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Homeownership dips to lowest level since 1999

By Katherine Davis

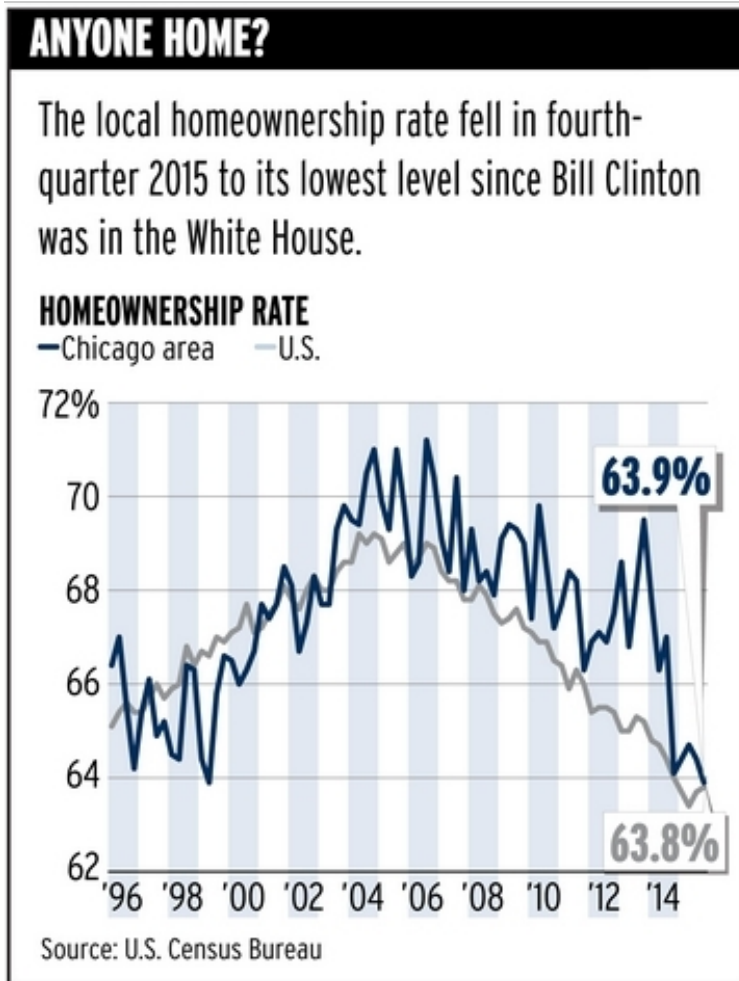


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Homeownership in the Chicago area fell last year to its lowest in 16 years, as more people continued to rent than buy out of necessity or choice.

The local homeownership rate fell to 63.9 percent in the fourth quarter after two years of steady decline, according to [data](#) from the U.S. Census Bureau. The rate fell from 64.4 percent in the third quarter and 67 percent a year earlier.

The drop reflects the broader shift under way in the housing market since the housing crash, which shook the residential lending market and made it harder for homebuyers to get a mortgage. The local homeownership rate peaked at 71.2 percent in 2006 and was last at its current level in 1999.

“A lot of the factors that are affecting the national homeownership rates are pretty similar to what’s happening in Chicago and Illinois,” said Geoff Smith, executive director at the Institute for Housing Studies at DePaul University. “During the economic crisis, you

had a lot of homeowners who were pushed out of homeownership. In many cases, those folks had to rent because they were not able to buy again.”

The national homeownership dipped as low as 63.4 percent in second-quarter 2015 before rising slightly to 63.8 percent in the fourth quarter, according to the Census. The national rate was last below 64 percent back in 1990.

BIGGER DOWN PAYMENTS

The Census calculates the homeownership rate by dividing the number of households occupied by their

owners by the total number of occupied households.

Home buyers today must put down a bigger down payment than they could before the bust, and lenders scrutinize their creditworthiness more closely. After seeing home prices plunge during the crash, some buyers also are also more skeptical about a home's investment potential.

Moreover, millennials are renting for longer and aren't purchasing homes as soon as their parents and older generations did at the same age, Smith said.

“Younger households have always had a high level of renting, but that level has gone up because typically they don't have as much money to put down a down payment, they may need to be more mobile and they want to live in certain parts of cities that are less affordable for buying,” Smith said.

But more renters also means higher rent. Landlords here have hiked rents over the past several years amid high demand for apartments. Net rents at high-end downtown buildings **have risen 36 percent** on a per-square foot basis since 2009, while suburban rents **have increased 31 percent**, according to Appraisal Research Counselors, a Chicago-based consulting firm.

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