

MARKET UPDATE 2018

PRESENTED BY:



Office Markets: Milwaukee



Jenna Maguire
Founders 3 Real
Estate Services



FOUNDERS | **3**
REAL ESTATE SERVICES



Milwaukee Office

Market Update



Thomas A. Maguire
President/CEO, RFP Commercial Inc.

Milwaukee Office Market

Major **New** Lease Transactions (Not Including Renewals)



FIS

11200 W. Parkland Ave.
Milwaukee, WI
124,550 SF



Park Place



Spaces

1433 N. Water St.
Milwaukee, WI
43,129 SF



Adaptive Re-Use



WageWorks

735 N. Water St.
Milwaukee, WI
37,000 SF



Suburban Tenant
Moving Downtown-
Amenities driven

Milwaukee Office Market

Major Lease Transactions



Molina Healthcare
11000 W. Park Place
Milwaukee, WI
31,546 SF



Park Place



National General Insurance
1505 River Center Dr.
Milwaukee, WI
31,331 SF



Adaptive Re-Use

Milwaukee Office Market

Major Lease Transactions



Confidential Tenant
11200 W. Parkland
Milwaukee, WI
30,000 SF



Park Place



Evoqua Water Technologies
N19W23993 Ridgeview
Pewaukee, WI
28,461 SF



Suburbs

Milwaukee Office Market

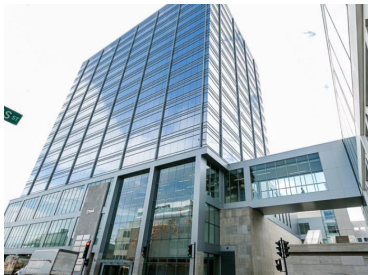
Major Lease Transactions



Ernst & Young
833 E. Michigan
Milwaukee, WI
19,556 SF



New "A" - Upgrade



Bank of America
833 E. Michigan
Milwaukee, WI
23,466 SF leased



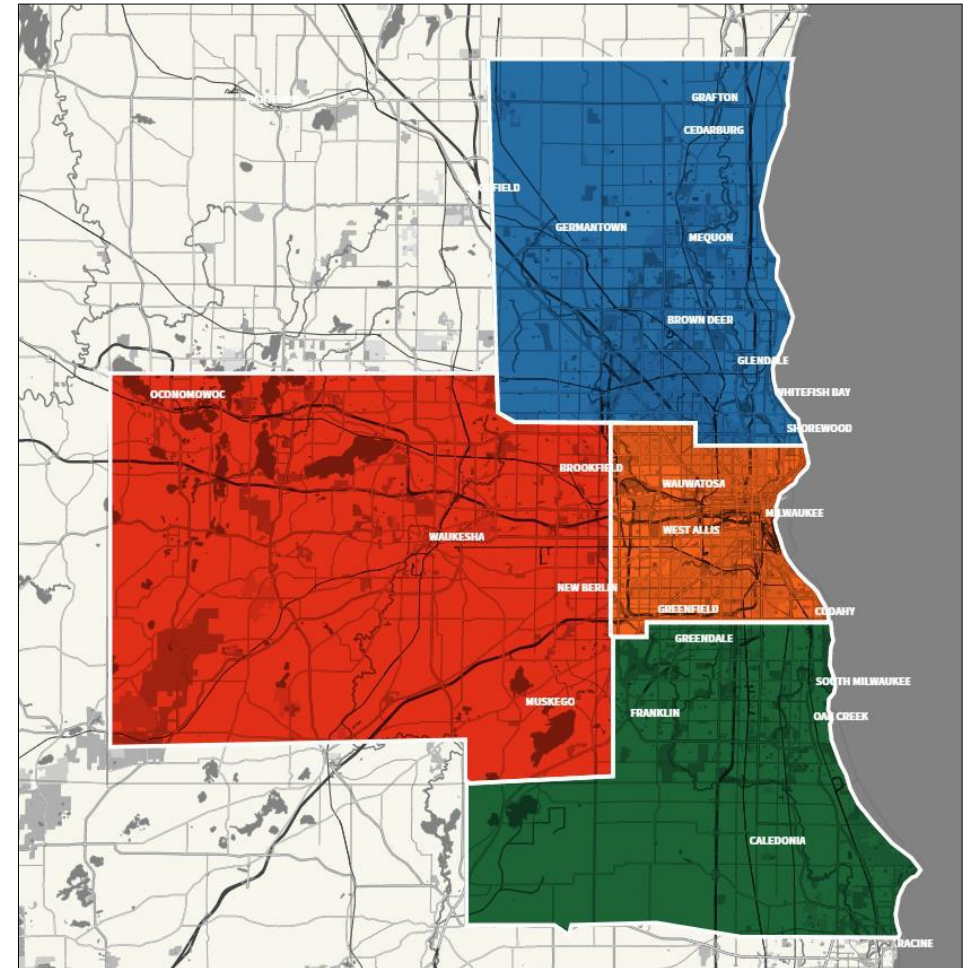
New "A" - Upgrade

Milwaukee Office Market- Overview

- Total Universe: 33,699,828 SF
- Occupied Space: 29,467,258 SF
- Vacant Space: 4,232,570 SF
- Vacancy Rate: 12.6%
(Last year: 15.3%)

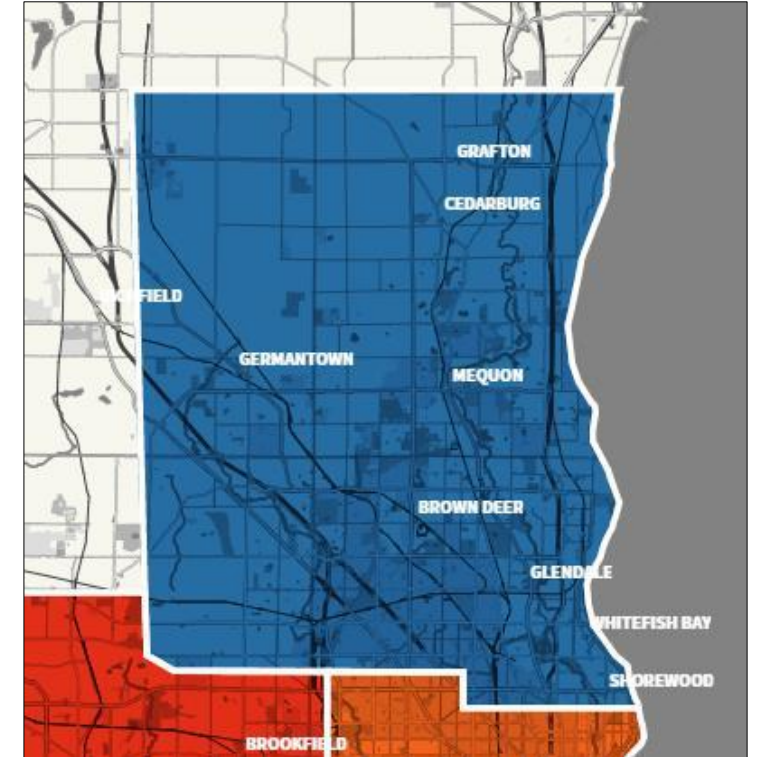
Included: Multi-tenant, investment owned office buildings 20K SF+

Excluded: Medical, single tenant, owner occupied, gov't buildings



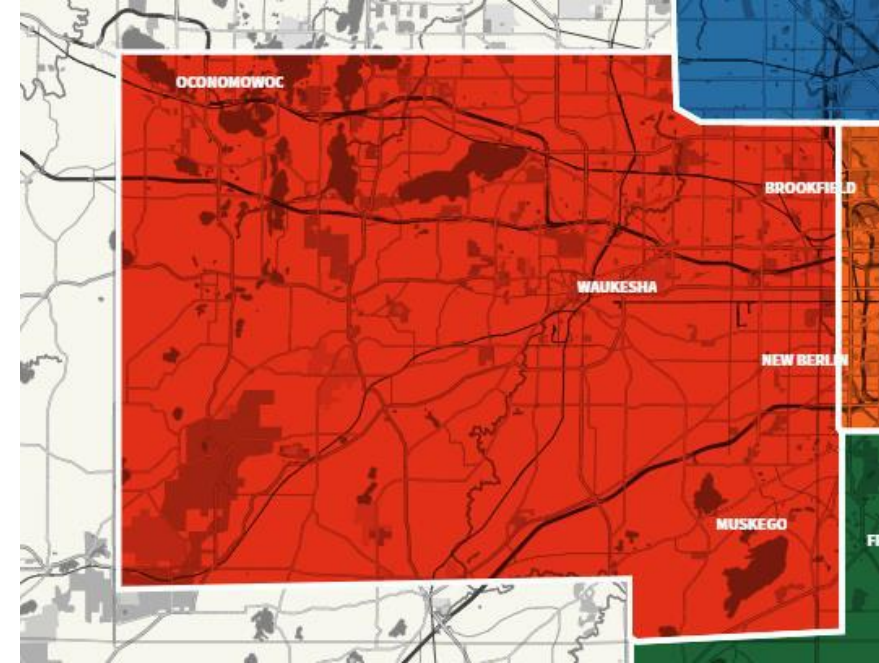
North Office Market

	2014	2015	2016	2017	2018
Total Universe	4,174,537	4,133,477	4,353,472	4,294,286	4,253,715
Vacant Space	817,280	970,846	1,036,019	853,937	700,882
Vacancy Rate	19.60%	23.50%	16.7%	19.9%	16.5%
Absorption	21,844	-231,296	295,588	-185,149	



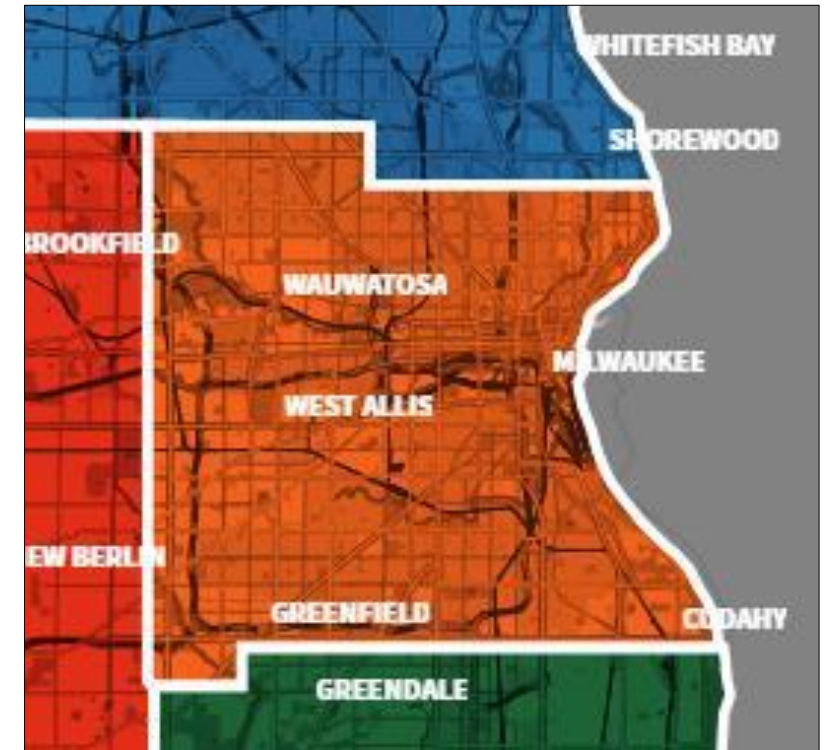
West Office Market

	2014	2015	2016	2017	2018
Total Universe	7,562,928	7,521,858	7,512,004	7,532,925	7,411,056
Vacant Space	1,306,424	1,258,649	249,807	1,074,848	995,763
Vacancy Rate	17.30%	16.70%	14.50%	14.30%	13.4%
Absorption	204,282	117,401	47,531	23,251	



Central Office Market

	2014	2015	2016	2017	2018
Total Universe	17,749,832	17,375,329	17,607,814	17,498,085	20,442,689
Vacant Space	3,354,954	2,714,547	2,620,685	2,608,997	2,401,900
Vacancy Rate	18.9%	15.60%	14.90%	14.90%	11.7%
Absorption	583,788	171,203	47,531	-98,041	

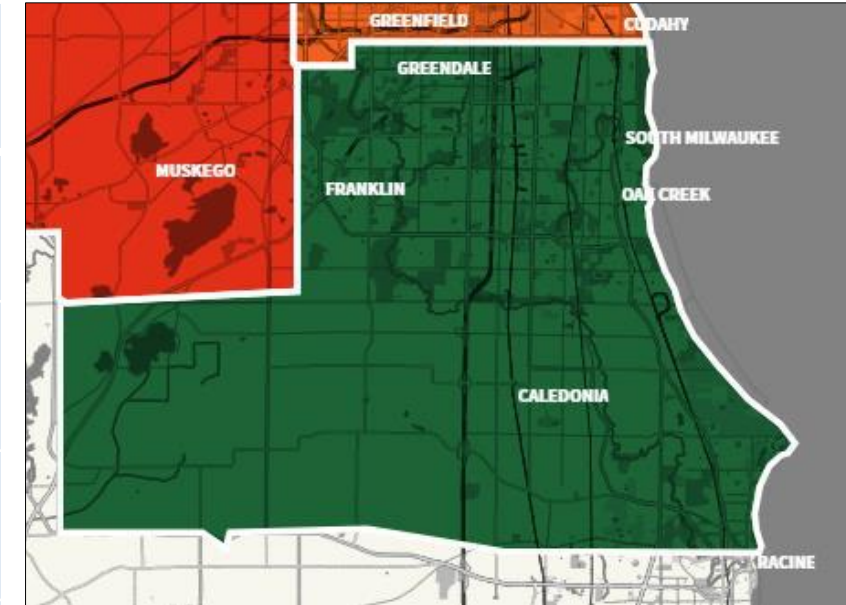


Deliveries: Hub 640, The Forty-Two, Hammes



South Office Market

	2014	2015	2016	2017	2018
Total Universe	1,833,817	1,744,803	1,721,827	1,719,703	1,592,368
Vacant Space	272,233	287,338	249,807	210,132	134,025
Vacancy Rate	14.8%	17.0%	14.5%	12.2%	8.4%
Absorption	22,208	-32,383	47,531	37,551	



Milwaukee Office Market

Shaping the Market: **The Suburbs**

Are the Suburbs Dead?



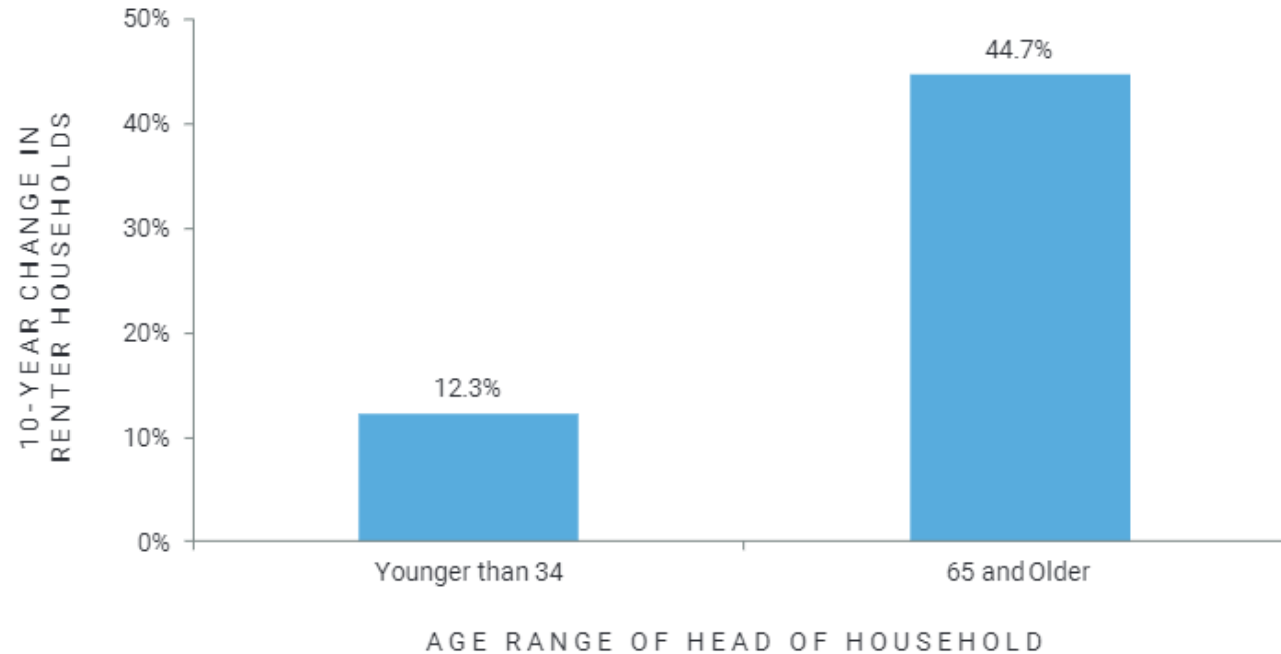
Milwaukee Office Market

Shaping the Market: The Suburbs

SENIORS AND BOOMERS ARE KEY DRIVERS OF APARTMENT DEMAND

CHANGE IN RENTER HOUSEHOLDS BY AGE GROUP

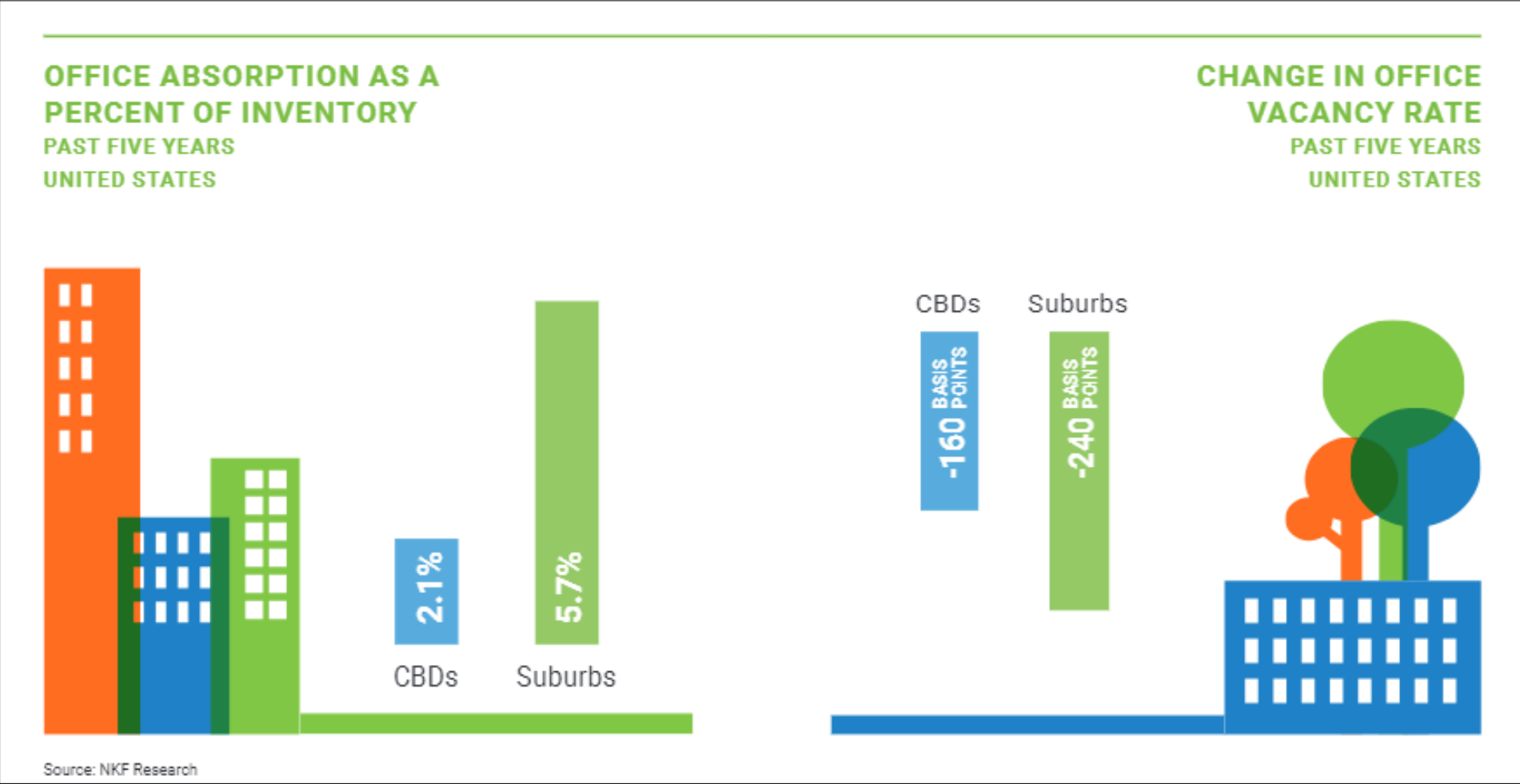
UNITED STATES | 2007-2017



Source: U.S. Census Bureau, NKF Research

Milwaukee Office Market

Shaping the Market: **The Suburbs**



Milwaukee Office Market

Shaping the Market: **The Suburbs- WEST**

Business

Suburban Offices Are Cool Again

Companies don't have to head downtown to woo millennials anymore.

By [Patrick Clark](#) and [Rebecca Greenfield](#)

October 11, 2017 11:45 AM

Some suburban office markets are holding their own against corporate exodus to cities

An analysis of mortgage-backed loans suggests that demand remains relatively steady.

[MARKET DATA](#) | AUGUST 20, 2017 | JOHN CAULFIELD, SENIOR EDITOR

TRENDS THIS YEAR AND BEYOND:

- Smaller deal sizes
- Stable vacancy rates
- Lack of new product
- Reinventing tired business park stock
- Build to suit for full building users will be the only ground up development

Suburban Office Market Now Split Into Two

Beyond the empty, obsolete office campuses, several areas of the suburbs are quite healthy.

By [Brian J. Rogal](#) | March 29, 2018 at 06:01 AM

Milwaukee Office Market

Shaping the Market: **The Suburbs- Park Place**

Let's Talk About Zombies



- Largest (SF) Transactions in 2018 occurred at Park Place
- AO Smith Development, The Manitowoc Company, Leonardo DRS
= DEMAND



Milwaukee Office Market

Shaping the Market: **The Suburbs- Winners**



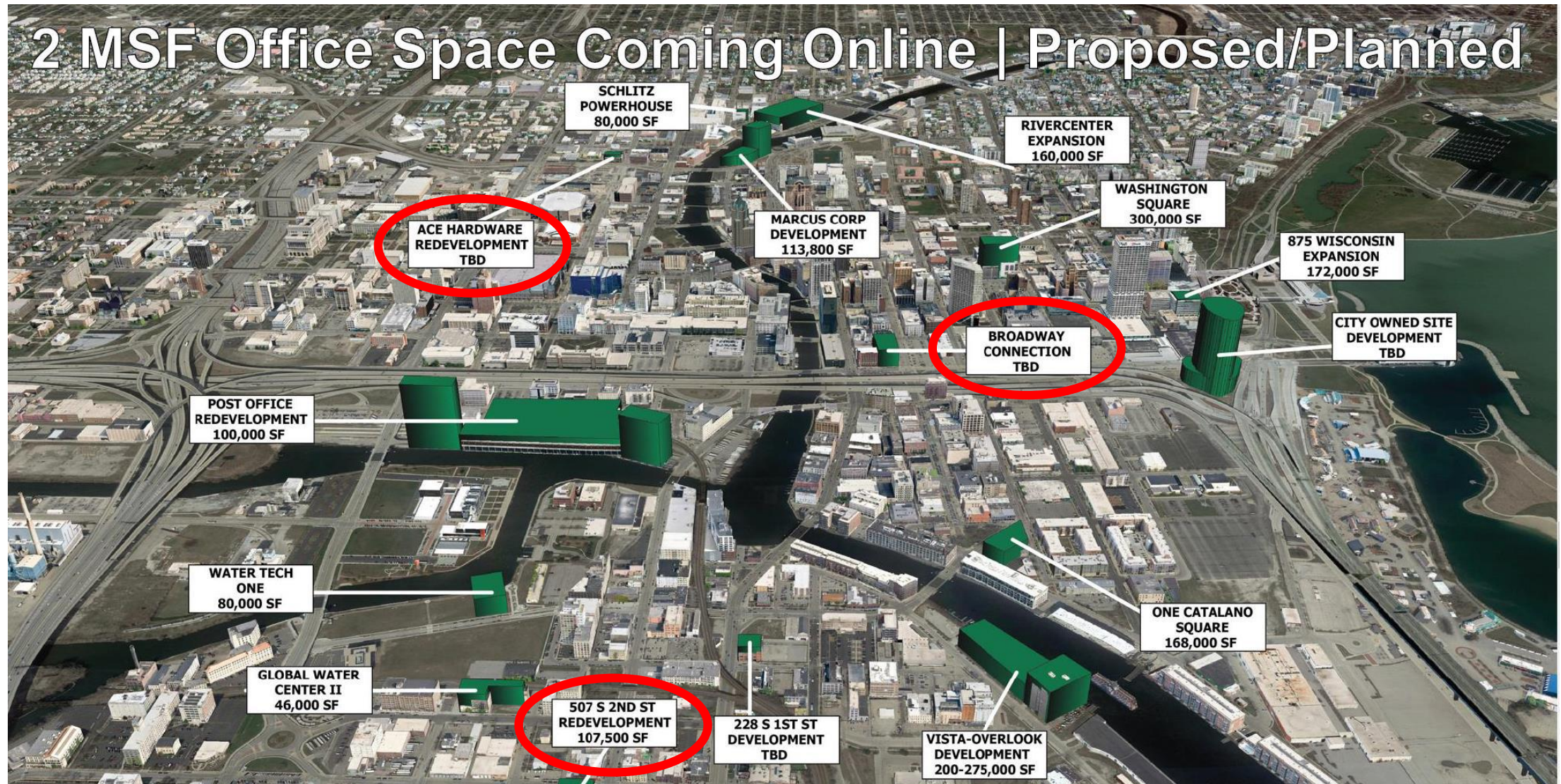
Research Park- campus environment, amenities

Summit Place- campus environment, amenities

Bottom Line: Tenants want amenities, regardless of where they work.



2 MSF Office Space Coming Online | Proposed/Planned



Source: Alyssa Geisler, CBRE, 2017 Office Market Update or maybe David Pudlosky, JLL, 2016 Office Market Update



NEW KIDS ON THE BLOCK



Milwaukee Office Market

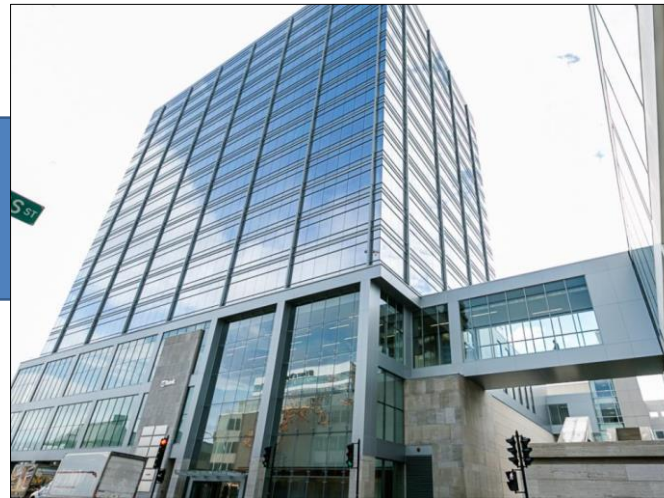
Shaping the Market: CBD- Winners



Adaptive Reuse



New "A" Set



Well-Positioned Bs



Milwaukee Office Market

Shaping the Market: CBD

Let's Talk About Dinosaurs!



Milwaukee Office Market

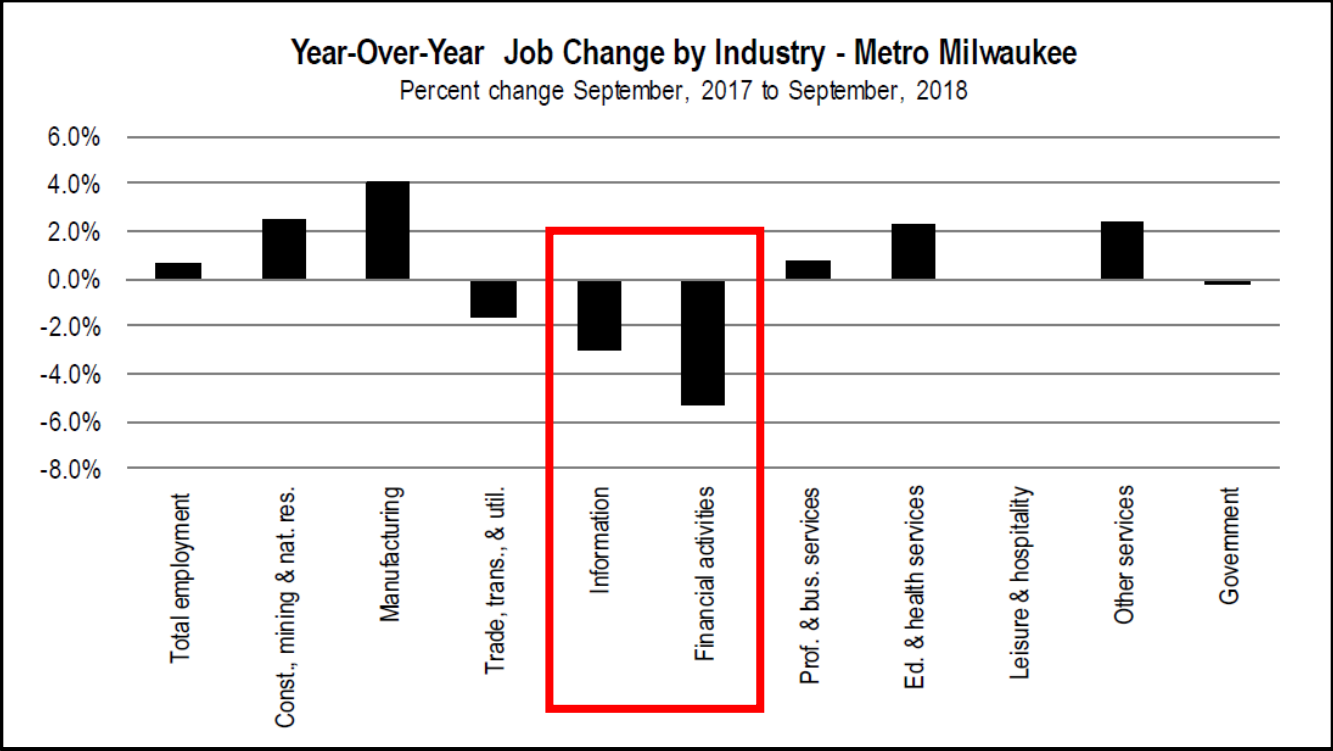
Shaping the Market: CBD

Let's Talk About (Good) Dinosaurs!



Milwaukee Office Market

Shaping the Market: Job Change by Industry



Source: MMAC

Milwaukee Office Market

Shaping the Market:
React/Adapt Regardless of Location



Milwaukee Office Market

Significant Investment Sales

The Tannery

W. Virginia Ave

Milwaukee

253,022 SF

\$25,550,000 - \$105/SF

October 2018



ASQ (Partial) + Parking

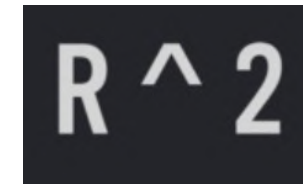
648 N. Plankinton Ave.

Milwaukee, WI

150,000 SF

\$19,900,000- \$132/SF

July 2018



Milwaukee Office Market

Significant Investment Sales

The Blue

310 W. Wisconsin

Milwaukee

578,000 RSF

\$19,500,000 - \$34/SF

December 2018



PH Dye House

320 E. Buffalo St.

Milwaukee, WI

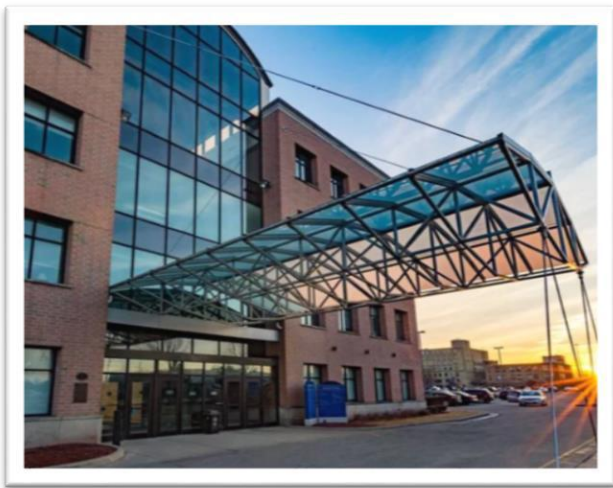
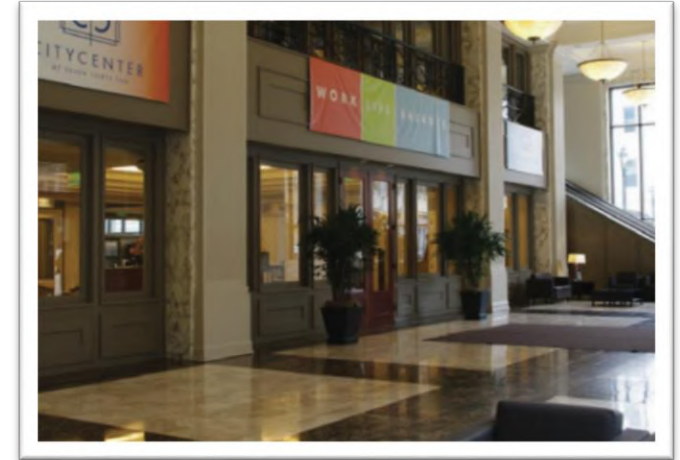
125,560 SF

\$9,700,000- \$77/SF

March 2018



Milwaukee Office Market- Investment Sales (Buildings on the Market)



Milwaukee Office Market

2018 Predictions – Alyssa Geisler, CBRE

- Increase in shared/co-working space- **TRUE**
- Longer lease terms continue- **TRUE**
- Increase in Class A supply will cause continued competition between Class B buildings- **TRUE**
- Bucks Arena- more investment, little immediate impact- **TRUE**
- Streetcar- more investment, little immediate impact- **TRUE**
- Foxconn- more investment, little immediate impact- **TRUE**

Milwaukee Office Market

2019 Predictions – Jenna Maguire, Founders 3

- Adaptive reuse product will outperform towers in the CBD
- At least one previously announced ground-up office development will change its primary use or be put on hold
- At least one significant office sale will occur downtown to out of state investors in Q1 2019.
- Musical Chairs will continue without job/population growth
- Main & Main will continue to shift north and south of Water & Wisconsin
- Milwaukee will be awarded the 2020 DNC



Thank you!

