



Retail Market Report

Greater Milwaukee, WI

PREPARED BY

NAIPfefferle

 **CoStar**™

Competition for retail space has never been tighter in Milwaukee, as only 4.1 million SF, or 3.6% of inventory, is currently available in the first quarter, a record low for the market.

Contributing to historically low levels of availability has been a markedly stable leasing environment, which has averaged between 1 to 1.5 million SF annually over the past decade. Some of the most active retailers leasing and building space today include quick-service and fast casual restaurants, coffee shops, medical users, and banks whose smaller footprints are reflected in low overall absorption levels.

As retailers shift away from the mall and big-box shopping experience and toward a smaller, more dynamic experience that caters to on-the-go consumers in higher-spending areas, new retail construction has dwindled and become hyper-focused geographically. Active retailers are especially honing in on primary commercial corridors that link more affluent neighborhoods with major employment hubs, such as Bluemound Rd., Miller Parkway, and Highway 100. With fewer and smaller projects, Milwaukee recorded just 1.1 million SF in net deliveries over the past 12 months.

While Milwaukee hasn't been an active construction market, it has been one of the more active markets for demolitions. Since 2019, Milwaukee's retail market has seen over 3.8 million SF of demolitions, accounting for

3.4% of current inventory. Comparatively, just over 2.3 million SF was delivered during this period—a record-low stretch.

Recent demolitions of former big-box and mall space, such as the former Boston Store at Brookfield Square and the former 1 million SF Northridge Mall, highlight the continued rightsizing of the market. Planned redevelopments at these locations look to reactivate weakened shopping centers with a mix of uses, with a primary focus on housing.

Despite record low levels of available space, concessions being made at larger, longstanding vacancies are influencing overall rent growth trends. Although Milwaukee briefly saw rent growth outpacing the national average earlier last year, recent rent trends have turned negative with annual rent growth falling to -2.45% in the first quarter.

While demographic trends weigh on overall demand projections, Milwaukee's retail outlook projects stability with steady leasing and record-low levels of available space. In select, higher-income pockets of the market, room for growth and experimentation exists, as evidenced by a series of shopping center redevelopments and small-format, experiential retail concepts that continue to push traditional retailing standards.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	6,157,293	10.9%	\$24.17	2.4%	4,290	0	0
Power Center	3,166,403	17.1%	\$15.91	16.2%	(142,141)	0	0
Neighborhood Center	21,118,900	5.0%	\$15.77	6.3%	(110,732)	0	24,000
Strip Center	4,777,762	4.4%	\$15.60	6.6%	(18,054)	0	0
General Retail	77,714,818	1.3%	\$14.59	2.4%	98,376	38,280	42,270
Other	619,990	1.9%	\$17.57	2.0%	0	0	0
Market	113,555,166	3.1%	\$15.42	3.6%	(168,261)	38,280	66,270

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	-1.0% (YOY)	5.5%	3.1%	7.1%	2011 Q2	3.1%	2025 Q1
Net Absorption SF	69.6K	708,781	(65,740)	2,590,288	2017 Q2	(685,735)	2019 Q3
Deliveries SF	238K	965,446	248,743	2,196,947	2017 Q2	134,630	2022 Q1
Market Asking Rent Growth	-2.5%	0.3%	-1.0%	4.2%	2024 Q1	-5.3%	2010 Q1
Sales Volume	\$430M	\$398.4M	N/A	\$861.5M	2022 Q3	\$112.8M	2009 Q4

Leasing activity has been historically resilient in Milwaukee's retail market, typically averaging between 1-1.5 million SF annually, and 2024 marks yet another year where leasing is set to fall within this range. Importantly, Milwaukee's has been sitting in its tightest position on record for several quarters now, with both vacancies and availabilities trending at historically low levels of just 3.1% and 3.6%, respectively.

With such little space available on the market, particularly higher-quality and well-located space, tenants have few options available to them today. As a result, this has prevented more pronounced leasing levels and has restricted tenant mobility.

While overall leasing levels have been constrained, leasing activity relative to available space on the market paints a stronger picture. In the third quarter, tenants leased more than 6% of retail space for lease. Prior to the pandemic, that figure averaged closer to 4%. Additionally, the median time for listed space to lease is trending at some of the lowest levels in over a decade.

Milwaukee's suburbs have attracted the majority of leasing activity, accounting for more than 65% of total leases and 70% of total leasing volume. Mid-sized retailers have contributed heavily to these figures, driven by an increase in fitness and experiential retail concepts. In particular, Crunch Fitness and Planet Fitness have most active and account for some of the largest leases seen this year, typically ranging between 20,000 SF to 50,000 SF.

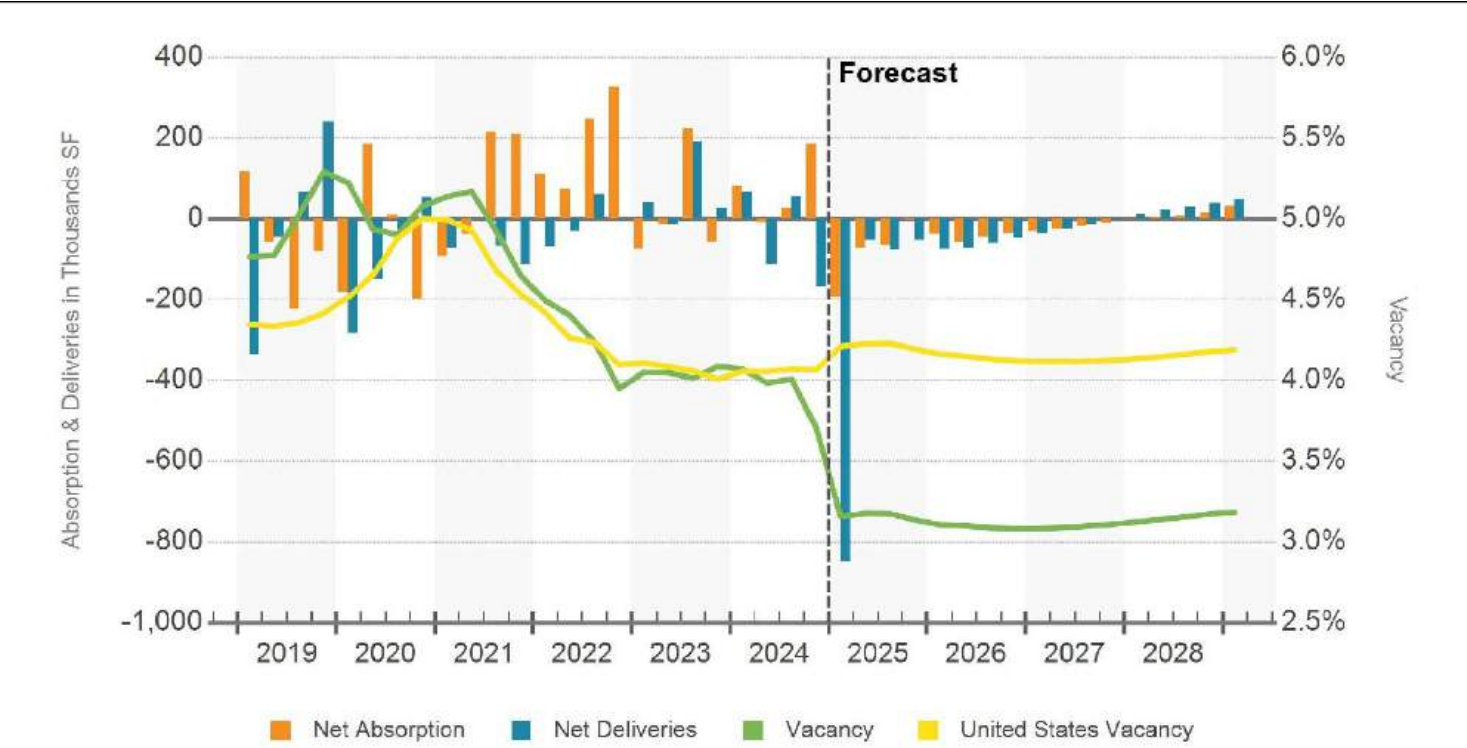
While larger retailers chip away at older grocery and department store vacancies, over 85% of leases are for

spaces under 5,000 SF. One of the most active segments in this range are quick-service restaurants, which are capitalizing on shifting consumer spending habits that now see Americans spending more on takeout than on groceries. Major new-to-market players such as Dave's Hot Chicken and Raising Cane's and expanding local chains like Mad Chicken are rapidly increasing competition in the quick-service segment and are continuing to fuel the "chicken wars." Highlighting innovation in this segment, Chick-fil-A opened its first drive-thru-only location in 22Q4.

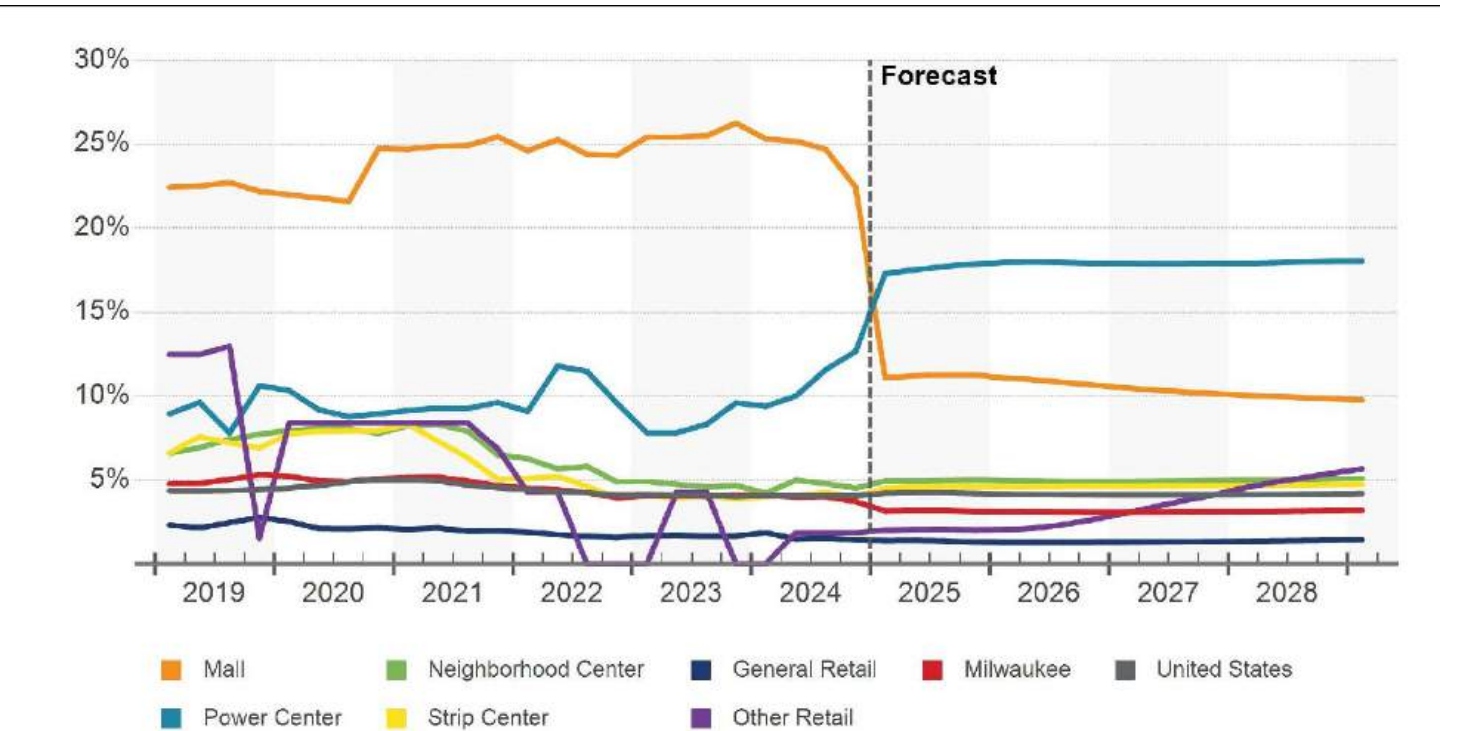
New coffee shops, both local and national, are also emerging all across the metro and are introducing some of the newest innovations in retail. New-to-market and rapidly expanding Scooter's Coffee opened its first location, a drive-thru only, in West Milwaukee in late 2022, with several more drive-thru franchise locations in the planning stages. Another drive-thru coffee concept, Octane Coffee, opened its first location in Pewaukee in 23Q3 and is also looking to expand its fully automated concept across the region.

In addition to smaller retailers cutting back on space, one of the largest retailers to do so is Kohl's, which opened up a new smaller footprint concept in downtown Milwaukee in 23Q4. At just 35,000 SF, this format comes in nearly 60% smaller than traditional Kohl's stores while still maintaining an in-store Sephora and its popular Amazon returns. Highlighting the ever-shifting trends in retail, this location replaces a former two-story, 120,000 SF Boston Store, which closed in 2018. The remainder of that retail space has since been converted to office space at Hub640, which is now fully leased.

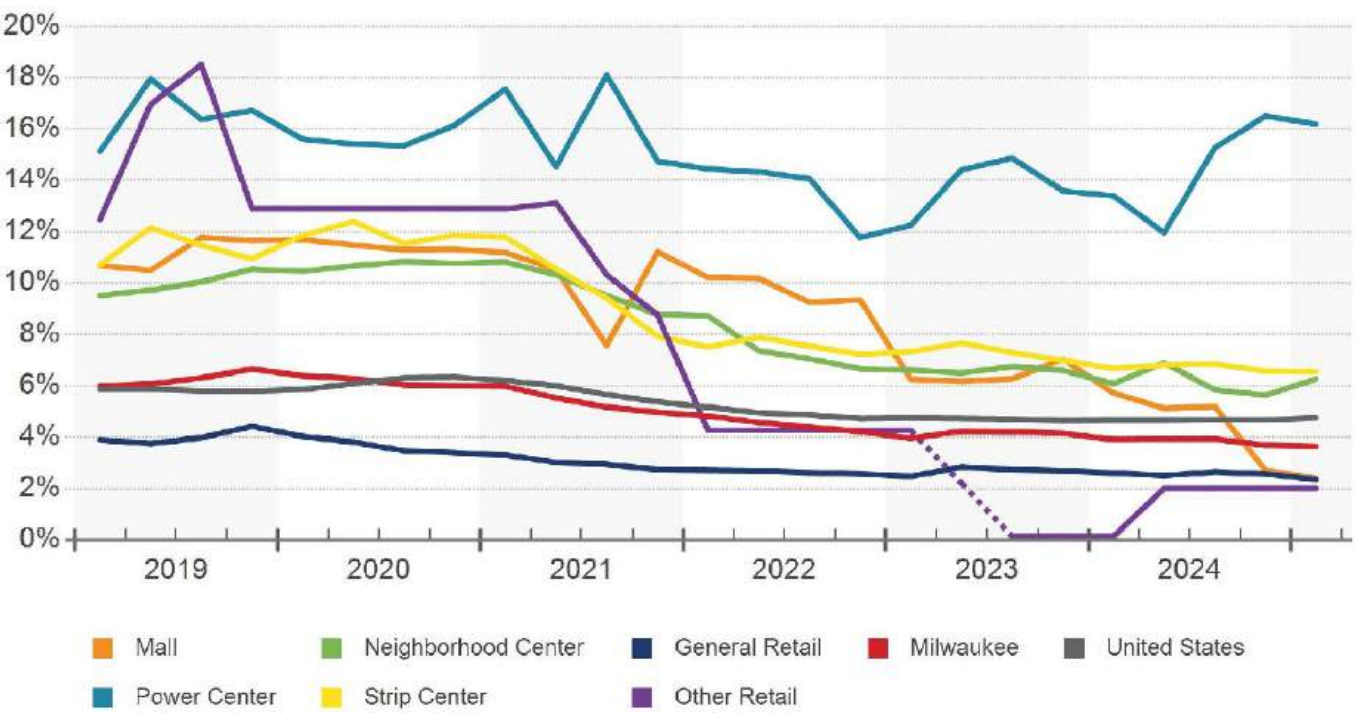
NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY RATE



AVAILABILITY RATE



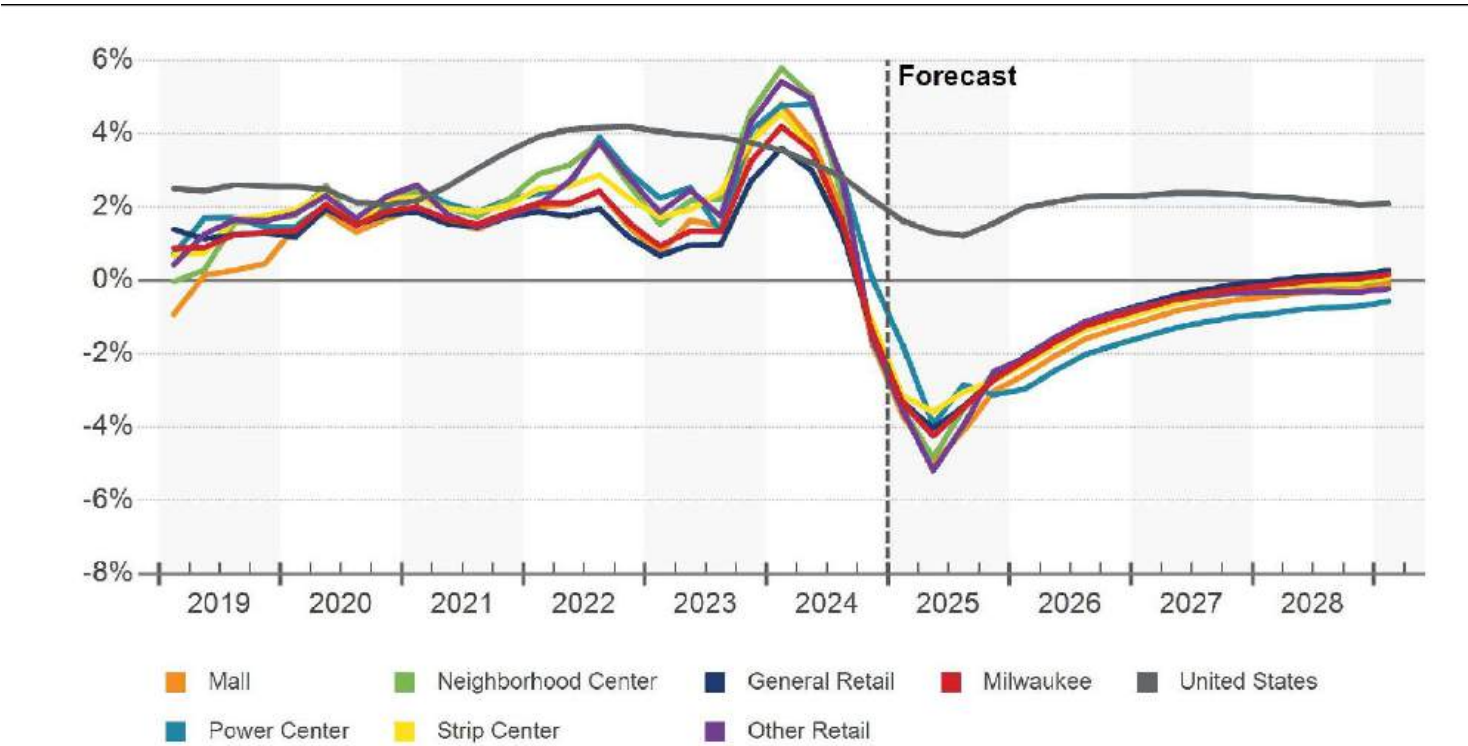
Even with record low levels of available space and minimal incoming supply, landlords in Milwaukee have struggled to push retail rents at a meaningful pace due to limited growth in population and demand formation. Historically, retail rents tend to trail the national average, and that holds true in the first quarter with annual asking rent growth falling to just -2.5%. In addition to trailing the national average, rent growth has trailed the rate of inflation throughout most of the last decade, making it the worst-performing property segment in Milwaukee.

Overall, Milwaukee offers some of the most affordable rents in the country for a major market, with average rents of around \$15.40/SF falling well below the national average of \$25.00/SF. This ranks fourth-lowest among the 50 largest markets in the country.

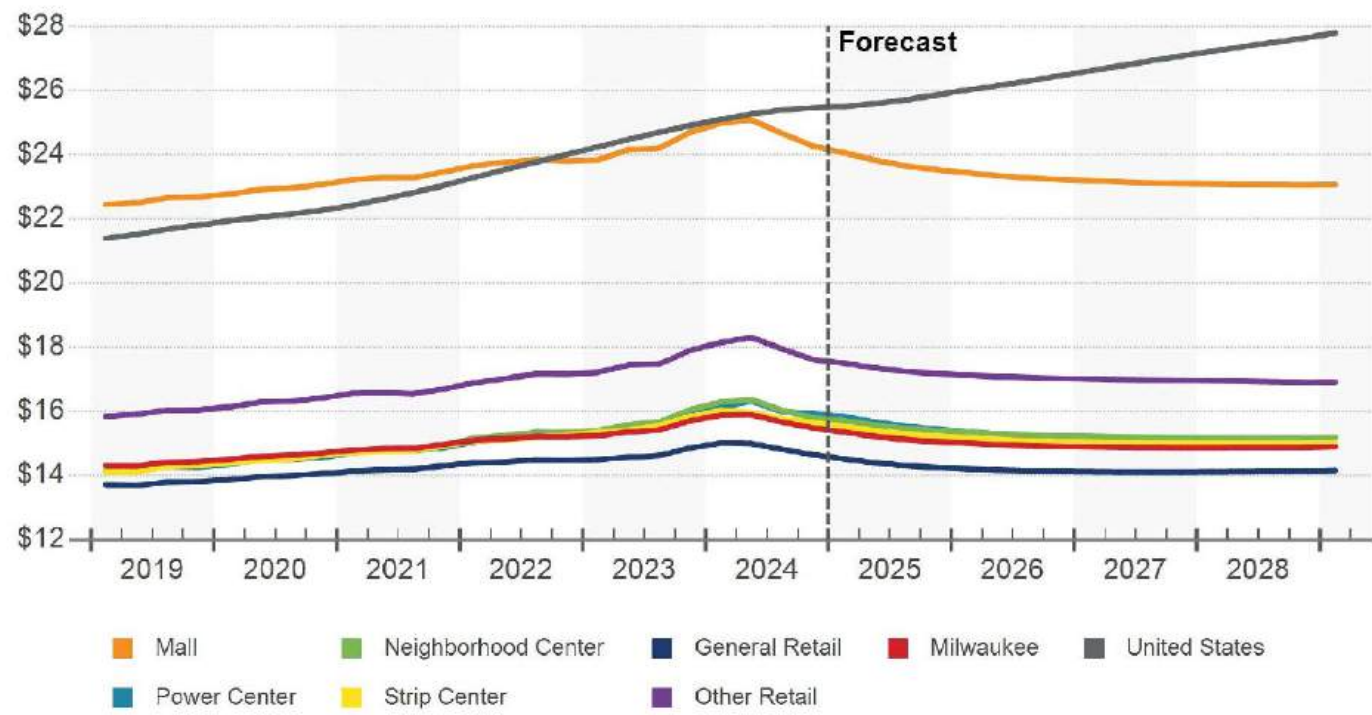
Due to the high concentration of major shopping centers, such as Mayfair Mall and the Mayfair Collection, as well as an ideal location surrounded by high average household income communities, rents are highest in the Mayfair/Wauwatosa Submarket, coming in at over \$23/SF.

Market participants have noted diverging rents between main street retail and shopping centers, with main street retail being the more difficult to relet in today's consumer environment. Additionally, shopping centers and major commercial corridors have the added benefit of growth in demand from medical users, who continue to gravitate away from traditional medical offices toward medtail, or medical retail, locations.

MARKET ASKING RENT GROWTH (YOY)



MARKET ASKING RENT PER SQUARE FEET



While overall construction volumes are down significantly, Milwaukee is still an active market for new development. However, the product type of new construction has changed drastically in recent years. As recently as 2019, over 700,000 SF of retail space was under construction. This was primarily due to the construction of new shopping centers, such as the 84South power center in Greenfield, as well as new-to-market and expanding big box retailers like IKEA and Fleet Farm.

More recently, construction has been heavily concentrated around small format retailers such as banks, car washes, and quick-service restaurants as retailers gravitate toward a more streamlined, automated service process that prioritizes speed and efficiency while cutting back on payrolls and build-out costs in what have been challenging labor and construction environments.

But while Milwaukee has ranked near the bottom of the country for new construction over the past few years, it has been a nationwide leader in another area. Retail demolitions and conversions have been prevalent in the market, and Milwaukee has been at the forefront of retail to industrial conversions. In total, 2.6 million SF of retail space has been demolished or converted in Milwaukee since 2019, outpacing the rate of new supply during this time.

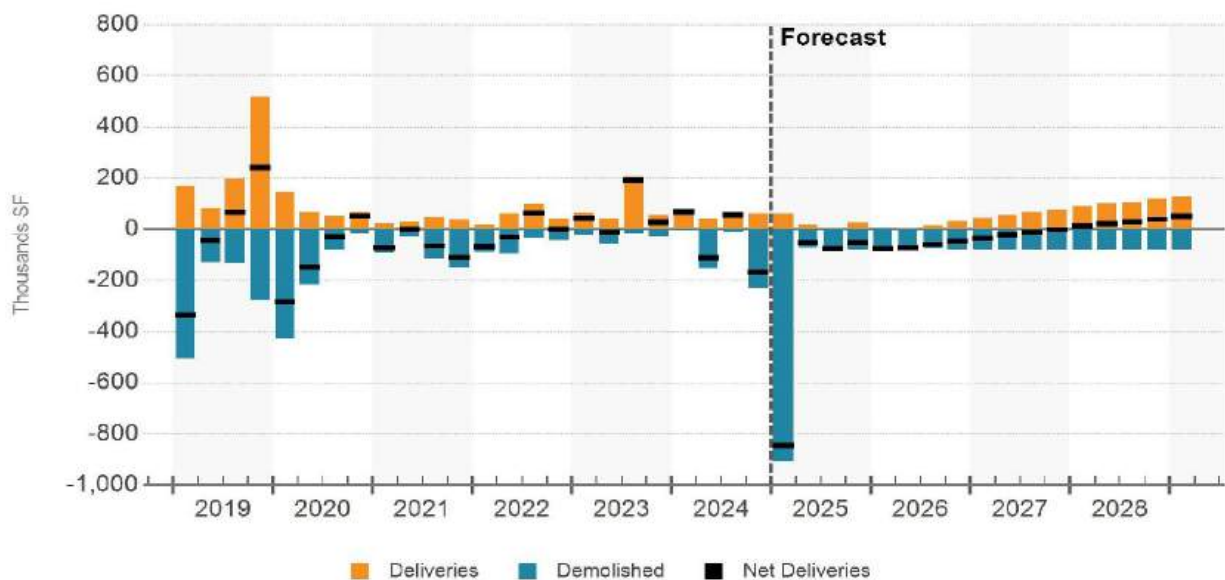
Nowhere has this been more evident than around the region's major mall areas. Built primarily between the late

1950s and early 1970s, malls in Milwaukee cater to a population that has grown little over the past 50 years. Milwaukee's metro population has only increased 12% since 1970 and the increased competition from newer and more efficient power centers, as well as the rise of e-commerce, have left many malls with large vacancies from the closures of major retailers like Boston Store and Sears. Several malls have permanently closed, such as Northridge Mall and Grand Avenue Mall, while others are rebuilding for the 21st-century consumer.

Notably, Brookfield Square and Bayshore Mall have undergone significant changes in recent years, demolishing several hundred thousand SF of retail space and replacing vacant big-box stores with a variety of uses such as apartments, hotels, and offices in an effort to transform into live/work/play destinations. Bayshore's transformation from mall to town center to mixed-use destination over the past 15 years is evidence of rapidly changing consumer preferences and hints at how malls and shopping centers may have to continue adapting in the face of growing e-commerce trends.

Looking ahead, record-low levels of new construction mean that no meaningful supply-side pressure is on the horizon for Milwaukee's retail market. And while larger, longstanding vacancies from the closure of major retailers such as Boston Store and Sears still remain, these are having little impact on the spaces that are most in demand with tenants today.

DELIVERIES & DEMOLITIONS

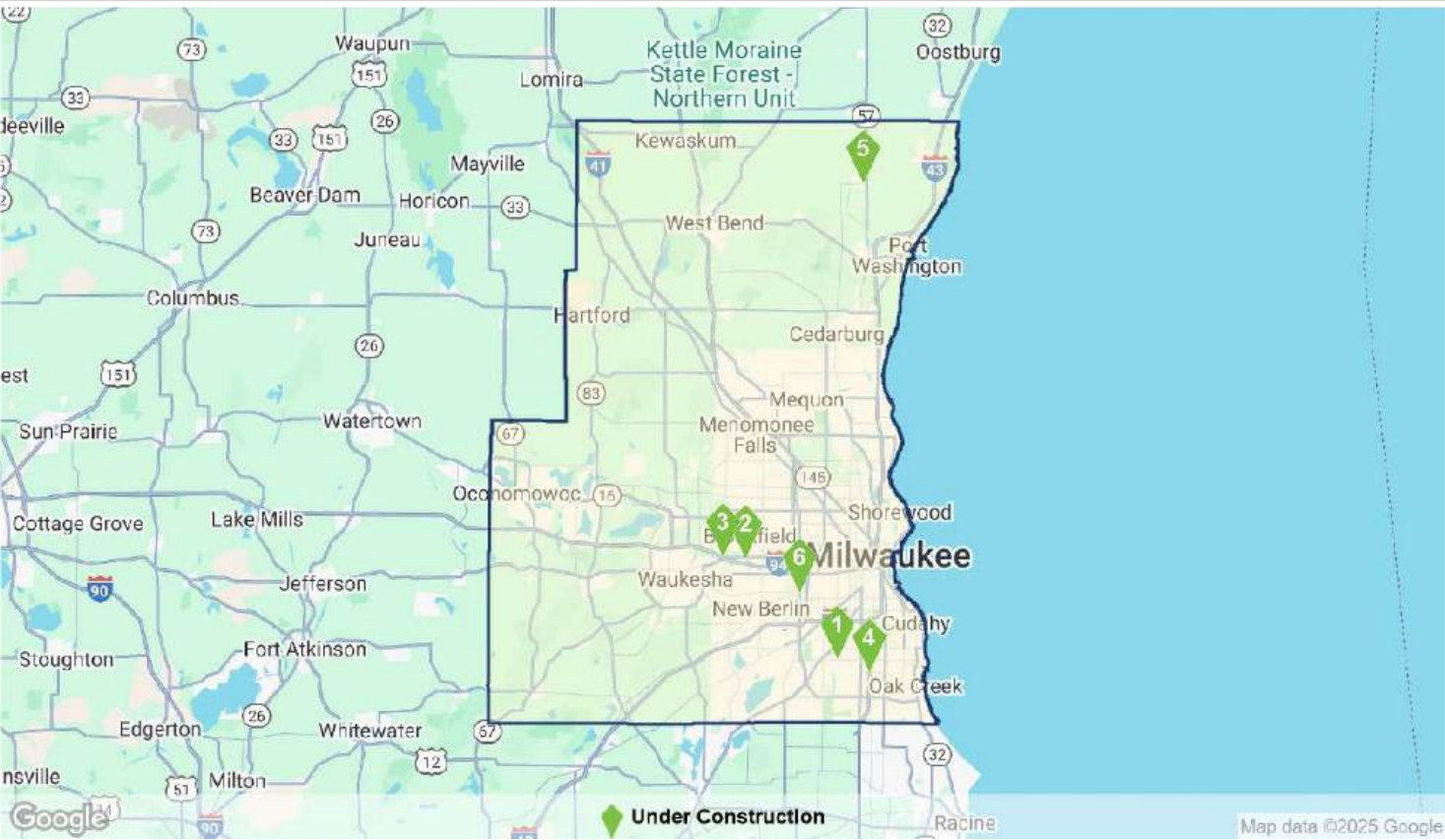


Under Construction Properties

Milwaukee Retail

Properties	Square Feet	Percent of Inventory	Released
6	66,270	0.1%	68.4%

UNDER CONSTRUCTION PROPERTIES



UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 5100 W Rawson Ave	★★★★☆	24,000	1	Dec 2024	Dec 2025	-
2 350 Discovery Dr	★★★★☆	21,177	1	Oct 2024	Mar 2025	- Irgens Partners
3 20400 Bluemound	★★★★☆	14,110	3	Nov 2022	Apr 2025	- Wimmer Communities
4 Summit Credit Union 7853 West Highgate Ave	★★★★☆	5,000	2	Apr 2024	Mar 2025	-
5 201 Regal Dr	★★★★☆	1,500	2	Aug 2024	Apr 2025	- Port Washington State Bank
6 Biggby Coffee 10284 W National Ave	★★★★☆	483	1	Aug 2023	Mar 2025	-

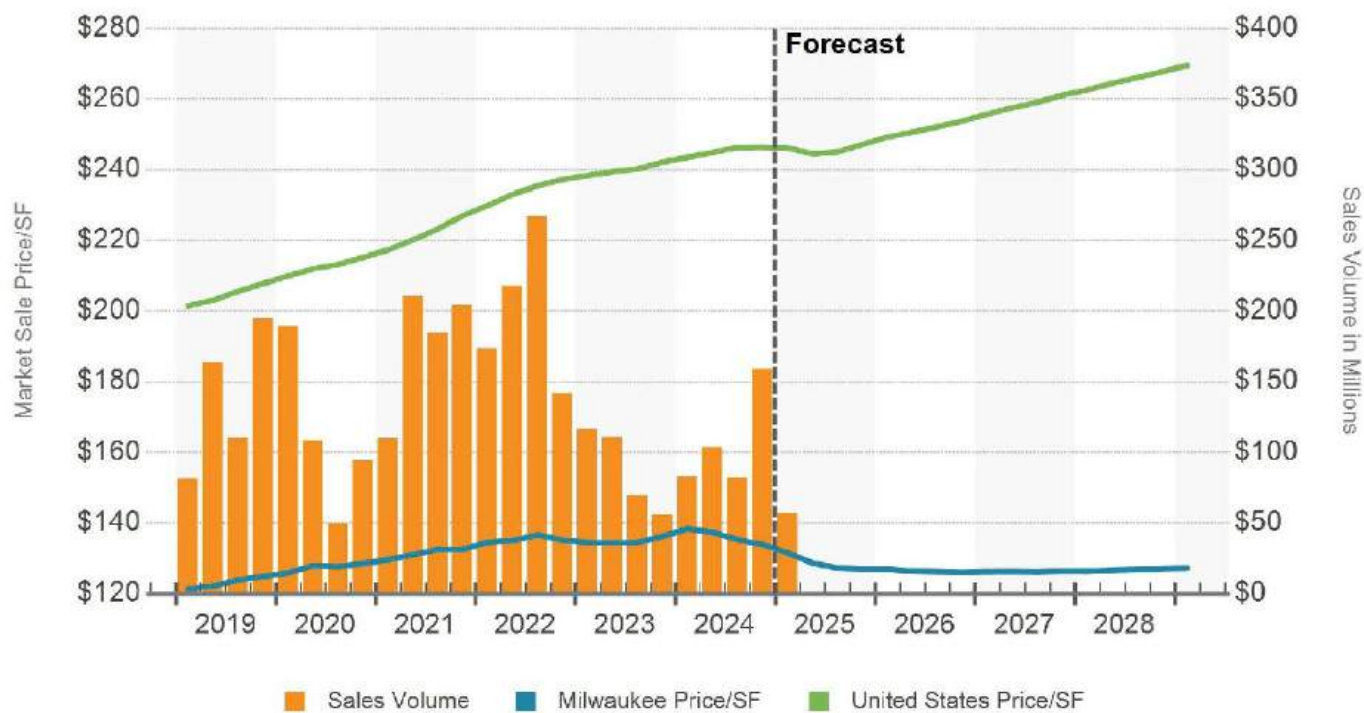
While out-of-market institutional, private equity and REIT investment groups drove record investment activity from 2021 through most of 2023, that buyer type has significantly pulled back from the market in recent quarters. After accounting for close to a quarter of sales between 2021-2023, these investor types have closed on less than 10% of sales so far in 2024. Predominantly private, national investors are driving investment activity today.

Single tenant net leased assets remain some of the more desirable investments on the market, if buyers and sellers can bridge current bid-ask spreads. In June, a triple-net leased Chase Bank in Waukesha sold for \$1.29 million (\$717/SF). While the sale yielded a 5% cap rate, this transaction saw a 8% price discount and spent 9 months on the market. Prior to that, a Dunkin' Donuts in Milwaukee sold in April for \$1.03 million (\$331/SF) at a 6.43% cap rate, a 7% discount after spending just three months on the market.

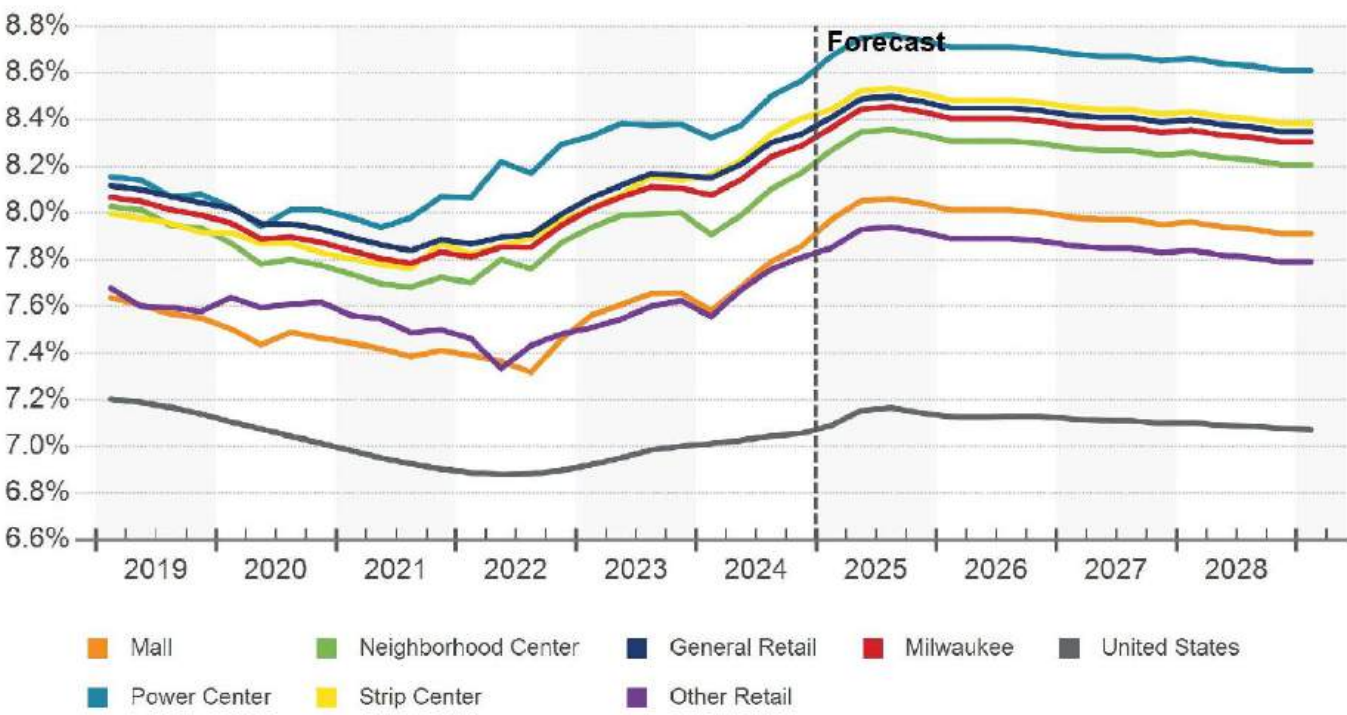
Despite the limited supply pipeline and record low availabilities, value-add opportunities are still prevalent in the market. Located in South Milwaukee, Grant Park Plaza sold in 24Q1 for \$7.4 million (\$89/SF) to a private, Kenosha-based buyer. Built in 1967, the retail center was 85% occupied at the time of sale and featured tenants such as Planet Fitness, CSL Plasma, and Advanced Auto Parts. The property was on the market for 8 months and traded at an 8.49% cap rate.

Current lending conditions point to continued stress in the retail sector throughout the year. Coupled with decade lows in both sales volume and transaction counts, 2023 saw the largest average bid-ask spread in over five years, and that spread is widening so far in 2024. Overall, tightened lending standards by local and regional banks and the gap in pricing expectations between buyers and sellers could continue to dampen the retail investment market well into next year.

SALES VOLUME & MARKET SALE PRICE PER SF



MARKET CAP RATE

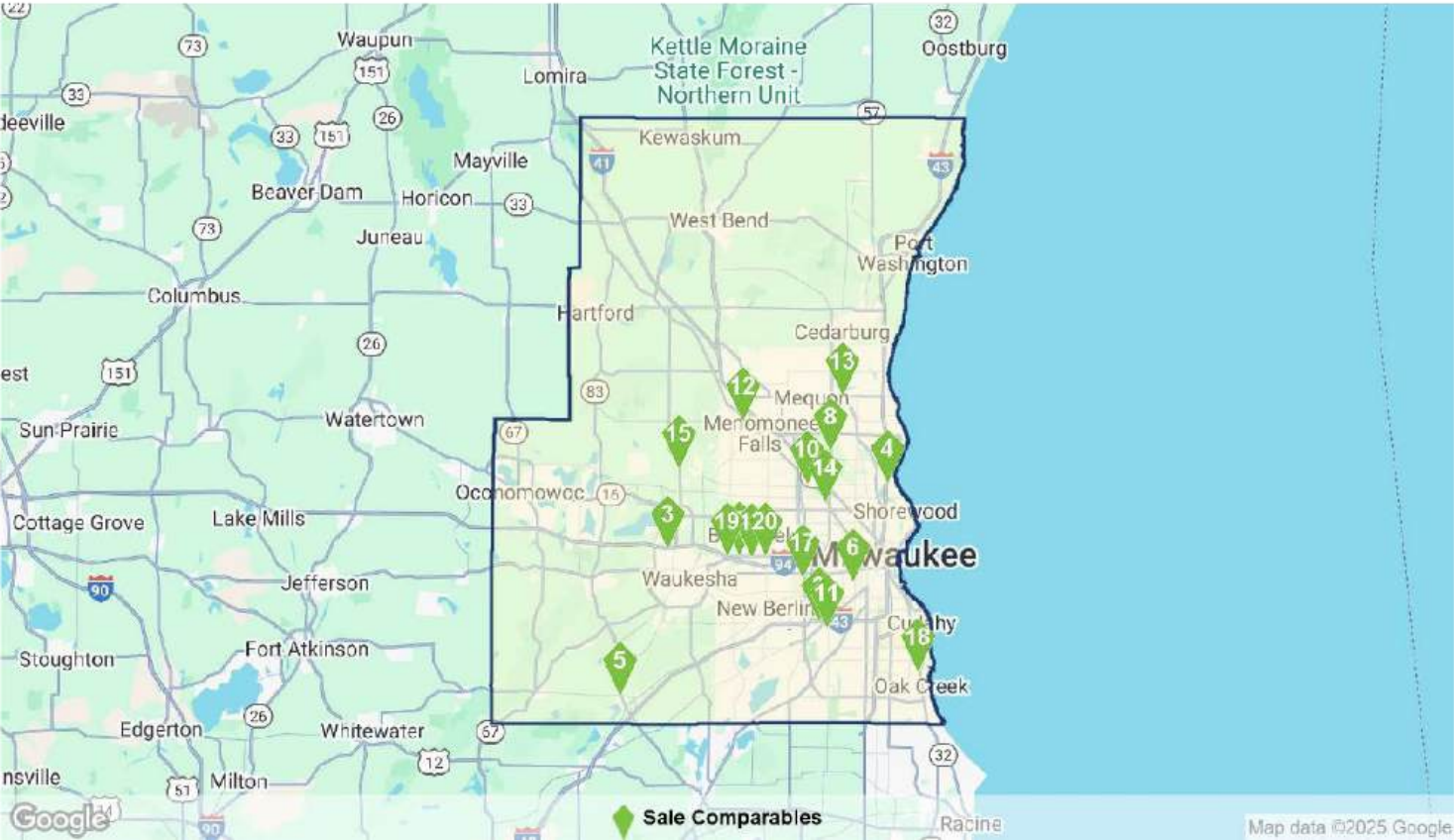


Sales Past 12 Months

Milwaukee Retail

Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
429	7.2%	\$119	4.0%

SALE COMPARABLE LOCATIONS



Sales Past 12 Months

Milwaukee Retail

RECENT SIGNIFICANT SALES

		Property				Sale		
1	84South 8410 W Sura Ln	★★★★★	2017	115,000	26.1%	11/12/2024	\$19,088,612	\$166
2	8700-8750 W Sura Ln	★★★★★	2018	80,768	0%	11/12/2024	\$14,011,388	\$173
3	2100-2160 Silvernail Rd	★★★★★	1984	116,152	5.2%	6/7/2024	\$12,330,000	\$106
4	Target 5701 N Lydell Ave	★★★★★	1957	128,512	0%	12/23/2024	\$12,300,000	\$96
5	1010 N Rochester St	★★★★★	1990	63,949	0%	6/4/2024	\$12,000,000	\$188
6	The Shoppes of Miller Pa... 2080-2100 Miller Park Way	★★★★★	2007	59,726	0%	1/15/2025	\$8,600,000	\$144
7	Galleria West 18900 W Bluemound Rd	★★★★★	1987	61,111	12.3%	5/21/2024	\$7,250,800	\$119
8	7676 N 76th St	★★★★★	1977	60,000	0%	9/11/2024	\$7,184,210	\$120
9	17395-17445 W Bluemou...	★★★★★	1994	36,391	0%	8/30/2024	\$6,619,791	\$182
10	10202 W Silver Spring Dr	★★★★★	1981	77,286	0%	8/6/2024	\$6,565,000	\$85
11	5001 S 76th St	★★★★★	2021	11,145	0%	1/10/2025	\$6,372,500	\$572
12	Germantown Plaza N96 W18736-N96W18838...	★★★★★	2003	63,750	16.5%	7/16/2024	\$6,300,000	\$99
13	6016 W Mequon Rd	★★★★★	2016	36,000	0%	10/29/2024	\$6,140,710	\$171
14	7908 W Appleton Ave	★★★★★	1959	2,112	0%	1/8/2025	\$5,600,000	\$2,652
15	W249N6620 State Road 1...	★★★★★	2006	5,336	0%	11/19/2024	\$5,000,000	\$937
16	Bluemound Center 17345-17385 W Bluemoun...	★★★★★	1993	22,498	0%	8/30/2024	\$4,830,209	\$215
17	Mitchell Plaza 1701-1729 S 108th St	★★★★★	1974	36,000	0%	11/25/2024	\$4,700,000	\$131
18	Grant Park Plaza 2901 S Chicago Ave	★★★★★	1967	60,092	0%	3/26/2024	\$4,613,101	\$77
19	585 N Barker Rd	★★★★★	2022	3,180	0%	4/4/2024	\$4,579,000	\$1,440
20	15350 W Bluemound Rd	★★★★★	-	10,840	0%	12/20/2024	\$4,544,000	\$419

Milwaukee is a region in flux as it sheds its Rust Belt past and pushes ahead into new and emerging industries. This has been no small task for the metropolitan area, which has seen manufacturing employment fall from nearly 60% of the workforce in the early 1950s to less than 14% today. Meanwhile, population growth has been relatively stagnant, growing just over 12% between 1970 and 2020, compared to the US total of nearly 63%.

Still, Milwaukee is an affordable place to live and do business, and pockets of the metro are in growth mode, such as downtown Milwaukee and several surrounding suburbs. Regional population losses are concentrated on the northwest side of the City of Milwaukee, the former manufacturing hub of the metro, which has yet to recover from deindustrialization in the back half of the 20th Century.

Office-using sectors, including professional and business services and financial activities, have struggled since the pandemic. Overall office-using employment has contracted since February 2020 and represents the market's largest share of job losses.

Declining office employment mirrors a structural contraction in overall demand for space. With the increased prevalence of hybrid working arrangements and the growing desire to occupy higher-quality office space to attract and retain top talent, companies have downsized and upgraded their office footprints. Counter to national trends, this has resulted in a wave of companies, including Northwestern Mutual, Milwaukee Tool, and Fiserv, migrating away from the suburbs and into downtown Milwaukee.

Office trends have also spilled over into the industrial sector, which has seen many major manufacturers bifurcating office and industrial functions from under one roof into use-specific facilities. This has led to companies such as Komatsu, Rite Hite, and Regal Rexnord moving offices to the downtown area.

Overall, Milwaukee's industrial sector has seen a mixed performance in recent years, with strong labor force growth in transportation and warehousing and outsized losses in manufacturing. As an individual employment subsector, manufacturing accounts for the largest nominal loss in Milwaukee's workforce since the onset of the pandemic. Notable manufacturers to close facilities include Briggs & Stratton and Master Lock.

While closures of manufacturing facilities have resulted in rising vacancy rates in this segment, these have been most heavily concentrated on the northwest side of the City of Milwaukee. Additionally, with many of these facilities dating back to the late 19th and early 20th centuries, demolitions and redevelopments are poised to play an active role in rebalancing inventory.

Demand for new industrial space is prevalent, but limited new inventory exists—particularly for small bay space. Companies looking to expand are typically doing so build-to-suit, with new industrial parks in suburbs such as Germantown, Franklin, Oak Creek, and Muskego attracting much of this development.

Growth in the logistics segment has been the second-strongest driver of job creation in recent years, behind only the construction industry. Notably, the \$1.9 billion reconstruction and expansion of Interstate 94 between Milwaukee and the Illinois border, completed in 2020, was fast-tracked by over a decade to keep up with surging demand in this segment. The 35-mile corridor spanning Milwaukee, Racine, and Kenosha counties has seen substantial investment from companies such as Amazon, Uline, Haribo, Saputo, and Microsoft, which is building several new data centers in Racine County.

Logistically, Milwaukee provides convenient access to a variety of multimodal shipping solutions. Milwaukee Mitchell International Airport, located less than 15 minutes from downtown Milwaukee, handles the vast majority of air freight in Wisconsin and averages more than 130 million pounds of cargo annually. Crow Holdings has plans for a new 340,000-square-foot cargo facility, which is expected to quadruple airport cargo capacity once it delivers in 2026.

Class I railways Union Pacific and Canadian Pacific run through the metro and are directly connected to the city-owned Port Milwaukee, as is the interstate system. Located close to downtown in Milwaukee's inner harbor, the intermodal port handles a variety of cargo, including bulk commodities, grain, fertilizers, and fuel, providing an important connection between the regional economy and global markets. The port recently saw the construction of a \$31 million bulk agricultural transload center, the only such facility of its kind on the Great Lakes.

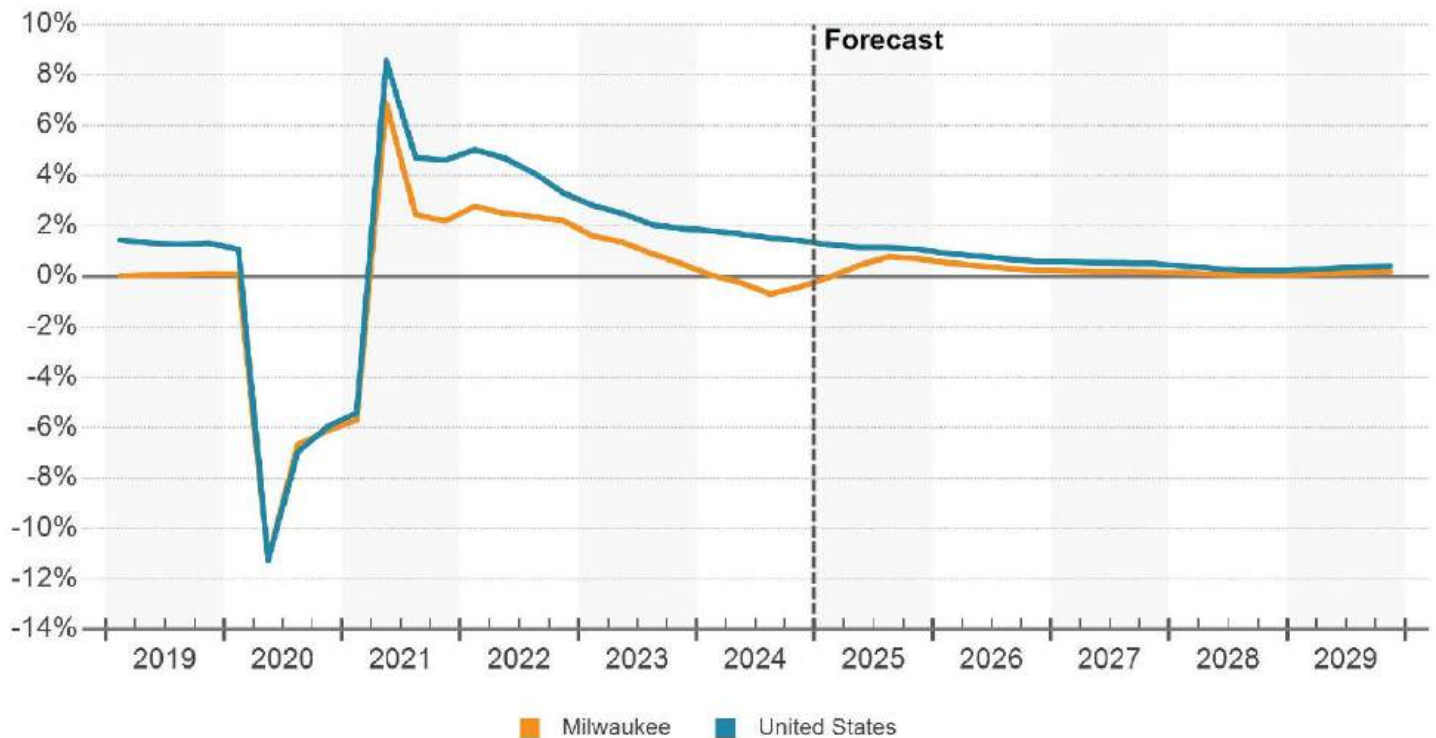
The Milwaukee Regional Medical Center, located 15 minutes west of downtown Milwaukee, is the largest concentration of medical facilities in the state. Home to Froedert Hospital, Children's Hospital, and the Medical College of Wisconsin, the rapidly expanding eight million-square-foot campus employs over 17,000 people and has an annual economic impact of nearly \$5 billion.

MILWAUKEE EMPLOYMENT BY INDUSTRY IN THOUSANDS

Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	114	1.6	-0.92%	-0.36%	-0.56%	0.49%	0.27%	0.30%
Trade, Transportation and Utilities	148	0.9	0.49%	0.65%	0.26%	0.92%	-0.17%	0.29%
Retail Trade	75	0.9	-1.85%	0.21%	-0.52%	0.13%	-0.28%	0.20%
Financial Activities	49	1.0	-2.34%	0.71%	-0.56%	1.44%	0.17%	0.46%
Government	83	0.7	0.76%	1.76%	-0.14%	0.70%	0.02%	0.41%
Natural Resources, Mining and Construction	38	0.8	-1.05%	2.19%	2.81%	2.24%	0.97%	0.80%
Education and Health Services	177	1.2	1.03%	3.41%	1.03%	2.12%	0.53%	0.74%
Professional and Business Services	118	1.0	-0.93%	0.36%	-0.49%	1.67%	0.03%	0.59%
Information	11	0.7	-4.02%	-0.67%	-2.34%	0.89%	-0.15%	0.40%
Leisure and Hospitality	80	0.9	-1.09%	1.66%	0.68%	1.38%	0.69%	0.98%
Other Services	42	1.3	0.61%	1.06%	-0.67%	0.59%	0.31%	0.35%
Total Employment	860	1.0	-0.20%	1.33%	0.15%	1.28%	0.25%	0.54%

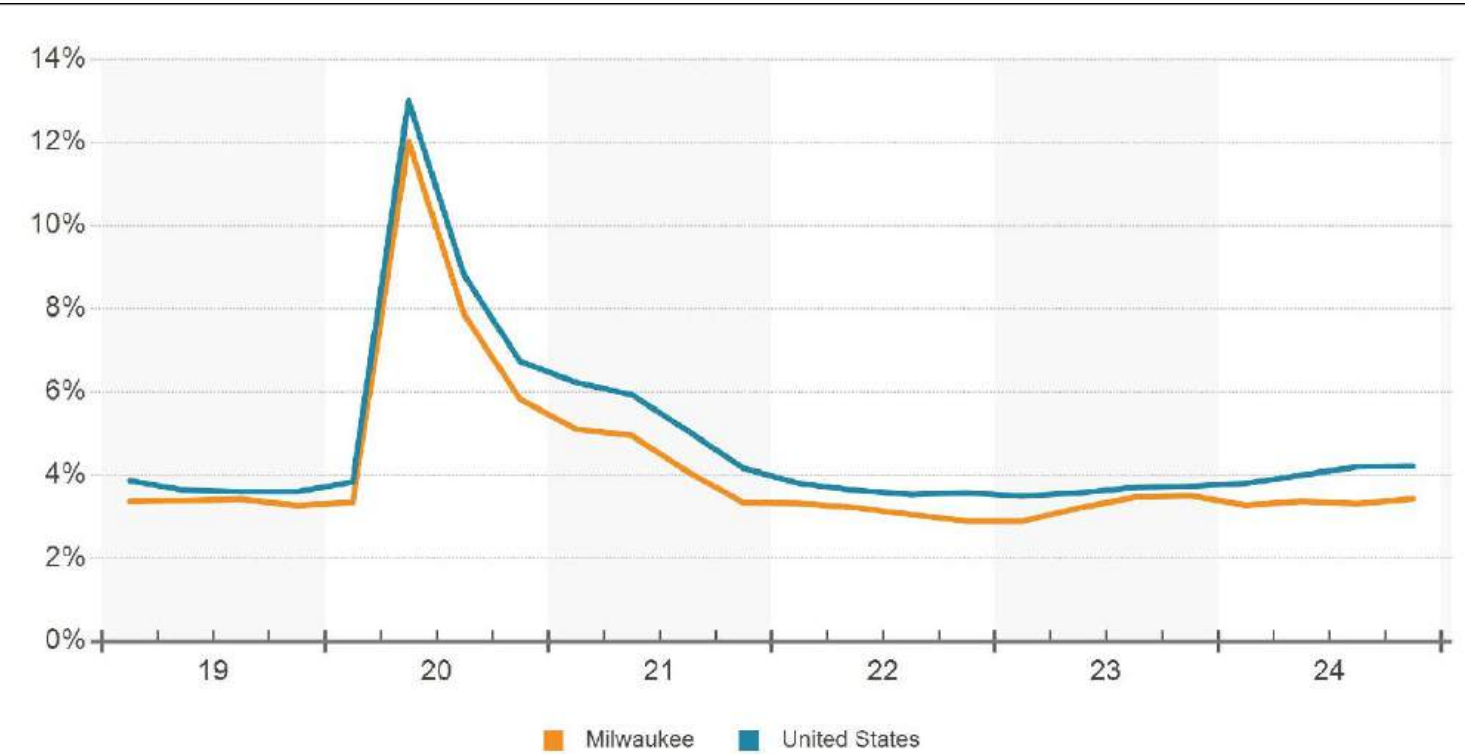
Source: Oxford Economics
LQ = Location Quotient

JOB GROWTH (YOY)

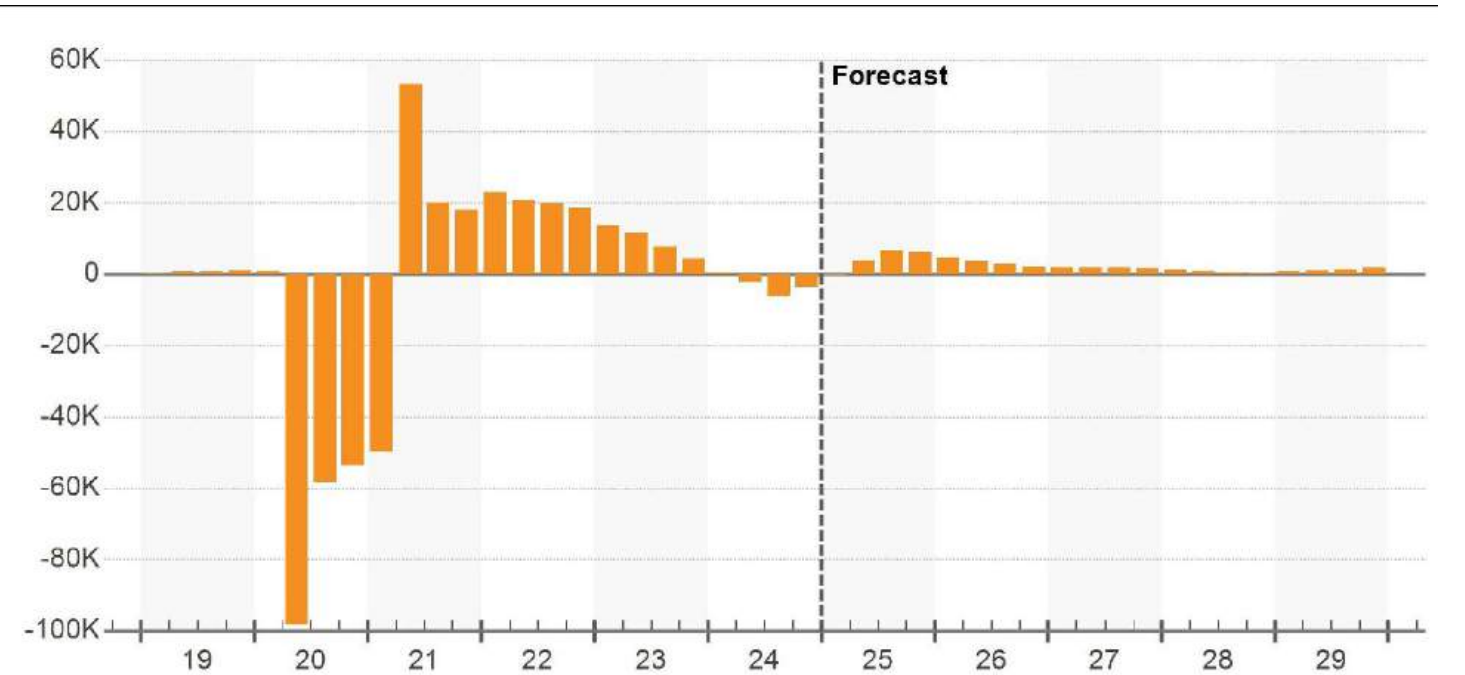


Source: Oxford Economics

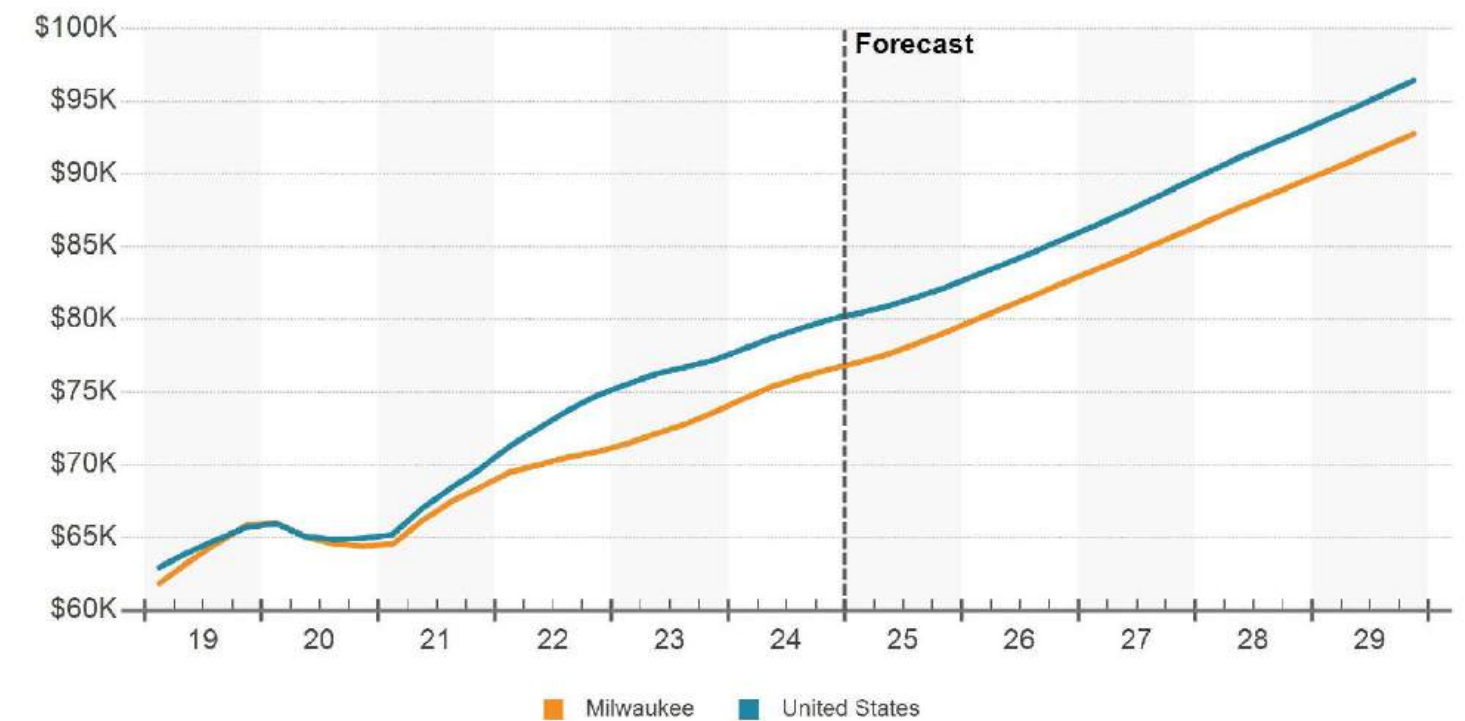
UNEMPLOYMENT RATE (%)



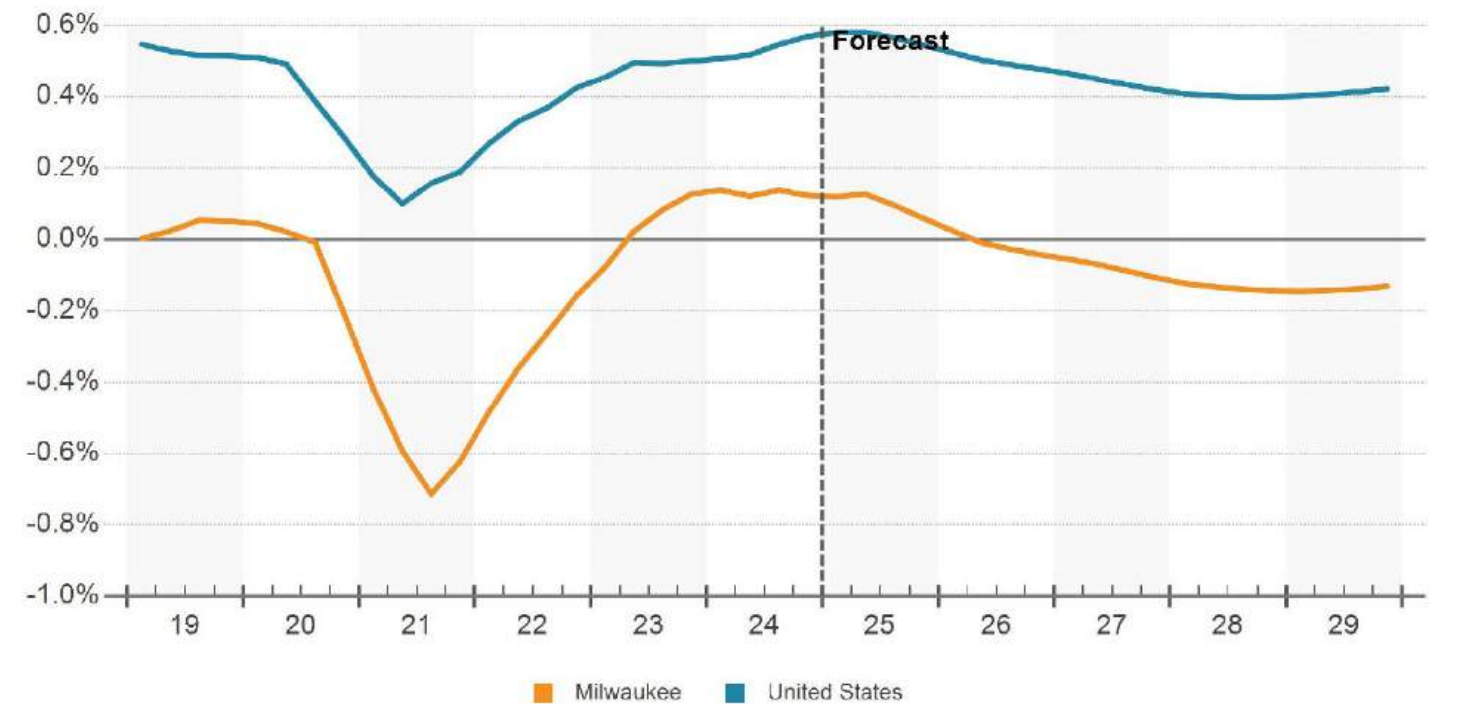
NET EMPLOYMENT CHANGE (YOY)



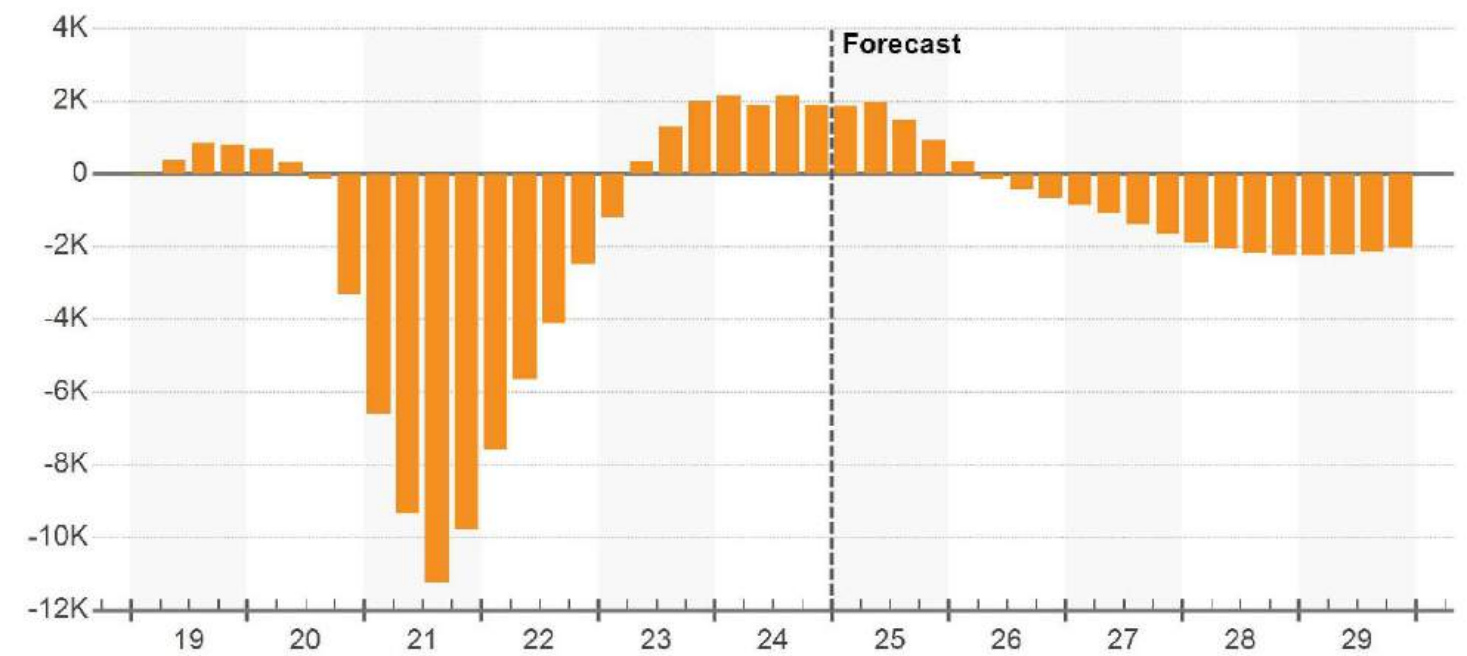
MEDIAN HOUSEHOLD INCOME



POPULATION GROWTH (YOY %)



NET POPULATION CHANGE (YOY)



DEMOGRAPHIC TRENDS

Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	1,563,395	337,519,344	0.1%	0.6%	-0.1%	0.5%	-0.1%	0.4%
Households	653,571	132,618,078	0.3%	0.7%	0.2%	0.9%	0%	0.5%
Median Household Income	\$76,853	\$80,249	3.7%	3.4%	3.7%	4.0%	3.9%	3.9%
Labor Force	818,572	168,708,938	-0.7%	0.6%	-0.1%	0.7%	0.3%	0.4%
Unemployment	3.4%	4.2%	0.1%	0.4%	-0.2%	-0.1%	-	-

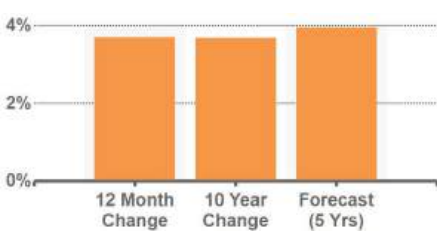
Source: Oxford Economics

POPULATION GROWTH



LABOR FORCE GROWTH

INCOME GROWTH



Source: Oxford Economics

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