

MARKET REPORT

Retail
Milwaukee Metro Area

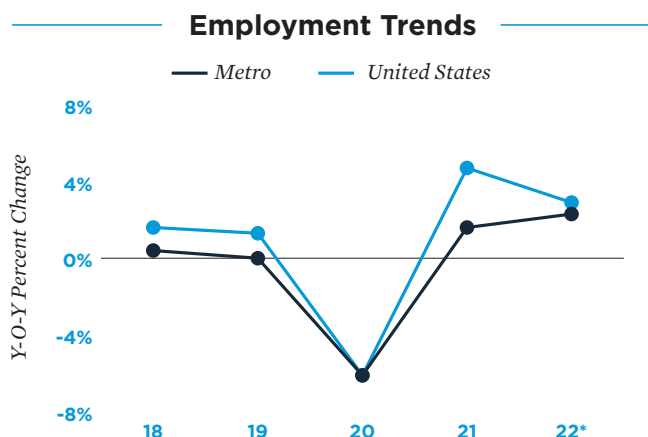
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3Q/22

Standout Fundamentals Yet to Spark Notable Construction Activity in Milwaukee

Vacancy nears record lows in both subsectors. Metro fundamentals have strengthened beyond pre-pandemic marks. Entering the second half, retail availability in Milwaukee was just 10 basis points above the all-time low of 4.8 percent notched in early 2018, with the average asking rent at a record mark. A six-quarter stretch of positive net absorption is to credit, a span highlighted by furniture, sporting goods, off-price retail and discount store leases across Milwaukee suburbs. Expanding retailers are filling both single-tenant buildings and available storefronts at shopping centers, reflected in both segments registering vacancy compression of at least 50 basis points over the past year ended in June. These conditions appear to warrant new construction. However, most retailers intent on growing their local footprints will need to browse the metro's existing stock, as supply additions are slated to be sparse over the near term.

Largest submarket leads the way. Many expanding retailers are setting up shop in Milwaukee County, which is home to nearly half of the metro's retail stock. Here, completions over the last 24 months have amounted to less than 100,000 square feet, increasing supply by just 0.2 percent. This has benefited available properties, with retailers having absorbed a net of roughly 530,000 square feet during that span, lowering local vacancy by 100 basis points and raising the average asking rent by nearly \$2 per square foot. Mirroring the metrowide trend, construction activity is minimal here, with the space underway entirely accounted for as of August.



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**19,000
JOBS**

will be created

EMPLOYMENT:

The Milwaukee metro added roughly 11,000 jobs in the first eight months of the year, helping fuel local retail spending. Despite an unemployment rate below the year-end 2019 recording, the metro's worker count will enlarge by 2.3 percent for the year.



**145,000
SQ. FT.**

will be completed

CONSTRUCTION:

Completions in the second half of the year will more than double first half production. Still, retail inventory will expand by just 0.1 percent during 2022, as less than 200,000 square feet of space is completed for a third straight year.



**10
BASIS POINT**

decrease in vacancy

VACANCY:

Retailer expansions, coupled with minimal new stock additions, will lower vacancy to 5.0 percent by year-end. Conditions in Ozaukee and Racine counties are poised to remain notably below the metrowide average.



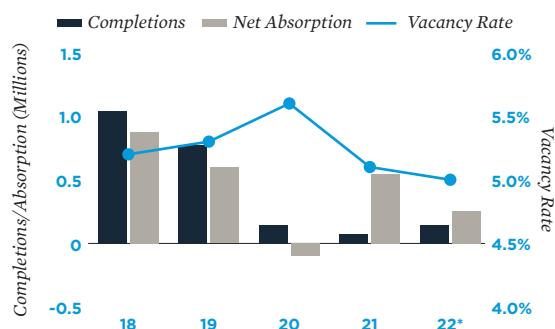
**3.9%
INCREASE**

in asking rent

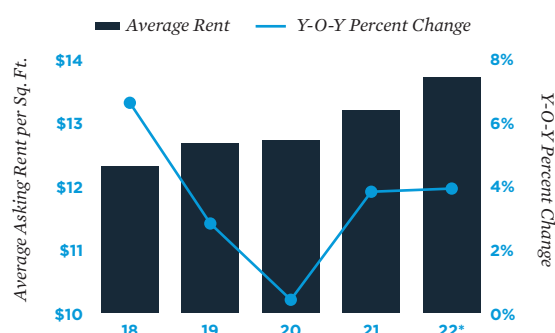
RENT:

Tight market conditions support asking rent growth, with the average rate expanding to \$13.70 per square foot by December. Despite strong fundamentals, Milwaukee's mean marketed rent will trail the national average by roughly 36 percent.

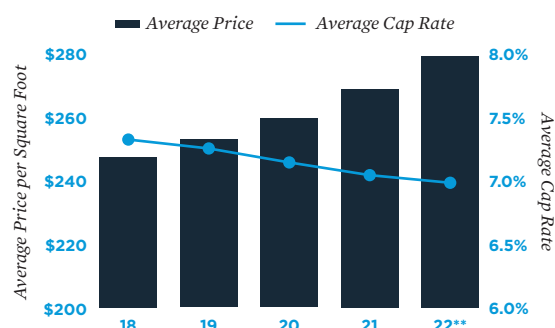
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2022 - 12-Month Period



CONSTRUCTION

82,000 sq. ft. completed

- Completed space in the first half of this year fell short of 50,000 square feet, second lowest only to St. Louis among major Midwest markets.
- Development in the North Shore and Milwaukee Northwest submarkets accounted for the majority of new space in the metro. Most supply additions were along Interstate 43 and County Road 57.



VACANCY

70 basis point decrease in vacancy Y-O-Y

- Vacancy compressed consistently over the yearlong period ending in June, dropping to 4.9 percent in the second quarter, 40 basis points below the year-end 2019 level.
- Ozaukee County experienced a 220-basis-point drop in availability over the past year, bringing local vacancy to a record-low 3.7 percent.



RENT

4.8% increase in the average asking rent Y-O-Y

- Vacancy falling to a near record low allowed the metro's average asking rent to reach a new high of \$13.32 per square foot in June.
- The mean multi-tenant asking rent advanced by 7.6 percent to \$14.86 per square foot over the recent yearlong stretch, outpacing the 4.2 percent growth registered in the single-tenant segment.

Investment Highlights

- Transaction velocity jumped over 60 percent in the 12-month period ending in June, with increases in single- and multi-tenant closings and out-of-state buyer activity accelerating overall deal flow. Multi-tenant dollar volume more than doubled from the previous year, a reflection of the quality and scale of properties that recently changed hands.
- Strong market fundamentals and regionally high returns are increasing investor demand for Milwaukee retail properties, contributing to rising purchase prices. The average cost for an asset increased 6 percent year-over-year to \$279 per square foot. Growth was most pronounced in the single-tenant sector, where the mean price point rose more than 6 percent to a record mark of \$371 per square foot. Meanwhile, multi-tenant pricing climbed 5 percent, holding just below \$200 per square foot.
- The market cap rate compressed 10 basis points over the past four quarters across both the single- and multi-tenant segments for a metrowide average of 7.0 percent, still the third highest among major U.S. markets. Properties southwest of Milwaukee proper near Southpoint and Burnham Park often provide buyers with above-average cap rates.

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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