

HUD PD&R Housing Market Profiles

Rockford, Illinois



Quick Facts About Rockford

- Current sales market conditions: balanced
- Current rental market conditions: balanced
- Current apartment market conditions: slightly tight
- The manufacturing sector—anchored by the automobile and aerospace-component production industries—is the largest nonfarm payroll sector in the metropolitan area, with 28,900 jobs. The current share of manufacturing jobs accounts for nearly 22 percent of total nonfarm payrolls in the Rockford metropolitan area, compared with the national average of 8 percent. Fiat Chrysler Automobiles N.V., Collins Aerospace, and Woodward, Inc. are the three largest manufacturing companies in the metropolitan area, with 3,750, 2,200, and 1,900 jobs, respectively (Rockford Area Economic Development Council).

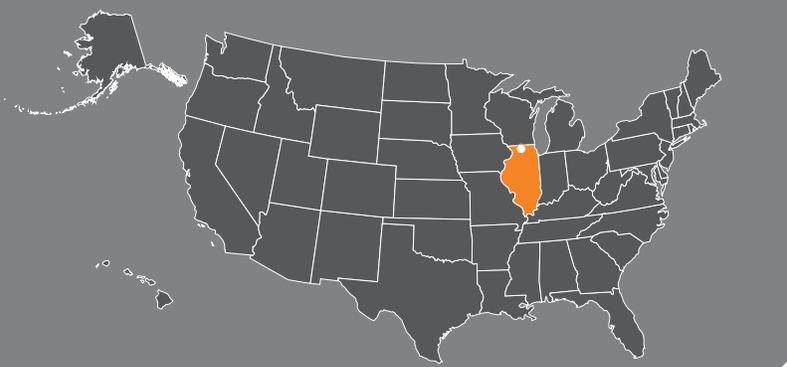
By Tomasz Kukawski | As of June 1, 2020

Overview

The Rockford metropolitan area includes the counties of Boone and Winnebago in north-central Illinois and is coterminous with the Metropolitan Statistical Area of the same name. The city of Rockford, approximately 90 miles northwest of the city of Chicago, is the fifth largest city in Illinois and the second largest city outside of the Chicago metropolitan area, with an estimated population of 145,600 as of July 2019. The city of Rockford lost about 5 percent of its population from 2010 to 2019; it is one of the fastest-shrinking cities in the nation. In 2019, the city of Rockford was ranked ninth among cities with the largest numeric declines in population and 15th for the fastest declining largest cities (Census Bureau).

- As of June 1, 2020, the estimated population of the Rockford metropolitan area was 334,800, representing a decline of 1,450, or 0.4 percent, annually since April 2010.
- Since 2010, net natural increase (resident births minus resident deaths) has averaged 900 people annually and was offset by average net out-migration of 2,350 people a year. By comparison, from 2000 to 2010, net natural increase was about twice as high, averaging 1,950 people

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a year. Relatively better economic conditions during the early-to mid-2000s resulted in net in-migration to the metropolitan area which averaged 980 people annually (Census Bureau decennial census counts, and population estimates as of July 1).

- A decline in net natural increase since 2010 has occurred because of growth in the share of residents age 62 and older

in the metropolitan area. From 2010 to 2018, the portion of residents age 62 and older grew from 17 to 21 percent; at the same time, the portion of residents age 15 to 54 years declined from 53 to 50 percent (American Community Survey, 1-year data).

Economic Conditions

Economic growth in the metropolitan area following the Great Recession was slow and inconsistent. From 2011 through 2016, nonfarm payroll growth in the metropolitan area averaged 0.8 percent annually. During the same period, nonfarm payrolls nationally expanded an average of 1.9 percent a year. In 2017, economic activity in the metropolitan area contracted nearly 2 percent, partly because continued population decline resulted in job losses in the service-providing industries. Economic growth resumed briefly in 2018, largely because of gains in the construction industry and the manufacturing sector; Fiat Chrysler Automobiles N.V. started production of the Jeep Cherokee at the Belvidere Assembly Plant, and cargo facilities near the Chicago Rockford International Airport were expanded to accommodate increased activity at United Parcel Service, Inc. (UPS) and Amazon.com, Inc. After a moderate 7-percent overall gain since the previous low of 143,300 jobs in 2010, nonfarm payrolls in the

metropolitan area peaked at 153,000 in 2018 and have been declining since. Economic conditions deteriorated further after the implementation of the stay-at-home order in Illinois on March 20, 2020, in response to the COVID-19 pandemic.

During the 3 months ending May 2020—

- Nonfarm payrolls in the metropolitan area reached a new low after decreasing by 16,500 jobs, or 10.9 percent, to 134,300. Losses occurred in all payroll sectors, and the rate of decline was greater than the 8.7- and the 8.2-percent decreases in the state of Illinois and the nation, respectively.
- Approximately one-third of total nonfarm payroll losses occurred in the leisure and hospitality sector, which declined by 5,500 jobs, or 37.7 percent. In 2019, visitors spent approximately \$392 million in the metropolitan area (Winnebago County, Rockford Area Convention & Visitors

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Nonfarm payrolls in the Rockford metropolitan area declined in all sectors during the 3 months ending May 2020.

	3 Months Ending		Year-Over-Year Change	
	May 2019 (Thousands)	May 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	150.8	134.3	-16.5	-10.9
Goods-Producing Sectors	37.5	33.6	-3.9	-10.4
Mining, Logging, & Construction	5.1	4.7	-0.4	-7.8
Manufacturing	32.4	28.9	-3.5	-10.8
Service-Providing Sectors	113.3	100.8	-12.5	-11.0
Wholesale & Retail Trade	21.4	20.4	-1.0	-4.7
Transportation & Utilities	8.2	7.9	-0.3	-3.7
Information	1.7	1.5	-0.2	-11.8
Financial Activities	5.2	5.1	-0.1	-1.9
Professional & Business Services	13.4	10.7	-2.7	-20.1
Education & Health Services	24.7	23.7	-1.0	-4.0
Leisure & Hospitality	14.6	9.1	-5.5	-37.7
Other Services	8.5	7.9	-0.6	-7.1
Government	15.7	14.5	-1.2	-7.6
Unemployment Rate	5.2%	15.4%		

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

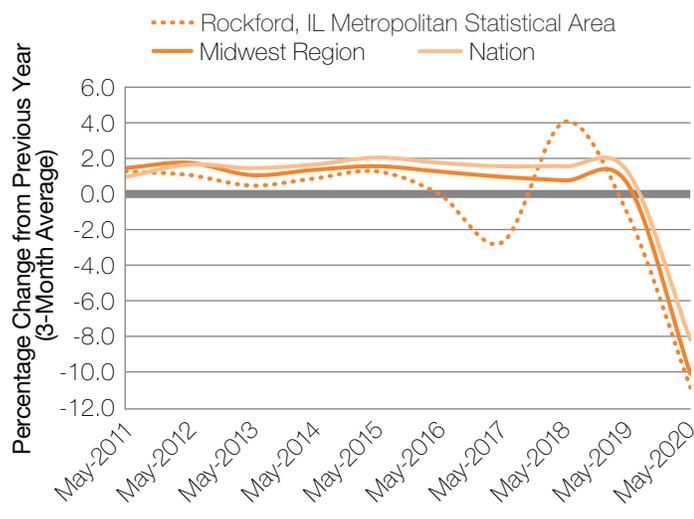


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Bureau); that number is expected to be significantly lower in 2020 due to the closing of bars and restaurants and the elimination of business trips, conferences, and sports tournaments.

- Significant declines occurred in the manufacturing and the professional and business services sectors, which decreased by 3,500 and 2,700 jobs, or 10.8 and 20.1 percent, respectively. The Belvidere Assembly Plant has been idle since mid-March and is expected to re-open in June 2020; in April 2020, the manufacturer Woodward, Inc. laid off 1,125 employees, of which 700 were temporary furloughs.
- The unemployment rate rose sharply to 15.4 percent from the 5.2-percent rate during the 3 months ending May 2019, and

During the 3 months ending May 2020, the rate of job loss in the Rockford metropolitan area was greater than the rates for the Midwest Region and the nation.



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

it is currently slightly below the previous peak of 16.5 percent in 2010. The current unemployment rate in the metropolitan area is higher than the 11.8 percent rate in the state of Illinois and the 12.9-percent unemployment rate for the nation.

The Rockford metropolitan area is a regional healthcare center for much of northern Illinois and southern Wisconsin, and the education and health services sector is the second largest payroll sector, with 23,700 jobs. Of the five largest employers in the metropolitan area, three are health services providers, including Mercyhealth, SwedishAmerican health system, and OSF HealthCare, which employ approximately 10,100 people combined. In 2019, Mercyhealth opened the new \$505 million Javon Bea Hospital and Physician Clinic–Riverside in Rockford. Demand for health care from an aging population has resulted in steady growth in the education and health services sector. From 2011 through 2018, the sector expanded by an average of 110 jobs, or 0.5 percent, annually. When the stay-at-home order was in effect in Illinois, hospitals were temporarily unable to provide elective services, leading to furloughs among local healthcare providers. As a result, the education and health services sector lost 1,000 jobs, a decline of 4.0 percent, during the 3 months ending May 2020. Growth in the sector is expected to resume when steps to restrict the spread of the COVID-19 pandemic are eased and elective procedures resume.

Largest Employers in the Rockford Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Mercyhealth	Education & Health Services	4,525
Fiat Chrysler Automobiles N.V.	Manufacturing	3,750
SwedishAmerican health system	Education & Health Services	3,375

Note: Excludes local school districts.
Source: Moody's Analytics

Sales Market Conditions

The home sales market in the Rockford metropolitan area is currently balanced, with an estimated vacancy rate of 2.0 percent, down from 2.7 percent in April 2010. Very low levels of single-family home construction through the mid-2010s contributed to balanced market conditions. During the 12 months ending May 2020, home sales (including single-family homes, townhomes, and condominiums) totaled 6,000 homes, a 4-percent decrease from the 6,250 homes sold a year earlier (Metrostudy, A Hanley Wood Company). As of May 2020, the metropolitan area had a 2.0-month supply of homes for sale, up from a 1.8-month supply in May 2019 (Redfin). The rate of

seriously delinquent home loans and real estate owned (REO) properties in the Rockford metropolitan area was 1.9 percent as of April 2020, down from 2.0 percent a year earlier (CoreLogic, Inc.). The current rate is higher than the 1.8-percent rate for Illinois and the 1.4-percent rate for the nation.

During the 12 months ending May 2020—

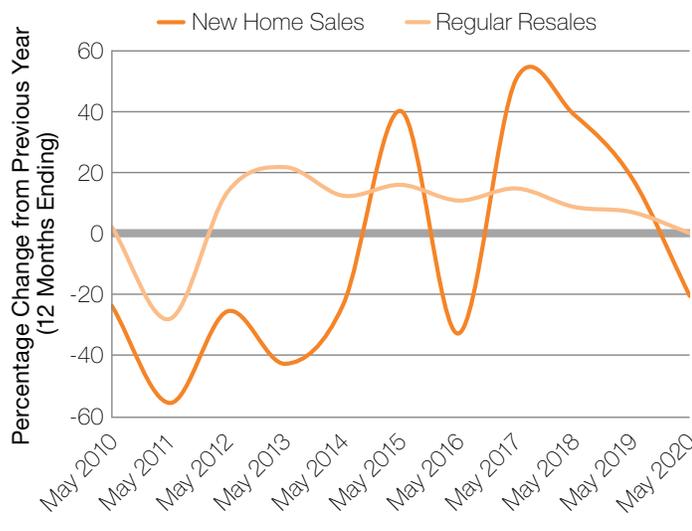
- New home sales totaled 100, a decrease of 25 sales, or 20 percent, from the previous 12 months (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). New home sales accounted for less than 2 percent of all home sales in the metropolitan area.

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After 7 years of increases, regular resales in the Rockford metropolitan area remained unchanged during the 12 months ending May 2020, while new home sales declined.

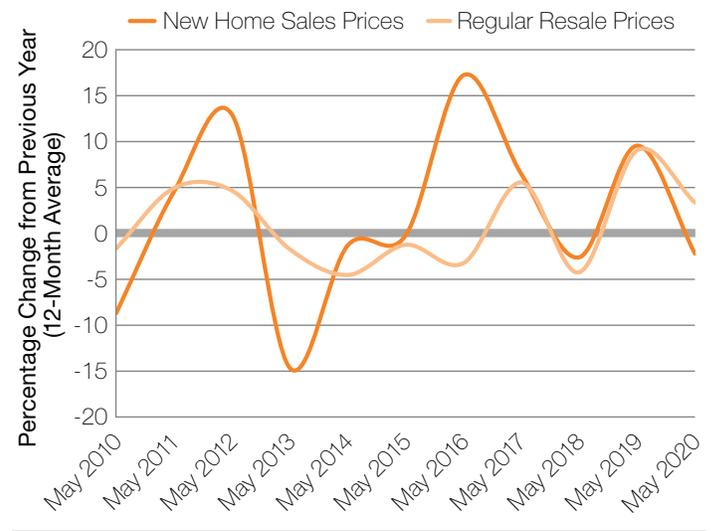


Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

- Partly because of low inventory of homes available for sale, regular resales remained unchanged from a year earlier at 5,475 sales. By comparison, regular resales in the metropolitan area increased an average of 470 sales, or nearly 15 percent, annually from 2012 through 2018.
- The average sales price for new home sales fell 2 percent from the previous 12 months to \$224,800, but the average regular resale home price rose 3 percent to \$153,900. Home prices in the metropolitan area are relatively affordable. Approximately 88 percent of homes sold during the first quarter of 2020 would have been affordable to a family earning the local median income; the metropolitan area ranked as the 22nd most affordable of 235 ranked metropolitan areas in the nation (National Association of Home Builders/Wells Fargo Housing Opportunity Index).
- Distressed home sales (REO and short sales) declined by 220, or 34 percent, to 425, representing 7 percent of total home sales. The average sales price of distressed homes was \$79,000. In 2013, distressed home sales peaked at 2,225 sales and comprised 41 percent of total sales, with an average sales price of \$72,600.

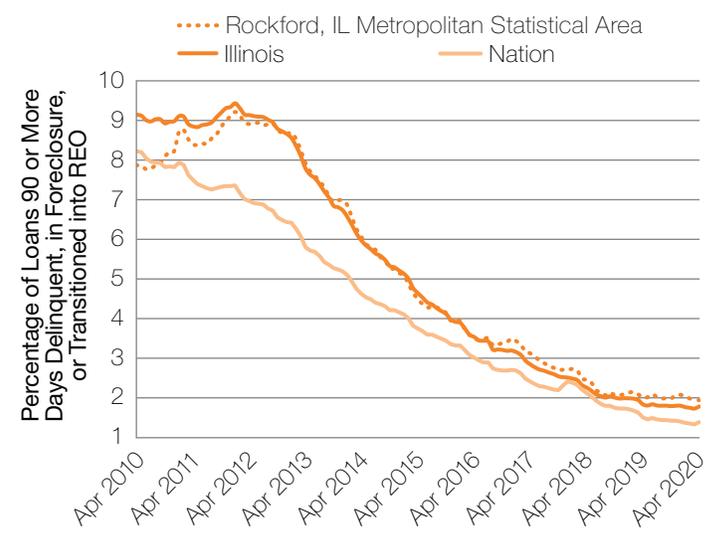
Single-family homebuilding, as measured by the number of homes permitted, has increased from levels in the early-through-mid 2010s, despite slow economic growth and population decline, but remains at relatively low levels compared with construction activity during the early to mid-2000s.

During the 12 months ending May 2020, the average price for new homes in the Rockford metropolitan area declined, while regular resale price growth slowed substantially.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The rate of seriously delinquent mortgages and REO properties has declined significantly in the Rockford metropolitan area since the early 2010s but remains above the rates in Illinois and the nation.



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

- The number of single-family homes permitted totaled 140 during the 12 months ending May 2020, down 22 percent

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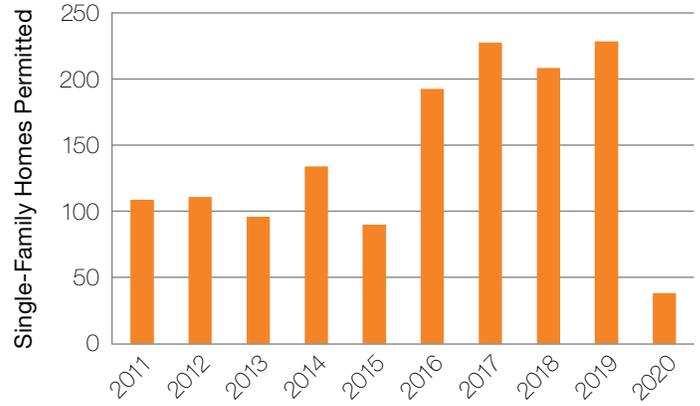


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from the 180 homes permitted a year earlier (preliminary data). The current level of single-family construction is more than 50 percent higher than the low of 90 homes permitted in 2015.

- Single-family home construction averaged 210 homes permitted annually from 2016 through 2018, up from an average of 140 homes a year from 2010 through 2015, but far below the average of 1,700 each year from 2000 through 2007.
- Single-family home construction is occurring throughout the metropolitan area at older established subdivisions as builders continue to use existing residential lots developed before the Great Recession. Recent construction includes 35 single-family homes priced from \$150,000 to \$225,000 at the Eagles View subdivision in Machesney Park, north of the city of Rockford. Other single-family home construction is occurring in the cities of Loves Park, Poplar Grove, Davis Junction, Belvidere, and Rockford.

The average number of single-family homes permitted annually from 2016 through 2019 in the Rockford metropolitan area was double the average from 2011 through 2015.

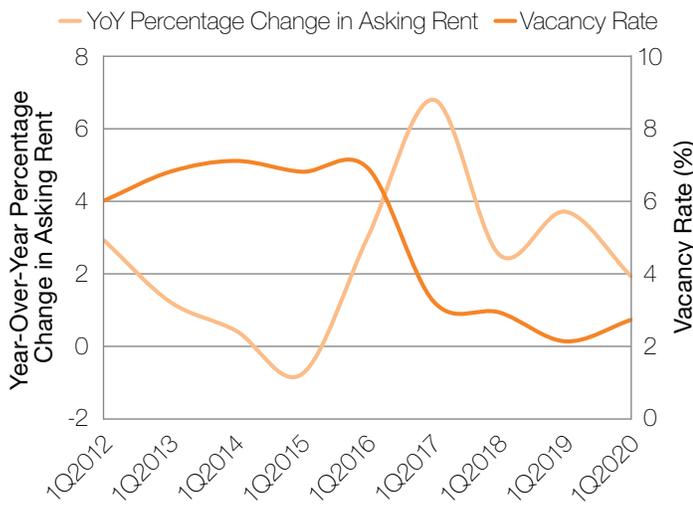


Note: Includes preliminary data from January 2020 through May 2020. Source: U.S. Census Bureau, Building Permits Survey

Rental Market Conditions

Rental housing market conditions in the Rockford metropolitan area are currently balanced, with an estimated vacancy rate of 7.2 percent for all rental units (including single-family homes, mobile homes, and apartments), representing a modest decline from 9.4 percent in April 2020. Even though the overall number of households in the metropolitan area declined since 2010, along with a decreasing population, the number of renter households is estimated to have increased by nearly 8 percent to 42,850.

Rent growth in the Rockford metropolitan area slowed since 2017 despite low apartment vacancy rates.



1Q = first quarter. YoY = year-over-year. Source: Reis, Inc.

- The apartment market in the Rockford metropolitan area is slightly tight, with a 2.7-percent vacancy rate during the first quarter of 2020—up from 2.1 percent a year earlier, but substantially below a recent high of 7.1 percent during the first quarter of 2014 (Reis, Inc.).
- The average rent for an apartment was \$730 in the first quarter of 2020, an increase of \$13, or 2 percent, from the first quarter of 2019 (Reis, Inc.). From 2011 through 2018, the average monthly rent in the metropolitan area rose more than 2 percent annually.
- Single-family home rentals comprise approximately 40 percent of rental housing supply in the Rockford metropolitan area, up from 33 percent in 2010. The vacancy rate for professionally managed single-family home rentals was 3.3 percent in April 2020, a slight decline from 3.4 percent a year earlier, and the average rent for a single-family home rose 8 percent to \$1,285 (CoreLogic, Inc.).
- Apartments targeted to senior households account for approximately 27 percent of the apartment inventory in the metropolitan area. During the first quarter of 2020, the vacancy rate among apartments reserved for households headed by seniors (including assisted living and independent living facilities) increased sharply to an average of 15.8 percent, up from 9.3 percent during the first quarter of 2019, and the average monthly rent rose nearly 3 percent to \$3,330 (Reis, Inc.).

Multifamily construction activity in the metropolitan area, as measured by the number of multifamily units permitted, has varied on an annual basis, but it has generally been limited

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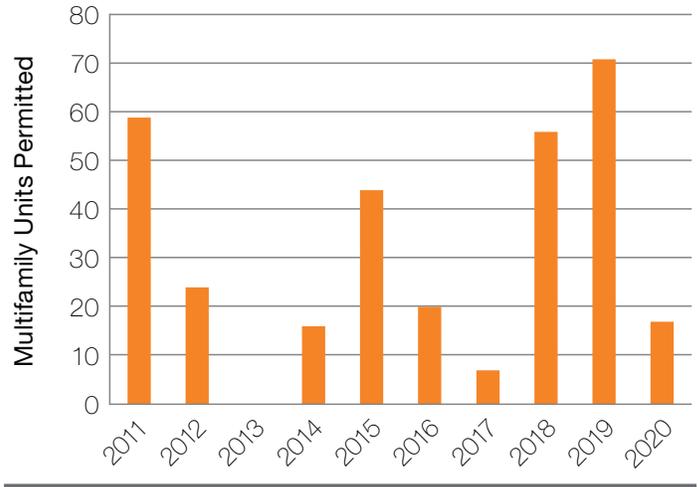


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because of net out-migration from the metropolitan area and the large supply of relatively inexpensive rental housing including single-family homes for rent.

- During the 12 months ending May 2020, approximately 50 multifamily units were permitted, a 44-percent decline from the 90 units permitted during the previous 12 months (preliminary data with adjustments by the analyst).
- From 2018 through 2019, multifamily construction averaged 60 units a year. By comparison, from 2000 through 2007, multifamily permitting averaged 330 units annually and then fell to an average of only 30 units a year from 2008 through 2017.
- Nearly 80 percent of all multifamily units added to the housing inventory in the metropolitan area since 2011 were built in the city of Rockford.
- There have been no large multifamily projects completed in the metropolitan area since 2011. Instead, multifamily construction activity consists of scattered smaller developments with two to four units in structure.

Multifamily construction in the Rockford metropolitan area has increased since 2017 but remains very limited.



Note: Includes preliminary data from January 2020 through May 2020.
Source: U.S. Census Bureau, Building Permits Survey

