

### MARKET OVERVIEW

Milwaukee's industrial market remained in full force throughout the entirety of Q2. Compared to Q1, the industrial market saw vacancy rates drop a full 6 basis points while positive absorption just above 2.6 million SF, a number over six times that of last quarter.

Despite rising construction costs, the Milwaukee market has over 5.9 million SF of inventory currently underway, with most either preleased or built to suit for owner occupants. Average lease rates did fall from \$5.91 PSF to \$5.54 PSF between Q1 and Q2, however, this decrease can likely be attributed to the remaining available inventory being of a lower quality, thus generating a lesser asking rate. We expect this drop in average asking rate to be a temporary trend as we wait for new product to be delivered in Q3.

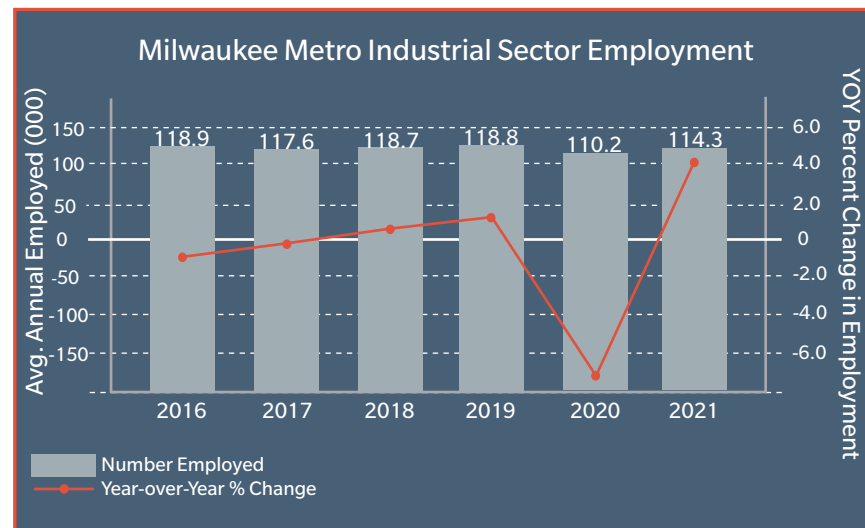
### Market Synopsis

	Q2-21 Absorption SF	Vacancy Rate	Avg. Lease Rate
Central	1,957,886	5.1%	\$5.21
Western	124,498	2.3%	\$6.33
Southern	398,604	4.4%	\$4.98
Northern	125,076	1.9%	\$5.44

\*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 4.7, down from 5.2% in the first quarter. This is a 710-basis point decrease compared to March 2020. The Milwaukee MSA saw an uptick in job growth in "manufacturing jobs", increasing by just under 1,000 jobs since the end of Q1-2021. (See Figure 1, Left)

### Notable Leases and Sales

- Ryder Last Mile Inc. leased 75,290 SF at 1570 International Dr in the Park 94 Industrial Park in Mount Pleasant.
- Quality Packaging leased 225,543 SF at 4051 S Iowa in Saint Francis.
- Crook & Maker leased 99,927 SF at 7300 N 60th St in Milwaukee.
- Amazon leased 165,000 SF at W232N2950 Roundy Cir E in Pewaukee.
- Chicago based Pritzker Realty Group, LLC acquired the Majestic Badger Logistics Center located at 8801 88th Ave in Pleasant Prairie for \$35M (\$82.51/SF).
- Nassco Inc. acquired 5355 S Westridge Ct in New Berlin from First Industrial Realty Trust, Inc. for \$15.7M (\$72.01/SF).
- Burris Logistics purchased the former U.S. Foods Inc. cold storage building in Waukesha located at 900 Gale St for \$10M (\$56.50/SF).
- Wangard Inc. acquired 5365 S Moorland Rd in New Berlin from Nassco Inc. for \$6.22M (\$62.44 /SF).

## CENTRAL MARKET - MILWAUKEE COUNTY

Milwaukee County saw the highest level of activity both in sales and leases, accounting for roughly 75% of all positive absorption across the entire market. Among noteworthy sale transactions during Q2, Buffalo Investor (Life Storage Inc.) paid \$48.1M for four Milwaukee area self-storage properties. The largest of the four, located at 532 E Capital Dr, fetched the highest price at \$18.5M or \$121.71 PSF. All four properties were branded as Extra Space Storage. On the leasing side, Amazon will be occupying 1,322,655 SF of space at the former J.C. Penney's site at 11800 W Burleigh in Wauwatosa; though Amazon has yet to move-in, this space is counted as current quarter positive absorption. The 2.022 million SF distribution center was sold to Milwaukee based Phoenix Investors LLC for \$31.25 M back in 2018 and is on the tail end of a large-scale renovation.

An affiliate of Brookfield-based Briohn Building Corp., Wauwatosa TDC LLC, has acquired Alro Steel Corp's former facility at 3000 N 114th St in Wauwatosa for \$6.5M or \$75.93 PSF. Alro, a Michigan-based distributor of metals, industrial supplies, and plastics, moved its operations last fall into the former Central Steel & Wire Co. building on Milwaukee's south side. Alro purchased the building at 4343 S Sixth St for \$7.1M back in 2019, but went through a nearly 100 thousand SF expansion prior to moving in.

Central Market		
Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q2	5.1%	1,957,886

## WESTERN MARKET - WALWORTH & WAUKESHA COUNTIES

As existing industrial parks continue to fill up, we are seeing large land acquisitions to allow for further development in an undersupplied western market. Mukwonago proposed a 120-acre expansion of its existing 116-acre park, located at Hwy 83 near I-43, through an acquisition of farmland. Along the same lines, Wangard Partners Inc. announced plans that call for a 40-acre expansion of the Highlands Business Park in Sussex, paving the way for an additional 600 thousand SF of industrial development.

Rizzo Development Group is proposing a 240 thousand SF building for an unnamed tenant in the Northbrook Commerce Center located on 21290 Gumina Rd in Brookfield. In Menomonee Falls, Tailored Label Products announced plans to build a roughly 82 thousand SF HQ and manufacturing facility at the southwest corner of Good Hope Rd and Flint Dr.

Among noteworthy transaction this quarter, Minnesota based Capital Partners acquired a 90 thousand SF New Berlin industrial building at 16600 W Glendale Ave from an affiliate of First Industrial Realty Trust for \$5.2M or \$57.78 PSF. The building is occupied by a division of Quad/Graphics Inc., who recently moved out of their Sussex facility in efforts to consolidate their distribution operations in the area. New Berlin based Pieper Electric purchased 5475 Westridge Ct from 5475 Investments LLC for \$10.5M or \$112.61 PSF. Pieper was a tenant in the building and exercised a purchase option contained in their lease.

Western Market		
Year - Quarter	Vacancy Rate	Absorption SF
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)
2021 Q2	2.3%	124,498



## SOUTHERN MARKET - RACINE & KENOSHA COUNTIES

This I-94 corridor continues to be one of the most attractive spots in the country for developers as they look to capitalize on an under supplied market. Heartland Produce Co. acquired 31 acres of land at I-94 and Hwy 158 where it plans to build a new 205 thousand SF warehouse and distribution center. The site is located within the former Dairyland Greyhound Park where Forest County Potawatomi Community and Zilber Property Group are jointly developing Project Greenway, a multi-purpose residential, industrial, office and retail project in the 240 acre park.

Ashley Capital has plans to expand Enterprise Business Park by 48.5 acres providing space for two 390 thousand SF buildings. The first of which construction may begin in 2022. When fully developed, the park could have six buildings totaling approximately 2 million SF.

Adding to the list of out of state companies entering southeastern Wisconsin, Balcan Plastics, a Quebec based manufacturer of flexible packaging, acquired a 215 thousand SF property on 50 acres at 7201 108th St in in Pleasant Prairie's LakeView Corporate Park for \$13M or \$60.46 PSF. With more land still available, we expect these new developments to continue attracting both developers and out of state companies alike.

Southern Market		
Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q2	4.4%	398,604

## NORTHERN MARKET - OZAUKEE, SHEBOYGAN, & WASHINGTON COUNTIES

Ozaukee County's largest transaction was the sale leaseback of 200 Industrial Dr in Fredonia for \$11.7M or \$59.94 PSF. The building was acquired by Phoenix based Fundamentals Income from Guy & O'Neill Inc. Headlining new activity was the approval from the City of Mequon for Blue Ribbon Management to redevelop the 63,430 SF building at 10448 N Port Washington Rd into 700 self-storage units in a highly desirable which will likely draw consumers from four different residential areas.

Despite lower activity levels, Milwaukee's northern market seems to be positioned to make a large statement in the second half of 2021. With vacancy rates down to 1.9% from 2.1% combined with over 1 million SF of new construction, we expect to see this submarket take off as new inventory is delivered.

Northern Market		
Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q2	1.9%	125,076

## MILWAUKEE INDUSTRIAL MARKET DATA

Market	Property Type	Buildings	Building Size	Q2-21 Total Available (SF)	Q2-21 Total Vacant (SF)	Q2-21 Vacancy Rate	Q2-21 Total Absorption (SF)	Q2-21 Avg Lease Rate*
Central Market: Milwaukee County	Flex/R&D	46	2,549,481	529,115	488,273	19.2%	10,190	\$6.81
	Manufacturing	676	61,169,750	3,230,397	2,218,939	3.6%	26,945	\$4.57
	Warehouse - Distribution	487	37,777,664	2,793,458	1,513,800	4.0%	1,445,745	\$5.66
	Warehouse Office	607	25,567,770	3,957,020	2,230,345	8.7%	475,006	\$5.07
	Subtotal	1,816	127,064,665	10,509,990	6,451,357	5.1%	1,957,886	\$5.21
Western Market: Walworth & Waukesha Counties	Flex/R&D	124	4,571,170	274,074	190,875	4.2%	17,623	\$6.98
	Manufacturing	735	48,178,100	1,080,669	480,657	1.0%	88,000	\$6.03
	Warehouse - Distribution	292	19,946,166	1,279,878	1,051,733	5.3%	(92,325)	\$5.26
	Warehouse Office	835	25,940,895	1,119,186	563,841	2.2%	111,200	\$6.28
	Subtotal	1,986	98,636,331	3,753,807	2,287,106	2.3%	124,498	\$6.33
Southern Market: Racine & Kenosha Counties	Flex/R&D	15	1,436,881	178,462	26,434	1.8%	0	\$3.85
	Manufacturing	297	25,362,418	692,667	391,220	1.5%	188,960	\$4.23
	Warehouse - Distribution	194	36,396,797	2,388,997	2,143,486	5.9%	189,886	\$4.99
	Warehouse Office	194	9,545,690	708,729	647,563	6.8%	19,758	\$6.79
	Subtotal	700	72,741,786	3,968,855	3,208,703	4.4%	398,604	\$4.98
Northern Market: Ozaukee, Sheboygan & Washington Counties	Flex/R&D	32	984,459	161,670	37,232	3.8%	5,291	\$4.97
	Manufacturing	536	45,523,930	604,755	312,505	0.7%	49,561	\$3.75
	Warehouse - Distribution	142	12,847,675	1,152,692	435,648	3.4%	0	\$5.50
	Warehouse Office	309	10,930,739	900,408	580,647	5.3%	70,224	\$6.14
	Subtotal	1,019	70,286,803	2,819,525	1,366,032	1.9%	125,076	\$5.44
Grand Total		5,521	368,729,585	21,052,177	13,313,198	3.6%	2,606,064	\$5.54

\* 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



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An aerial photograph of a city skyline, likely Milwaukee, Wisconsin. In the foreground, a large arena with a white, curved roof is visible, featuring the 'fiserv forum' logo. The background is filled with various skyscrapers and city buildings under a hazy sky. The text 'FOUNDERS 3' is prominently displayed in the center, with 'FOUNDERS' in dark blue and '3' in red, separated by a vertical line. Below it, 'REAL ESTATE SERVICES' is written in a smaller, dark blue font.

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