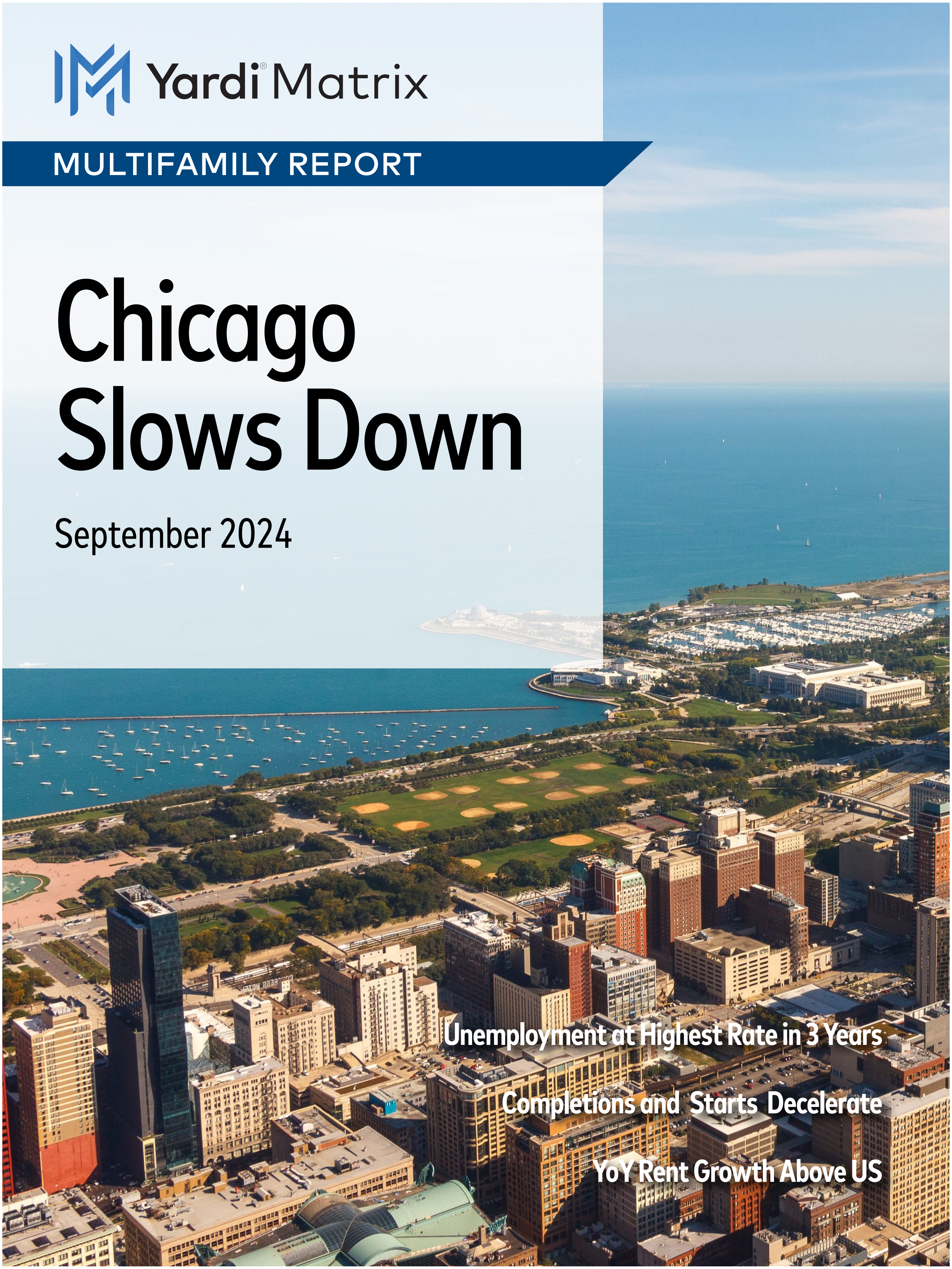
Yardi® Matrix

MULTIFAMILY REPORT

Chicago Slows Down

September 2024



Unemployment at Highest Rate in 3 Years

Completions and Starts Decelerate

YoY Rent Growth Above US

CHICAGO MULTIFAMILY

Yardi Matrix

Employment Struggles, Rents Lead US

Chicago's multifamily fundamentals were mixed in the third quarter. Advertised asking rents were up 0.4%, to $1,938, on a trailing three-month basis, 10 basis points above the U.S. Rates in the metro were up 2.0% year-over-year, which was more than double the 0.8% national figure. Occupancy remained healthy, dipping only 20 basis points year-over-year, to 95.6% in June, above the U.S.' 94.6%.

Unemployment reached its highest rate since August 2021, at 6.4% in July, according to preliminary data from the Bureau of Labor Statistics. It also stood 230 basis points higher than the U.S. figure. Over the 12 months ending in May, Chicago gained 12,700 net jobs, or a 0.2% expansion. Growth significantly lagged the nation's 1.3%. Education and health services led gains with 22,200 jobs, while professional and business services recorded a loss of 30,400 positions.

Chicago's multifamily supply pipeline saw some disruptions, as only 2,957 units were added in the first seven months of the year. This accounted for 0.7% of existing stock, significantly below the national 1.4% rate. Starts were also down, with 15,257 units under construction. Meanwhile, investment volume totaled $651 million year-to-date through July, less than half of last year's $1.5 billion.

Market Analysis | September 2024

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Recent Chicago Transactions

Willow Crossings

City: Elk Grove Village, Ill.
Buyer: Royal Imperial Group
Purchase Price: $89 MM
Price per Unit: $154,231

Sixteen30

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

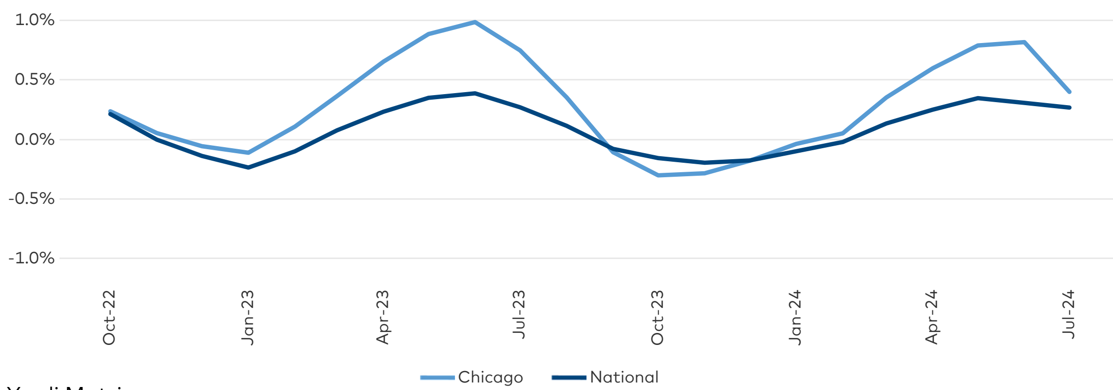
Maynard at 5718 Winthorp

City: Chicago
Buyer: Becovic
Purchase Price: $10 MM
Price per Unit: $136,667

RENT TRENDS

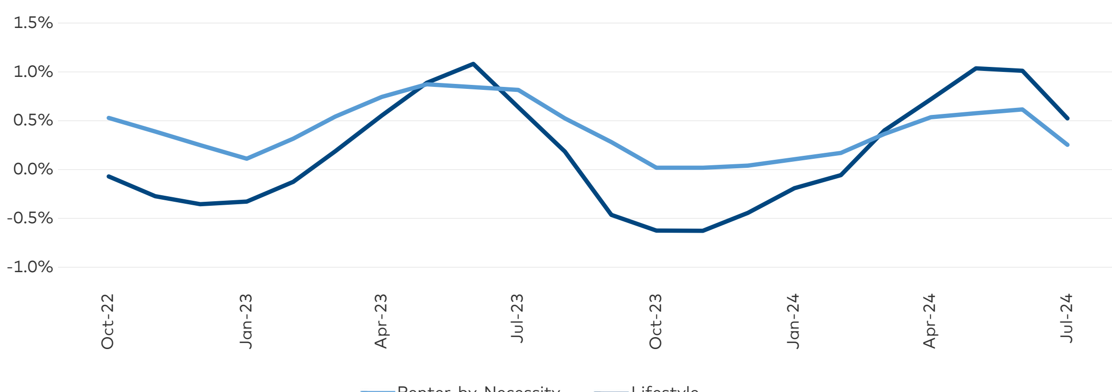
- Chicago's average advertised asking rent was up 0.4% on a trailing three-month (T3) basis through July, to $1,938, while the national figure stood at 0.3%. Following four months of contractions, Chicago's rate started recovering in January and stayed slightly ahead of the nation's. Rents in the metro were up 2.0% year-over-year, more than double the 0.8% national figure.
- Advertised asking rents for the working-class Renter-by-Necessity segment were up 0.3%, on a T3 basis through July, to an average of $1,572. Rates in the upscale Lifestyle segment were up 0.5%, to $2,564. RBN figures started recovering in January after staying flat for three months, while Lifestyle rates contracted from September to February.
- Occupancy in stabilized assets dropped 20 basis points year-over-year, to 95.6%, as of June, while the national figure was down 40 basis points, to 94.6%. RBN occupancy did not change, at 96%, while the Lifestyle figure dropped 60 basis points, to 94.9%.
- Of the metro's 96 submarkets, only a few had above-average year-over-year growth for advertised asking rents. These included Carpentersville (up 8.8% to $1,949), Wilmette–Northbrook (6.4% to $2,343), Des Plaines (5.8% to $1,863) and Bensenville (5.3% to $1,748).
- Rents for Chicago's single-family rental sector remained flat year-over-year through July, while occupancy dropped 1.2%. National rates were up 1.0%, with 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 reached 6.4% in July—one of the highest rates in the nation—according to preliminary data from the BLS. This was 230 basis points higher than the national figure and 120 basis points above Illinois' rate. The metro's rate rose 200 basis points year-over-year, to its highest point since August 2021.
- Over the 12 months ending in May, Chicago gained 12,700 net jobs, which was a 0.2% expansion—behind the nation's 1.3%. Employment growth started significantly decreasing in April last year, with the gap between the metro and the U.S. widening each month.
- Education and health services remained a consistently high-performing sector, with 22,200 jobs added, or a 2.9% expansion, followed by government (12,700 positions, 2.3%). Meanwhile, professional and business services lost a whopping 30,400 jobs, contracting by 3.6%, followed by trade, transportation and utilities (-7,000, -0.7%).
- Besides the massive Lincoln Yards project, Chicago is also due to receive an update to part of its public transit infrastructure. Earlier in August, the CTA selected a contractor for an upcoming, 5.6-mile extension of the Red Line. Walsh-VINCI Transit Community Partners is expected to break ground on the $2.9 billion project in 2025.

Chicago Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	781.6	16.3%
90	Government	557	11.6%
30	Manufacturing	418.4	8.7%
70	Leisure and Hospitality	484.1	10.1%
80	Other Services	202	4.2%
50	Information	76.9	1.6%
15	Mining, Logging and Construction	185.5	3.9%
55	Financial Activities	314.5	6.6%
40	Trade, Transportation and Utilities	960.3	20.0%
60	Professional and Business Services	818.2	17.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Chicago lost 40,756 citizens from 2021 to 2022, posting a 0.4% decline. This was in line with virtually all major metros post-pandemic, as hybrid work and affordability issues drove citizens to smaller cities. Meanwhile, the U.S. population expanded by 0.4%.

Chicago vs. National Population

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

Source: U.S. Census

SUPPLY

- Chicago had 15,257 units under construction as of July, along with an additional 80,000 units in the planning and permitting stages. The under-construction pipeline was relatively equally split between the suburban and urban areas. More than three-quarters of the total amount of units underway were in upscale Lifestyle projects, while about 16.3% were in fully affordable assets, with the rest being RBN apartments.

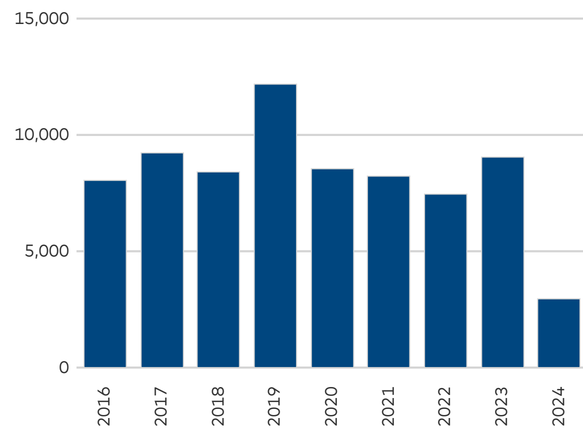
- Developers completed 2,957 units year-to-date through July, which meant a 0.7% expansion of existing stock—half of the national figure. Activity fell off, in line with national trends, as last year's second half brought a tighter lending environment. This year, Chicago is unlikely to reach the average number of total completions recorded from 2016 to 2023, at around 8,800 units.

- A total of 2,374 units broke ground across 16 properties in the first seven months of the year. This was a sharp decline from the 5,334 units in 33 properties that started construction in the same period last year, as developers remained cautious.

- Construction activity was equally split between urban Chicago (7,603 units) and suburban Chicago (7,654 units), but three core, urban submarkets had more than 1,000 units underway. These were the Near West Side (1,760 units), the Near North Side (1,295) and Loop (1,199).

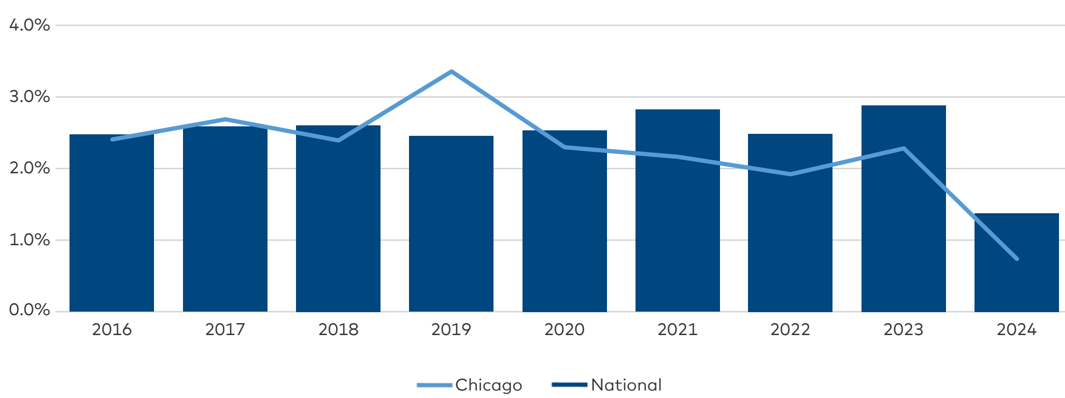
- The largest community that came online in the first seven months of the year was the 363-unit Arthur on Aberdeen, developed by LG Group in the Near West Side submarket. The property includes 10,000 square feet of retail and 73 affordable units.

Chicago Completions (as of July 2024)



Source: Yardi Matrix

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



Source: Yardi Matrix

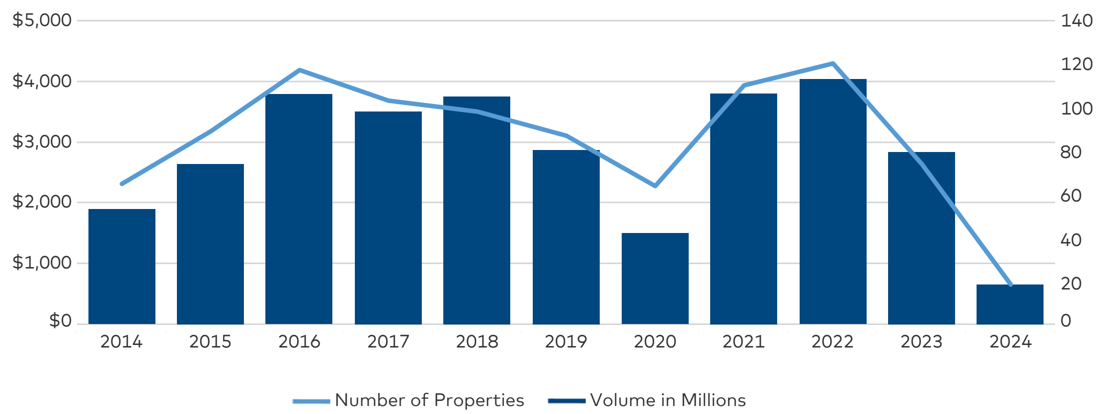
TRANSACTIONS

- Chicago investors traded $651 million in multifamily assets year-to-date through July, down to less than half of the $1.5 billion recorded in the same period last year. This was largely in line with national trends, as major metros saw outsize volumes post-pandemic, followed by a stall in multifamily sales. Activity in Chicago is returning closer to historic averages, but this year will likely fall short of the $3 billion annual average recorded between 2014 and 2023.

- Chicago assets traded at an average of $215,751 per unit this year, up 3.5% from the figure recorded for 2023's sales, and 18.3% more than the $182,423 U.S. average. Last year, Chicago's per-unit average exceeded the $200,000 mark for the first time.

- Investors targeted value-add plays this year, as 12 of the 20 transactions were for RBN properties (for a total of $293 million), while the remaining eight were for Lifestyle assets ($358 million).

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



Source: Yardi Matrix

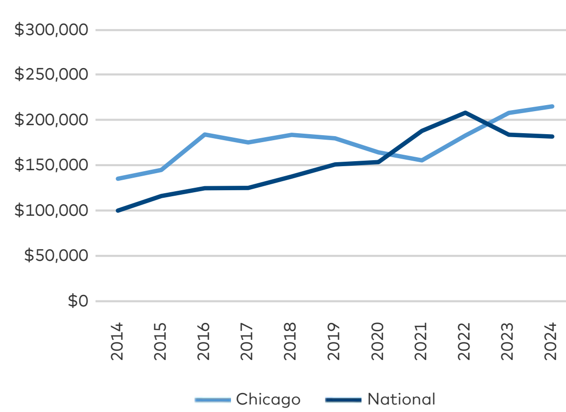
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Near West Side	428
Near South Side	203
Near North Side	177
Bolingbrook	151
Mt. Prospect	134
Mundelein	103
Downers Grove	96

Source: Yardi Matrix

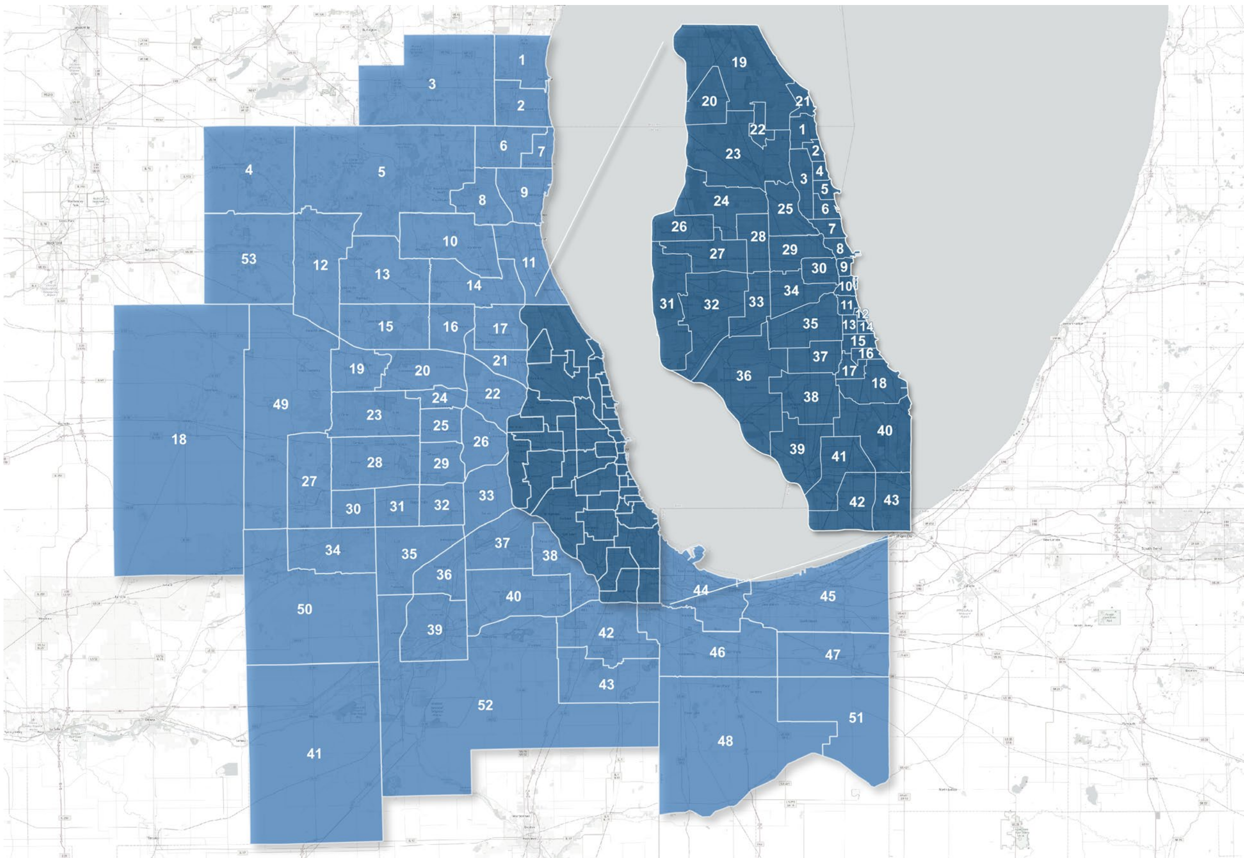
[1] From August 2023 to July 2024

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.

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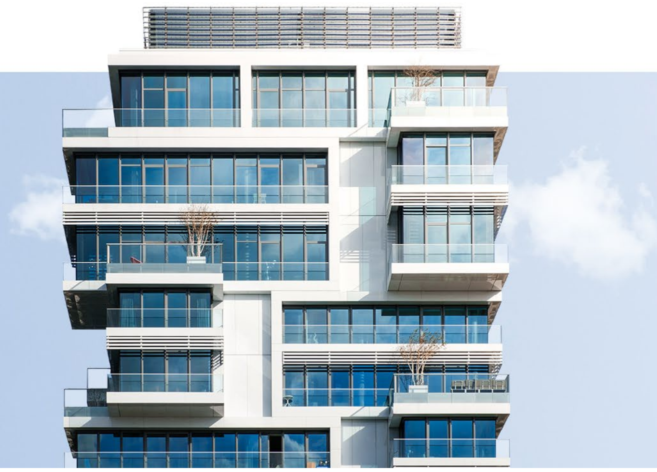
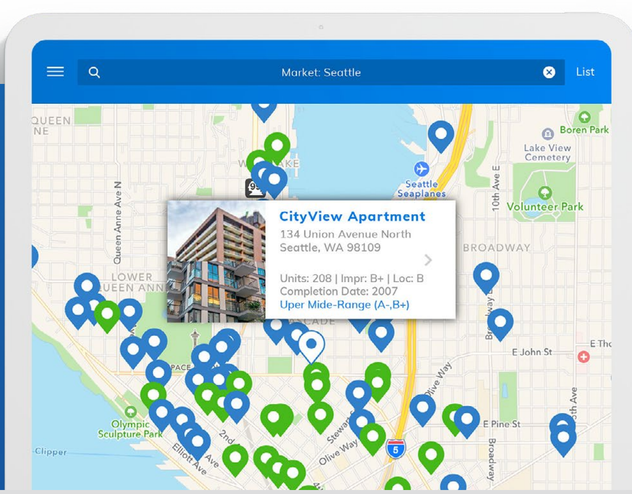
Yardi Matrix



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 **22.3+ million units**, covering over **92% of the U.S. population.**

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