



Southeastern Wisconsin

Industrial

21Q1

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# Industrial 21Q1

## Key Takeaways

- As has been the trend over recent quarters, a combination of build-to-suit deliveries and new leasing activity resulted in positive absorption for the Southeastern Wisconsin industrial market.
- Throughout 2021, 1.4 million square feet of new warehouse space is expected to deliver, but 64 percent of this space is in build-to-suit properties. If a tenant's space needs are immediate, they will have to occupy existing product, hopefully having a positive impact on vacancy, especially in submarkets where recent speculative development has been prevalent, such as the South.



## Introduction

In Q1 2021, the Southeastern Wisconsin industrial market continued to see strong activity, experiencing positive absorption for the thirteenth quarter in a row. New, fully leased deliveries and a handful of large new leases aided absorption, as well as small to mid-size tenants remaining active in the market. Conversely, the market did see some larger users vacate space, negatively impacting absorption and vacancy in some tracked submarkets.

After experiencing a rise in vacancy since the beginning of 2020, manufacturing space rebounded slightly in Q1, dropping to 4.61 percent vacant market-wide from 4.80 percent last quarter. At the same time, warehouse space, which experienced a decrease in vacancy every quarter in 2020, saw a slight rise in vacant space throughout the market. New speculative deliveries and a few larger users vacating space were the major drivers of this uncharacteristic rise in vacant warehouse and distribution space.

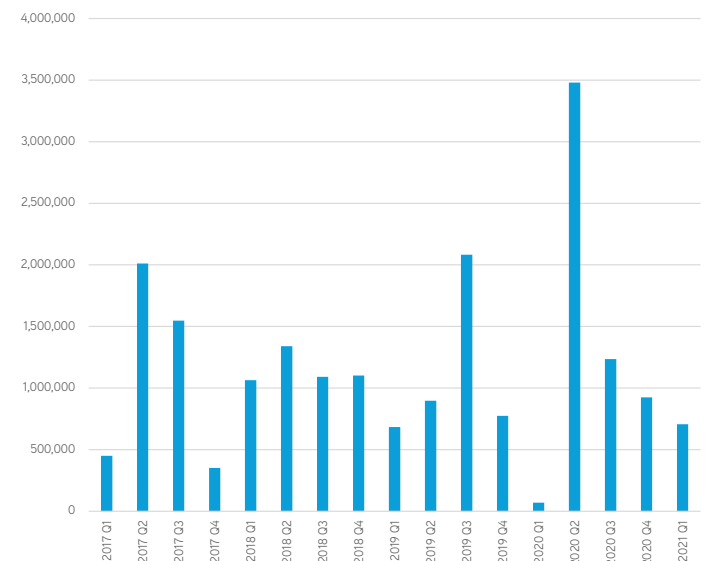
## Market Indicators



## Historic Comparison

	20Q1	20Q4	21Q1
<b>Total Inventory (SF)</b>	308,364,991	314,021,238	315,539,659
<b>New Supply (SF)</b>	50,700	816,024	1,704,421
<b>Net Absorption (SF)</b>	68,323	923,789	706,355
<b>Overall Vacancy</b>	6.06%	5.95%	6.33%
<b>Under Construction (SF)</b>	6,544,424	5,857,217	4,696,687

## Historical Net Absorption



## Vacancy & Availability

Market-wide vacancy ended the quarter at 6.33 percent, up from 5.95 percent at the end of 2020. The Central and Northwest submarkets experienced decreases in vacancy, while the other tracked submarkets saw the amount of vacant space for lease increase. The West submarket continues to have the lowest vacancy, however, a series of large move-outs over past quarters has resulted in that metric slowly creeping upward, more aligned with vacancy seen in the North and Northwest submarkets. Historically, tenants seeking large blocks of space have had limited options, but with some larger tenants vacating space over recent quarters, speculative deliveries and even significantly-sized sublease availability increasing, these larger users have more spaces to choose from across many areas of Southeastern Wisconsin.

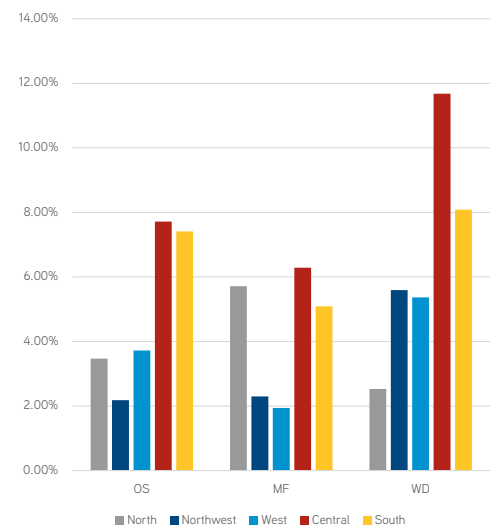
In Q1, manufacturing and flex space saw slight decreases in vacancy, while warehouse and distribution space saw vacancy rise due to speculative deliveries and a handful of large blocks of space coming online. Although there has been this rise in vacancy, tenants seeking warehouse and distribution space may soon have to choose from spaces in existing product. Throughout 2021, 1.4 million square feet of new warehouse space is expected to deliver, but 64 percent of this space is in build-to-suit properties. If a tenant's space needs are immediate, they will have to occupy existing product, hopefully having a positive impact on vacancy, especially in submarkets where recent speculative development has been prevalent, such as the South.

## Absorption

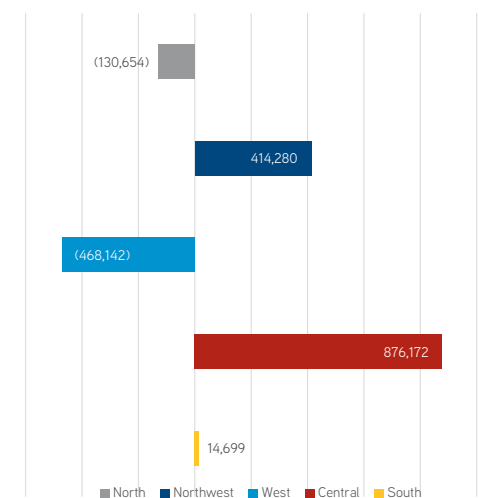
As has been the trend over recent quarters, a combination of build-to-suit deliveries and new leasing activity resulted in positive absorption for the Southeastern Wisconsin industrial market. Q1 2021 experienced positive 706,355 square feet of absorption, with the Central and Northwest submarkets leading the charge. In the Central submarket, a 424,000 square foot distribution facility for the United States Postal Service was completed in Oak Creek, and Dawn Equipment and Steele Solutions took a combined 279,000 square feet at the former Bucyrus campus in South Milwaukee. In the Northwest, Comar moved into 160,000 square feet of distribution space in West Bend, and Patriot Transportation took just under 37,000 square feet in a recently completed building in Germantown.

The remaining submarkets saw either negative or insignificant positive absorption. The South submarket experienced positive absorption, but larger spaces being vacated largely negated any positive activity. A new, 111,233 square foot delivery for Stabio North America in Salem, WI aided absorption, and RealChem occupied 72,000 square feet in Pleasant Prairie. Machine Service Inc. also purchased a vacant, 100,000 square foot facility in Delavan, WI to occupy. Foxconn, however, vacated 155,844 square feet in Mount Pleasant. The North and West submarkets experienced negative absorption in Q1, with the West being hit hardest by larger users vacating space. Quad Graphics vacated 388,800 square feet in Menomonee Falls, and that building is fully available for lease. US Foods vacated 151,000 square feet in Waukesha, and a handful of other tenants vacated between 20,000 square feet and 40,000 square feet throughout the submarket. Positive activity in the West included Granite Plus purchasing a 47,333 square foot, previously vacant building to occupy in New Berlin.

### Vacancy by Property Type



### Absorption by Submarket



## Upcoming Market Activity

Relatively unbothered by the pandemic, industrial leasing activity continued throughout the end of 2020 and into Q1 2021. Looking ahead, there are significant move-ins set to occur over the coming quarters, as well as larger projects nearing completion.

In the South submarket, VisualPak, a full service co-packing services company headquartered in Waukegan, IL will be moving into a newly constructed, 472,000 square foot facility in Q2, and Nosco Inc. will be occupying just under 173,000 square feet in Pleasant Prairie around the same time. Also in Pleasant Prairie, Nexus Pharmaceuticals' 100,000 square foot facility is underway and expected to deliver in the second half of the year. Amazon continues to have an impact market-wide, with a 145,000 square foot building completing this fall in Sturtevant and plans to occupy 160,000 square feet in Pewaukee sometime in Q3.

While there are many positive movements on the horizon, some larger tenants will be vacating space in 2021 as well. In Milwaukee County, Ryder Logistics will be leaving 360,000 square feet in Q2, and SuperSteel will vacate 224,272 square feet. Greco & Sons will be vacating 157,000 square feet in Oak Creek in August of this year. In the West, Veritiv's building on Westridge Drive in New Berlin is fully available, and they will be vacating the 217,680 square feet in May.

## Under Construction

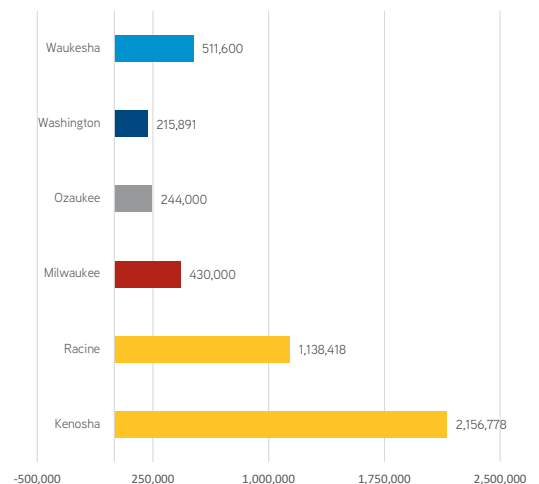
Project Name / Address	County / Submarket	Type	Size
Foxconn Array	Racine / South	Manufacturing	993,000 SF
Uline	Kenosha / South	Warehouse	800,000 SF
Haribo Facility	Kenosha / South	Manufacturing	487,400 SF
Komatsu Manufacturing Facility	Milwaukee / Central	Manufacturing	430,000 SF
Zilber Industrial II	Kenosha / South	Warehouse	377,378 SF
Kroger Distribution Center	Kenosha / South	Warehouse	330,000 SF
Wilo USA HQ	Ozaukee / North	Manufacturing	244,000 SF
Eaton Corp Expansion	Waukesha / West	Manufacturing	233,000 SF
Briohn Spec Building	Waukesha / West	Warehouse	157,000 SF

## Construction

Over 1.7 million square feet of new industrial space delivered in the first quarter of the year, with 37 percent of this space being vacant and available for lease. In Bristol Highlands Commerce Center, two warehouse facilities delivered, totaling 630,000 square feet. 157,000 square feet remains available. Also in the South, a 396,716 square foot speculative building was completed in Enterprise Business Park and is fully available, as well as Stabio North America's new, 111,233 square foot distribution facility in Salem Business Park. In Milwaukee County, the United States Postal Service distribution facility was completed, totaling just under 424,000 square feet.

Ongoing projects make up 4.7 million square feet of space, and only 11 percent of this space is available for lease, limiting the impact on vacancy that speculative deliveries have had on the market in recent history. Significant projects include Haribo's 487,000 square foot building and an 800,000 square foot distribution building for Uline. Also in the South, Zilber Property Group will be delivering a 377,378 square foot speculative building this year, and Kroger's 330,000 square foot distribution center is continuing to make progress. In other areas of the market, Wilo USA's 244,000 square foot manufacturing facility is underway in Ozaukee County, and a 157,000 square foot speculative development by Briohn Builders in Mukwonago is making progress.

### Construction by County



Submarket/ Class	Total Inventory SF	Vacancy Rate	Vacancy Rate Previous Quarter	Sublease Availability Rate	Availability Rate	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD
North - Ozaukee County & Sheboygan County									
OS	3,919,136	3.47%	3.73%	2.21%	10.10%	10,126	10,126	-	-
MF	9,801,859	5.71%	5.97%	-	6.08%	25,000	25,000	244,000	-
WD	11,223,774	2.53%	1.05%	-	3.20%	(165,780)	(165,780)	-	-
<b>TOTAL</b>	<b>24,944,769</b>	<b>3.93%</b>	<b>3.40%</b>	<b>0.35%</b>	<b>5.41%</b>	<b>(130,654)</b>	<b>(130,654)</b>	<b>244,000</b>	<b>-</b>
Northwest - Washington County									
OS	3,506,466	2.18%	3.89%	-	2.27%	60,000	60,000	-	-
MF	8,735,923	2.29%	2.58%	-	2.29%	25,000	25,000	215,891	-
WD	8,573,507	5.59%	9.23%	8.24%	14.64%	329,280	329,280	-	-
<b>TOTAL</b>	<b>20,815,896</b>	<b>3.63%</b>	<b>5.57%</b>	<b>3.39%</b>	<b>7.38%</b>	<b>414,280</b>	<b>414,280</b>	<b>215,891</b>	<b>-</b>
West - Waukesha County									
OS	12,303,794	3.72%	3.43%	-	5.07%	(35,560)	(35,560)	121,600	-
MF	34,180,631	1.94%	2.58%	0.38%	5.18%	53,320	53,320	233,000	32,700
WD	27,159,027	5.36%	3.58%	0.55%	7.50%	(485,902)	(485,902)	157,000	-
<b>TOTAL</b>	<b>73,643,452</b>	<b>3.50%</b>	<b>2.14%</b>	<b>0.38%</b>	<b>7.84%</b>	<b>(468,142)</b>	<b>(468,142)</b>	<b>511,600</b>	<b>32,700</b>
Central - Milwaukee County									
OS	19,504,293	7.72%	7.71%	0.10%	8.90%	(100)	(100)	-	-
MF	51,839,649	6.29%	6.63%	0.02%	8.15%	459,451	459,451	430,000	-
WD	47,358,589	11.68%	11.56%	0.27%	13.46%	416,821	416,821	-	533,900
<b>TOTAL</b>	<b>118,702,531</b>	<b>8.67%</b>	<b>8.76%</b>	<b>0.13%</b>	<b>10.39%</b>	<b>876,172</b>	<b>876,172</b>	<b>430,000</b>	<b>533,900</b>
South - Racine County, Kenosha County & Walworth County									
OS	2,584,698	7.41%	7.11%	-	7.22%	(7,676)	(7,676)	-	-
MF	29,294,810	5.09%	5.10%	0.14%	4.93%	4,441	4,441	1,642,400	-
WD	45,553,503	8.08%	5.77%	0.82%	7.58%	17,934	17,934	1,652,796	1,137,821
<b>TOTAL</b>	<b>77,433,011</b>	<b>6.93%</b>	<b>5.56%</b>	<b>0.53%</b>	<b>6.56%</b>	<b>14,699</b>	<b>14,699</b>	<b>3,295,196</b>	<b>1,137,821</b>
Grand Total									
OS	41,818,387	4.61%	4.80%	0.25%	7.23%	26,790	26,790	121,600	-
MF	133,852,872	5.66%	5.72%	0.13%	6.15%	567,212	567,212	2,765,291	32,700
WD	139,868,400	8.17%	7.13%	0.97%	9.64%	112,353	112,353	1,809,796	1,671,721
<b>TOTAL</b>	<b>315,539,659</b>	<b>6.33%</b>	<b>5.95%</b>	<b>0.52%</b>	<b>7.84%</b>	<b>706,355</b>	<b>706,355</b>	<b>4,696,687</b>	<b>1,704,421</b>
Quarterly Comparison Totals									
Q1 2021	315,539,659	6.33%	5.95%	0.52%	7.84%	706,355	706,355	4,696,687	1,704,421
Q4 2020	314,021,238	5.95%	6.00%	0.26%	6.86%	923,789	5,706,929	5,857,217	816,024
Q3 2020	313,205,215	6.00%	6.10%	0.28%	7.51%	1,234,672	4,783,140	3,711,345	990,525
Q2 2020	312,214,690	6.10%	6.06%	0.28%	7.24%	3,480,145	3,548,468	4,529,870	3,849,699
Q1 2020	308,364,991	6.06%	4.77%	0.07%	6.98%	68,323	68,323	6,544,424	50,700

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