

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.5% Vacancy Rate	▲	▲
134 YTD Net Absorption, SF	▲	▲
\$22.65 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
864.2K Milwaukee Employment	▲	▼
3.3% Milwaukee Unemployment Rate	▲	▲
4.1% United States Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

ECONOMY

Home to six Fortune 500 companies, Metro Milwaukee is known for its historically strong manufacturing and financial services industries, along with a bustling downtown area emerging as a vibrant economic center. Meanwhile, the city's growing water technology and energy sectors position Milwaukee as a regional hub of innovation. Metro Milwaukee's unemployment rate increased 20 basis points (bps) year-over-year (YOY) to 3.3%, and overall employment grew 0.3% YOY.

MARKET OVERVIEW

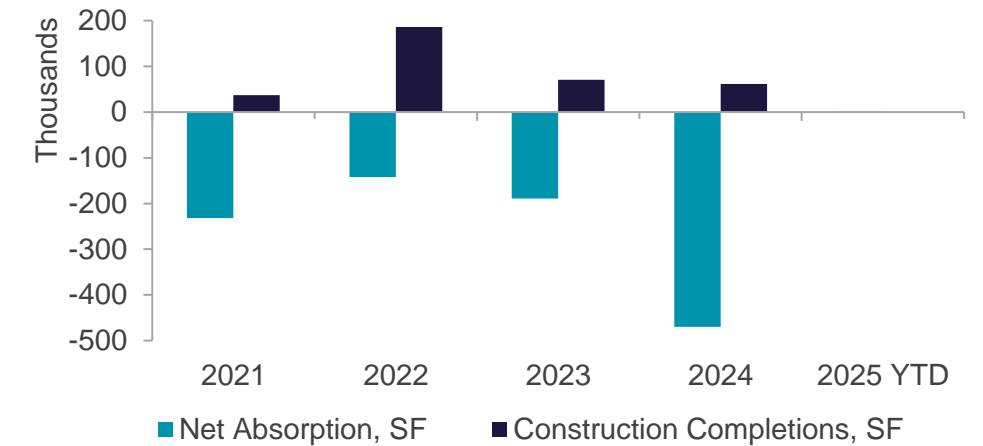
For the first quarter in almost two years, Metro Milwaukee's office market reported positive absorption, with just 134 square feet (sf) of total positive absorption in Q1 2025. This modest gain still marks a significant milestone, indicating a potential shift towards market stabilization. However, the market's vacancy rate remains elevated at 24.5%, reflecting a YOY increase of 160 bps.

The Central Business District (CBD) experienced 7,199 sf of positive absorption in Q4, driven by Milwaukee County's Department of Administrative Services leasing 24,767 sf at Enerpac Center in the Downtown West submarket. Class A properties in the CBD experienced 9,663 sf of positive absorption in Q1, bringing vacancy down to 13.4% for that subset, indicating a continued preference for high-quality spaces in the downtown environment as tenants seek out properties that offer modern amenities and prime locations.

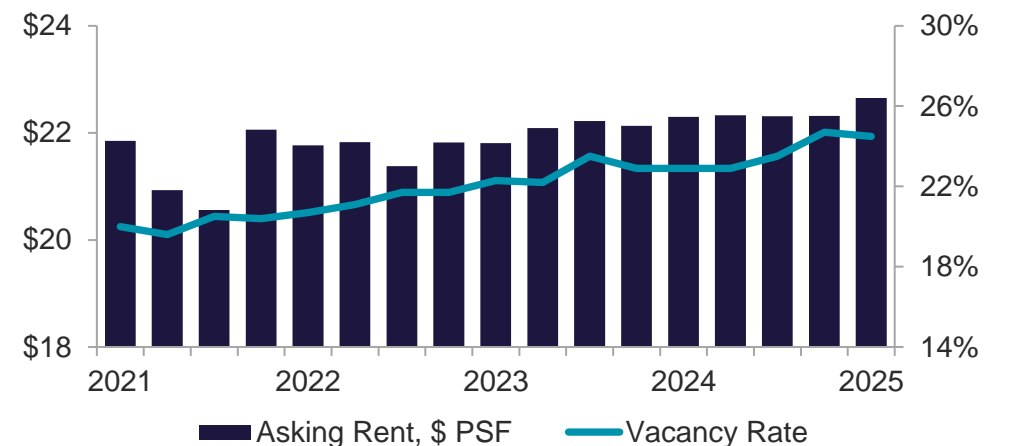
The Brookfield submarket experienced the most total new leasing activity in Q1, totaling 61,515 sf. Notable activity includes EMC Insurance leasing 6,764 sf at 17335 Golf Pkwy, completing lease-up of one of the market's most prominent post-COVID developments. Other submarkets that saw high levels of new leasing activity in Q1 include Waukesha / Pewaukee (29,491 sf) and Third Ward / Walker's Point (24,987 sf).

The market's overall asking rental rate slightly increased by 1.6% YOY to \$22.65 gross per square foot (psf), maintaining a stable rate in the range of \$21-\$23 psf since late 2021. The Class A asking rate remains substantially higher than other classes at \$27.77 psf, with Class B properties asking \$20.99 psf and Class C properties at \$18.20 psf. This disparity in rental rates reflects the premium that tenants are willing to pay for higher quality spaces

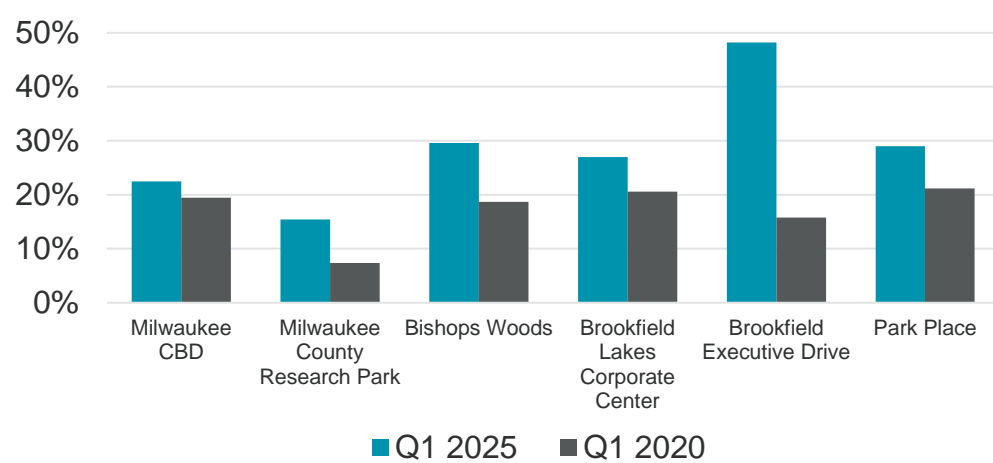
SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



VACANCY RATE BY BUSINESS PARK / CORRIDOR



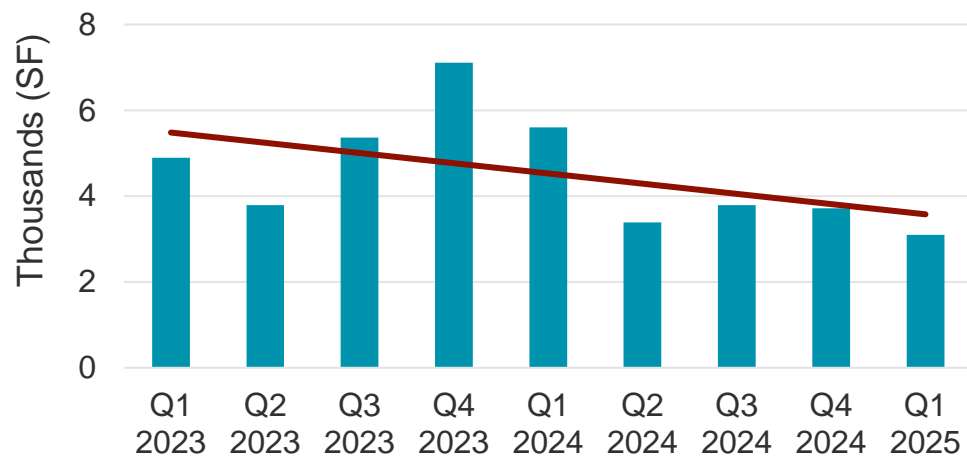
EVOLVING TENANT PREFERENCES TRANSFORMING BUSINESS PARKS

Milwaukee's key office parks and corridors reflect evolving tenant preferences. The Milwaukee CBD and Milwaukee County Research Park stand out with the lowest vacancy rates, driven by their high concentration of Class A properties—37% in the CBD and 62% in the Research Park. Both locations offer strong accessibility, walkable retail options, and unique external amenities, such as urban activation in the CBD and outdoor trails in the Research Park. Conversely, since the pandemic, the Brookfield submarket has experienced significant negative absorption, pushing vacancy rates to 30.4%. Its three primary business parks—Bishops Woods, Brookfield Lakes Corporate Center, and Brookfield Executive Drive—mirror this trend, largely due to a limited supply of in-demand Class A space, which accounts for just 20% of these corridors. Notably, this Class A space is currently 31.2% vacant.

OUTLOOK

- GE Healthcare in Wauwatosa, Northwestern Mutual in Franklin, and Fiserv in Brookfield are planning to vacate a combined 1.6 million sf of space. Although GE and Northwestern Mutual's properties are owner-user properties and not currently in the tracked set, a purchase by an investor could increase market vacancy while providing new options for larger footprint tenants to consider.
- Class A properties continue to perform the best in the market, boasting a 19.2% vacancy rate compared to Class B/C properties at 26.6%. Class B/C properties without adequate amenities will continue to struggle to lease tenants unless ownership provides significant tenant improvement (TI) allowances or completes substantial upgrades.
- Increased tariffs at the national level could have a local effect on the office market. Higher tariffs will likely lead to increased TI costs, which could put downward pressure on rental rates but upward pressure on lease terms to amortize costs.

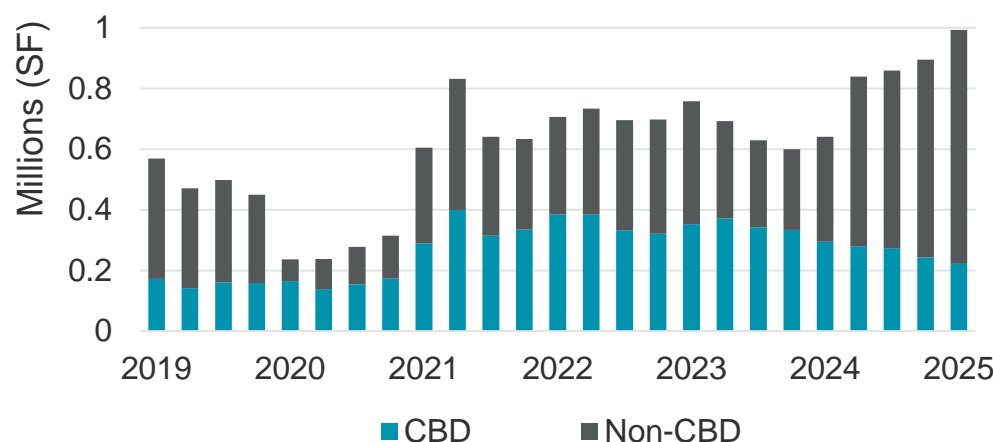
QUARTERLY AVERAGE NEW LEASE SIZE (SF) W/ TRENDLINE



FOOTPRINTS SHRINKING AS RIGHTSIZING CONTINUES

Since the pandemic, the “flight to quality” trend has persisted among office tenants. As hybrid work remains prevalent, companies continue to prioritize high-quality space to attract employees back to the office, though overall space needs have declined. Over the past two years, the average new lease size has dropped by a staggering 50%. With many large firms having already secured long-term leases, the current market is dominated by smaller tenants—typically around 5,000 sf—reinforcing the trend of shrinking average lease sizes. Meanwhile, “work from home” is gradually decreasing as expected, potentially contributing to a sense of stabilization in the region's office market.

AVAILABLE SUBLEASE SPACE (SF)



LARGE CORPORATE USERS FUELING RISE IN SUBLEASE AVAILABILITY

Sublease availability continues to rise, with a record amount of space now available in non-CBD submarkets, while CBD availability has returned to pre-pandemic levels. Notably, large corporate users are contributing to this trend, such as GE Healthcare, which has made 339,281 sf available in the Milwaukee County Research Park in Wauwatosa, and Master Lock, which has listed its former 118,720 sf headquarters in Oak Creek (Southeast submarket). Overall, sublease space now comprises 3.3% of the market inventory. YOY, non-CBD submarkets have added 424,898 sf of available sublease space, whereas the CBD has seen a reduction of 72,254 sf.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAILABLE (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	7,285,664	2,095,333	1,690,260	23.2%	-12,775	-12,775	16,820	0	\$26.72	\$31.97
Downtown West	3,860,772	1,031,138	819,633	21.2%	19,974	19,974	24,767	0	\$22.47	\$25.00
CBD TOTALS	11,146,436	3,126,471	2,509,893	22.5%	7,199	7,199	41,587	0	\$25.20	\$31.37
Brookfield	4,188,802	1,399,303	1,273,175	30.4%	13,997	13,997	66,709	0	\$20.18	\$23.69
Mayfair / Wauwatosa	3,666,602	1,400,250	880,846	24.0%	-26,061	-26,061	19,912	0	\$22.14	\$25.86
North Shore	1,096,714	222,439	208,159	19.0%	710	710	13,501	0	\$21.99	N/A
Northwest	2,454,382	824,414	662,885	27.0%	3,852	3,852	7,055	0	\$16.91	\$22.44
Ozaukee	576,453	155,383	153,000	26.5%	775	775	10,718	0	\$18.63	N/A
Southeast	607,400	272,961	122,414	20.2%	0	0	0	0	\$30.67	\$33.08
Southwest	266,993	57,214	44,122	16.5%	-1,540	-1,540	578	0	\$15.53	N/A
Third Ward / Walker's Point	2,018,537	471,137	350,489	17.4%	-15,913	-15,913	29,490	0	\$25.59	N/A
Waukesha / Pewaukee	2,324,863	796,738	732,652	31.5%	9,223	9,223	31,681	0	\$21.77	\$24.17
West Allis	1,477,639	519,983	365,279	24.7%	7,892	7,892	10,029	0	\$18.48	N/A
NON-CBD TOTALS	18,678,385	6,119,822	4,793,021	25.7%	-7,065	-7,065	189,673	0	\$20.88	\$25.15
MILWAUKEE TOTALS	29,824,821	9,246,293	7,302,914	24.5%	134	134	231,260	0	\$22.65	\$27.77

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
600 N Plankinton Ave, Milwaukee	Downtown West	Milwaukee County Department of Administrative Services	24,767	New
175 N Corporate Dr, Brookfield	Brookfield	Compass Health Management Group	16,324	New
20800 Swenson Dr, Waukesha	Waukesha / Pewaukee	Unnamed	10,344	New
13255 W Bluemound Rd, Brookfield	Brookfield	Mayfair Integrated Inc.	9,785	New
833 E Michigan St, Milwaukee	Downtown East	Axis Communications	8,870	New
17335 Golf Parkway, Brookfield	Brookfield	EMC Insurance	6,764	New

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
N19 W24075 Riverwood Dr, Pewaukee	Waukesha / Pewaukee	Woodside Capital Partners / SARA Investment Real Estate	54,066	\$2.8M / \$52

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