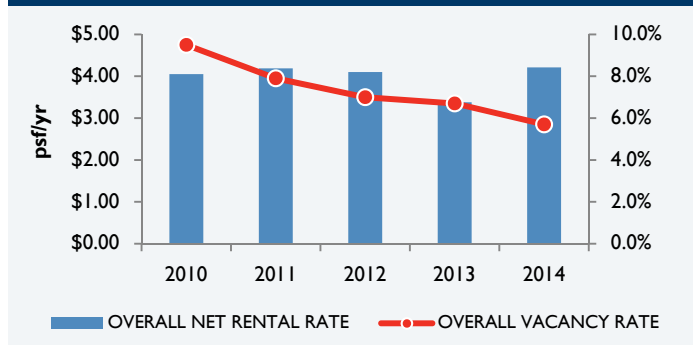
OUTLOOK

Industrial real estate investment and industrial construction activity will be the talk of the market through 2015. There is a strong demand for institutional portfolios of industrial real estate with two class A portfolios and one class B portfolio set to trade in the first quarter. Anticipate tightening vacancy to continue through 2015, reaching into the 4% range.

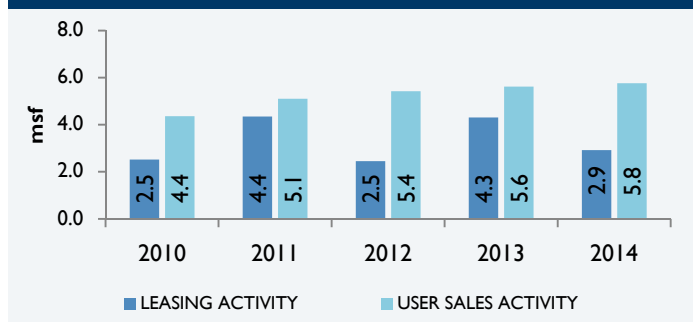
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.7%	5.7%	-1.0pp	◀▶
Direct Asking Rents (psf/yr)	\$3.83	\$4.20	9.7%	◀▶
YTD Leasing Activity (sf)	4,307,865	2,922,952	-32.1%	▲

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		
									MF	OS	W/D
Milwaukee Co.	94,150,942	7.7%	1,719,091	3,415,448	757,181	277,674	1,173,836	1,316,200	\$3.67	\$4.05	\$3.76
Ozaukee Co.	11,913,448	5.8%	19,579	324,833	0	39,803	171,790	173,340	\$4.45	\$6.06	\$2.50
Washington Co.	18,950,208	3.4%	84,384	324,256	229,286	375,063	288,540	288,540	\$5.09	\$5.77	\$4.21
Waukesha Co.	70,359,881	3.6%	1,099,898	1,697,414	759,760	390,409	350,524	318,486	\$4.91	\$6.06	\$4.59
TOTALS	195,374,479	5.7%	2,922,952	5,761,951	1,746,227	1,082,949	1,984,690	2,126,566	\$4.00	\$5.03	\$3.94

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = FLEX W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS

	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1000 I S Howell	Milwaukee Co.	Joy Global	Warehouse/Distribution	305,065
W2388 N2801 Duplainville Road	Waukesha Co.	Quad Graphics	Warehouse/Distribution	99,740
6100 Baker Road	Milwaukee Co.	Milwaukee Center for Independence	Manufacturing	86,760

SIGNIFICANT 2014 SALE TRANSACTIONS

	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Portfolio Sale	Milwaukee Co.	Building ABC Investor LLC	\$27,308,315 / \$24	1,124,118
6400 Enterprise Drive	Ozaukee Co.	FFII WI Mequon, LLC	\$32,375,000 / \$74	440,202
120 W Opus Drive	Milwaukee Co.	Exeter 120 West Opus, LLC	\$17,000,000 / \$61	279,828

SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
13200 W Donges Bay Road	Washington Co.	Airgas Inc.	Q4 2014	253,263 (100%)
9342 S 13 th Street	Milwaukee Co.	Aldi	Q2 2014	100,000 (100%)
W160 S6471 Commerce Drive	Waukesha Co.	Northern Gear LLC	Q2 2014	96,000 (100%)

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
County Line Road & Pilgrim Road	Waukesha Co.	Fed-Ex Ground	2015	253,263 (100%)
10020 S Reinhart Drive	Milwaukee Co.	Speculative	2015	171,114 (0%)
111 W Oakview Parkway	Milwaukee Co.	Stella & Chewy's	2015	164,007 (100%)