



Impacts on Residential Preferences and Need to Diversify Housing Stock

Illinois Financial Forecast Forum

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Image Sources: Google Earth; NOAA; TerraMetrics

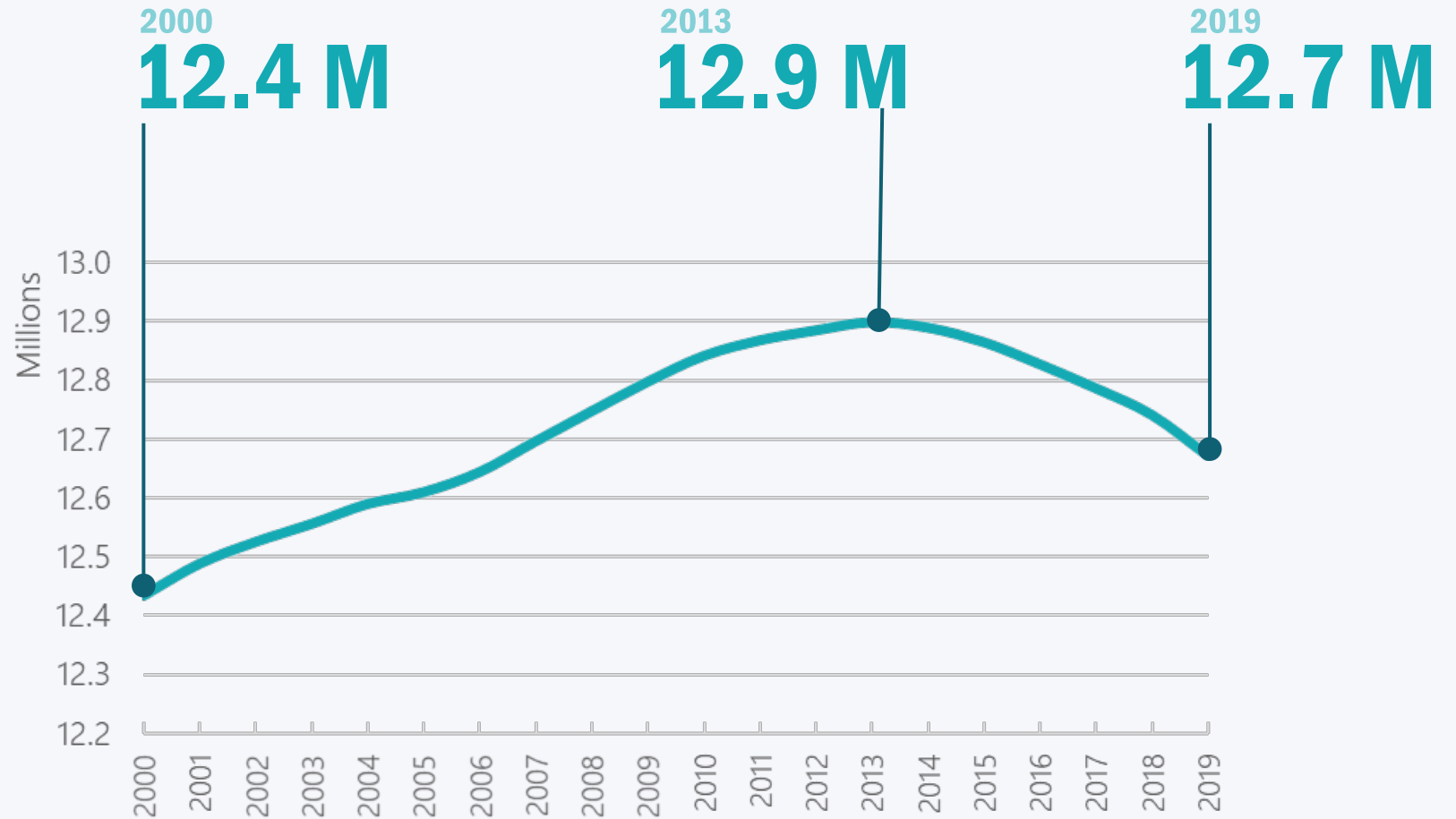
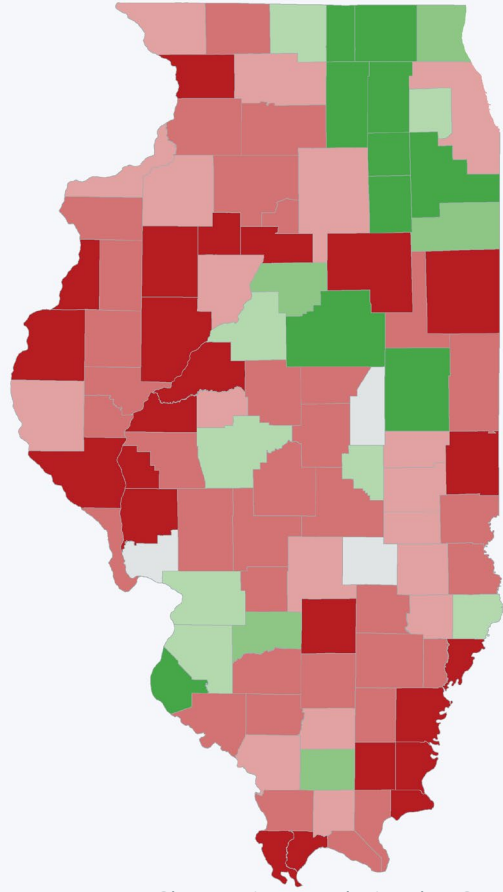


VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

ILLINOIS POPULATION HAS DECLINED FROM 2013 PEAK

Many counties show growth

2000-2019 Population Change



*Any decline or increase between -1% and 1%

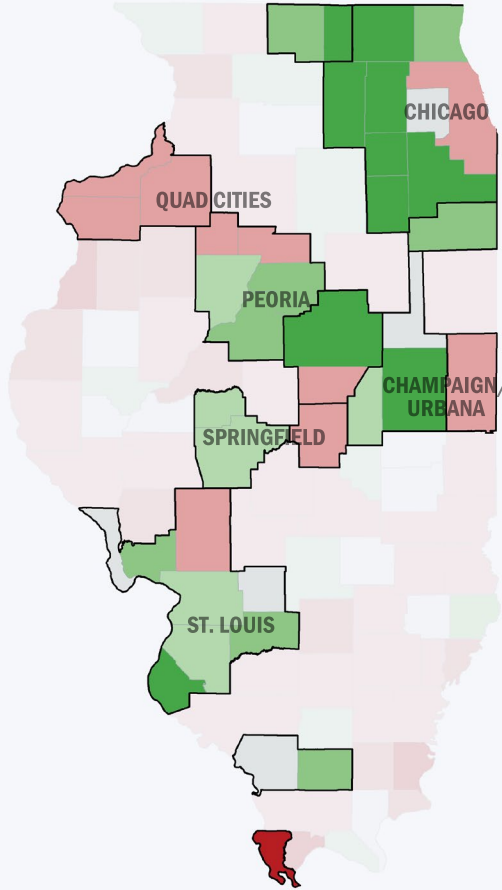
Source: Esri; SB Friedman; U.S. Census

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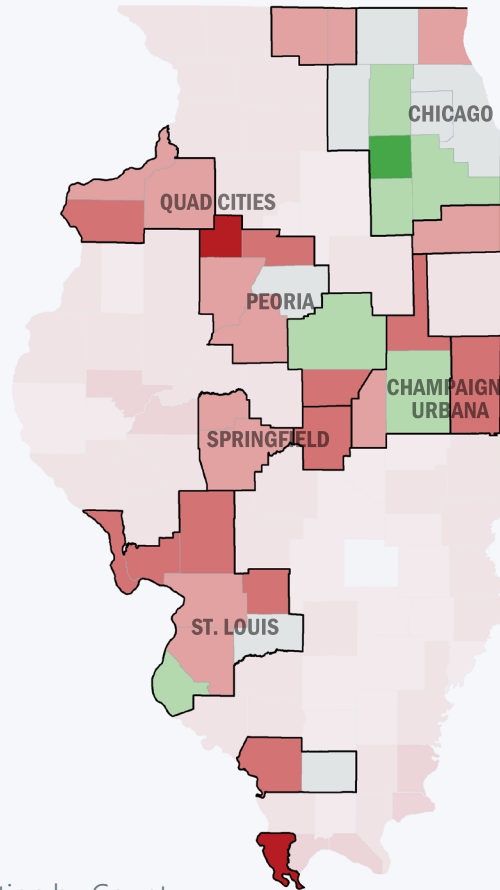
POPULATION CHANGE HAS BEEN UNEVEN

Growth concentrated in metro areas; decline concentrated in rural areas

2000-2009



2010-2019



Population by County



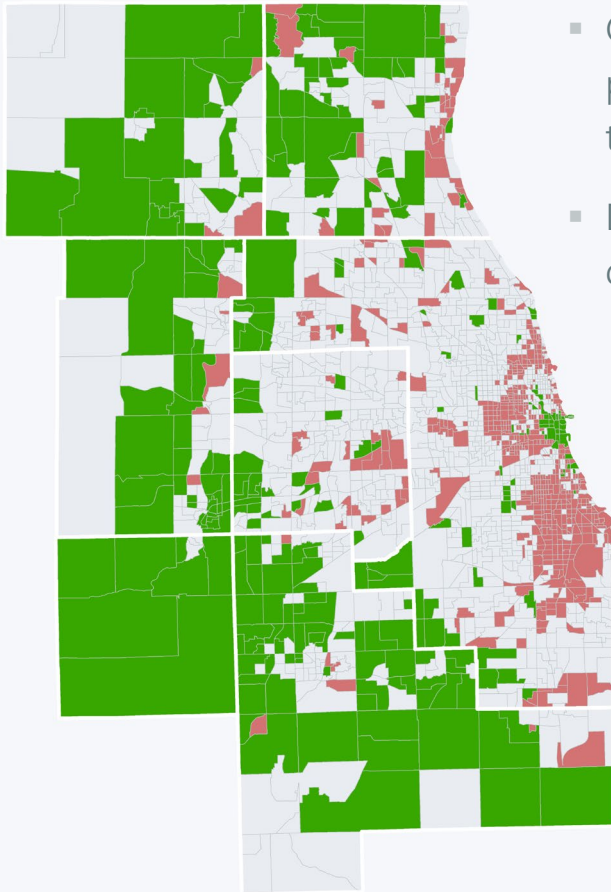
*Any decline or increase between -1% and 1%

Source: CMAP; Esri; SB Friedman; U.S. Census

Metro	2000-2009 Population Change	2010-2019 Population Change
Champaign-Urbana, IL	20,203 9.6%	6,663 2.9%
Bloomington, IL	17,621 10.5%	755 0.4%
Chicago-Naperville-Elgin, IL-IN-WI	270,486 3.3%	(10,536) -0.1%
Springfield, IL	7,272 3.6%	(3,595) -1.7%
Carbondale-Marion, IL	4,981 4.1%	(3,461) -2.7%
St. Louis, MO-IL	28,939 4.3%	(21,462) -3.1%
Kankakee, IL	9,265 8.9%	(3,557) -3.1%
Peoria, IL	12,714 3.5%	(12,755) -3.4%
Rockford, IL	28,733 9.0%	(13,075) -3.7%
Davenport-Moline-Rock Island, IA-IL	(2,623) -1.2%	(8,250) -3.9%
Non-Metro Counties	(27,707) -1.8%	(84,567) -5.5%
Decatur, IL	(3,767) -3.3%	(6,775) -6.1%
Danville, IL	(2,111) -2.5%	(5,881) -7.2%
Cape Girardeau, MO-IL	(1,389) -14.3%	(2,445) -29.8%

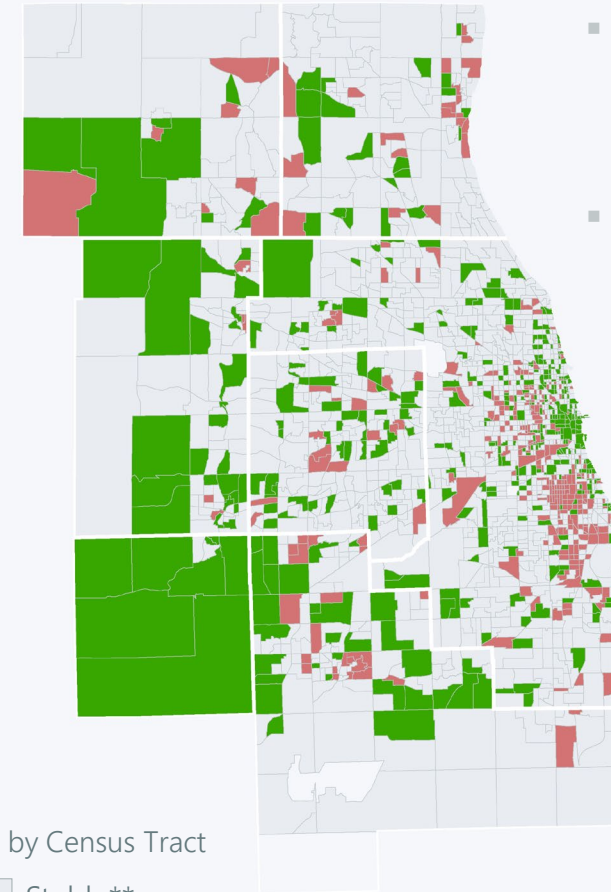
POPULATION CHANGE DYNAMICS HAVE SHIFTED SINCE 2010

2000-2010



- Growth occurred at the periphery and the core of the region
- Driven by single-family development

2010-2019*



- Growth areas were mixed, with adjacent tracts showing varied growth
- Driven by changes in preferences and decline in lower-income areas

Change in Proportion of Regional Population by Census Tract

■ Increase ■ Decrease ■ Stable**

WILL AGING MILLENNIALS MOVE TO SUBURBAN HOMES?

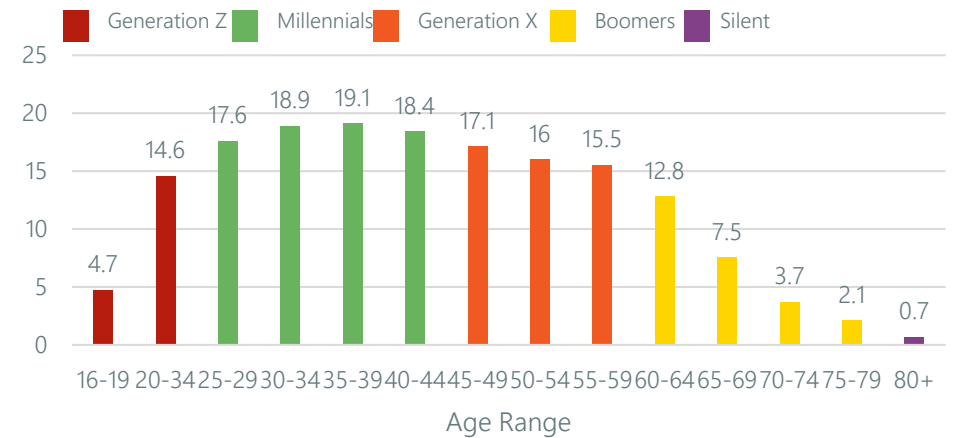
Some Millennials may move but empty-nesters and young professionals will sustain urban demand

US Population by Life Stage by Decade (Thousands)

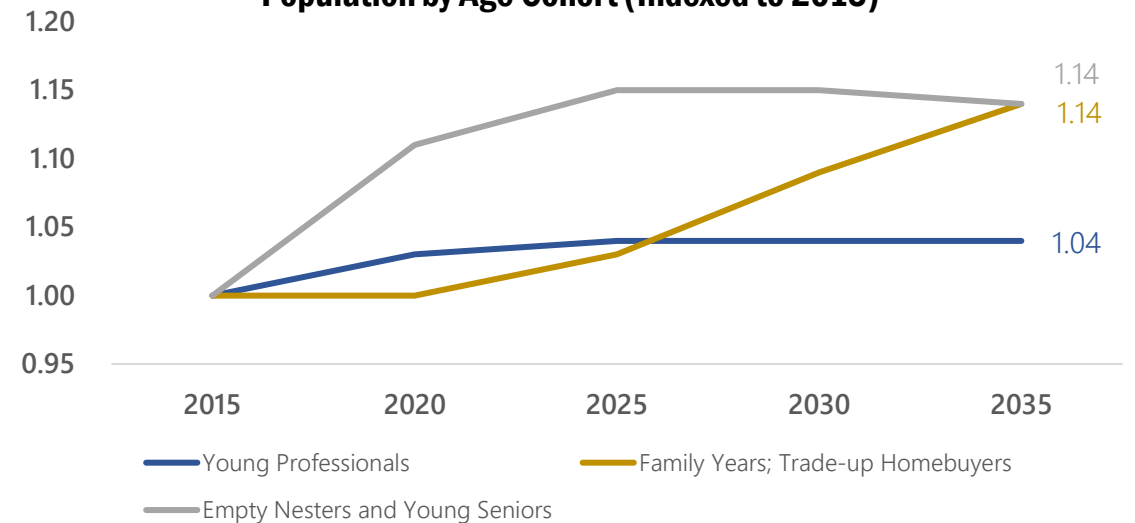
Millennials by life stage by decade

	AGE	2015	2025	2035
Children	Under 5 years	19,965	21,010	21,268
	5 to 9 years	20,463	20,889	21,529
	10 to 14 years	20,590	20,555	21,650
	15 to 19 years	21,092	21,219	21,706
Young Professionals	20 to 24 years	22,740	22,077	22,183
	25 to 29 years	22,473	23,103	23,450
	30 to 34 years	21,659	24,450	23,995
Family Years; Trade-up Homebuyers	35 to 39 years	20,346	23,586	24,360
	40 to 44 years	20,178	22,291	25,176
	45 to 49 years	20,817	20,613	23,919
	50 to 54 years	22,312	20,063	22,257
Empty Nesters and Young Seniors	55 to 59 years	21,811	20,294	20,260
	60 to 64 years	19,093	21,265	19,351
	65 to 69 years	16,094	20,202	19,071
Seniors with Special Needs	70 to 74 years	11,500	16,891	19,091
	75 to 79 years	8,126	13,154	16,819
	80 to 84 years	5,806	8,191	12,343
	85 years or older	6,304	7,482	11,908

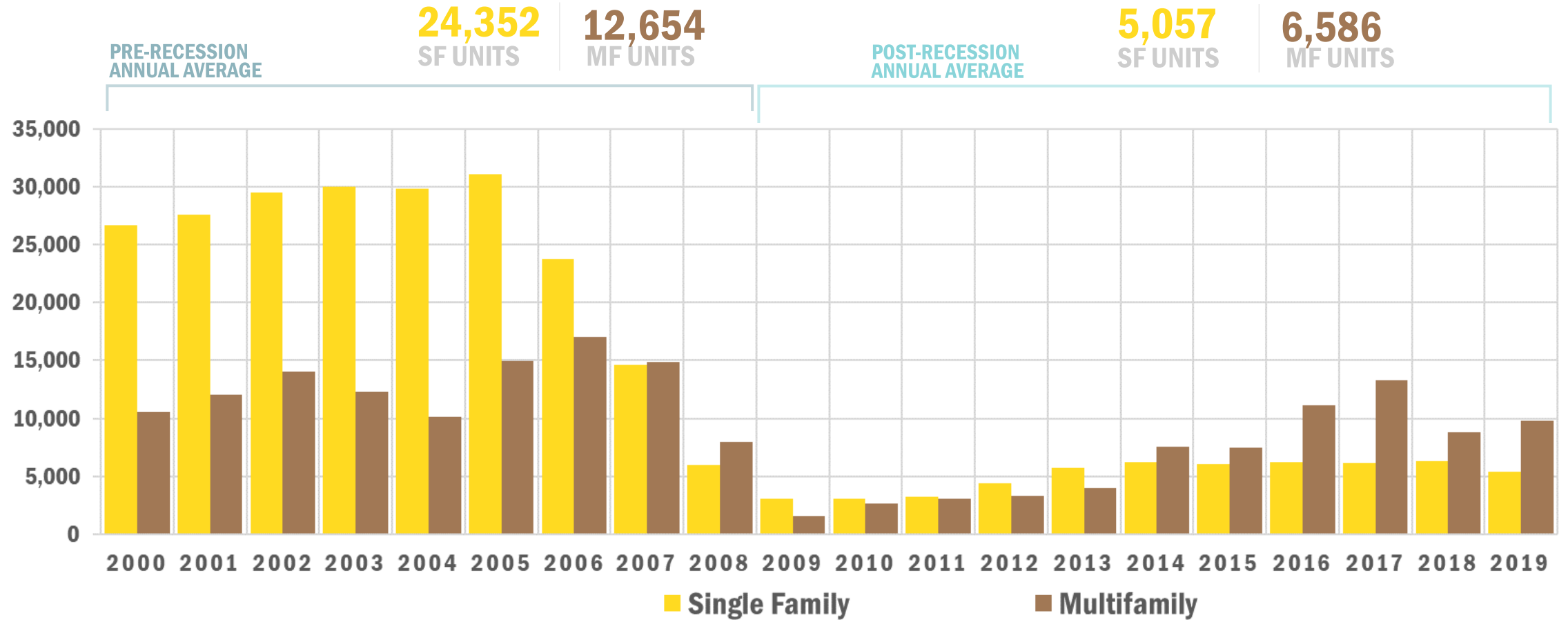
Projected 2025 Population in Workforce (Millions)



Population by Age Cohort (Indexed to 2015)

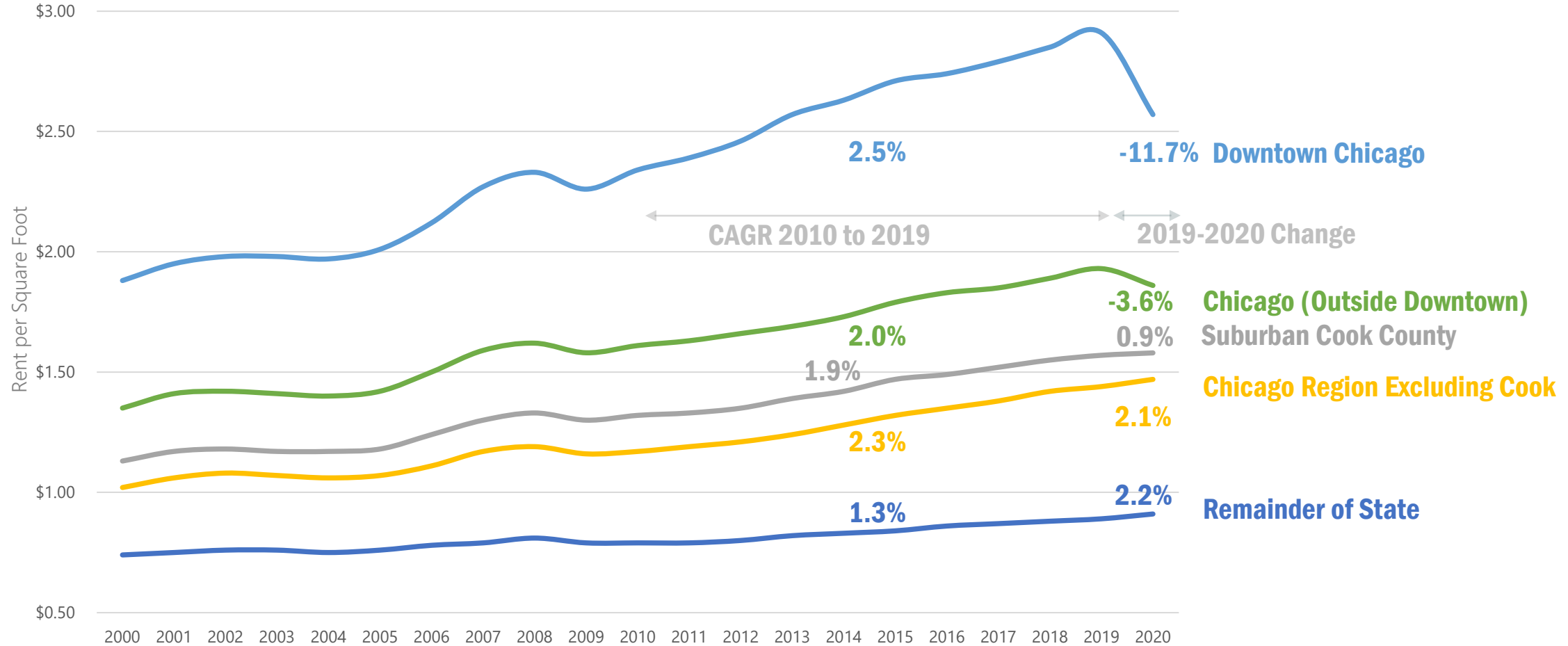


RESIDENTIAL PERMITS SHOW SHIFT TO MULTIFAMILY DEVELOPMENT



RENT GROWTH WAS POSITIVE THROUGH 2019

Covid-19 impacts strongest in Downtown Chicago

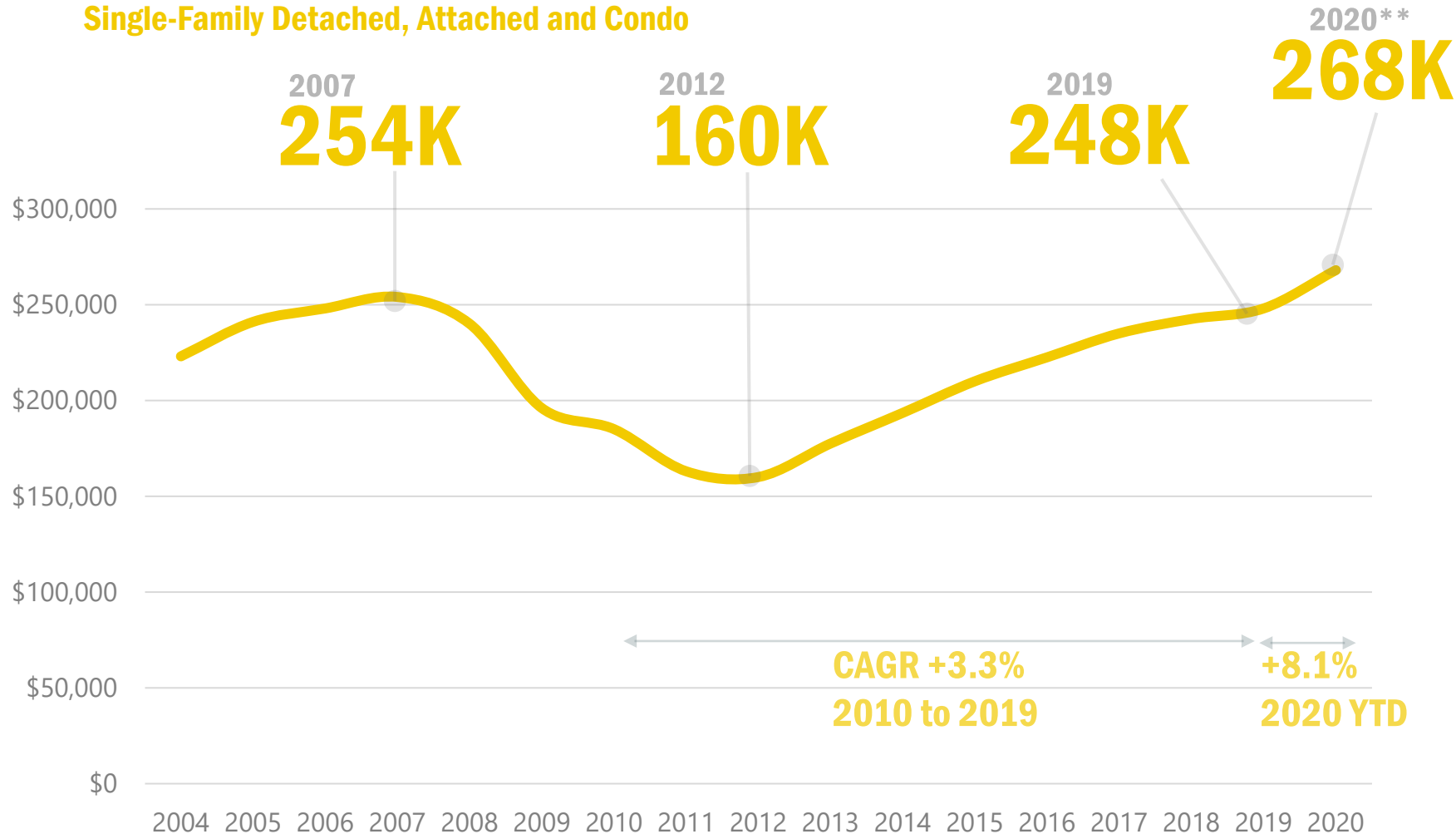


CHICAGO REGION MEDIAN PRICES JUMPED IN 2020

Covid-19 boosted demand while supply tightened; consistent story statewide

ANNUAL MEDIAN PRICES

Single-Family Detached, Attached and Condo



AVERAGE TIME ON THE MARKET

2011
100 DAYS

2020
41 DAYS

COVID IMPACTS ON DOWNTOWN RESIDENTIAL

COVID has accelerated the softening of the Downtown rental market

- Downtown for-sale market has historically high inventory – over 2 years of condos
- Downtown rental market has historically high vacancy rates despite lower deliveries



SHORT
TERM

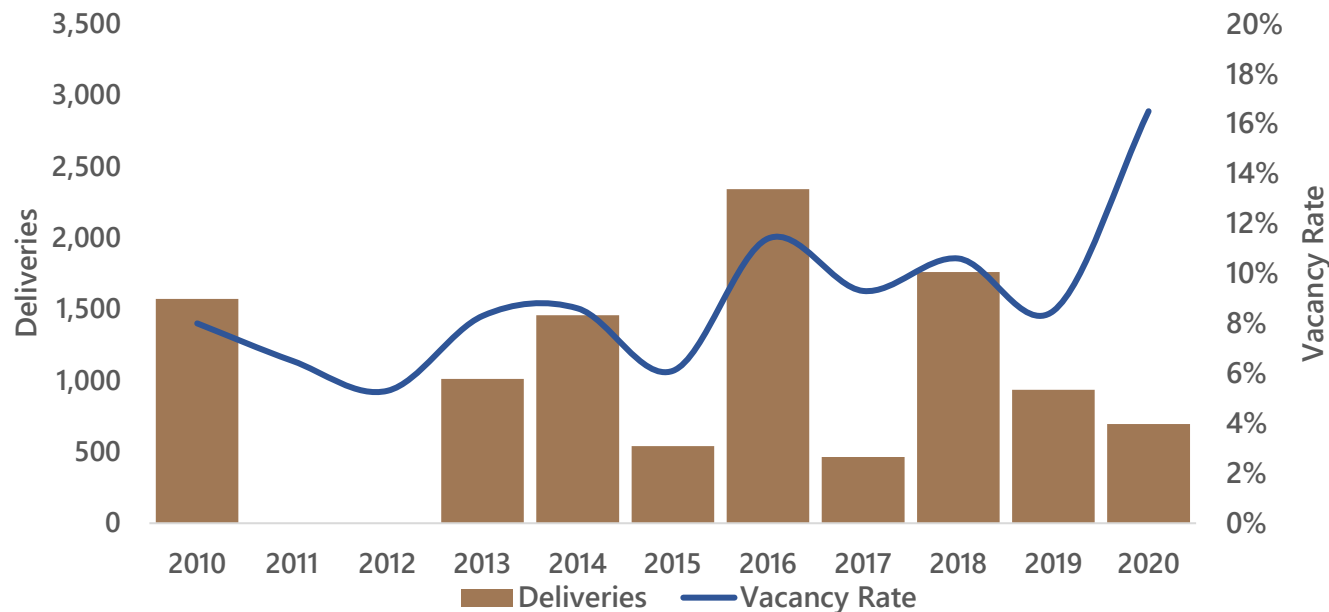


MEDIUM
TERM



LONGER
TERM

Downtown Chicago Deliveries and Vacancy



Downtown for-sale and rental markets soften as COVID drives demand away from Downtown

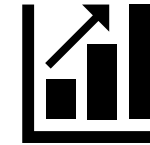
Markets adjust to return of downtown workers and demand for Downtown living

- Long term trend will depend on many factors:
- Growth of remote work
 - Desirability of Downtown office
 - Desirability of suburbs
 - Chicago employment trends

COVID IMPACTS ON SUBURBAN RESIDENTIAL

Suburban residential is thriving

- Suburban and downstate for-sale market is appreciating and seeing greater activity year of year through 2020
- Suburban multifamily rental is maintaining healthy vacancy rate alongside consistent new deliveries



SHORT
TERM



MEDIUM
TERM

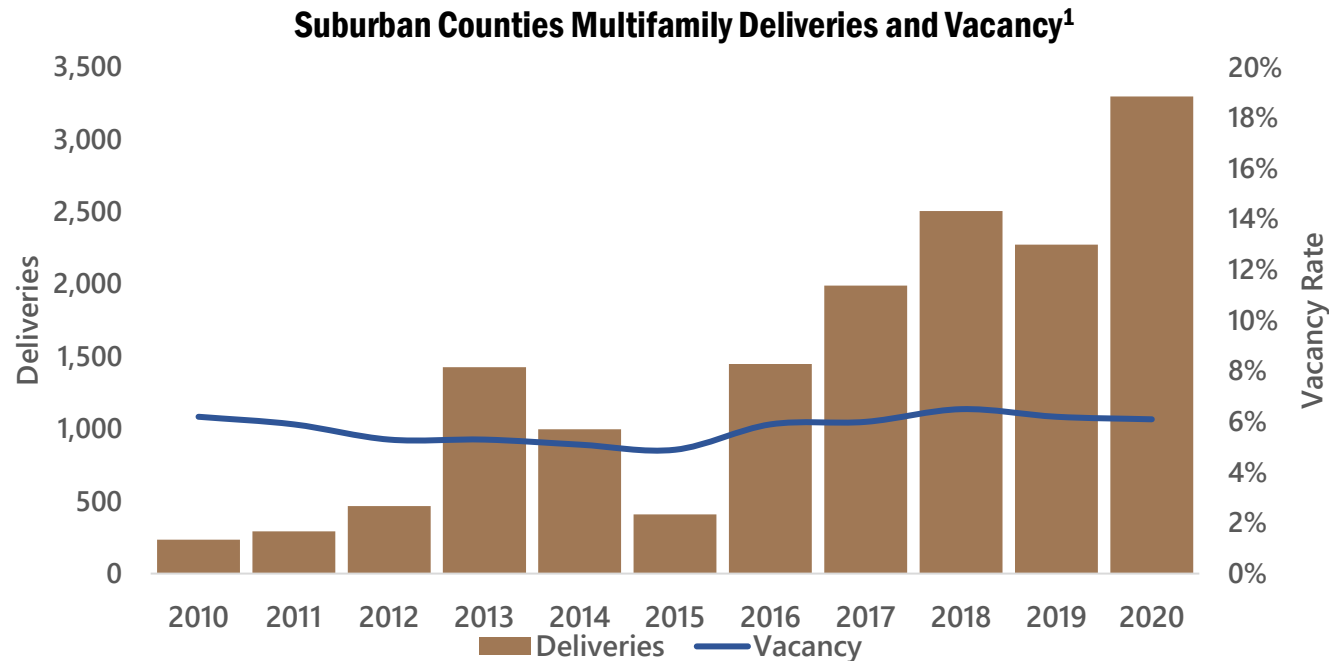


LONGER
TERM

Strong demand will maintain health of suburban for-sale and rental markets

Post-COVID demand for suburban housing likely to continue; whether COVID will significantly increase demand remains to be seen

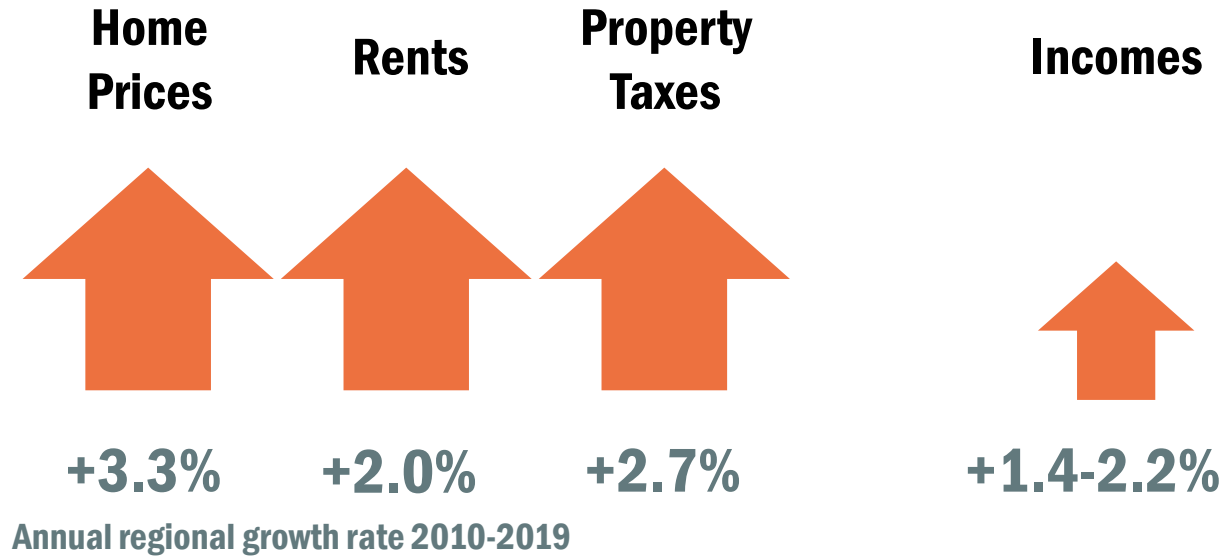
Rental demand continues trend towards walkability and density



¹: Geography includes counties of DuPage, Kane, Kendall, Lake, McHenry, and Will
Source: CoStar

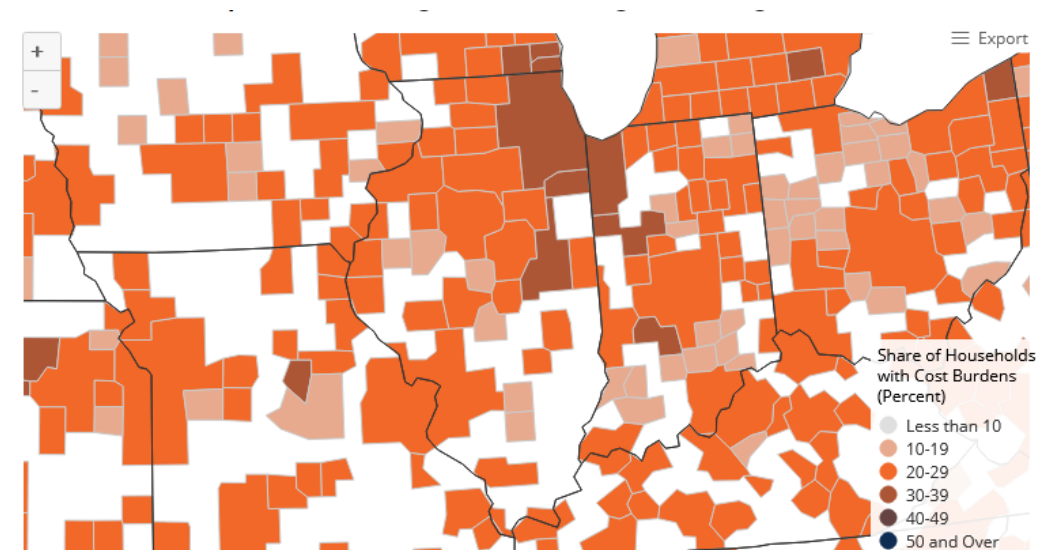
HOUSING AFFORDABILITY CONTINUES TO BE A CHALLENGE

Implications for communities, taxing districts, employers



- Continued demand for ownership units could increase cost burden for owners
- If housing needs and preferences aren't met, residents will look to other municipalities, regions or states

Share of Households with Cost Burdens



Need help finding a metro? Search here...

Notes: Cost-burdened (severely cost-burdened) households pay more than 30% (more than 50%) of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens. Monthly housing costs include the contract rent and utilities for renter households. For homeowners, monthly housing costs include any mortgage payments, property taxes, insurance, utilities, and condominium or mobile home fees.

Source: [Harvard Joint Center for Housing Studies](#) tabulations of US Census Bureau, 2006-2019 American Community Survey 1-Year Estimates using the Missouri Data Center MABLE/geocorr14.

HOUSING AND LAND USE POLICIES HAVE FISCAL IMPLICATIONS

Land use policies can't be based solely on fiscal considerations

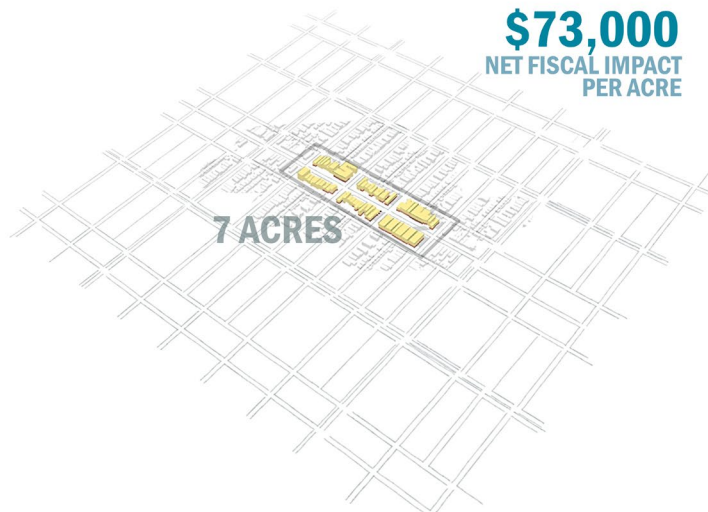
- Compact, walkable places with a mix of uses respond to market demand and can be fiscally beneficial
 - Less new infrastructure required
 - More tax revenue per acre than conventional suburban development
 - Saves in ongoing municipal operations costs
- Certain housing typologies may have neutral or negative fiscal impacts but meet other important community goals and policies
 - Senior housing
 - Mix of price points/affordability
- There is also a fiscal cost to not addressing affordability – population loss creates fiscal challenges

URBAN DENSITY

372
RESIDENTIAL UNITS

70,000
RETAIL SF

0.2
MILES
ROAD MILES



SUBURBAN LOW DENSITY

377
RESIDENTIAL UNITS

70,000
RETAIL SF

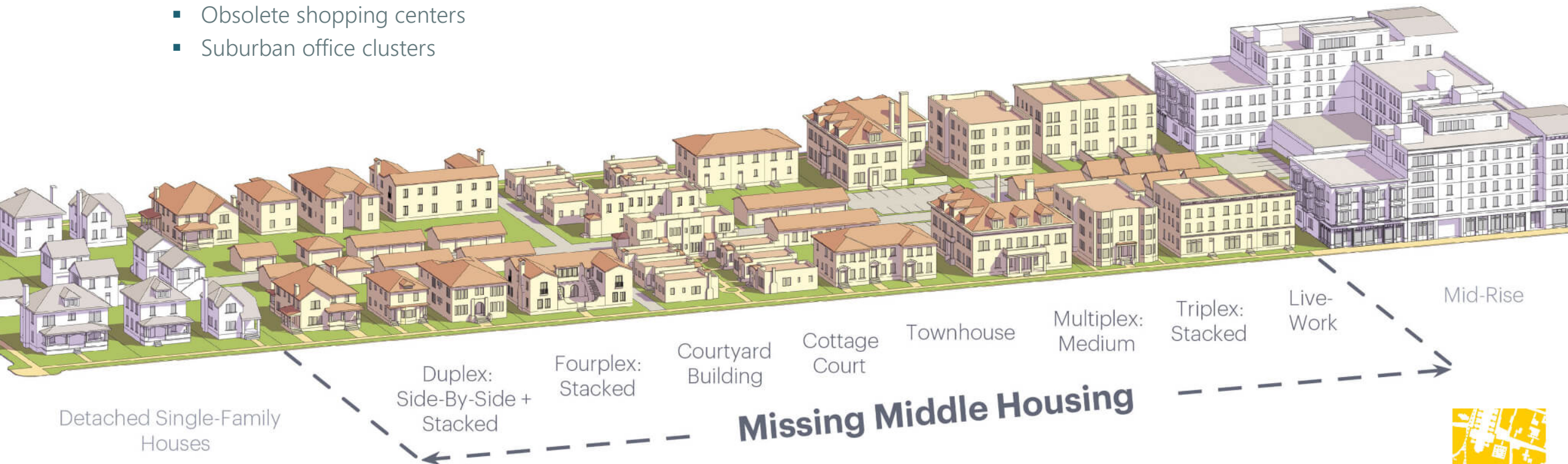
3.3
MILES
ROAD MILES



WHAT CAN/SHOULD MUNICIPALITIES DO?

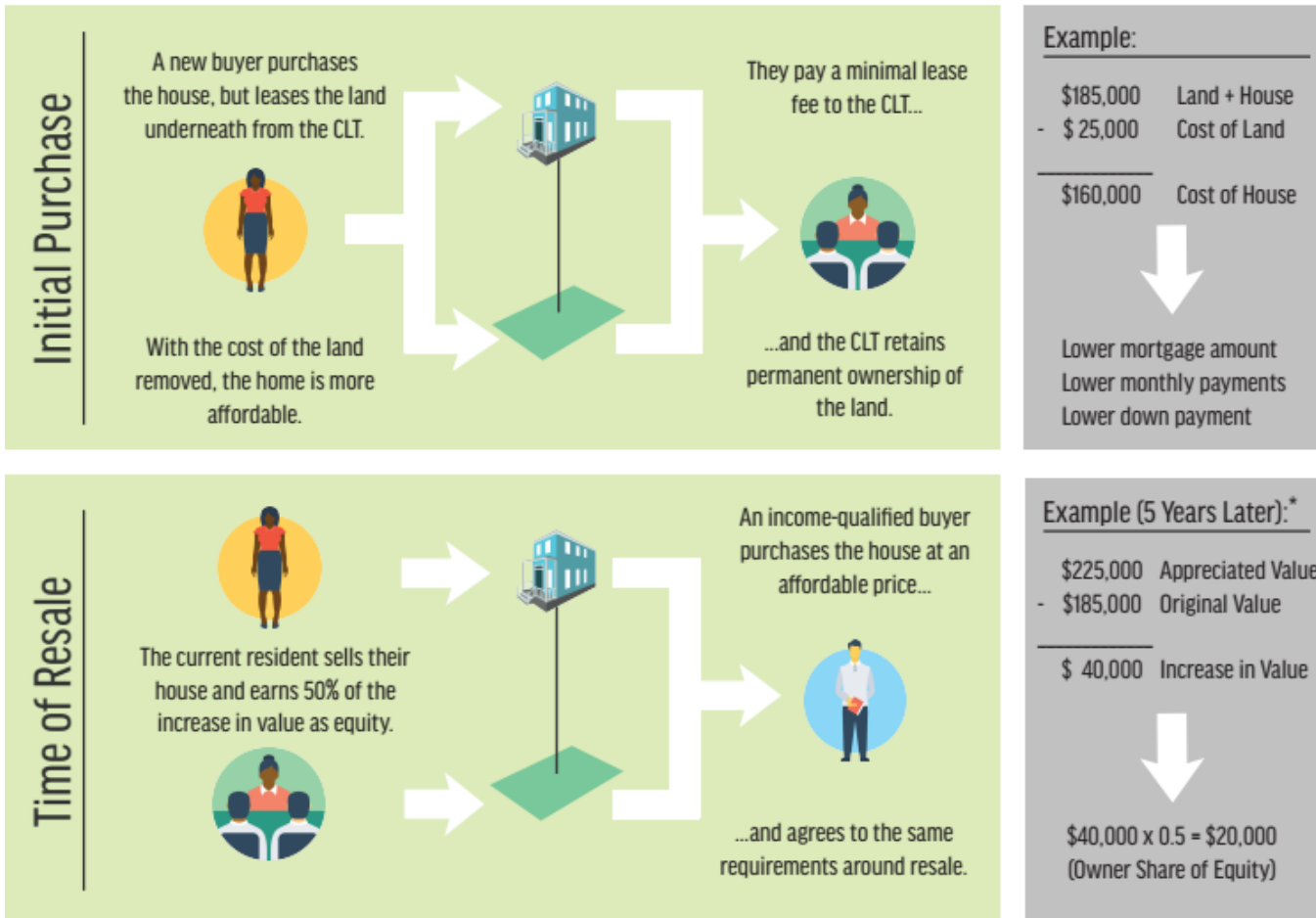
Allow a mix of residential types through land use policies

- Evaluate the housing mix and need
- Consider diversifying product type
 - Allow a mix of types by right
 - Reduce developer uncertainty
 - Identify areas for land use change
 - Obsolete shopping centers
 - Suburban office clusters



WHAT CAN/SHOULD MUNICIPALITIES DO?

Build more affordable units and preserve naturally occurring affordable housing (NOAH)



*Please note that this is a projection that assumes a 4% annual rate of appreciation and may not reflect actual returns on equity from appreciation for CLT homeowners

- Build more affordable units
 - Traditional subsidized
 - Smaller single-family homes and townhomes
 - Inclusionary zoning
- Preserve existing NOAH
 - Community land trusts
 - Zoning overlay in historic neighborhoods
 - Teardown tax
 - Provide rehabilitation financing with affordability restrictions

WHAT CAN/SHOULD MUNICIPALITIES DO?

Use community financial and political resources to enhance affordability and attractiveness

- Residents may need short-term rental assistance to avoid eviction or foreclosure
- Use community resources to support desired housing mix
 - Municipal land (write down, land bank)
 - Federal entitlement funds to support production & preservation
 - TIF for affordable housing
- Invest in placemaking initiatives to attract and retain residents
- Identify and support state or regional policy changes
 - Reduce inefficiencies
 - Enhance competitiveness



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