

MARKET TRENDS

MILWAUKEE



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CARW/Xceligent 2017—2nd Quarter Commercial Real Estate Market Report

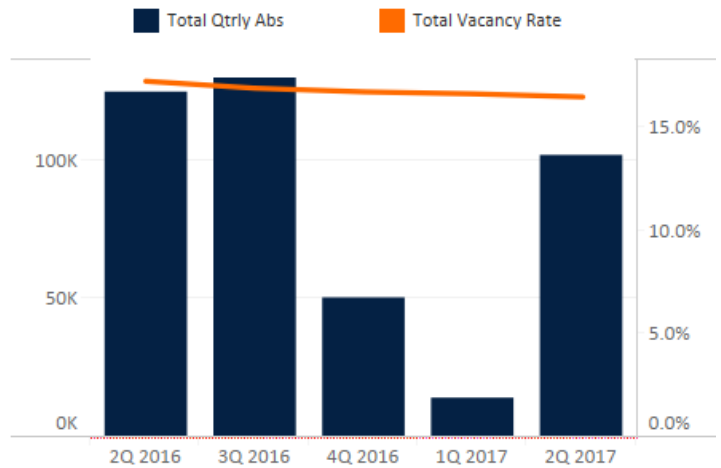
Southeastern Wisconsin Commercial Real Estate Markets show relatively steady decline in vacancy rates and positive absorption, according to the commercial real estate market reports for the second quarter of 2017, released today by CARW and Xceligent. The market reports are produced in collaboration of CARW and Xceligent under the direction of an advisory panel of CARW member commercial real estate professionals.

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Milwaukee Office Market Q2/2017

- The Milwaukee office market recorded a positive 100,371 square feet (sf) of positive absorption during 2Q 2017, down from 124,749 sf recorded during 2Q 2016. The total vacancy rate has decreased from 17.2% in 2Q 2016 to 16.5% at the close of 2Q 2017. Direct vacancy rates decreased 30 basis points to 16.1% during the same period.
- Weighted average rent growth continued to improve during 2Q 2017 especially in Class A properties in Milwaukee – Downtown East and Third Ward. Weighted average asking rents in all classes increased 5.7% recording \$20.55 per square foot (psf) FSG at the close of 2Q 2017 compared to 2Q 2016. Class A weighted average rents improved 4.3% year-over-year, recording \$24.19 psf at the close of 2Q 2017. Class B rents increased 3.5% year-over-year, recording \$17.70 psf at the close of 2Q 2017.
- Steady leasing activity and the addition of new office space fuel the overall improvement in the Milwaukee office market during 2Q 2017. Wangard's new development, 1433 Water, was completed this quarter with Bader Rutter moving into 57,719 sf. Though they vacated 80,000 sf at Pinnacle III in Brookfield, that negative absorption was partially offset by Pentair leasing 44,179 sf. Despite only 173,500 sf of office space currently under construction, additional planned projects can add up to 300,000 sf between three projects in the downtown market.
- One notable challenge is the lack of large blocks of contiguous space over 50,000 sf, of which there are currently only 10 existing properties. Challenge aside, the market continues to strengthen and improve.

Absorption and Vacancy Rate

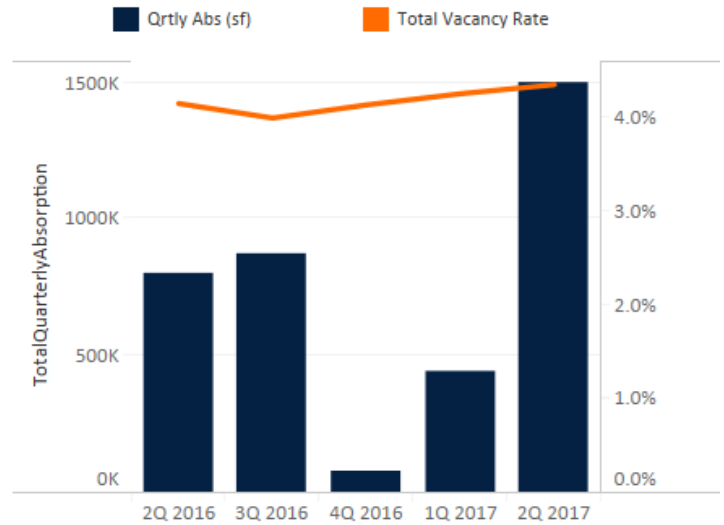


	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
A	12,759,658	2,412,560	1,927,658	15.1%	61,798	91,483
B	14,229,536	3,412,017	2,597,581	18.3%	40,411	35,299
C	1,127,184	189,057	1046,150	9.4%	-1,838	-12,426
Overall	28,116,378	6,013,634	4,631,389	16.5%	100,371	114,356

Milwaukee Industrial Market Q2/2017

- The Milwaukee industrial market recorded 1,500,041 square feet (sf) of positive absorption during 2Q 2017. Absorption was up from 799,943 sf recorded during 2Q 2016. The total vacancy rate has increased from 4.1% in 2Q 2016 to 4.3% at the close of 2Q 2017. Direct vacancy rate increased 10 basis points from last quarter to 4.3%.
- Weighted average rent growth continued to improve during 2Q 2017 especially in light industrial properties in all Waukesha submarkets and Racine. Weighted average asking rents increased 2.0% to \$4.53 per sf NNN from 2Q 2016.
- The Milwaukee industrial market added more than 1.8 msf of new industrial space during 2Q 2017, with the largest completion being Uline's 880,000 sf facility in Kenosha County. Of the total completed this quarter, over 400,000 sf of new speculative space was added, accounting for the slight increase in the vacancy rate from last quarter.
- The largest lease transaction in terms of square footage was Madden Communications, leasing 301,174 sf at First Park 94 Building B in Somers. Besides recent completions and leases, the industrial market remains healthy with over 900,000 sf still under construction. The market remains optimistic as plenty of opportunity remains for tenants looking to expand in Southeastern Wisconsin.

Absorption and Vacancy Rate

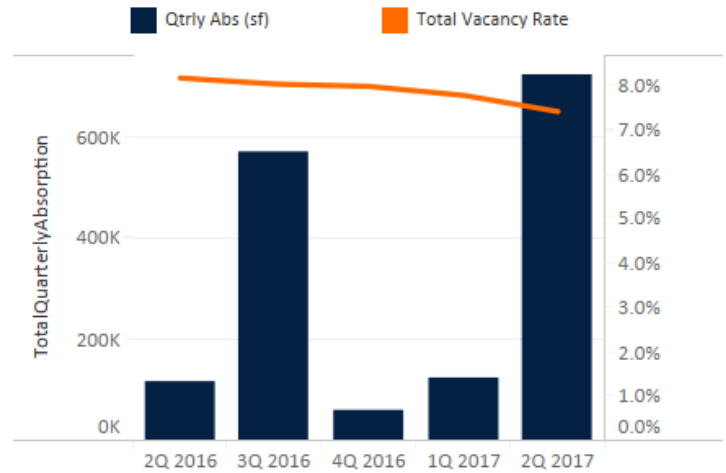


	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Total Quarterly Net Absorption (SF)	YTD Total Net Absorption (SF)
Flex/R&D	45,352,034	3,328,529	2,039,646	4.5%	80,311	163,759
Warehouse - Distribution	75,271,801	7,772,986	5,196,517	6.9%	1,562,252	1,798,120
Mfg	36,256,124	2,159,261	1,485,016	4.1%	-172,141	-160,296
Light Industrial	123,023,205	6,777,219	3,438,915	2.8%	29,619	228,878
Grand Total	279,903,164	20,037,995	12,160,094	4.3%	1,500,041	2,030,461

Milwaukee Retail Market Q2/2017

- The Milwaukee retail market recorded 724,414 square feet of positive absorption during 2Q 2017, up from 123,279 sf recorded during 1Q 2017. The total vacancy rate has decreased 40 basis points to 7.4% at the close of 2Q 2017. Direct vacancy rates decreased 0.2 percentage points from 7.6% to 7.4% during the same period.
- Weighted average asking rents in the Milwaukee market decreased by 4.6% to \$11.52 per square foot (psf) from last quarter. Year-over-year, the weighted average asking rents have increased 3.4% from \$11.13 psf NNN.
- The Milwaukee retail market experienced a 40 basis point improvement in overall retail vacancy during 2Q 2017, due in part to steady leasing activity and the completion of The Corners in Brookfield. In total, the market absorbed over 700,000 sf, just over half of which can be attributed to The Corners. The delivery of Meijer in West Bend added 192,940 sf to the market, and a new entrant into Wisconsin – Big R, leased 83,552 sf in Burlington.
- We anticipate an increase in the overall vacancy rate in 3Q 2017 as reports of store closures, the most notable being three Pick 'n Save stores, one Kmart and one Sears, will occur. Despite the looming store closures, the Milwaukee retail market remains optimistic, viewing these additions as new opportunities in an ever-changing environment.

Absorption and Vacancy Rate



	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Total Quarterly Net Absorption (SF)	YTD Total Net Absorption (SF)
Reg/Power Ctr	19,910,704	484,174	423,511	2.1%	563,101	798,469
Nbrhd/Comm Ctr	26,471,031	3,273,758	2,906,933	11.0%	190,060	228,924
Conv/Strip Ctr	3,490,790	475,539	405,465	11.6%	15,337	11,704
Free/Ben	1,180,209	60,729	60,729	5.1%	-44,084	2,196
Overall	51,052,734	4,294,200	3,796,638	7.4%	724,414	1,041,293