

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
23.5% Vacancy Rate	—	▲
-249K YTD Net Absorption, SF	▲	▲
\$22.31 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
854.9K Milwaukee Employment	▼	▲
3.2% 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 decreased 40 basis points (bps) year-over-year (YOY) to 3.2%, and overall employment decreased 0.7% YOY.

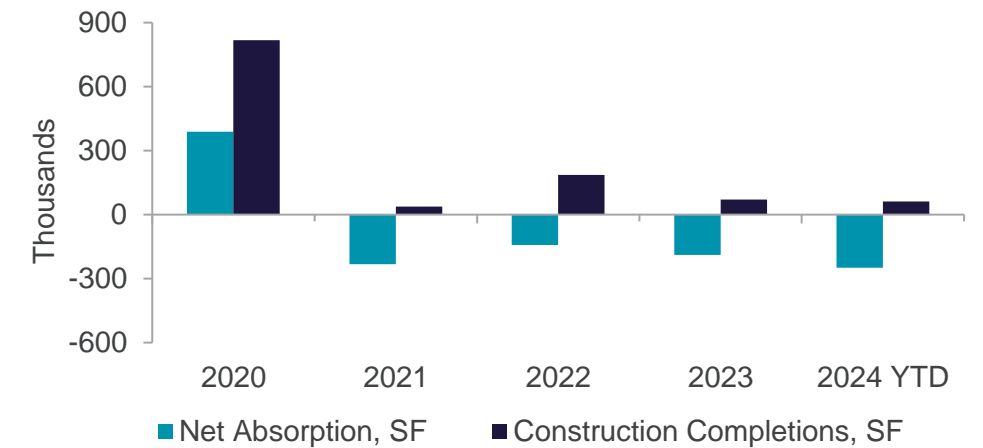
MARKET OVERVIEW

Metro Milwaukee's office market reported its third consecutive quarter of negative absorption, totaling -103,664 square feet (sf) in Q3 2024. The vacancy rate remains elevated but stable at 23.5%, unchanged year-over-year. The CBD experienced -13,433 sf of negative absorption due to limited new leasing activity (only 9,943 sf) and one large move-out. Non-CBD submarkets saw -90,231 sf of negative absorption, primarily due to significant vacancies in the Brookfield and Waukesha/Pewaukee submarkets. This marks the seventh quarter of negative absorption in the last ten for the overall market, as bloated inventory levels, a lack of corporate attraction, and post-pandemic office environments have significantly affected the market.

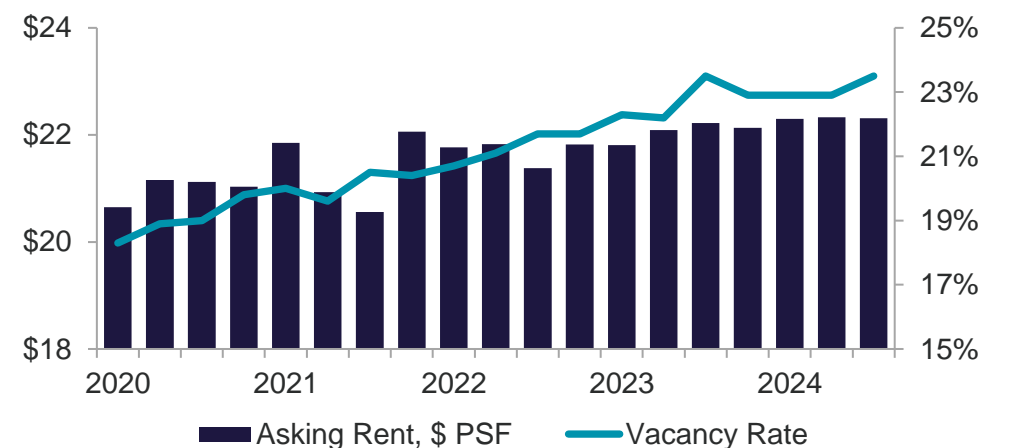
The top three submarkets for overall leasing in Q3 were West Allis (112,081 sf), Brookfield (52,928 sf) & Mayfair / Wauwatosa (50,073 sf). Notably, at Summit Place in West Allis, Steele Solutions leased 38,025 sf and Symbiont renewed and expanded for a total of 36,594 sf. In the Central Business District, Mason Wells renewed 13,372 sf at 411 E Wisconsin Center & First American Title renewed 6,124 sf at 833 East.

The market's overall rental rate slightly increased 0.4% YOY to \$22.31 per square foot (psf), continuing a stable gross rate in the range of \$21-\$23 psf since late 2021. The Class A overall market asking rate increased 2.5% YOY to \$25.62 psf, with Class A rates increasing faster in the CBD (3.0% YOY) than in non-CBD submarkets (0.9% YOY).

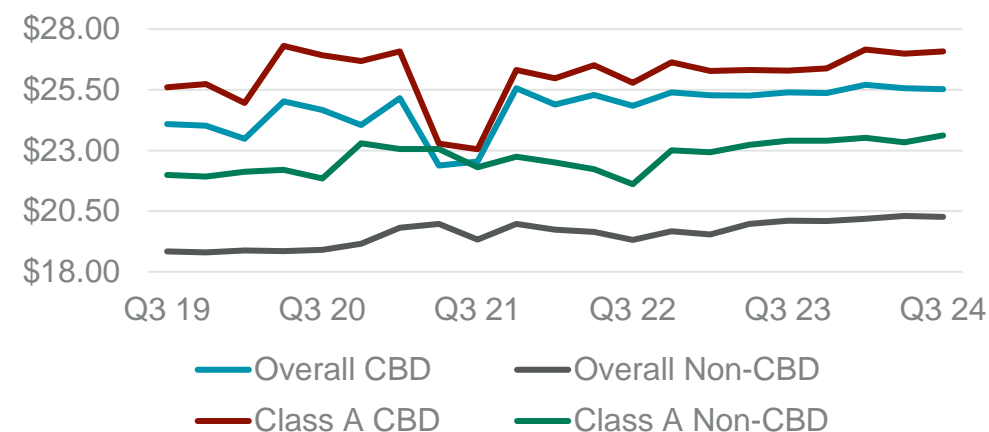
SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



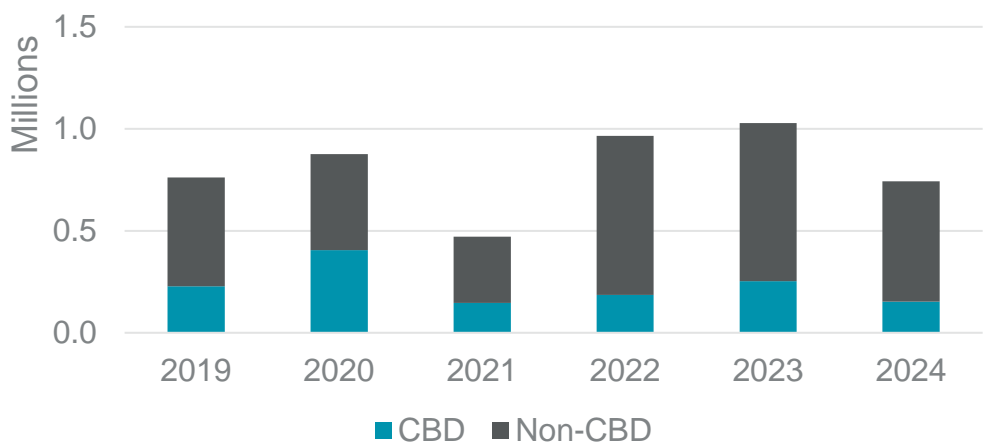
ASKING RENTAL RATES (GROSS, PSF)



STABILIZED RENTAL RATES

Despite high vacancy rates, gross rental rates in the Metro Milwaukee office market have remained stable over the past few years. This stability is driven by strong demand for Class A properties and rising operating expenses. Although CBD rents, including Class A, dropped sharply in 2020, they have since rebounded to 5.9% above Q3 2019 levels, mirroring a 5.8% increase in Class A CBD properties. Similarly, non-CBD submarkets have seen a 7.6% overall rent increase since Q3 2019, with Class A non-CBD properties rising by 7.4%. This trend highlights the persistent demand for high-quality spaces, keeping the Milwaukee office market relatively stable compared to larger gateway markets.

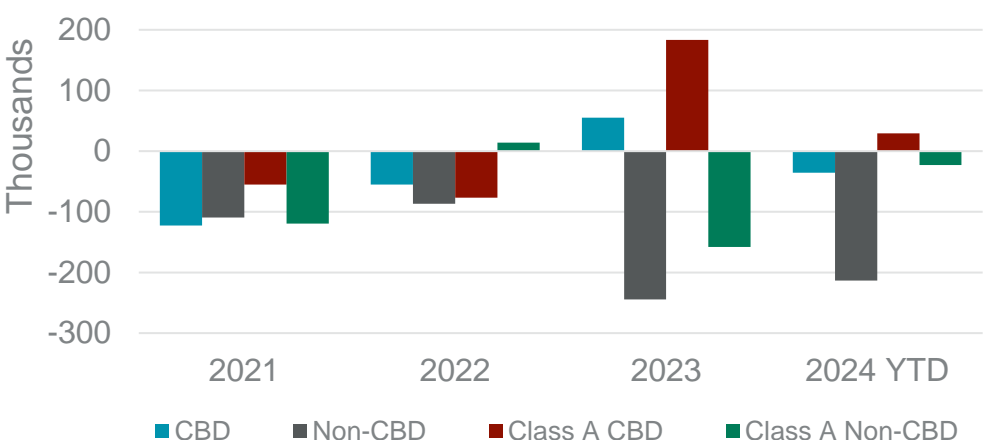
YEAR-TO-DATE NEW LEASING ACTIVITY (SF)



LEASING ACTIVITY

For the second consecutive quarter, total market leasing activity hit its lowest levels since Q1 2022, with only 333,671 sf leased. This was anticipated as larger tenants have already determined their post-pandemic space needs, and many smaller companies have opted for fully remote work or consolidation. Despite this, there has been 743,209 sf of new leasing activity year-to-date. The Brookfield submarket leads with 158,834 sf of new leases in 2024, despite a 56% year-over-year decrease. The Third Ward/Walker's Point and West Allis submarkets are the only other areas with over 100,000 sf of new leases in 2024, with Downtown East close behind at 93,136 sf.

ANNUAL NET ABSORPTION (SF)



CONTINUED FLIGHT TO QUALITY

Since the pandemic, tenants in the Metro Milwaukee office market have been downsizing while upgrading their spaces to attract employees back to the office. This trend has increased demand for Class A properties in Milwaukee's CBD, which offers numerous amenities. While downsizing is widespread across all submarkets, the CBD has fared better since 2021, with a net absorption of -158,566 sf compared to -653,556 sf in non-CBD submarkets. Class A properties in CBD submarkets have seen a positive net absorption of 81,012 sf since 2021, whereas non-CBD Class A properties have experienced a negative net absorption of -285,858 sf, highlighting that the preference for quality space also depends on location.

OUTLOOK

- The initial post-pandemic lease expiration cycle has passed, and tenants are now more certain about their future needs. Deal activity is expected to increase at the end of 2024 and into the new year as tenants with leases expiring in 2025 and 2026 plan their future space requirements.
- Landlords have traditionally evaluated prospective tenants, but now the process is mutual. With significant property debts maturing in 2025, tenants are scrutinizing their current and potential future landlords to ensure they can provide adequate maintenance and tenant improvement packages.
- Available sublease space makes up 2.8% of the overall market inventory, potentially leading to continued rising vacancy rates without significant positive absorption. The Mayfair/Wauwatosa (10.6%) and Southeast (9.4%) submarkets have particularly high sublease availability, making them more likely to experience substantial vacancy increases in the next two years.

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	7,721,293	2,315,658	1,738,598	22.5%	10,585	32,521	163,368	0	\$27.74	\$29.64
Downtown West	3,860,772	1,030,149	824,744	21.4%	-24,018	-68,321	115,230	0	\$21.14	\$20.54
CBD TOTALS	30,868,991	3,345,807	2,563,342	22.1%	-13,433	-35,800	278,598	0	\$25.52	\$27.08
Brookfield	4,325,276	1,485,376	1,280,732	29.6%	-43,633	-22,719	242,512	0	\$20.17	\$22.38
Mayfair / Wauwatosa	3,760,673	1,309,344	880,869	23.4%	21,842	-116,770	86,479	0	\$22.26	\$26.67
North Shore	1,902,105	696,969	592,124	31.1%	-6,701	-39,956	19,330	0	\$17.53	\$23.86
Northwest	1,800,511	583,794	422,741	23.5%	0	3,815	27,985	0	\$16.41	\$21.28
Ozaukee	608,436	126,207	98,692	16.2%	1,632	-5,830	15,235	0	\$17.82	\$19.98
Southeast	263,076	61,191	36,564	13.9%	2,200	-444	15,819	0	\$11.95	N/A
Southwest	267,765	89,425	60,198	22.5%	-871	-2,840	7,286	0	\$15.23	\$15.96
Third Ward / Walker's Point	2,220,584	575,372	388,451	17.5%	-15,974	38,402	158,926	0	\$26.94	\$32.23
Waukesha / Pewaukee	2,498,135	826,627	535,822	21.4%	-63,384	-36,863	110,396	0	\$21.00	\$23.44
West Allis	1,640,365	623,026	395,797	24.1%	14,658	-30,210	151,740	0	\$17.63	N/A
NON-CBD TOTALS	19,286,926	6,377,331	4,691,990	24.3%	-90,231	-213,415	835,708	0	\$20.26	\$23.62
MILWAUKEE TOTALS	30,868,991	9,723,138	7,255,332	23.5%	-103,664	-249,215	1,114,306	0	\$22.31	\$25.62

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Summit Place - 6737 W Washington St, West Allis	West Allis	Steele Solutions	38,025	New
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Research One - 10701 Research Dr, Wauwatosa	Mayfair / Wauwatosa	Markel Service, Inc.	19,706	New
411 East Wisconsin Center - 411 E Wisconsin Ave, Milwaukee	Downtown East	Mason Wells	13,372	Renewal
1205 S 70th St, West Allis	West Allis	Disability Rights Wisconsin	10,829	New

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
CityCenter – 731-735 N Water St, Milwaukee	Downtown East	E.A. Staples & Associates / Compass Properties	428,023	\$17M / \$41

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