

Annual Real Estate Trends Report

CHICAGO & SUBURBS

MARCH 2022



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INTRO & KEY TAKEAWAYS

The past two years have been interesting for real estate in the Chicago metro. This is not meant to be investment advice; this is our interpretation of what has happened in the Chicago real estate market based on data and our team's experience.

In this report we look at the data and what we believe happened. At the end of this report, we explain what may happen in the Chicago city and suburb markets in the coming year and how it may impact you.

Many of our readers, prospects, and clients have heard enough from their coworkers, friends & family to anecdotally produce similar conclusions as below. Here are the general conclusions based on the data we reviewed and filtered from the MRED MLS with more details and specific examples to follow below:

- Key Takeaway: Less dense neighborhoods within Chicago city limits (i.e., Lincoln Park) and suburbs significantly outperformed more dense neighborhoods (i.e., Near North) in terms of price appreciation and transaction volume growth in 2020 and 2021.
 - We believe the key drivers were low suburb inventory, raw material cost increases, a shift in demand preferences, labor cost increases, and reduced interest rates.
- Within Chicago: In 2020, Chicago condo and townhome transaction volume and prices were more negatively impacted than the same data points for Chicago single family homes.
 - In 2020 within Chicago city-wide, single-family homes were more desirable for buyers than city-wide condos (especially in high-rise buildings).

KEY TAKEAWAYS

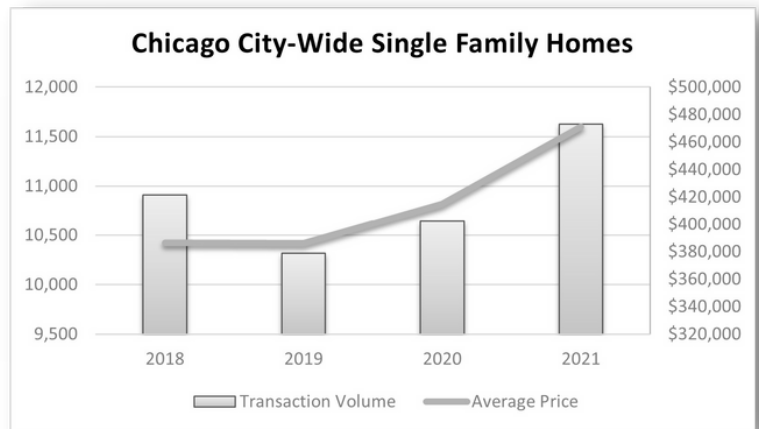
- Chicago VS Suburbs: In 2020, Chicago suburbs significantly outperformed city properties on price appreciation and volume of transactions.
 - In 2020, Chicago Suburbs were simply more desirable to buyers than Chicago city-wide real estate.
- High Density Areas: In 2020, the areas with the most density (Near North Side, Near West Side, Near South Side & the Loop) experienced the worst performance in terms of average price and active days on market.
 - The desire for buyers to be in these areas decreased most significantly relative to suburbs and other less dense Chicago neighborhoods.
- Luxury High-rise Apartments: In 2020, the Chicago high-rise luxury rental market was the softest we've seen with many top-tier buildings offering 3 months free concessions during the height of what is normally the hot summer leasing season.
- Within Chicago: In 2021, the data shows a strong rebound in the market for Chicago city-wide condos and townhomes as average price and volume sold increased significantly.
- Within Chicago: In 2021, Chicago city-wide single-family homes continued to perform positively for a second year in a row and continued to outperform city-wide condo and townhome figures.
- Chicago Suburbs: In 2021, Chicago suburbs continued to grow significantly in terms of both transaction volume, average price and days on market declined materially.
- High Density Areas: In 2021, the areas with the most density (Near North Side, Near West Side, Near South Side & the Loop) experienced a strong rebound in transaction volume and price but active days on market increased as units sat longer before finding buyers.
- Luxury High-rise Apartments: In 2021, the Chicago high-rise luxury rental market improved significantly but not quite to 2019 levels. Many top-tier buildings increased rents while some older buildings continued to offer concessions but not at the aggressive rates we saw in 2020.

CHICAGO CITY-WIDE

Single Family Homes

Many people believe that 2020 was a year when a material amount of people moved out of the city. This is only partially true as many people stayed in the city but opted for a single-family home. The data we reviewed and compiled shows that transaction volume for single-family homes located within the city increased 3.1% yr/yr to 10,640 and average prices increased 7.5% yr/yr to \$414,965. Additionally, days on market decreased 6% yr/yr from 84 to 79 days in 2020.

We need to remember that Chicago has many less dense neighborhoods with single-family homes and they became more desirable during 2020. To belabor the point, sharing an elevator in a high-rise condo building became a hazard in 2020.



| | 2018 | 2019 | 2020 | 2021 |
|---------------------|-----------|-----------|-----------|-----------|
| Transaction Volume | 10,910 | 10,316 | 10,640 | 11,624 |
| % yr/yr | | -5.4% | 3.1% | 9.2% |
| Average Price | \$386,363 | \$386,192 | \$414,965 | \$471,063 |
| % yr/yr | | 0.0% | 7.5% | 13.5% |
| Average Days on Mkt | 86 | 84 | 79 | 52 |
| % yr/yr | | -2.3% | -6.0% | -34.2% |

Source: MRED

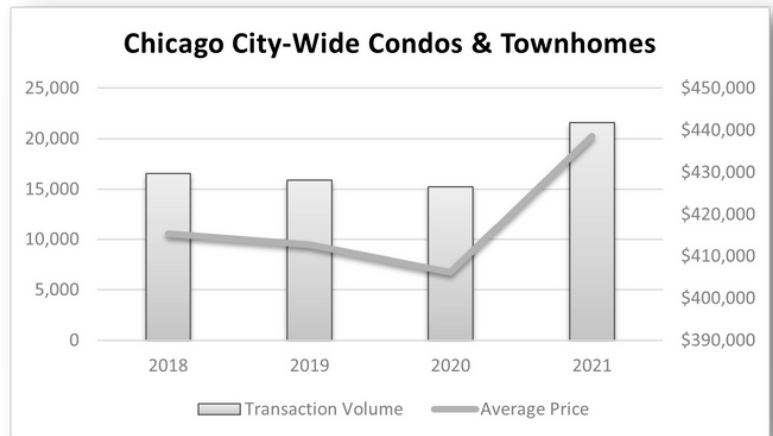
In 2021, this trend further improved for Chicago as transaction volume grew a strong 9.2% yr/yr to 11,624 and average home prices increased a solid 13.5% yr/yr to \$471,063. The dramatic 34% yr/yr decline in days on market to 52 indicates there were significantly more buyers than there were sellers for single family homes in the city. We believe the primary drivers were pent up demand leftover from 2020 which was pushed into 2021 as well as low interest rates on mortgages. Another strong driver is the lack of inventory of standalone single-family homes.

CHICAGO CITY-WIDE

Condos & Townhomes

In 2020, city-wide condos took a big hit as most demand for this product was shifted towards single family homes within the city and suburbs. Specifically, in 2020 transaction volume declined 4% yr/yr to 15,242 and average sales price declined 1.6% yr/yr to \$406,224, a 9.0% difference from the city-wide single family home trend of up 7.5%.

This is not a surprise as buyer preference moved from condo purchases to standalone single family home purchases as people looked to distance themselves from others. We note that the city-wide data is not as bad as the high-density neighborhoods with many high-rise condo buildings. We touch on that data later in this piece. Days on market remained relatively flat at 77 days.



| | 2018 | 2019 | 2020 | 2021 |
|---------------------|-----------|-----------|-----------|-----------|
| Transaction Volume | 16,567 | 15,869 | 15,242 | 21,587 |
| % yr/yr | | -4.2% | -4.0% | 41.6% |
| Average Price | \$415,332 | \$412,707 | \$406,224 | \$438,623 |
| % yr/yr | | -0.6% | -1.6% | 8.0% |
| Average Days on Mkt | 69 | 78 | 77 | 79 |
| % yr/yr | | 13.0% | -1.3% | 2.6% |

Source: MRED

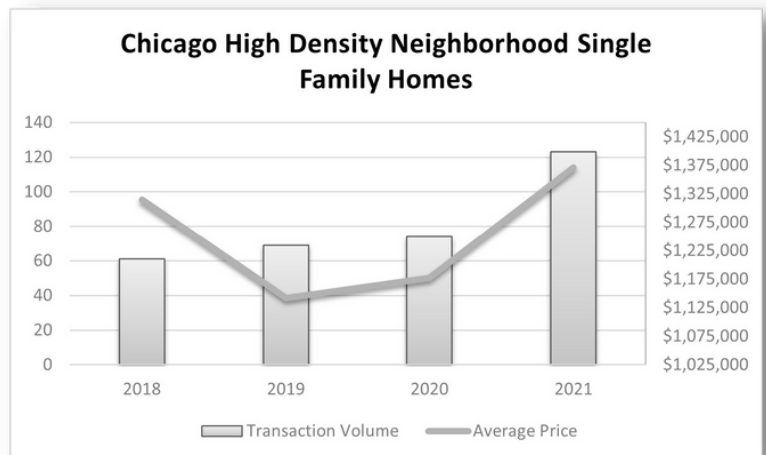
In 2021, there was a complete reversal of trends in city-wide condos as transaction volume skyrocketed 41.6% yr/yr to 21,587 and average price increased 8% yr/yr to \$438,623. Days on market remained relatively flat at 79 days. We believe this was driven by pent up demand from 2020 being pushed into 2021, stimulus from the federal government, more information / certainty on population health issues, and a reversal of people moving back into the city.

CHICAGO HIGH-DENSITY NEIGHBORHOODS

Single Family Homes

The trends in high density neighborhoods (Loop, Near North Side, Near West Side, and Near South Side) for single family homes were similar directionally as what was experienced for single family homes city-wide. Transaction volume increased 7.2% yr/yr to 72 units sold in 2020 and average sale price increased 3.1% yr/yr to \$1,176,993. Days on market remained flat at 118 days.

The 2021 figures really jumped up with transaction volume increasing 66% yr/yr to 123 homes sold and average sales price increased 16.5% to \$1,370,886. Interestingly, despite the increase in transaction volume, days on market increased as well by 32% yr/yr to 156 days. This is a peculiar disconnect that we cannot explain.



| | 2018 | 2019 | 2020 | 2021 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Transaction Volume | 61 | 69 | 74 | 123 |
| % yr/yr | | 13.1% | 7.2% | 66.2% |
| Average Price | \$1,314,990 | \$1,141,471 | \$1,176,993 | \$1,370,886 |
| % yr/yr | | -13.2% | 3.1% | 16.5% |
| Average Days on Mkt | 104 | 118 | 118 | 156 |
| % yr/yr | | 13.4% | 0.0% | 32.1% |

Source: MRED
 Note: High Density = Loop, Near North Side, Near West Side, & Near South Side

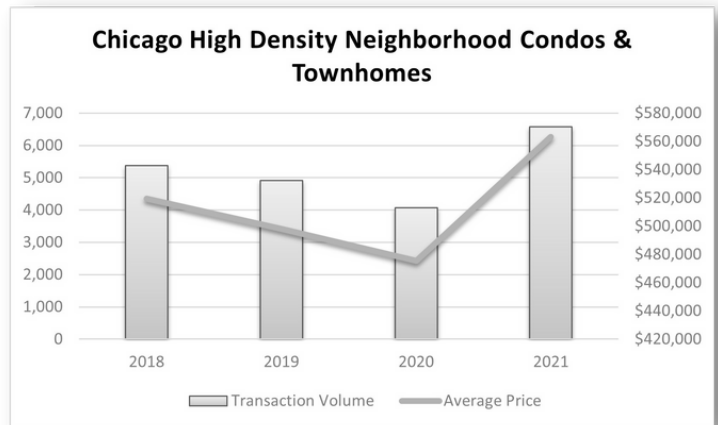


CHICAGO HIGH-DENSITY NEIGHBORHOODS

Condos & Townhomes

The trends in high density neighborhoods for condos had much more significant moves in the metrics in 2020 and 2021 and - in 2020 - were divergent from trends we saw for condos and townhomes city-wide with a significant snapback in 2021. Specifically, in 2020 transaction volume decreased 17.2% yr/yr to 4,070 and average price declined 4.5% yr/yr to \$475,562. The data suggests that the demand for condos in 2020 shifted from high-density neighborhoods to single family homes in the city, single family homes in the suburbs, and condos & townhomes in lower density neighborhoods within the city.

For condos in high density neighborhoods, 2021 was a comeback year as both volume and average sale price ripped through increasing 61.5% and 18.4% yr/yr, respectively, to 6,573 and \$563,169. At the same time, average days on market increased 16.2% yr/yr to 111, indicating it became more of a buyers' market during this time period despite the elevated level of activity.



| High Density Chicago Neighborhoods Chicago Condos & Townhomes | | | | |
|--|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 |
| Transaction Volume | 5,380 | 4,918 | 4,070 | 6,573 |
| % yr/yr | | -8.6% | -17.2% | 61.5% |
| Average Price | \$519,386 | \$498,001 | \$475,562 | \$563,169 |
| % yr/yr | | -4.1% | -4.5% | 18.4% |
| Average Days on Mkt | 78 | 92 | 96 | 111 |
| % yr/yr | | 17.3% | 4.6% | 16.2% |

Source: MRED
Note: High Density = Loop, Near North Side, Near West Side, & Near South Side

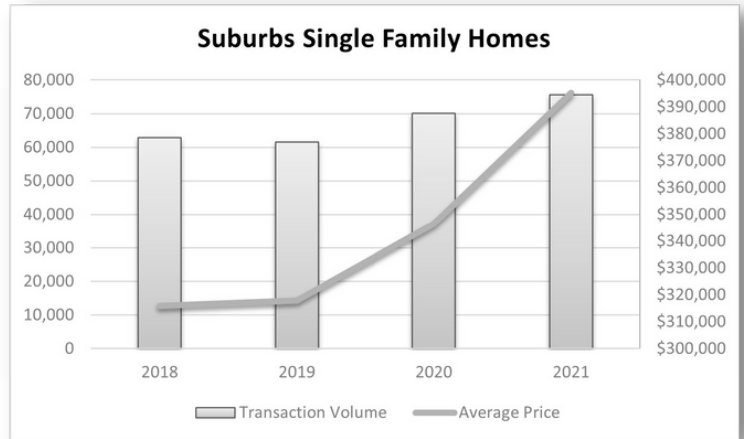
We believe this trend reversal had to do with a slowdown of individuals and families moving out of the city and perhaps even a reversal of that trend. Separately, our team has certainly had clients who previously moved out of the city to the suburbs that have recently engaged us to find a home in the city. We have also seen clients take advantage of the strong market in the suburbs by selling, only to buy at a discount in the city.

CHICAGO SUBURBS

Single Family Homes

The Chicago suburbs were significant beneficiaries of world events in 2020 and 2021. As mentioned earlier, we believe that many buyers who were originally interested in the city, shifted their preferences towards less dense neighborhoods within the city or the suburbs. The data seems to backup this idea up as we saw transaction volume increase 14.0% yr/yr to a whopping 70,093 units sold and average sale price increased 9.0% yr/yr to \$346,483. During this period, days on market declined 3.5% yr/yr to 82 days.

The following year in 2021, transaction volume increased again, this time by 7.8% yr/yr to 75,571 units and average sale price increased a material 14.1% yr/yr to \$392,200 while days on market declined 47.6% yr/yr to only 43 days. In most cases there are multiple offers on homes within days of being on the market and buyers would find creative ways to get their offer more attention (i.e., writing personal letters, etc.).



| | Suburbs Single Family Homes | | | |
|---------------------|-----------------------------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 |
| Transaction Volume | 62,829 | 61,511 | 70,093 | 75,571 |
| % yr/yr | | -2.1% | 14.0% | 7.8% |
| Average Price | \$315,961 | \$317,909 | \$346,483 | \$392,200 |
| % yr/yr | | 0.6% | 9.0% | 14.1% |
| Average Days on Mkt | 82 | 85 | 82 | 43 |
| % yr/yr | | 3.7% | -3.5% | -47.6% |

Source: MRED

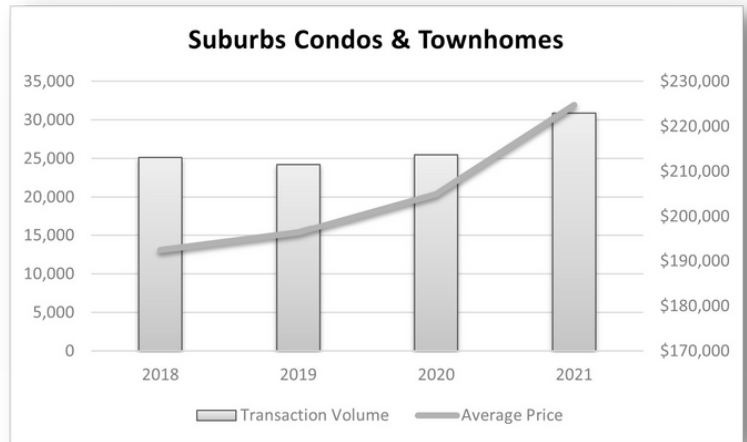


CHICAGO SUBURBS

Condos & Townhomes

Condos and townhomes also performed well in the suburbs, but not nearly as well as single family homes in the suburbs. Specifically, 2020 transaction volume increase 5.1% yr/yr to 25,468 units sold and average sale price increased 4.4% yr/yr to \$204,946. During this period, days on market remained relatively flat at 64 days.

The following year in 2021, transaction volume increased again, this time by a much higher amount of 21.4% yr/yr to 30,911 units sold and average sale price increased 9.7% yr/yr to \$224,806. Days on market declined by 35.9% yr/yr to only 41 days. As with single family homes, there were typically multiple offers within days of being on the market.



| | Suburbs Chicago Condos & Townhomes | | | |
|---------------------|---------------------------------------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 |
| Transaction Volume | 25,169 | 24,234 | 25,468 | 30,911 |
| % yr/yr | | -3.7% | 5.1% | 21.4% |
| Average Price | \$192,464 | \$196,366 | \$204,946 | \$224,806 |
| % yr/yr | | 2.0% | 4.4% | 9.7% |
| Average Days on Mkt | 55 | 61 | 64 | 41 |
| % yr/yr | | 10.9% | 4.9% | -35.9% |

Source: MRED



WHAT DOES THIS MEAN FOR YOU?



Many unprecedented events have happened since the start of 2020. These events have significantly changed the way we look at things from an economic perspective. For example, national used car prices have increased, national home values increased 10.4% at year-end 2020 and 19.8% at 2021 compared to only 3.7% in 2019 according to the Case-Shiller Home Price Index. On top of all this labor, building material and other commodity costs continue to rise putting upward pressure on new home pricing.

"Imagine getting a 7 to 10% rent increase on your renewal and a year later paying 10%+ more for the same home you looked at a year prior."

We gladly work with both renters and buyers, but if you are considering continuing to rent, imagine getting a 7 to 10% rent increase on your renewal and a year later paying 10%+ more for the same home you looked at a year prior. If you are a seller, well you have captured this appreciation but if you are thinking of upsizing into a bigger home, that gap will continue to grow in dollar terms.

Below are some insights as to what the experts believe may happen.

OUTLOOK

Here are what some experts are saying may happen in the near future on a national level. On a more local level, we believe some neighborhoods in the city and certain suburbs may have a greater move in value, while some a less pronounced move in value.



REUTERS

"The Feb. 8-28 poll of 33 property analysts suggested U.S. house prices would rise 10.3% this year. That was an upgrade from 8.0% in the December poll, suggesting underlying demand for housing is still strong and housing supply is still tight."

FORTUNE

"Heading into the year, Zillow predicted the 12-month rate of home price growth would decelerate to 11% by the end of 2022. However, it got more bullish in January—with the home listing site revising that 2022 home price growth rate up to 16.4%."

Goldman
Sachs

"Our model now projects that home prices will grow a further 16% by the end of 2022."



BANK OF AMERICA

"We currently expect 10% appreciation in Case-Shiller home prices this year [2022], largely due to the historical supply/demand imbalance, though risks may be for high single digits."

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REALTY

CONCLUSION

We generally believe that home prices will continue to trend upwards largely due to demand created from low rates, Fed stimulus and limited supply.

We expect the high-rise condo market to make a comeback in 2022 as prices have hit their lows in 2020 and reversed course in 2021 and continue to climb in 2022.

We expect Chicago suburbs to continue to be strong markets.



Talk to a Soloma Realty team member to see what we can do to help you.



Our discussions will point you in the right direction in your home search.



Make the right decision after talking to our Chicago home search experts.

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