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South suburban Markham moves to cut down on single-family rentals

By Dennis Rodkin

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September 30, 2025 11:36 AM | UPDATED 23 HOURS AGO

The mayor of a south Cook County suburb says his town's two-stage plan to reduce house rentals will help boost homeownership and improve the quality of life.

"I think rental property is important," Roger Agpawa, mayor of Markham, told Crain's, "but I think homeownership is more important because it provides more stability."

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It's a two-part process that entails first freezing the number of rentals where it is and a year from now starting to trim the number of rentals. On Sept. 17, the Markham city council voted to extend for a year a moratorium on new rental licenses that it put in place in December 2024. That's the freeze part. The trimming starts in October 2026, when Markham will bar landlords whose houses go vacant from leasing them to new renters.

As of next October, existing tenants will be allowed to renew their leases, but "if your renter moves on, we're not going to allow you to lease it out again," Agpawa said.

The result, the third-term mayor said, should be a gradual decline in the number of rented houses in this town of about 11,000 people 24 miles south of the Loop. Over the course of several years, he said, he'd like to see the proportion of houses that are rentals decline from the present 19% to 10%.

At 10%, the town's rental stock would be proportioned more like that in Orland Park or South Holland, Agpawa said. Another part of the city administration's effort to reshape its housing profile is the demolition of 20 homes that are beyond repair in the past few years, with 35 more targeted.

Allowing lease renewals is a crucial piece of the equation. "I'd like to see more people renting for a long time," Agpawa said. "That's stability, too, but we don't see it as much as the transient renter who comes in for a while and then leaves."

Long-term residents, whether renters or homeowners like him — Agpawa said he's lived in his present home for three decades — are more likely to "take care of the property, watch out for the upkeep," he said, than people who are only in a home for a year or so.

Small investors squeezed

The limits will hurt the owners of rentals, according to a representative of several small real estate investors — people or firms that own five single-family rentals or fewer. Their investment in Markham property is essentially being devalued, the person, who asked not to be identified in this article, told Crain's.

The person was the only one in the single-family rental space who would talk to Crain's. At the moment, seven houses are listed for rent in Markham, for $2,200 to about $2,900 a month. Some are owned by big firms and others are in small portfolios. The agents or owners of six of them declined to comment.

Small investors who rely on the cash flow from their existing investments to fund the next will be unable to grow, the person said.

If the lease cutoff that kicks in next year prompts most of the owners of rental property to sell, the person said, the inventory of homes on the market will rise, and they may all end up selling at prices too low to recoup the money they spent to rehab rundown houses to a higher quality of rental home.

In essence, that would play into Agpawa's plan. While making house prices lower is not the goal, he said, "if it makes it easier for people to buy a house, it's going to add to the stability we want. We weren't working toward that," but it's a worthy secondary effect, he said.

"We're not running rental owners out of town," Agpawa said, "We're giving them notice of what we want them to do a year from now."

At the same time, Agpawa was sanguine about the possibility that real estate investors will have to switch up their plans as a result of the city council's dictates.

"We're not in business, we're in government," he said. "We try to be conscious of dollars and cents, but obviously there's more of a social aspect to what we do. We want to get the number of rentals down by attrition over time."

But according to data from DePaul University's Institute for Housing Studies, Markham already has a relatively high rate of homeownership, at 72%. (IHS's data on rentership may appear to conflict with Agpawa's, but it doesn't. IHS says 28% of Markham housing units are renter-occupied. The figure incudes people who live in rental apartments. Agpawa's figure, 19%, refers to the percentage of single-family homes occupied by renters.)

Homeownership in Markham is nearly 8 percentage points above the Chicago metro area's 64.3%, according to IHS data, and higher than the rates in the neighboring towns of Harvey, Hazel Crest, Dixmoor and Posen. Some neighbors, including Midlothian and Homewood, have higher homeownership rates than Markham.

Illinois Realtors, a statewide trade group, issued a statement opposing Markham's plan, both because it "seek(s) to eliminate quality landlords who have operated successfully," and because there is no plan that's been publicly announced to help fill the gap with end-user homebuyers.

"With an already high — and growing — vacancy rate," the statement said, "we are curious to know how Markham plans to incentivize owner-occupied investment in the community."

Wall Street moves in

Single-family rentals have proliferated around the country in the past decade as companies like Progress Residential, Invitation Homes and Blackstone bought tens of thousands of single-family homes. The companies have met with pushback from people who feel, as one headline put it, "Wall Street is buying entire neighborhoods."

But small-portfolio owners, the mom-and-pop investors, still dominate the single-family rental market, according to data published last week by ResiClub. It showed nearly 90% of the nation's single-family houses for rent are owned by parties that have one to five properties.

Overall, the Chicago metro area has been relatively unscathed by the big investor buyers. By one measure in early 2024, Blackstone owned 745 homes in the Chicago metro area, compared with more than 11,000 in and around Atlanta, a metro area that has about two-thirds the population of the Chicago area.

But the wave of businesses buying homes has been far higher in south Cook County suburbs, said Geoff Smith, executive director of the Institute for Housing Studies at DePaul University. According to IHS data, nearly 29% of the homes sold in Markham in the years 2021 to 2024 were bought by business buyers, compared with 11.4% in the metro area overall. Not all houses bought by businesses go into the single-family rental pool. Many get the rehab-to-flip treatment and are re-sold.

No clear breakdown of the disposition of business-bought homes in Markham — how many to rental and how many to resale — is available. That's in part because numerous properties that were sold in the past few years are not yet back on either the for-sale or for-rent market.

Flip sales also push prices up. In October, owners of more than 30 years sold a three-bedroom house on Justine Street for $96,000. After a rehab that included updating the kitchen, baths, lighting, flooring and utilities, the house resold in August for $237,500.

Smith declined to comment specifically on Markham's initiative but said he understands the desire in the south suburbs to curtail investor buying. "That kind of buying limits the supply that's available for people who want to buy a home," Smith said.

At the same time, "if you're going to open up more supply, you're taking a risk that the demand will be there," Smith said, that "there are people who want to buy and have the ability to get financing." Renters with poor credit history might not be able to switch to buying.

"You restrict the ability of those types of investors to have flexibility on what they do with that property," Smith said. A buy-and-flip business model could be interrupted by a down cycle in the home sales market, for example. "If there's a regulation in place that says you can only sell (the house), you can't rent it, that adds potential risk for the investor."

By **Dennis Rodkin**

Dennis Rodkin is a senior reporter covering residential real estate for Crain's Chicago Business. He joined Crain's in 2014 and has been covering real estate in Chicago since 1991.