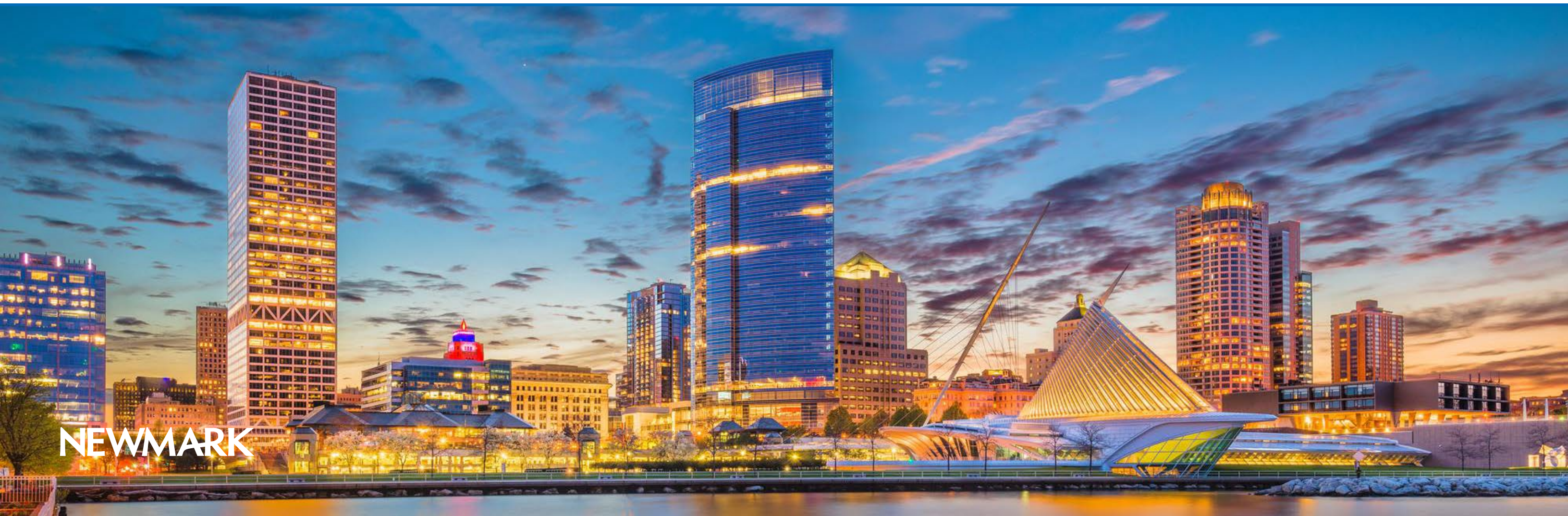


3Q24

Milwaukee Office Market Overview



Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. August’s 3.1% unemployment rate remains significantly lower than the 3.8% 10-year historical average.
- Year over year, job gains have been most pronounced in the government and construction industries, while professional & business services had the most job losses.
- The Midwest Consumer Price Index has continued to fall after hitting a peak in June 2022 of 9.5%. As of August 2024, it now stands at 2.6%.

Major Transactions

- This past quarter the market experienced 267,000 SF of leasing activity. Through the first half of the year there has been 996,000 SF of leasing activity, roughly 23% below the historical third quarter average.
- In 2023, Northwestern Mutual announced it will spend up to \$500 million to remodel and expand the 18-story 818 E. Mason St. office building and replicate the architecture of a neighboring 32-story office tower. Construction has begun on this project and the company will relocate up to 2,000 of its suburban employees upon completion.
- Horizon Home Care & Hospice leased 32,870 SF at 11400 Lake Park Dr. in Milwaukee.
- Founders3 Property Management leased 13,400 SF at 13400 Bishops Ln. in Brookfield.
- E.A. Staples and Associates purchased a 3-building portfolio at 731, 735 & 740 N Water St. in Milwaukee for \$19.2M (\$32PSF) from Compass Properties.

Leasing Market Fundamentals

- Over the past four quarters, the market has experienced 201,583 square feet of negative absorption. Despite the substantial negative absorption, the vacancy rate has only increased by 70 basis points, reaching 21.0% up from 20.3% in 3Q 2023.
- While there has been a lot of movement on the surface, the market’s occupied SF is relatively unchanged since the second quarter of 2020 when it measured 28.88M SF it now stands at 28.69M SF.
- This past quarter, the availability rate fell a modest 90 basis points from 27.1% to 26.2%. Since the third quarter of 2022, the availability rate has gradually risen from 25.8% to its current level of 26.2%
- The construction pipeline is now empty, as Mayfair Medical Commons, a two-story, 45,823 SF outpatient facility, delivered this past quarter, and no new project have been announced.

Outlook

- Uncertainty reigns in the macroeconomic outlook. Occupiers and investors alike will approach deals with greater caution as a result, which will continue to impact leasing and investment activity.
- Market-wide availability and vacancy rates will rise as large-block users will continue to shed excess office space.
- While asking rents have continued to moderately rise, tenants will see increasingly competitive concessions in the form of free rent and tenant improvements allowances from landlords.

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1. Economy
 2. Leasing Market Fundamentals
 3. Supplemental Tables

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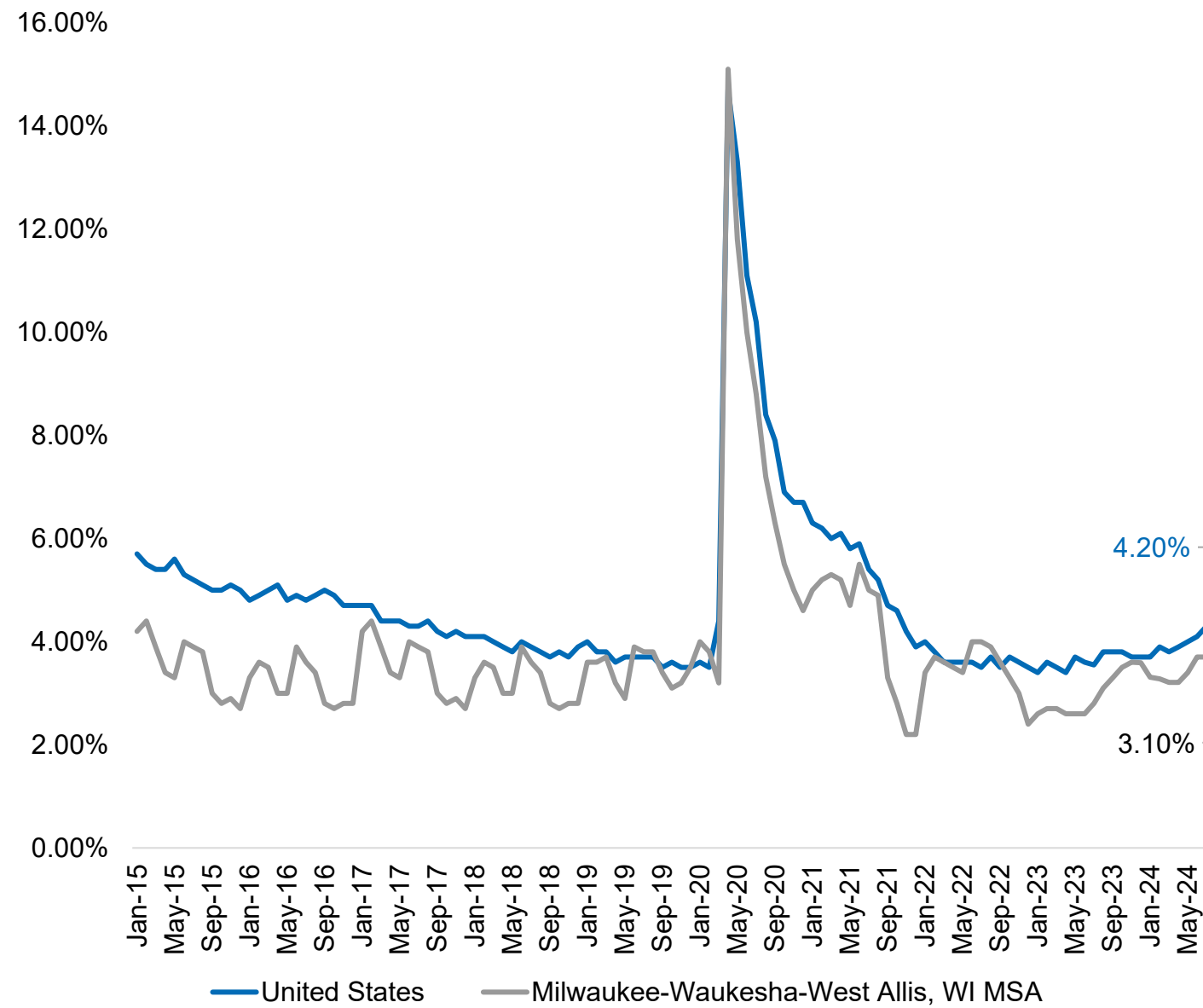
Economy



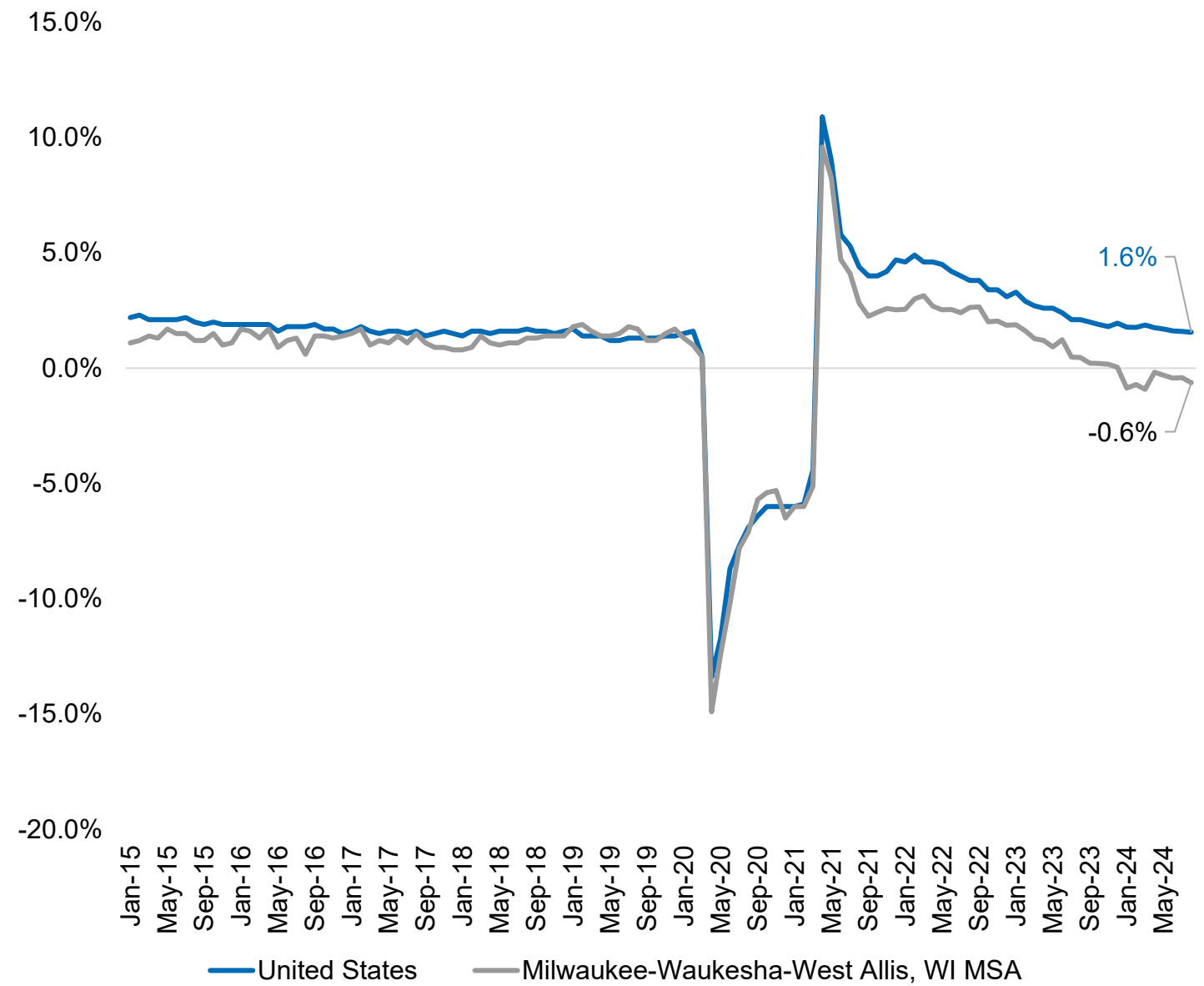
Metro Employment Trends Signal A Slowing Economy

The Metro's unemployment rate now sits at 3.1%, notable lower than the nationwide average of 4.2%. However, the Metro's payroll employment's 12-months change is -0.6% while the national average is 1.6%.

Unemployment Rate, Seasonally Adjusted



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

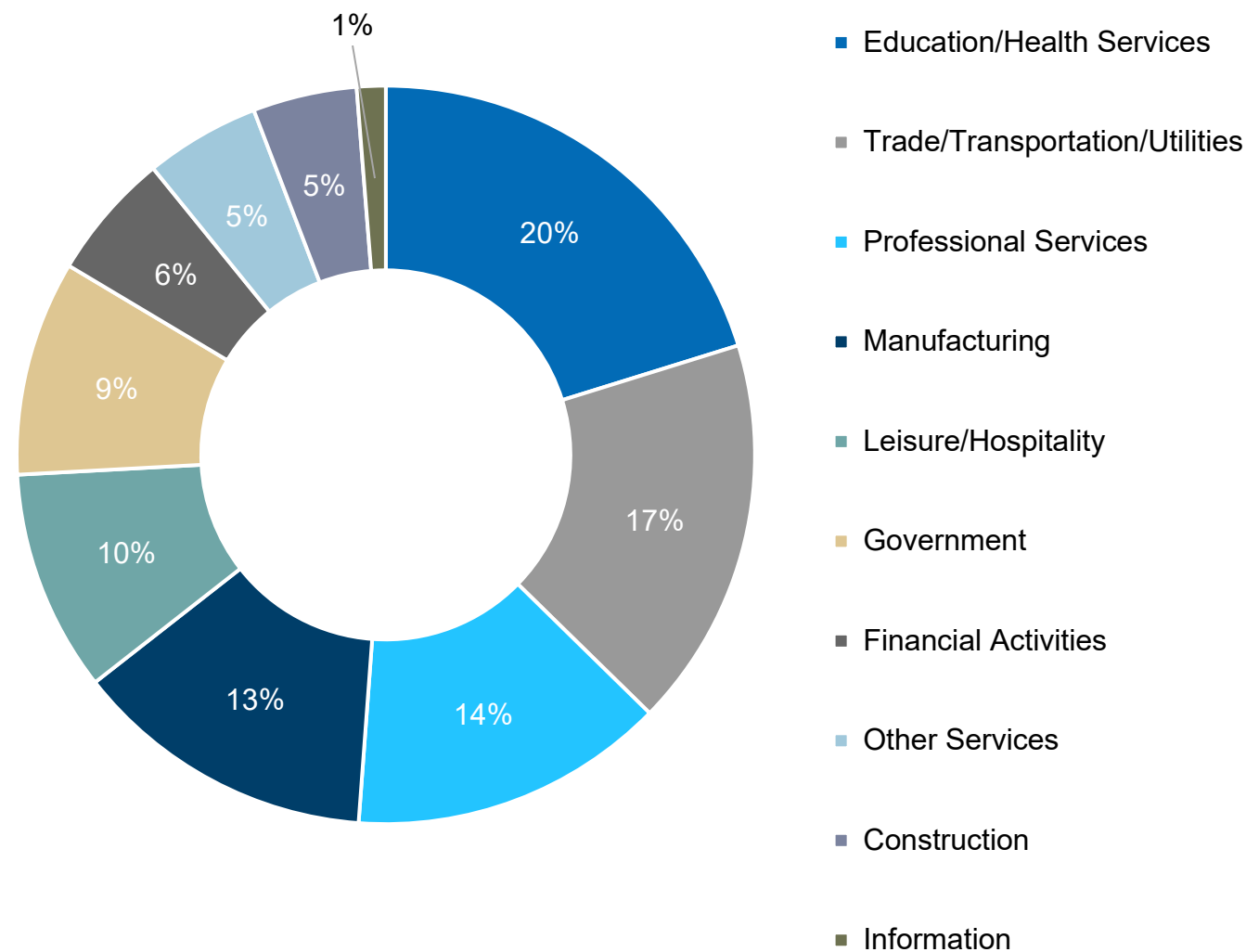


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

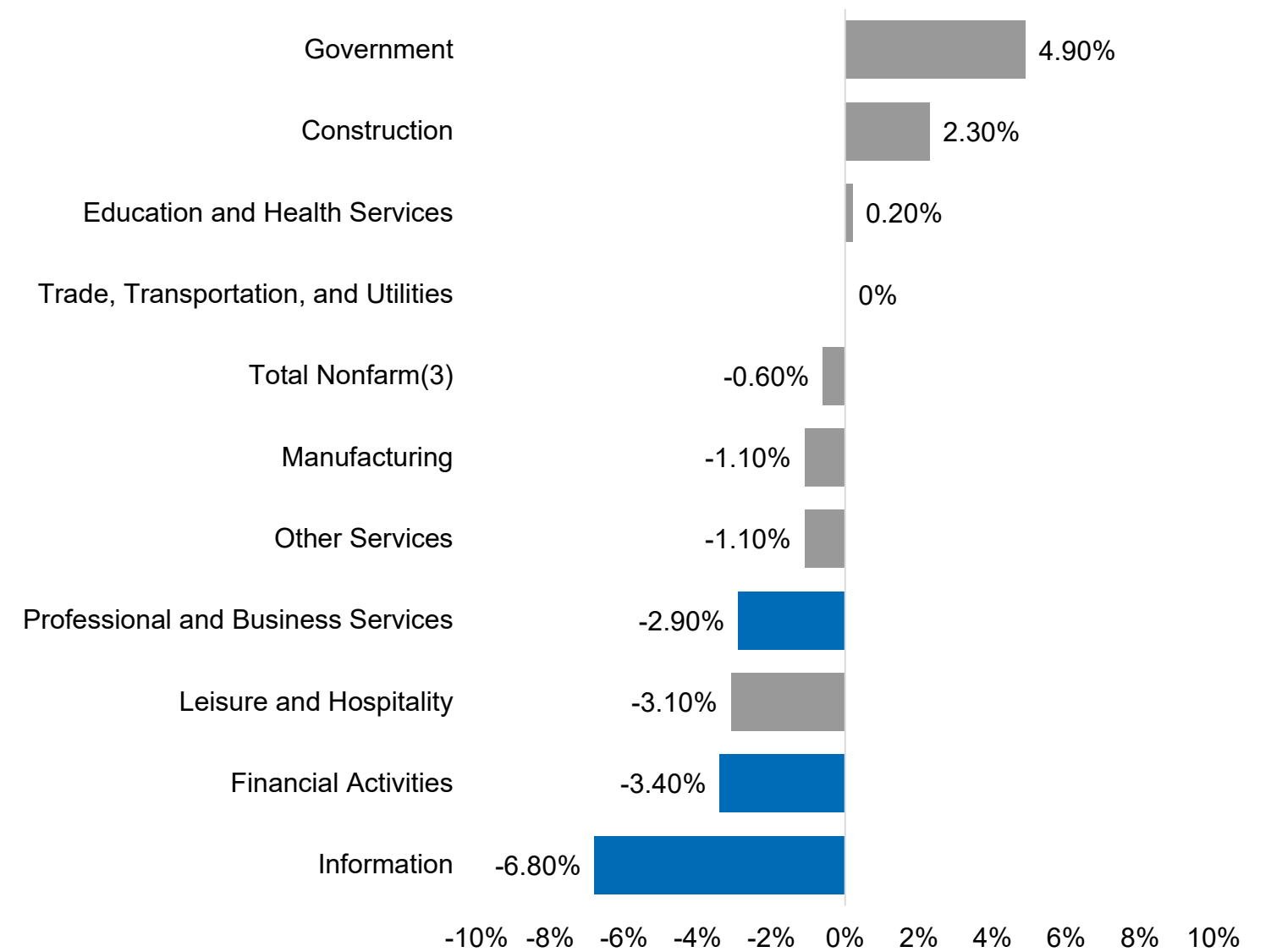
Job Losses Driven in Large Part by the Professional Services Sector

Over the past year, 5,500 jobs were lost across the market. Office-using employment sectors saw a 3.3% contraction as 6,100 jobs were lost. The Government sector saw the most growth as 3,800 jobs were added representing a 4.9% increase in employment.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024



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

Office Employment Strong but Not Immune to Softening Conditions

The number of office jobs initially rebounded to pre-pandemic levels but recently has lost ground as there were a significant number of layoffs in the professional and business and information sectors throughout 2023 and early 2024.

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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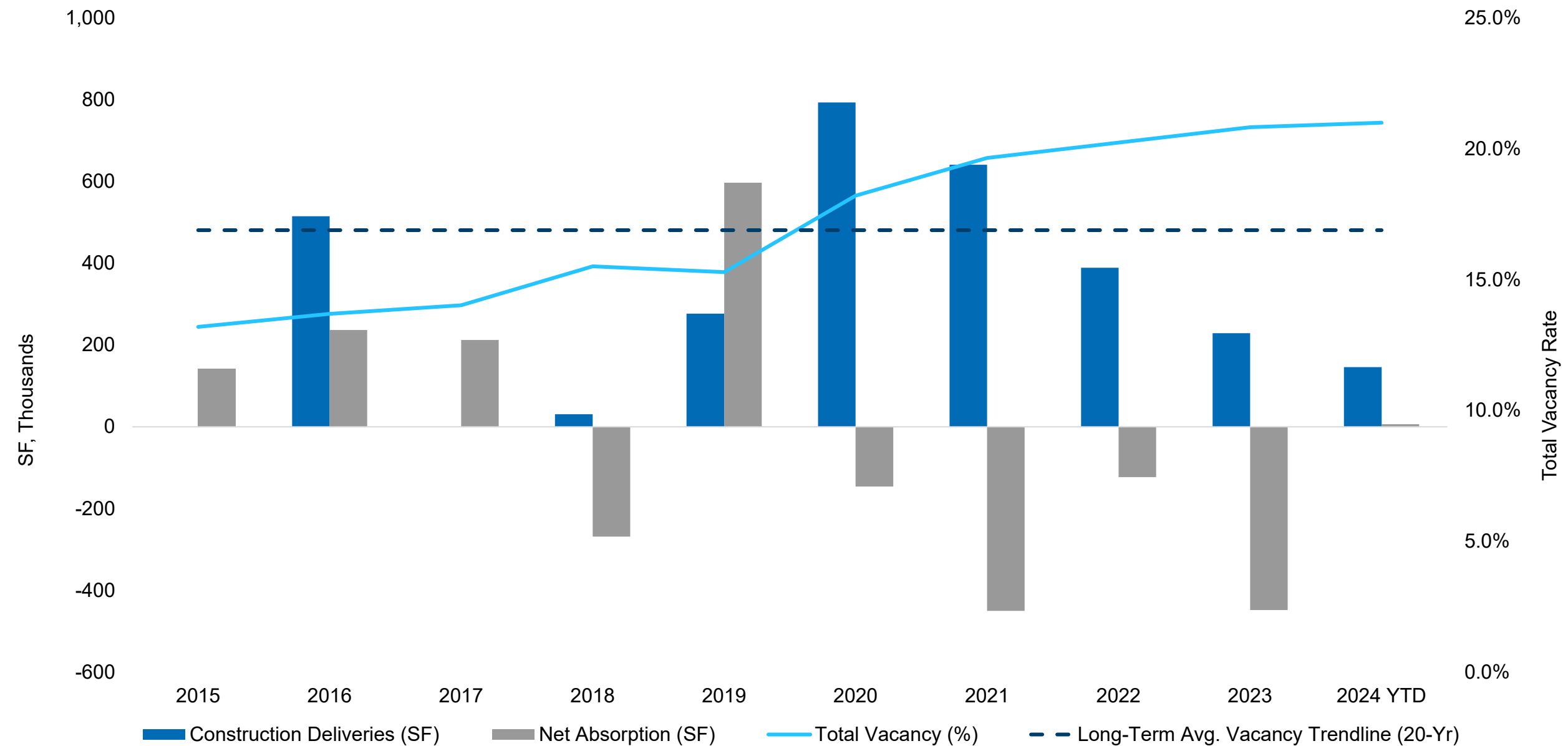
Leasing Market Fundamentals



Vacancy Remains Relatively Steady

Over the past four quarters, the market has experienced 201,583 square feet of negative absorption. Despite the substantial negative absorption, the vacancy rate has only increased by 70 basis points, reaching 21.0% up from 20.3% in 3Q 2023. This disconnect can be attributed to the conversion of vacant office buildings into multi-family and industrial uses. Additionally, while there has been a lot of movement on the surface, the market's occupied SF is relatively unchanged since the second quarter of 2020 when it measured 28.88M SF it now stands at 28.69M SF.

Historical Construction Deliveries, Net Absorption, and Vacancy

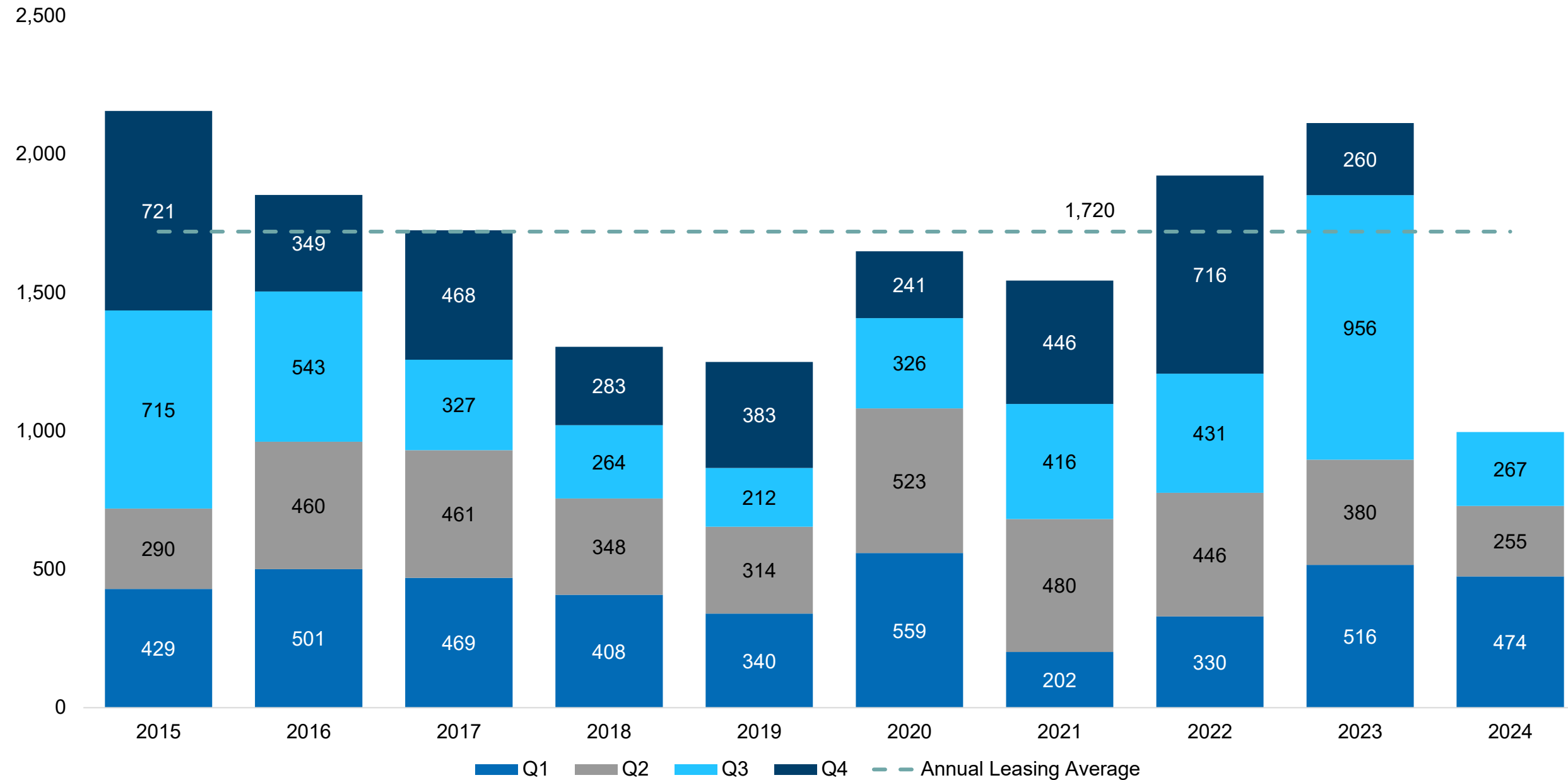


Source: Newmark Research

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 experienced 267,000 SF of leasing activity. Through the first half of the year there has been 996,000 SF of leasing activity, roughly 23% below the historical third quarter average.

Total Leasing Activity (Thousands SF)

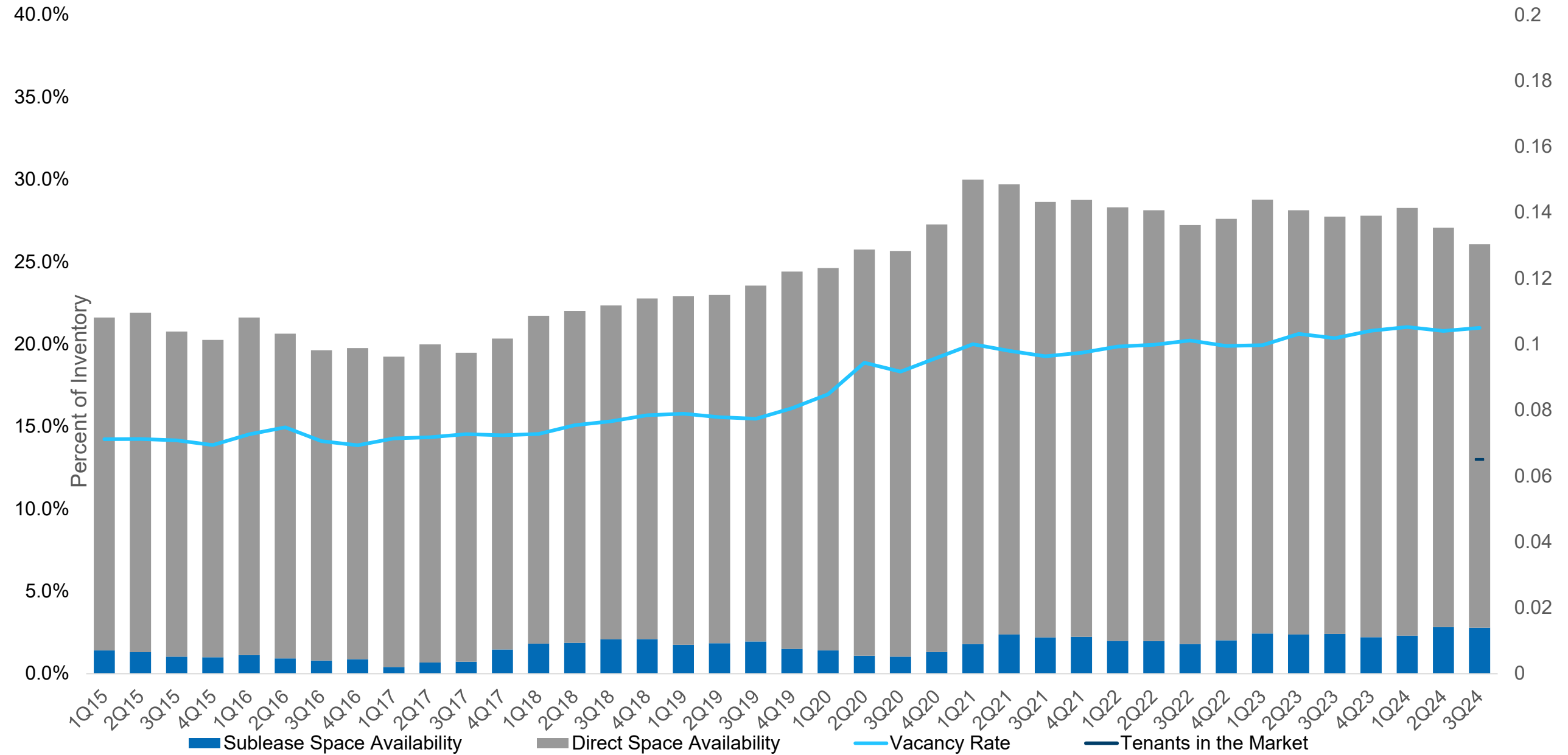


Source: Newmark Research, CoStar

Availability Rate Fell Thanks to Office Conversions

This past quarter, the availability rate fell a modest 90 basis points from 27.0% to 26.2%. Since the third quarter of 2022, the availability rate has gradually risen from 25.8% to its current level of 26.2%

Available Space and Tenant Demand as Percent of Overall Market

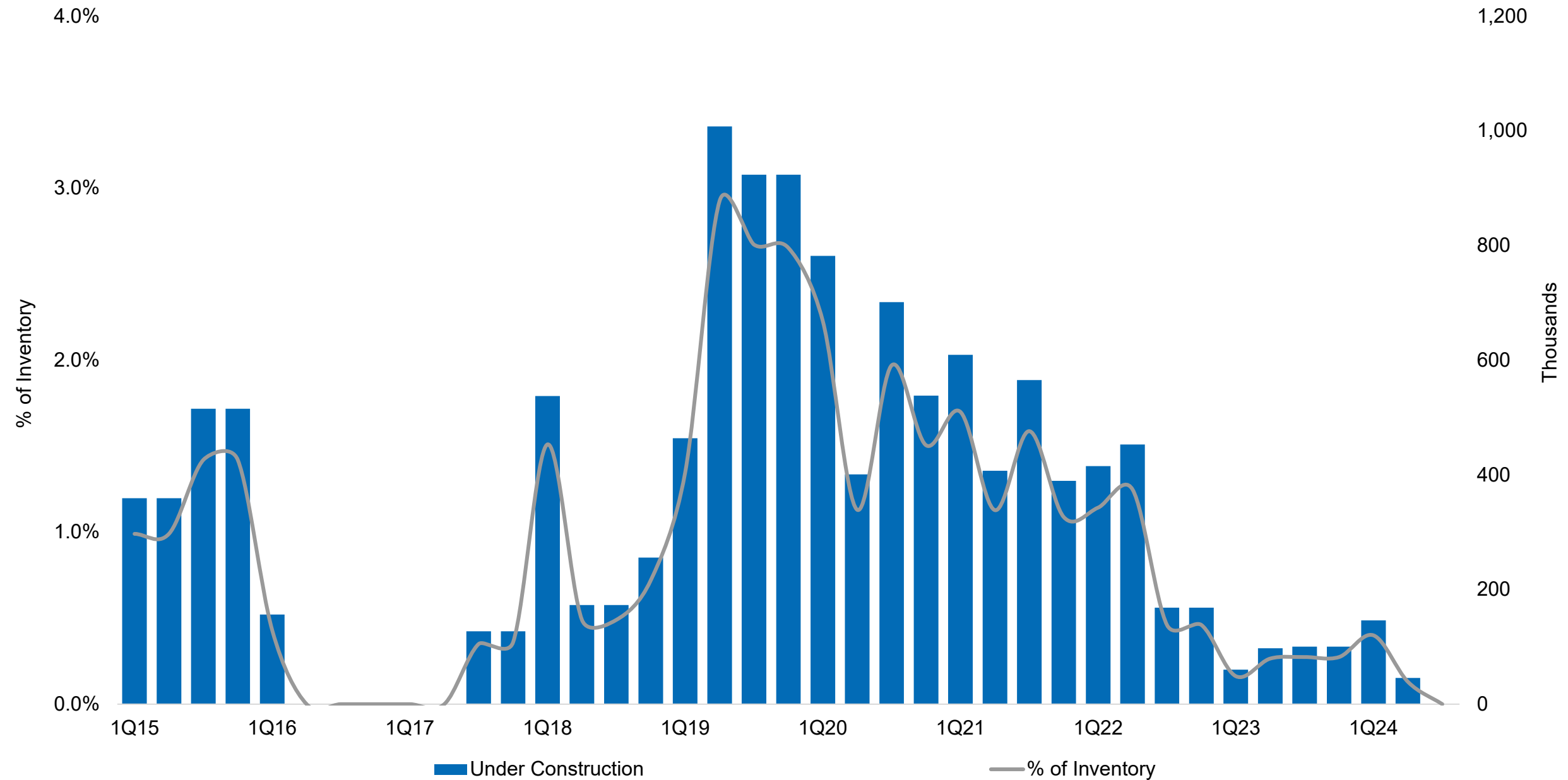


Source: Newmark Research

New Construction Slows to Stop

The construction pipeline is empty. As Mayfair Medical Commons, a two-story, 45,823 SF outpatient facility was delivered this past quarter. Earlier this year two other buildings were delivered: The Grain, Loomis Crossing and Mayfair Medical Commons. The Grain is a four-story 60,500 SF mixed-use building in Delafield and Loomis Crossing is a 40,288 square foot medical office building.

Office Under Construction and % of Inventory

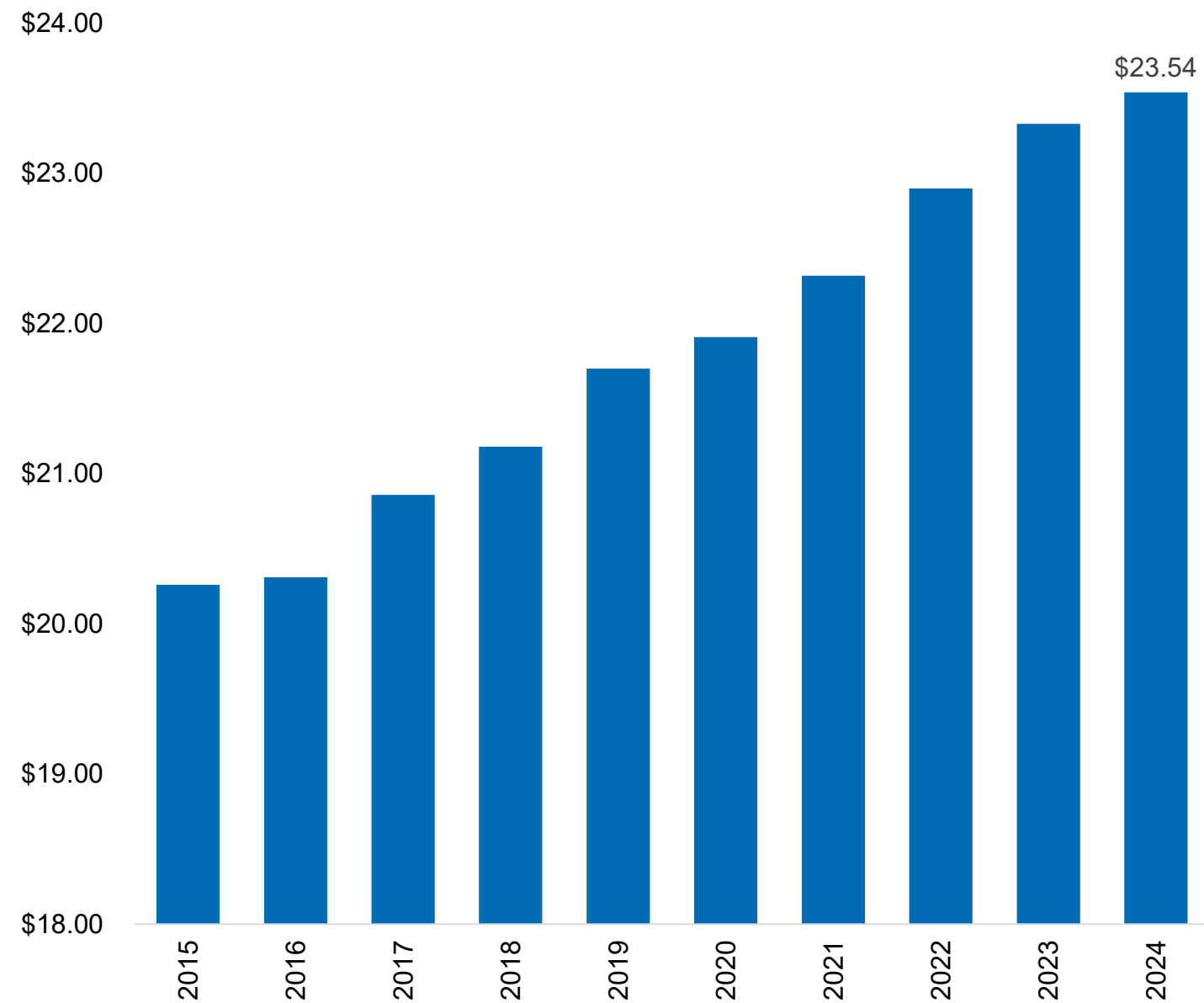


Source: Newmark Research, CoStar, City/County of ____ (where applicable)

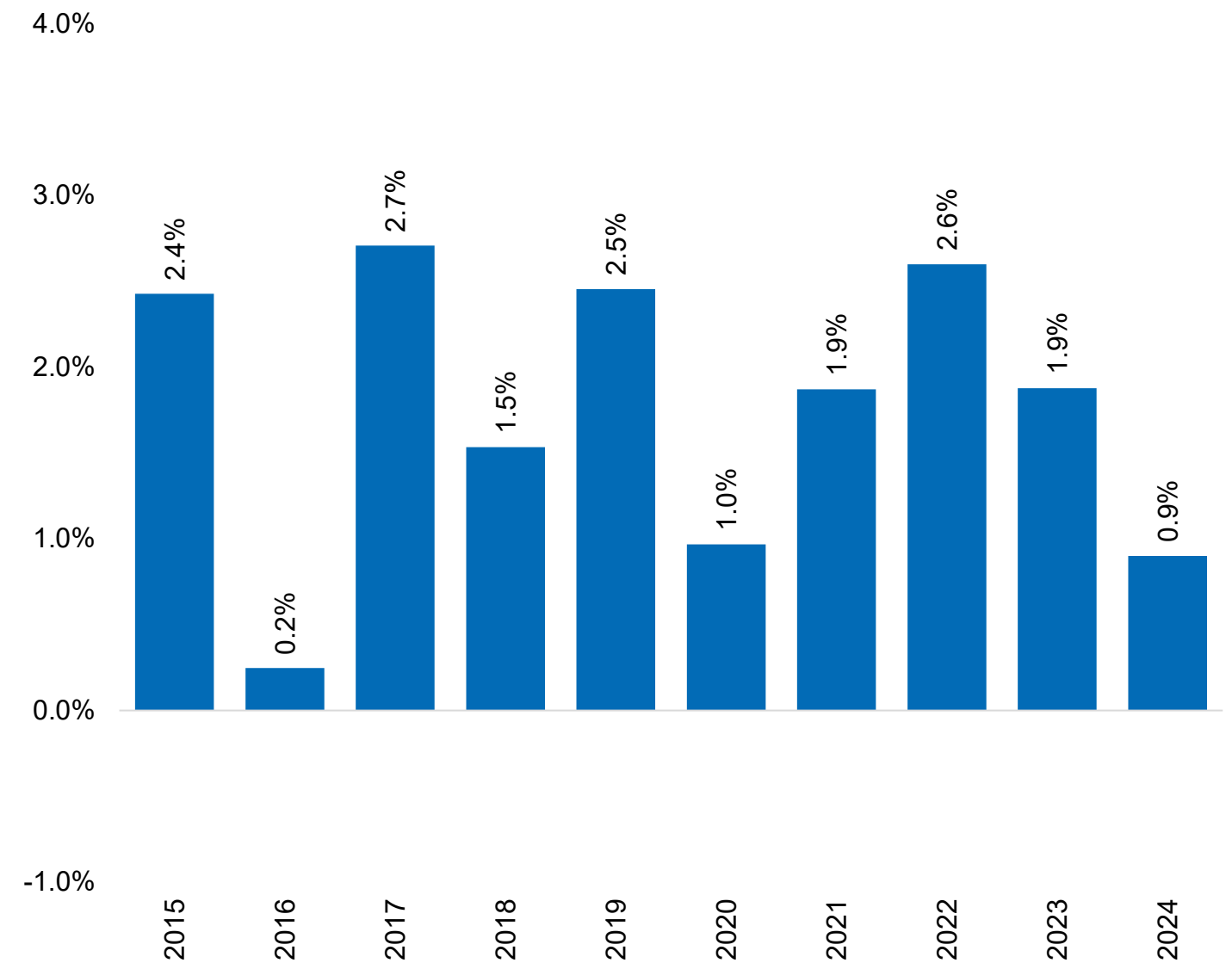
Rents Continue to Slowly Increase

Overall average asking gross rates have continued to grow and now sit at \$23.54/SF. Year-over-year rent growth grew a modest 1%, which can mostly be attributed to rising operating costs and taxes. Class A asking rates increased slightly during the quarter to \$30.95/SF. It is expected that asking rates should reset in the coming quarters as landlords are forced by liquidity constraints to trade elevated concession packages for lower rents.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

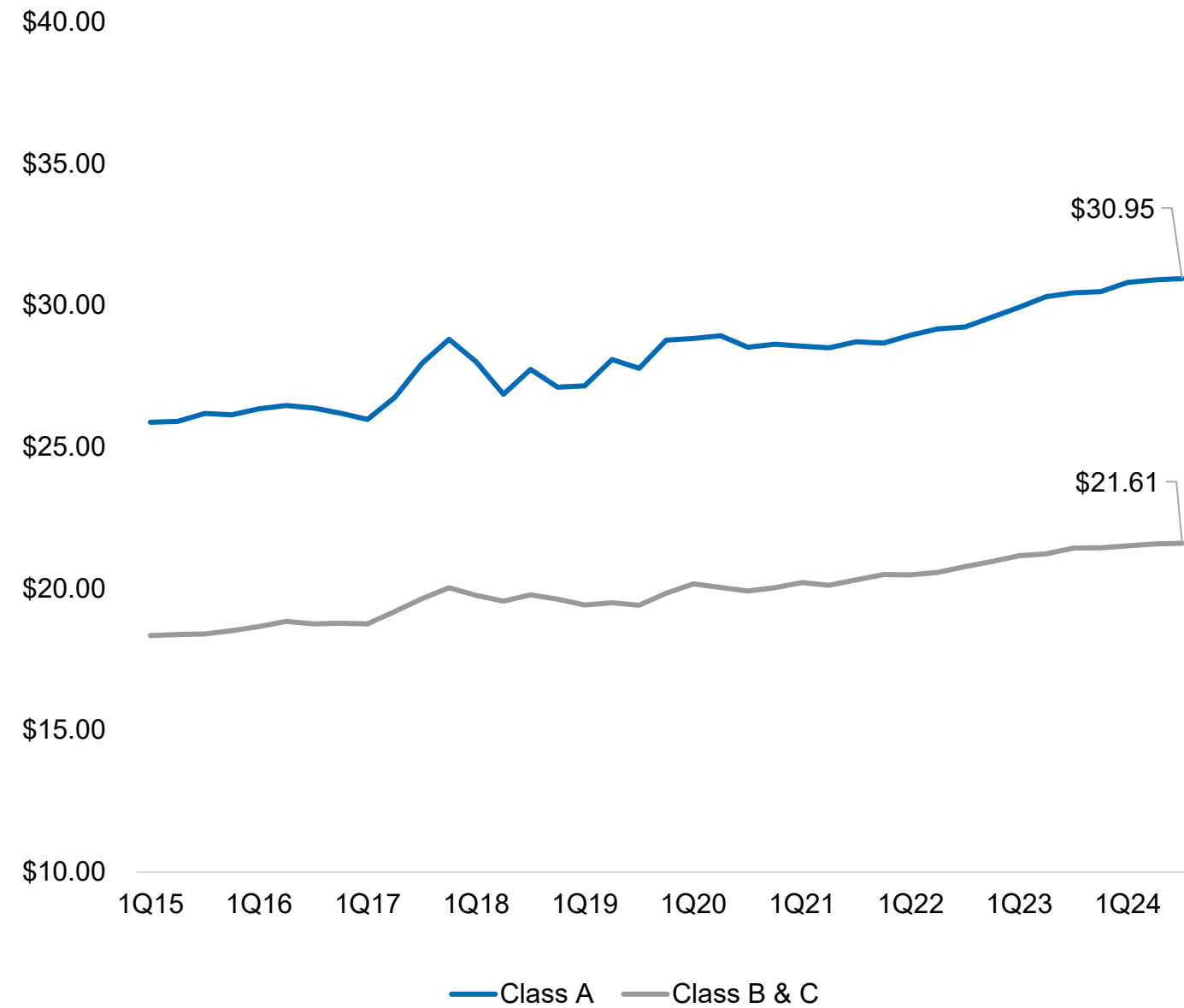


Source: Newmark Research, CoStar

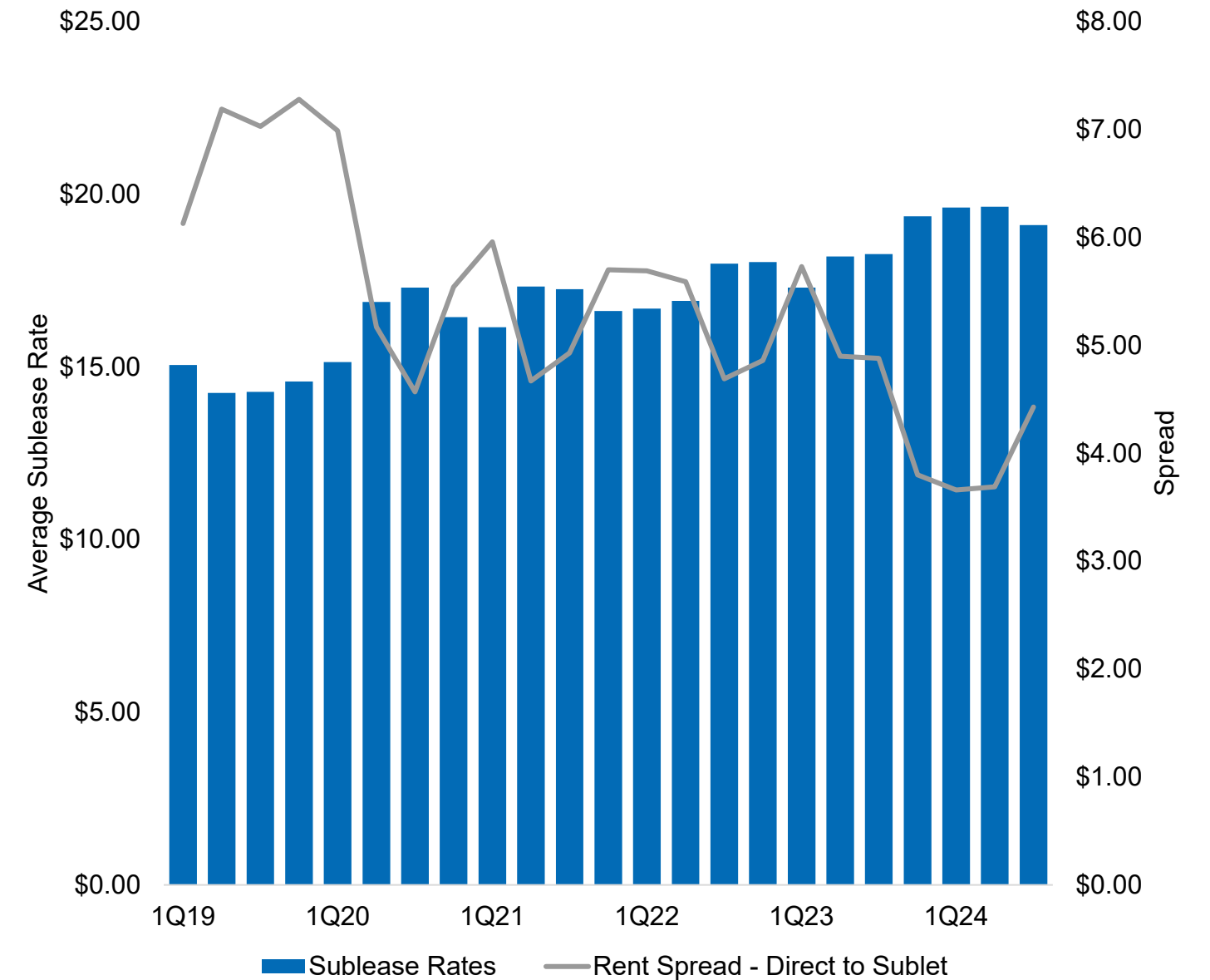
Asking Rents March On

In past cycles, asking rents have adjusted downward to account for depressed demand; however, asking rents have largely held value since the onset of the pandemic. Some rent compression is being experienced among major markets that are experiencing a high amount of rent resetting due to distressed sales. While there has been some distressed sales in Milwaukee Metro the amount hasn't been high enough to affect the market wide averages in a significant way.

Class A and Class B Average Asking Rents



Sublease Rates



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

Activity Slows

While there are uncertainties about the overall economy, leasing momentum slowed down this past quarter as only four new leases over 10,000 SF were completed this quarter.

Notable 2Q24 Leases

Tenant	Building(s)	Submarket	Type	Square Feet
Horizon Home Care & Hospice	11400 Lake Park Dr Milwaukee	Park Place	New	32,870
<i>Horizon Home Care & Hospice leased 32,870 SF at 11400 Lake Park Dr, Milwaukee. They will be moving from a nearby building.</i>				
Deloitte	US Bank Building 777 E Wisconsin Ave Milwaukee	Downtown East	New	27,276
<i>Deloitte moved their downtown Milwaukee office from Cathedral Place to the 34th floor of the US Bank building.</i>				
Confidential Tenant	Bishops Woods 13400 Bishops Ln Brookfield	Brookfield	New	13,400
<i>A professional services company leased 13,400 SF on the first floor. The company will be relocating their offices from downtown Milwaukee.</i>				
Firecrown Media	Brookfield Lakes Corporate Center 18650 W Corporate Dr Brookfield	Brookfield	New	10,519
<i>Firecrown Media leased 10,519 SF on the first floor of 18650 W Corporate Dr, Brookfield.</i>				
Core Creative	The Tannery 600 W Virginia St Milwaukee	Third Ward & Fith Ward	New	9,680
<i>Core Creative leased 9,680 SF at 600 W Virginia St, Milwaukee.</i>				
ACS Architectural Construction	Mayfair Woods 10700 Research Dr Wauwatosa	Wauwatosa	Sublease	8,088
<i>ACS Architectural Construction subleased 8,088 SF space at 107000 Research Dr, Wauwatosa.</i>				

Source: Newmark Research

Central Business District Vacancy Rate

Please reach out to your
Newmark business contact for this information

Suburban Vacancy Rate

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3Q24

Supplemental Tables





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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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