

MARKETBEAT

Milwaukee

Industrial Q3 2016



CUSHMAN & WAKEFIELD

BOERKE

MILWAUKEE INDUSTRIAL

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Milwaukee Employment	855k	860k	▲
Milwaukee Unemployment	4.9%	4.4%	▲
U.S. Unemployment	5.2%	4.9%	▼

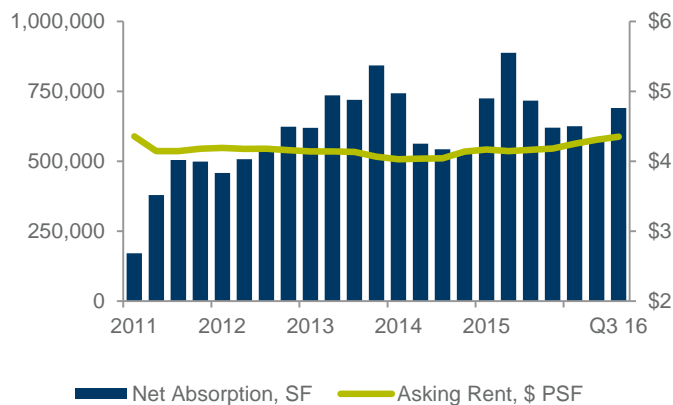
Market Indicators (Overall, All Property Types)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	4.8%	4.0%	▲
Net Absorption (sf)	145k	586k	▲
Under Construction (sf)	1.4M	1.1M	▼
Average Asking Rent*	\$4.22	\$4.39	▲

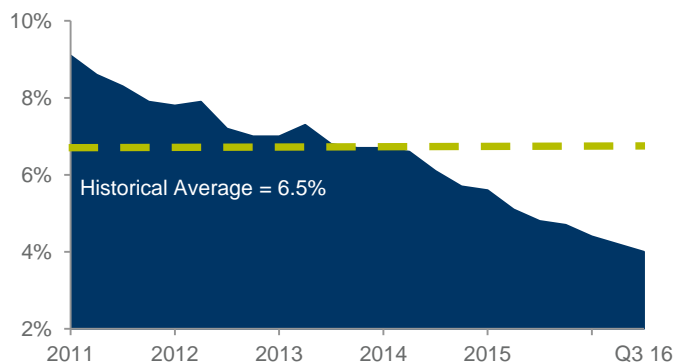
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate has remained stable at 4.2% since May 2016 and has reported only a slight decline year-over-year with a 40-basis-point decline. The 4.2% unemployment rate for Wisconsin remains lower than the national unemployment rate of 4.9%.

According to The Institute of Supply Management (ISM) Report on Manufacturing, national economic activity in the manufacturing sector scored a 51.5 for September 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 returned to growth for September, still represents tepid growth. Of the 18 manufacturing industries surveyed, 38.8% reported growth, including nonmetallic mineral products, furniture & related products, textile mills, food, beverage & tobacco products, computer & electronic products, miscellaneous manufacturing, and paper products.

According to the National Association of Manufacturers, Wisconsin ranks number two in the nation (behind Indiana) in percentage of workforce employed in the manufacturing sector, at 16.4%. Manufacturers in Wisconsin, of which 462,000 are employed, account for 19.0% of the gross domestic product and contributes more than \$57 billion to Wisconsin's economic growth.

Market Overview

For the 25th consecutive quarter, the Milwaukee industrial market experienced positive overall absorption, with 585,596 square feet (SF) absorbed during the third quarter. Milwaukee and Waukesha Counties continue to capture the majority of quarterly absorption, posting 530,261 SF absorbed. Much of the absorption can be contributed to manufacturing leasing activity, which reported a 4.2% increase over second quarter. The overall vacancy rate declined slightly to 4.0%, marking a 80-basis-point decrease year-over-year.

Outlook

The Southeastern Wisconsin industrial market continues to display positive growth and strong fundamentals as it relates to real estate activity. Speculative development is anticipated to slow as the nation heads into the Presidential Election season.

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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 (WD)
Milwaukee County	1,447	94,112,313	1,500,754	4.7%	632,124	185,107	\$3.90	\$4.62	\$3.65
Ozaukee County	178	11,826,179	56,706	7.0%	-73,792	94,270	\$4.92	\$4.22	N/A
Washington County	329	19,711,444	145,386	3.9%	162,404	88,600	\$5.57	\$5.83	\$6.45
Waukesha County	1,508	71,816,196	1,228,636	2.5%	1,493,574	730,773	\$5.13	\$5.68	\$5.00
MILWAUKEE TOTALS	3,462	197,466,132	2,931,482	4.0%	2,214,310	1,098,750	\$4.36	\$5.05	\$4.01

*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	600	51,038,266	581,291	6.3%	-8,555	366,816	570,270	404,500	\$4.01
Manufacturing	1933	108,000,345	1,850,761	2.7%	523,589	1,207,526	52,973	869,979	\$4.36
Office Service/Flex	929	38,427,521	499,430	4.3%	70,562	639,968	475,507	21,000	\$5.05

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
9009 N 51 st Street	154,800	Milco Manufacturing Company	Lease	Milwaukee County
7300 N 60 th Street	98,927	Sellars Absorbent Materials, Inc.	Lease	Milwaukee County
23790 W Commerce Circle	77,700	Undisclosed	Lease	Waukesha County
N117W18456 Fulton Drive	67,200	WestRock Company	Lease	Washington County

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
200 W Capitol Drive	279,636	BWP Holdings LLC / LCM Funds 43 High Bay LLC	\$5,820,000 / \$21	Milwaukee County
807 W Juneau Avenue	123,986	Brewery Project LLC / SSL Milwaukee LLC	\$2,500,000 / \$15	Milwaukee County
11100 W Cleveland Avenue	123,986	WI Self Storage West Allis LLC / SSV West Allis LLC	\$7,800,000 / \$63	Milwaukee County
1111 Cedar Creek Road	74,678	CPL Industries Inc. / Harry Sperber Family Trust	\$2,750,000 / \$37	Ozaukee County

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