



## Introduction

Following an active first half of the year, Q3 introduced a new mega player to the industrial market in Southeastern Wisconsin. Foxconn, a Taiwanese electronics manufacturer announced in July its intent to build a \$10 billion campus in Wisconsin. Since the initial announcement, Racine County, more specifically the Village of Mount Pleasant has been selected as the site location for the new campus. Racine County, located just north of Kenosha county is situated conveniently between Milwaukee and Chicago and is part of the already active south submarket. Due to the scope of the planned investment, the announcement will likely create auxiliary development and additional demand in the area. As the plans move forward, the magnitude of the impact, both on the industrial market and the region overall, will begin to crystallize.

Across the rest of the market, industrial space continues to perform well. All submarkets realized positive absorption in Q3, as vacancy rates continue to decrease. Space availability across all size requirements remain constrained, offering tenants limited options. Hoping to alleviate some of the constraint, new construction continues to break ground. However, even with 1.4 million square feet currently under construction, only about a third remains available. Moving into Q4, it will be interesting to watch how the changing dynamics begin to effect the market.

### Quarter Takeaways

- › Vacancy across all submarkets decreased year-over-year
- › All submarkets realized positive absorption
- › Space constraints continue despite new construction starts

Sources: Milwaukee Business Journal & Milwaukee Journal Sentinel

### Market Indicators

	Q2 2017	Q3 2016
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↓

### Economic Indicators

	Quarter over Quarter
METRO MKE UNEMPL.	3.9% ↑
WISCONSIN UNEMPL.	3.4% ↑
NATIONAL UNEMPL.	4.4% ↑
WI MEI*	-.01 ↓

Source: Bureau of Labor Statistics, August 2017

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

### Summary Statistics

Q3 2017 Industrial Market	FLEX	LI	WH&D
Vacancy Rate	3.45%	2.77%	6.40%
Change From Q2 2017 (basis points)	-16	-30	-50
Absorption (Square Feet)	77,282	511,432	329,991
New Construction (Square Feet)	0	153,000	98,000
Under Construction (Square Feet)	0	528,672	901,868

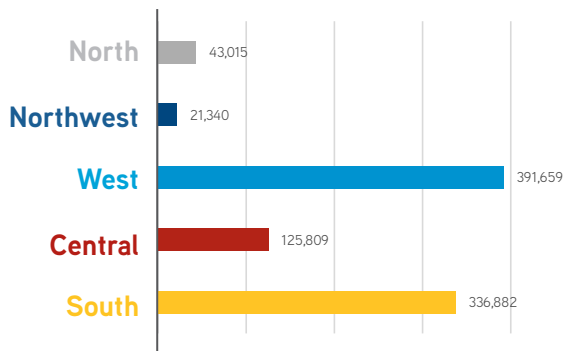
Sources: Xceligent & Colliers | Wisconsin Research

## Economic Activity

Manufacturing jobs in the state reached its highest level this cycle. For metro Milwaukee manufacturing jobs have also continued to improve, though at a slower pace than the state. Looking at overall unemployment, despite an 80-basis-point uptick from the end of Q2, employment continues to perform well with unemployment at the local and state level under four percent.

## Net Absorption

The industrial market continues to see strong absorption with Q3 2017 marking the 30<sup>th</sup> straight quarter of positive net absorption. In addition, all submarkets and property types also realized positive absorption during the quarter. The west and south submarkets continue to be the most active in the market with the highest absorption of the quarter. Johnson Health Tech occupied over 200,000 square feet at 1333 Grandview Pwky. A combination of various factors including no large scale move-outs, smaller move-ins, new construction and building expansions drove the remainder of absorption. ER Wagner's facility was also delivered this quarter contributing 153,000 square feet of positive absorption. From last quarter, Guy & O'Neil occupied over 167,000 square feet in Grafton, boosting historical absorption in the north submarket, which is traditionally a slower market. As available space continues to be constrained, absorption is poised to experience a slowdown.



## Vacancy

Impacted partially due to a lackluster number of product deliveries through the end of the third quarter, vacancy rates declined across each submarket. Overall vacancy dipped below 4 percent, with all but one submarket sub-4 percent vacant. The west submarket continues to be especially tight, exhibiting the lowest vacancy rate at just 2.65 percent. Of the property types, light industrial remains the tightest with vacancy rates dropping even further, and each submarket realizing vacancy below 4 percent. Over the past five years, each submarket has experienced a decrease in rates, with the central submarket seeing the largest drop and the west submarket averaging the lowest rate throughout the period.

## MANUFACTURING JOBS

September 2017

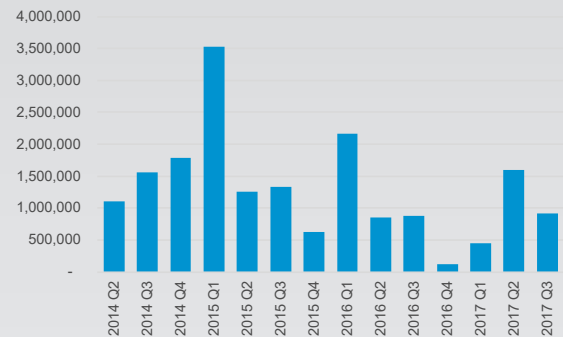


475,900  
Wisconsin



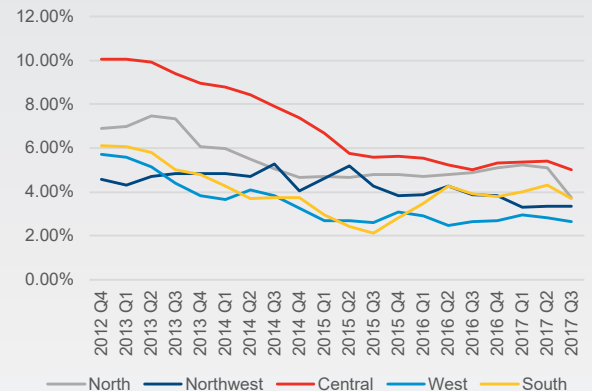
121,400  
Milwaukee-Waukesha-West Allis MSA

## HISTORICAL NET ABSORPTION



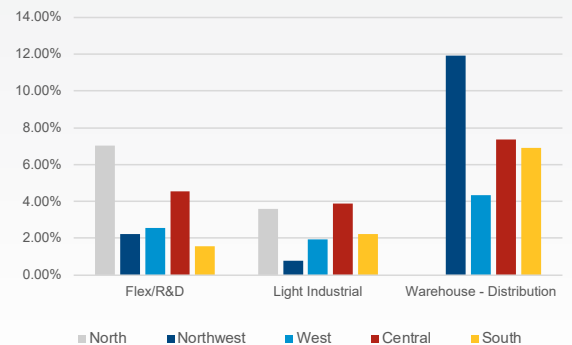
## HISTORICAL VACANCY

### By Submarket

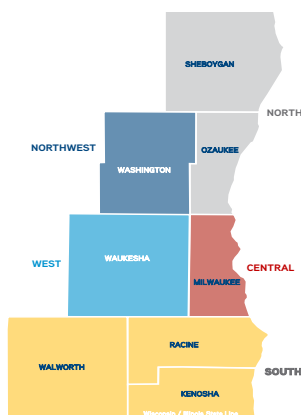


## VACANCY

### By Use



Source: Colliers | Wisconsin & Xceligent

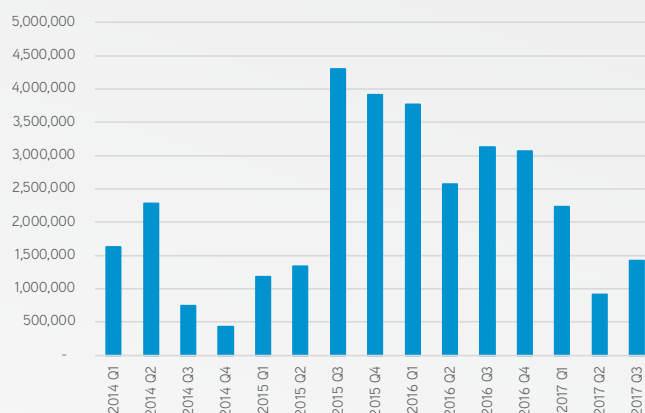


## Construction

Construction activity in Southeastern Wisconsin has picked up to some extent, increasing from the previous quarter for the first time Q3 2016. Contributing to the increase, four projects broke ground and two expansions began, totaling 606,427 square feet. With four additional projects already underway, total current square footage under construction amounts to almost 1,430,540 square feet.

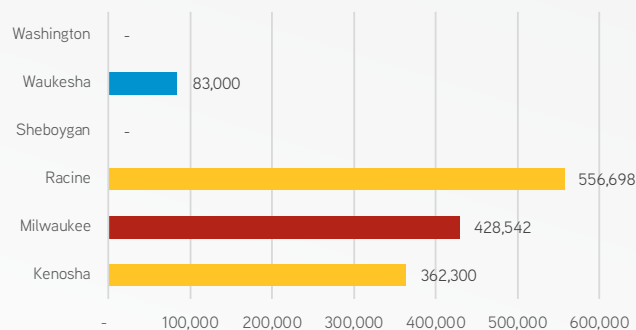
For one of the few times in recent years, Kenosha County no longer leads the market in new construction starts and project count. Racine and Milwaukee counties have experienced a surge of new projects this quarter. In Racine, the Land and Lakes speculative building and Goodwill expansion both at Mount Pleasant Business Park account for a large portion of growth, while the FedEx truck terminal and Greco and Sons food distribution center in Oak Creek represent the construction rise for Milwaukee County.

## Historical Construction Activity



## SF Under Construction

by county



Source: Colliers | Wisconsin & Xceligent

## Notable Absorption Activity

PROPERTY NAME / ADDRESS	TENANT NAME	SQUARE FEET LEASED	SUBMARKET
1333 Grandview Parkway	Johnson Health Tech	209,151 SF	Kenosha
900 North Street	Guy & O'Neil <sup>1</sup>	167,700 SF	Grafton

<sup>1</sup> Transaction was backed into Q2 numbers but has an impact on vacancy and historical absorption

## Recent Sale Transactions

PROPERTY NAME / ADDRESS	BUYER	SELLER	SALE DATE	PRICE	PRICE PSF
Single Tenant Industrial Portfolio <sup>1</sup>	Brennan Investment Group	Welsh/CNL Properties I, LLC	8/31/2017	\$100,000	\$40
Mitchell Industrial Park - 10 Building Portfolio <sup>2</sup>	Oak Realty Group, Inc	BK Ace Industrial Holdings	8/17/2017	\$30,585,000	\$35
Kaiser WI Portfolio	Phoenix Investors	Kaiser Property Group	8/28/2017	\$25,800,000	\$25

<sup>1</sup> Nationwide portfolio sale of 11 single tenant industrial/office properties of which three properties were located in Wisconsin; an additional two buildings were initially part of the portfolio were sold to tenants.

<sup>2</sup> Portfolio sale of 10 industrial buildings adjacent to the airport in Milwaukee / Cudahy

For additional insight on investment transactions from the quarter, please see our Q3 Investment Market Report

## Q3 2017 Industrial Market Statistics

### INDUSTRIAL MARKET

EXISTING PROPERTIES			TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER
BLDG TYPE	BLDGS	TOTAL SF	SF	Q3-17	Q3-16	CURRENT QUARTER	YTD	CURRENT QUARTER	YTD	CONST. SF
NORTH MARKET: Ozaukee County and Sheboygan County										
FX	83	5,222,191	366,527	7.02%	11.07%	2,015	213,874	-	-	-
LI	208	17,714,235	635,017	3.58%	4.07%	41,000	163,288	-	-	-
WH&D	31	3,746,768	0	0.00%	0.00%	-	0	-	-	-
Total	322	26,683,194	1,001,544	3.75%	4.87%	43,015	377,162	-	-	-
NORTHWEST MARKET: Washington County										
FX	155	6,685,211	147,880	2.21%	2.38%	-13,350	4,196	-	-	-
LI	129	9,409,889	73,375	0.78%	0.50%	2,690	80,905	-	-	-
WH&D	43	3,690,908	440,000	11.92%	12.62%	32,000	53,632	32,000	32,000	-
Total	327	19,786,008	661,255	3.34%	3.39%	21,340	138,733	32,000	32,000	-
WEST MARKET: Waukesha County										
FX	465	16,789,139	431,459	2.57%	2.68%	90,839	82,157	-	-	-
LI	848	37,838,099	725,313	1.92%	2.09%	300,820	402,186	153,000	316,000	83,000
WH&D	197	17,291,205	750,882	4.34%	4.27%	0	-73,164	-	-	-
Total	1,510	71,918,443	1,907,654	2.65%	2.76%	391,659	411,179	153,000	316,000	83,000
CENTRAL MARKET: Milwaukee County										
FX	251	11,926,510	541,020	4.54%	4.98%	13,090	113,675	-	83,640	-
LI	843	53,579,044	2,072,053	3.87%	3.69%	94,879	140,368	-	-	162,861
WH&D	336	28,708,478	2,116,992	7.37%	7.33%	17,840	317,734	-	199,190	265,681
Total	1,430	94,214,032	4,730,065	5.02%	4.97%	125,809	571,777	-	282,830	428,542
SOUTH MARKET: Racine County, Kenosha County and Walworth County										
FX	68	4,510,994	69,799	1.55%	4.19%	-15,312	110,818	-	133,000	-
LI	611	40,578,750	898,381	2.21%	2.19%	72,043	29,627	-	80,500	282,811
WH&D	93	21,946,231	1,515,127	6.90%	7.03%	280,151	2,067,894	66,000	2,173,208	636,187
Total	772	67,035,975	2,483,307	3.70%	3.78%	336,882	2,208,339	66,000	2,386,708	918,998
GRAND TOTAL										
FX	1,022	45,134,045	1,556,685	3.45%	9.05%	77,282	524,720	-	83,640	-
LI	2,639	159,120,017	4,404,139	2.77%	2.96%	511,432	816,374	153,000	396,500	528,672
WH&D	700	75,383,590	4,823,001	6.40%	4.54%	329,991	2,366,096	98,000	2,404,398	901,868
Total	4,361	279,637,652	10,783,825	3.86%	4.02%	918,705	3,707,190	251,000	2,884,538	1,430,540
QUARTERLY COMPARISON TOTALS										
2017 Q3	4,361	279,637,652	10,783,825	3.86%	-	918,705	-	251,000	-	1,430,540
2017 Q2	4,361	279,342,833	11,701,955	4.19%	-	2,061,963	-	1,926,678	-	909,161
2017 Q1	4,362	277,848,198	11,821,835	4.25%	-	458,820	-	445,620	-	2,212,678
2016 Q4	4,366	277,100,915	11,957,977	4.32%	-	79,357	-	520,000	-	2,314,044
2016 Q3	4,362	276,040,293	11,043,219	4.00%	-	887,074	-	1,142,400	-	2,868,528

Source: Xceligent & Colliers | Wisconsin Research

The data contained within was obtained by a third party source deemed reliable. Updates have been made to include proprietary information.





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# 68 countries

## \$2.6

billion in  
annual revenue

## 2

billion square feet  
under management

## 15,000

professionals  
and staff

## \$105

billion in  
total transaction value

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