

# MARKETBEAT OFFICE SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q2 2014



### ECONOMIC OVERVIEW

The Wisconsin economic momentum continues to show slow and steady improvement. Wisconsin's unemployment rate declined to 5.7% for May, a decrease of 0.1 percentage points (pp) from the prior month and 1.1 pp decrease from a year ago and still remains below the national unemployment rate of 6.3%.

According to the latest figures from the U.S. Bureau of Labor Statistics, Wisconsin gained 28,141 private-sector jobs for the year 2013, a 1.2% employment increase, ranking Wisconsin 37<sup>th</sup> among the nation in the pace of job creation.

However, the latest Manpower Employment Outlook Survey indicates the job markets of Wisconsin and metropolitan Milwaukee rank among the best in the nation. Amongst the 10 highest in the nation, the Milwaukee-Waukesha-West Allis market scored a 23 percent net employment outlook, with employers surveyed anticipating an uptick in the hiring pace. For the United States as a whole, the net employment outlook was 18 percent.

### CONTINUED OFFICE MARKET IMPROVEMENT

The Milwaukee office market continues to improve through the first half of 2014, another indicator that the economy is slowly improving. Positive absorption continues throughout Metro-Milwaukee, with the West Allis submarket experiencing the most activity in the second quarter when Johnson Controls committed to 143,000 square feet across two floors in Renaissance Center.

The Milwaukee office market showed a 0.1 percentage point increase in overall vacancy rate, increasing to 19.7%, however remains 0.6 percentage points lower when compared year-over-year.

### HEADQUARTER EXPANSION

Northwestern Mutual Life Insurance Company (NML) is moving forward with their headquarter expansion as the demolition work is near completion in preparation for their \$450 million, 32-story, 1.1 million-square foot (msf) state-of-the-art corporate headquarter office campus.

Kohl's Corporation has been in expansion mode as well. Over the past year, Kohl's has acquired four buildings and vacant land near their existing headquarters in Menomonee Falls, short term functioning to house operations, and allowing for potential expansion in the future.

In Kenosha County, Uline plans to double the size of their corporate campus, building another 200,000 square-foot office building and another 1 msf distribution center at the campus.

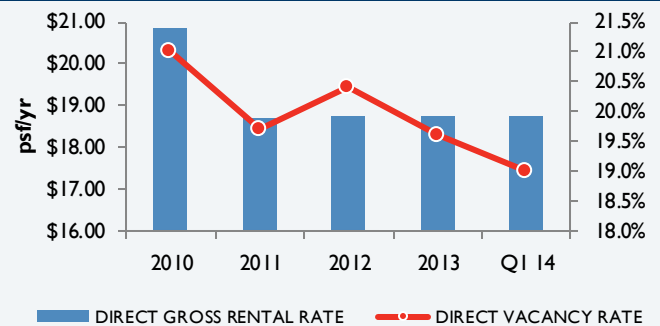
### OUTLOOK

The Metro Milwaukee area outlook remains at a healthy level of growth, as businesses remain optimistic about future expansion. According to a survey by the Metropolitan Milwaukee Association of Commerce, seventy-two percent of businesses surveyed forecast rising sales levels, sixty-six percent expect profit increases and forty-nine percent see employment gains. As predictions continue to favor economic progress, expect to see a moderate increase in office market activity to keep up with the predictions, albeit at a moderate pace due to a decrease in per square foot per employee ratio.

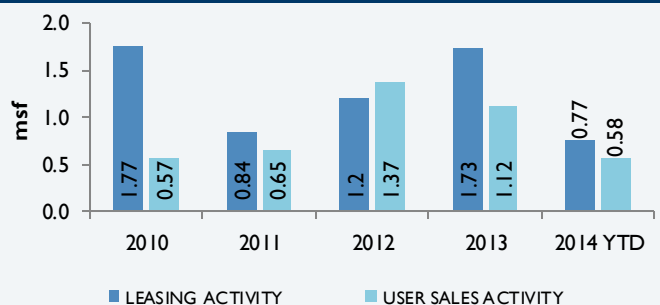
### STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.3%	19.7%	-0.6pp	↕
Direct Asking Rents (psf/yr)	\$18.74	\$18.74	0%	↕
YTD Leasing Activity (sf)	789,495	770,691	-2.4%	↕

### 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	6,903,853	16.3%	16.1%	50,689	358,017	0	(1,616)	(8,618)	\$20.20	\$23.69
Downtown West	3,130,538	29.4%	29.4%	116,413	73,100	0	63,432	63,432	\$19.36	\$20.41
<b>MILWAUKEE CBD</b>	<b>10,034,391</b>	<b>20.4%</b>	<b>20.3%</b>	<b>167,102</b>	<b>431,117</b>	<b>0</b>	<b>61,816</b>	<b>54,814</b>	<b>\$19.90</b>	<b>\$22.52</b>
Mayfair/Wauwatosa	2,712,512	22.6%	22.4%	64,335	95,000	0	(19,650)	(24,496)	\$19.21	\$25.50
North Shore	2,306,330	26.5%	23.6%	15,701	0	0	26,623	26,623	\$15.30	\$22.21
Northwest	1,240,460	15.4%	14.3%	18,476	0	0	(3,519)	(567)	\$18.59	\$20.28
Southeast	265,910	40.8%	40.8%	21,191	0	0	(2,118)	(2,118)	\$17.07	N/A
Southwest	346,549	17.4%	17.4%	4,462	0	0	(6,367)	(6,367)	\$19.07	\$19.16
Third Ward/Walker's Point	1,806,955	18.0%	18.0%	75,814	0	0	49,701	49,701	\$18.55	\$21.54
West Allis	2,002,620	11.7%	11.7%	178,889	0	12,480	161,633	161,633	\$14.60	N/A
<b>MILWAUKEE SUBURBAN</b>	<b>10,681,336</b>	<b>20.4%</b>	<b>19.3%</b>	<b>378,868</b>	<b>95,000</b>	<b>12,480</b>	<b>206,303</b>	<b>204,409</b>	<b>\$17.61</b>	<b>\$21.58</b>
Ozaukee	683,777	12.5%	12.5%	29,832	0	0	14,475	14,475	\$14.49	\$15.18
Waukesha/Brookfield	4,189,510	20.6%	19.2%	134,248	0	0	42,179	43,336	\$17.92	\$20.69
Waukesha/Pewaukee	2,470,613	13.5%	14.0%	60,641	0	0	35,924	40,332	\$18.07	\$21.21
<b>MILWAUKEE OUTLYING</b>	<b>7,343,900</b>	<b>17.6%</b>	<b>16.8%</b>	<b>224,721</b>	<b>0</b>	<b>0</b>	<b>92,578</b>	<b>98,143</b>	<b>\$17.62</b>	<b>\$19.97</b>
<b>CBD</b>	<b>10,034,391</b>	<b>20.4%</b>	<b>20.3%</b>	<b>167,102</b>	<b>431,117</b>	<b>0</b>	<b>61,816</b>	<b>54,814</b>	<b>\$19.90</b>	<b>\$22.52</b>
<b>SUBURBAN</b>	<b>18,025,236</b>	<b>19.3%</b>	<b>18.3%</b>	<b>603,589</b>	<b>95,000</b>	<b>12,480</b>	<b>298,881</b>	<b>302,552</b>	<b>\$17.62</b>	<b>\$20.53</b>
<b>TOTALS</b>	<b>28,059,627</b>	<b>19.7%</b>	<b>19.0%</b>	<b>770,691</b>	<b>526,117</b>	<b>12,480</b>	<b>360,697</b>	<b>357,366</b>	<b>\$18.68</b>	<b>\$21.34</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
801 S 60 <sup>th</sup> Street	West Allis	Johnson Controls Inc.	B	143,000
1610 N 2 <sup>nd</sup> Street	Downtown – West	RDA Enthusiasts Brands	B	40,506
777 E Wisconsin Avenue	Downtown – East	Robert W Baird (Expansion)	A	22,100
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
411 E Wisconsin Avenue	Downtown – East	FMC Investment Opportunities	\$74,300,000 / \$114	654,165
5400 S 60 <sup>th</sup> Street	Southwest	Goodwill Industries of Southeastern Wisconsin, Inc.	\$6,000,000 / \$36	164,800
17950 W Corporate Drive	Waukesha/Brookfield	Brookfield Lakes LP	\$16,750,000 / \$211	79,228
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
901 S 70 <sup>th</sup> Street	West Allis	Cardinal Capital Management Inc.	Q2 2014	12,480 / (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
833 E Michigan Street	Downtown – East	Godfrey & Kahn	Q3 2016	358,017 / (55%)
Watertown Plank Road at Highway 45	Mayfair/Wauwatosa	ABB Inc.	2014	95,000 / (100%)
1036 W Juneau Avenue	Downtown – West	Speculative Development	2014	73,100 / (0%)