

MARKETBEAT MILWAUKEE

Office Q4 2020

19.8%
Vacancy Rate



388K
YTD Net Absorption, SF



\$21.03
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

814.2
Milwaukee
Employment



6.6%
Milwaukee
Unemployment Rate



6.7%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics
2020Q4 data are based on latest available data

ECONOMY

Upon the arrival of COVID-19 in the U.S., the economy entered into a recession, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 and Q4 2020 data likely reflecting that. However, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of the economy [here](#).

Wisconsin's unemployment rate decreased month-over-month 100 basis points (bps) to 5% in November 2020. Locally, Metro Milwaukee's unemployment rate fairs slightly worse, at 6.6%, however, 10 bps below the national average.

According to data from the U.S Bureau of Economic Analysis, Wisconsin's economy had one of the sharpest rebounds in the country during the third quarter of 2020, with real gross domestic product for the state increasing at a 40.3% annualized rate from the second quarter to the third quarter, a rate that ranks Wisconsin ninth in the country.

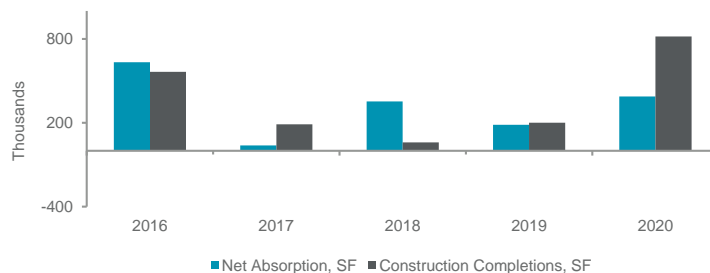
MARKET OVERVIEW

Two Class A office buildings delivered in Q4 2020; The Huron Building, a 163,000-square feet (sf) office building anchored by Husch Blackwell LLP, and R1ver, a 202,047-sf office building anchored by Michels Corporation. With two deliveries, the Milwaukee office market reported absorption of 99,051 sf in the fourth quarter of 2020, bringing the year end total to 388,496 sf. Overall, seven of the 12 submarkets in Metro Milwaukee posted positive absorption, with the suburban areas absorbing more space than the CBD. Short term renewal activity is on the rise as tenants delay expansion or relocation plans in the face of uncertainty. Investors remain cautiously optimistic, with both local and national players acquiring over 1.3 million square feet (msf) post onset of COVID-19.

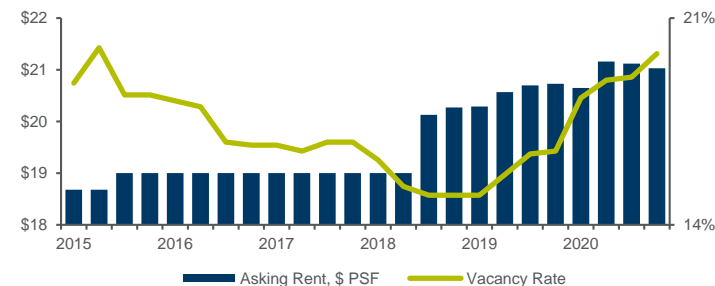
OUTLOOK

The Milwaukee market continues to report evidence toward a future gradual recovery. Large development projects announced pre-COVID-19 remain on the horizon, including Rite-Hite Holding Corporations plan for a 240,700-sf corporate headquarter campus in the Walker's Point submarket and American Family Insurance's commitment to relocate into a 94,000-sf historic warehouse in the Downtown-West submarket. Since March, Hydrite Chemical Company announced a future move into one of two proposed new office buildings within Golf Parkway Corporate Center in the Brookfield submarket, Johnson Financial Group announced plans for consolidation in the Downtown-East submarket, and Milwaukee Tool, one of the area's fastest growing companies, has plans for continued growth in Menomonee Falls. Investor and user optimism has remained cautious and is predicted to continue until the full effects of COVID-19 on the office market are understood.

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	7,573,047	0	1,055,770	13.9%	31,471	144,309	617,753	0	\$26.56	\$29.63
Downtown West	3,669,266	0	1,288,390	35.1%	-1,189	88,079	123,395	0	\$20.01	\$19.06
CBD TOTALS	11,242,313	0	2,344,160	20.9%	30,282	232,388	741,148	0	\$24.05	\$26.69
Mayfair / Wauwatosa	3,041,952	0	617,693	20.3%	-37,926	48,196	246,640	0	\$22.01	\$25.61
North Shore	1,965,990	0	532,241	27.1%	990	-7,131	4,729	0	\$15.33	\$24.08
Northwest	1,734,104	0	372,241	21.5%	32,334	32,334	32,334	0	\$20.65	\$23.07
Southeast	377,686	0	210,903	55.8%	-470	8,488	8,958	0	\$15.96	N/A
Southwest	354,606	0	74,365	21.0%	-9,619	-11,262	21,985	0	\$15.65	\$15.68
Third Ward / Walker's Point	2,118,260	0	227,857	10.8%	77,776	103,560	128,834	37,076	\$23.65	\$29.93
West Allis	2,041,155	0	375,327	18.4%	13,474	39,006	116,511	0	\$18.00	N/A
MILWAUKEE SUBURBAN TOTALS	11,633,753	0	2,411,172	20.7%	76,559	213,191	559,991	37,076	\$19.08	\$25.10
Ozaukee	609,105	0	90,275	14.8%	-21,527	-7,844	26,791	0	\$14.53	\$15.07
Brookfield	4,052,497	0	717,949	17.7%	1,723	-45,878	74,084	231,000	\$19.30	\$21.38
Waukesha / Pewaukee	2,623,265	0	414,803	15.8%	12,014	-3,361	72,910	0	\$19.67	\$22.64
MILWAUKEE OUTLYING TOTALS	7,284,867	0	1,223,027	16.8%	-7,790	-57,083	173,785	0	\$19.26	\$21.72
CBD	11,242,313	0	2,344,160	20.9%	30,282	232,388	741,148	0	\$24.05	\$26.69
Suburban	18,918,620	0	3,634,199	19.2%	68,769	156,108	733,776	268,076	\$19.15	\$23.30
MILWAUKEE TOTALS	30,160,933	0	5,978,359	19.8%	99,051	388,496	1,474,924	268,076	\$21.03	\$25.23

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
790 N Water Street	Downtown – East	BMO Harris	123,000	New
210 W Becher Street	Third Ward / Walker's Point	Michels Corporation	81,597	New
503-525 N Broadway	Downtown – East	Husch Blackwell LLP	70,998	New

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KEY SALES TRANSACTIONS 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Park Place, Milwaukee and Oak Creek Portfolio	Various	LSOP WI, LLC / Various Entities	248,033	\$3.6M / \$15
7800 W Brown Deer	Northwest	Miller Brothers Agave, LLC	175,610	\$13.3M / \$76
2514 S 102 nd and 10150 W National	West Allis	Lincoln Center Office Property Group, LLC / DKS Realty Wisconsin V, LLC	125,400	\$10.1M / \$81

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