Slower Construction Pipeline Amid Strong Leasing and Sales Volume in Q2

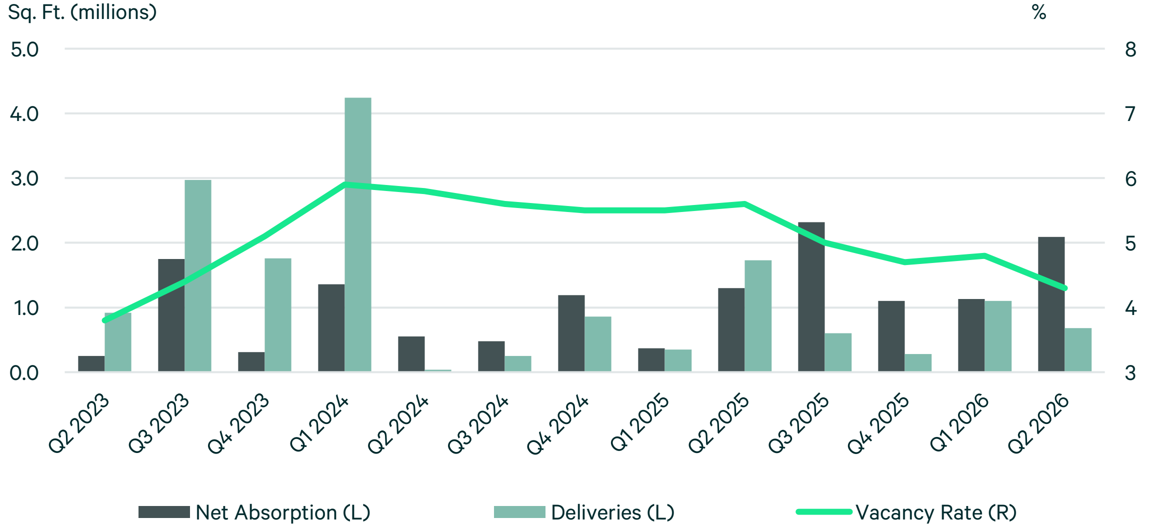
▼4.3%	▲2.1M	▼677,524	▼827,200	▲$5.91
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

- In the Milwaukee Industrial market, there was 2.1 million sq. ft. of positive net absorption in Q2, bringing the annual absorption figure to 3.2 million sq. ft., an increase of 93% year-over-year.
- The market vacancy rate was reported at 4.3% in Q2, a decrease of 130 bps from the previous year and the lowest vacancy reported since Q2 2023.
- The construction pipeline delivered three projects in Q2 for 678,000 sq. ft. of new construction with an additional 827,000 sq. ft. of developments underway, representing a 70% decrease in volume year-over-year.
- Leasing activity in the market reached 3.1 million sq. ft. this quarter with 23 deals greater than 100,000 sq. ft. transacted, an increase of 180% by count of deals and a 124% increase in total volume on large transactions in Q2.
- Total sales volume was $348 million in Q2, an increase of 71% from the previous year. Investment sales volume leading the surge in activity, representing 85% of the quarterly activity.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

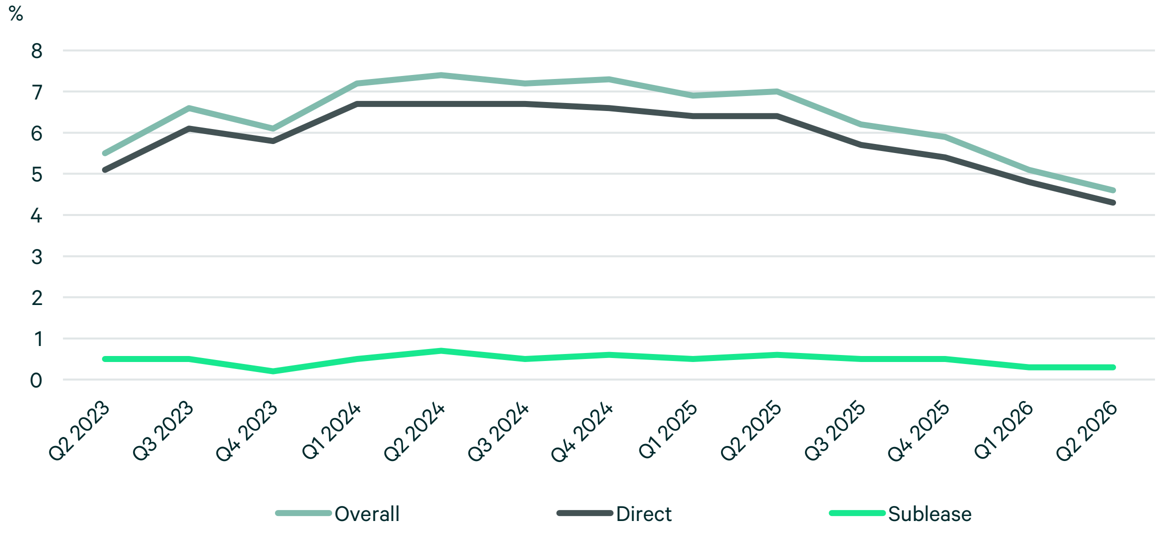
Availability and Vacancy Rates

In Q2 2026, the market posted an overall vacancy rate of 4.3%, a decrease of 50 bps from the previous quarter and down 130 bps year-over-year. Compared with Q2 2023, overall vacancy is 50 bps higher, despite the market having pulled back from the 5.9% peak reached in Q1 2024.

At the submarket level in Q2 2026, Waukesha Northeast recorded the lowest overall vacancy among non-zero markets at 0.3%, followed by Waukesha Southeast at 0.6%, indicating very limited availability in these areas. Milwaukee West posted the highest overall vacancy at 14.0%, with elevated vacancy also present in Kenosha at 8.1% and Racine at 6.6%.

Total market availability was reported at 4.6% in Q2, having decreased by 50 bps from the previous quarter and 180 bps year-over-year. Sublease availability has predominantly stabilized, having reported at 0.3% for three consecutive quarters, its' lowest volume since Q4 2023.

Figure 2: Availability Rate



Source: CBRE Research, Q2 2026

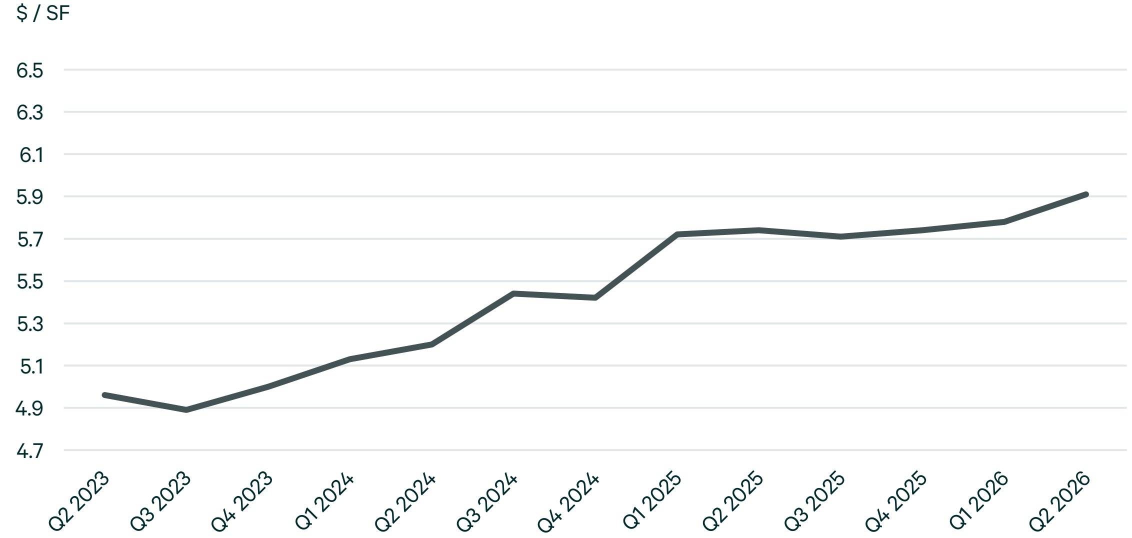
Asking Rent

In Q2 2026, the market-wide average asking rent was $5.91 per sq. ft., an increase of 3% year-over-year and 19%, over the last three years.

In Q2 2026, Milwaukee West posts the highest average asking lease rate at $8.79 per sq. ft., with Milwaukee Downtown the second-highest at $7.36 per sq. ft.

At the lower end, Walworth and Milwaukee North Central record average asking lease rates of $4.11 and $4.15 per sq. ft., respectively, while most other Milwaukee, Waukesha, and Kenosha submarkets fall in a mid-range band between $5.32 and $7.00 per sq. ft.

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q2 2026

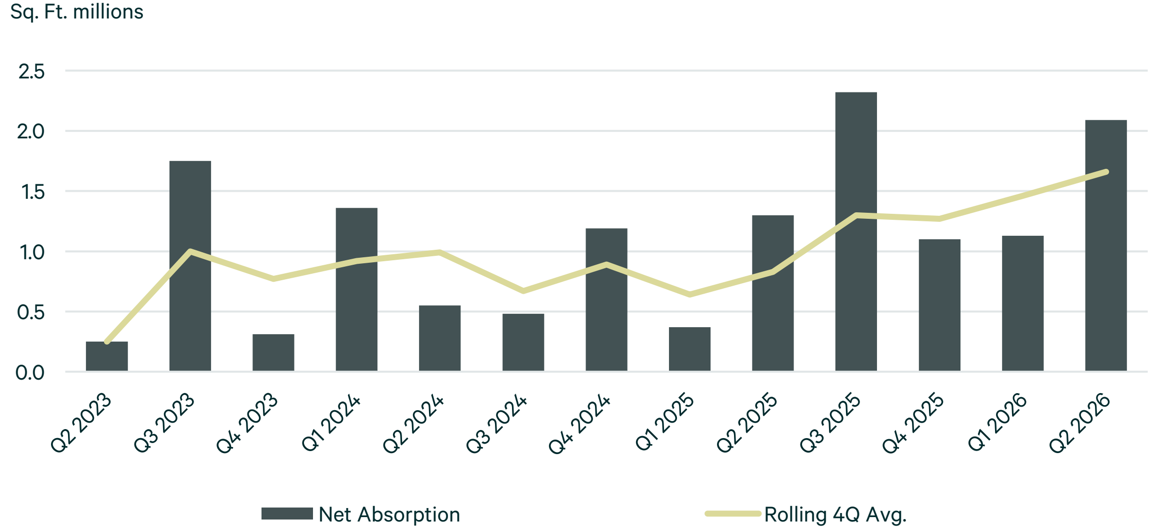
Net Absorption

In Q2 2026, total market net absorption was 2.1 million sq. ft., exceeding the Q1 2026 level by 85% quarter-over-quarter. Net absorption also exceeded the Q2 2025 total by 61% year-over-year. In H1 2026 year-to-date, the market has absorbed 3.2 million sq. ft., 93% higher than the H1 2025 volume.

Kenosha recorded the highest positive net absorption in Q2 2026 at 857,000 sq. ft., followed by Washington at 428,000 sq. ft. Ozaukee and Racine were the next highest positive submarkets, with net absorption of 386,000 sq. ft. and 177,000 sq. ft., respectively. No submarkets registered negative net absorption during the quarter.

Demand for new construction continued to drive activity in the market. Buildings built since 2022 contributed 1.7 million sq. ft. towards positive absorption in Q2. representing 80% of the market's volume this quarter.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Construction Activity

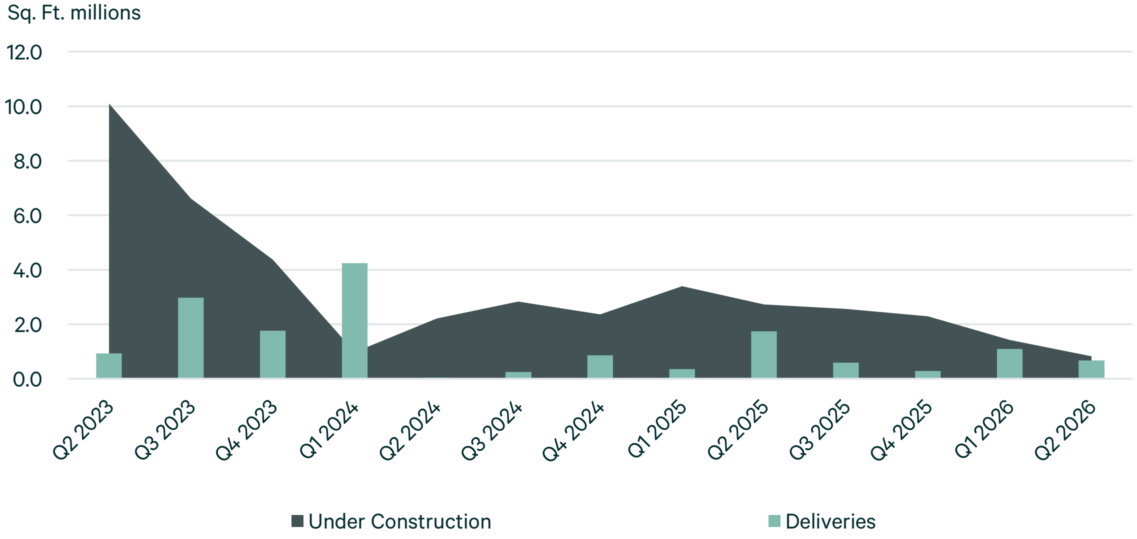
In Q2 2026, the market had 827,000 sq. ft. under construction and delivered 678,000 sq. ft. of new industrial space during the quarter. In 2026 year-to-date, the market has delivered 1.56 million sq. ft. of new industrial product.

The pipeline slowed in Q2, with under construction volume declining 42% quarter-over-quarter and 70% year-over-year, while deliveries fell 38% from the previous quarter and 61% compared to Q2 2025.

In Q2, Milwaukee recorded 5 projects underway. Speculative developments represent 65% of the current pipeline. One project started this quarter, a speculative development with 86,700 sq. ft. available in Cedarburg.

Speculative projects provided 91% of the delivery volume in Q3. Speculative deliveries included Capstone 41-3 in Germantown and Bristol Business Park in Kenosha. Build-to-Suit deliveries this quarter included an expansion for Novonesis in Milwaukee.

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

Leasing Activity

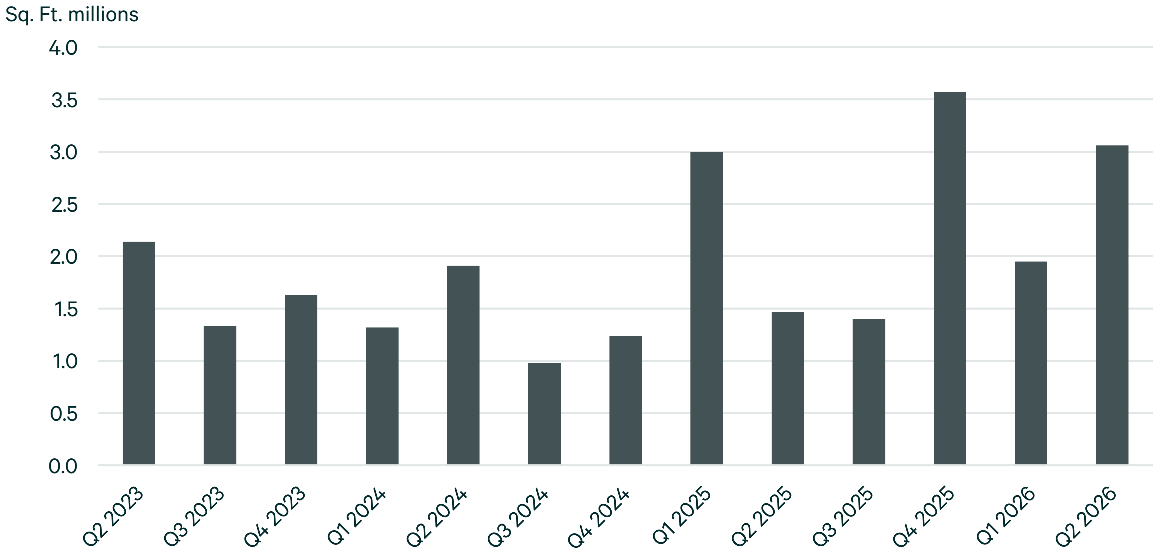
Leasing activity (greater than 50,000 sq. ft.) reached 3.1 million sq. ft. in Q2 2026. Compared with the prior quarter, leasing rose 56.8% quarter-over-quarter and was 107.7% higher year-over-year. In H1 2026, leasing volume exceeded 5 million sq. ft. transacted, an increase of 9% compared to H1 2025.

Kenosha posted the highest leasing in the current dataset at 939,000 sq. ft. representing 30.7% of the quarterly activity, followed by Ozaukee at 777,000 sq. ft. with 25.4% of the market volume in Q2.

Inclusive of all sizes, the average area leased this quarter was 4,440 sq. ft. with an average term length of 43 months. The average lease size represents a 35% increase year-over-year.

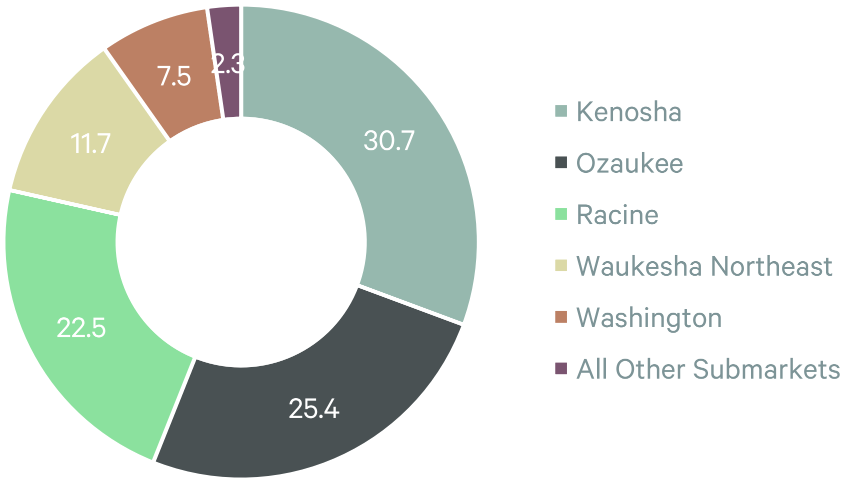
Of the top transactions in Q2 2026, there were 23 deals greater than 100,000 sq. ft. in size, representing an increase of 180% by count of deals and a 124% increase in total volume on large transactions compared to the previous year. The largest new lease in Q2 was for Kodis/SOLVR in Fredonia, with large renewals for Seda in Mount Pleasant and HH Associates in Somers rounding out the top deals.

Figure 6: Leasing Activity Trend (50,000 sq. ft. or Greater)



Source: CBRE Research, Q2 2026

Figure 7: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Kodis LLC (SOLVR)	317,000	New Lease	200 Industrial Dr	Ozaukee
SEDA North American	308,000	Renewal	11905 Meridian Dr	Racine
HH Associates US	301,000	Renewal	8725 31st St	Kenosha
Jusda	217,000	New Lease	2715 International Dr	Racine
Almo	214,000	Renewal	5401 W Donges Bay Rd	Ozaukee
WESCO	181,000	New Lease	N59W13633 Manhardt Dr	Waukesha Northeast
Southland Industries	177,000	New Lease	5401 W Donges Bay Rd	Ozaukee
ID Logistics	167,000	Renewal	8725 31st St	Kenosha

Source: CBRE Research, Q2 2026

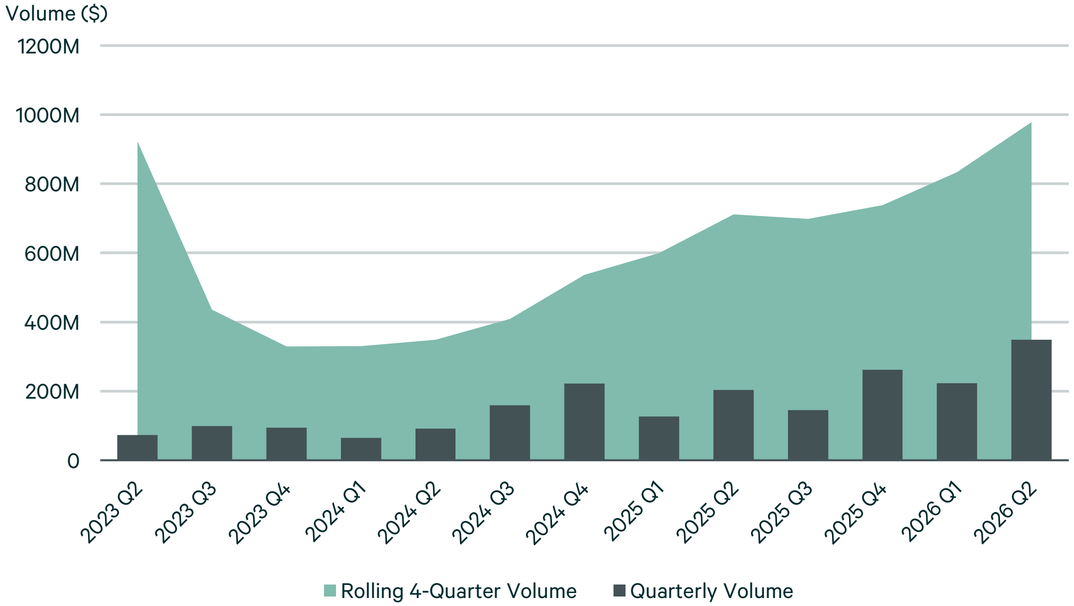
Industrial Sales

Investment sales volume totaled $348 million in Q2 2026, an increase of 71% from the previous year. The rolling four-quarter total volume exceeded $978 million at quarter close, an increase of 37% year-over-year and a signal of the sustained growth in sales volume.

Investment sales drove the surge in total sales activity this quarter with $294 million transacted, representing 85% of total volume, including several of the largest transactions for North Haven Net REIT in Pleasant Prairie and Kenosha, Syndicated Equities in Glendale, and properties in Pewaukee, Milwaukee, among others in the portfolio in Minnesota as part of a refinance for MLG Capital.

The average price per sq. ft. was $80.94, an 11% increase over the three-year average pricing.

FIGURE 10: Sales Volume Trend



Source: CoStar, RCA, CBRE Research, Q2 2026

FIGURE 11: Key Sale Transactions

Address	City	Buyer	Sale Price	Size (Sq. Ft.)	Price Per Sq. Ft.	Sale Type
11559 80th Ave	Pleasant Prairie	North Haven Net REIT	$47,500,000	417,384	$113.80	Investment
6100 N Baker Rd 6120 N Baker Rd	Glendale	Syndicated Equities	$43,430,000	110,000	$413.00	Investment
10200 55th St	Kenosha	North Haven Net REIT	$35,500,000	354,000	$100.28	Investment
*N25W23040 Paul Rd N25W23260 Paul Rd 5319 S 3rd St 5315 S 3rd St	Pewaukee, Milwaukee	MLG Capital	$27,500,000	350,749	$78.40	Investment
N53W24700 Highlands Ct	Sussex	Dynamic Ratings	$17,208,800	139,106	$123.71	Owner User
N53W24700 S Corporate Cir	Sussex	Badger Distribution Inc	$16,250,000	192,160	$84.56	Owner User
3801 E Decorah Rd	West Bend	Smart Asset Capital	$10,300,000	167,000	$61.68	Investment
10303 80th Ave	Pleasant Prairie	Zilber Property Group	$10,050,000	100,000	$100.50	Investment

Source: CoStar, RCA, CBRE Research, Q2 2026

*Part of a larger multi-state portfolio refinance

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	120.67M	7.1	7.4	6.9	0.6	5.89	1.96M	2.43M	238,000	455,000
Manufacturing - General	145.15M	2.9	3.1	2.9	0.2	5.60	51,000	636,000	290,000	287,000
R&D/Flex	32.42M	0.8	1.2	1.2	-	5.40	81,000	67,000	150,000	-
Other Industrial	12.57M	3.6	3.9	3.9	-	9.73	-	91,000	-	85,000
Total	**310.81M**	**4.3**	**4.6**	**4.3**	**0.3**	**5.91**	**2.09M**	**3.22M**	**678,000**	**827,000**

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	37.02M	1.6	1.8	1.6	0.2	5.97	(71,000)	(108,000)	-	-
50K-99,999 SF	59.13M	1.4	1.8	1.8	-	5.32	303,000	517,000	50,000	172,000
100K-249,999 SF	87.03M	4.0	4.4	4.0	0.4	5.88	(12,000)	179,000	238,000	318,000
250K-499,999 SF	59.18M	5.5	5.9	5.2	0.6	6.12	1.05M	1.81M	390,000	337,000
500K-749,999 SF	28.47M	6.5	6.8	6.5	0.4	5.25	825,000	825,000	-	-
750,000 SF +	39.99M	8.4	8.4	8.4	-	6.47	-	-	-	-
Total	**310.81M**	**4.3**	**4.6**	**4.3**	**0.3**	**5.91**	**2.09M**	**3.22M**	**678,000**	**827,000**

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Kenosha	51.09M	8.1	9.1	8.7	0.4	5.32	857,000	1.31M	238,000	-
Milwaukee Downtown	9.88M	6.5	5.9	4.9	1.0	7.36	-	(22,000)	-	-
Milwaukee North Central	10.37M	3.0	4.3	4.3	-	4.15	56,000	63,000	-	-
Milwaukee North Shore	5.49M	7.5	8.6	8.6	-	6.62	-	(120,000)	-	-
Milwaukee Northwest	21.05M	3.3	3.4	3.3	0.2	5.39	(69,000)	53,000	-	-
Milwaukee South	32.83M	2.5	2.5	2.5	-	6.52	107,000	517,000	-	337,000
Milwaukee South Central	11.89M	6.7	6.7	4.8	1.9	-	27,000	182,000	-	-
Milwaukee West	12.16M	14.0	14.5	14.2	0.3	8.79	50,000	112,000	50,000	-
Ozaukee	10.80M	3.0	3.3	3.3	-	5.95	386,000	145,000	-	87,000
Racine	30.94M	6.6	7.0	5.9	1.0	5.67	177,000	264,000	-	-
Sheboygan	17.57M	-	-	-	-	-	101,000	151,000	-	-
Walworth	10.14M	0.8	1.0	1.0	-	4.11	(83,000)	(83,000)	-	-
Washington	22.12M	3.2	3.3	3.3	-	6.74	428,000	254,000	290,000	200,000
Waukesha Northeast	17.73M	0.3	0.5	0.5	-	5.47	54,000	54,000	100,000	-
Waukesha Northwest	18.77M	1.4	1.4	1.4	-	7.00	-	91,000	-	118,000
Waukesha Southeast	14.22M	0.6	0.7	0.7	-	6.85	(46,000)	91,000	-	85,000
Waukesha Southwest	13.76M	2.1	2.1	2.1	-	5.65	47,000	166,000	-	-
Total	**310.81M**	**4.3**	**4.6**	**4.3**	**0.3**	**5.91**	**2.09M**	**3.22M**	**678,000**	**827,000**

Source: CBRE Research, Q2 2026

National Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Milwaukee Employment Update

3.7%
Unemployment Rate

0.8M
Labor Force

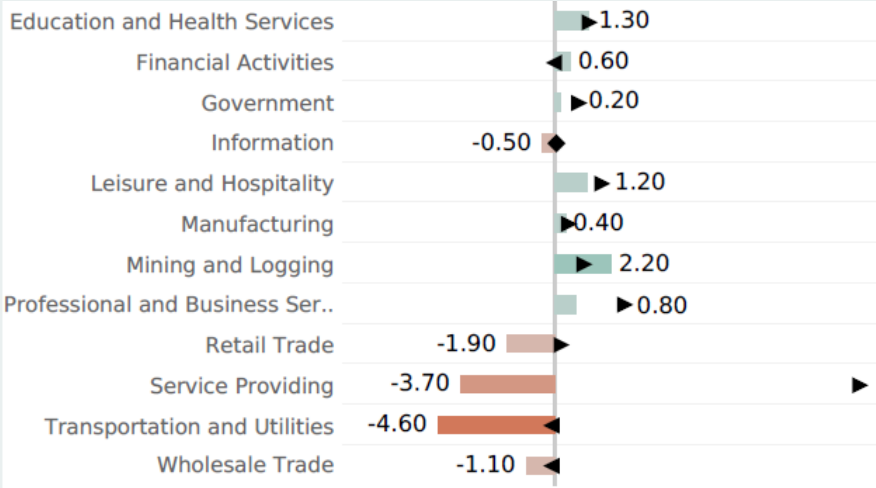
175.7k
Office Using Jobs

286.7k
Industrial Using Jobs

108.8k
Retail Using Jobs

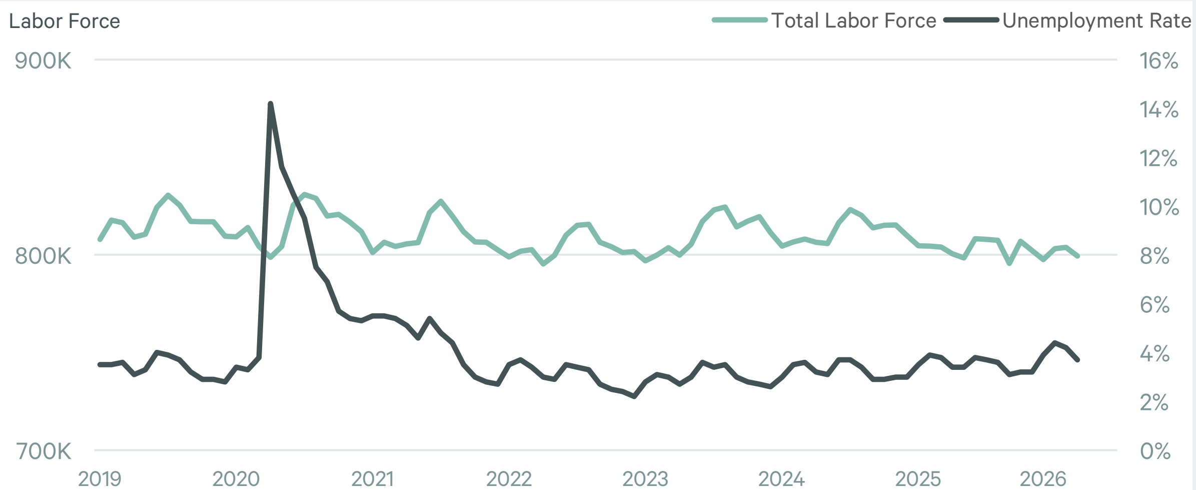
Employment Change by Sector – Yearly + Monthly

Bars indicate yearly trend, arrows indicate monthly trend



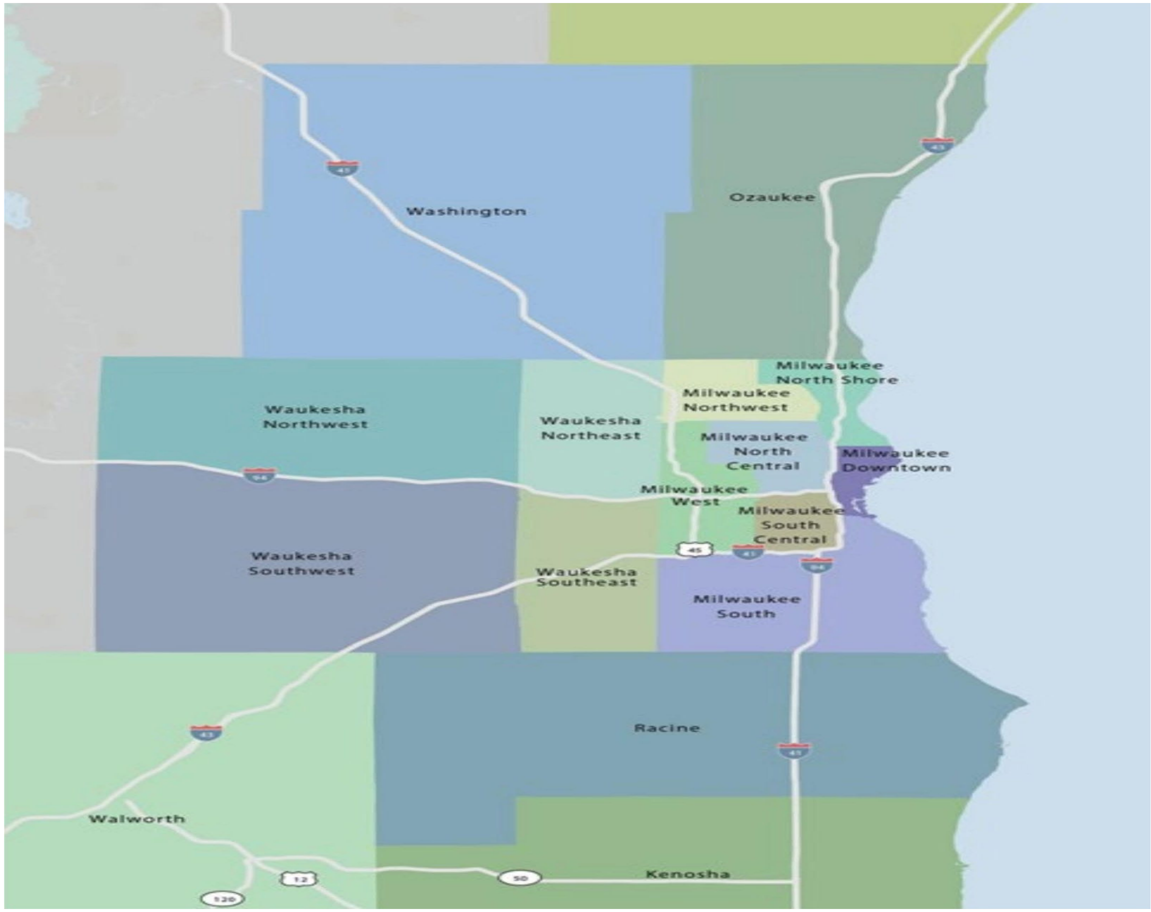
Source: US BLS, April 2026

Milwaukee Unemployment Rate and Labor Force Trends



Source: US BLS, April 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all industrial buildings 30,000 sq. ft. and greater in size in Milwaukee counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Maggie Parra
Research Manager
maggie.parra@cbre.com

Ashley Pifer
Senior Data Intelligence Analyst
ashley.pifer@cbre.com

Jordan Goldberg
Senior Field Research Analyst
jordan.goldberg@cbre.com

Marissa Oberlander
Research Director
marissa.oberlander@cbre.com