MARKETBEAT

Milwaukee

Industrial Q4 2016

CUSHMAN & WAKEFIELD | BOERKE

MILWAUKEE INDUSTRIAL

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Milwaukee Employment	858k	856k	▬
Milwaukee Unemployment	4.9%	4.4%	▬
U.S. Unemployment	5.0%	4.8%	▼

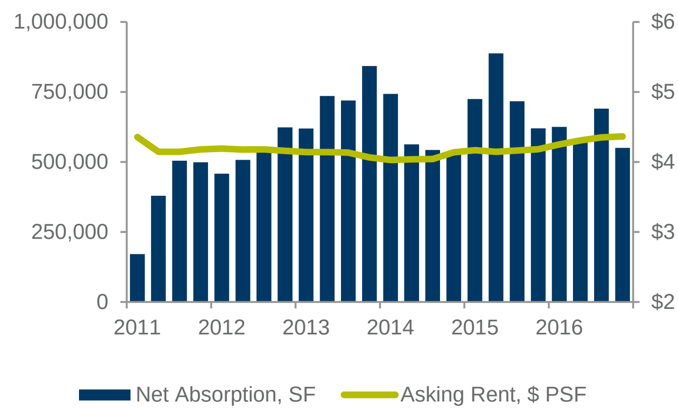
Market Indicators (Overall, All Property Types)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	4.7%	4.4%	▬
YTD Net Absorption (sf)	2.5M	2.2M	▬
Under Construction (sf)	1.0M	578k	▼
Average Asking Rent*	$4.29	$4.35	▬

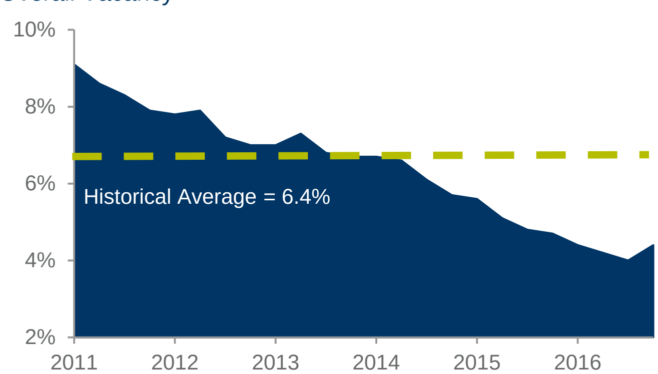
*Rental rates reflect net asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate has remained stable at 4.1% since November 2016 and reported a slight decline year-over-year with a 50-basis-point decline. The 4.1% unemployment rate for Wisconsin remains lower than the national unemployment rate of 4.6%.

The latest National Manpower Employment Outlook survey from Milwaukee-based Manpower Group anticipates Metro Milwaukee employers maintaining their current staffing levels into 2017, with a net employment outlook of 14%, down from 20% in 2015 and 17% for the prior quarter. Nationally, employers' inclination remains similar to Metro Milwaukee indicating that 13% are expecting hiring to increase in Q1 2017, whereas employment outlook for the Midwest is 11%.

The Institute of Supply Management (ISM) Report on Manufacturing scored southeastern Wisconsin at 51.23 for December 2016. 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 purchasing managers' index, while it has remained positive for two straight months, also highlights respondents' tepidness.

Wisconsin's manufacturing sector, according to the Chicago Federal Reserve's November Midwest Economy Index, reported that the industry is improving ever so slightly, where the index increased to 0.01 from 0.00. A reading above zero suggests the economy is expanding ahead of its historical growth rate.

Market Overview

For the first time since Q2 2010, the Milwaukee industrial market experienced negative overall absorption with a loss of 12,492 square feet (SF) during Q4 2016. The majority of the impact was felt in Milwaukee County, where over 173,000 SF of negative absorption was reported. Major losses include the former 138,000-SF Sam's Club on Calumet Road which was retrofitted for warehouse space, Gossen Corps. 78,000-SF facility closure on Cornell Street, and over 61,000 SF vacated by Bentley Packaging on Burnham Street. In turn, the overall vacancy rate increased 40-basis-points quarter-over-quarter. Despite the increase over the quarter, it still marks a 30-basis-point decrease in vacancy year-over-year.

Outlook

The Southeastern Wisconsin industrial market ended the year with solid activity and strong fundamentals as it relates to real estate activity. Strong demand for space is anticipated to continue with a healthy supply pipeline in early 2017.

MARKETBEAT

Milwaukee

Industrial Q4 2016

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	1,447	94,548,583	2,083,575	5.3%	458,345	294,500	$4.10	$4.99	$3.53
Ozaukee County	178	11,826,179	93,104	8.0%	-85,407	94,270	$4.79	$2.91	N/A
Washington County	330	19,803,960	194,857	3.8%	190,957	32,000	$5.91	$5.70	$4.23
Waukesha County	1,508	71,853,954	1,399,972	2.7%	1,637,923	157,000	$5.24	$5.81	$4.85
MILWAUKEE TOTALS	**3,463**	**198,032,676**	**3,771,508**	**4.4%**	**2,201,818**	**577,770**	**$4.48**	**$4.99**	**$3.85**

*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	594	50,913,393	631,701	6.5%	-68,283	298,533	308,270	797,500	$3.85
Manufacturing	1941	108,799,928	2,535,564	3.2%	85,086	1,292,612	269,500	1,075,986	$4.48
Office Service/Flex	928	38,319,355	604,243	4.8%	-29,295	610,673	0	73,973	$4.99

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Zilber Industrial I & II – Manhardt Drive	240,000	MillerCoors	Lease	Waukesha County
4143 N 27th Street	155,856	Briggs & Stratton	Lease	Milwaukee County
7515 N 81st Street	114,844	Buske Lines	Lease	Waukesha County
CrossLake Airport Industrial	113,778	Menasha Paper	Lease	Milwaukee County

Key Sales Transactions 2016

PROPERTY	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
901 North Street	341,523	BLWL / Phoenix Investors	$894,000 / $3	Ozaukee County
Airport International Center	340,272	MLG Capital / First Industrial	$8,500,000 / $25	Milwaukee County
200 W Capitol Drive	279,636	BWP Holdings LLC / LCM Funds 43 High Bay LLC	$5,820,000 / $21	Milwaukee County
13118 W Leon Road	255,677	Arandell / W.P. Carey	$15,800,000 / $62	Waukesha County

Cushman & Wakefield |
The Boerke Company
731 N Jackson Street, Suite 700
Milwaukee, WI 53202
cushmanwakefield.com

For more information, contact:
Katie Gremban, Director of Research
Tel: +1 414 203 3045
kgremban@boerke.com