

Industrial Q1 2022

	YoY Chg	12-Mo. Forecast
<b>2.6%</b> Vacancy Rate	▼	▬
<b>867K</b> YTD Net Absorption, SF	▼	▼
<b>\$4.77</b> Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	▲

ECONOMIC INDICATORS  
Q1 2022

	YoY Chg	12-Mo. Forecast
<b>835.2</b> Milwaukee Employment	▲	▲
<b>3.5%</b> Milwaukee Unemployment Rate	▼	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics  
2022Q1 data are based on latest available data.

ECONOMY

Wisconsin's unemployment rate decreased 10 basis points (bps) quarter-over-quarter to 2.9% in the first quarter 2022 and marks the second quarter where the unemployment rate is below the pre-pandemic reading of 3.2%. Locally, Metro Milwaukee's unemployment rate is slightly worse than the state, at 3.5% and just 10 bps below the national average.

The Marquette-Institute of Supply Management (ISM) Report on Manufacturing scored the Milwaukee area at 60.72 for February 2022, the largest improvement since COVID-19 onset. A reading above 50 demonstrates expansion as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry.

MARKET OVERVIEW

The Metro Milwaukee industrial market continues to tighten, as displayed through a 100 bps decreases in vacancy year-over-year (YOY) to 2.6%, a record low and the fifth consecutive quarter below 3%. Supply and demand fundamentals remain unbalanced, as tenant demand remains strong with over 900,000 square feet (sf) of new leases signed in the quarter and large contiguous blocks of 100,000 sf and greater remain limited, with only five class a buildings with over 100,000 sf presently available. Developers have taken note of the strong market fundamentals, with nearly 1.3 million square feet (msf) currently under construction and of which 700,000 sf scheduled to be completed by year-end.

Demand has pushed up average asking rental rate, with overall asking rental rates increasing 6.3% YOY to \$4.77 per square foot (psf). Class A asking rents have moved above a 10% annual increase given the escalating cost of construction, with new buildings set to deliver approaching the \$6.00 psf mark. The continued increase in asking rental rates has been largely driven by limited supply coupled with elevated asking rates on new construction.

Investment sales reached over 3 msf, up 64% YOY, with the largest transaction being a five-building portfolio disposition in Milwaukee and Waukesha Counties. Class A investments are trading on average over \$100 psf with cap rates now reaching sub 5%.

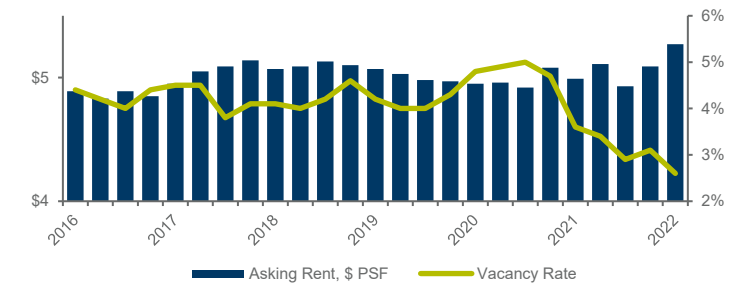
OUTLOOK

Milwaukee came off record year in 2021, demand remains very strong, however limited inventory is putting a constraint on leasing velocity. The Class A market continues to tighten, with strong leasing activity and current available inventory of roughly 870,000 sf speculative space. With COVID-19 delaying the vast majority of the development pipeline, as well as the rise in construction costs and the limited supply of land, a supply side crunch could be on the horizon. Tenants have accepted that rental rates will continue to increase over the near term and the Milwaukee market is finally breaking through the 3% barrier on annual rent escalations.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



# MARKETBEAT MILWAUKEE



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## Industrial Q1 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)	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	98,590,657	3,173,714	3.2%	417,019	417,019	1,008,522	351,201	\$3.93	\$6.02	\$4.26
Ozaukee County	12,520,553	290,814	2.3%	117,921	117,921	0	125,000	\$4.67	\$6.22	\$5.50
Washington County	21,339,052	482,131	2.0%	101,174	101,174	504,943	146,635	\$5.16	\$5.33	\$5.04
Waukesha County	76,116,264	1,590,958	2.1%	231,197	231,197	316,876	40,000	\$5.90	\$6.11	\$5.63
<b>MILWAUKEE TOTALS</b>	<b>208,566,526</b>	<b>5,483,617</b>	<b>2.6%</b>	<b>867,311</b>	<b>867,311</b>	<b>1,830,341</b>	<b>677,436</b>	<b>\$4.35</b>	<b>\$5.96</b>	<b>\$4.88</b>

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

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

CLASSES	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	109,323,179	2,695,701	2.5%	335,946	335,946	546,364	40,000	\$4.35
Office Service / Flex	38,166,044	676,793	1.8%	98,879	98,879	0	121,635	\$5.96
Warehouse / Distribution	61,077,303	2,111,123	3.5%	432,486	432,486	1,283,977	518,801	\$4.88

### KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
12255 W Carmen Avenue, Milwaukee	Milwaukee County	Materion Advanced Chemicals	150,000	New
200 Industrial Drive, Fredonia	Ozaukee County	Guy & O'Neill	125,000	New
5365 S Moorland Road, New Berlin	Waukesha County	New Berlin Plastics	99,630	New
2003-2207 S 114 <sup>th</sup> Street, West Allis	Milwaukee County	Schoeneck Containers	81,501	New
9705 S Oakwood Park Drive, Franklin	Milwaukee County	AST Logistics	53,075	Renewal

### KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	BUYER/SELLER	SF	PRICE/\$ PSF
975 Cottonwood, Hartland and 11925 W Carmen, Milwaukee, 6601 W Mill, Milwaukee, 9160 N 107 <sup>th</sup> , Milwaukee and 8601 W Parkland, Milwaukee	Waukesha & Milwaukee County	Farallon / Brennan Investment Group	547,515	\$52.25M / \$95
6619 County Road W, Addison	Washington County	STORE Capital / Maysteel Industries	190,000	\$11.5M / \$61
N86W12999 Nightingale Way, Menomonee Falls	Waukesha County	Harrison Street / Ryan Companies	100,000	\$19.9M / \$199
3800 Wheelhouse Road, Milwaukee	Milwaukee County	Bayside Development / Interstate Partners	68,276	\$8.025M / \$118

### KEY CONSTRUCTION COMPLETIONS Q1 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
9141 13 <sup>th</sup> Street, Oak Creek	Milwaukee County	-	351,201	Frontline
N74W12528 Leatherwood Court, Menomonee Falls	Waukesha County	Milwaukee Electric Tool	121,635	Milwaukee Electric Tool

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