

MARKET TRENDS

Q4 2018 | Milwaukee | Office

Employment

	<u>Current</u>	<u>Y-o-Y</u>
Employment	800,930	▼
Area Unemployment	3.0	▼
U.S. Unemployment	3.8	▼
Office Using Jobs	189,600	▼

Source: BLS

*Employment figures and area unemployment are based on Milwaukee MSA data.

Market Recap

All Properties

Total Inventory (sf)	48,283,268
Availability	14.5%
Vacancy	11.3%
Asking Rate (FSG)	\$19.12

Multi-tenant Properties

Total Inventory (sf)	34,715,453
Availability	19.0%
Vacancy	15.2%
Asking Rate (FSG)	\$19.30

Economic Overview

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Milwaukee metropolitan statistical area (MSA) decreased 10 basis points from 3.1% in October 2017 to 3.0% in October 2018. The unemployment rate for the US was at 3.8% in October 2018, up from 3.0% for the state of Wisconsin. While the Milwaukee MSA saw little to no change in job growth, office using jobs shrunk by over 3,300 during the same period.

Market Overview

The Milwaukee office market, consisting of 48 msf of space of multi-tenant and single-tenant office properties, posted an availability rate of 14.5% for Q4 2018. The vacancy rate for the market stands at 11.3% during the same period. The multi-tenant tracked properties in the same geography make up 34 msf, had an availability rate of 19.0% and an overall vacancy rate of 15.2%. The average asking lease rate for all property types came in at \$19.12 psf FSG, while the multi-tenant properties had an average asking rate of \$19.30 psf FSG at the conclusion of Q4 2018.

Market Highlights

The Milwaukee office market remained relatively flat over the course of 2018, with an availability rate for Multi-tenant properties closing the year at 19.0%. Though the top five lease transactions, including one renewal—accounted for over 100,000 sf; most transactions during Q4 2018 were below 5,000 sf. The largest lease transaction this quarter was Robert W. Baird in the Downtown East submarket. In addition to steady leasing activity, it was announced that an out-of-state investor will likely close on the sale of Schlitz Park in downtown Milwaukee during the first half of 2019.

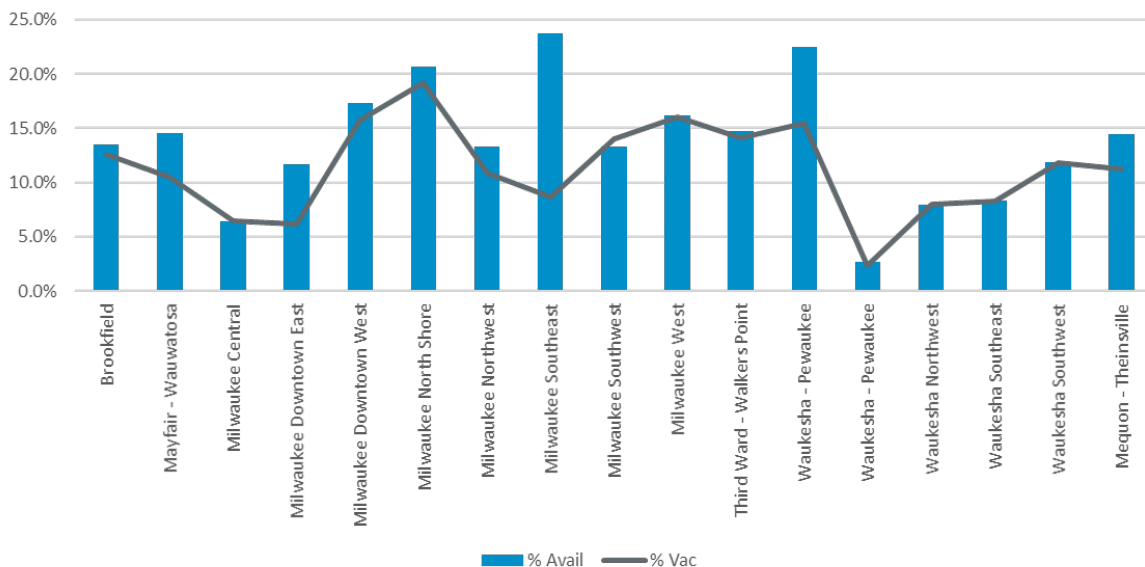
Market Statistics by Submarket (All Properties)

Submarket	Property Class	Inventory (sf)	Available sf	Availability (%)	Vacant sf	Vacancy (%)	Asking Lease Rate FSG (\$)
Milwaukee Downtown East	Class A	7,413,008	914,435	12.3%	519,806	7.0%	\$28.35
	Class B	5,572,716	584,212	10.5%	295,746	5.3%	\$19.63
	Class C	241,616	46,503	19.2%	3,172	1.3%	\$16.50
	SUBTOTAL	13,227,340	1,545,150	11.7%	818,724	6.2%	\$22.53
Milwaukee Downtown West	Class A	1,045,760	393,074	37.6%	403,082	38.5%	\$18.75
	Class B	4,367,403	487,907	11.2%	389,857	8.9%	\$18.46
	Class C	221,205	93,750	42.4%	93,750	42.4%	\$17.50
	SUBTOTAL	5,634,368	974,731	17.3%	886,689	15.7%	\$18.43
Third Ward—Walker's Point	Class A	451,167	106,897	23.7%	103,284	22.9%	\$22.63
	Class B	2,532,602	275,846	10.9%	259,836	10.3%	\$22.13
	Class C	179,737	84,000	46.7%	84,000	46.7%	-
	SUBTOTAL	3,163,506	466,743	14.8%	447,120	14.1%	\$22.20
CBD Market Totals	Class A	8,909,935	1,414,406	15.9%	1,026,172	11.5%	\$25.80
	Class B	12,472,721	1,347,965	10.8%	945,439	7.6%	\$20.24
	Class C	642,558	224,253	34.9%	180,922	28.2%	\$17.00
	SUBTOTAL	22,025,214	2,986,624	13.6%	2,152,533	9.8%	\$21.49
Milwaukee North Shore	Class A	361,644	11,182	3.1%	11,182	3.1%	\$19.75
	Class B	2,329,137	556,571	23.9%	511,105	21.9%	\$18.52
	Class C	279,763	47,455	17.0%	47,539	17.0%	\$15.80
	SUBTOTAL	2,970,544	615,208	20.7%	569,826	19.2%	\$17.94
Milwaukee Northwest	Class A	2,009,138	222,711	11.1%	124,521	6.2%	\$22.93
	Class B	2,430,220	369,321	15.2%	359,693	14.8%	\$15.71
	SUBTOTAL	4,439,358	592,032	13.3%	484,214	10.9%	\$17.25
Milwaukee Central	Class A	70,555	0	0.0%	0	0.0%	-
	Class B	779,571	98,329	12.6%	98,329	12.6%	\$11.25
	Class C	672,599	0	0.0%	0	0.0%	-
	SUBTOTAL	1,522,725	98,329	6.5%	98,329	6.5%	\$11.25
Mayfair—Wauwatosa	Class A	1,730,105	191,079	11.0%	199,660	11.5%	\$27.15
	Class B	1,401,507	271,682	19.4%	149,230	10.6%	\$17.34
	Class C	343,553	44,172	12.9%	16,002	4.7%	-
	SUBTOTAL	3,475,165	506,933	14.6%	364,892	10.5%	\$19.79
Milwaukee West	Class B	2,299,108	376,469	16.4%	373,155	16.2%	\$16.70
	Class C	27,516	0	0.0%	0	0.0%	-
	SUBTOTAL	2,326,624	376,469	16.2%	373,155	16.0%	\$16.70
Milwaukee Southeast	Class A	724,816	29,652	4.1%	29,652	4.1%	\$18.01
	Class B	472,411	253,956	53.8%	70,313	14.9%	\$13.42
	SUBTOTAL	1,197,227	283,608	23.7%	99,965	8.3%	\$13.99
Milwaukee Southwest	Class A	133,887	51,405	38.4%	54,820	40.9%	\$20.83
	Class B	321,653	21,670	6.7%	21,670	6.7%	\$17.38
	Class C	91,658	0	0.0%	0	0.0%	-
	SUBTOTAL	547,198	73,075	13.4%	76,490	14.0%	\$19.11

Market Statistics by Submarket (All Properties—Cont.)

Submarket	Property Class	Inventory (sf)	Available sf	Availability (%)	Vacant sf	Vacancy (%)	Asking Lease Rate FSG (\$)
Brookfield	Class A	2,168,909	387,268	17.9%	364,096	16.8%	\$21.76
	Class B	3,574,850	408,180	11.4%	375,513	10.5%	\$17.13
	Class C	147,754	1,300	0.9%	400	0.3%	\$15.00
	SUBTOTAL	5,891,513	796,748	13.5%	740,009	12.6%	\$18.99
Waukesha—Pewaukee	Class A	1,177,821	329,865	28.0%	297,062	25.2%	\$22.83
	Class B	1,339,449	261,199	19.5%	109,680	8.2%	\$16.87
	Class C	107,035	0	0.0%	0	0.0%	-
	SUBTOTAL	2,624,305	591,064	22.5%	406,742	15.5%	\$20.44
Waukesha Northwest	Class B	558,386	14,937	2.7%	12,900	2.3%	\$17.50
	SUBTOTAL	558,386	14,937	2.7%	12,900	2.3%	\$17.50
Waukesha Southeast	Class B	528,527	42,043	8.0%	42,043	8.0%	\$14.00
	SUBTOTAL	528,527	42,043	8.0%	42,043	8.0%	\$14.00
Waukesha Southwest	Class B	119,422	14,630	12.3%	14,630	12.3%	\$17.75
	Class C	57,060	0	0.0%	0	0.0%	-
	SUBTOTAL	176,482	14,630	8.3%	14,630	8.3%	\$17.75
Mequon—Theinsville	Class A	246,296	1,872	0.8%	1,872	0.8%	-
	Class B	211,451	52,463	24.8%	52,463	24.8%	\$20.55
	SUBTOTAL	457,747	54,335	11.9%	54,335	11.9%	\$20.55
Suburban Market Totals	Class A	8,623,171	1,225,034	14.2%	1,082,865	12.6%	\$22.33
	Class B	16,365,692	2,741,450	16.8%	2,190,724	13.4%	\$16.78
	Class C	1,726,938	92,927	5.4%	63,941	3.7%	\$15.67
	SUBTOTAL	26,715,801	4,059,411	15.2%	3,337,530	12.5%	\$18.40
OVERALL MARKET	Class A	17,533,106	2,639,440	15.1%	2,109,037	12.0%	\$23.02
	Class B	28,838,413	4,089,415	14.2%	3,136,163	10.9%	\$17.62
	Class C	2,369,496	317,180	13.4%	244,863	10.3%	\$16.00
	SUBTOTAL	48,741,015	7,046,035	14.5%	5,490,063	11.3%	\$19.12

Availability and Vacancy by Submarket

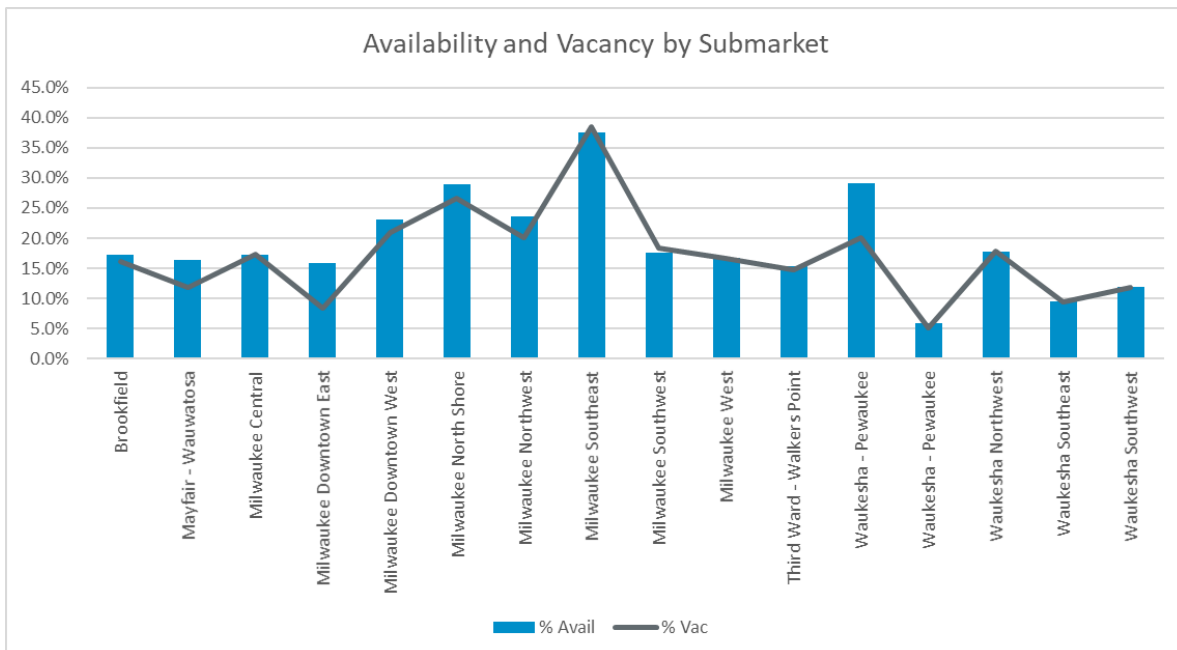


Market Statistics by Submarket (Multi-tenant Properties)

Submarket	Property Class	Inventory (sf)	Available sf	Availability (%)	Vacant sf	Vacancy (%)	Asking Lease Rate FSG (\$)
Milwaukee Downtown East	Class A	5,950,805	914,435	15.4%	519,806	8.7%	\$28.35
	Class B	3,620,826	584,212	16.1%	295,746	8.2%	\$19.63
	Class C	210,614	46,503	22.1%	3,172	1.5%	\$16.50
	SUBTOTAL	9,782,245	1,545,150	15.8%	818,724	8.4%	\$22.53
Milwaukee Downtown West	Class A	765,760	393,074	51.3%	403,082	52.6%	\$18.75
	Class B	3,267,813	487,907	14.9%	389,857	11.9%	\$18.46
	Class C	198,705	93,750	47.2%	93,750	47.2%	\$17.50
	SUBTOTAL	4,232,278	974,731	23.0%	886,689	21.0%	\$18.43
Third Ward—Walker's Point	Class A	451,167	106,897	23.7%	103,284	22.9%	\$22.63
	Class B	2,414,359	275,846	11.4%	259,836	10.8%	\$22.13
	Class C	179,737	84,000	46.7%	84,000	46.7%	-
	SUBTOTAL	3,045,263	466,743	15.3%	447,120	14.7%	\$22.20
CBD Market Totals	Class A	7,167,732	1,414,406	19.7%	1,026,172	14.3%	\$25.80
	Class B	9,302,998	1,347,965	14.5%	945,439	10.2%	\$20.24
	Class C	589,056	224,253	38.1%	180,922	30.7%	\$17.00
	SUBTOTAL	17,059,786	2,986,624	17.5%	2,152,533	12.6%	\$21.49
Milwaukee North Shore	Class A	322,003	11,182	3.5%	11,182	3.5%	\$19.75
	Class B	1,314,332	497,008	37.8%	451,542	34.4%	\$18.52
	Class C	279,763	47,455	17.0%	47,539	17.0%	\$15.80
	SUBTOTAL	1,916,098	555,645	29.0%	510,263	26.6%	\$17.94
Milwaukee Northwest	Class A	726,736	181,391	25.0%	124,521	17.1%	\$22.93
	Class B	1,139,341	260,445	22.9%	250,817	22.0%	\$16.28
	SUBTOTAL	1,866,077	441,836	23.7%	375,338	20.1%	\$18.10
Milwaukee Central	Class B	155,696	98,329	63.2%	98,329	63.2%	\$11.25
	Class C	412,277	0	0.0%	0	0.0%	-
	SUBTOTAL	567,973	98,329	17.3%	98,329	17.3%	\$11.25
Mayfair—Wauwatosa	Class A	1,516,535	191,079	12.6%	199,660	13.2%	\$27.15
	Class B	1,261,303	271,682	21.5%	149,230	11.8%	\$17.34
	Class C	308,057	44,172	14.3%	16,002	5.2%	-
	SUBTOTAL	3,085,895	506,933	16.4%	364,892	11.8%	\$19.79
Milwaukee West	Class B	2,226,361	376,469	16.9%	373,155	16.8%	\$16.70
	Class C	27,516	0	0.0%	0	0.0%	-
	SUBTOTAL	2,253,877	376,469	16.7%	373,155	16.6%	\$16.70
Milwaukee Southeast	Class A	44,550	29,652	66.6%	29,652	66.6%	\$18.01
	Class B	224,020	71,093	31.7%	70,313	31.4%	\$14.48
	SUBTOTAL	268,570	100,745	37.5%	99,965	37.2%	\$15.19
Milwaukee Southwest	Class A	133,887	51,405	38.4%	54,820	40.9%	\$20.83
	Class B	192,002	21,670	11.3%	21,670	11.3%	\$17.38
	Class C	91,658	0	0.0%	0	0.0%	-
	SUBTOTAL	417,547	73,075	17.5%	76,490	18.3%	\$19.11

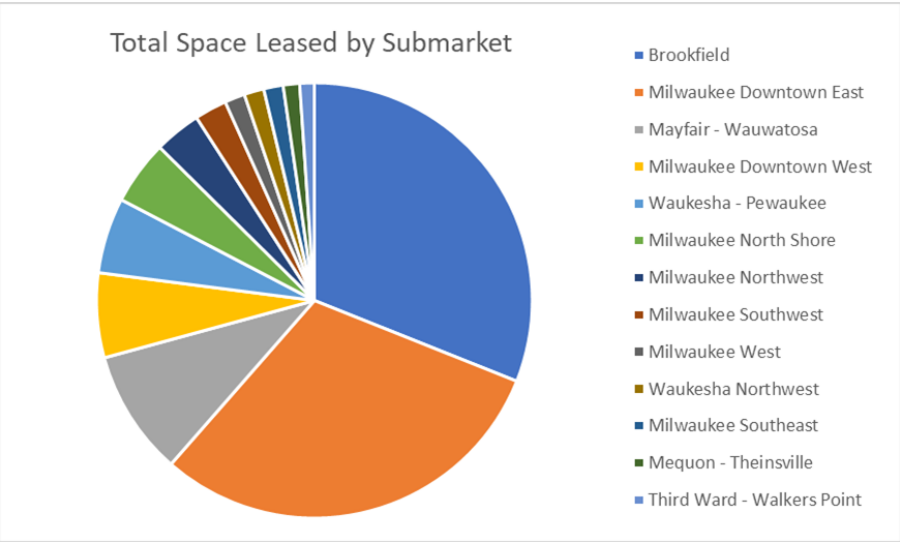
Market Statistics by Submarket (Multi-tenant Properties—Cont.)

Submarket	Property Class	Inventory (sf)	Available sf	Availability (%)	Vacant sf	Vacancy (%)	Asking Lease Rate FSG (\$)
Brookfield	Class A	1,744,840	387,268	22.2%	364,096	20.9%	\$21.76
	Class B	2,775,336	408,180	14.7%	375,513	13.5%	\$17.13
	Class C	90,792	1,300	1.4%	400	0.4%	\$15.00
	SUBTOTAL	4,610,968	796,748	17.3%	740,009	16.0%	\$18.99
Waukesha—Pewaukee	Class A	989,334	329,865	33.3%	297,062	30.0%	\$22.83
	Class B	957,993	261,199	27.3%	109,680	11.4%	\$16.87
	Class C	78,673	0	0.0%	0	0.0%	-
	SUBTOTAL	2,026,000	591,064	29.2%	406,742	20.1%	\$20.44
Waukesha Northwest	Class B	251,883	14,937	5.9%	12,900	5.1%	\$17.50
	SUBTOTAL	251,883	14,937	5.9%	12,900	5.1%	\$17.50
Waukesha Southeast	Class B	236,377	42,043	17.8%	42,043	17.8%	\$14.00
	SUBTOTAL	236,377	42,043	17.8%	42,043	17.8%	\$14.00
Waukesha Southwest	Class B	97,342	14,630	15.0%	14,630	15.0%	\$17.75
	Class C	57,060	0	0.0%	0	0.0%	-
	SUBTOTAL	154,402	14,630	9.5%	14,630	9.5%	\$17.75
Mequon—Theinsville	Class A	206,655	1,872	0.9%	1,872	0.9%	
	Class B	190,703	52,463	27.5%	52,463	27.5%	\$20.55
	SUBTOTAL	457,747	54,335	11.9%	54,335	11.9%	\$20.55
Suburban Market Totals	Class A	5,684,540	1,183,714	20.8%	1,082,865	19.0%	\$22.33
	Class B	11,022,689	2,390,148	21.7%	2,022,285	18.3%	\$17.00
	Class C	1,345,796	92,927	6.9%	63,941	4.8%	\$15.67
	SUBTOTAL	18,053,025	3,666,789	20.3%	3,169,091	17.6%	\$18.61
OVERALL MARKET	Class A	12,852,272	2,598,120	20.2%	2,109,037	16.4%	\$23.02
	Class B	20,325,687	3,738,113	18.4%	2,967,724	14.6%	\$17.82
	Class C	1,934,852	317,180	16.4%	244,863	12.7%	\$16.00
	SUBTOTAL	35,112,811	6,653,413	18.9%	5,321,624	15.2%	\$19.30



Leasing Activity

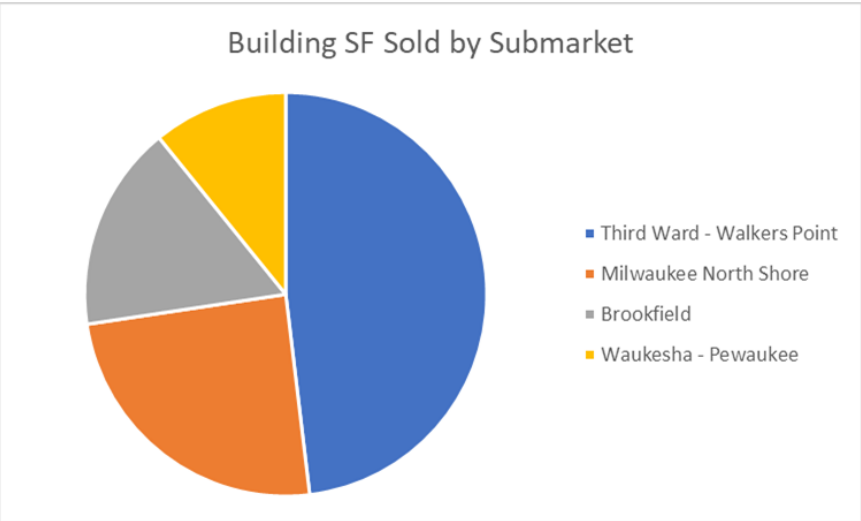
Property Name	Tenant	Occupancy	Submarket	Leased sf
617 E Wisconsin Ave	Robert W Baird	Q4 2018	Milwaukee Downtown East	58,548
250 N Patrick Blvd	The Benefits Company	Q1 2019	Brookfield	14,813
Oakwood Center	Principal Financial Group	Q1 2019	Mayfair - Wauwatosa	11,008
Crossroads Corporate Center XII	Americredit Financial Services, Inc	Q4 2018	Brookfield	10,661
Crossroads Corporate Center VIIIB	Confidential	Q4 2018	Brookfield	9,114



Submarket	Leased sf
Brookfield	84,527
Milwaukee Downtown East	82,742
Mayfair - Wauwatosa	25,349
Milwaukee Downtown West	17,114
Waukesha - Pewaukee	15,298
Milwaukee North Shore	12,968
Milwaukee Northwest	9,425
Milwaukee Southwest	6,523
Milwaukee West	4,094
Waukesha Northwest	3,999
Milwaukee Southeast	3,920
Mequon - Theinsville	3,315
Third Ward - Walkers Point	2,950

Sales Activity

Property Name	Buyer	Seller	Submarket	Sale Price (\$)
The Timbers	R2 Companies	SARA Investment Real Estate	Third Ward - Walkers Point	14,157,200.00
Bayside Woods	Mark 8989 Building, LLC	Bayside Woods O.P.	Milwaukee North Shore	4,475,000.00
Tower Executive Office Building	Engineered Products and Services, Inc.	Zilber Property Group	Brookfield	3,650,000.00
4301 West Brown Deer Road	Village Of Brown Deer	Phoenix Investors	Milwaukee North Shore	3,000,000.00
High Ridge Office Center	Michael Ogden Walters	High Ridge Office, LLC	Waukesha - Pewaukee	2,600,000.00



Submarket	Sold sf
Third Ward - Walkers Point	152,443
Milwaukee North Shore	77,750
Brookfield	52,344
Waukesha - Pewaukee	34,406

Methodology

The Milwaukee market consists of all office buildings 20,000 sf or larger in Southeastern Wisconsin. The geographic area includes Milwaukee and Waukesha, counties, along with Mequon and Thiensville. Property types included in the tracked set consist of general office and corporate facilities. The tracked set does not include medical office buildings. All tracked properties are existing. Statistically, net absorption will be calculated based on occupancy change during the current quarter. Asking lease rates are based on an average asking rate and noted on a Full-Service Gross (FSG) basis.

Terminology

Direct Vacant (sf)	The total vacant square footage in a building marketed by an agent representing the landlord
Inventory	The total square footage (sf) of all tracked single and multi-tenant industrial buildings 10,000 sf or larger
Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in square feet
Property Type	The classification of a property based on the specific use
Sublease (sf)	Space available for lease by a tenant for part or all of a leased premises, with the original tenant retaining some right or interest under the original lease. Space is only considered vacant if unoccupied
Total Available (sf)	Total of all space within a building marketed for lease, which can be occupied or vacant, direct or sublease
Total Vacant (sf)	Total of all unoccupied space within a building marketed for lease, which can be direct or sublease
Average Asking Rate	The average asking lease rate expressed as a per square foot value in FSG terms

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