



MILWAUKEE INDUSTRIAL MARKET REPORT - Q3 2023

Notable Deals & Announcements

Founders 3 was involved in a prominent transaction during the quarter, as the former Klement's Sausage facility in Central Bay View was purchased by Hintz Holdings, LLC. The portfolio sale was made up of seven separate parcels, including the former Klement's manufacturing facility, a smaller warehouse, and three residential properties. In total, the buildings and the approximately 2.95 acres sold for \$550,000 following an initial price reduction. The buyer plans to redevelop the property to a use more suitable for the area.

A large sale-leaseback deal occurred involving Michigan-based Grede, a manufacturer of iron casting and automotive components, at its original Wauwatosa foundry located at 6432 W. State Street. The 83,558 square foot facility on nearly five acres of land sold to the Illinois real estate investor, Brennan Investment Group, for a price of \$5,494,300; a relatively high price per square foot for a single-purpose facility. However, Grede plans to continue its long-term operation plans out of the State Street location by entering into a long-term lease with the new owner.

Additional large investment transactions included the sale of 8635 W Washington Avenue in Racine for \$21,850,000. The 191,872 square foot distribution center is currently 100% leased by Badger Meter and was sold to Racine-based S.C. Johnson & Sons, who has been acquiring multiple properties in the area for potential future growth.

Finally, Waukesha-based Thermtch, Inc. acquired the 94,250 square foot manufacturing facility at 16875 W Ryerson Road in New Berlin. At the time of sale the building was leased to R W Lyall & Sons -- whom was acquired by Hubbell Gas Utility Systems in 2016 and subsequently vacated the New Berlin property.

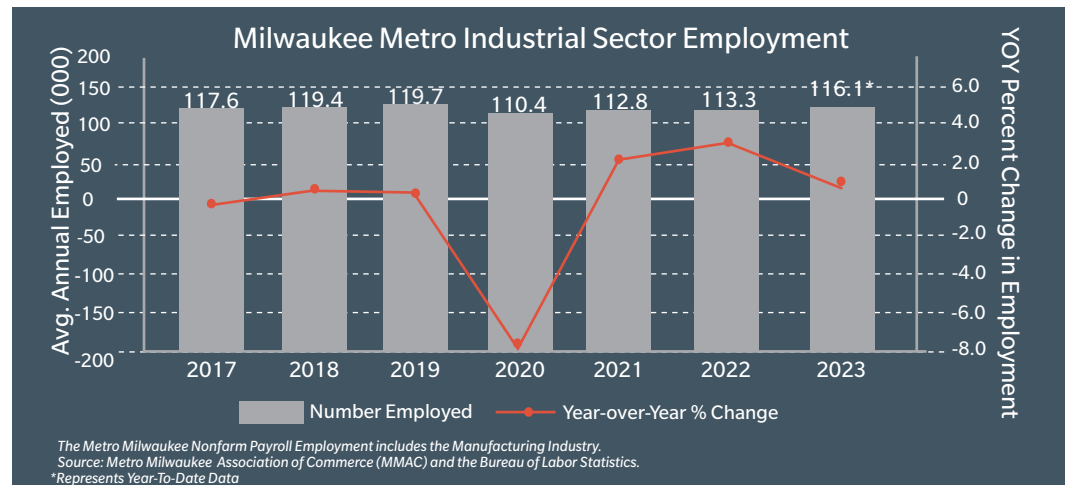
MARKET SNAPSHOT

	Absorption	Vacancy	Avg. Lease Rate	Under Construction
CENTRAL	-127,916	5.37%	\$5.65	857,750
NORTHERN	85,581	1.03%	\$6.60	1,467,002
SOUTHERN	110,641	9.61%	\$5.57	4,863,584
WESTERN	290,469	1.12%	\$7.34	765,328

Market Overview

By the numbers, the Industrial sector continue to show momentum in the overall Milwaukee market, albeit, at a much slower pace than the first two quarters of 2023. 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 the end of 2023 and early 2024 will most likely not deliver at the pace that we've been seeing over the past two to three years.

Though a number of developments continue to be announced (see Under Construction data above), developers are becoming more hesitant to produce a speculative product and are focusing on build-to-suit opportunities. This continued slowdown of new deliveries continues to boost absorption of existing product while also keeping the vacancy rate at an extremely low level. Vacancy for the third quarter is 4.41%, which is making tenant space and timing requirements difficult to fulfill. On the flip side, it has caused an upward pressure on rental rates with the average lease rate jumping to \$6.35 per square foot. Overall absorption for the third quarter was reported at 358,775 SF. Despite an obvious economic slowdown in deals, we are optimistic that the fourth quarter will continue to see positive absorption across most submarkets.



CENTRAL

MILWAUKEE COUNTY

Sale transactions in Milwaukee County during Q3 of 2023 were primarily concentrated to the northwest side, with the most noteworthy being the investment sale of 3100 W. Mill Road for a price of \$10,425,000. The 135,000 square foot industrial building sits on roughly thirteen acres and is occupied by Highline Warren and Twinco Romax.

Headlining lease transactions during the quarter was Atomix Logistics' lease of nearly 60,000 square feet at 5235 International Drive in Cudahy. The new location with almost twice the amount of space will support the company's pod fulfillment model. Atomix anticipates hiring sixty additional employees by the end of 2023.

YEAR - QTR	MARKET	
	VACANCY RATE	ABSORPTION SF
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
2023 Q2	4.7%	(5,389)
2023 Q3	5.4%	(127,916)

SOUTHERN

RACINE & KENOSHA COUNTIES

It would be easy based on numbers alone to look at the Southern submarket and assume activity is slowing down with the vacancy rate consistently on the rise the past two years and absorption barely in the net positive over the last three quarters. However, the Southern submarket continues to be one of the top performers both in large lease transactions, investment sales and new construction/deliveries.

Two large lease transactions this quarter were Kenco's lease of 442,987 SF at 13300 Carol Court in Caledonia and CNH Industrial America leasing 125,347 SF in the Enterprise Business Park in Sturtevant.

YEAR - QTR	MARKET	
	VACANCY RATE	ABSORPTION SF
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
2023 Q2	7.0%	39,508
2023 Q3	9.6%	110,641

NORTHERN

SHEBOYGAN, OZAUKEE & WASHINGTON COUNTIES

Vacancy continues to be 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.

As a result, the third quarter proved to be very quiet for the Northern submarket. The majority of the positive absorption can be attributed to two leases: an unnamed tenant leasing 56,156 SF at Phoenix Investor's Grafton manufacturing facility at 900 North Street, and EIS Legacy leasing 30,967 SF at N114 W18937 Clinton Drive in Germantown.

Heading into the end of the year, we can expect to see more build-to-suit opportunities hit the market in highly active areas such as Saukville, Richfield, Germantown, and West Bend.

YEAR - QTR	MARKET	
	VACANCY RATE	ABSORPTION SF
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
2023 Q2	1.0%	129,871
2023 Q3	1.0%	85,581

WESTERN

WALWORTH & WAUKESHA COUNTIES

The Western submarket continues to show nearly zero percent vacancy and modest positive absorption, which is predominately attributed to completion of planned new deliveries and expansions. The lack of supply coupled with increasing demand continues to drive rental rate increases at a historic and unprecedented pace.

New construction is desperately needed, but has been slowed by lack of viable sites, ever-fluctuating interest rates, and substantial cost increases.

That being said, three new deliveries totaling 209,250 SF came online in Q3, but were already leased pre-construction to Jax, Banker Wire, and VEIT, respectfully.

YEAR - QTR	MARKET	
	VACANCY RATE	ABSORPTION SF
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
2023 Q2	1.1%	221,061
2023 Q3	1.1%	290,469

SUBMARKET	Property Type	Buildings	Building Size	Q3-23 Total Available (SF)	Q3-23 Total Vacant (SF)	Q3-23 Vacancy Rate	Q3-23 Total Absorption (SF)	Q3-23 Avg Lease Rate
CENTRAL:		1,697	121,702,678	10,392,936	6,530,663	5.37%	(127,916)	\$5.65
Milwaukee	Flex/R&D	62	3,255,194	679,601	589,856	18.12%	28,599	\$7.12
	Manufacturing	665	60,421,398	4,673,430	3,012,568	4.99%	(507,208)	\$5.01
	Warehouse - Distribution	285	34,726,853	3,089,879	1,747,741	5.03%	165,510	\$5.31
	Warehouse Office	685	23,299,233	1,950,026	1,180,498	5.07%	185,183	\$5.66
NORTHERN:		996	71,406,790	1,577,335	737,948	1.03%	85,581	\$6.60
Ozaukee, Sheboygan & Washington	Flex/R&D	38	1,230,246	92,146	64,862	5.27%	2,577	\$7.64
	Manufacturing	501	43,591,692	654,675	336,162	0.77%	64,338	\$4.64
	Warehouse - Distribution	125	17,263,369	413,501	188,472	1.09%	30,967	\$5.50
	Warehouse Office	332	9,321,483	417,013	148,452	1.59%	(12,301)	\$7.68
SOUTHERN:		712	86,600,397	8,449,242	8,322,922	9.61%	110,641	\$5.57
Racine & Kenosha	Flex/R&D	20	1,350,727	35,290	35,290	2.61%	0	
	Manufacturing	292	25,392,470	262,489	162,894	0.64%	(500)	\$4.98
	Warehouse - Distribution	189	52,287,487	7,429,178	7,681,558	14.69%	111,141	\$5.75
	Warehouse Office	211	7,569,713	722,285	443,180	5.85%	0	\$6.95
WESTERN:		1,979	99,526,835	2,076,622	1,114,235	1.12%	290,469	\$7.34
Walworth & Waukesha	Flex/R&D	176	7,357,033	268,606	186,897	2.54%	23,225	\$8.07
	Manufacturing	713	47,046,262	765,670	370,181	0.79%	189,250	\$5.00
	Warehouse - Distribution	186	21,275,091	500,004	299,104	1.41%	100,029	\$7.69
	Warehouse Office	904	23,848,449	542,342	258,053	1.08%	(22,035)	\$7.11
TOTALS		5,384	379,236,700	22,496,135	16,705,768	4.41%	358,775	\$6.35

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
6432 W State Street	Central	\$5,494,300	\$65.75	83,558
16875 W Ryerson Road	Western	\$8,725,000	\$92.57	94,250
W146N5800 Enterprise Ave	Western	\$950,000	\$95.00	10,000
N116W16800 Main Street	Western	\$1,186,000	\$92.82	12,805
20515 Industry Ave	Western	\$780,000	\$86.67	9,000
11303 W Theodore Trecker	Central	\$2,725,000	\$87.90	31,000
1911-1913 Allouez Ave	Northern	\$1,800,000	\$86.55	20,798
8635 W Washington Ave	Southern	\$21,850,000	\$113.88	191,872

NOTABLE LEASE TRANSACTIONS

Location	Submarket	Tenant	SF Leased
113300 Carol Court	Southern	Kenco	442,987
11201 Enterprise Way	Southern	CNH Industrial America	125,347
Highlands Business Park	Western	The Marek Group	81,549
5235 International Drive	Central	Atomix Logistics	55,108
3073 S Chase Avenue	Central	Global Power	180,000
W165N5731 Ridgewood Dr	Western	Tailored Label Products, Inc.	62,020
8100 N Teutonia Avenue	Central	Ambrosia Chocolate Wholesale	50,000
N114 W18937 Clinton Dr	Northern	EIS Legacy	30,967

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