

# MARKETBEAT

## Milwaukee

### Industrial Q2 2017



CUSHMAN & WAKEFIELD

BOERKE

#### MILWAUKEE INDUSTRIAL

##### Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Milwaukee Employment	862k	866k	■
Milwaukee Unemployment	4.4%	3.5%	■
U.S. Unemployment	4.9%	4.4%	■

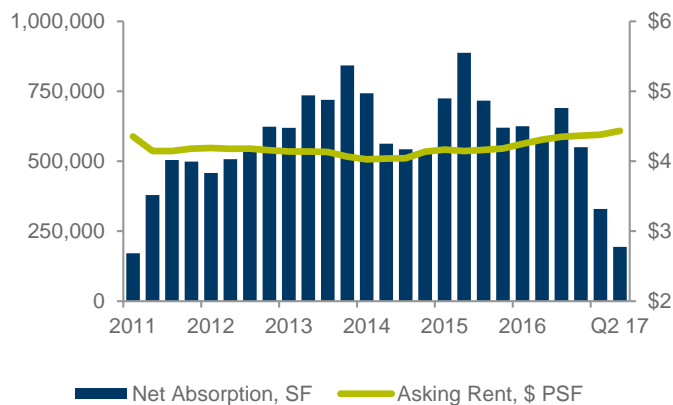
##### Market Indicators (Overall, All Property Types)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	4.2%	4.5%	■
YTD Net Absorption (sf)	1.6M	202k	■
Under Construction (sf)	1.1M	550k	■
Average Asking Rent*	\$4.33	\$4.55	■

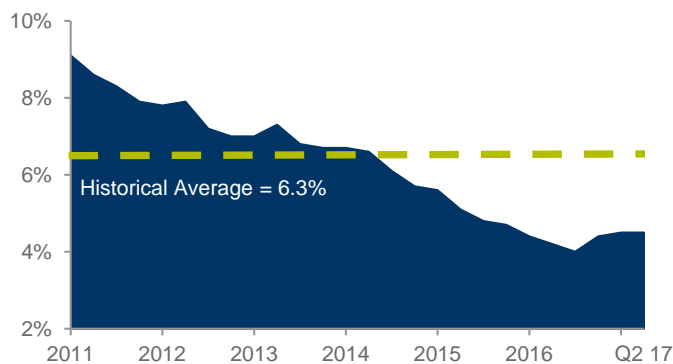
\*Rental rates reflect net asking \$psf/year

##### Overall Net Absorption/Overall Asking Rent

###### 4-QTR TRAILING AVERAGE



##### Overall Vacancy



## Economy

Wisconsin's unemployment rate fell to 3.1%, the lowest level reported since 1999 and represents a 100 basis points decrease from a year ago. This rate remains lower than the national unemployment rate of 4.4%.

The latest National Manpower Employment Outlook survey from Milwaukee-based Manpower Group anticipates Metro Milwaukee employers will maintain current levels of employment, with a net employment outlook reading of 20%, the same as the prior quarter. This reading of 20% is a result of 22% of respondents anticipating an increase in staff levels, with only 2% planning to decrease. The Milwaukee metro area is outpacing the national net employment outlook of 17%.

The Institute of Supply Management (ISM) Report on Manufacturing scored the Milwaukee area at 57.22 for May 2017. While a decline from March 2017, which was a record high since November 2014, the May reading above a 50 demonstrates growth as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry.

According to the Chicago Federal Reserve's April Midwest Economy Index, Wisconsin leads the five states in the Midwest region for strongest growth. Wisconsin's manufacturing sector index reported a 0.12 reading. A reading above zero suggests the economy is expanding ahead of its historical growth rate.

For the first time, Wisconsin was named by *Chief Executive* magazine as one of the 10 Best States for Business. The central location, business friendly policies, skilled workforce and dedication to building an effective economic development network were reasons for being selected among the best.

## Market Overview

The Metro Milwaukee industrial region is back on track with healthy activity after experiencing two prior quarters of weak absorption. In the second quarter of 2017, the industrial market posted 201,877 square feet (sf) of positive absorption. Milwaukee County captured the majority of the quarterly absorption, totaling 155,579 sf absorbed. Most of the absorption was the result of the Burnham Business Center speculative development that delivered fully leased. While the vacancy rate remained the same quarter-over-quarter at 4.5%, asking rents increased \$0.10 per square foot (psf) quarter-over-quarter to \$4.55 psf.

## Outlook

The Southeastern Wisconsin Industrial market continues to report strong activity and produce positive economic indicators. While the market has slowed when compared to prior years, investors and developers alike still have a healthy appetite for the Milwaukee market, where the vacancy rate continues to remain below the national average of 5.3%.

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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	1,433	94,322,444	1,310,169	5.4%	172,361	209,337	\$4.26	\$5.60	\$3.68
Ozaukee County	179	11,907,957	269,508	8.0%	-17,552	0	\$6.12	\$3.03	N/A
Washington County	326	19,743,277	150,566	3.4%	104,193	100,000	\$5.40	\$5.76	\$4.13
Waukesha County	1,510	72,208,734	1,329,743	3.0%	-56,798	241,000	\$5.68	\$5.87	\$4.88
<b>MILWAUKEE TOTALS</b>	<b>3,448</b>	<b>198,182,412</b>	<b>3,059,986</b>	<b>4.5%</b>	<b>202,204</b>	<b>550,337</b>	<b>\$4.88</b>	<b>\$5.22</b>	<b>\$3.95</b>

\*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	591	51,042,024	595,366	6.8%	243,783	138,577	242,337	422,830	\$3.95
Manufacturing	1,934	109,087,547	1,863,159	3.3%	-103,922	29,998	204,000	259,500	\$4.88
Office Service/Flex	923	38,052,841	601,461	4.7%	62,016	33,629	104,000	0	\$5.22

### Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4915 W Burnham Street	48,453	Potawatomi	Lease	Milwaukee County
6736 W Washington Street	43,982	Armstrong Transfer and Storage	Lease	Milwaukee County
4915 W Burnham Street	34,047	CertiFit, Inc.	Lease	Milwaukee County

### Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
5300 W Good Hope Road	174,875	Yorktown, LLC / Lokre Companies	\$3,300,000 / \$19	Milwaukee County
2006-2142 S 55 <sup>th</sup> Street	156,159	CRC Industrial Plaza, LLC / 2005 CRC, LLC	\$4,000,000 / \$26	Milwaukee County
5235 S International Drive	147,212	CenterPoint Properties Trust / WPT Capital Advisors	\$10,300,000 / \$70	Milwaukee County
W160N11736 Crusader Court	106,814	Gehl Family Investment Company, LLC / AGNL Dairy, LLC	\$6,107,330 / \$57	Washington County

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#### About Cushman & Wakefield

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