

MARKET TRENDS

MILWAUKEE



For Immediate Release: October 6, 2017

For More Information, Contact: Tracy Johnson – CARW: (414) 271-2021/Josh Parrish – Xceligent: (414)-416-7092

CARW/Xceligent 2017—3rd 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 third 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.

Office Advisory Board	Industrial Advisory Board	Research Advisory Board
Steffi Hahn Anderson Commercial Group	Nick Unger Cushman & Wakefield / The BOERKE Co.	Katie Gremban Gard Pecor Cushman & Wakefield / The BOERKE Co.
Andrew Jensen Cushman & Wakefield / The BOERKE Co.	Kevin Barry The Barry Company	Christian Hunter Ryan Rasmussen CBRE
William Bonifas John Mazza CBRE, Inc.	Scott Furmanski Trent Poole CBRE, Inc.	Margaret Bruckner David Fischer Colliers International
Mike Wanazek Dan Wroblewski Colliers International	Pat Hake Jim Larkin Colliers International	Kyle Koller JLL
Michael Streit JLL	Matt Judson Judson & Associates	Nathan Winkel NAI MLG Commercial
Tim Janusz Jack Jacobson NAI MLG Commercial	Tony Haning JLL	
Jenna McGuire Ned Purtell Founders 3	Mitchell Starcynski NAI MLG Commercial	
Dan Walsh Transwestern	Brian Parrish Paradigm RE	
	Paul McBride Founders 3	

Milwaukee Office Market Q3/2017

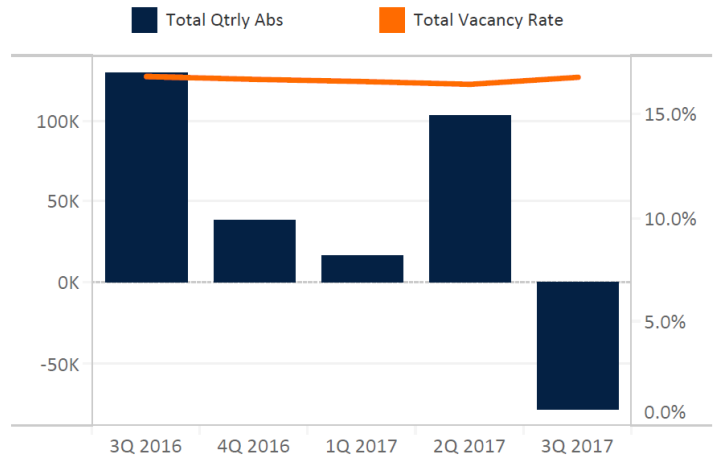
Market Overview

- 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.
- Average asking rents in all classes increased 5.6% recording \$21.05 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.

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.
- Projected office developments could add over 500,000 sf over the next few years to a continually evolving office market.

Absorption and Vacancy Rate



	# of Bldgs	Inventor-y (sf)	Total Availa-ble (sf)	Total Va-cant (sf)	Total Vacancy Rate (%)	Quarterly Net Ab-sorption (s f)	YTD Net Absorp-tion (sf)
A	132	12,750,405	2,450,748	1,927,349	15.1%	-677	105,759
B	251	14,330,036	3,453,851	2,726,496	19.0%	-86,181	-61,070
C	23	1,127,184	161,361	97,253	8.6%	8,897	-3,529
Overall	406	28,207,625	6,065,960	4,751,098	16.8%	-77,961	41,160

Milwaukee Industrial Market Q3/2017

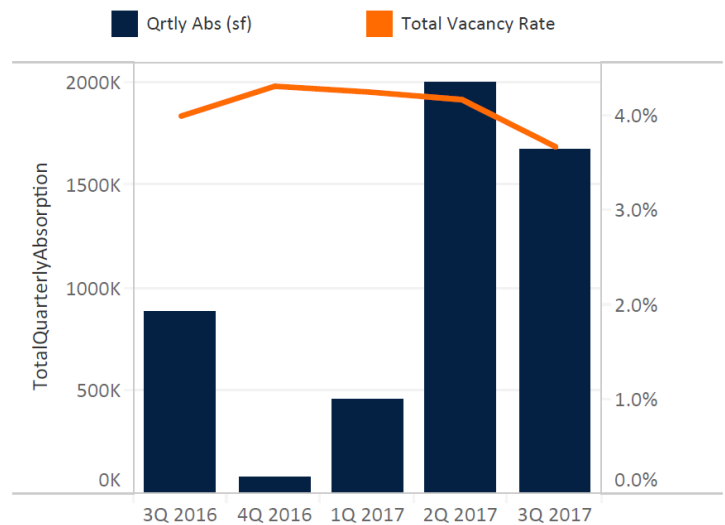
Market Overview

- The Milwaukee industrial market recorded 1,681,728 square feet (sf) of positive absorption during 3Q 2017. Absorption was up from 723,516 sf recorded during 3Q 2016.
- The total vacancy rate has decreased from 4.0% in 3Q 2016 to 3.7% at the close of 3Q 2017. Direct vacancy rate decreased 20 basis points from last quarter to 3.7%.
- Weighted average asking rents increased 3.6% to \$4.56 per sf NNN from 3Q 2016.

Market Highlights:

- The Milwaukee industrial market experienced over 1.6 msf of positive absorption during 3Q 2017, double the amount of space absorbed during 3Q 2016. Nearly half of the absorption this quarter came from owner/users taking additional space off market for their own use.
- The largest lease transaction this quarter was Johnson Health Tech taking 209,151 sf at 1333 Grandview Parkway in the Racine submarket.
- The Milwaukee industrial market continues to gain momentum as Taiwanese electronics manufacturer Foxconn Technologies announces a proposed \$10 billion-dollar campus, which has the potential to add over 10 msf of new industrial space to the market.

Absorption and Vacancy Rate



	# of Bldgs	Inventory (sf)	Total Available (sf)	Total Vacant (sf)	Total Vacancy Rate (%)	Total Quarterly Net Absorption (sf)	YTD Total Net Absorption (sf)
Flex	1,022	45,134,045	3,147,094	1,556,685	3.4%	77,282	524,720
Lt Ind	2,385	122,456,278	6,154,309	2,934,403	2.4%	650,312	914,390
Whse/Dist	700	75,383,590	7,067,405	4,363,001	5.8%	895,076	2,826,096
Mfg	254	36,663,739	1,889,281	1,456,598	4.0%	59,058	-84,878
Overall	4,361	279,637,652	18,258,089	10,310,687	3.7%	1,681,728	4,180,328

Milwaukee Retail Market Q3/2017

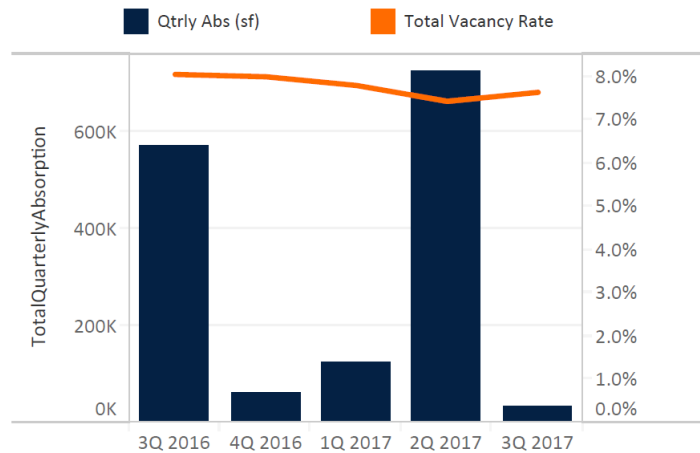
Market Overview

- The Milwaukee retail market recorded 32,848 square feet (sf) of positive absorption during 3Q 2017, down from 724,414 sf recorded during 2Q 2017.
- The total vacancy rate has increased 20 basis points to 7.6% at the close of 3Q 2017. Direct vacancy rates decreased 0.2 percentage points from 7.4% to 7.2% during the same period.
- Weighted average asking rents in the Milwaukee market increased by 3.2% to \$11.89 per square foot (psf) from last quarter.

Market Highlights

- Despite recent store closures, the Milwaukee retail market forges ahead posting just over 30,000 sf of positive absorption to close out 3Q 2017.
- Offsetting over 150,000 sf of shuttered Pick 'n Save stores was the completion of Phase I of 84South, including Fresh Thyme Farmers Market, Marshalls, Ross Dress for Less and the new Steinhafels location.
- Notwithstanding the whirlwind of activity in the retail industry, the Milwaukee market continues to weather the storm and show continued improvement quarter over quarter.

Absorption and Vacancy Rate



	# of Bldgs	Inventory (sf)	Total Available (sf)	Total Vacant (sf)	Total Vacancy Rate (%)	Total Quarterly Net Absorption (sf)	YTD Total Net Absorption (sf)
Conv/Strip Ctr	83	3,451,903	467,282	391,657	11.3%	13,808	25,512
Reg/Power Ctr	177	19,910,704	545,315	484,652	2.4%	-61,141	737,328
Free/Gen	29	1,238,209	65,044	63,931	5.2%	54,798	56,994
Nbrhd/Comm Ctr	255	26,660,401	3,452,942	2,979,988	11.2%	25,383	361,263
Overall	544	51,261,217	4,530,583	3,920,228	7.6%	32,848	1,181,097