

### MARKET OVERVIEW

The Metro Milwaukee industrial market proved to be nothing short of robust throughout the entirety of the third quarter. Following a healthy second quarter, the market saw just over 3.0 million SF of positive absorption, a 17% increase from Q2, accounting for over half of the 6.05 million SF of positive absorption year to date. Average lease rates increased slightly from \$5.54 PSF to \$5.58 PSF between Q2 and Q3.

Though construction costs remain high, the Milwaukee-area market currently has 24 properties under construction, totaling over 6.0 million SF of space, with most either pre-leased or built-to-suit for owner-occupants. Amidst an international supply chain shortage, inventory-related issues have sparked an increase in market demand for more warehousing space as companies look to stock additional inventory and product. We believe this uptick in demand has been a direct catalyst for the new construction taking place, despite the associated costs.

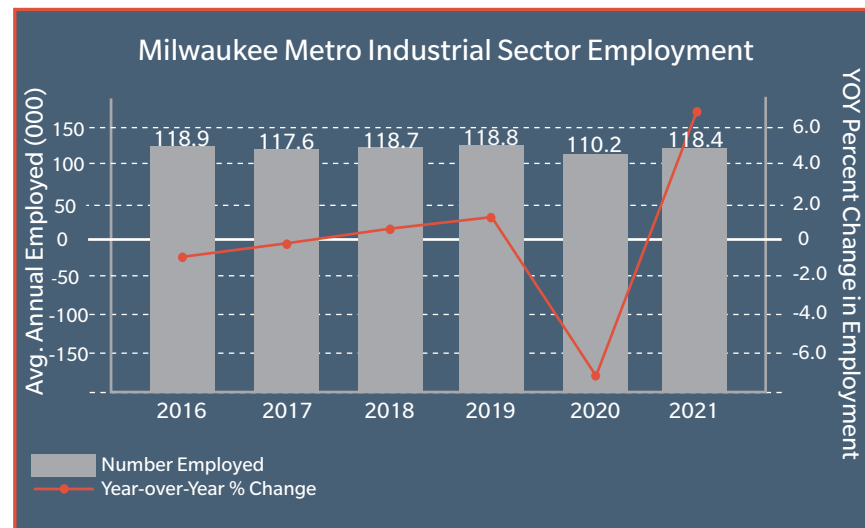
### Market Synopsis

	Q3-21 Absorption SF	Vacancy Rate	Avg. Lease Rate
Central	368,931	5.2%	\$4.99
Western	747,496	1.8%	\$6.55
Southern	1,868,924	4.2%	\$5.05
Northern	60,331	2.0%	\$5.90

\*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



According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Milwaukee Metropolitan Statistical Area is 4.9%, down from 7.2% since the end of the second quarter. This is a 230-basis point decrease compared August 2021. The Milwaukee MSA saw a 7.4% jump in job growth for “manufacturing jobs”, increasing by 8,400 jobs year-over-year. (See Figure 1, Left)

### Notable Leases and Sales

- SC Johnson leased 198,696 SF at 11101 Enterprise Way in Sturtevant.
- Preferred Carrier Logistics leased 110,618 SF at 610 W. Rawson Avenue in Milwaukee.
- Independence Corrugated renewed its 112,114 SF space at 525 W. Marquette Avenue in Oak Creek
- ABC Supply leased 65,000 SF at 11200 W. Heather Avenue in Milwaukee
- SR Realty Trust Inc. acquired a two-property portfolio at 1717 & 1718 Pearl Street in Waukesha for \$11.65M (\$64.05 PSF)
- Kendor Corporation purchased 1045 Hickory Street in Pewaukee for \$4.2M (\$19.56 PSF)
- Wixon Inc. acquired 200 W. Vogel Avenue in Milwaukee for \$3.08M (\$28.57 PSF)

\*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

## CENTRAL MARKET - MILWAUKEE COUNTY

Milwaukee County vacancy rates fell slightly from 5.3% to 5.2% since last quarter, and average lease rates dropped from \$5.21 PSF to \$4.99 PSF. Absorption for the quarter was 368,931 SF for a year-to-date absorption of over 2.7 million SF.

Ohio-based Materion Corporation made headlines in September with their interest in the 150,000 SF building at 12255 W. Carmen Avenue. The industrial chemical manufacturer plans to employ up to 90 employees at the location, but first needs a zoning change approval from the Board of Zoning Appeals. According to their BOZA application, the company's operations include solid state battery component manufacturing, sulfide battery development for solid state batteries, water treatment, research and development in organometallics, and atomic layer disposition. 12255 W. Carmen Avenue was originally developed as a spec building in 2019 by Indianapolis-based Scannell Properties.

In a market that continues to lack supply, Milwaukee County saw a highly-anticipated groundbreaking at 9141 S. 13th Street; a 350,000 SF, multi-tenant facility. Milwaukee-based developer, Frontline Commercial Real Estate, is heading the project and, when complete, expects to attract 500 jobs to the surrounding area. The 13th Street project adds to an already very active Oak Creek submarket as construction also began on the 157,000 SF development at 10303 S. Oakview Parkway last quarter. Rounding out the new developments for the quarter is the 127,282 SF, Class A manufacturing facility, just to the north of Oak Creek, at 4850 S. Pennsylvania Avenue in Cudahy, which began construction in July.

Central Market		
Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q3	5.2%	368,931

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

The Northern Market remained strong in Q3 with an overall vacancy rate of 2.0%, up just 10-basis points since the end of Q2, with lease rates increasing from \$5.44 to \$5.90 PSF.

Most notably, Spiros Industries, a custom spring and wire form manufacturer, leased 45,000 SF at 7666 County Road WW in West Bend. Additionally, Milwaukee Tool continues to make progress on their 95,000 SF manufacturing facility located at 3855 S. River Road in West Bend. It is anticipated that the facility, which will produce specialized electrical hand tool equipment, will be up and running by the end of the year.

Northern Market		
Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q3	2.0%	60,331



## WESTERN MARKET - WALWORTH & WAUKESHA COUNTIES

Waukesha County remained strong in the third quarter with vacancy rates falling to 1.8% from 2.3% in Q2. Average lease rates jumped from \$6.33 PSF to \$6.55 PSF in that same period. Despite strong fundamentals in the Western Market, transactional volume slowed as the 3.15 million SF of existing inventory is the lowest among all four submarkets in the Milwaukee area, resulting in fewer options for those seeking space.

Milwaukee Tool continues to grow its presence in the Milwaukee Metro area. The Brookfield-based company leased the 388,800 SF facility at 15380 W Shawn Circle in Menomonee Falls. The building, which was previously leased by Quad Graphics Inc, will be used as additional lab space.

Mared Mechanical Contractors, previously located in Milwaukee, leased roughly 30,000 SF at W128 N8600 Old Orchard Road in Menomonee Falls. The company's operations were previously separated into three different properties, but the move has allowed them to bring everything into one facility. As read in the Milwaukee Business Journal, the company saw an uptick in demand for "new bipolar ionization air-quality systems" <sup>a</sup>, which are used to "remove the coronavirus or other diseases that cause the common cold and flu, or allergens, from the airflow in a building" <sup>a</sup>.

Source - <sup>a</sup> Sean Ryan, Milwaukee Business Journal, "Mared Mechanical construction business moves to Menomonee Falls"

### Western Market

Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q3	1.8%	747,496

## SOUTHERN MARKET - RACINE & KENOSHA COUNTIES

Leading the charge, Milwaukee's Southern market was just shy of 1.9 million SF of positive absorption, accounting for over 60% of the overall absorption in Q3. Vacancy rates dropped 20-basis points down to 4.2% while average lease rates rose from \$4.98 PSF to \$5.05 PSF since last quarter.

Pleasant Prairie-based shipping supplies distributor, Uline, continues to expand its already vast footprint across Milwaukee's southern region with the delivery of two new facilities in Kenosha. The buildings, totaling 1.69 million SF, consist of an approx. 1.1 million SF of warehouse and a 643,800 SF fulfillment center, were the driving force behind the region's high absorption in Q3.

### Southern Market

Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q3	4.2%	1,868,924

## MILWAUKEE INDUSTRIAL MARKET DATA

Market	Property Type	Buildings	Building Size	Q3-21 Total Available (SF)	Q3-21 Total Vacant (SF)	Q3-21 Vacancy Rate	Q3-21 Total Absorption (SF)	Q3-21 Avg Lease Rate*
Central Market: Milwaukee County	Flex/R&D	52	2,611,310	562,783	515,341	19.7%	4,132	\$6.78
	Manufacturing	661	60,847,874	3,721,098	2,826,295	4.6%	(224,720)	\$4.39
	Warehouse - Distribution	288	30,356,804	2,078,140	1,013,769	3.3%	378,659	\$5.19
	Warehouse Office	725	29,466,752	3,535,009	2,001,657	6.8%	210,860	\$4.97
	Subtotal	1,726	123,282,740	9,897,030	6,357,062	5.2%	368,931	\$4.99
Western Market: Walworth & Waukesha Counties	Flex/R&D	142	5,373,134	278,825	194,451	3.6%	32,900	\$7.65
	Manufacturing	693	45,767,866	827,748	340,294	0.7%	140,363	\$5.88
	Warehouse - Distribution	179	18,448,956	981,478	741,012	4.0%	468,221	\$5.43
	Warehouse Office	948	28,554,826	1,062,531	470,634	1.6%	106,012	\$6.25
	Subtotal	1,962	98,144,782	3,150,582	1,746,391	1.8%	747,496	\$6.55
Southern Market: Racine & Kenosha Counties	Flex/R&D	14	1,051,090	157,918	14,450	1.4%	11,984	\$3.85
	Manufacturing	286	24,464,114	672,204	369,353	1.5%	21,867	\$3.95
	Warehouse - Distribution	155	39,804,325	2,430,364	2,184,853	5.5%	1,694,000	\$4.99
	Warehouse Office	224	9,058,605	834,914	581,577	6.4%	141,073	\$6.79
	Subtotal	679	74,378,134	4,095,400	3,150,233	4.2%	1,868,924	\$5.05
Northern Market: Ozaukee, Sheboygan & Washington Counties	Flex/R&D	33	1,074,518	181,228	53,877	5.0%	(20,683)	\$7.01
	Manufacturing	494	42,576,169	919,298	356,030	0.8%	44,337	\$4.46
	Warehouse - Distribution	114	15,166,270	1,405,271	467,198	3.1%	(1,550)	\$5.50
	Warehouse Office	353	11,505,820	857,280	542,420	4.7%	38,227	\$5.98
	Subtotal	994	70,322,777	3,363,077	1,419,525	2.0%	60,331	\$5.90
Grand Total		5,361	366,128,433	20,506,089	12,673,211	3.5%	3,045,682	\$5.58

\* 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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