



MILWAUKEE OFFICE MARKET REPORT Q4 2023

The fourth quarter of 2023 closed as expected without a tremendous amount of change in the overall vacancy rate and asking rates still at a historical high. That being said, the good news is there is still very strong activity in the market with tenants seeking space regardless of the lease rates. Most of these tenants have not significantly downsized due to working-from-home because they are not utilizing ‘hoteling’ and, as a general rule of thumb, are still leasing one seat per person. Therefore, our market outlook is still relatively positive because of the strong activity level. In 2024 several buildings are projected to return to lenders due to the inability to refinance their current loans, which in turn may create slight downward pressure on rates. However, as we have continued to see in the past year, the rates of Class A buildings and well-maintained Class B buildings should continue to remain strong as long as they keep their positive positioning.

Notable deals that have happened in second half of 2023 include Marcus Corporation announcing a 52,000-square-foot lease at the Associated Bank River Center as well as Annex Wealth Management, in combination with Waterstone Bank leasing the majority of the old FedEx building in Brookfield Lakes. These significant transactions are further proof of the strong activity in the Milwaukee market. With additional speculation of several larger deals still floating around the downtown submarkets and more corporations implementing their “return to the office” plans; we are optimistic that 2024 will continue to show positive momentum in the office market.

Q4 MARKET SNAPSHOT

	VACANCY	ABSORPTION	SUBLEASE	CLASS A RENT	CLASS B RENT
DOWNTOWN*	24.35%	-34,801	311,978	\$29.91	\$22.69
SUBURBS	22.98%	-67,254	268,206	\$23.92	\$17.99
TOTAL/AVERAGE	23.59%	-102,055	580,184	\$26.92	\$20.34

*Downtown includes Downtown East, Downtown West and Third Ward/Walker's Point submarkets.

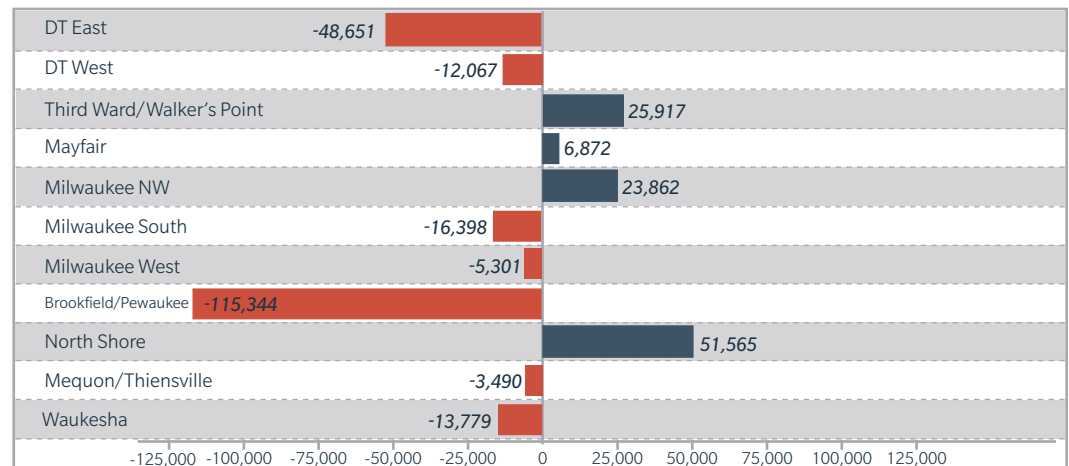
Market Overview

The Milwaukee Office market ended the year with a 23.59% vacancy rate -- reflecting almost no change from the third quarter and was relatively stagnant in the number of transactions completed. Both the Downtown submarket and Suburban submarket continued to post negative absorption (though nearly 150,000 square feet less than the prior quarter) and a small subsequent increase in vacancy; leading to a decrease in the overall asking rate to \$20.34 per square foot versus \$20.91 per square foot in Q3 2023. As always, it is important to note that these are asking rates and often do not reflect the final deal rates or include any tenant concessions provided by the Landlord.

Sublease in the Market

There is currently 580,184 square feet of sublease space on the market, representing approximately 1.88% of the 28,381,484 square foot total inventory. This is a sizeable increase of just over 50,000 square feet from Q3 2023 and can predominately be attributed to USI Insurance Services’ 20,787 square foot space at Brookfield Lakes Corporate Center IX (100 N Corporate Drive) and Stella & Chewy’s 23,578 square foot space at Liberty Corporate Preserve (10050 S 27th Street) in Oak Creek.

Q4 ABSORPTION

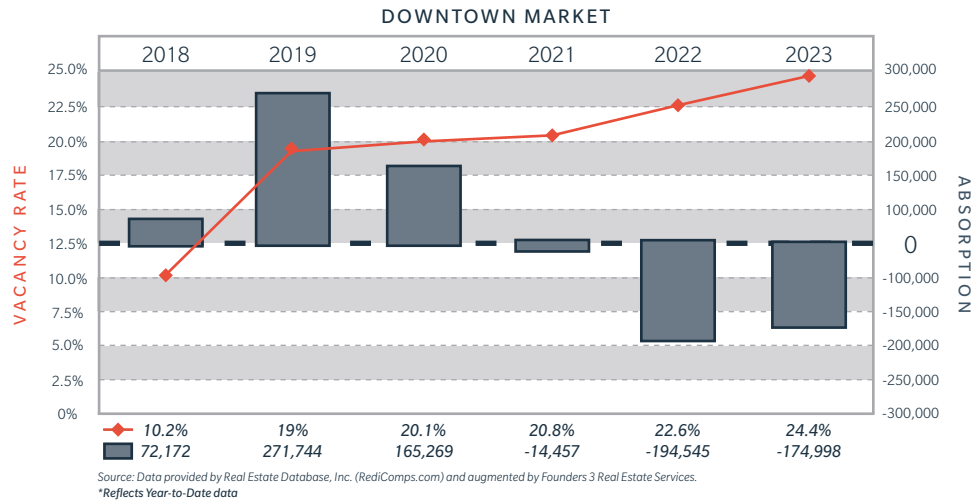


Downtown Market

Class A downtown submarkets posted 35,060 negative absorption versus Class B posting positive 259 square feet for a total of 34,801 square feet of negative absorption in Q4. Class A and B gross average asking rates were \$31.79 per square foot and \$22.70 per square foot, respectively. The overall downtown vacancy was 24.35%, with Class A vacancy at 21.44% and Class B at 26.28%.

In Downtown East news, Marcus Corporation announced the relocation of their headquarters from 100 East Wisconsin Avenue to the Associated Bank River Center at 111 E. Kilbourn Avenue. Marcus, along with Hinshaw Culbertson LLP, were two of the remaining five large tenants at 100 East, which is being redeveloped into multi-family housing. Move announcements for the remaining larger users: Marietta Investments, Grant Thornton and Gruber Law Offices are anticipated in 2024. Downtown West had minimal market movement in the fourth quarter with only one new tenant transaction -- Boldt Development leased a full floor at the Arcade Offices at the Avenue. As Fiserv prepares to move into their new headquarters at Hub640 in the first half 2024 and large blocks continue to dwindle west of the river, speculation of new development announcements in the new year have begun to circulate.

The Third Ward continued to show strong activity with three deals being announced at the Dye House (320 E Buffalo Street) and several large deals pending that have yet to be announced. In the future, we'll continue to see this as one of the strongest submarkets as tenants gravitate to this entertainment district.



NOTABLE LEASE TRANSACTIONS

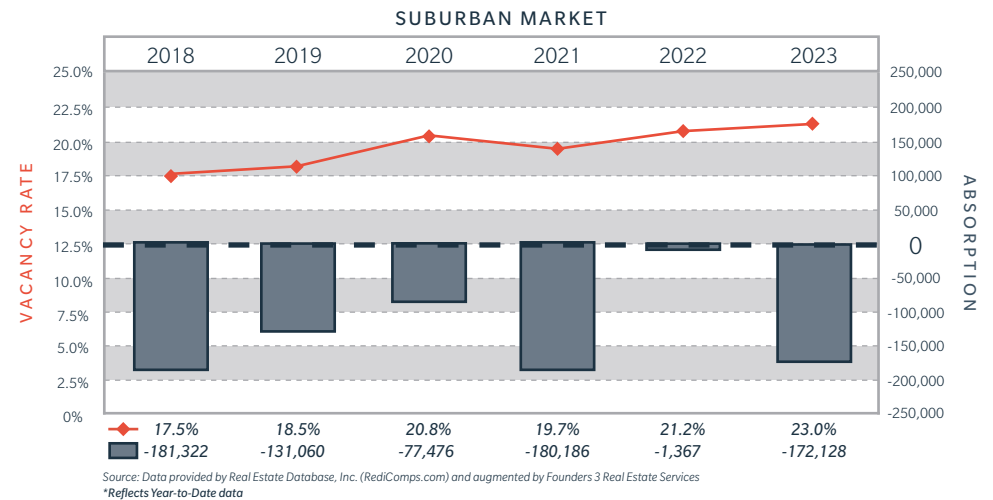
Location	Submarket	Tenant	SF Leased
111 E Kilbourn Ave	DT East	Marcus Corporation	52,000
N19W23933 Ridgeview Pkwy	Brookfield/Pewaukee	Medical Eye	14,809
1401 Discovery Pkwy	Mayfair	Mercer	5,833
320 E Buffalo Street	Third Ward	Simpson & Deardoff	8,475

Suburban Market

The suburban market experienced 67,254 square feet of negative absorption. The overall vacancy rate ended the quarter at 22.98%, with Class A at 30.23% and Class B at 21.39%, respectively. Class A and B gross average rates were \$25.05 per square foot and \$18.82 per square foot, respectively, resulting in an overall average gross asking rate of \$19.55 per square foot.

The Brookfield/Pewaukee submarket was one of the first submarkets to see a building go back to lender (as discussed on Page 1) with 13400 Bishops Woods returning to lender, WoodmenLife. The good news of this receivership is they are not a seller and are committed to a long-term hold and re-tenanting the building. Additionally, this submarket also saw a significant vacancy from Blue Yonder at Crossroads Corporate VIII (20800 Swenson Drive) as the supply-chain company vacated nearly 45,000 square feet and took the company completely remote.

The northwest submarket took a largest hit in the fourth quarter with an additional 238,000 square feet of vacancy that was added due to FIS vacating its data center at 11200 W Parkland Avenue. While there is a significant amount of space in this building, we do not see it competing with multi-tenant office buildings; or more accurately, we do not foresee this having a significant impact on rental rates because of its existing layout. This building is currently targeted towards single-tenant, technical users with a significant portion of the space being dedicated to data center use. It will not convert well to traditional office space due to lack of windows and deep bay depths.



NOTABLE LEASE TRANSACTIONS (CONT.)

Location	Submarket	Tenant	SF Leased
790 N Water Street	DT East	Hinshaw & Culbertson	8,700
310 W Wisconsin Avenue	DT West	Boldt Development	8,988
320 E Buffalo Street	Third Ward	Engberg Anderson (Renewal)	14,247
320 E Buffalo Street	Third Ward	Thornton Tomasetti	6,546

Submarket	Buildings	Building Size	Q4-2023 Direct Vacancy %	Q4-2023 Direct Vacant SF	Q4-2023 Absorption	Q4-2023 Sublease Space	Estimated Overall Average Asking Rent (FSG)
Downtown - East							
A	12	4,677,456	19.68%	920,335	(35,060)	134,001	\$32.45
B	33	2,525,343	26.69%	674,021	(13,591)	23,999	\$21.42
Total	45	7,202,799	22.14%	1,594,356	(48,651)	158,000	\$25.10
Downtown - West							
A	1	68,371	0.00%	-	-	13,000	\$28.10
B	25	3,130,258	31.39%	982,653	(12,067)	95,836	\$22.07
Total	26	3,198,629	30.72%	982,653	(12,067)	108,836	\$25.09
Third Ward/Walker's Point							
A	2	297,047	54.21%	161,024	-	-	\$29.18
B	32	1,969,145	17.61%	346,796	25,917	45,142	\$24.58
Total	34	2,266,192	22.41%	507,820	25,917	45,142	\$25.09
Mayfair							
A	13	1,569,637	27.52%	431,903	5,937	28,986	\$26.96
B	24	1,280,499	23.76%	304,257	935	19,113	\$19.24
Total	37	2,850,136	25.83%	736,160	6,872	48,099	\$22.14
Milwaukee - NW							
A	2	171,084	27.41%	46,899	-	-	\$20.25
B	29	1,708,663	27.25%	465,637	23,862	13,719	\$16.33
Total	31	1,879,747	27.27%	512,536	23,862	13,719	\$16.61
Milwaukee - South							
A	-	-	-	-	-	-	-
B	16	653,459	15.65%	102,268	(16,398)	29,269	\$17.57
Total	16	653,459	15.65%	102,268	(16,398)	29,269	\$17.57
Milwaukee - West							
A	-	-	-	-	-	-	-
B	16	1,722,795	16.23%	279,544	(5,301)	115,020	\$17.83
Total	16	1,722,795	16.23%	279,544	(5,301)	115,020	\$17.83
Brookfield/Pewaukee							
A	9	876,828	26.31%	230,677	(60,454)	2,172	\$24.39
B	104	5,071,582	25.36%	1,286,004	(54,890)	35,227	\$20.11
Total	113	5,948,410	25.50%	1,516,681	(115,344)	37,399	\$20.58
North Shore							
A	2	175,962	79.59%	140,049	(900)	-	\$24.00
B	28	1,057,583	14.38%	152,095	52,465	10,755	\$18.00
Total	30	1,233,545	23.68%	292,144	51,565	10,755	\$19.71
Mequon/Thiensville							
A	1	37,670	16.56%	6,237	0	-	\$24.00
B	12	329,246	20.58%	67,768	1,269	-	\$17.44
Total	13	366,916	20.17%	74,005	1,269	-	\$20.72
Waukesha							
A	-	-	-	-	-	-	-
B	36	1,058,856	9.24%	97,825	(13,779)	13,945	\$17.38
Total	36	1,058,856	9.24%	97,825	(13,779)	13,945	\$17.38
GRAND TOTALS							
A	42	7,874,055	24.60%	1,937,124	(90,477)	178,159	\$26.17
B	355	20,507,429	23.21%	4,758,868	(11,578)	402,025	\$19.27
Total	397	28,381,484	23.59%	6,695,992	(102,055)	580,184	\$20.71

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