

INTRODUCTION

Though “return to the office” is not happening as quickly as many had hoped, it is happening. Milwaukee business leaders are encouraging office attendance and, in some instances, starting to require it. Locally, GRAEF and Northwestern Mutual have brought their teams back full time and announced a phased-in return to the office, respectively. Downtown is experiencing a significant increase in traffic on the road and cars in parking lots. Once at the office, building managers have reduced or eliminated restrictions on elevator and common area capacity and opened up fitness centers and onsite dining options. The impact of virtual work or hybrid models remains to be seen, as companies determine internally who will come back, when they’ll be there, and on what schedule.

MARKET OVERVIEW

The second quarter, like the first, saw several significant real estate related stories hitting the press. Large transactions that include AT&T selling 722-740 N. Broadway, Milwaukee Tool purchasing 501 West Michigan and Good Karma committing to 24,495 square feet at The Avenue. Interestingly, these transactions all occurred in the CBD- counter to some predictions that the downtown office market would die post-COVID. We expect additional significant announcements in the downtown area in the third quarter.

Despite an uptick in general activity (inquiries, showings, and proposals) the number of deals signed in the second quarter remained low. Founders 3 remains optimistic that the second half of the year will see a marked increase in signed deals as firms find they can no longer delay real estate decisions.

The overall Class A & B multi-tenant office market saw 204,503 square feet of negative absorption in the 2nd quarter. Overall vacancy declined 1.41% to 19.95% while asking rates increased slightly to \$20.30. Please note – Founders 3 does not include the Milwaukee Tool purchase of 501 W Michigan in its absorption figures as Milwaukee Tool is a single tenant building. It does, however, affect the reported vacancy, as 372,000 SF was removed from the available inventory.

SUBLEASE SPACE ON THE MARKET

There is currently 668,873 square feet of sublease space officially on the market. This is up 220,288 square feet from Q1. A few of the larger blocks in the CBD include – Johnson Financial, approximately 24,972 square feet at 100 East, Quarles & Brady’s 46,618 square feet at 411 E. Wisconsin and Manpower’s 77,906 square feet at 100 N. Manpower Place.

(See Figure 3 on Page 4 for a breakout of sublease space by submarket.)

Market Synopsis

	Downtown*	Suburban
Q2 Absorption	-240,393 SF	35,890 SF
Q2 Sublease SF	380,060 SF	288,813 SF
Vacancy	20.87%	19.15%
Class A Gross (Avg. Rate)	\$28.96	\$23.25
Class B Gross (Avg. Rate)	\$21.31	\$17.53

*Downtown includes the Downtown East, Downtown West, and Third Ward/Walker’s Point submarkets
 **See Figure 2 on Pg. 3 for individual submarket absorption data

Notable Leases and Sales

- Milwaukee Tool purchases 370,000 SF, 501 W. Michigan St., Milwaukee for \$7.9 Million (\$21.35/SF)
- AT&T sold 722 – 740 N. Broadway, Milwaukee (360,000 SF) to Reign Capital for \$30.13 Million (\$83.69/SF)
- Wilson Elser leased 6,570 SF at Cathedral Place 555 E. Wells St. in Milwaukee
- Church Mutual leased 10,000 SF at 833 E. Michigan St. in Milwaukee
- Capital Square sold ProHealth Care’s 112,000 SF Riverwood Corporate Center II in Pewaukee to Mohr Partners for \$18.5 million (\$165.17/SF)

DOWNTOWN OUTLOOK - Downtown East, Downtown West, and Third Ward/Walker's Point

The Downtown submarkets posted negative 240,393 square feet of absorption and an overall vacancy rate of 20.87%.

Downtown East

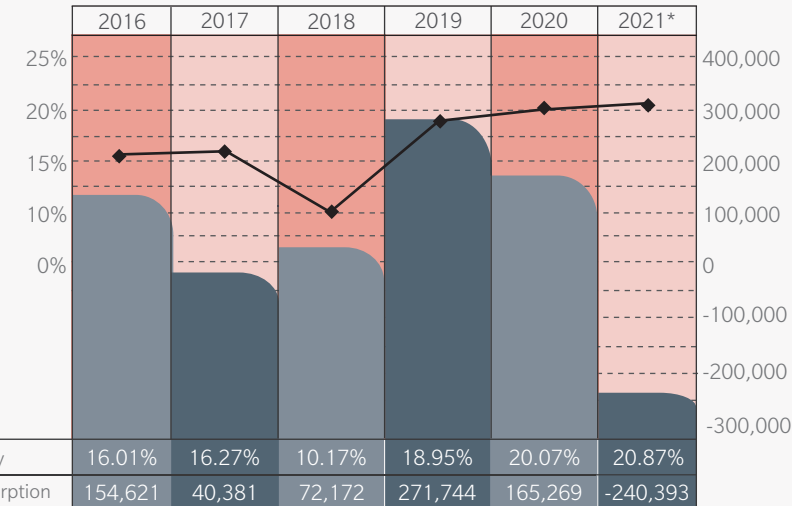
Downtown East experienced limited office leasing activity during the 2nd quarter of 2021. Overall vacancy rose from 17.43% to 18.89%. Class A product saw 64,493 square feet of negative absorption resulting in vacancy rates increasing 0.01% to 17.80%. Class B vacancy increased 4.81% ending at 21.43%. [This increase is the result of The Foxconn Building at 611 E. Wisconsin being officially marketed and added to the multi-tenant inventory.](#)

833 East Wisconsin landed Church Mutual, occupying approximately 10,000 SF. Church Mutual cited the need for an urban office location to attract new college graduates and be near cultural amenities. William Elser law firm relocated from downtown west 740 N. Plankinton to Cathedral Place, 555 East Wells. The firm leased 6,570 square feet on the 17th floor, backfilling space left by Husch Blackwell. The Plankinton property was recently sold to an investor group with plans to convert the property to multi-family and several current office tenants in the building are seeking new office space.

In the first quarter Johnson Controls announced plans to sell its headquarters at 507 E. Michigan and relocate 1,300 employees to Glendale. This downtown facility is a seven-building campus making up 422,674 square feet. It is believed that there was significant interest in the property and proposals are being reviewed with the potential for conversion of part of the campus to different uses such as hospitality or multi-family.

Downtown West

Milwaukee Tool closed on the purchase the former Assurant Building at 501 W. Michigan St. for a new downtown office location. While not reflected in this quarter's absorption the sale does have an impact on the inventory as 372,000 square feet were removed from the multi-tenant inventory. It was reported that Milwaukee Tool could bring up to 2,000 jobs to downtown west. This is positive news for the area and for 3rd Street Market Hall at The Avenue, which received funding to complete construction and is expected to open later this year.



*2021 only reflects Quarter 2 vacancy and absorption data
Source: Data provided by Real Estate Database, Inc. (RediComps.com) and augmented by Founders 3 Real Estate Services

ECONOMIC OVERVIEW

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Milwaukee Metropolitan Statistical is 4.7%. This is a 710-basis point decrease compared to May 2020. The Milwaukee MSA saw an encouraging increase in "office using jobs", increasing by approximately 2,700 jobs since the end of 2020. (See Figure 1 on page 3)

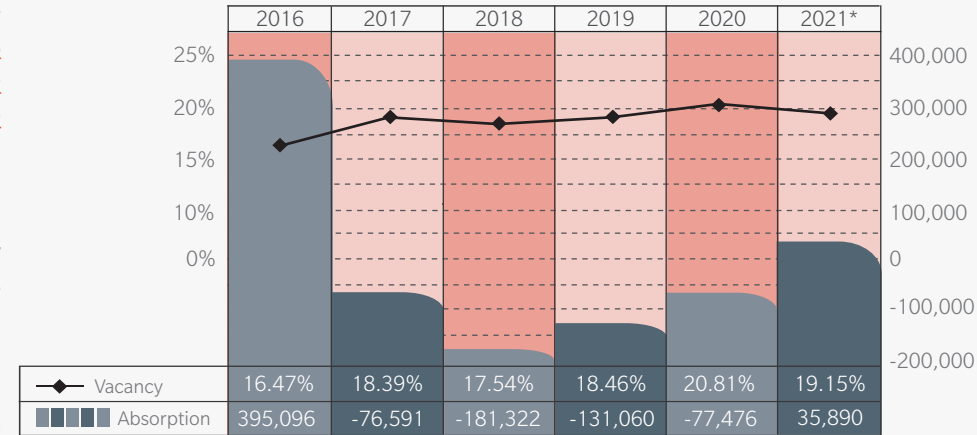
Source - Metro Milwaukee Association of Commerce (MMAC), Real Estate Database, Inc. (RediComps.com), and the Bureau of Labor Statistics. Numbers have been augmented by Founders 3 Real Estate Services.

SUBURBAN OUTLOOK

The suburban market experienced 35,890 square feet of positive absorption in the second quarter. The vacancy rate in the suburbs dropped slightly from 20.97% in the first quarter of 2021 to 19.15% in the second quarter of 2021. Lydell Corporate Center's conversion to industrial product resulted in 250,000 square feet of vacant office space being removed from the tracked set, which was ultimately the main contribution to the decrease in vacancy rate. Overall average asking rents are \$18.91 per square foot, with Class A rates at \$23.25 per square foot and Class B rates at \$17.53 per square foot.

Sikich announced plans to move from its long-term home in Bishops Woods to a new and larger 18,000 square foot office in the Golf Parkway Corporate Center at The Corridor, in Brookfield. Sikich will join Milliman, Inc. as tenants in the new 6 story, 186,000 square foot building expected to open in the third quarter of 2022.

Goodwill Industries put their Greendale HQ on the market with plans to relocate to exiting community-based facilities. Goodwill purchased the 165,000 square foot property in 2015.



*2021 only reflects Quarter 2 vacancy and absorption data

Source: Data provided by Real Estate Database, Inc. (RediComps.com) and augmented by Founders 3 Real Estate Services

ABSORPTION & EMPLOYMENT GRAPHS - FIGURES 1 & 2

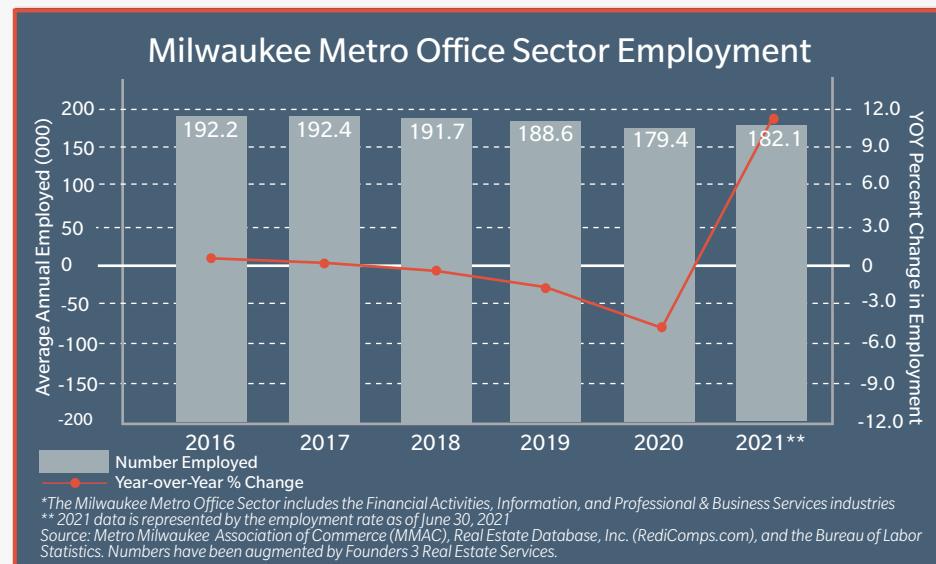


Figure 1

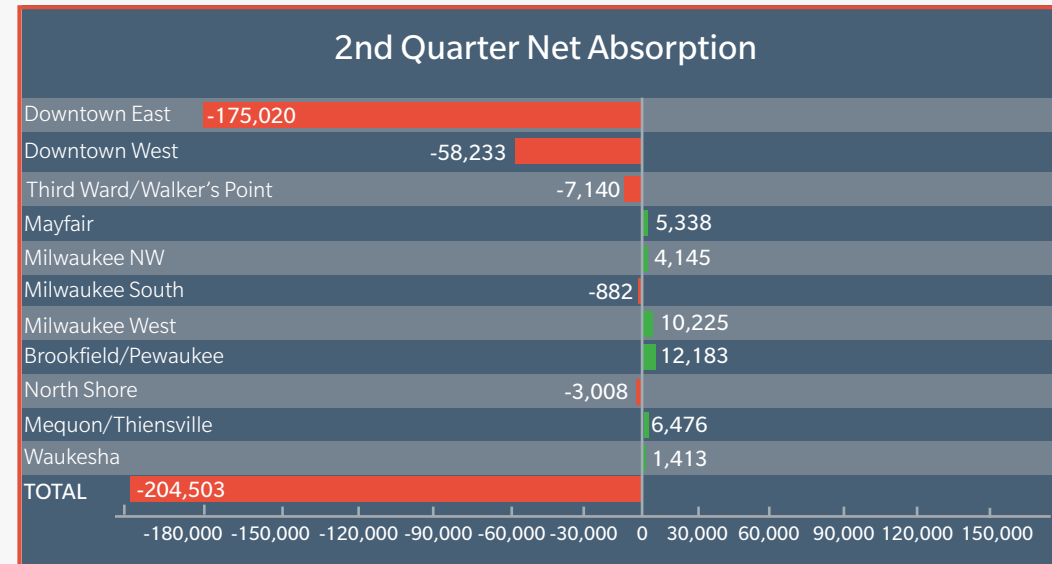


Figure 2

Submarket	Buildings	Building Size	Q2-21 Vacant SF	Q2-21 Vacancy %	Q2-21 Absorption	Q2-2021 Sublease Space	Estimated Overall Average Asking Rent (FSG)
Downtown - East							
A	14	5,428,151	965,966	17.80%	(64,493)	200,354	\$31.22
B	30	2,329,282	499,194	21.43%	(110,527)	41,503	\$20.25
Total	44	7,757,433	1,465,160	18.89%	(175,020)	241,857	\$24.03
Downtown - West							
A	2	622,938	395,400	63.47%	(27,484)	12,868	\$22.49
B	26	3,149,695	655,978	20.83%	(30,749)	59,450	\$20.38
Total	28	3,772,633	1,051,378	27.87%	(58,233)	72,318	\$20.76
Third Ward/Walker's Point							
A	4	465,416	148,963	32.01%	0	15,995	\$26.55
B	33	1,912,183	237,241	12.41%	(7,140)	49,890	\$23.50
Total	37	2,377,599	386,204	16.24%	(7,140)	65,885	\$24.22
Mayfair							
A	13	1,566,458	174,911	11.17%	(9,373)	17,460	\$26.76
B	26	1,313,289	330,591	25.17%	14,711	19,113	\$16.94
Total	39	2,879,747	505,502	17.55%	5,338	36,573	\$19.62
Milwaukee - NW							
A	6	789,885	213,280	27.00%	0	3,573	\$21.54
B	23	1,141,261	254,214	22.27%	4,145	62,006	\$16.47
Total	29	1,931,146	467,494	24.21%	4,145	65,579	\$17.82
Milwaukee - South							
A	2	111,067	19,782	17.81%	0	-	\$26.75
B	7	260,489	51,494	19.77%	(882)	-	\$16.53
Total	9	371,556	71,276	19.18%	(882)	-	\$19.45
Milwaukee - West							
A	-	-	-	-	-	-	-
B	16	1,626,995	215,218	13.23%	10,225	104,236	\$18.88
Total	16	1,626,995	215,218	13.23%	10,225	104,236	\$18.88
Brookfield/Pewaukee							
A	36	2,397,278	491,630	20.51%	8,099	48,748	\$22.50
B	77	3,410,197	676,461	19.84%	4,084	12,127	\$18.23
Total	113	5,807,475	1,168,091	20.11%	12,183	60,875	\$20.10
North Shore							
A	3	149,535	90,457	60.49%	0	3,953	\$23.33
B	26	1,306,664	263,491	20.17%	(3,008)	8,050	\$17.08
Total	44	1,456,199	353,948	24.31%	(3,008)	12,003	\$18.33
Mequon/Thiensville							
A	4	127,493	24,789	19.44%	0	-	\$24.00
B	11	307,535	52,296	17.00%	6,476	-	\$18.45
Total	15	435,028	77,085	17.72%	6,476	-	\$21.23
Waukesha							
A	-	-	-	-	-	-	-
B	40	1,375,043	182,598	13.28%	1,413	9,547	\$16.87
Total	40	1,375,043	182,598	13.28%	1,413	9,547	\$16.87
GRAND TOTAL							
A	84	11,658,221	2,525,178	21.66%	(93,251)	302,951	\$24.63
B	315	18,132,633	3,418,776	18.85%	(111,252)	365,922	\$18.50
Total	399	29,790,854	5,943,954	19.95%	(204,503)	668,873	\$20.30

*Source: Data provided by the Real Estate Database, Inc. (REDIComps.com) and augmented by Founders 3 Real Estate Services

Figure 3

YOUR LOCAL OFFICE EXPERTS

This Market is our HOME.



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An aerial photograph of a city skyline, likely Milwaukee, Wisconsin. In the foreground, a large, modern arena with a curved roof is visible, featuring the 'fiserv forum' logo. The background is filled with various skyscrapers and city buildings under a clear sky.

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