

# MARKETBEAT

# Milwaukee

Office Q4 2018



CUSHMAN & WAKEFIELD

BOERKE

## MILWAUKEE OFFICE

### Economic Indicators

	Q4 2017	Q4 2018	12-Month Forecast
Milwaukee Employment*	809k	804k	■
Milwaukee Unemployment*	3.4%	3.2%	■
U.S. Unemployment	4.1%	3.7%	▼

\*Numbers above are quarterly averages

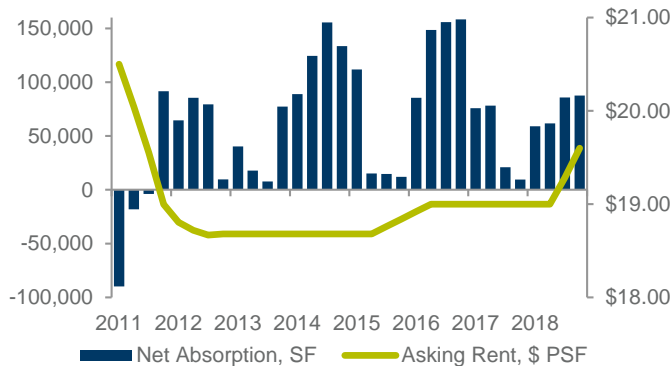
### Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	16.8%	15.0%	■
YTD Net Absorption (sf)	38k	353k	■
Under Construction (sf)	525k	541k	■
Average Asking Rent*	\$19.00	\$20.27	■

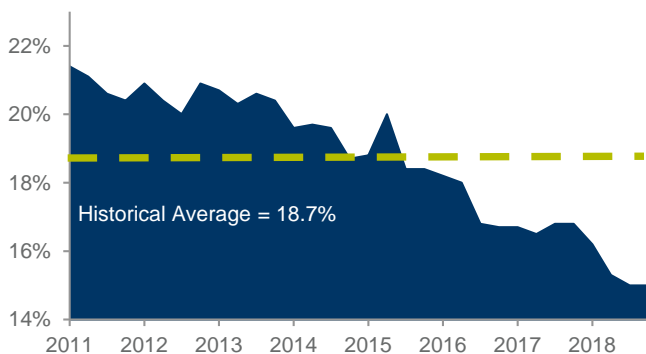
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

After the third quarter's 20-basis-point increase in the unemployment rate, the first increase since January 2013, Wisconsin's unemployment rate has remained stable at 3.0% over the duration of this quarter. Wisconsin continues to post an unemployment rate lower than the national average of 3.7%.

The latest National Manpower Employment Outlook survey from Milwaukee-based Manpower Group indicates Metro Milwaukee employers remain somewhat optimistic, with a net employment outlook reading of 24.0% in the region, up from 17.0% in the prior quarter. This is higher than the Midwest average of 17.0% and is tied for the 13th strongest hiring outlook among the 100 largest metro areas in the U.S.

## Market Overview

The Milwaukee office market reported continued positive absorption in the fourth quarter of 2018, with 13,851 square feet (sf) absorbed. Much of the absorption could be attributed to Milwaukee's CBD and Third Ward/Walker's Point submarkets, which accounted for slightly over half of all leasing activity in the metro area for 2018 and for 45.5% of all absorption. Milwaukee's downtown continues to outpace the surrounding submarkets. Of the 540,817 sf of office space under construction in the Milwaukee market, nearly 85% is located in this downtown area. The Downtown West submarket had only one new construction delivery in 2018, The Factory Office Suites at Forty Two.

## Outlook

Major infrastructure projects and investments by several corporations have brought new life in the city. The Lakefront Gateway Project, continued expansion of the Milwaukee Riverwalk, and the long-awaited arrival of Milwaukee's streetcar system have changed the way residents and workers alike get around. Companies like Northwestern Mutual, BMO Harris, the Milwaukee Bucks, Komatsu, Michels Corporation, Hammes Company, and Foxconn are just some of the latest to make their mark on this changing landscape.

Out-of-state investment has also increased as the city is becoming more desirable from an investment standpoint. Anticipate a new to market investor to acquire Schlitz Park, a nearly 800,000-sf office complex, in the upcoming months as a purchase agreement was signed in late December.

Construction and adaptive reuse remains prevalent in the market. With these new developments, we anticipate a shift in the downtown Class A vacancy rate. In 2019, BMO Tower is scheduled to deliver 357,448 sf into Downtown East, which will push the Class A vacancy rate into the mid 17%, in large part due to BMO delivering at 53% leased and Michael Best and Fredrich LLP vacating 115,000 sf at 100 E Wisconsin. In 2020, we predict the vacancy rate to increase to around 20%, as Husch Blackwell recently announced that the company will vacate Cathedral Place to anchor an anticipated tower to be developed by J. Jeffers & Co.

# MARKETBEAT

## Milwaukee

### Office Q4 2018



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	7,066,167	18,209	982,647	14.2%	2,940	135,873	390,881	455,817	\$24.94	\$28.30
Downtown West	3,194,537	5,500	452,285	14.3%	8,820	23,325	97,630	0	\$19.85	\$20.14
<b>CBD</b>	<b>10,260,704</b>	<b>23,709</b>	<b>1,434,932</b>	<b>14.2%</b>	<b>11,760</b>	<b>159,198</b>	<b>488,511</b>	<b>455,817</b>	<b>\$23.72</b>	<b>\$26.14</b>
Mayfair/Wauwatosa	2,876,567	20,156	471,769	17.1%	7,160	41,539	114,857	85,000	\$19.35	\$24.21
North Shore	1,917,763	7,400	519,937	27.5%	-4,200	-278	13,421	0	\$15.85	\$22.91
Northwest	1,702,710	6,987	329,120	19.7%	-17,429	33,598	174,706	0	\$20.48	\$21.56
Southeast	218,916	0	58,988	26.9%	-1,200	50	1,250	0	\$16.58	N/A
Southwest	354,606	4,719	67,788	20.4%	83	4,007	27,885	0	\$16.02	\$17.88
Third Ward	1,895,113	21,132	152,494	9.2%	0	1,416	104,601	0	\$19.49	\$21.50
West Allis	2,047,549	0	171,760	8.4%	975	-9,436	33,991	0	\$17.42	N/A
<b>Milwaukee Suburban</b>	<b>11,013,224</b>	<b>60,394</b>	<b>1,771,856</b>	<b>16.6%</b>	<b>-14,611</b>	<b>70,896</b>	<b>470,711</b>	<b>85,000</b>	<b>\$18.35</b>	<b>\$22.31</b>
Ozaukee	571,911	1,735	43,494	7.9%	-1,039	-201	6,671	0	\$14.46	\$16.74
Brookfield	4,131,129	26,039	598,896	15.1%	19,648	52,073	138,226	0	\$19.09	\$20.80
Waukesha/Pewaukee	2,599,549	0	317,407	12.2%	-1,907	71,133	81,951	0	\$19.08	\$21.67
<b>Milwaukee Outlying</b>	<b>7,302,589</b>	<b>27,774</b>	<b>959,797</b>	<b>13.5%</b>	<b>16,702</b>	<b>123,005</b>	<b>226,848</b>	<b>0</b>	<b>\$18.91</b>	<b>\$20.94</b>
CBD	10,260,704	23,709	1,434,932	14.2%	11,760	159,198	488,511	455,817	\$23.72	\$26.14
Suburban	18,315,813	88,168	2,731,653	15.4%	2,091	193,901	697,559	85,000	\$18.54	\$21.64
<b>MILWAUKEE TOTALS</b>	<b>28,576,517</b>	<b>111,877</b>	<b>4,166,585</b>	<b>15.0%</b>	<b>13,851</b>	<b>353,099</b>	<b>1,186,070</b>	<b>540,817</b>	<b>\$20.27</b>	<b>\$23.81</b>

\*Total leasing activity, including renewals \*\*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	13,148,613	52,943	1,789,540	14.0%	7,408	238,966	746,896	540,817	\$24.00	\$23.81
Class B	14,258,059	37,123	2,289,901	16.3%	6,443	157,673	425,182	0	\$17.38	\$17.37
Class C	1,169,845	21,811	87,144	9.3%	0	-43,540	13,992	0	\$16.36	\$16.14

### Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11200 W Parkland Avenue, Milwaukee	124,500	Fidelity National Information Services	New	Northwest
1433 N Water Street, Milwaukee	43,129	Spaces	New	Downtown East
735 N Water Street, Milwaukee	37,000	WageWorks, Inc.	New	Downtown East

### Key Sales Transactions 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Tannery Complex Portfolio Sale, Milwaukee	316,459	Tannery / R2 Companies	\$25,440,000 / \$80	Third Ward/Walker's Point
611 E Wisconsin Avenue, Milwaukee	133,000	LSREF@ OERO (Direct) LLC / Honey Badger, LLC	\$11,200,000 / \$95	Mayfair/Wauwatosa
320 E Buffalo Street, Milwaukee	122,044	Michael Gardner Trust / SRE 320 Buffalo, LLC	\$9,700,000 / \$79	Third Ward/Walker's Point

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