RESEARCH Q4 2020

Milwaukee Office Market

Uncertainty Impacts The Market

2020 was a challenging year for the office market, as the pandemic led to a slowdown in leasing activity and buying activity. The Milwaukee market's overall absorption and vacancy numbers haven't fully reflected these impacts as several late 2019 deals where fulfilled. And now as we enter 2021 we will most likely begin to see significant increases in vacancy.

Current Quarter Trends

The fourth quarter of 2020 had negative absorption of 50,150 square feet a contraction of only 0.14%. For the year the market had negative absorption of 29,883 square feet a contraction of only 0.08%. The overall vacancy rate rose 60 basis points to 18.5% from the prior quarter of 17.9%. The vacancy rate is significantly higher than where it was a year ago when it was at 16.1%. The average asking gross rate remained steady for the quarter at $21.57/SF but significantly higher than $20.29/SF reported in the 4th quarter of 2019.

Current Conditions

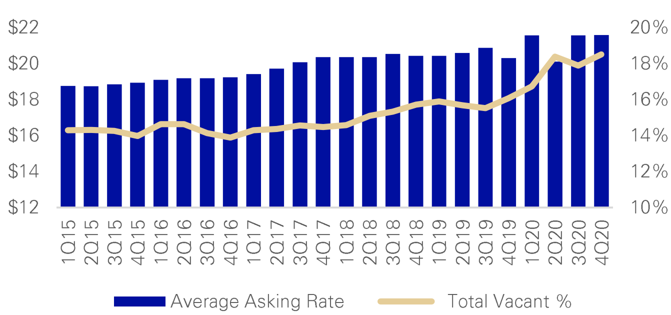
- Quarterly net absorption of negative 50,150 square-feet
- Overall availability rate of 25.5%
- Overall vacancy rate of 18.5%
- 619,047 square-feet under construction
- 163,000 square-feet delivered this past quarter

Market Summary

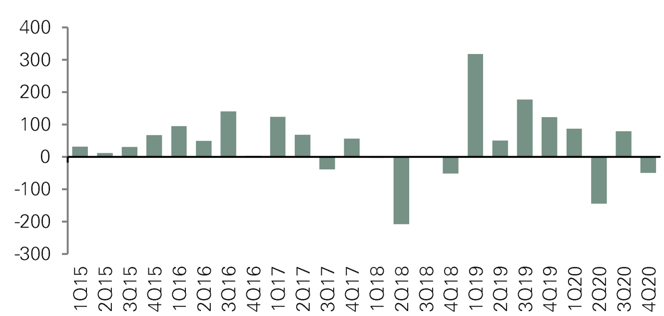
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	36.6M	36.5M	35.8M	↑
Vacancy Rate	18.5%	17.9%	16.1%	↑
Quarterly Net Absorption (SF)	(50,150)	78,502	122,742	↓
Average Asking Rent/SF	$21.57	$21.56	$20.29	←
Under Construction (SF)	619,000	831,737	1,050,782	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



The Central Business District had 29,898 square feet of absorption while the suburban submarkets had negative 80,048 square feet. For the year the central business district experienced negative 3,064 square feet of absorption while the suburban submarkets had negative 26,819 square feet of absorption.

The largest deals affecting absorption where Husch Blackwell moving into 84,646 square feet at the newly delivered Huron Building while leaving approximately 100,000 square feet on the top four floors at Cathedral Place. Johnson Bank will back fill approximately 45,000 square feet of the vacated space. Kahler Slater leased 15,000 square feet on the 17th floor at BMO Tower.

Capital Markets

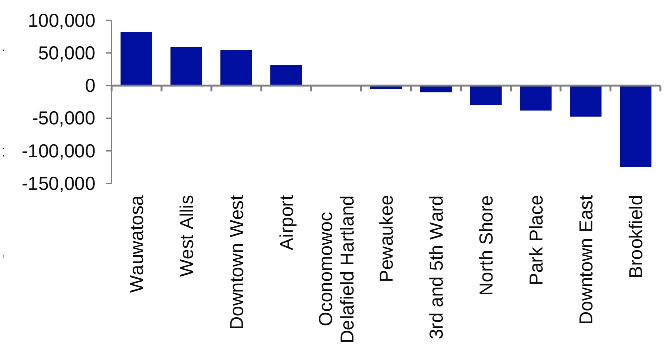
Investment transactions continued to increase as nine significant office deals transpired. The largest deals being Capital Trust Group purchasing the Leonardo DRS campus in Menomonee Falls for $100 million. Montecito Medical Real Estate purchasing the 135,000 square feet Aurora Health Center in Greenfield for $74 million. IRA Capital purchasing North Hills Health Center totaling 119,000 square feet in Menomonee Falls for $60 million.

Developments

The 163,000 square foot, 11 story, Huron building at 511 North Broadway was delivered this past quarter. Notable projects currently under construction are the 199,465-square-foot, seven story River1 at 1 West Becher Street, anchored Michels, will be ready for tenants by 2021. 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.

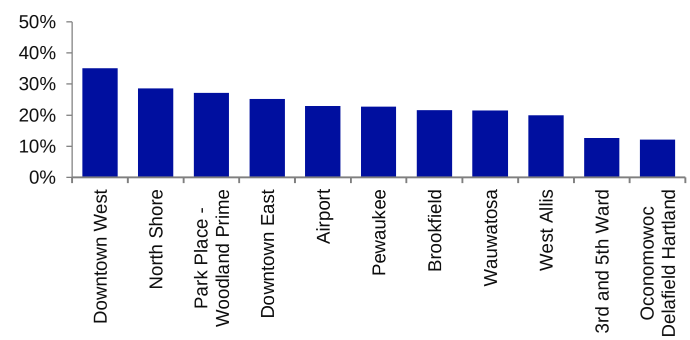
Yearly Absorption By Submarket

Absorption (SF), Last Four Quarters



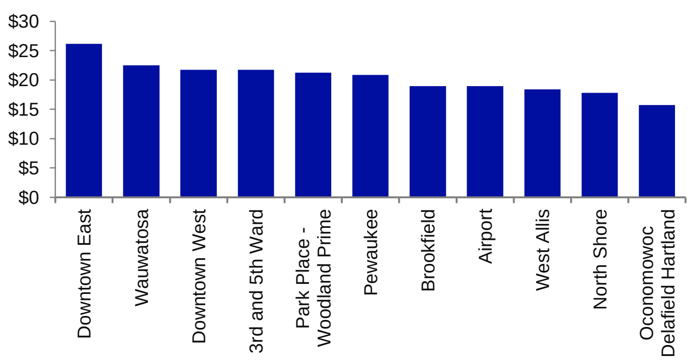
Availability By Submarket

Availability Rate (%)



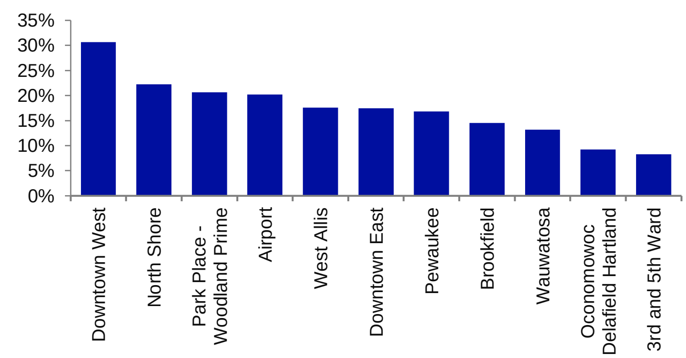
Average Asking Rent By Submarket

Average Asking Rent ($/SF)



Vacancy By Submarket

Vacancy Rate (%)



Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)
Central Business District	**14,777,514**	**388,047**	**28.2%**	**20.6%**	**29,898**	**(3,064)**
Downtown East	8,226,156		27.3%	18.5%	5,807	(47,548)
Class A	4,035,474		23.0%	16.4%	16,271	168,943
Class B&C	4,190,682		31.5%	20.6%	(10,464)	(216,491)
Downtown West	4,473,552	94,000	36.2%	30.4%	14,587	54,829
Class A	280,000		0.0%	0.0%	0	0
Class B&C	4,193,552	94,000	38.7%	32.4%	14,587	54,829
Third & Fifth Wards	2,077,806	294,047	14.5%	7.8%	9,504	(10,345)
Class B&C	2,077,806	294,047	14.5%	7.8%	9,504	(10,345)
Suburban	**21,854,079**	**231,000**	**23.6%**	**17.0%**	**(80,048)**	**(26,819)**
Airport	930,082		24.1%	18.5%	12,434	32,112
Class B&C	930,082		24.1%	18.5%	12,434	32,112
Brookfield	5,781,196	231,000	21.1%	15.4%	(52,738)	(125,017)
Class A	314,645	231,000	8.1%	8.1%	0	2,032
Class B&C	5,466,551		21.8%	15.9%	(52,738)	(127,049)
North Shore	3,177,413		27.5%	22.6%	(11,273)	(30,071)
Class B&C	3,177,413		27.5%	22.6%	(11,273)	(30,071)
Oconomowoc – Delafield	686,273		11.2%	8.5%	3,856	(803)
Class B&C	686,273		11.2%	8.5%	3,856	(803)
Park Place - Woodland Prime	2,467,761		27.9%	21.9%	(41,640)	(38,201)
Class B&C	2,467,761		27.9%	21.9%	(41,640)	(38,201)
Pewaukee	2,589,492		27.4%	16.6%	9,765	(5,385)
Class A	519,858		51.4%	12.9%	14,849	21,959
Class B&C	2,069,634		21.4%	17.5%	(5,084)	(27,344)
Wauwatosa	4,173,839		21.3%	14.2%	(12,824)	81,869
Class A	1,744,389		13.2%	9.1%	1,564	(22,399)
Class B&C	2,429,450		27.1%	17.8%	(14,388)	104,268
West Allis	2,048,023		23.3%	15.7%	12,372	58,677
Class B&C	2,048,023		23.3%	15.7%	12,372	58,677
Metro Total	**36,631,593**	**619,047**	**25.5%**	**18.5%**	**(50,150)**	**(29,883)**

Economic Conditions

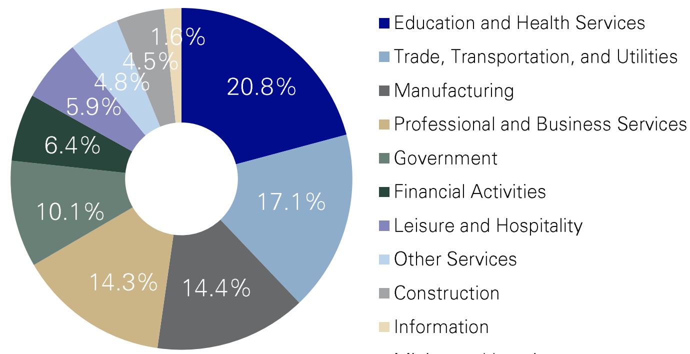
The Milwaukee seven-county region is known as "The Machine Shop of the World" and is the global market leader in advanced manufacturing, distribution, professional and financial services, green technologies and printing.

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 13.6% in April due to the response of the Covid-19 pandemic. The rate has since dropped to 7.4%, slightly less than the national average of 8.4%

Employment by Industry

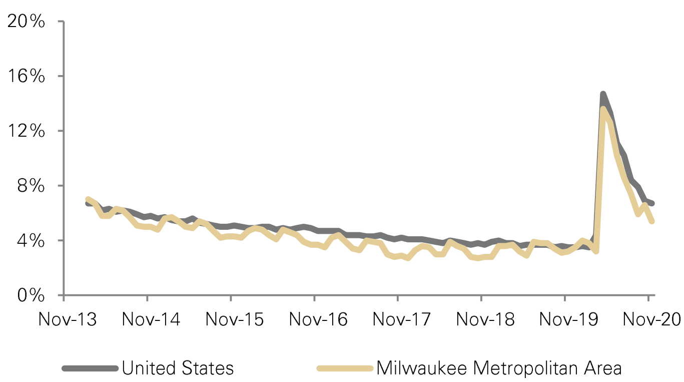
Milwaukee, December 2020



*Source: U.S. Bureau of Labor Statistics

Unemployment Rate

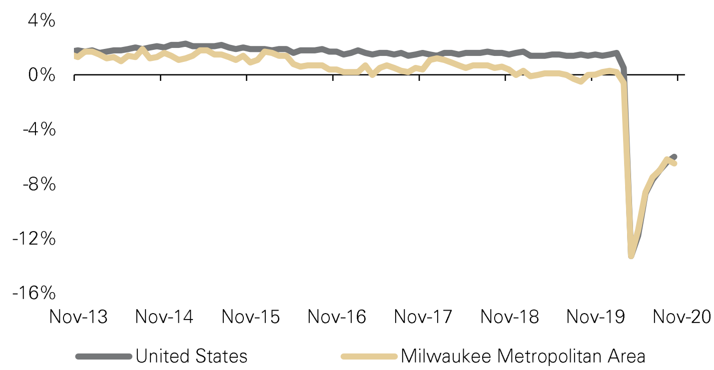
Not Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Payroll Employment

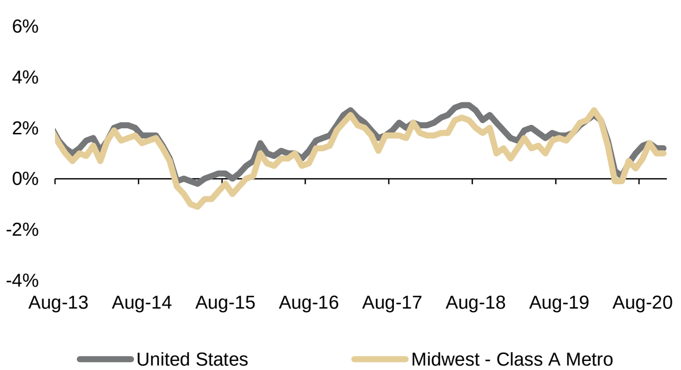
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



*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 Growth By Industry

MKE, Sept 2020, 12-Month % Change, Not Seasonally Adj

*Source: U.S. Bureau of Labor Statistics

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