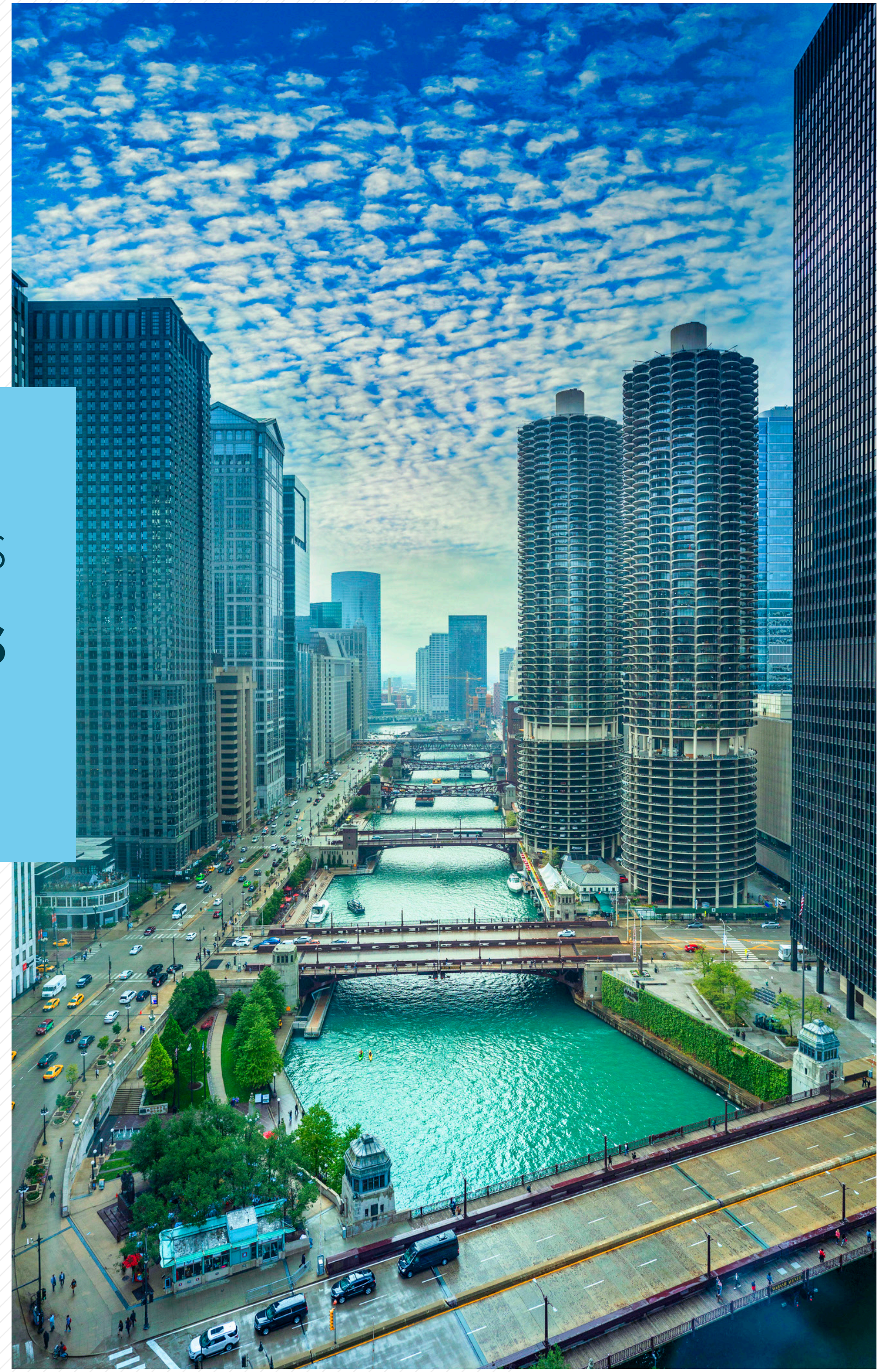
The analysis presented in this report includes data from the early stages of the COVID-19 outbreak in the United States. The unprecedentedly large and rapid changes in many data series, and the similarly unprecedentedly large policy responses, make analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Downtown Chicago, Illinois



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

As of July 1, 2020

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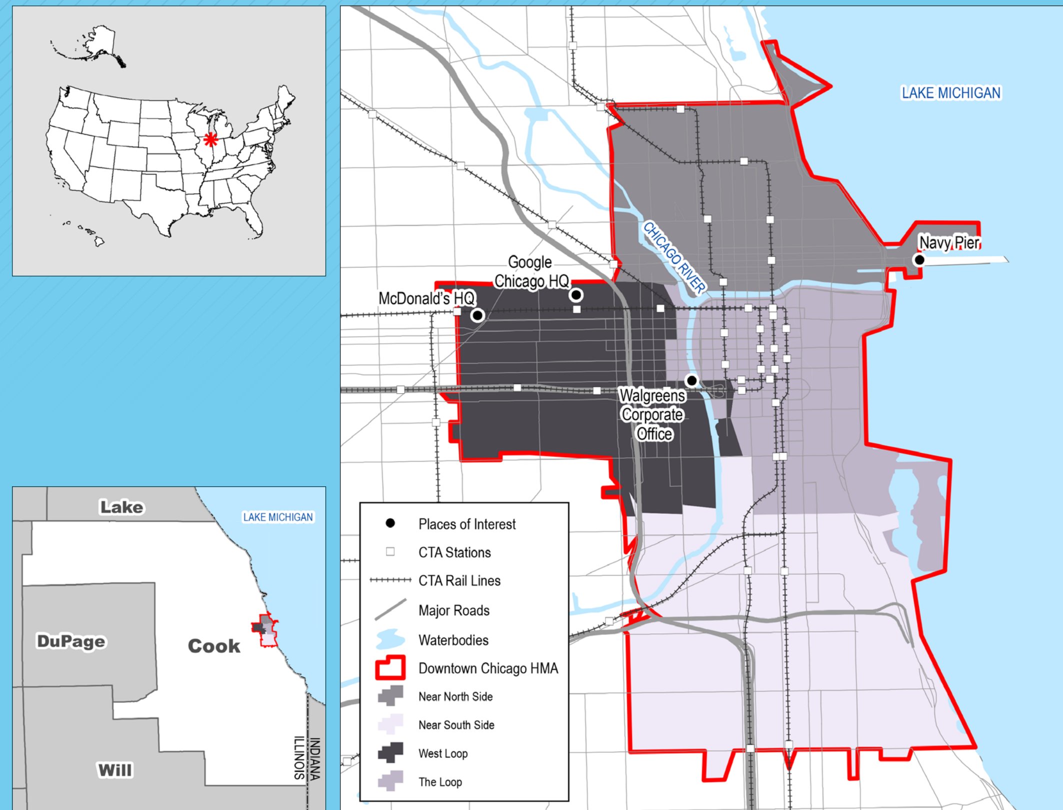

Executive Summary

Housing Market Area Description

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

The population of the Downtown Chicago HMA is currently estimated at 250,000.

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

Weak: The unemployment rate in Cook County nearly doubled from a year earlier to 7.1 percent during the 12 months ending June 2020.

Economic conditions weakened in the county during the past year after a prolonged period of job growth during the 2010s. During the 12 months ending June 2020, nonfarm payrolls declined by 62,200 jobs, or 2.2 percent, from a year earlier, to an average of 2.71 million. Job losses were largely associated with the countermeasures to slow the spread of COVID-19. Nonfarm payrolls declined in 8 of the 10 payroll sectors during the period, with the leisure and hospitality sector accounting for more than 50 percent of net job loss in the county. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 0.8 percent annually, but total nonfarm payrolls are expected to remain below the 2019 high.

Sales Market

Slightly Soft: During June 2020, the HMA had 7.2 months of available-for-sale inventory, up from 6.1 months a year earlier (CoreLogic, Inc.).

The sales vacancy rate in the HMA is estimated at 3.3 percent as of July 1, 2020, down from 8.2 percent during April 2010, when the market was very soft. During the 12 months ending June 2020, approximately 7,100 new and existing homes sold, down nearly 18 percent from the previous 12 months, while the average home sales price increased 1 percent to $346,500 (Zonda). Demand is estimated for 1,375 new homes during the forecast period. The 1,400 homes currently under construction are expected to meet all of that demand.

Rental Market

Slightly Soft: The average monthly rent for apartment units in the Downtown Chicago HMA decreased less than 1 percent from a year earlier to $2,665 during the second quarter of 2020 (Reis, Inc.).

Rental housing market conditions in the HMA are currently slightly soft partly because the addition of many units outpaced absorption and led to increased vacancy rates during the past year. The overall rental vacancy rate is estimated at 7.5 percent, down from 11.2 percent in April 2010. The apartment market in the HMA is also slightly soft, with a 7.5-percent vacancy rate during the second quarter of 2020, up from 6.9 percent during the second quarter of 2019 (Reis, Inc.). During the 3-year forecast period, demand is estimated for 9,875 units; the 4,350 units currently under construction will satisfy a portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units		Rental Units	
	Cook County	Downtown Chicago HMA	Cook County	Downtown Chicago HMA
Total Demand	5,850	1,375	20,975	9,875
Under Construction	1,880	1,400	8,750	4,350

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2020. The forecast period is July 1, 2020, to July 1, 2023.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Professional and Business Services

> The professional and business services sector accounts for nearly 19 percent of all nonfarm payroll jobs in Cook County.

Primary Local Economic Factors

Due in part to access to major waterways, which link the Great Lakes to the Mississippi River, Cook County developed into a transportation hub for water transit in the 1600s before transforming into the largest railroad hub in the nation during the late 19th century. The area became a wholesale and retail trade center, producing some of the largest retailers in the nation—Sears, Roebuck and Company; Marshall Field & Company; and Montgomery Ward Inc. During the 20th century, Cook County developed into a major manufacturing center, producing farm equipment, food, railroad cars, and steel. Today, the county is a center for business, higher education, and healthcare, but trade and manufacturing continue to significantly impact the local economy.

Current Conditions—Nonfarm Payrolls—12 Months Ending June 2020

During the 12 months ending June 2020, economic conditions weakened largely because of the impact of the COVID-19 pandemic. Job losses that occurred during March through May of 2020 were so severe that they offset job gains that occurred during the other 9 months of the period. During the 12 months ending June 2020, nonfarm payrolls declined by 62,200 jobs, or 2.2 percent, to 2.71 million (Table 1), compared with a 1.1-percent growth rate during the 12 months ending June 2019. Jobs declined in 8 of the 10 payroll sectors in the county, including the largest sectors. The leisure and hospitality sector was among the hardest hit when nonessential businesses temporarily closed due to COVID-19, with sector losses accounting for approximately 50 percent of total nonfarm payroll losses. The professional and business services sector, the largest sector in the county with 19 percent of total nonfarm payrolls (Figure 1), lost 4,600 jobs, or 0.9 percent. Jobs declined in the sector even though in February 2020, Walgreens Boots Alliance, Inc., the holding company for Walgreens drug stores and one of the largest employers in Cook County (Table 2), moved approximately 1,300 employees from nearby Lake County to the Downtown Chicago HMA.

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in Cook County, by Sector

	12 Months Ending June 2019	12 Months Ending June 2020	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**2,769.6**	**2,707.4**	**-62.2**	**-2.2**
Goods-Producing Sectors	269.9	261.6	-8.3	-3.1
Mining, Logging, & Construction	79.2	75.5	-3.7	-4.7
Manufacturing	190.7	186.1	-4.6	-2.4
Service-Providing Sectors	2,499.7	2,445.9	-53.8	-2.2
Trade, Transportation, & Utilities	509.6	498.4	-11.2	-2.2
Information	57.1	57.5	0.4	0.7
Financial Activities	220.9	224.3	3.4	1.5
Professional & Business Services	516.0	511.4	-4.6	-0.9
Education & Health Services	467.1	463.9	-3.2	-0.7
Leisure & Hospitality	294.3	261.7	-32.6	-11.1
Other Services	119.0	113.3	-5.7	-4.8
Government	315.9	315.4	-0.5	-0.2

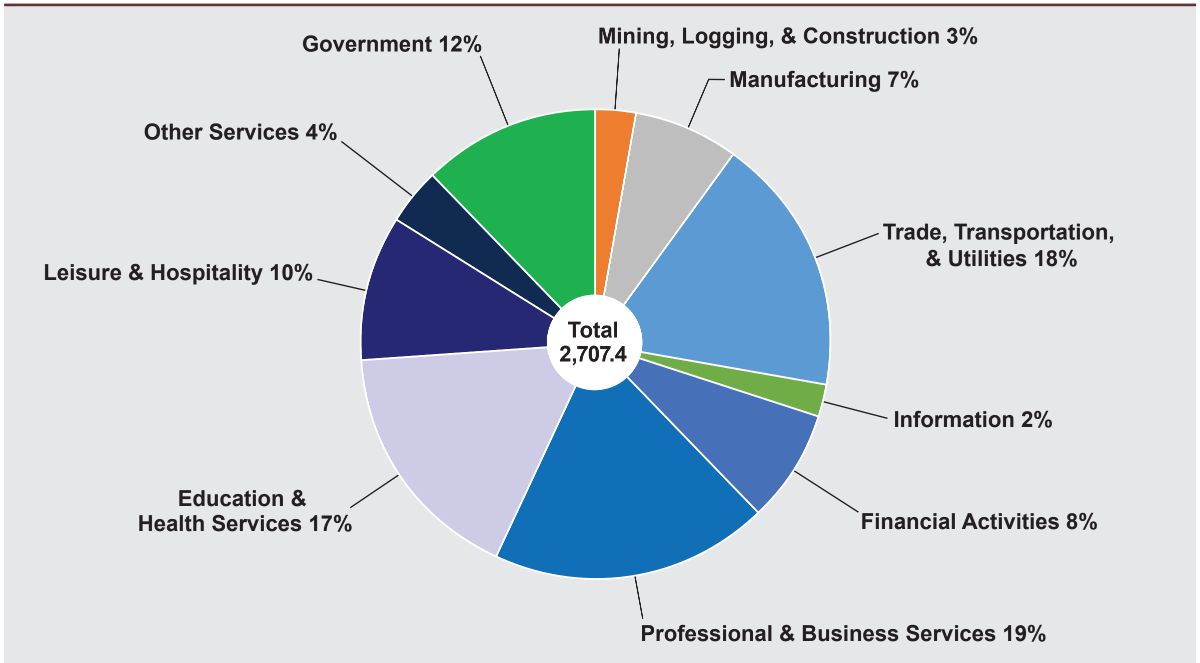
Notes: Based on 12-month averages through June 2019 and June 2020. Numbers may not add to totals due to rounding. Data are in thousands.
Source: Economic and Information Analysis, Illinois Department of Employment Security

The Economic Effects of COVID-19: March through June 2020

The World Health Organization declared COVID-19 a pandemic on March 11, 2020, and the Illinois State government issued a statewide executive order on March 21 to slow the spread of COVID-19. The order, which required residents to remain in their homes unless they were conducting essential activities, caused nonessential businesses to temporarily close; as a result, economic activity declined dramatically in the county.

During March through May 2020, nonfarm payrolls in Cook County fell by a total of 317,300 jobs, or 11.5 percent. Job losses occurred in every nonfarm payroll sector in the county during the 3-month period. Jobs in the leisure and hospitality sector declined by 127,100 jobs, or 44.9 percent, to 156,000 jobs—the lowest total since before 2000. Nearly all the jobs lost in this sector involve in-person interactions, which were difficult to maintain during the stay-at-home order. During the 3-month period, payrolls contracted by a combined 128,100 jobs, or 9 percent, in the education and health services, the trade, transportation, and utilities, and the professional and business services sectors, the three largest sectors in the county. The education and health services sector, which accounted for 40 percent of that loss, contracted mostly because hospitals were temporarily unable to provide

Figure 1. Share of Nonfarm Payroll Jobs in Cook County, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through June 2020.
Source: Economic and Information Analysis, Illinois Department of Employment Security

Table 2. Major Employers in Cook County

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Advocate Aurora Health	Education & Health Services	25,917
Northwestern Memorial HealthCare	Education & Health Services	21,264
AMITA Health	Education & Health Services	20,046
University of Chicago	Education & Health Services	18,276
Amazon.com, Inc.	Trade, Transportation, & Utilities	14,610
United Airlines Holdings, Inc.	Trade, Transportation, & Utilities	14,520
JPMorgan Chase & Co.	Financial Activities	13,742
Walgreens Boots Alliance, Inc.	Professional & Business Services	12,200
Walmart Inc.	Trade, Transportation, & Utilities	11,549
Jewel-Osco	Trade, Transportation, & Utilities	10,410

Note: Excludes local school districts.
Source: 2019 Cook County Comprehensive Annual Financial Report

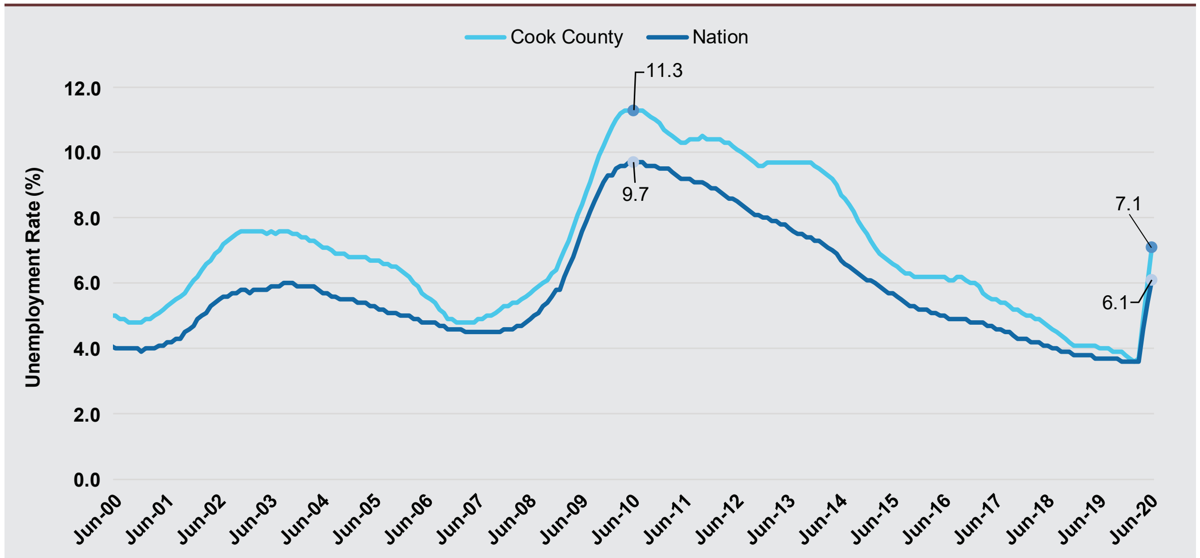
elective services, leading to furloughs among healthcare providers. In addition, because colleges and universities moved to remote learning or closed during the 2020 Spring semester to reduce COVID-19 outbreaks, some workers were laid off or furloughed as campuses cut costs. Job losses in the trade, transportation, and utilities sector were partly because of losses in retail sales. In April 2020, preliminary estimates showed that Cook County sales tax revenue declined by $6.33 million, or 38.4 percent, from April 2019 in the apparel, furniture, and automotive industries. Jobs in the professional and business services sector were supported by industries such as legal services, accounting, or business management, which more readily adapted to a telework model. Nevertheless, because many businesses could convert to remote working, demand decreased for office services such as building support and janitorial staff, contributing to overall declines in the sector.

The executive order was relaxed in late May, and nonessential businesses were allowed to reopen if they adhered to social distancing and sanitation requirements, but the economic impact remained evident: only a fraction of the substantial job losses that occurred from March through May were recovered in June. During June, a total of 65,200 jobs, or 20.6 percent of the jobs lost during March through May 2020, were recovered. During the month, 8 of the 10 nonfarm payroll sectors added jobs, with the leisure and hospitality sector adding the most, up by 25,750 jobs, or 16.5 percent. The three largest sectors increased by a combined 24,400 jobs, or 1.8 percent.

Unemployment Trends

As a result of the job losses during the past year, the unemployment rate increased significantly. The unemployment rate in Cook County increased from 4.0 percent during the 12 months ending June 2019 to 7.1 percent during the 12 months ending June 2020 (Figure 2). The rate was below the recent peak of 11.3 percent during the 12 months ending June 2010, when the local economy was weak from the Great Recession. Similar to the trends in nonfarm payrolls, the increase in the unemployment rate occurred from April through June of 2020, when the rate averaged 17.3 percent. Nationally, the unemployment rate was 6.1 percent during the 12 months ending June 2020, up from 3.7 percent a year earlier and down from the peak of 9.7 percent during the 12 months ending June 2010.

Figure 2. 12-Month Average Unemployment Rate in Cook County and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

Overview

From 2002 through 2019, the economy in Cook County generally followed national economic trends. However, periods of job growth in the county were less pronounced than for the nation, and job loss periods were more severe. During the period, the concentration of service-providing jobs grew from 84 to 90 percent partly because the education and health services sector added the most jobs. The manufacturing sector lost the most jobs.

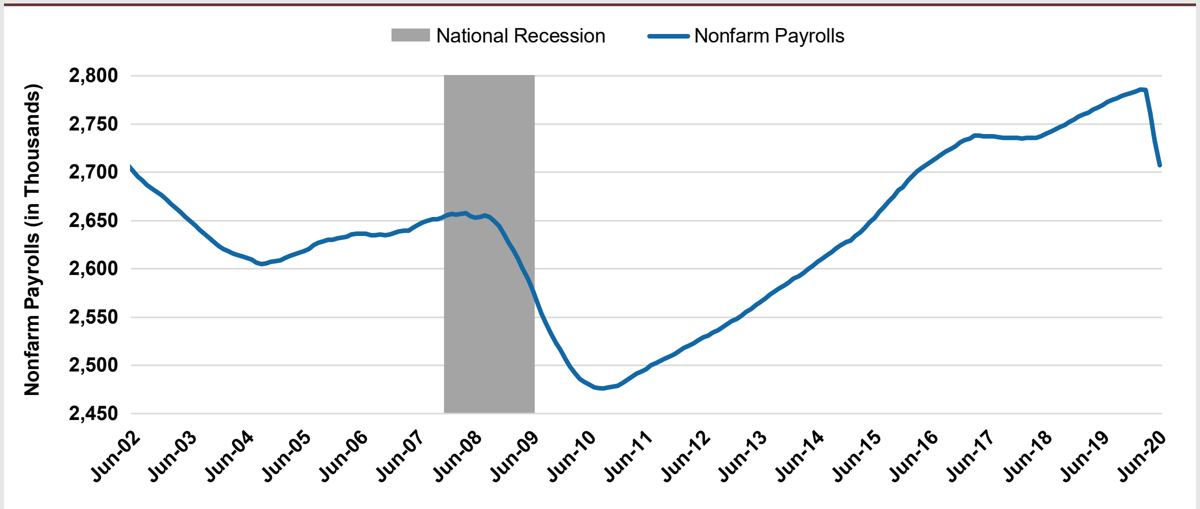
Contraction and Expansion: 2001 to 2007

In 2001, during the national economic recession that resulted from the bursting of the dot-com bubble, nonfarm payrolls in Cook County totaled 2.74 million, but declined by an average of 45,400 jobs, or 1.7 percent, annually, from 2002 through 2004. By comparison, jobs declined less than an average 1.0 percent annually in the nation during the same 3-year period. From 2002 through 2004, 7 of the 10 sectors in the county lost jobs, including the manufacturing sector—which declined the most, down by an average of 18,800 jobs, or 6.3 percent, annually. Simultaneously, the education and health services sector increased by an average of 4,700 jobs, or 1.4 percent, annually. During the subsequent 3 years, an average of 15,900 jobs, or 0.6 percent, were added annually, to reach approximately 2.66 million jobs in 2007 (Figure 3). By comparison, jobs in the nation grew an average of 1.5 percent annually during the same period. The professional and business services, the leisure and hospitality, and the education and health services sectors, which increased by averages of 11,100, 5,300, and 4,800 jobs annually, or 2.6, 2.4, and 1.3 percent, respectively, led job growth in Cook County. The manufacturing sector continued to lose jobs from 2005 through 2007, with an average decline of 5,700 jobs, or 2.2 percent, annually. Layoffs in the sector were widespread, with food manufacturing jobs declining significantly, including 300 jobs lost at Royal Crown Bottling Company during 2005 and 150 layoffs at the American Licorice Company during 2006.

The Effects of the Great Recession: 2008 through 2010

As a result of the Great Recession, jobs in Cook County declined by an average of 58,800, or 2.3 percent, a year, from 2008 through 2010, compared with a national job decline of 1.9 percent annually. During

Figure 3. 12-Month Average Nonfarm Payrolls in Cook County



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics, Economic and Information Analysis, Illinois Department of Employment Security; National Bureau of Economic Research

the 3-year period, job losses were widespread in the county, but the trade, transportation, and utilities sector led declines with an average loss of 19,100 jobs, or 3.9 percent, annually. The manufacturing sector followed with an average loss of 16,800 jobs, or 7.4 percent, annually. From 2008 through 2010, the education and health services sector was one of only three sectors to add jobs, increasing by an average of 11,200, or 2.9 percent, annually.

Economic Recovery: 2011 through 2019

Following the economic downturn caused by the Great Recession, the economy of Cook County began expanding in 2011, but job growth started decelerating in 2017; however, nonfarm payrolls surpassed the 2001 peak in 2018. From 2011 through 2016, nonfarm payrolls rose by an average of 42,000 jobs, or 1.6 percent, annually, and slowed to an average of 16,900 jobs, or 0.6 percent, a year from 2017 through 2019, to 2.78 million jobs. From 2011 through 2019, job growth in the county was slower than the 1.6-percent annual growth rate for the nation. Within the county, 7 of the 10 sectors added jobs during the 9-year period. The fastest growing sector was the leisure and hospitality sector, which expanded an average of 3.0 percent, or 7,700 jobs, annually. Significant growth in this sector occurred partly because the city of Chicago received 57.6 million domestic and international visitors during 2018, a new record, up 4 percent from a year earlier (Office of the Chicago Mayor; choosechicago.com). From 2011 through 2019, nearly 40 new hotels with approximately 9,625 rooms opened throughout the Downtown Chicago HMA. From 2011 through 2019, the professional and business services and the education and health services sectors added 9,675 and 7,225 jobs, or 2.1 and 1.7 percent, annually. In June 2018, McDonald's Corporation moved its global headquarters from DuPage County to the West Loop, bringing approximately 2,000 employees to the facility and increasing jobs in the professional and business services sector. The new McDonald's facility is approximately two blocks south of the Chicago headquarters for Alphabet Inc. (parent company of Google LLC), which opened in 2015, adding 600 employees. Since 2015, Google LLC has expanded in the HMA by opening a second office and doubling its workforce to 1,200. In the education and health services sector, job growth was partly because the Ann & Robert H. Lurie Children's Hospital of Chicago expanded from 288 to 360 beds in 2018.

Forecast Period

During the 3-year forecast period, nonfarm payrolls are expected to increase by an average of 0.8 percent annually, but total nonfarm payrolls are expected to remain below the 2019 high. Weak economic conditions are expected in the early part of the forecast period as individuals and local governments continue to take actions to limit the spread of COVID-19. The majority of job gains are expected to occur in the later years of the forecast period partly because tourism is not likely to rebound until the probability of contracting COVID-19 is reduced significantly. Seven hotel properties with a combined 1,925 rooms are scheduled to open during the forecast period, including the 222-room Sable at Navy Pier Chicago. Additional hotel development is underway elsewhere in Cook County but outside of the HMA. In 2022, the $450 million Rush University Medical Center, Cancer and Neurosciences Center is expected to open in the West Loop in the HMA and contribute to job growth in the education and health services sector. This new facility is adjacent to its main hospital, which was completed in 2012.

Population and Households

Current Population: 250,000

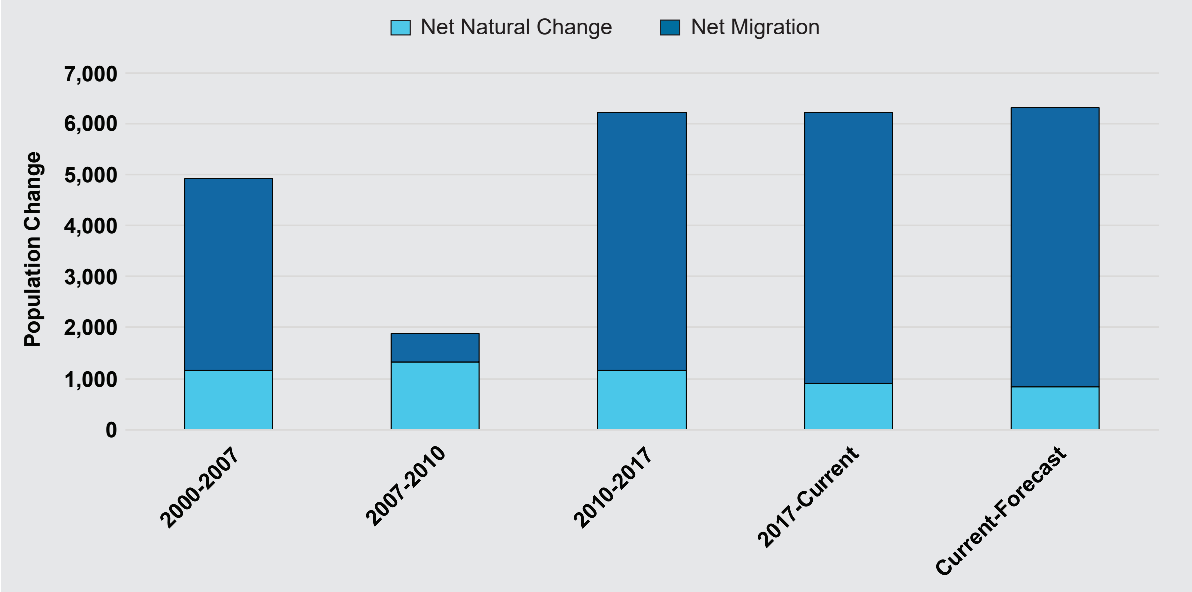
Since 2000, net in-migration has accounted for a growing proportion of population growth in the HMA, except for 2007 to 2010, which included the Great Recession.

Population Trends

The population of the Downtown Chicago HMA is estimated at 250,000 as of July 1, 2020. The HMA accounts for nearly 5 percent of the population in Cook County, which has a current population of nearly 5.12 million. Net in-migration has accounted for more than three-quarters of the population growth in the Downtown Chicago HMA since 2010, despite overall net out-migration from Cook County.

Since 2000, population growth in the Downtown Chicago HMA partly resulted from net in-migration from people moving closer to employment centers, even when jobs in the larger geography of Cook County were declining. From 2000 to 2007, when there was a net decline in jobs in Cook County, the population of the HMA increased by an average of 4,925, or 3.1 percent, annually (U.S. Census Bureau population estimates, as of July 1, with estimates by the analyst). During the period, net in-migration averaged 3,750 people annually and accounted for 76 percent of population growth (Figure 4). Population growth was relatively subdued because of limited net in-migration from 2007 to 2010, a period that included the Great Recession. During the period, the population of the HMA increased by an average of 1,875, or 1.0 percent, a year. Approximately 29 percent of population growth was attributed to net in-migration and the remainder to net natural increase, which averaged 1,325 people a year. Coinciding with the period of fastest job growth since 2001, population growth increased to an average of 6,250, or 3.0 percent, annually, from 2010 to 2017. During the period, net in-migration rose by an average of 5,075 people annually, accounting for 81 percent of population growth. Higher net in-migration to the HMA partly resulted from people moving closer to employment centers, including the West Loop, where corporations began moving offices from outside of Cook County. Shorter commutes and access to the public transit system were also reasons for stronger net in-migration. Both Google LLC and McDonald's Corporation indicated that interest in attracting top talent to a dynamic urban center influenced their moves (Google press release, 2015; McDonald's press release, 2017). Net natural increase fell, however, to an average of 1,175 people annually, from 2010 to 2017. Despite the slowdown and subsequent decline in job growth since 2017, net

Figure 4. Components of Population Change in the Downtown Chicago HMA, 2000 Through the Forecast



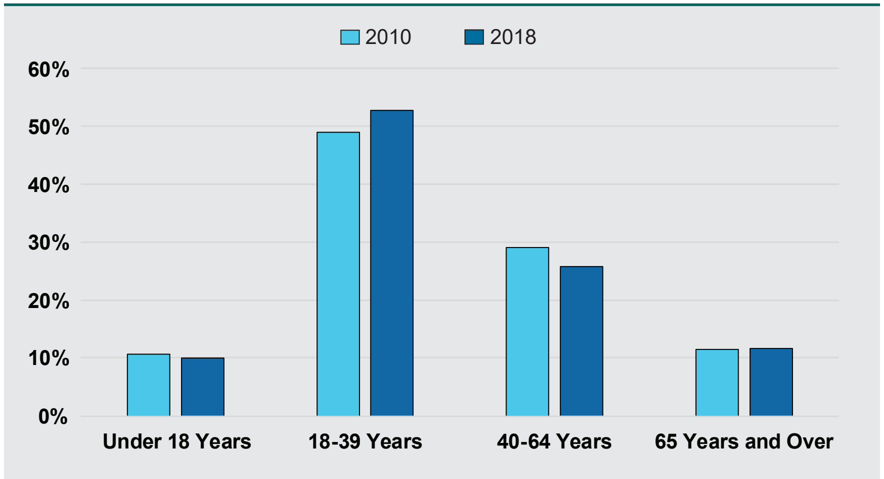
Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (July 1, 2020) to July 1, 2023.
Sources: U.S. Census Bureau and estimates by the analyst; current to forecast—estimates by the analyst

in-migration increased to an average of 5,300 people annually, accounting for 85 percent of population growth. Simultaneously, however, population growth slowed slightly to an average of 6,225, or 2.6 percent, annually, because net natural increase fell to an average of 920 people annually.

Age Cohort Trends

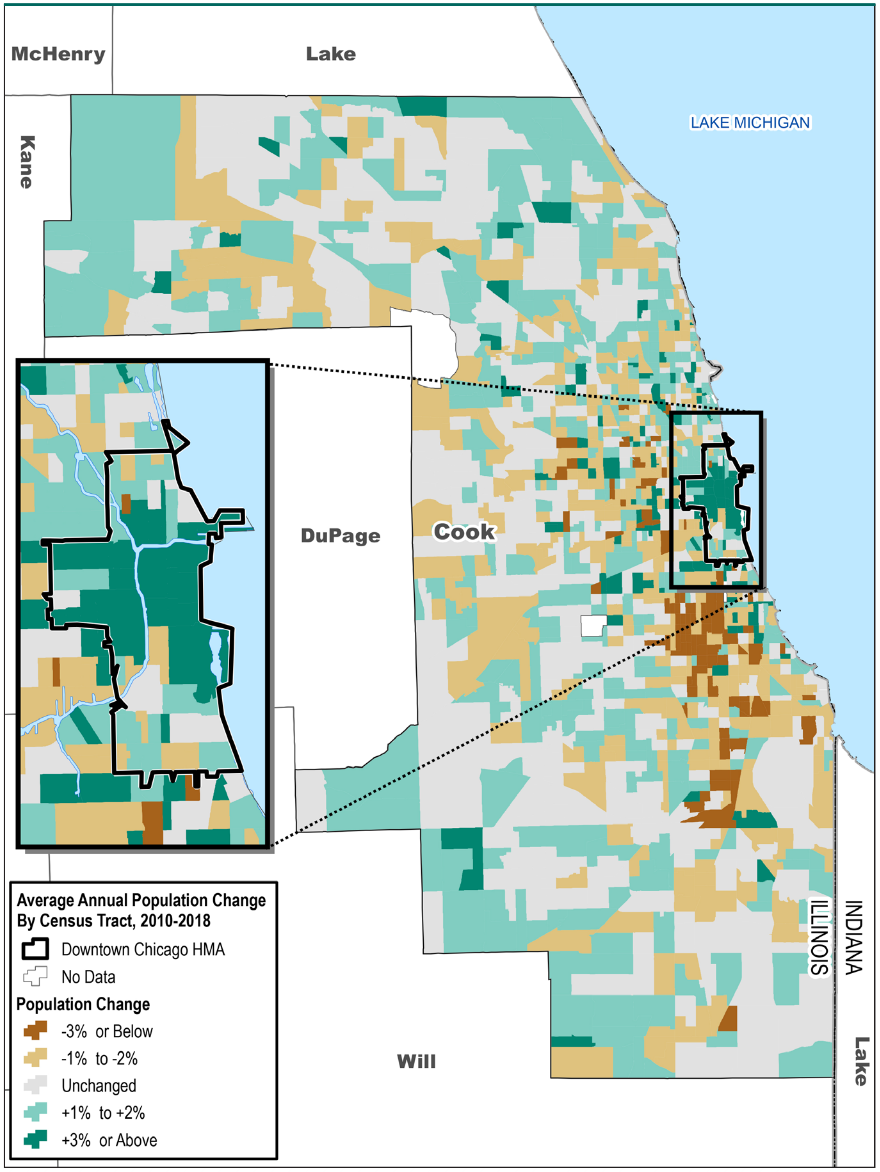
The HMA is an increasingly preferred place to live among young adults, especially students and early career professionals, ages 18 to 39. During the 2014-to-2018 period, the population aged 18 to 39 years accounted for 53 percent of the population, up from 49 percent during the 2006-to-2010 period (American Community Survey [ACS] 5-year estimates; Figure 5). The increased proportion among the age cohort likely reflects the popularity of urban living boosted by economic opportunities and the presence of students enrolled at local colleges and universities in the HMA. As a result, census tracts fully within, or partially overlapping, the boundaries of the HMA were among the fastest growing areas in Cook County (2006–2010 and 2014–2018 ACS 5-year data; Map 1). During the same period, the portion

Figure 5. Population by Age Range in the Downtown Chicago HMA



Sources: 2006–2010 and 2014–2018 American Community Surveys, 5-year data

Map 1. Average Annual Population Change by Census Tract in the Downtown Chicago HMA, 2010–2018



Sources: 2006-2010 and 2014-2018 American Community Survey, 5-year data of the population aged 18 years and younger decreased from 11 percent of the population to 10 percent. The cohort aged 40 to 64 years decreased from 29 percent of the population to 26 percent during the same period. The retirement age portion of the population, generally defined as residents aged 65 and older, increased from 11 percent to 12 percent of the population. The slowing of net natural increase in the HMA is tied, in part, to an increasing portion of people at or above retirement age.

Household Trends

Household growth exceeded population growth in the HMA since 2000 (Table 3) partly because of a higher proportion of young professionals, students, and retirees, which have smaller household sizes than family households. The number of households in the HMA is currently estimated at 143,900, an average annual increase of 3,725, or 3.1 percent, from 105,556 households in 2010. The HMA accounts for 7 percent of households in Cook County, where approximately 2.05 million households currently reside. By comparison, household growth in the HMA averaged 3.2 percent annually from 2000 to 2010.

Households by Tenure

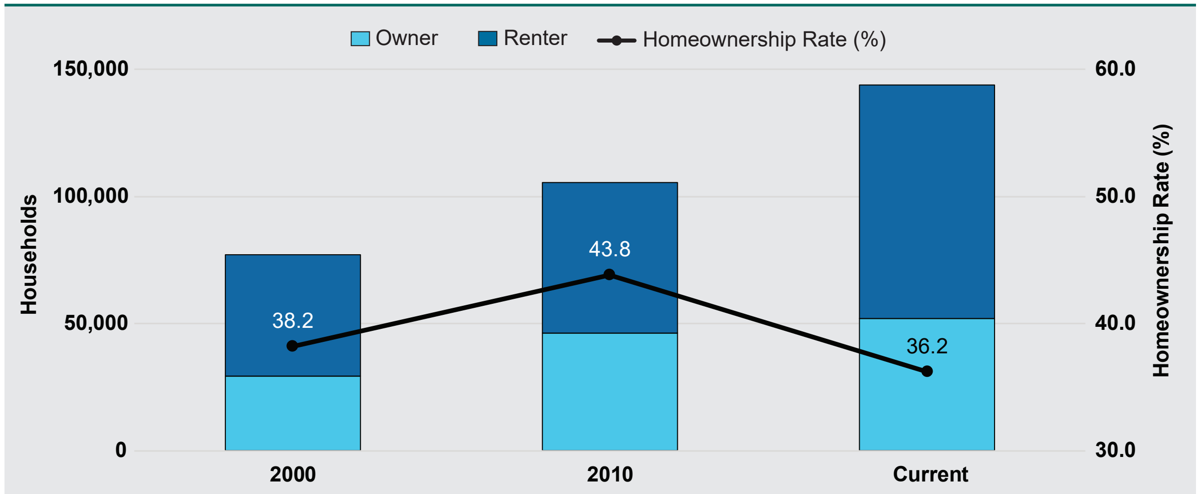
Renter household growth exceeded owner household growth in the Downtown Chicago HMA during the 2010s partly because of tightened mortgage lending requirements since the housing crisis in the late 2000s. Since 2010, the number of renter households in the HMA is estimated to have risen by an average of 4.4 percent annually, compared to an average rate of 1.2 percent annually for owner households. As a result, the homeownership rate in the HMA is currently estimated at 36.2 percent, down from 43.8 percent in 2010 (Figure 6). By comparison, the homeownership rate in Cook County is estimated at 55.6 percent, down from 58.2 percent in 2010. Homeownership is notably less common in

Table 3. Downtown Chicago HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	186,038	250,000	268,900
	Average Annual Change	4,100	6,250	6,300
	Percentage Change	2.5	2.9	2.5
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	105,556	143,900	155,100
	Average Annual Change	2,825	3,725	3,750
	Percentage Change	3.2	3.1	2.5

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 (July 1, 2020) to July 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census and estimates by the analyst; current and forecast—estimates by the analyst

Figure 6. Households by Tenure and Homeownership Rate in the Downtown Chicago HMA



Note: The current date is July 1, 2020.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

the HMA than in Cook County. Like most dense urban areas, homeownership costs are relatively higher than locations further out from the urban core.

Population and Household Growth Forecast

During the next 3 years, population growth in the HMA is expected to slow from growth since 2017 to an average of 2.5 percent, or 6,300, annually. Weak economic conditions are expected to limit population gains during the first year of the forecast period. However, net in-migration is expected to accelerate population growth during the second and third years as the economic recovery in the HMA continues. Net in-migration is expected to account for approximately 85 percent of population growth.

During the 3-year forecast period, household growth in the HMA is expected to be stable, averaging 3,750 households, or 2.5 percent, annually. The HMA is expected to make up 89 percent of household growth in Cook County because of continued net in-migration.

Home Sales Market

Market Conditions: Slightly Soft

The Downtown Chicago HMA sales housing market has softened with the onset of the COVID-19 pandemic in early 2020 and a continued propensity by households to rent.

Current Conditions

The home sales market in the Downtown Chicago HMA is currently slightly soft, with an estimated 3.3-percent vacancy rate, down from 8.2 percent in April 2010 when the market was very soft (Table 4). The sales market tightened through 2018 because of increased net in-migration and limited construction of new sales units. In 2019, the sales market started to soften as rental demand continued to grow, and the market softened further in early 2020 because of the COVID-19 pandemic. Since the start of the pandemic, a lower proportion of home purchases have occurred in the urban core. During the 12 months ending June 2020, the share of total homes sold in the HMA declined 2 percentage points from a year earlier, whereas the proportion of home sales in the remainder of Cook County increased by the same amount (Zonda). During June 2020, the HMA had 7.2 months of available-for-sale inventory, up from 6.1 months a year earlier but down from the 12.5-month peak in June 2010 (CoreLogic, Inc.). The supply of available-for-sale inventory in the HMA is higher than the 3.5-month supply of available-for-sale inventory for Cook County. New home construction in the Downtown Chicago HMA is extremely limited because it is almost completely built out. New home construction primarily occurs because of redevelopment and infill, particularly medium- to high-rise condominium buildings.

Table 4. Home Sales Quick Facts in the Downtown Chicago HMA

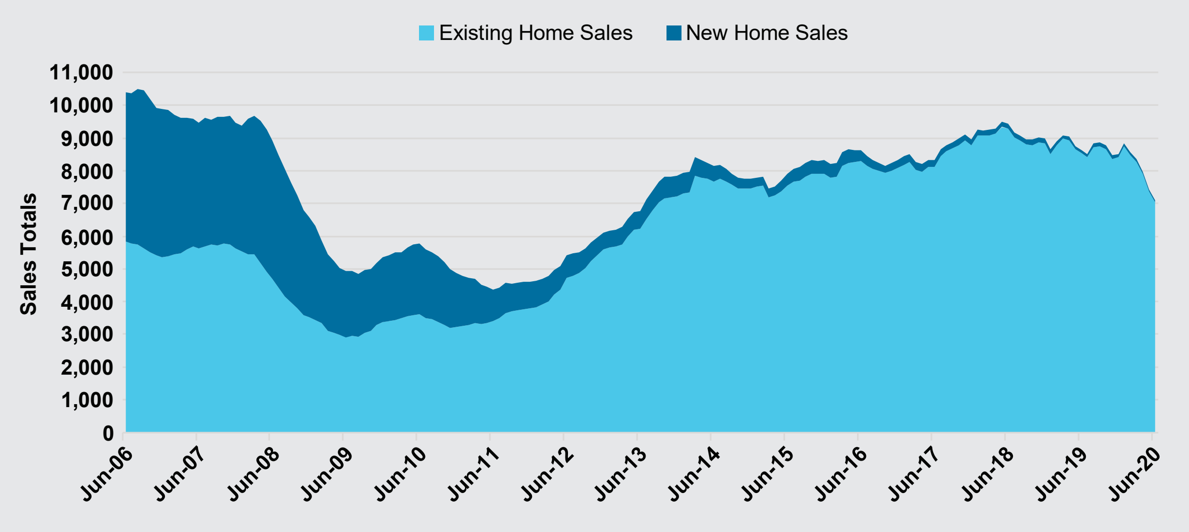
Home Sales Quick Facts		Downtown Chicago HMA	Nation
	Vacancy Rate	3.3%	NA
	Months of Inventory	7.2	2.5
	Total Home Sales	7,100	5,394,000
	1-Year Change	-18%	-5%
	New Home Sales Average Price	$2,005,000	$409,800
	1-Year Change	-12%	-1%
	Existing Home Sales Average Price	$332,900	$317,700
	1-Year Change	4%	4%
	Mortgage Delinquency Rate	2.4%	3.6%

NA = data not available.
Notes: The vacancy rate is as of the current date (July 1, 2020); home sales and prices are for the 12 months ending June 2020; and months of inventory and mortgage delinquency data are as of June 2020.
Sources: CoreLogic, Inc.; Zonda

Home Sales Trends

After increasing each year from 2012 through 2018, home sales decreased during the most recent 24 months. During the 12 months ending June 2020, home sales in the HMA declined by 1,525, or 18 percent, to 7,100, from the 8,625 homes sold during the 12 months ending June 2019, partly because of the impact of the pandemic on demand in the HMA (Zonda). Condominiums comprised the majority of home sales in the HMA, averaging 96 percent of all home sales during the 12 months ending June 2020, a proportion that has been relatively unchanged since 2005. By comparison, 43 percent of total home sales in Cook County, including the Downtown Chicago HMA, were condominium sales during the 12 months ending June 2020; that proportion is slightly higher than the 39 percent proportion during 2005. Nearly 49 percent of condominiums sold in the HMA since 2005 are located within the Near North Side, 25 percent are in the Loop, and 19 and 8 percent in the West Loop and Near South Side, respectively. Of the single-family homes and townhomes sold in the HMA since 2005, nearly 35 percent are located in the Near South Side, 29 percent are in the Near North Side, 22 percent in the West Loop, and 14 percent in the Loop. Home sales in the HMA peaked at 10,650 during 2005 because of the ease of acquiring home loans, including those for more expensive, newly built homes. Home sales declined an average of 1,000 homes, or 13 percent, annually to a low of 4,600 during 2011, in response to tighter mortgage lending standards, the local economic downturn, and the influx of young adults and students who moved to the HMA and who often have a lower propensity to own. Beginning in 2012, when economic conditions were generally strong, home sales increased an average of 630 homes, or 10 percent, annually, to reach 9,000 in 2018. New homes accounted for an average of 44 percent of all homes sold from 2005 through 2008, and the remainder were existing sales. Because new home construction declined during the Great Recession and has not returned to earlier levels, the share of new homes sold generally declined each year to an average of 2 percent of all home sales in 2018. That proportion declined further to less than 1 percent during the 12 months ending June 2020, partly because most nonessential residential construction projects were halted following the onset of the pandemic as one of the measures used to slow the spread of COVID-19. Figure 7 shows new and existing home sales in the HMA.

Figure 7. 12-Month Sales Totals by Type in the Downtown Chicago HMA



Source: Zonda

Seriously Delinquent Mortgages and REO Properties

The rate of seriously delinquent mortgages and real estate owned (REO) properties declined rapidly in the HMA during much of the 2010s, but it increased significantly during the past year, largely due to the impact of COVID-19; however, the rate is below the national rate. As of June 2020, the rate of seriously delinquent mortgages and REO properties in the HMA was 2.4 percent, up from 0.6 percent a year ago; that rate is below the 3.6-percent rate for the nation (CoreLogic, Inc.). Approximately 920 mortgages in the HMA were 90 or more days past due in June 2020, nearly 4 times more than the number in June 2019. Despite the recent increase in mortgage delinquencies, the forbearance plans for federally backed mortgages in the Coronavirus Aid, Relief, and Economic Security (CARES) Act may have kept mortgage delinquencies from rising further. The last time the rate of seriously delinquent mortgages and REO properties had a notable increase was immediately after the Great Recession, peaking in June 2010 at 5.2 percent in the HMA and 8.0 percent in the nation.

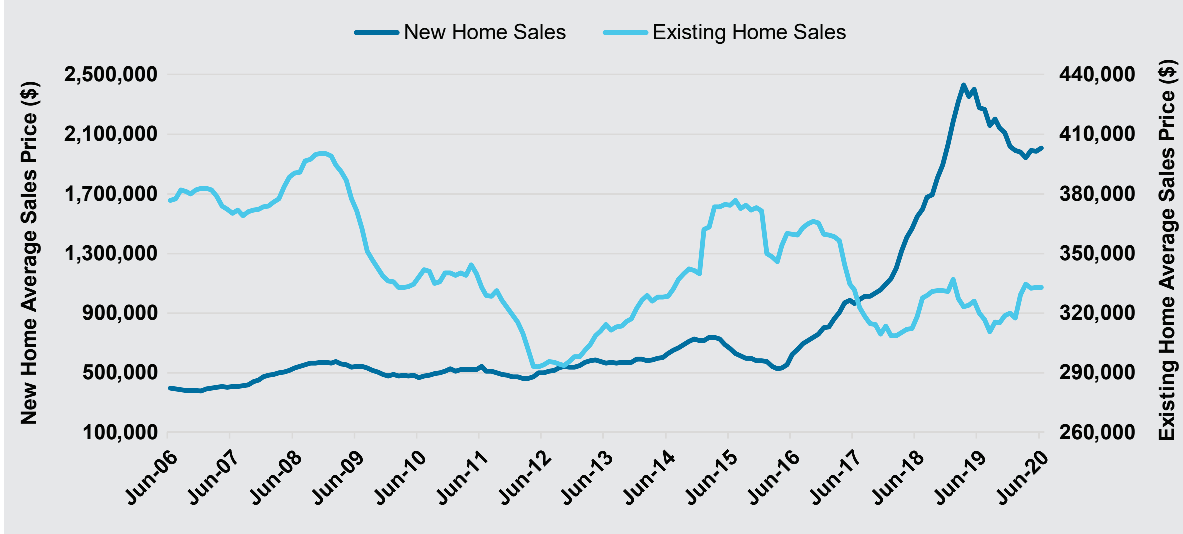
Home Sales Price Trends

The average home sales price is below the 2008 peak when sales of generally higher-priced new homes were a relatively large proportion of total home sales in the HMA. Home sales prices in the HMA averaged

$346,500 during the 12 months ending June 2020, an increase of 1 percent from a year earlier and 16 percent higher than the $291,300 sales price for a home in Cook County (Zonda). During the 12 months ending June 2020, the average sales price of a new home in the HMA was $2.01 million, down 12 percent from a year earlier, whereas the average sales price of an existing home was $332,900, up 4 percent from the 12 months ending June 2019 (Figure 8). Because new home sales were less than 1 percent of all home sales during the most recent 12 months, the decline in the average new home sales price slightly offset the overall price growth. The current average home sales price is 38 percent below the $479,500 sales price during 2008, a period that included the local housing market downturn, but also a time when a high proportion of new homes sold. During 2008, the average price of a new home was $570,500, and the average price of an existing home was $400,000. Average new home sales prices can be volatile and can be influenced by a relatively small number of high-priced sales. As a result, the average sales price for a new home has ranged from less than the average existing home sales price to more than seven times higher than the average sales price for an existing home.

Home sales prices are also partly constrained by increasing condominium association fees, which add to monthly homeowner costs. Approximately

Figure 8. 12-Month Average Sales Price by Type of Sale in the Downtown Chicago HMA



Source: Zonda

18 percent of homeowners in the Chicago MSA pay a homeowner association (HOA) fee, and the average fee increased 27 percent from 2005 to 2015 (Trulia.com). In addition, average monthly fees for units in buildings with 50 or more units were $330 higher than average HOA fees for attached single-family homes in the nation. Condominium sales prices in the HMA averaged $323,700 during the 12 months ending June 2020, an increase of less than 1 percent from a year earlier and 31 percent higher than the $246,300 sales price for a condominium in Cook County. The current condominium sales price is 31 percent below the $470,200 sales price during 2008. Figure 9 shows the share of sales by price range during the 12 months ending June 2020 for new and existing home sales in the HMA.

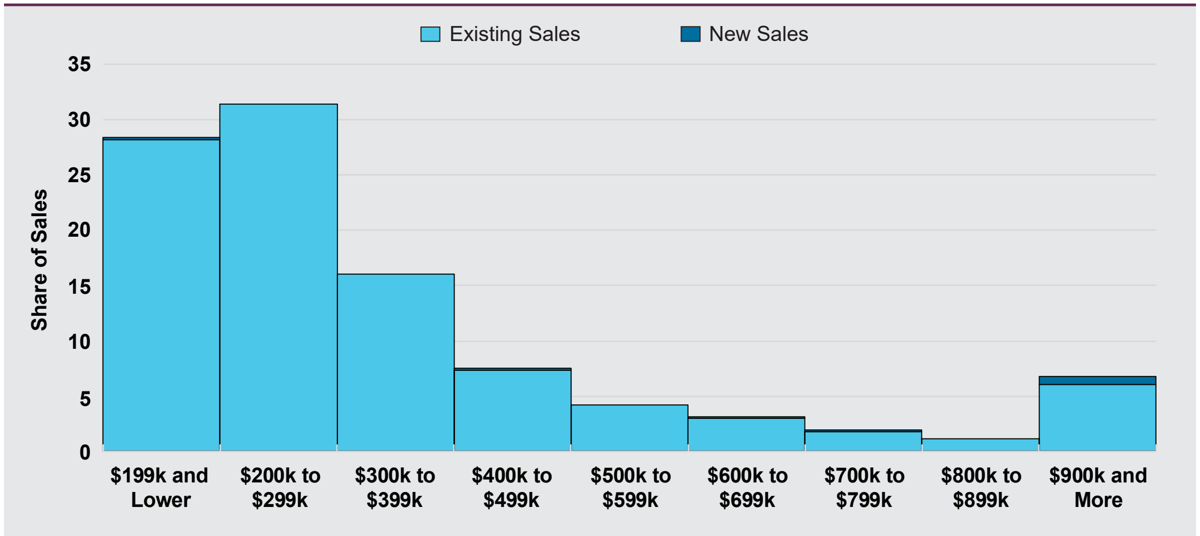
Home Sales Prices by Neighborhood

Since 2005, home sales prices in the four neighborhoods within the HMA have varied significantly. Condominium and single-family home sales prices in the Near North Side have been the highest, averaging $409,500 and $1.18 million annually, respectively. Condominium sales prices in the Loop and the West Loop have averaged $352,900 and $282,800 annually, respectively, while single-family home sales prices averaged $698,000 and $657,800 a year. Home sales prices tend to be lowest in the Near South Side, with condominium and single-family home sales prices averaging $205,700 and $430,900 a year, respectively, since 2005.

First Time Homebuyers in the Downtown Chicago HMA and Cook County

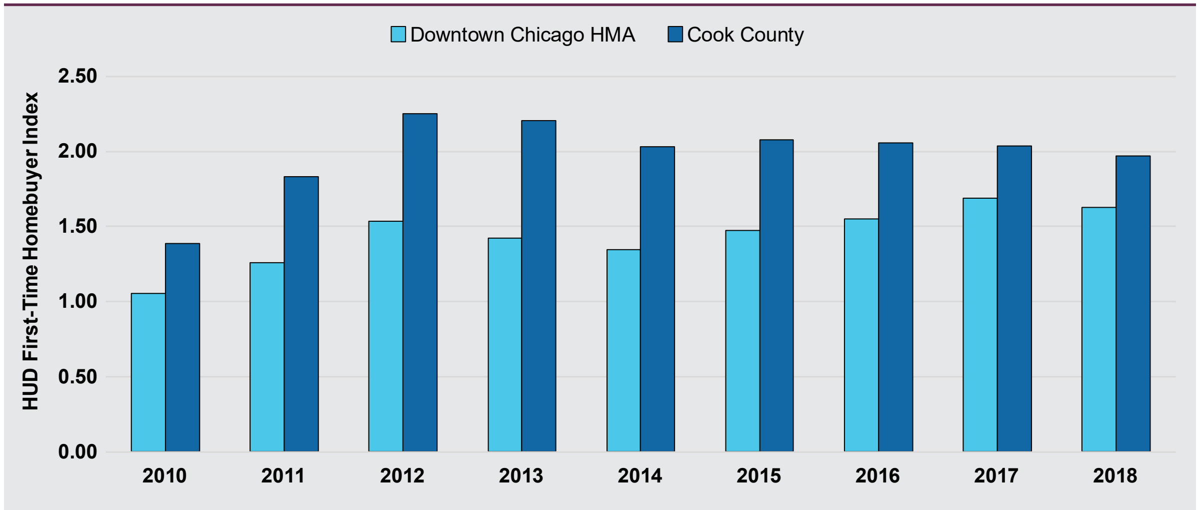
Low housing affordability in the HMA compared with Cook County has made it difficult for first-time homebuyers to enter homeownership in the HMA. However, from 2010 to 2018, when the median household income in the HMA increased at a faster rate than in Cook County, affordability appeared to increase in the Downtown Chicago HMA because the price of a 25th percentile-priced home declined at a faster rate—partly because of increasing condominium association fees. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders ages 25 to 44 years old relative to the income needed to purchase the 25th percentile-priced home. The index has generally increased every year since reaching a low of 1.06 in 2010 when the median income for householders ages 25 to 44 years old was just slightly above the income needed to afford the 25th-percentile-priced home (Figure 10). During 2018, the Downtown Chicago HMA index was 1.63, reflecting an average 1-percent annual decrease in a 25th-percentile-priced home to $171,600

Figure 9. Share of Sales by Price Range During the 12 Months Ending June 2020 in the Downtown Chicago HMA



Source: Zonda

Figure 10. Downtown Chicago HMA HUD First-Time Homebuyer Index



Sources: American Community Survey, 1-year data; Federal Housing Finance Agency; Zonda and an average 5-percent annual increase in the median income of householders ages 25 to 44 years from 2010. The Cook County index also increased from 1.39 in 2010 to 1.97 in 2018 and remained above the index in the HMA every year from 2010 through 2018. In Cook County, the price of a 25th-percentile-priced home declined an average of 4 percent a year to $144,000, and the median income of householders ages 25 to 44 years increased an average of 4 percent annually.

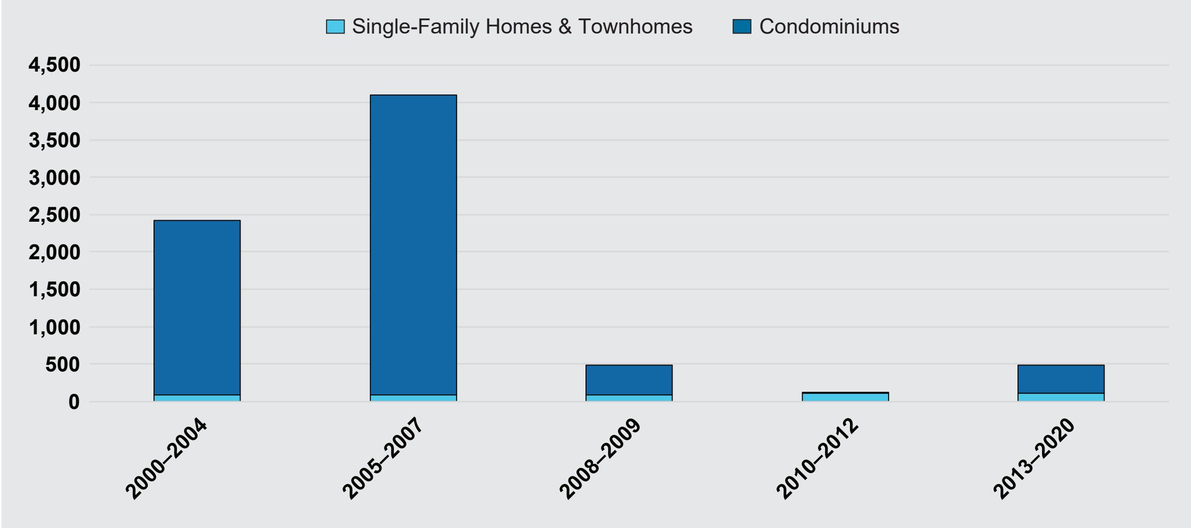
Policies for Affordable Sales Housing

Homeownership in the Downtown Chicago HMA is relatively expensive. To combat this problem, the city of Chicago has put in place inclusionary zoning policies to increase the supply of affordable sales housing in the HMA. The Affordable Requirements Ordinance (ARO) in the city of Chicago requires residential developments that receive city financial assistance or involve city-owned land to provide a percentage of units at affordable prices or rents. The ordinance applies to residential developments with 10 or more units and requires that developers provide 10 percent of their units at affordable prices. The ordinance also applies if a zoning change is granted that increases property density or allows a residential use not previously allowed and if the development is a planned development within the downtown area. Sales units produced through the ARO must be affordable to households with incomes at or below 100 percent of the area median income (AMI). Measures have been put in place to keep the units affordable over time. Some units will have recapture mortgages, for which, at the time of purchase, the city records a 30-year lien for the difference between the market price of the unit and its affordable price. Other units will be targeted for the Chicago Community Land Trust. These units will have a 30-year restrictive covenant with a maximum resale price. The maximum resale price will be the original purchase price plus a percentage of the market appreciation, and in most cases will be below market price. ARO has helped to increase the supply of affordable sales housing in the HMA; however, developers have an option to pay money into a fund rather than build affordable housing, and many developers opt to pay that fee.

Sales Construction Activity

Homebuilding activity has generally increased since 2013, but fewer new homes have been permitted compared with the early-to-mid 2000s (Figure 11). From 2000 through 2004, an average of 2,425 homes were permitted annually, and from 2005 through 2007, an average of 4,100 homes were permitted a year,

Figure 11. Average Annual Sales Permitting Activity in the Downtown Chicago HMA



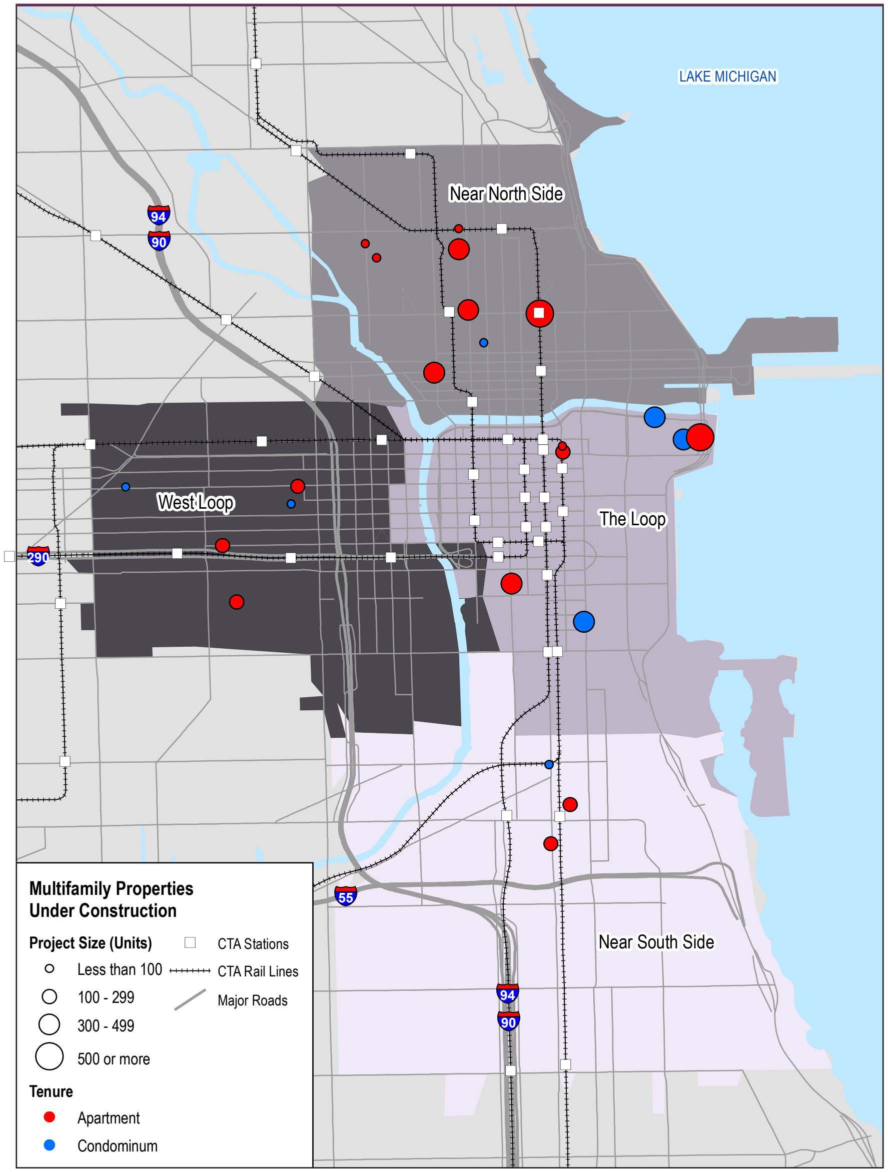
Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through June 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

just before the Great Recession and the national housing crisis. In response to the local economic contraction and housing market downturn, the number of homes permitted decreased to an average of 480 homes annually from 2008 through 2009, before declining further to an average of 120 homes annually from 2010 through 2012. By 2013, production began to increase again. From 2013 through 2018, a period when net in-migration increased, homebuilding activity rose to an average of 400 homes annually. During the 12 months ending June 2020, approximately 1,025 homes were permitted, up from 410 homes during the previous year. The HMA has a high proportion of condominium construction, partly because of limited developable land. From 2000 through 2007, approximately 97 percent of all homes permitted in the HMA were condominiums; that proportion decreased to 63 percent during the 2008-through-2012 period and has averaged 79 percent a year since 2013.

New Construction

Nearly all the new condominiums completed since 2013 are located in the Near North Side and West Loop neighborhoods; however, of the approximately 1,400 condominiums under construction, 86 percent of units are located in the Loop and Near South Side. In the Loop, construction began on the 406-condominium and 200-hotel room Vista Tower in 2016. Upon completion at the end of 2020, the 101-story, 1,198-foot skyscraper will become the third-tallest building in the city and the tallest structure in the world designed by a woman. The property features one- to four-bedroom homes; sales prices for a one-bedroom, 1,017-square-foot home start at $1 million. Approximately one-half of the condominiums at Vista Tower have already sold. In the Near South Side, the 74-story, 363-unit 1000M broke ground in November 2019 and was expected to be complete in June 2022, but with the onset of the COVID-19 pandemic, construction was halted in June and expected to resume in August 2020. Condominium prices range from $476,000 to $8.5 million; as of June 4, 2020, approximately 100 units were sold. Map 2 shows condominiums and apartments currently under construction in the HMA.

Map 2. Multifamily Properties Under Construction in the Downtown Chicago HMA



Source: McGraw-Hill Construction Pipeline database, with adjustments by analyst

Forecast

During the next 3 years, demand is estimated for 1,375 new homes in the HMA (Table 5). Demand is likely to be strongest in the second and third years of the forecast period, when net in-migration increases as the economic recovery in the HMA continues. The 1,400 units currently under construction will satisfy all of this demand.

Table 5. Demand for New Sales Units in the Downtown Chicago HMA During the Forecast Period

Sales Units	
Demand	1,375 Units
Under Construction	1,400 Units

Note: The forecast period is from July 1, 2020, to July 1, 2023.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Soft

A surge in apartment construction since 2014 and the impact of COVID-19 led to a rise in the apartment vacancy rate—to 7.5 percent—during the second quarter of 2020.

Current Rental Market Conditions and Trends

The overall rental market in the HMA is slightly soft, with an estimated 7.5-percent vacancy rate, down from 11.2 percent in April 2010 when conditions were very soft (Table 6). The vacancy rate has declined since 2010, partly due to a shift from homeownership to renting, which began during the housing crisis, and partly because of an ongoing preference to live in urban centers. A surge in apartment construction since 2014, and the impact of COVID-19 in 2020, led to a rise in the vacancy rate more recently. The CARES Act, which provides a moratorium on evictions from rental units with federally backed mortgages through July 24, 2020, may have partly eased the full impact of the countermeasures used to slow the spread of COVID-19. Renter households currently account for 63.8 percent of all households in the HMA, up from 56.2 percent in 2010. Nationally, renter households accounted for 34.6 percent of total households in 2019 (ACS 1-year data). Multifamily buildings with five or more units accounted for 91 percent of all occupied rental units in the HMA during the 2014-to-2018 period, up from 88 percent during the 2006-to-2010 period (ACS 5-year data). Additionally, 6 percent of all renter households in the HMA lived in buildings with two to four units during the 2014-to-2018 period, compared with 7 percent during the 2006-to-2010 period. Approximately 3 percent of renter households in the HMA lived in single-family homes as of the 2014-to-2018 period, down from 4 percent during the 2006-to-2010 period.

Table 6. Rental and Apartment Market Quick Facts in the Downtown Chicago HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	11.2	7.5
		2010 (%)	2018 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	4.2	3.2
	Multifamily (2–4 Units)	7.3	5.9
	Multifamily (5+ Units)	88.3	90.7
	Other (Including Mobile Homes)	0.3	0.1
Apartment Market Quick Facts		Current	YoY Change
	Apartment Vacancy Rate	7.5	0.6
	Average Rent	$2,308	-0.3

YoY = year-over-year.
Notes: The current date is July 1, 2020. Percentages may not add to 100 due to rounding.
Sources: 2006–2010 and 2014–2018 American Community Survey, 5-year data; Reis, Inc.

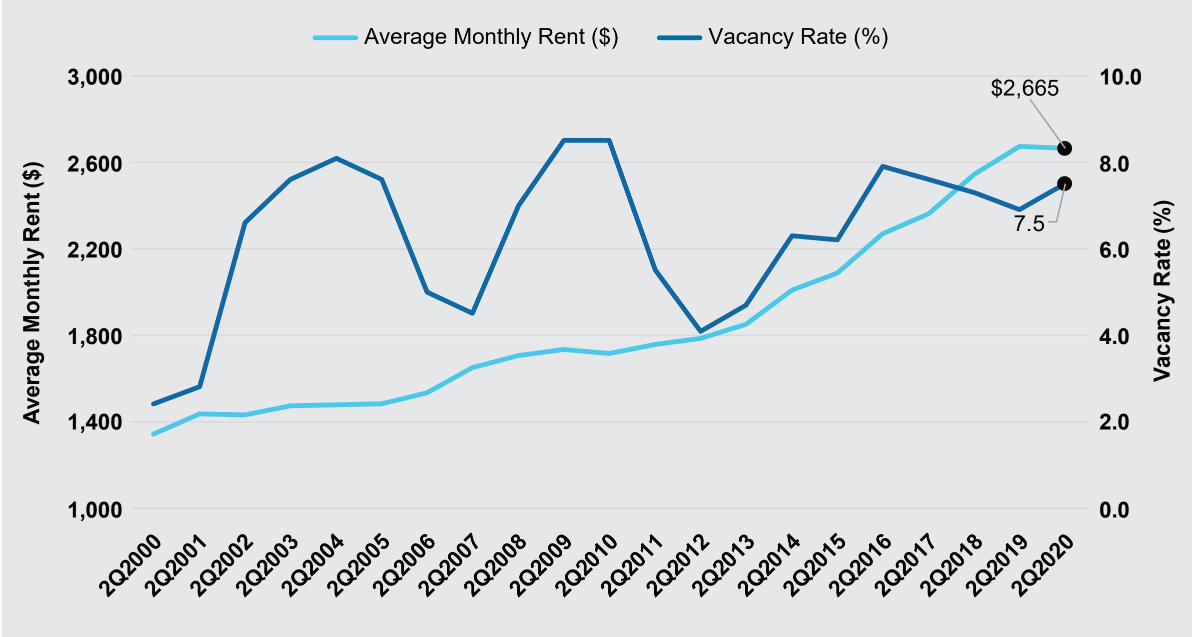
Apartment Market Conditions and Trends

The apartment market in the Downtown Chicago HMA is slightly soft partly because of increased apartment construction. During the second quarter of 2020, the apartment vacancy rate was 7.5 percent (Reis, Inc.; Figure 12), up from 6.9 percent during the second quarter of 2019. The average apartment rent in the HMA decreased slightly, by $8, or less than 1 percent, to $2,665 during the second quarter of 2020 from a year earlier. Among the two Reis, Inc.-defined market areas that comprise the

Downtown Chicago HMA, the vacancy rate fell in one market area and increased in the other during the second quarter of 2020. The decline occurred in the Loop market area, including the Loop and the Near South Side neighborhoods, because no new apartment units were completed during the quarter. The vacancy rate fell 1.6 percentage points to 7.9 percent. Despite the decline, the rate is higher than the other market area in the HMA, partly because many student households live in the Loop market area, and school enrollment has been declining since 2014 (see Student Housing). The average rent in the Loop market area was $2,273, approximately 27 percent below the average rent of $2,876 in the Gold Coast market area, which includes the Near North Side and West Loop neighborhoods. During the second quarter of 2020, the vacancy rate in the Gold Coast market area increased 1.8 percentage points to 7.3 percent. During the second quarter of 2020, approximately 330 apartment units were completed in the market area. Increased apartment construction in the Gold Coast market area was in response to demand for apartment units from households with a preference to live in an urban center near expanding job opportunities.

From the second quarter of 2000 through the second quarter of 2004, when readily available access to mortgage credit contributed to a higher propensity for homeownership and apartment construction activity was relatively steady, the apartment vacancy rate in the Downtown Chicago HMA increased from 2.4 to 8.1 percent. The average rent increased 2 percent annually during the period. Following this period, apartment construction increased, but demand for apartments was higher, and the apartment vacancy rate declined every year to reach 4.5 percent during the second quarter of 2007. When those units under construction were completed, the vacancy rate in the HMA increased to 8.5 percent during the second quarters of 2009 and 2010. The rate declined to 4.1 percent through the second quarter of 2012, even when home sales started to increase. From the second quarter of 2013 through the second quarter of 2019, the vacancy rate fluctuated but reached 6.9 percent, partly because rental unit construction was elevated and student enrollment declined beginning in 2014. From the second quarter of 2005 through the second quarter of 2013, the average rent increased at a relatively steady pace, up 3 percent annually, to $1,850. From the second quarter of 2014 through the second quarter of 2019, the average apartment rent increased an average of 6 percent annually, to $2,673, partly because new apartments tend to have higher rents.

Figure 12. Apartment Rents and Vacancy Rates in the Downtown Chicago HMA



2Q = second quarter.
Source: Reis, Inc.

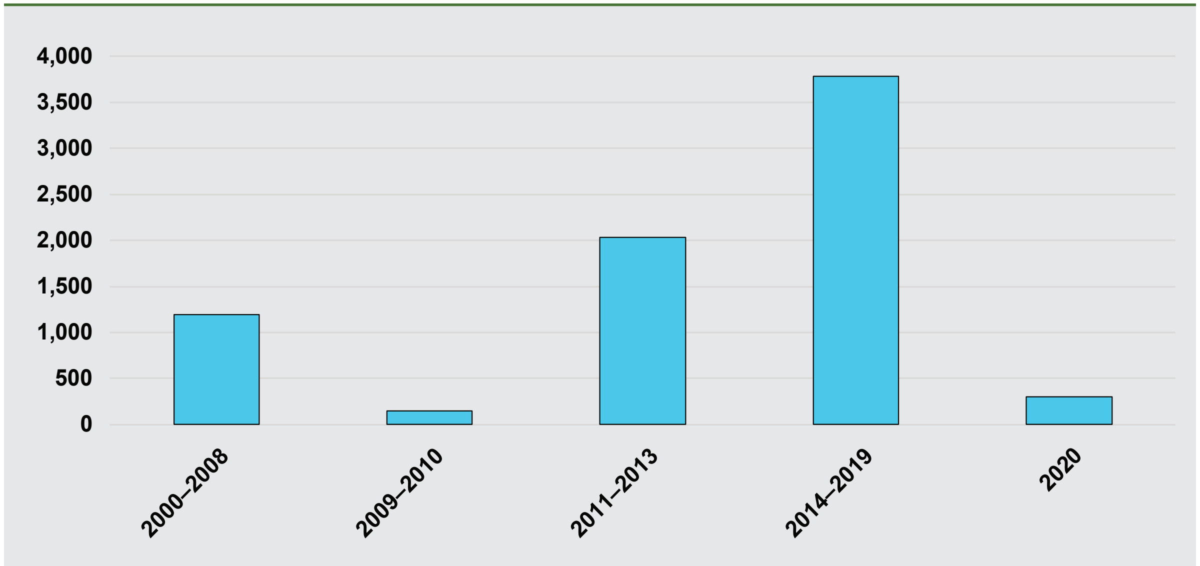
Student Housing

Approximately 20 colleges and universities in the HMA are located in the Reis, Inc.-defined Loop market area and have a significant effect on the rental market in the HMA. From the fall of 2014 through the fall of 2018, corresponding with an elevated apartment vacancy rate in the HMA, enrollment declined by an average of 1,750 students, or 1.9 percent, a year. Of the approximately 87,900 students enrolled at the colleges and universities during the fall of 2018 in the HMA (Integrated Postsecondary Education Data System, with estimates by the analyst), some likely lived outside the HMA, and approximately 7,625 were housed in dormitories. Completion of new dormitories generally affects demand for market-rate apartments. In July 2019, a $100 million, 548-bed dormitory at the University of Illinois at Chicago was completed in the Near South Side. Apartments designed and marketed to students, usually located close to a university campus, make up some of the housing in the HMA. The largest student-oriented apartment property in the Loop market area is University Center Chicago, a 1,732-bed student housing complex completed in 2004. During the fall of 2017, the Plymouth opened with 30 units of varying bedroom counts and rents from $849 for a shared bedroom and $1,199 for a private bedroom in a multiple-bedroom unit. The remaining 80,250 students enrolled at the colleges and universities during fall 2018 lived off campus. That proportion is expected to remain relatively stable, partly because no dormitories or student-oriented apartment properties are under construction or in planning in the HMA. Construction has been declining in recent years in response to decreasing enrollment rates and also because colleges and universities have moved to remote learning during the 2020–2021 school year in an effort to reduce COVID-19 outbreaks.

Rental Construction Activity

Rental construction in the HMA has been at an elevated level beginning in 2014 (Figure 13) and is 33 percent above construction activity from 2000 through 2013. From 2000 through 2008, steady population growth and a higher tendency for homeownership contributed to an average of 1,200 rental units permitted annually. Rental construction decreased to an average of 150 units permitted annually from 2009 through 2010 in response to economic contraction and lower levels of population growth.

Figure 13. Average Annual Rental Permitting Activity in the Downtown Chicago HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through June 2020.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019 final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

By 2011, when economic conditions improved and population growth accelerated, production began to increase again. From 2011 through 2013, rental construction activity increased to an average of 2,025 units a year, before activity surged to an average of 3,775 units annually from 2014 through 2019. During the 12 months ending June 2020, approximately 1,900 units were permitted, down 52 percent from the nearly 4,000 units permitted during the 12 months ending June 2019. New apartment construction in the HMA primarily occurs as a result of redevelopment and infill.

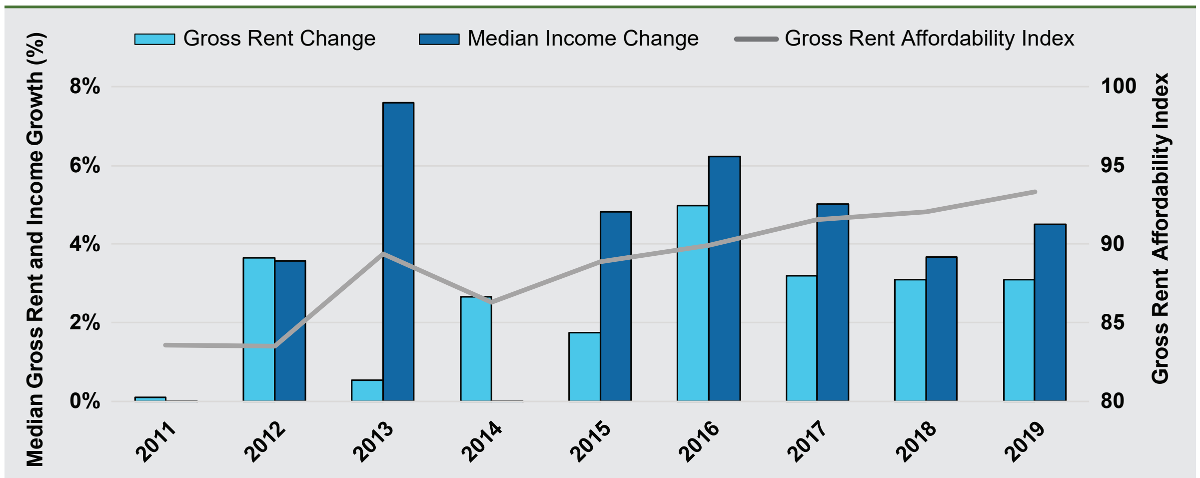
New Construction

All the 4,350 rental units under construction in the HMA are apartments, with nearly 1,725 units, or 40 percent of those constructed, in the Near North Side. By comparison, of the apartments completed since 2014 when construction activity increased, construction was slightly more widespread throughout the HMA. The largest property under construction in the Near North Side and the HMA is One Chicago, a 795-unit mixed-use, 76-story apartment tower. Construction began in late 2019, and the completion date is currently scheduled for December 2022. The third and final phase of Old Town Park is also currently under construction in the Near North Side. The 456-unit mixed-use 41-story tower is expected to be complete in February 2021 and will feature studio, one-, two-, and three-bedroom units. In 2019, the 32-story Old Town Park phase one tower set a record as the most expensive apartment in the city of Chicago for the $45,000-per-month penthouse.

Housing Affordability: Rental

Despite increased rents due to the construction of luxury properties in the city of Chicago, the median income for renter households living in the city of Chicago has generally increased faster. But rental affordability in the city of Chicago has increased at a slower rate than in Cook County since the Great Recession. From 2011 to 2019, the median income for renter households increased 40 percent and the median gross rent increased 25 percent in the city of Chicago. As a result, the HUD Gross Rent Affordability Index for the city, a measure of median renter household income relative to qualifying income for the median-priced rental unit, increased from 83.6 in 2011 to 93.3 in 2019 (Figure 14a). By comparison, the median income for renter households in Cook County increased 43 percent, while the median gross rent increased 24 percent. The HUD Gross Rent Affordability Index for the county increased from 85.2 in 2011 to 98.1 in 2019 (Figure 14b).

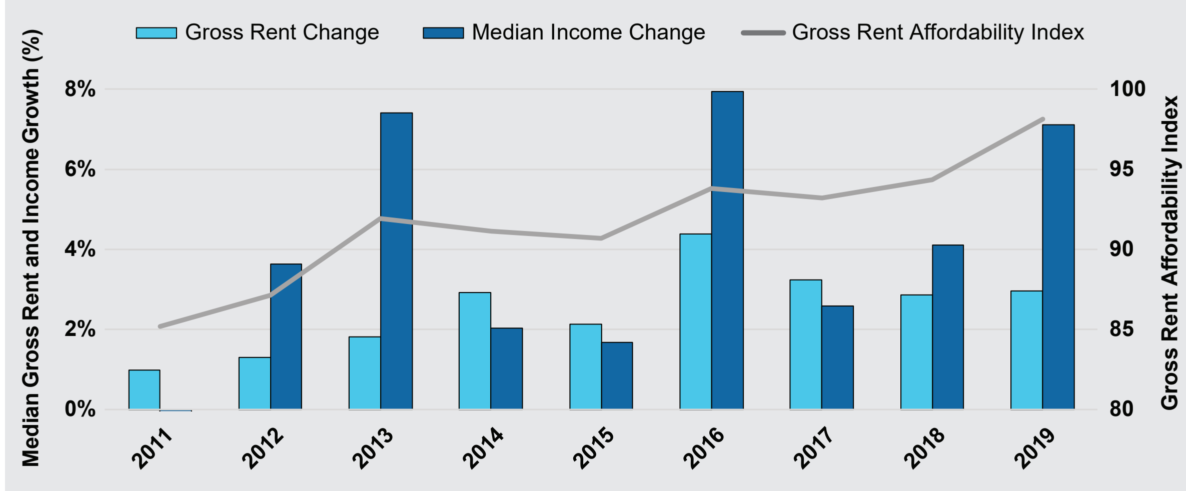
Figure 14a. City of Chicago Gross Rent Affordability Index



Notes: Rental affordability is for the larger city of Chicago. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditures.
Source: American Community Survey, 1-year data

Although rental affordability has improved since 2011, a high proportion of very low-income renter households in the city of Chicago and Cook County face some degree of cost burden, paying more than 30 percent of their income on rent. During the 2013-through-2017 period, an estimated 21.0 and 21.1 percent of all renter households in the city of Chicago and Cook County, respectively, were cost-burdened, spending between 30 and 49 percent of their income on rent (Table 7). During the same period, 24.7 and 24.6 percent of all renter households in the city of Chicago and Cook County, respectively, were severely cost-burdened, spending more than 50 percent of their income on rent. Cost burdens are significantly worse for very low-income renter households. For renter households with incomes less than 50 percent of the area median family income (AMFI), 26.6 percent were cost-burdened in both the city of Chicago and Cook County, and 48.6 percent and 49.9 percent were severely cost-burdened, respectively.

Figure 14b. Cook County Gross Rent Affordability Index



Notes: Rental affordability is for the larger Cook County. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditures.
Source: American Community Survey, 1-year data

Table 7. Percentage of Cost Burdened Renter Households by Income in the City of Chicago, Cook County, and the Nation, 2017

	Cost Burdened			Severely Cost Burdened		
	City of Chicago	Cook County	Nation	City of Chicago	Cook County	Nation
Renter Households with Income <50% HAMFI	26.6	26.6	25.6	48.6	49.9	50.1
Total Renter Households	21.0	21.1	21.8	24.7	24.6	22.9

HAMFI = HUD area median family income.
Note: "Cost-burdened" households spend between 30–49 percent of their income on rent, and "severely cost-burdened" households spend over 50 percent of their income on rent.
Source: Consolidated Planning/CHAS Data, 2017 American Community Survey 5-year estimates (huduser.gov)

Local Policy Initiatives for Affordable Rental Housing

The rental market in the Downtown Chicago HMA is relatively expensive compared with Cook County. During the second quarter of 2020, the average rent in the HMA was 65 percent higher than the average $1,618 rent recorded in Cook County. From the second quarter of 2000 through the second quarter of 2019, average rents in the HMA have generally been 49 to 71 percent above rents in Cook County. Much like in the sales market, the ARO applies to the rental market. Through the ordinance, rental units must be affordable to households earning up to 60 percent of AMI. When developers, subject to the ARO, opt-out, they must pay a fee, which is collected in the Affordable Housing Opportunity Fund (AHOF). One-half of the funds are used to construct, rehabilitate, or preserve affordable housing or be used for other housing programs. The other half of the funds are distributed to the Chicago Low-Income Housing Trust Fund, which meets the needs of approximately 2,700 extremely low-income households in the city of Chicago through annual rent subsidies. AHOF has also supported various affordable housing programs, including the Single Room Occupancy (SRO) Preservation Initiative. In March 2020, the $54.3 million renovation of the 148-room Mark Twain SRO was completed, converting the rooms to studios; the 50 residents who lived in the building before the renovation returned. The remaining units were leased to people on the Chicago Housing Authority waitlist.

Current Affordable Housing Options: LIHTC, HCV, and PBRA

The Low-Income Housing Tax Credit (LIHTC) program is the primary funding source for new affordable rental housing in the nation. From 2000 through 2009, approximately 990 low-income units, restricted to households earning up to 60 percent of AMI, were placed in service in the HMA. Approximately 21 percent of those units are restricted to senior households. No units have been placed in service since 2010 in the HMA. One of the recent completions—the 118-unit G&A Senior Residence at Eastgate Village, with one-bedroom units—was placed in service in 2009. In addition to LIHTC, income-eligible households may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCV) through the local public housing authority (PHA). PHAs in the HMA administered nearly 2,675 HCVs in 2019. Within the HMA, approximately 3,675 units are subsidized through PBRA and other programs. Currently, the waitlist for an HCV is closed, but the waitlist for PBRA remains open indefinitely.

Forecast

During the 3-year forecast period, demand is estimated for 9,875 new rental units (Table 8). The 4,350 units currently under construction will satisfy a portion of the demand. Demand is expected to increase as net in-migration increases. However, continued weak economic conditions in the near term and slower household growth are expected to result in demand for fewer additional units compared with recent years.

Table 8. Demand for New Rental Units in the Downtown Chicago HMA During the Forecast Period

	Rental Units
Demand	9,875 Units
Under Construction	4,350 Units

Note: The forecast period is July 1, 2020, to July 1, 2023.
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.**
Existing Sales	**Regular resale and real estate owned sales.**
Forecast Period	**7/1/2020–7/1/2023—Estimates by the analyst.**
Home Sales/ Home Sales Prices	**Includes single-family home, townhome, and condominium sales.**
Homebuilding Activity/ Construction Activity	**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.**
Net Natural Increase	**Resident births minus resident deaths.**

Rental Housing Market/Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The Downtown Chicago HMA definition noted in this report is based upon a delineation established by the analyst, which comprises 12 ZIP Codes and is defined as the Chicago neighborhoods of the Near North Side, Near South Side, the Loop, and the West Loop. The 12 ZIP Codes are: 60601, 60602, 60603, 60604, 60605, 60606, 60607, 60610, 60611, 60616, 60654, and 60661.
2.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
3.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
4.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	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.

2.	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.

D. Photo/Map Credits

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