

3rd Quarter Summary

Market Overview

The third quarter of 2019 reported total market positive absorption of 218,339 SF, a figure that accounts for several large deals that have been announced recently, including Milwaukee Tool and Kohl's in the Park Place/Northwest Submarket and The Milwaukee-Journal Sentinel in the Downtown East submarket.

The majority of the positive absorption within the Downtown/East submarket can be attributed to the Journal Sentinel's lease of approximately 33,000 SF at 330 Kilbourn. The Downtown/West submarket also enjoyed a positive swing with the announcement of TekSystems' lease of approximately 15,000 SF at The Forty-Two. The Third Ward/Walker's Point submarket continues to show velocity with deals in the range of 3,000- 5,000 SF, with positive quarterly absorption of just over 18,000 SF comprised of multiple smaller transactions.

The Mayfair submarket, which includes the Research Park, enjoyed 49,916 SF of positive absorption with the expansion of Clifton-LarsonAllen (26,500 SF) at Muir Woods. Of note in this submarket is the disparity between occupancy between Class A and Class B buildings- vacancy in "A" buildings is sub-10%, while "B" buildings are over 20%- indicating a strong preference for quality within the submarket.

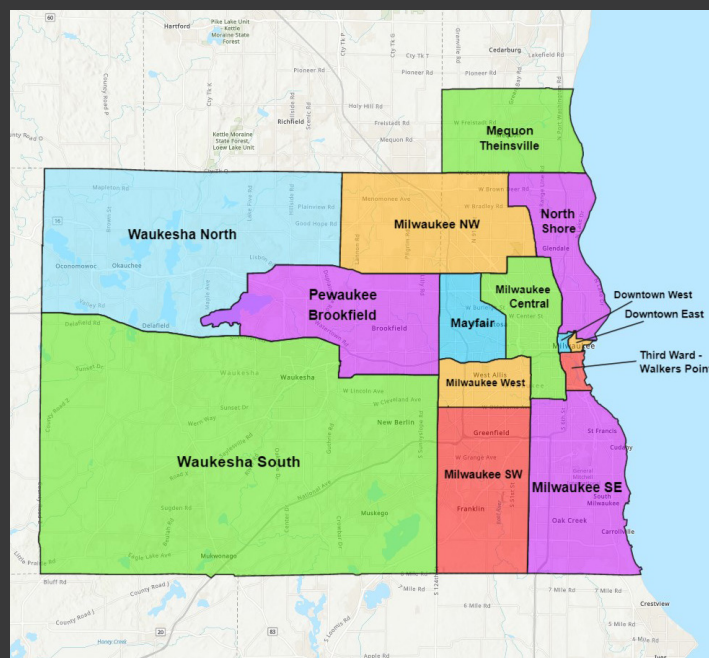
The suburbs had a stagnant quarter, with nominal absorption in the North Shore, Waukesha, Milwaukee SE/SW submarkets. The Brookfield/Pewaukee submarket showed the largest swing, with a downsizing/vacancy of 35,000 SF (Kalmbach Media) leading to another quarter of negative net absorption for the submarket.

Project Updates

The Avenue's catalytic redevelopment project is well underway, creating office space for Graef, along with a first floor food hall. Developers are reportedly in talks with other office users, perhaps an indication of increased demand for CBD product west of the river. The Huron Building is under construction in anticipation of Husch Blackwell's occupancy mid-2020, which will leave approximately 70,000 SF available. Irgens' BMO tower has been enclosed and the building will be completed in Q1 of 2020 with the announcement that the adjacent building, 770 N. Water, will be redeveloped into a mixed use. Ballpark Commons in Franklin and Cobalt Partners' mixed-use West Quarter development in West Allis look to provide new construction options in the Milwaukee South and West submarkets respectively.

Downtown Outlook:

Several large tenants currently occupying older Class A buildings downtown have leases expiring in the next 36 months. With the abundance of new space either currently under construction or proposed in the CBD, these key players will drive investment either via a flight to quality in a new development, or by forcing the hand of landlords to upgrade their buildings in order to retain these tenants. Strong leasing activity for sizeable active deals should continue through the balance of the year and drive absorption in the first part of 2020.



Suburbs Outlook:

The suburbs will continue to struggle to compete against downtown, though sizeable deals in the Brookfield/Pewaukee could spur new build-to-suit single-tenant development in the next 24 months. Similar to the downtown market, tenants are seeking quality suburban options offering building amenities- leading in part to the recent successes at Honey Creek and The Research Park

Milwaukee Office Market Snapshot

3rd Quarter 2019

Submarket	Bldgs	Bldg Size	Q3 19 Vacant SF	Vacancy %	Q3 19 Total Absorption
Downtown - East					
A	12	4,912,312	454,785	9.26%	43,696
B	34	3,006,925	279,123	9.28%	16,239
Total	46	7,919,237	733,908	9.27%	59,935
Downtown - West					
A	3	725,466	396,550	54.66%	-
B	25	3,089,089	461,644	14.94%	18,058
Total	28	3,814,555	858,194	22.50%	18,058
Third Ward/Walker's Point					
A	3	263,369	15,775	5.99%	16,797
B	36	1,933,747	241,166	12.47%	1,589
Total	39	2,197,116	256,941	11.69%	18,386
Mayfair					
A	16	1,721,279	167,997	9.76%	45,607
B	24	1,201,455	265,730	22.12%	4,309
Total	40	2,922,734	433,727	14.84%	49,916
Milwaukee - Central					
A	-	-	-	-	-
B	4	150,896	-	-	-
Total	4	150,896	-	-	-
Milwaukee - NW					
A	7	784,068	203,379	25.94%	-
B	23	1,136,703	216,487	19.05%	60,524
Total	30	1,920,771	419,866	21.86%	60,524
Milwaukee - SE					
A	1	44,550	29,015	65.13%	(3,690)
B	5	224,020	69,843	31.18%	-
Total	6	268,570	98,858	36.81%	(3,690)
Milwaukee - SW					
A	3	133,887	38,634	28.86%	803
B	5	192,002	13,698	7.13%	1,790
Total	8	325,889	52,332	16.06%	2,593
Milwaukee - West					
A	-	-	-	-	-
B	16	2,076,350	282,371	13.60%	59,009
Total	16	2,076,350	282,371	13.60%	59,009
Brookfield/Pewaukee					
A	43	2,734,093	527,722	19.30%	17,639
B	76	3,354,648	446,584	13.31%	(26,146)
Total	119	6,088,741	974,306	16.00%	(8,507)
North Shore					
A	4	207,307	78,706	37.97%	1,864
B	27	1,254,464	383,475	30.57%	-
Total	31	1,461,771	462,181	31.62%	1,864
Mequon/Theinsville					
A	8	206,655	1,872	0.91%	-
B	6	190,703	55,647	29.18%	(126)
Total	14	397,358	57,519	14.48%	(126)
Waukesha - North					
A	-	-	-	-	-
B	12	313,026	24,345	7.78%	(2,321)
Total	12	313,026	24,345	7.78%	(2,321)
Waukesha - South					
A	-	-	-	-	-
B	22	803,791	97,313	12.11%	(2,677)
Total	22	803,791	97,313	12.11%	(2,677)
GRAND TOTAL					
A	100	11,732,986	1,914,435	16.32%	122,716
B	315	18,927,819	2,837,426	14.99%	130,248
Total	415	30,660,805	4,751,861	15.50%	252,964