MARKET REPORT

Multifamily

Chicago Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

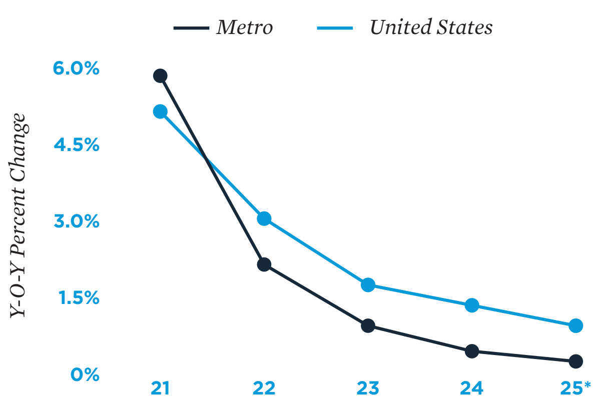
2Q/25

Chicago Draws More Investment Amid Nation-Leading Rent Growth and Steep Drop in Deliveries

Demand surge boslters property performance. The Chicago metro area added over 100,000 residents in the last two years, contributing to the recent acceleration in apartment leasing. This culminated in the net absorption of over 7,300 units in the six months ended in the first quarter — a figure that exceeds 2024's total delivery count. As such, 10 of Chicago's 20 submarkets posted triple-digit basis-point vacancy drops over the four quarters ended in March, supporting a 5.5 percent rise in the market's average effective rent — the largest gain among major metros. Rent growth was most prominent at Class A and C properties, with the gains recorded by both sectors — 6.8 percent and 4.4 percent, respectively — ranking among the fastest rates in the nation by apartment class. As completions fall sharply in 2025, Chicago is poised for another year of standout rent growth.

Construction decline an investment tailwind. Chicago is expecting just 4,200 units to come online this year — down nearly 50 percent from the past-decade average. Additionally, deliveries will be more evenly distributed among submarkets. The Loop-Fulton Market-West Loop area, home to over 2,100 openings last year, is slated for fewer than 450 completions in 2025. Similarly, Aurora, the Near North Side and Chicago's northwestern suburbs will all see additions drop from over 600 apartments in 2024 to fewer than 330 units in 2025. This supply slate should encourage stronger rent growth, bolstering cash flows and expanding value-add opportunities among lower-tier assets, which remain the metro's least vacant.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2025 Outlook

10,000 JOBS
will be created

EMPLOYMENT:

Robust government hiring and early gains in construction, professional services, and the trade, transportation, and utilities sectors will all add to expanding Chicago's employment base by 0.2 percent this year.

4,200 UNITS
will be completed

CONSTRUCTION:

Deliveries will fall over 40 percent from 2024's tally, raising the metro's inventory just 0.5 percent. This is the smallest expansion since 2012, with 2025 openings expected to be scant in Bronzeville-Hyde Park-South Shore.

50 BASIS POINT
decrease in vacancy

VACANCY:

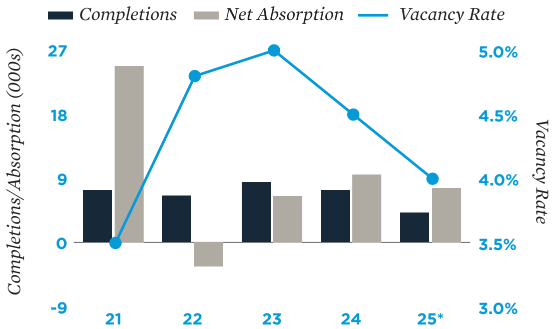
Vacancy will drop to 4.0 percent by year-end — the lowest rate since mid-2022. This will make Chicago the fourth-least vacant primary market in the country after New York, Orange County and Washington, D.C.

4.2% INCREASE
in effective rent

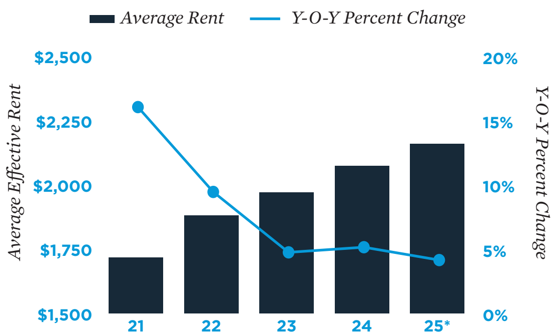
RENT:

Amid metrowide tightening, Chicago's rent growth is expected to outpace all other primary U.S. apartment markets this year. Building on strong first-quarter gains, the average effective rate will rise to $2,160 per month.

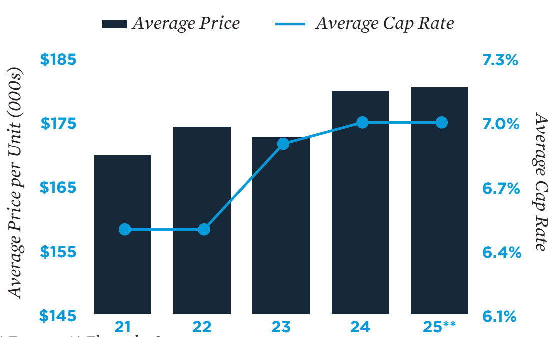
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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1Q 2025 — 12-Month Period

CONSTRUCTION

6,497 units completed

- Completions over the 12 months ended in March added 0.7 percent to local inventory. Entering April, 7,600 units remained under construction.
- The Loop-West Loop-Fulton Market posted roughly 2,100 openings. Aurora followed with nearly 700 doors, trailed by the Far Northwest Chicago Suburbs and Streeterville-River North-Gold Coast at about 600 units each.

VACANCY

80 basis point decrease in vacancy Y-O-Y

- Net absorption over the yearlong period ended in March exceeded the prior 12-month figure by nearly 75 percent, lowering vacancy to 4.2 percent.
- Class A vacancy fell 110 basis points to 5.0 percent, while the Class B rate dropped 90 basis points to 4.3 percent. Class C vacancy declined 60 basis points to 3.2 percent — the lowest such rate of major Midwest markets.

RENT

5.5% increase in the average effective rent Y-O-Y

- The metro's mean rent sat at $2,098 per month as of March. Schaumburg posted the largest annual gain, rising 7.6 percent, while growth was among the slowest in South Cook County and Northwest Indiana at sub-3 percent.
- The average effective suburban rent rose 5.2 percent to $1,969 per month, while the mean monthly rent in the core climbed 6.2 percent to $2,607.

Investment Highlights

- Transaction velocity rose roughly 20 percent in the 12 months ended in March, making it one of the most active periods on record. Trades over $20 million rose sharply as Class A trades nearly doubled after 2024's dip in borrowing costs. Sub-$10 million sales also ticked up, even as the metro's average price per unit surpassed $180,000 for the first time. With the mean cap rate holding at 7 percent, alongside strong rent growth and declining deliveries, the recent period of heightened investment may extend.
- In-state investors accounted for nearly 80 percent of activity over the past year. While deal flow was concentrated in the city of Chicago, these investors' knowledge of the market also supported trading in outer-ring suburbs. Aurora, Glen Ellyn and Lansing attracted pockets of activity, as did Marengo and Waukegan to the north — areas with sustained low vacancy.
- Chicago's South Side has seen steady activity in the past two years and entered April in a good place after a 190-basis-point vacancy drop in the past year. Investors here targeted sub-30-unit Class C assets built prior to 1970, attracted to per-unit pricing well below the metro average. Cap rates in the 8 percent to 10 percent range are also enhancing the appeal of area listings.