INVESTMENT FORECAST

Office

Milwaukee Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

2026

Quality Assets Continue to See Vacancy Compression While Investors Seek Lower-Tier Properties

Class dynamics shape this year's outlook. Class A performance, with vacancy entering 2026 roughly 300 basis points lower year-over-year, underscores the metro's ongoing flight-to-quality trend. With the Class A pipeline fully pre-leased, incoming supply should have a limited impact on fundamentals, positioning the segment to record a 10th consecutive year of positive net absorption at the metro level. This trend has been particularly strong in the CBD since the pandemic. Even as upper-tier availability in the core will extend its multiyear decline in 2026, recent leasing activity suggests tenants are increasingly favoring Class B/C properties. More broadly across the market, lower-tier assets face a more cautious outlook as a greater number of lease expirations in 2026 elevates potential move-out risk — particularly in Waukesha County, where vacancy remains the metro's highest, despite recent improvement.

Reconfiguration strategies dominate trading activity. Local investors drove deal flow last year, with many of them focusing on 1980s and select 1990s assets where elevated vacancy and discounted pricing created value-add and repositioning opportunities. Meanwhile, post-2010 buildings saw less activity, though vacancy near 5 percent entering 2026 may draw interest from investors seeking immediate cash flow. A deceleration in pricing declines, combined with cap rate stabilization near 9 percent, indicates that buyers and sellers are beginning to reach a more balanced footing. With this emerging stability, overall transaction volume remained roughly in line with the prior two years. At the same time, more than $3 billion in ongoing and planned public and private investment in downtown Milwaukee should bolster the area's economic backdrop, improving the environment for future capital deployment.

2026 MARKET FORECAST

-0.9% — **Employment:** Both total employment and traditional office-using roles are expected to decline this year, with the latter shedding roughly 1,000 positions — the largest annual drop since 2023.

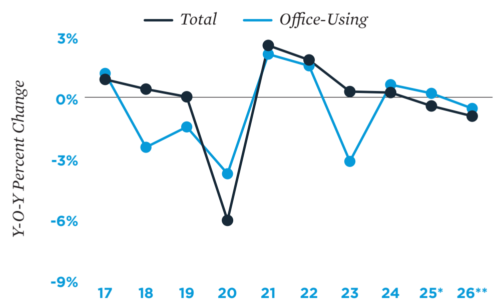
90,000 *sq. ft.* — **Construction:** Inventory growth will fall to 0.1 percent, the slowest recorded pace since at least 2007. Nearly all incoming deliveries will be Class B, and most will be in Milwaukee County.

-20 bps — **Vacancy:** The metro's vacancy rate will tighten modestly to 16.0 percent, benefiting from a predominantly pre-leased supply pipeline. This will mark the third consecutive year of vacancy improvement.

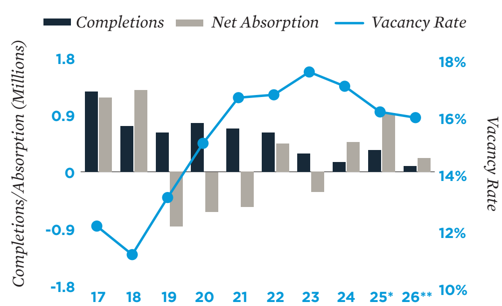
+0.6% — **Rent:** Milwaukee's average asking rent will rise to $17.10 per square foot, remaining below its 10-year average and marking the second-lowest growth among Midwestern metros.

INVESTMENT: *Brookfield-New Berlin attracted an outsize share of investor interest last year. Elevated vacancy levels above the metro average could keep the node in focus for value-add and repurposing strategies in 2026.*

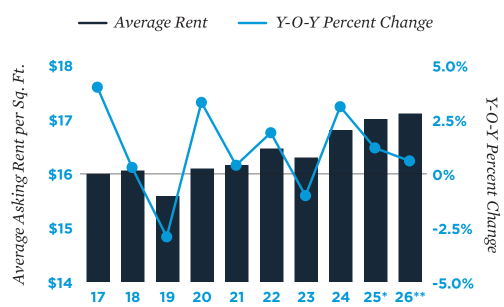
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** 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 January 2026. 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 office 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.