

MILWAUKEE

Retail Q2 2024

	YoY Chg	12-Mo. Forecast
7.0% Vacancy Rate	▲	▼
267K YTD Net Absorption, SF	▲	▼
\$15.77 Asking Rent, PSF <small>(Overall, Net Asking Rent)</small>	▲	▲

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
\$76,600 Median Household Income	▲	▲
0.1% Population Growth	▼	▲
3.2% Milwaukee Unemployment Rate	▲	▲

Source: BLS, BOC, Moody's Analytics
Q2 2024 data are based on latest available data.

ECONOMY

Milwaukee, nestled on the shores of Lake Michigan, exudes vibrancy with its rich cultural tapestry showcased through festivals, diverse culinary experiences, historic neighborhoods, and its renowned brewing and manufacturing heritage. Metro Milwaukee's unemployment rate increased 10 basis points (bps) year-over-year (YOY) to 3.2%, and the population rose 0.1% YOY.

MARKET OVERVIEW

Metro Milwaukee's retail market experienced 130,527 square feet (sf) of net absorption in the second quarter of 2024. The overall market vacancy rate is 7.0%, a 240-bps increase YOY. The Racine submarket had the strongest quarter with 71,274 sf of positive absorption, led by VASA Fitness leasing 50,979 sf at 5201 Washington Ave in Racine. Overall, leasing in the market is strong with every submarket reporting positive absorption year-to-date (YTD). Mequon and Racine County submarkets experienced the largest amounts of positive absorption with 48,118 sf and 69,198 sf, respectively.

Leasing activity continued to remain active, with 45 transactions totaling 170,390 sf signed in Q2. 83% of the space leased this quarter occurred in Class B properties. The median lease size was 2,128 sf and Q2 saw two leases signed greater than 20,000 sf, showing continued activity at the low size and slowing activity at the high size ends of the market. However, in-line space in shopping centers remains difficult to lease as not a lot of users fit the square footage size (3,000 – 5,000 sf) along with lack of a drive-thru access.

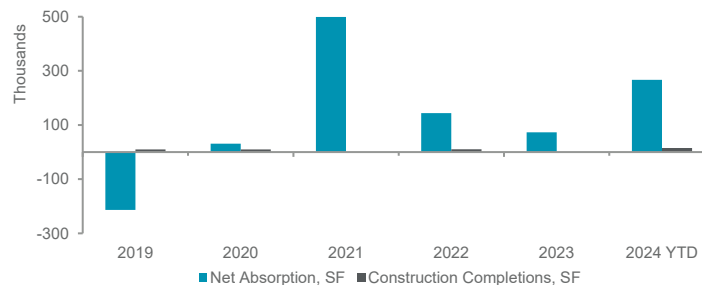
The market's overall rental rate remains elevated a \$15.77 triple net (NNN) per square foot (psf), as demand for quality space persists with a lack of product being delivered or in the construction pipeline. Wauwatosa is currently the tightest market with a 1.7% vacancy rate, leading to rental rates reflecting the lack of available space in the submarket at \$29.88 NNN psf.

In the Milwaukee retail market, 94% of Q2 net absorption occurred in Class B properties. Leasing activity in Class A properties has slowed down, with 6,320 sf absorbed, yet demand remains high for quality space due to lack of supply in desired geographical corridors such as Racine, Lake Country & Wauwatosa with Class A vacancy across the market tightening to 3.7%.

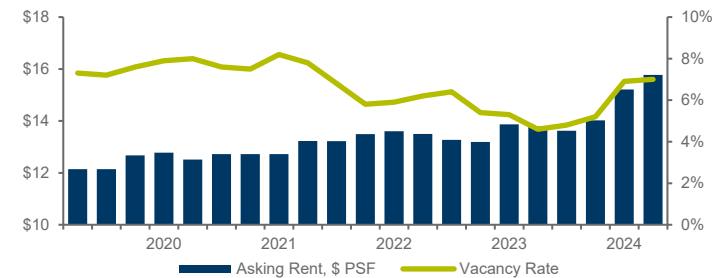
OUTLOOK

Milwaukee's retail market exemplifies a strong demand for quality space, yet limited supply and sparse proposed construction lead to higher vacancy rates specifically in Class B properties, leaving lower quality inventory vacant. Single-tenant new construction is still popular in the market, but there is an absence of new multi-tenant deliveries due to lender expectations and high cost of construction. Prospective tenants are in control of lease proposals and are seeing a reasonable amount of TI as specification is a standard throughout the market. The rest of the year could see rental rates increase, pushing local retailers and users to seek space outside of main corridor and hard corners.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MILWAUKEE

Retail Q2 2024

MARKET STATISTICS

***Our statistical coverage includes community/neighborhood, power/regional, and strip centers. It does not include malls, outlet centers, theme retail centers, airport retail or freestanding retail product.*

SUBMARKET	INVENTORY (SF)*	OVERALL AVAILABLE (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)**
Downtown Milwaukee	250,581	9,987	11,287	4.5%	1,300	3,490	0	\$18.00
Lake Country	1,324,467	67,714	50,752	3.8%	-593	30,959	0	\$13.93
Mequon	608,371	40,530	39,075	6.4%	1,820	48,118	0	\$18.00
Muskego / Mukwonago	544,969	43,060	41,060	7.5%	0	11,600	0	\$15.82
North Shore	1,021,979	119,889	68,827	6.7%	2,946	7,639	0	\$18.34
Northern Ozaukee	1,597,728	75,678	63,872	4.0%	6,687	793	0	\$9.23
Northern Washington	1,963,335	160,170	104,022	5.3%	-3,373	5,647	0	\$15.29
Northwest Milwaukee	2,778,407	669,012	399,400	14.4%	3,905	8,229	0	\$10.90
Racine County	3,351,609	408,556	385,381	11.5%	71,274	69,198	0	\$22.03
Southeast Milwaukee	2,169,203	92,102	58,802	2.7%	-700	1,700	0	\$15.17
Southwest Milwaukee	2,727,962	171,703	126,583	4.6%	4,000	7,600	0	\$18.59
Sussex / Menomonee Falls / Germantown	2,242,219	347,398	236,806	10.6%	2,695	10,485	0	\$16.16
Waukesha / Brookfield / New Berlin	5,502,843	569,100	353,962	6.4%	13,222	20,460	0	\$15.66
Wauwatosa	892,389	28,738	15,487	1.7%	2,240	5,740	0	\$29.88
Western Milwaukee	3,955,563	249,249	220,508	5.6%	25,104	35,352	0	\$10.65
MILWAUKEE TOTALS	30,931,625	3,052,886	2,175,824	7.0%	130,527	267,010	0	\$15.77
Power & Regional	3,700,181	503,880	262,060	7.1%	-2,262	6,623	0	N/A
Neighborhood & Community	22,503,625	2,213,575	1,696,719	7.5%	108,831	219,446	0	\$15.69
Strip	4,727,819	335,431	217,045	4.6%	23,958	40,941	0	\$16.21
MILWAUKEE TOTALS	30,931,625	3,052,886	2,175,824	7.0%	130,527	267,010	0	\$15.77

KEY LEASE TRANSACTIONS Q2 2024

***Rental rates reflect NNN asking*

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5201 Washington Ave, Racine	Racine	VASA Fitness	50,970	New
2308-2406 S Green Bay Rd, Racine	Racine	HomeGoods	23,090	New
7800-7850 W Layton Ave, Greenfield	Southwest Milwaukee	Mountain Mikes Pizza	4,200	New

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE/\$ PSF
Galleria West, Brookfield	Waukesha / Brookfield / New Berlin	Last Mile Investments / Galleria West Associations	74,323	\$7.25M / \$98
Schmit's Pavilion - Building II, Grafton	Northern Ozaukee	Port Road Development, LLC / Richard J Schmit	10,060	\$2.1M / \$209

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Mayfair Retail Commons, Wauwatosa	Wauwatosa	Noodles, Panera	8,538	Irgens Partners
1620 N Port Washington Rd, Grafton	Northern Ozaukee	Chipotle, Five Guys, T-Mobile	6,687	Alrig USA

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