Market Report

MULTIFAMILY 2Q/26

Milwaukee Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

Ownership Barriers, Renter Retention, and Supply Pullback Bolster Fundamentals

Midwest's second-largest affordability gap benefits rentals. Milwaukee's renter base appears relatively sticky, supporting stable vacancy and rent growth, with vacancy holding in the low-4 percent range for three years. Rising home prices, limited for-sale inventory, and modest local wage levels relative to other major Midwestern markets may continue to delay renter transitions into ownership this year. Only about 8.5 percent of units offer concessions, below the national rate of 17 percent, while elevated lease trade-out rates in early 2026 point to further rent growth by year-end. Renewal conversions near multiyear highs around 71 percent, far exceeding the U.S. average of 56 percent, also position the market for a modest occupancy improvement in 2026.

Supply relief aids outlook. This year will mark the end of an 11-year supply wave, during which inventory expanded roughly 17 percent. Elevated construction and financing costs have strained project feasibility, helping drive a sharp pullback in development that should support near-term fundamentals alongside persistent ownership constraints. Modest population growth and continued job losses may limit new demand, but completions falling nearly 70 percent across the metro's four largest submarkets by inventory underpins a constructive outlook.

2026 FORECAST

EMPLOYMENT

3,000 — Jobs will be lost

0.4% — Decrease Y-O-Y

CONSTRUCTION

1,050 — Units will be added

0.6% — Inventory increase Y-O-Y

VACANCY

3.9% — Vacancy rate

20 — BPS decrease Y-O-Y

RENT

$1,715 — Average effective rent by year-end

2.5% — Increase Y-O-Y

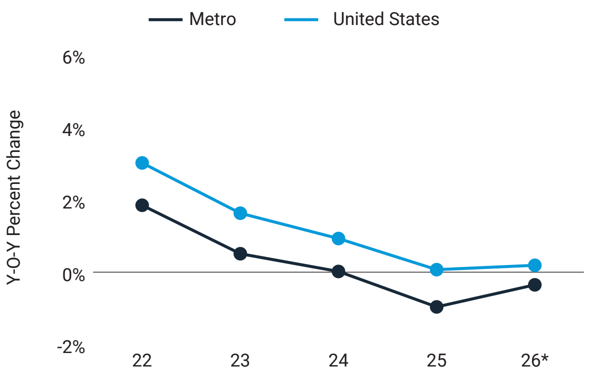
EMPLOYMENT

Job creation through April 2026 has been slightly negative, with losses concentrated in trade, transportation, and utilities, while administration and support services added about 2,500 jobs. This coincided with unemployment rising to 3.8 percent, its highest level in about a decade, excluding the pandemic. Recent record tourism activity and ongoing advanced manufacturing investment suggest upside for select sectors, though net job growth by year-end is not expected. Still, this year's contraction will be milder than last year's.

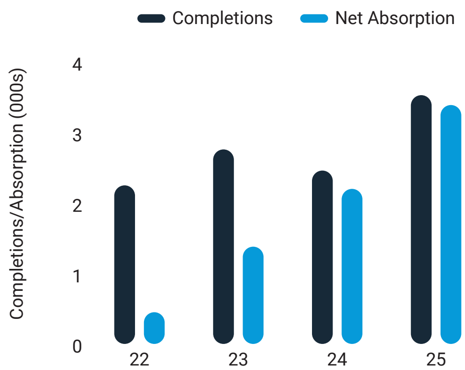
CONSTRUCTION

Supply pressure will ease notably across most submarkets in 2026. The CBD, Brown Deer-Whitefish Bay, and Washington-Ozaukee counties will record no completions of note. Waukesha County deliveries will fall roughly 80 percent year-over-year after adding about 1,400 units last year, its largest tally on record. Meanwhile, Racine is expected to add more than 400 units, its largest annual slate on record. Still, inventory growth there will remain roughly in line with last year, when vacancy tightened by 10 basis points.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



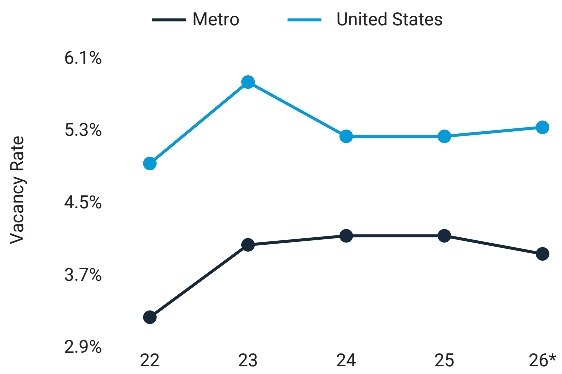
* Forecast

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

VACANCY

Milwaukee vacancy is expected to rank among the nation's tightest in 2026, at just under 4 percent and roughly 140 basis points below the U.S. mean. Although demand-side conditions will likely remain similar to 2025, a more favorable supply backdrop should support further tightening. The suburbs appear more strongly positioned, with vacancy falling to the second lowest level nationally in March, at 3.2 percent. Meanwhile, no CBD deliveries this year should help local vacancy retreat from its elevated 2025 level of 6.6 percent.

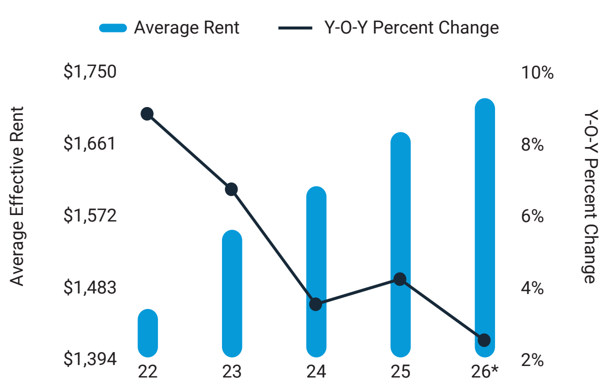
VACANCY TRENDS



RENT

The metro's average effective rent is projected to continue rising in 2026 as vacancy declines, largely aided by easing supply pressure. As a result, concession usage may modestly pull back, with the most noticeable easing potentially occurring among upper-tier properties along the Lake Michigan corridor from Fox Point to Bay View, where supply reductions will be among the greatest. Metrowide, rent growth is expected to increase modestly, outpacing the national average of 1.8 percent.

RENT TRENDS



* Forecast ** Through 1Q

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

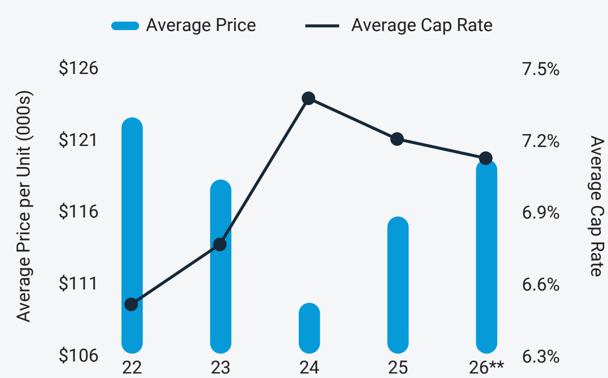
INVESTMENT HIGHLIGHTS

- Deal flow in the year ended March 2026 rose nearly 35 percent, the metro's largest single-year increase since 2022. The most transactions occurred in Timmerman Airport-Washington Park, Lower East Side in the CBD, and Miller Valley-Marquette. In these nodes, excluding the urban core, investors primarily targeted vintage Class B/C assets trading around $100,000 per unit.

- Though Racine will add a historically high number of units this year, it should remain well positioned to absorb the incoming supply. Microsoft's Mount Pleasant data center began limited operations in 2026 and is expected to support roughly 500 full-time operational roles at its first phase by year-end. Investors may look to the node's Class C segment, which had a metro-low vacancy rate of just 1.0 percent in March. Meanwhile, the near-term delivery slate consists of two Class A projects, which may be well received, as many of the new data center roles are high-wage positions.

- Investors seeking long-term holds with near-term upside may look to Brown Deer-Whitefish Bay. The submarket is expected to see a sharp pullback in new supply, while concession usage declined and lease trade-out rates rose in early 2026. Within this backdrop, near-term rent collections may continue to improve after the effective rate increased by a metro-leading 7.7 percent in the year ended March. Longer-term, Milwaukee Tool's nearby Menomonee Falls expansion should support the north and northwest suburban employment base, with roughly 300 high-skill jobs planned and the potential for about 2,000 campus employees over time.

SALES TRENDS



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