3Q25

Milwaukee Office Market Overview

Market Observations

Economy

- Milwaukee's unemployment rate held at 3.5% in Q3 2025, outperforming the national rate of 4.2% and signaling relative labor market stability. However, overall job growth has slowed, with total employment contracting 0.7% year-over-year.
- Nearly all sectors in Milwaukee contracted over the past year, with Education and Health Services standing out as the sole growth driver, expanding by 2.79%. The sharpest decline occurred in the Government sector, which fell 4.5% year-over-year.
- Office-using employment slipped 0.2% year-over-year in Q3 2025, effectively holding flat. The sector has yet to recover from pandemic-era losses and remains 3.9% below its January 2020 level.

Leasing Market Fundamentals

- In Q3 2025, Milwaukee's office market posted 16,820 square feet of negative absorption, yet vacancy held steady at 21.1%, suggesting occupancy losses may be leveling off. Conversion activity, particularly office-to-residential projects, has been instrumental in curbing further vacancy increases.
- In Q3 2025, Milwaukee's office availability rate edged down 90 basis points to 25.3%, signaling a modest improvement in market balance.
- In Q3 2025, Milwaukee recorded 282,773 square feet of leasing, bringing the year-to-date total to 1.22 million square feet, 29% below the long-term average. Ongoing consolidations continue to shape demand, with tenants concentrating on efficiency and reducing excess space.

Major Transactions

- Leasing in Q3 2025 was modest, with transactions limited to spaces under 25,000 square feet. This activity underscores a restrained demand environment as occupiers remain hesitant to commit to larger footprints.
- The largest sale of the quarter was Noby Loftline's $1.9 million acquisition of 2825 and 2835 N. Mayfair Road in Wauwatosa. The two buildings total 43,942 square feet and are slated for redevelopment into a multifamily project, reflecting continued momentum for adaptive reuse in the Milwaukee market.

Outlook

- Macroeconomic headwinds will continue to weigh on market activity, with both occupiers and investors remaining cautious in their leasing and acquisition strategies.
- With no new office construction underway, ongoing office-to-residential projects are expected to steadily reduce obsolete inventory, supporting long-term balance in fundamentals.
- Class A assets will continue to outperform as consolidating tenants prioritize efficient, modern space, widening the gap between top-tier and commodity product.
- Leasing volumes are likely to stay below historical norms in the near term, with landlords relying more heavily on concessions to attract tenants and preserve occupancy.

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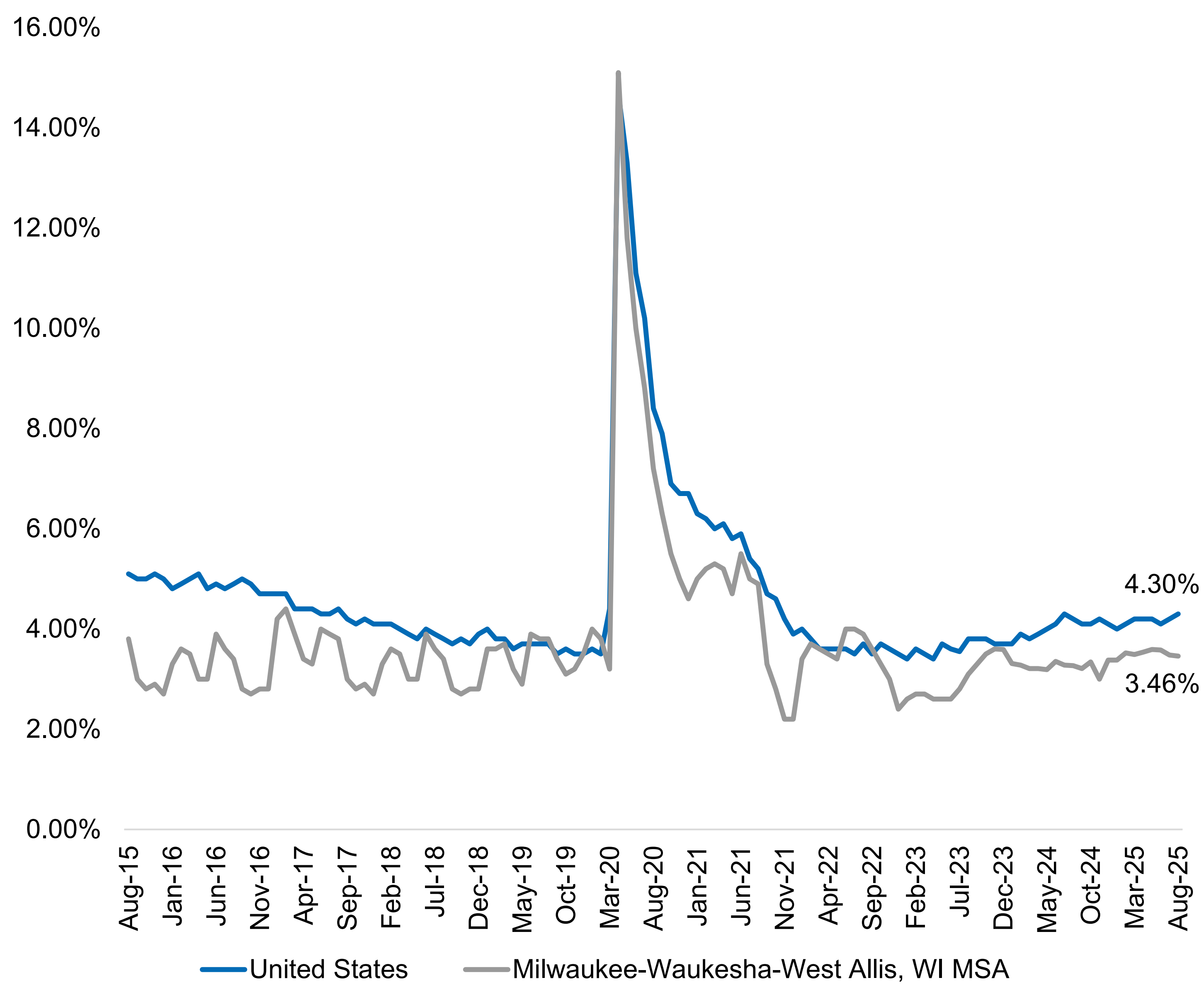
Economy

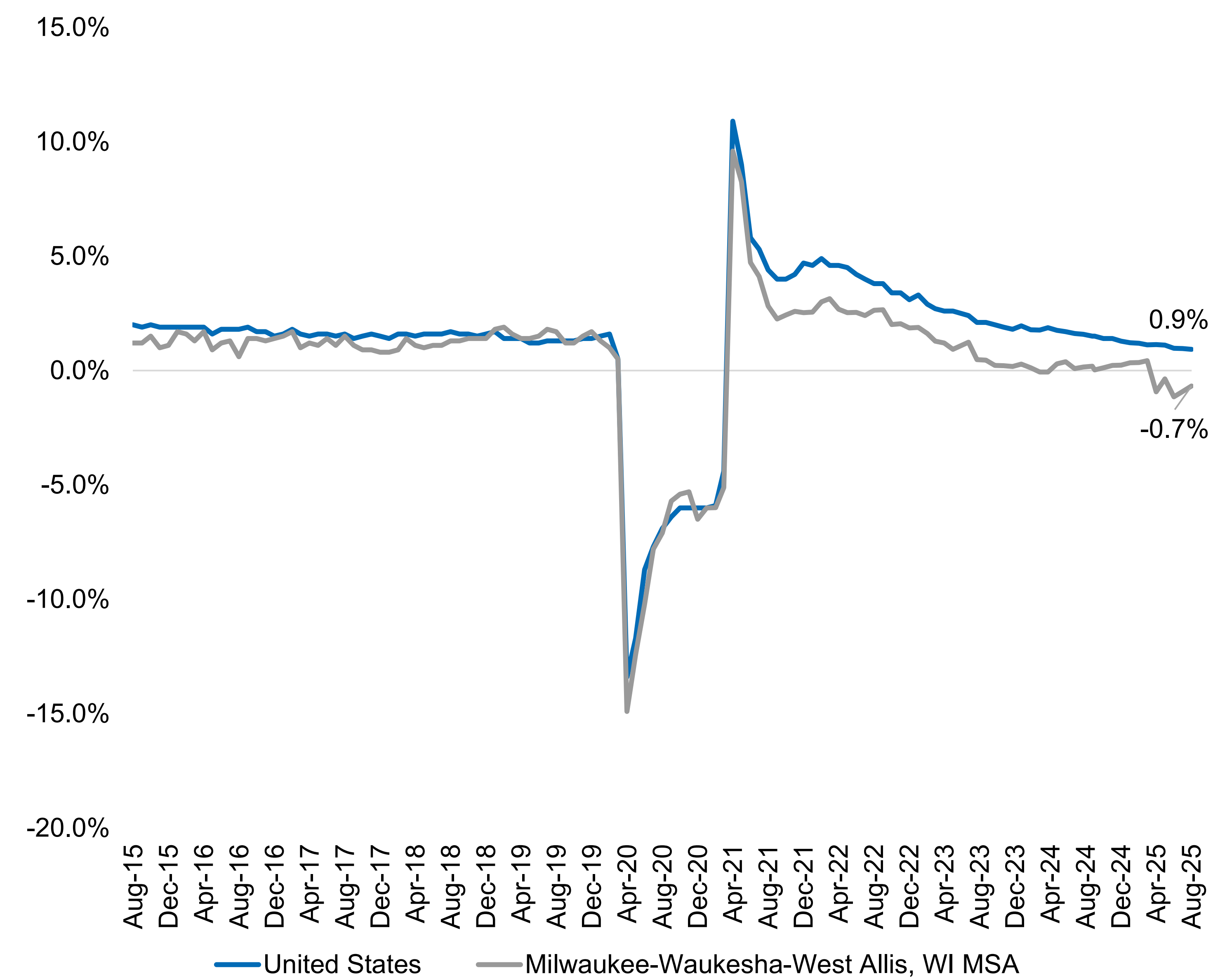
Labor Market Stable but Expansion Slows

Milwaukee's unemployment rate held at 3.5% in Q3 2025, outperforming the national rate of 4.2% and signaling relative labor market stability. However, overall job growth has slowed, with total employment contracting 0.7% year-over-year.

Unemployment Rate, Seasonally Adjusted



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

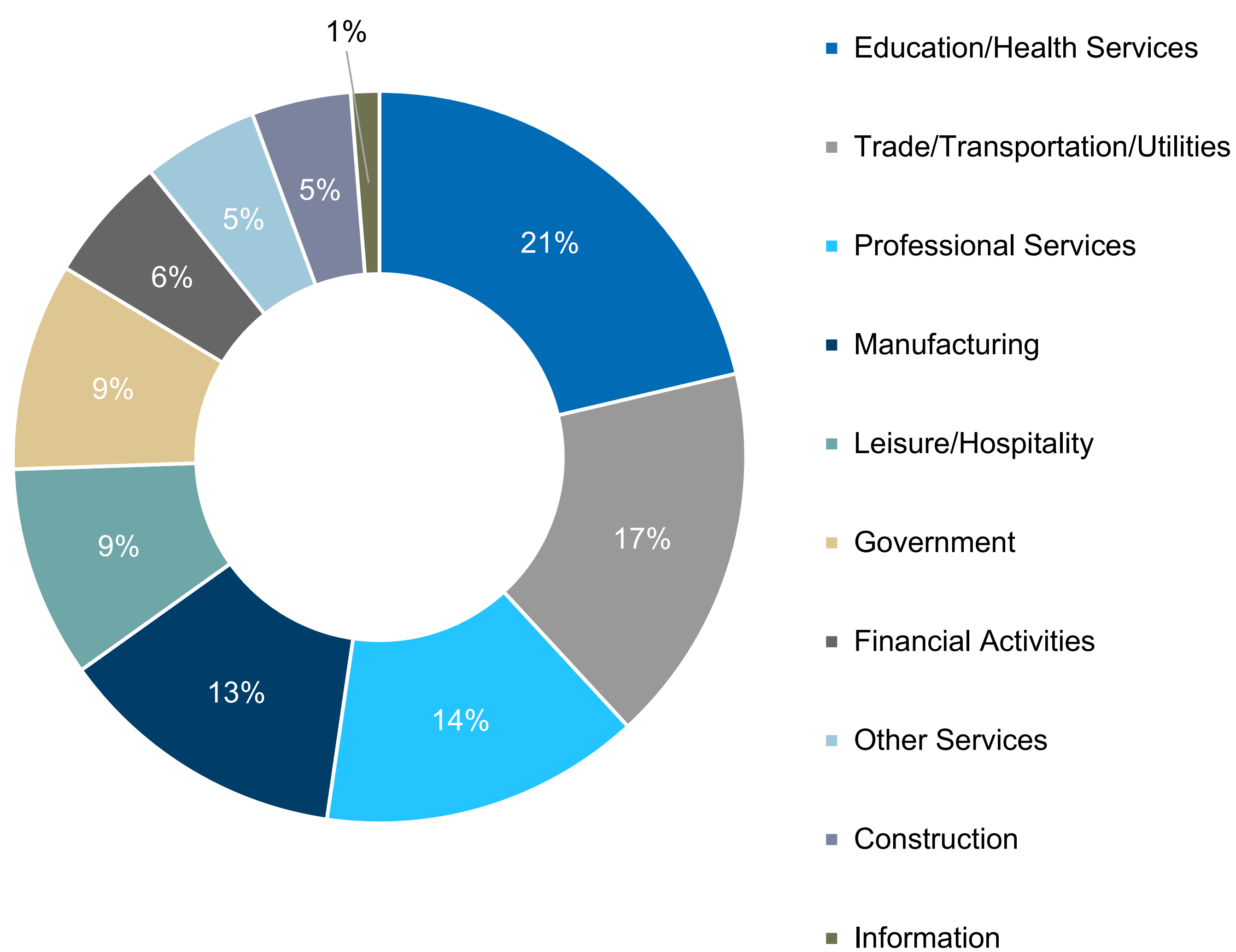


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

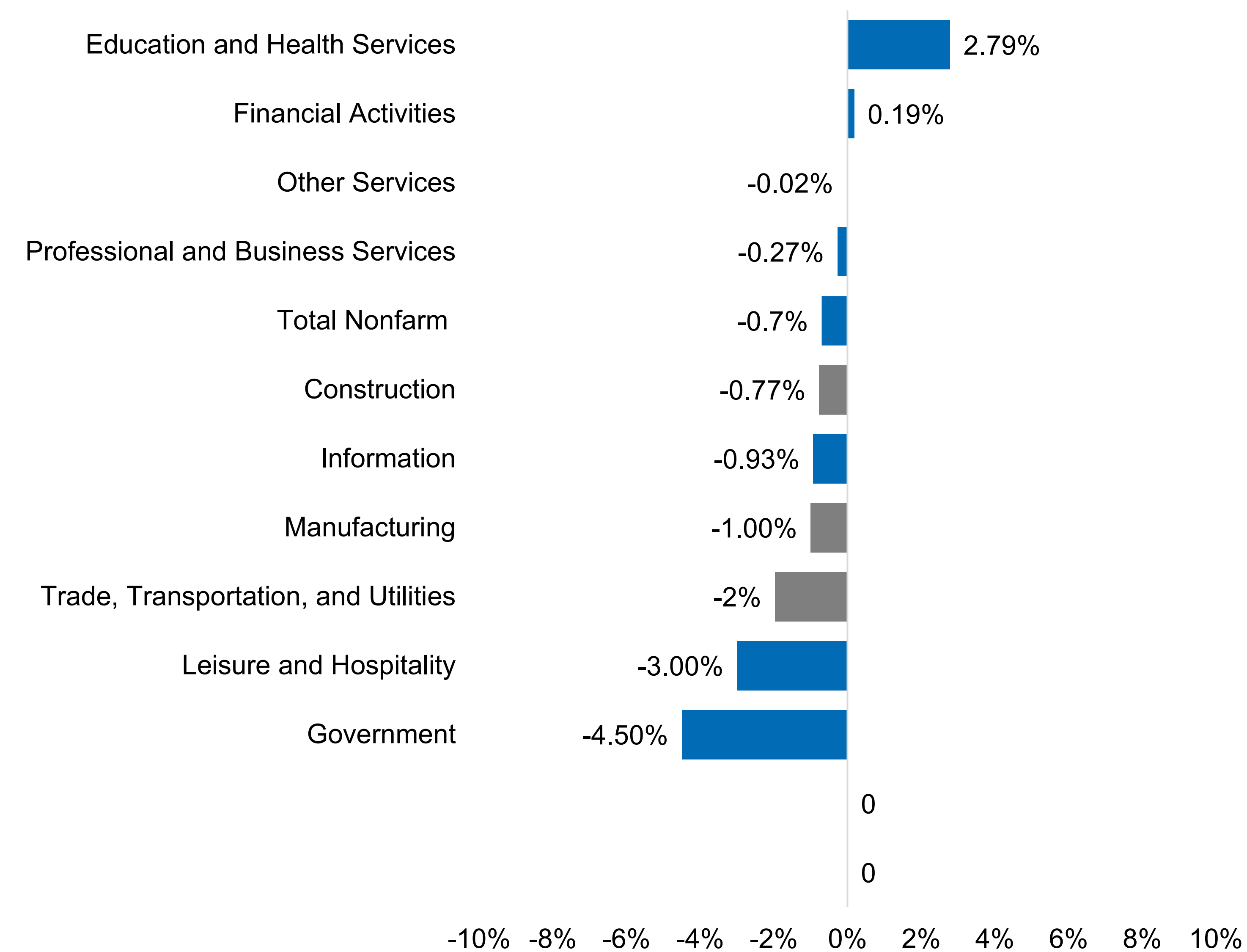
Education and Health Lead Among Broader Contraction

Nearly all sectors in Milwaukee contracted over the past year, with Education and Health Services standing out as the sole growth driver, expanding by 2.79%. Financial Activities also held steady, posting a modest 0.19% gain. The sharpest decline occurred in the Government sector, which fell 4.5% year-over-year.

Employment by Industry, August 2025



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

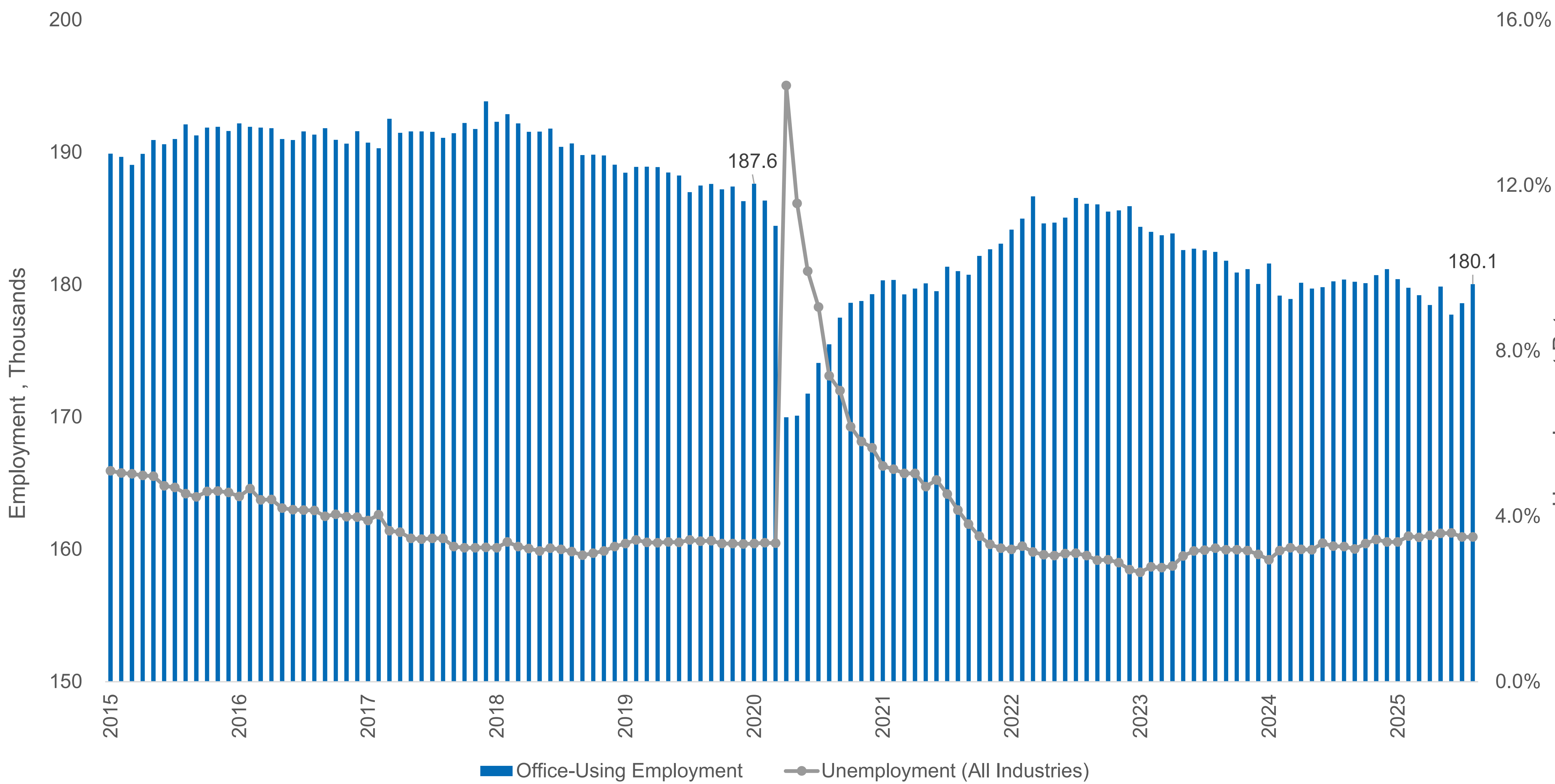


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

Office-Using Jobs Remain Flat

Office-using employment slipped 0.2% year-over-year in Q3 2025, effectively holding flat. The sector has yet to recover from pandemic-era losses and remains 3.9% below its January 2020 level.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA
Note: August 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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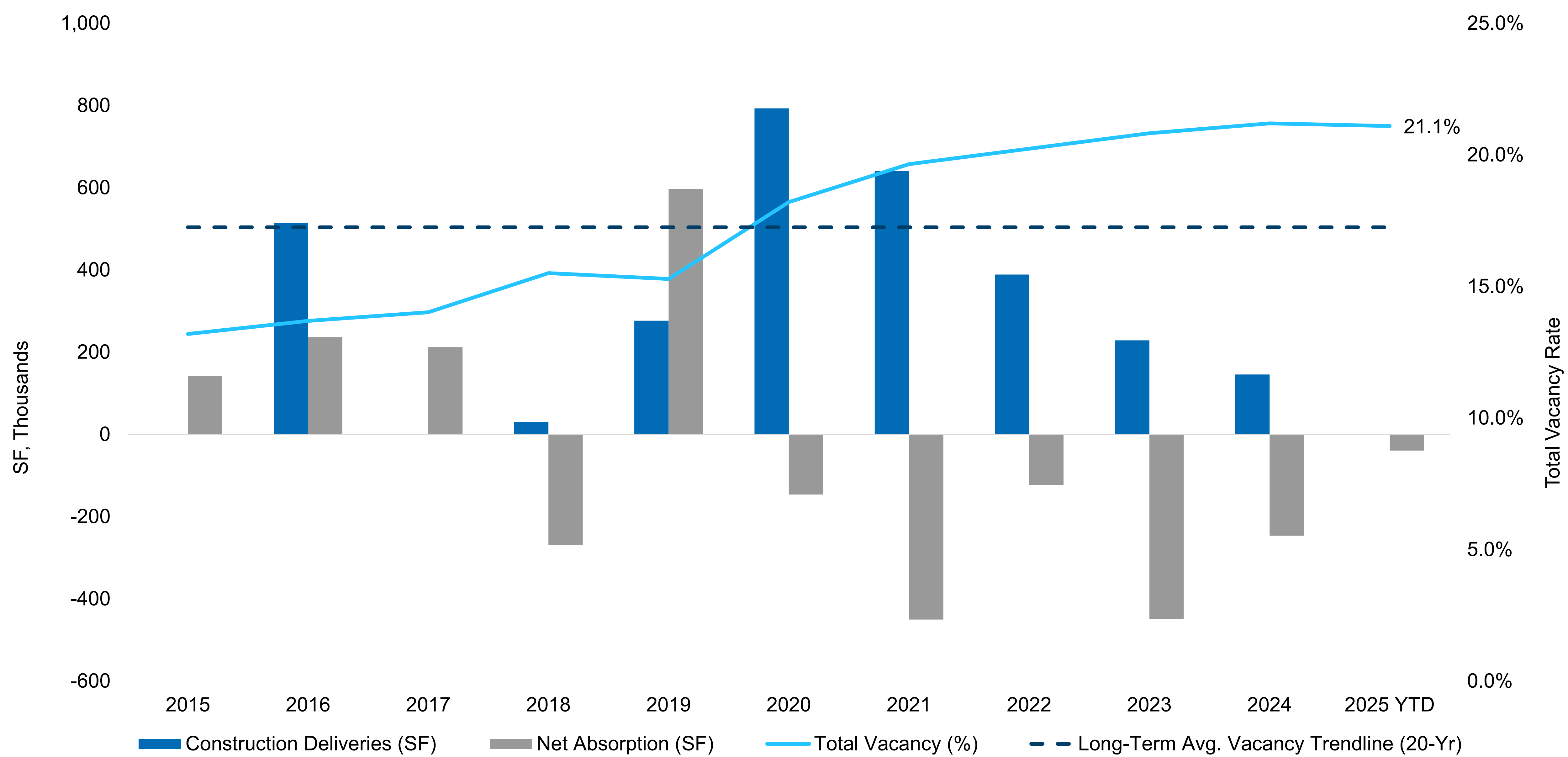
Leasing Market Fundamentals

Market Stabilizes as Vacancy Levels Plateau

In Q3 2025, Milwaukee's office market posted 16,820 square feet of negative absorption, yet vacancy held steady at 21.1%, suggesting occupancy losses may be leveling off. Conversion activity, particularly office-to-residential projects, has been instrumental in curbing further vacancy increases. While near-term leasing demand remains subdued, these adaptive reuse efforts should help gradually firm market fundamentals.

Historical Construction Deliveries, Net Absorption, and Vacancy

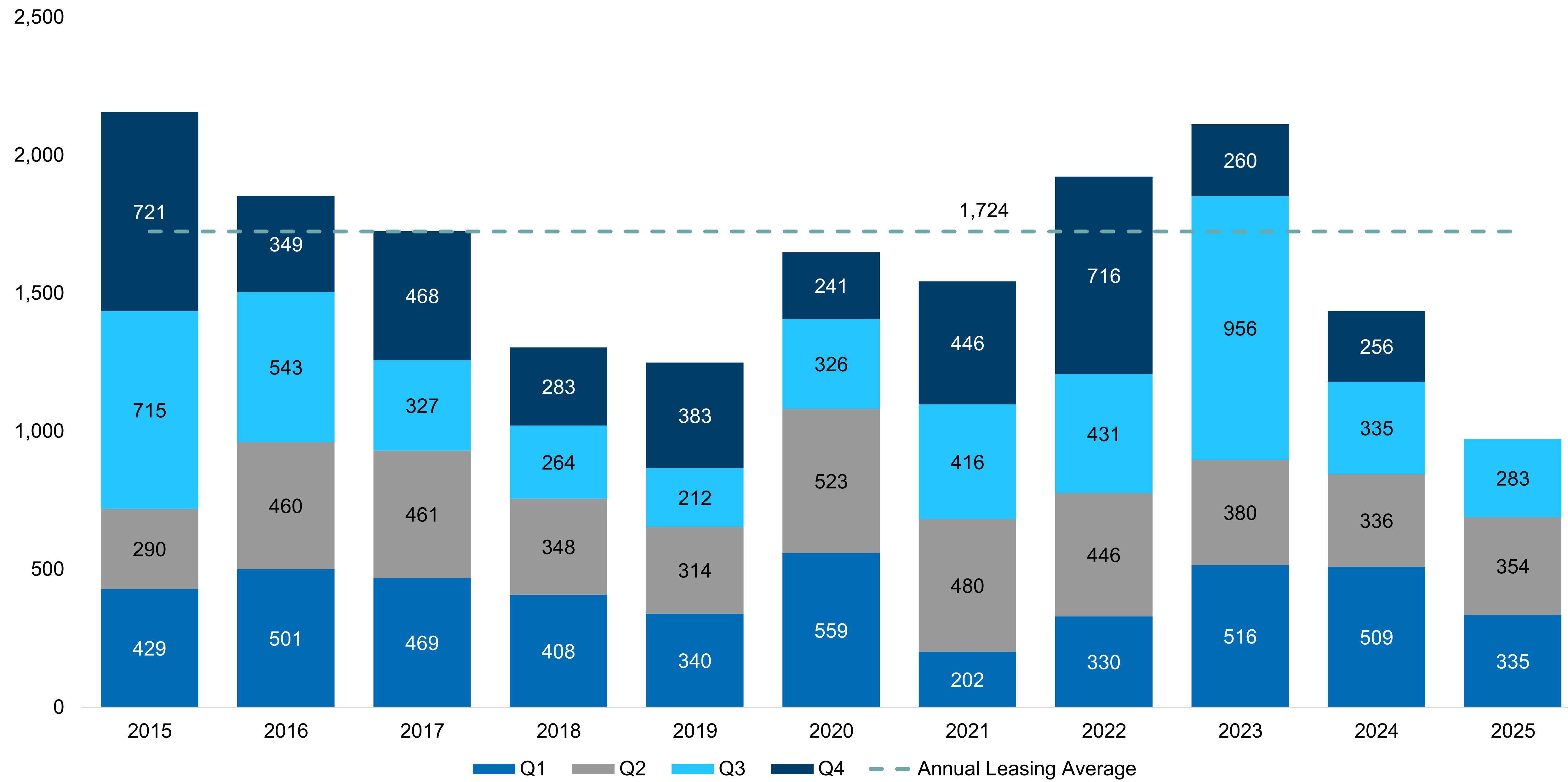


Source: Newmark Research

Tenant Activity Remains Subdued

In Q3 2025, Milwaukee recorded 282,773 square feet of leasing, bringing the year-to-date total to 1.22 million square feet, 29% below the long-term average. Ongoing consolidations continue to shape demand, with tenants concentrating on efficiency and reducing excess space. Class A properties accounted for 41% of leasing, signaling that high-quality buildings remain the preferred choice even in a slower market.

Total Leasing Activity (Thousands SF)

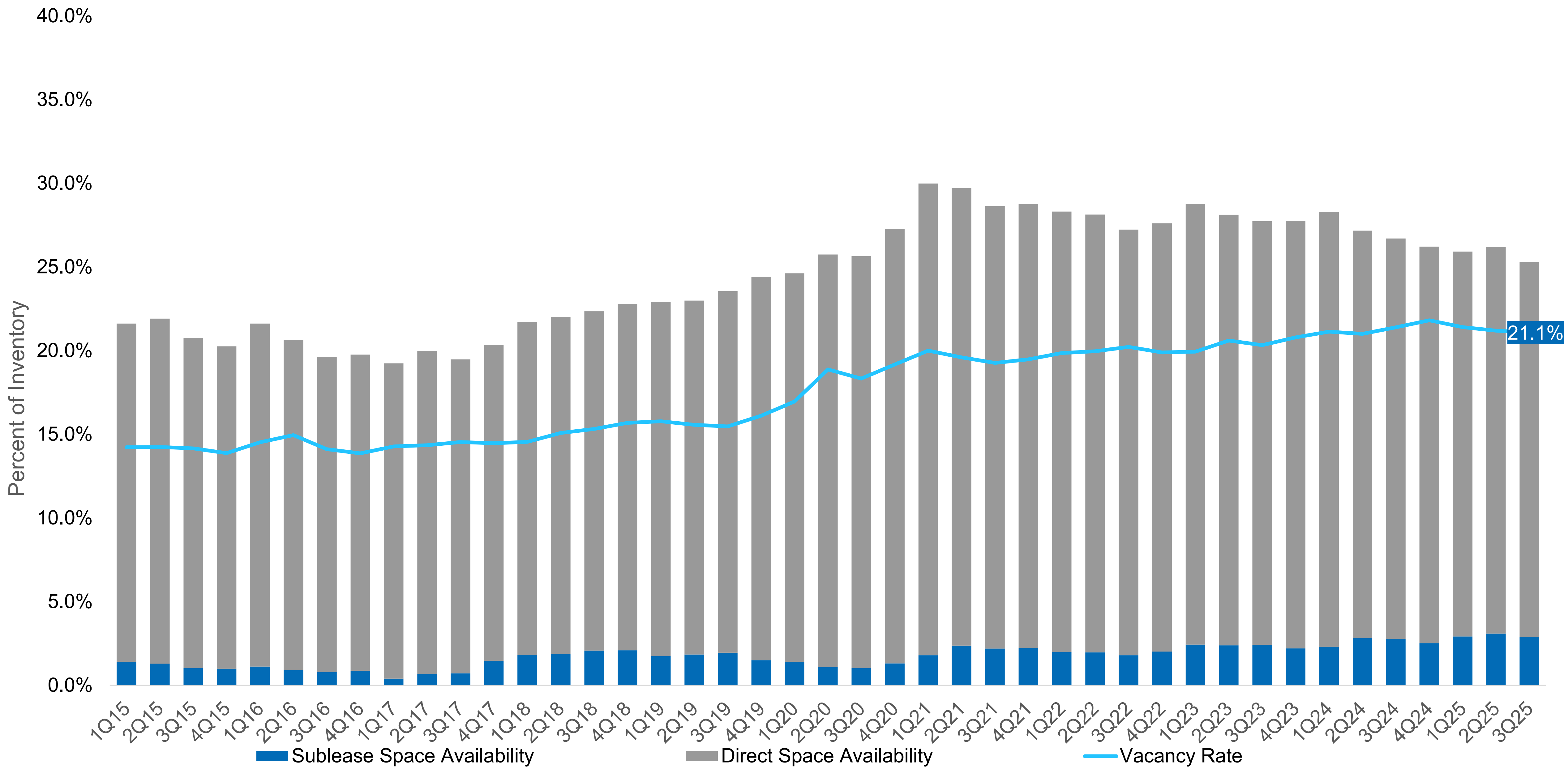


Source: Newmark Research, CoStar

Availability Rate Declines as Supply Adjusts

In Q3 2025, Milwaukee's office availability rate edged down 90 basis points to 25.3%, signaling a modest improvement in market balance. Much of the shift stems from planned conversions, which are steadily reducing obsolete inventory rather than new leasing gains.

Available Space (SF) and Vacancy Rate (%)

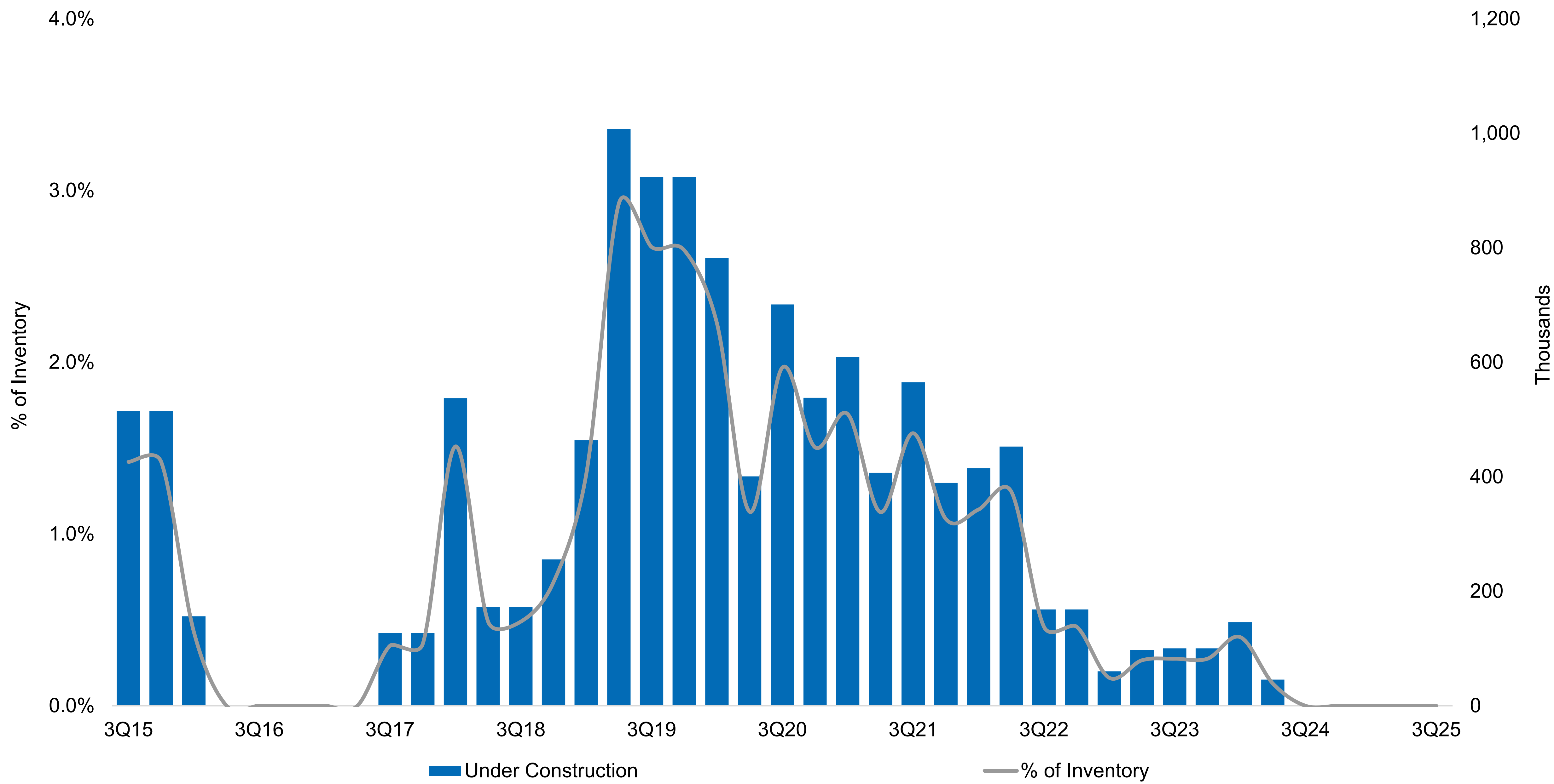


Source: Newmark Research

Development Halts, Conversions Gain Momentum

The construction pipeline has remained dormant for five straight quarters, allowing supply and demand to gradually realign. Several office-to-residential conversions, including 100 East Wisconsin Ave and the Clark Building, are removing outdated inventory from circulation. These projects mark a structural shift in the market, positioning conversions as a primary driver of long-term stabilization.

Office Under Construction and % of Inventory

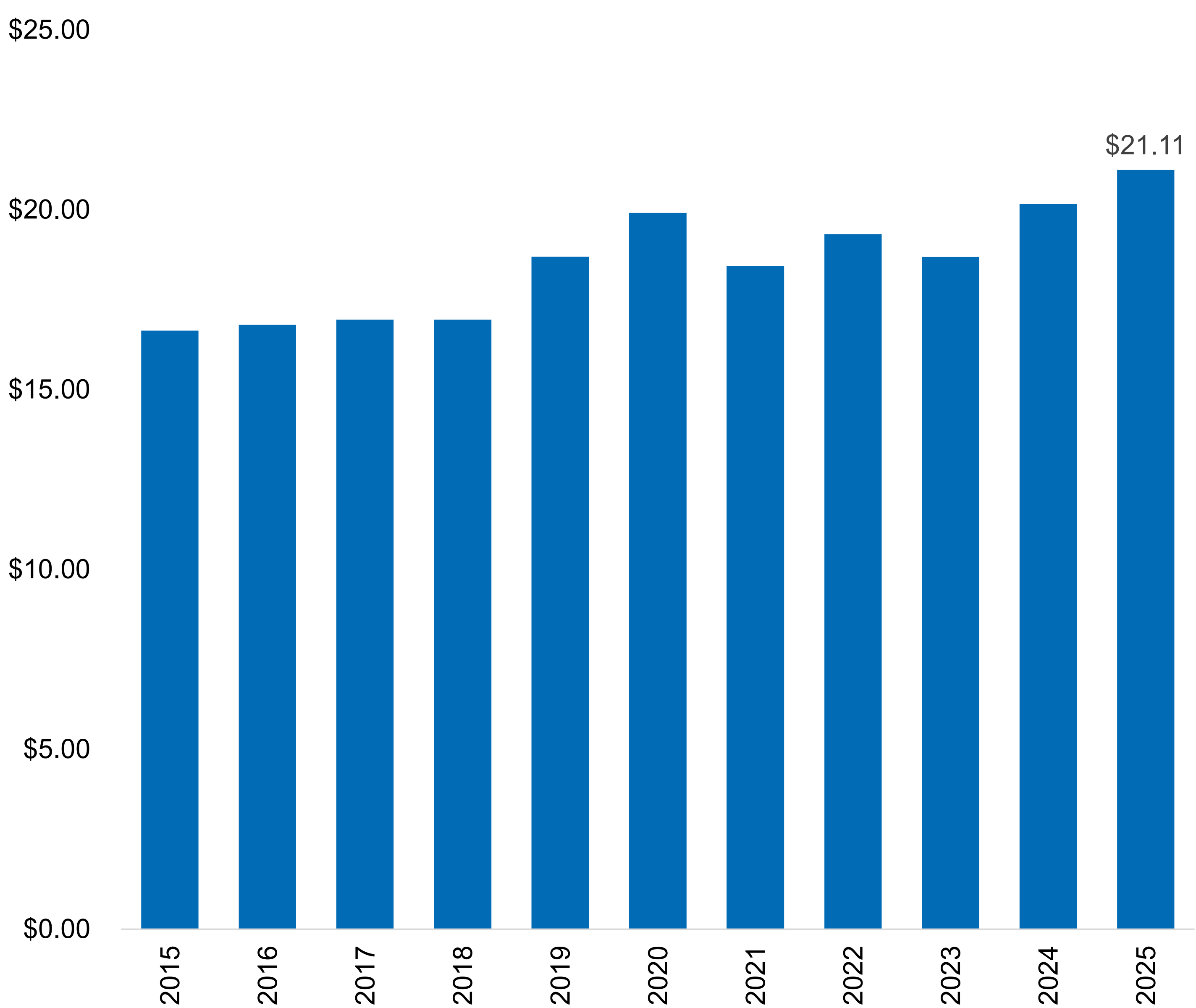


Source: Newmark Research, CoStar, City/County of ____ (where applicable)

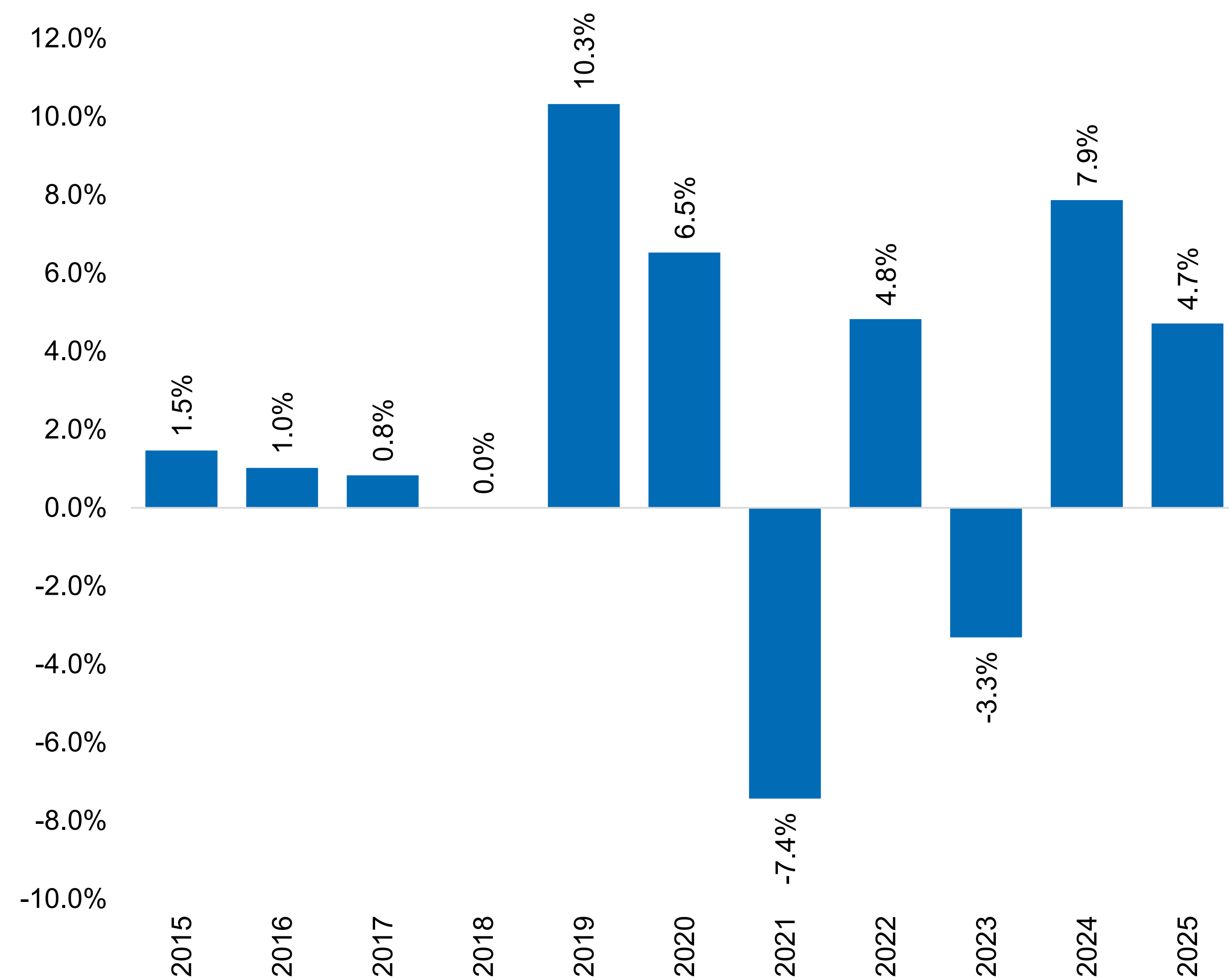
Asking Rents Rise Despite Market Headwinds

Overall asking gross rents rose to $21.11 per square foot in Q3 2025, reflecting upward pressure from higher operating costs and taxes. Class A rates climbed to $28.70, highlighting the widening gap between top-tier space and the broader market. Looking ahead, mounting financial strain may prompt landlords to offset face rents with more aggressive concessions to attract and retain tenants.

Office Average Asking Rent, $/SF, FS

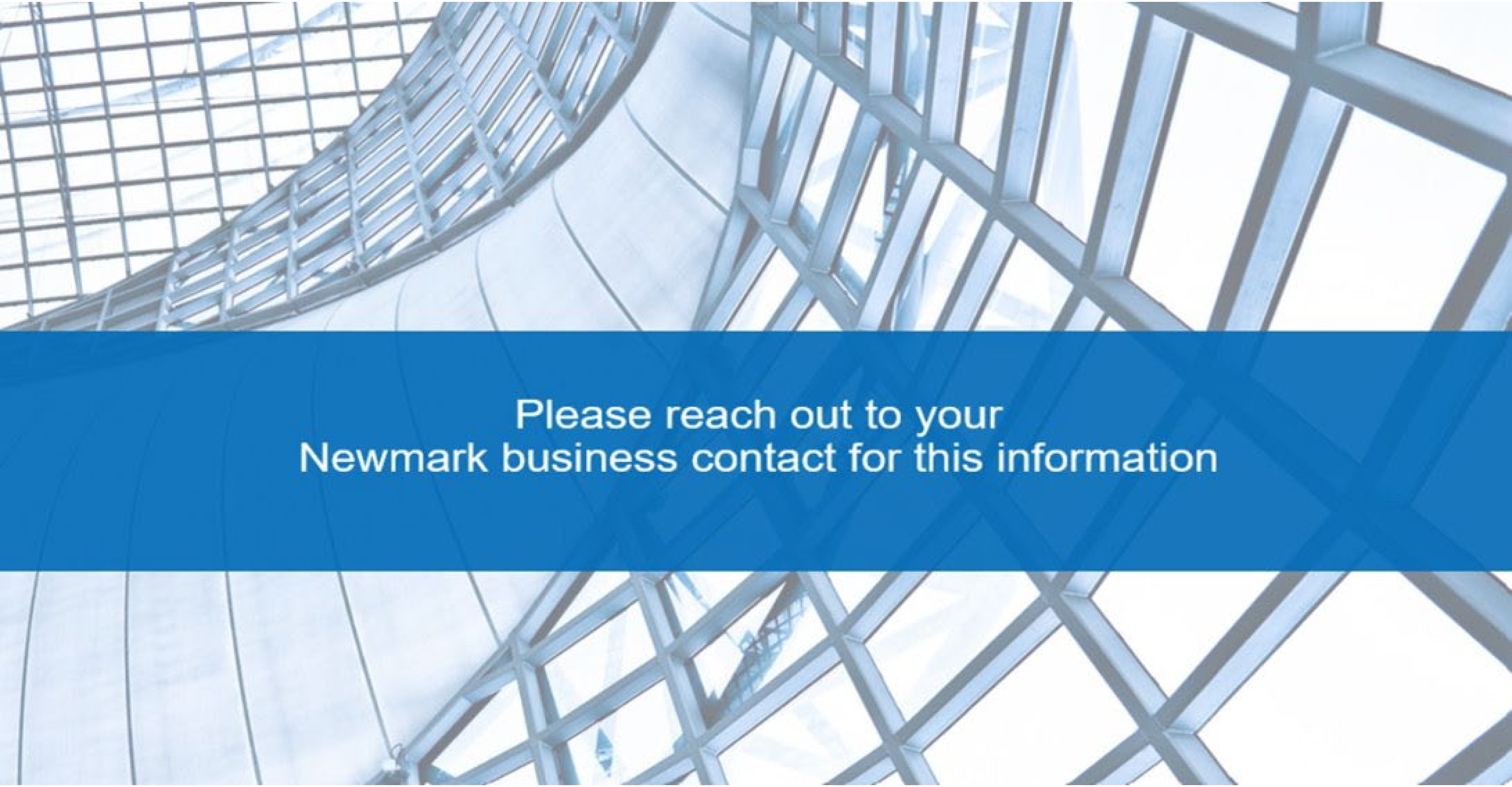


Year-over-Year Asking Rent Growth Rate

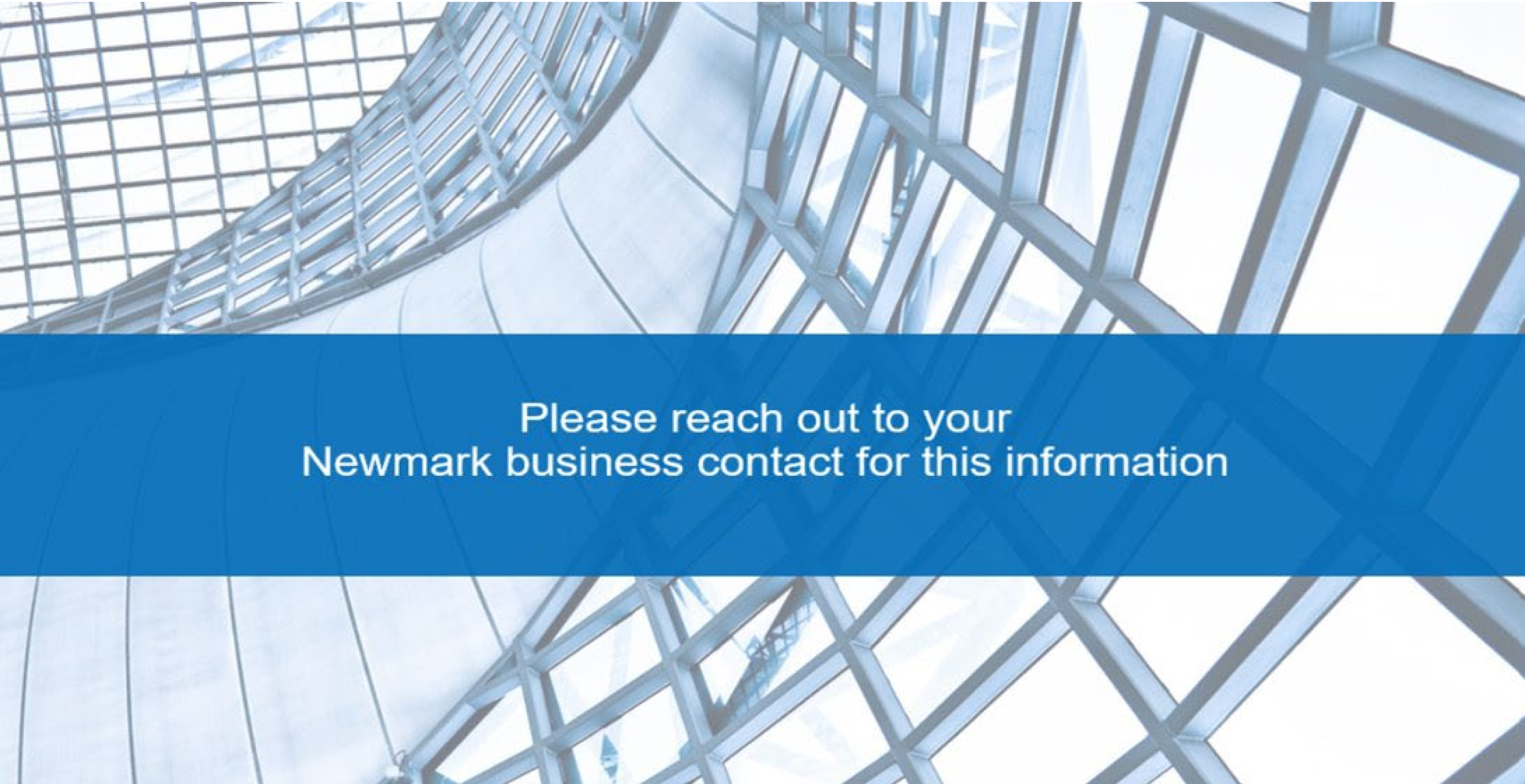


Source: Newmark Research, CoStar

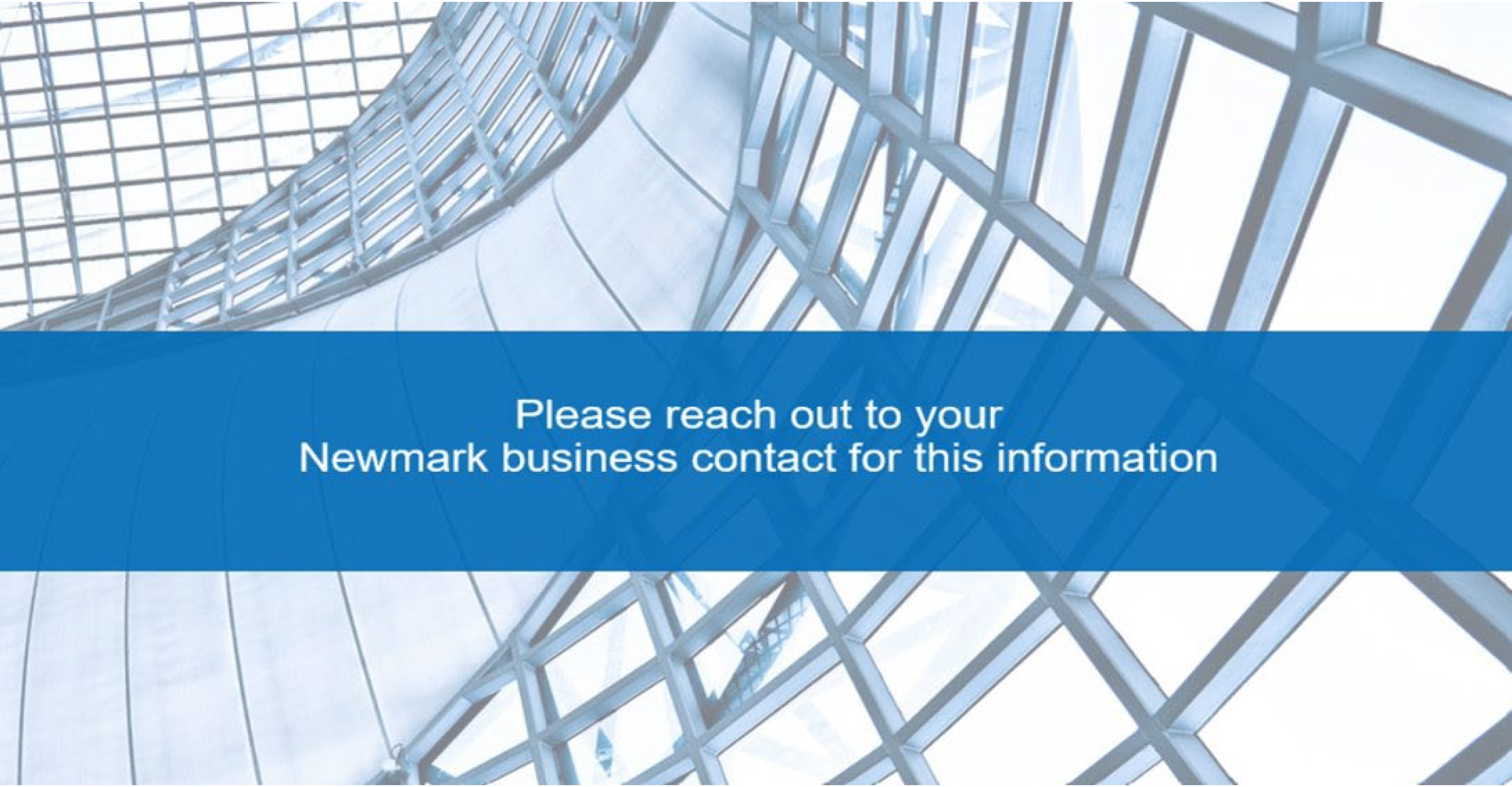
Rent Gap Widens Between Asset Classes



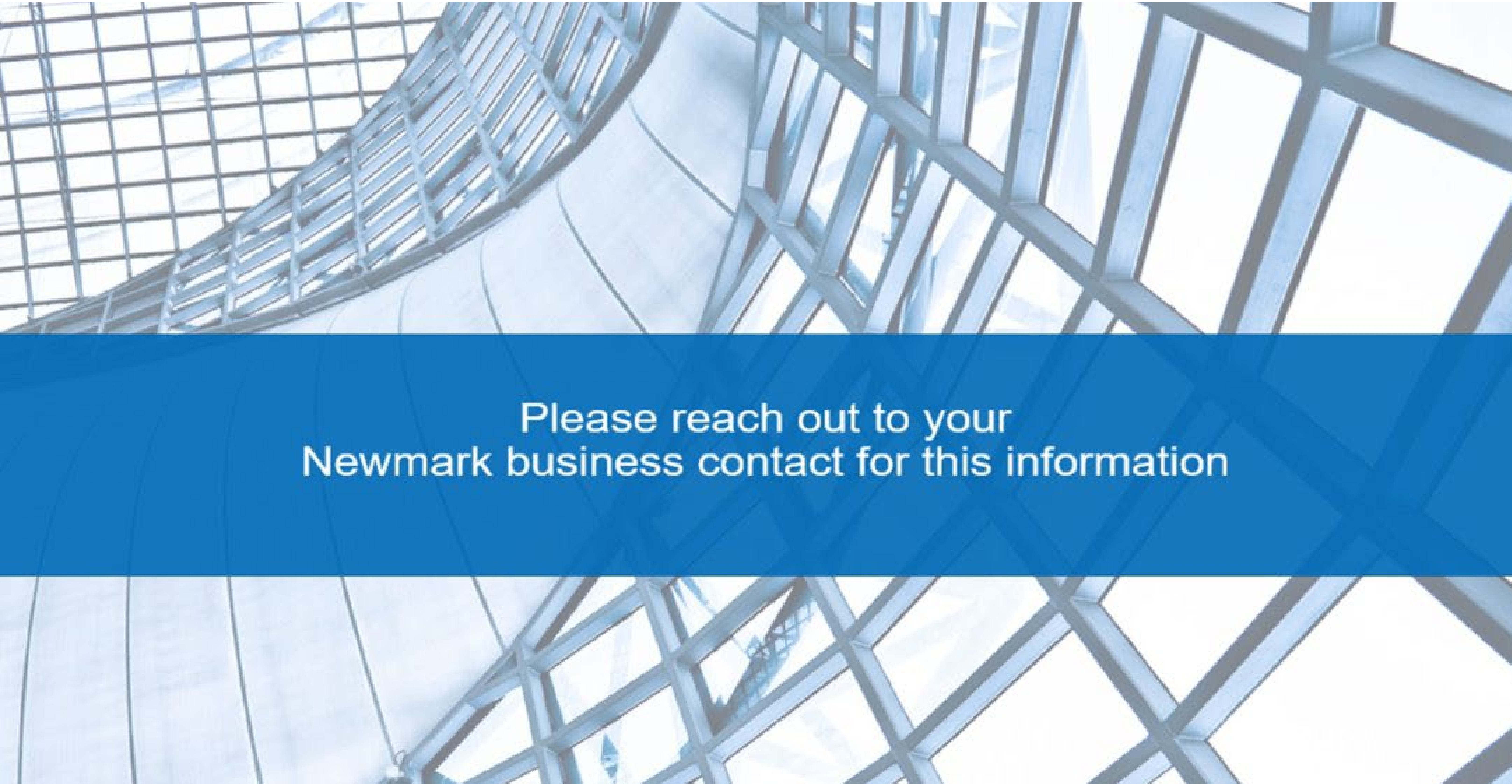
Small Deals Dominate Leasing Landscape



CBD Vacancy Ticks Down to 19.1%



Suburban Vacancy Holds Steady



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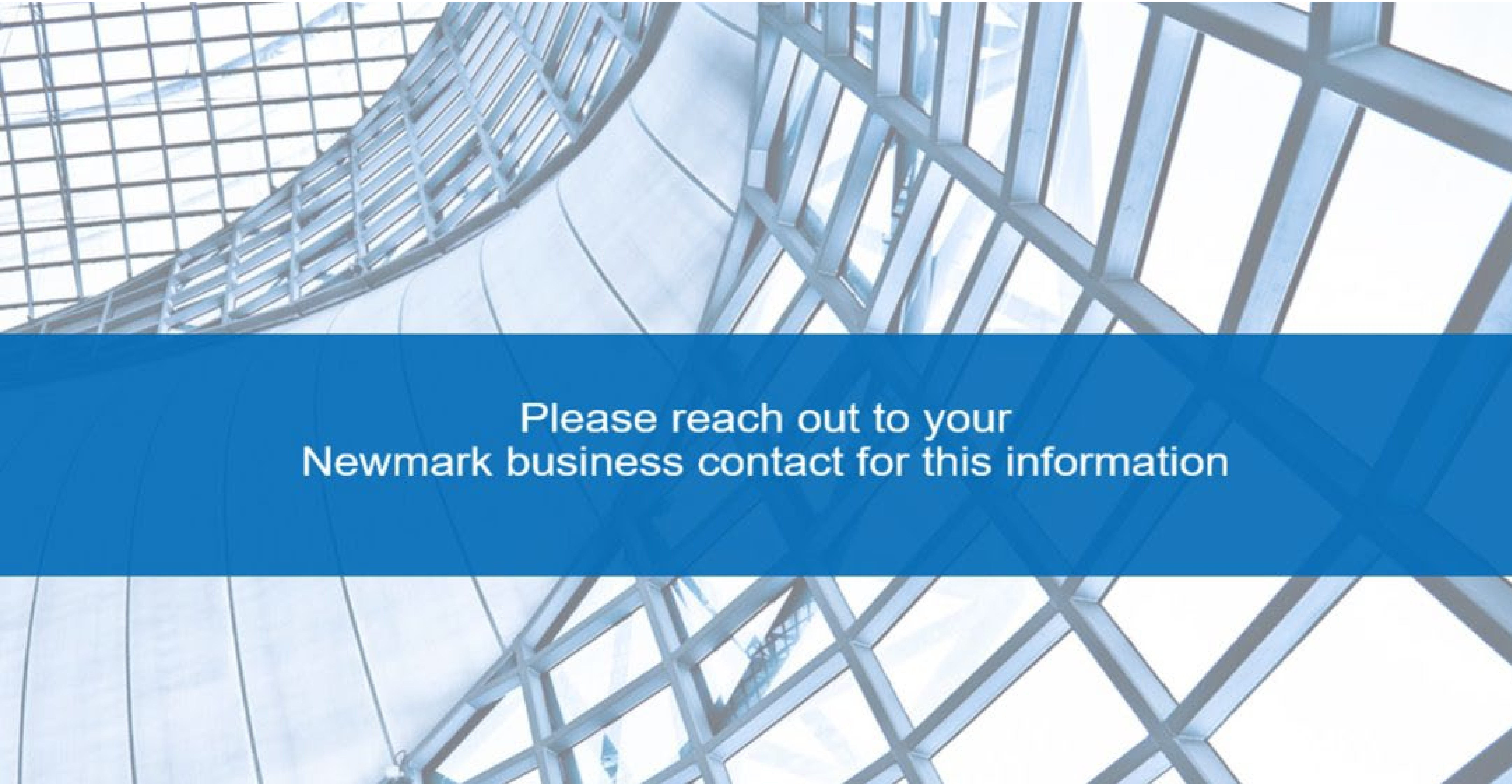
Supplemental Tables

Current Statistical Overview (page 1 of 2)



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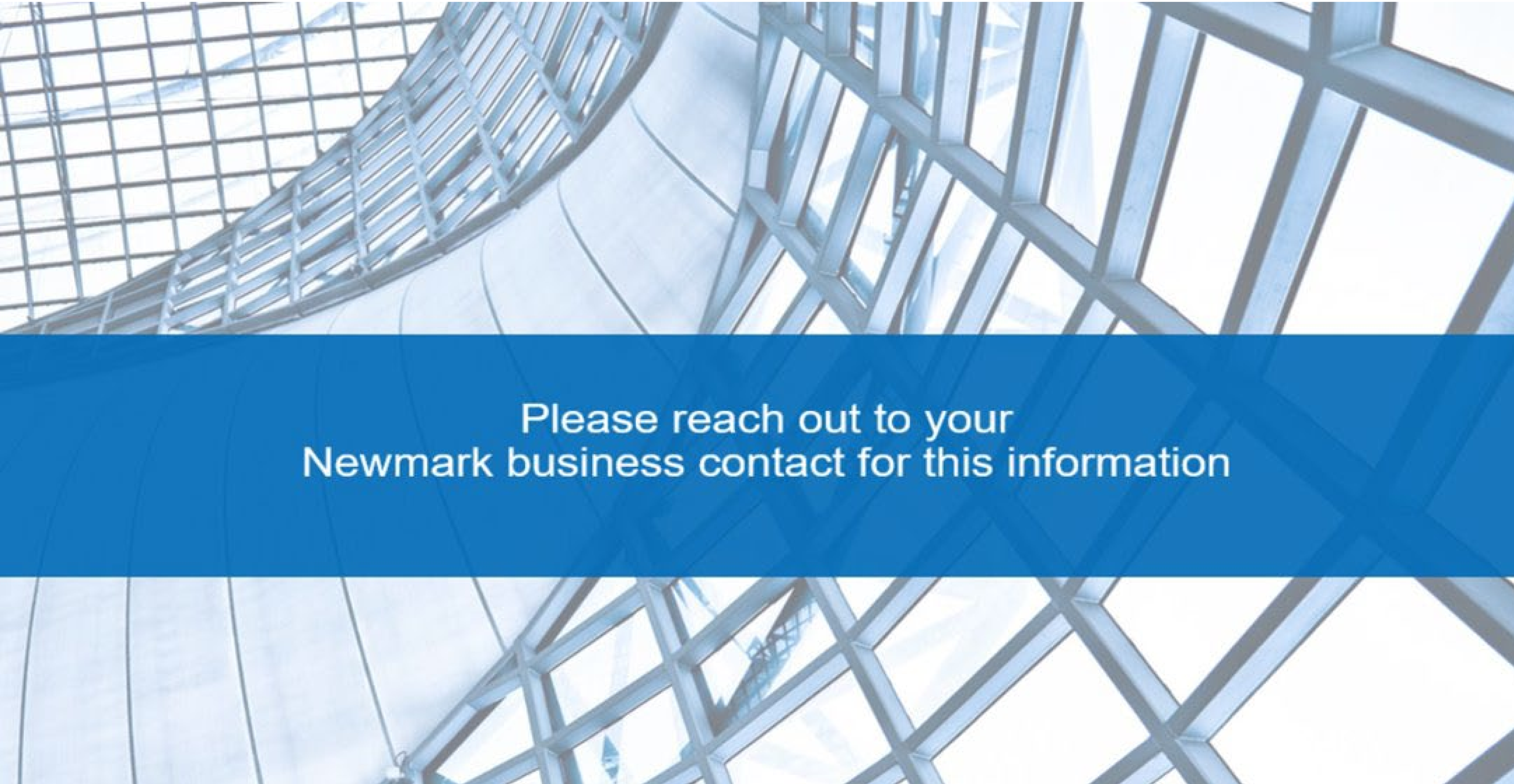
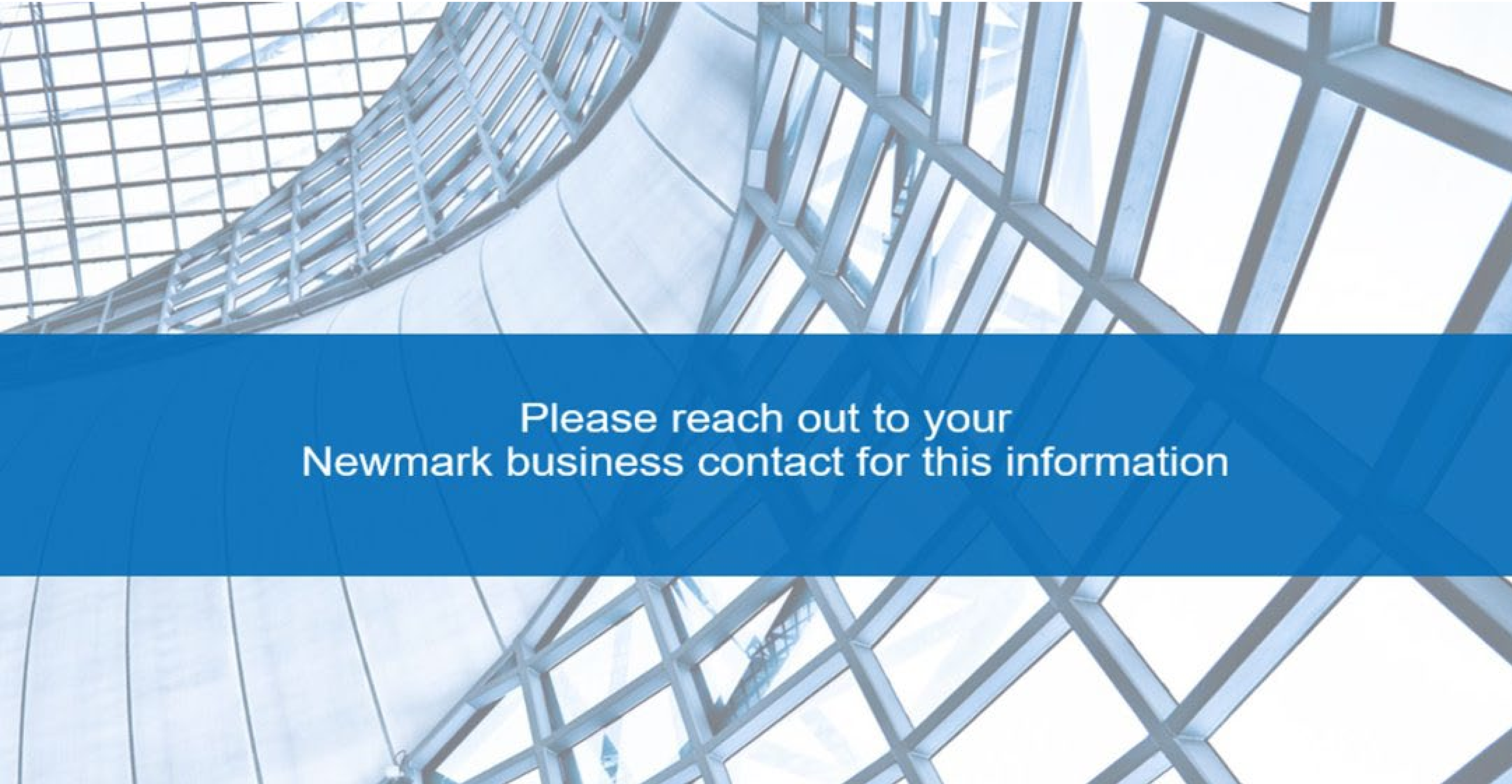
Current Statistical Overview (page 2 of 2)



Historical Statistical Overview



For more information:

Amy Binstein
Midwest Research Director
Amy.binstein@nmrk.com

Nora Leahy
Senior Research Analyst
Nora.leahy@nmrk.com

Newmark Milwaukee Office
757 N Broadway
Milwaukee, WI 53202
t 414-347-9400

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

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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