

FIGURES | MILWAUKEE INDUSTRIAL | Q4 2024

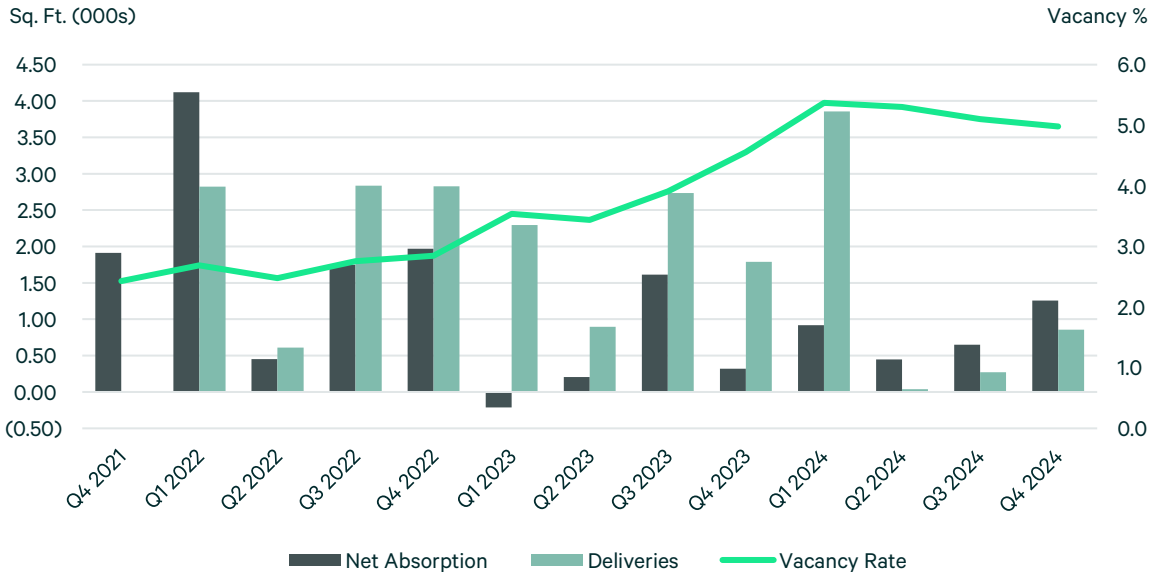
# Large users in Kenosha drive down Milwaukee vacancy rates in 2024



Note: Arrows indicate change from previous quarter.

- The vacancy rate decreased by 20 basis points (bps) to 5.0% and the availability remained at 6.4%. The average direct asking lease rate increased to from \$5.45 to \$5.59.
- The market saw 1.3M sq. ft. of positive absorption during Q4 2024. Eli Lilly purchased and moved into 323,970 sq. ft. in Kenosha. Two user projects including Carmex Labs in Franklin and Drexel Building Supply in Walworth County contributed 572,000 sq. ft. towards positive absorption for the quarter.
- There were five deliveries in Q4 2024, totaling 855,968 sq. ft., up from 75,000 sq. ft. in Q3 2024 which experienced the lowest delivery volume since Q1 2018. There are approximately 2.7 million sq. ft. of projects under construction in the market, down from 2.8 million in Q3 2024.
- There was approximately \$61.4 million in industrial investment sales volume in Q4 2024, down from \$124.5 million in Q3 2024.
- Vacancy rates dropped by 72 bps in the Kenosha submarket in Q4 2024 due to a lack of spec deliveries and the purchase of one 323,970 sq. ft. spec building. Milwaukee West's vacancy increased overall in 2024 due to Briggs and Stratton moving out of their campus.
- There were four leases over 100,000 sq. ft. signed this quarter including three renewals and one new lease. The largest lease signed this quarter was Generac Power Systems, renewing 416,392 sq. ft at W210N12800 Gateway Crossing in Richfield.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q4 2024

Construction Pipeline & Absorption

For Q4 2024, Milwaukee recorded 20 projects totaling 2.7 million sq. ft. under construction. The largest project currently under construction is the 593,565 sq. ft. build-to-suit (BTS) LogistiCenter – Building 1 for Atlanta-based manufacturer WestRock in Kenosha. The largest projects that delivered in Q4 2024 included Carmex Labs in Franklin and Drexel Building Supply in Walworth County, contributing 572,000 sq. ft. towards positive absorption for the quarter. Only three speculative (spec) projects are now under construction in response to the significant amount of recently delivered and vacant spec space in the Milwaukee market. XII Sussex Highlands, a 138,992 sq. ft. spec property in Sussex, and Mitchell Airport Spec Industrial, a 61,400 sq. ft. facility in Cudahy, both commenced construction in Q3 2024. The third spec project, a 101,789 sq. ft. building on Davian Dr. in Menomonee Falls, began construction this quarter.

In 2024, several major industrial users, such as Briggs and Stratton, Steel Solutions, and PepsiCo, vacated outdated industrial facilities in the Milwaukee metro area. The resulting vacancies in older buildings across the Milwaukee South and Milwaukee West submarkets, combined with recent speculative deliveries in Kenosha and Racine, have fueled increasing industrial vacancy rates over the past two years. However, with a slowdown in speculative construction and tenants occupying newly delivered spaces, vacancy rates began to drop in 2024. Users including Eli Lilly\*, HARIBO\*, ERMCO and PurposeBuilt Brands\* all purchased or leased large spec buildings in Kenosha in the second half of 2024. Taking these large spec spaces dropped contributed to the 81 bps drop in vacancy in the Kenosha submarket and metro area.

\*CBRE represented transaction.

FIGURE 2: Active Construction, Q4 2021 to Q4 2024



Investment Sales

Industrial investment sales volume decreased in Q4 2024, with 15 properties totaling approximately 837,216 sq. ft. selling for a total of \$61.3 million. The largest investment transaction of the quarter was sale of 5500 52nd St in Kenosha. The 117,000 sq. ft. Roundy’s distribution property was sold to Realty Income Corporation for \$15.6 million.

The largest investment transaction of 2024 was the portfolio sale of Mitchell Industrial Park in Cudahy. Ten properties, totaling 879,704 sq. ft. sold for \$60 million in Q3 2024.

Cap rates for core Class A (Core and Core Plus) in the Milwaukee Metro remain at 6.25%-6.50%. Interest rates dropped by 50 bps in Q4 2024, bringing optimism to the industry, but not guaranteeing a significant, immediate change.

A major industrial user sale in Q4 2024 was the purchase of Bristol Business Park – Building 8 in Kenosha by pharmaceutical giant Eli Lilly. This large user deal and purchase of adjacent land parcels shows the company’s commitment to the market, with plans in place to expand a facility in 2025.

Construction costs have remained high in Q4 2024, causing existing user-owned buildings to trade at a premium. Whereas in past years, income-producing industrial properties were valued more, costs to build comparable user-owned properties are currently more per sq. ft. than purchasing most existing buildings.

FIGURE 3: Investment Sales, Q4 2021 to Q4 2024

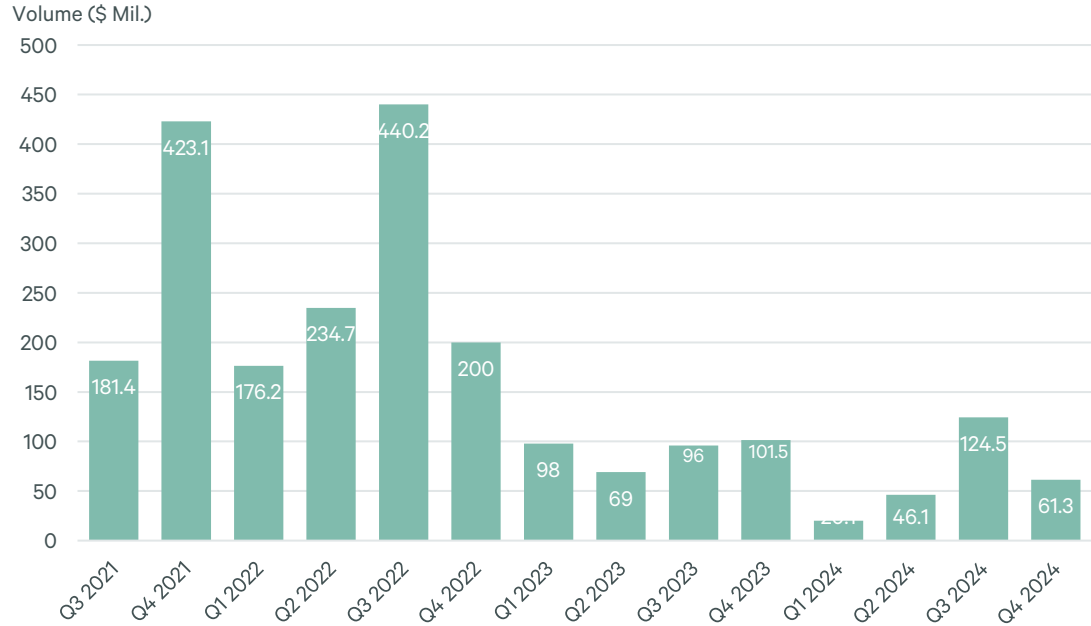


FIGURE 4: Vacancy Rate (%) and NNN / Lease Rate (\$)



Source: CBRE Research, Q4 2024

FIGURE 5: Top New Lease Transactions, Q4 2024

Tenant	Sq. Ft.	Lease Type	Address
Harley Davidson	153,077	New	11800 W Burleigh St, Wauwatosa
Confidential	72,561	New	1717 Pearl St, Waukesha
Pickleball Kingdom	59,970	New	14900 W Shawn Cir, Menomonee Falls
Forefront Dermatology*	52,020	New	7809 100 <sup>th</sup> St, Kenosha
WI Building Supply*	24,650	New	W250 N5467 Business Dr, Sussex

Source: CBRE Research Q4 2024 \*CBRE represented transaction.

FIGURE 6: Milwaukee Market Industrial Statistics

	Net Rentable Area (sq. ft.)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$) (NNN/YR)	Current Quarter Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	Deliveries (sq. ft.)	Under Construction (sq. ft.)
Kenosha	51,241,858	11.8	15.8	14.3	1.5	5.44	370,373	2,435,022	-	964,565
Milwaukee Downtown	11,827,396	5.4	6.4	5.6	0.8	4.62	(9,048)	(74,148)	-	-
Milwaukee North Central	12,156,421	3.1	7.6	7.6	0.0	3.6	65,328	(105,181)	-	-
Milwaukee North Shore	5,791,117	1.3	3.2	3.2	0.0	5.16	(97)	2,903	-	-
Milwaukee Northwest	24,797,870	3.0	4.1	3.6	0.5	4.5	107,732	(188,725)	105,116	28,400
Milwaukee South	36,003,618	3.8	4.7	4.3	0.3	5.64	122,143	148,155	195,000	371,400
Milwaukee South Central	13,288,027	10.8	12.2	9.8	2.4	7.09	26,099	(216,331)	-	202,213
Milwaukee West	14,041,261	14.0	15.2	14.9	0.3	4.3	164,846	(305,976)	-	50,000
Ozaukee	12,256,998	1.3	1.7	1.7	-	5.8	(51,100)	125,866	-	-
Racine	33,078,960	7.3	9.1	8.8	0.3	5.72	-	46,313	-	109,636
Sheboygan	18,810,566	0.7	1.0	1.0	-	4.5	-	-	-	99,500
Walworth	11,840,462	0.6	1.1	1.1	-	4.58	(31,715)	123,285	-	-
Washington	24,587,850	4.1	4.4	4.4	-	70.79	479,874	866,619	495,852	273,450
Waukesha Northeast	22,738,689	0.6	0.4	0.4	-	6.43	22,327	98,857	-	242,459
Waukesha Northwest	21,311,796	0.3	1.9	1.7	-	6.24	166,770	350,811	60,000	161,992
Waukesha Southeast	16,371,382	2.5	2.8	2.1	-	7.59	(157,953)	25,025	-	58,000
Waukesha Southwest	17,389,009	1.2	1.5	1.3	-	6.32	(18,000)	(63,462)	-	126,934
Total	347,533,280	5.0	6.4	5.9	0.5	5.59	1,257,579	3,269,033	855,968	2,688,549

National Economic Outlook

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

Source: CBRE Research, Q4 2024.

\* Includes built-to-suit and spec projects

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.

Survey Criteria

Includes all industrial buildings 20,000 sq. ft. or greater. Excludes Government owned and occupied buildings, or Medical buildings. Buildings which have begun construction as evidenced by site excavation or foundation work.

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