

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate for the Milwaukee metropolitan statistical area (MSA) decreased 90 basis points from 4.7% in August 2016 to 3.8% in August 2017. Unemployment rate for the US was reported at 4.4% in August 2017, up from 3.4% for the state of Wisconsin. While the Milwaukee MSA saw minimal job growth over the past year, the market lost approximately 1,800 office using jobs (information, professional and business services and financial activities) during the same period.

Market Overview

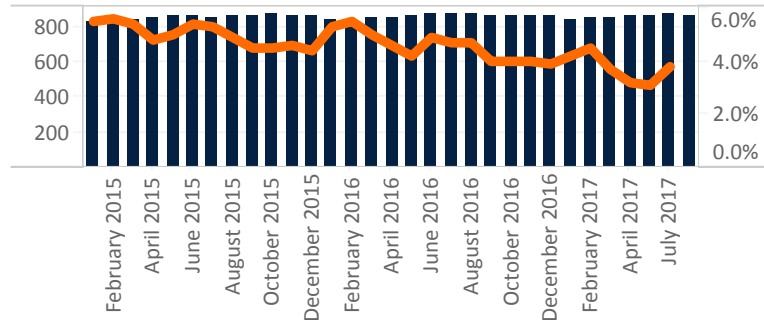
The Milwaukee office market recorded -77,961 square feet (sf) of absorption during 3Q 2017, down from 129,588 sf recorded during 3Q 2016. The total vacancy rate has increased from 16.5% to 16.8% from last quarter. Direct vacancy rates increased 40 basis points to 16.5% from 3Q 2016 to present. Weighted average rent growth continued to improve during 3Q 2017 especially in Class A properties in Milwaukee – Downtown East and Mayfair. Weighted average asking rents in all classes increased 5.6% recording \$21.04 per square foot (psf) FSG at the close of 3Q 2017 compared to 3Q 2016. Class A weighted average rents improved 3.6% year-over-year, recording \$24.50 psf at the close of 3Q 2017. Class B rents increased 7.8% year-over-year, recording \$18.10 psf as of 3Q 2017.

Market Highlights

The Milwaukee office market saw an uptick in total vacancy, due primarily to Johnson Controls vacating 120,000 sf at the Lydell Corporate Center in Glendale. Outside of that, the market saw steady leasing activity, with more than half of the lease transactions ranging from 2,000 sf up to 5,000 sf. Despite an increase in overall vacancy, the metro remains optimistic with two construction projects currently under way in the CBD, and one expected to break ground early next year. Projected office developments could add over 500,000 sf over the next few years to a continually evolving office market.

Milwaukee Employment

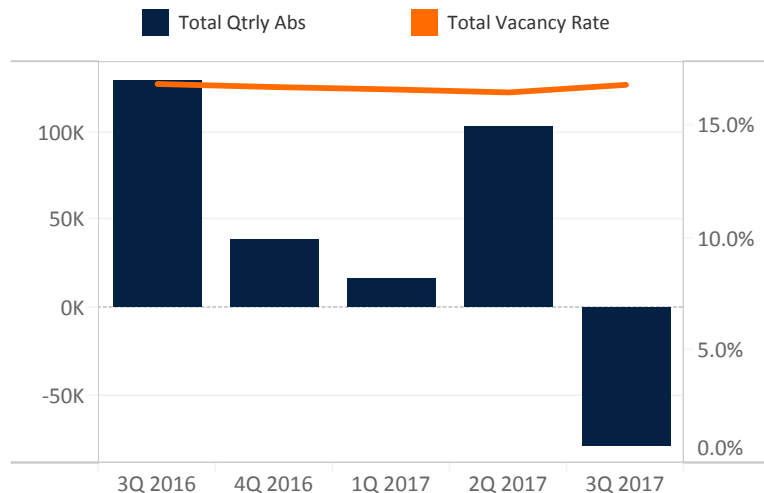
Source: BLS



Market Recap

Inventory (sf)	28,207,625
# of Bldgs	406
Qrtly Abs (sf)	-77,961
Total Avail Rate	21.5%
Total Vacancy Rate	16.8%
U/C Inventory (sf)	173,500
Delivered (sf)	0
Weighted Average Asking Rate (FSG)	\$21.04

Absorption and Vacancy Rate



Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
A	12,750,405	2,450,748	1,927,349	15.1%	-677	105,759
B	14,330,036	3,453,851	2,726,496	19.0%	-86,181	-61,070
C	1,127,184	161,361	97,253	8.6%	8,897	-3,529
Overall	28,207,625	6,065,960	4,751,098	16.8%	-77,961	41,160

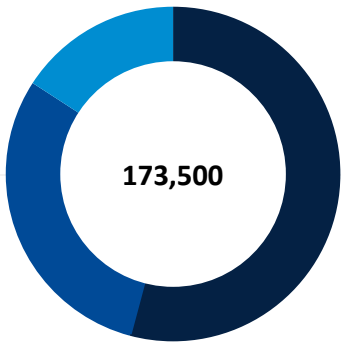
Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Total	Qrtly Abs (sf)	YTD Net Abs (sf)
MKE-3rd Ward	A	264,664	53,861	44,129	16.7%	7,312	3,552
	B	1,432,647	304,980	245,501	17.1%	21,792	9,818
	C	297,675	47,064	41,344	13.9%	0	-4,826
	Subtotal	1,994,986	405,905	330,974	16.6%	29,104	8,544
MKE-DT East	A	4,729,357	838,573	641,620	13.6%	-20,240	58,111
	B	2,050,829	579,572	488,751	23.8%	-25,174	-12,837
	C	220,660	46,301	15,402	7.0%	4,997	-1,393
	Subtotal	7,000,846	1,464,446	1,145,773	16.4%	-40,417	43,881
MKE-DT West	A	905,257	298,467	293,064	32.4%	0	0
	B	2,150,708	284,199	173,224	8.1%	8,492	31,970
	Subtotal	3,055,965	582,666	466,288	15.3%	8,492	31,970
MKE-Mayfair	A	1,426,296	265,039	228,540	16.0%	3,646	72,980
	B	1,256,857	393,627	314,822	25.0%	-5,883	30,344
	C	81,655	27,367	27,367	33.5%	0	702
	Subtotal	2,764,808	686,033	570,729	20.6%	-2,237	104,026
MKE-North Shore	A	450,732	36,957	28,393	6.3%	0	4,122
	B	1,246,565	464,981	424,293	34.0%	-109,313	-129,589
	C	8,857	0	0	0.0%	0	0
	Subtotal	1,706,154	501,938	452,686	26.5%	-109,313	-125,467
MKE-Northwest	A	1,064,984	268,502	179,914	16.9%	-7,097	-19,675
	B	622,254	301,819	242,026	38.9%	0	-31,689
	C	33,443	0	0	0.0%	0	0
	Subtotal	1,720,681	570,321	421,940	24.5%	-7,097	-51,364
MKE-Southeast	B	218,916	67,251	62,038	28.3%	8,059	17,738
	Subtotal	218,916	67,251	62,038	28.3%	8,059	17,738
MKE-Southwest	A	185,711	40,062	27,602	14.9%	0	-694
	B	103,174	34,354	31,119	30.2%	-245	-245
	Subtotal	288,885	74,416	58,721	20.3%	-245	-939
MKE-W. Allis	B	1,862,548	265,654	136,768	7.3%	1,121	-34,266
	C	87,899	0	0	0.0%	0	0
	Subtotal	1,950,447	265,654	136,768	7.0%	1,121	-34,266
MKE-West	B	65,721	0	0	0.0%	0	0
	C	223,209	0	0	0.0%	0	0
	Subtotal	288,930	0	0	0.0%	0	0
Ozaukee	A	359,896	28,116	13,585	3.8%	3,551	1,616
	Subtotal	574,611	55,881	38,049	6.6%	4,453	1,275
Overall		28,207,625	6,065,960	4,751,098	16.8%	-77,961	41,160

Overview by Market (Total) Cont'd

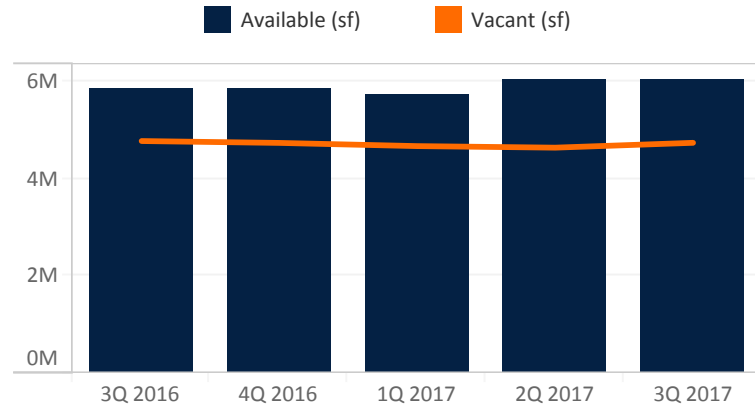
Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Ozaukee	B	214,715	27,765	24,464	11.4%	902	-341
	Subtotal	574,611	55,881	38,049	6.6%	4,453	1,275
WAK-Brookfield	A	1,992,593	388,473	271,163	13.6%	12,151	-23,758
	B	1,974,459	470,248	399,576	20.2%	8,365	25,808
	C	141,786	30,189	2,700	1.9%	3,900	3,900
	Subtotal	4,108,838	888,910	673,439	16.4%	24,416	5,950
WAK-N.B./ Musk	B	121,676	18,884	18,884	15.5%	0	0
	Subtotal	121,676	18,884	18,884	15.5%	0	0
WAK-North	B	23,414	0	0	0.0%	0	0
	Subtotal	23,414	0	0	0.0%	0	0
WAK-Pewaukee	A	1,370,915	232,698	199,339	14.5%	0	9,505
	B	963,280	240,517	165,030	17.1%	5,703	32,219
	Subtotal	2,334,195	473,215	364,369	15.6%	5,703	41,724
WAK-West	B	22,273	0	0	0.0%	0	0
	C	32,000	10,440	10,440	32.6%	0	-1,912
	Subtotal	54,273	10,440	10,440	19.2%	0	-1,912
Overall		28,207,625	6,065,960	4,751,098	16.8%	-77,961	41,160

Construction by Market

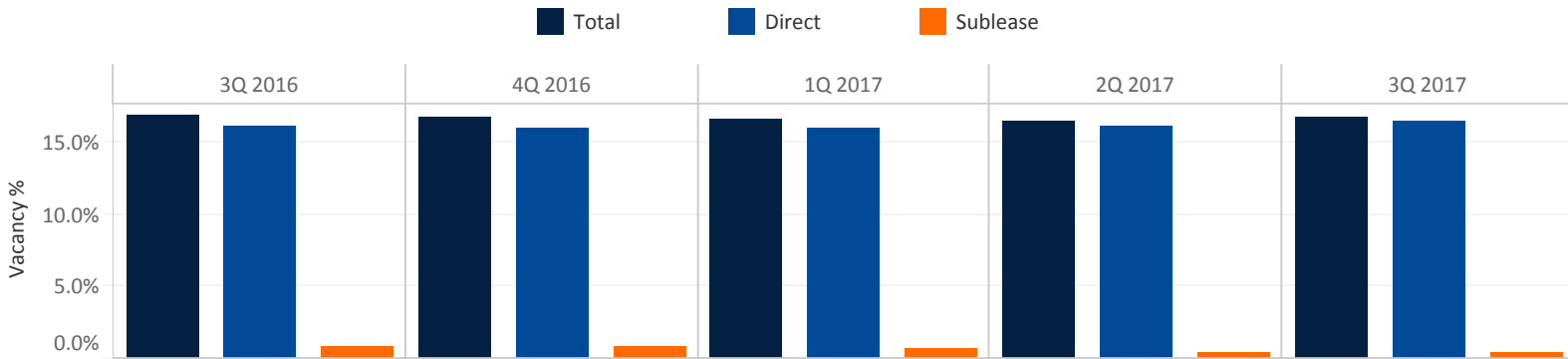


- MKE-DT East
- MKE-DT West
- MKE-3rd Ward

Total Available and Vacant



Vacancy Rate



Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	12,750,405	2,355,129	1,901,343	14.9%	-677	110,420
B	14,330,036	3,307,512	2,652,659	18.5%	-86,181	-175,304
C	1,127,184	157,649	93,541	8.3%	8,897	-10,029
Overall	28,207,625	5,820,290	4,647,543	16.5%	-77,961	-74,913

Overview by Class (Sublease)

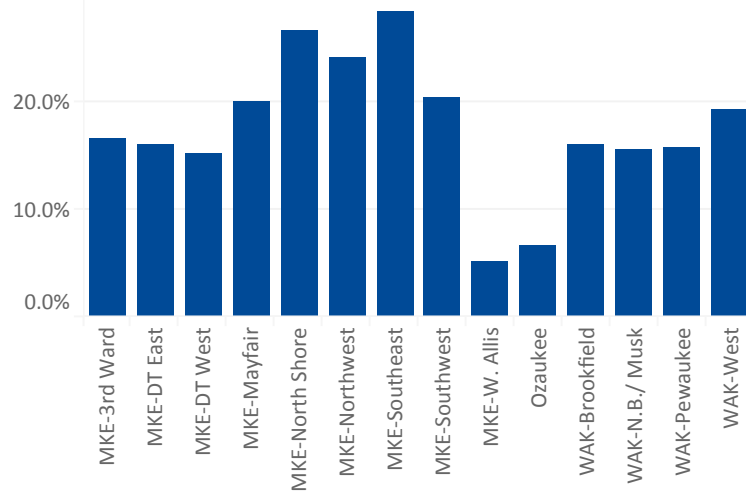
Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	12,750,405	95,619	26,006	0.2%	0	-4,661
B	14,330,036	146,339	73,837	0.5%	0	114,234
C	1,127,184	3,712	3,712	0.3%	0	6,500
Overall	28,207,625	245,670	103,555	0.4%	0	116,073

Direct Vacancy Rates

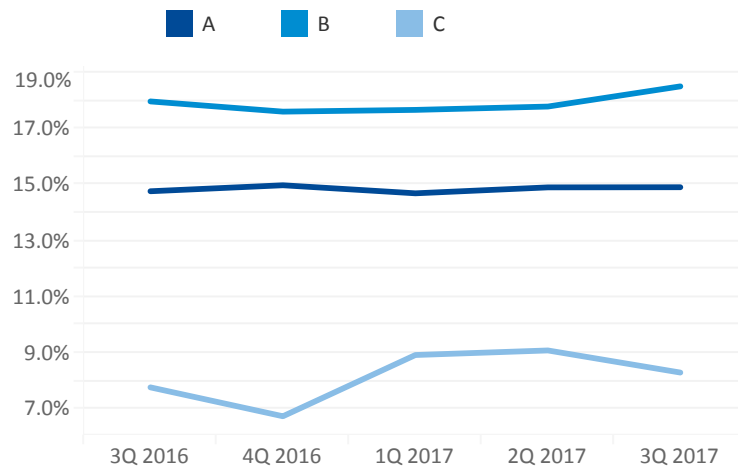
By Market and Class

Market Name	Class	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
MKE-3rd Ward	A	17.5%	18.0%	19.3%	19.4%	16.7%
	B	14.2%	14.9%	17.1%	17.5%	17.1%
	C	10.5%	10.1%	13.9%	13.9%	13.9%
	Subtotal	14.1%	14.6%	16.9%	17.2%	16.6%
MKE-DT East	A	12.1%	12.7%	12.5%	13.1%	13.5%
	B	25.3%	24.7%	22.2%	22.0%	23.2%
	C	1.7%	4.7%	7.6%	7.6%	5.3%
	Subtotal	15.8%	16.1%	15.2%	15.5%	16.1%
MKE-DT West	A	32.4%	32.4%	32.4%	32.4%	32.4%
	B	10.0%	10.1%	9.2%	8.3%	7.9%
	C	0.0%	0.0%			
	Subtotal	16.3%	16.3%	16.1%	15.4%	15.1%
MKE-Mayfair	A	22.1%	20.0%	14.9%	15.1%	14.9%
	B	27.4%	27.1%	25.4%	24.3%	24.7%
	C	34.4%	34.4%	33.6%	33.5%	33.5%
	Subtotal	24.9%	23.7%	20.2%	19.8%	19.9%
MKE-North Shore	A	7.2%	7.2%	6.4%	6.3%	6.3%
	B	24.2%	23.0%	24.5%	25.3%	34.0%
	C	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	19.7%	18.8%	19.7%	20.1%	26.5%
MKE-Northwest	A	14.4%	14.4%	14.7%	15.6%	16.2%
	B	9.5%	8.2%	25.1%	38.9%	38.9%
	C	41.2%	0.0%	0.0%	0.0%	0.0%
	Subtotal	13.0%	11.7%	18.2%	23.7%	24.1%
MKE-Southeast	B	46.9%	46.9%	43.8%	32.0%	28.3%
	Subtotal	46.9%	46.9%	43.8%	32.0%	28.3%
MKE-Southwest	A	15.4%	14.5%	15.5%	14.9%	14.9%
	B	29.9%	29.9%	29.9%	29.9%	30.2%
	Subtotal	20.6%	20.0%	20.6%	20.2%	20.3%
MKE-W. Allis	B	5.7%	5.5%	5.0%	5.5%	5.4%
	C	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	5.5%	5.3%	4.8%	5.3%	5.2%
	Subtotal	0.0%	0.0%	0.0%	0.0%	0.0%
MKE-West	B	0.0%	0.0%	0.0%	0.0%	0.0%
	C	0.0%	0.0%	0.0%	0.0%	0.0%
	Subtotal	0.0%	0.0%	0.0%	0.0%	0.0%
Ozaukee	A	3.7%	4.2%	4.8%	4.8%	3.8%
	B	12.4%	11.2%	13.1%	11.8%	11.4%
	Subtotal	6.9%	6.8%	7.9%	7.4%	6.6%
WAK-Brookfield	A	10.9%	12.4%	13.4%	14.2%	13.6%
	B	21.5%	20.6%	20.0%	19.7%	19.3%
	C	7.6%	4.7%	4.7%	4.7%	1.9%
	Subtotal	15.9%	16.1%	16.3%	16.5%	16.0%
WAK-N.B./ Musk	B	15.5%	15.5%	15.5%	15.5%	15.5%
	Subtotal	15.5%	15.5%	15.5%	15.5%	15.5%
WAK-North	B	9.3%	0.0%	0.0%	0.0%	0.0%
	Subtotal	9.3%	0.0%	0.0%	0.0%	0.0%
WAK-Pewaukee	A	15.1%	15.1%	16.3%	14.5%	14.5%
	B	20.2%	20.5%	18.3%	17.7%	17.1%
	Subtotal	17.2%	17.3%	17.1%	15.9%	15.6%
WAK-West	B	0.0%	0.0%	0.0%	0.0%	0.0%
	C	26.7%	26.7%	26.7%	32.6%	32.6%
	Subtotal	15.7%	15.7%	15.7%	19.2%	19.2%
Overall		16.1%	16.0%	16.0%	16.1%	16.5%

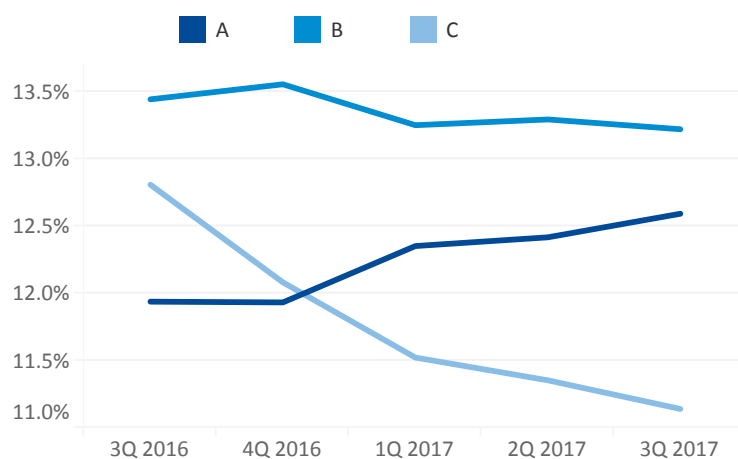
By Market



Milwaukee by Class



National by Class

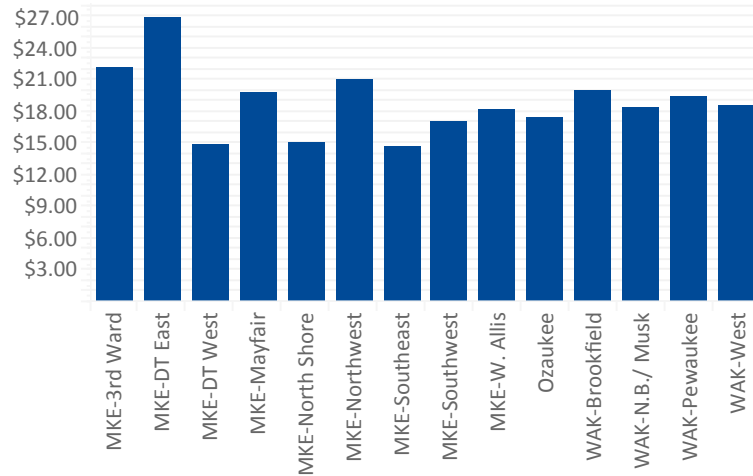


Direct Weighted Average Asking Rates (FSG)

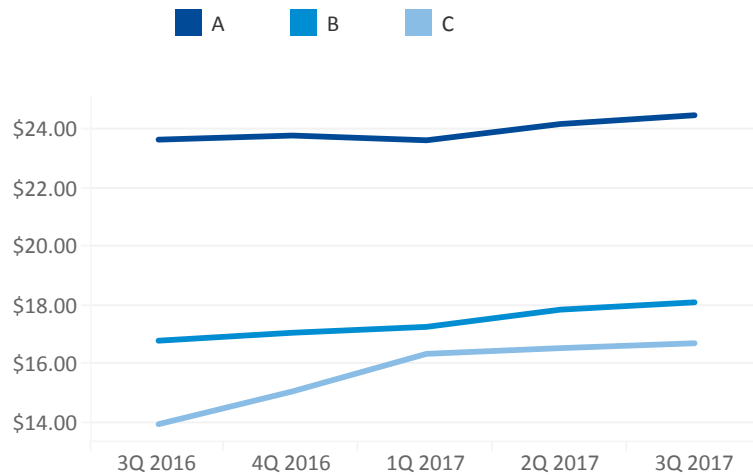
By Market and Class

Market Name	Class	Quarter Year				
		3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
MKE-3rd Ward	A	\$22.05	\$21.78	\$19.25	\$20.25	\$22.32
	B	\$19.65	\$22.11	\$22.23	\$22.12	\$22.12
	C	\$14.00	-	-	-	-
	Subtotal	\$20.32	\$22.04	\$22.00	\$21.90	\$22.17
MKE-DT East	A	\$26.94	\$27.16	\$26.95	\$27.75	\$27.99
	B	\$22.00	\$21.82	\$21.42	\$22.67	\$22.50
	C	-	-	-	-	-
	Subtotal	\$25.61	\$25.81	\$25.51	\$26.62	\$26.77
MKE-DT West	A	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
	B	\$13.78	\$13.67	\$15.03	\$14.86	\$14.84
	C	-	-	-	-	-
	Subtotal	\$14.01	\$13.95	\$15.02	\$14.89	\$14.88
MKE-Mayfair	A	\$24.84	\$24.66	\$24.97	\$25.09	\$25.34
	B	\$16.48	\$17.43	\$17.41	\$17.28	\$17.53
	C	\$13.84	\$13.84	\$15.93	\$16.09	\$16.09
	Subtotal	\$18.53	\$19.33	\$19.46	\$19.55	\$19.75
MKE-North Shore	A	\$20.74	\$20.76	\$21.11	\$21.39	\$21.41
	B	\$14.23	\$14.34	\$14.40	\$14.41	\$14.53
	C	-	-	-	-	-
	Subtotal	\$14.73	\$14.81	\$14.88	\$14.95	\$15.11
MKE-Northwest	A	\$21.33	\$21.33	\$21.70	\$21.62	\$21.62
	B	\$18.80	\$18.85	\$19.05	\$20.58	\$20.58
	C	\$11.00	-	-	-	-
	Subtotal	\$20.06	\$20.71	\$20.63	\$21.04	\$21.04
MKE-Southeast	B	\$15.33	\$15.36	\$14.71	\$14.71	\$14.66
	Subtotal	\$15.33	\$15.36	\$14.71	\$14.71	\$14.66
MKE-Southwest	A	\$17.14	\$17.14	\$15.50	\$16.99	\$17.01
	B	-	\$17.00	\$17.00	\$17.00	\$17.00
	Subtotal	\$17.14	\$17.13	\$15.59	\$16.99	\$17.01
MKE-W. Allis	B	\$17.21	\$17.18	\$17.15	\$17.64	\$18.14
	C	-	-	-	-	-
	Subtotal	\$17.21	\$17.18	\$17.15	\$17.64	\$18.14
MKE-West	B	-	-	-	-	-
	C	-	-	-	-	-
	Subtotal	-	-	-	-	-
Ozaukee	A	\$16.35	\$16.60	\$16.30	\$16.16	\$17.94
	B	\$12.51	\$12.51	\$12.00	\$11.32	\$15.12
	Subtotal	\$14.68	\$14.28	\$15.88	\$14.83	\$17.40
WAK-Brookfield	A	\$21.65	\$21.80	\$21.79	\$21.77	\$21.84
	B	\$17.27	\$17.39	\$17.50	\$17.56	\$17.57
	C	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
	Subtotal	\$19.66	\$19.73	\$19.69	\$19.62	\$19.98
WAK-N.B./ Musk	B	\$18.35	\$18.35	\$18.35	\$18.35	\$18.35
Subtotal	\$18.35	\$18.35	\$18.35	\$18.35	\$18.35	
WAK-North	B	-	-	-	-	-
Subtotal	-	-	-	-	-	
WAK-Pewaukee	A	\$22.32	\$22.41	\$22.26	\$22.25	\$22.28
	B	\$15.02	\$15.49	\$15.43	\$16.66	\$16.68
	Subtotal	\$18.84	\$18.76	\$18.98	\$19.30	\$19.39
WAK-West	B	-	-	-	-	-
	C	\$18.50	\$18.50	\$18.50	\$18.50	\$18.50
	Subtotal	\$18.50	\$18.50	\$18.50	\$18.50	\$18.50
Overall		\$19.92	\$20.12	\$20.08	\$20.62	\$21.04

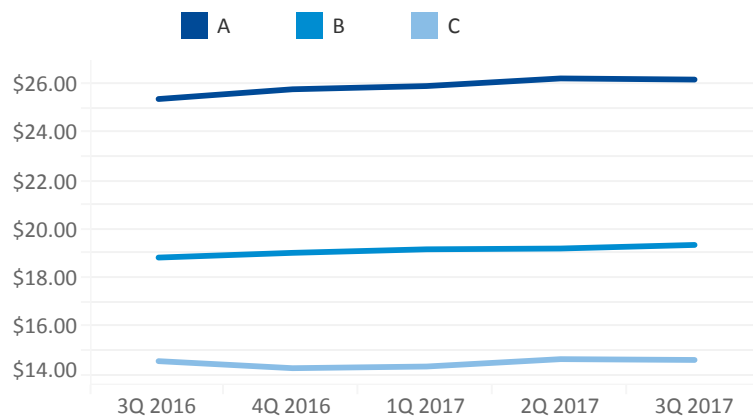
By Market



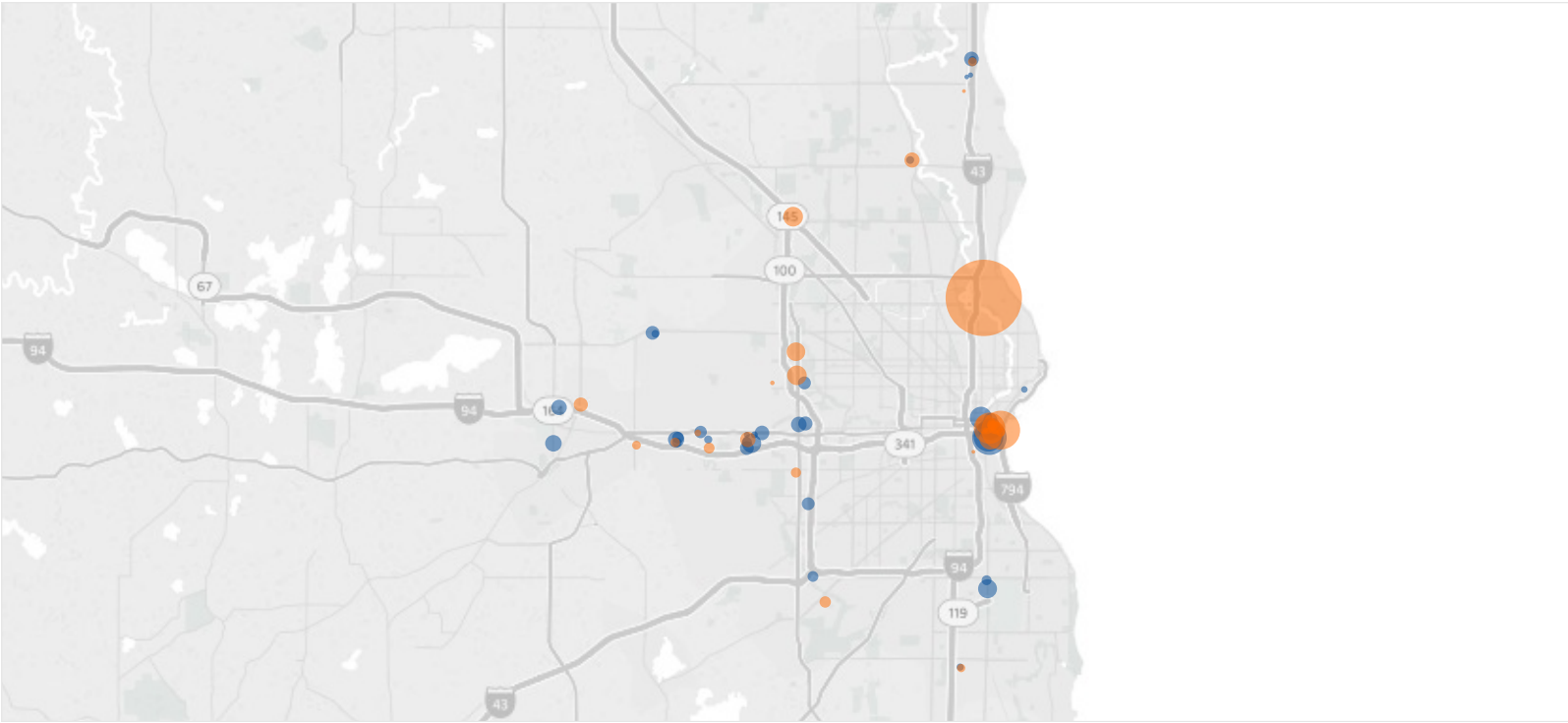
Milwaukee by Class



National by Class



Absorption Map



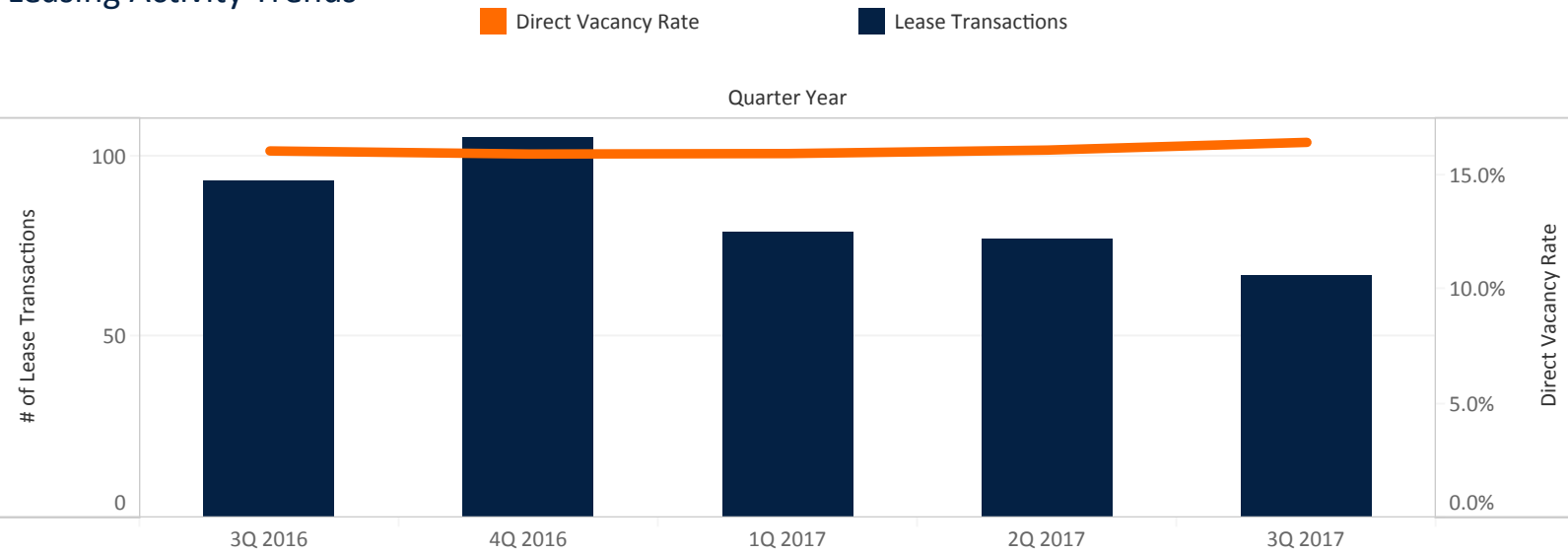
Largest Positive (Total)

Property Name	Significant Transactions	Market Name	Class	
The Mercantile Building	Expansion completed	MKE-3rd Ward	B	21,887
The Renaissance Building	Owner occupied	MKE-3rd Ward	A	16,115
Steinmeyer Building	RocketLawnChair, Undisclosed Tenants	MKE-DT West	B	9,007
100 East Building	O'Connell, Tivins, Miller and Burns, Marcus	MKE-DT East	A	7,977
Bishops Woods Center	Solvly Seven, LLC	WAK-Brookfield	B	6,729
Airport Atrium Center	Owner occupied, Clulee Techlink, Cornerstone Counseling	MKE-Southeast	B	6,559
Sky Plaza I	Quandt Berndt & Company	WAK-Pewaukee	B	5,022
600 N Broadway	Space taken OTM	MKE-DT East	C	4,997

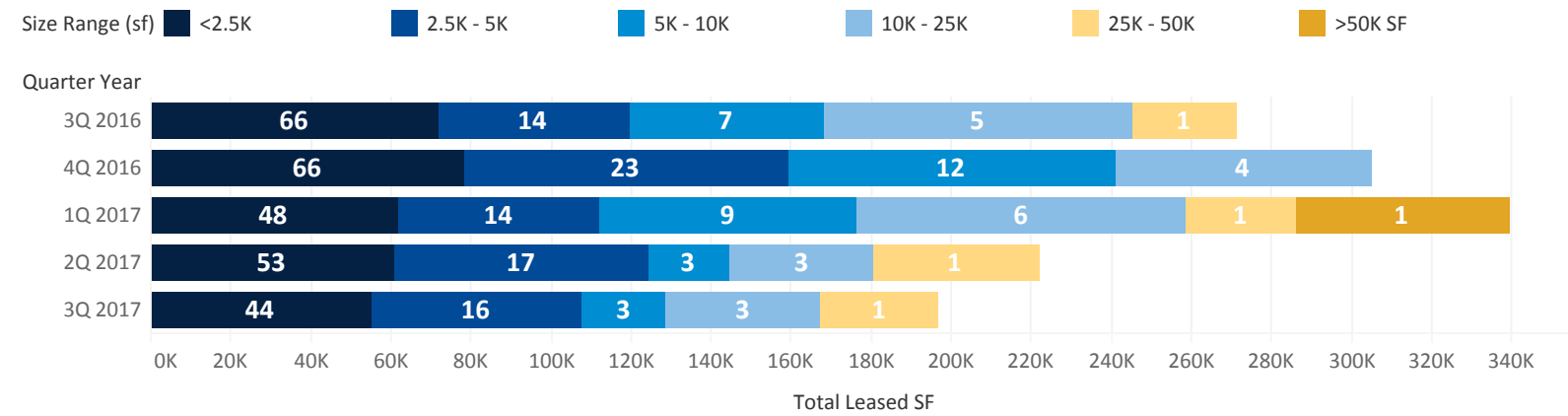
Largest Negative (Total)

Property Name	Significant Transactions	Market Name	Class	
Lydell Corporate Center	AddeoFit 13,000 sf, Johnson Controls - 120,000 sf	MKE-North Shore	B	-107,000
875 E Wisconsin Ave	Roundy's (Downsize)	MKE-DT East	A	-27,568
CityCenter at 735	Undisclosed Tenant(s)	MKE-DT East	B	-17,969
241 N Broadway (Office)	Undisclosed Tenants, Suite size adjustment	MKE-3rd Ward	A	-8,803
One Park Plaza	BMO Harris	MKE-Northwest	A	-7,097
2675 Building	FDA	MKE-Mayfair	B	-7,022
Milwaukee Center	State Farm	MKE-DT East	A	-7,002
The Forum	Kelly Services	MKE-Mayfair	B	-6,354

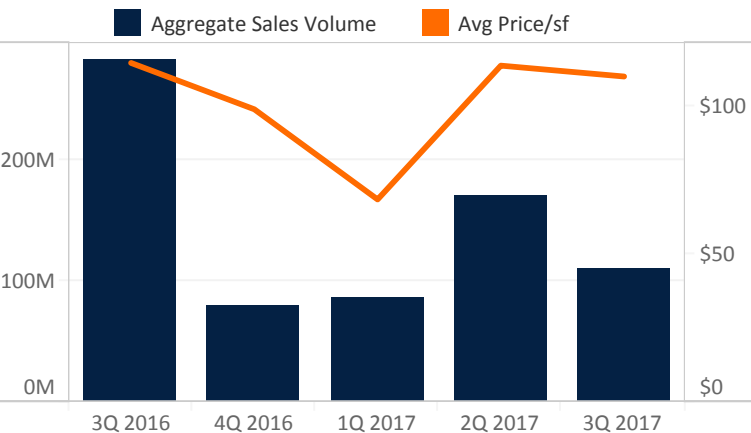
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
411 East Wisconsin Center	07/04/2017	Middleton Partners	\$74,000,000
United Heartland HQ	08/11/2017	Stonemont Financial Group	\$14,740,539
GMR	09/12/2017	Brennan Investment Group Et al	\$10,400,000
2855 S James Dr	09/12/2017	Brennan Investment Group Et al	\$4,600,000
Walker's Point	08/10/2017	Wangard Companies	\$3,510,000

Terminology

Term	Definition
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.
Direct Vacant (sf)	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Inventory	The total square feet (sf) of all existing single and multi tenant industrial properties greater than 10,000 sf.
	The total square feet (sf) of all existing single and multi tenant industrial properties greater than 25,000 sf.
	The total square feet (sf) of all existing single and multi tenant office buildings greater than 20,000 sf, excluding medical, government and owner occupied buildings.
Net Absorption	The net change in occupancy from quarter to quarter, expressed in square feet.
	The net change in physically occupied space from quarter to quarter, expressed in square feet.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property.
	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.
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.
Weighted Average Asking Rent	The weighted average of all asking rents expressed as a NNN rental rate and weighted on total available square feet.
Weighted Average Asking Rents	The weighted average of all asking rents expressed as a full service/gross rental rate and weighted on total available square feet. Non-full service rates (such as NNN) have been grossed up to reflect a full service/gross rate.
	The weighted average of all asking rents expressed as a NNN rental rate and weighted on total available square feet.
Xceligent Partner	Commercial Association of Realtors Wisconsin (CARW)

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.

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