Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	8,431
UNITS DELIVERED (YTD)	2,629

MARKET FUNDAMENTALS

VACANCY RATE	5.2%
YEAR-OVER-YEAR CHANGE	+0bps
ASKING RENTS	$2,014
YEAR-OVER-YEAR CHANGE	+2.7%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$243,800

CHICAGO MULTIFAMILY
Q3 2025

MARKET INSIGHTS

Year-to-date deliveries fall to decade low

HIGHLIGHTS

- Multifamily operating conditions in Chicago posted little change in the third quarter, with rents and vacancies remaining largely stable. The number of deliveries continues to be limited, with just 2,600 units delivered year-to-date in 2025.
- The vacancy rate remained flat in the third quarter at 5.2%. While vacancy has fluctuated in recent periods, it currently matches levels recorded 12 months ago.
- Asking rents were essentially unchanged in the third quarter, remaining within 0.1% of previous levels. Year over year, rents increased 2.7% to $2,014 per month.
- Multifamily transaction counts are ahead of the pace recorded during the past two years. The median price in deals closed to this point in 2025 is $243,800 per unit, while cap rates continue to range between 5.5% and 6.0%.

CHICAGO MULTIFAMILY MARKET OVERVIEW

Movement in Chicago multifamily operating conditions slowed to a near halt in the third quarter. The market has entered an equilibrium, with both year-to-date deliveries and absorption levels reaching decade lows simultaneously as rents and vacancy remain effectively unchanged. Despite this overall stability in the market, individual submarkets are posting varied performances. The Elgin/Dundee area, which typically represents only a small share of total construction, contains the greatest number of new units delivered so far this year, totaling more than 600 units. The neighboring Schaumburg/Hoffman submarket recorded some of the strongest rent growth in the metro, rising 7.5% over the past 12 months. While overall vacancy rates are flat, the Rogers Park/Edgewater and Belmont to Montrose submarkets posted vacancy improvements of 60 to 70 basis points over the past year after weaker performance in prior periods.

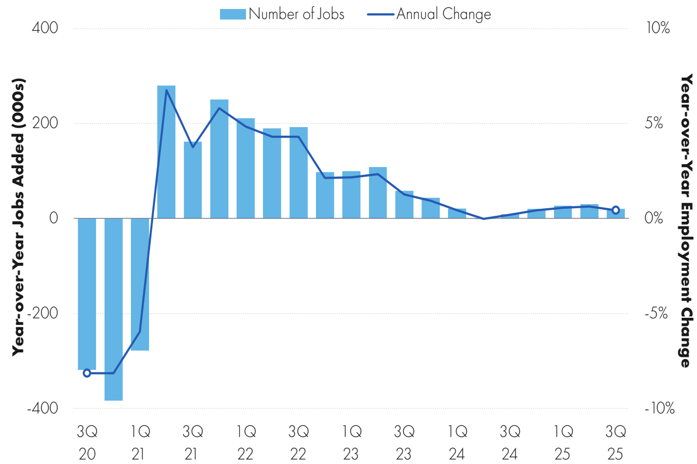
Multifamily investment activity in Chicago remains elevated compared with recent years, while still well below the peak volumes recorded in 2021 and 2022. Per-unit pricing has remained within a tight range, even as the mix of properties that changed hands includes more lower-tier assets than in 2024. Class A assets are currently trading at peak pricing with a median of $421,500 per unit, up 45% from last year and 20% above the previous peak in 2022. Class B assets followed a similar trajectory, rising 23% from 2024 levels to a new peak median sale price of $245,200 per unit. One factor influencing pricing trends in 2025 has been the location of sold assets. Downtown Chicago has accounted for the majority of transactions this year, with pricing up 30% from 2024.

EMPLOYMENT

- The pace of employment growth in Chicago cooled in the third quarter, though it remains stronger than it was one year ago. During the past 12 months, local employers increased payrolls by 0.4%, adding approximately 20,500 workers.
- The information sector has returned to steady growth after contracting throughout 2023 and 2024. Over the past year, employers in this industry have filled 2,100 new positions, representing a 2.8% increase.
- The financial activities sector also posted accelerated growth. During the past 12 months, payrolls in this industry have expanded by 1.2%, with 3,900 new workers hired. This marks the strongest annual growth in financial activities since mid-2023.
- **FORECAST:** The employment base in Chicago is projected to maintain its current pace of growth through the end of the year, adding approximately 20,000 new jobs in 2025, a 0.4% annual increase.

Local employers increased payrolls by 0.4%.

EMPLOYMENT OVERVIEW



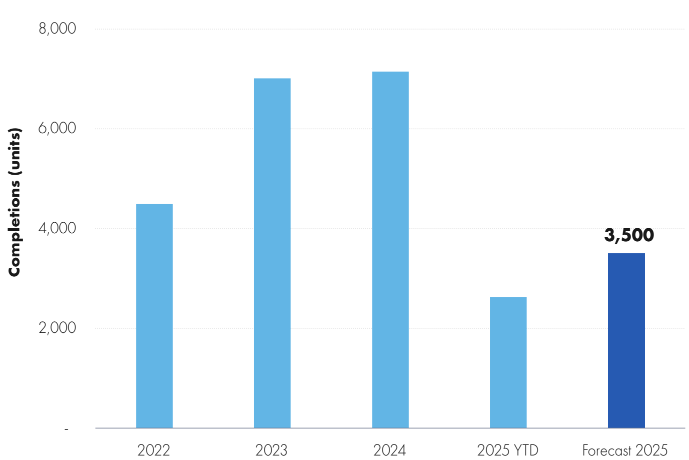
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- Multifamily completions continued to enter the market at a slow and steady pace. Year to date, there have been roughly 2,600 units delivered. This represents a decline of nearly 60% compared with one year ago.
- The development pipeline has grown while the pace of deliveries slowed. There are currently over 8,400 units under construction in Chicago, a 32% increase compared with the same point in 2024.
- Multifamily permitting slowed in the third quarter, easing after the surge recorded in the second quarter. Year to date, permits have been issued for projects totaling approximately 4,200 units, down 20% from one year ago.
- **FORECAST:** The total number of new units completed in Chicago this year is expected to be significantly lower than in recent years. Projects totaling roughly 3,500 units are on pace for completion in 2025, less than half the number delivered in 2023 and 2024.

There are currently over 8,400 units under construction.

DEVELOPMENT TRENDS



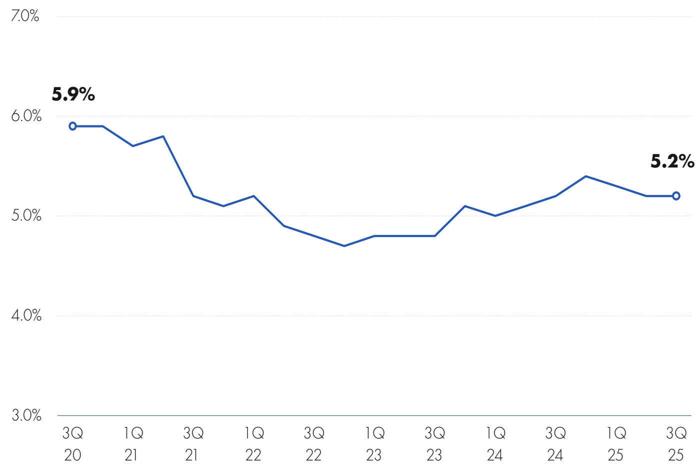
Sources: Northmarq, CoStar

VACANCY

- Apartment vacancy remained flat from the second quarter to the third quarter, holding at 5.2%. The rate is also unchanged from one year ago, after inching higher at the end of 2024 then trending lower during the first half of 2025.
- The Rogers Park/Edgewater submarket led Chicago in vacancy improvement by a wide margin. The vacancy rate in this submarket has decreased by 120 basis points over the past year, reaching 5.4%. The next greatest improvement was in The Loop, where vacancy fell 70 basis points to 5.2%.
- While overall market vacancy remains unchanged from one year ago, Class A properties have recorded some modest improvement. Current Class A apartment vacancy stands at 7.8%, down 20 basis points from one year ago.
- **FORECAST:** Vacancy in Chicago is expected to remain relatively stable in the coming periods, continuing the trend observed throughout 2025. The rate is projected to finish the year at 5.1%, down 30 basis points from one year ago.

Class A properties have recorded vacancy improvement.

VACANCY TRENDS



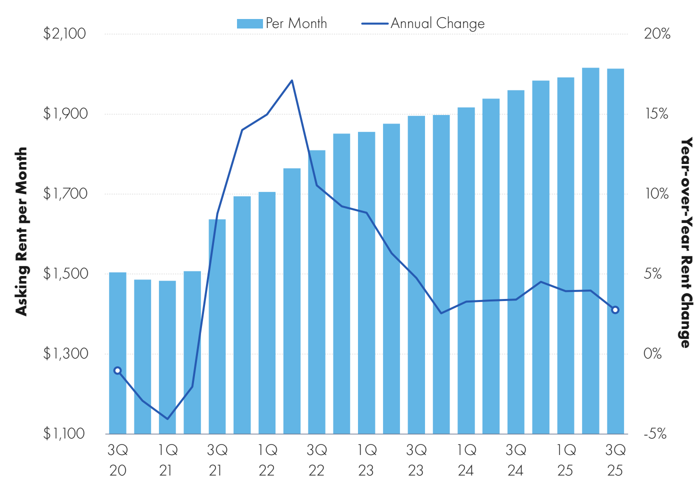
Sources: Northmarq, REIS

RENTS

- Chicago area asking rents were essentially unchanged during the third quarter, averaging $2,014 per month. Year-over-year rent growth has totaled 2.7%, a slightly slower pace of growth than has been recorded in earlier periods.
- Rapid rent growth was recorded in the City West submarket. Rents in this area have risen by 8.2% over the past year to $3,036 per month, now trailing only Gold Coast as the city's most expensive submarket.
- Many of the submarkets that recorded the largest rent declines over the past year continue to show stronger-than-average long-term growth. The East Lake County submarket posted a 1.5% decrease in rents over the past year, but over the past three years, asking rents have risen a total of 14.5%.
- **FORECAST:** By the end of 2025, Chicago asking rents are forecast to reach roughly $2,035 per month, an annual increase of 2.5%.

Rents are forecast to reach roughly $2,035 per month.

RENTS TRENDS



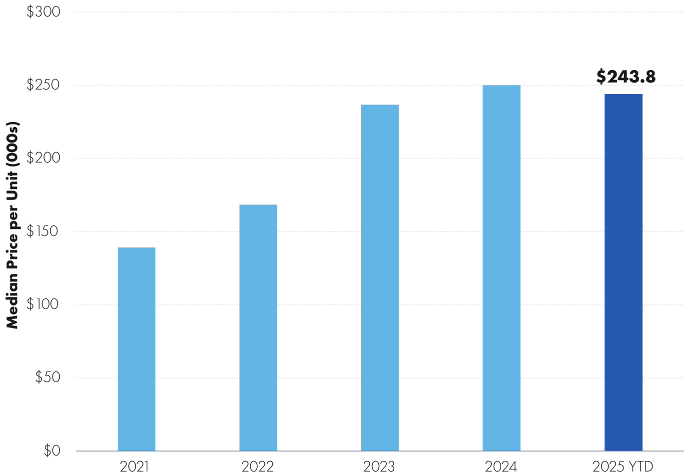
Sources: Northmarq, REIS

MULTIFAMILY SALES

- Recent multifamily sales activity in Chicago remained consistent with the first half of 2025, continuing to outpace the trailing two years. Year over year, the total number of sales has increased by more than 40%.
- The year-to-date median sale price is $243,800 per unit, similar to pricing levels from 2023 and 2024. Prices have gained ground in recent periods; the current median price is 45% higher than in 2022.
- The average cap rate for multifamily transactions remains between 5.5% and 6.0%. This is roughly in line with 2024 and around 25 to 50 basis points higher than cap rates in 2023.

The median sale price is $243,800 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

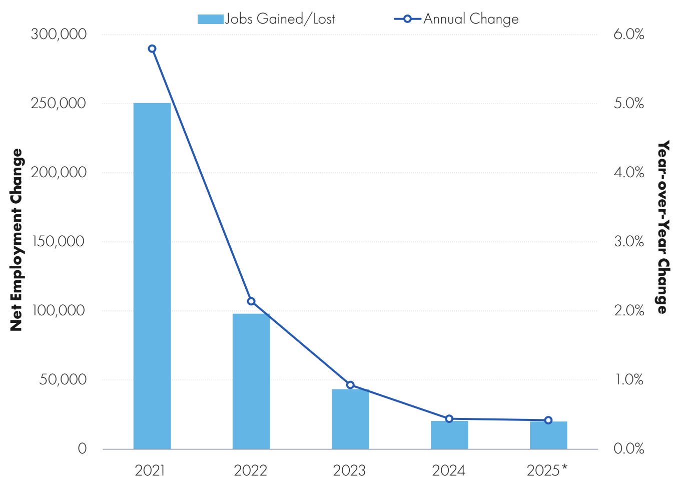
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Millie on Michigan	300 North Michigan Ave., Chicago	2022	289	$122,000,000	$422,145
Uptown La Grange Apartments	31 East Ogden Ave., La Grange	2016	254	$87,800,000	$345,669
The Mason	180 North Ada St., Chicago	2019	263	$89,500,000	$340,304
Lincoln Station Rowhomes	208 North Prairie Rd., New Lenox	2024	220	$65,300,000	$296,818
Hawthorn on Oakhurst	245 North Oakhurst Dr., Aurora	1991	320	$72,250,000	$225,781
Fitfteen98 Naperville	1598 Fairway Dr., Naperville	1984	640	$136,000,000	$212,500

LOOKING AHEAD

Operating conditions in Chicago are expected to shift modestly in the fourth quarter and remain relatively stable through the end of the year. The vacancy rate is projected to tick lower but is likely to remain within the high-4% to low-5% range throughout this year and into 2026. Rents are expected to advance, continuing a trend that has been in place in recent years as the local economy has improved. Average annual rent growth for 2025 and 2026 will likely be in line with recent gains. One factor that has supported property fundamentals has been a limited number of new units entering the market. While construction activity may pick up next year following a cyclical low in 2025, the pace of deliveries is expected to be more moderate than the highs that were recorded throughout the late-2010s and early-2020s.

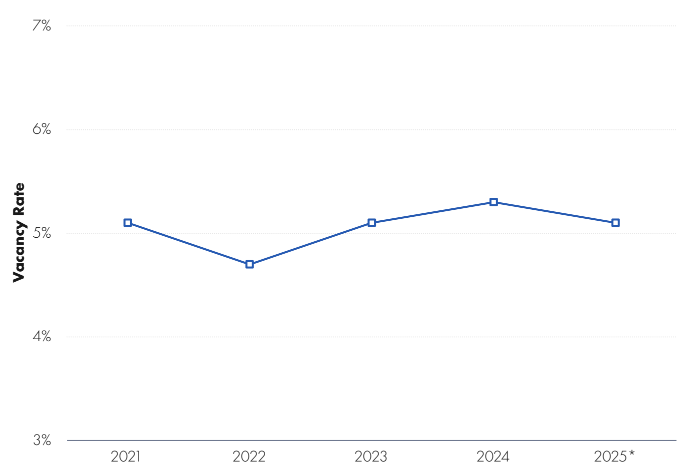
The number of properties that change hands in Chicago during the fourth quarter is expected to be consistent with recent quarters, though full-year sales in 2026 are likely to accelerate. An anticipated improvement in operating conditions in 2026 could drive investor interest. Of the properties that are publicly listed for sale, the majority are in Downtown Chicago, which will likely continue to lead the metro in the number of closed transactions. More than half of all publicly listed properties are also Class A assets, a factor that should shift the transaction mix. Cap rates are not expected to move significantly in the coming months, though an increase in Class A properties changing hands could modestly push the average cap rate slightly lower.

EMPLOYMENT FORECAST



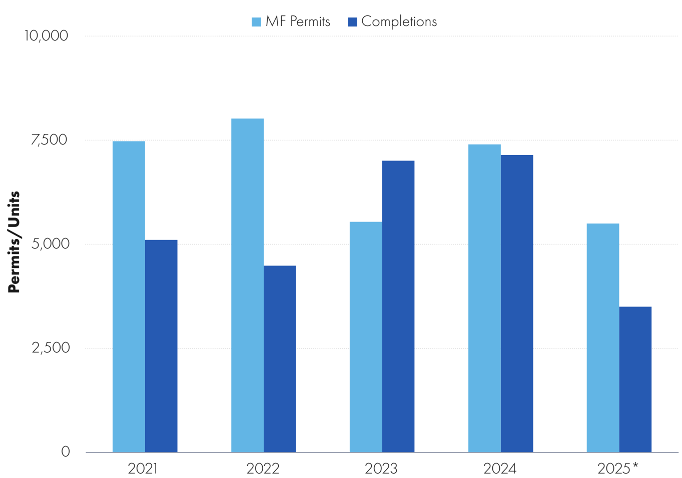
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



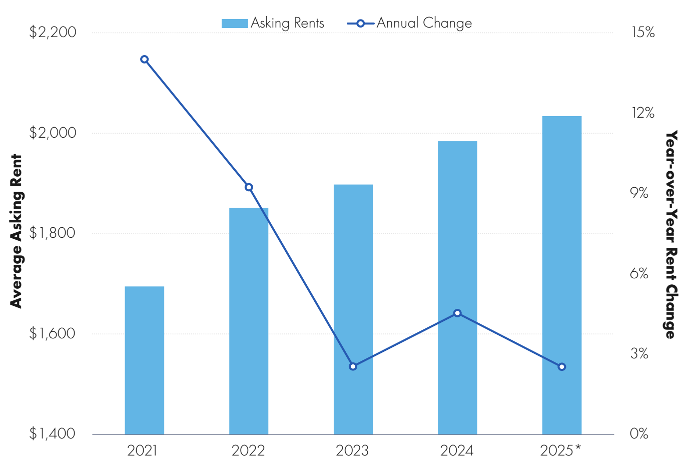
* Year End Forecast
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



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

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, REIS

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ABOUT **NORTHMARQ**

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