

INVESTMENT OUTLOOK

Industrial
Milwaukee Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

MIDYEAR 2025

Top-Four Occupancy Holds Investor Interest as Limited Construction Backstops Softer Leasing

Headwinds for older stock amid tapering speculative development. Milwaukee's industrial market recorded one of the slowest rates of inventory growth in the nation during the year ended in March. Local vacancy still rose substantially, however, largely due to tenant move-outs from facilities built prior to 1980. Nevertheless, the metro still held the fourth-highest occupancy level among major U.S. markets heading into April. This year's delivery slate will be slightly larger than last year's, though still only about half the annual average between 2019 and 2023, which was 3.9 million square feet. Over three-quarters of the additions will consist of manufacturing plants with floorplans exceeding 125,000 square feet, most of which are build-to-suit. The recent slowdown in speculative development may help ease rising vacancy, while more stable tenant demand will likely support a return to positive quarterly absorption in the second half of 2025. As such, the metro's average asking rent is projected to maintain momentum after growing at the third-fastest rate among major markets last year.

Investment gains traction as average market time dips. An increase in the average asking rent has helped attract investment during the year ended in March, pushing transaction velocity to its highest level since 2022. At the same time, the average number of days on market fell roughly 35 percent from the previous year, with Washington and Waukesha counties recording the largest annual declines. The metro noting the second-lowest average price per square foot among major metros could help sustain interest among buyers seeking lower entry costs, especially as lending conditions remain tight. This may support continued interest from out-of-market and larger investors, who have become more active over the past two quarters following a yearlong lull.

2025 MARKET FORECAST

+0.8%



EMPLOYMENT: Milwaukee will welcome 7,000 jobs this year, translating into growth of 0.8 percent. While an improvement from the prior two years, this is still slightly below the national pace.

2 million
sq. ft.



CONSTRUCTION: Inventory growth of 0.8 percent will rank in the bottom third of major markets for 2025. Around 35 percent of additions came from three manufacturing plants along Interstate 41.

+80 bps



VACANCY: Slow inventory growth will help ease pressure after vacancy jumped 110 basis points in the first quarter. The rate is expected to dip 30 basis points to 4.9 percent by year-end.

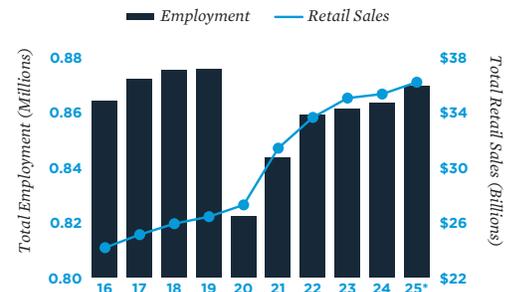
+4.4%



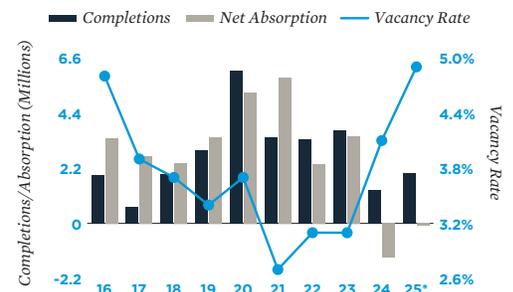
RENT: Nationally tight vacancy continues to fuel asking rent growth this year. The metric is expected to reach \$6.19 per square foot — still one of the lowest average rates among major markets.

INVESTMENT: *Transaction activity in Washington County may keep rising after tripling during the year ended in March. Despite leading the metro in completions, it was the only submarket to post a decline in vacancy.*

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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.