

Milwaukee

While construction remains steady, leasing activity is declining

- Q4 was met with declining leasing activity and with major groundbreakings, the combination of the two leading to an oversupply in the market.
- Rental rates experienced record highs in warehouse and distribution spaces due to e-commerce superseding most of the leasing demand.
- Higher vacancy at 5.2%, near pre-pandemic levels, signals slowdown in demand, leading to projected construction delays in the months ahead.

Milwaukee industrial leasing activity saw a significant decrease this quarter with only 533,521 s.f., a 71% decrease in leasing activity compared to Q3 2022 (1.9 million s.f.). The average lease size signed in Q3 was nearly double what was seen in Q4. Major leases signed this quarter included The Brewer Company (67,000 s.f.) and ID Technology (51,777 s.f.) in Waukesha. This further bolsters the Waukesha submarket which saw the most leasing activity this quarter due to its accessibility to highways and abundance of modern bulk buildings.

Contributing to this quarter's leasing activity decline, was the inundation of newly completed construction in the area. Construction was completed at 150 W Oakview Pkwy (131,224 s.f.), 3617 W Oakwood (236,180 s.f.) and Zilber Industrial V (233,282 s.f.). This added a combined total of 600,686 s.f. to the supply. Currently, there is less demand in the market than what was seen a year ago as new inventory delivers on a speculative basis.

Warehouse and distribution average rental rates reached an all-time high in 2022 of \$5.03 p.s.f. while manufacturing rents hit a 5-year low at \$3.88 p.s.f.. This is most likely due to the increase in warehouse needs as e-commerce expanded in 2022 while manufacturing needs were not in as high of demand.

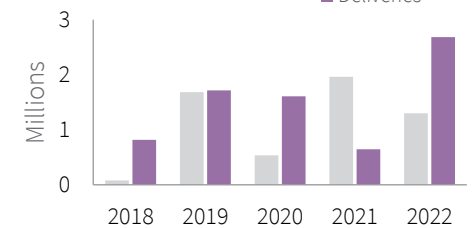
Outlook

There were quite a few groundbreakings this quarter, 18200 W Lincoln Ave (117,000 s.f.), 9371 S 76th St (350,000 s.f.) and Capstone 41 Phase 2 (292,796 s.f.) to name a few. However, the development pipeline seems to have peaked last quarter at 2.3 million s.f. with this quarter falling slightly to 2 million s.f. under development. Coupled with the vacancy rate rising from 4.6% (2021) to 5.2% (2022), the Milwaukee market expects to see groundbreaking delays due to decreased tenant demand and elevated costs to build and finance projects.

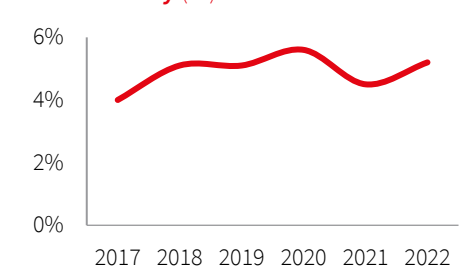
Fundamentals

	Forecast
YTD net absorption	1,299,650 s.f. ▲
Under construction	2,058,296 s.f. ►
Total vacancy	5.2% ►
Sublease vacancy	1,067,906 s.f. ▼
Direct asking rent	\$4.41 p.s.f. ▲
Sublease asking rent	\$4.88 p.s.f. ▲
Concessions	Steady ►

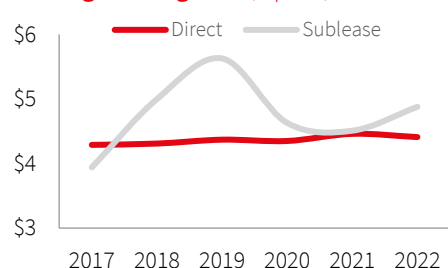
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



As part of a continuous process of data quality improvement, JLL Research has expanded its tracked inventory to include corporate owner-occupied properties. Buildings owned by government, educational and medical entities remain outside of statistical inventory.

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Milwaukee total										
Warehouse & Distribution	65,530,787	-41,244	1,379,608	2.1%	7.0%	8.9%	\$5.03	600,686	2,009,707	1,903,296
Manufacturing	112,388,717	-125,337	-79,958	-0.2%	4.2%	4.7%	\$3.88	0	674,000	155,000
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	177,919,504	-166,581	1,299,650	0.7%	5.2%	6.3%	\$4.41	600,686	2,683,707	2,058,296
Suburbs total										
Warehouse & Distribution	65,530,787	-41,244	1,379,608	2.1%	7.0%	8.9%	\$5.03	600,686	2,009,707	1,903,296
Manufacturing	112,388,717	-125,337	-79,958	-0.2%	4.2%	4.7%	\$3.88	0	674,000	155,000
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	177,919,504	-166,581	1,299,650	0.7%	5.2%	6.3%	\$4.41	600,686	2,683,707	2,058,296
Washington										
Warehouse & Distribution	9,337,342	163,534	425,644	4.6%	10.8%	12.5%	\$4.78	233,282	712,884	292,736
Manufacturing	8,159,200	0	7,000	0.1%	1.0%	1.0%	\$6.17	0	0	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	17,496,542	163,534	432,644	2.5%	6.2%	7.2%	\$4.91	233,282	712,884	292,736
Milwaukee										
Warehouse & Distribution	34,823,259	-362,328	659,426	1.9%	8.7%	10.8%	\$4.83	367,404	863,804	1,016,512
Manufacturing	59,165,254	-97,604	130,753	0.0%	5.9%	6.7%	\$3.58	0	430,000	95,000
Overall Total	93,988,513	-459,932	790,179	0.7%	6.9%	8.3%	\$4.09	367,404	1,293,804	1,111,512
Ozaukee Ind										
Warehouse & Distribution	1,776,280	0	-6,001	-0.3%	0.3%	1.0%	\$5.50	0	0	36,843
Manufacturing	8,161,472	0	179,347	2.2%	4.5%	4.8%	\$4.12	0	244,000	0
Overall Total	9,937,752	0	173,346	1.7%	3.7%	4.1%	\$4.15	0	244,000	36,843
Waukesha										
Warehouse & Distribution	19,593,906	157,550	300,539	1.5%	2.8%	4.5%	\$5.91	0	433,019	557,205
Manufacturing	36,902,791	-27,733	-397,058	-1.1%	2.1%	2.4%	\$5.00	0	0	60,000
Overall Total	56,496,697	129,817	-96,519	-0.2%	2.4%	3.1%	\$5.48	0	433,019	617,205