

Office Snapshot Q4 2015

Milwaukee



MILWAUKEE OFFICE

Economic Indicators

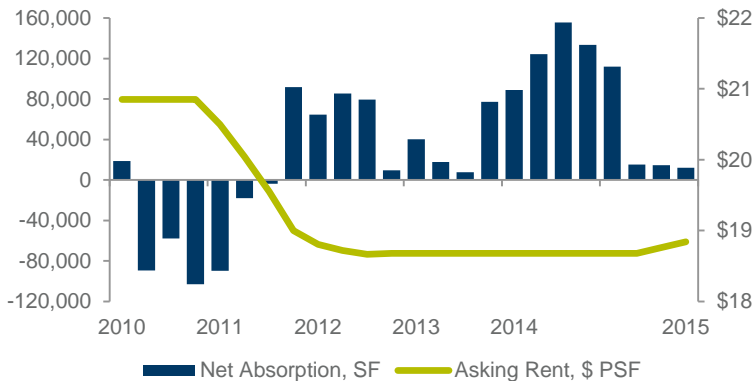
	Q4 14	Q4 15	12-Month Forecast
Milwaukee Employment	847k	855k	▲
Milwaukee Unemployment	5.4%	4.8%	▲
U.S. Unemployment	5.7%	5.0%	▼

Market Indicators (Overall, All Classes)

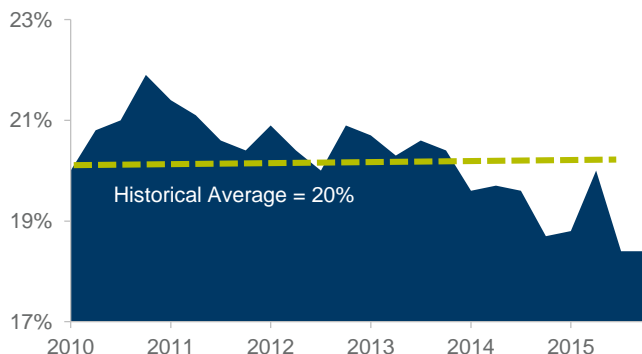
	2014	2015	12-Month Forecast
Vacancy	18.7%	18.4%	▲
Net Absorption (sf)	534k	48k	▲
Under Construction (sf)	1.5M	1.6M	▼
Average Asking Rent*	\$18.68	\$19.00	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate declined to 4.2% in November, a decrease of 0.1 percentage point (pp) from the prior month and a 0.9 pp decrease from a year ago. The 4.2% unemployment rate for Wisconsin remains lower than the national unemployment rate of 5.0%. The latest National Manpower Employment Outlook survey indicates the strongest hiring expectation since Q1 2007. Employers included in the survey indicated that staffing is expected to increase by 17% in the first quarter of 2016. Locally, the outlook is even more upbeat: 24% of those surveyed expect to increase staff levels in the first three months of 2016. The Milwaukee-Waukesha-West Allis market scored a 19% net employment outlook, a decrease from 24% from the first quarter of 2015. The net employment outlook is measured by percentage of plan hires offset by percentage of plan reduction in payroll.

Market Overview

The Milwaukee office market continued to report positive absorption for the final quarter of 2015. In Q4, the office market posted 43,029 square feet (sf) of positive absorption. The overall vacancy rate remained unchanged from the previous quarter at 18.4%, but marks a 0.3 pp decline from Q4 2014. The Milwaukee class A CBD anticipates a significant construction delivery in Q1 with the 833 East building completion in March. The 358,017-sf building is 64.3% pre-leased, with recent announcements including Johnson Controls Auto Divisions occupying the entire 11th floor. Milwaukee's strong downtown office market also continues to attract outside investors. The 107,963-sf Riverfront Plaza building at 1110 North Old World Third, transferred in November for \$7.5 million at a 7.8% cap. This Downtown-West location continues to be attractive due to its close proximity to the new NBA Bucks arena developments.

Outlook

2015 was a year filled with positive news and activity for the downtown Milwaukee market. Urbanization continues to attract investors and users to the downtown office markets. In 2015, over half of lease transactions 7,500 sf and greater were signed in Milwaukee's CBD. The first quarter of 2016 is poised to open with steady leasing growth and continued interest from outside investors.

MARKETBEAT

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Milwaukee



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION YTD	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (S)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown East	6,847,042	20,002	998,405	14.9%	26,313	134,448	233,199	1,472,017	\$20.70	\$23.75
Downtown West	2,817,340	0	629,317	22.3%	17,880	(115,210)	111,024	0	\$19.50	\$2.50
Milwaukee CBD	9,664,382	20,002	1,627,722	17.0%	44,193	19,238	344,223	1,472,017	\$20.00	\$22.75
Mayfair/Wauwatosa	2,604,304	20,155	684,611	27.1%	24,253	77,495	136,440	155,000	\$19.35	\$25.55
North Shore	2,171,811	72,657	415,548	22.5%	(6,183)	(73,288)	46,126	0	\$15.35	\$22.25
Northwest	1,365,040	13,507	271,214	20.9%	4,507	(77,666)	34,430	0	\$18.75	\$20.30
Southeast	265,910	0	127,013	47.8%	(1,250)	(8,704)	19,981	0	\$17.10	N/A
Southwest	353,573	0	73,027	20.7%	4,070	(690)	16,807	0	\$19.10	\$19.20
Third Ward/Walker's Point	1,882,452	6,500	284,360	15.5%	(8,303)	28,105	88,628	0	\$18.58	\$21.60
West Allis	1,949,291	0	155,140	8.0%	5,779	7,645	45,821	0	\$14.63	N/A
Milwaukee Suburban	10,592,381	112,819	2,010,913	20.0%	22,873	(47,103)	388,233	155,000	\$17.75	\$21.65
Ozaukee	649,474	0	67,740	10.4%	16,316	16,091	16,705	0	\$14.60	\$15.20
Waukesha/Brookfield	4,197,771	46,653	784,542	19.8%	(20,176)	59,956	186,487	0	\$18.55	\$20.75
Waukesha/Pewaukee	2,492,145	0	416,413	16.7%	(20,177)	62	133,276	0	\$18.49	\$21.30
Milwaukee Outlying	7,339,390	46,653	1,268,695	17.9%	(24,037)	76,109	336,468	0	\$18.27	\$20.05
CBD	9,664,382	20,002	1,627,722	17.0%	44,193	19,238	344,223	1,472,017	\$20.00	\$22.75
Suburban	17,931,771	159,472	3,279,608	19.2%	(1,164)	29,006	724,701	155,000	\$18.00	\$20.75
MILWAUKEE TOTALS	27,596,153	179,474	4,907,330	18.4%	43,029	48,244	1,068,924	1,627,017	\$19.00	\$21.25

*Rental rates reflect gross asking \$psf/year

SUMMARY	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT DIRECT*
Class A	12,407,585	69,528	1,774,200	14.3%	(15,941)	(10,950)	500,458	1,627,017	\$21.25	\$21.75
Class B	13,976,138	100,946	3,009,081	21.5%	61,629	52,169	538,676	0	\$17.25	\$17.50
Class C	1,212,430	9,000	124,049	10.2%	(2,659)	7,025	29,790	0	\$15.75	\$16.00

Key Lease Transactions 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
111 E Wisconsin Avenue	67,935	Great-West Life Assurance Company	Lease	Downtown East
411 E Wisconsin Avenue	66,372	Northwestern Mutual	Lease	Downtown East
11200 W Parkland Avenue	29,000	Global Equipment Company, Inc.	Lease	Northwest

Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
341 W Saint Paul Avenue	941,109	345 Property Owner, LLC	\$13,100,000 / \$14	Downtown West
250 E Wisconsin Avenue	200,039	Fulcrum Asset/Lone Star Funds	\$9,750,000 / \$49	Downtown East
24133, 24222 Riverwood	195,282	The Broe Group	\$26,026,800 / \$133	Waukesha/Pewaukee
7800 Brown Deer Road	175,610	Lone Star Funds/Investor Real Estate	\$7,000,000 / \$40	North Shore