

# MARKETBEAT MILWAUKEE

## Office Q1 2023

**22.3%**  
Vacancy Rate



**-807**  
YTD Net Absorption, SF



**\$21.81**  
Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q1 2023

**855.2K**  
Milwaukee  
Employment



**3.1%**  
Milwaukee  
Unemployment Rate



**3.5%**  
U.S.  
Unemployment Rate



Source: BLS, Moody's Analytics  
2023Q1 data are based on latest available data.

### ECONOMY

Home to six Fortune 500 companies, Metro Milwaukee is known for its historically strong manufacturing and financial services industries, while its growing water technology and energy industries position Milwaukee as a regional center of innovation. Metro Milwaukee's unemployment rate decreased 40 basis points (bps) year-over-year (YOY) to 3.1%, and employment grew 0.7% YOY.

### MARKET OVERVIEW

The Milwaukee office market reported minimal negative absorption of -807 square feet (sf) in the first quarter of 2023. The overall vacancy rate increased to 22.3%, a 160 bps increase YOY. For the second consecutive quarter, net absorption in the Central Business District (CBD) was positive, totaling 43,614 sf and led by large leases signed at BMO Tower by Baker Tilly, CBRE, and Fiduciary Management as the "flight to quality" continues in Downtown Milwaukee. However, absorption in the Non-CBD submarkets was negative for the fourth consecutive quarter at -44,421 sf, led by large vacancies in the Brookfield submarket.

Overall rates have remained stable around \$21-\$22 per square foot (psf) since late 2021, with the Q1 overall market asking rate at \$21.81 psf. The Class A asking rate is \$24.82 psf, a 2.1% increase YOY and a slight 0.6% decrease QOQ. Overall rates have been relatively stable around \$21-\$22 psf since late 2021 and have remained at historically high levels due to upward pressure from increasing NNN expenses, despite high market vacancy.

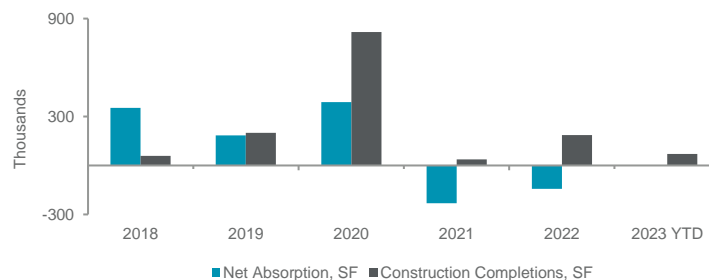
Almost exact opposite net absorption between the CBD and Non-CBD reaffirms that Milwaukee's office market movement continues to be dominated by local firms moving within the market. Recently, companies have been relocating to the CBD to assist their workforce recruitment desires and to create more vibrant office environments in the era of hybrid work. "Flight to quality" trends can also be seen in opposite absorption numbers between Class A and Class B properties with Class A net absorption at 80,241 sf in Q1, while Class B properties experienced -81,048 sf absorption.

### OUTLOOK

Milwaukee's office market continues its reputation as a stable market immune from immense levels of turbulence. Without mass movement of new tenants entering the market, low amounts of absorption will continue along with stabilized rents and vacancy. Tenants continue to seek smaller and higher quality space as the hybrid work environment continues. A return to pre-pandemic vacancy levels will likely take time, but it appears the worst effects of the pandemic have passed.

CBD office market fundamentals could improve as office to multi-family conversions continue to occur. Developers recently proposed plans to convert prominent downtown property 100 East (100 E Wisconsin Ave) to apartments. Currently only 55% occupied, existing tenants have already begun searching for new space within the market. Less overall vacant inventory and an influx of space absorbed in nearby properties will create an environment more attractive for investment.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



**MARKET STATISTICS**

SUBMARKET	INVENTORY (SF)	OVERALL AVAIL (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown East	7,938,051	2,145,436	1,576,744	19.9%	46,804	46,804	74,821	0	\$27.72	\$29.30
Downtown West	3,757,989	1,203,065	977,428	26.0%	-3,190	-3,190	30,010	0	\$20.98	\$19.21
<b>CBD TOTALS</b>	<b>11,696,040</b>	<b>3,348,501</b>	<b>2,554,172</b>	<b>21.8%</b>	<b>43,614</b>	<b>43,614</b>	<b>104,831</b>	<b>0</b>	<b>\$25.27</b>	<b>\$26.28</b>
Brookfield	4,271,696	1,539,133	1,109,847	26.0%	-93,861	-93,861	70,629	0	\$19.87	\$21.21
Mayfair / Wauwatosa	3,043,609	919,037	735,656	24.2%	-6,173	-6,173	53,291	0	\$20.91	\$24.99
North Shore	1,955,161	672,882	577,045	29.5%	-2,921	-2,921	6,390	0	\$16.28	\$23.77
Northwest	1,736,002	560,904	383,563	22.1%	6,116	6,116	17,064	0	\$16.88	\$21.64
Ozaukee	608,436	88,424	57,783	9.5%	-9,295	-9,295	10,007	0	\$16.23	\$18.68
Southeast	421,846	199,886	197,525	46.8%	1,278	1,278	1,278	0	\$15.81	N/A
Southwest	354,606	111,451	56,767	16.0%	1,118	1,118	6,467	0	\$15.93	\$15.93
Third Ward / Walker's Point	2,255,312	626,598	418,777	18.6%	32,096	32,096	60,078	0	\$26.15	\$29.00
Waukesha / Pewaukee	2,466,636	698,511	460,257	18.7%	28,146	28,146	41,043	61,779	\$19.79	\$22.75
West Allis	2,035,293	683,483	333,915	16.4%	-925	-925	12,874	0	\$17.36	N/A
<b>NON-CBD TOTALS</b>	<b>19,148,597</b>	<b>6,100,309</b>	<b>4,331,135</b>	<b>22.6%</b>	<b>-44,421</b>	<b>-44,421</b>	<b>279,121</b>	<b>61,779</b>	<b>\$19.53</b>	<b>\$22.93</b>
<b>MILWAUKEE TOTALS</b>	<b>30,844,637</b>	<b>9,448,810</b>	<b>6,885,307</b>	<b>22.3%</b>	<b>-807</b>	<b>-807</b>	<b>383,952</b>	<b>61,779</b>	<b>\$21.81</b>	<b>\$24.82</b>

\*Rental rates reflect full service asking

**KEY LEASE TRANSACTIONS Q1 2023**

PROPERTY	SUBMARKET	TENANT	SF	TYPE
BMO Tower – 790 N Water Street, Milwaukee	Downtown East	Baker Tilly	39,520	New
The Timbers – 700 W Virginia Street, Milwaukee	Third Ward / Walker's Point	Capital First Trust Company	22,178	New
Liberty I – 11414 W Park Place, Milwaukee	Northwest	Jacobus Energy	17,064	New
BMO Tower – 790 N Water Street, Milwaukee	Downtown East	CBRE	15,330	New
BMO Tower – 790 N Water Street, Milwaukee	Downtown East	Fiduciary Management / Kelben Foundation	13,275	New

**KEY SALES TRANSACTIONS Q1 2023**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2855 S James Drive, New Berlin	Waukesha / Pewaukee	Brennan Investment Group / Eat FBO Hamilton Holdings LLC	86,204	\$3.4M / \$40
Millennium Place Office Center – 116 Quail Court, Pewaukee	Waukesha / Pewaukee	Quail Crossroads Investments LLC / David Meggs	25,000	\$3.0M / \$119
Parkridge Center II - N21 W23340 Ridgeview Parkway, Waukesha	Waukesha / Pewaukee	Best Management LLC / Park Ridge Center II LLC	19,968	\$3.3M / \$163

**KEY CONSTRUCTION COMPLETIONS YTD 2023**

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Innovation One – 1401 Discovery Pkwy, Wauwatosa	Mayfair / Wauwatosa	Irgens	70,357	Irgens

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