

MARKET OVERVIEW

Throughout the first three quarters of 2021, Milwaukee's industrial market saw unprecedented growth in both rental rates and pricing -- and to no surprise, this trend continued through Q4.

Increased demand from growing businesses looking to expand paired with an extreme lack of existing inventory appear to be two of the largest contributing factors to this 2021 trend. This trend, though beneficial for Sellers and Landlord is a double-edged sword as it creates unforeseen challenges and competition for Tenant's and Buyer's in the marketplace. Properties with attractive location and attributes barely hit the market without entertaining offers or letters of intent to lease from multiple parties.

This competition and ever-present need for space has encouraged developers to push forward with multiple spec developments, through all submarkets, though the delays in the supply chain and increased construction costs do little to curb the explosive pricing increases.



Figure 1, See Page 3 for Reference

Market Synopsis

	Q4-21 Absorption SF	Vacancy Rate	Avg. Lease Rate
Central	-50,789	4.7%	\$4.94
Northern	94,697	2.2%	\$5.97
Southern	894,543	2.8%	\$5.27
Western	84,266	1.7%	\$6.56

*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

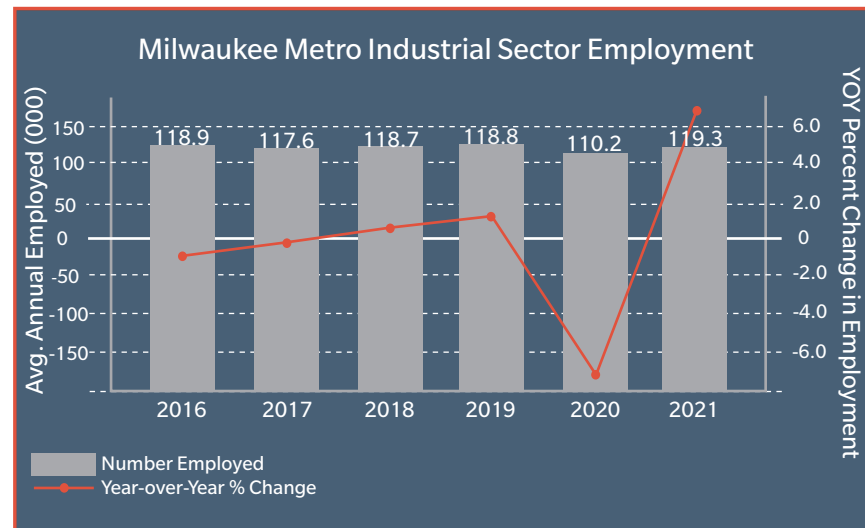


Figure 2

According to the Bureau of Labor Statistics (BLS), the unemployment rate for the Milwaukee Metropolitan Statistical Area is 3.3%, down from 4.9% since the end of the third quarter. The Milwaukee MSA saw a 6.9% jump in job growth for "manufacturing jobs", increasing by 9,300 jobs year-over-year. (See Figure 2, Left)

*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.

Notable Leases and Sales

- S.C. Johnson & Sons leased 396,716 SF at the Enterprise Business Park in Sturevant.
- Apak, Inc. leased 160,300 SF at 5612 95th Avenue in Kenosha.
- Haribo leased 157,656 SF at the Bristol Highlands Commerce Ctr in Pleasant Prairie.
- SARA Investment purchased the fully-leased 321,592 SF building at 4200 39th Avenue in Kenosha for \$14.4M (\$44.78/SF).
- Milwaukee Tool opened its new 94,700 SF property in West Bend.
- Oterra leased 155,844 SF at 13315 Globe Drive in Pleasant Prairie.
- Compass Group leased 78,400 SF at 10303 S Oakview Parkway in Oak Creek.
- Instrument Development Corp purchased the 151,116 SF facility at 600 Perkins Drive in Mukwonago for \$8M (\$52.93/SF).

CENTRAL MARKET - MILWAUKEE COUNTY

Milwaukee County vacancy rates dropped significantly from 5.2% in Q3 to 4.7% this quarter. Looking year over year, vacancy rates are down 210 basis points from 2020 Q4. Absorption for the quarter was negative 50,789 SF, bringing the 2021 year-end total to 2,636,371 SF of positive absorption. Average lease rates fell only slightly from \$4.99 PSF in Q3 to \$4.94 PSF this quarter.

Wangard Partners Inc. announced plans to develop two industrial facilities at 3617 W Oakwood Rd in the new 520-acre Franklin Business Park. The plan consists of a 200,000 SF building on the northern half of the site and a 300,000 to 400,000 SF building on the southern half. This project serves to take advantage of the new I-94 interchange and of an area that has been missing some of these larger light industrial facilities. Construction could commence as early as spring of 2022.

Just east of Wangard and also in the new Franklin Business Park, Montreal-based Saputo Inc., plans to expand its Wisconsin presence by constructing a 310,000 SF cheese production, packaging and distribution facility. This new facility represents an \$85M investment that will provide up to 650 jobs.

Atomix Logistics LLC, a growing e-commerce logistics startup, announced plans move to 2203 W Michigan St. Company founder and son of a longstanding Milwaukee logistic firm owner, Austin Kreinz, has plans to expand their team by hiring 30 additional employees in 2022 in their new office in the city's near west side.

Central Market		
Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q4	4.7%	(50,789)

NORTHERN MARKET - OZAUKEE, SHEBOYGAN, & WASHINGTON COUNTIES

Despite a small increase in vacancy rates from 2.0% in Q3 to 2.2% this quarter, the Northern Market continues to be strong. Lease rates have increased from \$5.90 PSF in Q3 to \$5.94 PSF this quarter, and the Northern Market saw positive absorption of 94,697 SF.

Due to the surge in demand for its specialty packaging products, New Jersey-based Comar, has relocated its manufacturing operations to a 160,000 SF facility at 2854 Wingate St in West Bend. Previously located at 910 E Rusco Rd, this new location will be nearly triple the size of their former space.

Sysco Corp., located at W223 N16501 Cedar Pkwy, has filed plans with the Village of Jackson to expand its existing warehouse by more than double its current size. The proposed 350,000 SF addition would bring the facility's total size to roughly 660,000 SF with an estimated addition of 150 trailer spaces and 241 automotive parking spaces.

Germantown-based, Keller Inc., filed conceptual plans for three light industrial buildings with Port Washington's Planning Commission. The proposed buildings would total 567,000 SF, with the largest of the three being 259,000 SF. The development site is situated along Highland Dr, northwest of I-43 and east of the unincorporated community of Knellsville.

Northern Market		
Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q4	2.2%	94,697

SOUTHERN MARKET - RACINE & KENOSHA COUNTIES

The Southern Market continued to boast some of the more impressive metrics, with just shy of 900,000 SF of positive absorption. Racine and Kenosha Counties both saw vacancy rates drop to 2.8% from 4.2% in Q3 and lease rates rose from \$5.05 to \$5.27 PSF quarter over quarter.

It's no hidden fact that the I-94 corridor connecting Racine and Kenosha counties has seen exponential industrial growth the last few years and there are no signs it will be slowing down anytime soon. HSA Commercial's newest project, a 775,000 SF warehouse in Somers is a prime example of this growth -- case in point, HSA's plans can be expanded to nearly 1,000,000 SF if needed. (See Figure 3, Left)



Figure 3

Ares Management Corp., a Los Angeles based investment company, acquired \$59.68 million in industrial assets across Milwaukee's Central and Southern Markets during Q4. Two of the seven recently acquired properties were in Kenosha with a combined sale price of \$3.28M.

Southern Market

Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q4	2.8%	894,543

WESTERN MARKET - WALWORTH & WAUKESHA COUNTIES

The Western Market remained constant this quarter with a minimal dip in vacancy rates from 1.8% to 1.7%, but had a significant decline in average lease rates from \$6.55 PSF in Q3 to \$5.97 PSF. This large decrease could likely be attributed to a few lease renewal transactions being completed at lower than market rates. True to the vacancy rate, the tight inventory will only be getting tighter as Q4 showed positive absorption of 94,697 square feet.

Representing the year's largest single asset industrial sale, the warehouse located at N58 W15350 Shawn Cir in Menomonee Falls, sold for \$48.25M or \$124 PSF. As part of the transaction, Milwaukee Tool signed a 10-year lease at the building after Quad Graphics had vacated the space in its consolidation efforts. (See Figure 1, Page 1)

Luther Group has surpassed \$100M in their asset portfolio following their most recent acquisition binge of industrial product. In an effort to capitalize on the current strength of industrial assets, Luther Group acquired four investment properties in New Berlin for a total of \$16M.

In the outer Western Market, Millenium Group will be breaking ground on a new 75,000 SF office and warehouse in Delevan. The project is expected to be completed summer 2022.

Western Market

Year - Quarter	Vacancy Rate	Absorption SF
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
2021 Q4	1.7%	84,266

MILWAUKEE INDUSTRIAL MARKET DATA

MARKET	Property Type	Buildings	Building Size	Q4-21 Total Available (SF)	Q4-21 Total Vacant (SF)	Q4-21 Vacancy Rate	Q4-21 Total Absorption (SF)	Q4-21 Avg Lease Rate*
CENTRAL: Milwaukee		1,719	122,921,375	8,973,965	5,824,982	4.7%	(50,789)	\$4.94
	Flex/R&D	52	2,611,310	550,183	502,741	19.3%	12,600	\$6.78
	Manufacturing	657	60,513,179	3,156,661	2,264,377	3.7%	5,000	\$4.49
	Warehouse - Distribution	285	30,303,128	2,004,160	1,143,662	3.8%	(147,143)	\$5.32
	Warehouse Office	725	29,493,758	3,262,961	1,914,202	6.5%	78,754	\$4.67
NORTHERN: Ozaukee, Sheboygan & Washington		994	98,243,558	2,802,652	1,622,108	1.7%	84,266	\$6.56
	Flex/R&D	33	5,391,195	244,824	175,492	3.3%	15,959	\$8.07
	Manufacturing	495	45,798,644	806,858	528,674	1.2%	(37,264)	\$5.84
	Warehouse - Distribution	113	18,456,240	904,903	648,358	3.5%	(67,706)	\$5.49
	Warehouse Office	353	28,597,479	846,067	269,584	0.9%	173,277	\$6.21
SOUTHERN: Racine & Kenosha		680	74,601,763	2,609,568	2,064,190	2.8%	894,543	\$5.27
	Flex/R&D	14	1,051,090	157,918	14,450	1.4%	0	\$3.85
	Manufacturing	287	24,687,743	22,468	157,994	0.6%	51,059	\$4.35
	Warehouse - Distribution	155	39,804,325	1,627,240	1,396,338	3.5%	788,515	\$5.21
	Warehouse Office	224	9,058,605	801,942	495,408	5.5%	54,969	\$6.69
WESTERN: Walworth & Waukesha		1,963	70,348,801	3,173,119	1,538,904	2.2%	94,697	\$5.97
	Flex/R&D	143	1,074,518	170,293	51,791	4.8%	2,086	\$6.99
	Manufacturing	693	42,676,709	796,518	424,003	1.0%	66,131	\$4.35
	Warehouse - Distribution	179	15,052,355	1,364,271	426,198	2.8%	41,000	\$5.36
	Warehouse Office	948	11,545,219	842,037	636,912	5.5%	(14,520)	\$5.98
TOTALS		5,356	366,115,497	17,559,304	11,050,184	3.0%	1,022,717	\$5.61

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

* Lease rates are reported as unweighted averages

Figure 2

YOUR LOCAL INDUSTRIAL EXPERTS

Real Estate. Real Solutions.



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