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IHS's State of Rental Housing in Cook County: What Chicago Renters Need to Know

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As stated in [last week's article about EvictionLab \(https://rentconfident.com/blog/2193/eviction-lab-what-chicago-renters-need-to-know\)](https://rentconfident.com/blog/2193/eviction-lab-what-chicago-renters-need-to-know), the month of April has seen two big releases of data from housing focused think tanks around the country. Last week we covered one, and as promised, this week we will look at the second, the ["2018 State of Rental Housing in Cook County \(https://www.housingstudies.org/research-publications/state-of-housing/2018-state-rental-housing-cook-county/\)"](https://www.housingstudies.org/research-publications/state-of-housing/2018-state-rental-housing-cook-county/) released by DePaul University's Institute of Housing Studies (IHS). Unlike the EvictionLab website which provides mostly data with little commentary, the IHS report provides mostly text-based analysis with some charts and maps as side illustrations. However, as it is focused entirely on Cook County it may be more relevant to the interests of Chicago renters.

We stated last week that we would look at both data releases using the same article structure. Below you will find that we have indeed viewed the IHS release through the same lens that we used for EvictionLab.

Who is the Institute for Housing Studies?

Based out of the DePaul University School of Business's Real Estate Center, the IHS is a combination of think tank and graduate/doctorate level research facility focused on housing and real estate including residential and commercial property, both purchased and rented. The staff of IHS is a combination of full-time administrators and students of the Business School. A glance at their original [2009 site on archive.org \(https://web.archive.org/web/20091126020155/http://ihs.depaul.edu:80/ihs/\)](https://web.archive.org/web/20091126020155/http://ihs.depaul.edu:80/ihs/) shows that out of the original staff, only Research Director Jin Man Lee remains. The rest have been replaced by new experts and students, as can be expected for an academic group.

While the newer EvictionLab is based out of the department of sociology at Princeton's grad schools and therefore approaches research from the perspective of sociology and public policy, IHS is more established and rooted in economics, real estate and finance. The difference between the two groups can be clearly seen in their respective websites. EvictionLab is flashy and modern, full of sliding panels and animated maps, designed for mobile access and easy consumption by media outlets. IHS has a more conservative and traditional website although their data is still quite valid.

What Data Did They Provide?

The 2018 State of Rental Housing in Cook County is the latest in a series of annual reports analyzing the data from the US Census Bureau's American Community Survey, formerly known as the "long form census." IHS has released these reports every year since its inception, although it was originally called the "Cook County Rental Housing Snapshot." As the census bureau runs 2 years behind, this year's report actually provides data from 2016. They provided statistical analysis of the following information:

- Number of renters
- Number of owners
- Income of renters
- Age of renters
- Types of rental buildings
- Supply of and demand for affordable housing
- Number of rent-burdened renters

It is important to note that their data focuses on Cook County as a whole, not just Chicago. While in most cases they do break out the numbers for the city from the rest of the county, some of their numbers are aggregates of the entire county from Elk Grove Village to Chicago Heights. IHS's reliable annual release of data means they can provide insight into changes over a 10 year span in Chicago's rental market, which is crucial when trying to make market forecasts and understand how the rise and fall of economic tides affect the housing industry.

Can That Data Be Trusted?

There is no question that IHS has some very bright minds with the skills to provide accurate statistical analysis of data. However, the quality of that data must be considered as well.

The decision to focus on a single source of data for their annual analysis is a good one but it is also fragile. Yes, they can be sure that the data will be there every year in a consistent format. This means they can run the same formulas over the data every year and get some good snapshots of changes over time. But every business owner is dependent on the sourcing of raw goods, and as someone who runs a data-based business I know quite well the concerns that similar groups may have over the quality and availability of the data supply. When designing the RentConfident report I identified every supplier of data in our chain and made sure that there were redundancies in place should any of them fail. IHS has thrown their lot in with the Census Bureau only, which means that should the Census Bureau fail or become unreliable they are up a creek without a paddle.

Now in most eras the idea of a failure at the level of the US Census Bureau would be unthinkable. However, the position of director of the Census Bureau remains occupied by a deputy administrator who can only perform non-exclusive duties, as the President has not yet appointed anyone to the role. Budget cuts to the census bureau have led analysts to fret that the current administration seeks to stymie the home visits required to accurately count minorities and the poor in the 2020 decennial census. This would in turn affect the mandatory voter redistricting that follows every decennial census. The same group that does the decennial census also runs the ACS. While the 2016 numbers were run by a group that was still largely well funded and fully staffed, the reliability of future numbers is called into question.

Don't get me wrong, I like the ACS. I use the ACS. I have frequently cited their numbers in the RentConfident blog. But because of that I also know the risks and drawbacks of relying on it exclusively, which is why ACS data is only one of 60 sources I use to create reports. IHS has a full time staff and a bunch of grad students working for them. One would think they could combine the census data with some backup corroborating sources, such as the MLS. Given that their smallest geographic subdivisions are based on the MLS neighborhoods it seems odd that they are not also using MLS data in their research.

However I do understand that there is no real central clearing house of data regarding the sale of commercial property in the Chicago area. There are databases like CoStar that some commercial brokers use as an MLS, but unlike the residential equivalent participation is not mandatory and many brokers prefer to keep their listings out of the CoStar database. In focusing on rental property IHS, like RentConfident, will

certainly run up against that black hole of commercial real estate data, but it always strikes me as odd that given all of their resources they are relying entirely on the ACS for their most well-known annual release.

It is also worth considering that Chicago is on the verge of another major sea change in the dynamics between landlords and renters. The pundits who watch pricing and vacancies are all sounding alarms that downtown has been overbuilt with new units and predicting a flattening of prices in the more upscale regions of the city. However, IHS is stuck looking at two year old data, which means that any changes we see in prices and availability this year will not be reflected in their reports until long after any change has already occurred. Their 11 years of reports allow us to see what happened when the market tanked in 2007 and how it has rebuilt itself, so we can do some projections based on prior events. But the 2007 collapse of the market was in response to a nationwide economic crisis that led to bank bailouts and an overhaul of the mortgage lending process. What we are heading into this year is far more localized.

That being said, the data from the ACS is free to use and reliably updated every year. When placed up against the massive amount of expensive courthouse data obtained from across the country by EvictionLab one can see the virtues of hitching one's wagon to a single federal source of information. IHS will be able to keep releasing reports every year. This has allowed them to remain relevant for a decade. Will EvictionLab be able to update their massive data banks every year as well and still keep their data clean? We will see, but it seems unlikely.

So yes, the data in this year's State of Rental Housing in Cook County can be trusted for all its limitations. As for the coming years, we will see.

What Do Chicago Renters Need to Know?

After eight years of massive growth, the number of renting households in Cook County dropped off slightly between 2015 and 2016. This can largely be attributed to middle-income renters of the early millennial and late gen X range who took advantage of the recovering sales market to buy property. Personally I think that the fracas of sweeping school closures in 2013 combined with out of control rent increases may have spurred renters in this age group to purchase property within the county (but not necessarily the city) in the years spanning 2014-2016.

Remaining in the rental market were a chunk (21.7%) of extremely wealthy people and an majority (27.9%) of very low income people. The remaining 50.4% of renters are distributed pretty evenly across income brackets ranging from 30 to 120% of the annual median income. From this we can infer two things. One is that Chicago has three separate and distinct rental markets: one for the wealthy, one for the middle class, and another for the poor. The other is that developers will look at these somewhat arbitrary income-based demographic markets and build for one of the three. They must, however, be courted and persuaded to build for the lowest income brackets. Renters must look at their own incomes and decide which target market they fall in before beginning their apartment hunts. Expectations must be managed accordingly.

Sidenote: it bothers me that IHS used the Chicago Metropolitan Statistical Area for its data point on annual median incomes, while otherwise using Cook County data for the rest of its report. The Chicago Metropolitan Statistical Area includes a far greater geographic area than just Cook County, extending in some versions well into Indiana and up into southern Wisconsin. It is also troubling to me that the 30-120% income brackets are broken out into three separate groups, while the very poor and the very wealthy are bundled together in larger chunks. Of course the IHS must subdivide in the same manner as the data they receive from the census bureau so they have little choice in the matter. But something tells me that Chicago's income ranges do not neatly fit into the census bureau's breakout points of 30, 50, 80 and 120% of the annual median income.

Conversions of two-flats to single family homes continued to eat up rental housing availability, although at a slower pace than in prior years. This particular statistic is one for which I wish the IHS has more recent numbers, as in the years since 2016 several Chicago aldermen have taken note of conversion requests and are working to slow them down.

The sections of the report focusing on affordable housing and rent-burdened residents (those paying more than 30% of their income towards housing) are the ones that the media has largely latched onto for their coverage. It shows a county-wide shortage of housing for those in the lowest income brackets, with noticeable numbers of renters earning as much as 80% of the AMI paying an amount that the experts have deemed to be "too much" of their income in rent.

Comparing supply and demand of affordable housing, the IHS report found a shortfall of about 182,000 affordable units countywide. This means that just over a third (36.5%) of county residents who need low income housing will not be able to find it. However, suburban Cook County has gone in a very different direction from the city in regards to the supply gap. For some reason demand for affordable housing in the suburbs dropped off drastically between 2015 and 2016, while increasing severely in the city. Does this mean that low income Chicago renters should be looking to move to Cicero or Skokie? Doubtful. Remember that the actual rental stock in the suburbs is far lower than the city across the board. Extremely low income renters who use subsidies may also experience difficulty in porting their vouchers to suburban housing authorities. There is also the trouble of commuting to work from the suburbs when you are earning less than 30% of the AMI.

The IHS has, I feel, overlooked a critical piece of data that is provided in the ACS: household size, and more specifically the number of renters who are living with strangers as opposed to family. When I first started doing leasing in 2005 the number of renters who lived with unrelated roommates was quite high. Over the years that I remained in the industry I saw these groupings dwindle, getting replaced by youngsters who preferred to live alone or with significant others. I would be interested to see what effect this current of isolationist living has had on general

affordability and availability of housing. While the section of the report focusing on two-flats that have been combined into single family homes provides some insight into this trend, I think the overall effects may be substantial and ignored. IHS did release a more in-depth report about two-flats in 2012, its focus was mostly financial and its release date preceded the now epidemic problem of buyers converting and thereby removing two-flats from the rental market forever.

I also feel that they have not looked at where people have moved to. Do they stay in the neighborhood? Do they move to the suburbs? Do they move inwards or outwards? This is data that the ACS also provides but IHS has chosen not to assess. The National Association of Realtors does provide this data on a nationwide level in their annual reports but they focus on buyers only and do not provide local data. The IHS's omission of this sociological information is understandable given their origins as a business and finance group but still, it would be interesting and possibly important to know where people are going.

How Will/Should Chicago Respond to the Data?

If I were a Chicago official looking at the IHS data I would draw the same conclusion as I mentioned in last week's article. The affordable housing incentives that are currently being piloted in the Near West Side and Logan Square need to be expanded to include the southeast side as soon as possible. The southeast side may not have the same problems with gentrification – quite the opposite, in fact. While the **Community Investment Corporation (<http://www.cicchicago.com/>)** and similar groups have done their best to create their own legion of home grown landlords and investors in this area, it remains largely a domain of property flippers and severe poverty.

I would also crunch these numbers against city-specific income and mobility data to look at where people are going, who they are going with, and how city-specific employment and income affect this countywide information.

A city-wide moratorium on permits for two-flat conversions would be great. Not likely, but great.

Modern development has focused on smaller units in large structures. Part of the appeal of the endangered two-flat is that most of the units within them were two and three bedrooms, good for smaller families or roommates. I have often mentioned how scarce larger units have become in Chicago. Three bedroom units are tough to find, and 4+ bedroom apartments are almost non-existent. Property managers are somewhat averse to larger units as it's tougher to track the comings and goings of all the residents. Financial underwriters who must invoke the "best possible land use" criteria will recommend that 4+ bedroom housing should be sold, not rented. But privacy is the biggest luxury when it comes to rental housing. If we're facing a massive shortage of affordable housing the best thing possible would be to encourage residents to room together and share the load. Larger units tend to turnover less frequently too, and turnover costs make up most of the overhead of long term property stewardship.

It brings us back again to the issue of **individualist and collectivist cultures (<https://rentconfident.com/blog/2026/the-growing-cultural-disconnect-in-apartment-architecture>)**, and the divide between the two that still exists in the US as "class warfare" and xenophobia. Encouraging people to live with roommates or family well into adulthood runs against the modern American zeitgeist of independent living. Our shift to living alone or in smaller groups can be seen in the TV sitcoms of prior decades when compared with today. The shows of the 70s and 80s showed family groups and roommates renting together. Think "Three's Company," "Laverne and Shirley," or "Good Times." Moving into the 90's it became more and more subdivided. By the 90s, the six main characters on "Friends" lived in four separate apartments. Now the characters of "Big Bang Theory" live mostly separately, and for the ones who live with family that situation is a plot point to be pitied.

How can Chicago make roommates seem "cool?" The city made an effort to encourage reading with "One Book, One Chicago." Maybe a similar campaign can occur for living with strangers. Or maybe our many artists and writers out there can take steps to bring back the "wacky strangers living together" trope as nostalgic comedy for the hipster crowd. TV shows that portray the reality of Chicago renters living in small, old buildings outside of downtown (as opposed to big high rises in South Loop) would be beneficial. Options exist.

Looking in other directions, there may be improvements on the affordable housing front if there is a change in the standard commission of one month's rent paid to leasing agencies. This accepted norm of the rental industry incentivizes agents to break roommate groups into smaller chunks to maximize their closed transactions and their income. A four bedroom apartment does not usually rent for twice the cost of a two bedroom. An agent stands to make far more in less time by renting a couple of easy to locate 2 beds than they will from locating a single 4 bed. For the first five years of my agency career I was paid a flat rate for every rental regardless of size. This meant I didn't have to prioritize any clients based on household size or income bracket. It's something I would love to see the Chicago rental industry adopt.

In last week's article I cast some doubt on Matthew Desmond's hypothesis that a shortage of affordable housing nationwide is the main cause of rampant evictions, although I did say that the idea has some validity. I could be persuaded to agree with him after more in-depth study. However, looking at the Cook County data there is no doubt that we are lacking in housing for those in the lowest income brackets, and this is something that needs to change.

No matter what happens with employment and incomes there will always be a group earning 0-30% of the AMI. That's how averages work. If our lower income residents should move to an area of the country with a lower cost of living as some suggest, they will still not necessarily see improved job or housing prospects there as they will still be the same people with the same skills, personalities and intellects. It will merely shift

the problem to somewhere else without solving the overarching problem of US affordable housing shortages. Besides, if today's 0-30% group moves elsewhere, then today's 30-50% group will *become* the 0-30% group. Someone is always at the bottom of the curve.





Finally, we need to stop treating the shortage of affordable housing as a problem for developers and officials. There is a direct correlation between sparse affordable housing and homelessness, and once someone tips over the edge from rent burdened to homeless it's very tough to get them back up on solid ground. Those who attend town meetings to complain about low income housing developments in their back yards cannot turn around and complain to the police about high numbers of homeless people in those yards. Prospective buyers of two-flats who might preserve them need to be encouraged to do so, possibly through actively promoting the differences between strictly-monitored CRLTO housing and owner-occupied small buildings. Developers who are adhering to city-sponsored affordable housing programs should be supported in their efforts.

But as is typical for me, what started as a response to a data dump has become a diatribe. Enough from me. Let me know your thoughts on the data, both from IHS and EvictionLab. What do you take away from it? Has it changed your thoughts on the rental market at all? For those of you outside of Chicago, if a group provided similar information on your city what would you want to see? Talk back in the comments and I'll see you next week!

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RentConfident is a Chicago startup that provides renters with the in-depth information they need to choose safe apartments. Help us reach more renters! Like, Share and Retweet us!


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