Yardi Matrix

MULTIFAMILY REPORT

Chicago Multifamily Solid

September 2023

Rent Gains Among Highest in US

Occupancy Remains Healthy

Development Slows Down

CHICAGO MULTIFAMILY

Yardi Matrix

Rent Growth Strong, Construction Slow

Chicago's fundamentals remained solid in the context of a wider economic slowdown. Rent development in the metro clocked in at 0.9% on a trailing three-month basis through July—60 basis points higher than the U.S. figure—with average rates at $1,895. On a year-over-year basis, Chicago ranked fourth among all major metros tracked by Yardi Matrix, at 5.2%. Overall occupancy remained high, at 95.6% as of June, 60 basis points above the U.S. rate.

Chicago's unemployment rate was 4.3% in June. Although it inched up from the previous month, it remained 40 basis points lower than January's figure. Meanwhile, the U.S. rate stood at 3.6% and Illinois at 4.0%. Job growth slowed, as the market felt the impact of economic headwinds. Over the 12-month period ending in May, the metro's labor pool expanded 2.0%, with 81,900 jobs added. Most sectors recorded growth, led by leisure and hospitality (up 7.4% or 33,400 jobs) and education and health services (up 4.3% or 31,300 jobs).

Like most other major metros, Chicago's development activity also slowed, with new inventory accounting for 0.7% of existing stock, or 2,691 deliveries, this year through July. The figure was down 54.0% year-over-year, however, the supply pipeline remained strong, with 15,298 units under construction and an additional 89,000 in the planning and permitting stages.

Market Analysis | September 2023

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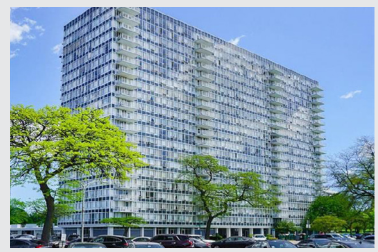
Recent Chicago Transactions

North Water

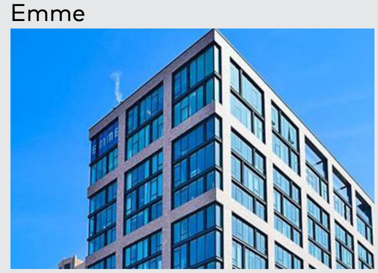
City: Chicago
Buyer: Crescent Heights
Purchase Price: $173 MM
Price per Unit: $434,719

Lake Meadows



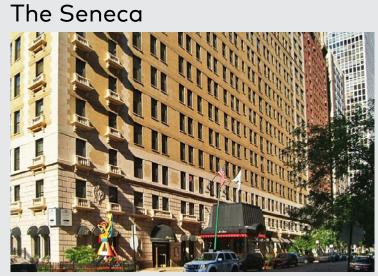
City: Chicago
Buyer: Antheus Capital
Purchase Price: $161 MM
Price per Unit: $86,142

Emme



City: Chicago
Buyer: Hines Global Income Trust
Purchase Price: $73 MM
Price per Unit: $364,824

The Seneca



City: Chicago
Buyer: FPA Multifamily
Purchase Price: $55 MM
Price per Unit: $207,547

RENT TRENDS

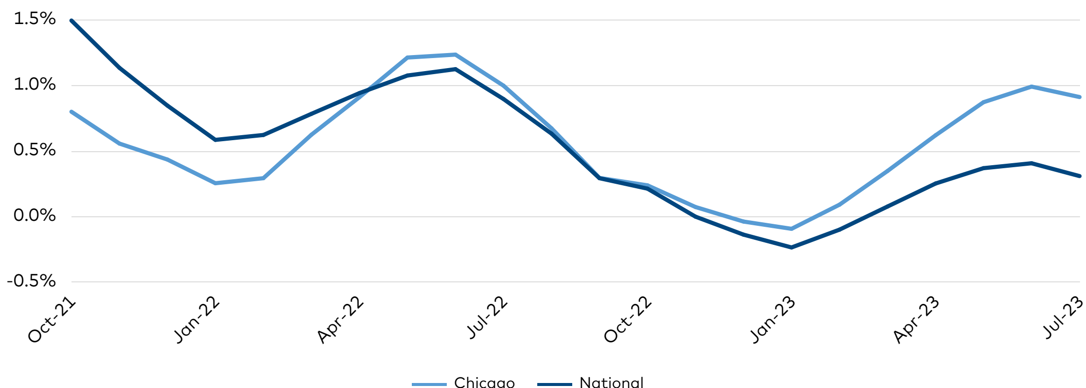
- Chicago rents were up 0.9% on a trailing three-month (T3) basis through July, 60 basis points ahead of the U.S. rate. Rent growth in the metro consistently stayed above the national average through the previous four-month period. On a year-over-year basis through July, Chicago ranked fourth among all major metros tracked by Yardi Matrix—rent development was at 5.2%, while the national growth rate fell to 1.6%.

- The average rent stood at $1,895, slightly above the nation's $1,729. Working-class Renter-by-Necessity figures were up 1.0% on a T3 basis through July, to $1,538, while rents in the Lifestyle segment followed closely, up 0.9%, to $2,539. While both quality segments recovered at a healthy pace, the first two months of the year saw Lifestyle rents slightly contract, while RBN figures have remained positive throughout the year.

- The average overall occupancy in stabilized assets ticked up 20 basis points year-over-year to a healthy 95.6% as of June—60 basis points above the national rate. Both quality segments recorded the same 20-basis-point increase, with Lifestyle at 95.4% and RBN at 95.7%.

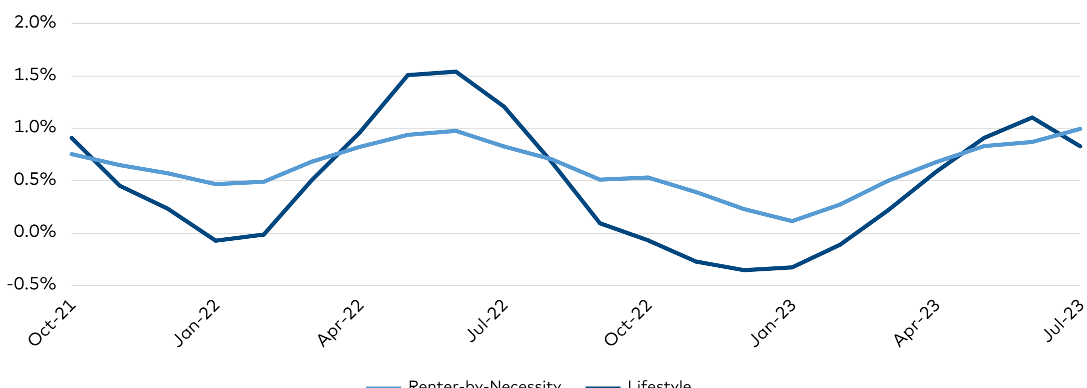
- Four Urban Chicago submarkets led year-over-year rent growth in the metro—Lincoln Square (up 17.0% to $1,628), Burbank-Oak Lawn (up 16.7% to $1,317), Montclare (up 15.3% to $1,701) and Des Plaines (up 14.0% to $1,758). The top two Suburban Chicago submarkets for rent growth were Zion-East (13.0% to $1,308) and Carpentersville (12.0% to $1,754).

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's unemployment rate clocked in at 4.3% in June, 70 basis points above the U.S. average, according to preliminary data from the Bureau of Labor Statistics. The rate was 40 basis points lower than the January figure. Year-over-year, Chicago's unemployment rate was 100 basis points lower. Meanwhile, Illinois' rate stood at 4.0% in June.
- Over a 12-month period ending in May, Chicago's labor pool expanded by 2.0%—adding 81,900 jobs. The metro's growth rate was 80 basis points behind the U.S. figure. Economic growth slowed down across the nation, with Chicago following suit—the metro's expansion rate was less than half of what it was a year ago.
- Job growth was led by the leisure and hospitality sector, which expanded by 7.4%, or 33,400 positions. Education and health services followed with 31,300 jobs, or a 4.3% expansion. Meanwhile, the professional and business services sector lost 3,600 jobs, for a 0.4% contraction, while the information sector contracted by 3.2%, or 2,600 positions.
- In July this year, the Illinois Department of Transportation announced its largest multi-year infrastructure plan in state history, aiming to spend $41 billion in federal, state and local funds over a six-year period to improve and upgrade roads, bridges, airports and rail lines throughout all 102 counties.

Chicago Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	484	10.1%
65	Education and Health Services	758	15.9%
30	Manufacturing	409	8.6%
90	Government	531	11.1%
55	Financial Activities	320	6.7%
80	Other Services	195	4.1%
40	Trade, Transportation and Utilities	958	20.1%
15	Mining, Logging and Construction	186	3.9%
50	Information	79	1.7%
60	Professional and Business Services	857	17.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Chicago lost 90,111 residents in 2021, representing a 1.2% contraction. Meanwhile, the U.S. population grew by 0.1% in 2021.
- Following a surge in expansion during the first year of the pandemic, the metro's population is regressing.

Chicago vs. National Population

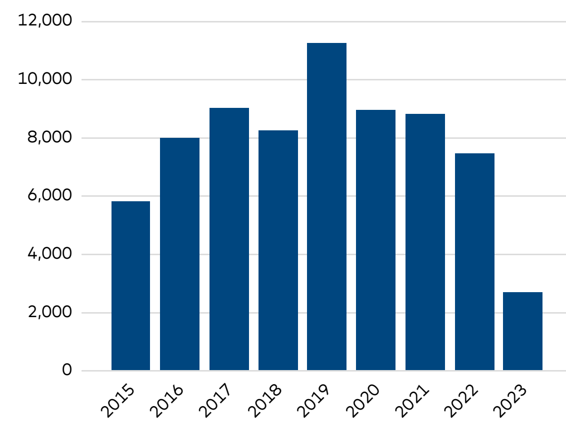
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Chicago	7,276,569	7,245,633	7,384,372	7,294,261

Source: U.S. Census

SUPPLY

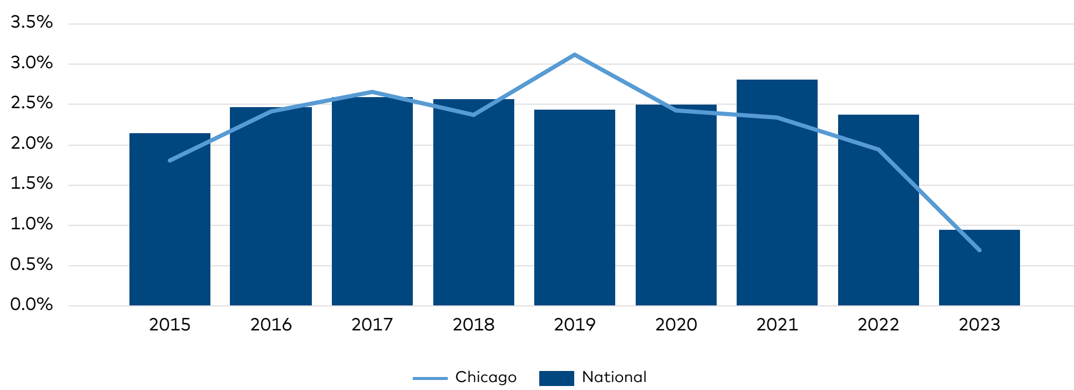
- Year-to-date through July, Chicago developers completed 2,691 units. The number accounted for 0.7% of existing multifamily stock, 20 basis points below the U.S. rate. Completions were down 54.9% from the 5,973 units completed in the same period last year. Development activity is slowing nationwide, but the near-term forecast remains solid. Yardi Matrix expects more than 8,000 units to come online in Chicago this year, which would place the market in line with its annual five-year average of 8,973 units.
- As of July, Chicago had 15,298 units under construction, while an additional 89,000 were in the planning and permitting stages. Of the current supply pipeline, 85.8% of units were in Lifestyle properties, while 7.2% were in fully affordable assets. The remaining 7.0% were in RBN developments.
- Year-to-date through July, developers broke ground on 2,595 units. In line with nationwide trends, construction starts were on a downward trend, as developers remain focused on bringing new inventory online. A total of 4,914 units broke ground during the same period last year.
- Four urban submarkets comprised 44.9% of the pipeline—the Near West Side led development activity with 2,517 units underway, followed by the Near North Side (1,943 units), Loop (1,306 units) and Uptown (1,120 units).
- The largest property underway was the 738-unit 1000M, taking shape in the Loop submarket. Developer JK Equities funded the construction with a $304 million loan, provided by Goldman Sachs. The project broke ground in May 2022 and is expected to come online in 2025.

Chicago Completions (as of July 2023)



Source: Yardi Matrix

Chicago vs. National Completions as a Percentage of Total Stock (as of July 2023)

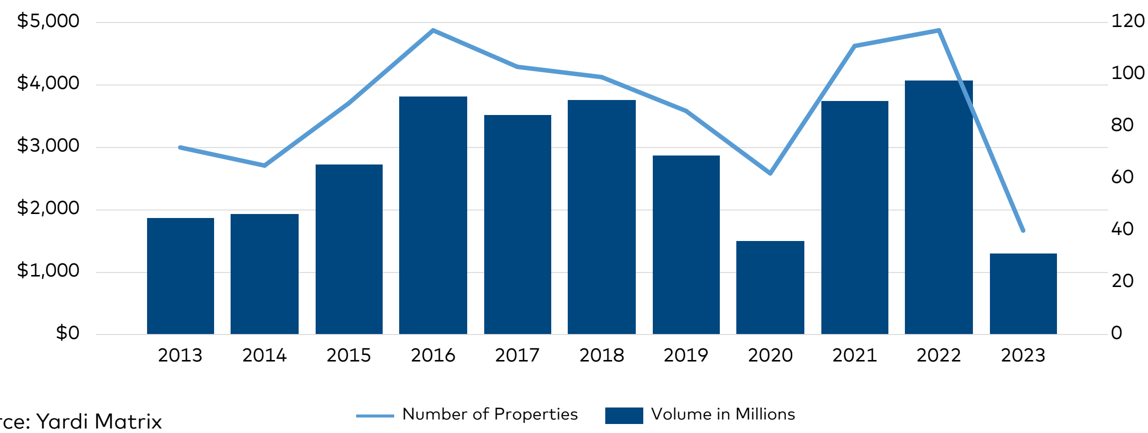


Source: Yardi Matrix

TRANSACTIONS

- Year-to-date through July, multifamily investment totaled $1.3 billion, a 38.2% decrease year-over-year. Economic headwinds such as high interest rates have caused investors to pause or slow their activity, as the lending market has tightened. A total of 40 transactions were completed, 12 of which were Lifestyle assets and 28 that were RBN properties.
- The average price per unit in the market reached $208,239, 12.6% above the U.S. figure and 11.6% higher than last year's total. Both quality segments saw per-unit prices rise from last year. For Lifestyle assets, the average figure increased 14.4% from December 2022, to $375,796, while RBN assets recorded a 1.3% uptick, to $152,098.
- The largest transaction so far this year was the $173 million sale of North Water in the Near North Side submarket. Crescent Heights acquired the 398-unit property from Invesco Real Estate, at roughly $434,718 per unit.

Chicago Sales Volume and Number of Properties Sold (as of July 2023)



Source: Yardi Matrix

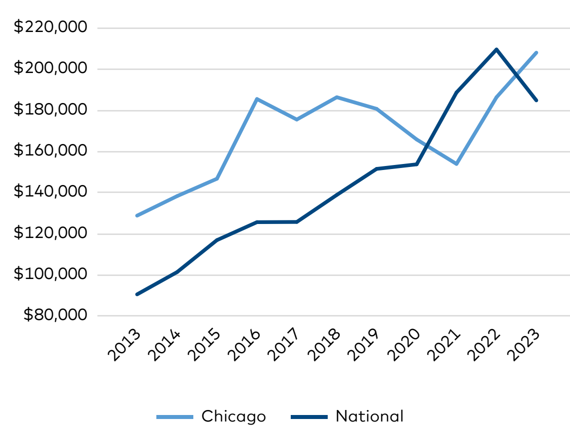
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Near North Side	$398
Near West Side	$272
Loop	$239
Palatine	$197
Naperville-West	$185
Arlington Heights	$163
Douglas	$161

Source: Yardi Matrix

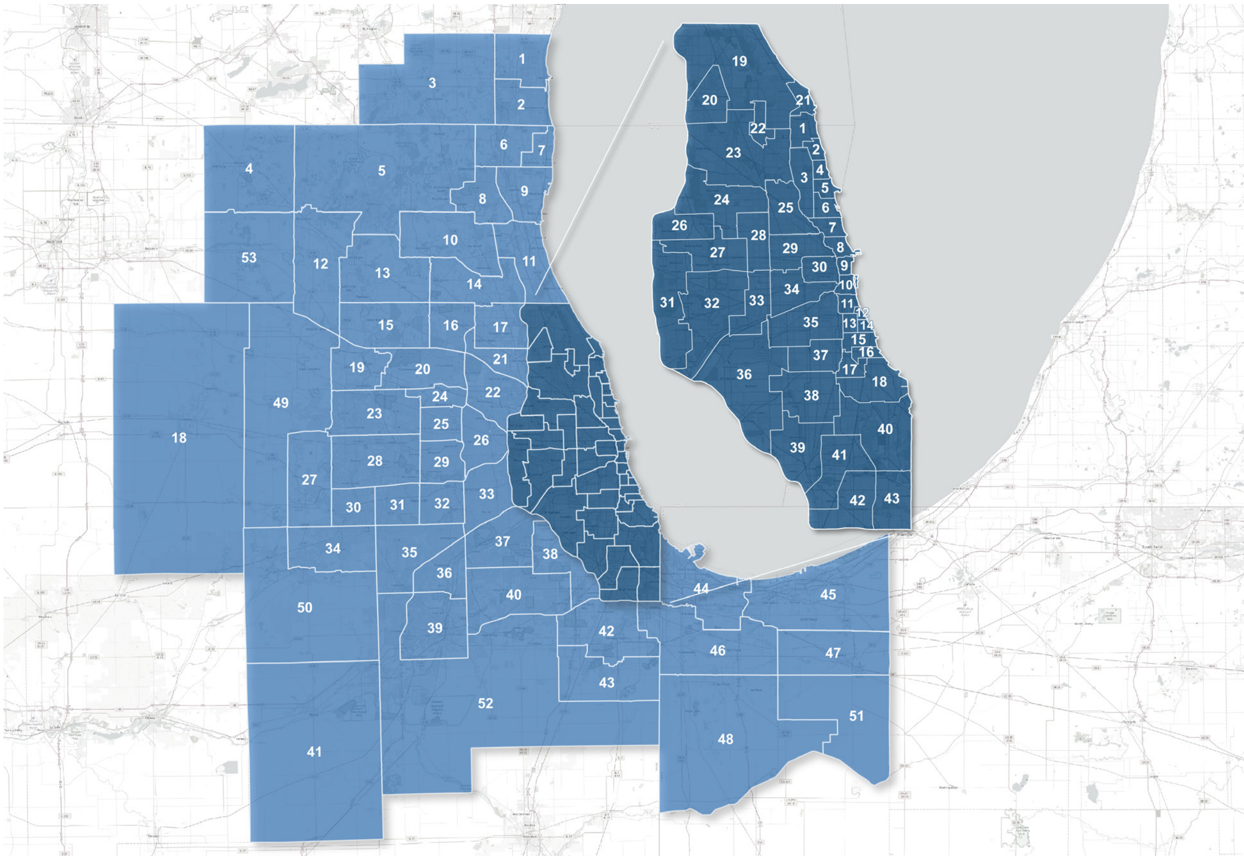
[1] From August 2022 to July 2023

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	Elbum

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.

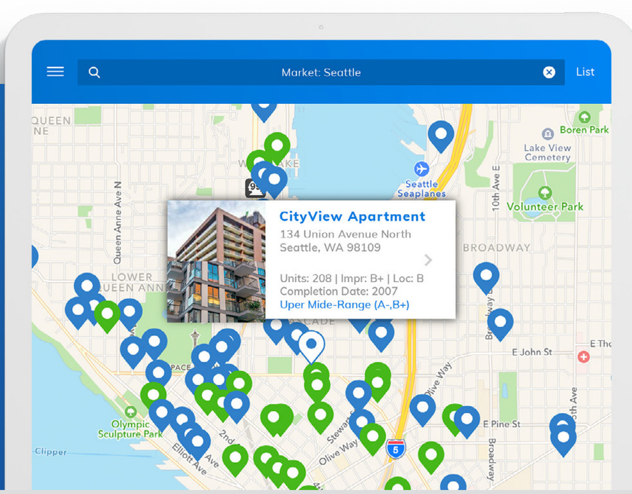
To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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.**

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