

MARKET OVERVIEW

As the first quarter of 2021 drew to a close, numbers were showing that just over 40% of Wisconsin residents had received at least one dose of the vaccine, paving the way for a return to normalcy. Though the Milwaukee Industrial Market fared quite well, comparatively speaking, in 2020, conditions including rising costs in construction materials, land costs, and labor shortage created a tight market to start the new year.

The most active property type in Q1 was Warehouse Distribution, with just under 250,000 square feet of positive absorption, accounting for well over half of all positive absorption seen across Milwaukee's four submarkets. The absorption was down significantly from the 1.3 million square feet seen in Q4 of 2020, however, that is expected to change as over 1 million square feet of inventory is currently under construction.

First-quarter vacancy rates increased slightly to 4.2% from 4.1% in Q4 of 2020, and average lease rates increased from \$5.57 PSF to \$5.91 PSF in that same time frame. This jump in lease rates can likely be attributed to the increased cost of new construction combined with the already tight inventory, a trend that could very well continue for the upcoming quarters.

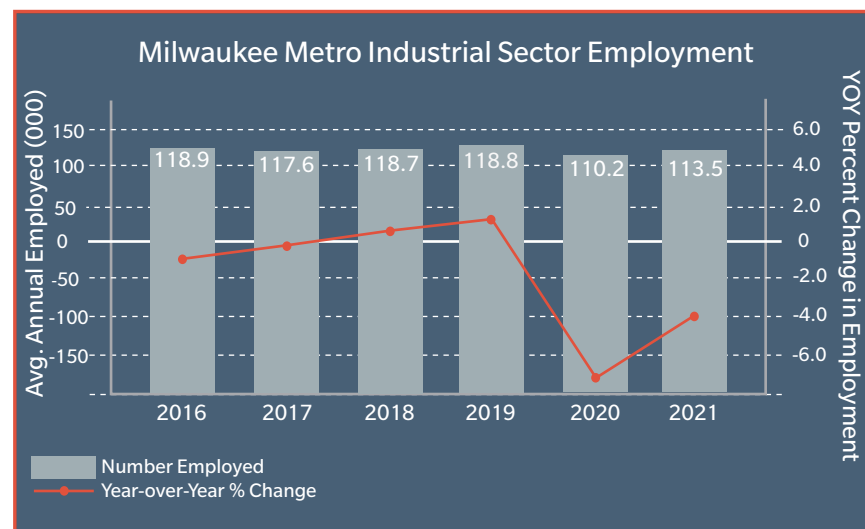
Market Synopsis

	Q1-21 Absorption SF	Vacancy Rate	Avg. Lease Rate
Central	360,343	6.4%	\$5.40
Western	-127,364	2.4%	\$6.77
Southern	140,118	5.0%	\$5.16
Northern	31,799	2.1%	\$6.33

*Lease rates are reported as unweighted averages

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

ECONOMIC OVERVIEW



*The Milwaukee Metro Office Sector includes the Manufacturing Industry
Source: Metro Milwaukee Association of Commerce (MMAC), Real Estate Database, Inc. (REDIComps.com), and the Bureau of Labor Statistics. Numbers have been augmented by Founders 3 Real Estate Services.

Figure 1

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Milwaukee Metropolitan Statistical Area is 5.2%. This is a 170-basis point increase compared to March 2020. The Milwaukee MSA saw a slight uptick in job growth in "manufacturing jobs", increasing by 3,300 jobs since the end of Q4-2020. (See Figure 1, Left)

Notable Leases and Sales

- W133N4960 Campbell Dr in Menomonee Falls sold for \$3.05 M (\$74.39 PSF)
- 1400 N 113th St in Wauwatosa sold for \$6.95M (\$36.15 PSF)
- 6101 N 64th St in Milwaukee sold for \$6.5M (\$17.35 PSF)
- Visual Pak leased 472,176 SF in Bristol Highlands Commerce Center - Speculated to be warehouse space
- Steele Solutions leased 209,675 SF at 1100 Rawson Ave, in South Milwaukee
- Poblocki Sign Co. at 922 S 70th St in West Allis sold for \$7.5M (\$70.50 PSF) in a sale-leaseback to SARA Investment Real Estate

CENTRAL MARKET - MILWAUKEE COUNTY

Among noteworthy sale transactions during the first quarter, Kansas-based investment firm Platform Ventures LLC made waves with their six-building investment portfolio purchase. The portfolio included two Milwaukee-area industrial buildings near Mitchell International Airport, totaling over 200,000 square feet. The 100,800 square foot FedEx Ship Center at 5319 S 3rd Street was acquired for nearly \$4.2M (\$41.67 PSF), while the neighboring 100,250 square foot facility at 5315 S 3rd Street went for just over \$3.8M (\$37.90 PSF). The latter of the two is the current fulfillment home to Milwaukee-based company, Wantable Inc.

In a market that has been lacking supply, in Q1 Milwaukee County saw the promise of product creation through three future industrial development projects. The first to break ground could be a two-building project by Wauwatosa-based Wangard Partners at 3617 W Oakwood Road in Franklin Corporate Park. The project, which hopes to begin construction in Q2, calls for two industrial buildings totaling 600,000 square feet.

The second project is set for a possible summer groundbreaking by Luther Group for a roughly 90,000 square foot facility at 11601 W Bradley Road, just east of I-41 on Milwaukee's far northwest side. The \$7M facility will be built just south of two of Luther Group's existing flex facilities on a 6-acre parcel the firm purchased back in 2018.

Lastly, Milwaukee-based firm, Frontline Commercial Real Estate LLC is planning a 340,401 square foot, multi-tenant building near Ryan Road in Oak Creek, located at 9141 S 13th Street by Q4 of 2021.

Central Market		
Year - Quarter	Vacancy Rate	Absorption SF
2019 Q1	5.6%	(277,923)
2019 Q2	5.5%	(31,590)
2019 Q3	6.0%	(361,895)
2019 Q4	6.1%	235,654
2020 Q1	6.2%	50,622
2020 Q2	7.1%	(512,131)
2020 Q3	6.9%	2,484,188
2020 Q4	6.8%	520,234
2021 Q1	6.4%	360,343

WESTERN MARKET - WALWORTH & WAUKESHA COUNTIES

Growing industrial users continue to explore expansion options at their existing facilities as available inventory remains low in Waukesha County. Custom plastic injection molding company, Sussex IM is investing \$9.9M into a multi-year expansion plan of their facilities, which would allow them to grow their service offerings to current and new customers. As the price for construction materials continues to rise due to manufacturing and supply-chain limitations, we are anticipating an increasing number of industrial users looking to retrofit existing facilities to accommodate their business needs.

GE Healthcare made news with the listing of their 561-acre campus in Waukesha, which boasts 1.2M square feet, located at the intersection of I-94 and Highway 16. GE plans to relocate jobs to their existing Wauwatosa and West Milwaukee campuses where they will invest upwards of \$50M in building expansions and additional property leases. The company is marketing the sale as a 'high-quality corporate campus sale-leaseback'. With average lease rates jumping to \$6.77 PSF from \$6.13 PSF in Q4 of 2020, the Western market remains desirable by tenants and investors alike.

Western Market		
Year - Quarter	Vacancy Rate	Absorption SF
2019 Q1	1.7%	157,358
2019 Q2	1.6%	507,012
2019 Q3	1.6%	193,733
2019 Q4	1.8%	6,097
2020 Q1	1.7%	75,916
2020 Q2	1.8%	(137,435)
2020 Q3	2.0%	216,685
2020 Q4	2.2%	175,179
2021 Q1	2.4%	(127,364)

SOUTHERN MARKET - RACINE & KENOSHA COUNTIES

The I-94 corridor is proving to be one of the most attractive spots in the country for developers as they look to capitalize on an under-supplied market. Chicago-based Transport Properties, a full-service logistics company, acquired approximately 83 acres of land in Kenosha through two separate transactions, 73 acres along 38th Street and 10 acres along 88th Avenue. The now contiguous site was purchased for \$3.675M or \$44,277 per acre. Transport has plans to build a 750,000 square foot industrial facility, which has a scheduled completion of Q1-2022.

Indianapolis-based developer, Scannell Properties, plans to deliver over 1M square feet to DeBack Farms Business Park in Caledonia. The multi-year, \$75M build-out, is expected to bring three new facilities to the park with the first being a 322,000 square foot distribution center to be occupied by General Mills. German-based shipping container manufacturer, Schutz Container Systems, spent \$4.5M on 24 acres of industrial development land along County Highway-K in the Midwest Transportation Center business park. Schultz is expected to build a significant manufacturing facility. With more land still available, we expect these new developments to continue attracting out-of-state investors.

Southern Market		
Year - Quarter	Vacancy Rate	Absorption SF
2019 Q1	3.0%	(28,012)
2019 Q2	4.0%	(24,825)
2019 Q3	5.0%	813,799
2019 Q4	5.4%	872,189
2020 Q1	5.7%	196,652
2020 Q2	4.9%	1,470,427
2020 Q3	4.7%	525,284
2020 Q4	4.1%	637,785
2021 Q1	5.0%	140,118

NORTHERN MARKET - OZAUKEE, SHEBOYGAN, & WASHINGTON COUNTIES

Strong fundamentals equate to continued resilience through the recovery of the Covid-19 pandemic. Wilo's new headquarters is underway in Cedarburg. Rexnord's former Grafton plant is being sold to Yamato Scale Co. Ltd. Briohn Building Corp. sold a 29,000 square foot facility in Germantown Industrial Park for \$3.1M (\$106.89 PSF). Blue Ribbon Management is seeking approval from the City of Mequon to rezone a former 60,000 square foot industrial building into a high-end, climate-controlled self-storage facility located off N Port Washington Road.

Waukesha-based developer Capstone Quadrangle has plans for a three-building development along Holy Hill Road, across from Gateway Corporate Park in Germantown. If completed, the three buildings would bring approximately 800,000 square feet to an already very active industrial area. The northern market seems to be positioned well for continued demand and growth as inventory is low and vacancies remain steady at 2.1%.

Northern Market		
Year - Quarter	Vacancy Rate	Absorption SF
2019 Q1	1.9%	103,986
2019 Q2	1.9%	661,344
2019 Q3	1.8%	64,770
2019 Q4	2.0%	242,901
2020 Q1	1.9%	14,050
2020 Q2	1.7%	347,925
2020 Q3	1.8%	(40,897)
2020 Q4	2.1%	(7,297)
2021 Q1	2.1%	31,799

MILWAUKEE INDUSTRIAL MARKET DATA

Market	Property Type	Buildings	Building Size	Q1-21 Total Available (SF)	Q1-21 Total Vacant (SF)	Q1-21 Vacancy Rate	Q1-21 Total Absorption (SF)	Q1-21 Avg Lease Rate*
Central Market: Milwaukee County	Flex/R&D	45	2,272,481	362,512	285,423	12.6%	8,675	\$7.02
	Manufacturing	676	61,358,572	3,428,195	2,272,384	3.7%	227,830	\$4.04
	Warehouse - Distribution	490	38,499,317	4,588,598	2,975,199	7.7%	331,197	\$5.49
	Warehouse Office	602	25,424,511	3,979,124	2,632,133	10.4%	(207,359)	\$5.65
	Subtotal	1,813	127,554,881	12,358,429	8,165,139	6.4%	360,343	\$5.40
Western Market: Walworth & Waukesha Counties	Flex/R&D	124	4,571,170	330,046	212,463	4.6%	(5,305)	\$7.67
	Manufacturing	734	48,090,100	918,223	476,232	1.0%	99,784	\$7.65
	Warehouse - Distribution	291	19,896,231	1,257,133	909,473	4.6%	(411,927)	\$5.71
	Warehouse Office	834	25,833,522	1,397,037	759,778	2.9%	190,084	\$6.26
	Subtotal	1,983	98,391,023	3,902,439	2,357,946	2.4%	(127,364)	\$6.77
Southern Market: Racine & Kenosha Counties	Flex/R&D	15	1,436,881	178,462	26,434	1.8%	(8,960)	\$5.93
	Manufacturing	298	25,362,418	670,199	580,180	2.3%	(169,560)	\$4.80
	Warehouse - Distribution	193	36,242,069	2,830,685	2,273,307	6.3%	294,158	\$5.04
	Warehouse Office	194	9,545,690	869,687	777,321	8.1%	24,480	\$5.38
	Subtotal	700	72,587,058	4,549,033	3,657,242	5.0%	140,118	\$5.16
Northern Market: Ozaukee, Sheboygan & Washington Counties	Flex/R&D	32	984,459	129,974	38,485	3.9%	12,900	\$6.94
	Manufacturing	535	45,393,476	677,279	325,912	0.7%	(18,215)	\$4.11
	Warehouse - Distribution	143	12,978,129	1,152,692	435,648	3.4%	31,388	\$7.58
	Warehouse Office	309	10,930,739	978,591	663,581	6.1%	5,726	\$6.63
	Subtotal	1,019	70,286,803	2,938,536	1,463,626	2.1%	31,799	\$6.33
Grand Total		5,515	368,819,765	23,748,437	15,643,953	4.2%	404,896	\$5.91

* Lease rates are reported as unweighted averages

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

Figure 2

YOUR LOCAL INDUSTRIAL EXPERTS

This Market is our HOME.



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An aerial photograph of a city skyline, likely Milwaukee, with a large arena (Fiserv Forum) in the foreground. The arena has a white, curved roof and is surrounded by other city buildings. The text 'FOUNDERS 3' is overlaid in large, bold letters, with 'FOUNDERS' in dark blue and '3' in red. Below it, 'REAL ESTATE SERVICES' is written in a smaller, dark blue font. A vertical red line separates the company name from the services text.

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