

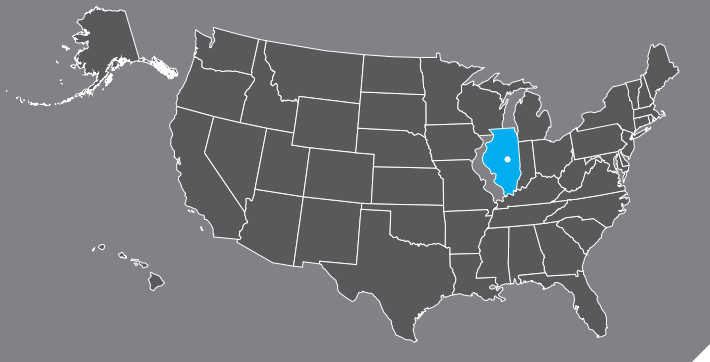
HUD PD&R Housing Market Profiles

Champaign-Urbana, Illinois



Quick Facts About Champaign-Urbana

- **Current sales market conditions: soft.**
- **Current rental market conditions: soft.**
- **The Champaign-Urbana metropolitan area is home to the University of Illinois at Urbana-Champaign, which is ranked the 10th best public university and 7th best engineering school in the country (*U.S. News and World Report*). The 45,000-student university had a \$6.4 billion statewide economic impact in 2014, including more than \$900 million attributed to research (University of Illinois).**



By Marissa Dolin | As of December 1, 2016

Overview

The Champaign-Urbana (hereafter, Champaign) metropolitan area consists of three counties in central Illinois: Champaign, Ford, and Piatt. In addition to being a center for higher education, the metropolitan area is home to the University of Illinois Research Park, with research offices for more than 90 companies including Dow Agro-Sciences, Raytheon Company, and Wolfram Research, as well as EnterpriseWorks, a business incubator. Kraft Foods Group, Inc., has operated a manufacturing facility in the Champaign metropolitan area for more than 50 years, which currently has 1,150 employees.

- As of December 1, 2016, the population of the Champaign metropolitan area is estimated at 241,500. Improving economic conditions since 2012 have led to an increase in population growth, averaging 1,575 people, or 0.7 percent, annually compared with 1,250, or 0.5 percent, from 2009 to 2012, when nonfarm payrolls were declining.
- Net in-migration, which is affected by both employment growth and changes in student enrollment, has risen since 2012, averaging 480 people a year since 2012 compared with 75 a year from 2009 to 2012. Net natural increase (resident births minus resident deaths) has dropped slightly, averaging 1,100 people annually since 2013, down 6 percent from an average of 1,175 from 2009 to 2013.

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- Population growth from 2000 to 2009 averaged 2,250 people, or 1.0 percent a year. The levels of both net in-migration, which averaged 1,050 people a year, and net natural increase, which averaged 1,200 people a year, were higher than during recent periods since 2009.
- Growth since 2000 has been concentrated in Champaign County, which includes the two most populous cities—Champaign and Urbana—and the University of Illinois. The population in the remaining counties in the Champaign metropolitan area has declined since 2009.

Economic Conditions

Economic conditions in the Champaign metropolitan area have improved after 3 years of job losses from 2009 through 2012. Since 2013, the metropolitan area has added an average of 1,300 jobs, or 1.2 percent, annually but is still 3,800 jobs below the peak in 2008. Recovery has been slow, partially because of limited growth in the goods-producing sectors and a decline in the wholesale and retail trade sector since 2009.

During the 3 months ending November 2016—

- Nonfarm payrolls in the metropolitan area averaged 113,200 jobs, an increase of 1,800 jobs, or 1.6 percent, compared with the number of jobs during the same 3-month period in 2015, resulting from growth in the service-providing sectors. That rate of job growth was faster than the state growth rate of 0.7 percent and the same as the national rate of 1.6 percent.
- The government sector added the most jobs, up 800, or 2.1 percent, supported by an increase of 700 jobs in the state government subsector. Rising payrolls in the sector are partially attributed to an increase in research grants of nearly \$18 million, or 3 percent, from a year ago that the University of Illinois faculty and staff won.
- The manufacturing sector lost 200 jobs, or 2.4 percent. Reconfiguration of a Kraft Heinz Company manufacturing facility, which moved cheese production to another facility outside the Champaign metropolitan area, contributed to the loss.
- The unemployment rate declined to 4.7 percent, down from 5.3 percent during the same period in 2015 and far less than the peak of 8.8 percent during the 3 months ending November 2009.

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In the Champaign-Urbana area, six sectors added jobs, three were unchanged, and only two lost jobs.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	111.4	113.2	1.8	1.6
Goods-producing sectors	11.7	11.7	0.0	0.0
Mining, logging, and construction	3.5	3.7	0.2	5.7
Manufacturing	8.2	8.0	-0.2	-2.4
Service-providing sectors	99.7	101.5	1.8	1.8
Wholesale and retail trade	14.2	14.3	0.1	0.7
Transportation and utilities	3.2	3.2	0.0	0.0
Information	2.5	2.8	0.3	12.0
Financial activities	4.3	4.3	0.0	0.0
Professional and business services	8.1	8.0	-0.1	-1.2
Education and health services	14.8	15.2	0.4	2.7
Leisure and hospitality	11.4	11.6	0.2	1.8
Other services	3.2	3.2	0.0	0.0
Government	38.1	38.9	0.8	2.1
	(percent)	(percent)		
Unemployment rate	5.3	4.7		

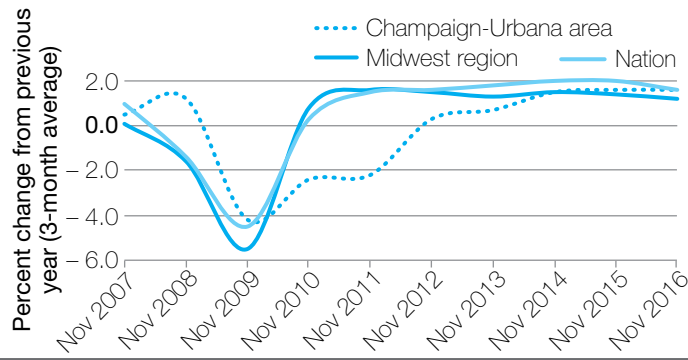
Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics



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Companies founded by University of Illinois students, staff, and faculty support employment growth in the Champaign metropolitan area. One such company, II-VI EpiWorks, a high-tech manufacturer, broke ground on a new facility that is expected to be complete by mid-2017 and add more than 100 jobs. National companies trying

The period of job loss in the late 2000s and early 2010s was more prolonged in the Champaign-Urbana area than in the Midwest region and the nation.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

to attract workers in the high-tech field have opened research facilities in the Champaign metropolitan area. During the fall of 2016 in the metropolitan area, AARP opened a research laboratory focusing on the needs of seniors and CME Group, Inc., a financial trading firm, opened an office to offer student internships that may lead to full-time positions in their Chicago headquarters. Carle Health System is expected to open an orthopedics and sports medicine building in January 2017. No announcements of the number of jobs to be created were made with the AARP, CME Group, Inc., or Carle Health System facility openings. Job growth in the government sector is expected to slow as Illinois continues to work to resolve state budget issues.

Largest employers in the Champaign-Urbana area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
University of Illinois	Government	14,133
Carle Health System	Education and health services	5,757
Kraft Foods Group, Inc.	Manufacturing	1,150

Note: Excludes local school districts.
Source: Champaign County Economic Development Corporation

Sales Market Conditions

The sales housing market in the Champaign metropolitan area currently is soft, with an estimated sales vacancy rate of 2.3 percent, relatively unchanged from 2.4 percent in 2010. During the 12 months ending November 2016 (the best representative data available), home sales rose 2 percent, continuing a period of year-over-year increases since 2012 (CoreLogic, Inc.). During the Great Recession, the share of home loans in the Champaign metropolitan area that were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was significantly less than the share in Illinois and the nation but peaked later. The rates in Illinois and the nation peaked in February 2010 at 9.4 and 8.6 percent, respectively, whereas the rate in the Champaign metropolitan area peaked in February 2012, at 3.6 percent. The current rate of seriously delinquent loans and REO properties in the Champaign metropolitan area is 1.5 percent, down from 1.7 percent a year ago and less than the 3.1-percent and 2.6-percent rates for Illinois and the nation, respectively.

During the 12 months ending November 2016—

- The number of new homes sold totaled 240, up from 230 during the 12 months ending November 2015 and more than the average of 210 a year from 2012 through 2014 (CoreLogic, Inc.). By comparison, during the prerecessionary peak in 2005 and 2006, an average of 630 new homes sold a year in the metropolitan area.

- Existing home sales totaled 3,675, up 2 percent from the 3,600 homes sold during the 12-month period ending November 2015 and up 44 percent from the average of 2,550 a year during 2010 and 2011. Sales were 8 percent less than the average of 4,000 a year from 2000 through 2007. The increase during the past 12 months is attributed to rising regular resales.
- The average sales price for new homes was \$284,600, a 3-percent decrease from the previous 12 months, continuing the decline that began during the 12 months ending March 2016. Prices remain 9 percent above the 2011 peak of \$261,300.
- The average sales price for existing homes was \$153,500, an increase of 3 percent compared with the average price during the 12 months ending November 2015. The average price for existing homes declined only 4 percent from the prerecessionary peak in 2007 of \$139,500 to the recessionary low of \$133,700 during 2009 because of relatively few REO sales.

Single-family home construction activity, as measured by the number of single-family homes permitted, increased each year from 2012 through 2014 but declined during 2015. Permitting is much less than prerecessionary levels.

- The number of single-family homes permitted increased to 170 during the 12 months ending November 2016, up 23 percent from 140 homes permitted during the previous 12 months (preliminary data).

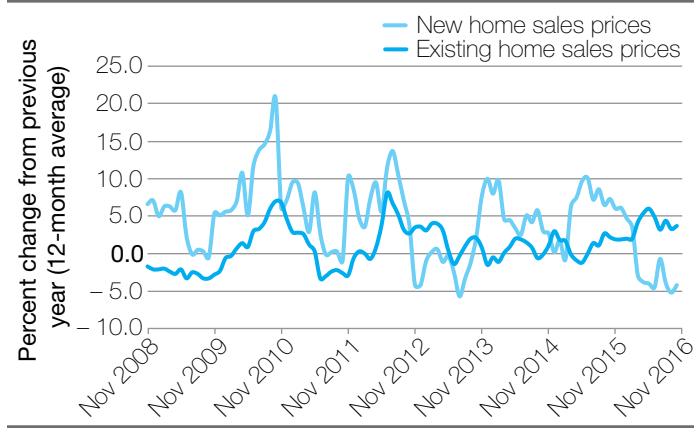
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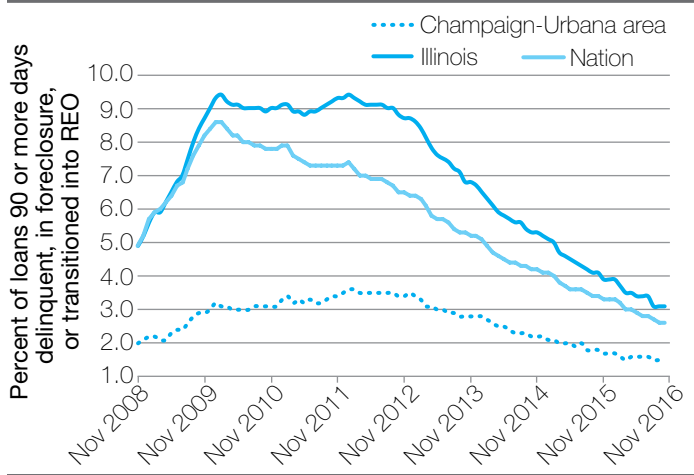
- Single-family construction activity increased by an average of 50 homes a year from 2012 through 2014 to the recent peak of 370 homes in 2014. Before the increase, permitting had declined by an average of 180 homes a year from a peak of 1,300 in 2005 to a low of 220 in 2011.

Existing home sales prices have risen since mid-2015, but new home sales prices have declined since early 2016, in the Champaign-Urbana area.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

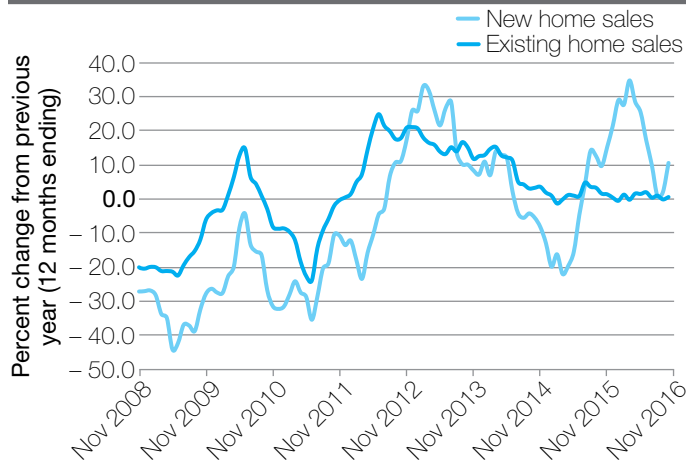
The rate of seriously delinquent mortgages and REO properties in the Champaign-Urbana area has been well below the state and national rates since 2008.



REO = real estate owned.
Source: CoreLogic, Inc.

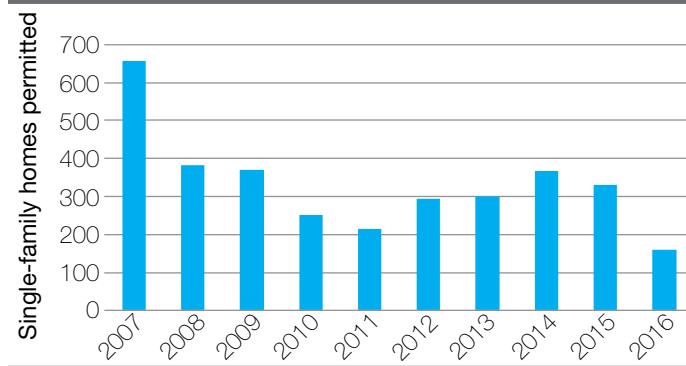
- Single-family home construction is focused in Champaign County, with nearly all home construction occurring on the outer edges of the cities of Champaign, Urbana, Savoy, and Mahomet. Some of the large subdivisions that began building in the mid-2000s still have lots available. Boulder Ridge, a 298-home subdivision, began building in 2004 and has lots remaining for 92 homes. A three-bedroom, two-bathroom, 1,300-square-foot single-family home is listed for \$154,900 and a two-bedroom, two-bathroom, 1,490-square-foot townhome is listed for \$159,900.

Existing home sales in the Champaign-Urbana area were lowest during 2011, and new home sales were lowest during 2012.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

Single-family home permitting during 2014 and 2015 in the Champaign-Urbana area was up 60 percent from the 2011 low.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey



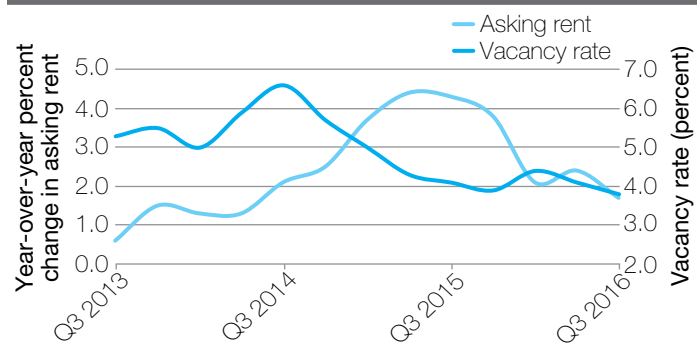
Rental Market Conditions

Rental housing market conditions in the Champaign metropolitan area currently are soft. Slower population growth since 2010 and elevated levels of apartment construction during 2014 and 2015 have softened the rental market. Enrollment at the University of Illinois at Urbana-Champaign is up by approximately 2,000 students since 2010, and construction of student-targeted housing has also risen. More than 800 student-apartment units, with each unit housing up to four students, have been built since 2010.

- The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) is 9.4 percent as of December 1, 2016, relatively unchanged from 9.2 percent in 2010.
- The apartment market, excluding student-targeted apartments, had a vacancy rate of 3.8 percent in the third quarter of 2016, down from 4.1 percent a year earlier (Reis, Inc). The average monthly apartment asking rent was \$772 in the third quarter of 2016, a 1.7-percent increase from the third quarter of 2015.
- Student-targeted apartments had a vacancy rate of 9.1 percent during November 2016, up from 5.2 percent a year earlier (Axiometrics, Inc., with adjustments by analyst). The average asking rent at student-targeted apartments was \$664 per bedroom during November 2016, up 4 percent from the previous year. The increase in the rent and vacancy rates is partially because of the 2,400 beds completed in student-targeted apartments during 2016 (Triad Real Estate Research).

Responding to a national trend of increased investment in student housing, the number of multifamily units built in the Champaign metropolitan area, where students comprise an estimated 20

Rent growth in the Champaign-Urbana area has slowed since late 2015, while vacancy rates continued to decline.

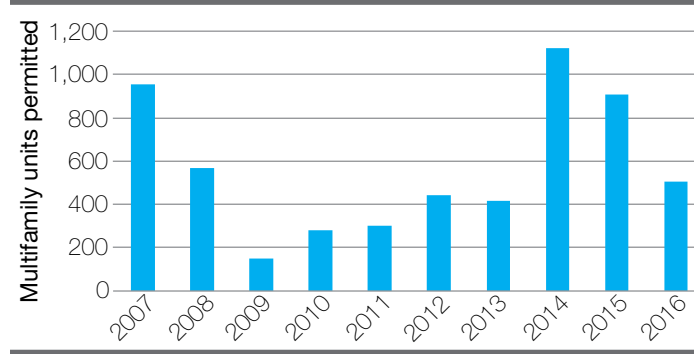


Q3 = third quarter.
Source: Axiometrics, Inc.

percent of all renter households, increased from 2010 to a record level of 1,125 units in 2014. The number of units permitted remained elevated in 2015 at 900.

- During the 12 months ending November 2016, multifamily construction, as measured by the number of units permitted, totaled 520 units, fewer than the 680 units permitted during the previous 12-month period (preliminary data).
- Multifamily permitting averaged 1,000 units a year during 2014 and 2015, at least 30 percent of which were student-targeted apartments.
- Multifamily permitting averaged 800 units annually from 2005 through 2008, dropped to a low of 150 units in 2009, and then increased by an average of 65 units a year to 410 units in 2013. The drop in the number of units permitted in 2009 occurred partly in response to the national recession, although the increase in permitting since 2009 has been partially in response to greater availability of capital for student-targeted housing.
- Since 2010, approximately 95 percent of the multifamily housing completed in the metropolitan area was in Champaign County, at least one-half of which targeted students, seniors, or low-income households. The 56-unit Parkland Cove Apartments, on the outside edge of the city of Champaign, was completed in 2012. Rents currently range from \$770 to \$800 for two-bedroom units and are \$900 for three-bedroom units. The 324-unit Latitude has 604 student beds and was completed in mid-2016. Rents for one-bedroom units are \$1,280. Two-bedroom units rent for \$895 per bedroom and four-bedroom units rent for \$825 per bedroom.

The rise in multifamily permitting since 2014 in the Champaign-Urbana area was partially because of increased student-apartment construction.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey

