

FIGURES | MILWAUKEE INDUSTRIAL | Q1 2024

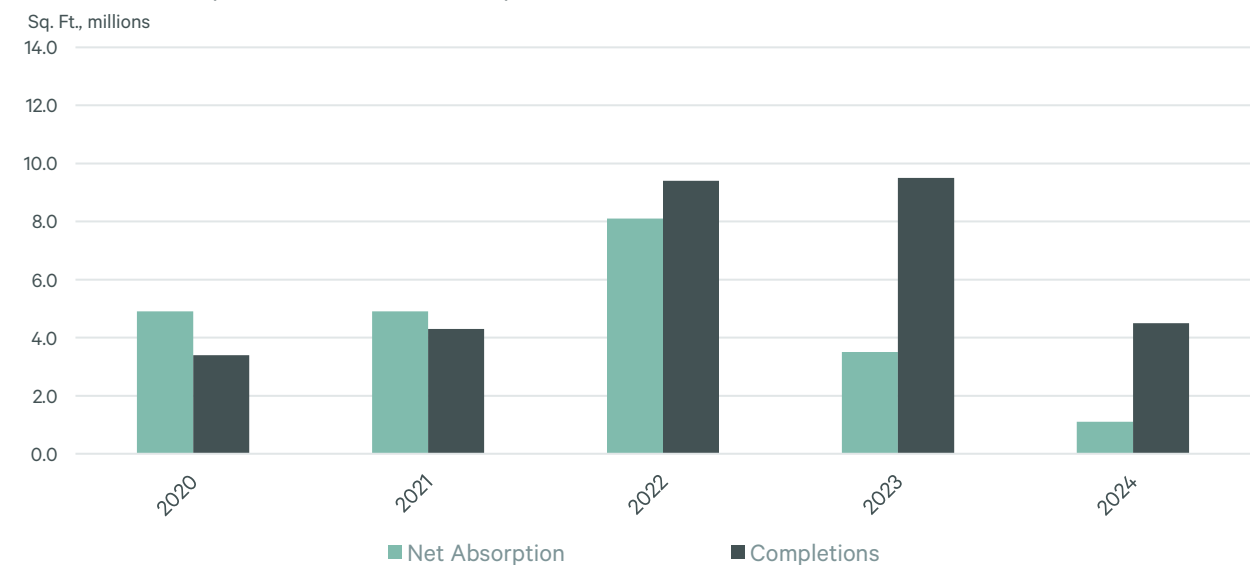
2.5 million sq. ft. in spec deliveries continues pushing vacancy in SE Wisconsin



Note: Arrows indicate change from previous quarter.

- The vacancy rate increased 130 basis points (bps) to 5.9% and the availability rate increased 100 bps to 6.8%. This is the largest quarter-over-quarter vacancy rate increase over the past five years. The average direct asking lease rate increased to \$5.06.
- The market saw 1.1 million sq. ft. of positive absorption during Q1 2024. Users including Uline and PepsiCo contributed significantly to the positive absorption, moving into a combined 1.6 million sq. ft. in Kenosha and Sussex.
- There were 16 deliveries in Q1 2024, totaling approximately 4.5 million sq. ft. Included were 9 speculative (spec) projects totaling 2.5 million sq. ft.
- There are approximately 1.0 million sq. ft. of projects under construction in the market.
- Investment sales accounted for approximately \$20.1 million of sales volume in Q1 2024.
- This quarter the vacancy rate for Milwaukee industrial hit 5.9% - the highest it has been since Q1 2015. Much of the vacancy is due to recently delivered Class A spec spaces in the Kenosha and Racine
- Leasing activity showed four 100,000 sq. ft.+ leases this quarter, two renewals and two new leases. Concept Laboratories and IRMCO were the new leases, totaling 303,942 sq. ft. in the Kenosha market.

FIGURE 1: Net Absorption and Construction Completions



Source: CBRE Research, Q1 2024

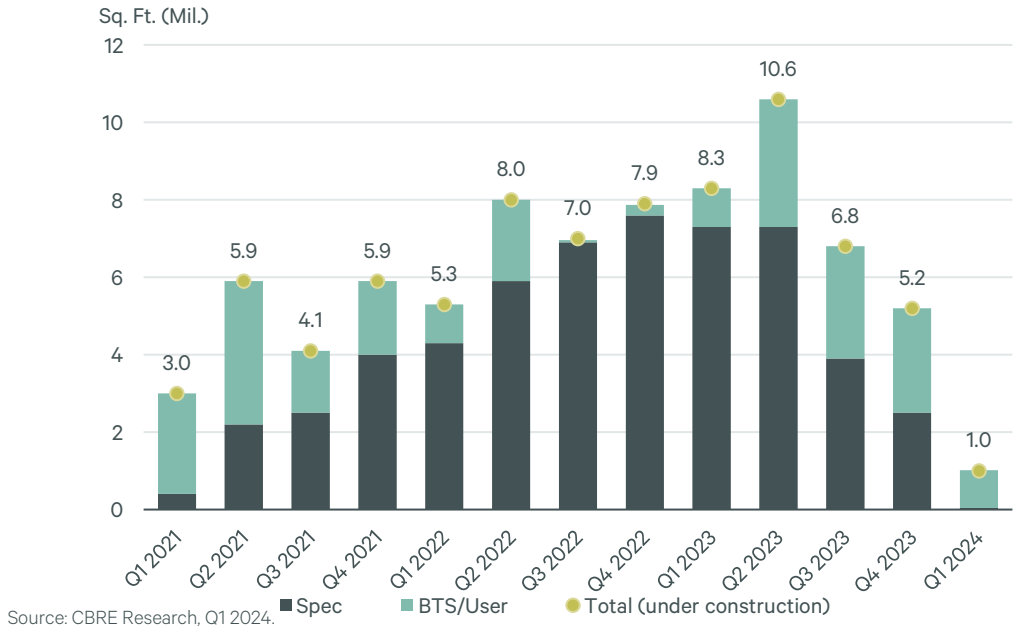
Construction Pipeline & Absorption

For Q1 2024, Milwaukee recorded 1.0 million sq. ft. under construction – a significant drop from last quarter as projects continue to deliver. One of the largest projects currently under construction is the 165,000 sq. ft. Carma Laboratories facility in Franklin, which will be the company's new headquarters. The market's spec largest project, Highlands Commerce Center in Kenosha, was delivered in Q1 2024 totaling 918,000 sq. ft., and eight additional spec projects totaling roughly 1.6 million sq ft. were also delivered. The largest user project that delivered this quarter was Uline's Kenosha facility totaling 1.4 million sq. ft. In addition to Uline, six other user projects delivered this quarter, totaling 508,965 sq. ft.

As of Q1 2024, there are 14 projects under construction, totaling approximately 1.0 million sq. ft. Spec projects account for 36,000 sq. ft. and build-to-suit/user projects account for 974,972 sq. ft. of the total under construction. In the pipeline but not yet under construction is the LogistiCenter in Pleasant Prairie. The planned project located at the former We Energies site will include three industrial buildings, totaling 2.3 million sq. ft. Atlanta-based manufacturer Westrock plans to move into 593,564 sq. ft. of this space, relocating from its North Chicago location.

In 2024 many large industrial users continue to vacate old industrial buildings in the Milwaukee Metro, including Briggs and Stratton, Steel Solutions and PepsiCo. These vacant spaces in older industrial buildings in Milwaukee South and Milwaukee West submarkets, along with a new spec delivery in the Kenosha, have contributed significantly to 2024's rising industrial vacancy rates.

FIGURE 2: Active Construction, Q1 2021 to Q1 2024



Investment Sales

Industrial investment sales volume decreased in Q1 2024, with 5 properties totaling 264k sq. ft. selling for a total of \$20.1 million.

The largest single-property investment transaction of the quarter was the sale-lease-back of the 84,360 sq. ft. property at 5801 W Franklin in Franklin, that sold for \$7.2 million. Sold by Allis-Roller LLC, the property was purchased by Thomas M. Schafer of Milwaukee, WI.

Cap rates for core Class A (Core and Core Plus) in the Milwaukee Metro are currently 6.25%-6.50%, staying constant from Q4 2023 with the absence of any Class A assets trading this quarter.

FIGURE 3: Investment Sales, Q1 2021 to Q1 2024

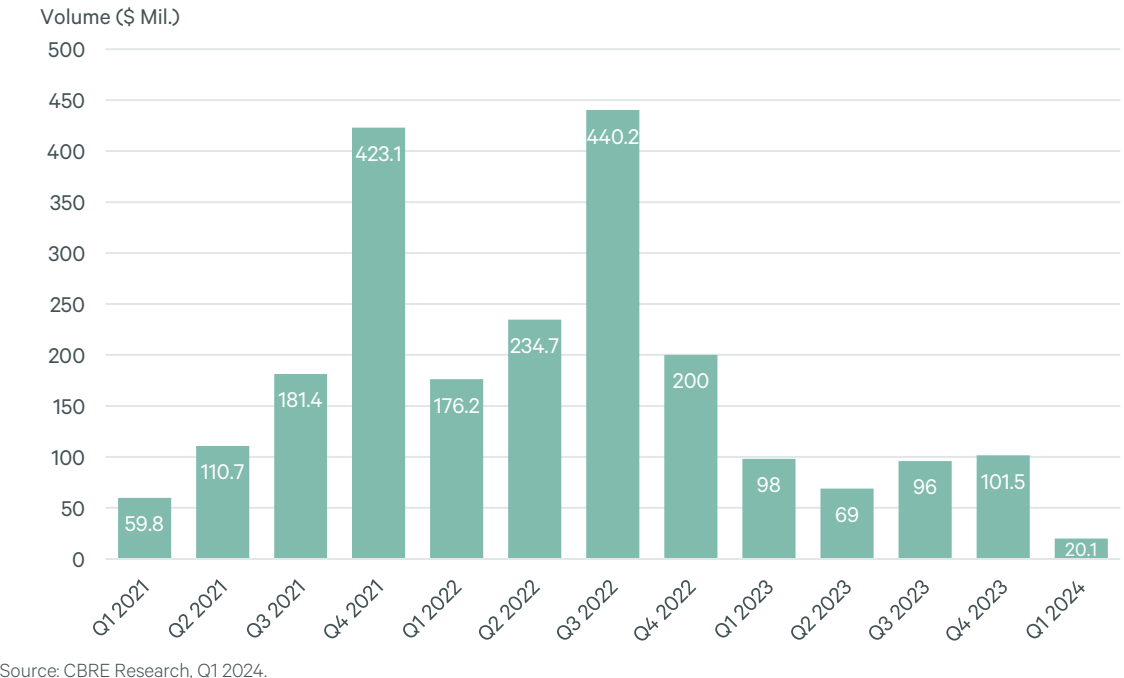


FIGURE 4: Vacancy Rate and NNN / Lease Rate

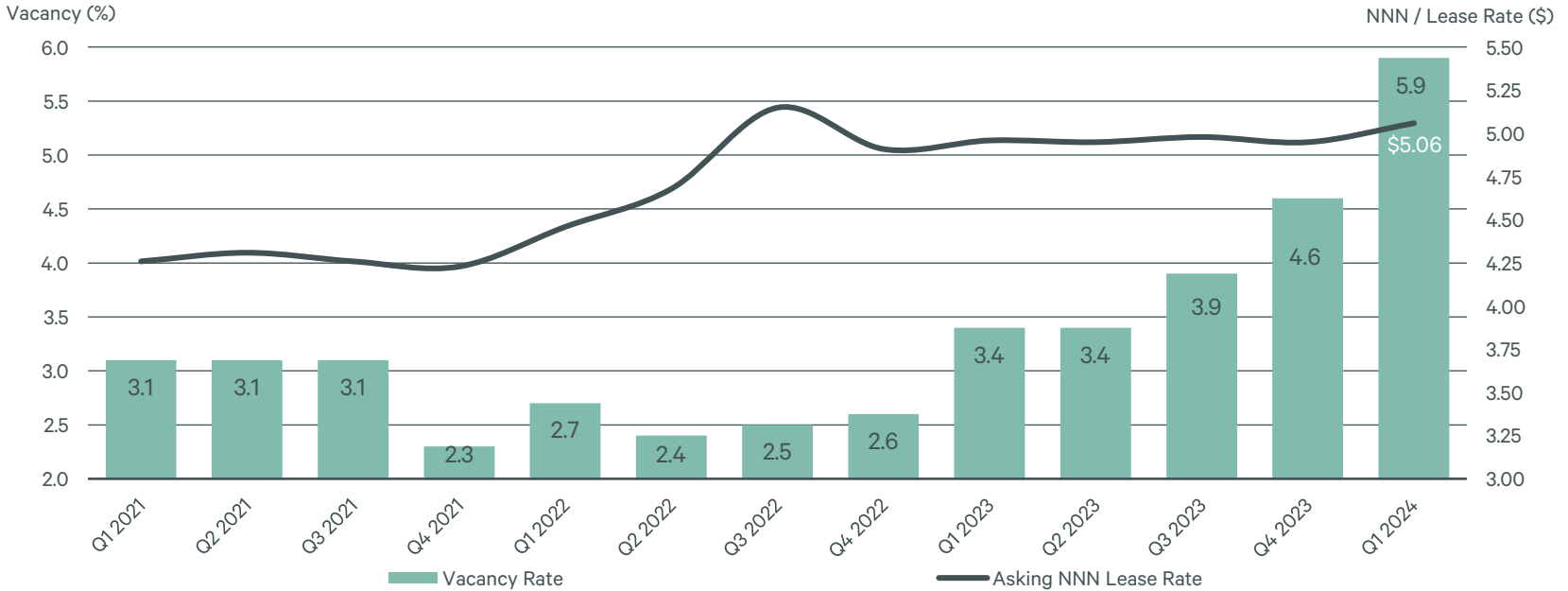


FIGURE 5: Top New Lease Transactions, Q1 2024

Tenant	Sq. Ft.	Lease Type	Address
IRMC0	157,043	New	I-94 & Hwy 165, Kenosha
Concept Laboratories	146,900	New	10550 86 th Ave, Pleasant Prairie
Snap-On Inc.	75,000	New	9501 80 th Ave, Pleasant Prairie
Rexel Holdings USA	59,388	New	W134 N5434 Campbell Dr, Menomonee Falls
Cablemaster	57,804	New	5333-5349 S Emmer Dr, New Berlin

Source: CBRE Research Q1 2024

FIGURE 6: Milwaukee Market Industrial Statistics

Submarket	Market Rentable Area (Sq. Ft.)	Vacancy Rate (%)	Avail. Rate (%)	Net Absorption (Sq. Ft.)	NNN Avg. Asking Lease Rate (\$/Sq. Ft./Yr)	Under Construction (Sq. Ft.)*	Completions (Sq. Ft.)*
Kenosha	51,391,643	13.6%	13.2%	1,733,569	\$5.33	-	2,642,594
Milwaukee Downtown	11,827,396	4.8%	7.8%	(11,754)	\$3.81	-	-
Milwaukee North Central	12,175,712	4.5%	7.8%	(198,707)	\$4.18	-	-
Milwaukee North Shore	5,743,081	3.0%	5.0%	(97,800)	\$5.17	-	-
Milwaukee Northwest	24,641,700	3.0%	4.2%	(231,263)	\$4.36	205,116	-
Milwaukee South	36,119,849	7.2%	8.1%	47,812	\$6.55	165,000	-
Milwaukee South Central	13,280,918	11.8%	13.7%	(319,317)	\$7.01	-	-
Milwaukee West	13,994,912	15.1%	15.8%	(501,485)	\$4.74		81,000
Ozaukee	12,208,377	1.2%	2.1%	292,050	\$4.37	36,843	129,025
Racine	33,242,907	7.8%	9.1%	125,532	\$6.01	-	77,000
Sheboygan	18,810,566	1.5%	1.7%	-	\$5.50	-	-
Walworth	11,658,024	0.5%	0.5%	-	\$3.78	25,000	-
Washington	23,718,948	4.8%	5.4%	22,309	\$5.72	393,652	1,160,036
Waukesha Northeast	22,725,988	0.7%	1.5%	87,405	\$6.55	40,670	195,375
Waukesha Northwest	21,120,397	1.8%	2.1%	167,160	\$6.42	24,534	150,000
Waukesha Southeast	16,514,936	1.5%	3.9%	129,574	\$7.38	118,000	-
Waukesha Southwest	17,372,882	1.2%	2.4%	(46,080)	\$7.62	-	24,000
TOTAL	346,548,236	5.9%	6.8%	1,068,605	\$5.06	1,008,815	4,459,030

National Economic Outlook

The U.S. economy is on track for a 'soft landing', with continued growth but at a slower pace than the 3.0% measure seen last year. This slowdown is mostly due to cautious consumers and slower hiring, particularly in interest rate-sensitive sectors like tech start-ups and goods manufacturing. However, electric vehicle production and microchip manufacturing have thus far bucked the trend with increased investment.

Business caution means much of recent hiring has come from public sectors like education and healthcare, with leisure and hospitality being a notable exception due to continued demand for discretionary services. Job openings have dropped over 2.0% from last year and wage growth has slowed, but not enough to completely quiet inflationary fears.

Given the persistent sub-4% unemployment rate and high-capacity utilization, we don't expect the Consumer Price Index (CPI) returning to its target until 2025. The Fed is likely to cut rates three times this year, providing some hope for real estate markets, though recovery won't kick-start until the drops go into effect. In the meantime, stronger-than-expected growth has kept real estate vacancies low in the last 18 months, specifically in the industrial, retail, and multifamily sectors. Those tailwinds combined with incoming aid from the central bank provide optimism for the market further into the year.

Market Area Overview



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Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all industrial buildings 20,000 sq. ft. or greater. Excludes Government owned and occupied buildings, or Medical buildings. Buildings which have begun construction as evidenced by site excavation or foundation work.

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