

## Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
<b>3.7%</b> Vacancy Rate	▲	▼
<b>-385K</b> YTD Net Absorption, SF	▼	▲
<b>\$5.38</b> Asking Rent, PSF <small>(Overall, Net Asking Rent)</small>	▲	▲

### ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
<b>857.9K</b> Milwaukee Employment	▼	▲
<b>3.2%</b> Milwaukee Unemployment Rate	▲	▲
<b>4.1%</b> U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics  
Q2 2024 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 increased 10 basis points (bps) year-over-year (YOY) to 3.2%, and employment decreased 0.3% YOY.

### MARKET OVERVIEW

The Milwaukee industrial market experienced 341,552 square feet (sf) of positive absorption in the second quarter of 2024, however overall vacancy climbed further by 120 bps YOY to 3.7%. Year-to-date (YTD) net absorption is -384,686 sf, driven by Midwest Refrigerated Services vacating 100,800 sf in Glendale in Q2, along with Briggs & Stratton vacating 564,175 sf in Wauwatosa in Q1.

Tenant demand remains elevated with 1.1 million square feet (msf) of total leasing activity (new leases and renewals) recorded throughout Q2, continuing a stretch of 16 consecutive quarters exceeding 1.0 msf leased. New leasing activity in Q2 totaled 679,744 sf, bringing YTD totals to 1,722,291 sf, a 16% increase YOY. Notable activity in Q2 included a sale-leaseback of Allis Roller's 111,800 sf facility in Franklin, along with Yunker Industries backfilling 78,138 sf in a second-generation speculative construction property in Mukwonago.

Overall asking rental rates recorded a 2.3% increase YOY to \$5.38 triple net (NNN) per square foot (psf). Office Service/flex rates have surged 14.1% YOY due to a lack of new flex construction and stable tenant demand, evidenced by a 1.7% market-wide vacancy rate. Warehouse/distribution property rates increased 1.6% YOY and manufacturing property rates increased 1.5% YOY.

The market also registered 415,995 sf of new construction deliveries this quarter, which consisted of three owner-user, built-to-suit projects. Speculative construction has significantly slowed down due to lending tightening and slower leasing velocity, leaving no projects currently under construction. Along with no speculative projects under construction previously in Q1 2024, this is the first stretch of two consecutive quarters without speculative projects under construction since early 2013, which was also the last occurrence of a single quarter having no speculative projects under construction.

### OUTLOOK

Although the Milwaukee industrial market continues to show high levels of overall tenant activity and favorable vacancy rates, declines in leasing and construction of Class A properties have put the brakes on the market's rapid growth. New YTD leasing activity for Class A properties has decreased 15% YOY, and Q2 2024 Class A absorption was a miniscule 53,350 sf. While a "flight to quality" trend persists among tenants, Class A transactions are taking longer to close and new projects are facing increasing lender scrutiny regarding large concessions and overall likelihood of lease-up, which has effectively cut off the new speculative construction pipeline. Expect competitive Class B and Flex properties to remain stable from a vacancy perspective, but an overall tempered market atmosphere to persist in the market until Class A leasing and construction picks up once again.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT MILWAUKEE

## Industrial Q2 2024

### 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	100,564,248	5,761,553	5.7%	-67,189	-862,101	306,000	0	\$4.73	\$7.69	\$5.05
Ozaukee County	12,718,216	190,871	1.5%	99,642	133,636	0	129,025	\$5.59	\$8.94	N/A
Washington County	23,538,457	1,254,349	5.3%	242,660	241,770	0	622,959	\$5.47	\$6.44	\$6.65
Waukesha County	77,991,353	706,701	0.9%	66,439	102,009	302,778	38,960	\$6.36	\$6.99	\$6.35
<b>MILWAUKEE TOTALS</b>	<b>214,812,274</b>	<b>7,913,474</b>	<b>3.7%</b>	<b>341,552</b>	<b>-384,686</b>	<b>608,778</b>	<b>790,944</b>	<b>\$4.95</b>	<b>\$7.21</b>	<b>\$5.41</b>

\*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	109,854,486	3,582,386	3.3%	-34,714	-596,265	508,778	129,025	\$4.95
Office Service / Flex	38,616,111	674,408	1.7%	-95,353	-201,414	0	0	\$7.21
Warehouse / Distribution	66,341,677	3,656,680	5.5%	471,619	412,993	100,000	661,919	\$5.41

### KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
W180 N11900 River Lane, Germantown	Washington County	WestRock	202,500	Renewal
5801 W Franklin Drive, Franklin	Milwaukee County	Allis Roller	111,800	New
103 Hill Court, Mukwonago	Waukesha County	Yunker Industries	78,138	New
8711 W Port Avenue, Milwaukee	Milwaukee County	Phoenix Lighting	68,823	Renewal
W142 N9251 Fountain Blvd, Menomonee Falls	Waukesha County	Bradley Corporation	67,000	New
W233N2095 Ridgeview Pky, Pewaukee	Waukesha County	TireHub	51,148	New

### KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
W251 N5350 Business Drive, Sussex	Waukesha County	STAG Industrial / Wangard Partners	150,002	\$16.0M / \$107
405 Commerce Street, Waukesha	Waukesha County	Midwest Engineered Systems Inc. / Wildeck	98,183	\$5.7M / \$58
15755 W Rogers Drive, New Berlin	Waukesha County	Chad Beeler / Marshall Park Investments	42,000	\$3.0M / \$70
1190 Corporate Center Drive, Oconomowoc	Waukesha County	Silgan Containers Corporation / W.P. Carey	30,000	\$7.0M / \$232

### KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
N104 W12659 Donges Bay Road, Germantown	Washington County	-	374,949	F Street

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