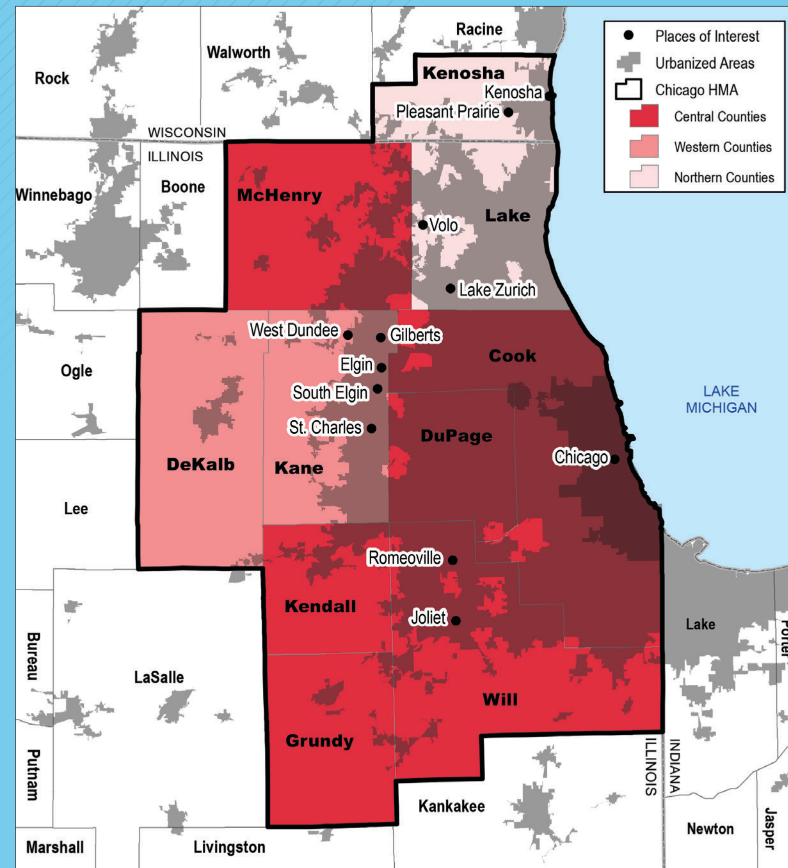
COMPREHENSIVE HOUSING MARKET ANALYSIS

Greater Chicago, Illinois-Wisconsin

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of April 1, 2019



Executive Summary

Housing Market Area Description

The Greater Chicago, Illinois-Wisconsin Housing Market Area (Greater Chicago HMA, hereafter) includes 10 counties in Illinois and Wisconsin contained within three U.S. Census-designated Metropolitan Divisions. The HMA is contained within the larger Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (MSA). For purposes of this analysis, the HMA is divided into three submarkets: (1) the Central Counties submarket, which includes the six Illinois counties in the Chicago-Naperville-Arlington Heights, IL Metropolitan Division; (2) the Western Counties submarket, which includes the two Illinois counties in the Elgin, IL Metropolitan Division; and (3) the Northern Counties submarket, which includes the two counties in Illinois and Wisconsin that make up the Lake County-Kenosha County, IL-WI Metropolitan Division.

The current population is estimated at 8.78 million.

Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Stable: Nonfarm payrolls grew by 48,000, or 1.1 percent, during the 12 months ending March 2019.

The Greater Chicago HMA emerged from the Great Recession during 2011. From 2011 through 2015, nonfarm payrolls increased by an average of 68,200, or 1.7 percent, annually; however, since 2016, annual job growth has declined to 1.0 percent, or an average increase of only 42,800 jobs, annually. During the forecast period, nonfarm payroll growth is expected to slow further to an average rate of 0.7 percent annually.

Sales Market

Slightly Soft: During the 12 months ending March 2019, new and existing home sales declined nearly 5 percent.

The sales market in the HMA is slightly soft, with an estimated sales vacancy rate of 1.7 percent, down from 2.7 percent in 2010. During the 12 months ending March 2019, approximately 140,700 new and existing homes sold, a decrease of 7,100 homes from a year earlier; 24 percent of this decline was among real estate owned (REO) home sales (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the next 3 years, demand is estimated for 6,175 new sales units; the 2,600 units currently under construction will satisfy a portion of this demand.

Rental Market

Balanced: The average apartment asking rent is up approximately 6 percent from last year.

Rental market conditions are balanced, with a current estimated rental vacancy rate of 6.6 percent, down from 9.3 percent during 2010. Apartment market conditions are also balanced, with a 5.3-percent vacancy rate as of the fourth quarter of 2018, down from 5.8 percent a year earlier (RealPage, Inc.). Although demand is estimated for 18,050 new apartment units during the next 3 years, there are approximately 20,200 new units currently under construction.

TABLE OF CONTENTS

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Central Counties	Total Demand	3,200	15,800
	Under Construction	2,250	17,200
Western Counties	Total Demand	1,975	1,300
	Under Construction	200	1,500
Northern Counties	Total Demand	1,000	950
	Under Construction	150	1,500
Greater Chicago HMA	Total Demand	6,175	18,050
	Under Construction	2,600	20,200

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, 2019. The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Economic Conditions

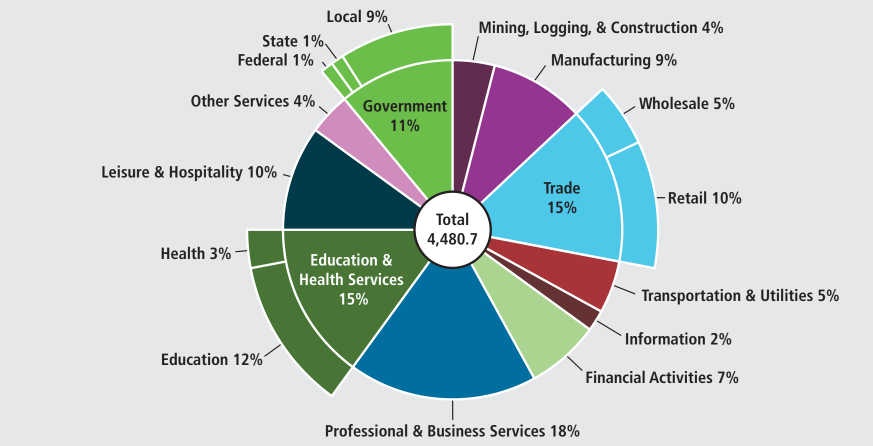
Largest sector: Professional and Business Services

The city of Chicago is a center of business for the Midwest region and the nation; the larger MSA includes the headquarters of 35 Fortune 500 companies, 12 of which are in the city of Chicago.

Primary Local Economic Factors

Although the professional and business services sector is the largest nonfarm payroll sector in the HMA (Figure 1), the three largest employers in the HMA are in the government sector (Table 1). Institutions of higher education, including the University of Chicago in the city of Chicago and Northwestern University in the city of Evanston, and more than 60 additional 4-year institutions, make the HMA a center of higher education. The HMA is also a regional hub for health care, with several large research and teaching hospitals. Since the Great Recession, growth of the leisure and hospitality sector has been strong, and tourism counts have set records during the past 8 years. The transportation and utilities sector has also increased in significance in the HMA because of expansions at O'Hare International Airport and general economic growth, locally and regionally.

Figure 1. Current Nonfarm Payroll Jobs in the Greater Chicago HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding.
Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Greater Chicago HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
U.S. Government	Government	41,500
City of Chicago	Government	31,160
Cook County, Illinois	Government	21,316
Advocate Health Care	Education & Health Services	19,049
Northwestern Memorial Healthcare	Education & Health Services	16,667
University of Chicago	Education & Health Services	16,583
JPMorgan Chase & Co.	Financial Activities	15,701
State of Illinois	Government	14,690
Amazon.com, Inc.	Wholesale & Retail Trade	13,240
United Continental Holdings Inc.	Transportation & Utilities	12,994

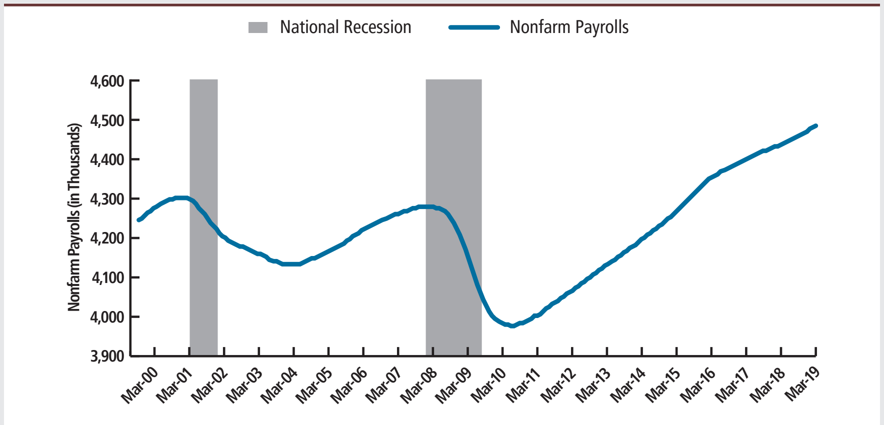
Note: Data are as of December 31, 2017.
Source: *Crain's Chicago Business*

Economic Periods of Significance

2001 Through 2004

Nonfarm payrolls fell an average of 0.9 percent, or by 37,300 jobs, annually from 2001 through 2004 (Figure 2). Manufacturing sector jobs declined the most, falling nearly 6 percent, or by 31,100 jobs, annually and contributed more than 80 percent of nonfarm payroll losses. Job losses in the manufacturing sector included steel and automobile parts manufacturing and food manufacturing. In the service-providing sectors, the professional and business services sector lost an average of nearly 2 percent, or 12,900 jobs, annually at the same time payrolls in the education and health services sector rose by 11,900 jobs, or 2.5 percent, a year. Jobs in the government sector rose during this time, gaining an average of 2,100 jobs, or 0.4 percent, annually because of strong hiring by local governments, offsetting federal and state government declines of 2,200 and 1,000 jobs, or 3.4 and 1.8 percent, a year, respectively. The decline in federal government payrolls included the temporary jobs that were created for the 2000 Decennial Census effort.

Figure 2. 12-Month Average Nonfarm Payrolls in the Greater Chicago HMA



Note: Twelve-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2005 Through 2007

From 2005 through 2007, economic conditions in the HMA recovered, although at a slower pace than the nation. Nonfarm payrolls in the HMA rose 1.1 percent annually, or by 44,500 jobs, compared with national job growth averaging 1.5 percent annually. The professional and business services sector recovered strongly in the HMA, gaining an average of 20,700 jobs, or 3 percent, a year, and contributing nearly one-half of the job growth during this time. The education and health services sector, continuing growth from the previous period, and the leisure and hospitality sector added an average of 12,600 and 7,800 jobs, or 2.4 and 2.2 percent, annually. The manufacturing sector continued to decline, albeit at a much slower rate, falling an average of 1.3 percent annually, or by 6,000 jobs each year.

2008 Through 2010

The Great Recession, which occurred nationally from December 2007 to June 2009, significantly impacted the HMA, with nonfarm payrolls declining an average of 2.3 percent, or by 97,100 jobs, annually from 2008 through 2010. By contrast, national nonfarm payroll job losses averaged 1.9 percent annually. During these 3 years, every payroll sector declined except the education and health services sector, which added an average of 14,400 jobs, or 2.6 percent, annually, and the government sector, which was relatively stable. The government sector benefited from a 1.5-percent average annual increase in federal government payrolls, primarily from temporary jobs added to support the 2010 Decennial Census effort. The worst single year for job losses in the HMA was during 2009, when payroll jobs fell 5.2 percent, or by 222,100 jobs. As in previous periods, the manufacturing sector was particularly hard-hit, falling an average of 24,900 jobs, or nearly 6 percent, annually from 2008 through 2010. By 2010, the manufacturing sector was down by 21,700 jobs, or nearly 5 percent, each year and had become the sixth-largest sector during 2010 compared with the third-largest sector in 2000. Jobs in the wholesale and retail trade sector declined from 2008 through 2010 by an average of 19,000 jobs, or nearly 3 percent, annually. Jobs in the professional and business services and the financial activities sectors shrank, averaging losses of 18,700 and 13,000 jobs each, or 2.7 and 4.2 percent, annually and respectively. The HMA did not recover all the jobs lost during the Great Recession until September 2015; by contrast, nationally, nonfarm payroll jobs surpassed the pre-recession peak 1 year earlier, during September 2014.

2011 Through 2018

In the HMA, the recovery from the Great Recession can be separated into two parts: from 2011 through 2015, when economic conditions improved rapidly; and from 2016 through 2018, when economic growth slowed. From 2011 through 2015, nonfarm payrolls in the HMA expanded by an average of 68,200 jobs or 1.7 percent annually, the same annual rate that jobs grew nationally. Job growth in the HMA was widespread, and only two payroll sectors declined: the information sector fell by an average of 100 jobs annually, or 0.2 percent, and the government sector declined by an average of 2,800 jobs, or 0.5 percent, annually. The Federal Government accounted for most of the decrease in the government sector, contracting by 1,400 jobs annually. The worst year for job losses in the government sector was 2011 when 10,100 government jobs were lost with 43 percent of those losses in the federal government subsector. State and local governments also shrank their payrolls because of declining revenues resulting from the Great Recession, as sales tax, property tax, and income tax receipts were all negatively impacted. The professional and business services sector, which added an average of 24,900 jobs, or 3.5 percent, annually, led growth in the HMA from 2011 through 2015. Among the largest increases in this sector during the period was Capital One Financial Corporation, which added more than 600 jobs at downtown and suburban locations of Chicago. Also during this time, Finland-based Nokia Corporation acquired the digital-mapping Navteq Corporation and added an undetermined number of jobs; currently, the company, now known as HERE Technologies, employs approximately 1,200 people in the Greater Chicago HMA. The education and health services sector added an average of 13,000 jobs, or 2.1 percent, annually from 2011 through 2015, maintaining steady growth reported since 2000. Because of the national economic recovery, tourism has risen strongly in the Greater Chicago HMA, and jobs in the leisure and hospitality sector rose by an average of 11,100, or 2.9 percent, annually.

Nonfarm payroll job growth has continued to be positive in the HMA from 2016 through 2018, albeit at a slower rate than the previous period. While the national economy has continued adding jobs during this period at an average of 1.7 percent annually, nonfarm payroll job growth in the HMA has slowed 0.6 percentage point to an average of 1.1 percent, or 48,000 jobs added, annually.

Current Conditions—Nonfarm Payrolls

During the 12 months ending March 2019, nonfarm payrolls increased 1.1 percent, or by 48,000 jobs (Table 2), up from an increase of 0.8 percent, or

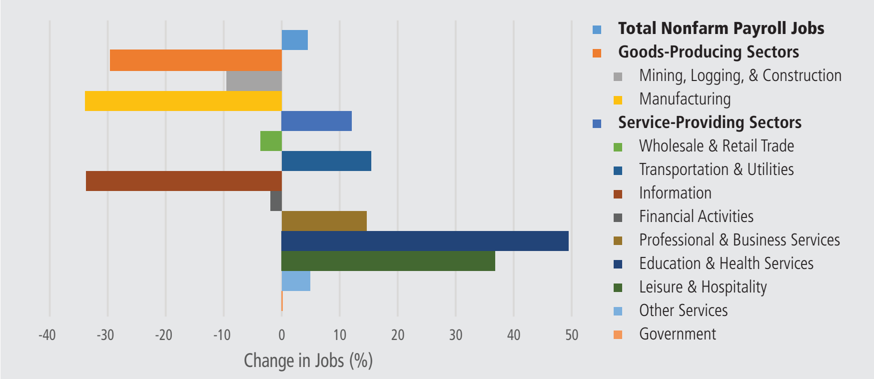
Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Greater Chicago HMA, by Sector

	12 Months Ending March 2018	12 Months Ending March 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	4,432.7	4,480.7	48.0	1.1
Goods-Producing Sectors	540.4	550.9	10.6	2.0
Mining, Logging, & Construction	159.2	162.9	3.7	2.3
Manufacturing	381.2	388.0	6.9	1.8
Service-Providing Sectors	3,892.3	3,929.8	37.5	1.0
Wholesale & Retail Trade	662.9	660.8	-2.1	-0.3
Transportation & Utilities	226.6	236.1	9.5	4.2
Information	76.4	74.9	-1.5	-1.9
Financial Activities	300.0	303.6	3.6	1.2
Professional & Business Services	806.4	815.2	8.8	1.1
Education & Health Services	673.7	685.2	11.5	1.7
Leisure & Hospitality	450.5	456.7	6.3	1.4
Other Services	183.2	183.8	0.6	0.3
Government	512.6	513.4	0.7	0.1

Notes: Based on 12-month averages through March 2018 and March 2019. Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

36,800 jobs, during the previous 12 months. Leading job growth in the 12 months ending March 2019 was the education and health services sector, which added 11,500 jobs, or 1.7 percent, followed by the transportation and utilities and the professional and business services sectors, with growth of 9,500 and 8,800 jobs, or 4.2 and 1.1 percent, respectively. Job growth in the education and health services sector has been steady, averaging 1.1 percent annually from 2001 through 2010, and 1.9 percent since 2011 (Figure 3). Growth in the sector has been concentrated in the health services and social assistance industry. Adding to jobs in this industry, the University of Chicago opened a 188-bed Level I Trauma Center near the south side of the Hyde Park neighborhood in the city of Chicago in April 2018. Adding to jobs in the transportation and utilities sector during the past 12 months, third-party logistics provider C. H. Robinson moved into a new office space in the city of Chicago during the summer of 2018 and, although job totals are not available, the customer base of the company has grown more than 25 percent during the past 5 years.

Figure 3. Sector Growth in the Greater Chicago HMA, 2001 to Current

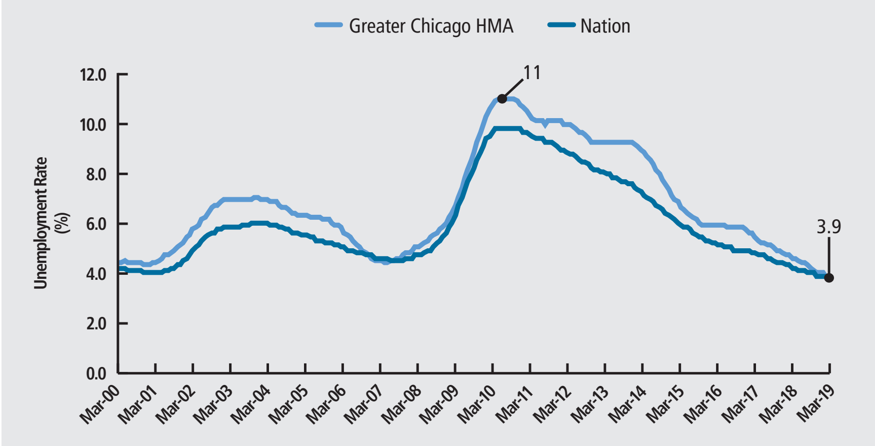


Note: The current date is April 1, 2019.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Unemployment

During the 12 months ending March 2019, the unemployment rate in the HMA averaged 3.9 percent, down from 4.6 percent a year earlier (Figure 4). The unemployment rate recently peaked at 11.0 percent during May 2010, during the local economic contraction, and has trended down since. The current unemployment rate is slightly above the national rate of 3.8 percent and below the rate of 4.3 percent for the state of Illinois; in Wisconsin, the unemployment rate averaged 3.0 percent during the 12 months ending March 2019.

Figure 4. 12-Month Average Unemployment Rate in the Greater Chicago HMA and the Nation



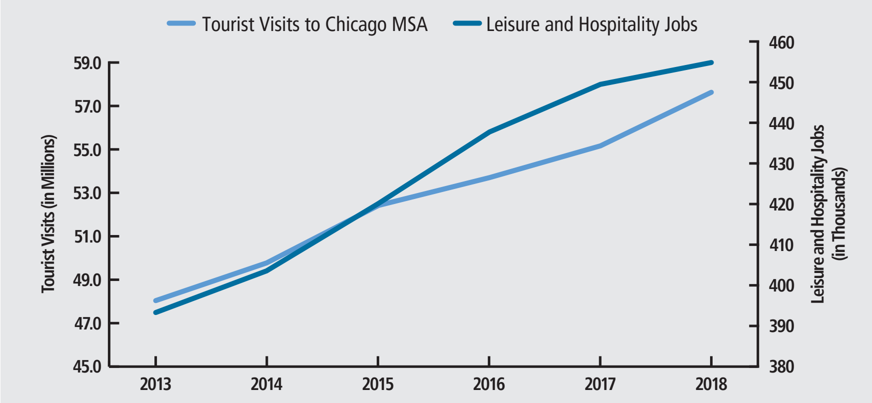
Source: U.S. Bureau of Labor Statistics

Tourism

From 2015 to the current date, the leisure and hospitality sector has had the largest number of net-job increases, averaging 10,900 jobs, or 2.7 percent, annually. Because of the economic recovery both in the HMA and nationally, tourism rebounded strongly after the Great Recession, and tourist visits to the Greater Chicago HMA have set records for the past 5 consecutive years

(Figure 5). Growing tourism has led to new hotel development; five new hotels opened in downtown Chicago during 2017 and eight more opened during 2018. An estimated 10 more hotels are currently under construction and scheduled to open during 2019 and 2020. Despite the added inventory of hotel rooms, the average daily rate rose from $191.83 during 2013 to $213.09 during 2018, while the average occupancy rate remained unchanged.

Figure 5. Tourist Visits to the Chicago MSA and the Increase of Leisure and Hospitality Jobs



Note: The number of leisure and hospitality jobs are based on 12-month average data for each year.
Sources: Choose Chicago; U.S. Bureau of Labor Statistics

Commuting Patterns

Cook County, Illinois, which includes the city of Chicago, is the economic center of the HMA, and the Central Counties submarket currently accounts for approximately 85 percent of nonfarm payroll jobs in the HMA (Table 3). Nearly one-fourth of jobs held by Northern Counties submarket residents are in the Central Counties submarket; for the Western Counties submarket, the figure is close to 40 percent (Table 4). Conversely, workers residing in the Central Counties submarket hold less than 3 percent of jobs in each of the Western Counties and Northern Counties submarkets. The comparatively large number of jobs held by Northern Counties submarket residents outside of the HMA are predominately in Milwaukee, Wisconsin, as most residents of Kenosha County, Wisconsin live closer to Milwaukee than to Chicago. McHenry County, at the northwest corner of the HMA, is part of the Central Counties submarket which includes the six counties in the Chicago-Naperville-Arlington Heights, IL metropolitan division. McHenry County has a primary labor-market relationship with Cook County, placing it in the Chicago-Naperville-Arlington Heights, IL metropolitan division rather than either of the other two metropolitan divisions in the HMA.

Table 3. Current Estimated Percent Share of Nonfarm Payrolls in the Greater Chicago HMA, by Submarket

Central Counties	Western Counties	Northern Counties
85	6	9

Source: U.S. Bureau of Labor Statistics, with estimates by the analyst

Table 4. Jobs by Place of Worker Residence in the Greater Chicago HMA

		Worker Residence		
		Central Counties (%)	Western Counties (%)	Northern Counties (%)
Location of Primary Job	Central Counties	93	38	23
	Western Counties	2	58	1
	Northern Counties	3	1	71
	Outside the HMA	2	3	5

Note: Columns may not add to 100 percent due to rounding.
Source: 2015 U.S. Census Journey to Work

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 0.8 percent. Although forecast job growth is slower than growth during the last year, several expansions have been announced. The professional and business services sector is expected to continue expanding in the HMA and, in February 2019, Google announced a new finance office located in the city of Chicago that will bring an undetermined number of jobs to the city during the next 2 years. Google's Chicago office staff has increased from approximately 600 employees during 2015, to more than 1,000 currently. During the summer of 2018, Facebook signed a lease for 263,000 square feet in a newly completed office tower in The Loop neighborhood, which officials have estimated as suitable for more than 1,000 new employees, although Facebook has not confirmed hiring plans. Continuing growth in the education and health services sector, Rush University Medical Center plans to construct a new 530,000-square-foot outpatient care center near its campus in the Medical Center district southwest of Chicago's The Loop neighborhood, by 2022. Major development efforts include the renovation of the former Old Main Central Post Office, a 2.8 million-square-foot structure in the southwest area of The Loop neighborhood. This redevelopment is estimated to cost $800 million and is scheduled to open in the fall of 2019; confirmed tenants include Walgreen's Boots Alliance (1,800 workers), Ferrara Candy (400 workers), ad agency AbelsonTaylor (400 workers, hiring 50 more), and the Chicago Metropolitan Agency for Planning (100 workers). When completed, this project will provide office space for 17,000 workers.

Population and Households

Current population: 8.78 million

> Starting in 2015, the population of the HMA shifted from growth to decline, a trend that is not expected to change during the next 3 years.

Population Trends

As of April 1, 2019, the estimated population of the HMA is 8.78 million, an average annual increase of 3,100 people, essentially stable since April 2010 (Table 5). Net in-migration has not occurred in the HMA since before 2000; net in-migration has not occurred in any submarket since 2009. Population gains since 2000 are because net natural change (resident births minus resident deaths) exceeded net out-migration. The last time annual population growth was recorded for the HMA was during 2014; since then, the population in the HMA has declined (Figure 6).

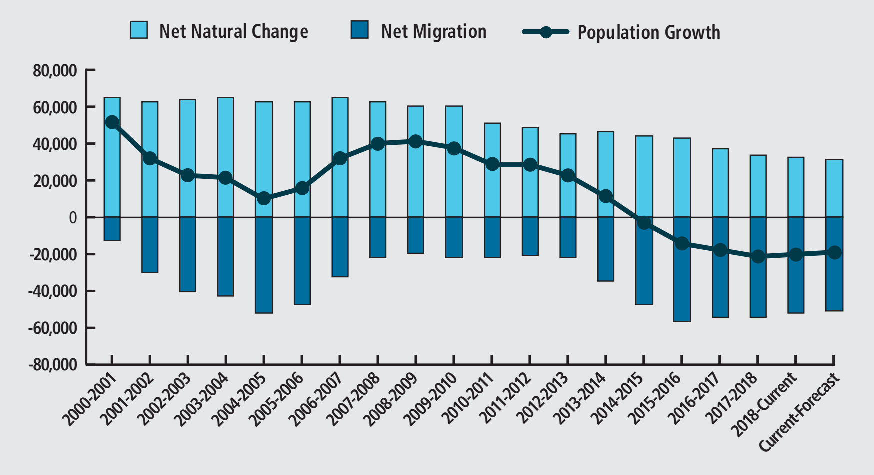
Table 5. Greater Chicago HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	8,753,035	8,781,000	8,718,000
	Average Annual Change	33,050	3,100	-21,100
	Percentage Change	0.4	0.0	-0.2

Household Quick Facts		2010	Current	Forecast
	Households	3,207,836	3,294,000	3,290,000
	Average Annual Change	18,000	9,575	-1,475
	Percentage Change	0.6	0.3	0.0

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (April 1, 2019), to April 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

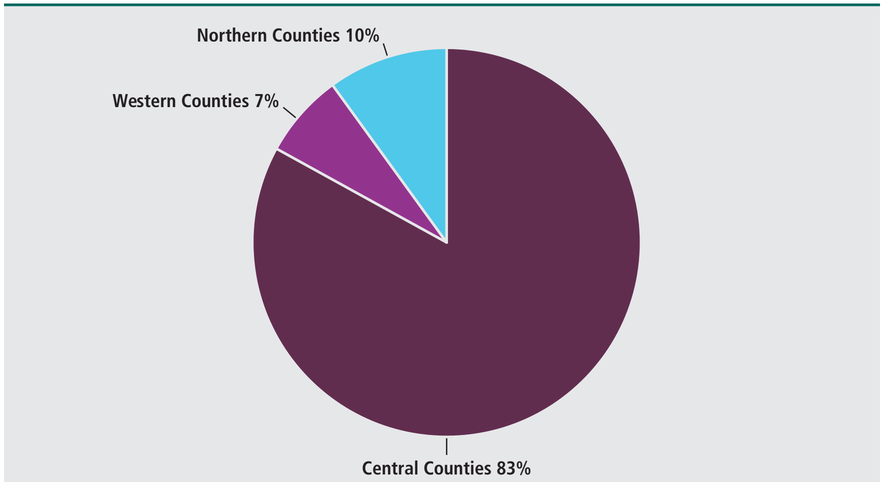
Figure 6. Components of Population Change in the Greater Chicago HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (April 1, 2019), to April 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

From 2000 to 2005, population growth in the HMA averaged 30,900 people, or 0.4 percent, annually because net out-migration averaging 37,800 people annually was offset by net natural change. From 2005 to 2009, leading up to and including a portion of the Great Recession, population growth rose to an average of 34,550 annually, or 0.4 percent, because of relatively strong economic conditions in the HMA during 2006 and 2007. From 2009 to 2012, encompassing the end of the Great Recession and the start of the recovery, average net out-migration slowed to 23,650 people annually, resulting in population growth averaging 33,500, or 0.4 percent annually. During the Great Recession, economic conditions were weak nationally, resulting in few locations to migrate to; weak sales housing markets made selling homes difficult and expensive. These two dynamics kept many people in the area who might otherwise have left. From 2012 to 2016, despite improving economic conditions, net out-migration surged again, averaging 43,950 annually, while net natural change also declined, and the population growth rate fell to zero, averaging growth of 3,975 people annually. Since 2016, net out-migration again rose, averaging 57,950 annually, and the population contracted by 21,100 people annually, or 0.2 percent. Following the Great Recession, the recovery in the Greater Chicago HMA has lagged the recovery nationally and net out-migration from the HMA has increased since 2013 as a result. Figure 7 shows the current population of the HMA by submarket and Map 2 shows the estimated change in the population, 2012 to 2017, by census tract.

Figure 7. Current Population in the Greater Chicago HMA, by Submarket

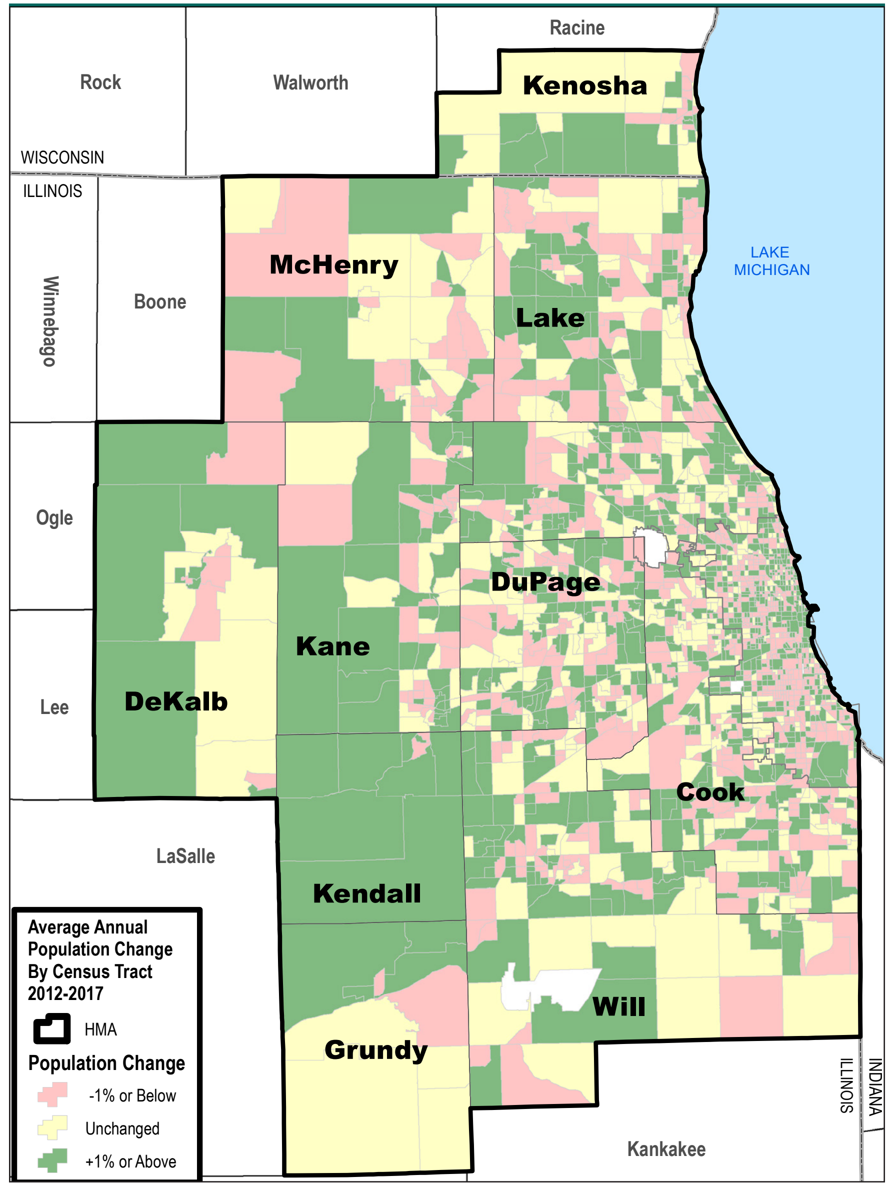


Source: Estimates by the analyst

Central Counties Submarket

The population of the Central Counties submarket is currently estimated at 7.27 million, which is approximately 83 percent of the total HMA population. This submarket includes 6 of 10 counties in the HMA, including Cook County and

Map 2. Population Change by Census Tract in the Greater Chicago HMA



the city of Chicago. The net natural change and net-migration trends identified for the HMA closely reflect the trends for this large submarket, and these trends are generally attributable to Cook County. During the previous decade, the population in the submarket rose an average 12,750 annually, or 0.2 percent, because net natural change averaging 54,550 people annually exceeded net out-migration averaging 41,800 people annually. From 2010 to 2013, following the recession in the HMA and the onset of the recovery, net out-migration fell to an average of 17,150 annually, and the population rose by 26,450 annually, or 0.4 percent. From 2013 to 2016, net out-migration surged, averaging 45,550 annually, and the population fell an average of 5,900 annually, with declines averaging 0.1 percent. This trend has intensified since 2016; net out-migration rose to average 51,350 annually and the rate of population loss rose to average 0.3 percent or 21,200 people annually.

Within the submarket, population dynamics among counties vary. The fastest growing county in the HMA is Kendall County, where the population has grown an average of 1.3 percent annually since 2010 to an estimated 127,900 as of July 1, 2018 (U.S. Census Bureau, Population Estimates Program). The other four counties in the submarket, excluding Kendall and Cook, are also estimated to have either grown since 2010 or reported very slight declines. Most of the population loss from the submarket is estimated to have come from the city of Chicago, where population loss outside of the downtown core is significant. By contrast, the population in the downtown core, and several proximate neighborhoods, is increasing. Please see the "Chicago Series: Focus on Downtown Chicago" for additional information on population dynamics in the city of Chicago.

Western Counties Submarket

The population of the Western Counties submarket is currently estimated at 639,100, accounting for approximately 7 percent of the HMA population. The submarket consists of Kane and DeKalb Counties and is located west of the Central Counties submarket. Kane County contributes more than 80 percent of the population in the submarket and has grown an average of 0.4 percent annually from 2010 to 2018, while DeKalb County has declined slightly. From 2000 to 2005, relocation into the Western Counties submarket, largely from the city of Chicago and Cook County, led to net in-migration averaging 9,100 people and population growth of nearly 3 percent, or 15,400 people annually. Net in-migration fell modestly during the next 2 years, averaging 6,200 people annually from 2005 to 2007, and population growth averaged 12,850 annually, or 2.2 percent. From 2007 to 2012, including the Great Recession and the onset of recovery, net out-migration averaged 300 people annually, and the rate of population growth fell to 0.8 percent, averaging 5,150 annually. Since 2012, net out-migration has risen and population growth has fallen. Population growth averaged 2,675 annually from 2012 to 2014, and 1,800 annually since 2014, growth rates of 0.4 and 0.3 percent annually, respectively.

Northern Counties Submarket

The population of the Northern Counties submarket is currently estimated at 869,100, contributing approximately 10 percent of the total population in the HMA. The submarket includes Lake County in Illinois and Kenosha County in Wisconsin. Lake County is in closer proximity to the city of Chicago and is the larger county by population, contributing 81 percent of the submarket's total residents. This submarket has not recorded net in-migration since 2006. From 2000 to 2006, net-migration into the Northern Counties submarket averaged 1,775 people annually and the population rose by 9,200 annually, or 1.1 percent. From 2006 to 2011, migration shifted to net out-migration, averaging 2,725 people annually and population growth fell to average 0.4 percent, or 3,400 annually. From 2011 to 2013, net out-migration slowed slightly, to 2,675 people annually, on average, but because net natural change also fell, population growth dropped again, to 0.2 percent annually, an average of 1,650 annually. Since 2013, net natural change has continued to decline and net out-migration has increased, resulting in population decline of 460 annually, or 0.1 percent.

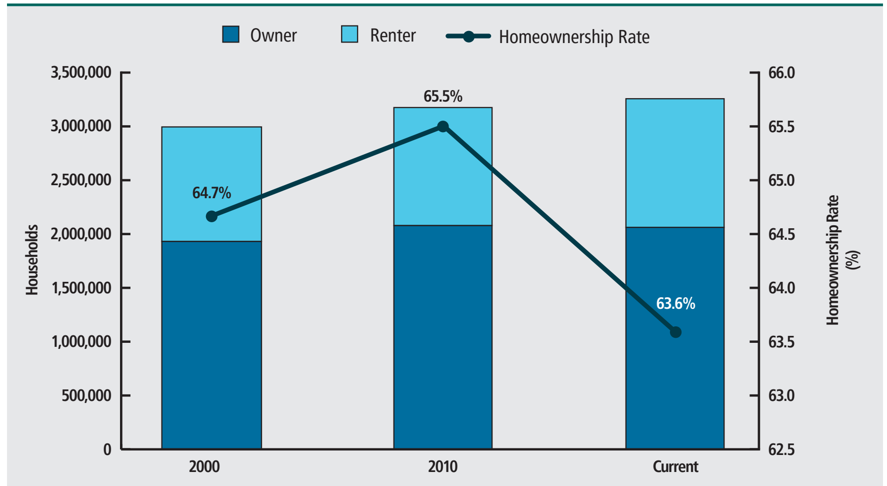
Household Trends

An estimated 3.29 million households currently reside in the HMA; 2.76 million, 222,500, and 316,300 reside in the Central Counties, the Western Counties, and the Northern Counties submarkets, respectively. Changes in households by submarket have generally followed population trends in direction; the increase in net out-migration from the HMA resulted in fewer households. Since 2010, households in the HMA rose 0.3 percent annually, on average, gains of 9,575 households annually; this is approximately one-half the annual gains during the previous decade, when households increased an average of 18,000 annually, or 0.6 percent. It is estimated that the number of households increased in the early 2010s, before declining around the same time that the population started to decline in 2014. By submarket, households rose by averages of 6,750, 1,500, and 1,325 annually since 2010, or growth rates averaging 0.2, 0.7, and 0.4 percent annually, for the Central Counties, Western Counties, and Northern Counties submarkets, respectively. As with the population trends, the 2010-to-current household changes are significantly below those recorded during the previous decade, when households grew at annual rates of 0.4, 2.4, and 1.1 percent annually, for the Central Counties, Western Counties, and Northern Counties submarkets, respectively.

Households by Tenure

The current homeownership rate in the HMA is estimated at 63.6 percent, down from 65.5 percent in 2010 (Figure 8). The homeownership rate fell in each submarket, but the declines were more significant in the Western Counties and Northern Counties submarkets. Homeownership rates fell after the Great Recession when significant numbers of owner households faced foreclosures and banks strengthened lending standards, making homeownership more difficult. In the Central Counties submarket, more heavily urban than the other two submarkets, there is a higher propensity to rent in general, a dynamic typically associated with city living. Contributing to this trend, recent arrivals in the city of Chicago, many who work in the growing professional and business services sector, are more likely to choose to rent. In the Central Counties submarket, the homeownership rate fell from 63.8 in 2010 to 62.2 percent currently. By comparison, in the more suburban Western Counties and Northern Counties submarkets, where the homeownership rate is higher than in the Central Counties submarket, homeownership rates fell further, generally because of the foreclosure crisis but also because of tenure preferences of new arrivals. Homeownership rates are currently estimated at 69.9 and 71.5 percent for the Western Counties and the Northern Counties submarkets, down from 73.8 and 74.8 percent in 2010, respectively.

Figure 8. Households by Tenure and Homeownership Rate in the Greater Chicago HMA



Note: The current date is April 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the 3-year forecast period, net out-migration from the HMA is expected to moderate slightly, to an average of 55,300 people annually, leading to population loss averaging 21,100 people, or 0.2 percent a year. Because of expected employment growth, predominately in the Central Counties submarket, net out-migration from this submarket is estimated to fall slightly, averaging 49,000 people annually. In the Western Counties and Northern Counties submarkets, net out-migration is expected to average 2,000 and 4,300 people annually. Population in the Central Counties and the Northern Counties submarkets are expected to fall by 21,100 and 1,250 people annually, on average during the next 3 years, or declines averaging 0.3 and 0.1 percent, respectively. In the Western Counties submarket, by contrast, the population is expected to increase by an average of 1,250 annually, or 0.2 percent.

During the next 3 years, households in the HMA are expected to be essentially stable at 3.29 million. Households will decline in the Central Counties submarket, by 2,575 annually, or 0.1 percent, and will increase in the Western and Northern Counties submarkets, by averages of 800 and 300 annually, or 0.4 and 0.1 percent, respectively.

Home Sales Market Conditions

Sales Market—Greater Chicago HMA

Market Conditions: Slightly Soft

Sales housing market conditions have been slightly soft since approximately 2012, an improvement from soft conditions during 2010.

Current Conditions

The sales housing market in the Greater Chicago HMA is currently slightly soft. The current vacancy rate is estimated at 1.7 percent, down from 2.7 percent in April 2010 (Table 6). As of April 1, 2019, the HMA had 3.3 months of available for-sale inventory, up from 3.2 months of inventory a year earlier (CoreLogic, Inc.). Sales market conditions were generally balanced in the early part of the previous decade but began to soften during 2007, when economic conditions in the HMA started to decline. Sales market conditions remained soft through 2012 before some strengthening in the market occurred because of economic growth, modest improvement in demographic trends, and a decline in new home construction. Since 2012, conditions have remained slightly soft, even as sales and average sales prices have increased modestly.

Home Sales

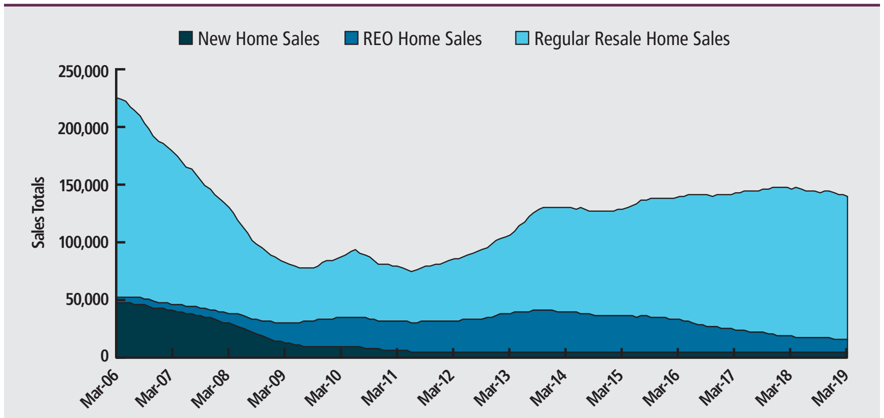
During the 12 months ending March 2019, new and existing home sales in the HMA decreased nearly 5 percent, to 140,700 sales, following an increase of nearly 3 percent during the previous 12-month period. As economic conditions improved following the Great Recession, home sales rose much more rapidly, averaging 12 percent annual increases from 2010 through 2012 (Figure 9). Sales have declined since 2017, following 5 years of growth averaging 8 percent annually, through 2017. New home sales during the 12 months ending March 2019 fell more than 16 percent, to an average of 4,300, following modest growth of 1 percent a year earlier; the decline is partially because of a lack of for-sale inventory, particularly at entry-level price points. New home sales fell during the Great Recession, and have remained at that low level since 2011, averaging approximately 4,700 sales annually. Regular (non-distressed) resale home sales also fell significantly during the Great Recession, but following 3 years of low levels, from 2009 through 2011, have recovered, although not to pre-recession levels. Regular resale home sales averaged 124,800 sales during the 12 months ending March 2019, a decline of nearly 4 percent from a year earlier, when sales increased more than 8 percent. Regular resale home sales rose steadily from 2014 through 2017, averaging growth of nearly 12 percent annually. Real estate owned (REO) home sales in the HMA averaged 11,600 during the 12 months ending March 2019, nearly 13 percent fewer than were recorded during the previous year. As a proportion of all existing home sales, REO home sales peaked

Table 6. Home Sales Quick Facts in the Greater Chicago HMA

		Greater Chicago HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.7%	NA
	Months of Inventory	3.3	3.0
	Total Home Sales	140,700	6,069,000
	1-Year Change	-4.8%	-3.2%
	Regular Resale Home Sales Price	$281,600	$295,100
	1-Year Change	1%	4%
	New Home Sales Price	$478,000	$378,900
	1-Year Change	-1%	1%
	Mortgage Delinquency Rate	1.9%	1.6%

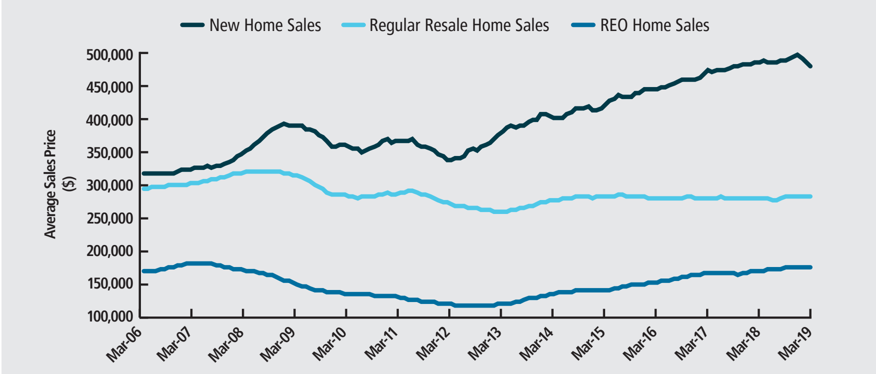
NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2019; and months of inventory and mortgage delinquency data are as of March 2019. The current date is April 1, 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Figure 9. 12-Month Sales Totals by Type in the Greater Chicago HMA



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Figure 10. 12-Month Average Sales Price by Type of Sale in the Greater Chicago HMA



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

at 35 percent during 2011 and comprised nearly 9 percent of all existing home sales during the current 12-month period.

Home Sale Prices

During the 12 months ending March 2019, the average sales price of regular resale homes was $281,600, an increase of approximately 1 percent from a year earlier (Figure 10). Regular resale home prices remained relatively steady since 2013, hovering around an average of $278,000 from 2013 through 2017. The previous pre-recession high for average regular resale home prices was $316,100 during 2008. The average home sales price for an REO home during the 12 months ending March 2019 was $173,900, approximately 4 percent higher than a year earlier. New home sale prices, in contrast to new home sales, have exceeded pre-recession values, despite a recent downturn of less than 1 percent during the current 12-month period, when the average new home sales price was $478,000. Following a recent low of $344,300, during 2011, the average new home sales price has increased an average of 6 percent annually, to $480,800 during 2017. The average new home sales price of $494,300 during 2018 was an all-time high for the HMA.

REO Sales and Delinquent Mortgages

In March 2019, 1.9 percent of home loans in the Greater Chicago HMA were seriously delinquent or had transitioned into REO status, down from 2.5 percent a year earlier, and well below the peak of 10.6 percent in January 2012 (CoreLogic, Inc.). The 1.9 percent rate of seriously delinquent mortgages in the HMA is slightly below the state of Illinois' rate of 2.0 percent in March 2019, down from 2.4 percent a year earlier. The national rate, by contrast, is 1.6 percent as of March 2019, down from 2.3 percent a year earlier.

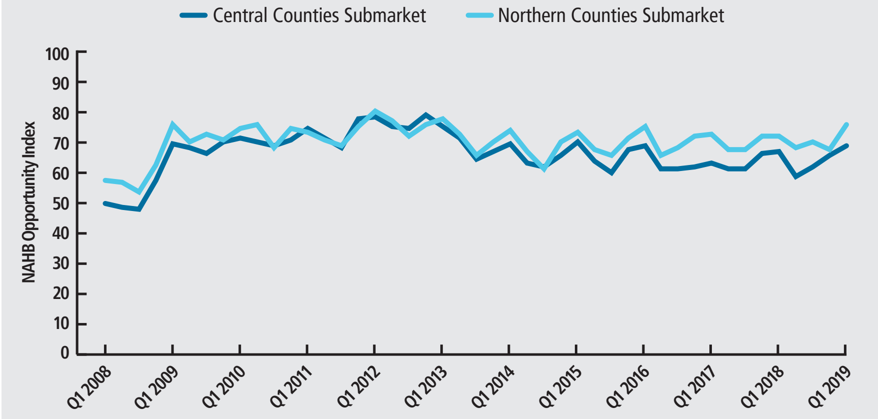
Housing Affordability

Homeownership in the Greater Chicago HMA is generally affordable. The National Association of Home Builders (NAHB) developed the Housing Opportunity Index (HOI), which represents the share of homes sold that would have been affordable to a family earning the median income. This index is available for metropolitan divisions, which were used to define the three submarkets in the HMA. This index is shown in Figure 11 for the Central Counties and the Northern Counties' submarkets; data for the Western Counties submarket were incomplete, but based on home sales prices, would likely be similar to the indices for the Central Counties and the Northern Counties submarkets. For these submarkets, the HOI as of the first quarter of 2019 was 68.1 and 75.5, both increases from 66.5 and 71.5 a year earlier in the Central Counties and the Northern Counties submarkets, respectively. For both submarkets, the indices were approximately 50 during late 2008 and the onset of the Great Recession in 2009, which significantly impacted sales housing markets. Increased REO sales and foreclosures contributed to declining home sales prices. Following the recovery from the Great Recession, the index has not exceeded 80 for either submarket. The NAHB further ranks 239 metropolitan divisions and metropolitan areas according to their HOI ranking. As of the first quarter of 2019, the Central Counties, the Western Counties, and the Northern Counties submarkets ranked 138th, 102nd, and 108th, respectively, indicating that, among 239 metropolitan divisions and areas, the Central Counties submarket was more affordable for homebuying than 58 percent of areas, the Western Counties submarket was more affordable than 43 percent of areas, and the Northern Counties submarket was more affordable than 45 percent of areas.

Forecast

During the 3-year forecast period, demand is estimated for 6,175 new single-family homes, townhomes, and condominiums in the HMA (Table 7). The 2,600 sales units currently under construction will satisfy some of this demand. New construction is needed to replace housing stock that converts to rental and those homes that age into obsolescence. Demand is expected to increase slightly each year because of improving sales housing market conditions and economic growth. Demand is expected to be strongest in the Central Counties submarket despite expected net out-migration, because of the large population base in the submarket.

Figure 11. Greater Chicago HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q1 = first quarter.
Sources: NAHB; Wells Fargo

Table 7. Demand for New Sales Units in the Greater Chicago HMA During the Forecast Period

	Sales Units
Demand	6,175 Units
Under Construction	2,600 Units

Note: The forecast period is from April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Sales Market—Central Counties Submarket

Market Conditions: Slightly Soft

Current Conditions

The sales housing market in the Central Counties submarket is currently slightly soft. The current vacancy rate is estimated at 1.8 percent, down from 2.7 percent in April 2010, when conditions were soft. As of March 2019, the submarket had 3.2 months of available for-sale housing inventory, up from 3.1 months of supply a year earlier (Table 8). Sales market conditions in the Central Counties submarket were generally balanced until approximately 2008 when economic conditions in the HMA started to soften. Sales market conditions remained soft until approximately 2012. Relatively positive demographic trends, particularly in Cook County and the city of Chicago, until 2013, and a decrease in the number of homes built allowed unsold inventory to be absorbed; also, a portion of sales housing was converted to rental.

Table 8. Home Sales Quick Facts in the Central Counties Submarket

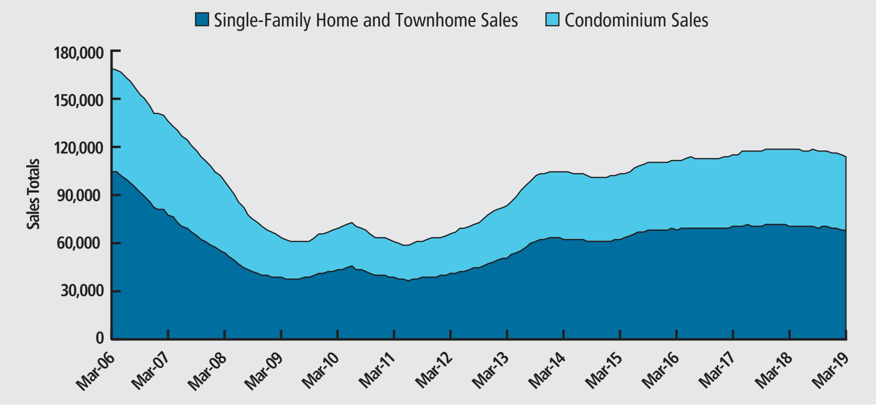
Home Sales Quick Facts		Central Counties	Greater Chicago HMA
	Vacancy Rate	1.8%	1.7%
	Months of Inventory	3.2	3.3
	Total Home Sales	116,400	140,700
	1-Year Change	-3.6%	-4.8%
	Regular Resale Home Sales Price	$286,800	$281,600
	1-Year Change	2%	1%
	New Home Sales Price	$528,000	$478,000
	1-Year Change	-2%	-1%
	Mortgage Delinquency	2.0%	1.9%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2019; and months of inventory and mortgage delinquency data are as of March 2019. The current date is April 1, 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Single-Family Home and Townhome Sales

Sales of new and existing single-family homes and townhomes in the submarket rose following the Great Recession, until approximately 2013, and have remained steady since then. During the 12 months ending March 2019, approximately 67,750 new and existing single-family homes and townhomes sold, 4 percent fewer than were sold a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The current decline in sales is because of trends in population and households; the population in this submarket began to decline during 2013, declines that have intensified since 2016. From a recent low level of 39,150 single-family homes and townhomes sold during 2011, sales rose strongly, increasing more than 27 percent annually, on average, reaching 63,200 sales during 2013. Since 2013, sales have risen slowly, growing an average of 3 percent annually, before the current decline, which began in mid-2018. Figure 12 shows 12-month sales totals by type in the submarket since 2006.

Figure 12. 12-Month Sales Totals by Type in the Central Counties Submarket



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Condominium Home Sales

Sales of new and existing condominium units have also declined during the past year. During the 12 months ending March 2019, sales of new and existing condominium units in the Central Counties submarket fell approximately 3 percent, to 46,450 units sold, following a 6-percent increase a year earlier. Condominium sales in this submarket are heavily concentrated in Cook County. Despite Cook County and the city of Chicago accounting for 71 and 37 percent of the submarket's population, respectively, these areas accounted for 84 and 53 percent of condominium home sales in the submarket (2012–2017 American Community Survey [ACS], 5-year estimates).

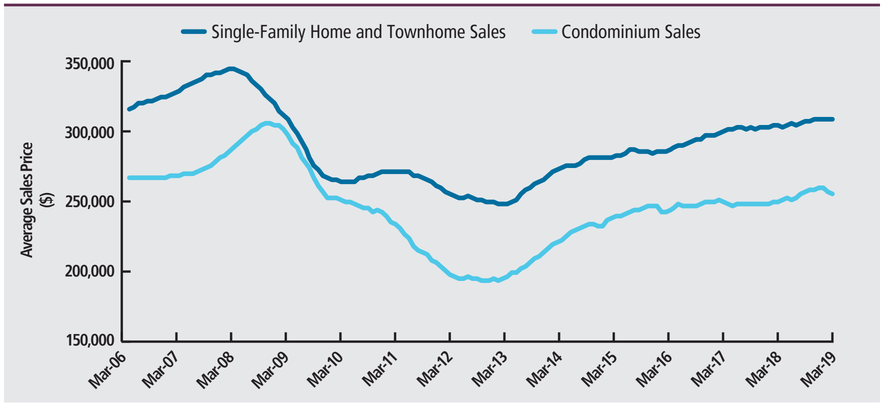
Home Sale Prices

Although home sales totals for all unit types have recently declined, home sales prices, on average, are increasing. During the 12 months ending March 2019, the average home sales price for single-family homes and townhomes was $306,400, more than 1 percent above the average sales price a year earlier. The average sales price for a condominium unit was $254,200, or nearly 2 percent above the average a year earlier. Average sales prices for single-family home and townhome sales and for condominium sales both reached recent low values during 2012, of $247,800 and $192,600, respectively (Figure 13). Since 2012, average sales prices for each sales type have grown slowly, averaging increases of 4 percent annually for single-family homes and townhomes, to a 2018 average sales price of $306,100, and averaging increases of 5 percent annually, to a 2018 average sales price of $257,200 for condominium units.

REO Properties and Delinquent Mortgages

The rate of seriously delinquent home loans and REO properties in the Central Counties submarket has been higher than rates in the other two submarkets, the state of Illinois, or the nation, in part, because of the relatively higher unemployment rates among Chicago residents. The higher rate of seriously delinquent home loans and REO properties in the Central Counties submarket

Figure 13. 12-Month Average Sales Price by Type of Sale in the Central Counties Submarket



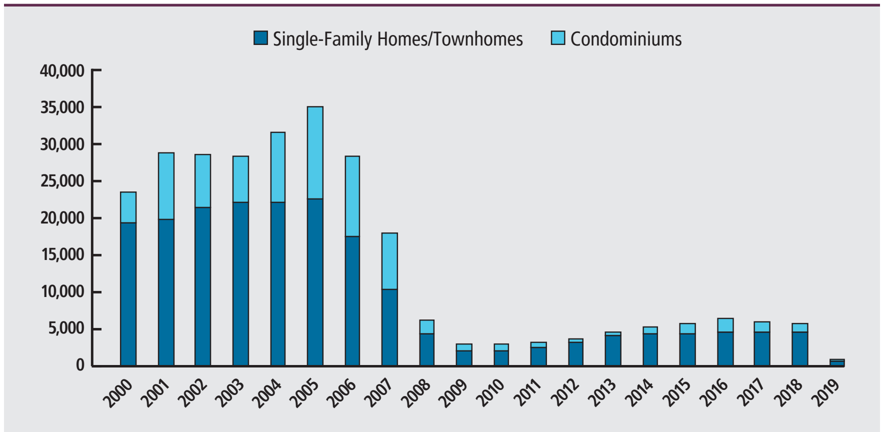
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

is also due to higher population loss, particularly in Cook County and parts of Chicago, leading to lower demand for homes in those areas. In March 2019, approximately 2 percent of loans in the submarket were seriously delinquent or had transitioned into REO status, down from 2.6 percent during March 2018, and below the peak level of 11.0 percent during January 2012 (CoreLogic, Inc.).

Sales Construction Activity

Sales building activity, as measured by the number of single-family homes, townhomes, and condominium units permitted, has been low since the Greater Chicago HMA emerged from the Great Recession. Construction intended for owner occupancy totaled 5,150 sales units during the 12 months ending March 2019, nearly 13 percent fewer than were permitted during the 12 months ending March 2018 (preliminary data with adjustments by the analyst). From 2001 through 2005, the number of sales units permitted rose 8 percent annually, to a recent high of 35,000 units permitted during 2005 (Figure 14). The decline was far more rapid; sales units permitted fell 46 percent annually

Figure 14. Sales Permitting Activity in the Central Counties Submarket



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

from 2006 through 2009 to a recent low level of 2,925 units permitted during 2009. Sales units permitted remained low from 2009 through 2010, averaging 2,950 units permitted each year. Since the impacts of the Great Recession ended in the HMA and demographic trends improved through 2012, sales units permitted have also increased. From 2011 through 2016, units permitted rose an average of 13 percent annually, to a 2016 level of 6,350. In addition, the proportion of condominium units to all sales units permitted has fallen; from 2001 through 2006, more than 30 percent of all sales units permitted were condominiums; during 2007, nearly 43 percent of all sales units permitted were for condominiums. That value declined to fewer than 13 percent of units permitted during 2013, before increasing to 20 percent of sales units permitted as condominiums during 2018.

New Construction

Located in The Loop neighborhood in downtown Chicago, The Vista Tower is 101 stories tall and includes 396 condominium units, more than one-half of which have been sold. Pricing is variable; among sold units, prices range from $896,000 to $18.5 million, and condominium units range from one to three bedrooms. The project also includes a luxury, 196-room hotel and is expected to be completed in the spring of 2020. In Joliet, Will County, Illinois, Silver Leaf is a new-construction neighborhood of single-family homes with three or four bedrooms and two or three bathrooms priced from $245,000 through $300,000. The 265 home sites are approximately two-thirds built and sold.

Forecast

During the 3-year forecast period, demand is estimated for 3,200 new single-family homes, townhomes, and condominiums in the submarket (Table 9). The 2,250 homes under construction will generally satisfy demand during the first 2 years of the forecast period.

Table 9. Demand for New Sales Units in the Central Counties Submarket During the Forecast Period

	Sales Units
Demand	3,200 Units
Under Construction	2,250 Units

Note: The forecast period is from April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Sales Market—Western Counties Submarket

Market Conditions: Balanced

Current Conditions

The sales housing market in the Western Counties submarket is currently balanced. The current vacancy rate is estimated at 1.2 percent, down from 2.6 percent in April 2010 (Table 10). As of March 2019, the submarket had 2.8 months of available for-sale inventory, up slightly from 2.7 months of available inventory a year earlier (CoreLogic, Inc.). Sales market conditions were soft in 2010, but generally positive demographic trends and a slowdown of construction of new single-family homes, townhomes, and condominiums allowed the market to reach current balanced conditions. Condominium sales typically account for fewer than 14 percent of all sales in this submarket.

Table 10. Home Sales Quick Facts in the Western Counties Submarket

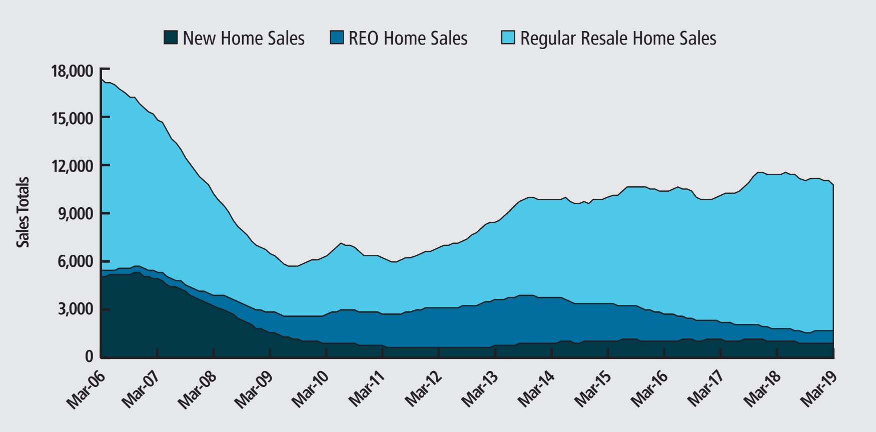
		Western Counties	Great Chicago HMA
Home Sales Quick Facts	Vacancy Rate	1.2%	1.7%
	Months of Inventory	2.8	3.3
	Total Home Sales	10,750	140,700
	1-Year Change	-5.0%	-4.8%
	Regular Resale Home Sales Price	$239,300	$281,600
	1-Year Change	3%	1%
	New Home Sales Price	$311,300	$478,000
	1-Year Change	2%	-1%
	Mortgage Delinquency Rate	1.5%	1.9%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2019; and months of inventory and mortgage delinquency data are as of March 2019. The current date is April 1, 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Home Sales

Despite a general increase in all home sales since 2011, sales in the Western Counties submarket remain low compared with pre-recession levels. Home sales totaled 10,750 sales during the 12 months ending March 2019, approximately 5 percent fewer than the 11,350 sales recorded a year earlier. From 2006 through 2009, home sales in the Western Counties submarket fell an average of 27 percent annually, from 15,450 sales during 2006, to a recent low of 6,000 sales during 2009 (Figure 15). New home sales in the submarket, which totaled 5,075 during 2006, fell, reaching a recent low level of 590 sales during 2011, with declines averaging nearly 35 percent annually. In the Greater Chicago HMA, 2009 was the worst year for job loss resulting from the Great Recession. As the economy began to recover during 2010, home sales stabilized and averaged 6,425 annually during 2010 and 2011, before beginning to increase. Since 2011, home sales rose an average of 8 percent annually, to 10,400 sales, during 2015, then fell 6 percent during 2016, to 9,775 sales. Average home sales rose again

Figure 15. 12-Month Sales Totals by Type in the Western Counties Submarket



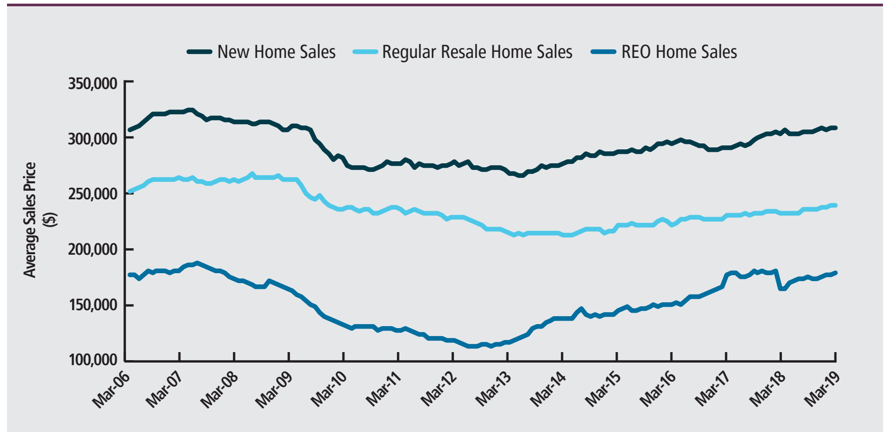
REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

to 11,450 sales during 2017, a gain of nearly 17 percent. Although new home sales have recovered somewhat, they remain below pre-recession highs; during the 12 months ending March 2019, 890 new home sales were recorded, more than 13 percent fewer than the 1,025 new home sales recorded a year earlier. By contrast, regular resale home sales have neared their pre-recession levels, although the pace of regular resale sales has recently slowed. From a recent high level of 9,975 regular resale sales during 2006 to a recent low of 3,450 sales during 2009, the decline averaged nearly 30 percent annually. Regular resale sales remained low, averaging 3,500 sales annually during 2009, 2010, and 2011, before beginning to increase from 2011 averaging 18 percent annually, to 9,525 sales during 2017. Closings of REO home sales totaled 710 during the 12 months ending March 2019, equal to 7.2 percent of all existing home sales. The ratio of REO sales to all existing home sales peaked at 40.9 percent during February 2012.

Home Sales Prices

Prices for all home sales types have not reached pre-recession levels. The average sales price for all home sales in the submarket during the 12 months ending March 2019 was $242,100, an increase of 3 percent from the average sales price a year earlier. The average new sales price during this time was $311,300, an increase of 2 percent above the average sales price a year earlier, and for a regular resale home sale, the value was $239,300, or 3 percent above the value a year earlier. During 2006, before the Great Recession and its effects began to impact the HMA, the average sales prices were $281,800, $325,100, and $263,200 for all sales, new sales, and regular resales, respectively. Current average sales prices are 1 percent below the 2006 values for all home sales; for new and regular resale home sales, the annual declines were 0.4- and 0.8-percent, respectively. The reason for the larger total sales price decline since 2006 is because REO sales prices, which averaged $175,400 during the current annual period and are nearly unchanged from the value during 2006, presently account for more than 7 percent of all home sales in the submarket, while during 2006, the similar proportion was 4 percent of all home sales. New home sales and all home sales average sales prices reached their lowest recent point during 2012, averaging $274,400 and $189,200, respectively, while regular resales sales prices were the lowest in 2013, at an average of $212,800 (Figure 16). Since these low levels, annual price gains have averaged 2 and 4 percent annual appreciation for new sales and all home sales, respectively, and averaged 2 percent annual appreciation for regular resale home sales, from their recent low levels during 2012 and 2013 to their 2018 average.

Figure 16. 12-Month Average Sales Price by Type of Sale in the Western Counties Submarket



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

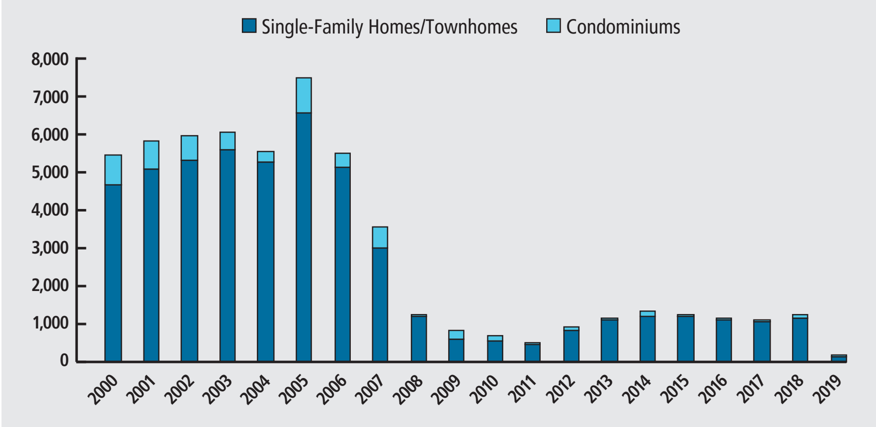
REO Properties and Delinquent Mortgages

In March 2019, 1.5 percent of loans in the submarket were seriously delinquent or had transitioned into REO status, down from 1.8 percent during March 2018 and a peak of 10.6 percent during January 2012 (CoreLogic, Inc.). The rate in this suburban market is below the rate of seriously delinquent loans for the overall HMA, for Illinois and for the nation, the rate of which is 1.6 percent. In this submarket, with a homeownership rate higher than in the Central Counties submarket, owners likely had a higher equity stake in their homes before the Great Recession and its impacts on the owner market and were in a better financial position to survive the economic downturn. Having a higher equity stake also makes it less advantageous to return a principal residence to the lender as an REO property or to allow a lender to foreclose on the property.

Sales Construction Activity

Sales construction activity in the Western Counties submarket since 2006 has been significantly below pre-recession levels. This has helped the sales housing market in the submarket reach current balanced conditions from soft conditions during 2010. From 2000 through 2006, sales housing units permitted in the submarket averaged 6,000 annually, including a spike to 7,525 during 2005 (Figure 17). Since 2006, when the figure was 5,525 units permitted, production fell rapidly, averaging declines in permitting of 38 percent annually, to a recent low level of 510 units permitted during 2011. The recovery in permitting is ongoing, and from 2012 through 2013, permitting rose 49 percent annually, to 1,125 units permitted during 2013. Since 2013, the average annual permitting total has been steady, averaging 1,200 units. During the 12 months ending March 2019, sales building permits totaled 1,075 units, slightly below the 1,125 homes permitted a year earlier (preliminary data with adjustments by the analyst). Approximately 6 percent of the sales units permitted during the past 12 months are condominium units, higher than the 4-percent ratio a year earlier. From 2000 through 2012, approximately 11 percent of sales units built in the submarket were condominium units; since 2012, this ratio has fallen to approximately 4 percent.

Figure 17. Sales Permitting Activity in the Western Counties Submarket



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

New Construction

The Conservancy, in Gilberts, Kane County, Illinois, includes 51 home sites in the first phase, with approximately 148 additional home sites reserved for future phases. Home models include three different single-family plans, with three or four bedrooms and two bathrooms; prices for the three models of homes start at $332,990, $348,990, and $357,990. Marketing has just begun at this project. In Elgin, Kane County, Illinois, West Point Gardens South includes 39 sites, with 7 available in the current phase. Five different home plans are available with three to five bedrooms and two bathrooms and starting prices ranging from $289,490 to $329,490.

Forecast

During the 3-year forecast period, demand is estimated for 1,975 new single-family homes, townhomes, and condominiums in the submarket (Table 11). The 200 sales units currently under construction will satisfy some of this demand.

Table 11. Demand for New Sales Units in the Western Counties Submarket During the Forecast Period

	Sales Units
Demand	1,975 Units
Under Construction	200 Units

Note: The forecast period is from April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Sales Market—Northern Counties Submarket

Market Conditions: Slightly Soft

Current Conditions

The sales housing market in the Northern Counties submarket is currently slightly soft. The current vacancy rate is estimated at 1.5 percent, down from 2.3 percent in April 2010 (Table 12). As of March 2019, the submarket had 4.0 months of available for sale inventory, up slightly from 3.9 months of available inventory a year earlier (CoreLogic, Inc.). Sales market conditions were soft in 2010, but a slowdown of construction of new single-family homes, townhomes, and condominiums helped the market to reach current balanced conditions. Home sales slowed significantly during the past year. Condominiums typically account for approximately 19 percent of all sales in this submarket.

Table 12. Home Sales Quick Facts in the Northern Counties Submarket

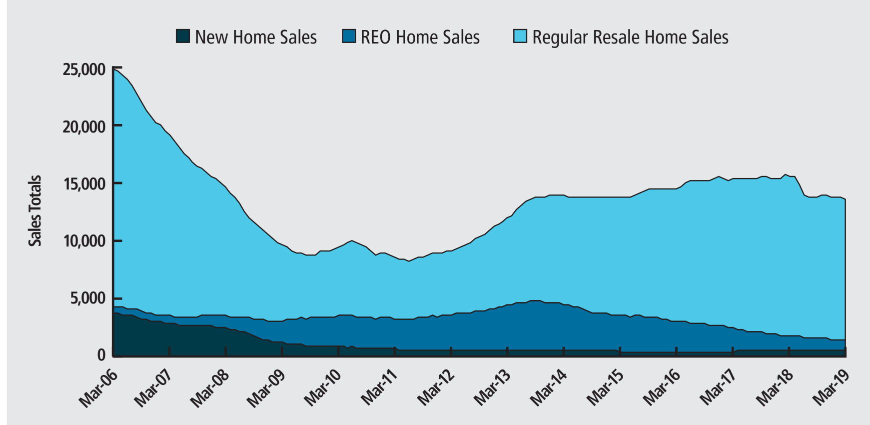
		Northern Counties	Greater Chicago HMA
Home Sales Quick Facts	Vacancy Rate	1.5%	1.7%
	Months of Inventory	4.0	3.3
	Total Home Sales	13,550	140,700
	1-Year Change	-13.7%	-4.8%
	Regular Resale Home Sales Price	$269,000	$281,600
	1-Year Change	-5%	1%
	New Home Sales Price	$446,300	$478,000
	1-Year Change	1%	-1%
	Mortgage Delinquency Rate	1.6%	1.9%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending March 2019; and months of inventory and mortgage delinquency data are as of March 2019. The current date is April 1, 2019.
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

Home Sales

Home sales in the Northern Counties submarket are well below pre-recession levels. During the 12 months ending March 2019, total home sales numbered 13,550, or nearly 14 percent below the 15,650 sales recorded a year earlier. From 2006 until 2009, home sales in the submarket fell an average of 24 percent annually, from 20,350 sales during 2006 to 9,100 sales during 2009. In the HMA, 2009 was the year that job losses resulting from the Great Recession were the worst. As the economy began to recover during 2010, home sales stabilized, and averaged 8,875 sales annually during 2010 and 2011, before beginning to increase. Starting in 2012, home sales rose an average of 7 percent annually, to 15,450 sales during 2017 (Figure 18). New home sales in the submarket, which totaled 2,925 during 2006, fell sharply, totaling 450 sales during 2011, with declines averaging 31 percent annually. New home sales in the submarket have not recovered from the 2011 level and totaled 380 sales during the 12 months ending March 2019, more than 18 percent fewer than a year earlier. Regular

Figure 18. 12-Month Sales Totals by Type in the Northern Counties Submarket



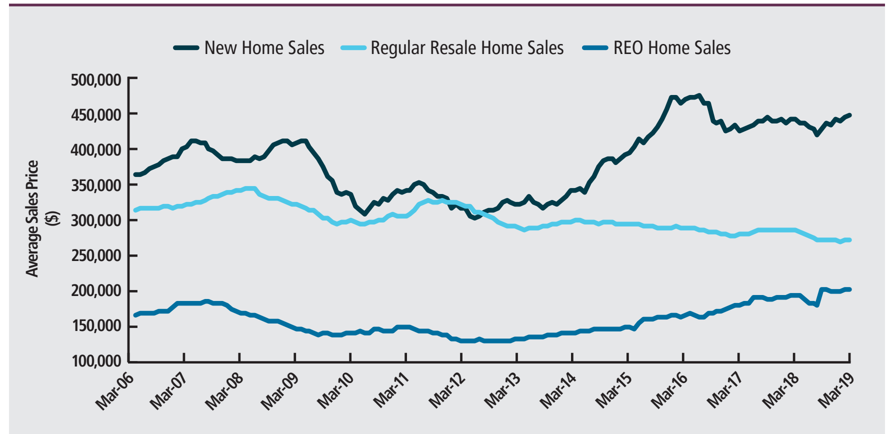
REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

resales totaled 12,150 sales during the 12 months ending March 2019, nearly 13 percent fewer than a year earlier. From 16,800 sales during 2006, regular resales also fell, to 5,425 during 2011, declines averaging 20 percent annually. Since 2011, regular resales rose to 13,600 sales during 2017, increases averaging 20 percent annually. REO home sales totaled 1,025 during the 12 months ending March 2019, equal to 8 percent of all existing home sales. The ratio of REO sales to all existing home sales peaked at 36 percent during March 2012.

Home Sales Prices

Home sales prices for all home sales have not reached pre-recession levels because regular resale prices remain comparatively low. Declining demographic trends in the submarket, including increased net out-migration, have contributed to lower demand, fewer sales, and lower average sales prices. The average sales price for all home sales in the submarket during the 12 months ending March 2019 was $269,800, nearly 4 percent below the average sales price a year earlier. The average new sales price during this time was $446,300, more than 1 percent higher than a year earlier, and for a regular resale home sale, the value was $269,000, nearly 5 percent below the value a year earlier. During 2006, before the Great Recession and its effects began to impact the HMA, the average sales prices were $322,500, $388,600, and $316,100 for all sales, new sales, and regular resales, respectively. Only current new sales prices are above their 2006 value, nearly 15-percent higher. Regular resales and overall sales prices are 15 and 16 percent below their 2006 values, respectively. The average sales price for all home sales reached the lowest recent point during 2012, at $245,900; for new home sales, the low level was reached during 2011, at $313,400 (Figure 19). For regular resales, the 2018 average sales price of $268,200 is the lowest recent price recorded. Local sources indicate that the declining population in the submarket, which began in 2015, is impacting sales figures and average prices.

Figure 19. 12-Month Average Sales Price by Type of Sale in the Northern Counties Submarket



REO = real estate owned.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

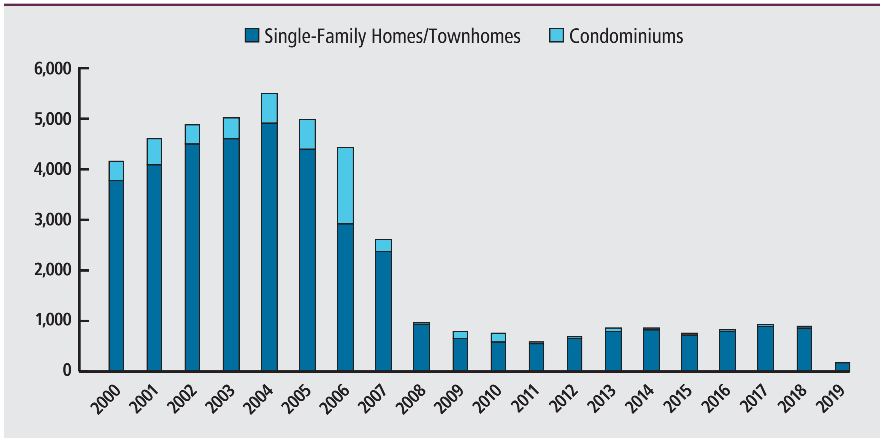
REO Properties and Delinquent Mortgages

In March 2019, 1.6 percent of home loans in the submarket were seriously delinquent or had transitioned into REO status, down from 1.9 percent during March 2018 and a peak of 9.0 percent during January 2012 (CoreLogic, Inc.). As in the Western Counties submarket, the rate in this suburban market is below the rate of seriously delinquent loans for the overall HMA and for Illinois and is currently equal to the national rate of 1.6 percent. In this submarket, with a homeownership rate higher than in the other two submarkets, owners likely had a higher equity stake in their homes before the Great Recession and were in a better financial position during the economic downturn. Higher average sales prices in this submarket than in the Western Counties submarket also suggest a greater equity stake, on average, and greater financial disincentives to allowing the mortgage to become delinquent.

Sales Construction Activity

Sales construction activity in the Northern Counties submarket since 2007 has been significantly below pre-recession levels. This has helped the sales housing market in the submarket reach current slightly soft conditions, from soft conditions during 2010. From 2000 through 2006, sales housing units permitted in the submarket averaged 4,525 annually, including a spike to 5,500 during 2004 (Figure 20). Sales units permitted fell to 2,625 during 2007, a decline of 40 percent from 2006. Construction has remained comparatively low since then, averaging 750 units permitted annually from 2008 through 2012, and averaging 810 units permitted annually from 2012 through 2017. During the 12 months ending March 2019, there were 790 sales units permitted, 13 percent fewer than were permitted a year earlier (preliminary data with adjustments by the analyst). Fewer than 1 percent of the units permitted during the past 12 months are condominium units, below the 3-percent ratio a year earlier. From 2000 through 2013, condominium units as a percent of all sales units permitted ranged from 4 percent during 2012, to 34 percent during 2006.

Figure 20. Sales Permitting Activity in the Northern Counties Submarket



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

New Construction

In Kenosha, Wisconsin, Parkview Heights is a new neighborhood with 38 single-family home lots, available for custom or semi-custom-built homes. Currently, 35 of 38 lots are sold; available home models range in price from $287,000 to $475,000 and range in size from 1,560 to 2,857 square feet and include three or four bedrooms and two or three bathrooms. In Volo, Lake County, Illinois, Andare at Remington Pointe North is an active-adult community which will include 86 new ranch homes, ranging from 1,224 to 2,171 square feet, and priced from $220,000 to $290,000.

Forecast

During the 3-year forecast period, demand is estimated for 1,000 new single-family homes, townhomes, and condominiums in the submarket (Table 13). The 150 sales units currently under construction will satisfy some of this demand.

Table 13. Demand for New Sales Units in the Northern Counties Submarket During the Forecast Period

	Sales Units
Demand	1,000 Units
Under Construction	150 Units

Note: The forecast period is from April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Rental Market Conditions

Rental Market—Greater Chicago HMA

Market Conditions: Balanced

Rental market conditions are balanced in each of the three submarkets because of improved demographic trends.

Current Conditions and Recent Trends

The rental housing market, including apartment units and single-family homes for rent, in the HMA is currently balanced. Conditions have been mostly balanced since 2012, because of the economic recovery in the HMA, improved demographic trends early in the decade, the foreclosure crisis which made homebuying more difficult, and a propensity to rent among new households. In 2017, an estimated 52 percent of all rental units were in larger structures with five or more units per structure; 19 percent of all rental units were in single-family homes, attached or detached. Since 2010, the number of rental units in single-family homes rose, likely because of the foreclosure crisis shifting homes from owner to renter-occupied; at the same time, the percent of renters in larger structures with five or more units per structure also rose slightly. The overall rental vacancy rate is 6.6 percent, down from 9.3 percent in 2010 (Table 14).

Conditions in the apartment market are also balanced, unchanged from 2010.

Table 14. Rental Market Quick Facts in the Greater Chicago HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	9.3	6.6
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	19	21
	Multifamily (2–4 Units)	28	26
	Multifamily (5+ Units)	52	53
	Other (Including Mobile Homes)	1	1

Note: The current date is April 1, 2019.
Sources: 2010 and 2017 American Community Survey, 1-year data

During the first quarter of 2019, the apartment vacancy rate was 5.3 percent, down from 5.4 percent during the first quarter of 2018 and higher than the 4.4-percent rate as of the first quarter of 2013 (RealPage, Inc.; Figure 21). Apartment market conditions have ranged from balanced to slightly tight since 2010 because of impacts from the housing market crisis and the Great Recession, which made homeownership more difficult. In addition, despite net out-migration, many households moving to the HMA choose to rent instead of buy. New apartment construction has been centered in downtown Chicago and select nearby neighborhoods; in the suburban areas, new apartment construction has often been sited near transit stations, allowing for easy commuting to downtown Chicago job locations (Map 3). During the first quarter of 2019, the average rent was $1,501, more than 6 percent higher than the $1,409 average a year earlier.

Map 3. Apartment Properties by Size Completed in the Greater Chicago HMA Since 2016

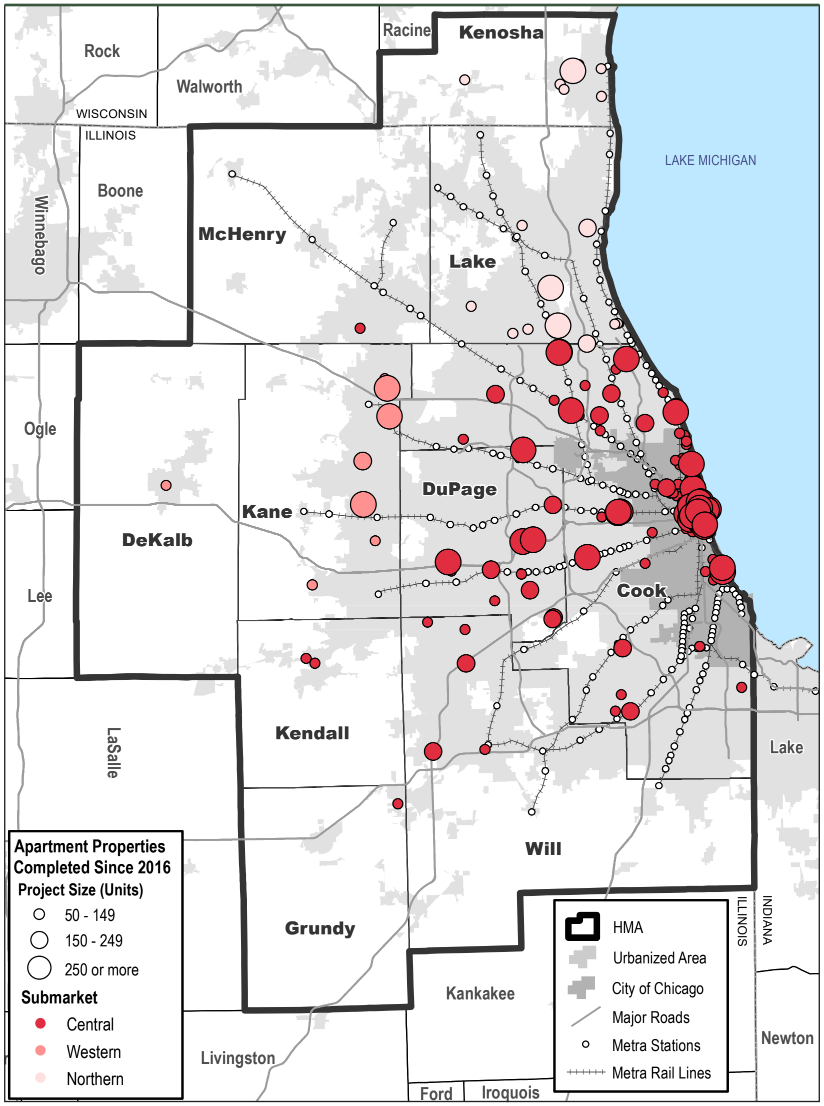
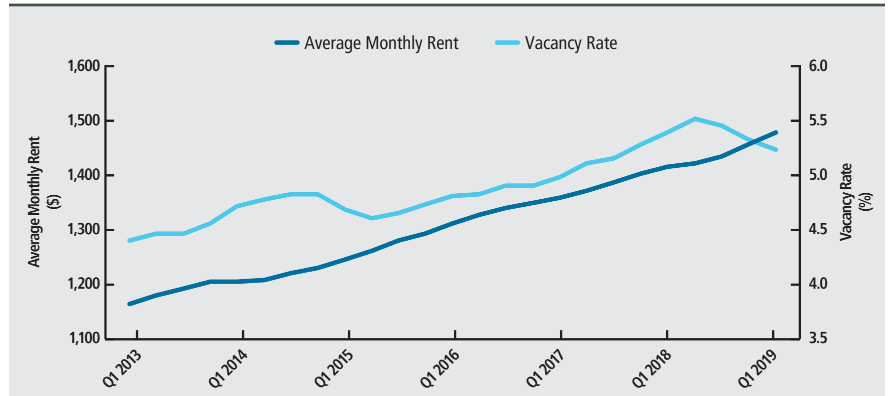


Figure 21. Apartment Rents and Vacancy Rates in the Greater Chicago HMA

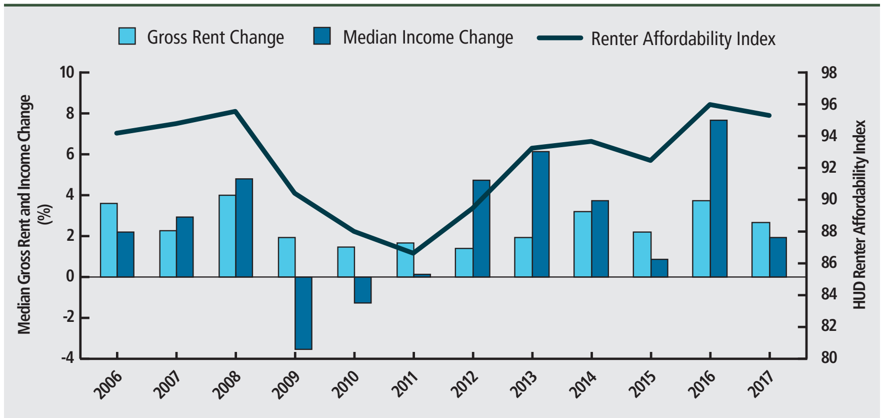


Q1 = first quarter.
Note: Four-quarter running average.
Source: RealPage, Inc.

Housing Affordability: Rental

Rental housing in the Greater Chicago HMA is relatively affordable, although affordability declined from 2016 to 2017 because the median income for rental households rose more slowly than the change in gross rent (Figure 22). The HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, declined from 2008 to 2011 because renter household incomes declined while gross rents rose, albeit slowly. Since 2011, however, median renter household incomes have risen nearly twice as fast as rents and the index has, in turn, also risen.

Figure 22. Chicago MSA Rental Affordability



MSA = metropolitan statistical area.
Notes: Rental affordability data is for the larger Chicago-Naperville-Elgin, IL-IN-WI MSA, which includes 14 counties, and is larger than the HMA definition used in this report.
Source: American Community Survey, 1-year data

Forecast

During the 3-year forecast period, demand is estimated for 18,050 new market-rate rental units in the HMA (Table 15). There are approximately 20,200 new units under construction which will satisfy all expected demand during the next 3 years. Accordingly, no additional large-scale apartment development is recommended to start construction during the forecast.

Table 15. Demand for New Rental Units in the Greater Chicago HMA During the Forecast Period

	Rental Units
Demand	18,050 Units
Under Construction	20,200 Units

Note: The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Rental Market—Central Counties Submarket

Market Conditions: Balanced

Current Conditions and Recent Trends

The rental housing market in the Central Counties submarket is currently balanced. In 2017, approximately 45 percent of all rental units were in structures with four or fewer units, down from 47 percent in 2010 (ACS 1-year data). The overall rental vacancy rate is estimated at 6.7 percent, down from 9.4 percent in 2010 (Table 16). Rental market conditions were soft in 2010 but tightened as economic conditions within the HMA improved and because of stronger demographic trends that lasted until 2012. In addition, there has been a shift to renter occupancy among existing households in the submarket and among new arrivals to the area.

Table 16. Rental Market Quick Facts in the Central Counties Submarket

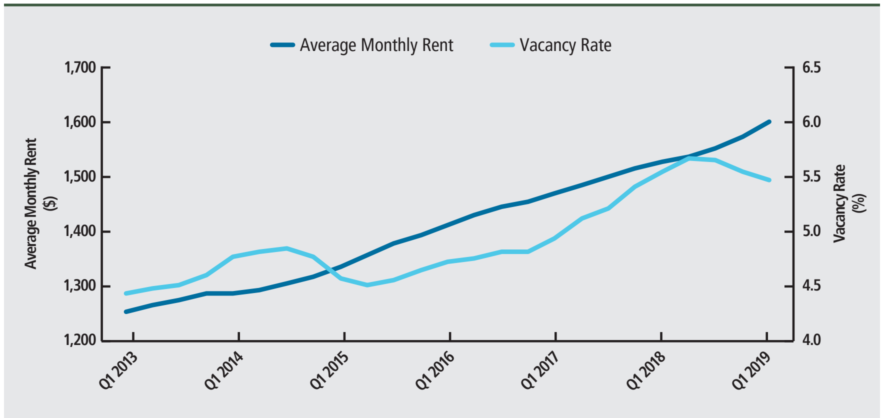
		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	9.4	6.7
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	17	18
	Multifamily (2–4 Units)	30	27
	Multifamily (5+ Units)	53	54
	Other (Including Mobile Homes)	1	1

Note: The current date is April 1, 2019.
Sources: 2010 and 2017 American Community Survey, 1-year data

Conditions in the apartment market are also balanced, unchanged from conditions in 2010. During the first quarter of 2019, the apartment vacancy rate in the submarket was 5.5 percent, down from 5.6 percent a year earlier (RealPage, Inc.; Figure 23). The apartment vacancy rate has ranged from 4.3 to

5.7 percent each quarter since 2010 because of strong demand for apartment units. During the first quarter of 2019, apartment vacancy rates ranged from 3.9 percent in the RealPage, Inc.-defined Central Cook County market area to 8.0 percent in the Naperville market area (DuPage County). During the first quarter of 2019, the average apartment rent in the submarket was $1,629, more than 7 percent higher than the average rent during the first quarter of 2018. Rent was highest in the Streeterville/River North market area at $2,438, and the fastest annual rate of growth was 8.1 percent, to $1,177 in the Will County market area.

Figure 23. Apartment Rents and Vacancy Rates in the Central Counties Submarket

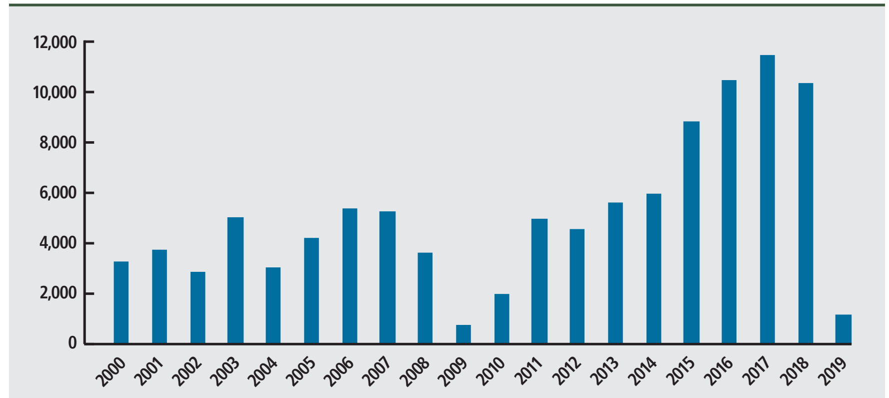


Q1 = first quarter.
Note: Four-quarter running average.
Source: RealPage, Inc.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, has been strong in the submarket since economic conditions began improving in 2010. Before the Great Recession, rental permitting was mostly constant, averaging 4,050 units permitted annually from 2000 through 2008 (Figure 24).

Figure 24. Rental Permitting Activity in the Central Counties Submarket



Notes: Includes apartments and units designed for rental occupancy. Data for 2019 are through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

Units permitted dropped sharply, to 770, during 2009, which was the worst year for job losses in the HMA, before rebounding to 2,000 units permitted during 2010. From 2011 through 2014, rental units permitted averaged 5,300 annually, higher than the level of permitting before the Great Recession, but then surged upward, averaging 10,300 annually from 2015 through 2017. Despite this increase in rental production, the apartment and rental vacancy rates remained mostly stable and the markets remained in balance. Many of these newly permitted units were concentrated in the downtown Chicago neighborhood of The Loop and nearby areas, which have gained population rapidly, in contrast to the rest of the city of Chicago, Cook County, the submarket, and the HMA. During the 12 months ending March 2019, approximately 8,925 rental units were permitted, down 16 percent from 10,650 units permitted a year earlier (preliminary data with adjustments by the analyst).

New Construction

In Romeoville, Will County, Illinois, Highpoint Town Square is an apartment complex included in the larger Highpoint planned unit community, which will include more than 1,500 owner and renter residences when completed. Currently, the overall site is nearly 80 percent built-out. One-bedroom units start at $1,300 and 647 square feet, and two-bedroom townhome units start at $1,725 and 1,263 square feet; the property is scheduled to open in July 2019. In the Near West Side neighborhood of Chicago, 727 West Madison Apartments officially opened in June 2019 but has been leasing units since late 2018. The 45-story tower includes 492 studio, one-, two-, and three-bedroom units. Studio units start at $2,170 per month, and one-, two-, and three-bedroom units start at $2,620, $4,305, and $5,580, respectively. Currently, the building is approximately 70-percent leased.

Forecast

During the 3-year forecast period, demand is estimated for 15,800 new rental units (Table 17). The 17,200 units currently under construction will satisfy demand during the next 3 years.

Table 17. Demand for New Rental Units in the Central Counties Submarket During the Forecast Period

	Rental Units
Demand	15,800 Units
Under Construction	17,200 Units

Note: The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Rental Market—Western Counties Submarket

Market Conditions: Balanced

Current Conditions and Recent Trends

The rental housing market in the Western Counties submarket is currently balanced. In 2017, approximately 62 percent of all rental units were in structures with four or fewer units, up from 52 percent in 2010 (ACS 1-year data). This shift in tenure among single-family homes (detached and attached) and two- to four-unit structures is likely a result from the Great Recession and its impact on REO and foreclosed properties, as former homeowners shifted to rental status. The overall rental vacancy rate is estimated at 5.8 percent, down from 8.3 percent in 2010 (Table 18). Rental market conditions were soft in 2010 but tightened as economic conditions within the HMA improved and because of stronger demographic trends that are still identified today; this is the only submarket that is currently recording population growth and expected to grow during the next 3 years. In addition, there has been a shift to renter occupancy among existing households in the submarket and among new arrivals to the area.

Table 18. Rental Market Quick Facts in the Western Counties Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.3	5.8
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	32	41
	Multifamily (2–4 Units)	20	21
	Multifamily (5+ Units)	47	38
	Other (Including Mobile Homes)	0	0

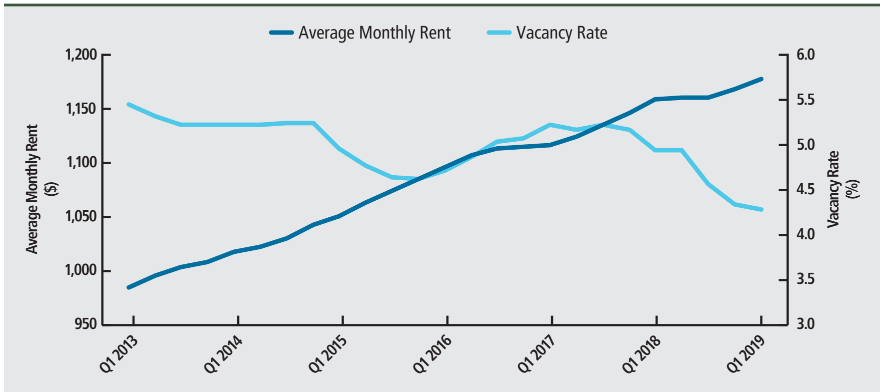
Note: The current date is April 1, 2019.
Sources: 2010 and 2017 American Community Survey, 1-year data

Conditions in the apartment market are balanced, unchanged from conditions in 2010. During the first quarter of 2019, the apartment vacancy rate in the submarket was 4.3 percent, down from 5.0 percent a year earlier (RealPage, Inc.; Figure 25). The apartment vacancy rate has ranged from 4.3 to 5.3 percent each quarter since 2010. During the first quarter of 2019, apartment vacancy rates ranged from 4.4 percent in the RealPage, Inc.-defined Far Northwest Chicago Suburbs market area to 5.2 percent in the Aurora market area (Kane County). During the first quarter of 2019, the average apartment rent in the submarket was $1,191, more than 3 percent higher than the average rent during the first quarter of 2018. Rent was highest in the Aurora market area at $1,328, which also increased 5 percent from a year earlier.

Rental Construction Activity

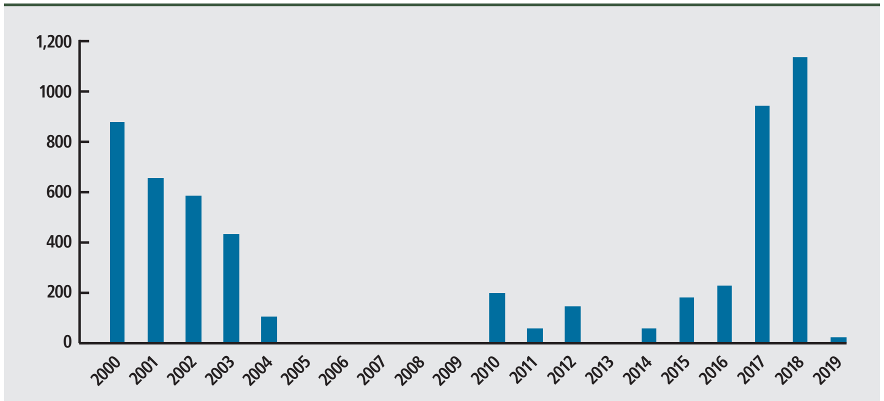
Rental construction activity, as measured by the number of rental units permitted, is highly variable in this submarket. Before the Great Recession, rental permitting declined steadily, from 880 units in 2000 to 110 units in 2004, declines averaging 41 percent annually. There were no rental units permitted in this submarket from 2005 through 2009 (Figure 26). Following the end of the Great Recession and recovery in the submarket, rental permitting picked up modestly, averaging 120 units permitted annually from 2010 through 2016, including 1 year, 2013, with no rental units permitted. Apartment production increased to higher levels during 2017 and 2018, and units permitted averaged annually 1,050 during these 2 years. Significant new apartment construction during these years was in Saint Charles and South Elgin, both in Kane County. During the 12 months ending March 2019, approximately 880 rental units were permitted, down 12 percent from 990 units permitted a year earlier (preliminary data with adjustments by the analyst).

Figure 25. Apartment Rents and Vacancy Rates in the Western Counties Submarket



Q1 = first quarter.
Note: Four-quarter running average.
Source: RealPage, Inc.

Figure 26. Rental Permitting Activity in the Western Counties Submarket



Notes: Includes apartments and units designed for rental occupancy. Data for 2019 are through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

New Construction

In West Dundee, Kane County, Illinois, the Springs at Canterfield opened in early 2018 and includes 260 studio, one-, two-, and three-bedroom units. Current asking rents start at $1,244, $1,403, $1,770, and $2,079 for the studio through three-bedroom units, respectively, and the property is more than three-fourths leased. Silver Glen senior living, in South Elgin, Kane County, Illinois, is a 179-unit senior rental property including independent living, assisted living, and memory care units. The property is scheduled to open in mid-2020, and rents have not yet been announced.

Forecast

During the 3-year forecast period, demand is estimated for 1,300 new rental units (Table 19). The 1,500 units currently under construction will satisfy demand during the next 3 years. As in the Central Counties submarket, demand for new market-rate rental units during the next 3 years will be met by the current development pipeline.

Table 19. Demand for New Rental Units in the Western Counties Submarket During the Forecast Period

Rental Units	
Demand	1,300 Units
Under Construction	1,500 Units

Note: The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Rental Market—Northern Counties Submarket

Market Conditions: Balanced

Current Conditions and Recent Trends

The rental housing market in the Northern Counties submarket is currently balanced. In 2017, approximately 55 percent of all rental units were in structures with four or fewer units, unchanged from estimates in 2010 (ACS 1-year data). The overall rental vacancy rate is estimated at 5.7 percent, down from 8.5 percent in 2010 (Table 20). Rental market conditions were soft in 2010 but tightened as economic conditions within the HMA improved and because of stronger demographic trends. In addition, there has been a shift to renter occupancy among existing households in the submarket and among new arrivals to the area. Since 2014, however, demographic trends have been declining, and population declines are not expected to reverse during the next 3 years in the submarket.

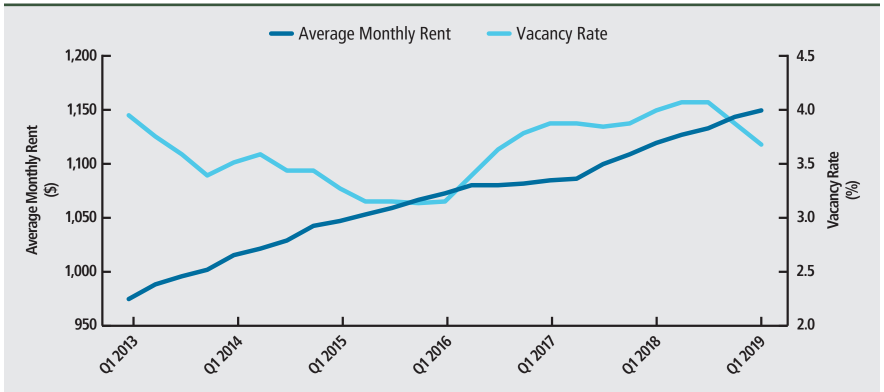
Table 20. Rental Market Quick Facts in the Northern Counties Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	8.5	5.7
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	36	37
	Multifamily (2–4 Units)	19	18
	Multifamily (5+ Units)	44	43
	Other (Including Mobile Homes)	2	1

Note: The current date is April 1, 2019.
Sources: 2010 and 2017 American Community Survey, 1-year data

Conditions in the apartment market are slightly tight, unchanged from conditions in 2010. During the first quarter of 2019, the apartment vacancy rate in the submarket was 3.7 percent, down from 4.0 percent a year earlier (RealPage, Inc.; Figure 27). The apartment vacancy rate has ranged from 2.5 to 4.9 percent each quarter since 2010. The average rent during the first quarter of 2019 was $1,151, approximately 2 percent above the average rent a year earlier.

Figure 27. Apartment Rents and Vacancy Rates in the Northern Counties Submarket

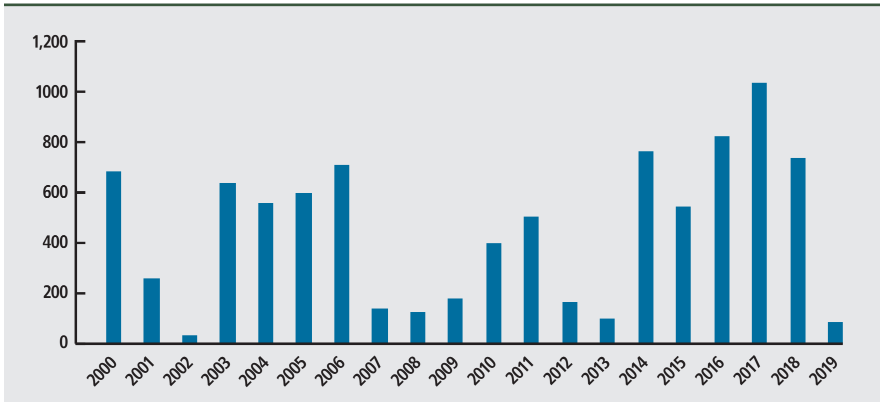


Q1 = first quarter.
Note: Four-quarter running average.
Source: RealPage, Inc.

Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, is also quite variable in this submarket. Before the Great Recession, rental permitting was mostly steady, averaging 480 units permitted annually from 2000 through 2006; during 2001 and 2002, rental permitting was significantly lower, totaling 250 and 30 units, respectively. Eliminating these 2 years, the average increases to 620 units annually. Rental permitting dropped sharply from 2007 through 2009, averaging 140 units permitted annually (Figure 28). During 2010 and 2011, rental permitting rose to 390 and 490 units, increases of 120 percent and 28 percent, respectively. Permitting then declined to 160 units during 2012 and again to 100 units during 2013 before increasing to an average of 690 units annually from 2014 through 2016. A recent high level of 1,000 units was permitted during 2017. During the 12 months ending March 2019, approximately 620 rental units were permitted, down 21 percent from 780 units permitted a year earlier (preliminary data with adjustments by the analyst).

Figure 28. Rental Permitting Activity in the Northern Counties Submarket



Notes: Includes apartments and units designed for rental occupancy. Data for 2019 are through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

New Construction

Breeze Terrace Apartments is currently under construction in Pleasant Prairie, Kenosha County, Wisconsin and is scheduled to be completed in the summer of 2019. It will include 213 one- and two-bedroom units with rents starting at $1,395 and $1,900, respectively. Somerset by the Lake apartments, in Lake Zurich, Lake County, Illinois, is a 48-unit apartment property, scheduled for completion in July 2019. One- and two-bedroom units are offered starting at

$1,472 and $1,781, respectively, and the property is currently offering one-month free rent with a 15-month lease.

Forecast

During the 3-year forecast period, demand is estimated for 950 new rental units (Table 21). The 1,500 units currently under construction will satisfy demand during the next 3 years.

Table 21. Demand for New Rental Units in the Northern Counties Submarket During the Forecast Period

	Rental Units
Demand	950 Units
Under Construction	1,500 Units

Note: The forecast period is April 1, 2019, to April 1, 2022.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

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.
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 analyst, 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.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
Home Sales/ Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.

Forecast Period	4/1/2019–4/1/2022—Estimates by the analyst
Midwest Region	HUD divides the nation into 10 regions; the Midwest region includes Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

B. Notes on Geography

1.	Metropolitan divisions are primarily based on employment commuting patterns of resident workers in each county. The metropolitan division definitions noted in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.
4.	The Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area includes 14 counties in three states: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will Counties in Illinois; Jasper, Lake, Newton, and Porter Counties in Indiana; and Kenosha County in Wisconsin.
5.	The Chicago-Naperville-Arlington Heights, IL Metropolitan Division includes six counties, all in Illinois: Cook, DuPage, Grundy, Kendall, McHenry, and Will.
6.	The Elgin, IL Metropolitan Division includes two counties, both in Illinois: DeKalb and Kane.

7.	The Lake County-Kenosha County, IL-WI Metropolitan Division includes Lake County in Illinois and Kenosha County in Wisconsin.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.
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