

MARKETBEAT OFFICE SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

Wisconsin's unemployment rate declined to 5.6% for August, a decrease of 0.2 percentage points (pp) from the prior month and 1.1 pp decrease from a year ago. The 5.6% unemployment rate for Wisconsin is also the lowest since October of 2008 and remains lower than the national unemployment rate of 6.1%.

According to the latest Business Outlook Survey, conducted by the Metropolitan Milwaukee Association of Commerce, most Milwaukee area employers project companies to finish 2014 strong. The rate of job growth is cited as being at a post-recession high point, and survey expectations suggest strong employment growth to continue through the end of 2014.

In addition, according to the latest Manpower Employment Outlook Survey, Wisconsin employers project a 19% net employment outlook, with employers surveyed anticipating a brisk pace in hiring during the fourth quarter of 2014. This represents a 10% increase year-over-year and 4 percentage points higher than the United States as a whole, which has a net employment outlook of 15%.

CONTINUED OFFICE MARKET IMPROVEMENT

The Milwaukee office market continues to show improvement as we enter the fourth quarter of 2014, a welcomed sign that our local economy is slowly improving. Positive absorption continues throughout Metro-Milwaukee, with over 104,000 square feet (sf) absorbed in the third quarter. The overall vacancy rate indicates a 0.1 percentage point decrease quarter-over-quarter, decreasing to 19.6% and is a full 1.0 percentage point lower than Q3 2013. The West Allis and Third Ward Submarkets experienced the most activity in the third quarter when Children's Hospital of Wisconsin leased 47,056 sf of office space in Summit Place and Springfield College leased 22,178 sf in the Timbers Building, as the existing location is slated to be converted to a hotel use.

ADAPTIVE REUSE

Multiple proposed developments are still slated to break ground in 2014, converting office buildings into large housing developments. The Germania office building was awarded \$850,000 in tax credit to convert the former office building into 70 affordable apartments. Also located in Milwaukee's CBD, the Posner building will be converted into 105 apartments with first floor retail and the former Blue Cross Blue Shield office building at 401 W Michigan Street will be converted into 188 apartments.

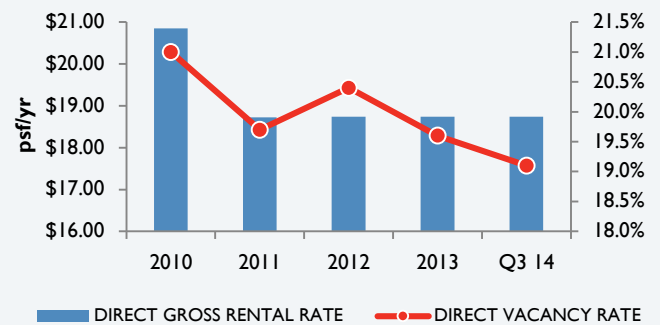
OUTLOOK

With the mid-term elections on the immediate horizon, businesses continue to remain cautiously optimistic about continued economic improvement. While economic progress has been slow and steady over the past year, expect to see moderate increase in real estate activity. Developers are becoming more active in our region and the first major office development, 833 East, broke ground this year. The Irgens project is the first major office development to break ground in over a decade.

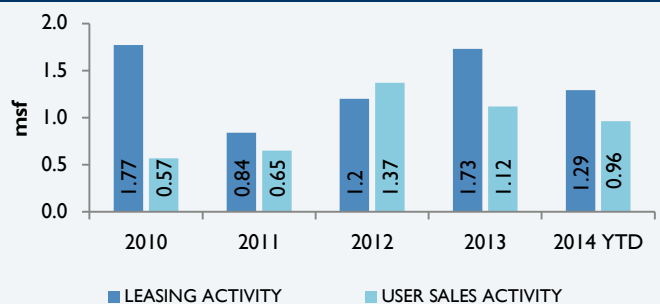
STATS ON THE GO

	Q3 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.6%	19.6%	-1.0pp	◀▶
Direct Asking Rents (psf/yr)	\$18.74	\$18.74	0%	◀▶
YTD Leasing Activity (sf)	1,311,213	1,293,737	-1.3%	◀▶

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	6,872,862	16.9%	16.7%	97,090	1,472,017	0	(92)	(7,094)	\$20.20	\$23.69
Downtown West	3,130,538	29.1%	29.1%	154,778	42,000	0	92,436	92,436	\$19.36	\$20.41
MILWAUKEE CBD	10,003,400	20.7%	20.6%	251,868	1,514,017	0	92,344	85,342	\$19.90	\$22.52
Mayfair/Wauwatosa	2,672,712	23.2%	22.4%	117,643	0	95,000	(8,983)	(30,264)	\$19.21	\$25.50
North Shore	2,180,084	28.1%	25.1%	31,526	0	0	23,572	23,572	\$15.30	\$22.21
Northwest	1,342,460	13.8%	12.7%	22,390	0	0	3,031	5,983	\$18.59	\$20.28
Southeast	265,910	41.3%	41.3%	23,191	0	0	(3,368)	(3,368)	\$17.07	N/A
Southwest	346,549	19.8%	19.8%	17,015	0	0	(14,722)	(14,722)	\$19.07	\$19.16
Third Ward/Walker's Point	1,798,499	16.2%	16.2%	122,479	0	0	73,774	73,774	\$18.55	\$21.54
West Allis	1,940,376	11.9%	11.9%	288,624	0	12,480	173,508	211,142	\$14.60	N/A
MILWAUKEE SUBURBAN	10,546,590	20.1%	19.1%	622,868	0	107,480	246,812	266,117	\$17.61	\$21.58
Ozaukee	663,777	12.4%	12.4%	39,138	0	0	20,895	20,895	\$14.49	\$15.18
Waukesha/Brookfield	4,172,826	20.2%	19.4%	195,619	0	0	42,956	41,766	\$17.92	\$20.69
Waukesha/Pewaukee	2,485,689	14.0%	14.0%	184,244	25,700	0	61,960	66,368	\$18.07	\$21.21
MILWAUKEE OUTLYING	7,322,292	17.4%	16.9%	419,001	25,700	0	125,811	129,029	\$17.62	\$19.97
CBD	10,003,400	20.7%	20.6%	251,868	1,514,017	0	92,344	85,342	\$19.90	\$22.52
SUBURBAN	17,868,882	19.0%	18.2%	1,041,869	25,700	107,480	372,623	395,146	\$17.62	\$20.53
TOTALS	27,872,282	19.6%	19.1%	1,293,737	1,539,717	107,480	464,967	480,488	\$18.68	\$21.34

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
801 S 60 th Street	West Allis	Johnson Controls Inc.	B	143,000
6737 W Washington	West Allis	Children's Hospital of Wisconsin	B	47,056
1610 N 2 nd Street	Downtown – West	RDA Enthusiasts Brands	B	40,506
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 th Street	Southwest	Goodwill Industries of Southeastern Wisconsin, Inc.	\$6,000,000 / \$36	164,800
803 W Michigan	Downtown – West	Marquette University	\$5,250,000 / \$38	138,860
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Watertown Plank Road at Highway 45	Mayfair/Wauwatosa	ABB Inc.	Q3 2014	95,000 (100%)
901 S 70 th 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)
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%)
1036 W Juneau Avenue	Downtown – West	Speculative Development	2014	42,000 (0%)