EVERYTHING YOU NEED TO KNOW IN 1 PAGE WISCONSIN INDUSTRIAL RE

Report Produced by C&W | The Boerke Company's Research Department and the Industrial Team's Jeff Hoffman & Chad Vande Zande

JANUARY 2016

BANNER 2015 PAVES THE PATH FOR NEW SUPPLY

MARKET OVERVIEW

New product is finally hitting the market with nearly 1.9 million square feet (msf) of speculative buildings being delivered through spring of 2016 and an additional 1 msf of product on the drawing board. The market is reacting positively to new product as both Liberty's 171,000 sf spec in Oak Creek and Wangard's 60,000 sf spec in West Allis are fully leased as of Q4.

Massive absorption in the Milwaukee NW submarket in 2015 in B/C space also means great news for new developments in 2016 as commodity product is being taken out of the marketplace. **Metro Milwaukee is the 2nd best performing like kind market nationally within the Cushman & Wakefield network with a vacancy rate of 4.8% (Orange County, CA was 3%).**

KEY TAKEAWAYS FROM 2015

- Local Manufacturing has been hit hard, Milwaukee has experienced 10 consecutive months of ISM contraction and the national level hit a 6 year low in December.
- On the warehousing/distribution side, haulers are benefitting from lower fuel costs, however macro concerns caused orders for heavy trucks to plunge by 37% in December.
- While spec product is being delivered into the market, the amount is still very modest compared to total inventory. As an example, the North market is only delivering 146,000 SF of spec, or 0.36% of the total NAIOP competitive inventory, and the West market is delivering 1.19% of total NAIOP competitive inventory.
- Markets are still functioning very efficiently. Why hasn't there been more spec development? Wisconsin has averaged only 1.575% annual GDP growth from 2011-2014.

WHAT TO LOOK FOR IN 2016

- Wisconsin GDP will once again fall below 2% due to exposure in manufacturing. Given slow growth and a robust supply pipeline, vacancy rates will likely increase in 2016.
- Tough to see cap rates compressing further in SE Wisconsin with core cap rates hitting the high 6 range. Value needs to be created through rental rate growth and term.
- Tenants have very limited options for Class A amenity space in the Milwaukee North and Waukesha West market with 7 buildings available. With deals advancing on 4 of these options, the market could be left with 3 A spaces by the end of Q1 2016. As tight as these two markets are, Racine County is experiencing a glut of new development with the delivery of 660,000 SF of spec space in 2016. With this added inventory, vacancy could spike to north of 10% by mid-2016.

"There is nearly 1.9 million square feet of speculative buildings being delivered by spring of 2016 and additional 1 msf of product on the drawing board."

KEY THEME FOR 2016: General industrial market slowdown is hitting when brick & mortar supply is ramping up. Keep a close eye on the longevity of the occupier slow up.

CUSHMAN & WAKEFIELD | The Boerke Company, Inc.

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WHO WE ARE

We are a leading global real estate services firm that helps clients transform the way people work, shop and live

CUSHMAN & WAKEFIELD

The Boerke Company, Inc

Vande Zande / Hoffman Team Transactions in 2015:

CenterPoint Properties

1020 N Pointe,
Harahan, SC
– 330,000 SF
Investment Sale

STERLING

2900 S 16th Street,
New Berlin, WI
187,000 SF Lease
Renewal

Danfoss

8800 W Bradley Road,
Milwaukee, WI
78,000 SF Lease
Renewal

amazon.com

3935 & 4111 W Mitchell St
Milwaukee, WI
49,000 SF New Lease

Silvercote Lamination

Yellowstone Dr.
Marshfield, WI
50,000 SF Build To Suit

Red Bull

11528 W Rogers Street,
West Allis, WI
20,000 SF New Lease

DHI CORP.

5201 W Donges Bay
Road, Mequon –
147,000 SF Lease
Renewal

HILMOT

11925 W Carmen
Avenue, Milwaukee -
100,000 SF User
Acquisition

d&h Industries

1880 Executive
Drive, Oconomowoc
– 57,000 SF User
Acquisition

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