

# GREYSTONE



SPRING ISSUE

2021

## MARKET INSIGHT REPORT



# Chicago

Illinois MSA

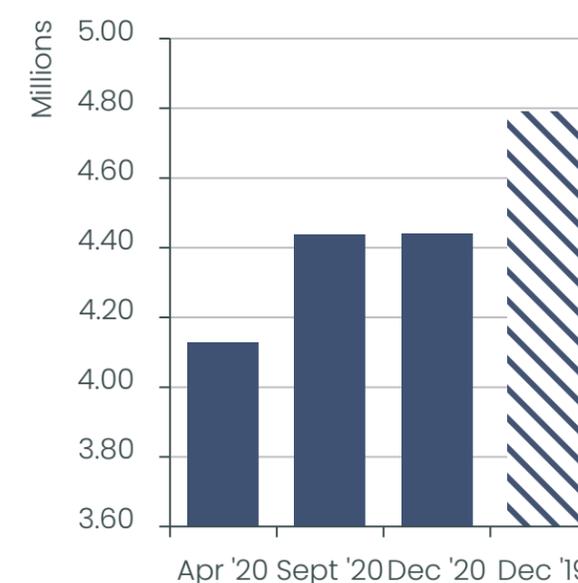
## Employment / Unemployment

The Chicago metro economy was one of the most challenged of all metro economies in the U.S. in 2020, shedding a sizeable 350,600 jobs, or 7.3% of employment YoY. While Chicago's unemployment rate of 8.1% in December was in the upper rankings of all large U.S. metros, placing 44 of 51, it was below other notable markets, including New York, Denver, Los Angeles, Detroit, Riverside-San Bernardino, and Las Vegas.

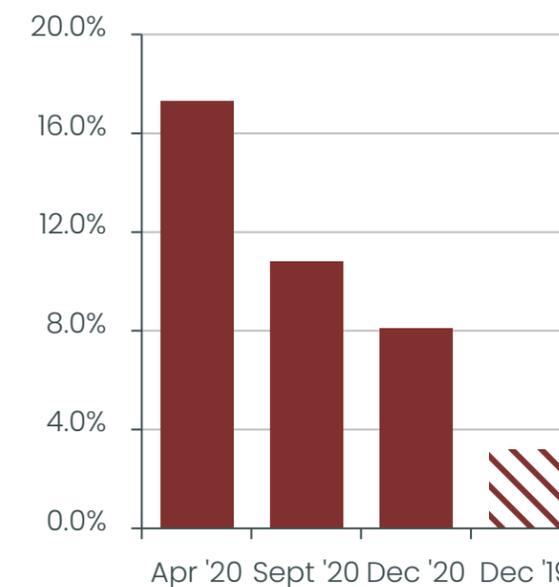
Unlike the job losses created by the 2008 and 2009 recession, which were mostly driven by capital market events, the availability and distribution of the COVID-19 vaccine, along with the structure of the new stimulus package, will be the main determinants of the rate of recovery. Indeed, global investment management firm PIMCO cites these factors as well and offers a world GDP growth assessment in 2021 to be the highest in more than a decade, with economic activity in the U.S. to reach pre-recession peak levels during the second half of this year. This will undoubtedly have positive ramifications for Chicago, considered an Alpha global city with 36 Fortune 500 firms, an abundance of universities, and being one of the greatest tourist destinations of any U.S. city. The current Moody's Analytics forecast for Chicago shows a total job increase of 1.7% in 2021 and an increase of 2.0% in 2022, equating to a quick and sizeable claw back of jobs that have been lost.

This encouraging assessment is set to reintroduce stability in the local apartment sector in 2021, with Chicago revisiting its recent historical positive trends of annual rent growth and tighter vacancy by 2022.

### TOTAL EMPLOYMENT



### UNEMPLOYMENT



METRO AREA EMPLOYMENT (THOUSANDS)	DECEMBER 2020	PERCENT CHANGE FROM DECEMBER 2019
Total Nonfarm	4,440.4	-7.3%
Mining and Logging	1.6	-11.1%
Construction	168.0	-3.4%
Manufacturing	398.6	-4.3%
Trade, Transportation, and Utilities	952.7	-2.3%
Information	75.3	-6.3%
Financial Activities	312.1	-2.7%
Professional and Business Services	799.1	-4.2%
Education and Health Services	713.5	-5.1%
Leisure and Hospitality	326.8	-32.2%
Other Services	179.9	-10.0%
Government	512.8	-7.6%

Sources: U.S. BLS, Current Employment Statistics

# Rental Market

- Average rent is expected to stabilize in 2021, with uneven rent increases to occur depending on location and the delivery of new units.
- Chicago's average apartment vacancy rate is predicted to climb to 6.9% in 2021 from 5.9% at year-end 2020. New completions of 7,498 units are expected, while demand and leasing velocity will rise by over 70% YoY as Chicago looks to gain back nearly 76,000 jobs in 2021.
- Stabilization and an uptick in occupancy should begin in 2022 as employment trends strengthen, giving way to an expected gain of more than 90,000 jobs.
- The varied range in vacancy rates between age cohorts is illustrated below. Older product can expect tighter vacancy and less volatility than newer built properties, which have to offer concessions and reduced rents to remain competitive to what is viewed as a temporary oversupply of inventory.



**-3.4%**  
Average Rent Decrease  
From \$1,525 to \$1,474  
YoY

YEAR BUILT	ASKING RENT	VACANCY RATE
Before 1970	\$1,269	3.7%
1970-1979	\$1,285	4.1%
1980-1989	\$1,582	4.6%
1990-1999	\$1,638	4.2%
2000-2009	\$1,925	6.0%
2010-2019	\$2,583	11.3%
After 2019*	\$3,198	28.1%

\*Includes Properties in Lease-Up

## AVERAGE RENT / VACANCY



## ASKING RENT COMPARISON



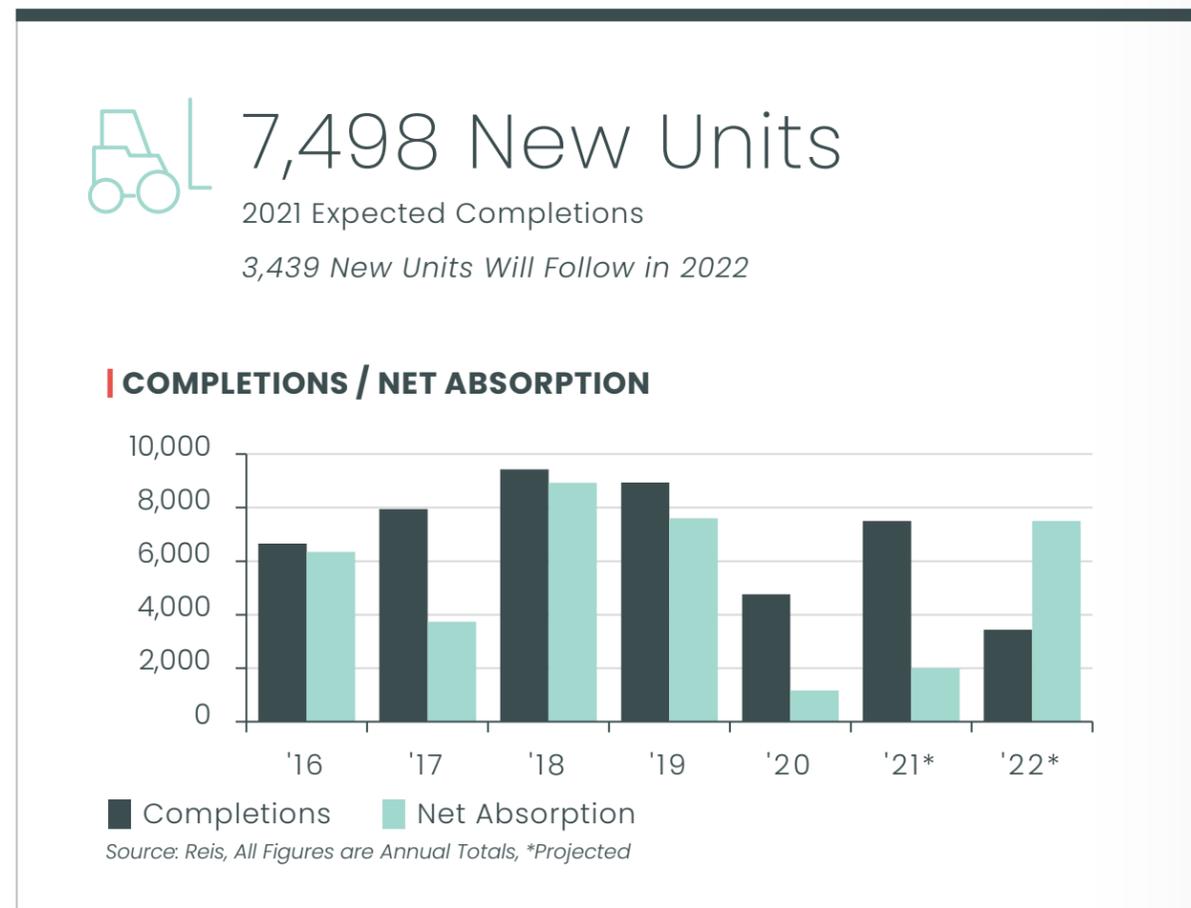
## ASKING RENT PSF



## Multifamily Construction

The Chicago market is forecasted to have cumulative apartment inventory growth of 1.5% for 2021, below that of the U.S. average of 2.4%. Though the rate is a 50% increase over Chicago's 1.0% gain in 2020, the volume of unit deliveries is typical of the Chicago market over the past few years. This should help solidify Chicago's positive rental market trends - typical of those seen in prior years - especially as employment growth resumes with the advent of mass inoculations.

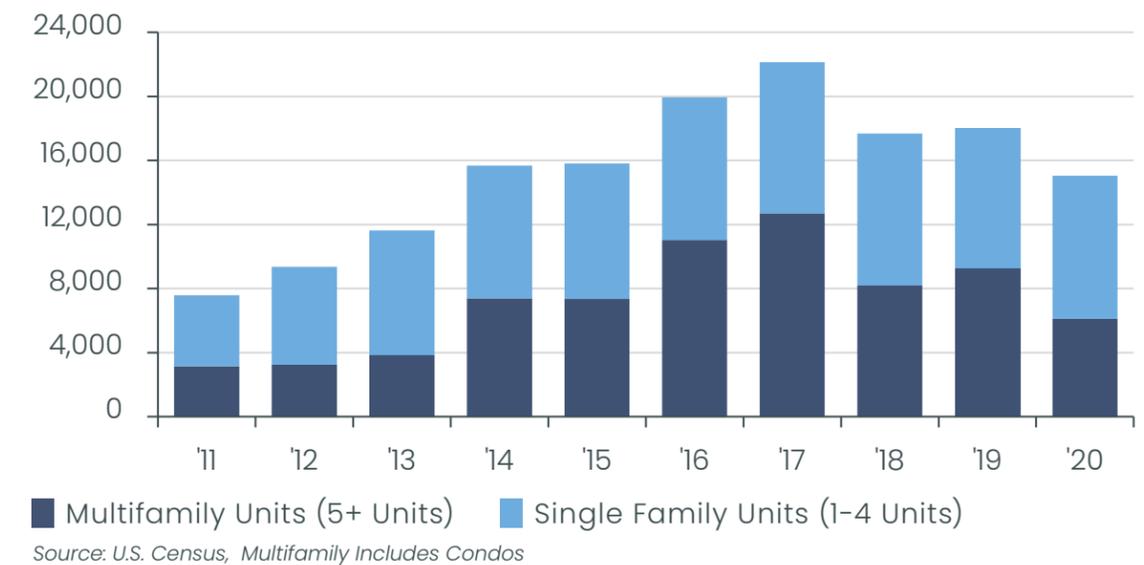
It is not expected until 2022 that demand overtakes the volume of new supply, beginning to drive down vacancy rates across the metro in what should be a prevailing trend through 2026.



## Permits

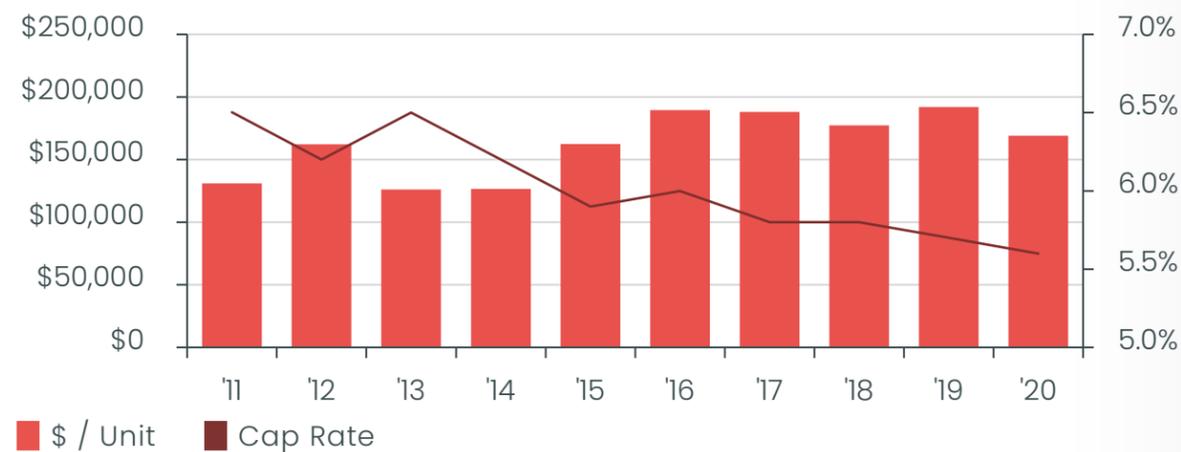
- While the metro median single family sale price was \$266,250, the city of Chicago median sale price was \$307,500, rising 11.4% YoY.
- Months supply of inventory was 1.8, a 45.5% decline YoY. The decrease in inventory should continue to foster support in pricing for single family homes. This price support, along with the trending rise in interest rates, may lead to an increase in rental occupancies and strengthening of rents as the difference in the monthly cost of rent vs. own favors rentals.

### TOTAL RESIDENTIAL BUILDING PERMITS



## Multifamily Sales

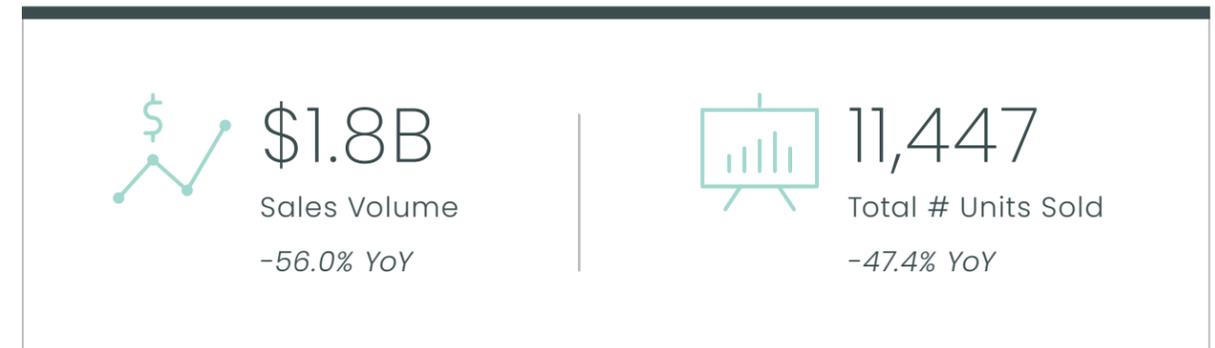
### AVERAGE SALES PPU / CAP RATE



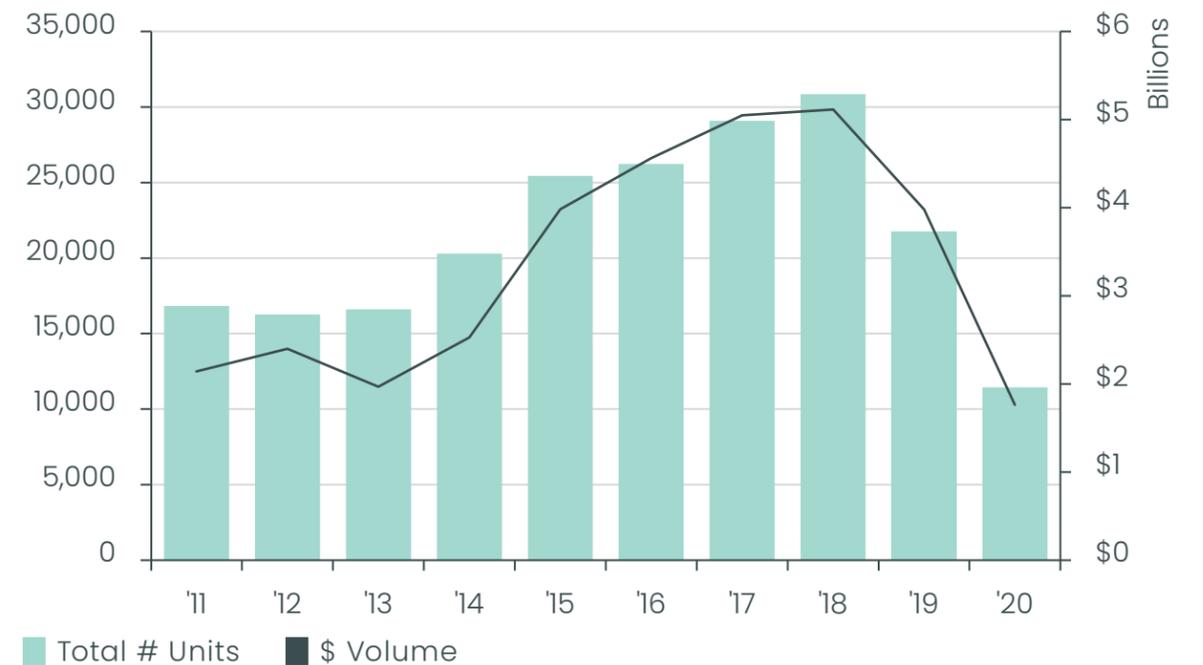
Source: Real Capital Analytics, Based on Sales of \$2.5 Million and Greater


**\$169,054**  
 Avg. Sold Price / Unit  
 -11.9% YoY


**5.6%**  
 Avg. Cap Rate  
 -10 bps YoY



### APARTMENT SALES TRANSACTIONS



Source: Real Capital Analytics, Based on Sales of \$2.5 Million and Greater, Metro Chicago

Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor; Sperling's; Censusreporter.org; Norada Real Estate

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