



One Region, Two Different Cycles: Why Milwaukee's apartment market is tightening while Madison continues to absorb new supply.

EXECUTIVE SUMMARY

Milwaukee and Madison are experiencing different phases of the multifamily cycle. Milwaukee's vacancy has declined to 4.1%, supported by approximately 3,152 units absorbed against 1,202 deliveries over the past year. Meanwhile, Madison's vacancy has increased to 7.9%, as 3,909 new units have outpaced absorption of 2,255 units.

These differences reflect the timing of new development rather than demand alone. Milwaukee is benefiting from stronger absorption relative to recent deliveries, while Madison continues to work through a substantial construction wave. Racine provides another example, where concentrated deliveries have pushed vacancy to 9.6%. For investors, understanding where a market stands in its supply cycle can be as important as evaluating its underlying demand.

KEY INSIGHT

Strong apartment demand does not necessarily translate into declining vacancy or accelerating rent growth when new supply enters the market faster than it can be absorbed.

Multifamily performance reflects the relationship between new deliveries and renter demand. When absorption exceeds new supply, vacancy typically declines, supporting occupancy and rent growth. When deliveries exceed absorption, leasing competition can increase even in markets experiencing healthy population and employment growth.

The timing of these trends is particularly important. Current vacancy reflects past construction and leasing activity, while the development pipeline provides insight into how operating conditions may evolve as markets move through different stages of the supply cycle.

MARKET FUNDAMENTALS SNAPSHOT

Milwaukee

Milwaukee's multifamily fundamentals continue to strengthen, with approximately 3,152 units absorbed against 1,202 deliveries over the past year. Vacancy has declined 160 basis points to 4.1%, while asking rents have increased 2.5% annually. Class A vacancy has

Milwaukee Market Stats				
	Milwaukee MSA	Downtown	Shorewood	South Milwaukee
Inventory:	123,835 ↑	18,674	2,449	8,849
Asset Value:	\$20.3 billion	\$4.3 billion	\$383 million ↓	\$1.2 billion
Under Construction:	4,194 ↓	811	0	547
12 Mo Absorption:	3,152 ↓	798 ↑	37 ↓	0
Vacancy Rate:	4.1%	4.4%	3.2% ↑	3.9%
Class-A Vacancy Rate:	5.8% ↓	5.0% ↓	4.4%	2.3%
Class-B Vacancy Rate:	3.7% ↑	3.6%	2.5% ↑	5.9%
Market Asking Rent/Unit:	\$1,512 ↓	\$1,706 ↓	\$1,528 ↓	\$1,258
Annual Rent Growth:	2.5% ↓	1.8% ↓	3.5% ↓	3.1%
12 Mo Sale Volume:	\$597 million ↑	\$139 million	\$20.6 million	\$90.3 million



MARKET FUNDAMENTALS SNAPSHOT (cont.)

Milwaukee (cont.)

declined to 5.8%, reflecting substantial improvement as recently delivered inventory is absorbed. The market still has approximately 4,194 units under construction, making continued absorption important to maintaining these gains. Nevertheless, Milwaukee's current supply-demand balance provides a more favorable operating environment than a year ago.

Madison

Madison continues to experience substantial apartment demand, with approximately 2,255 units absorbed over the past year. However, 3,909 deliveries have exceeded that demand, increasing vacancy to 7.9% and limiting annual asking rent growth to 0.4%. Class A vacancy has reached 9.5%, illustrating the competitive pressure associated with recent development.

Importantly, Madison's construction pipeline has moderated to approximately 3,049 units, below its five-year average. With continued renter demand and fewer projects underway, the market may gradually move toward a more balanced supply-demand environment as recently delivered apartments are absorbed.

Madison Market Stats	
Inventory:	84,289 ↑
Asset Value:	\$16.4 billion
Under Construction:	3,049 ↑
12 Mo Absorption:	2,255 ↓
Vacancy Rate:	7.9% ↑
Class-A Vacancy Rate:	9.5% ↑
Class-B Vacancy Rate:	8.2% ↓
Market Asking Rent/Unit:	\$1,664 ↑
Annual Rent Growth:	0.4% ↑
12 Mo Sale Volume:	\$421 million ↑

Racine

Racine illustrates how concentrated development can significantly influence operating fundamentals in smaller markets. Approximately 866 units have been delivered against 420 absorbed over the past year, pushing overall vacancy to 9.6%.

Class A vacancy has reached 25.6%, reflecting the impact of new inventory on a relatively small apartment market. Despite this pressure, asking rents have increased 2.4% annually.

Racine Market Stats	
Inventory:	10,097 ↑
Asset Value:	\$1.5 billion
Under Construction:	360 ↓
12 Mo Absorption:	420 ↑
Vacancy Rate:	9.6% ↑
Class-A Vacancy Rate:	25.6% ↑
Class-B Vacancy Rate:	10.6% ↓
Class-C Vacancy Rate:	3.2%
Market Asking Rent/Unit:	\$1,359 ↓
Annual Rent Growth:	2.4% ↑
12 Mo Sale Volume:	\$148 million ↑

With approximately 360 units remaining under construction, future absorption will be important in determining how quickly vacancy stabilizes. Racine's experience demonstrates how even healthy leasing demand can be temporarily overwhelmed by concentrated new development.



MARKET THEMES

The pace of absorption determines how quickly new supply is absorbed.

Milwaukee's recent experience demonstrates how sustained renter demand can reduce vacancy when deliveries moderate. The balance between new supply and absorption is a key driver of operating performance.

Construction pipelines provide insight into future market conditions.

Madison's declining development pipeline suggests that supply pressures may gradually moderate. However, the timing of deliveries and the pace of leasing will determine when vacancy begins to stabilize.

Smaller markets can experience more pronounced supply cycles.

Racine's recent deliveries represent a meaningful share of its existing apartment inventory. The resulting increase in vacancy illustrates how concentrated construction can create significant short-term pressure even as renter demand continues.

INVESTOR PERSPECTIVE

Multifamily market performance is often evaluated through current vacancy, rent growth and absorption. While these indicators help establish operating conditions, they represent a point in time within a broader supply-and-demand cycle.

Equally important is the direction of those fundamentals. A market experiencing elevated vacancy may be moving toward stabilization as construction slows, while a market with historically low vacancy may face additional competition from future deliveries.

For investors, understanding both current conditions and the trajectory of new supply provides a more complete framework for evaluating future occupancy, rental growth and operating performance.

INVESTMENT OUTLOOK

Milwaukee's tightening fundamentals offer investors an opportunity to benefit from favorable operating conditions today. Strong occupancy, rent growth and absorption support near-term performance without relying on future market improvement.

Madison offers a longer-term opportunity, supported by economic and employment growth. However, investors may need greater patience as the market absorbs recent development and vacancy stabilizes. **Milwaukee offers immediate operating strength, while Madison's potential may take longer to materialize.**