



EXECUTIVE SUMMARY

The workforce housing segment is continuing to demonstrate a meaningful operating advantage across Midwest multifamily markets. While headline market conditions remain stable to improving, the strongest occupancy performance is increasingly concentrated in Class B and Class C assets, where rent levels remain attainable and direct competition from new supply is limited.

Across Milwaukee, Madison, and Racine, newer luxury product continues to absorb the bulk of recent construction and carries higher vacancy as lease-ups work through the pipeline. By contrast, more affordable properties are benefiting from steady renter demand, constrained single-family alternatives, and a limited supply of comparable new product. For investors, that dynamic reinforces a core principle: durable growth is often built on strong foundations at the workforce end of the market, where affordability supports occupancy and operating stability.

MARKET FUNDAMENTALS SNAPSHOT

Milwaukee

Milwaukee’s vacancy compression continues to be driven by strength in workforce-oriented inventory. While overall vacancy sits at 5.2%, that headline masks a clear split across asset classes: Class A vacancy remains elevated at 9.3%, compared to 4.4% for Class B and 3.9% for Class C properties. This divergence reflects the

concentration of recent supply at the upper end of the market, where lease-ups and concessions continue to impact occupancy, while Class B and C assets benefit from steady renter demand and more attainable rent levels.

Submarket performance reinforces this trend. Areas with higher exposure to new development, particularly downtown, continue to show elevated vacancy, while more established neighborhoods such as Shorewood/Whitefish Bay remain tighter, with overall vacancy at 4.1%. For investors, Milwaukee highlights a consistent theme: while the broader market is stabilizing, the most durable operating performance remains concentrated in workforce housing, where limited new supply and affordability continue to support occupancy.

Milwaukee Market Stats			
	Milwaukee MSA	Downtown	Shorewood
Inventory:	121,713 ↓	18,572 ↓	2,430
Asset Value:	\$19.2 billion	\$3.8 billion	\$345 million ↓
Under Construction:	3,335 ↓	378	0
12 Mo Absorption:	3,074	653 ↓	37 ↑
Vacancy Rate:	5.2%	7.7% ↓	4.1% ↓
Class-A Vacancy Rate:	9.3% ↓	10.8% ↓	6.4% ↓
Class-B Vacancy Rate:	4.4%	5.4% ↓	3.9%
Market Asking Rent/Unit:	\$1,481 ↑	\$1,689 ↑	\$1,507 ↑
Annual Rent Growth:	1.7% ↓	0.4% ↓	1.2% ↑
12 Mo Sale Volume:	\$457 million ↑	\$36.5 million ↑	\$16.1 million ↑

Orinova Capital

Market Brief

Durable Growth Begins with Strong Foundations

Milwaukee • Madison • Racine

March 31, 2026



MARKET FUNDAMENTALS SNAPSHOT (cont.)

Madison

Madison continues to demonstrate long-term stability, supported by its diversified employment base anchored by the University of Wisconsin, state government, and healthcare. Overall vacancy remains relatively controlled, but underlying trends point to increasing segmentation within the market. Recent Class A deliveries are creating localized pressure at the top end, with higher vacancy and concessions emerging in newer lease-up properties, while demand remains steady but increasingly price-sensitive.

Madison Market Stats

Inventory:	79,941 ↓
Asset Value:	\$15.8 billion ↓
Under Construction:	5,933 ↓
12 Mo Absorption:	1,870 ↓
Vacancy Rate:	5.8% ↓
Class-A Vacancy Rate:	6.5% ↓
Class-B Vacancy Rate:	5.9% ↓
Market Asking Rent/Unit:	\$1,662 ↓
Annual Rent Growth:	1.3% ↓
12 Mo Sale Volume:	\$306 million ↓

In contrast, Class B and C properties continue to outperform, benefiting from limited new supply and sustained demand for more attainable housing. Workforce housing remains particularly tight in established submarkets, supporting stronger occupancy and more consistent operating performance. As a result, Madison remains a fundamentally sound market, but one where the divergence between newer luxury product and existing workforce housing is becoming more pronounced.

Racine

Racine benefits from their relative affordability, supporting consistent demand for workforce housing. Overall vacancy remains stable, with limited new supply helping maintain balance across the market. Unlike larger metros, the absence of significant Class A development has reduced volatility, allowing fundamentals to remain consistent across asset classes.

Racine Market Stats

Inventory:	9,219 ↓
Asset Value:	\$1.3 billion ↓
Under Construction:	820
12 Mo Absorption:	239 ↓
Vacancy Rate:	6.2% ↓
Class-A Vacancy Rate:	14.4% ↓
Class-B Vacancy Rate:	5.9% ↓
Class-C Vacancy Rate:	4.3% ↓
Market Asking Rent/Unit:	\$1,277 ↓
Annual Rent Growth:	2.9% ↓
12 Mo Sale Volume:	\$53.2 million ↓

That said, the investment story remains centered on workforce housing. Class B and C properties continue to see the strongest occupancy trends, driven by renters priced out of higher-cost markets nearby. With steady demand and minimal new construction, these submarkets offer a more stable operating environment, reinforcing their role as attractive targets for investors seeking consistent cash flow over near-term rent growth.

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SUPPLY & DEVELOPMENT TRENDS

Recent supply has remained concentrated in newer, upper-tier product, while the workforce segment faces far less direct competition. In Milwaukee and Madison, elevated vacancy remains tied to Class A lease-ups, while stabilized mid-market assets maintain stronger occupancy. In Racine, construction is meaningful relative to market size, but workforce housing continues to show tighter fundamentals than upper-tier product.

Across these markets, new development has expanded choice at the top but done little to address demand for attainable rental housing. This imbalance continues to support the operating advantage of workforce-oriented assets, where limited new supply and steady demand drive occupancy and stability.

CAPITAL MARKETS COMMENTARY

Transaction activity remains selective as elevated interest rates and tighter financing conditions continue to influence pricing and underwriting. While overall volume remains below long-term averages, investors are increasingly focused on assets with stable occupancy and durable demand drivers.

This has reinforced a growing preference for workforce housing. Class B and C assets continue to trade at more attractive bases relative to replacement cost while offering stronger in-place performance, whereas newer assets with lease-up or concession exposure face greater scrutiny. The current environment continues to favor disciplined execution and alignment with underlying market fundamentals.

INVESTMENT IMPLICATIONS

- Workforce housing continues to offer a relative operating advantage as affordability constraints support occupancy in Class B and Class C inventory across Midwest markets.
- Development pressure remains concentrated at the upper end of the market, reinforcing the value of disciplined acquisitions in stabilized, attainable product where direct new competition is limited.
- We believe durable growth begins with strong foundations, and in the current environment those foundations increasingly appear strongest where rent levels remain aligned with everyday renter demand.