

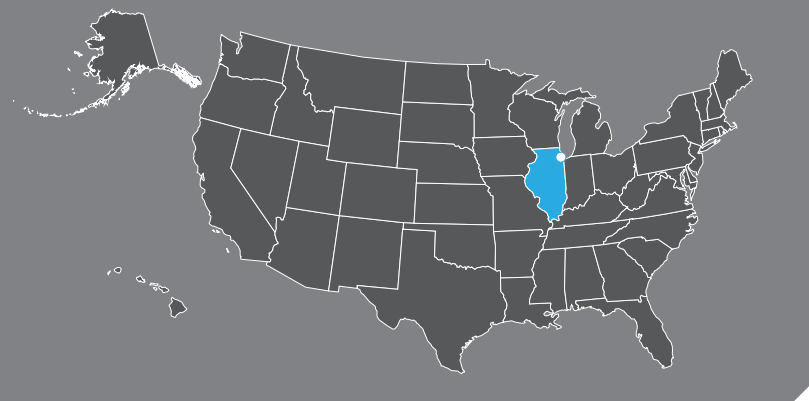
HUD PD&R Housing Market Profiles

Downtown Chicago, Illinois



Quick Facts About Downtown Chicago

- Current sales market conditions: slightly soft
- Current apartment market conditions: slightly soft
- In 2019, five companies with headquarters in Downtown Chicago were in the Fortune 100, including the currently 19th-ranking Walgreens Boots Alliance, Inc., the holding company for Walgreens drug stores, which moved approximately 1,300 employees from nearby Lake County to the West Loop neighborhood in Downtown Chicago in February 2020.



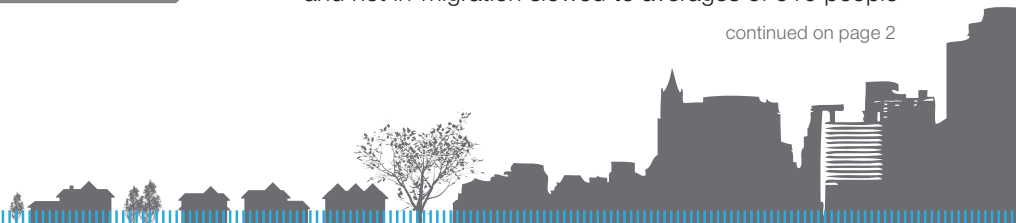
By Diana Villavicencio | As of November 1, 2020

Overview

Downtown Chicago is part of Cook County, the central county of the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area. Downtown Chicago includes four neighborhoods: the Near North Side, the Near South Side, the Loop, and the West Loop. Situated along Lake Michigan, Downtown Chicago is a center for technology companies, higher education, and health care and is a popular location for corporate headquarters in the Midwest. Employment data are not available for Downtown Chicago, but they are available for the more extensive geography of Cook County; therefore, employment data in this report are for Cook County.

- As of November 1, 2020, the estimated population of Downtown Chicago is 250,600—an increase of 5,800, or 2.4 percent, annually since July 2017. Population growth slowed from an average of 6,350, or 3.0 percent, a year from 2011 to 2017 (Census Bureau population estimates as of July 1 and estimates by the analyst).
- Population growth slowed since 2017 because net natural increase (resident births minus resident deaths) and net in-migration slowed to averages of 910 people

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and 4,900 people, annually, respectively, when job growth slowed and subsequently declined in Cook County. By comparison, from 2011 to 2017, net natural increase averaged 1,175 people a year and net in-migration averaged 5,175 people annually.

- Downtown Chicago is a popular place to live among young adults, especially early career professionals and students, aged 18 to 39 and, to a lesser extent, the retirement-age portion of the population, generally defined as residents

aged 65 years and older. During the 2015-to-2019 period, the population aged 18 to 39 years accounted for 53 percent of the population—up from 49 percent during the 2006-to-2010 period (American Community Survey [ACS] 5-year estimates); the portion of residents aged 65 and older increased to 12 percent from 11 percent; the portion of the population aged 18 years and younger decreased to 10 percent from 11 percent; and the cohort aged 40 to 64 years decreased to 26 percent from 29 percent.

Economic Conditions

Economic conditions in Cook County have been weak since March 2020, when the World Health Organization declared COVID-19 a pandemic and the Illinois governor issued a statewide stay-at-home executive order designed to slow the spread of COVID-19. Conditions improved slightly during the 3 months ending October 2020 from the 3 months ending July 2020 because beginning in late May, the executive order was gradually relaxed, allowing nonessential businesses to reopen if they adhered to social distancing and sanitation requirements. By October 29, 2020, however, COVID-19 cases surged and restrictions tightened to include a ban on all indoor dining. As a result, economic conditions remain weak and nonfarm payrolls are below the recent peak of 2.80 million jobs during the 3 months ending October 2019. Before the pandemic, the economy in the county expanded and jobs grew by an average of 34,500, or 1.3 percent, annually from 2011 through 2018, although the rate of job growth moderated during the 3 most recent years.

During the 3 months ending October 2020—

- Total nonfarm payrolls rose compared with the previous 3-month period, increasing by 89,300 jobs, or 3.6 percent, from the 3 months ending July 2020. The current average of 2.59 million jobs, however, is down by 217,500 jobs, or 7.8 percent, from the 3 months ending October 2019. The decline in jobs in Cook County was more severe than in the Midwest region and the nation, where payrolls were down 6.9 and 6.4 percent, respectively.
- Nonfarm payrolls declined in all 10 payroll sectors in Cook County from the 3 months ending October 2019, with the leisure and hospitality sector declining by 74,400 jobs, or 24.5 percent, and accounting for more than one-third of job losses in the county. At an annual growth rate of 3.2 percent, the sector had been the fastest growing sector in Cook County from 2011 through 2018, partly because nearly 30 new hotels with approximately 8,075 rooms

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All 10 sectors in Cook County lost jobs during the 3 months ending October 2020.

	3 Months Ending		Year-Over-Year Change	
	October 2019 (Thousands)	October 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	2,804.8	2,587.3	-217.5	-7.8
Goods-Producing Sectors	274.2	258.4	-15.8	-5.8
Mining, Logging, & Construction	84.1	76.3	-7.8	-9.3
Manufacturing	190.1	182.1	-8.0	-4.2
Service-Providing Sectors	2,530.6	2,329.0	-201.6	-8.0
Trade, Transportation, & Utilities	508.9	480.8	-28.1	-5.5
Information	58.5	56.5	-2.0	-3.4
Financial Activities	226.1	220.8	-5.3	-2.3
Professional & Business Services	529.5	499.2	-30.3	-5.7
Education & Health Services	469.5	441.8	-27.7	-5.9
Leisure & Hospitality	303.4	229.0	-74.4	-24.5
Other Services	118.0	108.1	-9.9	-8.4
Government	316.7	292.8	-23.9	-7.5
Unemployment Rate	3.6%	11.8%		

Note: Numbers may not add to totals due to rounding.

Sources: Economic and Information Analysis, Illinois Department of Employment Security; U.S. Bureau of Labor Statistics

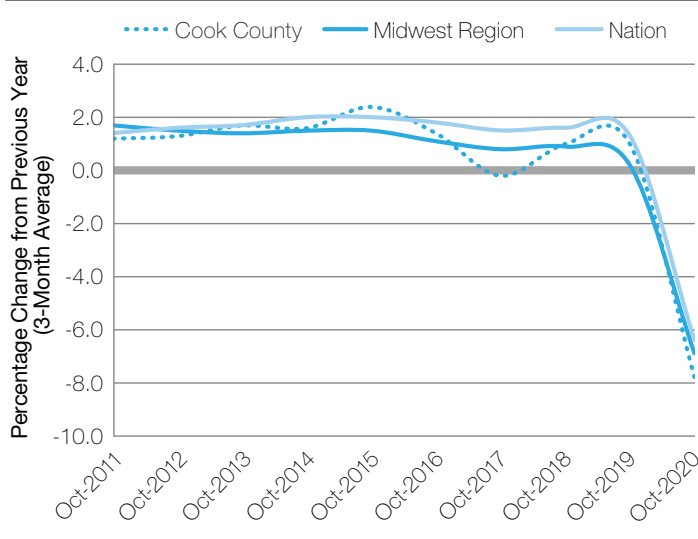


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opened throughout Downtown Chicago and tourism to the area had reached record levels during 2016, 2017, and 2018.

- The trade, transportation, and utilities and the education and health services sectors—the second and third largest payroll sectors in Cook County, accounting for more than one-third of all nonfarm payrolls combined—contracted by 28,100 and 27,700 jobs, or 5.5 and 5.9 percent, respectively. The education and health services sector contracted, partly because hospitals were temporarily unable to provide many elective procedures, causing furloughs among healthcare providers; also, colleges and universities continued remote learning or closed during the 2020 fall semester to reduce COVID-19 outbreaks, which led to job losses.
- The average unemployment rate in Cook County more than tripled, to 11.8 percent, from the 3.6-percent rate during the same period a year earlier and was higher than the national average of 7.6 percent. Before the pandemic, the unemployment rate in Cook County had declined every year since 2011.

During the 3 months ending October 2020, the rate of job loss in Cook County was greater than the respective rates for the Midwest region and the nation.



Sources: Economic and Information Analysis, Illinois Department of Employment Security; U.S. Bureau of Labor Statistics

With 499,200 jobs, or 19.3 percent of total nonfarm payrolls, during the 3 months ending October 2020, the professional and business services sector was the largest sector in the county. During the 3 months ending October 2020, the sector lost the second most jobs in the county—down by 30,300 jobs, or 5.7 percent, compared with an increase of 10,100 jobs, or 1.9 percent, during the 3 months ending October 2019. Jobs in the professional and business services sector are supported by industries such as legal services, accounting, and business management, which more readily adapted to a telework model following the onset of COVID-19. Nevertheless, because many businesses were able to convert to remote working, demand decreased for office services such as building support and janitorial staff, contributing to overall declines in the sector. A consequence of shifting to remote working is that WeWork Property Investors LP, a commercial real estate company that provides shared workspace and office services to entrepreneurs and companies, terminated two leases in the West Loop that would have provided up to 110,000 square feet of office space. From 2011 through 2018, before the current downturn, the professional and business services sector added the most jobs of any sector—up an average 9,300 jobs, or 2.0 percent, a year. In June 2018, the McDonald’s Corporation moved its global headquarters and educational facility “Hamburger University” with approximately 2,000 employees from DuPage County to the West Loop. The new McDonald’s facility is approximately two blocks south of the Chicago headquarters for Alphabet Inc. (parent company of Google), which opened in 2015, adding 600 employees. In late 2019, Google expanded by opening a second office in the West Loop and doubling its workforce to 1,200.

Largest Employers in Cook County

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Advocate Aurora Health	Education & Health Services	25,917
Northwestern Memorial HealthCare	Education & Health Services	21,264
AMITA Health	Education & Health Services	20,046

Note: Excludes local school districts.

Source: Cook County Comprehensive Annual Financial Report, 2019

Sales Market Conditions

The home sales market in Downtown Chicago is currently slightly soft, with an estimated vacancy rate of 3.4 percent as of November 1, 2020—down from 8.2 percent during April 2010, when the market was very soft. The sales market tightened from 2012 through 2018, partly because of increased net in-

migration coupled with limited construction of new sales units. In 2019, the sales market started to soften, as rental demand continued to grow and the construction of new sales units increased, particularly condominiums; the market softened further in early 2020 because of the COVID-19 pandemic.

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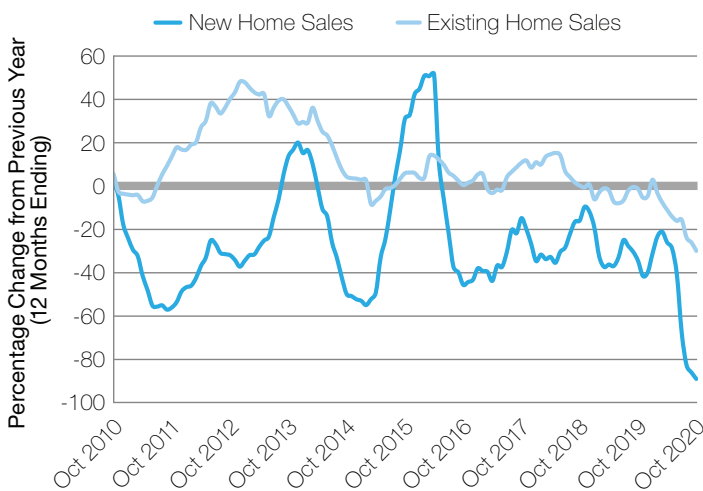
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During October 2020, Downtown Chicago had 9.0 months of available for-sale inventory—up from 5.8 months a year earlier but down from the 11.9-month peak in October 2010 (CoreLogic, Inc.). By comparison, the nation had a 2.2-month supply of for-sale inventory as of October 2020—down from both the 3.2-month supply in October 2019 and the 8.8-month supply in October 2010. As of October 2020, the percentage of seriously delinquent home loans (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in Downtown Chicago was 3.4 percent—up from 0.5 percent a year earlier but lower than the 4.2-percent rate for the nation (CoreLogic, Inc.). The last time the rate had a notable increase was immediately after the Great Recession, peaking in October 2010 at 5.3 percent in Downtown Chicago and 7.8 percent in the nation.

During the 12 months ending October 2020—

- Approximately 6,050 existing homes were sold in Downtown Chicago—down 2,625 homes, or 30 percent, from the same period a year earlier but up an average of 290 homes, or 7 percent, annually from a recent low of 3,225 homes sold in 2010, around the time of the local housing market downturn (Zonda). During the most recent 12 months, condominium sales accounted for nearly 98 percent of existing home sales—higher than the 95 percent proportion during 2010 but existing condominium sales declined by 2,450, or 30 percent.
- The existing home sales price averaged \$383,000—a 22-percent increase from the average sales price a year earlier and approximately 29 percent higher than the recent low average price of \$298,000 during 2012. Fewer REO home sales, which sell for an average of \$56,600 less than

New home sales in Downtown Chicago have slowed faster than existing home sales during the past year.



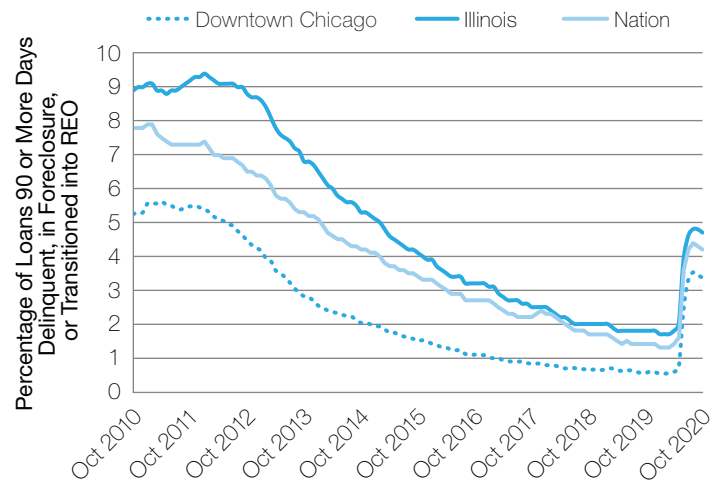
Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

non-distressed resales, contributed to the increase in the average existing home price.

- Only 10 new homes sold—all condominiums—compared with 110 new home sales during the 12 months ending October 2019, when condominiums constituted 86 percent

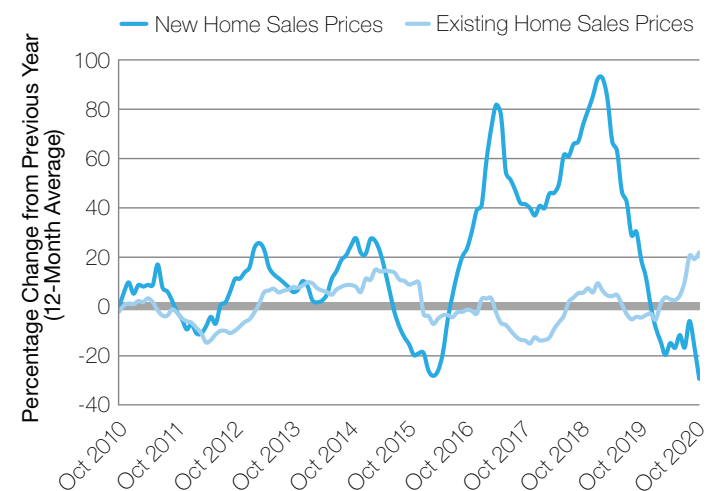
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Despite a recent increase, the proportion of seriously delinquent home loans and REO properties in Downtown Chicago has been lower than both the statewide and the nationwide rates since October 2010.



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

Existing home sales prices in Downtown Chicago have generally been relatively stable, whereas new home sales prices have been more volatile and declined during the past year.



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



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of new home sales. From 2010 through 2018, new home sales declined from an average of 1,625 to 150, with condominium sales accounting for 98 percent of the decline.

- The average sales price for a new home was \$1.50 million—down 29 percent from the average price of \$2.02 million during the 12 months ending October 2019 but up nearly double from the average price of \$816,300 from 2010 through 2018. Average new home sales prices can be volatile and may be influenced by a relatively small number of high-priced sales.

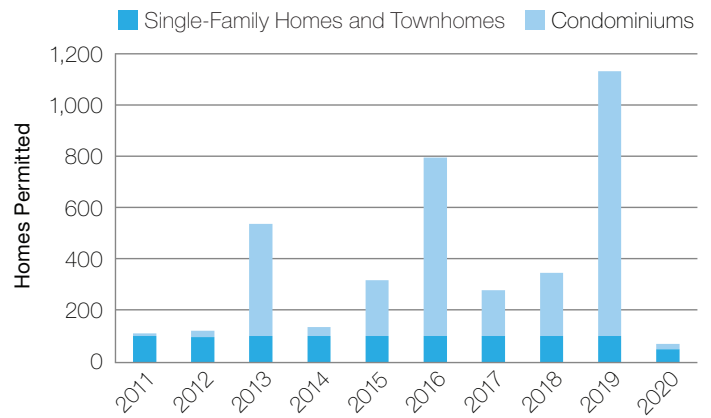
Since 2011, when the economy began expanding, home sales construction activity—as measured by the number of single-family homes, townhomes, and condominiums permitted (hereafter, homes)—has fluctuated, with 2 years of moderate construction followed by a year of relatively high construction. New home construction in Downtown Chicago primarily occurs because of redevelopment and infill, particularly of medium- and high-rise condominium buildings.

- During the 12 months ending October 2020, the number of homes permitted declined 30 percent, to 490 homes, from 700 homes permitted a year earlier (preliminary data, with adjustments by the analyst), partly because most nonessential residential construction projects were halted following the onset of the pandemic as one measure used to slow the spread of COVID-19. Condominiums accounted for 90 percent of total sales construction activity during the 12 months ending October 2020—up from 85 percent during the previous 12-month period and an average of 53 percent a year from 2011 through 2018.
- Home sales construction activity averaged 120 homes permitted annually from 2011 through 2012 before increasing to 540 homes during 2013; activity slowed to an average of 230 homes permitted annually from 2014

through 2015. Home construction activity increased to 800 homes permitted in 2016 and decreased to an average of 320 homes permitted annually during 2017 and 2018 before increasing to a peak of 1,125 in 2019.

- Nearly all new condominiums completed since 2011 are in the Near North Side and West Loop; however, of the approximately 950 condominiums under construction, 83 percent are in the Loop. Currently under construction in the Loop is the St. Regis Chicago (formerly known as Vista Tower), with 393 condominium units and 191 hotel rooms; on completion, during the third quarter of 2021, the 101-story, 1,198-foot skyscraper will become the third tallest building in the city. The property features one- to four-bedroom homes, with sales prices for a one-bedroom, 1,017-square-foot home starting at \$1 million.

The number of homes permitted in Downtown Chicago peaked in 2019.



Note: Includes preliminary data from January 2020 through October 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions in Downtown Chicago are currently slightly soft, compared with balanced conditions in 2012 and 2013. Conditions have generally softened since 2014, partly because of a surge in apartment construction and, more recently, the effects of COVID-19, which led to a rise in vacancies. Despite softening market conditions, renter households account for approximately 63.6 percent of all households in Downtown Chicago—up from 58.1 percent during the 2008-to-2012 period (2008–2012 ACS 5-year data and estimates by the analyst); nationally, renter households accounted for 34.6 percent of total households in 2019 (2019 ACS 1-year data).

During the third quarter of 2020—

- The apartment vacancy rate was 7.7 percent—up from 6.8 percent during the third quarter of 2019 and up from

the 4.5-percent rate during the third quarter of 2012 (Reis, Inc.). The vacancy rate in Downtown Chicago was above the national rate of 5.1 percent during the third quarter of 2020.

- The average apartment rent in Downtown Chicago decreased by \$170, or 6 percent, to \$2,523 from a year earlier, compared with an average 2-percent annual increase from 2012 through 2018. Year-over-year, the average rent decreased by approximately 1 percent, to \$1,469, in the nation during the third quarter of 2020.
- In the Reis, Inc.-defined Loop market area, which includes the Loop and the Near South Side neighborhoods and where a large proportion of student households generally reside, the vacancy rate rose 0.3 percentage point, to

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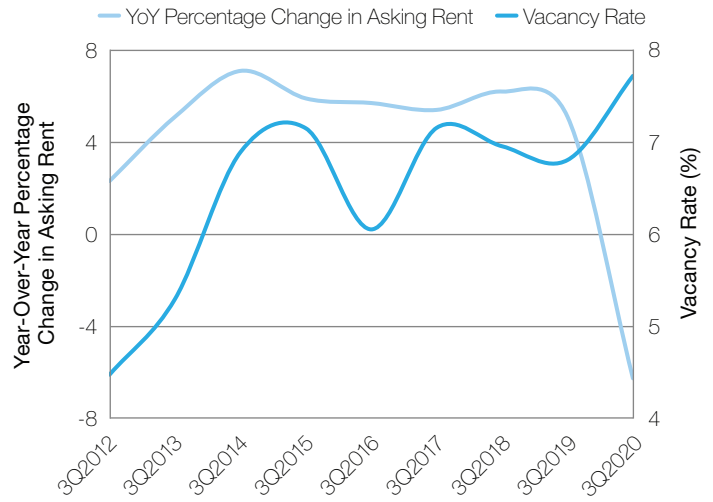
8.9 percent. The average rent in the market area decreased nearly 8 percent, to \$2,173.

- The vacancy rate in the Reis, Inc.-defined Gold Coast market area, which overlaps with the Near North Side and West Loop neighborhoods and where significant new apartment construction has been occurring, increased 1.3 percentage points, to 7.1 percent. The average rent in the Gold Coast market area was the higher of the two market areas that make up the Downtown Chicago area, at \$2,714, reflecting a 6-percent decrease from the previous year.

Rental construction activity, as measured by the number of rental units permitted, was generally elevated from 2014 through 2019 following 3 years of relatively low rental construction from 2011 through 2013. Construction activity peaked during 2016 because of increased net in-migration, an ongoing preference to live in urban centers, and a continued propensity by households to rent.

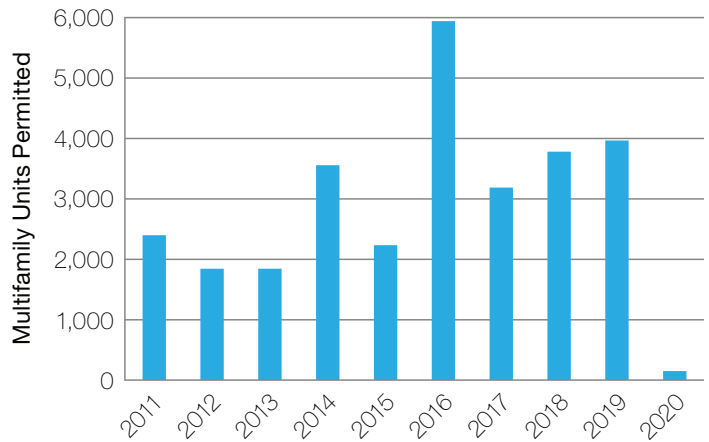
- During the 12 months ending October 2020, approximately 380 rental units were permitted—significantly fewer than the 4,525 units permitted during the 12 months ending October 2019 (preliminary data, with adjustments by the analyst).
- Approximately 3,550 units were permitted in 2014 before activity increased by an average of 1,200 units, or 29 percent, annually, to reach a peak of 5,950 units permitted during 2016. Construction activity decreased to an average of 3,650 units permitted annually from 2017 through 2019 but was above the average of 2,025 units permitted annually from 2011 through 2013.
- Approximately 3,550 rental units are under construction in Downtown Chicago, with nearly 2,075 units, or 56 percent, of those units in the Near North Side. The largest property under construction in the Near North Side and Downtown Chicago is One Chicago, a 795-unit mixed-use, 76-story apartment tower that is expected to be complete in December 2022.
- Also currently under construction in the Near North Side is the third and final phase of Old Town Park. The 456-unit mixed-use, 41-story tower is expected to be complete in February 2021 and will feature studios, one-, two-, and three-bedroom units.

The apartment vacancy rate increased and rent growth declined from a year ago during the third quarter of 2020 in Downtown Chicago.



3Q = third quarter. YoY = year-over-year. Source: Reis, Inc.

Rental construction in Downtown Chicago increased from 2017 through 2019 but was below the peak in 2016.



Note: Includes preliminary data from January 2020 through October 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

