

MARKET REPORT

Multifamily
Milwaukee Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

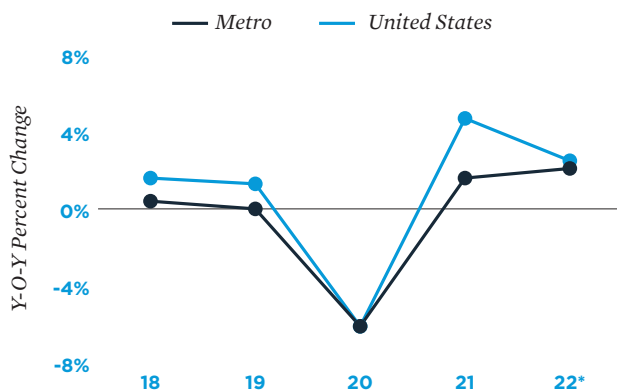
2Q/22

Population Trends Indicate Suburban Strength is Sustainable as Core Rebounds

An aging populace will influence demand trends. Over the next five years, Milwaukee's resident count is projected to grow, but the age 20-34 cohort is expected to decrease by roughly 16,000 people. A decline in rental demand is unlikely, even as Millennials age into the typical home-buying life stage. The sharp lift in home prices during the pandemic and rising mortgage rates could make ownership difficult in the years to come. Milwaukee's sub-2 percent rental vacancy in the first quarter of 2022 is evidence that these trends are materializing. Residents ages 35 and older are increasingly choosing apartments. At the same time, preferences among this group may differ from the younger cohort. Larger units and outdoor areas hospitable for children and pets could be a priority for more renters, turning eyes to the suburbs, especially those with top school districts.

Luxury units downtown charming in their own right. While suburbs will benefit from the aging populace, developers expect strong demand in the urban core as well. Hundreds of Class A units are underway in Walker's Point, the Historic Third Ward and Lower East Side. These neighborhoods are dense with employers, shops, restaurants and entertainment, presenting a lifestyle unmatched by the suburbs. Even as demand shifts outward, downtown units will appeal to Milwaukee's younger cohort. Additionally, empty nesters seeking this way of life and proximity to urban amenities could opt to rent downtown.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook



**17,500
JOBS**

will be created

EMPLOYMENT:

The employment shortfall relative to the pre-pandemic peak shrinks to 24,000 roles by the end of 2022, as the job tally grows by 2.1 percent annually. Milwaukee had an unemployment rate of 3.5 percent in March, close to the rate logged in early 2020.



**2,700
UNITS**

will be completed

CONSTRUCTION:

Market inventory expands by 1.7 percent — the fastest pace of construction in five years. Extremely tight conditions warrant this new supply, and the largest share of development is taking place in low vacancy areas, such as Waukesha County.



**20
BASIS POINT**

decrease in vacancy

VACANCY:

Availability will compress below the 2 percent threshold, as net absorption exceeds deliveries for the second straight year. Milwaukee's projected vacancy rate of 1.9 percent at the end of 2022 will be the smallest register in more than a decade.



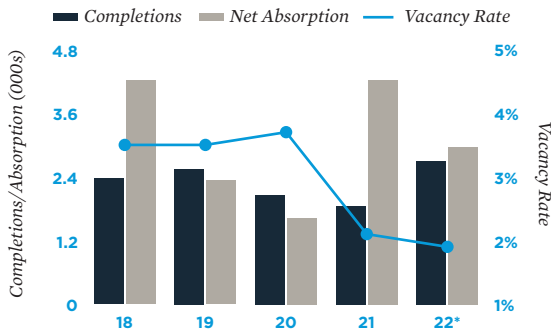
**7.2%
INCREASE**

in effective rent

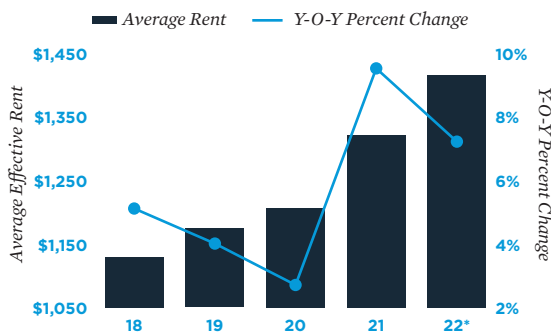
RENT:

Piloted by historically tight vacancy, rents in the market are climbing at a fast clip. Building off last year's 9.5 percent jump, the average effective rent will reach \$1,415 per month in 2022, growing at the second-fastest pace over the past 10 years.

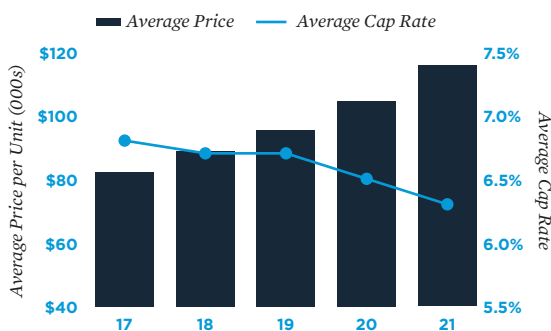
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

1,767 units completed

- Builders finalized about 200 fewer units during the 12-month stretch ended in March as they did in the prior yearlong period.
- Several luxury high rises are in the pipeline, which is not particularly common in Milwaukee. Rising home prices could be pushing more demand toward these amenity-rich rentals in the near term.



VACANCY

180 basis point decrease in vacancy Y-O-Y

- Renters absorbed more than 4,450 units over the past four quarters ended in March, dropping vacancy to 1.9 percent. Class B and C availability is even lower, hovering in the mid-1 percent range.
- Vacancy in the CBD fell below the pre-pandemic mark in the first quarter of this year, after a 210-basis-point rise occurred in 2020.



RENT

9.8% increase in the average effective rent Y-O-Y

- Rents are growing at a record pace across all three classes of apartments, led by a double-digit Class B surge. The overall average effective rent reached \$1,350 per month in the first quarter of 2022.
- Sub-2 percent vacancy in the South Side-West Allis-Greenfield and Franklin-Oak Creek areas is fueling outstanding rent growth here.

Investment Highlights

- Milwaukee's average apartment sale price grew by 7-plus percent for the sixth consecutive year in 2021, with last year's 11 percent bump being the fastest annual gain over that stretch. At \$115,600 per unit, the mean sale price is now more than 50 percent larger than the measure from just five years ago. The average cap rate fell 70 basis points over that timeframe to 6.3 percent in 2021.
- The corridor spanning the Riverwest neighborhood northwest to the Main Street and Interstate 41 interchange is recording the highest level of Class B/C trading in the metro. Assets in locales closer to the Milwaukee River can command prices above the metro average, while sub-\$100,000 per unit pricing is more frequent in suburbs farther out and proximate to I-41, like Granville and the Timmerman Airport area.
- Suburbs near General Mitchell International Airport, such as Oak Creek and Greendale, have been recording strong rent growth amid vacancy compression, helping boost buyer appetite. There may be opportunities for value-add acquisitions, with average pricing for Class C buildings just shy of \$90,000 per unit in these areas, and cap rates in the mid-5 to mid-6 percent range most common.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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