

Industrial Q4 2019

YoY Chg 12-Mo. Forecast

4.3%
Vacancy Rate



3.2M
YTD Net Absorption, SF



\$4.47
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

885.4k
Milwaukee Employment



3.5%
Milwaukee Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

ECONOMY

Wisconsin's unemployment rate increased by 20 basis points (bps) to 3.3% in the fourth quarter 2019. Year-over-year, the unemployment rate increased 30 bps. Wisconsin continues to post an unemployment rate lower than the national average of 3.6%. The Marquette-Institute of Supply Management (ISM) Report on Manufacturing scored the Milwaukee area at 45.1 for December 2019, a decrease of 2.98 points from November 2019 and the sixth consecutive month of contraction. A reading below 50 demonstrates contraction as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry.

MARKET OVERVIEW

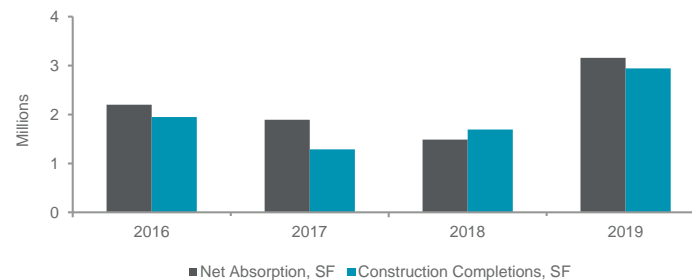
The Metro Milwaukee industrial market finished 2019 with robust activity, showing no signs of slowdown in 2020. Leasing activity totaled 1.4 million square feet (msf) in fourth quarter 2019, up 141% quarter-over-quarter and finished the year at 4.4 msf. Overall vacancy increased 30 bps to 4.3%, largely due to a handful of vacancies that resulted in over 600,000 square feet (sf) of newly vacated space in Class B and C buildings. Net absorption however remained over 600,000 sf for the quarter overall, heavily impacted by two 3PL leases signed in Germantown and Milwaukee.

Construction activity continued its record setting pace in the fourth quarter of 2019, reflecting the highest level of construction deliveries since pre-recession times. Year-end, nearly 3.0 msf was delivered, of which 56%, or 1.6 msf is speculative development. Specifically, the I-41 North corridor in Washington County accounted for the largest velocity of new speculative deliveries with over 953,000 sf completed across six buildings, of which 35% is pre-leased. Additionally, the Airport-South region of Milwaukee County also remains a hot-bed of activity with nearly 500,000 sf completed across four buildings. The Metro Milwaukee region is showing no signs of slowing down. Currently, over 4.6 msf is currently under construction and set to deliver in 2020 and an additional 3.5 msf proposed to break ground in 2020.

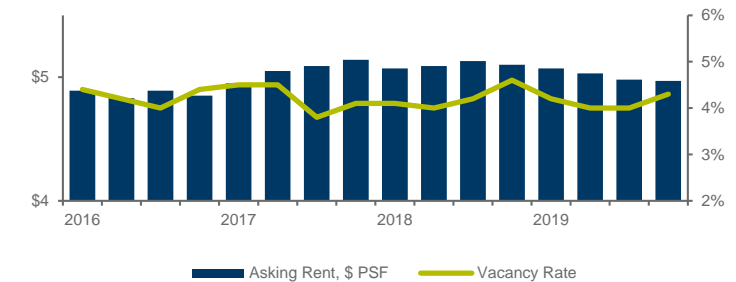
OUTLOOK

While Milwaukee has long been known as a manufacturing city, the region is no longer as dependent on manufacturing. This was demonstrated by the extremely strong year of growth in 2019, while the manufacturing sector contracted. In 2020, expect to see a steady volume of leasing activity, with much of the newly delivered speculative development fully leasing up. Strong absorption figures will stay consistent during upcoming construction deliveries with strong pre-leasing activity. Anticipate average triple net asking rents to remain above \$4.50 per square foot (psf), with average asking rents for Class A product at \$5.50 psf NNN.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MILWAUKEE



CUSHMAN &
WAKEFIELD

BOERKE

Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)*	OVERALL WEIGHTED AVG NET RENT (OS)*	OVERALL WEIGHTED AVG NET RENT (W/D)*
Milwaukee County	98,045,791	6,664,162	6.8%	73,752	562,614	3,070,370	995,792	\$4.04	\$5.74	\$4.04
Ozaukee County	11,777,558	562,970	4.8%	39,744	95,600	0	0	\$4.22	\$5.22	NA
Washington County	20,997,822	451,776	2.2%	256,598	1,103,658	600,868	1,330,172	\$5.64	\$5.00	\$5.53
Waukesha County	73,745,607	1,094,665	1.5%	239,198	1,396,901	956,845	615,546	\$5.32	\$6.15	\$6.75
MILWAUKEE TOTALS	204,566,778	8,773,573	4.3%	609,292	3,158,773	4,628,083	2,941,510	\$4.28	\$5.80	\$4.20

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

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

CLASSES	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Manufacturing	110,105,466	2,891,337	2.6%	-119,473	936,699	1,392,210	1,371,295	\$4.28
Office Service / Flex	37,748,481	1,105,688	2.9%	98,948	363,449	0	258,000	\$5.80
Warehouse / Distribution	56,712,831	4,776,548	8.4%	629,817	1,858,625	3,235,873	1,312,215	\$4.20

KEY LEASE TRANSACTIONS 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
11800 W Burleigh Street, Wauwatosa	Milwaukee County	Undisclosed	289,940	New
7025 W Parkland Court, Milwaukee	Milwaukee County	Wacker Neuson SE	230,751	New
W210N12800 Gateway Crossing, Germantown	Washington County	Smart Warehousing	198,648	New
16595 W Stratton Drive, New Berlin	Waukesha County	Christopher Morgan Fulfillment Services	171,000	Renewal
5150 International Drive, Cudahy	Milwaukee County	Rexnord	150,465	Renewal

KEY SALES TRANSACTIONS 2019

PROPERTY	SUBMARKET	BUYER/SELLER	SF	PRICE/\$ PSF
W.P. Carey Acquisition, Hartford & Milwaukee	Milwaukee and Washington County	W.P. Carey, Inc. / Cod Real Estate Holdings, LLC	466,197	\$30.1M / \$65
4143 N 27 th Street, Milwaukee	Milwaukee County	Century City Industrial LLC / Phoenix Investors, LLC	283,769	\$6.1M / \$22
10000 S Franklin Drive, Franklin	Milwaukee County	Exeter 10000 S Franklin, LLC / TI Investors of Franklin, LLC	246,187	\$17.8M / \$72

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KEY CONSTRUCTION COMPLETIONS 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
W210N12800 Holy Hill Road, Germantown	Washington County	Briggs & Stratton	706,044	Zilber
W210N12800 Gateway Crossing I & II, Germantown	Washington County	Speculative	403,048 Combined	Zilber

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