

MARKETBEAT OFFICE SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q2 2012



ECONOMIC OVERVIEW

The Milwaukee economy is showing signs of improvement as we reach the mid-point of 2012, although still not to the pre-recession levels that once was the norm. According to the latest Manpower Employment Outlook

Survey, Metropolitan Milwaukee is the top-ranked metro market in the nation for hiring prospects in the next three month, with 31% of employers surveyed in the Milwaukee, Waukesha, and West Allis metropolitan statistical area (MSA) planning to hire in the next three months, while just 2% of respondents expect to reduce their staff, producing a net employment outlook of 29 percent, the best in the nation. The state further improved with strong employment figures of 6.8% in March 2012, 1.4% lower than the national average of 8.2% and down 0.8 percentage points from a year ago according to the U.S. Bureau of Labor Statistics.

OFFICE MARKET IMPROVES

The Milwaukee office market is continuing to post steady signs of improvement with a decrease in vacancy and positive quarterly absorption in Q2 2012. The office market absorbed over 173,000 square feet (sf) in the second quarter and vacancy decreased by 50 basis points to 20.4%. However, Milwaukee also continues to be a tale of two cities within the CBD, as Downtown – East office space posted 15.1% vacancy, while the Downtown – West office space is at 31.4%. In keeping with the stark differentials in the CBD, the class A Downtown – East office vacancy rate is 9.2% and the class A Downtown – West office vacancy rate is 27.5%.

PROPOSED DEVELOPMENTS - MARKET OPTIMISM

Within the past year the Milwaukee office market has seen increase optimism as development opportunities surface in the market. Within the CBD, there are six class A office projects in pursuit of development, all dependent upon obtaining signed leases. Irgens recently announced plans for 833 East, a proposed 18-story, 350,000-sf office tower to be developed at 833 E Michigan St. Developer Joel Lee, working with Ryan cos. U.S. Inc., is in the market to develop Washington Square located at E. Mason St between N. Jefferson St & N. Jackson St. In addition, there is a proposed office tower site at the SEC of E. Michigan St. and N. Broadway which could be developed by Doug Weas, approximately 100,000-sf of office space could be available at The Marcus Center for the Performing Arts located along Water St., the pending Bruce Westling | Gary Grunau Park East office and movie theater complex, and the pending redevelopment of the Downtown Transit Center located on E. Michigan facing the lakefront could be a mixed-use development with an office component.

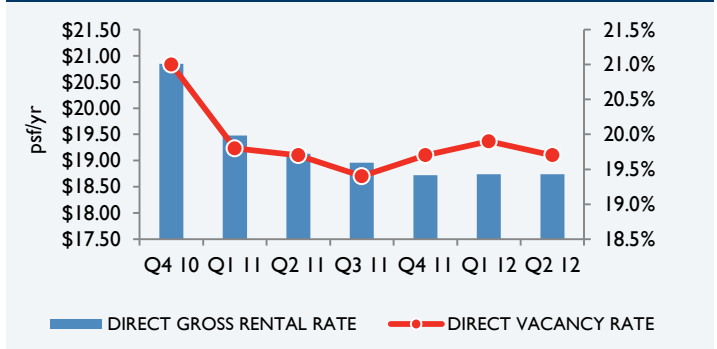
OUTLOOK

The downtown Milwaukee market has recently seen an increase in a variety of real estate related activities in the first half of 2012; including the sales of both the Downtown Best Western and Staybridge hotels. Continued developments proposed in the Park East corridor, and construction of both the Marriott Hotel and the Hilton Garden Inn continue to strengthen the downtown market. These investments, along with the potential for a new Class A office tower and multi-family residential makes Milwaukee's downtown a vibrant place, that hopefully will attribute to future office growth.

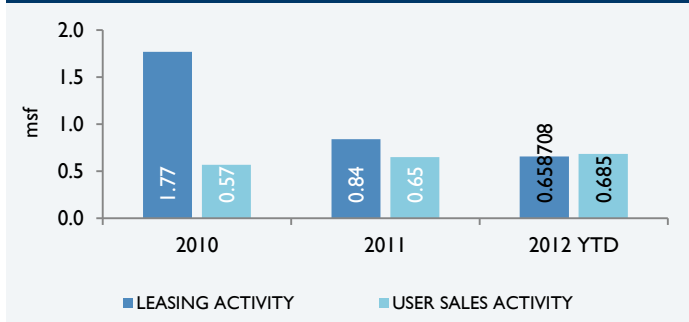
STATS ON THE GO

	Q2 2011	Q2 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	21.1%	20.4%	-0.7pp	↕
Direct Asking Rents (psf/yr)	\$19.13	\$18.74	-2.0%	↕
YTD Leasing Activity (sf)	344,060	658,708	91.5%	↕

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	7,063,292	15.1%	14.3%	133,453	0	0	32,442	32,442	\$20.20	\$23.69
Downtown West	3,196,762	31.4%	31.2%	67,486	0	0	43,500	45,145	\$19.36	\$20.41
MILWAUKEE CBD	10,260,054	20.2%	19.6%	200,939	0	0	75,942	77,587	\$19.90	\$22.52
Mayfair/Wauwatosa	2,794,483	18.1%	17.9%	34,942	0	0	(66,071)	(71,568)	\$19.21	\$25.50
North Shore	2,011,746	25.8%	22.3%	13,062	0	0	(6,817)	(22,357)	\$15.30	\$22.21
Northwest	1,393,764	15.8%	15.8%	76,430	0	0	9,165	99,255	\$18.59	\$20.28
Southeast	265,910	39.9%	39.9%	11,657	17,952	0	(4,128)	(4,128)	\$17.07	N/A
Southwest	389,749	12.5%	12.5%	6,188	0	0	(1,357)	(1,357)	\$19.07	\$19.16
Third Ward/Walker's Point	1,849,178	22.2%	21.9%	86,947	0	30,000	(1,261)	(1,261)	\$18.55	\$21.54
West Allis	1,746,235	14.0%	14.0%	46,773	0	0	52,699	52,699	\$14.60	N/A
MILWAUKEE SUBURBAN	10,441,065	19.7%	18.9%	275,999	17,952	30,000	(17,770)	51,283	\$17.61	\$21.58
Ozaukee	709,349	22.5%	22.5%	11,365	0	12,310	(10,191)	(10,191)	\$14.49	\$15.18
Waukesha/Brookfield	4,211,875	23.5%	22.1%	148,098	101,900	0	36,617	43,808	\$17.92	\$20.69
Waukesha/Pewaukee	2,396,851	18.4%	18.4%	22,307	0	0	(26,113)	(26,113)	\$18.07	\$21.21
MILWAUKEE OUTLYING	7,318,075	21.7%	20.9%	181,770	101,900	12,310	313	7,504	\$17.62	\$19.97
CBD	10,260,054	20.2%	19.6%	200,939	0	0	75,942	77,587	\$19.90	\$22.52
SUBURBAN	17,759,140	20.5%	19.7%	457,769	119,852	42,310	(17,457)	58,787	\$17.62	\$20.53
TOTALS	28,019,194	20.4%	19.7%	658,708	119,852	42,310	58,485	136,374	\$18.68	\$21.34

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q2 2012 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
18500 W Corporate Drive	Waukesha/Brookfield	Connecture Inc.	A	32,000
234 W Florida Street	Third Ward/Walker's Point	Trane U.S. Inc.	B	15,115
19601 W Bluemound Road	Waukesha/Brookfield	Quality Health Solutions, Inc.	B	14,049
Significant Q2 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
13 Property Greenfield Partners Acquisition – Liberty	Northwest	LSOP WI LLC	\$44,988,968 / \$65.77	683,986
20825, 20935, 20975 Swenson Drive	Waukesha/Brookfield	LSOP WI LLC	\$16,974,435 / \$93.20	182,127
1240 N 10 th Street	Downtown – West	Board of Regents of the University of Wisconsin System	\$12,250,100 / \$214.91	57,000
Significant Q2 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
538 S 2 nd Street	Third Ward/Walker's Point	The Healing Collective	Q2 2012	30,000
6329 W Mequon Road	Ozaukee	Spectrum Investment Advisors	Q2 2012	12,310
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
NEC of Good Hope Road & Flint Road	Waukesha/Brookfield	Eaton Corp.	2013	101,900
7365 S Howell Avenue	Southeast	NDT Specialists	Q3 2012	17,952