

MARKETBEAT MILWAUKEE

CUSHMAN & WAKEFIELD | BOERKE

Office Q4 2022

	YoY Chg	12-Mo. Forecast
21.7% Vacancy Rate	▲	■
-142K YTD Net Absorption, SF	▲	▲
\$21.82 Asking Rent, PSF	▼	■

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

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

Source: BLS, Moody's Analytics
2022Q4 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. Milwaukee's unemployment rate increased 10 basis points (bps) year-over-year (YOY) to 3.6%, and employment grew 1.1% YOY.

MARKET OVERVIEW

The Milwaukee office market reported positive absorption of 26,970 square feet (sf) in Q4, bringing year-to-date totals to -141,948 sf. The vacancy rate quarter-over-quarter (QOQ) remained at 21.7%, a 130 bps increase YOY. For the first time since Q4 2020, quarterly absorption in the Central Business District (CBD) was positive, totaling 27,133 sf and led by Silvercrest Asset Management leasing 11,971 sf at BMO Tower (790 N. Water St.), and the U.S. Bureau of Land Management leasing 8,797 sf at 250 E. Wisconsin Ave. Absorption in the non-CBD submarkets was miniscule at -163 sf, but negative for the third consecutive quarter. However, non-CBD Class A absorption was positive at 9,680 sf in Q4, led by National Insurance Services leasing 15,073 sf in the Brookfield submarket. Overall market leasing activity remained strong with 417,946 sf leased over 111 leases, with 80.5% of the new activity occurring in the non-CBD submarkets.

Overall market asking rate is \$21.82 per square foot (psf), a 2.1% increase QOQ, and the Class A asking rate is \$24.97 psf, a 5.1% increase QOQ. Overall rates have been relatively stable around \$21-\$22 psf throughout 2022 as the flight to Class A space has eased, but could have upwards pressure in 2023 due to inflation increasing NNN expenses.

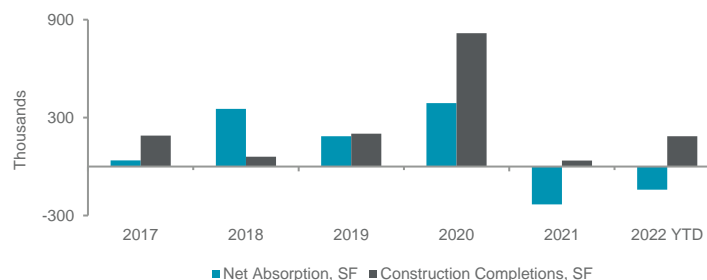
Need for employees has driven many firms to relocate to the CBD recently. This quarter, Fiserv, one of Milwaukee's six Fortune 500 companies, announced they would be relocating their global headquarters to Hub640 (640 N. Vel R. Phillips Ave.) in the Downtown West submarket from Brookfield. Fiserv plans to move and occupy about 160,000 sf at Hub640 in Q3 2023.

The Historic Third Ward has seen increased activity from companies experiencing growth that want to expand or create unique spaces to match their company cultures. In Q4, law firm Attoles Law SC and marketing firm Atlas MKE moved within the submarket to larger spaces due to continued growth. Software company SoftwareONE also opened its North American headquarters designed to accommodate hybrid work in Q4, after signing a lease in Q2 at 320 E. Buffalo St.

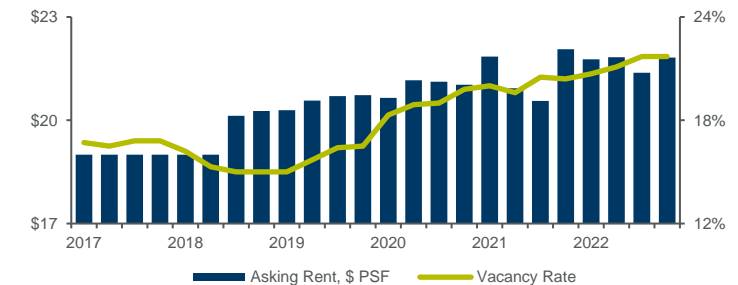
OUTLOOK

Without mass movement and larger leases signed, low amounts of absorption, both positive and negative, could continue as the market stabilizes post-pandemic. As leases expire, expect to see continued downsizing of space due to the hybrid work environment. Access to the workforce will continue to determine movement in the market as there has been continued interest by suburban firms in touring spaces downtown, either looking to relocate or open a new branch.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAIL (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	7,641,137	2,130,232	1,404,685	18.4%	17,240	-74,862	278,788	0	\$27.92	\$29.50
Downtown West	3,515,576	1,299,856	912,875	26.0%	9,893	19,558	62,423	0	\$20.34	\$19.66
CBD TOTALS	11,156,713	3,430,088	2,317,560	20.8%	27,133	-55,304	341,211	0	\$25.39	\$26.64
Brookfield	4,311,468	1,416,675	1,058,111	24.5%	-48,592	-5,261	423,340	0	\$20.19	\$21.74
Mayfair / Wauwatosa	2,973,252	891,713	659,126	22.2%	1,508	20,413	192,851	70,357	\$20.77	\$25.05
North Shore	1,955,161	662,822	572,940	29.3%	13,790	37,748	111,476	0	\$16.11	\$23.76
Northwest	1,736,002	593,664	389,679	22.4%	0	-42,087	49,383	0	\$17.69	\$21.36
Ozaukee	608,436	131,230	48,488	8.0%	12,005	52,871	81,749	0	\$17.85	\$19.57
Southeast	421,846	202,458	198,803	47.1%	7,126	23,061	24,393	0	\$15.80	N/A
Southwest	354,606	106,353	57,885	16.3%	-2,146	2,003	22,909	0	\$16.02	\$16.73
Third Ward / Walker's Point	2,255,312	623,396	453,601	20.1%	26,844	-56,430	181,640	0	\$26.34	\$28.72
Waukesha / Pewaukee	2,466,636	704,107	491,548	19.9%	7,281	-129,072	120,007	53,913	\$19.76	\$22.43
West Allis	2,038,528	655,469	313,708	15.4%	-17,979	10,110	48,785	0	\$17.35	N/A
NON-CBD TOTALS	19,121,247	5,987,887	4,243,889	22.2%	-163	-86,644	1,256,533	124,270	\$19.67	\$23.01
MILWAUKEE TOTALS	30,277,960	9,417,975	6,561,449	21.7%	26,970	-141,948	1,597,744	124,270	\$21.82	\$24.97

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Squires I – 16535 W Bluemound Rd	Brookfield	Cornerstone Consulting	20,417	Renewal & Expansion
833 East – 833 E Michigan St	Downtown East	Confidential	18,357	New
Florida Street Offices – 234 W Florida St	Third Ward / Walker's Point	Trane	15,115	Renewal
Brookfield Lakes Corporate Center VIII – 300 N Corporate Dr	Brookfield	National Insurance Services	15,073	New

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Global Water Center – 247 Freshwater Way	Third Ward / Walker's Point	Water Accelerator, LLC / SixSibs Capital Corp.	86,156	\$11.9M / \$138
The Bartels Building - 826 N Plankinton Ave	Downtown West	Bartels Management Services / OVB Law & Consulting, S.C.	25,000	\$1.9M / \$74
The Archway Building – 614 W Brown Deer Rd	North Shore	Katz Properties, Inc. / Bayside Development Partners II, LLC	16,236	\$1.6M / \$100

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Golf Parkway Corporate Center - 17335 Golf Pkwy	Brookfield	Milliman	186,000	Irgens

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