

Milwaukee Industrial Snapshot | Q1 2023



MARKET INDICATORS

2.5%

VACANCY RATE



877,073

NET ABSORPTION



\$6.84

AVG MARKET RENT



1,901,346

SF UNDER CONSTRUCTION



ECONOMIC INDICATORS

3.3%

MILWAUKEE UNEMPLOYMENT RATE



3.4%

U.S. UNEMPLOYMENT RATE



The Milwaukee market's strong hold on low vacancy rates is the driving force behind increase average market rates as well as leasing and sale prices. While the market has been and continues to be strong, the effects of higher interest rates and pricing expectations will have an impact throughout 2023.

VACANCY & RENTAL RATES

The industrial vacancy rate dropped just slightly in Q1, to 2.5% from 2.8% at the end of 2022. This brings the rate back down to the similar levels that were seen most of last year. The continued low supply in the market coupled with limited construction deliveries has kept this number low and is expected to stay this way, at least in the short term.

The average rental rates jumped from the end of Q4 2022 to Q1 2023, moving from \$6.38 to \$6.84, but is still much lower than the national average of \$11.40 per square foot. The jump can be attributed to increased average rents in Downtown East, Downtown West and the North Shore, sitting at \$9.60, \$9.21 and \$12.51 per square foot, respectively. The desire for specialized industrial space, such as manufacturing, with limited available supply, has helped pushed rents higher and give pricing power to landlords in setting higher overall rates.

LEASING & SALES

The beginning of this year has seen leasing activity, but not at the same levels it was seeing at the end of last year. The top significant lease transactions total more than 509,000

square feet of space, with the largest being an undisclosed tenant leasing 164,000 square feet of space at N30 W22835 Green Road in the Central Waukesha submarket. The logistics and manufacturing industry sectors continue to be the most sought after leased space.

While 2022 had the second highest investment activity on record, Q1 2023 is off to a much slower start, replicating the slow start seen last year before activity finally picked up. Rhoda Smith & Associates purchased 11200 W. Heather Avenue for \$7.4 million but is the only significant sale of the quarter. Climbing interest rates, coupled with pricing challenges between buyers and sellers, will have an impact on area investment sales. Because of Milwaukee's lower than average price per square foot numbers, however, investors will likely continue to pursue purchasing properties in the area.

CONSTRUCTION

The amount of square feet under construction from Q4 2022 to Q1 2023 has dropped by more than 330,000 square feet to a current level of 1.9 million square feet under construction. This is comprised of 15 properties, all of which have already been under construction, with no new additions during Q1. The first set of properties slated for delivery include 9 properties, ranging from Saputo Inc. Distribution's 350,000 square foot facility at 9371 S. 76th Street to 1215-1223 Capitol Drive's 18,090 square foot building.

Sources: CoStar, Bureau of Labor Statistics

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Industrial Market Statistics

Submarket	Inventory	Available SF	Total Vacant SF	Total Absorption (SF)	YTD Total Absorption (SF)	Vacancy Rate	Total Under Construction	Average Market Rent
Brookfield/New Berlin	15,253,036	313,739	56,035	32,185	117,155	0.4%	117,000	\$7.41
Central Waukesha	27,359,993	415,074	41,675	441,108	592,684	0.7%	40,000	\$7.77
Downtown East	44,398	0	0	0	0	0.0%	0	\$9.60
Downtown West	1,014,128	62,000	45,000	0	13,930	4.4%	0	\$9.21
Mayfair/Wauwatosa	7,248,326	1,398,498	797,291	(498,408)	(848,103)	11.3%	0	\$7.55
Milwaukee East	8,451,896	362,301	90,853	78,189	165,366	1.3%	0	\$6.06
Milwaukee Near Southwest	14,055,110	921,192	672,061	291,710	(200,406)	4.8%	0	\$6.86
Milwaukee Northwest	35,061,763	2,295,053	462,778	137,463	907,718	1.4%	450,076	\$5.88
Milwaukee Southeast	32,447,473	1,824,052	839,852	182,548	610,071	3.2%	867,380	\$6.24
Milwaukee West	9,257,588	526,694	363,595	424	86,361	4.1%	0	\$4.54
Northeast/Menomonee Falls	18,046,436	298,988	155,978	(7,170)	315,825	0.9%	60,000	\$7.02
North Shore	481,702	270,639	270,639	0	(37,311)	56.2%	0	\$12.51
SW Outlying Milwaukee	6,144,281	738,938	494,388	(26,804)	26,806	8.2%	0	\$7.76
Third Ward / Walkers Pt	7,727,463	312,287	312,287	(1,955)	518,365	4.0%	0	\$7.63
West Allis	13,638,109	788,449	371,351	(10,219)	21,288	2.7%	0	\$7.21
Suburban Totals	82,027,602	3,485,387	1,692,969	(42,504)	161,538	2.1%	217,000	\$8.25
Milwaukee Totals	114,204,100	7,042,517	3,280,814	661,575	2,128,211	2.9%	1,317,456	\$7.09

Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Undisclosed	N30W22835 Green Rd	164,000	Central Waukesha
Undisclosed	N17W25045 Bluemound Rd	115,345	Central Waukesha
Undisclosed	3073 S Chase Ave	79,000	Milwaukee SE
Undisclosed	9909 S 57th St	76,455	SW Outlying Milwaukee
Undisclosed	4200 N Holton St	74,889	Milwaukee East

Significant Sales Transactions

Buyer	Address	Price	Submarket
Rhoda Smith & Associates Sc	11200 W Heather Ave	\$7,400,000	Milwaukee NW

Sources: CoStar

The above Milwaukee statistics include a select tracked set submarkets including an inventory of buildings considered to be competitive per CoStar. This does not include all buildings or building types, but focuses on the core properties to determine quarterly statistics. Data includes owner-occupied buildings and includes all property sizes including single and multitenant buildings.