

Milwaukee Office Snapshot | Q2 2023



MARKET INDICATORS

10.7%

VACANCY RATE



(103,972)

NET ABSORPTION



\$21.38

AVG MARKET RENT



184,469

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

3.1%

MILWAUKEE UNEMPLOYMENT RATE



3.4%

U.S. UNEMPLOYMENT RATE



While most other major metropolitan areas have seen a downturn in growth of their downtowns, Milwaukee has been on the opposite end of this trend. Downtown Milwaukee is where the area's younger workforce wants to live, so employers are moving downtown in search of talent as well as office space.

VACANCY & RENTAL RATES

Vacancy rates held steady during Q2, remaining at 10.7% from Q1. This continues the trend of maintaining a 10% vacancy rate in the market for more than a year. Rental rates however, increased slightly, moving from an average of \$20.97 in Q1 to \$21.38 in Q2. This keeps the overall market growth hovering around 2%, which has been the lowest level in years.

LEASING & SALES

Last quarter saw more high-profile leases, and while we are still seeing more activity, signed leases are trending downtown versus the suburbs. Wells Fargo recently announced plans to relocate to space at 833 East. The trend towards leasing downtown continues as two companies announced this quarter their plans to expand their presence downtown. Northwestern Mutual plans to lose its Franklin campus and move its 2,000 employees downtown. Additionally, Fiserv Inc. plans to move from Brookfield into downtown at the renovated HUB640, which was the former Boston Store headquarters prior to closing in 2018.

Office conversions have been frequent in downtown, converting obsolete or older properties into hotels or apartments, while the suburbs have struggled to convert lower quality buildings into new uses. The most notable downtown conversion is the 100 East office building, which currently sits as less than 50% occupied, and is slated to be converted into luxury apartments.

Office property sales continue to struggle. In Q1 2023, only \$10 million in sales occurred, which was the lowest quarterly total on record. In Q2, the most significant sale noted is StorageMart purchasing the building at W239 N3490 Pewaukee Road for \$3.8 million. As interest rates continue to climb, coupled with the growing division of buyers and sellers on pricing, sales activity will likely remain low, at least for the foreseeable future.

CONSTRUCTION

New construction for office properties in the Milwaukee market remains fairly level from last quarter. Currently, 162,969 square feet are under construction. One new construction project was added to the mix, 4800-4810 N. Santa Monica, a 6,500 square foot building expected to be completed in Q2 2024. There are still a few projects slated for completion this year, including The Grain at 705 N. Genevieve Street, 210 W. Capitol Drive and W315 N7735 Highway 83.

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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	7,547,533	1,755,624	1,351,368	(100,159)	(77,655)	18.10%	15,000	\$19.93
Central Waukesha	6,878,842	1,416,387	828,670	9,853	(72,996)	12.20%	0	\$20.20
Downtown East	13,260,949	2,058,631	1,392,505	(34,558)	(148,895)	12.40%	0	\$25.73
Downtown West	7,174,405	1,300,219	855,500	(9,020)	118,991	12.70%	0	\$21.89
Mayfair / Wauwatosa	6,115,275	1,133,939	783,849	(17,689)	(12,564)	13.60%	0	\$22.55
Milwaukee East	3,102,315	219,468	168,175	(3,727)	(39,297)	5.40%	58,000	\$19.80
Milwaukee Near Southwest	1,793,719	104,410	57,198	2,935	4,114	3.19%	40,288	\$19.63
Milwaukee Northwest	5,678,838	957,561	482,685	37,335	(4,189)	8.90%	0	\$19.13
Milwaukee Southeast	3,905,213	763,926	353,228	(3,051)	(25,146)	9.40%	0	\$21.54
Milwaukee West	2,644,136	8,445	5,945	4,942	(1,654)	0.70%	0	\$18.43
Northeast/Menomonee Falls	2,763,104	187,869	121,904	(4,080)	(1,256)	4.50%	0	\$23.15
North Shore	1,120,051	275,329	148,610	3,250	15,128	13.30%	6,500	\$23.13
SW Outlying Milwaukee	1,830,224	184,014	121,657	(7,574)	27,930	6.60%	0	\$20.67
Third Ward / Walkers Pt	3,568,294	709,255	410,885	(11,268)	147,431	11.80%	0	\$22.00
West Allis	3,291,652	819,317	485,276	44,026	(118,376)	14.70%	0	\$18.44
Suburban Totals	27,716,457	5,588,465	3,719,677	(64,799)	(267,719)	13.4%	21,500	\$21.23
Milwaukee Totals	42,958,093	6,305,929	3,847,778	(23,986)	79,285	9.0%	98,288	\$20.98

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Undisclosed	Associated Bank River Center	24,000	Downtown East
Undisclosed	Summit Place	18,004	West Allis
Undisclosed	One Park Plaza	16,266	Milwaukee NW
Undisclosed	BMO Tower	13,671	Downtown East
Undisclosed	875 E Wisconsin Ave	13,410	Downtown East

Significant Sales Transactions

Buyer	Address	Price	Submarket
StorageMart	W239 N3490 Pewaukee Rd	\$3,875,000	Central Waukesha
St Colletta of Wisconsin Inc	15700 W Cleveland Ave	\$2,543,000	Brookfield/New Berlin
Rogers Behavioral Health	2424 S 102nd st	\$2,000,000	West Allis
Michael Klumb	1581 E Racine Ave	\$1,755,593	Central Waukesha
David Meggs	W175N11056 Stonewood Dr.	\$1,500,000	Washington

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.