



Beyond the Sun Belt: The case for Midwest multifamily

While the Sun Belt exploded with population growth and new housing post-COVID, and coastal markets will always capture headlines, the Midwest is emerging as an investor destination again during this new cycle of economic volatility.

There isn't any one reason for this, but several: Cities in this region quietly boast strong fundamentals including resilient economies, thriving communities, prevalent value-add opportunities, and most Midwest markets did not experience an oversupply of new apartment development.

You've probably seen the headlines that Austin, among other southern metropolitan areas, has reported falling rents this year following the deluge of new construction during the pandemic. Marquette continues to underwrite deal flow in many Sun Belt markets and has observed similar negative trade-outs in Atlanta, Dallas, Phoenix and several cities in Florida. Meanwhile, we're seeing consistent and, in some cases, high returns and rent growth throughout our portfolio in the Midwest due to limited new construction and strong demand drivers.

We leverage research from a variety of sources to support our pro forma rent assumptions. CBRE reported 95 percent average multifamily occupancy rate across Midwest metros last year and that has continued upward in 2025. Marcus & Millichap reported an average of 4.8 percent rent growth, outpacing inflation. That same report showed annual multifamily supply growth of just 1.2 percent in the Midwest – half of the 2.5 percent new supply rate reported across the Sun Belt.

Looking ahead, the Midwest's multifamily market is set for sustained growth, with CBRE projecting 4 percent to 5 percent annual rent increases through 2027 due to ongoing supply constraints.

And while we're proud to bet on our backyard, we're now far from the only investor taking notice. For example, one of the largest privately held apartment landlords in the country recently closed a \$500+ million acquisition of more than 3,000 rental units across the Midwest, citing supply constraints and rent growth opportunities as primary motives. It seems private capital is largely driving many of the recent transactions, but I feel institutions are also taking notice and will begin to shift some of their strategy and allocations to the Midwest.

Lack of new supply also means older housing stock, and ample value-add opportunities, which is what our firm is best at. We are intensifying our focus on these kinds of targeted transactions in the Midwest this year.

We recently acquired Deer Valley Apartments, a 224-unit community in Lake Bluff, Ill., along Chicago's affluent North Shore, where strong occupancy and proximity to large employers and top schools create a prime opportunity through value-add enhancements. We have also acquired Ascend St. Charles, a 400-unit community located at the intersection of two major suburban state routes in a high-income, high-retention market. The property offers significant value-add potential, with 85 percent of units remaining unrenovated. In Naperville, Ill., one of Chicago's most desirable suburbs, we added Brookdale on the Park, a 252-unit property that requires limited capital expenditures to produce a high yield.



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1983
MARQUETTE FOUNDING

300+
ASSOCIATES FIRMWIDE

\$3.3 billion
ASSETS UNDER
MANAGEMENT

46
MULTIFAMILY
PROPERTIES

15,000+
UNITS UNDER
MANAGEMENT

7,000+
UNITS DEVELOPED

10+
MARKETS

Chicago's resilience

Much has been made of Illinois' population loss since the start of the pandemic, and that is a concern. But if you look at underlying metrics, you'll find signs of economic resilience and sources of investor optimism. The Midwest is home to a diverse economy supported by health care, education, technology and manufacturing, among other industries, and downtown Chicago alone added 32,000 new jobs in 2024, according to the Bureau of Labor Statistics. The Midwest's affordability is also more attractive than other markets across the country.

Chicago's multifamily investment market enjoys relatively predictable pricing and a low cap rate variance of just 0.3 percent (and average cap rates of 5.2 percent, according to CBRE). In Naperville, where Marquette has been headquartered for more than 40 years, the multifamily market reports a vacancy rate of just 3.8 percent, according to Marcus & Millichap. The Chicago metro, while still down from pre-COVID population levels, has added 47,000 net new residents since 2022.

Meanwhile, other Midwest markets such as Indianapolis, Kansas City, Minneapolis and Columbus, Ohio, have reported strong population growth since the beginning of the pandemic, as well.

While we don't believe the Midwest is the only place to make good investments, these aforementioned factors underscore our conviction in the Midwest's long-term multifamily growth and drive Marquette's strategic acquisitions and new developments across the region. With stable economies, recovering population gains and a mix of affordability, high quality of life and still unmet housing demand, the Midwest is beginning to stand out as a destination for stability, growth and long-term investment value, and we certainly expect it will continue to be one of the places where we focus our time and capital.



THE MARQUETTE DIFFERENCE

Marquette Companies specializes in Class A and B multifamily real estate, leveraging a fully integrated platform with in-house expertise in development, acquisition, asset management, construction and property management.

Recognized as MHN's 2024 Property Management and Development Company of the Year, our proven track record across market cycles – including economic shifts, high-interest rate environments, political instability and external shocks like COVID-19 and the S&L crisis – instills confidence in our ability to execute business plans in any economic climate.

Acquisitions

We acquire Class-A and B multifamily assets in first ring suburban and select urban markets with strong demand drivers and create value through operational efficiencies and value-add strategies.

Development

We create luxury apartments in premium urban/suburban locations acquired off-market, delivering superior risk-adjusted returns. Our approach involves rigorous evaluation of analytics and risk management.

Asset Management

Our team actively oversees the portfolio, including implementing business plans and uncovering strategies to maximize the value of each individual asset.

Construction Management

Our in-house team handles everything from due diligence to punch lists, working closely with local and national vendors for cost-effective procurement.

Property Management

Our management company innovates and adapts to the competitive real estate landscape while having the scale necessary to provide market expertise.

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