

An aerial photograph of downtown Milwaukee, Wisconsin, showing a dense urban landscape with numerous skyscrapers, commercial buildings, and green spaces. The city is situated along the western shore of Lake Michigan. The Colliers logo is in the top right corner.The Colliers logo, featuring the word "Colliers" in white serif font on a blue rectangular background with a yellow and red horizontal stripe at the bottom.

Colliers

Metro Milwaukee

Office

22Q2

Larger tenants vacating space downtown resulted in a market-wide rise in vacancy and negative net absorption, however activity among small and mid-size tenants continues in both the downtown and suburban office markets.

Key Takeaways

- Overall, activity among small and mid-size tenants was strong in Q2, particularly in the suburban office market. However, larger tenants vacating space downtown resulted in a rise in vacancy and negative net absorption for the quarter.
- Suburban offices continue to maintain higher occupancy and touring activity than their downtown counterparts, with vacancy continuing to rise across both Class A and Class B space downtown.



Vacancy Rate
15.2%



Net Absorption
-148K SF



Under Construction
820k SF



Overall Class A Asking Lease Rates (FSG)
\$26.60/SF



Introduction

After decreasing in the final two quarters of 2021, the Metro Milwaukee office market saw vacancy rise at the beginning of 2022. This increase in vacant space was again experienced in Q2 2022, however, similar to what was seen in Q1, a handful of large move-outs were the major drivers of the negative absorption for the quarter. Vacancy rose from 14.88 percent to 15.20 percent in Q2, and the market experienced negative 147,668 square feet of net absorption.

The largest loss in occupancy was seen downtown, with the submarket experiencing negative 130,123 square feet of net absorption and a corresponding rise in vacancy of 62 basis points, ending the quarter at 16.28 percent. Three tenants accounted for 176,128 square feet of vacant space hitting the market, but both touring and leasing activity have remained consistent among smaller tenants seeking space. With no major move-outs from larger tenants, the suburban office markets fared better, however move-outs by small and mid-size tenants outweighed the positive momentum that was seen. Vacancy in the suburban office markets ended Q2 at 14.45 percent, and net absorption was negative 17,545 square feet.

Market Indicators



3.15%
Unemployment Rate



2.70%
GDP - Quarterly % change yr/yr

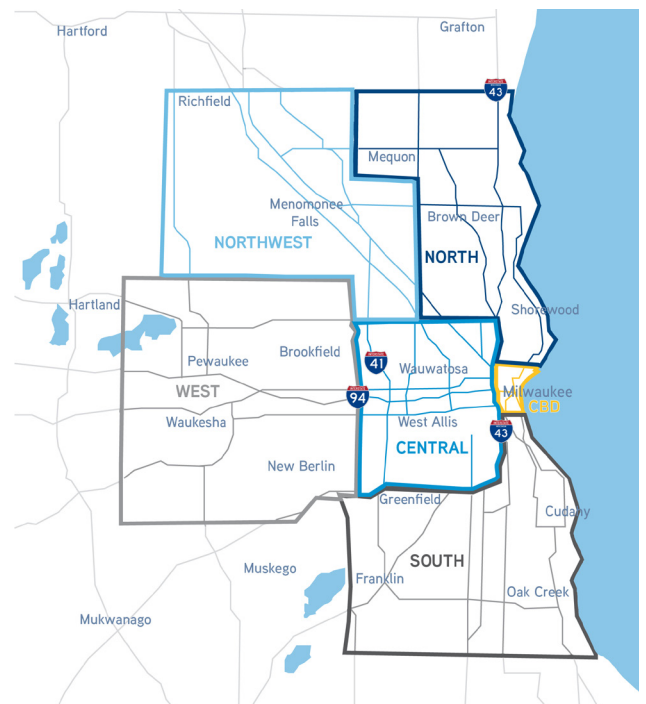


3.013%
U.S. 10 Year Treasury Note

Historic Comparison

	21Q2	22Q1	22Q2
Total Inventory (SF)	50,504,641	50,802,027	50,712,622
New Supply (SF)	465,050	-	-
Net Absorption (SF)	336,111	(183,276)	(147,668)
Overall Vacancy	14.85%	14.88%	15.20%
Under Construction (SF)	565,000	716,000	819,679

Office Submarkets



Vacancy & Availability

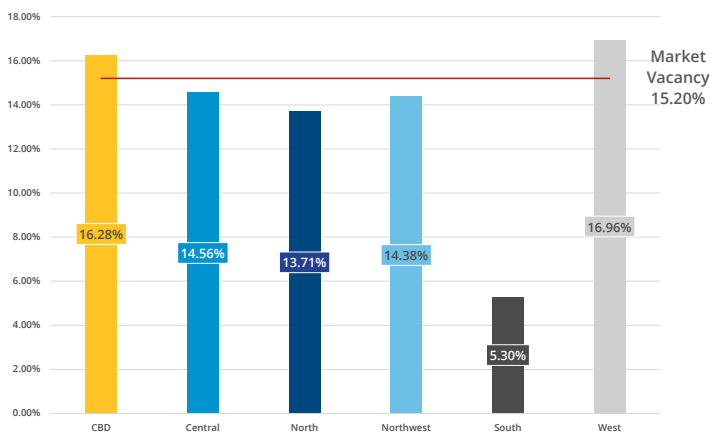
Market-wide, vacancy increased from 14.88 percent to 15.20 percent in Q2. The submarkets witnessing the largest increases in vacancy were the CBD and West markets, with vacancy rising by 62 basis points and 36 basis points respectively. Overall, the suburban office markets experienced a less tumultuous quarter, seeing an increase in vacancy of 10 basis points.

Both Class A and Class B space saw vacancy rise, with Class B space not seeing as drastic of an increase. The more significant increase in vacancy of 54 basis points for Class A space can largely be attributed to a select group of tenants vacating space in some of the premier office buildings downtown. In recent years, vacancy downtown has been lower than in suburban markets as a whole, however, since the onset of the COVID-19 pandemic, the tables have turned and suburban offices have maintained higher occupancy and touring activity. The vacancy rate across the suburban office market was 1.83 percent lower than downtown in Q2.

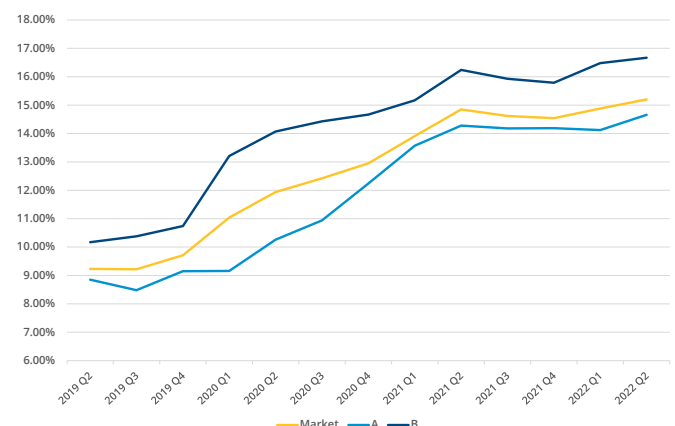
With costs increasing and the continued impact of COVID-19, it will be interesting to see which direction tenants go when seeking space. A positive outlook can be argued for both downtown and suburban offices. The suburbs offer quality office space at a more affordable rate, and the congestion of a downtown environment is not a factor. Downtown, however, there is an ample supply of high-quality, second-generation space that is move-in ready and priced attractively. With companies racing to attract and retain talent, the amenities and atmosphere that come with a downtown office location may sway tenants to stay in more populated areas.

Looking ahead, vacancy is likely to continue its upward trajectory. Activity among small and mid-size tenants remains consistent, however, these positive movements are not abundant enough to offset the shrinking real estate footprints of many larger users in the market. There are multiple 30,000 to 70,000 square-foot tenants who currently have their spaces listed for lease, with expirations throughout the rest of 2022 and into 2023. Some of these tenant movements will be downsizes, and therefore less drastic of a shock to vacancy and absorption, however, some of these tenants simply do not need their current spaces, given the current climate and workplace trends.

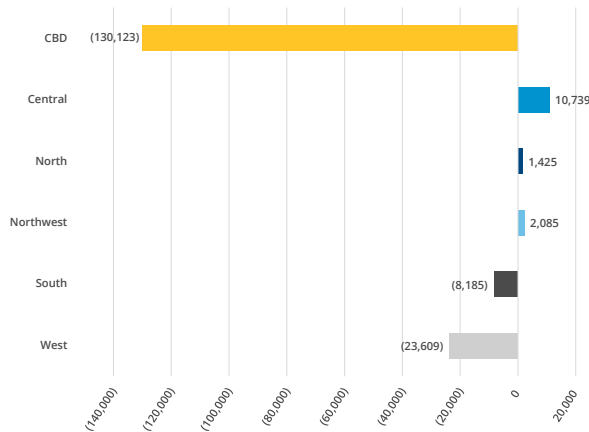
Vacancy by Submarket



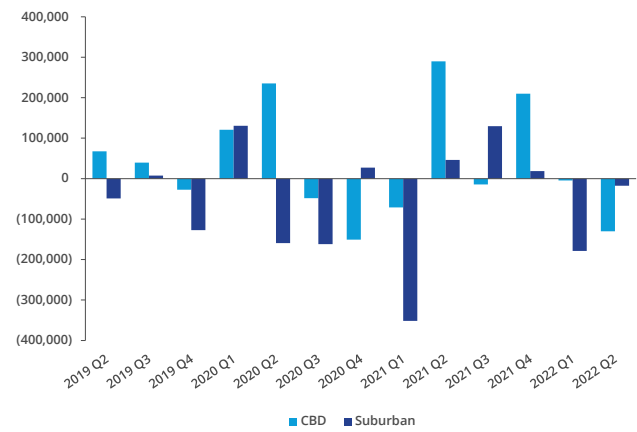
Vacancy by Property Class



Absorption by Submarket



CBD vs Suburban Absorption



Absorption

Positive absorption to a significant degree was not seen among any of the tracked submarkets. The Central, North and Northwest submarkets all saw positive absorption and a decrease in vacancy in Q2, however, the change in these market fundamentals in the North and Northwest was negligible. The Central submarket performed the best at positive 10,739 square feet of net absorption. Tenants taking space in the Central submarket included Cognex moving into 16,803 square feet and Logic Design & Architecture moving into 2,781 square feet, both in the Research Park.

The CBD, West and South submarkets all experienced negative net absorption for the quarter, with the CBD seeing the most notable increase in vacant space. Three tenants accounted for nearly 180,000 square feet of vacant space being added downtown. Known to be upcoming since before the pandemic, Associated Bank vacated just under 90,000 square feet at 330 Kilbourn in Q2. Associated Bank will be moving some of these operations to their downtown Associated Bank River Center, however, plans for how much space are not yet known. Infinity Healthcare, formerly listing their space in Chase Tower for sublease, terminated their lease for 62,610 square feet, and Federal Defenders vacated 24,189 square feet at 411 E Wisconsin Ave. Positive activity downtown was seen among smaller tenants, including The Weaponry moving into 5,217 square feet at 330 Kilbourn, 3D Molecular Designs expanding by 7,000 square feet at 804 N Milwaukee Street and Energy Services taking 3,173 square feet in Pabst Professional Center just west of Fiserv Forum.

Construction

Ongoing projects include the Golf Parkway Corporate Center development in Brookfield, totaling 186,000 square feet, Rite-Hite's 158,000 square-foot office in Walker's Point, and the renovation of 372,000 square feet on West Michigan Street downtown for Milwaukee Tool. Golf Parkway Corporate Center is on track to deliver in July 2022, and Rite-Hite's new office is also on track to be completed in Q3 2022, with employees potentially relocating from Brown Deer by the end of the year. A new project underway is Innovation One, being developed by Irgens in the Research Park. This 70,357 square foot speculative office is expected to be completed in the first quarter of 2023 and will offer 52,000 square feet of contiguous Class A office space.

Submarket/ Class	Total Inventory SF	Vacancy Rate	Vacancy Rate Previous Quarter	Sublease Availability Rate	Availability Rate	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD
CBD - Downtown East, Downtown North, Downtown West, Third Ward & Walker's Point									
A	9,161,157	17.67%	16.07%	2.89%	21.51%	(146,678)	(125,358)	530,000	-
B	10,868,520	16.11%	16.26%	0.74%	22.91%	16,105	(11,263)	-	-
C	781,322	2.43%	2.48%	-	3.13%	450	2,054	-	-
TOTAL	20,810,999	16.28%	15.66%	1.66%	21.55%	(130,123)	(134,567)	530,000	-
Central - Near West Side, Wauwatosa, West Allis									
A	3,038,557	17.20%	18.01%	2.98%	20.37%	24,582	8,057	70,357	-
B	3,816,206	14.44%	14.07%	1.51%	19.71%	(13,843)	(43,206)	33,322	-
C	1,061,179	7.48%	7.48%	-	11.72%	-	-	-	-
TOTAL	7,915,942	14.56%	14.70%	1.87%	18.89%	10,739	(35,149)	103,679	-
North - Milwaukee East, North Shore, Mequon									
A	1,138,759	7.07%	7.47%	3.45%	11.49%	4,561	9,582	-	-
B	2,899,013	17.90%	17.79%	0.87%	19.84%	(3,136)	(119,321)	-	-
C	367,329	1.21%	1.21%	-	1.21%	-	(698)	-	-
TOTAL	4,405,101	13.71%	13.74%	1.46%	16.12%	1,425	(110,437)	-	-
Northwest - Northwest Milwaukee, Menomonee Falls, Germantown									
A	2,659,419	11.07%	11.28%	-	11.07%	5,648	5,648	-	-
B	1,637,177	20.30%	20.08%	-	26.44%	(3,563)	(42,237)	-	-
C	61,199	-	-	-	-	-	-	-	-
TOTAL	4,357,795	14.38%	14.43%	-	16.69%	2,085	(36,589)	-	-
South - Greenfield, South Milwaukee, Oak Creek, Franklin									
A	1,181,358	-	-	-	-	-	-	-	-
B	1,183,653	9.86%	9.17%	-	9.98%	(8,185)	13,053	-	-
C	257,833	8.61%	8.61%	-	19.75%	-	-	-	-
TOTAL	2,622,844	5.30%	4.99%	-	6.44%	(8,185)	13,053	-	-
West - Brookfield, Waukesha, New Berlin, Pewaukee									
A	3,902,614	14.74%	14.69%	0.65%	25.46%	(2,085)	2,327	186,000	-
B	6,499,536	18.67%	18.09%	0.89%	23.65%	(21,524)	(29,582)	-	-
C	197,791	4.44%	4.44%	-	4.44%	-	-	-	-
TOTAL	10,599,941	16.96%	16.60%	0.78%	23.96%	(23,609)	(27,255)	186,000	-
Grand Total									
A	21,081,864	14.66%	14.12%	1.99%	19.01%	(113,972)	(99,744)	786,357	-
B	26,904,105	16.67%	16.48%	0.82%	21.95%	(34,146)	(232,556)	33,322	-
C	2,726,653	4.91%	4.92%	-	7.81%	450	1,356	-	-
TOTAL	50,712,622	15.20%	14.88%	1.26%	19.97%	(147,668)	(330,944)	819,679	-
Quarterly Comparison Totals									
Q2 2022	50,712,622	15.20%	14.88%	1.26%	19.97%	(147,668)	(330,944)	819,679	-
Q1 2022	50,802,027	14.88%	14.54%	1.41%	19.82%	(183,276)	(183,276)	716,000	-
Q4 2021	50,725,641	14.54%	14.62%	1.68%	18.81%	228,353	256,998	716,000	686,050
Q3 2021	50,504,641	14.62%	14.85%	1.60%	18.96%	115,268	28,645	565,000	465,050
Q2 2021	50,504,641	14.85%	13.91%	1.77%	19.35%	336,111	(86,623)	565,000	465,050

351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

About Colliers

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