

MARKETBEAT MILWAUKEE

Office Q4 2019

YoY Chg 12-Mo. Forecast

16.5%
Vacancy Rate



185K
YTD Net Absorption, SF



\$20.73
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

885.4k
Milwaukee
Employment



3.5%
Milwaukee
Unemployment Rate



3.6%
U.S.
Unemployment Rate



Source: BLS

ECONOMY

Wisconsin's unemployment rate increased by 20 basis points (bps) to 3.3% in the fourth quarter of 2019. Year-over-year, the unemployment rate increased 30 bps. Wisconsin continues to post an unemployment rate lower than the national average of 3.6%.

The latest National Manpower Employment Outlook survey from Milwaukee-based Manpower Group indicates Metro Milwaukee employers remain somewhat optimistic, with a net employment outlook reading of 16.0% in the region, down from 21.0% in the prior quarter. This is lower than the Midwest average of 18.0%.

MARKET OVERVIEW

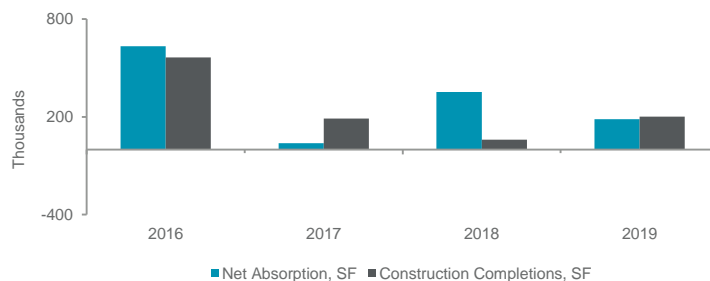
The Milwaukee office market reported negative absorption of 25,104 square feet (sf) in the fourth quarter of 2019. The vast majority of this negative absorption can be attributed to the expiration of a 139,450-sf sublease listing that went unfilled in the West Allis submarket. In contrast to the overall negative absorption experienced this quarter, 10 of the 12 submarkets in Metro Milwaukee posted positive absorption.

The highlight of 2019 was the continued growth and maturation of the CBD. With 190,339 sf of positive absorption, the CBD carried the rest of the metro area, which had a combined negative absorption of 4,971 sf for the year. Year over year, leasing activity remained steady across the market with the CBD experiencing a 16.4% increase in absorption. Even with a delay in the delivery of the 380,817-sf BMO Tower in the Downtown East submarket, Metro Milwaukee saw a significant rise in construction completions year-over-year with 201,048 sf delivered in 2019. BMO Tower is expected to be delivered first quarter 2020.

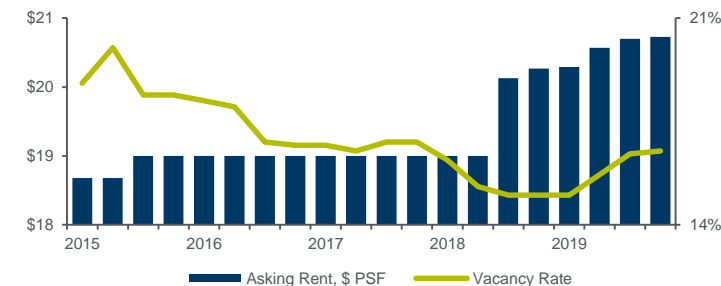
OUTLOOK

Investor optimism remains strong, especially in value-add areas in and near the CBD. Downtown West continues to be a targeted destination for investment and corporate relocations. Fourth quarter 2019 saw a marked increase in activity in this submarket. The historic 438,221-sf Journal Sentinel block was acquired this quarter as was the long-vacant, 372,215-sf former Assurant office building. Both will undergo extensive renovations with the former being converted to apartments. Furthering the company's commitment to Milwaukee, American Family Insurance made its long-awaited decision to open a new office and DreamBank in a 94,000-sf historic warehouse. Nearby, Badger Mutual Insurance announced that the company will be relocating its corporate headquarters to the neighborhood as well. Expect continued investment and relocation announcements in the Downtown West submarket in 2020.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT 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	7,043,838	2,800	782,065	11.1%	5,095	152,860	225,363	543,817	\$26.04	\$28.10
Downtown West	3,493,941	1,200	811,698	23.3%	13,196	37,479	144,189	0	\$20.75	\$20.29
CBD TOTALS	10,537,779	4,000	1,593,763	15.2%	18,291	190,339	369,552	543,817	\$24.02	\$25.74
Mayfair / Wauwatosa	2,961,845	16,152	495,365	17.3%	-3,163	45,686	166,746	0	\$20.18	\$23.94
North Shore	1,965,990	7,400	518,403	26.7%	3,261	2,134	20,384	0	\$15.11	\$22.12
Northwest	1,702,710	6,967	310,553	18.6%	30,270	128,250	197,603	0	\$21.22	\$22.44
Southeast	218,916	0	59,033	27.0%	7,500	-45	7,500	0	\$15.87	N/A
Southwest	354,606	3,668	72,444	21.5%	1,153	2,457	15,489	0	\$16.61	\$17.89
Third Ward / Walker's Point	1,916,213	0	113,906	5.9%	6,229	32,490	76,532	200,000	\$21.01	\$20.95
West Allis	2,047,549	0	394,715	19.3%	-132,653	-218,894	23,985	0	\$17.41	N/A
MILWAUKEE SUBURBAN TOTALS	11,167,829	34,187	1,964,419	17.9%	-87,403	-7,922	508,239	200,000	\$18.62	\$22.40
Ozaukee	609,105	1,212	77,657	12.9%	687	1,670	22,620	0	\$13.84	\$14.64
Brookfield	4,135,828	25,518	686,134	17.2%	22,346	4,896	126,371	0	\$19.13	\$21.16
Waukesha / Pewaukee	2,623,265	0	406,449	15.5%	20,975	-3,615	146,890	0	\$19.58	\$22.52
MILWAUKEE OUTLYING TOTALS	7,368,198	26,730	1,170,240	16.2%	44,008	2,951	295,881	0	\$19.12	\$21.40
CBD	10,537,779	4,000	1,593,763	15.2%	18,291	190,339	369,552	543,817	\$24.02	\$25.74
Suburban	18,536,027	60,917	3,134,659	17.2%	-43,395	-4,971	804,120	200,000	\$18.80	\$21.92
MILWAUKEE TOTALS	29,073,806	64,917	4,728,422	16.5%	-25,104	185,368	1,173,672	743,817	\$20.73	\$23.85

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7449 Flint Road, Milwaukee	Northwest	DRS Leonardo	122,000	New
7800 W Brown Road, Milwaukee	Northwest	Ross Innovative Solution Corp.	40,282	New
1200 N Mayfair Road, Wauwatosa	Mayfair / Wauwatosa	Hays Group	34,811	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Schlitz Park Portfolio Sale, Milwaukee	Downtown West	The Brewery Works, Inc. / SP Milwaukee Propco1, LLC	893,183	\$101.3M / \$114
333 W State Street, Milwaukee	Downtown West	State-Kilbourn Holdings LLC / JS 1962 LLC and JS 1924, LLC	438,221	\$7.2M / \$16
501 W Michigan Street, Milwaukee	Downtown West	Interfinancial Inc. / F Street 501, LLC	372,215	\$4.0M / \$11

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