

MARKETBEAT OFFICE SNAPSHOT

MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication



Q4 2012



ECONOMIC OVERVIEW

With the fiscal cliff partially addressed, there is continued hope for both Milwaukee, and the nation as a whole, for economic recovery. The state of Wisconsin's employment outlook; however, lags behind the national pace for economic recovery. Nationally, optimism in hiring continues to improve with first quarter predictions the strongest since 2008. Employers in our state predict to hire at a moderate pace, a pace which is weaker compared to Q4 2012. According to the latest Manpower Employment Outlook Survey, employers in the Milwaukee area expect stable employment prospects, with the net employment outlook of +6 percent. According to PNC economists, 2013 is poised for slow and steady improvement as "calmer waters on the housing and political fronts should help build momentum in consumer spending and businesses should resume the types of investments that will help to rebuild Milwaukee's employment ranks."

OFFICE MARKET TURNS

For the first time since Q1 2012, The Milwaukee office market sees an increase in vacancy, with the overall vacancy rate increasing 90 basis points over the past quarter to 20.9%. For all but two submarkets, Northwest and Waukesha/Brookfield, the vacancy rate increased, creating direct vacancy rates near 2010 levels. Milwaukee's market also posted negative absorption Q4 2012 in both the CBD and Non-CBD with a total of 136,000 negative square feet (sf). However, much of the negative absorption posted this quarter can be attributed to Eaton Corporation's headquarter relocation, formerly in Milwaukee, to Menomonee Falls, while the rest of the market remained unseasonably quiet with few notable transactions. On a positive note, 2012 as a whole came out ahead with over 38,000 sf absorbed.

CONSTRUCTION OPPORTUNITIES

Northwestern Mutual Life Insurance Company announced in the fourth quarter plans for a Milwaukee office tower, with 840,000 square feet, that could reach 30 stories and become the second largest downtown office buildings. Northwestern Mutual continues to play a vital role in the Milwaukee community. Their recent announcement furthers their investment in the city and will help impact future job growth as they assist in transforming the Milwaukee skyline. They will occupy 100 percent of the building.

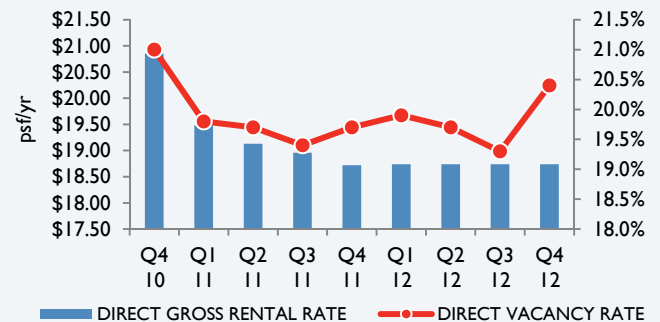
OUTLOOK

As we head into the New Year, cautious optimism is the name of the game in Milwaukee. Indicators suggest that Milwaukee is on the uptick; however much of Milwaukee's growth will be contingent upon the nation's economy further improving. Concerns over unresolved political issues yet to be determined, could impact additional growth and therefore may force office users to the sidelines for an undetermined amount of time. As the year further progresses, major decisions will certainly be considered based on actions implemented at the national level.

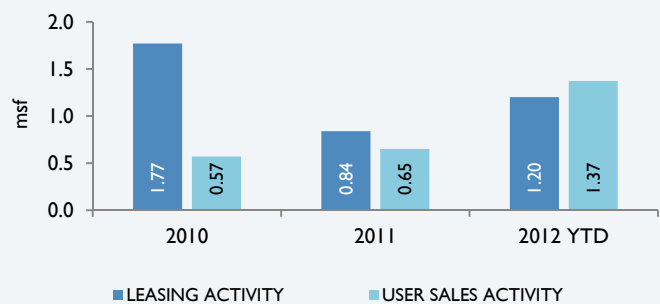
STATS ON THE GO

	Q4 2011	Q4 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.4%	20.9%	0.5pp	↕
Direct Asking Rents (psf/yr)	\$18.72	\$18.74	0.1%	↕
YTD Leasing Activity (sf)	835,971	1,200,910	43.7%	↕

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	6,999,687	16.9%	16.7%	217,456	0	0	(9,425)	25,074	\$20.20	\$23.69
Downtown West	3,014,846	31.2%	30.9%	93,626	0	0	62,251	64,121	\$19.36	\$20.41
MILWAUKEE CBD	10,014,533	21.2%	21.0%	311,082	0	0	52,826	89,195	\$19.90	\$22.52
Mayfair/Wauwatosa	2,794,102	19.9%	19.9%	79,838	0	0	(110,541)	(110,541)	\$19.21	\$25.50
North Shore	1,985,098	24.5%	21.1%	57,245	0	0	(20,279)	(33,222)	\$15.30	\$22.21
Northwest	1,342,460	14.6%	14.6%	99,767	0	0	24,546	114,636	\$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%	10,679	0	0	(2,424)	(2,424)	\$19.07	\$19.16
Third Ward/Walker's Point	1,730,676	22.7%	22.4%	141,024	0	30,000	17,008	17,008	\$18.55	\$21.54
West	223,209	44.7%	44.7%	28,500	64,000	0	(99,709)	(99,709)	N/A	N/A
West Allis	1,746,235	14.5%	14.5%	124,080	0	0	35,794	35,794	\$14.60	N/A
MILWAUKEE SUBURBAN	10,425,439	20.5%	19.6%	555,290	0	47,952	(159,733)	(82,586)	\$17.61	\$21.58
Ozaukee	709,349	21.0%	21.0%	31,780	0	12,310	(7,665)	(7,665)	\$14.49	\$15.18
Waukesha/Brookfield	4,175,889	23.7%	22.4%	253,751	0	101,900	27,637	33,433	\$17.92	\$20.69
Waukesha/Pewaukee	2,332,851	17.7%	17.7%	49,007	0	0	6,052	6,052	\$18.07	\$21.21
MILWAUKEE OUTLYING	7,218,089	21.5%	20.8%	334,538	0	114,210	26,024	31,820	\$17.62	\$19.97
CBD	10,014,533	21.2%	21.0%	311,082	0	0	52,826	89,195	\$19.90	\$22.52
SUBURBAN	17,643,528	20.9%	20.1%	889,828	64,000	162,162	(133,709)	(50,766)	\$17.62	\$20.53
TOTALS	27,658,061	20.9%	20.4%	1,200,910	64,000	162,162	(80,883)	38,429	\$18.68	\$21.34

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant 2012 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
777 E Wisconsin Avenue	Downtown – East	Baker Tilly Virchow Krause, LLP	A	68,000
18500 W Corporate Drive	Waukesha/Brookfield	Connecture Inc.	A	32,000
400 N Executive Drive	Waukesha/Brookfield	Willis of Wisconsin	A	26,069
Significant 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
13 Property Somerset / Greenfield Partners Acquisition – Liberty Property Trust Disposition	Northwest	LSOP WI LLC	\$44,988,968 / \$65.77	683,986
7 Property Somerset / Greenfield Partners Acquisition – Westminster Funds Disposition	Waukesha/Brookfield, West Allis & Northwest	Somerset Green WM Propco, LLC	\$17,500,000 / \$54.07	323,656
400 & 440 S Executive Drive	Waukesha/Brookfield	Decade Executive Office Buildings, LLC	\$6,050,000 / \$25.74	235,000
Significant 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
W126 N7500 Flint	Waukesha/Brookfield	Eaton Corporation	Q4 2012	101,900
538 S 2 nd Street	Third Ward/Walker's Point	The Healing Collective	Q2 2012	30,000
7365 S Howell Avenue	Southeast	NDT Specialists	Q3 2012	17,952
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
W Wisconsin at N 28 th Street	West	Bureau of Child Welfare	2013	64,000