

4Q23

Milwaukee Office Market Overview



Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. November’s 3.6% unemployment rate remains significantly lower than the 4.5% 10-year historical average.
- Year over year, job gains have been most pronounced in the hospitality and leisure industry, while the financial activities services had the most job losses.
- In 2023, there was a local decline in employment across all office-occupying sectors, resulting in a loss of approximately 1,900 jobs.
- The Midwest Consumer Price Index has continued to fall after hitting a peak in June 2022 of 9.2%. As of December 2023, it now stands at 3.2%.

Major Transactions

- Leasing activity in 2023 exceeded the long-term average, it is worth noting that a significant portion (18%) of this activity can be attributed to Baird’s renewal and expansion of 456,000 square feet at the US Bank Center.
- Northwest Mutual announced early this year that it plans on spending up to \$500 million to remodel and expand the 18-story office building at 818 E. Mason St. to replicate its neighboring 32-story office tower and relocate up to 2,000 suburban employees to Downtown. Its plans continued to progress this quarter as construction began.
- Multiple large leases were signed this quarter. Marcus Corporation leased +/-55,000 SF at The Associated Bank River Center, Childrens Hospital leased +/-23,600 SF at 1250 N 113th St, Milwaukee and Medical Eye leased +/-15,000 SF at RidgeView Office Center II.

Leasing Market Fundamentals

- In the past year, the market has experienced negative absorption of 376,875 square feet. Despite the substantial negative absorption, the vacancy rate has only increased by 52 basis points, reaching 20.36% from 19.84%. This can be attributed to the conversion of vacant buildings into multi-family or industrial use.
- Since the second quarter of 2020, the market has experienced a total negative absorption of 788,924 square feet, resulting in a contraction of 2.13%.
- This past quarter, the availability rate rose a modest 5 basis points from 27.20% to 27.25%. Looking at the past year, the availability rate has gradually risen from 26.33% to its current level of 27.25%.
- The construction pipeline is nearly empty, as there is only two office buildings totaling 100,288 SF under construction: The Grain and Loomis Crossing.

Outlook

- Uncertainty reigns in the macroeconomic outlook. Occupiers and investors alike will approach deals with greater caution as a result, which will continue to impact leasing and investment activity.
- Market-wide availability and vacancy rates will rise as large-block users will continue to shed excess office space.
- While asking rents have continued to moderately rise, tenants will see increasingly competitive offers from landlords.

-
1. Economy
 2. Leasing Market Fundamentals
 3. Supplemental Tables

4Q23

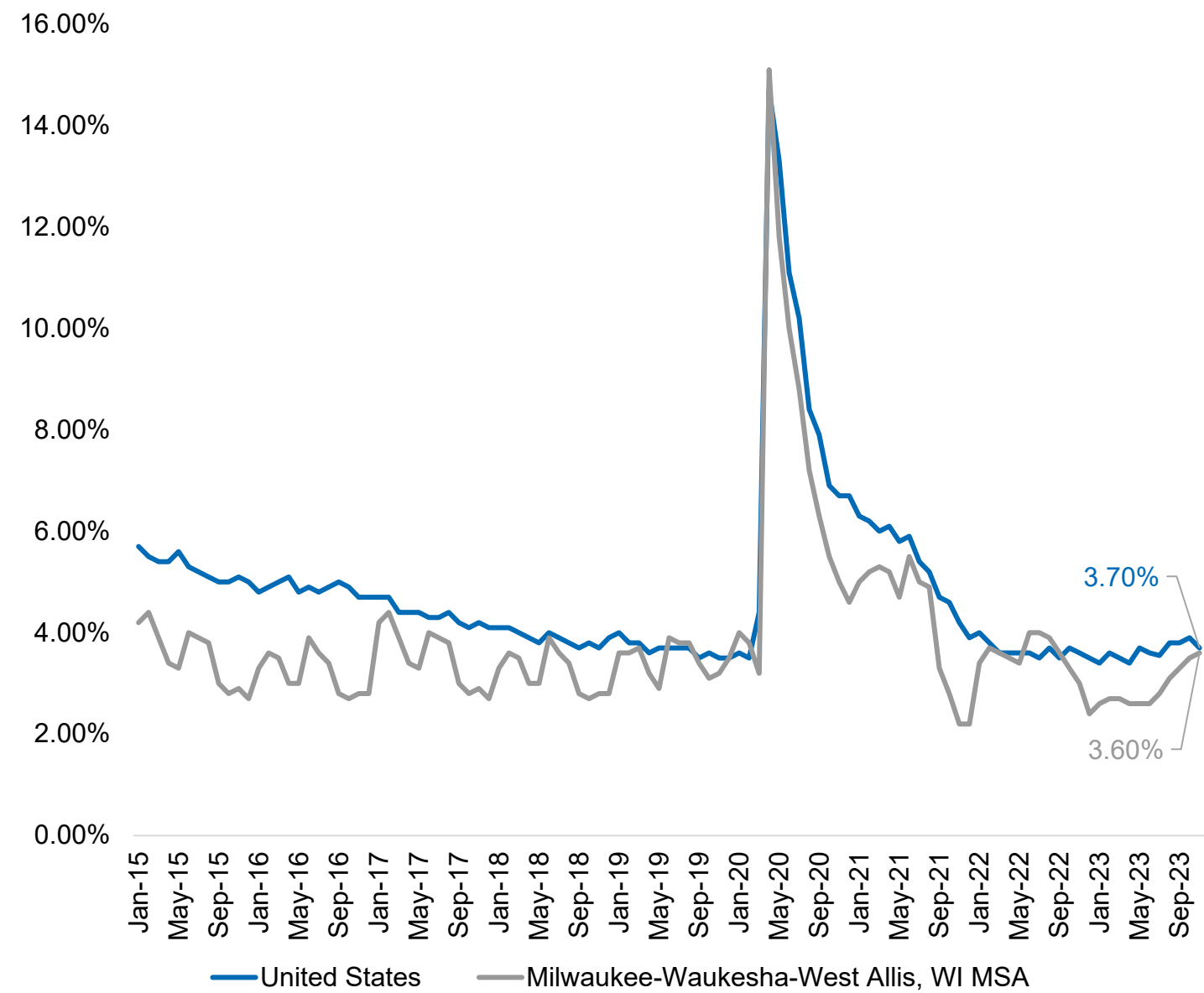
Economy



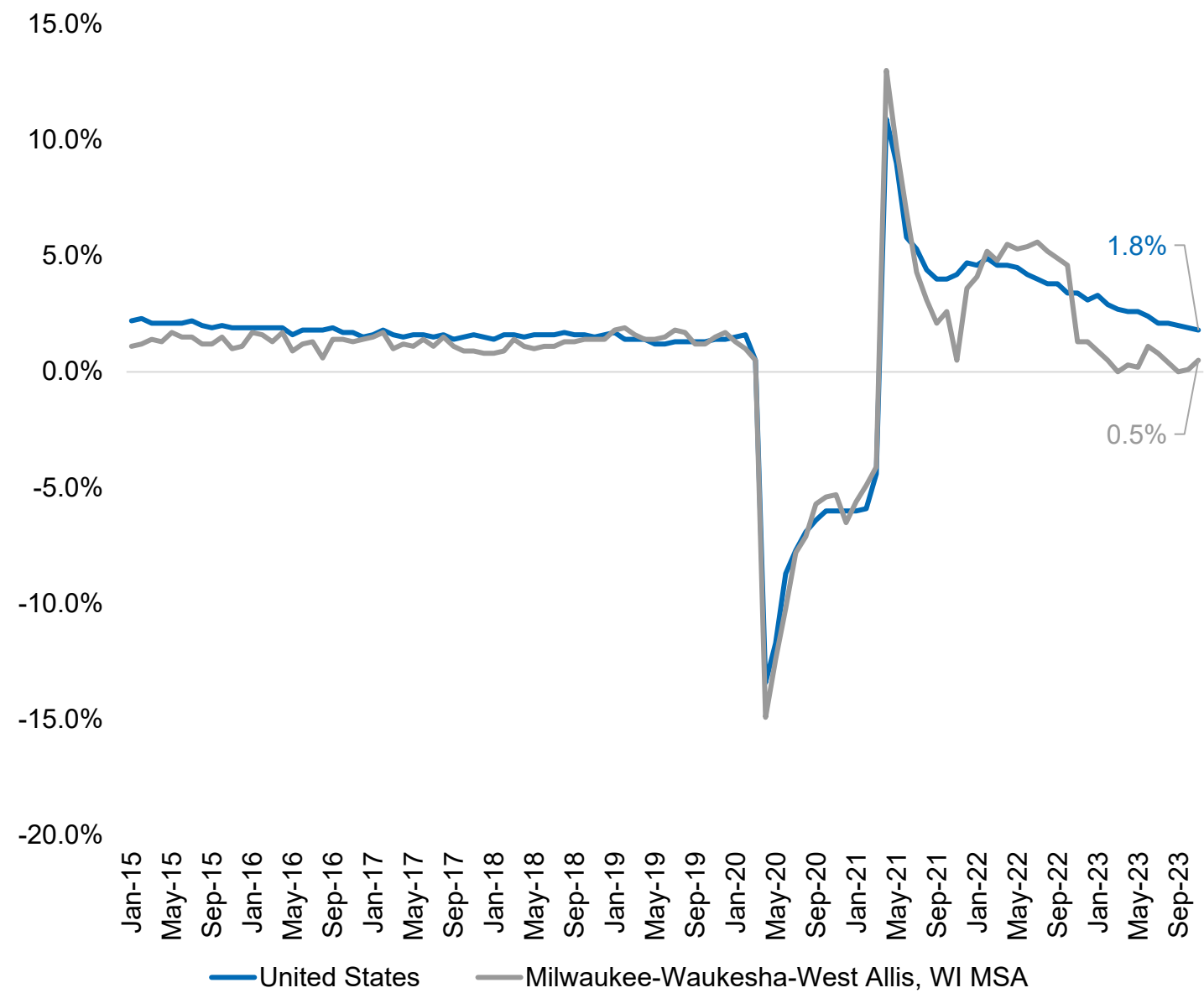
Metro Employment Trends Signal A Slowing Economy

While the region’s labor market remains on relatively solid footing, cracks are beginning to show amid persistently high inflation and increasing interest rates. The Metro’s annual payroll employment’s 12-month average, while still growing at 0.5%, is considerably lower than the nationwide average of 1.8%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



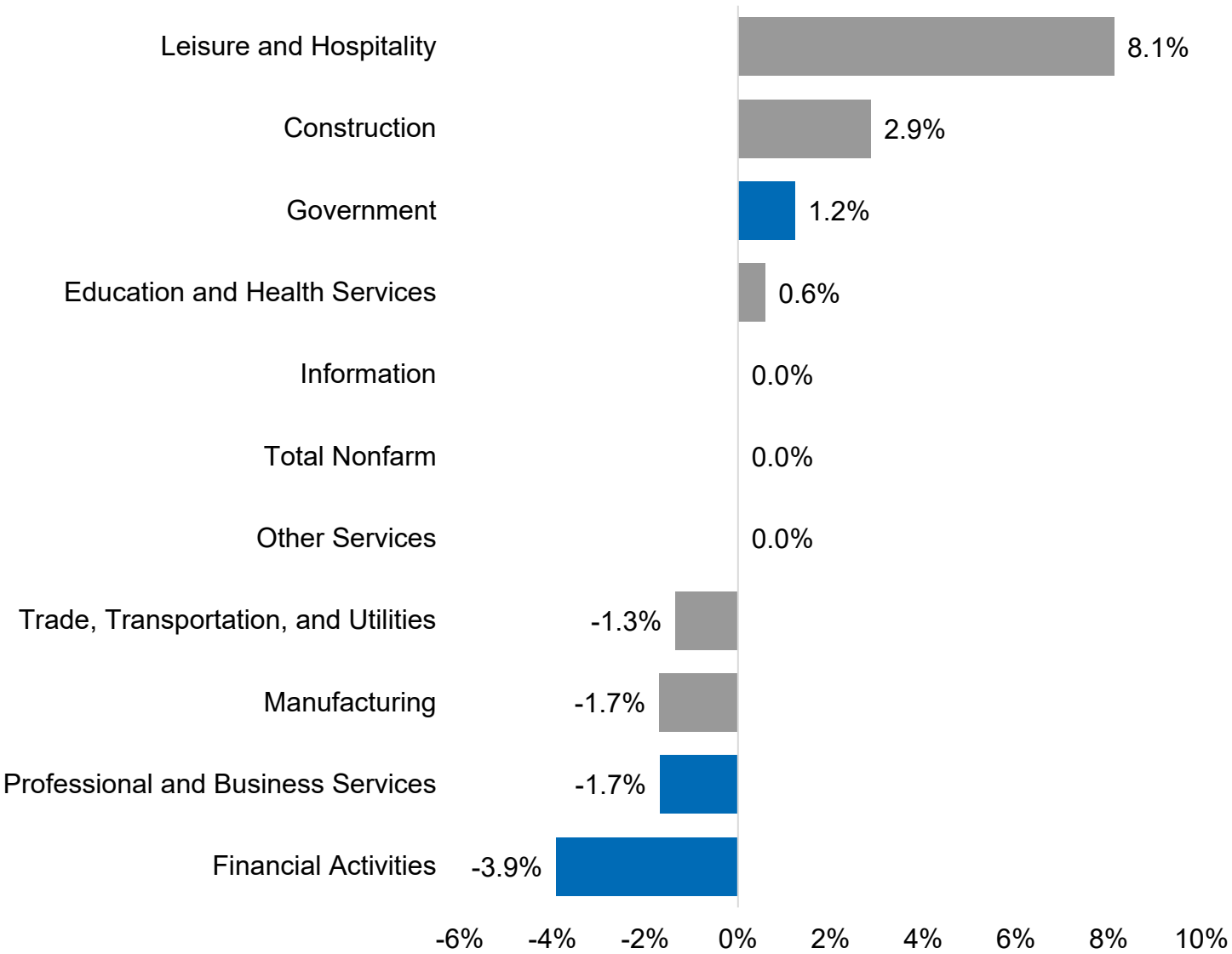
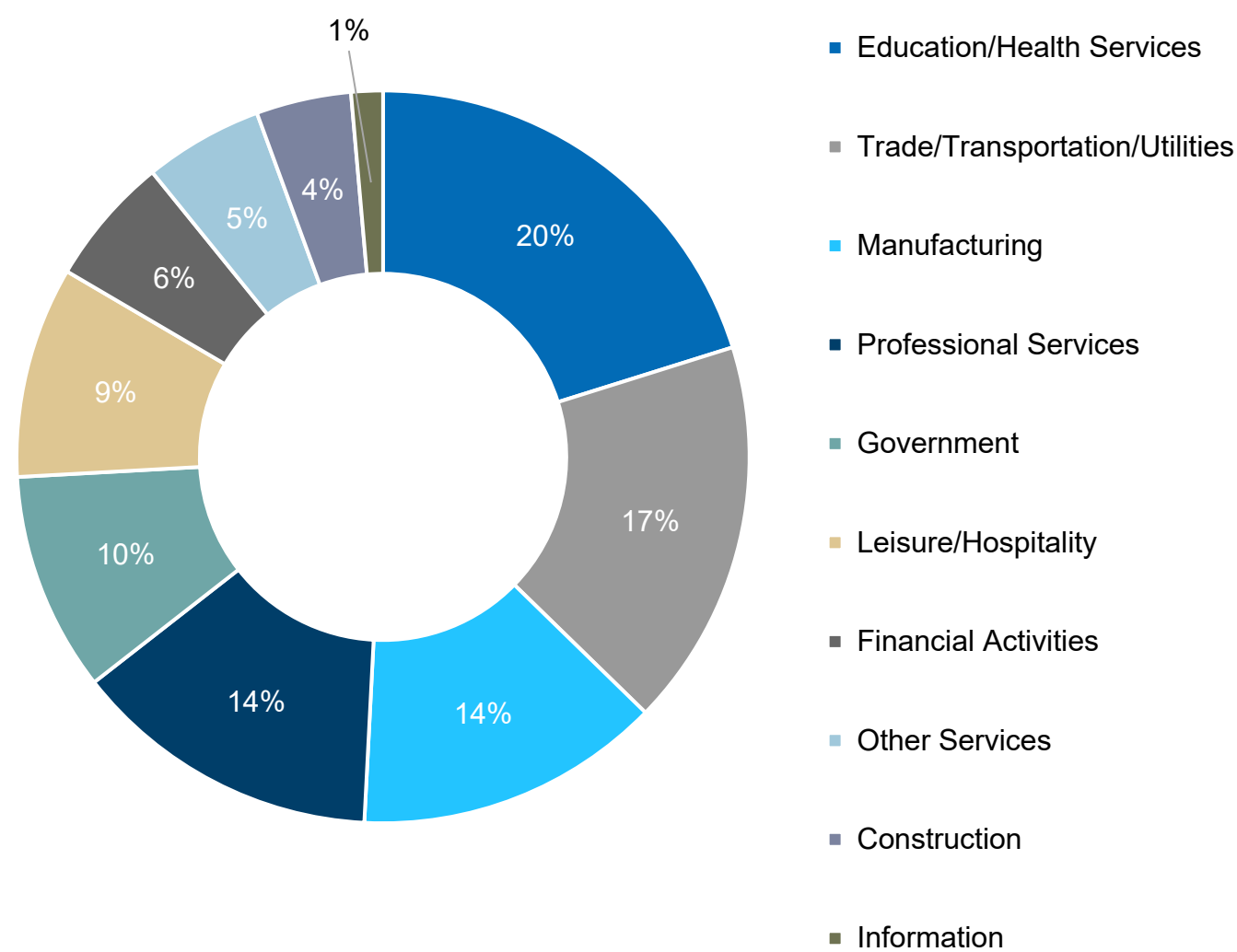
Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

Job Growth Driven in Large Part by Leisure and Hospitality Sector

The leisure and hospitality sector led all industries in regional annual job growth, with +/-6,000 jobs being added over the past year. Industrial-occupying and adjacent industries saw roughly +/- 3,000 jobs added over the past year.

Employment by Industry, November 2023

Employment Growth by Industry, 12-Month % Change, November 2023

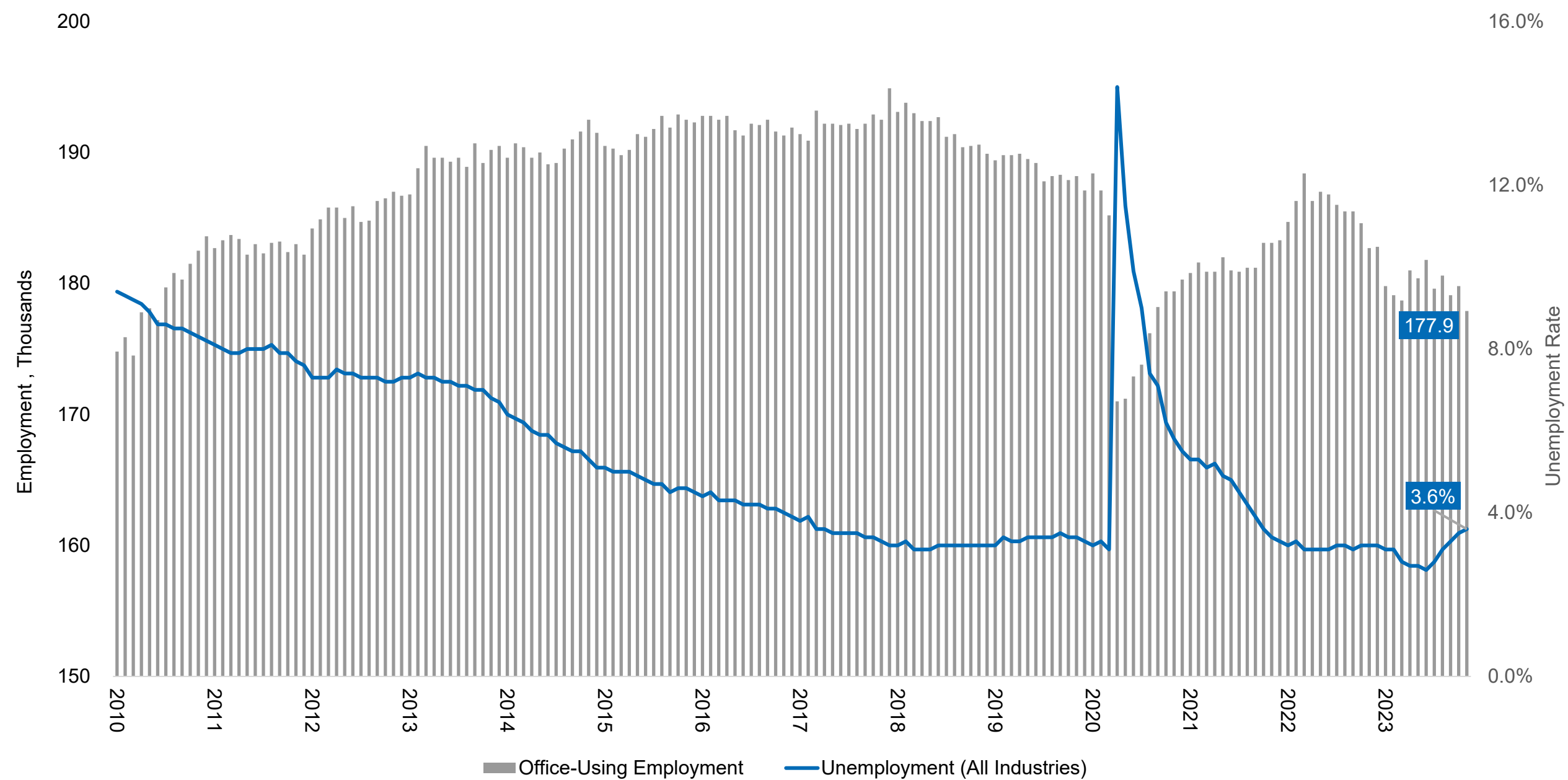


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

Overall Office-Using Employment Has Rebounded

The number of office jobs initially rebounded to pre-pandemic levels but recently has lost ground as there were a significant number of layoffs in the professional and business and information sectors throughout 2023.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA
Note: November 2023 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

4Q23

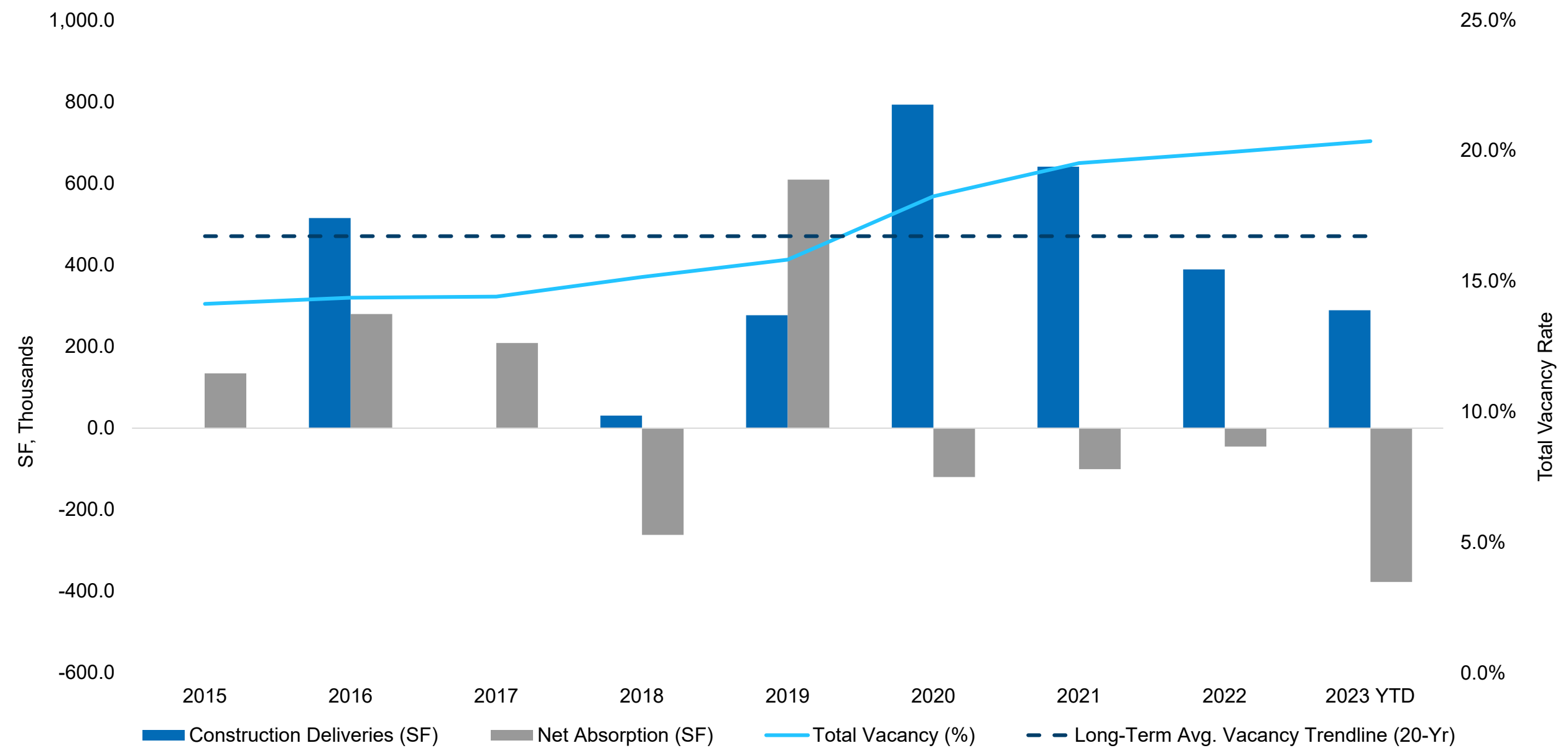
Leasing Market Fundamentals



Vacancy Rises as Construction Deliveries Outpace Net Absorption

In the past year, the market has experienced negative absorption of 376,875 square feet. Despite the substantial negative absorption, the vacancy rate has only increased by 52 basis points, reaching 20.36% from 19.84%. This can be attributed to the conversion of vacant buildings into multi-family or industrial use. Since the second quarter of 2020, the market has experienced a total negative absorption of 788,924 square feet, resulting in a contraction of 2.13%.

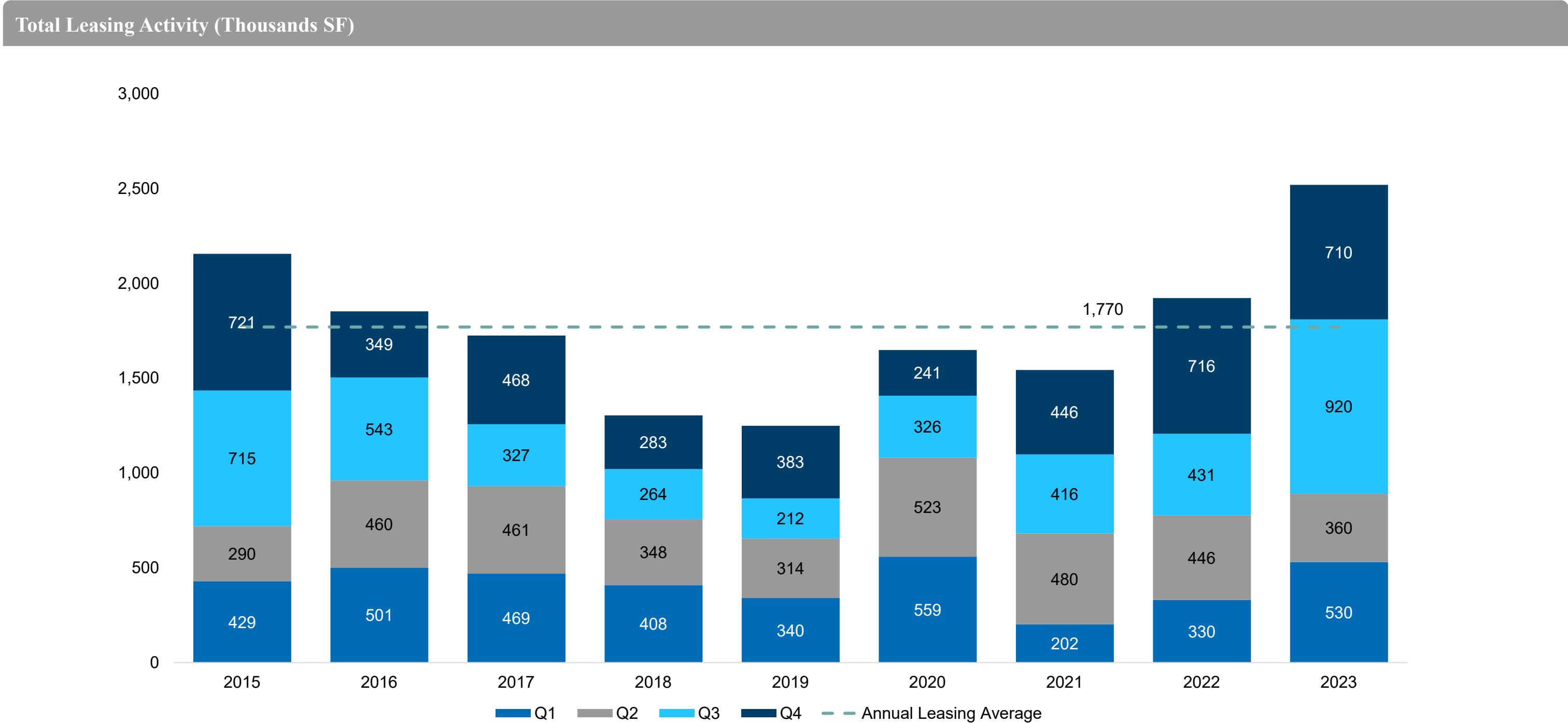
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Pace Has Slowed

The combination of ongoing space reductions, economic uncertainty, and higher capital costs has prompted numerous companies to reassess their strategies and implement cost-cutting measures. While leasing activity in 2023 exceeded the long-term average, it is worth noting that a significant portion (18%) of this activity can be attributed to Baird's renewal and expansion of 456,000 square feet at the US Bank Center.

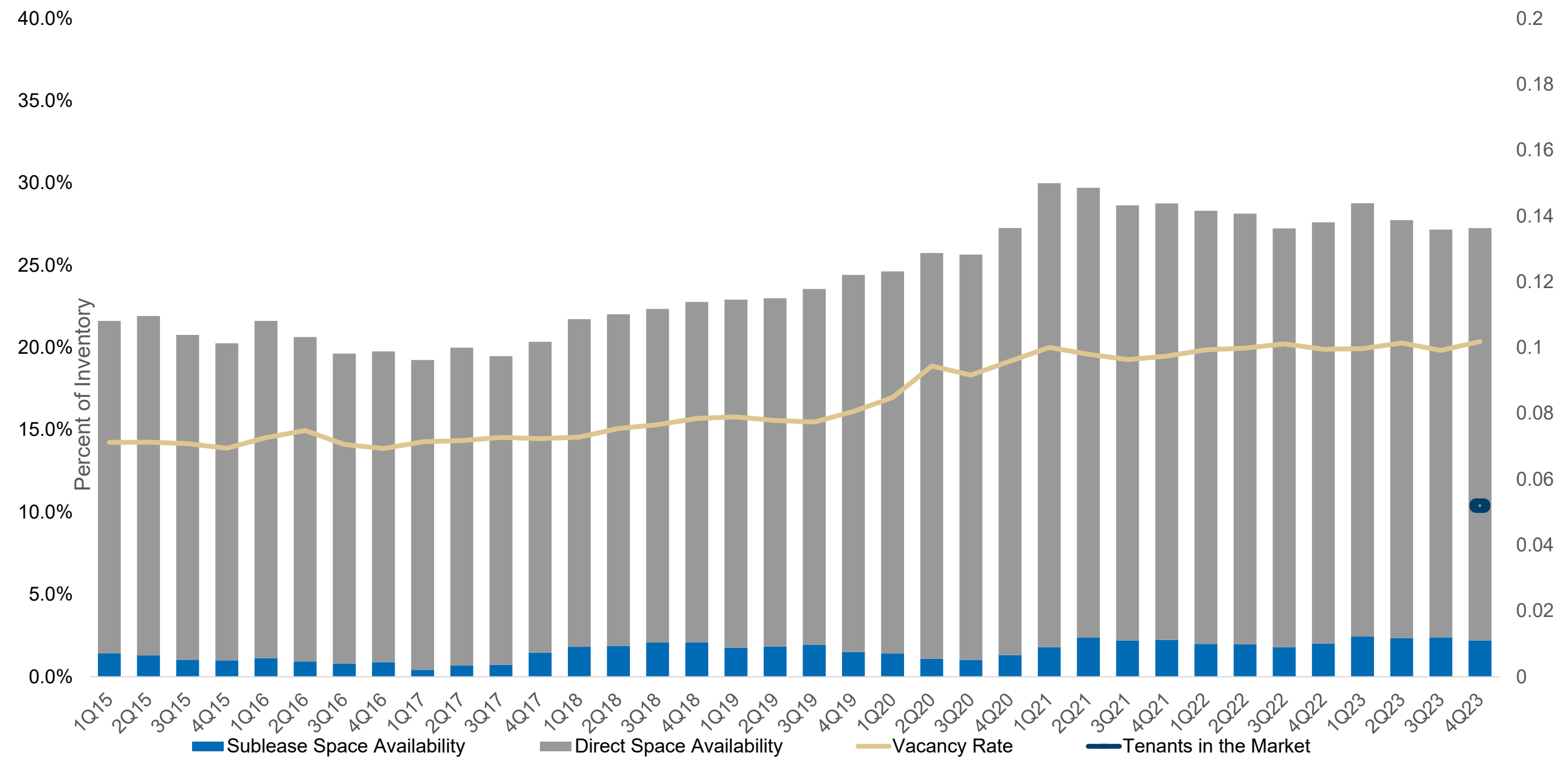


Source: Newmark Research, CoStar

Availability Continues to Increase While Tenant Demand Drops

This past quarter, the availability rate rose a modest 5 basis points from 27.20% to 27.25%. Looking at the past year, the availability rate has gradual risen from 26.33% to its current level of 27.25%.

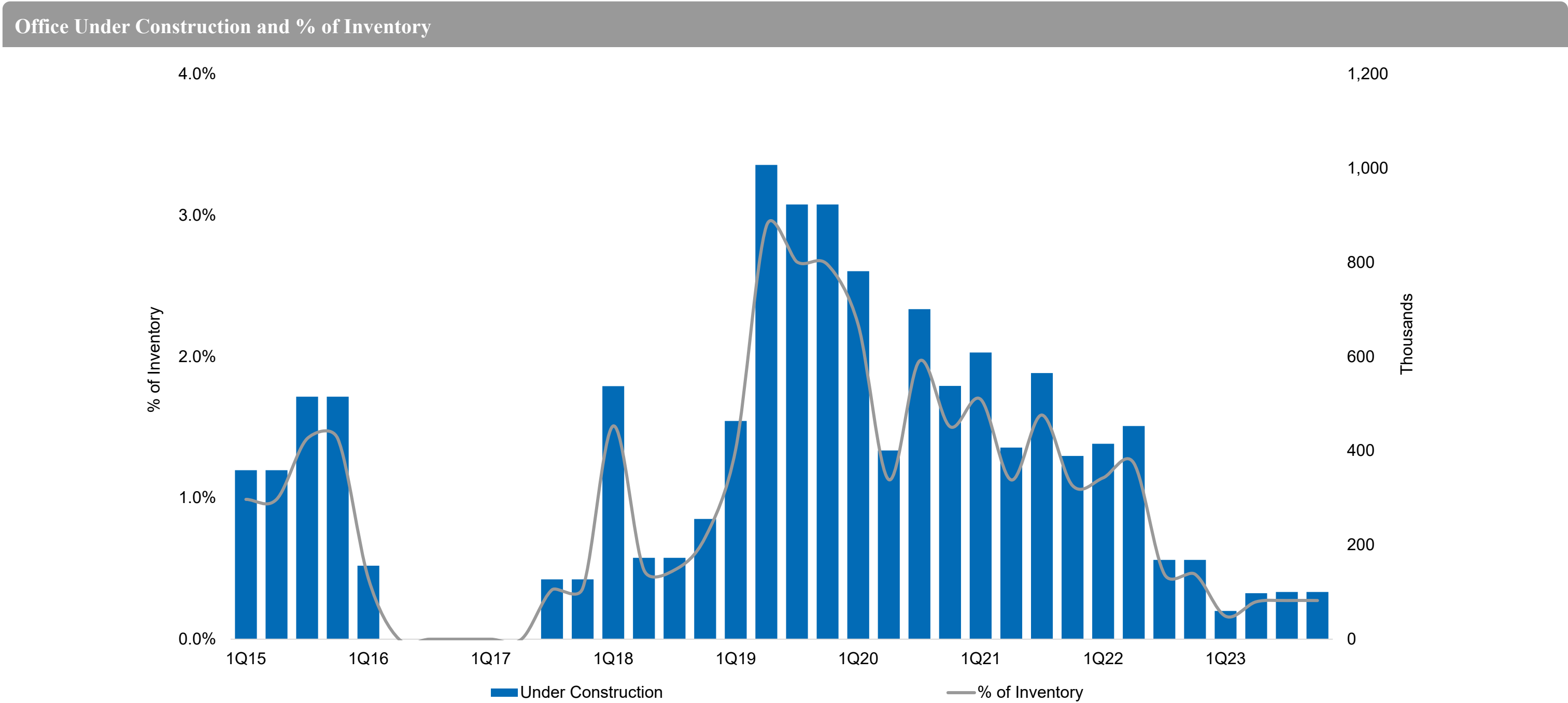
Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

New Construction Slows

The construction pipeline is nearly empty, as there is only two office buildings under construction: The Grain and Loomis Crossing. The Grain is a mixed-use building that encompasses 60,500 square feet of office space and 18,000 square feet of retail space spread across four stories. Loomis Crossing is a 40,288 square foot medical office building conveniently situated near the I-894 and Loomis Road Interchange.

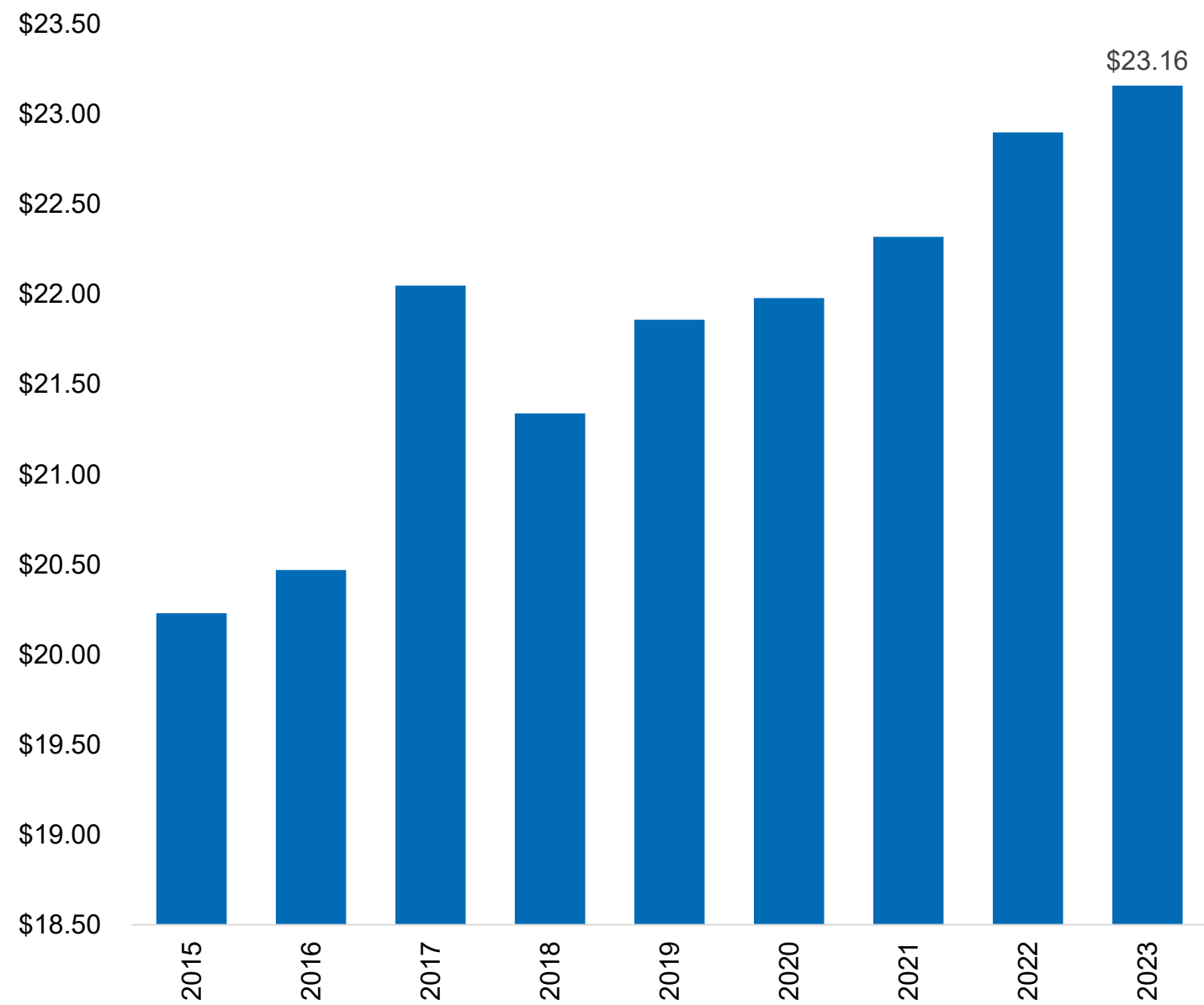


Source: Newmark Research, CoStar, City/County of ____ (where applicable)

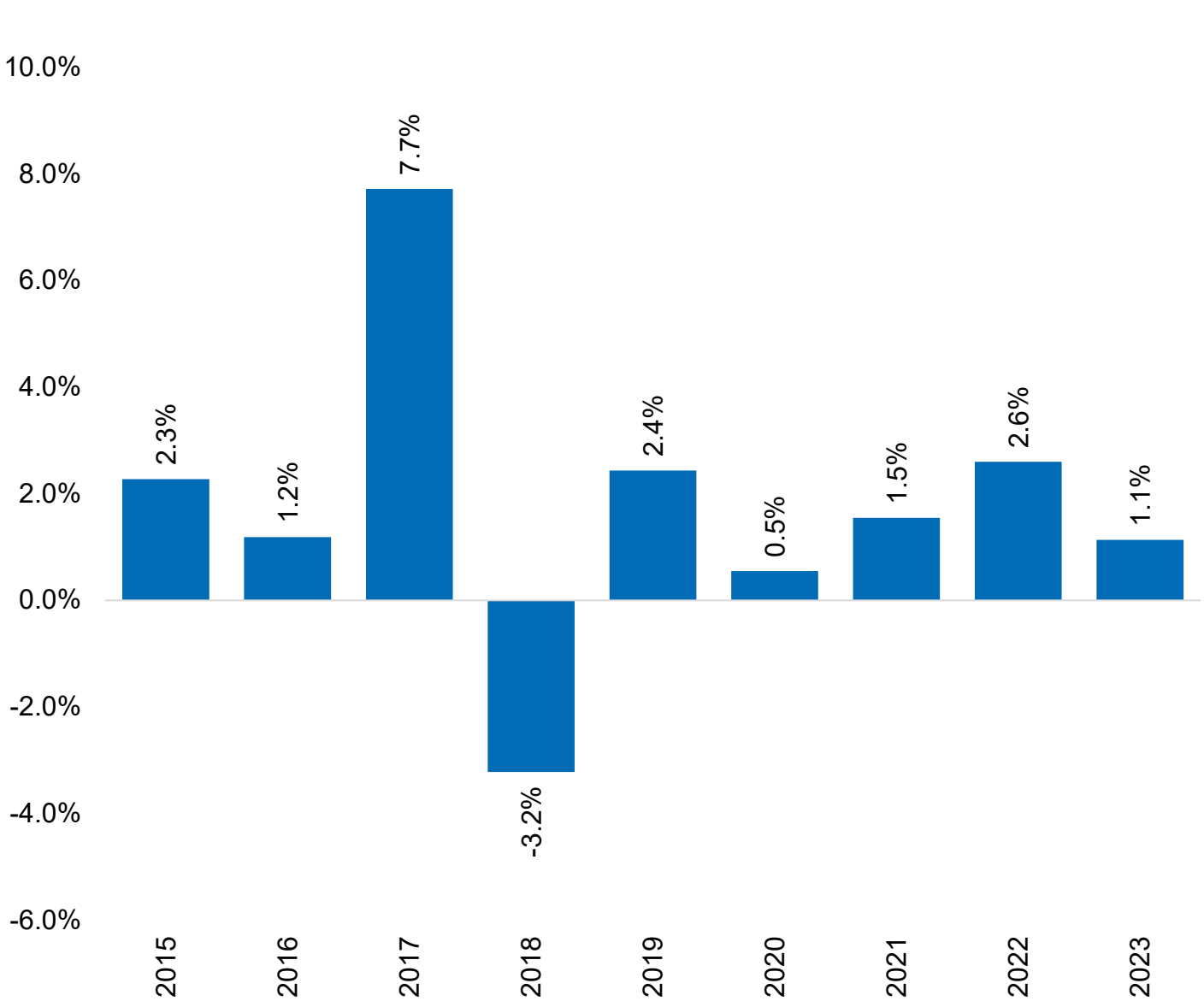
Rents Remain Flat

Overall average asking gross rates have continued to grow, the overall rate now sits at \$23.16/SF which represented a 1.1% year-over-year rent growth. While there is positive rent growth it can most likely be attributed rising operating costs and taxes. Class A asking rates increased slightly during the quarter to \$29.92/SF. It is expected that asking rates should reset in the coming quarters as landlords are forced by liquidity constraints to trade elevated concession packages for lower rents.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

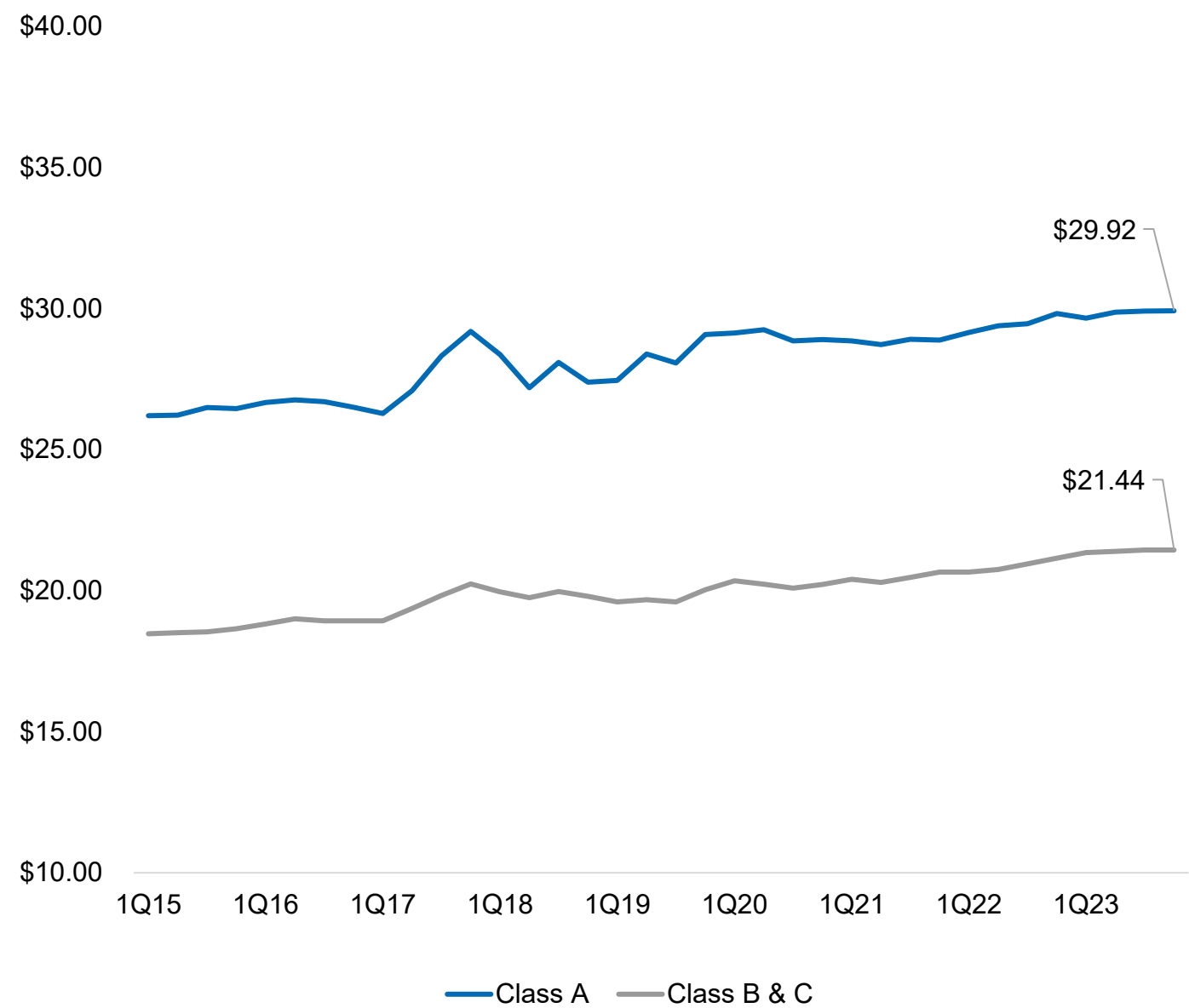


Source: Newmark Research, CoStar

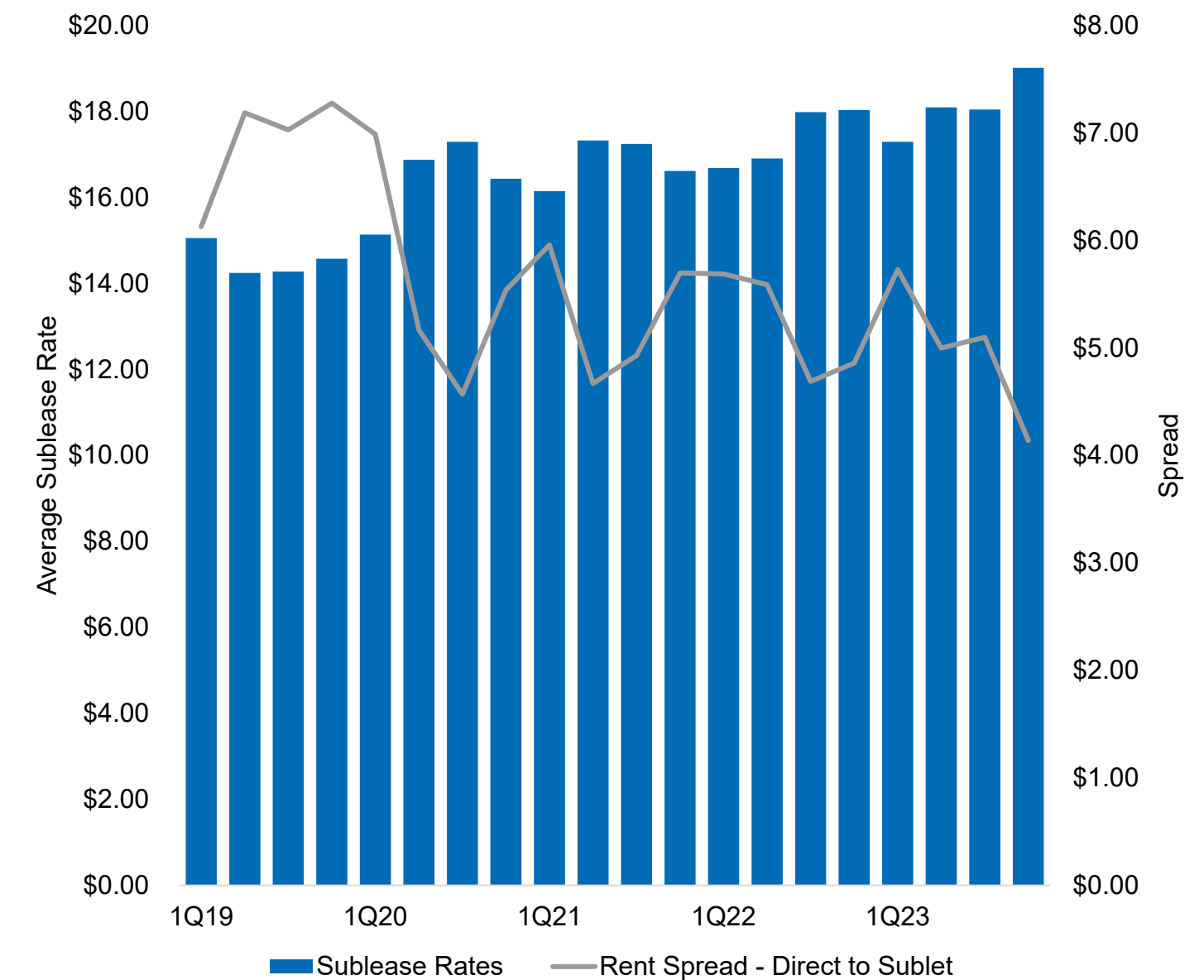
Asking Rents March On

In past cycles, asking rents have adjusted downward to account for depressed demand; however, asking rents have largely held value since the onset of the pandemic. Some rent compression is being experienced among major markets, but secondary and tertiary markets continue to appreciate.

Class A and Class B Average Asking Rents



Sublease Rates



Source: Newmark Research, Catylist (aka Redi Comps, Inc), Costar

Leasing Activity Slows

While there are uncertainties about the overall economy, leasing momentum is getting stronger as there were multiple leases and owner-occupied sales completed this past quarter over 10,000 SF.

Notable 4Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Marcus Corporation	Associated Bank River Center 111 E Kilbourn Ave Milwaukee	Downtown East	New	52,000
Marcus Corporation announced that they were moving from their existing location at 100 E Wisconsin Ave (undergoing a conversion to MUH) to the Associated Bank River Center. They will be occupying a portion of the 4 th floor and the entire 12 th and 13 th floors.				
Children's Hospital of Wisconsin Inc.	1250 N 113 th St Milwaukee	Wauwatosa	New	23,600
Children's Hospital of Wisconsin Inc. leased 23,600 SF at 1250 N 113 th St, Milwaukee.				
Medical Eye	RidgeView Office Center II N19W23993 Ridgeview Pky Pewaukee	Pewaukee	New	14,809
Medical Eye leased 14,809 SF at RidgeView Office Center II, N19W23993 Ridgeview Pky, Pewaukee.				
Waterstone Mortgage	Brookfield Lakes Corporate Center XI 17950 W Corporate Dr Brookfield	Brookfield	New	12,234
Waterstone Mortgage leased 12,234 SF at Brookfield Lakes Corporate Center XI, 17950 W Corporate Dr, Brookfield. Fed-Ex previously occupied the building until the beginning of 2023, since vacating 71% of the building has been quickly re-leased.				
Highlander Dermatology	Bluemound Crossings 16650 W Bluemound Rd Brookfield	Brookfield	New	10,756
Highlander Dermatology leased 10,756 SF at Bluemound Crossing, 16650 W Bluemound Rd, Brookfield.				

Source: Newmark Research



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

4Q23

Supplemental Tables





Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

For more information:

Nathan Winkel
Research and Marketing Manager
Wisconsin Research
nathan.winkel@nmrk.com

Newmark Milwaukee Office
757 N Broadway
Milwaukee, WI 53202
t 414-347-9400

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK