Midwest Market Brief | Issue 13

Durable Growth Begins with Strong Foundations

Milwaukee • Madison • Racine

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ORINOVA CAPITAL

Supply Is Only a Problem When Demand Can't Keep Up

EXECUTIVE SUMMARY

Across many U.S. markets, the 2023–2025 construction boom pushed newly built apartment rents below prior peaks as supply outpaced demand. Wisconsin is showing a different pattern.

Milwaukee has absorbed more than **3,200 units** over the past year against roughly **1,200 deliveries**, while Madison continues to work through an elevated pipeline without a broad reset in asking rents. Racine has seen a temporary rise in vacancy following recent deliveries, but rent growth remains positive and workforce housing remains tight.

The takeaway is simple: **new supply becomes a pricing problem only when demand fails to keep pace.**

KEY INSIGHT

Absorption matters as much as construction

New deliveries can temporarily push vacancy higher, but the more important question is whether renter demand can absorb that inventory without forcing a meaningful reset in pricing. Across Wisconsin, recent supply has generally been met with healthy absorption, allowing vacancy to normalize as new communities move through lease-up. Across the markets we follow, pricing has remained resilient as new inventory has absorbed, suggesting recent vacancy increases are more reflective of timing and lease-up than weakening underlying demand.

MARKET FUNDAMENTALS SNAPSHOT

Milwaukee

Milwaukee appears to be moving beyond its recent supply cycle. The market absorbed approximately **3,228 units** over the past year against just **1,171 deliveries**, pushing vacancy down to **4.2%** while asking rents increased **2.8%**. Demand is now materially outpacing new supply, creating a healthier balance than many markets that experienced similarly elevated construction in recent years.

Milwaukee Market Stats

	Milwaukee MSA	Downtown	Shorewood
Inventory:	123,788 ↑	19,210 ↑	2,440 ↓
Asset Value:	$20.0 billion	$4.0 billion	$370 million
Under Construction:	3,979 ↑	438	0
12 Mo Absorption:	3,228 ↑	799 ↑	40 ↓
Vacancy Rate:	4.2% ↓	5.1% ↓	3.7%
Class-A Vacancy Rate:	*6.9%* ↓	*5.8%* ↓	*4.6%* ↓
Class-B Vacancy Rate:	*3.6%*	*4.4%*	*3.0%*
Market Asking Rent/Unit:	$1,515 ↑	$1,715 ↓	$1,530 ↑
Annual Rent Growth:	2.8% ↑	1.9% ↓	4.2% ↑
12 Mo Sale Volume:	$475 million ↑	$43.3 million	$13 million ↓

MARKET FUNDAMENTALS SNAPSHOT (cont.)

Milwaukee (cont.)

The Class A segment still carries higher vacancy at **6.9%**, but that figure has fallen meaningfully as recent projects lease up. Meanwhile, 3 Star and 1 & 2 Star vacancy remains considerably tighter at **3.6% and 3.4%**, respectively. The combination of declining vacancy and continued rent growth suggests Milwaukee has been able to absorb its recent construction wave without sacrificing pricing power—a notable contrast to more heavily supplied markets nationally.

Madison

Madison remains the clearest test of how quickly a market can absorb new construction. Approximately **3,668 units** were delivered over the past year compared with **2,630 units of absorption**, keeping vacancy elevated at **7.2%**. Demand has continued to strengthen as the market works through one of the region's largest development cycles.

Vacancy has begun to improve as leasing catches up with recent deliveries. Asking rents remain positive at **0.8%**, while the construction pipeline has declined to roughly **3,400 units**, now below its 10-year average. If absorption remains healthy as deliveries moderate, Madison should have a clearer path toward rebalancing without a significant reset in rents.

Madison Market Stats	
Inventory:	83,570 ↑
Asset Value:	$16.1 billion
Under Construction:	3,401 ↓
12 Mo Absorption:	2,630 ↑
Vacancy Rate:	7.2% ↓
Class-A Vacancy Rate:	*8.9%* ↓
Class-B Vacancy Rate:	*7.4%* ↓
Market Asking Rent/Unit:	$1,665 ↓
Annual Rent Growth:	0.8% ↑
12 Mo Sale Volume:	$373 million ↓

Racine

Racine illustrates the impact of delivering significant new inventory into a smaller market. Approximately **600 units** were delivered over the past year against **395 units of absorption**, lifting vacancy to **8.7%**. Given Racine's smaller inventory base, a handful of large projects can create a noticeable shift in headline vacancy.

Yet pricing remains resilient. Asking rents increased **2.9%**, while 1 & 2 Star vacancy remains just **3.3%**. Recent vacancy pressure appears tied primarily to lease-up rather than weakening demand. With another **626 units under construction**, absorption will remain an important indicator of how quickly Racine returns toward equilibrium.

Racine Market Stats	
Inventory:	9,832
Asset Value:	$1.4 billion
Under Construction:	626
12 Mo Absorption:	395 ↓
Vacancy Rate:	8.7%
Class-A Vacancy Rate:	*17.9%* ↓
Class-B Vacancy Rate:	*12.9%* ↑
Class-C Vacancy Rate:	*3.3%*
Market Asking Rent/Unit:	$1,316 ↓
Annual Rent Growth:	2.9% ↑
12 Mo Sale Volume:	$56.2 million ↑

MARKET THEMES

Absorption is catching up to supply.
Milwaukee is now absorbing nearly three times as many units as it is delivering, while Madison's vacancy has begun to improve as recent projects stabilize. As construction pipelines moderate, continued absorption should allow these markets to move toward a healthier supply-demand balance without prolonged vacancy pressure.

Pricing has remained comparatively resilient.
Milwaukee and Racine continue to generate rent growth above the national average, while Madison has avoided the broad rent declines experienced in several heavily supplied U.S. markets. This resilience suggests operators have generally been able to work through new supply without relying on significant reductions in asking rents.

New supply remains concentrated at the top of the market.
Class A vacancy remains higher than workforce housing across Milwaukee, Madison, and Racine, reflecting where recent development has been concentrated. That separation continues to insulate existing lower-cost inventory from direct competition and reinforces the durability of demand for more affordable rental options.

INVESTOR PERSPECTIVE

The recent construction cycle reinforces the importance of distinguishing between **lease-up vacancy and demand-driven vacancy**.

Markets where new apartments temporarily raise vacancy but are subsequently absorbed without meaningful rent cuts can remain fundamentally healthy. That dynamic continues to support our preference for stabilized and workforce-oriented assets where demand is already proven and direct competition from new construction is limited.

INVESTMENT OUTLOOK

We expect absorption to become increasingly important as the current construction cycle matures. Milwaukee appears furthest along, Madison continues to normalize, and Racine remains in an active lease-up period.

If renter demand continues to keep pace while development pipelines decline, Wisconsin should remain comparatively well positioned to avoid the prolonged pricing pressure seen in more heavily supplied multifamily markets.