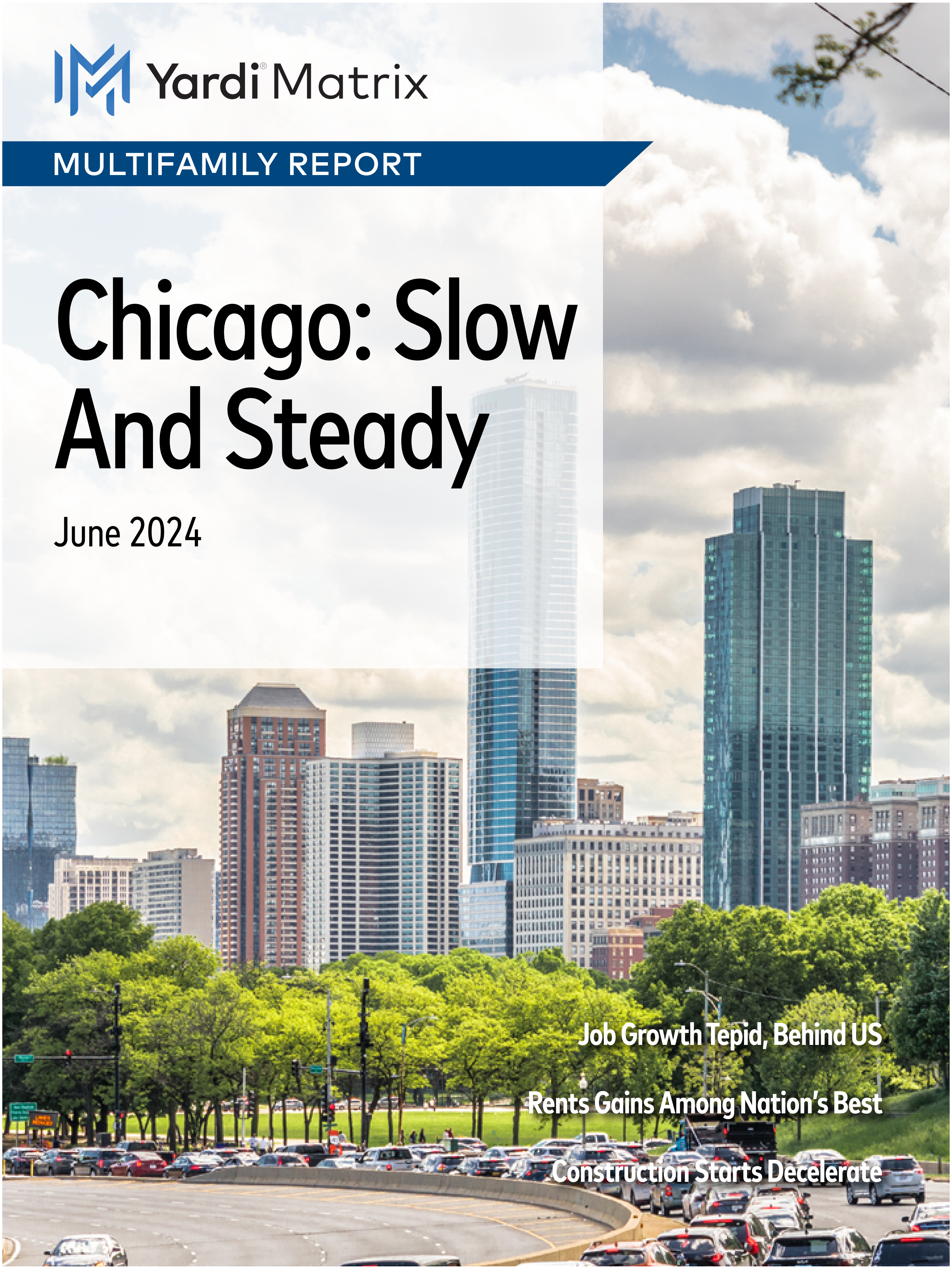
Yardi Matrix

MULTIFAMILY REPORT

Chicago: Slow And Steady

June 2024



Job Growth Tepid, Behind US

Rents Gains Among Nation's Best

Construction Starts Decelerate

CHICAGO MULTIFAMILY

Yardi Matrix

Rents Back Up Amid Slow Recovery

Chicago multifamily saw some improvement during the first four months of the year. Rents were up a healthy 0.5% on a trailing three-month basis through April, above the 0.3% U.S. figure. Year-over-year, Chicago ranked fifth across the top 30 metros tracked by Yardi Matrix, recording a 2.9% gain, with the average rent settling at $1,908. Meanwhile, occupancy dipped just 30 basis points year-over-year, to 95.3% in March, remaining 80 basis points above the 94.5% national average.

Metro Chicago unemployment rose to 4.9% in March, according to preliminary data from the Bureau of Labor Statistics. The rate was 10 basis points above Illinois' average and surpassed the U.S. figure by 110 basis points. Job growth was slow in the 12 months ending in February. Chicago recorded a tepid 0.6% expansion, with a net gain of 10,700 positions. That rate was less than half the U.S. figure. While education and health services recorded 24,600 new jobs, professional and business services lost a whopping 35,100 jobs.

New multifamily deliveries represented just 0.3% of existing stock year-to-date through April, as 1,233 units came online. Sluggish construction starts reinforced the pattern of decelerating activity, with only 671 units breaking ground in the first four months of 2024 across the metro. Meanwhile, investment shifted away from nationwide trends, as $523 million in assets changed hands, almost on par with last year's $640 million during the same time frame.

Market Analysis | June 2024

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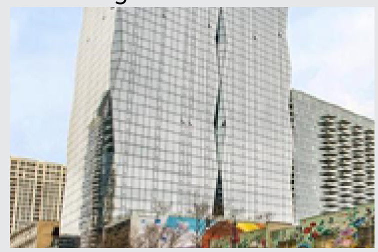
Recent Chicago Transactions

The Paragon

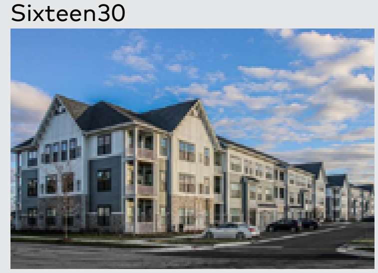


City: Chicago
Buyer: FPA Multifamily
Purchase Price: $144 MM
Price per Unit: $288,000

850 Lake Shore Drive

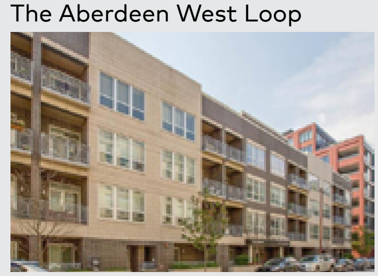
City: Chicago
Buyer: Crescent Heights
Purchase Price: $80 MM
Price per Unit: $402,778

Sixteen30



City: Plainfield, Ill.
Buyer: Continental Properties
Purchase Price: $78 MM
Price per Unit: $276,056

The Aberdeen West Loop

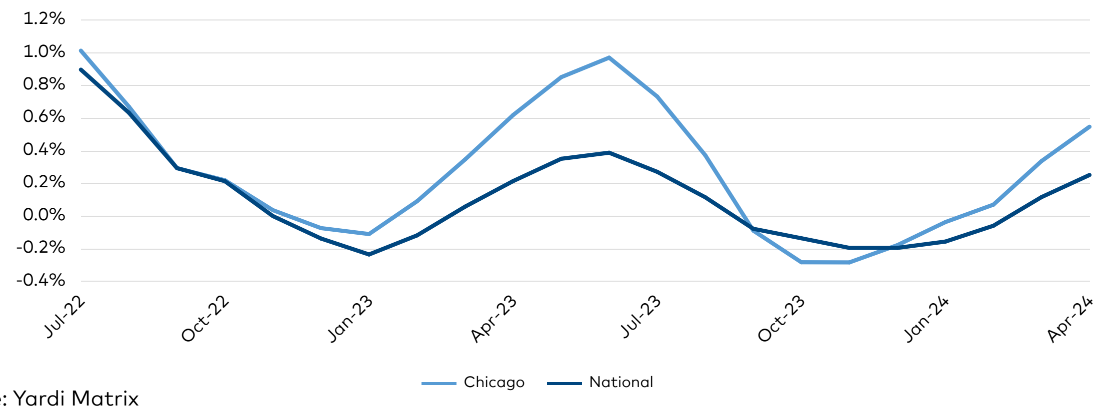


City: Chicago
Buyer: JAB Real Estate
Purchase Price: $35 MM
Price per Unit: $425,926

RENT TRENDS

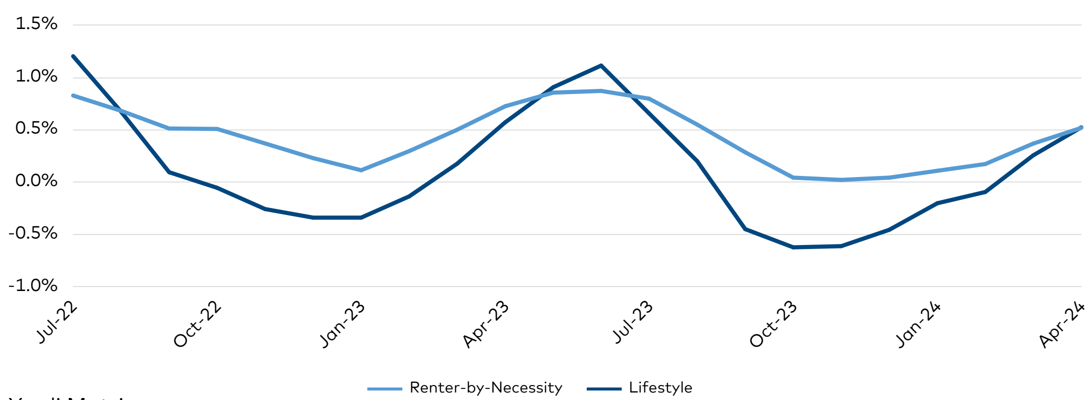
- Chicago rents were up 0.5% on a trailing three-month (T3) basis through April, for a fourth consecutive month without contractions. Meanwhile, the U.S. rate rose 0.3%. Rent development outpaced the nation in the first half of 2023 by an average of 50 basis points. Year-over-year, Chicago rents were up 2.9%, ranking fifth in the top 30 metros tracked by Yardi Matrix, 220 basis points above the U.S. rate.
- The average rent in the metro was $1,908, $200 above the U.S. figure. Both working-class Renter-by-Necessity and Lifestyle rates were up 0.5% on a T3 basis through April, to a respective $1,559 and $2,509. However, RBN rates saw no contractions last year and, at worst, were flat from October through December. Meanwhile, Lifestyle rates hit a low of -0.6% during the same period.
- Occupancy in stabilized assets inched down 30 basis points year-over-year, to 95.4%, as of March, above the 94.5% U.S. figure. RBN occupancy remained at 95.9%, while the Lifestyle rate dropped 80 basis points, to 94.5%.
- Of the 96 submarkets tracked by Yardi Matrix, 75 recorded year-over-year gains. A mix of urban and suburban submarkets topped the list, including Carpentersville (up 15.5% to $1,930), Batavia (9.8% to $1,741), Wilmette – Northbrook (9.7% to $2,357) and Des Plaines (9.4% to $1,831).
- Chicago single-family rentals saw moderate performance, with rents up 2.1% year-over-year and occupancy down 1.1%. Meanwhile, the U.S. average was up 1.3% and occupancy down 0.4%.

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 unemployment stood at 4.9% in March, according to preliminary BLS data, up 60 basis points in 12 months. The metro showed some improvement at the start of last year, only for the rate to spike again toward the second half. Illinois' rate was 4.8% in March, while the national figure stood at 3.8%.
- In the 12 months ending in February, Chicago's workforce expanded by 0.6%, less than half the 1.5% U.S. rate. This represented a net gain of 10,700 jobs. Chicago job growth trailed the U.S. throughout 2023, with the rate of expansion roughly 30 basis points behind.
- Education and health services added the most jobs (24,600), for a 3.3% expansion. Meanwhile, professional and business services lost a whopping 35,100 positions, for a 4.2% contraction. Other sectors with significant fluctuations include government (12,900 jobs added) and trade, transportation and utilities (-9,400 jobs).
- In April, the Chicago City Council approved a plan to borrow $250 million annually for the next five years to speed up the construction of affordable housing and spur economic development. The metro also has no shortage of large projects underway, including Lincoln Yards' second phase and the Thompson Center redevelopment.

Chicago Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	778	16.5%
90	Government	546	11.6%
70	Leisure and Hospitality	448	9.5%
80	Other Services	199	4.2%
30	Manufacturing	419	8.9%
15	Mining, Logging and Construction	165	3.5%
55	Financial Activities	316	6.7%
50	Information	77	1.6%
40	Trade, Transportation and Utilities	953	20.3%
60	Professional and Business Services	803	17.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Chicago's population decreased by 40,756 citizens from 2021 to 2022, a 0.4% decline. However, the larger trend remains positive—from 2012 to 2022, the metro's population grew by more than 100,000.
- Meanwhile, the U.S. population expanded 0.4% in 2022.

Chicago vs. National Population

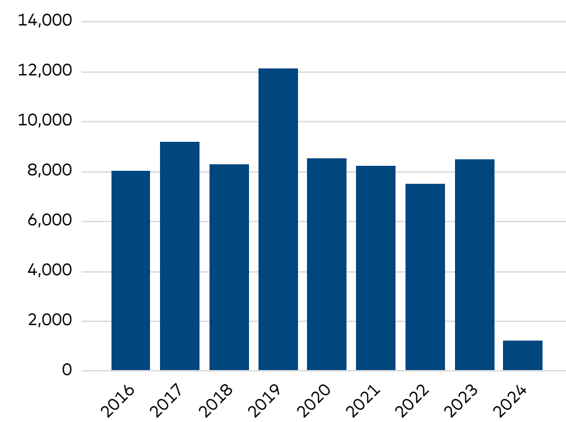
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Chicago	9,508,605	9,478,801	9,607,711	9,566,955

Source: U.S. Census

SUPPLY

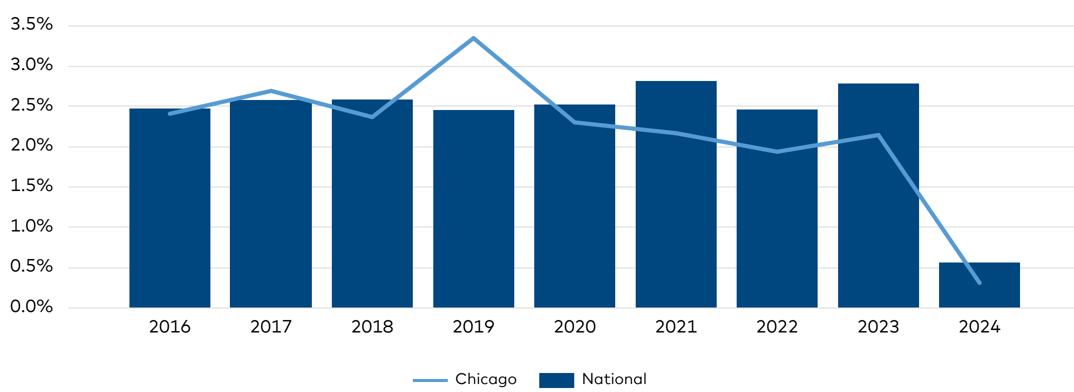
- Year-to-date through April, developers completed 1,233 units across metro Chicago. This represented a mere 0.3% of existing stock, lagging the nation by 20 basis points. Deliveries were down to less than half year-over-year. Yardi Matrix forecasts 2024 deliveries will reach 700 units, well behind Chicago's 8,800-unit annual average recorded over the past eight years.
- Chicago had 15,901 units under construction as of April. Of these, more than three-quarters were in Lifestyle projects, 17.0% were in fully affordable developments and the remaining 5.6% were RBN assets. An additional 83,600 units were in the planning and permitting stages.
- Only seven properties, encompassing 671 units, broke ground in the first four months of this year. Construction starts followed the same deceleration trend, as last year through April developers started work on 2,507 units across 14 properties.
- Urban submarkets encompassed more than half of the under-construction pipeline, with 8,749 units, while suburban submarkets comprised 7,152 units. Of the top five submarkets for development activity, the first four were urban: the Near West Side (2,138 units), the Near North Side (1,701), the Loop (1,199) and Uptown (900).
- The 363-unit Arthur on Aberdeen was the largest property to come online during the first four months of 2024. It includes 10,000 square feet of retail and 73 affordable units. LG Development built the asset, which is owned by AEW Capital Management, according to Yardi Matrix data.

Chicago Completions (as of April 2024)



Source: Yardi Matrix

Chicago vs. National Completions as a Percentage of Total Stock (as of April 2024)

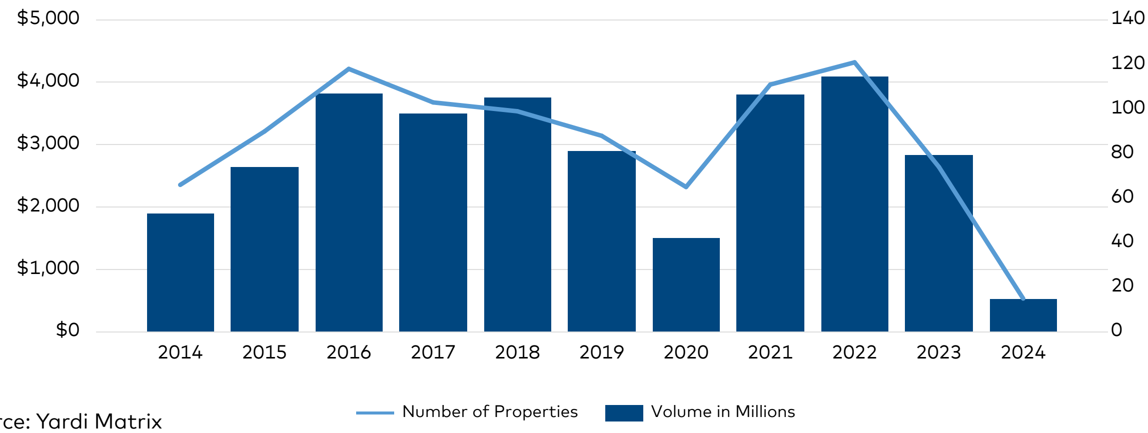


Source: Yardi Matrix

TRANSCTIONS

- Investors closed on 15 transactions during the first four months of the year, amounting to $523.5 million in sales. This was close to the $640 million recorded in the same period last year, highlighting a recovery trend in investment activity. Suburban Chicago saw $216.8 million in sales, while urban areas clocked in at $306.7 million.
- The average price per unit reached $242,226 as of April, further widening the gap between the metro and the nation's $181,913. Chicago prices have largely remained above national figures over the past decade, with two exceptions—in 2021 ($156,152) and 2022 ($185,935); these years also accounted for the largest volumes, at $3.8 and $4.1 billion, respectively.
- The largest sale year-to-date through April was $144 million for the 500-unit The Paragon in the Near South Side submarket. FPA Multifamily acquired it from CIM Group for $288,000 per unit.

Chicago Sales Volume and Number of Properties Sold (as of April 2024)



Source: Yardi Matrix

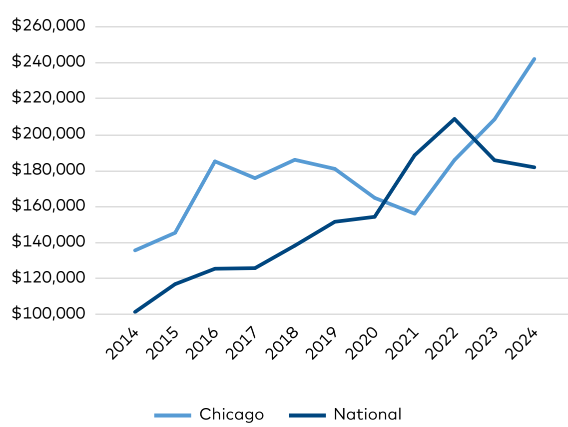
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Near West Side	$501
Near North Side	$405
Near South Side	$203
Douglas	$180
Bolingbrook	$151
Loop	$151
Mt. Prospect	$134

Source: Yardi Matrix

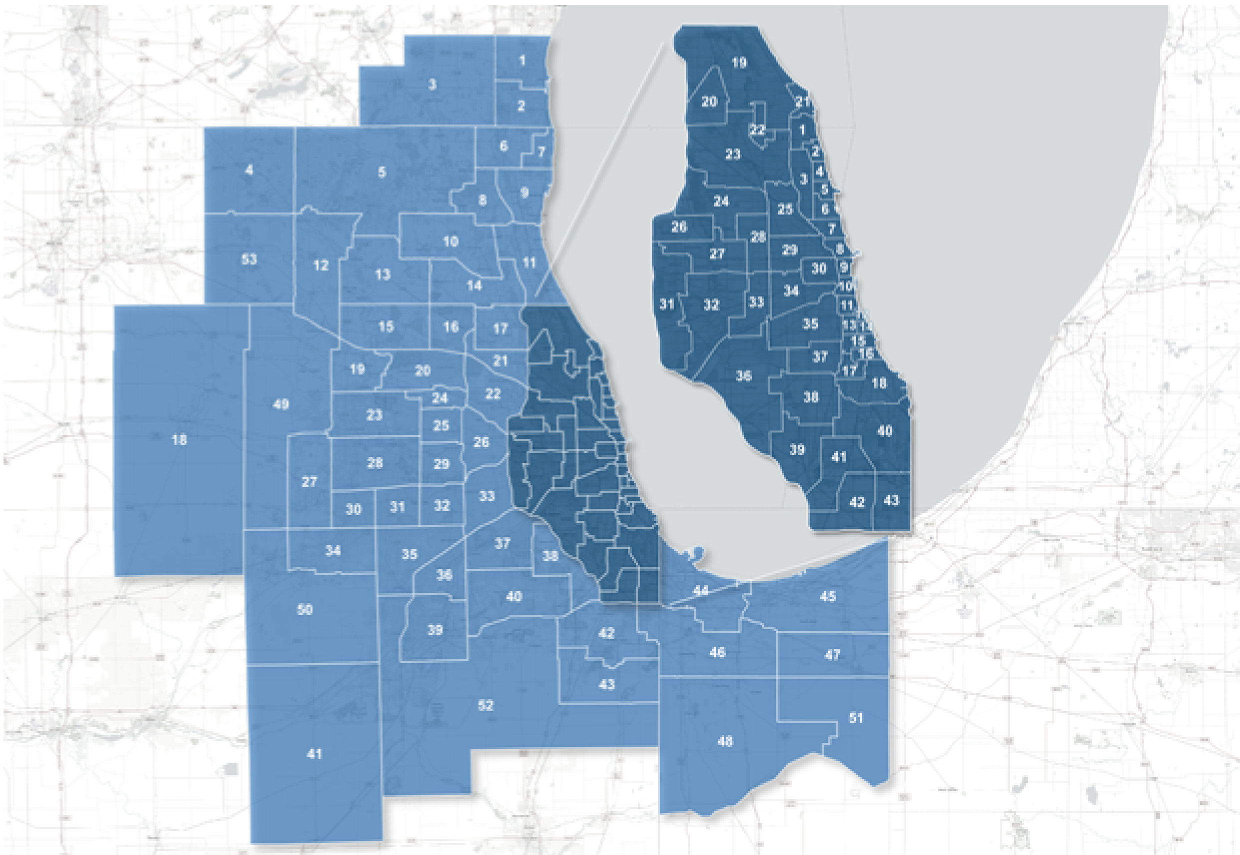
[1] From May 2023 to April 2024

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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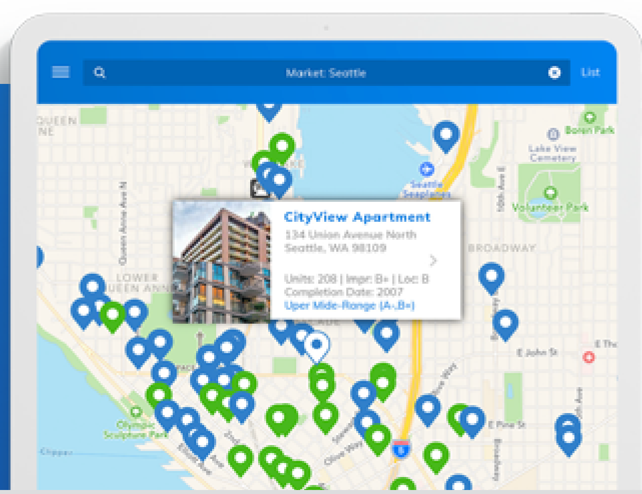
MULTIFAMILY KEY FEATURES

- 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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