

Opening Plenary The State of the Industry

Moderator, Eileen Fitzgerald, Principal and Founder, ThruSight

Panelists:

- Geoff Smith, Executive Director, Institute for Housing Studies at DePaul University,
- Rebecca Clark Chief Executive Officer, Linc Housing Corp.,
- Matt Reilein, President & CEO National Equity Fund

Continuing Professional Education (CPEs) Requirements for CPAs

- Please find the **SESSION HOST** to **SIGN IN** at the beginning and **SIGN OUT** at the end of every session using the QR code. We use that attendance log to verify your participation for CPE credits.
- Please **submit all conference evaluations**. Evaluation links are emailed to registrants daily. Please see the session host (the person monitoring the sign-in process) if you prefer a paper evaluation.
- For more information on CPE credits, contact Lindsay Wells at consult.lwells@gmail.com.

Questions

- We will pause during presentation and again at the end for Q&A.



Affordable Rental Housing Conditions and Challenges

Presented by the Institute for Housing Studies

Institute for Housing Studies

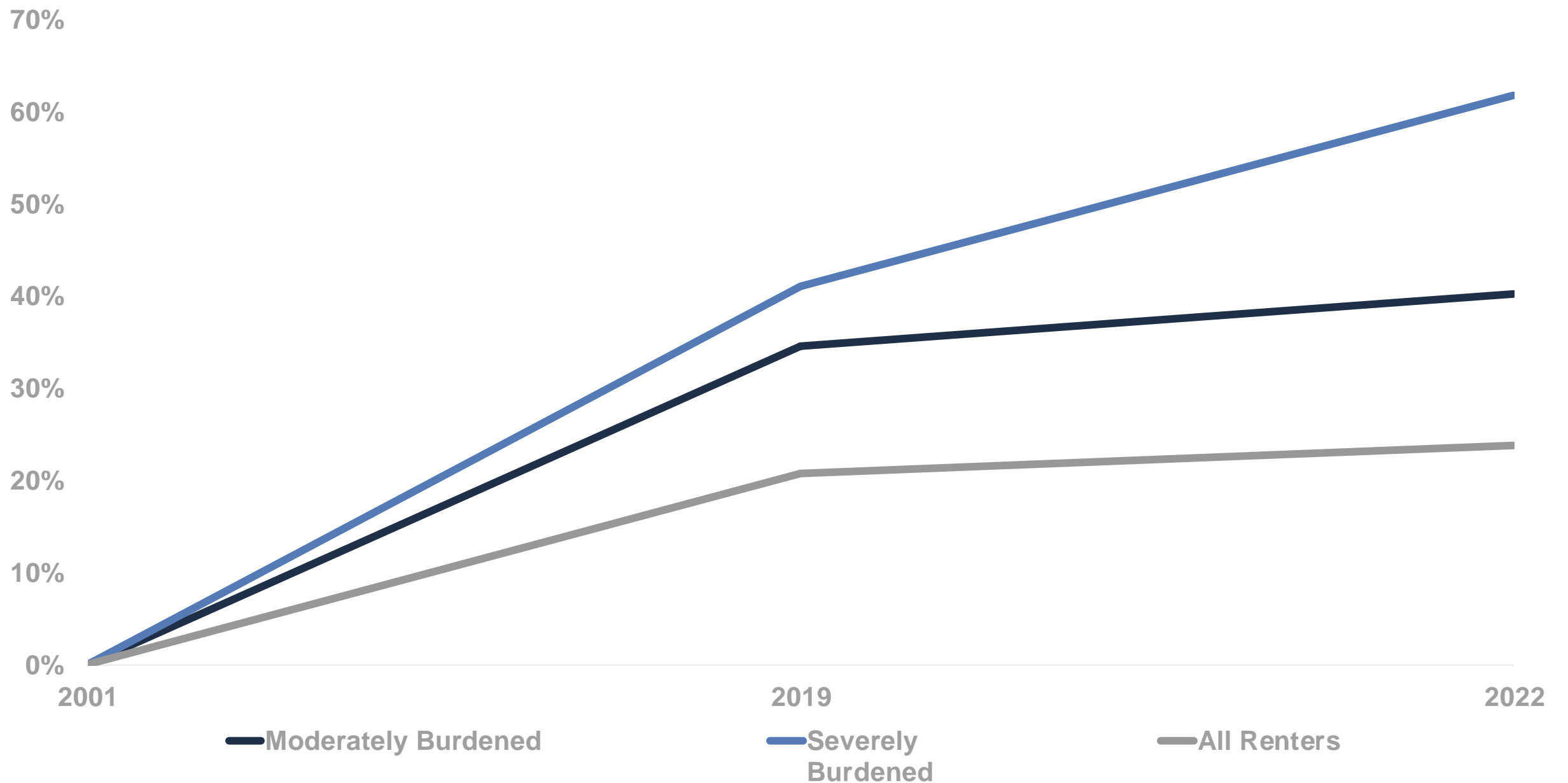
- IHS's mission is to provide reliable, impartial, and timely data and research to inform housing and community development policy decisions and discussions in the Chicago region and nationally
- IHS accomplishes this through an applied research model
 - Data collection and improvement
 - Applied research
 - Technical assistance
- Presentation
 - Overview of national rental affordability conditions
 - Illustrate how these conditions look in Chicago
 - Discuss a few forward-looking challenges

Framing on National Rental Market Affordability Trends

- National housing affordability conditions remain challenging
- While overall rent growth has stabilized, this masks the continued pressure on lower-income renters
- Continued loss of lower-cost units, aging of existing rental stock, newly built units are rarely affordable
- Pandemic led to increase in low-income renters
- Number of cost-burdened renters hit all time high in 2022
 - Most rapid growth in cost burden for moderate-income renters
 - Substantial growth in lower-income, severely cost-burdened renters (> 50% of income on rent)

Number severely cost burdened renters grow fastest

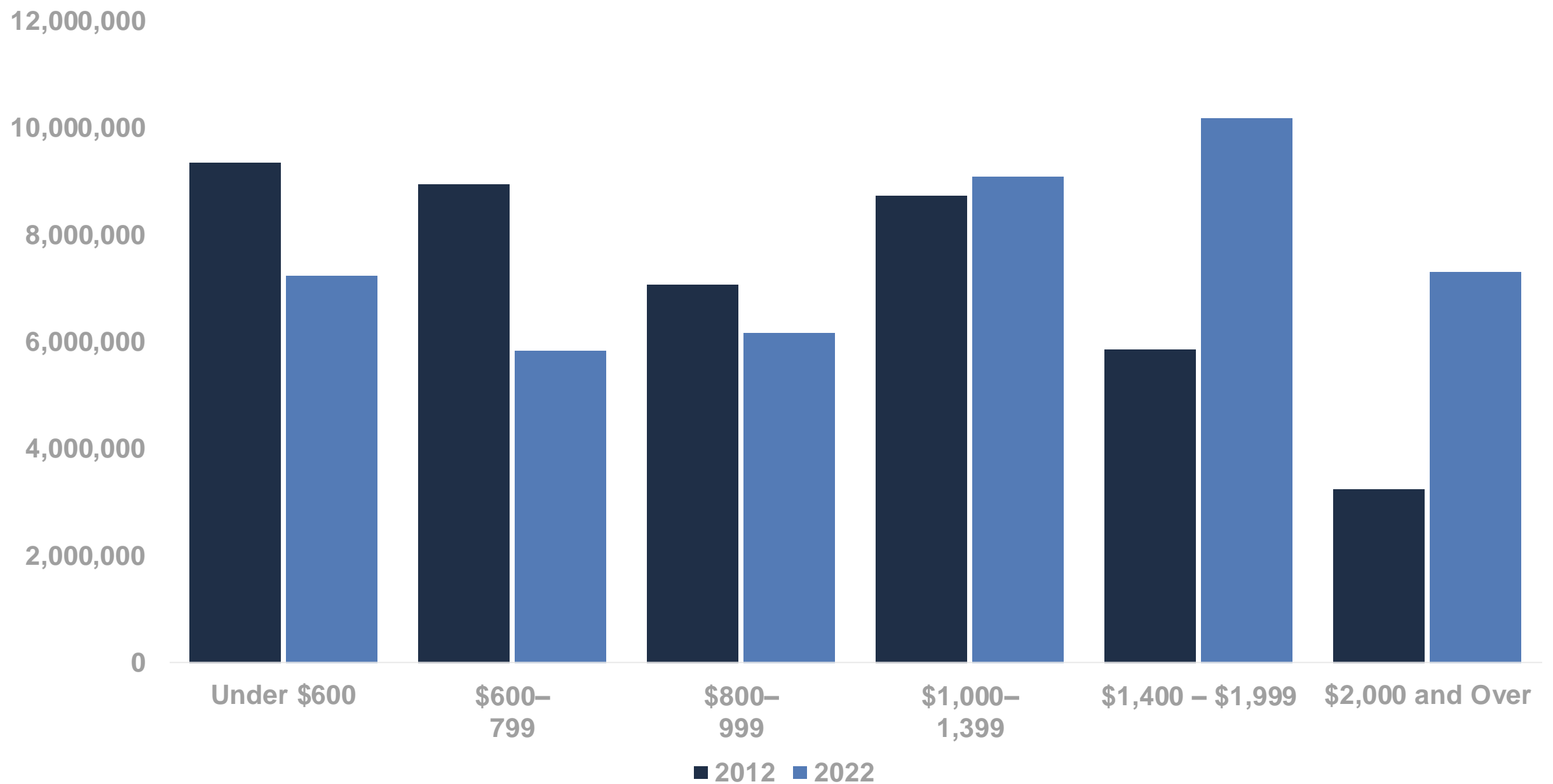
Indexed Change in Number of Cost-Burdened, Severely Cost-Burdened, and All Renter Households in the United States, 2001, 2019, 2022



SOURCE: IHS CALCULATIONS OF DATA FROM JOINT CENTER FOR HOUSING STUDIES AT HARVARD UNIVERSITY, AMERICA'S RENTAL HOUSING 2024

Shift from lower- to higher-cost rental units

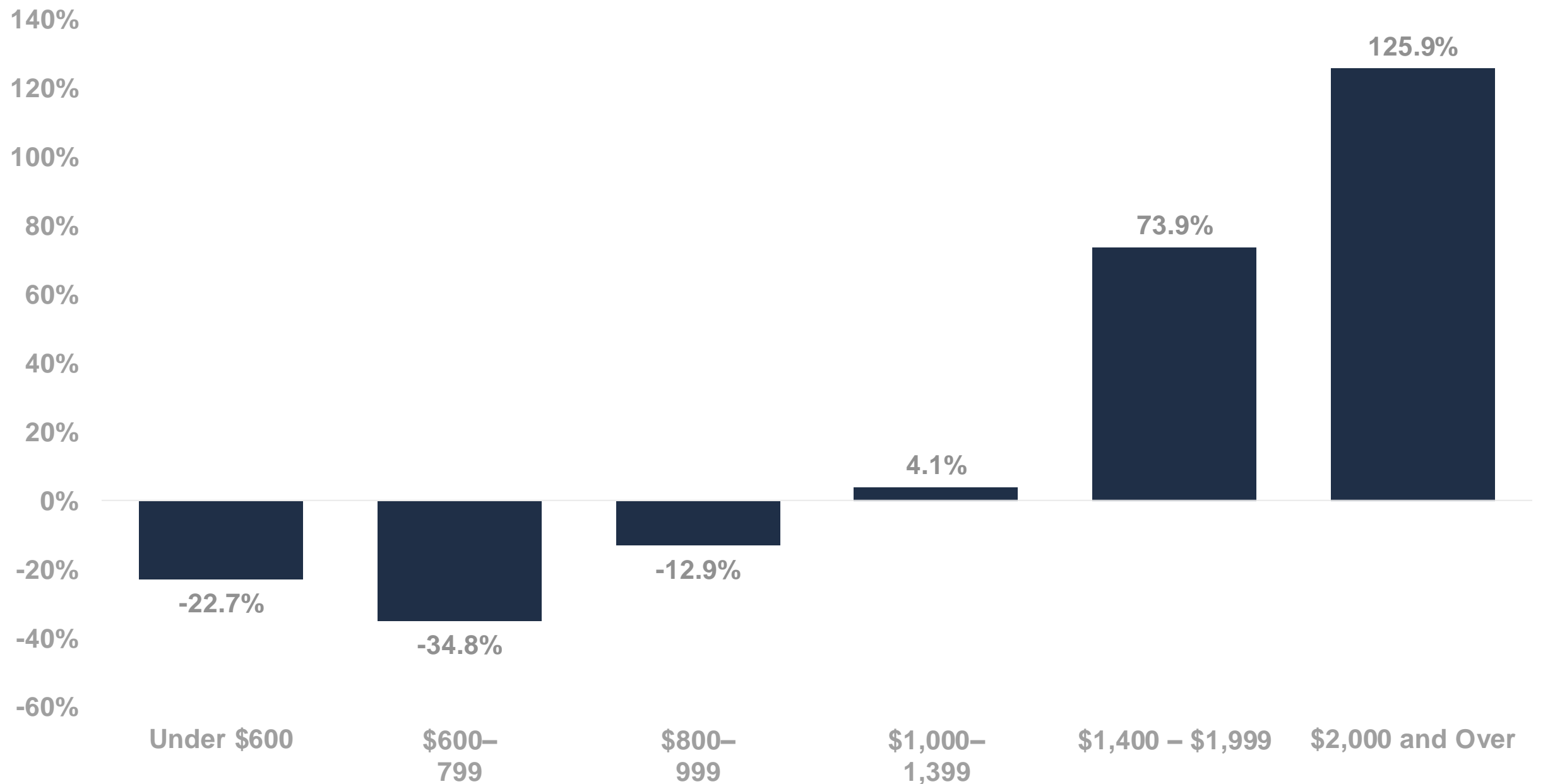
Distribution of Rental Units by Contract Rent in the United States, 2012 and 2022



SOURCE: JOINT CENTER FOR HOUSING STUDIES AT HARVARD UNIVERSITY, AMERICA'S RENTAL HOUSING 2024

Shift from lower-to higher-cost rental units

Percent Change in Rental Units by Contract Rent in the United States, 2012 to 2022



SOURCE: IHS CALCULATIONS OF DATA FROM JOINT CENTER FOR HOUSING STUDIES AT HARVARD UNIVERSITY, AMERICA'S RENTAL HOUSING 2024

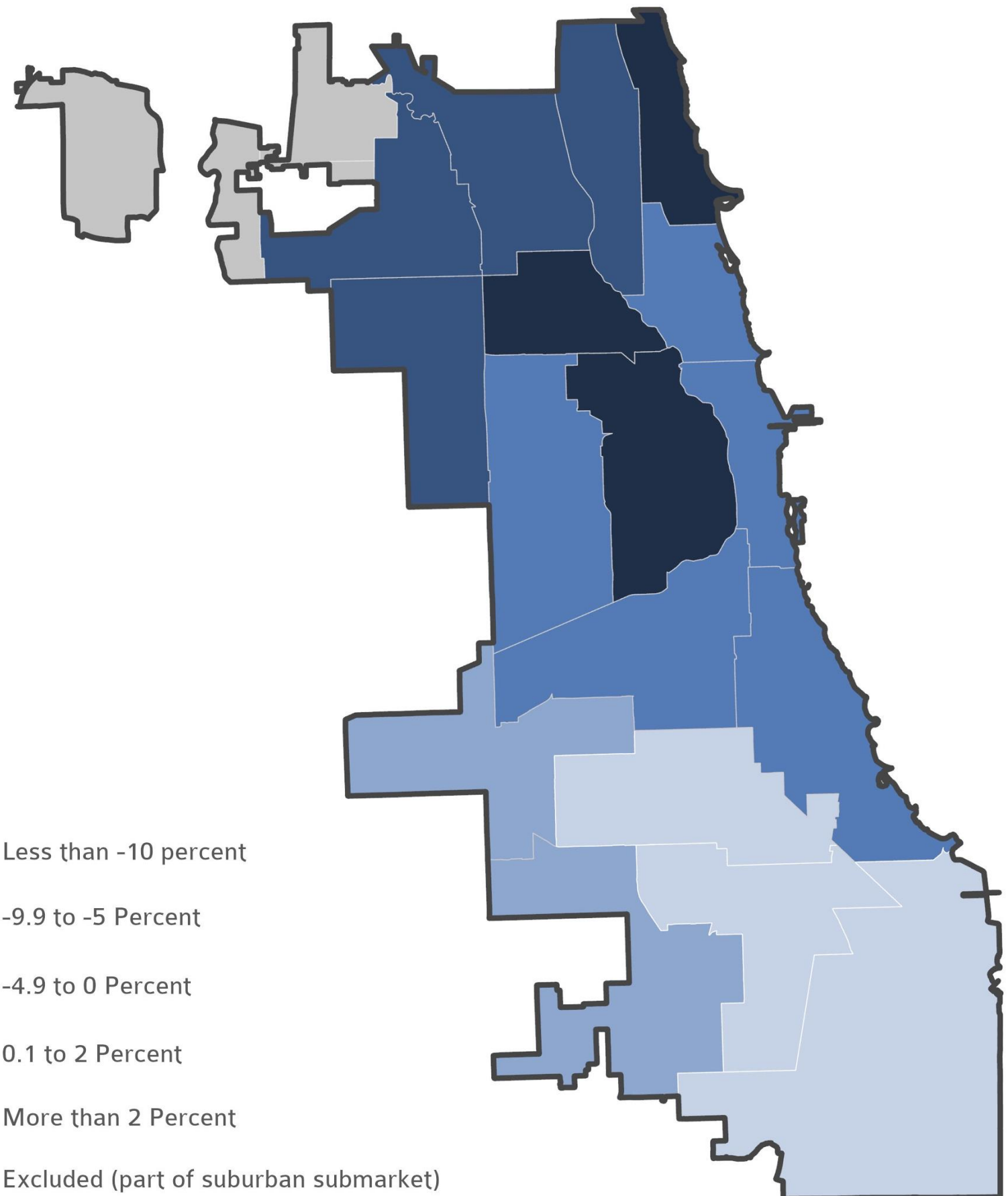
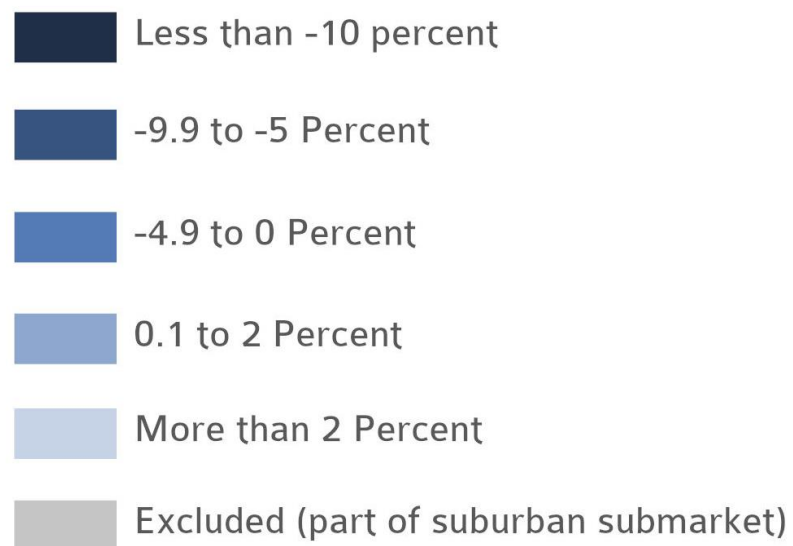
Affordable rental housing conditions in Chicago

- Recent affordable rental housing conditions and trends in Chicago mirror the nation
- A relatively small share of rental units receive housing subsidy
- Pressure on lower-cost rental supply connected to changing neighborhood market conditions
 - High cost of new construction
 - Erosion of lower-cost rental stock through rent increases, rising costs, ownership turnover
 - Conversion of small rental buildings into higher-cost owner-occupied housing
 - Disinvestment, leading to deterioration and demolition

Percentage point change in the share of units that are “affordable”

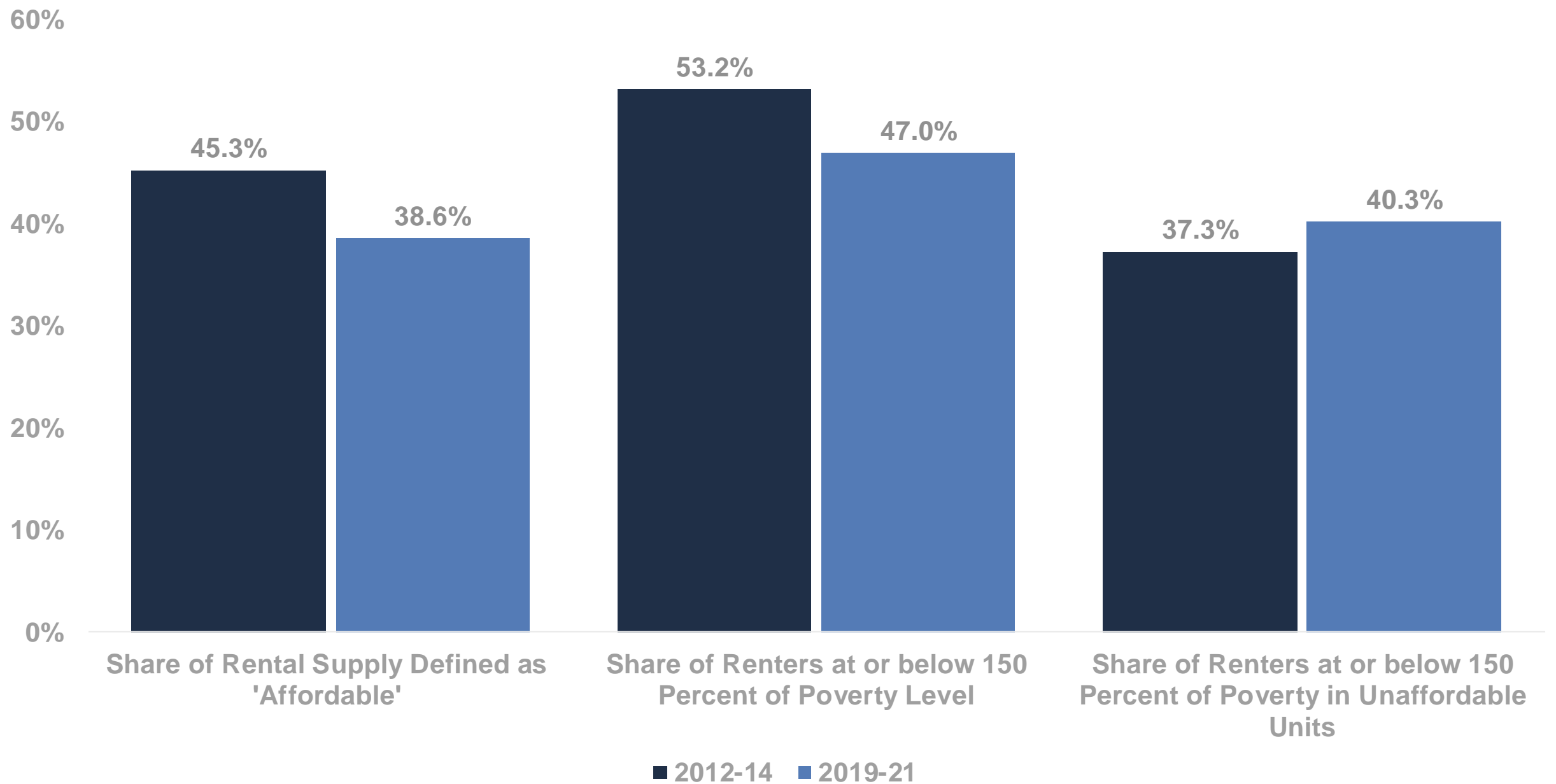


SOURCE: US CENSUS BUREAU, PUBLIC USE MICRODATA SAMPLES (PUMS) 1-YEAR, 2012-2014 AND 2019-2021



Affordability pressures increasing in overall submarket

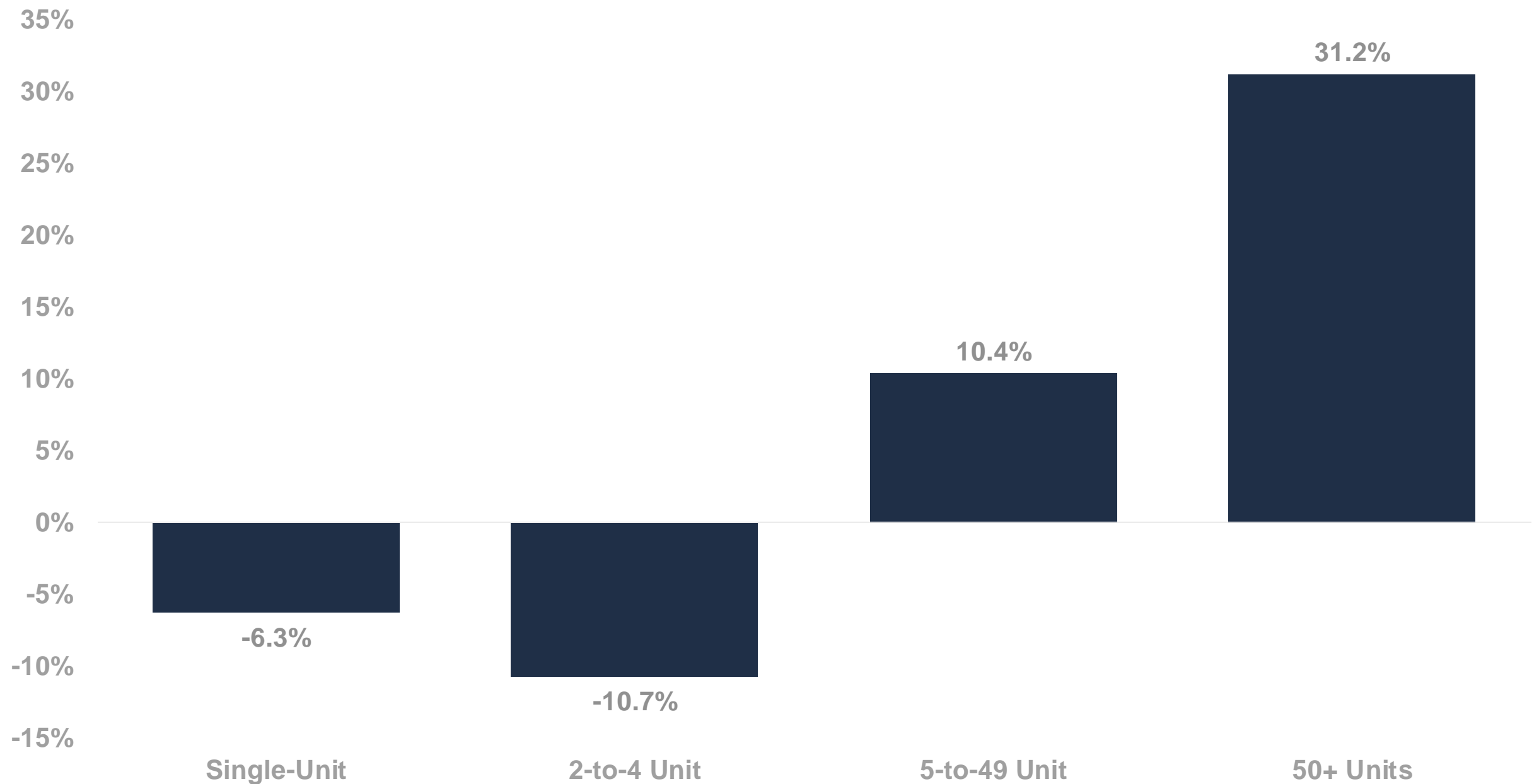
Percentage Point Change in Rental Affordability Indicators in the City of Chicago, 2012/14 to 2019/21



SOURCE: US CENSUS BUREAU, PUBLIC USE MICRODATA SAMPLES (PUMS) 1-YEAR, 2012-2014 AND 2019-2021

Growth of rental units in larger buildings, declines smaller

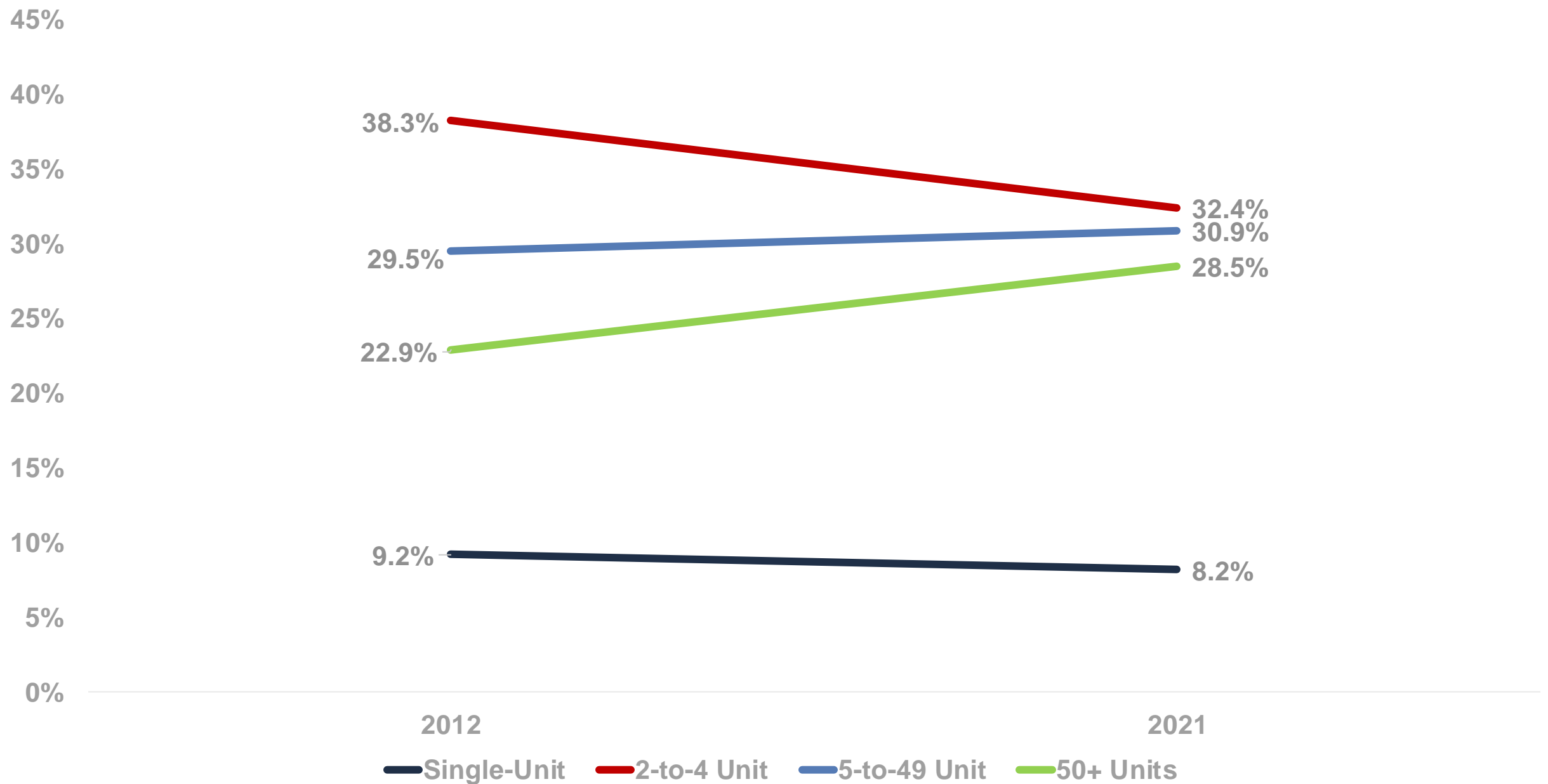
Change in Rental Units by Building Size in City of Chicago, 2012 to 2021



SOURCE: US CENSUS BUREAU, 2021 PUBLIC USE MICRODATA SAMPLES (PUMS) 1-YEAR, 2012-2014 AND 2019-2021

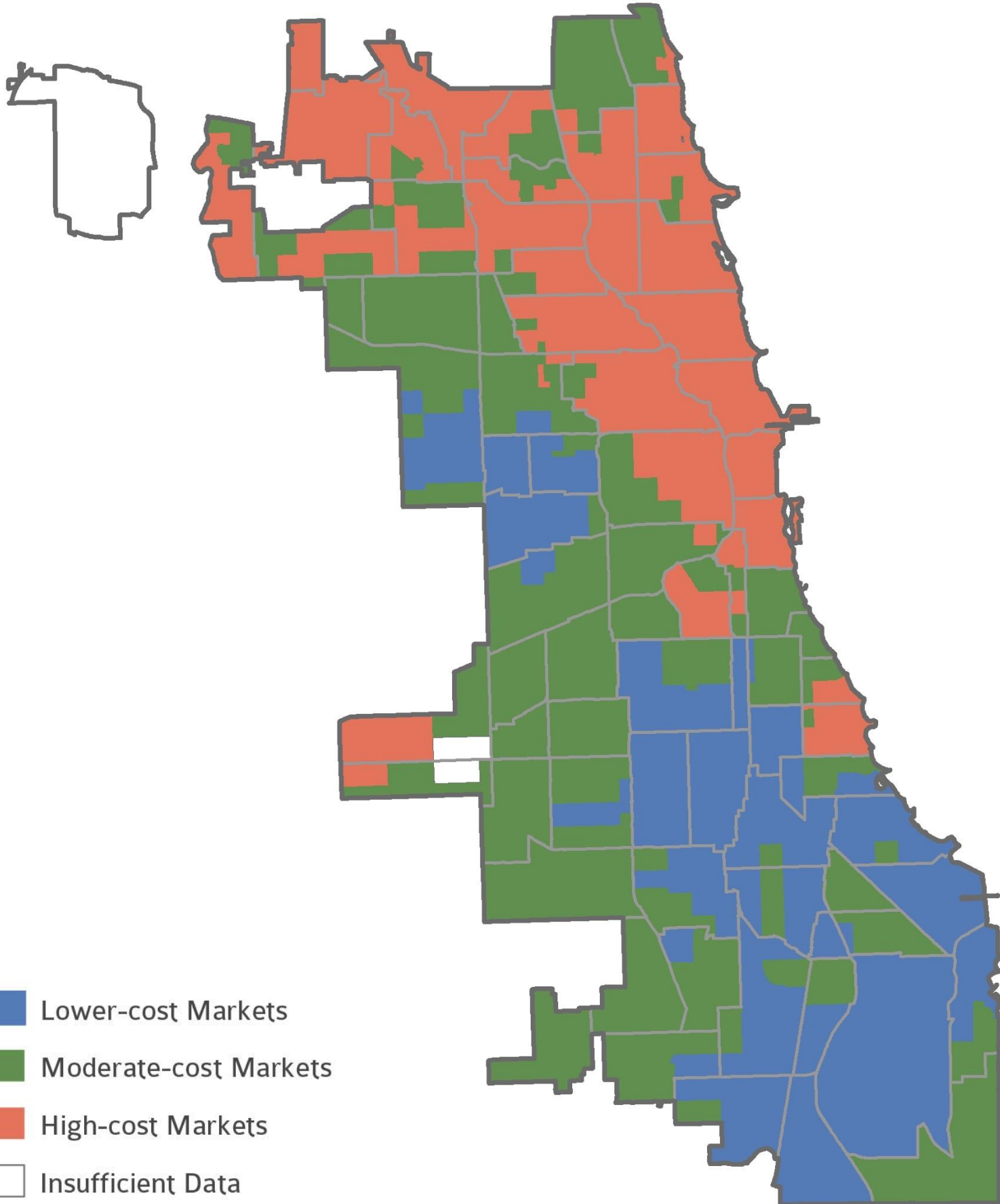
Changes to composition of Chicago's rental housing stock

Share of Chicago Rental Units in Different Types of Housing in the City of Chicago, 2012 and 2021



SOURCE: US CENSUS BUREAU, 2021 PUBLIC USE MICRODATA SAMPLES (PUMS) 1-YEAR, 2012-2014 AND 2019-2021

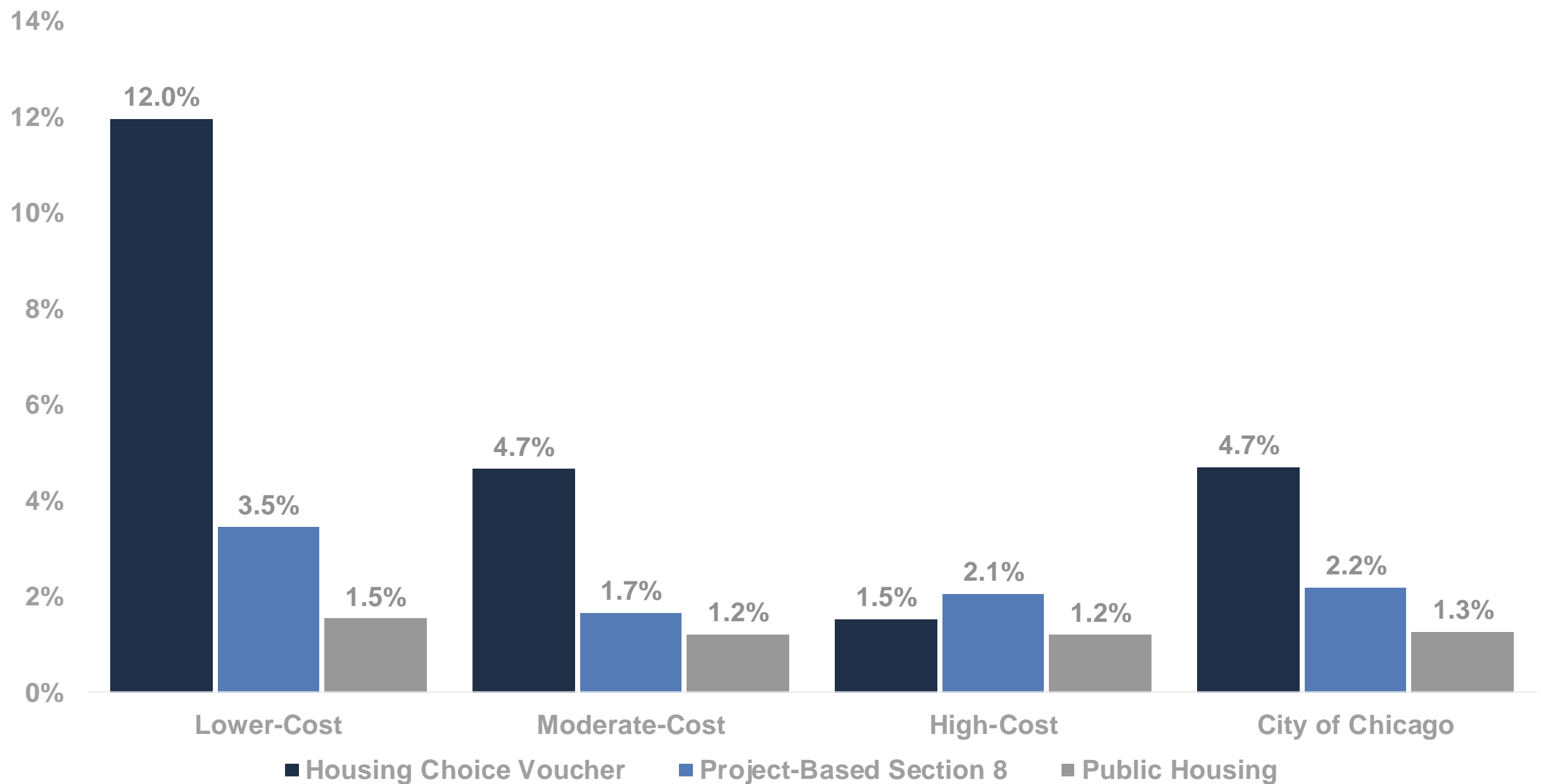
Housing market trends and conditions by neighborhood market value



SOURCE: IHS DATA CLEARINGHOUSE, 2021

Most housing is not connected to subsidy

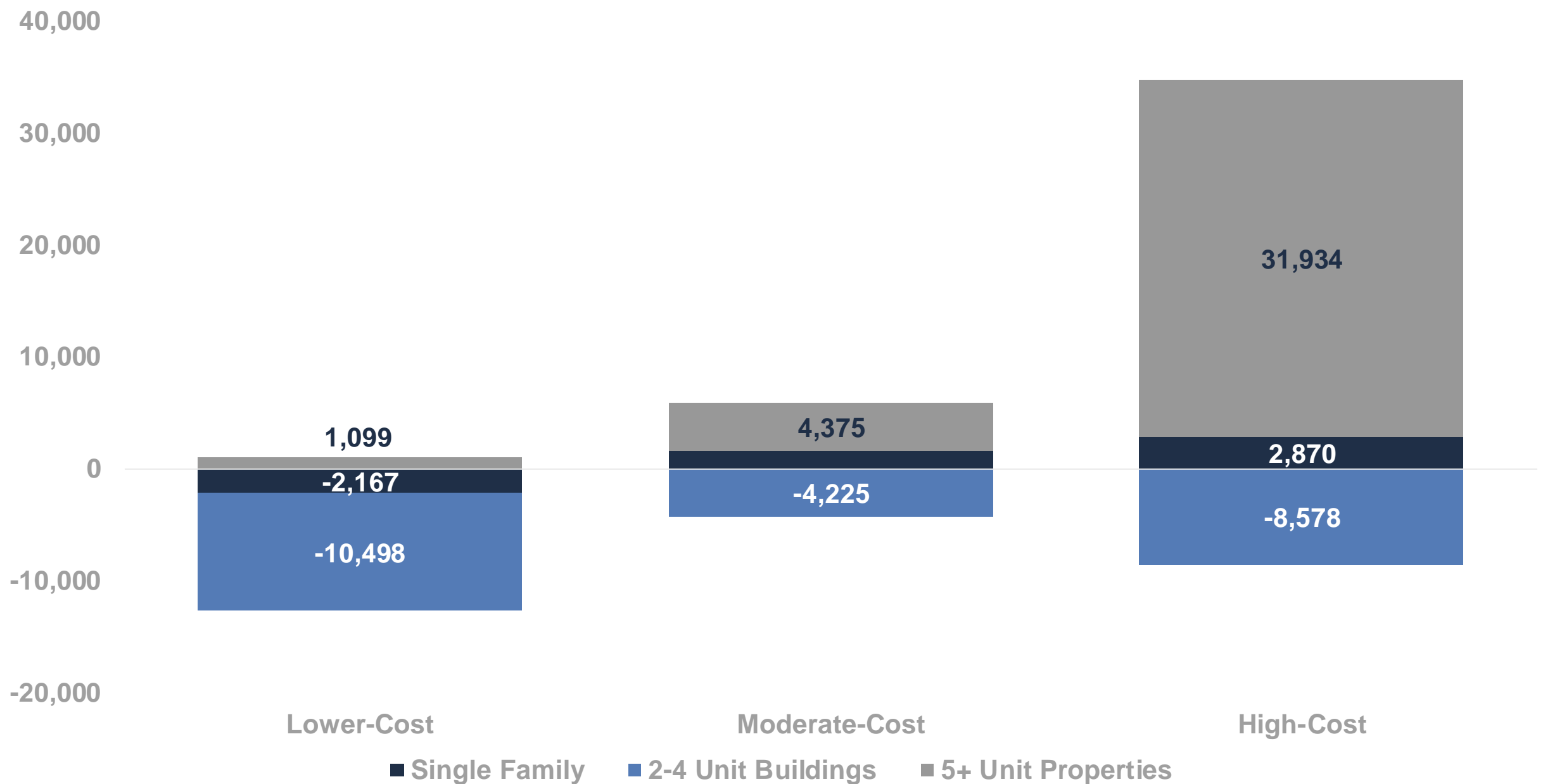
Share of total housing units in Project-Based Section 8, Housing Choice Vouchers, and Public Housing 2020



SOURCE: IHS DATA CLEARINGHOUSE, IHS CALCULATIONS OF DATA FROM HUD PICTURE OF SUBSIDIZED HOUSEHOLDS, 2020

New construction of larger buildings, loss of smaller MF

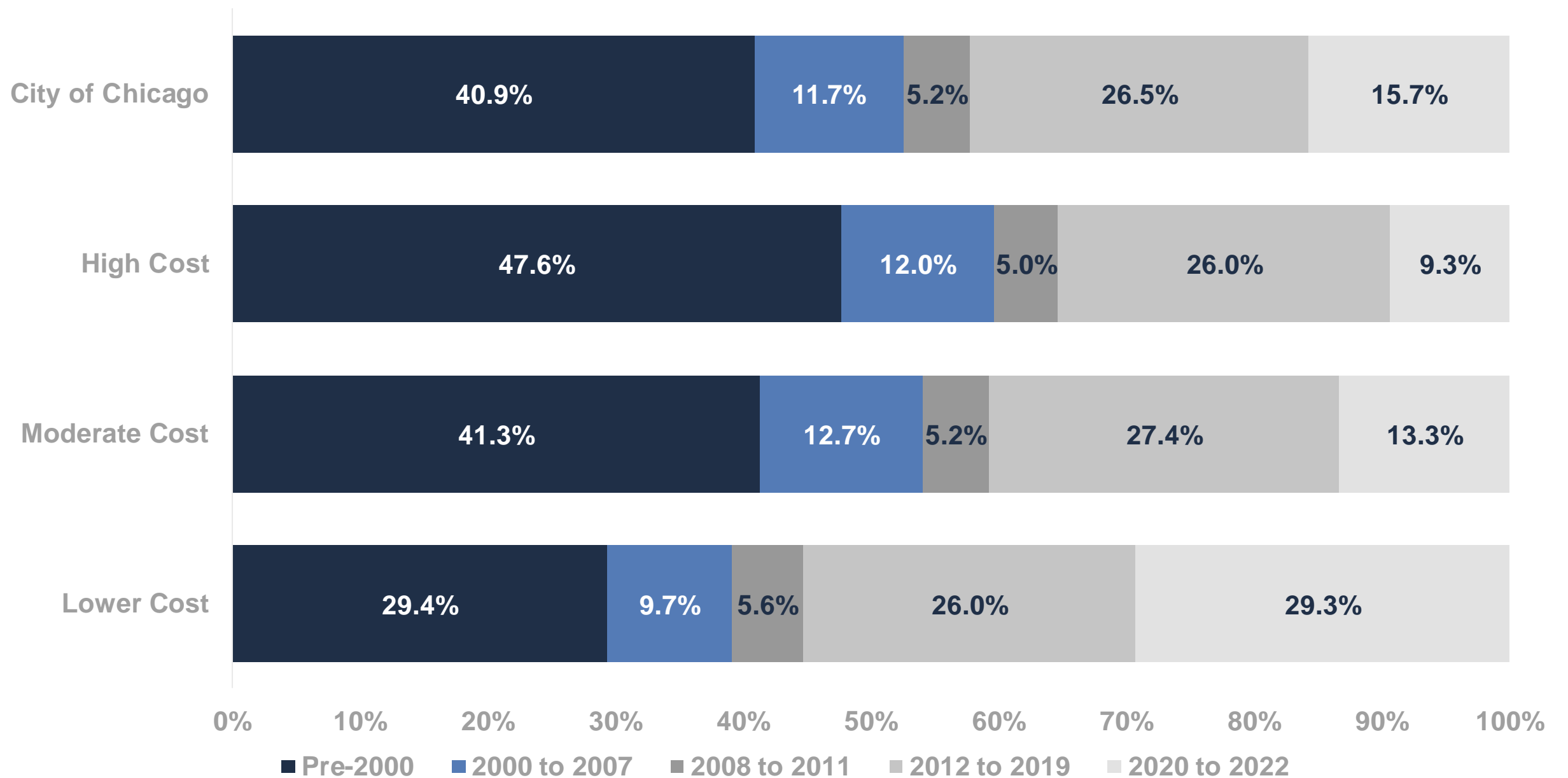
Net Change in Total Housing Units by Building Size in the City of Chicago by Neighborhood Market Type, 2010 to 2019



SOURCE: IHS DATA CLEARINGHOUSE

Understanding implications of turnover on rental affordability

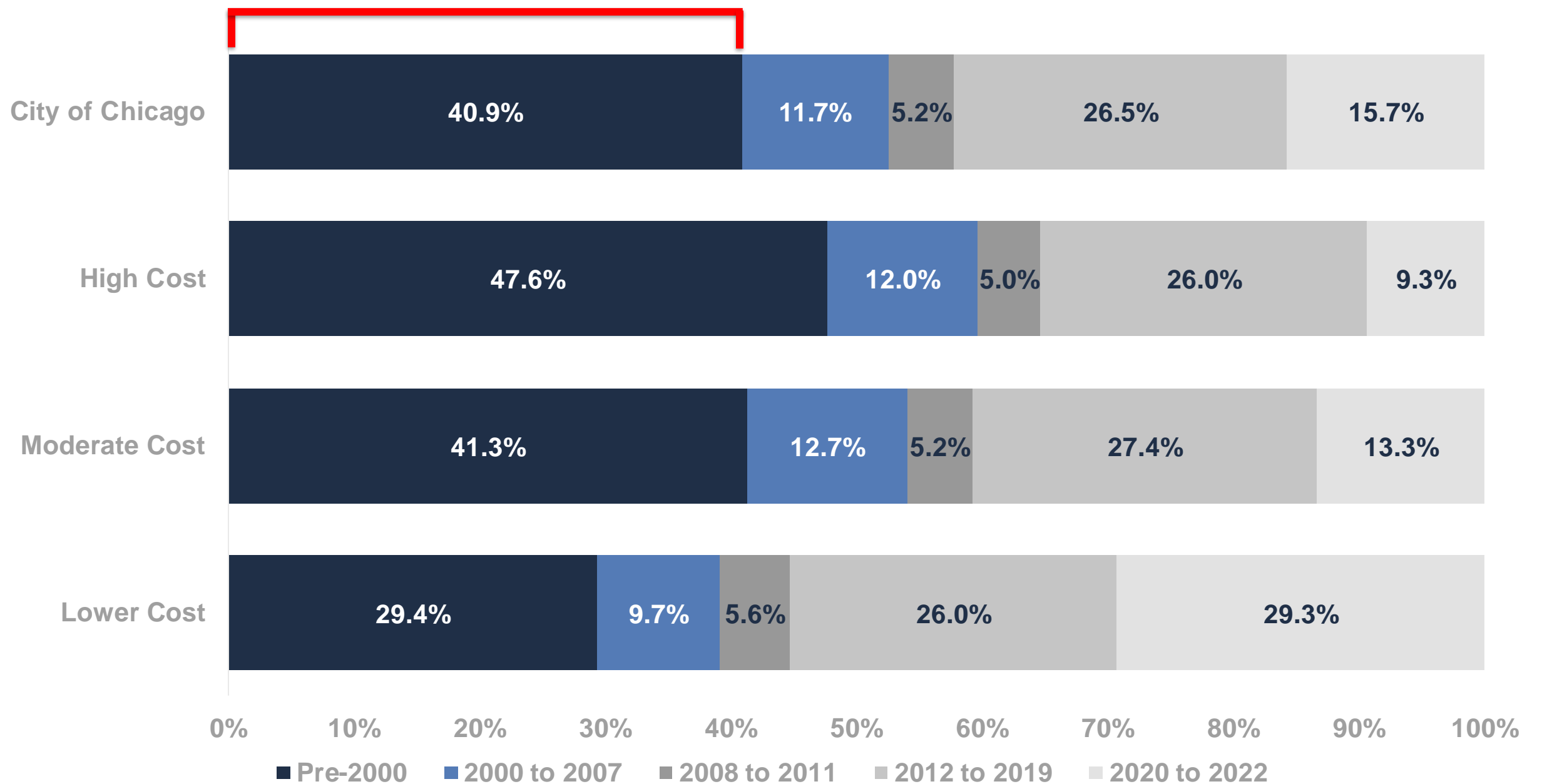
Distribution of Multifamily Properties (5+ Units) by Date of Most Recent Sale by Neighborhood Market Type, As of 3Q2022



SOURCE: IHS DATA CLEARINGHOUSE

Understanding implications of turnover on rental affordability

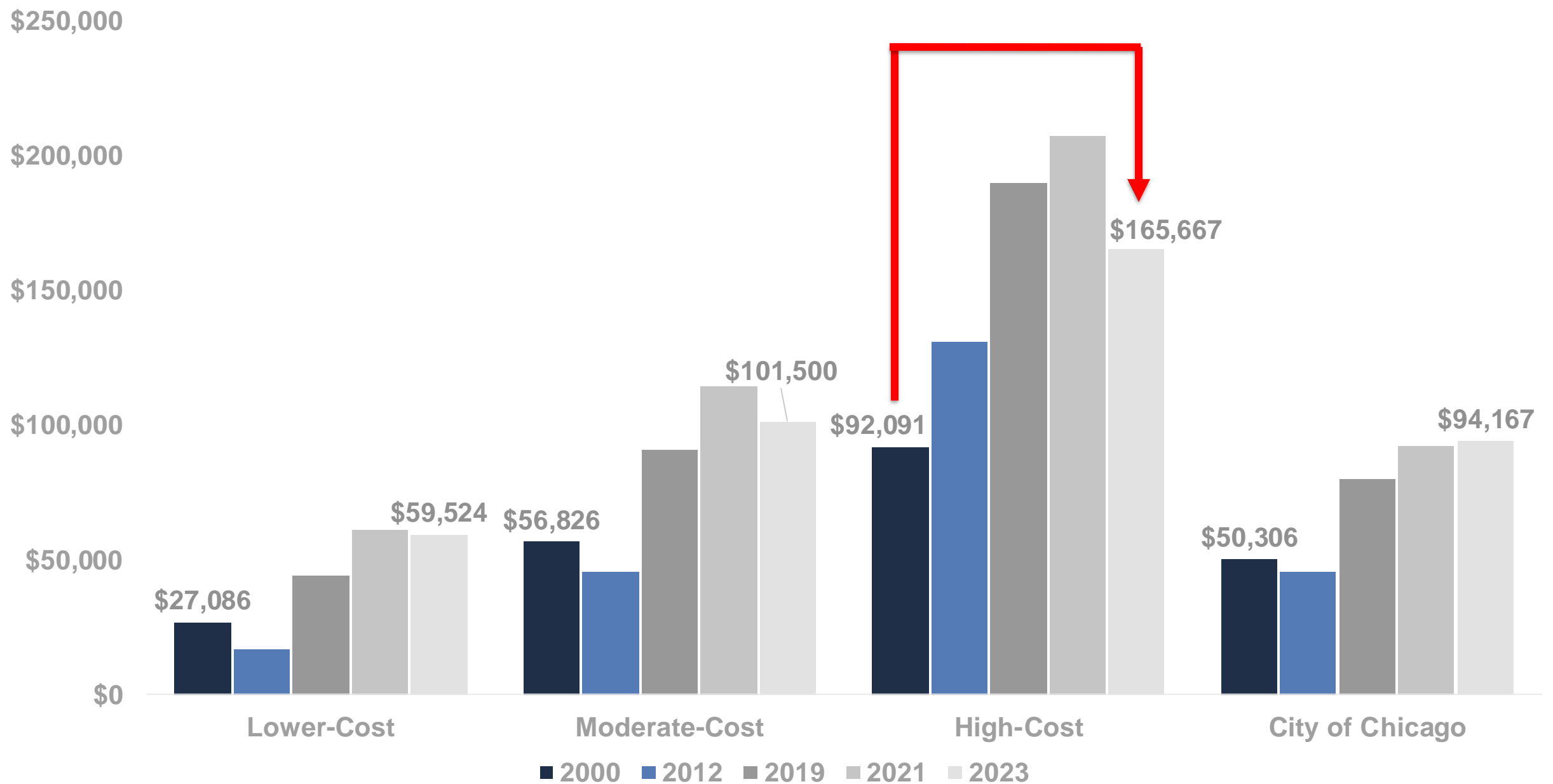
Distribution of Multifamily Properties (5+ Units) by Date of Most Recent Sale by Neighborhood Market Type, As of 3Q2022



SOURCE: IHS DATA CLEARINGHOUSE

Understanding implications of turnover on affordability

Median Sales Price Per Unit for Multifamily (5+) Properties* by Neighborhood Market Type, 2000-2023+



SOURCE: IHS DATA CLEARINGHOUSE

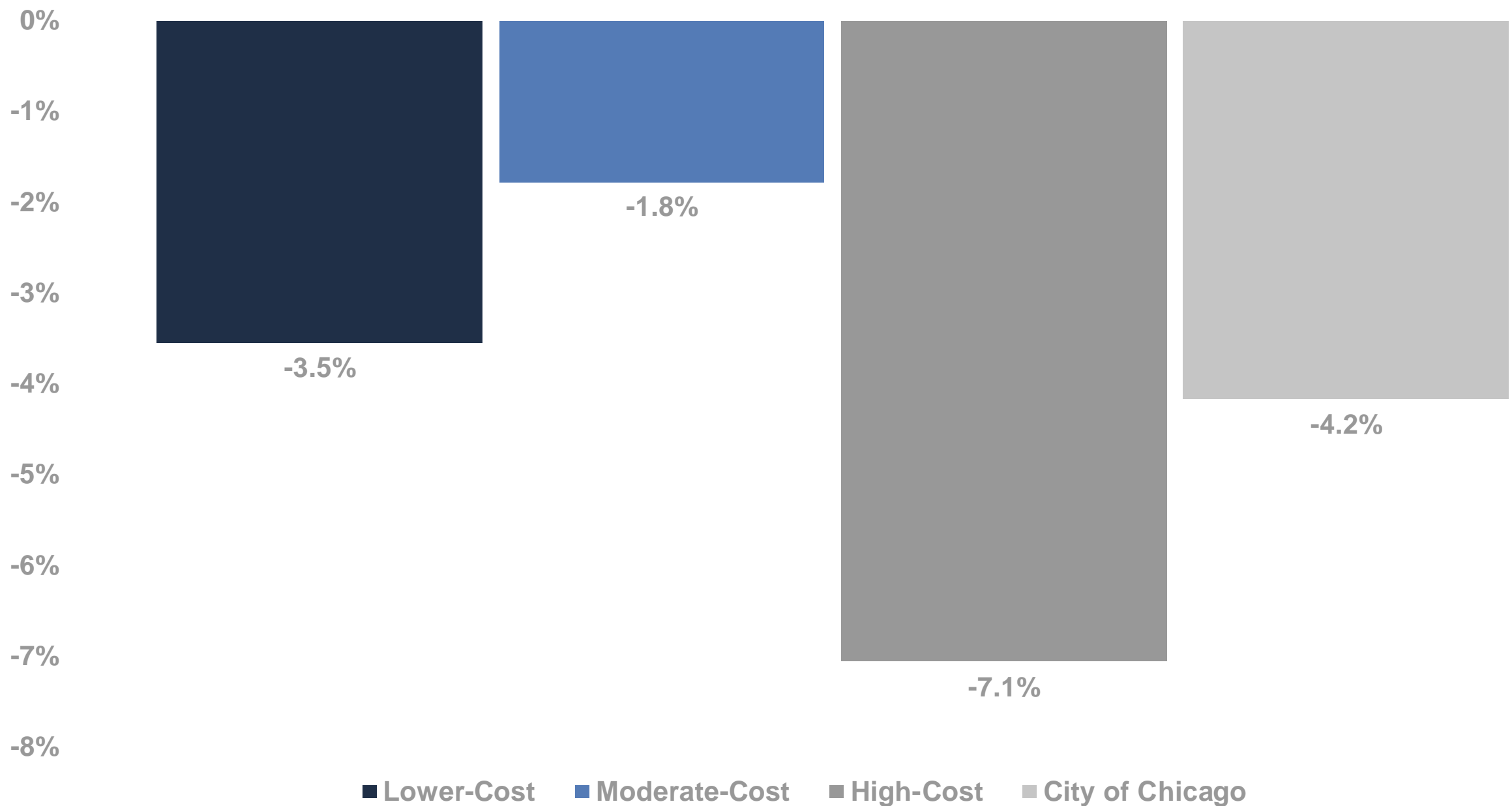
*INFLATION-ADJUSTED VALUES EXPRESSED IN 2023 DOLLARS + NON-BULK PURCHASE OF FEWER THAN THREE PINS

Small rentals critical to affordability, irreplaceable

- Iconic Chicago housing stock, Chicago's oldest stock is in 2 to 4's
 - Median age of a 2 to 4 is 108 years old
- 2 to 4 unit properties are the “backbone” of lower-cost rental stock in most neighborhoods – more likely to
 - Offer lower rents and relative affordability
 - Provide family-sized units
 - Serve lower-income households
 - Serve households of color
 - Be owned by a long-term owner
- Once lost, units are difficult to replace, particularly as affordable and with family-sized housing

Lost 2 to 4's are concentrated in high cost neighborhoods

Change in 2 to 4 unit Parcels by Neighborhood Market Type in City of Chicago, 2013 to 2019



SOURCE: IHS CALCULATIONS OF DATA FROM COOK COUNTY ASSESSOR






Lost 2 to 4 Stock - Total

2 to 4 Parcels Lost 2013 to 2019 in Chicago Census Tracts

SOURCE: IHS CALCULATIONS OF PROPERTY SALES DATA FROM COOK COUNTY RECORDER OF DEEDS, 2017 AND 2012, COOK COUNTY ASSESSOR

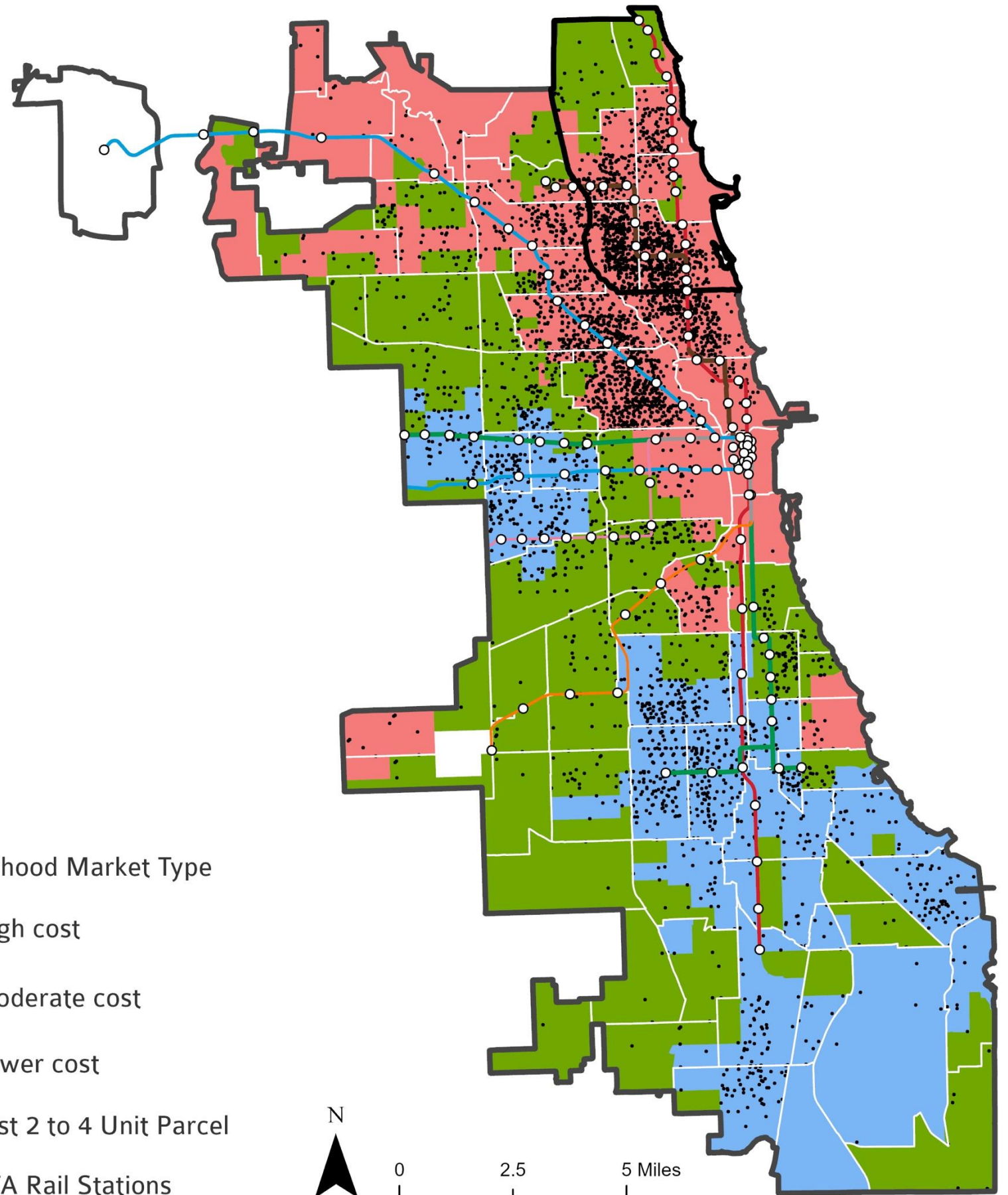


Neighborhood Market Type

-  High cost
-  Moderate cost
-  Lower cost
-  Lost 2 to 4 Unit Parcel
-  CTA Rail Stations

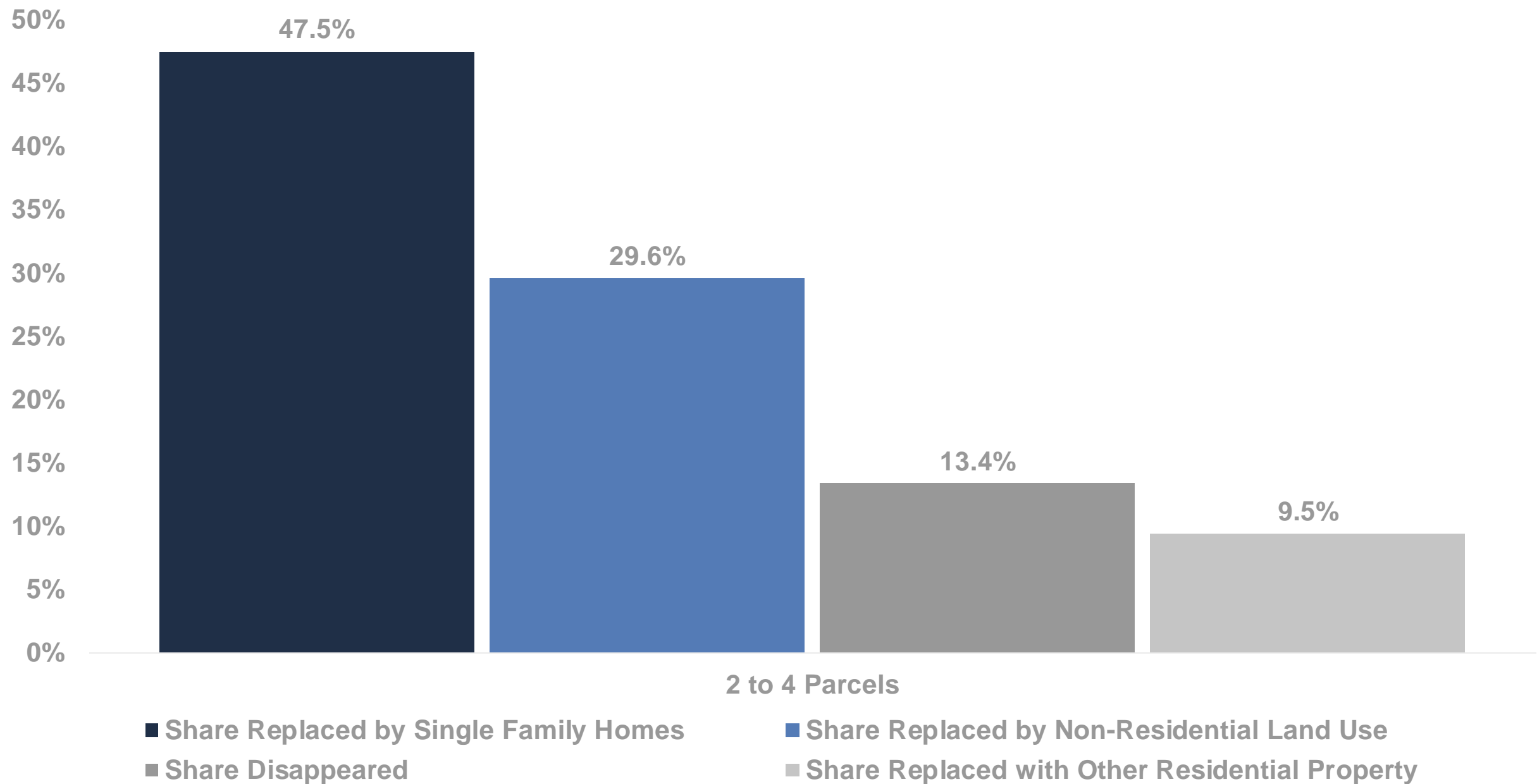


0 2.5 5 Miles



2 to 4's are lost for different reasons

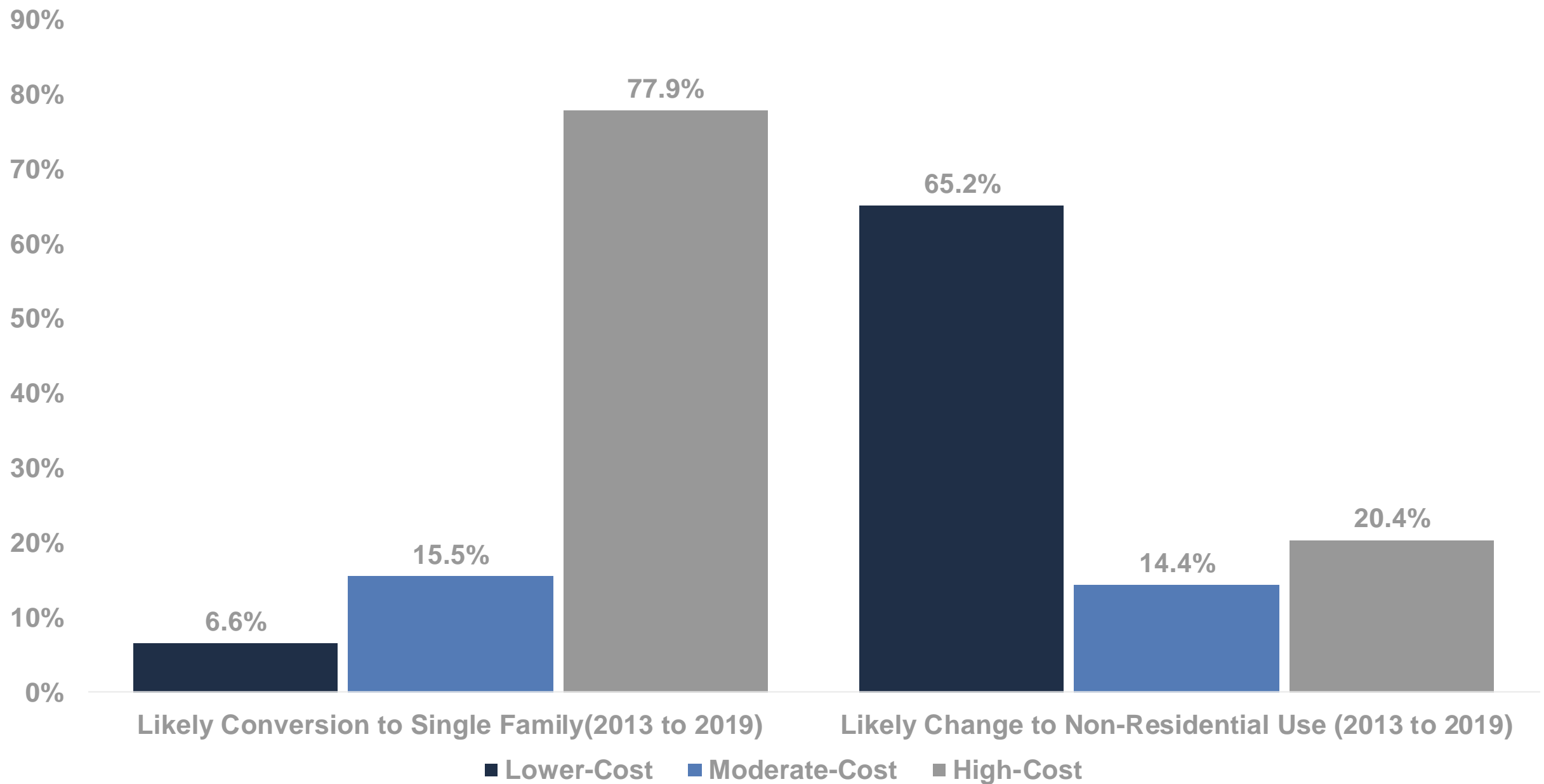
Minor Class Changes for 2 to 4 unit Properties in City of Chicago, 2013 to 2019



SOURCE: IHS CALCULATIONS OF DATA FROM COOK COUNTY ASSESSOR

Market context is important to understanding how 2-4s are lost

Distribution of 2 to 4 unit Parcels (2019) and Parcels that Changed Minor Class by Market Type, 2013 to 2019



SOURCE: IHS CALCULATIONS OF DATA FROM COOK COUNTY ASSESSOR

Challenges facing lower-cost rental stock

• Changing market demand

- Units in smaller rental buildings are largely unsubsidized and vulnerable to rising rents driven by increased rental demand
- Growing rental demand can lead to rising rents on existing buildings
- Increasing demand for single family homes and limited supply
 - Pressure to convert/demo older 2 to 4 unit buildings to single family homes
 - Demo older 2 to 4 unit buildings to replace with high cost-single family homes

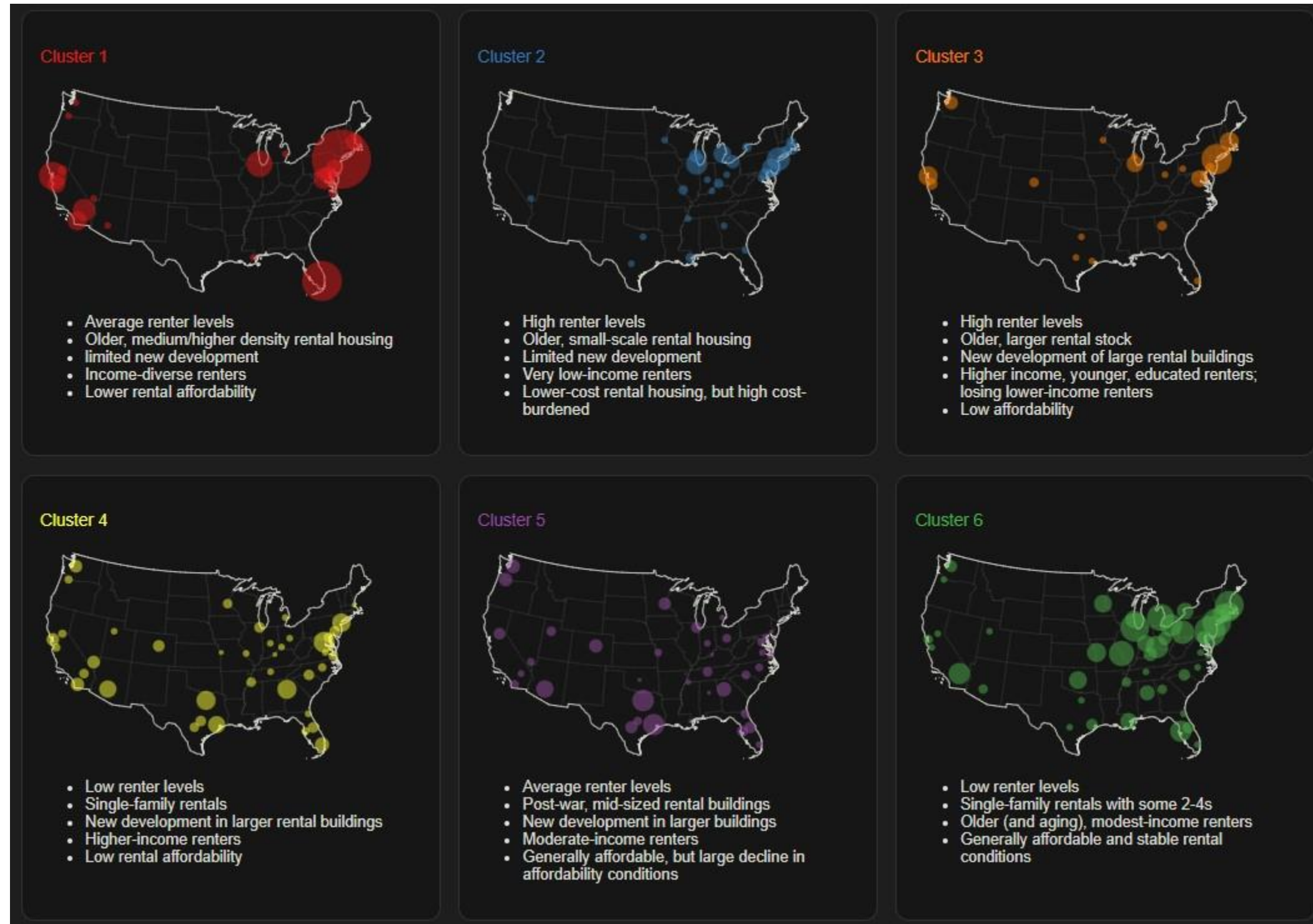
• Pressure on existing owners

- Aging housing stock
- Long-term owners may face increased costs related to property taxes, insurance, building maintenance needs
- For older owners, aging-in-place and managing property may also be an issue
- Turnover in ownership may lead to rising rents or increased conversion risk

• Disinvestment

- High levels of foreclosure distress, vacancy, and abandonment means many smaller rental properties lost to or threatened by deterioration and demolition

Variation in local market conditions, local preservation strategies





September 4, 2024

Affordable Rental Housing Conditions and Challenges



Contact: gsmith33@depaul.edu

Evaluation Reminder

- Please submit all conference evaluations. Use the electronic evaluation link in your email.
- Contact consult.lwells@gmail.com if you do not receive the link.

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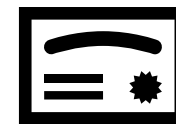
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