

MARKETBEAT

OFFICE SNAPSHOT



MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

2011 has proved to be a year with Milwaukee area businesses clinging to limited growth despite a tumultuous economic environment. The economic climate has been highly influenced by the gubernatorial recall efforts,

which many experts fear has been stunting new business investment state-wide. Milwaukee firms have been proceeding with cautious optimism as 2012 begins. This coming year may not bring economic growth to pre-recession levels, but area manufacturing, real estate, and retail firms are confident they can build on the moderate gains achieved throughout 2011.

EMPLOYMENT OUTLOOK

The current economic environment suggests a period of uncertainty for Milwaukee area businesses, but a recent surge in real estate development projects has helped off-set fears of a stagnant beginning to 2012.

The unemployment rate in Wisconsin this year peaked in August at 7.9% and has since decreased. The rate dropped to 7.8% in September, to 7.7% in October, then dipping to 7.3% in November. Wisconsin claimed the nation's largest over-the-month decrease in jobs from October to November. The state posted a loss of 14,600 jobs during this period according to the U.S. Bureau of Labor Statistics. On the upswing, the University of Wisconsin's economics department expects the unemployment rate to potentially drop to as low as 6% in 2012, much below the current national average.

VENTURES IN DOWNTOWN

Historic building renovations such as the Marriot hotel on E Wisconsin Avenue & N Milwaukee Street have just begun this past November. The \$54-million 200 room hotel will be a combination of new construction and renovated segments of surrounding 19th century buildings; the hotel is set to open in mid-2013.

The Pabst brewery development site has continued to show strong interest from national and international investors. The 90 room Brewhouse Inn & Suites at W Juneau Avenue & N 10th Street broke ground in October and is slated to open in early 2013. Conversion of a 60,000-square foot (sf) building on N Juneau Avenue is set to begin next spring, which will feature a 4-story office building that will target law and accounting firms.

Northwestern Mutual, a cornerstone of Milwaukee, also expressed their dedication to the downtown sector by announcing it will replace their 16-story office building on N. Cass Street and construct a new building at the same site. The retention of Northwestern Mutual will prove to be a significant boost for the continued revitalization of downtown Milwaukee.

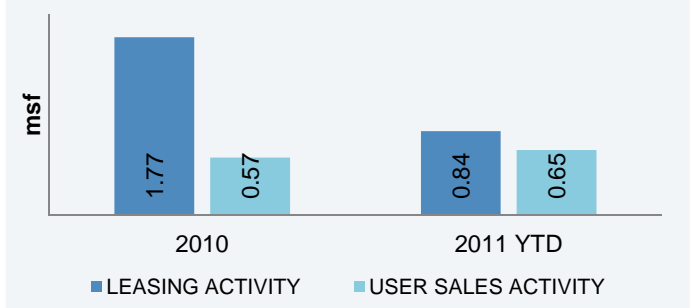
OUTLOOK

Overall office vacancy rates decreased for the third consecutive quarter, from 21.4% in 1Q11 to 20.4% in 4Q11. Class A vacancy decreased for the second straight quarter from 15.6% in 3Q11 to 15.2% in 4Q11. CBD office space continued to be highest in demand, exhibiting a steady vacancy drop throughout 2011. The future of the Milwaukee CBD will continue to rely on large firms making an investment in the downtown sector. With the retention of Boston Store at the Grand Avenue Mall hanging in the balance, it will be up to the city of Milwaukee to bolster consumer confidence in the area. Milwaukee is pushing hard to recruit firms such as Kohl's Corp. into the downtown market. The addition of a large firm such as Kohl's would be a game changer for the stressed downtown market.

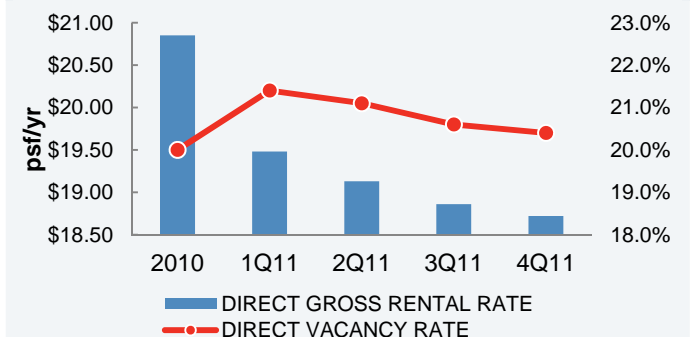
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	21.9%	20.4%	-1.5pp	↕
Direct Asking Rents (psf/yr)	\$20.85	\$18.72	-10.2%	↕
YTD Leasing Activity (sf)	1,767,488	835,971	-52.7%	↕

OVERALL OCCUPIER ACTIVITY



DIRECT RENTAL VS. VACANCY RATES



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	7,042,179	15.2%	14.4%	178,878	0	0	296,270	238,441	\$20.76	\$23.30
Downtown West	3,254,194	32.5%	32.2%	57,787	0	0	(32,934)	(91,618)	\$18.29	\$20.43
MILWAUKEE CBD	10,296,373	20.6%	20.1%	236,665	0	0	263,336	146,823	\$19.72	\$22.24
Mayfair/Wauwatosa	2,802,031	16.2%	16.2%	72,662	0	0	120,938	135,478	\$18.90	\$21.41
North Shore	2,011,746	20.8%	20.6%	70,605	0	0	5,105	13,782	\$17.17	\$22.45
Northwest	1,393,764	22.8%	16.4%	12,976	0	0	63,760	(12,639)	\$18.21	\$20.49
Southeast	265,910	29.1%	29.1%	38,262	0	0	874	874	\$12.98	N/A
Southwest	374,028	11.8%	11.8%	22,367	0	0	2,310	5,040	\$19.13	\$19.28
Third Ward/Walker's Point	1,849,178	23.4%	23.0%	88,790	30,000	0	41,714	58,378	\$18.79	\$22.70
West Allis	1,746,235	17.2%	17.2%	33,780	0	0	(694)	40,602	\$14.56	N/A
MILWAUKEE NON-CBD	10,442,892	19.6%	18.6%	339,442	30,000	0	234,007	241,515	\$17.73	\$21.08
Ozaukee	708,449	20.6%	20.6%	39,545	0	0	(12,688)	(12,688)	\$16.90	\$18.69
Waukesha/Brookfield	4,295,602	23.4%	22.2%	139,364	0	0	(67,424)	(58,011)	\$18.24	\$20.80
Waukesha/Pewaukee	2,396,851	17.5%	17.5%	80,955	0	0	50,097	58,717	\$18.32	\$20.74
MILWAUKEE OUTLYING	7,400,902	21.2%	20.5%	259,864	0	0	(30,015)	(11,982)	\$18.13	\$20.46
CBD	10,296,373	20.6%	20.1%	236,665	0	0	263,336	146,823	\$19.72	\$22.24
NON-CBD	17,843,794	20.2%	19.4%	599,306	30,000	0	203,992	219,533	\$17.92	\$20.68
TOTALS**	28,140,167	20.4%	19.7%	835,971	30,000	0	467,328	366,356	\$18.63	\$21.32

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS

SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET	
20875 Crossroads Circle	Waukesha/Pewaukee	Software One, Inc.	Office	21,198
735 N Water Street	Downtown – East	Kohn Law Firm SC	Office	18,800
175 N Patrick Boulevard	Waukesha/Brookfield	United Healthcare	Office	18,761

SIGNIFICANT 2011 SALE TRANSACTIONS

SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET	
20700 & 20800 Swenson Drive, 245 S Executive Drive &	Waukesha/Brookfield & Waukesha/Pewaukee	JTM MKE LLC	\$40,800,000	338,424
611 N Broadway & 225 E Michigan	Downtown – East	First Hospitality Group	\$2,200,000	143,420
350 N Sunny Slope Drive	Waukesha/Brookfield	37 TR LLC	\$13,950,000	84,700

SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS

SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A			

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET	
538 S 2 nd Street	Third Ward/Walker's Point	The Healing Collective	3Q12	30,000