

State of the Housing Market

July 25, 2024

- Matt Forcum – Shelby Realty Services

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Business Navigator Alliance of Southcentral and Southeastern Illinois


- Regional collaboration for the Community Navigator Program
- Purpose: provide professional outreach and technical assistance for local, state, and federal economic relief programs
- Mission: to ensure that small businesses in our region are competitive in applying for necessary resources
- Goal: position local businesses for success by acceleration business recovery and growth





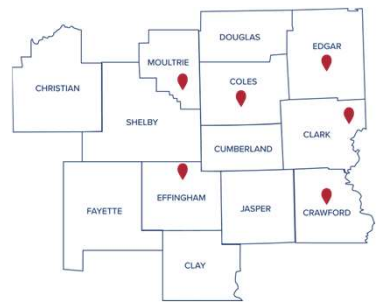



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Webinars
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Offer 1-on-1 Technical Assistance

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THE STATE OF HOUSING

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Housing Topics	
National and State Region	
New Construction Trends	
Rent vs Buy	
Finance & Lending	
Industry Upheaval & Uncertainty	

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Photo: Blake Wheeler

National Info

125.7 million occupied housing units in US
(2022 American Community Survey)

66.1% of families own primary residences
(Federal Reserve Survey of Consumer Finances)

Typical home: 1860 Sq Ft, 3 bed/2 bath, built in 1985, occupied for 10 years, first time buyer is 35 y/o, repeat buyer is 58 y/o

Median Household Income: first time buyers: \$95,900, repeat buyers: \$111,700; first time buyer is 35 y/o, repeat buyer is 58 y/o

84.6mm owner-occupied housing units in US.

60.7% have a mortgage
39.3% have no mortgage

(National Association of Realtors 2023 Survey of Home Buyers and Sellers, St Louis FRED)

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	Metric	Measurement	IL	US Rural	US Total
	Average Monthly Payment	USD \$	1,693	1,454	1,817
	Average Interest Rate	Percent %	4.1	4.3	4.1
	Average Loan-to-Value Mark-to-Market <small>Ratio of current unpaid principal to current property value</small>	Percent %	52.4	49.6	48.3
	Average Loan Age	Months	74	68	69
	National/State Mortgage Stats				
	Federal Housing Finance Agency, National Mortgage Database				

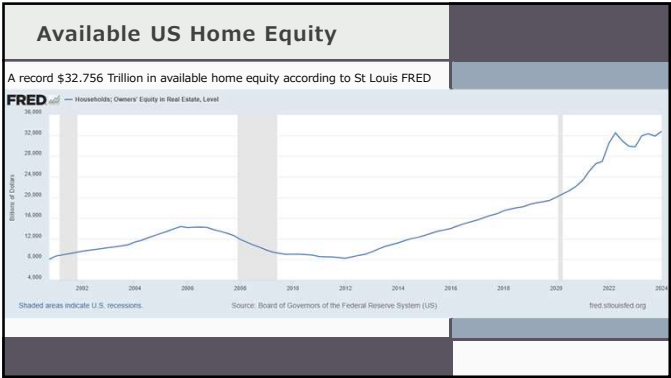
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	Metric	Units	2024	2021	2018	2015
	Average Monthly Payment	USD \$	1,454	1,098	1,080	1,016
	Average Interest Rate	Percent %	4.3	4.2	4.7	5.1
	Average Loan-to-Value Mark-to-Market <small>Ratio of current unpaid principal to current property value</small>	Percent %	49.6	55.8	57.8	62.1
	Average Loan Age	Months	68	63	66	65
	Total Outstanding Loan Volume	USD \$ (Billions)	2,143.8	1,778.6	1,485.2	1,409.8
	Historical National/State Mortgage Stats Rural United States					
	Federal Housing Finance Agency, National Mortgage Database: Rural US - Q1 each year					

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	Metric	Units	2024	2021	2018	2015
	Average Monthly Payment	USD \$	1,817	1,387	1,389	1,285
	Average Interest Rate	Percent %	4.1	4.1	4.5	5.0
	Average Loan-to-Value Mark-to-Market <small>Ratio of current unpaid principal to current property value</small>	Percent %	48.3	58.4	56.7	62.4
	Average Loan Age	Months	69	62	66	65
	Total Outstanding Loan Volume	USD \$ (Billions)	11,685.4	10,158.5	8,822.6	8,486.2
	Historical National/State Mortgage Stats Entire United States					
	Federal Housing Finance Agency, National Mortgage Database: US - Q1 each year					

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NEW CONSTRUCTION

HOUSEHOLD FORMATION

RENT VS BUY



Photo: Amanda Smith

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New Construction Data, in thousands, Q1					
Metric	2024	2023	2022	2021	
Single Family Built for Sale, Total	240	188	267	255	
Single Family Fee-Simple	188	131	196	204	
Single Family Co-Op/Condo	6	7	10	7	
Multifamily Built For Sale, Total	80	127	123	102	
Multifamily Built for Rent 0-20 Units	11	18	16	12	
Multifamily Built for Rent 20+ Units	69	109	107	90	

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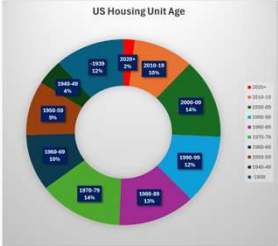
Aging Homes

Current & Future Concerns

Functional Obsolescence

Energy Efficiency

Physical Deterioration




US Housing Unit Age

Age Group	Percentage
2020+	2%
2010-19	10%
2000-09	14%
1990-99	17%
1980-89	15%
1970-79	14%
1960-69	16%
1950-59	18%
1940-49	19%
1930-39	20%
1920-29	21%
1910-19	22%
1900-09	23%
1890-99	24%
1880-89	25%
1870-79	26%
1860-69	27%
1850-59	28%
1840-49	29%
1830-39	30%
1820-29	31%
1810-19	32%
1800-09	33%
1790-99	34%
1780-89	35%
1770-79	36%
1760-69	37%
1750-59	38%
1740-49	39%
1730-39	40%
1720-29	41%
1710-19	42%
1700-09	43%
1690-99	44%
1680-89	45%
1670-79	46%
1660-69	47%
1650-59	48%
1640-49	49%
1630-39	50%
1620-29	51%
1610-19	52%
1600-09	53%
1590-99	54%
1580-89	55%
1570-79	56%
1560-69	57%
1550-59	58%
1540-49	59%
1530-39	60%
1520-29	61%
1510-19	62%
1500-09	63%
1490-99	64%
1480-89	65%
1470-79	66%
1460-69	67%
1450-59	68%
1440-49	69%
1430-39	70%
1420-29	71%
1410-19	72%
1400-09	73%
1390-99	74%
1380-89	75%
1370-79	76%
1360-69	77%
1350-59	78%
1340-49	79%
1330-39	80%
1320-29	81%
1310-19	82%
1300-09	83%
1290-99	84%
1280-89	85%
1270-79	86%
1260-69	87%
1250-59	88%
1240-49	89%
1230-39	90%
1220-29	91%
1210-19	92%
1200-09	93%
1190-99	94%
1180-89	95%
1170-79	96%
1160-69	97%
1150-59	98%
1140-49	99%
1130-39	100%

St Louis FRED

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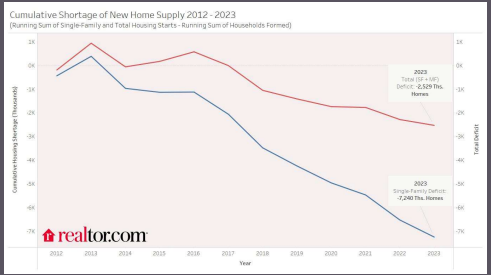
National Housing Shortage

The gap between single-family housing starts and household formations grew from 6.5 million at the end of 2022 to 7.2 million at the end of 2023 as household formations remained steady and single-family home construction waned.

As household formations outpaced housing starts in 2023, the overall gap between household formations and total housing starts, including single- and multi-family homes, widened from 2.3 million housing units between 2012 and 2022 to 2.5 million units at the end of 2023.

Source: *MOVE, Inc, realtor.com*
Photo: *CHUTERSNAP*


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Source: *MOVE, Inc, realtor.com*

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RENT VS BUY



While multifamily rents have steadily increased, new mortgage costs well outpaced rent costs from the rapid rise in interest rates from the Federal Reserve in recent years.

Mortgage costs are projected to stabilize. However, several factors may influence rates such as unemployment and domestic and global politics.

Increases in buying costs will increase rental demand.

Likewise, the resulting strength in rents will elevate seller price expectations from purchasers.

Source: *CBRE, CBRE Group, Inc, cbre.com*

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HOUSEHOLD FORMATION

Household formation has appeared generally steady from 1980-present.

Projected household formation (based on 2020-2023 data) indicates a notable reduction in the formation of new households.

US Household formation by decade, in thousands

Decade	Household Formation (in thousands)
1940-49	~10,000
1950-59	~12,000
1960-69	~14,000
1970-79	~16,000
1980-89	~18,000
1990-99	~16,000
2000-09	~12,000
2010-19	~10,000
2020-23 (Projected)	~14,000

Nuclear family households are being replaced by multigenerational living arrangements. Children not leaving, or returning to their parents' homes, and aging populations relocating to homes of other family members.

Source: St Louis FRED

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Regional Homebuyer Financing

Strong conventional financing and cash purchases – 78% combined – indicate healthy borrower credit profiles

First-time buyers gravitate toward FHA and USDA Rural Development loan programs.

2023-2024 Buyer Financing

Financing Type	Percentage
Cash	27%
Conventional	51%
FHA	10%
Rural Development	5%
VA	2%
Other	5%

Central Illinois Board of Realtors MLS

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Rate vs Volume

With the majority of existing mortgages continuing to age, and locked at historically low rates, economic realities are outweighing the discretionary purchase/sale of existing housing inventory.

\$240,000 Mortgage			
Rate	Term	Payment	Total Interest
3.375	30	\$1,061.03	\$141,971.13
7.0	30	\$1,596.73	\$334,821.36

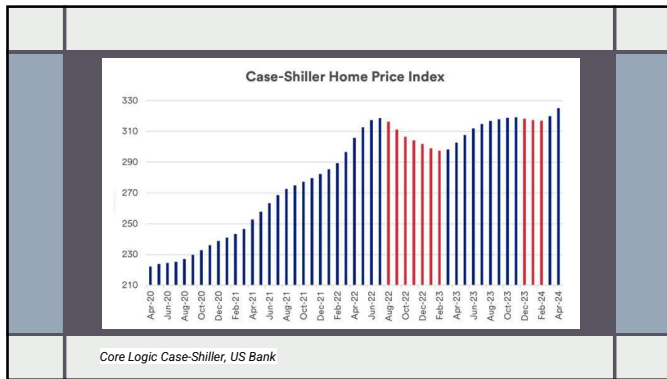
THE U.S. Mortgage Rate Surge

The U.S. 30-year fixed-rate mortgage has reached its highest level in over 20 years.

Year	30-Year Fixed-Rate Mortgage (%)	Existing Home Sales (Millions)
2000	~6.5	~5.5
2005	~5.5	~6.5
2010	~4.5	~5.5
2015	~4.0	~6.0
2020	~3.0	~6.5
2023	~7.0	~5.0

Visual Capitalist


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Lender Scrutiny <ul style="list-style-type: none"> Underwriting strategies are becoming increasingly interested in physical condition (roof, drainage, water quality, etc) Impacts of Insurance Premiums Impacts of Climate Change 	Industry Changes <p>Real Estate Litigation may result in increased direct costs to buyers</p> <p>Financing has not resolved a mechanism to allow borrowers to compensate agents with GSE loan types.</p>
Uncertainties & Upheaval	

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 <p>Photo: Tingley Injury Law Firm</p>	<p>Policy, Decisions, and Growth (or not)</p> <p>Community Stakeholders/Decision and Policymakers face real challenges in stabilizing communities across the region.</p> <p>Workforce development challenges are prioritizing affordable housing</p> <p>Taxation policy considerations with a shrinking tax base</p> <p>Zoning changes to allow or incentivize new residential development</p> <p>Embrace of new construction technologies: post frame slab-on-grade and prefabricated construction</p> <p><small>Commentary is strictly the opinion of Matt Forcum, not representative of BNA, ERGA, or any other entity</small></p>
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Matt Forcum
Owner/Designated Managing Broker

Shelby Realty Services
Effingham, IL
Shelbyville, IL
Sullivan, IL

217.343.3400



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Thank you!



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CHAMBER & ECONOMIC DEVELOPMENT



CCDA
Crawford County Development Association



MARSHALL AREA
CHAMBER OF COMMERCE



PEDCO



The Alliance
Effingham County Development Association

Coles County Contact:
Dr. Ronda Saugett
217-258-5627
ronda@colesitogether.com

Moultrie County Contact:
Laurie Minor
217-728-4223
director@sullivanchamber.com

Crawford County Contact:
Resa Shaner
618-546-1412
rshaner@crawfordcountyll.com

Clark County Contact:
Nora Swalls
217-826-2034
nswalls@marshall-il.com

Edgar County Contact:
Bob Colvin
217-465-5306

Effingham County Contact:
Courtney Yockey
217-342-4214
cyockey@groweffinghamcountyll.com

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