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Limited financing stymies rehabilitation of Chicago rentals

Posted by *kpanchuk* on 3/29/12 at 12:53pm



Smaller multifamily units in Chicago face limited financing options, making it difficult for investors to turn dated complexes into viable rental options, according to a **DePaul University** report.

The **Institute for Housing Studies** at DePaul said rental properties with five to 49 rental units face anemic financing prospects since they are predominantly served by community banks that have tightened underwriting criteria, reducing the overall loan volume.

The study asserts that financing smaller, multifamily projects is more expensive than larger multifamily complexes.

Without access to financing, investors are unable to acquire and rehabilitate aging multifamily complexes into viable rentals and current building owners lack the ability to refinance maturing debt at lower interest rates, giving them room to

rehabilitate the property.

The institute says nearly 93% of small multifamily properties that received a mortgage in the period stretching from 2005 and 2010 were classified as "credit constrained." Meanwhile, only 34% of the buildings with 100 or more units were credit constrained.

Small multifamily properties make up 35% of Cook County's rental units. The county is included in the greater Chicago metro area.

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by Justin T. Hilley

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by Christopher Whalen

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