

Market Synopsis

	Downtown	Suburban
Absorption SF	17,847	(19,834)
Vacancy	13.92%	19.78%
Class A NNN (Avg. Rate)	\$24.38	\$21.17
Class B Gross (Avg. Rate)	\$21.25	\$17.24

Notable Deals and Sales

- American Family Insurance leased 93,000 SF in the Mandel Printing Building
- Badger Mutual Insurance leased 19,964 SF at The Forty-Two
- America Works leased 17,435 SF at 310 W
- The 13 property portfolio at Brookfield Lakes Corporate Center sold for \$44.0 million.
- 501 W. Michigan sold for \$4.0 million (\$10.75/SF)
- 11020 W. Plank Court sold for \$3.9 million (\$79.49/SF)
- 10001 W. Innovation sold for \$5.65 million (\$103.7/SF)
- 222 E. Erie sold for \$9.65 million (\$113.79/SF)
- 10400 W. Innovation sold for \$8.38 million

4th Quarter Summary

Market Overview

While the 4th quarter vacancy and absorption figures show nominal swings in absorption, what's more compelling are the 2019 year-end totals within the Milwaukee Office market. These annual figures portray an accurate depiction of trends within the market and individual submarkets as we head into the first quarter of the new decade.

Year-end absorption totals for Downtown West and Downtown East indicate continued desire for CBD office product. With several large users active in the downtown marketplace and potentially seeking new construction options, older "B" product will continue to struggle without significant repositioning efforts and capital.

While Westown performed well and renovations are underway (HUB 640, 310W, HQ501) or are nearing completion (The Avenue), there's a substantial amount of competition, particularly with large blocks of vacant space. Badger Mutual Insurance selected The Forty-Two for its Milwaukee Headquarters in Q4 2019, bringing the complex to 100% occupancy. Similarly, American Family Insurance leased the former Mandel Printing Building (93,000 SF) indicating a preference for a downtown location in an effort to connect to the city of Milwaukee and attract/retain critical talent.

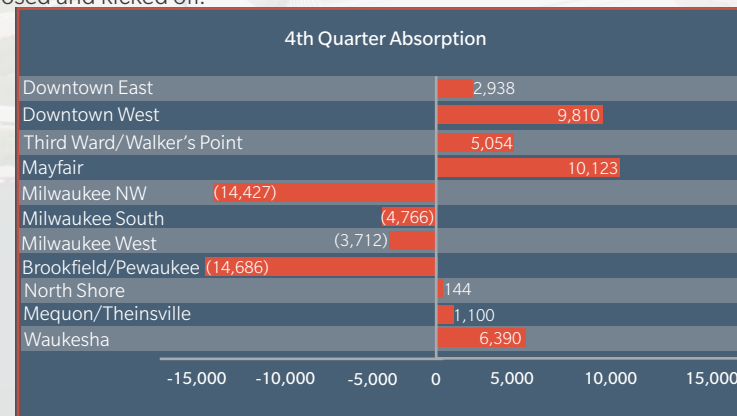
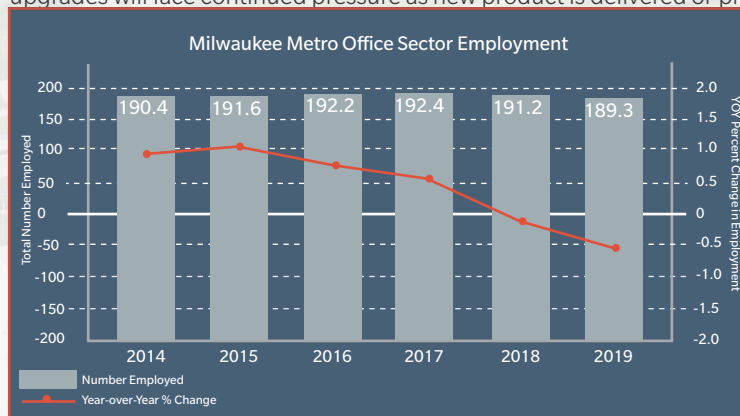
The western suburbs continue to struggle to attract new large users and backfill vacancies left by tenants relocating to the CBD. News of American Family eventually vacating their facility in Pewaukee, along with other users considering relocations to downtown and/or new construction options further add to the struggles within the Brookfield/Pewaukee second-generation product market.

The anomaly of 2019 is the activity within the Park Place submarket. Leonardo DRS, Eaton, Milwaukee Tool, and Froedtert are all investing in the submarket long-term; although we still have low-market trades such as the single-story building that traded at the end of the quarter for \$7.00/SF. It is a "tale of two markets" at Park Place, with Woodland Prime vastly outperforming One and Two Park and its surrounding buildings.

The Third Ward/ Walker's Point submarket unsurprisingly continues to show velocity with deals in the range of 3,000-5,000 SF, with steady year-long absorption comprised primarily of these smaller transactions.

The Mayfair submarket, which includes the Research Park, enjoyed over 54,000 SF of positive absorption in 2019 -- primarily in the Research Park. However, a key 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.

In summary, one thing is for certain, regardless of location, buildings that fail to make meaningful investments in tenant amenities and building upgrades will face continued pressure as new product is delivered or proposed and kicked off.

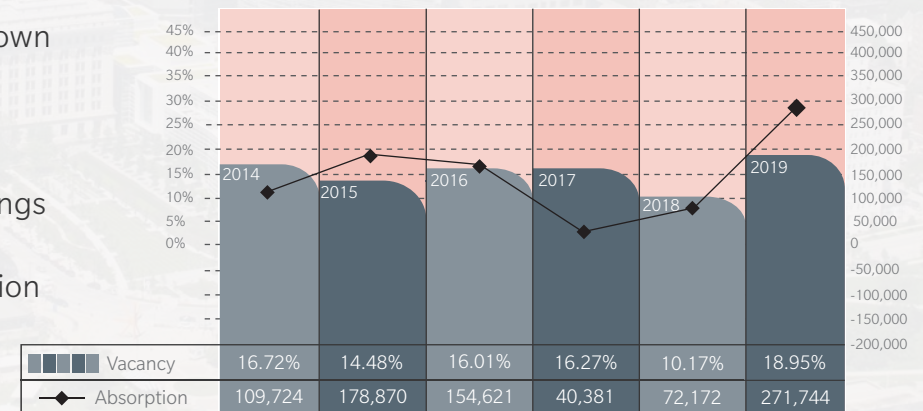


PROJECT UPDATES

The Avenue's catalytic redevelopment project has delivered its first tenant space to GRAEF and a first-floor food hall will follow in the spring. 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', despite construction delays, should be completed in the spring with the announcement that the adjacent building, 770 N. Water, will be redeveloped into a mixed-use. 'HQ501', the former Assurant Building at 501 W. Michigan, will be converted to a mixed-use office and hospitality complex with controlled parking and an attractive basis in the shell of just \$11.00/SF. Ballpark Commons in Franklin and Cobal Partners' mixed-use 'Allis Yards' development in West Allis looks to provide new construction options in the Milwaukee South and West submarkets, respectively.

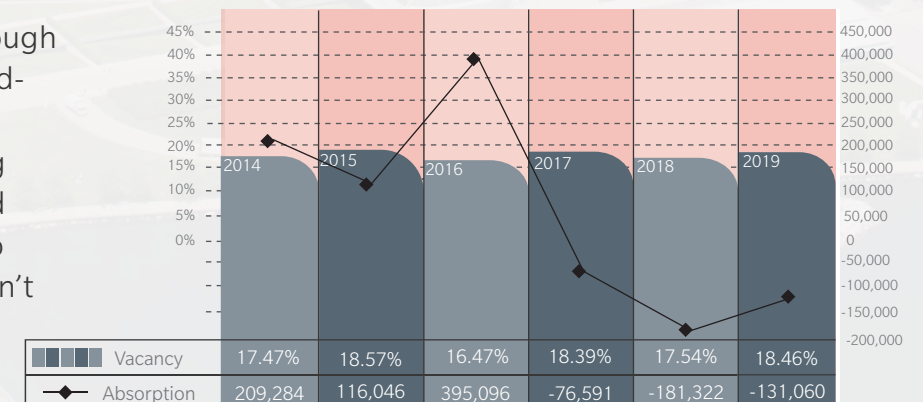
DOWNTOWN OUTLOOK - Downtown East, Downtown West, and Third Ward/Walker's Point

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 half of 2020. One area to watch in particular is Westtown, with substantial inventory creating deal competition among landlords.



SUBURBAN OUTLOOK

The suburbs will continue to struggle to compete against downtown, though sizable deals in the Brookfield/Pewaukee submarket 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 -- as seen by the recent successes at Honey Creek and The Research Park. 'Allis Yards' will offer new product to compete head to head with these areas, which is a sentiment the West Allis submarket hasn't seen in quite some time.



Submarket	Buildings	Building Size	Vacancy %	Q4 19 Total Absorption	Year to Date Net Absorption	Overall Average Asking Rent
Downtown - East						
A	12	4,908,941	11.44%	1,702	58,370	\$30.38
B	34	2,992,248	9.81%	1,281	34,810	\$20.15
Total	46	7,901,189	10.82%	2,983	93,180	\$25.26
Downtown - West						
A	3	722,617	52.46%	17,453	3,352	\$20.32
B	26	3,172,821	14.60%	(7,643)	129,499	\$20.86
Total	29	3,895,438	21.62%	9,810	132,851	\$20.59
Third Ward/Walker's Point						
A	3	263,369	5.99%	-	19,409	\$22.44
B	36	1,930,302	12.11%	5,054	26,304	\$22.50
Total	39	2,193,671	11.37%	5,054	45,713	\$22.47
Mayfair						
A	16	1,721,279	9.59%	7,807	84,735	\$26.39
B	24	1,201,455	21.89%	2,316	(28,342)	\$16.72
Total	40	2,922,734	14.65%	10,123	56,393	\$21.56
Milwaukee - NW						
A	6	748,031	32.93%	(44,269)	(42,969)	\$22.72
B	22	1,083,929	26.26%	29,842	(54,692)	\$17.35
Total	28	1,831,960	28.98%	(14,427)	(97,661)	\$20.03
Milwaukee - South						
A	4	179,554	28.64%	-	(12,172)	\$20.47
B	5	192,002	9.40%	(4,766)	2,078	\$17.34
Total	9	371,556	18.70%	(4,766)	(10,094)	\$18.91
Milwaukee - West						
A	-	-	#VALUE!	-	-	-
B	16	2,076,350	14.26%	(3,712)	63,107	\$17.42
Total	16	2,076,350	14.26%	(3,712)	63,107	\$17.42
Brookfield/Pewaukee						
A	43	2,732,901	19.33%	40,456	16,335	\$22.29
B	76	3,268,512	16.64%	(55,142)	(97,681)	\$17.96
Total	119	6,001,413	17.87%	(14,686)	(81,346)	\$20.13
North Shore						
A	4	207,307	46.66%	1,864	(16,157)	\$22.07
B	27	1,269,964	38.79%	(1,720)	(28,044)	\$17.24
Total	31	1,477,271	39.89%	144	(44,201)	\$19.65
Mequon/Thiensville						
A	9	244,325	16.18%	-	-	\$16.68
B	6	190,703	28.60%	1,100	(3,222)	\$17.62
Total	15	435,028	21.63%	1,100	(3,222)	\$17.15
Waukesha						
A	1	44,550	65.13%	-	637	\$18.14
B	39	1,339,329	13.81%	6,390	(14,673)	\$16.30
Total	40	1,383,879	15.46%	6,390	(14,036)	\$17.22
GRAND TOTAL						
A	101	11,772,874	17.95%	25,013	111,540	\$22.19
B	311	18,717,615	16.71%	(27,000)	29,144	\$18.40
Total	412	30,490,489	17.19%	(1,987)	140,684	\$20.30