

MARKETBEAT INDUSTRIAL SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

Wisconsin's unemployment rate declined to 4.6% for March, a decrease of 0.2 percentage point (pp) from the prior month and 1.3 pp decrease from a year ago. The 4.6% unemployment rate for Wisconsin is also the

lowest since October 2008 and remains lower than the national unemployment rate of 5.5%. According to the latest ManpowerGroup survey, the metropolitan Milwaukee area has the fourth best employment outlook in the nation.

The Institute of Supply Management Report on Manufacturing scored Wisconsin and Northern Illinois at 53.25 for March 2015, indicating a positive growth outlook. 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 is starting an upward trend, however it has still not rebounded from a high of 70.25 recorded in November 2014.

According to the ASQ 2015 Manufacturing Outlook Survey, manufacturers are becoming increasingly positive and optimistic. Of those surveyed, 53% expect positive growth in the coming months.

CONTINUED POSITIVE ABSORPTION

For the 19th consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with over 864,000 square feet (sf) absorbed in the first quarter alone. This represents an 834% increase from Q1 2014 and over 2.8 million square feet (msf) absorbed during the prior four quarters. All four counties experienced positive absorption in Q1 2015. Milwaukee County captured the majority of absorption for the quarter, with over 597,000 sf absorbed. In addition to overall positive absorption, the vacancy rate continued to decline, with Q1 2015 posting a 0.1 percentage point decrease quarter-over-quarter to 5.6%, marking a 1.1-percentage-point decrease year-over-year.

SALE ACTIVITY ON THE RISE

The metropolitan Milwaukee industrial market's sales activity is on the rise. The first quarter resulted in 76 industrial properties transferring ownership, compared to only 45 a year ago. Three large investment sales in the first quarter resulted in over 2.5 msf changing hands. Furthermore, these transactions totaled over \$110 million with the price per square foot (psf) averaging \$48.02. The largest transaction included a ten-building, 1.7-msf sale by CenterPoint Properties Trust that was purchased by WMI Milwaukee LLC.

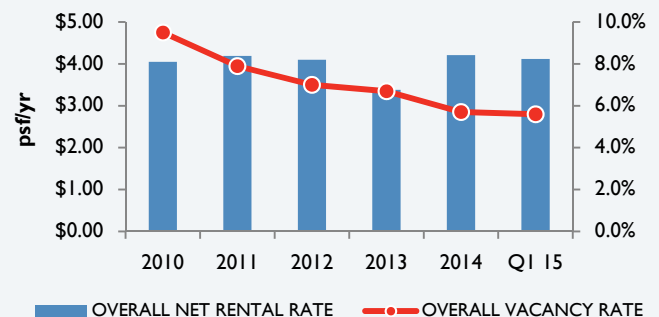
OUTLOOK

Industrial real estate investment and activity will be a major sector of the market through 2015. There will continue to be a strong demand for space as vacancy remains low throughout the area. In spite of the new construction along the I-94 corridor, the region's positive absorption trend is anticipated to persist. There will likely be tightening vacancy through 2015.

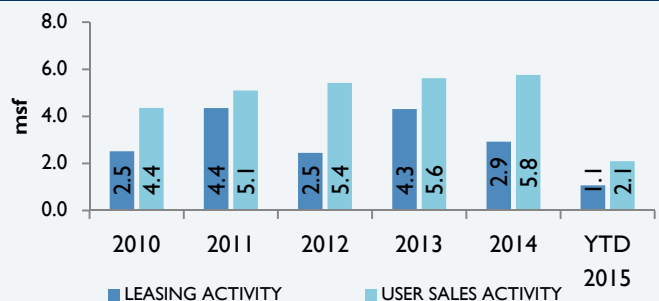
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.7%	5.6%	-1.1 pp	◀▶
Direct Asking Rents (psf/yr)	\$4.01	\$4.12	3.0%	◀▶
YTD Leasing Activity (sf)	664,020	1,067,307	60.7%	▲

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.	94,061,371	7.5%	684,005	1,281,191	344,860	432,721	690,703	597,568	\$3.69	\$4.55	\$3.73
Ozaukee Co.	11,843,448	5.7%	2,250	83,301	0	0	17,987	10,900	\$3.95	\$4.40	\$2.50
Washington Co.	19,323,814	3.9%	0	156,953	200,800	28,486	165,572	144,535	\$5.09	\$5.53	\$4.35
Waukesha Co.	70,424,810	3.3%	381,052	574,941	614,950	29,810	191,435	111,520	\$4.68	\$4.91	\$4.94
TOTALS	195,653,443	5.6%	1,067,307	2,096,386	1,160,610	491,017	1,065,697	864,523	\$3.96	\$4.89	\$3.90

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

MARKET HIGHLIGHTS

SIGNIFICANT 2015 LEASE TRANSACTIONS		SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
4356 N Richards Street		Milwaukee Co.	Briggs & Stratton	Office Service	235,600
W288 N82801 Duplainville Road		Waukesha Co.	Quad Graphics	Warehouse/Distribution	188,210
N26 W23445 Paul Road		Waukesha Co.	Xylem Water Solutions	Warehouse/Distribution	55,058
SIGNIFICANT 2015 SALE TRANSACTIONS		SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Portfolio Sale		Milwaukee & Waukesha Co.	WMI Milwaukee LLC	\$61,483,556 / \$35	1,739,332
Portfolio Sale		Milwaukee & Waukesha Co.	GPT	\$19,750,000 / \$44	452,752
Portfolio Sale		Waukesha Co.	JCC Wisconsin Portfolio LLC	\$30,050,000 / \$74	409,006
SIGNIFICANT 2015 CONSTRUCTION COMPLETIONS		SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
10020 S Reinhart Drive		Milwaukee Co.	Speculative	Q1 2015	171,114 (0%)
111 Oakview Parkway		Milwaukee Co.	Stella & Chewy's	Q1 2015	164,007 (100%)
4765 W Oakwood Park Drive		Milwaukee Co.	Meltric Corp	Q1 2015	90,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION		SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
County Line Road & Pilgrim Road		Waukesha Co.	Fed-Ex Ground	Q3 2015	253,263 (100%)
Commerce Circle & Watertown Road		Waukesha Co.	Speculative	Q2 2015	130,000 (0%)
N168 W21455 Main Street		Washington Co.	Kerry Ingredients & Flavours	Q2 2015	120,000 (100%)