
2Q24

Milwaukee Industrial Market Overview

NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. May’s 3.2% 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 June 2024, it now stands at 2.5%.

Major Transactions

- In the second quarter of 2024 large lease activity continued to be underwhelming with only one new lease signings over 100,000 SF. Saputo Cheese leased +/- 310,000 SF in a build to suite project at Baxter Ct, Caledonia.
- Sale transaction volume for the quarter was \$150 million. Over the past year, the market experienced \$510 million in transactional volume far less than the \$1.0 billion recorded in 2022 and \$1.1 billion recorded in 2021.
- Wangard sold W251 N5350 Business Dr, Sussex a 150,000 SF warehouse building to Stag Industrial for \$16 million, or \$107/SF.
- CH Coakley sold 600 E Vienna Ave. in Milwaukee, a 211,000 SF warehouse building to OpenPath Investments for \$9.9 million, or \$47/SF.

Leasing Market Fundamentals

- This past quarter, the Milwaukee industrial market experienced 1,004,953 SF of absorption. Over the past year, the market has absorbed 2.04 million SF. Since the beginning of the first quarter of 2020, the market has experienced 16.8 million SF of absorption, representing market growth of 6.3%.
- This past quarter, the availability rate remained flat at 6.0% and the vacancy decreased slightly to 3.9% from 4.1%. 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 1.84 million SF of new construction, of which only 48% is now occupied.
- There is 932,936 SF in the construction pipeline, of which 81% 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 as interest rates show signs of stabilizing or potentially decreasing in 2024. 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.

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

2Q24

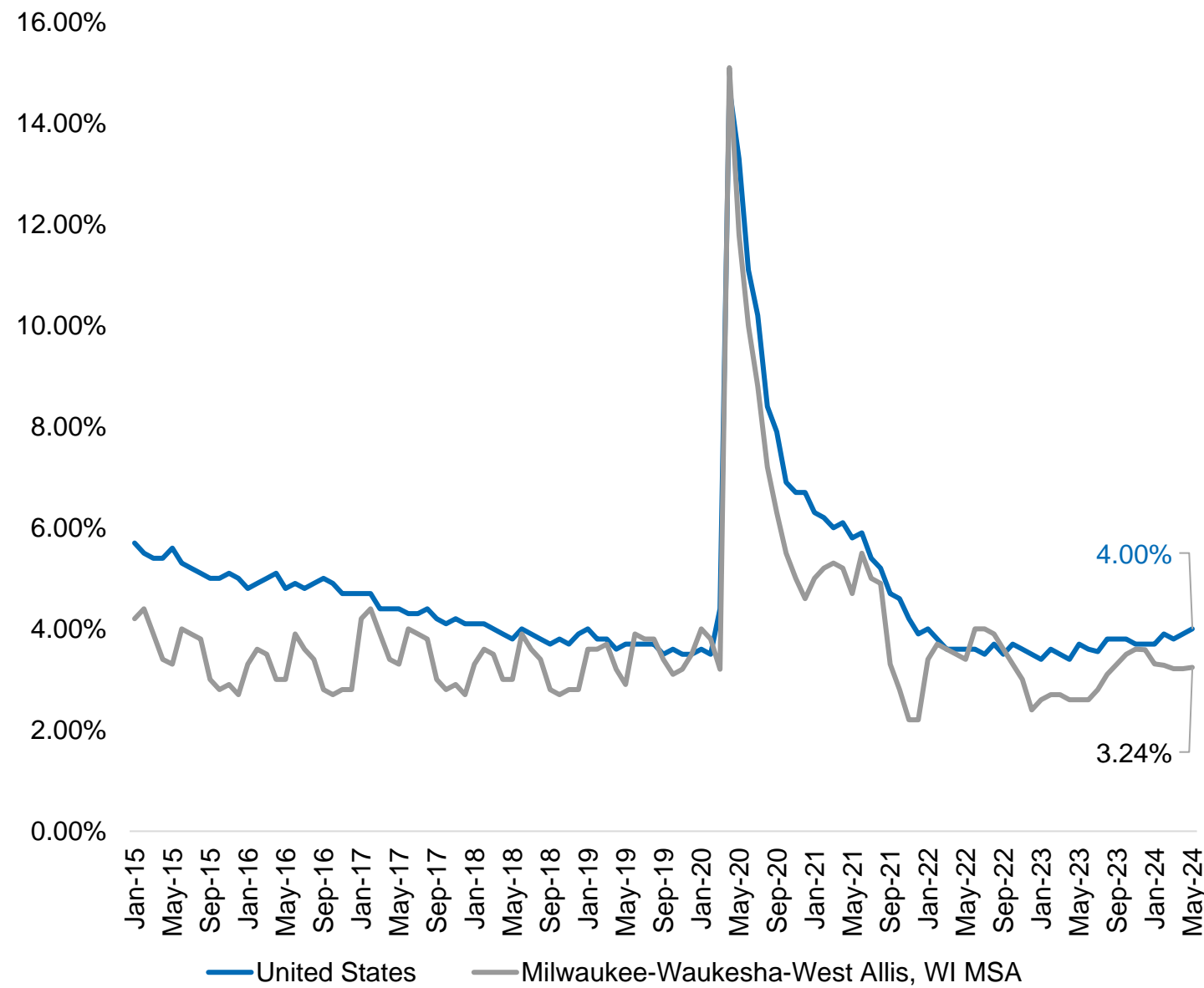
Economy



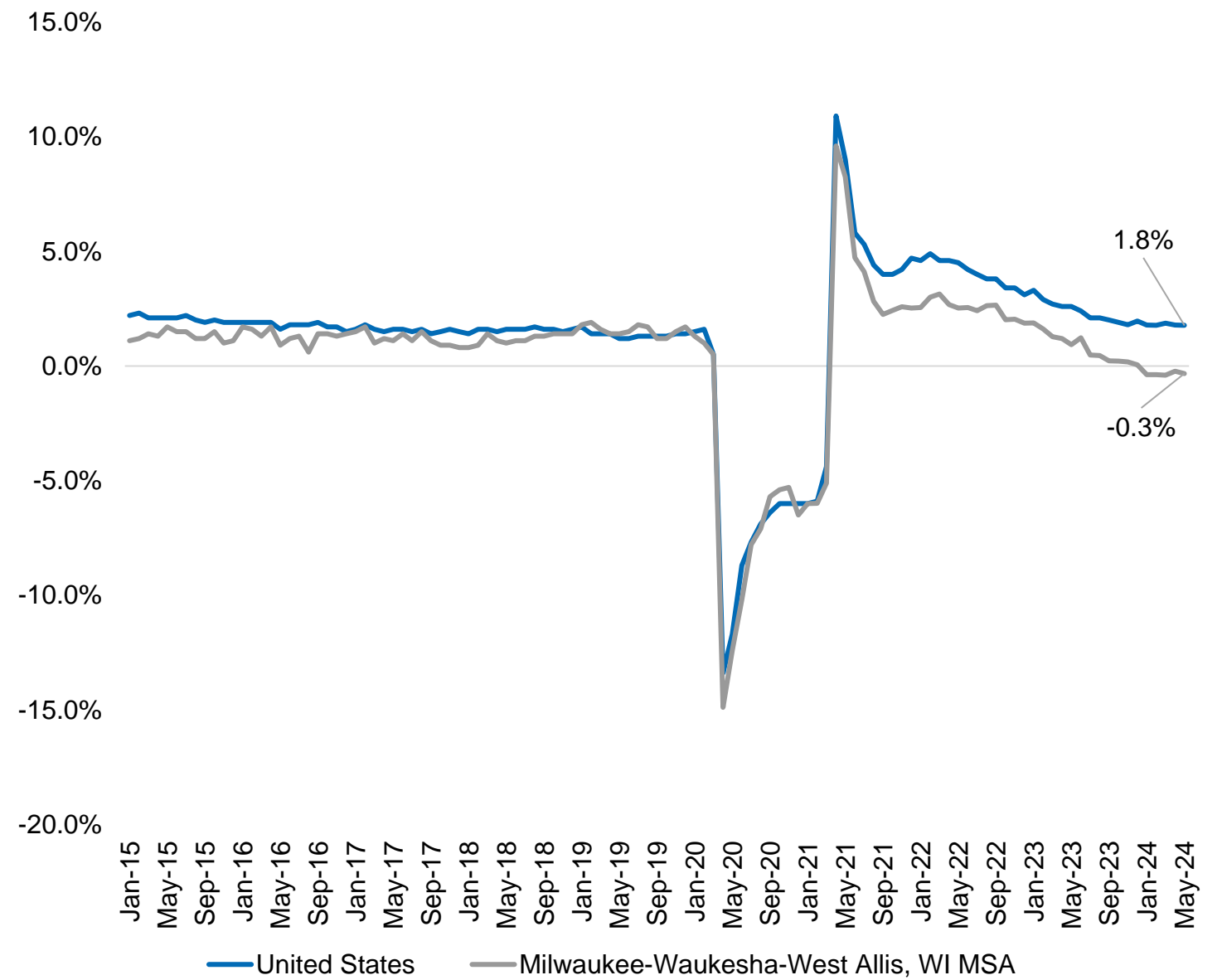
Metro Employment Trends Signal A Slowing Economy

The Metro's annual payroll employment average contracted 0.3% and is considerably lower than the nationwide average of 1.8%. However, the Metro's unemployment remains at 3.2% which is better than the national average of 4.0%.

Unemployment Rate, Seasonally Adjusted



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

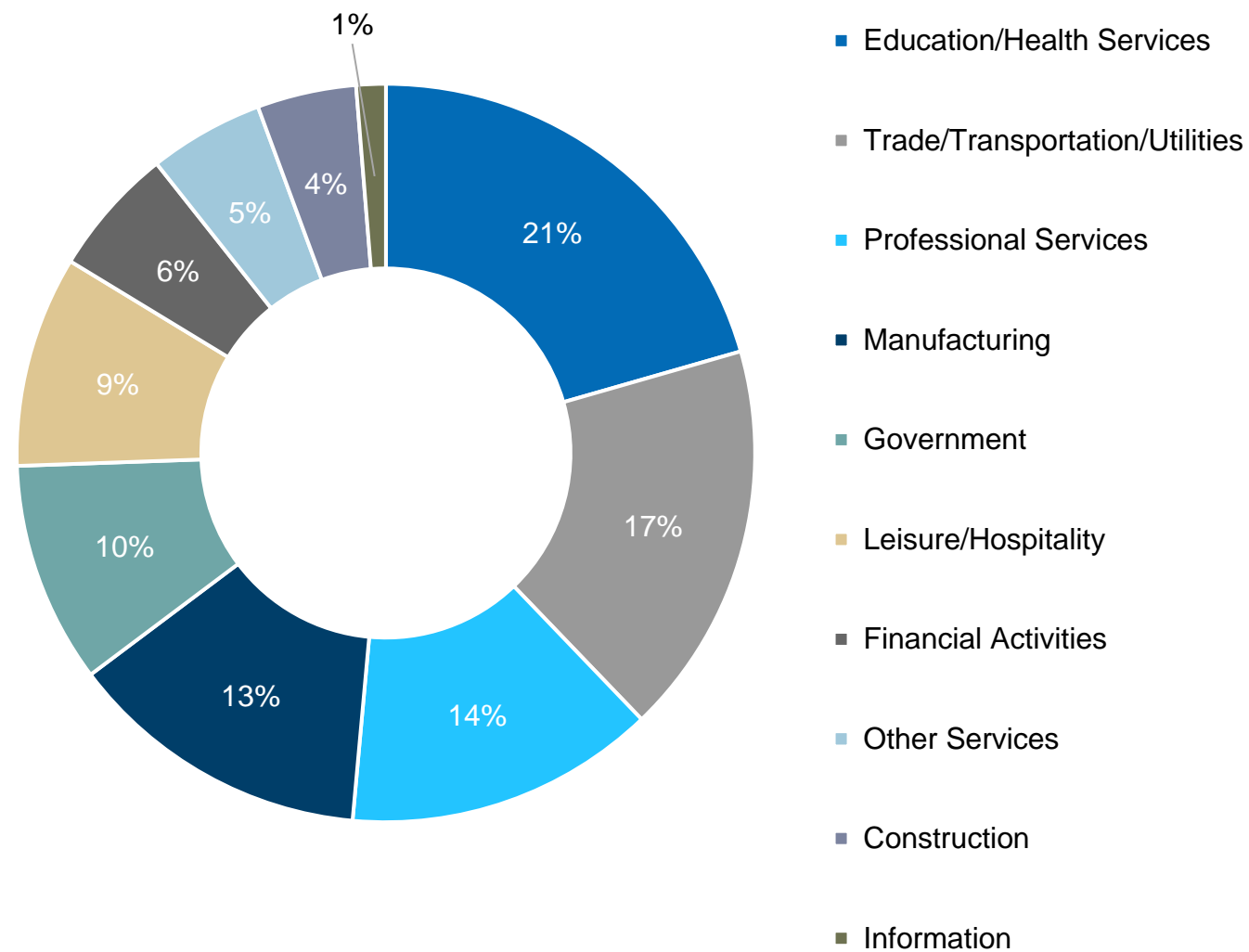


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

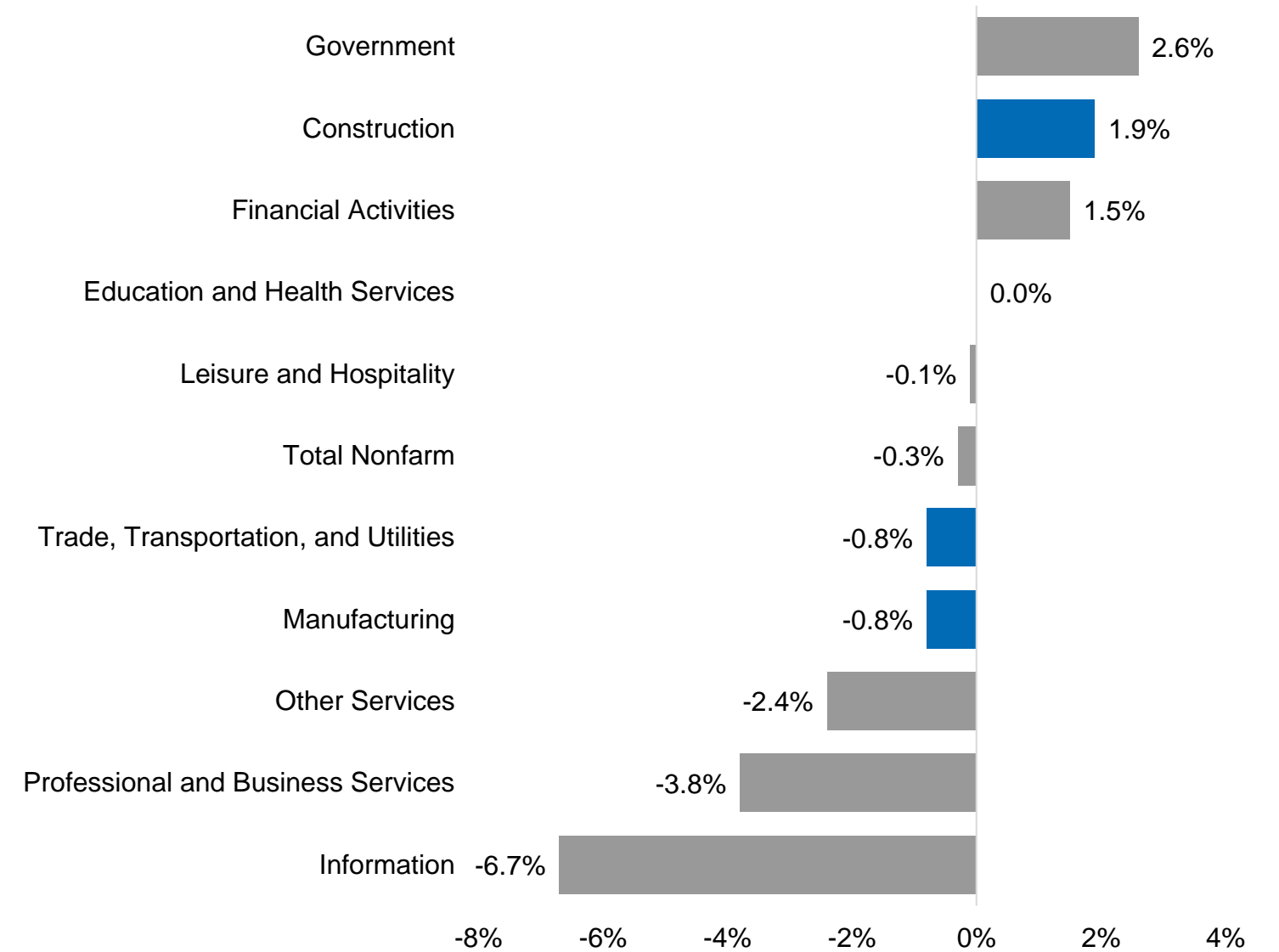
Job Losses Driven in Large Part by the Professional Services Sector

Over the past year, 4,800 jobs were lost across the market. Industrial-using employment sectors saw a 0.5% contraction as 1,400 jobs were lost. The Government sector saw the most growth as 2,200 jobs were added representing a 2.6% increase in employment.

Employment by Industry, May 2024



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

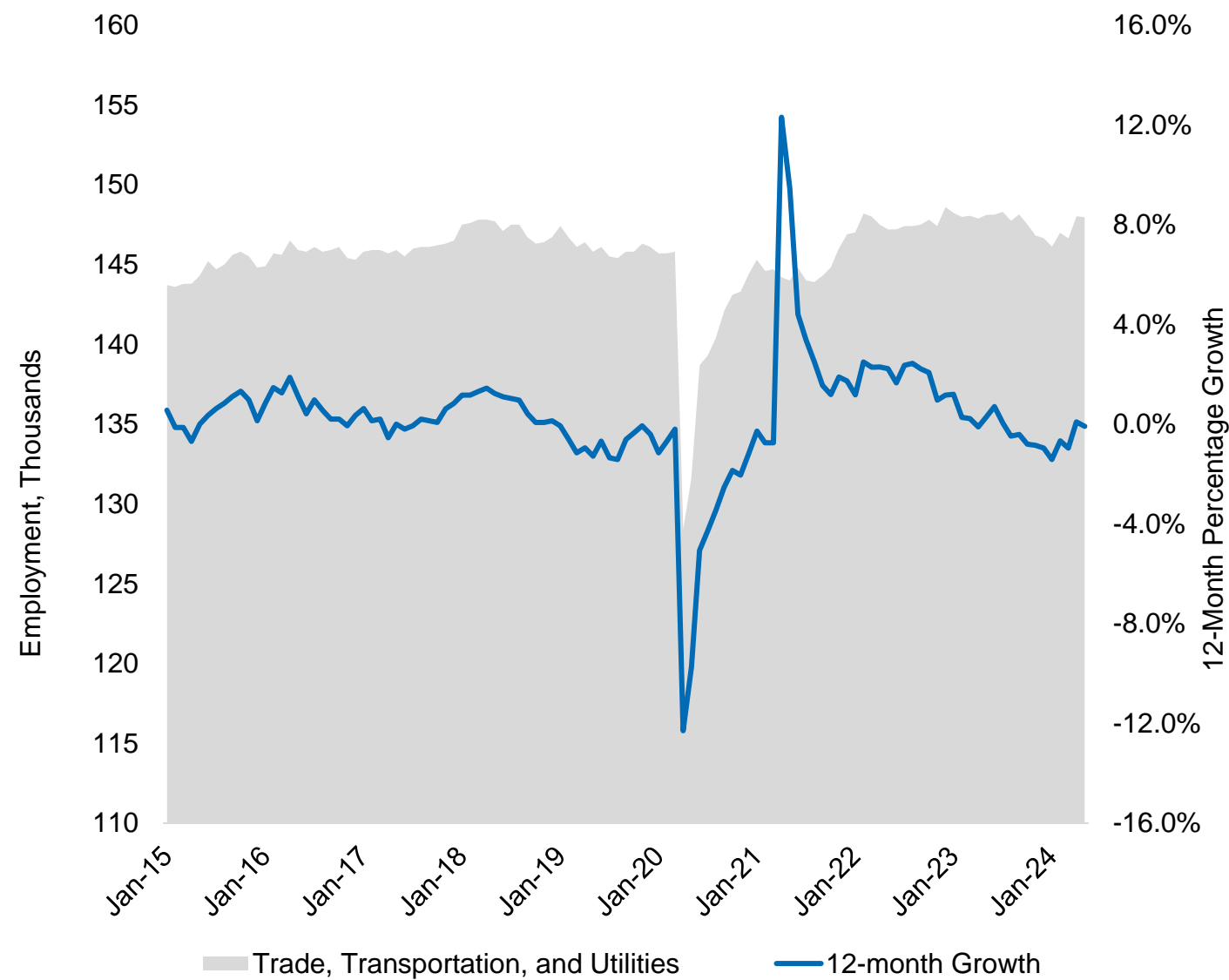


Source: U.S. Bureau of Labor Statistics, Milwaukee-Waukesha-West Allis, WI MSA

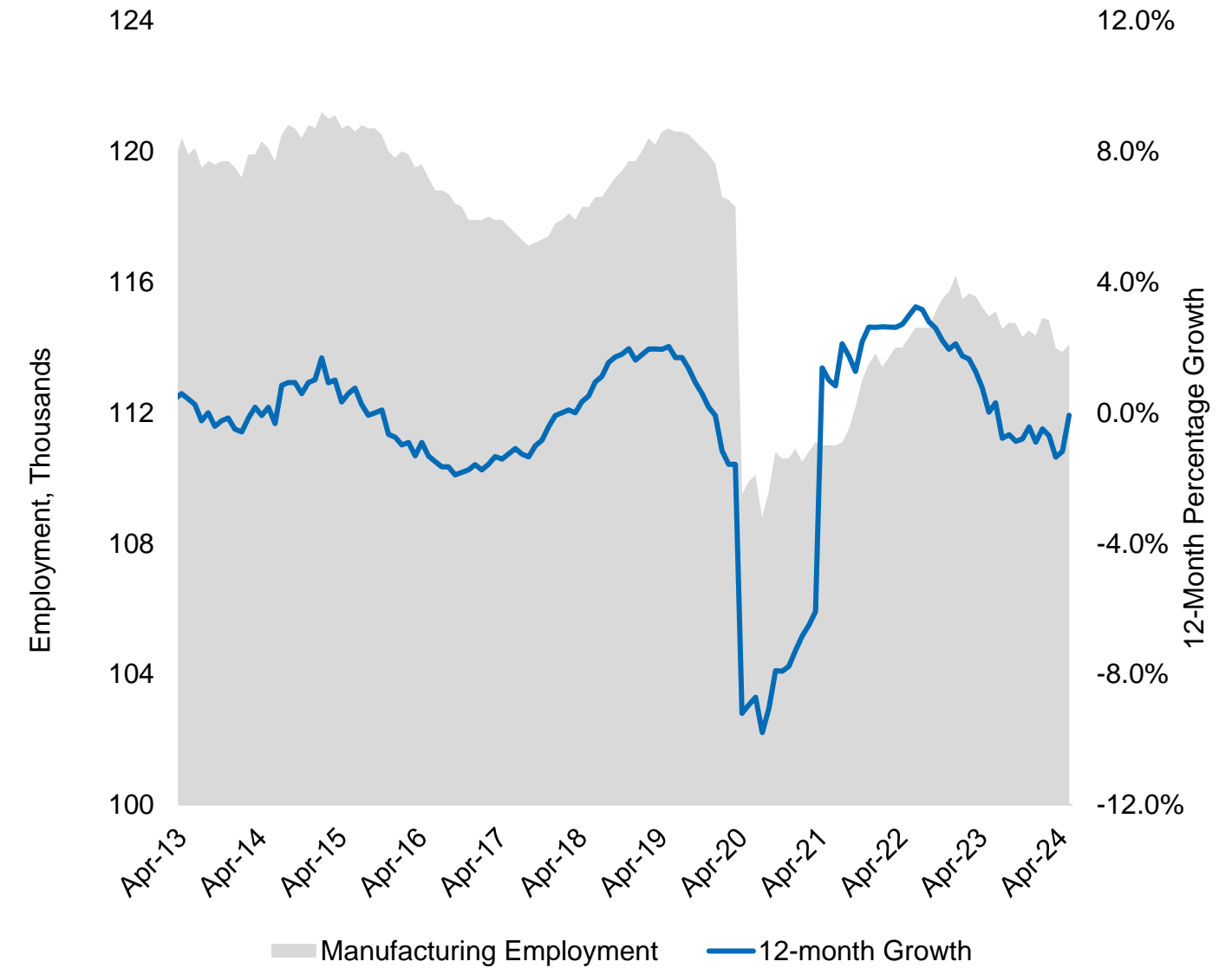
Industrial Employment Strong but Not Immune to Softening Conditions

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

2Q24

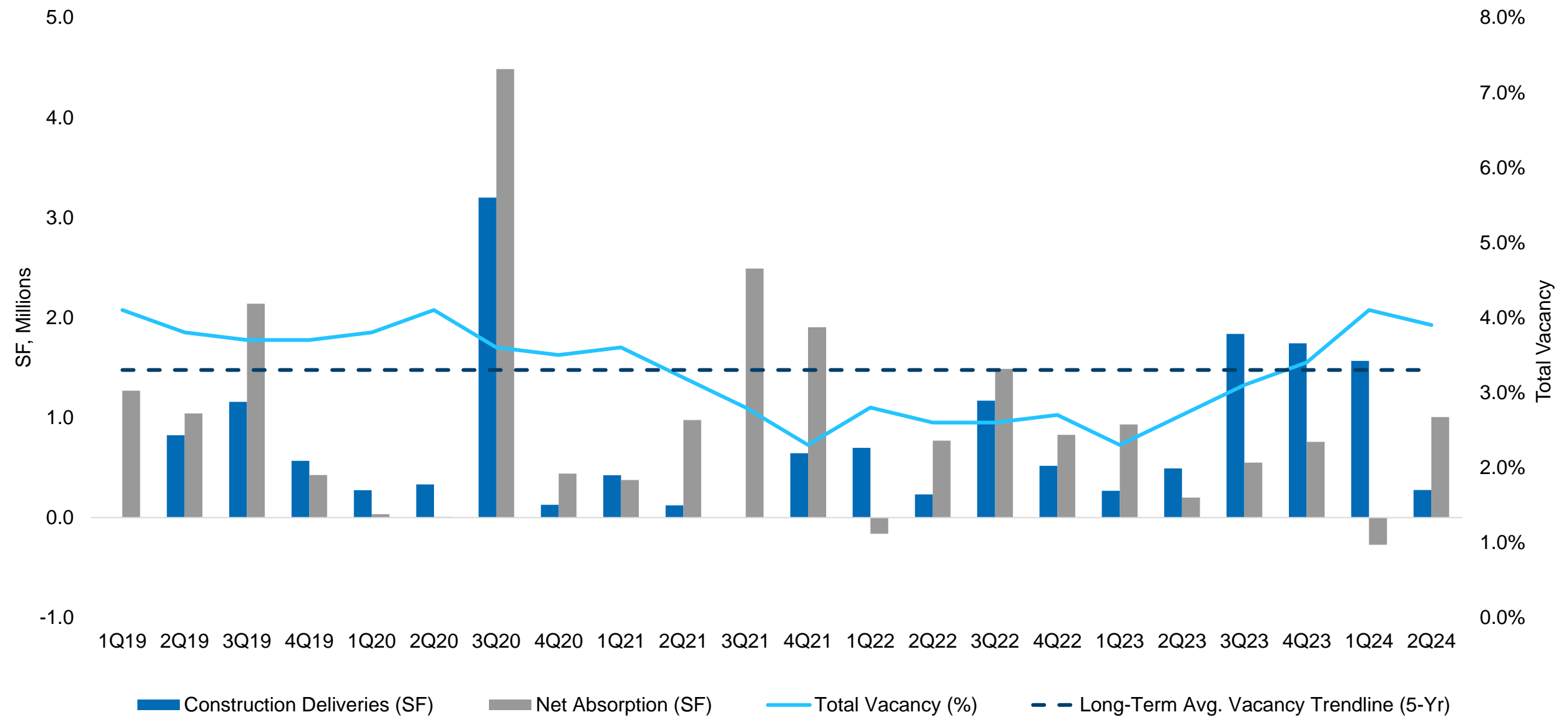
Leasing Market Fundamentals



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

This past quarter, the availability rate remained flat at 6.0%, but year over year has increased from 4.4%. Vacancy saw positive movement as well this quarter decreasing slightly to 3.9% from 4.1% but year-over-year the vacancy rate has risen from 2.7%. 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.

Historical Construction Deliveries, Net Absorption, and Vacancy

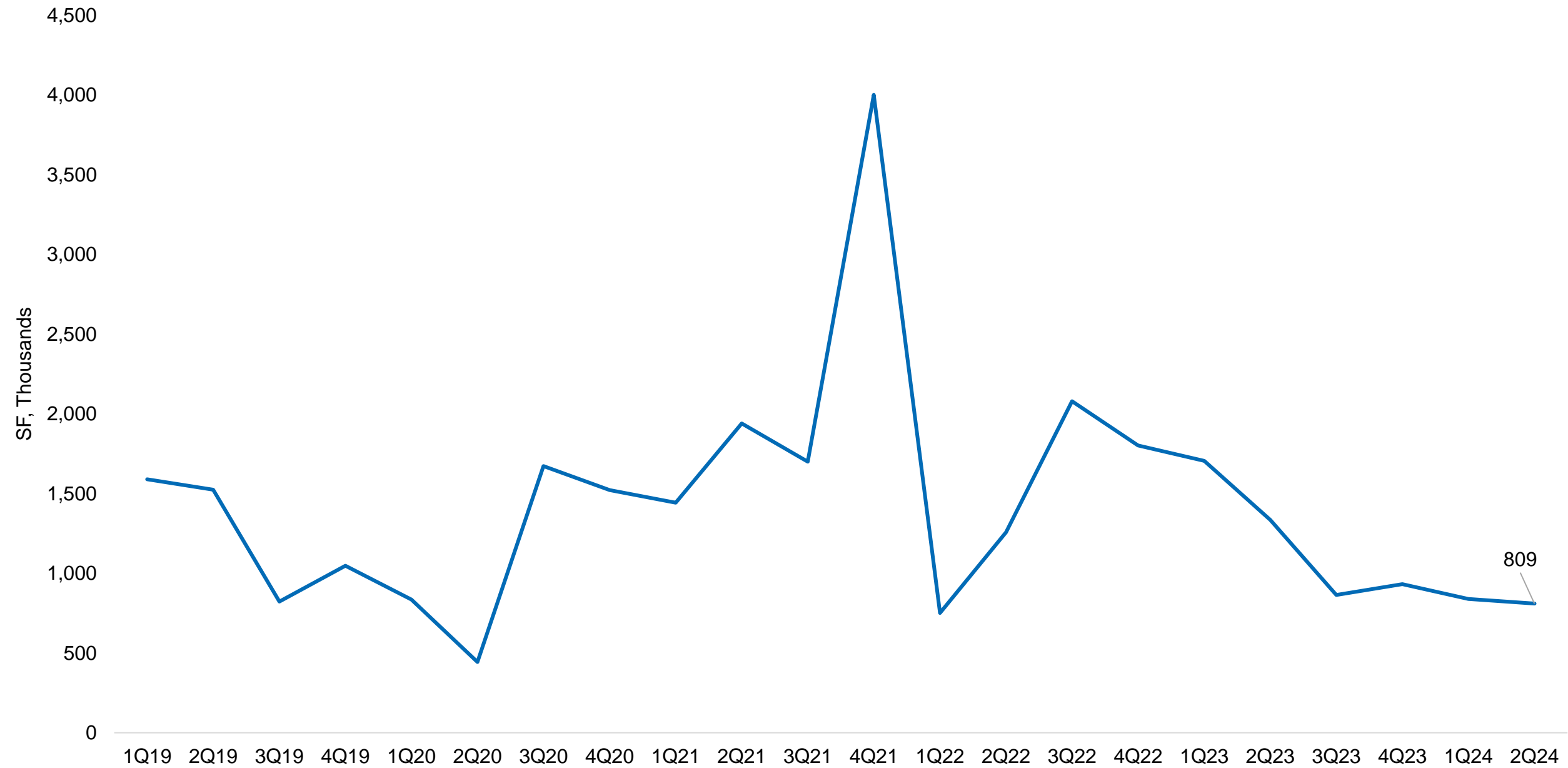


Source: Newmark Research

Industrial Leasing Activity Decelerates to Pre-Pandemic Measures

In the second quarter of 2024 large lease activity continued to be underwhelming with only one new lease signings over 100,000 SF. Saputo Cheese leased +/- 310,000 SF in a build to suite project at Baxter Ct. Caledonia. This past quarters leasing activity was the lowest recorded amount over the past two years.

Total Leasing Activity (SF)

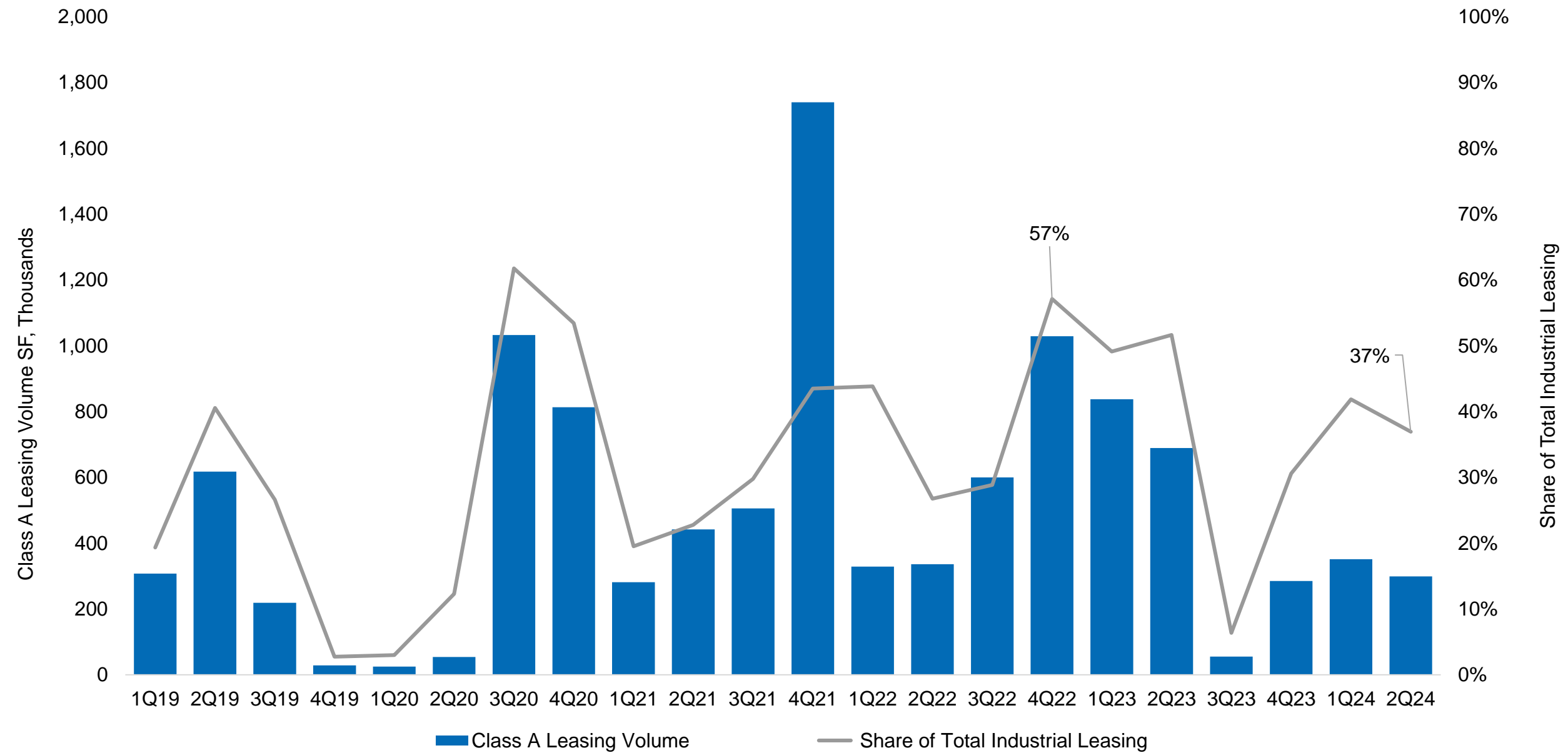


Source: Newmark Research, CoStar

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. Class A warehouse leasing represented 37% 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

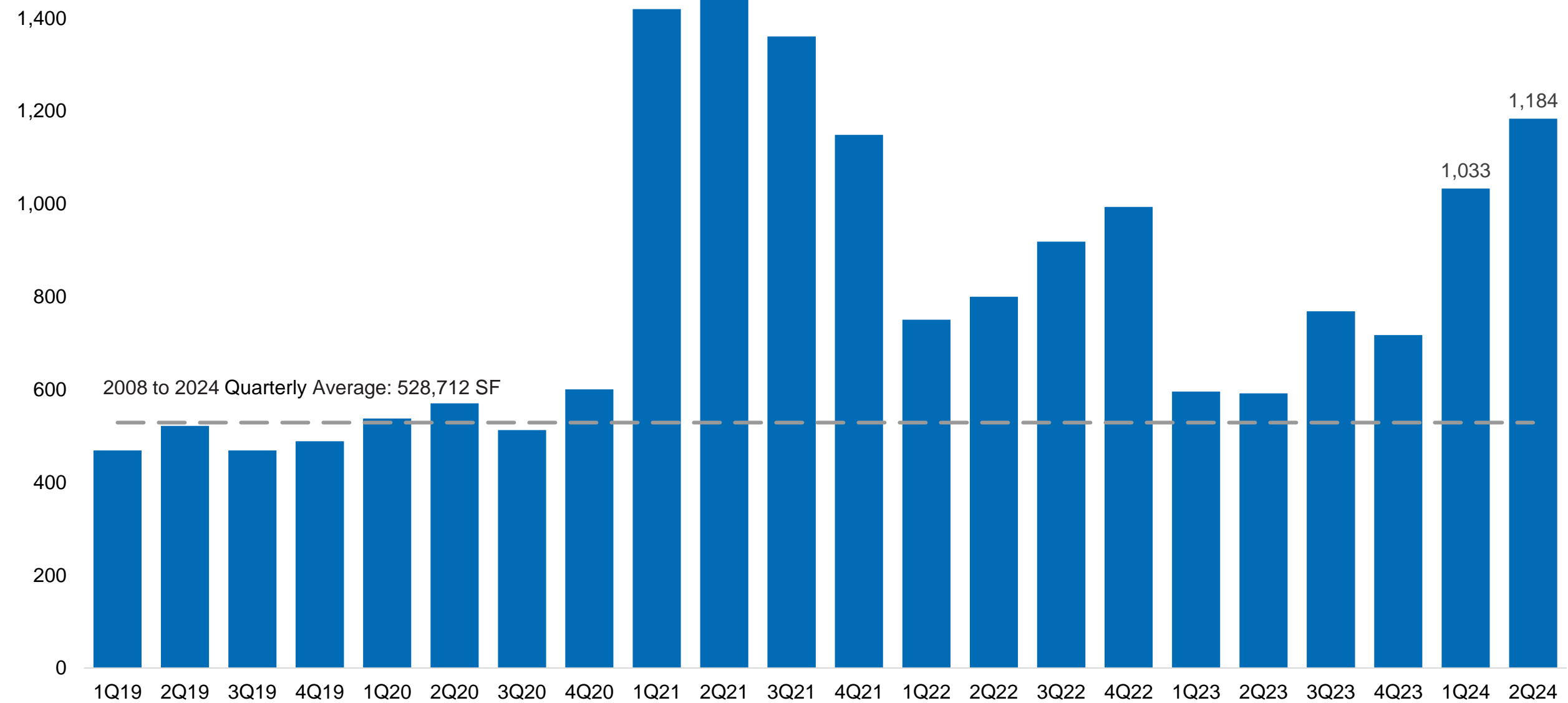


Source: Newmark Research, CoStar

Industrial Sublease Availability Remains Above Average

The sublease availability rate jumped 5 basis points from 0.36% to 0.41% as an additional 150,573 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.

Available Industrial Sublease Volume (Thousands SF)

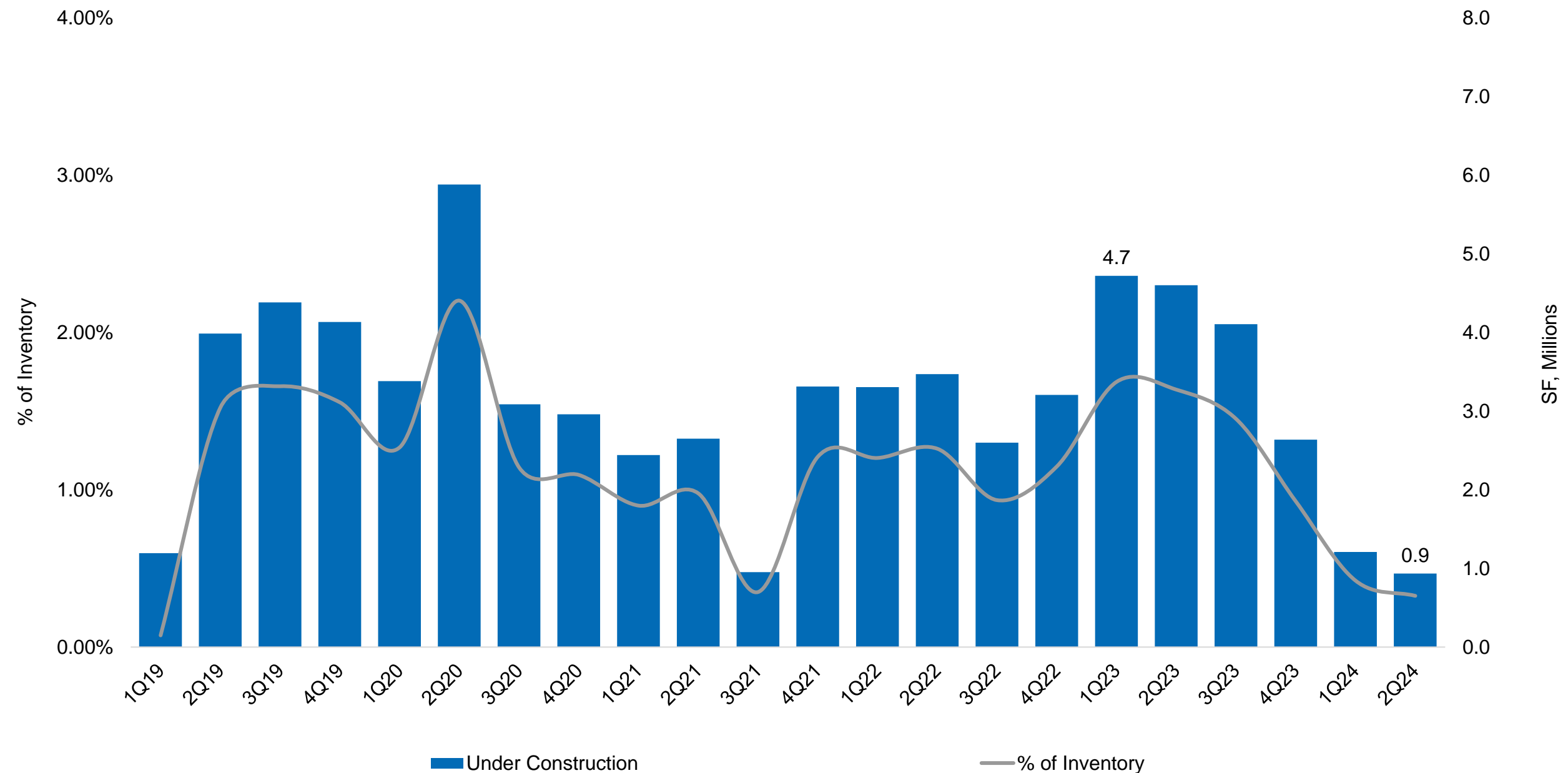


Source: Newmark Research, CoStar

Speculative Construction Continues Shrinking

The construction pipeline trended downward for the fifth consecutive quarter after reaching a high of 4.7 million SF in the first quarter of 2023. 4.3 million SF was delivered throughout 2023, and additional 1.8 million SF in 2024. The pace of new project announcements has slowed due to lessening demand and construction costs, now there is only 932,936 SF under construction.

Industrial Under Construction and % of Inventory

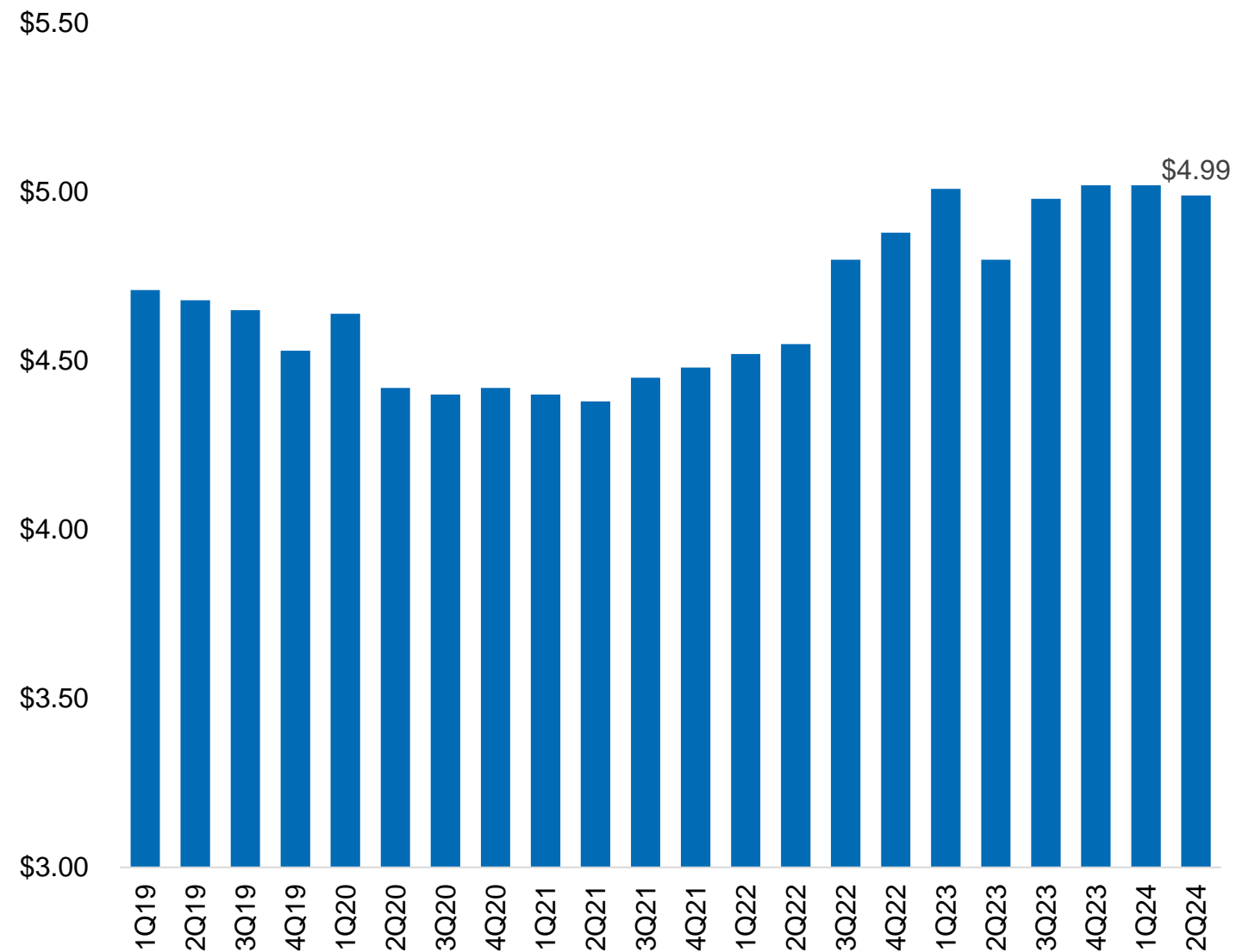


Source: Newmark Research, CoStar

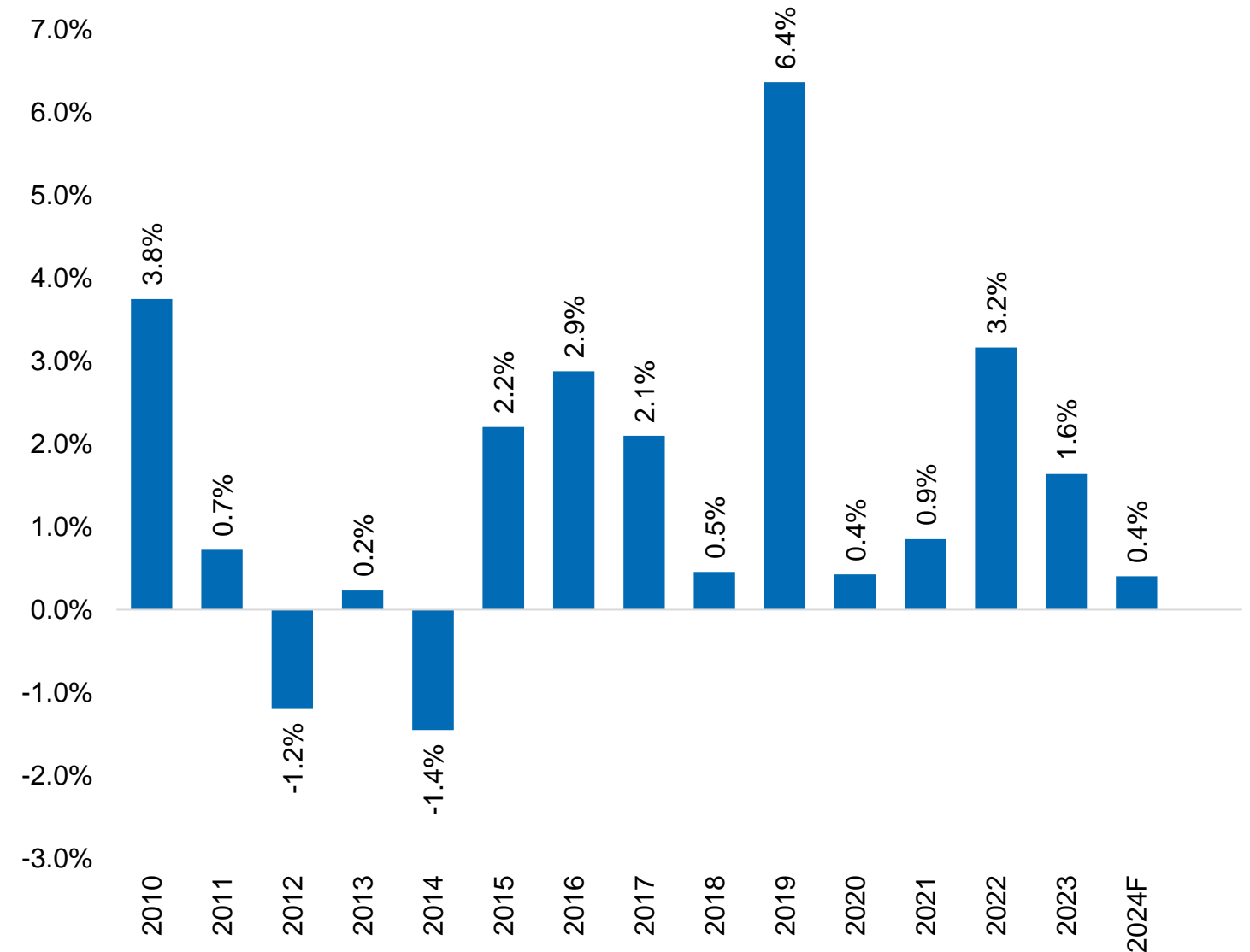
Industrial Asking Rents Near Historic Highs

Average asking rents continue to grow year over year. While annual statistical growth is a modest 0.4%, 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 also 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 2Q24 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
Saputo Cheese	Baxter Ct, Caledonia	Racine Co	New	310,418
Yunker Industries, Inc	103 Hill Ct, Mukwonago	Walworth Co	New	78,138
GZ Media	13505 Louis Sorenson, Mount Pleasant	Racine Co	New	68,750
Bradley Company	W142N9251 Fountain Blvd, Menomonee Falls	Waukesha Co	New	67,000
OnTrac	13301 4 Mile Rd, Caledonia	Racine Co	New	66,705
Confidential Tenant	N102W19200 Willow Creek Pky, Germantown	Washington Co	New	65,000
Lee Mechanical, Inc	4321 Carol Rd, Caledonia	Racine Co	New	50,209

Source: Newmark Research

2Q24

Supplemental Tables





Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

Historical Statistical Overview



Please reach out to your
Newmark business contact for this information

For more information:

Nathan Winkel

*Research and Marketing
Manager*

Wisconsin Research

Nathan.winkel@nmrk.com

Newmark Milwaukee Office

757 N Broadway
Milwaukee, WI 53202
t 414-347-9400

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

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.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK