



The Market Within the Market: Why neighborhood-level fundamentals matter more than metropolitan averages alone.

EXECUTIVE SUMMARY

Milwaukee's multifamily vacancy has fallen to 4.0%, supported by continued absorption and moderating deliveries. Yet even within this strengthening market, apartment performance varies considerably by location. Shorewood/Whitefish Bay, for example, reports just 3.0% vacancy and 4.5% annual rent growth, outperforming the broader Milwaukee metropolitan area.

These differences are not limited to Milwaukee. Madison's 7.8% vacancy reflects substantial new construction, while Racine's 7.5% vacancy is influenced by recent deliveries concentrated in specific locations. For investors, the distinction is important: metropolitan statistics establish the broader environment, but neighborhood-level conditions often determine an individual property's competitive position.

KEY INSIGHT

A strong metropolitan market does not guarantee strong performance at every property - and elevated market vacancy does not imply weakness in every neighborhood.

Apartment demand is inherently local. Residents choose housing based on proximity to employment, schools, transportation, amenities and established communities. New construction can create substantial competition within one neighborhood while having a more limited impact on properties elsewhere in the same metropolitan area.

Understanding where apartments are located, which properties compete for the same renters and how much new supply is entering that specific area can be more informative than the metropolitan vacancy rate alone.

MARKET FUNDAMENTALS SNAPSHOT

Milwaukee

Milwaukee's multifamily fundamentals continue to strengthen, with approximately **3,197 units absorbed against 1,221 deliveries** over the past year. Overall vacancy has declined 160 basis points to **4.0%**, while asking rents have increased 2.8%.

Performance varies across the

Milwaukee Market Stats			
	Milwaukee MSA	Downtown	Shorewood
Inventory:	123,767 ↓	18,674 ↓	2,449 ↑
Asset Value:	\$20.3 billion ↑	\$4.3 billion	\$384 million ↑
Under Construction:	4,254 ↓	811	0
12 Mo Absorption:	3,197 ↑	795 ↑	43 ↑
Vacancy Rate:	4.1%	4.4% ↓	3.0% ↓
Class-A Vacancy Rate:	6.0% ↓	5.2% ↓	4.4% ↓
Class-B Vacancy Rate:	3.6% ↑	3.6% ↓	1.7% ↓
Market Asking Rent/Unit:	\$1,515 ↑	\$1,709 ↓	\$1,541 ↑
Annual Rent Growth:	2.8% ↓	2.0% ↓	4.5% ↑
12 Mo Sale Volume:	\$592 million ↑	\$139 million ↑	\$20.6 million ↑



MARKET FUNDAMENTALS SNAPSHOT (cont.)

Milwaukee (cont.)

metropolitan area, however. Shorewood/Whitefish Bay stands out with just 3.0% vacancy and 4.5% annual rent growth, supported by limited new construction. With only 17 units delivered over the past year and none currently under construction, the submarket illustrates how localized supply constraints can produce stronger fundamentals than the broader metropolitan average.

Madison

Madison continues to experience significant new apartment construction, with approximately 3,962 units delivered against 2,367 absorbed over the past year. Overall vacancy has reached 7.8%, roughly in line with the national average, while annual rent growth has moderated to 0.3%.

While construction continues to pressure market-wide fundamentals, its impact varies by location. Properties near concentrations of new development may face greater leasing competition than established neighborhoods with fewer deliveries. Madison illustrates why elevated metropolitan vacancy does not necessarily indicate uniform weakness across individual submarkets.

Racine

Racine's vacancy has improved to 7.5%, with 399 units absorbed against 600 deliveries over the past year. Despite elevated vacancy, asking rents have increased 2.9% annually, suggesting continued renter demand as the market works through recently delivered inventory.

Another 626 units remain under construction, representing 6.4% of existing inventory. With development concentrated in locations such as Mount Pleasant and Caledonia, competitive conditions may differ considerably across Racine County. The market demonstrates how concentrated construction can influence headline statistics without necessarily reflecting conditions in every neighborhood.

Madison Market Stats	
Inventory:	84,274 ↑
Asset Value:	\$16.4 billion ↑
Under Construction:	2,854 ↓
12 Mo Absorption:	2,367 ↓
Vacancy Rate:	7.8% ↑
Class-A Vacancy Rate:	8.9% ↓
Class-B Vacancy Rate:	8.4% ↑
Market Asking Rent/Unit:	\$1,662 ↑
Annual Rent Growth:	0.3% ↓
12 Mo Sale Volume:	\$364 million ↓

Racine Market Stats	
Inventory:	9,831
Asset Value:	\$1.5 billion ↑
Under Construction:	626
12 Mo Absorption:	399 ↑
Vacancy Rate:	7.5% ↓
Class-A Vacancy Rate:	15.0% ↓
Class-B Vacancy Rate:	10.7% ↓
Class-C Vacancy Rate:	3.2% ↓
Market Asking Rent/Unit:	\$1,362 ↑
Annual Rent Growth:	2.9% ↑
12 Mo Sale Volume:	\$46.7 million



MARKET THEMES

Metropolitan averages can conceal meaningful local differences.

Milwaukee's 4.0% vacancy provides an encouraging regional benchmark, but Shorewood/Whitefish Bay's 3.0% vacancy and stronger rent growth demonstrate why individual submarkets warrant separate analysis.

The location of new supply matters as much as its volume.

Madison's development pipeline creates competition, but its impact depends on where apartments are delivered and which existing properties serve comparable renters.

Smaller markets are especially sensitive to concentrated development.

Racine's 626 units under construction represent a meaningful share of its inventory. Their location and lease-up performance will influence how conditions evolve across individual neighborhoods.

INVESTOR PERSPECTIVE

Multifamily underwriting often begins with metropolitan vacancy, rent growth and absorption. These statistics are useful for understanding broader market direction, but they cannot fully capture the competitive environment surrounding a specific property.

The more important question is often not whether a metropolitan market is strong, but whether a particular property is well positioned within it. Proximity to employment, neighborhood desirability, competing inventory and the local development pipeline can produce materially different outcomes for properties operating within the same region.

For investors, this requires moving beyond metropolitan averages to evaluate the immediate competitive set and the durability of demand within individual neighborhoods.

INVESTMENT OUTLOOK

Milwaukee's tightening vacancy and accelerating rent growth provide a favorable backdrop for existing multifamily properties, particularly in established neighborhoods with limited new construction. Shorewood/Whitefish Bay demonstrates how localized fundamentals can outperform an already strong metropolitan market.

Madison and Racine continue to absorb recent development, but competitive conditions vary across neighborhoods. For investors, the strongest opportunities may lie in properties whose local supply-demand dynamics are more favorable than metropolitan averages suggest.