

MARKETBEAT OFFICE SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q2 2015



ECONOMIC OVERVIEW

Wisconsin's unemployment rate declined to 4.6% for May, an increase of 0.2 percentage point (pp) from the prior month and 0.9 pp decrease from a year ago. The 4.6% unemployment rate for Wisconsin remains lower than the national unemployment rate of 5.5%.

According to the latest figures from the U.S. Bureau of Labor Statistics, Wisconsin gained 35,759 jobs in 2014, a 1.5% growth rate, ranking Wisconsin 38th in the nation in the pace of job creation. The U.S. added 2.9 million jobs in 2014, indicating a growth rate of 2.6%.

The latest Manpower Employment Outlook Survey indicates that hiring will be at a bullish pace during third quarter in the metropolitan Milwaukee area. Employers included in the survey indicated that 29% plan to hire additional employees from July-September. The Milwaukee-Waukesha-West Allis market scored a 27% net employment outlook, showing improvement from a year ago when the outlook was only 23%. The national net employment outlook was 16%, remaining the same from the previous quarter. The net employment outlook is measured by percentage of plan hires offset by percentage of plan reduction in payroll.

OFFICE MARKET TURNS

For the first time since Q4 2012, the Milwaukee office market reported negative absorption. The office market previously had nine consecutive quarters of positive absorption and this quarter posted a total of 161,387 negative square feet (sf). The overall vacancy marginally increased, increasing 0.03 pp year-over-year, to 20.0%. The largest negative absorption resulted from Kohls Corporate leaving Liberty II at Park Place and moving into the former 330,000-sf, Innware warehouse that was rehabbed and will be owned by Kohls in the Silver Spring Corporate Park.

PARK EAST DEVELOPMENT

The Milwaukee Bucks are planning to buy almost 10 acres of public land in the Park East corridor for \$1, and invest another \$500 million in additional development surrounding the arena. The owners hope to create around 1.5 million sf of residential, office, parking, and retail space in the area. An affiliate of the Milwaukee Bucks ownership group has already purchased a small retail building that secured the last piece needed to assemble space for the arena. Expectation of the development has spurred many local groups to plan on securing space in the Park East corridor. Wangard Partners Inc is planning to purchase a 4-story, 75,000-sf warehouse building that formerly housed Laacke & Joys. The group plans to convert the building into offices. Furthermore, Wangard plans to demolish the warehouse

north of the former Laacke and Joys warehouse, with this site having the potential for up to 200,000 sf of mixed use space. Another local developer, Hammes Co., has already purchased a large vacant land piece near the Park East site as well, where Hammes has proposed to develop three to four office buildings

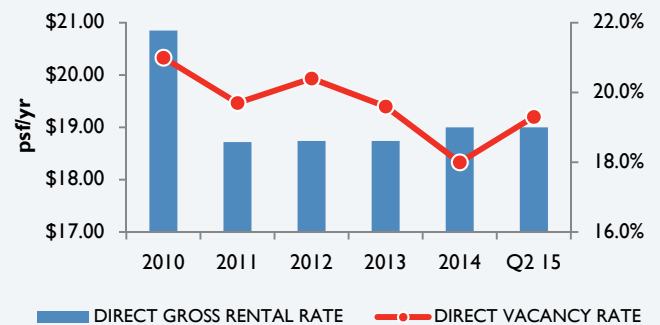
OUTLOOK

For 2015, the Metro Milwaukee area continues to display positive growth with special attention paid to downtown developments. Economic indicators show an upward trend for the area largely led by an improving job situation. Developers are remaining somewhat optimistic, largely in anticipation of the future arena development.

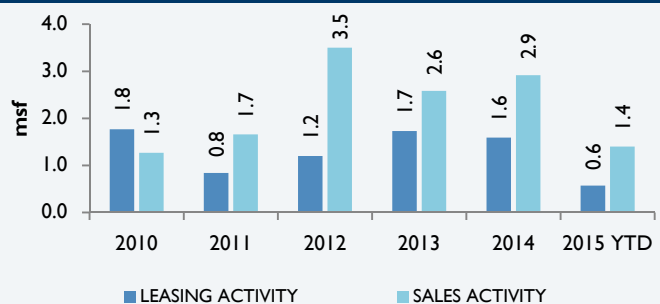
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	19.7%	20.0%	0.3 pp	↕
Direct Asking Rents (psf/yr)	\$18.74	\$19.00	1.4%	▲
YTD Leasing Activity (sf)	770,691	593,268	-23.0	↕

DIRECT RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



MILWAUKEE, WI

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Downtown East	6,941,134	16.5%	16.3%	172,016	1,472,017	0	35,522	32,374	\$20.50	\$23.75
Downtown West	2,848,529	24.3%	24.3%	49,728	0	0	(162,223)	(162,223)	\$19.40	\$20.50
MILWAUKEE CBD	9,789,663	18.8%	18.6%	221,774	1,472,017	0	(126,701)	(129,849)	\$19.95	\$22.75
Mayfair/Wauwatosa	2,678,212	29.0%	27.9%	56,898	0	0	6,151	8,530	\$19.24	\$25.55
North Shore	2,183,789	24.7%	21.4%	26,998	0	0	80,987	4,577	\$15.35	\$22.25
Northwest	1,365,186	20.9%	20.2%	1,384	300,114	0	(78,903)	(78,903)	\$18.62	\$20.30
Southeast	265,910	46.4%	46.4%	12,440	0	0	(7,454)	(7,454)	\$17.10	N/A
Southwest	346,549	23.3%	23.3%	7,625	0	0	(9,620)	(9,620)	\$19.10	\$19.20
Third Ward/Walker's Point	1,840,657	14.1%	14.1%	49,460	0	0	23,248	26,666	\$18.58	\$21.60
West Allis	1,940,376	16.8%	16.8%	25,466	0	0	(88,735)	(5,268)	\$14.63	N/A
MILWAUKEE SUBURBAN	10,620,679	22.5%	21.4%	180,271	300,114	0	(74,326)	(61,472)	\$17.61	\$21.65
Ozaukee	665,474	11.7%	11.7%	7,700	0	0	3,842	2,145	\$14.50	\$15.20
Waukesha/Brookfield	4,193,826	20.2%	19.1%	112,948	0	0	41,185	75,962	\$17.97	\$20.75
Waukesha/Pewaukee	2,462,798	15.7%	15.6%	70,605	25,700	0	1,551	(2,960)	\$18.12	\$21.30
MILWAUKEE OUTLYING	7,322,098	17.9%	17.3%	191,253	25,700	0	46,578	75,147	\$17.63	\$20.05
CBD	9,789,663	18.8%	18.6%	221,744	1,472,017	0	(126,701)	(129,849)	\$19.95	\$22.75
SUBURBAN	17,942,777	20.6%	19.7%	371,524	325,814	0	(27,748)	13,675	\$17.80	\$20.75
TOTALS	27,732,440	20.0%	19.3%	593,268	1,797,831	0	(154,449)	(116,174)	\$18.68	\$21.50

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
330 E Kilbourn Avenue	Downtown – East	Lueder Financial Group	A	17,432
1126 S 70 th Street	West Allis	LaCausa, Inc.	B	15,442
310 W Wisconsin Avenue	Downtown – West	The Previant Law Firm	A	15,081
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
24133, 24222 Riverwood	Waukesha/Pewaukee	The Broe Group	\$26,026,800 / \$133	195,282
626 E Wisconsin Avenue	Downtown – East	Gas Light Milwaukee, LLC	\$20,500,000 / \$135	151,930
620 S 76 th Street	West Allis	Fair Park Property Group LLC	\$14,500,000 / \$123	118,291
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
807 W Juneau	Downtown – West	Speculative	Q2 2015	170,000 (0%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
800 E Wisconsin Street	Downtown – East	Northwestern Mutual	Q3 2017	1,114,000 (100%)
833 E Michigan Street	Downtown – East	Godfrey & Kahn	Q3 2016	358,017 (55%)