Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	7,122
UNITS DELIVERED (YTD)	2,413

MARKET FUNDAMENTALS

VACANCY RATE	5.4%
YEAR-OVER-YEAR CHANGE	+30bps
ASKING RENTS	$2,060
YEAR-OVER-YEAR CHANGE	+2.5%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$239,500

CHICAGO MULTIFAMILY
Q2 2026

MARKET INSIGHTS

Rents on the rise, fueling sales activity

HIGHLIGHTS

- The second quarter proved to be a period of rising rents and increasing transaction activity across the Chicago multifamily market.
- Vacancy conditions in Chicago were relatively stable during the second quarter, with the rate inching 10 basis points higher in the past three months. Year over year, the vacancy rate is up 30 basis points to 5.4%.
- Asking rents increased by 1.7% in the past three months to $2,060 per month. Compared to the same point last year, asking rents are up 2.5%.
- The first half of 2026 has been the most active first half for investment sales in more than 10 years. In deals closed year to date, the median sale price reached $239,500 per unit, while cap rates averaged approximately 6.0%.

CHICAGO MULTIFAMILY MARKET OVERVIEW

The Chicago multifamily market has been posting healthy operational performance in recent quarters. The area's overall vacancy rate is up slightly compared to one year ago, and is about 70 basis points higher than the lows recorded in mid-2022. The overall average masks some of the strongest performances being recorded, particularly within the city limits. Three submarkets neighboring the lakefront, just north of downtown are recording the strongest vacancy performance. Lincoln Park has the lowest vacancy rate at 3.1% after dipping 30 basis points in the past year, while the nearby Lakeview and Rogers Park areas recorded the greatest year-over-year vacancy improvements. Rent growth was recorded across the market in both urban and suburban areas, though it was generally strongest towards the urban core. The Loop, along with the neighborhoods surrounding it, were the rent growth leaders in Chicago. Areas such as the West Loop, South Loop, River North, and Fulton Market all maintained similar rent growth in the past year, rising by an average of 5.5% to more than $3,000 per month.

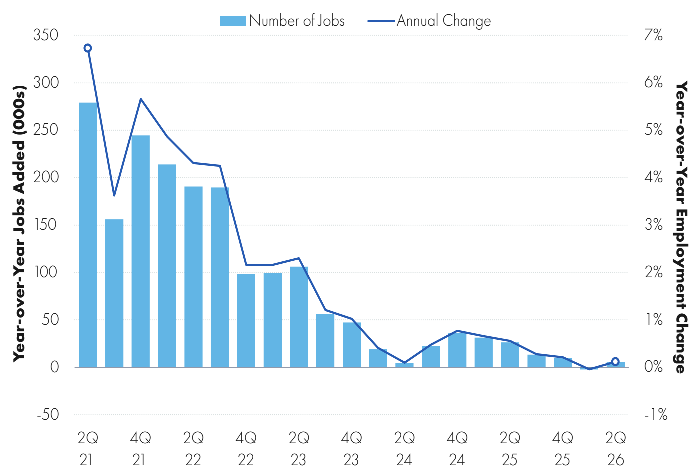
The strong pace of multifamily investment activity was sustained during the second quarter, bringing the transaction count in the first half to its highest point in more than a decade. The greatest concentration of sales was in the downtown area, followed by transactions that were spread across the outlying suburbs near transit infrastructure such as Metra rail stations. Roughly half of all transactions were Class B properties, with the remainder split evenly between Class A and Class C. Cap rates averaged 6.0% during the first half, up 25 basis points compared to last year.

EMPLOYMENT

- Employment growth resumed in Chicago following a brief downturn in recent periods. During the past 12 months, employers have added 5,900 workers to payrolls, a 0.1% rise in total employment.
- The manufacturing sector has been adding workers in recent months following a reduction in its workforce in 2025. Year over year, there have been 3,800 new manufacturing positions created, an increase of 0.9%.
- Leisure and hospitality employment has also been a source of employment growth. In the past 12 months, the sector increased by 0.9%, adding 4,600 workers. The second and third quarters are typically peak seasons for local growth in the leisure and hospitality sector, though recent gains have outpaced 2024 and 2025 additions.
- **FORECAST:** Total employment in Chicago should continue to advance at a modest pace. In 2026, employment is forecast to expand by 0.2% with the addition of roughly 10,000 workers, closely tracking the employment growth of 2025.

During the past 12 months, employers added 5,900 workers.

EMPLOYMENT OVERVIEW



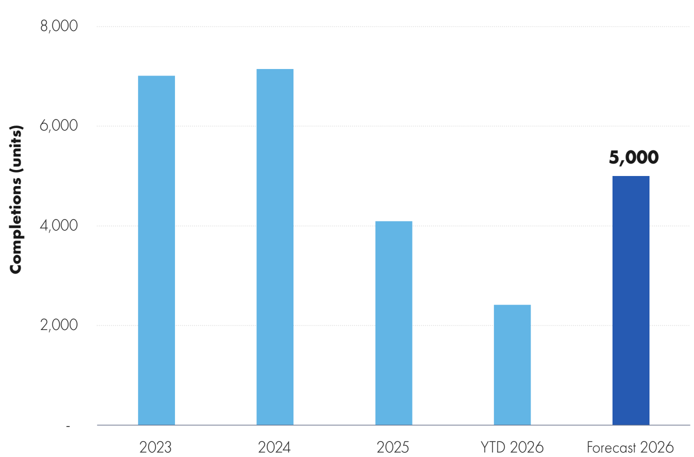
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- There was an uptick in multifamily completions in the second quarter. Year to date, projects totaling more than 2,400 units delivered in Chicago, up 21% from the same period in 2025.
- The pace of new projects breaking ground has slowed. With the delivery of nearly 1,700 units in the second quarter alone, the number of units under construction has dropped to roughly 7,100, in line with one year ago.
- In the first half of 2026, permits were issued for projects totaling roughly 2,300 multifamily units, down 21% from the first half of 2025. Multifamily permitting has been trending lower since 2024.
- **FORECAST:** After slowing to their lowest level in more than a decade in 2025, area deliveries should pick up this year. Developers are on pace to deliver approximately 5,000 units in 2026, after only about 4,000 units were added to inventory last year.

Year to date, deliveries are up 21% from one year ago.

DEVELOPMENT TRENDS

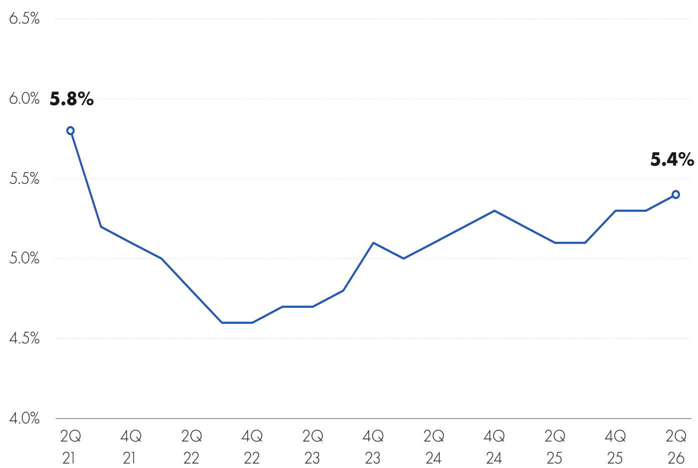


Sources: Northmarq, CoStar

VACANCY

Class A vacancy decreased by 10 basis points annually.

VACANCY TRENDS



Sources: Northmarq, REIS

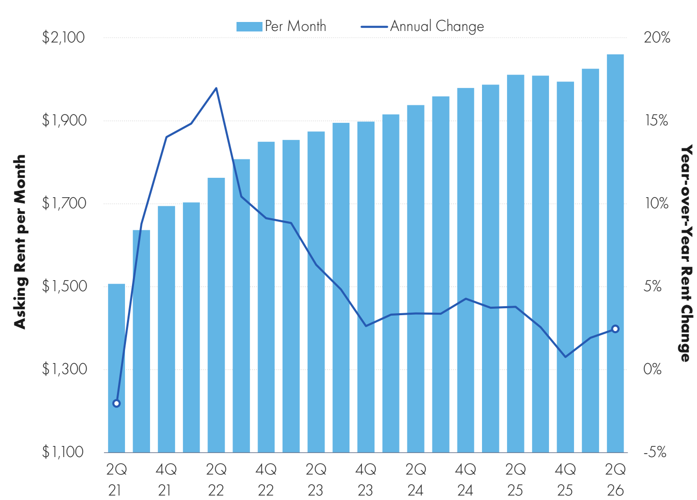
- The vacancy rate in Chicago inched higher in the second quarter, rising 10 basis points to 5.4% after going unchanged in the first quarter. Year over year, the vacancy rate is up 30 basis points.
- While vacancy ticked higher in Class B and Class C assets, the vacancy rate for top-tier assets improved slightly. Class A apartment vacancy decreased by 10 basis points annually to 7.4%.
- Rogers Park posted the greatest 12-month vacancy improvement in Chicago, dropping 90 basis points to 5.3%. The nearby Lakeview submarket posted a vacancy decrease of 80 basis points in this time to 5.0%.
- **FORECAST:** The vacancy rate is expected to improve from current levels, though slowed absorption may keep the annual shift modest. The vacancy rate is forecast to decrease by 10 basis points in 2026 to 5.2%.

RENTS

- Asking rents increased by 1.7% in the second quarter, the fastest quarterly rise recorded since late 2022. Year over year, asking rents are up 2.5% at $2,060 per month.
- Apartment rents in the Gold Coast continued to surge, despite already having the highest average rent in the market. In the past 12 months, asking rents on the Gold Coast increased by 4.9% to $3,338 per month.
- Middle-tier and lower-tier apartments posted faster rent growth than Class A assets. Combined asking rents for Class B and Class C apartments climbed more than 3.0% in the past year to $1,532 per month. Class A rents ticked up about 1.0% in this time to $2,694 per month.
- **FORECAST:** Rents are forecast to continue gaining ground throughout the second half of the year. In 2026, asking rents in Chicago are forecast to rise 4.0% to roughly $2,075 per month.

Year over year, asking rents are up 2.5%.

RENTS TRENDS



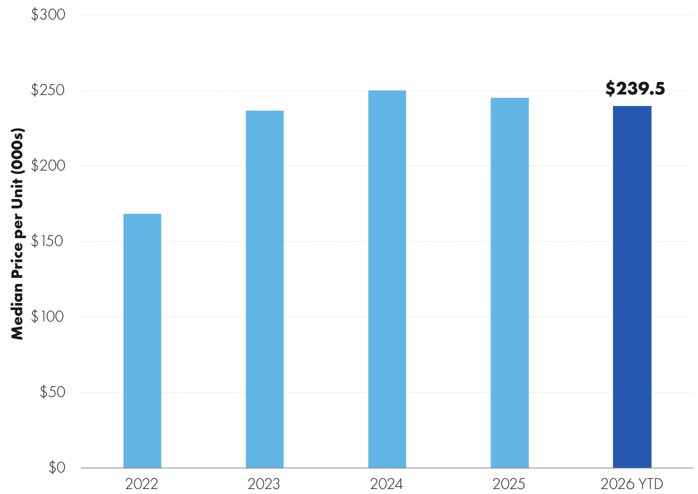
Sources: Northmarq, REIS

MULTIFAMILY SALES

- Multifamily transaction activity spiked in the first half. Compared to the same point in 2025, there have been roughly 50% more transactions to this point in 2026.
- Pricing has been fairly consistent, despite fluctuations in activity levels. Year to date, the median sale price is $239,500 per unit, down 2% from last year and down just 4% from the 2024 peak.
- While there have been outliers below 5.0% and higher than 7.0%, cap rates have generally remained within the same range as the earlier months of the year. So far in 2026, the average cap rate is roughly 6.0%, up approximately 25 basis points from 2025.

The median sale price in Chicago is $239,500 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

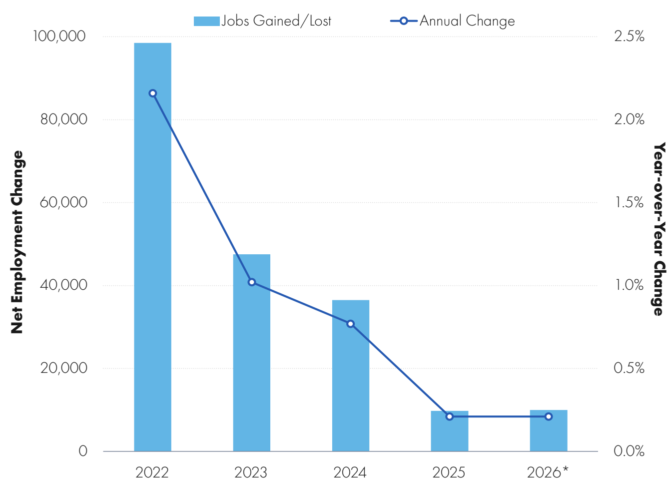
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
The Pavilion	5441 N. East River Road, Chicago	1968	1,116	$167,000,000	$149,642
SoNo East	840 W. Blackhawk Street, Chicago	2012	324	$125,150,000	$386,265
The Fynn	183 N. Addison Ave., Elmhurst	2021	212	$84,500,000	$398,585
Riverwood Crossing	3649 173rd Court, Lansing	1971	354	$28,600,000	$80,791

LOOKING AHEAD

Operating conditions in the Chicago multifamily market are projected to improve in 2026. While absorption and construction measures have been largely stable in relation to the market's size, the recent rise in rents is the clearest signal of the improving health of area property fundamentals. Rent growth will remain persistent, fueled in part by the number of new units achieving higher rates while keeping occupancy tight. It is not just newer and top-tier properties that should keep a positive outlook. Class B and Class C absorption has improved this year after posting a few periods of net negative levels. Rents in Class B and Class C units have gained ground the fastest. Looking past 2026, the development pipeline has been shrinking and should continue to taper in coming months, which may help push vacancy below 5.0% in 2027.

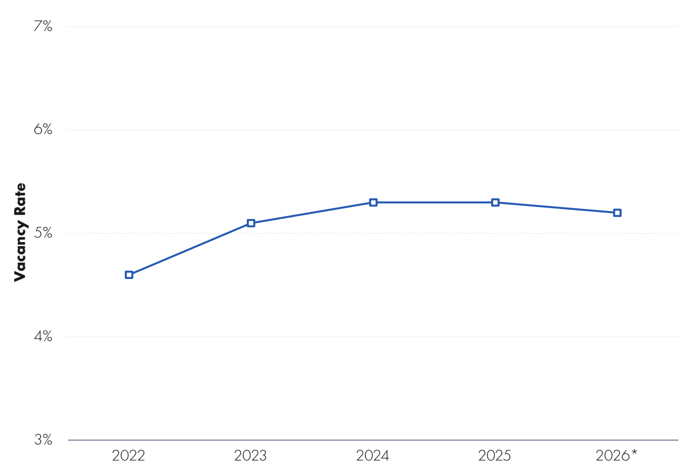
The surge of multifamily sales in the first half of the year should ensure that 2026 is one of the most active years for investment sales in the past decade in Chicago, even if sales velocity slows during the second half. Investor demand is expected to persist in downtown neighborhoods, which already contain the greatest share of activity. Improving renter demand in Class B and Class C properties could spark investor interest outside of the top tier. This may be especially apparent in the outlying suburbs, particularly in areas such as Aurora and Naperville where vacancy rates have remained below the market average, and in areas such as Kane County, Lombard, and Glendale Heights where strong rent growth has persisted in recent periods.

EMPLOYMENT FORECAST



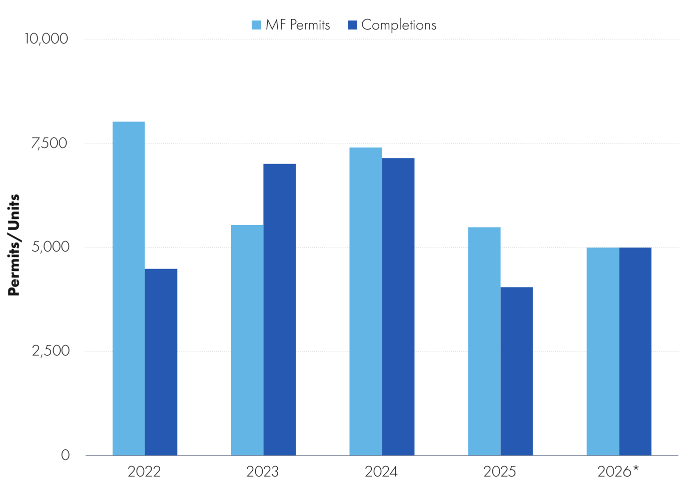
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



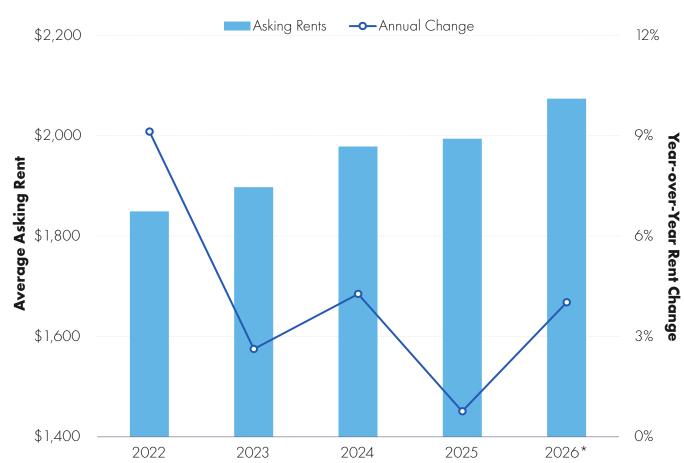
** Year End Forecast*
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



** Year End Forecast*
Sources: Northmarq, CoStar, Census Bureau

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, REIS

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