

FIGURES | MILWAUKEE OFFICE | Q4 2022

# Q4 CBD totals show positive absorption

▼ 13.8%

Direct Vacancy Rate

▼ (77,573)

SF Net Absorption

▶ 53,913

SF Construction

▼ \$20.17

Average Asking / Lease Rate

Note: Arrows indicate change from previous quarter.

- The direct vacancy rate in the Milwaukee market decreased 60 basis points (bps) to 13.8% and the availability rate decreased 80 bps to 20.8%. The average asking lease rate decreased to \$20.17, the lowest it has been since Q2 2021.
- Overall, the market experienced negative 77,573 sq. ft. of absorption for Q4 2022. This is a decrease from Q3 2022, showing another drop following three straight quarters of positive absorption.
- The CBD experienced 40,957 sq. ft. of positive absorption, contributing to year-to-date negative absorption of 122,249 sq. ft. The suburbs experienced 118,530 sq. ft. of negative absorption for Q4 2022, with year-to-date direct absorption of positive 109,899 sq. ft.
- One new construction project 360 W Freshwater Way in Walker’s Point, was completed in Q4 2022. This 158,308 sq. ft., Class A office is now Rite-Hite’s World Headquarters.
- Space available for sublease in Q4 2022 totaled just over 716,115 sq. ft., an approximately 0.3% increase from Q3 2022.

FIGURE 1: Total Vacancy Rate and Asking Lease Rate



Source: CBRE Research, Q4 2022.

## Office Transactions

Office property sales volume decreased in Q4 2022 totaling \$58.6 million. The average sale price was approximately \$1.5 million and included approximately 4 million sq. ft. of office space.

Two properties, N97 W17095 Division Rd and 1700 S Silverbrook Dr contributed a combined value of \$9.5 million to the Q4 2022 sales volume. The largest non-portfolio transaction of the quarter was a 98,305 sq. ft. office building at 247 Freshwater Way in Walker's Point, purchased by The Global Water Center.

The largest suburban sale was the purchase of 1111 Delafield Street. The 196,577-sq.-ft. office building was sold for \$20 million by CBRE

FIGURE 2: Milwaukee Office Market Sales

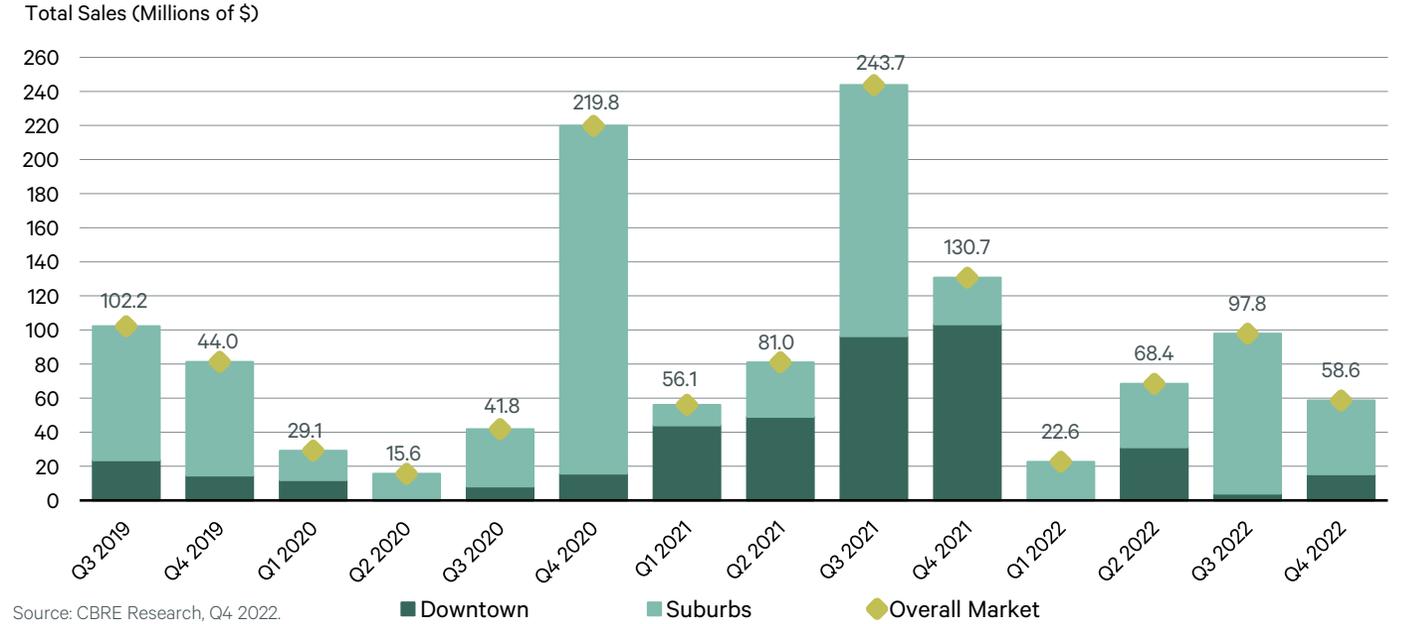
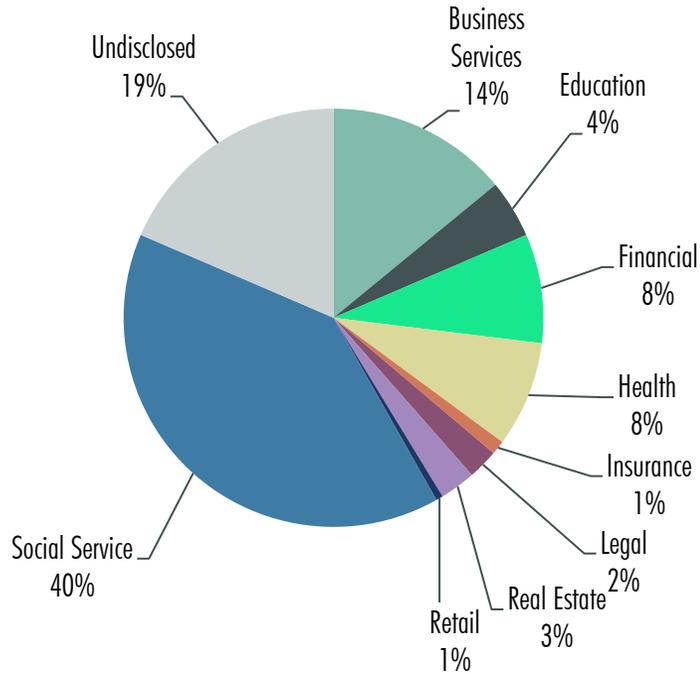


FIGURE 3: Top Lease Transactions, Q4 2022

Tenant	Sq. Ft.	Address	Business Sector	Type
Fiserv	159,374	640 N Vel R Phillips Ave	Business Services	New
CBRE	15,330	790 N Water	Real Estate	New
Silvercrest Asset Management	11,194	790 N Water	Financial	New
Lueder Financial Group, LLC (Northwestern Mutual)	7,184	20825 Swenson Dr	Financial	New
Jet OUT, LLC	7,126	5007 S Howell Ave	Business Services	New

Source: CBRE Research, Q4 2022.

FIGURE 4: Users in the Market by Potential Acquired SF



Source: CBRE Research, Q4 2022.

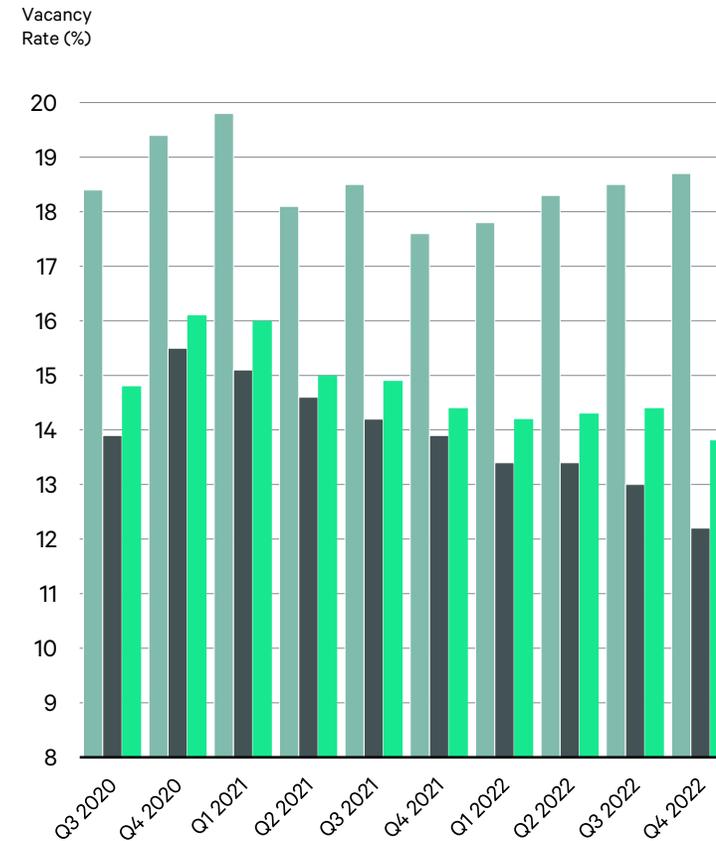
### Users In The Market

Downtown Milwaukee continues to be the most sought-after destination for new users, with an average maximum space requirement of 17,000 sq. ft. Of the known industry types, social service and business service are top users, collectively representing about 54% of the square footage in the market. Social service users continue to be the largest group in terms of overall space needs.

## Vacancy and Asking Lease Rate Trends by Class

The Class A vacancy rate increased 20 bps to 18.7% while the average lease rate decreased to \$23.07. The Class B vacancy rate decreased 30 bps to 12.2% and the average lease rate decreased to \$18.05.

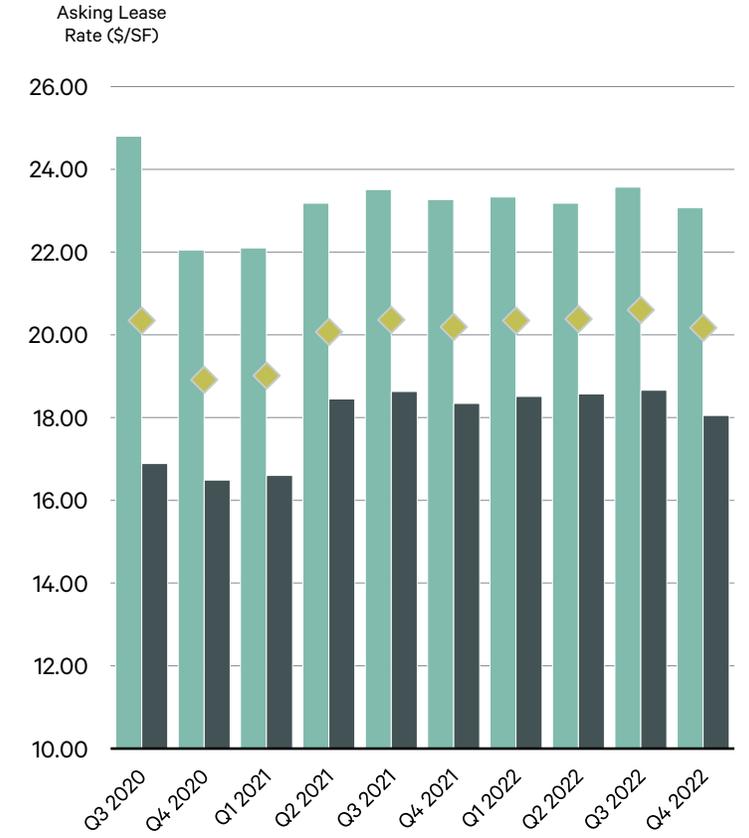
FIGURE 5: Vacancy Rate Trends by Class



■ Class A ■ Class B ■ Overall Market

Source: CBRE Research, Q4 2022.

FIGURE 6: Asking Lease Rate Trends by Class



■ Class A ■ Class B ◆ Overall Market

Source: CBRE Research, Q4 2022.

FIGURE 7: Milwaukee Market Office Statistics

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Available SF Sublease	Availability Rate Total (%)	Q4 2022 Net Absorption (SF)	Year-to-date 2022 Net Absorption (SF)	Overall Gross Avg. Asking Lease Rate (\$/SF/Yr)
Downtown East	91,362,31	14.4	198,424	21.7	1,601	(102,872)	\$25.2
Downtown West	4,077,572	17.2	103,568	27.6	62,382	29,673	\$19.6
Third Ward/Walker's Point	2,599,888	11.5	56,607	15.8	(23,026)	(49,050)	\$23.5
<b>CBD Subtotal</b>	<b>15,813,691</b>	<b>14.7</b>	<b>358,599</b>	<b>22.3</b>	<b>40,957</b>	<b>(122,249)</b>	<b>\$23.02</b>
Milwaukee North Shore	2,516,256	16.3	18,805	19.5	(462)	59,018	\$12.2
Milwaukee Northwest	1,906,072	25.6	0	30.2	(33,092)	10,389	\$16.2
Milwaukee Central	785,789	2.4	0	7.9	(1,665)	(3,665)	\$13.5
Mayfair/Wauwatosa	3,719,203	15.6	87,846	22.1	(64,160)	(44,578)	\$20.9
West Allis	1,899,366	8.4	119,331	27.5	13,275	(18,224)	\$17.8
Milwaukee Southwest	832,056	8.8	109,622	13.2	(2,426)	(1,404)	\$15.4
Milwaukee Southeast	1,015,531	21.1	0	23.1	3,789	17,192	\$23.1
Brookfield	6,099,776	16.9	54,413	24.4	(27,440)	91,987	\$20.1
Waukesha/Pewaukee	2,766,813	11.2	7,125	18.7	(5,792)	(59,494)	\$18.9
Waukesha North	1,497,879	5.0	0	7.5	(168)	7,936	\$16.4
Waukesha South	631,141	3.9	10,890	8.5	0	(31,307)	\$13.8
North Suburban	2,107,000	8.2	56,019	15.1	(389)	12,299	\$17.2
South Suburban	1,791,018	6.5	3,087	9.2	0	12,977	\$15.4
<b>Suburban Subtotal</b>	<b>27,567,900</b>	<b>13.3</b>	<b>357,516</b>	<b>19.9</b>	<b>(118,530)</b>	<b>53,126</b>	<b>\$18.6</b>
<b>TOTAL</b>	<b>43,381,591</b>	<b>13.8</b>	<b>716,115</b>	<b>20.8</b>	<b>(77,573)</b>	<b>8,509</b>	<b>\$20.17</b>

Source: CBRE Research, Q4 2022.

## Economic outlook: Macroeconomic summary

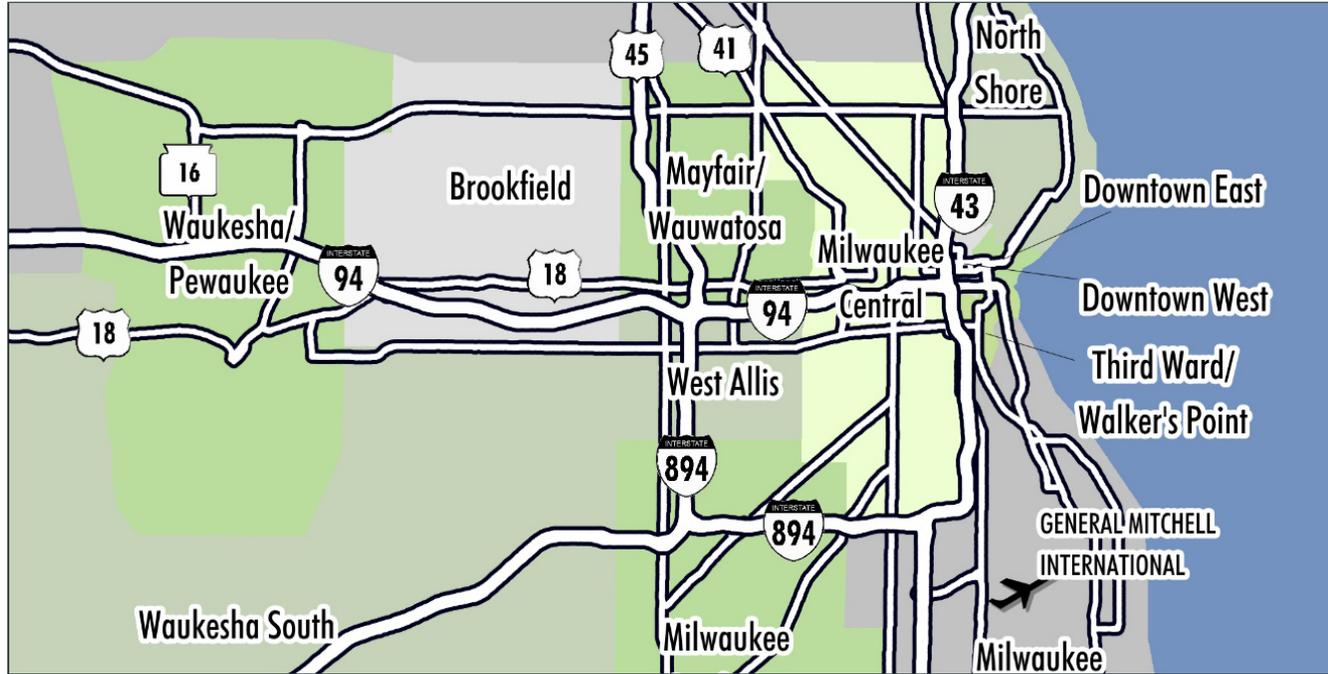
Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices and higher interest rates, which are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023 means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in the first half of 2023.

Sources: CBRE Research, Q4 2022

**Market Area Overview**



**Contacts**

**Marissa Oberlander**

Associate Field Research Director  
 +1 312 540 4686  
 marissa.oberlander@cbre.com

**Madeline Strehlow**

Senior Field Research Analyst  
 +1 414 274 1651  
 madeline.strehlow@cbre.com

**Definitions**

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

**Survey Criteria**

Includes all office buildings 5,000 sq. ft. or greater. Excludes single-tenant owner-occupied buildings, Government owned and occupied buildings, or Medical buildings. Buildings which have begun construction as evidenced by site excavation or foundation work.

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