

MARKET TRENDS

Q4 2018 | Milwaukee | Industrial

Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	800,930	
Area Unemployment	3.0	
U.S. Unemployment	3.8	
Manufacturing Jobs	121,900	

Source: BLS

*Employment figures and area unemployment are based on Milwaukee MSA data.

Market Recap

Total Inventory (sf)	355,695,961
Total # of Bldgs	6,460
Availability	5.4%
Vacancy	3.5%
Asking Rate (NNN)	\$4.87
Under Construction (sf)	3,930,100

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Milwaukee metropolitan statistical area (MSA) decreased 10 basis points from 3.1% in October 2017 to 3.0% in October 2018. The unemployment rate for the US was at 3.8% in October 2018, up from 3.0% for the state of Wisconsin. While the Milwaukee MSA saw little to no change in job growth, manufacturing jobs grew by over 3,200 during the same period.

Market Overview

The Milwaukee Industrial market, consisting of 355 msf of space in eight counties across Southeastern Wisconsin, posted an availability rate of 5.4% for Q4 2018. The vacancy rate for the market stands at 3.5% to close out 2018. The average asking lease rate for Southeastern Wisconsin came in at \$4.87 psf NNN. To date, there are over 20 tracked construction projects throughout the market, totaling just over 3.9 msf.

Market Highlights

Despite the positive net absorption streak being broken this year due to JC Penny Logistics vacating over 2.2 msf of space in Wauwatosa, overall market activity continues to improve as the vacancy rate remains at or below 4.0%. At the close of Q4 2018, the market experienced over 1.8 msf of leasing activity, including a 11,590 sf lease at the former JCP Logistics facility at 11800 W Burleigh St in Wauwatosa. In total, the top five lease transactions accounted for just under 1.0 msf throughout Southeastern Wisconsin.

Market Statistics by County

County	Property Type	Inventory (sf)	# of Bldgs	Availability (%)	Vacancy (%)	Asking Lease Rate NNN (\$)
Milwaukee County	Flex/R&D	2,016,126	36	20.4	14.9	5.13
	Manufacturing	61,151,169	712	4.2	2.2	4.03
	Warehouse/Distribution	37,262,461	558	10.0	8.4	4.46
	Warehouse/Office	24,315,101	644	14.9	8.5	4.53
	SUBTOTAL	124,744,857	1,950	8.3	5.5	4.46
Waukesha County	Flex/R&D	3,906,333	111	7.6	5.2	5.92
	Manufacturing	38,075,870	727	1.7	0.7	6.22
	Warehouse/Distribution	17,675,767	342	4.6	3.1	5.36
	Warehouse/Office	22,070,877	904	6.4	4.2	5.29
	SUBTOTAL	81,728,847	2,084	4.0	2.4	5.49
Ozaukee County	Flex/R&D	475,322	15	9.0	5.1	7.50
	Manufacturing	9,407,199	147	4.4	3.0	3.54
	Warehouse/Distribution	1,804,828	29	3.5	2.8	5.50
	Warehouse/Office	2,556,428	74	19.1	16.1	5.61
	SUBTOTAL	14,243,777	265	7.1	5.4	5.10
Washington County	Flex/R&D	453,795	16	10.3	12.7	4.25
	Manufacturing	13,770,563	293	1.9	0.9	4.54
	Warehouse/Distribution	6,598,399	145	0.9	0.9	3.80
	Warehouse/Office	6,060,239	244	3.6	3.1	5.03
	SUBTOTAL	26,882,996	698	2.2	1.6	4.62
Sheboygan County	Flex/R&D	31,069	1	0.0	0.0	-
	Manufacturing	22,209,354	203	1.0	1.0	4.00
	Warehouse/Distribution	3,374,263	56	0.0	0.0	-
	Warehouse/Office	1,815,053	77	1.1	0.6	4.35
	SUBTOTAL	27,429,739	337	0.9	0.8	4.23
Walworth County	Flex/R&D	72,646	2	0.0	0.0	-
	Manufacturing	9,619,496	156	1.9	0.0	3.50
	Warehouse/Distribution	3,028,431	51	0.0	0.0	-
	Warehouse/Office	1,659,978	90	15.0	12.2	4.13
	SUBTOTAL	14,380,551	299	3.0	1.4	3.97
Racine County	Flex/R&D	724,849	13	17.4	5.7	4.23
	Manufacturing	17,036,249	232	1.7	1.1	4.25
	Warehouse/Distribution	9,779,947	132	3.6	1.8	4.55
	Warehouse/Office	5,879,192	171	10.4	10.4	5.18
	SUBTOTAL	33,420,237	548	4.1	3.1	4.77
Kenosha County	Flex/R&D	363,467	1	100.0	0.0	3.85
	Manufacturing	8,458,200	117	2.8	0.8	4.00
	Warehouse/Distribution	18,133,952	84	4.5	2.1	4.75
	Warehouse/Office	5,909,338	77	11.8	8.7	5.10
	SUBTOTAL	32,864,957	279	6.4	3.0	4.61
OVERALL MARKET	GRAND TOTAL	355,695,961	6,460	5.4	3.5	4.87

Market Statistics by Submarket (Milwaukee County)

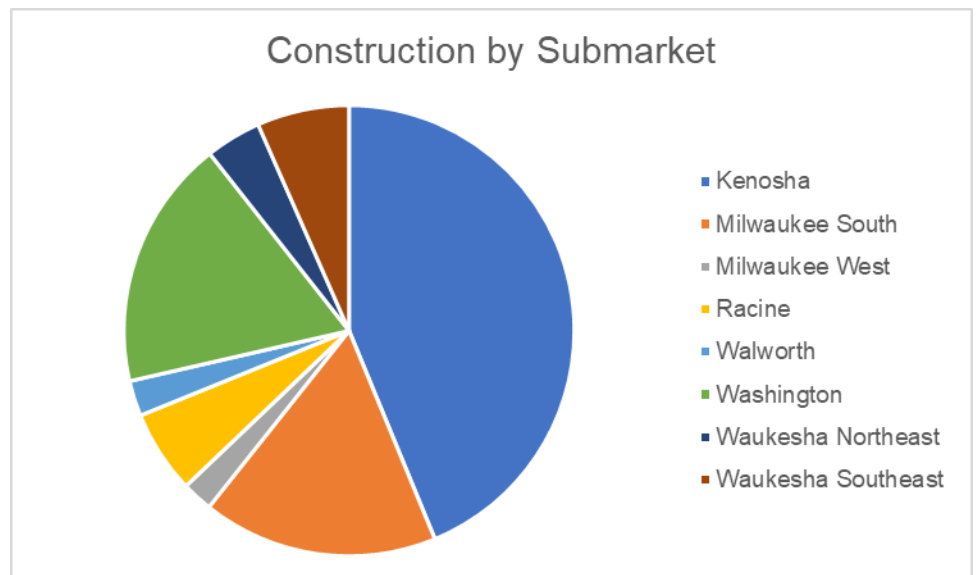
Submarket	Property Type	Inventory (sf)	# of Bldgs	Availability (%)	Vacancy (%)	Asking Lease Rate NNN (\$)
Milwaukee Downtown	Flex/R&D	10,470,817	133	2.8	0.2	2.88
	Manufacturing	4,144,189	119	5.0	3.1	5.29
	Warehouse/Distribution	5,589,864	86	7.9	4.3	4.12
	Warehouse/Office	32,619	1	0.0	0.0	-
	SUBTOTAL	20,237,489	339	4.6	1.9	4.47
Milwaukee North Shore	Flex/R&D	4,138,664	40	3.9	0.0	4.13
	Manufacturing	3,107,577	66	27.3	18.4	4.50
	Warehouse/Distribution	2,459,559	31	4.8	4.2	3.94
	Warehouse/Office	282,667	9	41.2	28.5	4.50
	SUBTOTAL	9,988,467	146	12.5	7.6	4.30
Milwaukee North Central	Flex/R&D	7,236,714	70	5.4	5.6	3.04
	Manufacturing	2,845,638	54	16.6	8.6	3.23
	Warehouse/Distribution	3,294,590	73	2.5	1.7	3.00
	Warehouse/Office	71,451	1	0.0	0.0	-
	SUBTOTAL	13,448,393	198	7.0	5.3	3.13
Milwaukee Northwest	Flex/R&D	10,222,127	169	5.4	1.8	4.83
	Manufacturing	2,937,771	88	13.4	6.7	4.08
	Warehouse/Distribution	8,292,178	137	4.4	1.2	4.40
	Warehouse/Office	458,043	6	2.0	2.0	4.75
	SUBTOTAL	21,910,119	400	6.0	2.2	4.38
Milwaukee West	Flex/R&D	11,108,140	80	3.0	3.0	3.73
	Manufacturing	5,159,301	140	10.8	4.3	5.02
	Warehouse/Distribution	5,718,175	71	35.6	39.0	4.15
	Warehouse/Office	697,675	9	8.3	1.9	-
	SUBTOTAL	22,683,291	300	13.2	12.3	4.71
Milwaukee South	Flex/R&D	17,902,051	218	4.6	2.3	3.82
	Manufacturing	6,101,317	176	19.0	11.6	4.57
	Warehouse/Distribution	11,908,095	160	5.4	3.4	4.93
	Warehouse/Office	473,671	10	48.0	41.5	6.50
	SUBTOTAL	36,385,134	564	7.9	4.7	4.74
Milwaukee County	GRAND TOTAL	124,744,857	1,950	8.3	5.5	4.46

Market Statistics by Submarket (Waukesha County)

Submarket	Property Type	Inventory (sf)	# of Bldgs	Availability (%)	Vacancy (%)	Asking Lease Rate NNN (\$)
Waukesha Northeast	Flex/R&D	11,405,251	218	0.8	0.6	6.65
	Manufacturing	6,772,495	278	8.8	5.3	5.23
	Warehouse/Distribution	3,899,335	71	6.7	1.6	5.84
	Warehouse/Office	833,515	22	4.3	3.4	5.05
	SUBTOTAL	22,910,596	589	4.3	2.3	5.41
Waukesha Northwest	Flex/R&D	11,141,930	167	1.5	0.9	4.60
	Manufacturing	5,102,401	176	5.3	4.9	5.07
	Warehouse/Distribution	5,386,688	107	3.4	4.4	4.68
	Warehouse/Office	1,437,700	43	9.9	8.3	5.91
	SUBTOTAL	23,068,719	493	3.3	3.1	5.17
Waukesha Southeast	Flex/R&D	5,696,900	119	2.9	1.5	7.67
	Manufacturing	5,273,652	179	5.2	2.0	4.74
	Warehouse/Distribution	4,438,359	50	4.5	1.8	4.84
	Warehouse/Office	909,976	20	1.9	1.9	6.50
	SUBTOTAL	16,318,887	368	4.0	1.8	5.43
Waukesha Southwest	Flex/R&D	9,904,445	225	2.3	0.0	3.85
	Manufacturing	4,941,637	272	5.3	2.3	6.10
	Warehouse/Distribution	3,951,385	114	4.4	4.4	6.88
	Warehouse/Office	725,142	26	14.1	5.3	6.28
	SUBTOTAL	19,522,609	637	3.9	1.7	6.13
Waukesha County	GRAND TOTAL	81,728,847	2,084	4.0	2.4	5.49

Construction by Submarket

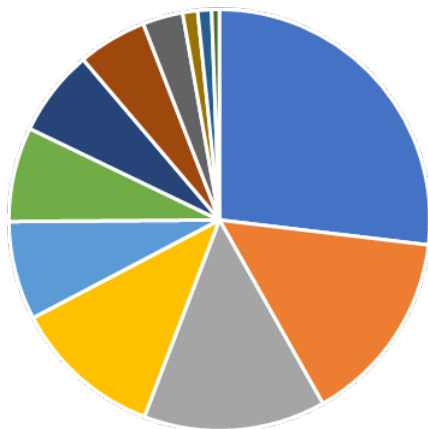
Submarket	U/C sf
Kenosha	1,719,187
Milwaukee South	664,236
Milwaukee West	86,574
Racine	234,318
Walworth	100,000
Washington	706,044
Waukesha Northeast	157,000
Waukesha Southeast	259,741
Total	3,927,100



Leasing Activity

Property Name	Tenant	Occupancy	Submarket	Leased sf
2600 Enterprise Dr, Sturtevant	SC Johnson (R)	Q1 2019	Racine	432,000
6051 S Moorland Rd, New Berlin	ECM Industries	Q4 2018	Waukesha Southeast	192,800
Zilber Industrial II, Pleasant Prairie	Confidential	Q1 2019	Kenosha	149,811
6600 N Industrial Rd, Milwaukee	Lube-Tech & Partners, LLC	Q4 2019	Milwaukee Northwest	111,725
11800 W Burleigh St, Wauwatosa	Confidential	Q4 2019	Milwaukee West	111,590

Total Leased Space by Submarket



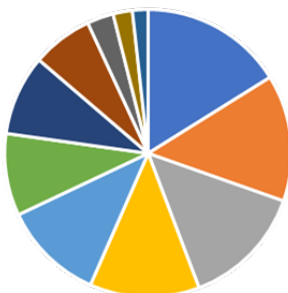
- Racine
- Milwaukee West
- Waukesha Southeast
- Waukesha Northeast
- Kenosha
- Milwaukee Northwest
- Milwaukee South
- Milwaukee North Central
- Washington
- Waukesha Northwest
- Walworth
- Ozaukee

Submarket	Leased sf
Racine	549,759
Waukesha Southeast	285,818
Waukesha Northeast	235,169
Kenosha	154,811
Milwaukee Northwest	148,442
Milwaukee West	141,863
Milwaukee South	135,944
Milwaukee North Central	108,600
Washington	63,191
Waukesha Northwest	23,449
Walworth	21,778
Ozaukee	12,146

Sales Activity

Property Name	Buyer	Seller	Submarket	Sale Price (\$)
N102 W19400 Willow Creek Way, Germantown	Stag Industrial	Weas Development	Washington	14,100,000
11601 W Bradley Rd, Milwaukee (Portfolio)	The Luther Group	Park Place Technology Partners, LLC	Milwaukee Northwest	5,590,000
5000 W Electric Ave, West Milwaukee	Zilber Property Group	AG Leasing Company	Milwaukee West	5,400,000
1741 W St Paul Ave, Milwaukee	Bachman Furniture	LCM Funds	Milwaukee Downtown	1,500,000
1825 W St Paul Ave, Milwaukee	BBC Lighting	LCM Funds	Milwaukee Downtown	1,400,000

Total Space Sold by Submarket



- Washington
- Milwaukee Downtown
- Milwaukee Northwest
- Waukesha Southwest
- Milwaukee West
- Waukesha Northwest
- Milwaukee South
- Ozaukee
- Milwaukee North Shore
- Walworth
- Waukesha Southeast

Submarket	Sale sf
Washington	162,230
Milwaukee Downtown	143,268
Milwaukee Northwest	139,254
Waukesha Southwest	124,328
Milwaukee West	114,425
Waukesha Northwest	92,987
Milwaukee South	90,760
Ozaukee	68,750
Milwaukee North Shore	29,941
Walworth	21,871
Waukesha Southeast	17,704

Methodology

The Milwaukee market consists of all industrial buildings 10,000 sf or larger in Southeast Wisconsin. The geographic area includes Milwaukee, Waukesha, Ozaukee, Washington, Sheboygan, Walworth, Racine and Kenosha counties. Property types included in the tracked set consist of Flex/R&D, Manufacturing, Warehouse/Office and Warehouse/Distribution. The tracked set does not include self-storage facilities and non-conforming property types such as grain elevators or fuel storage facilities. All tracked properties are existing. Statistically, net absorption will be calculated based on occupancy change during the current quarter. Asking lease rates are based on an average asking rate and noted on a NNN basis.

Terminology

Direct Vacant (sf)	The total vacant square footage in a building marketed by an agent representing the landlord
Inventory	The total square footage (sf) of all tracked single and multi-tenant industrial buildings 10,000 sf or larger
Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in square feet
Property Type	The classification of a property based on the specific use
Sublease (sf)	Space available for lease by a tenant for part or all of a leased premises, with the original tenant retaining some right or interest under the original lease. Space is only considered vacant if unoccupied
Total Available (sf)	Total of all space within a building marketed for lease, which can be occupied or vacant, direct or sublease
Total Vacant (sf)	Total of all unoccupied space within a building marketed for lease, which can be direct or sublease
Average Asking Rate	The average asking lease rate expressed as a per square foot value in NNN terms

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