

MARKETBEAT MILWAUKEE

Office Q3 2022

	YoY Chg	12-Mo. Forecast
21.7% Vacancy Rate	▲	▬
-169K YTD Net Absorption, SF	▲	▲
\$21.38 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
845.5 Milwaukee Employment	▲	▲
3.4% Milwaukee Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics
2022Q3 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 continues to recover from the pandemic, with unemployment rate declining 80 basis points (bps) year-over-year (YOY) to 3.4%, and overall employment growing 1.2% YOY.

MARKET OVERVIEW

The Metro Milwaukee office market reported negative absorption of -117,422 square feet (sf) in the third quarter, bringing year-to-date totals to -168,918 sf. The vacancy rate quarter-over-quarter (QOQ) increased 60 bps to 21.7% and experienced a 110 bps increase YOY. Absorption in the Central Business District (CBD) remained negative for the seventh consecutive quarter totaling roughly -38,174 sf for the period, led by Physicians Realty Trust vacating large amounts of space at 111 E Wisconsin Ave (Chase Tower) in the Downtown East submarket. Absorption in the suburban markets was negative for the second consecutive quarter totaling roughly -79,248 sf. However, Class A absorption in the suburbs remained strong at 86,584 sf in Q3, led by the only market delivery in Q3 at 17335 Golf Pkwy absorbing 162,769 sf of space alone, with anchor tenant Milliman occupying 121,352 sf.

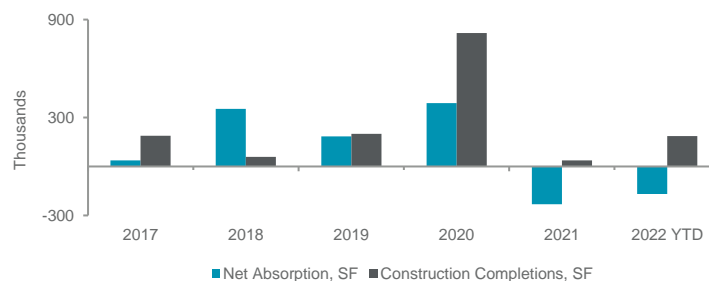
Despite large overall negative absorption in Q3, leasing activity was strong with 83 leases executed for over 455,133 sf, representing a 16.8% increase QOQ, a 70.1% increase YOY, and the highest level of activity since Q1 2020. Of the new leases, over 94% of the activity occurred in the suburban submarkets. Notable activity this quarter included the addition of two new headquarters from out-of-market firms. 3D printing company Formlabs occupied 18,424 sf of sublease space at 220 E Buffalo St for its new regional headquarters, and manufacturer Twin Disc Inc. leased 8,100 sf of space for relocation of its corporate team from Racine, WI to 222 E Erie St in the near future. Both spaces are located in the Historic Third Ward and showcase the continued interest out-of-market firms have in the Metro Milwaukee market.

Overall market asking rate is \$21.38 per square foot (psf), down 2.1% from Q2, and the Class A asking rate is \$23.77 psf, down 2.7% QOQ as the flight to Class A buildings begins to ease. Rates are still higher than they were a year ago with the overall market rate up 4.0% YOY and Class A rate up 4.8% YOY.

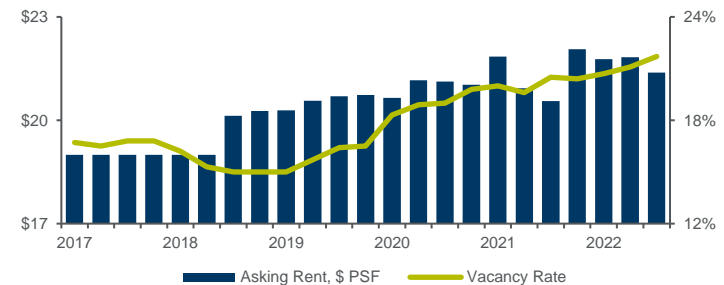
OUTLOOK

Vacancy rates have stabilized at their current levels or have started declining in almost all submarkets, except for the Downtown East and Third Ward/Walker's Point submarkets, however we have seen an increase in tour activity downtown from suburban companies looking to relocate or open a downtown branch. This trend signals the worst may have passed for the overall market, as employees continue to return to the office and firms have adjusted to meet their post-pandemic space needs.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT 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	7,641,137	0	1,415,764	18.5%	-45,039	-92,102	209,033	0	\$27.46	\$28.97
Downtown West	3,515,576	0	930,441	26.5%	6,865	9,665	52,530	0	\$19.28	\$17.73
CBD TOTALS	11,156,713	0	2,346,205	21.0%	-38,174	-82,437	261,563	0	\$24.84	\$25.79
Brookfield	4,311,468	0	994,372	23.1%	62,398	43,331	348,203	0	\$20.18	\$21.69
Mayfair / Wauwatosa	2,973,252	0	679,025	22.8%	-8,928	18,905	143,461	70,357	\$19.66	\$20.52
North Shore	1,959,305	0	516,056	26.3%	-11,919	23,958	77,119	0	\$16.30	\$23.06
Northwest	1,736,002	0	389,679	22.4%	-71,552	-42,087	49,383	0	\$18.24	\$21.74
Ozaukee	608,436	0	60,952	10.0%	9,047	40,866	59,474	0	\$17.50	\$18.84
Southeast	421,846	0	204,661	48.5%	3,690	15,935	15,935	0	\$15.92	N/A
Southwest	354,606	0	59,601	16.8%	5,210	4,149	15,263	0	\$16.14	\$16.83
Third Ward / Walker's Point	2,281,705	0	478,469	21.0%	-81,185	-83,274	98,175	0	\$26.05	\$28.26
Waukesha / Pewaukee	2,587,793	0	589,157	22.8%	13,372	-136,353	72,517	0	\$18.55	\$19.29
West Allis	2,038,528	0	297,229	14.6%	619	28,089	38,705	0	\$17.36	N/A
NON-CBD TOTALS	19,272,941	0	4,269,201	22.2%	-79,248	-86,481	918,235	70,357	\$19.32	\$21.61
MILWAUKEE TOTALS	30,429,654	0	6,615,406	21.7%	-117,422	-168,918	1,179,798	70,357	\$21.38	\$23.77

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Golf Parkway Corporate Center - 17335 Golf Parkway	Brookfield	Milliman	121,352	New
Brookfield Lakes Corporate Center XVII - 18500 W Corporate Drive	Brookfield	Old Republic Surety	31,521	New
Mercantile Building Expansion - 220 E Buffalo Street	Third Ward / Walker's Point	Formlabs	18,424	New

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
One Park Plaza - 11270 W Park Place & Liberty I - 11414 W Park Place	Northwest	Sovereign Partners, LLC / Melrose Milwaukee Holdings, LLC	286,049	\$26.3M / \$92
Parkland Center - 11200 W Parkland Avenue	Northwest	The GC Net Lease (Milwaukee) Investors, LLC / Workspace Property Trust	240,675	\$20.8M / \$87
Fair Park Business Center - 620 S 76th Street	West Allis	SARA Investment Real Estate / Beau Pere Real Estate, LLC	119,971	\$14.6M / \$122

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
17335 Golf Parkway, Brookfield	Brookfield	Milliman	186,000	Irgens

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