Assessing How Gentrification and Disinvestment-Related Market Pressures Drive the Loss of Small Multiunit Housing in Chicago Neighborhoods

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Abstract

In the city of Chicago, two- to four-unit buildings play a crucial role in the housing stock. These buildings provide affordable rental housing, homeownership, and income-generating opportunities and make up a substantial portion of Chicago's communities of color housing supply. However, there are substantial concerns that the city's supply of these buildings is disappearing. For this research, the authors use historical parcel-level data from the Cook County Assessor's Office to analyze changes in the housing stock makeup of neighborhoods throughout Chicago, quantify the losses in two- to four-unit buildings, identify what happened to these properties, and assess the underlying real estate market factors behind the loss of these buildings.

The authors find that nearly every neighborhood in Chicago is losing two- to four-unit buildings, but the reasons for the losses vary. In higher-cost neighborhoods, shifting housing demand toward higher-income owner-occupants means that older, smaller rental properties are targeted for conversion to either high-cost single-family homes or condominium buildings. This type of market activity reduces the supply of lower-cost rental housing, potentially making these communities less affordable for modest-income renters and driving displacement pressures. In lower-cost neighborhoods with long histories of disinvestment, two- to four-unit buildings are commonly demolished, becoming vacant land. This type of market activity also leads to a loss of housing in these neighborhoods, presenting potential barriers to reinvestment.

These results indicate that there is an urgent need for interventions to protect two- to four-unit buildings and that these interventions must be informed by an understanding of the neighborhood housing market conditions driving this activity. This research adds to the literature by highlighting the critical role that two- to four-unit buildings play in housing affordability for both renters and homeowners and also profiling the spectrum of challenges they face.

Introduction

Cities in the United States face a housing affordability crisis that makes it difficult for modest-income renters to find affordable housing or prospective homebuyers to find starter homes (Herbert, 2023; NLIHC, 2023). Although the reasons behind this affordability crisis are multifaceted and complex, there is a growing awareness that small, multiunit properties with two to four units play an important role in the current housing supply by providing both affordable rental housing and homeownership opportunities (Garcia et al., 2022). However, market pressures on existing two- to four-unit buildings in various neighborhood contexts may pose challenges to the preservation of this unique and critical housing type. This article uses Chicago as a case study to highlight how shifting housing demand and underlying real estate market factors in both higher-cost and historically disinvested neighborhoods are driving the loss of these buildings.

The authors find that virtually every neighborhood in Chicago is losing two- to four-unit buildings, but the reasons for the losses vary. In higher-cost neighborhoods, shifting housing demand toward higher-income owner occupants means that older, smaller rental properties are targeted for conversion or demolition and replaced with either high-cost single-family homes or condominium buildings. This type of market activity reduces the broader supply of lower-cost rental housing and rental housing, potentially making these communities less affordable for modest-income renters and driving displacement pressures. In lower-cost neighborhoods with long histories of disinvestment, two- to four-unit buildings are commonly demolished, becoming vacant land. This type of market activity also leads to a loss of housing in these neighborhoods, limiting pathways to redevelopment and presenting potential barriers to community reinvestment (Parolek and Parolek, 2021).

Understanding this market context is critical to developing targeted policy interventions to preserve the stock of small rental buildings across neighborhoods. For example, proactive policies to preserve the existing affordable two- to four-unit rental stock in higher-cost neighborhoods are needed before this stock is lost to gentrification pressures. Meanwhile, in lower-cost areas, the loss of two to four units to deterioration and demolition highlights the need for investment in both the broader community and existing housing stock. This investment is needed to reverse the tide of long-term population loss, historic disinvestment, the ongoing legacies of the foreclosure crisis and Great Recession, and the economic impact of the recent COVID-19 pandemic.

Context

Largely built to provide homeownership opportunities for immigrant families in the early 20th century, two- to four-unit properties make up a significant portion of the housing stock in many older U.S. cities, including Boston, Buffalo, Chicago, Milwaukee, New Orleans, Newark, and St. Louis (U.S. Census Bureau, 2021). Two- to four-unit buildings often have a similar scale and form as single-family homes, meaning that their presence maintains the appearance of lower-density neighborhoods (Parolek, 2020: 15). However, these multiunit buildings also sustain an urban density, making small multifamily buildings a crucial part of pushes for denser and more walkable neighborhoods (Holeywell, 2016). Exhibit 1 shows an example of a block with two- to four-unit buildings in Chicago.

Exhibit 1

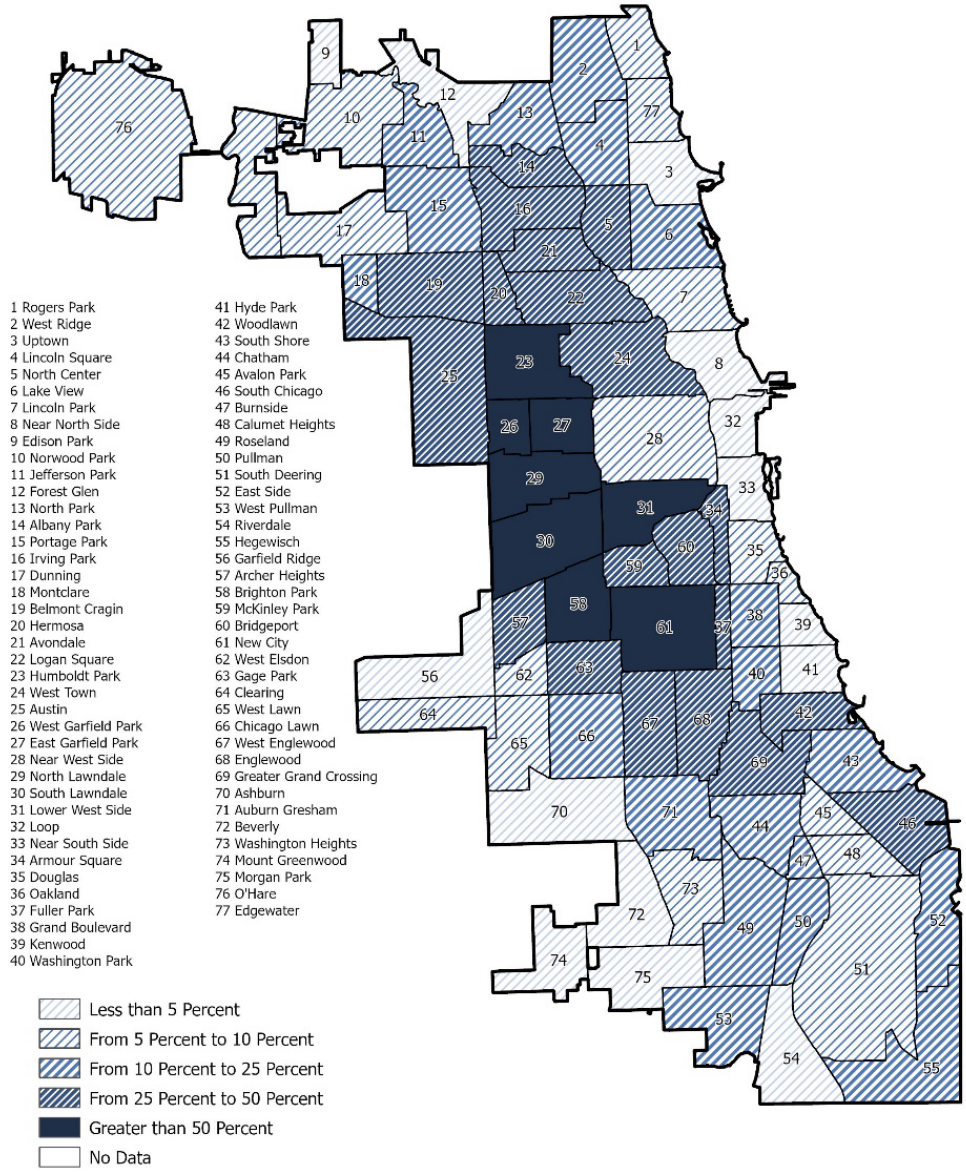
Chicago Block With Two- to Four-Unit Buildings

A block with two- to four-unit buildings in Chicago. Photo credit: Institute for Housing Studies at DePaul University.

In Chicago, buildings with two to four units are a critical component of the city's housing stock and play a unique role in providing both renter- and owner-occupied housing, constituting 26 percent of all residential units in the city (IHS, 2021a). Two- to four-unit buildings are also the most common type of rental housing in the city, making up more than 32 percent of Chicago's rental housing supply, accounting for more rental units than buildings with 5 to 49 or 50 units or greater (IHS, 2023a). Two- to four-unit properties are in most of the city's neighborhoods but are also highly geographically concentrated in certain communities. For example, as exhibit 2 illustrates, more than one-half of housing units in 8 of Chicago's 77 community areas, primarily on Chicago's South and West Sides, are in two- to four-unit buildings (IHS, 2021a).

Exhibit 2

Share of Residential Parcels in Two- to Four-Unit Properties in Chicago, Tax Year 2020



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Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

In Chicago and nationally, two- to four-unit buildings are a critical component of the supply of unsubsidized affordable rental housing for lower-income households, particularly for households and communities of color. According to national research from the University of Southern California and Enterprise Community Partners, rental units in two- to four-unit buildings tend to have the lowest rents of any building type and also serve renters with the lowest incomes (An et al., 2017). In Chicago, two- to four-unit buildings have the highest share of rental units with rents less than $900 (IHS, 2023b). Compared with larger multifamily rental properties, two- to four-unit buildings are much more likely to offer family-sized units, with roughly 40 percent of units in these properties containing three or more bedrooms (IHS, 2021a). In addition, two- to four-unit buildings are particularly important to the housing stock in communities of color and to residents of color citywide. Roughly 60 percent of Chicago's Latino-headed and 32 percent of African-American-headed renter households live in two- to four-unit buildings (IHS, 2021a). Nearly 46 percent of the total housing units in Chicago's majority-Latino census tracts and nearly 30 percent in predominantly African-American census tracts are in buildings with two to four units (IHS, 2021a). These local patterns are mirrored in national research. For example, the Urban Institute recently found that African-American and Latino renters make up a higher share of tenants in two- to four-unit buildings than any other type of rental property (Theodos et al., 2019).

Two- to four-unit buildings are unique because they are often owned by small, "mom and pop" landlords who may also occupy units as their homes while renting the remaining units. This arrangement provides affordable homeownership and wealth-building opportunities for the owner households, particularly for households and communities of color (Choi and Young, 2020). Nationally, Black or Latino landlords are more likely to own two- to four-unit buildings than any other size of rental building, and small rental buildings have been found to provide a pathway to homeownership for immigrant households (Choi and Young, 2020; Cornelissen, Hermann, and Whitney, 2023). In Chicago, roughly 54 percent of all two- to four-unit buildings had an active homeowner exemption in the 2019 tax year, suggesting that they are owner occupied. By comparison, when considering only majority-Latino neighborhoods, the share of two- to four-unit parcels with homeowner exemptions rises to more than 62 percent (IHS, 2021a). In addition, two- to four-unit properties have proven popular with recent homebuyers of color in Chicago. Between 2019 and 2021, 11.5 percent of all home purchase loans in Chicago were for two- to four-unit properties. However, the rates for African-American and Latino homebuyers were more than 24 percent and nearly 20 percent, respectively, compared with 6 percent for White homebuyers. These percentages illustrate that two- to four-unit buildings are a critical pathway to homeownership for borrowers of color in Chicago (IHS, 2023d).

Despite the importance of two- to four-unit buildings to Chicago renters and homeowners, the challenges facing this segment of the housing stock have been long term. Of all types of residential property in Chicago, two- to four-unit buildings were most affected by foreclosure in the years leading up to and following the Great Recession (IHS, 2021a). Between 2005 and 2019, nearly 30 percent of two- to four-unit parcels in Chicago were associated with at least one foreclosure filing. Properties in the city's predominantly African-American communities were hit hardest, with more than 47 percent of two- to four-unit parcels being associated with at least one foreclosure filing (IHS, 2021a).

In the years following the Great Recession, the city saw losses to the two- to four-unit rental stock despite overall growth in rental housing demand and overall rental supply. Between 2012 and 2021, the city lost nearly 12 percent of its rental units in two- to four-unit buildings during a period when the number of rental housing units in all other building types, besides single-family homes, grew (IHS, 2023a). As Chicago lost two- to four-unit rental buildings, it also lost lower-cost rental housing units. During the same period, Chicago saw a more than 15-percent decline in the number of rental units affordable to lower-income households, widening the gap between demand for affordable housing from lower-income renters and the supply of affordable rental units (IHS, 2023a). This correlation between lost two- to four-unit rentals and declines in Chicago's affordable rental supply highlights the key role that two- to four-unit buildings play in providing lower-cost rental housing. It is also consistent with national evidence that the loss of lower-cost rental housing in cities across the country is one of the biggest housing affordability challenges nationally (JCHS, 2023).

For many years, Chicago housing and community development stakeholders have led advocacy campaigns regarding the loss of two- to four-unit buildings citywide and in their neighborhoods (IHS, 2021b). In 2014, Communities United, a community-based organization working in Chicago's Albany Park neighborhood, began raising concerns that two- to four-unit buildings were being lost to foreclosure and acquired by investors for conversion into single-family homes (Shropshire, 2016). The Logan Square Neighborhood Association and Latin United Community Housing Association also raised concerns that single-family conversions were accelerating displacement pressure near The 606, a linear park system on the border of Humboldt Park and Logan Square built in 2015 (Black, 2020). In Chicago's South Side communities, such as Auburn Gresham, Chatham, Englewood, and Greater Grand Crossing, advocates seeking to leverage the two- to four-unit housing stock to attract and retain residents struggled to contend with a limited stock of these buildings after significant post-Great Recession demolition campaigns, severe tax delinquency, or the extensive rehabilitation needs of many remaining two- to four-unit buildings (Caine, 2022).

Analysis

Since 2012, the Institute for Housing Studies (IHS) has written extensively about the importance of two- to four-unit properties to Chicago's supply of unsubsidized affordable housing. The institute used reports from community partners and American Community Survey aggregated data to indicate that the stock was disappearing during the post-Great Recession housing market recovery. IHS staff worked also with local partners to identify the likely reasons for this loss, including pressures to convert two- to four-unit buildings to single-family homes and the loss of the stock through deterioration (IHS, 2019).

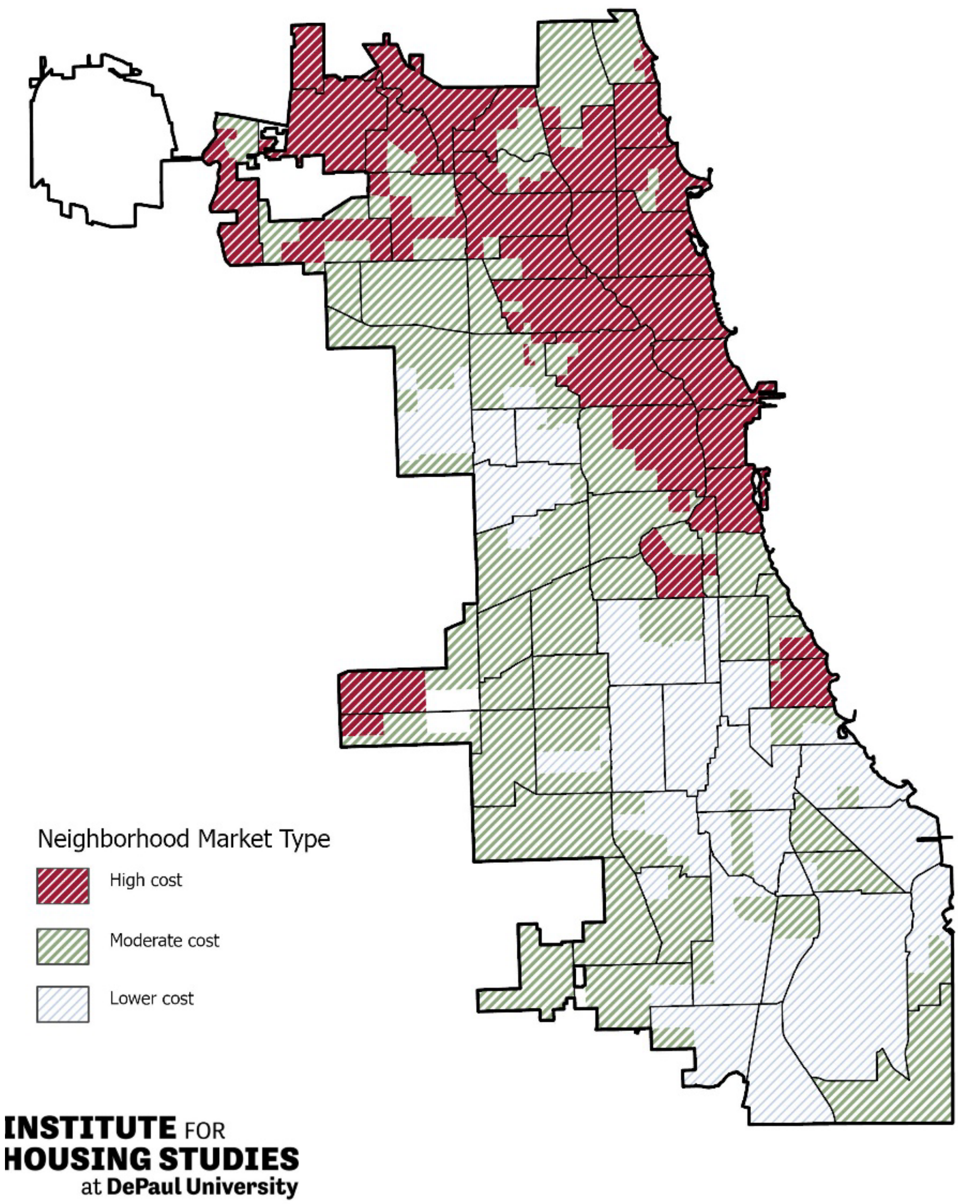
IHS's use of local, parcel-level administrative data to understand the nature and market context for this lost supply began in 2019 with data-focused technical assistance engagements with nonprofit community partners, representatives from the City of Chicago Department of Housing, and citywide aldermanic offices. For example, IHS built a dataset of former two- to four-unit properties with recent tax class changes to quantify the scale of conversion activity of two- to four-unit buildings to single-family homes in and around the North Center neighborhood of Chicago, testing initial results against walking surveys collected by residents.

This article's analysis uses citywide, historical parcel-level property assessment data from the Cook County Assessor's Office to analyze changes in the housing stock makeup of neighborhoods throughout Chicago and to quantify and categorize losses in two- to four-unit buildings. It identifies a group of properties that the Cook County Assessor's Office categorized as two- to four-unit buildings in 2013. It then traces those properties' minor tax class and other characteristics into 2019 to determine whether or not buildings remained two to four units and, if not, how the property tax class changed during the period (IHS, 2021d). This analysis focuses on the period from 2013 to 2019 to allow for two triannual property tax reassessments in 2015 and 2018 to ensure that the Cook County Assessor's Office had sufficient time to capture changes in the tax class through research, data collection, and appeals processes. IHS used iterations of this methodology and preliminary dataset for multiple technical assistance projects completed for neighborhood-based nonprofits and used these engagements to "ground-truth" the results and refine the methodology in this analysis.

This analysis also uses a lens of neighborhood market value to highlight the variation in the different ways that two- to four-unit buildings are lost in different market contexts. To build a typology of market types, the authors use parcel-level administrative data on one- to four-unit property sales activity from the Cook County Recorder of Deeds and geospatial techniques to derive a granular assessment of neighborhood-level prices in 2020 relative to surrounding areas and to the city of Chicago as a whole (IHS, 2017). Using these data, this analysis classifies census tracts on the basis of current market conditions (high, moderate, and lower cost) and the distribution of census tracts by price (IHS, 2021c). As exhibit 3 illustrates, high-, moderate-, and lower-cost neighborhoods in 2020 were highly geographically clustered, with high-cost areas concentrated on the North and Northwest Sides of the city; lower-cost areas concentrated on the South, Southwest, and Far South Sides of the city; and moderate-cost areas concentrated on the West Side and scattered in North and Southside neighborhoods citywide.

Exhibit 3

Neighborhood Housing Market Typology of One- to Four-Unit Property Sales Prices for the City of Chicago, 2020



Sources: Cook County Assessor's Office; Black Knight Financial Services; Institute for Housing Studies Data Clearinghouse

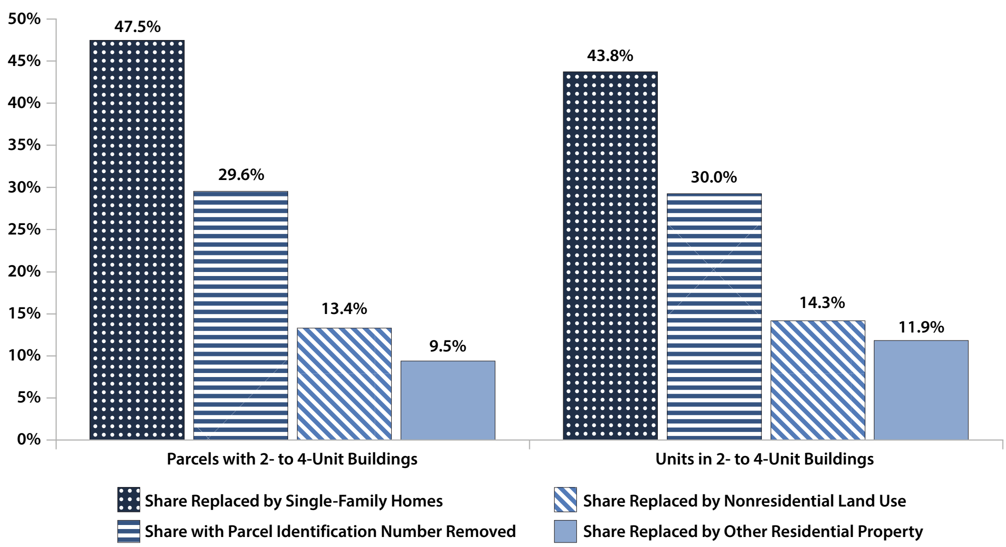
Key Findings

Chicago has lost two- to four-unit housing stock to a range of other types of residential properties and nonresidential land uses.

Since 2013, Chicago has lost more than 4,800 two- to four-unit buildings, representing 11,775 housing units and a loss of 4.2 percent of Chicago's stock of two- to four-unit parcels. Exhibit 4 illustrates that 47.5 percent of these lost buildings were replaced by single-family homes, either through conversion of the existing structure or demolition and new construction. In addition, 29.6 percent of lost buildings were replaced by nonresidential uses, such as vacant land. At the same time, 13.4 percent of lost two- to four-unit buildings had "disappeared" from the data by 2019.[1] Finally, 9.5 percent of lost two- to four-unit properties became some other residential type but not a single-family home. In this situation, many of the changes detected were the result of additional housing units being added to the building, such as a legal basement unit. Such a change would mean that the property became a five-or-more-unit building.

Exhibit 4

Minor Class Changes for Two- to Four-Unit Properties in the City of Chicago, 2013 to 2019



Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Although all neighborhood market types have lost a share of two- to four-unit buildings since 2013, high-cost areas lost the largest share of their 2013 stock.

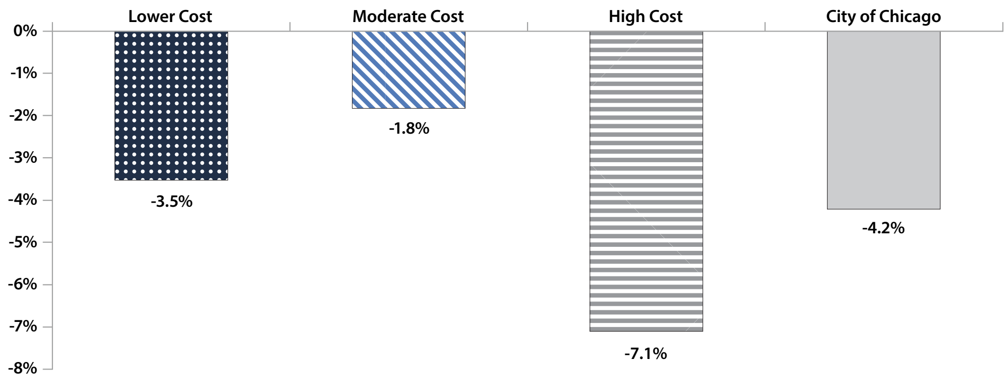
Nearly 61 percent of all lost two- to four-unit buildings were in high-cost areas, 23.9 percent were in lower-cost areas, and 15.3 percent were in moderate-cost areas. Exhibit 5 illustrates the share of

[1] The reasons a property may "disappear" from the data are numerous, but in many cases, it can be traced to the redevelopment of two- to four-unit properties into condominium buildings or a larger multifamily rental building. The new property has a new parcel identification number or is split into multiple parcel identification numbers. In these cases, because the property identification number changed, it impedes the type of analysis in this study.

the 2013 two- to four-unit building stock lost between 2013 and 2019 by neighborhood market type. It shows that high-cost neighborhoods lost 7.1 percent of the 2013 two- to four-unit building stock—the largest share of any market type. By comparison, 3.5 and 1.8 percent of the 2013 two- to four-unit building stock has been lost in lower- and moderate-cost communities, respectively, during the period.

Exhibit 5

Change in Two- to Four-Unit Parcels in the City of Chicago by Neighborhood Market Type, 2013 to 2019



Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

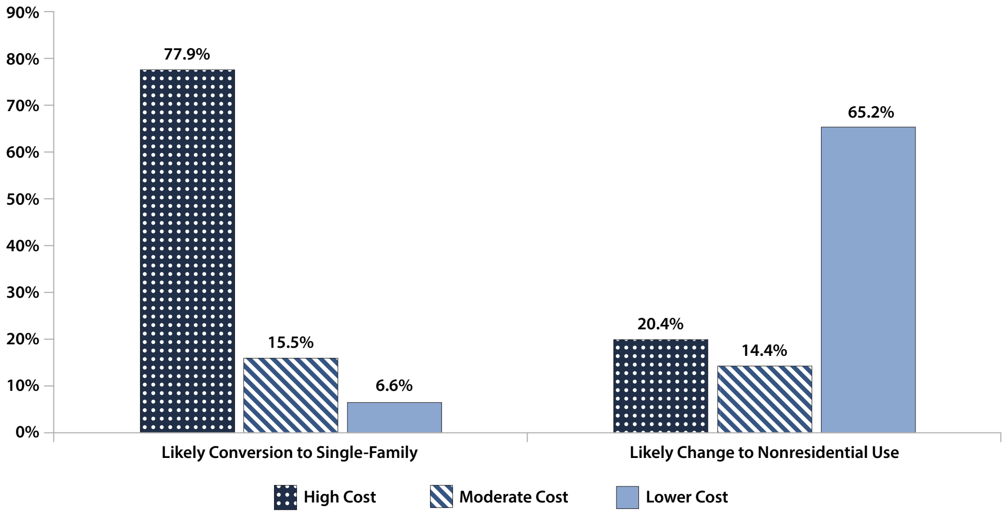
The nature of the lost two- to four-unit stock differs by neighborhood market condition.

The threats facing two- to four-unit buildings are largely related to a mismatch between market demand and the supply of certain types of housing in a neighborhood. For example, many higher-cost neighborhoods on Chicago's North Side have experienced recent increases in both higher-income households and families with children, indicating increased demand for housing from households that may want more space and have the means to afford expensive single-family homes (IHS, 2018b). At the same time, other neighborhoods are dealing with the effect of historic disinvestment, long-term population loss, and the continued legacy of the foreclosure crisis, particularly in lower-cost areas (IHS, 2018a).

These factors have led to very different pathways for the lost two- to four-unit stock in Chicago neighborhoods connected to patterns of gentrification, displacement, and disinvestment. Exhibit 6 illustrates that nearly 78 percent of the lost two- to four-unit buildings that single-family homes replaced were in high-cost markets, and more than 65 percent of all two- to four-unit buildings lost to nonresidential uses were in lower-cost neighborhoods. Exhibit 7 maps the total lost two- to four-unit stock by neighborhood market type. Exhibit 8 maps the lost two- to four-unit stock by type of loss and illustrates the distinct geographic patterns of this loss in Chicago neighborhoods. It shows that the loss of two- to four-unit buildings through single-family home replacement is largely a phenomenon in higher-cost areas of the city and pockets of moderate-cost areas near amenities, such as transit access, although the loss to nonresidential use is highly concentrated in lower-cost neighborhoods.

Exhibit 6

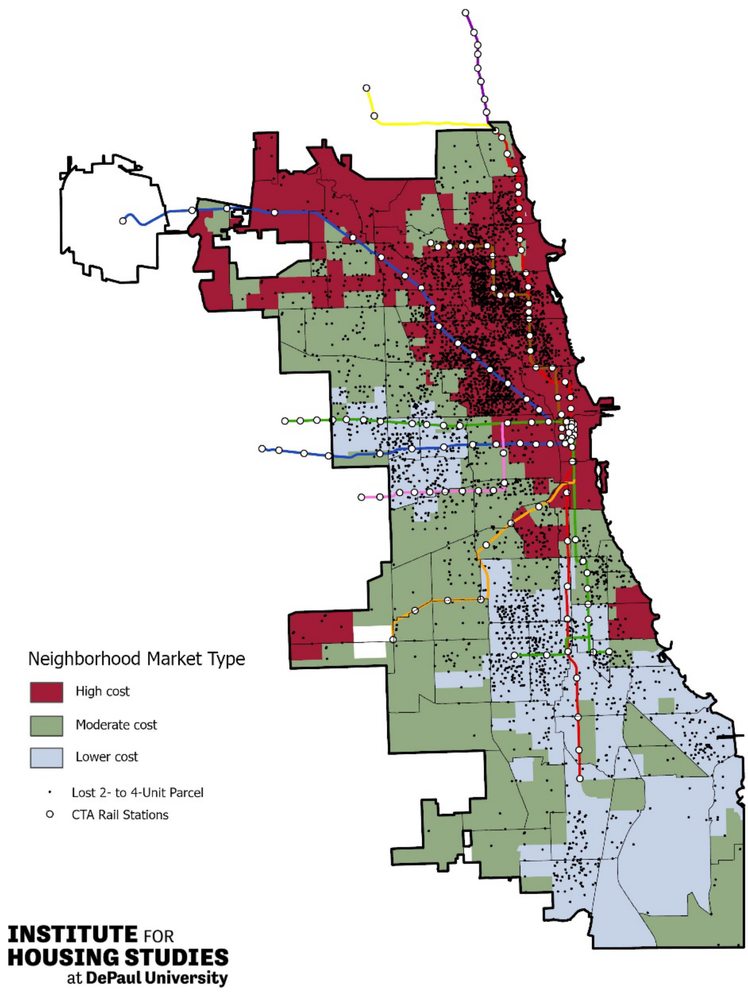
Distribution of Minor Class Changes for Two- to Four-Unit Properties in the City of Chicago by Neighborhood Market Type, 2013 to 2019



Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Exhibit 7

Map of Lost Two- to Four-Unit Parcels in the City of Chicago by Neighborhood Market Type, 2013 to 2019

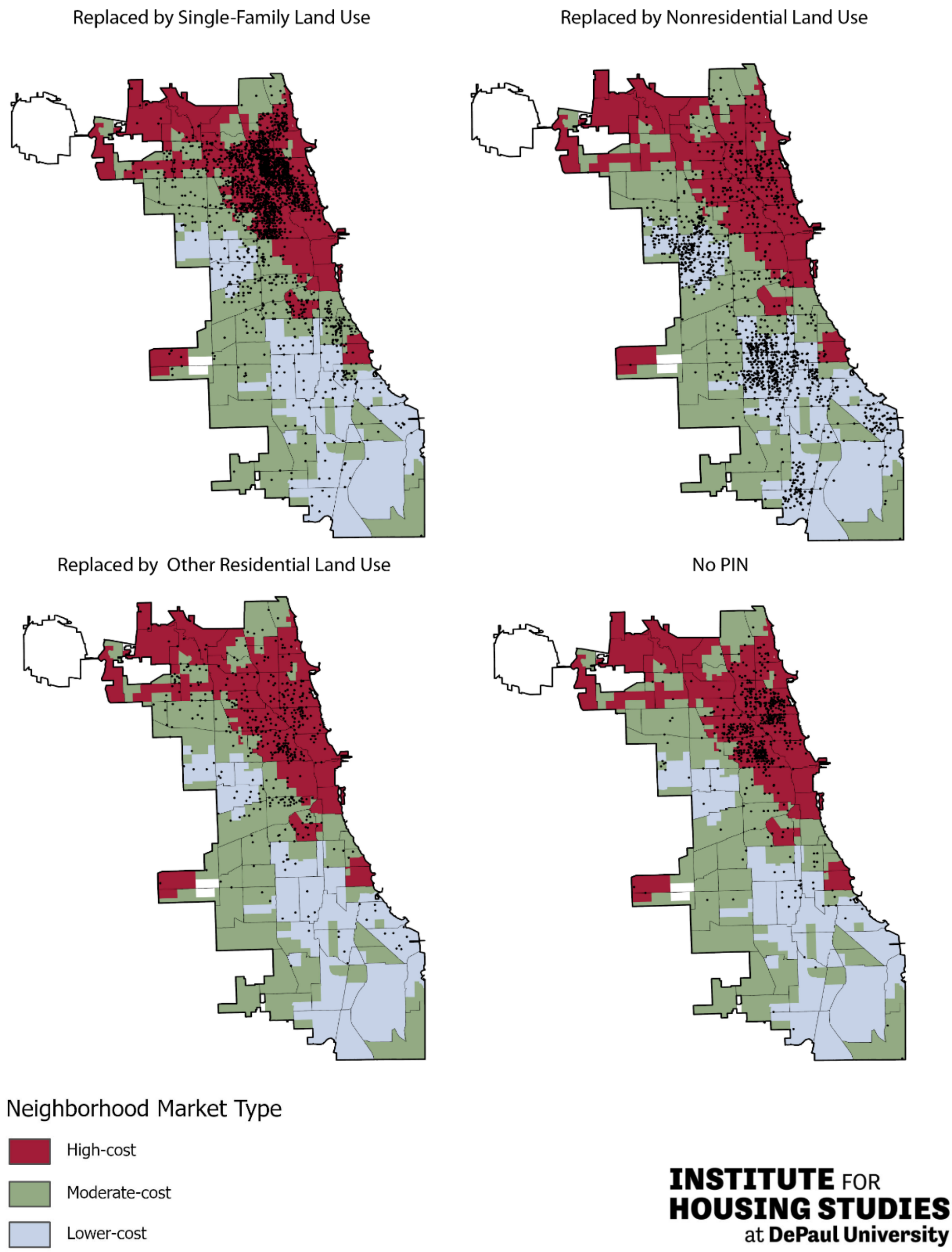


CTA = Chicago Transit Authority.

Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Exhibit 8

Map of Lost Two- to Four-Unit Parcels by Type of Loss and Neighborhood Market in City of Chicago Community Areas, 2013 to 2019



PIN = parcel identification number.

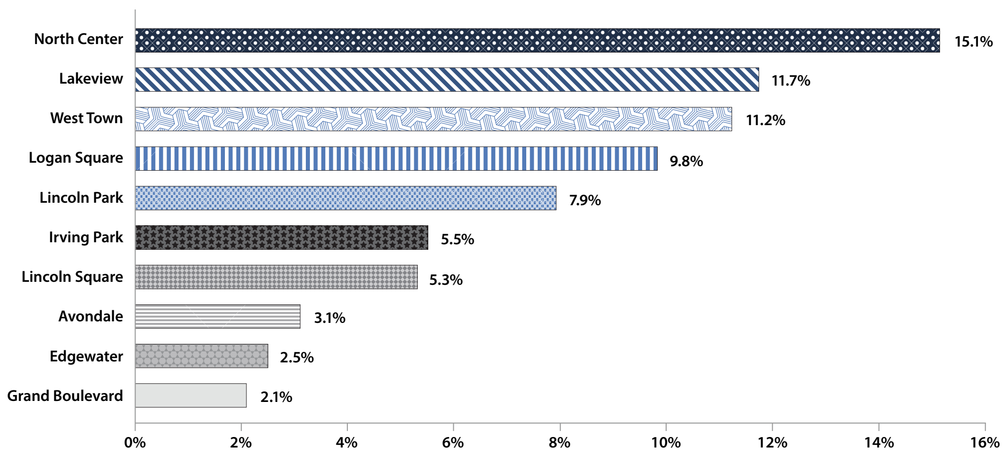
Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

A small group of neighborhoods on the city's North and Northwest Sides account for most of the two- to four-unit properties that single-family homes replaced.

Exhibit 9 highlights Chicago's top 10 community areas with the largest concentration of two- to four-unit properties lost to single-family homes. Of all two- to four-unit buildings that single-family homes replaced citywide, nearly 75 percent occurred in the 10 community areas in exhibit 9, with most of this type of activity taking place in the top five neighborhoods. Neighborhoods with the highest concentration of two- to four-unit buildings lost to single-family home conversion or new construction include high-cost neighborhoods such as North Center (15.1 percent of Chicago's total), Lakeview (11.7 percent), West Town (11.2 percent), Logan Square (9.8 percent), and Lincoln Park (7.9 percent). Exhibit 10 maps the loss of two- to four-unit properties to single-family homes in Chicago's community areas.

Exhibit 9

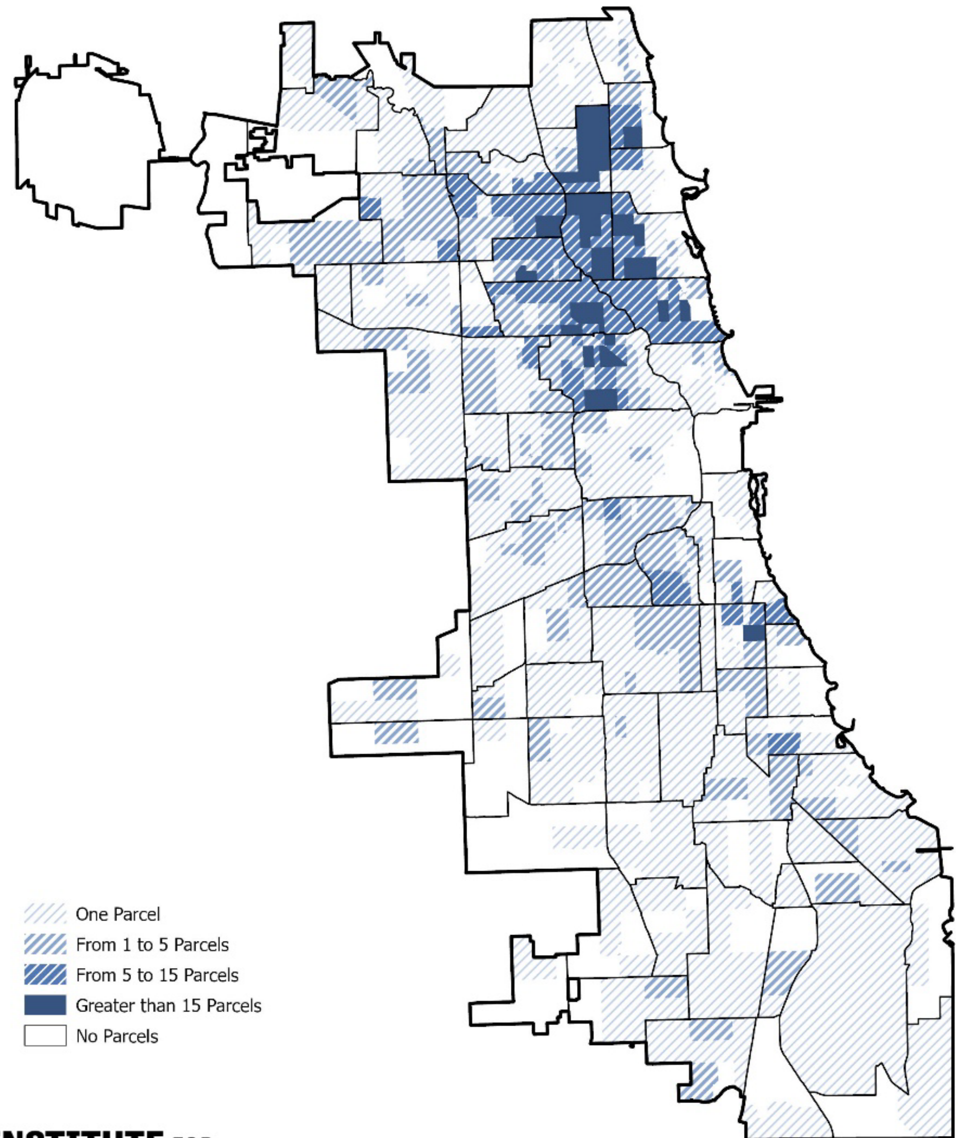
Distribution of Total Two- to Four-Unit Parcels Lost to Single-Family Homes in the City of Chicago by Top 10 Community Areas, 2013 to 2019



Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Exhibit 10

Map of Two- to Four-Unit Parcels Lost to Single-Family Homes in City of Chicago Community Areas, 2013 to 2019



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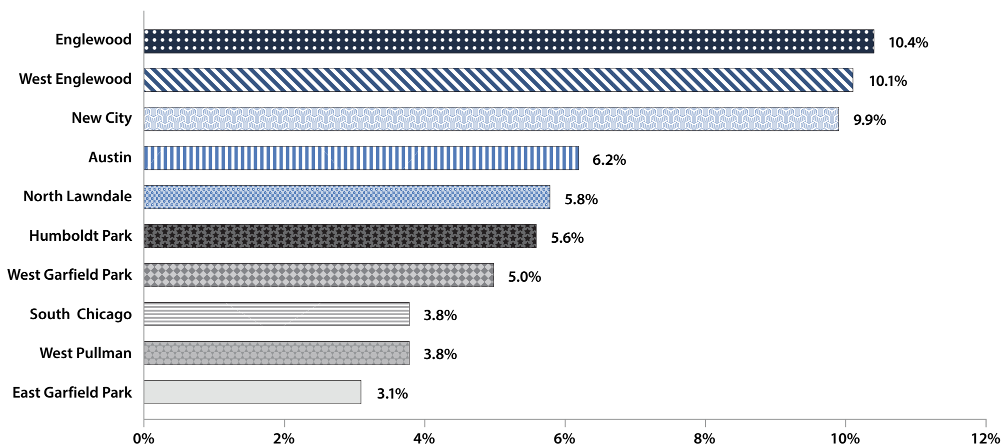
Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Conversely, two- to four-unit buildings lost to nonresidential land use, typically to vacant land, are concentrated in lower-cost communities on Chicago's South and West Sides.

As a result of historic disinvestment, the impact of the foreclosure and economic crisis, and a slow housing market recovery, many two- to four-unit properties are now vacant land in Chicago's lower-cost neighborhoods. More than 1,150 two- to four-unit buildings in lower-cost communities have been lost since 2013, 80.6 percent of them to nonresidential land uses. The Cook County Assessor's Office classified 89.1 percent of them as vacant land. Exhibit 11 highlights the distribution of two- to four-unit properties lost to vacant land by Chicago's top 10 community areas and illustrates that 53 percent of all two- to four-unit buildings lost to vacant land are in just 7 community areas. The top 5 community areas with the highest shares of the city's two- to four-unit stock lost to vacant land include Englewood (10.4 percent), West Englewood (10.1 percent), New City (9.9 percent), Austin (6.2 percent), and North Lawndale (5.8 percent). This type of activity is also seen in higher-cost areas and some moderate-cost areas, but two- to four-unit stock lost to vacant land in these market types often appears to be side lots or temporarily vacant lots awaiting development. As of the 2021 tax year, more than 96 percent of these former two- to four-unit buildings were still vacant land in lower-cost areas, although slightly less than 43 percent were still vacant land in high-cost neighborhoods. Exhibit 12 maps the lost two- to four-unit stock that became vacant land in 2019 by Chicago's community areas.

Exhibit 11

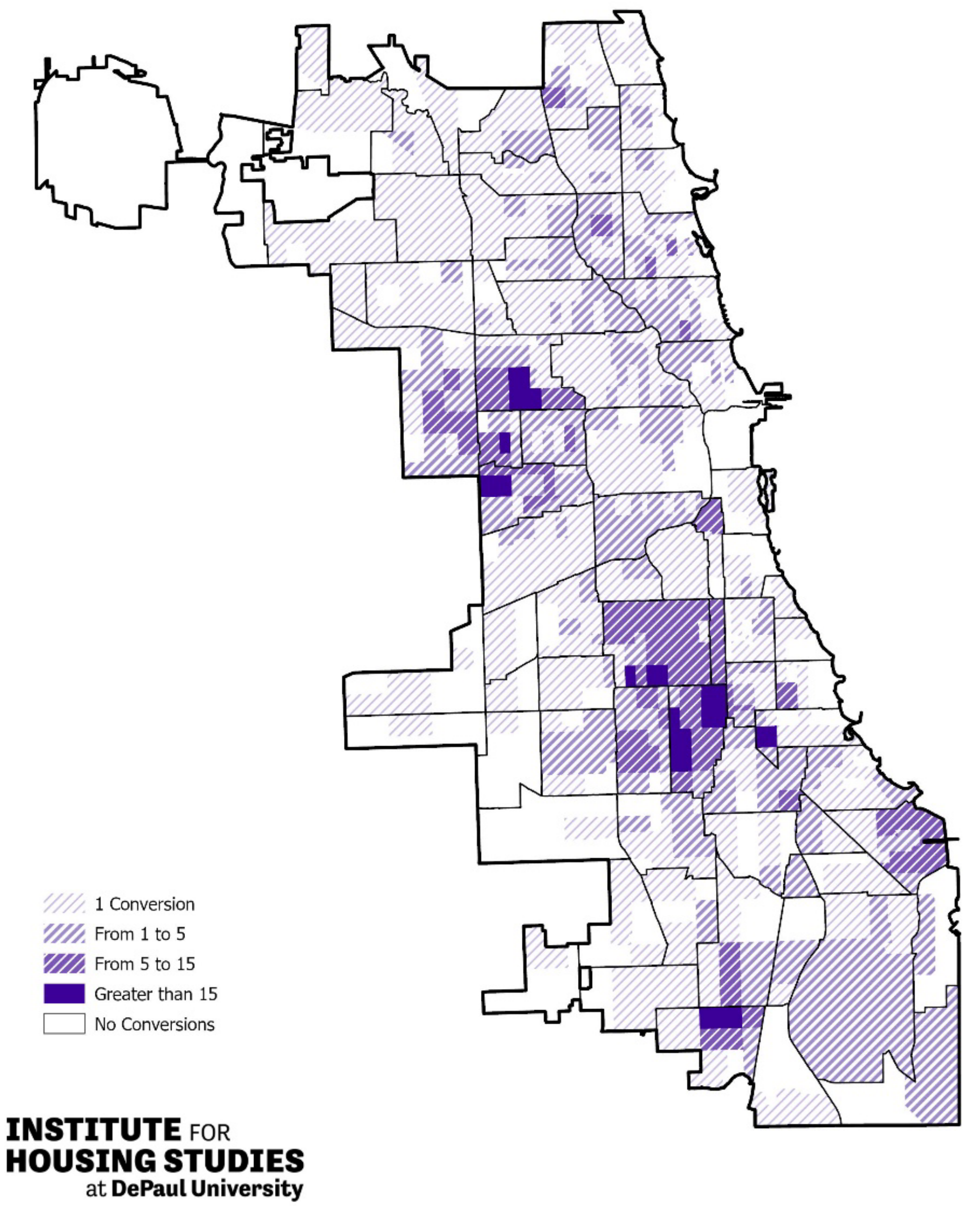
Distribution of Total Two- to Four-Unit Parcels Lost to Vacant Land in the City of Chicago by Top 10 Community Areas, 2013 to 2019



Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Exhibit 12

Map of Two- to Four-Unit Parcels Lost to Vacant Land in City of Chicago Community Areas, 2013 to 2019



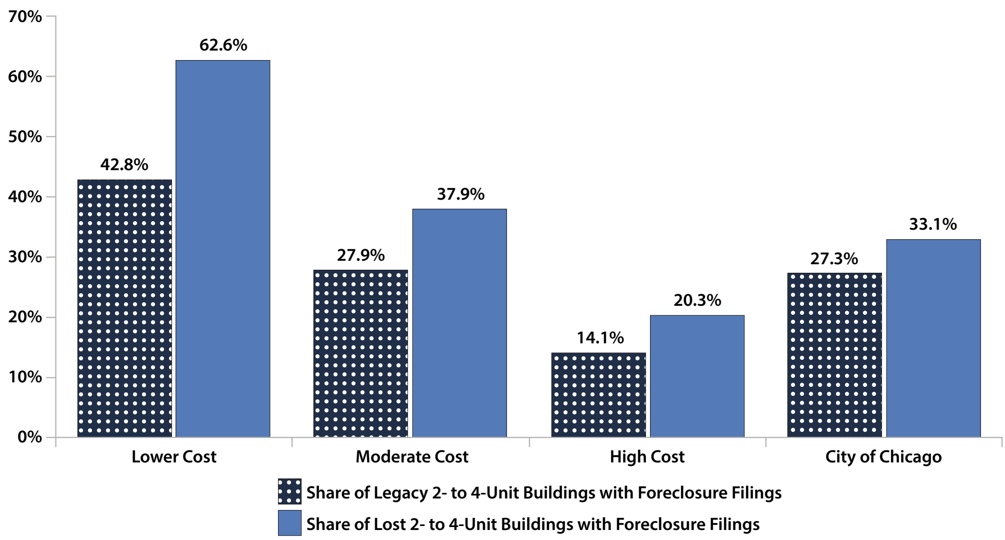
Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Across all neighborhood market types, lost two- to four-unit parcels are more likely to be associated with foreclosure filings than legacy two- to four-unit buildings active in 2013 and 2019.

As noted previously, research illustrated that two- to four-unit properties had the highest share of parcels associated with foreclosure filings compared with single-family or larger multifamily rental properties in Chicago. Examining foreclosure activity on the lost two- to four-unit stock compared with stable "legacy" two- to four-unit properties, exhibit 13 shows that a higher share of lost two- to four-unit properties have been associated with foreclosure filings since 2005 than two- to four-unit properties that remained in the stock as of 2019. In Chicago, 33.1 percent of lost two- to four-unit buildings were associated with foreclosures compared with 27.3 percent of legacy two- to four-unit buildings. This pattern holds across neighborhood market types, with the highest levels of foreclosure activity in lower-cost neighborhoods.

Exhibit 13

Share of Legacy and Lost Two- to Four-Unit Buildings With at Least One Foreclosure Filing in the City of Chicago by Neighborhood Market Type, 2005 to 2019



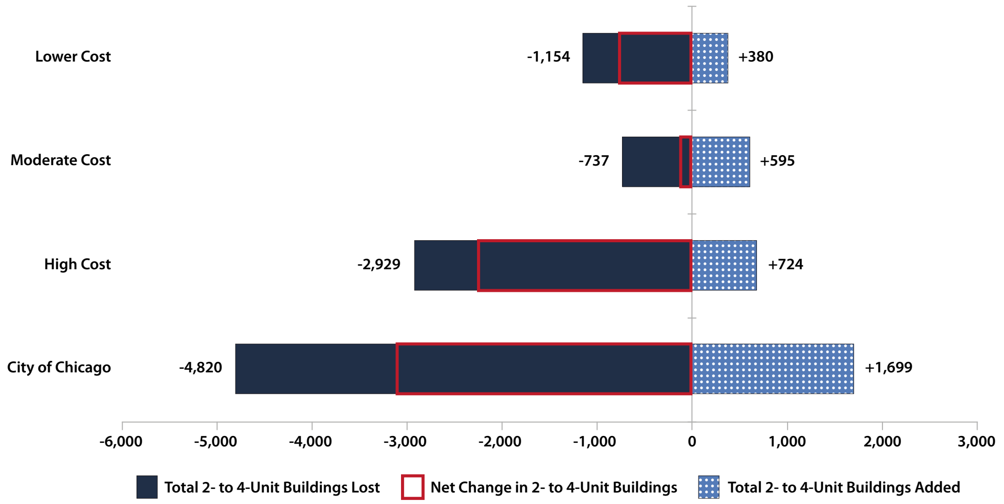
Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Although some two- to four-unit buildings were added to the stock between 2013 and 2019, these gains do not offset losses in lower- and high-cost neighborhoods.

The housing stock is not static, and two- to four-unit buildings are added to the stock through a number of channels. These channels include adding legal basement apartments in existing single-family structures, converting and reclassifying single-family homes and former commercial or industrial properties into two- to four-unit residential properties, new construction, or reclassifying five- and six-unit properties into two- to four-unit properties in some cases. Exhibit 14 shows that between 2013 and 2019, 1,699 two- to four-unit properties were added to the Chicago housing stock. Despite this addition, the city still had a net loss of more than 3,100 two- to four-unit buildings. Although higher-cost areas accounted for the largest number of "new" two- to four-unit buildings, these neighborhoods still had a net loss of more than 2,200 two- to four-unit buildings. Lower-cost neighborhoods had a net loss of nearly 800 two- to four-unit parcels despite the addition of 380 "new" two- to four-unit buildings.

Exhibit 14

Newer Two- to Four-Unit Buildings (Added 2013–19) Compared With Lost Two- to Four-Unit Buildings in the City of Chicago by Neighborhood Market Type, 2013 to 2019



Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

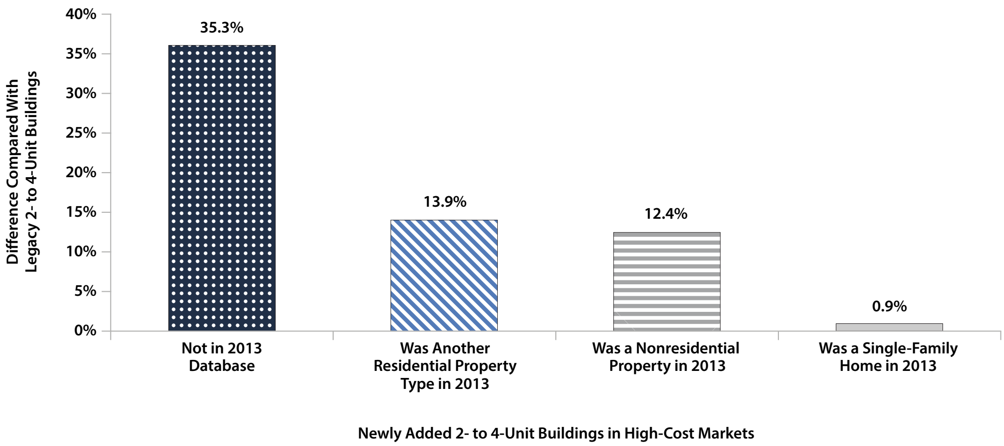
Many newly added two- to four-unit buildings in high-cost markets are likely less affordable than existing "legacy" two- to four-unit buildings.

Exhibit 15 compares the 2019 assessed values for two- to four-unit buildings added to the stock after 2013 with legacy two- to four-unit buildings in high-cost markets. This analysis groups new two- to four-unit stock by former 2013 property class and shows that added two- to four-unit buildings have higher median assessed values than legacy two- to four-unit buildings, except for newly added two- to four-unit buildings that were formerly single-family homes. For example, the median assessed value of newly added two- to four-unit buildings in high-cost neighborhoods compared with parcel identification numbers (PINs) not in the 2013 assessor data was more than 35 percent higher than the median assessed value of legacy two- to four-unit buildings in these neighborhoods.[2] In Chicago's lower- and moderate-cost neighborhoods, assessed values for newly added and established two- to four-unit buildings are generally similar. More research is needed to fully understand the characteristics of newly added two- to four-unit properties. However, higher assessed valuations of these properties relative to the legacy two- to four-unit housing stock indicate that many of the newly added two- to four-unit buildings in higher-cost markets are likely to be less affordable than their peer properties.

[2] Because these 2019 two- to four-unit PINs were not in the 2013 data, the most likely assumption is that they are new construction properties.

Exhibit 15

Difference in Median 2019 Assessed Values of Legacy Two- to Four-Unit Buildings (Active in 2013) Compared With Newer Two- to Four-Unit Buildings by Former Property Class (Added in 2013–19) in High-Cost Markets, 2019



Sources: Cook County Assessor's Office; Institute for Housing Studies Data Clearinghouse

Discussion

This analysis highlights the importance of two- to four-unit properties to Chicago's overall housing stock, quantifies the loss of this stock in neighborhoods across the city, and illustrates the pathways these lost properties take in different market contexts. The analysis highlights the market pressures facing the stock in lower- and high-cost markets citywide and shows that being associated with a foreclosure seems to increase the risk of two- to four-unit properties being lost. These findings highlight the need for a comprehensive approach to preserving two- to four-unit buildings that (1) recognizes the stock's critical importance to providing affordable rental housing, homeownership, and wealth-building opportunities in all Chicago neighborhoods and (2) addresses the spectrum of challenges facing these buildings, their owners, and tenants in different market contexts.

The analysis shows that every type of neighborhood housing market in Chicago is losing two- to four-unit buildings, but the loss is most acute in higher-cost neighborhoods on the city's North and Northwest Sides. In these neighborhoods, this loss is typically due to single-family homes replacing two- to four-unit properties through conversion of the existing buildings or demolition and new construction. This phenomenon highlights how the changing demand for housing, particularly the demand for expensive single-family homes, affects the overall housing supply. Limited additions of "new" two- to four-unit properties do not offset this loss in higher-cost neighborhoods, and data indicate that many of these properties may be less affordable. Meanwhile, in the city's more affordable, moderate-cost neighborhoods, this analysis shows that although the two- to four-unit housing stock is generally stable, losses of two- to four-unit buildings are concentrated in a small number of census tracts, with rising values or near ongoing or planned catalytic investment projects. These findings amplify housing advocates' calls regarding the need for proactive policies to preserve the existing lower-cost rental stock before it is lost to gentrification pressures.

Recent policies in Chicago have attempted to slow down this type of conversion activity through zoning rules. For example, in July 2022, the Chicago City Council passed the Connected Communities Ordinance, a sweeping overhaul of the city's transit-oriented development policies. The ordinance includes reforms to zoning, parking minimums, and accessibility guidelines and also includes provisions that make it more difficult to convert two- and three-unit buildings to single-family homes in neighborhoods with rising prices. In designated Community Preservation Areas near transit and zoned for higher densities, detached houses cannot be constructed, and two- to four-unit properties cannot be converted to single-family homes without a zoning change request, providing an additional level of protection for two- to four-unit buildings close to transit (City of Chicago, 2022).

In Chicago's lower-cost neighborhoods, this analysis found that the loss of two- to four-unit stock is most common through demolition and nonresidential-use replacement, often vacant land. This phenomenon highlights the need for investment in both the broader community and existing housing stock to reverse the tide of long-term population loss, historic disinvestment, and the ongoing legacies of the foreclosure crisis and the Great Recession. Recent efforts in Chicago's lower-cost communities involve policies that help stabilize the existing two- to four-unit housing stock and also remove barriers to redeveloping vacant land, often where two- to four-unit properties once stood. For example, the Renew Woodlawn program helped to restore vacant, foreclosed two- to four-unit buildings in a community with substantial, historic disinvestment and recent concerns about gentrification pressures surrounding the nearby development of the Barack Obama Presidential Center (POAH, 2018). Other programs have leveraged an abundance of city-owned vacant land to develop affordable, new-construction housing to reverse population loss and attract homeowners of color back to some city neighborhoods (IHS, 2023c).

Although this analysis focuses on Chicago, the findings have relevance to other cities attempting to address the loss of older, lower-cost housing and reinvestment-related challenges in different neighborhood market contexts. The loss of this stock has implications for rental housing affordability and homeownership opportunities for modest-income homebuyers and homebuyers of color. Recent research from New York highlights the loss of thousands of housing units as existing units are consolidated into larger, more expensive homes (Brodheim, 2023). Other reporting highlights that beyond Chicago, cities such as Detroit and Pittsburgh struggle with redeveloping vacant land in historically disinvested communities despite the need for housing (Barrett, 2023). For policymakers in communities looking to develop policies to incentivize investment in and the preservation of two- to four-unit buildings, understanding the market pressures that lead to losing this stock and how they vary geographically is essential. This analysis highlights the unique ways that public administrative data can be leveraged to understand conditions on the ground and inform local policy development.

Acknowledgments

The authors would like to thank Evelyn Ryan and Lily Baird for their contributions in preparing this article for publication, as well as Communities United, Neighborhood Housing Services of Chicago, and members of the Chicago Flats Initiative for their continued partnership with the Institute for Housing Studies at DePaul University on issues facing Chicago's two- to four-unit stock.

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