

YARDI® Matrix

Chicago's Draw

Multifamily Fall Report 2016

Tepid Rent Growth Trails Nation

Construction Reaches Post-Recession Best

Investors' Zeal Pushes Up Property Values

CHICAGO MULTIFAMILY

YARDI® Matrix

Market Analysis

Fall 2016

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Will Slow, Steady Growth Win the Race?

As one of the largest metros in the U.S. and the center of the Midwest, Chicago remains a top target for investors, though its rent growth keeps trailing most of the nation. Growth is moderated by a demographic slide and decline in the city's manufacturing base and financial market activities. Market conditions are, however, improving, with roughly \$2.1 billion worth of properties changing hands year-over-year through September.

Chicago's real estate market is healthy in other respects. The metro added 61,000 new jobs in the past year, and a plethora of companies are expanding their footprint, including McDonald's, Motorola Solutions, Google and WeWork. The small but vibrant Fulton Market submarket is slowly evolving into a new hotspot for tech firms, while redevelopment projects are sprouting up all across the Loop. Related Midwest is planning to undertake one of the largest developments in city history on a 62-acre riverfront site in the South Loop, while city officials plan to turn the 49-acre Michael Reese Hospital site in South Side Chicago into a new mixed-use destination.

While population growth is weak, young professionals are still drawn to the region. Apartment development is picking up, as more than 60,000 units are in the pipeline. Nonetheless, the market's rent growth rate still hovers below the national average, and our forecast calls for a modest 2% appreciation at year-end 2016.

Recent Chicago Transactions

North Water



City: Chicago
Buyer: Invesco Real Estate
Purchase Price: \$240 MM
Price per Unit: \$603,768

North Harbor Tower



City: Chicago
Buyer: Crescent Heights of America
Purchase Price: \$212 MM
Price per Unit: \$354,063

850 Lake Shore Drive



City: Chicago
Buyer: JP Morgan Asset Management
Purchase Price: \$140 MM
Price per Unit: \$707,070

Eight O Five



City: Chicago
Buyer: Berkshire Property Advisors
Purchase Price: \$113 MM
Price per Unit: \$385,273