# Orinova Capital

## Market Brief

*Durable Growth Begins with Strong Foundations*

Milwaukee • Madison • Racine

July 7, 2026

## EXECUTIVE SUMMARY

The recent acceleration in rent growth across Wisconsin highlights an important investment takeaway: acquiring stabilized assets may offer superior risk-adjusted returns to new development in the current environment. Existing properties are benefiting from tightening occupancy and rising rents, while new projects continue to face cost volatility, financing risk, and lease-up uncertainty.

This contrast is especially clear when comparing Class A vacancy to workforce housing. Milwaukee's Class A inventory has vacancy near 6.9%, while Class B & C assets remain much tighter at 4.0% and 3.6%, respectively. In Racine, the spread is even more pronounced, with Class A vacancy above 21% while Class B & C assets remain near 4%.

For investors, the implication is straightforward. In markets where rent growth is already occurring and stabilized occupancy remains healthy, acquiring existing assets may provide a more attractive path to cash flow growth than taking on development risk.

## MARKET FUNDAMENTALS SNAPSHOT

### *Milwaukee*

Milwaukee continues to demonstrate strong operating fundamentals, with vacancy at 4.4% and annual rent growth of 2.7%, well above the national average. Demand has meaningfully outpaced supply over the past year, with roughly 3,000 units absorbed compared to just over 1,100 units delivered.

**Milwaukee Market Stats**

| | Milwaukee MSA | Downtown | Shorewood |
|---|---|---|---|
| Inventory: | 122,841 ↑ | 18,655 ↑ | 2,440 |
| Asset Value: | $20.0 billion ↑ | $4.0 billion ↑ | $366 million ↑ |
| Under Construction: | 3,753 ↓ | 438 | 0 |
| 12 Mo Absorption: | 3,047 ↓ | 736 ↑ | 32 ↓ |
| Vacancy Rate: | 4.4% ↑ | 5.9% ↓ | 3.7% ↓ |
| *Class-A Vacancy Rate:* | *6.9%* ↓ | *7.0%* ↓ | *5.7%* |
| *Class-B Vacancy Rate:* | *4.0%* ↑ | *5.1%* ↑ | *3.6%* |
| Market Asking Rent/Unit: | $1,508 ↑ | $1,712 ↑ | $1,525 ↑ |
| Annual Rent Growth: | 2.7% ↑ | 1.8% ↑ | 3.7% ↑ |
| 12 Mo Sale Volume: | $412 million ↓ | $40.1 million ↓ | $13.0 million |

The more important story is the performance gap between stabilized assets and new product. Milwaukee's Class A inventory continues to carry elevated vacancy at 6.9%, while Class B and C assets remain much tighter. This reinforces the advantage of acquiring well-located existing properties where occupancy is already proven and rent growth can be captured without assuming lease-up risk.

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## MARKET FUNDAMENTALS SNAPSHOT (cont.)

### *Madison*

Madison remains a strong long-term market, but its current development cycle highlights the risks facing new construction. The market delivered nearly 3,900 units over the past year while absorbing roughly 2,400 units, pushing vacancy to 7.8%.

Class A vacancy sits at 9.2%, Class B vacancy is at 8.3%, while Class C vacancy is just 4.2%. That spread illustrates the challenge of bringing new product to market in a period of elevated supply, higher financing costs, and uncertain lease-up timing. Madison's fundamentals remain attractive, but stabilized acquisitions may offer a cleaner risk-adjusted profile while the market absorbs its current pipeline.

| Madison Market Stats | |
|---|---|
| Inventory: | 83,424 ↑ |
| Asset Value: | $16.2 billion |
| Under Construction: | 3,496 ↓ |
| 12 Mo Absorption: | 2,431 ↑ |
| Vacancy Rate: | 7.8% ↑ |
| *Class-A Vacancy Rate:* | *9.2%* ↓ |
| *Class-B Vacancy Rate:* | *8.3%* ↑ |
| Market Asking Rent/Unit: | $1,670 ↑ |
| Annual Rent Growth: | 1.0% ↓ |
| 12 Mo Sale Volume: | $333 million ↓ |

### *Racine*

Racine continues to show strong workforce housing fundamentals, with annual rent growth of 2.5% and absorption exceeding deliveries over the past year. Market vacancy remains elevated at 6.9%, but that figure is heavily influenced by new and higher-end product.

The Class A vacancy rate in Racine is 21.5%, compared to 4.4% for Class B assets and 3.7% for Class C assets. This is one of the clearest examples of why stabilized workforce housing may offer stronger risk-adjusted returns than development. Existing affordable units are operating with tight occupancy and stronger rent growth, while new supply faces a much more uncertain lease-up environment.

| Racine Market Stats | |
|---|---|
| Inventory: | 9,505 ↑ |
| Asset Value: | $1.4 billion |
| Under Construction: | 806 |
| 12 Mo Absorption: | 344 ↓ |
| Vacancy Rate: | 6.9% ↓ |
| *Class-A Vacancy Rate:* | *21.5%* ↓ |
| *Class-B Vacancy Rate:* | *4.4%* ↓ |
| *Class-C Vacancy Rate:* | *3.7%* |
| Market Asking Rent/Unit: | $1,308 ↓ |
| Annual Rent Growth: | 2.5% ↓ |
| 12 Mo Sale Volume: | $54.3 million ↓ |

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## SUPPLY & DEVELOPMENT TRENDS

Supply conditions remain highly uneven across Wisconsin. Madison continues to work through a major delivery cycle, Milwaukee has a meaningful but more manageable pipeline, and Racine has an elevated number of units under construction relative to its market size.

Demand remains healthy, but the benefits are not evenly distributed. Stabilized workforce housing continues to show tighter occupancy than Class A product in several markets, suggesting that renter demand is strongest where affordability remains compelling. This supports the case for acquiring existing assets rather than taking on development exposure in a volatile construction and financing environment.

## CAPITAL MARKETS COMMENTARY

Capital markets remain challenging for development. Higher interest rates, construction cost volatility, and tighter lending standards continue to make new projects difficult to underwrite, particularly when lease-up timelines and exit cap rates remain uncertain.

At the same time, improving rent growth and strong occupancy in stabilized assets are helping support income growth for existing owners. As investors focus more heavily on current cash flow and downside protection, stabilized acquisitions may continue to attract capital relative to development opportunities that require several years of execution before producing durable income.

## INVESTMENT IMPLICATIONS

The current market environment favors discipline. Rent growth is improving across several Wisconsin markets, but the strongest risk-adjusted opportunities may be found in stabilized assets where occupancy is already proven and operating income can grow without taking on construction and lease-up risk.

Development will continue to play an important role in meeting long-term housing demand, particularly in high-growth markets such as Madison. However, given today’s cost volatility, financing constraints, and elevated Class A vacancy in several markets, acquiring well-located existing assets may offer a more attractive balance of yield, growth, and downside protection.