

Office Snapshot Q3 2015

Milwaukee



MILWAUKEE OFFICE

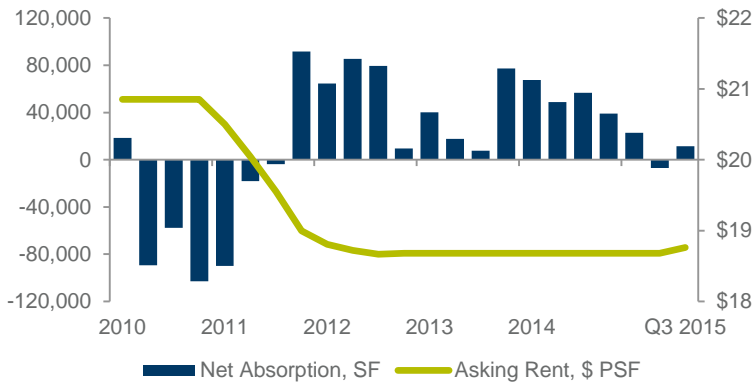
Economic Indicators

	Q3 14	Q3 15	12-Month Forecast
Milwaukee Employment	845k	853k	▲
Milwaukee Unemployment	5.8%	4.9%	▲
U.S. Unemployment	6.1%	5.1%	▼

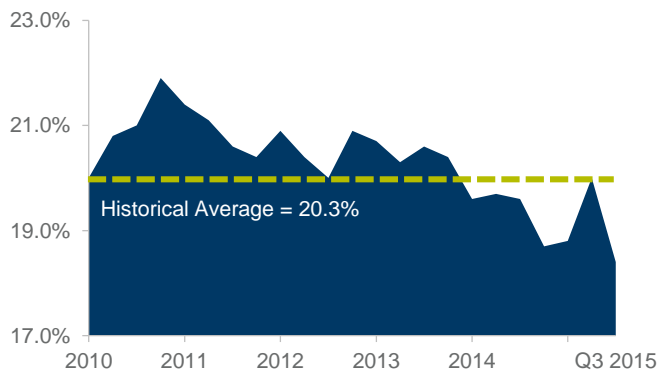
Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	19.6%	18.4%	▲
Net Absorption	123k	121k	▲
Under Construction	1.5M	1.5M	▼
Overall Average Asking Rent	\$18.68	\$19.00	▲

Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate declined to 4.5% for August, a decrease of 0.1 percentage point (pp) from the prior month and a 0.8 pp decrease from a year ago. The 4.5% unemployment rate for Wisconsin remains lower than the national unemployment rate of 5.1%. The latest National Manpower Employment Outlook survey indicates the strongest hiring expectation since Q4 2007. Locally, employers included in the survey indicated that 23% of employers anticipate hiring additional employees in the final quarter of 2015. The Milwaukee-Waukesha-West Allis market scored a 20% net employment outlook, which represents a decrease from 27% in the previous quarter. The national net employment outlook was 18%, an increase from the previous three quarters of 16%. The net employment outlook is measured by percentage of plan hires offset by percentage of plan reduction in payroll.

Market Overview

Following an intermittent negative absorption for the second quarter 2015, the Milwaukee office market returned to positive absorption for the third quarter. This quarter the office market posted a total of positive 121,389 square feet (sf). The overall vacancy decreased to 18.4%, a 1.6 pp decrease from the previous quarter, and 1.2 pp decline from Q3 2014. The renewed interest in downtown space continues to be heightened in construction plans. A former retail warehouse in close proximity to the new Milwaukee Bucks arena site has plans to be converted into 50,000 sf of office space. Schlitz Park, a downtown business park, also announced plans to convert a former warehouse into 50,000 sf of office space. Furthermore, Schlitz Park anticipates further expansion resulting in 80,000 sf of additional office space. Zurn Industries announced plans it is joining Milwaukee's upcoming water research park by relocating its global headquarters to the 3rd Ward and building a \$15-million, 50,000-sf office building.

Outlook

The end of 2015 looks to carry on with positive growth as the office market continues to expand. Global economic indicators are displaying mixed signals, while local construction activity is on the rise. Developers are remaining optimistic of the space in close proximity to downtown.

MARKETBEAT

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Milwaukee



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
Downtown East	48	6,884,715	20,002	1,049,631	15.5%	75,761	108,135	1,472,017	\$20.70	\$23.75
Downtown West	22	2,896,528	0	663,197	22.9%	29,133	(133,090)	0	\$19.50	\$2.50
Milwaukee CBD	70	9,781,243	20,002	1,712,828	17.7%	104,894	(24,955)	1,472,017	\$20.00	\$22.75
Mayfair/Wauwatosa	41	2,557,099	28,202	663,267	27.0%	44,712	53,242	0	\$19.35	\$25.55
North Shore	43	2,171,366	72,657	413,200	22.4%	(71,682)	(67,105)	0	\$15.35	\$22.25
Northwest	18	1,365,040	13,507	275,721	21.2%	(3,270)	(82,173)	0	\$18.75	\$20.30
Southeast	8	265,910	0	125,763	47.3%	0	(7,454)	0	\$17.10	N/A
Southwest	12	346,549	0	75,916	21.9%	4,860	(4,760)	0	\$19.10	\$19.20
Third Ward/Walker's Point	27	1,835,852	0	236,824	12.9%	9,742	36,408	0	\$18.58	\$21.60
West Allis	18	1,951,806	0	162,519	8.3%	7,134	1,866	0	\$14.63	N/A
Milwaukee Suburban	167	10,493,622	114,366	1,953,210	19.7%	(8,504)	(69,976)	0	\$17.75	\$21.65
Ozaukee	37	665,474	0	84,064	12.6%	(2,370)	(225)	0	\$14.60	\$15.20
Waukesha/Brookfield	90	4,193,840	46,653	776,763	19.4%	4,170	80,132	0	\$18.55	\$20.75
Waukesha/Pewaukee	51	2,488,498	0	387,183	15.6%	23,199	20,239	0	\$18.49	\$21.30
Milwaukee Outlying	178	7,347,812	46,653	1,248,010	17.5%	24,999	100,146	0	\$18.27	\$20.05
CBD	70	9,781,243	20,002	1,712,828	17.7%	104,894	(24,955)	1,472,017	\$20.00	\$22.75
Suburban	345	17,841,434	161,019	3,201,220	18.8%	16,495	30,170	0	\$18.00	\$20.75
MILWAUKEE TOTALS	415	27,622,677	181,021	4,914,048	18.4%	121,389	5,215	1,472,017	\$19.00	\$21.25

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	134	12,348,791	81,578	1,723,926	14.6%	106,046	4,991	1,472,017	\$21.25	\$21.75
Class B	256	14,061,901	96,943	3,053,232	22.4%	8,911	(9,460)	0	\$17.25	\$17.50
Class C	25	1,211,985	2,500	127,890	10.8%	6,432	9,684	0	\$15.75	\$16.00

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
111 E Wisconsin Avenue	67,935	Great-West Life Assurance Company	Lease	Downtown East
1543 N 2 nd Street	17,880	Minacs USA	Lease	Downtown West
20800 Swenson Drive	12,921	Whyte Hirschboeck Dudek S.C.	Lease	Waukesha/Pewaukee

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
250 E Wisconsin Avenue	200,039	Fulcrum Asset/Lone Star Funds	\$9,750,000	Downtown East
7800 Brown Deer Road	175,610	Lone Star Funds/Investor Real Estate	\$7,000,000	North Shore

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