

# MARKETBEAT OFFICE SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q4 2014



### ECONOMIC OVERVIEW

Wisconsin's unemployment rate declined to 5.2% for November, a decrease of 0.2 percentage points (pp) from the prior month and 1.2 pp decrease from a year ago. The 5.2% unemployment rate for Wisconsin is currently

the lowest since October of 2008 and remains lower than the national unemployment rate of 5.8%.

According to Forbes magazine's "Best States for Business", Wisconsin outranks all other Midwest states for future economic growth, ranking 18<sup>th</sup> in the nation. Within this report, Wisconsin ranks 32<sup>nd</sup> overall based on the business climate, which measures job, income and gross state product growth forecasts over the next five years from Moody's Analytics as well as business openings and closings and venture capital investments.

In addition, according to the latest Manpower Employment Outlook Survey, Milwaukee jobs market outlook for the first quarter of 2015 ranks fifth best among metropolitan markets across the U.S. Wisconsin employers project a 24% net employment outlook, an increase of eight percentage-points from the fourth quarter outlook. This also represents a 17% increase year-over-year and eight percentage points higher than the U.S. as a whole, which has a net employment outlook of 16%.

### CONTINUED OFFICE MARKET IMPROVEMENT

The Milwaukee office market continues to show improvement as we end 2014. Office fundamentals are restoring to pre-recession levels, with construction, leasing and sales activity remaining strong over the past year.

Direct positive absorption has continued for the eighth consecutive quarter, with approximately 85,900 square feet (sf) absorbed in the fourth quarter and 550,865 sf absorbed in 2014. The overall vacancy has crept down, decreasing 0.9 percentage point quarter-over-quarter, decreasing to 18.7%.

### DOWNTOWN-WEST REVITALIZATION

In May 2014, the local Milwaukee NBA franchise, The Milwaukee Bucks, was purchased by two New York area investors, Marc Lasry and Wesley Edens. With the sale came the announcement that the home team would be in search of a land site to house the team's new arena. Within the next quarter, the owners are scheduled to make an announcement as to which location within the central business district they have chosen. This investment in Milwaukee's entertainment has also helped spur additional development west of

the Milwaukee River. Office building conversions into housing developments, including the Posner building, Germania building, and the former Blue Cross Blue Shield building, a new Grand Avenue mall owner, adds to the anticipation of seeing continued revitalization to the area.

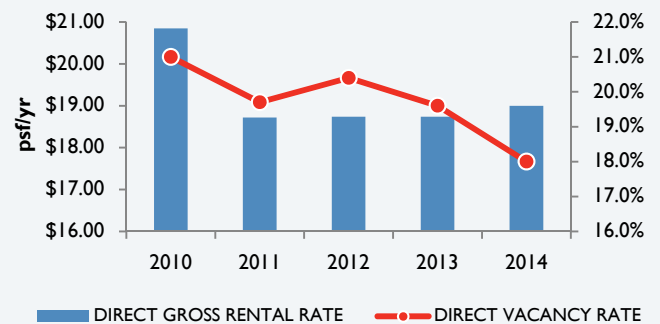
### OUTLOOK

Milwaukee is poised for a great 2015 with new developments occurring on all fronts, inclusive of residential and commercial, with activity and interest in Milwaukee on the rise. Although still cautiously optimistic, developers and owners alike are projected to continue to make capital investments into Southeastern Wisconsin.

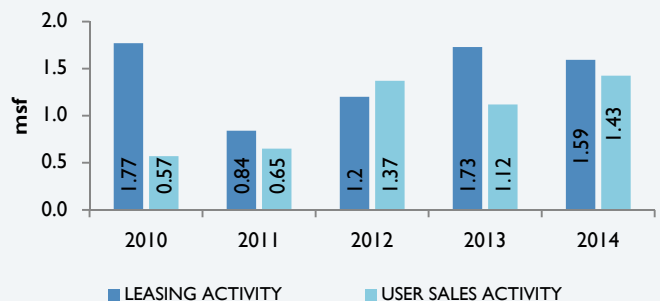
### STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.4%	18.7%	-1.7pp	▼
Direct Asking Rents (psf/yr)	\$18.74	\$19.00	1.4%	▲
YTD Leasing Activity (sf)	1,730,454	1,593,997	-7.9%	◀▶

### 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	6,935,862	16.6%	16.5%	137,115	1,472,017	0	16,842	9,840	\$20.25	\$23.75
Downtown West	2,791,544	21.0%	21.0%	232,099	0	42,000	146,335	146,335	\$19.40	\$20.50
<b>MILWAUKEE CBD</b>	<b>9,727,406</b>	<b>17.9%</b>	<b>17.8%</b>	<b>369,214</b>	<b>1,472,017</b>	<b>42,000</b>	<b>163,177</b>	<b>156,175</b>	<b>\$19.90</b>	<b>\$22.75</b>
Mayfair/Wauwatosa	2,672,712	24.2%	22.9%	135,165	0	95,000	(10,057)	(43,388)	\$19.22	\$25.55
North Shore	2,180,084	29.1%	25.8%	45,299	0	0	14,994	14,994	\$15.35	\$22.25
Northwest	1,342,460	13.9%	13.1%	34,122	0	0	(2,756)	4,579	\$18.62	\$20.30
Southeast	265,910	41.3%	41.3%	24,991	0	0	(3,368)	(3,368)	\$17.10	N/A
Southwest	346,549	20.5%	20.5%	22,061	0	0	(18,870)	(18,870)	\$19.10	\$19.20
Third Ward/Walker's Point	1,757,324	13.9%	13.9%	151,720	0	0	83,866	83,866	\$18.58	\$21.60
West Allis	1,940,376	11.8%	11.8%	305,732	0	12,480	175,726	213,360	\$14.63	N/A
<b>MILWAUKEE SUBURBAN</b>	<b>10,505,415</b>	<b>20.2%</b>	<b>19.1%</b>	<b>719,090</b>	<b>0</b>	<b>107,480</b>	<b>239,535</b>	<b>251,173</b>	<b>\$17.61</b>	<b>\$21.65</b>
Ozaukee	663,777	12.4%	12.4%	39,138	0	0	20,895	20,895	\$14.50	\$15.20
Waukesha/Brookfield	4,172,826	20.4%	18.6%	267,529	0	0	69,482	46,839	\$17.95	\$20.75
Waukesha/Pewaukee	2,478,298	14.3%	14.2%	199,026	25,700	0	57,776	59,218	\$18.10	\$21.30
<b>MILWAUKEE OUTLYING</b>	<b>7,314,901</b>	<b>17.6%</b>	<b>16.6%</b>	<b>505,693</b>	<b>25,700</b>	<b>0</b>	<b>148,153</b>	<b>126,952</b>	<b>\$17.63</b>	<b>\$20.05</b>
CBD	9,727,406	17.9%	17.8%	369,214	1,472,017	42,000	163,177	156,175	\$19.90	\$22.75
SUBURBAN	17,820,316	19.1%	18.1%	1,224,783	25,700	107,480	387,688	378,125	\$17.62	\$20.75
<b>TOTALS</b>	<b>27,547,722</b>	<b>18.7%</b>	<b>18.0%</b>	<b>1,593,997</b>	<b>1,497,717</b>	<b>149,480</b>	<b>550,865</b>	<b>534,300</b>	<b>\$18.68</b>	<b>\$21.50</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
801 S 60 <sup>th</sup> Street	West Allis	Johnson Controls Inc.	B	143,000
6737 W Washington	West Allis	Children's Hospital of Wisconsin	B	47,056
1610 N 2 <sup>nd</sup> Street	Downtown – West	RDA Enthusiasts Brands	B	40,506
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
411 E Wisconsin Avenue	Downtown – East	FMC Investment Opportunities	\$74,300,000 / \$114	654,165
710 W Virginia	Third Ward / Walker's Point	Tannery Main LLC	\$9,457,386 / \$57	167,326
5400 S 60 <sup>th</sup> Street	Southwest	Goodwill Industries of Southeastern Wisconsin, Inc.	\$6,000,000 / \$36	164,800
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Watertown Plank Road at Highway 45	Mayfair/Wauwatosa	ABB Inc.	Q3 2014	95,000 (100%)
1036 W Juneau Avenue	Downtown – West	Speculative Development	Q4 2014	42,000 (42%)
901 S 70 <sup>th</sup> Street	West Allis	Cardinal Capital Management Inc.	Q2 2014	12,480 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
800 E Wisconsin Street	Downtown – East	Northwestern Mutual	Q3 2017	1,114,000 (100%)
833 E Michigan Street	Downtown – East	Godfrey & Kahn	Q3 2016	358,017 (55%)