

## State of the Chicago Residential Markets

### Chicagoland Apartment Association Preview - 2025

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## Highlights

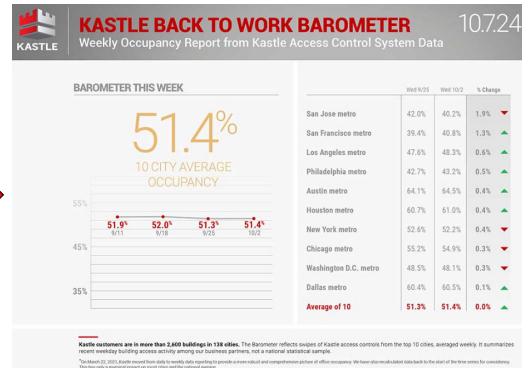
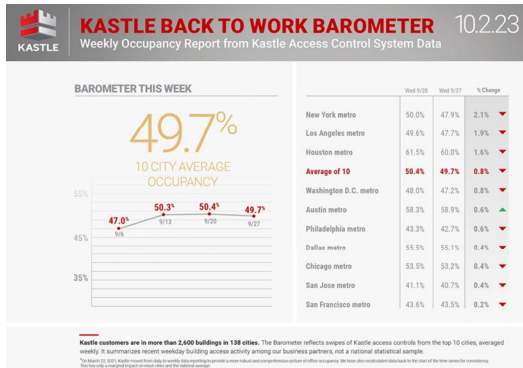
- Chicago remains a top performer for market fundamentals
- Changes in return to office work?
- Federal Reserve interest rate cuts – 10 year Treasuries / cost of debt
- SFR pricing stimulating demand
- Steady growth and supply in the suburbs
- Slower growth until 2025 downtown
- Downtown supply is shut down – costs, rates, taxes



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# Return to Office – What a difference a year makes



Or does it?



Chicago – 53.2% (2023) vs 54.9% (2024)

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## Rental Supply & Transaction Market Issues

Fed Reserve September Rate Cut – 50 bp reduction to 4.75-5.0%

10 year Treasury follows with a drop from 4%+ to 3.65%

Market strength changed expectations for future rate cuts

10 year Treasury rises to 4.25%



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# Rental Supply & Transaction Market Issues



Fed Rate Cut



10 Year Treasury 30 days later

But there is still hope...

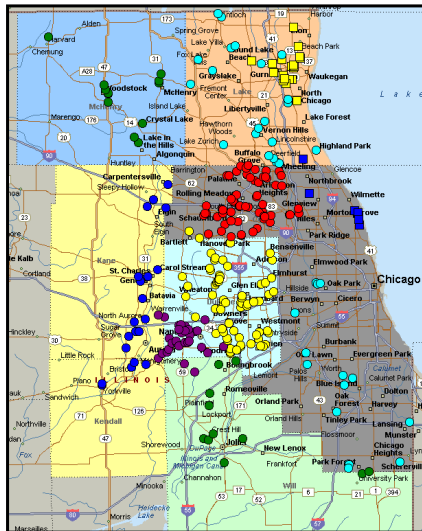
For interest rate cuts AND the Bears



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# The Suburban Multifamily Dataset



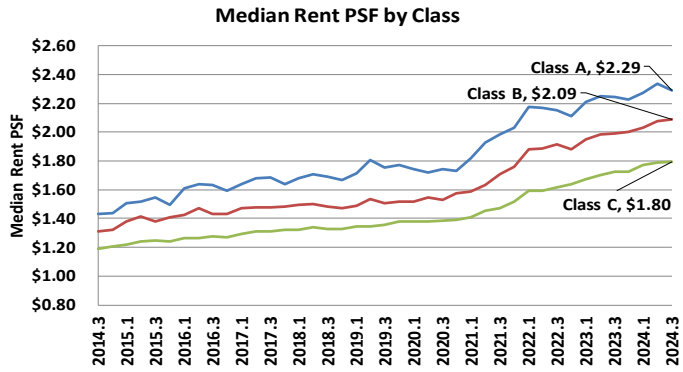
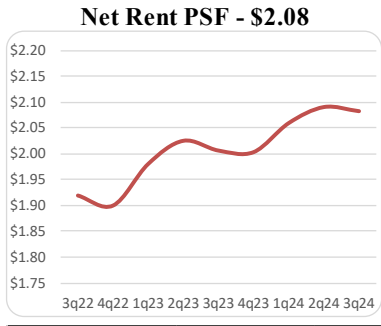
- 119,329 Units**
- 10 Submarkets**
- Average Size – 300+/- units**
- Class A – 39%**
- Class B – 29%**
- Class C – 32%**



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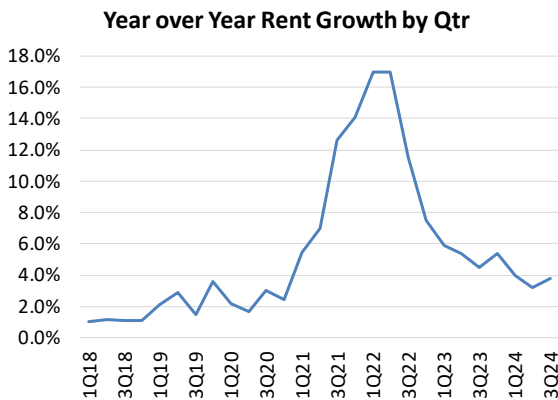
# The Suburban Dataset – 3Q24



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# The Suburban Dataset – 3Q24



**Year over Year net rent growth of 3.8%**

## Expectations for 2025?

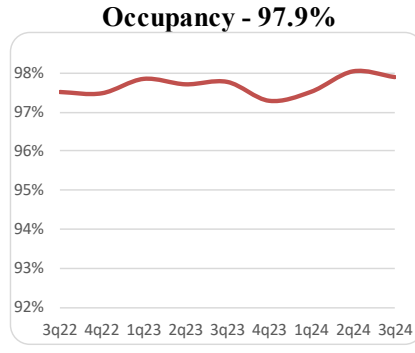
- Slower growth after HH growth boom but remains positive
- Interest rates creating higher retention – limited for-sale market



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## The Suburban Dataset – 3Q24



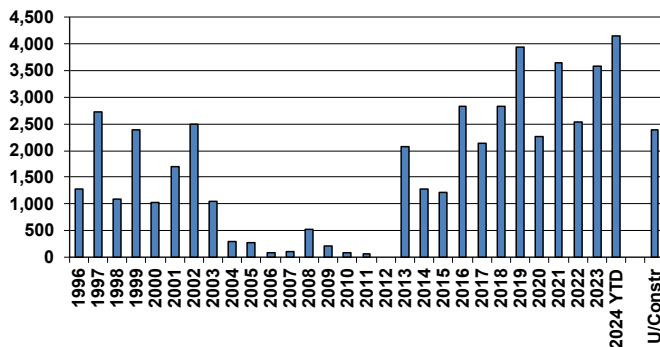
**Occupancy and limited new supply continue to drive rents upward**



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## New Construction Deliveries - Suburbs



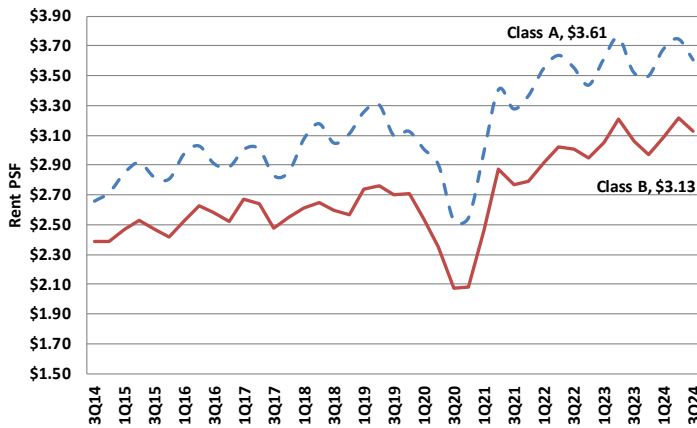
- **27 complexes in lease up**
- **~2,500 units under construction**
- **~25,000 units in planning**



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## Class A & B Rent Trends Downtown – 3Q24



### Year over Year Change

Class A 2.27%  
Class B 2.29%

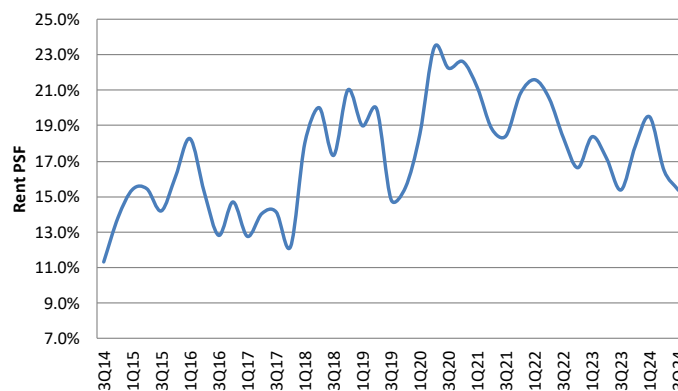
10 buildings at \$4.40+ psf



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## Class A & B Rent Spreads Downtown – 3Q24



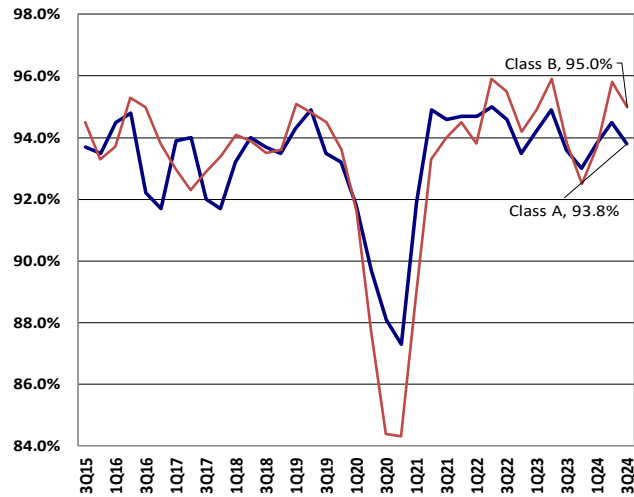
Narrowing with slower rent growth



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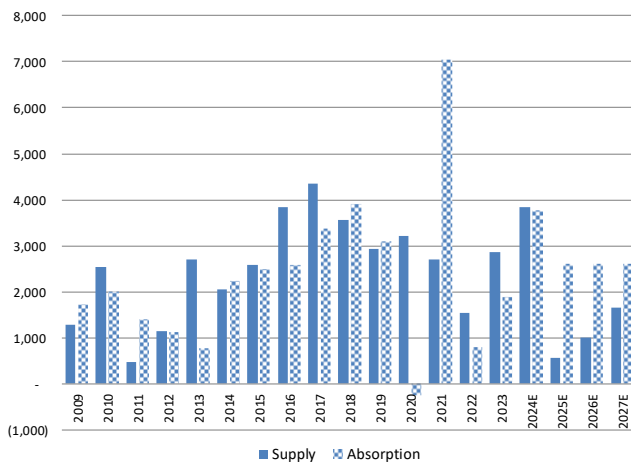
## DT Occupancy Trends – 3Q24



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## Absorption Vs Supply Downtown



**New construction virtually shut down**

**Debt & Equity markets**

**RE Tax uncertainty**

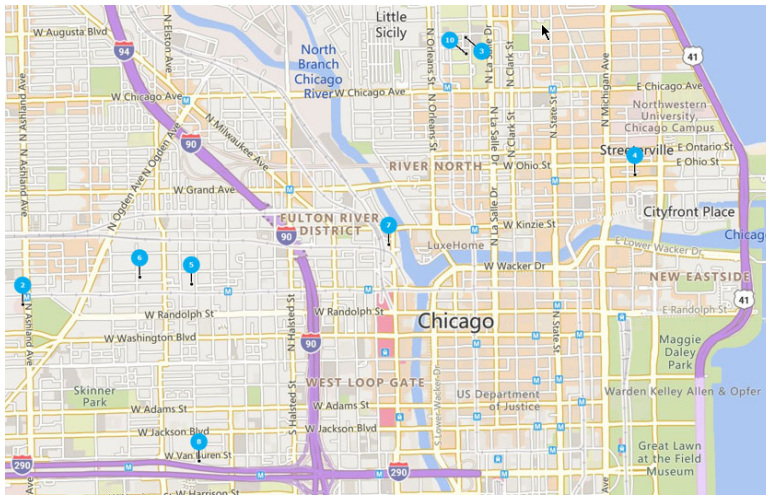
**Rent spikes 2025 / 2026?**



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## Lease Up



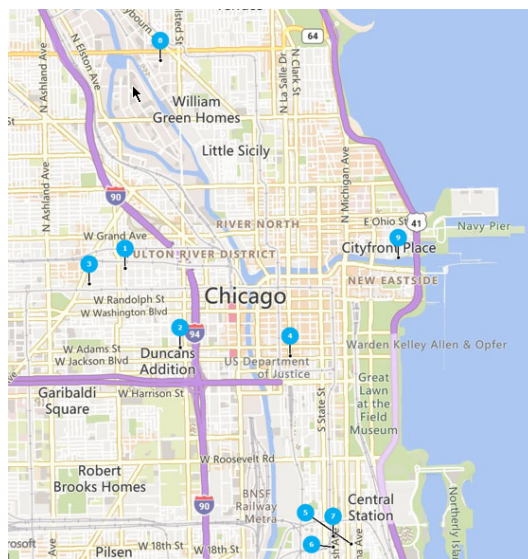
**10 Buildings**  
**50% are 70%+ leased**  
**Scattered locations**



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## Under Construction



**9 Buildings**  
**2,085 units**  
**Scattered locations**

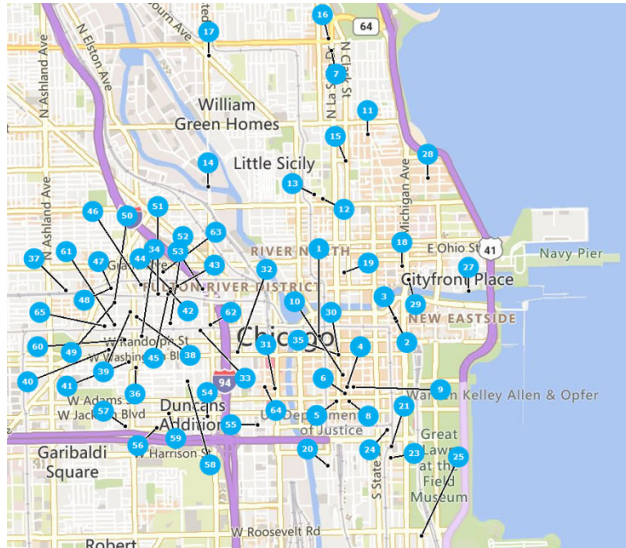


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## Proposed – Downtown Chicago



**65 Buildings**

**28,000+ units**

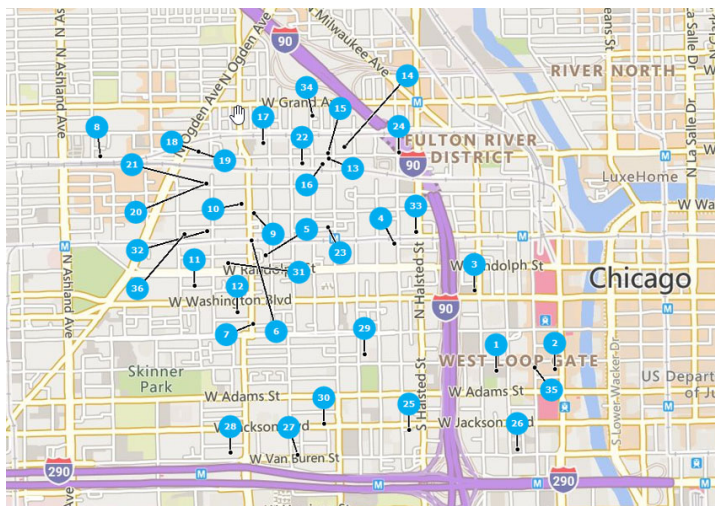
**Many are long term plays**



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## Proposed – West Loop



**35 Buildings**

**14,601 units (50%+)**

**Focus N of Randolph**

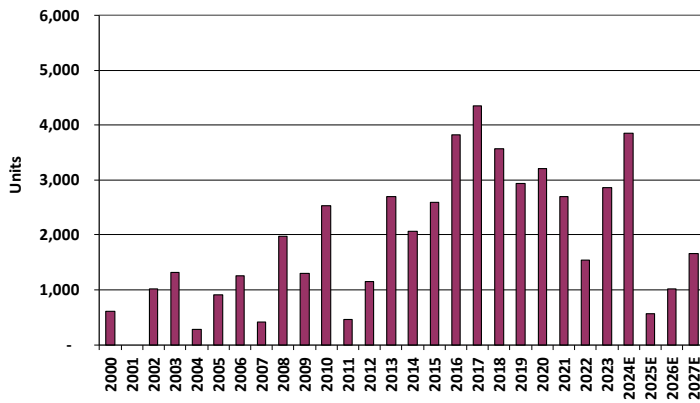
**Which will get built?**



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## Downtown Rental Supply



- Debt markets challenging
- RE tax uncertainty
- Prices for newer product need to increase for new construction to attract capital
- Rent spikes coming in 2025?



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## Real Estate Tax Assessments

### Class A Buildings Constructed since 2018

24 buildings surveyed

Average increase in AV was 29 percent

7 buildings had a 50%+ increase

Inability to project tax loads with certainty hinders development



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# Looking ahead...

## Multifamily fundamentals

- Solid demand. No over supply.
- Suburban market continues rent growth pattern
- Rent spikes in downtown Chicago 2025/2026
- Loss of purchasing power in for-sale market increases retention

## Supply challenges

- Interest rates remain elevated in spite of Fed rate cuts
- Construction costs remain elevated
- Real estate tax uncertainty



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