



April 25, 2019 Greater Chatham Initiative & South Side Community Investors Association

State of The South Side Apartment Market Overview & Outlook

Prepared by: Tony Hardy - Marcus Millichap & Brandon Svec - Costar

Marcus & Millichap

Tony Hardy



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HEITZMAN

Multifamily Investments



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Real Estate Investment Sales ♦ Financing ♦ Research ♦ Advisory Services



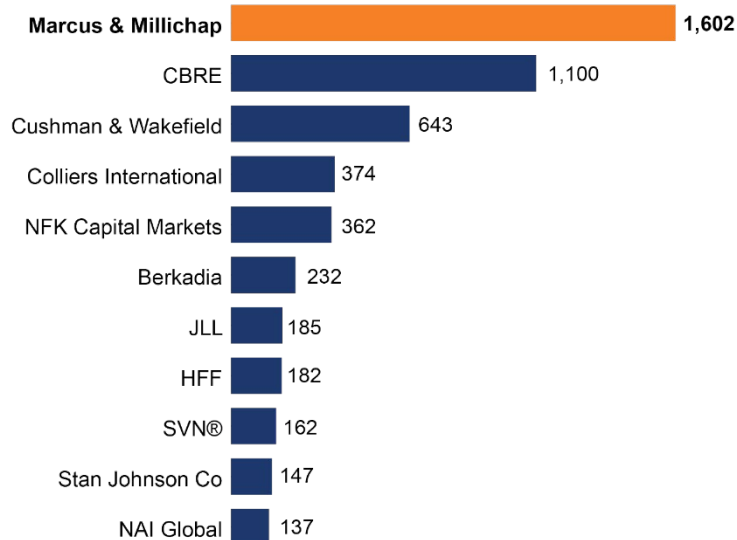
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\$46,370,000,000
Value of recently closed transactions

9,472
Closed sales in most recent year

Experience the Marcus & Millichap Difference

U.S. Investment Sales Brokerage Company Ranking*



Marcus & Millichap 2018 Results

**TOTAL SALES:
\$46.37 BILLION**

**TOTAL
TRANSACTIONS:
9,472**

* Includes sales of apartment, retail, and office properties between \$2.5 million and \$20 million in U.S., 12 months ending 12/31/2017; list side. Data believed to be accurate but not guaranteed. Source: Real Capital Analytics

Investors Choose Marcus & Millichap More than Any Other Brokerage

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Serving Investors With Over 1,800 Investment Sales and Financing Professionals Throughout the U.S. and Canada



National Apartment Rank by Metro 2019 Completions*

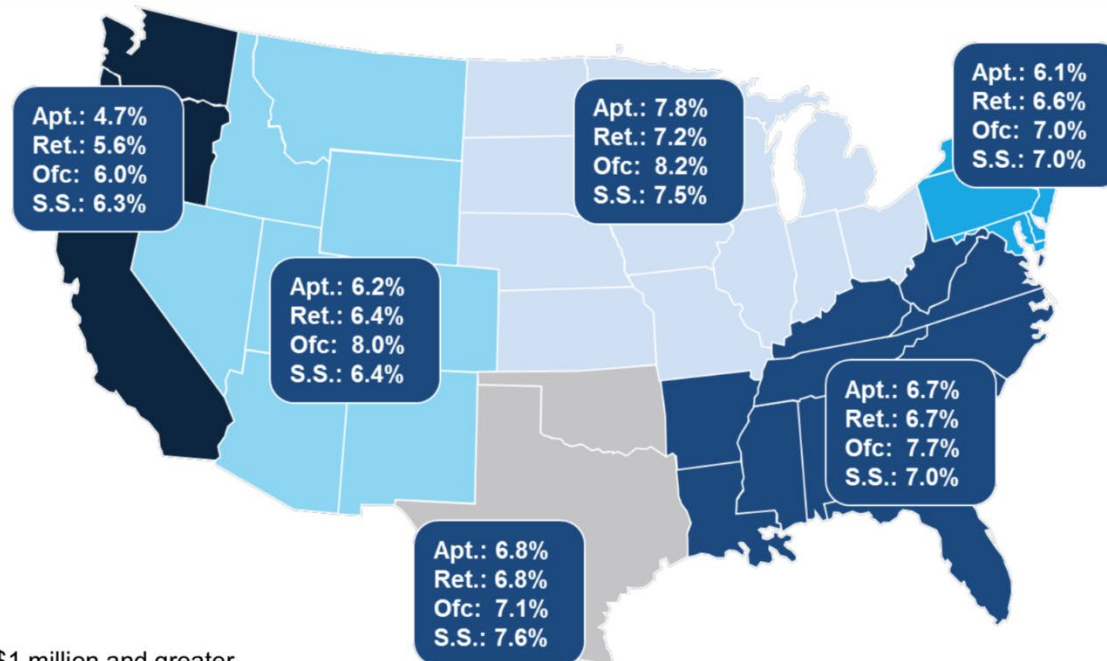
Top 10 Metros	2019 Completions*	Completions as % Inv.
New York	32,000	1.1%
Dallas-Fort Worth	28,400	3.6%
Los Angeles	14,800	1.3%
Washington, D.C.	14,400	2.3%
Denver	14,100	4.8%
Seattle-Tacoma	12,200	3.1%
Atlanta	10,700	2.1%
Phoenix	10,600	3.0%
Northern New Jersey	10,000	2.9%
Chicago	9,500	1.3%
U.S. Total	315,000	1.8%

Bottom 10 Metros	2019 Completions*	Completions as % Inv.
West Palm Beach	510	0.4%
Cincinnati	1,200	0.8%
St. Louis	1,400	0.9%
Cleveland	1,600	1.0%
Sacramento	1,800	1.2%
Detroit	2,000	0.7%
Baltimore	2,100	0.9%
Indianapolis	2,700	1.6%
Inland Empire	2,700	1.4%
Las Vegas	2,900	1.3%
U.S. Total	315,000	1.8%

* Forecast
Sources: Marcus & Millichap Research Services, RealPage, Inc.

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Investors Coming to Midwest Chasing Yield

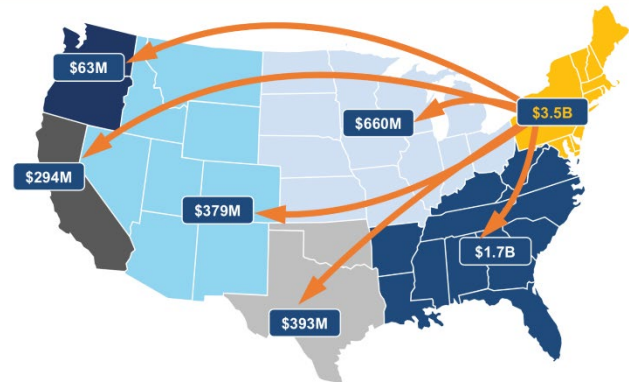
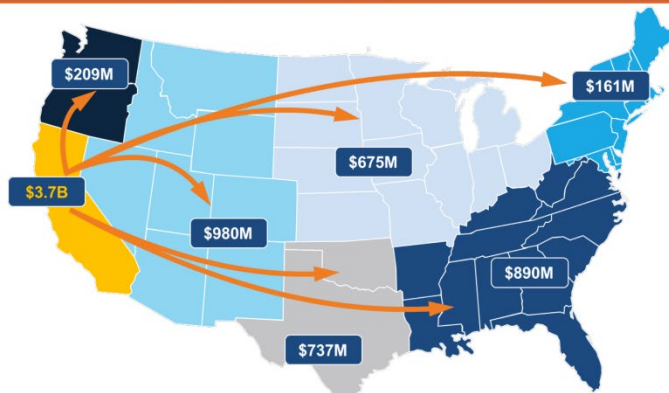


Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services. CoStar Group. Inc.. Real Capital Analytics

660M from North East
675M From West California

Capital Migration out of California



Chicago Added 76,700 Jobs Y-O-Y

National Employment Rank by Metro Y-O-Y Absolute Change Through January 2019

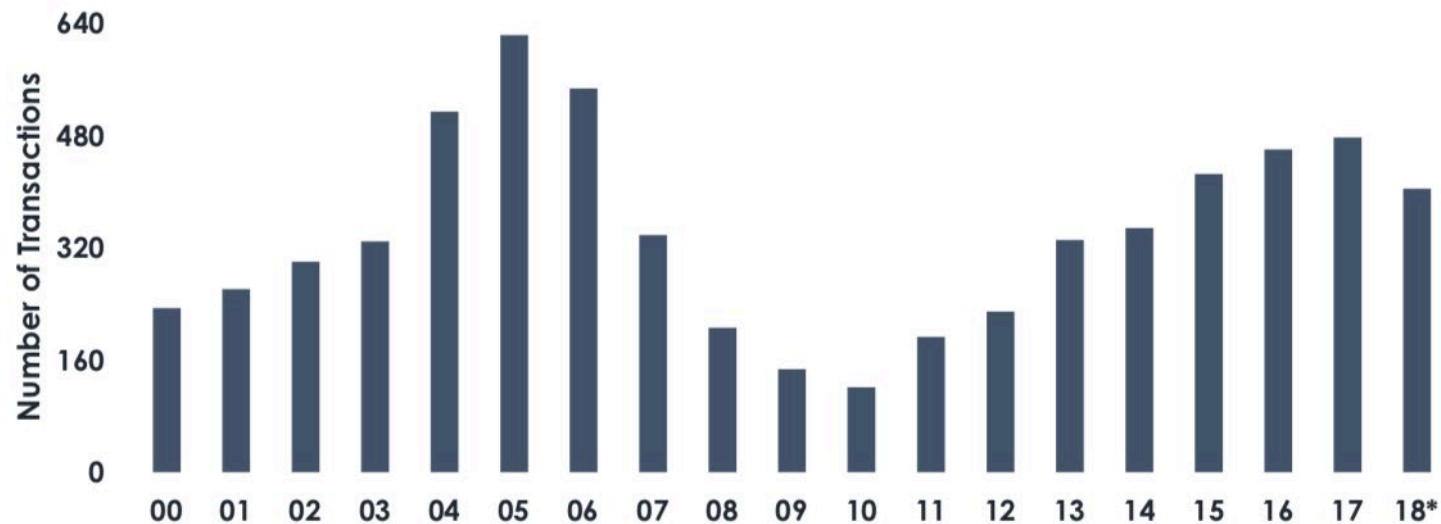
Top 10 Metros	Absolute Change	Percent Change
Dallas-Fort Worth	96,800	2.7%
New York	94,900	2.1%
Houston	76,700	2.5%
Chicago	75,800	1.6%
Phoenix	66,900	3.2%
Atlanta	54,400	2.0%
Seattle-Tacoma	49,900	2.5%
Orlando	44,500	3.5%
San Francisco	42,600	3.8%
Salt Lake City	38,500	3.1%
U.S. Total	2,819,000	1.9%

Bottom 10 Metros	Absolute Change	Percent Change
Indianapolis	5,600	0.5%
Jacksonville	8,100	1.1%
Milwaukee	8,100	0.9%
Kansas City	13,500	1.2%
Cleveland	13,900	1.3%
West Palm Beach	14,200	2.3%
Fort Lauderdale	15,300	1.8%
Oakland	15,500	1.3%
Minneapolis-St. Paul	15,700	0.8%
Orange County	16,200	1.0%
U.S. Total	2,819,000	1.9%

Sources: Marcus & Millichap Research Services, BLS

Transactions Moderating in 2018

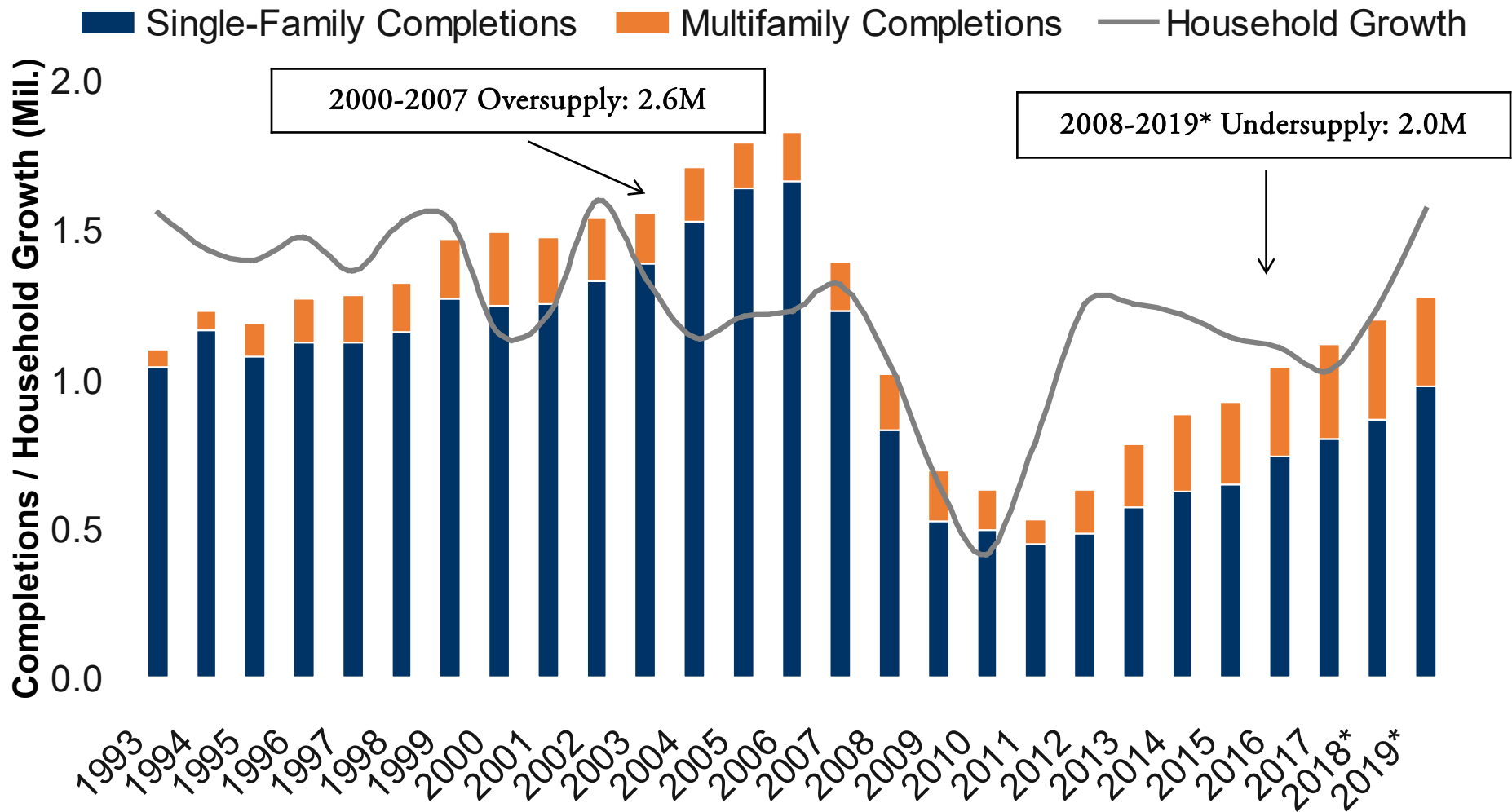
Chicago Apartment Transaction Activity



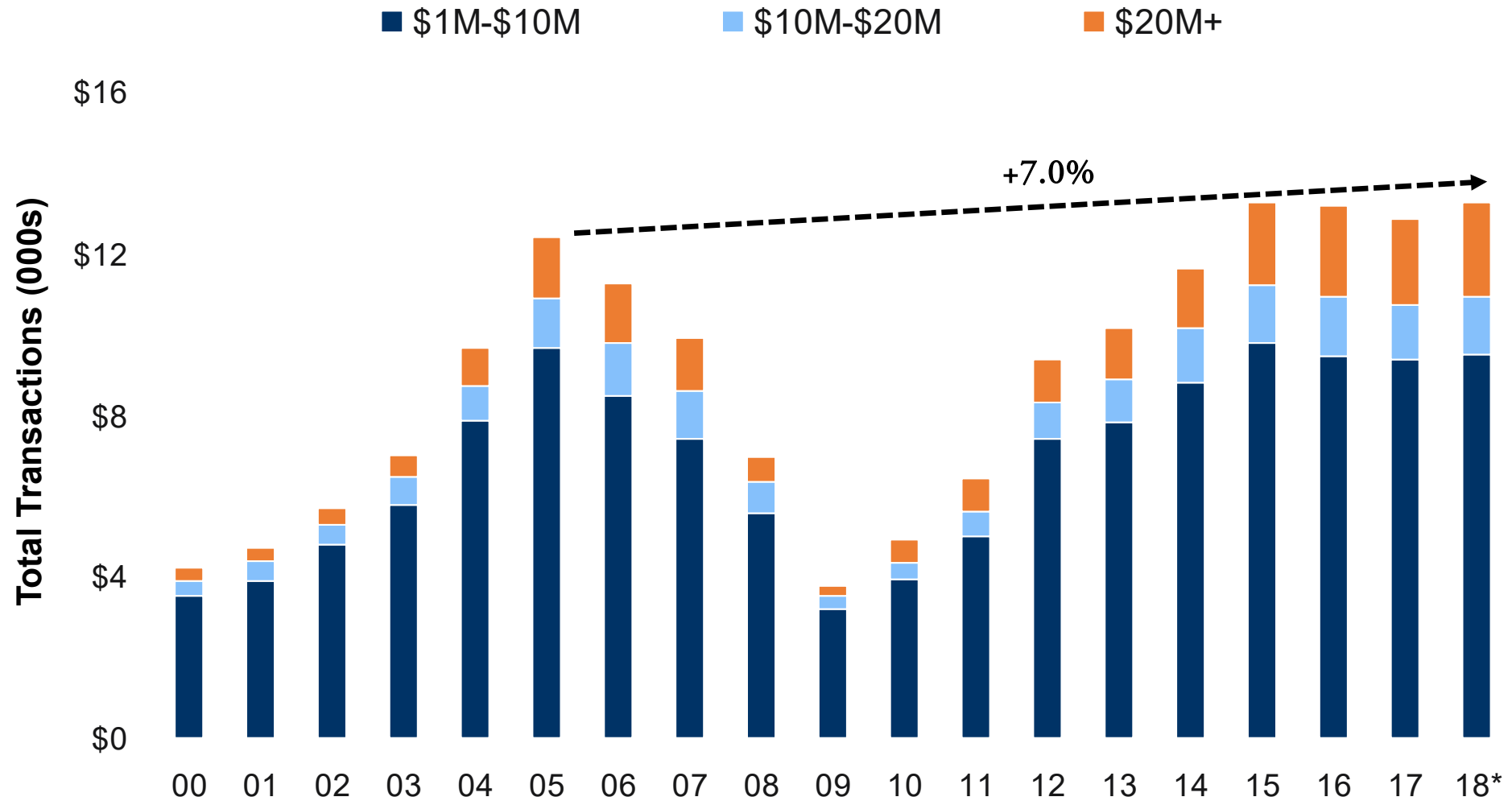
* Trailing 12 months through 3Q
Includes sales \$1 million and greater
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

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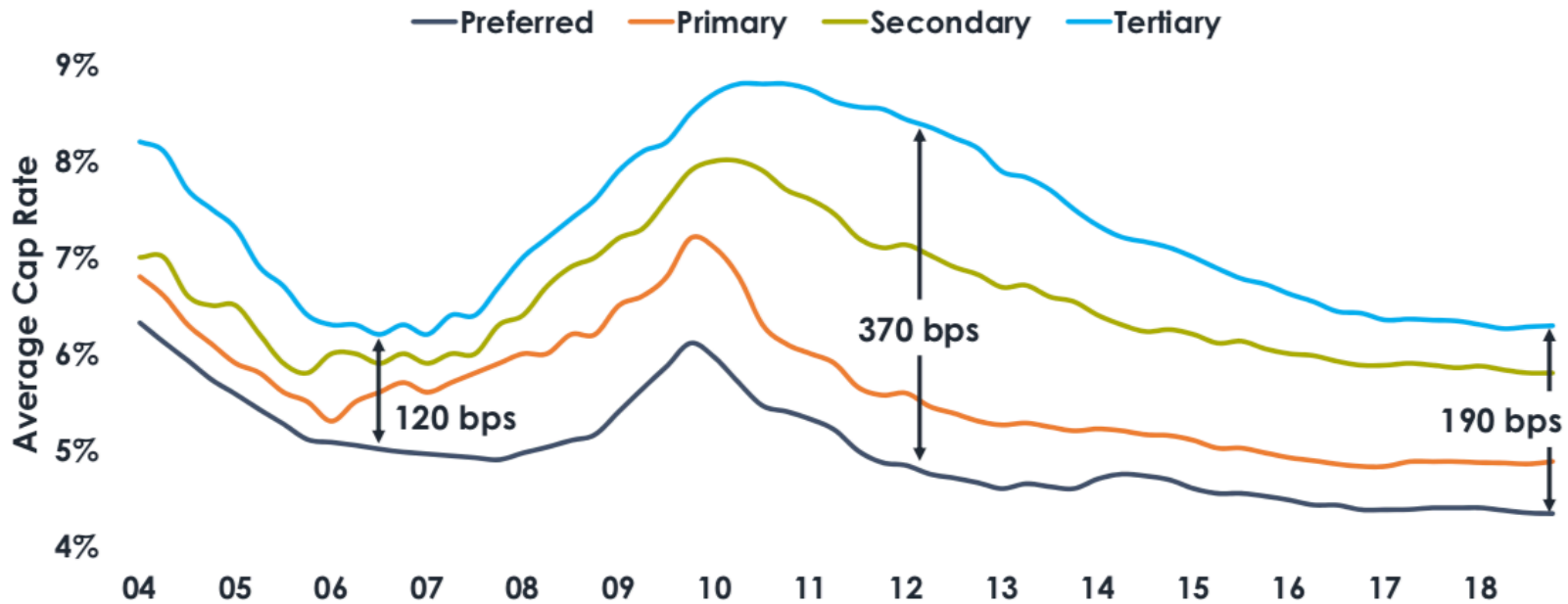
Housing Construction Has Fallen Short of Demand



U.S. Apartment Investment Trends Transaction Activity by Price Tranche



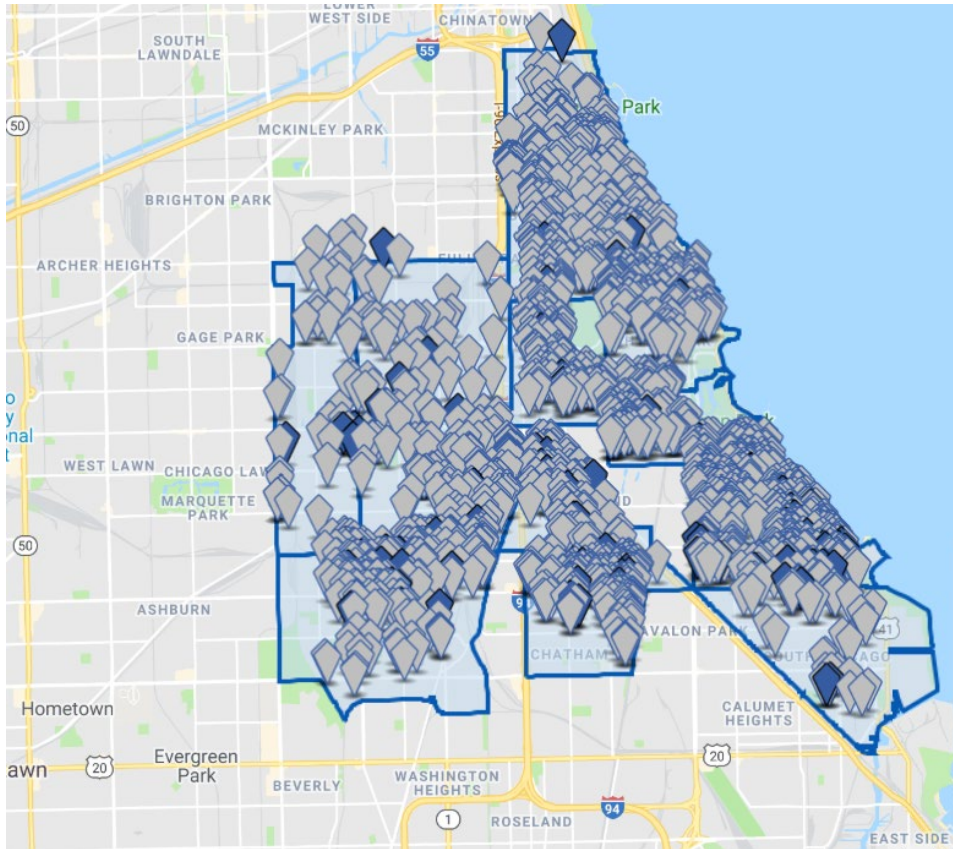
Apartment Cap Rate Spreads Compress as Investors Pursue Yields Beyond Core



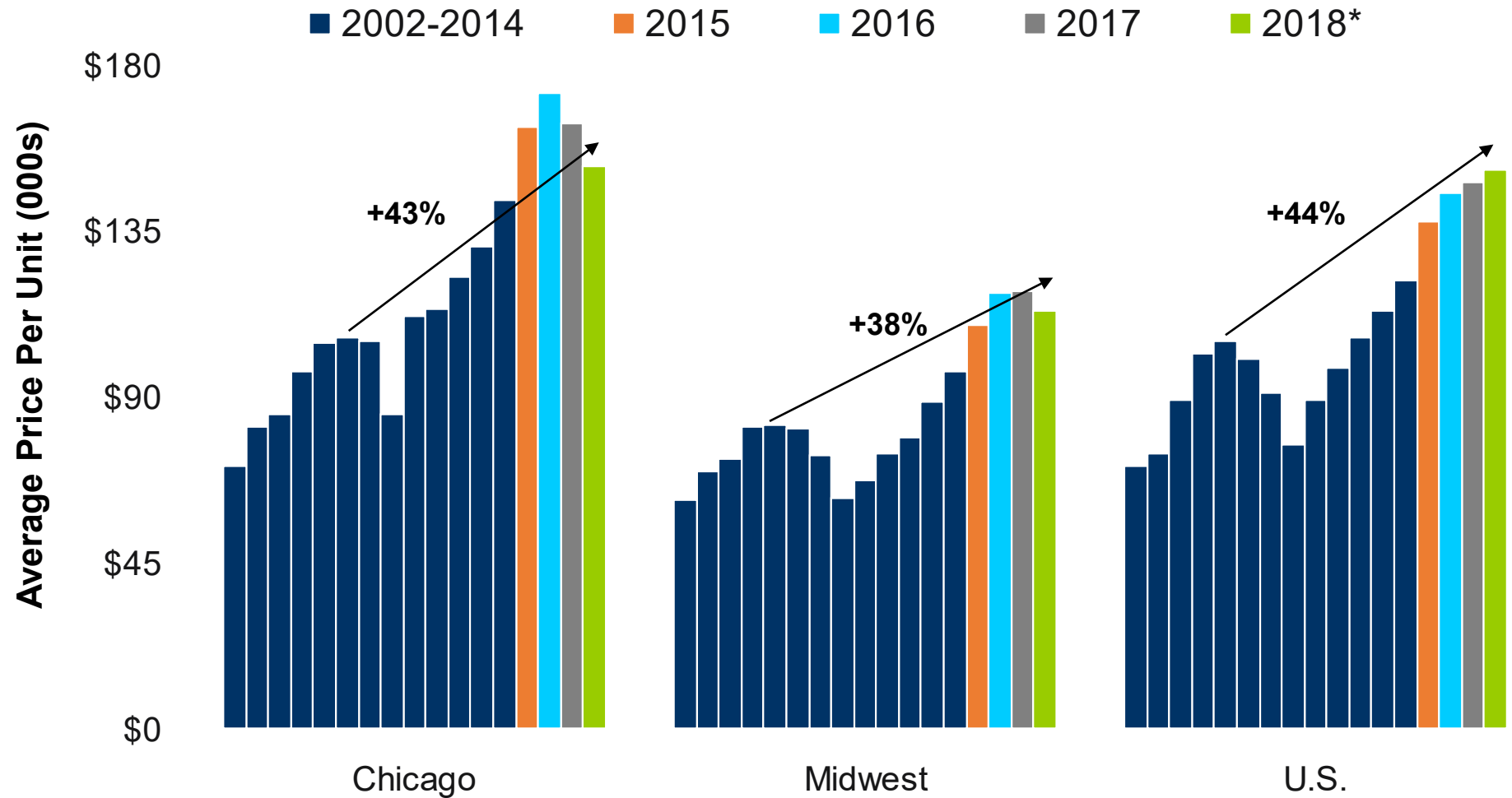
Includes sales \$1 million and greater
 Preferred Markets Include: NY, DC, BOS, SD, LA, OC, SJ, SF, SEA
 Sources: Marcus & Millichap Research Services, Real Capital Analytics, CoStar Group, Inc.

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Defining the Geography Discussed Today



- Bronzeville MF
- Chatham MF
- Englewood MF
- Greater Grand Crossing MF
- Gresham MF
- Hyde Park MF
- Kenwood MF
- South Chicago MF
- South Shore MF
- Washington Park MF
- West Englewood MF
- Woodlawn MF



* Trailing 12 months through 2Q
Includes sales \$1 million and greater

Midwest includes: Chicago, Cincinnati, Cleveland, Columbus, Detroit, Indianapolis, Kansas City, Milwaukee, Minneapolis, and St. Louis



Investor Sells Stock or
Has A Capital Gain



Investor Places Gains into
Qualified Opportunity Fund
(QOF) within 180 Days



QOF Buys Real Estate in
Qualified Opportunity Zone



QOF Invests \$ Matching
Purchase Price into
Property Development



Hold 10 Years
Pay No Capital Gains on
Acquired Property



Taxes on Original Capital
Gains Due: Dec. 31, 2026
or Upon Sale

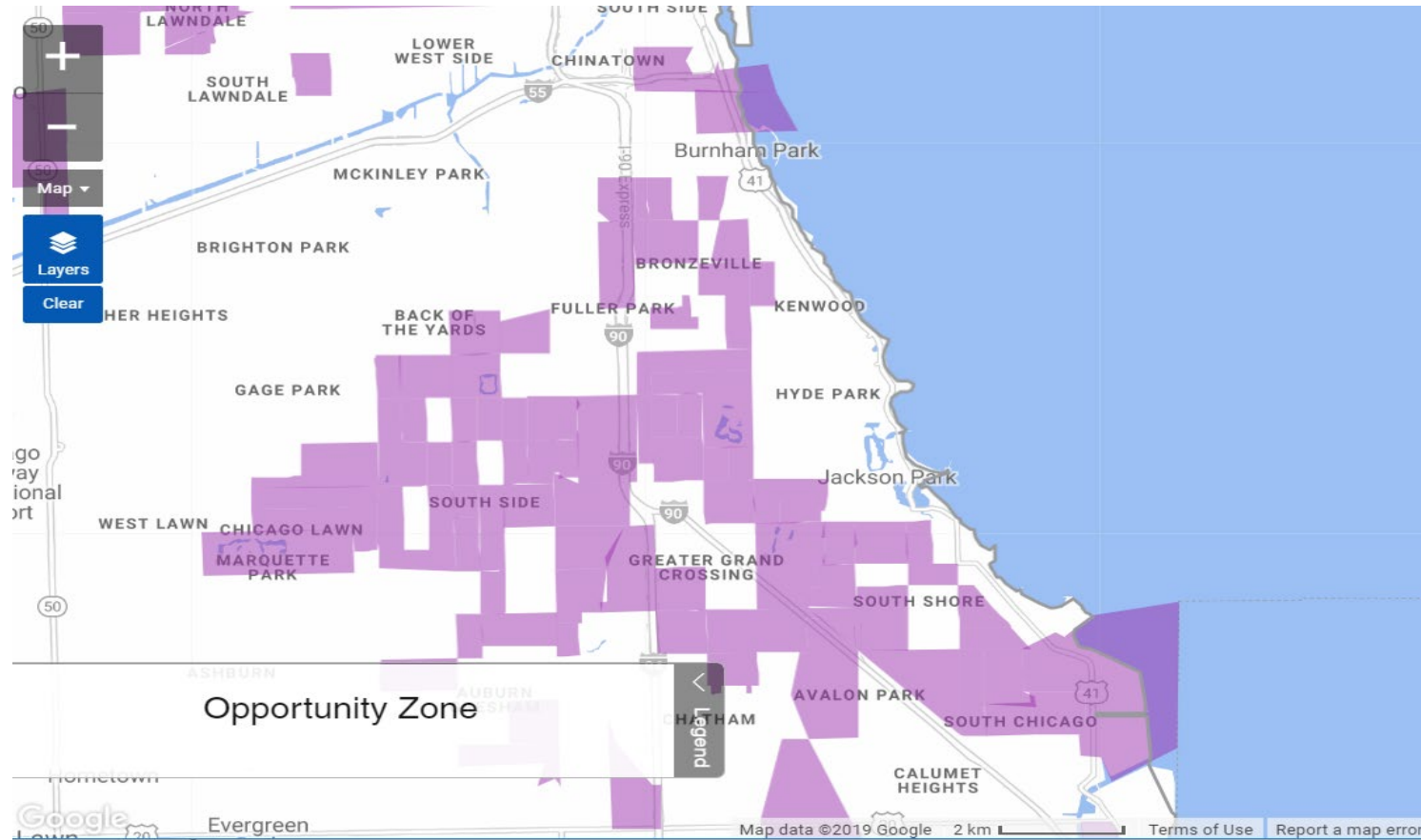


Hold 7 Years for 15% basis
increase (pay taxes on
85% of capital gains)



Hold 5 Years for 10% basis
increase (pay taxes on
90% of capital gains)

With Clarity on Rules, Opportunity Zones Set to Thrive



The High-Level Stats...

INVENTORY UNITS

51,026 **+0.4%**

Prior Period 50,842

UNDER CONSTRUCTION UNITS

304 **+25.6%**

Prior Period 242

12 MO ABSORPTION UNITS

482 **-24.0%**

Prior Period 633

VACANCY RATE

6.6% **-0.6%**

Prior Period 7.2%

MARKET RENT/UNIT

\$1,081 **+2.7%**

Prior Period \$1,053

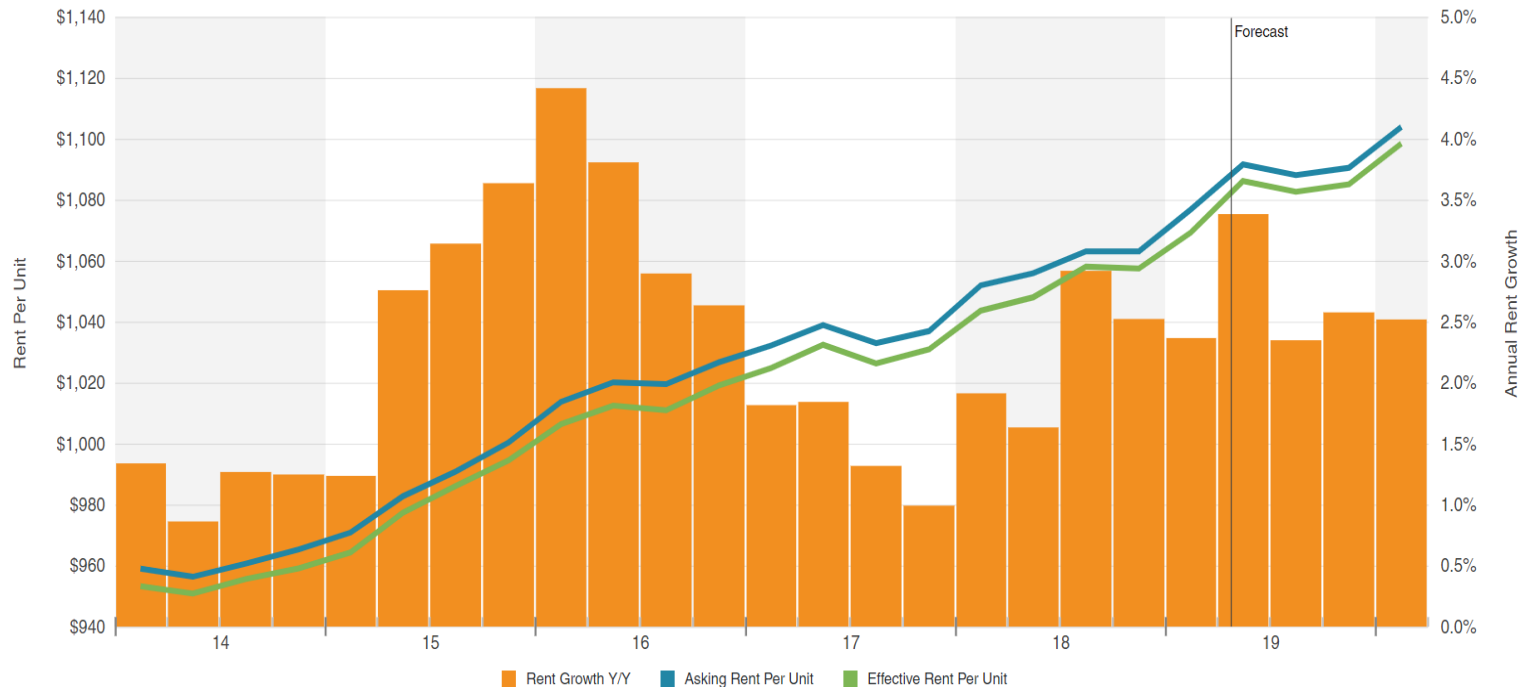
MARKET SALE PRICE/UNIT

\$128 K **+8.3%**

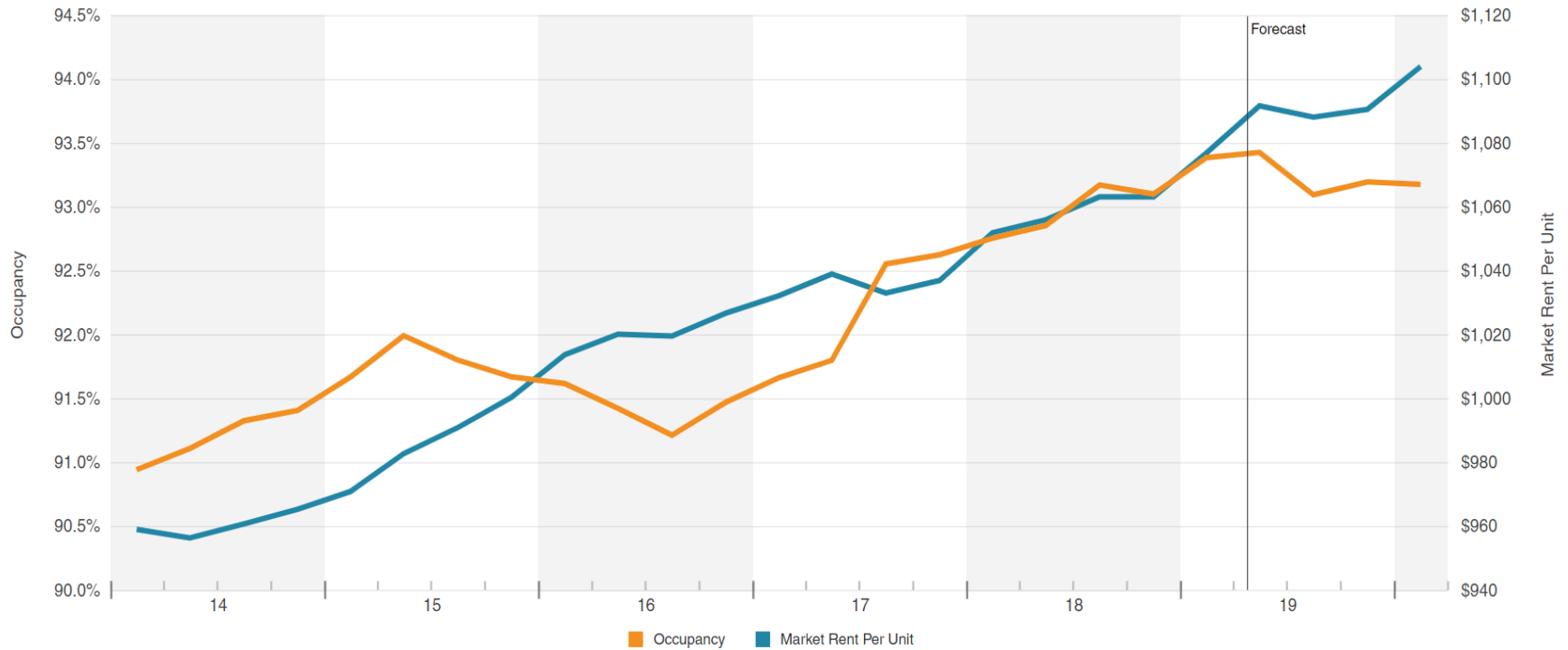
Prior Period \$118 K

Note: Excludes properties with fewer than 5 units and all student, senior and medical housing, as well as all rent controlled units

Rent Growth Increased Y-O-Y



Correlation Between Rent Growth & Occupancy



Hyde Park

INVENTORY UNITS

8,060 +2.3%

Prior Period 7,876

UNDER CONSTRUCTION UNITS

246 +33.6%

Prior Period 184

12 MO ABSORPTION UNITS

263 -22.6%

Prior Period 339

VACANCY RATE

4.2% -1.1%

Prior Period 5.3%

MARKET RENT/UNIT

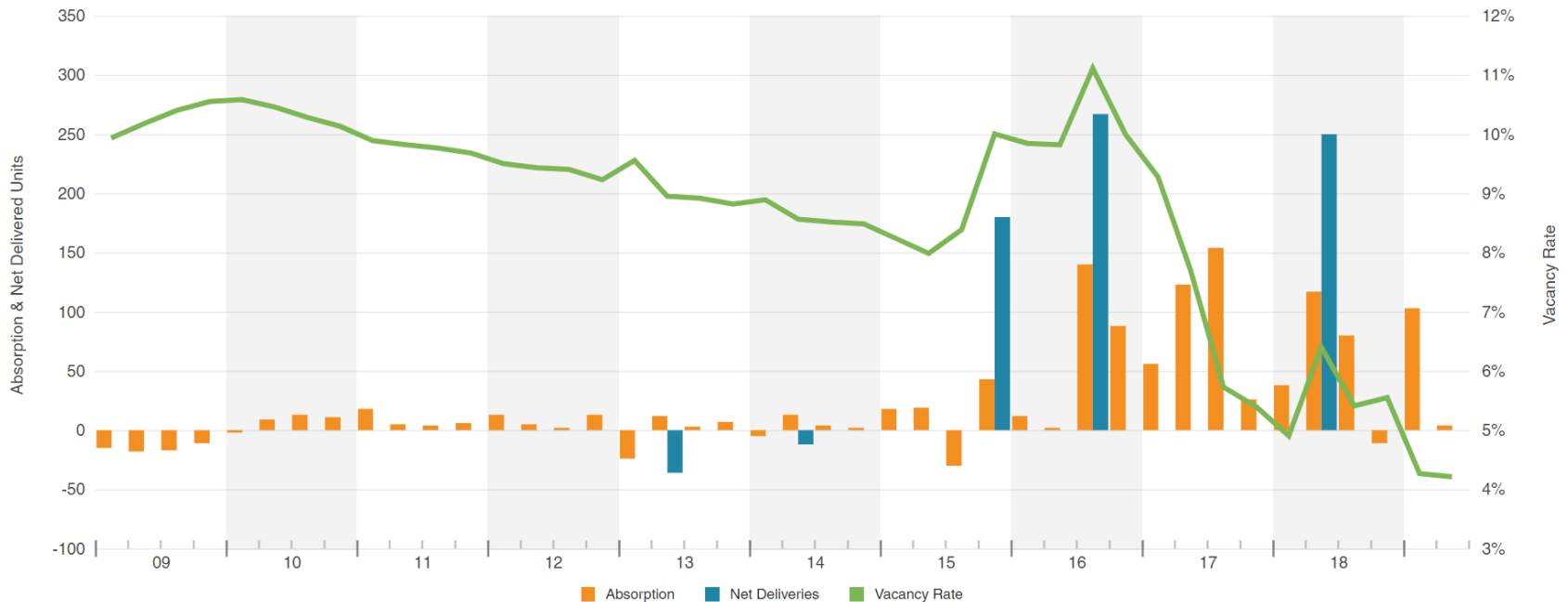
\$1,569 +3.1%

Prior Period \$1,522

MARKET SALE PRICE/UNIT

\$197 K +9.3%

Prior Period \$180 K



Bronzeville

INVENTORY UNITS
9,332 **0%**
 Prior Period 9,332

UNDER CONSTRUCTION UNITS
0 **-**
 Prior Period 0

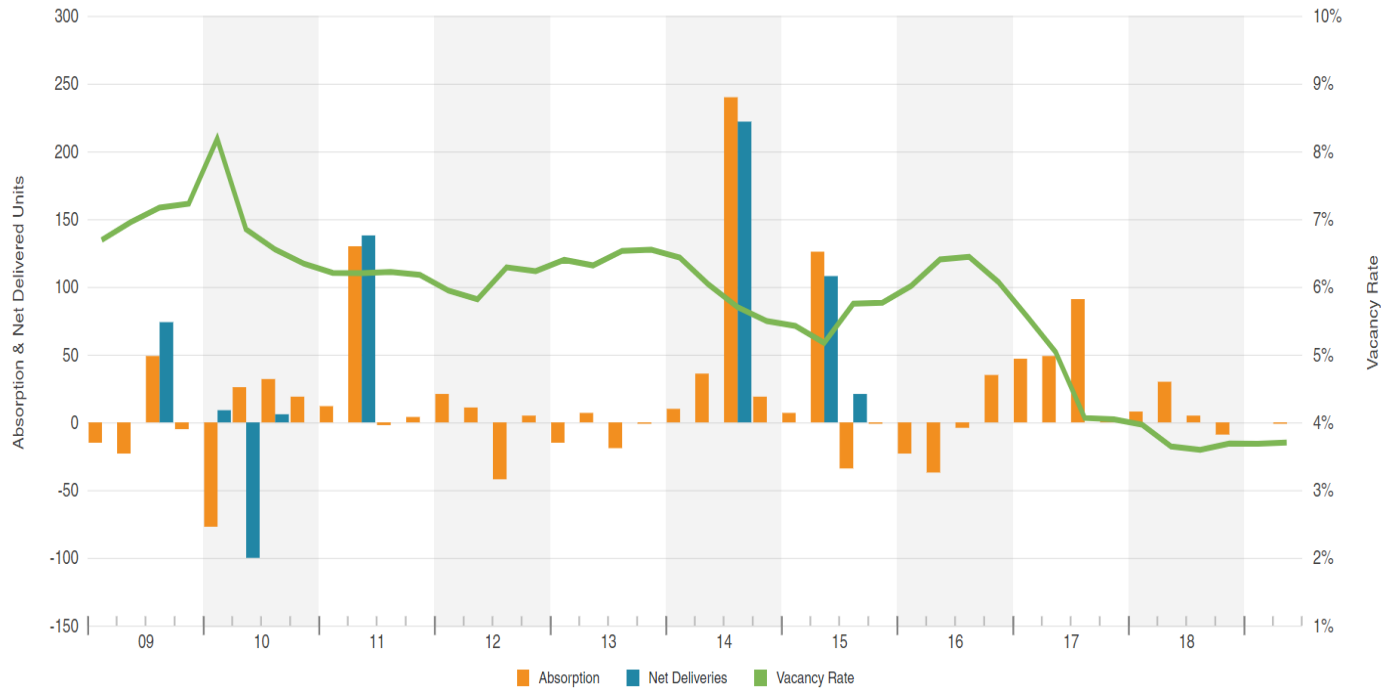
12 MO ABSORPTION UNITS
18 **-87.8%**
 Prior Period 145

VACANCY RATE
3.7% **-0.2%**
 Prior Period 3.9%

MARKET RENT/UNIT
\$1,140 **+2.1%**
 Prior Period \$1,116

MARKET SALE PRICE/UNIT
\$163 K **+9.7%**
 Prior Period \$148 K

MARKET CAP RATE
6.1% **-0.1%**
 Prior Period 6.2%



Woodlawn

INVENTORY UNITS

1,818 0%

Prior Period 1,818

UNDER CONSTRUCTION UNITS

0 -

Prior Period 0

12 MO ABSORPTION UNITS

6 -81.3%

Prior Period 34

VACANCY RATE

5.6% -0.2%

Prior Period 5.8%

MARKET RENT/UNIT

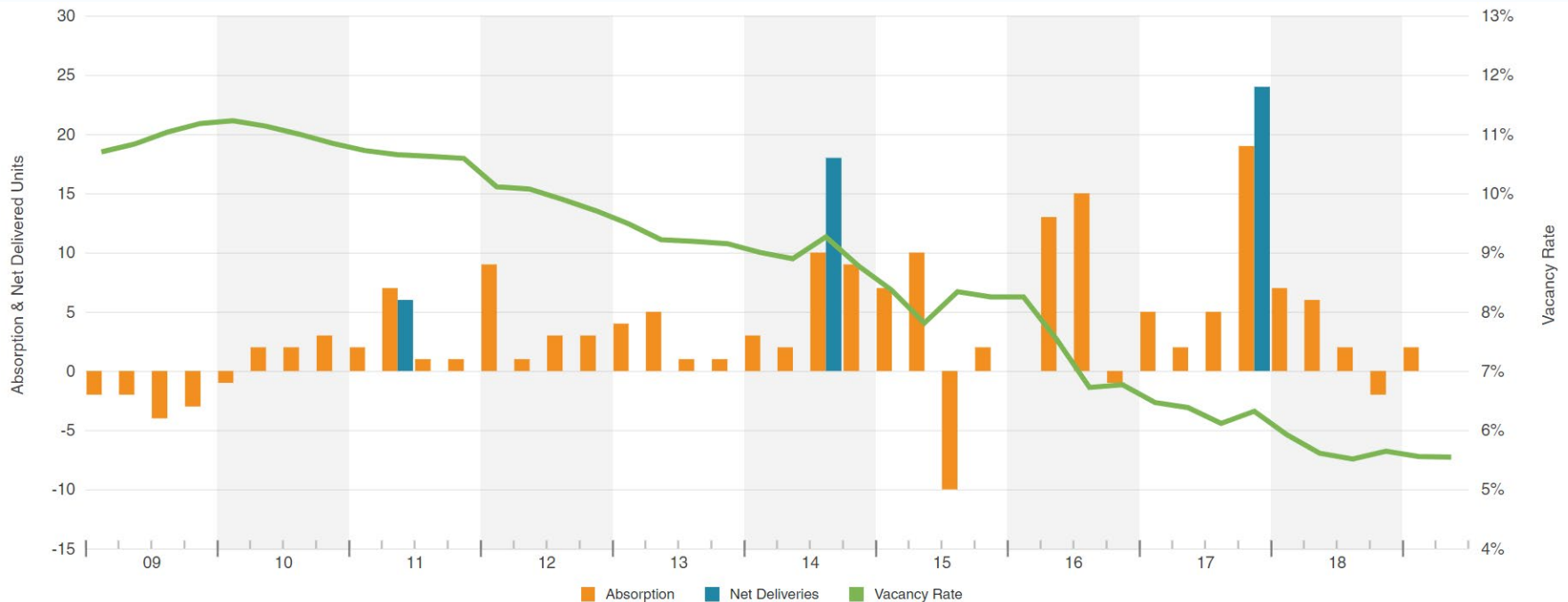
\$950 +2.5%

Prior Period \$927

MARKET SALE PRICE/UNIT

\$123 K +2.8%

Prior Period \$120 K



South Shore

INVENTORY UNITS

11,781 **0%**

Prior Period 11,781

UNDER CONSTRUCTION UNITS

0 **-**

Prior Period 0

12 MO ABSORPTION UNITS

73 **+35.4%**

Prior Period 54

VACANCY RATE

7.7% **-0.6%**

Prior Period 8.3%

MARKET RENT/UNIT

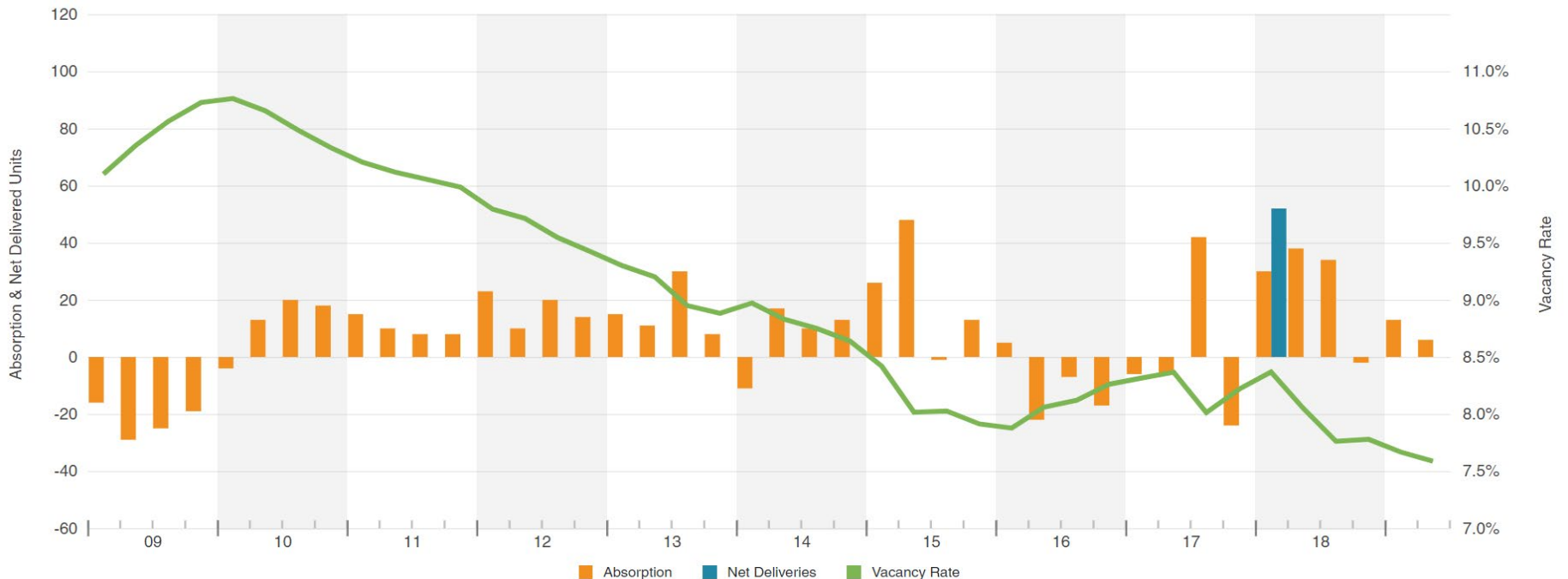
\$834 **+2.1%**

Prior Period \$817

MARKET SALE PRICE/UNIT

\$95.8 K **+7.4%**

Prior Period \$89.2 K



Chatham

INVENTORY UNITS

4,376 **0%**

Prior Period 4,376

UNDER CONSTRUCTION UNITS

0 **-**

Prior Period 0

12 MO ABSORPTION UNITS

33 **+91.6%**

Prior Period 17

VACANCY RATE

7.6% **-0.7%**

Prior Period 8.3%

MARKET RENT/UNIT

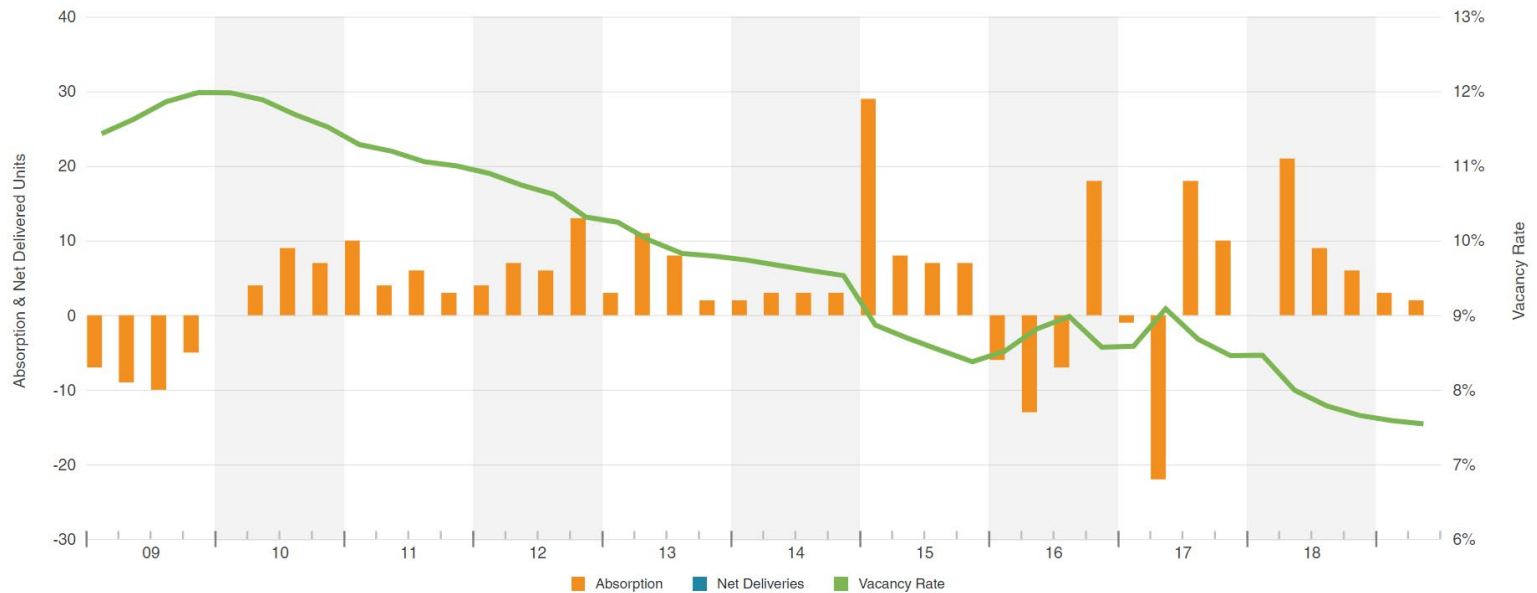
\$713 **+1.2%**

Prior Period \$704

MARKET SALE PRICE/UNIT

\$74.8 K **+3.3%**

Prior Period \$72.3 K



Grand Crossing

INVENTORY UNITS

1,504 **0%**

Prior Period 1,504

UNDER CONSTRUCTION UNITS

0 **-**

Prior Period 0

12 MO ABSORPTION UNITS

12 **+11.8%**

Prior Period 11

VACANCY RATE

6.8% **-0.8%**

Prior Period 7.6%

MARKET RENT/UNIT

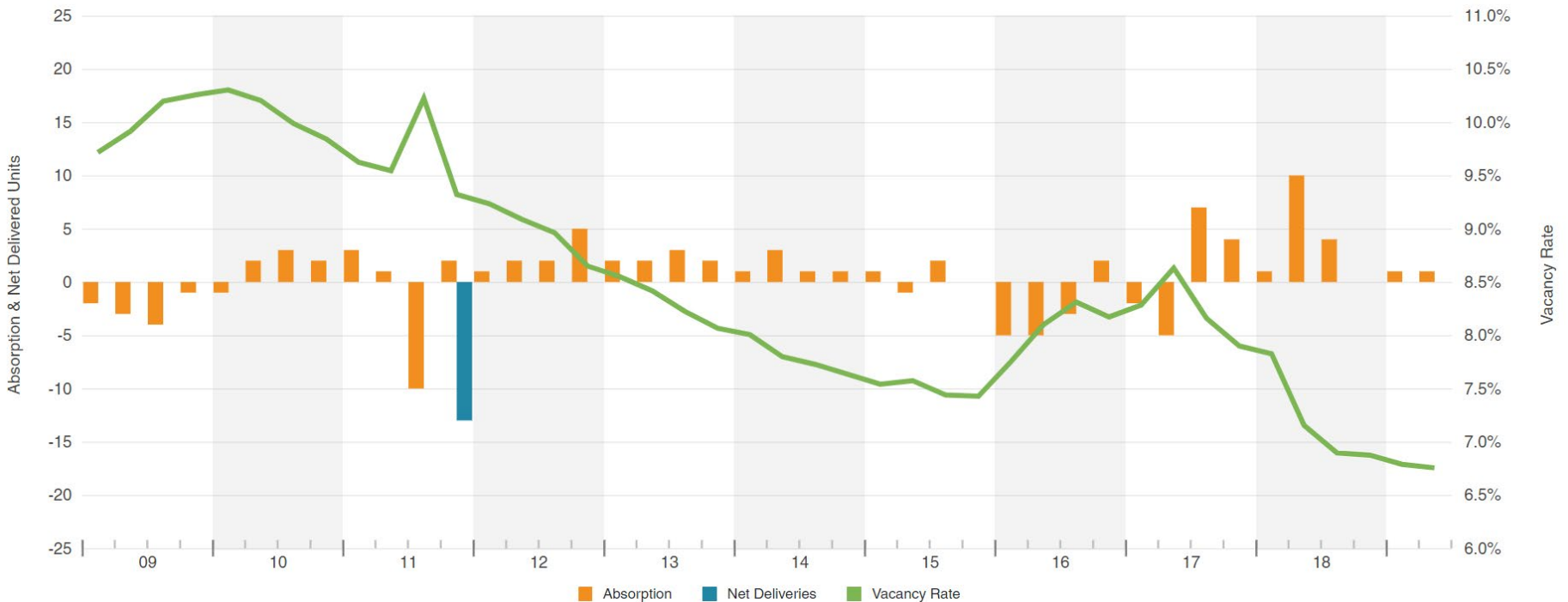
\$770 **+0.7%**

Prior Period \$765

MARKET SALE PRICE/UNIT

\$76 K **+3.5%**

Prior Period \$73.5 K



Auburn Gresham

INVENTORY UNITS

3,807 **0%**

Prior Period 3,807

UNDER CONSTRUCTION UNITS

0 **-**

Prior Period 0

12 MO ABSORPTION UNITS

26 **+17.7%**

Prior Period 22

VACANCY RATE

8.3% **-0.8%**

Prior Period 9.1%

MARKET RENT/UNIT

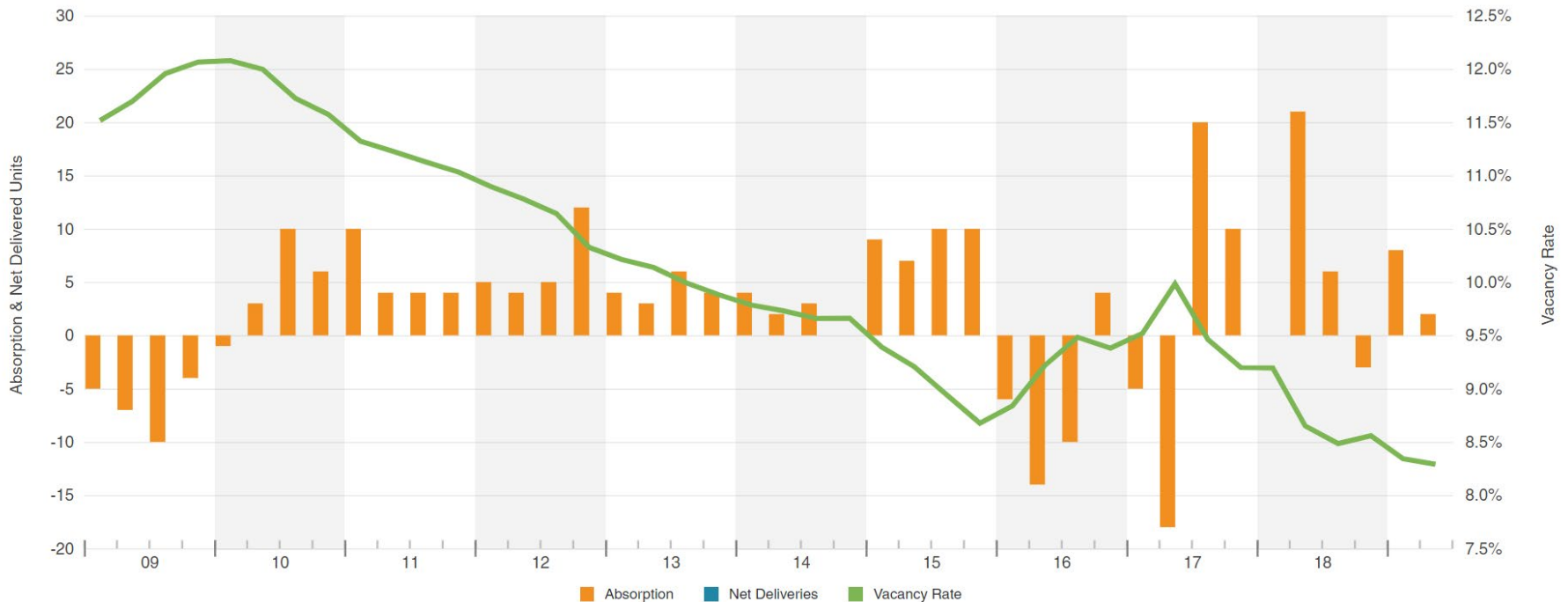
\$783 **+1.2%**

Prior Period \$774

MARKET SALE PRICE/UNIT

\$71.9 K **+3.5%**

Prior Period \$69.4 K



Englewood

INVENTORY UNITS

2,976 **0%**

Prior Period 2,976

UNDER CONSTRUCTION UNITS

0 **-**

Prior Period 0

12 MO ABSORPTION UNITS

67 **+262.4%**

Prior Period (41)

VACANCY RATE

12.5% **-2.2%**

Prior Period 14.7%

MARKET RENT/UNIT

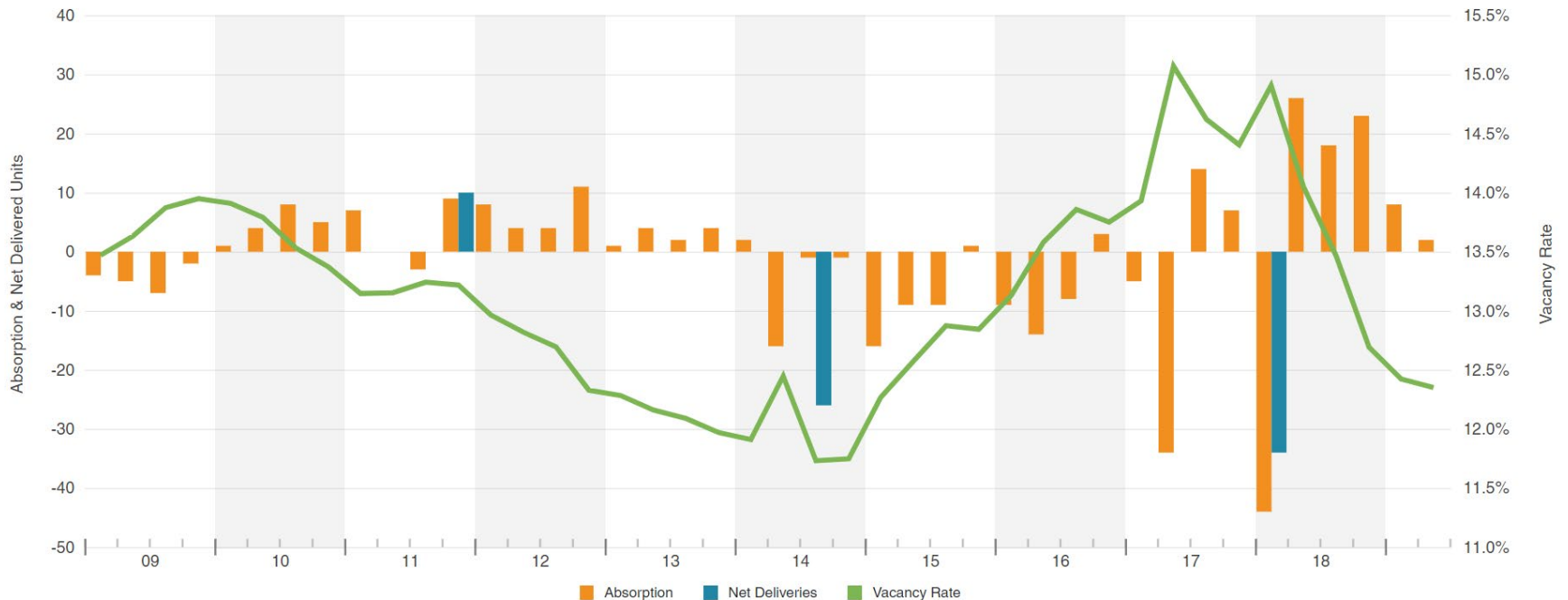
\$776 **+1.7%**

Prior Period \$763

MARKET SALE PRICE/UNIT

\$89.9 K **+12.5%**

Prior Period \$79.9 K



Exclusively Listed by Marcus & Millichap: Presidential Library Apartment Portfolio - 6 Buildings/237 Units



6701 S. Merrill Ave. - 25 Units
Chicago, IL 60649



6750 S. Merrill Ave. - 52 Units
Chicago, IL 60649



6715 S. Paxton Ave - 60 Units
Chicago IL 60649



6755 S. Merrill Ave. - 32 Units
Chicago IL 60649



6920 - 6930 Oglesby Ave. - 37 Units
Chicago IL 60649



6952 - 6958 S. Paxton Ave. - 31 Units
Chicago IL 60649

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CHICAGOLAND MULTIFAMILY INVESTOR: SPRING EXPERIENCE | ACCESS TO CAPITAL

The Multifamily Investor: Spring Experience is an opportunity for a select group of multifamily/small business investors and industry experts to exchange ideas, network, and discuss alternative ways to access capital in pursuit of wealth generating opportunities. In addition to networking, our sponsors have organized a variety of activities making this a memorable experience!



ACCESS TO CAPITAL is the #1 reason for success or failure in business. Join us for a late afternoon summit that will feature round table discussions with subject matter experts.

ROUND TABLE DISCUSSIONS

- 1031 Exchange
- Investing in Opportunity Zone
- Accessing Business Lines of Credit
- Owning a Franchise
- Raising Capital
- J.V Partnerships
- Deal Analysis
- Securing Financing
- Investing in Small Businesses

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ACTIVITIES

Wine making class with a complimentary bottle.

On site caricature artist!

Bring your favorite cigar and enjoy networking on the outdoor patio!

