

# MARKETBEAT INDUSTRIAL SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q2 2015



### ECONOMIC OVERVIEW

Wisconsin's unemployment rate declined to 4.6% for May, a decrease of 0.2 percentage point (pp) from the prior month and 0.9 pp decrease from a year ago. The 4.6% unemployment rate remains lower than the national unemployment rate of 5.5%.

The Institute of Supply Management Report on Manufacturing scored Wisconsin and Northern Illinois at 46.55 for June 2015, indicating a contraction outlook. A score below 50 demonstrates reduction as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. This is the third consecutive month that the outlook has indicated negative trending. Manufacturers have shifted the six-month outlook on business conditions downward compared with May. Of those surveyed, only 43% expect positive growth in the coming months, while 18% believe conditions will worsen in upcoming months.

### CONTINUED POSITIVE ABSORPTION

For the 20<sup>th</sup> consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with over 923,899 square feet (sf) absorbed in the second quarter alone. This represents a slight increase from Q1 2015 and nearly 1.8 million square feet (msf) absorbed during the first two quarters. All four counties experienced positive absorption in Q2 2015. Milwaukee County captured the majority of absorption for the quarter, with over 824,078 sf absorbed. In addition to overall positive absorption, the overall vacancy rate continued to decline, with Q2 2015 posting a 0.5-pp decrease quarter-over-quarter to 5.1%, marking a 1.5-pp decrease year-over-year.

### CONSTRUCTION ACTIVITY ON THE RISE

Construction activity in Milwaukee's industrial market is on the rise. The region's low vacancy rate has spurred multiple built-to-suit and speculative developments. Many local developers are continuing to be bullish about the market. MSI General Corp has announced plans to construct a 158,000-sf industrial headquarters in Menomonee Falls, Briohn plans to develop a 16.5-acre industrial park in Pewaukee, and James Luterbach Construction Co also announced plans for a 72,000-sf facility in New Berlin.

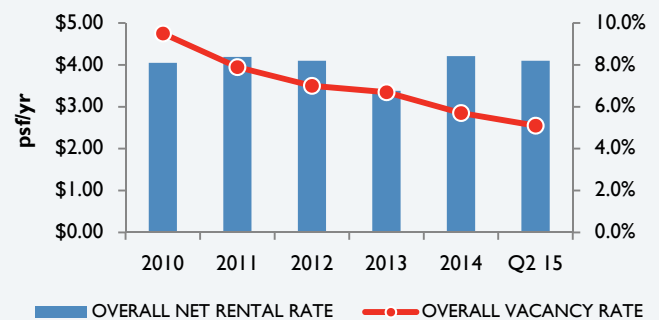
### OUTLOOK

The U.S. and Wisconsin economies continue to gain momentum throughout 2015. Although business owners remain cautious in their outlook, the economy is showing job growth and positive industrial absorption. The Wisconsin industrial market is poised to finish the last two quarters of 2015 in strong fashion.

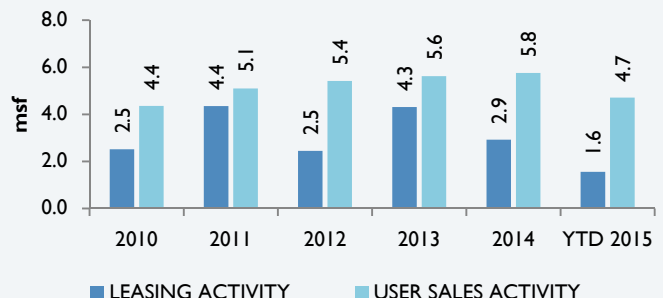
### STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.6%	5.1%	-1.5 pp	◀▶
Direct Asking Rents (psf/yr)	\$4.21	\$4.11	2.4%	◀▶
YTD Leasing Activity (sf)	1,399,274	1,557,303	11.3%	▲

### 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.	93,709,429	6.7%	850,006	3,043,081	266,500	499,921	1,514,718	1,421,646	\$3.47	\$5.36	\$3.71
Ozaukee Co.	11,857,701	5.8%	2,250	134,301	0	0	36,809	29,722	\$4.56	\$4.04	\$2.50
Washington Co.	19,382,814	3.3%	9,600	229,684	200,800	28,486	191,373	170,336	\$5.32	\$5.70	\$6.47
Waukesha Co.	70,513,468	3.4%	695,447	1,303,585	1,042,635	260,044	227,163	166,718	\$4.72	\$4.45	\$4.57
<b>TOTALS</b>	<b>195,463,412</b>	<b>5.1%</b>	<b>1,557,303</b>	<b>4,710,651</b>	<b>1,509,935</b>	<b>788,451</b>	<b>1,970,126</b>	<b>1,788,422</b>	<b>\$3.92</b>	<b>\$4.91</b>	<b>\$3.87</b>

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

## MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3015 S 163 <sup>rd</sup> Street	Milwaukee Co.	Sterling Products, Inc.	Manufacturing	51,156
4410 N 132 <sup>nd</sup> Street	Milwaukee Co.	LKQ Corporation	Manufacturing	48,000
N56 W24701 Corporate Circle	Waukesha Co.	TKO Doors	Manufacturing	43,243
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
I & 2 World Packaging Circle	Milwaukee Co.	ET Franklin Pro-Packaging, LLC	\$33,000,000 / \$67	496,000
11700 W Capitol Drive	Milwaukee Co.	11700 Capitol LLC	\$5,250,000 / \$13	404,899
N85 W12545 Westbrook Crossing	Waukesha Co.	Broadstone AC Wisconsin, LLC	\$21,750,000 / \$69	315,000
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N96 W15009 County Line Road	Waukesha Co.	Fed-Ex Ground	Q2 2015	202,950 (100%)
541 S Industrial Drive	Waukesha Co.	Haraeus	Q2 2015	17,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Silver Spring Drive	Waukesha Co.	Sharp Packaging Systems	Q1 2016	151,970 (100%)
Lilly Creek Business Park	Waukesha Co.	Speculative	Q4 2015	146,423 (0%)
23455 W Watertown Road	Waukesha Co.	Speculative	Q1 2016	113,665 (0%)