

# Market Update

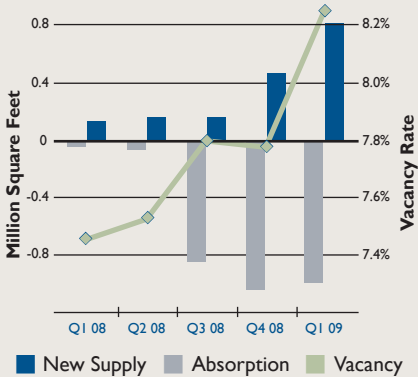
INDUSTRIAL | FIRST QUARTER | 2009



## MARKET INDICATORS

	Q4 08	Q1 09
VACANCY RATE	↓	↑
CONSTRUCTION	↑	↑
CAP RATE	↔	↑
SALES PRICE/SF	↓	↔

## UPDATE NEW SUPPLY, ABSORPTION AND VACANCY RATES

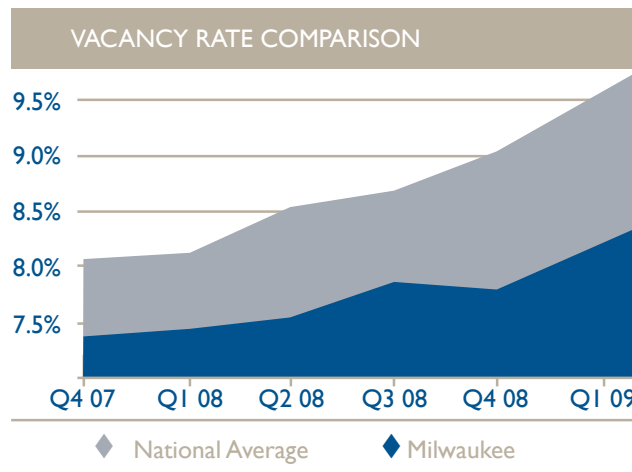


## SIGNIFICANT TRANSACTIONS

- ◆ 64,760 sq. ft. investment sale of W232N5700 Highway F, Sussex to Investors Associated, LLP
- ◆ Sunburst Apparel's lease of 30,000 sq. ft. at 340 Maple Ave, Hartland
- ◆ Goodwill Industries of America's purchase of the 65,204 sq. ft. building at 12121 W. Feerick St., Milwaukee for redevelopment

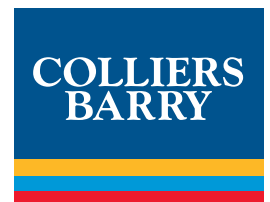
## Milwaukee Industrial Market Echoes National Trend

The Milwaukee industrial market is beginning to realize the same trends that have been occurring nationally for several quarters. Absorption in Milwaukee was negative for the sixth consecutive quarter, resulting in the highest vacancy rate since mid-2004. Nationally, the vacancy rate increased to 9.58% (+0.65), while Milwaukee's increased to 8.23% (+0.47), illustrating that the Milwaukee industrial market continues to fair slightly better than the rest of the country. Less than one-third of all cities surveyed in Colliers International's quarterly review of industrial markets had a lower overall vacancy rate than Milwaukee.



Leasing activity in the Milwaukee industrial market remains relatively steady, with no significant change in the number of transactions being completed, while rates for bulk and flex/service space fell. The size of leases has drastically reduced as of late, contributing to the increased vacancy rate. Two-thirds of the leases negotiated in the first quarter of 2009 were for less than 20,000 square feet, compared to the same time last year when less than 40% of leases were for the same size space. Triple net rent in Milwaukee for warehouse/distribution space remained at \$4.25 per square foot and tech/R&D rent held steady at \$4.75 PSF. The rental rate for bulk space reduced to \$3.55 PSF (-4.05%) while flex space rent dropped to \$4.75 PSF (-5%).

Nationally, the average rent of warehouse/distribution space fell to \$5.32 PSF (-3.45%) and bulk space reduced to \$4.82 PSF (-3.98%). Flex space rent dropped to \$9.20 PSF (-\$0.32) and tech/R&D space reduced to \$10.88 PSF (-\$0.23).



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## Reduction in Sales Transactions

The number of industrial sales in the Milwaukee market has significantly reduced, especially when compared to market conditions a year ago. Only about half of the transactions occurred in Q1 2009 as did in 2008, reducing to approximately 1,000,000 square feet.

Investment sales saw similar reductions in activity, with only one-quarter of the number of sales that were seen in Q1 2008.

Sales prices per square foot remained unchanged in Milwaukee at \$55.00 PSF, while nationally, prices continued their decline that has been occurring for multiple quarters to \$68.86 PSF (-\$10.08 since Q1 2008).

## Development Continues

Despite the economic recession, a few developments are in the works in the Southeast Wisconsin industrial market. The 388,000 square foot distribution center build-to-suit for Quad/Graphics was completed during Q1 2009 at First Park Menomonee Falls, paving the way for additional development on the remaining three parcels that are available in the park.

Construction was also completed on phase one of HSA's Park 94 development in Mount Pleasant, WI. The 323,000 square foot and 125,000 square foot high cube warehouse/manufacturing buildings are the first to be constructed in the park and are currently unoccupied. Phase two is expected to house an additional 113,000 square foot speculative building with 90 additional acres of land available for build-to-suit.

Also on the horizon is the Kenosha Enterprise Park development by Madison, WI-based Next/Partners, Inc., which includes a speculative 485,040 square foot manufacturing/distribution building with additional sites available for industrial or office uses.

## Outlook

Though transactions have reduced and vacancy has increased, Milwaukee's industrial market continues to weather the economic storm, and the fundamentals are in place for a decent rebound when the economy recovers.

## GLOSSARY

**Absorption** ~ Net change in occupied space over a given period of time.

**Bulk Space** ~ 100,000 square feet or more with up to 10 percent office space, the balance being general warehouse space with 20 to 36 foot ceiling heights. All loading is dock-height.

**CAP Rate** ~ Calculated by dividing net operating income (NOI) by purchase price.

**Flex Space** ~ Single-story building having 10 to 18 foot ceilings with both floor-height and dock-height loading. Includes wide variation in office space utilization, ranging from retail and personal service through distribution, light industrial and occasional heavy industrial use.

**Tech/R&D** ~ One and two story, 10 to 15 foot ceiling heights with up to 50% office/dry lab space (remainder in wet lab, workshop, storage and other support), with dock-height and floor-height loading.

**Triple Net Rent** ~ Includes rent payable to the landlord and does not include additional expenses such as taxes, insurance, maintenance, janitorial and utilities.

**Vacancy Rate** ~ Percentage of vacant space to total inventory

**Warehouse** ~ 50,000 square feet or more with up to 15 percent office space, the balance being general warehouse space with 18 to 30 foot ceiling heights. All loading is dock-height.

294 OFFICES IN 61 COUNTRIES  
ON 6 CONTINENTS

USA 94  
Canada 22  
Latin America 17  
Asia 25  
ANZ 39  
EMEA 97

\$48.1 billion annual transaction value  
1.1 billion square feet under management  
12,700 Professionals

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