

Office Snapshot 2Q 2016

Milwaukee



CUSHMAN & WAKEFIELD

BOERKE

MILWAUKEE OFFICE

Economic Indicators

	2Q 15	2Q 16	12-Month Forecast
Milwaukee Employment	854k	859k	▲
Milwaukee Unemployment	5.0%	4.8%	▲
U.S. Unemployment	5.4%	4.9%	▲

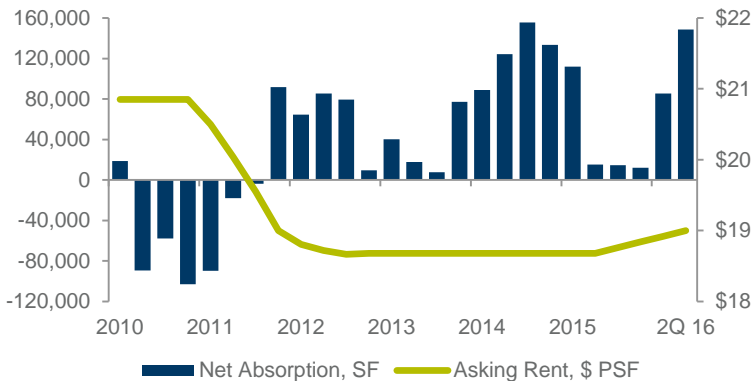
Market Indicators (Overall, All Classes)

	2Q 15	2Q 16	12-Month Forecast
Vacancy	20.0%	18.0%	▲
Net Absorption (sf)	(161k)	91k	▲
Under Construction (sf)	1.8M	1.2M	▼
Average Asking Rent*	\$18.68	\$19.00	▲

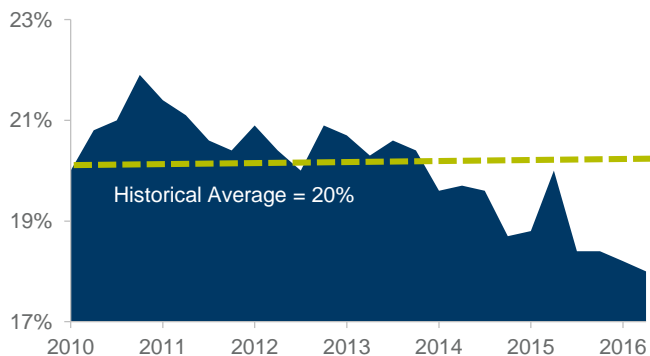
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate declined to 4.2% in May 2016, a figure that gradually declined since February 2016, and only a slight decrease of 40-basis-points from a year ago. The 4.2% unemployment rate for Wisconsin remains lower than the national unemployment rate of 4.7%. The latest National Manpower Employment Outlook survey indicates positive prospects for job growth in the third quarter. Nationally, employers included in the survey indicated that 23% are expecting hiring to increase in the 3Q 2016. Locally, the outlook is slightly more upbeat as 31% of those surveyed expect to increase staff levels in the third quarter of 2016, with 5% planning to reduce levels. The Milwaukee-Waukesha-West Allis market reported a 26% net employment outlook, a figure that scores Milwaukee 12th in the country's largest metro areas. Since the beginning of 2015, Milwaukee has consistently ranked in the upper quarter of metropolitan areas. 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 reported its fourth consecutive quarter of positive absorption. In the second quarter of 2016, the office market posted 90,980 square feet (SF) of absorption. The overall vacancy rate continued to decline at 18.0%, and marks a 20-basis-point decline from 1Q 2016. Another investor made a significant investment in the Milwaukee Class A CBD office market. The 22-story, 472,500 SF Chase Tower was purchased for \$30.5 million, or \$64.55 per square foot in late June. The 472,500-SF building is currently 87% occupied, with JPMorgan Chase & Co as the anchor tenant. This deal represents yet another example of the growing number of national real estate investors that are extremely bullish on the Downtown Milwaukee market. The Downtown market also had two tenants, FBI and Assurant Health, leave large tracts of space vacant in the market. The FBI vacated 99,718 SF at 330 E Kilbourn Avenue and moved into a standalone facility in St. Francis, while Assurant Health vacated 80,000 SF at Schlitz Park due to their exit from the health insurance market.

Outlook

The second quarter of 2016 continued in stellar fashion for both job growth and absorption. Although employers remain cautious in their hiring as the election nears, the United States hiring outlook is amongst the strongest globally. Therefore, we expect high quality office space in the Downtown markets to remain in demand.

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	7,159,150	23,714	1,190,757	17.0%	(92,130)	150,603	299,155	1,114,000	\$20.70	\$23.75
Downtown West	2,817,340	0	691,519	24.5%	(76,679)	(15,552)	111,935	0	\$19.50	\$2.50
Milwaukee CBD	9,976,490	23,714	1,882,276	19.1%	(168,809)	135,051	411,090	1,114,000	\$20.00	\$22.75
Mayfair/Wauwatosa	2,755,417	20,155	677,816	25.3%	117,212	129,929	47,043	0	\$19.35	\$25.55
North Shore	2,184,912	65,943	409,774	21.8%	9,731	11,360	21,127	0	\$15.35	\$22.25
Northwest	1,584,715	94,092	178,856	17.2%	40,020	126,462	122,784	0	\$18.75	\$20.30
Southeast	265,910	0	128,574	48.4%	(2,200)	(1,561)	639	0	\$17.10	N/A
Southwest	354,606	0	64,624	18.2%	3,403	3,403	0	0	\$19.10	\$19.20
Third Ward/Walker's Point	1,882,452	6,500	219,822	12.0%	23,268	22,768	61,611	52,000	\$18.58	\$21.60
West Allis	1,946,776	0	113,001	5.8%	1,170	19,012	5,456	0	\$14.63	N/A
Milwaukee Suburban	10,974,788	186,690	1,792,467	18.0%	192,604	311,373	258,660	52,000	\$17.75	\$21.65
Ozaukee	574,611	0	51,008	8.9%	2,685	2,171	8,756	0	\$14.60	\$15.20
Waukesha/Brookfield	4,198,748	18,000	749,537	18.3%	46,646	33,017	176,012	0	\$18.55	\$20.75
Waukesha/Pewaukee	2,479,497	3,573	383,114	15.6%	17,854	(51,978)	52,520	0	\$18.49	\$21.30
Milwaukee Outlying	7,252,856	21,573	1,183,659	16.6%	67,185	(16,790)	237,288	0	\$18.27	\$20.05
CBD	9,976,490	23,714	1,882,276	19.1%	(168,809)	135,051	411,090	1,114,000	\$20.00	\$22.75
Suburban	18,227,644	208,263	2,976,126	17.5%	259,789	294,583	495,948	52,000	\$18.00	\$20.75
MILWAUKEE TOTALS	28,204,134	231,977	4,858,402	18.0%	90,980	429,634	907,038	1,166,000	\$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	12,666,272	30,121	1,834,755	14.7%	74,112	58,171	544,151	1,166,000	\$21.25	\$21.75
Class B	14,408,167	191,644	2,925,801	21.6%	11,916	73,545	341,088	0	\$17.25	\$17.50
Class C	1,129,695	10,212	97,846	9.6%	4,952	2,293	21,799	0	\$15.75	\$16.00

Key Lease Transactions 2Q 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11301 W Lake Park Drive	40,020	Minacs	Lease	Northwest
1515 River Center Drive	20,334	Virtual Care Provider Inc. (VCPI)	Lease	Downtown West
200 N Water Street	19,044	Hoffman York	Lease	Downtown East

Key Sales Transactions 2Q 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
9011-9045 N Deerwood Drive	585,292	Del Norte Plaza LLC	\$16,500,000 / \$28	North Shore
111 E Wisconsin Avenue	477,772	111 W Wisconsin Property Owner LLC	\$30,500,000 / \$64	Downtown East
111 E Kilbourn Avenue	378,717	Milwaukee Center Management LLC	\$60,500,000 / \$160	Downtown East