



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
3.7% Vacancy Rate	▲	▲
-73K YTD Net Absorption, SF	▼	▲
\$5.28 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
854.9K Milwaukee Employment	▼	▲
3.2% Milwaukee Unemployment Rate	▼	▲
4.1% United States Unemployment Rate <i>Source: BLS, Moody's Analytics</i>	▲	▼

ECONOMY

Home to industry giants such as Rockwell Automation, Harley Davidson, Milwaukee Tool, Generac and others, Metro Milwaukee has historically been a hub for manufacturing. The area's growing water technology and energy industries also position Milwaukee as a regional center of innovation. Metro Milwaukee's unemployment rate decreased 40 basis points (bps) year-over-year (YOY) to 3.2%, and overall employment decreased 0.7% YOY.

MARKET OVERVIEW

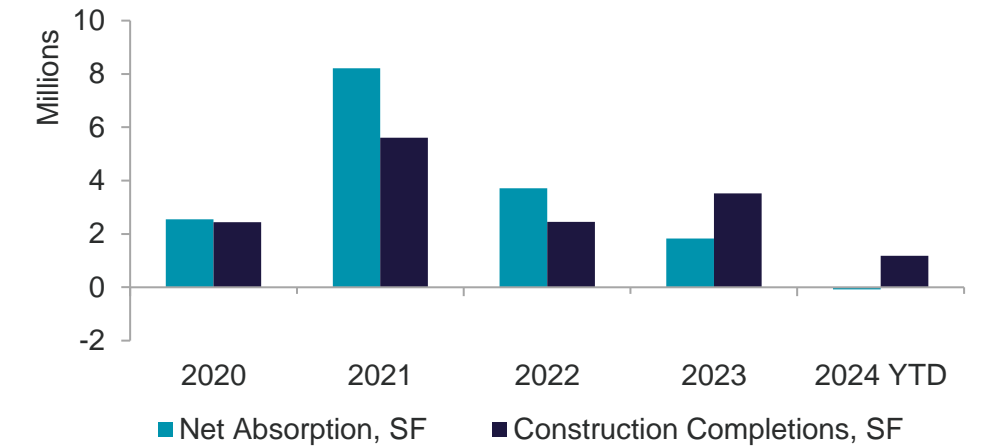
The Milwaukee industrial market experienced 311,251 square feet (sf) of positive absorption in the third quarter of 2024, keeping the overall vacancy rate stable quarter-over-quarter (QOQ) at 3.7%. Despite large move-outs in the first and second quarters of 2024, the market is nearing net-zero year-to-date (YTD) absorption totaling -73,435 sf at the end of Q3.

Washington County saw the largest quarterly positive absorption among all submarkets at 417,704 sf, driven by MGS Manufacturing's 128,886 sf expansion in Germantown and 507,287 sf of occupied new construction delivered across two properties.

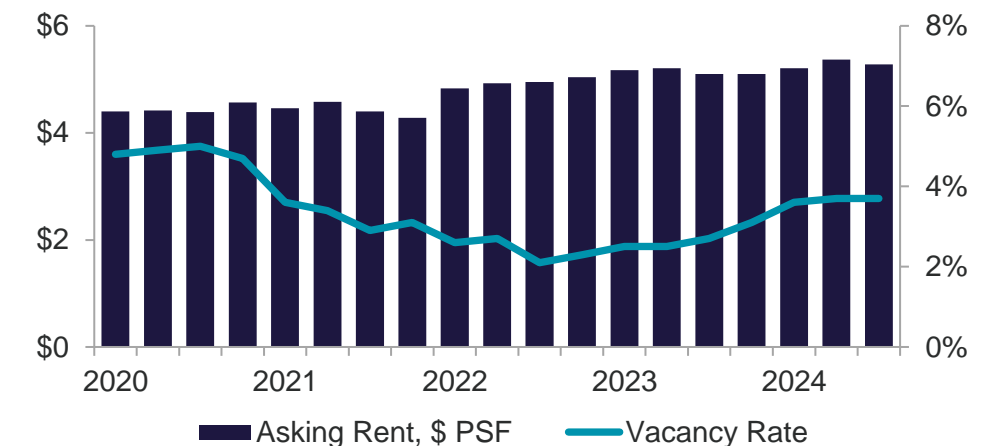
Overall asking rental rates increased by 3.5% year-over-year (YOY) to \$5.28 triple net (NNN) per square foot (psf). The Office Service / Flex rate, currently at \$7.15 NNN, shows strong YOY growth at 8.8%, driven by limited new flex construction and sustained tenant demand, with a 1.9% market-wide vacancy rate for flex properties.

Despite a significant slowdown in speculative construction, 803,677 sf of build-to-suit space has been delivered YTD. Additionally, over 1,611,531 sf of build-to-suit construction is currently underway for local companies and set for completion by the end of 2025. Notable projects included Drexel Building Supply (377,299 sf) in Kewaskum, Green Bay Packaging (233,450 sf) in Germantown, Carma Labs (225,000 sf) in Franklin, and Palermo's Pizza (202,000 sf) in West Milwaukee.

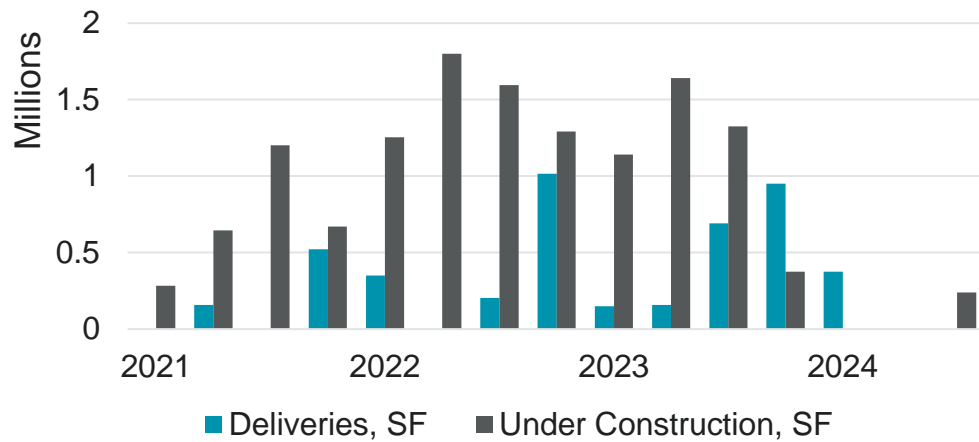
SPACE DEMAND / DELIVERIES



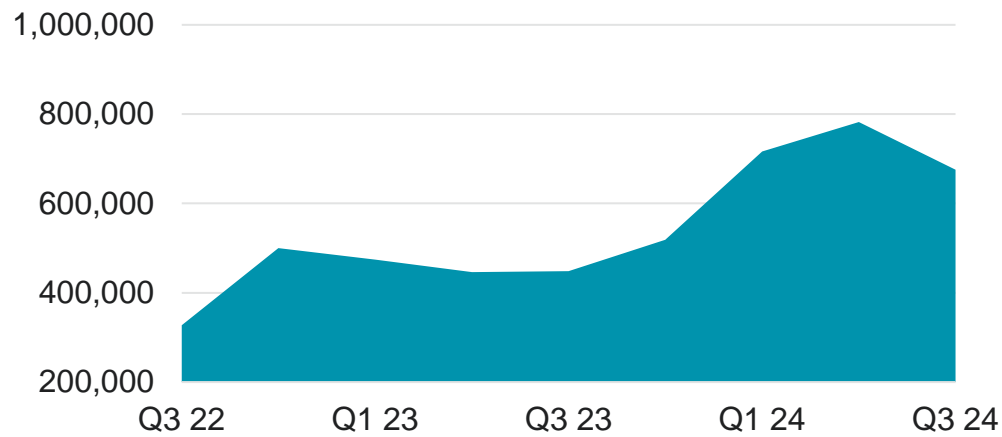
OVERALL VACANCY & ASKING RENT



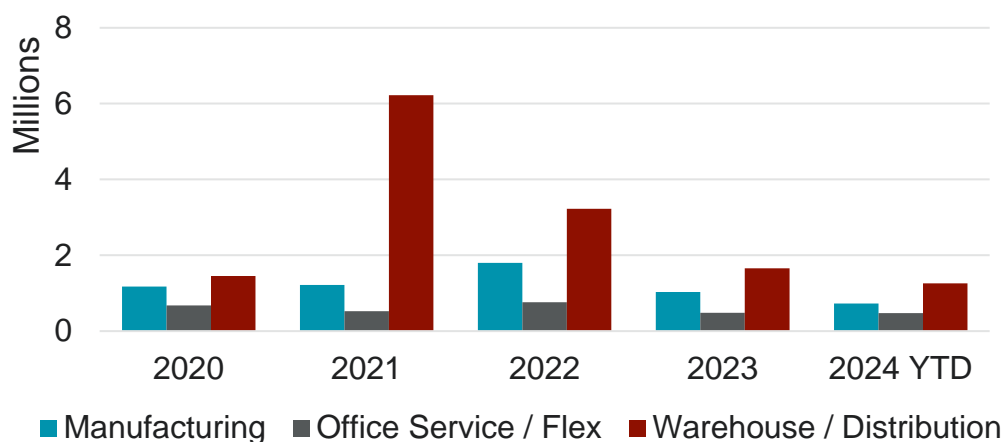
HISTORICAL SPECULATIVE CONSTRUCTION ACTIVITY



AVAILABLE SUBLEASE SPACE



NEW LEASING ACTIVITY BY PROPERTY TYPE



SPECULATIVE CONSTRUCTION ACTIVITY POISED TO RETURN

Pandemic-era demand from third-party logistics (3PL) tenants and local manufacturer growth led to a historic amount of speculative construction from 2021-2023. However, high interest rates slowed construction activity for most of 2024. With 238,568 sf of speculative space under construction in Q3 2024 and numerous projects in the pipeline, new space is expected to be delivered as early as Q1 2025. Lenders will continue to scrutinize project feasibility given the current Class A vacancy rate of 7.3% and nearly 1.3 msf of new construction available that has been delivered since 2023. Most new construction will likely be built in strong, desired submarkets such as Southern Milwaukee County and Waukesha County.

RIGHTSIZING CONTINUES

Local manufacturers are reassessing macro-economic trends and right-sizing their footprints. Inflation has led consumers to cut back on big-ticket items, prompting manufacturers to consolidate, especially amid election uncertainty and potential Federal Reserve interest rate changes. The 3PL sector has also slowed since its pandemic boom, contributing to a surge in sublease space on the market. As of Q3 2024, there was 675,638 sf of sublease space on the market, a 51% increase YOY. Additionally, there's been a significant rise in owner-user properties for sale. This rightsizing spans asset classes, with 41% of sublease space in Class A properties, 56% in Class B, and 3% in Flex properties.

NEW LEASING ACTIVITY RETURNS TO AVERAGE LEVELS

While new leasing activity may seem stagnant to stakeholders, the Milwaukee industrial real estate market is actually at its historical average in terms of gross volume. YTD leasing activity totaled 2,466,428 sf, a 19% YOY increase from one year ago. This perception is largely due to the significant reduction in Warehouse / Distribution property leasing, coinciding with the 3PL sector not rebounding from its pandemic-era boom in 2021-2022. The reduction in 3PL leasing activity has been offset by continued growth of data center and AI-focused companies. Additionally, clean energy companies have also been growing, driven by financial subsidies from the federal government.

OUTLOOK

- “Flight to quality” trends have accelerated in 2024, with 591,626 sf of YTD absorption and 810,724 sf of new leasing activity in Class A properties, a 30% YOY increase. Tenants continue to seek high-quality space, likely sustaining demand for new construction through 2025.
- The Milwaukee industrial market has been somewhat late to the national trend of inventory rightsizing, only recently seeing companies sublease space and list owner-user buildings for sale. Expect these mainly Class B properties to slightly increase the market’s vacancy rate in the near future as more product hits the market.
- Microsoft’s continued investment in Racine County, just south of Milwaukee County, will significantly impact companies within the Milwaukee market. Their future data center campus could create a strong local supply chain, thereby increasing demand for industrial space in neighboring southern Milwaukee County.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAILABLE (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT* (MF)	OVERALL WEIGHTED AVG NET RENT* (OS)	OVERALL WEIGHTED AVG NET RENT* (W/D)
Milwaukee County	100,719,644	8,845,317	6.0%	-198,032	-1,060,133	635,048	45,000	\$4.61	\$7.64	\$4.68
Ozaukee County	12,718,216	287,418	1.7%	-28,046	105,590	0	129,025	\$5.20	\$5.50	N/A
Washington County	23,786,256	1,261,852	4.6%	417,704	659,474	650,650	870,758	\$4.67	\$6.33	\$6.65
Waukesha County	78,086,236	1,828,865	0.9%	119,625	221,634	564,401	133,843	\$6.56	\$6.99	\$6.60
MILWAUKEE TOTALS	215,310,352	12,223,452	3.7%	311,251	-73,435	1,850,099	1,178,626	\$4.81	\$7.15	\$5.35

CLASSES	INVENTORY (SF)	OVERALL AVAILABLE (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Manufacturing	110,090,168	5,631,521	3.1%	286,047	-313,018	1,440,225	425,102	\$4.81
Office Service / Flex	38,878,507	1,060,949	1.9%	148,935	-49,679	49,082	46,605	\$7.15
Warehouse - Distribution	66,341,677	5,530,982	5.7%	-123,731	289,262	360,792	706,919	\$5.35

*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3303 W Oakwood Rd, Franklin	Milwaukee County	Confidential	155,113	New
N128 W20955 Holy Hill Rd, Germantown	Washington County	MGS Manufacturing	128,886	New Expansion
6600 W Washington St, West Allis	Milwaukee County	Global Power Components	61,641	New
W210 N12975 Gateway Crossing, Germantown	Washington County	Maysteel Industries	43,984	New
N30 W22383 Green Rd, Pewaukee	Waukesha County	Patterson Dental Supply	24,000	Renewal

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
Mitchell Industrial Park Portfolio, Cudahy	Milwaukee County	DRA Advisors / Oak Realty Group, Inc.	879,704	\$60.0M / \$68
16595 W Stratton Dr, New Berlin	Waukesha County	Christopher Morgan Fulfillment Services / James Campbell Company, LLC	171,000	\$15.3M / \$89
7000 W Calumet Rd, Milwaukee	Milwaukee County	New Blueprint Partners / SARA Investment Real Estate	181,692	\$12.0M / \$66

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
N104 W12659 Donges Bay Rd, Germantown	Washington County	N/A	374,949	F Street Group

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