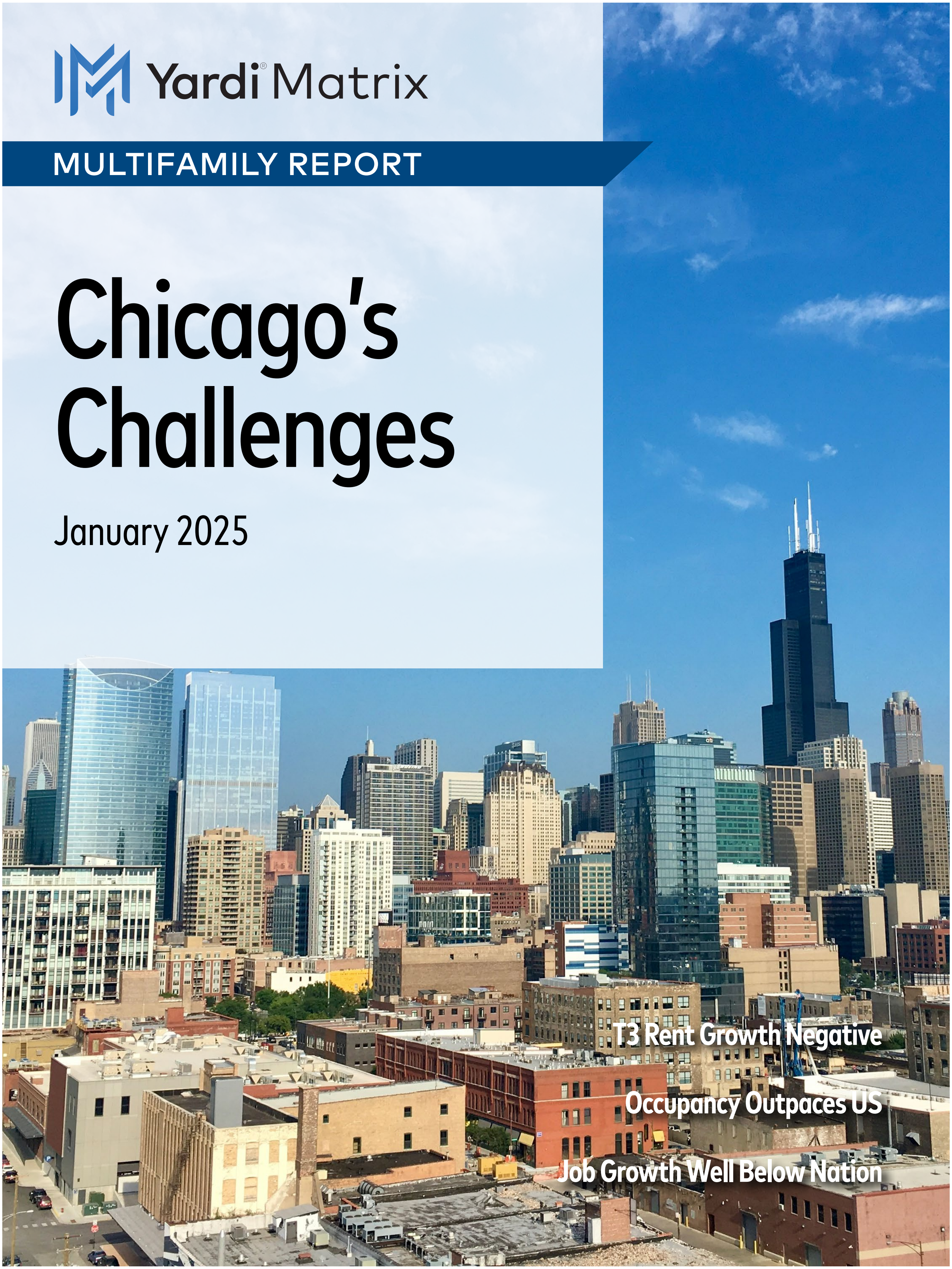
Yardi Matrix

MULTIFAMILY REPORT

Chicago's Challenges

January 2025



T3 Rent Growth Negative

Occupancy Outpaces US

Job Growth Well Below Nation

CHICAGO MULTIFAMILY

Yardi Matrix

Rent Growth Down, Occupancy Moves Up

Mirroring the national negative movement, Chicago's average advertised asking rents were down 0.2%, on a trailing three-month basis, through November. Short-term rent growth crested in the summer, reaching 0.8%, but turned negative as fall moved in. The metro's occupancy rate was 95.7% as of October, outpacing the U.S. average of 94.8%.

Metro Chicago's unemployment rate stood at 5.1% as of September, based on data from The Bureau of Labor Statistics. The average was a full percentage point above the U.S. figure. Metro Chicago added a net total of 4,600 jobs during the year ending in September, impacted by four sectors that shed a total of 40,500 jobs. The Committee on Zoning recently approved two adaptive reuse projects. One would transform an office building at 65 E. Wacker into a 252-unit residential tower and the second would convert The Evergreen Building into a 47-unit property. Additionally, Prologis is converting a warehouse at 800 E. Devon Ave. into a data center.

Chicago developers completed 4,919 units year-to-date through November and had an additional 12,756 units under construction. Investment activity has gained momentum compared to the first half of the year. In the first half of 2024, sales totaled $699 million, but with one month left in the year, total sales volume was $1.9 billion.

Market Analysis | January 2025

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x14006

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author
Agota Felhazi
Senior Associate Editor

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Recent Chicago Transactions

Railway Plaza

City: Naperville, Ill.
Buyer: Abacus Capital Group
Purchase Price: $109 MM
Price per Unit: $261,391

Cobbler Square

City: Chicago
Buyer: JDL Development
Purchase Price: $90 MM
Price per Unit: $308,219

Chestnut Place

City: Chicago
Buyer: Farallon Capital Management
Purchase Price: $85 MM
Price per Unit: $304,286

Webster House

City: Chicago
Buyer: Jonathan Rose Cos.
Purchase Price: $55 MM
Price per Unit: $296,000

RENT TRENDS

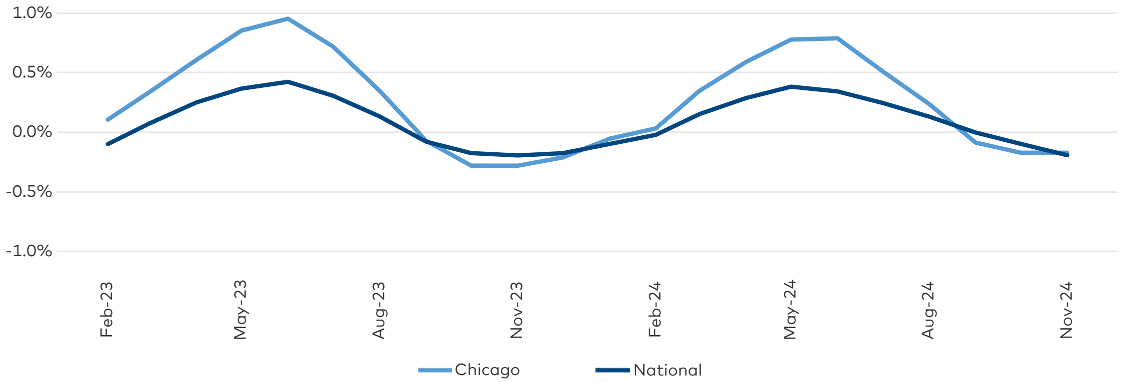
- Chicago's advertised asking rents were down 0.2% on a trailing three-month (T3) basis through November, to an average of $1,958. Rent growth turned negative as of September after peaking at 0.8% in May and June. On an annual basis, however, the rate was up 2.7%, well above the 0.9% national rate.

- Lifestyle average advertised asking rates registered a 0.4% drop on a T3 basis. However, Renter-by-Necessity averages were up 0.1%. On an annual basis, Lifestyle figures were up 1.6%, to $2,531. RBN properties came out on top once again, with advertised asking rents rising 3.8%, to $1,591.

- The average occupancy rate in stabilized assets across Metro Chicago settled at 95.7% as of October. The figure marked a 20-basis-point increase year-over-year, staying well above the national average of 94.8%. Occupancy in Lifestyle assets climbed 40 basis points, to 95.3%, and RBN occupancy inched up 10 basis points, to 96.1%.

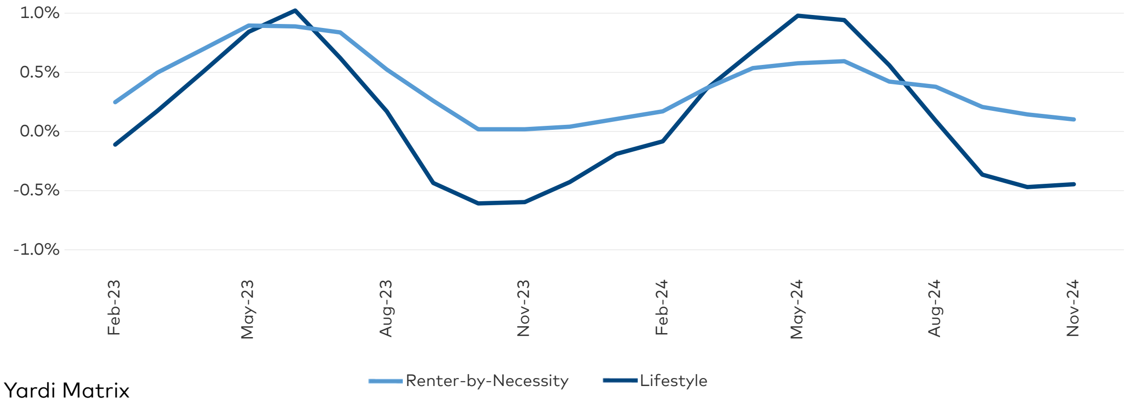
- Overall, most of the 96 submarkets tracked by Yardi Matrix recorded positive rent growth year-over-year. Only 11 submarkets recorded declines, with Douglas having the sharpest drop, down 5.4%, to $1,536. Suburban submarket Mundelein led gains, with 8.5% increasing, to $2,005. Other notable submarkets included Aurora (up 8.2% to $1,391) and McHenry-Round Lake (up 8.2% to $1,475).

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

- Greater Chicago gained 4,600 net jobs during the year ending in September. The rate inched up 0.1%, well below the 1.4% national average. Education and health services led gains with 19,900 positions added, followed by government with 11,900 jobs. At the other end of the spectrum, four sectors lost a combined 40,500 positions with only professional and business services sector registering a loss, down 29,600 jobs.
- Metro Chicago's unemployment rate was 5.1% as of September, according to BLS data. The figure was 20 basis points below Illinois' 5.3%, but 100 basis points above the U.S. average of 4.1%. However, the metro's average saw an improvement month-over-month from 5.6%.
- Conversion projects are gaining speed in Chicago. Recently, The Committee on Zoning approved two adaptive reuse projects. Mavrek Development and ACRES Commercial Realty Corp. are set to transform the office tower at 65 E. Wacker into a 252-unit residential high-rise. The developers expect to start construction in the second quarter of 2025. Honore Properties will similarly convert The Evergreen Building into a 47-unit residential property. Both still need final approval from the city council. Elsewhere, Prologis is working on transforming the 190,000-square-foot industrial complex at 800 E. Devon Ave. into a data center.

Chicago Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	783.9	16.3%
90	Government	557.3	11.6%
80	Other Services	203.1	4.2%
30	Manufacturing	419.4	8.7%
40	Trade, Transportation and Utilities	968.4	20.1%
15	Mining, Logging and Construction	193.3	4.0%
50	Information	75.3	1.6%
70	Leisure and Hospitality	475.4	9.9%
55	Financial Activities	315.1	6.5%
60	Professional and Business Services	820.7	17.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Greater Chicago lost 40,756 residents between 2021 and 2022. The loss accounted for a 0.4% decrease. Meanwhile, the U.S. figure saw a 0.4% increase during that period.
- Overall, the metro gained 106,192 new residents since 2012, marking a 1.1% rate of growth.

Chicago vs. National Population

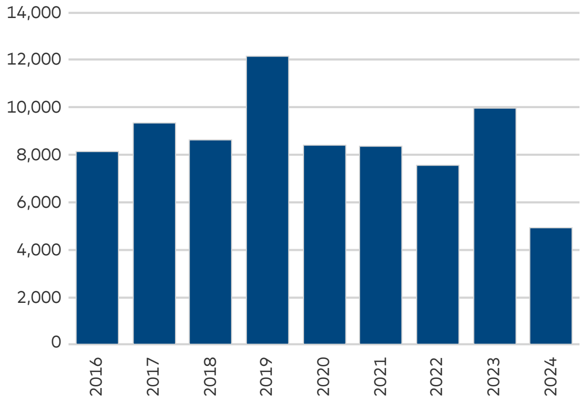
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Chicago	9,508,605	9,478,801	9,607,711	9,566,955

Source: U.S. Census

SUPPLY

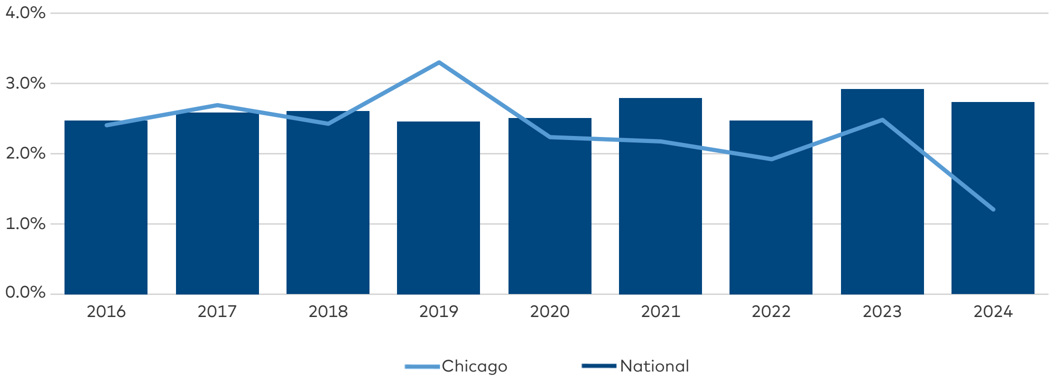
- Chicago developers completed 4,919 units year-to-date through November, marking a 7% drop year-over-year. Overall, deliveries accounted for a 1.2% expansion of existing inventory, less than half the U.S. rate of 2.7%. Recent deliveries also fell short of the previous five year-average of 9,289 units, which peaked in 2019 with 12,136 units completed.
- As of November, developers had 12,756 units under construction, with an additional 86,000 units in the planning and permitting stages. More than 73% of units underway consisted of Lifestyle projects, roughly 7% involved RBN developments and nearly 20% were in fully affordable projects.
- Construction starts have slowed, as developers broke ground on 3,663 units year-to-date through November. This marked a 30.8% drop compared to the same period in 2023, when developers kicked off construction on 5,294 units.
- Of the 96 submarkets tracked by Yardi Matrix, Greater Chicago had 46 submarkets with at least 50 units under construction. The Near West Side submarket led activity with 1,725 units under construction, followed by The Loop (855 units) and St. Charles (819 units).
- Headed by ShoDeen Residential, the second phase of The Reserve at Prairie Centre totaling 499 units was one the largest developments underway in the metro. The developer kicked off construction on the eight-building expansion in 2020 and expects to bring the Lifestyle asset online in early 2025. The initial phase totaling 96 units was completed in 2021. The developer also has a 306-unit planned project in the metro.

Chicago Completions (as of November 2024)



Source: Yardi Matrix

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

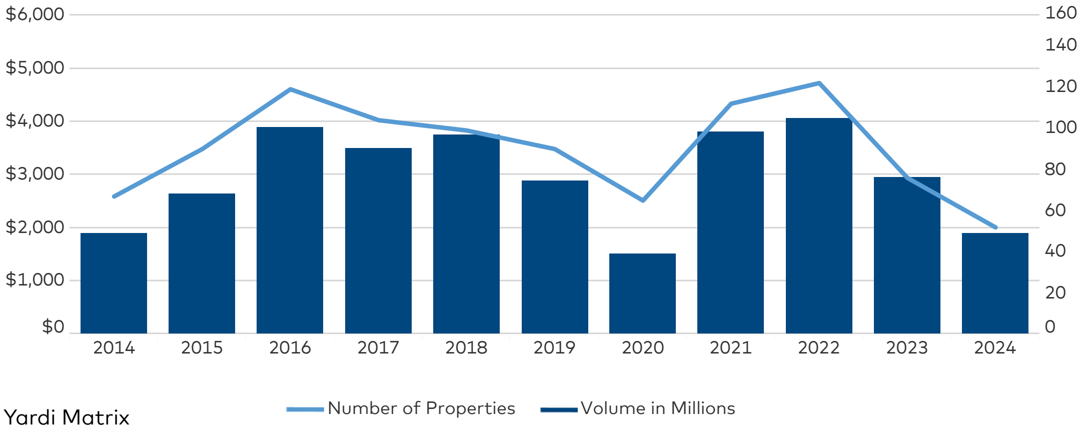


Source: Yardi Matrix

TRANSACTIONS

- Year-to-date through November, multifamily sales amounted to $1.9 billion, down 26% compared to the same interval in 2023. Investment activity picked up in the second half of the year, with transactions in the first half amounting to $699 million. Overall, transaction volume has room to grow, as the annual average between 2019 and 2023 was roughly $3 billion.
- The average price per unit was $218,324, up 6.4% compared to the same period last year and above the national average of $192,050. RBN properties sold for $176,865 per unit and Lifestyle assets for $142,540.
- Abacus Capital Group's acquisition of the 417-unit Railway Plaza in the Naperville-West submarket was one of the three transactions of the year that cleared the $100 million mark. BH Equities sold the Lifestyle asset for $109 million, or $261,391 per unit. Newmark provided a $71 million Fannie Mae loan to Abacus for the purchase of the 13-building property.

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



Source: Yardi Matrix

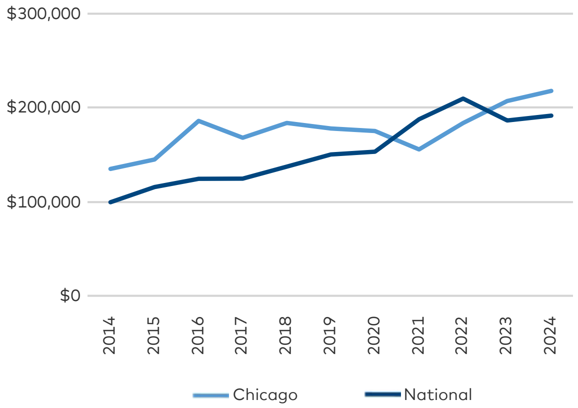
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Near North Side	451
Near West Side	408
Bolingbrook	220
Naperville–West	203
Schaumburg	191
Near South Side	144
Oak Park	139

Source: Yardi Matrix

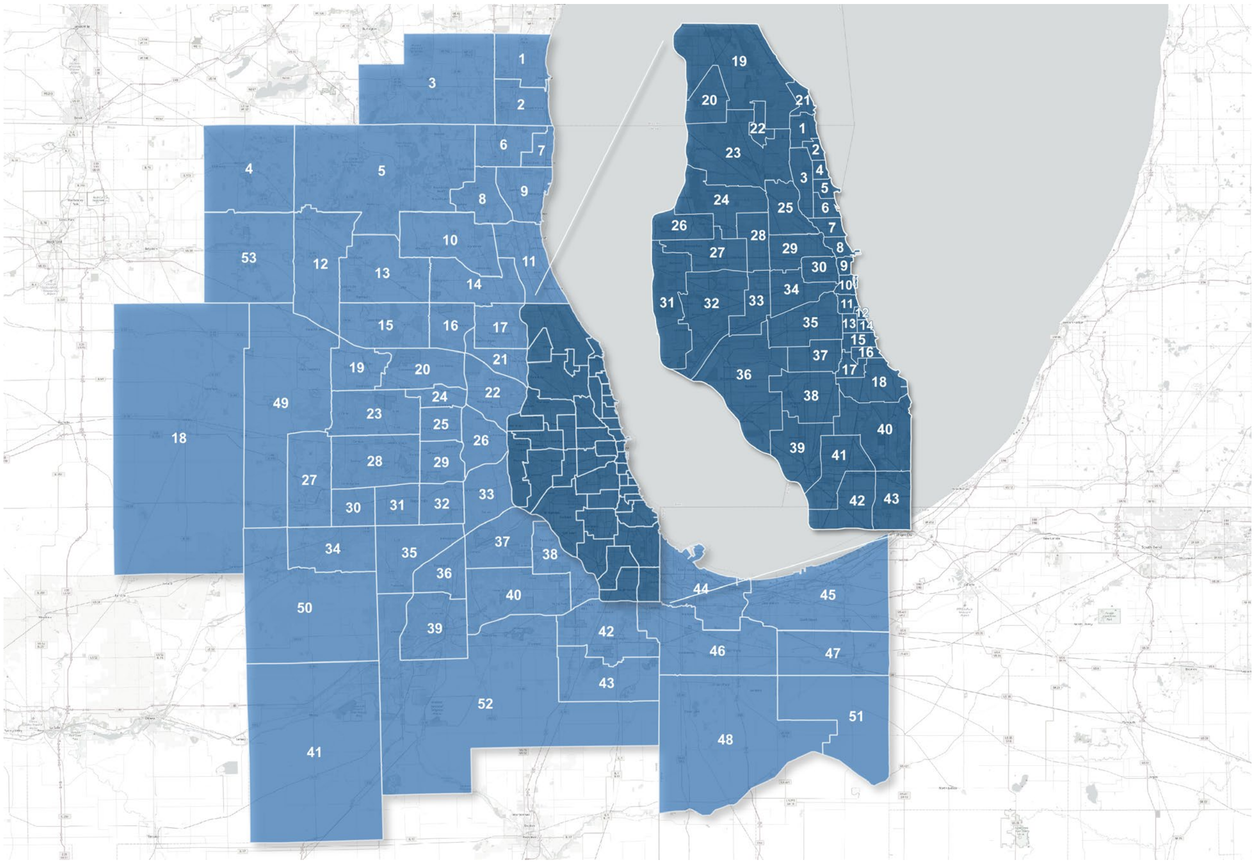
[1] From December 2023 to November 2024

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
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
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 x14006.

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