

# MARKET REPORT

INDUSTRIAL  
Milwaukee Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2H/19

## Manufacturing Industry Flourishes From Local Demand; Competitive Bidding Market Entices Owners to Sell

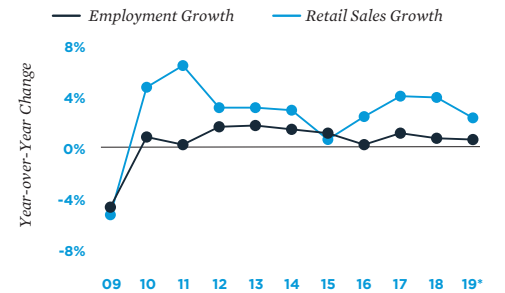
Access to growing Wisconsin cities creates robust demand for facilities near interstates. Strong in-state manufacturing demand continues to pilot the Milwaukee industrial market. Although the metro's population growth remains subdued, Wisconsin's next two largest cities, Madison and Green Bay, are rapidly growing. Over the past five years Madison's population grew by 4.8 percent and Green Bay's by 2.9 percent. Milwaukee industrial is benefiting from its access to both cities via Interstate-94 and I-41. Tenants have particularly been drawn to areas west and northwest of the city of Milwaukee, where access to interstates is less congested than within the metro core. In Washington County along I-41, a 706,000-square-foot build-to-suit for Briggs & Stratton was completed in early 2019. Additionally, two speculative projects within the county were finalized this year, totaling 385,000 square feet. Metrowide, construction activity has intensified over the past five years due to consistent leasing activity. Over this time period, market vacancy dropped 50 basis points to 4.8 percent this past third quarter. The lowest vacancy rate within the metro is in Waukesha County, where vacancy dropped 100 basis in the past five years to 1.8 percent, with nearly 3.3 million square feet being absorbed over that timespan. Diminishing availability combined with strong tenant demand allowed this county's average asking rent to rise 6.5 percent since 2014 to \$5.40 per square foot this third quarter, well above the metro average of \$4.68 per square foot.

Strong buyer pool for desired markets; sellers capitalizing on aggressive bidding. Manufacturing assets in Milwaukee have continued to attract investors, as nearly one-half of all sales over the past year were for these types of facilities. Location has also been a driver of sales activity as 88 percent of all past-year sales were for properties in either Waukesha or Milwaukee counties. Metrowide, industrial properties have traded with average first-year returns in the low-8 to mid-8 percent range. Meanwhile, buyers are scouring for assets in the southern section of the metro, trading with yields in the mid-7 to high-7 percent range on average, and competitive bidding has benefited sellers.

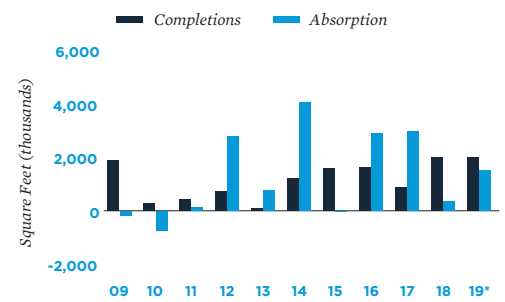
## 2019 Market Forecast

- Employment** up 0.6%  
 Milwaukee employers will create 5,000 new positions in 2019 as job growth slows from the 5,900 introduced in the previous year.
- Construction** 2.0 million sq. ft.  
 The same amount of new space brought to market in 2018 will be created this year. Over half of the square feet added is located in either Germantown or Oak Creek.
- Vacancy** up 20 bps  
 Vacancy ticks up to 5.0 percent following an increase in speculative construction centered around the 2.6 million-square-foot Amazon facility coming in 2020.
- Rent** up 3.4%  
 Average asking rent reaches \$4.84 per square foot in 2019, which is the highest of the current cycle. Downtown and Waukesha County properties garner the loftiest rents.
- Investment**  
 Limited listings and a competitive buyer pool will lead to aggressive bidding on Milwaukee industrial assets, specifically for properties in southern and western areas of the metro.

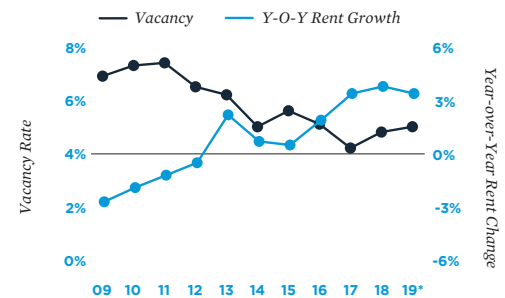
### Employment vs. Retail Sales Trends



### Industrial Completions



### Asking Rent and Vacancy Trends



\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics; Moody's Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. 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 industrial data are made during the third 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.