

Individual Project 2_DaoDang:
Market Analysis for Multifamily Investor

1. Executive Summary

As a market consultant using Expert Knowledge with Data and Facts, this report provides a comprehensive analysis of the multifamily housing markets in Milwaukee County, Wisconsin, and Minneapolis, Minnesota, focusing on the key demographic and economic indicators that are critical for investment decision-making. This analysis is tailored to the needs of investors pursuing a value-added strategy.

After analyzing, we have some key findings:

For Demographics:

- Milwaukee County has a larger population of 939,489 compared to Minneapolis's 429,954. This larger population of Milwaukee suggests this has a broader market for multifamily housing.
- The median household income in Minneapolis is significantly higher at \$81,001 compared to \$63,185 in Milwaukee, this indicates that Minneapolis potentially attracts higher-income renters, aligning with investors' target demographic.

For Educational Attainment and Employment:

- Minneapolis has a higher percentage of residents with a bachelor's degree or higher (58.8%) compared to Milwaukee's 35.9%. This higher educational attainment is linked to a stronger job market and greater potential for economic growth.
- Minneapolis also has a notably higher employment rate of 71.9%, compared to 63.3% in Milwaukee. This indicates a more robust labor market, which is likely to support stronger rental demand.

For Housing Market Dynamics:

Milwaukee has 429,191 housing units, significantly more than Minneapolis, which has 199,143 units. This larger housing stock in Milwaukee suggests more rental and investment options. However, Milwaukee also faces challenges like population decline and lower median incomes, which could impact future rental demand.

For investors looking to add value, Milwaukee presents opportunities to acquire properties at more affordable price points, which could appeal to younger households and seniors seeking to downsize. On the other hand, Minneapolis offers a more competitive rental market, with higher income potential, but also comes with higher median house prices and rents.

This report is designed to help investors make informed decisions regarding future potential investments in the Minneapolis and Milwaukee areas by highlighting the key factors influencing market dynamics and rental demands.

2. Introduction to the Market

As a market analysis consultant working with investors seeking to expand their portfolio beyond Portland, OR, and Seattle, WA, I have been tasked with evaluating the Milwaukee, WI, and Minneapolis, MN Metropolitan Statistical Areas (MSAs) to determine which market aligns best with client's investment strategy. This report provides a detailed comparison of Milwaukee, WI, and Minneapolis, MN, along with the critical factors that support the client's value-added investment approach across multiple sectors. The client specializes in acquiring 20+ unit Class C properties and upgrading them to Class B, targeting young professionals without children and senior households looking to downsize in urban settings. With a particular focus on renters with a median household income of \$80,000 or higher and a bachelor's degree or greater, this analysis will concentrate on

demographic trends, economic indicators, and multifamily market fundamentals that align with this strategy

In this report, we will examine population growth, job market trends, industry diversity, housing permit activity, and key multifamily market metrics for both Milwaukee and Minneapolis. By comparing these factors, we aim to identify which MSA offers the most favorable environment for our client's investment objectives, considering aspects such as Population growth, especially within the target demographic, job growth, unemployment rates, industry diversity, and future growth potential, housing permit trends, and multifamily market fundamentals, including absorption rates, rent trends, and vacancy rates. Moreover, our analysis also will draw from data provided by the U.S Census Bureau and the Federal Reserve Bank of St. Louis, focusing on trends from 2014 to 2024. By visualizing data in Tableau and numbers of descriptive statistics, this report will provide a comprehensive overview of the multifamily market trends in both cities. Ultimately, this report will offer a well-rounded recommendation to help the client's next investment decision, ensuring alignment with their value-added strategy and target market segments based on both historical data and future projections.

2. Market Overview:

Demand and Supply Analysis: focusing on understanding the dynamics between supply and demand within the market. Analyzing these two factors is essential to gauge market health and identify opportunities or risks.

Demand Drivers:

Based on the US Census Bureau website (<https://data.census.gov/>), we have the Demographic Analysis table (figure 1,2,3) below between Milwaukee County, Wisconsin, and Minneapolis:

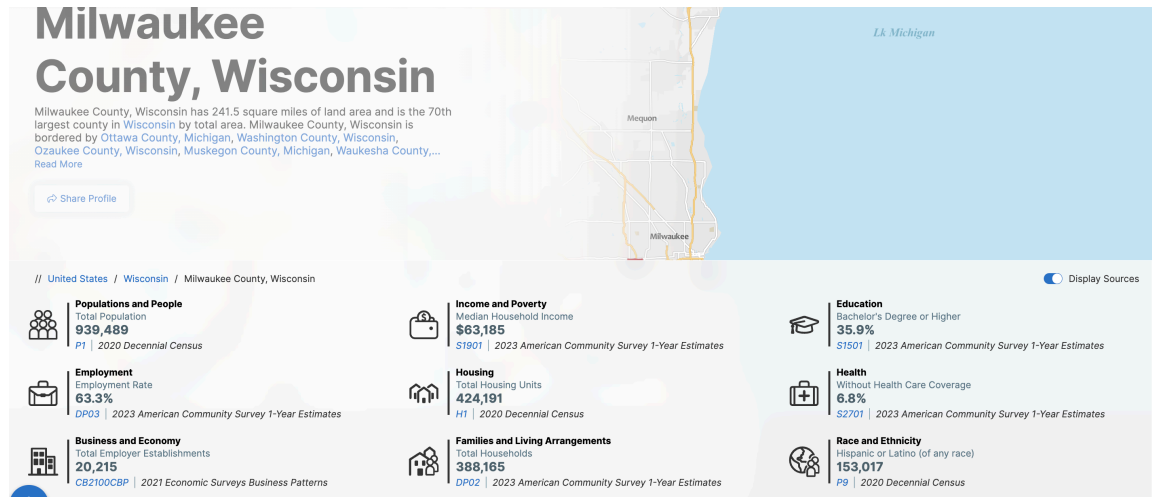


Figure 1- Milwaukee County, Wisconsin

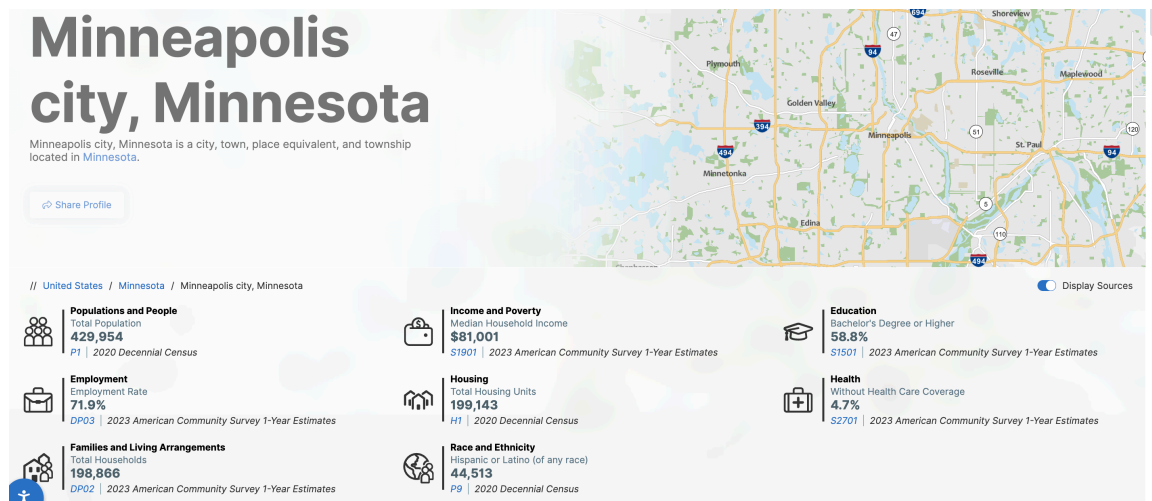


Figure 2-Minneapolis City, Minnesota

	Milwaukee County, Wisconsin	Minneapolis
Population and People	939,489 (2020 census)	429,954 (2020 Census)

Income and Poverty	Median Household Income: \$63,185	\$81,001 (2023 Survey 1-year estimates)
Education	Bachelor's degree or Higher: 35.9%	58.8% Bachelor's Degree or Higher
Employment	63.3%	71.9% (2023 Survey)
Housing	424,191 units	199,143 units
Families and Living Arrangements	388,165 Households (2023 survey 1 year estimate)	198,866 households

Figure 3- Census Bureau sections

Milwaukee County, Wisconsin, and Minneapolis exhibit significant differences in key demographic and economic indicators:

Population: Milwaukee County has a larger population of 939,489 compared to Minneapolis' 429,954 (shown in figure 3). It means Milwaukee has a population more than 2.1 times larger than Minneapolis. This suggests that Milwaukee County is a larger geographic area, which includes both urban and suburban regions. Therefore, Milwaukee County could provide a broader overall market, particularly in terms of potential residents and housing demand across a wider range of housing types (single-family homes, multifamily units, etc.). On the other hand, Minneapolis, with a population of nearly 430,000 is more urbanized, meaning it likely has higher population density in a smaller geographic area. A more concentrated urban population could suggest greater demand for high-density housing, such as apartments, condos, and smaller rental units. Although Minneapolis has a smaller population of 429,954, it boasts a robust demand for rental properties driven by its strong economic fundamentals and quality of life. The recent surge

in new construction (adding more than 20,000 new units ¹). Suggests that demand is meeting supply effectively in many submarkets.

Implication: Milwaukee County has more suburban housing developments and broader market diversity in housing options. Minneapolis shows a greater number of urban housing types as a reflection of a more urbanized and concentrated population.

Median Household Income:

Minneapolis has a substantially higher median household income of \$81,001 aligns with the client's expectations for target renters (shown in Figure 3), which is higher than 28% compared to Milwaukee County, with \$63,185. This suggests that residents in Minneapolis have more disposable income, which can drive higher demand for higher-end housing options, both for rent and for buying. A higher median income could mean more spending power and potentially greater demand for luxury housing or areas where high-income households seek premium housing.

Implication: In Minneapolis, the higher median income supports the possibility of a more expensive housing market, with higher demand for both luxury rentals and homeownership. In Milwaukee County, the lower median income suggests that affordable housing can lead to higher demand, particularly for working-class or lower-income families. Investors in this market can find this opportunity in affordable housing or workforce housing.

Families and Livings Arrangements:

In Milwaukee County, it has 388,165 households (Figure 3), which aligns with its larger population. This figure indicates a substantial number of potential renters, particularly in

¹ <https://www.jpmorgan.com/insights/real-estate/commercial-term-lending/minneapolis-multifamily-market-outlook>

urban areas where multifamily housing is prevalent. For Minneapolis, with 198,866 households that is fewer households but benefits from a higher percentage of educated residents and a strong job market. This growing trend of renting as a lifestyle choice rather than a transitional phase contributes to increased demand for multifamily units.

Employment: Minneapolis has a higher employment rate at 71.9% compared to Milwaukee County's 63.3%, suggesting its larger population. (Figure 3)

Employment rate is another important metric to analyze, as it provides insights into the relative economic health and the demand for housing. This reflects a healthier economy. We can see that Minneapolis has a higher percentage of employees compared to Milwaukee County. With higher employment rate generally suggests a stronger local economy and potentially higher demand for housing, particularly rent housing. Stronger demand for housing as employed individuals are more likely to rent or buy homes for high quality rental units.

On the other hand, the relatively lower employment rate in Milwaukee County could indicate that a larger portion of the population is either unemployed, underemployed, or retired. This could lead to lower overall demand for housing, especially at the higher-end market. However, there might be a greater reliance on rental housing in more affordable price ranges.

As a result, with higher employment, Minneapolis has greater purchasing power and housing demand. This can affect both rental markets and homeownership.

Education:

The disparity in educational attainment between Milwaukee County and Minneapolis is significant, with Minneapolis having a notably higher percentage of residents holding a

bachelor's degree or higher (58.8% - figure 5). The difference of 22.9% indicates a substantial educational gap between Minneapolis and Milwaukee. Minneapolis has a much higher proportion of residents who are college-educated. This has several implications for housing, economic development, and overall market dynamics. Milwaukee County might have fewer opportunities in high-growth industries like tech or finance, which often rely on a highly educated workforce. As a result, demand for housing in Milwaukee County may be toward affordable housing and family-oriented housing, rather than luxury or high-rise apartments targeting young professionals.



Figure 4 – Educational Attainment of Milwaukee

Educational Attainment

58.8% ± 1.7%

Bachelor's Degree or Higher in Minneapolis city, Minnesota

40.0% ± 0.4%

Bachelor's Degree or Higher in Minnesota

[S1501](#) | 2023 American Community Survey 1-Year Estimates

Education Attainment (Population 25 Years and Older)

in Minneapolis city, Minnesota

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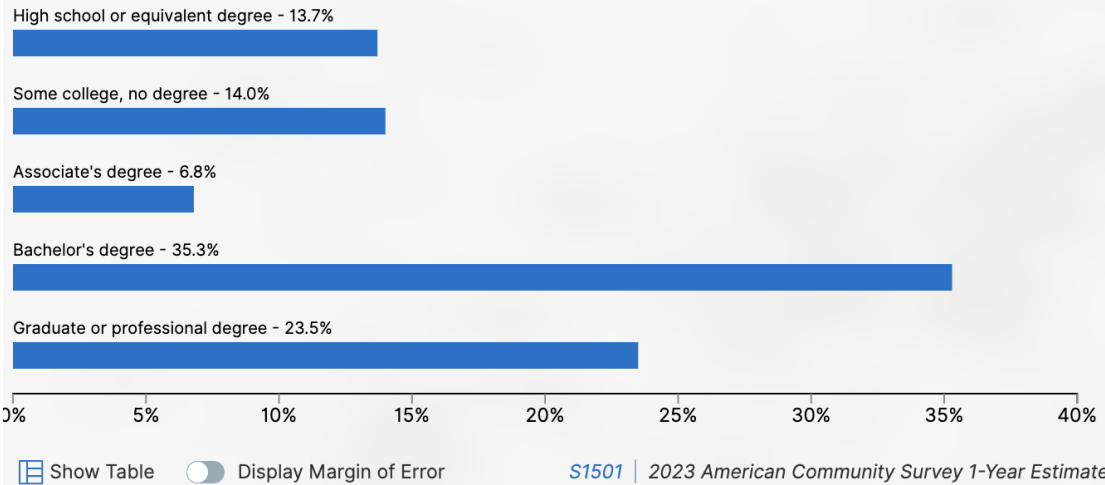


Figure 5- Educational Attainment of Minneapolis

Based on these insights, it's clear that while Milwaukee has a larger population and more households, indicating a generally broader market for multifamily housing, recent trends show population declines. Milwaukee dropped approximately 2,200 residents in 2023, which potentially impacts future housing demand. On the other hand, despite Minneapolis has smaller size of the population, it is stable, a higher employment rate, and a more educated workforce. These factors could drive stronger demand for high-quality rental units. These elements position Minneapolis for more robust future growth in the multifamily housing sector, aligning well with the client's investment strategy, which targets renters with higher incomes and educational attainment.

Supply Side Analysis:

Housing Units Per Capita:

Milwaukee County (Figure 6)

Population: 939,489

Housing Units: 424,191

Housing Units Per Capita = 0.45 housing units per person.

Minneapolis (Figure 7)

Population: 429,954

Housing Units: 199,143

Housing Units per Capita = 0.46 housing units per person

Milwaukee County has slightly fewer housing units per capita than Minneapolis. This indicates that Milwaukee County has a slightly lower housing density per person than Minneapolis. Moreover, Milwaukee County has 424,191 housing units compared to Minneapolis' 199,143 housing units, aligning with the population difference.

The population and household numbers of Milwaukee County and Minneapolis align proportionally, Milwaukee has twice the population and slightly fewer households per capita. This suggests that the housing stock should be proportionally larger in Milwaukee, though the suburban and urban distribution might play a role in the types of housing demand.

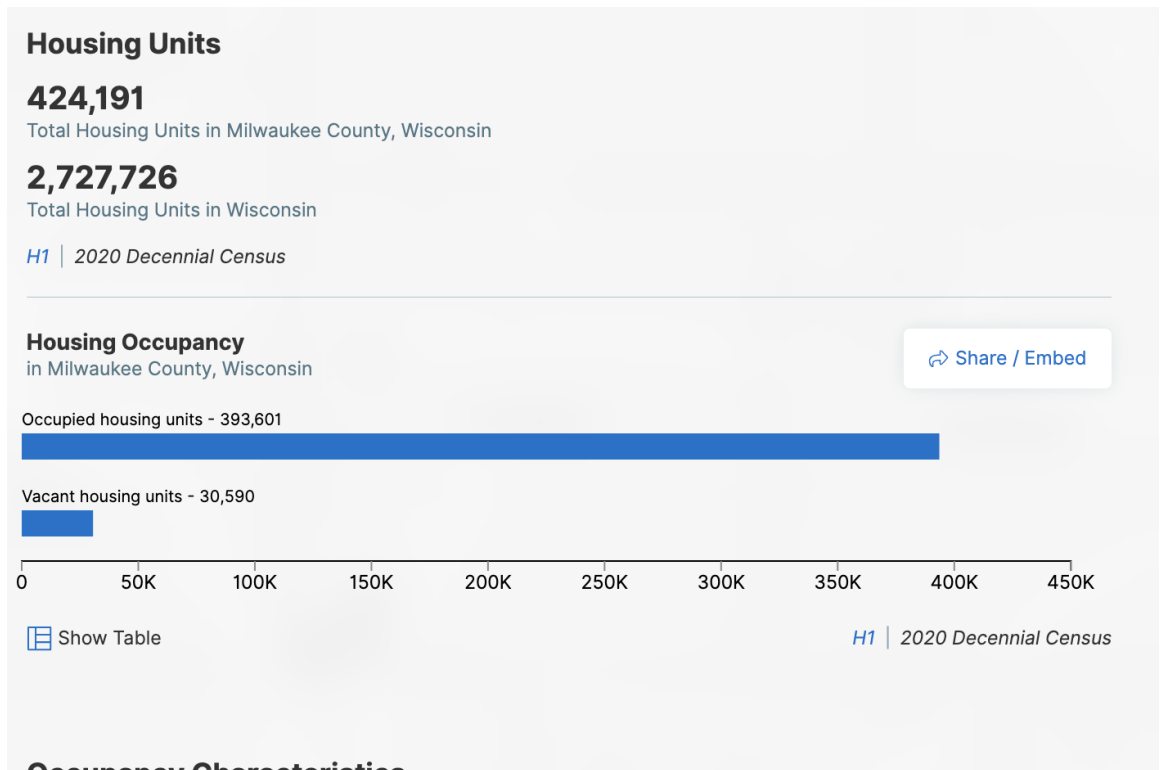


Figure 6- Housing Units of Milwaukee

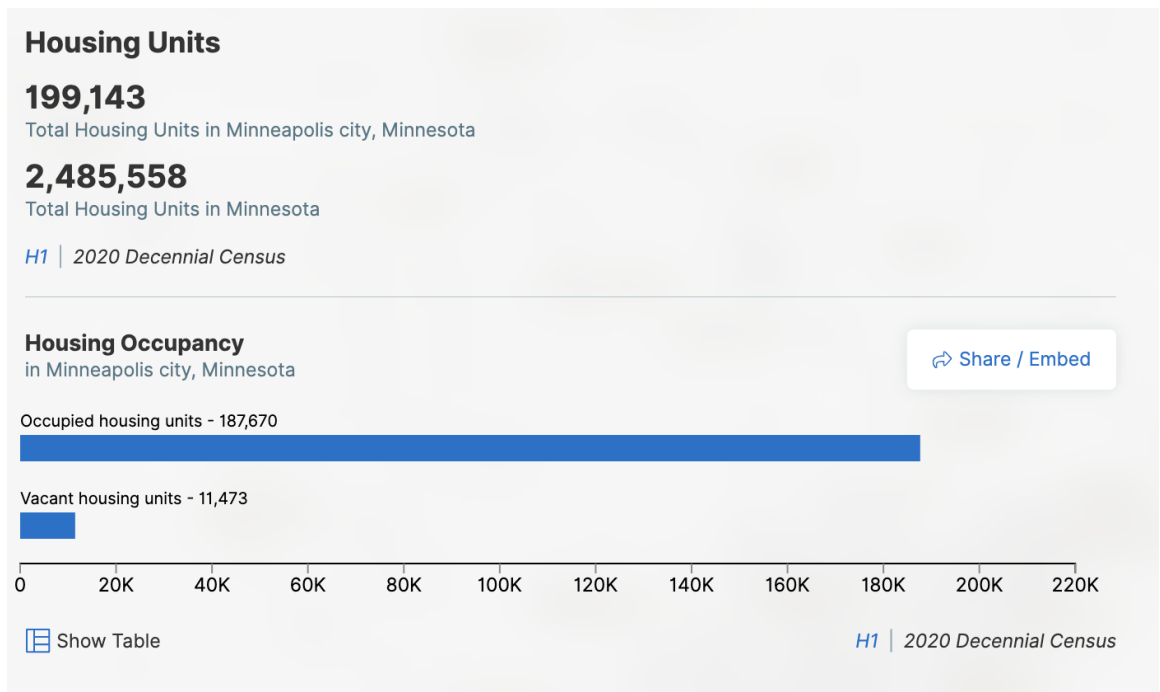


Figure 7-Housing Units of Minneapolis.

3. Financial Metrics and Market Performance:

Housing Market Overview:

- All Transactions House Price Index:

The below graph (Figure 8,9) from the Fed St Louis (<https://www.stlouisfed.org/>) from 2014 to 2024. The All Transactions House Price Index for Milwaukee County and Minneapolis below indicates that house prices in Minneapolis are significantly higher than those in Milwaukee, with Milwaukee exceeding 360 compared to Milwaukee's approximately 220. This disparity suggests that Minneapolis has a more competitive housing market, which could influence rental prices as potential buyers towards renting due to affordability issues.

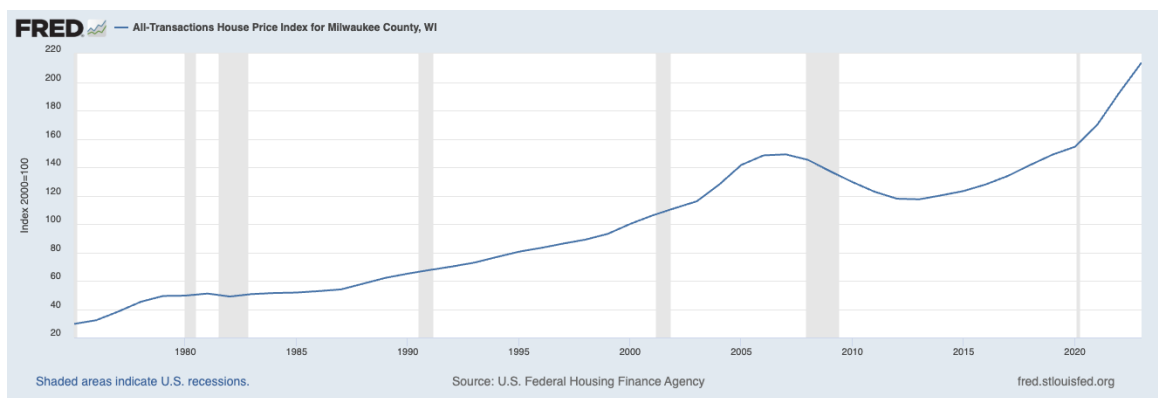


Figure 8 - All Transactions House Price Index of Milwaukee

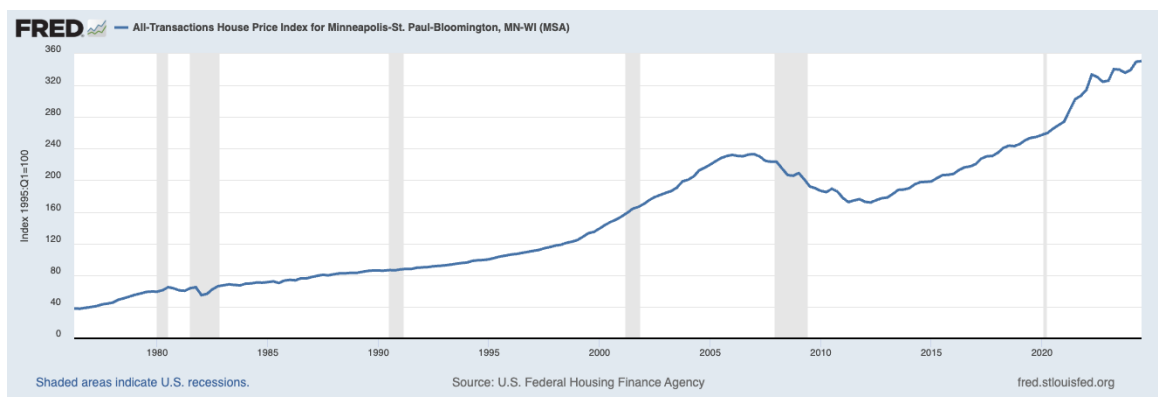


Figure 9 - All Transactions House Price Index of Minneapolis

Rent Growth and Rent Trends:

- New Private Housing Units Authorized by Building Permits

In terms of new construction, Minneapolis has authorized 1,269 housing units (shown in Figure 11) as of October 2024, while Milwaukee has authorized 1,221 units (shown in Figure 10) during the same period. This slight edge in new housing permits for Minneapolis reflects ongoing investment in the multifamily sector and a proactive approach to meeting housing demand.

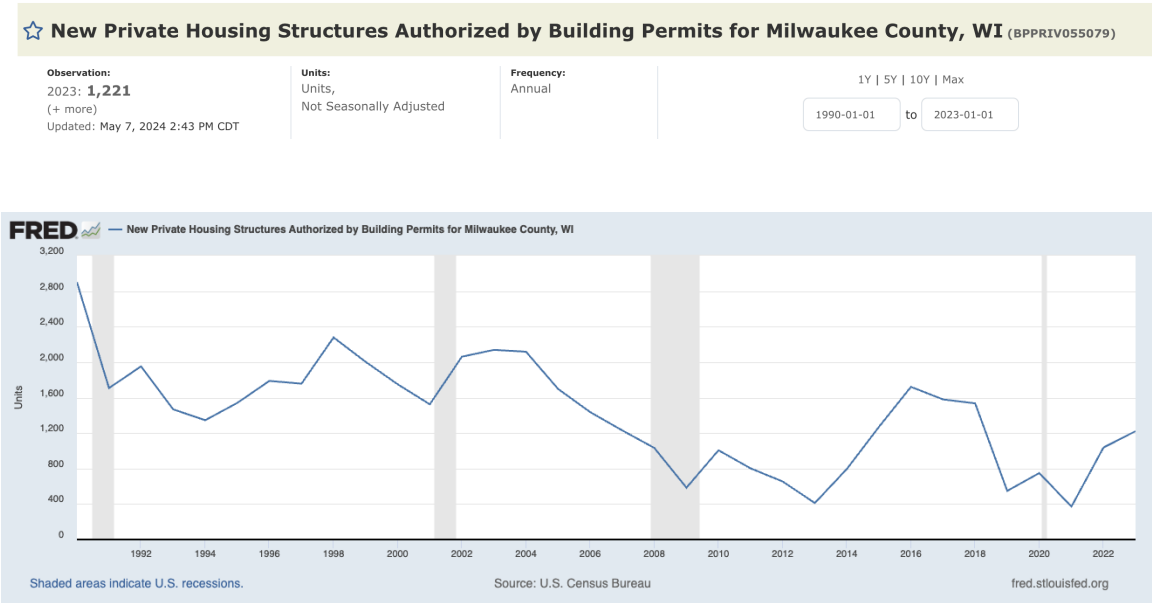
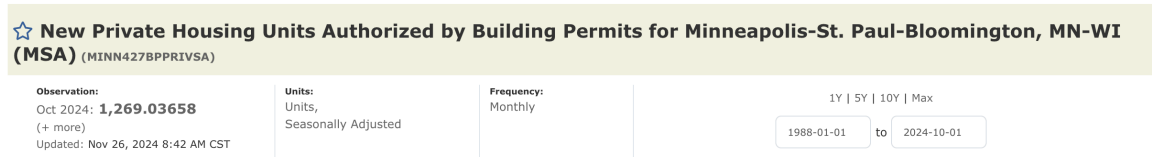


Figure 10 – New Private Housing Structure Authorized by Building Permits for Milwaukee



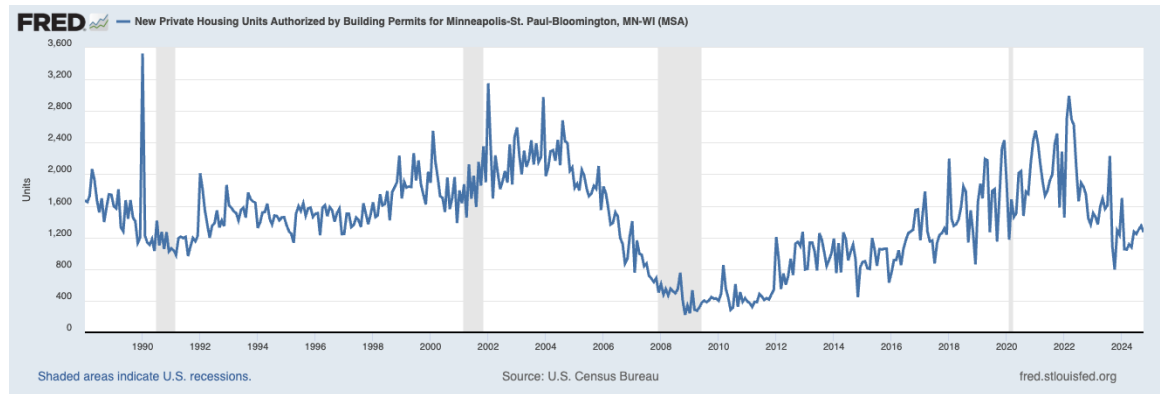


Figure 11 – New Private Housing Structure Authorized by Building Permits for Minneapolis

Rent Growth: Minneapolis demonstrates stronger rent growth trends compared to Milwaukee, driven by higher income levels and employment rates. The steady increase in rent alongside rising demand suggests that investors can find more lucrative opportunities in Minneapolis.

Investment Opportunities: Given the higher house price index and stronger rent growth in Minneapolis, investors can be more confident to focus on this market for multifamily investments. The combination of higher rents and new housing supply positions Minneapolis favorably for sustained growth.

4. Market Projections and Forecast:

Past period projections:

Applying Tableau for the historical data to show charts from 2014 to Q3, 2024, As shown in Table 1, Milwaukee shows a slightly higher median growth rate (Median: 0.6%) in asking rents compared to Minneapolis (0.5%) (shown in table 2), suggesting a more dynamic rental market in Milwaukee. (shown in graph figure 12 below)

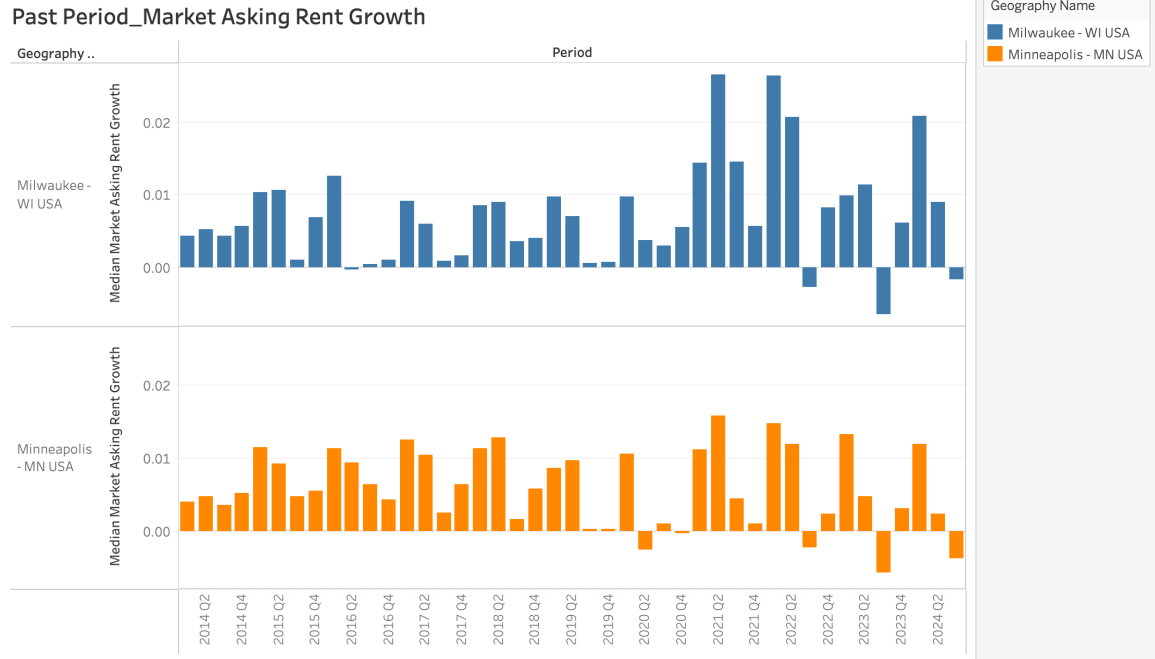


Figure 12- Past period_Market Asking Rent Growth

The past period from Q1/2014 to Q3/2024:

Milwaukee	Mean	Median	Standard Deviation
Market Asking Rent Growth	0.7%	0.006	0.007079676
Market Asking Rent/Unit	\$1,294	\$1,268	123.5286786
Market Effective Rent Growth	0.7%	\$0.005	0.008338492
Market Effective Rent/Unit	\$1,282	\$1,252	127.2348697
Demand Units	39,358	38,826	4144.36562
Net delivered Units	296	258	200.2006828
Units Under Construction	1,706	1,878	613.8060889
Absorption rate (%)	0.7%	0.6%	0.004291819
Stabilized Vacancy	3.6%	3.7%	0.005878449
Appreciation Return	2.0%	3.0%	0.051319694

Table 1_Milwaukee from 2014 Q1 to 2024 Q3

Minneapolis	Mean	Median	Standard Deviation
Market Asking Rent Growth	0.6%	0.005	0.005355057
Market Asking Rent/Unit	\$1,495	\$1,517	116.87587
Market Effective Rent Growth	0.6%	\$0.005	0.007455293
Market Effective Rent/Unit	\$1,476	\$1,499	116.415374
Demand Units	63,955	61,541	8267.991702
Net delivered Units	821	624	714.0642499

Units Under Construction	5,023	3,810	3533.086047
Absorption rate (%)	1.0%	0.7%	0.007132584
Stabilized Vacancy	5.0%	4.9%	0.005116383
Appreciation Return	0.01353488	2.8%	0.062890816

Table 2_Minneapolis from 2014 Q1 to 2024 Q3

Moreover, based on the graph shown in Figure 13, with the median absorption rate, Minneapolis has 0.7%, which is higher than Milwaukee with 0.6%. This suggests that units in Minneapolis were being rented out more quickly compared to Milwaukee.

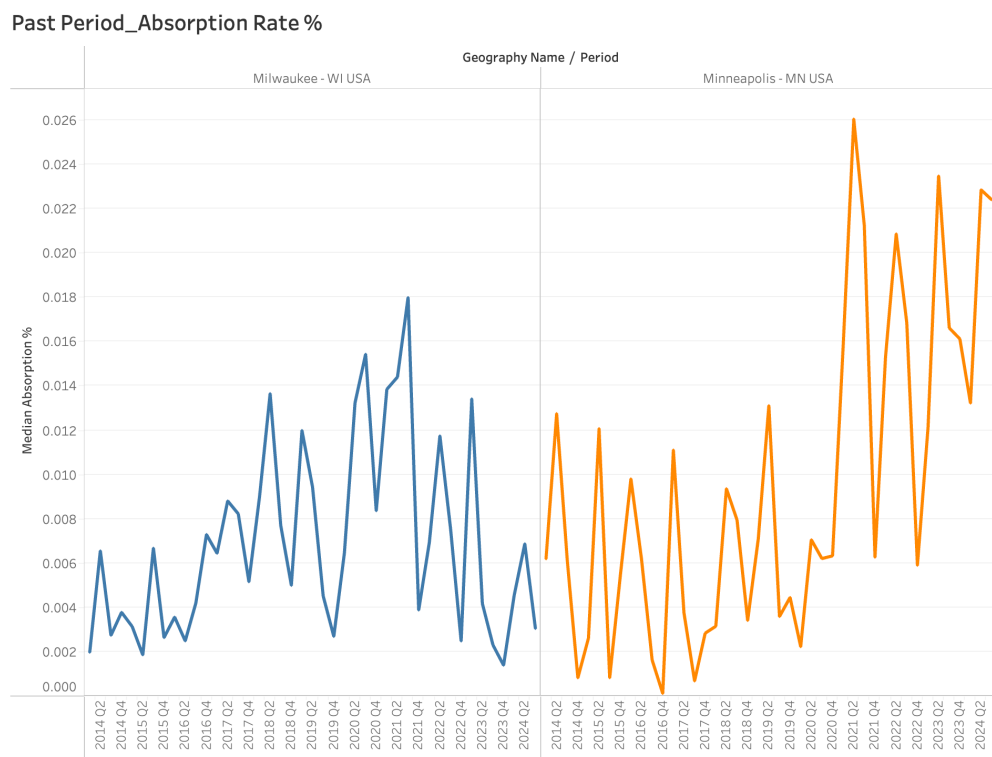


Figure 13- Past period _Absorption Rate %

According to the data and trend from this graph (shown in Figure 14), with a Median: of \$1,517, Minneapolis has higher rent per unit than Milwaukee, this indicates that a more expensive market that reflects higher demand and income levels.

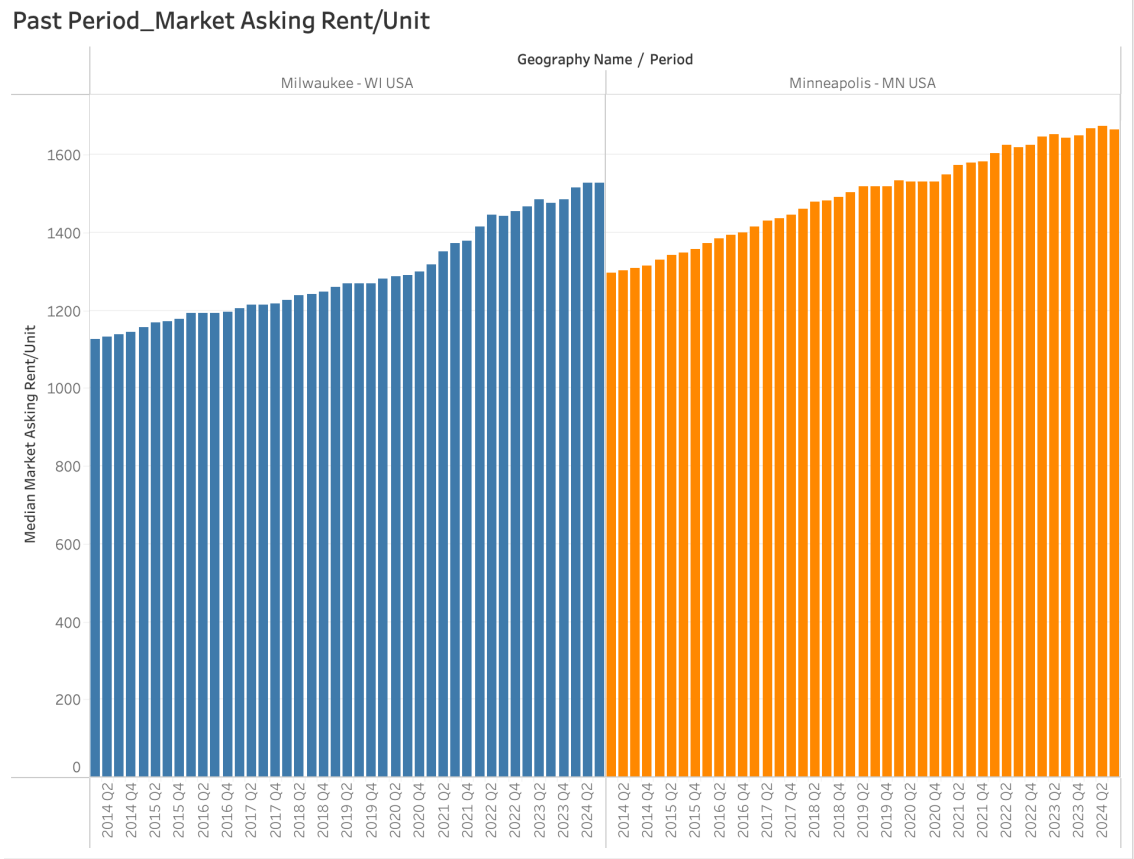


Figure 14-Past period_Market Asking Rent/Unit

From 2014 to Q3, 2024, we also see that Minneapolis's Median of Demand units is 61,541 higher significantly twice compared to Milwaukee (only 38,826) (Shown in figure 15) This result highlights a larger rental market and potentially more robust economic conditions driving this demand.

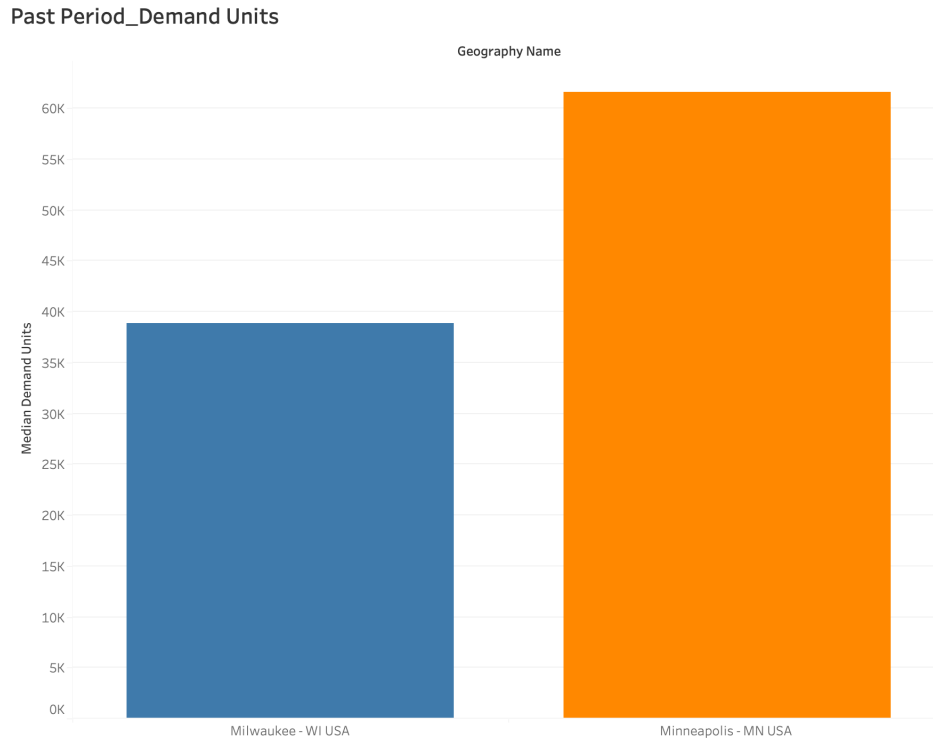


Figure 15 – Past period Demand units

Forecasting:

With the chart below (Figure 16), Minneapolis with a median of Appreciation Return 4.3% (shown in table 4) compared to Milwaukee with 4.0% (shown in Table 3). It shows Minneapolis has a higher appreciation return, suggesting this location's values may increase more rapidly in Minneapolis over the forecast period due to factors such as economic growth and increasing demand.

Forecasting_Appreciation Return

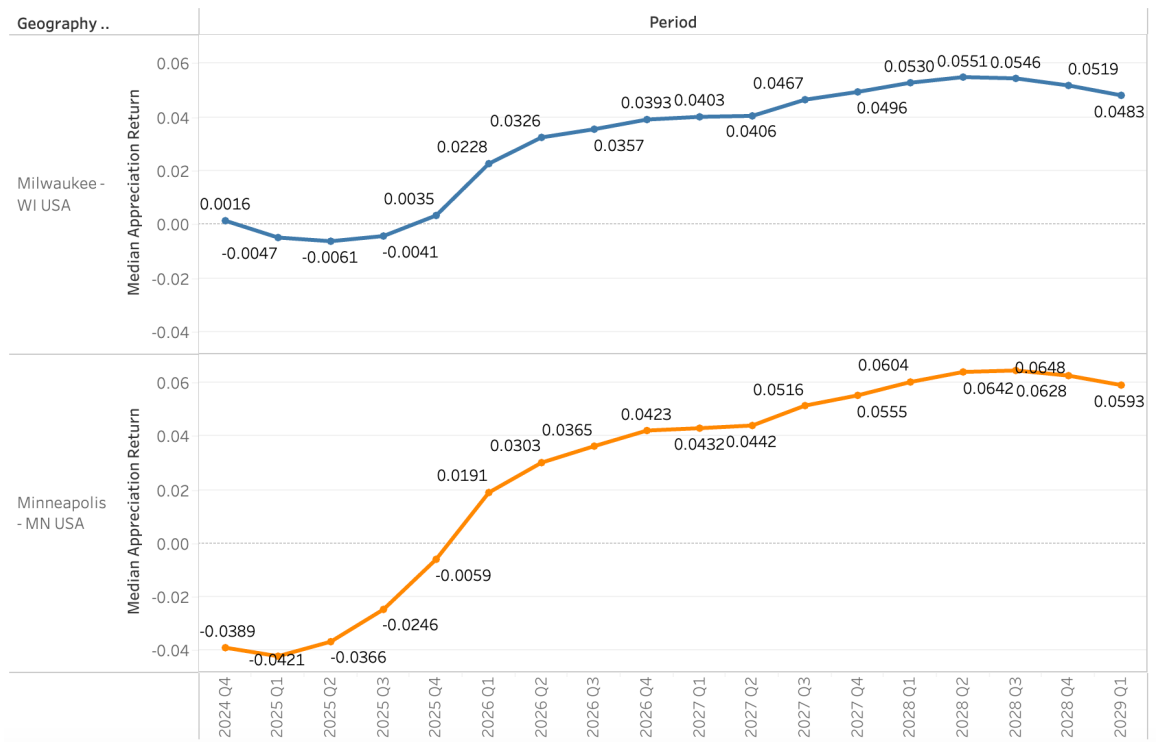


Figure 16 – Forecasting_Appreciation Return

With the forecasting of demand units across both markets (Figure 17), the median of demand units is significantly higher in Minneapolis (93,268) and expected to increase steadily until 2029 Q1 while Milwaukee is expected to remain around 48,954. This indicates that Minneapolis has a larger rental market and potentially more robust economic conditions driving this demand.

Forecasting period from Q4/2024 to Q4/2028

Milwaukee	Mean	Median	Standard Deviation
Market Asking Rent Growth	0.8%	0.7%	0.007403929
Market Asking Rent/Unit	\$1,656	\$1,660	67.65839698
Market Effective Rent Growth	0.8%	0.7%	0.007478899
Market Effective Rent/Unit	\$1,646	\$1,649	67.24718994
Demand Units	48,858	48,954	1360.338134
Net delivered Units	268	229	163.7002282
Units Under Construction			

RE Econ & Market Analysis

Absorption rate (%)	0.5%	0.5%	0.00137131
Stabilized Vacancy	3.2%	3.2%	0.001461365
Appreciation Return	3.1%	4.0%	0.022728706

Table 3_Milwaukee from Q4/2024 to Q4/2028

Minneapolis	Mean	Median	Standard Deviation
Market Asking Rent Growth	0.7%	0.7%	0.006762667
Market Asking Rent/Unit	\$1,789	\$1,792	67.87017068
Market Effective Rent Growth	0.7%	0.7%	0.006857101
Market Effective Rent/Unit	\$1,762	\$1,766	66.89497858
Demand Units	92,819	93,268	4321.512409
Net delivered Units	772	717	299.53459
Units Under Construction			
Absorption rate (%)	0.8%	0.8%	0.002033822
Stabilized Vacancy	5.8%	5.9%	0.002145858
Appreciation Return	2.7%	4.3%	0.03875397

Table 4_Minneapolis from Q4/2024 to Q4/2028

Forecasting_Demand Units

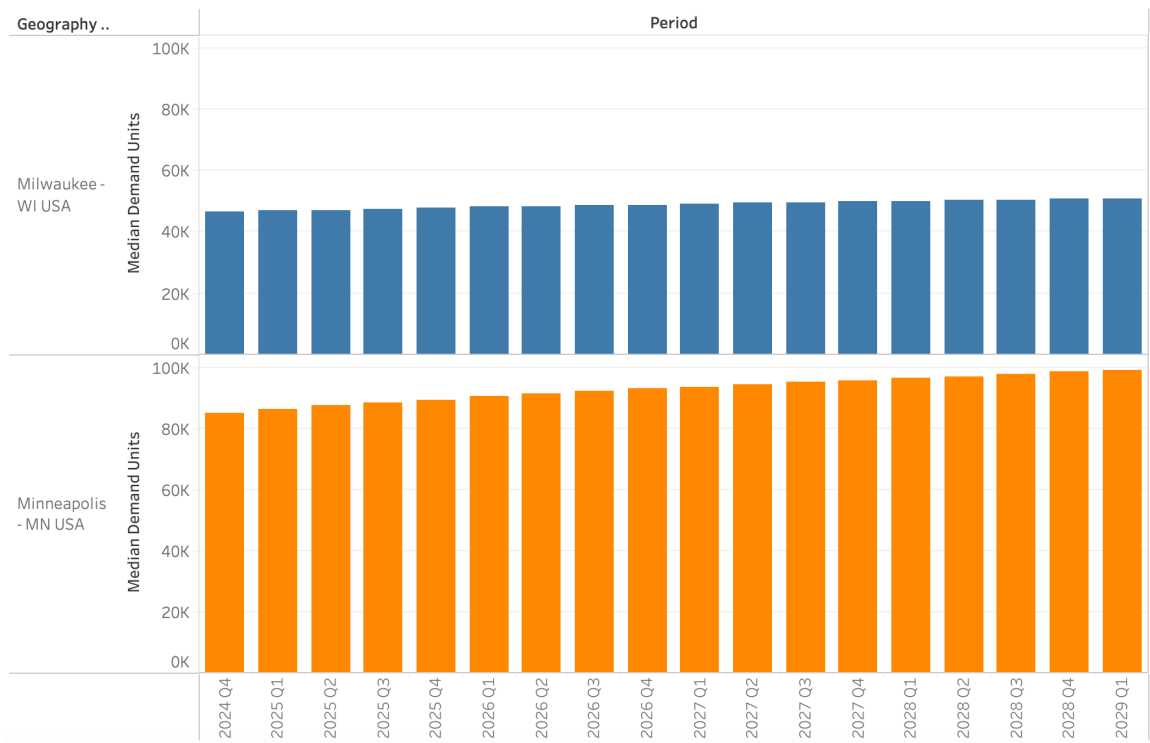


Figure 17 – Forecasting_Demand Units

As forecasting shown in Figure 18 and Table 3, Milwaukee has a stable vacancy rate (0.03 in 2029 Q1) that is lower than that of Minneapolis (0.05 in 2029 Q1) (shown in Table 4). This suggests that Milwaukee has stronger demand relative to supply in the market and less risk of oversupply.

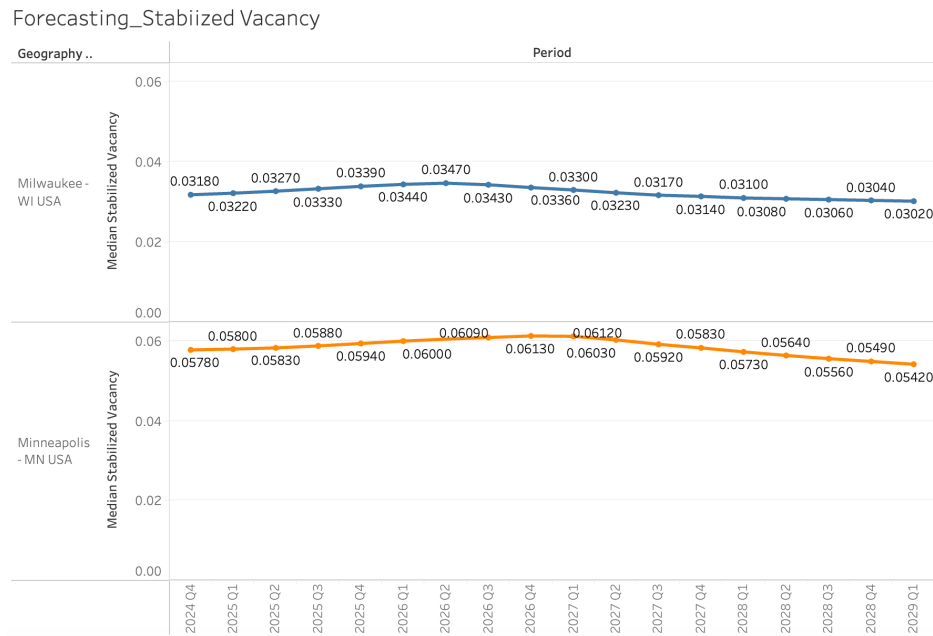


Figure 18 – Forecasting Stabilized Vacancy

As we can see, in the housing market, both Milwaukee and Minneapolis are very competitive. Milwaukee tends to offer more affordable with lower median home prices and faster appreciation rates. This will be an attractive option for first-time homebuyers and investors looking for growth potential. However, with the more expensive market with strong economic fundamentals, Minneapolis will appeal to buyers seeking long-term stability and growth.

5. Conclusion

For investors in the multifamily housing market, Milwaukee and Minneapolis offer different opportunities and challenges. Because of higher median salaries and levels of educational attainment, Minneapolis is a particularly attractive choice for investors looking to target higher-income renters. Additionally, the strong employment rate of Minneapolis also indicates a healthy job market that supports sustained rental demand and the potential for stable and long-term returns.

RE Econ & Market Analysis

On the other hand, due to greater housing supply and more affordable property prices, Milwaukee attracts investors looking for value-added opportunities in the multifamily sector. While Milwaukee City faces demographic challenges such as population decline and lower median incomes, its affordability and potential for property upgrades position it as a strong option for those focused on cost-effective acquisitions.

For investors focused on higher income potential and a dynamic economic environment, Minneapolis is the preferable option. However, if investors prioritize affordability, a broader range of properties, and the opportunity to enhance property value, Milwaukee will be a compelling market.

As a result, investors should carefully consider the objectives, goals, and market conditions of each city before making a decision.