



Key Findings from the Regional Rental Market Analysis

A Closer Look at the Jobs-Housing Mismatch

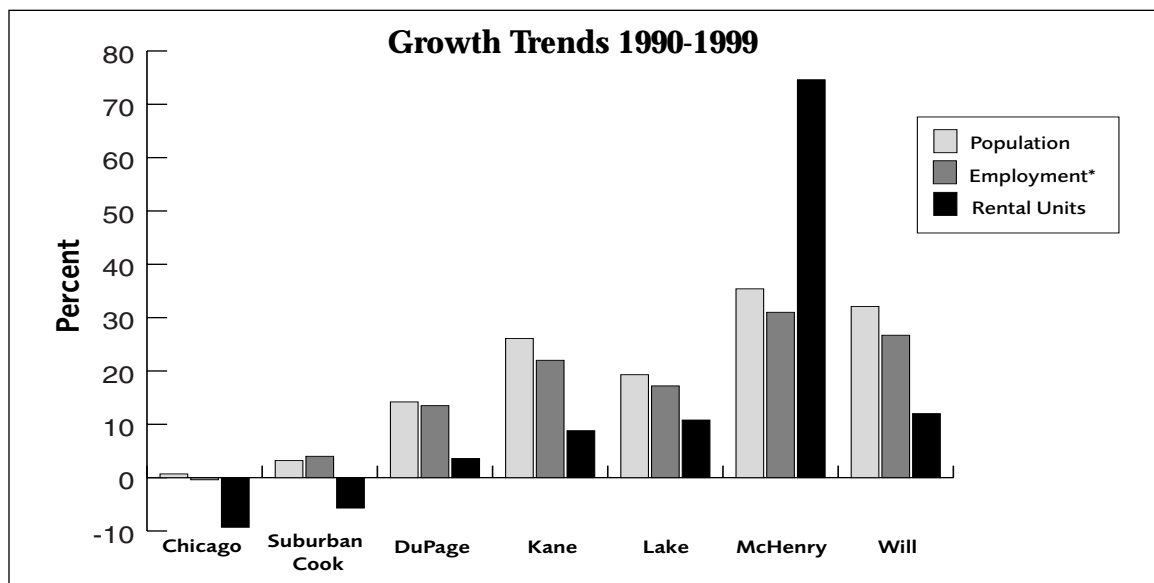
INTRODUCTION

Quality rental housing is a crucial part of a healthy housing market and is fundamental to the stability of families and neighborhoods throughout the region. Renters are a diverse group, from young adults starting out on their own to working families with children to households with special needs to senior citizens looking to simplify their lifestyles. A range of rental options is needed for the growing workforce in the region, whether hourly service employees or highly specialized professionals.

In November, 1999, the Metropolitan Planning Council published *For Rent: Housing Options in the Chicago Region*, prepared by the University of Illinois at Chicago, the Urban Institute, and Applied Real Estate Analysis, Inc., which summarizes seven technical reports and provides new information about the rental housing market in the six-county region, including demographic data, rent levels and vacancy rates, and qualitative information from focus groups and interviews. *For Rent* provides the baseline information necessary to craft innovative policies, programs, and investment strategies for the region's rental housing market. This is one of a series of briefing papers presenting highlights from the Regional Rental Market Analysis focused on particular geographic areas and subjects of interest.

BACKGROUND

The Chicago region has experienced unprecedented development and expansion in the last thirty years. This has included significant growth in the real estate market and a strong trend toward job suburbanization. In the 1990s, the metropolitan area saw almost 8% population and 7% employment growth, an active for-sale housing market, but little new construction of rental housing. Specifically, while the collar counties saw rapid growth, the region's rental housing stock continued to be concentrated in Chicago and suburban Cook County. These trends have led to an increasing spatial mismatch between where workers live and where jobs exist.



*Employment data refers to change from 1990-1998.

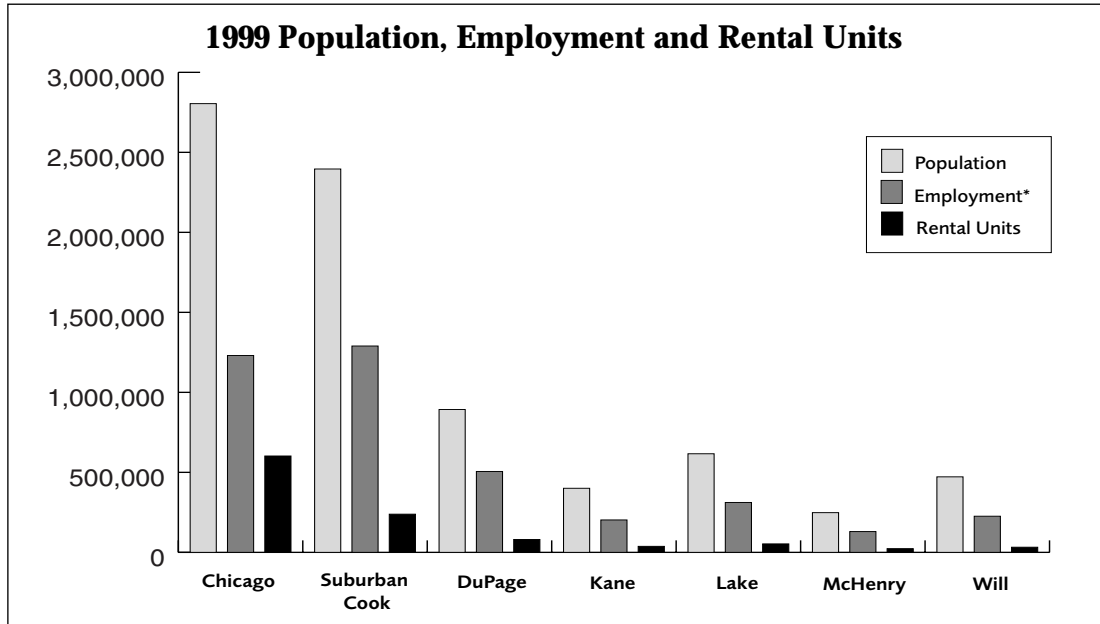
POPULATION GROWTH

The region has grown in population four times faster in the 1990s than in the previous two decades combined, increasing its population by nearly 8% between 1990 and 1998. This growth has primarily occurred outside of Cook County. McHenry County, with less than 5% of the region's population, has experienced the greatest relative increase since 1990 (31.5%), followed by Will (28.5%), Kane (23.2%), Lake (17.2%), and DuPage (12.6%) counties. Reversing trends in the prior two decades, Cook County's population increased in the 1990s.

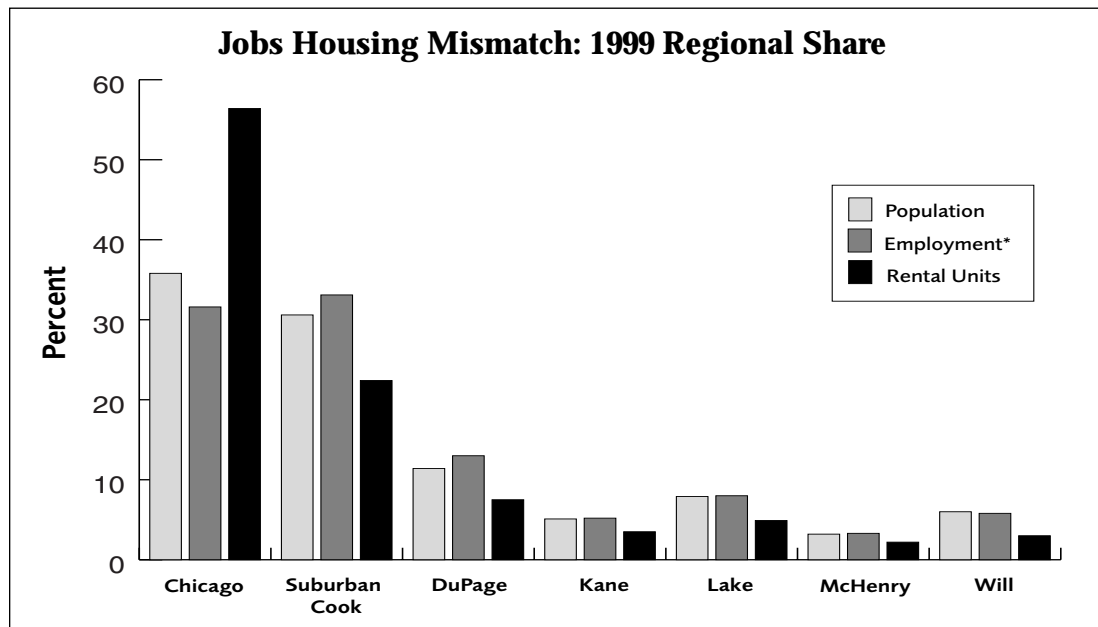
EMPLOYMENT GROWTH

Accompanying the population increase, the Chicago region gained more than 200,000 jobs, an increase of more than 7% between 1990 and 1998. More than 787,332 jobs were added between 1975 and 1995, with 40% of this job growth in DuPage County alone. During this time, there also were shifts in the types of employment - manufacturing decreased overall and continued to move out of Chicago to the collar counties.

During the 1990s, all counties have seen an increase in jobs created and in employment rates, with the largest relative growth in the collar counties. The greatest relative increase in the number of new jobs occurred in McHenry, Will, and Kane Counties.



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A comparison of the number of jobs to rental units in each location indicates a potential shortage of housing in a selected area, such as a county. The regional average is 1.49 entry-level jobs per rental unit. Only Chicago is below this average with McHenry County slightly above at 1.52. In contrast, suburban Cook and Will County have rates of approximately 2.6 entry-level jobs to every rental unit. DuPage, Kane, and Lake Counties have rates between 1.6 and 1.9.

THE HOUSING MARKET

For families earning less than \$20,000 per year, there is a deficit of 153,000 rental units regionwide within their affordability range. The U.S. Department of Housing and Urban Development (HUD) considers housing affordable when a family spends no more than 30% of their monthly income on rent and utilities.

Entry-level wage earners with annual incomes of up to \$30,000 spending no more than 30% of their income on rent can afford to pay up to \$750 for rent. In the high job-growth areas, such rents are not readily available. The average apartment in DuPage County costs \$842, the average unit in Lake County rents for \$774, the average unit on the north side of Chicago costs \$826, and the average cost in north suburban Cook is \$863. The average rent for a three-bedroom apartment in suburban Cook or any of the collar counties costs at least \$806.

Unit Size:	Average of All Sizes	Studio	One Bedroom	Two Bedrooms	3 or More Bedrooms
Chicago	\$708	\$529	\$715	\$736	\$750
North Side	\$826	\$538	\$821	\$993	\$969
West Side	\$618	\$499	\$625	\$622	\$639
South Side	\$619	\$511	\$558	\$609	\$690
Suburban Cook	\$738	\$499	\$634	\$765	\$934
North Cook	\$863	\$642	\$736	\$883	\$1,102
West Cook	\$628	\$443	\$557	\$664	\$820
South Cook	\$639	\$430	\$530	\$641	\$806
Collar Counties	\$748	\$493	\$632	\$747	\$975
DuPage	\$842	N/A*	\$736	\$859	\$1,069
Kane	\$634	\$440	\$537	\$669	\$820
Lake	\$774	N/A*	\$628	\$735	\$1,032
McHenry	\$669	N/A*	\$573	\$658	\$883
Will	\$660	N/A*	\$473	\$640	\$884
Total Region	\$723	\$523	\$678	\$746	\$824

* Data is not available due to the small number of respondents.

There are between 264,000 and 395,000 workers in entry-level jobs that pay up to \$30,000. While most job openings are in suburban locations, both in Cook and in surrounding counties, many people seeking these jobs live in Chicago, producing one-way travel times of 90 minutes or more. Recent surveys of employees working in suburban locations suggest that many workers are interested in moving closer to work if affordable housing options were available.

Estimated travel times in minutes to selected job corridors, 1998

Origination:	AUSTIN		W. ENGLEWOOD		ROSELAND		GRAND BLVD	
Destination:	auto	transit	auto	transit	auto	transit	auto	transit
Schaumburg	55.8	91.1	87.2	126.4	122.9	141.7	86.8	132.2
O'Hare	47.0	90.5	82.3	106.3	118.0	141.9	81.9	116.7
Oak Lawn	49.3	58.8	26.7	37.0	24.4	30.1	34.8	44.9
1-88	45.2	480.0	65.5	480.0	97.7	480.0	64.6	480.0
Oak Brook	37.3	91.3	65.4	104.8	90.0	104.9	64.6	109.3
Buffalo Grove	75.4	153.4	108.0	156.6	140.9	171.9	99.3	162.3

This burden is compounded for households transitioning from welfare to work. Four out of five TANF (Temporary Assistance to Needy Families) recipients, or 67,000 families, do not benefit from housing subsidies and are vulnerable to increasing rent burdens.

All renters are burdened by recent trends in rent increases and inflation. In every part of the region, average rent increases outpaced inflation from 1998 to 1999.

Rent Increases 1998-1999

HOMEOWNERSHIP MARKET

The economic boom has led to an increase in homeownership rates nationwide and in the Midwest, with the Midwest homeownership rate growing from 67.1% in 1990 to 72.1% in 1999. However, not all families are able to transition to homeownership. Approximately 50% of renter households earn less than \$32,000 per year. In contrast, 12.2% of homeowners earn less than \$32,000. A variety of housing options within close proximity to the region's jobs is crucial to the competitiveness of the region.

A brief review of housing costs compared to earnings indicates the gap between the for-sale market and what workers can afford. The "attainable" housing price for a two-income household earning close to area median income (\$63,800 for a family of four) would cost no more than \$129,750 based on paying 30% of gross income for a 30 year mortgage with five percent down plus insurance. When these estimated housing costs were compared to average sale prices for homes in several selected suburbs in 1998, an earnings-cost mismatch was found in all communities for single-family homes and in several even for townhouses. (See MPC's Housing for a Competitive Workforce: Homeownership Models that Work for more detail.)

RENTAL MARKET

The following table details the number of renter households within different income brackets and indicates the amount that a family can afford to spend on rent. Applying HUD's definition of affordability, 37.5% of the region's renter households pay more than they should for rent. That represents between 357,000 and 410,000 households. Of those, as many as 148,500 households spend more than 50% of their income on rent.

INCOME LEVEL	RENTER HOUSEHOLDS		APPROPRIATE RENT
	#	%	
0 to 30% of AMI (up to \$20,000)	308,200	30.1%	Up to \$500
30 to 50% of AMI (\$20,00 to \$30,000)	199,700	19.5%	\$500 to \$795
50 to 80% of AMI (\$30,000 to \$45,000)	248,800	24.3%	\$795 to \$1,200
80 % to 120% of AMI (\$45,000 to \$75,000)	152,600	14.9%	\$1,200 to \$1,900
120% or more of AMI (\$75,000 and above)	114,700	11.2%	More than \$1,900
TOTAL	1,024,000	100.0%	

AMI refers to Area Median household Income, which is currently \$63,800 for a family of four in the region. Appropriate rent calculation assumes household pays approximately 30% of income toward rent. The ranges are calculated based on a family of four.

Distribution of rental units by rent levels affordable to different income levels, 1999

Household Income: Affordable Rent:	Up to 30% of AMI (up to \$500)	30% to 50% of AMI (\$500 to \$795)	50% to 80% of AMI (\$795 to \$1,200)	80% or More of AMI (\$1,200 or above)	Total Units
Chicago	75% 94,200	57% 301,200	43% 152,500	88% 29,300	56% 577,200
Suburban Cook	12% 14,600	23% 123,500	24% 85,400	1% 300	22% 223,800
Collar Counties	14% 17,000	19% 101,300	32% 113,100	11% 3,600	23% 235,000
Total Region	125,800	526,000	351,000	33,200	1,036,000

These estimates do not include public housing units. Percentages are based on total in each income/rent range category, showing geographic distribution of units.

Chicago has the largest number and proportion of non-public housing units that are affordable to households with incomes up to \$20,000. This translates into rents that do not exceed \$500. Regionwide, half of the rental housing stock is in the rent range affordable to persons earning between about \$20,000 and \$30,000. Rents for these units are between \$500 and \$795. Another third of the stock is in the rent range of between \$30,000 and \$45,000, with rents up to \$1,200. Proportionately, these units are distributed fairly evenly throughout the region. Finally, there is a relatively small number and percentage of higher end units, with most located in Chicago.

CONCLUSION

While economic theory presumes that strong demand will generate additional supply of rental units, other factors particular to this region have limited this market response. In fact, compared to other Midwestern metropolitan areas, the Chicago region is underproducing rental units. Since 1990, the region has lost more than 50,000 rental units while the population has grown by over 500,000 people.

A number of recommendations to increase rental supply were made by key informants interviewed as part of the Regional Rental Market Analysis. These recommendations included conducting outreach and education to public officials and to citizens about the need for housing options; expanding housing trust funds that underwrite development costs and tenant rents; lowering the tax assessment level of rental housing in Cook County; expanding "exception" rent levels to allow families using Housing Choice Vouchers to live in higher-cost, job rich communities; and creating project-based subsidies from a portion of the region's tenant-based housing vouchers.

Numerous initiatives are already underway. The MetroLinks for Jobs and Housing welfare-to-work program offers 1,025 participants housing counseling and supportive services. The City of Chicago, in conjunction with the Metropolitan Tenants Organization and the Chicagoland Apartment Association, has initiated a RentsRight program to educate both renters and owners/managers about their respective rights and responsibilities. Cook County Assessor Houlihan has proposed reducing the tax assessment on large multifamily properties to stimulate production of rental housing.

FOR MORE INFORMATION

Or to request a presentation, contact Housing Director Robin Snyderman (rsnyderman@metroplanning.org) or Housing Associate Samantha DeKoven (sdekoven@metroplanning.org) at (312) 922-5616. *For Rent: Housing Options in the Chicago Region*, briefing papers for all submarkets and particular subjects, and the seven technical reports will be available on the Metropolitan Planning Council's web site at www.metroplanning.org.