

# Illinois Home Building Lags Virtually Every Other State During Past Decade

July 24 2021 7:15 AM



New census data shows Illinois ranked 48th in the U.S. for new single-family home permits during the past decade.

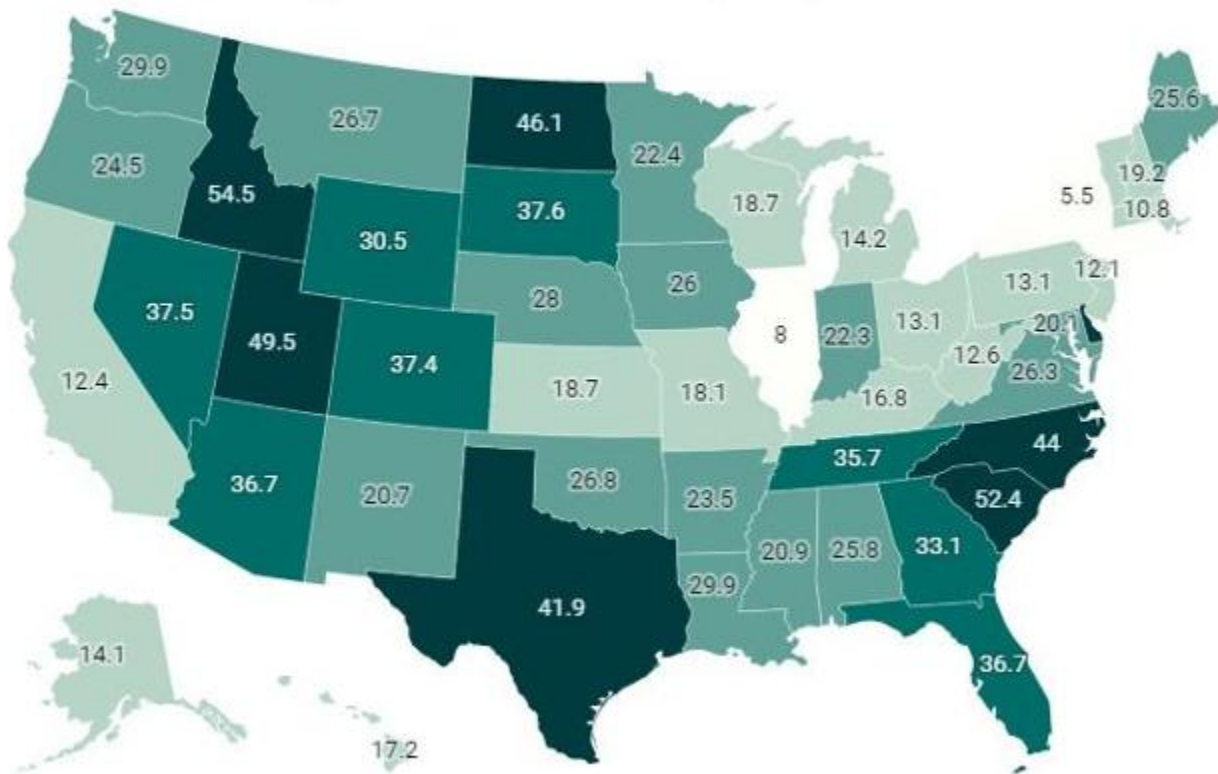
Real estate markets in the U.S., including Illinois, have been on fire as low mortgage [rates](#), pent-up [demand](#) and [low](#) inventories have sent sales [prices](#) skyrocketing during the past year.

One reason why inventories have been particularly low in Illinois is the state builds new homes at a slower rate than virtually any other state.

Since 2009, when single-family home building permits bottomed out during the Great Recession, Illinois has only issued 102,010 new single-family home permits, according to recently released U.S. Census Bureau [data](#). When adjusted for population in the state, Illinois' new home construction ranks 48th in the nation, above only Connecticut and New York.

## Illinois new home building ranks near bottom in U.S.

Total single-family building permits issued from 2010-2020 by state, per 1,000 residents



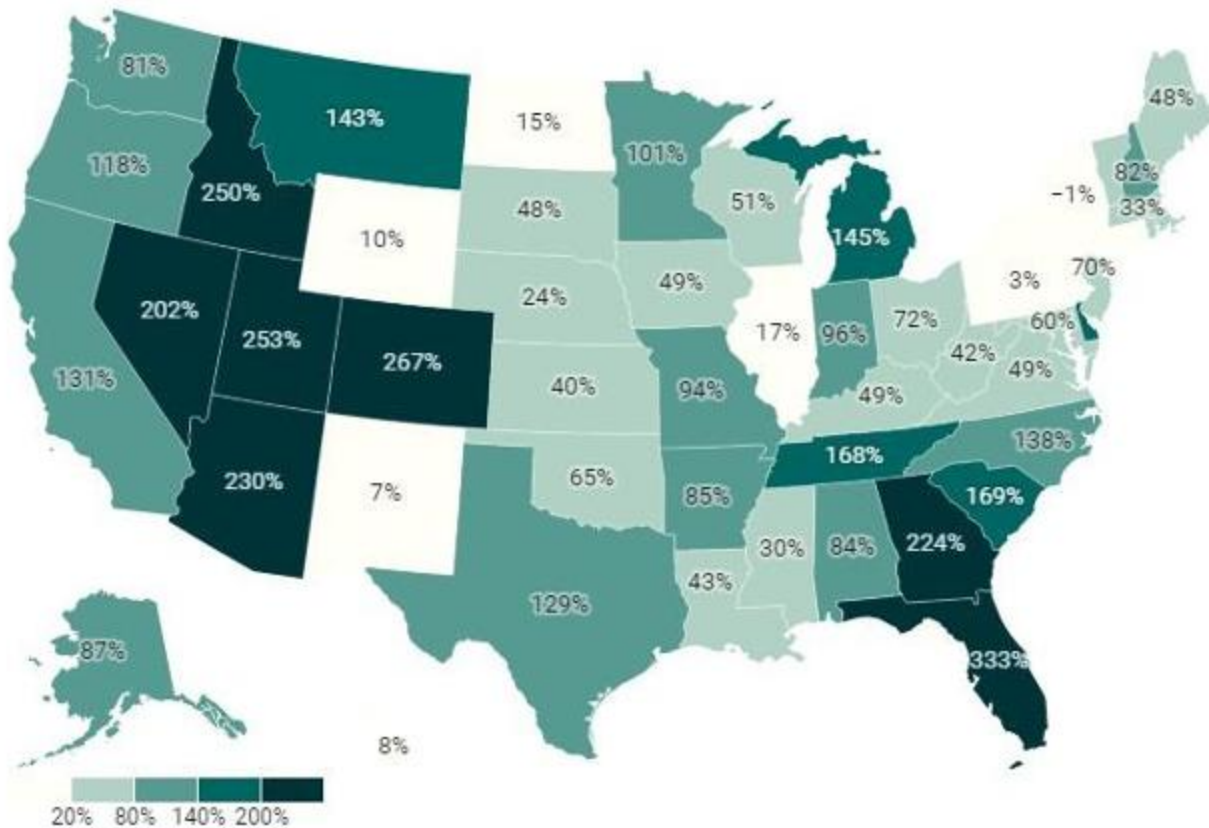
Map: @illinoispolicy • Source: U.S. Census Bureau • Created with [Datawrapper](#)

Not only is new home construction occurring at one of the slowest rates in the nation in Illinois, the state's recovery from the Great Recession has also been one of the slowest. Prior to the housing crisis, Illinois was averaging more than [40,000](#) permits for single family homes annually. However, in the decade since, Illinois is issuing fewer than 10,000 new single-family permits each year.

The number of new permits issued annually in Illinois has only increased 17% since national permits bottomed out in 2009, the eighth-slowest recovery in the nation.

## Illinois home construction recovery among worst in U.S.

Change in single-family building permits issued, by state, 2009 compared to 2020



Map: @illinoispolicy • Source: U.S. Census Bureau • Created with Datawrapper

The Chicago-Naperville-Elgin metropolitan area, the state's largest real estate market, has been no exception when it comes to population decline and slow, single-family home construction. The Chicago metro area has built fewer single-family homes per 1,000 residents than the 10 most populous metropolitan areas, except for Los Angeles and New York.



## Chicago builds new homes per capita slower than most

Single-family housing permits issued per 1,000 residents, 2010-2020

Houston-The Woodlands-Sugar Land, TX

57.9

Dallas-Fort Worth-Arlington, TX

43.2

Phoenix-Mesa-Chandler, AZ

39.7

Atlanta-Sandy Springs-Alpharetta, GA

35

Washington-Arlington-Alexandria, DC-VA-MD-WV

22.5

Philadelphia-Camden-Wilmington, PA-NJ-DE-MD

11.6

Miami-Fort Lauderdale-Pompano Beach, FL

11.3

Chicago-Naperville-Elgin, IL-IN-WI

8.1

Los Angeles-Long Beach-Anaheim, CA

6.6

New York-Newark-Jersey City, NY-NJ-PA

5.6

Chart: @illinoispolicy • Source: U.S. Census Bureau • Created with [Datawrapper](#)

Chicago has built 8.1 new single-family homes per 1,000 residents from 2010-2020, one of the slowest rates among major metropolitan areas. Meanwhile, major metros that are growing their populations rapidly have been building new homes at a much faster pace. Houston, Dallas, Phoenix and Atlanta have all built more than 35 new homes per 1,000 residents from 2010-2020.

Not only has Chicago continually built single-family homes at a slow pace, the area has been one of the slowest to recover since the Great Recession for new home builds. Since new home construction bottomed out in 2009, Chicago's new home construction recovery has been fourth-slowest among the 10 most populous metropolitan areas in the nation.

## Chicago home building recovery 4th slowest of 10 biggest metros

Change in single-family home construction permits, 2009-2020

Atlanta-Sandy Springs-Alpharetta, GA

428%

Phoenix-Mesa-Chandler, AZ

268%

Miami-Fort Lauderdale-Pompano Beach, FL

241%

Dallas-Fort Worth-Arlington, TX

182%

Los Angeles-Long Beach-Anaheim, CA

170%

Houston-The Woodlands-Sugar Land, TX

123%

Chicago-Naperville-Elgin, IL-IN-WI

85%

New York-Newark-Jersey City, NY-NJ-PA

69%

Philadelphia-Camden-Wilmington, PA-NJ-DE-MD

61%

Washington-Arlington-Alexandria, DC-VA-MD-WV

56%

Chart: @illinoispolicy • Source: U.S. Census Bureau • Created with [Datawrapper](#)

Single-family home construction permits in Chicago are up 85% since national lows in 2009 during the Great Recession. The only major metropolitan areas to perform worse were New York, Philadelphia, and Washington, D.C.

Likewise, major metros with fast-growing populations have seen a more significant recovery. New single-unit home construction in Atlanta is up over 400% since 2009, while construction in Phoenix and Miami has seen permits increase well over 200%.

When families are looking to plant roots and make long-term investments in a given area, demand for housing increases. New home construction permits can be a valuable economic indicator of larger macroeconomic trends. Barring a change in land use regulations, slow growth in new home construction is an indicator that future demand for new housing is expected to be low. Because the demand for new housing is closely linked to labor market performance, new home building can be an indicator of the availability of employment opportunities and the health of the local economy.

Unfortunately, Illinois labor market performance has persistently lagged the rest of the region and population has fallen in many Illinois regions. Despite low interest rates nationwide, a decline in public investment coupled with higher taxes have raised costs of owning a home and living in Illinois. Higher [housing costs](#), which lower demand for housing relative to neighbor states, hurts new investment in housing. This is because when the returns to housing investments fall, investors find fewer investment projects worthwhile.

As such, these results don't come as much of a surprise in Illinois.

Similar to the two worst-performing states on both the per capita and total permit metrics – Connecticut and New York – Illinois and Chicago have been experiencing [population decline](#) in recent years. Employment growth has also been [lagging](#) in Illinois for decades.

Illinois and Chicago's population decline in [driven entirely](#) by people moving out, and while the Census Bureau has had some trouble pinpointing the exact magnitude of the decline, the most recent official census count confirmed the phenomenon. The major [reasons](#) Illinoisans are choosing to leave the state are for better housing and employment opportunities, both of which have been made worse by poor public policy decisions. Nearly half of Illinoisans have thought about moving away, and they [said taxes](#) was their No. 1 reason.

As more and more Illinoisans leave the state, there is less incentive for builders to construct new homes. The lack of new inventory also contributes to rising housing costs, exacerbating the problem.

Another major reason why buying – or living – in Illinois hasn't made sense for an increasing number of families is high property taxes, which make housing even more unaffordable. Illinois is home to the [second-highest](#) property taxes in the nation. The taxes are so high that property taxes are the equivalent of nearly [seven](#) additional mortgage payments annually for new homeowners.

These taxes aren't going to amenities that improve the value of communities for homeowners.

In the past two decades, [less than 50 cents of every additional dollar](#) paid in property taxes went to pay for services. Statewide, only 20% of the increases in property taxes collected for municipal police and fire departments went toward protective services.

The bulk of new tax collections went to pensions. This is because growth in pension costs statewide has exceeded Illinoisans' ability to pay those bills. All else equal, when rising property tax dollars do not go to valuable current services, Illinois housing becomes less desirable and the exodus worsens.

[Pension reform](#) can shore up state and local government finances, protect core services and reduce housing costs for Illinois homeowners. All of which would make the state a more desirable destination for would-be residents, helping to reverse outmigration and bring new home construction back to Illinois.

Source: Illinois Policy

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