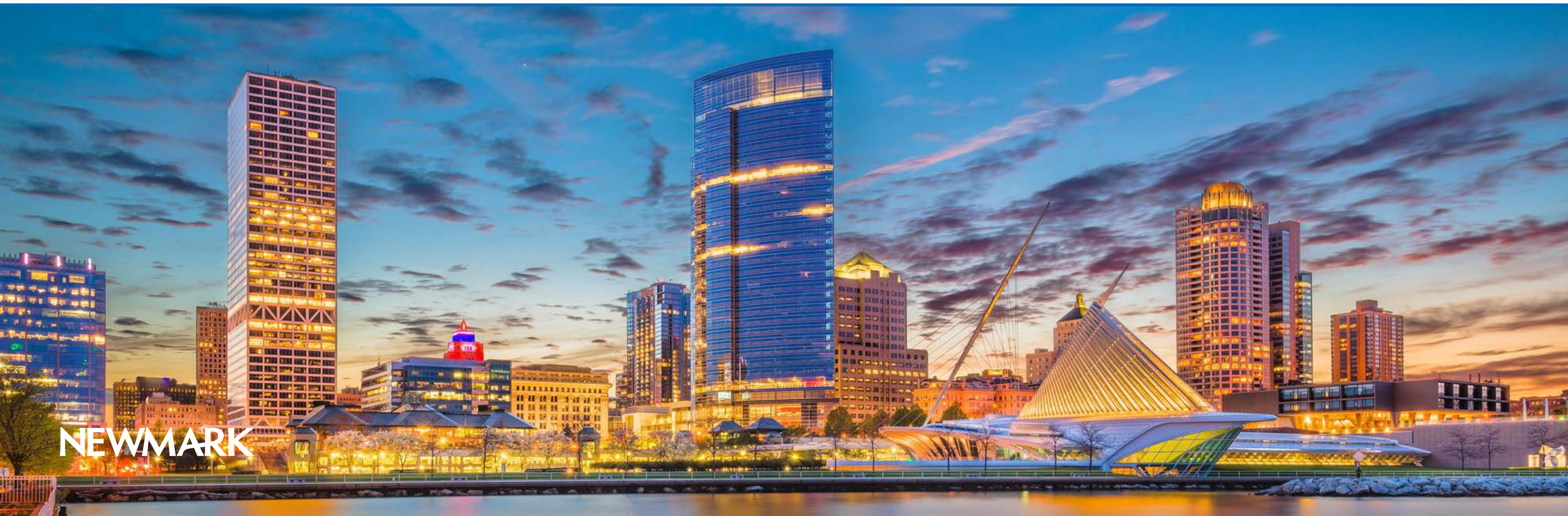


4Q24

Milwaukee Office Market Overview



Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. November’s 3.0% unemployment rate remains significantly lower than the 3.8% 10-year historical average.
- Year over year, job gains are most pronounced in the government sector, while professional & business services had the most job losses.
- The Midwest Consumer Price Index has begun to plateau as it held steady between 2.5% and 2.8% throughout the year far below the peak recorded in June 2022 of 9.5%. As of November 2024, it now stands at 2.6%.

Major Transactions

- This past quarter the market experienced 222,000 SF of leasing activity. Throughout 2024 there has been 1.4M SF of leasing activity, roughly 17% 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.
- 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.
- Milwaukee Electric Tool purchased 100 Heritage Reserve Dr, Menomonee Falls for \$6.73M (\$41PSF) from Allsprings Global Investments who moved their operations to the third ward earlier in 2024.

Leasing Market Fundamentals

- Over the past four quarters, the market has experienced 246,240 square feet of negative absorption. Despite the substantial negative absorption, the vacancy rate has only increased by 102 basis points, reaching 21.8% up from 20.8% in 4Q 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 28.38M SF.
- This past quarter, the availability rate fell a modest 22 basis points from 26.8% to 26.6%. Over the year the availability rate has gradually decreased from 27.8% to its current level of 26.6%.
- Leasing demand was considerable down for the year as 1.4M SF of leasing activity was recorded 17% less than the 10-year average of 1.7M SF.

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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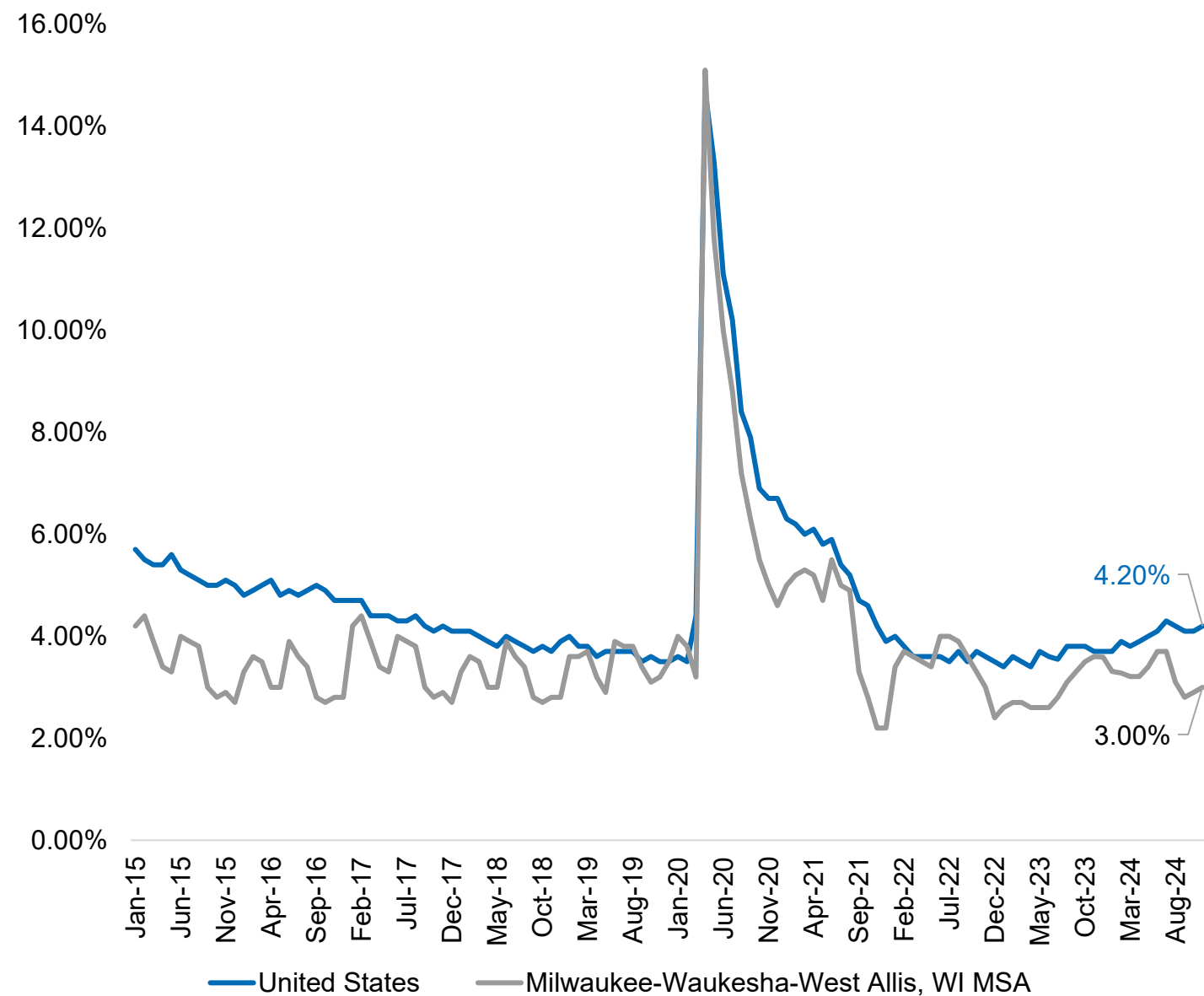
Economy



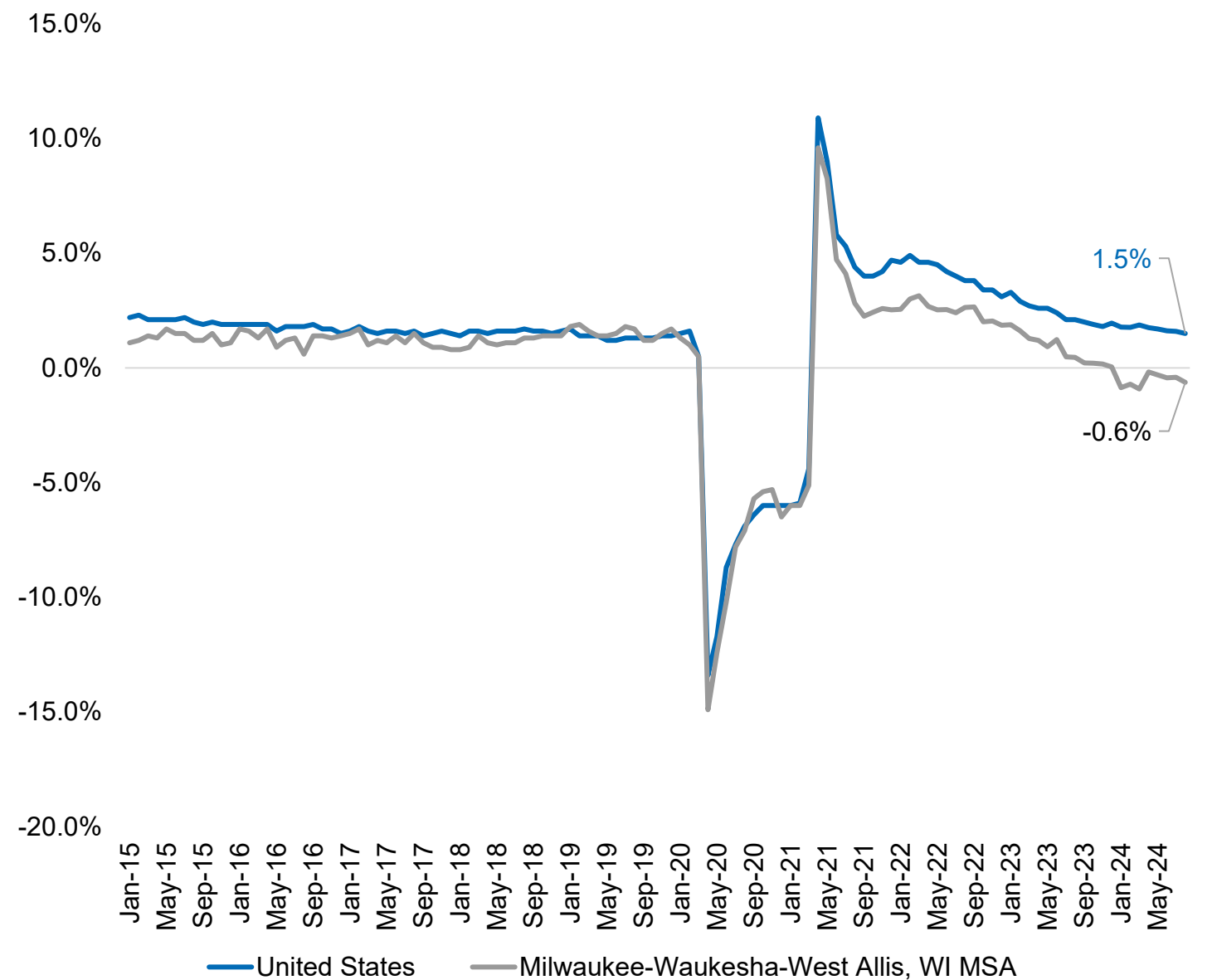
Metro Employment Trends Signal A Slowing Economy

The Metro's unemployment rate now sits at 3.0%, 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 1.5%.

Unemployment Rate, Seasonally Adjusted



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

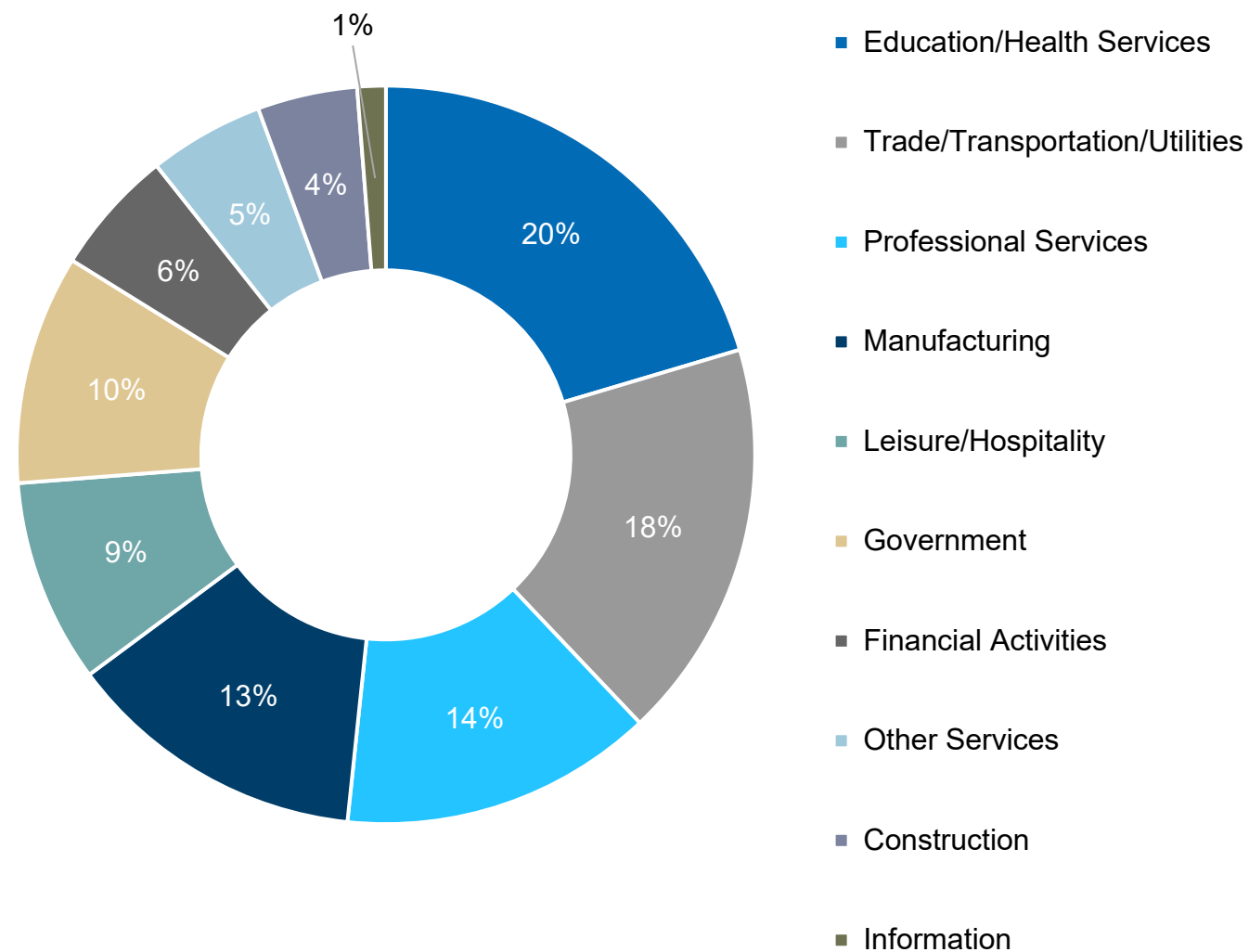


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

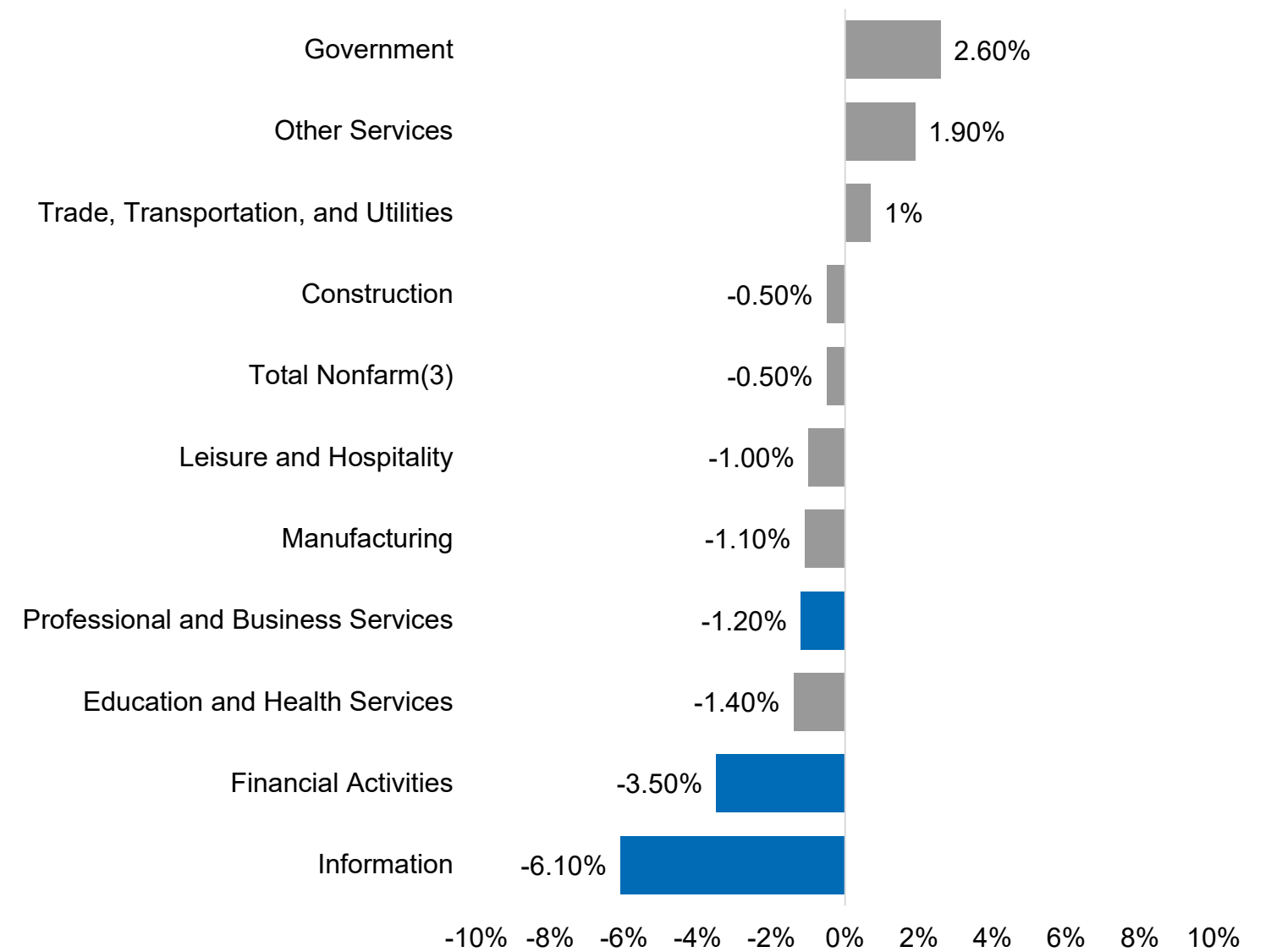
Job Losses Driven in Large Part by the Professional Services Sector

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, November 2024



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

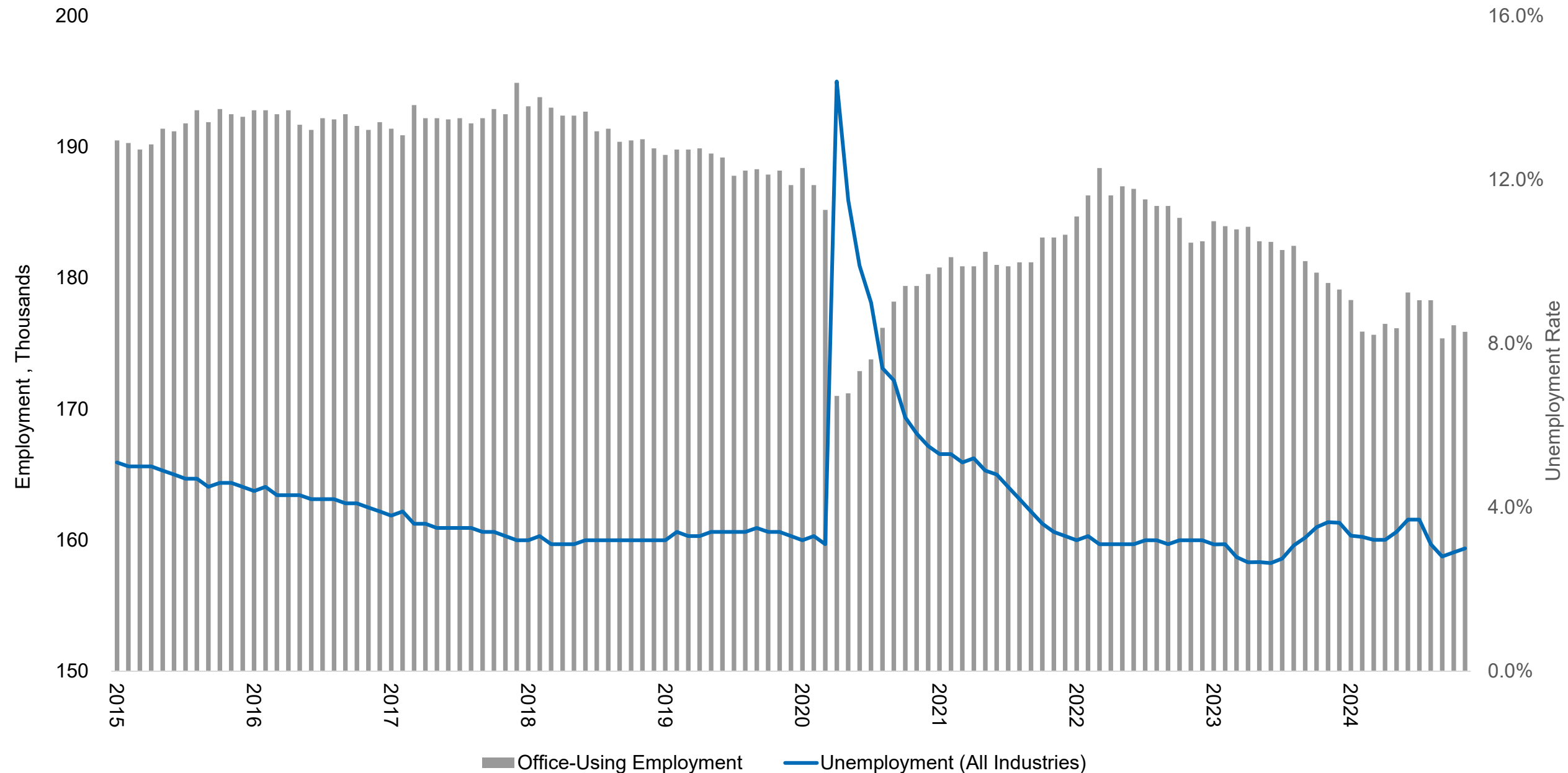


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

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. Overall, there has been a loss of 12,300 jobs representing a pull back of 6.5% since January 2020.

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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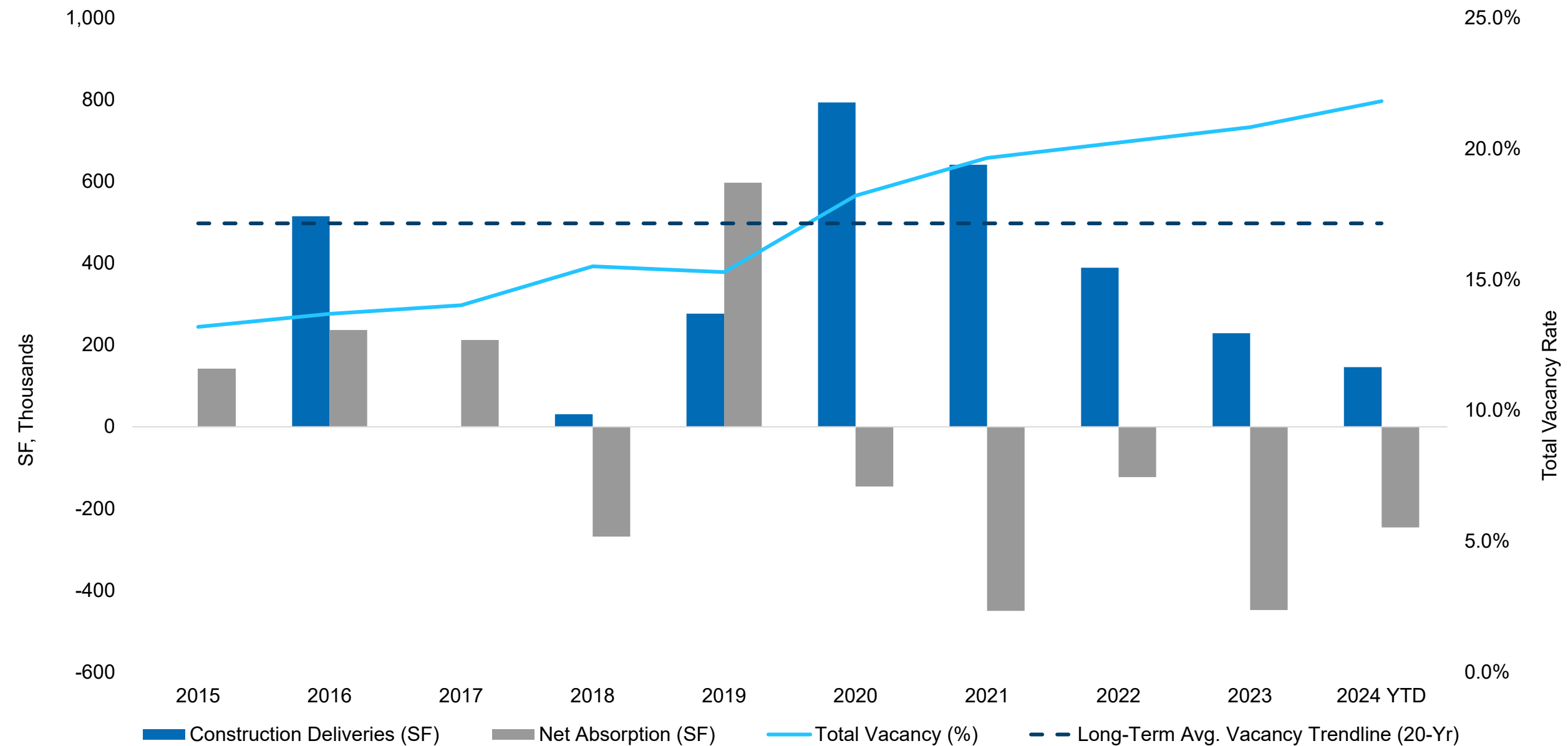
Leasing Market Fundamentals



Vacancy Remains Relatively Steady

Over the past four quarters, the market has experienced 246,240 square feet of negative absorption. Despite the substantial negative absorption, the vacancy rate has only increased by 102 basis points, reaching 21.8% up from 20.8% in 4Q 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 28.38M SF.

Historical Construction Deliveries, Net Absorption, and Vacancy

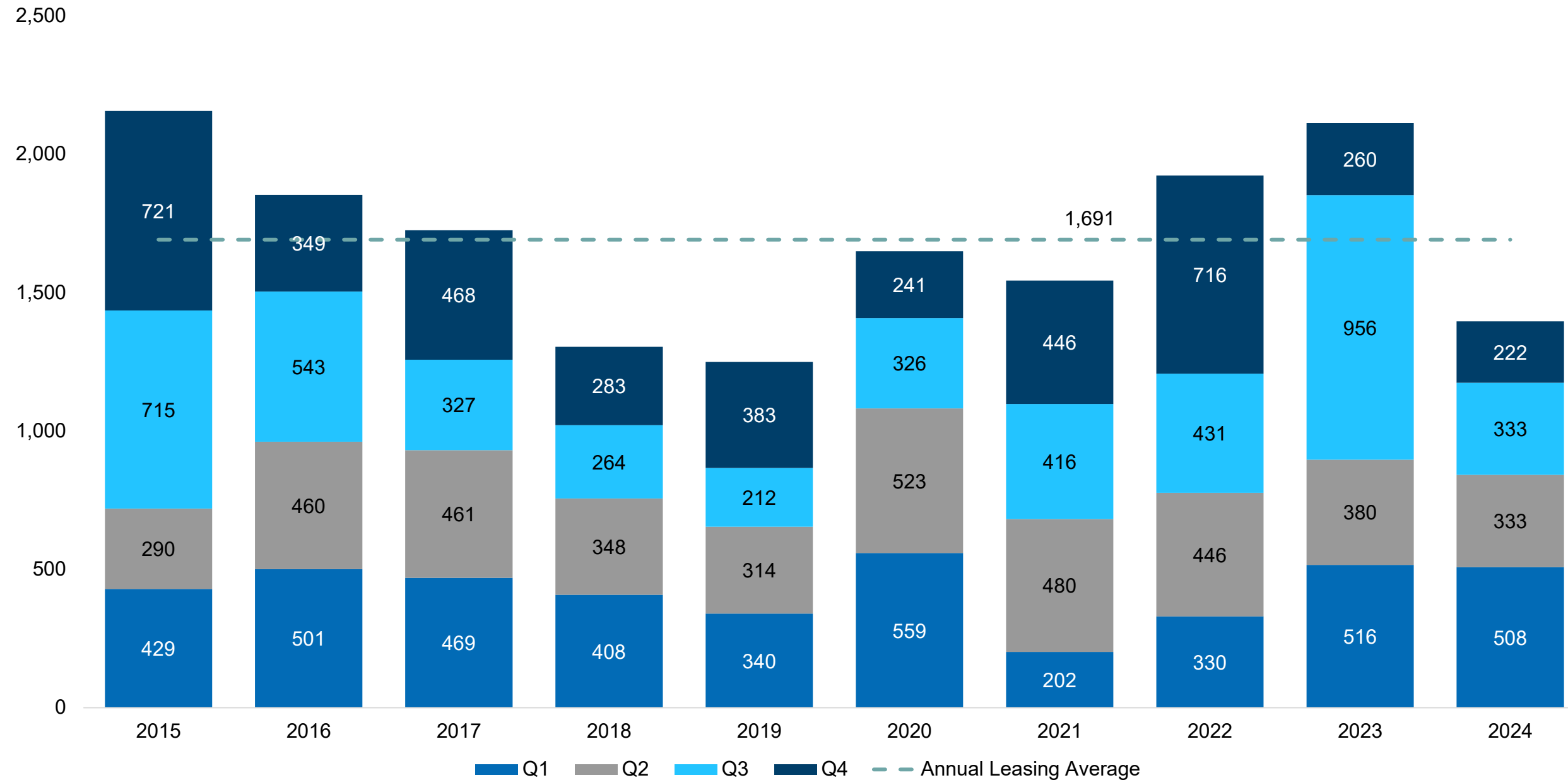


Source: Newmark Research

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 222,000 SF of leasing activity. Throughout the year there has been 1.4M SF of leasing activity, roughly 17% below the historical fourth quarter average.

Total Leasing Activity (Thousands SF)

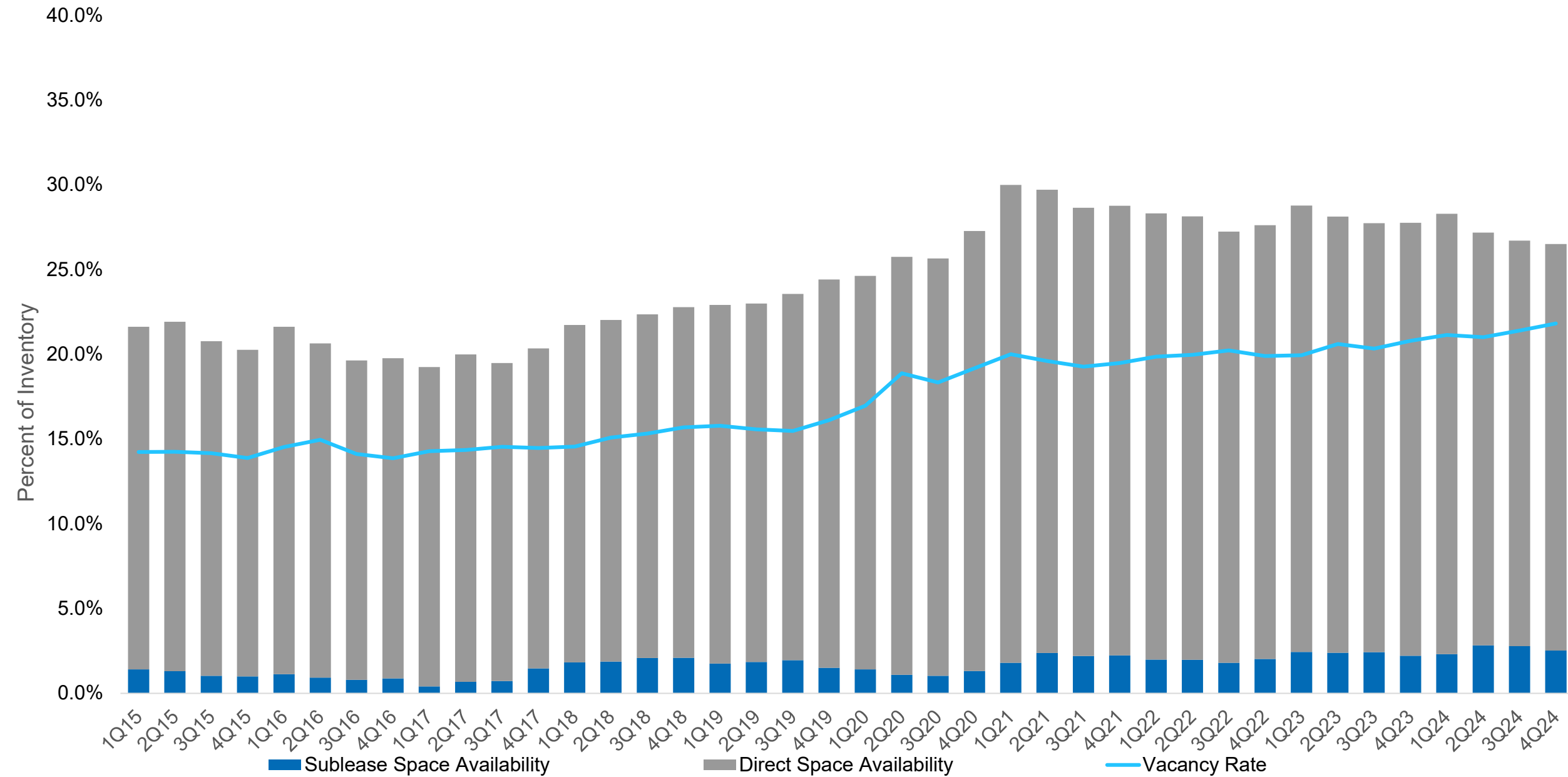


Source: Newmark Research, CoStar

Availability Rate Fell Thanks to Office Conversions

This past quarter, the availability rate fell a modest 22 basis points from 26.8% to 26.6%. Since the third quarter of 2022, the availability rate has gradually risen from 25.8% to the current level of 26.6%

Available Space (SF) and Vacancy Rate (%)

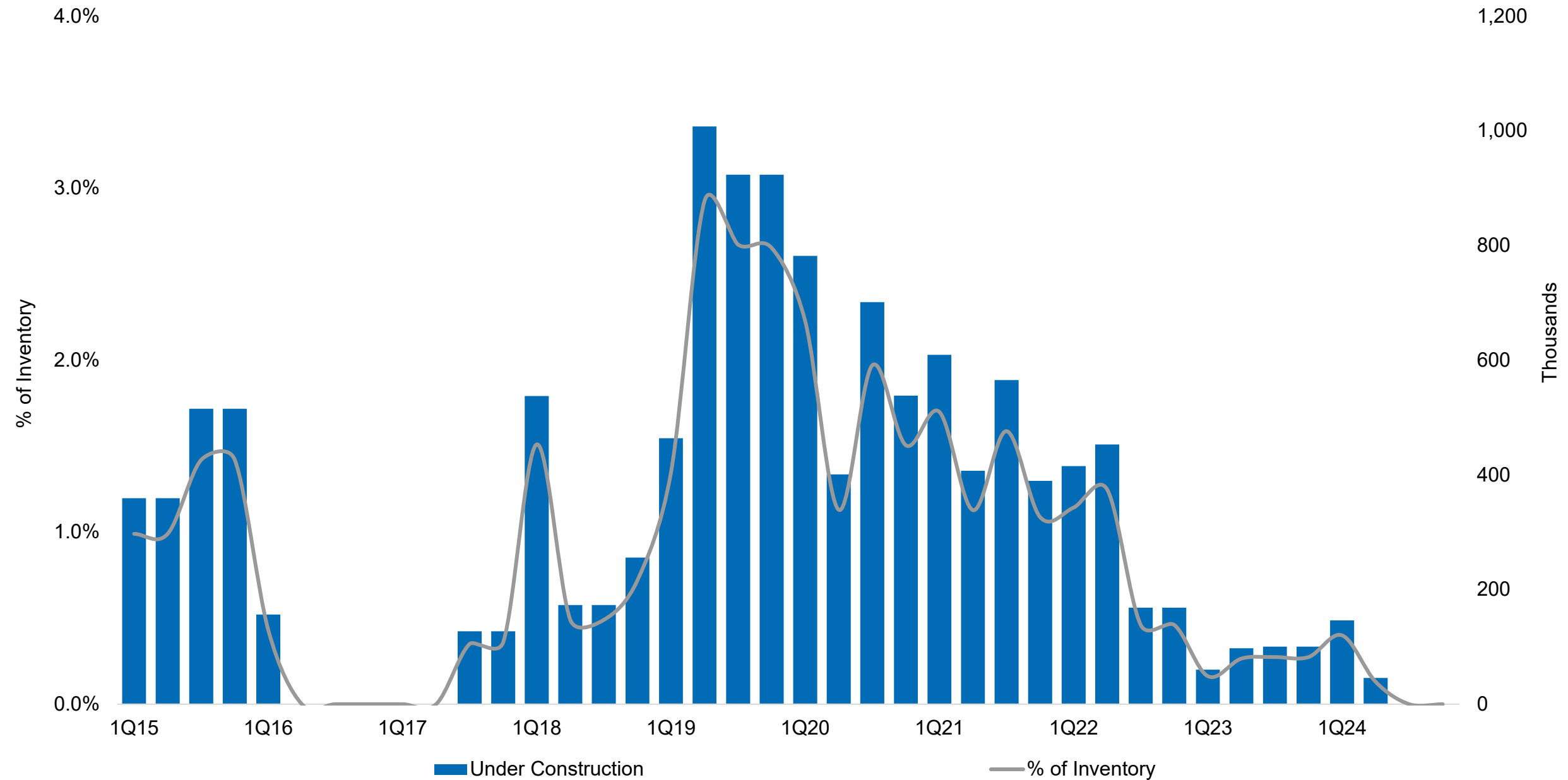


Source: Newmark Research

New Construction Slows to Stop

The construction pipeline is empty. As Mayfair Medical Commons, a two-story, 45,823 SF outpatient facility was delivered in the third 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

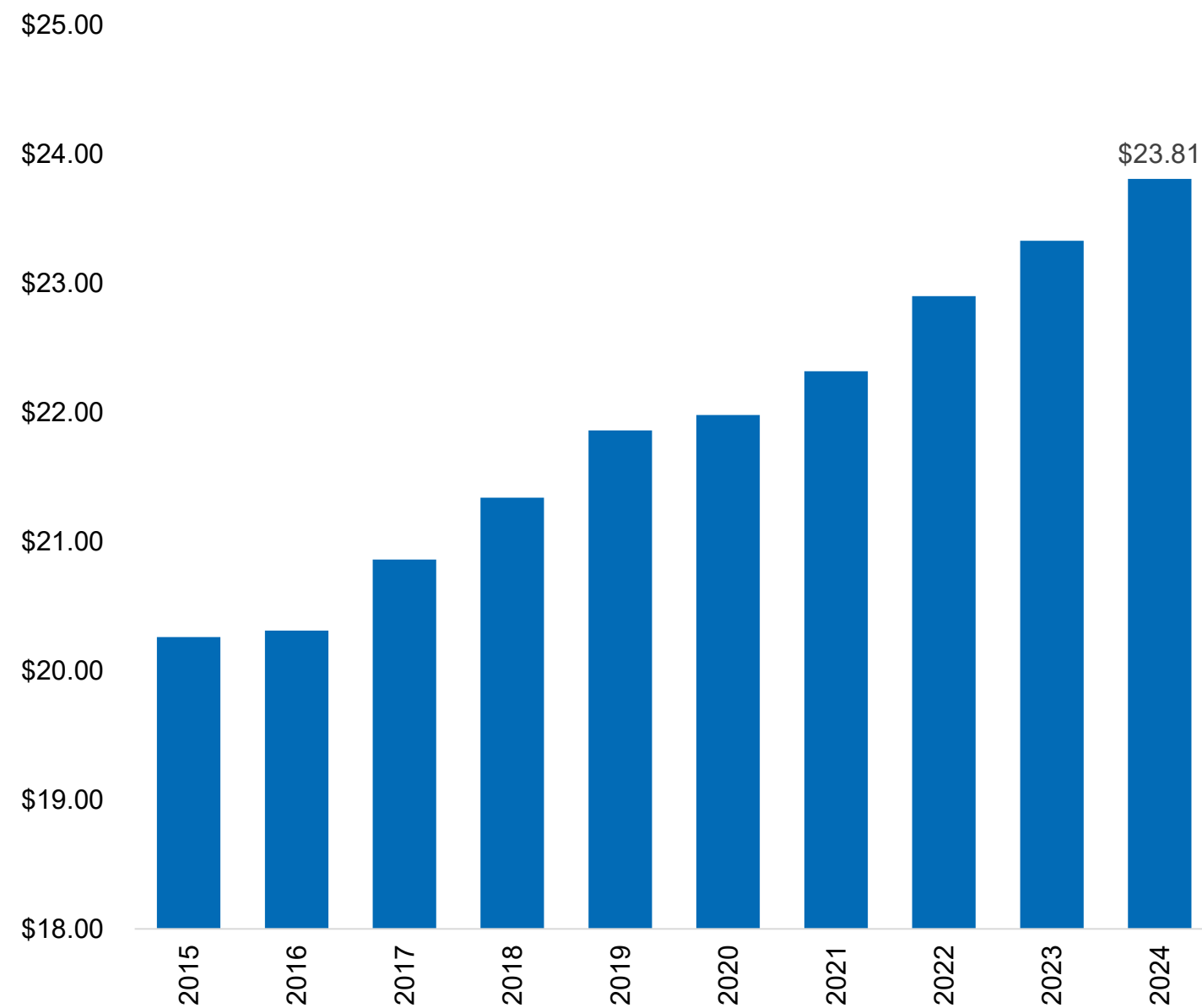


Source: Newmark Research, CoStar, City/County of ____ (where applicable)

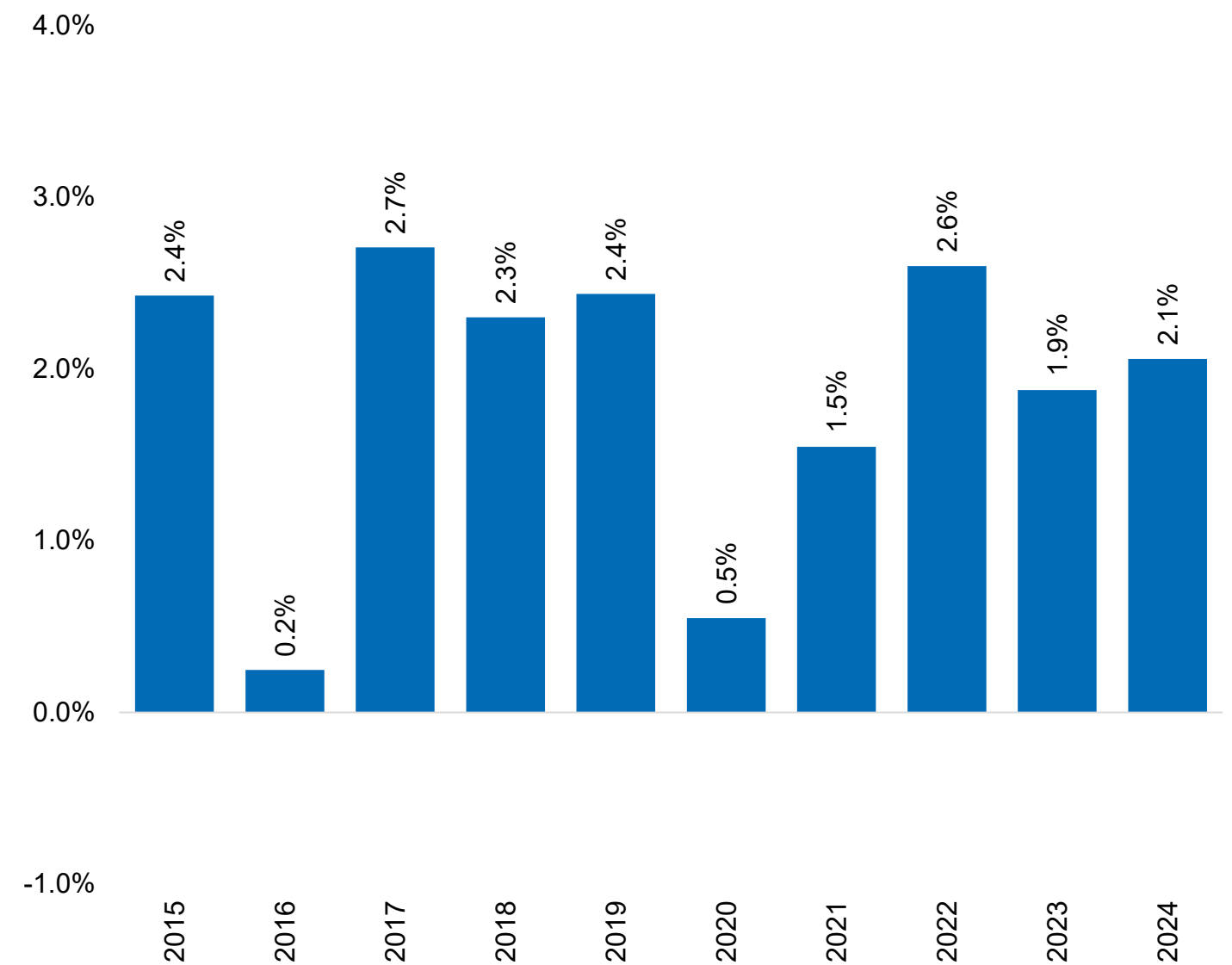
Rents Continue to Slowly Increase

Overall average asking gross rates have continued to grow and now sit at \$23.81/SF. Year-over-year rent growth grew 2.1%, which can mostly be attributed to rising operating costs and taxes. Class A asking rates increased slightly during the quarter to \$30.91/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

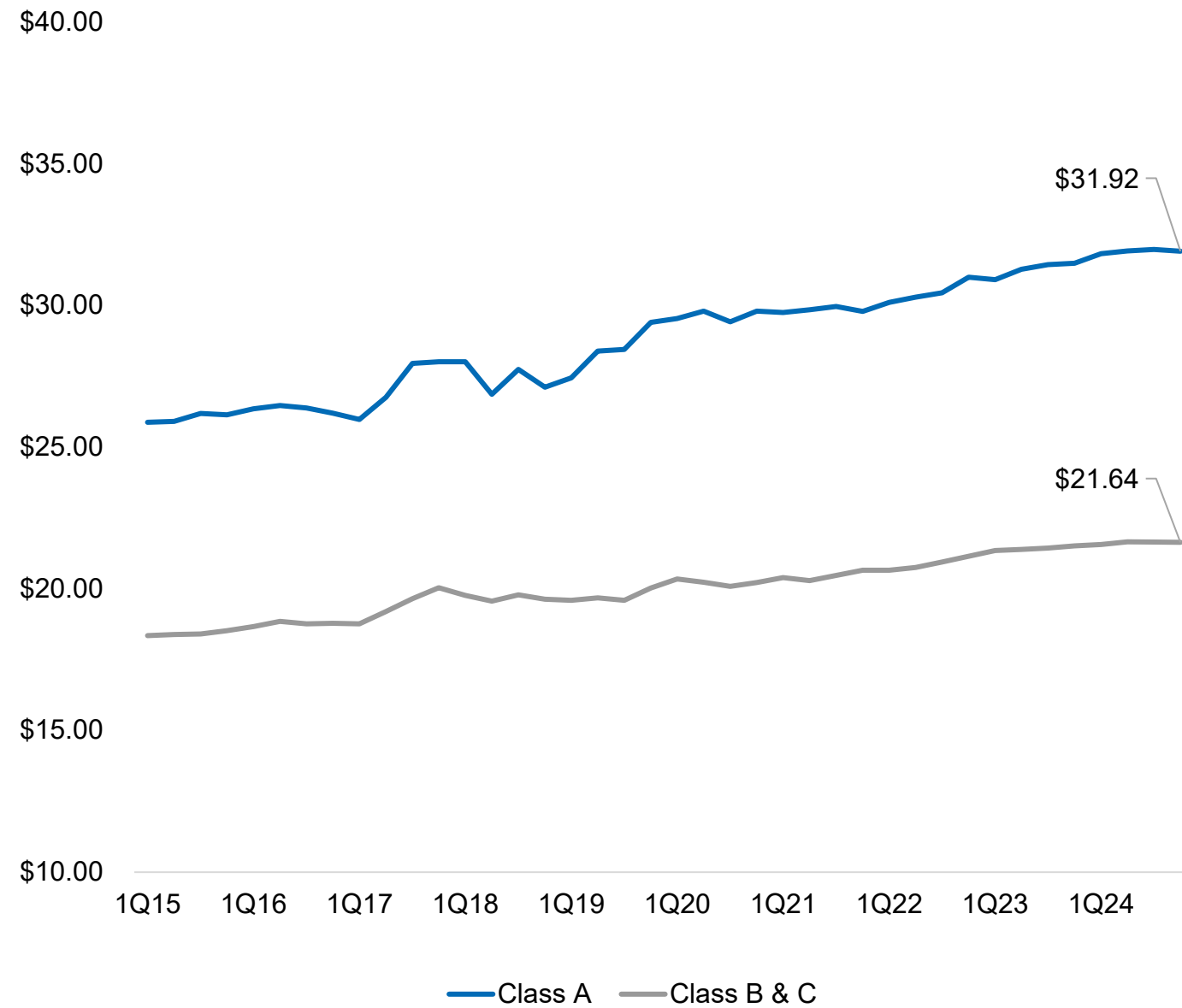


Source: Newmark Research, CoStar

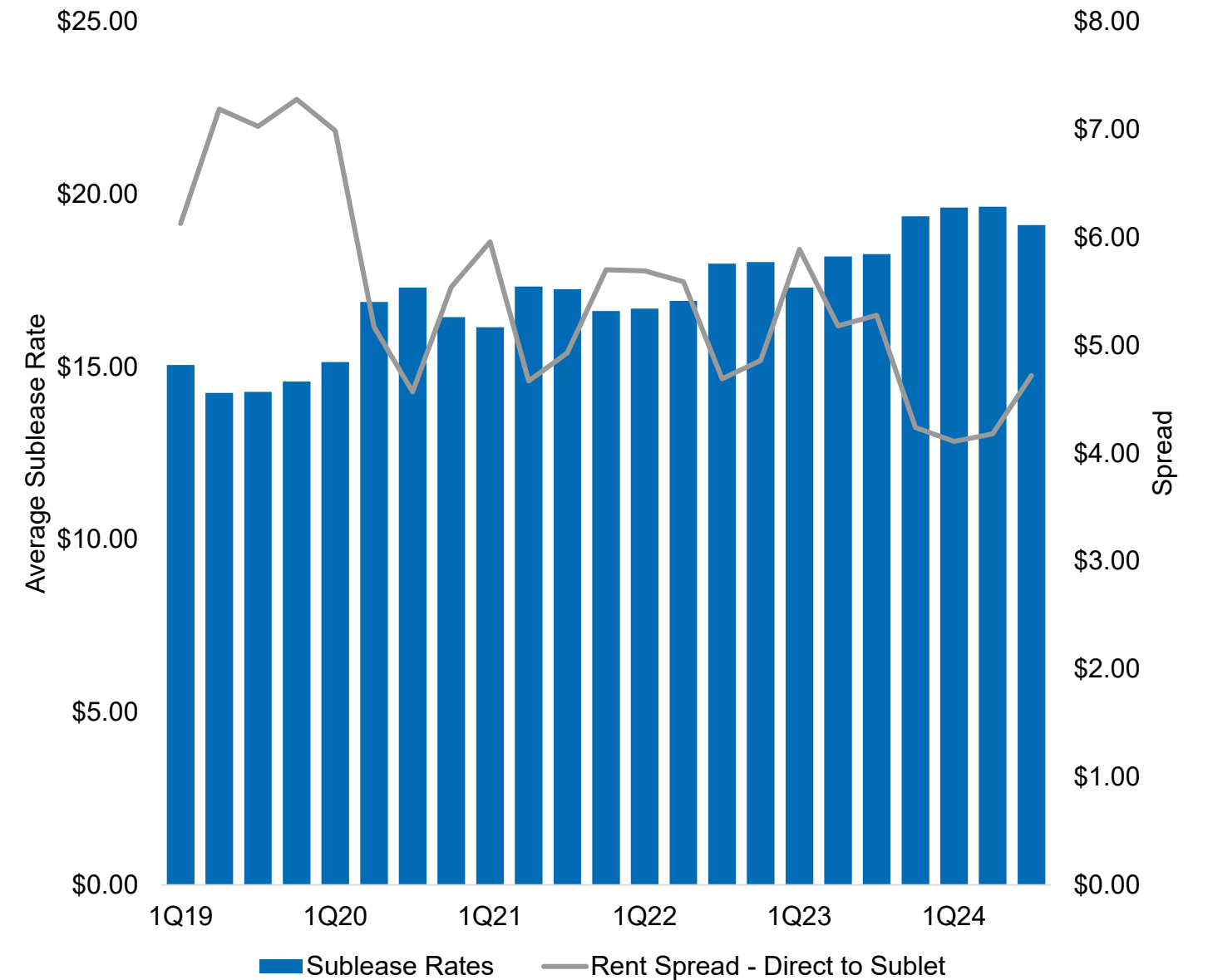
Asking Rents March On

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
Gruber Law	411 East Wisconsin Center 411 E Wisconsin Ave Milwaukee	Downtown East	New	24,189
<i>Gruber Law moved their downtown Milwaukee office from 100 East to the 19th floor of the 411 East Wisconsin Center building.</i>				
US Citizenship & Immigration	310 W Wisconsin Ave Milwaukee	Wauwatosa	New	23,475
<i>Markel Service Inc leased 19,706 SF on the 4th floor of 10701 W Research Dr, Milwaukee.</i>				
Markel Service Inc	10701 W Research Dr Milwaukee	Wauwatosa	New	19,898
<i>Markel Service Inc leased 19,706 SF on the 4th floor of 10701 W Research Dr, Milwaukee.</i>				
Disability Rights – Wisconsin	The 1205 Building 1205 S 70 th St West Allis	West Allis	New	10,829
<i>Disability Rights Wisconsin leased 10,829 SF at The 1205 Building.</i>				
CH Robinson	The Tannery 700 W Virginia St Milwaukee	Third Ward & Fifth Ward	New	8,461
<i>CH Robinson leased 8,461 SF at 700 W Virginia St, Milwaukee.</i>				
REL	Crossroads Corporate II 20800 Swenson Dr Waukesha	Brookfield	New	7,220
<i>REL leased 7,220 SF at Crossroads Corporate II, 20800 Swenson Dr, Waukesha.</i>				

Source: Newmark Research

Central Business District Vacancy Rate

Please reach out to your
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Suburban Vacancy Rate

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4Q24

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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