



MULTIFAMILY REPORT

Chicago Speeds Up Recovery

June 2022



Rents Reach New High

Transaction Volume Picks Up

Developers Choose Urban Core

CHICAGO MULTIFAMILY



Chicago Rentals Building Good Momentum

Chicago is building on previous solid performance, as the first four months of 2022 show promise for recovery. The average rent in the metro expanded 90 basis points on a trailing three-month (T3) basis through April, reaching a new high at \$1,749, now \$90 above the national average of \$1,659. The Lifestyle segment saw a 0.8% increase to \$2,374, while rates in RBN properties expanded 0.9% to \$1,416.

The metro's unemployment dropped to 4.5% as of March, according to preliminary data from the Bureau of Labor Statistics. In the twelve months ending in February, Chicago added 221,800 jobs for a 4.6% increase, 3 basis points behind the national average. Leisure and hospitality continued to drive employment growth, with 85,700 positions added for a 26.1% increase. The City of Chicago has selected Bally's Corp. as the recipient of its sole casino license and the developer is planning a \$1.7 billion casino and hotel project on the site of the current Tribune Publishing Plant, which is expected to create more than 3,000 construction jobs annually and another 3,000 permanent operational jobs.

Transaction volume through April hit \$868 million, up 54% from the same period in 2021. The metro had 16,640 units under development as of April and an additional roughly 99,000 units in the planning and permitting stages.

Market Analysis | June 2022

Contacts

Jeff Adler

Vice President & General
Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Lucia Morosanu
Associate Editor

Recent Chicago Transactions

Ellyn Crossing



City: Glendale Heights, Ill.
Buyer: Turner Impact Capital
Purchase Price: \$137 MM
Price per Unit: \$118,512

The Preserve at Woodfield



City: Rolling Meadows, Ill.
Buyer: Beitel Group
Purchase Price: \$110 MM
Price per Unit: \$167,674

The Residences at Hamilton Lakes



City: Itasca, Ill.
Buyer: JVM Realty
Purchase Price: \$99 MM
Price per Unit: \$333,333

100 Forest Place

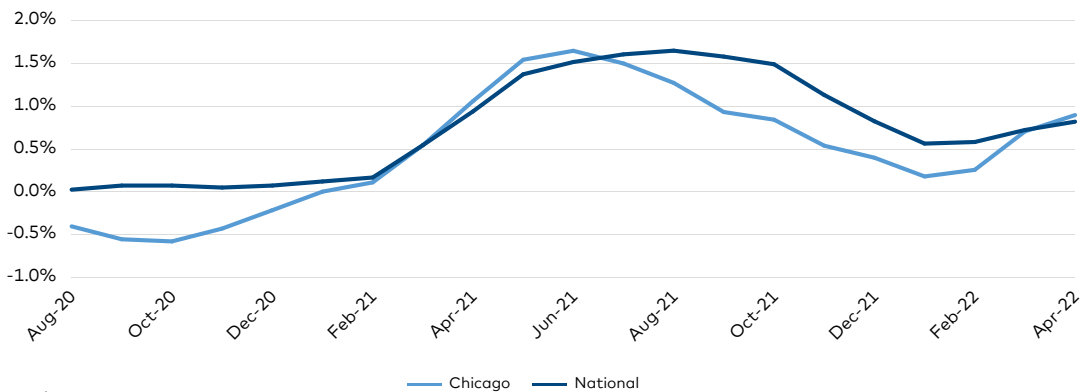


City: Oak Park, Ill.
Buyer: Palladius Capital
Management
Purchase Price: \$71 MM
Price per Unit: \$305,000

RENT TRENDS

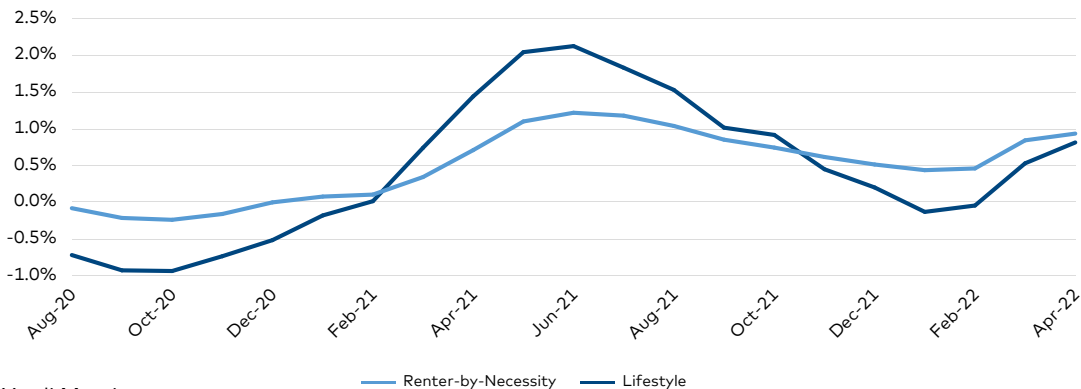
- ▶ Chicago rates rose 0.9% on a trailing three-month (T3) basis through April, 10 basis points above the national average. Rent growth has picked up the pace since the beginning of the year, after previously slowing down since August 2021.
- ▶ The overall average in the metro reached a new high in April, clocking in at \$1,749, \$90, over the national average. Despite new supply heavily targeting Lifestyle properties, rents for high-end assets rose 80 basis points, to \$2,374. The Renter-by-Necessity segment followed a similar trend, expanding 90 basis points to \$1,416.
- ▶ The occupancy rate in stabilized properties rose 11.6% year-over-year through March to 95.4%. Although the occupancy rate was the same for both quality segments, year-over-year growth differed. Lifestyle properties expanded by 10.8%, while RBN assets experienced a 12.2% increase in March.
- ▶ Of the 85 submarkets tracked by Yardi Matrix in Chicago, only one posted rent decreases and another plateaued year-over-year as of April. The suburbs were the most in demand for renters, as four of the five top entries in terms of rent growth were suburban submarkets. Despite that, submarkets closest to the urban core remained the priciest, with the Near South Side growing 22.4% to \$2,720, the Near North Side expanding 10.7% to \$2,663 and Evanston-North increasing 10.3% to \$2,640.

Chicago vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Chicago Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Chicago recorded a 4.5% unemployment rate in March, according to preliminary data from the Bureau of Labor Statistics. While the metro has made progress from the 17.9% peak recorded in April 2020, the rate still lagged the 3.6% national average.
- ▶ The metro added 221,800 jobs during the twelve months ending in February across all employment sectors. This represents a 4.6% increase, 10 basis points behind the national growth.
- ▶ With travel picking up momentum, leisure and hospitality recorded the fastest growth. The sector expanded 26.1% and added 85,700 positions. Other sectors with strong gains through February included trade, transportation and utilities, with 36,400 positions added for a 4.0% increase, while professional and business services was up 33,200 jobs for a 4.2% expansion.
- ▶ At the beginning of May, the City of Chicago selected Bally's Corp. as the recipient of its sole casino license and the developer of a world-class casino-resort and entertainment project on the site of the current Tribune Publishing Plant. The \$1.7 billion casino and hotel development is expected to generate more than 3,000 construction jobs annually and another 3,000 permanent operational jobs.

Chicago Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	414	9.0%
40	Trade, Transportation and Utilities	951	20.8%
60	Professional and Business Services	826	18.0%
90	Government	527	11.5%
65	Education and Health Services	725	15.8%
15	Mining, Logging and Construction	158	3.4%
80	Other Services	185	4.0%
30	Manufacturing	405	8.8%
50	Information	78	1.7%
55	Financial Activities	314	6.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Chicago added 17,682 new residents between 2018 and 2021 for a 0.2% increase, 130 basis points below the national figure.
- ▶ In 2021, the metro lost 90,111 residents, with people moving to less expensive options.

Chicago vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Chicago Metro	7,276,569	7,245,633	7,384,372	7,294,261

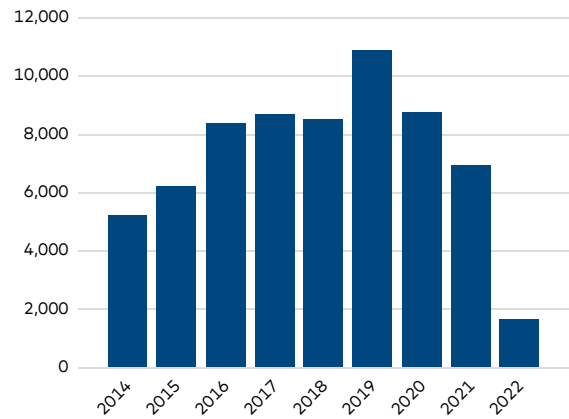
Source: U.S. Census

SUPPLY

- ▶ Chicago had 16,640 units under construction as of April, with three quarters of new development aimed at upscale renters. An additional 99,000 units were in the planning and permitting stages.
- ▶ The metro added 1,650 units across 8 properties in the first four months of the year, accounting for 0.4% of total stock. Deliveries slowed down since the decade high in 2019, when 10,929 units (3.1% of total stock) were added to the inventory. Even so, developers maintained momentum in 2022 with completions almost on par with the 1,688 units delivered in the same period of 2021.
- ▶ While investors were more interested in suburban properties, construction activity remained concentrated around Chicago's urban core. The top three submarkets—the Near West Side (2,357 units), the Near North Side (1,908 units) and Loop (1,425 units)—accounted for a third of all ongoing development across the metro. The busiest suburban submarket with the most multifamily construction was Yorkville, with 748 units underway as of April.
- ▶ The Loop submarket is also home to the largest development delivered in the first four months

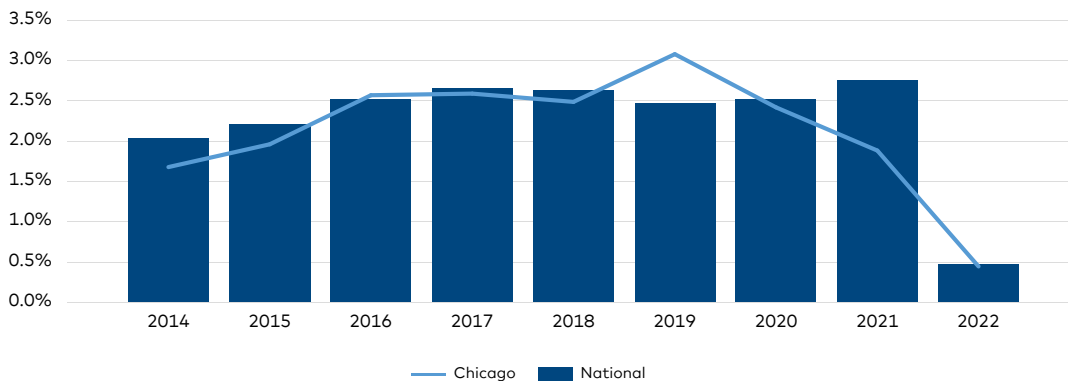
of 2022. Lendlease and Magellan Development Group completed the 503-unit Cascade at the beginning of the year, with \$109 million in construction financing provided by CIBC Bank USA. The 37-story luxury building is one of a three-tower development taking shape at the confluence of the Chicago River and Lake Michigan.

Chicago Completions (as of April 2022)



Source: Yardi Matrix

Chicago vs. National Completions as a Percentage of Total Stock (as of April 2022)



Source: Yardi Matrix

TRANSACTIONS

- ▶ Investors traded \$868 million in multifamily properties in the first four months of the year, up 54% compared to the same period in 2021. The average price per unit reached \$178,020, up almost 9% from last year's average, but still behind the \$209,274 national average.
- ▶ Transaction activity in Chicago at the beginning of the year rode on the momentum of the decade peak recorded in 2021, when \$3.9 billion in multifamily assets traded. Investor preference skewed toward Renter-by-Necessity properties, which made up 66% of total sales through April.
- ▶ In the 12 months ending in April suburban markets attracted the most investor attention—Palatine (\$293 million), Glendale Heights (\$285 million) and Wheaton (\$269 million). Chicago's largest sale in the first four months of 2022 was also the largest deal ever for any of the metro's suburbs. Turner Impact Capital purchased the 1,155-unit Elynn Crossing for \$137 million.

Chicago Sales Volume and Number of Properties Sold (as of April 2022)



Source: Yardi Matrix

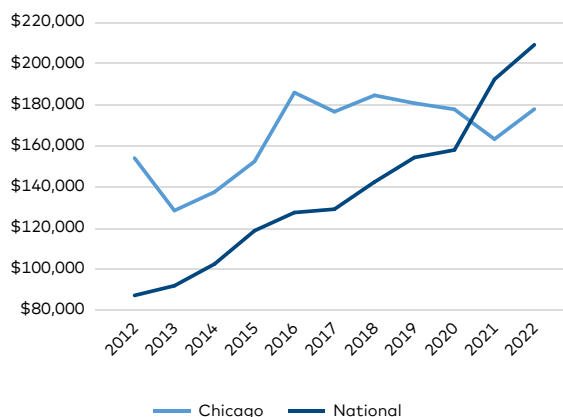
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Palatine	293
Glendale Heights	285
Wheaton	269
Near North Side	269
Naperville — West	247
Loop	221
Bolingbrook	197

Source: Yardi Matrix

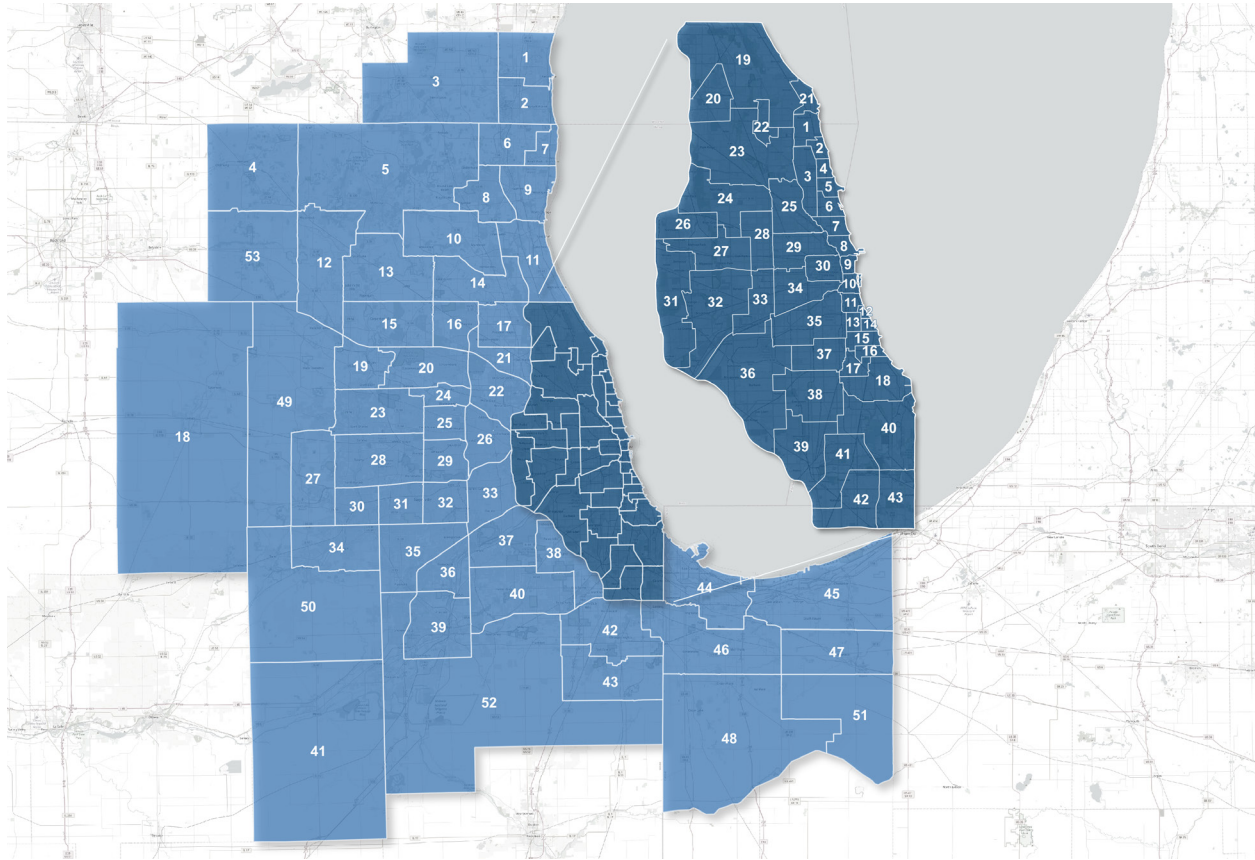
¹ From May 2021 to April 2022

Chicago vs. National Sales Price per Unit



Source: Yardi Matrix

CHICAGO SUBMARKETS



Area No.	Submarket
1	Kenosha–North
2	Kenosha–South
3	Bristol
4	Harvard
5	McHenry–Round Lake
6	Zion–West
7	Zion–East
8	Grayslake
9	Waukegan
10	Mundelein
11	Highland Park–Libertyville
12	Huntley–Woodstock
13	Crystal Lake
14	Buffalo Grove
15	Carpentersville
16	Palatine
17	Arlington Heights
18	DeKalb
19	Elgin
20	Schaumburg
21	Mt Prospect
22	Bensenville
23	St Charles
24	Roselle
25	Glendale Heights
26	Lombard
27	Elburn

Area No.	Submarket
28	Batavia
29	Wheaton
30	Aurora
31	Naperville–West
32	Naperville–East
33	Downers Grove
34	Yorkville
35	Bolingbrook
36	Romeoville
37	Hickory Hills
38	Palos Heights–Oak Forest
39	Joliet
40	Orland Park
41	Grundy
42	Chicago Heights–North
43	Chicago Heights–South
44	Gary–West
45	Gary–East
46	Gary–South
47	Valparaiso
48	Crown Point
49	Outlying Kane County
50	Outlying Kendall County
51	Outlying Porter County
52	Outlying Will County
53	Southern McHenry County

Area No.	Submarket
1	Evanston–South
2	Rogers Park
3	Lincoln Square
4	Edgewater
5	Uptown
6	Lake View
7	Lincoln Park
8	Near North Side
9	Loop
10	Near South Side
11	Douglas
12	Oakland
13	Grand Boulevard
14	Kenwood
15	Hyde Park
16	Woodlawn
17	Greater Grand Crossing
18	South Chicago
19	Wilmette–Northbrook
20	Des Plaines
21	Evanston–North
22	Skokie

Area No.	Submarket
23	North Park–Niles
24	Montclare
25	Irving Park–Logan Square
26	Northlake
27	Oak Park
28	Belmont Cragin–Austin
29	West Town–Garfield Park
30	Near West Side
31	Countryside–Westchester
32	Berwyn
33	Cicero
34	Lawndale
35	New City
36	Burbank–Oak Lawn
37	Englewood
38	Auburn Gresham
39	Blue Island
40	South Deering–Pullman
41	Riverdale
42	South Holland
43	Calumet City

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.



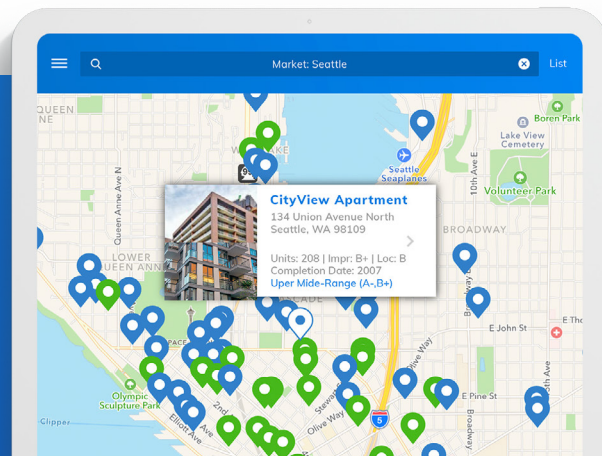
Yardi Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



(800) 866-1144

Learn more at yardimatrix.com/multifamily

Contact
US



DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2022 Yardi Systems, Inc. All Rights Reserved.