

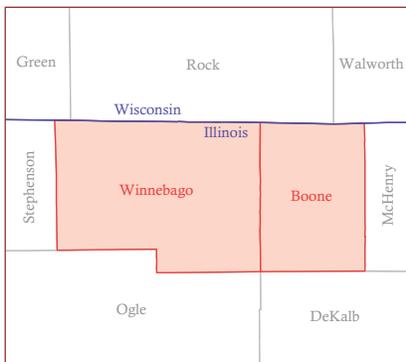


Rockford, Illinois

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2014



Housing Market Area



The Rockford Housing Market Area (HMA) consists of Boone and Winnebago Counties in north-central Illinois, approximately 80 miles northwest of Chicago. The HMA is a regional manufacturing and healthcare center with an estimated population of 343,700. Table DP-1 at the end of this report provides economic and demographic data for the HMA.

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Summary

Economy

Economic conditions in the Rockford HMA have generally weakened since 2000. During the 12 months ending June 2014, nonfarm payrolls decreased by 600 jobs, or 0.4 percent, to 147,200 jobs. The HMA is home to the Fiat Chrysler Belvidere Assembly Plant (hereafter, Belvidere plant), which produces the Jeep Compass and Patriot and the Dodge Dart. The manufacturing sector is the largest employment sector in the HMA, comprising more than 21 percent of nonfarm payrolls. During the next 3 years, nonfarm payrolls in the HMA are expected to fall by 170 jobs, or 0.1 percent, annually.

Sales Market

Sales housing market conditions in the HMA are soft, with a current estimated vacancy rate of 2.9 percent. During the 12 months ending May 2014, approximately 5,400 new and existing homes sold in the HMA, an increase of 560 sales, or 12 percent, from a year ago. The average home sales price during the period was \$98,200, a decline of 7 percent from the previous 12-month period. After accounting for the current supply of vacant available homes, no additional new home construction should occur during the 3-year forecast period to prevent prolonged soft market conditions (Table 1).

Rental Market

The rental housing market in the HMA is soft, with an estimated overall vacancy rate of 10.3 percent as of July 1, 2014, up from 9.4 percent in April 2010. Apartment market conditions in the HMA are also soft, with a 6.9-percent vacancy rate during the second quarter of 2014 (Reis, Inc.). Apartment rents in the HMA during the second quarter of 2014 averaged \$670, a nearly 2-percent increase from the same quarter in 2013. Additional rental units should not be constructed during the next 3 years to allow for the current supply of vacant available units to be absorbed (Table 1).

Table 1. Housing Demand in the Rockford HMA During the Forecast Period

	Rockford HMA	
	Sales Units	Rental Units
Total demand	0	0
Under construction	20	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2014. A portion of the estimated 5,300 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is July 1, 2014, to July 1, 2017. Source: Estimates by analyst

Economic Conditions

Economic conditions in the Rockford HMA have generally weakened since 2000, largely because of ongoing weakness in the manufacturing sector. Nonfarm payrolls declined by an average of 2,550 jobs, or 1.6 percent, annually from 2000 through 2004. Nonfarm payrolls remained relatively unchanged in 2005 before increasing in 2006 and 2007 by an average of 3,600 jobs, or 2.3 percent, annually. From 2008 through 2012, nonfarm payrolls again declined, by 2,800 jobs, or 1.8 percent, annually because of the effects of the national recession. Job losses have continued

since 2012, and total nonfarm payrolls fell by 600 jobs, or 0.4 percent, during the 12 months ending June 2014 (Table 2). Resident employment decreased by 400 and the labor force fell by 1,300 during the 12 months ending June 2014, which led to a decrease in the unemployment rate. The unemployment rate during the 12 months ending June 2014 averaged 11.0 percent, down from 11.4 percent the previous year but still nearly double the average annual rate of 6.2 percent reported from 2005 through 2007. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2013.

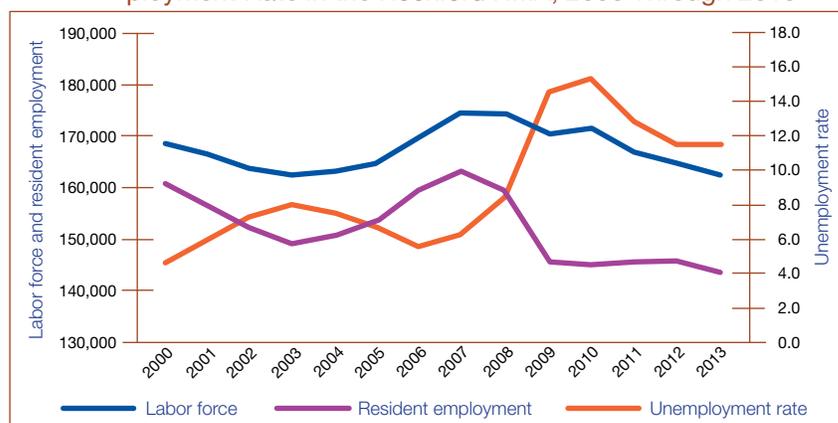
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Rockford HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	June 2013	June 2014		
Total nonfarm payroll jobs	147,800	147,200	- 600	- 0.4
Goods-producing sectors	36,400	35,700	- 700	- 1.9
Mining, logging, & construction	4,300	4,400	100	2.3
Manufacturing	32,100	31,300	- 800	- 2.5
Service-providing sectors	111,400	111,500	100	0.1
Wholesale & retail trade	20,900	21,000	100	0.5
Transportation & utilities	6,900	6,100	- 800	- 11.6
Information	1,500	1,300	- 200	- 13.3
Financial activities	5,400	5,400	0	0.0
Professional & business services	15,400	15,600	200	1.3
Education & health services	23,500	23,500	0	0.0
Leisure & hospitality	12,800	13,100	300	2.3
Other services	8,600	9,000	400	4.7
Government	16,300	16,300	0	0.0

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through June 2013 and June 2014.

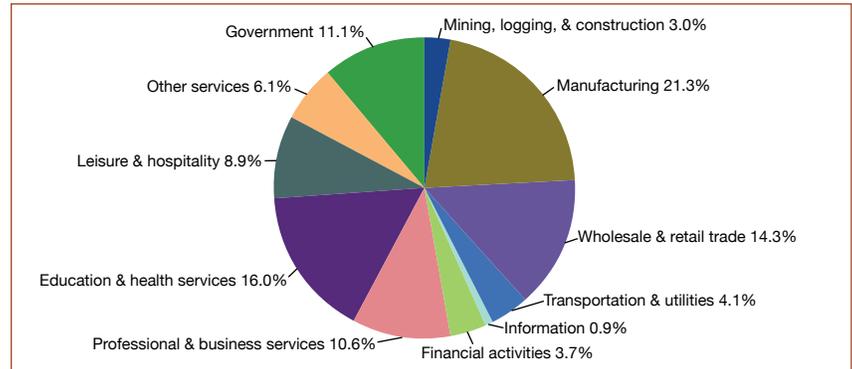
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Rockford HMA, 2000 Through 2013



Source: U.S. Bureau of Labor Statistics

The manufacturing sector is the largest payroll sector in the HMA and serves as the economic base for the area (Figure 2). The Belvidere plant is the largest employer in the HMA. From 2000 through 2005, the manufacturing sector declined by an average of 2,350 jobs, or 6.1 percent, annually after average annual declines of 490 jobs, or 1.0 percent, during the 1990s. During 2006 and 2007, the sector grew by an average of 1,150 jobs, or 3.5 percent, annually, when production at the Belvidere plant increased. From 2008 through 2012, the sector declined again, but at a slower pace than earlier in the decade, losing 620 jobs, or 1.9 percent, annually. Chrysler LLC filed bankruptcy in April 2009, and the Belvidere plant was temporarily idled. Operations resumed in July 2009, but at a lower production level, and the number of jobs was reduced from 2,500 to about 1,725. Vehicle production declined from 263,500 vehicles in 2008 to 84,600 vehicles in 2009. In December 2011, it was announced that the Belvidere plant would add production of the Dodge Dart. The added production led to 1,800 new

Figure 2. Current Nonfarm Payroll Jobs in the Rockford HMA, by Sector

Note: Based on 12-month averages through June 2014.

Source: U.S. Bureau of Labor Statistics

jobs, bringing the total number of jobs at the Belvidere plant to 4,900 during 2012. During the 12 months ending June 2014, the manufacturing sector declined by 800 jobs, or 2.5 percent, to 31,300 jobs. Approximately 4,500 people are currently employed at the Belvidere plant. The HMA is also home to several hydraulics manufacturers, including UTC Aerospace Systems and Woodward, Inc., which build primarily components for aircraft engines (Table 3).

The Rockford HMA is a regional healthcare center for much of northern Illinois and southern Wisconsin, and the education and health services sector is the second largest payroll sector. The sector grew steadily from 2000 through 2012, increasing by an

average of 350 jobs, or 1.6 percent, annually, when healthcare services expanded to meet the needs of an aging population. During the 12 months ending June 2014, job growth in the sector stalled, with payrolls remaining unchanged from a year earlier, at 23,500. Of the 10 largest employers in the HMA, 3 are health services providers, including Rockford Health System, SwedishAmerican Health System, and OSF HealthCare. These facilities offer a full range of specialist services for the HMA and the surrounding region. Figure 3 illustrates net job growth by sector from 2000 to the current date.

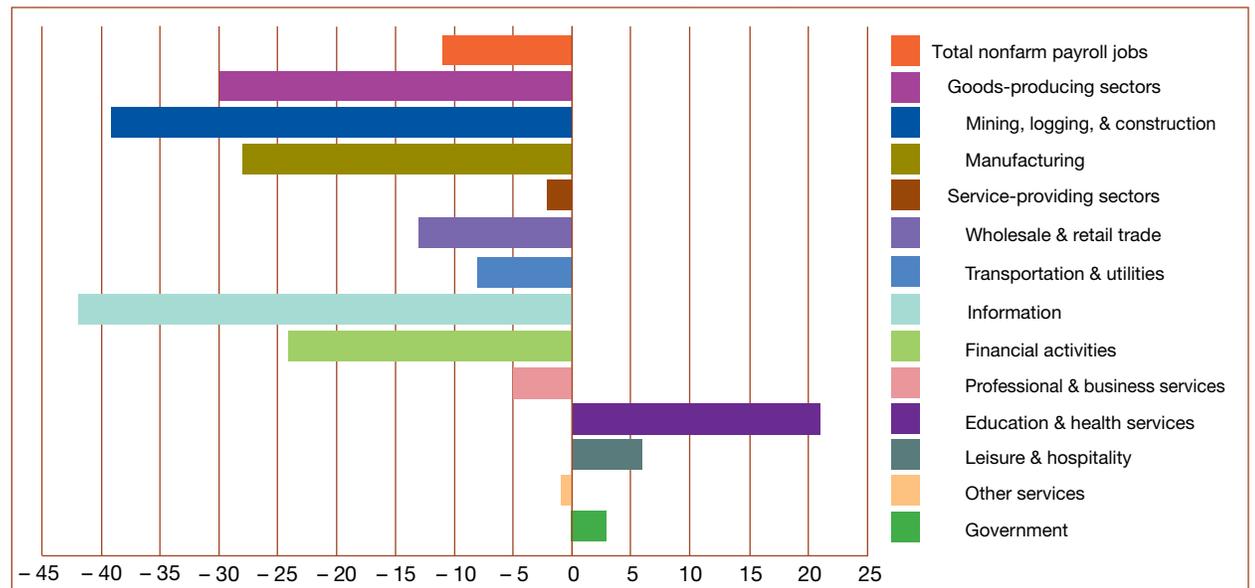
Nonfarm payrolls in other sectors reliant on manufacturing declined during the past 12 months. The transportation and utilities sector declined by 800 jobs, or 11.6 percent. Declines in shipping of local manufacturing products, primarily through the United Parcel Service of America, Inc. facility at Chicago Rockford International Airport, contributed to losses in this sector. Increases in the leisure and hospitality, professional and business services, and other services sectors, which gained a combined 900 jobs during the 12 months ending June 2014, partially offset these losses.

Table 3. Major Employers in the Rockford HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fiat Chrysler Belvidere Assembly Plant	Manufacturing	4,500
Rockford Health System	Education & health services	3,000
SwedishAmerican Health System	Education & health services	2,990
UTC Aerospace Systems	Manufacturing	2,200
OSF HealthCare	Education & health services	1,800
Rockford Park District	Government	1,740
Winnebago County	Government	1,730
Wal-Mart Stores, Inc.	Wholesale & retail trade	1,610
Woodward, Inc.	Manufacturing	1,400
United Parcel Service of America, Inc.	Transportation & utilities	1,200

Note: Excludes local school districts.

Source: Winnebago County Department of Regional Planning & Economic Development

Figure 3. Sector Growth in the Rockford HMA, Percentage Change, 2000 to Current

Note: Current is based on 12-month averages through June 2014.

Source: U.S. Bureau of Labor Statistics

During the next 3 years, nonfarm payrolls in the HMA are expected to continue to decline by an average of 170 jobs, or 0.1 percent, annually. Recent job growth in the professional and business services and the leisure

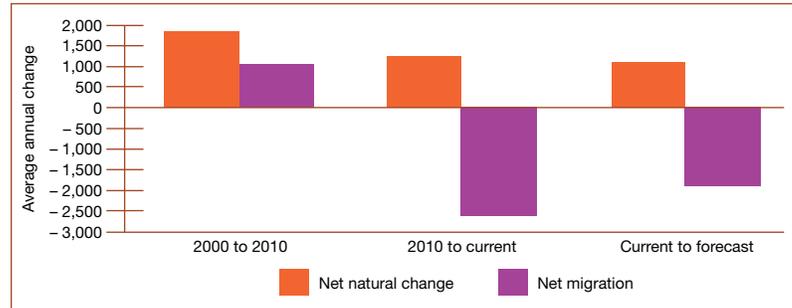
and hospitality sectors is expected to continue during the 3-year forecast period, but that growth will likely be offset by continued losses in the manufacturing sector and the transportation subsector.

Population and Households

The population of the Rockford HMA is estimated at 343,700 as of July 1, 2014, reflecting an average annual decline of 1,350, or 0.4 percent, since April 1, 2010 (Table DP-1). Weak economic conditions, in part because of declines in the manufacturing sector, have resulted in net out-migration and population declines recorded every year since 2008. Figure 4 shows the components of population change in the HMA from 2000 to the forecast date.

Population changes since 2000 have generally reflected economic conditions

in the HMA. Population growth in the HMA averaged 2,800 people, or 0.9 percent, annually from July 2000 to July 2004, with net natural increase (resident births minus resident deaths) responsible for 65 percent of population growth. During that 4-year period, the average annual rate of net in-migration to the HMA was 0.3 percent, or 1,000 people. From July 2005 to July 2007, net in-migration increased to an average of 3,150 people annually, accounting for 62 percent of population growth. The increased net in-migration was partly a result of better economic conditions in the HMA and expanding job

Figure 4. Components of Population Change in the Rockford HMA, 2000 to Forecast

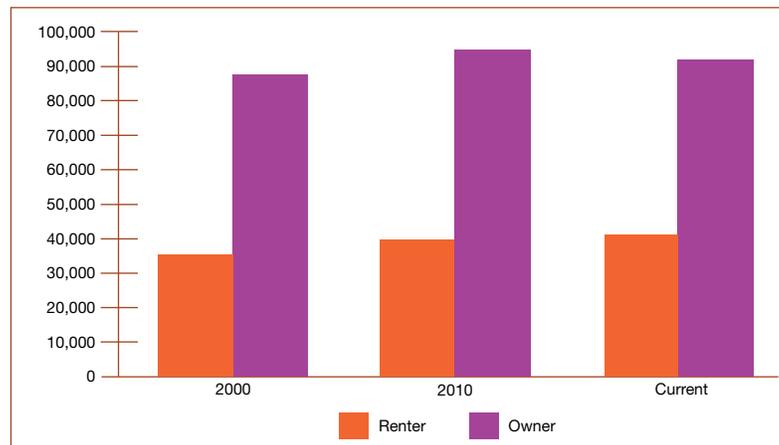
Notes: The current date is July 1, 2014. The forecast date is July 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

opportunities in the manufacturing sector. During the period, population growth averaged 1.7 percent annually. Net in-migration began to slow in 2007 and has switched to average annual net out-migration of 2,475 people since 2008 because of the effects of the national recession and declining employment in the HMA. The population of the HMA declined by an average of 1,050, or 0.3 percent, annually from 2008 to 2013. Despite overall population declines from 2008 to 2013, the number of residents ages 55 and older increased by an average of 2,170, or 2.4 percent, annually. During the 3-year forecast period, net out-migration is

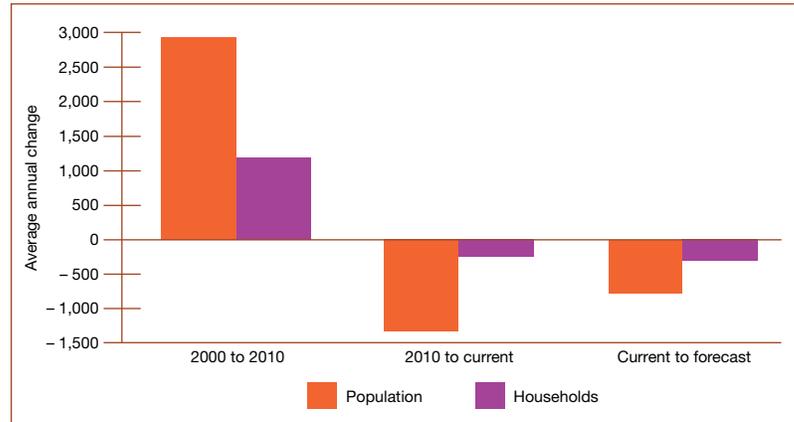
expected to continue, but at a lower rate, and the population is expected to decline by an average of 770, or 0.2 percent, a year, to 341,400.

Continued population losses have resulted in a decline in the number of households in the Rockford HMA since 2008. An estimated 132,850 households reside in the HMA, a decrease of 270, or 0.2 percent, annually since 2010. By contrast, the number of households increased by an average of 1,150, or 0.9 percent, annually from 2000 to 2010. Owner households represent 69.0 percent of total households, down from 70.3 percent in 2010. Since 2010, the number of renter households has grown at an average annual rate of 0.8 percent, to 41,150 households (Figure 5). The increased demand for rental housing during the period was caused, in part, by a decrease in homeownership because of stricter mortgage financing terms and a strong increase in foreclosures and REO (Real Estate Owned) sales. The number of households in the HMA is expected to decline by an average of 280, or 0.2 percent, annually during forecast period, to 132,000 households. Figure 6 shows population and household changes in the HMA from 2000 to the forecast date.

Figure 5. Number of Households by Tenure in the Rockford HMA, 2000 to Current

Note: The current date is July 1, 2014.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Population and Household Growth in the Rockford HMA, 2000 to Forecast

Notes: The current date is July 1, 2014. The forecast date is July 1, 2017.

Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Housing Market Trends

Sales Market

Sales housing market conditions in the Rockford HMA are soft, with an estimated 2.9-percent vacancy rate, up slightly from 2.7 percent in April 2010 (Table DP-1). During the 12 months ending May 2014 (the best representative data available), the number of existing home sales (including single-family homes, townhomes, and condominiums), which includes REO sales, increased by 560, or 12 percent, from a year ago, to 5,300 homes sold (CoreLogic, Inc.). This increase continued an upward trend; from 2009 through 2012, existing home sales increased by an average of 120 homes, or 3 percent, annually because the volume of REO sales increased. Before this increase in existing home sales, sales declined by an average of 1,450 homes, or 20 percent, annually from 2005 through 2008, partly because economic conditions were improving, leading to a decline in REO sales. From 2005

through 2008, existing home sales prices increased 3 percent annually to an average of \$107,400. By contrast, average existing home sales prices declined an average of 3 percent annually from 2009 through 2012, to \$101,300, when REO sales increased. During the 12 months ending May 2014, existing home sales prices decreased 7.2 percent, to \$97,600, as the share of REO sales continued to increase.

REO sales in the HMA continued to rise after a sharp increase from 2007 to 2008. From 2005 through 2007, when net in-migration was relatively high and economic conditions were stronger, REO sales comprised approximately 6 percent of home sales annually. As economic conditions weakened in the HMA, REO sales increased, rising from 8 percent of home sales in 2007 to 16 percent in 2008 and continuing to grow to more than

32 percent during 2012, contributing to lower existing home sales prices. During the 12 months ending May 2014, REO sales increased to approximately 35 percent of all home sales in the HMA and sales prices averaged \$60,700, nearly 50 percent less than the average sales price of \$120,800 for regular resale homes (CoreLogic, Inc.). In addition to the increase in REO sales, the number of short sales of homes in the HMA remains elevated. More homeowners were able to sell their properties as short sales because lenders determined that short sales were an economically viable alternative to the lengthy foreclosure process. Short sales numbered approximately 150 during 2008 before sharply increasing to more than 450 during 2012. Short sales totaled 400 during the 12 months ending May 2014, down slightly from 450 a year earlier. The average price of a short sale during the 12 months ending May 2014 was \$107,600, a decline of more than 10 percent from the average of \$120,500 from 2009 through 2012 (CoreLogic, Inc.).

Approximately 42 percent of existing single-family home sales in the Rockford HMA were to absentee owners during the 12 months ending May 2014 (Metrostudy, A Hanley Wood Company). From 2009 through 2012, nearly 33 percent of existing home sales were to absentee owners, which represented an average of about 1,800 homes sold annually, contributing to the supply of single-family homes offered for rent in the HMA. The number of absentee purchases increased to 2,450 during the 12 months ending May 2014.

Distressed mortgages, including unsold REO inventory, decreased as a share of total mortgages during the past year in the HMA but remain elevated.

Of all home loans in the HMA, 8.5 percent were 90 or more days delinquent, were in foreclosure, or transitioned into REO status as of June 2014, down from 11.6 percent a year ago and less than the recent peak of 13.0 percent recorded in January 2012 (Black Knight Financial Services, Inc.). By comparison, the percentage of mortgages that were distressed was less in the state of Illinois during June 2014, at 6.3 percent, but the HMA and state rates both were higher than the national rate of 4.9 percent.

The new home sales market (including single-family homes, townhomes, and condominiums) in the HMA mirrors the recent trends in existing home sales. Sales of new homes totaled 100 during the 12 months ending May 2014, up 11 percent from 90 sales a year ago. During the period, sales prices for new homes increased nearly 3 percent, to an average of \$157,300, because the increase in new home sales was concentrated at the higher end of the sales market. The number of new single-family home sales during the past 12 months was significantly less than the average of 1,400 new homes sold annually from 2005 through 2007. New home sales declined by an average of 180 sales, or 38 percent, annually from 2007 through 2012 in response to rising net out-migration and the local economic impact of the national recession. Average prices for new homes decreased more than 8 percent a year, from a peak of \$212,400 during 2008 to \$149,400 during 2012 (CoreLogic, Inc.).

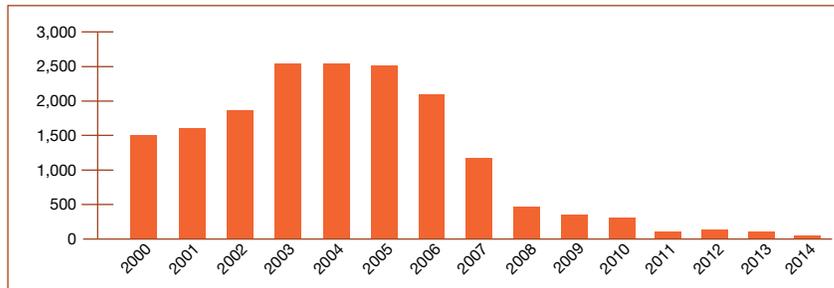
New home construction activity remains low in the Rockford HMA, partly because of continuing economic decline and net out-migration. Despite the increase in new home sales during the past year, developers in the HMA

Housing Market Trends

Sales Market *Continued*

decreased new home construction activity, as measured by the number of single-family homes permitted. During the 12 months ending June 2014, approximately 80 single-family homes were permitted, down 20 percent from the previous 12 months (preliminary

Figure 7. Single-Family Homes Permitted in the Rockford HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

data). Single-family home construction in the HMA remains significantly less than the average of 2,425 homes permitted annually from 2003 through 2006 (Figure 7).

To prevent prolonged soft market conditions, no new homes should be constructed in the HMA during the 3-year forecast period (Table 1). Continuing net out-migration since 2008 has resulted in limited demand for homes. The current supply of vacant available homes on the market together with a portion of the estimated 5,300 other vacant units in the HMA that may come back on the market will satisfy some of the demand.

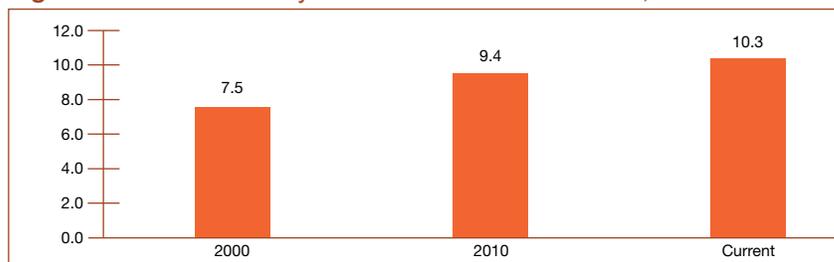
Rental Market

Rental housing market conditions in the Rockford HMA are soft, with an estimated vacancy rate of 10.3 percent, up from 9.4 percent in April 2010 (Figure 8). Apartment market conditions in the HMA are also soft, with a 6.9-percent vacancy rate during the second quarter of 2014 (Reis, Inc.). Average apartment rents were \$670 during the second quarter of 2014, up nearly 2 percent from \$660 a year earlier. Monthly rents averaged \$540, \$730, and \$930 for one-, two-, and three-bedroom units, respectively. The soft apartment market conditions contributed to average

monthly concessions of about \$8 per unit, up slightly from approximately \$2 per unit a year ago (Axiometrics Inc.). As an alternative to apartments, single-family homes comprise a relatively large portion—nearly 40 percent—of rental units in the HMA. The share of single-family homes in the rental inventory is up from 31 percent in 2009, in part because of continued increases in REO sales and absentee owner purchases.

Fluctuating employment and the resulting migration patterns have significantly affected apartment vacancy rates since 2000. After payroll declines from 2000 through 2005, largely tied to losses in the manufacturing sector, the apartment vacancy rate increased from 7.1 percent in 2001 to 10.3 percent in 2005. As economic conditions began to improve and net in-migration increased from 2005 through 2007, the apartment vacancy rate declined to 4.6 percent in early 2008. The effects of the national

Figure 8. Rental Vacancy Rates in the Rockford HMA, 2000 to Current



Note: The current date is July 1, 2014.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Rental Market *Continued*

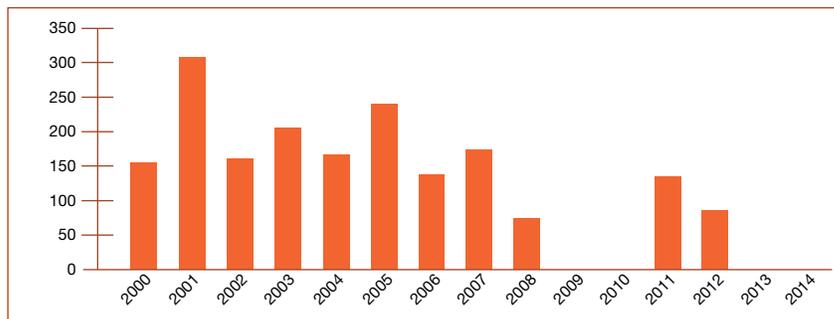
recession in the HMA and the resulting net out-migration led the apartment vacancy rate to increase to 10.1 percent in the first quarter of 2010. Since 2010, the apartment vacancy rate has remained stable, averaging 6.1 percent from 2011 through 2013.

The large supply of relatively inexpensive rental housing, including

single-family homes for rent, and out-migration are discouraging new multifamily construction activity in the HMA. Multifamily construction activity, as measured by the number of units permitted, averaged 180 units annually from 2000 through 2008 but declined to 60 units annually from 2009 through 2012 (Figure 9). Since 2013, as the level of REO sales and single-family homes offered for rent has increased, no multifamily permitting has occurred in the HMA.

During the 3-year forecast period, no demand is anticipated for new rental housing in the HMA because of continued net out-migration and household declines (Table 1). Additional rental units would only contribute to prolonged soft market conditions.

Figure 9. Multifamily Units Permitted in the Rockford HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Data Profile

Table DP-1. Rockford HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	160,683	144,796	144,900	- 1.0	0.0
Unemployment rate	4.6%	15.4%	11.0%		
Nonfarm payroll jobs	164,600	143,600	147,200	- 1.4	0.7
Total population	320,204	349,431	343,700	0.9	- 0.4
Total households	122,577	134,006	132,850	0.9	- 0.2
Owner households	87,088	94,257	91,700	0.8	- 0.6
Percent owner	71.0%	70.3%	69.0%		
Renter households	35,489	39,749	41,150	1.1	0.8
Percent renter	29.0%	29.7%	31.0%		
Total housing units	129,818	145,935	145,700	1.2	0.0
Owner vacancy rate	1.6%	2.7%	2.9%		
Rental vacancy rate	7.5%	9.4%	10.3%		
Median Family Income	\$45,465	\$58,928	\$72,262	2.6	7.0

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2014. Median Family Incomes are for 1999, 2009, and 2012. The current date is July 1, 2014.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 7/1/2014—Analyst’s estimates
Forecast period: 7/1/2014–7/1/2017—Analyst’s estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In the U.S. Department of Housing and Urban Development’s (HUD’s) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.org/publications/pdf/CMARtables_RockfordIL_14.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD’s Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/portal/ushmc/chma_archive.html.