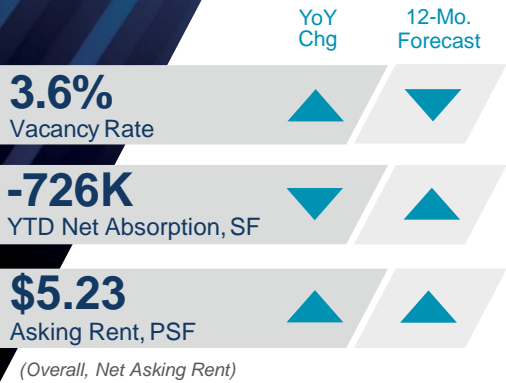
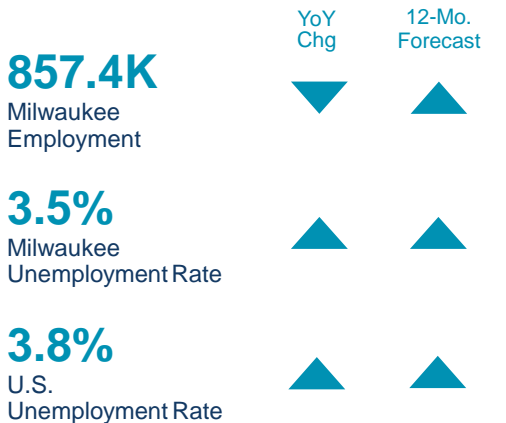


Industrial Q1 2024



ECONOMIC INDICATORS Q1 2024



Source: BLS, Moody's Analytics
Q1 2024 data are based on latest available data.

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 increased 50 basis points (bps) year-over-year (YOY) to 3.5%, and employment decreased 0.5% YOY.

MARKET OVERVIEW

The Metro Milwaukee industrial market experienced -726,238 square feet (sf) of negative absorption in the first quarter of 2024, raising overall vacancy 50 bps quarter-over-quarter and 110 bps YOY to 3.6%. This concludes a remarkable stretch of quarterly positive absorption that lasted since Q2 2020. Large negative absorption in Q1 can be attributed to Briggs & Stratton vacating 564,175 sf in Wauwatosa, as the region's legacy manufacturers continue to reevaluate their space needs.

However, tenant demand remained elevated with 1.4 million square feet (msf) in leasing activity recorded throughout Q1, continuing a stretch of 15 consecutive quarters exceeding 1.0 msf leased. Notable activity included a 2023 speculative construction delivery that was fully leased, as Rexel (60,000 sf) and Everlight Solar (19,200 sf) leased up a 79,200-sf property that was developed on an excess infill Kohl's Corporate parking lot in Menomonee Falls by The Luther Group.

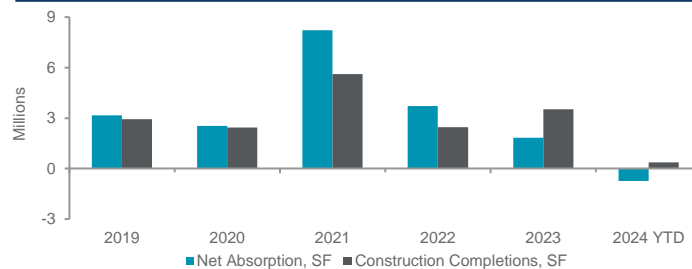
Overall asking rental rates recorded a modest 0.6% quarter-over-quarter (QOQ) climb, and 0.5% YOY increase to \$5.23 triple net (NNN) per square foot (psf). Office Service / Flex asking rates surged 9.5% YOY, followed by Warehouse properties at 2.6%. With lack of new flex construction and continued stable demand (evidenced by a 1.5% market-wide vacancy rate), flex property rates will continue to rise. Manufacturing property asking rates decreased 0.6% YOY, but did have the highest QOQ increase at 2.0%.

The market also registered 374,949 sf of new construction delivered this quarter, which consisted of one speculative warehouse in Germantown. Speculative construction will significantly slow down in the near future due to tightening of lending and slower leasing velocity, as evidenced by only 548,763 sf under construction in the market currently, all of which is owner-user construction.

OUTLOOK

The Milwaukee industrial market continues to show high levels of tenant activity, despite slower leasing velocity compared to 2022 & 2023. Overall asking rental rates have remained stable, but executed rates for Class A properties continue to appreciate rapidly as a "flight to quality" trend persists among tenants, averaging around \$7-8 NNN. With speculative construction coming to a stop as well as continued uncertainty with the general national economy, rates will continue to rise throughout the market as new supply is cut off. With notable 20th century industrial complexes such as Rexnord, Stellantis/Chrysler, Briggs & Stratton, and Komatsu hitting the market, vacancy rates could surge, however, much of this space could be positioned for redevelopment in years to come. Quality properties in desired submarkets are likely to continue experiencing strong rent growth and tenant demand.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT MILWAUKEE

Industrial Q1 2024

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (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	100,663,435	5,682,312	5.6%	-794,912	-794,912	306,000	0	\$4.36	\$6.93	\$5.01
Ozaukee County	12,889,191	158,488	1.2%	33,994	33,994	129,025	0	\$6.12	\$8.94	N/A
Washington County	23,290,447	1,248,999	5.4%	-890	-890	0	374,949	\$4.65	\$6.20	\$6.65
Waukesha County	78,200,099	734,180	0.9%	35,570	35,570	113,738	0	\$6.48	\$6.96	\$6.57
MILWAUKEE TOTALS	215,043,172	7,823,979	3.6%	-726,238	-726,238	548,763	374,949	\$4.69	\$6.92	\$5.40

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

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

TYPE	INVENTORY (SF)	OVERALL VACANT (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	110,630,712	3,406,291	3.1%	-564,351	-564,351	509,803	0	\$4.69
Office Service / Flex	38,578,047	576,359	1.5%	-103,261	-103,261	0	0	\$6.92
Warehouse / Distribution	65,834,413	3,841,329	5.8%	-58,626	-58,626	38,960	374,949	\$5.40

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5700 W Bender Court, Milwaukee	Milwaukee County	MDS Fulfillment Inc.	150,000	New
10020 S Reinhart Drive, Oak Creek	Milwaukee County	All States Trucking	120,550	Renewal
W204 N13035 Goldendale Road, Germantown	Washington County	WB Warehousing	117,342	New
901 Northview Road, Waukesha	Waukesha County	Kirby Built Products	116,176	Renewal
W134 N5450 Campbell Drive, Menomonee Falls	Waukesha County	Rexel	60,000	New
103 Hill Court, Mukwonago	Waukesha County	Wild Marketing	52,000	New

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
5801 W Franklin Drive, Franklin	Milwaukee County	Bayside Mgmt, LLC / Allis Roller, LLC	111,308	\$7.2M / \$64
900 W Drexel Avenue, Oak Creek	Milwaukee County	NeoBrake Systems Inc / Superior Die Set	131,290	\$6.5M / \$50
7350 S 6th Street, Oak Creek	Milwaukee County	Bayside Development / WPC Technologies Inc	75,120	\$5.4M / \$72
5731 N Ridgewood Dr, Menomonee Falls	Waukesha County	Luther Group / Hendricks Commercial Properties	62,020	\$4.7M / \$76

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
N104 W12659 Donges Bay Road, Germantown	Washington County	-	374,949	F Street

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