

# MARKETBEAT OFFICE SNAPSHOT



## MILWAUKEE, WI

A Cushman & Wakefield Research Publication

Q1 2015



### ECONOMIC OVERVIEW

Wisconsin's unemployment rate declined to 4.8% for February, a decrease of 0.2 percentage point (pp) from the prior month and 1.3 pp decrease from a year ago. The 4.8% unemployment rate for Wisconsin is currently

the lowest since July 2008 and remains lower than the national unemployment rate of 5.5%.

Wisconsin's job report, which spans the 12 months from September 2013 through September 2014, reported that Wisconsin gained 27,491 private-sector jobs in the 12-month period. This represents a 1.16% employment increase and ranks Wisconsin 38<sup>th</sup> among the nation in the pace of job creation.

In addition, according to the latest Manpower Employment Outlook Survey, the metropolitan Milwaukee area has the fourth best employment outlook in the nation. Employers surveyed in the Metropolitan Statistical Area (MSA) are expected to hire at a vigorous pace during the second quarter of 2015, with a 28% net employment outlook, an increase of four pp from the first quarter outlook. Net employment outlook is measured by percentage of plan hires offset by percentage of plan reduction in payroll. The end result is a 6% increase year-over-year and 12 pp higher than the U.S. as a whole, which has a net employment outlook of 16%.

According to the latest Business Outlook Survey, conducted by the Metropolitan Milwaukee Association of Commerce, economic growth continues to point upward in February, with 17 of the 23 business activity indicators registering improvement over prior year levels.

### CONTINUED OFFICE MARKET IMPROVEMENT

The Milwaukee office market continues to show slight improvement as we enter 2015. Overall positive absorption continued for the ninth consecutive quarter, with 45,213 square feet (sf) absorbed in the first quarter of 2015. The overall vacancy crept down, decreasing 0.8 pp year-over-year, decreasing to 18.8%.

### NORTHWEST VACANCY

The northwest section of the metro area could experience an influx of activity as Kohl's Corp finishes its estimated \$40-million renovation of the 330,000-sf, former InnoWare warehouse, into office space. The company plans to relocate around 1,000 employees and vacate surrounding office leases. The former warehouse is located across the street from the main Kohl's headquarters in the Silver Spring Corporate Park in Menomonee Falls. In addition, Kohl's retains two former manufacturing properties within the same corporate park that could bring possible expansion activity as well.

In March 2015, Wells Fargo announced the layoff of 1,000 employees and the closing of the home lending servicing offices at 11200 W Parkland Ave in northwest portion of Milwaukee, adding 230,000 sf to the market.

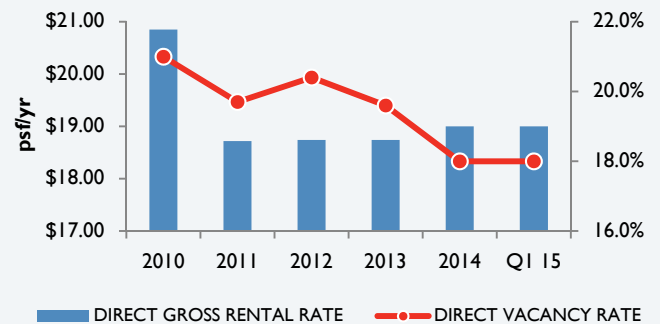
### OUTLOOK

Milwaukee is preparing for a strong 2015, with continuing positive interest in the downtown market. There remains a variety of new users entering the market through job growth, creating strong office demand. Although, the large potential vacancies continue to leave owners and developers cautiously optimistic.

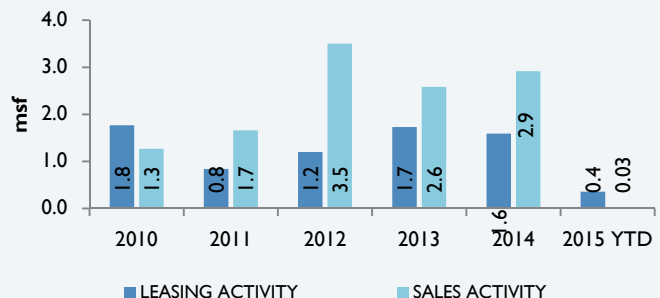
### STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	19.6%	18.8%	-0.8 pp	▼
Direct Asking Rents (psf/yr)	\$18.74	\$19.00	1.4%	▲
YTD Leasing Activity (sf)	316,683	359,328	13.5%	◄►

### 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	16.8%	16.5%	114,715	1,472,017	0	(6,987)	(10,135)	\$20.50	\$23.75
Downtown West	2,695,710	20.7%	20.7%	20,748	0	0	(9,203)	(9,203)	\$19.40	\$20.50
<b>MILWAUKEE CBD</b>	<b>9,631,572</b>	<b>17.9%</b>	<b>17.7%</b>	<b>135,463</b>	<b>1,472,017</b>	<b>0</b>	<b>(16,190)</b>	<b>(19,338)</b>	<b>\$19.95</b>	<b>\$22.75</b>
Mayfair/Wauwatosa	2,672,712	25.4%	24.2%	18,856	0	0	15,792	15,792	\$19.24	\$25.55
North Shore	2,180,084	25.2%	21.9%	26,998	0	0	84,036	7,626	\$15.35	\$22.25
Northwest	1,342,460	13.9%	13.2%	0	300,114	0	(793)	(793)	\$18.62	\$20.30
Southeast	265,910	40.7%	40.7%	9,665	0	0	1,395	1,395	\$17.10	N/A
Southwest	346,549	20.5%	20.5%	6,825	0	0	0	0	\$19.10	\$19.20
Third Ward/Walker's Point	1,857,182	15.8%	15.8%	22,359	0	0	(10,017)	(6,599)	\$18.58	\$21.60
West Allis	1,940,376	16.6%	16.6%	7,273	0	0	(93,332)	(9,865)	\$14.63	N/A
<b>MILWAUKEE SUBURBAN</b>	<b>10,605,273</b>	<b>20.9%</b>	<b>19.8%</b>	<b>91,976</b>	<b>300,114</b>	<b>0</b>	<b>(2,919)</b>	<b>7,556</b>	<b>\$17.61</b>	<b>\$21.65</b>
Ozaukee	665,474	12.3%	12.3%	4,950	0	0	2,276	579	\$14.50	\$15.20
Waukesha/Brookfield	4,172,826	19.8%	18.2%	72,930	0	0	38,150	52,927	\$17.97	\$20.75
Waukesha/Pewaukee	2,473,993	13.5%	13.3%	54,009	25,700	0	8,000	3,489	\$18.12	\$21.30
<b>MILWAUKEE OUTLYING</b>	<b>7,312,293</b>	<b>17.0%</b>	<b>16.0%</b>	<b>131,889</b>	<b>25,700</b>	<b>0</b>	<b>48,426</b>	<b>56,995</b>	<b>\$17.63</b>	<b>\$20.05</b>
CBD	9,631,572	17.9%	17.7%	135,463	1,472,017	0	(16,190)	(19,338)	\$19.95	\$22.75
SUBURBAN	17,917,566	19.3%	18.2%	223,865	325,814	0	45,507	64,551	\$17.80	\$20.75
<b>TOTALS</b>	<b>27,549,138</b>	<b>18.8%</b>	<b>18.0%</b>	<b>359,328</b>	<b>1,797,831</b>	<b>0</b>	<b>29,317</b>	<b>45,213</b>	<b>\$18.68</b>	<b>\$21.50</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
411 E Wisconsin Avenue	Downtown – East	Northwestern Mutual	a	66,372
400 S Executive Drive	Brookfield	Symmetry LLC	B	26,156
9000 N Deerbrook Trail	North Shore	Otis Elevator Company	B	18,379
SIGNIFICANT 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
301 N Water Street	Third Ward / Walker's Point	Doc-309 Renaissance LLC	\$5,600,000 / \$66	98,000
3600 S Lake Drive	Southeast	PH Milwaukee LLC	\$12,750,000 / \$134	94,820
3333 N Mayfair Road	Mayfair/Wauwatosa	Forum Mayfair LLC	\$2,600,000 / \$32	81,902
SIGNIFICANT 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
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%)