

2024 Market Update



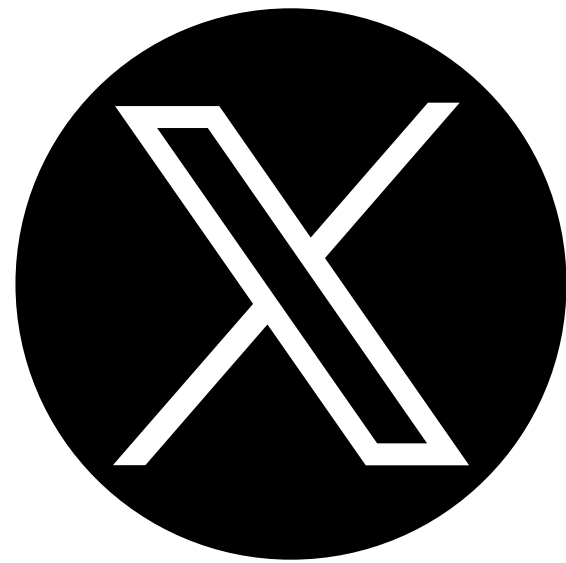
Market Update Emcee



Nick Jung
F Street

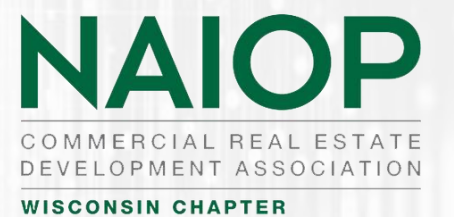
2024 Market Update





#MarketUpdate2024

2024 Market Update



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2024 Market Update



Data Sponsor

MOODY'S

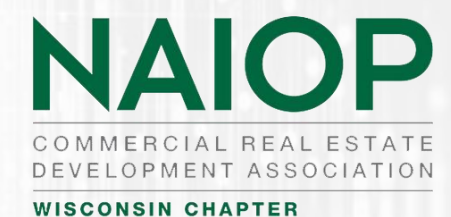
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Table Sponsors



BOERKE



2024 Market Update



Thank you!



Nathan Winkel
NEWMARK

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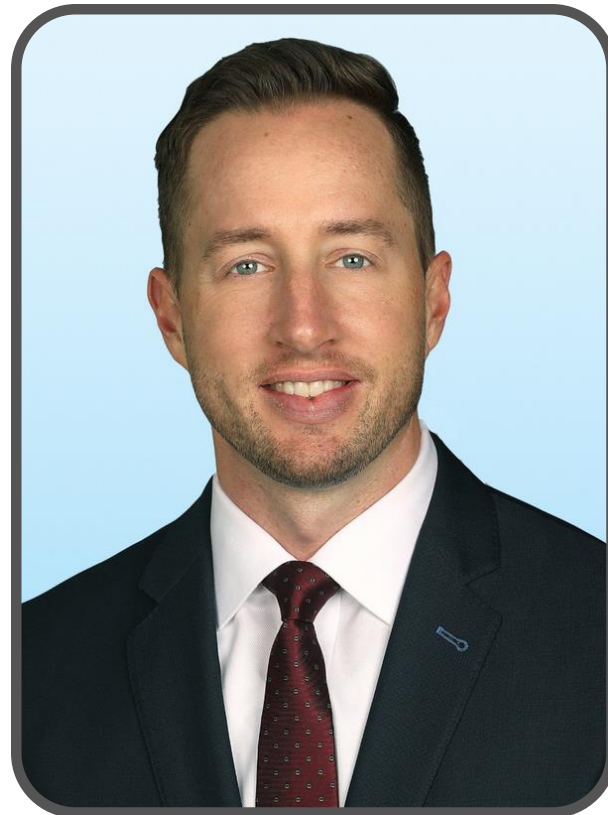


2024 Market Update

Presented by:



2024 Market Update Presenters



Adam Connor
Colliers



Katie Brueske
Cushman Wakefield
| Boerke



Patrick Hanrahan
NEWMARK



Sarah Eldred
Mid-America Real
Estate

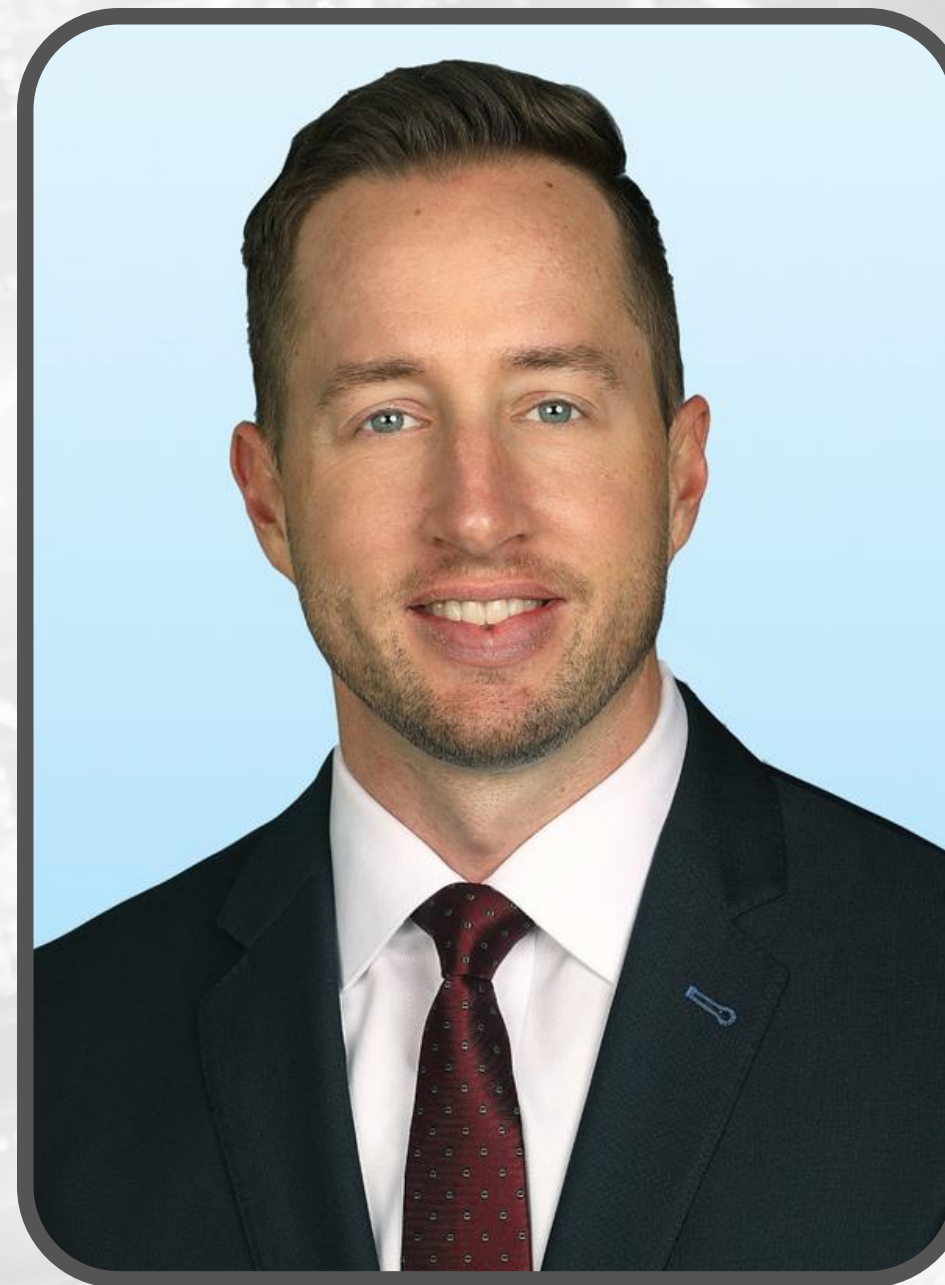
INVESTMENT | INDUSTRIAL | OFFICE | RETAIL

2024 Market Update



Investment Market

**Presented By:
Adam Connor
Colliers**



Today's Topics

1



Market Overview

2



Trends & Transactions

3



Predictions

1. Market Overview



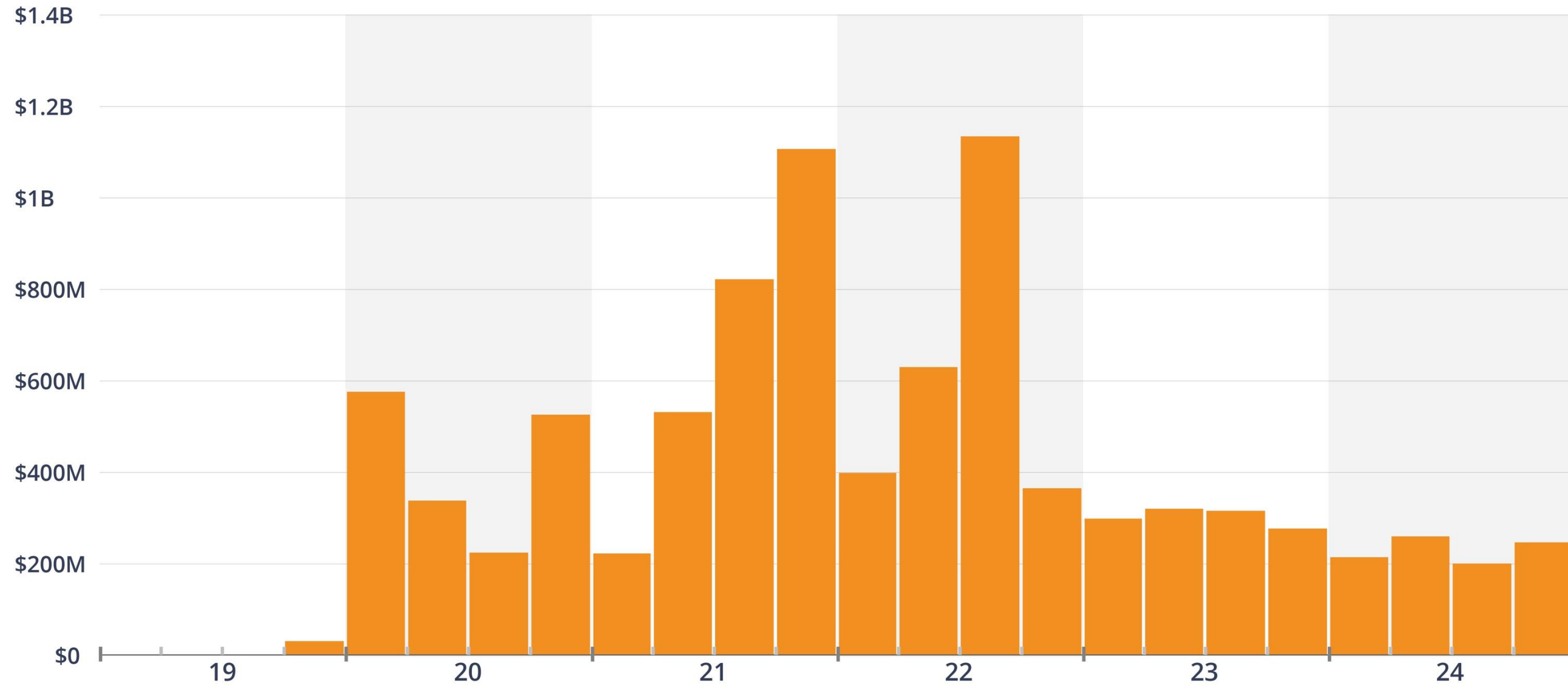
Overview of the Economy

10 Year Treasury - 5 Year Look



Sales Volume

7-County Investment Sales Overview



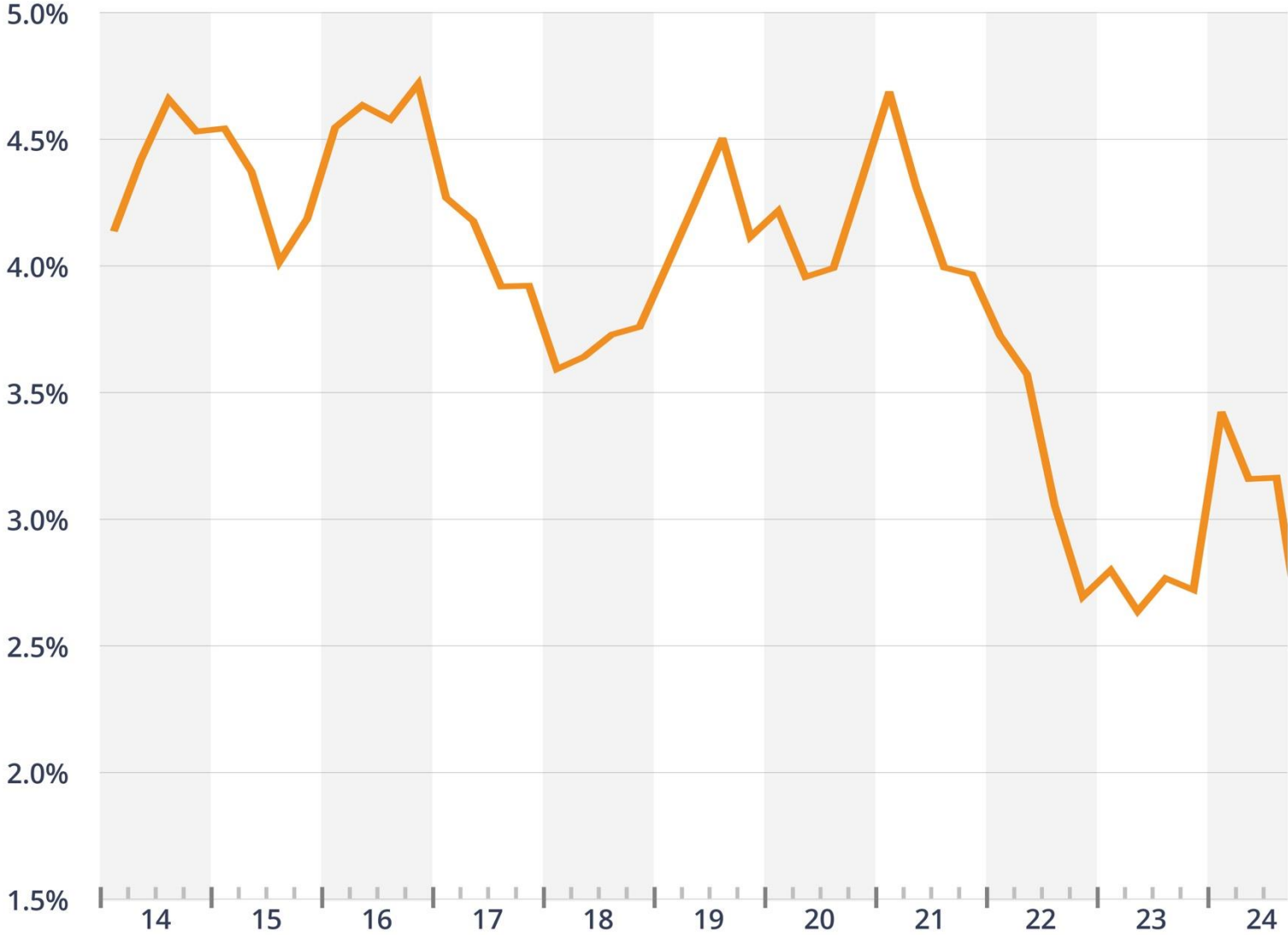
2. Trends & Transactions



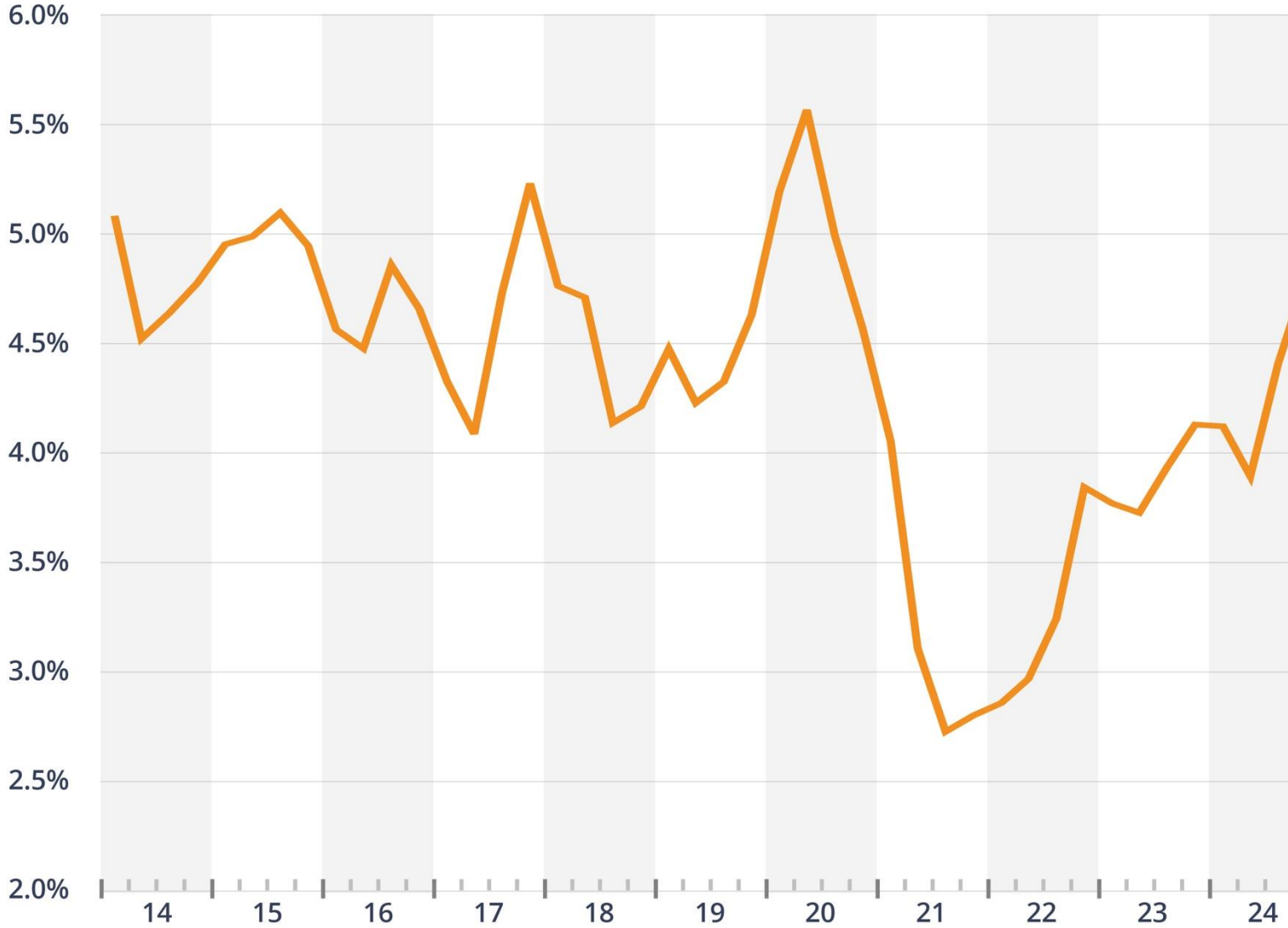
Market Comparison

Vacancy Rate

Retail



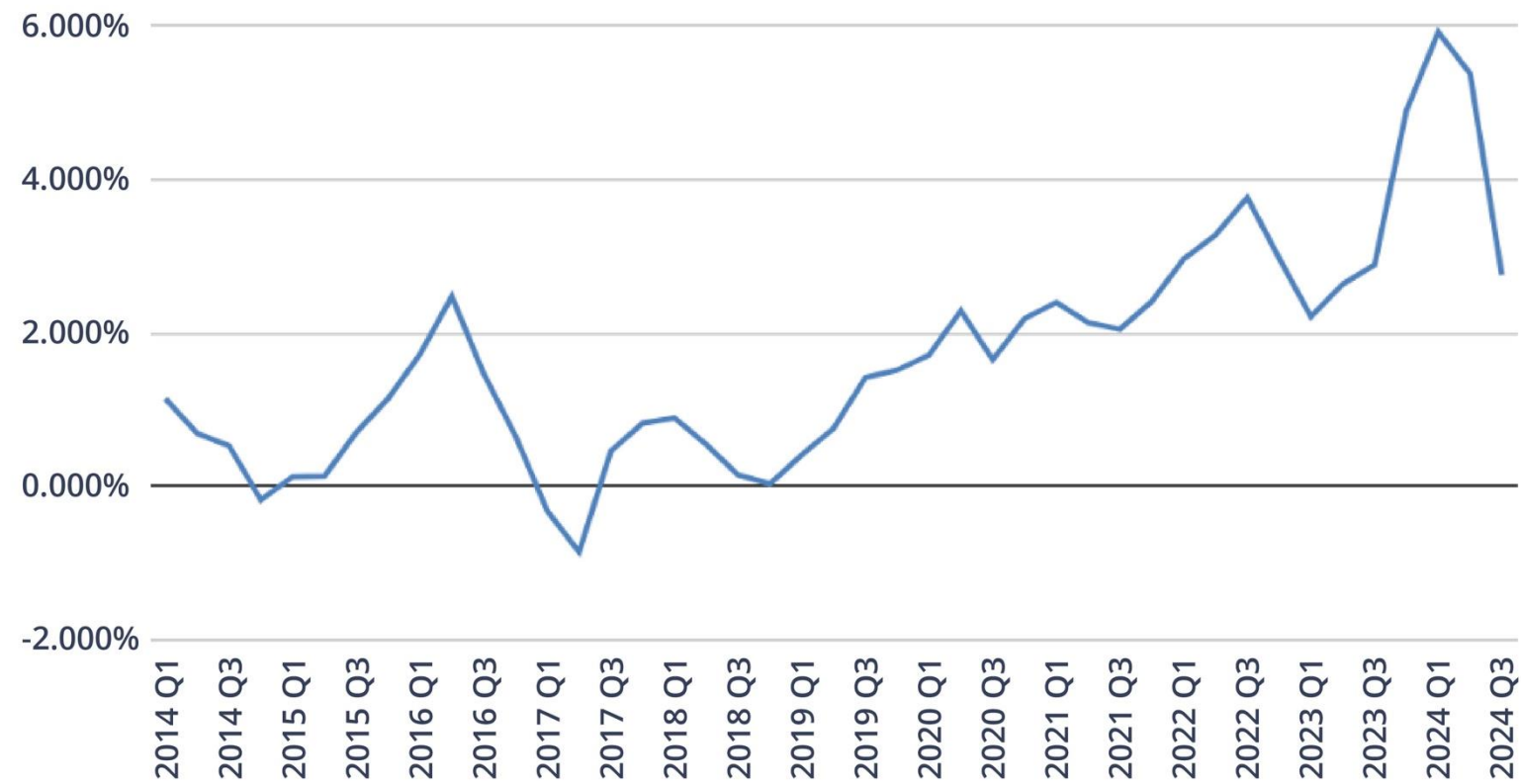
Multifamily



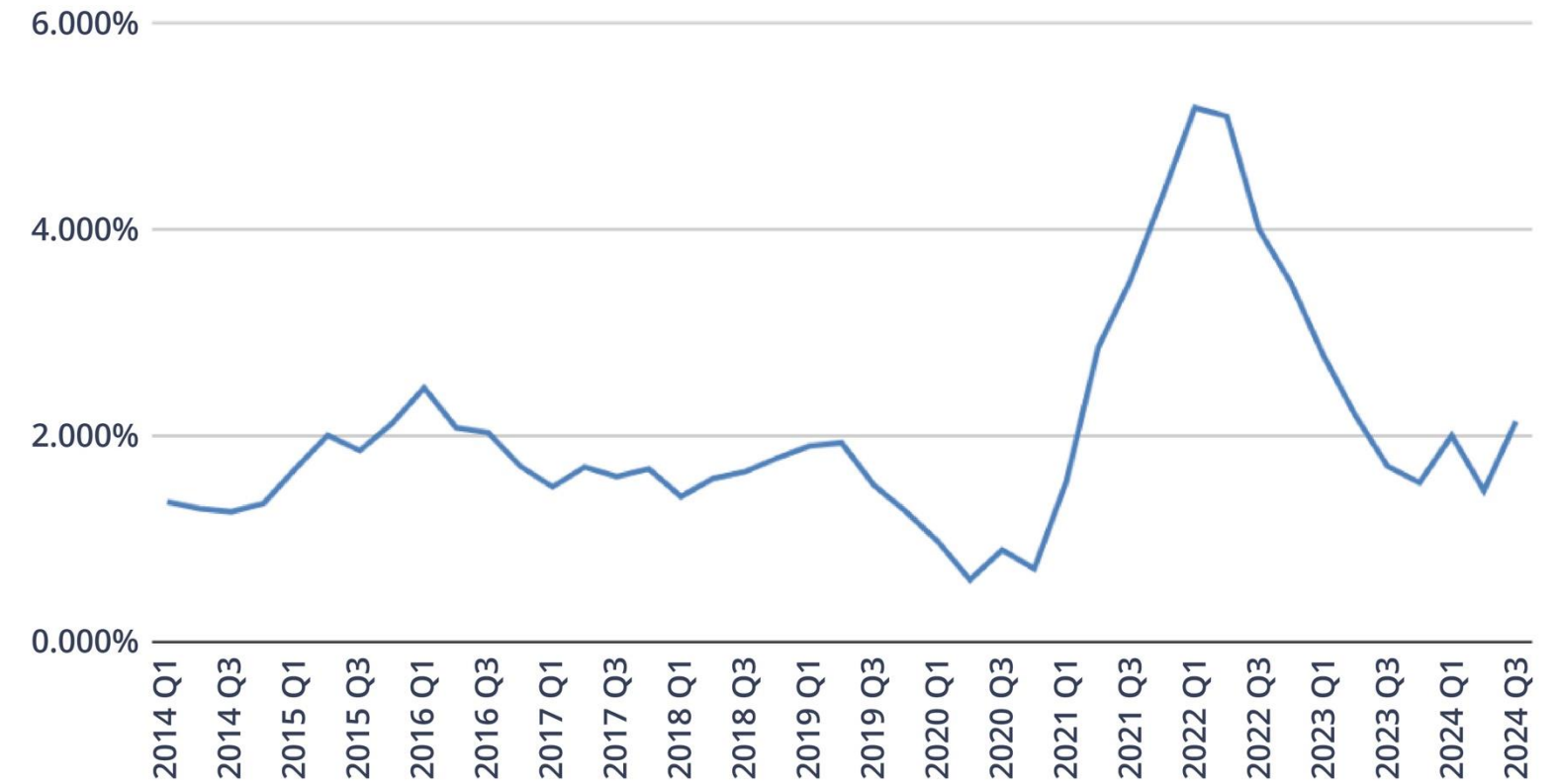
Market Comparison

Rent Growth YoY

Retail



Multifamily

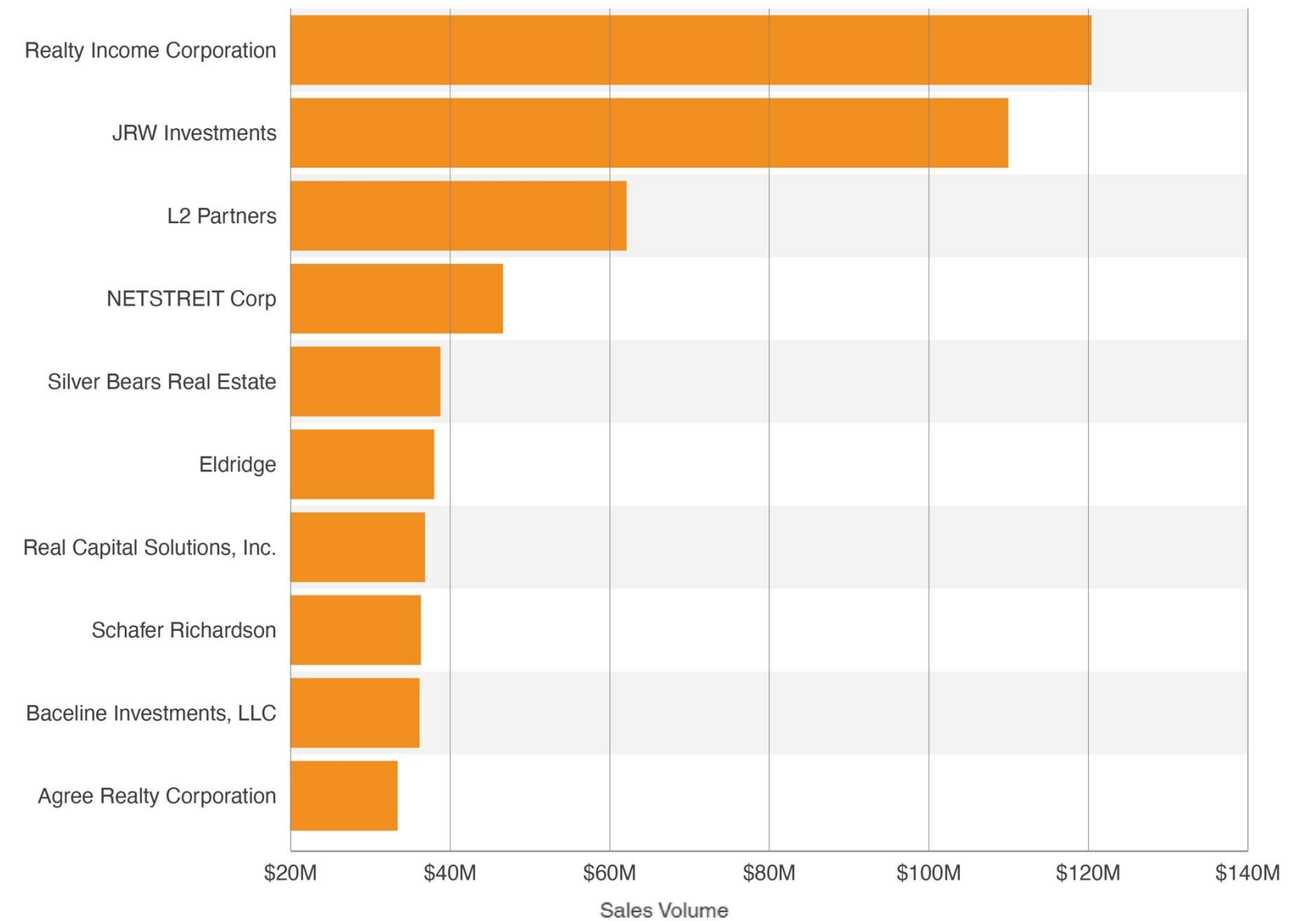
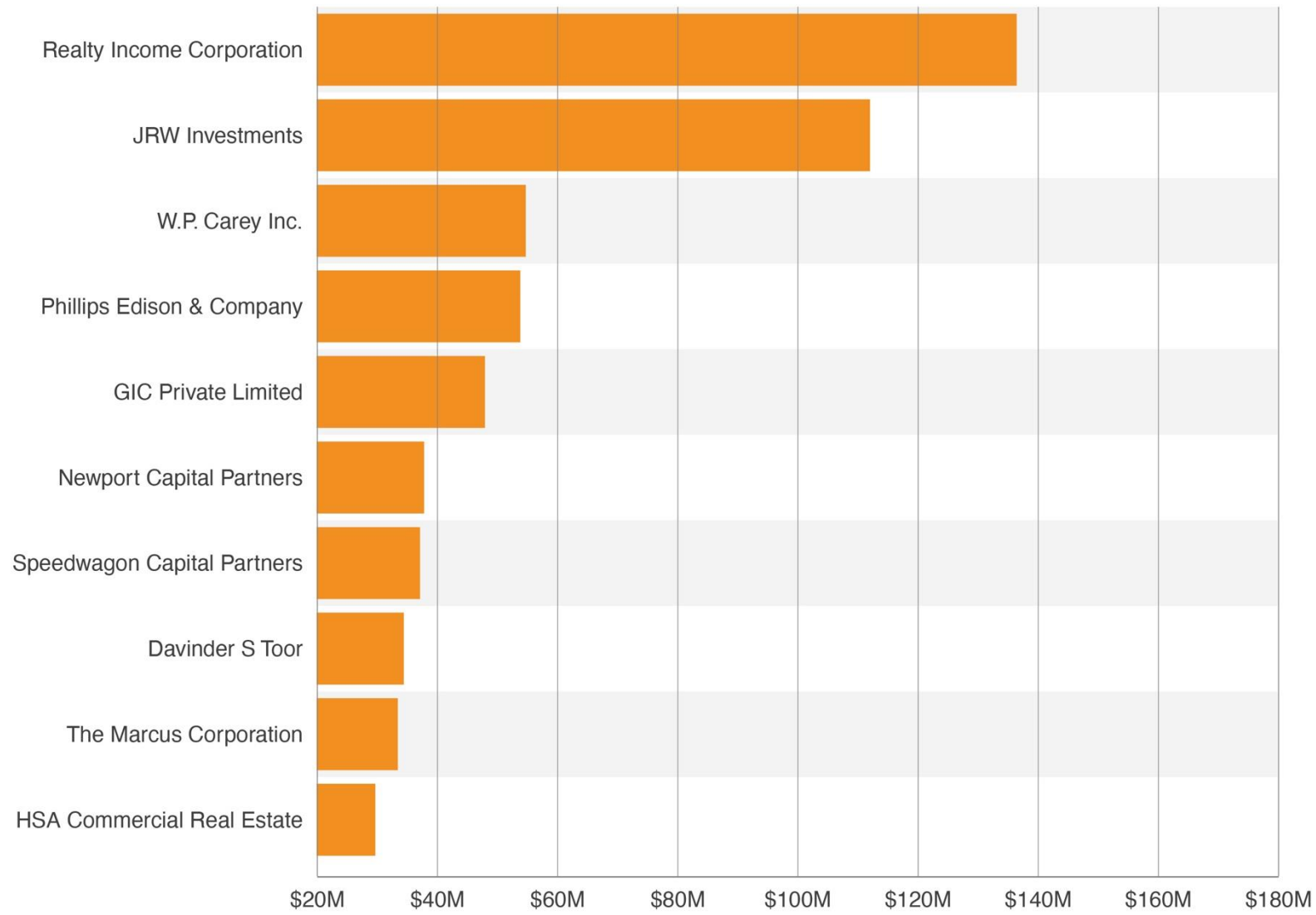


Sales Volume

Top Retail Buyers

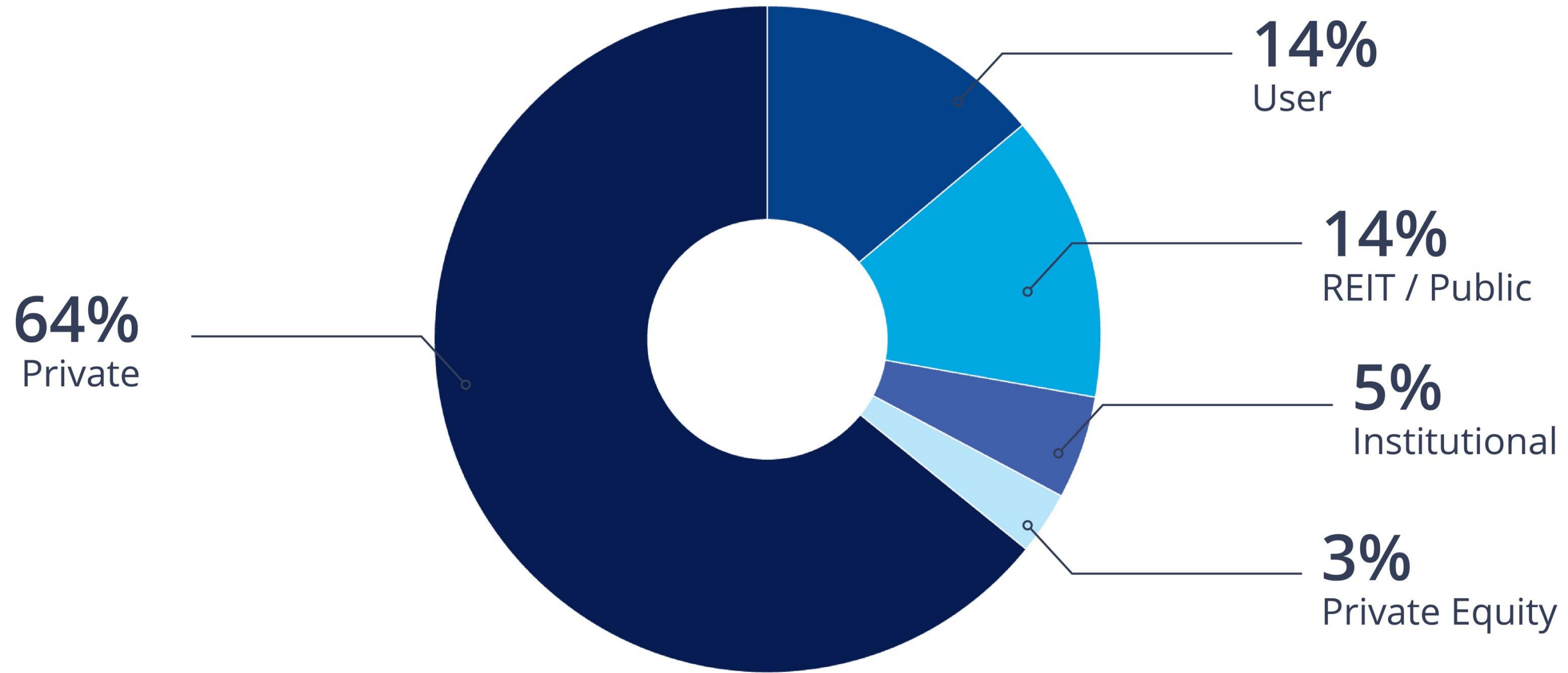
2014 - 2019

2019 - 2024



Sales Volume

Buyer Profiles - Retail 7 Counties



ICSC New York



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Blackstone Partners X to Buy ROIC in \$4B All-Cash Deal

Blackstone Real Estate Partners X acquired Retail Opportunity Investments Corp. (ROIC) in a \$4B all-cash transaction, including debt.

U.S. Retail Foot Traffic to Surpass Pre-Pandemic Levels by 2025

Commercial News » [New York City Edition](#) | By [Michael Gerrity](#) | May 27, 2024 9:33 AM ET

Hutensky takes on \$68M debt to buy retail from Washington Prime

Connecticut-based buyer picks up Bloomingdale, Orland Park shopping centers from spinoff of mall giant Simon Property Group

Essential Growth Properties Acquires Silvernail Plaza In Pewaukee For \$16.4M

2024 Market Update



Notable Transactions

Multifamily Investment Sales



Royster Commons (2-Pack Portfolio)

- » Madison, WI
- » \$34,000,000 (\$195,402/unit)
- » 174 Units
- » Buyer: Weidner
- » Seller: Ruedebusch Commercial Investments



Mayfair Reserve

- » Wauwatosa, WI
- » \$53,500,000 (\$227,000/unit)
- » 236 Units
- » Buyer: JVM (also own Bevy in Brown Deer and Reserve in Kenosha)
- » Seller: Atlantic Residential



Forte at 84South

- » Greenfield, WI
- » \$57,700,000 (\$215,000/unit)
- » 268 Units
- » Buyer: Brookview (NY based)
- » Seller: Fiduciary

Notable Transactions

Retail Investment Sales



Silvernail Shopping Center

- » 2100-2160 Silvernail Rd, Pewaukee, WI
- » Part of 4 Property Portfolio
- » \$16,000,000 (\$137.75/SF)
- » 116,152 SF
- » Buyer: Essential Growth Properties
- » Seller: United Properties
- » 7.40% Cap Rate



Country Fair Shopping Center

- » 5600 S 108th St, Hales Corners, WI
- » \$18,000,000 (\$269.12/SF)
- » 66,884 SF
- » Buyer: Broadway Enterprises Inc
- » Seller: Festival Foods
- » 6.60% Cap Rate



84South

- » Greenfield, WI
- » \$33,100,000 (\$169.82/SF)
- » 194,910 SF
- » Buyer: Marquee Capital
- » Seller: Private Investor
- » 8.25% Cap Rate – due to Kohl's credit downgrade

Notable Transactions

Industrial Investment Sales



Mitchell Industrial Park

- » Milwaukee, WI
- » 10 Building Portfolio
- » \$59,950,000 (\$68.15/SF)
- » 879,704 Total SF (10 Buildings)
- » Buyer: DRA Advisors (NY) & Capital Partners (MN)
- » Seller: Oak Realty
- » 7.22% Cap Rate



Sussex Business Park

- » W251 N5350 Business Dr, Sussex, WI
- » \$15,985,344 (\$106.57/SF)
- » 150,002 SF
- » Buyer: STAG Industrial
- » Seller: Wangard Partners



4260 Capital Cir Dr

- » 4260 Capital Cir Dr, Janesville, WI
- » Recent 30,000 SF Expansion
- » \$16,300,000 (\$94.11/SF)
- » 173,200 SF
- » Buyer: General Capital Group
- » Seller: SARA Investment Real Estate

Notable Transactions

Office Investment Sales



City Center

- » 735 N Water St, Milwaukee, WI
- » \$14,224,519 (\$33.23/SF)
- » 428,023 SF
- » Buyer: E.A. Staples and Associates
- » Seller: Compass Properties



Lakeview II

- » 8401 W 102nd St, Pleasant Prairie, WI
- » \$9,404,673 (\$130.22/SF)
- » 72,220 SF
- » Buyer: Luther Group
- » Seller: Rudolph P Luciani

3. Predictions



2024 Predictions

Katie Gremban, Cushman & Wakefield | Boerke



Interest rates will remain elevated, although will trend downward **TRUE**



Pricing discovery will happen in 2024 as the bid ask gap narrows **FALSE**



Anticipate office to remain a trouble asset class, with Class B / C assets feeling the most pain **TRUE**



Cap rates will not return to their low – anticipate slight movement **TRUE**

2025 Predictions

Adam Connor, Colliers | Wisconsin



2025 Investment Sales Volume will increase over 2024



Sale-Leasebacks will increase in 2025



Multifamily Development will significantly decrease in 2025 compared to 2024



Institutional Capital will start to migrate to all assets classes in the Midwest



Scottie Scheffler will stay out of jail

2024 Market Update

Presented by:



Office Market

**Presented By:
Katie Brueske**

Cushman & Wakefield | Boerke





CDOTrends

<https://www.cdotrends.com/story/office-dead-long-l...>

The Office is Dead, Long Live the... Something Else



The New York Times

<https://www.nytimes.com/office-work-home-remote>

The Five-Day Office Week Is Dead

'Office culture' as we know it is dead. Workers have other ideas

1 March 2024



Forbes

<https://www.forbes.com/.../Leadership Strategy>

Why The Traditional Office Is Dead



North American Executive

<https://www.northamericanexec.com/news/the-offic...>

The Office is Dead, Long Live the Office



NBC News

<https://www.nbcnews.com/business/economy/full-...>

Full return to office is 'dead,' experts say — and remote is ...



The Register

https://www.theregister.com/2023/12/03/return_to_...

'Return to Office' declared dead

The traditional office workplace is dead, and you'll be surprised to learn why

BY GLEB TSIPURSKY, OPINION CONTRIBUTOR - 05/06/24 11:00 AM ET



Yahoo Finance

<https://finance.yahoo.com/news/return-office-dead-s...>

'Return to the office is dead': Stanford economist says ...



Forbes

<https://www.forbes.com/Innovation>

The Office Is Dead. Long Live The Office!



CNN

<https://www.cnn.com/2020/08/25/business/office-...>

The office, as you know it, is dead



MSN

<https://www.msn.com/en-us/money/realestate/retu...>

'Return to the office is dead' says Stanford economist



CNBC

<https://www.cnbc.com/2023/11/30/return-to-office-i...>

[Return to office is dead, Stanford economist says. Here's why.](#)



Medium · Jeffery Smith

280+ likes · 2 years ago

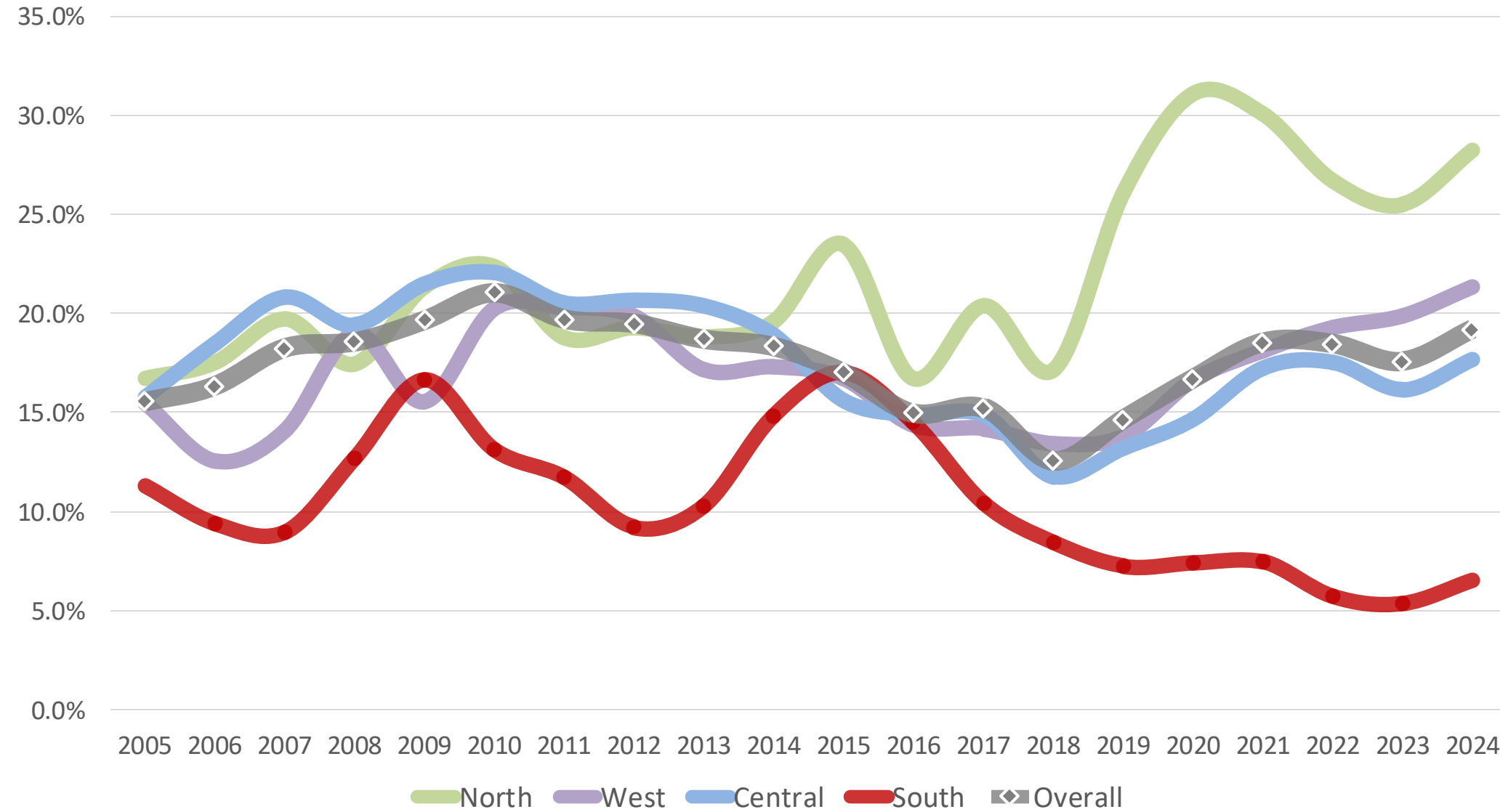
The Office is Dead....Long Live the Office | by Jeffery Smith

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Haunted by Myths: The Death of the Office

MYTH 1: Remote Work Has Replaced the Office Forever



BY THE NUMBERS:

35.4M
+134K YOY
square feet inventory

8.8M
+340K YOY
square feet available

6.8M
+585K YOY
square feet vacant

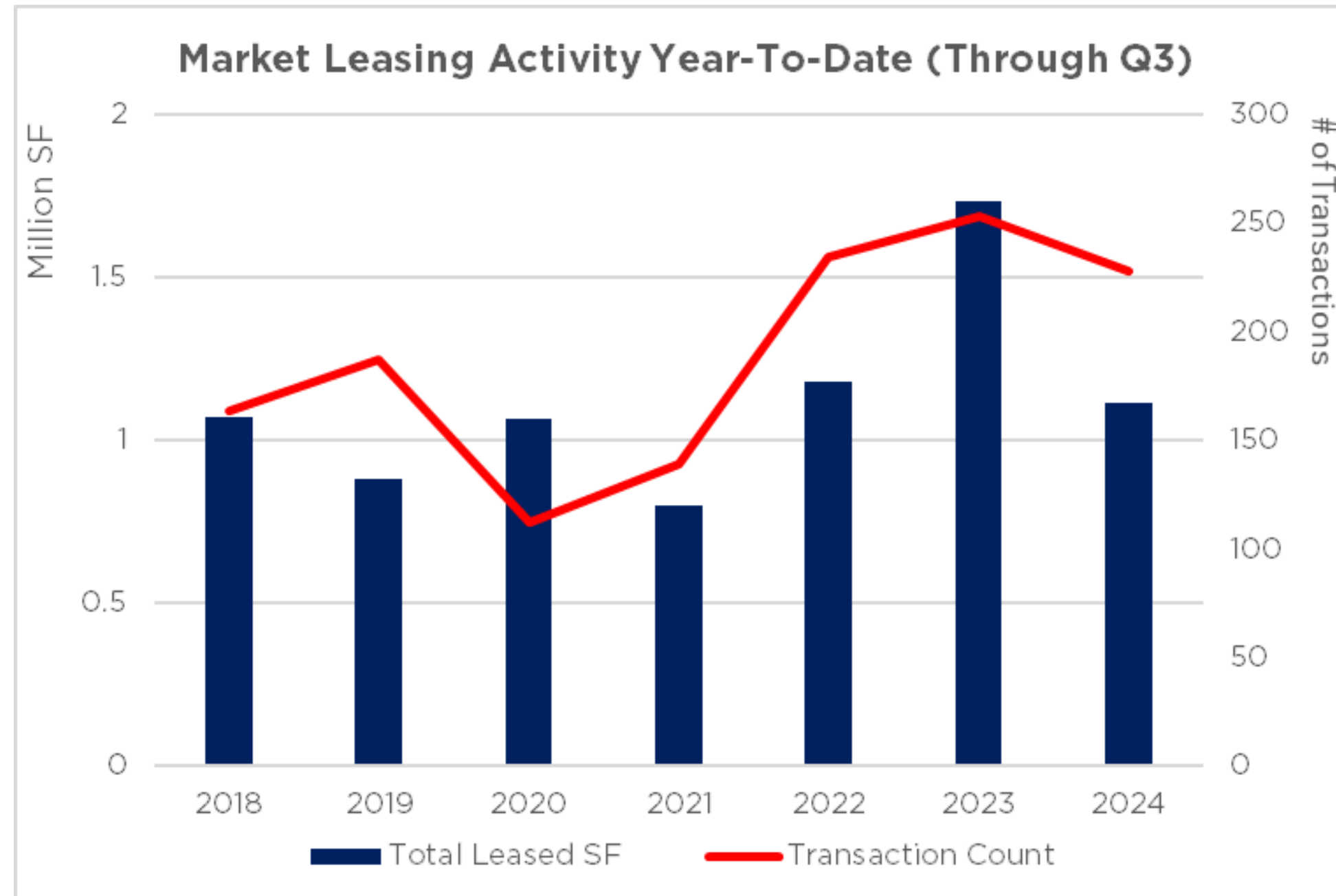
19.2%
+1.6 YOY
vacancy rate

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The Afterlife: Realities of the Modern Office

REALITY 1: *Rightsizing Space Due to Hybrid Workforce*

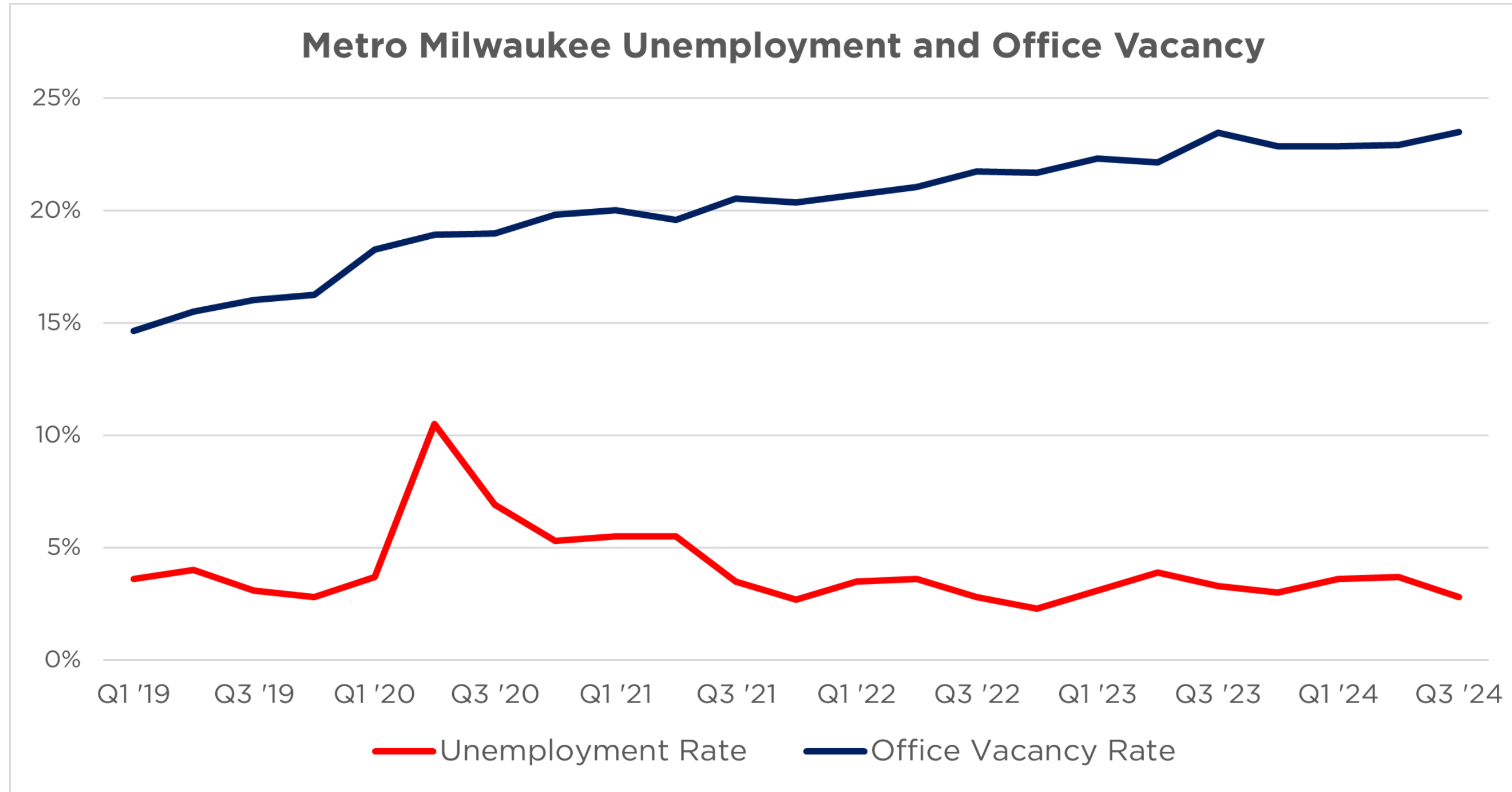


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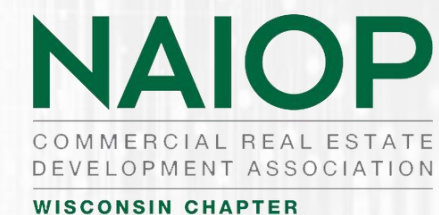


The Afterlife: Realities of the Modern Office

REALITY 1: *Rightsizing Space Due to Hybrid Workforce*



2024 Market Update



The Afterlife: Realities of the Modern Office

REALITY 1: *Rightsizing Space Due to Hybrid Workforce*



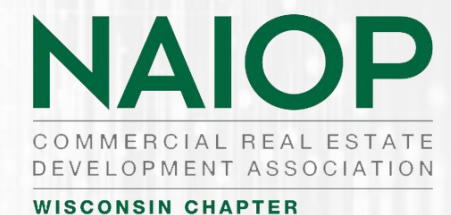
The Afterlife: Realities of the Modern Office

REALITY 1: *Rightsizing Space Due to Hybrid Workforce*

Average Lease Term In Years

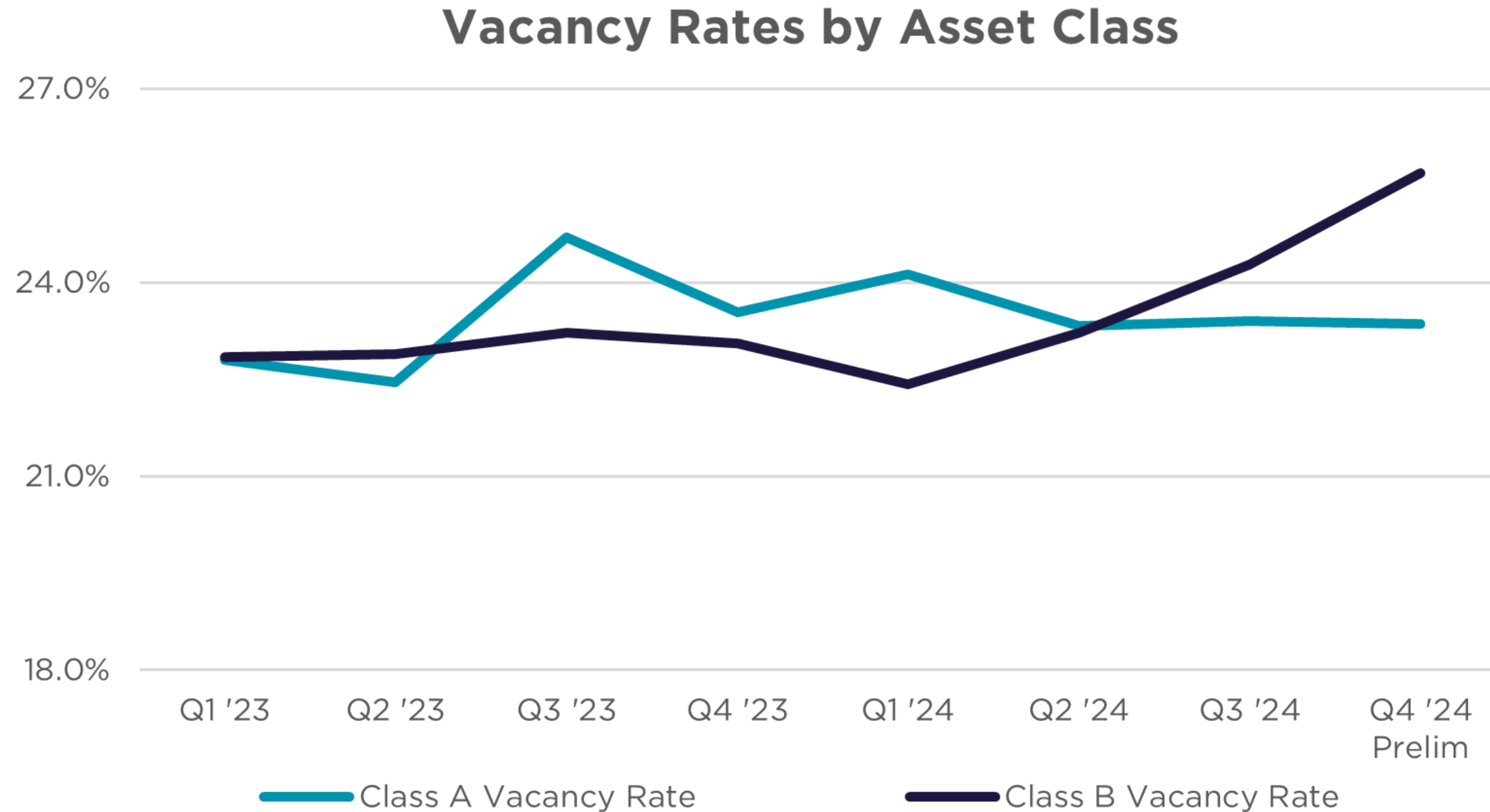
	2023	2024 YTD
Overall:	5.3	4.9
New Leases:	6.0	6.4
Renewals:	3.9	3.3

2024 Market Update



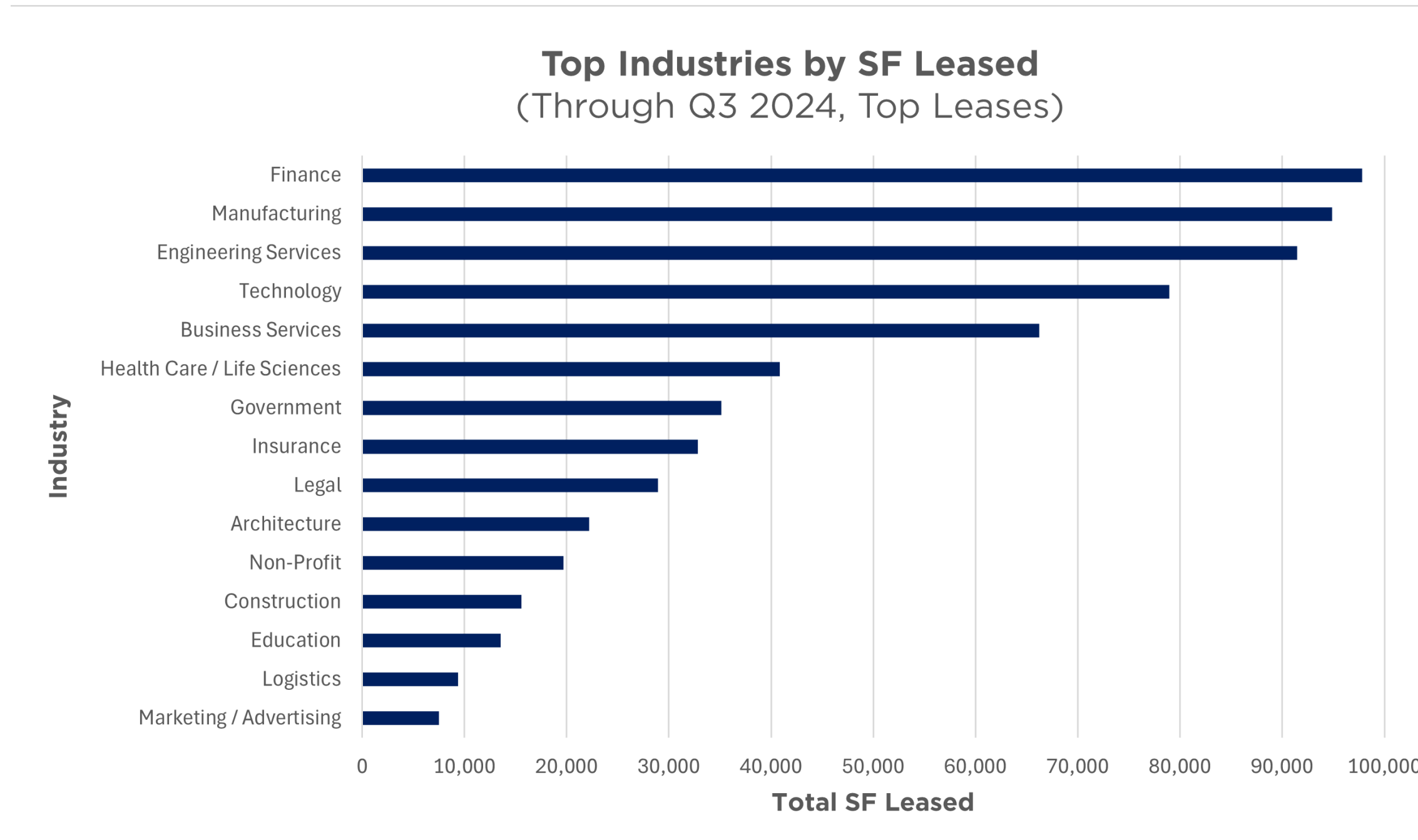
Haunted by Myths: The Death of the Office

MYTH 2: *The Cost of an Office Outweighs the Value it Provides to a Company*

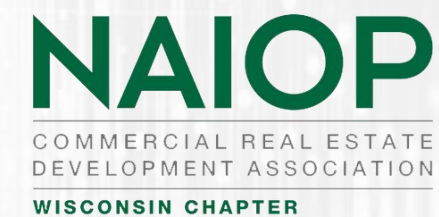


The Afterlife: Realities of the Modern Office

REALITY 2: *Flight to Quality*



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The Afterlife: Realities of the Modern Office

REALITY 2: *Flight to Quality (Suburbs)*



STEELE SOLUTIONS

Flight to Quality: 37,366 SF



Flight to Quality: 19,706 SF



Rightsized: 94,161 SF → 27,842 SF



Rightsized: 55,000 SF → 12,224 SF

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The Afterlife: Realities of the Modern Office

REALITY 2: *Flight to Quality (Downtown)*



Rightsized: 81,503 SF → 56,000 SF



Rightsized: 164,306 SF → 42,000 SF



The Marcus Corporation

Flight to Quality: 51,891 SF



Flight to Quality: 27,276 SF

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Haunted by Myths: The Death of the Office

MYTH 3: Class B & C Offices are Obsolete



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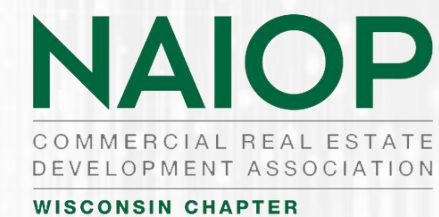


The Afterlife: Realities of the Modern Office

REALITY 3: Adaptive Reuse or Redevelopment



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The Afterlife: Realities of the Modern Office

REALITY 3: *Adaptive Reuse or Redevelopment*

2024 New Office Developments
Under Construction


0 SF


Johnson Controls 
444,549 SF

 Allspring
164,306 SF


89,761 SF


81,503 SF


74,000 SF

 GE HealthCare
506,195 SF
(sublease)

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CARW
COMMERCIAL ASSOCIATION OF REALTORS®


NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
WISCONSIN CHAPTER

The Afterlife: Realities of the Modern Office

MYTH 1: Remote Work Has Replaced the Office Forever

REALITY 1: Rightsizing Space Due to Hybrid Workforce

MYTH 2: The Cost of an Office Outweighs the Value it Provides to a Company

REALITY 2: Flight to Quality

MYTH 3: Class B & C Offices are Obsolete

REALITY 3: Adaptive Reuse or Redevelopment

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Matt Hock's Predictions



WFH and Hybrid work continues to decline



Availability in the market stabilizes



Flight to Quality continues



One large out-of-state tenant will open a Milwaukee office



Another large office building will announce a residential conversion



Marquette will go to the Final Four!



2024 Market Update



My Predictions



1

Rightsizing and Flight to Quality continues

2

More companies will relocate downtown from the suburbs

3

Increase in adaptive reuse of Class B&C Office product (maybe even to industrial)

4

One downtown single tenant office building will announce a multi tenant conversion.

5

Milwaukee will win the 2026 WNBA franchise

The ~**BUCKETTES**~



**THANK
YOU**

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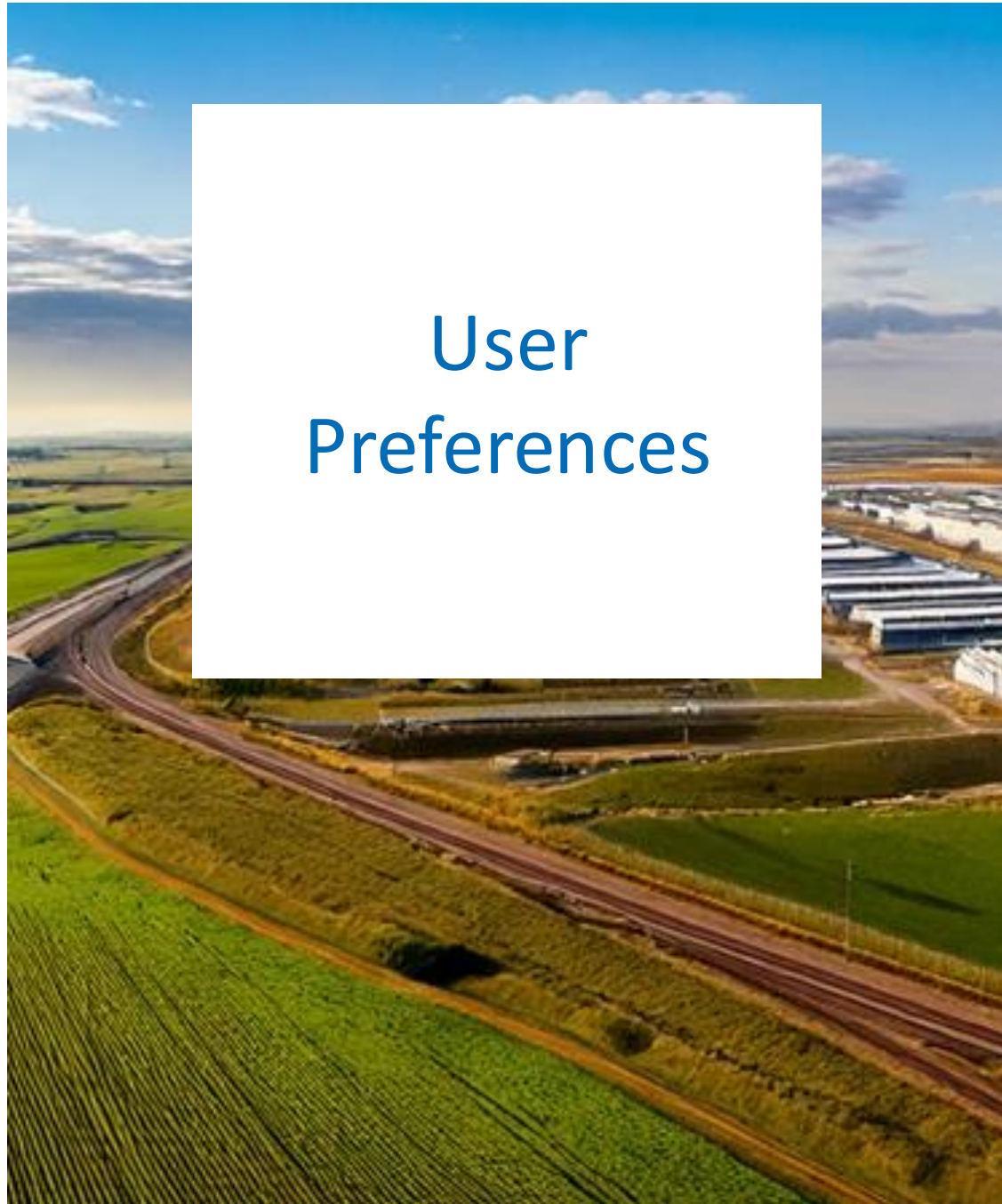


Industrial Market

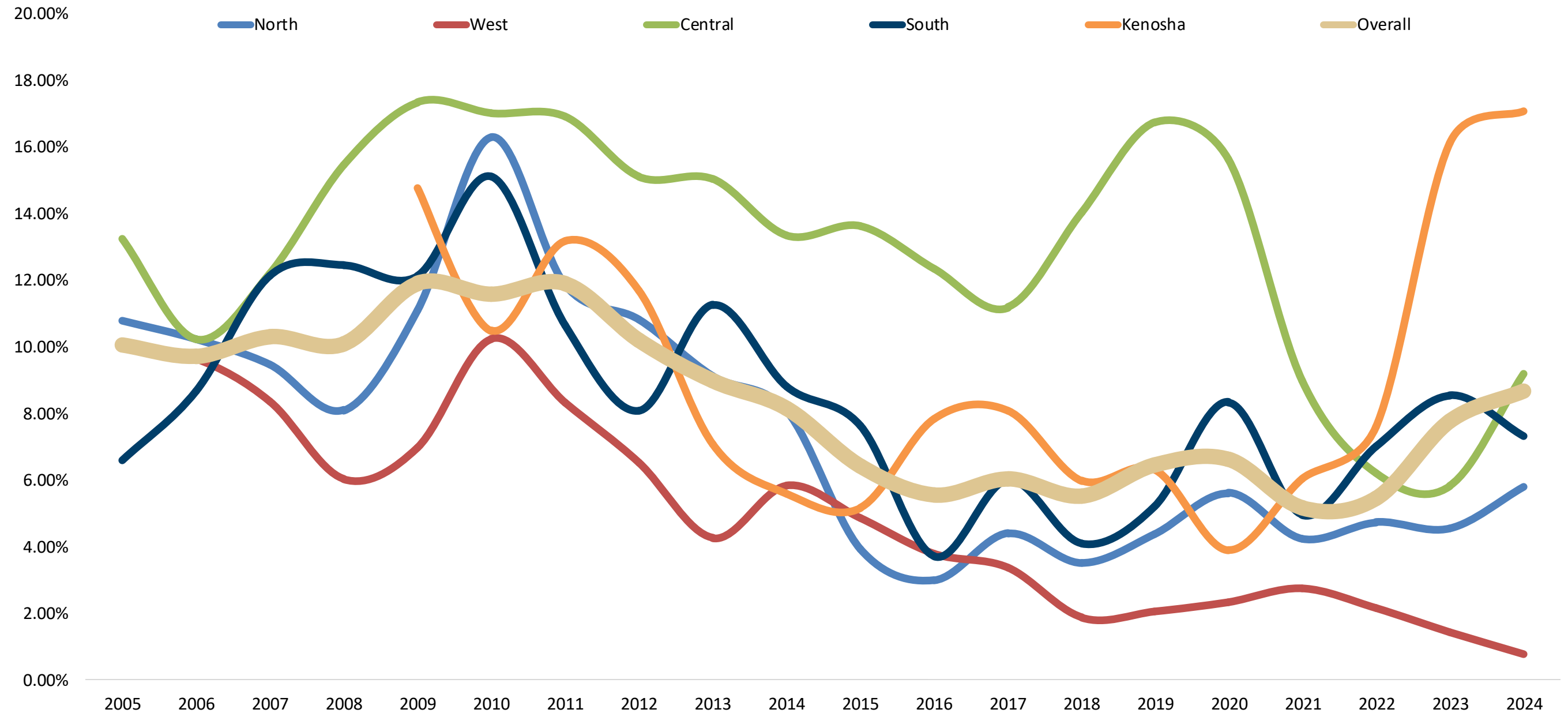
**Presented By:
Patrick Hanrahan
NEWMARK**



Market Trends



Overall Industrial Market



- **174.2M**
• Inventory SF
+8.92 M YOY
- **20.2M**
• Available SF
+4.1 M YOY
- **15.1M**
• Vacant SF
+2.3 M YOY
- **8.7%**
• Vacancy Rate
+0.9% YOY

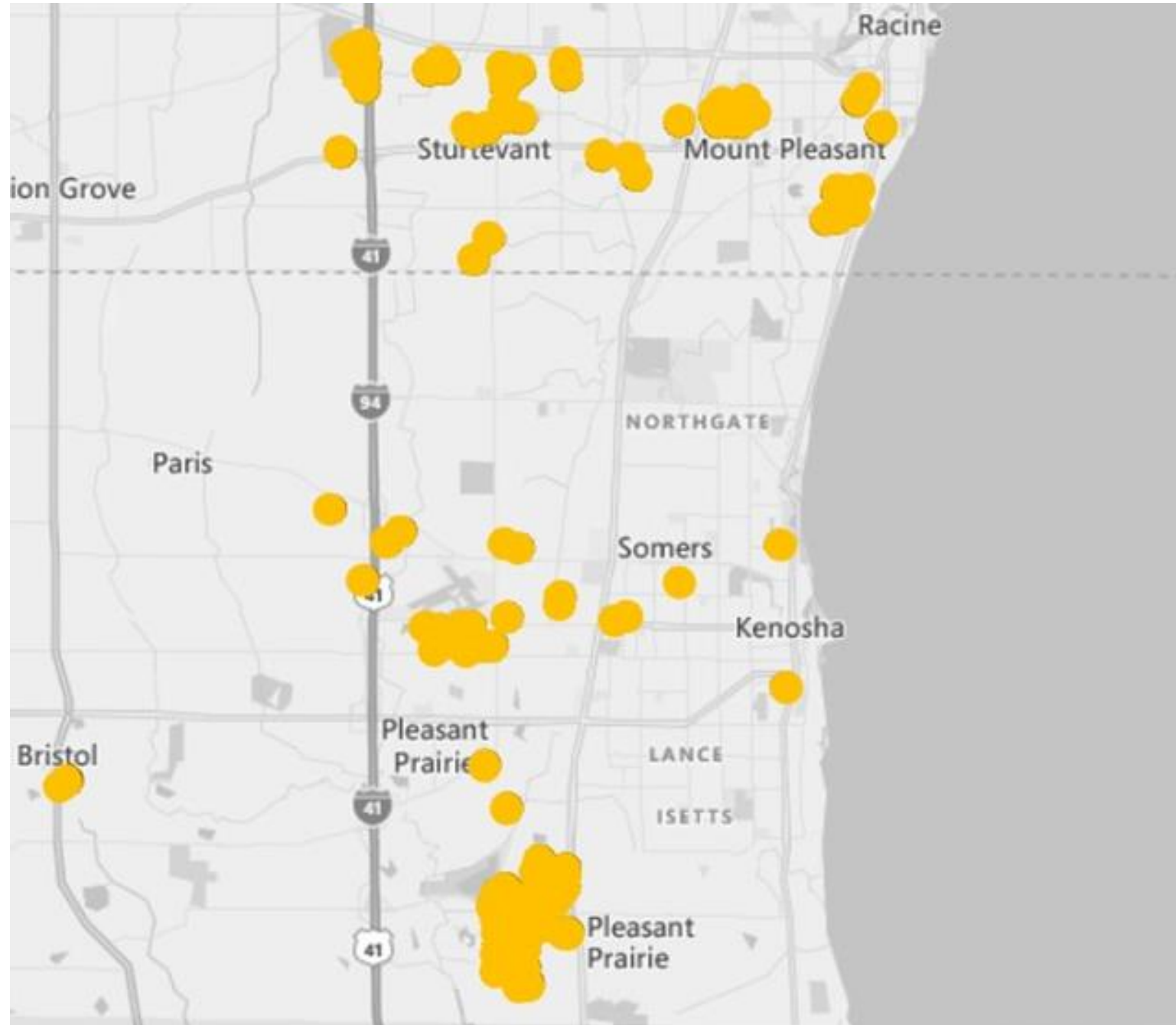
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Kenosha Submarket

Trends

- Deliveries of Speculative Construction Outpaced Demand
- Strain on Power Supply



News

- Microsoft Makes \$3 Billion Commitment to Southeastern Wisconsin
- Eli Lilly Choses Kenosha County for Massive \$3 Billion Expansion
- U-Line Continues Expansion Into Multiple Warehouse Buildings and New Office Building

• 49.1M

• Inventory SF
+5.62M YOY

• 9.07M

• Available SF
+2.06M YOY

• 8.37M

• Vacant SF
+1.37M YOY

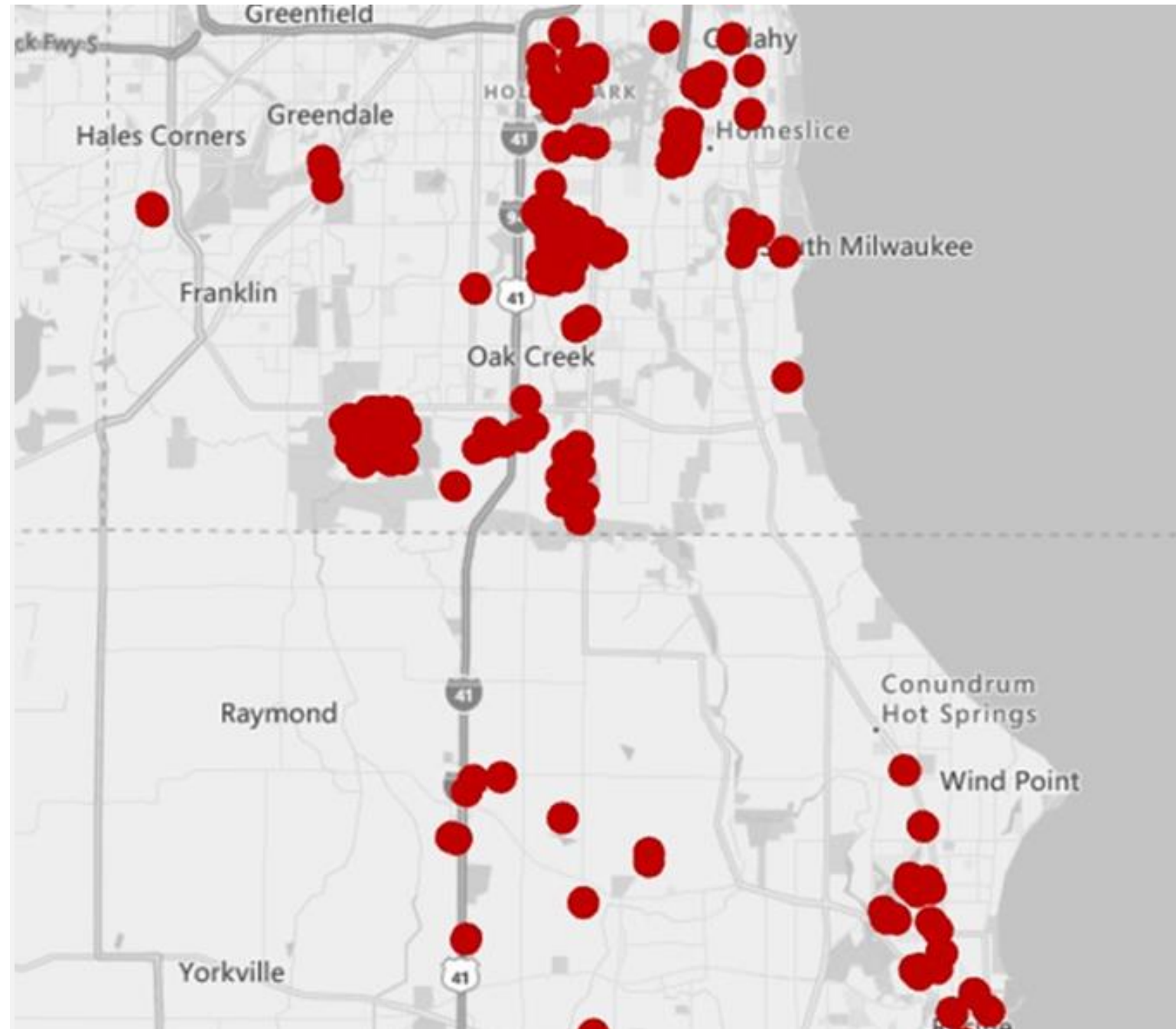
• 17.1%

• Vacancy Rate
+0.9% YOY

South Submarket

Trends

- Deliveries of Speculative Construction Outpaced Demand
- Build-To-Suit Becoming More Appealing to Select Occupiers



• 25.3M	• 2.56M	• 1.85M	• 7.3%
• Inventory SF +618K YOY	• Available SF (138K) YOY	• Vacant SF (258K) YOY	• Vacancy Rate (1.2%) YOY

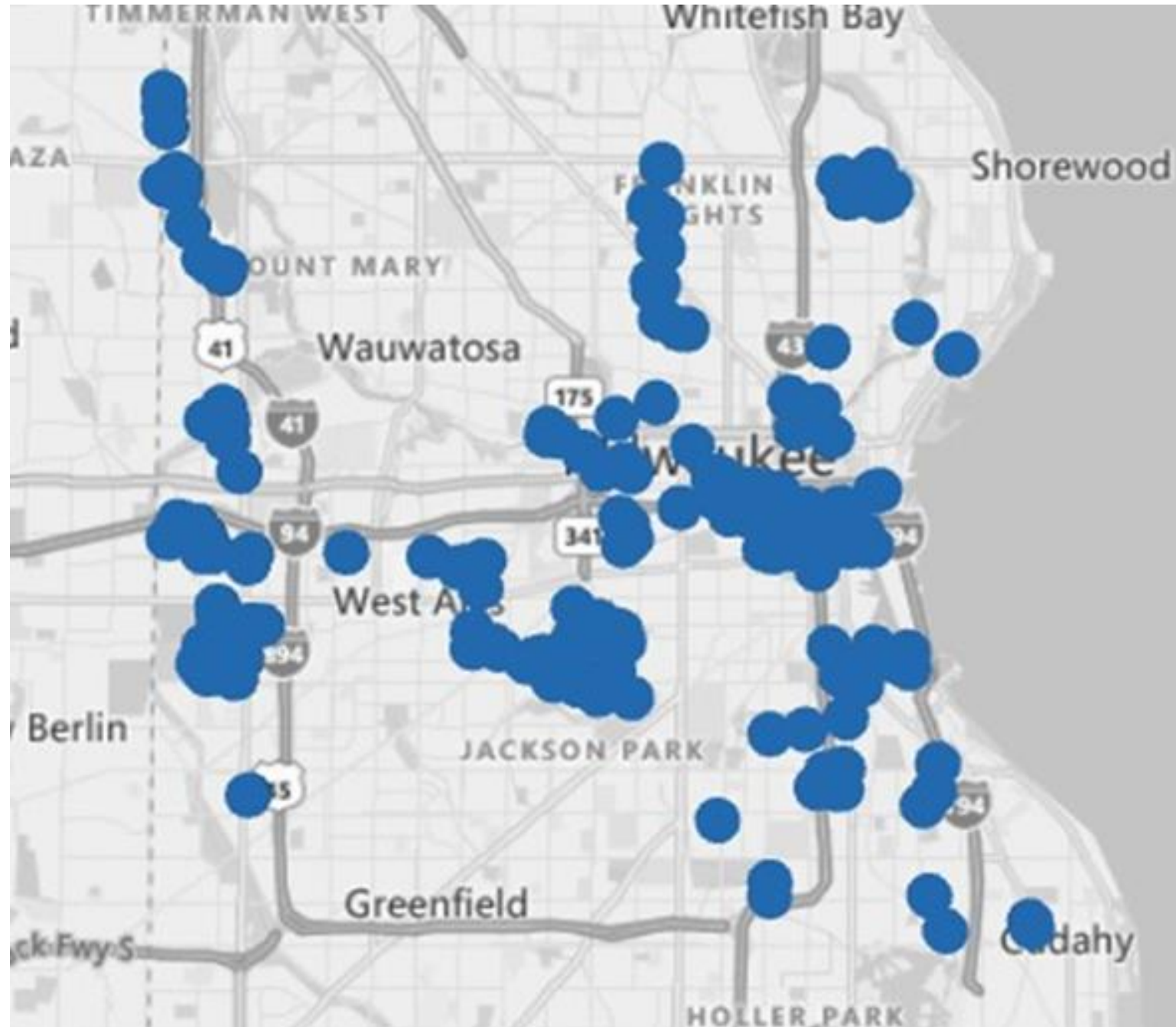
News

- Saputo Expands its Presence in Southeastern Wisconsin
- Ten (10) Building, 880,000 SF Airport Portfolio Sells for Nearly \$60 Million

Central Submarket

Trends

- Lack of Suitable Land Sites
- Increase in Vacancy



News

- Palermo's Pizza's New Facility
- Leinenkugel's 10th Street Brewery Closure
- Stellantis Announces Closure of Milwaukee Plant

• 22.5M

• Inventory SF
+62K YOY

• 3.78M

• Available SF
+1.25M YOY

• 2.07M

• Vacant SF
+764K YOY

• 9.2%

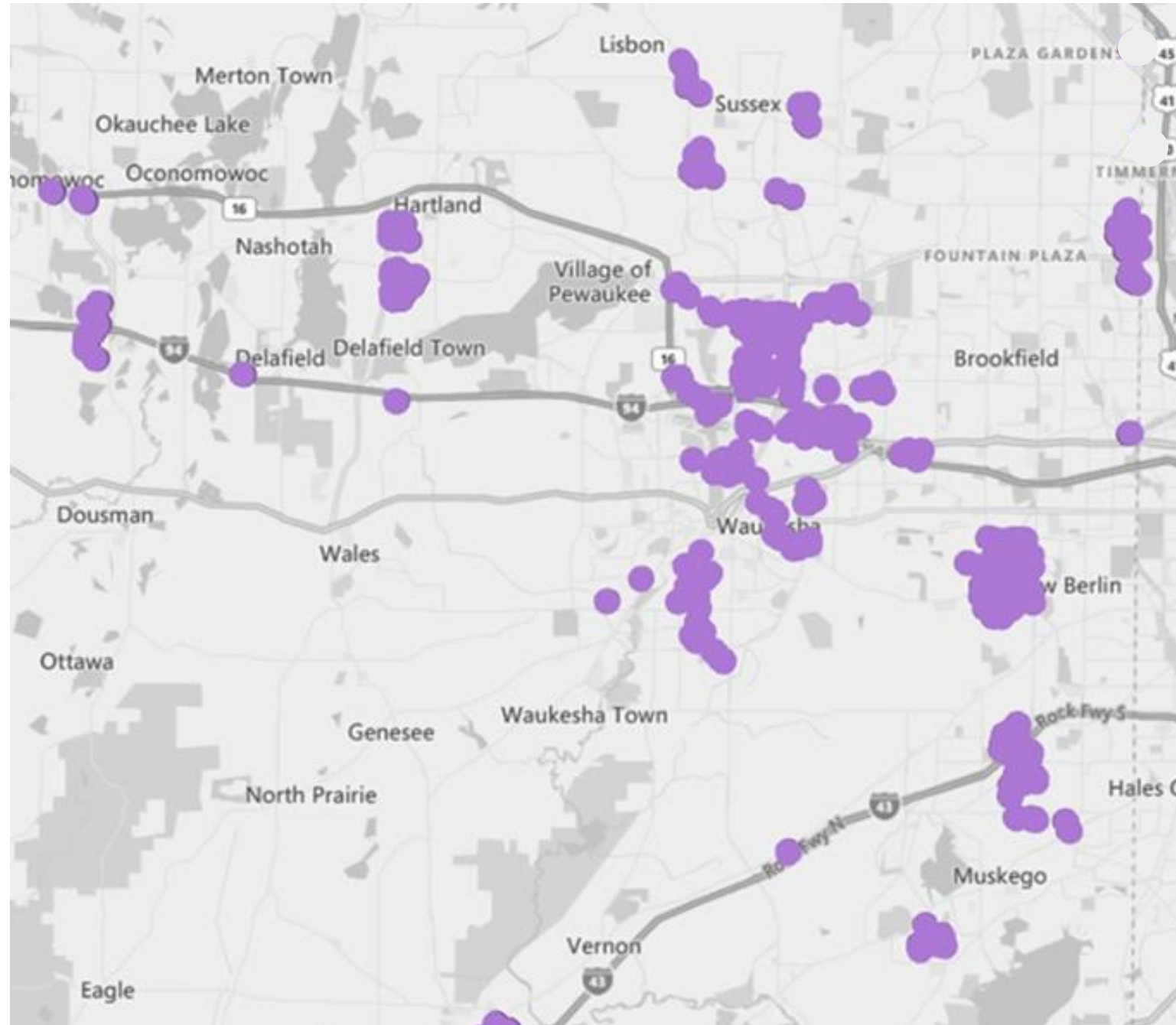
• Vacancy Rate
+3.4% YOY

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West Submarket Trends

- Lowest Vacancy Rate in Market
- Lack of Suitable Land Sites in Eastern Portion of Submarket
- Construction Announcements Pushing West



<h2>• 32.7M</h2> <p>• Inventory SF +924K YOY</p>	<h2>• 1.06M</h2> <p>• Available SF +391K YOY</p>	<h2>• 249K</h2> <p>• Vacant SF (208K) YOY</p>	<h2>• 0.8%</h2> <p>• Vacancy Rate (0.7%) YOY</p>
------------------------------------------------------	------------------------------------------------------	---------------------------------------------------	------------------------------------------------------

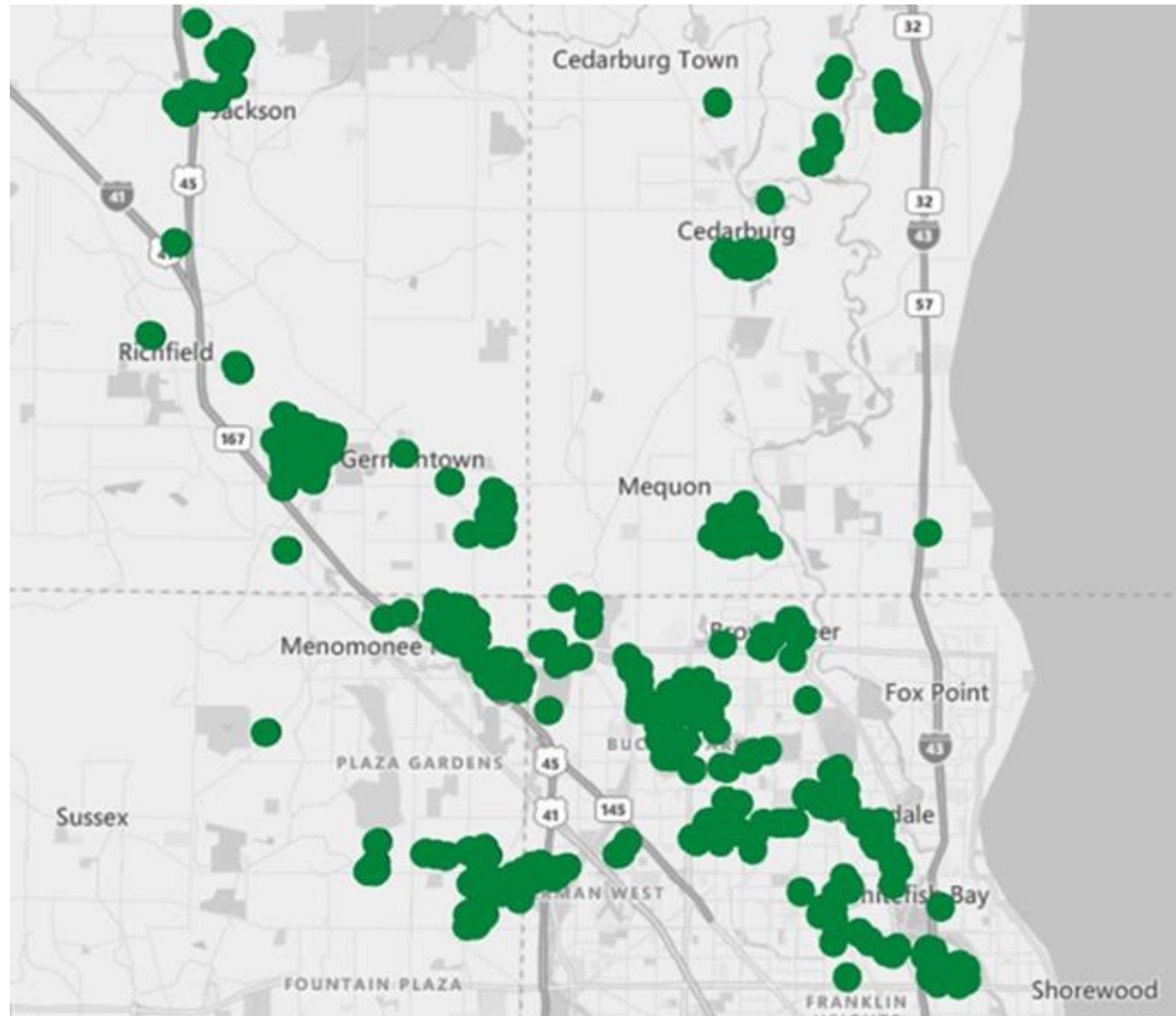
News

- Speculative Industrial Building Announced at Pabst Farms in Oconomowoc
- Luther Group's Speculative Buildings in Menomonee Falls

North Submarket

Trends

- Continued Growth Along I-41
- Sublet Square Footage Has Doubled
- Users Consolidating Operations Under One Roof

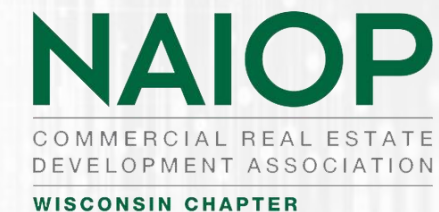


News

- Speculative Construction on Brown Deer Road, Milwaukee and Holy Hill Road, Germantown
- Green Bay Packaging's Consolidation

<h1>• 44.6M</h1> <ul style="list-style-type: none"> • Inventory SF +1.7M YOY 	<h1>• 3.68M</h1> <ul style="list-style-type: none"> • Available SF +524K YOY 	<h1>• 2.59M</h1> <ul style="list-style-type: none"> • Vacant SF +644K YOY 	<h1>• 5.8%</h1> <ul style="list-style-type: none"> • Vacancy Rate +1.3% YOY
---------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------

2024 Market Update



Conclusions

Speculative Development

- Slowing of speculative development, but for different reasons depending on which submarket.

Leasing Activity

- Continued slowing of leasing activity.

Owner User Pricing

Continued increase in price per square foot (\$/SF) values for functional 2nd and 3rd generation owner/user industrial buildings.

2024 Predictions From Joe Carollo of JLL

1) Rental rates will continue to rise

- True

2) We do not see a wave of foreclosures hitting the market

- True

3) Manufacturing and internal warehousing will lead leasing activity

- True

NEWMARK

60

4) Return of free rent

- False

2025 Predictions From Patrick Hanrahan of Newmark:

- 1) Speculative Development will be slow throughout 2025
- 2) Land Scarcity will lead to continued announcements of new developments further north and west
- 3) Lack of power will become a mainstream national discussion

NEWMARK

61

2025 Predictions From Patrick Hanrahan of Newmark:

- 1) Speculative Development will be slow throughout 2025
- 2) Land Scarcity will lead to continued announcements of new developments further north and west
- 3) Lack of power will become a mainstream national discussion
- 4) Northridge Mall ^{NEWMARK} will be acquired by Elon Musk to be the site of a new manufacturing facility for SpaceX



Thank You

NEWMARK

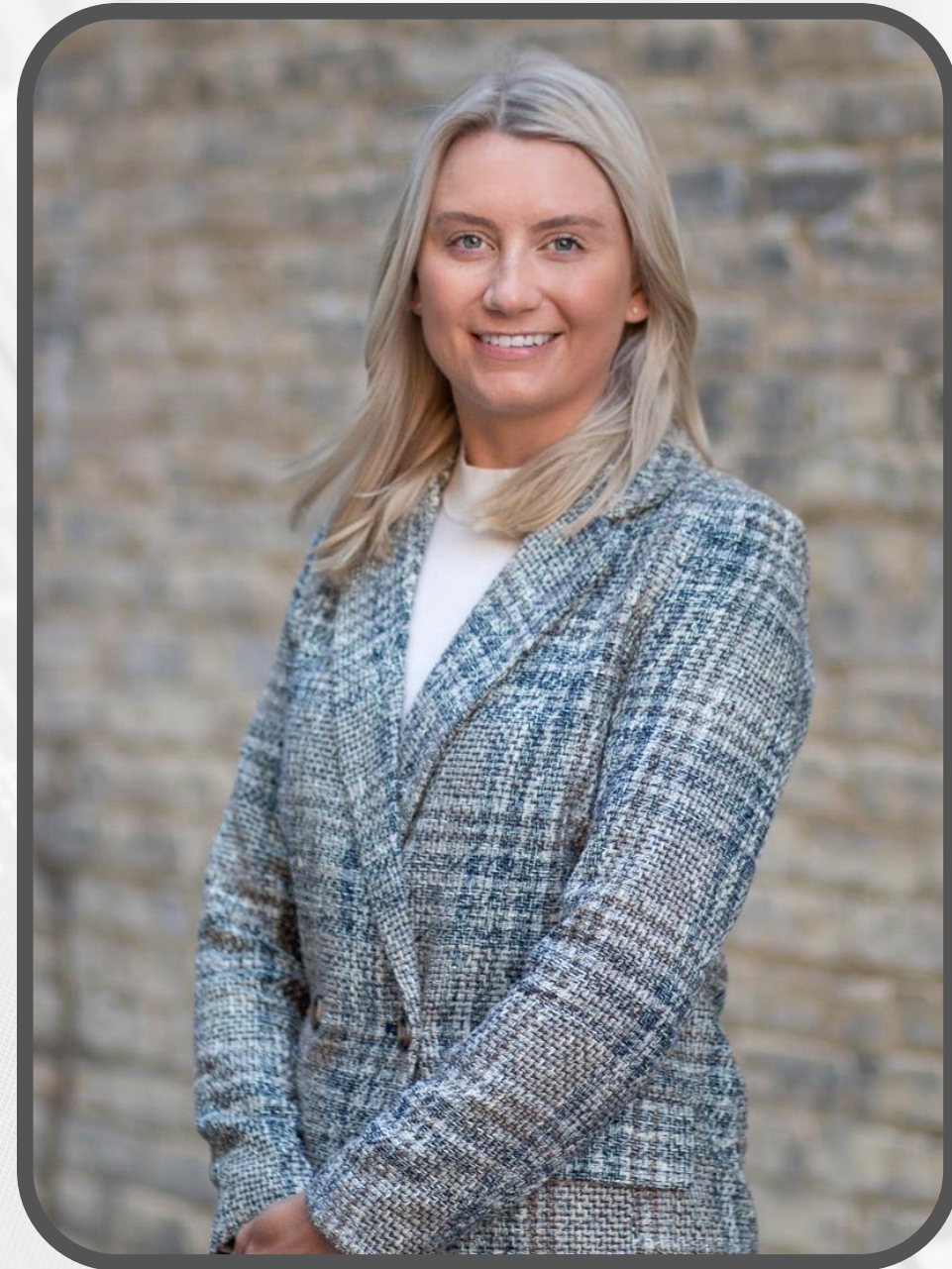
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Presented by:



Retail Market

Presented By:
Sarah Eldred
Mid-America Real Estate



OVERVIEW

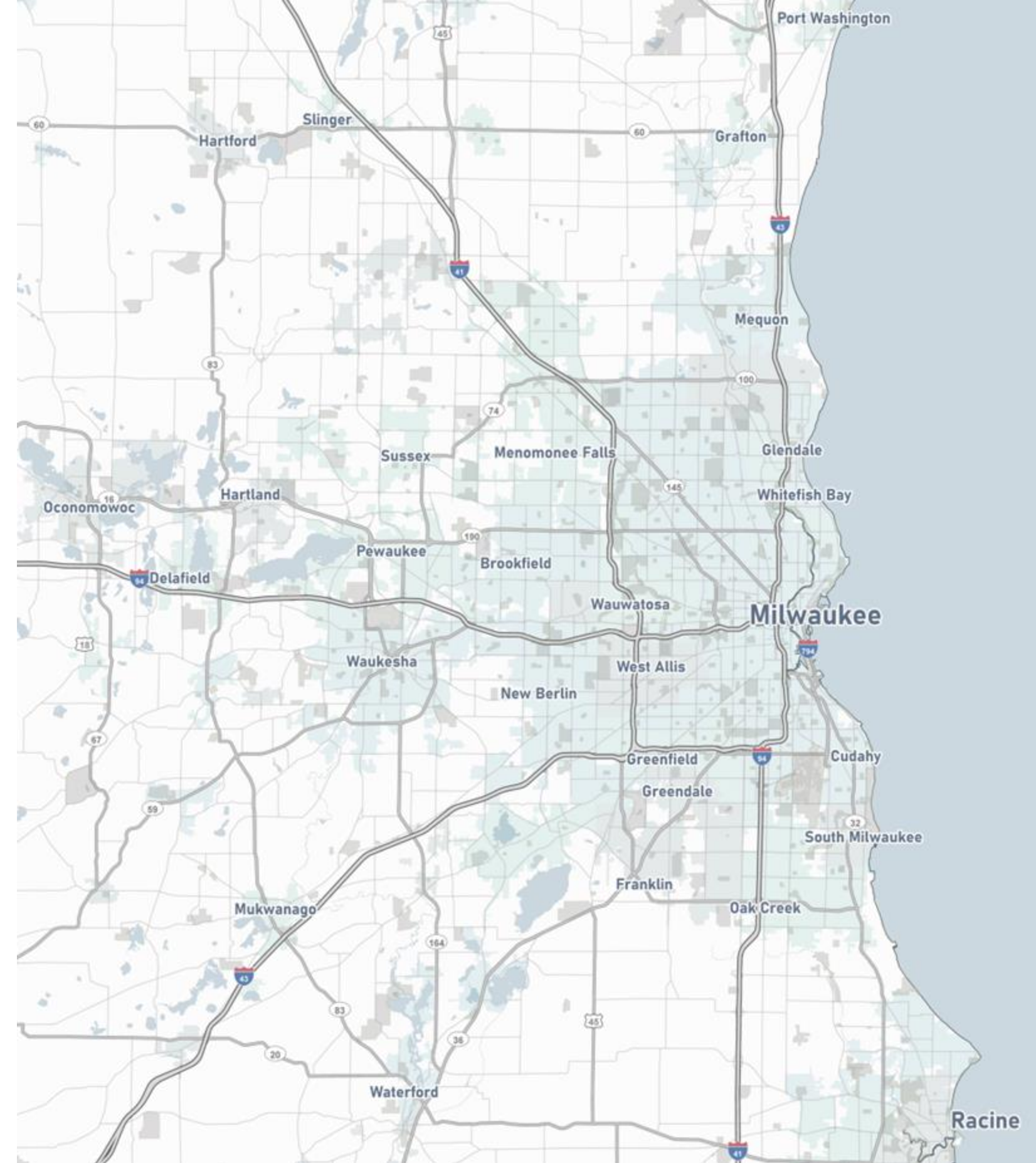
VACANCY RATES

THE COST TO BUILD

THE STATE OF SINGLE
TENANT, MULTI-TENANT, &
JUNIOR BOX

REGIONAL MALL
UPDATE

TAKEAWAYS &
PREDICTIONS

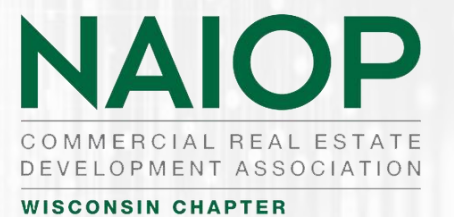


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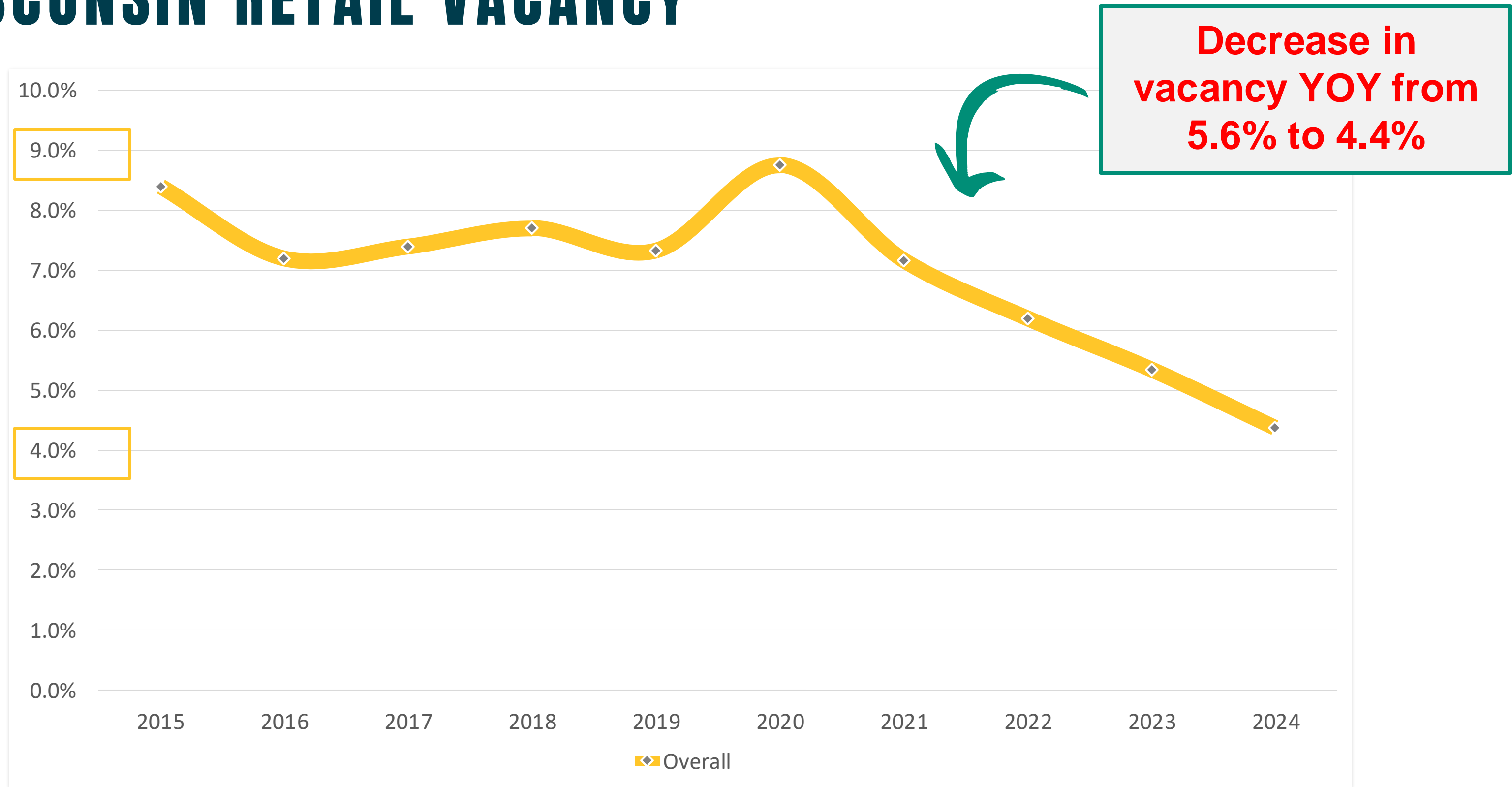


VACANCY RATES

2024 Market Update

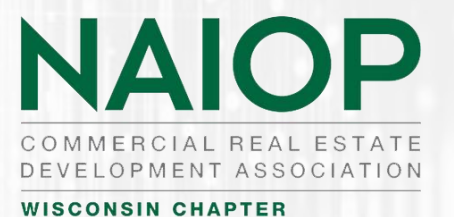


SE WISCONSIN RETAIL VACANCY



THE COST TO BUILD

2024 Market Update



THE COST TO BUILD

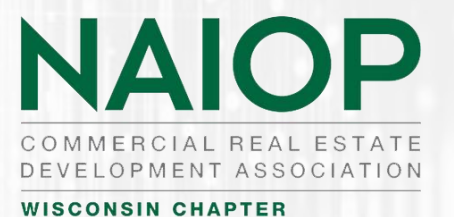
2,300 SF NATIONAL QSR

YEAR	COST	COST PSF
2020	\$675,000	\$294
2022	\$1,200,000	\$522
2024	\$1,355,000	\$587

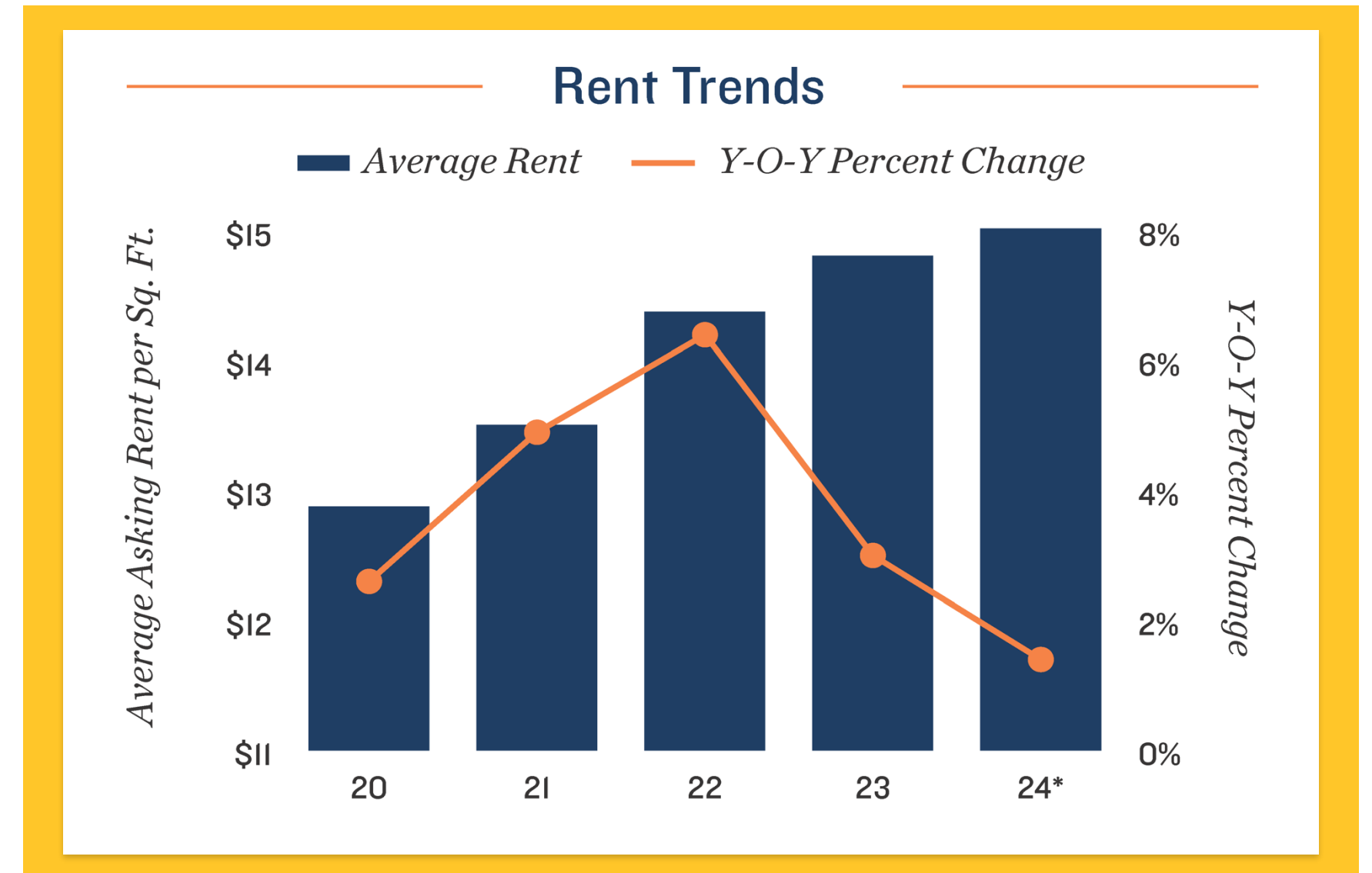
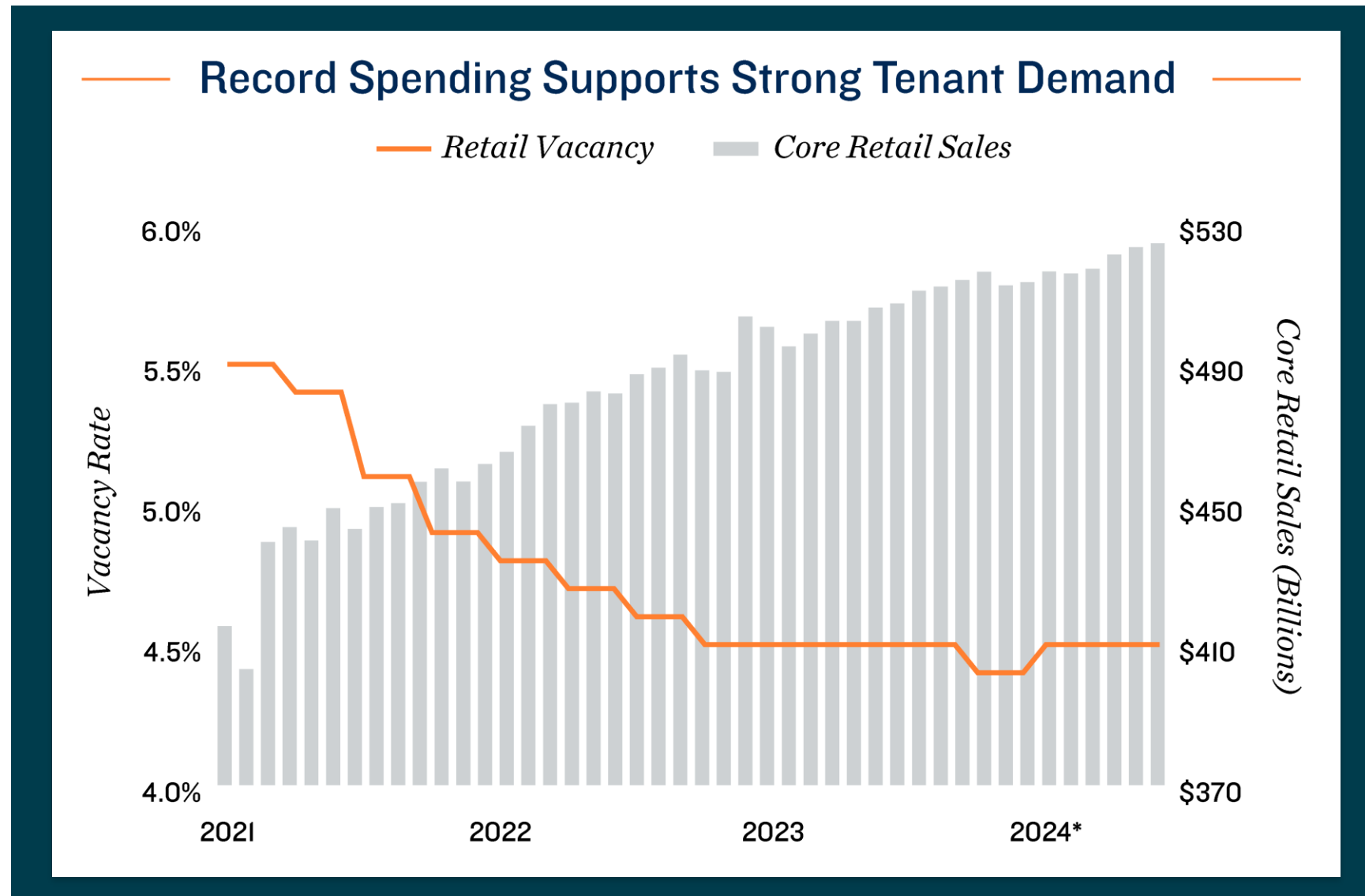
**100% INCREASE OVER
FOUR YEARS**

SINGLE TENANT

2024 Market Update



SINGLE TENANT



* Vacancy as of 2Q, Core retail sales through August

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

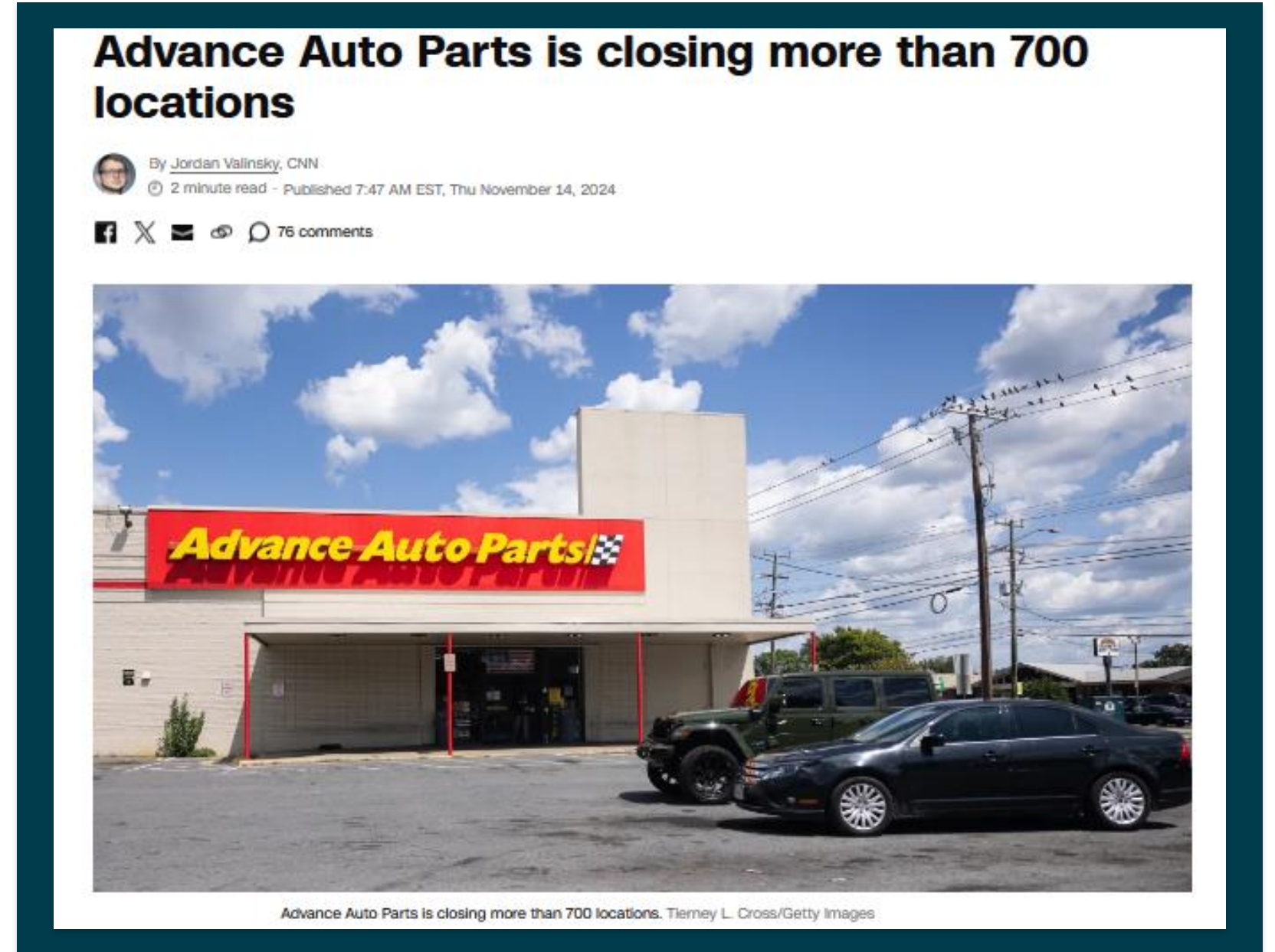
SINGLE TENANT ACTIVITY



2024 Market Update

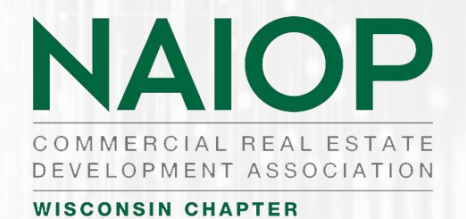


SINGLE TENANT CLOSURES



MULTI-TENANT

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MULTI-TENANT

EXCLUSIVE REAL ESTATE


Strip Malls Are the New King of Retail Real Estate

Changing consumer habits are boosting strip malls, with tenants competing for space

By [Kate King](#) [Follow](#)

Oct. 30, 2023 4:30 pm ET

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Declining vacancy rates show strip malls don't need large anchor stores to draw in customers and tenants. PHOTO: JESSICA PONS/BLOOMBERG NEWS



Medical Spas

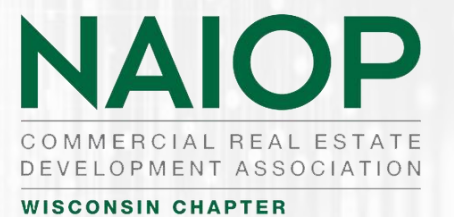
Vet & Pet Focused Concepts

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JUNIOR BOX

2024 Market Update

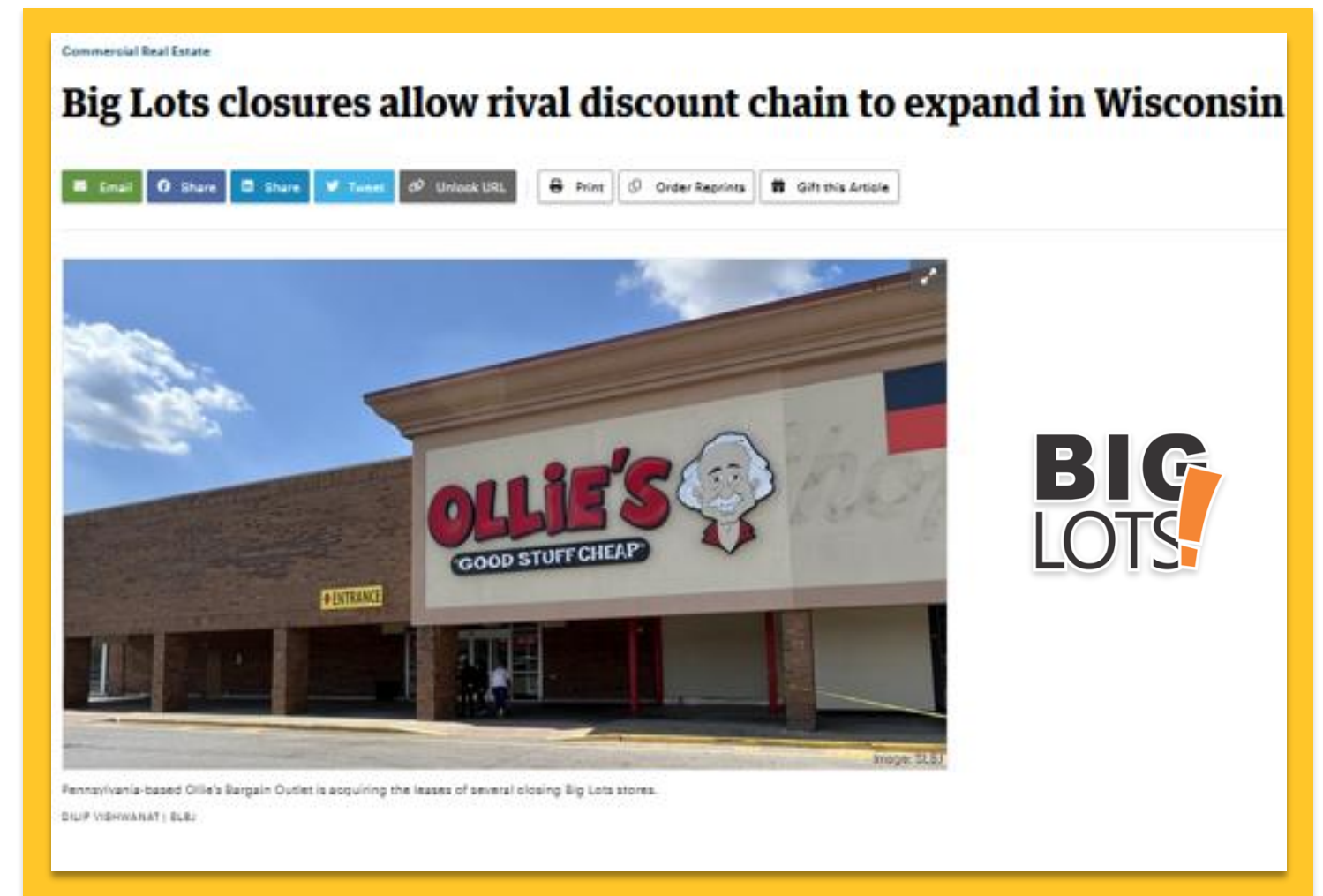


JUNIOR BOX

ACTIVE RETAILERS



RECENT CLOSURES

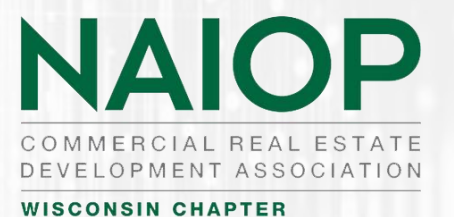


2024 Market Update

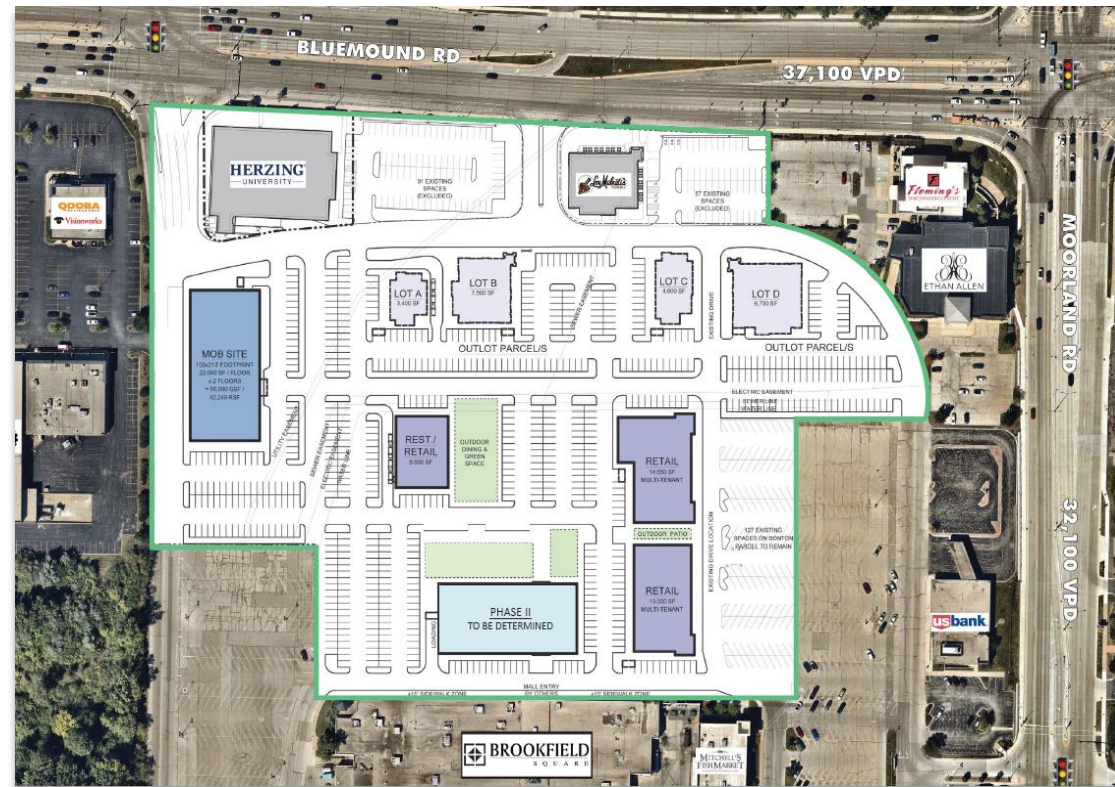


REGIONAL MALL UPDATE

2024 Market Update



REGIONAL MALL UPDATE



FORMER BOSTON STORE
BROOKFIELD SQUARE



FORMER BOSTON STORE
SOUTHRIDGE MALL



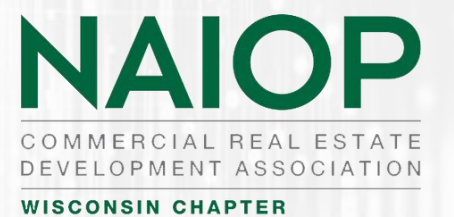
FORMER BOSTON STORE
MAYFAIR MALL

2024 Market Update



TAKEAWAYS

2024 Market Update



ISAAC'S PREDICTIONS

AS A RESULT OF BANK MERGERS, WE WILL SEE MORE BANK BRANCH CLOSURES



AT LEAST ONE NATIONAL RETAILER IN OUR MARKET WILL FILE FOR BANKRUPTCY OR GO INTO RECEIVERSHIP



WE WILL SEE AT LEAST ONE BOX CONVERSION TO A REGIONAL OR NATIONAL PICKLEBALL GROUP



TIGER WOODS FINISHES TOP TEN AT THE MASTERS



PREDICTIONS



TWO CAR WASH GROUPS WILL MERGE IN OUR MARKET

ONE GROUND UP POWER CENTER DEVELOPMENT WILL BE ANNOUNCED



RETAIL VACANCY WILL REMAIN BELOW 5%

THE BUCKS WILL TRADE GIANNIS IN 2025



The background of the image is a semi-transparent overlay of financial data. It features several line graphs with fluctuating white lines on a light gray grid. Interspersed among the graphs are various numerical values in a light gray font, such as '1,195,546', '248,541', 'N/A', '1,344', '4,526', '72,864', '2,052', '640', '3,991,708', '40', '151,671', '190,799', '8,640', '1,773', '96,008', '0.0057', '3.04', '4.556', '16.95', '16.76', '43.48', '3.8899', '41.55', '11.07', '10.32', '4.35', and '91.50'. The overall aesthetic is clean and professional, typical of a corporate or financial presentation.

THANK YOU!

2024 Market Update Presenters



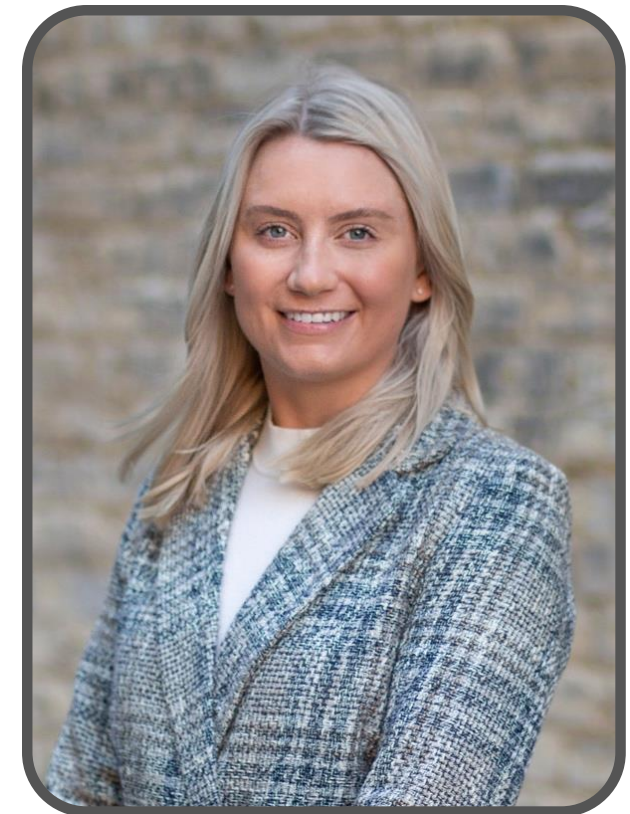
Adam Connor
Colliers



Katie Brueske
Cushman Wakefield
| Boerke



Patrick Hanrahan
NEWMARK



Sarah Eldred
Mid-America Real
Estate

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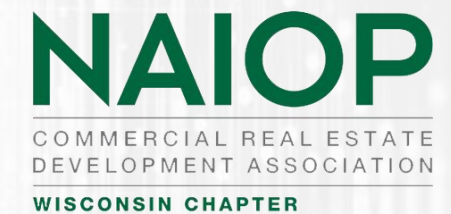
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