

# Milwaukee Office Snapshot | Q4 2023



## MARKET INDICATORS

10.7%

VACANCY RATE



83,662

NET ABSORPTION



\$21.39

AVG MARKET RENT



131,469

SF UNDER CONSTRUCTION



## ECONOMIC INDICATORS

3.0%

MILWAUKEE UNEMPLOYMENT RATE



3.7%

U.S. UNEMPLOYMENT RATE



As we close out 2023, the Milwaukee office market is seeing a record high level of available space from the overall market. While leasing activity is occurring, the leases seen throughout the year have been smaller in size, with tenants seeking smaller space due to the continued trend of increased work from home options. Those tenants looking for space desire higher quality buildings with an abundance of amenities, leaving increasingly older buildings remaining on the market.

### VACANCY & RENTAL RATES

The vacancy rates at the end of 2023 are slightly lower than they were in Q3, dropping from 11.2% to 10.8% in Q4. This decrease is more in line with what we had seen in the first half of the year. At the end of the year, there is roughly 12.9 million square feet of available space on the market, both downtown and suburbs combined, which is a record for Milwaukee.

The market rents have been hovering at the \$21 mark the entire year, and ends up at \$21.39 for Q4, a slight increase from \$21.00 during Q3. The market continues to outperform the national average, ending the year at 1.4% annual growth locally, compared to 0.7% nationally. While the average market rents have been consistent throughout the year, Class A and B products are claiming higher overall rental rates and likely will continue this trend as we move into 2024.

### LEASING & SALES

In Q3 we had more mid-size leases, and in Q4 we had one large lease and the remaining significant transactions were again in the mid-size range. The largest and most significant lease this quarter

was the 456,000 square foot expansion of Baird at the U.S. Bank Center in downtown Milwaukee. That one, along with the next two largest leases, 52,000 and 36,091 square feet respectively, were also from the Downtown East submarket, showing that this area is still performing well, especially compared to other downtown areas across the country. While this is an improvement in leasing levels, some tenants are still reducing their existing space or signing smaller leases. This is one area to monitor as we move into 2024.

For office sales, the Milwaukee market continues to be heavily impacted by the divide between buyers and sellers on pricing. The top significant transactions were two buildings that Woodside Capital Partners purchased. The first was N19 W24133 Riverwood Drive for \$5.7 million and the second was N17 W24222 Riverwood Drive for \$5.4 million, both in the Central Waukesha submarket. Overall, only \$114 million in total sales happened in 2023, making this the lowest volume for the market on record. With the divide on pricing set to continue, the low sales volume we saw in 2023 is likely to continue into 2024.

### CONSTRUCTION

New office construction is similar to the amount seen in Q3. The current amount under construction is 131,469 square feet, with no new projects added or started in Q4. All of the five projects currently under construction are slated to be completed by mid-year 2024. The first projects expected to finish are: The Grain at 705 N. Genesee Street in Delafield and 4300 W. Layton Avenue in Greenfield.

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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	7,584,646	1,629,010	1,216,811	50,932	(149,775)	17.5%	15,000	\$19.87
Central Waukesha	6,826,416	1,525,847	872,403	(95,729)	(149,012)	12.9%	0	\$20.25
Downtown East	13,309,875	2,181,434	1,431,533	(4,827)	(140,600)	12.8%	0	\$26.11
Downtown West	7,100,040	1,240,767	886,445	(72,657)	(72,558)	12.9%	0	\$22.14
Mayfair / Wauwatosa	6,117,882	1,125,517	896,126	25,748	(169,360)	15.7%	0	\$22.63
Milwaukee East	3,159,375	205,405	167,599	62,138	64,230	5.3%	0	\$19.74
Milwaukee Near Southwest	1,793,622	83,773	7,508	0	16,907	2.3%	0	\$19.30
Milwaukee Northwest	5,799,112	1,083,948	530,936	38,718	(33,801)	9.6%	5,000	\$18.92
Milwaukee Southeast	3,879,125	759,920	374,087	(26,103)	(13,492)	9.7%	0	\$21.37
Milwaukee West	2,719,675	8,145	8,145	(1,750)	46,333	0.3%	0	\$18.29
Northeast/Menomonee Falls	2,763,150	173,452	120,199	4,795	(4,075)	4.4%	0	\$23.25
North Shore	1,117,766	278,726	37,594	0	38,714	12.3%	6,500	\$22.29
SW Outlying Milwaukee	1,867,718	186,244	107,260	8,729	(17,171)	6.4%	40,288	\$20.65
Third Ward / Walkers Pt	3,585,577	704,989	425,514	(9,302)	122,306	12.0%	0	\$22.17
West Allis	3,433,647	819,590	418,836	21,773	(69,594)	12.4%	0	\$18.31
<b>Suburban Totals</b>	<b>27,843,507</b>	<b>5,552,142</b>	<b>3,561,969</b>	<b>7,519</b>	<b>(503,102)</b>	<b>12.8%</b>	<b>21,500</b>	<b>\$21.10</b>
<b>Milwaukee Totals</b>	<b>43,214,119</b>	<b>6,454,625</b>	<b>3,939,027</b>	<b>(5,054)</b>	<b>(27,846)</b>	<b>9.1%</b>	<b>45,288</b>	<b>\$20.97</b>

## Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Baird	777 E Wisconsin Ave	456,000	Downtown East
The Marcus Corporation	111 E Kilbourn Ave	52,000	Downtown East
Undisclosed	111 E Kilbourn Ave	36,091	Downtown East
Society of St. Vincent de Paul	17750-17790 W Liberty Ln	18,265	Brookfield/New Berlin
Undisclosed	6737 W Washington St	13,552	West Allis

## Significant Sales Transactions

Buyer	Address	Price	Submarket
Woodside Capital Partners	N19W24133 Riverwood Dr	\$5,781,604	Central Waukesha
Woodside Capital Partners	N17W24222 Riverwood Dr	\$5,468,396	Central Waukesha
The Heimat Group	12075 N Corporate Pky	\$2,150,000	SE Ozaukee
Ontech Systems, Inc.	11800 W Park Pl	\$2,000,000	Milwaukee NW
Lincoln Avenue Capital	350 Bishops Way	\$1,549,746	Brookfield/New Berlin

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.