

MARKETBEAT OFFICE SNAPSHOT

MILWAUKEE, WI

A Cushman & Wakefield Alliance Research Publication



Q1 2013



ECONOMIC OVERVIEW

By the close of first quarter 2013, Milwaukee starts the year with positive reports on the local economy. According to the latest Manpower Employment Outlook Survey, hiring levels throughout greater Milwaukee are expected to improve significantly during the second quarter when compared to the first quarter of 2013. The results indicate that while companies are still cautious, more companies are hiring, showing a positive trend in employment levels.

TRANSFORMED CITY

Historically, Milwaukee has been a booming manufacturing hub. While manufacturing still shapes our economy, Milwaukee is home to more than 150 water-related companies, transforming our market into a water technology & engineering mecca. Wisconsin is home to the Water Council, the only organization of its kind in the United States, which is spurring Wisconsin's water cluster by building global research and business partnerships within the international water space. Later this summer, the former warehouse, currently undergoing a top to bottom gut and rehab, will open creating a seven-story technology incubator for water start-ups. Tenants include research operations of companies like A.O Smith, Badger Meter, University of Milwaukee's School of Freshwater Sciences, Veolia Water North America, Grundfos, and Stormwater Solutions Engineering to name a few.

OFFICE MARKET

The Southeastern Wisconsin office market showed improvement in Q1 2013 with positive absorption of 85,722 square feet (sf). The market needed these positive results after the lackluster negative absorption seen in the fourth quarter of 2012. The suburban markets outperformed the Central Business District (CBD) posting 84,263 sf of positive absorption, while the CBD posted 1,459 sf in Q1 2013. Resultantly, the vacancy rate decreased 20 basis points over the past quarter to 20.7%.

OUTLOOK

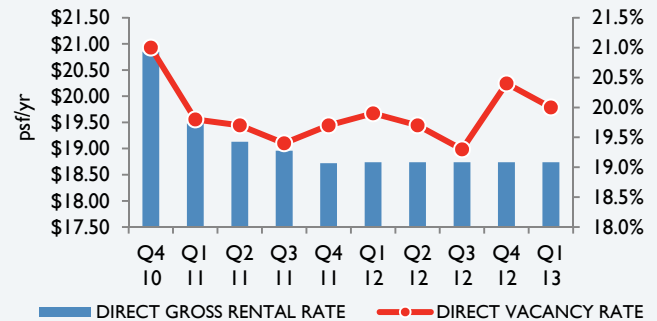
Overall improvement was noted in 2012 with regard to a decrease in the total amount of positive absorption, increases in rental rates and decreases in leasing incentives and vacancy rates. These positive steps occurred despite a tumultuous political scene, both in Wisconsin and nationally. The 2013 office market will need to see

notable growth in the economy which then drives the employment market. Once these two indicators trend positive, companies will begin to reinvest in new hires which in turn creates demand for additional office space or moves to new and more efficient work space. Alternatively, the looming Zoo Interchange reconstruction project could impact markets in and around the area. Companies in the crosshairs of the project may experience some headaches.

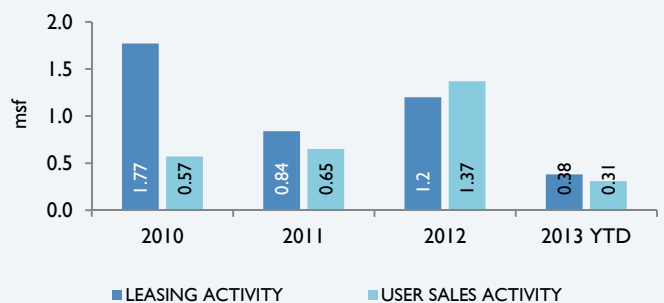
STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.9%	20.7%	-0.2pp	↕
Direct Asking Rents (psf/yr)	\$18.74	\$18.74	0.0%	↕
YTD Leasing Activity (sf)	284,636	380,284	33.67%	↕

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 NET ABSORPTION	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	16.8%	16.7%	35,284	0	0	(9,185)	(5,392)	(5,392)	\$20.20	\$23.69
Downtown West	2,957,220	29.9%	29.6%	18,415	0	0	6,851	6,851	6,851	\$19.36	\$20.41
MILWAUKEE CBD	9,956,907	20.7%	20.5%	53,699	0	0	(2,334)	1,459	1,459	\$19.90	\$22.52
Mayfair/Wauwatosa	2,794,102	20.1%	20.1%	33,761	0	0	(4,612)	(4,612)	(4,612)	\$19.21	\$25.50
North Shore	2,204,330	25.5%	22.4%	27,606	0	0	21,441	21,441	21,441	\$15.30	\$22.21
Northwest	1,342,460	15.6%	15.6%	6,304	0	0	(13,986)	(7,682)	(7,682)	\$18.59	\$20.28
Southeast	265,910	39.9%	39.9%	6,602	0	0	0	0	0	\$17.07	N/A
Southwest	389,749	9.6%	9.6%	10,389	64,000	0	980	980	980	\$19.07	\$19.16
Third Ward/Walker's Point	1,730,676	22.4%	22.0%	11,113	0	0	5,704	5,704	5,704	\$18.55	\$21.54
West Allis	1,746,235	14.4%	14.4%	10,804	0	0	3,048	3,048	3,048	\$14.60	N/A
MILWAUKEE SUBURBAN	10,421,462	20.2%	19.5%	106,579	64,000	0	12,575	18,879	18,879	\$17.61	\$21.58
Ozaukee	698,077	16.9%	16.9%	36,096	0	0	34,029	34,029	34,029	\$14.49	\$15.18
Waukesha/Brookfield	4,145,884	23.0%	21.7%	53,959	0	0	18,195	16,580	16,580	\$17.92	\$20.69
Waukesha/Pewaukee	2,388,937	19.7%	18.5%	129,951	0	0	42,275	14,775	14,775	\$18.07	\$21.21
MILWAUKEE OUTLYING	7,232,898	21.3%	20.2%	220,006	0	0	94,499	65,384	65,384	\$17.62	\$19.97
CBD	9,956,907	20.7%	20.5%	53,699	0	0	(2,334)	1,459	1,459	\$19.90	\$22.52
SUBURBAN	17,654,360	20.6%	20.1%	326,585	64,000	0	107,074	84,263	84,263	\$17.62	\$20.53
TOTALS	27,611,267	20.7%	20.4%	380,284	64,000	0	104,740	85,722	85,722	\$18.68	\$21.34

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
N25 W23255 Paul Road	Waukesha/Pewaukee	Waterstone Mortgage Corp.	B	44,432
12080 N Corporate Parkway	Ozaukee	Mortgagebot LLC	A	36,096
1000 N Water Street	Downtown – East	Confidential	A	22,245
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
727-733 N Van Buren Street	Downtown – East	The Northwestern Mutual Life Insurance Company	\$6,860,000 / \$44.63	153,720
16535 & 16655 W Bluemound Road	Waukesha/Brookfield	Hakaduli Properties I LLC	\$4,300,000 / \$51.18	84,014
N14 W23833 Stoneridge Drive	Waukesha/Pewaukee	D&K Management X	\$3,000,000 / \$40.00	75,000
Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
W Wisconsin at N 28 th Street	Southwest	Bureau of Child Welfare	2013	64,000