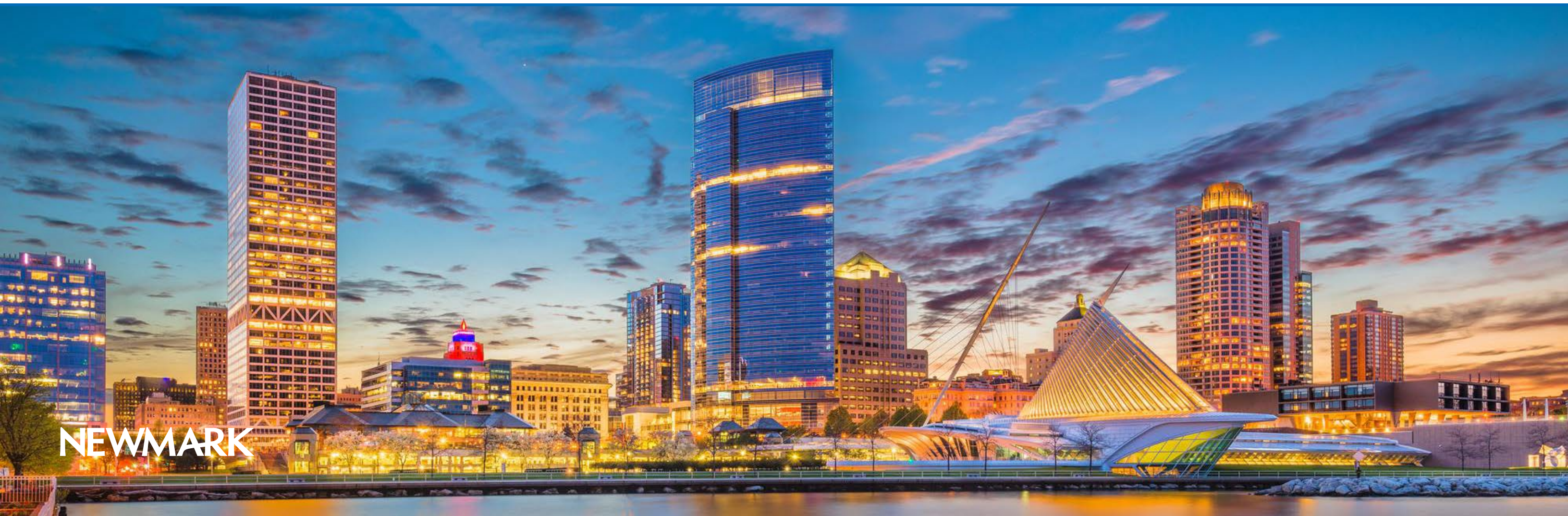


3Q24

Milwaukee Industrial Market Overview



NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. August’s 3.1% unemployment rate remains significantly lower than the 3.8% 10-year historical average.
- Year over year, job gains have been most pronounced in the government and construction industries, while professional & business services had the most job losses.
- The Midwest Consumer Price Index has continued to fall after hitting a peak in June 2022 of 9.5%. As of August 2024, it now stands at 2.6%.

Major Transactions

- In the third quarter of 2024 large lease activity continued to be underwhelming with only three new lease signings over 100,000 SF. This past quarters leasing activity was the lowest recorded amount since 2Q 2020.
- Sale transaction volume for the quarter was \$227 million. Over the past year, the market experienced \$652 million in transactional volume far less than the \$1.0 billion recorded in 2022 and \$1.1 billion recorded in 2021 but inline with \$625 million and \$631 million recorded in 2020 and 2019.
- Douglas Dynamics completed a sale lease back of seven buildings totaling 631,452 SF to TPG Angelo Gordon for \$64.2 million or \$101 per SF.
- Oak Realty Group, Inc sold a ten-building portfolio totaling 879,244 SF to DRA Advisors for \$60 million or \$68 per SF.

Leasing Market Fundamentals

- This past quarter, the Milwaukee industrial market experienced 602,350 SF of absorption. Over the past year, the market has absorbed 2.24 million SF. Since the beginning of the first quarter of 2020, the market has experienced 18 million SF of absorption, representing market growth of 8.9%.
- This past quarter, the availability rate increased 30 basis points to 6.3%, and the vacancy decreased slightly to 3.6% from 3.7%. The market is currently recalibrating, it is expected that vacancy rates will remain steady as demand comes into balance with new construction and existing availabilities.
- Throughout 2024 there has been 2.2 million SF of new construction, of which only 54% is now occupied.
- There is 2.3 million SF in the construction pipeline, of which 91% is preleased.

Outlook

- Milwaukee's rich history of a skilled and experienced workforce has been and will continue to attract manufacturers to bring their operations back to the region. The only limitations for occupiers seeking expansion will be the availability of space and the costs involved.
- Optimism is growing in the capital markets sector with the feds announcement of decreasing interest rates while buyers and sellers become more realistic of the ask/bid spread. This positive development is expected to stimulate activity among both investors and occupiers.
- Recent speculative developments have experienced minimal preleasing and longer lease-up periods. As a result, fewer new projects are being announced.

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1. Economy
 2. Leasing Market Fundamentals
 3. Supplemental Tables

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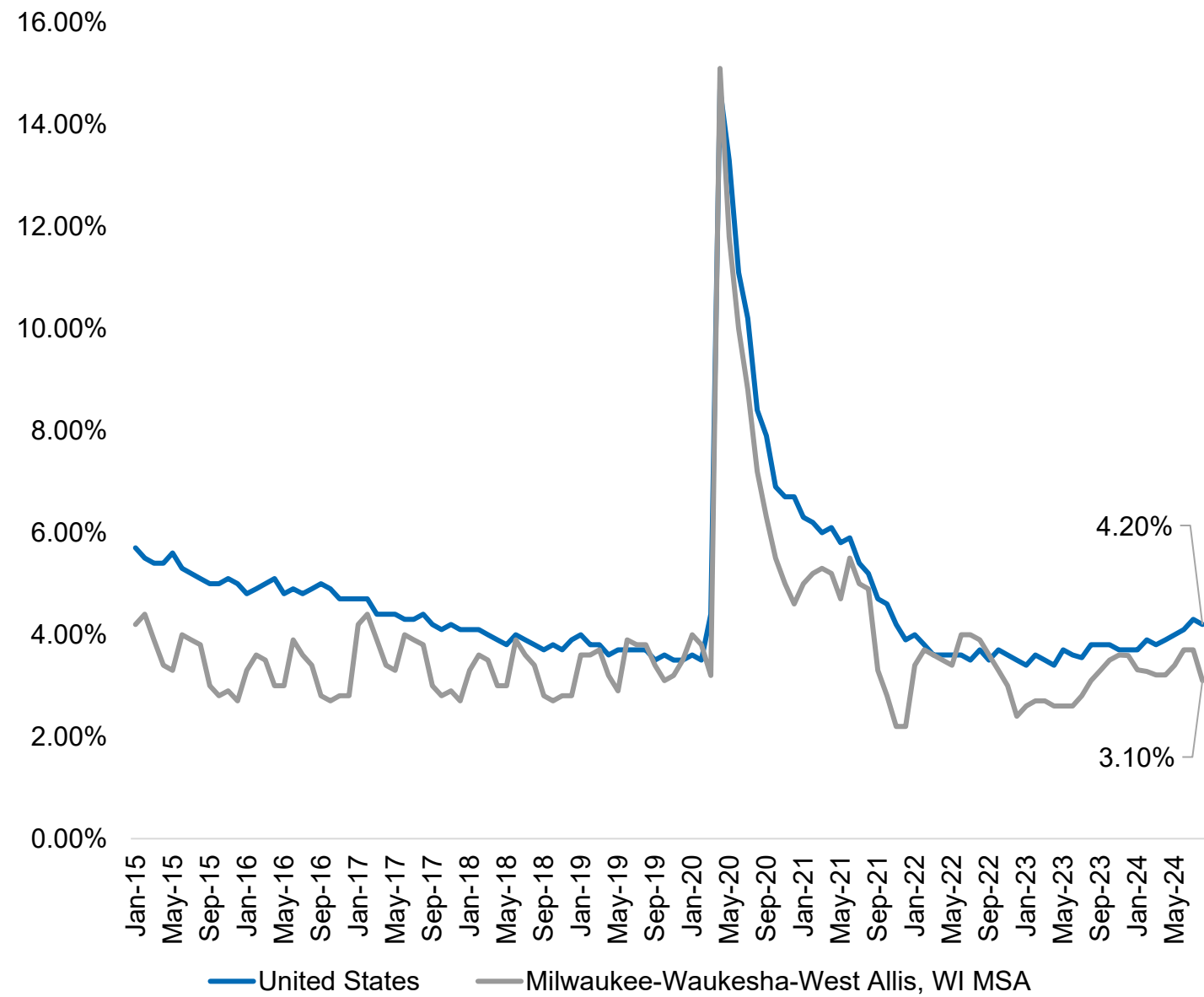
Economy



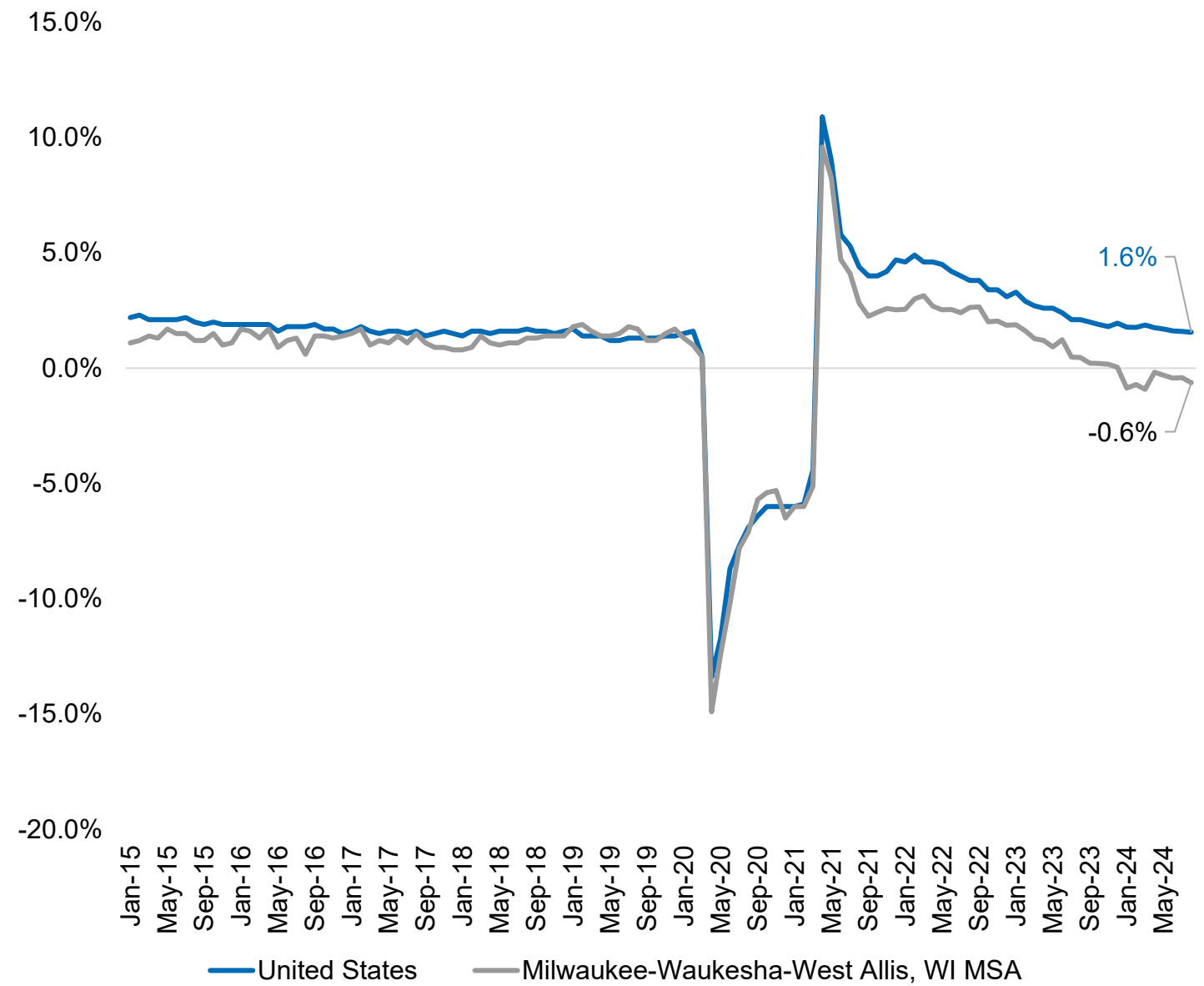
Metro Employment Trends Signal A Slowing Economy

The Metro's unemployment rate now sits at 3.1%, notably lower than the nationwide average of 4.2%. However, the Metro's payroll employment's 12-month change is -0.6% while the national average is 1.6%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

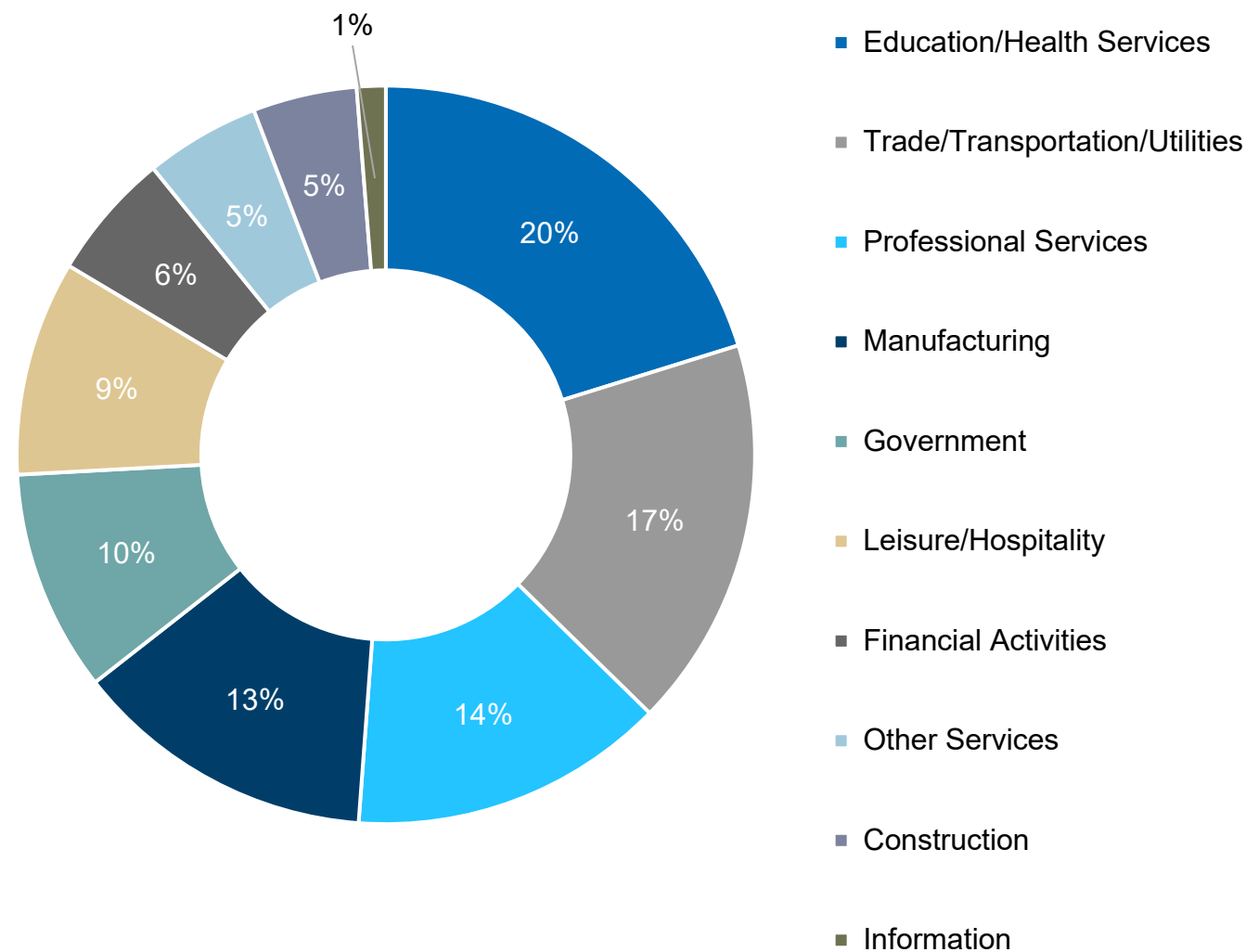


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

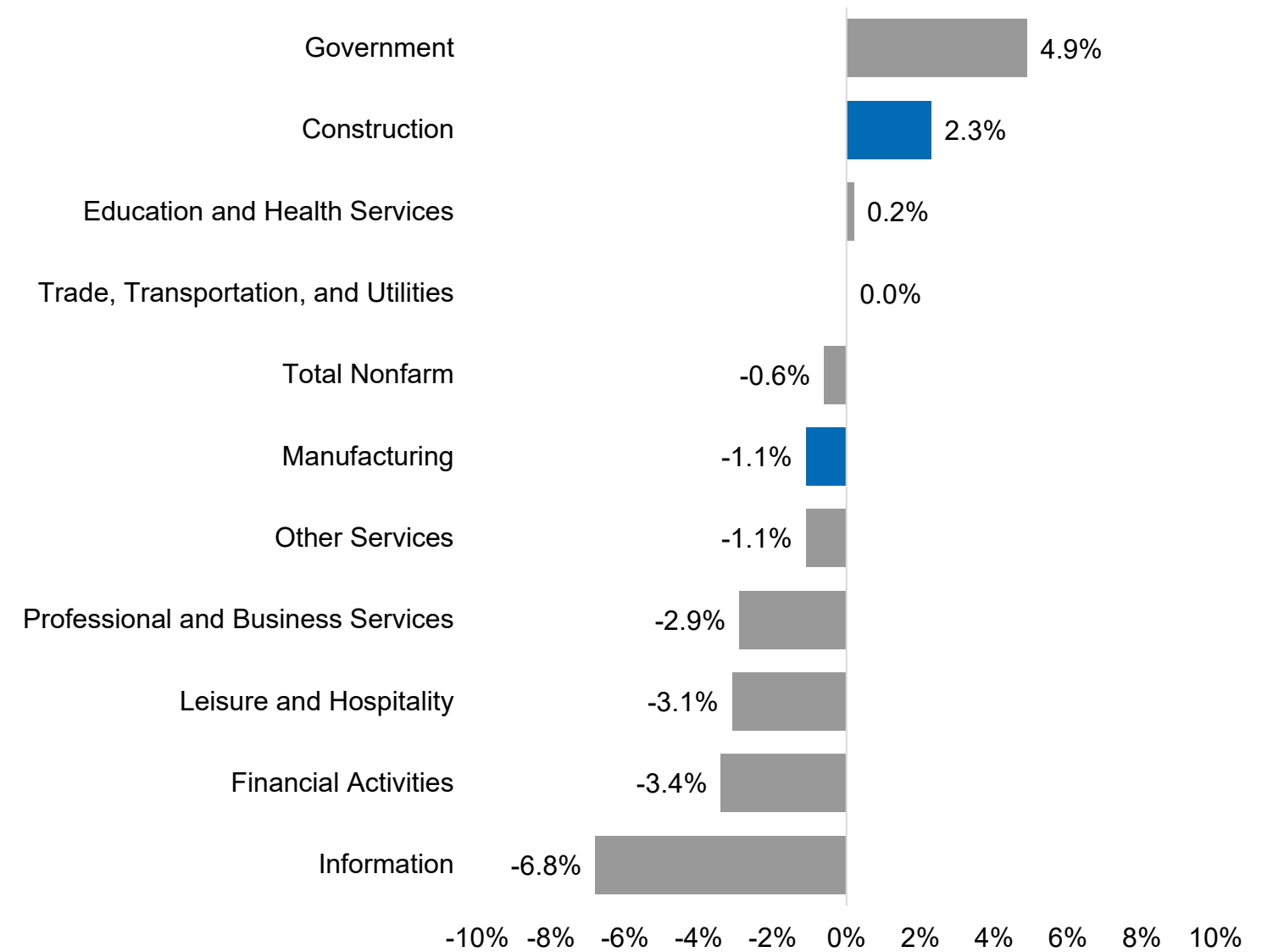
Job Losses Driven in Large Part by the Professional Services Sector

Over the past year, 5,500 jobs were lost across the market. Industrial-using employment sectors saw a 0.1% contraction as 400 jobs were lost. The Government sector saw the most growth as 3,800 jobs were added representing a 4.9% increase in employment.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024



Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

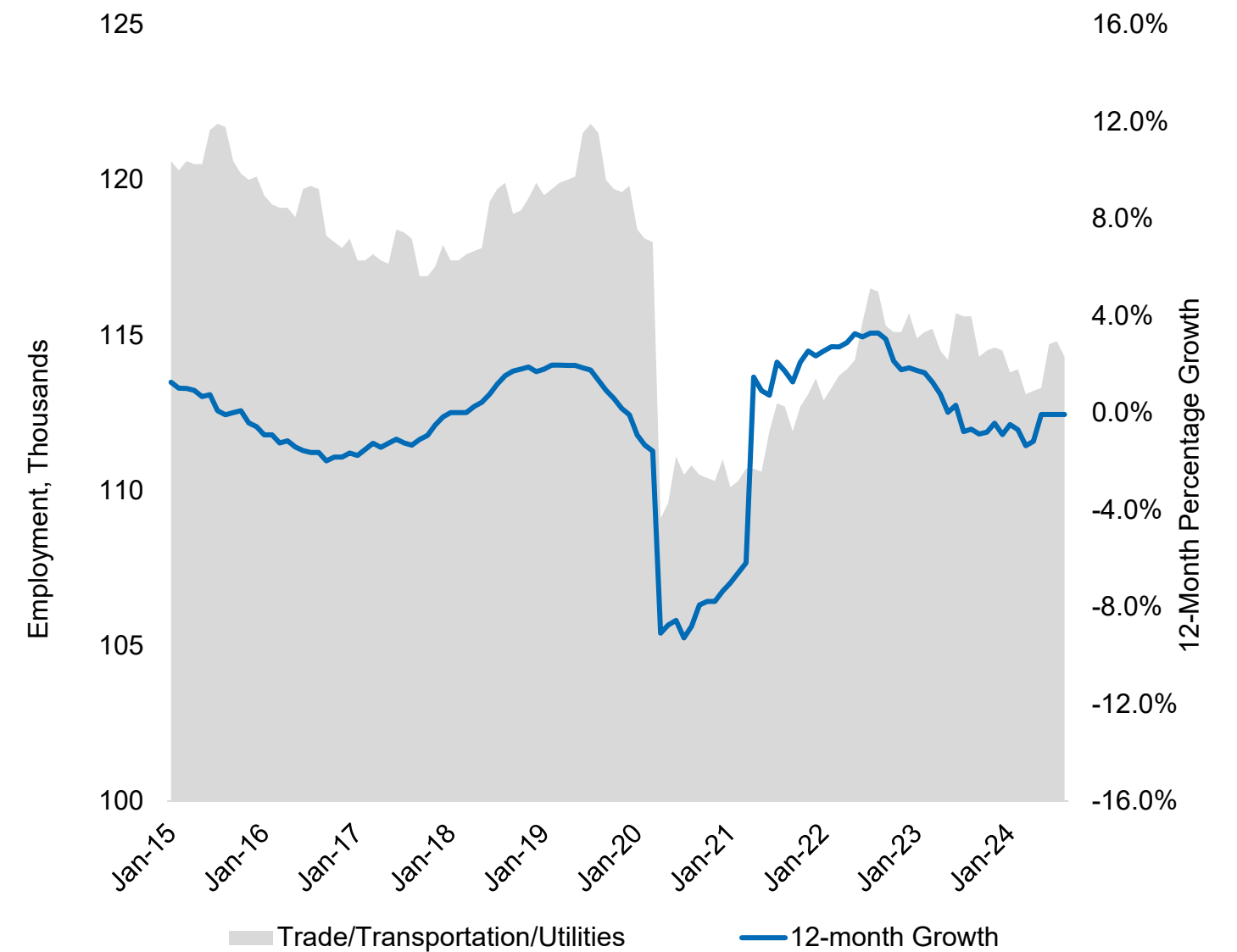
Industrial Employment Strong but Not Immune to Softening Conditions

Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs; however, competition for labor is still a challenge for many occupiers.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

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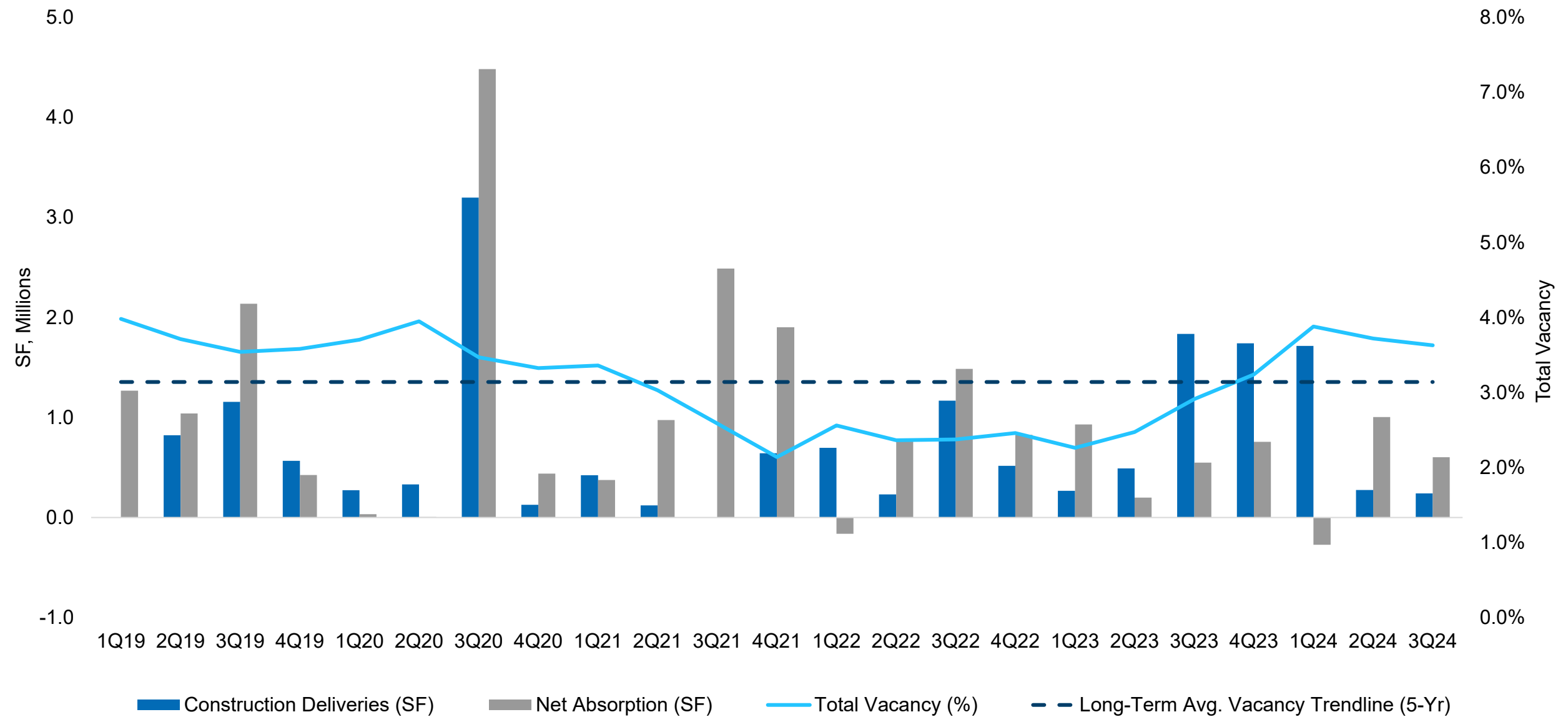
Leasing Market Fundamentals



A Pause in New Deliveries with Constant Absorption Decreases the Vacancy Rate

This past quarter, the availability rate increased 30 basis points to 6.3%, but year over year has increased from 5.4%. Vacancy saw positive movement this quarter decreasing slightly to 3.6% from 3.7% but year-over-year the vacancy rate has risen from 2.9%. The market is currently recalibrating, it is expected that vacancy rates will remain steady as demand comes into balance with new construction and existing availabilities.

Historical Construction Deliveries, Net Absorption, and Vacancy

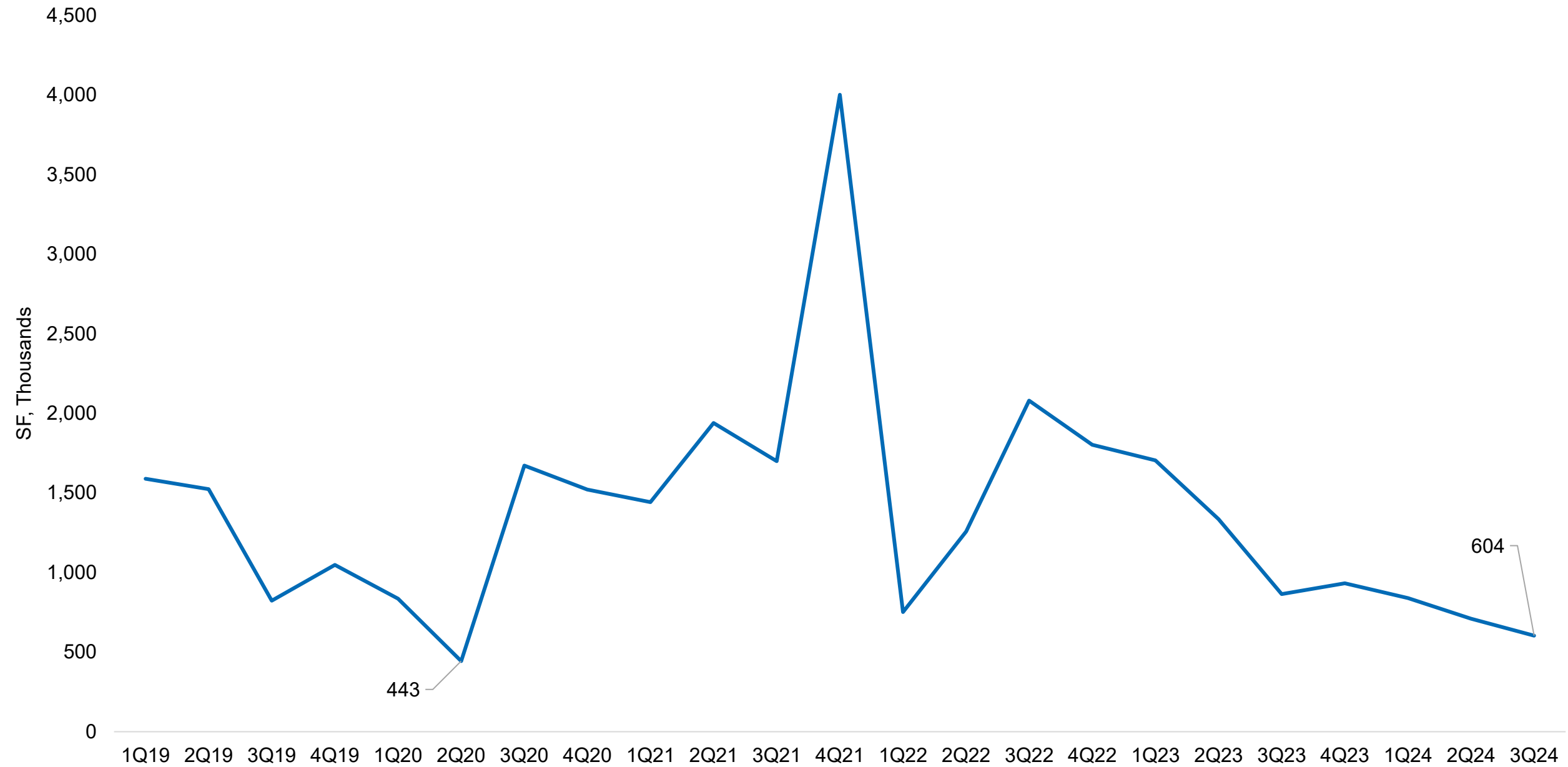


Source: Newmark Research

Industrial Leasing Activity Decelerates to Pre-Pandemic Measures

In the third quarter of 2024 large lease activity continued to be underwhelming with only three new lease signings over 100,000 SF. This past quarters leasing activity was the lowest recorded amount since 2Q 2020.

Total Leasing Activity (SF)

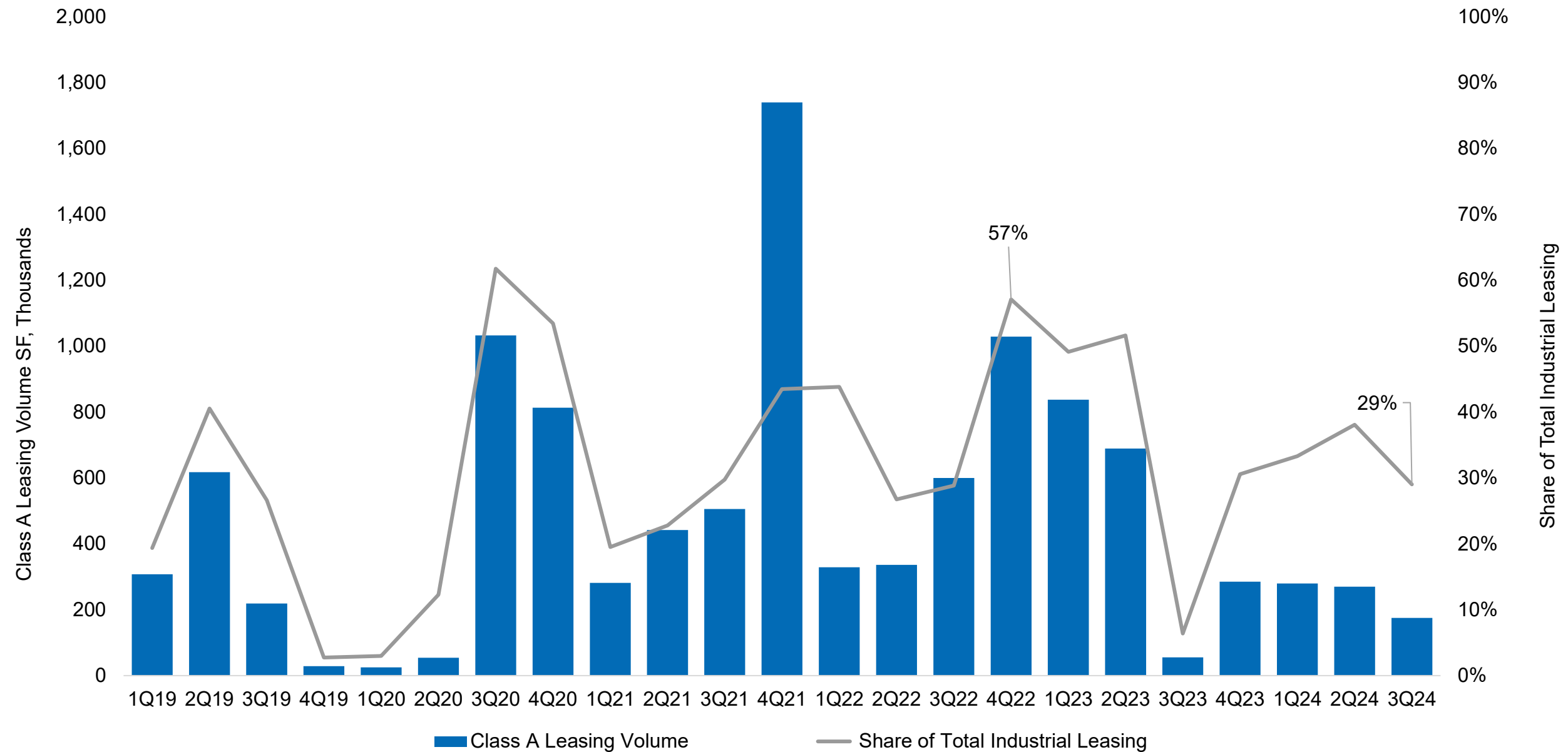


Source: Newmark Research, CoStar

Class A Warehouse Leasing Slipping

In response to occupier needs for modern Class A warehouse space, new development has accelerated over the past few years; however, it appears that construction has begun to outpace demand in Racine and southern Milwaukee County. Class A occupier demand in Waukesha County is still strong but leasing has been limited by supply constraints. Class A warehouse leasing represented 29% of overall activity in the second quarter of 2024, down from a recent high of 57% (4Q22).

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

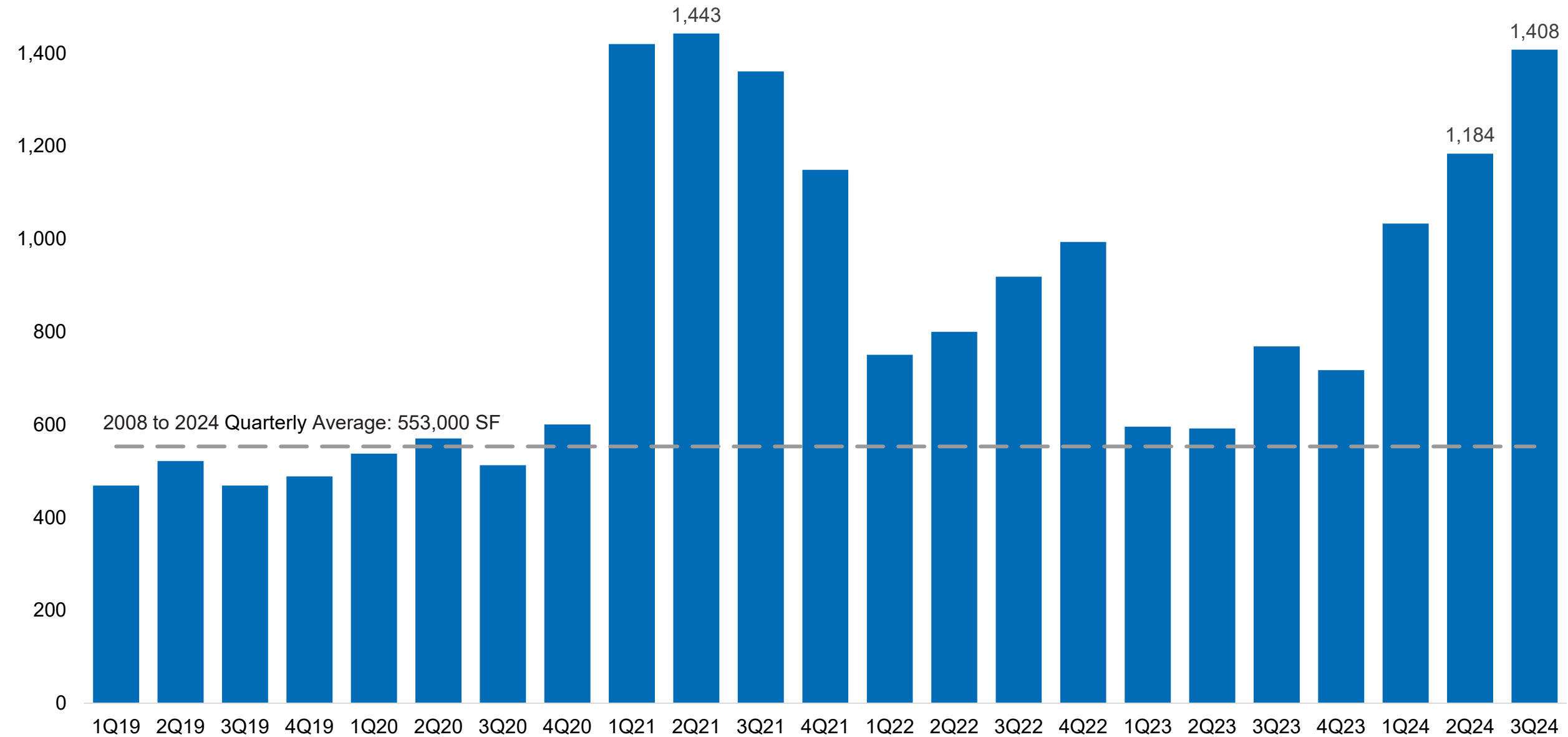


Source: Newmark Research, CoStar

Industrial Sublease Availability Surges

The sublease availability rate jumped eight basis points from 0.41% to 0.48% as an additional 223,993 SF of sublease space became available this past quarter. The current quarter amount is still less than the 2Q 2021 high of 1,442,585 SF but is more than double the historic average.

Available Industrial Sublease Volume (Thousands SF)

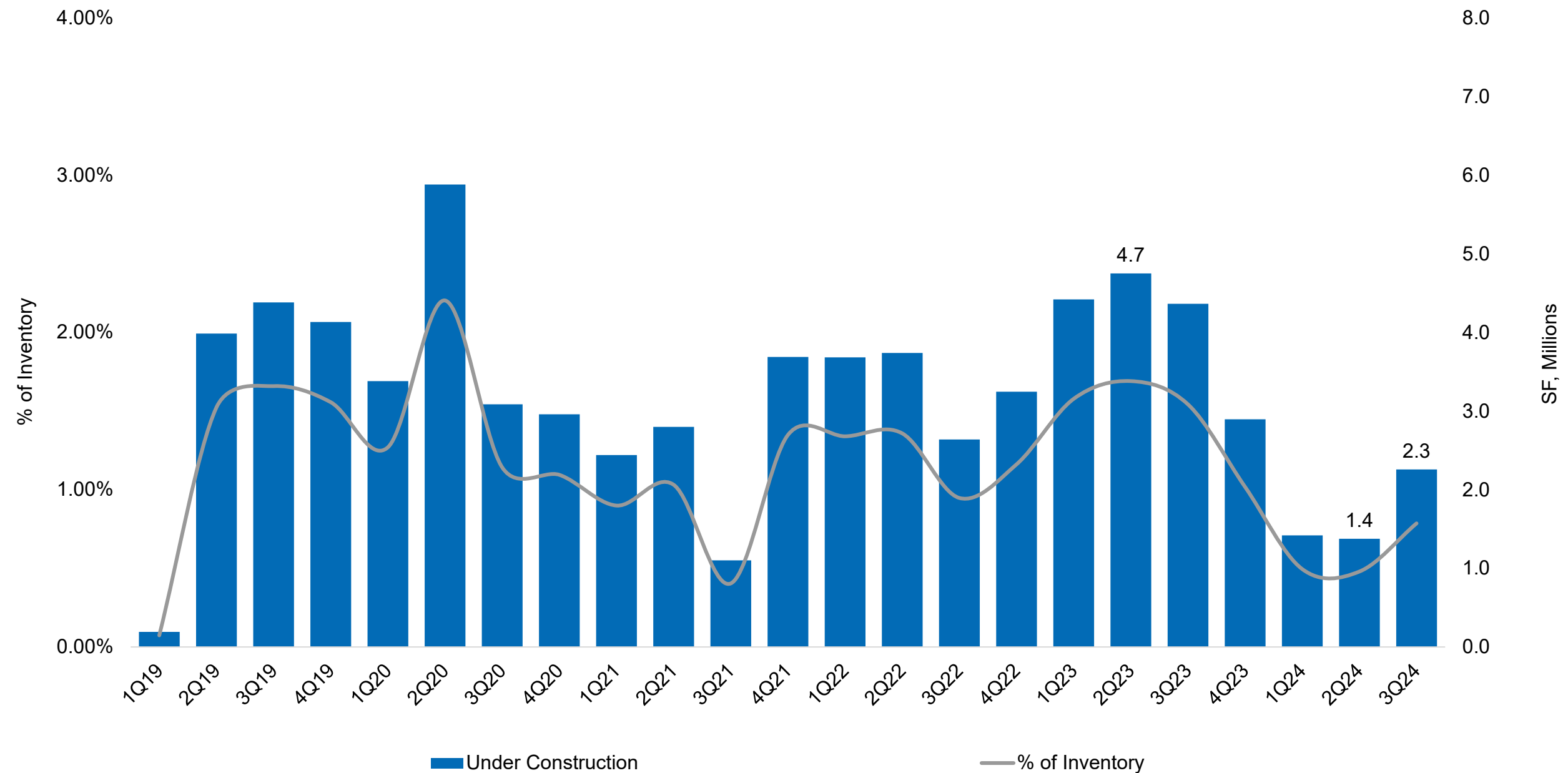


Source: Newmark Research, CoStar

New Construction Pipeline is Building to Closer to Long Term Average

The construction pipeline trended upward for the first time in six quarters, as there is now 2.3 million SF under construction up from 1.4 million SF. While a substantial quarter over quarter increase is noted the pipeline is still short of the 2019-2024 average of 3.3 million SF. 4.3 million SF was delivered throughout 2023, and additional 2.2 million SF in 2024. Of the 2.3 Million SF under construction, only 200,000 SF is available for lease.

Industrial Under Construction and % of Inventory

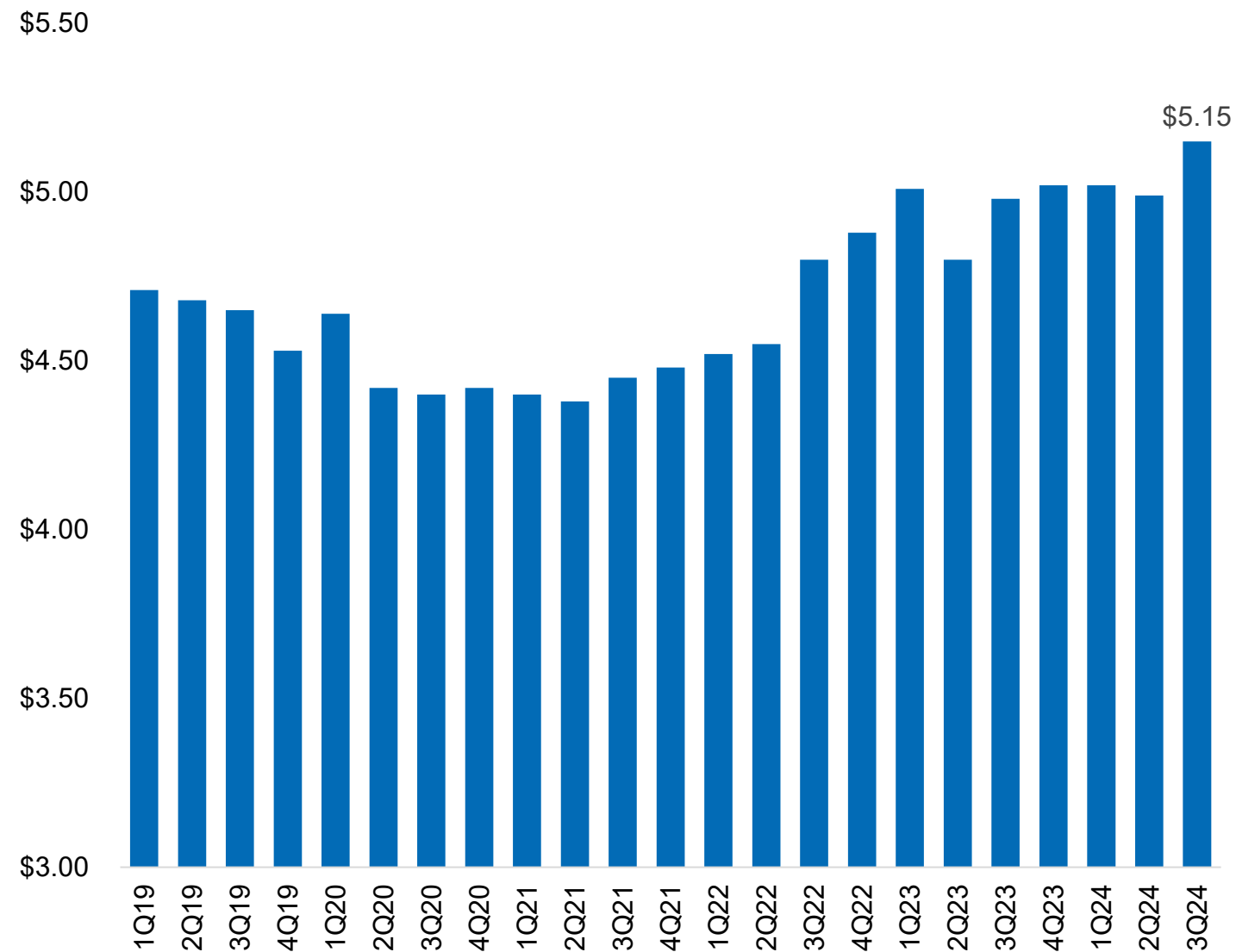


Source: Newmark Research, CoStar

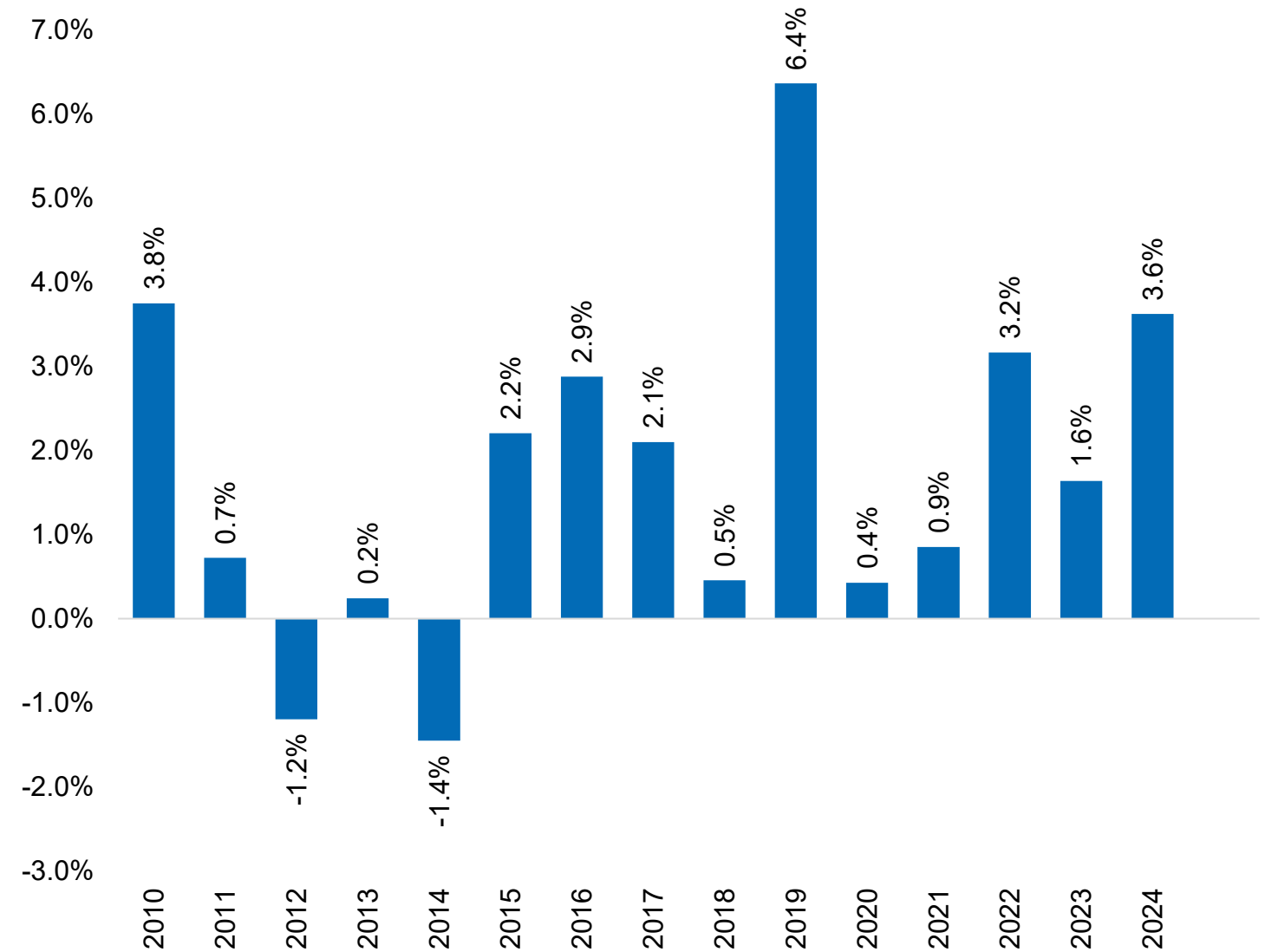
Industrial Asking Rents At Historic Highs

Average asking rents continue to grow year over year. While annual statistical growth is 3.6%, actual growth is higher. The most sought-after properties are so quickly leased their rates don't impact quarterly data and new construction is advertised with negotiable rates, which are not included. This leaves the statistics most influenced by properties with high vacancy and low rates.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 3Q24 Lease Transactions

While there are uncertainties about the overall economy, the number of leases being completed this past quarter has remained strong, however the size of those deals has notably shrunk.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Microbial Discovery Group	3303 Oakwood Rd, Franklin	Milwaukee Co	New	155,113
MGS Investments, Inc	20955 Holy Hill Rd, Germantown	Washington Co	New	122,886
Confidential Tenant	202 Olive St, Glendale	Milwaukee Co	New	100,800
Yunker Industries, Inc	103 Hill Ct, Mukwonago	Walworth Co	New	78,138
GZ Media	13505 Louis Sorenson, Mount Pleasant	Racine Co	New	68,750
Confidential Tenant	N102W19200 Willow Creek Pky, Germantown	Washington Co	New	65,000

3Q24

Supplemental Tables





Please reach out to your
Newmark business contact for this information



Please reach out to your
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Historical Statistical Overview

Please reach out to your
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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