

Industrial Q3 2022

	YoY Chg	12-Mo. Forecast
2.1% Vacancy Rate	▼	▬
3.0M YTD Net Absorption, SF	▼	▲
\$4.92 Asking Rent, PSF	▲	▲

(Overall, Net Asking Rent)

ECONOMIC INDICATORS
Q3 2022

	YoY Chg	12-Mo. Forecast
845.5 Milwaukee Employment	▲	▲
3.4% Milwaukee Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics
2022Q3 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 continues to recover from the pandemic, with its unemployment rate declining 80 basis points (bps) year-over-year (YOY) to 3.4%, and overall employment growing 1.2% YOY.

MARKET OVERVIEW

The Metro Milwaukee industrial vacancy rate has been experiencing a steady decline over the past year, with an 80 bps decrease YOY to 2.1%, continuing a stretch of vacancy below 3%. The market experienced its largest amount of leasing activity in 2022, with over 1.9 million square feet (msf) of space leased in Q3. With historically low vacancy rates and surging tenant demand, developers have taken notice of supply and demand imbalances with nearly 1.6 msf of spec space currently under construction, of which 801,838 square feet (sf) is scheduled to be completed by year-end.

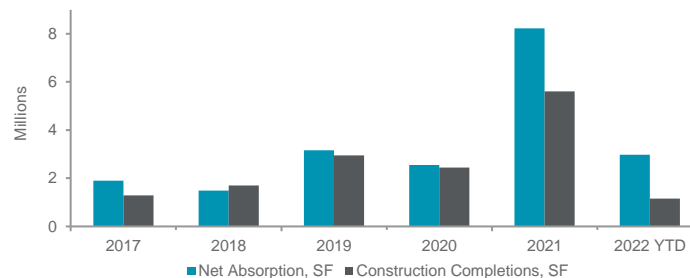
Demand has pushed up the average asking rental rate, with overall asking rental rates increasing 11.1% YOY to \$4.92 per square foot (psf), the fourth consecutive quarter of rent growth. Class A taking rents also rose to \$6.37 psf, driven by historic levels of leasing velocity and Class A spec inventory dwindling to slightly over 200,000 SF.

Investment sales reached 7.8 msf year-to-date (YTD), up 18.6% YOY, with average price psf at \$93.42, up 9.1% YOY. The largest transaction of Q3 by sale price was a 202,950 sf distribution center fully leased by FedEx at N96 W14849 County Line Road in Menomonee Falls, purchased by a Spanish billionaire for \$172.46 psf.

OUTLOOK

Storm clouds continue to gather on the horizon, but much of the industrial economy is showing no signs of let up. While the pipeline of deliveries through the end of 2023 is elevated compared to historical standards (2.8 MSF), as much as one-third of this space could be leased by the end of Q4 2022. Additionally, new supply into 2024 will likely ground to a halt given the recent capital markets freeze on new development and perhaps most importantly, a ground swell of local opposition to new bulk industrial developments. Suburban hotspots such as Oak Creek and Germantown are signaling to the market that they may have hit a limit on bulk spec industrial product that caters to logistics tenants. The fundamentals of the Milwaukee leasing market remain very strong with continued rent growth, annual increases landing between 3%-4%, and a well-managed development pipeline that does not appear to be exposed to overdevelopment risks.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MILWAUKEE



Industrial Q3 2022

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)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)*	OVERALL WEIGHTED AVG NET RENT (OS)*	OVERALL WEIGHTED AVG NET RENT (W/D)*
Milwaukee County	98,793,178	3,183,138	3.2%	605,130	816,980	1,344,401	438,201	\$4.02	\$6.34	\$4.61
Ozaukee County	12,671,587	158,408	1.3%	90,440	384,830	0	125,000	\$6.30	\$7.38	\$5.50
Washington County	21,542,632	282,683	1.3%	265,519	475,480	535,770	364,815	\$3.99	\$5.34	\$5.42
Waukesha County	76,325,346	834,935	1.1%	708,592	1,297,224	1,162,702	222,646	\$6.28	\$6.32	\$5.85
MILWAUKEE TOTALS	209,332,743	4,459,164	2.1%	1,669,681	2,974,514	3,042,873	1,150,662	\$4.53	\$6.15	\$5.04

*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	109,571,812	2,660,477	2.4%	604,508	606,571	368,575	279,646	\$4.53
Office Service / Flex	38,482,515	540,584	1.4%	151,627	580,262	0	121,635	\$6.15
Warehouse / Distribution	61,278,416	1,258,103	2.1%	913,546	1,787,681	2,674,298	749,381	\$5.04

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1900 E North Street, Waukesha	Waukesha County	Wildeck	380,878	New
9141 S 13 th Street, Oak Creek	Milwaukee County	Thrive Foods	340,400	New
N128 W20943 Holy Hill Road, Germantown	Washington County	WB Warehousing & Logistics	203,580	New
5831 S Pennsylvania Avenue, Cudahy	Milwaukee County	CHEP	128,000	Renewal
5700 S Moorland Road, New Berlin	Waukesha County	Trulite Glass & Aluminum Solutions	105,000	Renewal

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	BUYER/SELLER	SF	PRICE/\$ PSF
N96 W14849 County Line Rd, Menomonee Falls	Waukesha County	Ponte Gadea USA / Realty Income	202,950	\$35.0M / \$172
12111 W Carmen Ave, Milwaukee	Milwaukee County	Realty Income / Scannell Development	150,000	\$16.2M / \$108
W190N11393, W190N11333 & W190N11260 Carnegie Dr, Germantown	Washington County	Schafer Richardson / SARA Investment Real Estate	142,907	\$10.4M / \$73
10303 N Baehr Rd, Mequon	Ozaukee County	Bayside Development / Jorgensen Conveyors	89,915	\$7.6M / \$84

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
9141 13 th Street, Oak Creek	Milwaukee County	Thrive Foods	340,400	Frontline
N128 W20943 Holy Hill Road, Germantown	Washington County	WB Warehousing & Logistics	203,580	Capstone

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