

Appraisal Research Counselors

400 E Randolph Street, Suite 715
Chicago, Illinois 60601-7388

T: 312-565-0977
F: 312-565-3436

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Apartment deals aplenty as supply outstrips demand

By Mary Ellen Podmolik, Tribune reporter

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A record 2,234 apartments will be added to downtown Chicago this year, increasing the supply of rental units at a time when inventory is already outstripping demand.

It's not that interest in downtown living is on the wane. It's just that there aren't enough people for the number of apartments — and increasingly, condos are available for rent.

The additions, which come on top of 1,296 units this year, will ratchet up the pressure to trim rents in existing buildings and could lead to a 10 percent vacancy rate in the rental market, said Ron DeVries, vice president at Appraisal Research Counselors. But what's a negative for property owners should be viewed as welcome news for renters this spring.

"There is so much supply, the owners are getting very competitive," DeVries said.

Luxury apartment rents are at their lowest level since 2005's fourth quarter and rents at more modest buildings are at their lowest level since 2006's first quarter, according to Appraisal Research data.

The perks being dangled by landlords aren't that much different from concessions offered as the 2008 spring rental season approached: up to two months free rent, sometimes pro-rated across the life of the lease, a month of free parking, and the occasional flat-screen television. Rental agents report they're being offered bigger commissions for finding tenants too.

Agents also say more management companies are doing away with security deposits and are more willing to listen to potential renters who want to take \$50 or \$100 off the monthly rent.

"We're seeing a lot more concessions in the Gold Coast area, the downtown area, the areas with the high-rise buildings with more units in them," said Sonny Duraku, managing partner of Apartment Vigilantes.

Condominium units available for rent by individual owners, which generally are larger than apartments and come with upgraded appliances and parking, are playing an ever-larger role in the rental marketplace. In the 12 months that ended in June, almost 4,500 condos were rented as apartments. Currently there are more than 1,700 downtown units listed for rent.

However, no geographic area has emerged as the best value among condo rentals in buildings constructed within the past decade. The lowest rents for one-bedroom condos are found in the West Loop and South Loop. But among two-bedroom units, the West Loop is the winner, according to data Appraisal Research counselors released Thursday.

The new apartment buildings scheduled to open this year include the 848-unit Alta @K Station in the West Loop; Flair Tower, EnV and Parc Huron, which will bring 668 units to River North; and 215 West and 200 Squared, which will add 718 apartments to the Loop.

After this year, the development pipeline is largely empty, so the attractive deals in the market are unlikely to continue for long. By 2012, rents could increase 8 percent, DeVries said.

mepodmolik@tribune.com

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