

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
2.7% Vacancy Rate	▲	▲
1.2M YTD Net Absorption, SF	▼	▲
\$5.15 Asking Rent, PSF <small>(Overall, Net Asking Rent)</small>	▲	▬

ECONOMIC INDICATORS
Q3 2023

	YoY Chg	12-Mo. Forecast
859.4K Milwaukee Employment	▲	▲
2.9% Milwaukee Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics
Q3 2023 data are based on latest available data.

ECONOMY

Home to industry giants such as 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 30 basis points (bps) year-over-year (YOY) to 2.9%, and employment grew 0.5% YOY.

MARKET OVERVIEW

The Metro Milwaukee industrial market remains strong with a low vacancy rate of 2.7% and 765,498 square feet (sf) of positive absorption recorded in the third quarter. This continues a stretch of market vacancy below 3% that has lasted since the start of 2022, along with 13 consecutive quarters in which leasing activity has exceeded 1.0 million square feet (msf), showcasing the region's high level of tenant space demand in manufacturing and warehouse space despite a slowing economy.

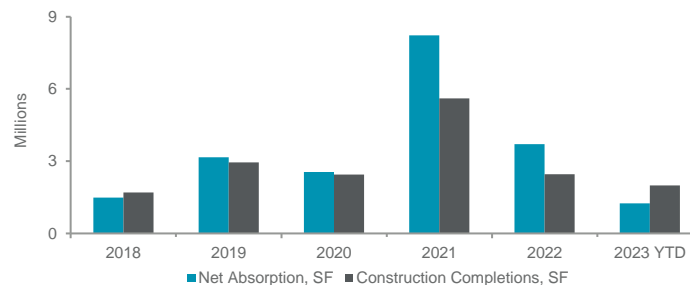
The market's growth in Q3 was driven once again by strong new leasing activity. Notably, Global Power expanded by 75,000 sf at 3073 S Chase Avenue in Milwaukee, Steel Craft Corp of Hartford signed a 62,020 sf lease at W165 N5731 Ridgewood Drive in Menomonee Falls, and Atomix Logistics leased 55,108 sf at 5235 International Drive in Cudahy. Despite 691,439 sf of speculative construction being delivered vacant this quarter, 599,074 sf of built-to-suit and owner-occupied properties were delivered, contributing to strong positive net absorption in Q3. Over 1.3 msf of speculative space is currently under construction and expected to deliver by the end of 2024.

Asking rental rates registered a 2.1% quarter-over-quarter (QOQ) decrease, but have still risen by 4.7% YOY to \$5.15 per square foot (psf), reflecting continued demand amid low vacancy throughout the region. The 2.1% dip QOQ ends a stretch of seven consecutive quarters of overall asking rate growth.

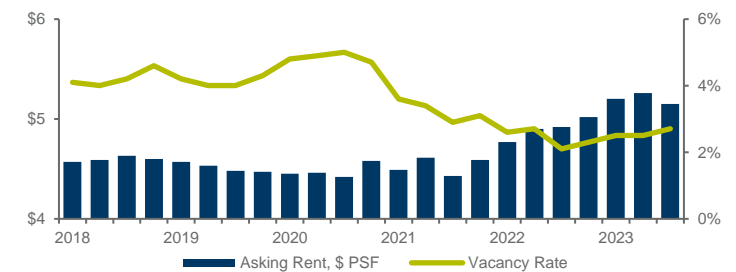
OUTLOOK

The Milwaukee industrial market continues to yield strong demand from tenants and large amounts of new supply being delivered to the market. However, as economic turbulence persists, tenants are beginning to err on the side of caution and have been delaying leasing decisions. This gives the appearance of a slowing market compared to fast-paced 2021 and 2022, but demand remains strong as firms within the region continue to grow and new firms continue to enter the market. Tenants continue to seek large tenant improvement packages which has contributed to a widening gap between tenant requirements and what landlords can provide, especially with lenders renewed focus on credit worthiness. Developers are also hitting the brakes on speculative construction as lenders have turned off the spigot for financing. Market fundamentals remain strong, but the Fed's higher for longer policies are starting to slow economic activity and tenants and developers are cautious about the immediate future.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MILWAUKEE

Industrial Q3 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 CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)*	OVERALL WEIGHTED AVG NET RENT (OS)*	OVERALL WEIGHTED AVG NET RENT (W/D)*
Milwaukee County	100,192,311	4,378,663	4.4%	159,453	77,084	524,984	875,515	\$4.19	\$6.31	\$4.80
Ozaukee County	12,889,191	223,533	1.7%	6,488	-24,409	0	0	\$5.22	\$8.94	N/A
Washington County	22,178,402	376,907	1.7%	-11,370	34,302	1,111,896	0	\$4.69	\$5.68	\$6.91
Waukesha County	77,795,697	842,564	1.1%	610,927	1,152,553	345,217	1,119,481	\$6.19	\$6.93	\$6.35
MILWAUKEE TOTALS	213,055,601	5,821,667	2.7%	765,498	1,239,530	1,982,097	1,994,996	\$4.62	\$6.59	\$5.22

*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 CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT *
Manufacturing	110,259,387	2,805,468	2.5%	478,974	17,150	391,485	413,830	\$4.62
Office Service / Flex	38,552,562	544,873	1.4%	-51,635	16,423	0	0	\$6.59
Warehouse / Distribution	64,243,652	2,471,326	3.8%	338,159	1,205,957	1,590,612	1,581,166	\$5.22

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5555 S Packard Avenue, Cudahy	Milwaukee County	Vilter Manufacturing	419,065	Renewal
5401 W Donges Bay Road, Mequon	Ozaukee County	Almo Distributing Wisconsin, Inc.	280,395	Renewal
3073 S Chase Avenue, Milwaukee	Milwaukee County	Global Power	75,000	New
7501 N 81st Street, Milwaukee	Milwaukee County	Scholastic Book Fairs Inc	69,114	Renewal
W165 N5761 Ridgewood Drive, Menomonee Falls	Waukesha County	Steel Craft Corp of Hartford	62,020	New
5235 International Drive, Cudahy	Milwaukee County	Atomix Logistics	55,108	New

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
3100 W Mill Road, Milwaukee	Milwaukee County	Lincoln Property Company / Medina Companies, LLC	167,000	\$10.4M / \$62
16875 W Ryerson Road, New Berlin	Waukesha County	ThermTech, Inc. / Luterbach Realty, LLC	94,250	\$8.7M / \$93

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
12100 W Brown Deer Road, Brown Deer	Milwaukee County	-	357,753	Transwestern
3303 W Oakwood Road, Franklin	Milwaukee County	-	271,780	HSA Commercial Real Estate
103 Hill Court, Mukwonago	Waukesha County	Zero Zone	157,500	STAG / Briohn
W251 N5350 Business Drive, Sussex	Waukesha County	The Marek Group	150,002	Wangard Partners

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