

Office Snapshot Q1 2016

Milwaukee



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MILWAUKEE OFFICE

Economic Indicators

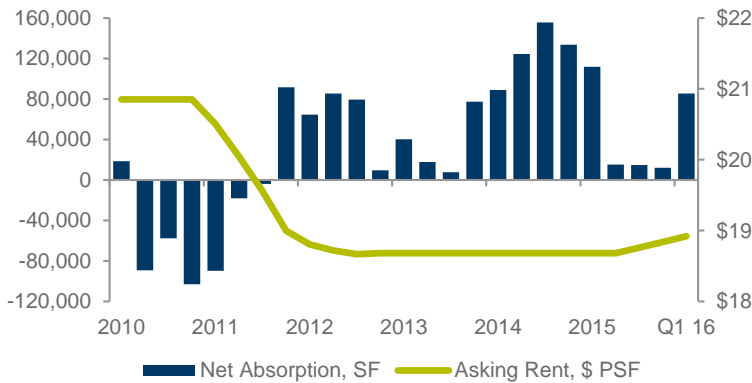
	Q1 15	Q1 16	12-Month Forecast
Milwaukee Employment	850k	861k	▲
Milwaukee Unemployment	5.2%	4.5%	▲
U.S. Unemployment	5.6%	4.9%	▲

Market Indicators (Overall, All Classes)

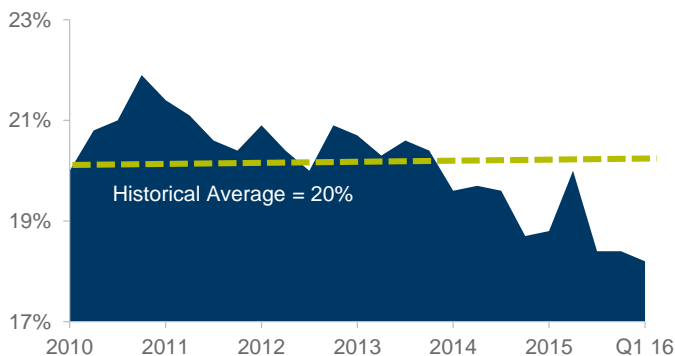
	Q1 15	Q1 16	12-Month Forecast
Vacancy	18.8%	18.2%	▲
Net Absorption (sf)	45k	339k	▲
Under Construction (sf)	2.0M	1.3M	▲
Average Asking Rent*	\$18.68	\$19.00	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate remained stable at 4.5% in March, down 0.1 percentage points (pp) from February, where it had remained unchanged for over a year. The 4.5% unemployment rate for Wisconsin remains lower than the national unemployment rate of 5.0%. The latest National Manpower Employment Outlook survey once again indicates positive prospects for job growth. Employers both nationally and locally included in the survey indicated that 22% are expecting hiring to increase in Q2 2016. The Milwaukee-Waukesha-West Allis market scored a 23% net employment outlook, a decrease from 28% from the second quarter of 2015. The net employment outlook is measured by percentage of plan hires offset by percentage of plan reduction in payroll.

Market Overview

The Milwaukee office market continued to report positive absorption in the first quarter of 2016. In Q1, the office market posted 338,654 square feet (sf) of positive absorption. The overall vacancy rate slightly decreased from the previous quarter at 18.2%, but marks a 0.6 pp decline from Q1 2015. The Milwaukee Class A CBD delivered a significant development in Q1 with the 833 East Building completed in March. The 358,017-sf building is currently 64.3% occupied, delivering 127,666 sf of vacant space to the marketplace. However, Milwaukee's \$1 billion in current development continues to attract more activity downtown. Associated Bank, the largest Wisconsin-headquartered bank, purchased the 378,000-sf Milwaukee Center tower as a means to expand their commitment to the city. The landmark 28-story Milwaukee Center tower, the sixth largest multi-tenant office property in the downtown area, traded at \$160 per square foot.

Outlook

This year started with positive growth throughout the metro area. As employment outlooks remain strong, expect vacancy to remain steady even as more product is delivered across the area. Downtown Milwaukee is becoming more attractive to tenants as it grows into a "15-to-18 hour" area where more housing is driving activity outside of the work day.

MARKETBEAT

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION YTD	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (S)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown East	7,205,042	32,796	1,158,480	16.5%	242,733	242,733	247,895	1,114,000	\$20.70	\$23.75
Downtown West	2,817,340	4,179	565,434	20.2%	61,127	61,127	74,043	0	\$19.50	\$2.50
Milwaukee CBD	10,022,382	36,974	1,723,914	17.6%	303,860	303,860	321,938	1,114,000	\$20.00	\$22.75
Mayfair/Wauwatosa	2,753,228	20,155	800,519	29.8%	12,717	12,717	6,485	155,000	\$19.35	\$25.55
North Shore	2,194,912	72,657	415,450	22.2%	1,629	1,629	7,053	0	\$15.35	\$22.25
Northwest	1,605,715	6,967	226,070	14.5%	86,442	86,442	82,764	0	\$18.75	\$20.30
Southeast	265,910	0	126,374	47.5%	639	639	639	0	\$17.10	N/A
Southwest	353,573	0	68,027	19.2%	0	0	0	0	\$19.10	\$19.20
Third Ward/Walker's Point	1,882,452	6,500	261,983	14.3%	(500)	(500)	8,280	52,000	\$18.58	\$21.60
West Allis	1,946,776	0	114,171	5.9%	17,842	17,842	3,836	0	\$14.63	N/A
Milwaukee Suburban	11,002,566	106,279	2,012,594	19.3%	118,769	118,769	109,057	207,000	\$17.75	\$21.65
Ozaukee	556,947	0	50,979	9.2%	(514)	(514)	3,571	0	\$14.60	\$15.20
Waukesha/Brookfield	4,154,450	22,700	756,674	18.8%	(13,629)	(13,629)	53,794	0	\$18.55	\$20.75
Waukesha/Pewaukee	2,484,813	3,573	424,233	17.2%	(69,832)	(69,832)	27,666	0	\$18.49	\$21.30
Milwaukee Outlying	7,196,210	26,273	1,231,886	17.5%	(83,975)	(83,975)	85,031	0	\$18.27	\$20.05
CBD	10,022,382	36,974	1,723,914	17.6%	303,860	303,860	321,938	1,114,000	\$20.00	\$22.75
Suburban	18,198,776	132,552	3,244,480	18.6%	34,794	34,794	194,088	207,000	\$18.00	\$20.75
MILWAUKEE TOTALS	28,221,158	169,526	4,968,394	18.2%	338,654	338,654	516,026	1,321,000	\$19.00	\$21.25

*Rental rates reflect gross asking \$psf/year

SUMMARY	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT*	DIRECT AVERAGE ASKING RENT*
Class A	12,908,656	54,795	1,937,612	15.4%	(15,941)	338,237	393,300	1,321,000	\$21.25	\$21.75
Class B	14,166,517	104,519	2,925,720	21.4%	61,629	(3,376)	118,969	0	\$17.25	\$17.50
Class C	1,145,985	10,212	105,062	10.1%	(2,659)	3,793	3,757	0	\$15.75	\$16.00

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
833 E Michigan Street	100,000	Godfrey and Kahn	Lease	Downtown East
11100 W Liberty Drive	79,494	DentaQuest	Lease	Northwest
411 E Wisconsin Avenue	24,000	Decision Resources Group	Lease	Downtown East

Key Sales Transactions 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
13400 Bishops Lane	120,000	Flagg Group/WILC-Gateway	\$10,500,000/\$88	Brookfield
241 N Broadway	88,171	BC Propco / 241 North Broadway Hold	\$6,250,000/\$71	Downtown East
312 E Wisconsin	68,655	312 East Wisconsin Building	\$2,000,000/\$29	Downtown East
180 N Executive	66,708	BMO Harris Bank	\$4,650,000/\$70	Brookfield

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