



MULTIFAMILY REPORT

# Chicago Faces The Storm

Summer 2020



Investment Activity Slows

Government Mulls Property-Tax Hike

Developers Face Delays, Falling Demand



# CHICAGO MULTIFAMILY



## Heading Into Deep Water

Chicago's rental market faces myriad challenges, and a long recovery is expected. Rents fell to \$1,524—a 0.1% decrease on a trailing three-month basis through July, with Lifestyle rates down 0.3%. Prices are slated to continue contracting, particularly in the upscale segment, given the luxury-focused pipeline and a slight shift in renter interest toward lower-cost units.

The unemployment rate rose to 16.4% in June, 5.3 percentage points higher than the U.S. figure. Though the economy has re-opened to an extent, all job sectors reported losses owing to widespread furloughs and layoffs. This has impacted local government, with Chicago's mayor projecting a \$700 million budget shortfall due to low revenue. Property tax hikes are under consideration as a way to bridge the gap, a move that could further dampen activity.

While Chicago's transaction volume wrapped up a strong 2019, the pandemic effectively froze most activity. Multifamily deal volume in 2020 totaled \$596 million through July, with only eight of 28 transactions closing after Illinois enacted its stay-at-home order in late March. Pandemic restrictions did little on the surface to restrict the market's development activity, as construction was labeled essential from the onset. However, labor shortages and social distancing measures are bound to impact development time frames, and few new projects are expected to break ground.

## Market Analysis | Summer 2020

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### Recent Chicago Transactions

#### Cityfront Place



City: Chicago  
Buyer: Strategic Properties of North America  
Purchase Price: \$155 MM  
Price per Unit: \$321,875

#### Kelmescott Park



City: Lake Forest, Ill.  
Buyer: Intercontinental Real Estate  
Purchase Price: \$54 MM  
Price per Unit: \$484,234

#### Tanglewood



City: Hammond, Ind.  
Buyer: Bayshore Properties  
Purchase Price: \$34 MM  
Price per Unit: \$87,240

#### Bartlett Lake



City: Bartlett, Ill.  
Buyer: Monument Real Estate Services  
Purchase Price: \$18 MM  
Price per Unit: \$92,708