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What the foreclosure crisis looks like in urban neighborhoods with few single-family homes

BY **EMILY BADGER** June 11 at 5:02 PM  [Follow @emilybadger](#)

The North Lawndale neighborhood of Chicago. Courtesy of the Institute for Housing Studies, DePaul University

So often when we talk about the foreclosure crisis, we're talking about [places like this](#), or [homes like this](#). We picture zombie subdivisions that were hastily built at the peak of the housing bubble, or single-family homes



where the front lawn has long grown over with weeds.

But this is not necessarily what the foreclosure crisis has looked like in cities.

Take Chicago, a city of spacious but small-scale [brick apartment buildings](#) that date to the 1920s and earlier. There, the foreclosure crisis was particularly hard on two-to-four unit buildings that dominate many older neighborhoods ringing the downtown. Such buildings account for 26 percent of the total housing stock in the city, and about half of its multi-family rental units, according to [an analysis](#) by the [Institute for Housing Studies](#) at DePaul University. In some neighborhoods the two-to-four unit apartment makes up around 70 percent of housing units.

To grasp how the foreclosure crisis filtered through the city's unique housing stock -- the three-flat is to Chicago as the [triple-decker](#) is to Boston or [the Victorian](#) to San Francisco -- the institute mapped every property in the city using county assessor data:

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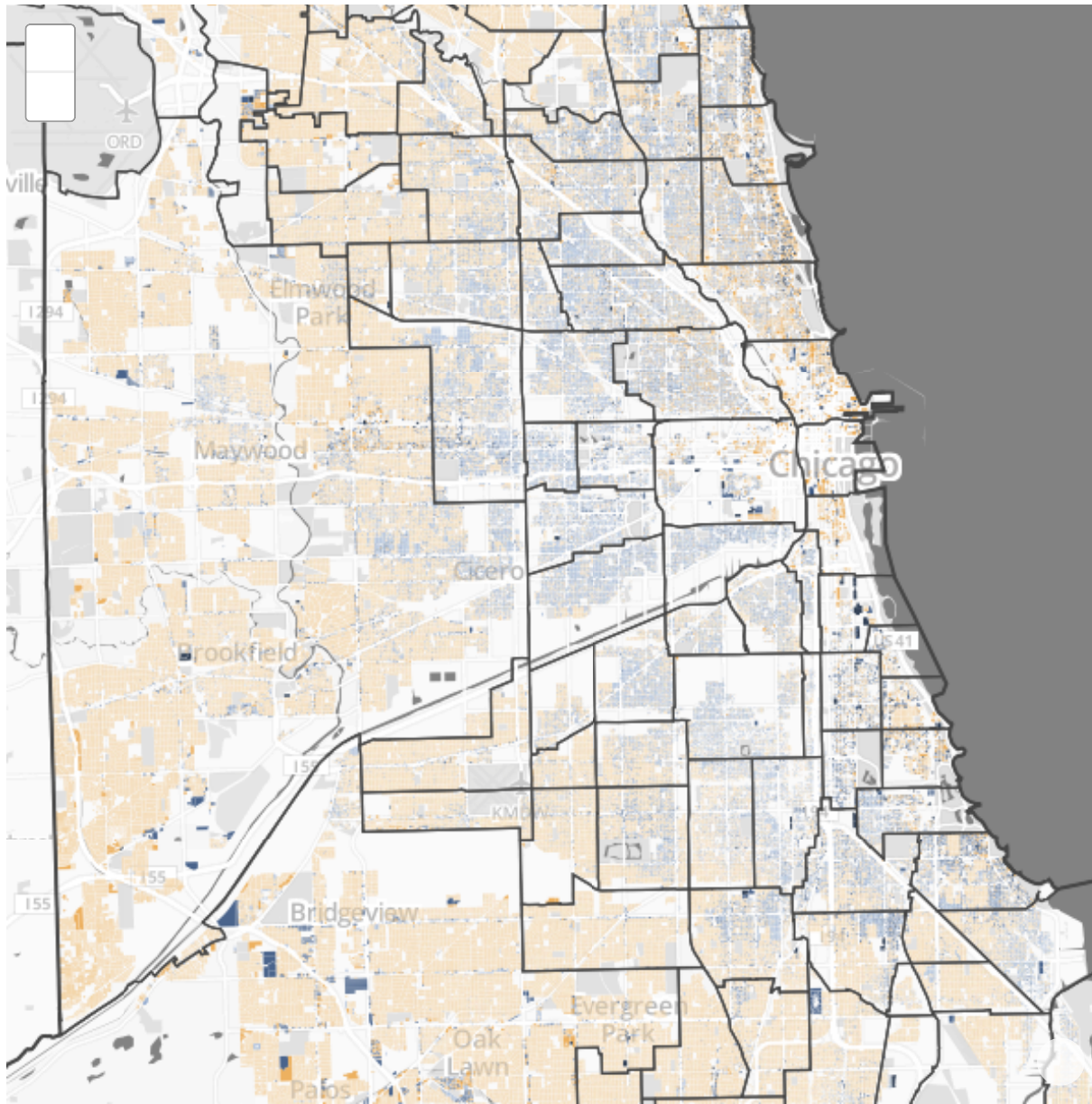
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In the legend, two-to-four unit and larger multi-family properties not identified as condos are all rental properties (the single-family homes are a mix of the two). As we can see in a neighborhood southwest of the Loop like South Lawndale, the housing is overwhelmingly two-to-four-unit

rentals (in light blue, composing 71 percent of housing units). Single-family homes make up just 15 percent of the housing there:

Since 2005, more than [one in five parcels](#) in that neighborhood has been in some stage of foreclosure. In West Garfield Park nearby (where less than 9 percent of housing is single-family), two in five properties have had foreclosure filing activity.

Buildings like the small apartments so prevalent there made for different kinds of victims during the housing crisis, and they present different challenges for recovering from it. These apartments have historically offered an entry point to accumulating wealth for small-scale real estate

investors, often families living on the ground floor with rental units above. Those same families, though, may have been ill-prepared to weather vacancies during the economic downturn, or they may have lacked the property management expertise of owners of much larger buildings.

That made them more susceptible to foreclosure -- especially given that these apartments are concentrated on the south- and west-side neighborhoods of the city that were already highly distressed. Investors who've wanted to rehab these foreclosed properties, meanwhile, have had a particularly hard time finding credit to do so.

For their tenants, these buildings have historically formed a key part of the city's affordable rental stock. That means that as small apartments have gone through foreclosure -- and as new investors have struggled to acquire them -- rental stock has gone with them.

"We want to see these two-to-four unit buildings be preserved because it's a unique part of city's housing stock, and it's not really a cost-effective type of property to rebuild," says Geoff Smith, the executive director of the Institute for Housing Studies.

Builders don't come along much any more -- in Chicago or elsewhere -- to construct modest-sized, sturdy brick apartment buildings like these. New rental construction is more cost-effective at larger scales. But it's also more costly for renters. That means in Chicago, or any number of other cities, preserving buildings like these through the recovery will be an important part of maintaining affordable market-rate housing in the long run.

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