

INVESTMENT FORECAST

Office
Milwaukee Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Downtown Momentum Sparks Investor Interest as Suburbs Adjust to Changing Tenant Preferences

Central Milwaukee's office market carries forward progress entering 2025. Corporate relocations, including Enerpac Tool Group, The Marcus Corporation and Allspring Global Investments, have accelerated the flight-to-quality trend, bringing CBD availability closer to suburban rates in 2024. Suburban submarkets, meanwhile, face higher vacancies and more sublease offerings as part of this process. Up 630 basis points since the start of 2019, suburban vacancy of 16 percent entering this year reflects competition from the CBD's higher-quality offerings. With no major speculative office projects on the horizon, vacancy rates should improve in 2025 as companies consolidate into existing spaces. Although hybrid work models and downsizing moderated demand compared with pre-pandemic levels, net absorption returned to positive levels in 2024, allowing Class B and C assets to have modest rent gains above the national average. Limited construction, coupled with ongoing conversions, is expected to keep vacancy in check and motivate property owners to upgrade and differentiate their portfolios.

Price discovery persists as transactions hold steady. While low historically, Milwaukee closed 2024 with deal activity stable with last year, reflecting ongoing adjustments in buyer and seller expectations. Private buyers and owner-users are driving recent trades, stepping in as institutional investors scale back local holdings. Demand is focused on newer or repositioned downtown properties, leaving older suburban offices vulnerable to pricing adjustments. Highly vacant assets in suburban submarkets traded at up to 70 percent below their 2019 values. Waukesha County and other suburban areas are embracing mixed-use zoning to revitalize aging office parks, however, aligning future developments with evolving tenant preferences and sustaining investor interest into 2025.

2025 MARKET FORECAST

+0.7%



EMPLOYMENT: Although the metro will record another net loss in traditionally office-using employment this year, overall job gains will reach 6,000 positions.

20,000
sq. ft.



CONSTRUCTION: Inventory expands by under 0.4 percent this year — the metro's smallest increase in over a decade. Much of the new supply will deliver between Milwaukee and Waukesha counties.

-80 bps



VACANCY: Minimal supply additions are expected to bolster demand for existing spaces, dipping Milwaukee's vacancy rate to 16.3 percent by year-end.

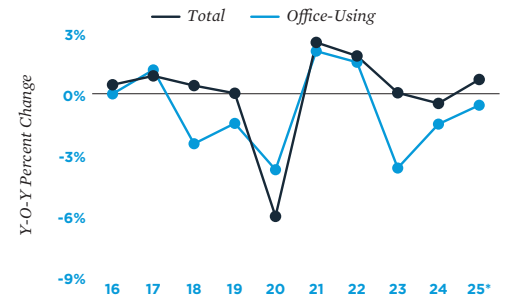
+1.3%



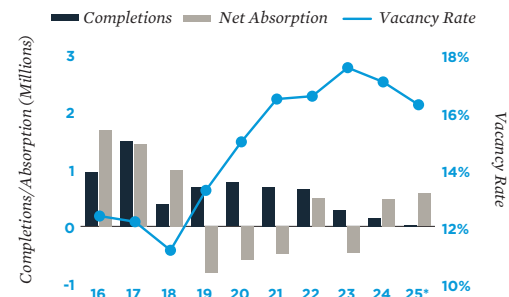
RENT: Milwaukee's average asking rent will increase for the fourth time in five years. The metro's overall mean marketed rate will end the year at \$16.59 per square foot.

INVESTMENT: Investors may consider Brookfield and Downtown East, which led 2024 leasing and renewal activity due to a strong presence of in-demand Class A properties, as well as parks and lakefront amenities.

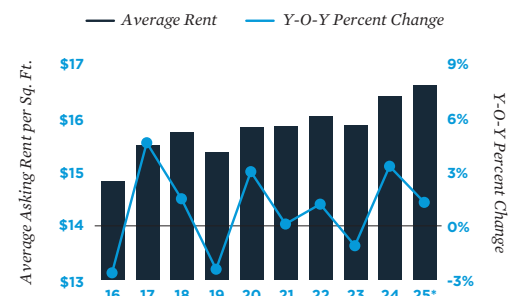
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Milwaukee Office:

Todd Lindblom

Senior Vice President, Regional Manager

13890 Bishops Drive, Suite 300

Brookfield, WI 53005

Tel: (262) 364-1900 | todd.lindblom@marcusmillichap.com

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.