

MARKETBEAT MILWAUKEE

Office Q1 2021

YoY Chg 12-Mo. Forecast

20.0%
Vacancy Rate ▲ ▲

-50K
YTD Net Absorption, SF ▼ ▼

\$21.85
Asking Rent, PSF ▲ ▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

816.0
Milwaukee Employment ▼ ▲

4.5%
Milwaukee Unemployment Rate ▲ ▼

6.0%
U.S. Unemployment Rate ▲ ▼

Source: BLS, Moody's Analytics
2021Q1 data are based on latest available data

ECONOMY

Mounting evidence indicates that the economic recovery from COVID-19 began in May or June, reflected in the Q3 and Q4 2020 data. With the recent release of the vaccine, and good economic data being released, the recovery is firmly underway. Access the most recent research on CRE and the state of the economy [here](#).

Wisconsin's unemployment rate remained the same month-over-month at 3.8% in February 2021. Locally, Metro Milwaukee's unemployment rate fairs slightly worse, at 4.5%, however, 150 basis points (bps) below the national average.

According to data from the U.S. Bureau of Economic Analysis, Wisconsin's economy saw a 4.5% drop in real gross domestic product decrease, a rate that ranks Wisconsin 37th in the country. The decline is the largest single-year drop in the state's GDP in data going back to 1963.

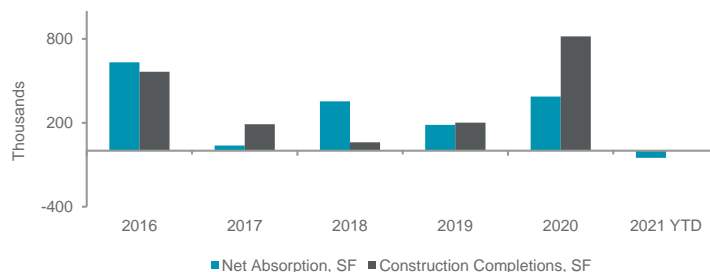
MARKET OVERVIEW

The Milwaukee office market reported negative absorption of only 50,440 square feet (sf) in the first quarter. As such, the vacancy rate quarter-over-quarter increased 20 bps to 20.0%. Renewal activity rose as tenants delayed relocation until they can better predict their long-term space needs. Renewal activity represented 62% of all leasing activity in Q1, with over 151,000 sf of space renewed among nine transactions. In addition, investors are re-entering the market, with both local and national players acquiring over 1.8 million square feet (msf) post onset of COVID-19, the most notable acquisition was 330 E Kilbourn Avenue sold to New York-based Group RMC at the end of March.

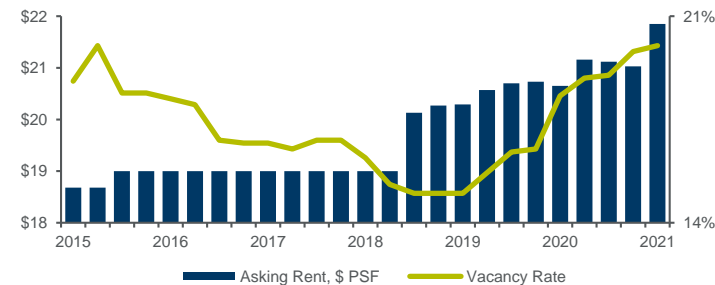
OUTLOOK

Even with the negative absorption in the first quarter, there is more activity with tenants touring the market, multi-year leases being executed, and buildings under contract for sale. More positive news is Milwaukee Tool, in addition to their continued growth in Menomonee Falls, recently announced plans to expand its operations into the Downtown-West submarket, through the future acquisition and redevelopment of 501 W Michigan, a move that will bring up to 2,000 jobs to the City of Milwaukee. Milwaukee generally lags national trends and as many other cities have seen corporate downsizing and massive amounts of sublease space hitting the market, Milwaukee has only had a limited amount of sublease space put on the market with Manpower putting 80,000-sf of space up for sublease and Johnson Controls putting one of their buildings (420,000 sf) up for sale, both in the CBD.

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	7,573,047	0	1,101,452	14.5%	-3,549	-3,549	140,809	0	\$28.05	\$30.09
Downtown West	3,949,266	0	1,285,070	32.5%	-12,215	-12,215	0	0	\$20.28	\$19.90
CBD TOTALS	11,522,313	0	2,386,522	20.7%	-15,764	-15,764	140,809	0	\$25.15	\$27.08
Mayfair / Wauwatosa	3,041,952	0	633,896	20.8%	3,428	3,428	34,980	0	\$22.39	\$26.45
North Shore	1,965,990	0	525,652	26.7%	8,412	8,412	9,412	0	\$15.44	\$23.31
Northwest	1,734,104	0	355,975	20.5%	16,266	16,266	16,266	0	\$20.49	\$23.13
Southeast	377,686	0	213,428	56.5%	-2,525	-2,525	0	0	\$16.03	N/A
Southwest	354,606	0	75,841	21.4%	-1,476	-1,476	0	0	\$15.62	\$15.68
Third Ward / Walker's Point	2,118,260	0	236,047	11.1%	3,190	3,190	6,635	37,076	\$26.23	\$29.99
West Allis	2,041,155	0	375,327	18.4%	-11,083	-11,083	1,655	0	\$18.02	N/A
MILWAUKEE SUBURBAN TOTALS	11,633,753	0	2,416,166	20.8%	16,212	16,212	68,948	37,076	\$19.79	\$25.34
Ozaukee	608,436	0	90,275	14.8%	0	0	0	0	\$14.53	\$15.07
Brookfield	4,093,031	0	802,122	19.6%	-58,470	-58,470	27,453	231,000	\$20.73	\$22.15
Waukesha / Pewaukee	2,623,265	0	408,774	15.6%	7,582	7,582	7,582	0	\$19.07	\$20.59
MILWAUKEE OUTLYING TOTALS	7,324,732	0	1,301,171	17.8%	-50,888	-50,888	35,035	0	\$19.87	\$21.46
CBD	11,522,313	0	2,386,522	20.7%	-15,764	-15,764	140,809	0	\$25.15	\$27.08
Suburban	18,958,485	0	3,717,337	19.6%	-34,676	-34,676	103,983	268,076	\$19.82	\$23.06
MILWAUKEE TOTALS	30,480,798	0	6,103,859	20.0%	-50,440	-50,440	244,792	268,076	\$21.85	\$25.23

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
111 E Wisconsin Avenue	Downtown – East	JP Morgan Chase	117,391	Renew
11270 W Park Place	Northwest	Douglas Dynamics	16,266	New

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
330 E Kilbourn Avenue	Downtown – East	Tishman Speyer / RMC Group	469,217	N/A
4949 and 4801 W Brown Deer	Northwest	Associated Bank / F Street Group	63,477	\$2.3M / \$36
225 E Mason Street	Downtown – East	Sentinel Suites LLC / Mason St Ventures LLC	30,848	\$2.1M / \$68

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