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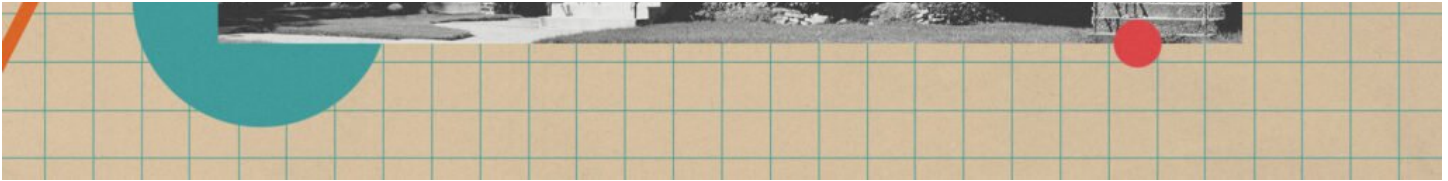


Chicago home prices expected to keep rising in 2026

Forecast reveals increase of 4.4 percent as lag in construction drives costs up



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(Illustration by The Real Deal with Getty)

By Caleb McCullough

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Key Points ✨ ✓



- Chicago home prices are forecasted to increase by 4.4% in 2026, which is approximately double the national average, primarily driven by a persistent lag in new home construction.
- Downtown areas like the Gold Coast, River North, and the Loop are expected to see a market turnaround and price increase as they are viewed as affordable options for buyers.
- Price growth is also projected to continue in the North Shore suburbs and in lower-cost, more affordable neighborhoods across the metro area.

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Rising home prices aren't going anywhere in Chicago.

That's according to a recent forecast from Realtor.com, which predicts the market's prices will rise 4.4 percent year-over-year in 2026, about twice as much as the national average.



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The expected increase is largely due to a lack of new inventory in the metro, said Geoff Smith, executive director of the Institute for Housing Studies at Depaul University. Chicago is behind most cities when it comes to home construction, ranking near the bottom among large metros in 2024.

“Other parts of the country that have exceeded pre-pandemic inventory levels are also areas where you see more new housing and construction,” Smith said. “Chicago and Illinois tend to lag in producing new housing.”

The bad news for brokers, however, is that despite home prices going up, the report predicts sales volume will decrease by 2.3 percent, reflecting the tight competition and low supply in the market.

Smith said his institute conducted a similar study for Illinois Realtors, which projected home prices in the metro will grow by 5 percent between October 2025 and October 2026.

This comes as Chicago defies much of the nation over the last year in price growth while other regions, particularly in the South and West, have seen

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metros for projected price growth.

The Realtor.com report expects mortgage rates to drop slightly to 6.3 percent, down from an average of 6.6 percent this year. Those rates will likely unlock some new inventory as people move out of homes with low-interest mortgages, Smith said, but with strained inventory, new listings could see bidding wars and even higher prices.

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“I don’t know if there’s a great short-term fix, other than just steadily reducing interest rates to unlock that inventory while also increasing demand,” he said.

Even if interest rates don’t fall considerably next year, buyers have largely gotten used to the reality that rates above 6 percent are business as usual. Grigory Pekarsky, managing broker at Vesta Preferred Realty, said he hasn’t worked with buyers who have expressed concern about mortgage rates in the last six months.



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“That just means a complete consumer absorption of normalization of these rates,” Pekarsky said. “So that’s not even a calculation in my opinion anymore.”

As home prices are likely to rise across the metro, downtown Chicago may see a turnaround after years of falling prices and low demand, Pekarsky said. Pekarsky expects downtown prices to be buoyed in 2026 as buyers, especially first-timers, see it as an affordable and attractive option.

“I feel like next year the Gold Coast, River North, Loop market, is going to finally have its day,” he said. “These areas are the last ones that just haven’t recovered properly since COVID depression in pricing.”

Meanwhile, prices aren’t likely to slow down in the hottest neighborhoods and suburbs that have seen major price growth in recent years. Jena Radnay, an @properties Christie’s International Real Estate agent who has brokered many of the most expensive deals this year along Winnetka’s shoreline, said the North Shore suburbs are set for more growth in 2026.

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“We’re going to be seeing a much more hip, savvy North Shore than we’ve ever seen before,” she said. “I think things are going to start growing up here.”

While the high-end areas will see growth, Smith said the same is true over the past few years in Chicago’s lower cost neighborhoods, as buyers seek affordability in an increasingly competitive market.

“Price growth is strongest in a lot of lower cost or more affordable places,” he said. “And it’s hard to disentangle who’s buying it. Is it investors who are seeking relatively low value, or is it owner-occupants that are really looking for more affordable homebuying options, or is it a bit of both?”

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