

MARKETBEAT

Milwaukee

Office Q3 2019



CUSHMAN & WAKEFIELD

BOERKE

MILWAUKEE OFFICE

Economic Indicators

	Q3 18	Q3 19*	12-Month Forecast
Milwaukee Employment	803.0k	803.4k	▲
Milwaukee Unemployment Rate	3.2%	3.2%	▲
U.S. Unemployment Rate	3.8%	3.7%	▲

*Q3 19 data based on the latest available date.
Source: BLS, Moody's Analytics, Cushman & Wakefield Research

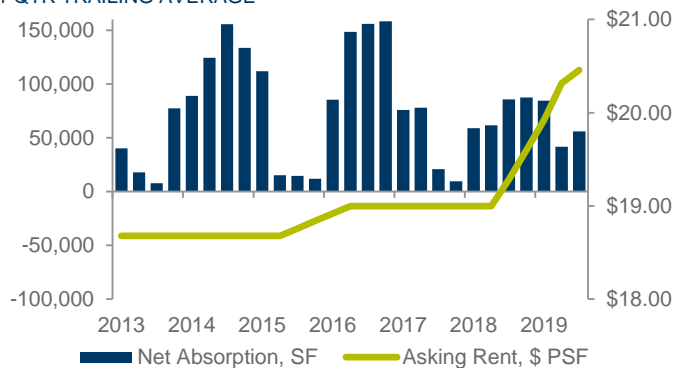
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	15.0%	16.4%	▲
YTD Net Absorption (sf)	339k	210k	■
Under Construction (sf)	541k	819k	■
Average Asking Rent*	\$20.13	\$20.70	■

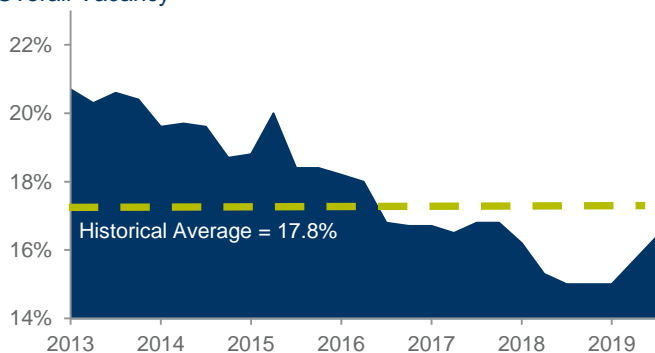
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Wisconsin's unemployment rate increased by 30 basis points (bps) to 3.1% in the third quarter 2019. Year-over-year, the unemployment rate increased 10 bps. 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 optimistic, with a net employment outlook reading of 21.0% in the region, down from 33.0% in the prior quarter. This is higher than the Midwest average of 20.0% and is the eighth highest in the nation overall.

Market Overview

The Milwaukee office market reported positive absorption of 75,675 square feet (sf) in the third quarter of 2019. Of significance this quarter, was the delivery of an 85,000-sf Class A office building in the Milwaukee County Research Park. Representing the strong demand for new, Class A office space in Milwaukee, this building was nearly 80% leased upon delivery.

Downtown Milwaukee continues to outperform surrounding submarkets with 172,048 sf of positive absorption year-to-date. This positive absorption has been driven by the leasing and new delivery of 1400 N Water St, the acquisition and buildout of coworking space by Novel Coworking at 790 N Milwaukee St, and several leases, including roughly 24,000 sf by HNTB, at the recently renovated 250 E Wisconsin Ave. The absorption in these three buildings account for 77.2% of the total positive absorption for the CBD. Of the 818,817 sf currently under construction in the Milwaukee market, 90.8% is located in or adjacent to the CBD.

Outlook

With the quality of new Class A buildings being delivered, many property owners are finding the need to invest in building upgrades and amenities to remain competitive. Investors have purchased several large outdated office buildings in the CBD and are investing heavily in their upgrades. These include the \$30 million renovation of 310 W Wisconsin Avenue and the \$26.6 million renovation of 640 N 4th Street across the street in the Downtown West neighborhood. Across the river in Downtown East, an extensive renovation of common area spaces has started at 111 E Kilbourn Ave.

Along with the positive absorption in the CBD, we also see a continuing trend of older, high-vacancy Class C buildings being redeveloped from office space to hospitality, retail and residential. These opportunities are in and near the CBD where many buildings tend to be historic in nature. The most successful examples of these types of redevelopments have occurred in the Third Ward. Formerly an abandoned warehouse district, this neighborhood has evolved to accommodate boutique offices, residential condos and a Kimpton Hotel, in addition to high-profile retailers such as Shake Shack, Wahlburgers, West Elm, Restoration Hardware, UNTUCKit, lululemon, Anthropologie, Warby Parker and Drybar.

MARKETBEAT

Milwaukee

Office Q3 2019



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	7,043,838	13,009	771,151	11.2%	34,243	147,765	175,014	543,817	\$26.17	\$28.04
Downtown West	3,493,941	1,200	824,894	23.7%	7,910	24,283	85,984	0	\$19.80	\$20.13
CBD	10,537,779	14,209	1,596,045	15.3%	42,153	172,048	260,998	543,817	\$24.09	\$25.60
Mayfair/Wauwatosa	2,961,845	16,152	492,202	17.2%	43,959	48,849	145,534	0	\$19.76	\$24.94
North Shore	1,965,990	7,400	521,664	26.9%	-9,330	-1,127	12,703	0	\$15.60	\$22.62
Northwest	1,702,710	6,967	340,823	20.4%	0	97,980	153,821	0	\$21.10	\$22.50
Southeast	218,916	0	66,533	30.4%	0	-7,545	0	0	\$16.71	N/A
Southwest	354,606	3,668	73,597	21.8%	-506	1,304	12,819	0	\$16.51	\$17.99
Third Ward	1,916,213	0	120,135	7.4%	9,952	26,261	50,509	200,000	\$20.26	\$19.86
West Allis	2,047,549	0	261,391	12.8%	-1,013	-86,241	13,420	0	\$17.46	N/A
Milwaukee Suburban	11,167,829	34,187	1,876,345	17.3%	43,062	79,481	388,806	200,000	\$18.55	\$22.54
Ozaukee	571,911	1,212	41,534	7.5%	-945	599	21,549	75,000	\$14.15	\$14.70
Brookfield	4,135,828	5,000	708,480	17.7%	19,035	-17,066	95,229	0	\$19.25	\$21.22
Waukesha/Pewaukee	2,599,549	0	427,424	16.4%	-27,630	-24,590	112,433	0	\$19.85	\$22.70
Milwaukee Outlying	7,307,288	6,212	1,177,438	16.5%	-9,540	-41,057	229,211	75,000	\$19.33	\$21.50
CBD	10,537,779	14,209	1,596,045	15.3%	42,153	172,048	260,998	543,817	\$24.09	\$25.60
Suburban	18,475,117	40,399	3,053,783	17.0%	33,522	38,424	618,017	275,000	\$18.84	\$21.99
MILWAUKEE TOTALS	29,012,896	54,608	4,649,828	16.4%	75,675	210,472	879,015	818,817	\$20.70	\$23.87

*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	13,338,490	48,408	1,961,793	15.1%	93,582	239,178	542,969	818,817	\$24.11	\$23.87
Class B	14,460,704	6,200	2,541,968	17.9%	-12,494	16,827	324,217	0	\$17.80	\$17.84
Class C	1,213,702	0	146,067	12.0%	-5,413	-45,533	11,829	0	\$16.84	\$16.84

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1200 N Mayfair Road, Wauwatosa	34,811	Hays Group	Renewal	Mayfair / Wauwatosa
10401 Innovation Drive, Wauwatosa	28,000	Schenck SC	New	Mayfair / Wauwatosa
111 E Kilbourn, Milwaukee	19,748	The Good Land Committee, Inc.	New	Downtown East
250 E Wisconsin Avenue, Milwaukee	15,347	Regus	Renewal	Downtown East

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Executive Drive Portfolio, Brookfield	198,392	BMO Brookfield WI Landlord, LLC and BMO 180 Brookfield WI Landlord LLC / LSC-3 Office, DST	\$43,000,000 / \$217	Brookfield
241 N Broadway, Milwaukee	88,171	BC Propco, LLC / 241 MKE Equities LLC	\$17,000,000 / \$193	Downtown East
555 S Executive Drive, Brookfield	86,136	5111 S 9 th Street, LLC / Landmark Credit Union	\$8,000,000 / \$93	Brookfield

Cushman & Wakefield | Boerke
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

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 51,000 employees in approximately 400 offices and 70 countries. In 2018, the firm had revenue of \$68.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.