

CHICAGO MULTIFAMILY

Market Analysis

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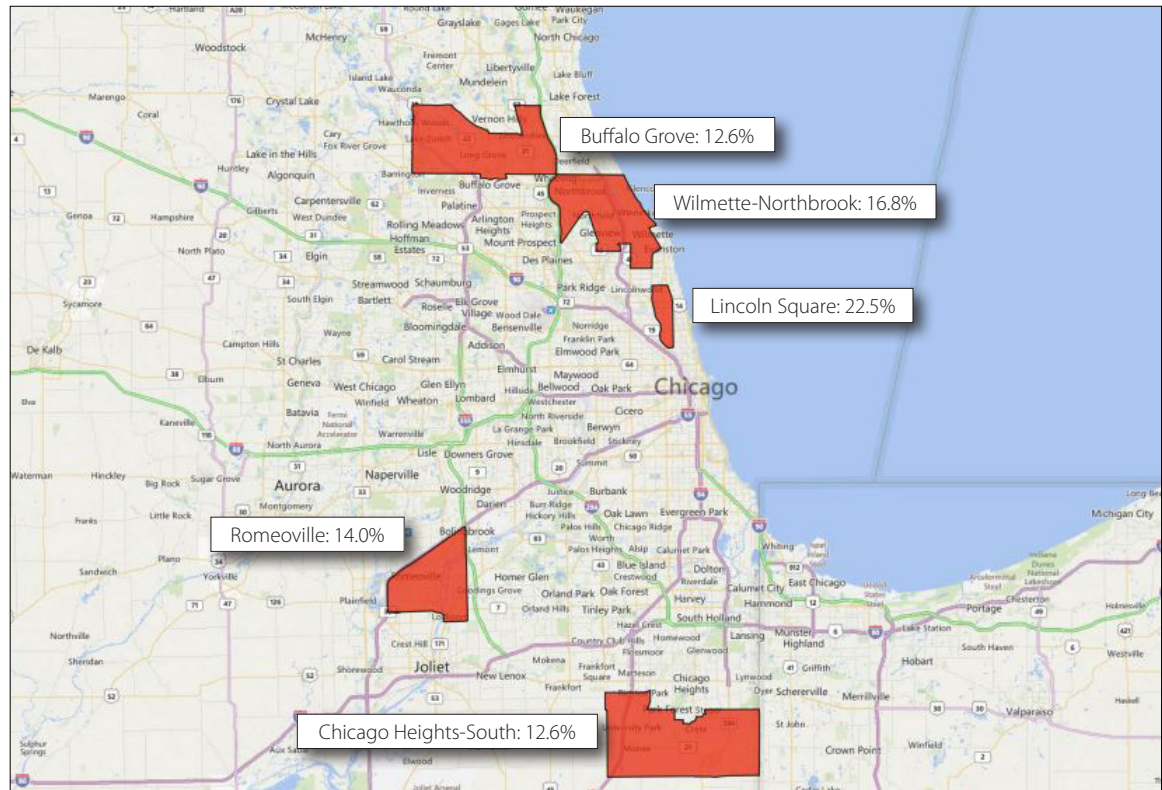
Moderate Growth Prognosis in Chicago

The trends that have underpinned the multifamily market's expansion in the U.S. – growing demand from an expanding employment base and an influx of young professionals into urban centers, a mushrooming development pipeline and intense investor demand – are all present in Chicago. However, being in the Midwest, which is in the midst of a long-term demographic slide relative to the South and West, has limited the upside to moderate levels.

It took longer than in other parts of the country, but Chicago's employment picture is improving. The metro created more than 100,000 jobs over the last year, and hundreds of companies are expanding or starting up in the area. Not known as a center of technology, a small but vibrant tech market has nonetheless sprung up in the River North submarket. Growth though, is limited by the decline in the city's manufacturing base and financial market activities. Demand for multifamily is also limited by the slow growth of the population, especially relative to the rapidly growing Western metros.

Chicago being one of the largest metros and the center of the Midwest, the metro remains a target of investors who are paying up for trophy assets. Example: Heitman's \$328 million acquisition of 111 West Wacker Drive for \$650 per unit in January. Rent growth, however, was a moderate 2.4% during the last year, and we see another year of moderate growth of about 3.5% in 2015.

Top 5 Submarkets for Rent Growth (Fall 2014 to Spring 2015¹)



¹ YardiMatrix™ surveys over 1,000 properties in Chicago, three times a year during the Spring, Summer & Fall.