



Milwaukee Office Market

Uncertainty Continues To Impact The Market

While 2020 was a challenging year for the office market as new product was delivered while tenants became cautious about making long term commitments due to the Covid-19 pandemic, the beginning of 2021 presented some mixed messages. The availability and vacancy rates continued to climb, and marketed sublease space jumped substantially while major employers committed to the market by expanding or renewing. Most of the major employers have or are planning on calling back employees back into the office over the next two quarters.

The second quarter of 2021 had positive absorption of 258,784 square feet an expansion of 0.7%. Over the past year the market has had 3,516 square feet of negative absorption. The overall vacancy rate declined 40 basis points to 19.2% from the prior quarter of 19.6% and increased 70 basis points over the past year. The average asking gross rate increased slightly to \$19.08 per square foot from last quarter's reported \$19.06 per square foot.

Current Conditions

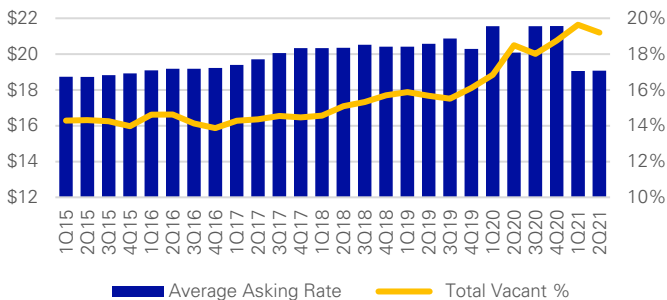
- Quarterly net absorption of 258,784 square-feet
- Overall availability rate of 27.3%
- Overall vacancy rate of 19.2%
- 501,000 square-feet under construction
- 360,050 square-feet delivered this past quarter

Market Summary

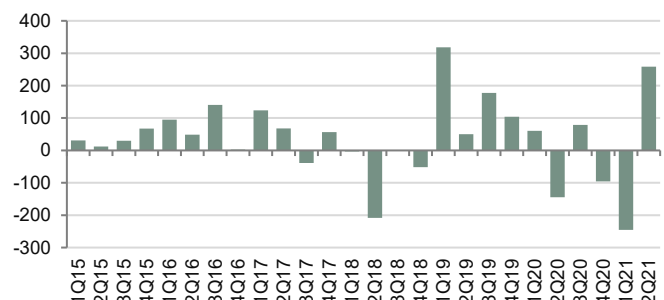
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	36.8M	36.8M	36.4M	↑
Vacancy Rate	19.2%	19.4%	18.5%	↑
Quarterly Net Absorption (SF)	258,784	(245,089)	(144,788)	↓
Average Asking Rent/SF	\$19.08	\$19.06	\$20.09	↑
Under Construction (SF)	501,000	861,047	551,047	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



While this quarter’s numbers are positive in their overall stature, it is important to note that one large owner occupier sale had a significant impact. Milwaukee Electric Tool purchased a 372,000 square foot, 5 story office building in the Downtown West submarket. If it were not for Milwaukee Electric Tools commitment the market, the overall numbers would have been 113,216 square feet of negative absorption and the vacancy rate would be 20.2%.

The Central Business District had 371,591 square feet of positive absorption, an expansion of 2.47% while the suburban submarkets had negative 112,807 square feet, a contraction of 0.52%. Over the past year the central business district experienced 339,122 square feet of positive absorption, an expansion of 2.93%, while the suburban submarkets had negative 342,638 square feet of absorption, a contraction of 1.89%.

Major news stories for the quarter include, Milwaukee Electric Tool purchasing 372,000 square foot, five story, former Assurant building at 501 W Michigan St for \$7.9 million. The move could potentially bring 2,000 jobs to the downtown west submarket. ProHealth Care renewed their 112,000 square foot lease at their Pewaukee facility. While most office employers have decided to begin calling back employees, Advocate Aurora announced that it will move 12,000 employees to remote work permanently.

Developments

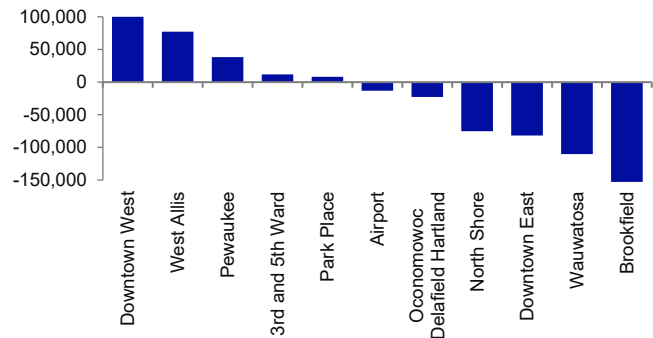
Two notable projects were delivered this quarter, the 199,465-square-foot, seven story River1 at 1 West Becher Street, Milwaukee anchored Michels and the 158,000 square foot, 5 story Landmark Credit Union Headquarters at 555 S Executive Dr, Brookfield.

Notable projects currently under construction are a 181,000 square foot, six story, multi-tenant office building anchored by Milliman and a 45,000 square foot, two story single tenant office building occupied by Hydrite Chemical in The Corridor in Brookfield, both projects are schedule to be completed by summer 2022 and both are developed by Irgens.

Irgens also announced plans on developing two new office buildings in the UWM Innovation Campus. A 197,000 square foot, 6 story office building and a 53,000 square foot, two story office building both projects have not secured tenants.

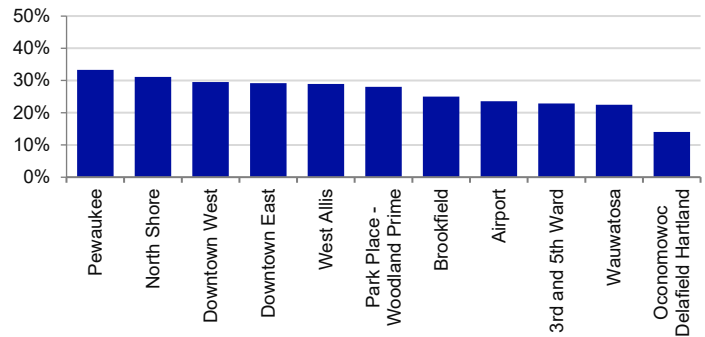
Yearly Absorption By Submarket

Absorption (SF), Last Four Quarters



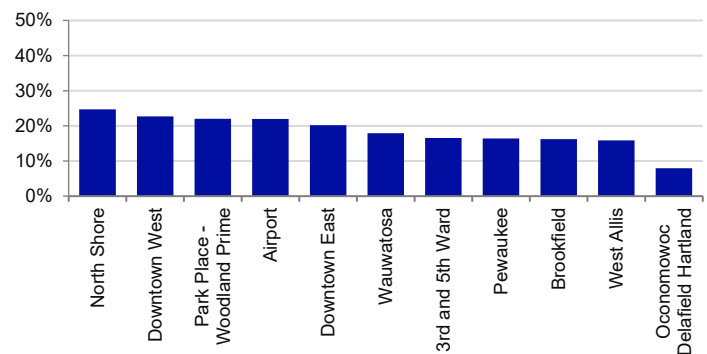
Availability By Submarket

Availability Rate (%)



Vacancy By Submarket

Vacancy Rate (%)



RESEARCH Q2 2021

Submarket Statistics						
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)
Central Business District	15,040,792	270,000	28.3%	20.3%	371,591	308,869
Downtown East	8,218,876	-	29.2%	20.2%	(58,941)	(113,325)
Class A	4,035,474	-	25.1%	18.4%	(12,592)	(53,541)
Class B&C	4,183,402	-	33.1%	21.9%	(46,349)	(59,784)
Downtown West	4,473,552	94,000	29.5%	22.7%	347,459	353,537
Class A	280,000	-	28.6%	0.0%	0	0
Class B&C	4,193,552	94,000	29.6%	24.2%	347,459	353,537
Third & Fifth Wards	2,348,364	176,000	22.8%	16.5%	83,073	68,657
Class B&C	2,348,364	176,000	22.8%	16.5%	83,073	68,657
Suburban	21,799,965	231,000	26.7%	18.4%	(112,807)	(270,374)
Airport	930,082	-	23.6%	22.0%	2,255	(31,790)
Class B&C	930,082	-	23.6%	22.0%	2,255	(31,790)
Brookfield	5,751,804	231,000	25.0%	16.2%	(9,433)	(30,458)
Class A	314,645	231,000	23.0%	7.4%	2,251	2,251
Class B&C	5,437,159	-	25.1%	16.7%	(11,684)	(32,709)
North Shore	3,206,798	-	31.1%	24.7%	(8,140)	(101,238)
Class B&C	3,206,798	-	31.1%	24.7%	(8,140)	(101,238)
Oconomowoc – Delafield	686,273	-	14.0%	7.9%	(1,063)	5,636
Class B&C	686,273	-	14.0%	7.9%	(1,063)	5,636
Park Place - Woodland Prime	2,467,761	-	28.0%	22.0%	22,610	32,900
Class B&C	2,467,761	-	28.0%	22.0%	22,610	32,900
Pewaukee	2,589,494	-	33.3%	16.4%	17,347	4,736
Class A	519,858	-	35.1%	13.0%	3,451	(677)
Class B&C	2,069,636	-	32.8%	17.3%	13,896	5,413
Wauwatosa	4,173,839	-	22.5%	17.9%	(134,760)	(155,953)
Class A	1,744,389	-	14.9%	11.1%	(4,360)	(35,443)
Class B&C	2,429,450	-	27.9%	22.8%	(130,400)	(120,510)
West Allis	1,993,914	-	28.9%	15.9%	(1,623)	5,793
Class B&C	1,993,914	-	28.9%	15.9%	(1,623)	5,793
Metro Total	36,840,757	501,000	27.3%	19.2%	258,784	38,495

Economic Conditions

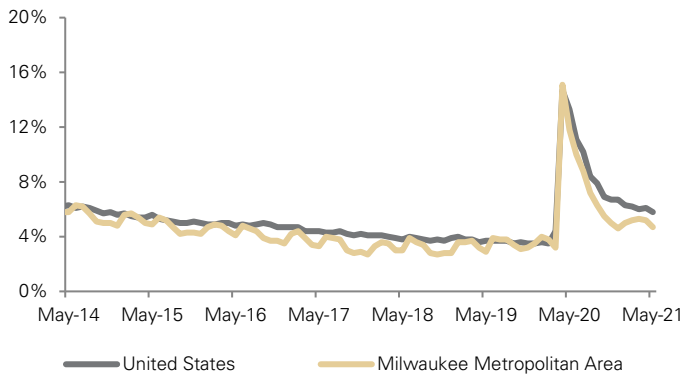
The Milwaukee seven-county region is known as “The Machine Shop of the World” and is the global market leader in advanced manufacturing, distribution, professional and financial services, green technologies and printing.

Milwaukee is a magnet for business. Affordable land and leasing, an educated workforce, low business costs and easy access to financing, technical assistance and efficient transportation help businesses locate, succeed and grow.

Milwaukee’s unemployment rate jumped to a high of 15.1% in April 2020 due to the response of the Covid-19 pandemic. The rate has since dropped to 4.7%, slightly less than the national average of 5.8%

Unemployment Rate

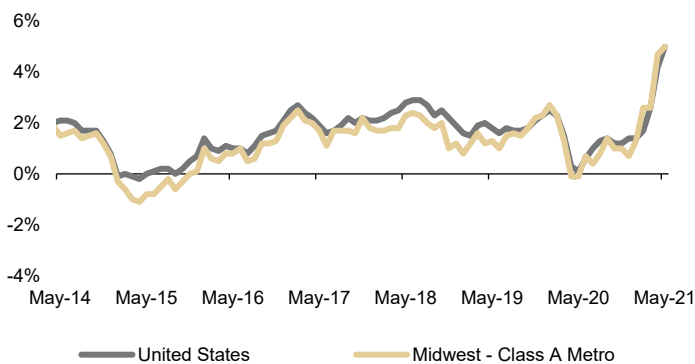
Not Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

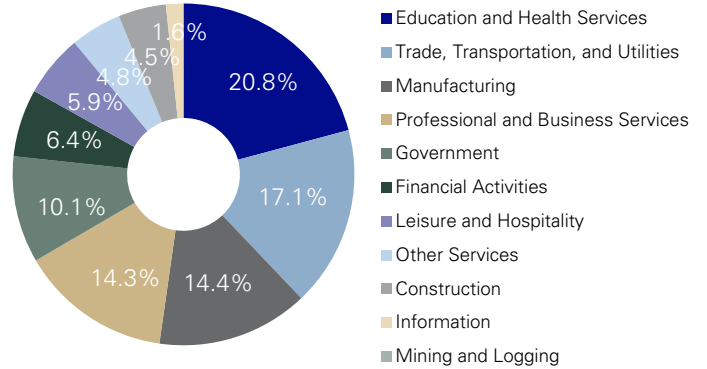
All Items, 12-Month % Change, Not Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Employment by Industry

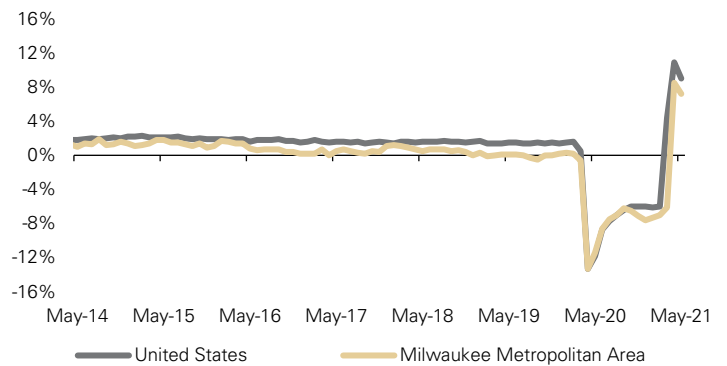
Milwaukee, April 2021



*Source: U.S. Bureau of Labor Statistics

Payroll Employment

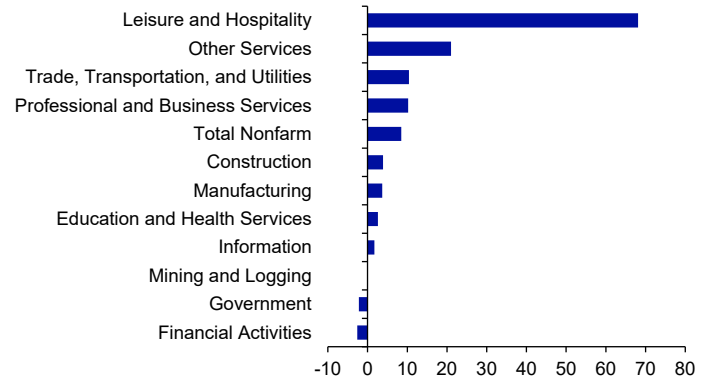
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

MKE, April 2021, 12-Month % Change, Not Seasonally Adj



*Source: U.S. Bureau of Labor Statistics

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