



Research Market Report METROPOLITAN MILWAUKEE | OFFICE 2016 Quarter 2

Research | Wisconsin

The office market in Milwaukee is in an exciting time. With the delivery of 833 East last quarter and the delivery of Meadowland Research & Technology Center this quarter, the office market is expanding not only in the Central Business District, but in other submarkets as well. With the Laacke & Joys building breaking ground, there are signs that new inventory will continue to be brought to the market as construction continues.

After years of no new suburban office properties the delivery of Meadowlands Research & Technology Center signals the vitality of the Central Submarket.

Located in the Milwaukee County Research Park, Meadowlands Research & Technology Center provides its tenants accessibility to north/south (U.S. Highway 45) and east/west (I-94) expressways. Meadowlands is the first suburban class 'A' multi-tenant office building delivered since Irgens' completed the neighboring Mayfair Woods building in 2008. Being the first multitenant development in the suburban market in recent years, the development is significant for the evolution and continued expansion of the Milwaukee Office Market.

The unemployment rate in the metro area has increased from last quarter but still remains under national and regional rates as Milwaukee remains well positioned. The other economic indicators depicted below suggest that while Milwaukee is still well positioned within the Midwest, performance has tapered from Q1 2016.

Q2 further uncovered the changing landscape of the office market, not only in Milwaukee but nationally as well. Milwaukee is seeing a surge of construction not only in office space, but in multifamily as well. As living where you work and working where you live continues to grow in popularity, the development of office space and multifamily residential space go hand in hand.

For the second quarter the submarkets that had the most notable activity were the CBD along with the Central and West suburban submarkets, all of which will be highlighted in the following report.

ECONOMIC INDICATORS

Quarter Over Quarter

OFFICE USING JOBS	185,300	↓
METRO MKE UNEMPL.	4.6%	↑
WISCONSIN UNEMPL.	4.2%	↓
NATIONAL UNEMPL	4.7%	↓
WI RMEI*	0.2341	+



VACANCY

NET ABSORPTION

CONSTRUCTION

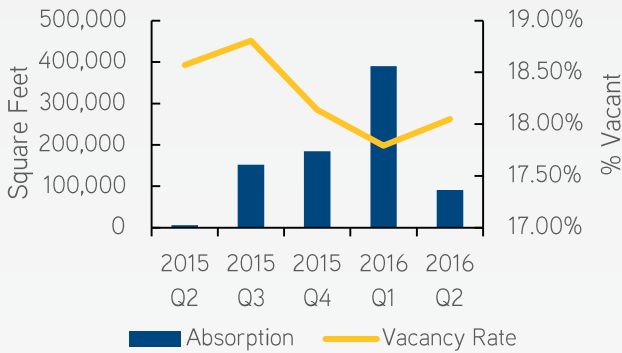
MARKET INDICATORS

	Q2 2016	Q1 2016 QUARTER-OVER- QUARTER	Q2 2015 YEAR-OVER-YEAR
VACANCY	17.28%	↓ 17.79%	↑ 16.97%
NET ABSORPTION	90,980 SF	↓ 389,712 SF	↑ 2,486 SF
CONSTRUCTION	113,830 SF	↓ 156,000 SF	↓ 358,000 SF

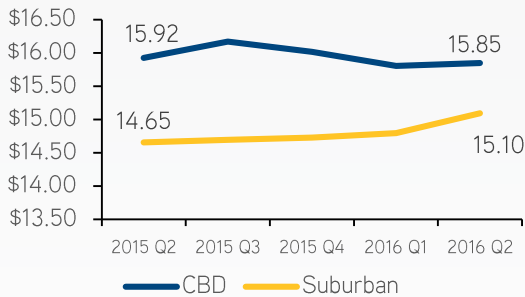
Source: Colliers International Research, Xceligent

Source: U.S. Census Bureau
* Relative Midwest Economy Index: Wisconsin's contribution to the Chicago FED Midwest Economy Index. A positive value signals above average performance

Historical Vacancy & Absorption



Office Direct Lease Rate



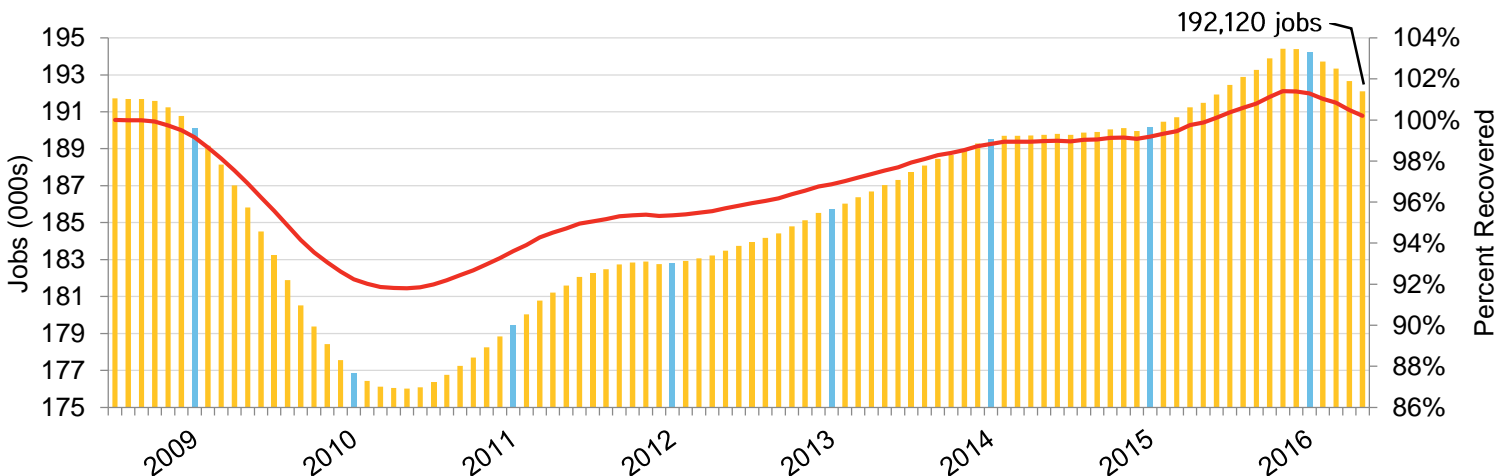
Source: Colliers International Research, Xceligent

CBD

After 833 East came to market last quarter, vacancy rates rose coming out of Q2. However, with more non-office developments proposed, including the new Bucks arena and new multifamily housing developments, the CBD continues to be a draw for office users. Below are a few deals and activity from the quarter worth noting:

- Wangard Partners broke ground on their 113,830 SF redevelopment of Laacke & Joys, located in the Downtown East Submarket. With 60,000 SF, Bader Rutter will be the anchor of the project with 60,000SF. The balance of the Laacke & Joys project is available for lease.
- In April Associated Bank purchased the Milwaukee Center (111 E. Kilbourn). The class A office space located in the Downtown East Submarket was previously owned by Chicago-based Equity Commonwealth REIT. The bank plans on moving into a significant portion of the building by 2022, when its current downtown lease expires.
- With its first tenants moving in at the end of Q1, 833 East continues to attract tenants. Among the larger tenants officially occupying the building are Godfrey & Kahn S.C., Colliers International | Wisconsin, Adient (Johnson Controls Inc's automotive group spin-off), Jason Inc. and KPMG.
- The FBI has fully vacated 330 E. Kilbourn and has moved to their new location in St. Francis, WI. The 99,718 SF space they left behind is the largest block available across the top downtown assets. The building also recently completed a major renovation to its common areas.
- At the end of the quarter, Chase Tower, located on the southwest corner of E. Wisconsin Ave. and N. Water St, was sold to an affiliate of Farbman Group for \$30.5 million. With an assessed value of \$36.6 million the 472,500 square-foot-building was built in 1961 and has an occupancy rate of 86%. The adjacent 746-space parking structure was included in the sale. Farbman Group owns office space and other properties across the Midwest primarily in Michigan, Ohio, and Illinois. The purchase marks the company's first Wisconsin property.

Metro Milwaukee Historical Office Using Jobs



Source: U.S. Census Bureau

West and Central

The West and Central submarkets had a strong quarter, specifically the Milwaukee County Research Park in the Wauwatosa area. The completion of Meadowlands Research & Technology Center, provided the suburban office market its first new multitenant building in recent years. With new product coming to market, absorption in the suburban markets increased to levels it has not seen in the last eight quarters. Of the top leases this quarter, these submarkets had four of the six largest deals by square footage. Deals and notable activity from the suburban markets are discussed in more detail below:

- Meadowlands Research & Technology Center was delivered adding 156,164 SF to the Central submarket's supply. Included among the tenants are OneAmerica Retirement Services and Zywave. Currently located in the Northwest submarket, as well as a downtown CBD presence, OneAmerica's move will consolidate in a more central location with a new building with modern amenities. With more construction expected, including a proposed hotel and restaurants, the Research Park continues to be a draw for companies wanting access to amenities and easy access for employees.
- Minacs Marketing Solutions signed a new lease for 40,000SF at Park Place X. This is in addition to their current 17,000SF location at Schlitz Park, located in the Downtown West submarket. With the additional location, Minacs will occupy approximately 57,020 SF in the Milwaukee Office Market.
- The relocation of Bader Rutter makes available 80,278 SF in Pinnacle III. This provides the Brookfield market its largest block of continuous space.
- AT&T announced plans to relocate from their Pewaukee office and will be occupying the entire second floor and part of the first floor of 440 S Executive Drive. Vacating by 1/1/2017, the move will result in negative net absorption of 130,000 SF.

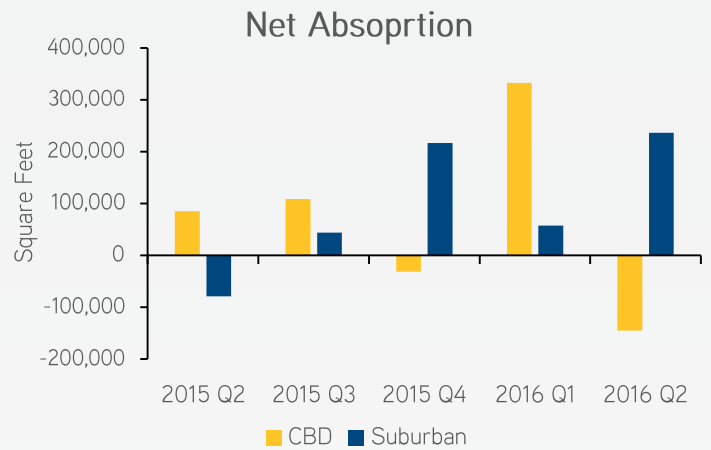
Highlights

Below are the top deals based on size. Note that only one of the top deals occurred within the CBD. So while the CBD is seeing strong growth, the Central and West submarkets are seeing their own share of growth and expansion, which the western suburbs have not seen in sometime.

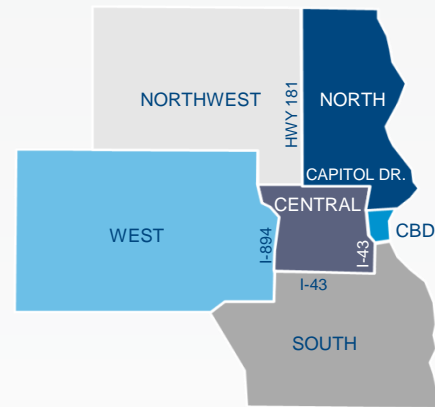
Top Q2 2016 Leases



Building	Submarket	Tenant	Deal Type	Size
10100 Innovation Dr.	Central	Zywave	New Lease Expansion	73,727
11301 Lake Park Dr.	Northwest	Minacs	New Lease Expansion	40,020
10100 Innovation Dr.	Central	OneAmerica Retirement Services	New Lease Consolidation	27,842



Source: Colliers International Research, Xceligent



Metro Milwaukee Office Market

2016 Quarter 2

BLDG TYPE	EXISTING PROPERTIES		TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONST. SF
	BLDGS	TOTAL SF	SF	Q2-16	Q2-15	CURRENT QUARTER	YEAR TO DATE	CURRENT QUARTER	YEAR TO DATE	
CBD - Downtown East, Downtown West, Third Ward & Walker's Point										
A	18	5,813,839	937,978	16.13%	13.74%	-86,106	153,831	-	358,000	113,830
B	69	5,526,768	1,140,635	20.64%	22.16%	-62,057	30,607	-	-	-
C	9	518,335	53,699	10.36%	12.24%	2,622	2,622	-	-	-
Total	96	11,858,942	2,132,312	17.98%	17.72%	-145,541	187,060	-	358,000	113,830
CENTRAL - West Allis, Mayfair, Wauwatosa										
A	15	1,428,876	304,235	21.29%	23.63%	101,569	109,056	155,000	155,000	-
B	41	3,103,763	489,934	15.79%	19.38%	16,813	39,956	-	-	-
C	5	169,554	16,803	9.91%	9.08%	0	0	-	-	-
Total	61	4,702,193	810,972	17.25%	20.19%	118,382	149,012	155,000	155,000	-
NORTH - North Shore, Brown Deer, Mequon										
A	6	464,778	32,515	7.00%	8.89%	5,510	9,452	-	-	-
B	32	1,454,625	427,627	29.40%	28.38%	4,221	2,962	-	-	-
C	3	265,509	15,575	5.87%	4.07%	0	0	-	-	-
Total	41	2,184,912	475,717	21.77%	21.28%	9,731	12,414	-	-	-
NORTHWEST - Menomonee Falls, Germantown										
A	10	1,064,984	136,522	12.82%	21.36%	0	86,442	-	-	-
B	8	519,731	136,426	26.25%	17.67%	40,020	40,020	-	-	-
Total	18	1,584,715	272,948	17.22%	20.59%	40,020	126,462	-	-	-
SOUTH - Greenfield, South Milwaukee, Oak Creek, Franklin,										
A	24	545,607	48,658	8.92%	12.57%	3,403	5,494	-	-	-
B	31	649,520	195,548	30.11%	30.40%	485	-2,236	-	-	-
Total	55	1,195,127	244,206	20.43%	22.26%	3,888	3,258	-	-	-
WEST - Brookfield, Waukesha, New Berlin, Pewaukee										
A	58	3,348,188	404,968	12.10%	13.94%	49,736	56,977	-	-	-
B	76	3,153,760	727,275	23.06%	20.29%	12,434	-61,668	-	-	-
C	6	176,297	21,981	12.47%	15.57%	2,330	7,177	-	-	-
Total	140	6,678,245	1,154,224	17.28%	16.97%	64,500	2,486	-	-	-
TOTAL										
A	131	12,666,272	1,864,876	14.72%	15.27%	74,112	421,252	155,000	513,000	113,830
B	257	14,408,167	3,117,445	21.64%	22.07%	11,916	49,641	-	-	-
C	23	1,129,695	108,058	9.57%	10.36%	4,952	9,799	-	-	-
Total	411	28,204,134	5,090,379	18.05%	18.57%	90,980	480,692	155,000	513,000	113,830
QUARTERLY COMPARISON TOTALS										
2016 Q2	411	28,204,134	5,090,379	18.05%	-	90,980	-	155,000	513,000	113,830
2016 Q1	409	28,005,652	4,982,877	17.79%	-	389,712	-	358,000	358,000	156,000
2015 Q4	408	27,647,652	5,014,589	18.14%	-	184,808	-	-	-	656,000
2015 Q3	408	27,647,652	5,199,397	18.81%	-	152,365	-	-	-	656,000
2015 Q2	406	27,381,277	5,085,387	18.57%	-	5,806	-	-	-	358,000

554 offices in 66 countries on 6 continents

United States: 153

Canada: 34

Latin America: 24

Asia Pacific: 231

EMEA: 112

\$2.5 billion in annual revenue

2.0 billion sf under management

16,000 professionals and staff



Colliers International | Wisconsin
1243 N 10th Street
Suite 300
Milwaukee, WI 53205
TEL: 414 276 9500
FAX: 414 276 9501

Copyright © 2016 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Office Services



Lyle Landowski
Partner
Direct +1 414 278 6827
lyle.landowski@colliers.com



Mike Wanezek
Vice President
Direct +1 414 278 6826
mike.wanezek@colliers.com



Dan Wroblewski
Partner
Direct +1 414 278 6813
dan.wroblewski@colliers.com



Matt Fahey
Associate Broker
Direct +1 414 278 6860
matt.fahey@colliers.com



Joe Lak
Partner
Direct +1 414 278 6824
joe.lak@colliers.com



Sal Strehlow
Associate Broker
Direct +1 414 278 6846
sal.strehlow@colliers.com



Steve Palec
Partner
Direct +1 414 278 6818
steve.palec@colliers.com



Ben Anderson
Associate Broker
Direct +1 414 278 6848
ben.anderson@colliers.com



Maggie Grzesiowski
Client Services Coordinator
Direct +1 414 278 6845
maggie.grzewsioski@colliers.com

Research



Tyler Jauquet
Market Intelligence Analyst
Direct +1 414 278 6811
tyler.jauquet@colliers.com



Margaret Bruckner
Research Analyst
Direct +1 414 278 6801
margaret.bruckner@colliers.com



Accelerating success.