

Housing Affordability and Supply Challenges in Chicago

Presented by the Institute for Housing Studies to the CIC Board

Institute for Housing Studies

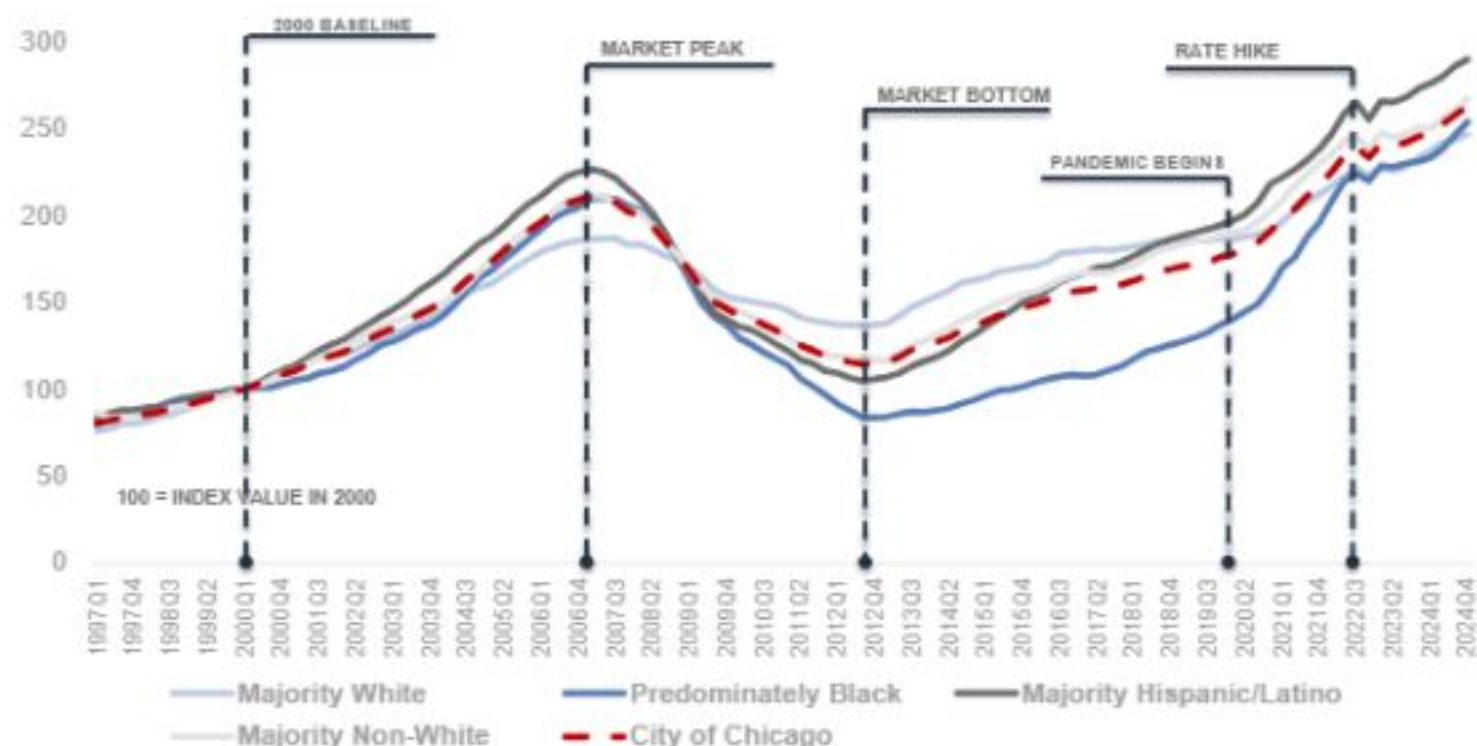
- IHS's mission is to provide reliable, impartial, and timely data and research to inform housing and community development policy decisions and discussions in the Chicago region and nationally
- IHS accomplishes this through an applied research model
 - Data collection and improvement
 - Applied research
 - Technical assistance
- Presentation
 - Review recent trends affecting homebuyer affordability
 - Factors affecting access to affordable rental housing

Affordability Challenges for New Homebuyers

- High interest rates, limited supply, competitive markets lead to rising prices, challenging conditions for new homebuyers
- House prices
 - Chicago area price growth in recent years has been among strongest in nation
 - Since pandemic price growth has been most substantial in Chicago suburbs, communities of color
- Inventory
 - Illinois for sale housing inventory has had weak recovery, remains among tightest in nation
- Affordability
 - The average homebuyer income increased by 20 percent since 2019
 - Declining share of sales are affordable to buyers making middle or modest incomes

Variation in house price trends have neighborhood implications

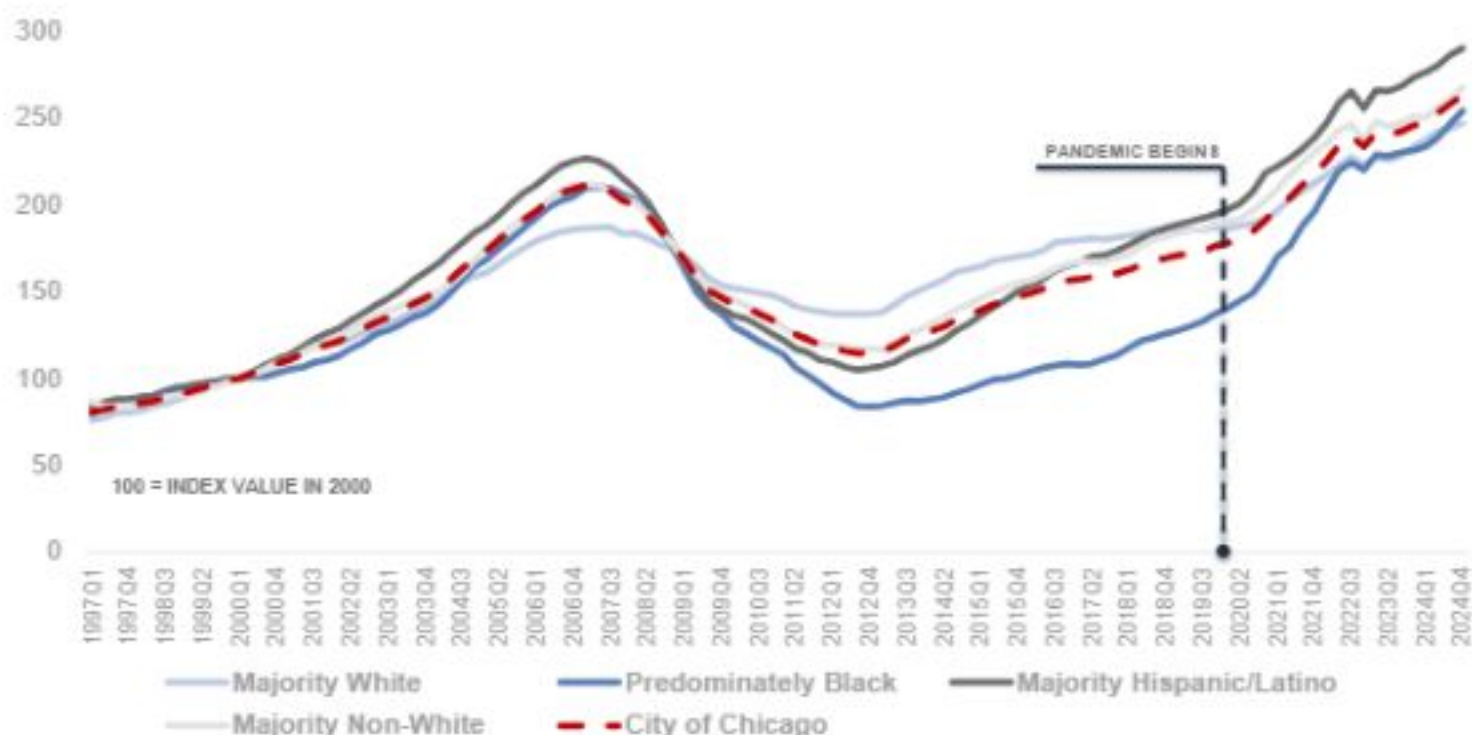
Price Trends for Single Family Homes by Neighborhood Race and Ethnicity Typology in Chicago, 2000 to 2024



SOURCE: IHS SINGLE FAMILY HOUSE PRICE INDEX, 2022 ACS 5-YEAR ESTIMATES

Variation in house price trends have neighborhood implications

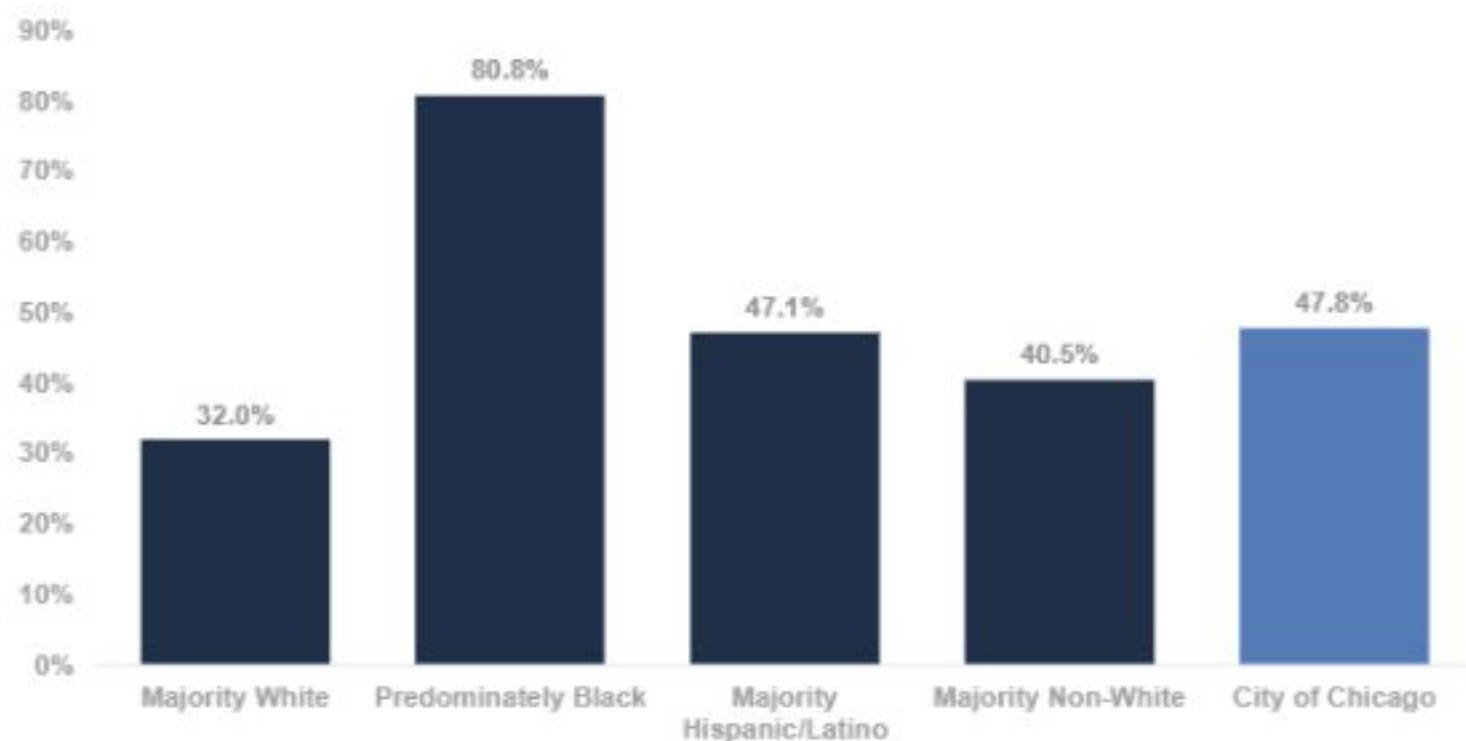
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During Pandemic, Price Growth Fastest in Communities of Color

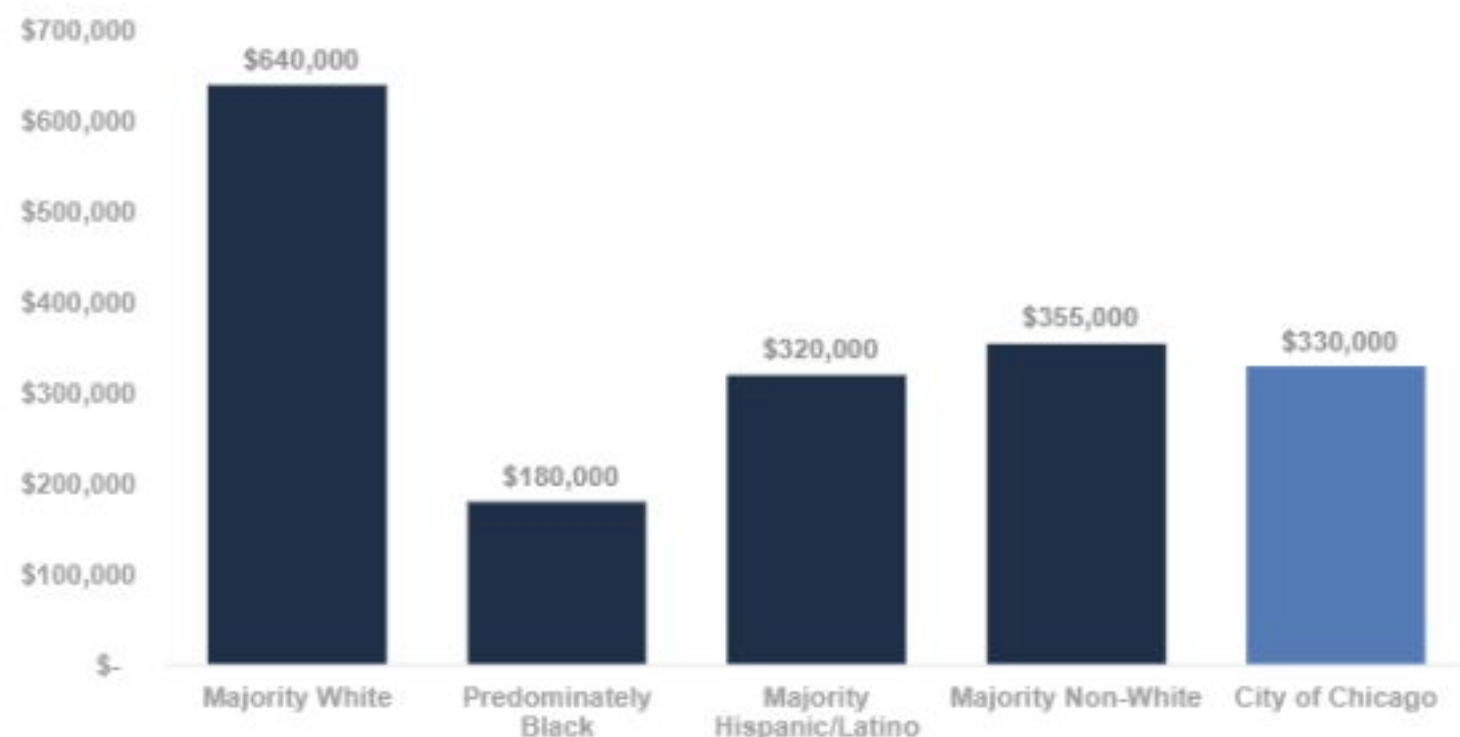
Change in Single Family House Prices Since 2020 Q1 by Neighborhood Race/Ethnic Composition, 2024



SOURCE: IHS SINGLE FAMILY HOUSE PRICE INDEX, 2018 ACS 5-YEAR ESTIMATES

Despite price growth, significant price disparities remain

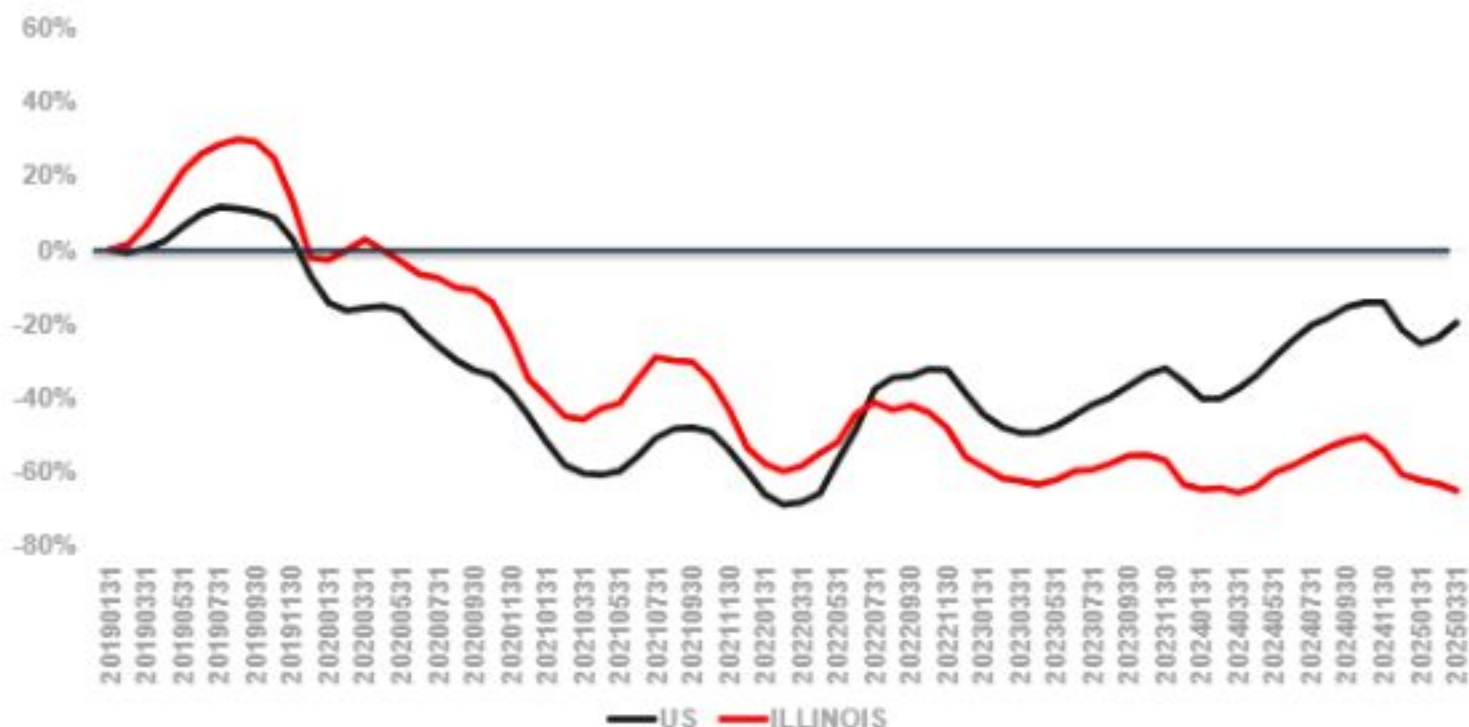
Median Sales Prices for 1 to 4 Unit Properties by Neighborhood Race/Ethnic Composition, 2024



SOURCE: IHS SINGLE FAMILY HOUSE PRICE INDEX, 2021 ACS 5-YEAR ESTIMATES

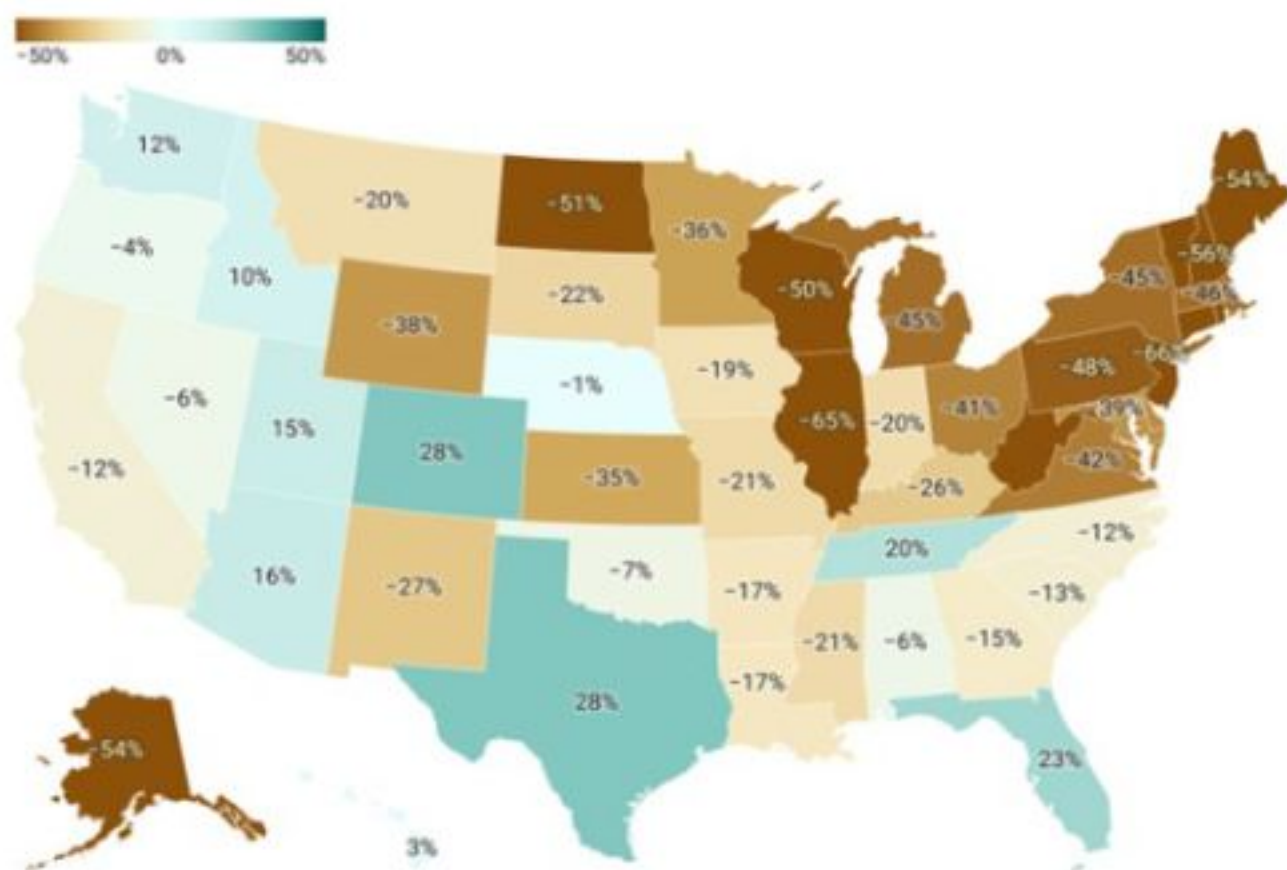
Housing inventory experienced a steep decline and remains low

Indexed Change in Annual Inventory in January 2019 to March 2025



SOURCE: IHS ANALYSIS OF SHOWINGTIME DATA, RESICLUB

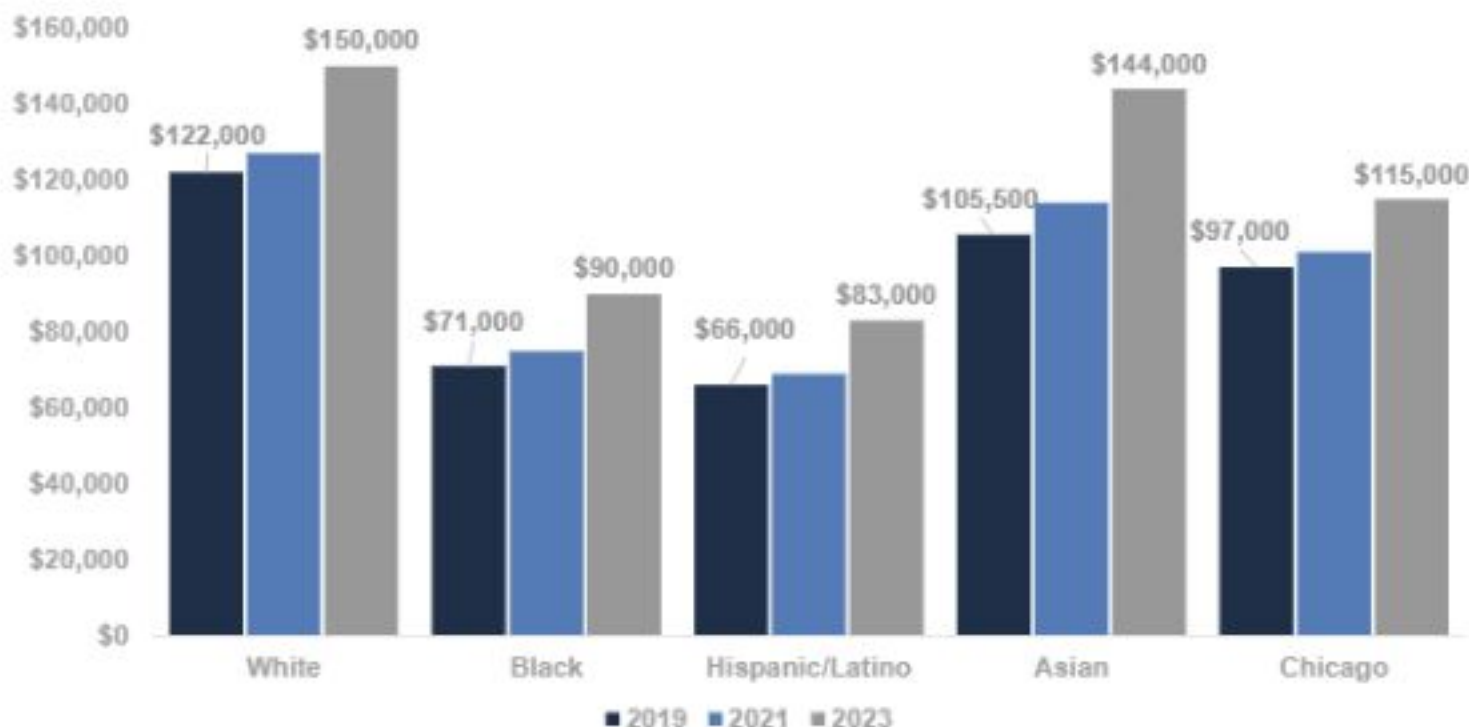
Illinois Inventory Recovery Lags Nation



SOURCE: RESICLUB

Median incomes for new borrowers grew 20 percent since 2019

Median Income for Home Purchase Loan Borrowers by Race/Ethnicity in the City of Chicago, 2019, 2021, 2023



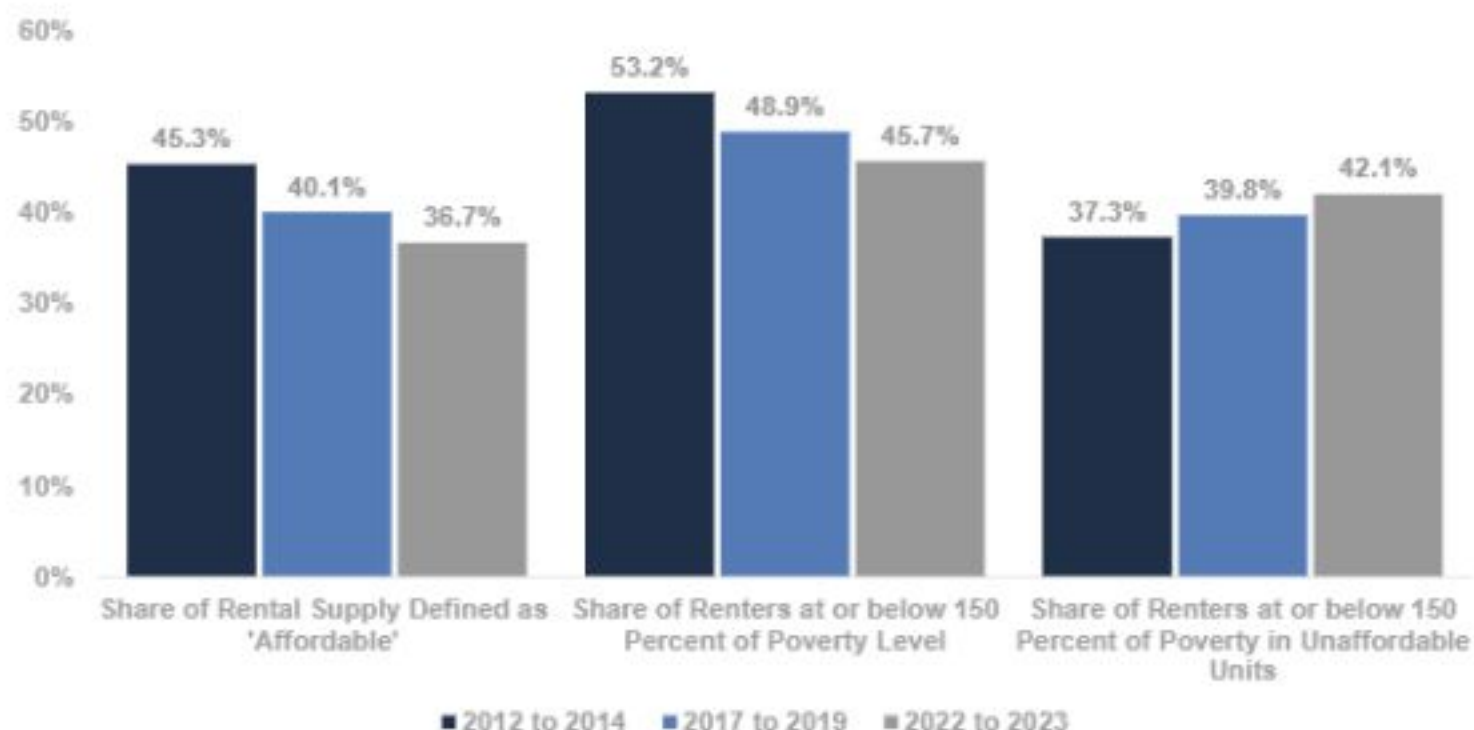
SOURCE: IHS ANALYSIS OF HOME MORTGAGE DISCLOSURE ACT DATA, 2019, 2021, 2023

Rental affordability challenges

- Rental housing demand in Cook County increased steadily between 2007 and 2015, plateaued after 2015
 - In 2023, 53.8 percent of Chicago households rented
- Shifting renter composition between 2012 and 2023
 - More higher-income, fewer very low-income renter households
 - Very low income (<30% AMI) still largest group of renter households (27.4%)
 - Growth in older renter households (55+), with biggest increase in 65-74 group
 - Renters 25-34 make up of largest share of total renter households
- Lost affordable supply driver of affordability pressures
 - Lower-cost rental units are being lost faster than lower-income renters
 - Subsidized affordable supply makes up fairly small segment of housing market
 - Pressures on NOAH supply represent larger challenge to affordability
 - Market/geographic variation in what's behind this pressure

Key affordability indicators underlying Chicago's affordability gap

Affordability Gap Characteristics in the City of Chicago, 2012-14, 2017-19, 2022-23



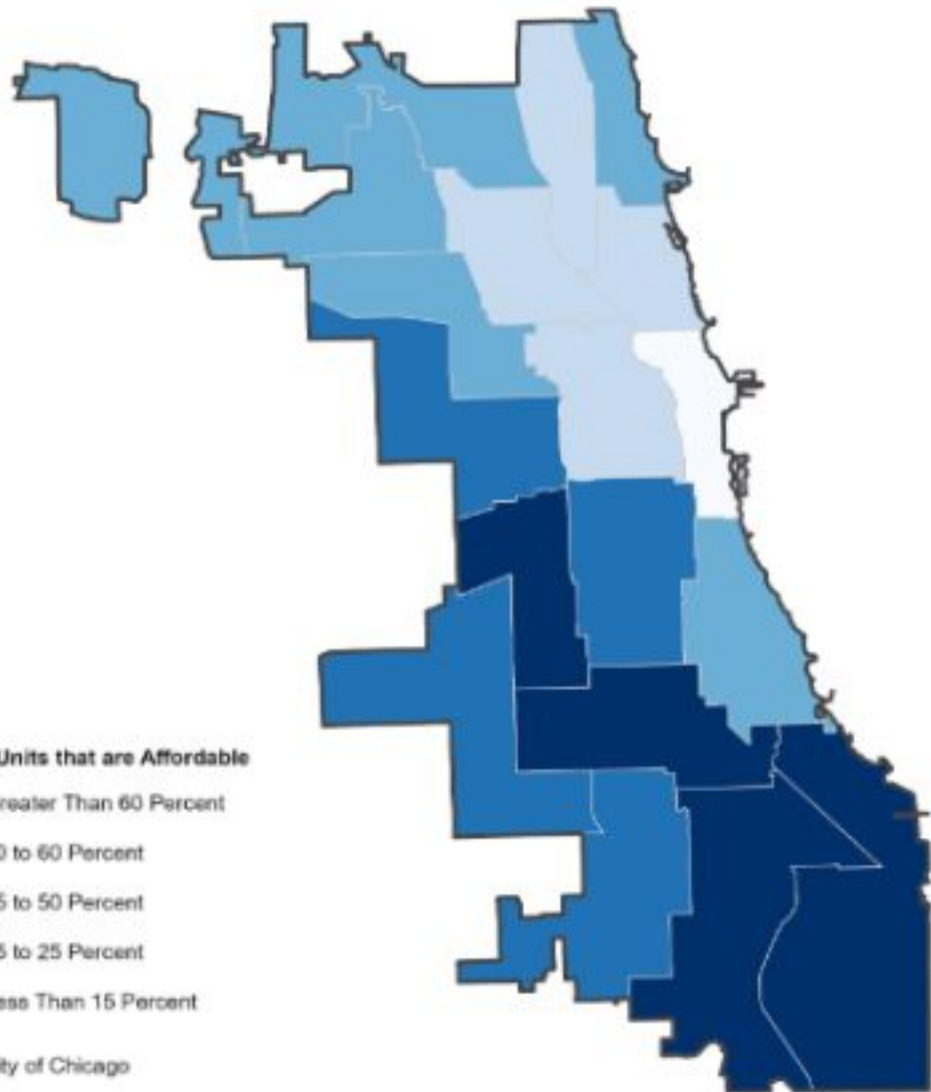
SOURCE: U.S. CENSUS BUREAU, PUBLIC USE MICRODATA SAMPLES (PUMS)

Share of Units that are Affordable



SOURCE: U.S. CENSUS BUREAU, PUBLIC USE
MICRODATA SAMPLES (PUMS)

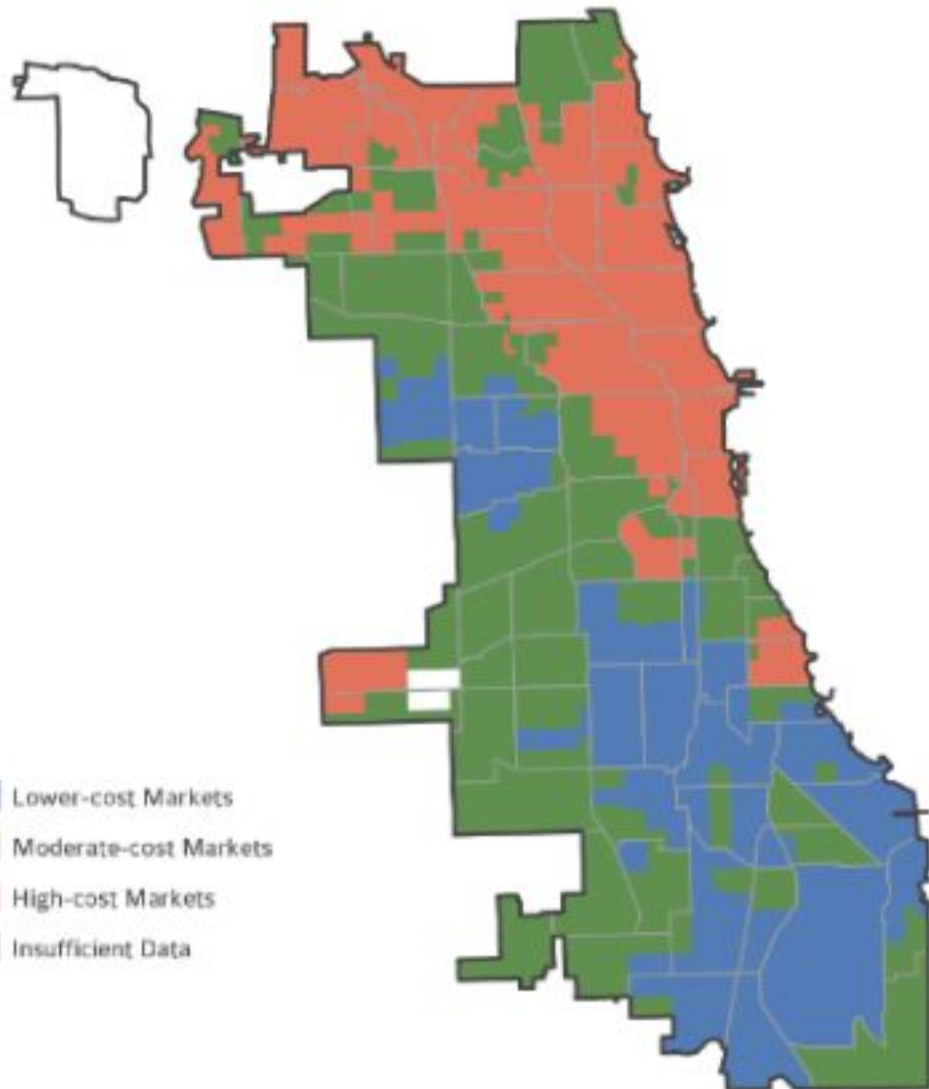
Share of Units that are Affordable



Rental housing challenges vary by neighborhood market type

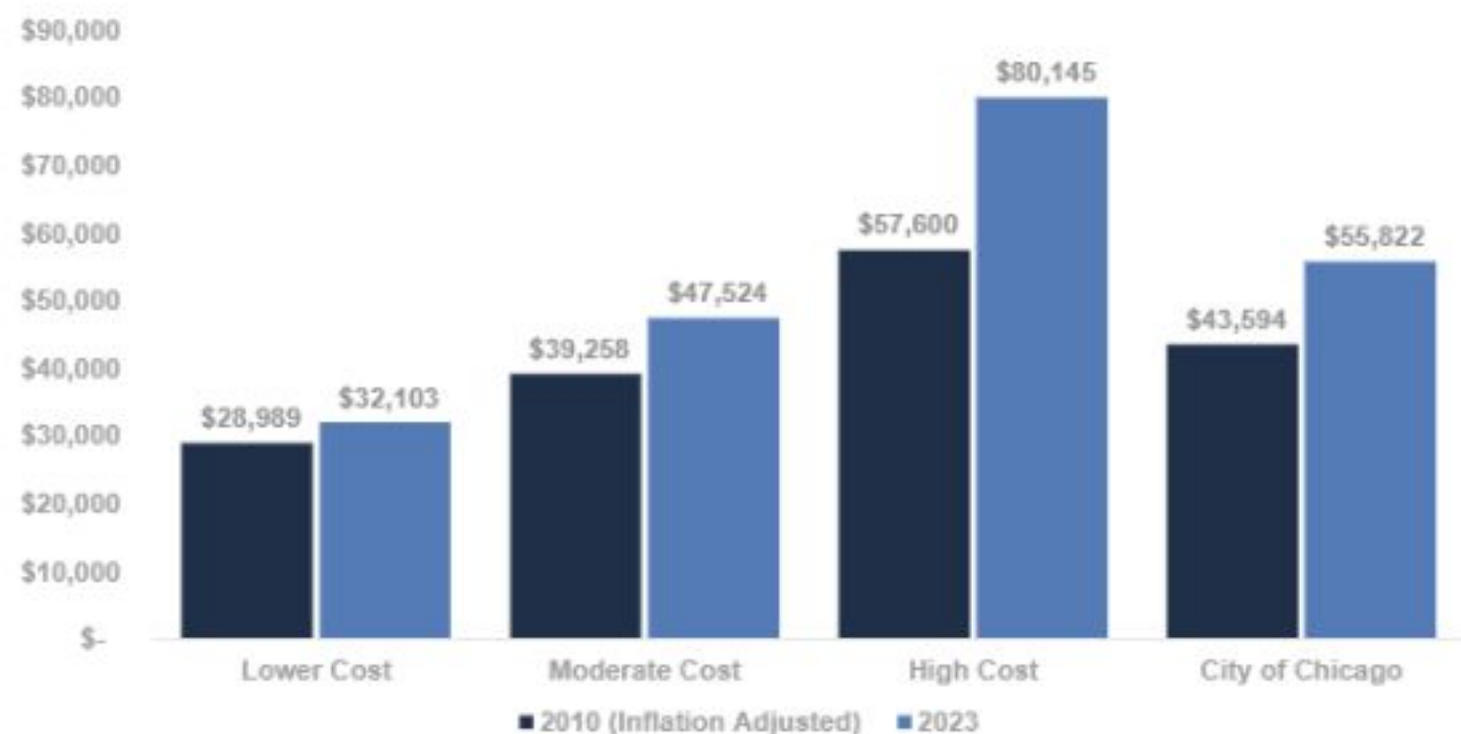


SOURCE: IHS DATA
CLEARINGHOUSE



In lower-cost areas, income remains a challenge

Mean of Median Income* of Renter Households in the City of Chicago by Neighborhood Market Type, 2010 and 2023

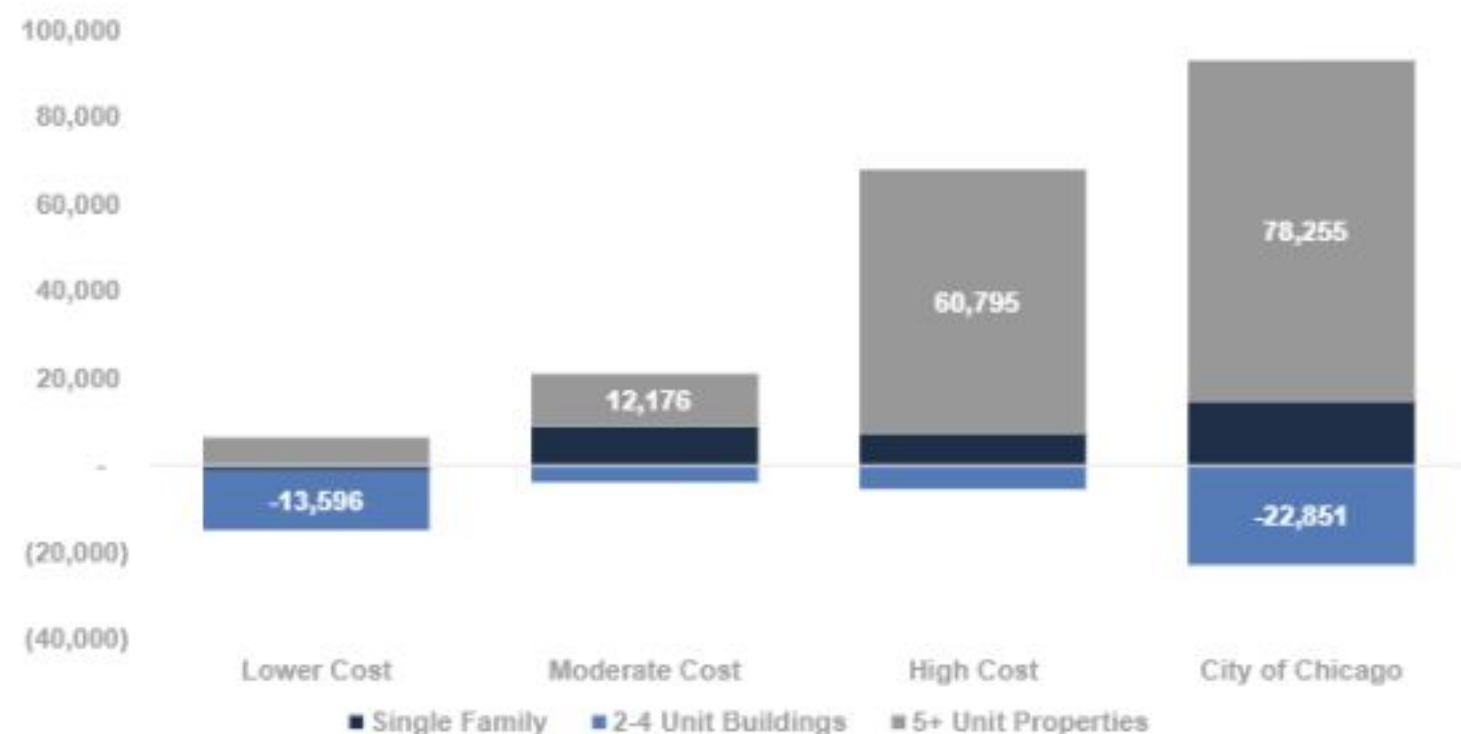


SOURCE: 2010 ACS 5-YEAR ESTIMATES & 2023 ACS 5-YEAR ESTIMATES, IHS DATA CLEARINGHOUSE

*2010 INCOME IS ADJUSTED FOR INFLATION AND EXPRESSED IN 2023 DOLLARS

Changes to housing supply by property type by market

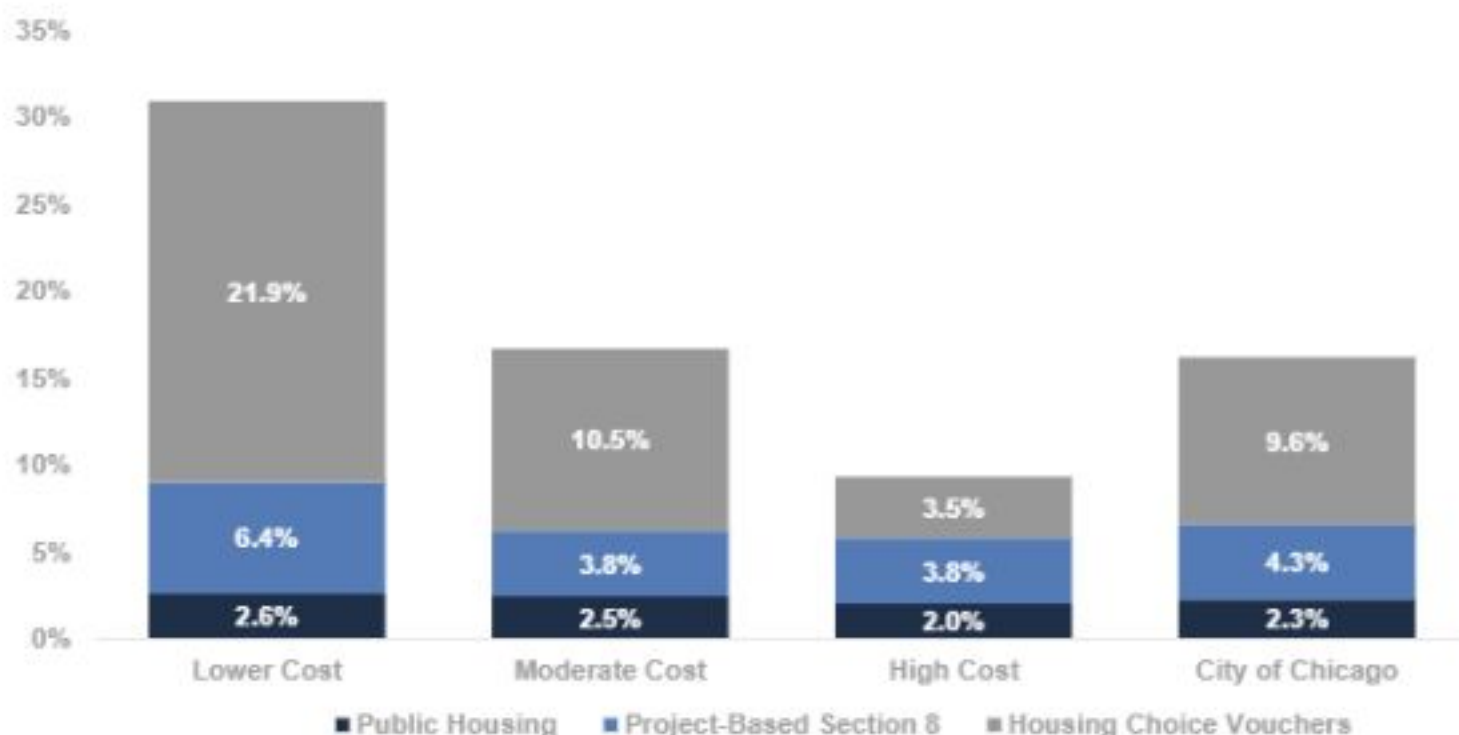
Net Change in Total Housing Units by Building Size in the City of Chicago by Neighborhood Market Type, 2010 to 2023



SOURCE: 2010 ACS 5-YEAR ESTIMATES & 2023 ACS 5-YEAR ESTIMATES, IHS DATA CLEARINGHOUSE

Variation in subsidy

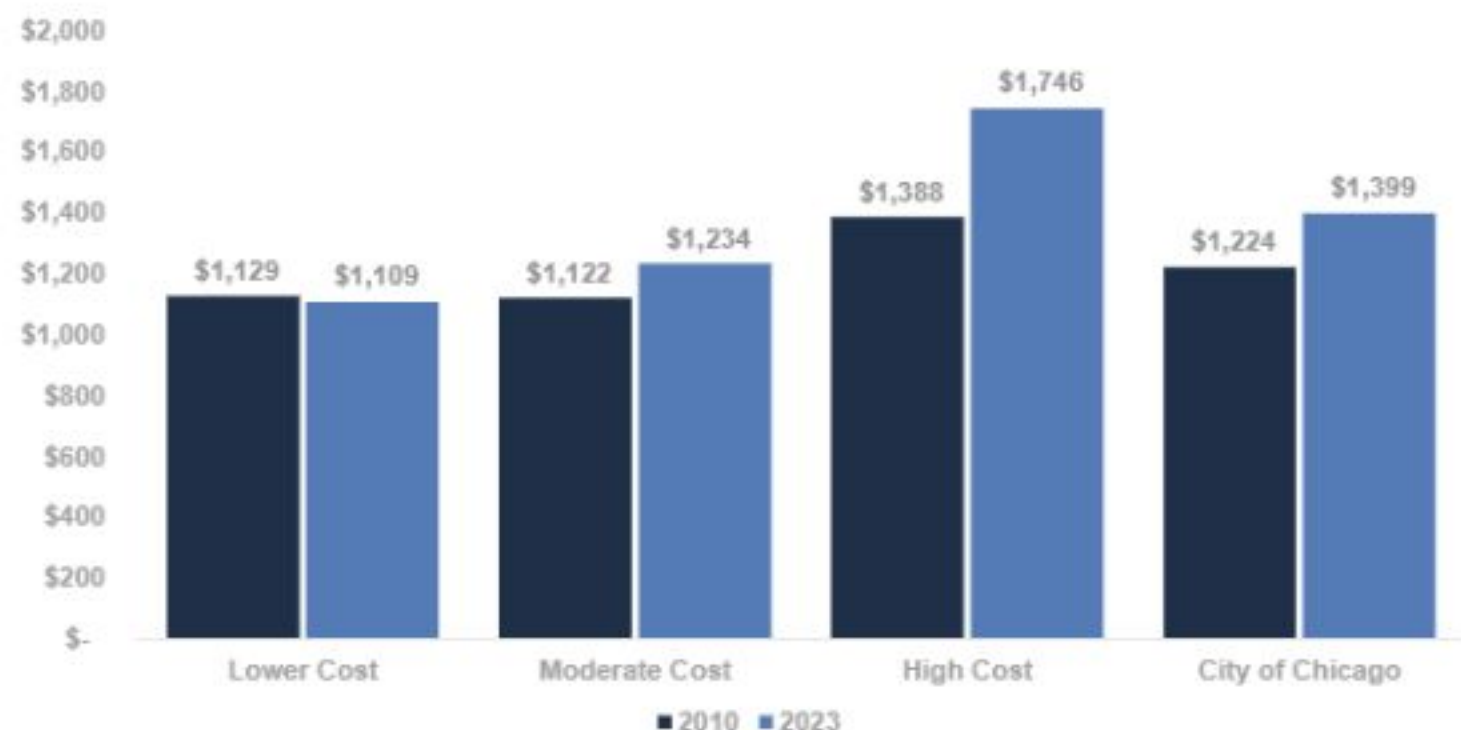
Share of Rental Units that are Associated with Subsidy in the City of Chicago by Neighborhood Market Type, 2023



SOURCE: IHS CALCULATIONS OF DATA FROM HUD PICTURE OF SUBSIDIZED HOUSEHOLDS, 2023

Changing nature of stock leads to rising rents in strong markets

Mean of Median Gross Rent in the City of Chicago by Neighborhood Market Type, 2010* and 2023

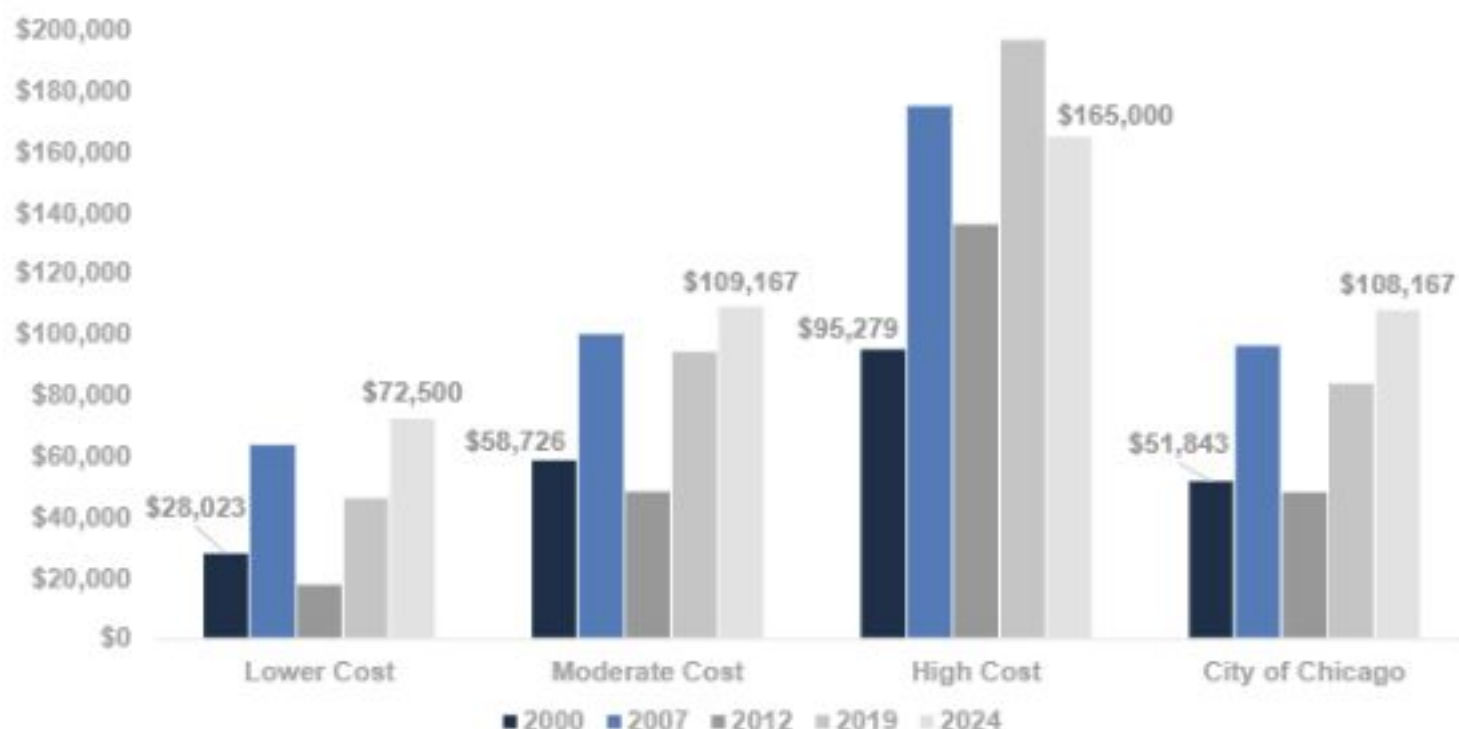


SOURCE: 2010 ACS 5-YEAR ESTIMATES & 2019 ACS 5-YEAR ESTIMATES, IHS DATA CLEARINGHOUSE

*2010 GROSS RENT \$ ARE ADJUSTED FOR INFLATION AND EXPRESSED IN 2023 DOLLARS

Prices for multifamily (5+ unit) buildings are rising

Median Sales Price per Unit* for Multifamily Properties by Neighborhood Market Type, 2000 to 2024



SOURCE: IHS DATA CLEARINGHOUSE

*PRICES ARE ADJUSTED FOR INFLATION AND EXPRESSED IN 2024 DOLLARS

Most significant recent increases seen in lower-cost areas

Indexed* Change in Sales Price per Unit* for Multifamily Rental Buildings in Chicago by Neighborhood Market Type, 2000-2024

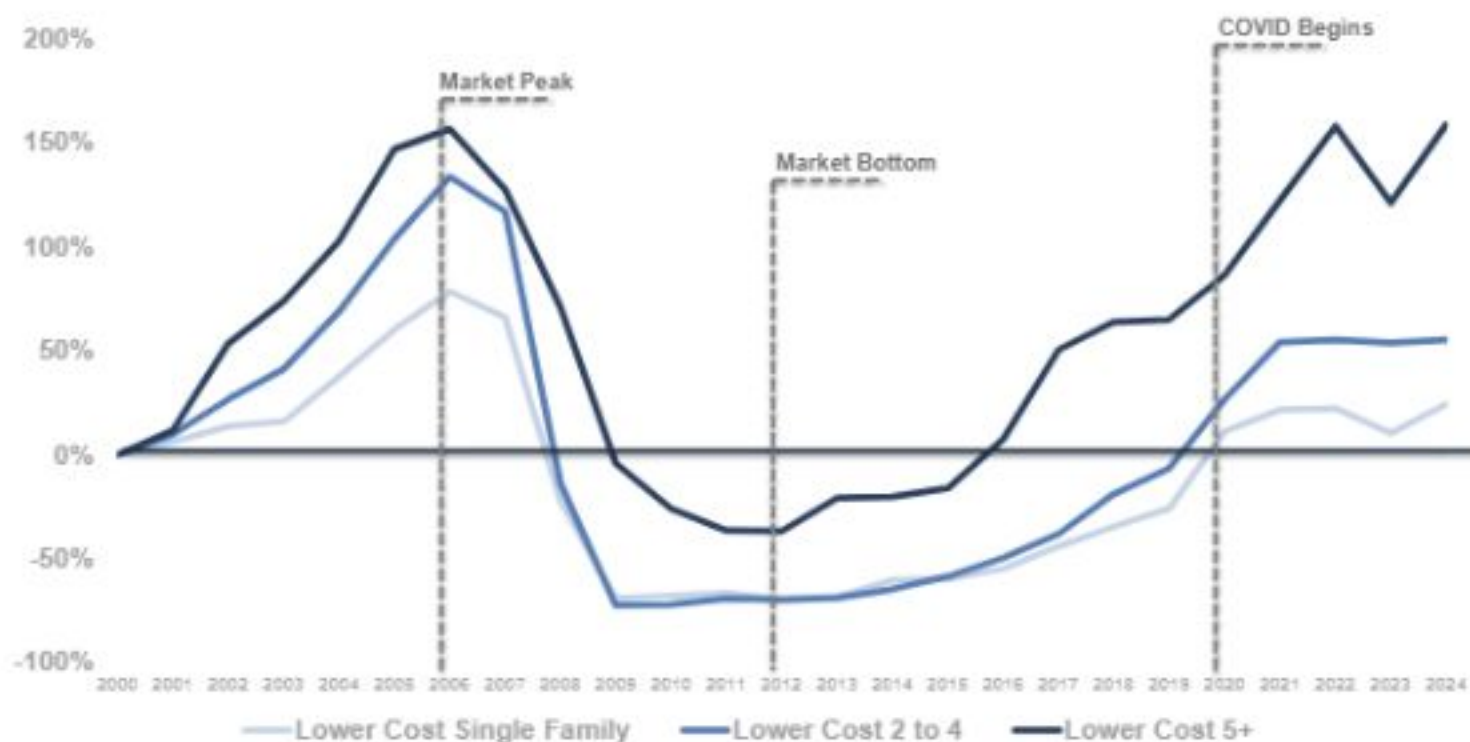


SOURCE: IHS DATA CLEARINGHOUSE

*ANNUAL PRICES ARE ADJUSTED FOR INFLATION AND EXPRESSED IN 2024 DOLLARS, PRICES INDEXED TO 2000

Across property and market types, multifamily largest growth

Indexed* Change in Sales Price per Unit* (Multifamily), Single Family, 2 to 4 in Lower Cost Areas, 2000-2024

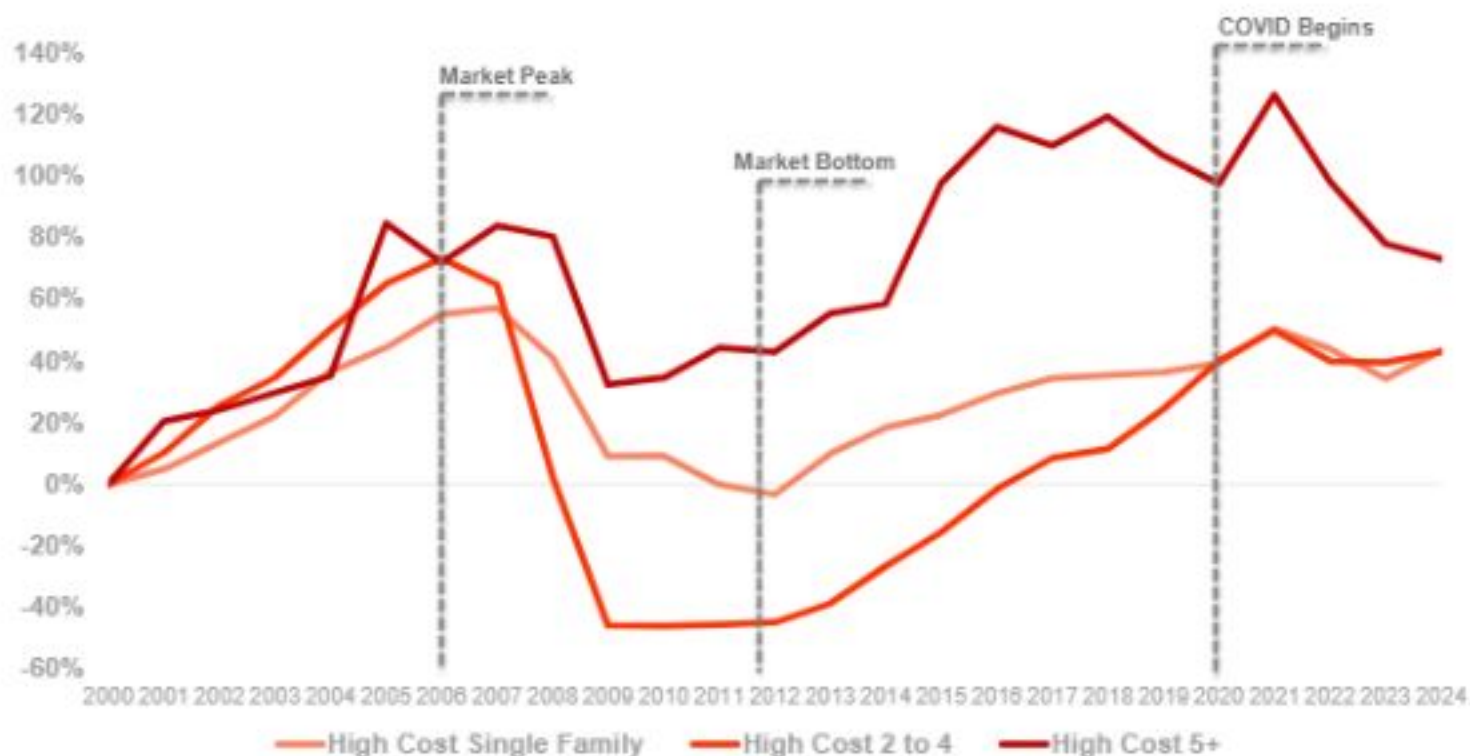


SOURCE: IHS DATA CLEARINGHOUSE

*ANNUAL PRICES ARE ADJUSTED FOR INFLATION AND EXPRESSED IN 2024 DOLLARS, PRICES INDEXED TO 2000

Across property and market types, multifamily largest growth

Indexed (2000) Change in Sales Price per Unit* (Multifamily), Single Family, 2 to 4 in High Cost Areas, 2000 to 2024



SOURCE: IHS DATA CLEARINGHOUSE

*ANNUAL PRICES ARE ADJUSTED FOR INFLATION AND EXPRESSED IN 2024 DOLLARS

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Rental Market and Housing Affordability Trends in Chicago



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