

The COVID-19 pandemic has resulted in unprecedented large and rapid changes in many data series, and similarly unprecedented large policy responses, making 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

# Rockford, Illinois

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

As of December 1, 2020



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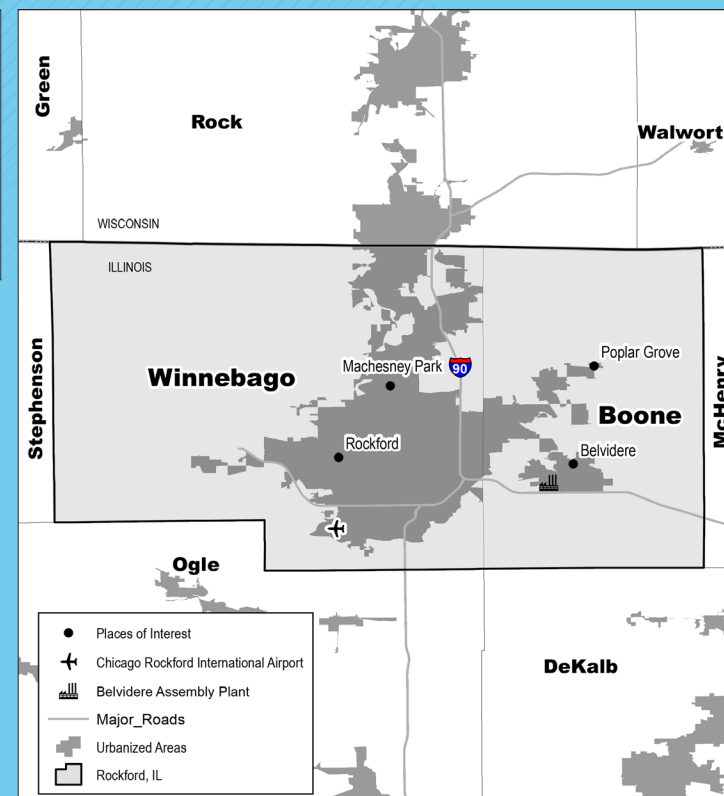


# Executive Summary

## Housing Market Area Description

The Rockford Housing Market Area (HMA) in northern Illinois is coterminous with the Rockford, IL Metropolitan Statistical Area and consists of Boone and Winnebago Counties. The city of Rockford—approximately 90 miles northwest of the city of Chicago—is the fifth largest city in Illinois and the second largest outside the Chicago metropolitan area, with an estimated population of 145,600 as of July 2019. The city of Rockford lost about 5 percent of its population from 2010 to 2019; it is one of the fastest shrinking cities in the nation. In 2019, the city of Rockford had the 9th largest numeric decline in population among cities in the United States with a population of 50,000 or more (Census Bureau).

The current HMA population is estimated at 334,400.



## 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 the [supplemental tables](#) of this report.

For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).



## Market Qualifiers

### Economy



**Weak:** Nonfarm payrolls declined 8.0 percent during the 12 months ending November 2020.

Economic recovery from the Great Recession was slow and uneven in the HMA. From 2011 through 2018, the local economy added only 9,700 nonfarm payroll jobs—about 54 percent of the 17,800 jobs lost from 2008 through 2010—to reach a level of 153,000 jobs in 2018. Countermeasures to slow the spread of COVID-19, which occurred during March and April 2020, further weakened the local economy, as nonfarm payrolls during the 12 months ending November 2020 fell by 12,100 jobs, or 8.0 percent, to a new low of 138,800. During the 3-year forecast period, economic activity in the HMA is expected to improve as more businesses resume normal operations, and nonfarm payroll growth is expected to average 1.1 percent annually.

### Sales Market



**Balanced:** The average home sales price in the HMA grew more than 7 percent annually from 2018 through 2019 before declining moderately during the 12 months ending November 2020.

Low levels of new home construction since the Great Recession have contributed to the absorption of excess inventory since 2011, resulting in current balanced market conditions. The overall sales vacancy rate is estimated at 2.0 percent—down from 2.7 percent in 2010. During the 12 months ending November 2020, home sales in the HMA totaled 6,175—up by 100 home sales, or 1 percent, from a year earlier, whereas the average home sales price declined nearly 4 percent, to \$146,800 (Zonda, with adjustments by the analyst). During the forecast period, demand is estimated for 770 new homes. The 90 homes under construction are expected to meet a portion of demand during the first year of the forecast period.

### Rental Market



**Balanced:** Annual apartment rent growth has averaged 2 percent since the third quarter of 2015.

The overall rental housing market is balanced, with a current rental vacancy rate estimated at 7.9 percent—down from 9.4 percent in 2010. The apartment market is slightly tight, with a vacancy rate of 2.6 percent during the third quarter of 2020—up from 2.3 percent a year earlier, while average apartment rents increased 2 percent, to \$737 (Moody's Analytics REIS). During the forecast period, demand is expected for 140 rental units. The 40 units under construction and the 40 additional planned completions will satisfy more than one-half of that demand.

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### 3-Year Housing Demand Forecast

	Sales Units	Rental Units
<b>Rockford HMA</b>		
Total Demand	770	140
Under Construction	90	40

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

Source: Estimates by the analyst



## Economic Conditions

### Largest Sector: Manufacturing

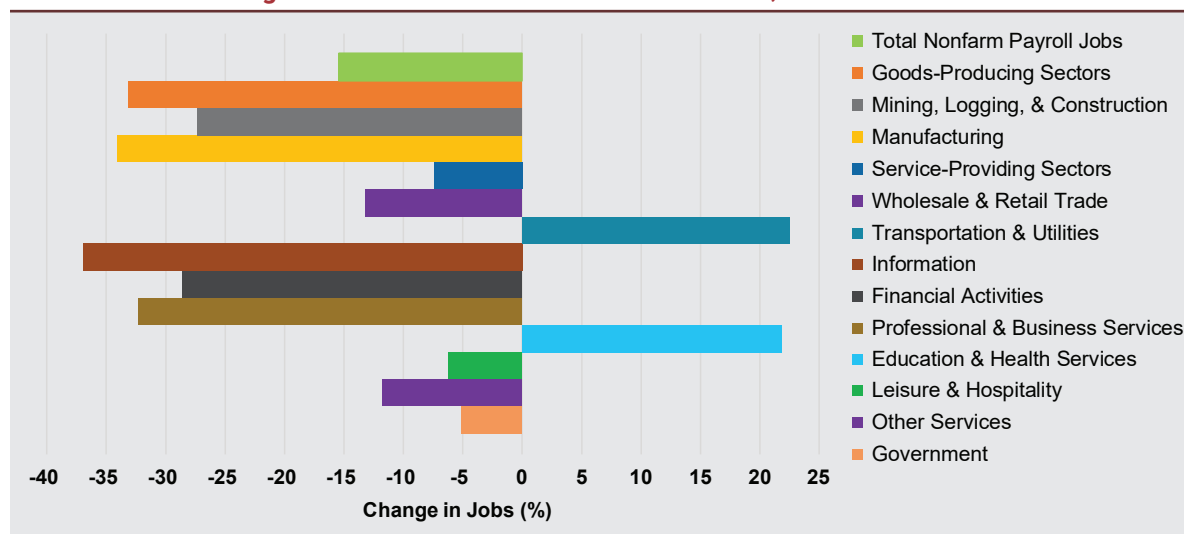
Jobs in the manufacturing sector account for 21 percent of all nonfarm payroll jobs in the HMA, compared with a 9-percent share nationally.

### Primary Local Economic Factors

The manufacturing sector continues to have a significant impact on the local economy, despite a long-term trend of declining manufacturing employment that began during the second half of the 20th century. Historically centered around furniture and farm equipment production, the sector today consists largely of automotive, machinery and fabricated metals, and aerospace manufacturing. The average annual earnings for manufacturing workers in the HMA was \$65,050 in 2019—more than 30 percent higher than overall average earnings in the HMA (Quarterly Census of Employment and Wages). The persistent loss of well-paying manufacturing jobs has contributed to slow economic growth and out-migration from the HMA.

Higher demand for health care from an aging population and a shift in consumer buying behavior toward online retail have been the main catalysts for job growth in the HMA. Since the end of 2000, net job growth has occurred only in the education and health services and the transportation and utilities sectors, which expanded by about 22 percent each (Figure 1).

Figure 1. Sector Growth in the Rockford HMA, 2001 to Current



Note: The current date is December 1, 2020.

Source: U.S. Bureau of Labor Statistics

Nearly 17 million people and 1 million businesses are located within a 150-mile radius of the HMA, which encompasses the cities of Chicago, Milwaukee, and Madison. The transportation and utilities sector has grown since 2000 largely because of expansion in the logistics and distribution industry. Amazon Prime Air and United Parcel Service, Inc. (UPS) have both been expanding their presence at the Chicago Rockford International Airport, where 650 million pounds of cargo landed during the third quarter of 2020—a 14-percent increase from the third quarter of 2019 (Rockford Area Economic Development Council).

### COVID-19 Impacts

Public health measures to limit the spread of COVID-19 during the spring of 2020 led to further declines in already-weak economic conditions in the HMA. During March and April 2020, nonfarm payroll jobs in the HMA fell by 16,400 from the number in February and the unemployment rate spiked to 22.2 percent. As the local economy began to reopen in May, jobs began to increase, and approximately 10,100 nonfarm payroll jobs—more than 60 percent of the jobs lost—were recovered by the end of October 2020; the unemployment rate decreased to 7.0 percent. Economic conditions remain weak, however, and following a rise in COVID-19 cases late in 2020, nonfarm payrolls declined by 800 in November. The Coronavirus

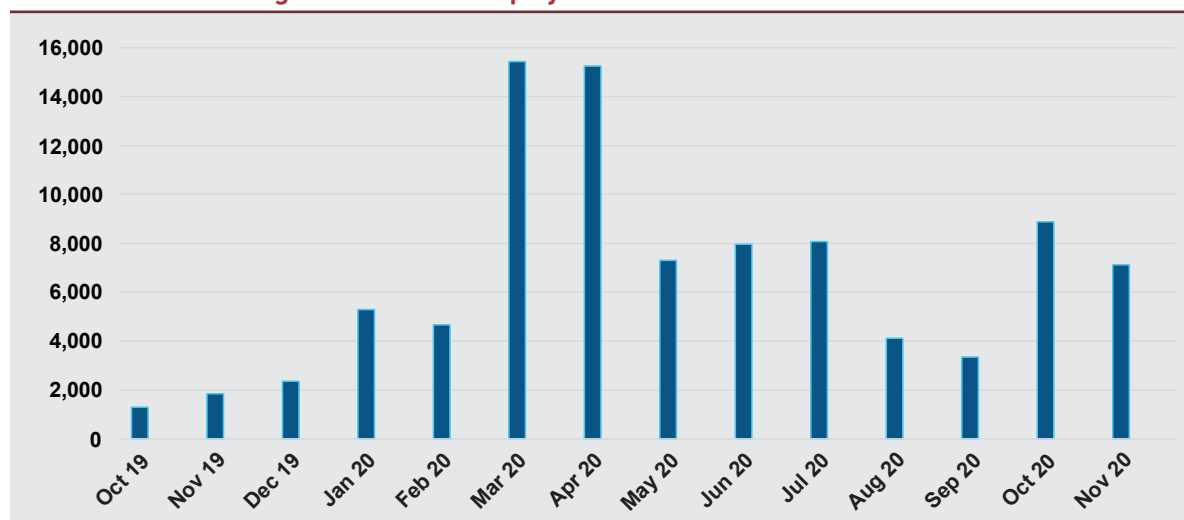
Aid, Relief, and Economic Security (CARES) Act—signed into law on March 27, 2020—allowed states to extend unemployment compensation to independent contractors and other workers who are ordinarily ineligible for unemployment benefits. In November 2020, approximately 7,125 initial unemployment claims were filed—significantly higher than the 1,850 initial claims filed in November 2019 but lower than the average of 15,350 initial monthly claims filed in March and April 2020 (Illinois Department of Employment Security; Figure 2).

## Current Conditions— Nonfarm Payrolls

During the 12 months ending November 2020, nonfarm payrolls in the HMA declined by 12,100 jobs, or 8.0 percent, to 138,800 (Table 1), following a loss of 2,000 jobs, or 1.3 percent, during the previous 12 months. Most of the job losses occurred in the first half of 2020 due to layoffs from business closures and slowdowns that were sustained to combat the impacts of COVID-19 and largely affected employees unable to work remotely.

The manufacturing and the leisure and hospitality sectors declined by 3,200 and 3,000 jobs, or 10.0 and 20.5 percent, respectively, during the 12 months ending November 2020. The Fiat Chrysler Automobiles N.V. (FCA) Belvidere Assembly Plant—one of the largest employers

**Figure 2. Initial Unemployment Claims in the Rockford HMA**



Notes: Monthly data. Data since March 2020 include claims for independent contractors and other workers who were previously ineligible for unemployment benefits.

Source: Illinois Department of Employment Security

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

	12 Months Ending November 2019	12 Months Ending November 2020	Absolute Change	Percentage Change
<b>Total Nonfarm Payroll Jobs</b>	<b>150.9</b>	<b>138.8</b>	<b>-12.1</b>	<b>-8.0</b>
<b>Goods-Producing Sectors</b>	<b>37.5</b>	<b>34.0</b>	<b>-3.5</b>	<b>-9.3</b>
Mining, Logging, & Construction	5.5	5.2	-0.3	-5.5
Manufacturing	32.0	28.8	-3.2	-10.0
<b>Service-Providing Sectors</b>	<b>113.4</b>	<b>104.8</b>	<b>-8.6</b>	<b>-7.6</b>
Wholesale & Retail Trade	21.6	20.9	-0.7	-3.2
Transportation & Utilities	8.4	8.1	-0.3	-3.6
Information	1.6	1.5	-0.1	-6.3
Financial Activities	5.2	5.1	-0.1	-1.9
Professional & Business Services	13.3	11.2	-2.1	-15.8
Education & Health Services	24.8	23.8	-1.0	-4.0
Leisure & Hospitality	14.6	11.6	-3.0	-20.5
Other Services	8.6	8.0	-0.6	-7.0
Government	15.4	14.6	-0.8	-5.2

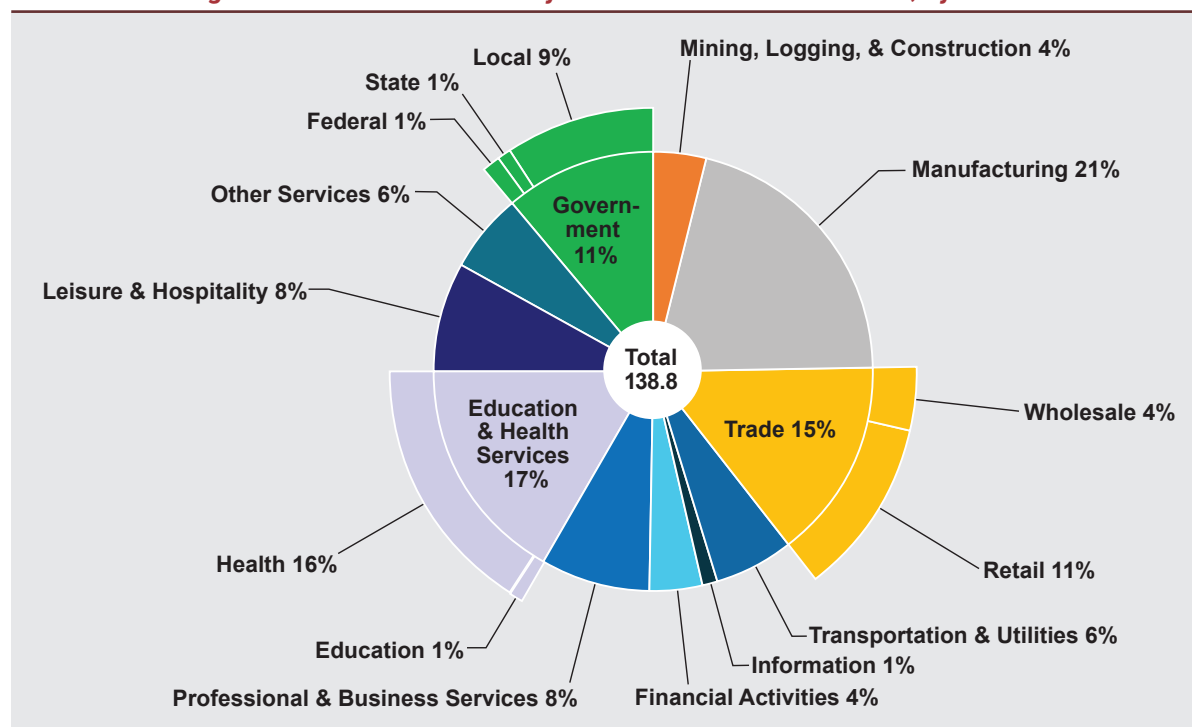
Notes: Based on 12-month averages through November 2019 and November 2020. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

in the HMA, with 3,750 employees—was idle from mid-March until June 2020, and the manufacturer Woodward, Inc. laid off 1,125 employees, of which 700 were temporary furloughs. Nonfarm payrolls in the leisure and hospitality sector fell to 11,600—the lowest level since 2003—as hotels, restaurants, movie theaters, and sporting venues were forced to lay off employees. In 2019, visitors spent approximately \$392 million in the HMA (Rockford Area Convention & Visitors Bureau), but that amount is expected to be significantly lower in 2020 because 85 events from April through December 2020 were canceled or postponed due to COVID-19. The Anderson Japanese Gardens and the Burpee Museum of Natural History are among the top tourist attractions in the HMA.

Significant losses also occurred in the professional and business services and the education and health services sectors, which lost 2,100 and 1,000 jobs—declines of 15.8 and 4.0 percent, respectively—during the past 12 months. The HMA is a regional healthcare center for northern Illinois and southern Wisconsin, and the education and health services sector is the second largest payroll sector, with 23,800 jobs, or 17 percent, of total nonfarm payrolls (Figure 3). Of the five largest employers in the HMA, three are health services providers—including Mercyhealth, SwedishAmerican Health System, and OSF HealthCare System—which, combined, employ approximately 10,100 people (Table 2). In 2019,

**Figure 3. Share of Nonfarm Payroll Jobs in the Rockford 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 November 2020. Source: U.S. Bureau of Labor Statistics

**Table 2. Major Employers in the Rockford HMA**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Mercyhealth	Education & Health Services	4,525
Fiat Chrysler Automobiles N.V.	Manufacturing	3,750
SwedishAmerican Health System	Education & Health Services	3,375
United Parcel Service, Inc.	Transportation & Utilities	2,200
OSF HealthCare System	Education & Health Services	2,200
Collins Aerospace	Manufacturing	2,200
Woodward, Inc.	Manufacturing	1,900
PCI Pharma Services	Transportation & Utilities	1,800
Walmart Inc.	Wholesale & Retail Trade	1,475
Schnuck Markets, Inc.	Wholesale & Retail Trade	1,300

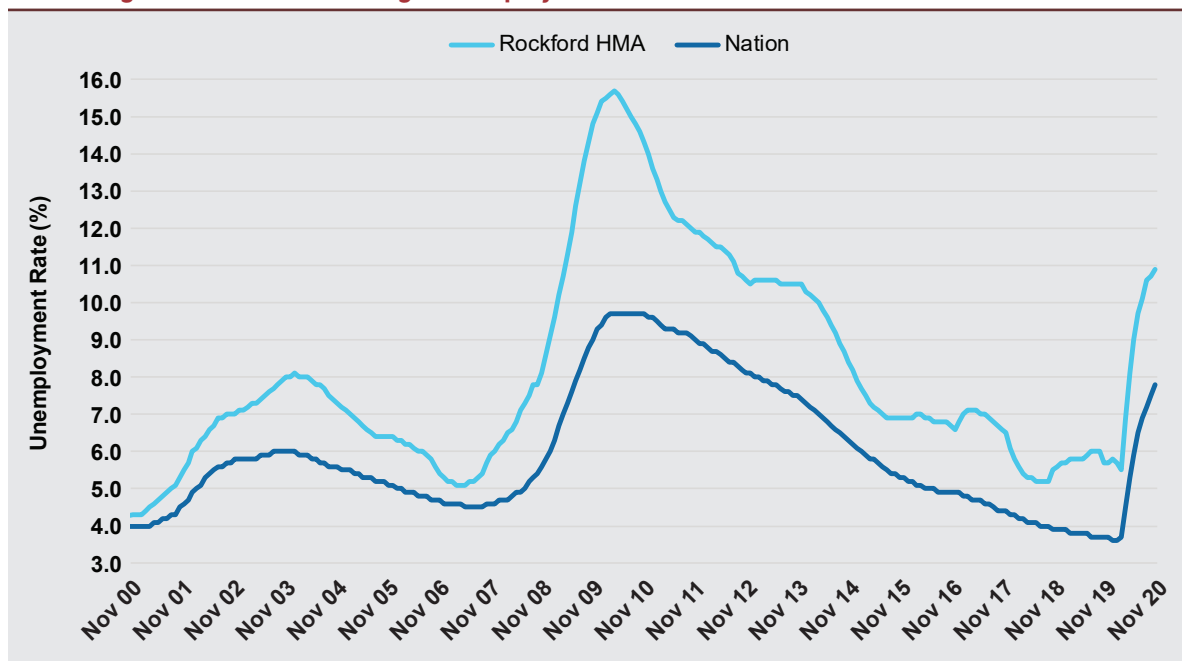
Note: Excludes local school districts.  
Source: Moody's Analytics REIS

Mercyhealth opened the new \$505 million Javon Bea Hospital and Physician Clinic—Riverside in Rockford. When the stay-at-home order was in effect in Illinois, hospitals were temporarily unable to provide elective services, leading to furloughs among local healthcare providers.

## Current Conditions— Unemployment

During the 12 months ending November 2020, resident employment in the HMA decreased by 13,800, or 8.8 percent, and the labor force declined by 5,700, or 3.4 percent, resulting in a spike in the unemployment rate to 10.9 percent from 5.7 percent a year earlier. The current average unemployment rate in the HMA is the highest since it was 15.7 percent during the 12 months ending April 2010 and is higher than the current 7.8-percent unemployment rate in the nation for the 12 months ending November 2020 (Figure 4).

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



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

## Economic Periods of Significance

### 2000 Through 2005

Economic conditions in the HMA were weak early in the 2000s, mainly because of the decline in the manufacturing sector as local producers increasingly used machines to reduce work previously performed by labor. From 2001 through 2004, nonfarm payrolls decreased by an average of 2,500 jobs, or 1.6 percent, annually,

and the manufacturing sector lost an average of 2,800 jobs, or 7.1 percent, a year. Employment stabilized in 2005, and nonfarm payrolls were relatively unchanged; the manufacturing sector, though, declined by 600 additional jobs, or 1.8 percent. By 2006, a body shop at the Belvidere Assembly Plant was automated, with work performed by 780 robots.

### 2006 Through 2007

As FCA prepared to produce the Jeep Compass and Jeep Patriot automobiles, employment at the Belvidere Assembly Plant rose from 1,700 at the end of 2005 to 2,650 in 2007. From 2006 through 2007, the manufacturing sector gained an average of 1,200 jobs, or 3.5 percent, a year, and total nonfarm payrolls rose an average of 3,600 jobs, or 2.3 percent, annually. The transportation and utilities and the professional and business services sectors also had strong gains that averaged 900 and 800 jobs, or 14.7 and 4.6 percent, a year.

## 2008 Through 2010

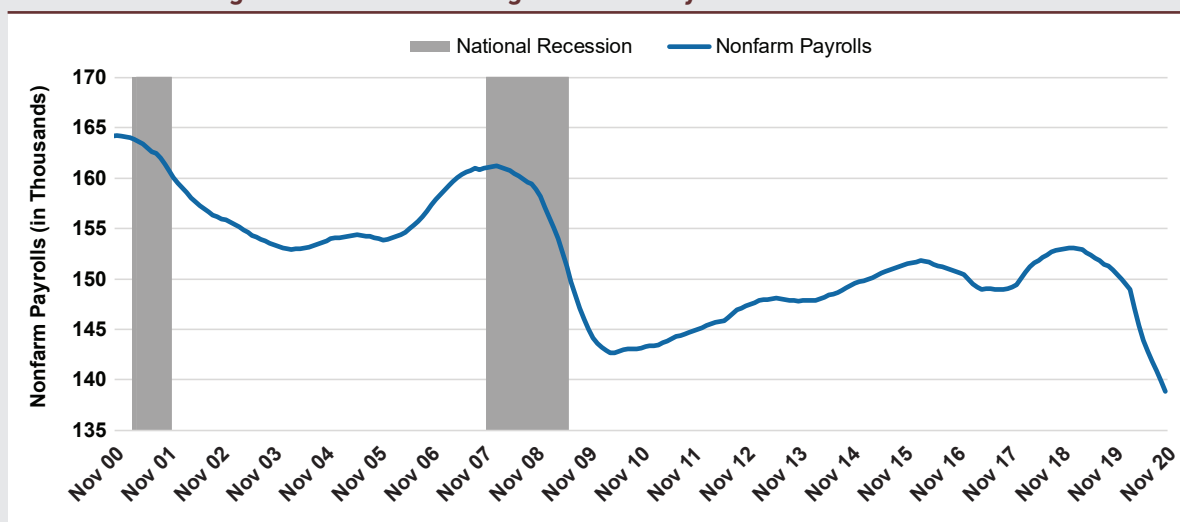
The local economy weakened during the Great Recession, and job losses contributed to out-migration from the HMA. Beginning in 2008, nonfarm payrolls fell by an average of 5,900 jobs, or 3.8 percent, annually, to a low of 143,300 in 2010. Job losses during those 3 years were widespread, but the manufacturing and the professional and business services sectors declined the most, with average annual losses of 2,600 and 1,300 jobs, or 8.2 and 7.3 percent, respectively. The Belvidere Assembly Plant was temporarily idled in 2009 after Chrysler LLC filed for bankruptcy. When operations resumed in July 2009, the number of jobs at the plant were reduced from 2,500 to about 1,725. The unemployment rate rose sharply from the previous low of 5.3 percent in 2006 to 14.0 percent in 2010, with a recent peak of 15.1 percent in 2009.

## 2011 Through 2018

Economic recovery in the HMA following the Great Recession was slow and inconsistent. From 2011 through 2016, nonfarm payroll growth averaged 1,200 jobs, or 0.8 percent, annually;

during the same period, nonfarm payrolls nationally expanded an average of 1.9 percent a year. In 2017, economic activity in the HMA contracted nearly 1 percent, a loss of 1,400 jobs, partly because continued population decline resulted in job losses in service-providing industries, which decreased by 1,200 jobs, or 1.0 percent. Economic growth resumed briefly in 2018, largely because of gains in the construction industry and the manufacturing sector; FCA started production of Jeep Cherokee automobiles, and cargo facilities near the airport were expanded to accommodate increased activity at UPS and Amazon Prime Air. Nonfarm payrolls in the HMA hit a recent peak at 153,000 in 2018 and have since declined (Figure 5).

**Figure 5. 12-Month Average Nonfarm Payrolls in the Rockford HMA**



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

## Employment Forecast

During the forecast period, nonfarm payrolls in the HMA are expected to grow an average of 1.1 percent annually as a plurality of jobs lost during the pandemic are recovered. Once the post-COVID 19 recovery is complete, however, economic growth in the HMA will be limited by continued population

decline. The education and health services sector is expected to rebound strongly during the forecast period once steps to restrict the spread of the pandemic are eased and elective procedures resume. Similarly, substantial recovery in the leisure and hospitality and the wholesale and retail trade sectors is also expected.



# Population and Households

**Current Population: 334,400**

The population of the HMA has been in decline since the switch to out-migration in 2008, caused in part by the sharp increase in the jobless rate and loss of high-paying manufacturing jobs during the Great Recession.

## Population Trends

The population of the Rockford HMA as of December 1, 2020 is estimated at 334,400, representing an average annual decline of 1,400, or 0.4 percent, since 2010 (Table 3). By comparison, population growth was slow early in the 2000s—when economic conditions in the HMA were weak—and averaged a gain of 3,000, or 0.9 percent, annually from 2000 to 2005 (Census Bureau decennial census counts and population estimates as of July 1). During that period, net in-migration and net natural increase (resident births minus resident deaths) averaged 1,200 and 1,800 people a year, respectively. The return to economic growth from 2005 to 2007 led to higher net in-migration to the HMA, which averaged 3,725 people per year, and the population growth rate nearly doubled, to an average of 1.7 percent annually. With the onset of the Great Recession, however, net in-migration plummeted to only 330 people a year later and population growth slowed

to 0.7 percent. People started leaving the HMA in greater numbers as weak economic conditions persisted. From 2008 to 2010, the population declined an average of 0.1 percent annually as net out-migration averaged 2,425 people a year, offsetting gains from net natural increase that averaged 2,125 people annually (Figure 6). Net out-migration from the HMA remained high for the next 7 years, averaging 2,550

**Table 3. Rockford HMA Population and Household Quick Facts**

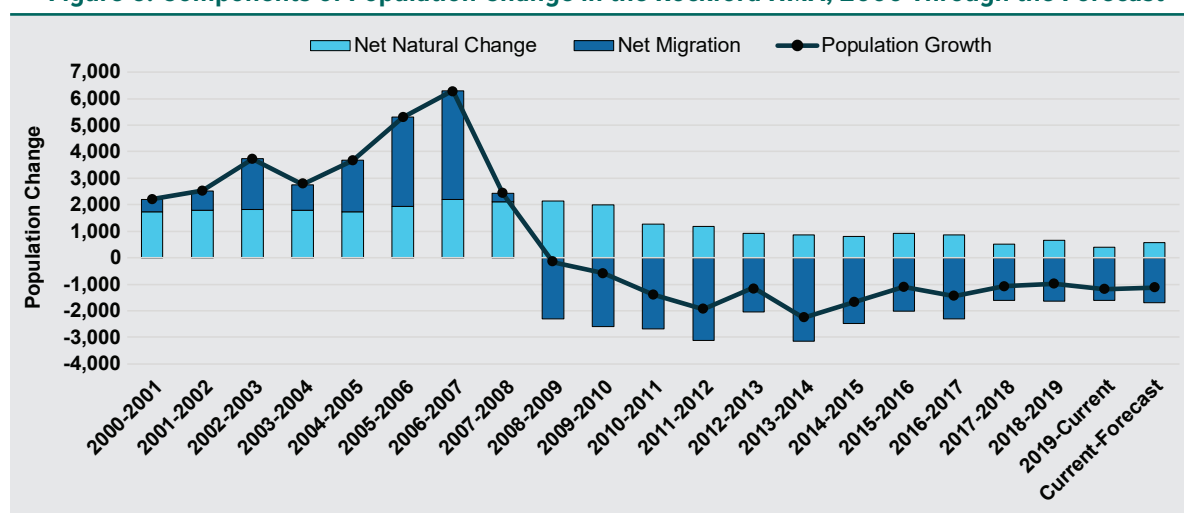
Population Quick Facts	2010	Current	Forecast
	Population	349,431	334,400
	Average Annual Change	2,925	-1,400
	Percentage Change	0.9	-0.4
Household Quick Facts	2010	Current	Forecast
	Households	134,006	134,800
	Average Annual Change	1,150	70
	Percentage Change	0.9	0.1

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 (December 1, 2020) to December 1, 2023.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

**Figure 6. Components of Population Change in the Rockford 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 (December 1, 2020) to December 1, 2023.

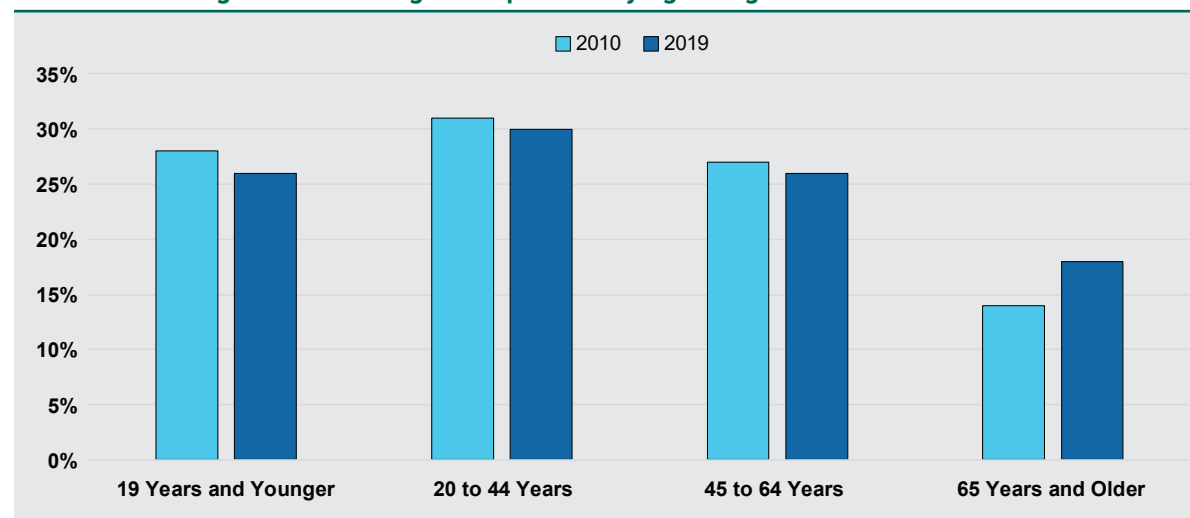
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

people, as weak economic growth prompted residents to leave the HMA. At the same time, the departure of adults of childbearing age and an aging population caused net natural increase to decline sharply, averaging 1,000 people a year. As a result, population decline accelerated from 2010 to 2017, to an average of 0.4 percent annually. Since 2017, net out-migration and net natural increase have decreased to an average of 1,600 and 510 people a year, respectively, and population decline in the HMA has averaged 0.3 percent annually.

## Age Cohort Trends

The largest cohort in the HMA in 2019 was residents 20 to 44 years of age, representing approximately 30 percent of the total population—down from 31 percent in 2010 (American Community Survey [ACS] 1-year data). The age cohort of those 65 years and older was the only one in the HMA to have increased during that same period and accounted for 18 percent of the HMA population in 2019—up from 14 percent in 2010 (Figure 7). Nationally, people aged 65 and older accounted for nearly 16 percent of the total population in 2019. In the Rockford HMA, the elderly cohort grows as more adults age in place, incentivized by relatively affordable housing and proximity to healthcare providers.

**Figure 7. Percentage of Population by Age Range in the Rockford HMA**



Source: 2010 and 2019 American Community Survey 1-year data

## Household Trends

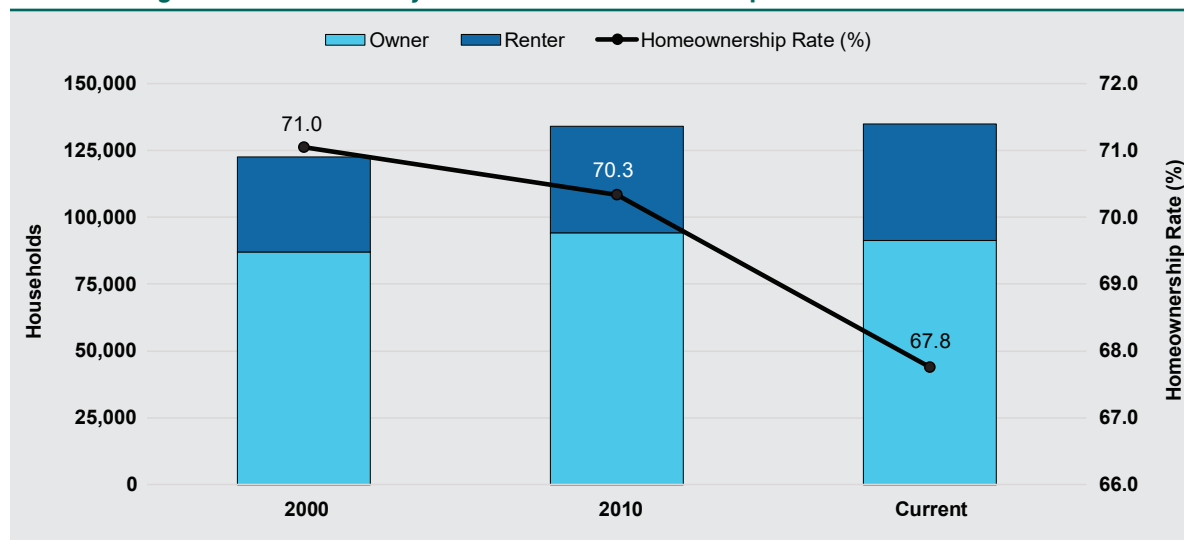
Household growth in the HMA since 2010 has been much slower than during the 2000s but remains positive despite a declining population. The current number of households in the HMA is estimated at 134,800, reflecting an average annual growth of 70, or 0.1 percent, since 2010. By comparison, from 2000 to 2010, household growth averaged 1,150, or 0.9 percent, annually. Slow economic recovery in the HMA following the housing crisis and a shift in household preference toward renting stymied growth in owner household formation. Renter households have accounted for all net household formation since 2010, compared with 26 percent during the 2000s. As a result, the homeownership rate fell to an estimated 67.8 percent as of the current date—down from 70.3 percent in 2010 and 71.0 percent in 2000 (Figure 8).

## Forecast

The increased ability of workers to work from home has made the HMA an attractive place to live because of low home prices compared with nearby metropolitan areas, and that advantage is expected to limit net out-migration to some extent. During the 3-year forecast period, net out-migration is expected to average approximately 1,700 people a year, and the population is expected to decline by an average of 1,125, or 0.3 percent, annually, to 331,100 by the end of

the forecast period. Very slow household growth is estimated to continue during the 3-year forecast, averaging a gain of 75 new households, or less than 0.1 percent, a year, to 135,000 by December 1, 2023.

**Figure 8. Households by Tenure and Homeownership Rate in the Rockford HMA**



Note: The current date is December 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

# Home Sales Market

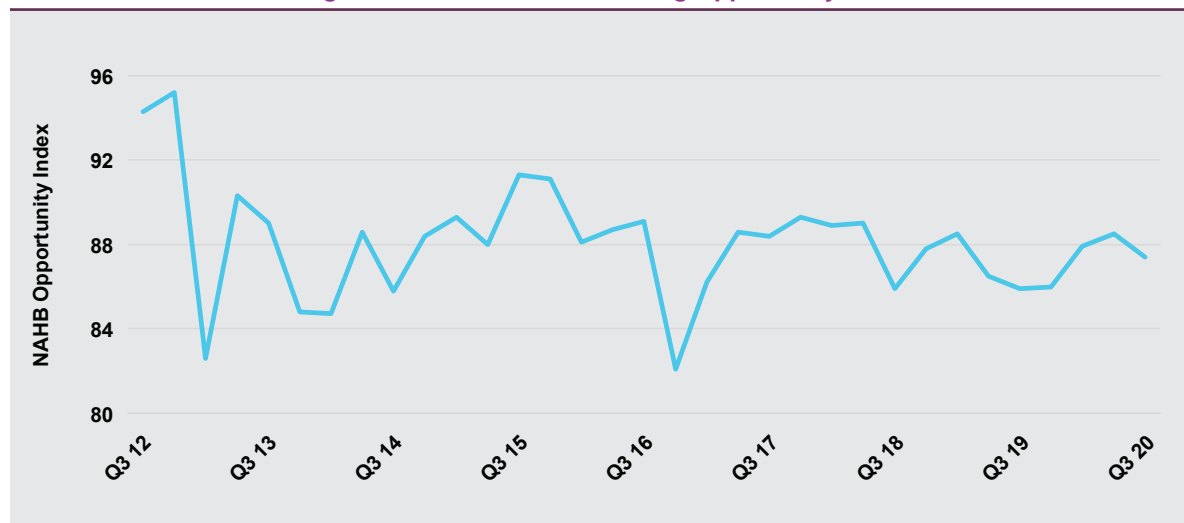
## Market Conditions: Balanced

During the third quarter of 2020, the HMA ranked as the 15th most affordable of the 237 metropolitan areas in the nation because more than 87 percent of homes sold would have been affordable to a family earning the local median income (National Association of Home Builders/ Wells Fargo Housing Opportunity Index; Figure 9).

## Current Conditions

The sales housing market in the Rockford HMA is currently balanced, with an estimated 2.0-percent vacancy rate (Table 4)—down from 2.7 percent in 2010. Very limited construction activity has allowed for the absorption of excess inventory since 2011 and has contributed to balanced housing market conditions, despite tepid economic growth and out-migration from the HMA. During the 12 months ending November 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 6,175, a 1-percent increase from the number of homes sold a year earlier (Zonda, with adjustments by the analyst). Affordable home prices and low mortgage interest rates have supported the demand for homes in the HMA; however, home sales were limited by a sharp decline in real estate owned

Figure 9. Rockford HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q3 = third quarter.  
Sources: NAHB; Wells Fargo

Table 4. Home Sales Quick Facts in the Rockford HMA

Home Sales Quick Facts	Rockford HMA		Nation
	Vacancy Rate	2.0%	NA
	Months of Inventory	1.2	1.4
	Total Home Sales	6,175	585,400
	1-Year Change	1%	-2%
	New Home Sales Price	\$232,500	\$408,600
	1-Year Change	3%	-1%
	Existing Home Sales Price	\$145,500	\$337,000
	1-Year Change	-4%	9%
	Mortgage Delinquency Rate	4.5%	4.2%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending November 2020; and months of inventory and mortgage delinquency data are as of October 2020. The current date is December 1, 2020.

Sources: CoreLogic, Inc.; Zonda

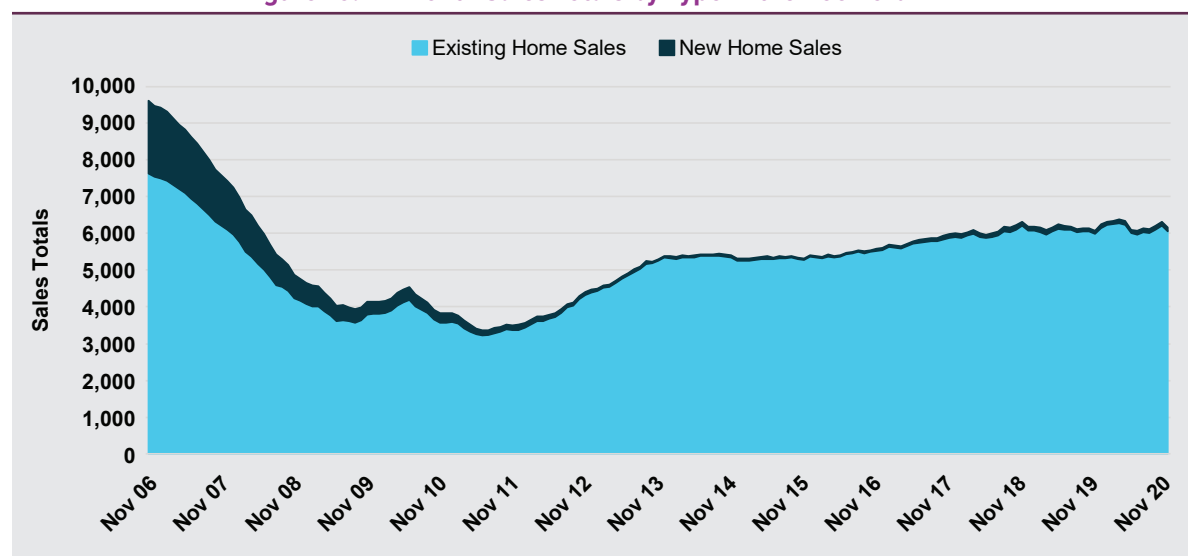


(REO) home sales and a low number of homes available for sale. The inventory of homes for sale fell to 1.2 months during November 2020 from a 3.4-months' supply in November 2019 (Redfin, a national real estate brokerage).

## Existing Home Sales

During the 12 months ending November 2020, existing home sales—which includes regular resale and REO home sales—in the HMA totaled 6,050, representing an increase of 60 home sales, or 1 percent, from the number of homes sold during the previous 12 months (Zonda, with adjustments by the analyst). By comparison, existing home sales activity in the HMA peaked at 7,675 homes sold during 2005 before falling precipitously by an average of 13 percent annually, to 3,375 sales in 2011 (Figure 10). As economic conditions began to strengthen, sales activity rose sharply; from 2012 through 2013, existing home sales increased an average of 26 percent annually. In 2014, existing home sales moderated, with a decline of nearly 2 percent, to 5,250 home sales; however, growth resumed a year later, and existing homes sales rose an average of 3 percent a year from 2015 through 2019.

**Figure 10. 12-Month Sales Totals by Type in the Rockford HMA**



Source: Zonda, with adjustments by the analyst

## New Home Sales

New home sales currently account for less than 2 percent of total home sales in the HMA—down from 20 percent during 2005. By comparison, nationally, new home sales currently account for 11 percent of total home sales. During the 12 months ending November 2020, new home sales in the HMA totaled 110—an increase of 15 homes, or 16 percent, from the previous 12 months. By comparison, new home sales in the HMA totaled 1,950 in 2005 and then fell an average of 35 percent annually for 8 consecutive years. New home sales reached a low of 60 homes sold in 2013 and averaged only 60 new homes sold annually through 2016 before increasing to an average of 100 new homes sold a year from 2017 through 2019.

## Delinquent Mortgages and REO Home Sales

Job losses due to COVID-19 affected the ability of homeowners to make their mortgage payments, and the mortgage delinquency rate began to rise during the second half of 2020, after several years of decline. In October 2020, the percentage of home loans in the HMA that were seriously delinquent or had transitioned into REO status rose to 4.5 percent—up from 2.0 percent a year earlier (CoreLogic, Inc.). The current rate is higher than the 4.2-percent rate for the nation. Until the recent spike, the rate of seriously

delinquent home loans and REO properties in the HMA had fallen since early 2012, when it peaked at 9.2 percent. By comparison, nationwide, delinquencies reached a high of 8.6 percent in early 2010.

During the 12 months ending November 2020, REO home sales in the HMA totaled 390, a decline of 160 home sales, or 29 percent, from a year earlier and accounted for 6 percent of existing home sales (Zonda, with adjustments by the analyst). By comparison, REO home sales accounted for 7 percent of existing home sales in 2005 but grew to 42 percent in 2013. REO home sales in the HMA have been declining an average of 22 percent each year since 2014; however, that trend may slow or reverse with the current elevated unemployment levels and as forbearance policies for federally backed mortgages under the CARES Act are set to expire.

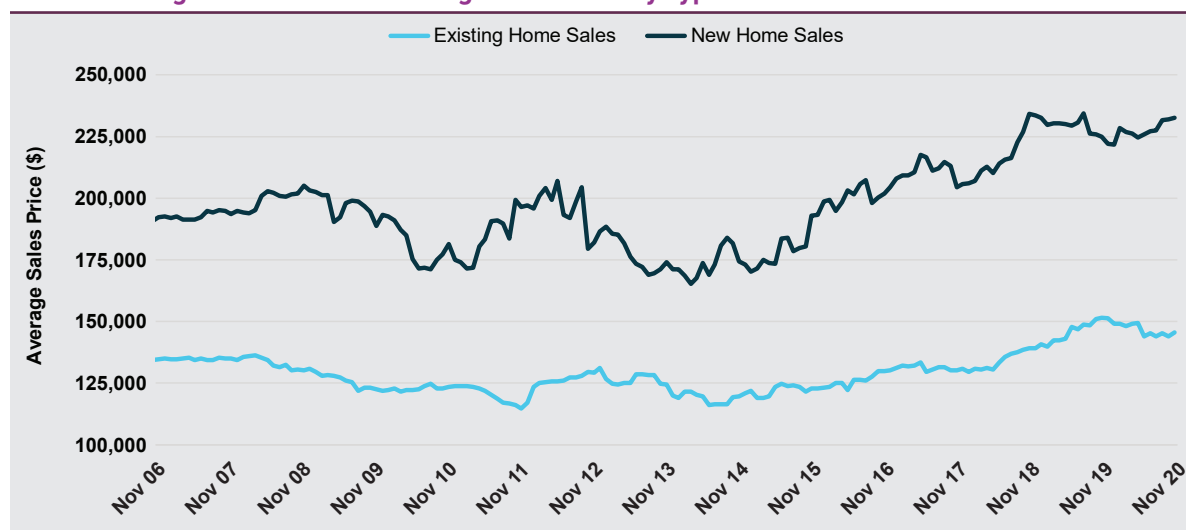
## Home Sale Prices

Existing home prices declined recently, following a 2-year period of strong growth from 2018 through 2019. During the 12 months ending November 2020, the average sales price of an existing home in the HMA decreased nearly 4 percent, to \$145,500 (Zonda, with adjustments by the analyst). The average sales price of an REO property was \$82,400 during the 12 months ending November 2020—about 43 percent below the average existing home sales price. By comparison, in 2006, the average existing

home sales price was \$135,200 and then fell at an average rate of 3 percent annually, to \$117,200 in 2011 (Figure 11), with declines in all but one year. Weak economic conditions and the sharp increase in sales of typically lower priced REO homes during the period contributed to a decrease in home prices in the HMA. From 2006, the average price of an REO property fell an average of 3 percent annually, to a low of \$69,400 in 2011. Prices for existing homes were volatile during the early years of the economic recovery; in 2012, the average existing home sales price rose 12 percent, only to fall nearly 9 percent, to \$119,900 in 2013. Modest growth resumed in 2014, and the average price for an existing home grew an average of 3 percent annually through 2017. A mix of stronger economic growth in 2018 and declining inventory of homes available for resale—in part because of fewer REO home sales—led to an acceleration in existing home sales price growth that averaged nearly 8 percent annually and reached \$151,200 in 2019.

The average sales price of a new home during the 12 months ending November 2020 was \$232,500, representing a gain of \$7,550, or more than 3 percent, from a year earlier. Approximately 60 percent of new homes sold in the price range of \$200,000 to \$300,000 during that time (Figure 12). The average price for new homes fell 7 percent annually, from \$203,100 during 2008 to \$174,900 in 2010. In 2011, the average new home sales price rose nearly 13 percent, to \$197,200, but subsequently declined at an

**Figure 11. 12-Month Average Sales Price by Type of Sale in the Rockford HMA**



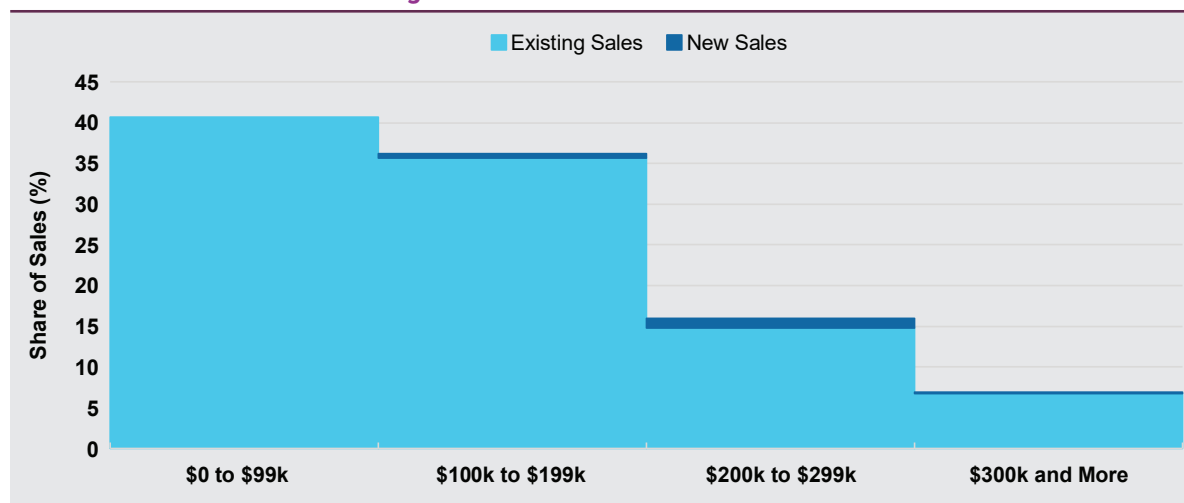
Source: Zonda, with adjustments by the analyst

average annual rate of 7 percent, to \$171,100 in 2013. As new home sales started to recover, so did prices; new home sales prices rose an average of 6 percent annually from 2014 through 2018. Some of the sales price gains were lost in 2019 as economic activity slowed, and the average sales price for a new home decreased 5 percent, to \$222,100.

## Sales Construction Activity

Overbuilding during the 2000s and a slow pace of household formation in the HMA since 2010 have contributed to low sales construction activity, as measured by the number of sales units permitted, because the number of available for-sale homes have satisfied a portion of demand. During the 12 months ending November 2020, a total of 210 sales units were permitted—down 25 percent from the previous 12 months (preliminary data, with adjustments by the analyst). An average of 1,900 sales units were permitted annually from 2000 through 2006 before declining an average of 56 percent a year during 2007 and 2008, with the onset of the housing crisis (Figure 13). A total of 380 homes were permitted in 2008. As economic conditions in the HMA deteriorated, sales construction activity fell more than 40 percent a year later and did not improve noticeably, as the population in the HMA began to decline. From 2009 through 2019, construction activity averaged only 180 homes permitted annually, with a low of 100 homes permitted in 2015.

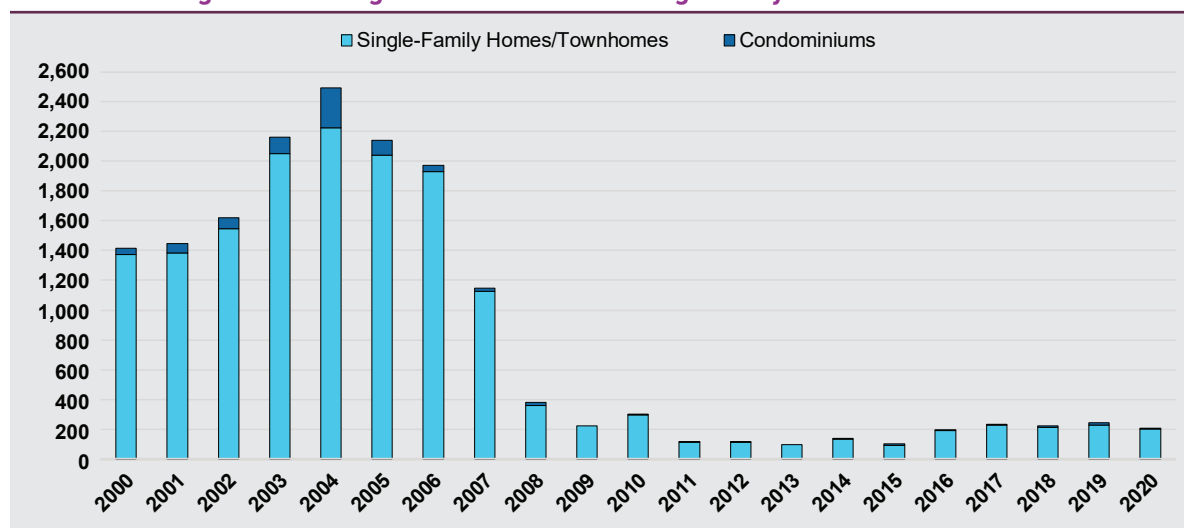
**Figure 12. Share of Overall Sales by Price Range During the 12 Months Ending November 2020 in the Rockford HMA**



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

Source: Zonda

**Figure 13. Average Annual Sales Permitting Activity in the Rockford HMA**



Notes: Includes single-family homes, townhomes, and condominiums. Data for 2019 are through November 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

Single-family home construction is occurring throughout the HMA at older, established subdivisions, as builders mostly continue to use existing residential lots developed earlier. Recent construction includes 35 single-family homes priced from \$150,000 to \$225,000 at the Eagles View subdivision in Machesney Park, north of the city of Rockford. In The Trails of Dawson Creek subdivision in the village of Poplar Grove—north of the city of Belvidere—15 homes were sold, and 32 of the 188 available lots are being developed for new construction. Prices for new homes range from \$202,000 to \$292,000 for two- to five-bedroom single-family homes.

Forecast

During the next 3 years, demand is expected for 770 new sales units in the HMA (Table 5). The 90 homes currently under construction will meet part of the demand during the first year of the forecast period. Sales demand is expected to be greatest for new homes priced between \$200,000 and \$299,999.

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

Sales Units	
Demand	770 Units
Under Construction	90 Units

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





# Rental Market

## Market Conditions: Balanced

Although the overall number of households barely grew, the number of renter households in the HMA is estimated to have increased 9 percent since 2010, to a current level of 43,450.

## Current Conditions and Recent Trends

Rental housing market conditions in the Rockford HMA are currently balanced and have improved since 2010. The vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) is currently estimated at 7.9 percent—down from 9.4 percent in 2010, when the market was soft (Table 6). The housing crisis late in the 2000s led to softening rental market conditions after a large supply of unsold homes became available as rental units. Since 2010, renter household growth and low levels of multifamily construction relative to the 2000s have contributed to the current balanced rental market conditions.

## Apartment Market Trends

The apartment market in the HMA is currently slightly tight, with a 2.6-percent vacancy rate during the third quarter of 2020—up from 2.3 percent a year earlier (Moody’s Analytics REIS). The average rent for an apartment is currently \$737—a gain of \$14, or 2 percent, from the third quarter of 2019. During the Great Recession, newly constructed apartments were absorbed slowly, and the apartment vacancy rate reached

7.6 percent during the third quarter of 2009, whereas the average monthly rent rose 1 percent from a year earlier. The apartment vacancy rate began to fall as apartment construction continued to decline and the absorption of previously vacant units increased. By the third quarter of 2015, the apartment vacancy rate declined to 6.0 percent. The average annual rent growth continued at a slow rate of 1 percent from the third quarter of 2009 through the third quarter of 2014 and then declined 1 percent, to \$664, during the third quarter of 2015. The declining population discouraged builders from constructing new apartments, and apartment market conditions began to tighten. The apartment vacancy rate fell at a faster rate and reached a new low of 2.3 percent during the third quarter of 2019, whereas rent growth resumed, averaging 2 percent annually since the third quarter of 2015 (Figure 14).

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

Rental Market Quick Facts	2010 (%)		Current (%)	
	Rental Vacancy Rate		7.9	
	Occupied Rental Units by Structure			
	Single-Family Attached & Detached		40.0	
	Multifamily (2–4 Units)		28.0	
	Multifamily (5+ Units)		31.0	
	Other (Including Mobile Homes)		1.0	
	Current		YoY Change	
	Apartment Vacancy Rate		0.3	
	Average Rent		2.0	

YoY = year-over-year.  
Notes: The current date is December 1, 2020. Percentages may not add to 100 due to rounding.  
Sources: 2010 and 2019 American Community Survey 1-year data; Moody’s Analytics REIS

## Single-Family Homes for Rent

Single-family homes for rent represent a significant portion of all rental units in the HMA and provide a substitute for larger apartments. In 2019, approximately 40 percent of renter households lived in single-family homes—up from 33 percent in 2010 (2010 and 2019 ACS 1-year data). In October 2020, the vacancy rate among professionally managed three-bedroom single-family homes for rent was 1.8 percent, with an average monthly rent of \$1,305—up 6 percent from a year earlier (CoreLogic, Inc.).



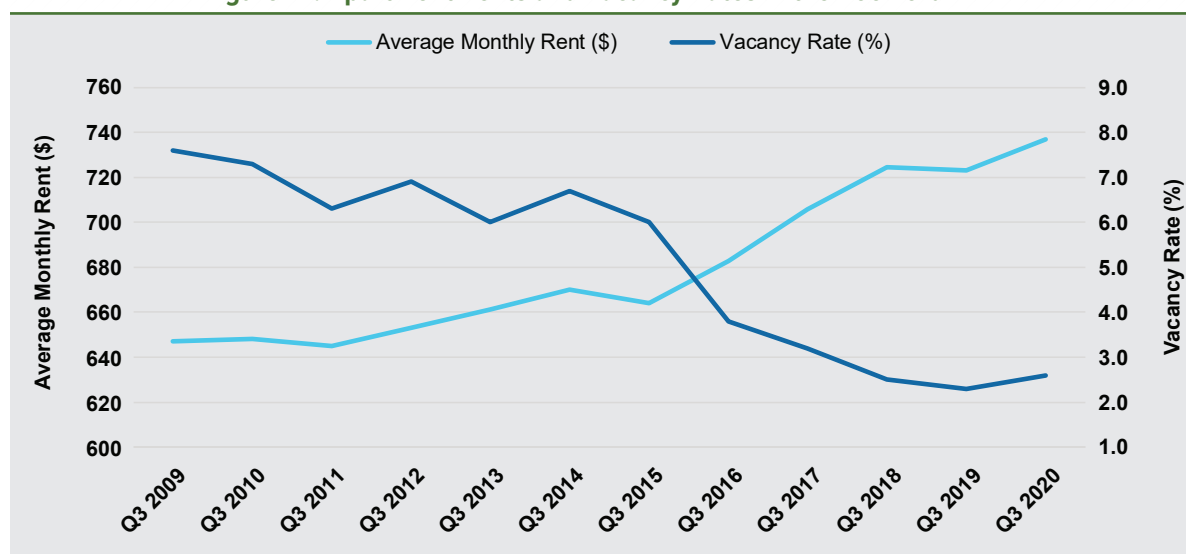
## Senior Housing

Households with adults aged 60 years and older account for approximately 24 percent of all renter households—up from 19 percent in 2010 (2010 and 2019 ACS 1-year data). To accommodate the growing share of senior renters, additional senior housing—including senior apartments and independent- and assisted-living facilities—has been built. The additional housing has accounted for one-half of additional rental units built in the HMA since 2010. During the third quarter of 2020, demand for senior housing weakened because of concerns related to COVID-19. The vacancy rate among apartments restricted to households headed by seniors (including assisted- and independent-living facilities) increased sharply, to an average of 20.3 percent—up from 8.4 percent during the same period a year earlier, and the average monthly rent decreased 2 percent, to \$3,279 (Moody's Analytics REIS).

## Housing Affordability: Rental

Rental housing in the Rockford HMA has been affordable since a rise in the median household income for renter households in 2012. During 2019, the median monthly gross rent in the HMA grew nearly 6 percent—similar to the increase in the median household income for renter households. By comparison, nationwide, the median gross monthly rent rose nearly 4 percent, and the median household income for renter households grew nearly 5 percent. In the HMA, the HUD Rental Affordability Index has remained close to 100 since 2011 (Figure 15). The rental affordability index value of 100 indicates

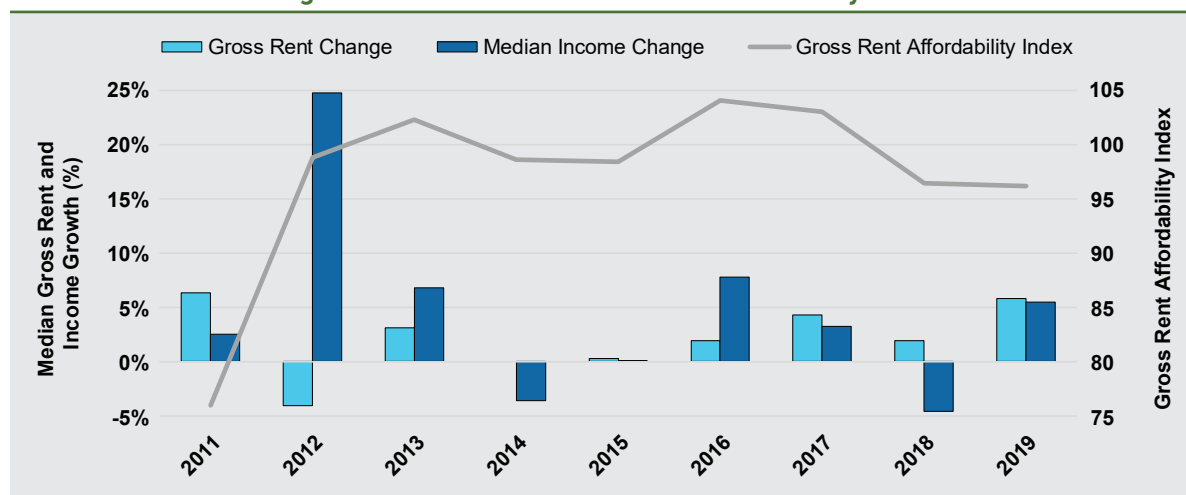
**Figure 14. Apartment Rents and Vacancy Rates in the Rockford HMA**



Q3 = third quarter.

Source: Moody's Analytics REIS

**Figure 15. Rockford HMA Gross Rent Affordability Index**



MSA = metropolitan statistical area.

Note: Rental affordability is for the larger Rockford MSA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that the former is based on combined rent and utilities expenditure.

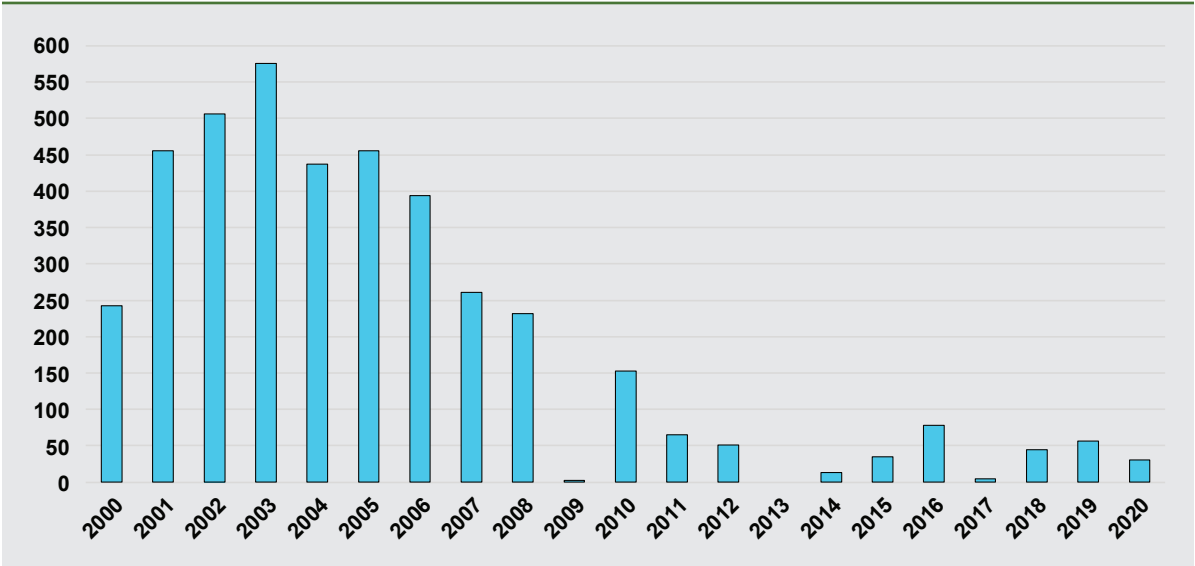
Source: ACS 1-year data

that the median income of renter households is high enough to qualify for the median-priced rental units.

### Rental Construction Activity

Rental construction activity, as measured by the number of rental units permitted, is concentrated in the city of Rockford and generally consists of scattered, smaller developments with two to four units per structure. During the 12 months ending November 2020, approximately 40 rental units were permitted, down from 60 units permitted during the previous 12 months (preliminary data, with adjustments by the analyst). By comparison, construction peaked from 2001 through 2005, when an average of 490 new rental units were permitted annually (Figure 16). Rental construction activity decreased as housing market conditions began to weaken, and with the onset of the housing crisis, construction averaged 300 rental units annually from 2006 through 2008. A year later, economic contraction in the HMA intensified, and construction of new rental units nearly ceased; it resumed in 2010, when 150 new rental units—all targeted to households headed by seniors—were permitted. Since the end of 2010, the large supply of relatively inexpensive rental housing—including single-family homes for rent—and out-migration have discouraged the construction of new rental units, which has averaged only 40 units permitted annually. No large general-occupancy rental projects have been completed in the HMA since 2010.

Figure 16. Average Annual Rental Permitting Activity in the Rockford HMA



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

### Forecast

During the forecast period, demand is estimated for 140 new rental units in the HMA (Table 7). The 40 units under construction and the 40 additional planned completions will meet a portion of that demand. Rental demand will continue to be concentrated in the city of Rockford and is expected to be slowest during the first year of the forecast period but will gradually increase as the local economy recovers from the COVID-19 shutdowns.

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

Rental Units	
Demand	140 Units
Under Construction	40 Units

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

# Terminology Definitions and Notes

## A. Definitions

<b>Demand</b>	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.
<b>Forecast Period</b>	12/01/2020–12/01/2023—Estimates by the analyst.
<b>Home Sales/ Home Sales Prices</b>	Includes single-family home, townhome, and condominium sales.
<b>Other Vacant Units</b>	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
<b>Rental Market/ Rental Vacancy Rate</b>	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
<b>Building Permits</b>	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.



<b>Senior Housing</b>	Housing restricted to elderly households—typically those with a head of household aged 62 years or older.
<b>Seriously Delinquent Mortgages</b>	Mortgages 90+ days delinquent or in foreclosure.

## B. Notes on Geography

1.	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.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

## C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.



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Contact Information

Tomasz Kukawski, Economist  
Chicago HUD Regional Office  
312-913-8894  
tomasz.m.kukawski@hud.gov

