

INVESTMENT FORECAST

IPA
INSTITUTIONAL
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ADVISORS

Industrial
Milwaukee Metro Area

2024

Buoyed by Waukesha County, Milwaukee is the Least Vacant Major U.S. Industrial Metro

Construction plunge keeps available space scarce. Milwaukee entered this year as the only major U.S. industrial market with a vacancy rate below 3 percent. That tightness is underscored by Waukesha County, the second-largest local submarket by inventory with an advantageous location that features access to Interstates 94 and 43, as well as proximity to some of the metro's most affluent suburbs. This helps the area maintain exceptionally tight conditions, despite having the highest average asking rent in the market. In fact, Waukesha County's 0.6 percent vacancy ending last year ranked as the lowest of any submarket in the country with at least 25 million square feet of local supply. Available space will remain limited here and across the metro as a whole this year as development contracts. While more than 2.5 million square feet opened each year from 2019-2023, the completion total plunges to just 530,000 square feet in 2024. Tight conditions and a lack of supply-side relief should direct expanding tenants to existing space and support rent growth above the national average this year.

Strong fundamentals and higher yields mitigate hurdles. While national deal flow fell during the second half of 2023 relative to the opening six months, trading in Milwaukee strengthened slightly. The metro's average cap rate of 7.6 percent — the fifth highest among major U.S. markets — contributed to this, allowing deals to pencil despite elevated borrowing costs. Nationally tight vacancy is also driving non-local interest, with more than half of all acquisitions last year coming from an out-of-state or cross-border buyer. These dynamics should continue in 2024 as property performance remains favorable. Waukesha County's nationally tight vacancy will be an investor magnet, with buyers pursuing a wide range of manufacturing, warehouse and distribution facilities.

2024 MARKET FORECAST

+0.3% **EMPLOYMENT:** Job growth closely aligns with last year's gain as 2,600 positions are added in 2024. This modest increase shrinks the deficit relative to 2019's total to a shortfall of about 16,000 roles.

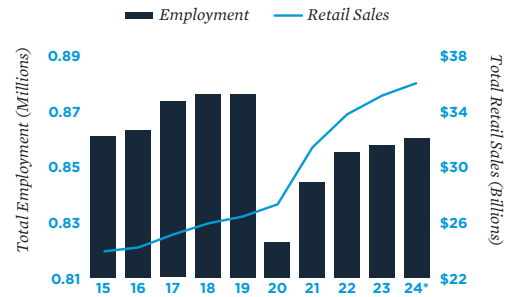
530,000 sq. ft. **CONSTRUCTION:** Less than 1 million square feet will finalize for the first time since 2013. Further reflecting the slowdown, the 2024 delivery total trails the five-year mean by over 3 million square feet.

+10 bps **VACANCY:** Lower construction mitigates softer demand, producing a slight vacancy uptick to 3.0 percent. That rate maintains Milwaukee's standing as the nation's tightest major industrial market.

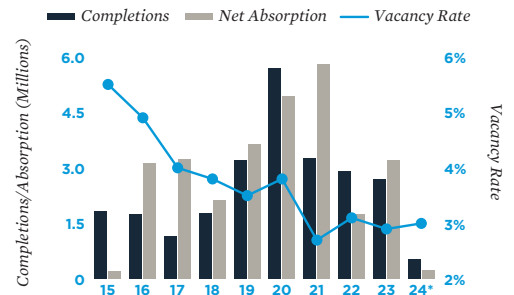
+4.7% **RENT:** Milwaukee's average asking rate increases by the third-fastest pace this decade amid nationally tight vacancy and a lack of new supply. The metric reaches \$5.64 per square foot by year-end.

INVESTMENT: *Tight vacancy and a relatively small construction pipeline may highlight creative strategies this year. Investors could pursue vintage assets able to be retrofitted to better meet modern tenant preferences.*

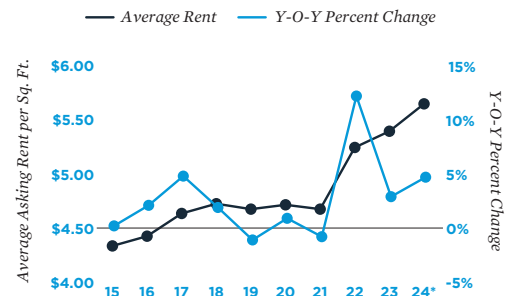
Economic Trends



Supply and Demand



Rent Trends



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

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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 December 2023. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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.