

# CHICAGO, IL MULTIFAMILY REPORT

2023 | MIDYEAR

**BERKADIA**<sup>®</sup>  
INSTITUTIONAL SOLUTIONS





## Jobs Added / Lost

### LAST 12 MONTHS

66,600

↑ 1.4%

### NEXT 12 MONTHS\*

11,400

↑ 0.2%

## Unemployment

### MIDYEAR 2023

4.2%

↓ 30 BPS YOY

### MIDYEAR 2024\*

4.5%

↑ 30 BPS YOY

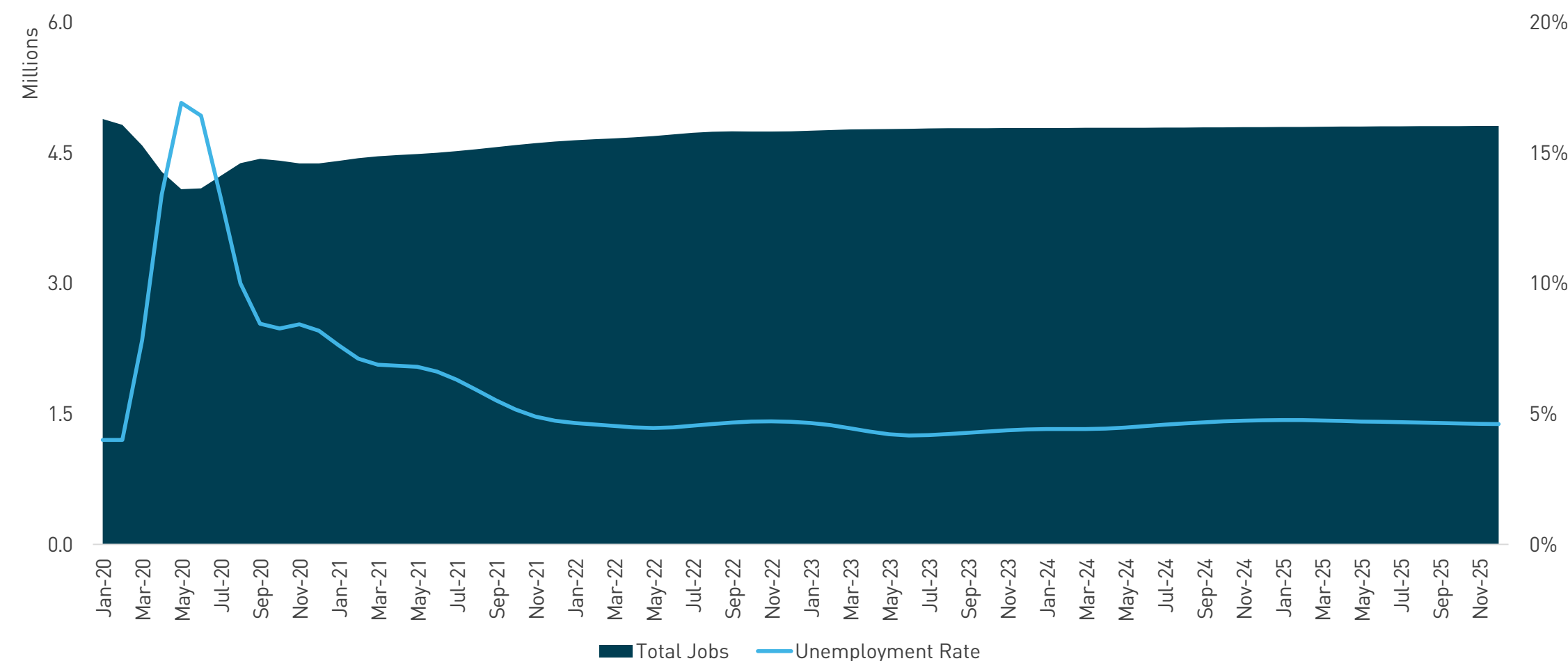
\*Projected

# CHICAGO, IL EMPLOYMENT

The Chicago economy continued to recover from the initial effects of the pandemic with robust hiring during the last year. Payrolls grew 1.4% year over year to nearly 4.8 million workers in June 2023. Total nonfarm employment was approximately 98% of the pre-pandemic high in January 2020. Contributing to overall employment growth was hiring in the leisure and hospitality industry. After contracting 31.0%, or by 176,300 jobs, through the first quarter of 2021, leisure and hospitality employers have rehired or created 141,700 workers since to shift payrolls to 88% of the pre-pandemic peak. Underpinning the recovery has been the return of visitors to the metro with more than 48.8 million visitors in 2022, up 60%

year over year. This benefited the hotel market, where 12-month averaged occupancy exceeded 60% last year and increased to 63% through June 2023. What also helped hiring was massive wage growth, with hotel clerks, restaurant workers, housekeepers, and maids experienced on average double-digit annual wage increases. The market is expected to remain favorable in the near term, with visitors projected to reach the pre-pandemic levels in 2023, according to Choose Chicago. The leisure and hospitality businesses are forecast to again lead job creation over the next 12 months, with 7,700 additional jobs. Overall, Metro Chicago nonfarm employment is estimated to grow 0.2% by mid-2024.

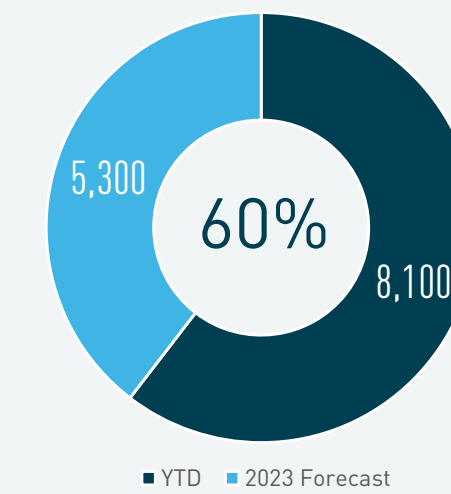
## Employment Trends



Source: Moody's Analytics

## Who's Hiring?

### LEISURE & HOSPITALITY INDUSTRY



10%  
OF ALL JOBS IN THE METRO

\$33,300  
AVERAGE ANNUAL SALARY

## Top Leisure & Hospitality Employers



5,400 JOBS



5,000 JOBS



3,600 JOBS

## In The News

- United to hire 15,000 workers, with focus on Chicago
- Bally's Chicago Casino hiring hundreds ahead of summer opening
- TSA hiring for Chicago airports



# CHICAGO, IL DELIVERIES & ABSORPTION

2023 Units\*

**DELIVERIES**

8,441

**ABSORPTION**

4,471

2024 Units\*

**DELIVERIES**

7,810

**ABSORPTION**

6,255

\*Projected

After peaking in 2019, apartment development across the Chicago metropolitan area has been measured. Developers targeted key areas, focusing on The Loop submarket in the last year. Builders brought 1,250 units online in The Loop since mid-2022, to lead all submarkets.

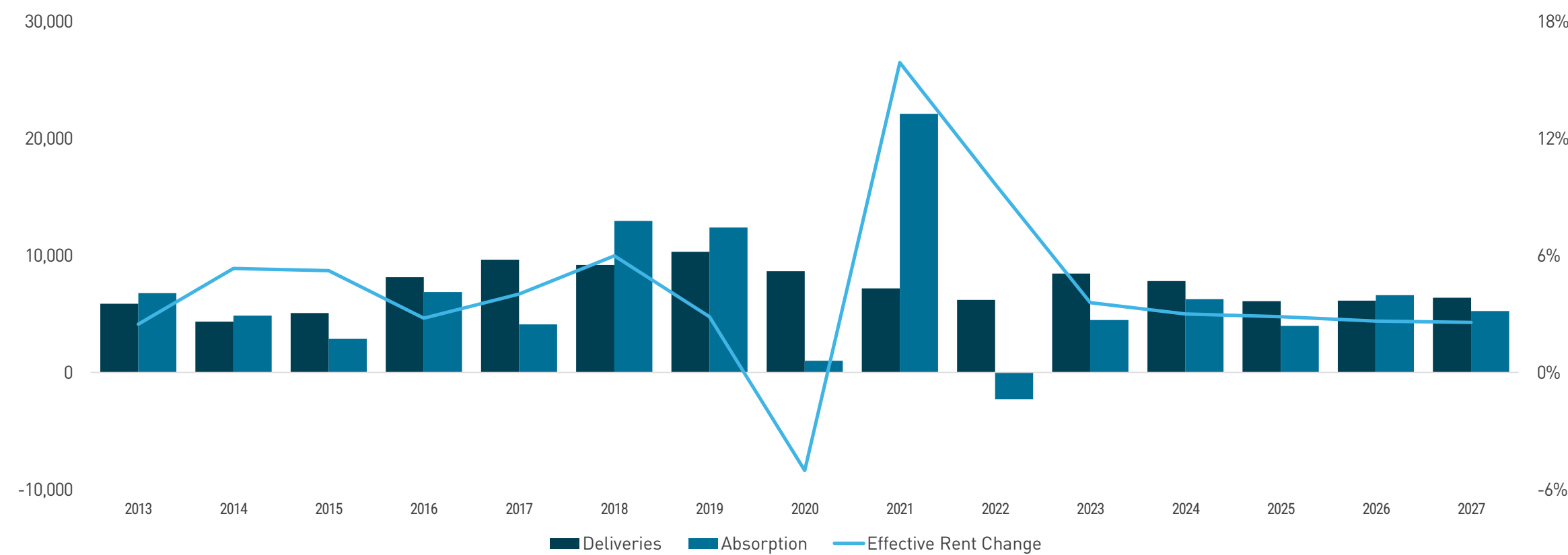
With limited land to build on, the product coming online and under construction in The Loop consists of high-rises, ranging from 11 to 47 stories tall. These Class A, amenity-rich properties are essential for residents seeking the live-work-play environment.

The area is home to the city's central business district and to entertainment options ranging from museums to music venues. This was reflected in leasing activity, as more

than 750 net units were absorbed in the last year, to lead all submarkets. At the same time, nearly 4,500 units were absorbed metrowide.

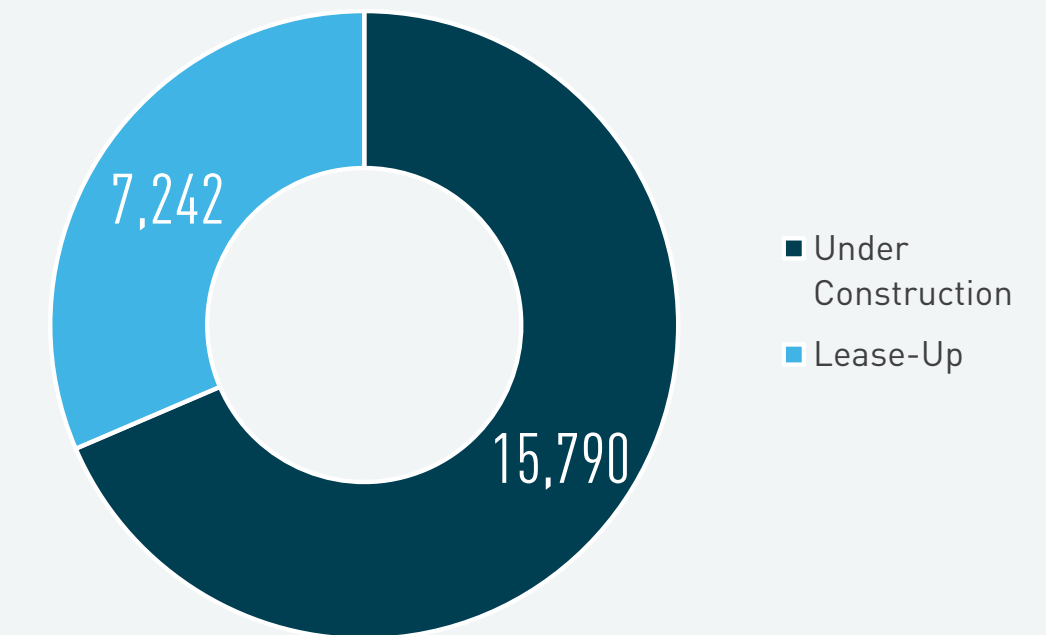
Sustained housing demand will be needed in The Loop and market wide as nearly 5,000 units and approximately 15,800 units were under construction, respectively, as of mid-2023. More than 1,700 units in the pipeline for The Loop are scheduled to begin lease-up over the next four quarters, to again lead all submarkets. Builders are on pace to bring more than 7,800 market-rate units across the Greater Chicago apartment market at the same time.

## Deliveries, Absorption, & Effective Rent Change

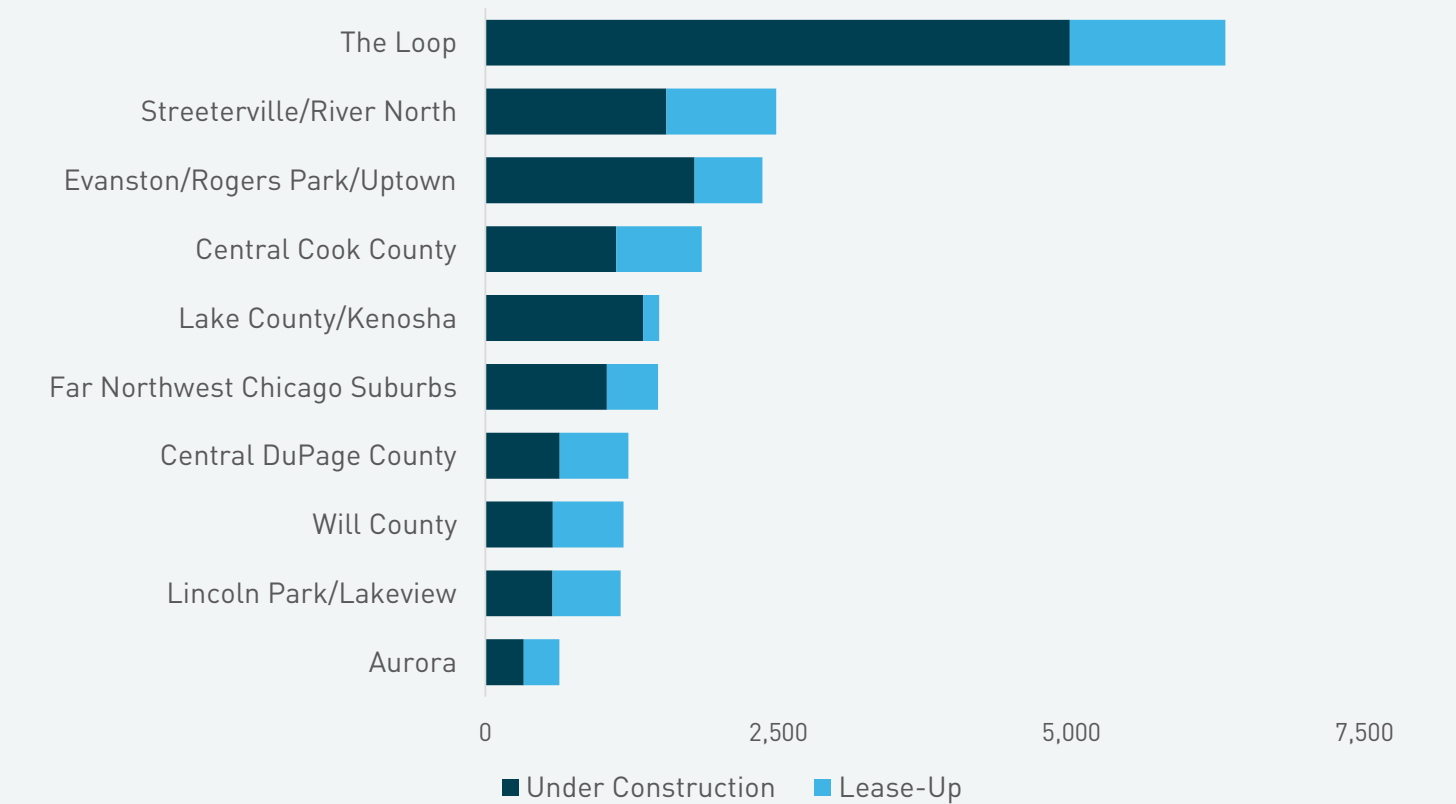


Source: RealPage

## Market Pipeline



## Top 10 Submarket Pipelines

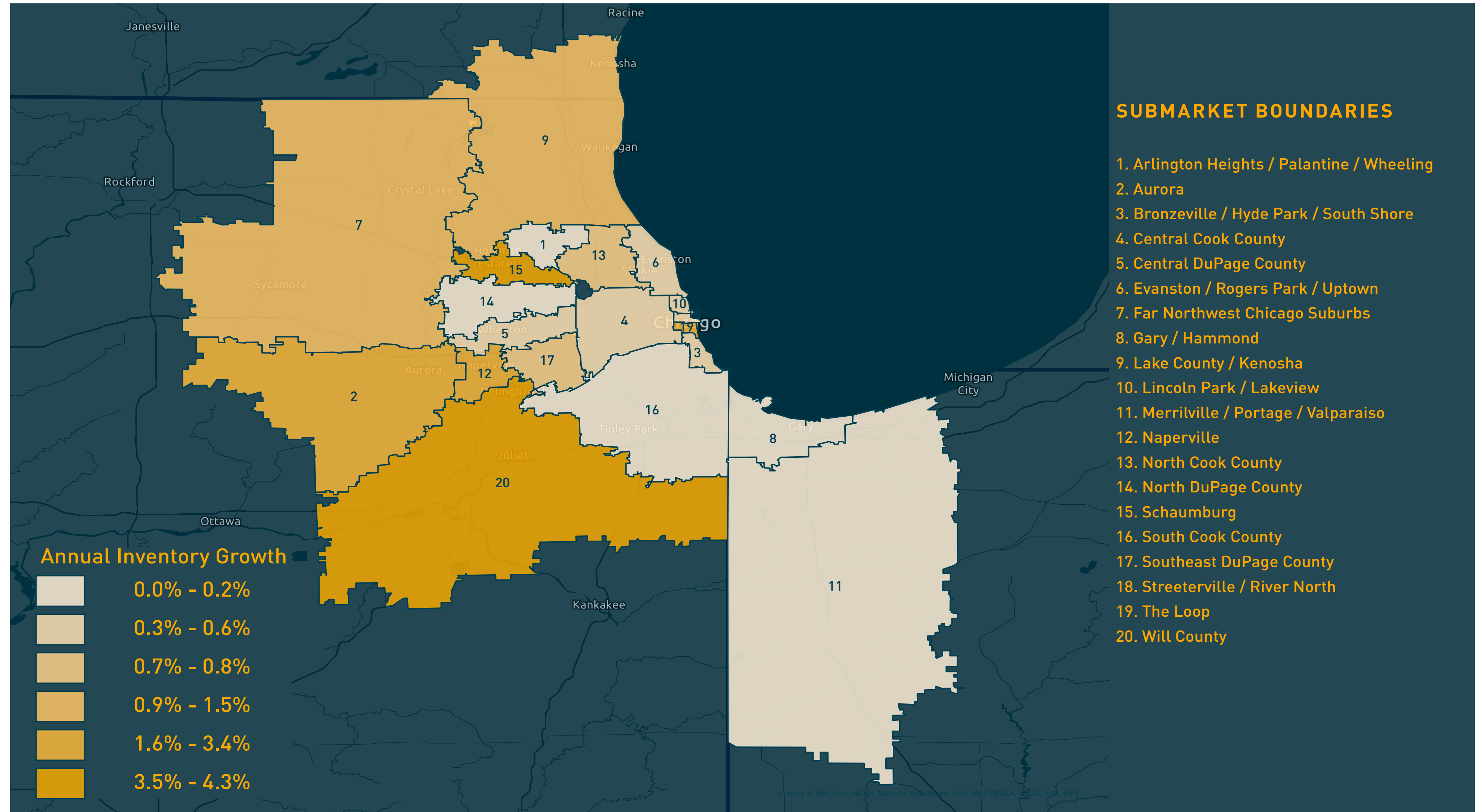




## CHICAGO, IL

# SUBMARKET ANNUAL INVENTORY CHANGE

While apartment builders remained focused on The Loop submarket in recent years, development has expanded outside the urban core lately. With nearly 1,300 combined units coming online Schaumburg and Will County over the last year, the submarkets led annual inventory growth at 4.3% and 3.9%, respectively. While less overall deliveries than the urban core, builders were still strategic about where they added units. For Schaumburg, new inventory came online near William Rainey Harper College, which lacks on-campus housing for a student body of more than 12,400 individuals. A similar approach was taken in Will County, with new apartment communities beginning lease-up near Chicago Bolingbrook International Airport and Lewis University. The new inventory has facilitated leasing activity as apartment operators in both submarkets have recorded positive net absorption.





# CHICAGO, IL RENT & OCCUPANCY

## Effective Rent

Q2 2023

\$1,932

↑ 5.7% YOY

## Occupancy

Q2 2023

95.5%

↓ 120 BPS YOY

Apartment leasing activity rebounded to start 2023, with net absorption outpacing deliveries. This reversed the trend in the second half of 2022, when more renters moved out of apartments than moved in. In total, net absorption during the last year was negative, contributing to a 120-basis-point drop in average apartment occupancy to 95.5% in the second quarter of 2023.

Even with the drop, the most recent occupancy rate was higher than the 94.9% average in the five years leading up to the pandemic. With healthy occupancy and a recent upswing in leasing activity, apartment operators advanced rent, albeit at a more measured pace in the last year.

At an average of \$1,932 in the second quarter of 2023,

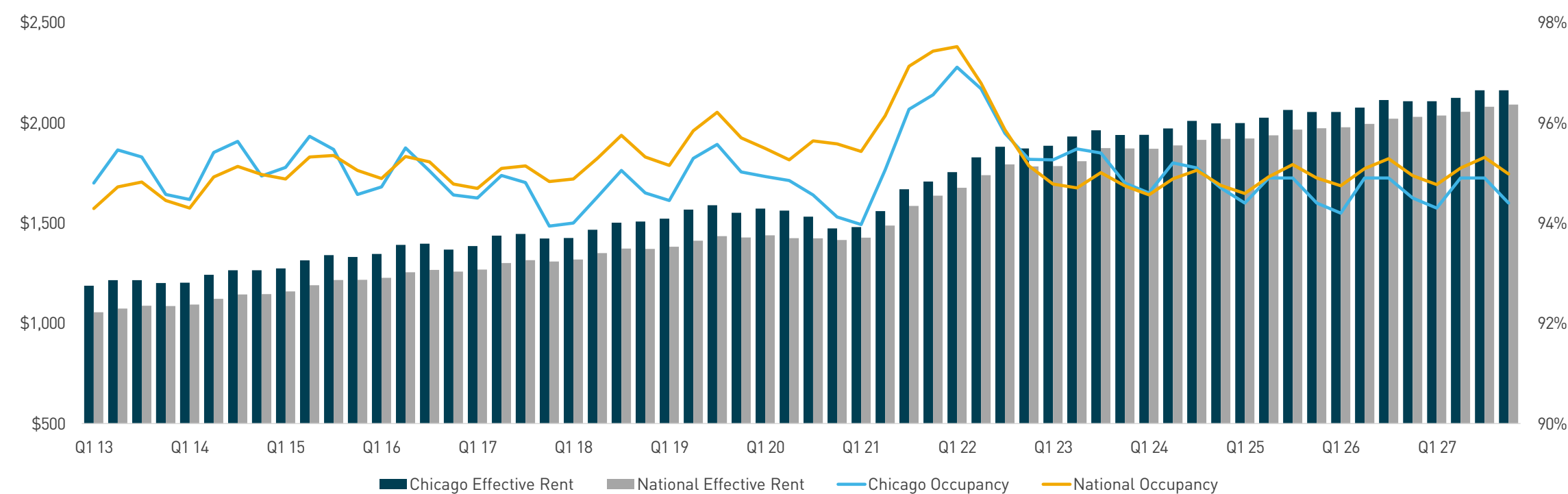
monthly effective rent advanced 5.7% year over year. The local increase outpaced the national average of 4.0% at the same time.

While annual rent growth slowed in Greater Chicago, a sign of the improving health of the apartment market was the shift in concessions. Approximately 9.7% of market-rate units offered concessions in the second quarter of 2023, down from an 11.2% share one year prior. And for properties offering concessions, the average amount dropped to 5.5% of asking rent in the second quarter of 2023 from 6.3% of asking rent at midyear 2022.

## Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Arlington Heights/Palatine/Wheeling	95.5%	-140	\$1,842	11.1%
Aurora	95.4%	-90	\$1,779	5.5%
Bronzeville/Hyde Park/South Shore	94.7%	-40	\$1,607	4.6%
Central Cook County	94.5%	-50	\$1,861	11.4%
Central DuPage County	95.1%	-210	\$1,902	9.7%
Evanston/Rogers Park/Uptown	94.3%	-190	\$2,103	3.9%
Far Northwest Chicago Suburbs	96.5%	-140	\$1,562	10.1%
Gary/Hammond	96.6%	-160	\$1,168	3.5%
Lake County/Kenosha	96.2%	-140	\$1,607	4.6%
Lincoln Park/Lakeview	96.5%	-70	\$2,285	7.7%
Merrillville/Portage/Valparaiso	95.9%	-200	\$1,272	4.3%
Naperville	95.9%	-140	\$1,826	1.1%
North Cook County	95.8%	-100	\$1,824	6.5%
North DuPage County	96.4%	-120	\$1,549	7.4%
Schaumburg	96.6%	-90	\$1,695	5.3%
South Cook County	95.2%	-190	\$1,309	8.5%
Southeast DuPage County	95.4%	-210	\$1,739	10.7%
Streeterville/River North	95.1%	-50	\$2,784	2.2%
The Loop	94.3%	-110	\$2,504	4.0%
Will County	96.4%	-30	\$1,660	6.3%

## Chicago vs. National Effective Rent & Occupancy



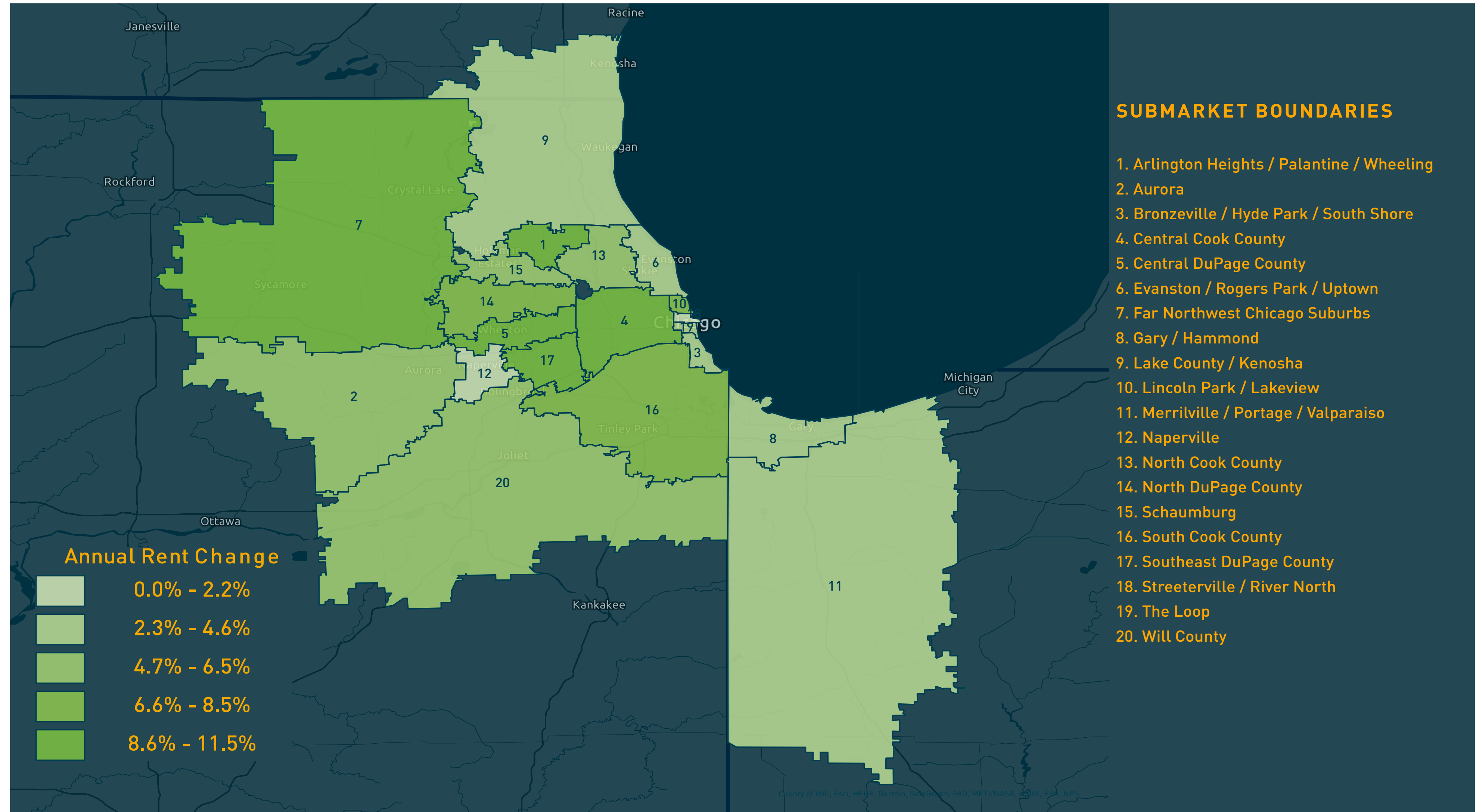
Source: RealPage



## CHICAGO, IL

# SUBMARKET ANNUAL RENT CHANGE

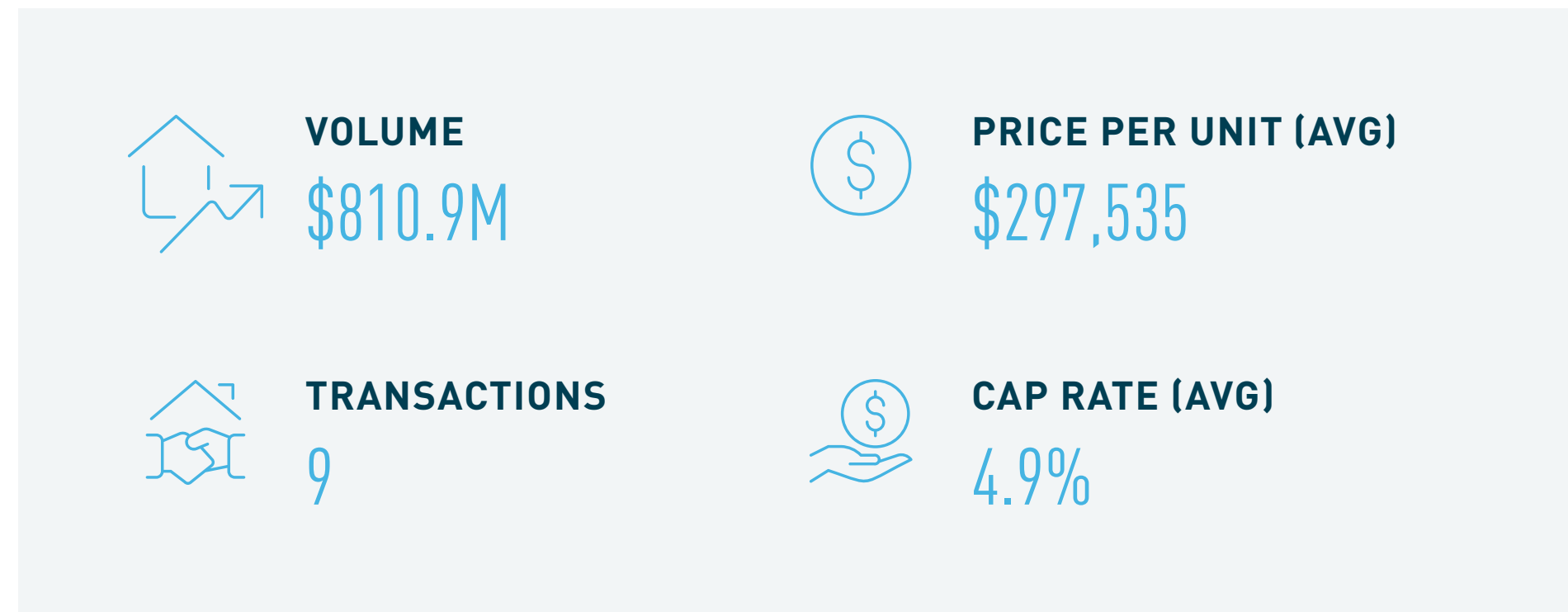
With every Greater Chicago submarket facing a drop in average occupancy during the last year, apartment operators responded by decelerating annual rent growth. Even so, several submarkets posted double-digit effective rent increases since mid-2022. Atop all submarkets in the last year was the Central Cook County submarket. At an average of \$1,861 per month in the second quarter of 2023, the submarket's monthly effective advanced 11.4% year over year. Even with the metro-leading increase, rents in Central Cook County remained lower than the market average. A bigger draw for renters and underpinning operators' confidence to raise rents is the submarket's proximity to the urban core. Central Cook County rent on average was one quarter to one third less rent than neighboring The Loop and the Streeterville/River North submarkets.





# CHICAGO, IL SALES

2023 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$50m+

Top Buyers\*\*

BUYER	LOCATION
Waterton	Chicago
Bayshore Properties	Hobart, IN
EQT Exeter	Conshohocken, PA
JVM Realty Corp.	Oak Brook, IL
DRA Advisors	New York

Top Sellers\*\*

SELLER	LOCATION
AFL-CIO	Washington, D.C.
Blackstone	New York
Invesco Real Estate	Atlanta
The Connor Group	Miamisburg, OH
Draper and Kramer	Chicago

\*\*Past 24 Months



Sources: RealPage; Moody's Analytics; Real Capital Analytics

© 2023 Berkadia Real Estate Advisors LLC

Berkadia® is a trademark of Berkadia Proprietary Holding LLC

Commercial mortgage loan origination and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This website is not intended to solicit commercial mortgage loan brokerage business in Nevada. Investment sales and real estate brokerage businesses are conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. For state licensing details for the above entities, visit: [www.berkadia.com/legal/licensing.aspx](http://www.berkadia.com/legal/licensing.aspx)

The information contained in this flyer has been obtained from sources we believe to be reliable; however, we have not conducted any investigation regarding these matters and make no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. While we do not doubt its accuracy, we have not verified it and neither we, nor the Owner, make any guarantee, warranty or representation of any kind or nature about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example and do not necessarily represent past, current or future performance of the property. You and your advisors should conduct a careful and independent investigation of the property to determine to your satisfaction the suitability of the property and the quality of its tenancy for your records.