



Introduction

Industrial market fundamentals remain strong moving into the last part of the year. Vacancy and availability remain tight as net absorption is on pace to match or surpass 2017. Large user activity continues to impact the market. Not only are users leasing large blocks of industrial space, but industrial companies are making investments in corporate campuses in Milwaukee. Brownsville's Michels Corporation released plans in Milwaukee's Harbor District for a six-acre, mixed-use development that is aimed at attracting millennial talent. The proposed development will have office space for 200 employees, as well as multi-family, retail and a hotel. The campus is located in close proximity to the increased activity generated by the Foxconn campus.

Komatsu Mining Corp announced plans for a \$285 million development spanning 54-acres at the Solvay Coke Site on Milwaukee's inner harbor. The planned site will house 170,000 square feet of office and 410,000 square feet of manufacturing space, as well as a training center, museum and company store. Briggs and Stratton also committed to lease 700,000 square feet of space in Germantown. Moving into Q4, users are likely to continue to be active.

Economic Activity

Moving into the home stretch of 2018, manufacturing indicators and employment numbers remain strong. State and local employment numbers continue to outperform the national average, despite annual wage growth in the metro area lagging behind national and regional averages. Per the Chicago Federal Reserve's MEI, the Midwest continues to experience overall growth. The growth across all states is driven by manufacturing, with Illinois and Wisconsin having the strongest contribution in this category. Wisconsin continues to lag in both the services and consumer sectors.

MANUFACTURING JOBS

September 2018



489,600
Wisconsin



123,300
Milwaukee-Waukesha-West Allis MSA

Source: Bureau of Labor Statistics, August 2018



Market Indicators

	Compared to	
	Q2 2018 Qrt Over Qrt	Q3 2017 Yr Over Yr
VACANCY	↓	↓
NET ABSORPTION	↑	↓
CONSTRUCTION	↑	↑

Economic Indicators

	Quarter over Quarter	
METRO MKE UNEMPL.	3.6%	↑
WISCONSIN UNEMPL.	3.0%	↑
NATIONAL UNEMPL.	3.7%	↓
WI MEI*	0.11	↓

Source: Bureau of Labor Statistics, September 2018

*Relative Midwest Economy Index: Wisconsin's contribution to the Chicago FED Midwest Economy Index. A positive value signals above average performance

Summary Statistics

Q3 2018 Industrial Market	OS	MF	WD
Vacancy Rate	4.30%	2.54%	5.38%
Change From Q2 2018 (basis points)	+29	-20	-18
Absorption (Square Feet)	(100,561)	497,588	1,363,686
New Construction (Square Feet)	22,370	231,328	1,164,523
Under Construction (Square Feet)	0	0	2,136,822

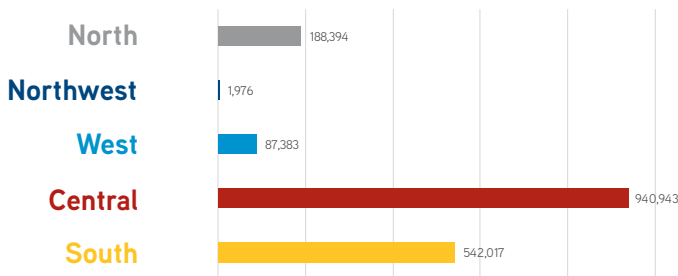
Sources: CoStar & Colliers | Wisconsin Research

OS = Office Services/Flex MF = Manufacturing
WD = Warehouse/Distribution

Net Absorption

New construction continues to drive absorption in the tight southeastern Wisconsin industrial market. With limited leasable space, the majority of users, especially larger users, have found success with new product. Of the 1.4 million square feet delivered in Q3, over half is already leased and/or occupied. In addition to the new construction tenants, smaller users, ranging from 10,000 to 40,000 square feet, continue to be active across all submarkets. Total net absorption for the quarter was 1.76 million square feet, the highest single quarter net absorption in a year. Leading the market was the Central submarket with nearly 950,000 square feet of space absorbed, followed by the South at over half a million square feet. All submarkets also realized positive absorption for the quarter.

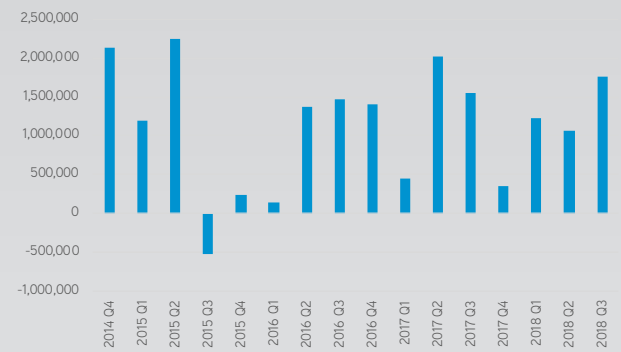
Looking forward, space will continue to be absorbed at a strong pace due to the strong leasing and user sale activity across the market. This quarter, Briggs and Stratton leased 706,000 square feet at a built-to-suit property in Germantown. Additionally, Good City Brewing is purchasing a 53,000-square-foot building at Century City in the city of Milwaukee. Another user who recently signed a lease over 100,000 square feet was RR Donnelley in the Central submarket. Unlike the trend over the past few years, activity is no longer concentrated in the South submarket. Activity has spread, and now, other submarkets are experiencing strong activity along with the South.



Vacancy & Availability

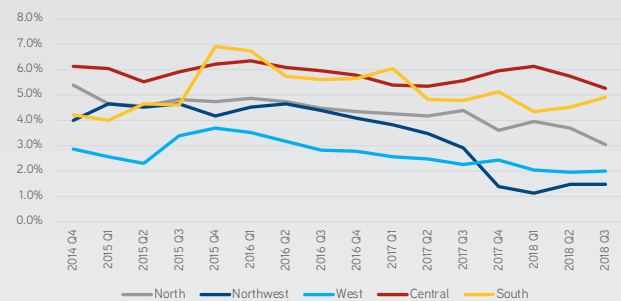
As market activity has remained strong, vacancy has continued its downward trend, ending the quarter with less than 4 percent vacant. Down 12 basis points quarter-over-quarter, and 33 basis points year-over-year, vacancy continues to drop, despite limited availability in the market. Washington and Waukesha counties remain the tightest markets, with overall vacancies of 1.45 percent and 2.01 percent respectively. Of the property types, manufacturing space continues to have the most availability constraints at only 2.54 percent vacant, with warehouse space having more breathing room at 5.38 percent vacant. As more speculative product is brought to market, users will likely gain additional flexibility with warehouse and distribution space. Despite this, the overall market remains tight, and as demand for the area continues to see strength, the market is unlikely to loosen in the near future.

HISTORICAL NET ABSORPTION



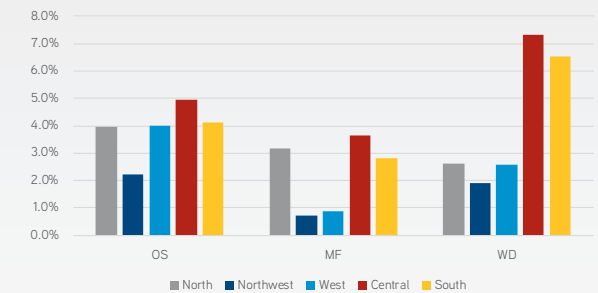
HISTORICAL VACANCY

By Submarket



VACANCY

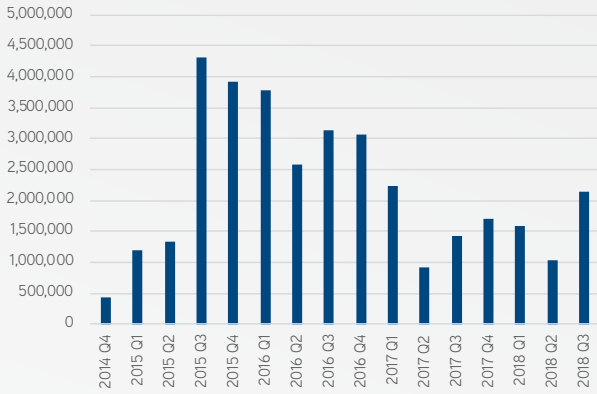
By Use



OS = Office Services/Flex MF = Manufacturing
WD = Warehouse/Distribution

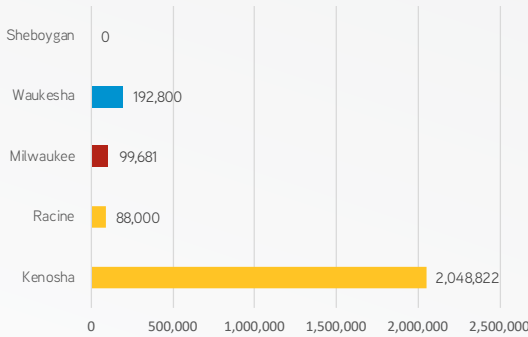
Source: Colliers | Wisconsin & CoStar

Historical Construction Activity

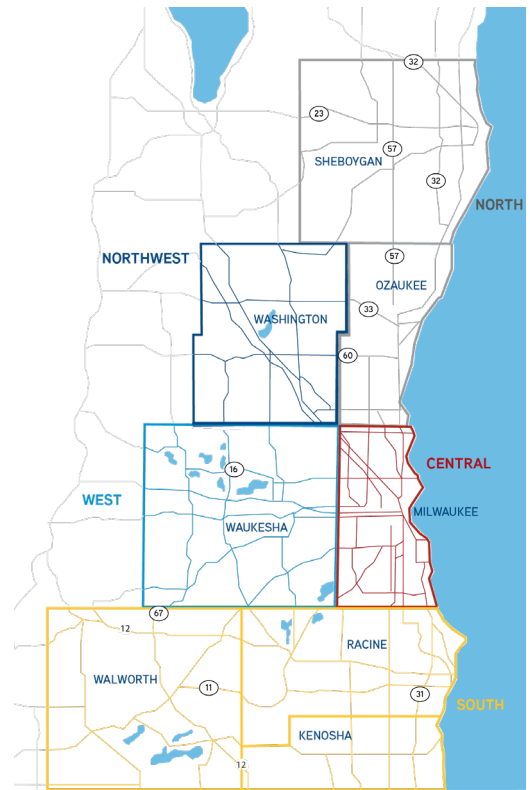


SF Under Construction

by County



Source: Colliers | Wisconsin & CoStar



Construction and New Deliveries

Despite over 1.4 million square feet of new product delivered this quarter, construction activity continues to accelerate. Driving the numbers is the South submarket, specifically the Kenosha area. With Foxconn breaking ground last quarter, activity in this submarket is likely to continue for a while. The majority of the product that is being brought to market continues to be warehouse and distribution space. The shift in construction trends in the market is the mix of built-to-suit versus speculative.

As mentioned, the third quarter of 2018 saw a significant number of new deliveries, with the South leading activity once again. Land and Lakes (307,850 square feet) in Mount Pleasant Business Park was completed in September, along with the new InSinkEerator building (86,000 square feet). Activity was also seen in the Central submarket, with MillerCoors finishing their 119,328-square-foot expansion in Milwaukee. Similar to the trend seen in new construction, the majority of new deliveries were seen in the warehouse and distribution category.

Projects Under Construction

PROPERTY NAME / ADDRESS	CITY	TYPE	SIZE	SUBMARKET
94 Logistics Park - Building I	Kenosha	Warehouse/Distribution	748,300	South
Kenosha Corporate Park	Kenosha	Warehouse/Distribution	524,000	South
94 Logistics Park - Building II	Kenosha	Warehouse/Distribution	287,741	South
Wangard Industrial	Pleasant Prairie	Warehouse/Distribution	196,300	South
6051 S Moorland Rd	New Berlin	Warehouse/Distribution	192,800	West
FedEx Terminal Headquarters	Oak Creek	Warehouse/Distribution	99,681	Central

Source: Milwaukee Business Journal, BizTimes, CoStar, & Colliers | Wisconsin

2018 Quarter 3 Industrial Market Statistics

BLDG TYPE	EXISTING PROPERTIES		TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER
	BLDGS	TOTAL SF	SF	Q3-18	Q3-17	CURRENT QUARTER	YEAR TO DATE	CURRENT QUARTER	YEAR TO DATE	CONST. SF
NORTH MARKET: Ozaukee County and Sheboygan County										
OS	97	3,919,136	153,847	3.93%	1.39%	13,394	-71,812	22,370	37,370	-
MF	99	9,801,859	309,744	3.16%	7.49%	170,000	288,406	-	-	-
WD	196	11,433,926	297,140	2.60%	2.51%	5,000	-32,140	-	-	-
Total	392	25,154,921	760,731	3.02%	4.39%	188,394	184,454	22,370	37,370	-
NORTHWEST MARKET: Washington County										
OS	101	3,506,466	78,429	2.24%	4.22%	16,000	0	-	-	-
MF	136	8,237,323	59,100	0.72%	0.15%	0	-58,000	-	-	-
WD	142	7,149,138	136,920	1.92%	5.41%	-14,024	239,191	-	-	-
Total	379	18,892,927	274,449	1.45%	2.89%	1,976	181,191	-	-	-
WEST MARKET: Waukesha County										
OS	368	12,309,926	490,871	3.99%	4.88%	-84,545	84,291	-	-	-
MF	617	33,548,741	288,914	0.86%	1.02%	-63,506	192,947	26,000	109,000	-
WD	465	26,052,484	665,934	2.56%	2.55%	235,434	252,288	120,000	120,000	192,800
Total	1,450	71,911,151	1,445,719	2.01%	2.24%	87,383	529,526	146,000	229,000	192,800
CENTRAL MARKET: Milwaukee County										
OS	355	19,514,027	970,244	4.97%	3.02%	-47,939	-57,158	-	-	-
MF	602	51,693,350	1,892,369	3.66%	4.69%	433,256	789,037	119,328	329,328	-
WD	721	43,478,037	3,182,641	7.32%	7.70%	555,626	887,507	290,500	456,500	99,681
Total	1,678	114,685,414	6,045,254	5.27%	5.55%	940,943	1,619,386	409,828	785,828	99,681
SOUTH MARKET: Racine County, Kenosha County and Walworth County										
OS	56	2,584,694	105,972	4.10%	5.05%	2,529	8,929	-	-	-
MF	418	29,141,587	815,657	2.80%	2.73%	-42,162	590,875	86,000	663,850	-
WD	362	39,607,547	2,591,835	6.54%	6.31%	581,650	932,529	754,023	754,023	1,844,341
Total	836	71,333,828	3,513,464	4.93%	4.77%	542,017	1,532,333	840,023	1,417,873	1,844,341
GRAND TOTAL										
OS	977	41,834,249	1,799,363	4.30%	3.37%	-100,561	-35,750	22,370	37,370	-
MF	1,872	132,422,860	3,365,784	2.54%	3.41%	497,588	1,803,265	231,328	1,102,178	-
WD	1,886	127,721,132	6,874,470	5.38%	5.62%	1,363,686	2,279,375	1,164,523	1,330,523	2,136,822
Total	4,735	301,978,241	12,039,617	3.99%	4.32%	1,760,713	4,046,890	1,418,221	2,470,071	2,136,822
QUARTERLY COMPARISON TOTALS										
2018 Q3	4,735	301,978,241	12,039,617	3.99%	-	1,760,713	-	1,418,221	-	2,136,822
2018 Q2	4,738	301,585,162	12,382,109	4.11%	-	1,057,591	-	682,850	-	1,020,441
2018 Q1	4,732	300,602,360	12,756,850	4.24%	-	1,228,586	-	569,000	-	1,577,615
2017 Q4	4,741	301,581,968	13,575,876	4.45%	-	351,278	-	250,000	-	1,689,615
2017 Q3	4,736	300,799,597	13,176,210	4.32%	-	1,547,006	-	251,000	-	1,430,540

FOR MORE INFORMATION

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