

INVESTMENT FORECAST

Multifamily
Chicago

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Balanced Workforce Aids Market Amid Demographic Headwind

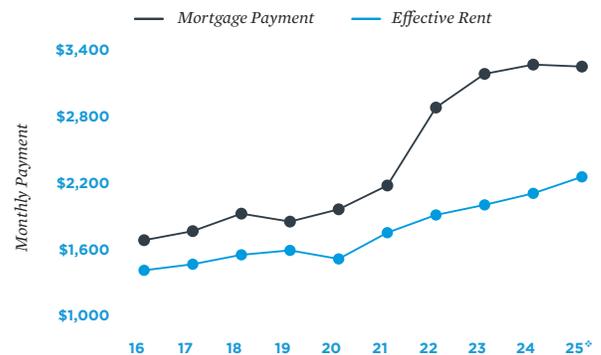
Supply-side dynamics vary by geography. The pace of inventory growth in Chicago's apartment market ranked among the slowest of major metros over the past three years, a pattern expected to continue in 2026 as deliveries drop below 4,000 units for the first time since 2012. This should aid Class A performance, where vacancy fell to the mid-3 percent range in 2025, its lowest level in at least 20 years. Among submarkets, the CBD will benefit from nearly scant construction, with vacancy in 2025 reaching its lowest level since at least 2006. Similarly, South Cook and Will counties are entering 2026 on a solid footing, with vacancy near 2 percent and limited development. In contrast, the Lake County-Kenosha submarket is slated for the most completions in 2026, potentially pushing vacancy up from roughly 3 percent in 2025. While the key renter cohort of 20- to 34-year-olds is shrinking slightly metrowide, Chicago's diverse economy helps protect the labor market from sector-specific shocks. No sector accounts for more than 13 percent of the region's economic output – one of the most balanced compositions among major U.S. metros.

Concentration of large-scale activity in select submarkets. While trading activity in Chicago rose substantially in 2025, the buyer mix remained consistent with 2024 trends, as institutional investors again accounted for roughly one-quarter of transactions. Deals involving properties over \$20 million and 300 units increased notably, supported by the strongest annual Class A rent growth since 2022. Much of this activity was concentrated in the corridor spanning north of the Loop up to Lake View, where a slowing construction pipeline is expected to bolster near-term fundamentals and sustain investor interest. The benefits of easing supply-side pressure on cash flows are not limited to that part of the market, either. Historically high cap rates may further enhance the market's appeal to investors with broader selection criteria. However, ongoing property tax uncertainty tied to evolving Cook County assessment practices has complicated underwriting, delaying select transactions as investors seek clarity on long-term operating costs.

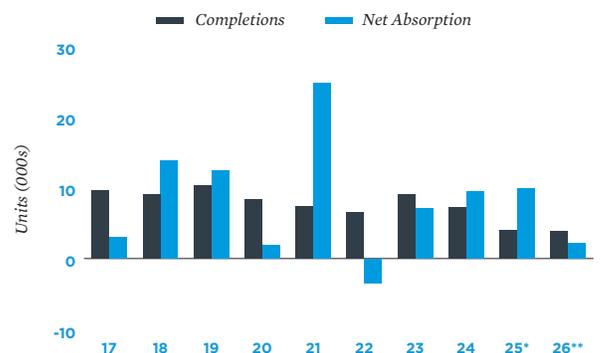
Employment Trends



Housing Affordability Gap



Supply and Demand



20.4%

2025 share of local population between 20 and 34 years old



38.1%

of local population hold bachelor's degree or higher*



\$389,800

2025 median home price*

* Estimate ** Forecast * Through 3Q
**2025: 25+ years old

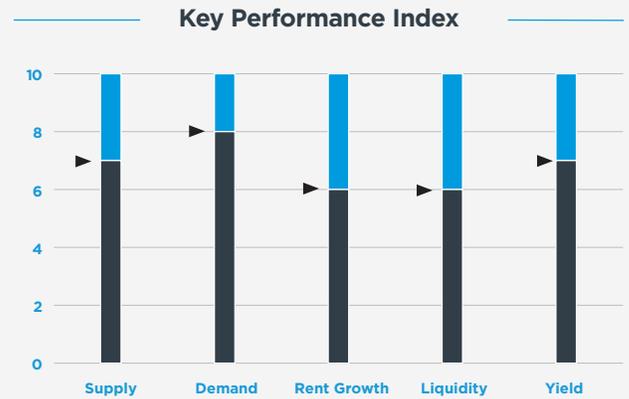
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

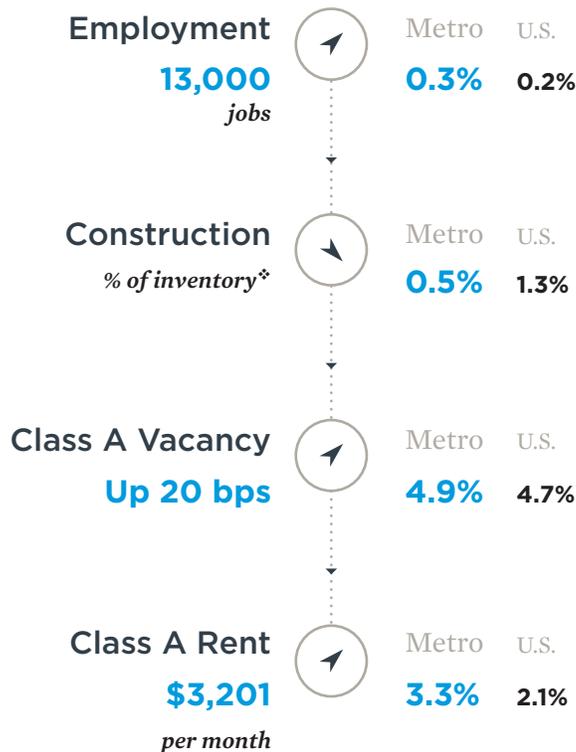
Chicago stands out in this year's KPI with a supply score of 7, the highest in the Midwest. This favorable rating is paired with an even stronger value of 8 for demand. A modestly lower rent KPI of 6 reflects, in part, a basis effect from 2025's local pace of rent growth, which was among the strongest in the country.

As one of the largest rental markets in the country by inventory, Chicago has a liquidity score of 6 for this year. This level of investment interest is joined by a nationally prominent yield KPI reading of 7.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2026 INVESTMENT OUTLOOK



IPA Multifamily

Andrew Leahy

Senior Managing Director, National Division Leader

Tel: (202) 536-3700 | aleahy@ipausa.com

* Estimate ** Forecast
 * Arrow reflects completions trend compared with 2025
 Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics