



MILWAUKEE OFFICE

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Milwaukee Employment	855k	860k	▲
Milwaukee Unemployment	4.9%	4.4%	▲
U.S. Unemployment	5.2%	4.9%	▼

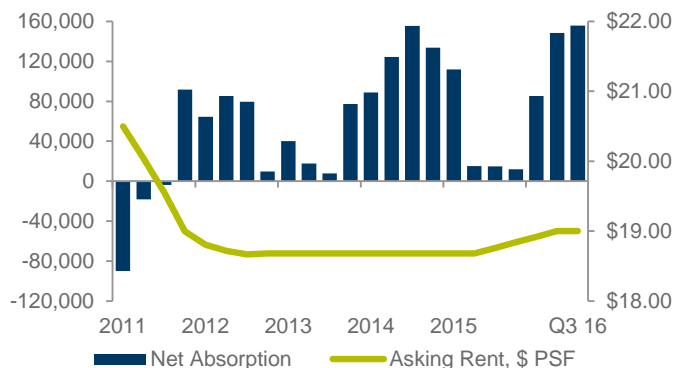
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	18.4%	16.8%	▼
Net Absorption (sf)	121k	151k	▲
Under Construction (sf)	1.5M	1.3M	▲
Average Asking Rent*	\$19.00	\$19.00	▲

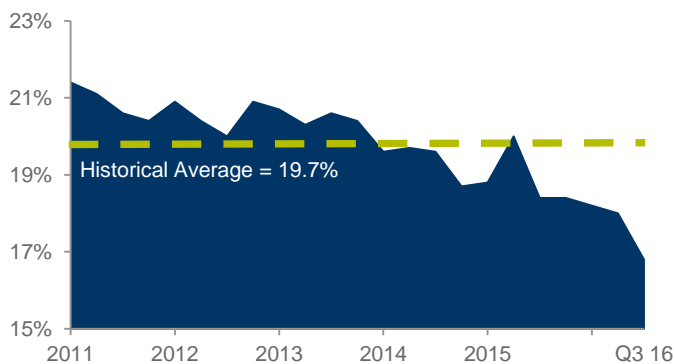
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate has remained stable at 4.2% since May 2016 and has seen only a slight decline year-over-year with a 40-basis-point decline. The 4.2% unemployment rate for Wisconsin remains lower than the national unemployment rate of 4.9%.

The latest National Manpower Employment Outlook survey from Milwaukee-based Manpower Group anticipates contraction in job growth for Metro Milwaukee during the fourth quarter, with a net employment outlook of 17%, down from 20% in 2015 and 26% for the prior quarter. Nationally, employers' inclination remains similar to Metro Milwaukee indicating that 16% are expecting hiring to increase in the Q4 2016.

According to the Midwest Economy Index from the Federal Reserve Bank of Chicago, Wisconsin's economic activity declined, with below-average growth at -0.04 for the month of August. Of the individual sectors covered by the index, Wisconsin's services sector grew, manufacturing activity remained steady, while construction and consumer sectors declined.

Market Overview

The Milwaukee office market continued to report positive absorption, marking its fifth consecutive quarter of positive activity. In the third quarter of 2016, the office market posted 150,722 square feet (SF) of absorption. The overall vacancy rate continued to decline to 16.8%, marking a 120-basis-point decline from Q2 2016. Interest in the Milwaukee CBD remains strong with a rise in both tenants moving from the suburbs as well as an increase in investment activity. Year-to-date, the CBD reported an almost 600% increase year-over-year in investment activity, with over 1.9 million square feet (MSF) traded since January. The 100 East building was purchased by Hertz Investment Group as a part of a \$416.9-million portfolio, which is their first asset in the Milwaukee market. In addition, another new investor to our market, Washington Alliance Capital acquired 85%-leased 201 W Wisconsin Avenue building this quarter. A local investor acquired 100%-leased, 615 E Michigan, who capitalized on the 10+ years of term remaining with US Bancorp, while another local investor purchased a value-add play at 804 N Milwaukee. Tenants moving into the city include Microsoft, who relocated to 833 East, Badger Liquor will move to Schlitz Park, Monster Worldwide will move to 330 Kilbourn, and Bader Rutter will move to the former Laacke & Joys site.

Outlook

As the nation heads into the Presidential Election, cautious optimism is anticipated to be the local sentiment. With Milwaukee experiencing a boom of construction activity in the CBD, a continued flight to quality is forecasted as well as steady demand in redevelopment activity.

MARKETBEAT
Milwaukee
Office Q3 2016



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	7,009,096	16,712	1,075,325	15.6%	54,061	204,664	410,108	1,224,000	\$20.70	\$23.75
Downtown West	2,964,015	0	497,688	16.8%	30,953	15,401	155,460	0	\$19.50	\$20.00
CBD	9,973,111	16,712	1,573,013	15.9%	85,014	220,065	565,568	1,224,000	\$20.00	\$23.25
Mayfair/Wauwatosa	2,755,417	20,155	676,871	25.3%	-295	129,634	83,450	0	\$19.35	\$25.55
North Shore	1,975,859	0	374,221	18.9%	13,529	24,889	41,146	0	\$15.35	\$22.25
Northwest	1,793,768	160,035	210,783	20.7%	-1,432	125,030	122,784	0	\$18.75	\$20.30
Southeast	265,910	0	124,776	46.9%	3,798	2,237	4,437	0	\$17.10	N/A
Southwest	354,606	0	59,552	16.8%	5,071	8,474	5,864	0	\$19.10	\$19.20
Third Ward	1,939,866	6,500	290,151	15.3%	3,412	26,180	65,023	87,000	\$18.58	\$21.60
West Allis	1,946,776	0	106,667	5.5%	6,334	25,346	19,820	0	\$14.63	N/A
Milwaukee Suburban	11,032,202	186,690	1,843,021	18.4%	30,417	341,790	342,524	87,000	\$17.75	\$21.65
Ozaukee	574,611	0	39,826	6.9%	11,164	13,335	24,113	0	\$14.60	\$15.20
Brookfield	4,118,389	18,000	656,206	16.4%	31,565	64,582	259,643	0	\$18.55	\$20.75
Waukesha/Pewaukee	2,507,787	10,812	391,340	16.0%	-7,438	-59,416	66,314	0	\$18.49	\$21.30
Milwaukee Outlying	7,200,787	28,812	1,087,372	15.5%	35,291	18,501	350,070	0	\$18.27	\$20.05
CBD	9,973,111	16,712	1,573,013	15.9%	85,014	220,065	565,568	1,224,000	\$20.00	\$23.25
Suburban	18,232,989	215,502	2,930,393	17.3%	65,708	360,291	692,594	87,000	\$18.00	\$20.75
MILWAUKEE TOTALS	28,206,100	232,214	4,503,406	16.8%	150,722	580,356	1,258,162	1,311,000	\$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	12,670,964	23,119	1,807,145	14.4%	29,068	441,417	673,486	1,311,000	\$22.50	\$21.75
Class B	14,407,952	198,883	2,606,408	19.5%	121,675	130,215	550,280	0	\$17.50	\$17.25
Class C	1,127,184	10,212	89,853	8.9%	-21	8,724	34,396	0	\$16.00	\$15.75

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
440 S Executive Drive	45,323	AT&T	Lease	Brookfield
833 E Michigan Street	26,033	Price Waterhouse Cooper	Lease	Downtown East
1515-1575 River Center Drive	24,000	Badger Liquor	Lease	Downtown West
5300 N 118 th Court	22,000	Confidential	Lease	Mayfair/Wauwatosa

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
100 East (100 E Wisconsin Street)	422,865	CW Wisconsin Ave / Hertz Milwaukee	\$78,000,000 / \$184	Downtown East
700 N Water Street	153,200	700 North Water Tower / Milwaukee Exchange	\$4,600,000 / \$30	Downtown East
6744 S Howell Avenue	120,883	Bucyrus Wisconsin Property / Oak Street 17 Investors	\$16,850,000 / \$139	Southeast
615 E Michigan	110,636	Oak Street Real Estate / Milo Investments	\$11,000,000 / \$120	Downtown East

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