



MIDWEST INDUSTRIAL INSIDERS

INCREASED CONFIDENCE

Q3 2024 Sales Update

Better never settles



SALES ACTIVITY UPDATE

After a slow start to the year, Midwest industrial sales activity has started to show signs of recovery.

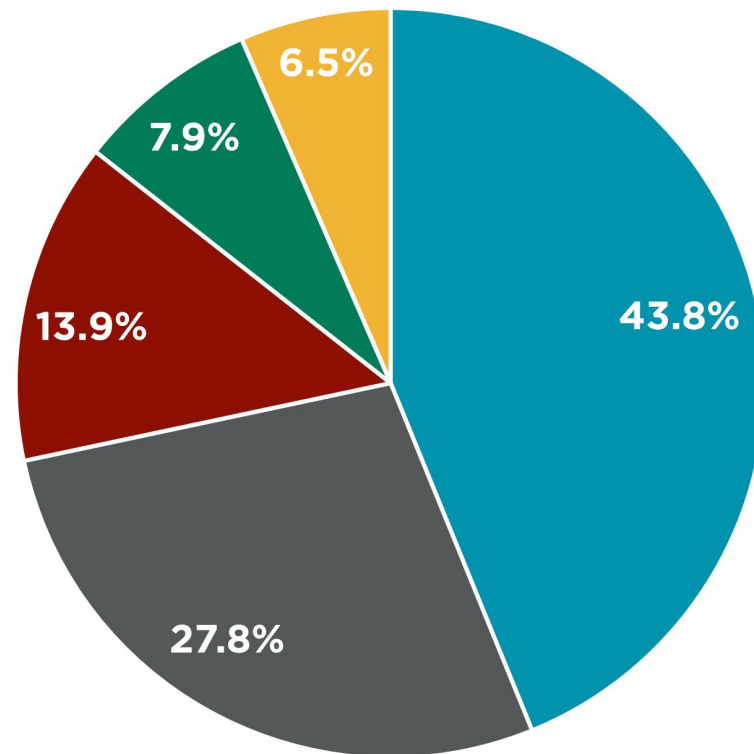
In September, the Federal Reserve lowered the federal funds rate to a range of 4.75 to 5.0%, the first rate decrease since early 2020. This has generated some relief within the debt markets, enticing capital back into the marketplace ahead of additional rate cuts expected for the remainder of 2024 and into 2025.

In addition to budding optimism around the rate cutting cycle and the prospects for a soft landing, both buyers and sellers have more confidence on pricing due to increased sales activity over the last two quarters and market fundamentals continuing to stabilize across most major Midwest markets. As improving conditions continue to pull capital off the sidelines, sellers that are behind on their disposition goals will feel more confident to transact.

Analysis examines industrial sales over \$2.5 million across the Midwest region which includes the states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin.

MIDWEST INDUSTRIAL BUYER COMPOSITION

YTD 2024



■ Private ■ Institutional ■ REIT/Listed ■ User/Other ■ Cross-Border



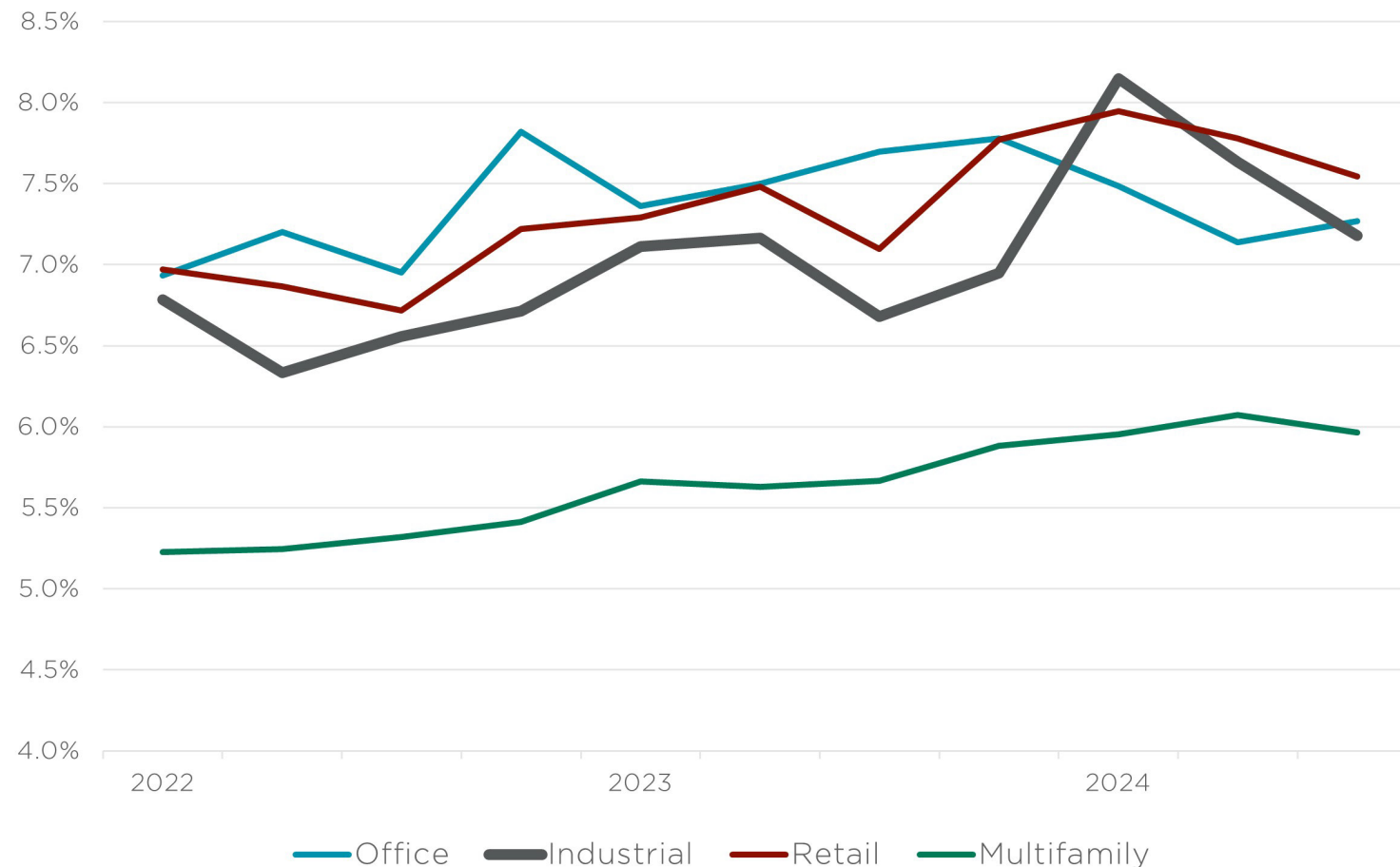
KEY TAKEAWAYS

- Most of the capital deployed over the last several quarters has been value-add focused, with the largest buyer grouping being private capital, accounting for 43.8% of all buyers. Institutional and REIT capital accounted for a combined 41.7% of buyers, a 380-basis point (bps) decrease from the 45.5% in 2022. User acquisitions have increased, up 460 bps since 2022 from 3.3% to 7.9% of buyers. This is the highest share since 2017.
- As interest rates continue to stabilize, institutional and REIT investors will actively resume the purchase of industrial assets, especially as many of these investors have continued to raise capital that now needs to be placed.

MIDWEST INDUSTRIAL CAP RATES STEADIEST AMONGST OTHER ASSET TYPES

Q3 2024

Avg Quarterly Cap Rates By Asset Type



KEY TAKEAWAYS

- Due to the sector’s strong secular tailwinds and rent growth prospects, industrial remains an investor favorite and accounts for 30.8% of the overall Midwest commercial real estate transactional volume through Q3 2024.
- Industrial cap rates across the Midwest have recorded a decrease since the beginning of the year, down 90 bps since Q1 2024. Industrial cap rates have compressed the most relative to other sectors, given robust investor appetite that is expected to continue.

MIDWEST STEADIER COMPARED TO OTHER REGIONS

Q3 2024

Markets analyzed:

Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin.

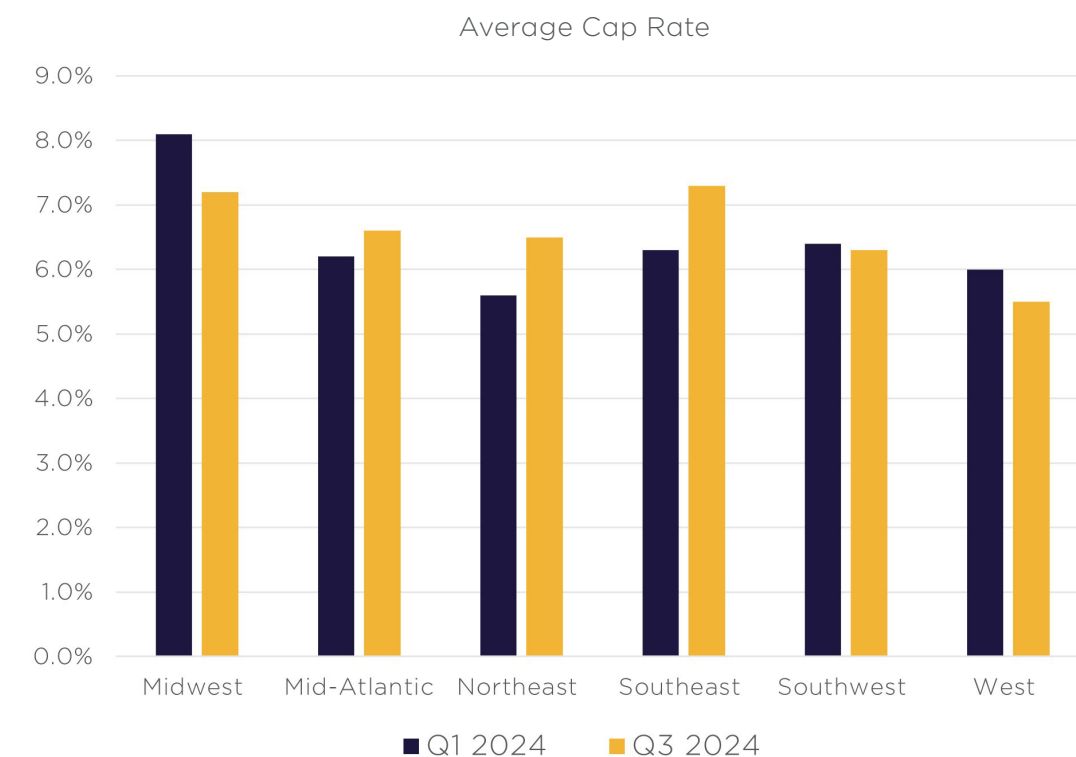
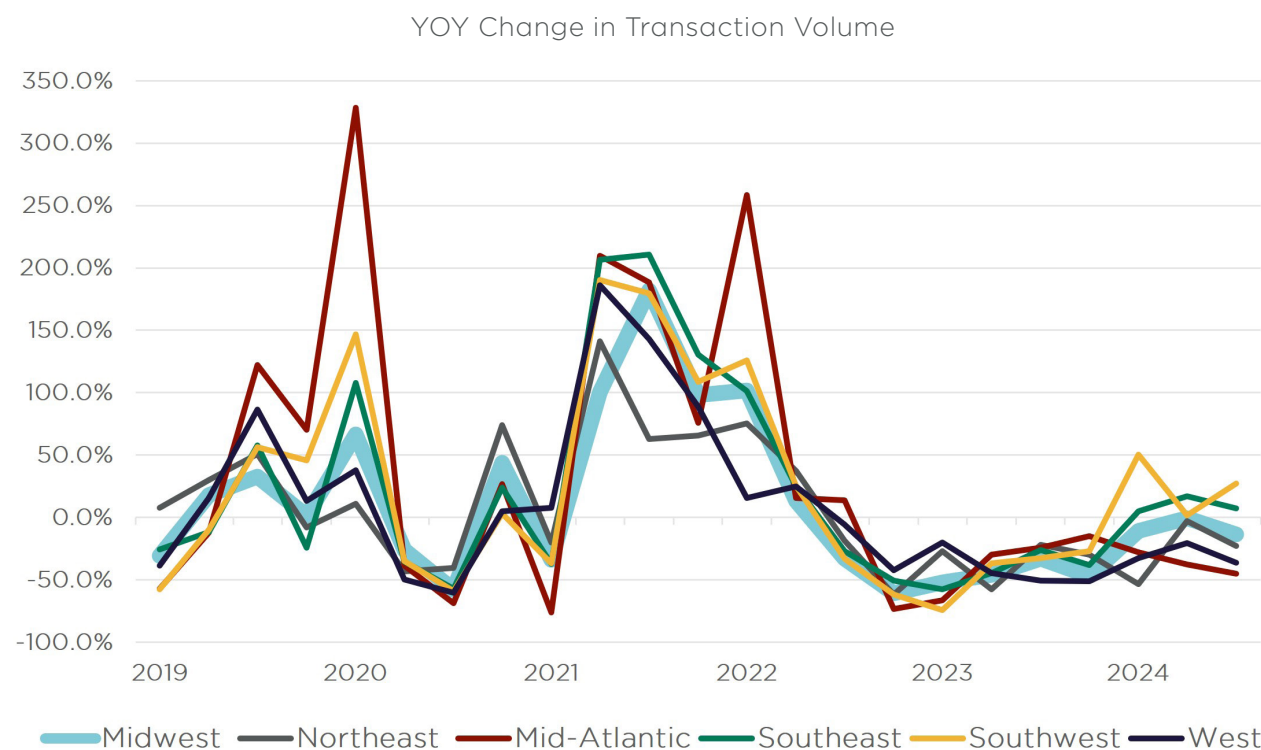
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont.

Southeast: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee.

Mid-Atlantic: Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia, Washington D.C.

Southwest: Arizona, Colorado, New Mexico, Oklahoma, Texas.

West: Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming.



Source: MSCI Real Capital Analytics, Cushman & Wakefield Research

KEY TAKEAWAYS

- The Midwest has recorded remarkably stable YOY growth in transactional volume compared to other regions. As of Q3 2024, the Midwest was behind only the Southwest and Southeast.
- The Midwest was one of the few regions that recorded a decrease in cap rates since Q1 2024. The only other regions which reported decreases were the West and Southwest, but the Midwest was more sizeable.

LOOKING FORWARD

What's in Store for the Midwest Industrial Sales Landscape

01 Value-Add Capital Remains Strong

- Buyers looking for value add industrial opportunities largely led the buyer pool over the last several quarters. This is something that is expected to continue during future quarters, though as activity continues to increase, expect the buyer pool to expand with core plus and core capital.

02 Buyer Confidence

- Buyer confidence should continue to improve as the Midwest industrial market fundamentals continue to stabilize, prompting a decrease in uncertainty within the marketplace. This should cause the prospects of a soft landing to improve, contributing to increased industrial sales activity.

03 Active 2025

- The market is poised for continued improvement through 2025 as the investment market continues to normalize. Buyers and sellers that have been largely dormant over the last year have started to regain trust in the market due a variety of factors such as recent and expected rate cuts, stabilizing market fundamentals and recent price discovery caused by increased sales. As more activity materializes, expect price increases in the coming quarters.