

Milwaukee Office Snapshot | Q3 2023



MARKET INDICATORS

11.2%

VACANCY RATE



(187,055)

NET ABSORPTION



\$21.00

AVG MARKET RENT



124,788

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

4.1%

MILWAUKEE UNEMPLOYMENT RATE



3.6%

U.S. UNEMPLOYMENT RATE



Milwaukee continues to see a steady level of activity in the marketplace, however decision making continues to be slow, and activity is driven by tenant's seeking high quality office spaces. This continues to put pressure on older inventory that has significant vacancy. When compared to similar size markets across the county, Milwaukee has fared better and seems to be recovering more quickly than similar markets across the United States.

VACANCY & RENTAL RATES

The overall market vacancy rates increased to 11.2% in Q3, up from 10.7% for the first half of the year. This breaks the trend of the vacancy rate maintaining at 10% for the market, which is where the rate was for more than a year. Market rents have continued to hover around the low to mid \$20's, with Q3 coming in at \$21.00. This was down slightly from Q2 where it was at \$21.38. The Downtown East submarket commands a higher rent than other markets, currently at \$25.00 per square foot, which is largely driven by the newer and larger properties in this submarket. The suburbs however are seeing much lower rates, as the vacancy levels are greater than the downtown markets and much of the available space is in older buildings.

LEASING & SALES

We saw more mid-sized leases in Q3, compared to the smaller sized leases in previous quarters of this year. While this does not indicate a return to the large-scale leases that the market has seen in years past, it is likely still showing that tenants are looking for right-sized space while also in newer and higher quality buildings. Although there continues to be a flight to downtown and away from the suburbs, this quarter saw a little

more balance in the location of some of the significant lease transactions. There were more transactions in the Brookfield/New Berlin and Mayfair/Wauwatosa markets than downtown, which only saw one significant transaction, located at 648 N. Plankinton Avenue to an undisclosed tenant for 32,028 square feet.

Additionally, there was one significant lease extension in the market, as Baird announced their extension and expansion at the U.S. Bank Center downtown. The expansion will increase their space to 456,000 square feet, solidifying them as the largest tenant in the building.

Office property sales are still struggling, and the divide between buyers and sellers on pricing continues to affect the market. The average price has dropped more than 10% from the peak pricing in the market back in Q3 2021. One significant sale was 100 East, which after being put into foreclosure was sold to developers who plan on converting it into luxury apartments. This will have a dual effect, as it forces existing tenants to look for new locations, and also will remove a significant asset from the office space universe.

CONSTRUCTION

New office construction is down this quarter compared to last quarter. Currently, 124,788 square feet is under construction with two new projects started in Q3 including 6191 N. Green Bay Avenue, which is being converted from a bar/restaurant to a dental practice, and W315 N7735 Highway 83, totaling just under 8,000 square feet, the second phase of the North Lake River Bend Commons development.

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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	7,588,193	1,755,676	1,367,570	(7,366)	(53,393)	18.1%	15,000	\$20.03
Central Waukesha	6,809,787	1,400,874	778,277	(2,743)	(145,763)	11.5%	0	\$20.33
Downtown East	13,268,699	2,185,380	1,468,500	(55,824)	(141,736)	12.8%	0	\$25.83
Downtown West	7,092,540	1,240,395	827,830	52,138	123,787	11.9%	0	\$22.01
Mayfair / Wauwatosa	6,119,691	1,197,117	919,487	(153,010)	(204,763)	16.1%	0	\$22.45
Milwaukee East	3,102,315	214,743	171,372	(3,382)	(66,274)	5.5%	58,000	\$19.63
Milwaukee Near Southwest	1,801,492	91,916	7,508	16,797	9,449	2.2%	40,288	\$19.28
Milwaukee Northwest	5,670,580	934,930	573,067	(90,693)	(126,821)	10.5%	5,000	\$18.97
Milwaukee Southeast	3,887,759	721,065	348,684	18,709	17,904	9.0%	0	\$21.36
Milwaukee West	2,682,934	8,895	6,395	12,050	35,850	0.2%	0	\$18.24
Northeast/Menomonee Falls	2,763,104	163,834	124,994	(1,090)	(4,611)	4.5%	0	\$23.16
North Shore	1,115,906	150,082	37,594	11,013	42,090	12.3%	6,500	\$22.46
SW Outlying Milwaukee	1,886,349	185,790	128,154	(21,811)	(24,507)	7.6%	0	\$20.53
Third Ward / Walkers Pt	3,581,345	743,404	405,657	(1,119)	148,630	11.8%	0	\$21.95
West Allis	3,302,785	822,564	437,631	39,276	(75,009)	13.5%	0	\$18.36
Suburban Totals	27,699,466	5,490,147	3,665,553	(113,920)	(441,449)	13.2%	21,500	\$21.13
Milwaukee Totals	42,974,013	6,326,518	3,937,167	(73,135)	(23,718)	9.2%	103,288	\$20.87

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Annex Wealth Management	17950 W Coporate Dr	50,000	Brookfield/New Berlin
Confidential	648 N Plankinton Ave	32,028	Downtown West
Confidential	10100 W Innovation Dr	27,842	Mayfair/Wauwatosa
Confidential	20225 Water Tower Blvd	21,922	Brookfield/New Berlin
Confidential	Discovery Pkwy	20,405	Mayfair/Wauwatosa

Significant Sales Transactions

Buyer	Address	Price	Submarket
161 Investor Group LLC	161 S 1st St	3,100,000	Third Ward/Walkers Pt
Montecito Medical Real Estate	11211 W Lincoln Ave	3,100,000	West Allis
SP Plus	3330 Gateway Rd	2,900,000	Central Waukesha
Vector Surgical	W175N5711 Technology Dr	2,782,000	NE/Menomonee Falls
Iconic Water Street LLC	1119 -1125 N Water St	2,500,000	Downtown East

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.