

# Milwaukee Industrial Snapshot | Q3 2023



## MARKET INDICATORS

2.6%

VACANCY RATE



680,631

NET ABSORPTION



\$7.51

AVG MARKET RENT



1,619,837

SF UNDER CONSTRUCTION



## ECONOMIC INDICATORS

4.1%

MILWAUKEE UNEMPLOYMENT RATE



3.6%

U.S. UNEMPLOYMENT RATE



As expected, the continued low vacancy rates and limited new construction projects have been a large factor in the overall activity of the Milwaukee industrial market.

### VACANCY & RENTAL RATES

The past year has seen the vacancy rate hover in the 2.0% range, with slight increases or decreases over each quarter. The vacancy rate for industrial in Q3 was 2.6%, which was a slight decrease from Q2 when it was at 2.8%. Vacancy is up from this time last year, where it was at 2.4%. Milwaukee's industrial vacancy rate still outperforms the national average, which currently sits at 5.1%.

With consistently low vacancies, the market has seen continued growth in rental rates, but these still sit well below the national average, which is currently at \$11.70 per square foot. The Milwaukee market rate has jumped to \$7.51 in Q3, up from \$6.08 in Q2. Newer spaces continue to command higher rates, especially in sub-segments such as manufacturing space, where rents for new space range around \$9.00 per square foot and older space achieving rates below \$7.00 per square foot.

### LEASING & SALES

Limited space continues to hinder high levels of leasing activity in the market. The top significant transactions identified this quarter totaled roughly the same amount as what was seen in Q2. The total, approximately 325,000 square feet, averaged a larger lease size in Q3 than it did last quarter. The top transactions were both 75,000 square feet. Each of these transactions were

to undisclosed tenants at W177 N11927 Maple Road and 3037 S. Chase Avenue.

Sales activity in the Milwaukee market continues to be slow and has been throughout 2023. The activity that is happening is done by local investors. Traditionally, however, the market is used to seeing larger institutional and national investors be quite active in the market, but they are reigning in their acquisitions across the country compared to years past likely due to pressure on interest rates. This quarter saw a handful of significant sales, however at much lower sale prices than in Q2. This quarter, the largest sale was 3100 W. Mill Road in the Milwaukee Northwest submarket that sold for \$10,425,000. This price was a third of the price of the highest sale in Q2, which sold for \$32.7 million. The divide between sellers and buyers on pricing expectations is likely to continue and will remain an effect on the sales in the market.

### CONSTRUCTION

Construction activity continues to decline this quarter, with total square footage under construction sitting at 1.6 million, down from 2.2 million in Q2. That is likely due to the completion of properties noted last quarter. In all, 18 properties are currently under construction this quarter, with 12 slated for completion before the end of the year. New projects this quarter included a 375,000 square foot building at Donges Bay Road and Wasaukee Road in Germantown, and Zilber Industrial 6, a 233,482 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	15,423,598	201,504	69,804	43,846	108,193	0.70%	0	\$7.33
Central Waukesha	27,442,402	510,181	78,126	(18,145)	713,705	0.34%	164,000	\$7.63
Downtown East	44,398	0	0	0	0	0%	0	\$9.60
Downtown West	1,124,835	176,750	159,750	(20,750)	(114,750)	14.20%	0	\$8.49
Mayfair/Wauwatosa	7,310,597	2,283,602	952,892	6,686	(688,408)	13.42%	0	\$7.32
Milwaukee East	8,461,896	338,823	67,375	6,500	84,689	1.06%	0	\$6.00
Milwaukee Near Southwest	14,090,935	1,082,470	738,215	6,528	(210,871)	5.24%	130,000	\$6.68
Milwaukee Northwest	35,512,435	3,281,443	778,027	290,313	202,185	2.28%	419,659	\$5.75
Milwaukee Southeast	32,758,768	1,727,000	401,247	294,341	905,930	1.46%	775,279	\$6.11
Milwaukee West	8,965,831	580,615	248,272	62,566	237,985	2.77%	0	\$4.49
Northeast/Menomonee Falls	18,320,428	309,134	163,604	(76,046)	(16,317)	1.23%	130,899	\$6.82
North Shore	486,012	274,949	274,949	0	(33,431)	56.57%	0	\$12.59
SW Outlying Milwaukee	6,150,495	739,748	520,788	26,331	(18,415)	8.57%	0	\$7.64
Third Ward / Walkers Pt	7,740,863	314,377	312,287	0	(13,449)	4.03%	0	\$7.44
West Allis	12,732,693	1,096,106	492,308	58,461	(319,186)	3.87%	0	\$7.00
<b>Suburban Totals</b>	<b>81,715,730</b>	<b>4,675,476</b>	<b>2,031,683</b>	<b>14,802</b>	<b>(235,444)</b>	<b>2.49%</b>	<b>294,899</b>	<b>\$8.12</b>
<b>Milwaukee Totals</b>	<b>114,850,456</b>	<b>8,241,226</b>	<b>3,225,961</b>	<b>665,829</b>	<b>1,073,304</b>	<b>2.81%</b>	<b>1,324,938</b>	<b>\$6.91</b>

## Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Undisclosed	W188N11927 Maple Rd	75,000	Washington East
Undisclosed	3073 S Chase Ave	75,000	Milwaukee SE
Undisclosed	W165 N5731 Ridgewood Dr	62,020	NE/Menomonee Falls
Undisclosed	5235 - 5325 International Dr	55,108	Milwaukee SE
Undisclosed	8100 N Teutonia Ave	50,000	Milwaukee NW

## Significant Sales Transactions

Buyer	Address	Price	Submarket
Henry E & Judy Y Kumagai Trust	3100 W Mill Rd	\$10,425,000	Milwaukee NW
Thermtech, Inc.	16875 W Ryerson Rd	\$8,725,000	Brookfield/New Berlin
Brennan Investment Group	6432 W State St	\$5,494,300	Milwaukee West
D&S Manufacturing	16555 W Ryerson Rd	\$4,200,000	Brookfield/New Berlin
Copart of Connecticut Inc.	4801 S Whitnall Ave	\$3,000,000	Milwaukee SE

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.