



OFFICE MARKET REPORT

Milwaukee

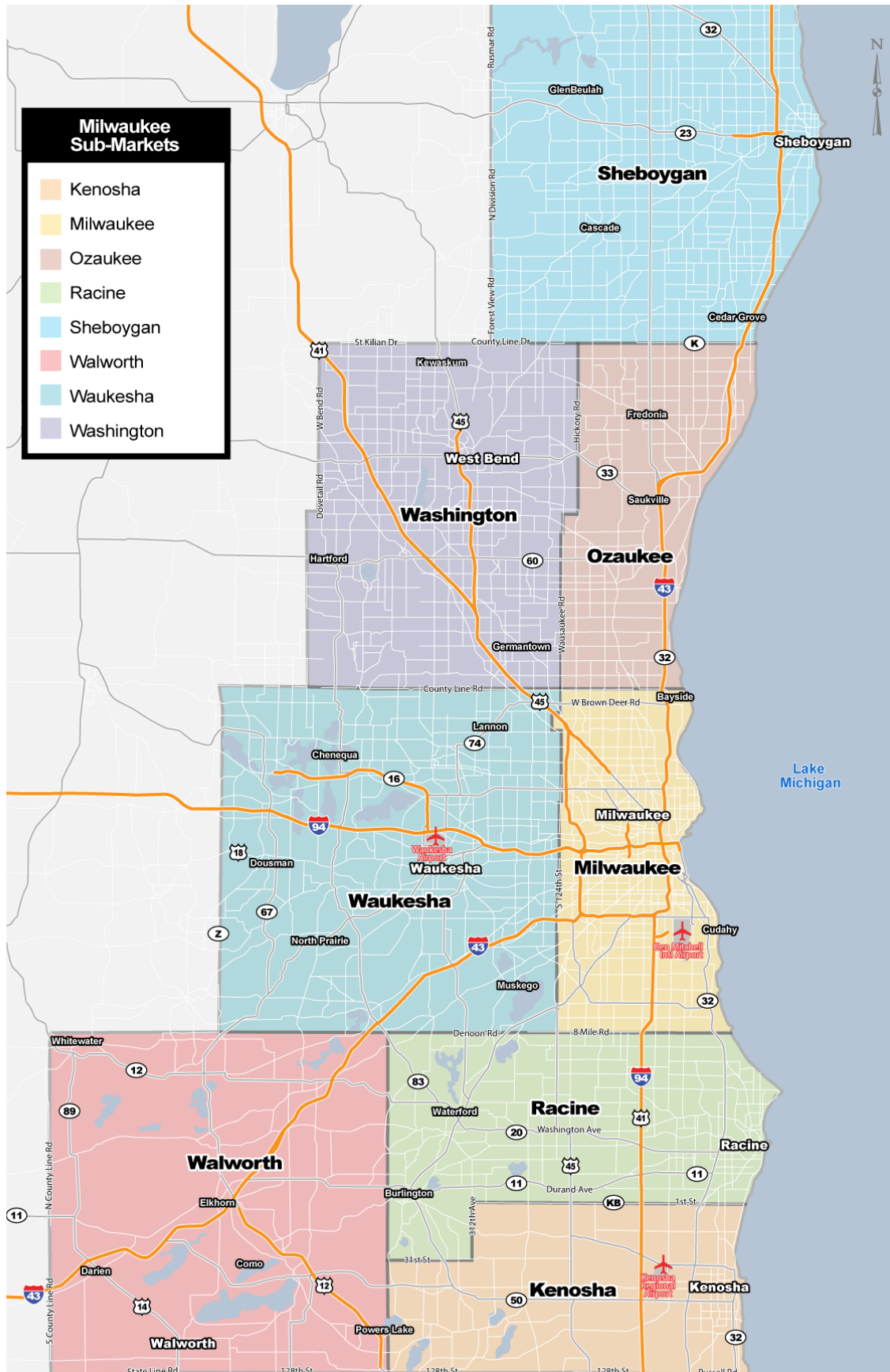
3rd Quarter 2016

Xceligent is a leading provider of verified commercial real estate information which assists real estate professionals, appraisers, owners, investors and developers that make strategic decisions to lease, sell, buy and develop commercial properties.

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The Milwaukee tracked set consists of an inventory of buildings considered to be competitive within the brokerage community. All buildings within the competitive tracked set have been reviewed and verified by members of the Advisory Boards for each market area.

Inventory	The total square feet of all existing multi tenant office buildings greater than 20,000 sf, excluding medical, government and owner occupied buildings.
Class A	Most prestigious buildings competing for premier office users with rents above the market average. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.
Class B	Buildings competing for a wide range of office users with average market rents. Building finishes are fair to good for the area and systems are adequate, but the property does not compete with Class A product.
Class C	Buildings competing for office users requiring functional office space at rents below the market average for the area.
Total Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
Weighted Average Direct Lease Rate	The weighted average of all direct asking lease rates expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rates (such as NNN) have been grossed up to reflect a full service/gross rate.



Overview

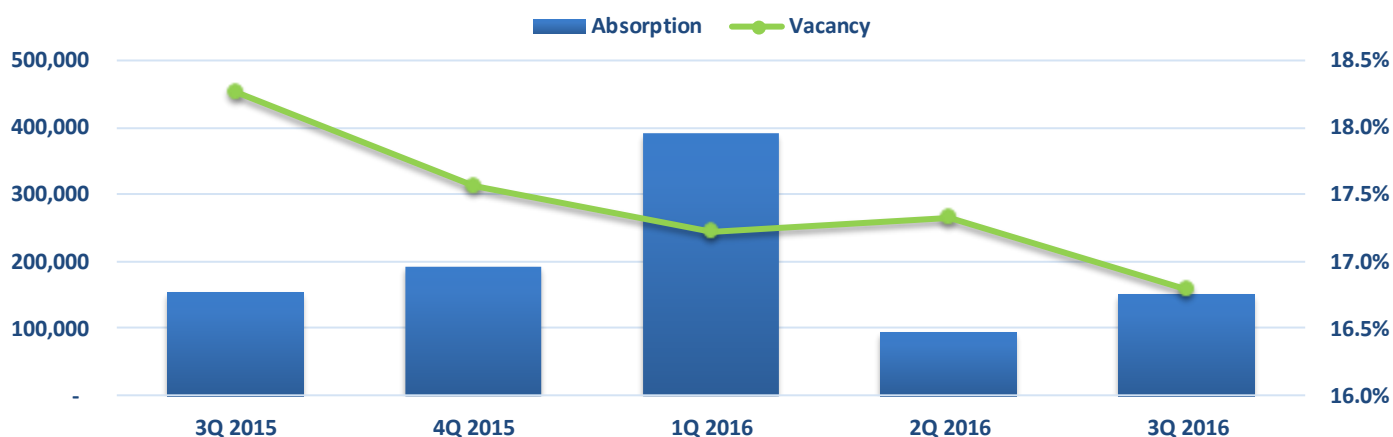
- During 3Q 2016, the Milwaukee office market experienced 150,722 square feet (sf) of positive net absorption, bringing the total year-to-date net absorption to 626,945 sf. The overall vacancy rate for the market decreased 40 basis points to 16.8% as increases in occupancy outpaced newly introduced vacant space.
- The weighted average asking direct rental rate for the market rose \$0.38 per sf from last quarter to \$20.14 FSG as the vacancy rate continues to drop, pushing asking rents higher.
- The downtown office market experienced just over half of the positive net absorption gained this quarter, with the majority taking place in the Downtown East submarket with 54,061 sf.
- Though Class A office properties are outperforming Class B properties in terms of overall occupancy, Class B (121,675 sf) posted more quarterly net absorption than Class A (29,068 sf). Of the top five positive net gains for the quarter, three were from Class B properties including Schlitz RiverCenter in the Downtown West submarket.
- The Laacke & Joys redevelopment at 1421 N Water Street in downtown Milwaukee is currently under way and will deliver 110,000 sf of Class A space in 2Q 2017 and will be anchored by Bader Rutter, a local marketing firm.

	# of Bldgs	Inventory (sf)	Total Available (sf)	Total Vacant (sf)	Total Vacancy Rate (%)	Quarterly Net Absorption (sf)	YTD Net Absorption (sf)
A	131	12,670,964	2,240,865	1,830,264	14.4%	29,068	449,413
B	255	14,407,952	3,428,321	2,805,291	19.5%	121,675	165,965
C	23	1,127,184	161,261	100,065	8.9%	-21	11,567
Overall	409	28,206,100	5,830,447	4,735,620	16.8%	150,722	626,945

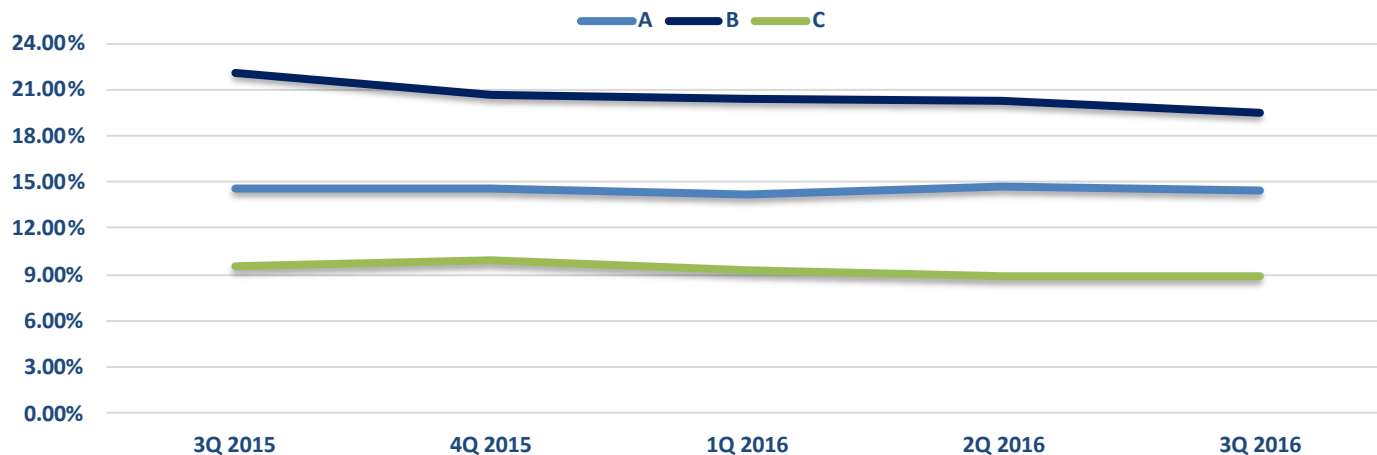
	# of Bldgs	Inventory (sf)	Direct Available (sf)	Direct Vacant (sf)	Direct Vacancy Rate (%)	Direct Quarterly Absorption (sf)	YTD Direct Net Absorption (sf)
A	131	12,670,964	2,160,814	1,807,145	14.3%	22,153	444,357
B	255	14,407,952	3,240,250	2,606,408	18.1%	128,914	185,777
C	23	1,127,184	151,049	89,853	8.0%	-21	9,067
Overall	409	28,206,100	5,552,113	4,503,406	16.0%	151,046	639,201

	# of Bldgs	Inventory (sf)	Sublease Available (sf)	Sublease Vacant (sf)	Sublease Vacancy Rate (%)	Sublease Quarterly Absorption (sf)	YTD Sublease Net Absorption (sf)
A	131	12,670,964	80,051	23,119	0.2%	6,915	5,056
B	255	14,407,952	188,071	188,071	1.3%	-7,239	-19,812
C	23	1,127,184	10,212	10,212	0.9%	-	2,500
Overall	409	28,206,100	278,334	221,402	0.8%	-324	-12,256

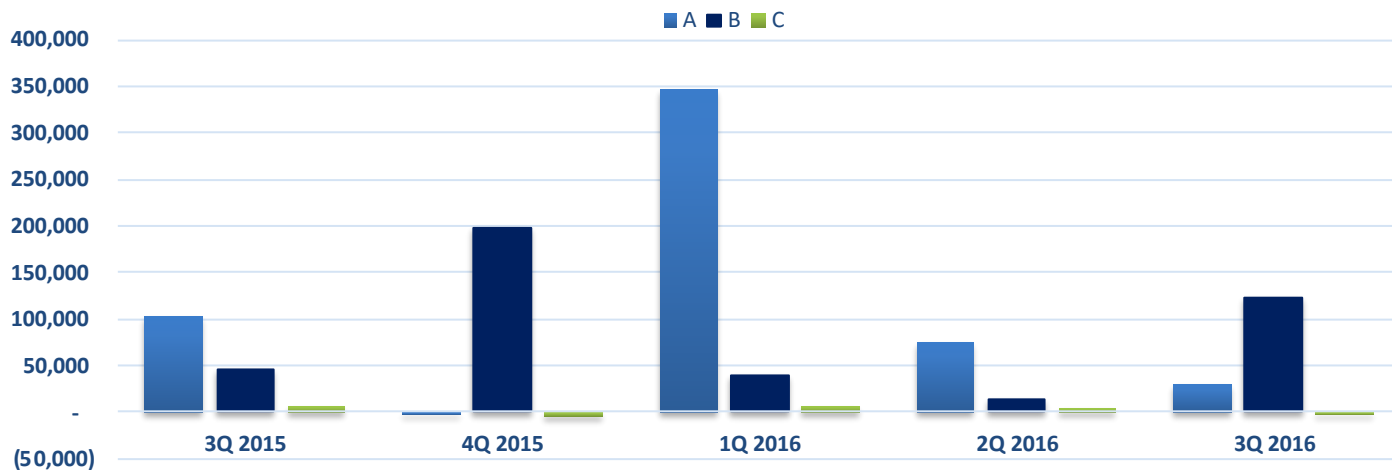
Historical Vacancy Rate & Net Absorption



Historical Vacancy Rates by Class



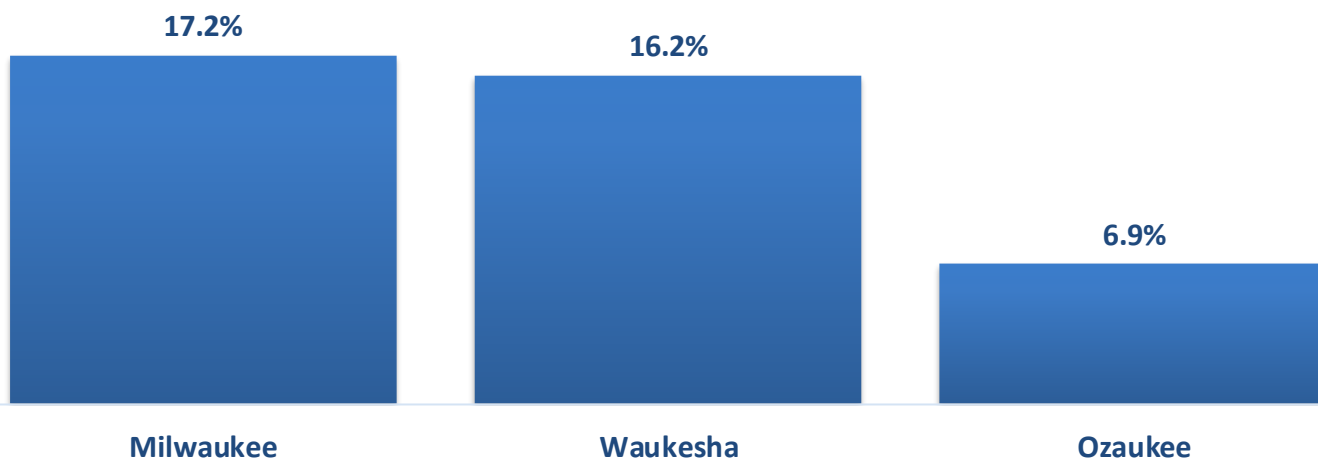
Historical Net Absorption by Class



	# of Bldgs	Inventory (sf)	Total Vacant (sf)	Sublease Vacant (sf)	Total Vacancy Rate (%)	Total Qtrly Net Absorption (sf)	YTD Total Net Absorption (sf)
Northwest	20	1,793,768	370,818	160,035	20.7%	-1,432	125,030
A	10	1,064,984	137,954	6,967	13.0%	-1,432	85,010
B	9	695,341	219,078	153,068	31.5%	-	40,020
C	1	33,443	13,786	-	41.2%	-	-
Downtown West	21	2,964,015	497,688	-	16.8%	30,953	15,401
A	4	925,257	293,064	-	31.7%	-	1,412
B	17	2,038,758	204,624	-	10.0%	30,953	13,989
Brookfield	89	4,118,389	674,206	18,000	16.4%	31,565	84,719
A	34	1,978,730	218,116	-	11.0%	4,301	77,006
B	50	1,997,873	445,307	18,000	22.3%	24,594	-2,134
C	5	141,786	10,783	-	7.6%	2,670	9,847
West Allis	18	1,946,776	106,667	-	5.5%	6,334	25,346
B	16	1,858,877	106,667	-	5.7%	6,334	25,346
C	2	87,899	-	-	0.0%	-	-
Downtown East	46	7,009,096	1,092,037	16,712	15.6%	54,061	222,239
A	11	4,628,610	540,333	-	11.7%	53,831	203,356
B	30	2,159,826	544,192	13,000	25.2%	2,180	17,683
C	5	220,660	7,512	3,712	3.4%	-1,950	1,200
Waukesha/Pewaukee	48	2,386,111	383,268	-	16.1%	-7,438	-53,714
A	24	1,369,458	186,065	-	13.6%	-5,720	-22,443
B	23	984,653	188,675	-	19.2%	-1,718	-31,271
C	1	32,000	8,528	-	26.7%	-	-
Mayfair/Wauwatosa	43	2,755,417	697,026	20,155	25.3%	-295	130,945
A	15	1,428,876	333,969	16,152	23.4%	-29,734	79,322
B	25	1,244,886	345,513	4,003	27.8%	30,180	52,364
C	3	81,655	17,544	-	21.5%	-741	-741
Third Ward/Walker's Point	28	1,939,866	296,651	6,500	15.3%	3,412	37,933
A	3	264,664	46,399	-	17.5%	1,032	4,013
B	21	1,377,527	208,340	-	15.1%	2,380	34,448
C	4	297,675	41,912	6,500	14.1%	-	-528
North Shore	39	1,975,859	374,221	-	18.9%	13,529	27,732
A	6	464,778	32,515	-	7.0%	-	9,452
B	31	1,279,015	341,706	-	26.7%	13,529	16,491
C	2	232,066	-	-	0.0%	-	1,789
Southeast	43	840,521	164,602	-	19.6%	14,962	14,817
A	17	359,896	13,171	-	3.7%	3,219	5,310
B	26	480,625	151,431	-	31.5%	11,743	9,507
Southwest	12	354,606	59,552	-	16.8%	5,071	8,475
A	7	185,711	28,678	-	15.4%	3,571	6,975
B	5	168,895	30,874	-	18.3%	1,500	1,500
New Berlin/Muskego	2	121,676	18,884	-	15.5%	-	-11,978
B	2	121,676	18,884	-	15.5%	-	-11,978
Overall	409	28,206,100	4,735,620	221,402	16.8%	150,722	626,945

	Vacancy Rate %					Weighted Asking Rate (FSG)				
	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016
Milwaukee	18.9%	18.1%	17.3%	17.8%	17.2%	\$20.01	\$20.16	\$19.88	\$20.16	\$20.57
Northwest	36.6%	27.6%	22.8%	20.6%	20.7%	\$19.83	\$20.15	\$19.66	\$20.07	\$20.09
A	21.7%	20.9%	12.8%	12.8%	13.0%	\$21.60	\$21.59	\$21.43	\$21.57	\$21.57
B	59.3%	37.3%	37.3%	31.5%	31.5%	\$17.15	\$18.41	\$18.41	\$18.74	\$18.80
C	41.2%	41.2%	41.2%	41.2%	41.2%	\$12.00	\$11.00	\$11.00	\$11.00	\$11.00
Downtown West	17.9%	17.3%	15.2%	17.8%	16.8%	\$16.79	\$16.79	\$13.93	\$13.93	\$13.93
A	31.9%	31.8%	32.0%	31.7%	31.7%	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
B	11.6%	10.7%	7.6%	11.6%	10.0%	\$17.41	\$17.41	\$13.13	\$13.13	\$13.13
C	-	-	-	-	-	-	-	-	-	-
West Allis	7.1%	6.8%	5.9%	5.8%	5.5%	\$17.84	\$17.46	\$17.42	\$17.39	\$17.38
A	-	-	-	-	-	-	-	-	-	-
B	7.5%	7.1%	6.1%	6.1%	5.7%	\$17.84	\$17.46	\$17.42	\$17.39	\$17.38
C	-	-	-	-	-	-	-	-	-	-
Downtown East	13.8%	14.4%	15.0%	16.4%	15.6%	\$24.42	\$24.84	\$25.44	\$25.31	\$25.91
A	8.0%	9.0%	10.7%	12.8%	11.7%	\$25.75	\$25.71	\$26.74	\$26.76	\$27.28
B	26.2%	26.0%	25.4%	25.3%	25.2%	\$21.19	\$22.71	\$22.59	\$22.32	\$22.28
C	3.3%	3.9%	3.9%	2.5%	3.4%	-	-	-	-	-
Mayfair/Wauwatosa	28.0%	26.1%	25.5%	25.3%	25.3%	\$18.69	\$18.88	\$18.75	\$18.71	\$18.35
A	22.5%	20.7%	20.1%	21.3%	23.4%	\$25.00	\$24.42	\$24.41	\$24.78	\$23.76
B	34.2%	32.0%	31.4%	30.2%	27.8%	\$16.43	\$16.60	\$16.40	\$16.41	\$16.46
C	18.6%	20.6%	20.6%	20.6%	21.5%	\$15.35	\$15.35	\$15.35	\$15.35	\$13.71
Third Ward/Walker's Point	17.1%	17.2%	16.7%	15.5%	15.3%	\$18.92	\$19.57	\$19.51	\$19.92	\$20.43
A	18.2%	19.0%	21.4%	17.9%	17.5%	\$18.65	\$18.72	\$19.18	\$19.93	\$22.05
B	18.1%	17.6%	16.4%	15.3%	15.1%	\$19.65	\$20.28	\$19.93	\$20.00	\$19.80
C	11.7%	13.9%	13.9%	14.1%	14.1%	\$16.09	\$16.09	\$16.09	\$14.00	\$14.00
North Shore	19.1%	20.3%	20.1%	19.6%	18.9%	\$15.59	\$15.55	\$15.40	\$15.78	\$15.74
A	9.0%	9.0%	8.2%	7.0%	7.0%	\$20.59	\$20.59	\$20.83	\$20.74	\$20.74
B	26.2%	28.0%	28.1%	27.8%	26.7%	\$15.05	\$15.04	\$15.03	\$15.40	\$15.35
C	-	0.8%	-	-	-	-	\$16.00	-	-	-
Southeast	47.3%	47.8%	47.5%	48.4%	46.9%	\$15.10	\$15.10	\$15.10	\$15.42	\$15.33
A	-	-	-	-	-	-	-	-	-	-
B	47.3%	47.8%	47.5%	48.4%	46.9%	\$15.10	\$15.10	\$15.10	\$15.42	\$15.33
C	-	-	-	-	-	-	-	-	-	-
Southwest	20.3%	19.2%	19.2%	18.2%	16.8%	\$19.02	\$18.51	\$18.51	\$18.49	\$17.14
A	21.4%	19.2%	19.2%	17.4%	15.4%	\$18.75	\$18.75	\$18.75	\$18.75	\$17.14
B	19.2%	19.2%	19.2%	19.2%	18.3%	\$21.81	\$16.00	\$16.00	\$16.00	-
C	-	-	-	-	-	-	-	-	-	-
Waukesha	16.8%	16.7%	17.6%	16.6%	16.2%	\$18.60	\$18.87	\$19.09	\$19.27	\$19.50
Brookfield	18.2%	18.4%	18.3%	17.1%	16.4%	\$18.30	\$18.71	\$19.21	\$19.44	\$19.75
A	14.0%	14.9%	13.4%	11.2%	11.0%	\$20.13	\$20.63	\$21.25	\$21.38	\$21.64
B	22.3%	22.2%	23.7%	23.5%	22.3%	\$17.11	\$17.16	\$17.34	\$17.47	\$17.37
C	19.1%	14.6%	11.1%	9.5%	7.6%	\$17.25	\$14.99	\$11.32	-	-
Waukesha/Pewaukee	14.9%	14.2%	16.6%	15.8%	16.1%	\$19.23	\$19.26	\$18.89	\$19.00	\$19.17
A	13.1%	11.9%	13.7%	13.2%	13.6%	\$22.85	\$22.79	\$22.39	\$22.41	\$22.20
B	17.1%	16.9%	20.2%	19.0%	19.2%	\$16.17	\$16.15	\$16.00	\$16.04	\$16.08
C	26.7%	26.7%	26.7%	26.7%	26.7%	\$18.50	\$18.50	\$18.50	\$18.50	\$18.50
New Berlin/Muskego	5.7%	5.7%	15.5%	15.5%	15.5%	\$18.07	\$18.35	\$18.35	\$18.35	\$18.35
A	-	-	-	-	-	-	-	-	-	-
B	5.7%	5.7%	15.5%	15.5%	15.5%	\$18.07	\$18.35	\$18.35	\$18.35	\$18.35
C	-	-	-	-	-	-	-	-	-	-
Ozaukee	11.5%	9.1%	9.3%	8.9%	6.9%	\$13.98	\$14.40	\$14.73	\$14.28	\$14.47
Southeast	11.5%	9.1%	9.3%	8.9%	6.9%	\$13.98	\$14.40	\$14.73	\$14.28	\$14.47
A	8.2%	5.1%	4.6%	4.6%	3.7%	\$15.19	\$16.01	\$16.04	\$16.04	\$15.97
B	17.1%	15.8%	17.4%	16.1%	12.4%	\$11.72	\$11.78	\$12.55	\$12.40	\$12.51
C	-	-	-	-	-	-	-	-	-	-
Overall	18.3%	17.6%	17.2%	17.3%	16.8%	\$19.44	\$19.64	\$19.53	\$19.76	\$20.14

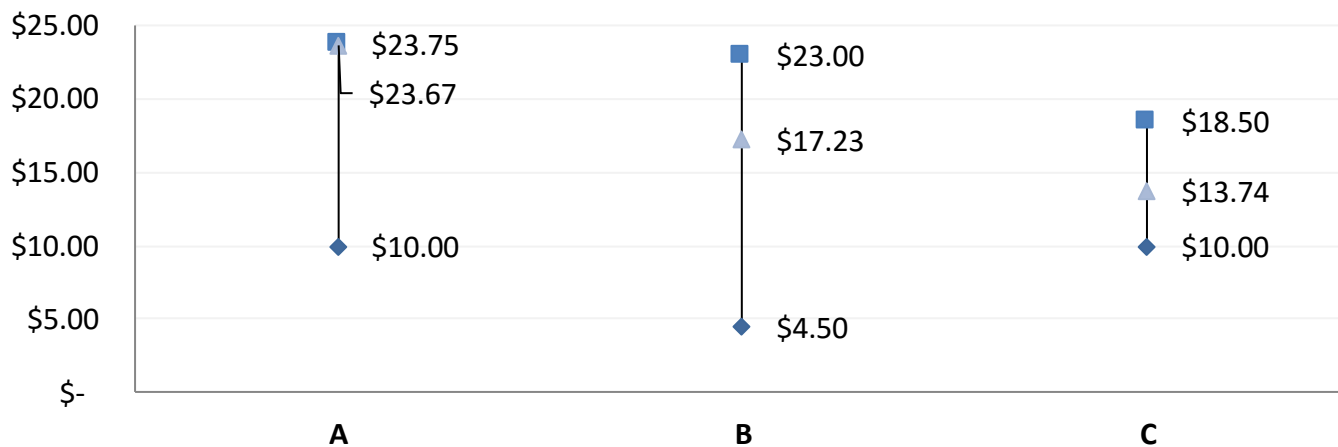
Vacancy Rate by Market

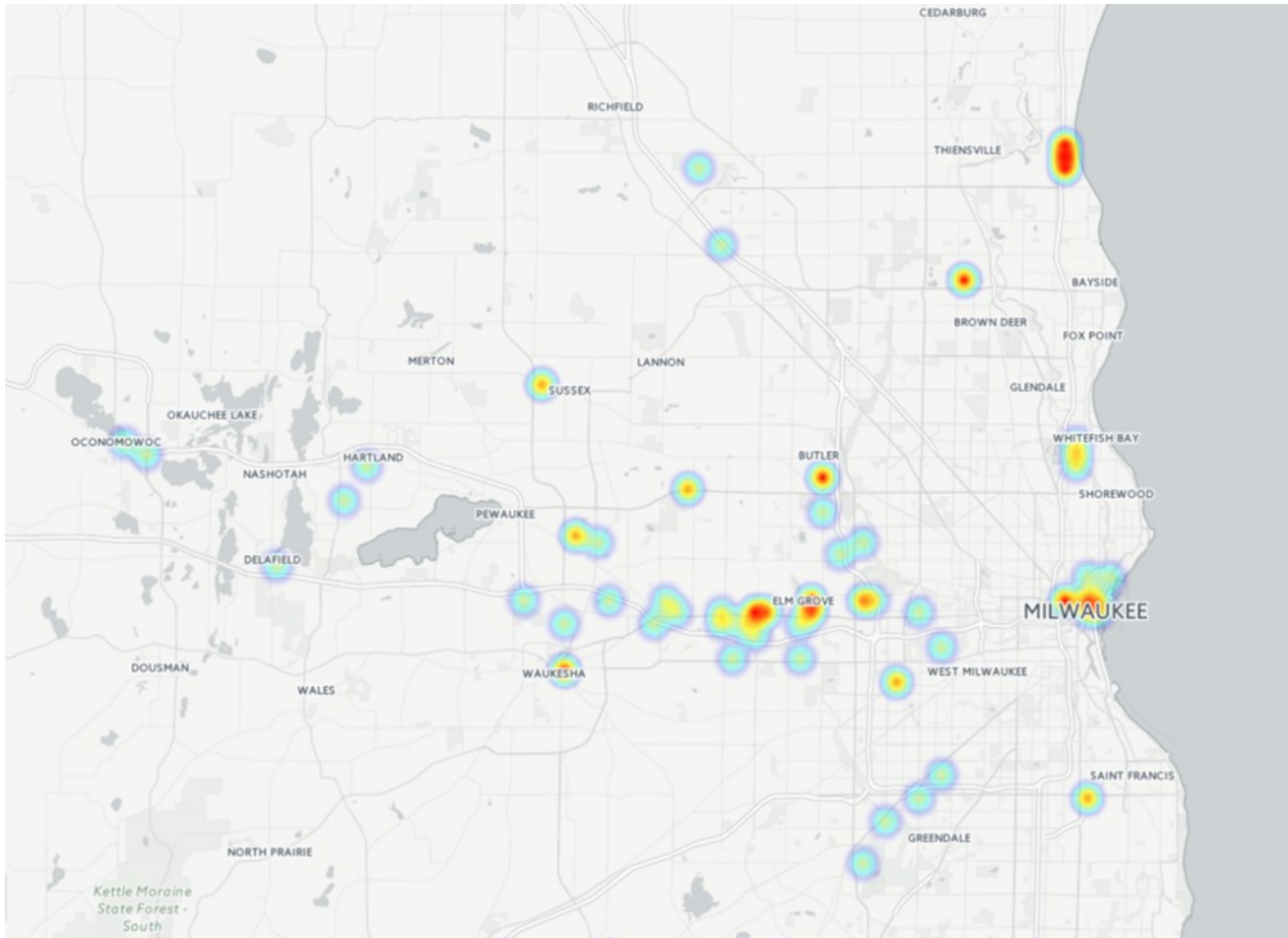


Weighted Average Asking Rents by Market (FSG)



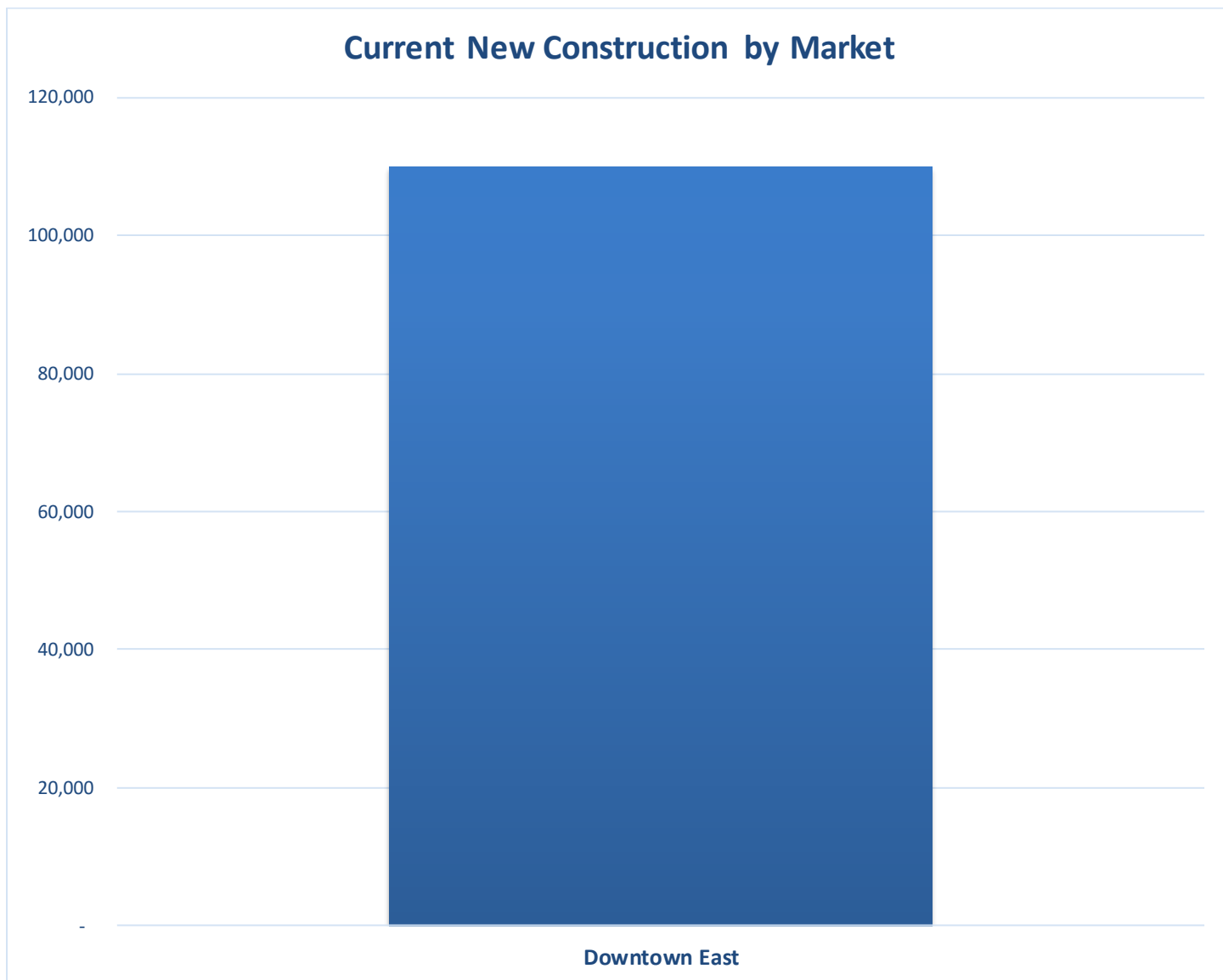
Asking Rent Range by Class (FSG)





Largest Absorption Changes				
Property Name	Occupied or Vacated (sf)	Tenant Name	Market	Building Class
440 S Executive Dr	45,323	AT&T	Waukesha	B
833 East	29,162	PricewaterhouseCooper, Employee Benefits Network, Other Confidential Tenants	Milwaukee	A
Monterey Park Bldg F	22,000	Confidential Tenant	Milwaukee	B
Milwaukee Center	19,427	Confidential Tenant	Milwaukee	A
330 E Kilbourn Ave	18,281	Monster Worldwide, Celera Systems	Milwaukee	A
245 S Executive Dr	-2,791	CliftonLarsonAllen, LLP, JLL , Arthur Gallagher Risk Management	Waukesha	A
Empire Building	-4,151	Flipseleven Creative	Milwaukee	B
Riverwood Corporate Center	-7,818	Medco	Waukesha	A
Mayfair Woods Business & Technology Center	-29,734	Zywave , The Ability Center	Milwaukee	A
555 S Executive Dr	-40,281	Allstate	Waukesha	B

Top Transactions						
Property Name	Sale Price	Sold (sf)	Buyer	Seller	Market	Building Class
100 E Wisconsin Ave	\$78,000,000	427,557	Hertz Investment Group	Equity Commonwealth	Milwaukee	A
6744 S Howell Ave	\$16,850,000	120,883	WP Carey	Caterpillar Inc.	Milwaukee	A
615 E Michigan St	\$11,000,000	110,636	Milo Investments, LLC	Oak Street Real Estate Capital, LLC	Milwaukee	B
700 N Water St	\$4,600,000	153,200	Drury Southwest Inc.	Bachan Singh	Milwaukee	B
210 W Capitol Dr	\$4,100,000	41,000	Outreach Community Health Centers Inc.	Verkardin Investments	Milwaukee	C



Milwaukee Metro - Office Advisory Board	
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CBRE	Jim Cavanaugh
	John Mazza
Colliers	Lyle Landowski
	Dan Wroblewski
JLL	David Pudlosky
	Michael Streit
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	Jack Jacobson
RFP Commercial	Ned Purtell
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JLL	Kyle Koeller
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