

INVESTMENT FORECAST

Industrial
Milwaukee

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2022

Milwaukee's Industrial Giants on Track to Expand; Investors Flock to Waukesha County

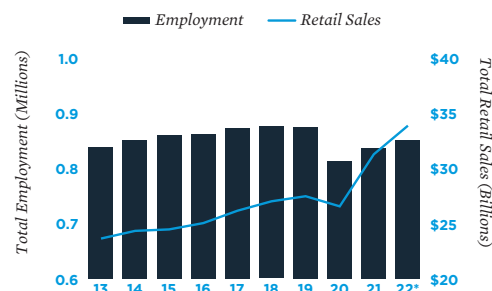
Growing manufacturers keep space demand elevated. Coming off a booming 2021, Milwaukee's industrial sector is set for another year of positive performance. Area manufacturers entered this year ahead of pre-pandemic employment counts, and other industrial-using sectors are poised to expand space needs in 2022 as retailers and businesses hold additional stock closer to consumers. Recent southeastern Wisconsin expansions by Amazon, in tandem with industrial equipment giant Komatsu, affirm area employers' confidence in the market's economic future. Commitments by larger entities should, in turn, spur leasing from smaller manufacturers and logistics providers they collaborate with. In addition to consistent leasing activity at existing facilities, Milwaukee boasts some of the highest pre-leasing rates among Midwestern metros, which will help mitigate a slight bump in vacancy expected this year. Despite nominal gains in availability, marketed rents will recoup the previous year's losses to post a new year-end high in 2022.

Trade activity intensifies on the western flank. The western suburbs drove last year's record deal flow across the Milwaukee metro, with over half of the properties changing hands located in Waukesha County. Buyers are pursuing manufacturing and distribution facilities in Central Waukesha, New Berlin and Menomonee Falls. Here, sub-\$10 million price tags are most common, with these suburbs offering proximity to interstates that provide access to both local urban corridors, as well as other regional metros. Increased liquidity is attracting a combination of private buyers from nearby Midwestern markets, as well as institutional capital from New York and California, in search of available warehouse space. Moving forward, average yields above those found in nearby metros should continue to attract out-of-state investors to Milwaukee in search of higher returns.

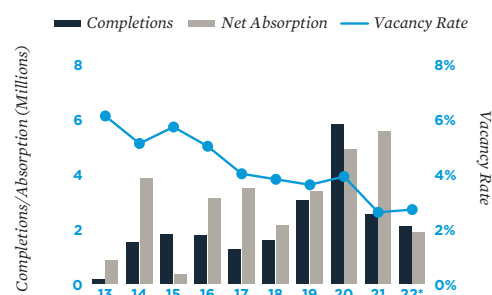
2022 Market Forecast

- Employment** up 1.9% ↗ Milwaukee recovers 16,000 jobs this year, but firms must fill 25,000 more positions to match pre-pandemic employment.
- Construction** 2.1 million sq. ft. ↘ Deliveries taper for a second consecutive year, as developers expand the metro's industrial stock by less than 1 percent for the first time since 2018.
- Vacancy** up 10 bps ↗ After hitting an all-time low of 2.6 percent in 2021, a slight uptick in availability is observed; Milwaukee, however, retains one of the nation's lowest vacancy rates.
- Rent** up 4.3% ↗ After declining 2.3 percent in 2021, the average asking rent rises to a new year-end high at \$4.80 per square foot. This marks the fastest rate of rent growth since 2017.
- Investment** ● In 2021, Port Milwaukee initiated construction on a Jones Island shipping terminal to export agricultural products. Upon the facility's 2023 opening, space demand nearby could make the area a popular upside target for buyers.

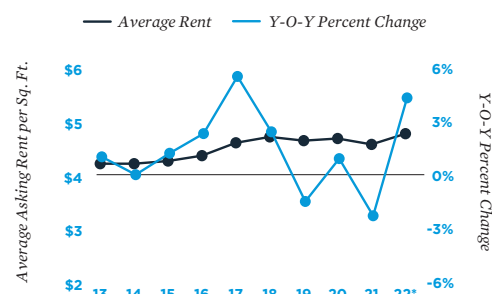
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.