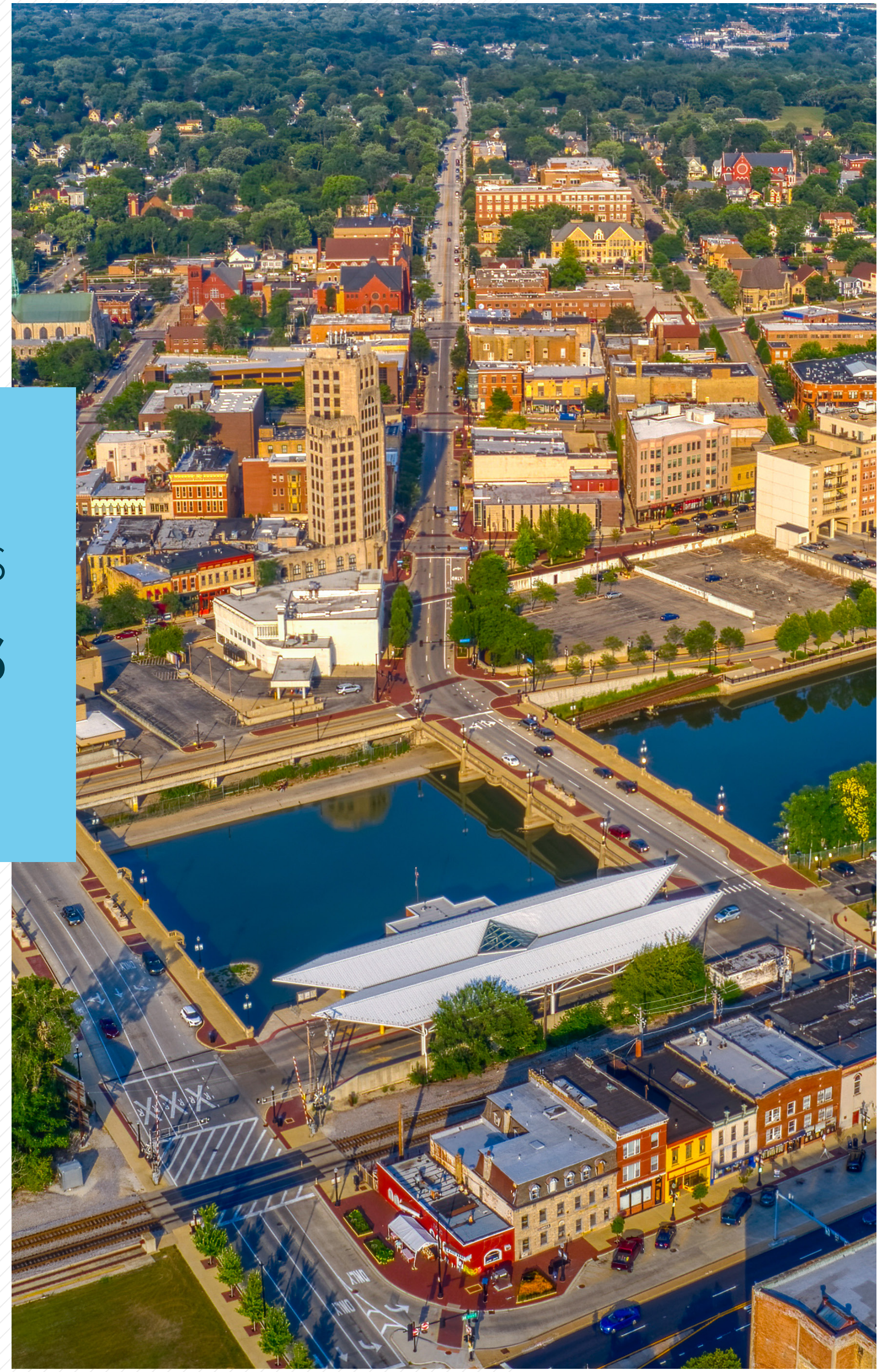
COMPREHENSIVE HOUSING MARKET ANALYSIS

Elgin, Illinois



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

As of May 1, 2023

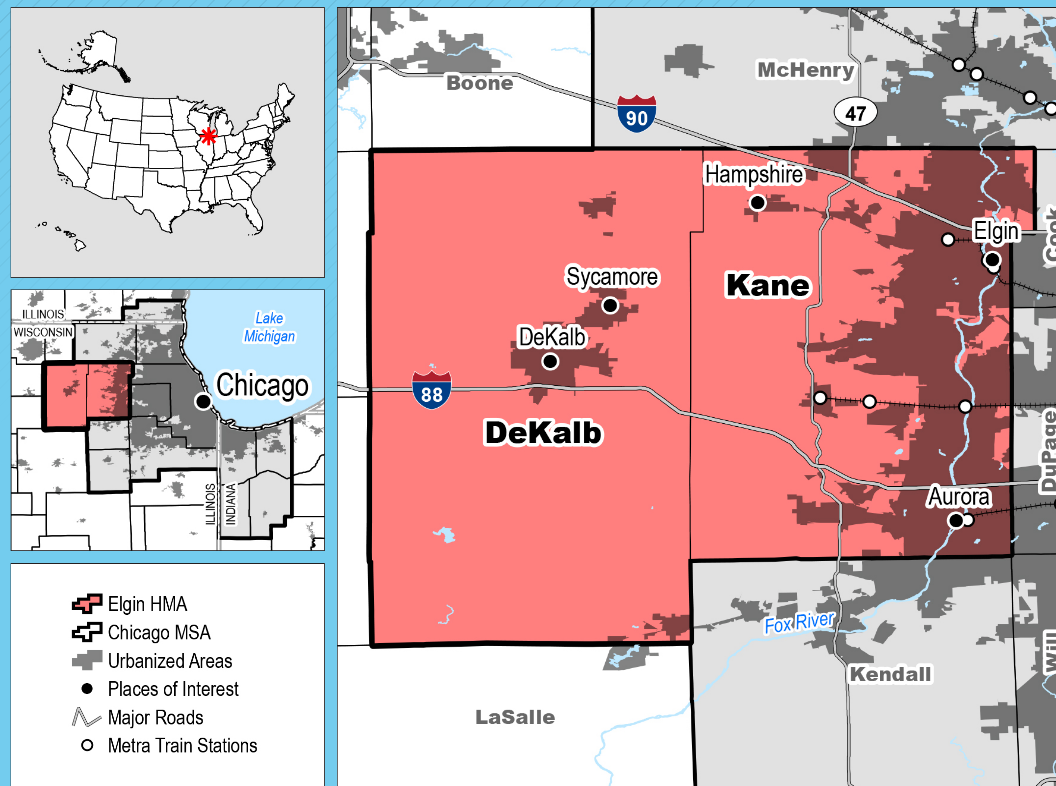
Share on:

Executive Summary

Housing Market Area Description

The Elgin, Illinois Housing Market Area (hereafter, Elgin HMA) is the far west suburban portion of the Chicago-Naperville-Elgin Metropolitan Statistical Area (hereafter, Chicago MSA). The area is coterminous with the Elgin Metropolitan Division and includes Kane and DeKalb Counties. The two largest cities in the HMA, Elgin and Aurora, are approximately 40 miles west of downtown Chicago. The HMA economy is closely related to conditions elsewhere in the MSA, with 56 percent of residents commuting to jobs in other counties within the MSA (U.S. Census, OnTheMap 2020). The population and employment centers are concentrated in eastern Kane County, the portion of the HMA closest to the city of Chicago, and in the city of DeKalb, the location of Northern Illinois University (NIU).

The current population of the HMA is estimated at 613,000, representing 12 percent of the total population of the MSA.



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

Recovering: Nonfarm payrolls increased 4.1 percent during the 12 months ending April 2023, moderating from a 6.4-percent gain during the previous 12 months.

Nonfarm payrolls have nearly recovered from job losses associated with the early 2020 recession. Job growth was faster during the most recent 12 months compared with the 1.4-percent average annual rate during the previous period of growth from 2011 through 2018. Payrolls averaged 261,900 jobs during the 12 months ending April 2023, which was 400 jobs, or 0.2 percent, below the 12 months ending April 2019, the most recent corresponding period before the recession. During the most recent 12 months, all sectors added jobs or were stable, and the professional and business services sector led job growth. During the 3-year forecast period, jobs are expected to increase an average of 0.9 percent annually, slowing from the rapid gains during the past 2 years.

Sales Market

Slightly Tight but Easing: The inventory of homes for sale was 2.4 months in April 2023, relatively unchanged from 2.3 months in April 2022 and up from a historical low of 0.9 months in April 2021.

The average home price increased 10 percent during the 12 months ending April 2023, slowing from a 12-percent increase a year earlier but faster than the 5-percent average annual growth rate from 2013 through 2020. Elevated mortgage interest rates in 2022 and 2023 compared with rates in 2020 and 2021 contributed to a reduction in the affordability of homebuying and a 25-percent decline in home sales during the most recent 12 months. During the 3-year forecast period, demand for an additional 2,850 for-sale homes is expected. Forecast demand for additional homes is a slight reduction from recent construction levels, partially because of expected slower household growth. The 480 units under construction are expected to meet a portion of demand during the first year of the forecast period.

Rental Market

Slightly Tight but Easing: Renter households have increased by an average of 625, or 1.1 percent, annually since 2010, a faster gain compared with the average gain of 500 owner households, a rate of 0.3 percent annually.

The rental market vacancy rate is currently estimated at 5.5 percent, down from 8.3 percent in 2010. As of the first quarter of 2023, apartment rent increased 4 percent, slowing from a 7-percent increase a year ago but above the 2-percent average annual increase from 2013 through 2019, when market conditions were generally balanced. The apartment vacancy rate as of the first quarter of 2023 was 3.9 percent, unchanged from a year ago and below the average from 2013 through 2019. During the 3-year forecast period, demand for an additional 1,300 rental units is expected. Forecast demand is below current construction levels, partially because of expected slower household growth. The 370 units currently under construction are expected to meet most of the demand during the first year of the forecast period.

TABLE OF CONTENTS

3-Year Housing Demand Forecast

		Sales Units	Rental Units
Elgin HMA	Total Demand	2,850	1,300
	Under Construction	480	370

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2023. The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Wholesale and Retail Trade

The sectors with the largest gains since 2001 were those with jobs primarily serving the local population—the education and health services sector, the leisure and hospitality sector, and the local government subsector—each increasing by an average of 200 jobs or more annually.

Primary Local Economic Factors

The Elgin HMA is a primarily suburban area that composes the western portion of the Chicago MSA. Notable employers and industries include the Fermi National Accelerator Laboratory (hereafter, Fermilab), NIU, and the gambling industry, with 2 of the 11 casinos in Illinois in the HMA. Fermilab and NIU are the two largest employers (Table 1). Four healthcare providers and two manufacturers are also among the 10 largest employers.

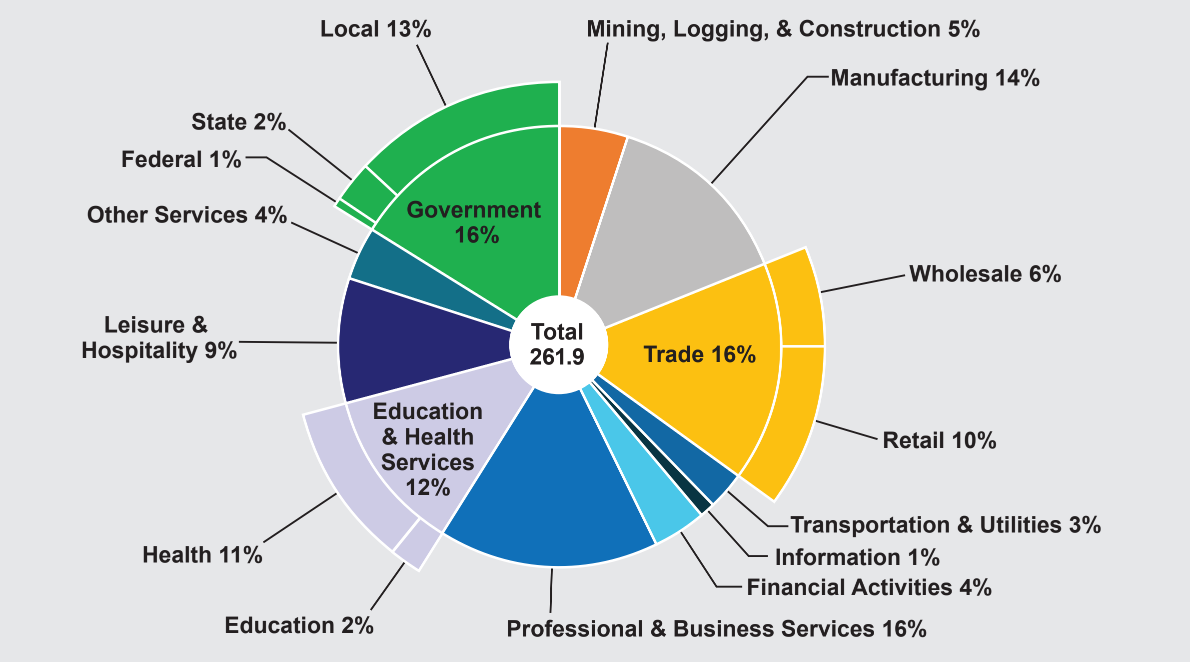
Historically, the HMA was a manufacturing center, with manufacturing being the largest sector in 2000. A declining number of manufacturing jobs and gains in the service-providing sectors led to the manufacturing sector being only the fourth largest during the 12 months ending April 2023 (Figure 1). In 2022, the 1,050 manufacturing employers in the HMA produced products in various industries, with more than 2,000 workers each in the food, plastics, and rubber products,

Table 1. Major Employers in the Elgin HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fermi National Accelerator Laboratory	Professional & Business Services	4,000
Northern Illinois University	Government	3,300
Hearthside Food Solutions LLC	Manufacturing	3,000
Northwestern Medicine	Education & Health Services	2,788
JPMorgan Chase & Co.	Financial Activities	2,500
Advocate Sherman Hospital	Education & Health Services	2,200
RUSH Copley Medical Center	Education & Health Services	2,200
Caterpillar Inc.	Manufacturing	2,000
Target Distribution Center	Wholesale & Retail Trade	1,600
Amita Health Mercy Medical Center	Education & Health Services	1,300

Note: Excludes local school districts.
Sources: Kane County Annual Comprehensive Financial Report; DeKalb County Annual Comprehensive Financial Report

Figure 1. Share of Nonfarm Payroll Jobs in the Elgin HMA, 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 April 2023.
Source: U.S. Bureau of Labor Statistics

fabricated metal products, and machinery manufacturing industries (Quarterly Census of Employment and Wages).

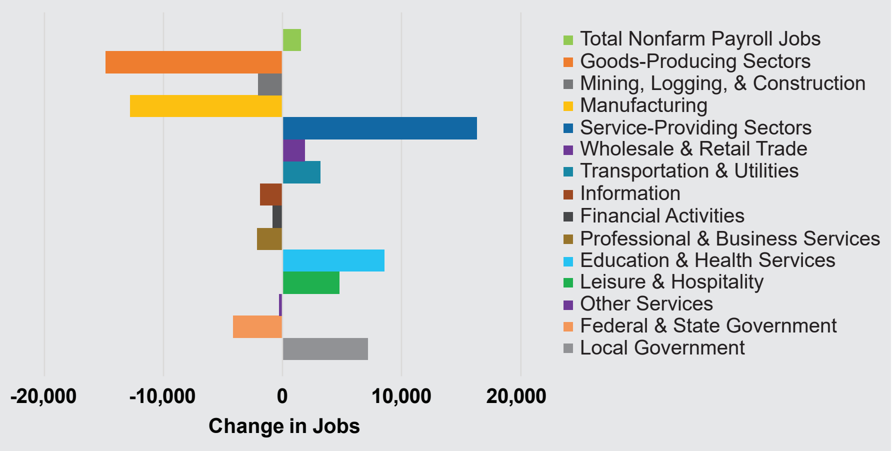
Within the HMA, the education and health services sector, the leisure and hospitality sector, and the local government subsector had the largest job gains since 2001. Combined, the two sectors and one subsector have added an average of 900 jobs annually, or a total 20,400 jobs, since 2001 (Figure 2). These sectors and subsector primarily provide services to the local population. Job losses in the manufacturing sector, a sector affected by national and international demand for goods, partially offset gains.

The HMA economy has become increasingly tied to the MSA economy, with a growing share of HMA residents working in other counties of the MSA. In 2002, the share included about 46 percent of working residents, then increased to 53 percent in 2007 and 56 percent in 2020. The lower cost of housing relative to elsewhere in the MSA and the availability of land for residential development attracted households to the area. Direct transportation routes along Interstates 90 and 88 and the Metra commuter rail lines enabled residents to commute to jobs in nearby counties.

Current Conditions—Nonfarm Payrolls

The HMA economy has nearly recovered from job losses associated with the early 2020 recession. Job growth moderated during the most recent 12 months compared with the previous 12 months, but gains are above average compared with the period of growth from 2011 through 2018. During the 12 months ending April 2023, nonfarm payrolls averaged 261,900 jobs, up by 10,300 jobs, or 4.1 percent (Table 2), slowing from a gain of 15,200 jobs, or 6.4 percent, during the previous 12-month period. The rapid job growth during the 12 months ending April 2022 included the later portion of the reopening period after Illinois lifted public health measures to limit the spread of COVID-19. Much of the increase during that time is attributed to businesses rehiring after a period of limited operations. The current number of jobs is only 400, or 0.2 percent,

Figure 2. Sector Growth in the Elgin HMA, 2001 to Current



Note: The current date is May 1, 2023.
Source: U.S. Bureau of Labor Statistics

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

	12 Months Ending April 2022	12 Months Ending April 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**251.6**	**261.9**	**10.3**	**4.1**
Goods-Producing Sectors	48.5	49.9	1.4	2.9
Mining, Logging, & Construction	14.0	14.1	0.1	0.7
Manufacturing	34.5	35.8	1.3	3.8
Service-Providing Sectors	203.1	212.0	8.9	4.4
Wholesale & Retail Trade	42.2	42.5	0.3	0.7
Transportation & Utilities	7.5	8.2	0.7	9.3
Information	2.1	2.1	0.0	0.0
Financial Activities	10.1	10.1	0.0	0.0
Professional & Business Services	37.3	40.7	3.4	9.1
Education & Health Services	31.7	32.6	0.9	2.8
Leisure & Hospitality	23.2	24.8	1.6	6.9
Other Services	9.5	9.9	0.4	4.2
Government	39.6	41.1	1.5	3.8

Notes: Based on 12-month averages through April 2022 and April 2023. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

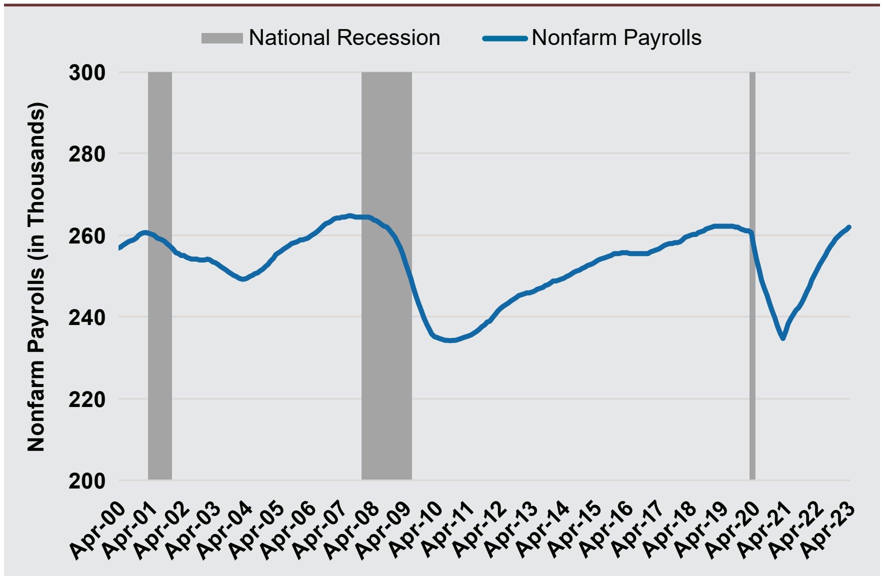
below the 12 months ending April 2019, the most recent corresponding period before the pandemic (Figure 3). The year-over-year gain during the most recent 12 months is above the average from 2011 through 2018, when jobs increased by 3,400, or 1.4 percent, annually.

All employment sectors in the HMA were stable or added jobs compared with a year ago. The professional and business services sector, which includes scientific and technical services, led job growth during the most recent 12 months, with a gain of 3,400 jobs, or 9.1 percent. Two expansion projects at Fermilab supported the gain—an 80,000-square-foot Integrated Engineering Research Center, with laboratory space for physicists, and a PIP-II Cryogenic Plant Building used to support particle acceleration. The expansion projects further the economic impact of Fermilab, which was estimated at $452 million and supporting 5,300 jobs statewide in 2019 (Fermilab).

Current Conditions—Unemployment

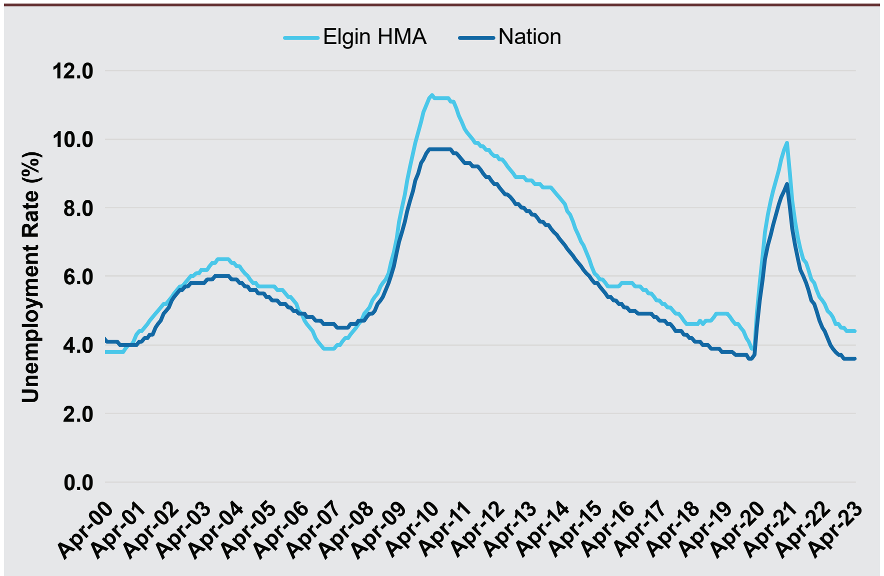
The unemployment rate in the HMA declined during the past 2 years, because the economy is recovering from the early 2020 recession, and employment growth outpaced labor force growth. The unemployment rate peaked at an average of 9.9 percent during the 12 months ending March 2021, was at 5.3 percent during the 12 months ending April 2022, and averaged 4.4 percent during the 12 months ending April 2023 (Figure 4). By comparison, the respective rates for the MSA and the nation peaked at 10.4 and 8.7 percent during March 2021 and are currently 4.4 and 3.6 percent.

Figure 3. 12-Month Average Nonfarm Payrolls in the Elgin HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

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



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

Economic Periods of Significance

The professional and business services sector had the largest fluctuation in jobs during each period of significance. Approximately one-half of the jobs in this sector are in the employment services industry, primarily in temporary help, and the large fluctuations in jobs within the sector are primarily temporary help jobs. A common practice among manufacturing and warehousing employers is to hire through staffing agencies so that employment levels can quickly adjust to meet production needs. Although the professional and business services sector contributed to large fluctuations in jobs during the past 3 decades, the need for manufacturing and warehousing workers influences these changes.

Manufacturing Decline and the Suburban Housing Boom: 2001 Through 2007

The HMA started the 2000s decade in economic decline. From 2001 through 2003, nonfarm payrolls fell by an average of 3,500 jobs, or 1.4 percent, annually. Gains in the education and health services sector partially offset losses concentrated in the manufacturing and the professional and businesses services sectors.

Growth in the service-providing sectors in the mid-2000s supported recovery from losses in the early 2000s. Nonfarm payrolls increased by an average of 3,700 jobs, or 1.4 percent, annually from 2004 through 2007. The largest gains were in the professional and business services and the education and health services sectors, followed closely by the government sector.

As an outlying suburban area, the HMA had elevated single-family construction in the early and mid-2000s when home mortgages were easily available. From 2000 through 2006, the mining, logging, and construction sector increased by an average of 500 jobs annually, but the sector began to lose jobs in 2007.

Effects of the Great Recession: 2008 Through 2010

Coinciding with the Great Recession and national housing crisis, jobs in the HMA declined from 2008 through 2010. Nonfarm payrolls fell by an average of 10,000 jobs, or 3.9 percent, annually. By rate of decline, the steepest losses were in the mining, logging, and construction sector, which fell by an average of 2,500 jobs, or 17.3 percent, annually, accounting for approximately one-fourth of the total jobs lost. A substantial reduction in single-family construction, partially because of tighter restrictions on mortgage lending, contributed to the job loss. The manufacturing and the professional and business services sectors also each accounted for approximately one-fourth of the total decline in jobs. Only the education and health services sector added jobs during the period.

Job losses in the MSA and the nation were less severe than in the HMA. Payrolls in the MSA declined by an average of 2.3 percent annually, and payrolls in the nation declined 1.7 percent annually during the period.

Post-Great Recession Recovery: 2011 Through 2018

Job growth returned to the HMA in 2011 and continued through 2018. Nonfarm payrolls expanded by an average of 3,400 jobs, or 1.4 percent, annually. The professional and business services sector added the most jobs, up by an average of 1,000, or 3.0 percent, annually, and the manufacturing sector added an average of 500 jobs, or 1.5 percent, annually. Unlike the nation, which fully recovered from job losses associated with the Great Recession in 2014, and the MSA, which fully recovered in 2015, nonfarm payrolls in the HMA did not fully recover from jobs lost during 2008 through 2010.

Manufacturing Decline: 2019

The Federal Reserve reported that U.S. factory production fell 1.3 percent in 2019. The national decline led to a reduction in total nonfarm payrolls in the HMA, falling by 700 jobs, or 0.3 percent. The manufacturing sector declined by 100 jobs, or 0.3 percent, and the professional and business services sector, which includes temporary staffing at manufacturing facilities, declined by 1,300 jobs, or 3.6 percent.

COVID-19-Associated Recession: 2020

The onset of the COVID-19 pandemic and public health measures to temporarily close businesses to prevent the spread of the virus greatly accelerated the decline in jobs in the HMA that began in 2019. A national recession occurred in March and April 2020. Some public health measures remained in place in Illinois, and some employers and consumers exercised caution, limiting in-person interactions for the remainder of the year. During 2020, nonfarm payrolls in the HMA averaged 239,500 jobs, down by 21,800 jobs, or 8.3 percent, compared with 2019. The transportation and utilities sector was unchanged, and all other sectors declined. The largest losses occurred in the leisure and hospitality sector, down by 6,800 jobs, or 25.3 percent. Statewide restrictions on indoor dining at restaurants and entertainment venues, including casinos, contributed to the decline. Job losses were less severe in the MSA and the nation, falling 7.2 percent and 6.1 percent, respectively.

Early COVID Recession Recovery: 2021

From January through June 2021, coinciding with the widespread availability of the COVID-19 vaccine, Illinois phased out most of the formal, statewide public health measures to limit the spread of COVID-19. The lifting of restrictions supported recovery from the job losses during 2020. During 2021, nonfarm payrolls increased by 6,500, or 2.7 percent. The professional and business services and the leisure and hospitality sectors led gains. Early recovery from the 2020 recession was slower in the MSA, with payrolls increasing 2.3 percent in 2021. Nationwide, nonfarm payrolls recovered faster than in the HMA and the MSA, with job growth of 3.3 percent in 2021.

Forecast

During the 3-year forecast period, job growth is expected to average 0.9 percent annually. The large job gains during the past 24 months, which included most of the recovery from the 2020 downturn, are expected to moderate. The Federal Reserve policies intended to slow inflation are expected to contribute to slower job growth during the forecast period.

Population and Households

Current Population: 613,000

> Since 2018, lower levels of net natural increase combined with net out-migration have resulted in population decline.

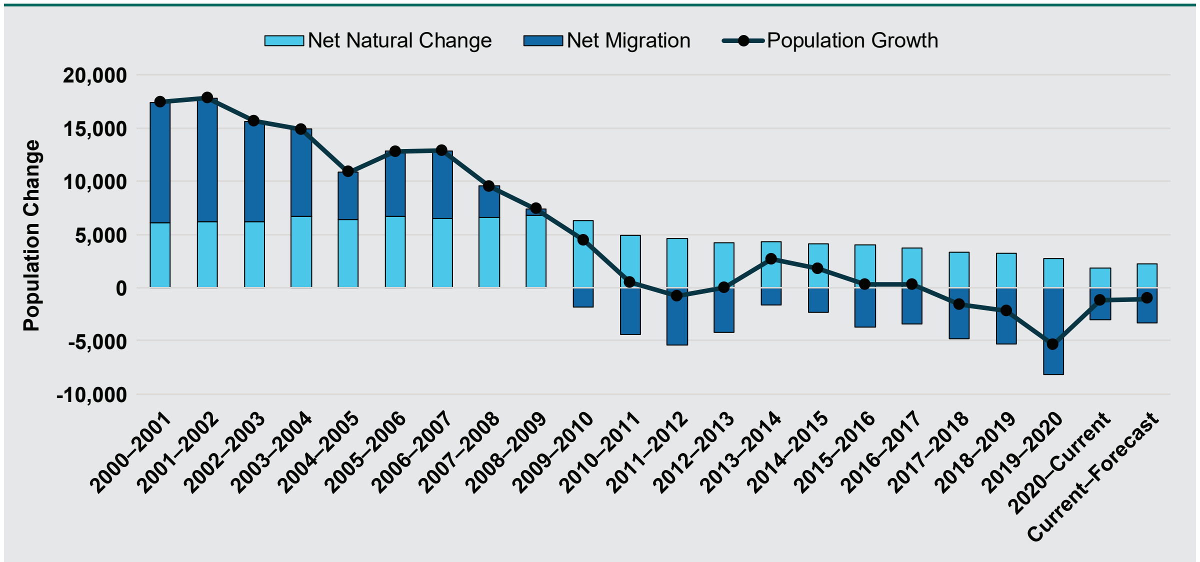
Population Trends

As a primarily suburban area within the larger Chicago MSA, economic conditions within the HMA, the MSA, and the nation affect population change in the Elgin HMA. Relative housing affordability compared with housing elsewhere in the MSA and changing preferences for urban or suburban living also affected population change. A falling birthrate and growing share of older residents contributed to lower levels of net natural increase during the 2010s and 2020s.

2000 to 2009

A preference for suburban living and relatively easy access to home mortgages attracted new residents, contributing to net in-migration and higher population growth in the HMA. From 2000 to 2009, population growth averaged 13,350, or 2.4 percent, annually (Figure 5). Net in-migration averaged 6,900 people annually, including many people with jobs elsewhere in the MSA moving into the HMA, because housing prices were comparatively lower. In 2006, at the peak of the housing boom, the average home sales price in the HMA was $14,100, or 5 percent, below the average price in the remainder of the MSA. Net in-migration slowed during 2008 and 2009, because tighter borrowing standards limited the number of households able to obtain a mortgage. Net natural increase averaged 6,450 people annually.

Figure 5. Components of Population Change in the Elgin HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is the current date (May 1, 2023) to May 1, 2026.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

2009 to 2018

Population growth was limited from 2009 to 2018. Relatively severe job loss in the HMA associated with the Great Recession compared with the MSA and the nation and slower job recovery contributed to net out-migration as people moved away for economic opportunities elsewhere. A preference for living in large central cities, such as the city of Chicago, further contributed to net-out migration. In addition, fewer births and an aging population led to a lower net natural increase. Population growth averaged 850 people, or 0.1 percent, annually from 2009 to 2018. Net out-migration averaged 3,525 annually, a reversal from the previous period when net in-migration occurred, and net natural increase averaged 4,375 annually, down more than 30 percent compared with the previous period.

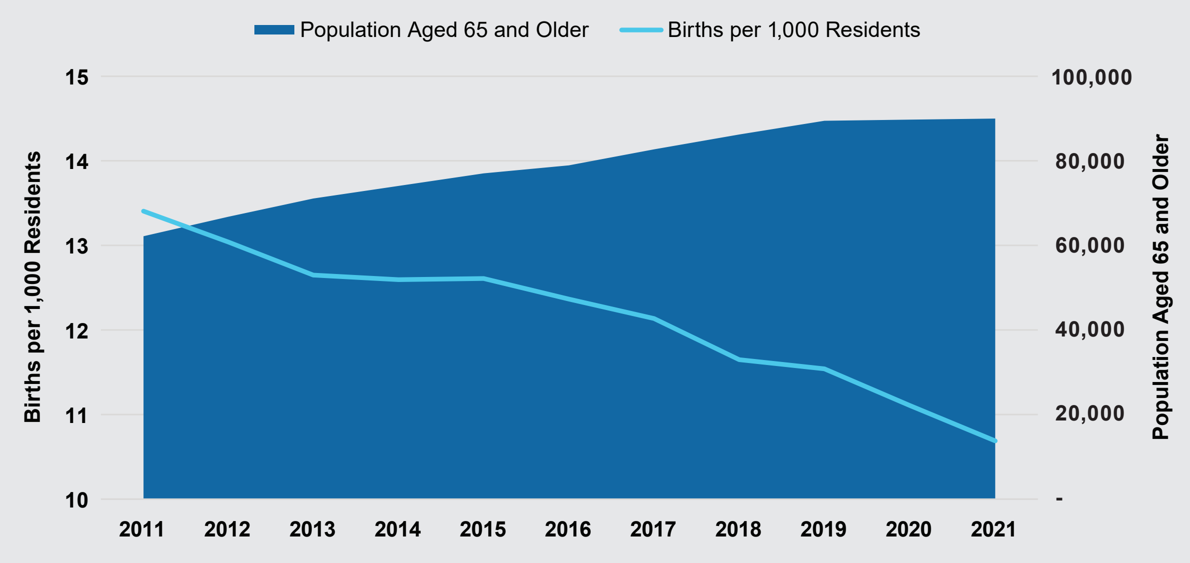
2018 to Current

The population has declined since 2018. Weak economic conditions in the HMA—including modest job loss in 2019, severe job loss in 2020, and faster job recovery elsewhere in the nation following the 2020 recession—accelerated net out-migration. An increase in deaths since 2020, including 1,450 in the HMA attributed to COVID-19, has contributed to a lower net natural increase (Illinois Department of Public Health). The population declined by an estimated average of 2,275, or 0.4 percent, annually. Net out-migration averaged an estimated 4,550 annually, and net natural increase averaged 2,275 annually.

Net Natural Increase Trends

Net natural increase slowed almost every year from 2009 through 2019 and has been even lower since the onset of the COVID-19 pandemic in 2020. Net natural increase fell by an average of 350 people, or 8 percent, annually from 2009 to 2019. The birth rate fell from 13.0 births per 1,000 residents in 2011 to 11.5 in 2019 and 10.7 in 2021 (Figure 6). An increase in the number of older residents in the HMA also contributed to the lower birthrate and overall reduction in net natural increase. The senior population aged 65 and older increased from 62,300, or 10 percent of the HMA population, in 2011 to 89,950, or 15 percent of the HMA population, in 2021—up by an average of 2,775, or 4 percent, annually since 2011.

Figure 6. Selected Demographic Trends in the Elgin HMA



Sources: Population aged 65 and older—2010–19 and 2021 American Community Survey 1-year data and 2020 estimates by the analyst; births per 1,000 residents—U.S. Census Bureau population estimates as of July 1 and 2020 estimates by the analyst

Migration Trends

Net out-migration from the HMA has occurred each year since 2010. When considering migration by county, net in-migration occurred from other counties of the MSA into the HMA but net out-migration to counties outside the MSA offset it. In 2021, net in-migration of 4,650 people from other counties in the MSA occurred (Internal Revenue Service, 2021 U.S. Population Migration Data). However, HMA residents moving elsewhere in the nation offset the gain. Common destinations were Florida, Texas, Arizona, Tennessee, and Wisconsin, with 300 or more people from the HMA moving to each state.

Since 2011, international net-in migration has averaged 500 people annually. In 2021, about 15 percent of the population was foreign-born (2021 American Community Survey [ACS] 5-year data). The most common birthplace was Latin America, followed by Asia.

Population by Geography

Population change was relatively limited in the HMA from 2010 to 2020, but some areas of the HMA had growth, and others declined. Overall, the population in the HMA declined by an average of 350, or

0.1 percent, annually from 2010 to 2020 (Decennial Census). The strongest areas of population growth were in central Kane County, between the Fox River and Illinois Route 47, and in an area on the north side of the city of Sycamore in DeKalb County (Map 1). The population was relatively stable or declined in eastern Kane County and the rural portions of the HMA, including western Kane County and southern and western DeKalb County. The steepest decline was in a cluster of census tracts in southeastern Kane County.

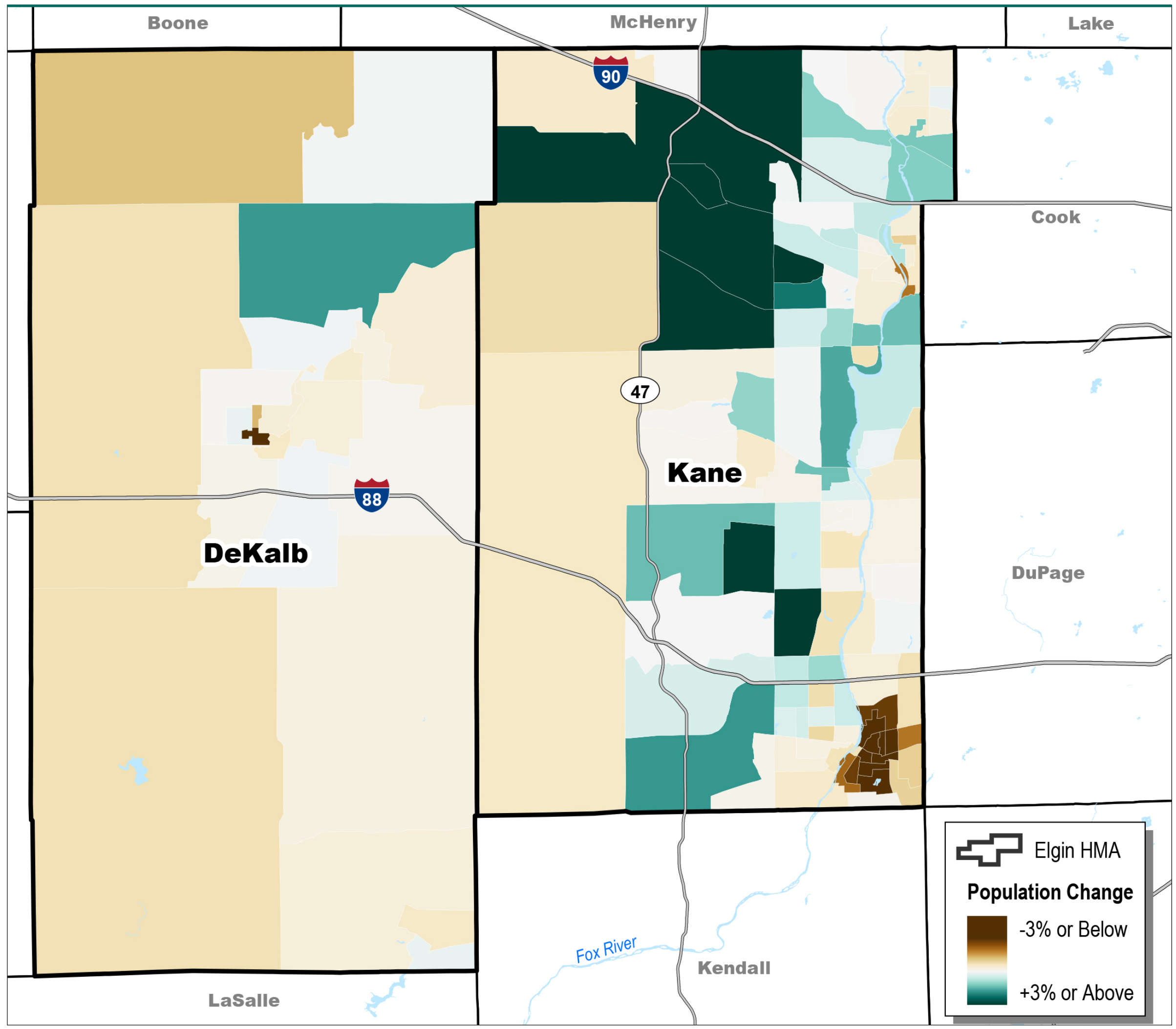
Population Forecast

During the 3-year forecast period, the population is expected to continue declining but at a slower rate compared with the period from 2018 to the current date. Population decline is expected to average 1,050, or 0.2 percent, annually. Continued job growth in the HMA and high mortgage interest rates are expected to slow net out-migration. The number of deaths from COVID-19 declined in 2023 and is expected to remain low. The underlying trends contributing to the lower net natural increase during the 2010s—a decline in the birthrate and a larger number of seniors—remain present and are expected to result in levels of net natural increase below those of the period from 2009 to 2018.

Household Trends

Household growth has slowed in recent years, coinciding with declining population. From

Map 1. Average Annual Population Change by Census Tract, 2010 to 2020, in the Elgin HMA



Source: 2010 and 2020 Decennial Census, with adjustments by the analyst

2000 to 2010, when the population increased each year, household growth averaged 4,350, or 2.4 percent, annually (Table 3). Since 2010, household growth has slowed to an average of 1,125, or 0.5 percent, annually.

The number of renter households has increased faster than owner households since 2010. Renter household growth averaged 625, or 1.1 percent, annually, and owner households increased by an average of 500, or 0.3 percent. Because of a slower gain in owner households, the homeownership rate fell from 73.8 percent in 2010 to an estimated 71.8 percent currently (Figure 7). Despite the decline in the homeownership rate in the HMA since 2010, the HMA's homeownership rate was 8.7 percentage points above the MSA's and 8.4 percentage points above the nation's in 2020 (Decennial Census).

Student Households

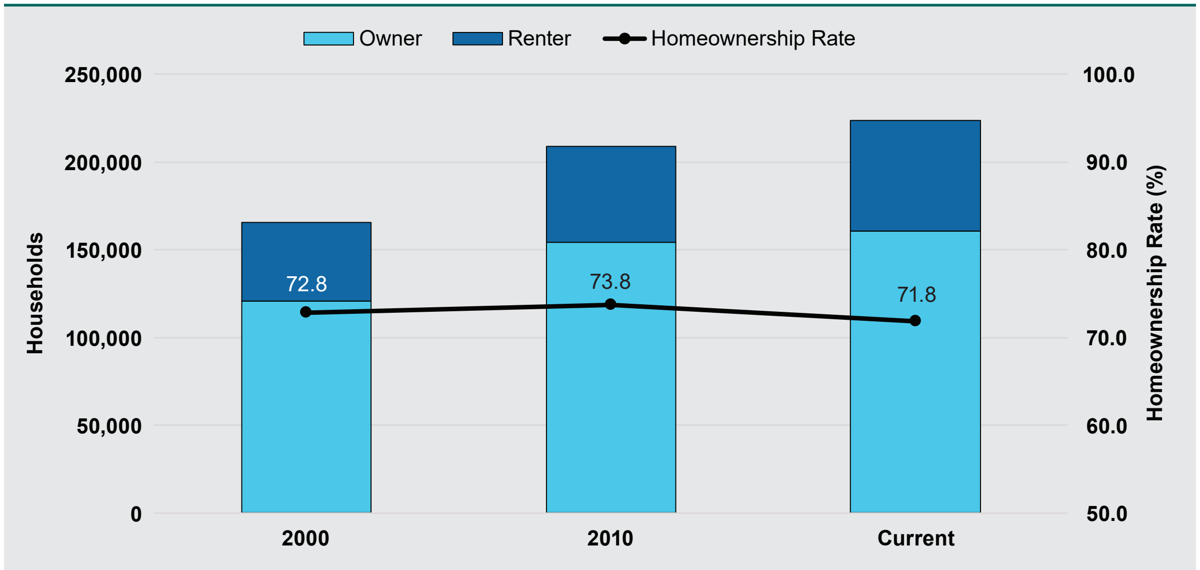
NIU in the city of DeKalb is the largest public university in the HMA and the second largest in the MSA. Student enrollment was 15,650 during the fall of 2022, resulting in an estimated 3,500 student households living off campus and participating in the rental market. Student households account for an estimated 5 percent of all rental households in the HMA and are primarily concentrated in the areas proximate to the NIU campus. Enrollment at the university has declined by an average of 3 percent annually since 2010, and the number of student households has also likely declined.

Table 3. Elgin HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	**Population**	620,429	613,000	609,900
	Average Annual Change	12,750	-570	-1,050
	Percentage Change	2.3	-0.1	-0.2
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	208,963	223,650	225,800
	Average Annual Change	4,350	1,125	720
	Percentage Change	2.4	0.5	0.3

Note: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 7. Households by Tenure and Homeownership Rate in the Elgin HMA



Note: The current date is May 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Household Forecast

During the 3-year forecast period, household growth is expected to slow to an average of 720, or 0.3 percent, annually. The slowdown coincides with an expected decline in population. The average household size is expected to decline, resulting in household growth despite population decline.

Home Sales Market

Market Conditions: Slightly Tight but Easing

Home price growth slowed to 10 percent during the most recent 12 months, down from 12 percent during the previous 12 months but above the 5-percent average annual increase from 2013 through 2020.

Current Conditions

The home sales market is slightly tight but easing from tighter conditions during the previous 2 years. The current vacancy rate is estimated at 1.0 percent (Table 4), down from 2.6 percent in 2010. Home sales, including new and existing homes, declined in the 12 months ending April 2023, a reversal from gains during the previous 24 months. Home prices continue to increase year over year, and the inventory of homes for sale remains low. During the 12 months ending April 2023, home sales declined to 8,600, down 25 percent and a reversal from gains of 5 percent and 15 percent during the two previous 12-month periods, respectively (Zonda). Home prices averaged $348,400, up 10 percent from the previous 12-month period but slowing from a 12-percent gain a year earlier. The inventory of homes for sale was 2.4 months in April 2023, up from 2.3 months in April 2022 and a historical low of 0.9 months in April 2021 (Redfin, a national real estate brokerage, with adjustments by the analyst).

A significant factor in easing tighter market conditions is the increase in home mortgage interest rates, which reduced homebuying affordability. The average interest rate for a 30-year fixed-rate mortgage was 6.09 percent during the 12 months ending April 2023, up from 3.34 percent during the previous 12 months (Freddie Mac). As of the first quarter of 2023, a household earning the median family income in the Elgin HMA could afford 65 percent of homes listed for sale, down from 80 percent a year earlier (National Association of Home Builders/Wells Fargo Housing Opportunity Index).

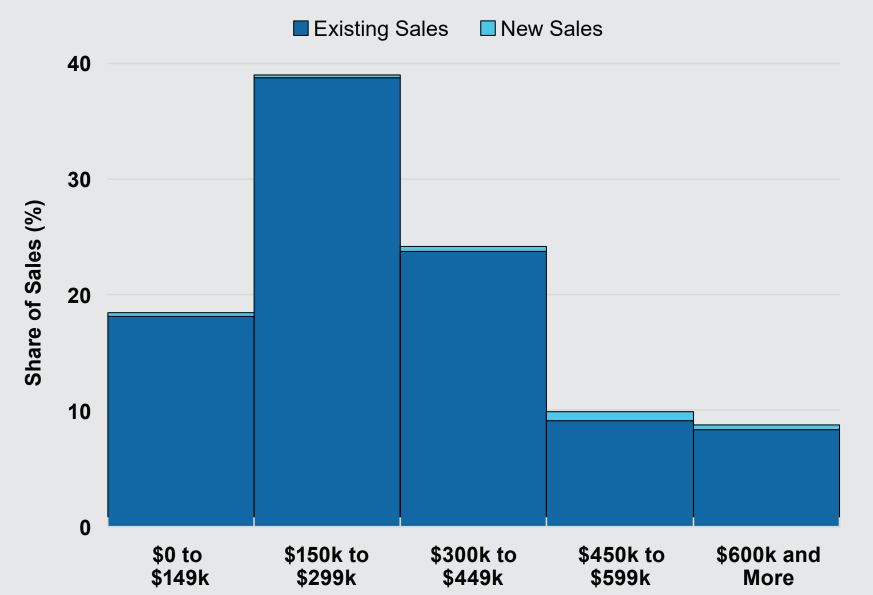
During the most recent 12 months, the average price for existing homes, which accounted for 88 percent of all sales, was $335,000, and the average new home price was $446,200. The largest share of existing home sales was in the $150,000 to $299,999 price range, and the largest share of new home sales was in the $450,000 to $599,999 price range (Figure 8).

Table 4. Home Sales Quick Facts in the Elgin HMA

		Elgin HMA	Nation
Home Sales Quick Facts	**Vacancy Rate**	1.0%	NA
	Months of Inventory	2.4	1.8
	Total Home Sales	8,600	5,761,000
	1-Year Change	-25%	-26%
	Total Home Sales Price	$348,400	$434,000
	1-Year Change	10%	5%
	Mortgage Delinquency Rate	1.2%	1.1%

NA = data not available.
Notes: The vacancy rate is as of the current date, home sales and prices are for the 12 months ending April 2023, and months of inventory and mortgage delinquency data are as of April 2023. The current date is May 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

Figure 8. Share of Overall Sales by Price Range During the 12 Months Ending April 2023 in the Elgin HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

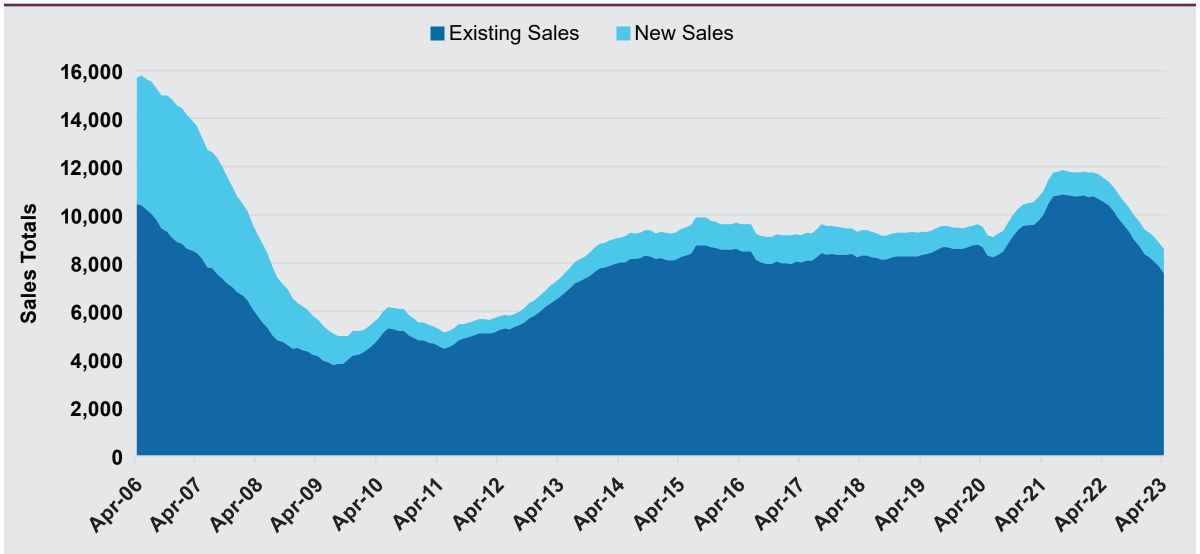
Home Sales

Home sales, including new and existing homes, were subdued following the end of the Great Recession in 2009, increased as economic conditions improved in the early 2010s, and were relatively stable in the mid- to late 2010s. In 2009, home sales were at a low of 5,175 and remained muted, averaging 5,600 annually during 2010 and 2011 (Figure 9). From 2012 through 2014, sales increased by an average of 1,225, or 18 percent, annually to 9,300 in 2014. Sales were relatively stable from 2015 through 2019, averaging 9,400 annually. The onset of the COVID-19 pandemic, which led to increased telework, and low mortgage interest rates contributed to rapid changes in home sales starting in 2020. In 2020 and 2021, when mortgage interest rates were relatively low and some employers initiated or expanded work-from-home policies, home sales increased by an average of 1,175, or 12 percent, annually to a 15-year high of 11,800 in 2021. Mortgage interest rates began to increase in 2022, contributing to a 20-percent decline in home sales that year.

Home Prices

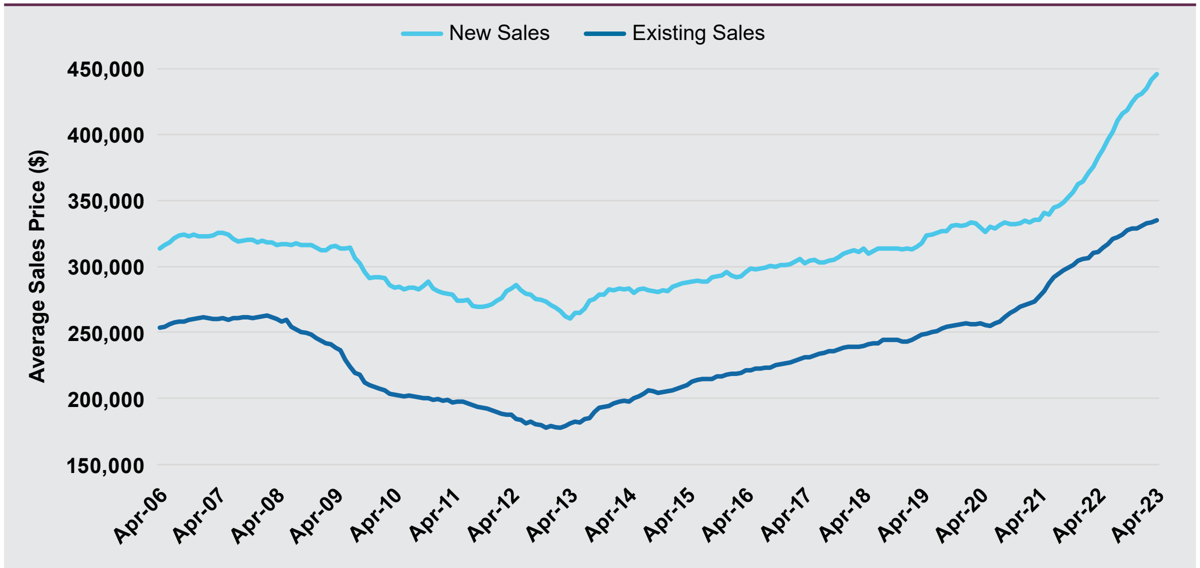
The average home sales price was at a post-Great Recession low in 2012 and has generally risen since 2013. Home prices declined from 2007 through 2012, down by an average of 7 percent, or $16,000, annually to a low of $187,700 in 2012 (Figure 10). Economic growth and limited new housing construction during the

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



Source: Zonda

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



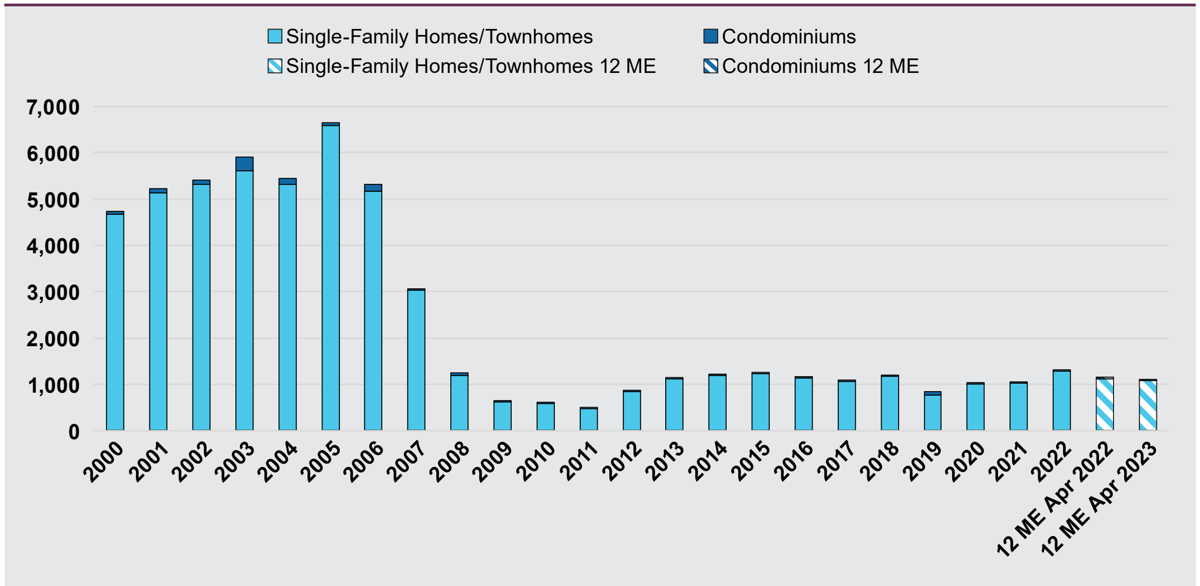
Source: Zonda

2010s supported an increase in prices, rising by an average of 5 percent, or $10,900, annually from 2013 through 2020. A low inventory of homes for sale since 2020 and strong interest in homebuying because of the low mortgage interest rates during 2020, 2021, and early 2022 accelerated price growth. Home prices increased an average of 11 percent, or $32,550, annually during 2021 and 2022.

Sales Construction

Supported by strong demand for suburban housing and easy access to mortgages, home construction, as measured by the number of homes permitted (building permits), was elevated in the early to mid-2000s. From 2000 through 2006, permitting averaged 5,525 homes annually (Figure 11). As the housing bubble burst, permitting fell sharply, down by an average of 1,550 homes annually from 2007 through 2009. Permitting remained low immediately following the Great Recession, averaging 560 homes annually during 2010 and 2011. As the economy began to recover, permitting increased by an average of 320 homes annually between 2012 and 2013 to 1,125 homes in 2013 and was relatively stable from 2014 through 2021 at an average of 1,100 homes annually. In response to the low inventory of existing homes for sale and strong demand from potential homebuyers, permitting increased to a recent high of 1,300 homes in 2022. As market conditions eased in 2023, permitting moderated, with 1,100 homes permitted during the 12 months ending April 2023, down from 1,150 homes during the previous 12 months. However, because the inventory of existing homes for sale remained relatively low, permitting declined only slightly.

Figure 11. Annual Sales Permitting Activity in the Elgin HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

The elevated housing construction in the 2000s, followed by a rapid decline, resulted in several unfinished subdivisions with paved streets and connected utilities but few built homes. Tight market conditions since 2020 have supported sales at some of these subdivisions. One example is the Prairie Ridge subdivision in the village of Hampshire. The streets were built in 2008, but the first home sold in 2017. As of April 2023, the subdivision had 181 lots built and sold, 41 lots (including some with homes under construction) unsold, and additional phases with paved streets and an unannounced number of lots. During the 12 months ending April 2023, the average sales price for a single-family home in the subdivision was $396,800. An average of 47 homes were sold annually in the subdivision from 2019 through 2021, but only 28 sold during the most recent 12 months.

Forecast

During the 3-year forecast period, demand for an additional 2,850 for-sale homes is expected (Table 5). The 480 homes under construction are expected to meet a portion of demand during the first year of the forecast period. Forecast demand is a moderation from recent levels of construction and coincides with slower expected household growth during the next 3 years.

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

	Sales Units
Demand	2,850 Units
Under Construction	450 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Tight but Easing

The average rent increased 4 percent from a year earlier, slowing from a 7-percent gain during the previous year but above the 2-percent average annual increase from 2013 through 2021.

Current Conditions and Recent Trends

Rental market conditions are slightly tight but easing from tighter conditions during the previous year. The vacancy rate is currently estimated at 5.5 percent, down from 8.3 percent in 2010 (Table 6). Renter households increased at a faster rate than the number of rental units, contributing to the decline in vacancy since 2010. The tight home sales market, with a low inventory of homes for sale and steep reductions in homebuying affordability during the past year, has resulted in some potential homeowners delaying purchases and remaining renters longer, also contributing to slightly tight rental market conditions. Apartment market conditions are also slightly tight. As of the first quarter of 2023, apartment rent growth moderated from the 2-decade high a year ago but remains above average compared with the 2010s. The apartment vacancy rate has been at a 2-decade low during the past 2 years.

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

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	8.3	5.5
		2010 (%)	2021 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	35	39
	Multifamily (2–4 Units)	22	19
	Multifamily (5+ Units)	42	41
	Other (Including Mobile Homes)	1	1
Apartment Market Quick Facts		1Q 2023	YoY Change
	Apartment Vacancy Rate	3.9	0.0
	Average Rent	$1,354	4%

1Q = first quarter. YoY = year-over-year.
Notes: The current date is May 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2021 American Community Survey 1-year data; apartment data—CoStar Group

Single-Family Homes for Rent Market

Renter-occupied single-family homes are a growing portion of the rental market. In 2010, single-family homes accounted for 35 percent of all occupied rental units and increased to 39 percent in 2021 (2010 and 2021 ACS 1-year data). The average rent for a three-bedroom, professionally managed single-family home was $2,153 in Kane County and $2,112 in DeKalb County in April 2023 (CoreLogic, Inc.). Rent growth slowed from a year ago, with year-over-year gains of 8 and 4 percent in Kane and DeKalb Counties, respectively, down from 9 and 13 percent the previous year. Recent rent growth is above the average annual gains of 3 and 2 percent from 2013 through 2021. The vacancy rate for all sizes of single-family homes was 1.6 percent in Kane County and 1.7 percent in DeKalb County, relatively unchanged from a year ago. The vacancy rate declined in the past decade, with the current rate in Kane County down 1.0 percentage point and the rate in DeKalb County down 0.5 percentage point since 2013.

Apartment Market

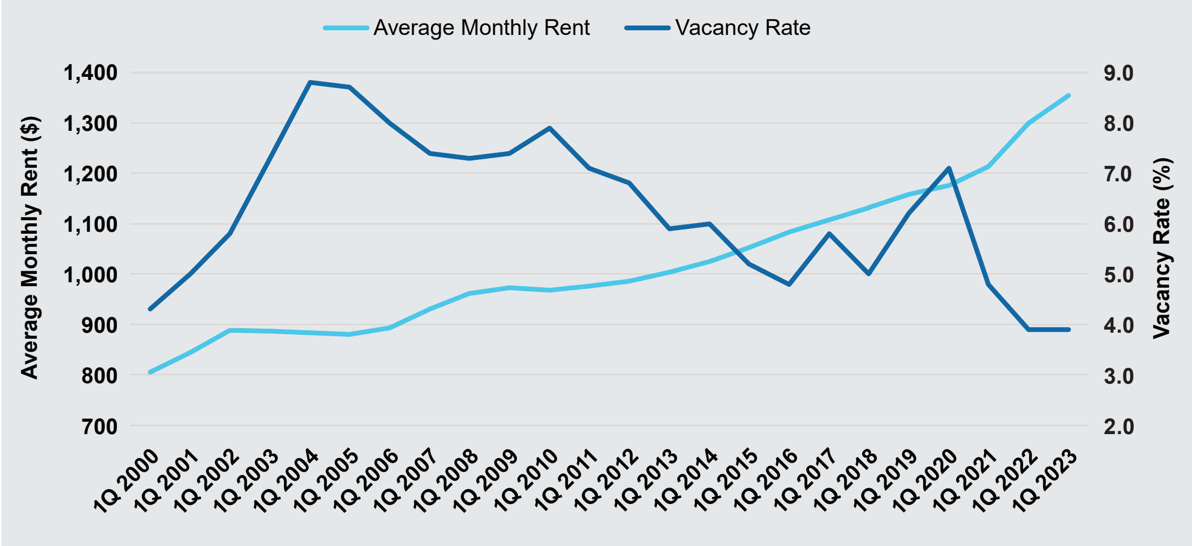
Apartment market conditions are also slightly tight but have eased from tighter conditions a year earlier. Rent growth is slowing, and the vacancy rate is stable, but both were at record levels 1 year ago. As of the first quarter of 2023, the average rent in the Elgin HMA was $1,354, up 4 percent from a year ago but slower than the 7-percent gain during the previous year (Figure 12). The recent rent increase is above the average gain of 2 percent annually from the first quarter of 2013 through the first quarter of 2021. The apartment vacancy rate was 3.9 percent as of the first quarter of 2023, unchanged from a year earlier and down from a recent high of 7.1 percent during the first quarter of 2020. The current rate is below the 5.6 percent average from 2013 through 2019.

Market conditions varied within the six CoStar Group-defined market areas. The tightest conditions were in the Elgin/Dundee market area, with the fastest rent growth and lowest vacancy rate among the market areas. The average rent increased 9 percent from a year ago to $1,582, and the vacancy rate was 2.1 percent as of the first quarter of 2023. The DeKalb market area, which includes the NIU campus and the surrounding cities, had the slowest rent growth and highest vacancy among the market areas. The average rent increased 2 percent to $922, and the vacancy rate was 8.2 percent as of the first quarter of 2023.

Rental Construction

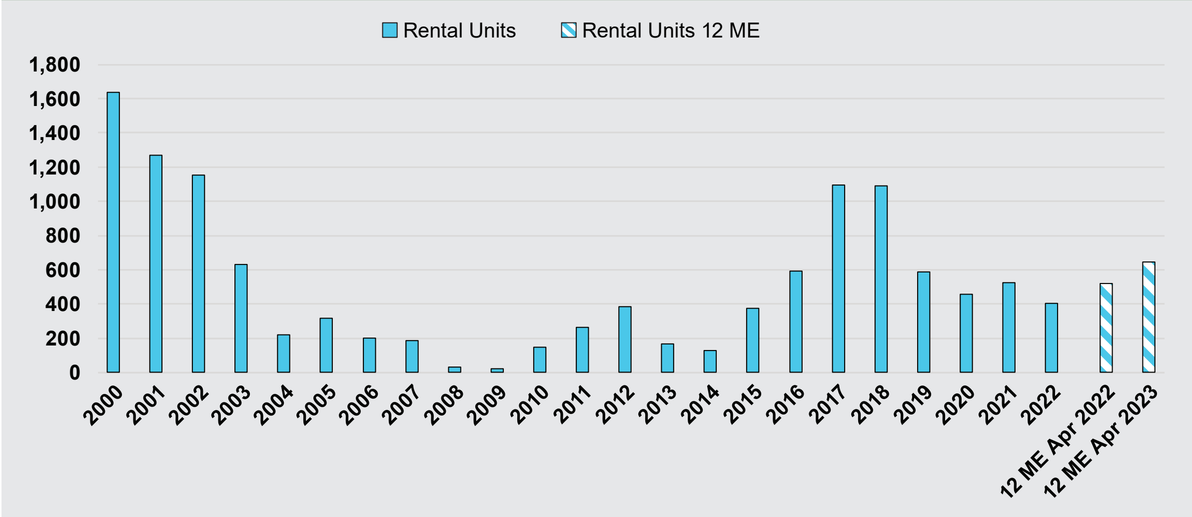
Rental construction, as measured by units permitted, is up from relatively low levels in the late 2000s and early 2010s. Coinciding with strong population and household growth, rental permitting averaged 1,175 units annually from 2000 through 2003 (Figure 13). Easy access

Figure 12. Apartment Rents and Vacancy Rates in the Elgin HMA



1Q = first quarter.
Source: CoStar Group

Figure 13. Annual Rental Permitting Activity in the Elgin HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

to home mortgages in the mid-2000s enabled more households to shift to homeownership, contributing to a decline in permitting, which fell to an average of 230 units annually from 2004 through 2007. The onset of the Great Recession further slowed permitting to an average of 30 units annually during 2008 and 2009. Economic recovery during the 2010s supported an increase in permitting, which rose to an average of 240 units annually from 2010 through 2015 and an average of 930 units annually from 2016 through 2018. The local economic decline in 2019 and the national recession in 2020 contributed to a moderation in permitting, down to an average of 520 units annually from 2019 through 2021. During the most recent 12 months, permitting increased to 650 units, up from 520 units during the previous 12 months. Strong apartment rent growth and low vacancy rates elicited this strong supply response.

During the past 2 decades in the Chicago MSA, apartment construction near transit stations, also known as transit-oriented development (TOD), has increased. However, with only 7 of the 242 Metra regional rail stations in the MSA, the number of locations in the HMA where this popular type of rental housing can be built is limited. Rental permitting in the HMA has accounted for only 5 percent of all rental permits in the MSA since 2010, partially because of the limited availability of land in preferred locations for apartments. An example of a recently completed TOD is the Lofts on Broadway, a 20-unit apartment development in downtown Aurora about one-half mile south of the Aurora Metra Station. The building opened in 2022, and rents for one- and two-bedroom units average $1,305 and $1,607, respectively. Most apartment properties in the HMA built since 2020 are relatively small, with fewer than 100 units. Randall Crossings Promenade, built in 2021 in the city of Aurora, is typical of new construction apartments in the HMA. The 28-unit property rents studio units for $1,416 and one-bedroom units for $1,574.

Forecast

During the 3-year forecast period, demand for 1,300 additional rental units is expected (Table 7). The 370 units currently under construction are expected to meet most of the demand during the first year of the forecast period. Demand represents moderation in construction from current levels, primarily because of the expected slowdown in household growth during the next 3 years.

Table 7. Demand for New Rental Units in the Elgin HMA During the Forecast Period

	Rental Units
Demand	1,300 Units
Under Construction	370 Units

Note: The forecast period is May 1, 2023, to May 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in a housing market area. 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.
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 Home Sales	Includes regular resales and real estate owned sales.
Forecast Period	May 1, 2023–May 1, 2026—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase	Resident births minus resident deaths.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.

B. Notes on Geography

1.	The metropolitan division 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.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2020 Census Urban and Rural Classification and the Urban Area Criteria.

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

Cover Photo	Adobe Stock

Contact Information

Marissa Dolin, Economist
Chicago HUD Regional Office
312–913–8893
marissa.j.dolin@hud.gov