CBRE CAPITAL MARKETS

Chicago Multifamily: State of the Market

Prepared For

REALTY CLUB CHICAGO

January 17th, 2025

CBRE

Chicago MSA

FUNDAMENTALS

In 2025, rents in most apartment markets are expected to grow at a much faster pace. Among the top 50 markets, 50% of markets will see above-average rent growth.

Forecasted Rent Change for Calendar 2025

3.5% or Higher	Between 3.4% & National Average	Similar to National Average (~2.5%)	Growth Below National Average	Rent Cuts
Orlando	Baltimore	Anaheim	Charlotte	Austin
Philadelphia	Boston	Atlanta	Dallas	
Pittsburgh	Chicago	Cleveland	Denver	
Richmond	Cincinnati	Detroit	Fort Worth	
West Palm Beach	Columbus	Greensboro	Jacksonville	
	Fort Lauderdale	Houston	Los Angeles	
	Indianapolis	Milwaukee	Memphis	
	Kansas City	Nashville	Minneapolis	
	Las Vegas	Newark	New York	
	Miami	San Francisco	Oakland	
	Raleigh/Durham	**U.S.**	Phoenix	
	Riverside		Portland	
	Salt Lake City		Sacramento	
	San Diego		San Antonio	
	San Jose		St. Louis	
	Seattle		Tampa	
	Virginia Beach		Washington, DC	

**Markets Listed Alphabetically*

Source: RealPage Market Analytics

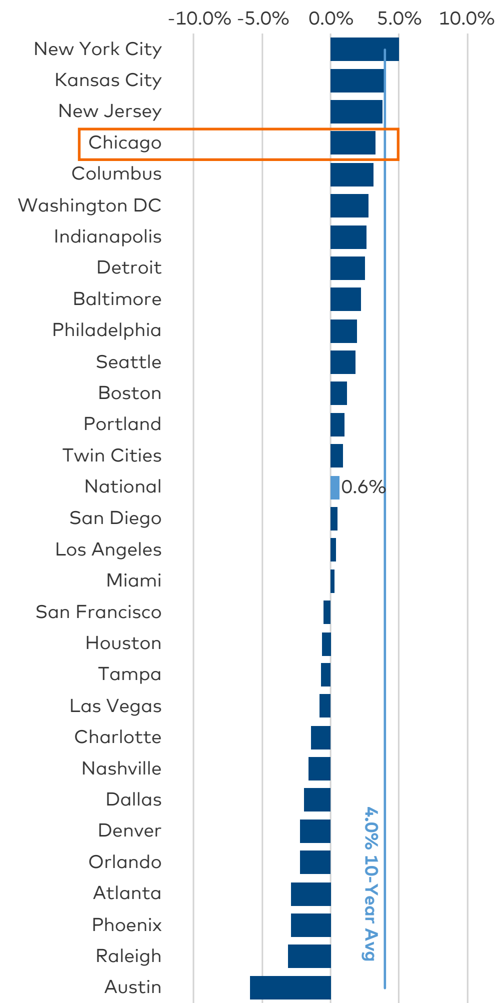
FUNDAMENTALS

Year Over Year Rent Growth

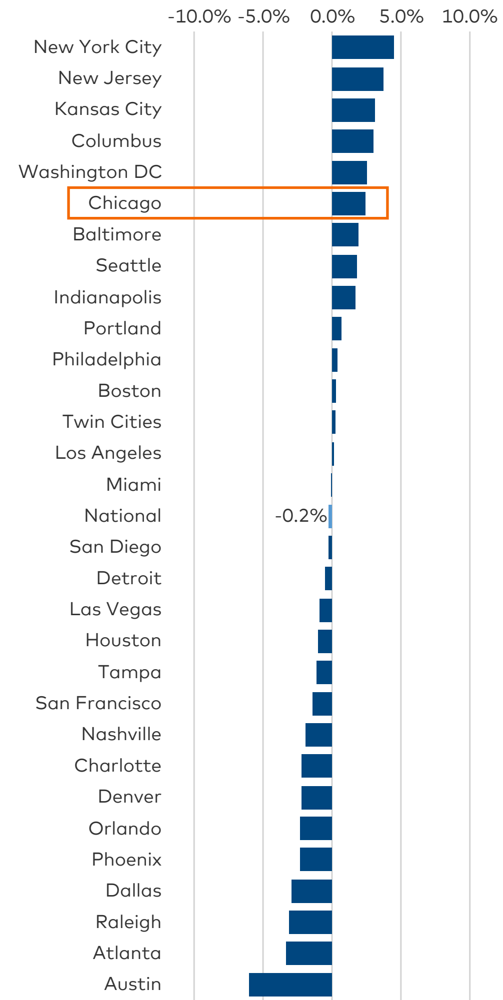
The national average advertised asking rent fell $4 to $1,742 in December, with the year-overyear growth rate falling slightly to 0.6%. Gateway metros in the East and secondary markets in the Midwest recorded the highest rent growth, led by New York City (5.0% year-over-year), Kansas City (3.9%), New Jersey (3.8%), Chicago (3.3%) and Columbus (3.1%). Meanwhile, negative rent growth remains acute in many Sun Belt metros, led by Austin (-5.9%), Raleigh (-3.1%), Phoenix and Atlanta (both -2.9%) and Denver (-2.2%).

The national occupancy rate in November was unchanged at 94.7%, as occupancy was flat even in many high-supply markets.

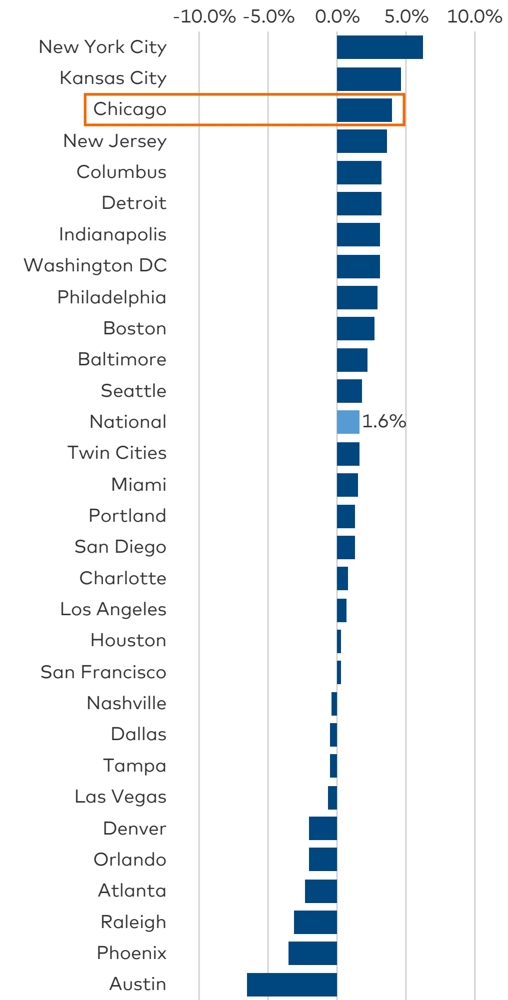
Year-Over-Year Rent Growth—All Asset Classes



Year-Over-Year Rent Growth—Lifestyle Asset Class



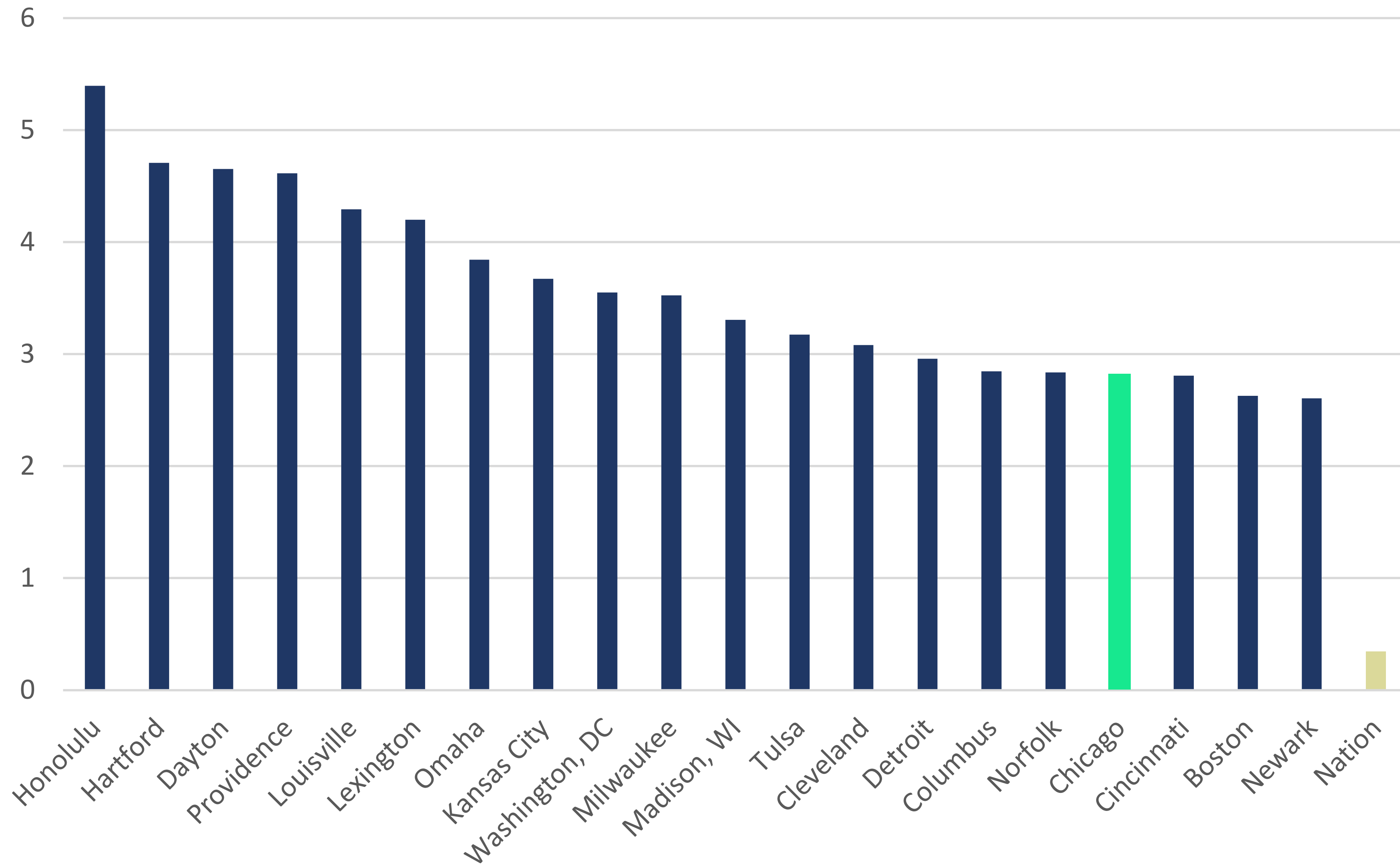
Year-Over-Year Rent Growth—Renter-by-Necessity Asset Class



Source: Yardi Matrix

Smaller Midwest and Northeast markets—as well as large urban hubs like Boston, Chicago and Washington, D.C.—dominate the top 20 markets for rent growth over the last 12 months.

Effective Rent Growth – Last 12 Months (%, YoY)



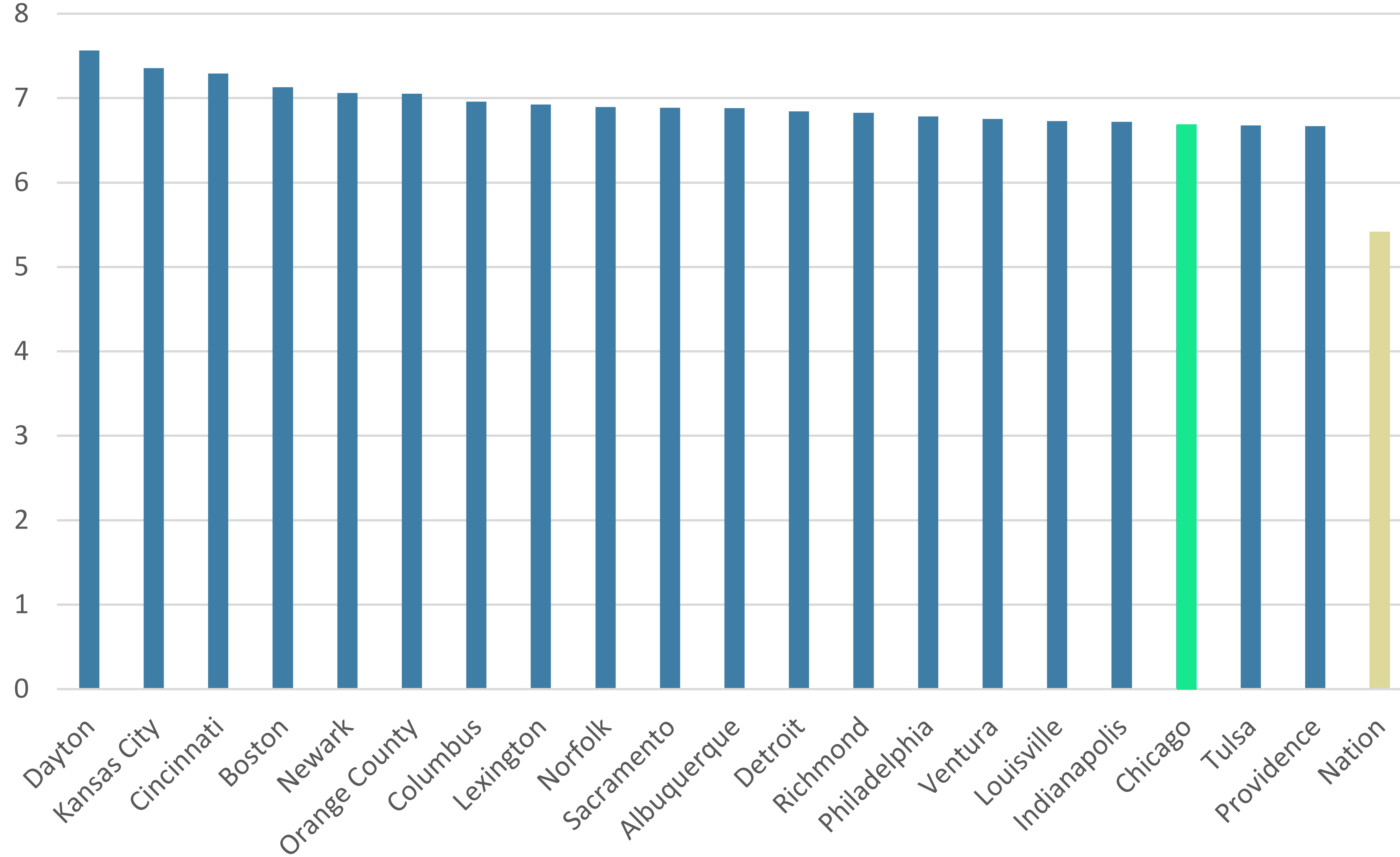
Source: CBRE Research, CBRE Econometric Advisors, Q3 2024.

FUNDAMENTALS

Looking ahead, we expect those Midwest, Northeast, and urban hubs to continue outperforming in the near-term.

Select West Coast markets are also expected to rebound well over the next two years.

2-Year Projected Cumulative Effective Rent Growth (%) – Top 20 Markets



Source: CBRE Research, CBRE Econometric Advisors, Q3 2024.

FUNDAMENTALS

Chicago is one of the most affordable cities

While the third most populated city in the U.S., **Chicago is the 11th most affordable.**

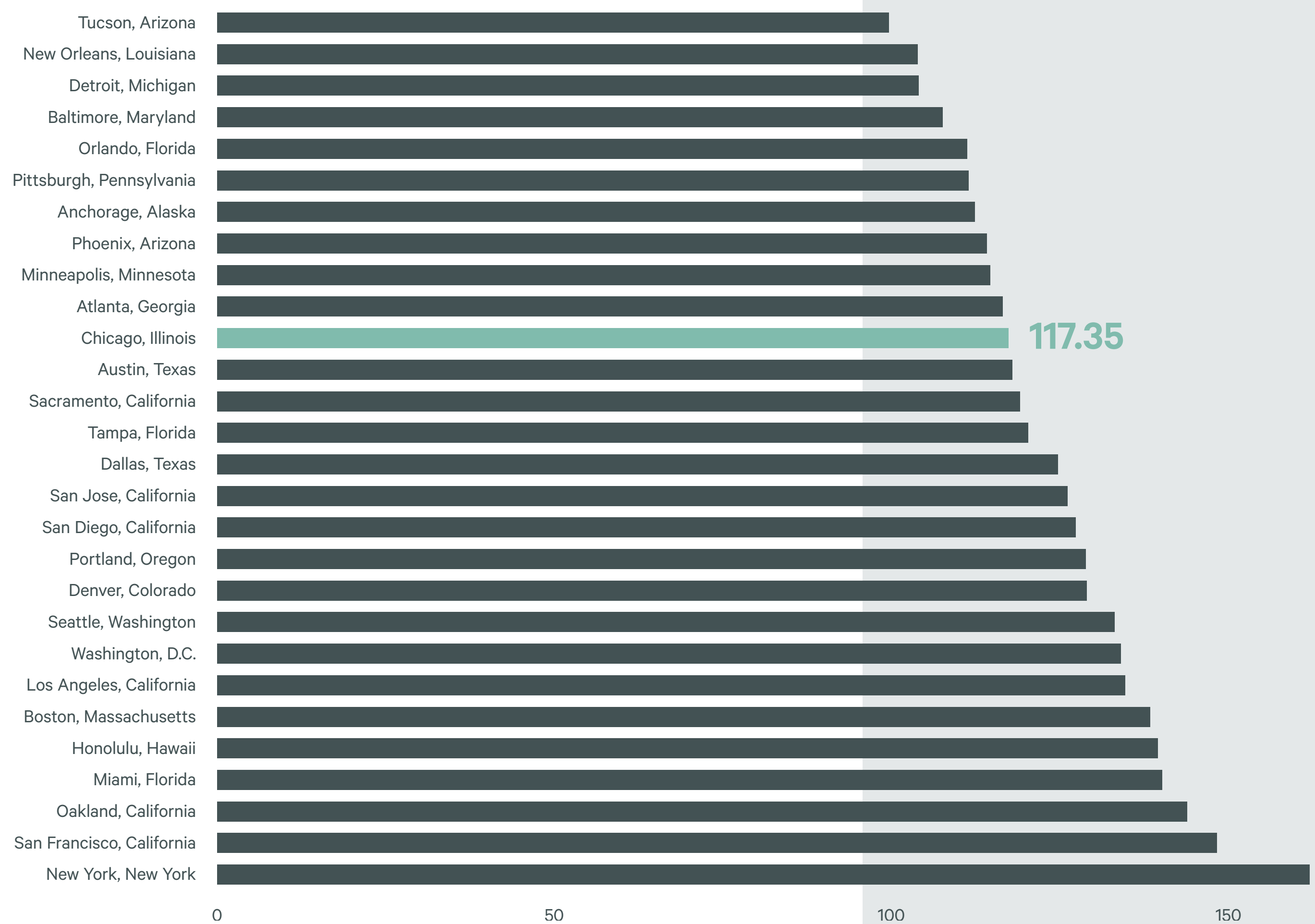
2nd

in U.S. in "High Livability Areas"

Over 52 individual neighborhoods with a combination of high public transit use, median household income over $100,000 and a cost of living index under 125.

A livable, iconic metropolis—welcome to all

Cost of Living Score in the U.S.



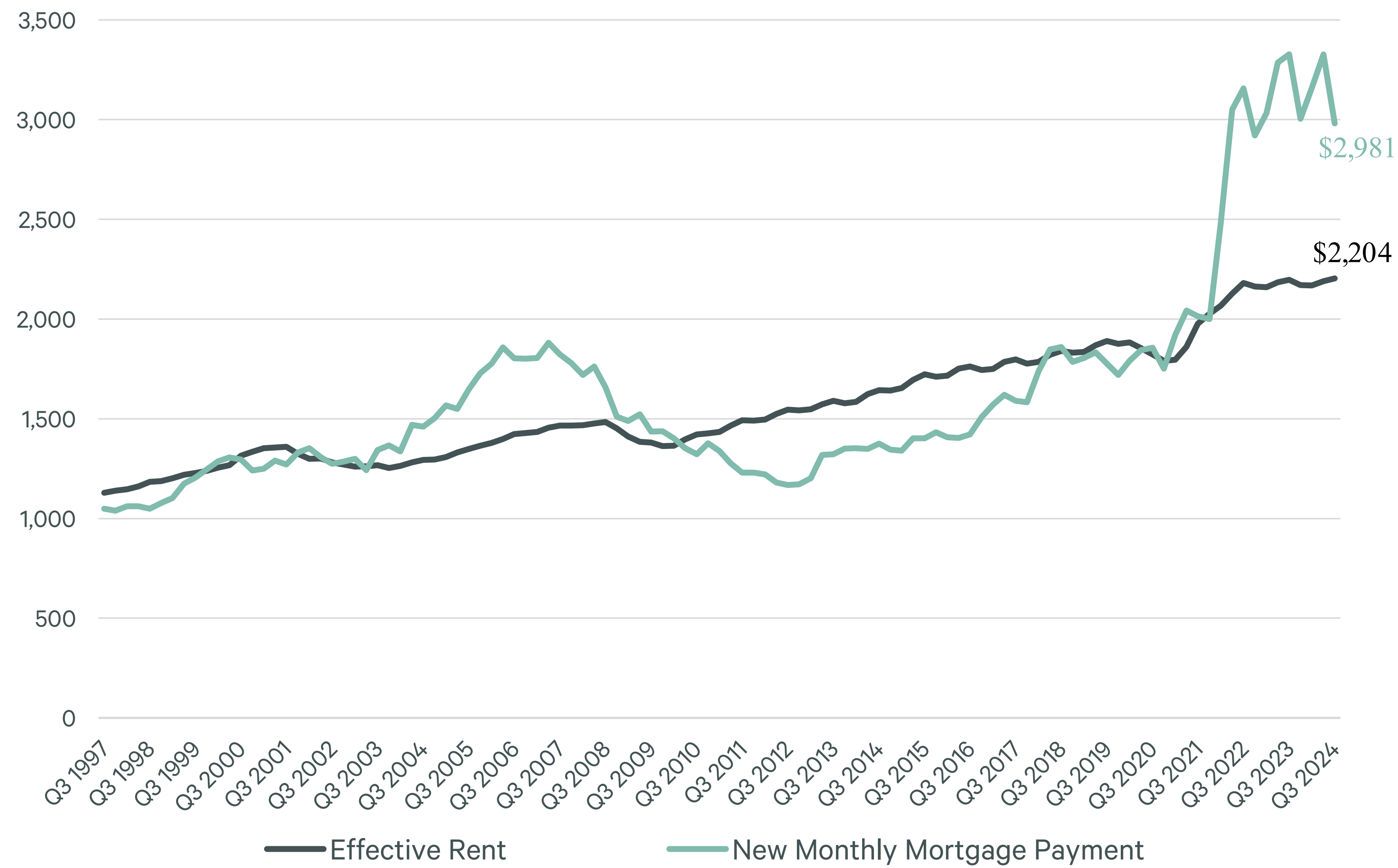
Source: Yahoo Finance

Buying a Home? Not So Fast...

In Q3, the monthly payment premium for a newly purchased home was 35% nationally.

This is keeping renters renting for longer and helping preserve existing occupancies.

U.S. Average Rent vs. New Mortgage Payment ($)

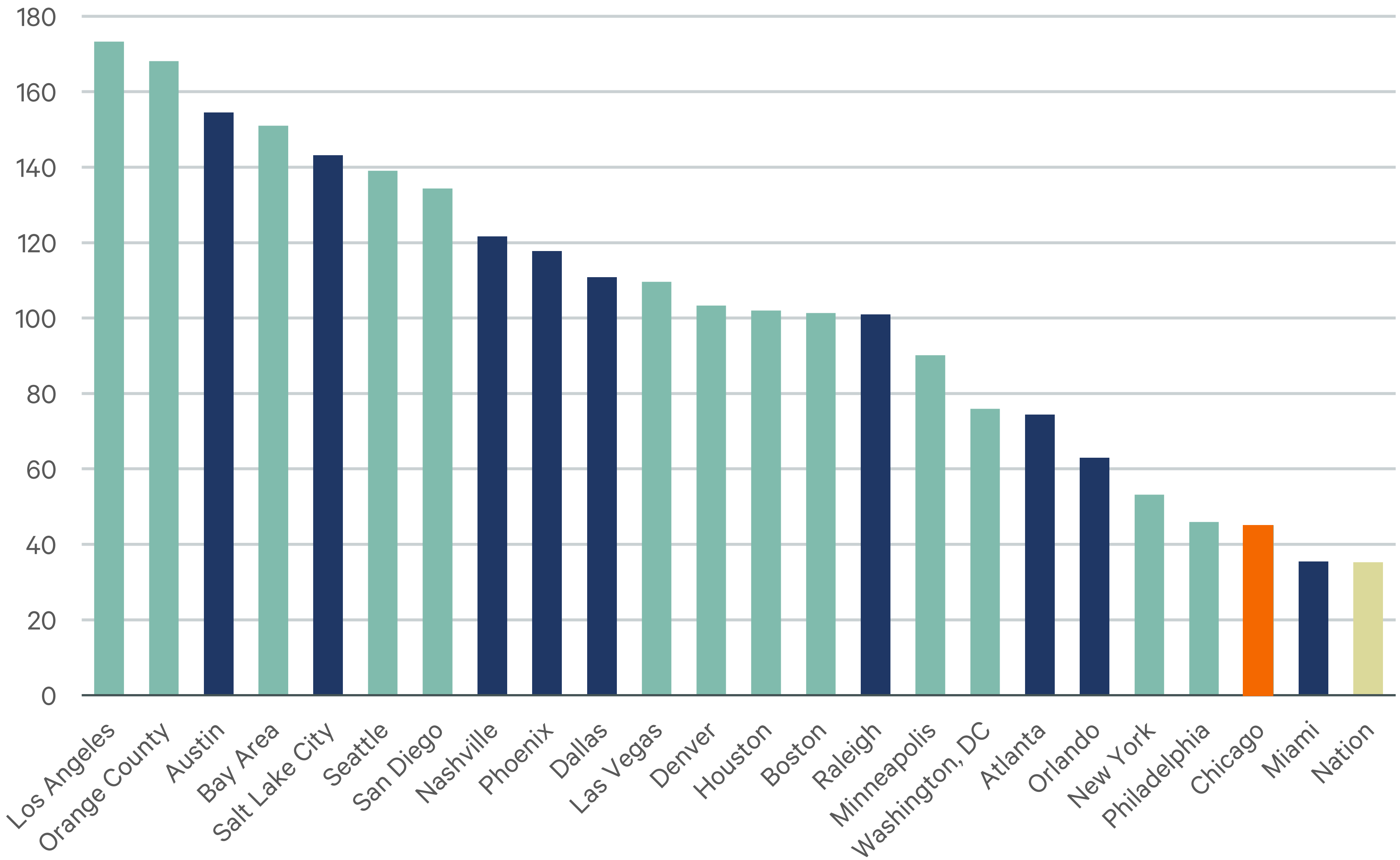


Source: CBRE Research, CBRE Econometric Advisors, Freddie Mac, U.S. Census Bureau, Realtor.com®, FHFA, Q3 2024.

The premium exceeds 100% in many markets.

Blue markets indicate those with high concentrations of new supply. Current multifamily owners will take all the help they can get to maintain occupancy.

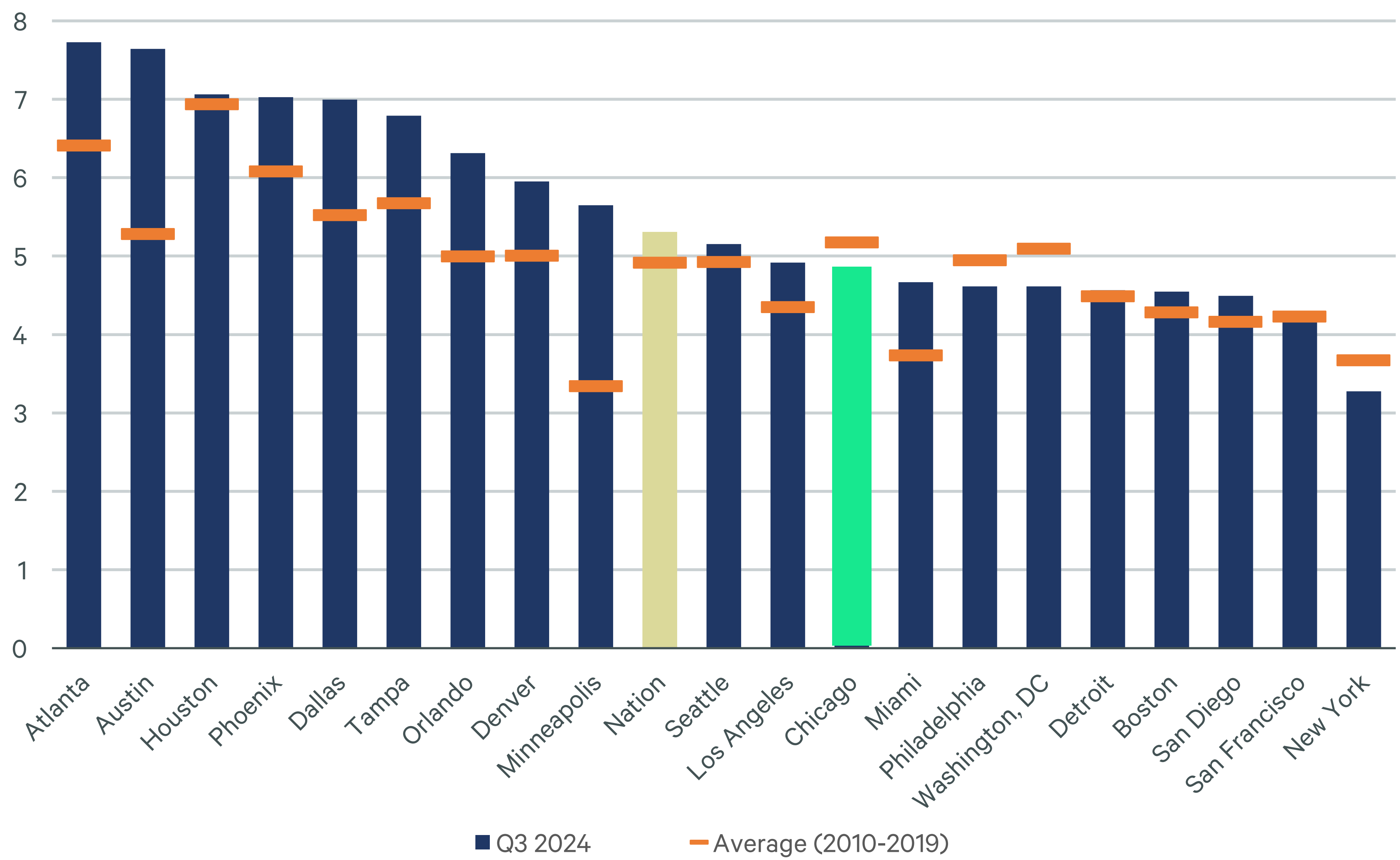
Monthly Payment Premium of Buying Over Renting (%)



Source: CBRE Research, CBRE Econometric Advisors, Freddie Mac, U.S. Census Bureau, Realtor.com®, FHFA, Q3 2024.

In general, few individual market vacancy rates have risen exceedingly far above their pre-covid cycle average.

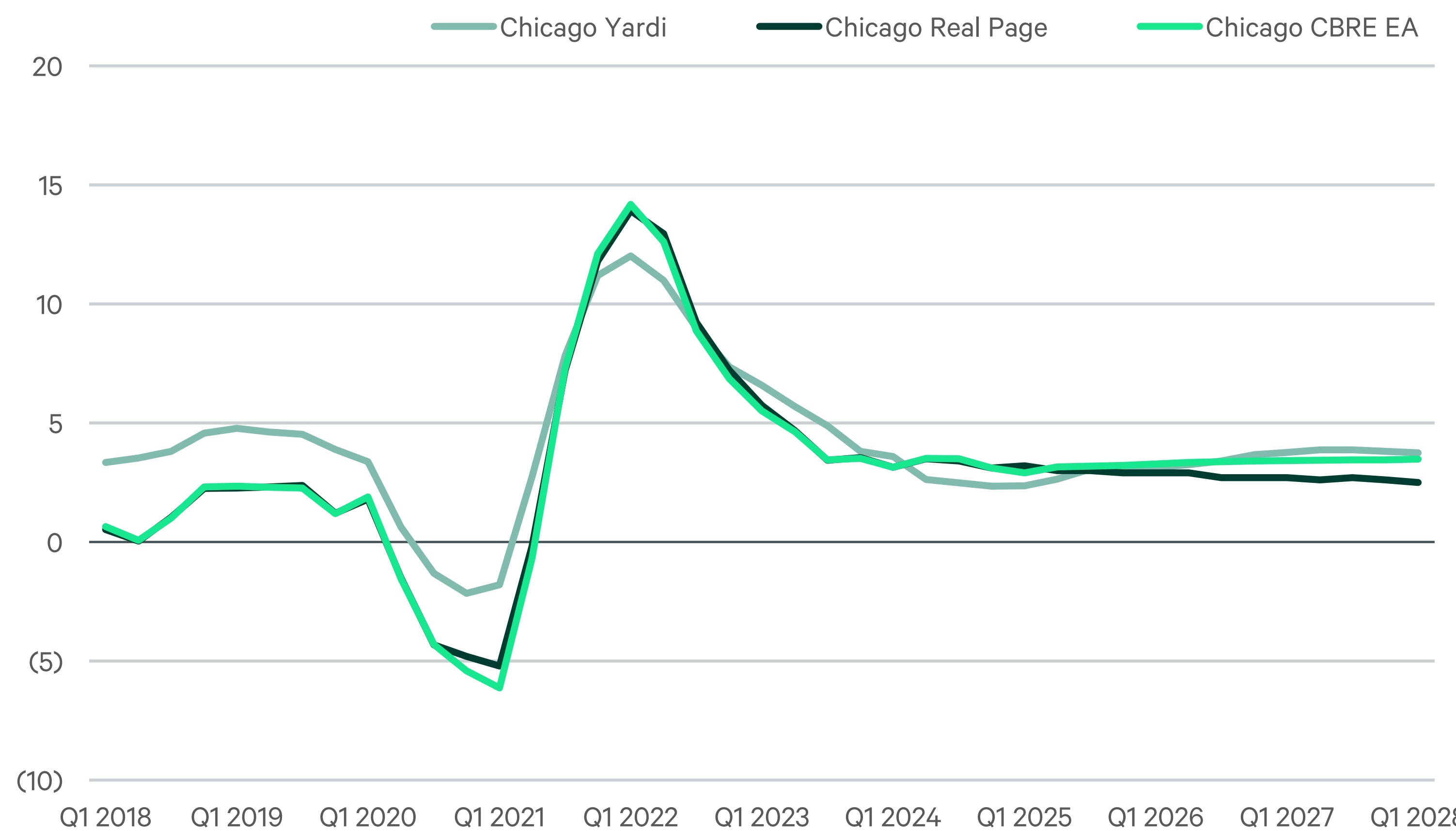
Vacancy Rate (%) – 20 Largest Markets



Source: CBRE Research, CBRE Econometric Advisors, Q3 2024.

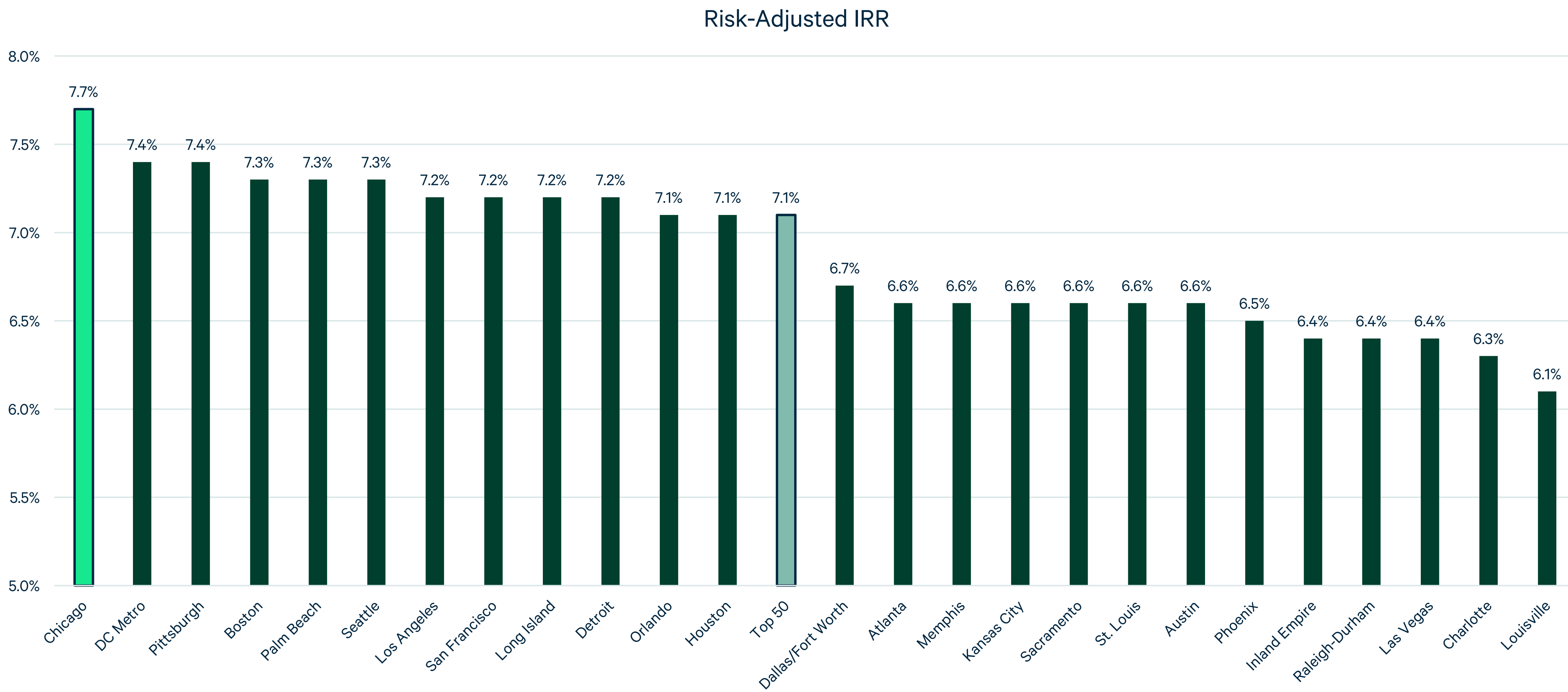
All shops expect a relatively steady growth rate in 2025 and beyond, but EA's expectation is for higher sustained rent growth, in line with Yardi's expectations.

Chicago Effective Rent Growth Outlook Comparison (YoY, %)



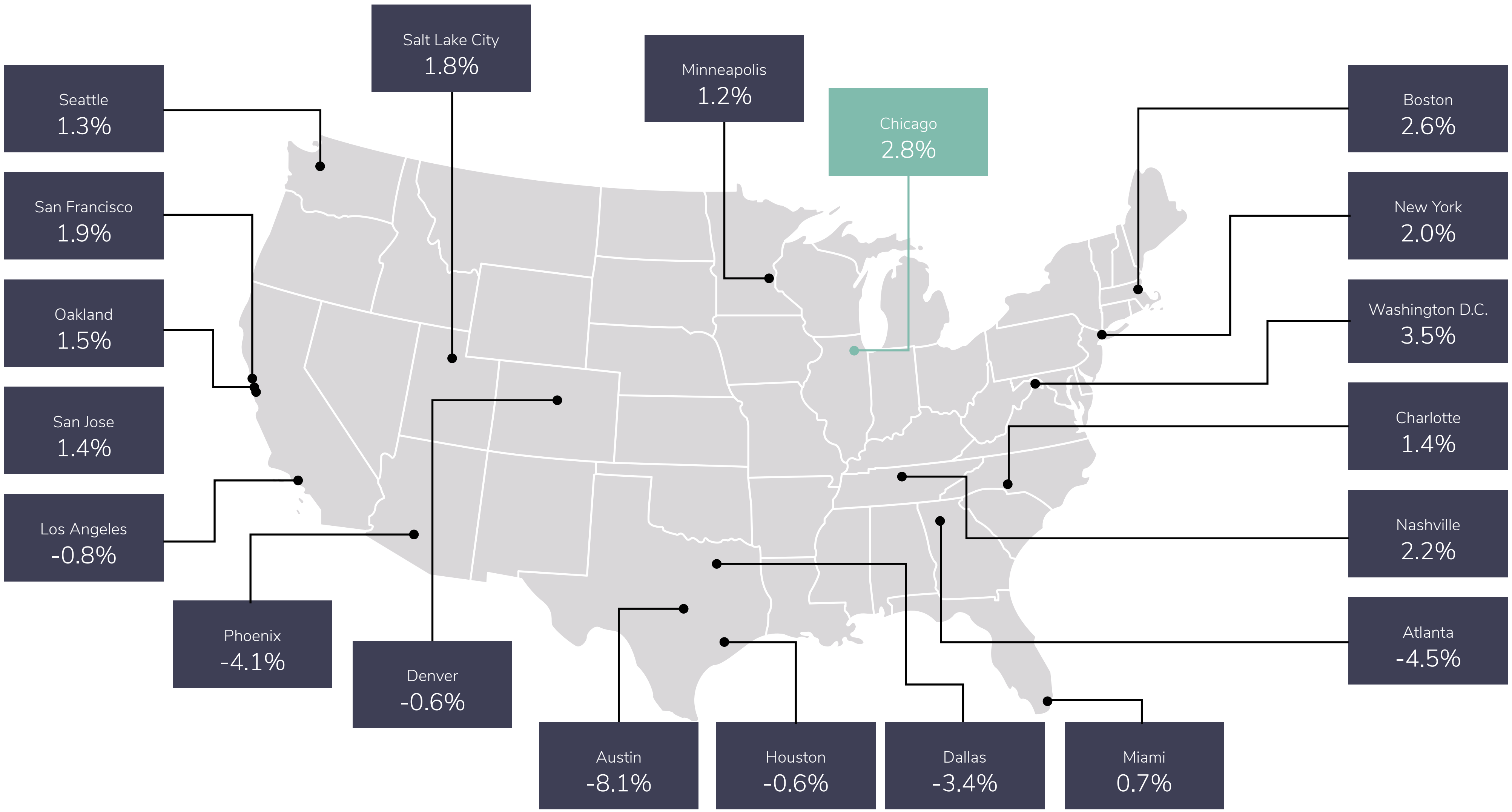
Source: CBRE Research, CBRE Econometric Advisors, RealPage, Yardi Matrix

Chicago Ranks #1 Among Top Markets for Risk Adjusted Returns



Source: Green Street Q3 2024

National Rent Growth: U.S. Average = 0.3%



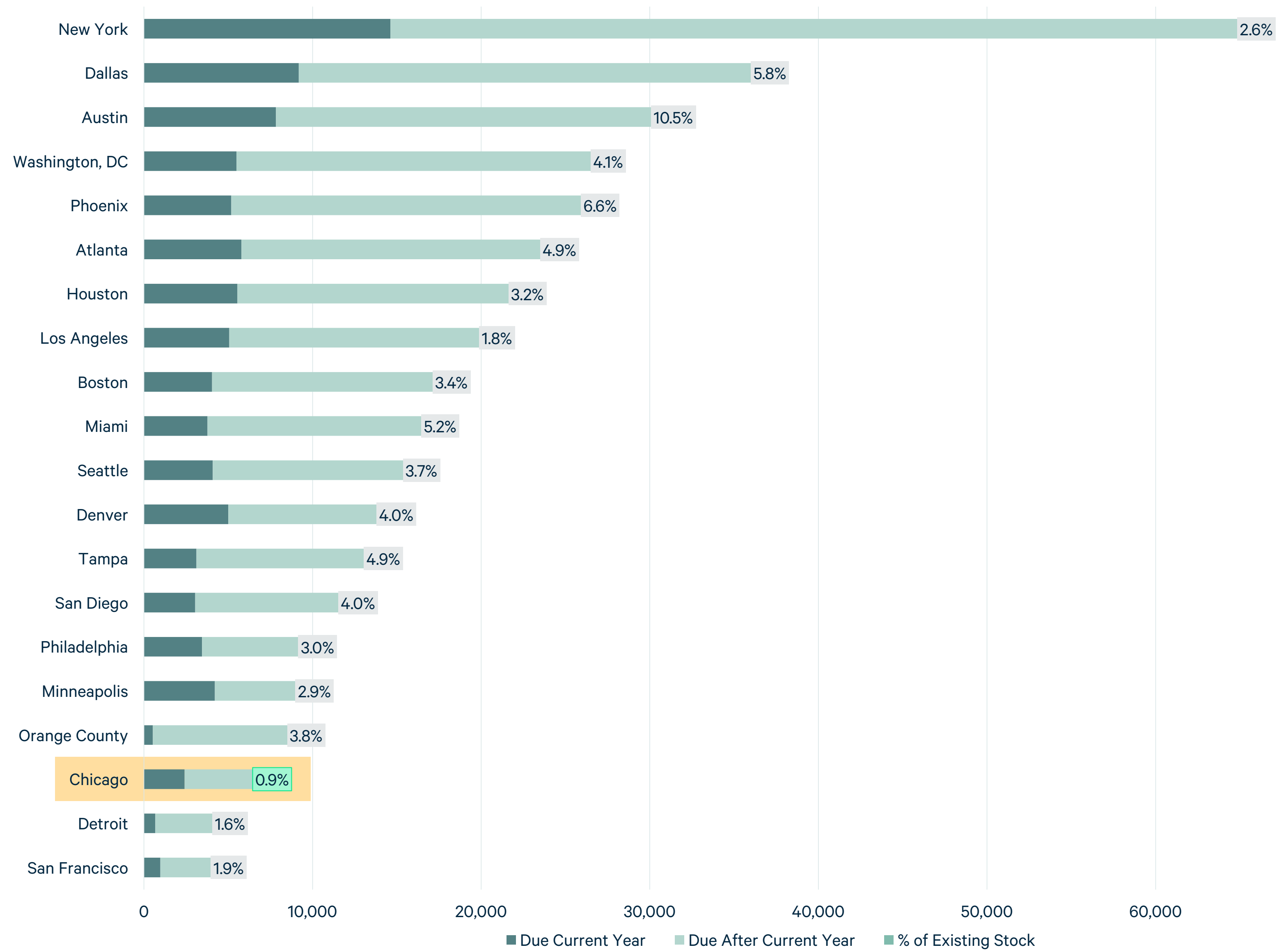
Source: CBRE Econometric Advisors, 3Q24

NATIONAL MULTIFAMILY MARKET OVERVIEW

Chicago Supply vs National Markets

The percentages shown to the right of each MSA bar represent the total supply pipeline per CBRE EA as a percentage of existing inventory

Chicago has the lowest # of units under construction amongst the largest MSA throughout the country, with a mere 1.8% of existing stock



FUNDAMENTALS

Supply/Demand Leaders

Chicago tops the nation for supply vs demand positioning

Markets Where Five-Year Demand Exceeds Five-Year Supply

Market	Five-Year Demand (units)	Five-Year Supply (units)	Variance (units)
Chicago	41,902	40,068	1,834
Champaign-Urbana, IL	2,034	1,004	1,030
Rochester, NY	2,525	1,708	817
Youngstown-Warren-Boardman, OH-PA	774	0	774
College Station-Bryan, TX	2,985	2,327	658
Des Moines-West Des Moines, IA	6,857	6,208	649
El Paso, TX	1,224	593	631
Fargo, ND-MN	3,145	2,571	574
Tulsa, OK	2,762	2,279	483
Lexington-Fayette, KY	2,630	2,284	346
New Haven-Milford, CT	3,219	2,927	292
Flint, MI	403	111	292
Hartford-West Hartford-East Hartford, CT	4,140	3,913	227
Albany-Schenectady-Troy, NY	4,929	4,718	211
Knoxville, TN	4,734	4,540	194
Sioux Falls, SD	5,945	5,896	49
Mobile/Daphne, AL	2,594	2,587	7

Source: RealPage Market Analytics

REALPAGE

Markets with the Biggest Deficits Between Five-Year Demand and Five-Year Supply

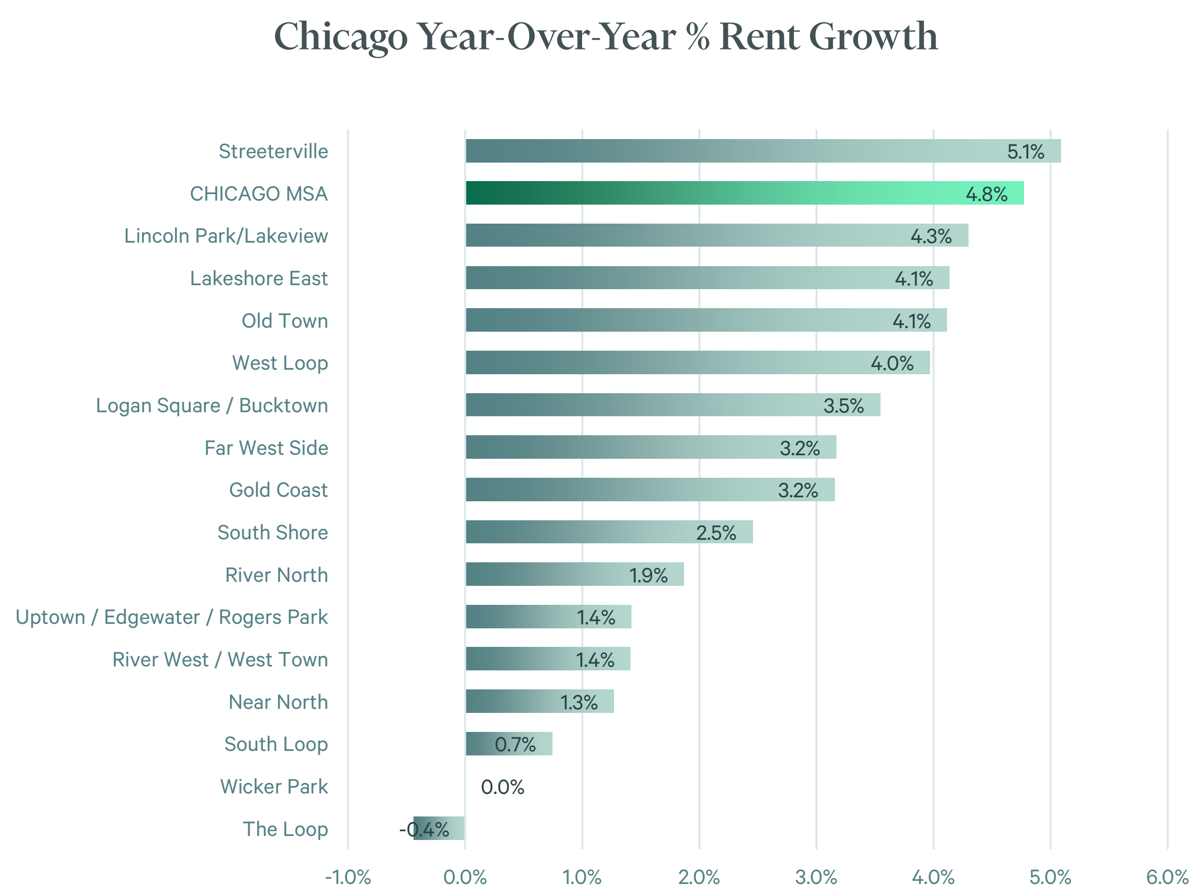
Market	Five-Year Demand (units)	Five-Year Supply (units)	Variance (units)
Atlanta	49,134	67,371	(-18,237)
Dallas	80,119	97,406	(-17,287)
Los Angeles	30,314	46,065	(-15,751)
Phoenix	44,864	60,445	(-15,581)
Austin	54,325	65,888	(-11,563)
Minneapolis	33,646	44,591	(-10,945)
Houston	75,736	85,817	(-10,081)
Washington, DC	55,085	64,435	(-9,350)
Orlando	36,506	44,682	(-8,176)
Tampa	24,617	32,759	(-8,142)
Fort Worth	27,499	35,334	(-7,835)
Charlotte	39,708	47,249	(-7,541)
San Antonio	19,787	26,761	(-6,974)
Seattle	34,791	41,445	(-6,654)
Las Vegas	10,963	17,202	(-6,239)
Jacksonville	20,192	26,201	(-6,009)

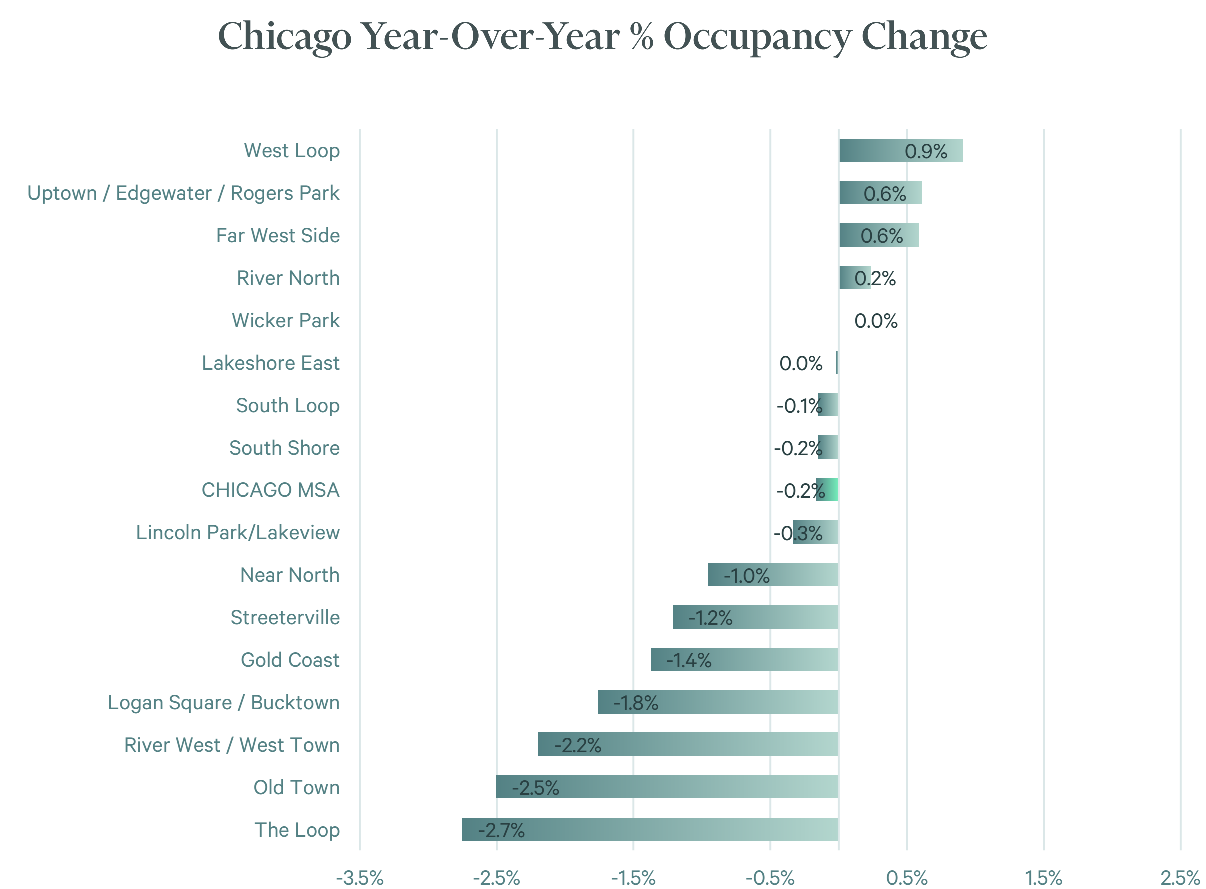
Source: RealPage Market Analytics

REALPAGE

Downtown Chicago

3Q24 YoY Rent Growth & Occupancy Change





AxioMetrics, CoStar, CBRE Inc.

3Q24 Rents & Occupancy CHICAGO CBD SUBMARKET

VERA
$2,885/mo, $3.48psf
0.7% QoQ, 3.74% YoY
93.9% occupancy
0.1% QoQ, -0.2% YoY

$3,548/mo, $4.10psf
0.4% QoQ, 2.9% YoY
93.8% occupancy
0.5% QoQ, -0.6% YoY

A
$2,867/mo, $3.48psf
1.0% QoQ, 3.1% YoY
94.2% occupancy
0.1% QoQ, -0.1% YoY

B
$2,418/mo, $2.93psf
-0.3% QoQ, -0.6% YoY
92.9% occupancy
-0.2% QoQ, -0.2% YoY

LAKESHORE EAST
$2,857/mo
$3.52psf
94.3% occ

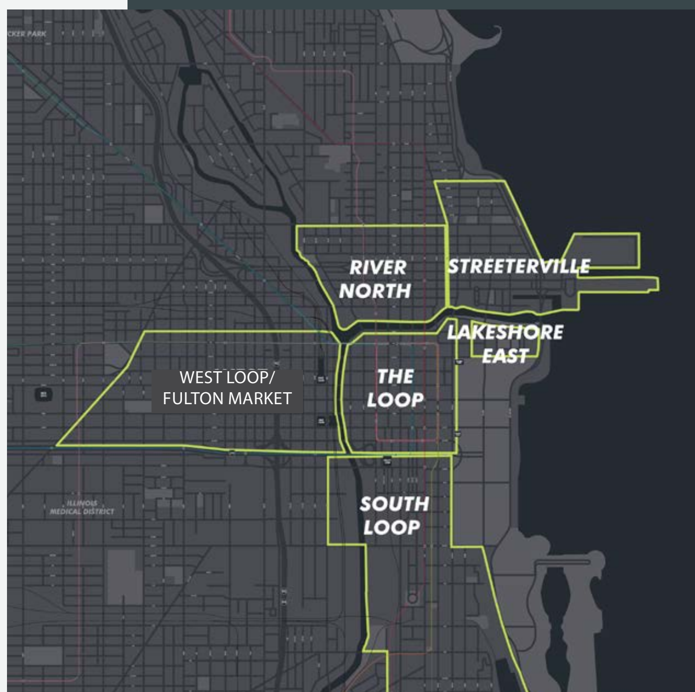
THE LOOP
$2,638/mo
$3.35psf
90.5% occ

RIVER NORTH
$3,143/mo
$3.69 psf
94.6% occ

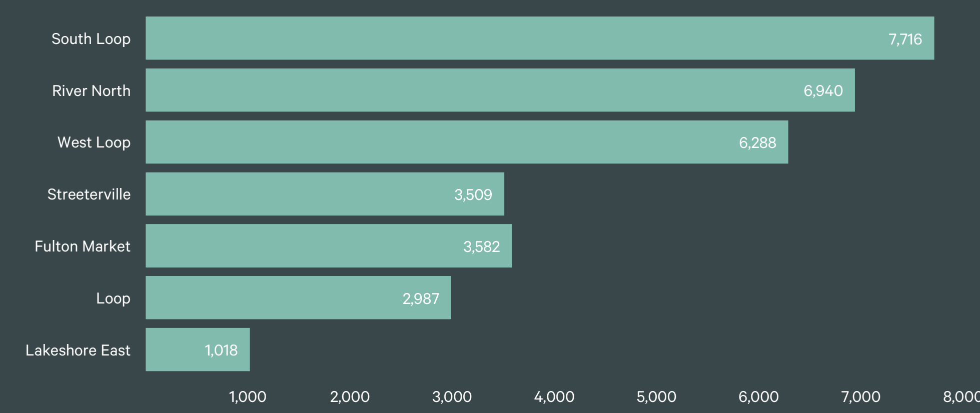
WEST LOOP/ FULTON MARKET
$2,881/mo
$3.62psf
94.5% occ

SOUTH LOOP
$2,576/mo
$3.19psf
96.7% occ

STREETERVILLE
$3,163/mo
$3.34psf
94.6% occ



Chicago CBD - New Supply Delivered Since 2013



- **3 Assets Under Construction Totaling 1,092 units**
- **Construction in the CBD Has Averaged 2,690 Units Annually Since 2013 Across 105 Projects**

3Q24 Rents & Occupancy NON-CBD SUBMARKET

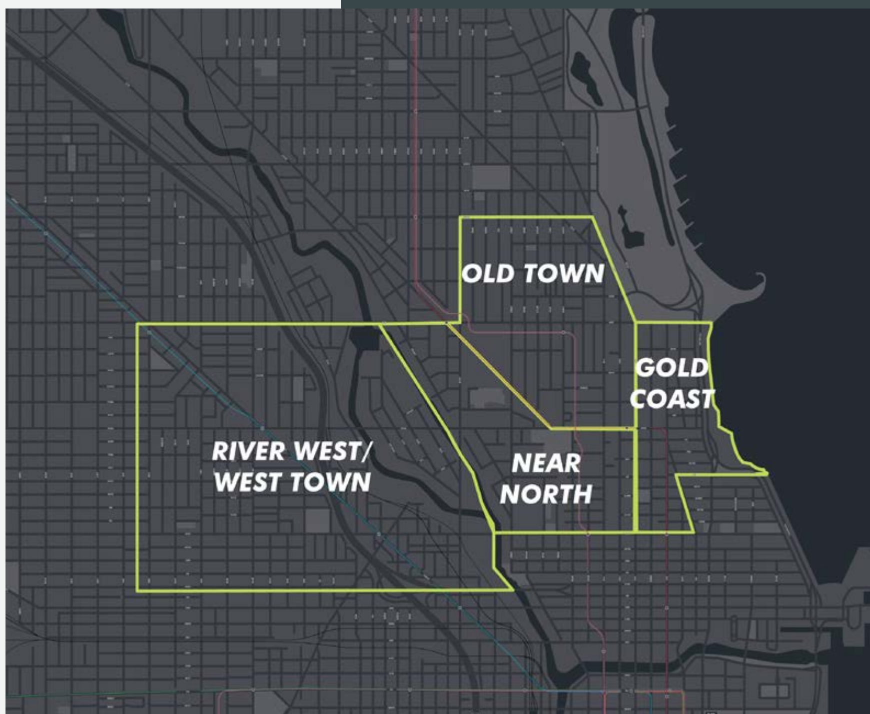
VERA: $2,852/mo, $3.78psf *0.7% QoQ, 4.1% YoY* 94.5% occupancy *0.1% QoQ, -1.5% YoY*	★: $3,547/mo, $4.29psf *4.7% QoQ, 4.2% YoY* 92.9% occupancy *0.0% QoQ, -1.8% YoY*	A: $3,162/mo, $3.97psf *0.3% QoQ, 1.8% YoY* 94.2% occupancy *0.1% QoQ, -1.4% YoY*	B: $2,451/mo, $3.22psf *0.6% QoQ, -0.8% YoY* 95.2% occupancy *-0.4% QoQ, -0.9% YoY*

GOLD COAST
$2,800/mo
$3.87 psf
94.3% occ

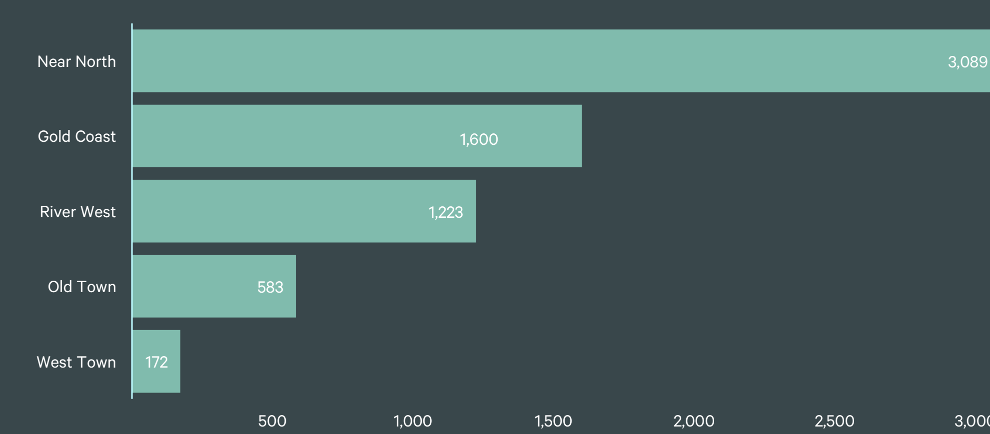
NEAR NORTH
$3,021/mo
$3.93 psf
95.1% occ

OLD TOWN
$2,996/mo
$3.64 psf
95.1% occ

RIVER WEST/WEST TOWN
$2,621/mo
$3.32 psf
93.5% occ



Chicago Downtown (non CBD) - New Supply Delivered Since 2013



- **1 Asset Under Construction Totaling 132 Units**
- **Construction in the Downtown (non CBD) Has Averaged 523 Units Annually Since 2013 Across 36 Projects**

3Q24 Rents & Occupancy NEIGHBORHOOD SUBMARKET

Class	Rent	Rent Change	Occupancy	Occupancy Change
VERA	$2,107/mo, $2.97 psf	1.5% QoQ, 3.2% YoY	93.6% occupancy	-0.3% QoQ, -0.2% YoY
★	$3,852/mo, $4.30 psf	5.7% QoQ, -3.9% YoY	93.5% occupancy	0.0% QoQ, 0.3% YoY
A	$2,510/mo, $3.08 psf	1.4% QoQ, 3.4% YoY	93.4% occupancy	-0.3% QoQ, -0.8% YoY
B	$2,063/mo, $3.01 psf	1.3% QoQ, 2.4% YoY	93.1% occupancy	0.8% QoQ, -0.6% YoY

FAR WEST SIDE
$2,488/mo
$3.36 psf
94.3% occ

UPTOWN/EDGEWATER/ROGERS PARK
$1,992/mo
$2.95 psf
92.7% occ

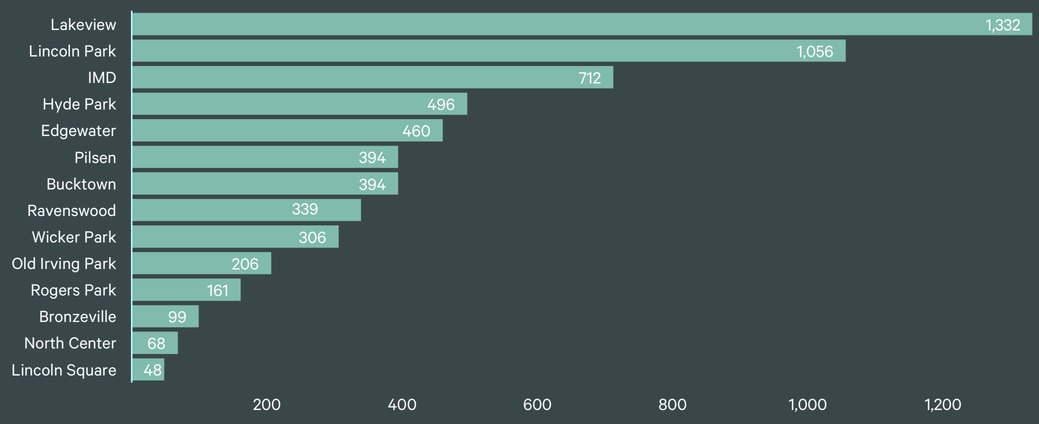
LINCOLN PARK/LAKEVIEW
$2,433/mo
$3.40 psf
94.5% occ

WICKER PARK
$2,663/mo
$3.29 psf
90.0% occ

LOGAN SQUARE/BUCKTOWN
$2,456/mo
$3.25 psf
93.2% occ

SOUTH SHORE
$1,652/mo
$2.26 psf
93.7% occ

Chicago Neighborhoods - New Supply Delivered Since 2013



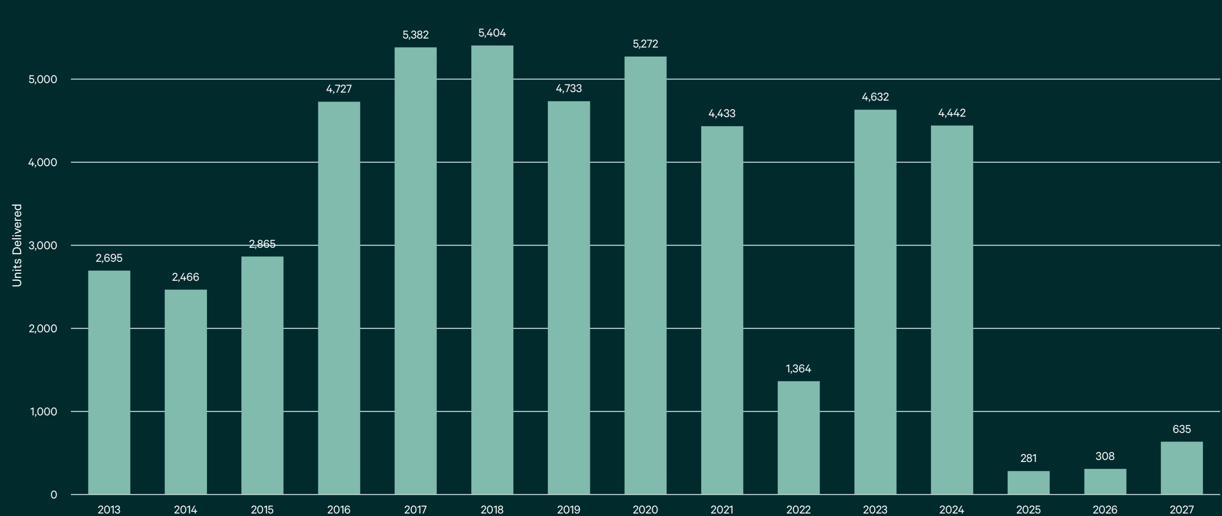
- **3 Assets Under Construction Totaling 209 Units**
- **Construction in the Chicago Neighborhoods Has Averaged 809 Units Annually Since 2013 Across 69 Projects**

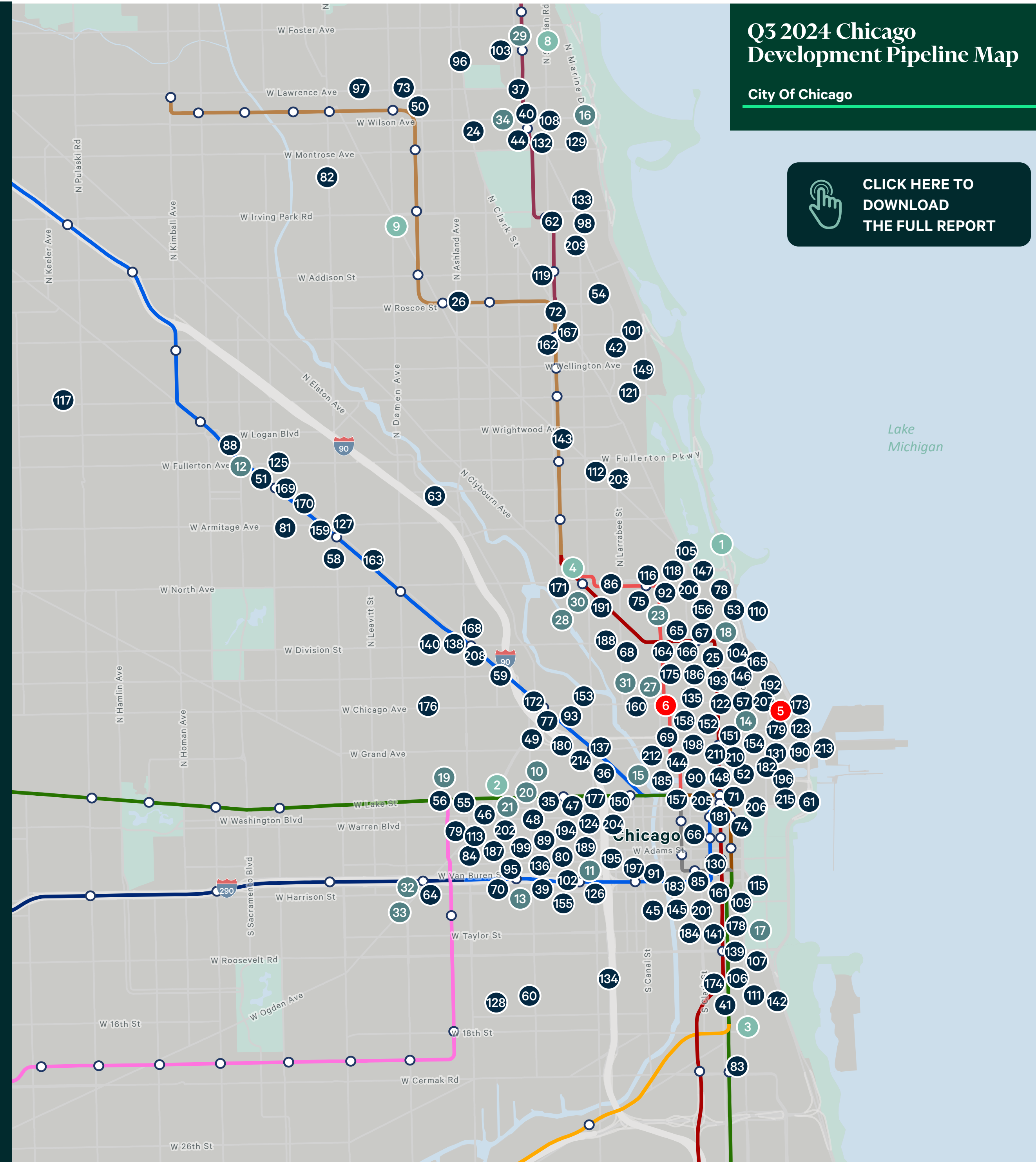
3Q 2024 CHICAGO

Development Pipeline

UNDER CONSTRUCTION	LEASE-UP	STABILIZED	DECONVERTED	TOTAL	AVG PER YEAR THROUGH 2024
1,433 UNITS	5,897 UNITS	42,550 UNITS	-241 UNITS	49,639 UNITS	4,035 UNITS
7 PROPERTIES	22 PROPERTIES	184 PROPERTIES	-2 PROPERTIES	215 PROPERTIES	17 PROPERTIES

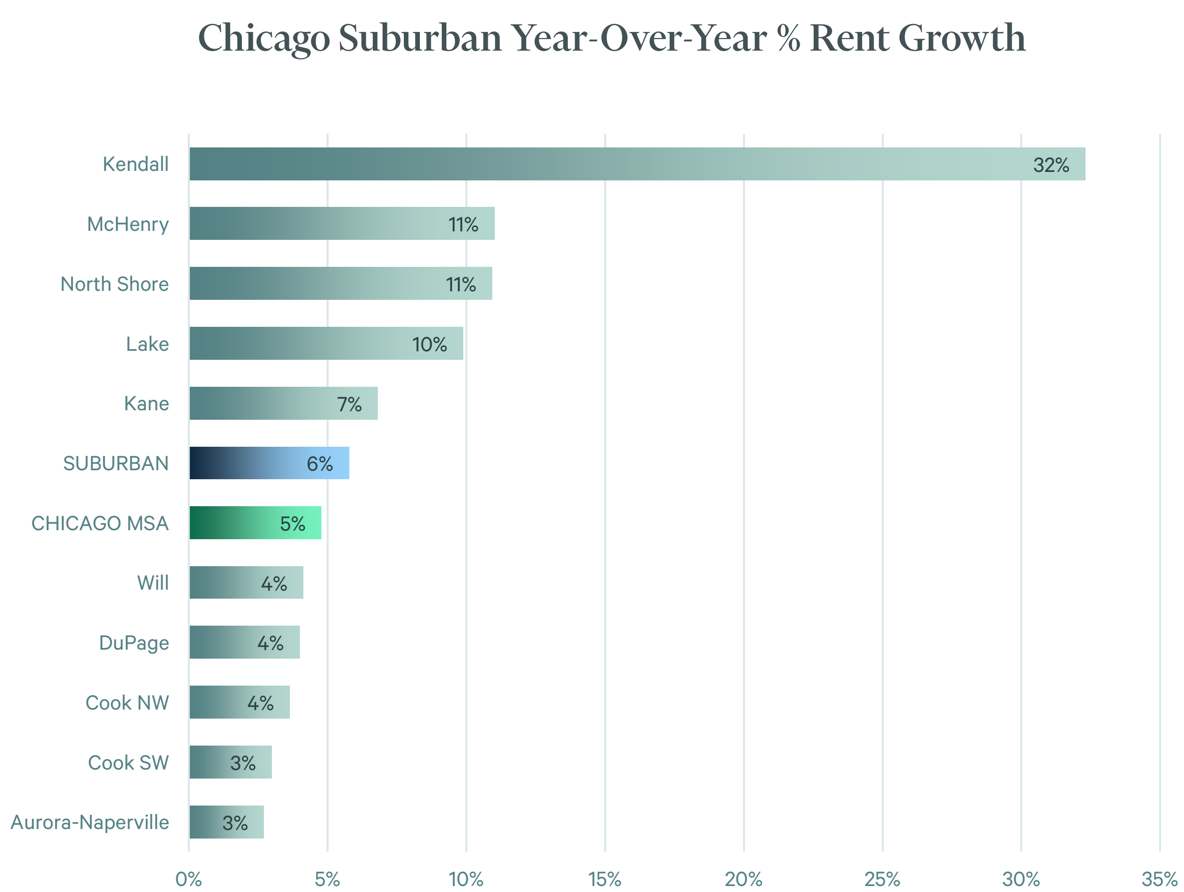
Downtown Chicago - Annual New Supply

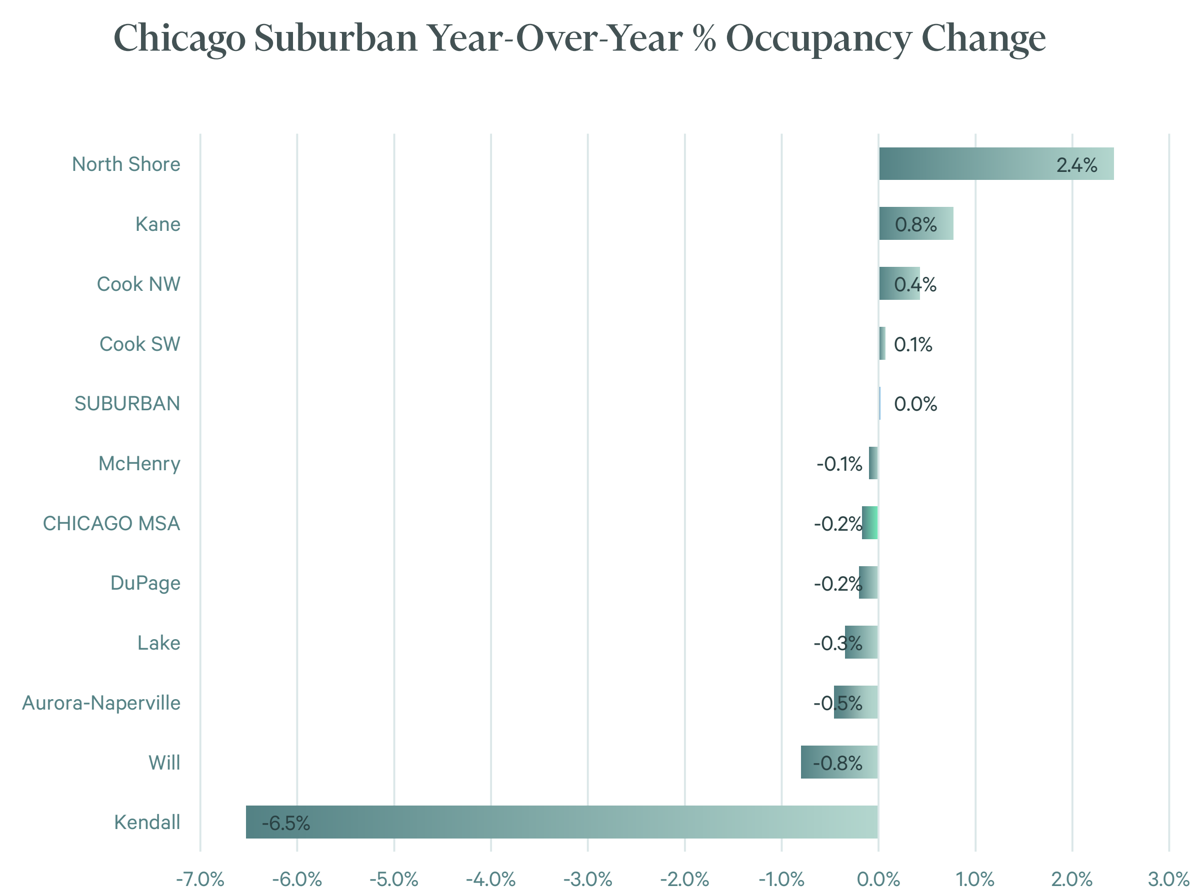




Suburban Chicago

3Q24 YoY Rent Growth & Occupancy Change





AxioMetrics, CoStar, CBRE Inc.

3Q24 Rents & Occupancy SUBURBAN SUBMARKET

VERA
$1,920/mo, $2.11psf
1.5% QoQ, 5.8% YoY
95.7% occupancy
0.0% QoQ, 0.0% YoY

A
$2,467/mo, $2.43psf
1.2% QoQ, 5.1% YoY
94.5% occupancy
-0.1% QoQ, 0.1% YoY

B
$1,806/mo, $2.01psf
1.8% QoQ, 3.9% YoY
95.9% occupancy
0.1% QoQ, -0.1% YoY

C
$1,509/mo, $1.79psf
1.7% QoQ, 5.3% YoY
96.5% occupancy
0.0% QoQ, 0.3% YoY

AURORA-NAPERVILLE
$1,922/mo
$2.07 psf
95.3% occ

KANE
$1,813/mo
$1.93 psf
96.1% occ

NORTH SHORE
$2,858/mo
$3.11 psf
95.0% occ

COOK NW
$2,008/mo
$2.23 psf
95.4% occ

KENDALL
$2,312/mo
$1.95 psf
90.2% occ

WILL
$1,750/mo
$1.92 psf
96.3% occ

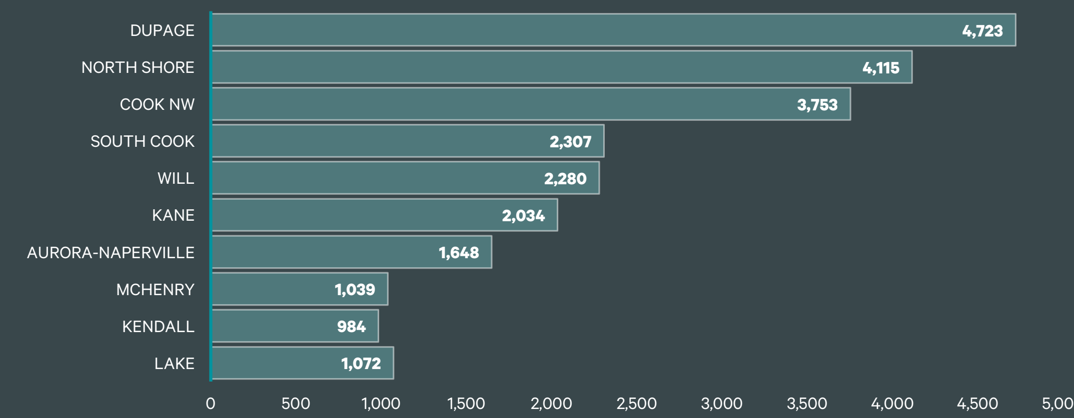
COOK SW
$1,609/mo
$1.91 psf
95.7% occ

LAKE
$1,842/mo
$2.04 psf
96.4% occ

DUPAGE
$1,918/mo
$2.10 psf
95.6% occ

MCHENRY
$1,707/mo
$1.81 psf
96.0% occ

Chicago Suburban - New Supply Delivered Since 2013



- **11 Assets Under Construction Totaling 2,930 Units**
- **Construction in Suburban Chicago Has Averaged 2,675 Annually Since 2013 Across 161 projects***

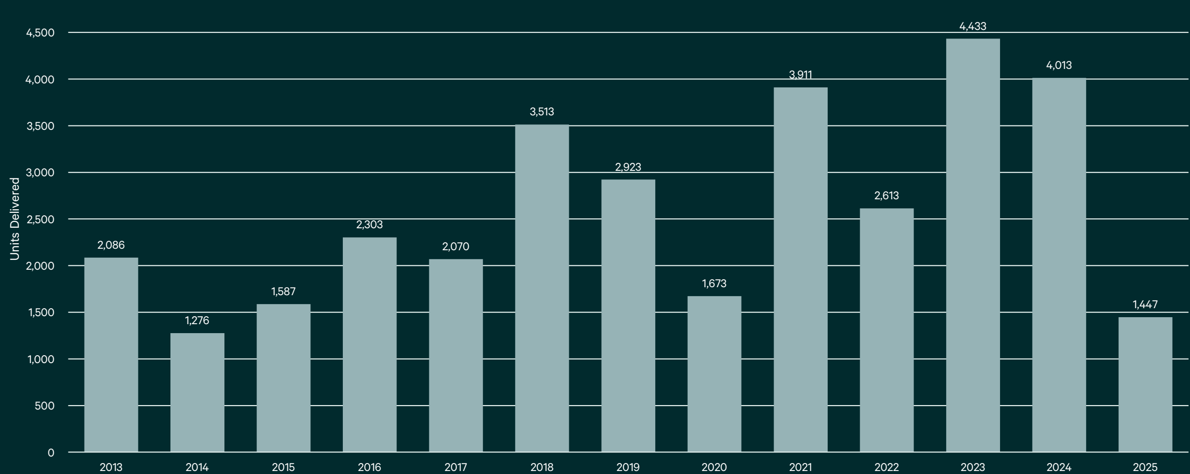
**Does not include 2025 deliveries*

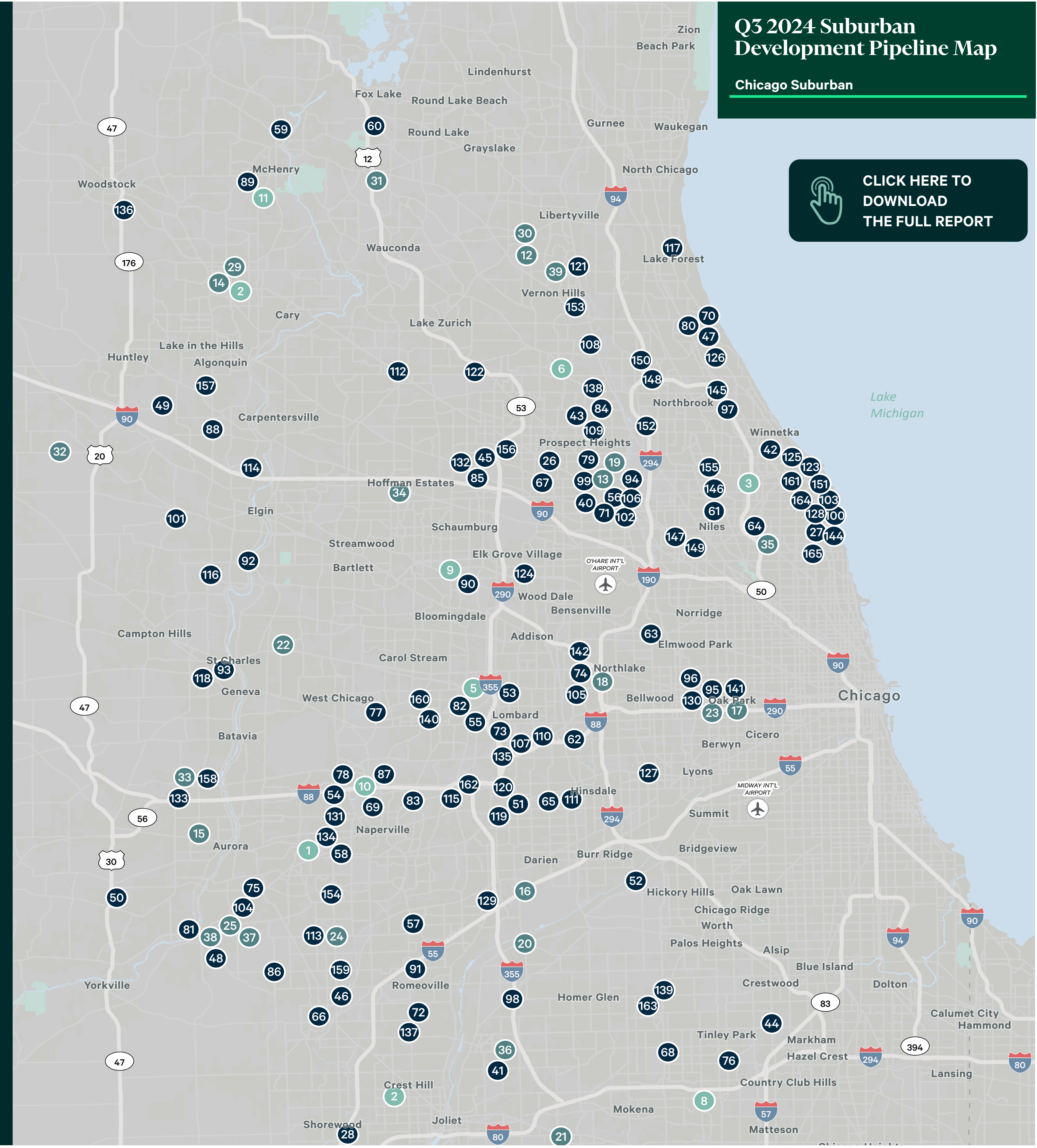
3Q 2024 CHICAGO SUBURBAN

Development Pipeline

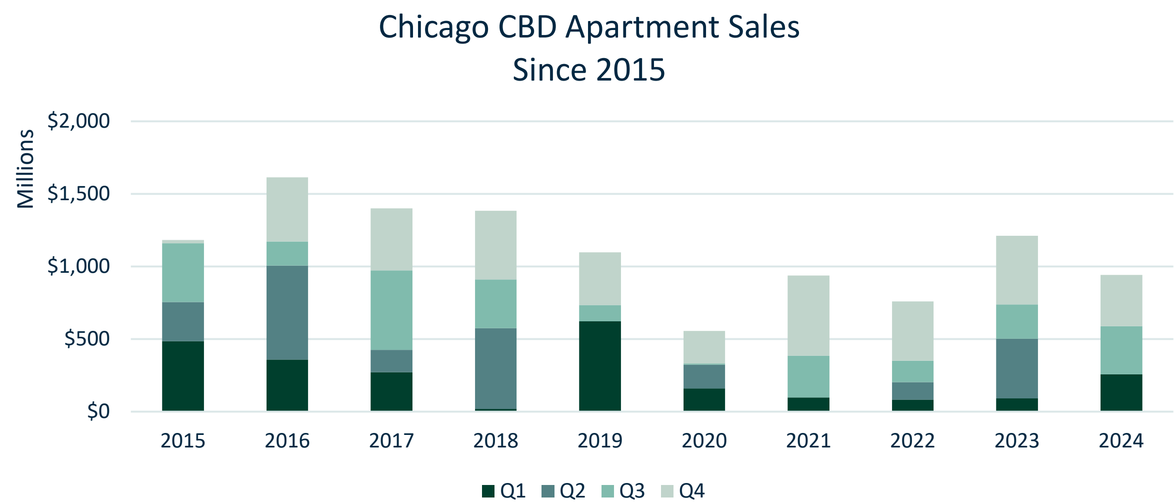
UNDER CONSTRUCTION	LEASE-UP	STABILIZED	TOTAL	AVG PER YEAR *through 2024*
2,930 *UNITS*	*4418* *UNITS*	*26,500* *UNITS*	*33,848* *UNITS*	*2,675* *UNITS*
11 *PROPERTIES*	*25* *PROPERTIES*	*129* *PROPERTIES*	*165* *PROPERTIES*	*14* *PROPERTIES*

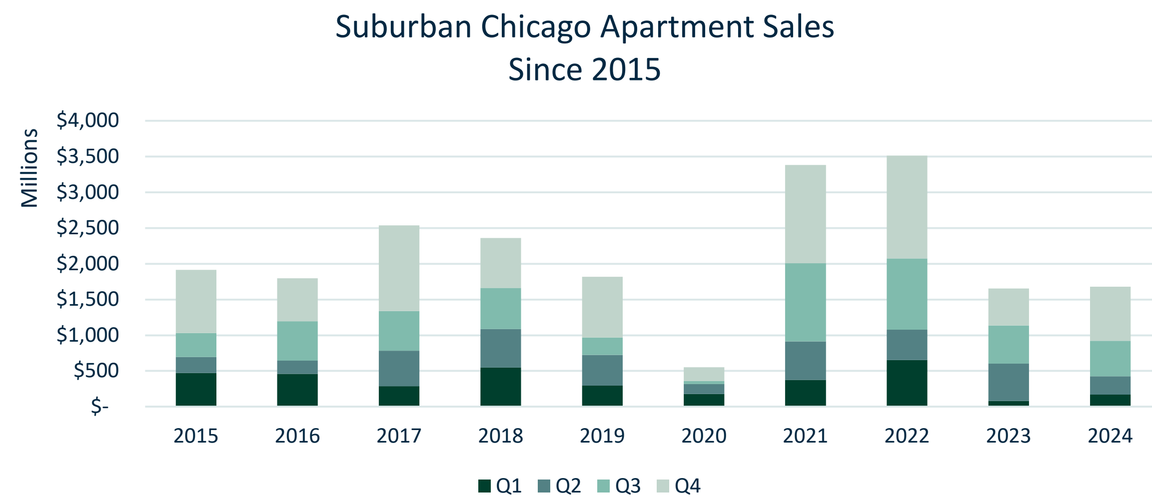
Suburban Chicago - Annual New Supply

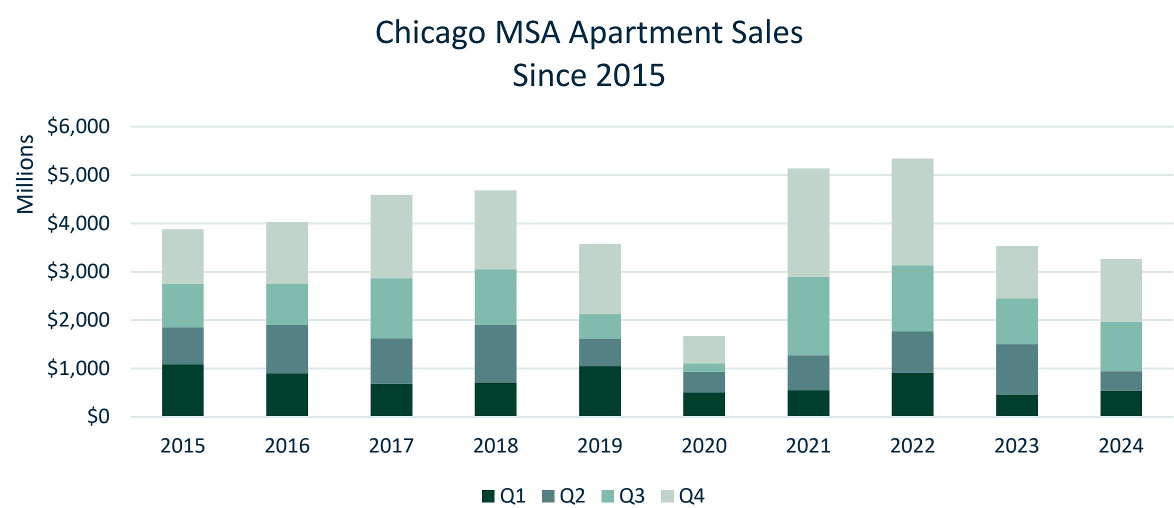


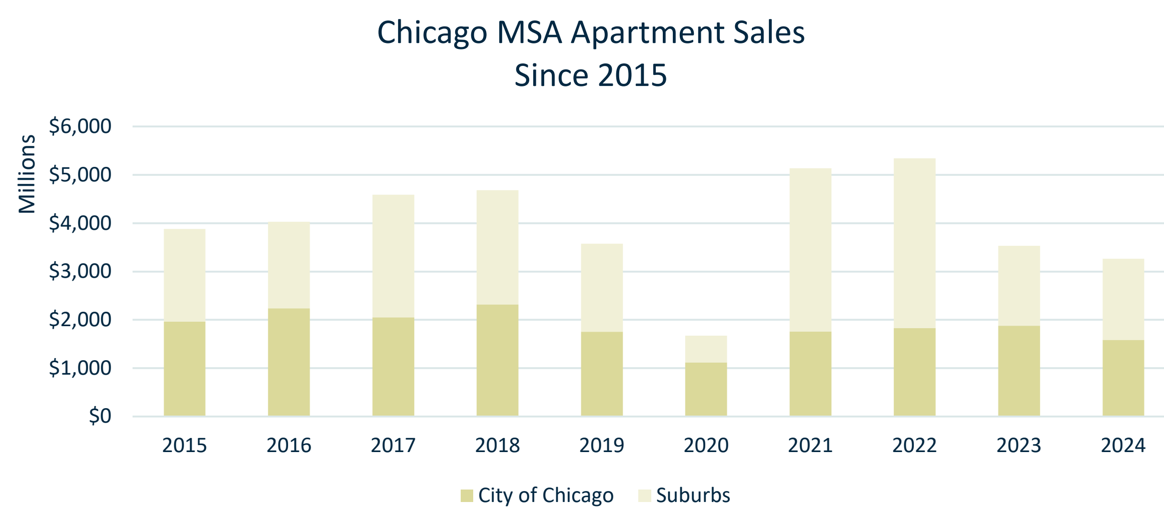


Chicago MSA Annual Sales Volume History

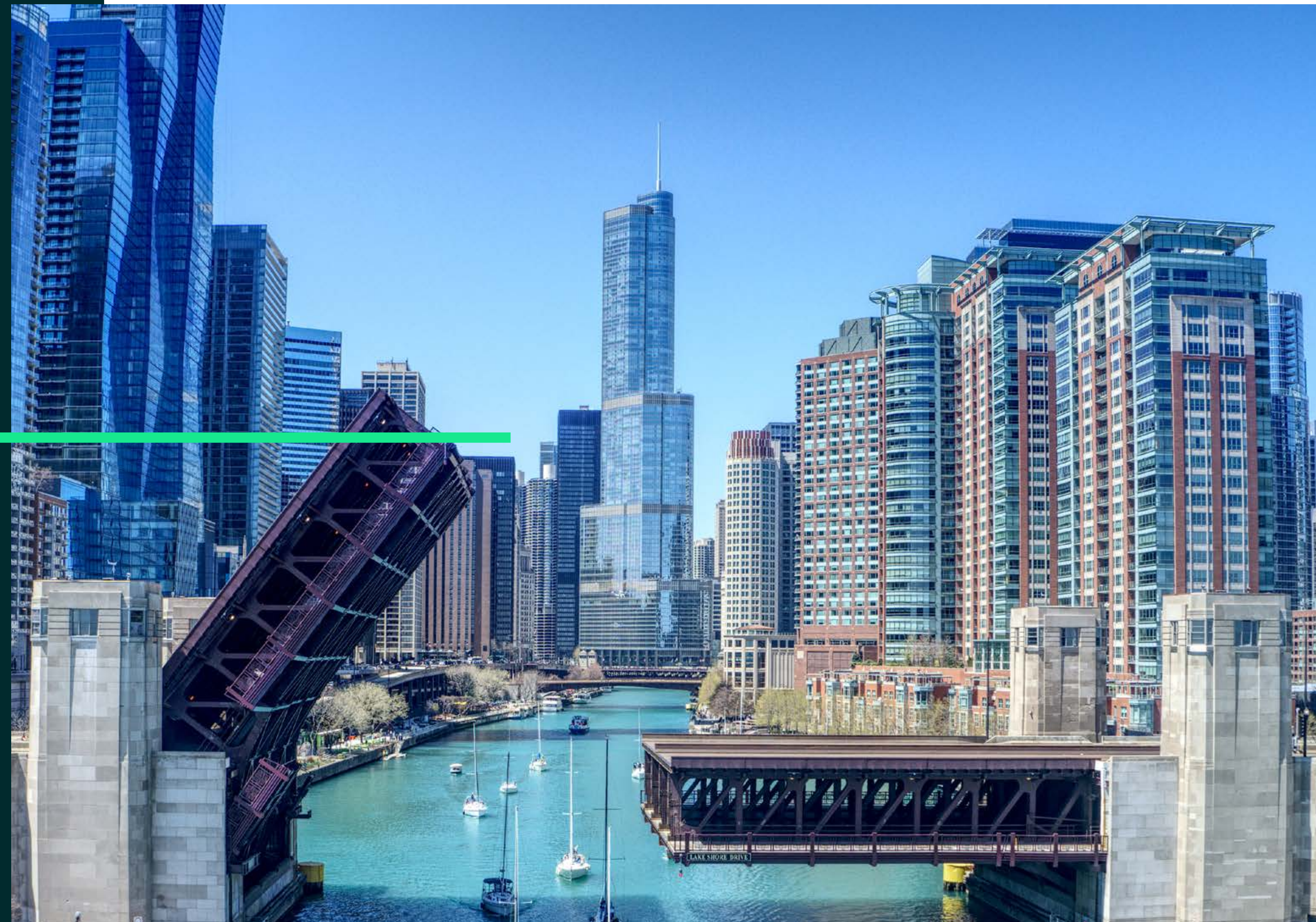








Headwinds



Headwinds

Illinois/Chicago Policies

Budget Deficits

Crime

Transfer Tax

Less Development

Rent Control

Property Tax Uncertainty

Cook County Tax Summary

Across all Chicago Townships, assessments increased 28%

CLASS	2023 BOR	2024 FP	% INCREASE	TOTAL FP AV INCREASE	% FP AV INCREASE
1 - LAND	220,966,375	359,111,288	63%	138,144,913	1%
2 - RESIDENTIAL	21,019,476,803	25,175,914,782	20%	4,156,437,979	37%
3 - COMMERCIAL APARTMENTS	3,592,424,097	5,069,580,409	41%	1,477,156,312	13%
4 - NON-PROFIT	68,850,746	94,200,741	37%	25,349,995	0%
5 - COMMERCIAL	15,737,563,779	21,145,644,362	34%	5,408,080,583	48%
ALL OTHER CLASSES	523,093,814	762,536,473	46%	239,442,659	2%
CHICAGO TOWNSHIPS TOTAL	**41,162,375,614**	**52,606,988,055**	**28%**	**11,205,169,782**	

If these values hold, we can assume the tax rate would drop +/-20%.

**Note – while Class 2 - Residential values increased 20% YoY, that increase represents 37% of the total AV increase. Class 5 Commercial (Office, Retail, Industrial) values represented nearly 50% of the total AV increase.*

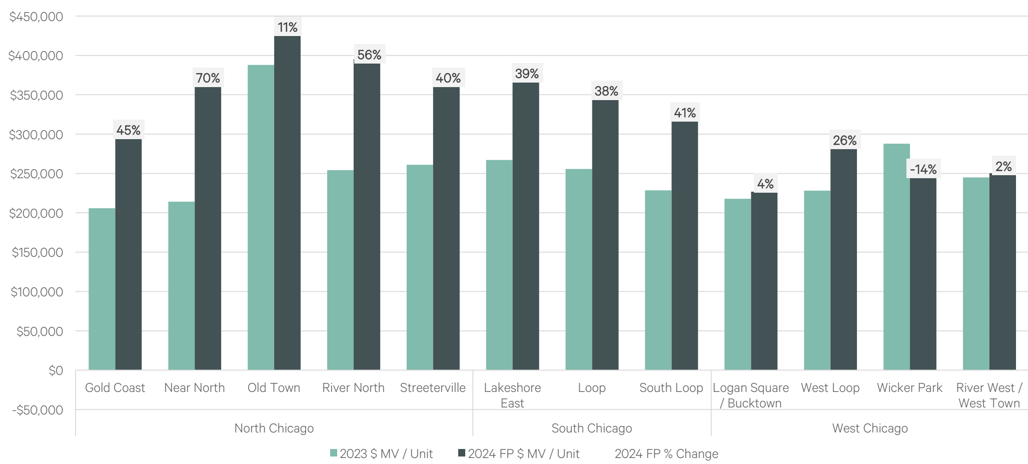
Apartments (Class 3 – Commercial Apartments):

Below shows the total AV increase for each Township within The Chicago of Chicago:

TOWNSHIP	2023	2024 FP	% INCREASE
HYDE PARK	318,282,883	454,917,914	43%
LAKE VIEW	656,418,066	990,101,691	51%
WEST CHICAGO	631,260,069	827,528,615	31%
ROGERS PARK	145,625,988	211,923,491	46%
LAKE	111,340,205	131,805,211	18%
JEFFERSON	252,558,583	333,633,505	32%
NORTH CHICAGO	884,689,549	1,274,025,034	44%
SOUTH CHICAGO	592,248,754	845,644,948	43%
CLASS 3 - COMMERCIAL APARTMENTS	**3,592,424,097**	**5,069,580,409**	**41%**

As mentioned above, the CCAO utilizes a mass appraisal income-based approach valuation. The CCAO uses an unloaded (market) cap rate and does not adjust for taxes.

Downtown Chicago First Pass Results:



CBRE surveyed 185 Downtown Chicago apartment properties totaling 59,241 units

37%

AVERAGE AV INCREASE ACROSS 185 PROPERIES

- *Average MV of $323,000 up from $235,000*

36

PROPERTIES ASSESSED OVER $400,000 PER UNIT VS. 2 PROPERTIES IN 2023

- *29 in North Chicago*
- *7 in South Chicago*
- *0 in West Chicago*

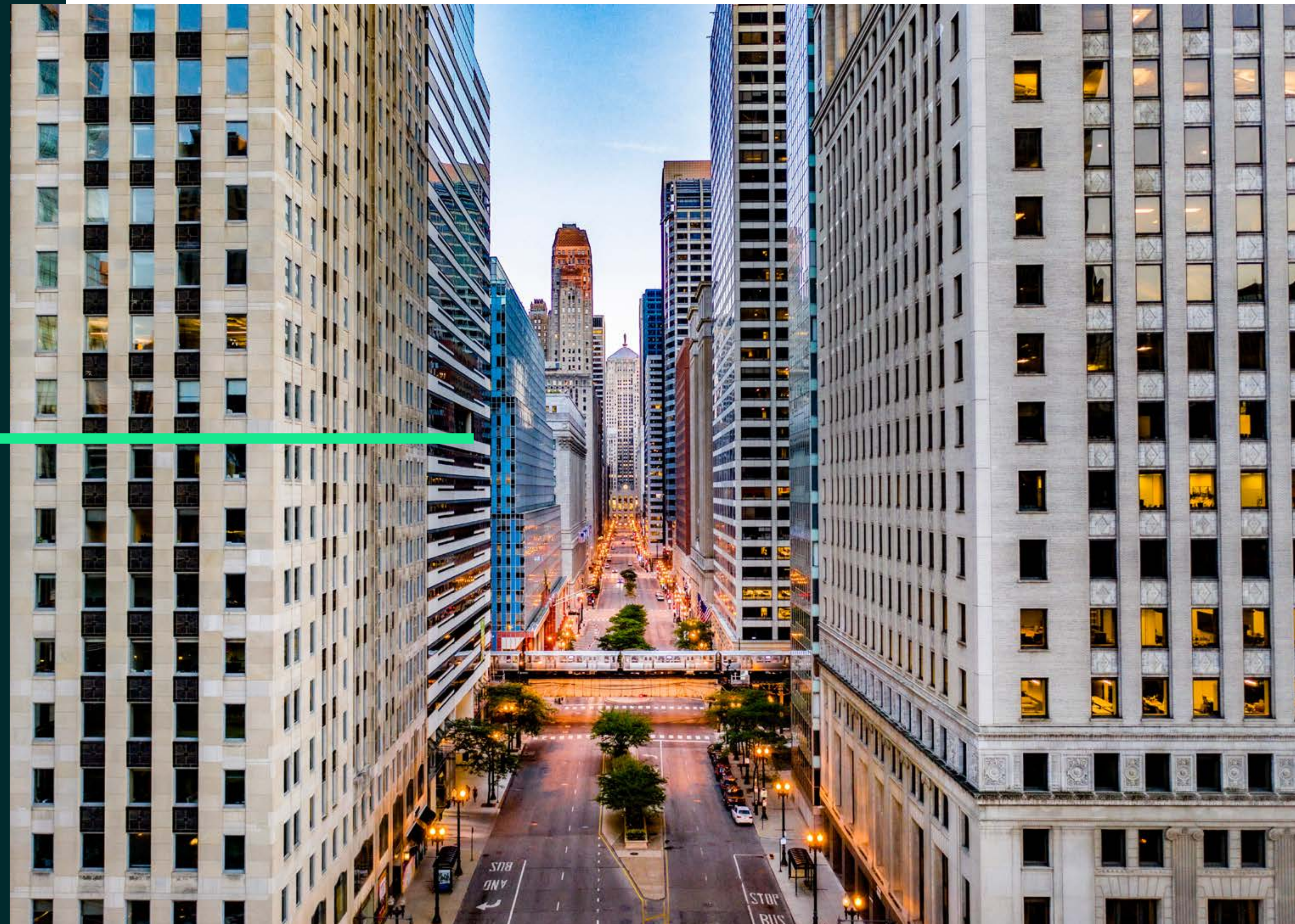
100

PROPERTIES SAW A 30%+ INCREASE IN AV VS. 2023

23

PROPERTIES RECEIVED A FIRST PASS REDUCTION VS. 2023

Green Shoots



Green Shoots

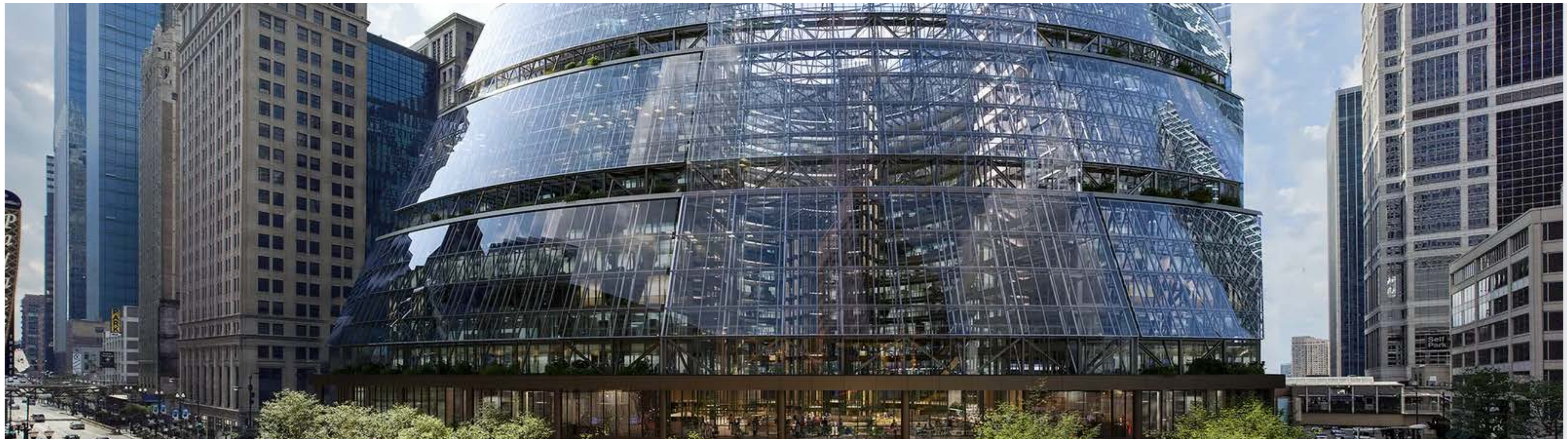
LaSalle Street Reimagined

Google

Mega Developments Gaining Traction

Human Capital:
2 of the Top 3 MBA Programs in World, Top Destination for Big Ten Graduates

Worlds Largest Urban Medical District (IMD)



#1 Multifamily Broker in Chicago

Visit us online at cbre.com

CBRE

John Jaeger
Executive Vice President
Multifamily
+ 1 630 915 7580
john.jaeger@cbre.com

Justin Puppi
First Vice President
Multifamily
+1 312 861 7839
justin.puppi@cbre.com

Jason Zyck
Vice President
Multifamily
+1 630 390 4590
jason.zyck@cbre.com