

HUD PD&R Housing Market Profiles

Chicago-Naperville-Elgin, Illinois-Indiana-Wisconsin



Quick Facts About Chicago-Naperville-Elgin

- Current sales market conditions: slightly soft.
- Current apartment market conditions: slightly tight.
- The Chicago metropolitan area hosted more than 50 million visitors during 2015, a new record for visitors to the city. Chicago is one of only three cities in the United States to welcome more than 50 million visitors in a calendar year (choosechicago.com). Direct spending by tourists totaled nearly \$15 billion in 2015, a gain of 34 percent since 2010. Tourist spending in the metropolitan area during 2015 supported an estimated 139,800 jobs, including approximately 3,800 new jobs added. Complementing the direct leisure and hospitality sector jobs supported by tourism, demand for hotel rooms has prompted new hotel construction in the area, resulting in more construction subsector jobs.



By Gabriel A. Labovitz | As of May 1, 2016

Overview

The Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (hereafter, the Chicago metropolitan area) consists of 14 counties in Illinois, Indiana, and Wisconsin. The largest employment sectors are the professional and business services, education and health services, and wholesale and retail trade sectors, contributing 17.3, 15.6, and 15.4 percent of nonfarm payrolls, respectively, to the area's jobs base. The Chicago metropolitan area included the headquarters of 31 Fortune 500 companies in 2015 (World Business Chicago). The government sector is the fourth largest employment sector, with 11.4 percent of nonfarm payrolls, and includes the three largest employers in the Chicago metropolitan area—the federal government, the city of Chicago, and Cook County. Employment in the government sector gained 11,400 jobs, or 2.1 percent, during the 3 months ending April 2016, after 6 years of declines. From 2008 through 2014, government sector job losses averaged 3,900 annually, and local government payrolls constituted 68 percent of the job loss in the sector.

- As of May 1, 2016, the estimated population of the Chicago metropolitan area is 9.55 million, an average annual increase of 14,150, or 0.1 percent, since 2010. This growth includes an annual increase of 0.4 percent, or 25,950, from April 1, 2010, to July 1, 2013. Since July 1, 2013, population growth has fallen to 1,100 people annually.
- The rate of population growth has decreased since 2013 because of higher levels of net out-migration, which averaged 28,900 people annually from 2010 to 2013 and grew to 47,300 people

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annually after June 2013. The primary causes of greater net out-migration are the unsettled budget conditions for the city of Chicago, Cook County, and the state of Illinois and perceptions of safety, crime, and the quality of schools, particularly in the city of Chicago.

- Cook County, including the city of Chicago, has contributed nearly 70 percent of net out-migration from the metropolitan area since 2013. The 11 ZIP Codes that comprise the three

Chicago community areas of The Loop, the Near West Side, and the Near North Side (generally, downtown and adjacent areas north and west) have grown, however. Those three community areas have recorded combined population growth of approximately 6,900 people, or 4.1 percent, annually since 2010 and have an estimated 195,400 residents as of May 1, 2016, up from 153,400 residents in April 2010.

Economic Conditions

Since the economy in the Chicago metropolitan area emerged from the recent recession in 2010, nonfarm payrolls in the area have averaged 1.5 percent annual gains. By comparison, annual nonfarm payroll growth in the state of Illinois and the nation has averaged 1.2 percent and 1.6 percent, respectively, since 2010. The Chicago metropolitan area surpassed its December 2007 prerecession peak jobs count in June 2015. The national economy completed its recovery earlier than the Chicago metropolitan area, during October 2014, and the state of Illinois did not surpass its prerecession jobs count until November 2015.

During the 3 months ending April 2016—

- Nonfarm payrolls averaged 4.58 million, an increase of 77,000 jobs from a year earlier. All nonfarm payroll sectors except the manufacturing sector grew during the period.

- The leisure and hospitality sector added 20,600 jobs, growth of 4.8 percent, the most jobs added and the highest rate of expansion of any payroll sector. In The Loop alone, approximately 2,200 new hotel rooms, in more than 10 properties, opened during 2015, and more than 1,800 more rooms are scheduled to open in 2016, contributing to job gains in the leisure and hospitality sector (chicagobusiness.com). The additional hotel construction, with high levels of multifamily residential construction, contributed to 7,000 additional jobs in the construction subsector and offset a loss of 200 jobs in the mining and logging subsector. Combined, the mining, logging, and construction sector was the second fastest-growing sector in the Chicago metropolitan area, adding 6,800 jobs, or 4.5-percent growth.

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Nonfarm payroll jobs in the Chicago area increased in all sectors except one, led by gains in the leisure and hospitality sector.

	3 Months Ending		Year-Over-Year Change	
	April 2015 (thousands)	April 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	4,502.9	4,579.9	77.0	1.7
Goods-producing sectors	563.9	570.1	6.2	1.1
Mining, logging, and construction	151.9	158.7	6.8	4.5
Manufacturing	412.0	411.4	-0.6	-0.1
Service-providing sectors	3,939.0	4,009.8	70.8	1.8
Wholesale and retail trade	694.8	705.7	10.9	1.6
Transportation and utilities	214.4	218.6	4.2	2.0
Information	80.3	80.8	0.5	0.6
Financial activities	289.4	290.9	1.5	0.5
Professional and business services	788.5	793.7	5.2	0.7
Education and health services	698.8	713.3	14.5	2.1
Leisure and hospitality	430.6	451.2	20.6	4.8
Other services	192.8	194.7	1.9	1.0
Government	549.4	560.8	11.4	2.1
	(percent)	(percent)		
Unemployment rate	6.1	6.5		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



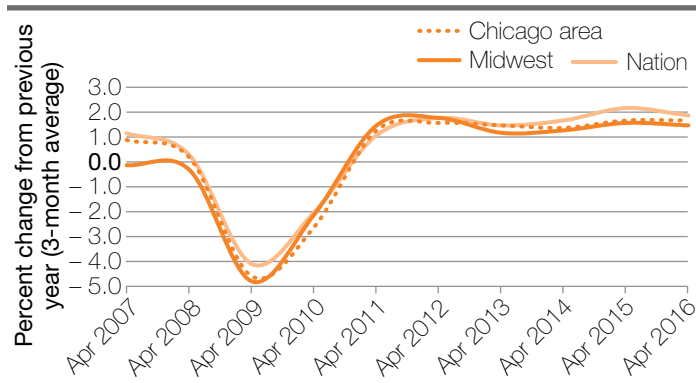
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- Other sectors recording higher job totals included the education and health services sector, which gained 14,500 jobs, or 2.1 percent, and the government sector, which added 11,400 jobs, also 2.1 percent annual growth. The only sector to decline during the past year was the manufacturing sector, which fell a modest 600 jobs, or 0.1 percent.
- The unemployment rate rose to 6.5 percent from 6.1 percent during the same 3 months a year earlier because the labor force grew at a rate of 2.5 percent, whereas resident employment grew more slowly at 2.0 percent, resulting in a higher count of unemployed workers.

During late 2015, Google, Inc., moved its Chicago office, with approximately 650 employees, to a renovated warehouse in the Near West Side community area, just west of downtown. The Near West Side had been a center of manufacturing and food wholesaling, but it has transitioned into an area supporting jobs in high-tech industries and has become a destination neighborhood for restaurants, bars, and nightlife. Since 2013, when Google first announced plans to move to the Near West Side, an estimated 20 food manufacturing or processing companies have moved out of the area and 10 more are preparing to leave (*Chicago Tribune*). From 2010 through 2014, the number of accommodation establishments in the community area grew from 6 to 15 and the number of food services and drinking places expanded from 420 to 470 (U.S. Census Bureau, ZIP Code Business Patterns). McDonald's Corporation recently announced plans to relocate its corporate headquarters, including approximately 2,000 employees, in the spring of 2018 from suburban Oak Brook to the Near West Side, adding to the growth in that area. Also in the Near West Side,

2,700 new apartments, 560 new hotel rooms, and 3 million square feet of office space are scheduled to begin or currently are under construction. The Near West Side, The Loop, and the Near North Side community areas currently are the fastest-growing geographies in the Chicago metropolitan area.

Nonfarm payroll growth in the Chicago area and the Midwest region have trailed the national rate since 2013.



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

Largest employers in the Chicago area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
U.S. Government	Government	42,900
City of Chicago	Government	30,300
Cook County	Government	21,800

Note: Excludes local school districts.
Source: *Crain's Chicago Business*, as of December 31, 2015

Sales Market Conditions

The sales housing market in the Chicago metropolitan area currently is slightly soft, with an estimated vacancy rate of 2.1 percent, down from 2.6 percent in April 2010. Single-family home construction has increased since the recent low of 4,150 homes permitted during 2011, but permitting remains constrained compared with construction activity during the early-to-mid 2000s. The comparatively low levels of single-family home permitting enabled the sales housing market to absorb excess inventory. In April 2010, approximately 72,500 homes were for sale in the Chicago metropolitan area, a figure that dropped to 39,650 in April 2016 (Yahoo!-Zillow Real Estate Network).

The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 3.8 percent during March 2016, down from 5.2 percent a year earlier.

In Illinois, the rate was 3.5 percent, down from 4.7 percent, and for the nation, the rate was 3.0 percent, down from 3.8 percent during March 2015 (CoreLogic, Inc.).

From 2005 through 2010, 74 percent of condominium sales in the metropolitan area were in Cook County, Illinois, a proportion that has grown to 77 percent since 2010 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Condominium sales totaled 44,900 during the 12 months ending March 2016, nearly 5 percent above the total a year earlier, and the average sales price was \$231,700, approximately 1.5 percent higher than the average sales price recorded a year earlier.

During the 12 months ending April 2016—

- The number of new homes sold totaled 5,925, approximately 6 percent less than the 6,300 new home sales recorded during the previous 12 months but more than the average of 5,425 sold annually from 2011 through 2013.

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- Existing home sales totaled 128,000, nearly 2 percent more than sold during the previous 12-month period. The expansion in existing home sales occurred despite a 17-percent contraction in distressed sales (REO and short sales) during the same period. Regular resales during the past 12 months totaled 103,700, nearly 8 percent more than the 96,200 regular resales recorded during the previous 12 months.
- The average sales price for new homes was \$378,800, more than 6 percent higher than the average sales price recorded a year earlier but less than the prerecession average high of \$388,500 in 2008. Sales prices for new homes registered a recent low of \$326,000 in 2011.
- The average sales price for existing homes was \$268,000, or 8 percent higher than a year earlier. At the same time, distressed sales

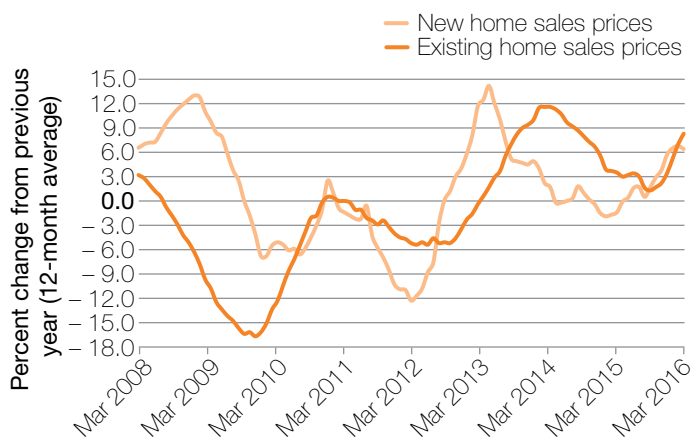
contributed 19 percent of all existing home sales. The average sales price for a regular, nondistressed resale home was \$281,300.

Because of consistent economic growth and the decrease in unsold inventory, home builders have increased new single-family home construction, as measured by the number of single-family homes permitted, from the levels recorded from 2009 through 2011.

- The number of single-family homes permitted during the 12 months ending April 2016 totaled 7,775, slightly fewer than the 8,000 homes permitted during the previous 12-month period (preliminary data).
- Single-family homebuilding averaged 4,250 homes annually from 2009 through 2011, when the economy in the Chicago metropolitan area was soft and starting to recover. The number of single-family homes permitted rose to 5,650 during 2012 and then averaged 7,500 annually in 2013 and 2014.

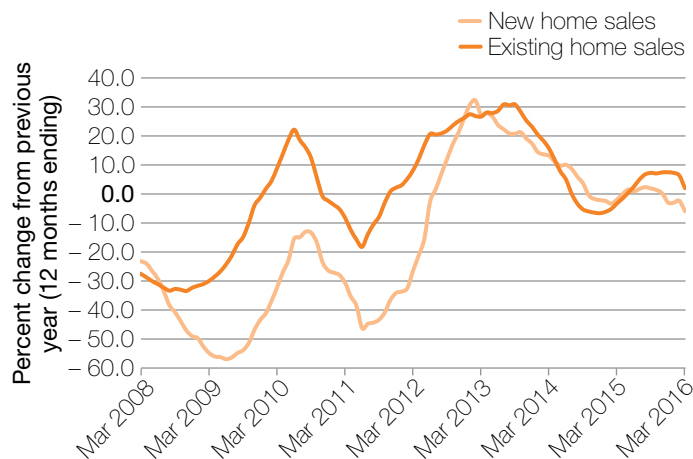
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New and existing home sales prices in the Chicago area have increased since the summer of 2015.



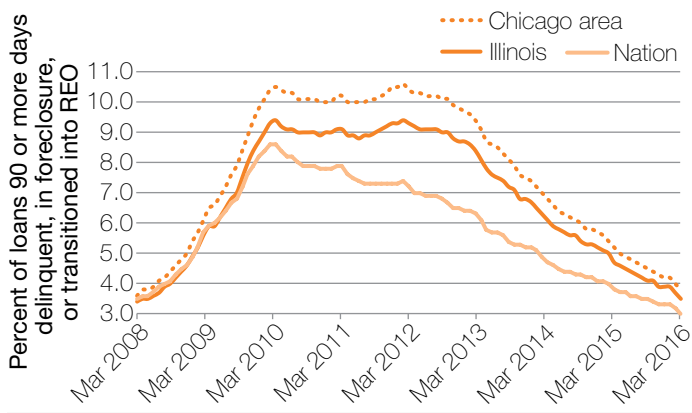
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

Growth rates of new and existing home sales in the Chicago area have declined since 2013; the rate of new home sales became negative during late 2015.



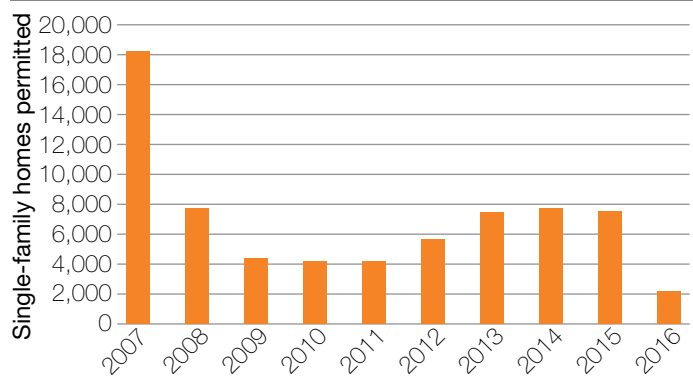
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent loans and REO properties in the Chicago area has declined but remained above the rates for Illinois and the nation.



REO = real estate owned. Source: CoreLogic, Inc., with adjustments by the analyst

Single-family home permitting in the Chicago area has increased since the recent low level in 2011 but remained below prerecession levels.



Note: Includes preliminary data from January 2016 through April 2016. Source: U.S. Census Bureau, Building Permits Survey



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- In Yorkville, Illinois, Pulte Homes is developing Autumn Creek, with 75 single-family homes priced from \$221,000 to \$255,000. As of May 1, approximately 90 percent of homes at Autumn Creek had been sold.

- In the Near North Side community area in Chicago, a 41-unit condominium building called The Ronsley went on the market in 2015. With two-, three-, and four-bedroom units selling for \$899,900 to more than \$4 million, approximately 30 of the units have been sold.

Apartment Market Conditions

Despite expanded apartment production since 2009, apartment market conditions remained slightly tight in the Chicago metropolitan area during the first quarter of 2016 and have been balanced to slightly tight since 2011. Although the rate of population growth has declined since 2013, a shift to renter tenure among households in the metropolitan area has contributed to steady absorption of new apartment units. An estimated 36 percent of all households in the metropolitan area were renters as of July 2014, compared with 34 percent in July 2010 (2010 and 2014 American Community Survey 1-year data).

During the first quarter of 2016—

- The apartment vacancy rate in the metropolitan area was 4.5 percent, up from 4.4 percent during the first quarter of 2015 (MPF Research). During that same period, an estimated 3,150 new apartment units entered the market. The apartment vacancy rate has been 5.1 percent or less in each quarter since the second quarter of 2011.
- Apartment vacancy rates in the 20 MPF Research-defined market areas (hereafter, areas) ranged from 2.8 percent in the Central Cook County area to 6.5 percent in the Gary/Hammond (Indiana) area.
- The average asking rent was \$1,314, more than 5 percent above the average rent reported a year earlier (MPF Research).

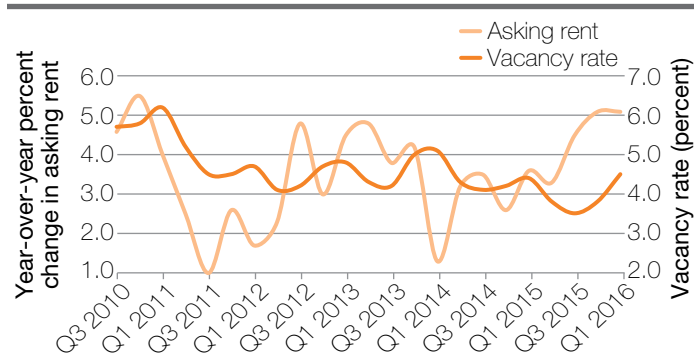
- The highest average rent, \$2,130, was reported in the Streeterville/River North area, within the Near North Side community area of Chicago. The Evanston/Rogers Park/Uptown area reported the greatest annual increase, of 14.5 percent, resulting in average rent of \$1,317 in the first quarter of 2016.

Multifamily construction activity, as measured by the number of units permitted, increased during the past year and currently is at a higher annual level than any year reported since 2007.

- During the 12 months ending April 2016, approximately 8,850 units were permitted, 11 percent more than the 7,975 units permitted during the previous 12-month period (preliminary data). The previous time multifamily permitting was that high during a 12-month period was 2007—before the recent recession—when 15,850 units were permitted.
- Multifamily permitting in the Chicago metropolitan area reached a recent low of 1,725 in 2009, when the economy was contracting in both the metropolitan area and nationally. Multifamily production grew to 3,025 units in 2010, a 1-year increase of 76 percent, and then remained relatively stable, averaging 3,850 units permitted annually from 2011 through 2013.
- An estimated 16,000 new apartment units currently are under construction in the metropolitan area, including 12,100 units

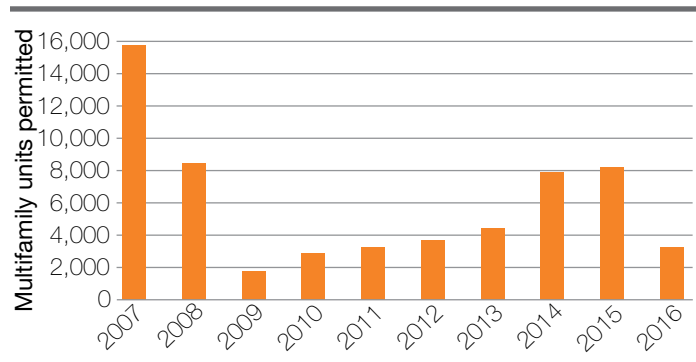
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The apartment vacancy rate in the Chicago area has been less than 6 percent since the second quarter of 2011; annual rent increases have averaged 3.4 percent since 2010.



Source: MPF Research

Multifamily unit permitting in the Chicago area has increased from the recent low level in 2009.



Note: Includes preliminary data from January 2016 through April 2016. Source: U.S. Census Bureau, Building Permits Survey



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in Cook County, of which 7,150 units are in the three Chicago community areas of The Loop, the Near West Side, and the Near North Side.

- In the Near West Side community area, 171 North Halsted is nearing completion, with 227 apartment units in a 28-story building. Rents have not yet been announced for the property. In The Loop area of downtown Chicago, Marquee at Block 37 opened

in early 2016, with 690 units in a 38-story building. Rents start at \$1,871 for a studio unit, \$2,432 for a one-bedroom unit, \$3,812 for a two-bedroom unit, and \$7,637 for a three-bedroom unit.

In suburban Deerfield, Illinois, Woodview Apartments opened in late 2015, with 248 units. At Woodview Apartments, rents start at \$1,678, \$2,394, and \$3,000 for one-, two-, and three-bedroom units, respectively.

