

FIGURES | MILWAUKEE INDUSTRIAL | Q4 2022

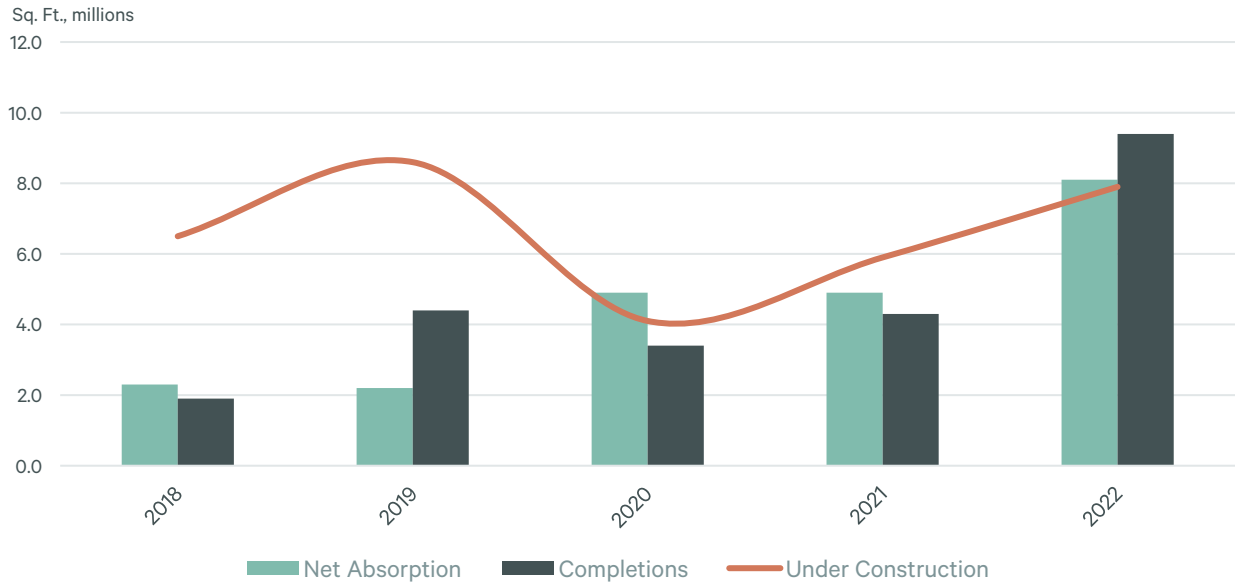
# Continued demand produces positive absorption in Q4



Note: Arrows indicate change from previous quarter.

- The vacancy rate increased 10 basis points (bps) to 2.6% and the availability rate declined 80 bps to 4.2% while the average asking lease rate decreased to \$4.91.
- The market saw 1.7M sq. ft. of positive absorption during Q4 2022.
- 9 speculative (spec) projects totaling approximately 2.3 million sq. ft. were completed in Q4 2022.
- There are approximately 7.9 million sq. ft. of projects under construction in the market.
- Investment sales accounted for approximately \$200 million of sales volume in Q4 2022.
- The Milwaukee industrial market closed 2022 with 9.4 million sq. ft. of deliveries, 8.1 sq. ft. of net absorption and 10 million sq. ft. of leasing volume.

FIGURE 1: Net Absorption, Construction Completions and Under Construction



Source: CBRE Research, Q4 2022

## Construction Pipeline

One built-to-suit project by Venture One on behalf of an undisclosed e-commerce retailer delivered in Q4 in the Kenosha submarket, totaling just over 1 million sq. ft. Nine spec projects totaling roughly 2.3 million sq. ft. and another BTS project totaling 172,000 sq. ft. were also delivered.

As of Q4 2022, there were 37 projects under construction, totaling approximately 7.9 million sq. ft. Most of these projects are in southern submarkets of Kenosha, Racine and Milwaukee South.

The Milwaukee industrial market closed 2022 with 9.4 million sq. ft. of deliveries.

FIGURE 2: Active Construction, Q4 2020 to Q4 2022



Source: CBRE Research, Q4 2022.

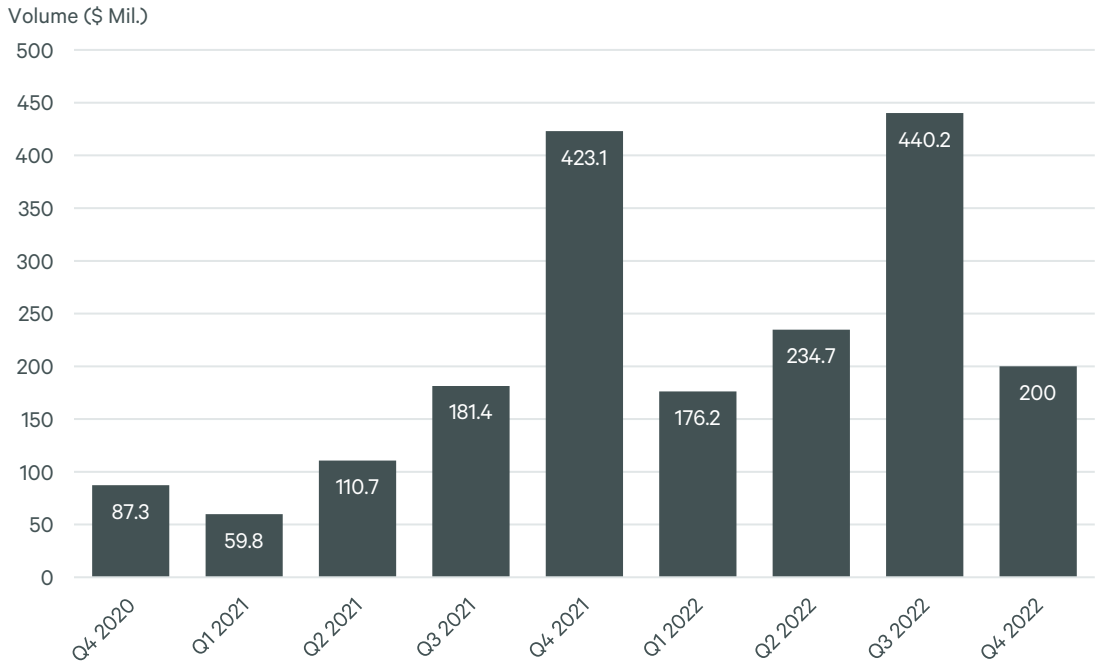
## Investment Sales

Industrial investment sales volume decreased for Q4 2022, as 86 properties totaling just over 2.5 million sq. ft. sold for \$200 million. The average sale price was approximately \$2.2 million, or \$65-per-sq.-ft. In comparison, 32 properties totaling 4.8 million sq. ft. sold for \$440.2 million in Q3 2022 with an average sale price of \$13.8 million, or \$91-per-sq.-ft.

The largest non-portfolio investment transaction of the quarter was the purchase of 6222 77<sup>th</sup> Ave in Kenosha. The 279,872-sq.-ft. manufacturing facility was purchased by Pritzker Realty Group in November for \$28 million.

The Milwaukee industrial market closed 2022 with \$1.1 billion total investment sales.

FIGURE 3: Investment Sales, Q4 2020 to Q4 2022



Source: CBRE Research, Q4 2022.

FIGURE 4: Vacancy Rate and Asking Lease Rate



Source: CBRE Research, Q4 2022.

FIGURE 5: Top Transactions, Q4 2022

Tenant/Buyer	Sq. Ft.	Type	Address
Undisclosed E-Commerce Retailer	1,004,450	Lease	10601 38th Street, Kenosha
Affiliate of Chicago Tribune	465,297	Sale	4101 W Burnham St., Milwaukee
Generac	416,392	Sublease	W210 N12800 Gateway Crossing, Germantown
Johnson Level	289,652	Lease	W210 N12800 Gateway Crossing, Germantown
Pritzker Realty Group	279,872	Sale	6222 77 <sup>th</sup> Ave., Kenosha

Source: CBRE Research, Q4 2022.

FIGURE 6: Milwaukee Market Industrial Statistics

Submarket	Market Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Avail. Rate (%)	Under Construction (Sq. Ft.)*	Completions (Sq. Ft.)*	Net Absorption (Sq. Ft.)	NNN Avg. Asking Lease Rate (\$/Sq. Ft./Yr)
Kenosha	43,719,450	3.9	6.1	3,692,047	1,603,758	1,292,464	\$4.5
Milwaukee Downtown	11,827,396	5.2	8.4	-	-	0	\$4.3
Milwaukee North Central	12,238,782	5.4	5.6	-	-	(53,000)	\$4.9
Milwaukee North Shore	5,743,081	6.2	6.8	-	-	0	\$4.0
Milwaukee Northwest	24,211,261	1.4	3.0	1,022,483	738,862	57,678	\$4.3
Milwaukee South	33,748,657	4.8	7.4	812,075	391,236	171,828	\$5.1
Milwaukee South Central	13,248,678	6.4	6.9	-	-	(556,610)	\$5.5
Milwaukee West	13,927,885	3.6	8.2	-	-	51,340	\$4.6
Ozaukee	12,099,902	2.4	2.8	36,843	-	9,376	\$4.8
Racine	31,271,623	2.6	2.9	1,408,384	573,587	98,991	\$5.2
Sheboygan	18,810,566	0.8	0.9	276,000	-	0	\$5.5
Walworth	11,474,824	0.6	0.6	1,576	-	70,500	\$3.8
Washington	22,290,990	1.2	3.8	-	436,862	359,182	\$5.02
Waukesha Northeast	22,409,862	0.2	0.9	-	-	72,808	\$6.6
Waukesha Northwest	24,211,261	2.3	3.0	-	150,002	123,690	\$5.7
Waukesha Southeast	15,814,851	1.1	3.9	660,324	-	(4,800)	\$7.4
Waukesha Southwest	17,350,862	0.1	0.6	-	-	4,347	\$6.5
<b>TOTAL</b>	<b>332,227,342</b>	<b>2.6</b>	<b>4.2</b>	<b>7,909,732</b>	<b>3,457,445</b>	<b>1,697,794</b>	<b>\$4.9</b>

Source: CBRE Research, Q4 2022.

\* Includes built-to-suit and spec projects

## Macroeconomic outlook

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices and higher interest rates, which are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023 means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in the first half of 2023.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 20,000 sq. ft. or greater. Excludes Government owned and occupied buildings, or Medical buildings. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Marissa Oberlander

Associate Field Research Director  
+1 312 540 4686  
marissa.oberlander@cbre.com

Madeline Strehlow

Senior Field Research Analyst  
+1 414 274 1680  
madeline.strehlow@cbre.com

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