1Q25

Milwaukee Office Market Overview

Market Observations

Economy

- The metro's unemployment rate stands at 3.5%, reflecting stronger labor market stability compared to the 4.1% national average. However, job growth has remained sluggish, up just 0.2% in the last 12 months.
- Service sectors are driving job growth in Milwaukee, supported by steady demand in healthcare, education, and government. While employment in sectors like manufacturing and construction has contracted, gains in service-oriented industries have helped stabilize overall employment levels.
- After initially rebounding to pre-pandemic levels, office-using employment has continued to decline, with further losses recorded in Q1 2025.

Leasing Market Fundamentals

- Over the past four quarters, the market has experienced 316,780 square feet of negative absorption. Despite this substantial loss, the vacancy rate has only increased by 27 basis points, rising to 21.4% from 21.2% in Q1 2024.
- During the first quarter of 2025, the availability rate fell by 50 basis points to 26.1%, down from 26.6%. Since the third quarter of 2022, the vacancy rate has gradually increased from 20.23% to the current level of 21.4%.
- The first quarter of 2025 saw 319,000 square feet of leasing activity. Over the past four quarters, leasing activity totaled 1.25 million square feet—approximately 27% below the historical four-quarter average.

Major Transactions

- The most significant office transaction of the quarter was the sale of the Tosa Health Center, a 100,977-square-foot medical office building located in Wauwatosa. Heitman Capital Management sold the property to developer Hammes for $52.5 million.
- Milwaukee Tool acquired a 164,306-square-foot office facility at 100 Heritage Reserve in Menomonee Falls from Allspring Global Investments. While the sale price was not disclosed, the property carried an assessed value of $15.8 million in 2024.

Outlook

- Ongoing macroeconomic uncertainty is expected to temper transaction volume, as both occupiers and investors adopt a more measured approach to leasing and investment decisions.
- Vacancy is projected to rise, driven by continued space reductions from large-block tenants seeking to optimize operational efficiency and reduce overhead.
- Despite modest growth in asking rents, effective rents are likely to decline, as landlords respond to softening demand with more competitive concession packages.

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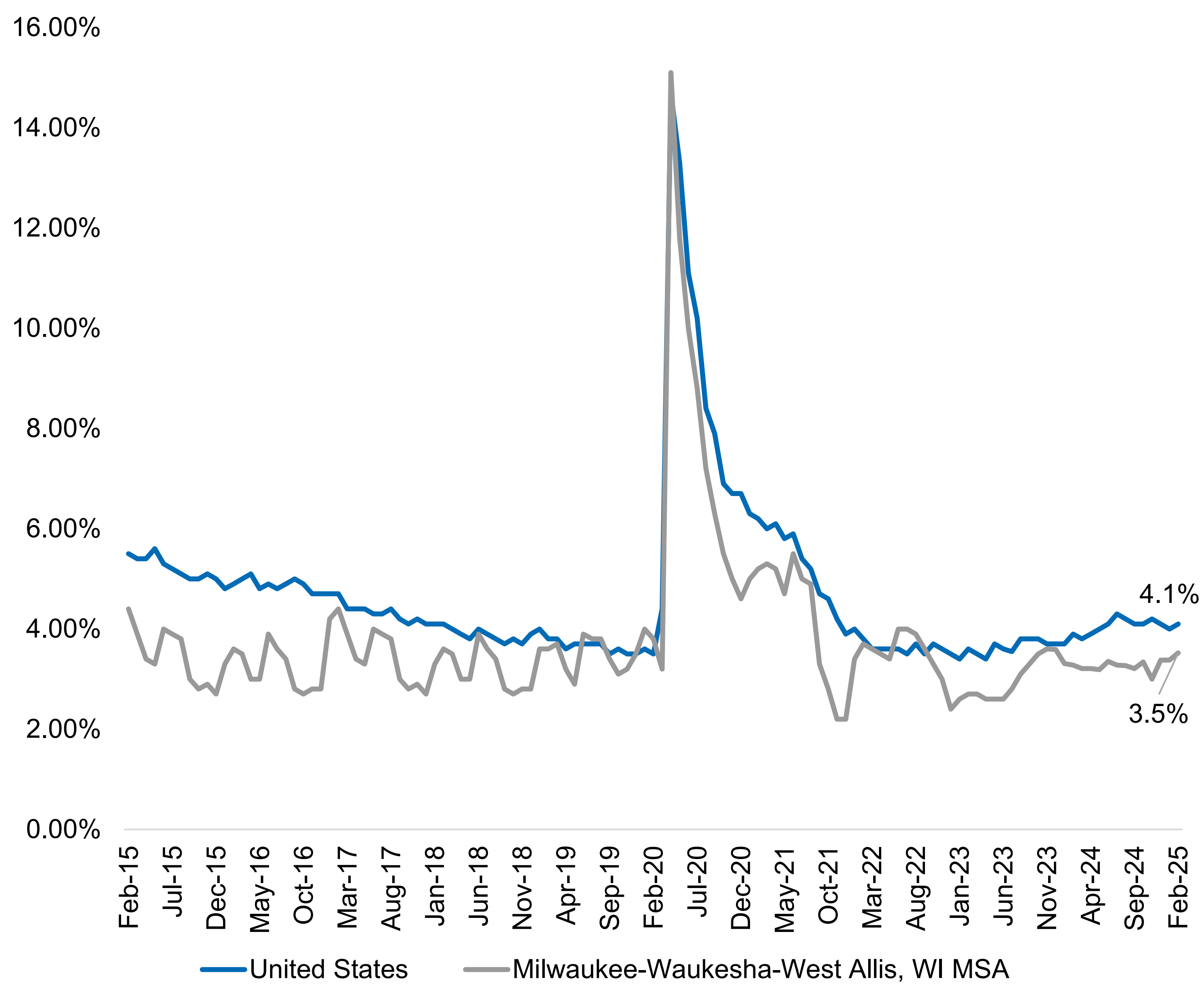
Economy

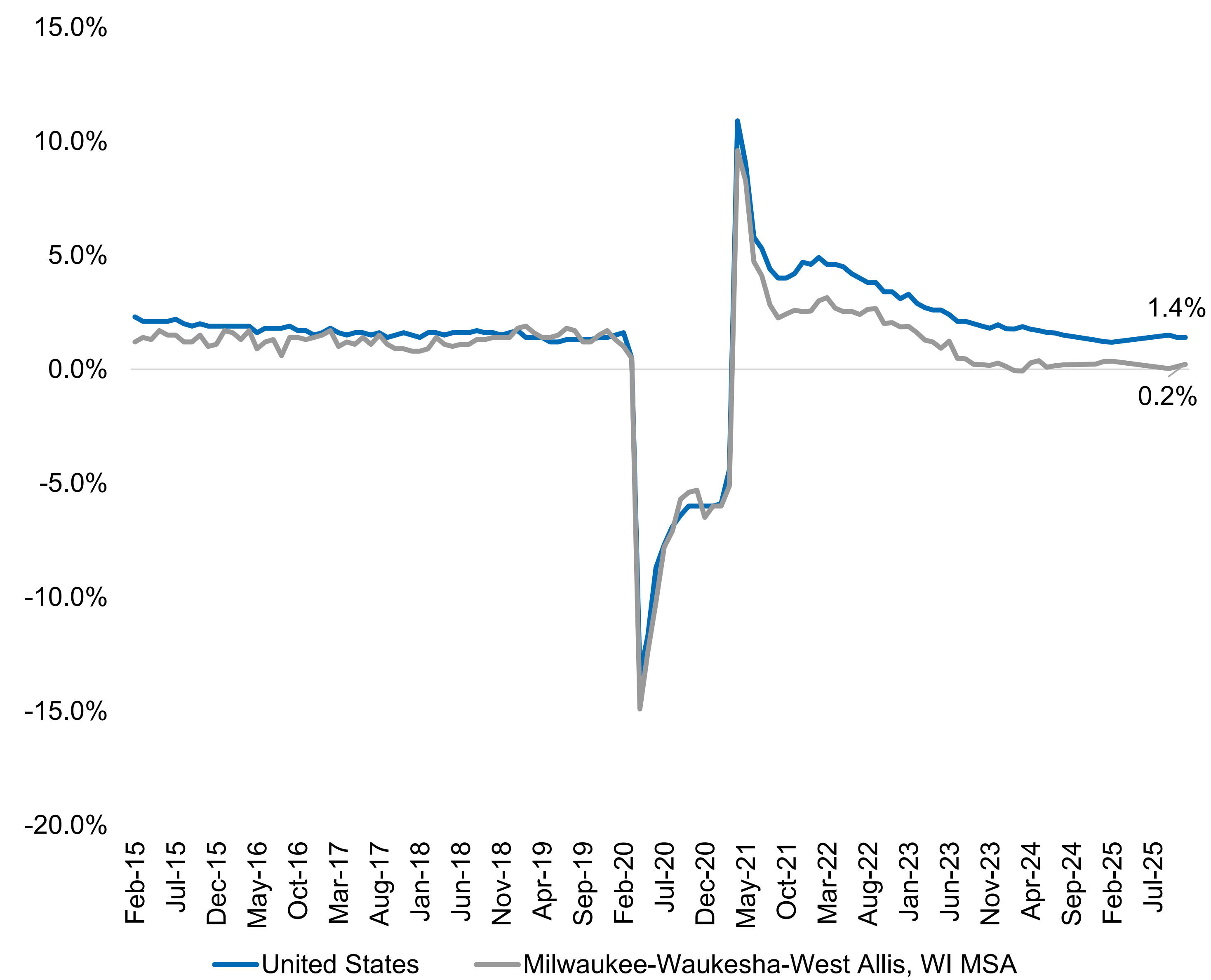
Labor Market Stable but Slow-Growing

The metro's unemployment rate stands at 3.5%, reflecting stronger labor market stability compared to the 4.1% national average. However, job growth has remained sluggish, up just 0.2% in the last 12 months.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

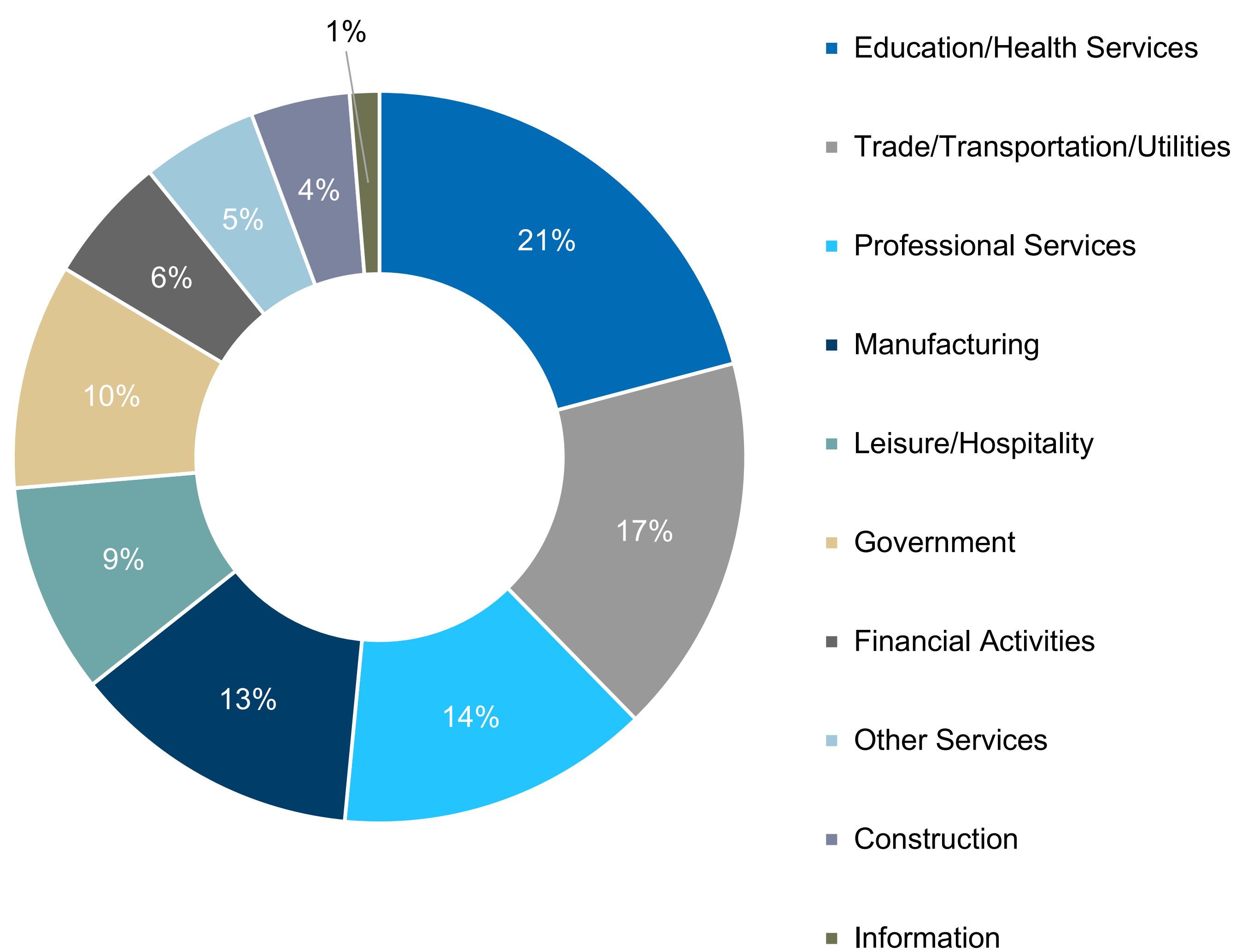


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

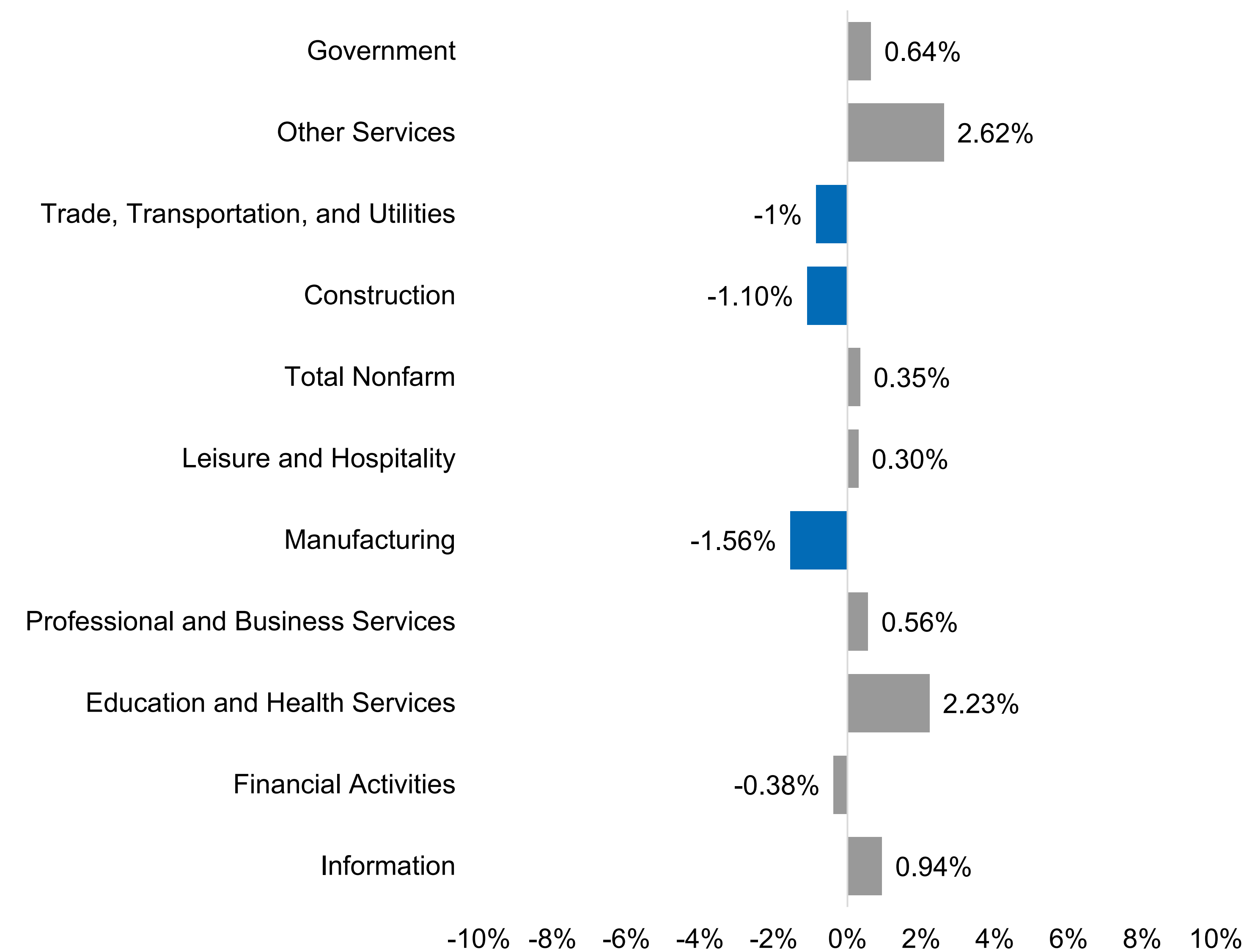
Service Sectors Lead Job Growth

Service sectors are driving job growth in Milwaukee, supported by steady demand in healthcare, education, and government. While employment in sectors like manufacturing and construction has contracted, gains in service-oriented industries have helped stabilize overall employment levels.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

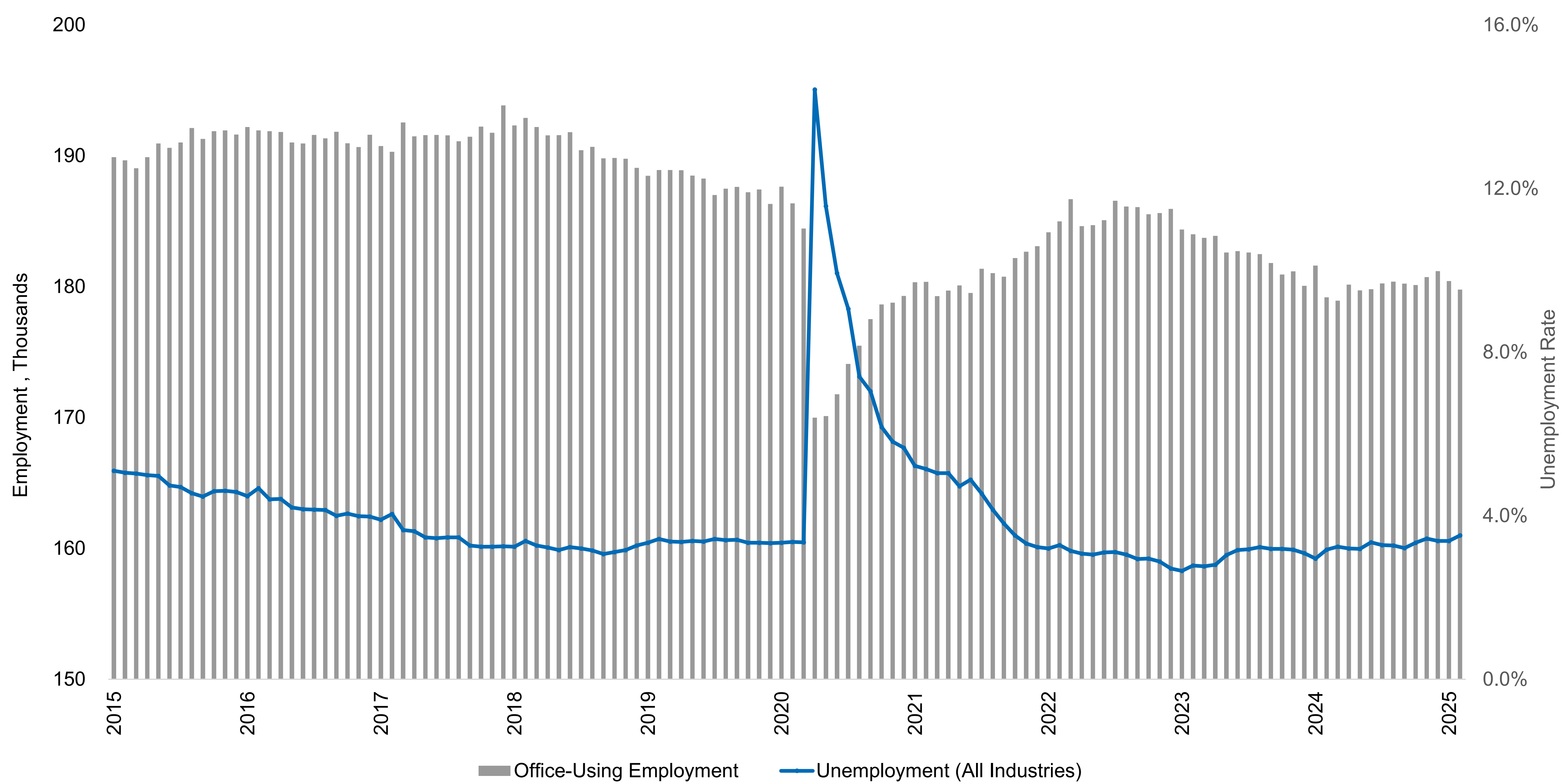


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

Office Employment Strong but Not Immune to Softening Conditions

After initially rebounding to pre-pandemic levels, office-using employment has continued to decline, with further losses recorded in Q1 2025. Persistent layoffs in the professional and business services and information sectors throughout 2023 and into early 2025 have contributed to a sustained contraction in this segment.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA
Note: August 2024 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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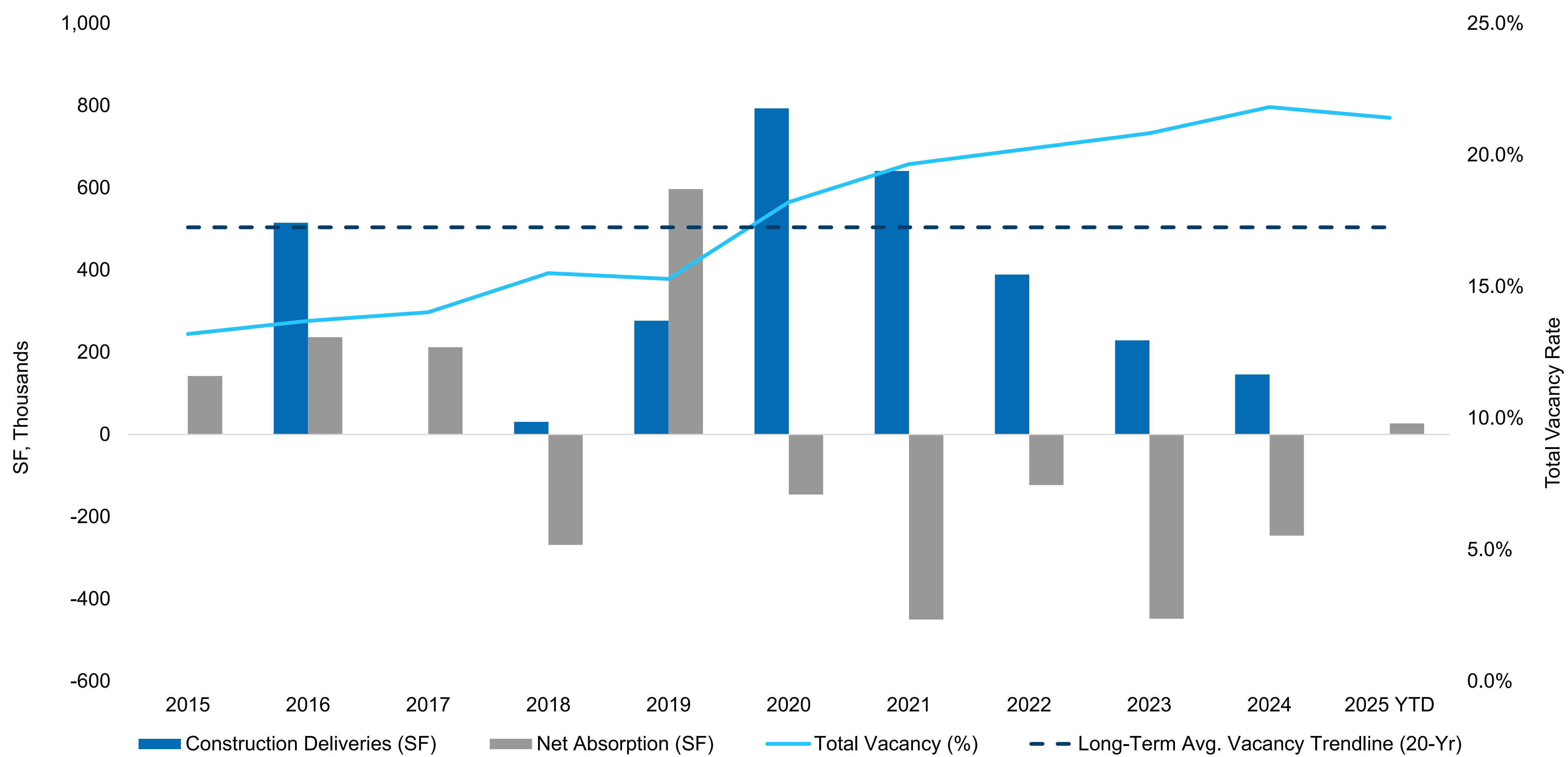
Leasing Market Fundamentals

Vacancy Remains Relatively Steady

Over the past four quarters, the market has experienced 316,780 square feet of negative absorption. Despite this substantial loss, the vacancy rate has only increased by 27 basis points, rising to 21.4% from 21.2% in Q1 2024. This disconnect can be attributed to the conversion of vacant office buildings into multifamily and industrial uses.

Historical Construction Deliveries, Net Absorption, and Vacancy

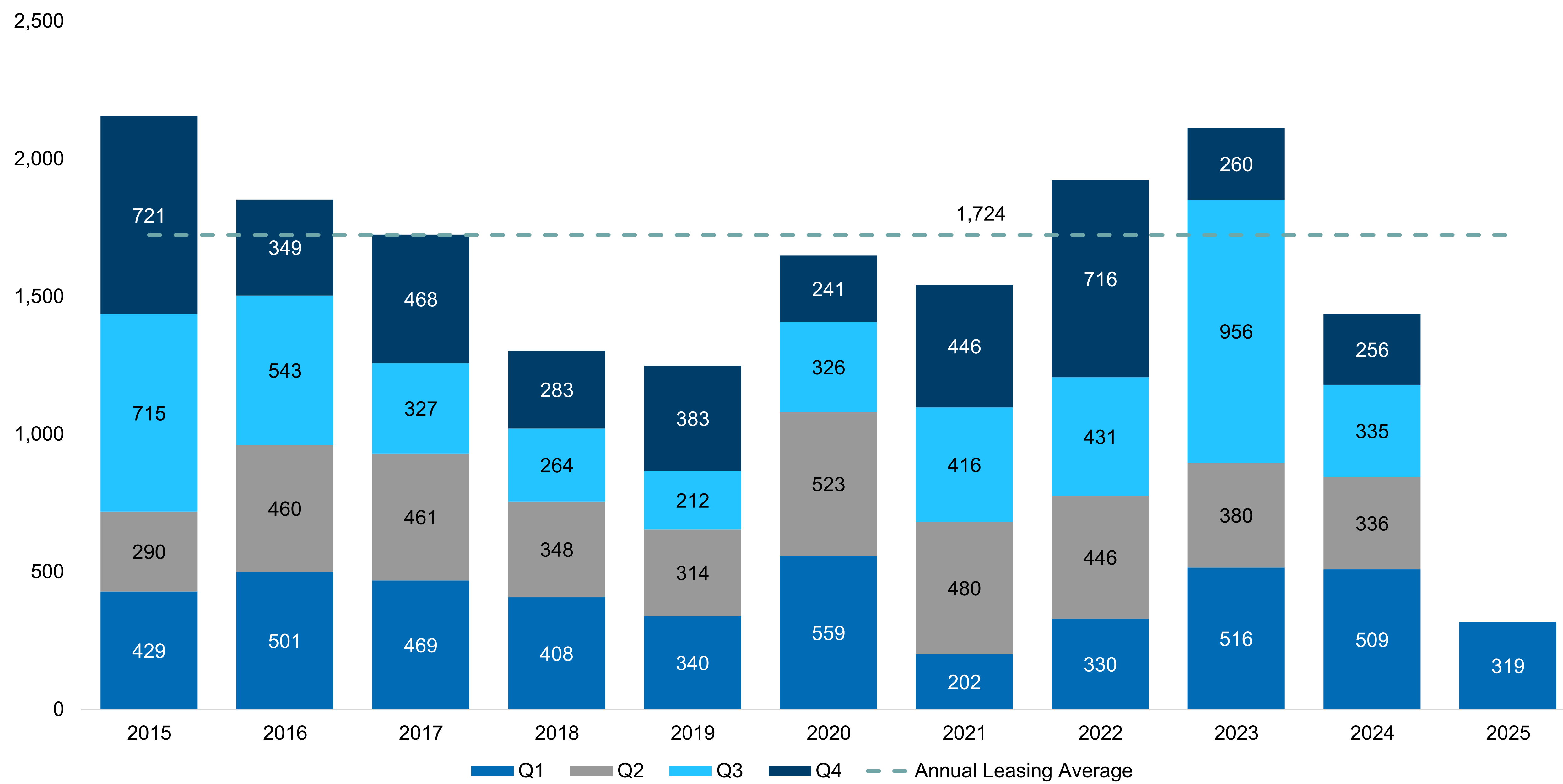


Source: Newmark Research

Leasing Activity Pace Has Slowed

The combination of ongoing space reductions, economic uncertainty, and higher capital costs has prompted numerous companies to reassess their strategies and implement cost-cutting measures. This past quarter, the market recorded 319,000 square feet of leasing activity. Over the past four quarters, leasing activity totaled 1.25 million square feet—approximately 27% below the historical four-quarter average.

Total Leasing Activity (Thousands SF)

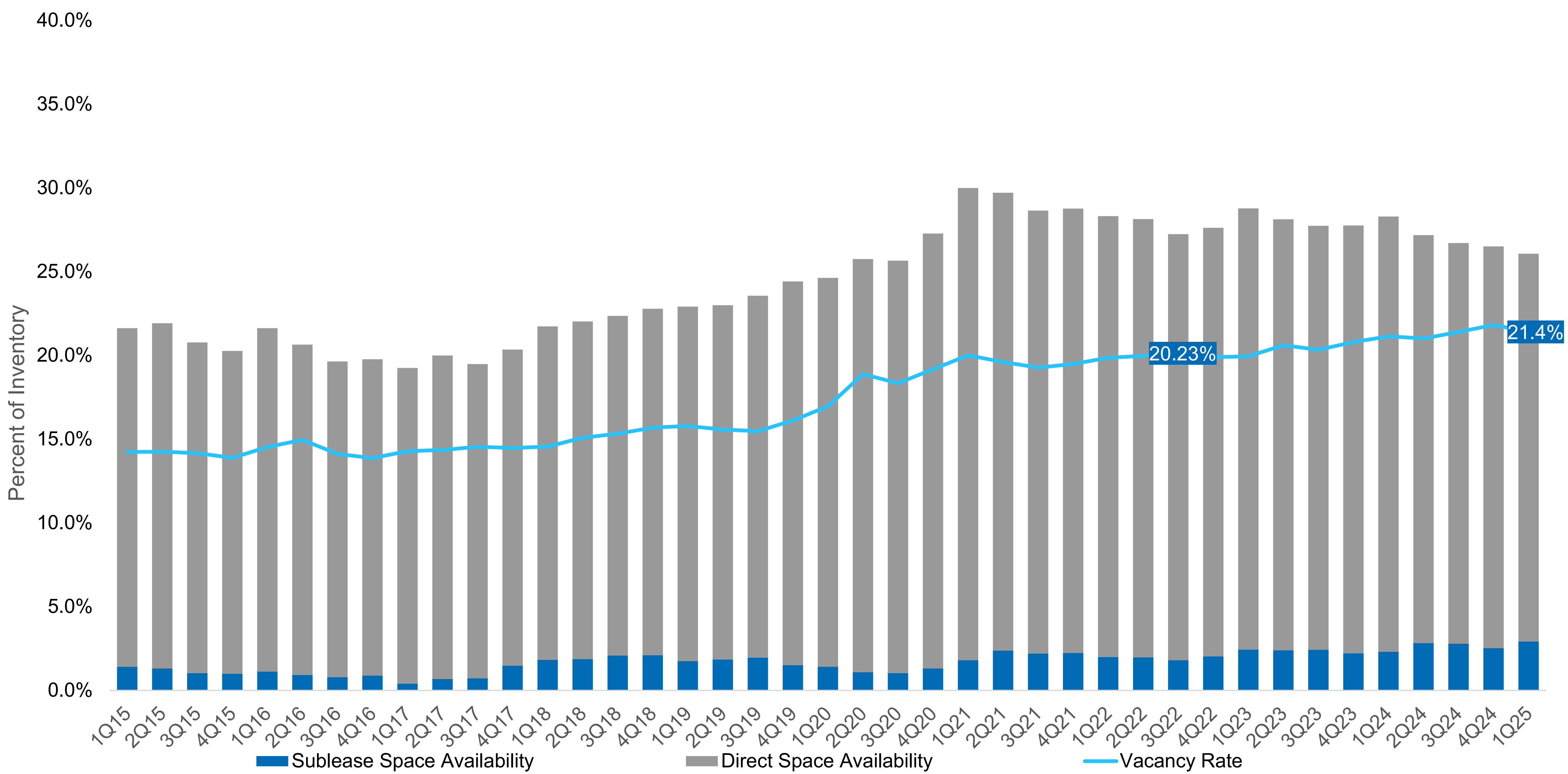


Source: Newmark Research, CoStar

Availability Rate Fell Thanks to Office Conversions

During the first quarter of 2025, the availability rate fell by 50 basis points to 26.1%, down from 26.6%. Since the third quarter of 2022, the vacancy rate has gradually increased from 20.23% to the current level of 21.4%.

Available Space (SF) and Vacancy Rate (%)

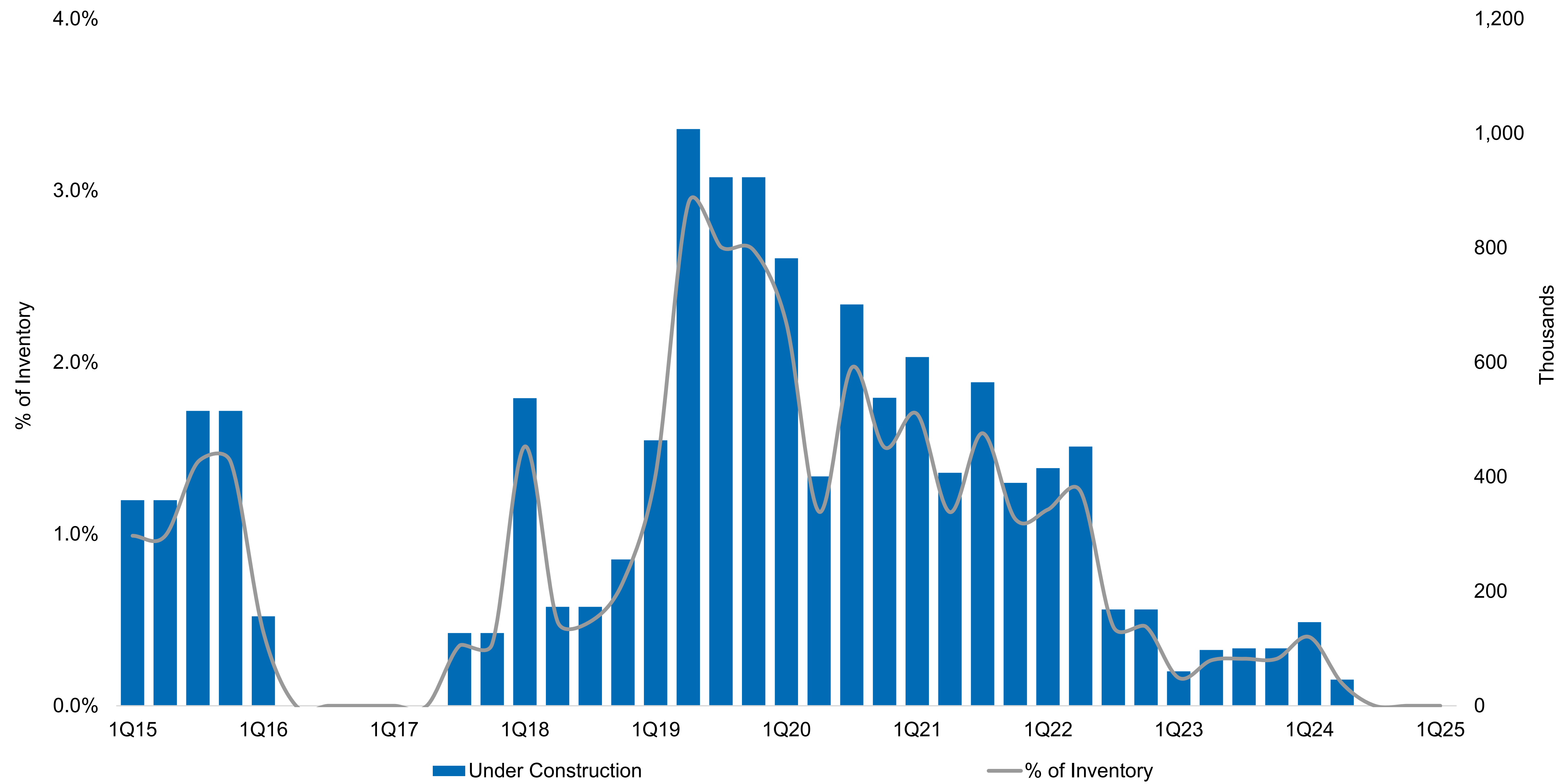


Source: Newmark Research

New Construction Slows to Stop

The construction pipeline is currently empty. Mayfair Medical Commons, a two-story, 45,823-square-foot outpatient facility, was delivered in the third quarter. Earlier last year, two additional buildings were completed: The Grain and Loomis Crossing. The Grain is a four-story, 60,500-square-foot mixed-use building in Delafield, while Loomis Crossing is a 40,288-square-foot medical office building.

Office Under Construction and % of Inventory

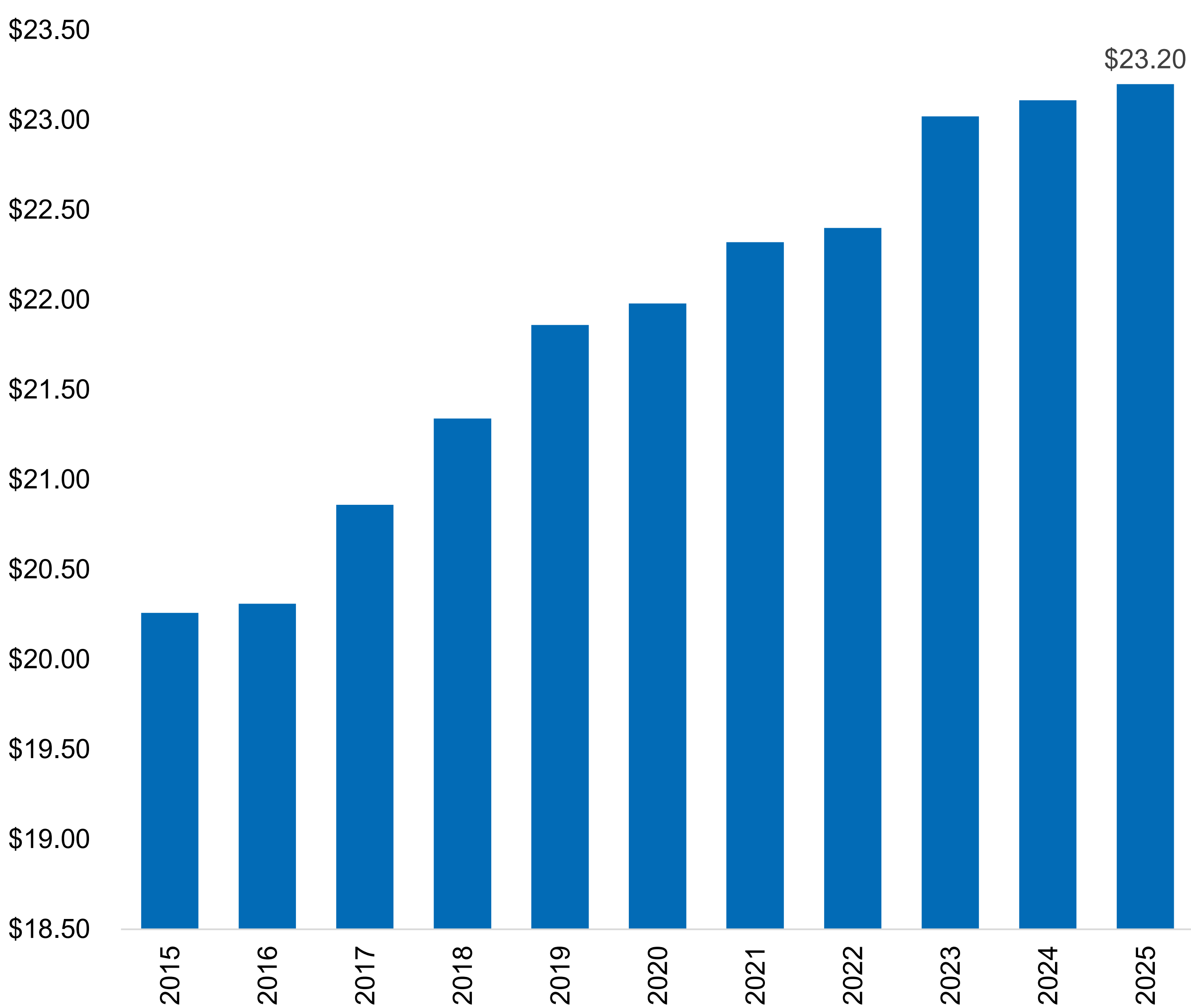


Source: Newmark Research, CoStar, City/County of ____ (where applicable)

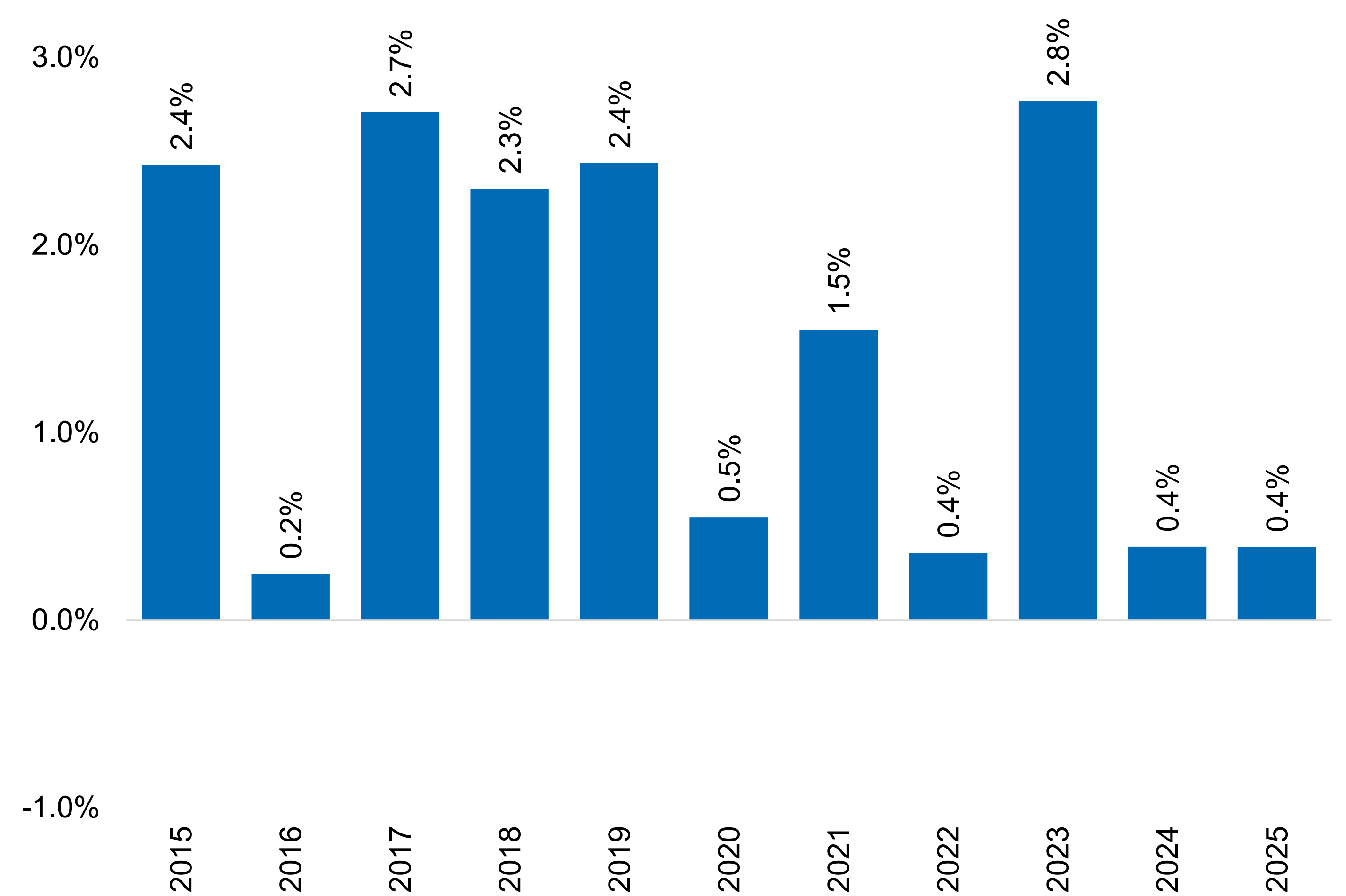
Rents Continue to Slowly Increase

Overall average asking gross rates have continued to rise and now sit at $23.20 per square foot. Year-over-year rent growth is largely driven by increasing operating costs and taxes. Class A asking rates rose slightly during the quarter to $30.85 per square foot. Asking rents are expected to reset in the coming quarters, as landlords facing liquidity constraints may trade elevated concession packages for lower base rents.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

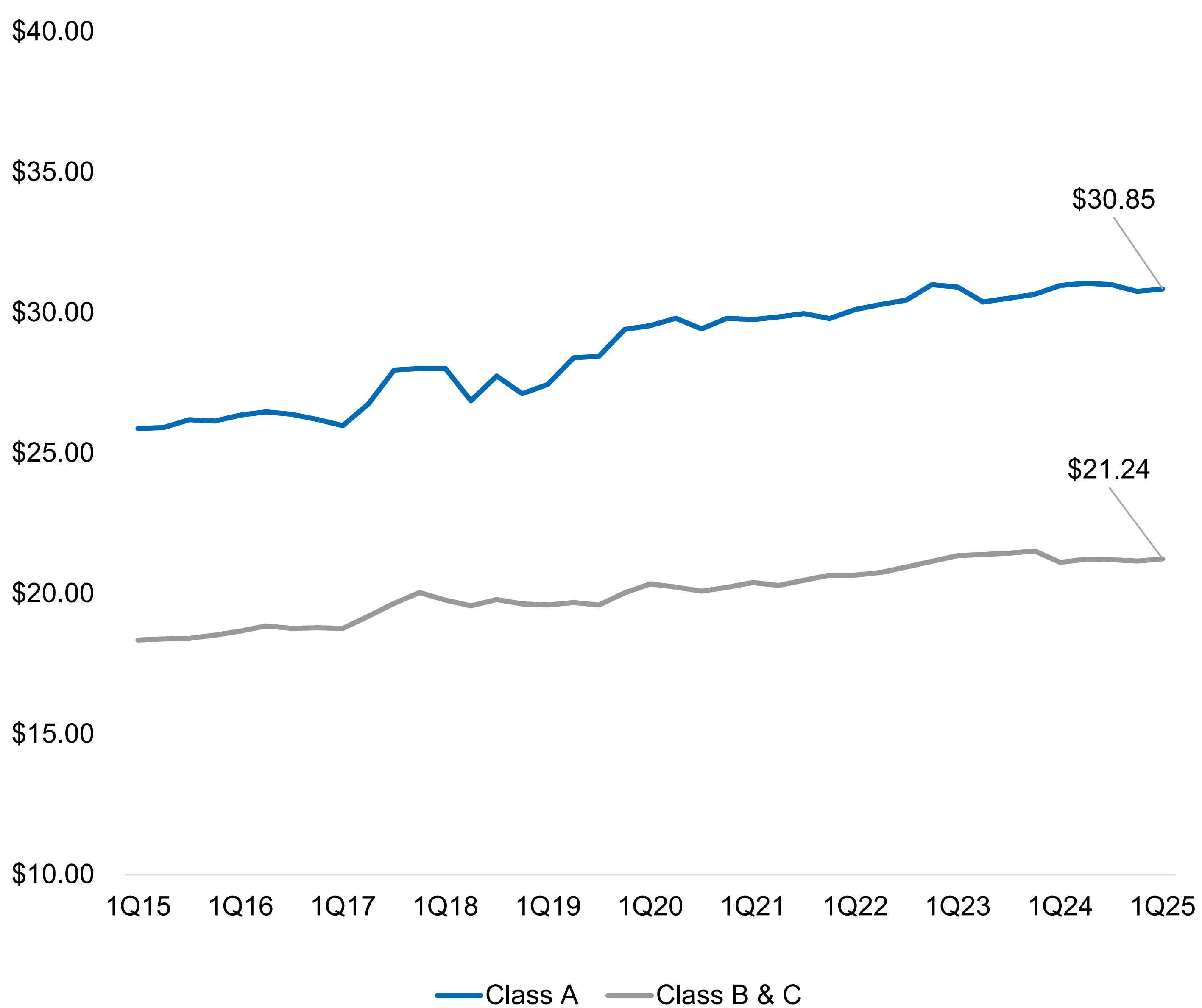


Source: Newmark Research, CoStar

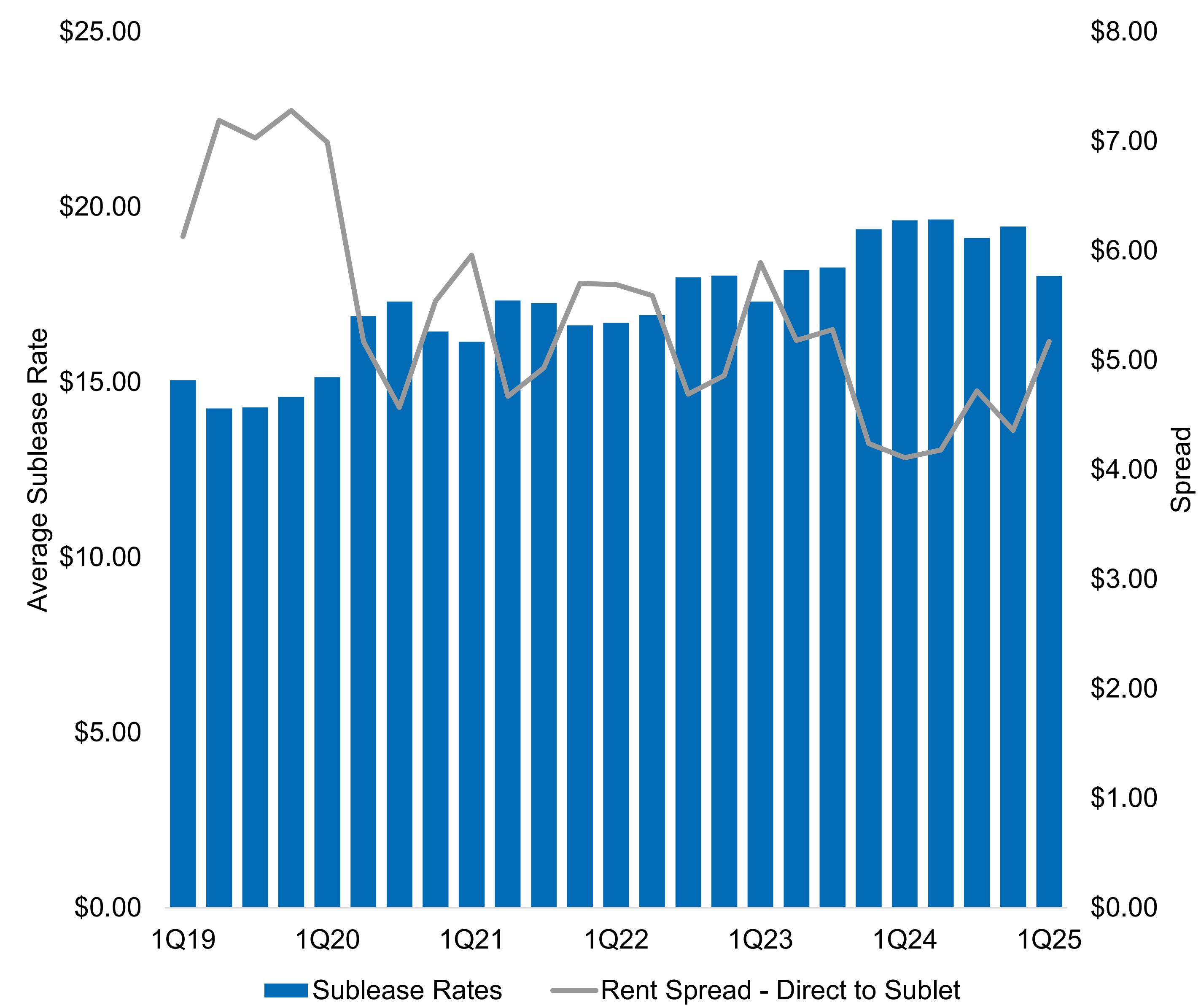
Asking Rents March On

In past cycles, asking rents have typically adjusted downward in response to weakened demand; however, rents have largely held their value since the onset of the pandemic. Some rent compression is occurring in major markets experiencing a high volume of rent resets driven by distressed sales. While there have been some distressed sales in the Milwaukee metro, the volume has not been significant enough to materially impact market-wide averages.

Class A and Class B Average Asking Rents



Sublease Rates



Source: Newmark Research, Catylist (aka Redi Comps, Inc), Costar

Leasing Activity Slows

While uncertainties remain about the overall economy, leasing momentum was moderate in terms of total volume; however, the number of leases over 10,000 square feet exceeded recent averages for the quarter.

Notable 1Q25 Leases

Tenant	Building(s)	Submarket	Type	Square Feet
Milwaukee County	ASQ 600 N Plankinton Ave Milwaukee	Downtown West	New	24,767
Milwaukee County leased 24,767 SF at 600 N Plankinton Ave, Milwaukee.				
Confidential Tenant	11270 W Plank Pl Milwaukee	Park Place	New	17,938
Confidential Tenant leased 8,461 SF at 11270 W Plank Pl, Milwaukee.				
Compass Health Management Group	Brookfield Lakes Corporate Center XII 175 N Corporate Dr Brookfield	Brookfield	New	17,137
Compass Health Management Group leased 17,137 SF of office space at 175 N Corporate Dr, Brookfield.				
Confidential Tenant	15800 W Bluemound Rd Brookfield	Brookfield	New	15,151
Confidential Tenant leased 15,151 SF at 15800 W Bluemound Rd.				
Nicollet Law	318 E Chicago St Milwaukee	Third Ward	New	13,214
Nicollet Law leased 13,214 SF on the 2nd floor of 318 E Chicago St, Milwaukee.				
RBC Capital	833 East 833 E Michigan St Milwaukee	Downtown East	New	10,335
RBC Capital leased 10,335 SF at 833 E Michigan St, Milwaukee.				

Source: Newmark Research

Central Business District Vacancy Rate

Suburban Vacancy Rate

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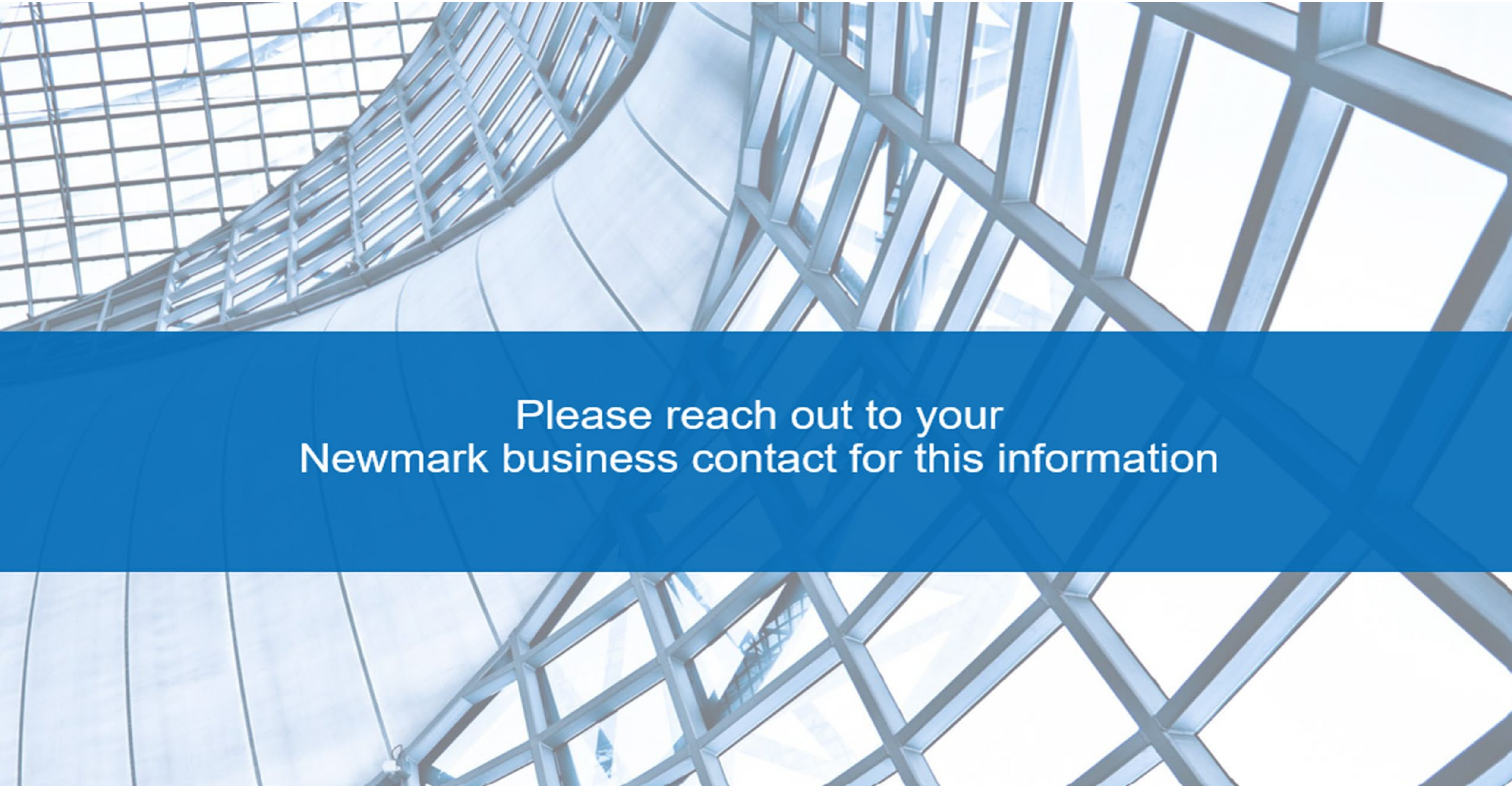
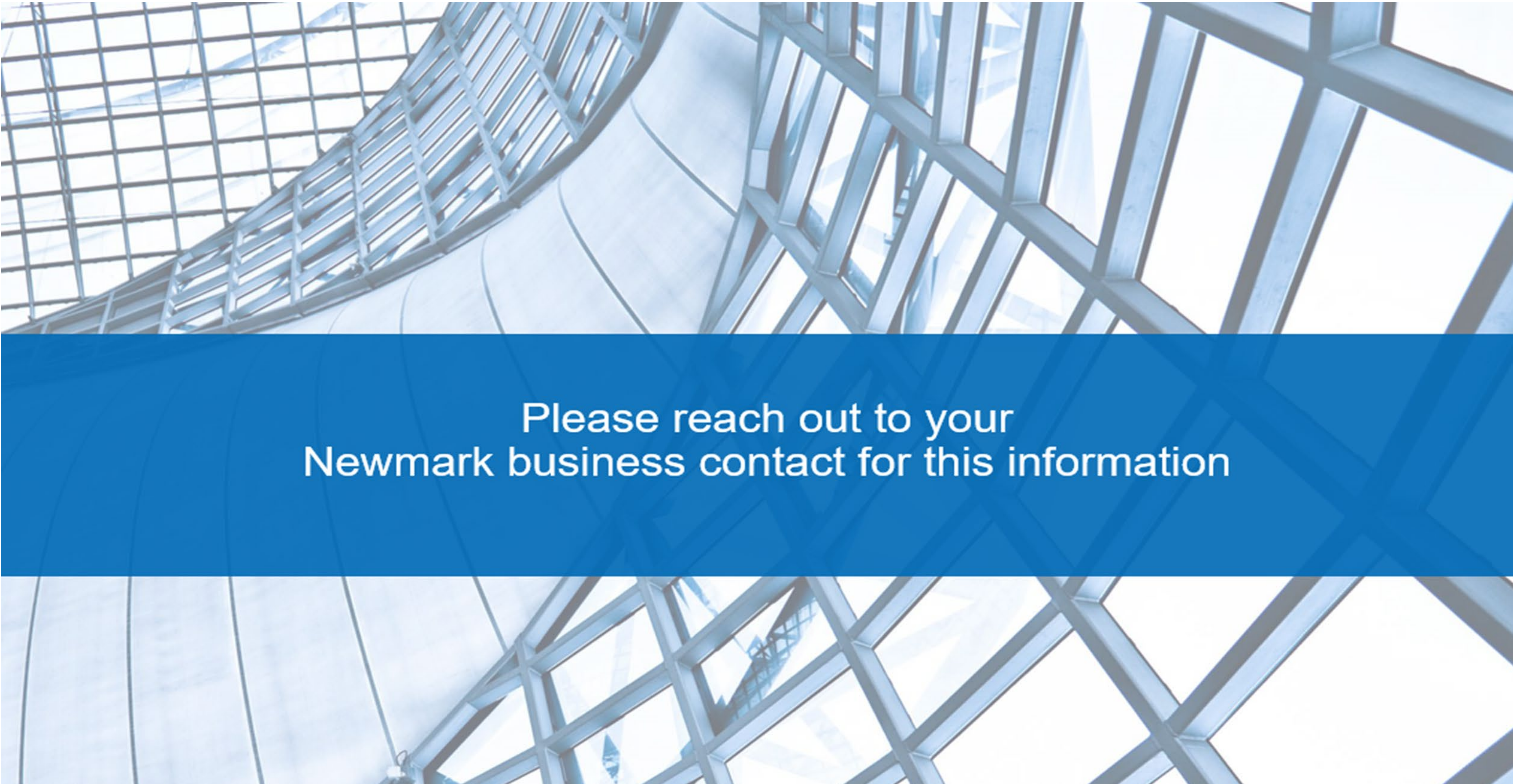
Supplemental Tables

Current Statistical Overview (page 1 of 2)



Current Statistical Overview (page 2 of 2)



Please reach out to your
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Historical Statistical Overview

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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