Foreclosure Crisis Impacts Chicago's Rental Housing Market

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Introduction

The foreclosure crisis in the City of Chicago impacts not only the market for single family homes, but also the market for affordable rental housing. In Cook County, declining access to affordable rental housing has a been a critical concern for a number of years. In 2005, 42 percent of the rental housing stock in Cook County was considered to be affordable. This was a sharp reduction from previous years. Between 1990 and 2005, Cook County's supply of affordable rental housing decreased by an average of 9,000 units each year. This decline was due to factors such as condominium conversions, demolition, or previously affordable units increasing rents to market rate. Although the demand for affordable rental housing in Cook County has also declined in recent years, this decline has not been as sharp as the decrease in supply. In 2000 it was estimated that the demand for affordable rental housing in Cook County exceeded the supply by roughly 34,000 units. By 2005, this imbalance had increased to 114,000 units.[1] In addition to these trends, rising levels of foreclosures are adding stress to the already strained affordable rental housing market.

A report by Harvard's Joint Center for Housing Studies showed that nationally the recent rise in mortgage foreclosures has altered the supply and demand dynamics in the rental market. Foreclosures have forced many families to leave owner-occupied housing for rental housing to fill a temporary or a long term need for shelter. This increased demand for affordable rental housing has not been met by an increase in supply, and, in fact, a significant portion of the rental housing stock is also threatened by foreclosure. Data from the Mortgage Bankers Association shows that 20 percent of national foreclosure actions in 2007 were associated with small, multi-unit properties. These properties make up a substantial share of the rental market in many urban areas. Foreclosures on these types of properties impact the rental market not only by reducing the number of rental units, but also by forcing tenants of those buildings back into the market for rental housing. In most markets, the foreclosure process is lengthy and can prevent these properties from returning to the rental housing inventory for years.[2]

The Small Multifamily Housing Stock in Chicago

The housing stock in the City of Chicago is made up of a diverse set of buildings. In mortgage lending terms, a "single family" building is considered a site built structure with one-to-four housing units or a condominium. For the Cook County Assessor, the category of residential, or "single family," properties is made up of a number of different types of structures. The majority of these structures are single unit buildings such as stand-alone, one- or two-story houses; town homes; and row houses. However, the same property class also includes condominiums and 2- to 6-unit buildings.

Small multifamily buildings make up a large share of the overall rental housing stock in the City of Chicago and Cook County. A recent study of rental housing in Cook County found that 34 percent of renters in the county resided in 2- to 4-unit buildings and 19 percent in 5- to 9-unit buildings. By contrast, single family detached homes were 8 percent of the county's rental stock, and buildings with 50 or more units provided 17

[1] The Real Estate Center at DePaul University. *The State of Rental Housing in Cook County: Current Conditions and Forecasts*. Chicago, IL: The Real Estate Center at DePaul University. In this report, affordable housing was defined as housing costing less than 30 percent of the monthly income for a family of four earning 150 percent of the poverty level of income. In 2005, this translates to income of $29,957 and rent of $749 per month.

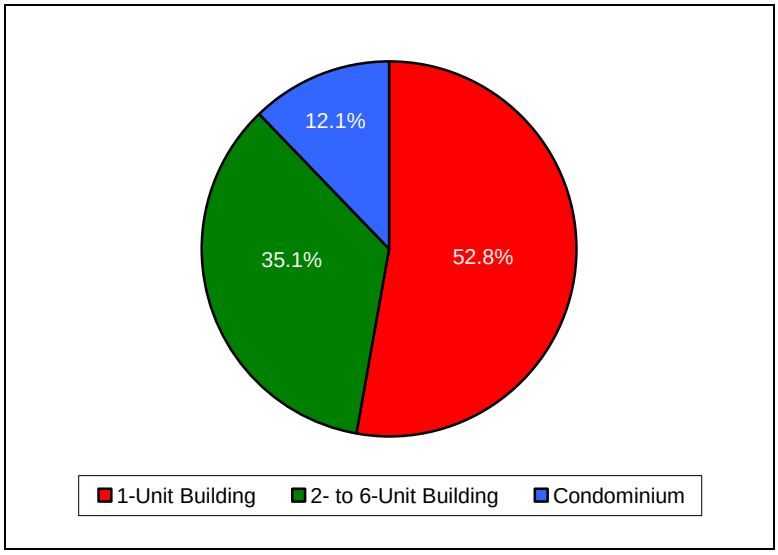
[2] Joint Center for Housing Studies of Harvard University. 2008. *America's Rental Housing - The Key to a Balanced National Policy*. Cambridge, MA: Joint Center for Housing Studies.

percent of the stock of renter occupied units.[3] As opposed to larger multi-unit buildings which can have hundreds of units and are often owned by investor groups and run by management companies, these smaller multi-unit buildings are often owner occupied or owned by individual investors who manage and maintain the properties themselves.

Foreclosures on Small Multifamily Buildings

In 2007, a substantial share of the residential properties with foreclosure filings in the City of Chicago were on small multifamily buildings. Overall in 2007, there were 13,872 properties with foreclosure filings in Chicago. Figure 1 breaks out the distribution of these foreclosures by property type. It shows that over 35 percent, or 4,822 foreclosure filings, were on 2- to 6-unit multifamily properties. Depending on the number of units in each property, these foreclosures could impact between 9,644 and 28,923 housing units. Looking at other property types, nearly 53 percent of foreclosure filings were on one unit buildings and 12 percent were on condominiums.

Figure 1. City of Chicago Residential Foreclosure Filings by Building Type, 2007



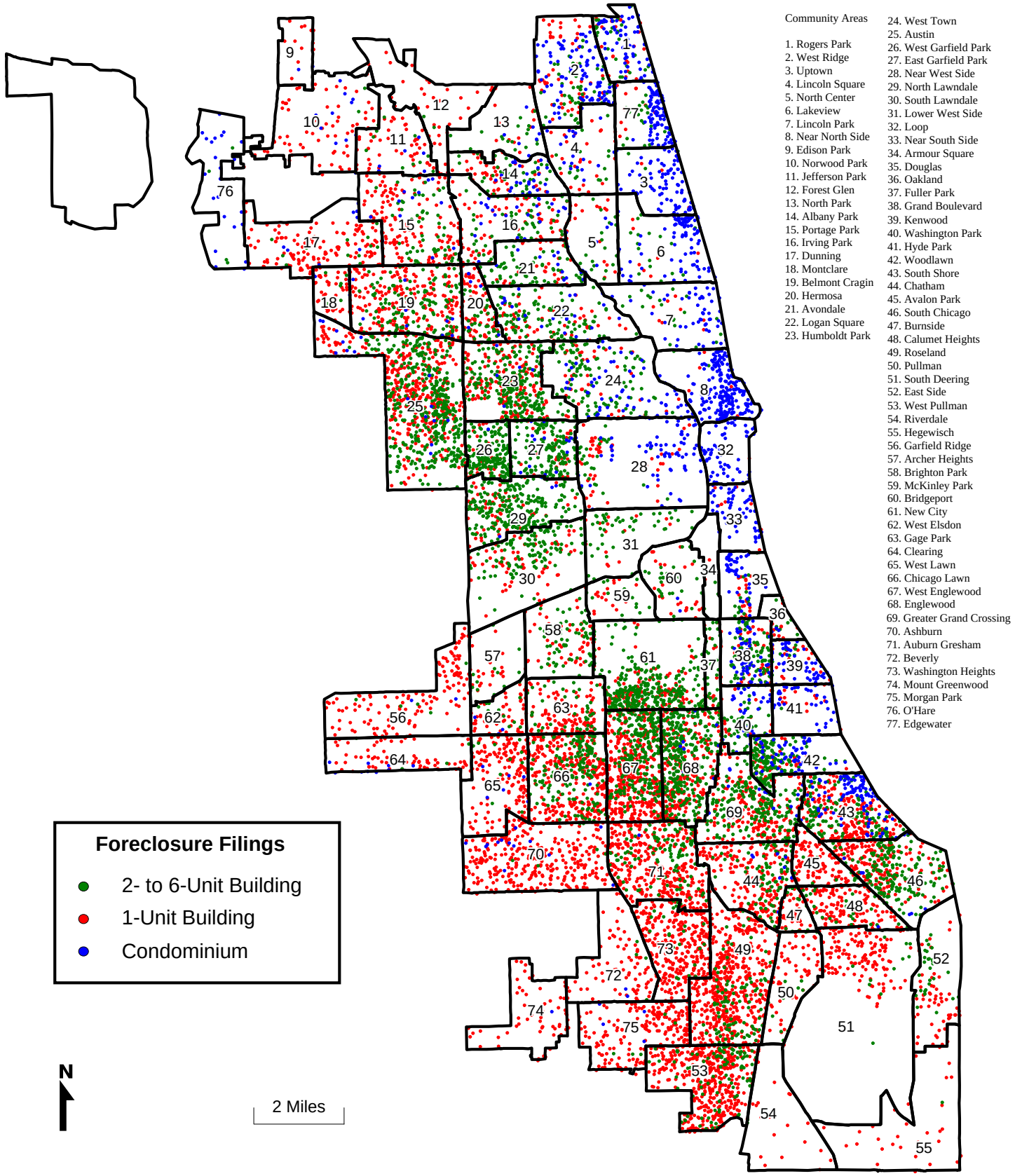
Source: Woodstock Institute analysis of data from Foreclosure Report of Chicago

Foreclosures on small multifamily buildings were largely concentrated in certain communities. Figure 2 maps the geographic distribution of 2007 residential foreclosure filings by property type in the City of Chicago. It shows that the areas with the highest concentrations of foreclosures on 2- to 6-unit properties were located in neighborhoods on the West and South Sides of Chicago. Community areas with the highest concentrations include West Garfield Park, East Garfield Park, Austin, Humboldt Park on the West Side and New City, Englewood, and West Englewood on the South Side. Areas along the lake had the highest concentrations of foreclosure filings on condominiums. These include areas such as Near North Side, Edgewater, Uptown, and Lincoln Park.

Figure 3 breaks out the foreclosure filings in each Chicago community area by type of property and ranks the community areas by the share of 2007 foreclosure filings that were on 2- to 6-unit buildings. In West Garfield Park, over 86 percent of the 2007 foreclosure filings were on 2- to 6-unit buildings, and in North Lawndale nearly 80 percent of the 2007 foreclosure filings were on 2- to 6-unit buildings. The Loop and Near North Side had the highest percent of foreclosures that were on condominiums. In the Loop, over 98 percent of

[3] The Real Estate Center at DePaul University. *The State of Rental Housing in Cook County: Current Conditions and Forecasts*. Chicago, IL: The Real Estate Center at DePaul University.

Figure 2. Chicago Residential Foreclosure Filings by Property Type, 2007



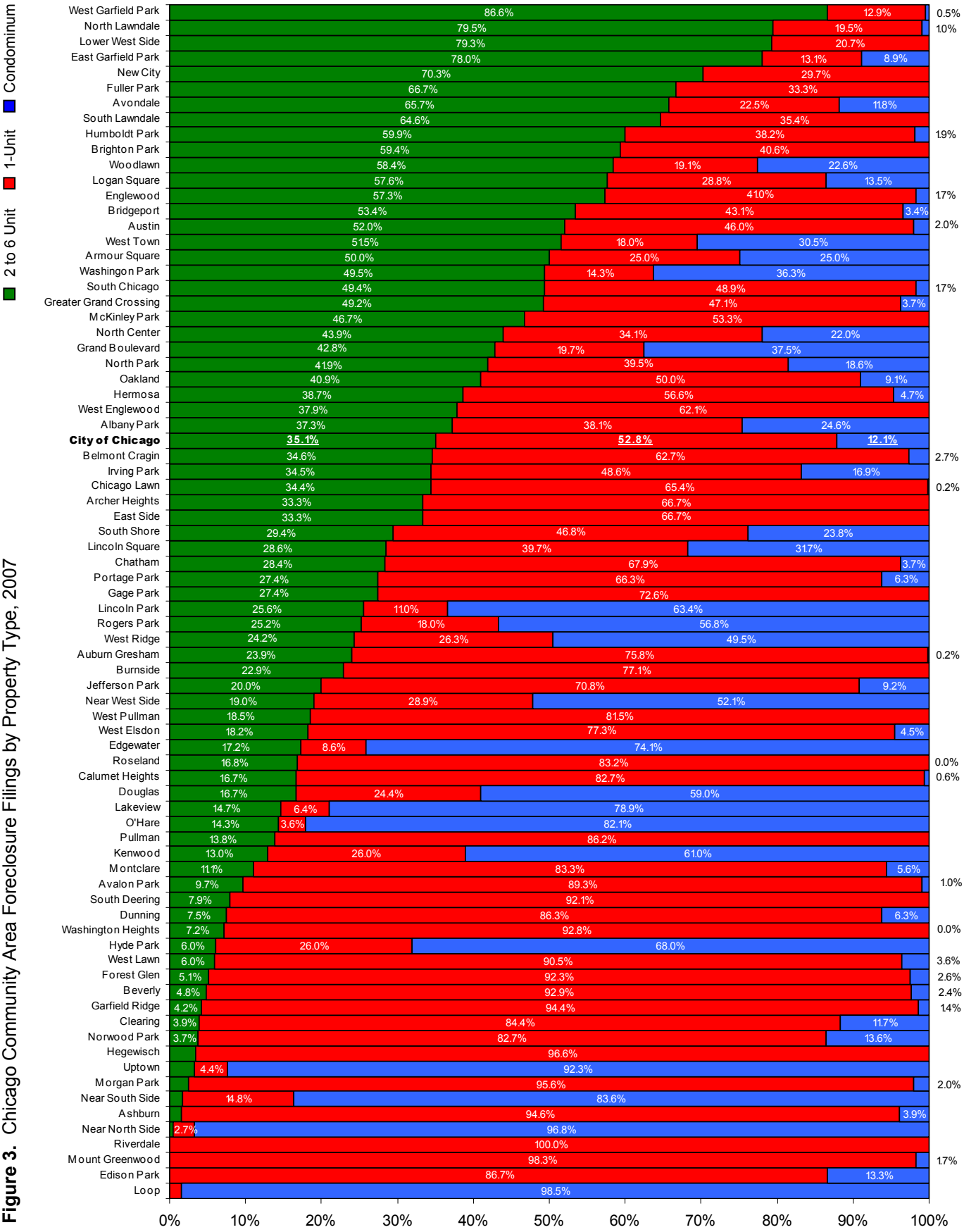


Figure 3. Chicago Community Area Foreclosure Filings by Property Type, 2007

foreclosure filings were on condominiums, and in the Near North Side, nearly 97 percent of foreclosure filings were on condominiums. Community areas Riverdale, Mount Greenwood, and Hegewisch all had a high percent of foreclosures that were on one unit, single family structures.[1]

A number of the community areas that experienced the highest levels of foreclosures on small multifamily buildings are lower-income areas with high minority populations that recently experienced a decline in the number of rental housing units. Table 1 shows the top ten community areas by number of foreclosures on 2- to 6-unit buildings and the range of possible housing units impacted by these foreclosures. All the community areas in the top ten are lower-income community areas with high minority populations, and most experienced declines in renter occupied housing units between 1990 and 2000. Foreclosures on 2- to 6-unit buildings are likely to exacerbate these declines. For example, between 1990 and 2000 North Lawndale experienced a 14.4 percent decline in the number of renter occupied housing units. In 2007, North Lawndale had 240 foreclosures on 2- to 6-unit buildings representing nearly 80 percent of the foreclosures in that community area. These foreclosures have the potential to impact between 480 and 1,440 housing units, depending on the size of the buildings in foreclosure.

Table 1. Share and Number of 2007 Foreclosures on 2- to 6-Unit Buildings and Change in Renter Occupied Housing Units, 1990-2000

	Number of Foreclosures on 2- to 6-Unit Buildings, 2007	Range of Possible Housing Units Impacted		Change in Renter Occupied Housing Units 1990-2000
		If 2-Unit	If 6-Unit	
Austin	421	842	2,526	3.2%
New City	308	616	1,848	-0.2%
Englewood	295	590	1,770	-16.7%
West Englewood	253	506	1,518	-5.2%
Humboldt Park	248	496	1,488	-2.5%
North Lawndale	240	480	1,440	-14.4%
West Garfield Park	188	376	1,128	-7.1%
Greater Grand Crossi	185	370	1,110	-2.6%
South Chicago	176	352	1,056	-0.6%
Chicago Lawn	176	352	1,056	8.1%
City of Chicago	4,822	9,644	28,932	0.5%

Source: Woodstock Institute analysis of data from Foreclosure Report of Chicago and Chicago Rehab Network 2003 Affordable Housing Fact Book

Conclusion

Going forward, it is critical that policy makers consider the impact of the foreclosure crisis on the rental housing market. Foreclosures on 2- to 6-unit buildings made up over 35 percent of the foreclosures on residential properties in the City of Chicago in 2007. These types of buildings make up a substantial share of the overall rental housing market in the city. Additionally, many of the community areas with the highest concentrations of foreclosures on small multifamily buildings are also those that have seen the largest recent declines in rental housing units. As the number of foreclosures on small multifamily properties grows, mechanisms need to be in place to facilitate the process of municipal governments, non-profit agencies, and the private market acquiring these properties and keeping them active in the rental market. Without such vehicles, large inventories of potentially usable buildings will remain vacant, and the affect of foreclosures will continue to threaten community stability.

[1] Appendix I includes data on foreclosures by property type for each Chicago community area. Appendix II includes data and a map detailing foreclosures by property type in Cook County.

Appendix I -

City of Chicago Residential Foreclosure Filings by Property Type, 2007

Number	Community Area	2007 Properties with Filings					Share Small Multifamily*
		1-Unit	2- to 6-Units	Condominium	NA	Total	
1	Rogers Park	20	28	63	1	112	25.2%
2	West Ridge	52	48	98	12	210	24.2%
3	Uptown	4	3	84	4	95	3.2%
4	Lincoln Square	25	18	20	2	65	27.7%
5	North Center	14	18	9	3	44	40.9%
6	Lakeview	7	16	86	1	110	14.5%
7	Lincoln Park	9	21	52	0	82	25.6%
8	Near North Side	6	1	212	9	228	0.4%
9	Edison Park	13	0	2	0	15	0.0%
10	Norwood Park	67	3	11	4	85	3.5%
11	Jefferson Park	46	13	6	0	65	20.0%
12	Forest Glen	36	2	1	1	40	5.0%
13	North Park	17	18	8	0	43	41.9%
14	Albany Park	45	44	29	1	119	37.0%
15	Portage Park	138	57	13	2	210	27.1%
16	Irving Park	72	51	25	1	149	34.2%
17	Dunning	138	12	10	0	160	7.5%
18	Montclare	45	6	3	0	54	11.1%
19	Belmont Cragin	208	115	9	2	334	34.4%
20	Hermosa	60	41	5	0	106	38.7%
21	Avondale	23	67	12	0	102	65.7%
22	Logan Square	49	98	23	4	174	56.3%
23	Humboldt Park	158	248	8	2	416	59.6%
24	West Town	36	103	61	6	206	50.0%
25	Austin	373	421	16	0	810	52.0%
26	West Garfield Park	28	188	1	1	218	86.2%
27	East Garfield Park	25	149	17	6	197	75.6%
28	Near West Side	41	27	74	10	152	17.8%
29	North Lawndale	59	240	3	0	302	79.5%
30	South Lawndale	64	117	0	0	181	64.6%
31	Lower West Side	12	46	0	1	59	78.0%
32	Loop	1	0	64	6	71	0.0%
33	Near South Side	9	1	51	4	65	1.5%
34	Armour Square	1	2	1	0	4	50.0%
35	Douglas	19	13	46	1	79	16.5%
36	Oakland	11	9	2	1	23	39.1%
37	Fuller Park	14	28	0	0	42	66.7%
38	Grand Boulevard	41	89	78	2	210	42.4%
39	Kenwood	20	10	47	4	81	12.3%
40	Washingon Park	13	45	33	2	93	48.4%
41	Hyde Park	13	3	34	0	50	6.0%
42	Woodlawn	49	150	58	4	261	57.5%
43	South Shore	199	125	101	6	431	29.0%
44	Chatham	184	77	10	1	272	28.3%
45	Avalon Park	92	10	1	0	103	9.7%
46	South Chicago	174	176	6	1	357	49.3%
47	Burnside	37	11	0	0	48	22.9%
48	Calumet Heights	129	26	1	0	156	16.7%
49	Roseland	482	97	0	1	580	16.7%
50	Pullman	56	9	0	0	65	13.8%
51	South Deering	128	11	0	1	140	7.9%
52	East Side	56	28	0	0	84	33.3%
53	West Pullman	406	92	0	0	498	18.5%
54	Riverdale	19	0	0	1	20	0.0%
55	Hegewisch	28	1	0	0	29	3.4%
56	Garfield Ridge	134	6	2	0	142	4.2%
57	Archer Heights	22	11	0	0	33	33.3%
58	Brighton Park	52	76	0	0	128	59.4%
59	McKinley Park	16	14	0	0	30	46.7%
60	Bridgeport	25	31	2	0	58	53.4%
61	New City	130	308	0	0	438	70.3%
62	West Elsdon	51	12	3	0	66	18.2%

Appendix I -

City of Chicago Residential Foreclosure Filings by Property Type, 2007

Number	Community Area	2007 Properties with Filings					Share Small Multifamily*
		1-Unit	2- to 6-Units	Condominium	NA	Total	
63	Gage Park	114	43	0	0	157	27.4%
64	Clearing	65	3	9	0	77	3.9%
65	West Lawn	152	10	6	0	168	6.0%
66	Chicago Lawn	335	176	1	1	513	34.3%
67	West Englewood	415	253	0	1	669	37.8%
68	Englewood	211	295	9	1	516	57.2%
69	Greater Grand Crossing	177	185	14	2	378	48.9%
70	Ashburn	318	5	13	0	336	1.5%
71	Auburn Gresham	336	106	1	1	444	23.9%
72	Beverly	78	4	2	0	84	4.8%
73	Washington Heights	296	23	0	1	320	7.2%
74	Mount Greenwood	59	0	1	0	60	0.0%
75	Morgan Park	194	5	4	2	205	2.4%
76	O'Hare	1	4	23	0	28	14.3%
77	Edgewater	10	20	86	1	117	17.1%
	City of Chicago	7,262	4,822	1,670	118	13,872	34.8%

Appendix II –
Cook County Residential Foreclosure Filings by Property Type, 2007

Table 2 breaks out residential foreclosure filings by property type for the sub-regions of Cook County. It shows that the City of Chicago had the largest share of foreclosure filings on small, multi-unit buildings with over 35 percent of all filings on this type of property. In West Cook County, 15 percent of the foreclosures were on small multi-unit buildings. In the other regions of Cook County a very small share or foreclosures were on 2- to 6-unit buildings. The lowest was in Northwest Cook were only 0.5 percent of filings were on small multi-unit properties. Figure 4 maps the distribution of 2007 residential foreclosure filings by property type in Cook County.

Table 2. Residential Properties with Foreclosure Filings by Property Type for Cook County Regions, 2007

	2007 Properties with Filings					Share
Cook County Region	1-Unit	2- to 6-Units	Condominium	NA	Total	2- to 6- Unit*
Chicago	7,262	4,822	1,670	118	13,872	35.1%
North Cook	716	63	174	9	962	6.6%
Northwest Cook	1,278	9	665	19	1,971	0.5%
West Cook	1,936	382	214	13	2,545	15.1%
Southwest Cook	1,322	51	238	4	1,615	3.2%
South Cook	4,376	213	169	15	4,773	4.5%
Cook County Total	16,890	5,540	3,130	178	25,738	21.7%

*Calculation of the share foreclosures that are on 2- to 6-unit buildings does not include foreclosures on single family properties where the building type was not available.

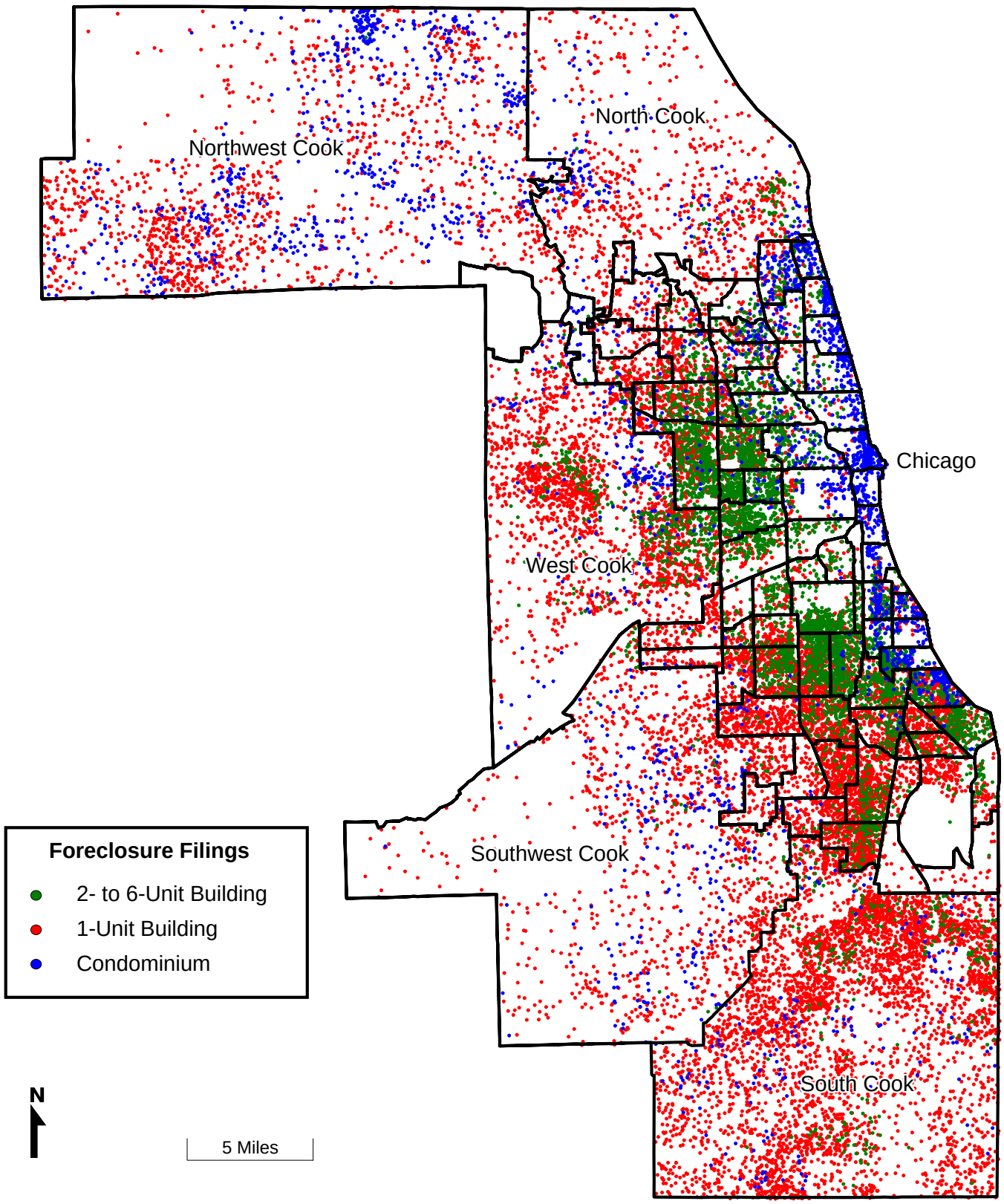



Figure 4. Cook County Residential Foreclosure Filings by Property Type, 2007