

MARKET REPORT

Retail
Milwaukee Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

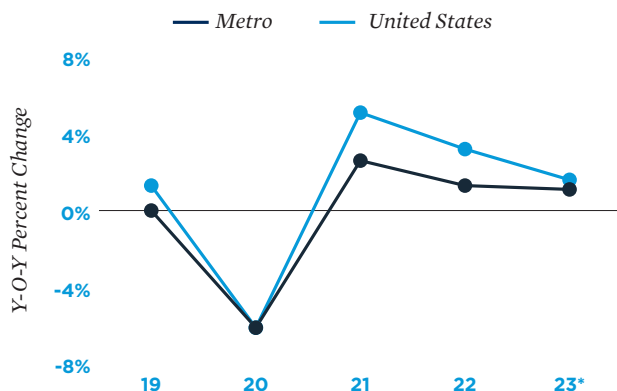
4Q/23

Aging Population Underpins Local Spending Power and Retail Performance

Stabilizing resident base aids fundamentals. After a six-year, over 1.5 percent total decline, Milwaukee's population expanded in 2022 and is on track to repeat the feat this year as well. Looking ahead, as the overall population grows, the composition among age cohorts is expected to change. While the 55 and older demographic continues to expand moving forward, the 20- to 34-year-old population subset sustains notable outflows. A larger share of older residents may bolster retail sales in the long-run as this age cohort typically has higher incomes and discretionary purchasing power. This is reflected by household income growth, which is expected to expand at a faster rate than its historical average in 2023, leading to accelerated retail sales growth over the next three years.

National brands headline multi-tenant absorption. Through the first half of the year, Sportsman's Warehouse, Burlington, Ross Dress for Less and Dollar Tree absorbed a combined 95,000 square feet of multi-tenant spaces across the metro. This helped prompt the segment's vacancy rate to compress to 9.9 percent entering July, nearly matching its lowest measure on record. Over the second half of 2023, commitments by Planet Fitness and Kohl's will take an additional 67,000 square feet off the open market. Coupled with marginal supply-side pressure this year, multi-tenant conditions are likely to remain tight, despite some near-term retail spending turbulence amid resumed student loan repayments and ongoing inflation.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



**9,000
JOBS**

will be created

EMPLOYMENT:

The addition of 5,600 leisure and hospitality sector jobs through September helps fuel an overall employment growth rate of 1.1 percent in 2023. Still, the metro's job count remains 1.3 percent behind 2019's total.



**135,000
SQ. FT.**

will be completed

CONSTRUCTION:

Developers expand Milwaukee's retail stock by less than 0.3 percent for a fourth consecutive year in 2023. Prior to the pandemic, this persistently low construction had not been observed since before 2007.



**10
BASIS POINT**

decrease in vacancy

VACANCY:

For the third straight year, net absorption will surpass completions, aided by national retailer commitments. Subsequently, metro vacancy reaches its lowest point on record at 4.2 percent in 2023.



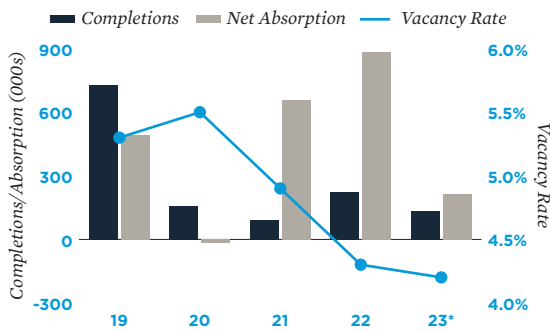
**2.4%
INCREASE**

in asking rent

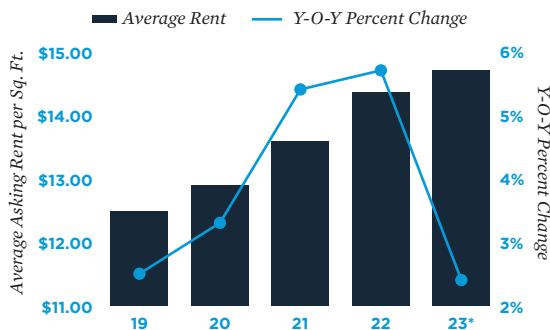
RENT:

The metro's pace of rent growth will exceed its 0.9 percent historical average this year as conditions continue to tighten. This elevates Milwaukee's average asking rate to \$14.70 per square foot by year-end.

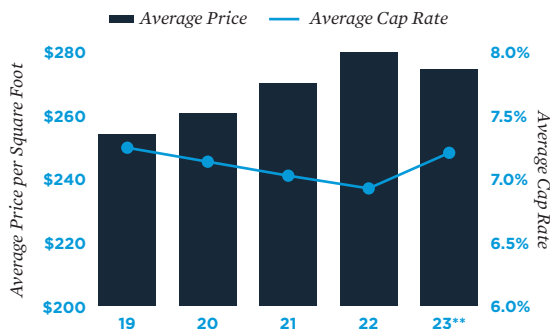
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

Daniel Taub

Senior Vice President, Director

Tel: (212) 430-5100 | dtaub@ipausa.com

For information on national retail trends, contact:

John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

2Q 2023 - 12-Month Period



CONSTRUCTION

191,000 sq. ft. completed

- The completion of just 7,700 square feet in the second quarter of 2023 was the smallest quarterly supply injection since at least 2007. As a result, metrowide stock expanded just 0.2 percent over the year ended in June.
- Milwaukee County, excluding the central business district, welcomed 85,000 square feet during the year, the largest total among metro areas.



VACANCY

50 basis point decrease in vacancy Y-O-Y

- At 1.2 and 2.7 percent, respectively, Ozaukee and Racine counties each reached their lowest vacancy rates since at least 2007. Waukesha County's measure matched its historical low at 4.0 percent.
- Vacancy compression in five of the metro's six submarkets prompted the overall measure to match its lowest point on record in June at 4.3 percent.



RENT

5.1% increase in the average asking rent Y-O-Y

- Milwaukee, Ozaukee and Waukesha counties each noted rent growth over the year ended in June that exceeded the metro's mean.
- The single-tenant segment's average asking rent elevated 6.0 percent year-over-year to \$14.25 per square foot in June. This pace assisted in lifting the market's overall mean marketed rate to \$14.52 per square foot.

Investment Highlights

- During the four-quarter period ended in September, transaction velocity pulled back from a record level noted across the same period ending in 2022. Still, deals are closing at a clip consistent to before the pandemic. Active investors are trading single-tenant assets more frequently, accounting for over 60 percent of total velocity during this span, its largest share of deal flow since 2009. This trend is likely to continue as investor sentiment is bolstered by tightening vacancy.
- Waukesha County garnered roughly one-fourth of metrowide deal flow through September amid the growing local resident base supporting retail demand. A more even split of single- and multi-tenant trades here is reflective of strong local fundamentals across segments. Both entered the midyear with vacancy rates at least 150 basis points below their long-term averages, while local rent growth more than doubled the market mean.
- Over the year ended in June, Milwaukee's average price per square foot declined by 0.2 percent, a smaller decrease than the national correction. As a result, fewer out-of-state buyers were observed in the initial nine months of the year, as these investors look for markets with larger adjustments.

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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