

# MARKET REPORT

Retail  
Milwaukee Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

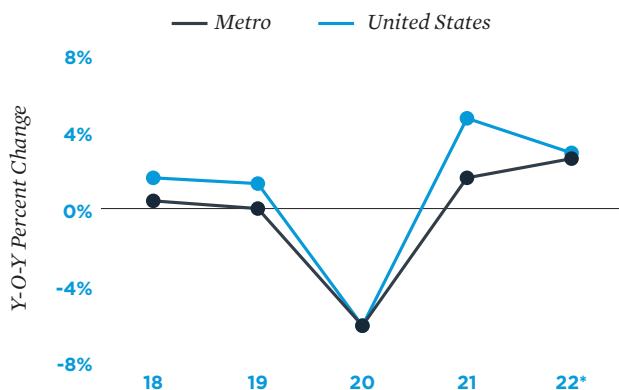
2Q/22

## Sparse Deliveries Aid Operations as a Diverse Tenant Pool Leases Space

**Vacancy rate descends in nearly every submarket.** Milwaukee has logged four consecutive quarters of positive net absorption entering April 2022. The 915,000 square feet absorbed across that 12-month period was the largest total over a yearlong duration since 2017-2018, and almost every submarket chipped in. Milwaukee and Waukesha counties, the metro's two largest areas by inventory, contributed 70 percent of the market's absorption volume. At the same time, more than 100,000 square feet became newly occupied in both Ozaukee and Racine counties. This leasing activity is not tied to one specific industry, rather it stems from a diverse collection of retailers. In west suburbs like Brookfield and Wauwatosa, PGA TOUR Superstore, Bob's Discount Furniture and Ross Dress for Less recently moved in. South of here in New Berlin and Greenfield, Antique 2 Modern and Dollar Tree inked new leases.

**Minuscule pipeline boosts multi-tenant occupancy.** As of April, less than 150,000 square feet of retail space had broken ground across the metro, and only a few buildings larger than 50,000 square feet had been proposed. Developers have pressed pause on multi-tenant projects, as vacancy in the segment has held in the double digits for more than a decade. The lack of new space is helping existing centers with available floorplans secure lease commitments. Entering the second quarter, multi-tenant vacancy was lower than in any period since at least 2007. There is a possibility the rate drops into the elusive sub-10 percent threshold by the end of this year.

### Employment Trends



\* Forecast

Sources: BLS; CoStar Group, Inc.

## Retail 2022 Outlook



**22,000  
JOBS**  
*will be created*

### EMPLOYMENT:

Milwaukee is off to a strong start. The 6,700 jobs created during the opening three months of this year was the largest first quarter gain since 1995. An additional 15,000-plus roles are expected to be generated in the final nine months of 2022.



**160,000  
SQ. FT.**  
*will be completed*

### CONSTRUCTION:

Developers continue to take a passive stance, with metro inventory projected to rise by just 0.2 percent this year. From 2020 through 2022, only 370,000 square feet will finalize. By contrast, 3.5 million square feet delivered across the prior three years.



**40  
BASIS POINT**  
*decrease in vacancy*

### VACANCY:

The mild pace of construction directs expanding retailers to the metro's available stock, helping shrink that total by 450,000 square feet in 2022. This absorption drops Milwaukee's vacancy rate to 4.7 percent, the lowest year-end rate in more than a decade.

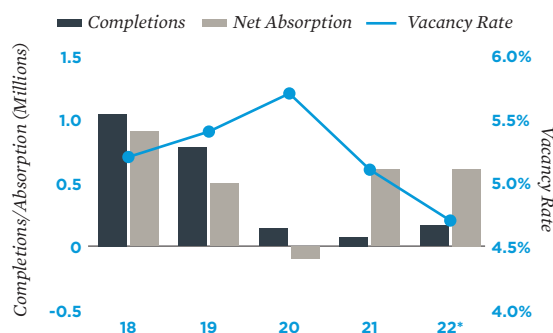


**3.5%  
INCREASE**  
*in asking rent*

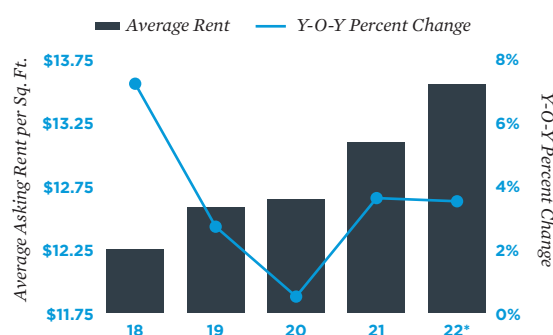
### RENT:

At the end of 2022, vacancy will be down 100 basis points in a two-year span, and the volume of available stock will be at a 15-year low. These dynamics drive tenant competition, allowing the mean asking rent to reach \$13.55 per square foot.

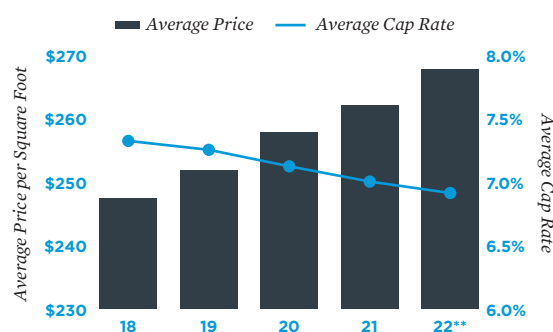
## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast \*\* Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

## 1Q 2022 - 12-Month Period



### CONSTRUCTION

**79,000 sq. ft. completed**

- Almost all of the space that came online during the past four quarters ended in March was of the single-tenant variety. Fast-food stores in suburbs proximate to Interstate 94 and Interstate 43 were popular builds.
- As of April, a 50,000-square-foot building in Hartford was the largest project that had broken ground. Festival Foods will move in upon completion.



### VACANCY

**80 basis point decrease in vacancy Y-O-Y**

- Vacancy is tight across Milwaukee. Three different areas boasted sub-4 percent availability entering April, while the remaining three submarkets had sub-6 percent rates. Downtown's 3.1 percent vacancy is the lowest
- Single-tenant availability sat at 4.0 percent in the first quarter, with the multi-tenant rate more than 600 basis points above this recording.



### RENT

**8.0% increase in the average asking rent Y-O-Y**

- Multi-tenant space on the market had an average asking rent of \$15.41 per square foot in the first quarter of 2022. This is up significantly from a year ago, indicating floorplans in higher-quality centers have become available.
- The 5 percent rise in single-tenant asking rates is notable, as it was demand-driven. Marketed space requires \$12.78 per square foot on average.

## Investment Highlights

- Multi-tenant properties traded for an average of \$188 per square foot during the past year ended in March, up 3 percent from the prior 12-month period. Milwaukee maintains the lowest pricing among major metros in the Upper Midwest region, though the four-quarter gain exceeded both Chicago and Minneapolis-St. Paul. Multi-tenant cap rates in Milwaukee slid down 20 basis points to a mean of 7.5 percent.
- Milwaukee County, excluding downtown, accounted for approximately 50 percent of multi-tenant sales over the past year. In areas closer to the core, like the Mitchell Street corridor and Riverwest locale, buyers pursue strip centers and mixed-use buildings with a retail and residential component.
- Single-tenant assets changed hands with an average cap rate of 6.3 percent during the 12-month period ended in the first quarter, falling 10 basis points from the previous yearlong span. The mean sale price for single-tenant buildings climbed 4 percent to \$356 per square foot.
- Out-of-state buyers are favoring net-lease fast food and convenience stores. Milwaukee boasts a single-tenant cap rate 50 to 150 basis points higher than the mean in most coastal markets, stirring capital migration.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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