MARKETBEAT

Milwaukee

Office Q1 2019

CUSHMAN & WAKEFIELD | BOERKE

MILWAUKEE OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Milwaukee Employment*	801k	791k	▬
Milwaukee Unemployment*	3.0%	3.0%	▬
U.S. Unemployment	4.1%	3.8%	▼

*Numbers above are quarterly averages

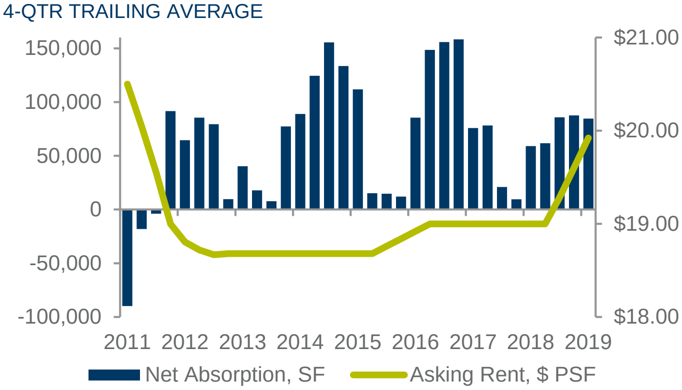
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	16.2%	15.0%	▲
YTD Net Absorption (sf)	210k	195k	▬
Under Construction (sf)	516k	816k	▲
Average Asking Rent*	$19.00	$20.29	▬

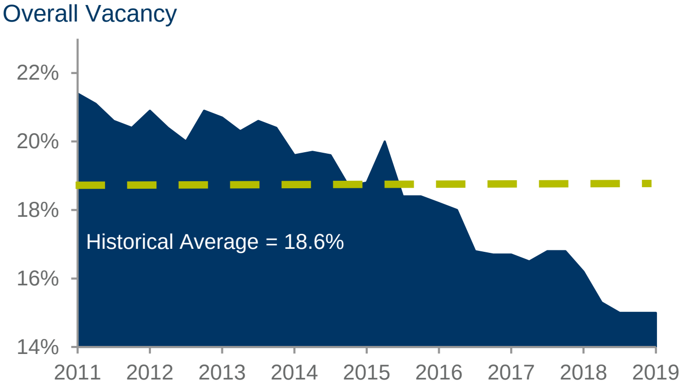
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate saw a slight decrease of 10 basis points this quarter, resulting in an unemployment rate of 2.9%. Year-over-year, the unemployment rate remains unchanged. This marks the first time since May 2010 that the unemployment rate has not decreased year-over year. Wisconsin continues to post an unemployment rate lower than the national average of 3.8%.

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 16.0% in the region, down from 24.0% in the prior quarter. This is lower than the Midwest average of 21.0%.

Market Overview

The Milwaukee office market reported continued positive absorption in the first quarter of 2019 with 195,032 square feet (sf) absorbed. One of the significant highlights of the quarter was the announcement of a relocation and expansion by Leonardo DRS. Moving within the same submarket, Leonardo DRS will occupy an existing 122,000-sf office building in Menomonee Falls and build a new 350,000-sf industrial building on an adjoining parcel.

In a similar move to separate office and industrial functions, Rexnord Corporation, with major operations in neighboring West Milwaukee, announced it had leased 150,870 sf in the Downtown West submarket of the CBD. Rexnord will house its office functions in the building and will be its sole tenant.

Despite an unchanged overall vacancy rate from Q4 2018, there was a high velocity of leasing activity across the markets. This was offset by a wide variety of moves within the overall market as companies reposition themselves for future growth by gravitating closer to the suburbs or the downtown area based on their needs. The CBD benefitted heavily from this, with companies like HNTB, Jacobs, and Rexnord choosing to call downtown Milwaukee home.

Outlook

The Milwaukee office market continues to transform and position itself for long term stability and growth. This is especially evident in the CBD area. As new office buildings come to market and older properties are converted to alternative uses, such as multifamily and hospitality, the quality of and expectations for office space are improving across all classes. The market has become more attractive for national investors, as evidenced by the $101-million sale of the Schlitz Park office complex.

The ongoing revitalization of downtown Milwaukee will reach a crescendo next summer as the city plays host to the Democratic National Convention. Over 50,000 visitors will be greeted by a renovated airport, a potential new extension of Milwaukee's popular free streetcar "The Hop", a gleaming new 25-story BMO Tower, and a vibrant new entertainment district adjacent to the NBA's newest arena and focal point of the convention - the Fiserv Forum.

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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	6,993,604	16,721	888,644	12.8%	33,316	33,316	50,950	455,817	$25.13	$28.15
Downtown West	3,194,537	4,700	497,122	15.7%	1,826	1,826	28,958	0	$19.72	$20.13
CBD	**10,188,141**	**21,421**	**1,385,766**	**13.7%**	**35,142**	**35,142**	**79,908**	**455,817**	**$23.65**	**$25.82**
Mayfair/Wauwatosa	2,876,567	20,155	461,921	16.8%	873	873	32,661	85,000	$19.03	$23.93
North Shore	1,965,990	7,400	520,537	26.9%	0	0	0	0	$15.70	$22.73
Northwest	1,702,710	6,967	300,783	18.1%	138,000	138,000	152,000	0	$20.83	$22.21
Southeast	218,916	0	66,533	30.4%	-7,545	-7,545	0	0	$16.71	N/A
Southwest	354,606	3,668	76,405	22.9%	-2,555	-2,555	6,664	0	$16.39	$18.32
Third Ward	1,895,113	0	164,493	9.8%	5,858	5,858	6,899	200,000	$19.55	$21.50
West Allis	2,047,549	0	172,997	8.4%	4,067	4,067	5,304	0	$17.51	N/A
Milwaukee Suburban	**11,061,451**	**38,190**	**1,763,669**	**16.5%**	**138,698**	**138,698**	**203,528**	**285,000**	**$18.31**	**$22.44**
Ozaukee	571,911	1,212	43,098	7.7%	-965	-965	3,537	75,000	$14.37	$16.24
Brookfield	4,131,129	26,039	619,514	15.6%	-12,296	-12,296	30,671	0	$19.40	$21.30
Waukesha/Pewaukee	2,599,549	8,521	369,157	14.2%	34,453	34,453	81,685	0	$19.42	$22.18
Milwaukee Outlying	**7,302,589**	**35,772**	**1,031,769**	**14.5%**	**21,192**	**21,192**	**115,893**	**75,000**	**$19.23**	**$21.46**
CBD	10,188,141	21,421	1,385,766	13.7%	35,142	35,142	79,908	455,817	$23.65	$25.82
Suburban	18,364,040	73,962	2,795,438	15.7%	159,890	159,890	319,421	360,000	$18.64	$21.94
MILWAUKEE TOTALS	**28,552,181**	**95,383**	**4,181,204**	**15.0%**	**195,032**	**195,032**	**399,329**	**815,817**	**$20.29**	**$23.79**

*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	13,174,636	59,869	1,811,992	14.1%	146,391	146,391	271,509	815,817	$24.04	$23.79
Class B	14,207,700	13,703	2,283,118	16.1%	47,591	47,591	126,770	0	$17.37	$17.37
Class C	1,169,845	21,811	86,094	9.2%	1,050	1,050	1,050	0	$16.37	$16.14

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
7449 Flint Road, Milwaukee	122,000	DRS Leonardo	New	Northwest
11200 W Parkland Avenue, Milwaukee	30,000	EQ	New	Northwest
250 E Wisconsin Avenue, Milwaukee	24,000	HNTB	New	Downtown East
1610 N 2nd Street, Milwaukee	16,678	CH2M / Jacobs	New	Downtown West

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / $PSF	SUBMARKET
Schlitz Park Portfolio Sale, Milwaukee	893,183	The Brewery Works, Inc. / SP Milwaukee Propco1 LLC	$101,250,000 / $114	Downtown West
LSOP Office Portfolio, Brookfield & Milwaukee	390,975	LSOP WI LLC / Felton Properties	$37,715,000 / $96	Brookfield & Milwaukee Northwest
105-111 W Michigan Street, Milwaukee	150,870	Towne Realty, Inc. / 111 Michigan Partners LLC	$14,400,000 / $95	Downtown West

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