

MARKETBEAT MILWAUKEE

Office Q1 2024

22.9%
Vacancy Rate



-507
YTD Net Absorption, SF



\$22.30
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

857.4K
Milwaukee
Employment



3.5%
Milwaukee
Unemployment Rate



3.8%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics
Q1 2024 data are based on latest available data.

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. The region's unemployment rate increased 50 basis points (bps) year-over-year (YOY) to 3.5%, and employment decreased 0.5% YOY.

MARKET OVERVIEW

Milwaukee's office market had -507 square feet (sf) of net absorption in the first quarter of 2024, keeping overall vacancy stable quarter-over-quarter (QOQ) at 22.9%, which is a 60-bps increase YOY. The Central Business District (CBD) reported absorption of -52,789 sf in Q1, led by large suites vacating at Chase Tower & Associated Bank River Center. Non-CBD submarkets rebounded in Q1 from substantial negative absorption in 2023 with 52,282 sf absorbed, including eight signed leases each exceeding 10,000 sf.

Total market leasing activity in Q1 remained strong totaling 413,275 sf, with Class A space equaling 63% of space leased. Notable leases included Enerpac Tool Company leasing 56,839 sf at ASQ Center in the Downtown West submarket, and Allspring Global Investments leasing 42,280 sf in the Third Ward / Walker's Point submarket. Both firms are relocating their headquarters within the region to their new locations in (or near) the CBD, continuing recent momentum of firm conglomeration in the CBD.

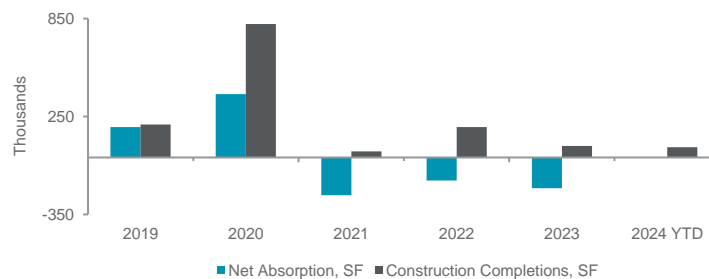
The market's overall rental rate increased 0.8% QOQ and 2.2% YOY to \$22.30 per square foot (psf), continuing a stable gross rate around \$21-\$22 psf since late 2021, as high market vacancy remains, with slight recent increases due to inflationary effects on triple net (NNN) expenses along with high-quality space asking rates increasing as strong demand persists. The Class A asking rate increased 1.9% QOQ and 2.5% YOY to \$25.45 psf.

Class A properties continue to perform well in the market, with 16,176 sf of net absorption in Q1, while Class B absorption equaled -18,144 sf, as "flight to quality" trends continue in the market. Direct opposite absorption levels for CBD / Non-CBD & Class A / B showcases the Milwaukee office market movement consisting of current firms moving within the region. Without an influx of new firms to the market or significant existing tenant growth, large amounts of positive absorption will be unlikely, and vice versa.

OUTLOOK

Believe it or not, Milwaukee is running out of office space—more specifically, large, contiguous Class A suites. The segment of office users traditionally occupying the newest, highest-quality office buildings has been least affected by work-from-home policies and, while they may slightly reduce their footprint, we have not seen a downturn in the overall volume of space needed in this product type. Since no new developments are in the pipeline, supply has become limited due to the normal absorption in this asset class, putting pressure on rates and forcing some Class A users to consider different product types.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAIL (SF)	OVERALL 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	2,313,746	1,809,729	23.4%	-35,438	-35,438	37,876	0	\$27.97	\$29.93
Downtown West	3,860,772	1,009,497	731,836	19.0%	-17,351	-17,351	74,560	0	\$21.00	\$20.02
CBD TOTALS	11,582,065	3,323,243	2,541,565	21.9%	-52,789	-52,789	112,436	0	\$25.71	\$27.17
Brookfield	4,205,053	1,459,626	1,123,531	26.7%	62,232	62,232	111,418	0	\$20.22	\$21.88
Mayfair / Wauwatosa	3,134,618	1,037,990	775,491	24.7%	-22,155	-22,155	12,617	0	\$21.96	\$25.65
North Shore	1,902,105	686,042	583,318	30.7%	-31,150	-31,150	2,851	0	\$17.64	\$23.78
Northwest	1,736,002	571,184	410,131	23.6%	3,185	3,185	20,979	0	\$16.62	\$21.28
Ozaukee	608,436	123,065	99,627	16.4%	-4,108	-4,108	2,615	0	\$17.66	\$19.66
Southeast	263,076	63,391	38,764	14.7%	-2,644	-2,644	7,593	0	\$13.69	N/A
Southwest	333,486	109,010	60,064	18.0%	852	852	2,742	0	\$16.06	\$16.44
Third Ward / Walker's Point	2,220,584	568,146	375,078	16.9%	53,369	53,369	81,867	0	\$27.10	\$32.23
Waukesha / Pewaukee	2,528,415	865,109	506,379	20.0%	21,385	21,385	43,769	0	\$20.86	\$23.52
West Allis	1,640,365	706,130	382,479	23.3%	-28,684	-28,684	14,388	0	\$17.69	N/A
NON-CBD TOTALS	18,572,140	6,189,693	4,354,862	23.4%	52,282	52,282	300,839	0	\$20.19	\$23.52
MILWAUKEE TOTALS	30,154,205	9,512,936	6,896,427	22.9%	-507	-507	413,275	0	\$22.30	\$25.45

BUILDING CLASS	INVENTORY (SF)	AVAILABLE SPACE (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT *
Class A	14,126,390	4,423,217	3,408,419	24.1%	16,176	16,176	258,794	0	\$25.45
Class B	15,060,210	4,938,152	3,378,292	22.4%	-18,144	-18,144	154,481	0	\$19.09
Class C	967,605	151,567	109,716	11.3%	1,461	1,461	0	0	\$18.00

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
ASQ Center – 600-648 N Plankinton Ave, Milwaukee	Downtown East	Enerpac Tool Group	56,839	New
417 E Chicago St, Milwaukee	Third Ward / Walker's Point	Allspring Global Investments	42,280	New
300 N Executive Dr, Brookfield	Brookfield	Common Ground	19,675	New
20975 Swenson Dr, Waukesha	Waukesha / Pewaukee	Morgan Stanley	19,583	Renewal

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
10050 S 27th Street, Oak Creek	Southeast	Lion Oak Creek, LLC / 10050 South 27th Street, LLC	44,160	\$6.7M / \$151

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT(S)	SF	OWNER / DEVELOPER
The Grain - 705 N Genesee St, Delafield	Waukesha / Pewaukee	Synthetaic, Midwest Insurance Group, RBC Capital Markets	61,779	Hendricks Commercial Properties

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