



GlobeSt.com | Newsletters **SEARCH** ADVANCED

HOME LOCAL COVERAGE REGIONAL COVERAGE SECTOR COVERAGE FEATURES RESOURCES EMAIL ALERTS NEWSLETTERS CONFERENCES MAGAZINES CONTACT US

GlobeSt.TV ARCHIVES WEBINARS BLOGS COMPANY LOCATOR RSS FEEDS

Hello **LESLIE JOHNS**
[My Account](#) | [My Content](#) | [My E-Mail](#) | [Logoff](#)

QUICK POLL

Is Equity Returning to the Market?

- Absolutely
- Slightly.
- No way.

VOTE

[View Results](#)

JOBS

powered by **Select Leaders**

Enter Search Keywords

eg: "Financial Analyst" or Company

GO

[Recruit](#) [Commentary](#) [Sign up for Alert](#)

ADVERTISEMENTS

BUSINESS RESOURCES

ADVERTISE HERE 1031 EXCHANGES
[more details](#) > [Locate-A-Service](#)

REALSHARE CONFERENCES

TIC
 On-Demand Until August 11
 Virtual Conference

Orange County
 August 27
 Hyatt Regency Irvine

Industrial
 August 31
 Virtual Conference

[Full 2009 Conference Schedule >](#)

Last updated: July 31, 2009 08:18am

Multifamily a Tale of Two Markets in Q2

By *Cari Brokamp*

[Print](#) [Email](#) [Post](#) [Republish](#) [News Tip?](#) [Share](#)



CHICAGO-Though average occupancy rates and rents continued their fall in Q2, the Chicago multifamily market presents a varied picture depending on submarket. Occupancy rates dropped to 93.3% at mid-year, as compared to 94% in Q1 and nearly 95% just a year ago, according to Marcus & Millichap's Q2 multifamily market report. However, experts say the disparity from submarket to submarket is substantial, with some areas hit far worse than others.

"The Lincoln Park and Lakeview type markets are holding up very well and we've seen that there has not been a material price erosion in these better locations," Doug Imber, president of Chicago-based Essex Realty Group Inc., tells GlobeSt.com. "But as you look down the food chain in terms of quality of asset or location, values have eroded more dramatically. When you look at properties in some of the westside and southside neighborhoods, the price erosion has been very severe."

Asking rents also decreased, though less substantially, settling around \$1,064, down just 0.3% since this time last year, Marcus & Millichap reports. Experts say this too tends to vary greatly from submarket to submarket.

"This is a very submarket specific thing, and while overall it's not been good, in most markets it's not as bad as people feared," Imber says. "If you look in the Gold Coast or South Loop, where there's been an increase in supply and the shadow rental market, occupancies have suffered. On the other hand, neighborhoods like Lincoln Park, Lakeview and Ravenswood have performed better than many landlords probably feared in December."

Marcus & Millichap's research shows that multifamily property values have also taken a significant blow. The median price per unit dropped to \$77,724, a 1.8% drop from Q1's median of \$79,125, the report says.

"The moral of the story is that better areas have held their values, and the tertiary areas have really dropped off materially," Imber says. "If I look at higher quality assets in better locations that have low cap rates, implicit in that cap rate is less volatility. It makes sense that there would be less price erosion in the better locations and more volatility in the historically higher cap rate markets."

Overall, the average cap rate in the Chicago metro multifamily market is up 30 basis points since the first quarter and 100 basis points year-over-year to 7.9%, according to Marcus & Millichap's research. This data points to one positive consequence of the otherwise abysmal economic conditions - that great opportunities exist amidst the

More Chicago News [Chicago Page](#)

- [MF: A Tale of Two Markets](#)
- [\\$30M Prudential JV Targets Medical...](#)
- [M&M Markets \\$19M Panasonic Building](#)
- [LogistiCenter Leases Up 156,130 SF to...](#)
- [WH Trading Leases at 125 S. Wacker](#)

More Midwest News [Midwest Page](#)

- [Chicago- Gold Eagle Signs On for 170,000 SF](#)
- [Chicago- Appraisal Institute Names Zimmermann...](#)
- [Chicago- Multifamily a Tale of Two Markets in...](#)
- [Minneapolis- Slight Recovery Likely by...](#)
- [Insider- Investors Wonder About S&P...](#)

INDUSTRY QUICK LINKS [Get Listed](#)

FORESITE REALTY PARTNERS, LLC
 847.939.6010
www.foresiterealty.com **The Big Six Market Sectors:**

ADVERTISE HERE
[more details](#)

Pine Tree Commercial Rlty
 Retail Space Available in: CA, CO, IN, IL, KY, OH, WA, & WI
www.pinetreecommercial.com

Affordable Apt in Chicago
 Spacious Floor Plan, Gym, Sundeck. Close to public transportation.
www.14WestElm.com

Chicago Office Space
 Local Chicago Office Space Experts. We Do the Work. You Avoid Mistakes.
www.TenantAdvisors.com

ADVERTISEMENTS

This Month on GlobeSt.com

Real Estate's Perfect Storm:
 Institutional Investors Weather the Crisis
NOW AVAILABLE ON-DEMAND

Sponsored by:
Forum
 TRANSWESTERN

[Register Now](#)

SPECIAL REM
 REPORTS & GUIDES
remreprints.com

challenges.

"On the demand side, if someone is well capitalized and has strong management, this is probably the best buying market we have seen since the Resolution Trust Corp.," Imber says. "It's difficult to forecast short-term changes in the economy, and who knows when this recession will end and hiring and new household formation will begin, but if you look at the fundamentals of the multifamily market, the outlook is excellent. The increase in the renter population from Generation Y is enormous, there is now a material constraint on new construction looking forward and there is a high barrier to entry for home buying; all of which combined makes the long-term fundamentals for apartment investing excellent."

In terms of investment sales, Imber points to two distinct marketplaces - performing and nonperforming - and the great divide that exists between them. Essex is currently representing two dozen different banks on the sale of Chicago area distressed real estate, with more than 60% of those assets located in the south and west neighborhoods of the city.

"Those neighborhoods are being injured in two ways - there's an overabundance of supply of these distressed assets and there are virtually no lenders willing to assist in acquisition and/or rehab financing," Imber says. "Those neighborhoods will probably experience a longer recovery period. Then there is the performing marketplace, wherein prices as a whole have softened but how much depends on the quality and location of the asset."

Related Event

[Building Owners At Risk: Surviving Distress Webinar](#)
Available Until August 20, 2009

[RealShare APARTMENTS](#)
October 8, 2009

[RealShare Distressed Assets](#)
September 15, 2009

[Print](#) [Email](#) [Post](#) [Republish](#)

[News Tip?](#) | [Share](#)

FEATURES & BLOGS



Executive Watch
[A Female CEO](#)
by Anthony J. LoPinto



Beltway Buzz
[Inching to a Debt Solution](#)
by Erika Morphy



Counter Culture
[Ann Taylor Closing More Stores](#)
by Ian Ritter



TrendCZAR
[Waiting to go poof](#)
by Jonathan D. Miller



StreetWise
[The Stimulus from a Realestatarian's...](#)
by Robert Knakal



Commercial Grove
[Beall's Finds Its Own Outlets](#)
by Carl Cronan



Black Swan
[Data Centers: A Diamond in the Rough](#)
by CJ Follini



Practical Counsel
[The approaching tidal wave: Maturity defaults...](#)
by Maura O'Connor



Corporate Advisor