



A Market That Grew Into Its Supply: Why Inventory Growth Does Not Necessarily Mean Oversupply

EXECUTIVE SUMMARY

New apartment construction is often viewed through a simple lens: more units mean more competition and higher vacancy. Over longer periods, however, the relationship between supply and market fundamentals depends just as much on demand.

Milwaukee provides a compelling example. Since 2014, the market has added roughly **30,000 multifamily units** without experiencing a structural increase in vacancy. Today, Milwaukee contains approximately **124,000 units with vacancy of just 4.2%**.

Madison and Racine are at earlier stages of similar supply cycles. Both have experienced significant recent deliveries but continue to absorb new apartments. **The question isn't simply how much housing gets built, but whether renter demand ultimately grows into that supply.**

KEY INSIGHT

Inventory growth and oversupply are not the same thing.

Oversupply occurs when new housing consistently exceeds a market's ability to absorb it. Milwaukee's experience shows that a market can materially expand its apartment stock while maintaining healthy long-term occupancy if renter demand grows alongside supply.

Milwaukee didn't simply absorb new supply. Over time, it grew into it. The market's experience illustrates why supply should be viewed alongside the depth of renter demand, rather than as a standalone measure of market risk.

MARKET FUNDAMENTALS SNAPSHOT

Milwaukee

Milwaukee continues to demonstrate strong renter demand following its recent development cycle. Over the past 12 months, approximately **2,909 units were absorbed compared with 1,238 deliveries**, helping vacancy decline 140 basis points year over year to **4.2%**.

Milwaukee Market Stats			
	Milwaukee MSA	Downtown	Shorewood
Inventory:	123,953 ↓	19,210	2,440
Asset Value:	\$19.9 billion ↓	\$3.9 billion ↓	\$373 million ↑
Under Construction:	3,826	438	0
12 Mo Absorption:	2,909 ↓	740 ↓	42 ↓
Vacancy Rate:	4.2%	4.8% ↓	3.3% ↑
Class-A Vacancy Rate:	6.9% ↓	5.5% ↓	4.8% ↓
Class-B Vacancy Rate:	3.5% ↓	4.4%	2.2% ↑
Market Asking Rent/Unit:	\$1,514	\$1,714 ↑	\$1,529 ↓
Annual Rent Growth:	2.7%	2.2% ↓	4.1% ↓
12 Mo Sale Volume:	\$519 million ↓	\$137 million	\$19 million ↓



MARKET FUNDAMENTALS SNAPSHOT (cont.)

Milwaukee (cont.)

Vacancy is now just **3.5% in both 3-Star and 1 & 2-Star properties**, while asking rents have grown 2.7% annually. Against the backdrop of Milwaukee's significant long-term inventory growth, today's fundamentals demonstrate how a market can materially expand its housing stock without creating persistent excess vacancy.

Madison

Madison remains in the process of absorbing a significant expansion of its apartment stock. Multifamily inventory has increased **24.2% over the past five years**, and approximately **3,543 units were delivered over the past year compared with 2,339 units absorbed**. Vacancy currently stands at 7.5%.

There are early signs of improving balance, with **529 units absorbed during the current quarter compared with 294 deliveries**. Approximately 3,100 units remain under construction, so the adjustment is not yet complete, but continued absorption should help the market gradually work through the inventory added during the current development cycle.

Madison Market Stats	
Inventory:	83,792 ↓
Asset Value:	\$16.1 billion
Under Construction:	3,077 ↑
12 Mo Absorption:	2,339 ↓
Vacancy Rate:	7.5% ↑
Class-A Vacancy Rate:	8.4% ↓
Class-B Vacancy Rate:	7.9% ↓
Market Asking Rent/Unit:	\$1,659 ↓
Annual Rent Growth:	0.4% ↓
12 Mo Sale Volume:	\$367 million ↓

Racine

Racine is experiencing a similar dynamic on a smaller scale. Approximately **600 units were delivered over the past year in a market with fewer than 10,000 apartments**, while 381 units were absorbed. That significant addition to inventory has contributed to vacancy rising to **8.4%**.

Despite elevated vacancy, asking rents have increased **2.8% over the past year**, ahead of the 1.3% national rate. Another 626 units remain under construction, meaning Racine still has supply to absorb, but its recent performance suggests that renter demand continues to grow alongside the market's expanding housing stock.

Racine Market Stats	
Inventory:	9,831 ↓
Asset Value:	\$1.5 billion ↓
Under Construction:	626
12 Mo Absorption:	381 ↓
Vacancy Rate:	8.4% ↓
Class-A Vacancy Rate:	17.3% ↓
Class-B Vacancy Rate:	11.9% ↓
Class-C Vacancy Rate:	3.5% ↑
Market Asking Rent/Unit:	\$1,359 ↓
Annual Rent Growth:	2.8% ↓
12 Mo Sale Volume:	\$46.7 million ↓



MARKET THEMES

Inventory growth is not synonymous with oversupply.

Milwaukee's long-term expansion demonstrates that a market can add substantial housing without creating persistently elevated vacancy. The critical variable is whether renter demand expands alongside the housing stock.

Absorption provides important context for delivery numbers.

Madison and Racine currently have elevated vacancy following significant construction cycles, but both continue to absorb new apartments. A market adding supply while simultaneously adding renters is fundamentally different from one experiencing declining demand.

Scale matters.

The same number of new apartments can have dramatically different effects depending on the size of the existing market. Racine's 600 recent deliveries represent more than 6% of its existing inventory, while an equivalent number of units would represent less than 0.5% of Milwaukee's stock.

INVESTOR PERSPECTIVE

Multifamily investors appropriately pay close attention to development pipelines. New supply creates competition and can temporarily pressure occupancy and rent growth. But supply should not be evaluated in isolation.

The more important long-term question is whether a market has the underlying demand to support a growing housing stock.

Milwaukee's experience suggests that substantial inventory growth can coexist with healthy long-term fundamentals when renter demand keeps pace. For investors, understanding the depth and durability of that demand can be just as important as measuring the number of units currently under construction.

INVESTMENT OUTLOOK

Milwaukee has largely absorbed its recent development cycle, with demand now outpacing deliveries and vacancy declining. Madison continues to work through a significant expansion of its housing stock, while Racine is absorbing a concentrated wave of development relative to its smaller inventory base.

Each market is at a different point in the supply cycle, but all three continue to demonstrate meaningful renter demand. **A growing apartment inventory is not necessarily evidence of oversupply. When renter demand grows alongside it, new supply can ultimately support a larger, deeper and more durable multifamily market.**