

MARKETBEAT MILWAUKEE



CUSHMAN &
WAKEFIELD

BOERKE

Office Q4 2023

	YoY Chg	12-Mo. Forecast
22.9% Vacancy Rate	▲	▲
-189K YTD Net Absorption, SF	▼	▼
\$22.13 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
856.2K Milwaukee Employment	▲	▲
3.6% Milwaukee Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics
Q4 2023 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 increased 40 basis points (bps) year-over-year (YOY) to 3.6%, and employment grew 0.2% YOY.

MARKET OVERVIEW

The Milwaukee office market reported 129,805 square feet (sf) of net absorption in the fourth quarter of 2023, decreasing the overall vacancy rate to 22.9%, a 60 bps decrease from Q3 and 120 bps increase YOY. The Central Business District (CBD) reported positive absorption of 168,741 sf in Q4, and Non-CBD submarkets again reported negative absorption, totaling -38,936 sf, as firms continue to seek space in the CBD and adapt to hybrid work environments. As 2023 comes to an end, the submarket that saw the largest amount of positive absorption was Downtown West with 217,678 sf in year-end absorption. Contrarily, the Brookfield submarket experienced the highest amount of negative absorption totaling -181,079 sf in 2023.

Total market leasing activity in Q4 remained strong totaling 448,557 sf, with Class A space equaling 78% of space leased. CBD leasing led the way with Marcus Corporation leasing 51,891 sf, relocating their headquarters to Associated Bank River Center in the Downtown East submarket, along with U.S. Citizenship & Immigration Services leasing 21,350 sf at 310 W Wisconsin Avenue in the Downtown West submarket.

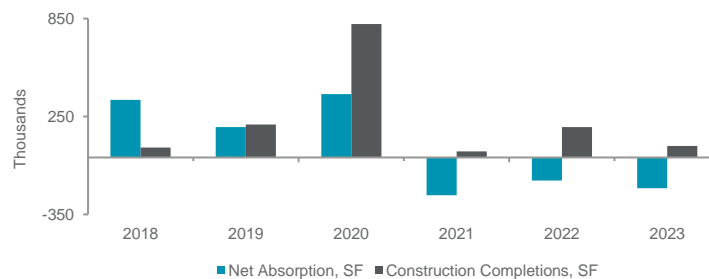
The market's overall rental rate decreased slightly quarter-over-quarter (QOQ) to \$22.13 per square foot (psf), continuing a stable gross rate around \$21-\$22 psf since late 2021, as high market vacancy remains, with slight recent increases due to inflationary effects on NNN expenses along with high-quality space asking rates increasing as strong demand persists. The Class A asking rate slightly decreased in Q4 to \$24.97 psf, equaling its YOY value from Q4 2022.

Class A properties continue to perform well, with 177,292 sf of net absorption in Q4. Total 2023 net absorption for Class A properties totaled 49,144 sf, while Class B properties experienced -231,640 sf, showcasing the "flight to quality" in the market.

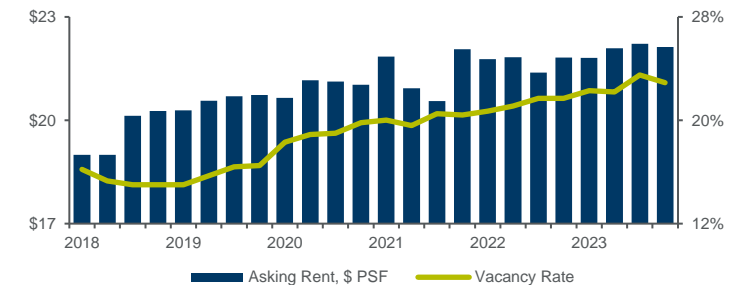
OUTLOOK

Although Milwaukee's office market continues to see increased level of tenant leasing activity, bloated levels of Class B & C inventory, persisting tenant downsizing and sublease space becoming direct vacancy, continue increasing market vacancy. Class A space remains in high demand and without many options on the market, tenants could consider adaptive reuse of Class B space or other creative solutions to meet their needs. The upcoming year could also see more properties being returned to lenders as debt comes due, creating opportunity for possible reuse or new ownership entering the market.

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	7,950,836	2,328,599	1,792,846	22.5%	-11,551	-162,612	749,753	0	\$27.62	\$29.34
Downtown West	3,757,989	1,055,503	756,510	20.1%	180,292	217,678	282,372	0	\$20.80	\$19.52
CBD TOTALS	11,708,825	3,384,102	2,549,356	21.8%	168,741	55,066	1,032,125	0	\$25.37	\$26.38
Brookfield	4,205,053	1,479,713	1,183,013	28.1%	18,946	-181,079	441,889	0	\$20.21	\$21.62
Mayfair / Wauwatosa	3,134,618	986,483	757,651	24.2%	14,111	-37,155	237,503	0	\$22.20	\$25.65
North Shore	1,902,105	640,962	552,168	29.0%	-30,764	-38,208	25,847	0	\$16.78	\$23.75
Northwest	1,736,002	574,369	413,316	23.8%	-43,718	-19,664	36,453	0	\$16.70	\$21.30
Ozaukee	608,436	121,911	95,564	15.7%	8,665	-47,121	25,746	0	\$16.82	\$18.90
Southeast	263,076	59,698	36,120	13.7%	0	3,913	14,472	0	\$13.93	N/A
Southwest	354,606	109,353	60,838	17.2%	-703	-2,953	16,074	0	\$15.89	\$16.44
Third Ward / Walker's Point	2,255,312	604,672	439,752	19.5%	-3,940	33,629	163,232	0	\$26.67	\$28.95
Waukesha / Pewaukee	2,466,636	743,454	478,588	19.4%	-6,177	9,632	126,007	61,779	\$20.73	\$23.39
West Allis	1,640,365	716,834	353,795	21.6%	4,644	34,682	59,835	0	\$17.70	N/A
NON-CBD TOTALS	18,566,209	6,037,449	4,370,805	23.5%	-38,936	-244,324	1,147,058	61,779	\$20.10	\$23.40
MILWAUKEE TOTALS	30,275,034	9,421,551	6,920,161	22.9%	129,805	-189,258	2,179,183	61,779	\$22.13	\$24.97

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Associated Bank River Center-- 111 E Kilbourn Ave, Milwaukee	Downtown East	The Marcus Corporation	51,891	New
310W - 310 W Wisconsin Ave, Milwaukee	Downtown West	U.S. Citizenship and Immigration Services	21,350	New
17950 W Corporate Dr, Brookfield	Brookfield	Waterstone Mortgage	12,234	New
16650 W Bluemound Rd, Brookfield	Brookfield	Highlander Dermatology	10,756	New
17335 Golf Parkway, Brookfield	Brookfield	Marsh McLennan	10,731	New

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
One & Two Riverwood Place - N17W24222 & N19W24133 Riverwood Dr, Pewaukee	Waukesha / Pewaukee	Woodside Capital Partners / The Broe Group	205,650	\$11.25M / \$55

KEY CONSTRUCTION COMPLETIONS YTD 2023

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

DAN PALEC

Director of Research

+1 414 436 3712 / dpalec@boerke.com

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