

INVESTMENT FORECAST

Industrial
Milwaukee

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2026

Fundamentals Regain Footing as Tenant Needs Expand and Investor Interest Deepens

Expanding infrastructure reinforces industrial recovery. More than 4 million square feet of net move-outs in the first half of 2025 pushed vacancy in Milwaukee to 6.0 percent, though the rate edged lower through mid-2026. A slowing delivery pipeline that is largely pre-leased should support further improvement, even as conditions remain mixed, with vacancy near 2 percent in Waukesha County versus more than 7 percent in Milwaukee and Racine counties. Expanding freight and power capacity is expected to enhance the metro's appeal, as Milwaukee Mitchell International Airport advances a 337,000-square-foot cargo expansion and Racine County plans two new substations. That backdrop aligns with recent major commitments, including Foxconn's planned \$579 million build-out in Mount Pleasant and Rockwell's proposed 1-million-square-foot facility in New Berlin. Low operating costs and a deep manufacturing labor pool position the metro to keep drawing tenants, including firms pursuing onshoring, though trade and energy volatility may keep near-term leasing measured.

Small-bay warehouses gain appeal as sale-leasebacks fuel larger trades. A strong increase in sales activity has driven deal flow about 50 percent above the 2015-2019 average. In the small-bay segment, investment shifted more decisively toward warehouses, which serve a broad tenant mix and are often easier to backfill than manufacturing assets. Activity also shifted north along Interstate 41 between Butler and Germantown. Meanwhile, a record number of \$10 million-plus trades points to rising institutional interest. Many of these deals were sale-leasebacks of manufacturing facilities in Waukesha and Milwaukee counties, enabling tenants to free up capital while remaining in place. That structure should stay appealing while rate uncertainty persists.

2026 MARKET FORECAST

-1.1%



Employment: The metro will shed 9,500 jobs in 2026 amid broad sectoral volatility, though Milwaukee's construction sector may remain one of the fastest-growing among major markets.

1.3 million
sq. ft.



Construction: Completions are forecast to decline roughly 35 percent year-over-year in 2026, with inventory growth of 0.5 percent, about half the pace of the prior 10-year average.

-10 bps



Vacancy: Improving net absorption and fewer deliveries help vacancy fall for the first time in five years. At 5.5 percent, the metro will retain one of the 10 lowest rates among major markets.

+2.3%

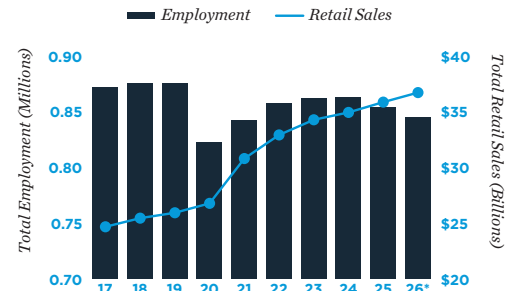


Rent: Recent tenant move-outs will slow the pace of rent growth this year, as newly vacant space intensifies competition, with the average asking rate reaching \$6.23 per square foot.

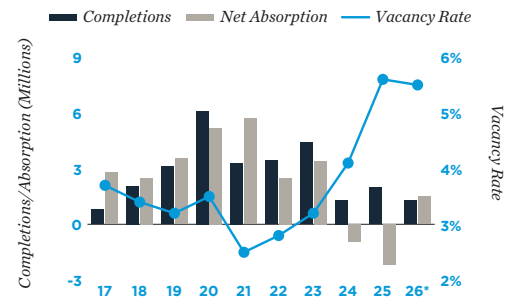
INVESTMENT:

Wisconsin's new PFAS liability protections for owners not directly responsible for contamination may support acquisitions of older industrial assets by reducing remediation-related underwriting risk.

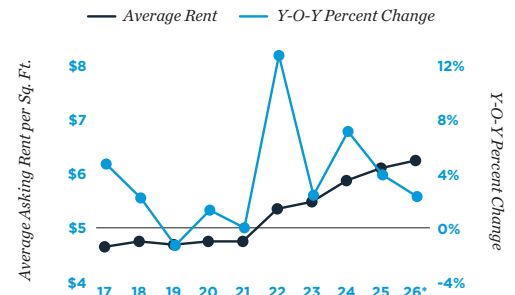
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

Alan L. Pontius

Senior Managing Director, National Division Leader
Tel: (415) 963-3000 | apontius@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.