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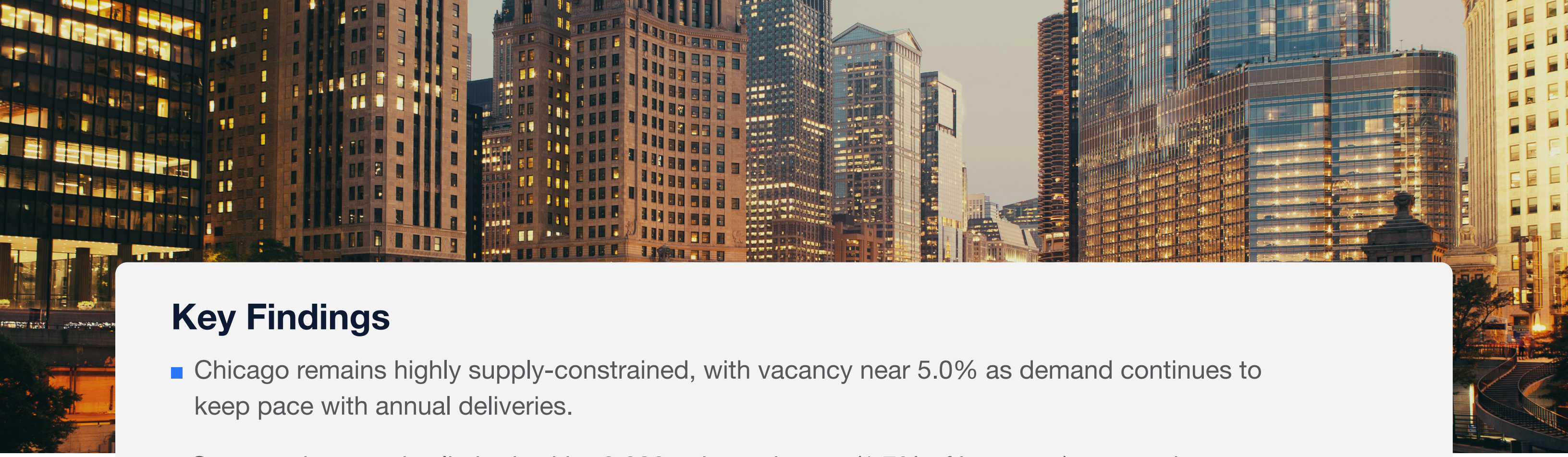
Market Report

Chicago, IL

Multifamily | Q1 2026



Key Findings

- Chicago remains highly supply-constrained, with vacancy near 5.0% as demand continues to keep pace with annual deliveries.
- Construction remains limited, with ~9,800 units underway (1.7% of inventory), supporting rent growth just above 3.0%.
- Investment activity is stabilizing, with sales volume reaching approximately $6 billion, driven by steady fundamentals and demand for quality assets.

By the Numbers

Source: CoStar Group, Inc.

$1.9B
Sales Volume

$229K
Price Per Unit

6.7%
Cap Rate

5.0%
Vacancy Rate

3.1%
Rent Growth

$1.9K
Asking Rent Per Unit

10.4K units
Under Construction

865 units
Delivered

989 units
Absorbed

Chicago benefits from a highly diversified and resilient economic base anchored by finance, healthcare, manufacturing, logistics, and professional services. The metro hosts a deep pool of office-using employment, supported by 24 Fortune 500 headquarters and a well-educated workforce, with 39% of adults holding a bachelor's degree or higher. While broader population growth has been modest, higher-income households continue to concentrate in Downtown Chicago, the North Lakefront, and select suburban nodes. Relative affordability compared with peer coastal markets, combined with proximity to major employment centers and infrastructure advantages, continues to underpin multifamily demand.

Chicago Demographics

Source: CoStar Group, Inc.

5.3%
Unemployment Rate

9,395,623
Current Population

3,704,570
Households

$94,329
Median Household Income

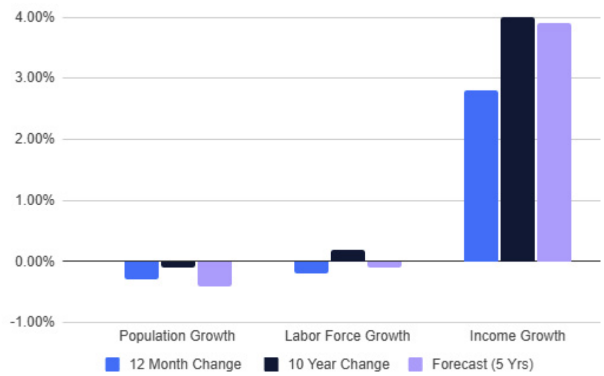
Recent Office Expansions in Chicago

Source: CoStar Group, Inc.

- Bain and Company
- PwC
- Medline
- Boston Consulting Group

Population, Labor Force, & Income Growth

Source: CoStar Group, Inc.



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Market Performance

Fundamentals remained firm entering Q1 2026 as leasing demand continued to keep pace with new supply. Vacancy held near 5.0%, remaining well below the national average and reflecting sustained absorption alongside limited inventory expansion. Net absorption remained positive across both urban and suburban submarkets, with Downtown Chicago accounting for a disproportionate share of demand given its role as the region's primary employment and lifestyle hub. Asking rents averaged approximately $1,950 per unit, with annual growth just above 3.0%, continuing to outperform national benchmarks . Growth was strongest among Class A assets, though mid- and lower-tier properties also recorded steady gains, supported by constrained supply and limited trade-out options. Concession levels remained low, signaling continued landlord pricing power and stable lease-up conditions.

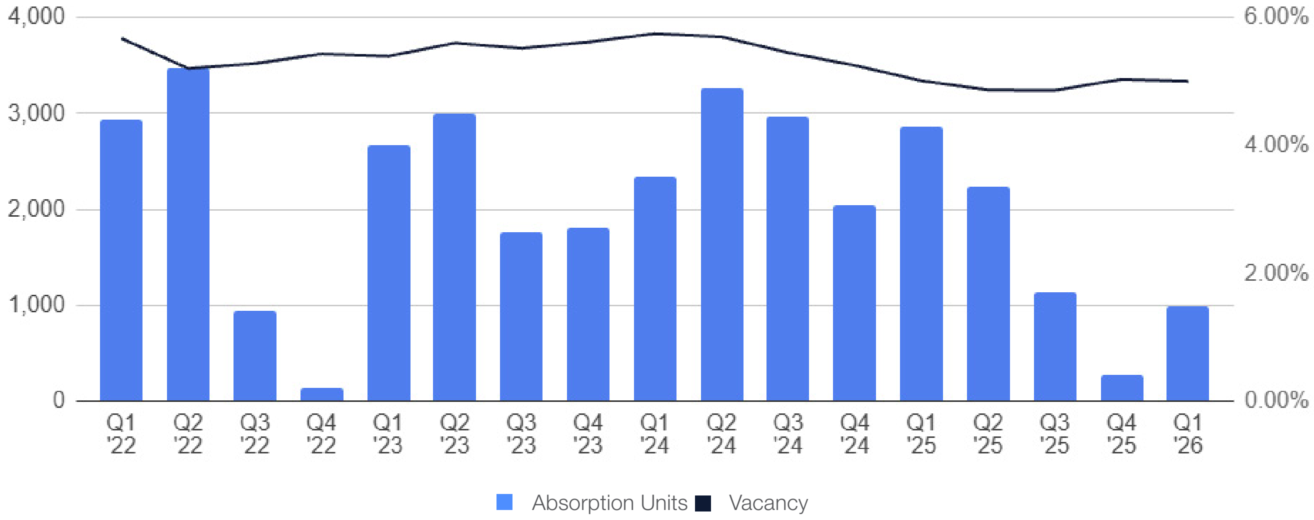
Performance by Class Sector

Source: CoStar Group, Inc.

	Vacancy Rate	Asking Rent	Inventory Units	Units Under Construction
Class A	6.3%	$2,735	132K	5,250
Class B	4.8%	$1,705	220K	3,350
Class C	4.4%	$1,267	219K	-

Chicago Multifamily Supply & Demand Dynamics

Source: CoStar Group, Inc.



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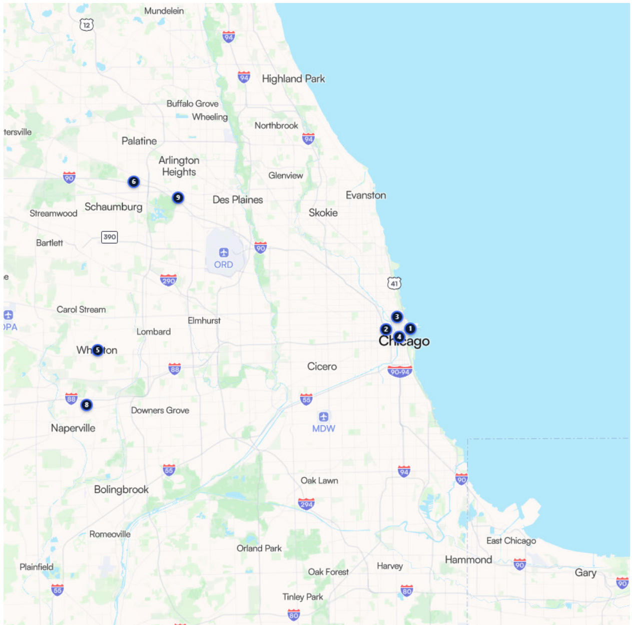
Construction

Under Construction Properties

Source: CoStar Group, Inc.



Under Construction

Construction activity remains constrained entering Q1 2026, with roughly 9,800 units underway, representing a limited pace of inventory expansion relative to market size . Development has slowed due to elevated construction costs, tighter financing conditions, and longer entitlement timelines, all of which have reduced new project starts. Following a surge in deliveries in 2023, recent completions have begun to decline and are expected to trend lower through 2026. New supply remains heavily concentrated in luxury product, with higher-end units comprising the majority of both recent deliveries and the active pipeline. Downtown Chicago continues to account for the bulk of development activity, while suburban construction remains more selective and limited in scale. As a result, the overall pipeline is expected to remain insufficient to meet demand, reinforcing tight vacancy and supporting rent growth.

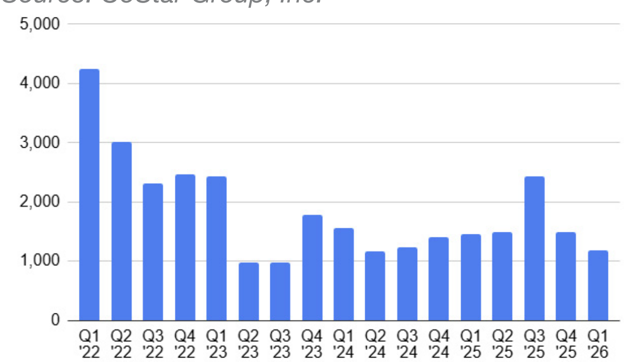
Top 10 Under Construction

Source: CoStar Group, Inc.

Address	Units	Complete Date
400 N Lake Shore Dr	635	06/2026
370 N Morgan St	494	08/2027
1200 S Wells St	400	12/2027
135 S LaSalle S	386	10/2027
220 W Liberty Dr	334	09/2026
2000 Progress Pky	321	05/2027
1381 Cherry Blossom St	320	10/2027
1200 E Diehl Rd	306	07/2026
25 E Algonquin Rd	301	05/2026
12700 IL Route 47	293	05/2026

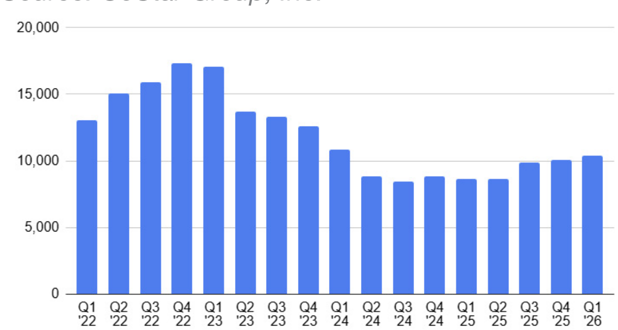
Units Construction Starts

Source: CoStar Group, Inc.



Units Under Construction

Source: CoStar Group, Inc.

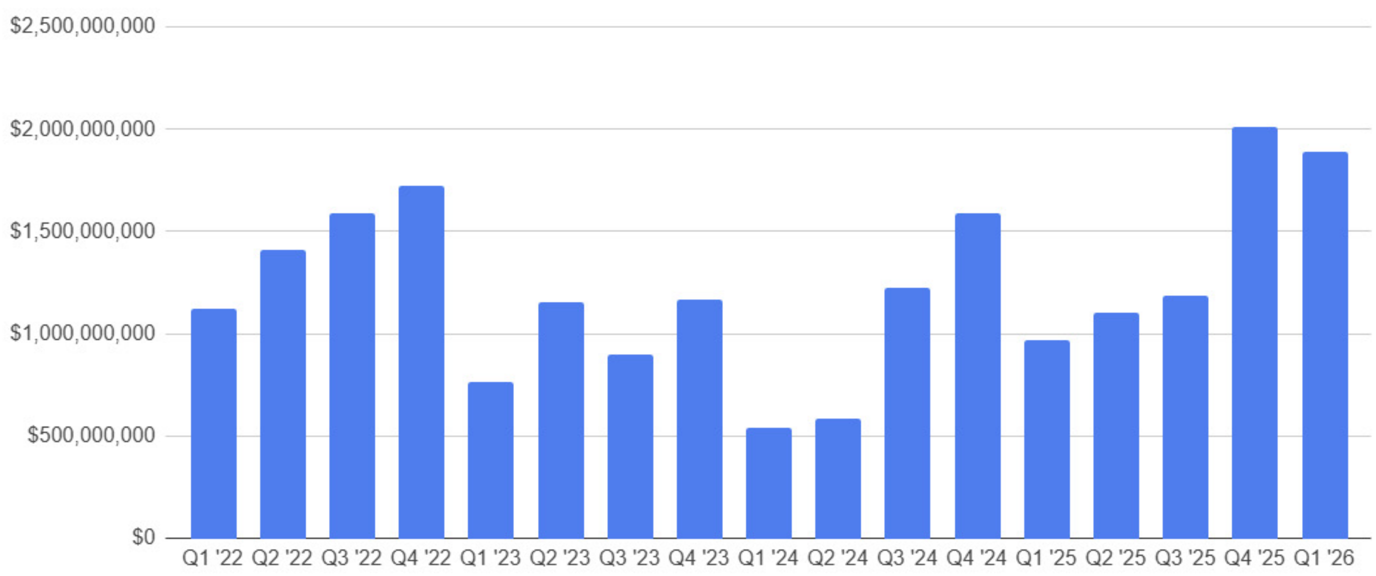


Sales

Investment activity entering 2026 shows signs of stabilization, with annual sales volume reaching approximately $6 billion . While transaction activity remains below prior cycle peaks, deal flow has improved as pricing expectations between buyers and sellers begin to align. Higher interest rates continue to shape underwriting, contributing to modest cap rate expansion and a more selective investment environment. Investors remain focused on well-located, institutional-quality assets, particularly in core urban submarkets with durable demand drivers. Value-add strategies are still active, though underwriting assumptions have become more conservative, especially around rent growth and exit pricing. Chicago's stable operating fundamentals and relative affordability compared to coastal markets continue to support investor interest. As capital markets stabilize further, transaction activity is expected to gradually increase through 2026.

Chicago Multifamily Sales Volume

Source: CoStar Group, Inc.



Significant Sales

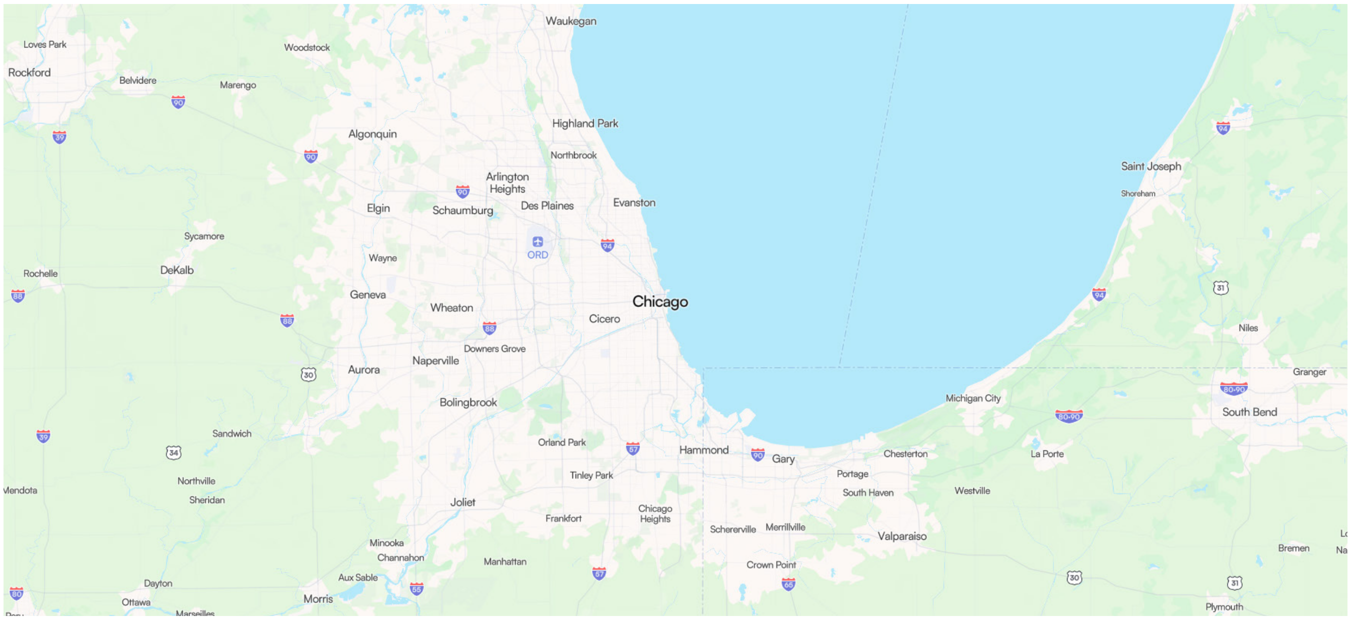
Q1 2026 | Source: CoStar Group, Inc.

Address	Year Built	Units	Sale Date	Price	Price/Unit
73 E Lake St	2014	332	1/29/2026	$126,100,000	$380K
1 Elm Creek Dr	1987	400	3/27/2026	$117,500,000	$294K
1615 Arbor Ln	1972	730	1/23/2026	$88,500,000	$337K

Submarket Highlights

Source: CoStar Group, Inc.

Submarket	Vacancy	Market Rent Per Unit	Units Under Construction
Aurora	3.5%	$1,469	676
DeKalb	4.8%	$1,072	-
DeKalb County	5.6%	$1,421	52
Des Plaines/Arlington Hts Corridor	4.6%	$1,912	349
Downtown Chicago	5.3%	$3,119	3,436
East Suburban McHenry	3.4%	$1,736	220
Elgin/Dundee	6.5%	$1,808	130
Evanston	4.5%	$2,235	230
Far North Chicago	3.6%	$1,416	68
Far North Suburban Cook	11.2%	$2,481	121



For more information, please contact a Matthews™ specialized agent.