

MARKET FUNDAMENTALS

	YOY Chg	Outlook
4.4% Vacancy Rate	▲	▼
-516K YTD Net Absorption, SF	▲	▲
\$5.49 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
864.2K Milwaukee Employment	▲	▼
3.3% Milwaukee Unemployment Rate	▲	▲
4.1% United States Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

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 20 basis points (bps) year-over-year (YOY) to 3.3%, and overall employment grew 0.3% YOY.

MARKET OVERVIEW

The Milwaukee industrial market experienced 516,050 square feet (sf) of negative absorption in the first quarter of 2025, increasing the overall vacancy rate 70 bps quarter-over-quarter (QOQ) to 4.4%. This large increase can be attributed to Regal Rexnord officially vacating their 138,992-sf manufacturing headquarters in West Milwaukee with a sale to Phoenix Investors, totaling 641,591 sf of industrial space. Large, legacy manufacturing properties have significantly contributed to vacancy rising throughout the past 12 months, recently with Briggs & Stratton vacating 564,175 sf in Wauwatosa last year along with Regal Rexnord vacating this quarter.

New leasing activity remained stable in Q1, totaling 840,382 sf in 42 transactions. Notable activity includes orthodontic manufacturer, Angel Aligner, leasing 51,702 sf and announcing they will open their first United States manufacturing facility in Oak Creek, a continued testament to the Milwaukee market's ability to attract companies needing a strong manufacturing labor pool and strategic geographical location.

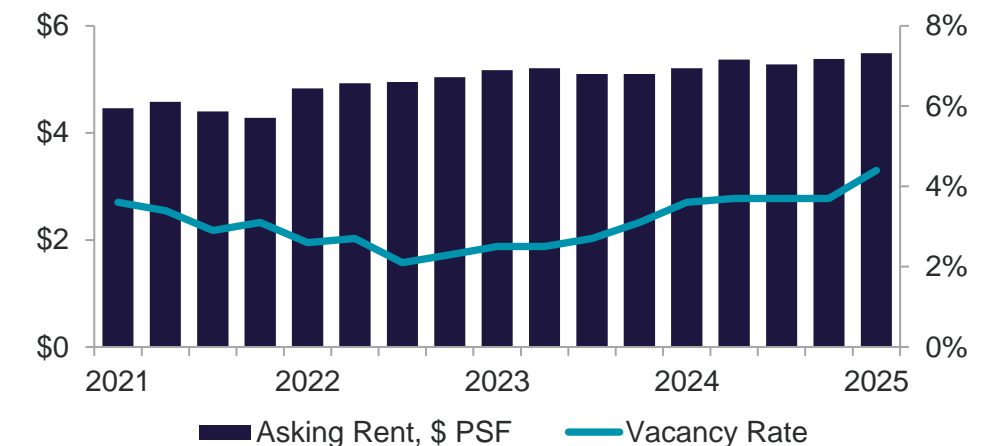
Overall market asking rental rates increased by 5.4% YOY to \$5.49 triple net (NNN) per square foot (psf). Class A asking rates are currently at \$6.92 NNN, roughly a 5% decrease YOY as leasing activity has slowed.

Construction activity was robust in Q1, with 1,088,712 sf delivered to the market, of which 949,720 sf was build-to-suit or owner-user developments. Total deliveries in Q1 already accounts for 70% of the 2024 annual total. Speculative construction deliveries are slowly returning to the market, with Wangard Partners delivering a 138,992-sf property in Sussex this quarter. This delivery brings a much-needed Class A space option to the Waukesha County submarket with has a current Class A vacancy rate of 1.5%, with this property being the only availability above 100,000 sf.

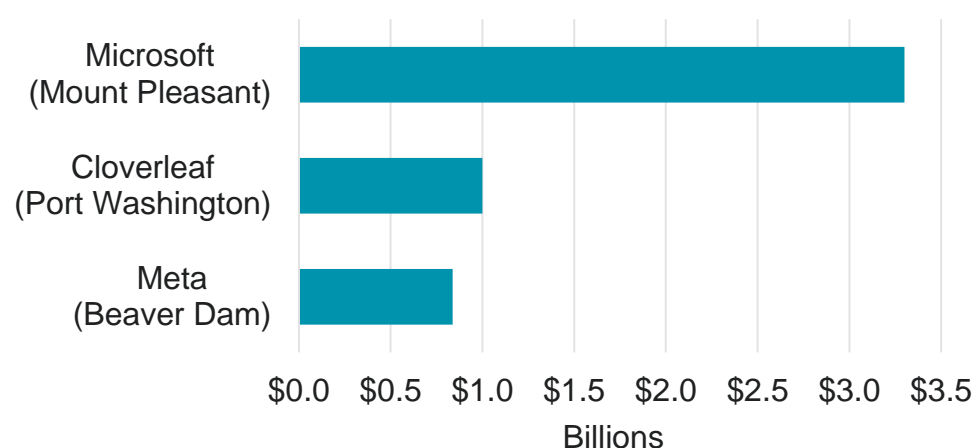
SPACE DEMAND / DELIVERIES



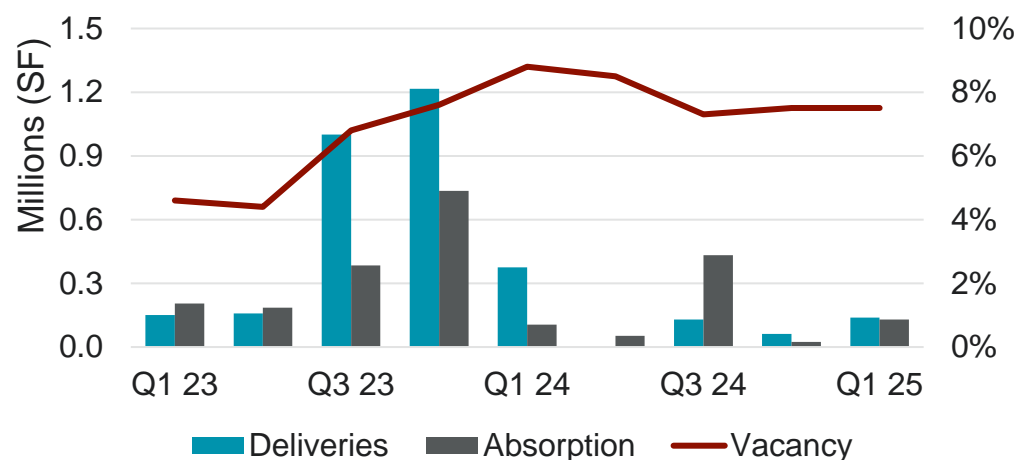
OVERALL VACANCY & ASKING RENT



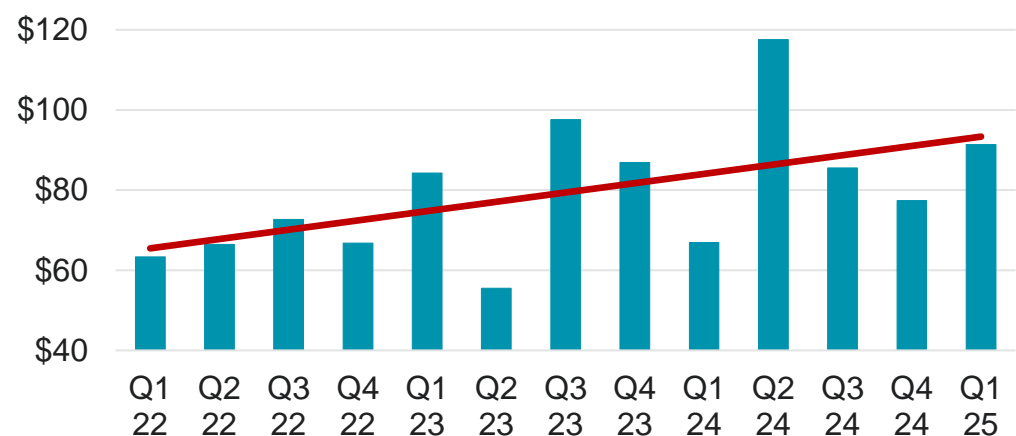
SE WI DATA CENTER PROJECTS (BY TOTAL EST. INVESTMENT)



CLASS A ABSORPTION, DELIVERIES & VACANCY



AVERAGE \$/PSF FOR USER ACQUISITIONS (W/ TRENDLINE)



DATA CENTER DEVELOPMENTS DRIVING LOCAL GROWTH

A recent strength of Milwaukee’s economy has been the increased demand for data center construction. This growth is driven by state economic incentives, available land and power sources, and natural amenities such as access to fresh water and a cooler climate, which both contribute to lower costs for operators. Current data center campus proposals in Southeastern Wisconsin total just over \$5 billion in proposed investment. These developments are expected to generate increased business for local manufacturers and industrial suppliers, driven by both the local projects and the broader national increase in data center construction. For example, Maysteel Industrials recently opened a 43,000-sf data center manufacturing hub in Germantown. Modine Manufacturing, which produces data center cooling products, recently received a \$180 million order from an undisclosed company. Additionally, Generac is investing in developing large-scale generators to support data centers.

GRADUAL LEASE-UP FOR CLASS A SPECULATIVE DEVELOPMENTS

Class A properties experienced 129,658 sf of positive absorption in Q1, driven by 356,882 sf of new leasing activity. Vacancy for Class A properties remains elevated at 7.5% in Q1, down from a peak of 8.8% a year ago. However, even a slight increase in leasing activity can quickly bring the market back to a state of undersupply. Over the past four quarters, Class A absorption has totaled 640,466 sf, driven by 615,865 sf absorbed in first-generation speculative deliveries. During the same period, only 329,539 sf of Class A space was delivered, resulting in a positive difference of 310,927 sf between absorption and deliveries, allowing the market to catch up from the record levels of development in previous years. This contrasts sharply with the four quarters prior, which saw an absorption to delivery deficit of 1,338,741 sf, driving Class A vacancy up from mid-2023 through early 2024.

NAVIGATING THE OWNER-USER ACQUISITION MARKET

With rental rates for Class A space continuing to rise, users seeking larger spaces for future expansion are increasingly turning to owner-user properties for purchase. However, the costs associated with acquiring these properties have also been rising. Over the past three years, the average price psf for user acquisitions has increased by roughly 40%, driven by heightened demand for expanded manufacturing space and limited market availability until recently. Milwaukee’s history of fluctuating between market undersupply and oversupply poses risks for users who traditionally lease space in planning future expansions. Although more owner-user space has come onto the market recently, the pace has slowed since its peak in mid-2024, adding another layer of complexity to the decision-making process.

OUTLOOK

- Much of the increased deal activity seen in late 2024 has not come to fruition in 2025 as local firms react to heightened macroeconomic turbulence. Businesses, which value certainty and clear direction, are facing mixed messages that have led to increased hesitancy in the market. This uncertainty may result in a cautious approach to investment and expansion decisions throughout the year.
- Build-to-suit and owner-user construction projects will continue to drive industrial growth in the market throughout 2025, with 659,821 sf expected to be delivered this year. Activity in adjacent corridors such as I-94 West and South will also contribute to local growth. Key developments include Nestlé Purina, Aztalan Bio, and Kikkoman’s combined estimated \$1.3 billion investments in Jefferson County between Milwaukee and Madison, along with Eli Lilly’s \$3 billion expansion in Kenosha between Milwaukee and Chicago.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL AVAILABLE (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	101,446,003	10,079,649	6.9%	-1,059,423	-1,059,423	340,176	27,472	\$4.89	\$7.61	\$5.04
Ozaukee County	12,715,804	673,013	4.7%	-411,561	-411,561	0	0	\$5.18	\$7.44	N/A
Washington County	24,407,137	1,356,688	4.7%	496,571	496,571	233,450	514,542	\$6.51	\$6.88	\$6.25
Waukesha County	78,983,201	2,229,393	1.1%	458,363	458,363	575,591	546,698	\$6.87	\$6.90	\$7.04
MILWAUKEE TOTALS	217,552,145	14,338,743	4.4%	-516,050	-516,050	1,149,217	1,088,712	\$5.18	\$7.14	\$5.59

CLASSES	INVENTORY (SF)	OVERALL AVAILABLE (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	111,997,950	7,671,925	4.6%	-744,742	-744,742	676,658	698,672	\$5.18
Office Service / Flex	38,979,851	1,141,618	2.1%	-31,423	-31,423	103,384	10,906	\$7.14
Warehouse - Distribution	66,574,344	5,525,200	5.6%	260,115	260,115	369,175	379,134	\$5.59

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

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
W210 N12800 Holy Hill Rd, Germantown	Washington County	Generac	416,392	Renewal
3617 W Oakwood Rd, Franklin	Milwaukee County	Krones	236,180	New
1718 Pearl St, Waukesha	Waukesha County	Delzer	102,947	New
W220 N507 Springdale Rd, Pewaukee	Waukesha County	Neu Tool & Supply	82,401	New
10551 S OakView Pkwy, Oak Creek	Milwaukee County	Angel Aligner	51,702	New

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	BUYER / SELLER	SF	PRICE / \$ PSF
3280 S Clement Ave, Milwaukee	Milwaukee County	Phoenix Investors / Stellantis	1,043,600	\$8.4M / \$8
4701 W Greenfield Ave, West Milwaukee	Milwaukee County	Phoenix Investors / Regal Rexnord	641,591	\$9.0M / \$13
4 Property Portfolio, Franklin & New Berlin	Milwaukee & Waukesha County	Zilber Property Group / James Campbell Company	388,302	\$33.8M / \$87
3617 W Oakwood Rd, Franklin	Milwaukee County	SixSibs Capital / Wangard Partners	236,180	\$19.6M / \$83

KEY CONSTRUCTION COMPLETIONS YTD 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
4283 State Road 28, Kewaskum	Washington County	N/A	377,200	Drexel Building Supply
N53 W25374 Highlands Ct, Sussex	Waukesha County	N/A	138,992	Wangard Partners

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