

MARKETBEAT OFFICE SNAPSHOT



MILWAUKEE, WI

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Q1 2012



ECONOMIC OVERVIEW

The central business district in Milwaukee during 1Q12 is off to a healthy start despite sluggish year-end growth in 2011 and an unstable political climate statewide. Amidst gubernatorial recall efforts, major legislation has been passed to help strengthen the small business climate in Wisconsin. The legislation, christened the "Wisconsin Wins" bill that provides unemployed individuals the chance to gain on-the-job training with participating employers, particularly in the manufacturing sector. Successful individuals may then receive full-time employment with the firm after completing the program.

STRENGTHENING ECONOMIC ENVIRONMENT

Programs, such as "Wisconsin Wins," may boost the state's employment figures. Against the national unemployment average of 8.3% in February 2012, Wisconsin is holding steady at a much lower 6.9% unemployment rate. The strong unemployment figures are coupled with an increase of 8,300 jobs statewide from January 2012 to February according to the Bureau of Labor Statistics.

DECREASE IN VACANCY IN CBD

4Q11 displayed the lowest vacancy rates during the past year at 20.4%. This was the lowest since 4Q10 when overall vacancy hovered around 20%. 1Q12 experienced a slight uptick in overall vacancy from 4Q11 to 20.9%. CBD office vacancies however decreased since 4Q11 moving from 20.1% to 19.4%.

Despite the strong push to attract the Kohl's corporate headquarters to the downtown Milwaukee Park East development, the Wisconsin retail giant has decided against relocating to downtown. Landing such a significant firm would have provided an infusion of business for local retailers, not to mention substantial tax dollars for the city.

Milwaukee's CBD recently attracted large finance and technology firms. Baker Tilly, a large accounting firm, absorbed 68,000 SF of space at the U.S. Bank Center and AECOM, a global IT firm, leased 21,000 square feet (sf) at the Schlitz Park Business Center.

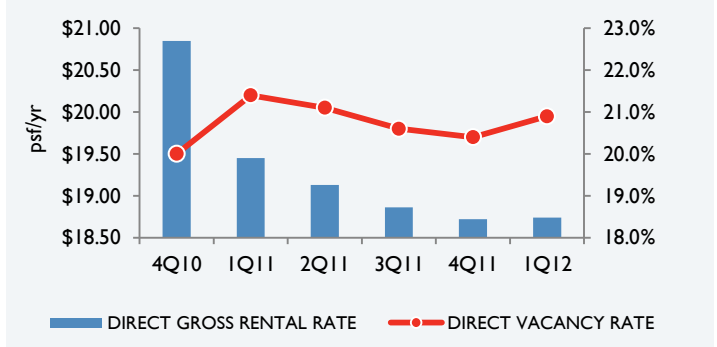
OUTLOOK

In addition to positive economic results in the CBD, there are several notable development projects that also aim to bolster Milwaukee's urban center. Projects on the table include the Potawatomi Bingo & Casino hotel with 375 rooms. Site preparation is also under way on the 200 room Marriott Hotel on the corner of Milwaukee St & Wisconsin Ave. A potential land sale of valuable city owned property adjacent to the U.S. Bank Center could also prove to be an invaluable development for the creation of new class A office space in the heart of downtown.

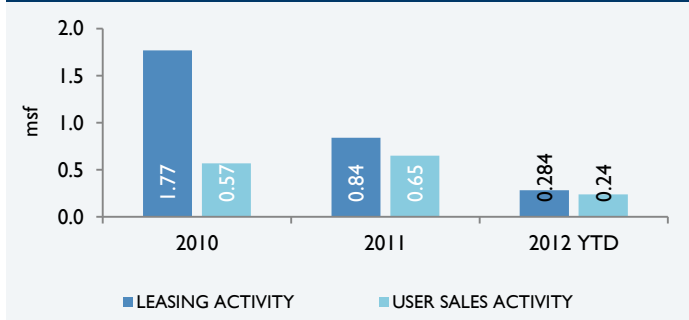
STATS ON THE GO

	1Q11	1Q12	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	21.4%	20.9%	-0.5pp	↕
Direct Asking Rents (psf/yr)	\$19.48	\$18.74	-3.8%	↕
YTD Leasing Activity (sf)	205,591	284,636	38.4%	↕

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	7,032,500	14.8%	14.1%	82,801	0	0	34,795	34,795	\$20.20	\$23.69
Downtown West	3,207,382	31.3%	31.0%	59,209	0	0	37,091	37,091	\$19.36	\$20.41
MILWAUKEE CBD	10,239,882	20.0%	19.4%	142,010	0	0	71,886	71,886	\$19.90	\$22.52
Mayfair/Wauwatosa	2,802,031	18.1%	18.1%	15,728	0	0	(54,318)	(54,318)	\$19.21	\$25.50
North Shore	2,011,746	25.1%	21.6%	4,670	0	0	(6,572)	(22,112)	\$15.30	\$22.21
Northwest	1,393,764	22.5%	16.7%	20,221	0	0	(3,512)	6,578	\$18.59	\$20.28
Southeast	265,910	37.6%	37.6%	1,000	17,952	0	1,830	1,830	\$17.07	N/A
Southwest	389,749	11.7%	11.7%	6,188	0	0	(1,357)	(1,357)	\$19.07	\$19.16
Third Ward/Walker's Point	1,849,178	22.3%	21.9%	26,982	30,000	0	3,194	3,194	\$18.55	\$21.54
West Allis	1,746,235	16.4%	16.4%	9,109	0	0	10,553	10,553	\$14.60	N/A
MILWAUKEE NON-CBD	10,458,613	20.8%	19.3%	83,898	47,952	0	(50,182)	(55,632)	\$17.61	\$21.58
Ozaukee	708,449	21.1%	21.1%	2,890	12,310	0	(3,201)	(3,201)	\$14.49	\$15.18
Waukesha/Brookfield	4,211,875	25.3%	23.5%	44,541	101,900	0	(36,769)	(39,340)	\$17.92	\$20.69
Waukesha/Pewaukee	2,396,851	17.8%	17.8%	11,297	0	0	(10,428)	(10,428)	\$18.07	\$21.21
MILWAUKEE OUTLYING	7,317,175	22.5%	21.4%	58,728	114,210	0	(50,398)	(52,969)	\$17.62	\$19.97
CBD	10,239,882	20.0%	19.4%	142,010	0	0	71,886	71,886	\$19.90	\$22.52
NON-CBD	17,775,788	21.5%	20.1%	142,626	162,162	0	(100,580)	(108,601)	\$17.62	\$20.53
TOTALS	28,015,670	20.9%	19.9%	284,636	162,162	0	(28,694)	(36,715)	\$18.68	\$21.34

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant IQ12 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
777 E Wisconsin Avenue	Downtown East	Baker Tilly Virchow Krause, LLP	A	68,000
1515-1575 River Center Drive	Downtown West	AECOM	B	21,000
1610 N 2 nd Street	Downtown West	StreetLinks Lender Solutions	B	17,419
Significant IQ12 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
400 & 440 S Executive Drive	Waukesha/Brookfield	Decade Executive Office Buildings, LLC	\$6,050,000 / \$25.74 psf	235,000
4725 W Electric	West Allis	GSA Milwaukee LLC	\$14,100,000 / \$276.47 psf	51,000
205 E Wisconsin Avenue	Downtown – East	Wisconsin 205, LLC	\$700,000 / \$22.64 psf	30,911
Significant IQ12 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
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
538 S 2 nd Street	Third Ward/Walker's Point	The Healing Collective	3Q12	30,000