

MARKETBEAT MILWAUKEE

Office Q4 2021

YoY Chg 12-Mo. Forecast

20.4%
Vacancy Rate ▲ ▲

-232K
YTD Net Absorption, SF ▼ ▬

\$22.06
Asking Rent, PSF ▲ ▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

831.8
Milwaukee Employment ▲ ▲

3.4%
Milwaukee Unemployment Rate ▼ ▼

4.2%
U.S. Unemployment Rate ▼ ▼

Source: BLS, Moody's Analytics
Q4 2021 data is the average of October and November employment figures.

ECONOMY

Wisconsin's unemployment rate decreased 90 basis points (bps) quarter-over-quarter to 3.0% in the fourth quarter 2021, tying a previously set low from 2017 and 2018. This also marks the first quarter where the unemployment rate is below the pre-pandemic reading of 3.2%. Locally, Metro Milwaukee's unemployment rate is slightly worse than the state, at 3.4%, however 80 bps below the national average.

According to data from the U.S. Bureau of Economic Analysis, Wisconsin's real gross domestic product dropped 0.2% from the second quarter, bringing Wisconsin's rank to 38th in the country.

MARKET OVERVIEW

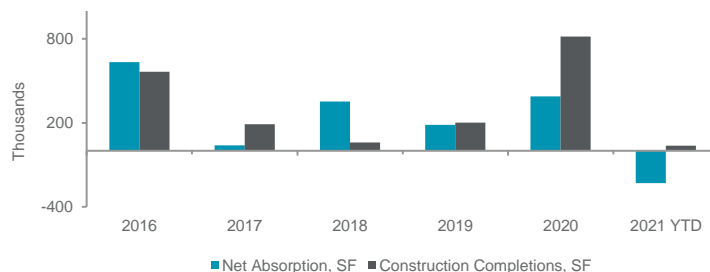
The Milwaukee office market reported absorption of 30,586 square feet (sf) in the fourth quarter. The vacancy rate quarter-over-quarter decreased 10 bps to 20.4%. There were 72 leases signed in Q4, with 85% of the transactions representing new leases and a 51% increase in new lease activity year-over-year. Of the new leases, over 80% of the activity occurred in the suburbs, with the largest suburban transaction for the quarter occurring in the northwest submarket, with Caljan leasing 20,000 in Park Place.

Out-of-state investment was active in the fourth quarter with three large investment transactions occurring near the Central Business District (CBD), including, the Manpower disposition, the Chase Tower disposition, and the United States Postal Service building disposition. In addition, the Johnson Controls block traded, with the new owner currently in planning stages for future redevelopment plans. Other large development projects currently in the works include the long-awaited 44-story 322-unit Couture development that broke ground mid-summer and the upcoming redevelopment of the former M&I Bank building at 770 N Water, which has plans for conversion to housing.

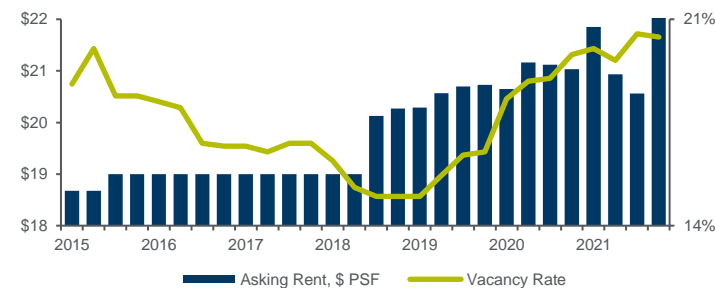
OUTLOOK

Even with the continued negative absorption year-to-date, there continues to be a rise in activity with tenants touring the market and multi-year leases being executed. 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, Infinity Healthcare, 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	1,259,281	16.4%	20,826	-96,717	268,505	0	\$28.63	\$29.14
Downtown West	3,511,631	0	938,868	26.7%	-28,320	-25,811	94,680	0	\$19.80	\$19.11
CBD TOTALS	11,199,375	0	2,1,98,149	19.6%	-7,494	-122,528	363,185	0	\$25.56	\$26.32
Mayfair / Wauwatosa	2,973,252	0	613,212	20.6%	-4,721	-97,610	122,087	0	\$21.34	\$24.61
North Shore	1,952,981	0	571,948	29.3%	23,036	-25,558	60,295	0	\$16.51	\$23.61
Northwest	1,735,002	0	357,351	20.6%	15,852	36,511	105,003	0	\$19.73	\$21.61
Southeast	421,846	0	220,946	52.4%	0	14,775	23,578	0	\$16.04	N/A
Southwest	354,606	0	79,025	22.3%	-6,435	-2,373	24,567	0	\$15.44	\$15.19
Third Ward / Walker's Point	2,239,336	0	359,873	16.1%	-8,276	6,056	33,679	0	\$26.28	\$28.28
West Allis	2,041,155	0	393,834	19.3%	19,949	28,980	56,763	0	\$18.01	N/A
MILWAUKEE SUBURBAN TOTALS	11,718,178	0	2,596,189	22.2%	39,405	-39,219	425,972	0	\$20.07	\$24.18
Ozaukee	608,436	0	77,794	12.8%	-1,456	10,664	18,027	0	\$15.13	\$12.50
Brookfield	4,093,266	0	847,838	20.7%	-21,727	-66,473	174,224	186,000	\$20.31	\$22.06
Waukesha / Pewaukee	2,623,265	0	439,855	16.8%	21,858	-14,145	219,851	0	\$19.41	\$20.61
MILWAUKEE OUTLYING TOTALS	7,324,967	0	1,365,487	18.6%	-1,325	-69,954	412,102	0	\$19.84	\$21.52
CBD	11,199,375	0	2,198,149	19.6%	-7,494	-122,528	363,185	0	\$25.56	\$26.32
Suburban	19,043,145	0	3,961,676	20.8%	38,080	-109,173	838,074	186,000	\$19.97	\$22.74
MILWAUKEE TOTALS	30,242,520	0	6,159,825	20.4%	30,586	-231,701	1,201,259	186,000	\$22.06	\$24.58

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
111 E Wisconsin Avenue	Downtown East	JP Morgan Chase	117,391	Renew
N17W24100 Riverwood Drive	Waukesha / Pewaukee	ProHealth	112,000	Renew
11270 W Park Place	Northwest	AO Smith	45,805	Renew

KEY SALES TRANSACTIONS 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
111 E Wisconsin Avenue	Downtown East	Farbman Group / RMC Group	472,507	\$34.3M / \$72
507 E Michigan Street	Downtown East	Johnson Controls / Bear Realty	444,549	\$24.1M / \$54
501 W Michigan Street	Downtown West	F Street Group / Milwaukee Electric Tool	370,160	\$7.9M / \$21
722 N Broadway Street	Downtown East	Wisconsin Bell Inc. / Reign Capital	360,000	\$30.1M / \$84

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