

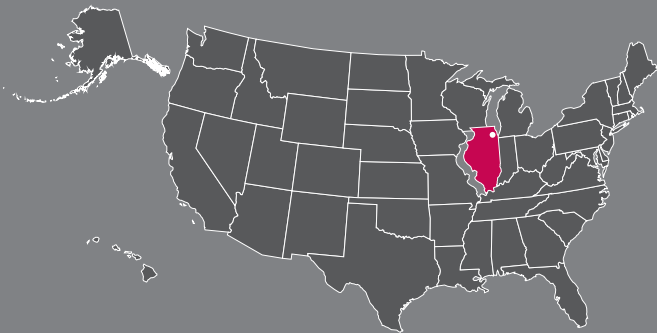
HUD PD&R Housing Market Profiles

Chicago-Joliet-Naperville, Illinois-Indiana-Wisconsin



Quick Facts About Chicago-Joliet-Naperville

- **Current sales market conditions: soft.**
- **Current apartment market conditions: balanced.**
- **The metropolitan area, a global financial center, houses the headquarters of 31 Fortune 500 companies (World Business Chicago), and the city of Chicago is ranked seventh in A.T. Kearney's Global Cities Index for 2014, which measures global engagement in five dimensions: business activity, human capital, information exchange, cultural experience, and political engagement.**



By Gabriel A. Labovitz | As of July 1, 2014

Overview

The Chicago-Joliet-Naperville, IL-IN-WI Metropolitan Statistical Area (hereafter, the Chicago metropolitan area) includes 14 counties: 9 counties in Illinois, 4 counties in Indiana, and 1 county in Wisconsin. The Chicago metropolitan area has a long history as a manufacturing center and transportation hub, first in railroad and then in air transportation. Now a center of finance, business, education, and health care, the metropolitan area is also a popular tourist destination. The number of annual visitors to the metropolitan area dipped to 39.3 million in 2010 but recovered strongly to a record 48.5 million during 2013 (Choose Chicago). In 2012 (the most recent data available), tourism contributed \$12.76 billion to the metropolitan area economy.

- As of July 1, 2014, the estimated population of the Chicago metropolitan area was 9.56 million, an average annual increase of 24,100, or 0.3 percent, since April 2010.
- Population growth averaged 22,950 people annually from 2002 through 2006 and increased to 43,150 people annually from 2006 through 2010 as net out-migration declined; net migration in the metropolitan area has been negative since before 2000.

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- Cook County, Illinois, which includes the city of Chicago, has a current population estimated at 5.26 million, or 55 percent of the population of the metropolitan area.
- Cook County has registered population gains averaging 14,300 people, or 0.3 percent, annually since 2010 because of decreasing net out-migration. From 2000 through 2010, Cook County reported annual population declines averaging 18,200 people, or 0.3 percent.

Economic Conditions

The recent recession ended in the Chicago metropolitan area in late 2010, and since then nonfarm payrolls have recovered at a rate of 50,000 jobs, or 1.2 percent, annually; the current nonfarm payroll level, however, remains below the prerecession peak of 4.56 million jobs during 2007.

During the 3 months ending June 2014—

- Nonfarm payrolls averaged 4.48 million, an increase of 31,900 jobs, or 0.7 percent, after an increase of 66,000 jobs, or 1.5 percent, during the same period a year earlier.
- The professional and business services sector, the largest in the metropolitan area, was also the fastest growing sector during the past year, increasing by 14,100 jobs, or 1.8 percent. Accounting firm KPMG, which increased its office presence in the city of Chicago by 400 jobs from 2010 to 2012, announced plans to add 500 more jobs at the Chicago office by 2017.

- Nonfarm payroll declines were the greatest in the manufacturing sector, which lost 6,200 jobs, a decrease of 1.5 percent. Among manufacturing sector cutbacks, Berry Plastics Corporation, in Alsip, Cook County, Illinois, closed its plant in early 2014 and laid off 480 workers. CommScope Holding Company, Inc., also closed its plant in Joliet, Will County, Illinois, in 2014, affecting nearly 200 workers.
- The average unemployment rate declined sharply, from 9.3 to 7.2 percent, because the number of participants in the labor force declined and the number of employed residents increased.

Nonresidential construction, as measured by the dollar value of projects started, began recovering in the Chicago metropolitan area (McGraw-Hill Construction Pipeline database). During the 12 months ending June 2014, \$1.67 billion in hotel, office, retail, and warehouse construction started, representing 15.6 million square feet. This

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Manufacturing payrolls dropped sharply in the Chicago area, but overall employment grew.

	3 Months Ending		Year-Over-Year Change	
	June 2013 (thousands)	June 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	4,449.9	4,481.8	31.9	0.7
Goods-producing sectors	562.9	559.3	- 3.6	- 0.6
Mining, logging, and construction	152.1	154.7	2.6	1.7
Manufacturing	410.8	404.6	- 6.2	- 1.5
Service-providing sectors	3,887.1	3,922.4	35.3	0.9
Wholesale and retail trade	688.0	690.9	2.9	0.4
Transportation and utilities	203.1	205.8	2.7	1.3
Information	81.0	79.6	- 1.4	- 1.7
Financial activities	289.5	286.7	- 2.8	- 1.0
Professional and business services	767.9	782.0	14.1	1.8
Education and health services	677.3	685.7	8.4	1.2
Leisure and hospitality	434.0	438.5	4.5	1.0
Other services	190.7	193.3	2.6	1.4
Government	555.8	560.0	4.2	0.8
	(percent)	(percent)		
Unemployment rate	9.3	7.2		

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



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construction cost value represents a doubling of the \$834 million in construction projects started during the previous 12 months and is the highest dollar value since the 12 months ending June 2007, when \$2.7 billion was spent on new development. Expanded construction activity is reflected in the 1.9-percent, or 2,800-job, increase in construction subsector payrolls, offsetting the 200 jobs lost in the natural resources and mining subsector. Among new construction projects are two office towers in the city of Chicago, where new office construction has been minimal since 2009. The 53-story 150 North Riverside office tower, with 1.2 million square feet in rentable space, and the 52-story River Point office tower, with 1.1 million square feet in rentable space, are currently under construction. The

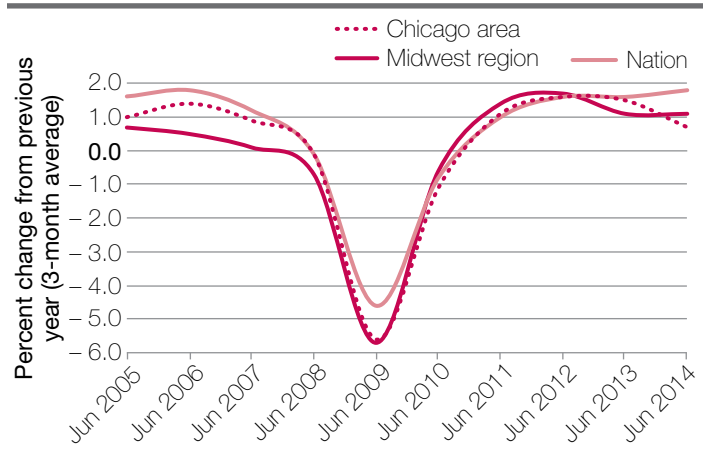
Largest private-sector employers in the Chicago area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Advocate Health Care	Education and health services	16,700
JPMorgan Chase & Co.	Financial activities	15,100
University of Chicago	Education and health services	15,050

Note: Excludes local school districts.
Source: *Crain's Chicago Business*

two buildings have estimated construction costs of \$500 million and \$400 million, respectively, with expected completion dates in 2016 and 2017.

The nonfarm payroll growth rate in the Chicago area has lagged the national rate for most of the past 10 years.



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

Sales Market Conditions

Sales housing market conditions are soft in the Chicago metropolitan area. The current estimated sales vacancy rate is 2.3 percent, improved from 2.6 percent in April 2010. During the 12 months ending May 2014, new home sales in the metropolitan area (including single-family homes, townhomes, and condominiums) totaled 5,850, 6 percent more than the sales reported during the previous 12-month period. During the same period in 2014, the average sales price for a newly constructed home declined slightly, from \$356,700 to \$354,200. Existing home sales in the metropolitan area, including short sales and REO (Real Estate Owned) sales, increased nearly 5 percent from a year earlier, to 122,200 during the 12 months ending May 2014. The average existing home sales price during this period was \$243,600, nearly 12 percent more than the average sales price of \$218,300 reported during the previous 12-month period.

- New home sales declined each year in the Chicago metropolitan area, from 45,550 homes in 2005 to 4,350 homes in 2011, before beginning to increase again. The average sales price for a new home reached its peak at \$388,400 during 2008, before the metropolitan area economy began to decline, and registered a low of \$326,600 in 2011, when the metropolitan area also had the lowest number of sales.

- Regular (nondistressed) resales declined each year, from 206,300 in 2005 to 54,950 in 2011, before starting to increase. The average sales price for a regular resale home, which peaked during 2007 at \$298,300, declined to a low of \$259,100 during 2012.
- During the 12 months ending May 2014, distressed sales, including REO and short sales, accounted for 29 percent of all existing home sales in the metropolitan area, down from 36 percent a year earlier. During the past 12 months, the average sales price of a short sale was \$162,000 and the average sales price of an REO sale was \$122,100.
- As of June 2014, 6.4 percent of all home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 9.1 percent in June 2013 (Black Knight Financial Services, Inc.).

Single-family home construction activity, as measured by the number of single-family homes permitted, has declined significantly since the early 2000s, reaching a low of 4,150 homes permitted during 2011. The number of single-family homes permitted has increased since 2011 but remains relatively low because tighter lending standards, including higher credit score and downpayment requirements, continue to restrain home purchases. The homeownership rate in the Chicago metropolitan area declined from 66.0 percent in April 2010 to an estimated 64.7 percent currently.

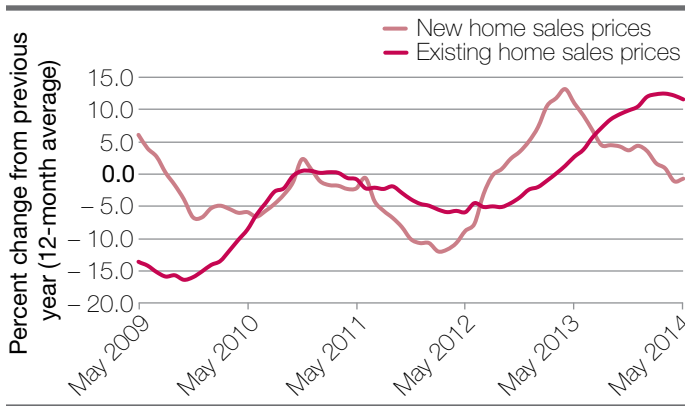
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- During the 3 months ending June 2014, approximately 2,200 single-family homes were permitted, 8 percent more than the number permitted during the 3 months ending June 2013 (preliminary data).
- The number of multifamily units built for owner occupancy in the metropolitan area has declined since the middle of the previous decade. From 2000 through 2003, an average of 6,675 owner units in multifamily properties were permitted annually, which nearly doubled to an average of 12,600 annually from 2004 through 2007. The number then fell to 1,125, on average, each year from 2008 through 2012.

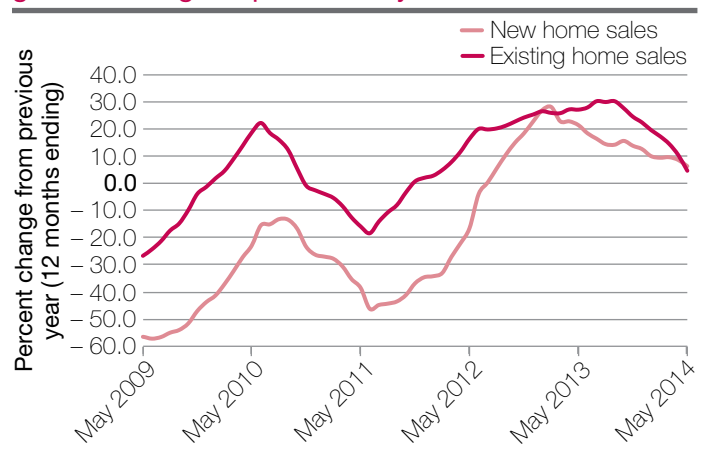
Existing home sales prices increased significantly and new home sales prices recovered slightly in the Chicago area.



Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

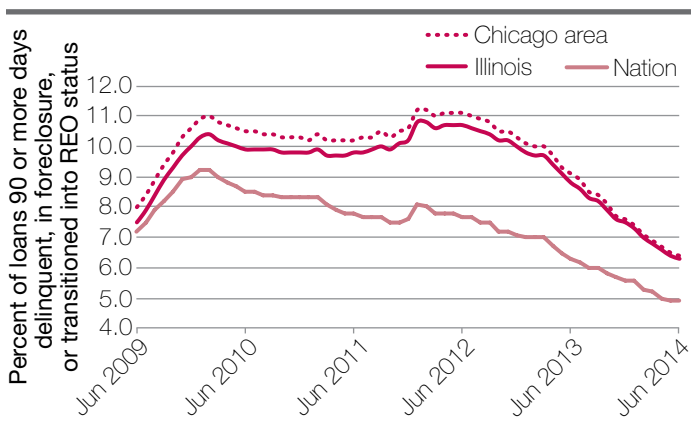
- In the city of Chicago, new highrise condominium development has been minimal since the completions of the 260-unit Aqua Tower in 2010 and the 490-unit Trump Tower in 2009. Both high-rises include hotels, and Aqua Tower also includes rental units.
- Builders began cautiously developing new subdivisions and developments in the metropolitan area. In Bolingbrook, Will County, Illinois, Ryland Homes is developing Herrington Estates, which includes 113 single-family home sites in its first phase, of which 85 are sold. New homes in the subdivision are priced between \$279,000 and \$360,000.

The year-over-year increase in new and existing home sales in the Chicago area slowed after rapid growth during the previous 2 years.



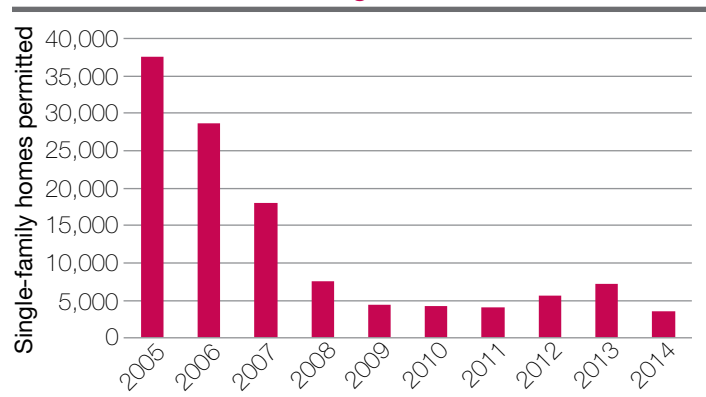
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.

The rate of distressed loans and REO properties in the Chicago area has consistently been higher than the national and state rates.



REO = Real Estate Owned. Source: Black Knight Financial Services, Inc.

Single-family home permitting, although increasing, remained low in the Chicago area.



Note: Includes preliminary data from January 2014 through June 2014. Source: U.S. Census Bureau, Building Permits Survey



Apartment Market Conditions

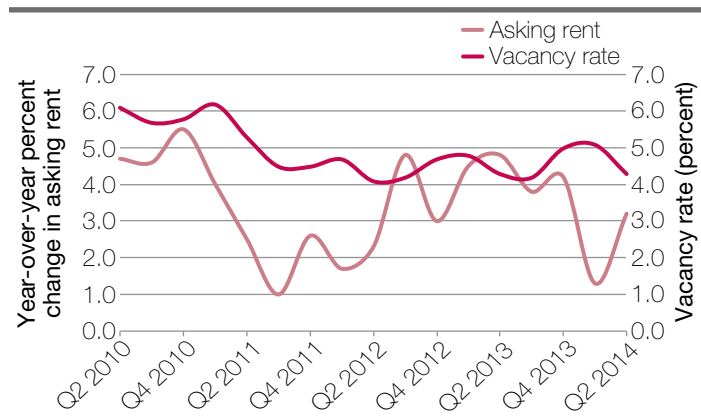
The apartment market in the Chicago metropolitan area is currently balanced. During the second quarter of 2014, the apartment vacancy rate was 4.3 percent, unchanged from a year ago (MPF Research). The average monthly rent increased 3.2 percent, to \$1,260, during the same period. The last time the apartment vacancy rate was reported higher than 7.0 percent was in the fourth quarter of 2009.

During the second quarter of 2014—

- Apartment vacancy rates in the 16 MPF Research-defined market areas within the Chicago metropolitan area ranged from 2.5 percent in the Lincoln Park/Lakeview area to 5.7 percent in the Southeast Chicago area, both in the city of Chicago.
- The apartment vacancy rate declined the most in The Loop area, from 6.7 to 5.3 percent, because employment increased in the area and more workers chose to live nearby.
- The Loop area had nearly the highest rents, \$2,000 a month, second only to the Streeterville/River North area, at \$2,050.
- Of the 16 MPF Research-defined areas, 15 reported rent increases from the second quarter of 2013 to the second quarter of 2014, ranging from 0.3 percent in the Will County area to 8.4 percent in the South Cook County area; The Loop area reported a decrease of 1.2 percent in average rents.

Because of strong demand for apartments in the Chicago metropolitan area, the number of multifamily units permitted has increased since a low in 2009 but remains below the levels reported from 2005 through 2008. Recent conversions of several single-room occupancy (SRO) structures, which typically house low-income individuals, to market-rate rentals in the city of Chicago spurred the proposal of a

Despite increased apartment construction in the Chicago area, vacancy rates have remained below 6 percent and asking rents have continued to increase since 2010.

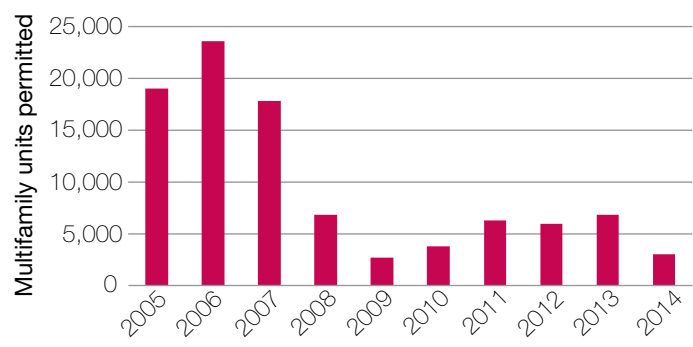


Source: MPF Research

6-month moratorium on the conversion of such units. Up to 6,000 SRO units are estimated to be at risk of conversion to market-rate apartments.

- Approximately 1,575 multifamily units were permitted during the 3 months ending June 2014, up 54 percent from the 1,025 units permitted during the 3 months ending June 2013.
- An average of 20,100 units were permitted annually from 2005 through 2007, with a peak of 23,550 units permitted during 2006. Multifamily permitting averaged 5,125 units annually from 2008 through 2012, with a low of 2,725 units permitted during 2009.
- From 2000 through 2009, apartment units accounted for approximately 39 percent of multifamily units permitted; since 2010, 85 percent of multifamily units permitted have been for renter occupancy. During the 12 months ending June 2014, all but 2 percent of multifamily units permitted are intended for renter occupancy.
- Approximately 8,875 new rental units are currently under construction in the Chicago metropolitan area, including 4,500 units in the city of Chicago (McGraw-Hill Construction Pipeline database).
- More than 70 apartment properties are now under construction in the metropolitan area. In the city of Chicago, OneEleven recently opened with about 500 apartment units in a 60-story building; rents start at approximately \$2,200 for studio units, \$2,550 for one-bedroom units, \$4,800 for two-bedroom units, and \$5,000 for three-bedroom units. In Algonquin, Kane County, Illinois, Algonquin Square Apartment Homes began leasing 220 units in the late summer of 2013. Rents range from \$1,150 to \$1,750 for one- and two-bedroom units.

Multifamily permitting in the Chicago area is slowly recovering from depressed levels during 2009 and 2010.



Note: Includes preliminary data from January 2014 through June 2014. Source: U.S. Census Bureau, Building Permits Survey

