VIEWPOINT

2023 CHICAGO, IL MULTIFAMILY ANNUAL REPORT

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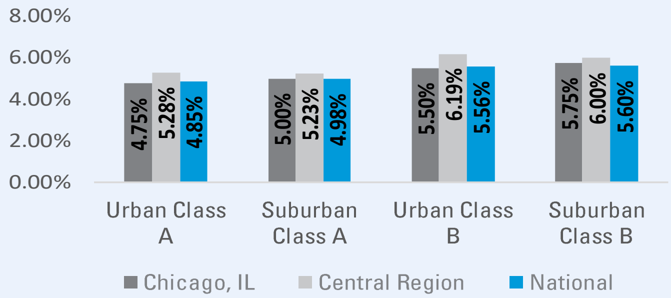
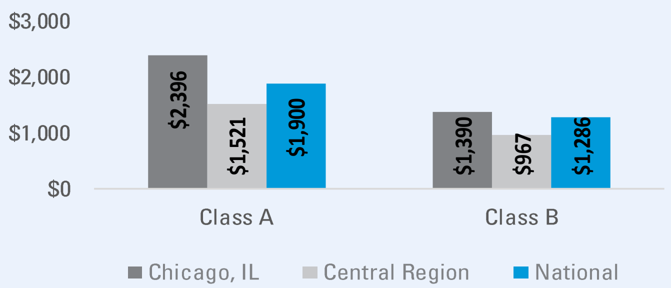
Market Rate Indicators (Y/Y)

Categories	Class A	Class B
Going In Cap Rate (%)	▲	▲
Asking Rent ($/Unit)	▲	▲
Vacancy Rate (%)	▲	▼

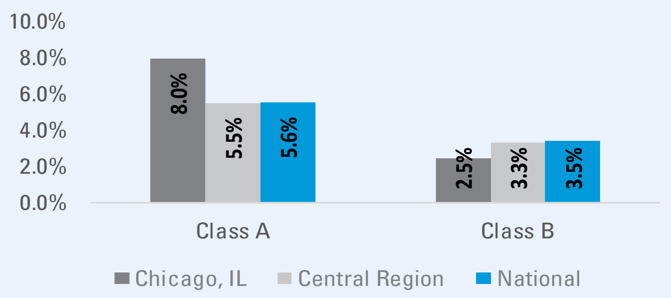
Going In Cap Rate Comparisons (%)



Asking Rents ($/Unit)



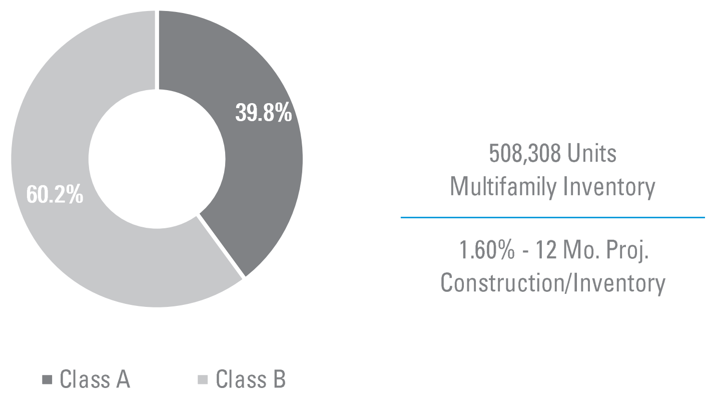
Vacancy Rates (%)



Chicago, IL Multifamily Market Overview

Downtown Chicago absorption for 2021 came in at a record breaking 7,048 units. This unprecedented level of absorption essentially represents two years of demand and put the market back on track after seeing no net absorption in 2020 due to the onset of the pandemic. For 1Q22, absorption was 585 units with a projected 1,500 units for the year. Traditional absorption levels of 3,000+ units will not be seen until supply increases at a greater rate in 2023. We are currently forecasting new deliveries of just less than 3,000 units in 2023 followed by about 4,000 units in 2024. While relatively large numbers in light of recent absorption patterns, it will be just enough units to bring the market back into balance. Rising interest rates could negatively impact the projected deliveries. Net rents are expected to continue to rise in light of the current shortage. Apartment buildings on the periphery of the downtown market are benefiting from the market imbalance. Sources of demand are wide ranging and include employment relocations to Chicago, younger adults moving back downtown after having relocated to their parent's residence at the onset of the pandemic, and the normal movement of tenants in the market. Work from home will continue to be a factor going forward, yet most employers expect at least some in-office time (a weekly presence in the office) for the vast majority of workers. Concessions have been virtually eliminated from the market as most buildings have filled up. Buildings in lease up that have reached stabilized occupancy are rarely discounting rents. Occupancy at downtown stabilized properties has increased to 94.8% as the end of the third-quarter2022. The average downtown net effective rent has held steady for 2022, ending the third quarter at $3.49 per square foot for 51,806 units surveyed. Occupancy at suburban properties dipped to 97.5% as of the third-quarter 2022, lower than the 98% and higher rate for the past year, but still strong and well above the historic average. The average suburban net effective rent has held steady for 2022, ending the third quarter at $1.92 per square foot for 111,070 units surveyed. Everyone from consumers to developers to investors to lenders are watching the economy. National GDP in the 3rd quarter of 2022 grew by about 2.6%, reversing the declines of the first half of the year. Employers continue to add jobs with healthcare, professional, technical services and manufacturing leading the gains. The jobless rate inched upward to 3.7% and hourly earnings are up 4.7% year-over-year (3Q). The concern is an inflation driven recession. The Federal Reserve's response has been to aggressively raise interest rates. The probability of a recession in the next 12 months now stands at 63%, up from 16% year-over year, per the WSJ's survey of economists. The cost of mortgage debt has increased dramatically in 2022. The pendulum of economic effects due to pandemic actions continues to swing.

Distribution of Total Inventory



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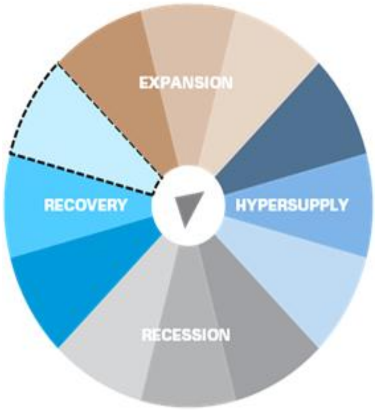
Change In Value Next 12 Months

+/- 0% Urban Class A	+/- 0% Suburban Class A
+/- 0% Urban Class B	+/- 0% Suburban Class B

Market Cycle: Recovery Stage 3



- Low New Construction
- Decreasing Vacancy Rates
- Low/Moderate Employment Growth
- Moderate Absorption
- Neg/Low Rental Rate Growth

Forecasts

Chicago, IL 12-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Going-In Cap Rates	Increase 1-24 bps	Increase 25-49 bps	Increase 1-24 bps	Increase 25-49 bps
Discount Rate	Remain Steady - no change	Increase 1-24 bps	Remain Steady - no change	Increase 1-24 bps
Reversion Rate	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Construction (Units)	8,140			
Market Rent Change	+4.00%	+3.50%	+4.00%	+3.50%
Expense Rate Change	+3.50%	+3.50%	+5.50%	+3.50%
Years to Balance	In Balance			

Chicago, IL 36-Month Multifamily Forecasts

Categories	Urban Class A	Urban Class B	Suburban Class A	Suburban Class B
Market Rent Change	+13.85%			
Change in Value	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 165 MAI-designated members of the Appraisal Institute among 600+ professionals based in our 50+ offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments.

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