

# Milwaukee Industrial Snapshot | Q2 2023



## MARKET INDICATORS

2.7%

VACANCY RATE



(9,826)

NET ABSORPTION



\$6.71

AVG MARKET RENT



2,265,766

SF UNDER CONSTRUCTION



## ECONOMIC INDICATORS

3.1%

MILWAUKEE UNEMPLOYMENT RATE



3.4%

U.S. UNEMPLOYMENT RATE



The continued low vacancy rates, coupled with limited construction and limited available space, cause the Milwaukee market to be impacted on overall activity. This is anticipated to remain a factor in the market for the rest of the year.

### VACANCY & RENTAL RATES

The industrial vacancy rate rose back 2.7%, a similar rate as the end of 2022, and up slightly from Q1 2023 when it was at 2.5%. This rate continues to be lower than the national average which is at 4.7%.

The Milwaukee vacancy rate is one of the lowest across the nation and the market rent growth has surpassed the national average for the first time in more than 12 years and is anticipated to continue to surpass in the coming quarters. At the end of Q2, the average market rent currently was \$6.71, a decrease from last quarter's \$6.84 average. In the logistics space, rents are averaging over \$6.00 per square foot, which is much lower than the national average of \$10.80 per square foot.

### LEASING & SALES

With high demand, but limited space, leasing activity levels are still lower than last year. The top significant leases only total just over 325,000 square feet, down even from Q1 of this year, when there was a total of more than 509,000 square feet of space leased. The top lease was for an undisclosed tenant leasing 117,000 square feet at 18200 W. Lincoln Avenue in the Brookfield/New Berlin submarket.

Investment activity in the Milwaukee industrial market continues to be

slow, a continuation of what was seen at the start of 2023. Overall, deal activity is down. Fewer deals are being done between local investors, which is the mainstay of the market. This quarter saw a few significant sales including Borgman Capital's purchase of W190 N11701 Moldmakers Way. The property sold for \$32.7 million. The other significant transaction was Urban Manufacturing Inc.'s \$4.9 million of purchase of 20580 Enterprise Avenue in the Central Waukesha submarket. Sales activity is likely to remain muted, but with the low barrier to entry and higher average yields being the benefits for investors considering purchases in the Milwaukee market.

### CONSTRUCTION

Construction activity has been dwindling over the last few quarters, with speculative developments struggling to keep up with demand. This is due to increased costs for construction and financing related to the lower rents in the Milwaukee area. The amount of square feet under construction was fairly close between Q1 to Q2, with a current level of 1.8 million square feet, down just slightly from last quarter's amount of 1.9 million square feet. In all, 21 properties are under construction in Q2, up from Q1 where there were 15 properties. The additional properties total more than 610,000 square feet of product. These include one at N102 W19200 Willow Creek, N30 W22835 Green Road and 7350 S. 13th Street, each of these being more than 100,000 square foot buildings.

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	15,389,809	184,020	75,775	70,666	126,497	0.80%	0	\$7.30
Central Waukesha	27,376,086	489,013	52,230	122,430	649,293	0.30%	204,000	\$7.63
Downtown East	44,398	0	0	0	0	0.00%	0	\$9.46
Downtown West	1,119,013	156,000	139,000	(94,000)	(76,070)	12.40%	0	\$8.50
Mayfair/Wauwatosa	7,310,597	1,683,222	987,578	(165,651)	(821,943)	13.50%	0	\$7.33
Milwaukee East	8,451,896	345,323	73,875	16,978	180,601	1.10%	0	\$6.00
Milwaukee Near Southwest	14,055,453	1,119,572	744,743	(72,682)	254,684	5.30%	130,000	\$6.69
Milwaukee Northwest	35,264,399	3,225,206	1,025,487	(580,085)	(2,741)	3.00%	450,076	\$5.78
Milwaukee Southeast	32,656,598	1,814,638	518,885	417,033	974,834	2.30%	906,879	\$6.16
Milwaukee West	8,987,712	651,580	310,838	70,757	217,637	3.50%	0	\$4.47
Northeast/Menomonee Falls	18,102,226	300,127	145,406	66,400	17,362	0.80%	130,899	\$6.84
North Shore	486,012	274,949	274,949	(4,310)	(33,431)	56.60%	0	\$12.50
SW Outlying Milwaukee	6,196,379	733,330	472,452	26,803	(86,446)	8.90%	0	\$7.67
Third Ward / Walkers Pt	7,727,463	312,287	312,287		124,003	4.00%	0	\$7.44
West Allis	13,633,709	977,405	550,769	(179,418)	(156,187)	4.00%	0	\$7.03
<b>Suburban Totals</b>	<b>82,298,439</b>	<b>3,908,736</b>	<b>2,086,707</b>	<b>(89,883)</b>	<b>(218,409)</b>	<b>2.5%</b>	<b>334,899</b>	<b>\$8.11</b>
<b>Milwaukee Totals</b>	<b>114,503,311</b>	<b>8,357,936</b>	<b>3,597,567</b>	<b>(215,196)</b>	<b>1,586,502</b>	<b>3.1%</b>	<b>1,486,955</b>	<b>\$6.91</b>

## Significant Lease Transactions

Tenant	Address	Size (SF)	Submarket
Undisclosed	18200 W Lincoln Ave	117,000	Brookfield/New Berlin
Undisclosed	W251 N5350 Business Dr	81,547	North/Sussex
Undisclosed	Gateway Xing	43,695	Washington East
Spencer Technologies Llc	W169 N5954 Ridgewood Dr	43,459	NE/Menomonee Falls
Undisclosed	W160S6550 Commerce Dr	39,337	SE/Muskego

## Significant Sales Transactions

Buyer	Address	Price	Submarket
Borgman Capital	W190N11701 Moldmakers Way	\$32,700,000	Washington East
Urban Manufacturing Inc.	20580 Enterprise Ave	\$4,900,000	Central Waukesha
Hansen Storage Co	1300 Glenview Pl	\$4,320,000	Mayfair/Tosa
Colliers	4066 N Port Washington Rd	\$4,100,000	Milwaukee East
Blue Bird New Berlin LLC	3015 S 163rd St	\$3,650,000	Brookfield/New Berlin

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.