

MARKET OVERVIEW

Through a year unlike any other, the Milwaukee Industrial Market proved to be the most attractive asset class to investors and business owners alike. The most active property type in Q4 was Warehouse Distribution, with 1.3 million SF of positive absorption accounting for nearly all positive absorption seen across Milwaukee's four submarkets. This increased activity likely came through firms attempting to mitigate their supply chain challenges that were brought on by a rising demand in e-commerce.

To close out 2020 Milwaukee delivered four new properties during Q4, bringing the year to date total to nineteen new properties, totaling 6,247,000 SF. Fourth quarter vacancy rates were flat at 4.1% year-over-year, and average lease rates increased from \$5.53 PSF to \$5.57 PSF in that same time frame. With over 4.6 million SF of construction currently underway entering Q1 of the new year, it appears as if 2021 is on track to exceed last year's total deliveries.



W126 N7353 Flint Drive (Leonardo DRS) - Source: Founders 3 Commercial Real Estate

Market Synopsis

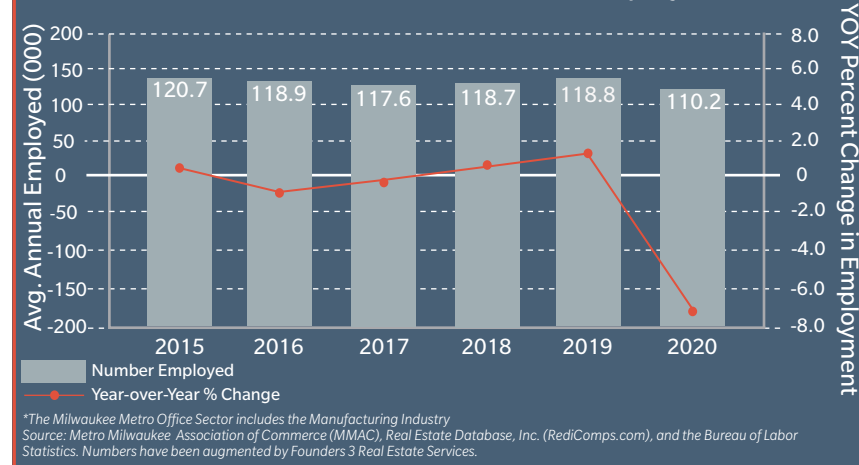
| | Q4-20 Absorption SF | YTD Absorption SF | Vacancy Rate | Avg. Lease Rate |
|----------|------------------------|----------------------|-----------------|--------------------|
| Central | 520,234 | 2,465,780 | 6.8% | \$5.12 |
| Western | 175,179 | 375,579 | 2.2% | \$6.13 |
| Southern | 637,785 | 2,841,041 | 4.1% | \$5.55 |
| Northern | -7,297 | 118,029 | 2.1% | \$6.26 |

*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

Milwaukee Metro Industrial Sector Employment



According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Milwaukee Metropolitan Statistical Area is 5.4%. This is a 210-basis point increase compared to November 2019. The Milwaukee MSA saw a substantial decrease in job growth in "manufacturing jobs", falling by 8,600 jobs since the end of Q4 2019. (See Figure 1, Left)

Notable Leases and Sales

- Lydell Corporate Center at 5505 N. Lydell Ave, in Glendale sold for \$3.75 M (\$14.29 PSF)
- Leonardo DRS portfolio in Menomonee Falls sold for \$98 M (\$199 PSF)
- 5000 W. Electric Ave, Milwaukee sold for \$6.7 M (\$55.62 PSF)
- Nosco Inc. leased 172,737 SF at 11200 88th Ave, in Pleasant Prairie
- RealChem Manufacturing leased 77,590 SF at 7844 102nd St, in Pleasant Prairie

CENTRAL MARKET - MILWAUKEE COUNTY

Industrial sales proved more prevalent than leases during Q4 2020, a trend that was evident throughout the entire year. Among noteworthy sale transactions during the final quarter, the real estate investment trust, STAG Industrial, Inc. led the charge with their investment purchase of the multi-tenant property at 5831 S. Pennsylvania Ave. The 118,625 SF building was sold by Hansen Storage Company for \$7.14 million (\$60.18 PSF).

Hunger Task Force also made headlines with their \$6.7 million (\$55.62 PSF) purchase of a 120,452 SF warehouse in West Milwaukee. The facility, located at 5000 W. Electric Ave., will serve as their new headquarters and provide them with the much-needed capacity as the organization expects to distribute 3.7 million more pounds of food compared to the same period last year, a 72% increase. Rounding out the notable sales of the quarter was Roman Electric's \$1.7 million (\$65.38 PSF) purchase of the 26,000 square foot building at 2222 S. 114th St. Rose Holdings LLC, an affiliate of Roman Electric, purchased the property from Easterseals Southeast Wisconsin and will occupy the building.

Other major news coming from the Milwaukee industrial market in Q4 was the reversal of Franklin's Common Council decision to deny a special use permit needed for Strauss Brands LLC to move forward with its plans for a new meat processing plant in the community. The approval, which was initially denied on October 20th, will allow Strauss Brands to build a new 152,000 square foot meat processing facility on 30.2 acres southwest of West Loomis Road and Monarch Drive. More than 270 employees would be staffed at the new facility.

Carma Laboratories purchased a 41-acre land parcel in Franklin, at the northeast corner of West Ryan Road and South 76th Street. The site sold for just over \$2.25 million. In January, the company announced plans to build a new 115,000 SF headquarters in Franklin. There has been speculation that this site will be used for the upcoming development.

| 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 |

WESTERN MARKET - WALWORTH & WAUKESHA COUNTIES

New leasing activity continued to be slow during Q4 in Waukesha and Walworth Counties as we saw vacancy rates rise for the fourth straight quarter to 2.2%. Despite this uptick in vacancy, the year ended on a high note for sales. The Leonardo DRS campus in Menomonee Falls sold for \$98 million in December to Capital Trust Group (London, England). The Campus includes a 372,856 SF manufacturing facility and 118,620 SF of office space. SARA Investments continued to be active in 2020 with the purchase of an 89,978 SF facility fully leased to Tekra LLC located at 16700 W. Lincoln Ave., New Berlin.

Zilber Property Group was active in Q4 with its purchase of the vacant 165,000 SF property located at W232 N2950 Roundy Circle for \$6.7 million (\$40.61 PSF). They plan to make renovations to the property and market it to new tenants. Additionally, Zilber Property Group recently paid \$6.33 million (\$35.76 PSF) for a 177,000 SF cold storage facility located at 901 Gale Street in Waukesha. Nationally, cold storage has been a hot sector due to rising demand for e-commerce grocery delivery.

| 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 |

SOUTHERN MARKET - RACINE & KENOSHA COUNTIES

In addition to generating 637,785 SF of positive absorption, the Southern Market also saw an uptick in sales transactions during the final quarter of 2020. Headlining all transactions was the Kohlberg Kravis Roberts & Co. LP. (KKR) purchase of six industrial buildings spread between Racine and Kenosha counties. The six-building portfolio totaled 9.7 million SF and was sold by High Street Logistics Properties for \$41.5 million. KKR previously purchased Amazon's 1.5 million SF Kenosha fulfillment center in July of 2020 for \$176 million (\$115 PSF).

Regarding new development in the southern market, Haribo of America just recently started construction on the first phase of their Pleasant Prairie candy production and distribution center. The over \$300 million investment is slated to generate 390 full-time jobs once open. Haribo's growth could continue beyond this current phase as they have enough land to allow for multiple future expansion phases, which could result in roughly 1,000 total jobs. The project represents the largest investment in Haribo's 100-year history.

Other notable construction includes Zilber Property Group's recent groundbreaking on a 23,359 SF speculative industrial building within the Business Park of Kenosha. The facility will be known as Zilber Industrial 4 and is expected to be completed by fall of 2021.

| 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 |

NORTHERN MARKET - OZAUKEE, SHEBOYGAN, & WASHINGTON COUNTIES

The Ozaukee, Washington, and Sheboygan industrial markets continue to show resilience, despite Ozaukee County posting 134,000 SF of negative absorption in Q4. Washington County's positive absorption of nearly 128,000 SF helped negate the effects of Calibre's closing of multiple locations in Ozaukee County.

Three notable transactions occurred in Washington County and Ozaukee County. SARA Investments' purchase of a 111,822 SF industrial building located at W194 N11381 McCormick Drive in Germantown for \$4.36 million (\$38.99 PSF). Delta Defense leased 17,730 SF at 2375 Stonebridge Circle in West Bend. Additionally, Super Steel purchased a 232,759 SF facility on just under 30 acres of land at 10910 N. Industrial Drive in Mequon for \$8.9 million (\$38.34 PSF). All transactions were represented by the Founders 3 Industrial team.

| 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) |

MILWAUKEE INDUSTRIAL MARKET DATA

| Market | Property Type | Buildings | Building Size | Q4-20 Total Available (SF) | Q4-20 Total Vacant (SF) | Q4-20 Vacancy Rate | Q4-20 Total Absorption (SF) | YTD Total Absorption (SF) | Q4-20 Avg Lease Rate* |
|--|--------------------------|-----------|---------------|----------------------------|-------------------------|--------------------|-----------------------------|---------------------------|-----------------------|
| Central Market: Milwaukee County | Flex/R&D | 45 | 2,272,481 | 324,263 | 297,963 | 13.1% | 14,632 | 410 | \$6.62 |
| | Manufacturing | 676 | 61,242,637 | 3,542,284 | 2,500,214 | 4.1% | (163,074) | (416,025) | \$4.41 |
| | Warehouse - Distribution | 496 | 38,766,929 | 4,590,926 | 3,194,544 | 8.2% | 489,314 | 3,069,512 | \$5.34 |
| | Warehouse Office | 600 | 25,199,298 | 4,233,596 | 2,697,551 | 10.7% | 179,362 | (188,117) | \$5.08 |
| | Subtotal | 1,817 | 127,481,345 | 12,691,069 | 8,690,272 | 6.8% | 520,234 | 2,465,780 | \$5.12 |
| Western Market: Walworth & Waukesha Counties | Flex/R&D | 123 | 4,546,451 | 351,958 | 208,273 | 4.6% | (577) | 71,867 | \$7.41 |
| | Manufacturing | 736 | 48,020,526 | 1,086,212 | 506,491 | 1.1% | (38,379) | 17,061 | \$5.38 |
| | Warehouse - Distribution | 290 | 19,758,715 | 1,034,713 | 406,375 | 2.1% | 43,238 | 95,455 | \$5.46 |
| | Warehouse Office | 830 | 25,796,466 | 1,593,291 | 1,015,528 | 3.9% | 170,897 | 191,196 | \$5.94 |
| | Subtotal | 1,979 | 98,122,158 | 4,066,174 | 2,136,667 | 2.2% | 175,179 | 375,579 | \$6.13 |
| Southern Market: Racine & Kenosha Counties | Flex/R&D | 14 | 1,175,281 | 175,128 | 17,474 | 1.5% | 2,844 | 29,844 | \$3.85 |
| | Manufacturing | 300 | 25,727,784 | 798,261 | 735,757 | 2.9% | (182,167) | (219,563) | \$5.25 |
| | Warehouse - Distribution | 185 | 34,528,571 | 1,985,736 | 1,373,426 | 4.0% | 817,708 | 2,980,423 | \$5.27 |
| | Warehouse Office | 195 | 9,871,718 | 862,967 | 805,121 | 8.2% | (600) | 50,337 | \$6.56 |
| | Subtotal | 694 | 71,303,354 | 3,822,092 | 2,931,778 | 4.1% | 637,785 | 2,841,041 | \$5.55 |
| Northern Market: Ozaukee, Sheboygan & Washington Counties | Flex/R&D | 32 | 984,459 | 102,934 | 51,385 | 5.2% | (6,552) | 4,352 | \$6.96 |
| | Manufacturing | 535 | 45,393,476 | 716,617 | 371,002 | 0.8% | (134,345) | (34,345) | \$4.83 |
| | Warehouse - Distribution | 142 | 12,792,129 | 341,403 | 330,336 | 2.6% | 0 | (37,036) | \$5.50 |
| | Warehouse Office | 309 | 10,925,488 | 1,005,214 | 693,597 | 6.3% | 133,600 | 185,058 | \$6.53 |
| | Subtotal | 1,018 | 70,095,552 | 2,166,168 | 1,446,320 | 2.1% | (7,297) | 118,029 | \$6.26 |
| Grand Total | | 5,508 | 367,002,409 | 22,745,503 | 15,205,037 | 4.1% | 1,325,901 | 5,800,429 | \$5.57 |

* 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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