**MARKETBEAT**

# Milwaukee

**Industrial Q1 2017**

## MILWAUKEE INDUSTRIAL

### Economic Indicators

| | Q1 16 | Q1 17 | 12-Month Forecast |
|---|---|---|---|
| Milwaukee Employment | 863k | 861k | |
| Milwaukee Unemployment | 5.0% | 4.2% | |
| U.S. Unemployment | 4.9% | 4.8% | |

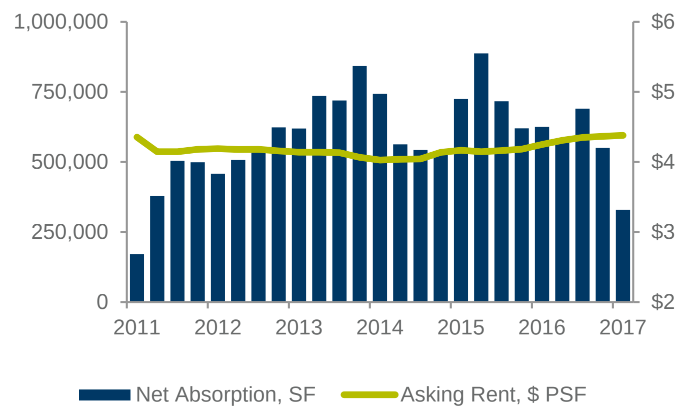
### Market Indicators (Overall, All Property Types)

| | Q1 16 | Q1 17 | 12-Month Forecast |
|---|---|---|---|
| Vacancy | 4.4% | 4.5% | |
| YTD Net Absorption (sf) | 885k | 0.3k | |
| Under Construction (sf) | 1.0M | 495k | |
| Average Asking Rent* | $4.41 | $4.45 | |

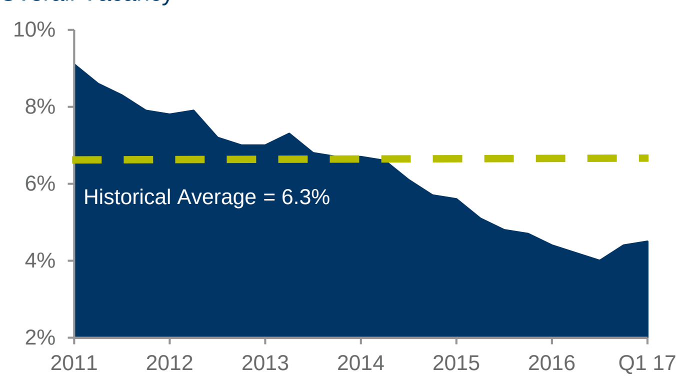
*Rental rates reflect net asking $psf/year

### Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE




### Overall Vacancy




## Economy

Wisconsin's unemployment rate dipped to 3.7% in February, the second consecutive month of posting sub 4% since 2001 and represents a 50 basis points decrease from a year ago. The 3.7% unemployment rate for Wisconsin remains lower than the national unemployment rate of 4.7%.

The latest National Manpower Employment Outlook survey from Milwaukee-based Manpower Group anticipates Metro Milwaukee employers having more optimism in regards to hiring when compared to the beginning of the year. The net employment outlook increased to 20%, up from 14% from the prior quarter, albeit down from 23% a year ago. Nationally, employers' inclination remains similar indicating that 19% are expecting hiring to increase in Q2 2017.

The Institute of Supply Management (ISM) Report on Manufacturing scored the Milwaukee area at 61.77 for March 2017. The March reading is the highest recorded since November 2014. A score in excess of 50 demonstrates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry. The report continued to show an upward trend of improvement, with all indices showing increased activity.

Wisconsin's manufacturing sector, according to the Chicago Federal Reserve's November Midwest Economy Index, reported that the industry is improving, where the index increased to 0.08 from 0.01. A reading above zero suggests the economy is expanding ahead of its historical growth rate.

## Market Overview

The Metro Milwaukee industrial region recorded a slight uptick from Q4 2016 in absorption, with 327 square feet (SF) absorbed, however, it is still a sharp decline in activity in comparison to quarters prior to Q4. The majority of the impact was felt throughout the office service/flex and the warehouse/ distribution asset types, where both product types experienced negative absorption; However, manufacturing activity still remains positive in Metro Milwaukee, with 133,920 SF of positive absorption. In turn, the overall vacancy rate increased 10-basis-points quarter-over-quarter, to 4.5%, the highest reported since Q4 2015.

## Outlook

Market fundamentals still remain strong in the Southeastern Wisconsin industrial market. The vacancy rate remains below the national average of 5.5%, construction activity (both speculative and built-to-suit) remains steady, and investors continue to have a heaty appetite for Metro Milwaukee assets.

**MARKETBEAT**

# Milwaukee

## Industrial Q1 2017

CUSHMAN & WAKEFIELD | BOERKE

| SUBMARKET | TOTAL BLDGS | INVENTORY (SF) | YTD USER SALES ACTIVITY (SF) | OVERALL VACANCY RATE | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL WEIGHTED AVG. NET RENT (MF) | OVERALL WEIGHTED AVG. NET RENT (OS) | OVERALL WEIGHTED AVG. NET RENT (W/D) |
|---|---|---|---|---|---|---|---|---|---|
| Milwaukee County | 1,438 | 94,094,647 | 711,508 | 5.4% | 16,782 | 243,500 | $4.08 | $5.17 | $3.61 |
| Ozaukee County | 179 | 11,907,957 | 123,174 | 8.3% | -50,312 | 94,270 | $6.11 | $2.98 | N/A |
| Washington County | 326 | 19,743,277 | 44,566 | 3.3% | 117,487 | 0 | $5.36 | $5.75 | $3.79 |
| Waukesha County | 1,510 | 72,150,405 | 423,940 | 3.0% | -83,630 | 157,000 | $5.56 | $5.58 | $4.78 |
| **MILWAUKEE TOTALS** | **3,453** | **197,896,286** | **1,303,188** | **4.5%** | **327** | **494,770** | **$4.70** | **$5.01** | **$3.88** |

*Rental rates reflect asking $psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

| | TOTAL BLDGS | INVENTORY (SF) | YTD USER SALES ACTIVITY (SF) | OVERALL VACANCY RATE | CURRENT OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | YTD CONSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG. NET RENT |
|---|---|---|---|---|---|---|---|---|---|
| Warehouse/Distribution | 590 | 50,982,893 | 91,704 | 6.9% | -105,206 | -105,206 | 255,270 | 101,560 | $3.88 |
| Manufacturing | 1,937 | 108,756,251 | 909,058 | 3.3% | 133,920 | 133,920 | 239,500 | 177,000 | $4.70 |
| Office Service/Flex | 926 | 38,157,142 | 302,426 | 4.6% | -28,387 | -28,387 | 0 | 0 | $5.01 |

## Key Lease Transactions Q1 2017

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|---|---|---|---|---|
| 7701 W Calumet Road | 138,480 | Sellars Absorbent Materials | Lease | Milwaukee County |
| 901 Northview Road | 116,176 | Kirby Products | Lease | Waukesha County |
| 303 W Marquette Avenue | 67,780 | WS Packaging Group, Inc. | Lease Renewal | Milwaukee County |
| 901 Northview Road | 42,496 | Hallmark Building Supply | Lease | Waukesha County |

## Key Sales Transactions Q1 2017

| PROPERTY | SF | SELLER/BUYER | PRICE / $PSF | SUBMARKET |
|---|---|---|---|---|
| 5555 S Packard Avenue | 415,000 | Joseph Dentice / Phoenix Investors | $14,500,000 / $35 | Milwaukee County |
| 4120 S Kansas and 4051 S Iowa | 375,895 | Nova Wildcat Shur-Line / Phoenix Investors | $8,800,000 / $23 | Milwaukee County |
| 5111 S 9th Street | 187,572 | Icon Mars Property / Leader Paper | $6,750,000 / $36 | Milwaukee County |
| 6161 N 64th Street | 178,979 | 64th Street LLC / Broadway Equities LLC | $6,000,000 / $34 | Milwaukee County |
| 10020 S Reinhart Drive | 171,114 | Liberty Property Development Corp. / Zilber Property Group | $10,525,000 / $62 | Milwaukee County |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