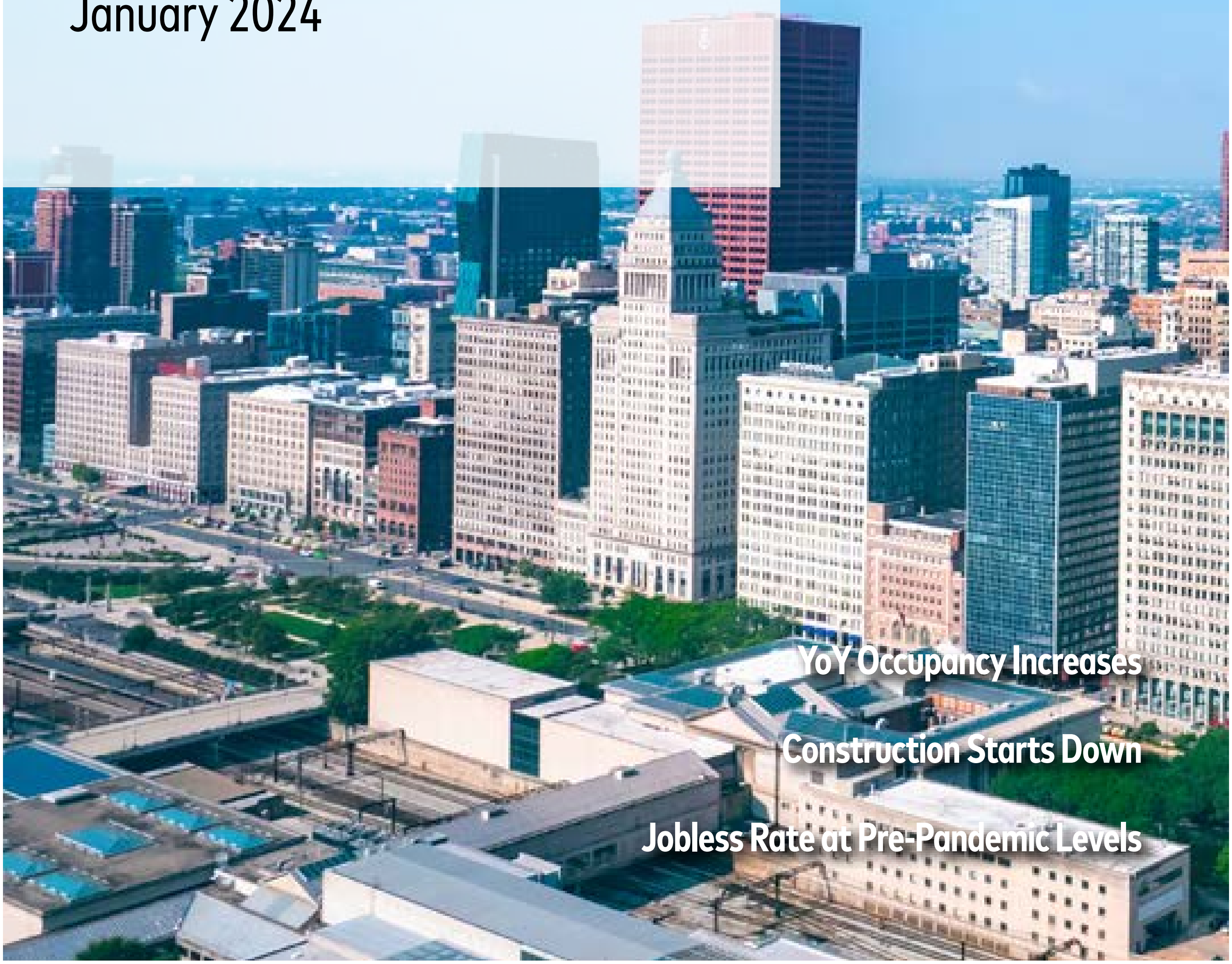
Yardi Matrix

MULTIFAMILY REPORT

Chicago's Strength

January 2024



YoY Occupancy Increases

Construction Starts Down

Jobless Rate at Pre-Pandemic Levels

CHICAGO MULTIFAMILY

Yardi Matrix

Chicago Rents Stall, Construction Steady

As the economy slowed in the latter half of 2023, major multifamily markets geared up for more challenging times. Chicago weathered the storm, with some fundamentals still close to historic averages. On a trailing three-month basis through November, rents were down 0.3%, just 10 basis points lower than the national rate. Demand for multifamily remained positive, with occupancy up 40 basis points year-over-year through October, to 95.7%.

Chicago's workforce expanded by 1.6% on a 12-month basis through September, amounting to 66,500 new jobs. Although lagging national figures, Chicago's economic growth maintained historic, pre-pandemic levels, with unemployment reaching 4.4.% in October, preliminary data from the Bureau of Labor Statistics shows. The education and health services sector was the metro's strongest performer, with 35,400 jobs gained, or a 4.8% expansion. Developers started work on a new cancer research center at UChicago's Medicine Center near Hyde Park. The $815 million facility is scheduled to open in 2027.

Despite a slower pace, Chicago did not see the dramatic shifts in supply dynamics seen in other major markets. A total of 6,324 units came online year-to-date through November, down 13.2% year-over-year. The metro had 16,183 units under construction and an additional 85,000 in the planning and permitting stages.

Market Analysis | January 2024

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

Tudor Scolca-Seușan
Associate Editor

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Recent Chicago Transactions

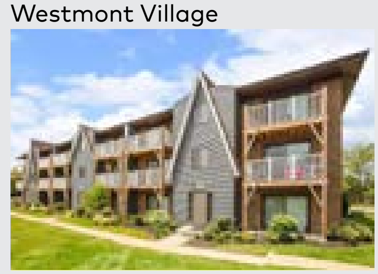
727 West Madison

City: Chicago
Buyer: Ponte Gadea
Purchase Price: $232 MM
Price per Unit: $470,528

The Oaks of Vernon Hill

City: Vernon Hills, Ill.
Buyer: Nuveen Real Estate
Purchase Price: $103 MM
Price per Unit: $305,803

Westmont Village



City: Westmont
Buyer: FPA Multifamily
Purchase Price: $96 MM
Price per Unit: $172,043

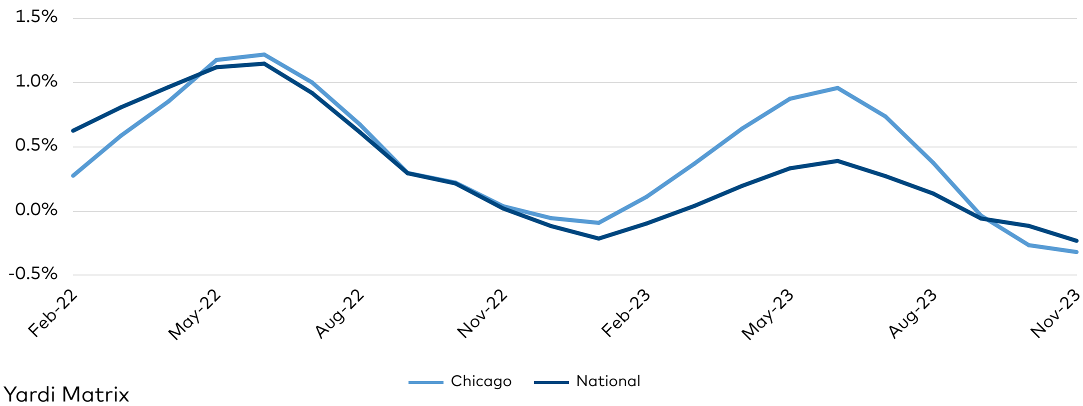
The Woodlands of Crest Hill

City: Crest Hill
Buyer: Osso Capital
Purchase Price: $95 MM
Price per Unit: $130,136

RENT TRENDS

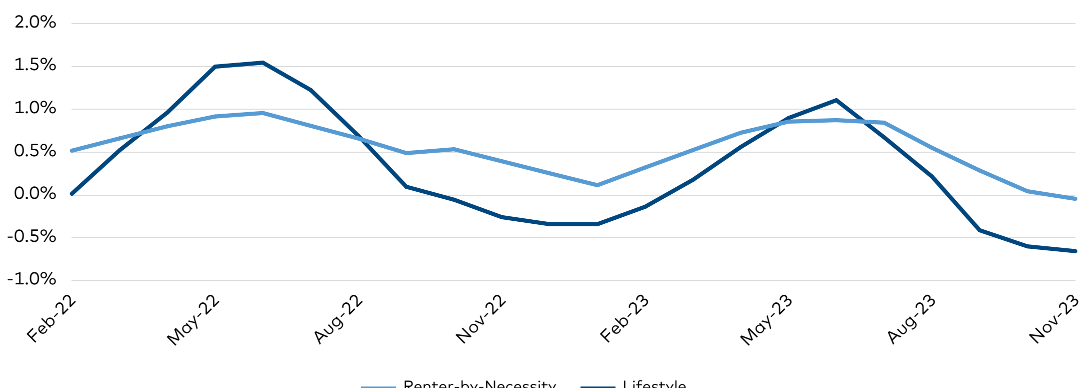
- After modest growth between February and August, Chicago rents stayed flat through September and reached negative territory in October and November—the rate was down 0.3% on a trailing three-month (T3) basis. Meanwhile, the national figure was down 0.2% through November. Year-over-year, rents were up 3.2%, ahead of the U.S. by 280 basis points.
- The average rent in Chicago was $1,865, just above the $1,713 national figure. Any progress made during the summer months for Lifestyle assets was reversed, as the rate slid for the third consecutive month—at -0.7%, to $2,462. Rates in the working-class Renter-by-Necessity segment followed a steadier trajectory in 2023, with growth halting in November, to an average of $1,527.
- Bucking national trends, the occupancy rate for stabilized assets across the metro was up 40 basis points year-over-year, to 95.7%, as of October. The U.S. rate was down 40 basis points, to 94.9%. Both quality segments in Chicago saw an uptick in occupancy, with Lifestyle up 50 basis points, to 95.5%, and RBN assets inching up 30 basis points, to 95.9%.
- Of the 96 submarkets comprising urban and suburban Chicago, 71 recorded positive year-over-year rent growth rates through November. A few urban submarkets led gains, including North Park — Niles (up 13.1% to $2,195), Skokie (up 9.8% to $2,178) and Evanston–North (9.5% to $2,975).

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 was 4.4% as of October, according to preliminary data from the Bureau of Labor Statistics, 50 basis points above the U.S. figure. The rate declined from 5.0% in August—the highest point this year—and was 30 basis points lower than January's rate. Meanwhile, Illinois unemployment stood at 4.6%.
- On a 12-month basis through September, Chicago's labor pool expanded by 1.6%, amounting to 66,500 jobs added across all sectors, while the overall U.S. figure stood at 2.4%. Throughout 2023, Chicago lagged the national pace, unable to catch up.
- The education and health services sector was the top performer with 35,400 jobs gained, or a 4.8% expansion. Leisure and hospitality was second with 20,100 positions, up 4.4%. Two sectors lost jobs—professional and business services (down 6,100 jobs) and information (down 5,000).
- Exemplifying Chicago's growth for the education and health services sector, a new, $815 million cancer center is taking shape near UChicago's Medicine Center near Hyde Park. Foundation permits for the 575,000-square-foot facility were signed in early December, with the opening planned for 2027.

Chicago Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	768	16.0%
70	Leisure and Hospitality	477	9.9%
90	Government	536	11.1%
55	Financial Activities	324	6.7%
15	Mining, Logging and Construction	196	4.1%
80	Other Services	197	4.1%
30	Manufacturing	410	8.5%
40	Trade, Transportation and Utilities	960	19.9%
50	Information	77	1.6%
60	Professional and Business Services	869	18.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Chicago lost 90,111 residents between 2020 and 2021, representing a 1.2% contraction. Out-migration during the pandemic was the norm for large metros, due to affordability issues and remote work. Meanwhile, the U.S. population grew by 0.1%.

Chicago vs. National Population

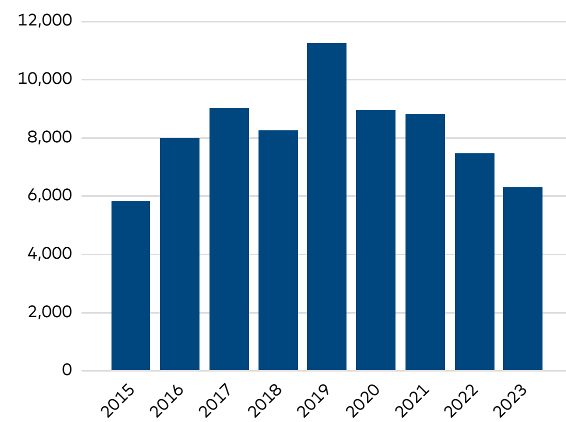
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Chicago	7,276,569	7,245,633	7,384,372	7,294,261

Source: U.S. Census

SUPPLY

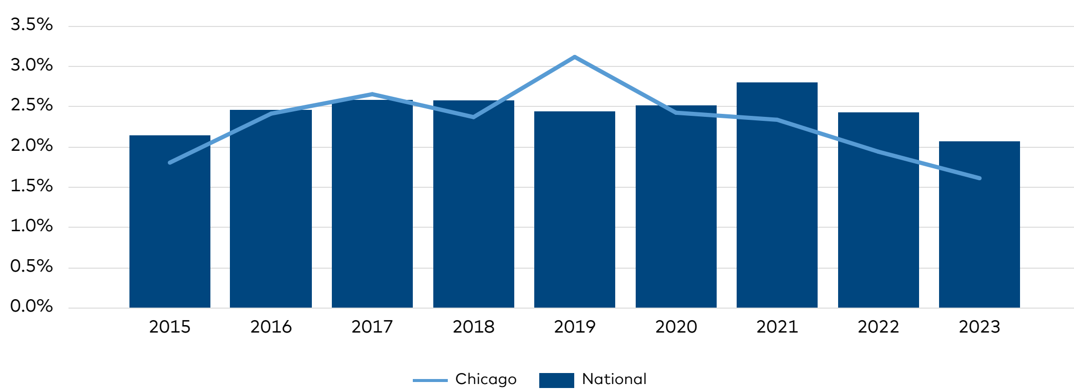
- Developers completed 6,324 units in Chicago on a year-to-date basis through November, which represented a 1.5% expansion of existing stock—40 basis points below the U.S. figure. Completions were down 13.2% year-over-year. While Chicago was in line with national trends, the drop was not nearly as dramatic as other large metros in terms of new stock. On average, Chicago developers added 8,973 units each year over the previous five-year period. Deliveries reached a cycle peak in 2019, when 11,254 units were completed, with activity cooling off closer to historical averages afterward.
- In November, Chicago had 16,183 units under construction. In line with national trends, Lifestyle assets held the majority share of the pipeline, with 80.3% of units within the upscale segment. Units in fully affordable assets comprised 10.1% of the total. An additional 85,000 units were in the planning and permitting stages.
- Year-to-date through November, 5,695 units broke ground across the metro, which was about 1,000 units less than the total recorded in the same period last year. New starts are likely to continue declining through early 2024.
- Of the total number of units underway, 9,965 were in urban Chicago, while suburban areas had 6,218. The largest share of new development was concentrated in four urban submarkets—the Near West Side (2,737 units), the Near North Side (1,490), Loop (1,199) and Uptown (1,061).
- The largest property completed in the fourth quarter was the 327-unit Foundry, in the Near North Side. Developer White Oak Realty funded the construction with an $88.9 million loan.

Chicago Completions (as of November 2023)



Source: Yardi Matrix

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

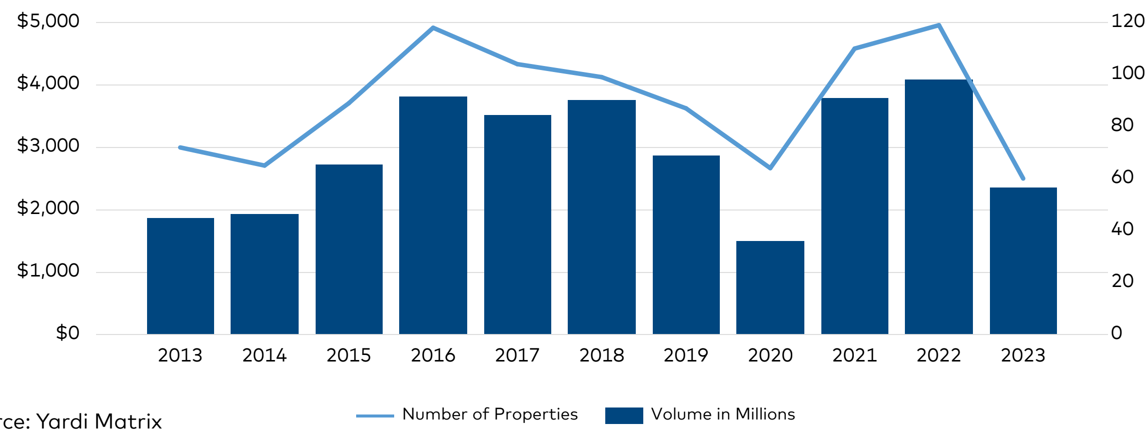


Source: Yardi Matrix

TRANSACTIONS

- Year-to-date through November, multifamily investment volume in Chicago totaled $2.3 billion, down 31% from 2022's total during the same interval. In line with national trends, investment has slowed, although Chicago's rate hasn't fallen as drastically as in other metros. Caution will likely be the norm in the first few months of this year, as well.
- Chicago's market remained favorable to value-add plays, as 40 of the 60 recorded sales involved properties in the RBN segment. The average price per unit grew 11.9% since last year, to $207,487. Lifestyle assets traded at $364,206 per unit, while RBN properties fetched $142,540.
- The largest transaction of the year occurred in August. Ponte Gadea acquired the 492-unit community at 727 W. Madison St. for $232 million. Ares Management sold the asset at roughly $470,528 per unit, one of the highest prices in the metro.

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



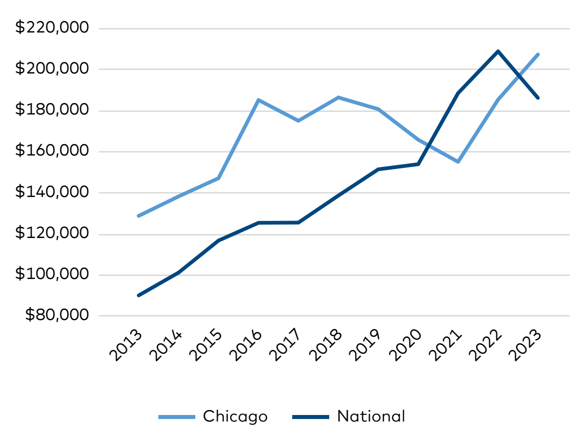
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Near West Side	353
Near North Side	309
Douglas	161
Loop	151
Lake View	145
Buffalo Grove	144
Naperville — West	140

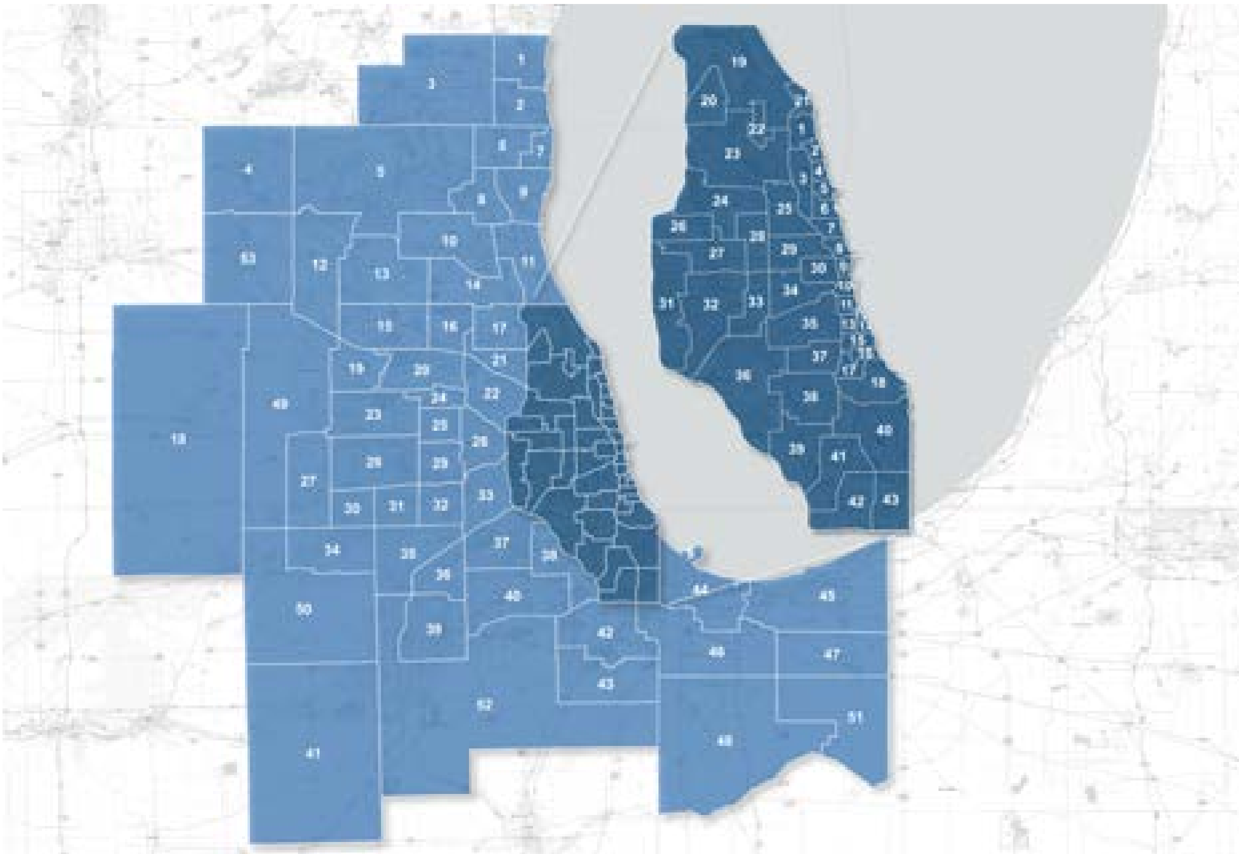
Source: Yardi Matrix
[1] From December 2022 to November 2023

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

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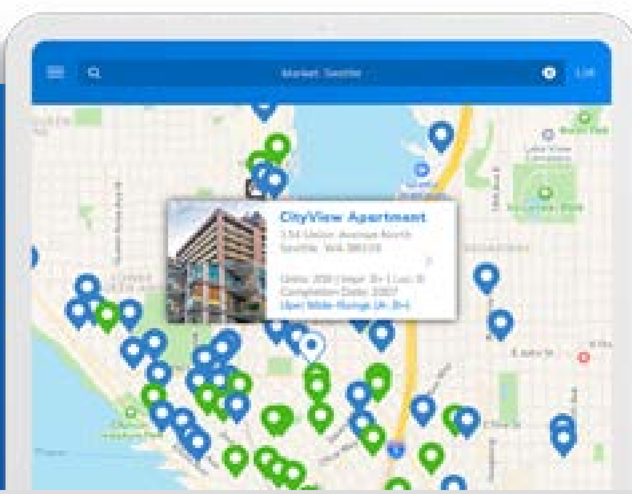
MULTIFAMILY KEY FEATURES

- 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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