

MARKETBEAT

Milwaukee

Office Q4 2016



CUSHMAN & WAKEFIELD

BOERKE

MILWAUKEE OFFICE

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Milwaukee Employment	858k	856k	■
Milwaukee Unemployment	4.9%	4.4%	■
U.S. Unemployment	5.0%	4.8%	▼

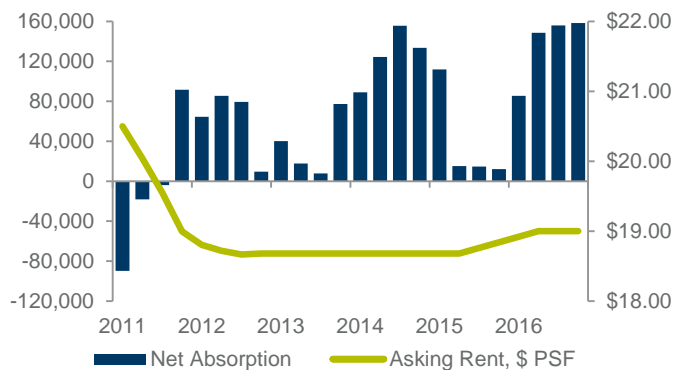
Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	18.4%	16.7%	■
YTD Net Absorption (sf)	48k	633k	■
Under Construction (sf)	1.6M	1.3M	■
Average Asking Rent*	\$19.00	\$19.00	▲

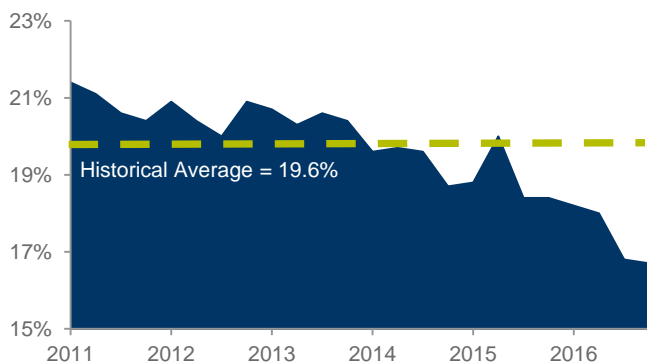
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate has remained stable at 4.1% since November 2016 and reported a slight decline year-over-year with a 50-basis-point decline. The 4.1% unemployment rate for Wisconsin remains lower than the national unemployment rate of 4.6%.

The latest National Manpower Employment Outlook survey from Milwaukee-based Manpower Group anticipates Metro Milwaukee employers maintaining their current staffing levels as we move into 2017, with a net employment outlook of 14%, down from 20% in 2015 and 17% for the prior quarter. Nationally, employers' inclination remains similar to Metro Milwaukee indicating that 13% are expecting hiring to increase in Q1 2017, whereas employment outlook for the Midwest is 11%.

According to the latest November report from the Metropolitan Milwaukee Association of Commerce (MMAC), the Milwaukee area is "struggling to find a healthy level of sustainable growth." Of the 22 economic indicators, only 11 were positive, down from an average of 16 over the prior 10 months. However, on a positive note, there continues to be gains in worker earnings and housing and real estate indicators.

Market Overview

Fourth quarter 2016 marked a quieter end to one of the most active years in Milwaukee's office market. The Milwaukee office market continued to report positive absorption, marking its sixth consecutive quarter of positive activity. In the fourth quarter of 2016, the office market posted 52,817 square feet (SF) of absorption. The Class A office market turned into negative territory with 11,362 SF of lost square footage this quarter, with the majority of the loss due to timing of tenant move-outs. The overall vacancy rate continued to drop and reported 16.7% at year-end, marking a 170-basis-point decline year-over-year.

Demand for new, Class A office space is strong and several projects were recently announced in and around the CBD. Some of these include plans for 275,000 SF of new riverfront office space in Walker's point, a five-story, 168,000-SF office building in the Third Ward, and a five-story, 94,000-SF office building in Downtown East. The end of the year was capped by the announcement that local developer, Irgens, has plans to build a 25-story, 357,000-SF office tower that will be anchored by BMO Harris Bank and Michael Best & Friedrich LLP.

Outlook

Anticipate investment activity to remain steady, with 411 E Wisconsin rumored to be on the sale block in 2017. In addition, the commitments made to Milwaukee by big names such as Northwestern Mutual, the Milwaukee Bucks, and BMO Harris Bank, as well as the strong demand for downtown residential and hospitality development, Milwaukee looks poised for steady growth in the coming years.

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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	1,118,666	16.2%	-10,792	193,872	452,198	1,224,000	\$20.70	\$23.75
Downtown West	2,964,015	0	498,258	16.8%	-570	14,831	165,581	0	\$19.50	\$20.00
CBD	9,973,111	16,712	1,616,924	16.4%	-11,362	208,703	620,779	1,224,000	\$20.00	\$23.25
Mayfair/Wauwatosa	2,752,808	20,155	644,075	24.1%	32,885	162,519	149,507	0	\$19.35	\$25.55
North Shore	1,961,813	0	297,086	15.1%	14,962	39,851	59,895	0	\$15.35	\$22.25
Northwest	1,793,768	160,035	224,327	21.4%	8,741	133,771	131,525	0	\$18.75	\$20.30
Southeast	265,910	0	124,776	46.9%	0	2,237	11,951	0	\$17.10	N/A
Southwest	354,606	0	57,782	16.3%	1,770	10,244	7,764	0	\$19.10	\$19.20
Third Ward	1,926,350	6,500	281,297	14.9%	-2,250	23,930	90,698	35,000	\$18.58	\$21.60
West Allis	1,950,447	0	102,502	5.3%	4,165	29,511	30,241	0	\$14.63	N/A
Milwaukee Suburban	11,005,702	186,690	1,731,845	17.4%	60,273	402,063	481,581	35,000	\$17.75	\$21.65
Ozaukee	574,611	0	39,324	6.8%	502	13,837	28,749	0	\$14.60	\$15.20
Brookfield	4,118,389	18,000	661,277	16.5%	6,423	71,005	317,983	0	\$18.55	\$20.75
Waukesha/Pewaukee	2,507,787	0	427,688	17.1%	-3,019	-62,435	95,101	0	\$18.49	\$21.30
Milwaukee Outlying	7,200,787	18,000	1,128,289	15.9%	3,906	22,407	441,833	0	\$18.27	\$20.05
CBD	9,973,111	16,712	1,616,924	16.4%	-11,362	208,703	620,779	1,224,000	\$20.00	\$23.25
Suburban	18,206,489	204,690	2,860,134	16.8%	64,179	424,470	923,414	35,000	\$18.00	\$20.75
MILWAUKEE TOTALS	28,179,600	221,402	4,477,058	16.7%	52,817	633,173	1,544,193	1,259,000	\$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	12,654,338	23,119	1,884,824	15.1%	-13,054	428,363	783,212	1,259,000	\$22.50	\$21.75
Class B	14,398,078	188,071	2,510,458	18.7%	61,888	192,103	716,622	0	\$17.50	\$17.25
Class C	1,127,184	10,212	81,776	8.2%	3,983	12,707	44,359	0	\$16.00	\$15.75

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
833 Michigan Street	100,000	Godfrey and Kahn	Lease	Downtown East
11100 W Liberty Drive	79,494	DentaQuest	Lease	Northwest
440 S Executive Drive	45,323	AT&T	Lease	Brookfield
11301 W Lake Park Drive	40,020	Minacs	Lease	Northwest

Key Sales Transactions 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
9011-9045 N Deerwood Drive	585,292	U.S. Bank / Del Norte Plaza LLC	\$16,500,000 / \$28	North Shore
111 E Wisconsin Avenue	477,772	Brookfield Asset Management / 1111 W Wisconsin Property Owner LLC	\$30,500,000 / \$64	Downtown East
100 East (100 E Wisconsin Street)	422,865	CW Wisconsin Ave / Hertz Milwaukee	\$78,000,000 / \$184	Downtown East
111 E Kilbourn Avenue	378,717	HUB Milwaukee Center / Milwaukee Center Management LLC	\$60,500,000 / \$160	Downtown East

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