

# Milwaukee Industrial Snapshot | Q4 2023



## MARKET INDICATORS

2.6%

VACANCY RATE



1,043,100

NET ABSORPTION



\$6.82

AVG MARKET RENT



1,435,660

SF UNDER CONSTRUCTION



## ECONOMIC INDICATORS

3.0%

MILWAUKEE UNEMPLOYMENT RATE



3.7%

U.S. UNEMPLOYMENT RATE



Low vacancy rates dominated the discussion in the Milwaukee industrial market in 2023. This, coupled with a limited number of new construction projects, and limited sales activity, were factors in the overall activity throughout the year.

### VACANCY & RENTAL RATES

The year ended with vacancy rates holding steady at 2.6%, similar to Q3. Most vacancies are from older industrial buildings, with estimates of more than two-thirds of these being from buildings in Milwaukee County built before 1990. The vacancy rate hovered around this level throughout 2023 and was only slightly lower than this time last year, when the vacancy rate was at 2.8%.

Rent growth is likely to outperform the national average near the beginning of 2024 because of the tight vacancy rates expected to continue into 2024. Currently, the local rent growth is at 5.5%, which is lower than the national average of 6.1%. The Milwaukee market rent dropped in Q4 to \$6.82 from \$7.51 in Q3. The current market rent is more in line with what was seen in the first half of 2023, and only slightly higher than the end of last year where it was at \$6.38.

### LEASING & SALES

While overall, leasing activity is still limited due to the minimal quality product available on the market, Q4 saw higher lease sizes completed than in Q3. The most significant transaction, and largest one identified in 2023, was a 285,000 square foot lease for Medline at 700 W. North Shore Drive in the NE/Delafield submarket. This, along with the next four

significant leases total more than 588,000 square feet. Those other top four transactions included: 4120 S. Kansas Avenue in the Milwaukee SE submarket; 5333-5349 S. Emmer Drive in Muskego; 2207 S. 114th Street in the West Allis submarket; and 600 Perkins Drive in Mukwonago.

Leading into Q4, the market was on pace to have its lowest sales volume in more than a decade. The decline in activity is a result of increasing interest rates and many of the larger institutional and national buyers pulling back on their acquisitions. One of the largest sale transactions over the year was Sterling Management, LLC purchasing N17 W25045 Bluemound Road for \$25 million. The second largest was Yaskawa America, Inc. and their purchase of 2 World Packaging Circle for \$20.3 million, which marks their expansion in the market. Currently, the company leases space in Oak Creek. The divide between sellers and buyers remains a large factor on the inactivity in the market and will likely continue into 2024.

### CONSTRUCTION

Construction activity declined for the second consecutive quarter, sitting currently at 1.4 million square feet under construction. This drop was only slightly down from Q3, which was 1.6 million square feet. This quarter saw no new construction projects added. As we close out the year, there are nine projects under construction, with four slated for completion in Q1 2024 including: Saputo Inc. Distribution facility at 9371 S. 76th Street; and Zilber Industrial 6, located at W210 N12995 Gateway Crossing in Richfield.

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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	15,573,899	199,484	61,801	37,380	373,144	0.50%	50,000	\$7.41
Central Waukesha	27,455,861	670,555	82,737	(21,413)	613,385	0.40%	164,000	\$7.71
Downtown East	44,398	0	0	0	0	0.00%	0	\$9.52
Downtown West	946,220	176,750	159,750	0	(219,432)	16.90%	0	\$9.17
Mayfair/Wauwatosa	7,313,597	2,252,168	936,708	(3,900)	(661,273)	13.50%	0	\$7.40
Milwaukee East	8,461,896	338,823	67,375	22,380	124,047	0.80%	0	\$6.03
Milwaukee Near Southwest	13,861,404	1,051,686	287,352	450,863	664,419	2.10%	130,000	\$6.85
Milwaukee Northwest	35,848,751	3,569,018	1,260,939	(50,654)	(203,863)	3.60%	0	\$5.79
Milwaukee Southeast	33,125,367	1,794,594	567,470	180,557	1,179,534	1.70%	503,495	\$6.30
Milwaukee West	9,058,807	583,854	274,476	(26,204)	72,648	3.00%	0	\$4.59
Northeast/Menomonee Falls	18,451,803	300,454	147,580	128,919	112,103	1.20%	0	\$6.95
North Shore	473,731	274,949	274,949	0	(4,310)	58.00%	0	\$12.53
SW Outlying Milwaukee	6,164,826	517,282	301,534	217,622	165,897	5.00%	0	\$7.84
Third Ward / Walkers Pt	7,741,111	295,526	288,372	23,915	21,960	3.70%	0	\$7.68
West Allis	12,727,686	983,342	486,958	(37,900)	(169,076)	4.00%	0	\$7.18
<b>Suburban Totals</b>	<b>81,996,577</b>	<b>4,680,952</b>	<b>1,990,733</b>	<b>103,086</b>	<b>263,973</b>	<b>2.43%</b>	<b>214,000</b>	<b>\$8.20</b>
<b>Milwaukee Totals</b>	<b>115,252,780</b>	<b>8,327,533</b>	<b>3,207,268</b>	<b>818,479</b>	<b>1,805,210</b>	<b>2.78%</b>	<b>633,495</b>	<b>\$7.09</b>

## Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Medline	700 W North Shore Dr	285,000	NE/Delafield
Undisclosed	4120 S Kansas Ave	98,757	Milwaukee SE
Undisclosed	5333-5349 S Emmer Dr	82,852	SE/Muskego
Takara	2207 S 114th St	81,501	West Allis
Undisclosed	600 Perkins Dr	40,000	SW/Mukwonago

## Significant Sales Transactions

Buyer	Address	Price	Submarket
Sterling Management, LLC	N17W25045 Bluemound Rd	\$25,000,000	Central Waukesha
Yaskawa America, Inc.	2 World Packaging Cir	\$20,300,000	SW Outlying Milwaukee
Tempus Realty Partners	250 Weil Dr	\$9,603,500	Washington West
RGR Miller Legacy LLC	7125 W Dean Rd	\$3,000,000	Milwaukee NW
Todd Jeske	11122 W Rogers St	\$3,000,000	West Allis

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.