



Industrial Q4 2022

	YoY Chg	12-Mo. Forecast
2.3% Vacancy Rate	▼	▲
3.7M YTD Net Absorption, SF	▼	▼
\$5.02 Asking Rent, PSF	▲	▲

(Overall, Net Asking Rent)

ECONOMIC INDICATORS
Q4 2022

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

Source: BLS, Moody's Analytics
2022Q4 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 increased 10 basis points (bps) year-over-year (YOY) to 3.6%, and employment grew 1.1% YOY.

MARKET OVERVIEW

The Metro Milwaukee industrial market continues to have strong market fundamentals with a low vacancy rate of 2.3%, a 20 bps increase from Q3, and an 80 bps decrease YOY. This continues a stretch of vacancy below 3%, lasting since the start of 2022. The market experienced its third straight quarter of increased leasing activity, and largest quarterly total in 2022, with over 2.1 million square feet (msf) of space leased in Q4. With historically low vacancy rates and surging tenant demand, developers have taken notice of supply and demand imbalances with nearly 1.3 msf of speculative space currently under construction which is expected to deliver by the end of 2023.

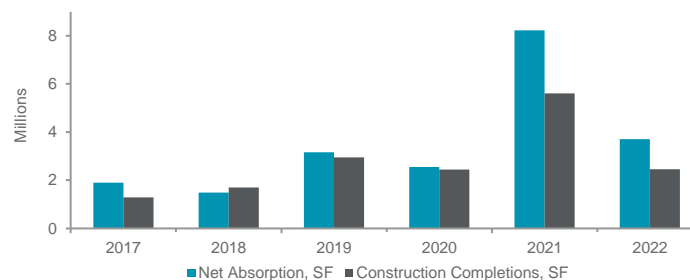
Strong demand has yet again pushed up the average asking rental rate, with overall asking rental rates increasing 2.0% quarter – over-quarter (QOQ) and 9.4% YOY to \$5.02 net per square foot (psf), the fifth consecutive quarter of rent growth. Class A asking rents also rose to \$6.70 net psf, driven by continued historic levels of leasing velocity and Class A spec inventory remaining extremely tight at just over 924,000 sf available.

Investment sales reached nearly 10.5 msf total in 2022, up 1.6% from 2021, with average price psf in Q4 at \$90.70, up 4.1% YOY. The largest transaction of Q4 by sale price was a 1.1 million sf distribution center fully leased by Roundy's at 1111 Delafield Road in Oconomowoc. The facility was purchased by cold storage investment firm Scout Cold Logistics for \$120 million, or \$113 psf.

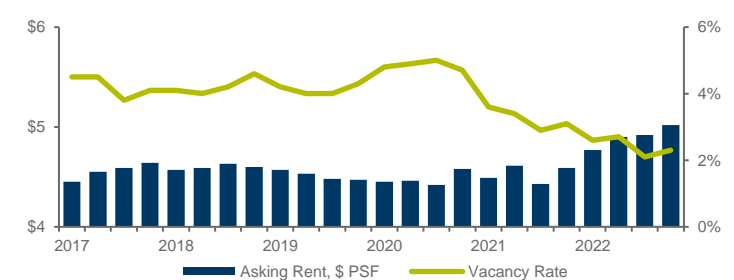
OUTLOOK

Speculative (spec) development will be very challenging in 2023 with exit cap rates increasing 150 to 200 bps since the spring of 2022. All else equal, projected base rents will need to be nearly 20% higher to hit the same return threshold for investments. On the space side, industrial users continue to aggressively pursue expansion. Leasing velocity should remain strong, with several large leases out on spec buildings and activity levels remaining elevated with several new needs exploring the market. Even if a slowdown in tenant demand materializes, rents are not expected to fall due to even tighter inventory levels expected in 2024 given the lack of new development that will be likely to start in 2023. This challenge may be even more acute in Milwaukee, Waukesha and Washington Counties given the lack of development sites that are lined up behind the current proposed pipeline.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MILWAUKEE



Industrial Q4 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	99,620,195	3,555,798	3.6%	107,451	924,431	1,186,000	1,091,261	\$4.11	\$6.22	\$4.83
Ozaukee County	12,689,387	155,307	1.2%	4,300	389,130	0	125,000	\$6.30	\$5.24	\$5.50
Washington County	22,178,402	413,594	1.9%	504,859	980,339	292,736	1,000,585	\$4.87	\$5.33	\$6.92
Waukesha County	76,419,685	820,192	1.1%	119,607	1,416,831	1,154,445	240,503	\$6.34	\$6.59	\$5.84
MILWAUKEE TOTALS	210,907,669	4,944,891	2.3%	736,217	3,710,731	2,633,181	2,457,349	\$4.54	\$6.17	\$5.18

*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	109,762,157	2,415,186	2.2%	342,661	949,232	178,230	469,991	\$4.54
Office Service / Flex	38,487,392	490,772	1.3%	-28,161	552,101	0	121,635	\$6.17
Warehouse / Distribution	62,658,120	2,038,933	3.3%	421,717	2,209,398	2,454,951	1,865,723	\$5.18

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
W210 N12800 Holy Hill Road, Germantown	Washington County	Generac	417,044	New Sublease
W210 N12800 Holy Hill Road, Germantown	Washington County	Johnson Level	289,000	New Sublease
NWC Goldendale and Holy Hill, Germantown	Washington County	Golden Hippo	172,488	New Direct
4620 W Oakwood Park Drive, Franklin	Milwaukee County	Unnamed	162,861	New Direct
9053-9061 N Deerbrook Trail, Brown Deer	Milwaukee County	Pitney Bowes	154,381	Renewal

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	BUYER/SELLER	SF	PRICE/\$ PSF
1111 Delafield Road, Oconomowoc	Waukesha County	Scout Cold Logistics / Pabst Farms Development	1,062,862	\$120.0M / \$113
N102 W19300 Willow Creek Way, Germantown	Washington County	HSA Commercial Real Estate / Ryan Companies US, Inc.	186,000	\$21.3M / \$115
W132 N10611 Grant Drive, Germantown	Washington County	Royal Oak Realty Trust / Irgens	99,000	\$12.9M / \$130
S64 W15586 Commerce Center Parkway, Muskego	Waukesha County	PCCP / Fiduciary Real Estate Development	65,000	\$8.7M / \$133

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
3617 W Oakwood Road, Franklin	Milwaukee County	-	236,180	Wangard Partners

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