Midwest Market Brief | Issue 12

Durable Growth Begins with Strong Foundations

ORINOVA CAPITAL

Milwaukee • Madison • Racine

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Not All Vacancy Is Created Equal: Looking Beyond the Headline Numbers in Wisconsin Multifamily

EXECUTIVE SUMMARY

Headline vacancy rates only tell part of the story.

While Wisconsin's multifamily markets continue to outperform much of the country, each market is in a different stage of the cycle. Milwaukee continues to post exceptional demand and tightening vacancy despite ongoing development. Madison remains in the midst of absorbing one of the Midwest's largest construction pipelines. Racine's vacancy has increased, but the pressure is concentrated almost entirely within newly delivered Class A communities while workforce housing fundamentals remain exceptionally strong.

For long-term investors, understanding *where* vacancy exists—not simply how much vacancy exists—is becoming increasingly important.

KEY INSIGHT

Vacancy statistics matter less than vacancy composition.

Markets with elevated headline vacancy can still present attractive investment opportunities when new supply is concentrated in luxury product while existing workforce housing continues to operate near full occupancy. That distinction is becoming increasingly evident across Wisconsin.

MARKET FUNDAMENTALS SNAPSHOT

Milwaukee

Milwaukee continues to demonstrate why headline vacancy rates rarely tell the full story. Overall vacancy remains just **4.3%**, supported by more than **3,100 units of net absorption** over the past year—far exceeding new deliveries. Rather than signaling oversupply, today's vacancy reflects a healthy market where demand continues to absorb new inventory at an impressive pace.

Milwaukee Market Stats

	Milwaukee MSA	Downtown	Shorewood
Inventory:	123,130 ↑	18,655	2,446 ↑
Asset Value:	$20.0 billion	$4.0 billion	$370 million ↑
Under Construction:	3,778 ↑	438	0
12 Mo Absorption:	3,102 ↑	595 ↓	42 ↑
Vacancy Rate:	4.3% ↓	6.3% ↑	3.7% ↑
Class-A Vacancy Rate:	*7.7%* ↑	*9.1%* ↑	*4.7%* ↓
Class-B Vacancy Rate:	*3.6%* ↓	*4.4%* ↓	*3.0%* ↓
Market Asking Rent/Unit:	$1,512 ↓	$1,720 ↑	$1,529 ↑
Annual Rent Growth:	2.7% ↓	2.0%	3.9% ↓
12 Mo Sale Volume:	$423 million ↑	$43.3 million ↑	$13.8 million ↑

MARKET FUNDAMENTALS SNAPSHOT (cont.)

Milwaukee (cont.)

That strength becomes even more apparent in neighborhoods such as **Shorewood/Whitefish Bay**, where vacancy has fallen to **3.7%**, annual rent growth has accelerated to **3.9%**, and there are currently **no multifamily units under construction**. These submarkets illustrate how localized supply constraints continue to create pricing power for existing apartment owners.

Madison

Madison presents a very different vacancy story. The market continues to absorb one of the Midwest's most active development pipelines, resulting in vacancy that remains above historical averages despite healthy underlying demand. Unlike Milwaukee, today's vacancy is driven primarily by the pace of new deliveries rather than weakening renter demand.

Madison Market Stats	
Inventory:	83,549 ↓
Asset Value:	$16.1 billion
Under Construction:	3,480 ↑
12 Mo Absorption:	2,542 ↓
Vacancy Rate:	7.5%
Class-A Vacancy Rate:	*9.6%* ↑
Class-B Vacancy Rate:	*7.5%* ↓
Market Asking Rent/Unit:	$1,666
Annual Rent Growth:	0.7% ↓
12 Mo Sale Volume:	$375 million

That distinction is important for investors. Madison's long-term outlook remains supported by strong employment growth and a highly educated workforce, but evaluating opportunities requires understanding where vacancy is occurring and how quickly new communities are stabilizing.

Racine

Racine offers perhaps the clearest example of why headline statistics deserve a closer look. While overall vacancy remains elevated at **8.7%**, the majority of available units are concentrated within recently delivered Class A communities still working through lease-up.

Racine Market Stats	
Inventory:	9,832
Asset Value:	$1.4 billion
Under Construction:	626 ↑
12 Mo Absorption:	418 ↑
Vacancy Rate:	8.7% ↓
Class-A Vacancy Rate:	*18.6%* ↓
Class-B Vacancy Rate:	*12.5%* ↓
Class-C Vacancy Rate:	*3.3%* ↓
Market Asking Rent/Unit:	$1,315 ↑
Annual Rent Growth:	2.8% ↑
12 Mo Sale Volume:	$54.7 million ↑

Meanwhile, **1- and 2-Star properties continue operating at just 3.3% vacancy**, reflecting persistent demand for workforce housing. For investors, that creates two very different stories within the same market. New luxury developments continue to compete for renters, while stabilized workforce housing remains well occupied and continues benefiting from limited affordable supply.

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MARKET THEMES

Milwaukee continues to separate itself.
Milwaukee continues to be one of the strongest apartment markets in the Midwest. Net absorption over the past twelve months exceeded **3,100 units**, more than double the approximately **1,200 units delivered**, pushing vacancy down to **4.3%** while rents continue growing above the national average.

Racine's vacancy story deserves context.
At first glance, an **8.7% vacancy rate** appears concerning. Looking deeper tells a different story. Class A properties are still working through recent deliveries, while **1- and 2-Star properties remain just 3.3% vacant.** That suggests renter demand for affordable housing remains exceptionally healthy despite new luxury supply entering the market.

Supply remains highly localized.
One of the more encouraging trends is that supply pressure is becoming increasingly localized. For example, the **Shorewood/Whitefish Bay** submarket currently has **3.7% vacancy, no multifamily units under construction, and annual rent growth approaching 4%.** Rather than evaluating entire metropolitan areas as a single market, investors are increasingly rewarded for understanding neighborhood-level fundamentals.

INVESTOR PERSPECTIVE

Markets rarely move uniformly. Today's investment environment rewards investors who look beyond headline statistics and understand where demand is strongest, where new supply is concentrated, and which segments of the market continue to demonstrate pricing power.

Across Wisconsin, workforce housing continues to exhibit resilient occupancy, while newly delivered Class A product is absorbing the majority of new supply. That creates opportunities for disciplined operators focused on existing assets with durable demand fundamentals.

INVESTMENT OUTLOOK

The broader picture remains constructive. Milwaukee continues to demonstrate exceptional supply-demand balance, Madison is steadily progressing through an elevated development cycle, and Racine's recent increase in vacancy appears concentrated in new construction rather than the existing housing stock.

While investors should expect performance to vary across markets and asset classes, Wisconsin continues to offer characteristics we believe are increasingly valuable in today's environment: durable renter demand, measured long-term supply, and markets where operational execution matters more than market timing.