

MARKETBEAT MILWAUKEE

Office Q3 2021

	YoY Chg	12-Mo. Forecast
20.5% Vacancy Rate	▲	▲
-247K YTD Net Absorption, SF	▼	▬
\$20.56 Asking Rent, PSF	▼	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
834.2 Milwaukee Employment	▲	▲
4.6% Milwaukee Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics
2021Q3 data are based on latest available data

ECONOMY

Wisconsin's unemployment rate has remained the same since April, standing at 3.9% in August 2021. While the unemployment rate did decline considerably since its recent high in April 2020, it still sits slightly higher than its pre-pandemic reading of 3.2%. Locally, Metro Milwaukee's unemployment rate is slightly worse than the state, at 4.6%, however 60 basis points (bps) below the national average.

According to data from the U.S. Bureau of Economic Analysis, Wisconsin's real gross domestic product grew at a 5.7% annualized rate during the second quarter, bringing Wisconsin's rank to 31st in the country.

MARKET OVERVIEW

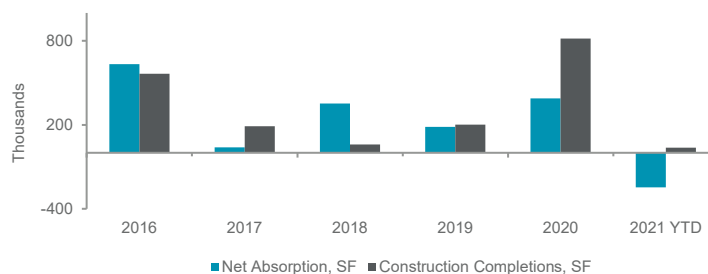
The Milwaukee office market reported negative absorption of 144,726 square feet (sf) in the third quarter. The vacancy rate quarter-over-quarter increased 90 bps to 20.5%, with the increase attributed to over 350,000 sf of move-outs. There were 64 leases signed in Q3, with 71% of the transactions representing new leases and a 33% increase in new lease activity year-over-year. Of the new leases, over 65% of the activity occurred in the suburbs, the largest transaction for the quarter occurring in the southeast submarket, with Stella & Chewy's expanding their footprint in Oak Creek.

OUTLOOK

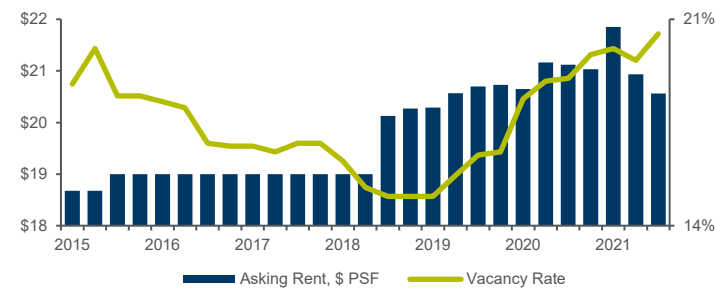
Even with the continued negative absorption year-to-date, there is a rise in activity with tenants touring the market, multi-year leases being executed, and buildings under contract for sale. More positive news is Generac, in addition to their growth in Genesee, acquired the former American Family Insurance building in the Waukesha / Pewaukee submarket, where it will employ up to 300 employees in the 76,000-sf facility. Generac has plans to invest \$53M across its Wisconsin facilities as part of a plan that could create up to 700 new jobs in Wisconsin by 2024.

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 brought to the market. Tenants including Manpower, Quarles & Brady, Johnson Financial, Alliance for Strong Families have all placed over 20,000-sf of space for sublease in the CBD post COVID-19 onset.

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	7,687,744	0	1,254,351	16.3%	-12,934	--117,543	193,239	0	\$24.06	\$24.70
Downtown West	3,511,631	0	948,524	27.0%	-12,045	2,509	94,680	0	\$19.53	\$18.74
CBD TOTALS	11,199,375	0	2,202,875	19.7%	-24,979	-115,034	287,919	0	\$22.54	\$23.05
Mayfair / Wauwatosa	3,041,952	0	723,743	23.8%	-95,933	-92,889	79,947	0	\$19.51	\$22.50
North Shore	1,879,459	0	535,537	28.5%	-49,163	-33,594	37,259	0	\$15.98	\$23.04
Northwest	1,735,002	0	344,187	19.8%	1,190	20,659	22,512	0	\$20.42	\$22.70
Southeast	421,846	0	220,946	52.4%	23,578	14,775	23,578	0	\$16.04	N/A
Southwest	354,606	0	72,590	20.5%	4,520	4,062	19,431	0	\$11.28	\$15.80
Third Ward / Walker's Point	2,239,336	0	355,343	15.9%	7,119	14,332	23,963	0	\$25.23	\$28.47
West Allis	2,041,155	0	367,293	18.0%	8,626	9,031	34,980	0	\$18.20	N/A
MILWAUKEE SUBURBAN TOTALS	11,713,356	0	2,619,639	22.4%	-100,063	-63,624	241,670	0	\$19.29	\$23.79
Ozaukee	608,436	0	78,632	12.9%	9,042	12,120	15,889	0	\$13.17	\$13.41
Brookfield	4,093,031	0	824,957	20.2%	27,490	-44,746	87,630	186,000	\$19.95	\$22.09
Waukesha / Pewaukee	2,623,265	0	478,321	18.2%	-56,216	-36,003	166,373	0	\$19.23	\$20.79
MILWAUKEE OUTLYING TOTALS	7,324,732	0	1,381,910	18.9%	-19,684	-68,629	269,922	0	\$19.37	\$21.21
CBD	11,119,375	0	2,202,875	19.7%	-24,979	-115,034	287,919	0	\$22.54	\$23.05
Suburban	19,038,088	0	4,001,549	21.0%	-119,747	-132,253	511,592	186,000	\$19.32	\$22.30
MILWAUKEE TOTALS	30,237,463	0	6,204,424	20.5%	-144,726	-247,287	799,481	186,000	\$20.56	\$22.69

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10050 S 27 th Street, Oak Creek	Southeast	Stella & Chewy's	23,578	New
275 W Wisconsin Avenue	Downtown West	Herzing University	22,000	New

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
105-111 W Michigan Street, Milwaukee	Downtown - West	111 Michigan Partners, LLC / RX Milwaukee WI Landlord, LLC	150,860	\$72.2M / \$479
10701 W Research Drive, Wauwatosa	Mayfair / Wauwatosa	Ventas REIT / Irgens	138,886	\$9.5M / \$68
W236N1402 Busse Road, Pewaukee	Waukesha / Pewaukee	American Family Mutual Insurance Company / Generac Power Systems	76,231	\$6.75M / \$89

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