



EXECUTIVE SUMMARY

Midwest multifamily markets are entering the next phase of the cycle as construction starts slow and the development pipeline begins to contract. While recent deliveries have pushed vacancy modestly higher—particularly in newly built Class A assets—underlying demand remains healthy, with absorption continuing to keep pace across all three markets.

Importantly, current vacancy pressure is largely concentrated in lease-up activity at the top of the market, while workforce housing fundamentals remain stable. This divergence is becoming more pronounced, as newer supply competes for renters while more affordable product continues to benefit from limited new development.

With fewer new projects moving forward and units under construction beginning to decline, the supply pipeline is actively shrinking. This transition should support improving occupancy and a more favorable rent growth environment as markets move beyond the current lease-up cycle.

MARKET FUNDAMENTALS SNAPSHOT

Milwaukee

Milwaukee’s fundamentals are beginning to improve as the market works through the tail end of its recent supply wave. Overall vacancy sits near 5.0%, but continues to reflect a clear split across asset classes, with elevated vacancy concentrated in 4 & 5 Star properties still in lease-up. Demand has remained a bright

spot, with absorption outpacing deliveries over the past 12 months, highlighting the depth of renter demand as higher mortgage rates continue to keep households in rental housing longer.

At the same time, construction activity is slowing meaningfully. Units under construction are declining as projects deliver and fewer new starts move forward, positioning the market for further vacancy compression as lease-ups stabilize. Submarket performance continues to reflect this trend, with newer supply concentrated in Downtown driving higher vacancy, while more established neighborhoods remain tighter—reinforcing Milwaukee’s transition from supply-driven volatility toward a more balanced environment.

Milwaukee Market Stats			
	Milwaukee MSA	Downtown	Shorewood
Inventory:	121,434 ↓	18,572	2,442 ↓
Asset Value:	\$19.3 billion ↑	\$3.9 billion ↑	\$354 million ↑
Under Construction:	3,335	378	0
12 Mo Absorption:	3,075 ↑	694 ↑	35 ↓
Vacancy Rate:	5.0% ↓	7.3% ↓	4.2% ↑
Class-A Vacancy Rate:	8.7% ↑	9.9% ↓	7.0% ↑
Class-B Vacancy Rate:	4.3% ↓	5.3% ↓	3.8% ↓
Market Asking Rent/Unit:	\$1,488 ↑	\$1,692 ↑	\$1,518 ↑
Annual Rent Growth:	1.9% ↑	0.5% ↑	2.0% ↑
12 Mo Sale Volume:	\$455 million ↓	\$40.0 million ↑	\$13.0 million ↓

Orinova Capital

Market Brief

Durable Growth Begins with Strong Foundations

Milwaukee • Madison • Racine

April 14, 2026



MARKET FUNDAMENTALS SNAPSHOT (cont.)

Madison

Madison continues to demonstrate long-term stability, though recent deliveries have introduced more visible segmentation across the market. Overall vacancy has moved higher, driven primarily by new Class A product entering lease-up, where vacancy and concessions remain elevated. Importantly, absorption remains strong—particularly in recently delivered properties—indicating that demand remains intact and that current softness is largely a function of timing rather than weakening fundamentals.

Madison Market Stats

Inventory:	81,094 ↑
Asset Value:	\$16.2 billion ↑
Under Construction:	5,092 ↓
12 Mo Absorption:	2,028 ↓
Vacancy Rate:	6.6% ↑
Class-A Vacancy Rate:	9.6% ↑
Class-B Vacancy Rate:	5.9%
Market Asking Rent/Unit:	\$1,665 ↑
Annual Rent Growth:	1.4% ↓
12 Mo Sale Volume:	\$299 million ↓

Looking ahead, the development pipeline is beginning to adjust as construction starts slow and fewer new projects move forward. While units under construction remain elevated, the trajectory is downward, which should allow the market to regain equilibrium over time. In contrast, Class B and C assets continue to outperform, benefiting from limited new supply and consistent renter demand, reinforcing the durability of workforce housing across the market.

Racine

Racine is experiencing a more pronounced version of the same supply-driven dynamics. Recent deliveries have pushed overall vacancy higher to approximately 7.4%, with the majority of that pressure concentrated in 4 & 5 Star properties where vacancy exceeds 20%. Despite this, absorption has largely kept pace with deliveries, underscoring that demand remains steady and that current vacancy is primarily a lease-up dynamic rather than a structural imbalance.

Racine Market Stats

Inventory:	9,499↑
Asset Value:	\$1.3 billion
Under Construction:	540↓
12 Mo Absorption:	369↑
Vacancy Rate:	7.4%↑
Class-A Vacancy Rate:	20.6%↑
Class-B Vacancy Rate:	5.7%↓
Class-C Vacancy Rate:	4.3%
Market Asking Rent/Unit:	\$1,276 ↓
Annual Rent Growth:	2.8%↓
12 Mo Sale Volume:	\$53.6 million↑

Construction remains meaningful relative to market size. As projects deliver, the number of units under construction is expected to decline, gradually reducing supply pressure. At the same time, workforce housing continues to demonstrate stability, with Class B and C assets maintaining lower vacancy and benefiting from the market's relative affordability and consistent renter demand.



SUPPLY & DEVELOPMENT TRENDS

Recent deliveries across Midwest markets have been concentrated in upper-tier product, driving short-term increases in vacancy primarily within Class A assets. However, this phase of the cycle appears to be peaking, as absorption remains strong and newly delivered properties continue to stabilize over time.

At the same time, construction starts are slowing across all three markets, and the number of units under construction is beginning to decline as projects are completed and fewer new developments commence. As the pipeline contracts, markets are expected to transition toward tighter conditions, with workforce housing continuing to benefit from limited new supply and sustained renter demand.

CAPITAL MARKETS COMMENTARY

Transaction activity remains measured as capital markets continue to adjust to higher interest rates and more conservative underwriting. Investors remain selective, with a clear preference for assets that demonstrate stable occupancy and durable demand drivers, particularly in environments where lease-up risk remains elevated.

The slowdown in construction starts is beginning to influence sentiment, as a shrinking pipeline supports longer-term rent growth expectations and reduces the risk of prolonged supply-driven weakness. In this environment, workforce housing continues to stand out as a favored investment profile, offering more predictable performance and insulation from near-term volatility.

INVESTMENT IMPLICATIONS

- Construction starts are slowing and the development pipeline is contracting, setting the stage for improving fundamentals as current projects deliver.
- Vacancy pressure remains concentrated in newly delivered Class A assets, while workforce housing continues to benefit from limited new supply and steady demand.
- Strong absorption reinforces that current softness is driven by timing rather than weakening fundamentals
- Durable growth continues to be supported by workforce housing, where affordability and limited competition provide a stable foundation for long-term performance.