

# Multifamily Metro Outlook:

## Chicago - Q1 2022

### Overview:

- Chicago's economy is hitting its stride. Job growth during the past few months has been ahead of the curve for the U.S. and the top 25 metro areas and divisions. The unemployment rate reach 4.7% by the middle of the first quarter 2022, a decline of close to three full percentage points from just the prior quarter.
- The addition of more than 1,000 to the metro's apartment inventory during the first quarter of the year led to vacancy rates increasing to 4.75%, an elevation of 50 bps over the last quarter, but still 25 bps below the national average.
- If rent growth is any indication of performance, then Chicago's bout of overperformance may be on the precipice of ending. For the second straight quarter, rent growth remained flat and prices averaged \$1,710. However, rents are still up across all property classes relative to last year. As is the case in most metros, Class B properties exhibited the highest increase of 15.1%, followed by 13.4% for Class A properties and 10.9% for Class C properties.

### Market Strengths:

- The logistics industry continues to outperform relative to other industries, thanks to Chicago's status as the central hub of the Mid-west. Although rising inflation presents new concerns about consumer expenditures in 2022, internet retail sales are still projected to increase by double digits.

### Market Weaknesses:

- One of the metro's largest employment anchors, Boeing, has decided to relocate the company headquarters away from Chicago to Arlington, Virginia as it seeks to repair relationships with federal regulators and lawmakers. Although, the company plans to maintain a significant presence in Chicago, it is expected that their headquarters will be in the crosshairs of cost-cutting measures related to the move.

### Development:

- Development in Chicago is ramping up to match the surge in demand, and as such, slightly more than 700 units have been added to the pipeline inventory, bringing the total to slightly more than 10,000 units. However, considering the declining population trend the metro has been struggling with, the construction pipeline has contracted by 3.5% or roughly 400 units over the past year.
- Condo development, which had been ramping up significantly since 2020 finally appears to be cooling down. The 900 units delivered last quarter seems to be more of a one-off anomaly from construction slowdowns than a true shift in development trends. This quarter only 150 units were delivered and there are only 1,400 units in the pipeline, a decrease of close to 1,000 units compared to a year ago.

### Outlook:

- Chicago's recent performance does not truly reflect a change in demand or investor preferences, but rather a prolongation of the inevitable. Considering the flood of supply expected to wash over the metro in the next year, combined with the net emigration that has been plaguing the area even prior to the pandemic, further deterioration in market fundamental is expected before year end. However, shortages of affordable workforce housing could keep vacancies and rent fluctuations tighter among Class B and C properties.
- The past year has been strong, but a full recovery will come more slowly for Chicago than its peers. There are significant obstacles that may prevent continued growth; inflation is at the highest level in almost 40 years, and when combined with the outmigration that has been plaguing the metro prior, even prior to the pandemic, Chicago will underperform because of population loss and weak public finances.

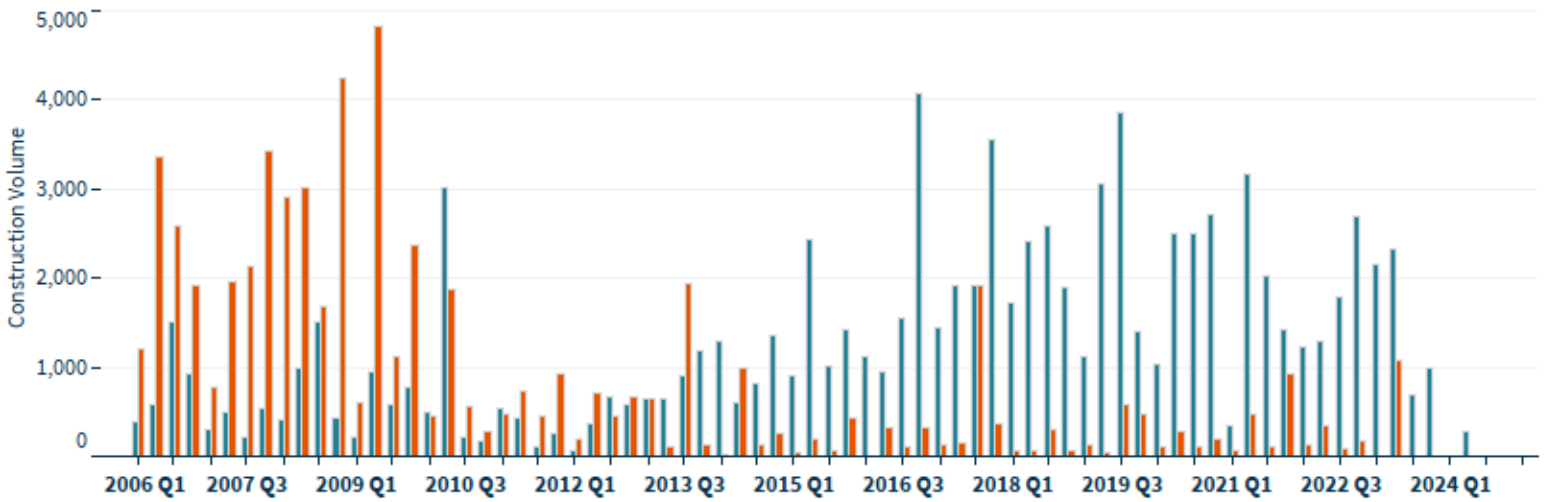
## Five Year Metro Area Growth Forecast

	Q4 2021	Q4 2026	Chicago (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	9,405	9,349	-0.12%	0.47%
Households (000s)	3,673	3,706	0.18%	0.90%
Renting Cohort (Ages 20-34) (000s)	1,959	1,893	-0.68%	-0.30%
Total Employment (000s)	4,517	4,710	0.84%	1.08%
Median Household Income	\$76,113	\$89,749	3.35%	3.30%
Median SF Home Price	\$334,248	\$372,583	2.20%	1.93%
Net Migration	-44,540	-36,682		

## SupplyTrack Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



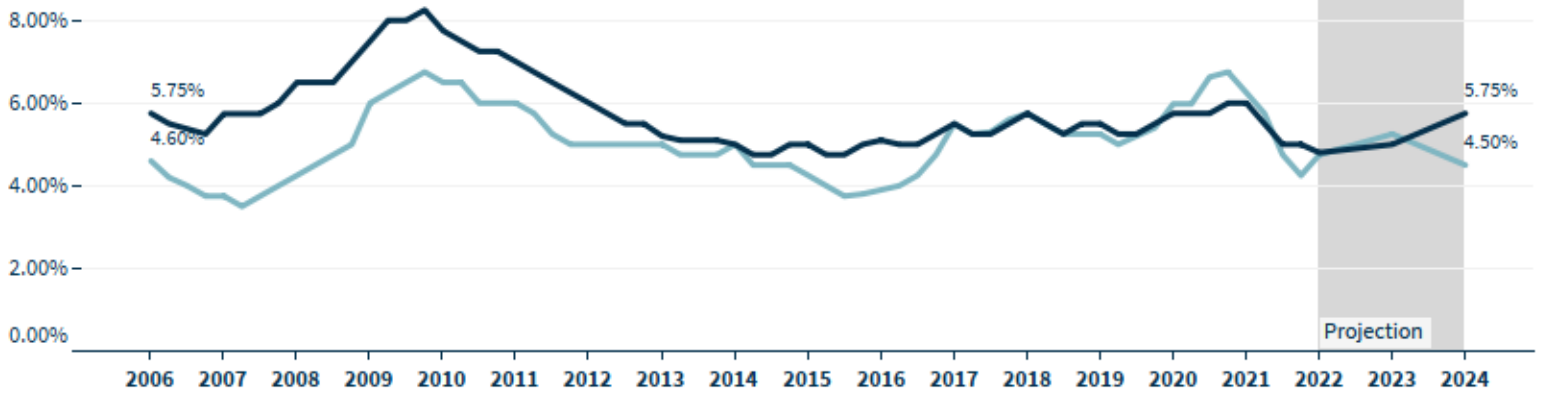
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Chicago | National

Q1 2022 Vacancy Rate:

4.75%

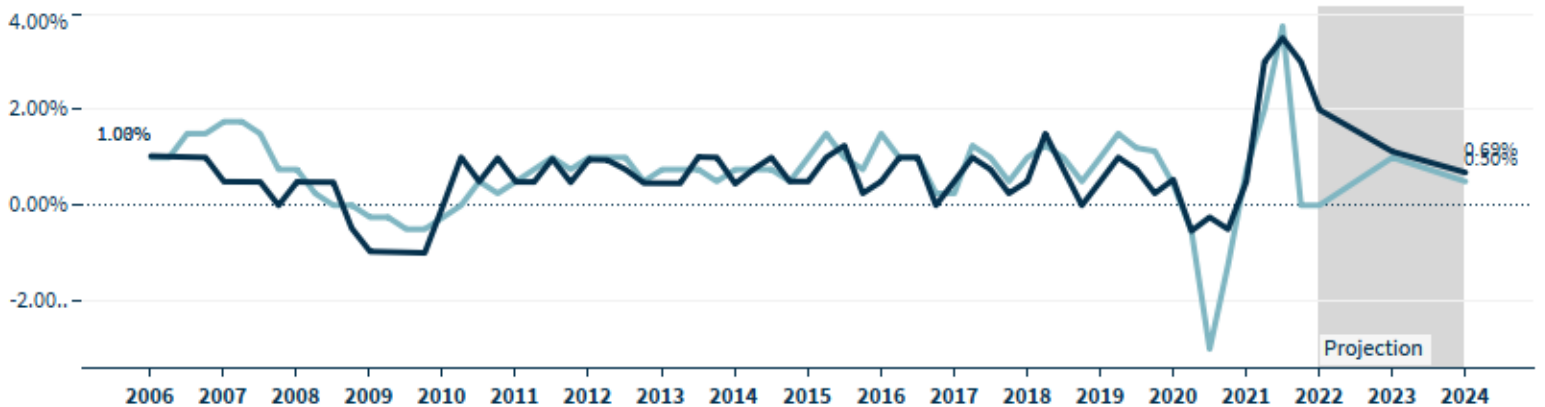


### Asking Rent Growth

Chicago | National

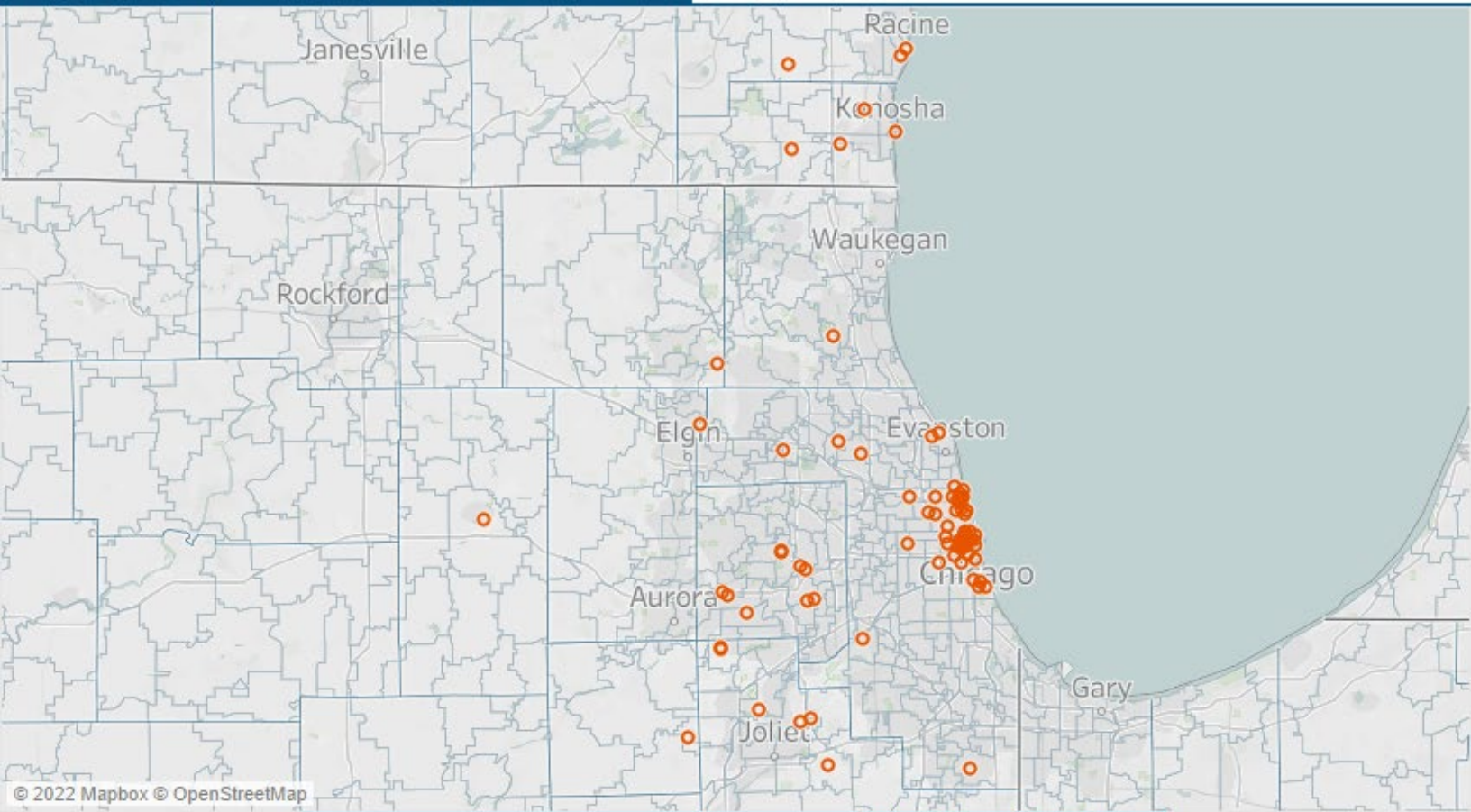
Q1 2022 Asking Rent:

\$1,710



Source: Multifamily Economics and Research

## Construction: Bidding & Underway



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<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Bronzeville/Hyde Park/South Shore	3	185	0.35M
Central Cook County	10	308	0.44M
Central DuPage County	4	567	0.67M
Evanston/Rogers Park/Uptown	11	906	1.25M
Far Northwest Chicago Suburbs	4	730	0.75M
Lake County/Kenosha	5	1,065	1.70M
Lincoln Park/Lakeview	5	326	0.40M
n/a	3	288	0.39M
Naperville	5	516	0.78M
North Cook County	2	292	0.39M
Schaumburg	1	373	0.43M
South Cook County	3	386	0.46M
Southeast DuPage County	2	185	0.27M
Streetsville/River North	11	2,277	3.09M
The Loop	9	2,747	3.63M
Will County	5	719	1.21M
<b>Grand Total</b>	<b>83</b>	<b>11,870</b>	<b>16.19M</b>

## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

Stephen Gardner, Economic and Strategic Research – Economics – Senior Associate

### Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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