



Industrial Q2 2023

	YoY Chg	12-Mo. Forecast
2.5% Vacancy Rate	▼	▲
474K YTD Net Absorption, SF	▼	▲
\$5.26 Asking Rent, PSF	▲	▲
(Overall, Net Asking Rent)		

ECONOMIC INDICATORS
Q2 2023

	YoY Chg	12-Mo. Forecast
853.8K Milwaukee Employment	▲	▲
2.7% Milwaukee Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	—	▲

Source: BLS, Moody's Analytics
Q2 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 40 basis points (bps) year-over-year (YOY) to 2.7%, and employment grew 0.3% YOY.

MARKET OVERVIEW

The Metro Milwaukee industrial market remains strong at the midpoint of 2023 with a low vacancy rate of 2.5%, a 10 bps decrease YOY, and 292,435 square feet (sf) of positive absorption in Q2 2023. This continues a stretch of market vacancy below 3% that has lasted since the start of 2022. The market also continued its remarkable stretch of 12 straight quarters in which leasing activity exceeded 1.0 million square feet (msf), showcasing the region's high level of tenant demand despite current economic challenges.

The market's growth in Q2 was driven by new leases within recently completed speculative construction. Notably, Zero Zone leased 157,500 sf at 103 Hill Court in Mukwonago, while The Marek Group leased 81,549 sf at W251 N5350 Business Drive in Sussex. Developers have taken notice of the demand for Class A space and the supply and demand imbalances, resulting in over 1.4 msf of speculative space currently under construction and expected to deliver by the end of 2023.

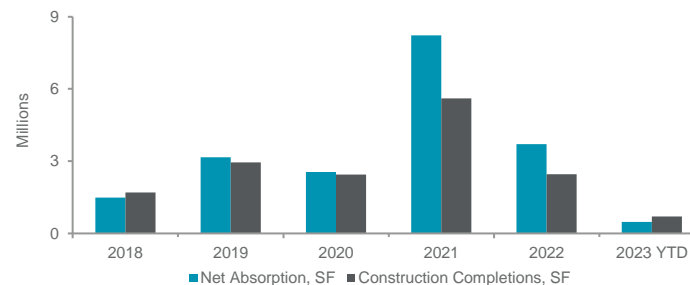
Asking rental rates have experienced a quarter-over-quarter (QOQ) increase of 1.2% and a YOY rise of 7.3%, reaching \$5.26 per square foot (psf), reflecting strong tenant demand and low vacancy throughout the region. This marks the seventh consecutive quarter of overall asking rate growth, amounting to an 18.7% climb since the trend began in late 2021.

Investment sales activity remains active but has declined compared to the levels seen in 2022 and 2021, totaling just \$52.7 million in transaction value in Q2, with a YTD decrease of 76.6% compared to 2022. The average price psf in Q2 was \$71.84, a 19.5% decrease YOY, influenced by rising interest rates and their continued downward pressure on sale prices.

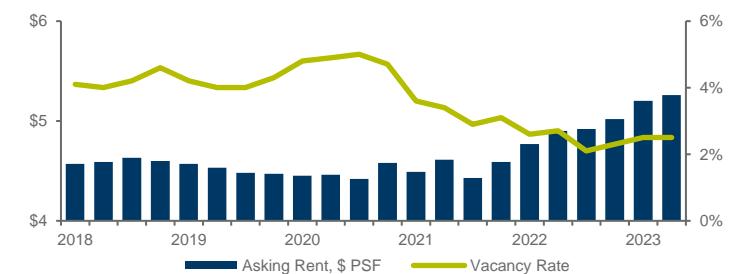
OUTLOOK

The Milwaukee industrial market appears to be returning to pre-pandemic conditions following a strong period in 2021-2022. However, this does not mean the market will struggle, as there is still robust demand from tenants, developers, and investors. Regional growth will persist, albeit at a pace more aligned with historical trends. Amidst nationwide economic turbulence, Metro Milwaukee remains a stable haven for investors, thanks to its competitive advantages in workforce and infrastructure. The rising costs of capital have caused a slowdown in new construction projects starting in 2024, addressing concerns of oversupply but presenting challenges for tenants looking to expand into larger spaces, which are already scarce in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MILWAUKEE



Industrial Q2 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	99,497,704	3,829,497	3.8%	112,458	-82,369	1,216,419	184,076	\$4.32	\$6.03	\$4.93
Ozaukee County	12,889,191	230,021	1.8%	12,922	-30,897	0	0	\$6.39	\$8.32	N/A
Washington County	22,178,402	365,537	1.6%	34,092	45,672	736,896	0	\$4.90	\$5.52	\$7.16
Waukesha County	77,187,023	863,117	1.1%	132,963	541,626	944,291	520,407	\$6.46	\$6.81	\$6.22
MILWAUKEE TOTALS	211,752,320	5,288,172	2.5%	292,435	474,032	2,897,606	704,483	\$4.88	\$6.32	\$5.32

*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	109,967,019	3,013,542	2.7%	-187,038	-461,824	2,816,606	134,230	\$4.88
Office Service / Flex	38,552,562	493,058	1.3%	40,462	68,058	0	0	\$6.32
Warehouse / Distribution	63,232,739	1,781,572	2.8%	439,011	867,798	81,000	570,253	\$5.32

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2900 S 160th Street, New Berlin	Waukesha County	Sterling Products	183,480	Renewal
103 Hill Court, Mukwonago	Waukesha County	Zero Zone	157,500	New
W251 N5350 Business Drive, Sussex	Waukesha County	The Marek Group	81,549	New
N56 W24701 N Corporate Circle, Sussex	Waukesha County	Captivate Exhibits	56,160	New
W210 N13150 Gateway Crossing, Germantown	Washington County	WAGO	43,695	New

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
N117 W19125 Fulton Dr, W188 N11707 Maple Rd & N118 W19328 Bunsen Dr, Germantown & W146 N9362 N Held Dr, Menomonee Falls	Washington & Waukesha County	Borgman Capital / Moldmakers Investments, LLC	441,133	\$37.6M / \$85
20580 W Enterprise Avenue, Brookfield	Waukesha County	Urban Manufacturing / Pentair	80,197	\$4.9M / \$61
9351 N Fountain Boulevard, Menomonee Falls	Waukesha County	Likewise Partners / Engman-Taylor Co.	46,970	\$4.2M / \$90
4066 N Port Washington Road, Milwaukee	Milwaukee County	Arrowhead Eldredge, LLC / Sewart Investments, LLC	64,011	\$4.1M / \$64

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
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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