



MILWAUKEE OFFICE

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Milwaukee Employment	862k	866k	▲
Milwaukee Unemployment	4.4%	3.5%	▲
U.S. Unemployment	4.9%	4.4%	▲

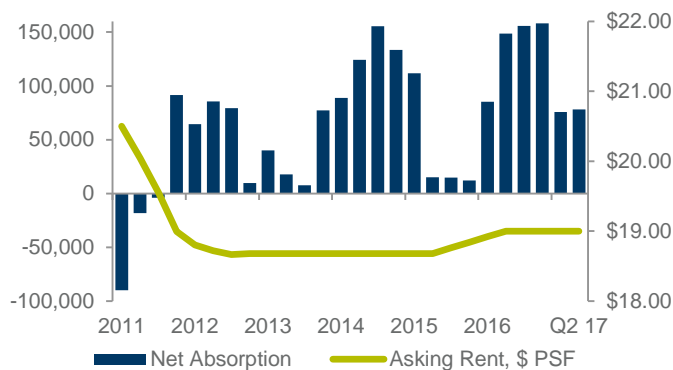
Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	18.0%	16.5%	▲
YTD Net Absorption (sf)	430k	109k	▲
Under Construction (sf)	1.2M	1.5M	▲
Average Asking Rent*	\$19.00	\$19.00	▲

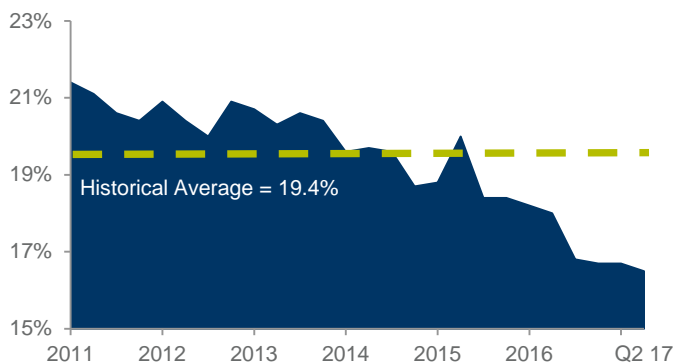
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate fell to 3.1%, the lowest level since 1999 and represents a 100 basis points decrease from a year ago. This rate remains lower than the national unemployment rate of 4.4%.

The latest National Manpower Employment Outlook survey from Milwaukee-based Manpower Group anticipates Metro Milwaukee employers will maintain current levels of employment, with a net employment outlook reading of 20%, the same as the prior quarter. This reading of 20% is a result of 22% of respondents anticipating an increase in staff levels, with only 2% planning to decrease. The Milwaukee metro area is outpacing the national net employment outlook of 17%.

According to the latest May report from the Metropolitan Milwaukee Association of Commerce (MMAC), the Milwaukee area's economy reported the most positive report in the past seven months as well as year-over-year gains. Of the 23 economic indicators, 16 were positive, up from 11 in the prior month. The survey reported improvement in employment trends, both overall and across a majority of the industry sectors, with education and health services sectors experiencing the largest employment gain in the area.

Market Overview

The Milwaukee office market continued to report positive absorption, marking its eighth consecutive quarter of positive activity. In the second quarter of 2017, the office market posted 100,371 square feet (sf) of absorption. The Class A office market, specifically the CBD, outperformed the total market, with 61,798 sf of absorption, most heavily impacted by Bader Rutter's move from the Brookfield submarket to 1433 Water Street, where they leased 60,000 sf in the CBD. The overall vacancy rate decreased to 16.5%, a 20-basis-point decrease quarter-over-quarter and a 150-basis-point decline year-over-year.

The second quarter closed with a bang, with the 411 building selling to Illinois Investors ASA Properties/Middleton Partners. With this transaction, the second quarter recorded the most investment sales activity since pre-recession times, with 1.6 msf of office product sold in Metro Milwaukee, of which 1.4 msf were located in the CBD. Out of state investment in downtown office buildings continued amid positive absorption, decreasing vacancy rates, and upward trending asking rents.

Outlook

Office building conversions in the CBD are active with the sale of the Wells Fargo building. The conversion of the 12-story, 110,000-sf building at 735 W Wisconsin Avenue into a 144 unit apartment building is expected to be completed by Q3 2018.

Steady investment and new developments in the CBD are attracting businesses, investors, and residents alike, building momentum for continued growth in Milwaukee.

MARKETBEAT

Milwaukee

Office Q2 2017



CUSHMAN & WAKEFIELD

BOERKE

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL 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 (CLASS A)*
Downtown East	7,010,099	27,599	1,083,105	15.8%	69,796	69,343	66,040	1,208,000	\$20.70	\$23.75
Downtown West	3,055,965	3,500	471,280	15.5%	17,144	23,478	96,518	52,000	\$19.50	\$20.00
CBD	10,066,064	31,099	1,554,385	15.8%	86,940	92,821	162,558	1,260,000	\$20.00	\$23.25
Mayfair/Wauwatosa	2,764,808	20,155	548,337	20.6%	10,431	103,493	143,530	0	\$19.35	\$25.55
North Shore	1,929,363	0	343,373	17.8%	-1,009	-16,154	23,757	0	\$15.35	\$22.25
Northwest	1,720,681	6,967	407,874	24.1%	-8,051	-44,265	0	0	\$18.75	\$20.30
Southeast	218,916	0	70,097	32.0%	1,250	9,679	9,679	0	\$17.10	N/A
Southwest	354,606	0	58,476	16.5%	1,165	-694	14,566	0	\$19.10	\$19.20
Third Ward	1,894,486	0	317,344	16.8%	-247	-10,372	47,040	27,500	\$18.58	\$21.60
West Allis	1,950,447	35,334	102,555	7.1%	-9,160	-35,387	13,929	0	\$14.63	N/A
Milwaukee Suburban	10,833,307	62,456	1,848,056	17.6%	-5,621	6,300	252,501	27,500	\$17.75	\$21.65
Ozaukee	574,611	0	42,502	7.4%	2,838	-3,178	12,444	0	\$14.60	\$15.20
Brookfield	4,132,252	18,000	679,855	16.9%	-11,679	-18,466	147,813	207,900	\$18.55	\$20.75
Waukesha/Pewaukee	2,510,144	0	395,036	15.7%	27,893	31,491	78,799	0	\$18.49	\$21.30
Milwaukee Outlying	7,217,007	18,000	1,117,393	15.7%	19,052	9,847	239,056	207,900	\$18.27	\$20.05
CBD	10,066,064	31,099	1,554,385	15.8%	86,940	92,821	162,558	1,260,000	\$20.00	\$23.25
Suburban	18,050,314	80,456	2,965,449	16.9%	13,431	16,147	491,557	235,400	\$18.00	\$20.75
MILWAUKEE TOTALS	28,116,378	111,555	4,519,834	16.5%	100,371	108,968	654,115	1,495,400	\$19.00	\$21.75

*Rental rates reflect gross asking \$psf/year

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	12,759,658	34,006	1,893,652	15.1%	61,798	91,483	354,125	1,495,400	\$22.50	\$21.75
Class B	14,229,536	73,837	2,523,744	18.3%	40,411	29,911	286,072	0	\$17.50	\$17.25
Class C	1,127,184	3,712	102,438	9.4%	-1,838	-12,426	13,918	0	\$16.00	\$15.75

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1433 Water	60,000	Bader Rutter	Lease	Downtown West
13845 Bishops Drive	41,194	Pentair	Lease	Brookfield
115 S 84 th Street	15,070	Aerotek	Lease	Mayfair/Wauwatosa

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
411 E Wisconsin Avenue	791,800	FMC Investment Opportunities 411 East Wisconsin SPE LLC / Middleton Milwaukee Investors LLC	\$124,600,000 / \$190	Downtown East
331 W Wisconsin Avenue – 170,449 SF Office with 129,798 SF Retail	300,247	Bostco LLC / NWC 331 Commercial LLC	\$11,800,000 / \$39	Downtown West
201-229 W Cherry Street	280,000	Riverbend Place, LLC / One Hundred MP Way, LLC	\$66,500,000 / \$238	Downtown West

Cushman & Wakefield |
The Boerke Company
731 N Jackson Street, Suite 700
Milwaukee, WI 53202
cushmanwakefield.com

For more information, contact:
Katie Gremban, Director of Research
Tel: +1 414 203 3045
kgremban@boerke.com

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