



MARKET FUNDAMENTALS

	YOY Chg	Outlook
3.7% Vacancy Rate	▲	▼
239K YTD Net Absorption, SF	▼	▲
\$5.38 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
854.3K Milwaukee Employment	▼	▲
3.2% Milwaukee Unemployment Rate	▼	▲
4.2% United States Unemployment Rate	▲	▲

Source: BLS

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 50 basis points (bps) year-over-year (YOY) to 3.2%, and overall employment fell 0.6% YOY.

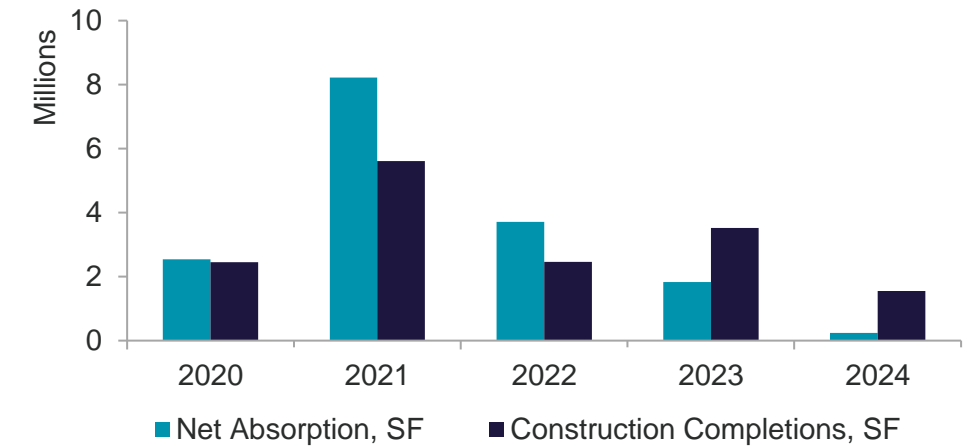
MARKET OVERVIEW

The Milwaukee industrial market experienced 312,646 square feet (sf) of positive absorption in the fourth quarter of 2024, keeping the overall vacancy rate stable quarter-over-quarter (QOQ) at 3.7%. Despite large vacancies in the first half of 2024, the market concluded the year with 239,211 sf of total positive absorption. Milwaukee County registered the largest quarterly positive absorption among all submarkets in Q4, with 496,120 sf, driven by new owner-user construction deliveries, including Carma Labs' new 225,000 sf headquarters in Franklin and a confidential tenant leasing 155,579 sf in Wauwatosa.

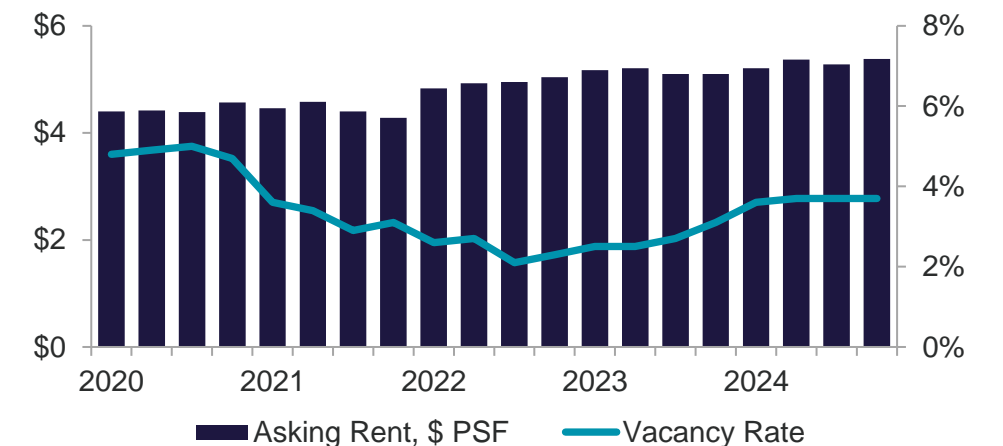
Overall market asking rental rates increased by 3.5% year-over-year (YOY) to \$5.38 triple net (NNN) per square foot (psf). The rate for manufacturing properties, currently at \$4.99 NNN, showed the strongest YOY growth among property types at 8.5%, followed by warehouse/distribution properties at 5.7% and office service/flex properties at 2.8%.

The past year saw a significant slowdown in overall construction deliveries, fueled by difficulty obtaining financing, higher land and construction costs, and a softening of absorbed space in the market. Construction deliveries in 2024 totaled 1,546,026 sf, a 56% decrease YOY driven mainly by speculative construction delivered sf declining 78% YOY. However, many users completed build-to-suit (BTS) projects in 2024, with notable projects from Carma Labs (225,000 sf in Franklin), American Orthodontics (129,025 sf in Saukville), and Sysco (248,010 sf expansion in Jackson). BTS projects made up 72% of total delivered sf in 2024.

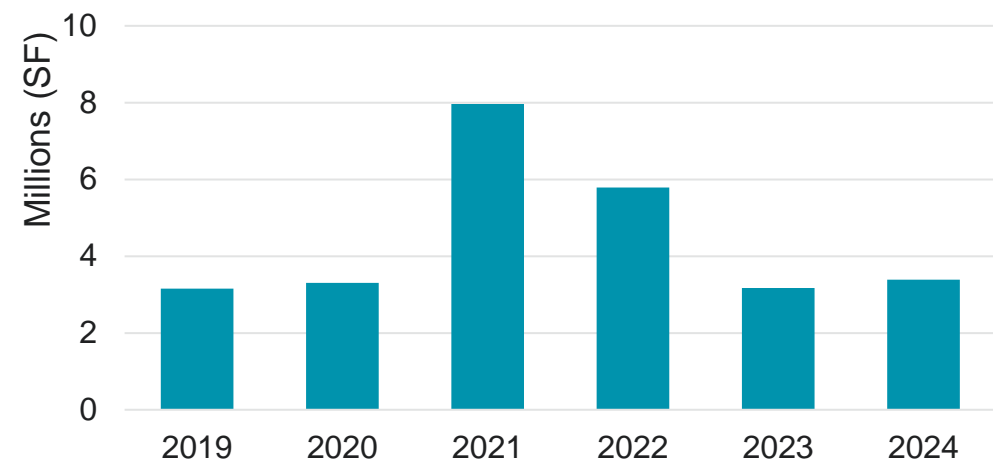
SPACE DEMAND / DELIVERIES



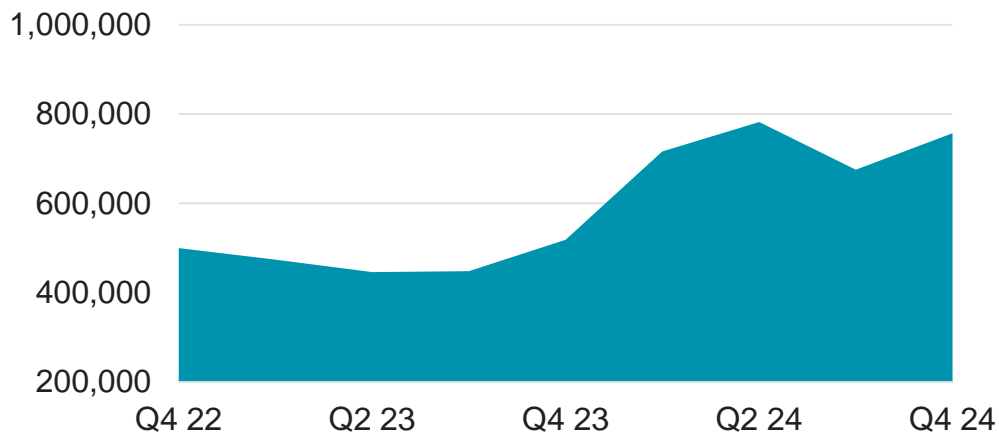
OVERALL VACANCY & ASKING RENT



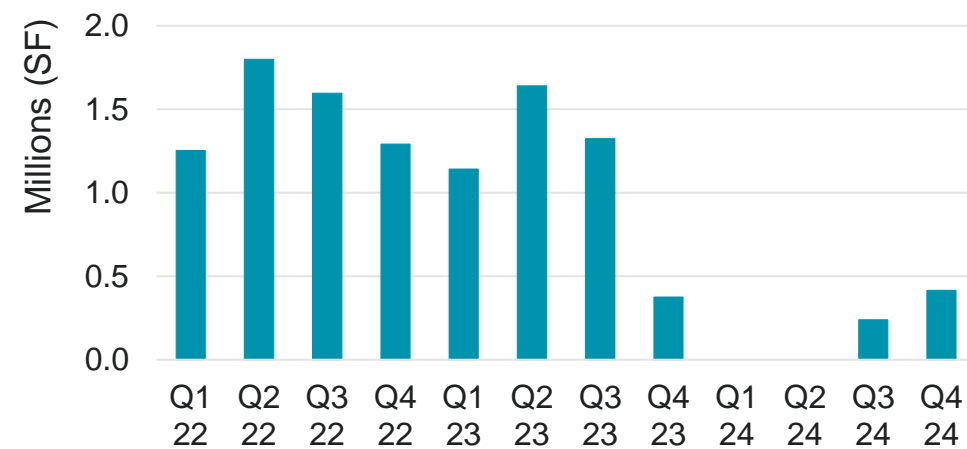
ANNUAL NEW LEASING ACTIVITY



TOTAL AVAILABLE SUBLEASE SPACE (SF)



SPECULATIVE SF UNDER CONSTRUCTION



NEW LEASING ACTIVITY CONSISTENT WITH HISTORICAL LEVELS

Despite what feels like a slowdown in Milwaukee’s industrial market compared to the high growth of 2021-2022, the market remained stable and experienced 3,385,485 sf of total new leasing activity in 2024. Total leasing activity for the year, including both new leases and renewals, saw a 3% YOY increase from 2023, while new leasing activity alone rose by 7% YOY. The market ended the year on a high note, with both manufacturing and warehouse/distribution properties experiencing their highest quarterly leasing activity totals of 2024 in Q4. Annual totals in 2024 were more in line with pre-pandemic levels, signaling that during this period of economic uncertainty, the market is still active and showing signs of increased growth as macro-economic uncertainties ease.

ELEVATED AVAILABLE SUBLEASE SPACE PERSISTS

Despite the continued stability in the Milwaukee industrial market, local manufacturers and 3PL users are reassessing the ever-changing macro-economic trends. In 2024, there has been a significant rise in sublease space availability as manufacturers respond to consumer cutbacks on big-ticket items and inventory rightsizing persists among all users. By Q4 2024, there were 757,059 sf of sublease space on the market, marking a 46% YOY surge. This space may be challenging for the market to absorb in the near future, as the average sublease suite size available is about 35,000 sf, while most current market activity involves larger users.

SPECULATIVE DELIVERIES ON THE HORIZON

In Q4 2024, the market saw new speculative construction delivered for the first time since Q4 2023, with developer Land by Label completing a 61,400 sf project in Cudahy. After starting the first half of 2024 with no speculative projects under construction, the market ended the year with four projects totaling 416,448 sf under construction, all set to be delivered in 2025. Although financing projects and finding adequate land sites remain challenging, developers are beginning to increase pre-development activity. Additionally, lenders are showing more openness to financing projects compared to a year ago.

OUTLOOK

- As the market continues to adapt to a changing economic environment, renewal activity is picking up, leading to increased rental rates as less space becomes available. The lack of recent development in key submarkets has also contributed to users deciding to renew in existing facilities.
- Larger footprint tenants have recently made up the majority of tenant activity in the market. Touring and RFPs have increased as companies prepare for the next economic cycle.
- Land for development will continue to be a challenge for developers and users, especially in desired submarkets. The market will continue to see interest in key corridors such as Waukesha County and Northwest Milwaukee, but new development plans are expected to keep expanding sprawl into locations like Oconomowoc and Germantown/Richfield.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAILABLE (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YE OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YE CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT* (MF)	OVERALL WEIGHTED AVG NET RENT* (OS)	OVERALL WEIGHTED AVG NET RENT* (W/D)
Milwaukee County	101,348,146	9,072,695	5.8%	496,120	-564,013	267,648	412,400	\$4.58	\$7.42	\$4.70
Ozaukee County	12,718,216	309,550	1.8%	-22,132	83,458	0	129,025	\$5.46	\$5.50	N/A
Washington County	23,799,696	1,430,477	4.7%	-32,213	627,261	670,650	870,758	\$5.36	\$6.78	\$6.60
Waukesha County	78,308,193	1,959,824	1.0%	-129,129	92,505	929,081	133,843	\$6.92	\$6.83	\$6.71
MILWAUKEE TOTALS	216,174,251	12,772,546	3.7%	312,646	239,211	1,867,379	1,546,026	\$4.99	\$7.04	\$5.44

CLASSES	INVENTORY (SF)	OVERALL AVAILABLE (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YE OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YE CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Manufacturing	110,717,052	6,050,295	3.3%	83,318	-229,700	1,316,330	731,102	\$4.99
Office Service / Flex	38,958,875	1,121,682	2.0%	-6,685	-56,364	49,082	46,605	\$7.04
Warehouse - Distribution	66,498,324	5,600,569	5.4%	236,013	525,275	501,967	768,319	\$5.44

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

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
445 W Oklahoma Ave, Milwaukee	Milwaukee County	TransPak	252,250	Renewal
11800 W Burleigh St, Wauwatosa	Milwaukee County	Confidential	159,399	New
5150 International Dr, Cudahy	Milwaukee County	Rexnord Industries, LLC	151,064	Renewal
1717 Pearl St, Waukesha	Waukesha County	Wesco	72,561	New
12855 Gateway Crossing, Germantown	Washington County	PS Seasoning	51,000	New

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
7676 & 7777 N 73rd St, Milwaukee	Milwaukee County	Angelo Gordon / Douglas Dynamics, Inc.	248,186	\$23.1M / \$93
1&3 World Packaging Cir, Franklin	Milwaukee County	Yaskawa America / ElmTree Funds	206,518	\$20.2M / \$98
11381 N McCormick Dr, Germantown	Washington County	General Capital Group / SARA Investment Real Estate	112,000	\$5.3M / \$47
18988 W Bunsen Dr, Germantown	Washington County	Essential Properties Realty Trust / HTG, LLC	26,000	\$4.1M / \$158

KEY CONSTRUCTION COMPLETIONS YE 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
N104 W12659 Donges Bay Rd, Germantown	Washington County	N/A	374,949	F Street Group
5404 S Pennsylvania Ave, Cudahy	Milwaukee County	N/A	61,400	Land By Label

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