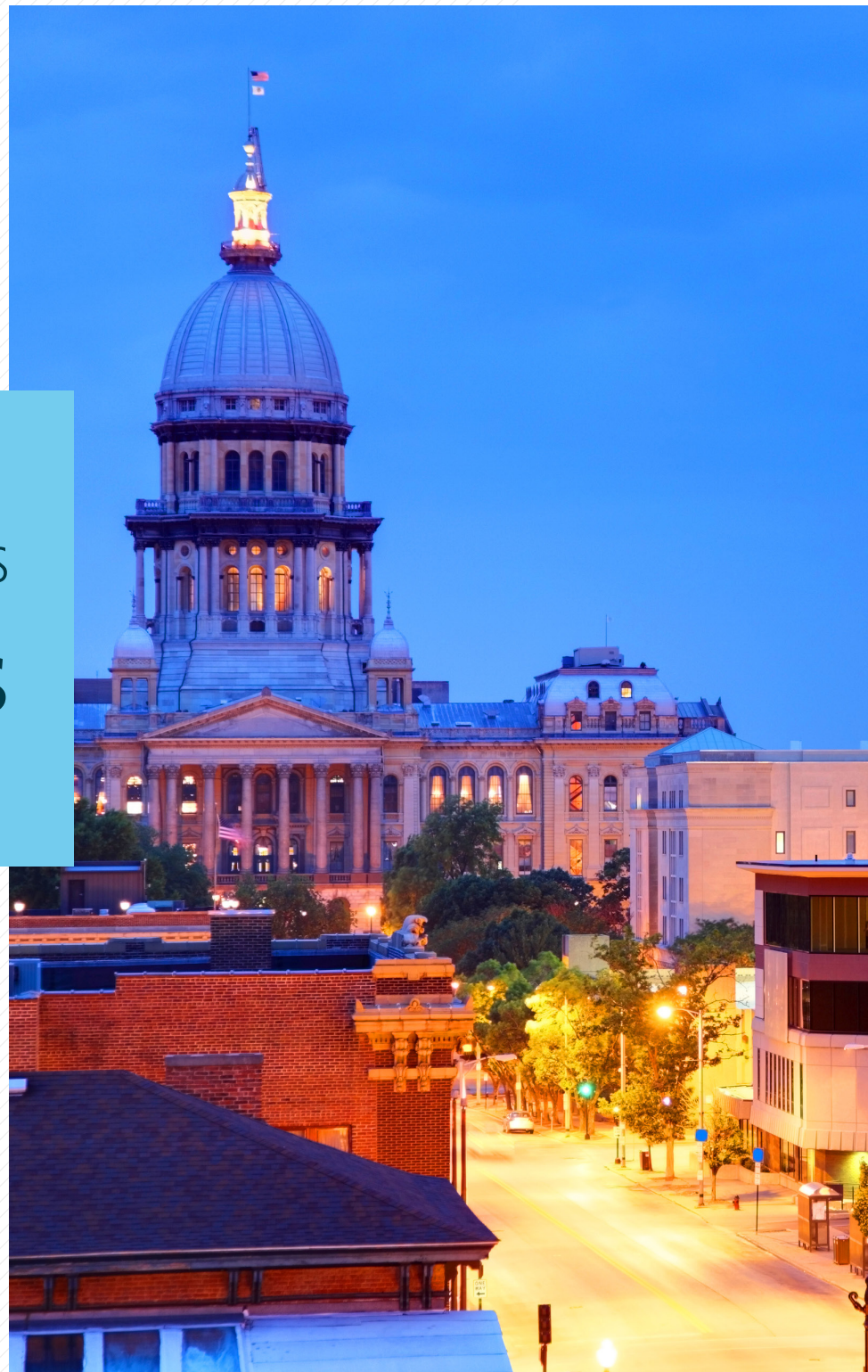


COMPREHENSIVE HOUSING MARKET ANALYSIS

Springfield, Illinois

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

As of January 1, 2019



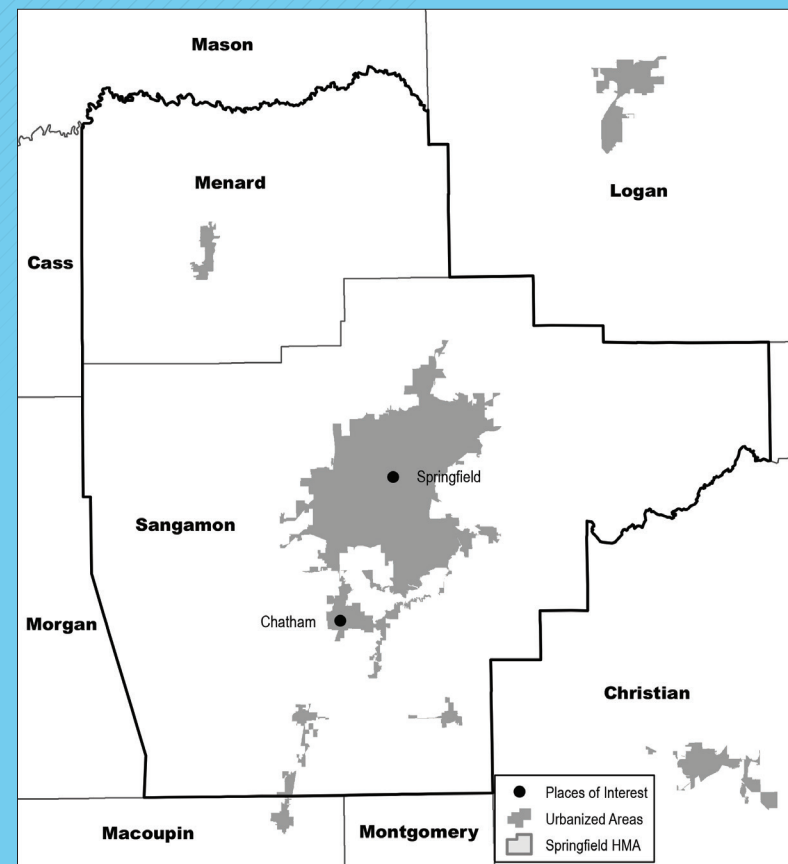
Executive Summary

Housing Market Area Description

The Springfield, Illinois Housing Market Area (hereafter, Springfield HMA) includes all towns, cities, villages, and unincorporated areas in Menard and Sangamon Counties and is coterminous with the Springfield Metropolitan Statistical Area (MSA).

The current population is estimated at 207,200.

The Springfield HMA, in central Illinois, is 80 miles northeast of St. Louis and about 200 miles southwest of Chicago. The city of Springfield is the state capital of Illinois and is known as home to Abraham Lincoln from 1837 to 1861, before he became president. The presidential library and museum, Lincoln's home, and his tomb at Oak Ridge Cemetery are major tourist attractions. In 2016, domestic and international travelers spent \$443.37 million in the HMA, up from \$438.84 million in 2015 (Research Department of the U.S. Travel Association, 2017).



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#). Additional data for the HMA can be found in this report's [supplemental tables](#). For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).

Market Qualifiers

Economy



Weak, with **1,200 job losses** during 2018.

Economic conditions in the HMA improved from 2014 through 2016, but the number of jobs has declined during the past 2 years, and nonfarm payrolls are 2.6 percent below the peak of 115,400 jobs, in 2001. During 2018, nonfarm payrolls decreased by 1,200 jobs, or 1.1 percent, to 112,500, compared with a 1,400-job, or 1.2 percent loss, that occurred 1 year earlier. Although jobs declined in the government sector during 2018, payroll growth occurred in the mining, logging, and construction and the education and health services sectors. As job losses slow during the 3-year forecast period, nonfarm payrolls are expected to decrease an average of 200 jobs, or 0.1 percent, annually.

Sales Market



Balanced, with generally **increasing existing home sales** and stable new home sales since 2008.

The sales housing market in the HMA is currently balanced, with an estimated 1.5-percent vacancy rate, down from 1.9 percent in April 2010. New and existing home sales in the HMA totaled 3,800 during 2018, up by 180, or 5 percent, from 2017 (CoreLogic, Inc, with adjustments by the analyst). During the forecast period, demand is estimated for 630 new homes. The 55 homes currently under construction in the HMA will satisfy some of the demand.

Rental Market



Soft, despite a **slight decrease in the rental vacancy rate** since 2010 because of an increased number of single-family homes offered for rent and higher levels of net out-migration.

The rental housing market in the HMA is currently soft, with an estimated vacancy rate of 9.1 percent, down from 9.4 percent in 2010, when conditions were also soft. During the forecast period, all demand is expected to be met by existing vacant rental units. The 160 units currently under construction and the approximately 170 units in planning may lead to further softening of rental market conditions when they enter the market.

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3-Year Housing Demand Forecast

Springfield HMA	Sales Units	Rental Units
	Total Demand	0
	Under Construction	160

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2019. Sales demand includes an estimated demand for 15 mobile homes. The forecast period is January 1, 2019, to January 1, 2022.

Source: Estimates by the analyst

Economic Conditions

Largest sector: Government

The economy of the HMA has lagged the nation in job growth since the Great Recession.

Primary Local Economic Factors

Since the city of Springfield became the state capital in 1837, the HMA economy has depended on the government sector. The State of Illinois is the largest employer in the HMA, with 17,800 jobs, a figure that excludes state higher education institutions (Table 1). In addition, the Southern Illinois University (SIU) School of Medicine and the University of Illinois at Springfield (UIS) were established in 1969 and 1970, respectively, and are the fifth and sixth largest employers. In 2017, UIS had an economic impact of nearly \$834 million statewide (University of Illinois).

Table 1. Major Employers in the Springfield HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
State of Illinois	Government	17,800
Memorial Health System	Education & Health Services	5,800
Hospital Sisters Health System Medical Group	Education & Health Services	4,250
Springfield Clinic	Education & Health Services	2,300
Southern Illinois University School of Medicine	Government	1,550
University of Illinois Springfield	Government	1,525
City of Springfield	Government	1,400
Blue Cross Blue Shield Association	Financial Activities	1,300
Horace Mann Educators Corporation	Financial Activities	1,100
Lincoln Land Community College	Government	960

Notes: Excludes local school districts. State of Illinois employment figures exclude the Southern Illinois School of Medicine and the University of Illinois Springfield.

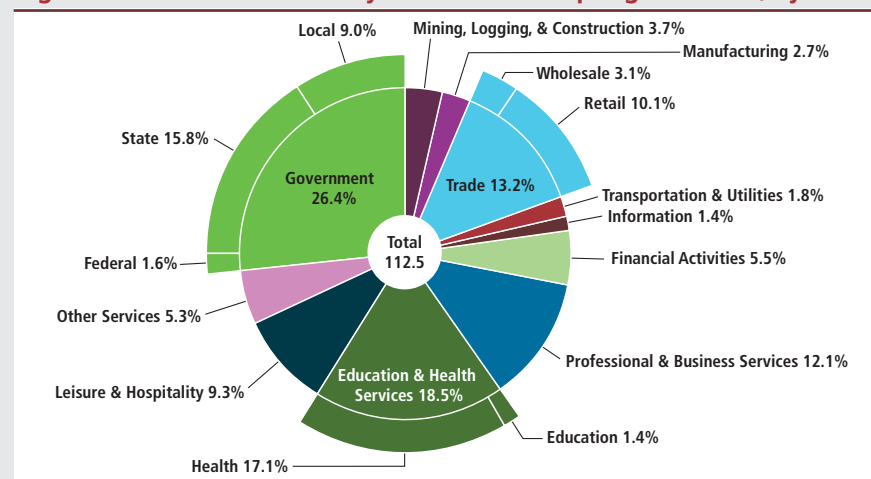
Source: Land of Lincoln Economic Development Corporation, 2016

Economic Sectors of Significance

Government

Anchored by the presence of the state capital and two state universities, the government sector is the largest nonfarm payroll sector in the HMA, accounting for 26 percent of nonfarm payrolls during 2018 (Figure 1). Approximately 60 percent of the jobs in the sector are in the state government subsector. The proportion of government sector jobs has declined since 2000 due in part to a decline in federal and state government jobs during the early 2000s and a decline in federal and local government jobs since the mid-2000s. From 2001 through 2003, the government sector lost an average of 800 jobs, or 2.5 percent, annually to reach an average of 30,000 jobs in 2003. During the period, the federal and state government subsectors declined by averages of

Figure 1. Current Nonfarm Payroll Jobs in the Springfield HMA, by Sector

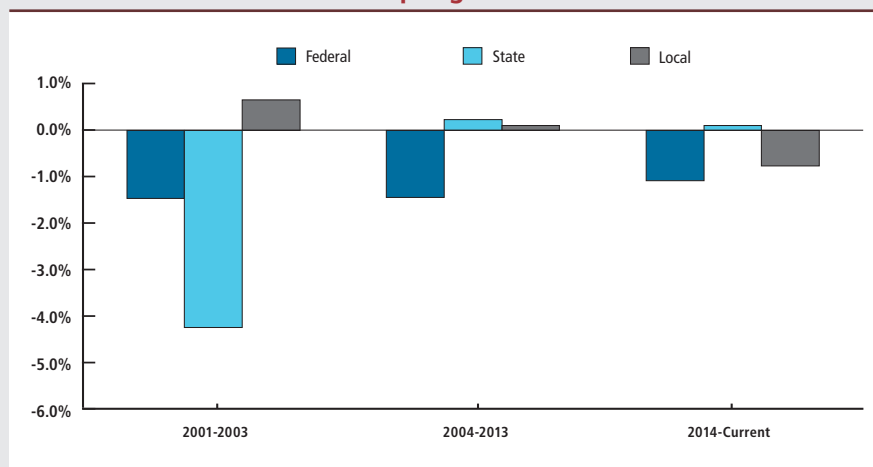


Notes: Total nonfarm payroll is in thousands. Numbers may not add to 100 percent due to rounding.

Source: U.S. Bureau of Labor Statistics

1.5 and 4.2 percent, respectively, annually (Figure 2), mostly because of budget cuts. From 2004 through 2013, jobs in the government sector remained unchanged because average increases of 0.2 and 0.1 percent, a year, respectively, in the state and local government subsectors, offset a 1.5-percent average annual decrease in federal government jobs. Since 2014, however, government sector jobs declined by an average 100 jobs, or 0.3 percent, annually, to 29,700. During that period, the federal and local government subsectors declined 1.1 and 0.8 percent, a year, respectively, with local government payrolls declining as a result of the declining tax base due to net out-migration from the HMA. The state government subsector has increased an average of 0.1 percent a year since 2014.

Figure 2. Average Annual Government Subsector Growth Since 2001 in the Springfield HMA



Source: U.S. Bureau of Labor Statistics

Education and Health Services Sector

The education and health services sector is the second largest payroll sector in the HMA and the only sector in the HMA to gain jobs every year since 2004. From 2001 through 2003, the sector declined by an average of 400 jobs, or 2.4 percent, a year, before increasing by an average of 300 jobs, or 1.9 percent, annually from 2004 through 2017. During 2018, the sector increased by 200 jobs, or 1.0 percent, to 20,900 jobs. The healthcare and social assistance subsector contributed to all the growth in the education and health services sector from 2004 through 2018. Three of the largest employers in the HMA are hospitals. During January and February 2018, Hospital Sisters Health System (HSBS) Medical Group opened Family Health and HSBS St. John's TherapyCare, a pediatric clinic in the village of Chatham; an unspecified number of jobs were added.

Professional and Business Services Sector

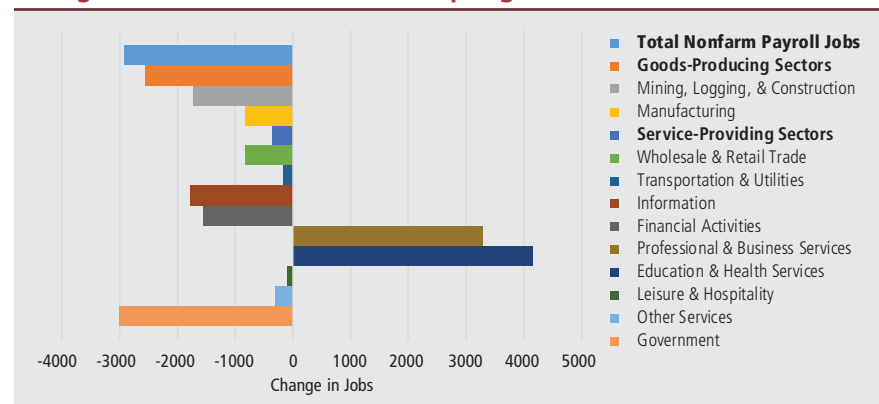
Although the professional and business services sector has not added jobs every year since 2004, it has generally provided a steady source of job growth in the HMA. From 2001 through 2003, when nearly every sector was losing jobs, the professional and business services sector added 300 jobs, or 3.0 percent, annually. Payrolls in the sector fluctuated from 2004 through 2013 but were relatively unchanged overall, increasing by an average of less than 100 jobs, or 0.3 percent, a year. From 2014 through 2017, the professional and business services sector added the most jobs of any sector, increasing by an average of 700 jobs, or 6.1 percent, annually, but declined by 200 jobs, or 1.4 percent, to 13,600 during 2018. Despite the loss, the sector accounts for 12 percent of nonfarm payrolls and is the fourth largest nonfarm payroll sector.

Nonfarm Payroll Trends—Overview

Despite growth in the education and health services and the professional and business services sectors (Figure 3), total payrolls in the HMA are below the 2001 level. Nonfarm payrolls in the Springfield HMA peaked in 2001 at 115,400 jobs before declining an average of 2,600 jobs, or 2.2 percent, annually, from 2002 through 2003 (Figure 4), largely because of declines in the government sector. Aside from a 100-job decline in 2006, the HMA economy expanded from 2004 through 2008, adding an average of 400 jobs, or 0.4 percent, annually to an average of 112,400 in 2008. Nearly every sector added jobs in the HMA from 2004 through 2008, with the education and health services and the professional and business services sectors leading the job gains. Although jobs declined nationally from 2007 through 2010 as a result of the Great Recession,

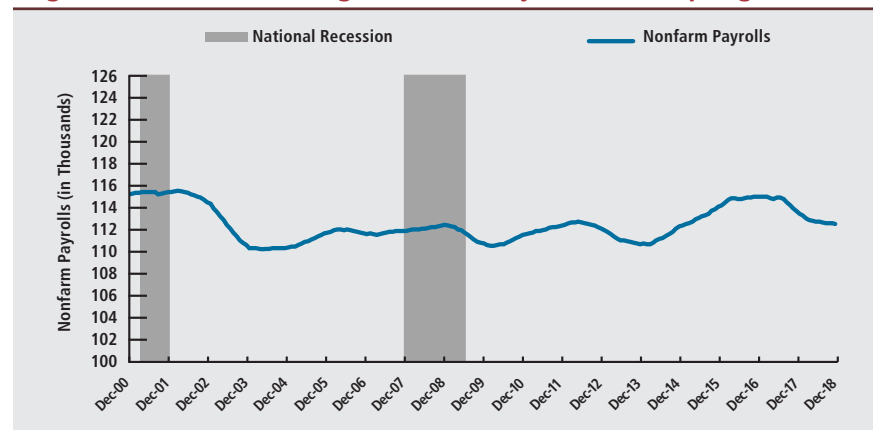
job losses in the HMA during this period only occurred in 2009, declining by 1,700 jobs, or 1.5 percent, to 110,700. During the 1-year downturn, 9 of 11 sectors in the HMA lost jobs. The local economy added jobs during 2010, 1 year before job growth resumed for the nation, and continued through 2011. By 2012, however, when the United States was in its second year of job recovery, jobs in the HMA began to decline and returned to the 2009 level by 2013. Nonfarm payrolls in the HMA rebounded from 2014 through 2016, increasing an average of 1,400, or 1.3 percent, a year, to 115,000 jobs, but economic conditions in the HMA weakened again during 2017, when an average of 1,400 jobs, or 1.2 percent, were lost. By comparison, the nation added jobs every year during the 2011-through-2017 period by an average of 1.7 percent a year.

Figure 3. Sector Growth in the Springfield HMA, 2001 to Current



Source: U.S. Bureau of Labor Statistics

Figure 4. 12-Month Average Nonfarm Payrolls in the Springfield HMA



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

Current Conditions

During 2018, nonfarm payrolls decreased by 1,200 jobs, or 1.1 percent, to 112,500 jobs (Table 2) and were 2,900 jobs, or 2.6 percent, below the 2001 peak. During 2018, seven sectors lost jobs. The largest decrease in nonfarm payrolls during 2018 occurred in the wholesale and retail trade sector, down 500 jobs, or 3.2 percent, despite Gander Outdoors adding 55 jobs when it reopened its 57,000-square-foot facility in the city of Springfield in May. Also in the retail trade subsector, Shop 'n Save, a grocery store chain, laid off approximately 150 employees when it closed in December 2018. The

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Springfield HMA, by Sector

	12 Months Ending December 2017	12 Months Ending December 2018	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	113.7	112.5	-1.2	-1.1
Goods-Producing Sectors	7.2	7.3	0.1	1.4
Mining, Logging, & Construction	4.1	4.2	0.1	2.4
Manufacturing	3.1	3.1	0.0	0.0
Service-Providing Sectors	106.5	105.2	-1.3	-1.2
Wholesale & Retail Trade	15.4	14.9	-0.5	-3.2
Transportation & Utilities	2.0	2.0	0.0	0.0
Information	1.6	1.5	-0.1	-6.3
Financial Activities	6.2	6.1	-0.1	-1.6
Professional & Business Services	13.8	13.6	-0.2	-1.4
Education & Health Services	20.7	20.9	0.2	1.0
Leisure & Hospitality	10.8	10.5	-0.3	-2.8
Other Services	6.2	6.0	-0.2	-3.2
Government	29.8	29.7	-0.1	-0.3

Notes: Based on 12-month averages through December 2017 and December 2018. Numbers may not add to totals due to rounding.

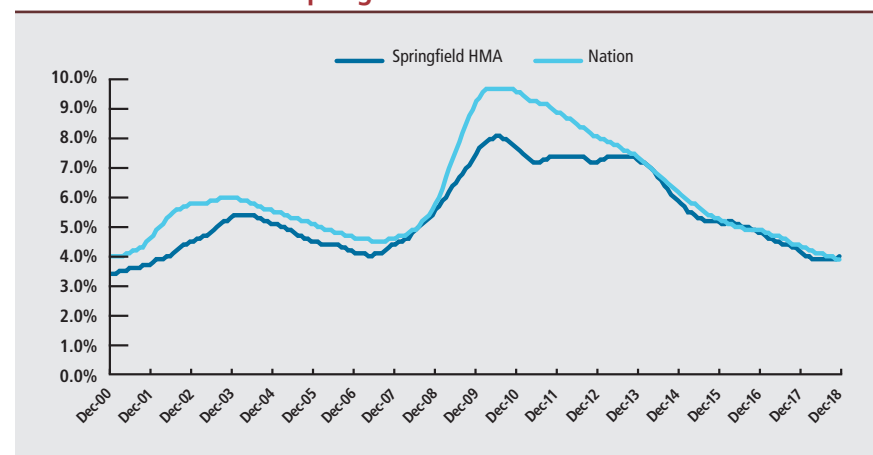
Source: U.S. Bureau of Labor Statistics

information sector had the fastest rate of decline in payrolls during 2018, down 6.3 percent, or by 100 jobs. In February, MorphoTrust USA, an identity verification company, laid off 74 employees when it closed a Springfield facility. Partially offsetting job losses during 2018 were increases in the mining, logging, and construction and the education and health services sectors, which increased by 100 and 200 jobs, or 2.4 and 1.0 percent, respectively. Job growth in the construction subsector was supported by increased development of apartments.

Unemployment

The unemployment rate, which peaked at 8.1 percent during summer 2010, averaged 4.0 percent during 2018, down from 4.2 percent a year earlier (Figure 5). Labor force declines that were faster than resident employment loss contributed to the declining unemployment rate. The national unemployment rate during 2018 averaged 3.9 percent.

Figure 5. 12-Month Average Unemployment Rate in the Springfield HMA and the Nation



Source: U.S. Bureau of Labor Statistics

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to contract slowly, declining by an average of 200 jobs, or 0.1 percent, annually. Job losses are expected to continue in the government sector because of job loss in the federal and local government subsectors. The wholesale and retail trade sector is also expected to decrease, partly because H.D. Smith, a wholesale distributor for independent pharmacies, announced it will lay off 66 employees when the facility closes in November 2019. Despite the expected closure of Vibra Hospital

of Springfield LLC in January 2019, eliminating 188 jobs, job growth is likely to continue in the education and health services sector and will partly offset job losses in other sectors. Additional job growth is expected in early 2019, when a 344,000 square-foot campus expansion at Levi, Ray & Shoup, Inc., a software solutions company, is complete. The campus expansion will have space to accommodate 185 offices and workstations and will add an unannounced number of jobs.



Population and Households

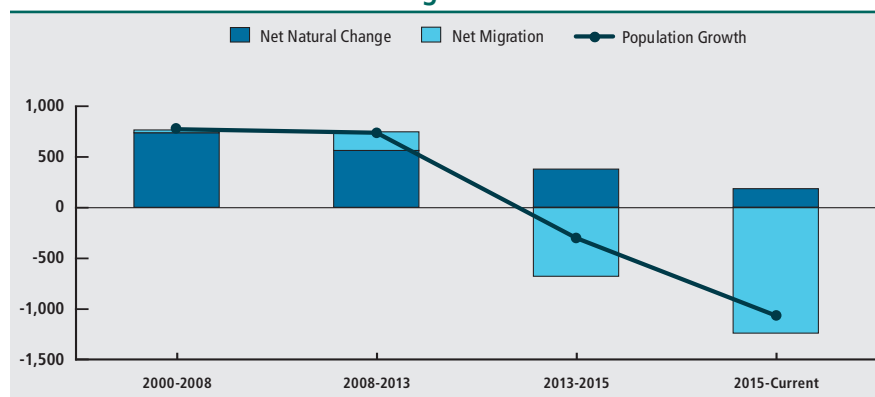
Current population: 207,200

The Springfield HMA has lost population every year since 2013 because of net out-migration and a general slowing of net natural increase.

Population Trends

Population trends have largely mirrored economic conditions in the Springfield HMA since 2000. From 2000 to 2008, when the local economy generally weakened, net in-migration averaged 40 people a year (Figure 6; U.S. Census Bureau decennial census counts and population estimates as of July 1). During the period, net natural increase averaged 740 people annually, and the population of the HMA grew by an average of 780, or 0.4 percent, annually. From 2008 to 2013, when employment conditions were relatively stable in the HMA and the Great Recession affected areas outside the HMA more severely, net in-migration increased to an average of 180 people a year. At the same time, net natural increase slowed, averaging 570 people a year, resulting in an average

Figure 6. Components of Population Change in the Springfield HMA, 2000 Through the Forecast



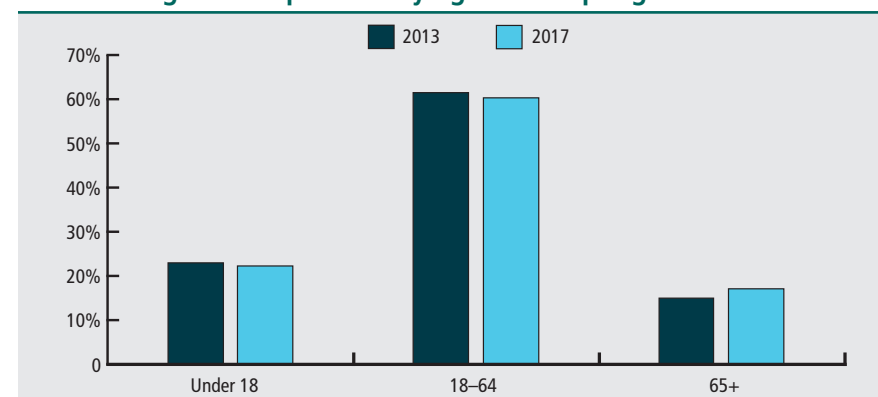
Note: Net natural change and net migration totals are average annual totals over the time period.
Source: U.S. Census Bureau

population growth of 750, or 0.4 percent, annually. Although economic conditions in the HMA improved from 2013 through 2015, greater employment opportunities outside of the HMA contributed to average net out-migration of 680 people a year. Combined with average net natural increase of 380 people annually, the population declined by an average of 300, or 0.1 percent, a year. Since 2015, net out-migration increased further to an average 1,250 people a year and population loss increased to an average 1,075, or 0.5 percent, as net natural increase declined to an average of 190 people a year.

Age Cohort Trends

From 2013 to 2017, the working-age population in the HMA, those ages 18 to 64 years, decreased by an average of 1,225, or 1.0 percent, a year (American Community Survey [ACS] 1-year estimates). During the same period, the portion of the population ages 17 and younger declined by an average of 560, or 1.2 percent, a year (Figure 7). Conversely, the share of residents that were retirement age (65 and older) continued to increase; the rising share of older residents was partly the cause of slower net natural increase. In 2013, approximately 31,750 people ages 65 or older lived in the HMA, accounting for 15 percent of the total population, but by 2017, the number had increased to 35,600, an increase of 970, or 3.0 percent, a year, to more than 17 percent of the total population. At the same time, the overall population declined.

Figure 7. Population by Age in the Springfield HMA



Source: American Community Survey, 2013 and 2017, 1-year data

Migration Trends

Most people moving out of the Springfield HMA move to a nonmetropolitan area, but when residents did move to a metropolitan area, they were most likely to relocate to the St. Louis or Chicago-Naperville-Elgin MSAs (Figure 8). The HMA also draws new residents from those areas. The HMA may be more favorable to people moving from the Chicago-Naperville-Elgin and St. Louis MSAs because home prices generally have been approximately 103 and 34 percent, respectively, lower in the HMA.

Figure 8. Metro-to-Metro Migration Flows in the HMA: 2012–2016

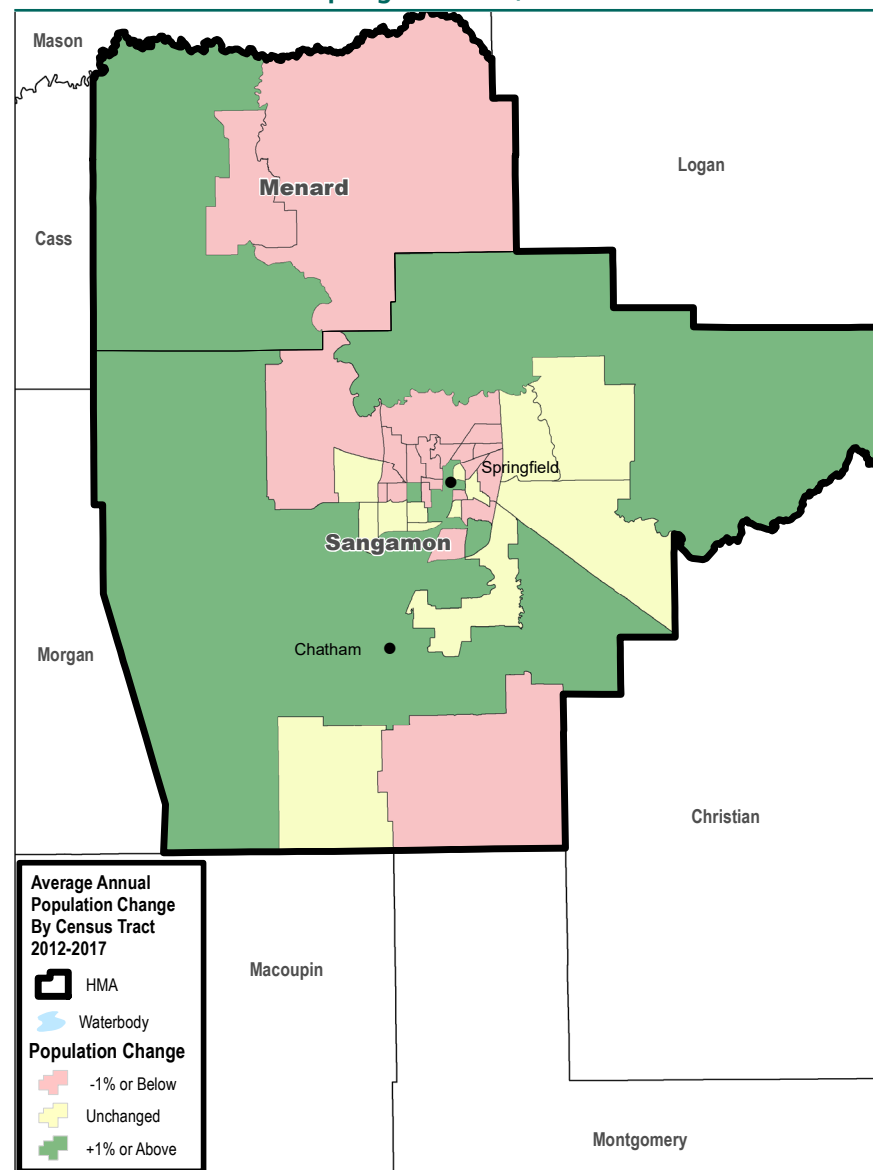
Into the HMA	Non-Metro Area Within U.S. or Puerto Rico	1,700
	Chicago-Naperville-Elgin, IL-IN-WI	1,700
	St. Louis, MO-IL	990
	Peoria, IL	350
	Davenport-Moline-Rock Island, IA-IL	290
Out of the HMA	Non-Metro Area Within U.S. or Puerto Rico	2,375
	St. Louis, MO-IL	1,300
	Chicago-Naperville-Elgin, IL-IN-WI	1,150
	Peoria, IL	400
	Champaign-Urbana, IL	330

Source: U.S. Census Metro-to-Metro Migration Flows

Population by Geography

Approximately 94 percent of the population of the HMA resides in Sangamon County, which includes the city of Springfield and the village of Chatham. Although population loss has continued in the HMA since 2013, population growth in both municipalities has offset some of the loss elsewhere in the HMA (Map 1). The village of Chatham grew by an average of 1.5 percent annually, faster than the 0.1 percent average annual rate of growth in the city of Springfield, from 2013 to 2017 (ACS 1-year estimates). The remaining 6 percent of the HMA population resides in Menard County.

Map 1. Average Annual Population Change by Census Tract in the Springfield HMA, 2012–2017



Source: American Community Survey, 5-year data, 2012–2017

Household Trends

Despite the population decline, household growth has continued since 2010, although at a slower pace than the previous decade (Table 3). Since 2010, the number of households increased by an average of 140, or 0.2 percent, annually, to an estimated 89,350. From 2000 through 2010, the number of households increased from 83,595 to 88,126, an average annual increase of 450 households, or 0.5 percent, despite a tornado in Sangamon County during 2006 that dislocated some households. Springfield city figures indicate that 1,548 homes were damaged, uninhabitable, or destroyed.

Student Enrollment and Households

Student enrollment at the SIU School of Medicine in Springfield and UIS, combined, was approximately 3,400 (excluding online students) during the fall 2018 semester, accounting for nearly 2 percent of the total population. Since 2013, enrollment at the SIU School of Medicine has been static, while enrollment at UIS has declined an average of 3.0 percent a year, a higher rate of decline than the average 1.1-percent-a-year decrease from 2008 through 2013. At UIS, approximately 1,900 students are housed in on-campus dormitories, with the remaining 1,500 students living off campus. No new dormitories are under construction or in planning, and no changes in enrollment are anticipated during the forecast period.

Households by Tenure

During the 2000s, approximately 77 percent of all new households were owner households, contributing to an increase in the homeownership rate from 70.5 percent in 2000 to 70.9 percent in 2010 (Figure 9). Since 2010, 83 percent of new households were owner households, contributing to a continued increase in the current homeownership rate to 71.0 percent.

Table 3. Springfield HMA Population and Household Quick Facts

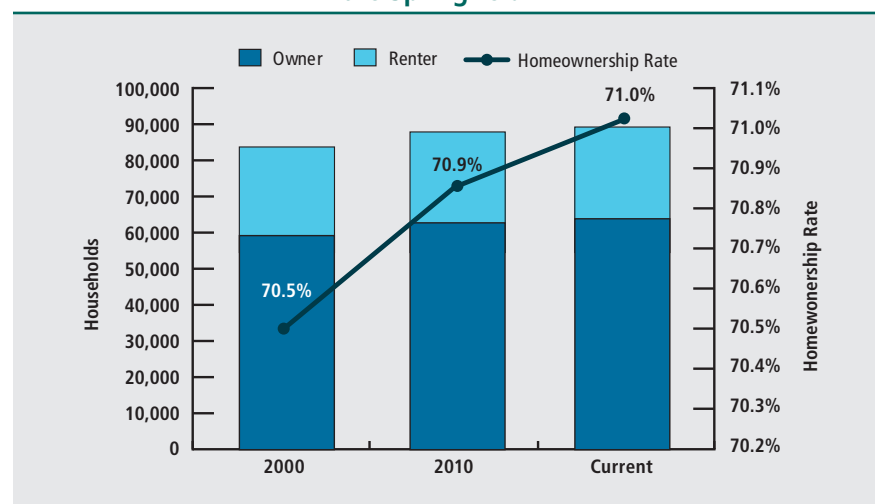
Population Quick Facts		2010	Current	Forecast
	Population	210,170	207,200	205,700
	Average Annual Change	870	-330	-520
	Percentage Change	0.4%	-0.2%	-0.2%

Household Quick Facts		2010	Current	Forecast
	Households	88,126	89,350	89,550
	Average Annual Change	450	140	65
	Percentage Change	0.5%	0.2%	0.1%

Note: Average annual changes and percentage changes are based on averages from 2000–2010, 2010 to current, and current to forecast.

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

Figure 9. Households by Tenure and Homeownership Rate in the Springfield HMA



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

Forecast

Population decline is expected to continue during the 3-year forecast period but at a slower rate than since 2015 as job loss moderates. The population of the HMA is expected to decrease by an average of 520, or 0.2 percent, annually during the next 3 years, to 205,700. Population loss will be highest in the first year but slow during the second and third years of the forecast period. Despite

declines in the population, the number of households is expected to increase by an average of 65, or 0.1 percent, annually, during the forecast period because of declining household size. Owner households are expected to constitute the majority of household growth during the next 3 years and will likely support increased homeownership rates.



Home Sales Market Conditions

Market Conditions: Balanced

New and existing home sales during 2018 were up 5 percent from the previous year.

Current Conditions

The sales housing market in the Springfield HMA is currently balanced, with an estimated vacancy rate of 1.5 percent (Table 4), down from 1.9 percent in April 2010. Limited homebuilding activity in the HMA has contributed to a significant decline in available inventory. During 2018, the average months' supply of homes increased to 3.6 months, up slightly from 3.2 months' supply of homes in 2017 but down from 5.8 months in 2011 (Illinois Association of Realtors®).

Table 4. Home Sales Quick Facts in the Springfield HMA

	Springfield HMA	Nation
Vacancy Rate	1.5%	NA
Months of Inventory	3.6	3.7
Total Home Sales	3,800	6,170,000
1-Year Change	5.1%	-1.0%
Average Price-Existing	\$134,500	\$289,400
1-Year Change	-1.2%	5.0%
Average Price-New	\$211,400	\$379,300
1-Year Change	7.3%	1.0%
Mortgage Delinquency Rate	1.4%	1.7%

NA = data not available.

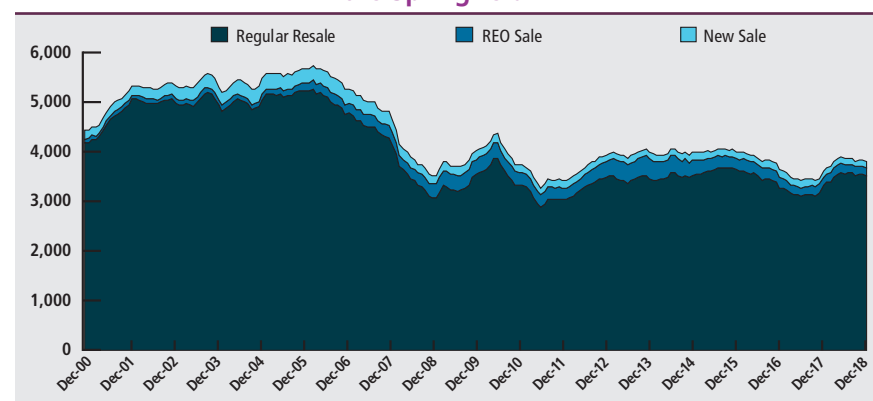
Notes: Vacancy rate is as of the current date. Home sales and prices are for the 12 months ending December 2018. Months of inventory and mortgage delinquency data are as of December 2018.

Sources: CoreLogic, Inc.; Illinois Association of Realtors®

Existing Home Sales and Prices

Existing single-family home, townhome, and condominium (hereafter, existing home) sales have generally increased since a low in 2011, following a sharp decline from the 5,375 peak in 2005 (CoreLogic, Inc., with adjustments by the analyst). During the local housing market downturn, from 2006 through 2011, existing home sales declined an average of 8 percent a year to 3,275 during 2011 (Figure 10). The decline in sales reflected reductions in the number of regular resales of 9 percent a year, but growth in REO home sales partially offset that reduction. When market conditions weakened, REO sales rose from 160 homes sold in 2005 to 230 homes sold in 2011. The sales market in the HMA began to improve in 2012, and the number of existing home sales increased each of the 4 years by an average 150 homes, to 3,850 in 2015. In 2016, when net out-migration increased, existing home sales decreased 10 percent, to 3,475 homes sold; the number of regular resales and REO sales declined 10 and 7 percent, respectively. Existing home sales have rebounded during the most recent 2 years, however. During 2018, 3,675 homes sold, a 5-percent increase from the 3,500 homes sold the previous year, as regular resales increased 6 percent while REO sales declined 2 percent. Existing homes accounted for 97 percent of all homes sold in the HMA during 2018.

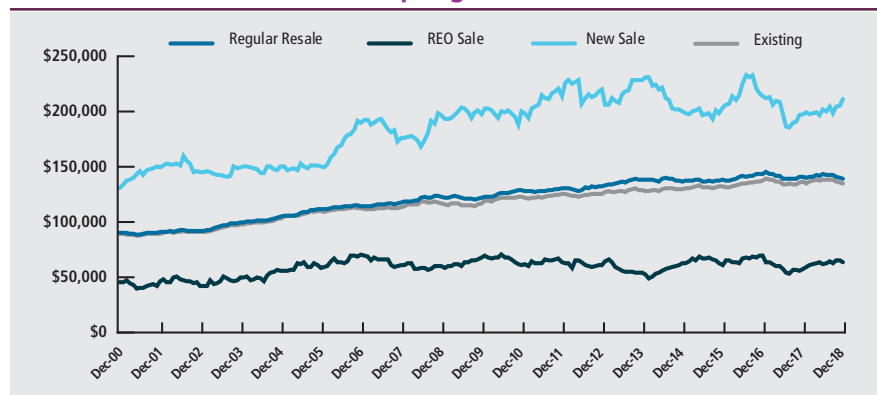
Figure 10. 12-Month Sales Totals by Type in the Springfield HMA



Source: CoreLogic, Inc., with adjustments by the analyst

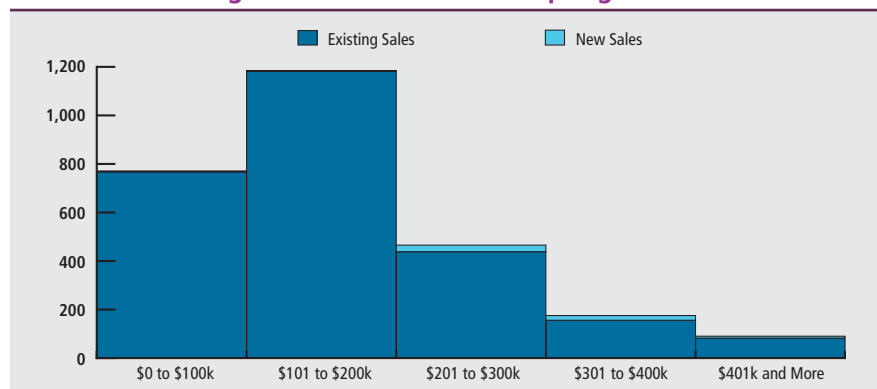
From 2001 through 2016, existing home sales prices in the HMA increased relatively steadily, up an average of 3 percent annually from \$89,000 in 2000 to \$137,200 in 2016 (Figure 11). The average sales price was not severely

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



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 12. Sales by Price Range During the 12 Months Ending December 2018 in the Springfield HMA



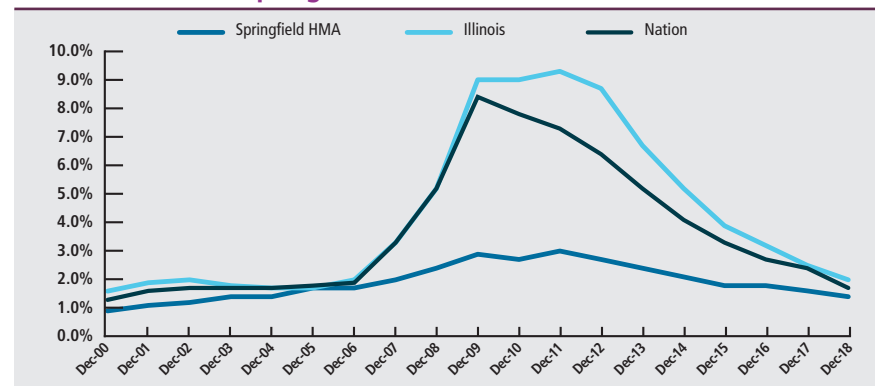
Source: Metrostudy, A Hanley Wood Company

affected by the levels of REO sales, which peaked at 10 percent of sales in 2013 compared with 5 percent currently. During 2018, the average existing home sales price decreased 1 percent, to \$134,500 compared with \$136,100 during 2017. More than one-half of all existing homes sold during 2018 were priced at or below \$200,000, and only 3 percent of existing homes sold were priced at or above \$400,000 (Figure 12).

Delinquent Mortgages

The sales market in the HMA fared better than those of both Illinois and the nation during the housing crisis due to relatively low rates of seriously delinquent mortgage loans and real estate owned (REO) properties (Figure 13). For context, the percentage of mortgage loans that were seriously delinquent or had transitioned into REO status peaked at 3.0 and 9.3 percent in the HMA and Illinois, respectively, in December 2011, 2 years after the 8.4 percent national peak (CoreLogic, Inc.). As of December 2018, the rate of seriously delinquent loans and REO properties in the HMA was 1.4 percent, down from 1.6 percent a year ago, and below the rates of 2.0 and 1.7 percent for Illinois and the nation, respectively.

Figure 13. Rates of Seriously Delinquent Loans and REO Properties in the Springfield HMA, Illinois, and the Nation



Source: CoreLogic, Inc.

New Home Sales and Prices

Whereas existing home sales have generally increased, new single-family home, townhome, and condominium (hereafter, new home) sales have been subdued in the HMA since 2008, partly because average new home sales prices are 57 percent higher than average existing home sales prices. During 2018, 130 new homes sold, compared with the 120 sold during the previous year. From 2008 through 2016, an average of 150 new homes sold annually. By comparison, new home sales averaged 250 a year from 2000 through 2007, when economic conditions were relatively stronger.

The average sales price of new homes sold during 2018 was \$211,400, an increase of 7 percent from 2017, compared with the \$16,750, or 8-percent decline during the previous year. Before that, the average new home sales price increased by an average \$7,500, or 4 percent, a year from 2001 through 2013 to \$228,200, before declining to \$200,100 in 2016, when net out-migration was increasing. Approximately 80 percent of new home sales during 2018 were priced between \$200,000 and \$400,000, with 10 percent priced below \$200,000 and 10 percent priced above \$400,000.

Sales Permit Activity

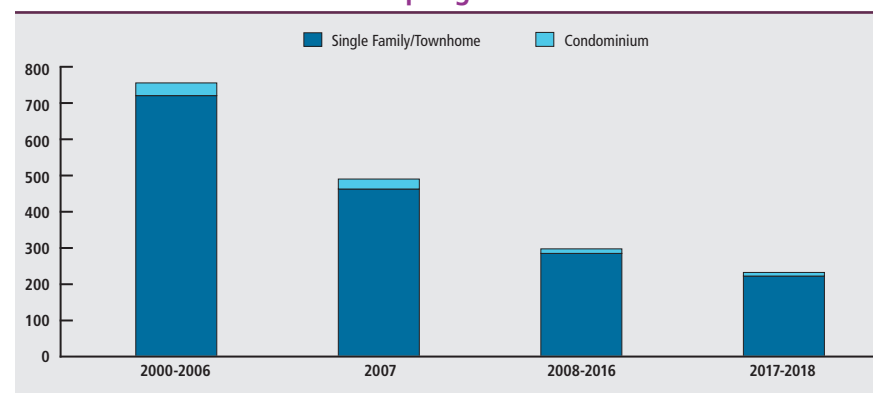
Permitting of sales housing, including single-family homes, townhomes, and condominiums, has been at relatively low levels since the late 2000s. From 2000 through 2006, the number of homes permitted averaged 750 annually, approximately 5 percent of which were condominiums (Figure 14). Permitting fell to 490 in 2007, and condominium permitting accounted for 6 percent. From 2008 through 2016, the number of homes permitted declined further, to an average of 300 homes annually, in response to the local economic contraction and housing market downturn. The proportion of condominium construction remained relatively stable at 5 percent. With weak economic conditions and

increasing net out-migration, homebuilding activity decreased further to an average 230 homes permitted a year, from 2017 through 2018 (preliminary data, with adjustments by the analyst).

New Construction

Recent home construction has mostly occurred in the village of Chatham and the city of Springfield. In the village of Chatham, the Foxx Creek subdivision is nearing completion, with 278 homes for sale. Construction of the final phase began in 2018, with 95 single-family lots for sale. Prices for recently completed three-bedroom, two-bathroom homes start at \$253,000. In the city of Springfield, a 35-acre, 25-lot expansion of The Reserve, a 46-home upscale subdivision, is currently in the planning phase. Approximately 30 percent of the lots have been reserved, but prices have not been published. Pheasant Run, a manufactured home community in the city of Springfield, currently has four new homes for sale, with prices starting at \$49,999 for a 1,056-square-foot home.

Figure 14. Average Annual Sales Permitting Activity in the Springfield HMA



Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and analyst estimates; 2018 preliminary data and estimates by the analyst

Forecast

During the next 3 years, demand is expected for an estimated 630 new homes in the HMA (Table 5). The 55 single-family homes currently under construction will satisfy a portion of the estimated demand during the forecast period. Most of the demand will be for new homes priced under \$400,000. Demand is estimated to rise each year of the forecast, as job losses and net out-migration slow.

**Table 5. Demand for New Sales Construction
Units in the Springfield HMA During the Forecast Period**

Sales Units	
Demand	630 Units
Under Construction	55 Units

Source: Estimates by the analyst

Rental Market Conditions

Market Conditions: Soft

An increased number of single-family homes offered for rent and higher levels of net out-migration since 2013 have maintained a high vacancy rate.

Current Conditions and Recent Trends

Overall rental housing market conditions are currently soft in the Springfield HMA. The vacancy rate for all rental units (including single-family homes, townhomes, mobile homes, and apartments) is estimated at 9.1 percent, down from 9.4 percent in April 2010 (Table 6). The population decline in the HMA has contributed to the high vacancy rate, particularly among older, obsolete units. Renter households currently account for 29.0 percent of all households in the HMA, slightly down from 29.1 percent during April 2010. The overall rental vacancy rate is higher than the apartment vacancy rate because many older single-family homes were converted to rental use during the 2010s—creating an oversupply of single-family rentals.

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

Rental Market Quick Facts		2010	Current
	Rental Vacancy Rate	9.4%	9.1%
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	39%	53%
	Multifamily (2-4 units)	21%	20%
	Multifamily (5+ units)	38%	24%
	Other (Including Mobile Homes)	3%	4%
Apartment Market Quick Facts		Current	YoY Change
	Apartment Vacancy Rate	6.6%	-1.9
	Average Rent	\$733	4%

YoY = year-over-year.

Note: The current date is January 1, 2019.

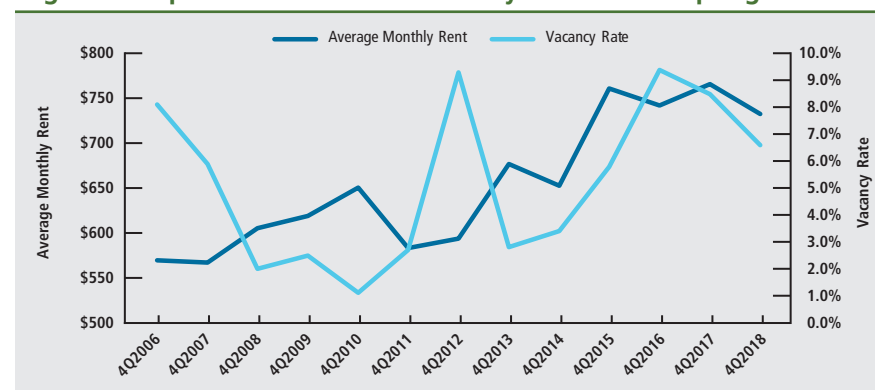
Sources: Occupied rental units by structure data—American Community Survey, 2017 1-year data; Apartment data—RealPage, Inc.

Approximately 53 percent of renter households in the HMA live in single-family homes, up from 39 percent in 2010 (ACS 1-year data). Multifamily buildings with five or more units, typically apartments, accounted for 24 percent of all occupied rental units in the HMA in 2017, down from 38 percent in 2010. Of those occupied apartment units, 97 percent are in Sangamon County and the remaining 3 percent are in Menard County.

Apartment Market Conditions

Apartment market conditions in the HMA are currently balanced. During the fourth quarter of 2018, the apartment vacancy rate was 6.6 percent, down from 8.5 percent during the fourth quarter of 2017 (RealPage, Inc.) but above the 4.5-percent rate for the nation. The average apartment rent decreased by \$33, or 4 percent, to \$733 during the fourth quarter of 2018 (Figure 15). By comparison, the average rent increased 4 percent, to \$1,346, nationally. In 2006, when jobs were increasing, the population was growing, and readily available access to mortgage credit contributed to a higher propensity for homeownership, the apartment vacancy rate in the HMA was 8.1 percent and the average rent was \$569. From 2007 through 2010, in response to the housing crisis, demand for apartments increased, reducing the apartment vacancy rate to 1.1 percent by 2010. From 2011 through 2016, fluctuations in economic conditions and population loss contributed to a general

Figure 15. Apartment Rents and Vacancy Rates in the Springfield HMA



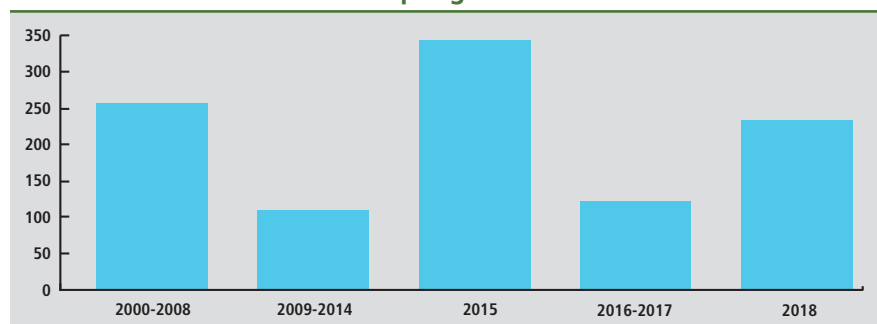
Source: RealPage, Inc.

softening of apartment market conditions, and the apartment market vacancy rate increased to 9.4 percent by the end of 2016. From 2007 through 2016, the average rent increased by an average of \$17, or 3 percent, a year, to \$742.

Rental Permit Activity

Because of a relatively weak economy and net out-migration, rental construction, as measured by the number of rental units permitted, has generally remained below levels averaged through most of the 2000 decade. From 2000 through 2008, an average of 260 rental units a year were permitted (Figure 16), before decreasing to an average 110 units annually from 2009 through 2014, when economic conditions were relatively stagnant. In 2015, rental permitting surged to 340 units, and then declined to an average 120 units a year from 2016 through 2017 to allow for the absorption of recently completed units. By 2018, permitting had increased to an average 230 units (preliminary estimates, with adjustments by the analyst).

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

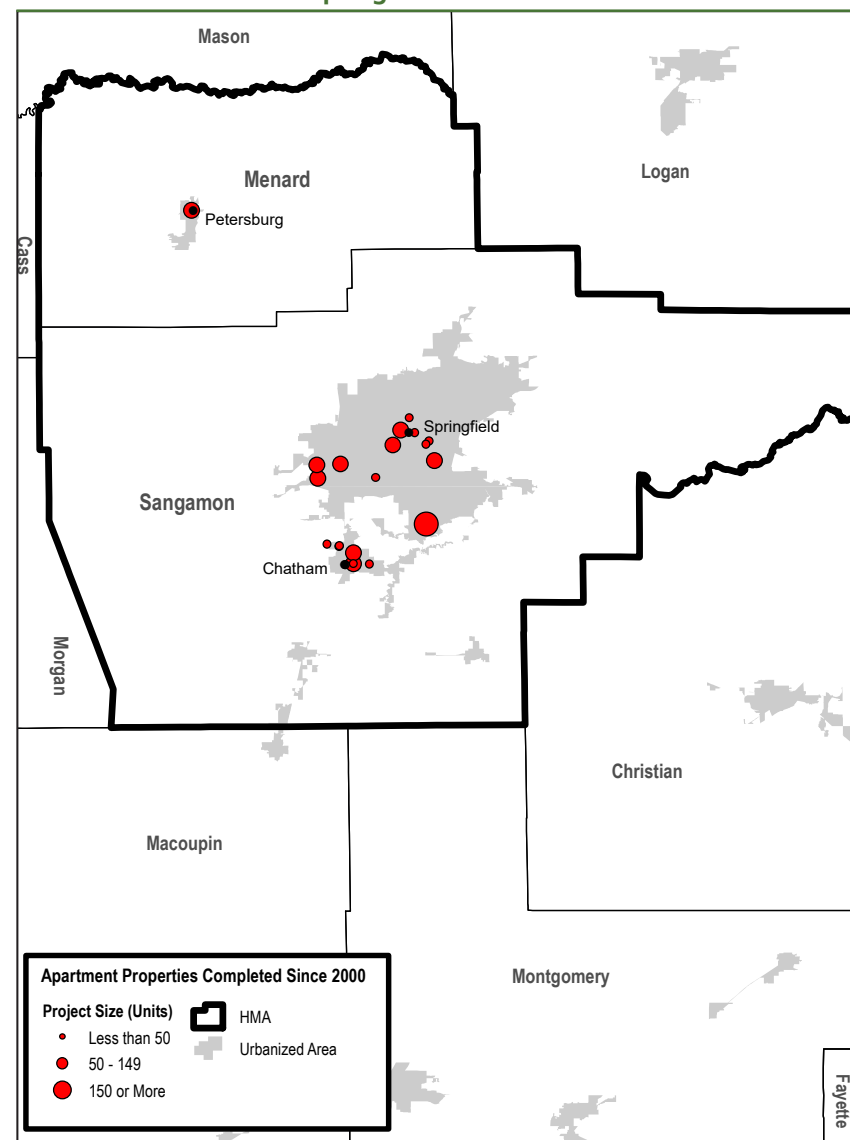


Sources: U.S. Census Bureau, Building Permits Survey; 2000–2017 final data and analyst estimates; 2018 preliminary data and estimates by the analyst

Rental Construction and Recent Completions

Rental permitting has been concentrated in Sangamon County since 2000, particularly areas in and around the city of Springfield and the village of Chatham (Map 2). Recent apartment completions in the HMA include Cardinal Ridge,

Map 2. Apartment Properties Completed in the Springfield HMA Since 2000



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

a 32-unit apartment complex in the village of Chatham, completed in June 2017. Rents for one- and two-bedroom units start at \$535 and \$885, respectively. Currently, construction is underway at the 36-unit Ash Grove Apartments in the city of Springfield. When complete in April 2019, the property will feature one- and two-bedroom units, with rents starting at \$770 and \$945, respectively. Cardinal Ridge and Ash Grove plan to expand their properties by an unknown number of units and 170 units, respectively, but start and completion dates are unknown. Another addition to the rental supply includes the Centre at 501, a 25-unit church conversion in downtown Springfield that will consist of one- and two-bedroom units, with rents ranging from \$700 to \$1,150. Builders have taken notice of the aging population in the HMA, and projects currently under construction include two developments intended for retirees, with 102 assisted-living units in the city of Springfield.

Forecast

No demand for additional rental units is expected during the 3-year forecast period (Table 7). Because the number of renter households is expected to remain relatively unchanged during the forecast period, all demand is expected to be met by existing vacant units. Properties under construction and in planning within the HMA may be successfully absorbed, but the additions are likely to increase the overall rental vacancy rate and prolong the current soft market conditions.

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

Rental Units	
Demand	0 Units
Under Construction	160 Units

Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Other Vacant Units	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.
Building Permits	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.
Distressed Sales	Short sales and real estate owned (REO) sales.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Forecast Period	1/1/2019–1/1/2022—Estimates by the analyst
Net Natural Increase	Resident births minus resident deaths.

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 February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 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.	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.
Cover Photo	iStock/DenisTangneyJr

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