



Introduction and Methodology:

CARW Members represent Commercial Real Estate brokerage in Wisconsin. Members represent more than 28 MSF of commercial real estate available for sale and nearly 68.2 MSF available for lease.

The 2022 Year-End release represents answers to questions about the past six months (Q3/Q4).

Licensed REALTORS practicing commercial real estate completed questions in the following sectors: Industrial, Office, Retail, Land, Multi-Family and Property Management. This sample represents 21% of CARW licensed REALTORS®. The survey was conducted from December 20 through January 11.

79% of respondents have been working in commercial real estate for more than 5 years suggesting that those answering the survey have seen market cycles and have significant experience.

The survey was answered by practitioners from across the state* of Wisconsin:

- 86% conduct business in the 7-county region (Milwaukee, Washington, Waukesha, Kenosha, Racine, Ozaukee, Walworth) (*down 2% from last survey*)
- 38% conduct business in the Madison Market (*up 7% from last survey*)
- 33% conduct business in the Fox Valley Market (*up 2% from last survey*)
- 27% conduct business in the Sheboygan Market (*up 3% from last survey*)
- 28% conduct business in the Green Bay Market (*up 3% from last survey*)

*note respondents could indicate multiple markets

Members of the Survey committee include:

Andy Hess; Founders 3 Commercial Real Estate
Tracy Johnson; CARW
Jim Larkin, SIOR; Colliers
Jenna Maguire; Colliers
Marnie Noel; Noel Real Estate Advisors
Scott Satula; Mid-America Real Estate
Travis Tiede, SIOR; NEWMARK

About CARW:

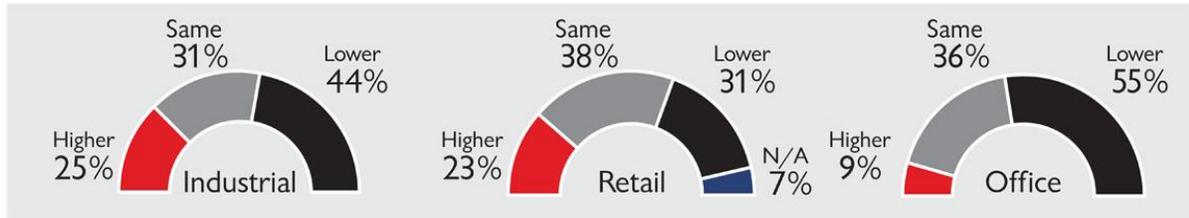
The Commercial Association of REALTORS® Wisconsin (CARW) works to advance the interests of individual practitioners and the commercial real estate industry through education, professional development, public affairs & advocacy, professional standards & ethics and business networking. CARW supports more than 900 commercial real estate professionals in 500 companies in Wisconsin and the region.

Results:

1. On a scale of 1-10 (1 = very weak and 10=very strong) how strong is the current commercial real estate market.

Average answer = 5.5

2. How does current leasing activity compare to past six months?



3. How do current rents compare to past six months?

4. Are you currently discounting rents? 73% = no 27% = yes *

**in the Mid-Year 2022 survey, the same percentage of respondents said they were discounting rents*

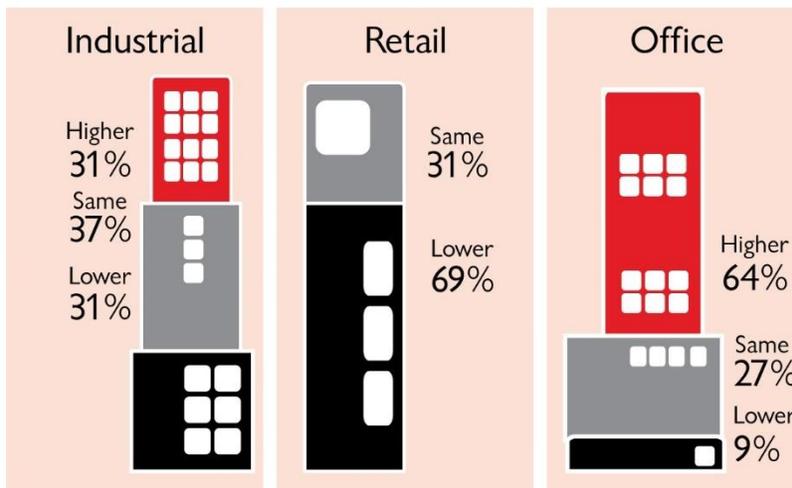
Industrial



Retail



Office



5. How does current availability of space compare to the past six months?

6. How does current sublease space availability compare to the past six months?

Industrial: 69% = same
Retail: 60% = same
Office: 64% = higher

7. How do current vacancies compare to past six months?

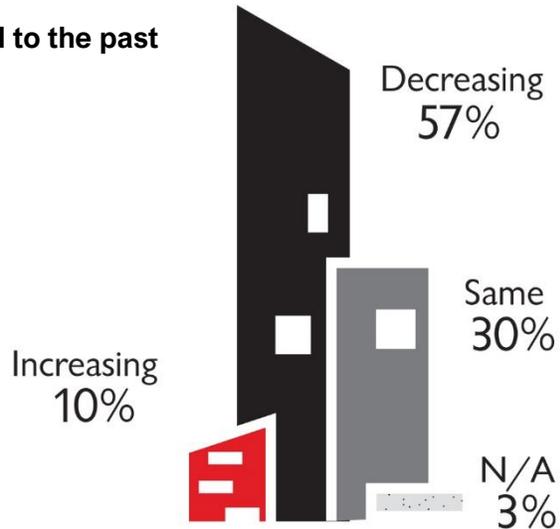


8. How is development activity compared to the past six months?

9. How does current investor activity compare to the past six months? *

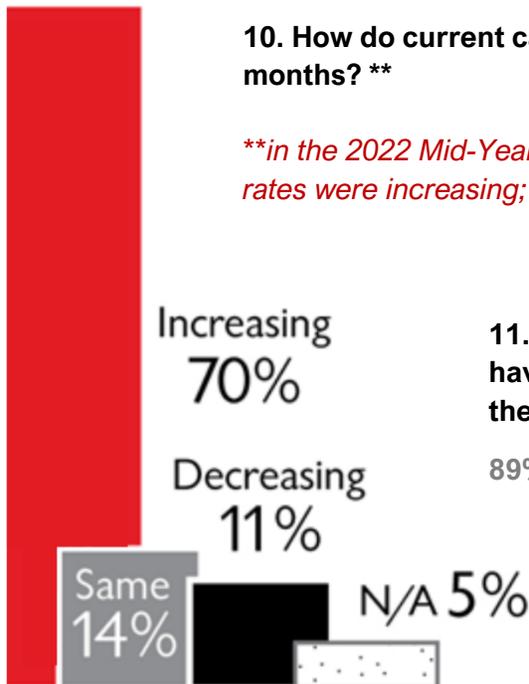
Industrial: 82% = decreasing
 Retail: 77% = decreasing
 Office: 45% = decreasing

**the 2022 Mid-Year survey suggested investor activity for all sectors was increasing or stable (92%)*



10. How do current cap rates compare to cap rates in the past six months? **

***in the 2022 Mid-Year survey, 28% of respondents reported that cap rates were increasing; 40% of respondents said decreasing*



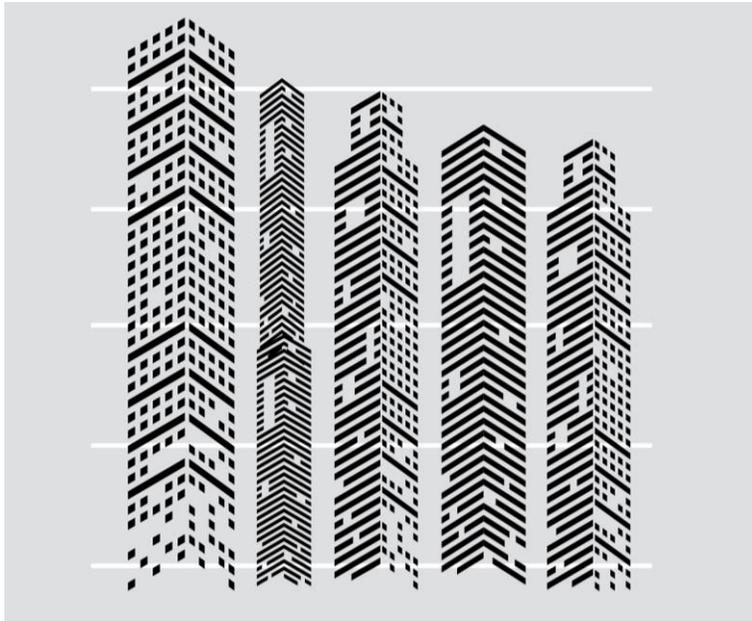
11. What impact do you expect the economy to have on the commercial real estate markets in the upcoming quarter? ***

89% = negative impact

****in the 2022 Mid-Year survey, 70% of respondents expected the economy to have a negative impact on the commercial real estate markets*

12. On a scale of 1 to 10, how optimistic are you about the commercial real estate market over the next six months?

1= very pessimistic/not optimistic | 10 = very optimistic



13. Many economic factors will be impacting CRE over the next six months – here are the TOP 5 according to respondents:

- **Changing Interest Rates**
- **Cost of Construction**
- **Inflation**
- **Capital Markets**
- **Affordability**

Conclusions:

- CARW member sentiment has eroded somewhat since Q2, 2022 with members siting that the market is neither weak nor strong and they believe that economic conditions will impact the market negatively.
- Leasing and investment activity for retail, industrial and office are all lower than the previous six months, but rents are holding or increasing because of lack of inventory, especially in industrial and retail sectors, where we have also not seen much change in sublease availability.
- Office space availability has increased with pre-covid leases coming to term and businesses re-evaluating space needs, additional sublease space contributes to uncertainty in office.
- Overall development activity is decreasing and investor activity across sectors is decreasing.
- Retail practitioners are most optimistic about the next six months relative to industrial, office and investment practitioners.
- Industrial rents are pushing higher with inventory shrinking. Owners aren't negotiating as much on price because of supply constraints.
- When asked about the top factors impacting commercial real estate over the next six months, the top five were related to increasing costs, uncertainty with regard to interest rates, affordability and general inflation.
- The next survey will be released at the end of Q3, 2023.
- For more information, contact CARW at info@carw.com