

MARKETBEAT OFFICE SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q3 2012



ECONOMIC OVERVIEW

The Milwaukee economy continues to show slow but moderate signs of improvement as we enter into the fourth quarter of 2012.

According to the latest Manpower Employment Outlook Survey, employers in the Milwaukee area expect to continue hiring at an “active” pace in Q4 2012. Although hiring plans are more optimistic compared to one year ago, employment prospect projections are trending much weaker when compared to Q3 2012. The ManpowerGroup president of the Americas suggests employers have shown remarkable consistency in their careful approach to staff growth and the data shows that although companies are very cautious about adding staff, they still have the intention to increase their workforce into the fourth quarter. The state’s unemployment rate, although 1.0% lower than the national average of 8.2% in August, has only decreased 0.2 percentage points from the prior year according to the U.S. Bureau of Labor Statistics.

OFFICE MARKET SEES MODERATE GAINS

The Milwaukee office market continues to improve posting the third consecutive quarter of decreased vacancy. The office market has absorbed over 175,000 square feet (sf) year to date and vacancy decreased by 90 basis points during the first three quarters to 20.0%. The Downtown – East office market continues to outperform most of the Milwaukee office submarkets, posting a 70 basis point decrease in overall vacancy from the second quarter, coming in at 15.1%.

SLOW ACTIVITY CONTINUES POST SUMMER MONTHS

With the upcoming presidential election, America’s looming fiscal crisis, and Europe’s continued challenges, many businesses are hunkering down and waiting to make critical investments in their real estate. Although the waiting game is on many businesses’ minds, notable transactions that occurred in the third quarter include; Willis of Wisconsin’s move to 400 N Executive in the Waukesha/Brookfield submarket leasing over 26,000 sf and Vacon, Inc.’s move to 310 W Wisconsin into over 12,000 sf. Somerset Properties Inc., in partnership with Greenfield Partners, acquired seven additional office buildings in the metro area, which has increased their Milwaukee presence to over a million sf. In contrast to the positive activity in the market, a few for-profit colleges are cutting back their presence in Milwaukee. Everest College announced it will be closing their doors, resulting in 44,000 sf vacated and Sanford-Brown College will be adding over 35,000 sf of space to the market.

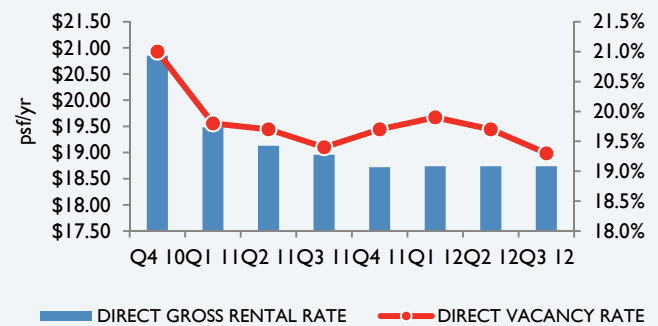
OUTLOOK

With political uncertainty weighing heavy on most individuals and business owners alike, expect to continue to see slow but steady growth in Milwaukee. With a number of proposed commercial developments, including six class A office projects in pursuit of development, and the addition of over 804 hotel rooms currently under construction in the CBD, it appears that our economy is set to slowly overcome political and economic turmoil.

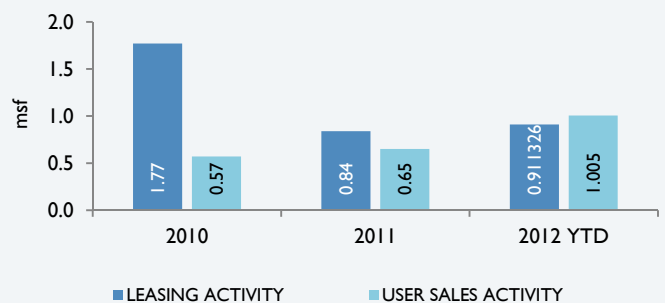
STATS ON THE GO

	Q3 2011	Q3 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.6%	20.0%	-0.6pp	↕
Direct Asking Rents (psf/yr)	\$18.96	\$18.74	-1.2%	↕
YTD Leasing Activity (sf)	616,535	911,326	47.8%	↕

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	14.4%	13.6%	152,164	0	0	47,289	47,289	\$20.20	\$23.69
Downtown West	3,196,762	31.0%	30.8%	85,471	0	0	57,917	59,562	\$19.36	\$20.41
MILWAUKEE CBD	10,260,054	19.5%	19.0%	237,635	0	0	105,206	106,851	\$19.90	\$22.52
Mayfair/Wauwatosa	2,794,483	18.9%	18.9%	57,494	0	0	(94,490)	(94,490)	\$19.21	\$25.50
North Shore	1,985,098	24.5%	20.9%	41,857	0	0	(9,812)	(25,352)	\$15.30	\$22.21
Northwest	1,393,764	15.2%	15.2%	83,479	0	0	17,343	107,433	\$18.59	\$20.28
Southeast	265,910	39.9%	39.9%	14,157	0	17,952	(4,128)	(4,128)	\$17.07	N/A
Southwest	389,749	9.9%	9.9%	8,028	0	0	(2,424)	(2,424)	\$19.07	\$19.16
Third Ward/Walker's Point	1,849,178	21.9%	21.9%	112,135	0	30,000	8,318	8,318	\$18.55	\$21.54
West Allis	1,746,235	13.9%	13.9%	75,949	0	0	54,589	54,589	\$14.60	N/A
MILWAUKEE SUBURBAN	10,424,417	19.4%	18.6%	393,099	0	47,952	(30,604)	43,946	\$17.61	\$21.58
Ozaukee	709,349	21.0%	21.0%	18,565	0	12,310	(7,359)	(7,359)	\$14.49	\$15.18
Waukesha/Brookfield	4,195,889	24.2%	22.8%	226,247	101,900	0	31,716	37,512	\$17.92	\$20.69
Waukesha/Pewaukee	2,396,851	17.3%	17.3%	35,780	0	0	(5,909)	(5,909)	\$18.07	\$21.21
MILWAUKEE OUTLYING	7,302,089	21.6%	20.8%	280,592	101,900	12,310	18,448	24,244	\$17.62	\$19.97
CBD	10,260,054	19.5%	19.0%	237,635	0	0	105,206	106,851	\$19.90	\$22.52
SUBURBAN	17,726,506	20.3%	19.5%	673,691	101,900	60,262	(12,156)	68,190	\$17.62	\$20.53
TOTALS	27,986,560	20.0%	19.3%	911,326	101,900	60,262	93,050	175,041	\$18.68	\$21.34

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q3 2012 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
400 N Executive Drive	Waukesha/Brookfield	Willis of Wisconsin	A	26,069
310 W Wisconsin Avenue	Downtown – East	Vacon Inc.	A	12,481
13400 Bishops Lane	Waukesha/Brookfield	Paragon Development Systems Inc.	A	12,180
Significant Q3 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
7 Property Somerset / Greenfield Partners Acquisition	Waukesha/Brookfield, West Allis & Northwest	Somerset Green WM Propco, LLC	\$17,500,000 / \$54.07	323,656
W234 N2000 Ridgeway Parkway Court	Waukesha/Pewaukee	ATWI001 Owner LLC	\$65,000,000 / \$412.87	157,433
700 N Water Street	Downtown – East	JPMCC 2007 – CIBC19 North Water Street, LLC	\$9,199,734 / \$60.05	153,200
Significant Q3 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
7365 S Howell Avenue	Southeast	NDT Specialists	Q3 2012	17,952
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
NEC of Good Hope Road & Flint Road	Waukesha/Brookfield	Eaton Corp.	2013	101,900