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CARW/Xceligent 2016—3rd Quarter Commercial Real Estate Market Report

Southeastern Wisconsin Commercial Real Estate Markets have continued the year positively with relatively steady vacancy rates and positive absorption, according to the commercial real estate market reports for the third quarter of 2016, released today by CARW and Xceligent. The market reports are produced in collaboration of CARW and Xceligent under the direction of an advisory panel of CARW member commercial real estate professionals.

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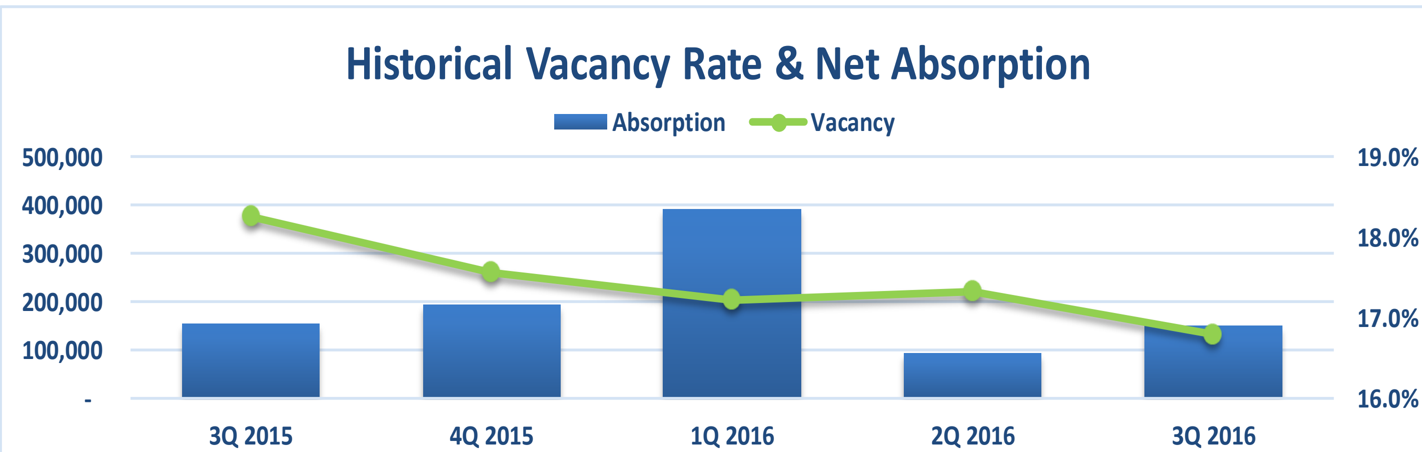
Milwaukee Office Market Q3/2016

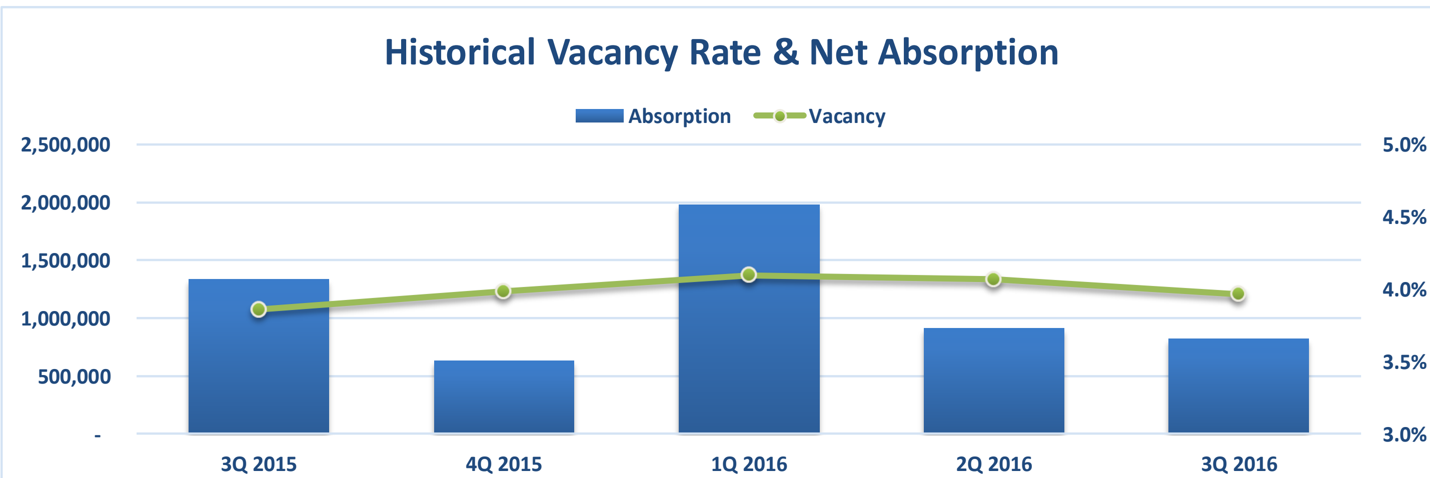
- During 3Q 2016, the Milwaukee office market experienced 150,722 square feet (sf) of positive net absorption, bringing the total year-to-date net absorption to 626,945 sf. The overall vacancy rate for the market decreased 40 basis points to 16.8% as increases in occupancy outpaced newly introduced vacant space.
- The weighted average asking direct rental rate for the market rose $0.38 per sf from last quarter to $20.14 FSG as the vacancy rate continues to drop, pushing asking rents higher.
- The downtown office market experienced just over half of the positive net absorption gained this quarter, with the majority taking place in the Downtown East submarket with 54,061 sf.
- Though Class A office properties are outperforming Class B properties in terms of overall occupancy, Class B (121,675 sf) posted more quarterly net absorption than Class A (29,068 sf). Of the top five positive net gains for the quarter, three were from Class B properties including Schlitz RiverCenter in the Downtown West submarket.
- The Laacke & Joys redevelopment at 1421 N Water Street in downtown Milwaukee is currently under way and will deliver 110,000 sf of Class A space in 2Q 2017 and will be anchored by Bader Rutter, a local marketing firm.



	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Quarterly Net Absorption (SF)	YTD Net Absorption (SF)
A	131	12,670,964	2,240,865	1,830,264	14.4%	29,068	449,413
B	255	14,407,952	3,428,321	2,805,291	19.5%	121,675	165,965
C	23	1,127,184	161,261	100,065	8.9%	-21	11,567
Overall	**409**	**28,206,100**	**5,830,447**	**4,735,620**	**16.8%**	**150,722**	**626,945**

Milwaukee Industrial Market Q3/2016

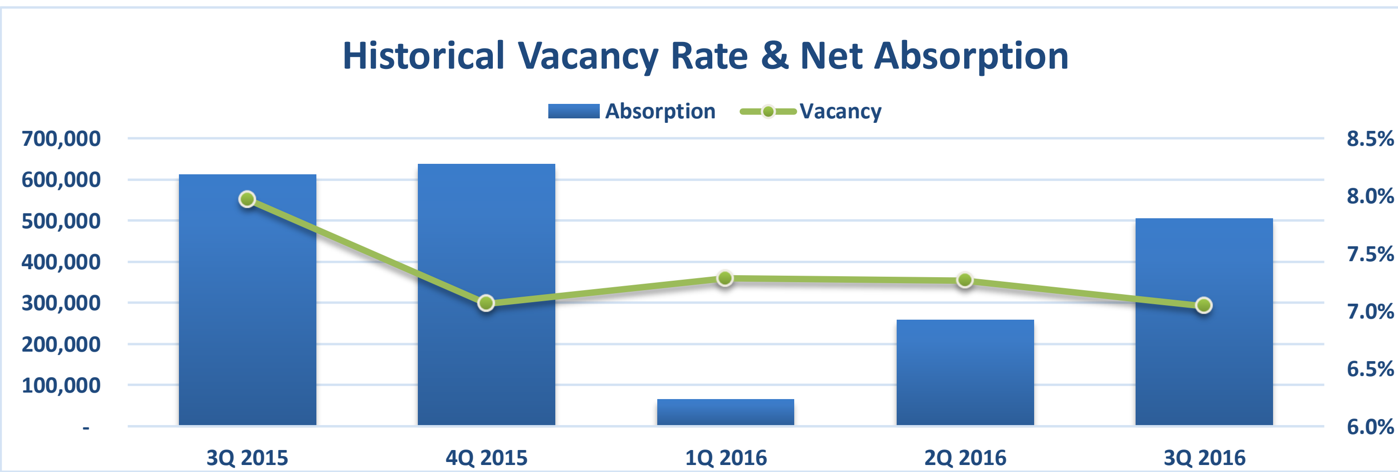
- At 4.0%, the industrial market for Southeastern Wisconsin saw the vacancy rate diminish by 10 basis points during 3Q 2016. This is due to a large amount of tenant expansion activity, the largest being 601,439 square feet (sf) in Kenosha.
- The market posted another quarter of positive net absorption, with 819,932 sf. The year-to-date net absorption was 3,760,049 sf, aided by the completion of several large projects and steady tenant activity.
- The Kenosha submarket posted the largest positive absorption during 3Q 2016 with 601,439 sf, due to Ariens leasing all of First Park 94, Building A. The Racine submarket witnessed the largest negative absorption for the quarter with -348,580 sf, attributed to JRS Distribution vacating two separate warehouse spaces totaling 299,335 sf.
- The weighted average asking rental rate for the Milwaukee market decreased $0.04 per sf to $4.38 NNN during 3Q 2016, due to the shift in rents on available space and the direct correlation with the class and quality of property.
- Despite elevated construction costs, Southeastern Wisconsin boasts just over 3.1 million sf in construction projects currently under way. The Kenosha submarket leads the pack with 2.1 million sf in projects, with the largest being Uline's 880,000 sf distribution center at 38th Street and 120th Avenue in Kenosha.



	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Total Quarterly Net Absorption (SF)	YTD Total Net Absorption (SF)
Flex/R&D	1,028	45,600,812	3,312,594	1,912,787	4.2%	68,533	608,199
Warehouse -	704	72,710,030	7,287,304	4,789,780	6.6%	-205,706	1,552,576
Light Industrial	2,640	158,146,845	7,770,494	4,265,099	2.7%	957,105	1,599,274
Grand Total	**4,372**	**276,457,687**	**18,370,392**	**10,967,666**	**4.0%**	**819,932**	**3,760,049**

Milwaukee Retail Market Q3/2016

- The Milwaukee retail market experienced a 30 basis points decrease during 3Q 2016 to 7.0%, down 100 basis point from this same period in 2015. This is attributed to steady market activity and new construction completions, most of which are fully occupied.
- The market absorbed 504,407 square feet (sf) this quarter, bringing the year-to-date total to 829,404 sf. This is due to the completion of Meijer in Waukesha, Sam's Club on the northwest side of Milwaukee, and furniture retailer At Home occupying a former Kmart on South 27th Street in Milwaukee.
- Milwaukee and Waukesha counties continue to see the majority of the market activity during 3Q 2016 with vacancy rates of 6.5% and 5.8%, respectively.
- The weighted average direct asking rent for the market stands at $12.29 per sf, up $1.18 from last quarter. The rise can be attributed to tightening market conditions and new construction driving up rents.
- Construction continues to fuel the market and provide new space to compete with existing inventory. Some of the more notable projects under way include The Corners in the Town of Brookfield, 84South in Greenfield and Drexel Towne Square in Oak Creek. In total, there is over 2.1 million sf of new retail under construction in Southeastern Wisconsin.



	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Total Quarterly Net Absorption (SF)	YTD Total Net Absorption (SF)
Regional Ctr	10	6,388,669	325,712	325,712	5.1%	-	72,104
Neighborhood Ctr	164	14,842,023	1,828,249	1,560,888	10.5%	7,591	66,321
Power Ctr	195	18,840,713	437,124	404,126	2.1%	342,956	664,817
Conv/Strip Ctr	80	3,524,369	439,683	392,089	11.1%	-330	-11,654
Community Ctr	71	12,226,603	1,380,819	1,248,773	10.2%	154,190	37,816
Overall	**520**	**55,822,377**	**4,411,587**	**3,931,588**	**7.0%**	**504,407**	**829,404**