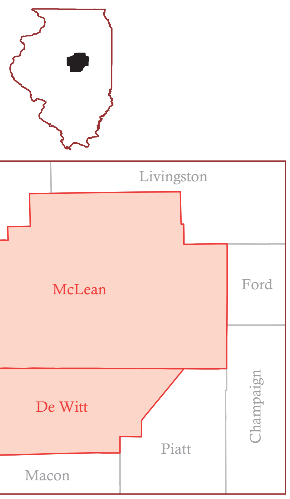
COMPREHENSIVE HOUSING MARKET ANALYSIS

Bloomington-Normal, Illinois

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2016

Housing Market Area



The Bloomington-Normal Housing Market Area (HMA) is coterminous with the Bloomington, IL Metropolitan Statistical Area. The HMA, which comprises DeWitt and McLean Counties in central Illinois, is located in the heart of America's breadbasket, halfway between Chicago and St. Louis. Approximately 90 percent of HMA land is used for agriculture, with farms producing some of the highest soybean and corn yields in the nation. The HMA is home to State Farm Insurance Companies (hereafter, "State Farm") and COUNTRY Financial, which have a combined $3.1 billion economic impact on the HMA, and Illinois State University (ISU), which had a $425.6 million budget in 2015.

Summary

Economy

Economic conditions have been weak in the Bloomington-Normal HMA since 2009, with more years of economic decline than growth. During the 12 months ending March 2016, nonfarm payrolls increased by 100 jobs, or 0.1 percent, to 94,800. Growth was moderated by Mitsubishi Motors North America ceasing vehicle production in November 2015, contributing to an overall 1,000-job decline during the first quarter of 2016. As the economy slowly recovers, nonfarm payrolls are expected to grow an average of 0.2 percent a year during the 3-year forecast period, led by expansions in the healthcare and insurance industries.

Sales Market

Sales housing market conditions in the HMA are soft, with an estimated 1.6-percent vacancy rate, down from 1.9 percent in 2010. During the next 3 years, demand is estimated for 870 new homes, with demand increasing slightly from the first through the third year of the forecast period (Table 1). The 50 homes under construction in the HMA and a portion of the 1,675 other vacant units that may reenter the market will satisfy some of the forecast demand.

Rental Market

Rental housing market conditions in the HMA are currently soft, and the vacancy rate is estimated at 7.9 percent. Since 2010, a moderate pace of renter household growth has helped to absorb an increase in apartments and single-family homes converted to rental use, reducing vacancy rates from 8.4 percent in April 2010. During the forecast period, demand in the HMA is expected for 400 new market-rate rental units; the 50 rental units currently under construction will meet demand in the first year of the forecast period (Table 1).

Table 1. Housing Demand in the Bloomington-Normal HMA During the Forecast Period

	Bloomington-Normal HMA	
	Sales Units	Rental Units
Total demand	870	400
Under construction	50	50

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of April 1, 2016. A portion of the estimated 1,675 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analysts

Market Details

Economic Conditions

The Bloomington-Normal HMA economy is renowned for the agriculture and insurance industries, with further economic support from the government, wholesale and retail trade, and education and health services sectors. Since the early 1800s, agriculture has been important to the HMA economy. Today, approximately 90 percent of HMA land is used for agriculture, with 2,000 farms employing 1,950 people (McLean County Farm Bureau, United States Department of Agriculture [USDA]). HMA farmers produced more than $650 million in livestock and grain during 2012 (most recent data available), making the HMA the fourth largest producer of corn and the seventh largest producer of soybeans in the nation (USDA). Strong crop yields have supported jobs and migration to the HMA even during periods of economic contraction in the HMA. Historic origins in agriculture have supported growth in the insurance industry, which has been prominent in the HMA for nearly 100 years. COUNTRY Financial, the third largest employer in the HMA with 1,900 employees (Table 2), initially provided insurance exclusively for farmers during the early 1900s. Along with State Farm, which began operations during the 1920s, the two insurance companies currently account for 17 percent of all nonfarm payrolls in the HMA, or more than three-fourths of jobs in the financial activities sector, the largest sector in the HMA (Figure 1).

Since 2000, nonfarm payrolls in the Bloomington-Normal HMA have declined by an average of 100 jobs, or 0.1 percent, annually (Figure 2). Before the 2000s, the HMA economy was among the fastest growing in Illinois, with steady residential, industrial, and commercial construction (Bloomington-Normal Economic Development Council [BNEDC]). The overall decrease since 2000 resulted from two contractions lagging national recessions, affecting the HMA economy from 2003 through 2004 and from 2009 through 2011. The latter contraction has left the HMA economy faltering.

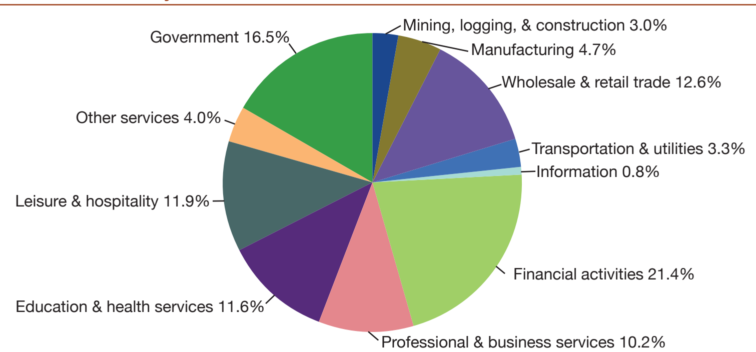
Nonfarm payroll declines since 2000 have been concentrated in the manufacturing and the mining, logging, and construction sectors, which are down by 300 and 100 jobs, or 3.9 and 2.0 percent a year, respectively. In percentage terms, the largest decrease was in the information sector, down 4.0 percent but less than 100 jobs a year. Overall reductions were partly offset by notable growth that occurred

Table 2. Major Employers in the Bloomington-Normal HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State Farm Insurance Companies	Financial activities	14,100
Illinois State University	Government	3,650
COUNTRY Financial	Financial activities	1,900
Advocate BroMenn Medical Center	Education & health services	1,375
OSF St. Joseph Medical Center	Education & health services	1,225
Afni Inc.	Financial activities	770
Exelon Clinton Power Station	Transportation & utilities	650
Heritage Enterprises	Education & health services	550
GROWMARK, Inc.	Mining, logging, & construction	460
Illinois Wesleyan University	Education & health services	450

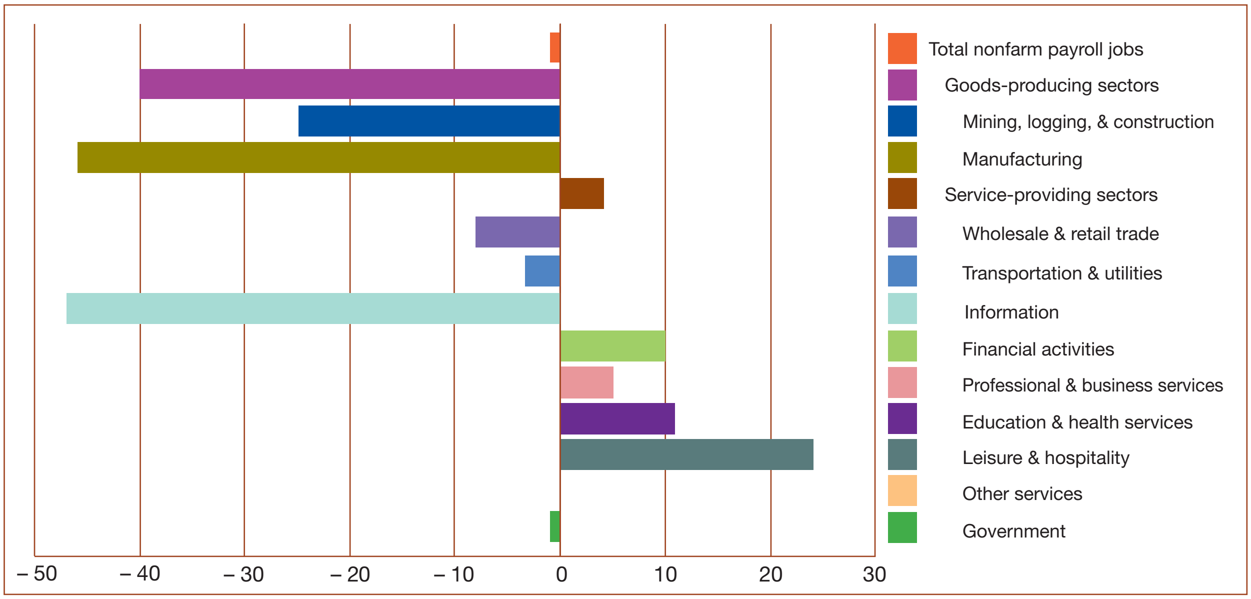
Note: Excludes local school districts.
Source: Bloomington-Normal Economic Development Council, 2015

Figure 1. Current Nonfarm Payroll Jobs in the Bloomington-Normal HMA, by Sector



Notes: Based on 12-month averages through March 2016. Excludes jobs in agriculture.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the Bloomington-Normal HMA, Percentage Change, 2000 to Current



Notes: Current is based on 12-month averages through March 2016. Excludes jobs in agriculture. During this period, payrolls in the other services sector showed no net change.
Source: U.S. Bureau of Labor Statistics

in the leisure and hospitality, the education and health services, and the financial activities sectors, each up by 100 jobs annually, or 1.4, 0.7, and 0.6 percent, respectively.

During the first contraction from 2003 through 2004, nonfarm payrolls declined by an average of 1,700 jobs, or 1.8 percent, annually. In 2004, Mitsubishi Motors North America (hereafter, "Mitsubishi") cut production staff by 1,200 workers, affecting the manufacturing sector, which decreased on net by 400 jobs, or 5.1 percent, during 2004. Other payroll reductions during the 2003-through-2004 period were concentrated in the financial activities and the professional and business services sectors, down by 400 jobs each, or 1.7 and 3.4 percent a year, respectively. State Farm reduced staff by 1,000 employees, affecting jobs in both sectors. The government sector contracted by 500 jobs, or 3.0 percent, annually. A shortfall in state revenue led to budget cuts, and ISU, the second largest employer in the HMA, reduced staff by 200 employees. Following the contraction, payrolls increased by 900 jobs, or 0.9 percent, annually from 2005 through 2008, and the gain in jobs during that period offset the losses from 2003 through 2004 by 100 jobs.

During the second contraction, from 2009 through 2011, nonfarm payrolls declined by an average of 600 jobs, or 0.6 percent, annually. Losses were concentrated in the manufacturing sector, which was down by 500 jobs annually, or 9.0 percent. The mining, logging, and construction and the wholesale and retail trade sectors annually lost 200 jobs each, or 5.2 and 1.3 percent, respectively. Production at the Mitsubishi plant decreased 37 percent, from 59,000 cars in 2008 to 37,100 in 2011, and Mitsubishi cut 900 jobs. Residential development also slowed during the period and has been low ever since. Losses in the wholesale and retail trade subsectors averaged 100 jobs each, or 2.4 and 1.0 percent, respectively, a year.

The HMA economy continued to falter from 2012 through 2014. After a slight gain of 300 jobs, or 0.3 percent, during 2012, losses resumed from 2013 through 2014 by an average of 900 jobs, or 0.9 percent, annually, led by the professional and business services and the financial activities sectors, down by 600 and 400 jobs annually, or 5.1 and 2.0 percent, respectively. During that period, State Farm reduced its local staff by a net 170 employees, some of whom were among the 500 staff employees who were relocated in 2014 from the HMA to offices throughout the nation.

Growth resumed in 2015 and, during the 12 months ending March 2016, nonfarm payrolls increased by 100 jobs, or 0.1 percent, led by expansions in the financial activities sector, up 600 jobs, or 3.0 percent (Table 3). Other notable gains occurred in the wholesale and retail trade and the education and health services sectors, both up by 300 jobs, or 2.6 and 2.8 percent, respectively. In the financial services sector, State Farm and COUNTRY financial jobs remained stable, and Afni Inc., a provider of financial services and the sixth largest employer in the HMA, added 60 new jobs as part of the company expansion plan. In the education and health services sector, OSF St. Joseph Medical Center added 200 jobs, and Advocate BroMenn Medical Center added 580.

Partly offsetting the growth during the 12 months ending March 2016 were declines in the manufacturing and the professional and business services sectors, each down by 300 jobs, or 6.3 and 3.0 percent, respectively, and in the government and the transportation and utilities sectors, down by 400 and 200 jobs, or 2.5 and 6.1 percent, respectively. Job losses in the manufacturing sector partly resulted from Mitsubishi ceasing vehicle production in November 2015; layoffs totaled 950 but were spread throughout 2015. Mitsubishi was among the largest employers in the HMA, with 1,250 employees in 2014. For nearly 3 decades, Mitsubishi was significant to the HMA, with an economic impact of nearly $120 million annually on the HMA (Mitsubishi). The plant will close completely in May 2016, when the remaining 250 employees in the business and professional sector are laid off. Although average nonfarm payrolls rose during the 12 months ending March 2016, the most recent data indicate that the HMA economy is contracting. During the first quarter of 2016, nonfarm payrolls decreased by 1,000 jobs, or 1.0 percent. Eighty percent of the net loss is attributed to the manufacturing sector, which was down by 800 jobs, or 16.1 percent.

As the economy continued to struggle, the average unemployment rate rose during the 12 months ending March 2016 to 5.2 percent compared with 5.1 percent during the previous 12

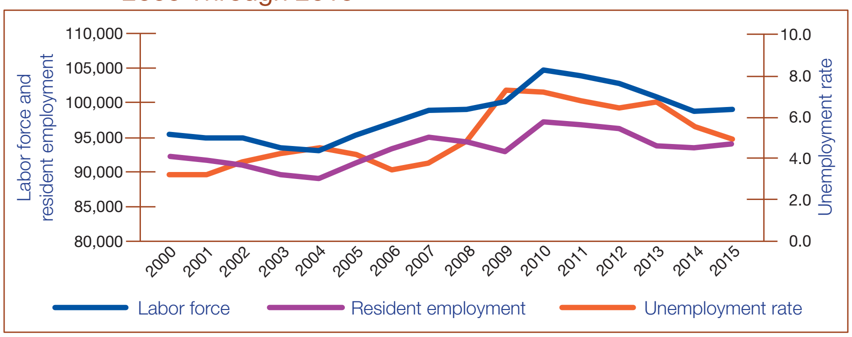
Table 3. 12-Month Average Nonfarm Payroll Jobs in the Bloomington-Normal HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	March 2015	March 2016		
Total nonfarm payroll jobs	94,700	94,800	100	0.1
Goods-producing sectors	7,600	7,300	– 300	– 3.9
Mining, logging, & construction	2,800	2,800	0	0.0
Manufacturing	4,800	4,500	– 300	– 6.3
Service-providing sectors	87,000	87,500	500	0.6
Wholesale & retail trade	11,700	12,000	300	2.6
Transportation & utilities	3,300	3,100	– 200	– 6.1
Information	700	800	100	14.3
Financial activities	19,700	20,300	600	3.0
Professional & business services	10,000	9,700	– 300	– 3.0
Education & health services	10,700	11,000	300	2.8
Leisure & hospitality	11,200	11,300	100	0.9
Other services	3,800	3,800	0	0.0
Government	16,000	15,600	– 400	– 2.5

Notes: Based on 12-month averages through March 2015 and March 2016. Numbers may not add to totals because of rounding. Excludes jobs in agriculture.

Source: U.S. Bureau of Labor Statistics months. Despite the increase, the unemployment rate is down from the peak of 7.4 percent in 2009, partly because of a reduction in the labor force (Figure 3), some of which was attributed to net out-migration. The current unemployment rate in the HMA equal to the 5.1-percent average for the nation, but it is below the 6.1-percent rate for Illinois and is the lowest for all metropolitan areas in the state.

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Bloomington-Normal HMA, 2000 Through 2015



Source: U.S. Bureau of Labor Statistics

During the 3-year forecast period, nonfarm payrolls are expected to rise an average of 0.2 percent, or by 200 jobs, annually, with the greatest growth occurring in industries related to health care and finance. The contraction in the economy that began during the first quarter of 2016 is expected to continue through the first year of the forecast period, with moderate growth starting in the second year, as the economy slowly recovers. By 2018, Advocate BroMenn Medical Center is planning to hire 80 employees and State Farm is planning to hire 60. In addition, the $35 million Center for Integrated Wellness broke ground in May 2015, and will be complete during 2016, adding 100 jobs.

Population and Households

The population of the Bloomington-Normal HMA is estimated at 189,200 as of April 1, 2016. Existing soil conservation and farm preservation programs have kept the amount of farmland in the HMA high, resulting in a concentration of population and housing in the city of Bloomington and the town of Normal, referred to locally as the Twin Cities. Approximately 80 percent of the HMA population resides in the Twin Cities (BNEDC). Bloomington is the largest city in the HMA, with 78,700 residents, followed by Normal, with 54,600 residents, as of December 2014 (BNEDC).

Periods of economic expansion or contraction, changes in farm job growth, and student enrollment—mainly at ISU, Illinois Wesleyan University, and Lincoln College—have influenced migration, affecting overall population growth since 2000. In-migration to the HMA has largely occurred from neighboring counties in central Illinois, including Livingston, Peoria, Tazewell, and Woodford Counties (Internal Revenue Service migration data). The HMA is an economic center of central Illinois, which draws in residents during periods of economic expansion. Out-migration generally has been to Chicago and St.

Louis, both of which provide greater employment opportunities, particularly during economic contractions.

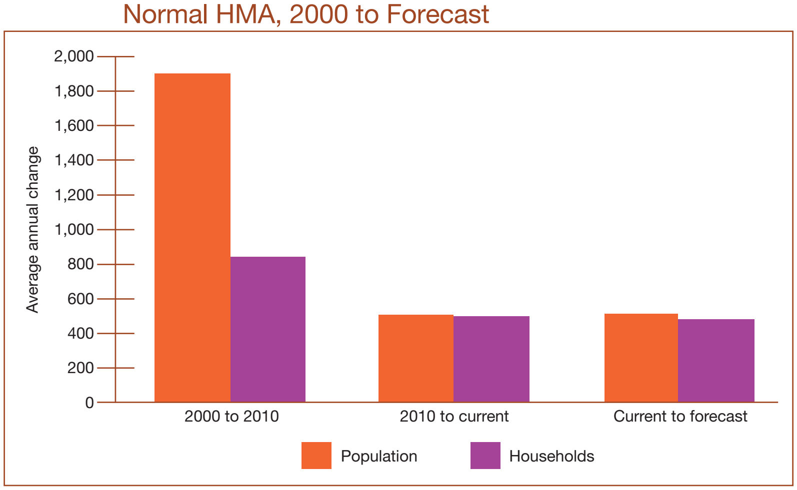
From 2000 to 2003, a period when the economy was expanding, net in-migration averaged 1,150 people annually, and population growth averaged 2,225 people, or 1.3 percent, annually (Census Bureau decennial census counts and population estimates as of July 1). As the economy contracted from 2003 through 2004, population growth began to slow, as more people sought employment opportunities in Chicago and St. Louis. At the same time, farm employment was low and student enrollment was down, and the effect on migration extended to 2005 despite improved employment conditions that year. Net in-migration slowed to an average of 100 people from 2003 to 2005, and population growth averaged 1,275 people, or 0.7 percent, annually. As employment conditions strengthened from 2005 to 2009, net in-migration rose to an average of 900 people, and the population rose by an average of 2,075, or 1.1 percent, annually. Population growth slowed once again as the economy contracted during the late 2000s. From 2009 to 2011, population growth averaged 1,050 people, or 0.6 percent, annually, and net natural change (resident births minus resident deaths) accounted for all of the growth.

The slowdown of population growth halted from 2011 to 2013, when State Farm began a national training program and farm employment rose to the highest level since 2000, both of which had supported net in-migration despite an overall struggling economy. Student enrollment had also increased by an average of 150 students annually. From 2011 to 2013, net in-migration averaged 900 people, and the population rose by 1,950, or 1.0 percent, annually. Since 2013, however, net out-migration has surged to an average of 1,650 people, leading to an overall decline in the population by an average of 750, or 0.4 percent, annually. A significant cut to farm jobs, layoffs at Mitsubishi, and the relocation of State Farm trainees to fill positions in Atlanta, Fort Worth, and Phoenix contributed to the high level of net out-migration.

As the economy slowly recovers during the next 3 years, the population of the HMA is expected to increase by an average of 500, or 0.3 percent, annually (Figure 4), reflecting a slowing of net out-migration during the first and second years and moderate net in-migration during the third year of the 3-year forecast period. The population is estimated to reach 190,700 by the end of the forecast period. Figure 5 shows the components of population change in the HMA, from 2000 to the forecast date.

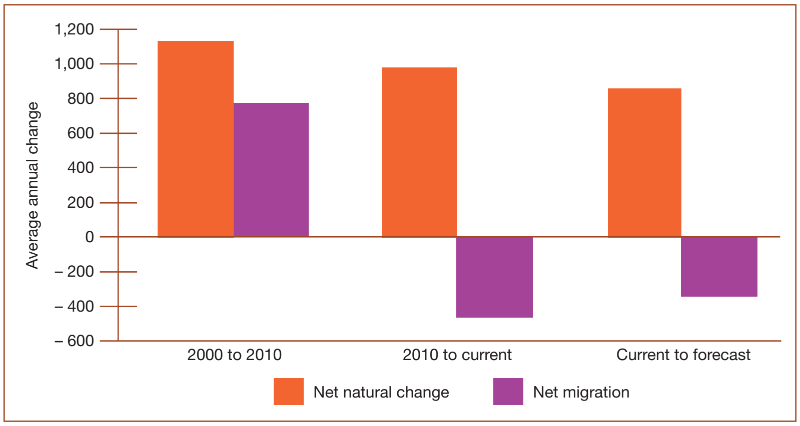
The number of households in the HMA has grown by 490, or 0.7 percent, annually since 2010, down from the

Figure 4. Population and Household Growth in the Bloomington-Normal HMA, 2000 to Forecast



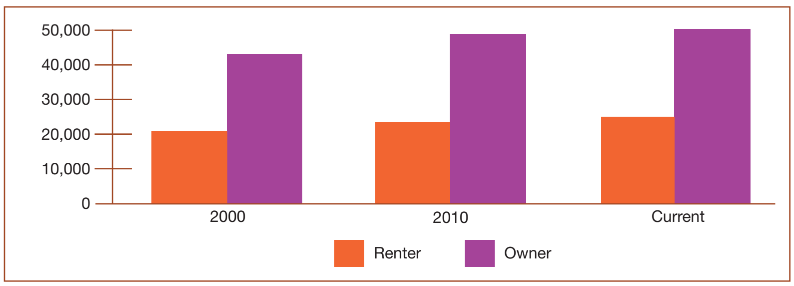
Notes: The current date is April 1, 2016. The forecast date is April 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

Figure 5. Components of Population Change in the Bloomington-Normal HMA, 2000 to Forecast



Notes: The current date is April 1, 2016. The forecast date is April 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analysts

Figure 6. Number of Households by Tenure in the Bloomington-Normal HMA, 2000 to Current



Note: The current date is April 1, 2016.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts

average of 840, or 1.2 percent, annually during the 2000s because of slower population growth since 2010. As with the population, household growth has been concentrated in the Twin Cities. Since 2010, the number of renter households has increased (Figure 6), with approximately one-fourth of that growth attributed to growth in student households in the Twin Cities.

During the forecast period, the number of households in the HMA is expected to rise by an average of 470, or 0.6 percent, annually. The proportion of renter households is expected to increase very slightly to 33.5 percent by the end of the forecast period. Student household growth is expected to remain steady and account for one-fourth of renter household growth during the forecast period. Household growth is expected to result in 76,250 households in the HMA by the end of the forecast period.

Housing Market Trends

Sales Market

The Bloomington-Normal HMA sales housing market is soft. The current estimated sales vacancy rate is 1.6 percent, down from 1.9 percent in 2010. Stringent lending standards, a weak economy, and recent high levels of net out-migration contributed to the softness. A decrease in home construction since the mid-to-late 2000s, however, and an increase in the conversion of single-family homes to rental properties reduced the vacancy rate from 2010. The inventory of homes for sale remains elevated, at an average of 1,625 during the 12 months ending March 2016 compared with an average of 1,300 during 2007, when sales market conditions were stronger, but is down from a peak of 1,900 during 2012 (CoreLogic, Inc., with adjustments by the analysts). The number of months homes remain on the market also remains elevated but indicates an improvement; the average of 3.5 months is similar to 2008, when the market began to soften, but below the average of 5.0 months during 2012. The homeownership rate has declined since 2010 by nearly 1 percentage point, to 66.7 percent (Table DP-1).

The softening of the sales market began in 2008 as lending standards tightened, and, from 2008 through 2012, an average of 2,425 new and existing single-family homes, townhomes, and condominiums sold annually (Metrostudy, A Hanley Wood Company, with adjustments by the analysts). The number of homes sold was down from an average of 3,600 homes sold annually from 2005 through 2007, when market conditions were stronger. The decrease in sales reflected reductions in regular resale and new home sales by 37 and 28 percent, respectively. These reductions were partly offset by a 55-percent increase in real estate owned (REO) home sales that resulted from the weakening of the sales market, and the percentage of REO to total sales rose from 4 percent in 2007 to 11 percent by 2012.

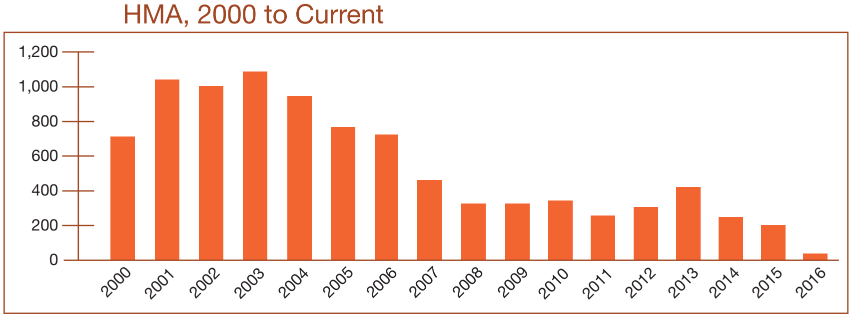
The sales market contracted more significantly during 2013 and 2014, and new and existing home sales averaged 1,375, which was 43 percent lower than average sales from 2008 through 2012. Nearly the entire loss in sales resulted from a 47-percent decline in regular resales that offset a 25-percent increase in REO home sales, which accounted for 31 percent of total sales. Since 2014, sales have risen, partly because of investor presence in the market for both REO and regular resale homes. During the 12 months ending March 2016, home sales were up 21 percent, or by 340 homes, with gains in regular resales and REO home sales of 25 and 3 percent, respectively. The share of REO home sales declined to 10 percent, while sales in the new-home segment remained unchanged. Approximately 20 percent of regular resales, which accounted for nearly all of the increase in total sales, were investor-related purchases (Metrostudy, A Hanley Wood Company).

Unlike other areas in the nation, home sales prices did not escalate during the period of strong sales market conditions, resulting in moderate price gains with nearly no correction despite soft market conditions since 2008. During the 12 months ending March 2016, the average new and existing home sales price rose 2 percent to $176,200. Part of the increase was attributed to a reduction in the share of REO homes sales, which are priced 40 percent less than regular resales and 65 percent less than new home sales. Current sales prices in the HMA are similar to the 2013-through-2014 period, but 1 percent higher than the 2008-through-2012 average. Prices are also 4 percent higher, or $6,200 more than the $170,000 average from 2005 through 2007. Despite the moderate increase in prices in the HMA, price growth is low compared with growth elsewhere in central Illinois, which have risen by as much as 7 percent during the 12 months ending March 2016. In Illinois as a whole, the average home sales price was up 8 percent.

The percent of seriously delinquent (90 or more days delinquent or in foreclosure) home loans and REO properties in the HMA as of March 2016 was 2.1 percent of home loans, down from 3.0 percent in March 2015 (CoreLogic, Inc.). Stringent lending standards among the smaller banks throughout the HMA have kept the rates low. The percentage of seriously delinquent home loans and REO properties peaked in January 2011 at an average of 9.1 percent. The current rate for the HMA is below the 5.2-percent rate for Illinois and the 4.3-percent rate for the nation. It is also the lowest among central Illinois areas surrounding the HMA, which ranged from 2.5 in Woodford County to 4.9 percent in Peoria County.

Since 2000, nearly 80 percent of all single-family home construction has occurred in the Twin Cities, 50 percent in the city of Bloomington and 30 percent in the town of Normal. Homebuilding activity in the HMA, as measured by the number of single-family homes permitted, remains at low levels compared with the early to mid-2000s (Figure 7). From 2000 through 2006, an average of 890 homes were permitted annually before slowing to 460 homes, in 2007, despite the market being relatively strong that year. By 2008, stricter lending standards limited sales, and an average of 310 homes were permitted a year from 2008 through 2014. During the 12 months ending March 2016, permits were issued for 190 homes compared with 230 homes permitted during the same period a year earlier (preliminary data; analysts' estimates).

Figure 7. Single-Family Homes Permitted in the Bloomington-Normal HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Significant single-family developments are under construction in the Twin Cities, including The Grove on Kickapoo Creek subdivision in the city of Bloomington, which started in 2007, has 10 homes under construction, has 428 completed homes, and will have 1,000 homes at buildout in the next 15 years. Approximately 35 to 40 homes are built each year at Kickapoo Creek, and prices start at $239,900 for a three-bedroom home. The Vineyards in the town of Normal started in 2013, has 8 homes under construction, and will have 48 homes at buildout, which is planned in 2017. Prices start at $237,900 for a three-bedroom home. The Dunraven neighborhood, in the city of Bloomington, has townhomes that start at $137,500 for a three-bedroom home. Three homes are currently under construction at Dunraven, which will include 76 homes at buildout, which is planned in 2019.

During the next 3 years, demand is estimated for 870 new homes in the HMA (Table 1). Demand is expected to increase slightly by the end of the third year, as growth in the economy improves, increasing the level of net in-migration. The 50 homes that are currently under construction will meet a portion of demand during the first year. In addition, some of the estimated 1,675 other vacant units in the HMA may return to the sales market and satisfy a portion of the demand. Table 4 shows estimated demand by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Bloomington-Normal HMA During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
137,500	187,499	45	5.0
187,500	237,499	85	10.0
237,500	287,499	260	30.0
287,500	337,499	260	30.0
337,500	387,499	170	20.0
387,500	and higher	45	5.0

Notes: The 50 homes currently under construction and a portion of the estimated 1,675 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analysts

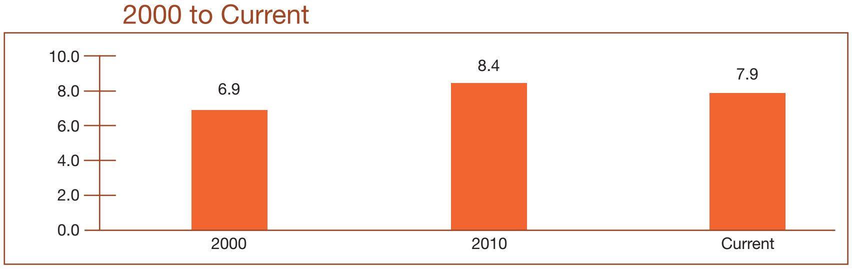
Rental Market

The rental housing market in the Bloomington-Normal HMA is soft. The overall rental vacancy rate currently is estimated at 7.9 percent compared with 8.4 percent in 2010 (Figure 8). Despite the decline, vacancy rates remain elevated. An increase in the conversion of sales units to rental use and the recent completion of student apartments that have competed with existing properties have kept market conditions soft even with moderate growth in renter households since 2010.

Approximately 21 percent of the occupied single-family homes in the HMA were rentals in 2014 (2014 American Community Survey [ACS] 1-year data), up from 19 percent in 2010 (2010 ACS 1-year data). The greater percentage of single-family homes for rent partly resulted from an increase in investor purchases of both regular resale and distressed homes for rental use. Vacancy rates for single-family homes during the 12 months ending February 2016, the most recent data available, ranged from 1.2 percent for a four-bedroom home to 7.1 percent for a one-bedroom home (CoreLogic, Inc.). Rents for all single-family homes have decreased 3 to 8 percent from the previous 12 months, as the market softened from greater rental inventory from the previous year and high levels of net out-migration. By comparison, rent growth for single-family homes during 2012, a period when net in-migration in the HMA was high, ranged from 8 percent for a one-bedroom home to 23 percent for a four-bedroom home.

Most of the rental housing in the HMA in 2014, or 78 percent of all occupied rental units, were apartments, more than one-half of which were built before 1990 (2014 ACS 1-year data). The estimated apartment vacancy rate is currently 8.1 percent, down from 8.7 percent in 2010, with rents that average $760. Rents have remained relatively unchanged from the previous year (local sources). The high vacancy rate for apartments in the HMA reflects the older apartment inventory, the weak economy, and net out-migration. The decline in the

Figure 8. Rental Vacancy Rates in the Bloomington-Normal HMA, 2000 to Current

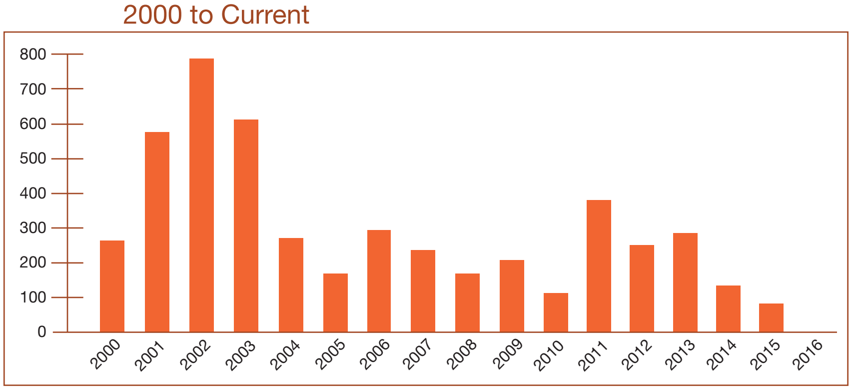


Note: The current date is April 1, 2016.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analysts apartment vacancy rate from 2010 partly resulted from ISU removing a net 600 dormitory beds from 2012 through 2013, which has increased the number of renter households since 2010. Student households currently constitute approximately 15 percent of renter households in the HMA and nearly 20 percent of renter households in the Twin Cities. Growth in student enrollment has been steady since 2014, averaging 150 students a year, with approximately 50 percent of them coming from the greater Chicago area, out of state, or outside the country. Student housing demand is primarily met by the 8,000 dormitory beds at ISU, Illinois Wesleyan University, and Lincoln College and by apartments and single-family homes in neighborhoods surrounding the university. The vacancy rate for off-campus student housing during the winter of 2016 was 5.3 percent (Young America Realty), lower than the overall rental vacancy rate. Rents for student apartments are typically by the bedroom, which averaged $640 a month during the winter of 2016.

Nearly all apartment construction in the HMA occurs in the Twin Cities because of restrictions outside the Twin Cities on where higher density development may occur. Multifamily permitting activity, as measured by the number of multifamily units permitted, has been low since 2004 compared with permitting during the early 2000s (Figure 9) because of land restrictions and soft rental market conditions. Since 2000, nearly all of the multifamily construction in the HMA has been apartments. From 2001 through 2003, multifamily permitting averaged 660 units a year before slowing to an average of 210 units a year from 2004 through 2010. The number of multifamily units permitted increased slightly to an average of 300 units a year from 2011 through 2013 in response to a greater influx of people during most of that period. Subsequent high levels of net out-migration softened the rental market, and development slowed to 130 units during 2014. Approximately 180 multifamily units were permitted during the 12 months ending March 2016 compared with 120 units permitted during the previous 12 months (CB Richard Ellis; U.S. Census Bureau; local planning offices).

Figure 9. Multifamily Units Permitted in the Bloomington-Normal HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through March 2016.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analysts

Approximately 190 student housing units have been developed in the HMA since 2014, accounting for nearly 40 percent of all multifamily construction during that period. An increasing amount of student housing demand has been met by off-campus housing because of dormitory bed removals with no plans to replace them during the next 3 years. Recently completed student developments include The Flats at ISU, which opened in 2014 with 155 units and rents that start at $670 per bedroom, and the 14-unit The Lofts on Hovey, completed in early 2016, with rents that start at $725 a bedroom. Developments under construction include Fells Quarters, with 16 units, which will be complete in the fall of 2016. Rents at Fells Quarters will start at $700 a bedroom.

Market-rate apartments under construction include the second phase of The Hyatt Place at One Uptown Circle, with 32 studio, one-bedroom, and two-bedroom units. One Uptown Circle is expected to be complete by May 2017, with rents for one-bedroom units starting at $1,650 and for two-bedroom units starting at $2,100. The property will be marketed toward students and young professionals.

During the 3-year forecast period, demand is estimated for 400 new rental units in the HMA (Table 1). Similar to the sales market, demand is expected to increase by the end of the third year, as job growth and net in-migration improve. The 50 units currently under construction and available vacant units will satisfy rental housing demand during the first year of the forecast period. Table 5 shows estimated demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Bloomington-Normal HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
410 or more	60	490 to 689	95	590 to 789	110	650 to 849	15
		690 or more	25	790 to 989	15	850 to 1,049	25
				990 or more	15	1,050 to 1,249	25
						1,250 or more	15
Total	60	Total	120	Total	140	Total	80

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 50 units currently under construction will likely satisfy some of the estimated demand. The forecast period is April 1, 2016, to April 1, 2019.

Source: Estimates by analysts

Data Profile

Table DP-1. Bloomington-Normal HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	92,408	97,392	93,800	0.5	– 0.7
Unemployment rate	3.3%	7.2%	5.2%		
Nonfarm payroll jobs	96,100	96,100	94,800	0.0	– 0.3
Total population	167,231	186,133	189,200	1.1	0.3
Total households	63,516	71,915	74,850	1.2	0.7
Owner households	42,786	48,597	49,900	1.3	0.4
Percent owner	67.4%	67.6%	66.7%		
Renter households	20,730	23,318	24,950	1.2	1.1
Percent renter	32.6%	32.4%	33.3%		
Total housing units	67,254	77,177	79,500	1.4	0.5
Owner vacancy rate	1.8%	1.9%	1.6%		
Rental vacancy rate	6.9%	8.4%	7.9%		
Median Family Income	NA	NA	$81,700	NA	NA

NA = Data not available.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2016. Median Family Incomes are for 1999, 2009, and 2014. The current date is April 1, 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analysts

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 4/1/2016—Analysts' estimates
Forecast period: 4/1/2016–4/1/2019—Analysts' estimates

The metropolitan statistical area definition in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analysts, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Bloomington_NormalIL_16.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.