



Market Context and NOAH Rental Supply

Presented by the Institute for Housing Studies

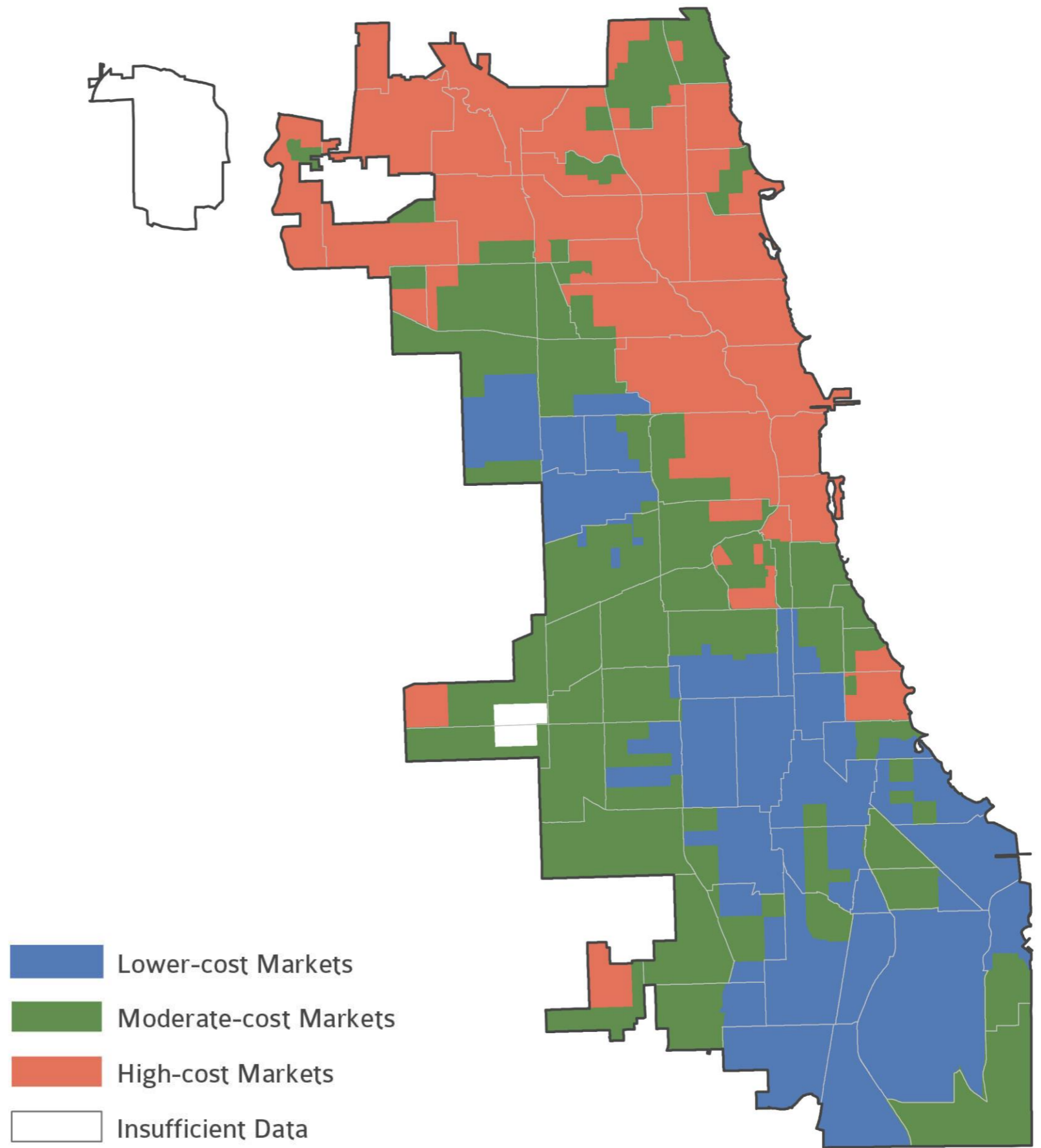
Framing NOAH by Market Context

- Lower-cost rental housing is being lost in neighborhoods across Chicago
- Between 2012 and 2019, Chicago lost nearly 10 percent of its affordable rental stock
- Over same period, Chicago's overall rental supply increased by over 4 percent
- Why is affordable stock lost?
 - Rising rents
 - Demolition and/or conversion to other use (non-rental housing)
 - Vacancy, deterioration, and demolition
- Presentation will review indicators related to possible pressure on NOAH stock by market context

Rental housing challenges vary by neighborhood market type

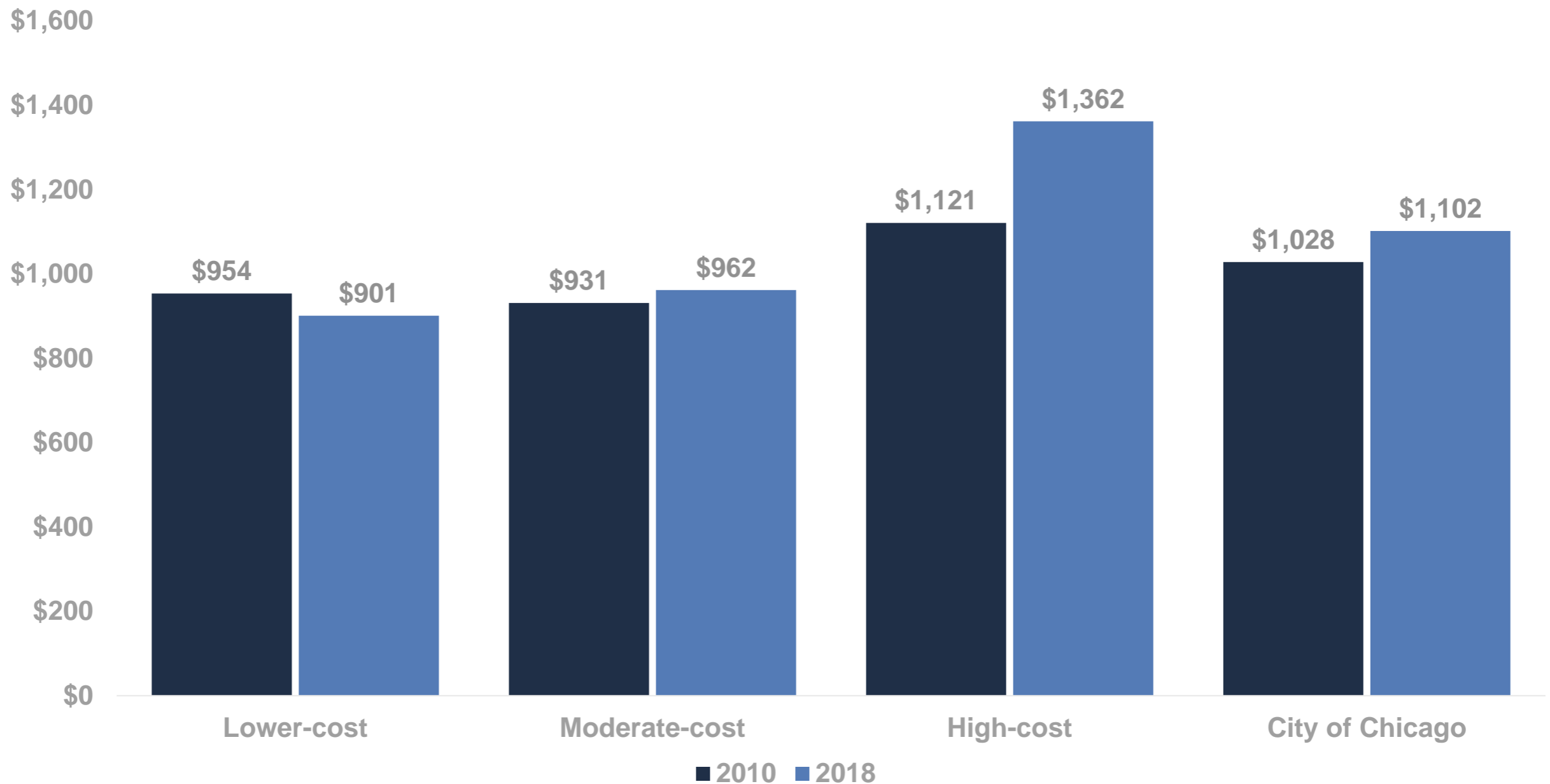


SOURCE: IHS DATA CLEARINGHOUSE



Rents rise fastest in high-cost areas, flat elsewhere

Mean of Median Gross Rent in the City of Chicago by Neighborhood Market Type, 2010* and 2018

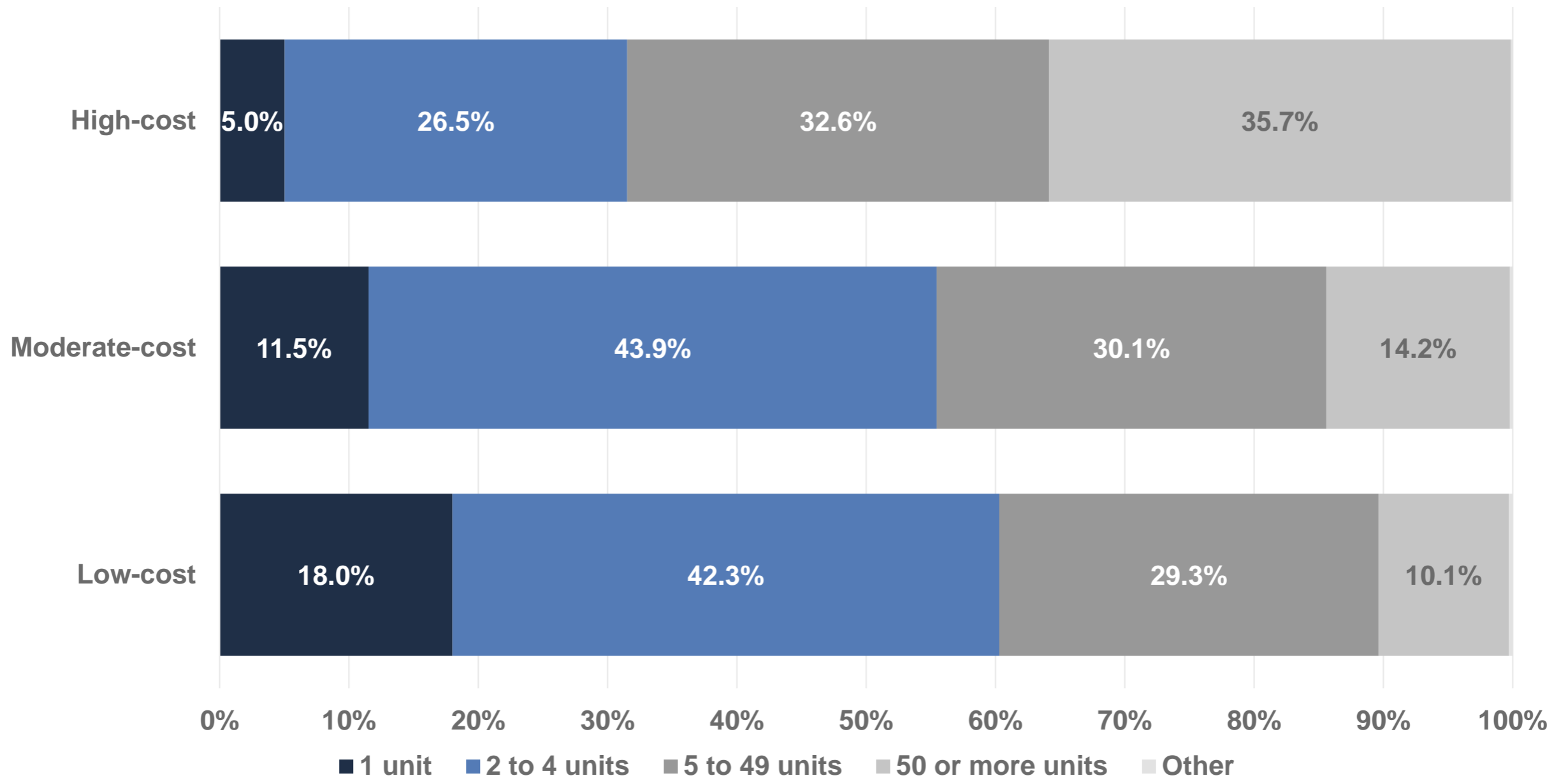


SOURCE: 2010 ACS 5-YEAR ESTIMATES & 2018 ACS 5-YEAR ESTIMATES, IHS DATA CLEARINGHOUSE

*2010 GROSS RENTS ARE ADJUSTED FOR INFLATION AND EXPRESSED IN 2018 DOLLARS

Rental housing supply varies by market type

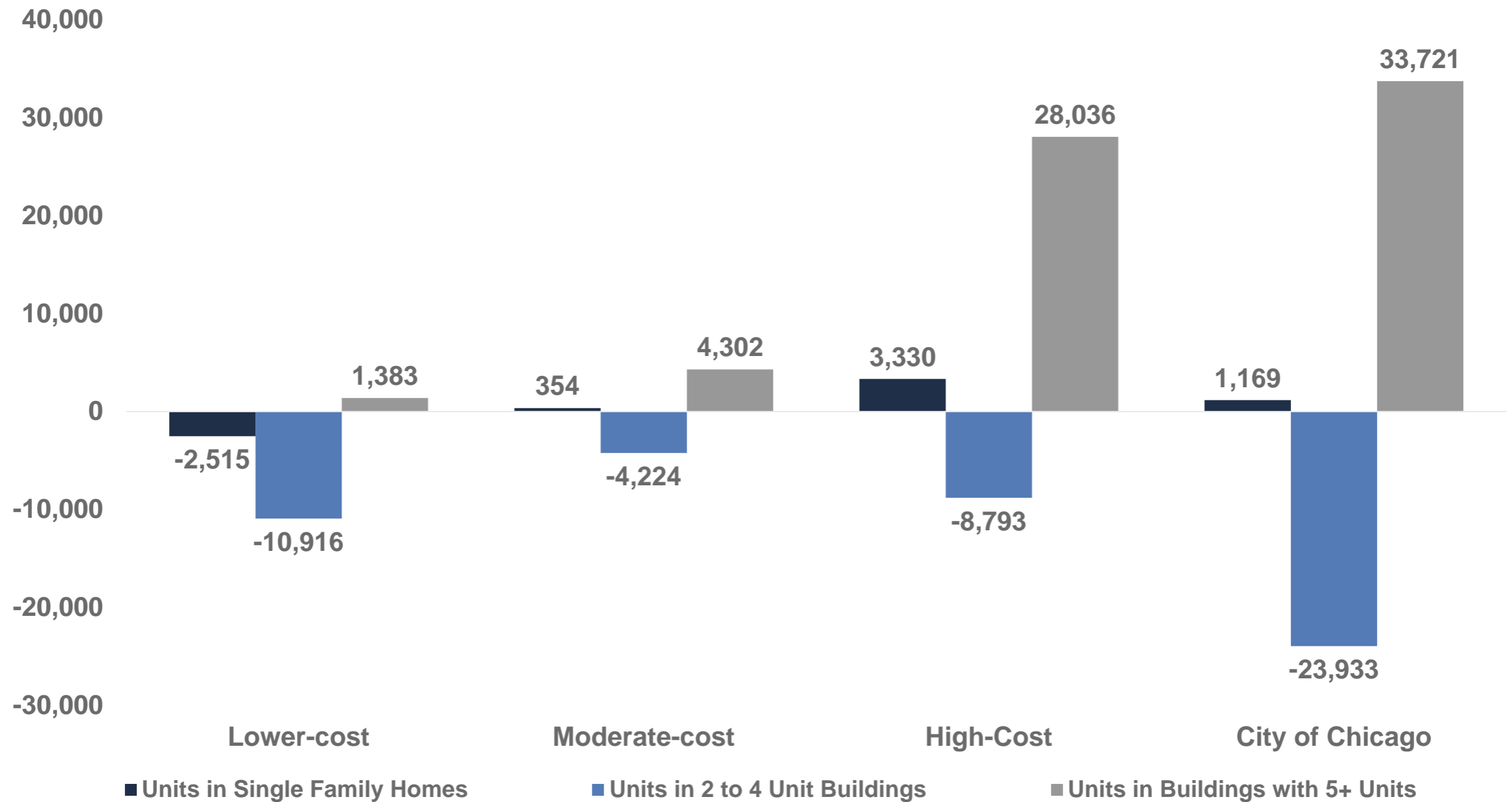
Composition of Rental Stock by Housing Market Type, 2018



SOURCE: U.S. CENSUS BUREAU, 2018 ACS 5-YEAR ESTIMATES, B25032

Changes to housing supply by property type

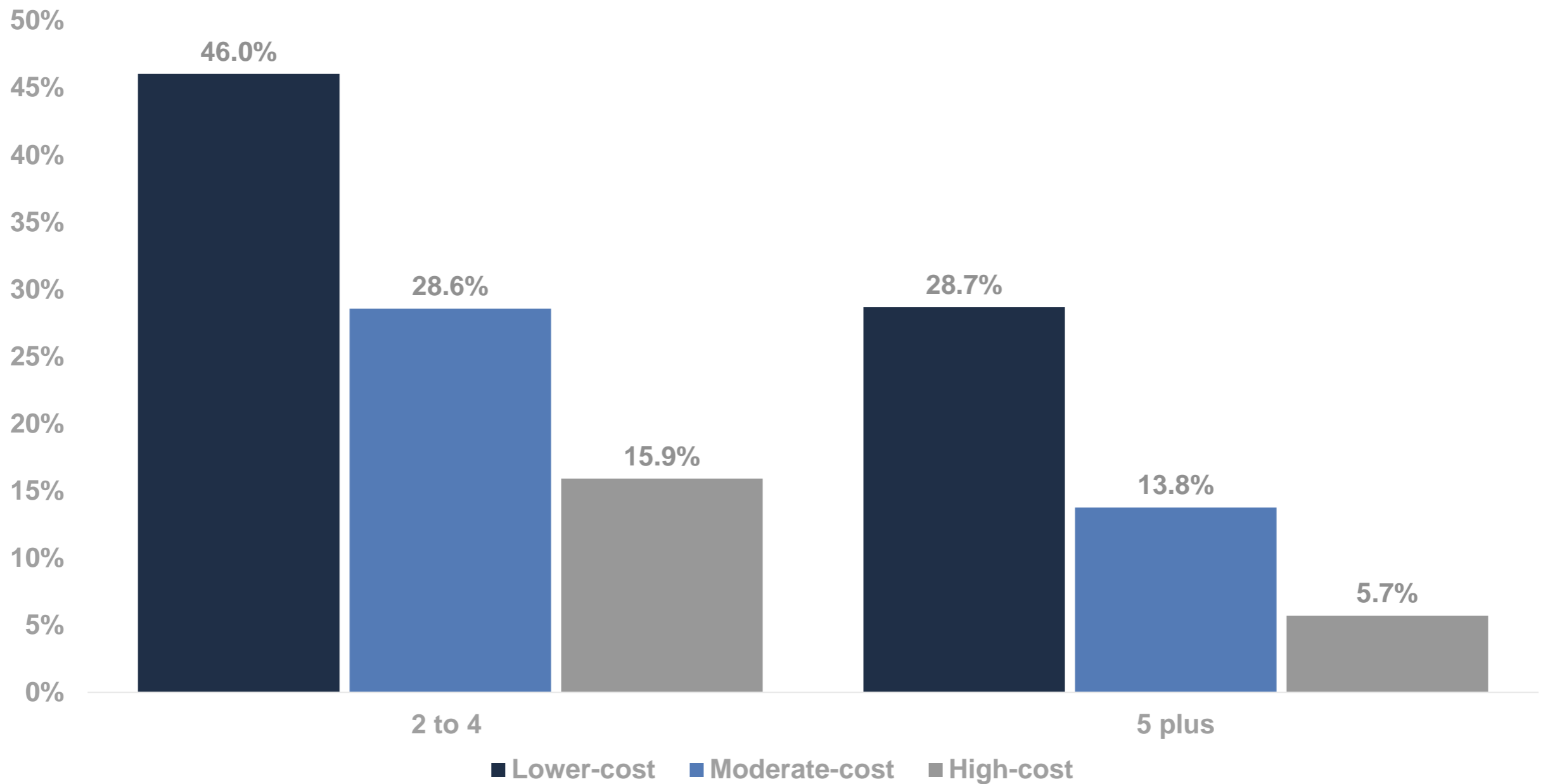
Net Change in Total Housing Units by Building Size in the City of Chicago by Neighborhood Market Type, 2010 to 2018



SOURCE: 2010 ACS 5-YEAR ESTIMATES & 2018 ACS 5-YEAR ESTIMATES, IHS DATA CLEARINGHOUSE

Foreclosure activity indicator of market challenges

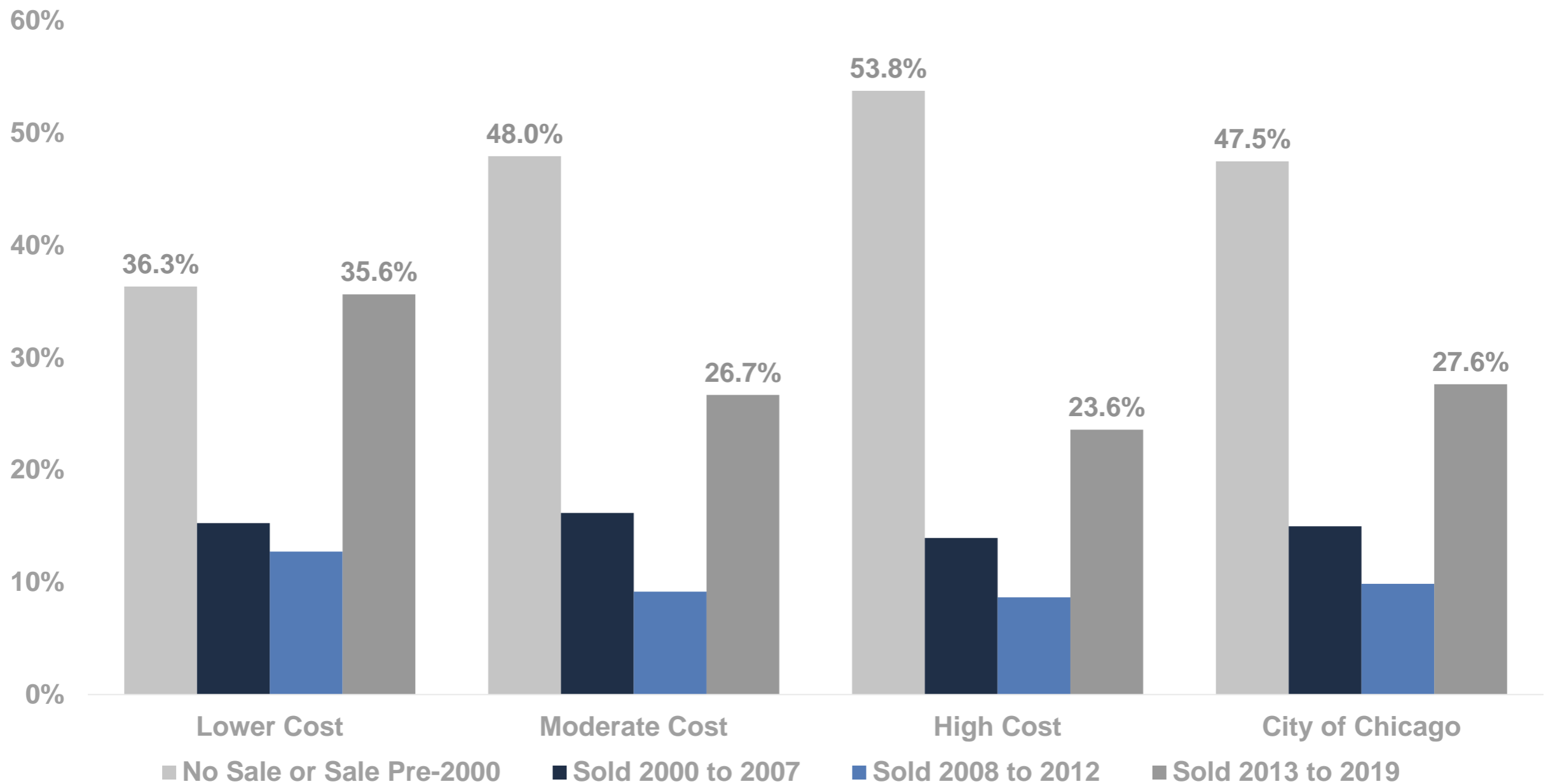
Share of 2 to 4 and 5+ Parcels with at Least One Foreclosure Filing by Neighborhood Market Type, 2005-2019



SOURCE: IHS DATA CLEARINGHOUSE

Understanding implications of turnover

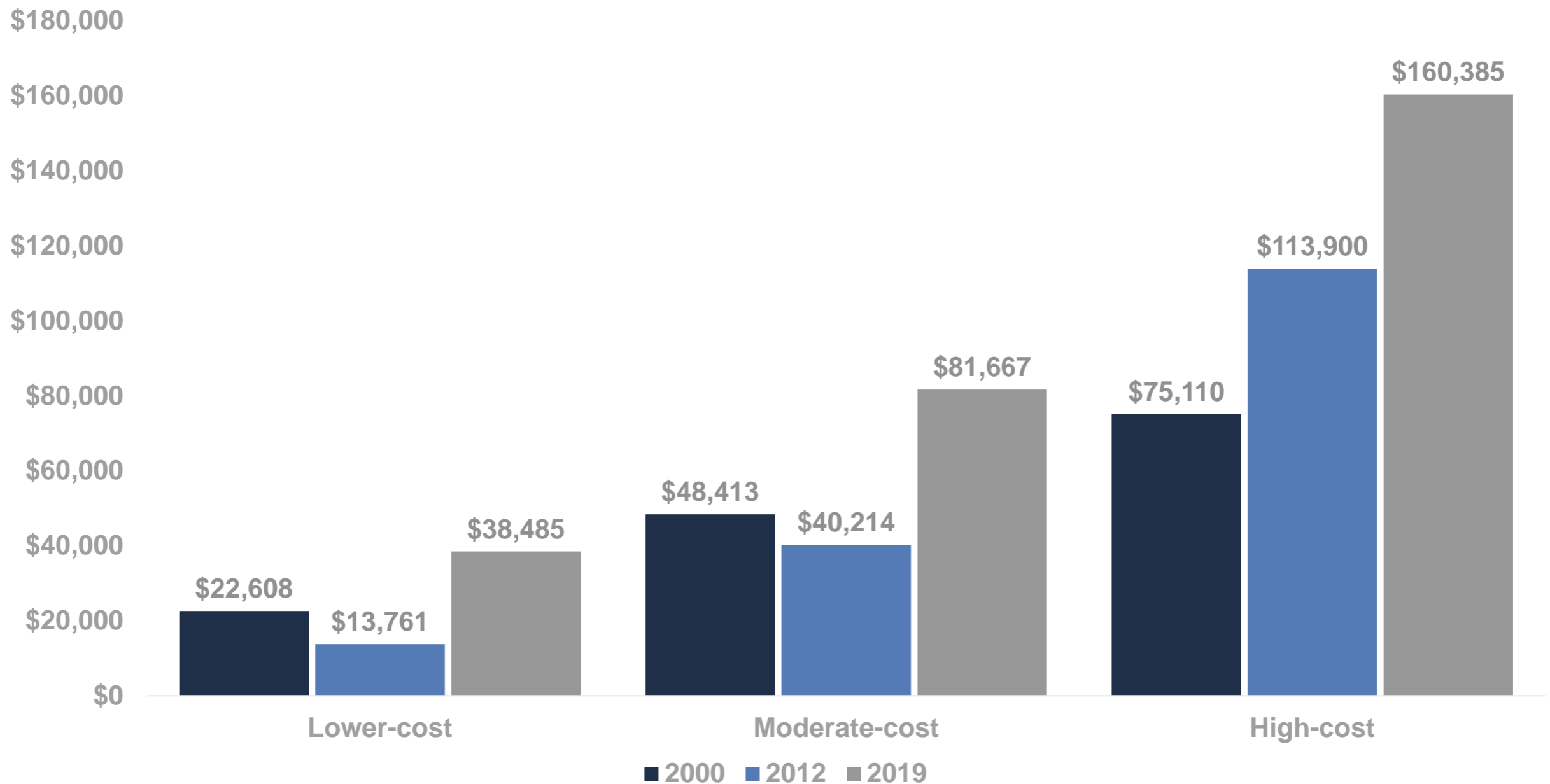
Distribution of Multifamily Properties (5+ Units) by Date of Most Recent Sale as of 2019 by Neighborhood Market Type



SOURCE: IHS DATA CLEARINGHOUSE

Understanding implications of turnover on affordability

Median Sales Price per Unit for Multifamily (5+) Properties by Neighborhood Market Type, 2000*, 2012*, and 2019



SOURCE: IHS DATA CLEARINGHOUSE

*2000 AND 2012 MEDIAN SALES PRICES ARE ADJUSTED FOR INFLATION AND EXPRESSED IN 2019 DOLLARS

Market context and pressures on the NOAH stock

• High-cost

- Higher share of long-term owners
 - No indication of affordability for units in these properties
 - However, NOAH most likely found in this segment
- Recent sales activity and sales prices may be indicator of affordability pressures
 - Prices based on current rent levels and/or expectation of future rents

• Moderate-cost

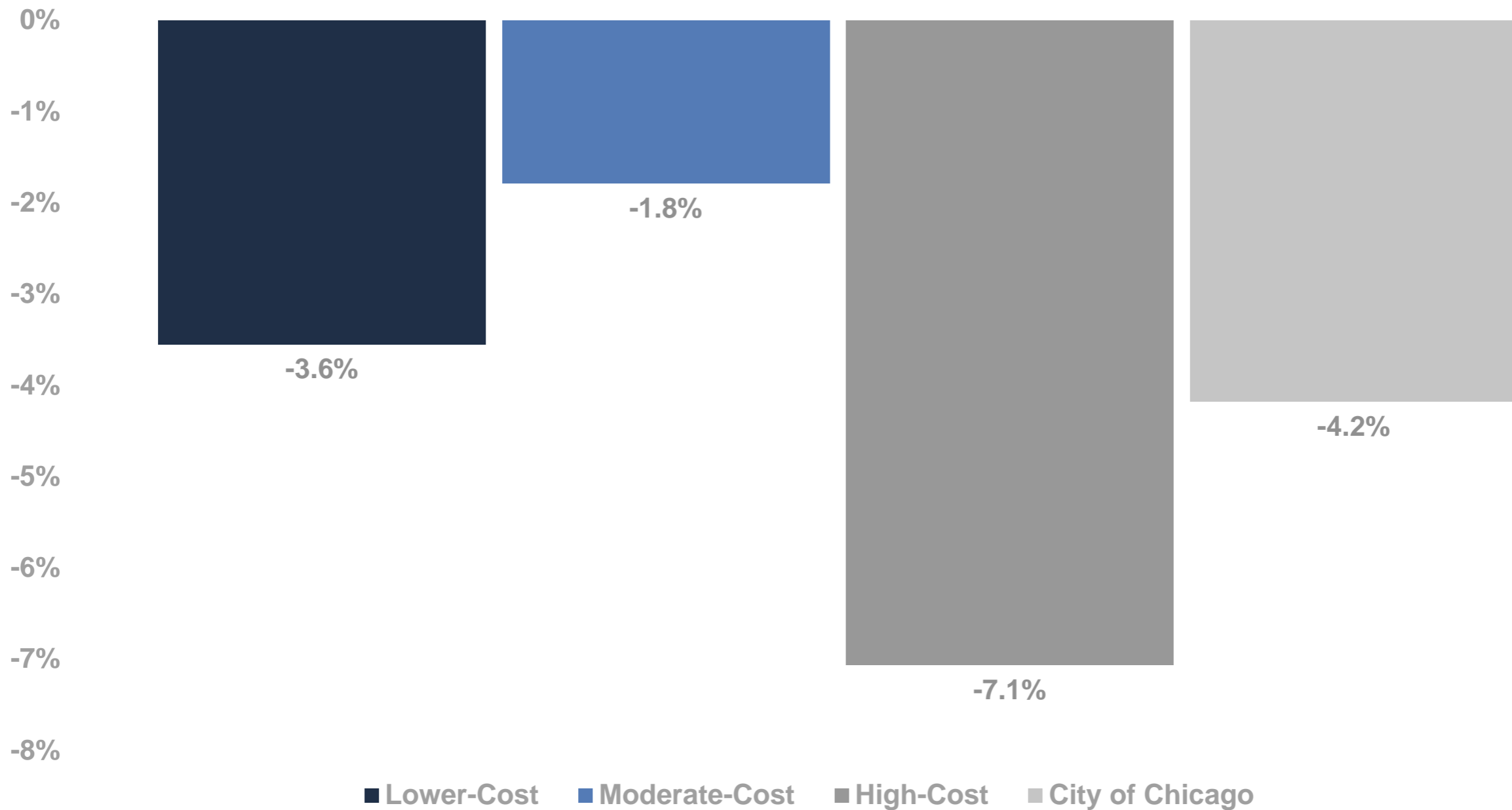
- Stock seems generally stable and affordable
- Current price per unit indicator of affordability risk?

• Lower-cost

- Lower share of long-term owners, higher level of turnover
- In part, connected to foreclosure activity, lower rents, other economic conditions
- Recent sales prices indicate affordability, but potential need for additional investment

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

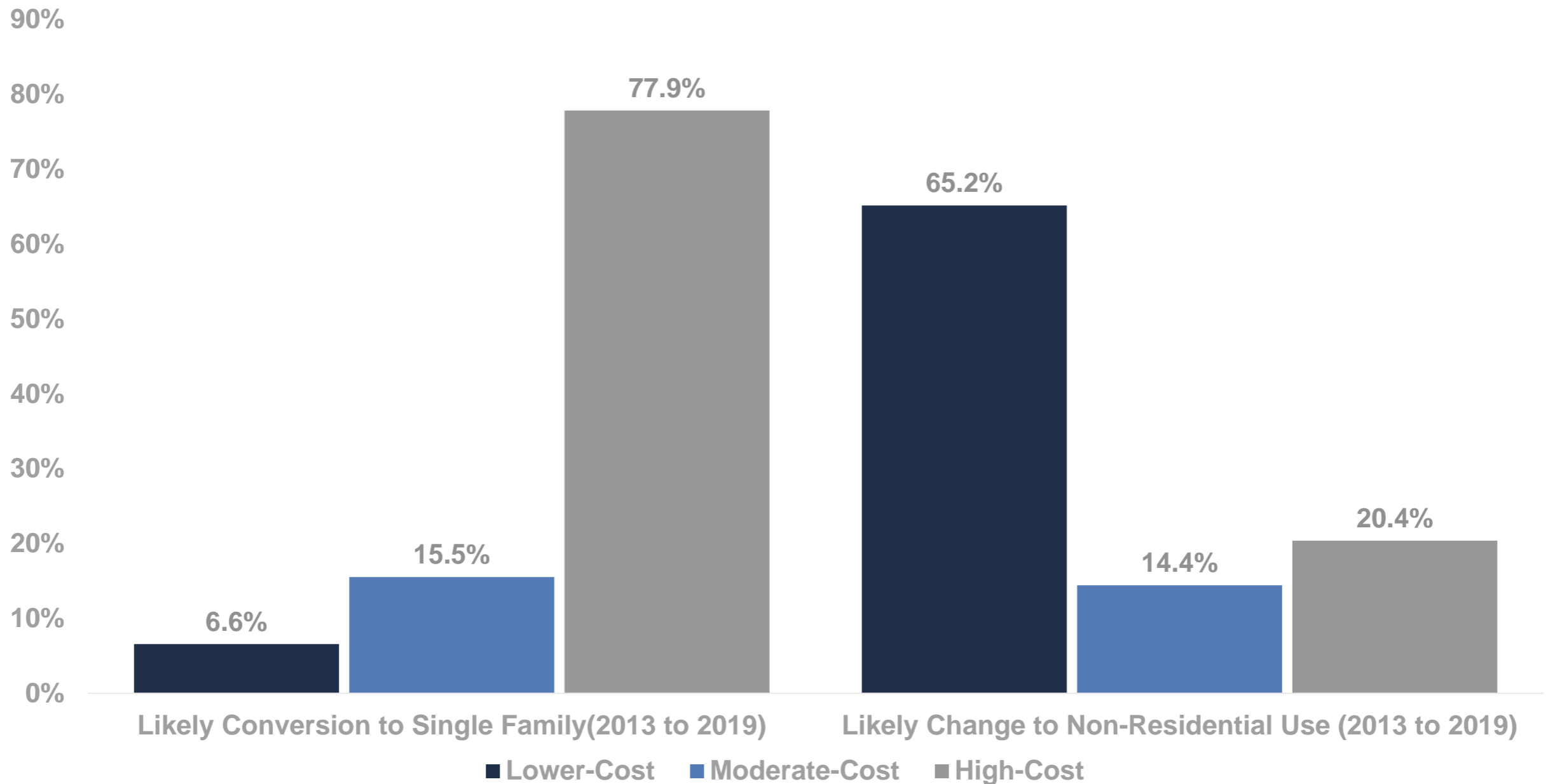
Change in 2013 Stock of 2 to 4 Unit Parcels by Neighborhood Market Type, 2013 to 2019



SOURCE: IHS DATA CLEARINGHOUSE

Market context is important to understanding lost 2-flats

Distribution of 2 to 4 Unit Parcels (2019) and Parcels that Changed Minor Class, 2013 to 2019



SOURCE: IHS DATA CLEARINGHOUSE

Challenges facing the 2 to 4 unit building stock

- Higher-cost markets

- Increasing demand for single family homes and limited supply
 - Pressure to convert 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

- Moderate-cost markets

- 2 to 4 unit properties are largely unsubsidized and vulnerable to rising rents driven by increased rental demand

- Lower-cost markets

- High levels of foreclosure distress, vacancy, and abandonment means many 2 to 4 unit properties lost to or threatened by deterioration and demolition



April 13, 2021

Market Context and NOAH Rental Supply



Contact: gsmith33@depaul.edu