



MILWAUKEE INDUSTRIAL MARKET REPORT - Q1 2023

Notable Deals & Announcements

Noteworthy transactions during Q1 include Hendricks Commercial Real Estate sale of its 68,000 square foot industrial building in Granville to its sister company, ABC Supply Co. for \$7.4M. The supply company plans to open its first Milwaukee location at the property.

Milwaukee-based Jonco Industries purchased the two-building industrial portfolio at 7300 & 7310 N 60th St. The 98,927 square foot and 5,700 square foot Milwaukee facilities, respectively, were acquired for \$3.4M and adds to Jonco's continuously growing footprint in the local market.

Another out-of-state company made headlines in Q1 with the purchase of 1820 S. Kinnickinnic Avenue in the Harbor View neighborhood of Milwaukee. Illinois-based plumbing and HVAC supplier, Porter Pipe & Supply Co., will open its first Wisconsin location after buying the 9,800 square foot industrial building that previously housed Standard Roofing for \$875,000. The company has been serving the Milwaukee area for the last two years and plans to use the building for offices and storage purposes, with room for 10-15 employees.

News broke at the end of Q1 that Wauwatosa-based real estate developer Wangard Partners is seeking approval from the City of Franklin to construct another industrial building in Franklin's Corporate Park. The firm had recently completed the construction of a 235,000 square foot facility and, following municipal approvals, will be slated to add an additional 300,000 square foot facility to the 520-acre business park, which was established in November of 2016. Wangard also has plans to build a third building in the park, measuring at approx. 80,000 square feet.

MARKET SNAPSHOT

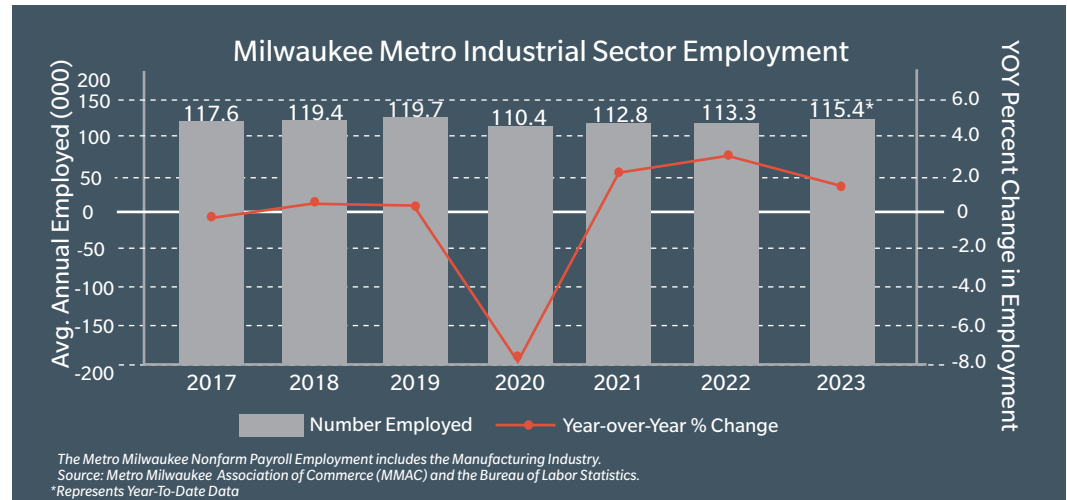
	Absorption	Vacancy	Avg. Lease Rate
CENTRAL	302,444	4.66%	\$5.33
NORTHERN	59,551	1.08%	\$6.50
SOUTHERN	221,841	7.13%	\$5.79
WESTERN	128,070	0.85%	\$7.28

Market Overview

By the numbers, the Industrial sector continue to show momentum in the overall Milwaukee market, albeit, unsurprisingly, at a much slower pace than that of the Q4 2022. As interest rates and construction costs continue to rise and economic caution becomes the new mindset of both Tenants and Landlords, it's to be expected that 2023 as a whole will most likely not deliver at the pace or surplus that we've been seeing over the past two to three years.

A great signifier of this can be seen through new construction deliveries. In Q1 2023, seven projects, totaling just over two million square feet, were delivered vs. 17 projects totaling just under six million feet in the previous quarter. Though a number of developments continue to be announced, developers are more hesitant to produce a speculative product and are leaning in to build-to-suit opportunities -- only breaking ground once a Tenant is secured.

However, the slowdown of construction deliveries has boosted the absorption of existing product. As a result, vacancy for the first quarter is at an impressively low 3.53%, which has made it difficult to fill Tenant space and timing requirements. On the flip side, it has caused an upward pressure on rental rates with the average lease rate jumping to \$6.24 per square foot.



CENTRAL

MILWAUKEE COUNTY

Despite the small 0.2% decrease in vacancy, the central submarket saw a substantial increase in positive absorption during the first quarter. Linder Logistics absorbed 250,000 SF near Mitchell airport and a confidential 100,000 SF deal on Chase Avenue accounted for a majority of the positive absorption in the quarter.

In January Iowa-based, Affordable Family Storage, announced its plans to convert the former Walmart store at Midtown Center in Milwaukee into its second Wisconsin storage location. The company purchased the long-vacant 150,000 SF store and its surrounding land back in 2022 for \$3.28M with plans to develop the 15-acre parcel, including the store, into four separate storage facilities.

YEAR - QTR	MARKET	
	VACANCY RATE	ABSORPTION SF
2021 Q1	6.4%	360,343
2021 Q2	5.1%	1,957,886
2021 Q3	5.2%	368,931
2021 Q4	4.7%	(50,789)
2022 Q1	4.7%	(122,158)
2022 Q2	5.2%	(561,459)
2022 Q3	5.0%	495,168
2022 Q4	4.9%	38,549
2023 Q1	4.7%	302,444

SOUTHERN

RACINE & KENOSHA COUNTIES

At first glance, it would be easy to look at the vacancy rates and absorption for the Southern submarket and assume activity is slowing down and vacancy is on the rise. Don't let the number fool you though, the Southern submarket continues to be one of the top performers both in large lease transactions, investment sales and new construction/deliveries.

Haribo's new 90,000 SF facility in Pleasant Prairie was delivered this quarter as well as the nearly 800,000 SF Somers Logistic Center on 120th avenue. Additionally, Eagle Foods 284,000 SF lease at the I-94 Logistics Park in Kenosha contributed to the Southern submarket having a positive first quarter.

YEAR - QTR	MARKET	
	VACANCY RATE	ABSORPTION SF
2021 Q1	5.0%	140,118
2021 Q2	4.4%	398,604
2021 Q3	4.2%	1,868,924
2021 Q4	2.8%	894,543
2022 Q1	2.5%	703,720
2022 Q2	4.6%	1,093,252
2022 Q3	4.3%	371,460
2022 Q4	5.5%	3,187,134
2023 Q1	7.1%	221,841

NORTHERN

SHEBOYGAN, OZAUKEE & WASHINGTON COUNTIES

Vacancy is at an all-time low in the northern sector -- making it difficult for end-users to find suitable product to accommodate the growth of their operations without expanding their desired search area.

Historically, low vacancy such as this will lead the path to substantial new development, but as construction costs and interest rates continue to climb, the velocity of spec and built-to-suit projects have slowed significantly -- especially when compared to this time last year.

One project that continues to show forward momentum is Sheboygan-based American Orthodontics' new \$20 million 129,025 square foot facility in Saukville, which is expected to create up to 300 new jobs.

YEAR - QTR	MARKET	
	VACANCY RATE	ABSORPTION SF
2021 Q1	2.1%	31,799
2021 Q2	1.9%	125,076
2021 Q3	2.0%	60,331
2021 Q4	2.2%	94,697
2022 Q1	2.0%	456,971
2022 Q2	1.8%	180,190
2022 Q3	1.6%	213,871
2022 Q4	1.9%	954,838
2023 Q1	1.1%	59,551

WESTERN

WALWORTH & WAUKESHA COUNTIES

The Western submarket continues to show stagnancy in its vacancy rate and absorption levels. The lack of supply coupled with increasing demand continues to drive rental rate increases at a historic and unprecedented pace.

Similar to other submarkets, new construction, though desperately needed, has been slowed by lack of viable sites, ever-fluctuating interest rates, and substantial increases to the cost of construction.

Recent transactions announced in Q1 include Americana Development leasing 115,345 SF at N17W25045 Bluemound Rd, Pewaukee and Canteen leasing 110,980 SF at 5400 S Westridge Dr. New Berlin. The deals will be reflect in Q2's absorption due to occupancy dates being later in the year.

YEAR - QTR	MARKET	
	VACANCY RATE	ABSORPTION SF
2021 Q1	2.4%	(127,364)
2021 Q2	2.3%	124,498
2021 Q3	1.8%	747,496
2021 Q4	1.7%	84,266
2022 Q1	1.8%	193,715
2022 Q2	1.7%	107,281
2022 Q3	1.4%	323,352
2022 Q4	0.9%	188,194
2023 Q1	0.9%	128,070

SUBMARKET	Property Type	Buildings	Building Size	Q1-23 Total Available (SF)	Q1-23 Total Vacant (SF)	Q1-23 Vacancy Rate	Q1-23 Total Absorbtion (SF)	Q1-23 Avg Lease Rate*
CENTRAL:		1,696	121,225,437	7,665,451	5,643,934	4.66%	302,444	\$5.33
Milwaukee	Flex/R&D	61	3,195,614	626,364	559,957	17.52%	1,269	\$7.05
	Manufacturing	668	60,689,568	2,683,287	2,362,710	3.89%	37,267	\$4.98
	Warehouse - Distribution	295	34,071,770	1,957,191	1,263,263	3.71%	277,947	\$5.32
	Warehouse Office	672	23,268,485	2,398,609	1,458,004	6.27%	(14,039)	\$5.09
NORTHERN:		995	71,044,035	1,945,367	767,043	1.08%	59,551	\$6.50
Ozaukee, Sheboygan & Washington	Flex/R&D	38	1,230,246	92,053	84,161	6.84%	(11,100)	\$7.13
	Manufacturing	500	43,336,203	478,702	303,033	0.70%	(23,687)	\$4.49
	Warehouse - Distribution	128	17,301,785	946,905	223,472	1.29%	102,361	\$5.75
	Warehouse Office	329	9,175,801	427,707	156,377	1.70%	(8,023)	\$7.32
SOUTHERN:		704	84,580,589	6,127,301	6,030,588	7.13%	221,841	\$5.79
Racine & Kenosha	Flex/R&D	20	1,350,727	35,290	35,290	2.61%	0	\$11.25
	Manufacturing	292	25,392,470	153,008	153,008	0.60%	0	\$4.98
	Warehouse - Distribution	182	49,851,006	5,159,542	4,956,123	9.94%	221,841	\$5.03
	Warehouse Office	210	7,986,386	779,461	886,167	11.10%	0	
WESTERN:		1,973	99,006,585	1,632,352	841,103	0.85%	128,070	\$7.28
Walworth & Waukesha	Flex/R&D	176	7,357,033	293,404	197,944	2.69%	13,551	\$8.17
	Manufacturing	712	46,924,842	297,607	118,543	0.25%	170,496	\$5.27
	Warehouse - Distribution	195	21,213,780	570,524	261,556	1.23%	(23,750)	\$6.69
	Warehouse Office	890	23,510,930	470,817	263,060	1.12%	(32,227)	\$6.91
TOTALS		5,368	375,856,646	17,370,471	13,282,668	3.53%	711,906	\$6.24

Source: Data provided by Real Estate Database, Inc. (RediComps.com) and augmented by Founders 3 Real Estate Services

NOTABLE SALE TRANSACTIONS

Location	Submarket	Price	PSF	Bldg. SF
701 W Cleveland Ave	Central	\$1,750,000	\$21.36	81,917
530 S 5th St	Central	\$1,880,000	\$43.49	43,225
13000 W Custer Ave	Western	\$1,500,000	\$66.67	22,500
730 W Armour Ave	Central	\$666,100	\$35.06	19,000
418 N 27th St	Central	\$550,000	\$29.97	18,349
5255 N Hopkins St	Central	\$420,000	\$51.22	8,200

NOTABLE LEASE TRANSACTIONS

Location	Submarket	Tenant	SF Leased
12345 38th St	Southern	Eagle Foods	284,103
W210 N12975 Gateway Crss	Northern	Motis	102,361
3073 S Chase Ave	Central	Confidential	100,000
10501 W Oakview Pkwy	Central	Green Worldwide	47,947
2545 Enterprise St	Northern	TDS Metrocom	10,000
12780 W Lisbon Rd	Western	Rockstar Landscaping & Plow	9,118

YOUR LOCAL INDUSTRIAL EXPERTS



Bob Flood, SIOR

Partner

bfflood@founders3.com
414.249.2300



Brett Deter

bdeter@founders3.com
414.249.2313



Brian Flood

brianflood@founders3.com
414.249.2311



Paul F. McBride, SIOR

pmcbride@founders3.com
414.249.2305



Derek Yentz

dyentz@founders3.com
414.249.2321



Elizabeth K. Pancratz

Marketing and Research
epancratz@founders3.com
414.249.2323

FOUNDERS 3
REAL ESTATE SERVICES

330 E. Kilbourn Avenue, Suite 800
Milwaukee, WI 53202

414.271.1111 | founders3.com