

# MARKETBEAT OFFICE SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q1 2014



### ECONOMIC OVERVIEW

The Wisconsin economy is making headway with steady signs of recovery as we start off the beginning of 2014. Wisconsin's unemployment rate declined to 6.1% for February, a decrease of 1.1 percentage points (pp) from a year ago and still remains below the national unemployment rate of 6.7%.

Wisconsin's job report, which spans 12 months from September 2012 through September 2013, showed Wisconsin gained 28,000 private-sector jobs in the 12 month period, a 1.2% employment increase and ranks Wisconsin 35<sup>th</sup> among the nation in the pace of job creation.

According to the Manpower Employment Outlook Survey, the second quarter of 2014 could bring more hiring in Metropolitan Milwaukee and Wisconsin, enough to rank the area second in the nation for job growth.

### OFFICE MARKET CONTINUES TO IMPROVE

The office market showed continued signs of improvement in the first quarter, another sign that the market is improving. The Milwaukee office market started 2014 with the lowest vacancy rate seen in over three years, with a vacancy rate of 19.6%, down 1.0 percentage points quarter-over-quarter and 1.1 percentage points year-over-year.

The North Shore, Waukesha/Pewaukee, and Downtown-West, submarkets helped contribute to the overall decrease, as the direct vacancy rates declined 4.4 percentage points, 1.2 percentage points, and 1.1 percentage points respectively quarter-over-quarter. The highest level of absorption in Q1 2014 occurred in the Downtown-West submarket, with RDA Enthusiast Brands leasing over 49,000 square feet (sf) at Schlitz Park.

### CONSTRUCTION AND REDEVELOPMENT

Several noteworthy developments are moving forward in Metro Milwaukee. Northwestern Mutual Life Insurance Company (NML) is altering the Milwaukee skyline with the development of a 32-story, 1.1 million-square foot (msf) state-of-the-art corporate headquarter office campus. One block to the south of NML, Milwaukee-based Irgens has plans to develop a 17-story office building, 833 East, in the central business district (CBD) with construction scheduled to break ground this spring.

In addition to ground up office construction, there are a few redevelopments of lower class office buildings into residential uses. Recent announcements include converting the former 11-story Blue Cross Blue Shield building at 401 W Michigan Street into 200-units and converting the Germania Building at 135 W Wells Street into 78-units.

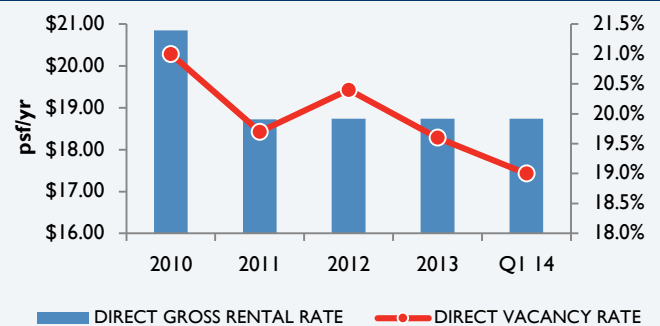
### OUTLOOK

The office market continues to show a healthy appetite for leasing and sales activity, leading to positive absorption and decreased vacancy. Private-sector job growth from April 2013 through the end of 2013 was the best since 1994 as more firms are hiring and more people are working. Predictions from ManpowerGroup suggest Q2 2014 will also bring increased hiring to our area, a fundamental that is necessary for businesses to invest in their real estate needs and in order to sustain positive absorption and decreased vacancy in the office market.

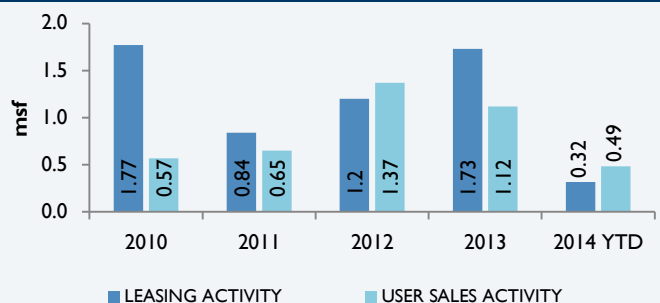
### STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.7%	19.6%	-1.1pp	◀▶
Direct Asking Rents (psf/yr)	\$18.74	\$18.74	0%	◀▶
YTD Leasing Activity (sf)	380,284	316,683	-16.7%	◀▶

### 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	15.9%	15.9%	37,211	0	0	18,309	18,309	\$20.20	\$23.69
Downtown West	3,049,929	29.8%	29.8%	74,673	73,100	0	27,804	27,804	\$19.36	\$20.41
<b>MILWAUKEE CBD</b>	<b>9,953,782</b>	<b>20.1%</b>	<b>20.1%</b>	<b>111,884</b>	<b>73,100</b>	<b>0</b>	<b>46,113</b>	<b>46,113</b>	<b>\$19.90</b>	<b>\$22.52</b>
Mayfair/Wauwatosa	2,712,102	21.4%	21.4%	8,361	95,000	0	4,798	4,798	\$19.21	\$25.50
North Shore	2,204,330	23.6%	20.6%	4,221	0	0	26,987	26,987	\$15.30	\$22.21
Northwest	1,342,460	12.3%	11.0%	9,582	0	0	4,019	4,019	\$18.59	\$20.28
Southeast	370,910	47.1%	47.1%	9,100	0	0	(2,118)	(2,118)	\$17.07	N/A
Southwest	389,749	14.8%	14.8%	0	0	0	(6,367)	(6,367)	\$19.07	\$19.16
Third Ward/Walker's Point	1,625,076	14.5%	14.5%	21,415	0	0	17,562	17,562	\$18.55	\$21.54
West Allis	1,935,235	18.2%	18.2%	26,627	12,480	0	2,197	2,197	\$14.60	N/A
<b>MILWAUKEE SUBURBAN</b>	<b>10,579,862</b>	<b>20.1%</b>	<b>18.9%</b>	<b>79,306</b>	<b>107,480</b>	<b>0</b>	<b>47,078</b>	<b>47,078</b>	<b>\$17.61</b>	<b>\$21.58</b>
Ozaukee	691,777	13.8%	13.8%	13,537	0	0	4,303	4,303	\$14.49	\$15.18
Waukesha/Brookfield	4,164,977	21.2%	19.8%	82,490	0	0	18,644	24,079	\$17.92	\$20.69
Waukesha/Pewaukee	2,415,141	20.1%	14.1%	29,466	0	0	10,650	10,650	\$18.07	\$21.21
<b>MILWAUKEE OUTLYING</b>	<b>7,271,895</b>	<b>18.2%</b>	<b>17.4%</b>	<b>125,493</b>	<b>0</b>	<b>0</b>	<b>33,597</b>	<b>39,032</b>	<b>\$17.62</b>	<b>\$19.97</b>
CBD	9,953,782	20.1%	20.1%	111,884	73,100	0	46,113	46,113	\$19.90	\$22.52
SUBURBAN	17,851,757	19.3%	18.3%	204,799	107,480	0	80,675	86,110	\$17.62	\$20.53
<b>TOTALS</b>	<b>27,805,539</b>	<b>19.6%</b>	<b>19.0%</b>	<b>316,683</b>	<b>180,580</b>	<b>0</b>	<b>126,788</b>	<b>132,223</b>	<b>\$18.68</b>	<b>\$21.34</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1610 N 2 <sup>nd</sup> Street	Downtown – West	RDA Enthusiast Brands	B	40,506
777 E Wisconsin Avenue	Downtown – East	Robert W Baird (Expansion)	A	22,100
W233 N2080 Ridgeview Parkway	Waukesha/Pewaukee	Wisconsin Institute of Certified Public Accountants Inc.	A	19,249
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
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
N86 WI2500 Westbrook Crossing	Northwest	Actuant Menomonee LLC	\$15,370,000 / \$195	78,920
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A	N/A	N/A	N/A	N/A
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Watertown Plank Road at Highway 45	Mayfair/Wauwatosa	ABB Inc.	2014	95,000
1036 W Juneau Avenue	Downtown – West	Speculative Development	2014	73,100