



## Industrial Real Estate Market Report Milwaukee & Metropolitan Area Third Quarter 2011



### OVERVIEW

#### Market Trends – Positive Trends Continue in 3rd Quarter

The Metro Milwaukee Industrial real estate market continued to trend in a positive direction through the 3<sup>rd</sup> quarter leaving many industry professionals with an optimistic outlook heading into the 4<sup>th</sup> quarter. Transaction volume has increased throughout 2011, but closure on transactions have continued to be difficult and deal cycles are longer than ever. The investment market is showing signs of life, but the separation between the bid and the asking price remains significant. Overall, the industrial market is moving in the right direction and expectations are high that it will continue to improve into the 4<sup>th</sup> quarter.

The Milwaukee Industrial market finished the third quarter of 2011 with a vacancy rate of 7.5% and positive absorption of 736,203 square feet. This is a huge step forward compared to 2<sup>nd</sup> quarter's absorption of negative 595,315 square feet and positive absorption of only 36,055 square feet in the first quarter. With this positive news comes some negative as well. The average industrial rental rate decreased to \$4.19 per square foot, a decrease from the previous quarter albeit a small decrease at only 0.2%.

#### Leases and Sales

Large transactions dominated the Industrial market in the 3<sup>rd</sup> quarter with lease transactions representing the bulk of activity. Bentley World Packaging leased 360,000 SF in southern Milwaukee county, Schoeneck Containers leased 225,000 SF on Milwaukee County's west side and Diversey Inc. leased 153,000 SF in Racine County. These large deals played a major role in the positive absorption but also in the decrease of rental rates. The large blocks of available space have placed an exorbitant amount of downward pressure on the market, the fact that these spaces continue to come off the market should help raise the overall condition of the market.

Building sales activity is up from 2010 but there were some major deals completed in Q2, although it can be said that most of the deals are more investment sales than industrial user sales. The Racine and Kenosha markets saw the two biggest transactions with the sale of the 626,784 SF distribution center in the Business Park of Kenosha to LPF 10100 Kenosha, LLC and the Centerpoint Properties acquisition of the 551,759 SF Diversey building in Sturtevant. Small user sales (under 10,000 SF) continue to flicker in the market but as is the case with leasing activity, sales volume for the quarter fell significantly from 16 notable transactions in Q1 to 6 in Q2.

#### Forecast

The general feel of the market is one of optimism. Deal velocity has increased steadily in 2011 and absorption has finally made some positive movement. Several large deals have been completed in the 3<sup>rd</sup> quarter and most insiders believe there are at least a few more in the pipeline that should occur prior to the close of 2011. If these trends continue, we expect to see smaller firms follow in the footsteps of the large companies and begin to make long term real estate decisions in 2012. This will increase the number of transactions in the market, begin to soak up more of the outstanding vacancies and will eventually lead to a broad based recovery of the market by mid to late 2012.

Inland Companies' quarterly market update for the Milwaukee and metropolitan area is an all-inclusive report intended to supply you with a precise, objective representation of the local commercial real estate environment. We have utilized our resources, knowledge, and supporting data to compile this comprehensive report of the local market. The industrial market statistics have been extracted from our internal database, with up-to-date information supplied by our brokerage and management staff. We are also a member of the Milwaukee Industrial Data Advisory Board which tracks and scrubs data from Xceligent on a quarterly basis.

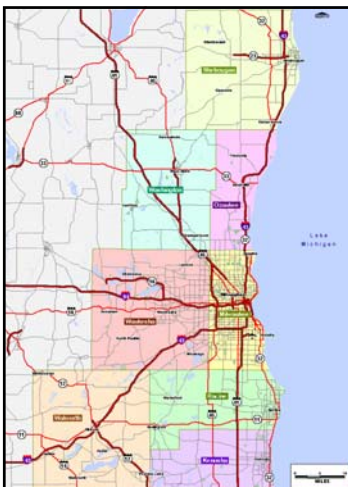


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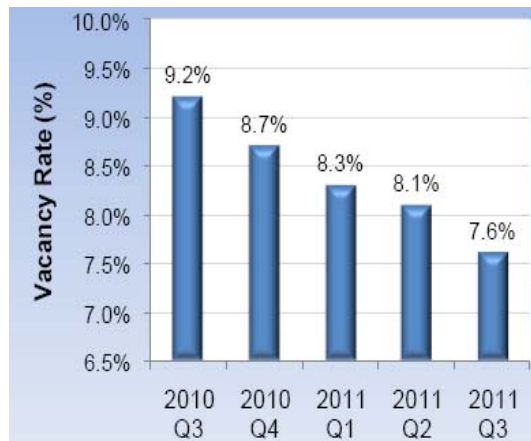


Jim Larkin Ryan Kopp Mark Schnol Tom Shepherd Mike Lardy Steve Swartz

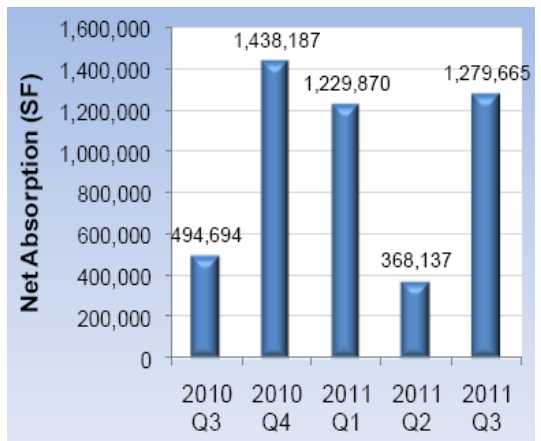
MARKET	BUILDING COUNT	BASE INVENTORY (SQUARE FEET)	TOTAL AVAILABLE (SQUARE FEET)	TOTAL VACANT (SQUARE FEET)	TOTAL VACANCY RATE (%)	QTRLY NET ABSORPTION (SQUARE FEET)
Kenosha	204	20,959,862	2,405,953	2,061,247	9.8	22,690
Ozaukee	178	12,849,889	1,870,007	1,649,389	12.8	200,812
Racine	382	28,038,946	1,853,625	903,204	3.2	114,254
Sheboygan	136	12,760,606	1,106,003	826,314	6.5	2,000
Walworth	169	8,754,887	634,960	555,403	6.3	32,350
Washington	322	19,334,794	1,332,649	1,042,686	5.4	178,360
Milwaukee	1,481	95,267,160	12,283,878	9,679,940	10.1	448,549
Waukesha	1,489	69,245,721	5,407,969	3,597,063	5.2	280,650
<b>Grand Total</b>	<b>4,361</b>	<b>267,221,865</b>	<b>26,895,044</b>	<b>20,315,246</b>	<b>7.5</b>	<b>1,279,665</b>



Vacancy Rate by Quarter



Net Absorption by Quarter



Inland Companies • 1243 N. 10th Street, Suite 300, Milwaukee, WI 53205 • 414.276.9500 Direct • 414.276.9501 Fax • [www.inlandcompanies.com](http://www.inlandcompanies.com)

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