

# Milwaukee Office Snapshot | Q1 2023



## MARKET INDICATORS

10.7%

VACANCY RATE



(220,565)

NET ABSORPTION



\$20.97

AVG MARKET RENT



162,969

SF UNDER CONSTRUCTION



## ECONOMIC INDICATORS

3.3%

MILWAUKEE UNEMPLOYMENT RATE



3.4%

U.S. UNEMPLOYMENT RATE



The trend of higher quality office space continues in Milwaukee and is becoming more apparent that lower quality properties are not what tenants are even considering. The continued conversion of lower properties into new uses such as hotels or multifamily apartments is one way the market has been able to alleviate the amount of available space.

## VACANCY & RENTAL RATES

To start off 2023, the Milwaukee vacancy rate climbed slightly, up to 10.7% when compared to last quarter, which was at 10.3%. This continues the trend of hovering around the 10% vacancy that the market has been at for more than a year. The average market rent increased minimally from last quarter with an increase of only two cents, from \$20.95 to \$20.97. This increase still has the overall market growth below 2%, which continues to be the lowest level seen in years.

## LEASING & SALES

The trend from last quarter with more high-profile leases getting done continued in Q1 2023. This quarter also saw a lot of activity of tenants relocating within the submarket, as seen with three tenants moving from their current buildings of the U.S. Bank Center and 100 East into the newer BMO Tower, located at 790 N. Water Street, in the Downtown East submarket. The three tenants, Baker Tilly,

CBRE and Fiduciary Management, total more than 68,000 square feet of new occupancy at BMO Tower.

In 2022, we saw one of the lowest volume of sales transactions. In 2023, sales transactions are again off to a slow start. Only one significant sale was identified, Property Advisory Group, LTD purchasing Parkridge Centre II, located at N21 W23340 Ridgeview Parkway, for \$3.25 million. With higher interest rates affecting the market, sales activity will likely be impacted, at least in the short term.

## CONSTRUCTION

From the peak of construction in 2020, Milwaukee has seen a consistent decrease in new construction across the market. In Q1 2023, only four projects are in various stages of completion, with only one new construction project being added to the mix, 4300 W. Layton Avenue, a 40,288 square foot building. Q2 is slated for two delivery completions, both The Grain at 705 N. Genesee Street and 204 Grand Avenue.

While construction is slowing, Milwaukee is still seeing conversions of office properties into alternative uses, as well as companies seeking out downtown office opportunities to help attract younger talent, as seen with Rite-Hite's new office headquarters and adjacent R&D facility in Walker's Point, where it began moving employees into.

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## Office Market Statistics

Submarket	Inventory	Available SF	Total Vacant SF	Total Absorption (SF)	YTD Total Absorption (SF)	Vacancy Rate	Total Under Construction	Average Market Rent
Brookfield / New Berlin	7,567,961	1,683,671	1,260,238	-93,182	75,563	16.8%	0	\$19.57
Central Waukesha	6,913,998	1,429,797	823,022	(46,449)	(181,741)	12.6%	0	\$20.10
Downtown East	13,246,944	2,247,695	1,542,675	(48,454)	(193,796)	12.2%	0	\$25.31
Downtown West	7,174,405	1,294,167	820,397	(14,482)	207,687	12.2%	0	\$21.80
Mayfair / Wauwatosa	6,093,278	990,759	799,173	(21,759)	4,886	13.7%	0	\$22.26
Milwaukee East	2,933,315	190,407	156,403	9,201	(100,716)	5.6%	58,000	\$19.55
Milwaukee Near Southwest	1,737,793	101,481	57,050	(2,835)	8,093	3.3%	40,288	\$19.56
Milwaukee Northwest	5,722,041	984,527	523,466	(19,161)	(36,573)	9.4%	0	\$19.28
Milwaukee Southeast	3,887,213	765,133	351,362	(2,597)	10,076	9.4%	0	\$21.69
Milwaukee West	2,642,217	26,773	10,887	25,591	6,909	0.4%	0	\$18.31
Northeast/Menomonee Falls	2,776,697	188,025	119,824	(3,700)	9,264	4.3%	0	\$22.83
North Shore	1,120,051	287,809	151,860	24,451	10,325	13.6%	0	\$23.09
SW Outlying Milwaukee	1,806,494	153,896	114,083	3,485	33,073	6.3%	0	\$20.33
Third Ward / Walkers Pt	3,594,722	732,504	387,928	143,995	85,336	11.4%	0	\$21.87
West Allis	3,204,812	873,291	517,846	(174,669)	(123,788)	16.5%	0	\$18.67
<b>Suburban Totals</b>	<b>27,676,797</b>	<b>5,453,352</b>	<b>3,671,963</b>	<b>(315,308)</b>	<b>(205,491)</b>	<b>13.3%</b>	<b>0</b>	<b>\$21.09</b>
<b>Milwaukee Totals</b>	<b>42,745,144</b>	<b>6,496,583</b>	<b>3,964,251</b>	<b>94,743</b>	<b>20,089</b>	<b>9.3%</b>	<b>98,288</b>	<b>\$20.86</b>

## Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Baker Tilly	BMO Tower	39,520	Downtown East
N/A	The Tannery	22,178	Third Ward/Walkers Pt
CBRE	BMO Tower	15,330	Downtown East
N/A	Marquette Neighborhood Medical Center	14,000	Milwaukee West
Fiduciary Management	BMO Tower	13,275	Downtown East

## Significant Sales Transactions

Buyer	Address	Price	Submarket
Property Advisory Group, LTD	N21W23340 Ridgeview Pky	\$3,250,000	Central Waukesha

Sources: CoStar

The above Milwaukee statistics include a select tracked set submarkets including an inventory of buildings considered to be competitive per CoStar. This does not include all buildings or building types, but focuses on the core properties to determine quarterly statistics. Data includes owner-occupied buildings and includes all property sizes including single and multitenant buildings.