

# MARKETBEAT

## Milwaukee

### Industrial Q3 2019



CUSHMAN & WAKEFIELD

BOERKE

#### MILWAUKEE INDUSTRIAL

##### Economic Indicators

	Q3 18	Q3 19*	12-Month Forecast
Milwaukee Employment	803.0k	803.4k	■
Milwaukee Unemployment Rate	3.2%	3.2%	■
U.S. Unemployment Rate	3.8%	3.7%	▲

\*Q3 19 data based on the latest available date.

Source: BLS, Moody's Analytics, Cushman & Wakefield Research

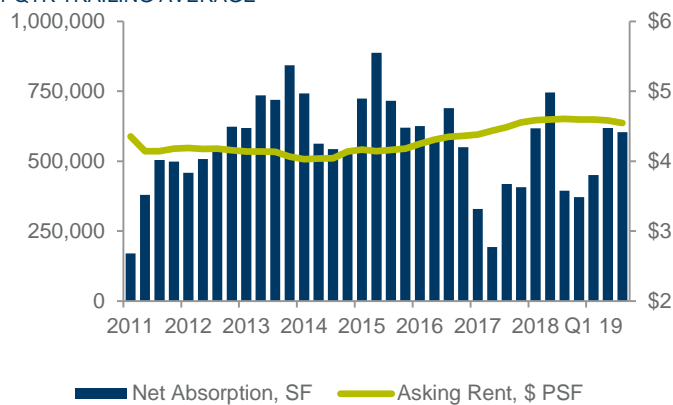
##### Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	4.2%	4.0%	■
YTD Net Absorption (sf)	1.6M	2.6M	■
Under Construction (sf)	2.1M	4.8M	■
Average Asking Rent*	\$4.63	\$4.48	■

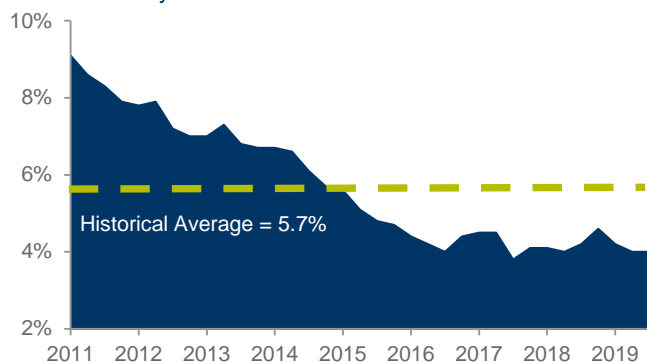
\*Rental rates reflect net asking \$psf/year

##### Overall Net Absorption/Overall Asking Rent

###### 4-QTR TRAILING AVERAGE



##### Overall Vacancy



## Economy

Wisconsin's unemployment rate increased by 30 basis points (bps) to 3.1% in the third quarter 2019. Year-over-year, the unemployment rate increased 10 bps. Wisconsin continues to post an unemployment rate lower than the national average of 3.7%.

The Marquette-Institute of Supply Management (ISM) Report on Manufacturing scored the Milwaukee area at 45.41 for September 2019, a decrease of 1.88 points from May 2019 and the third consecutive month of contraction. A reading below 50 demonstrates contraction as a measure of new orders, production, employment, supplier deliveries and inventories in the manufacturing industry.

## Market Overview

The Metro Milwaukee industrial market experienced a summer lull with a slight slow down after a fast-break pace during the first half the year. Overall vacancy remains unchanged quarter-over-quarter at 4.0%, remaining a market low since second quarter 2018. Net absorption was just under 20,000 square feet (sf) for the quarter overall, heavily impacted by the closure of a 250,000-sf facility on the northside of Milwaukee.

However, construction activity continued its record setting pace in the third quarter of 2019, reflecting the highest level of construction activity since pre-recession times. Nearly 5.0 msf are currently under construction, a 131% increase year-over-year, with 81% pre-leased. With the healthy demand, it is anticipated that 2019 will be a record-setting year with regard to construction deliveries. At just under 3.0 msf, a nearly 50% increase over the 2017 year-end high. Although Wisconsin is known for an economy driven by manufacturing, logistics occupiers have driven significant demand in the market. By year-end 2019, it is anticipated that over 3.0 msf will be absorbed by logistics tenants.

Investment sales activity has remained strong in 2019, with over 1.1 msf trading in third quarter 2019. Pricing has yet to plateau, with the average sale price per square foot at \$67.90 year-to-date. Anticipate a continuation of strong investor demand given Milwaukee's solid market fundamentals.

## Outlook

As 2019 closes out, expect a pickup in leasing velocity as the summer lull wanes. Strong absorption figures will stay consistent during upcoming construction deliveries with strong preleasing activity. Average asking rents should remain above \$4.50 psf NNN blended, with average asking rents for Class A product at \$5.50 psf NNN.

**MARKETBEAT**  
**Milwaukee**  
**Industrial Q3 2019**



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
Milwaukee County	1,436	97,583,147	2,761,745	6.4%	488,862	3,313,287	\$4.04	\$5.62	\$4.10
Ozaukee County	179	11,875,267	178,253	5.0%	55,856	0	\$4.22	\$4.90	\$5.00
Washington County	329	20,452,033	166,887	1.6%	837,060	598,298	\$4.75	\$5.22	\$5.53
Waukesha County	1,524	73,727,771	1,420,839	1.6%	1,180,703	852,446	\$5.18	\$6.02	\$5.70
<b>MILWAUKEE TOTALS</b>	<b>3,468</b>	<b>203,638,218</b>	<b>4,527,724</b>	<b>4.0%</b>	<b>2,562,481</b>	<b>4,764,031</b>	<b>\$4.27</b>	<b>\$5.67</b>	<b>\$4.35</b>

\*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

BY PROPERTY TYPE	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT
Manufacturing	1,933	110,821,638	2,765,134	2.4%	-5,349	1,762,216	1,031,416	1,274,499	\$4.27
Office Service/Flex	920	37,602,697	515,680	2.6%	85,005	264,501	0	40,000	\$5.67
Warehouse/Distribution	615	55,213,883	1,246,910	8.2%	-60,610	535,764	3,732,615	550,000	\$4.35

**Key Lease Transactions Q3 2019**

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2900 N 112 <sup>th</sup> Street, Wauwatosa	110,800	Viking Electric	Renewal	Milwaukee County
5170-5250 S 6 <sup>th</sup> Street, Milwaukee	110,000	Iron Mountain	Renewal	Milwaukee County
130-150 W Edgerton Avenue, Milwaukee	54,632	SEKO / KAT Logistics	New	Milwaukee County
5120 S International Drive, Cudahy	35,000	XPO Last Mile	New	Milwaukee County

**Key Sales Transactions Q3 2019**

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
W.P. Carey Acquisition, Hartford & Milwaukee	466,197	Cod Real Estate Holdings, LLC / W.P. Carey, Inc.	\$30,125,735 / \$65	Milwaukee and Washington County
24887 W Bluemound Road, Pewaukee	171,058	Harken Real Estate LLC / HRKN LLC and HRKN 1, LLC	\$15,000,000 / \$88	Waukesha County
33341 W Watertown Plank Road, Nashotah	136,697	TL Nashotah Funding Company, LLC / NL Ventures X Watertown LLC	\$8,911,913 / \$65	Waukesha County
6100 and 6120 N Baker Road, Glendale	87,026	Centers for Independence, Inc. / Grandview Park Partners, LLC	\$2,525,000 / \$29	Milwaukee County
9909 S 57 <sup>th</sup> Street, Franklin	76,505	Steele Solutions, Inc. / Store Master Funding V, LLC	\$5,250,000 / \$69	Milwaukee County

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