

# REGIONAL HOUSING MARKET ANALYSIS

## Bloomington-Normal, Illinois

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PREPARED FOR
**Bloomington-Normal Economic Development Council**

## AKNOWLEDGMENTS

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Consultant:

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# INTRODUCTION & SCOPE

In December 2021, Bloomington-Normal Economic Development Council ("BNEDC") engaged Development Strategies to analyze the local housing market and identify potential gaps in the market. The region has experienced considerable economic development momentum over the last five years with Rivian beginning production at its Normal facility in 2021. Now with 5,000 employees, Rivian is preparing for additional expansions. This success—coupled with other major regional economic development activity with Ferrero breaking ground for a new processing facility that will bring 100 new jobs and continued resiliency of the well-established insurance industry—has placed a considerable strain on the regional housing supply. New workers to the region cannot find adequate housing and long-standing residents are facing rapidly increasing housing costs and new competition that have not been seen in the region's history.

There is an immediate need to bring these issues to the forefront of planning and community discourse. If the housing supply does not meet the needs of the growing workforce, the overall economic competitiveness of the region and its ability to attract new businesses and talent moving forward will be limited.

The following analysis provides a baseline context and understanding of the housing issues facing the region and provides projections of the types of housing, in terms of typology and price points, that will be needed to serve the community, most notably the growing workforce. While the affordability challenges and housing needs of low- and moderate-income households in this competitive marketplace are important to the overall economic health and stability of the region, the following analysis primarily focuses on future housing demand from the growing workforce, specifically those workers relocating to the region.

## PURPOSE OF STUDY

1. Understand **recent development trends:** *How much and what are the types of housing that have been built over the last decade?*

2. Evaluate regional **housing market conditions**: *What is the marketability for new housing development and what is driving demand?*

3. Identify potential **product gaps** in the market: *Are there types of housing that are missing in the market in terms of for-sale and renal product?*

4. Quantify **future demand** by product type: *How much housing will need to be delivered to accommodate new demand?*

5. Identify market opportunities for **housing diversification:** *What types of housing will be needed to accommodate changing preferences for housing?*

6. Provide high-level **strategic recommendations:** *What are the next steps to fill the market gaps?*

This analysis is the first step in establishing baseline understanding of market conditions and identifying the types of housing that will be needed to maintain regional competitiveness. While this report does not provide a strategic framework or action plan, the goal is to identify market gaps and then set the stage for future actions.

## PROCESS

This study is a housing *market analysis*, which is intended to understand supply and demand trends in the Bloomington-Normal region. This type of analysis is needed to assess current market conditions and to project housing needs over the next ten years. This process of market analysis is equal parts art and science, and is as much dependent on experience, vision, and knowledge of the more qualitative influences on consumer behavior and preferences as it is on quantitative metrics such as absorption, occupancy, and lease rates. While the final development program may appear prescriptive, it is not intended to be the final prognosis for future development. Rather, it is intended to serve to inform planners, investors, and policymakers of the timing, market performance, product types, locations, scale, quality, design, and mix of development that are likely to result in an optimal and economically sustainable community.

This analysis *is not a market strategy* that incorporates more of the locational attributes of future development and implementation framework for how future development can best leverage existing assets. This type of work aligns other regional strategic interests to enhance value for future development and identifies barriers to development and how they can be overcome to maximize public benefit.

### Demand (Who?)

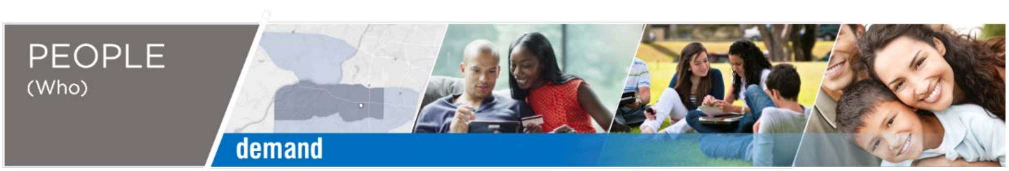
This study evaluates demand to determine if there are undersupplied residential products in the market. This often requires standard demographic analysis to understand housing sales and rental activity by household income, but also future demand

### Supply (What?)

Analysis of existing supply indicates a great deal about what the market will support in terms of rents, sales prices, and lease rates. It indicates preferences for specific products or locations. Sometimes, analysis of the competitive market can reveal specific opportunities for developers by identifying newer, more competitive types of development that achieve product differentiation by focusing on quality, amenity, or design.

### Place (Where?)

While this study does not proscribe the location of future development, it considers how development patterns have evolved in the market area and what types of housing products will be needed to diversify supply and meet growing demand.





# WHY IS HOUSING SO CRITICAL TO REGIONAL PROSPERITY?

Access to quality housing is a basic necessity for supporting health, prosperity, and quality of life. While access to affordable housing is a growing concern nationally given increasing development costs, inflation, and lack of sufficient wage growth for certain segments of the population, the housing stock can also impact the overall economic competitiveness of a region for workers at all income levels. Housing plays a critical role in promoting neighborhood-level marketability, character, and development potential, which in turn, can support complementary uses, including retail and services. In the case of growing markets, the development of housing is needed to satisfy new demand, and without an increase in supply, this can lead to increasing housing costs and affordability challenges. However, beyond fundamental supply and demand variables, it is becoming more recognized that an attractive and diverse housing stock is also needed to promote economic development in terms of workforce attraction and retention, especially for a highly-mobile workforce that place an increasing emphasis on housing, place, and quality of life when choosing where the live.

Bloomington-Normal will need to demonstrate its value as a place in addition to growing employment opportunities to compete with other growing and increasingly more competitive Midwestern markets such Madison, Des Moines, Grand Rapids, and Indianapolis. There are some higher-level considerations when evaluating the housing stock:

**Talent Attraction and Retention:** There is a growing discourse nationally on the importance of meeting the housing needs of the workforce. Affordability is one of the primary factors for meeting the needs of service and blue-collar industries, while housing diversification and quality of place are key variables to attracting and maintaining a talented and mobile workforce. Highly-skilled workers often put a greater value on quality of place, including the housing options, recreational amenities, parks and trails, small business environment, and art and culture.

**Shifting Demographics:** Changes to household composition continue to impact housing preferences given the increase in single-person households, fewer married households, and couples having fewer children. For example, from 1980 to 2020, the share of single-person households increased from 23 to 28 percent and the share of family households decreased from 74 to 65 percent. While housing size and quality of schools have driven housing decisions for decades, these trends imply increasing demand for smaller household products and the willingness for many households to trade housing size for walkability and/or better access to community amenities.

**Rental Lifecycle and Lifestyle:** While financial barriers to home ownership persist for a large segment of renter households, including lack of credit or savings for down payment, many households with the financial means to own their homes choose to rent for a number of reasons. Newcomers to a region who move for economic opportunities tend to initially rent while getting acclimated to the market. This places a great importance of having a quality rental housing stock since these properties are often the "front door" to the community. There are also instances in which owner households seek quality rental products especially from empty nesters looking to downsize, or those who have had major life changes (divorce, etc.). These households also tend to seek higher-quality rental products in walkable/accessible communities.

# SUMMARY OF FINDINGS

## KEY CHALLENGES

### Supply needs to keep pace with demand

**Since 2010, household growth of 7.5 percent has exceeded housing unit growth of 6.7 percent.** Also, the pace of development slowed considerably during the past decade compared to prior periods—**the number of housing units delivered in the 2010s was less than half of units delivered in the 1990s and 2000s**. While these supply challenges are generally consistent with national trends, the Bloomington-Normal market has also had significant economic success with Rivian now employing more than 5,000, combined with continued growth of State Farm Insurance, now with 14,400 employees, and other recent announcements. These anchors and pipeline economic development activity will continue to attract new households to the region, placing continued pressure on the housing market. Even with Rivian entering the market, supply did not keep pace with demand—only 225 housing permits were issued in the county annually from 2018 to 2021.

### There has been a lack of multi-family product differentiation

**Excluding affordable and student development, around 1,000 multi-family units have been delivered since 2010 for an increase of only 10 percent.** Additionally, nearly 80 percent of these units are contained within two properties, Oak Creek Crossing (176 units, built in 2020) and Brookridge Heights (615 units, built in 2017), which consist of standard garden-style properties with limited curb appeal. With the exception of 1 Uptown Circle, there has been no new higher-density infill development or greenfield development with higher-quality design elements or competitive amenities.

### There has been a significant increase in renter-occupied single-family homes

Over the last decade, there has been a national shift in housing tenure in which renter-occupied housing increased by 14 percent (compared to only a four percent increase in owner-occupied housing); however, the shift has been more pronounced in Bloomington-Normal with an increase of renter-occupied housing by 17 percent (compared to an increase of owner-occupied housing of less than two percent). **Given the lack of quality multi-family housing development, there was an increase of nearly 39 percent in renter-occupied single-family homes.**

### There is a large supply of aging and obsolete housing

**Nearly half of the housing supply was built before 1980 and only six percent of the housing supply was built after 2010.** Although this is generally consistent with national trends, this emphasizes the critical importance of reinvesting in the existing housing stock, especially in accessible close-in neighborhoods, but also the need to accommodate changing housing preferences and expectations from the growing workforce. While the historic housing stock (homes built before 1940) can be very marketable to professional households, homes built from 1940 to 1980 often have limited curb appeal. At the same time, this older stock provides "naturally occurring affordable housing" for the workforce, which also emphasizes the need for policy that supports maintenance, community stabilization efforts, and home repair.

## Lack of Growth in Young Professional Segment

While the population of Bloomington-Normal is highly educated with around half of those aged 25 and older holding at least a bachelor's degree, from 2010 to 2020, **there was a five percent decline in the population of those aged 25 to 34 with at least a bachelor's degree.** Though increasing employment opportunities will drive growth in this segment, investments in place and housing diversification will help improve the competitiveness of the region to attract a young, talented, and mobile workforce that are increasing in much larger numbers in Madison, Des Moines, and other growing Midwestern markets. Additionally, over the last decade, among age cohorts in Bloomington-Normal, only those older than 50 experienced net growth, while all age cohorts younger than 50 experienced a net decrease.

## Competition from student housing market

**Since 2010, there has been a 40 percent increase in student beds (+2,950) with only a 10 percent increase in non-student multi-family units (+1,200).** Market pressures for student housing can often cause barriers to non-student multi-family housing development—student housing is more profitable, and in turn, increases the cost of land for multi-family development, especially in close-in urban neighborhoods within close proximity to campus.

## There has been limited infill development activity in recent years

**The vast majority of new housing development has been outside of the urban core** with limited higher-density urban product added in the last decade. Of the more than 500 housing units delivered in the market over the last three years, more than 82 percent has been on the periphery or in unincorporated McLean County in traditional single-family suburban developments. While greenfield development will be a necessity to accommodate growing demand, there are key demand segments that would prefer a more urban product in a more walkable and amenitized mixed-use environment. At the same time, infill development is more challenging in terms of land acquisition and assembly which creates limitation in terms of developing new supply quickly to meet pent-up demand.

## Data keeping up with market realities

Real estate sales data is the most up-to-date and can give a snapshot of housing development trends and property values as well as rent and vacancy trends for multi-family housing; however, **quantifying future demand is more challenging since economic and demographic activity over the last ten years is not necessarily indicative of future trends,** since the regional economy has been reinvigorated with several economic development "wins" in recent years, most notably Rivian's success and trajectory. For example, Bloomington-Normal is within Illinois' Local Workforce Area 15 and the most recent employment projection data indicates a projected loss of 5,500 jobs from 2018 to 2028, although this includes an 8-county region.

## KEY OPPORTUNITIES

### Property Value Appreciation

**After nine years of market stagnation, there was a turning point in 2019 and average property values increased by 25 percent for a net increase of just under $40,000.** While property value appreciation can be a double-edged sword causing affordability challenges for new buyers, especially low- and moderate-income households, it is also a key indicator for market health and feasibility for new housing development. Average property values actually decreased slightly from 2010 to 2019, which may have limited new housing development, since 2019, property values are now growing faster than the Chicago MSA (23 percent) and state (23 percent). Based on average wages and the wages for expanding employers like Rivian, these trends will likely continue with more room to growth.

### Economic Diversification

**The Finance and Insurance industry has driven regional economic growth** with the industry adding more than 9,000 jobs from 2010 to 2020, which has contributed to a significant increase in Computer and Mathematical Occupations. Based on the national distribution of employment in this sector (location quotient), Bloomington-Normal has nearly four times the share of jobs in this occupational category, which is growing nationally and the workforce is highly-educated and mobile. This growth, coupled with the rapid expansion of Rivian has helped transition the economy to more of a base of knowledge and automotive/advanced manufacturing sectors, which support a wide range of complementary industries. These high-paying industries have and will continue to drive housing demand.

### Shifting Socio-Economic Conditions

Average occupational wages in Bloomington-Normal ($57,300) are higher than the national average ($56,300), and **the net increase in higher-income households has strong implications for future housing demand.** From 2010 to 2019, there was a net gain of more than 6,200 households earning more than $100,000 annually, while there was a net decrease of more than 4,000 households earning between $25,000 and $75,000 annually. This indicates that there are market opportunities for higher-valued and higher-quality housing. It can be implied that moving forward, net population growth will be from higher-income households, but there is still a need to improve affordable and moderately-priced housing options for those households that wish to stay in the region.

### Projected Population Growth

Based on the latest county population projections from the State of Illinois, **McLean County is projected to have the largest net increase in population by any Illinois county outside of the Chicago MSA adding more than 10,000 residents over the next 10 years.** Conservatively, this population growth will generate demand for around 4,300 to 4,800 new housing units, including at least 1,000 new multi-family units. These projections will be accelerated by continued job growth and economic development success, including expansions by Rivian and other major employers.

## Growing Demand for Higher-Quality Rental Options

While homeownership rates typically increase with household income (e.g. greater proportion of high-income households own versus rent), more than 8,200 households in the county earning more than $50,000 annually rent their housing. More notably, from 2010 to 2020, **the number of renter-occupied households earning more than $50,000 increased by 56 percent for a net increase of 2,900 households.** The market only delivered around 1,000 market rate housing units during this time period implying that a large share of these households are renting older, lower-quality multi-family products or single-family homes. This demonstrates a significant opportunity for expanding higher-quality multi-family options.

## Single-Family Product Differentiation

Based on sales from the last three years of single-family homes built since 2010, **24 percent of sales of newly built homes had less than 2,000 square feet indicating that the market is delivering a relatively diverse range of detached single-family product types.** These homes had average sale prices of $182 per square foot, significantly higher than the overall average of $129 per square foot. Given the market for smaller-scale for-sale product, there is an opportunity to further diversify the housing stock with other types of for-sale products such as townhomes, attached homes, and condominiums.

# NATIONAL HOUSING CONTEXT

Over the last ten years, the national housing market has been in flux impacted by two major economic shock events: Great Recession (2007 to 2009) and COVID-19 pandemic (2020 to 2021). While the national economy rebounded in the early 2010s and many urban markets experienced significant multi-family development, the pace of single-family development slowed leading up to the COVID-19 pandemic in which there has been a well-documented lack of supply. Part of this could be attributed to a "rebalancing" after a building boom in the 2000s. National demographic and economic shifts as well as changes in housing and lifestyle preferences changed the trajectory of housing development in the 2010s; however, the pandemic further disrupted the delivery in housing as well as geographic mobility (households are moving at historically low rates).

- **From 2010 to 2020, there was an increase in renter-occupied housing units of 14 percent compared to an increase of less than four percent in owner-occupied units.** This shift can be attributed to a change in housing preferences, especially for urban professionals, but also the increasing challenges for low- and moderate-income households to purchase homes given credit issues, lack of financial resources, and lack of affordable supply. During this time period, there was also a significant shift in renter-occupied single-family homes (20 percent increase). *Source: ACS*
- **Since 2016, there was a 26 percent increase in construction costs** which, combined with labor shortages and supply chain disruptions, has contributed to the recent escalation in home prices and pace of delivery for new housing supply. *Source: Rider Levett Bucknall's National Construction Cost Index, Q2 2016 to Q2 2021*
- **It is projected that by 2030, 29 percent of households will consist of a single person,** the fastest growing household type, dominated by older adults. This coupled with the general shift of household composition with only 19 percent of total households with children, down from 31 percent in 2010, and decreasing household sizes have impacted housing demand and preferences *Source: FreddieMac, ACS, U.S. Census*
- **Consumer preference surveys show a shift in housing and community preferences that align with these demographic shifts.** Nearly 50 percent of homebuyers surveyed in 2016 purchased a home in a community that offered shared amenities such as playgrounds and pools and nearly 90 percent of Americans surveyed indicated that it was important to live within walking distance of places in their community, such as retail and parks. *Source: National Realtors Association*

SINGLE-FAMILY HOUSING & HOUSEHOLD TREND COMPARISON

USA, 1980-2020

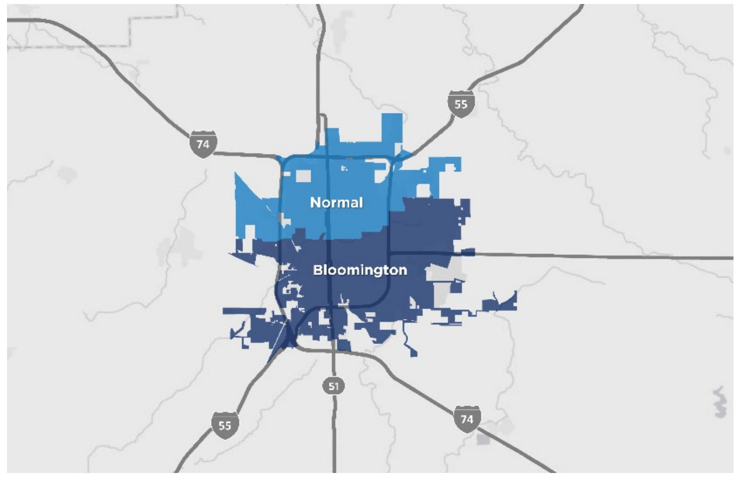
Source: U.S Census, American Community Survey

| | 1980 | 2020 | |
|---|---|---|---|
| Share of detached Single-Family homes | 62% | 62% | The share of single-family homes remained the same from 1980 to 2020 |
| Share of married households with children | 31% | 19% | Yet, the share of married households with children, a primary market for single-family homes, declined substantially |
| Average Household Size | 2.76 | 2.53 | Household sizes also decreased, impacting consumer preferences about the size of housing units |

# DEMOGRAPHIC OVERVIEW

## MARKET AREA

The study areas for this analysis include the City of Bloomington (pop. 77,700) and Town of Normal (pop. 54,700), which combined are Bloomington-Normal. This market area is contained within McLean County representing around 77 percent of the countywide population. Its geographic peers include Peoria (38 miles northeast), Decatur (46 miles south), Champaign (50 miles southeast), and Springfield (68 miles southwest).

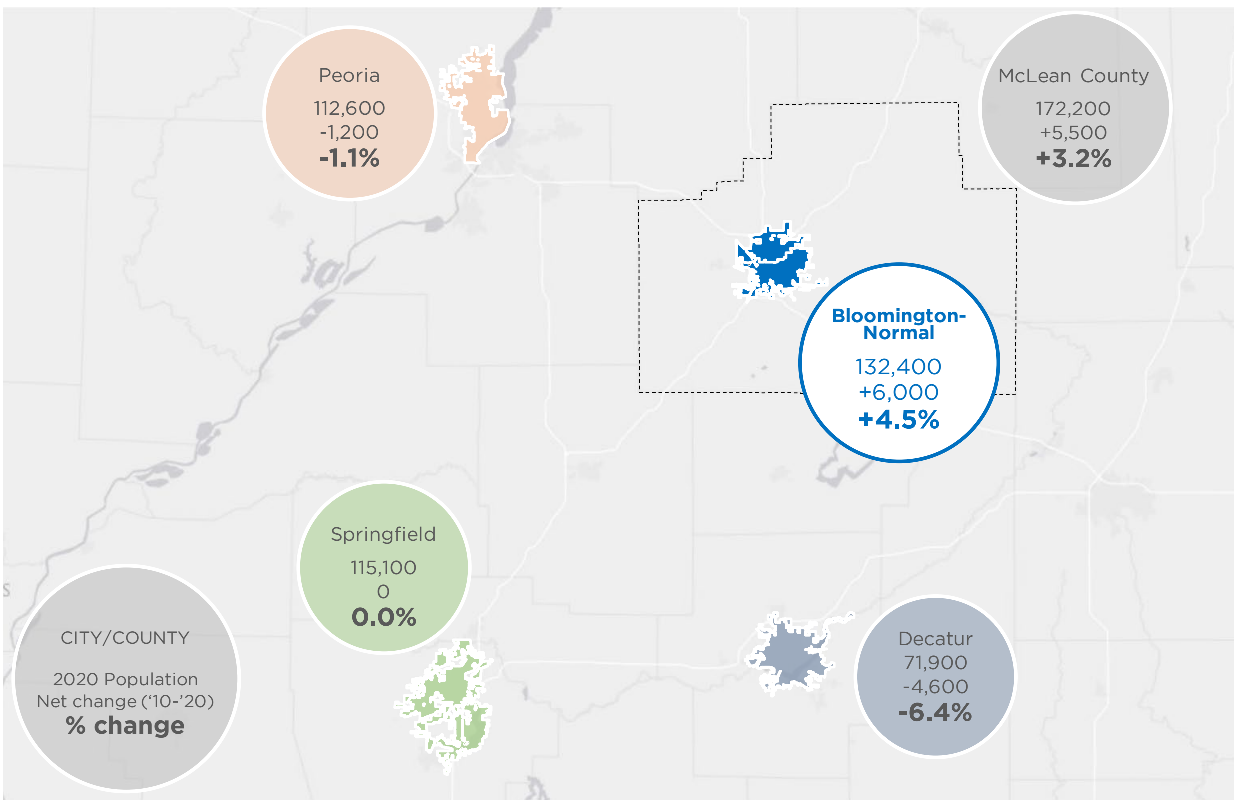



While the Chicago metro area is beyond commuting distance, more than 135 miles northeast, Bloomington-Normal is within its "sphere of influence" and is a potential source for workforce and talent. As presented later in his analysis, over the last several years, Bloomington-Normal has had the largest net gain of new residents from the Chicago metro area compared to all other markets.

## PEER COMMUNTIIES

Demographic trends and housing in the study area of Bloomington-Normal can also be understood in relationship to other cities. Looking at peer trends helps us understand how Bloomington-Normal compares to communities with a similar economic and demographic composition. Historically, Bloomington-Normal has had a similar size, economic base and trajectory as its Central Illinois peers, including Peoria, Decatur, and Springfield; however, over the last ten years, Bloomington-Normal has surpassed these regions given much fast growth. In fact, Peoria and Decatur have contracted, while Springfield has had no net population growth.

Based on ESRI data, Bloomington-Normal's median household income ($63,000) and median home value ($190,000) are significantly higher than its former peers. Given the strong economic base in finance and insurance, Bloomington-Normal is highly educated with approximately 50 percent of the population aged 25 and older holding at least a Bachelor's degree and ESRI projects stronger income growth overall. These metrics highlight the challenge of finding "true" peer markets, and moving forward, Bloomington-Normal should seek inspiration from other growing mid-tier markets in the Midwest including Des Moines, Cedar Rapids, Ann Arbor, Grand Rapids, and Madison.




| Demographic Information | Bloomington-Normal, IL | Peoria, IL | Decatur, IL | Springfield, IL |
|---|---|---|---|---|
| **Median Household Income (2021)** | **$63,000** | **$52,000** | **$43,000** | **$54,000** |
| Projected Annual Income Growth ('21 to '26) | 2.3% | 1.7% | 1.5% | 1.6% |
| **% with at least Bachelor Degree** | **50%** | **36%** | **20%** | **37%** |
| **Median Home Value (2021)** | **$190,000** | **$139,000** | **$95,000** | **$148,000** |

Source: ACS, ESRI, 2021

## DEMOGRPAHIC OVEVRIEW

### Population and Household Trends

According to the latest ACS and ESRI data, the cities of Bloomington and Normal have a combined population of 132,400–increasing by 4.5 percent from 2010 to 2020, for a net increase of around 6,000 residents. During the same period, the state's population decreased by 0.5 percent. Population growth in the study area has historically outpaced the state, increasing 15.5 percent annually between 2000 and 2010 while the state experienced a slower growth rate (3.3 percent annually).

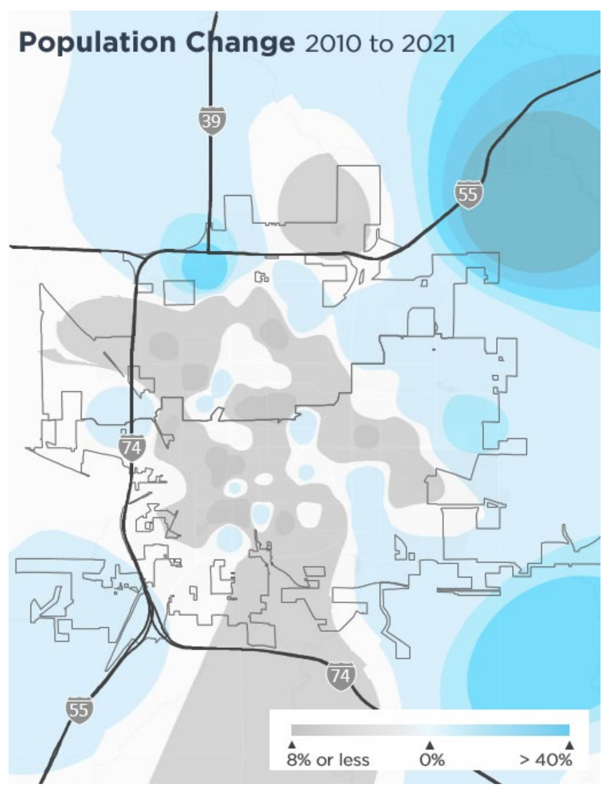
**KEY METRICS**
Bloomington-Normal, IL

| | |
|---|---|
| 132,400 | population 2021 |
| 4.5% | population growth since 2010 |
| 42% TO 34% | household rental-rates compared to the state |
| $190K TO $225K | median housing value compared to the state |
| $63K TO $69K | median household income compared to the state |
| 32.0 TO 38.4 | median age relative to the state |

Source: ACS, ESRI, 2022

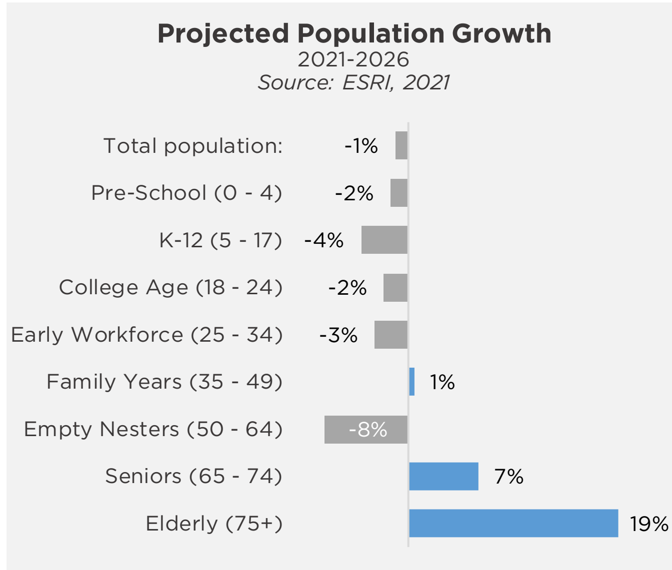
The average household size in the study area (2.37 persons) is moderately smaller than the state (2.56 persons) and the nation (2.58 persons). Household growth slightly outpaced population growth in both the region and the state over the past decade, resulting in shrinking average household sizes. Compared to the state (36 percent), the region has a larger share of non-family households (44 percent), such as people living alone and two or more unrelated people living together. Additionally, two-thirds of households in the study area are one- and two-person households. These household characteristics can be attributed to the large student population as well as highly-educated and mobile professional workforce.

Most of the population growth in the market area has occurred on the urban periphery, which is consistent with development patterns—the newest housing supply generally consists of conventional suburban detached single-family homes. While population growth is often minimal in urban areas with a large built out historic housing stock, population losses in these areas highlight the importance of neighborhood stabilization, reinvesting in the existing housing stock, and creating more infill redevelopment opportunities.



## Age Distribution

The age distribution in the study area is less even among cohorts than in the state, with a larger proportion of its population within the College Age (aged 18 to 24) cohort and a smaller proportion within the baby boomer and senior cohorts age 50 and older. As a result, the study area has a median age of 32 years, which is younger than the state (38.4 years) and nation (38.8 years). This reflects the impact of Illinois State University and Illinois Wesleyan University.




The largest cohorts in the study area are College Age (ages 18 to 24), and Family Years (ages 35-49) representing nearly a third of the population. Over the last decade, the study area's age distribution began to shift. Between 2010 and 2021, the younger age cohorts (under 24 years) contracted between five and eleven percent, while the Seniors and Elderly cohorts grew by 68 and 15 percent, respectively.

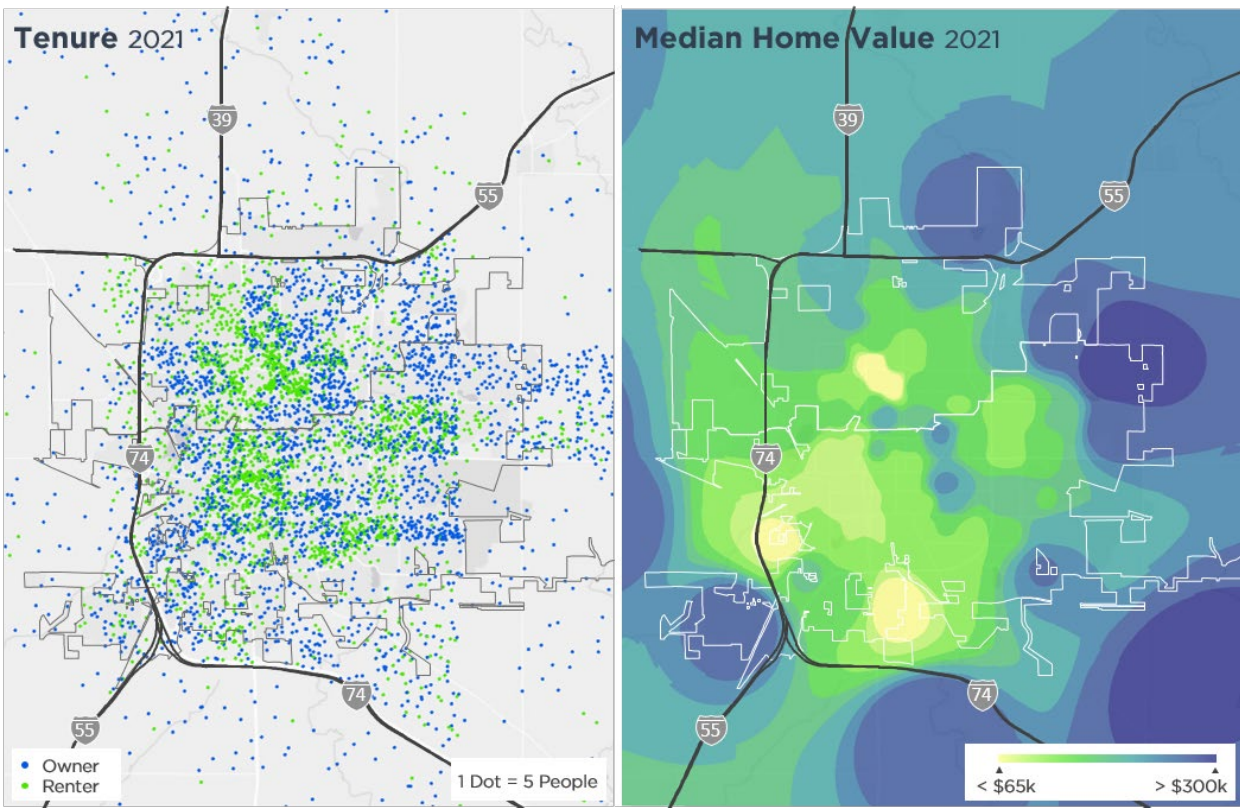
We understand that the current population growth data projected by ESRI is lagging in terms of capturing the recent influx of employees in the study area. With Rivian's targeted expansion adding 2,500 manufacturing jobs, in addition to the 940 full-time employees already in Bloomington-Normal, both the cities' age distribution is set to shift significantly. The Early Workforce (ages 25 to 34) and Family Years (ages 35-49) cohorts is set to grow significantly.

## Housing Trends

According to ESRI data, the median home value in the study area is about $190,000, slightly lower than the county at $194,000, and the state at $225,000. As shown in the map below, median home values tend to increase as one moves away from the urban core and towards south and east through the city. This is well explained by the age, size and condition of structures.

The study area has a higher share of renter occupied housing units (42 percent) compared to the state (34 percent). As shown on the map below, majority of the renter households are concentrated in the urban core, near the university campus and the downtown area.

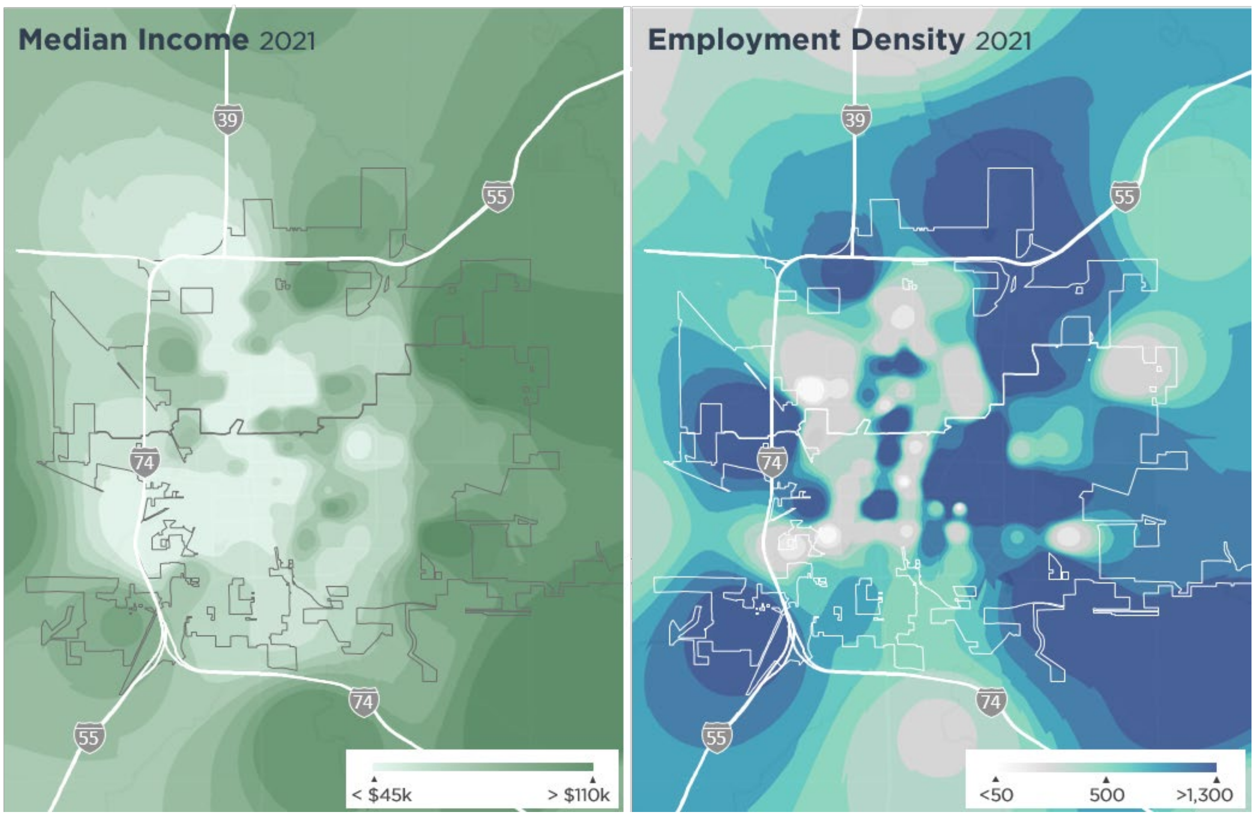
Multi-family units make up nearly a third of all housing supply in the study area, a significantly higher share compared to the state (20 percent). Vacancy rate in the study area (nine percent) is comparable to the state (ten percent).



## Income Distribution

According to ESRI data, the median household income in the study area is $63,090, with less than a third (29 percent) of households earning between $50,000 and $100,000 a year. Nearly a quarter (23 percent) of households earn less than $25,000 annually and can only afford an apartment with rent (including utilities) up to $625 or a $73,000 mortgage without being cost-burdened (i.e., spending more than 30 percent of gross income for housing costs).

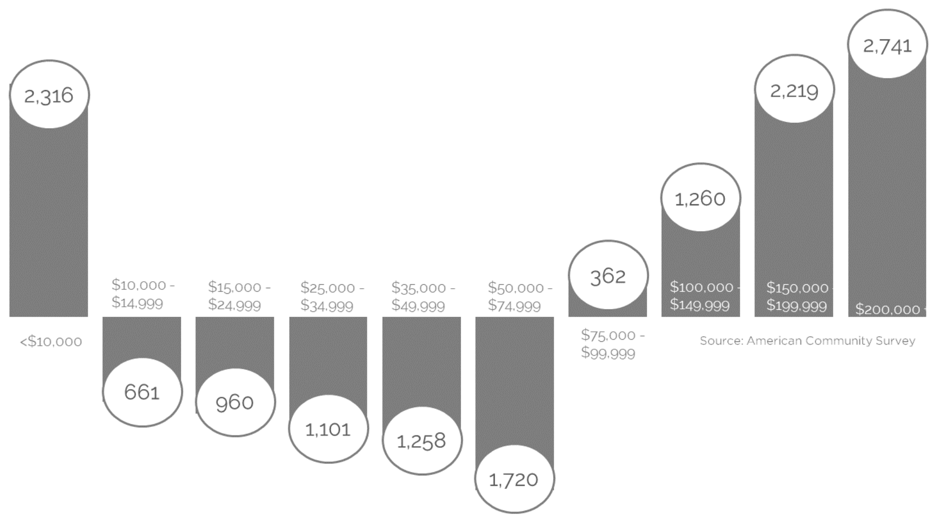
The maps below show the distribution of median income and employment across the study area. The highest concentration of lower-income households is in the urban core, and the highest concentration of higher-income households is towards the east and southeast in areas with newer detached housing. Despite the growth of Rivian to the west, there has been limited new construction and few concentrations of higher-income households.



## DEMOGRPAHIC SHIFTS

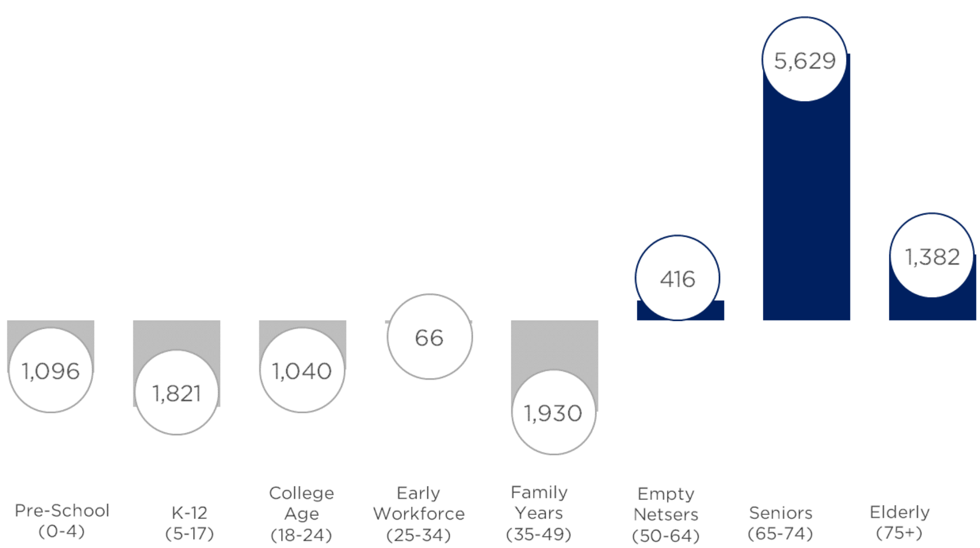
### Change in Households by Income, McLean County, 2010-2020

Since 2010, there has been a significant socio-economic shift in the county—with the exception of households earning less than $10,000, all net household growth was among households earning more than $75,000 annually with net growth of nearly 6,600 households. Conversely, there was a net decrease of 5,700 households earning between $10,000 and $75,000 annually. *Source: ACS*



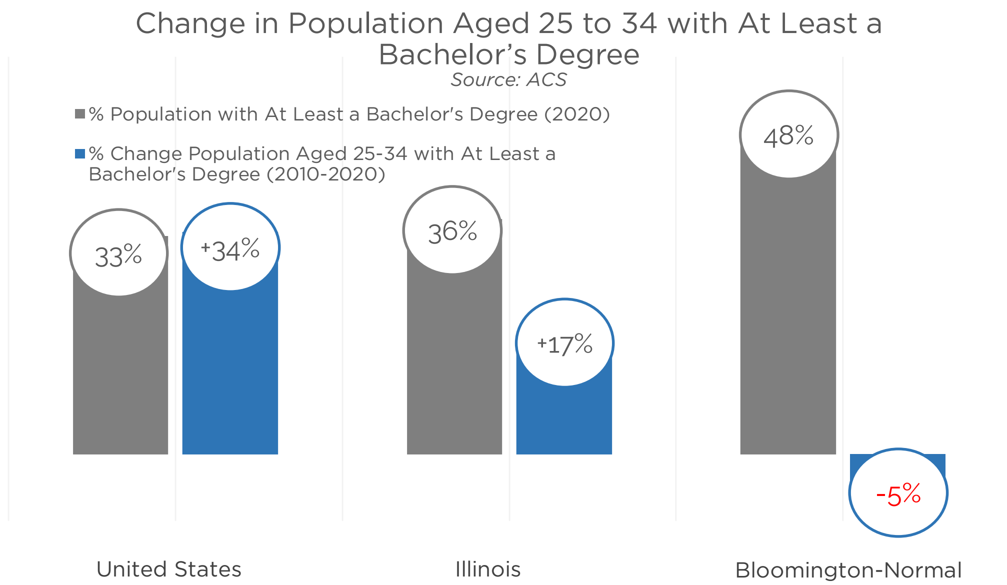

### Change in Population by Age, McLean County, 2010-2021

Consistent with National trends, there has been a significant increase in the older population with a net increase of households aged 50 and older from 2010 to 2021, whereas all other age cohorts under 50 experienced a net decrease. These demographic trends will likely change over the next 10 years with the continued growth of Rivian. At the same time, this emphasized the need to address housing options for an aging population, especially for the growing Senior population who may be seeking a smaller-scale product in a more walkable area. *Source: ESRI*



## Change in Young Professionals, Bloomington-Normal, 2010-2020

Bloomington-Normal's population is highly educated with 48 percent of resident holding at least a Bachelor's degree, well-above the statewide (36 percent) and national (33 percent) averages. This can be attributed to the large share of finance jobs in the region as well as the presence of Illinois State University and Illinois Wesleyan University with a combined enrollment of approximately 24,000. However, the has been a decline in population aged 25 to 34 with at least a Bachelor's degree, which is a proxy for trends among young professionals. While employment opportunities will drive growth in this demographic, this also highlights the importance of making the region more attractive to young talent. *Source: ACS*



# ECONOMIC OVERVIEW

## Employment Trends

According to ESRI, there are just over 104,000 jobs in Bloomington-Normal, of which, nearly 38,000, or more than 36 percent are in Finance and Insurance anchored by State Farm Insurance (14,400 employees) and COUNTRY Financial (2,000 employees). This is nearly nine times the national share of employment in this sector.

Prior to the Great Recession, the Bloomington-Normal economy generally followed statewide and national trends and have a robust recovery in 2010 given strong financial sector growth; however, since 2011, overall employment has declined, which in turn, adversely impacted the housing market. Rivian adding 5,000 jobs in the late 2010s has helped stabilize the economy, although consistent with national trends, overall employment declined from 2019 to 2020 and the recovery in Bloomington-Normal has been less robust.

**KEY METRICS**
McLean County

Job Change (2012 - 2019)

| McLean County | Illinois |
|---|---|
| -3.8% | +5.3% |

Job Change (2020 – November 2021)

| McLean County | Illinois |
|---|---|
| +3.4% | +5.7% |

McLean County Unemployment Rate

| 2012 | 2019 | 2020 | November 2021 |
|---|---|---|---|
| 6.4% | 3.6% | 6.8% | 3.4% |

Share of Total Employment in Finance-Related Sectors

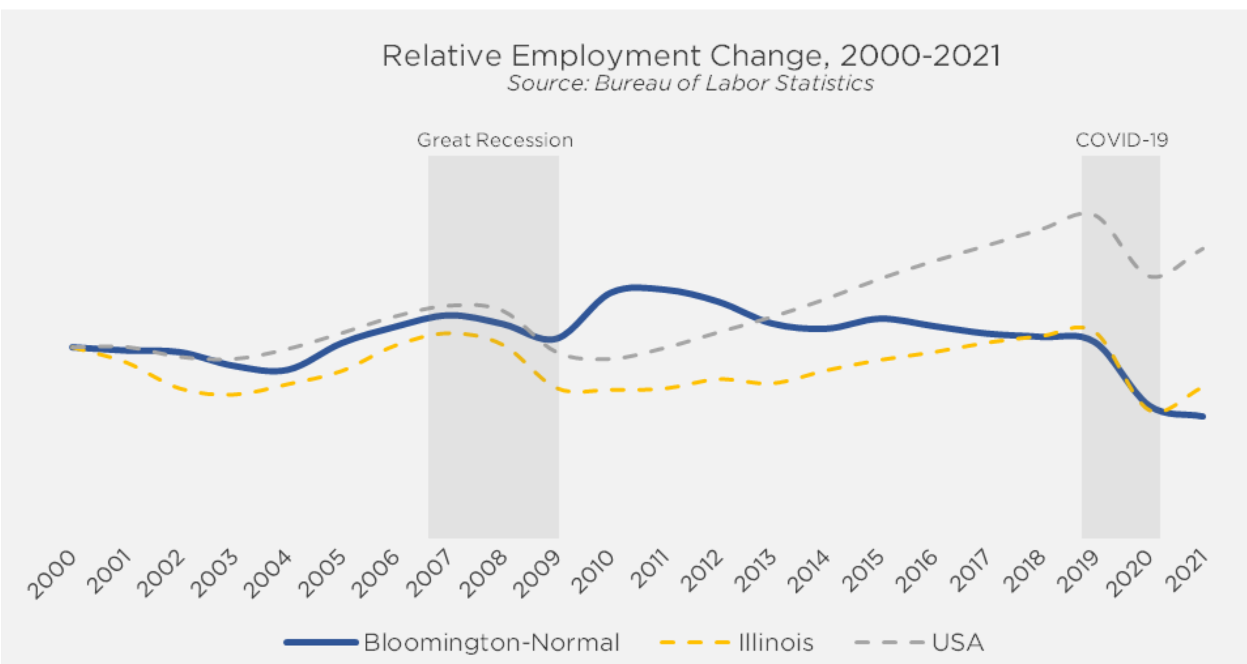
| McLean County | Illinois |
|---|---|
| 20% | 6.2% |

EDR Region 3 Occupational Projections (Net Job Growth 2018 – 2028)

| | |
|---|---|
| WAREHOUSING AND STORAGE | +761 |
| FINANCIAL ACTIVITIES | +497 |
| AMBULATORY HEALTH CARE SERVICES | +432 |
| INDIVIDUAL AND FAMILY SERVICES | +428 |
| RENTAL AND LEASING SERVICES | +374 |

Source: Bureau of Labor Statistics, Illinois Dpt. of Employment Security, 2022

At the same time, the most resilient industries over the last five years gave been in high-growth and high-paying sectors, including Finance and Insurance, Healthcare, Management, and Professional/Scientific/Technical Services. And while manufacturing employment has declined overall, the wages for Rivian's workforce are more consistent with professional service sector jobs, which has shifted the demand for higher-quality housing.

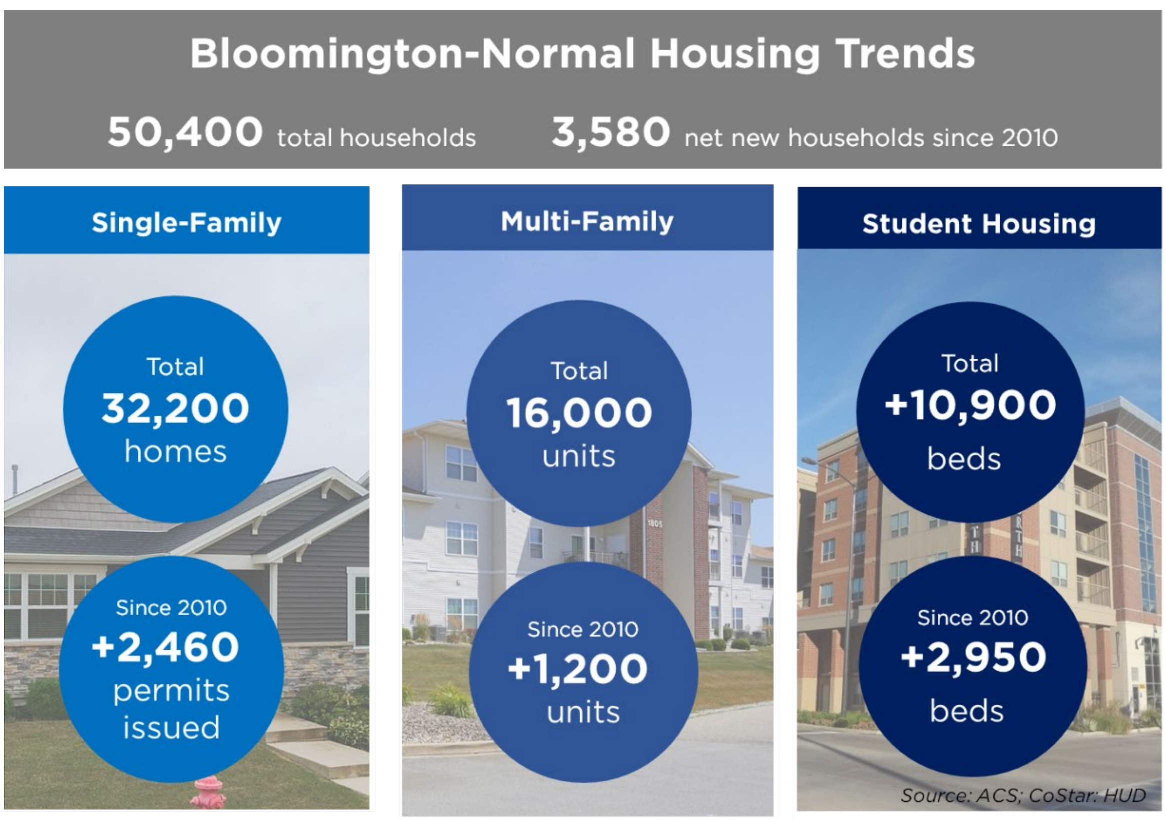


# HOUSING MARKET TRENDS

## REGIONAL OVERVIEW

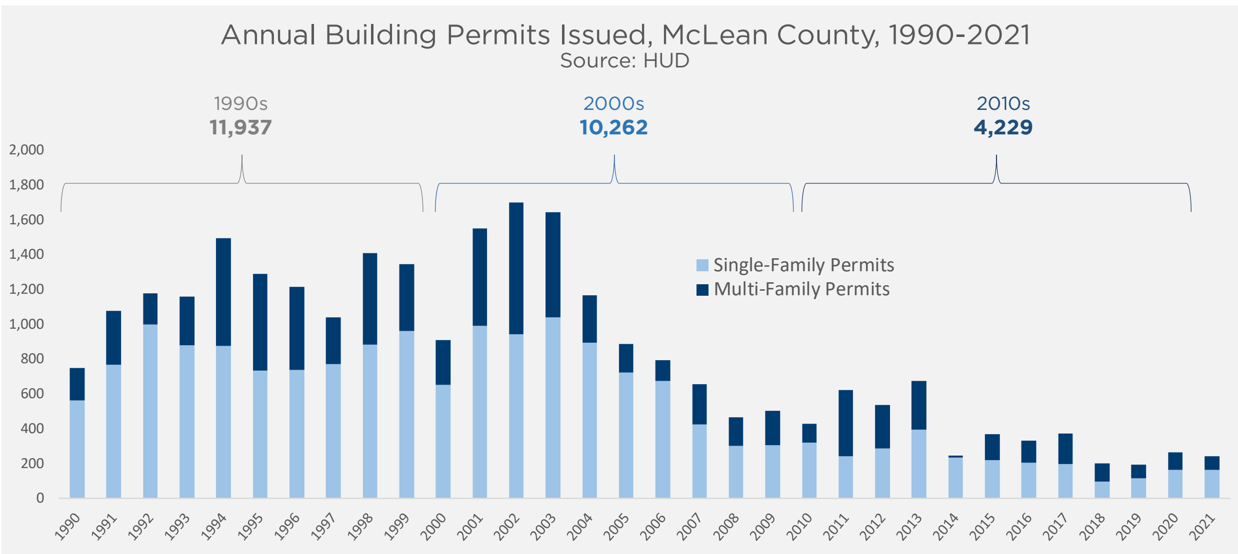
Since 2010, housing development has generally kept pace with regional population growth, although the percent net growth in households exceeded total housing units delivered.

- **From 2010 to 2020, Bloomington-Normal added approximately 3,580 net new households,** for an increase of 7.6 percent.
- Based on permitting activity from HUD, nearly **2,500 single-family (attached and detached) permits were issued in McLean County** and it is assumed that nearly all of these permits were issued in Bloomington-Normal or just beyond their city/town limits.
- According to CoStar, **around 1,200 market rate multi-family units were delivered** since 2010 in Bloomington-Normal, for an increase of around eight percent.
- The **overall housing vacancy rate of 8.7 percent** is below the state (9.1 percent) and national (11.6 percent) average yet has only decreased slightly since 2010. This indicates that despite increasing demand, a large proportion of the existing housing stock is obsolete or has limited marketability, especially for new higher-income migrants to the region.
- A strong student housing market can impact the economic feasibility for new multi-family since it is a highly-productive use and can be very profitable with a lower-level of finish. Since 2010, **nearly 3,000 student housing beds have been delivered for an increase of 37 percent.**



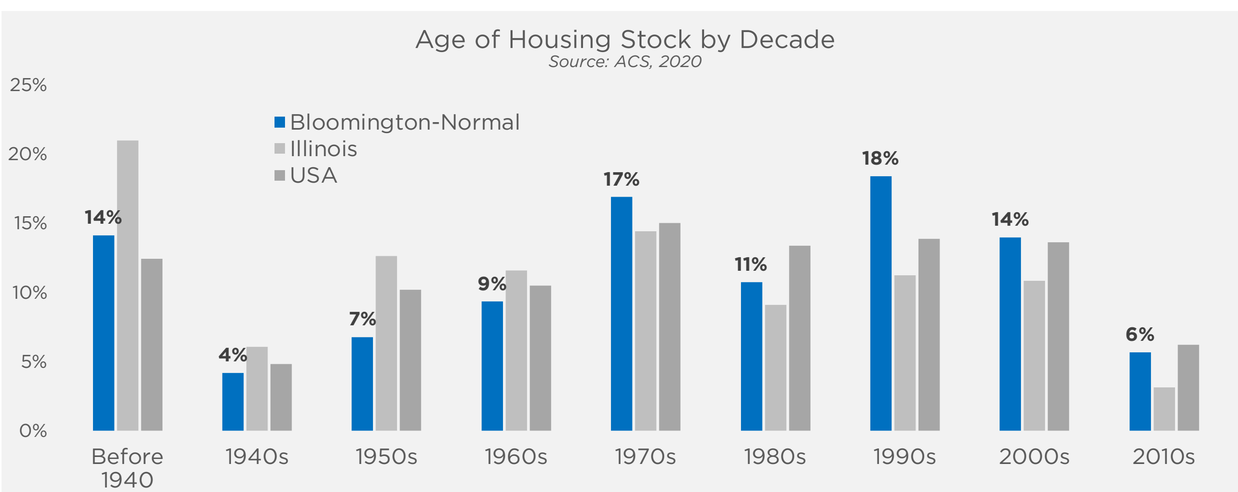
## Permitting Activity

Based on permitting over the last several decades, there was significant decline in the 2010s with only 4,229 permits issued compared to 10,262 in the 2000s and 11,937 in the 1990s. Much of the development activity prior to 2010 was triggered by strong regional population growth and the continued expansion of the Finance and Insurance industry, which carried into 2011, 2012, and 2013; however, development activity stagnated due to a slow-down in hiring activity. With the relative suddenness of Rivian entering the market development activity has not yet caught up coupled with national economic challenges associated the COVID-19 economic shutdown in 2020, rising inflation, and construction costs. From 2018 to 2021, the county has averaged around 225 permits annually, which will not keep pace with projected population growth.



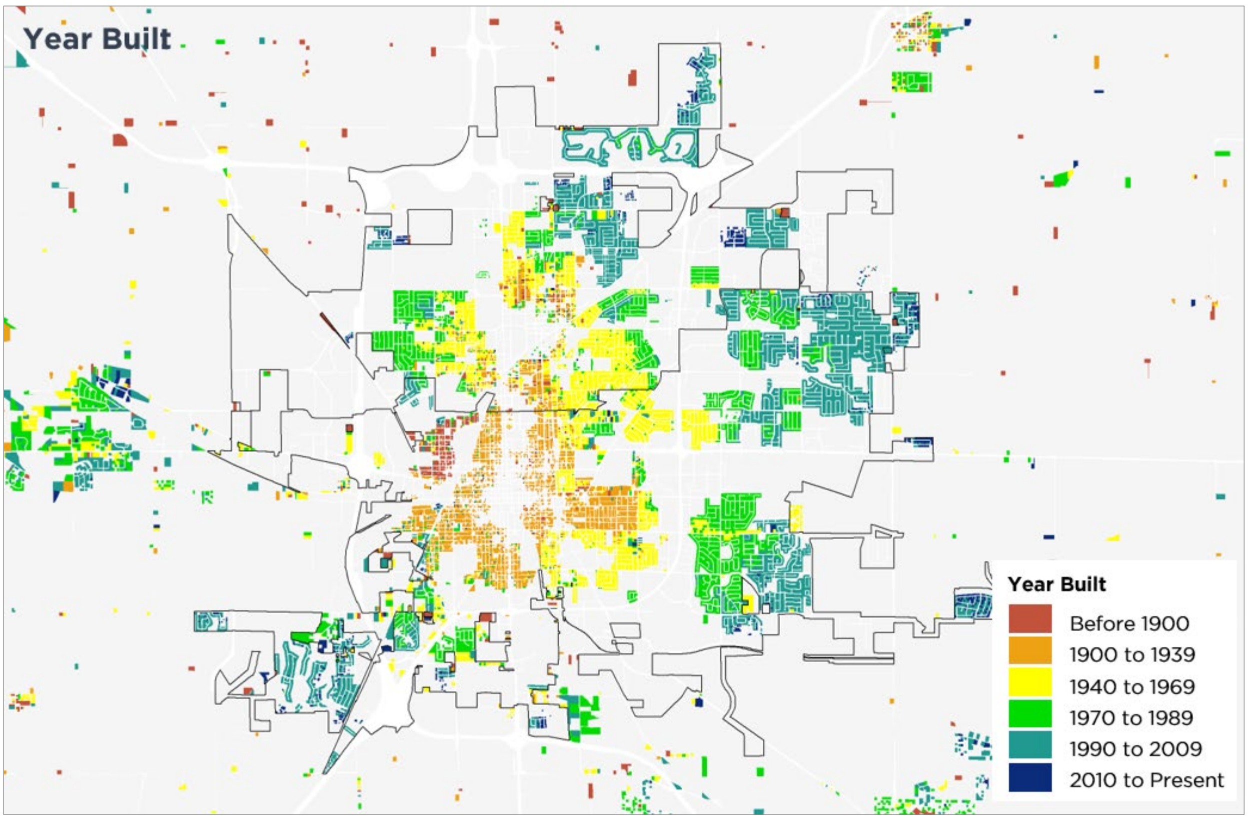

## Age of Housing Stock

Only six percent of the housing stock in Bloomington-Normal was built since 2010 (net increase of just over 3,000 housing units), although this is generally consistent with the national average. The largest share of the housing supply was delivered in the 1990s when nearly 9,300 housing units were delivered. The majority of the housing stock delivered since 1990 was built on the west side of Bloomington.



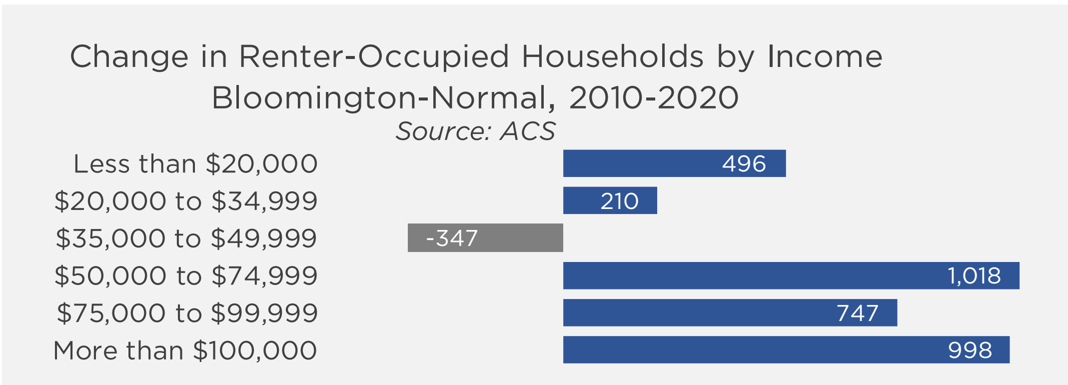
## Parcel Analysis

Based on data from the McLean County assessor, mapping age of structure provides a snapshot of historic development patterns in the region with most of the structures on the periphery of the urban core built before 1940 and development generally pushing eastward over the following decades. The largest concentrations of newer housing—built after 1990—are located in the northeast portions of Normal and eastern portions of Bloomington. A market strategy would further leverage this data to better understand future development opportunities and how complementary developemnt, such as retail, civil, and services can be better integrated. These development patterns also emphasize the importance of investing in the urban core both in terms of investing in the existing housing stock, but also identifying potential redevelopment areas for infill development.



## Change in Tenure by Income

From 2010 to 2021, there was an overall shift in housing tenure in Bloomington-Normal with renter-occupied households now comprising of 42 percent of occupied households (up from 39 percent in 2010). The vast majority of net new renters were from higher-income households with a net increase of nearly 2,800 households earning more than $50,000 annually, compared to an increase of around 3,100 renter households overall. As presented previously, the market only delivered 1,200 new multi-family units during this time period indicating that many of these households have had to find options beyond conventional multi-family properties.




## Shift in Renter-Occupied Housing

Given the lack of higher-quality rental options, a large proportion of these new renters are occupying single-family homes. Based on ACS data, from 2010 to 2020, there was an increase of renter-occupied single-family homes of 39 percent, well above the state (25 percent) and national (20 percent) averages. Note that while the net change in larger multi-family units with 10 or more units was 1,649 from 2010 to 2020, a large portion of these units were student housing. Additionally, the net change in single-family units of 1,794 was lower than total permits issued (2,460) since many aging and obsolete housing units were replaced.

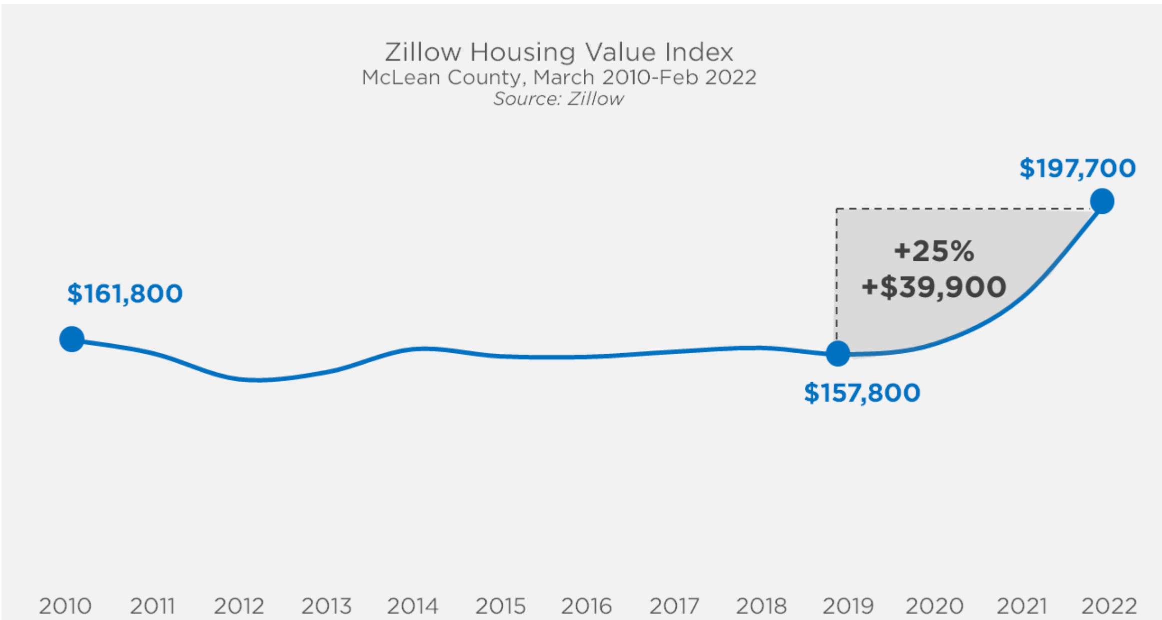
**Change in Occupied Housing Units by Structure and Tenure, 2010-2020**

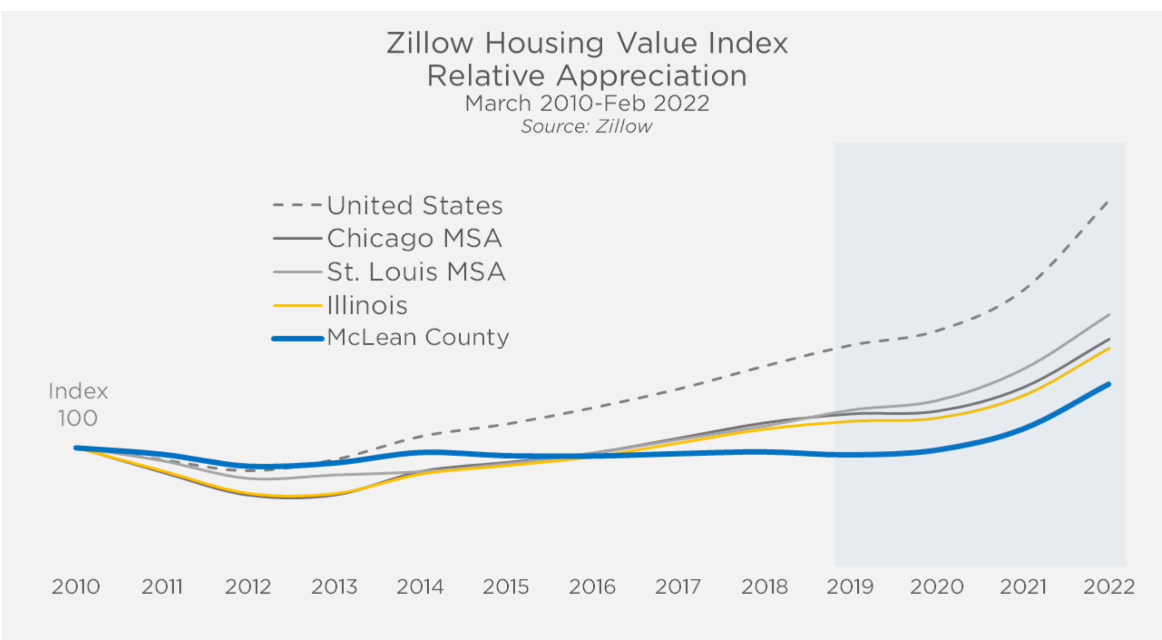
| | Bloomington-Normal | | | | Illinois | USA |
|---|---|---|---|---|---|---|
| | 2010 | 2020 | Net Change | Percent Change | | |
| All Occupied Housing Units | 48,062 | 51,645 | 3,583 | 7% | 2% | 7% |
| All single-family | 29,723 | 31,517 | 1,794 | 6% | 2% | 7% |
| Duplex-Triplex-Fourplex | 4,289 | 4,203 | -86 | -2% | -1% | 2% |
| Small Multi-Family (5 to 9 units) | 3,771 | 4,406 | 635 | 17% | 7% | 6% |
| Larger Multi-family (10+ units) | 7,868 | 9,517 | 1,649 | 21% | 10% | 18% |
| Renter-Occupied Housing Units | 17,971 | 21,093 | 3,122 | 17% | 12% | 14% |
| **All single-family** | **3,001** | **4,158** | **1,157** | **39%** | **25%** | **20%** |
| Duplex-Triplex-Fourplex | 3,853 | 3,787 | -66 | -2% | -1% | 4% |
| Small Multi-Family (5 to 9 units) | 3,392 | 3,930 | 538 | 16% | 8% | 6% |
| Larger Multi-family (10+ units) | 7,453 | 8,877 | 1,424 | 19% | 15% | 19% |

Source: ACS

## PROPERTY VALUE TRENDS

Based on Zillow's Housing Value Index (ZHVI) for all single-family homes in McLean County, after nine years of market stagnation, there was a "turning point" in 2019 and average property values have since increased by 25 percent for a net increase of just under $40,000. While property value appreciation in McLean County continues to lag value appreciation nationally, since the 2019 turning point, property value appreciation is now comparable to the Chicago and St. Louis metro areas and the statewide average.

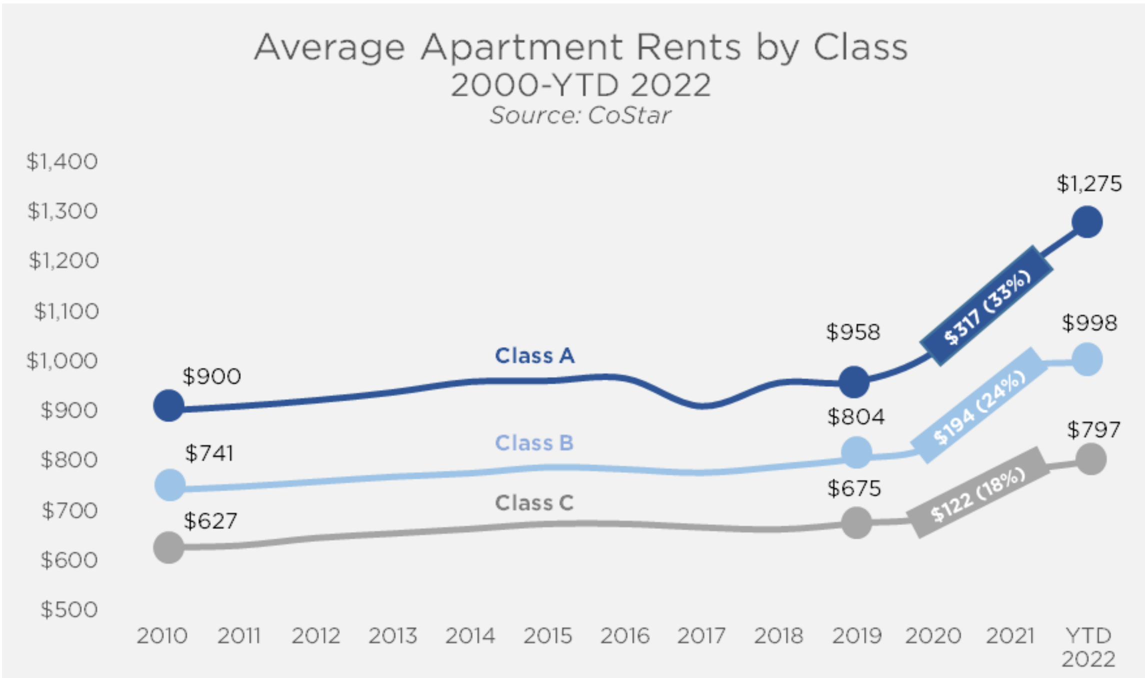


## MULTI-FAMIILY TRENDS

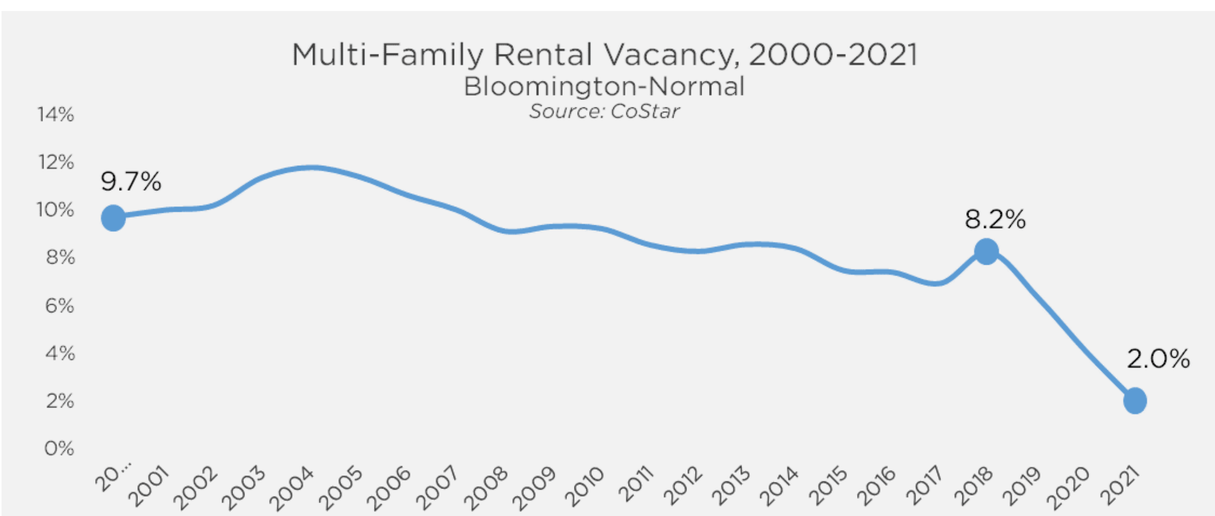
### Rent Trends

Similar to property value trends, after nine years of very limited rent growth, multi-family rents had a significant shift in 2019 across all product types. Class A properties—the highest-quality rental products in the market—had the highest rent increases on a net and percent basis with rents increasing by 33 percent (net increase of $317). This is another indicator of the market potential for higher-end rental products.




### Vacancy

Demonstrating the lack of multi-family supply is the dramatic decrease in the overall vacancy rate from 2018 to 2021, which dropped by 620 basis points (1 percent = 100 basis points). This indicates growing demand, but lack of new supply to accommodate this demand.



# DEMAND ANALYSIS

## INTRODUCTION

Determining market demand is complicated. For instance, conventional market analysis looks specifically at income variables in the market area, without consideration of consumer preferences, while target market analysis utilizes consumer preferences, but relies on national averages. Other types of analyses measure demand from very specific populations. Ultimately, several methods have been used in this study, to arrive at a reasonable expectation for future housing demand as well as a breakdown of types of housing products by price point.

1. **In-Migration:** Using data from the American Community survey and target market analysis, this methodology considers the number of residents moving to the region annually. This data can be compared to income trend data over the last decade to understand expected income levels of new households.

2. **Conventional:** Assesses household income variables within the market are to determine the amount and types of units that are affordable to existing households compared to the distribution of housing value and rents.

3. **Target Market:** Considers consumer profiles of residents within the Bloomington-Normal market to determine desirable housing products, tenure, and affordability based on national averages.

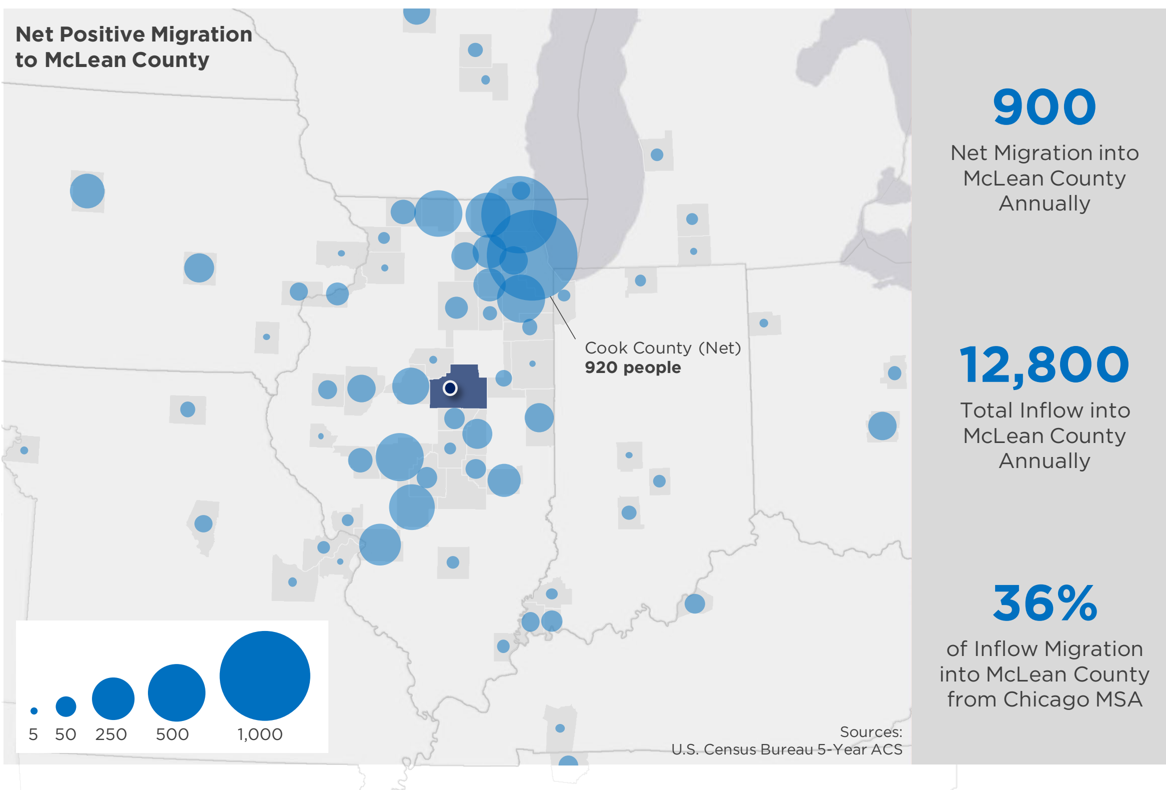
4. **New Employment and Wages:** Considers the occupational distribution of new workers moving to the market and affordability levels based on projected wages.

5. **Population Projections:** Based on the latest population projections for McLean County and household trends, an order-of-magnitude numbers of new housing demand can be determined.

When considering each of these different indicators for future housing demand, a development program can be determined to understand the breakdown of future demand for rental and for-sale housing products by types and price points.

## IN-MIGRATION

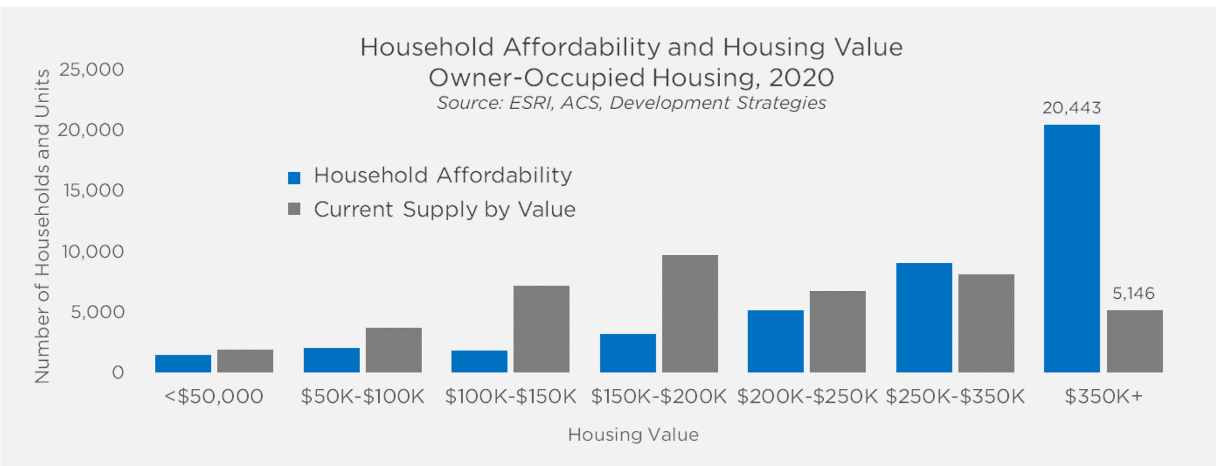
Based on the latest available data from ACS data reflecting moving patterns from 2015 to 2019, McLean County had a net gain of around 900 people annually, not reflecting the new migration patterns after 2019 with the ramp-up of Rivian. Most notably, there was a net gain of 1,900 people annually from the Chicago MSA indicating that future housing demand will need to meet the expectations of households moving from larger metro areas. This data further highlights the importance of having a quality rental housing stock to accommodate new migrants to the region during the initial "renter lifecycle" while the household becomes acclimated to the community and potentially seeks a more permanent living option in the for-sale market. While there is consisting in-migration and out-migration, the fact that McLean County must accommodate 12,800 newcomers annually, of which around 4,600 are coming from the Chicago MSA, this emphasizes the importance of having a quality rental housing stock. Though a share of these newcomers are students, this further highlights the necessity of the market to accommodate students and non-student renters alike.



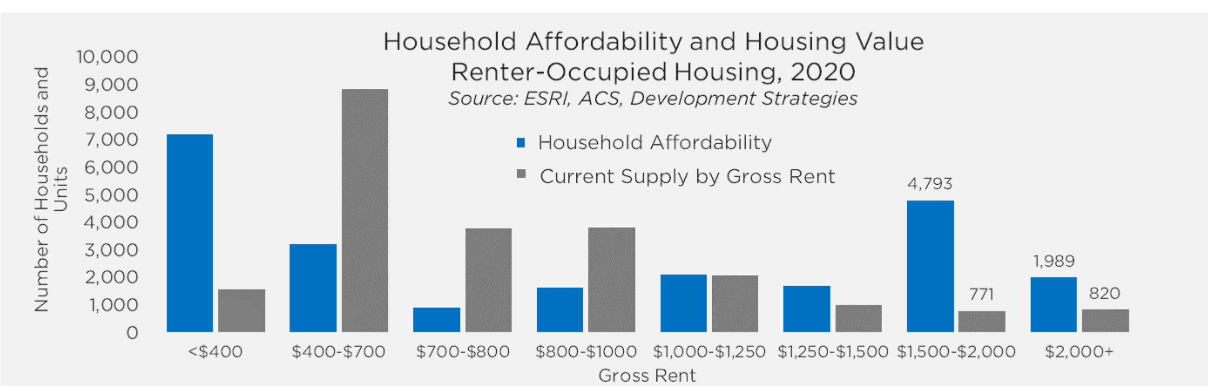
## CONVENTIONAL DEMAND ANALYSIS AND HOUSING VALUE

Conventional market demand analysis utilizes household income data to determine for-sale and rental housing price points that will be in highest demand in the market area. While target market analysis provides a nuanced look at how consumer preferences in the market align with specific housing products, conventional analysis offers an additional level of understanding of local market conditions and depth of demand. By using the distribution of households by income, distribution of housing tenure by income, affordability standards, and assumptions on down-payments and interest rates, the distribution of for-sale housing affordability was determined for Bloomington-Normal illustrated in the following graphs.

The greatest support in the market for for-sale products by price point is $350,000 and higher, which is generally consistent with recent housing sales in the market areas. In other words, more than 20,000 households in the market could afford homes at this price point, although not all of these households would choose to if the product were available. At the same time, based on distribution of housing by value, there is a significant undersupply of housing at this price point, which is reflective of the higher-than-average wages in the market and relatively low home values as well as the lack of delivery of higher-end products to meet this demand. The lack of higher-valued inventory also limits housing options for moderate-income households as higher-income households buy up housing in these value ranges.




A similar analysis was conducted for rental housing. There are just under 6,800 renter households that could afford rents of around $1,500 or higher, yet there are only around 1,600 rental units at these price points indicating that these households have to seek out alternative options, which then limits the supply for low and moderate-income renter.

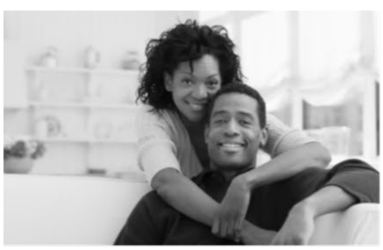


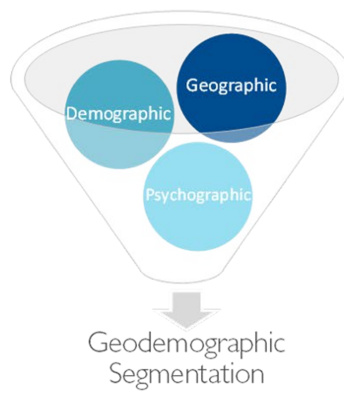
## TARGET MARKET ANALYSIS

### Introduction

Target market analysis is used to determine demand based not only on geography and demographic traits, but also on consumer preferences. As a result, desired product types can be determined, in addition to affordability. Just as market segmentation is used to determine tendencies to buy different types of consumer products, data on market segments can be used to identify demand for different types of housing products at a neighborhood level. The segments presented in Bloomington-Normal are identified using ESRI's Community Tapestry data, which uses algorithms to link demographic, geographic, and psychographic data to create 65 unique geodemographic segments. In other words, these "segments' are essentially 65 household groupings, each with their own unique combination of demographic (income, age, etc.), geographic (neighborhood preferences such as urban or suburban), and psychographic (values, culture, etc.) characteristics.

Understanding Bloomington-Normal's top segments is critical for understanding future housing demand and preferences. ESRI does not provide trend data and the Community Tapestry data represents a snapshot in time; however, this data coupled with migration data, population projections, and other observations in the market can inform the types of households moving to the market and the types of housing products that could be marketable—whether they exist in the market or not.






| PSYCHOGRAPHIC | DEMOGRAPHIC | GEOGRAPHIC |
|---|---|---|
| • Attitudes | • Age | • Market Areas |
| • Values | • Gender | • Cities |
| • Culture | • Income | • Counties |
| • Buying Patterns | • Home Value | • MSA's |
| | • Ethnicity | • Neighborhoods |
| | • Family Type | • Census Tracts |
| | • Education | |

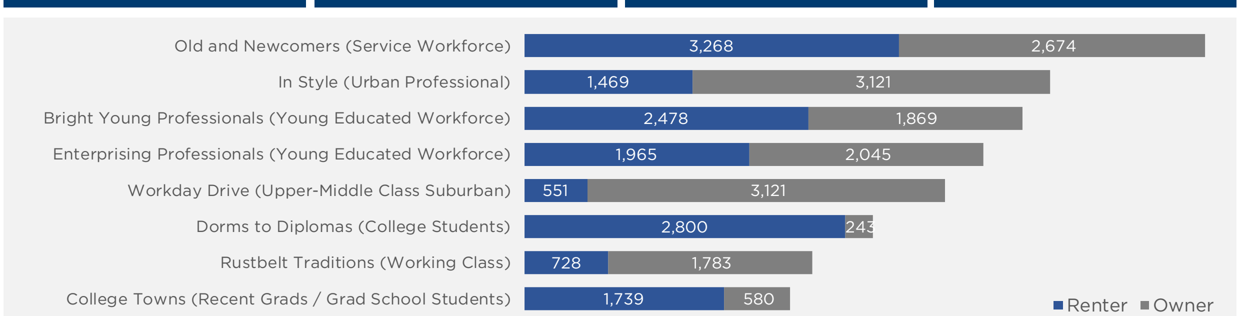
## Top Household Segments

The top eight tapestry groups in Bloomington-Normal consists of a mix of working class and service industry households, urban and highly-educated professionals, affluent suburbanites, and college students, including undergraduates and recent graduates and enrolled graduate students generally in their mid-20s.

- Based on the national average of owner-renter distribution and median income, there are an estimated 4,000 renter-occupied households (In Style, Enterprising Professionals, and Workday Drive) that could afford rents of $1,500 or more. Such households prefer higher-quality apartments in urban settings—despite there being a very limited supply in the market. These tapestry groups are likely to drive population growth over the next ten years given projected growth in advanced manufacturing, finance and insurance, and other tech and professional sector employers.

- There is an even larger segment working class and service industry households (around 6,500 renter households) that could afford rents in the $1,000 to $1,300 range emphasizing the need to maintain a healthy workforce housing stock. These types of households likely include front line workers at Rivian.

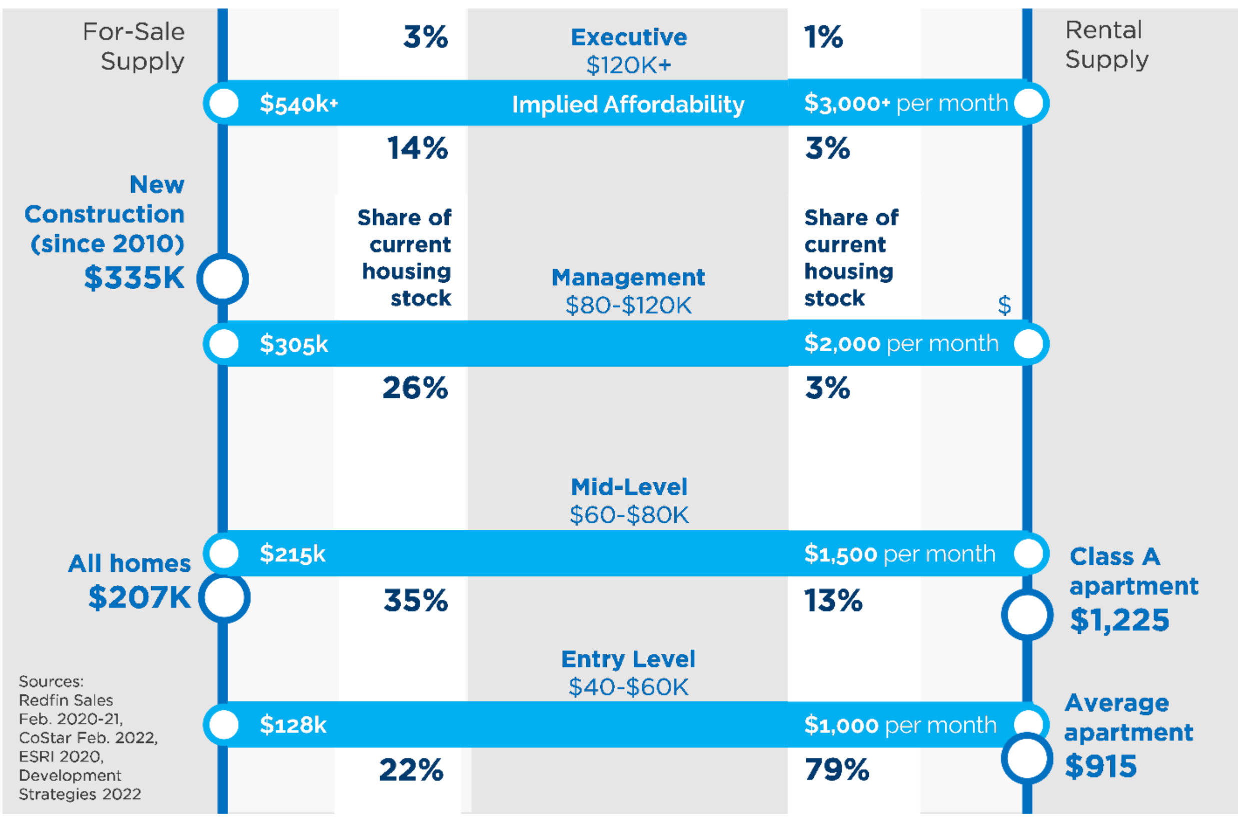
- The In Style tapestry group is one of the primary urban professional groups nationally. These households have preferences for historic homes in urban neighborhoods as well as new townhome and smaller detached single-family homes. This is one of the largest tapestry segments in terms of for-sale housing demand and implies strong market demand for townhomes and higher-density for-sale product in the urban core (more than 3,100 existing owner-occupied households)

## NEW EMPLOYMENT

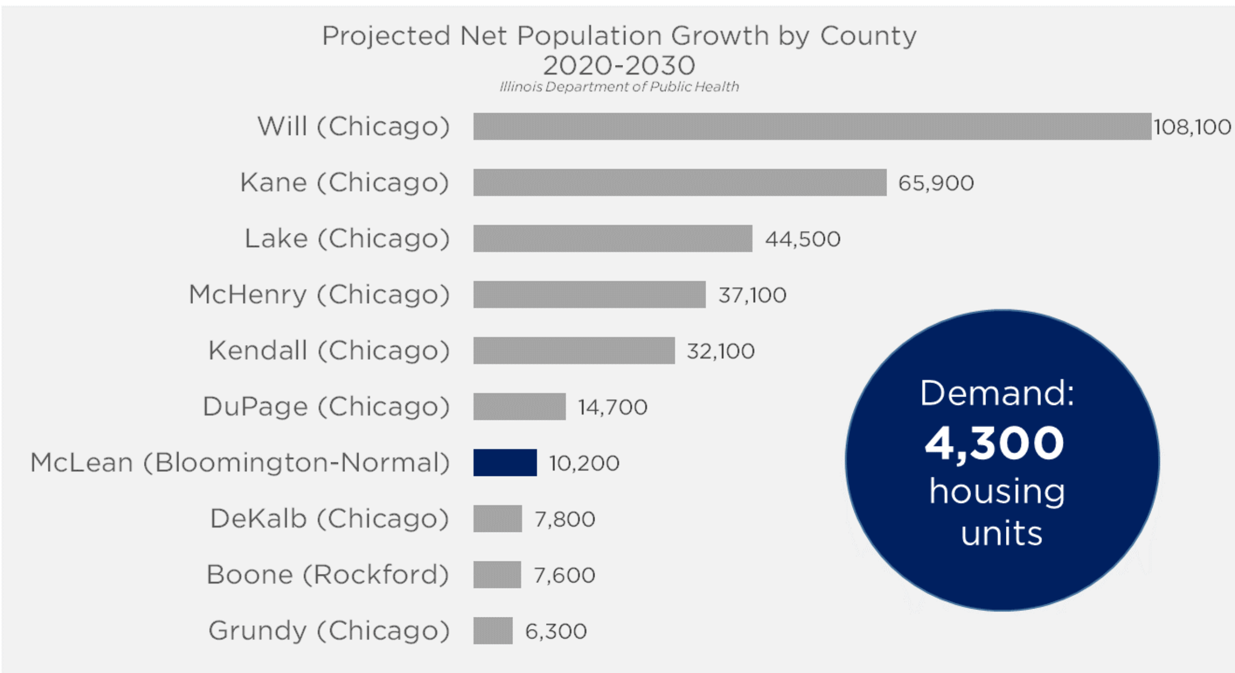
It will be critical that the current and future housing stock meets the needs of new workers relocating to the region. As explained previously, typically employment projection data can be used to understand future housing demand by wages; however, employment projection is only available for a much broader regional than McLean County, which is contained within Illinois' broader Economic Development Region 3 (that includes as well as DeWitt, Fulton, Livingston, Marshall, Mason, Peoria, Stark, Tazewell, and Woodford counties). This region is projected to lose more than 5,200 jobs over the next ten years, including a net loss of nearly 700 manufacturing jobs. At the same time, when isolating McLean County, employment growth has been robust with Rivian's 5,000 new jobs over the last five years.

While we cannot apply specific employment projection numbers to the region, we can consider a scalable model that links job types to wages to housing affordability based on wage from the Bureau of Labor Statistics. Based on recent sales of new construction (average sale price of around $330,000), this would be affordable to management and executive level occupations and mid-level employees could struggle to find new housing is reasonably attainable; however, the existing stock falls within this range. There is a much more pronounced gap for rental housing. New workers in the mid-level jobs and upward, could afford much higher rents—and a higher quality product—than what is currently available.



## POPULATION PROJECTIONS

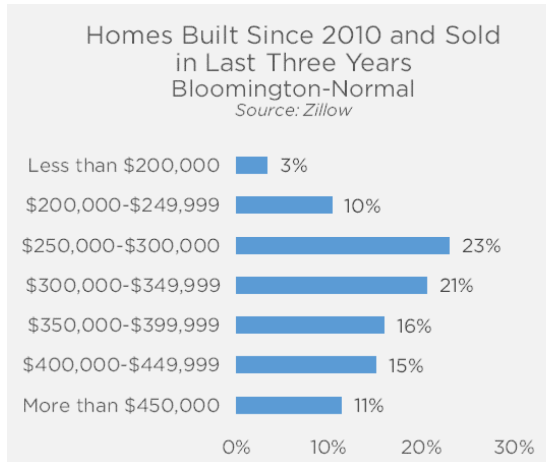
Based on the latest proportion projections from the Illinois Department of Public Health, McLean County is projected to have the highest net population growth of any county outside of the Chicago MSA adding approximately 10,000 new residents over a ten-year period. According to ESRI, the average household size in Bloomington-Normal in 2021 was 2.37, down from 2.39 in 2010. Given demographic trends, we would expect average household size to continue to decline over the next 10 years. Assuming an average household size of 2.35, this equates to net new housing demand of 4,340 units. Given population and development trends in the areas of McLean County outside of Bloomington and Normal has had, it can be assumed that Bloomington and Normal will capture nearly all of this growth. In fact, given net losses in population in the rural parts of McLean County, the projected net new housing demand in Bloomington-Normal is likely higher.



# SUPPLY ANALYSIS

## New For-Sale Supply

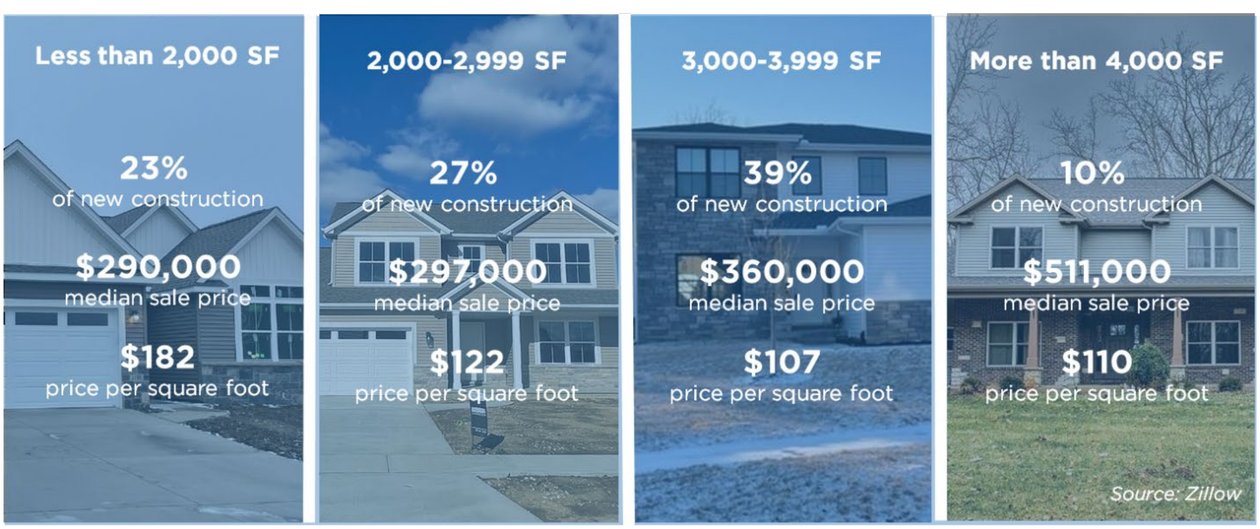
As previously discussed, there was a net increase of just under 3,848 housing units in Bloomington-Normal from 2010 to 2020, which is consistent with HUD permit data for single-family homes and CoStar data reflecting delivery of new multi-family units. The total delivery of housing has likely been higher given the replacement of obsolete housing.




**Based on current development trends, the market is delivering a relatively diverse supply of for-sale housing in terms of size and price.** Based on a sample of 530 sales from Zillow over the last three years for homes built since 2010, there has been a relatively wide range of home sizes delivered in the market. While all of these homes have relatively standard suburban designs, around a quarter (23 percent) contain less than 2,000 square feet indicating that the market is meeting shifting demographic trends—these homes are more appropriate for smaller households. These homes are also more affordable with median sale prices of $290,000 compared to an overall median sale price of $342,000. This product type also demonstrates the potential feasibility for higher-density for-sale housing with average sales prices per square foot of $182, much higher than homes with more than 2,000 square feet that had sale prices per square foot of $122 or lower.

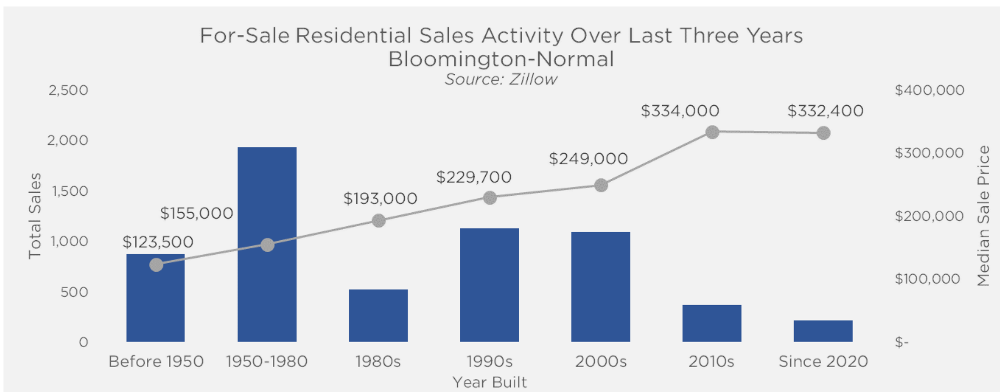
As presented in the Appendix, **the market has also delivered workforce housing with homes selling for less than $250,000 and some below $200,000.** While the pace of this development may not meet the need of the growing workforce, there is precedent for a more affordable product type.

Contained within these sales included some attached single-family product (nine percent of homes built since 2010 and sold in the last three years) that included townhomes and condominiums with a wide range of sale prices ($155,000 to $345,000, $73 to $209 per square foot). There is market precedent for this housing typology, although these properties generally have standard suburban designs (see Appendix for examples).

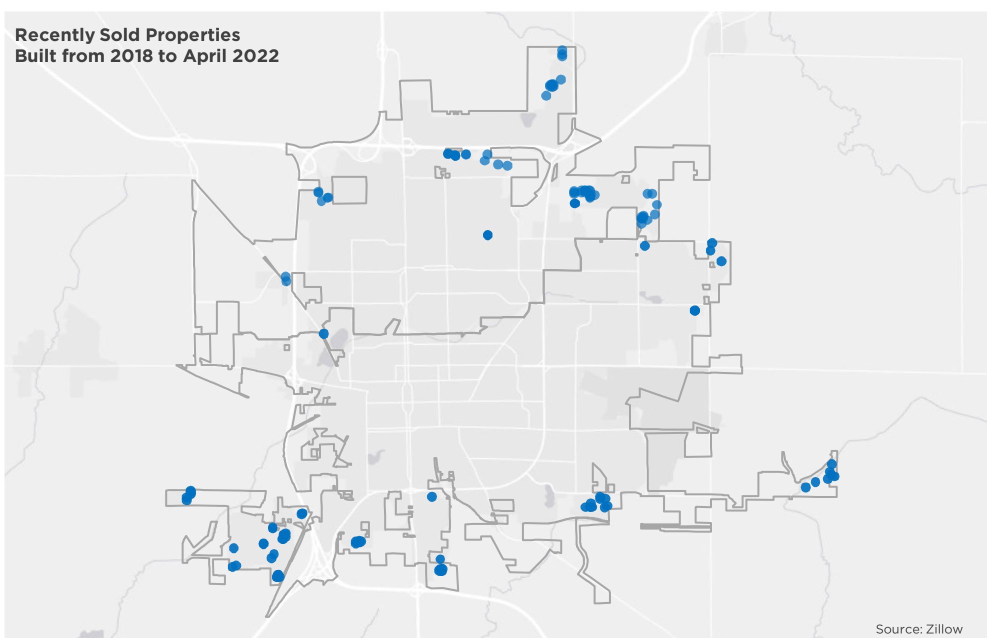


## Single-Family Sales Activity

**Based on sales data from Zillow, homes built since 2010 have sold for an average of just over $330,000, while home built before 2000 have sold, on average, for less than $230,000.** These sales are generally consistent with the age distribution of the housing stock in the Bloomington-Normal market and they highlight two key themes: 1) there is a growing market and need for newer construction with price points that could be competitive to developers, 2) there are ample opportunities within the existing building stock to offer affordable options for moderate-income households. Moving forward, a future housing strategy needs to include unlocking the development potential for greenfield development to accommodate new construction at a scale needed to meet growing demand, while allowing for the preservation and maintenance of the aging housing stock.




Based on sales data from Zillow, there have been 234 homes built and sold in the last four years and nearly all were built on the periphery. While this data reflects single-family development, there has also been very little housing development of any kind in the urban core. Though continued suburban-style greenfield development will be necessary to meet growing housing demand over the next ten years, overcoming development barriers for infill development will also be critical for housing diversification and meeting the housing preferences from key urban professional and empty nester groups as presented in the target market analysis.



# GAP ANALYSIS

## Missing Typologies: Contemporary Greenfield Multi-Family

There is an apparent and immediate need to increase the multi-family supply, but more importantly a differentiated product that better meets the expectations of a mobile workforce. Creating a more competitive multi-family housing stock will be critical to economic growth in the region. It is recognized that continued greenfield development on the urban periphery will be needed to meet growing regional housing demand given the cost of land and footprint needed to make development feasible. Additionally, with the exception of close-in redevelopment opportunities that can leverage public transportation, the vast majority of professional workforce will own a vehicle and prefer an accessible housing product within close distance to major arterials.

Madison, Wisconsin, and neighboring suburban community of Verona just over 10 miles southwest of Downtown Madison, provide a number of examples of the new expectations for multi-family greenfield development.

- Contemporary designs with stone/brick veneer; eco-friendly materials
- Extensive amenities such as fire pits, grilling areas, fitness center, clubhouse, business center, and media room
- Covered parking options (for added fee)
- Higher-end finishes (granite countertops/stainless steel appliances)
- Larger share of studio and one-bedroom units
- Rents in the $1.40 to $1.80 per square foot range
- Attractive landscaping
- High-speed internet or fiber

**VeloCity, Verona, WI**

Built 2017
29 units

Avg.
$1.44/SF

1 BR
$1,125
2 BR
$1,475
3 BR
$1,750

**Lincoln Street Apartments, Verona, WI**

Built 2020
90 units

Avg.
$1.77/SF

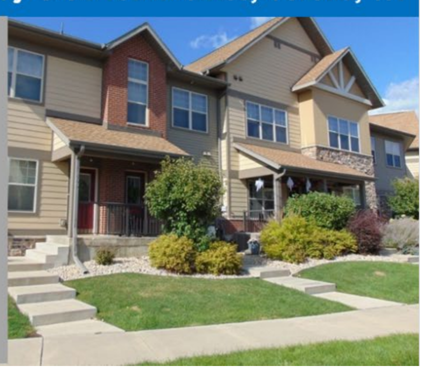
Studio/1BR
$1,200-
$1,350
2 BR
$1,800
3 BR
$2,300

**Murray Glen Townhomes, Verona, WI**

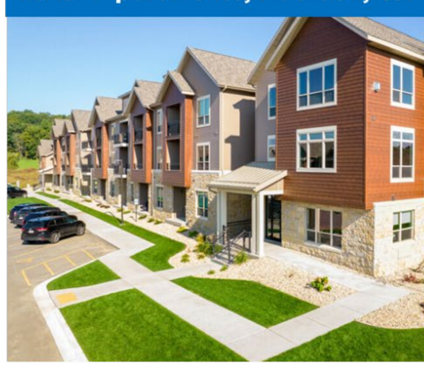
Built 2015
76 units

Avg,
$1.46/SF

Studio/1BR
$1,100-$1,425
2 BR
$1,850
3 BR
$2,350



**Esker Apartments, Madison, WI**



Built 2021
76 units

Avg,
$1.75/SF

Studio
$1,150
1 BR
$1,350

## Missing Typologies: Infill Multi-Family

While infill development has higher development costs with added challenges associated with land acquisition and assembly, from a demand perspective, this type of housing product would be in high demand in the urban core of Bloomington-Normal given its density, historic neighborhoods, walkability, public transportation, and accessibility to the Illinois State University and Illinois Wesleyan University campuses. Additionally, when young professionals relocate to a new region for an employment opportunity, the downtown or urban core is often the preferred "point of entry" depending on the availability of quality rental housing, especially for those relocating from major markets.  In addition to the professional demand segment, there is also growing demand from the Empty Nester cohort seeking to downsize or make a temporary lifestyle change in a more walkable, amenity-rich environment.

Examples of this type of higher-density infill product can be found in other growing mid-tier markets, including Madison, Des Moines, and Champaign.  This type of development typically has 60 or fewer units

- Contemporary designs with stone/brick veneer; eco-friendly materials
- Community amenities should include fitness center, business center, and media room; bicycle parking; package drop-off
- Garage parking (for added fee)
- Higher-end finishes (granite countertops/stainless steel appliances)
- Larger share of studio and one-bedroom units
- Rents in the $1.55 to $2.00 per square foot range; smaller unit sizes can increase price per square foot rent potential
- Integrated in urban fabric
- Proximity to retail and services is ideal (value-add can increase rent potential)

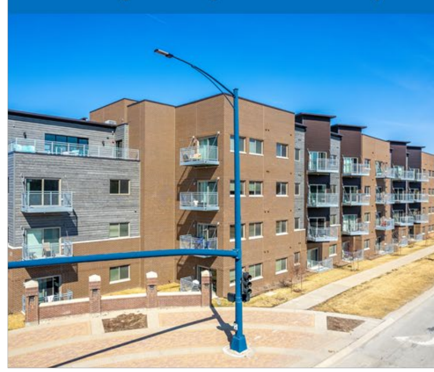
**Tyberius Terrace, Madison, WI**

Built 2013
60 units

Avg. $1.55/SF

Studio/1 BR
$1,100-$1,450
2 BR
$1,800
3 BR
$2,200

**Connolly Lofts, Des Moines, IA**



Built 2021
57 units

Avg.
$1.56/SF

1 BR
$1,120
2 BR
$1,300

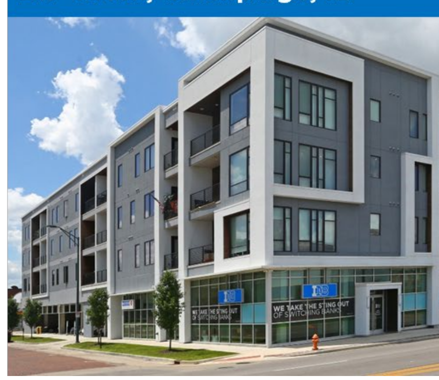
**The Winford, Des Moines, IA**

Built 2021
30 units

Avg,
$2.01/SF

1 BR
$1,100
548 SF

**217 South, Champaign, IL**



Built 2017
51 units

Avg,
$1.74/SF

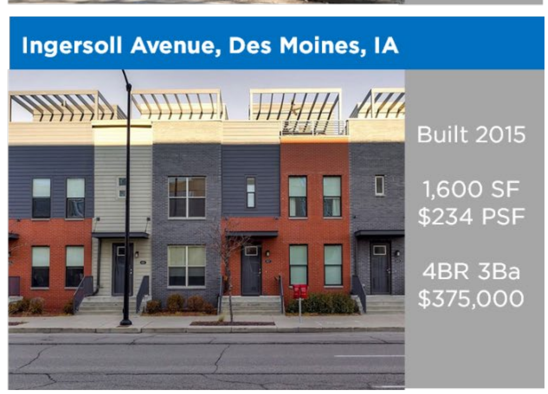
1 BR
$1,175
2 BR
$1,650

## Missing Typologies: Townhomes

According to ESRI, only five percent of the housing stock in Bloomington-Normal consists of attached single-family housing, and while this is only slightly below the state and national average of six percent, there has been limited new construction of this product type. The only attached product in the market consists of "twins" that have the same look and feel as traditional suburban single-family development in low-density areas, but at a more affordable price point. While this typology is recommended from an affordability standpoint, the market lacks a townhome product that is becoming more prevalent in strong Midwestern housing markets, such as Indianapolis and Des Moines. While townhomes are typically better suited as infill development, they can still be successful on the urban fringe and residents are willing to trade unit size for a more central location with easier access to amenities and higher levels of finish. Given the smaller unit sizes, the sales price per square foot is typically at the top of the market. This type of product is very attractive for the urban professional demand segment, especially those without children, and Empty Nester segment. Townhomes are also versatile and can be repositioned as long-term or short-term rentals by owner.

- More vertical in design (two to three stories) given narrower floor plans
- Parking accessibility in rear (garage or surface); in some cases, parking can be waved depending on on-street capacity
- High-end finishes (granite countertops/stainless steel appliances)
- Typically two- or three-bedroom layouts
- Prices at the very high-end of the market at $180 to $240 per square foot range—smaller unit sizes increase sale price per square foot, which is needed for higher land costs
- Can be an incremental neighborhood revitalization tool
- Proximity to retail and services is ideal (value-add can increase rent potential)
- Integrated in urban fabric or urban fringe



## DEVELOPMENT PROGRAM

Based on projected growth in the region, there is net demand for around 4,300 to 4,800 net new housing units. This assumes some replacement of obsolete structures, but does not consider the maintenance and reinvestment in existing structures. Based on demographic shifts over the last the decade, the majority of net new migrants will be higher income (household income of around $75,000 or higher with 20 to 25 percent earning above $150,000); therefore, the new housing stock should reflect the needs and preferences of these types of households. At the same time, there will be continued demand for affordable and workforce housing. In many cases, the existing housing stock provides much of this "naturally occurring affordable housing," but new subsidy-based construction will also be needed to support the workforce. The development program on the following page is not prescriptive, but gives an order of magnitude of what the market needs to regional growth.

### Multi-family Development: 1,000 to 1,300 units

The most apparent need in the near- and mid-term is the delivery of higher-quality multi-family housing, including conventional garden-style properties that typically have around 200 to 300 units per development and contemporary multi-family that are smaller in scale (fewer than 100 units per development) and typically located in urban fringe areas and leverage existing infrastructure. These types of development can accommodate a large share of new renter households, but also serve pent up demand in the market. Given development challenges for infill development (limited availability of land, high developemnt costs, and the need for enhanced community engagement), it cannot accommodate all rental demand, but will be needed to diversify rental options and better serve niche markets, including urban professionals and empty nesters. There is also a need to deliver more subsidy-based workforce housing for workers in the 80 to 120 percent Area Median Income bracket. While demand is very high, there are limitations to the widespread implementation of this product type given lack of public resources.

### For-Sale Development: 3,000 to 3,500 units

The market has been delivering a wide-range of single-family detached housing types that have ranged from around 1,500 to more than 4,000 square feet. The market should continue to bear this general distribution of housing. While higher-density housing is recommended, including policies that are supportive of sustainability, this study also recognizes the market realities for larger home development and the need for greenfield development to accommodate growing demand. With estimated demand of 2,500 to 3,000 single-family homes, the pace of developemnt will need to accelerate considerably—over the last three years, there has been an average of around 150 single-family permits issued annually—which emphasizes the need for more efficient development practices and delivery of a larger-share of homes with less than 2,500 square feet.

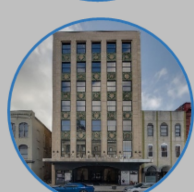
Additionally, higher-density infill products will be needed to meet the preferences and expectations for certain segments of the population—those that may be relocating from major metro areas and prefer housing that is better integrated in the urban fabric with excellent walkability. There will be a lost opportunity if the market cannot deliver this type of product that, in turn, could impact the general competitiveness of the region.

## Development Program Summary

### Rental
**1,000** to **1,300** New Units

| | | | |
|---|---|---|---|
|  | **Conventional Garden Style**<br>600-700 units<br>2-3 developments | 1, 2, 3 BR | \$1,200-\$2,000<br>\$1.60 - \$1.80 psf |
|  | **Contemporary Apartments**<br>250-300 units<br>4-5 developments | 1, 2, 3 BR | \$1,400-\$2,200<br>\$1.80 - \$2.00 psf |
|  | **Infill Apartments**<br>120-180 units<br>3-4 developments | Studio, 1, 2 BR | \$1,600-\$2,400<br>\$1.90 - \$2.15 psf |
|  | **Workforce Apartments**<br>80-120 units<br>2-3 developments | 1, 2 BR<br>\$800-\$1,200<br>\$1.15 - \$1.40 psf | \$1,600-\$2,400<br>\$1.90 - \$2.15 psf |

### For-Sale
**3,000** to **3,500** New Units

| | | | |
|---|---|---|---|
|  | **Detached Homes**<br>2,500-3,000 homes | 1,500-3,500+ SF | \$300,000-\$550,000+<br>\$125 - \$190 psf |
|  | **Townhomes**<br>300-350 homes | 1,200-2,000 SF | \$275,000-\$550,000<br>\$225 - \$275 psf |
|  | **Condominiums**<br>125-175 units | 900-1,600 SF | \$225,000-\$450,000<br>\$250 - \$280 psf |

# STRATEGIC RECOMMENDATIONS

There is an immediate need to expand the for-sale and rental housing options in Bloomington-Normal. While certain types of housing products have diversified over the last ten years—new detached single-family housing has been delivered across a relatively wide range of sizes and price points—there are significant gaps in the market that without targeted intervention could hinder economic development efforts. This report highlights key issues and identifies potential gaps in the market, and given these findings, there is a need for a more comprehensive strategic framework that better links the public, private, and instructional sectors and can help overcome development barriers.

## 1. Market Strategy

While the market analysis identified future housing demand and gaps in real estate products that need to be delivered to support workforce attraction and retention and economic growth, a market strategy would build on this foundation of analysis by identifying efforts that are most catalytic, the steps needed to get there, and how to make strategic use of limited resources. Bloomington-Normal needs to invest in the right mix of uses at the right locations to spur positive, and even transformative, change—this is where housing market demand is linked with economic development activities to support broader regional competitiveness and positioning. The market strategy considers not just supply and demand but place and context as well as implementation, including catalyst project recommendations, development products and typologies, competitive district analysis, land use planning, and development phasing.

## 2. Engagement Strategy

Conducting a housing market strategy greatly benefits from a more robust engagement effort. For starters, we would recommend the creation of a steering committee of 8 to 12 local professionals in the housing and community development ecosystem to provide additional insight, perspective, direction and support for the housing strategy. In addition to stakeholder interviews, expanding the community conversations into broader stakeholder roundtable discussions would provide a forum for engaging with a larger number of professionals, and get more nuanced understanding of the issues and opportunities. Both the steering committee and the larger stakeholder roundtables would also help inform a relationship map of all of the players within the housing development ecosystem, which would provide a clear view of the resources and gaps in capacity for providing housing in Bloomington-Normal. This would help inform how to target messaging and outreach for increasing capacity for developers.

## 3. Neighborhood Development Framework and Catalyst Sites

Embedded in the market strategy is how future development products should be distributed throughout the region. In other words, how can existing assets be leveraged to support and add value to future housing products? Once development areas are identified, specific site analysis is needed for both greenfield development as well as catalyst sites for infill development. Land assembly and site acquisition strategies are needed as well as policy interventions to promote new development such as incentives, density bonuses, and other infill strategies.

## 4. Further Exploration of Development Barriers

MIRA was a contributor to this report and several barriers to development were highlighted during our discussions, including increasing in development costs, the need to expand infrastructure to allow for more seamless greenfield development, zoning and regulatory issues that have limited higher density development, and the region's competition for an expanded pool of developers and builders—margins are higher in other competitive markets. Further discussion and exploration of issues and potential strategies to overcome these barriers are needed.

# APPENDIX

## For-Sale Built Since 2010: Top of Market

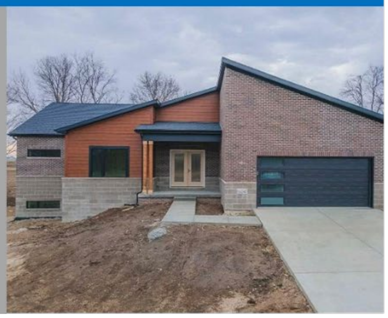
**16041 Belfry Drive**

Built 2022

3,216 SF
$202 PSF

4BR 3Ba
$650,000

sold: 3/11/22



**2107 Heather Ridge Drive**

Built 2022

4,054 SF
$178 PSF

5BR 3Ba
$722,000

sold 1/10/22

**752 Canyon Creek Road**

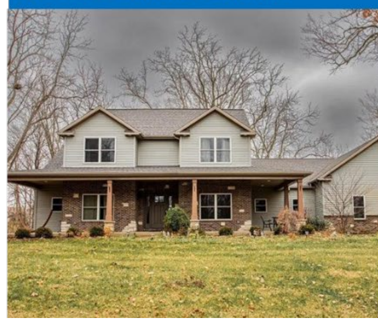
Built 2018

2,650 SF
$245 PSF

5BR 4Ba
$650,000

sold 7/1/19

**3402 E Oakland Avenue**



Built 2017

5,486 SF
$126 PSF

5BR 4Ba
$692,000

sold 2/7/22

## For-Sale Built Since 2010: High End

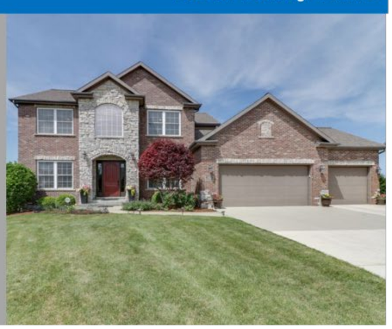
**16041 Belfry Drive**

Built 2010

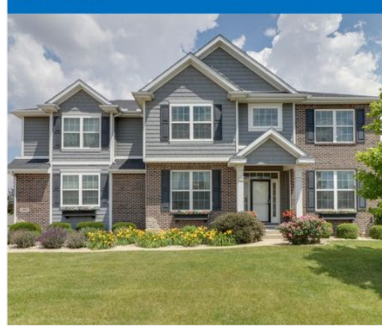
4,528 SF
$106 PSF

5BR 4Ba
$480,000

sold: 8/9/21



**address**



Built 2010

4,778 SF
$100 PSF

6BR 5Ba
$480,000

sold 8/20/21

**16041 Belfry Drive**

Built 2017

1,893 SF
$261 PSF

3BR 3Ba
$495,000

sold 9/30/21

**60 Brookstone Circle**

Built 2021

3,670 SF
$122 PSF

3BR 3Ba
$448,000

sold 1/31/22

## For-Sale Built Since 2010: High Quality, Less than 2,000 SF

**1726 Flagstone Drive**

Built 2021

1,549 SF
$216 PSF

3BR 2Ba
$335,000

sold: 3/1/22

**1012 Bach Drive**

Built 2021

1,605 SF
$199 PSF

3BR 2Ba
$320,000

sold 6/11/21

**2611 Piney Run**

Built 2013

1,893 SF
$206 PSF

4BR 4Ba
$390,000

sold 12/17/21

**1133 Travertine Road**

Built 2021

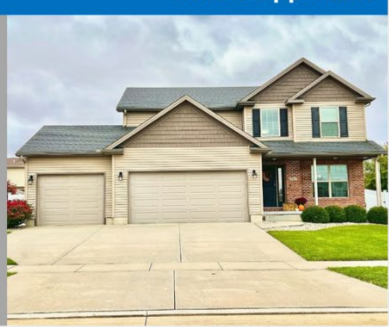
1,587 SF
$283 PSF

3BR 3Ba
$449,000

sold 1/31/22

## For-Sale Built Since 2010: Middle Tier

**2914 Steppe Lane**



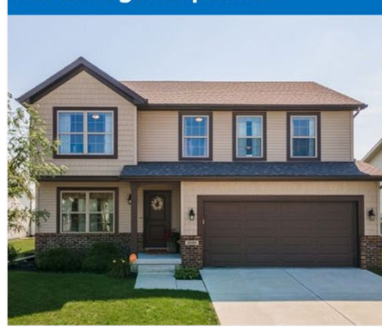
Built 2012

2,065 SF
$169 PSF

4BR 3Ba
$349,000

sold: 12/30/21

**1030 Stags Leap Road**



Built 2017

1,840 SF
$155 PSF

4BR 3Ba
$286,000

sold 9/15/21

**2628 Shale Road**

Built 2021

2,163 SF
$184 PSF

4BR 3Ba
$399,000

sold 1/28/22

**1727 Flagstone Drive**

Built 2012

2,465 SF
$114 PSF

4BR 4Ba
$280,000

sold 4/16/21

## For-Sale Built Since 2010: Workforce Housing

### 2510 Grey Fox Trail

Built 2017

2,318 SF
$169 PSF

4BR 3Ba
$231,000

sold: 4/14/21

### 1643 Duncannon Drive

Built 2014

1,440 SF
$170 PSF

4BR 3Ba
$245,000

sold 10/29/21

### 907 W Jefferson Street

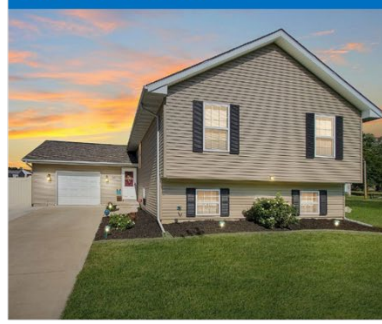
Built 2015

1,368 SF
$75 PSF

4BR 2Ba
$103,000

sold 2/7/22

### 34 Richwood Trail



Built 2016

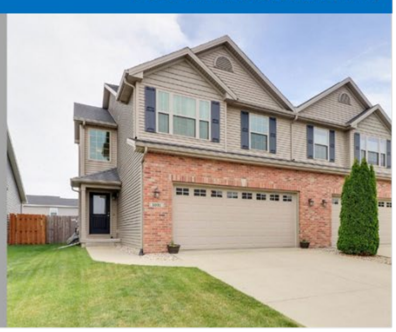
2,392 SF
$75 PSF

3BR 2Ba
$180,000

sold 11/15/21

## For-Sale Built Since 2010: Townhome/Duplex

### 1031 Homestead Drive



Built 2010

1,803 SF
$113 PSF

4BR 4Ba
$203,000

sold: 8/7/20

### 1659 Belclare Road

Built 2014

1,963 SF
$110PSF

3BR 4Ba
$215,000

sold 11/30/21

### 20 Lone Oak Court

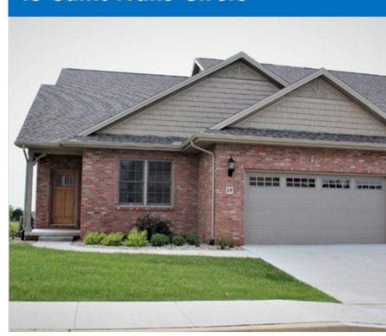
Built 2017

1,710 SF
$123PSF

4BR 3Ba
$210,000

sold 5/10/21

### 19 Saint Ivans Circle



Built 2021

3,280 SF
$100PSF

2BR 2Ba
$330,000

sold 12/9/21