

## Industrial Q1 2023

|  | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| <b>2.5%</b><br>Vacancy Rate  | ▼       | ▲               |
| <b>182K</b><br>YTD Net Absorption, SF  | ▼       | ▲               |
| <b>\$5.20</b><br>Asking Rent, PSF<br><small>(Overall, Net Asking Rent)</small> | ▲       | ▲               |

### ECONOMIC INDICATORS Q1 2023

|  | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| <b>855.2K</b><br>Milwaukee Employment      | ▲       | ▲               |
| <b>3.1%</b><br>Milwaukee Unemployment Rate | ▼       | ▲               |
| <b>3.5%</b><br>U.S. Unemployment Rate      | ▼       | ▲               |

Source: BLS, Moody's Analytics  
2023Q1 data are based on latest available data.

### ECONOMY

Home to industry giants like Rockwell Automation, Harley Davidson, Milwaukee Tool, Generac and others, Metro Milwaukee has historically been a hub for manufacturing. The area's growing water technology and energy industries also position Milwaukee as a regional center of innovation. Metro Milwaukee's unemployment rate decreased 40 basis points (bps) year-over-year (YOY) to 3.1%, and employment grew 0.7% YOY.

### MARKET OVERVIEW

The Metro Milwaukee industrial market continued to have strong market fundamentals in Q1 2023 with a low vacancy rate of 2.5%, a 20 bps increase from Q4 2022, and a 10 bps decrease YOY. This continues a stretch of market vacancy below 3% that has lasted since the start of 2022. The market continued its remarkable stretch of 11 straight quarters in which leasing activity exceeded 1.0 million square feet (msf), showcasing the region's high level of tenant demand attributed to a strong manufacturing workforce, strategic geographical location, and a lower cost of business compared to other major metros. Developers have taken notice of supply and demand imbalances with nearly 1.2 msf of speculative space currently under construction which is expected to deliver by the end of 2023, despite rising interest rates and construction costs.

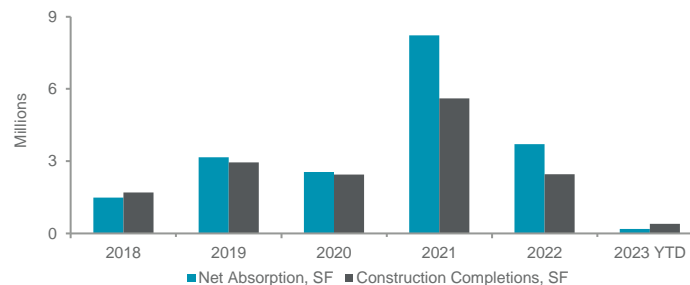
Asking rental rates have climbed 3.6% quarter-over-quarter (QOQ) and 9.0% annually to \$5.20 per square foot (psf). This was fueled by continued strong tenant demand in the region coupled with tight market conditions, specifically within class A product. Class A asking rents remained high at \$6.70 psf, driven by available Class A spec inventory remaining low at just 871,894 sf.

Investment sale activity slowed in Q1, totaling just \$41.7 million in transaction value, an 80% decrease YOY. Average price psf in Q1 was \$81.75, down 8.1% QOQ but only 0.3% YOY as rising interest rates continue to put downward pressure on sale prices. Notable investment sales from Q1 include a 9-building, 150,000 sf flex portfolio in Waukesha purchased by WM Travis Lane, LLC for \$11.1 million, along with a 100% leased, 68,076 sf warehouse in Milwaukee sold to Heather Holdings, LLC for \$7.4 million.

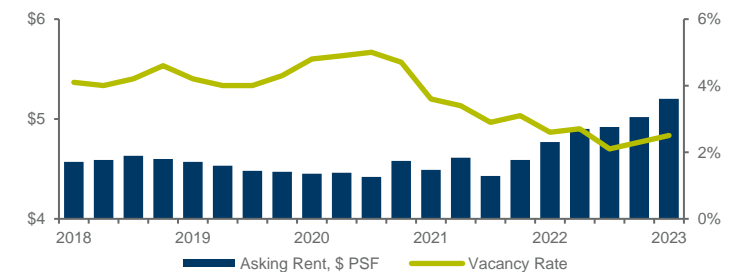
### OUTLOOK

With Q1 exit cap rates ranging from 6 - 8% and rising, conditions for investors and developers continue to get more difficult. High cost of capital and construction, coupled with low vacancy and inventory, will lead to rents trending higher in order to meet investor thresholds. Strong leasing activity and market fundamentals will persist and get new projects delivered, but a potential slowdown in new leasing activity, coupled with the need to achieve record breaking rents, could significantly reduce new construction. On the space side of the market, tenants continue to seek out larger and higher quality space to expand, despite historically high rental rates. Overall, Metro Milwaukee's competitive advantages in manufacturing continue to provide strong market fundamentals that will keep the market stable during continued economic turbulence.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT MILWAUKEE



## Industrial Q1 2023

### MARKET STATISTICS

| SUBMARKET               | INVENTORY (SF)     | OVERALL VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | YTD CONSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT (MF)* | OVERALL WEIGHTED AVG NET RENT (OS)* | OVERALL WEIGHTED AVG NET RENT (W/D)* |
|-------------------------|--------------------|---------------------|----------------------|---|---------------------------------|------------------|-----------------------------|-------------------------------------|-------------------------------------|--------------------------------------|
| Milwaukee County        | 99,631,417         | 3,923,155           | 3.9%                 | -194,827                                | -194,827                        | 1,076,924        | 109,076                     | \$4.23                              | \$6.26                              | \$4.93                               |
| Ozaukee County          | 12,889,191         | 241,443             | 1.9%                 | -43,819                                 | -43,819                         | 0                | 0                           | \$6.30                              | \$5.94                              | \$5.50                               |
| Washington County       | 22,178,402         | 400,024             | 1.8%                 | 11,580                                  | 11,580                          | 292,736          | 0                           | \$4.71                              | \$5.53                              | \$6.92                               |
| Waukesha County         | 76,934,974         | 756,248             | 1.0%                 | 408,663                                 | 408,663                         | 880,213          | 284,232                     | \$6.32                              | \$6.72                              | \$5.84                               |
| <b>MILWAUKEE TOTALS</b> | <b>211,633,984</b> | <b>5,320,870</b>    | <b>2.5%</b>          | <b>181,597</b>                          | <b>181,597</b>                  | <b>2,249,873</b> | <b>393,308</b>              | <b>\$4.72</b>                       | <b>\$6.32</b>                       | <b>\$5.27</b>                        |

\*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

| TYPE                     | INVENTORY (SF) | OVERALL VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | YTD CONSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT* |
|--------------------------|----------------|---------------------|----------------------|---|---------------------------------|------------------|-----------------------------|--------------------------------|
| Manufacturing            | 110,175,710    | 2,865,704           | 2.6%                 | -274,786                                | -274,786                        | 44,000           | 134,230                     | \$4.72                         |
| Office Service / Flex    | 38,540,592     | 528,363             | 1.4%                 | 27,596                                  | 27,596                          | 0                | 0                           | \$6.32                         |
| Warehouse / Distribution | 62,917,682     | 1,926,803           | 3.1%                 | 428,787                                 | 428,787                         | 2,205,873        | 259,078                     | \$5.27                         |

### KEY LEASE TRANSACTIONS Q1 2023

| PROPERTY                                | SUBMARKET        | TENANT           | SF      | TYPE       |
|---|------------------|------------------|---------|------------|
| 8133 N Granville Woods Road, Milwaukee  | Milwaukee County | Bunzl            | 152,944 | Renewal    |
| 102 W Oakview Parkway, Oak Creek        | Milwaukee County | AIM Logistics    | 132,000 | Renewal    |
| N17W25045 Bluemound Road, Pewaukee      | Waukesha County  | Kenda Tire       | 115,345 | New Direct |
| 5400-5420 S Westridge Drive, New Berlin | Waukesha County  | Compass Group    | 92,792  | New Direct |
| 5300 W Ashland Way, Franklin            | Milwaukee County | Innovative Fiber | 77,660  | Renewal    |

### KEY SALES TRANSACTIONS Q1 2023

| PROPERTY                                   | SUBMARKET        | BUYER/SELLER   | SF      | PRICE/\$ PSF   |
|--|------------------|--|---------|----------------|
| 206 & 300 Travis Lane, Waukesha            | Waukesha County  | WM Travis Ln, LLC / J. Jeffers & Co.                       | 150,000 | \$11.1M / \$74 |
| 11200 W Heather Avenue, Milwaukee          | Milwaukee County | Heather Holdings, LLC / Hendricks Commercial Properties    | 68,076  | \$7.4M / \$109 |
| 1822 Dolphin Drive, Waukesha               | Waukesha County  | Lincoln Property Company / Hendricks Commercial Properties | 31,910  | \$2.7M / \$85  |
| 8687 N 107 <sup>th</sup> Street, Milwaukee | Milwaukee County | Smart Asset Capital / LCM Funds Real Estate LLC            | 49,133  | \$1.9M / \$40  |

### KEY CONSTRUCTION COMPLETIONS YTD 2023

| PROPERTY                           | SUBMARKET        | MAJOR TENANT  | SF      | OWNER/DEVELOPER  |
|------------------------------------|------------------|---------------|---------|------------------|
| W251 N5350 Business Drive, Sussex  | Waukesha County  | -             | 150,002 | Wangard Partners |
| 10501 S Oakview Parkway, Oak Creek | Milwaukee County | Mygrant Glass | 109,076 | Mygrant Glass    |

#### DAN PALEC

Senior Research & Financial Analyst  
+1 414 436 3712 / [dpalec@boerke.com](mailto:dpalec@boerke.com)

#### KATIE GREMBAN

Director of Research  
+1 414 203 3045 / [kgremban@boerke.com](mailto:kgremban@boerke.com)

Independently Owned and Operated / A Member of the Cushman & Wakefield Alliance

©2023 All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[cushmanwakefield.com](http://cushmanwakefield.com)