

INVESTMENT FORECAST

Office
Milwaukee Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Limited Availability and High-Yielding Opportunities Drive Investor Competition in Milwaukee

Local retail sector stands on firm ground in 2025. Three straight years of population growth — the first such streak since 2012 — has helped keep net absorption steady. The local single-tenant sector, accounting more than 80 percent of inventory, is the second tightest among major Midwest markets. This robust performance is illustrated along key corridors like Bluemound Road, Miller Parkway and Highway 100, with mid-sized retailers — particularly fitness centers, quick-service restaurants and experiential concepts — composing the bulk of 2024 leases. In submarkets like Ozaukee County, vacancy has hovered at 3 percent since year-end 2022, pushing new entrants to existing layouts. With only 120,000 square feet slated for completion this year, availability stays near historic lows. This dynamic will compel tenants to vie for existing space, fueling an asking rent gain that surpasses the 2024 mark.

Sales momentum sparks investor interest amid tight financing conditions. Building on a 20 percent jump in sales activity during 2024, single-tenant net leased assets are poised to garner outsized interest in 2025, though bridging bid-ask spreads will remain crucial. Still, minimal new supply and record-low vacancies may bolster the viability of value-add plays, spurring investors to redevelop defunct big-box footprints or renovate older centers. The metro's average price of \$269 per square foot in 2024 — the lowest of major markets — and a 7.3 percent mean cap rate should continue to lure out-of-state buyers. Waukesha County is also pivotal, capturing 20 percent of last year's transactions. While fast-food properties will fuel deal flow again in 2025, a more balanced mix of single- and multi-tenant trades is expected due to strong local fundamentals.

2025 MARKET FORECAST

+0.7%



EMPLOYMENT: After a net contraction of 4,100 positions in 2024, Milwaukee's labor market regains positive momentum with 6,000 new roles added this year, more than doubling the long-term mean.

120,000
sq. ft.



CONSTRUCTION: Supply additions in 2025 fall about 76,000 square feet shy of the trailing five-year average. Almost half of the projects are scheduled to deliver fully pre-leased.

-20 bps



VACANCY: As a result of a minimal construction slate that is already highly accounted for, vacancy in Milwaukee will decrease to 4.1 percent — the lowest rate since at least 2007.

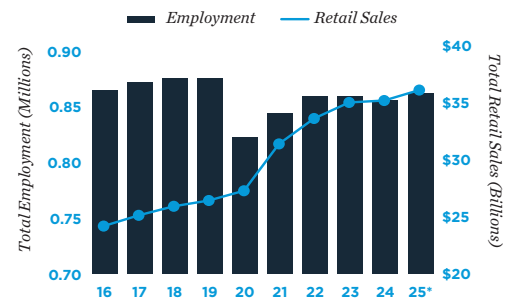
+0.8%



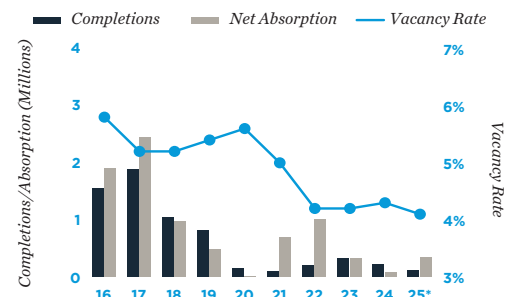
RENT: Supported by record-low vacancy, the average asking rent will rise to \$14.95 per square foot. Multi-tenant properties may weigh on growth, however, after noting a 15.6 percent drop last year.

INVESTMENT: *Reacting to a shift in consumer spending that is favoring takeout over sit-down restaurants, investors should target smaller footprints across Milwaukee that are net leased by quick-service chains.*

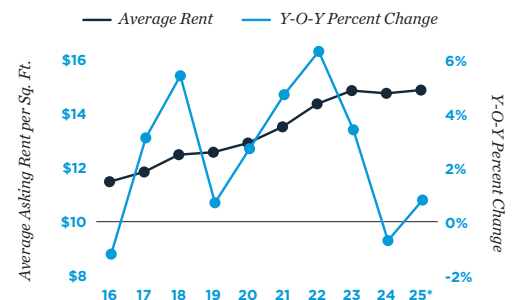
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.