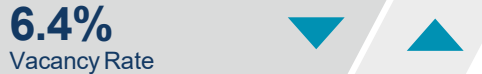


Multifamily Q4 2019

YoY Chg 12-Mo. Forecast



(Overall, All Property Classes)
Source: CoStar, Cushman & Wakefield Research

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast



Source: BLS, Census Bureau

ECONOMIC OVERVIEW: Downtown Sees Growth Despite MSA Population Loss

Chicago's economy is highly diverse, with no one industry contributing more than 15% to the metro's GDP. Approximately 39% of city residents over the age of 24 hold a bachelor's degree or higher, compared to a national average of 31%. This highly educated labor pool has helped add nearly 83,000 non-farm jobs to the local economy in the first two months of the quarter. Employment gains have been especially pronounced in the Downtown, West Loop and North side neighborhoods, which have seen a steady influx of well-educated millennials despite overall population loss within the Chicago MSA. These employment gains have helped to push metro-wide unemployment to a 10-year low of 3.3% compared to a national average of 3.5%.

SUPPLY & DEMAND: Absorption Reaches New High

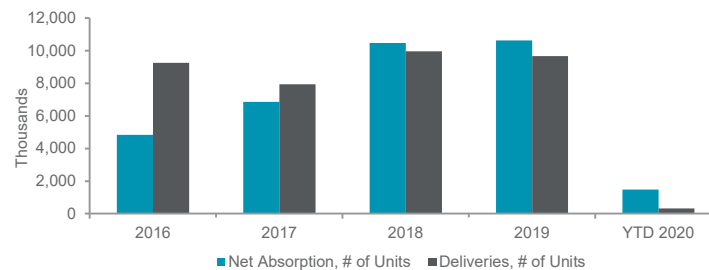
Demand reached a new high in 2019 as net absorption in the Chicago metro area surpassed 10,000 units. This record level of absorption helped push metro-wide vacancies to a four-year low. Across the city, vacancy sits at 6.4% despite substantial construction activity that resulted in the delivery of 9,700 units during the year. Net absorption rose 39% in the fourth quarter of 2019 year-over-year.

An outsized portion of new leasing activity can be attributed to demand in only two submarkets: Downtown and North Lakefront. Lease-up of newly delivered product in these two submarkets account for nearly 70% of all units leased in the past 12 months. This substantial growth can be accredited to employment gains and an influx of young professionals to these areas. Suburban submarkets continue to deliver new luxury product especially in affluent communities along Metra rail lines. During the last five years, over 60% of new construction in the suburbs has been located within one mile of a Metra rail station. This focus on transit-oriented development (TOD) has helped maintain a healthy balance between demand and supply and has pushed vacancy down for Class A buildings (10.2% / -40 bps YoY).

PRICING: Rent Growth Shifts To Workforce Housing

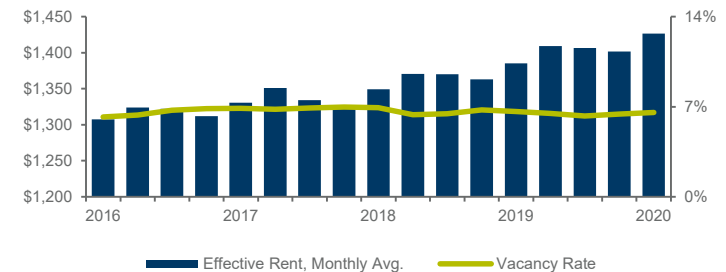
Metro area rents continued their steady climb upwards, marking the fifth consecutive year of positive rent growth. Effective rents in Q4 2019 increased by 2.9% year-over-year compared to a national growth rate of 2.6%. Although rent growth has slowed somewhat in the luxury segment, hovering around 1.2% in the city and suburbs, it has picked up significantly in the workforce housing segment growing 3.5% year-over-year in the city and nearly 2.0% in the suburbs. This quarter, areas that have seen the highest annual rent growth include the city's South side and Southern Will County.

SPACE DEMAND / DELIVERIES



Source: CoStar, Cushman & Wakefield Research

OVERALL VACANCY & EFFECTIVE RENT



Source: CoStar, Cushman & Wakefield Research

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SALE TYPE	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Marquee at Block 37	Recapitalization	Loop	CIM Group / Morguard Residential REIT	690	\$265M / \$384K
Prairie Shores Apartments	Investment	Bronzeville	Draper & Kramer / GOLUB & Company	1676	\$176M / \$106K
Railway Plaza	Investment	Naperville/Bolingbrook/Aurora	Clarion Partners / BH Equities	417	\$96M / \$231K
Hubbard221	1031 Exchange	River North	Hubbard Street Group / Draper & Kramer	195	\$94M / \$482K
Deer Park Crossing	Investment	West Lake County	REVA Development Partners / Redwood Capital	236	\$91M / \$383K
Uptown La Grange Apartments	Investment	South & West Cook County	The Opus Group / JVM Realty	254	\$90M / \$355K
Atworth at Mellody Farm	Investment	South & West Lake County	Atlantic Realty Partners & Focus Development / Passco Companies	260	\$88M / \$338K
Aurora at Summerfield	Investment	Naperville / Bolingbrook / Aurora	The Connor Group / BH Equities	368	\$78M / \$212K

KEY CONSTRUCTION PIPELINE Q4 2019

PROPERTY	SUBMARKET	STATUS	UNITS	DEVELOPER
One Chicago Square	River North	Under Construction	869	JDL Development
The Venn	West Loop	Under Construction	586	The John Buck Company
Imprint	South Loop	Under Construction	349	CMK Companies
The Link Evanston	Evanston	Under Construction	242	CA Ventures
5252	Hyde Park	Under Construction	246	Antheus Capital
Goose Island Development Apartments	North Branch	Proposed	1000	Onni Group

MARKET DRIVERS

- Strong demand is being driven by an influx of young professionals to Chicago's CBD and northern neighborhoods seeking luxury product. Vacancies in the luxury market have reached their lowest level in over four years.
- Millennial households continue to prefer renting over ownership with an overall rentership rate of 41.8% for Cook County compared to a national rate of 34.9%.
- Supply remains tight in both the luxury and workforce housing segments, helping to keep vacancies low.
- High labor, land, and construction prices have prompted developers to build higher-end luxury product in Chicago, especially within the city. Nearly 75% of all units under construction are in the Class A category.
- Education & Health Services is the MSA's third largest industry and it added over 16,000 jobs (+2.7%) between December 2018 to December 2019. This growth is fueled by expansions among employers such as Blue Cross Blue Shield of Illinois (BCBSIL), which broke ground on its new customer service support center in Morgan Park this quarter and will create 550 jobs by mid-2020.

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