

Industrial Q4 2023

	YoY Chg	12-Mo. Forecast
3.1% Vacancy Rate	▲	▼
1.8M YTD Net Absorption, SF	▼	▼
\$5.19 Asking Rent, PSF <small>(Overall, Net Asking Rent)</small>	▲	▲

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
856.2K Milwaukee Employment	▲	▲
3.6% Milwaukee Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics
Q4 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 increased 40 basis points (bps) year-over-year (YOY) to 3.6%, and employment grew 0.2% YOY.

MARKET OVERVIEW

The Metro Milwaukee industrial market remains strong at the conclusion of 2023 with a low vacancy rate of 3.1% and 586,971 square feet (sf) of positive absorption recorded in the fourth quarter. The market yielded 1.8 million square feet (msf) of year-to-date (YTD) absorption in 2023, a 51% decrease year-over-year (YOY). However, tenant demand remained elevated with 1.3 msf in Q4 leasing activity, continuing a stretch of 14 consecutive quarters in which leasing activity has exceeded 1.0 million square feet (msf).

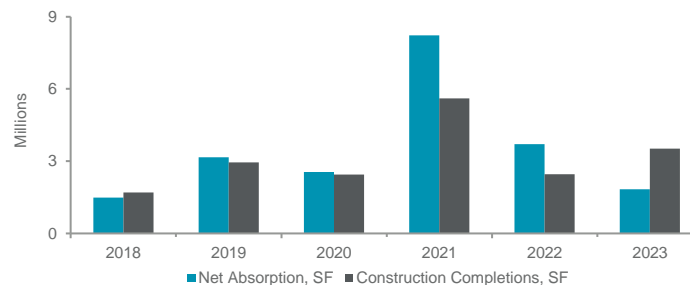
Growth in the market in Q4 was led by notable new leasing activity including Green Bay Packaging leasing 205,435 sf at 5600 S Moorland Road, New Berlin in the Waukesha County submarket, and Microbial Discovery Group leasing 117,000 sf at 3303 W Oakwood Road, Franklin in the Milwaukee County submarket. The market also registered 1,526,297 sf of new construction delivered this quarter, bringing year-end totals to 3,521,293 sf, a 43% increase from 2022. Of the 1.5 msf delivered in Q4, 949,795 sf was speculative construction with only 24% of space occupied at delivery, leading to an increase in overall market vacancy. Notable tenants in new deliveries include MGS (165,728 sf) at N128 W20955 Holy Hill Road in Germantown, and Diamond Vogel (62,222 sf) at N102 W19200 Willow Creek Parkway in Germantown, both in the Washington County submarket.

Overall asking rental rates registered a slight 0.8% quarter-over-quarter (QOQ) increase, and have risen 3.3% YOY to \$5.19 per square foot (psf). After a period of significant growth throughout 2022, rates have stabilized since the beginning of 2023.

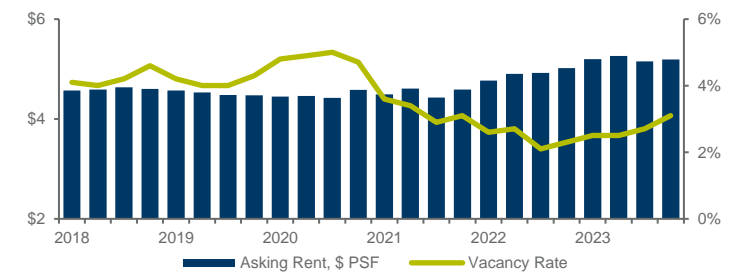
OUTLOOK

The Milwaukee industrial market continues to yield above average demand from tenants and 2023 delivered much needed supply into the market, specifically near the Milwaukee airport and the I-41 North/Germantown corridor. Tenant tours and RFPs accelerated as the year came to a close, however, market leasing velocity remains subpar due to the transitioning economy and a more cautious approach from occupiers. Inflationary pressure on rents appears to have stabilized by the end of 2023. Class A rents appreciated close to 10% throughout the year, but with monetary policy potentially easing, and construction pricing leveling off, we expect YOY rent growth to level off to 3% in 2024. While macro inflation may be reverting to the long-term norm, it is realistic to suggest that the Milwaukee area could be back to low double digit rent growth, and a sub-2% vacancy environment by 2025. Domestic manufacturing is experiencing a generational surge of investment and new construction starts in the Milwaukee market have slowed to a trickle.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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	100,663,435	4,845,600	4.8%	-29,886	47,198	81,000	1,319,499	\$4.27	\$6.70	\$4.84
Ozaukee County	12,889,191	192,482	1.5%	-7,509	-31,918	0	0	\$4.55	\$8.94	N/A
Washington County	22,915,498	888,160	3.9%	225,843	260,145	374,949	737,096	\$4.69	\$6.15	\$6.91
Waukesha County	78,140,914	779,258	1.0%	398,523	1,551,076	87,238	1,464,698	\$6.22	\$7.18	\$6.36
MILWAUKEE TOTALS	214,609,038	6,705,500	3.1%	586,971	1,826,501	543,187	3,521,293	\$4.60	\$6.94	\$5.37

*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	110,597,012	2,856,340	2.6%	204,120	221,270	129,278	724,315	\$4.60
Office Service / Flex	38,552,562	483,306	1.3%	61,567	77,990	0	0	\$6.94
Warehouse / Distribution	65,459,464	3,365,854	5.1%	321,284	1,527,241	413,909	2,796,978	\$5.37

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5600 S Moorland Road, New Berlin	Waukesha County	Green Bay Packaging	205,435	New
3303 W Oakwood Road, Franklin	Milwaukee County	Microbial Discovery Group	117,000	New
2003-2207 S 114th Street, West Allis	Milwaukee County	Tekra	81,501	New
W251 N5350 Business Drive, Sussex	Waukesha County	Dorner Manufacturing	68,453	New
5333-5349 S Emmer Drive, New Berlin	Waukesha County	CableMaster	57,804	New
6600 Washington Street, West Allis	Milwaukee County	Geo-Synthetics Systems, LLC	42,497	Renewal

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
25045 W Bluemound Road, Pewaukee	Waukesha County	Sterling Management / Westminster Capital	217,988	\$25.0M / \$115
2 World Packaging Circle, Franklin	Milwaukee County	Yaskawa America, Inc / ElmTree Funds	207,814	\$20.3M / \$98

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
12100 W Brown Deer Road, Brown Deer	Milwaukee County	-	357,753	Transwestern
N128 W20955 Holy Hill Road, Germantown	Washington County	MGS	294,614	Capstone
3303 W Oakwood Road, Franklin	Milwaukee County	Microbial Discovery Group	271,780	HSA Commercial Real Estate
W210 N12995 Gateway Crossing, Germantown	Washington County	-	233,482	Zilber Property Group

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