You Can't Buy What You Can't Afford

Illinois' Housing Shortage and Ways to Fix It

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Executive Summary

Illinois is facing a housing shortage that has fueled increases in home prices and rental rates and negatively affected the economy. With home prices rising by 9 percent and asking rents increasing by as much as 10 percent across Illinois in 2024, this report explores the severity of the housing shortage and housing affordability issue in Illinois relative to other states—detailing the multitude of economic, regulatory, and demographic factors driving these trends while offering a range of options for policymakers and industry stakeholders to consider to stabilize the state's housing market.

The housing shortage has been driven by several demand, supply, and regulatory factors.

- Strong employment growth, demographic changes, and the shift to remote work boosted household formations and altered residential preferences.
- Decades of underbuilding, rising materials costs, and higher financing costs due to higher interest rate lowered available inventory and reduced construction of new housing supply.
- The growth in investor ownership of properties reduced the supply of homes available for potential homeowners to purchase and put upward pressure on home prices and rents.
- Restrictive zoning laws, minimum parking requirements, and lengthy permitting timelines have limited higher-density developments and impeded new construction by adding to developer costs.

Housing affordability problems in Illinois have grown in the post-pandemic era, but Illinois remains more affordable than other U.S. states. As of July 2024:

- Illinois' average home value was $264,000, an increase of 37 percent over five years.
- Illinois residents are 3 percentage points more likely to be homeowners than the national average.
- The median rent was about $1,800 per month in Illinois and $2,000 per month in the Chicago area.
- Illinois ranked 36th nationally in average home value and 26th nationally by median rent.
- Illinois ranked 34th in total homeownership costs, including mortgage, tax, and insurance payments.
- Illinois ranked 38th in average monthly housing costs as a share of average household incomes.

Illinois' housing market has been tightened due to changes in household and employment dynamics as well as housing industry factors that have impeded mobility and depressed housing supply.

- Illinois had 6.1 million workers in 2024, a growth of more than 9 percent since 2010.
- Illinois now has more than 5.0 million households, a 4 percent growth over five years.
- The vacancy rate of owner-occupied units fell to a historic low of 0.6 percent in 2023.
- Active listings of homes for sale in Illinois in 2024 were 64 percent lower than in 2019.
- Illinois has only averaged 19,000 building permits for new homes since 2020, well below pre-pandemic levels.
- The investor-owned share of the housing market in the Chicago area increased from 8 percent in 2010 to 14 percent in 2023.

Illinois currently faces a shortage of 142,000 homes and needs to build 227,000 units over the next five years to keep pace with demand.

- Illinois needs 95,000 more homes to meet current demand from existing households.
- Illinois needs more than 47,000 additional homes to address pent-up demand from "missing households" that would otherwise form under favorable market conditions.
- Resolving the current shortage and accounting for future household growth means Illinois needs to build 227,000 units over the next five years, or 45,000 new homes per year—double pre-pandemic levels.

Improving housing affordability requires a substantial increase in housing supply. To boost inventory, Illinois could take the following steps:

- Ease zoning restrictions, legalize multifamily zoning, and fast-track permitting by adopting time limits.
- Establish tax incentives to convert more commercial buildings to residential units.
- Create a low-interest loan program for building affordable housing units and strengthen existing affordable rental housing programs.
- Make it easier for individuals and nonprofits to compete with institutional investors.
- Increase surtaxes on short-term rentals like Airbnb and Vrbo properties.

By enacting popular, bipartisan policy solutions, Illinois can resolve its housing shortage and improve affordability for current and future residents.

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Introduction

The United States faces a housing shortage. While research organizations and industry associations differ in how they calculate the number of homes needed across the country, estimates have ranged from 1.5 million to 5.5 million housing units—with an average deficit of more than 3 million available homes (Figure 1). This shortfall has intensified competition in the housing market, leading to increases in both home prices and rental rates that have made units less affordable and put homeownership out-of-reach for many households (Veiga, 2025). Between 2019 and 2024, home prices surged 54 percent and rents went up by 27 percent nationally, both exceeding the 23 percent rise in overall inflation over the same time period (Schaul & Lerman, 2024; FRED, 2025; BLS, 2025a). The lack of affordable housing contributed to a 35 percent rise in homelessness, from 568,000 people experiencing homelessness in 2019 to 771,000 unhoused persons in 2024 (de Sousa & Henry, 2024; Ludden, 2024).

FIGURE 1: ESTIMATES OF THE NATIONAL HOUSING SHORTAGE, 2021-2024

Research Organization or Industry Association	Housing Shortage (Millions of Units)	Year of Estimate	Source
National Association of Home Builders	1.5	2024	Thompson & Pagan, 2024
Zonda	1.8	2024	Greystone, 2025
Moody's Analytics	1.5–2	2024	Villa, Rosen, & Chen, 2024
John Burns Research and Consulting	2.1	2024	Deutch, 2024
Freddie Mac	3.7	2023	Khater et al., 2024
Realtor.com	3.8	2024	Jones & Hale, 2025
Fannie Mae	4.4	2022	Betancourt, Gardner, & Palim, 2022
Zillow	4.5	2022	Lacter, 2024
Brookings Institution	4.9	2023	Patel, Rajan, & Tomeh, 2024
National Association of Realtors	5.5	2021	Dittmann Tracey, 2024
Average	**3.4**	**2021-2024**	**--**

Source(s): Individual studies listed in the table.

Housing supply shortages and housing affordability issues have negative effects on the economy. Housing costs are the largest budgetary expense for most Americans and the main driver of inflation, accounting for 36 percent of Consumer Price Index (CPI) inflation (Cotton, 2024; BLS, 2024). Rising rents and monthly housing costs contribute to elevated rates of inflation (Hyatt, 2024). High housing costs also limit labor mobility and create inefficient job markets, with workers unable to relocate for job opportunities they might otherwise prefer, thereby depressing economic productivity (Hyatt, 2024; Klurfield, 2024). Lower-income individuals shoulder the biggest impacts of these dynamics, with housing costs leaving many priced out of metropolitan areas and enduring the longest commutes to get to work (Klurfield, 2024). A lack of access to affordable housing—or units in which occupants pay no more than 30 percent of their gross incomes on total housing costs—is also associated with higher childhood poverty rates and diminished pathways to individual prosperity (NLIHC, 2025). By disproportionately impacting low-income workers and making it more financially burdensome for many households to become homeowners, housing shortages can exacerbate wealth disparities and inhibit economic mobility (Hyatt, 2024).

Illinois was not immune to these issues. Since 2023, home prices have grown faster in Chicago than the national average (Rodkin, 2023; Carbonaro, 2024a; Ostrowski & Caginalp, 2025). In December 2024, Realtor.com named Rockford the "Hottest Housing Market" in the United States, with Springfield ranking 12th and Peoria placing 20th, due to strong demand and low inventory (Griffith, 2025). As a result, data from the Federal Housing Finance Agency shows that home prices rose by more than 9 percent in Illinois in 2024, the 8th-fastest growth in the nation (Conte, 2024). Asking rents increased by 5 percent across Illinois in 2024 and by as much as 10 percent in the Chicago metro area (Small, Bradley, & Duarte, 2024; Forbes, 2024). Many minimum wage workers in Chicago have struggled to find affordable housing near their jobs as costs have soared (Davila & Sanchez, 2023). Statewide, the National Low Income Housing Coalition estimates that Illinois needs 289,000 more affordable rental units for its extremely low-income renters (NLIHC, 2024).

This report, conducted jointly by the Illinois Economic Policy Institute (ILEPI) and the Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign, explores the housing shortage in Illinois. The report first discusses the origins of the housing shortage and contextualizes home prices and rents in Illinois. Then, the shifting dynamics of Illinois' housing market are assessed before an estimate of how many homes Illinois needs to meet current and future demand is presented. A discussion on average monthly homeowner costs follows, including on local property taxes and homeowners insurance premiums. A subsequent section utilizes a common but advanced statistical technique called a "regression" to understand how various supply and demand factors have contributed to the housing affordability problem over recent years. Finally, potential policy options are offered for elected officials, policymakers, and industry stakeholders to consider before a concluding section recaps key findings.

Demand, Supply, and Regulatory Causes of the Housing Shortage

The nation's housing shortage has been driven by several factors. On the demand side, a 36 percent increase in gross domestic product from the end of 2019 through the end of 2024 (from $21.9 trillion to $29.7 trillion) and a 5 percent increase in total nonfarm employment from December 2019 through December 2024 (from 151.8 million jobs to 158.9 million jobs), have boosted demand in the housing market (BEA, 2025; BLS, 2025b).[1] Demographic shifts, such as aging Millennials entering their prime homebuying years, have driven demand even higher (Carbonaro, 2024b; Frost, 2024). While the recent surge in household formations among Millennials has influenced the housing market, Gen Z households also grew significantly due to the health of the labor market (Marshall, 2023; JCHS, 2024a). In addition, the rise of remote work during and following the COVID-19 pandemic altered the residential preferences of many individuals and households, causing relocations from urban centers to suburban and rural areas that offered more space and better affordability (Chun et al., 2022). One study found that the shift to remote work alone raised national home prices by 15 percent (Mondragon & Wieland, 2022).

On the supply side, two decades of underbuilding occurred when housing construction declined sharply following the Great Recession. Construction firms and the construction workforce did not reach their pre-2008 levels until 2022 (Patel, Rajan, & Tomeh, 2024; Cooper, 2024). Rising costs of building materials due to COVID-era supply-chain disruptions and recent tariffs with Canada and China have slowed production and increased project costs (Strong, 2024). Labor shortages in the construction industry have also been cited as a limitation on residential building capacity (Weinstock, 2023). Finally, while the Federal Reserve's decision to hike interest rates in 2022 was a policy intervention designed to slow inflation, the persistence of high rates has negatively affected the housing market. Homebuilders are "heavily reliant on borrowing," and high interest rates make it more cost-prohibitive for developers and builders to take out loans to finance new construction (Weinstock, 2023; Thompson, 2024). Similarly, high interest rates have made would-be sellers reluctant to "trade-up" for better properties, limiting the inventory of resale listings. Three-fifths of all borrowers (60 percent) have mortgage rates below 4 percent, and this "lock-in effect" prevented as many as 1.3 million home sales in 2023, according to research by economists at the Federal Housing Finance Agency (CFPB, 2024; Badger & Paris, 2024). Indeed, sales of existing homes fell in 2024 to 4.1 million, their lowest level since 1995—when the United States had a population that was about 70 million lower than it is today (Veiga, 2025).

[1] The National Association of Realtors testifies that one permit to build a housing unit is typically issued for every two new jobs created, but that the ratio was out-of-balance in many areas of the country, including the Chicago metropolitan area—which had only one building permit for every five new jobs in 2024 (NAR, 2024).

Immigration has been cited as a factor in the robust growth in household formation that influences housing demand (JCHS, 2024a). Economic research finds that more immigration is associated with higher home values and rents (Nowrasteh, 2024; Saiz, 2007; Mussa, Nwaogu, & Pozo, 2017). However, the recent runup in home prices predates the latest surge in immigration, with home prices rising most in 2020 and 2021 while the level of immigration increased most in 2022 and 2023 (Frost, 2024). While immigrants add to the demand for housing, they also have an outsized role in expanding housing supply (Nowrasteh, 2024). In 2023, immigrants accounted for 34 percent of those who worked in the construction trades, but just 18 percent of the overall workforce (Frost, 2024). Consequently, drops in immigration can negatively impact both the demand and the supply of housing, ultimately depressing the market but having no net impact on home prices, rents, and housing affordability (Nowrasteh, 2024).

Growth in investor ownership of properties has been scrutinized for its impact on the housing market. Investor activity experienced a rapid uptick following the onset of the COVID-19 pandemic and has remained above pre-pandemic levels, reducing the supply of homes available for individuals and families that would otherwise occupy these properties (HUD User, 2023; Hermann, 2023). Activity increased for investors of all sizes, including for those individuals with short-term rentals like Airbnb and Vrbo properties. However, activity especially increased for institutional real estate investors with 1,000 properties or more (Hermann, 2023). Because large institutional investors often buy properties with cash and can bypass appraisals, they are easily able to outcompete and outbid other prospective homebuyers (HUD User, 2023; Porter & Martin, 2024). As a result, the share of rental properties owned by non-individual investors across the United States swelled from 18 percent in 2001 to 27 percent in 2021 (Hermann, 2023).

While some argue that investors can benefit local communities because they rehabilitate distressed properties and increase single-family rental housing supply, others note that many investors choose not to substantially improve their properties and many turn them into short-term rentals for visitors instead of primary residences for local renters (Stoney, 2024). The United Nations, for example, has found that real estate investment firms like Blackstone Group L.P. have bought up affordable properties, converted them into financial instruments, raised rents by 30 to 50 percent, and skimped on maintenance to deliver returns to investors—ultimately putting them out of reach for low-income tenants (UN News, 2019). In the United States specifically, research indicates that more investor activity drives up home prices and rents, making housing less affordable for individual buyers and renters—specifically those in the market for lower-priced homes (GAO, 2024; Stoney, 2024; Porter & Martin, 2024). Investor activity has been found to degrade housing affordability in particular for young households seeking single-family starter homes. In response, large developers build more multifamily units to meet this untapped demand, which changes the composition of the housing stock (Garriga, Gete, & Tsouderou, 2022).

Lastly, government regulations, particularly restrictive zoning laws and permitting requirements, have received attention for constraining the supply of housing (Weinstock, 2023). Zoning restrictions such as requirements to build single-family homes, minimum lot sizes, minimum parking spaces, and height restrictions each affect how many units can be built on a given parcel of land (Weinstock, 2023; Schuetz, 2020). Restrictions that limit higher-density developments or impose stringent land-use restrictions have become barriers to building new housing, especially in high-demand urban areas (Klein & Schuetz, 2022). Additionally, existing residents often exercise power over what is approved and rejected for construction in their neighborhoods, often slowing or stopping housing developments altogether (Weinstock, 2023).

In particular, zoning, permitting, and building codes affect housing construction in the City of Chicago. From 2013 to 2018, zoning restrictions increased prices per quarter acre by an estimated $50,000 to $60,000 more in Chicago than in cities like Minneapolis, Detroit, Columbus, and Nashville—although the cost of zoning in Chicago was significantly lower than in coastal cities like San Francisco, Los Angeles, Seattle, New York, and Philadelphia (Gyourko & Krimmel, 2021). Zoning restrictions especially limit housing construction in areas of the City with the highest incomes and best-performing schools (Freemark, 2024). The Northwest Side is mostly zoned for one- or two-family homes, the North Side only permits 2 percent of the land to allow high-density multifamily buildings, and the West, Southwest, and South Sides have low developer interest due to high levels of vacancy and high poverty rates (Freemark, 2024). The minimum fee for a Chicago building permit is $302, but costs between $500 and $5,000 for most projects (Lam, 2024). The permitting process in Chicago often involves lengthy timelines that add to developer costs. While the permitting process for housing construction typically takes up to 12 weeks, multifamily projects may encounter additional delays due to zoning approvals and coordination with other City departments, resulting in multiple rounds of review to address building code issues (Lam, 2024).

Home Values and Rents in Illinois

Housing has become less affordable since the COVID-19 pandemic (Figure 2). From July 2019 to July 2024, average home values in Illinois increased from $193,000 to more than $264,000, as measured by the Zillow Home Value Index—which estimates the mean value for homes in the 35th to 65th percentile of the price distribution (Zillow, 2025a). This $71,000 appreciation in home values represented a 37 percent growth over five years, greatly exceeding the 23 percent rise in overall inflation over the same time period (BLS, 2025a). The Chicago metro area experienced an $82,000 gain (35 percent) to an average of $316,000.

Illinois is certainly not alone in facing higher home values (Figure 2). In 46 other states, home values rose by more than the rate of inflation, including by more than 65 percent in Maine, Montana, New Hampshire, and Idaho. Only Alaska, North Dakota, Louisiana, and the District of Columbia, where home values went up by between 5 and 18 percent, experienced home price growth below inflation.

Despite the spike in home values, Illinois remains more affordable relative to other U.S. states (Figure 2). Illinois now ranks 36th in the nation in average home values. Compared to the other Top 10 most populous states, the typical home was priced lower in July 2024 in Illinois ($264,000) than in California ($769,000), Texas ($302,000), Florida ($396,000), New York ($475,000), Georgia ($328,000), and North Carolina ($330,000). It was on par with Pennsylvania ($269,000) and higher than in Ohio ($229,000) and Michigan ($247,000). In the Midwest, Minnesota ($333,000) and Wisconsin ($305,000) had higher average home values than Illinois, although the Chicago metro area ($316,000) topped Wisconsin as a whole.

Illinois is middle-of-the-pack in rental rates as well (Figure 3). According to Zillow Rentals Data, the median rent in July 2024 was about $1,800 per month in Illinois and $2,000 in the Chicago area (Zillow, 2025b). Illinois ranks 26th by median rent, well below other large states like New York ($3,500), California ($2,800), and Florida ($2,500) but above every neighboring state—which ranged from about $1,100 in Iowa to $1,400 in Indiana. If the Chicago metro area was its own state, it would have be tied for 16th in median rent price with Connecticut, Georgia, and Maine.

Illinois' Housing Market Changes Over Time

Illinois residents are more likely to be homeowners than their peers in other states (Figure 4). As of 2024, 68.5 percent of Illinois residents were homeowners, which was 3 percentage points higher than the national average of 65.1 percent. Illinois' homeownership rate has ranged from 65 to 69 percent every year since 2010, always exceeding the national average by between 1 and 4 percentage points. Since 2022, homeownership has also risen in Illinois, while it has declined nationally. Illinois' higher homeownership rate suggests comparatively stronger demand for owner-occupied units among current residents.

FIGURE 2: FIVE-YEAR CHANGE IN AVERAGE HOME VALUE BY STATE, JULY 2019 TO JULY 2024

Rank	State	July 2024	July 2019	5-Year Change	5-Year Growth
1	Hawaii	$853,917	$616,135	+$237,782	38.6%
2	California	$769,174	$532,076	+$237,098	44.6%
3	Massachusetts	$623,180	$422,865	+$200,315	47.4%
4	District of Columbia	$604,399	$571,665	+$32,734	5.7%
5	Washington	$588,965	$396,122	+$192,843	48.7%
6	Colorado	$542,428	$390,295	+$152,133	39.0%
7	New Jersey	$529,466	$347,055	+$182,411	52.6%
8	Utah	$517,456	$337,051	+$180,405	53.5%
9	Oregon	$494,102	$357,891	+$136,211	38.1%
10	New Hampshire	$475,460	$281,967	+$193,493	68.6%
11	New York	$474,538	$343,360	+$131,178	38.2%
12	Rhode Island	$464,744	$293,876	+$170,868	58.1%
13	Montana	$461,182	$272,443	+$188,739	69.3%
14	Idaho	$451,102	$273,431	+$177,671	65.0%
15	Nevada	$438,642	$300,846	+$137,796	45.8%
16	Arizona	$432,163	$267,643	+$164,520	61.5%
17	Maryland	$420,350	$316,109	+$104,241	33.0%
18	Connecticut	$404,913	$256,280	+$148,633	58.0%
19	Maine	$403,658	$236,076	+$167,582	71.0%
20	Vermont	$396,760	$261,824	+$134,936	51.5%
21	Florida	$395,569	$240,990	+$154,579	64.1%
22	Virginia	$390,381	$272,228	+$118,153	43.4%
23	Delaware	$386,417	$272,148	+$114,269	42.0%
24	Alaska	$364,036	$306,514	+$57,522	18.8%
25	Wyoming	$349,521	$252,524	+$96,997	38.4%
26	Minnesota	$333,421	$253,062	+$80,359	31.8%
27	North Carolina	$329,655	$203,231	+$126,424	62.2%
28	Georgia	$328,281	$200,730	+$127,551	63.5%
29	Tennessee	$320,733	$198,313	+$122,420	61.7%
--	***Chicago Area***	***$315,884***	***$233,441***	***+$82,443***	***35.3%***
30	South Dakota	$306,768	$208,834	+$97,934	46.9%
31	Wisconsin	$304,940	$205,459	+$99,481	48.4%
32	New Mexico	$302,881	$195,574	+$107,307	54.9%
33	Texas	$301,684	$209,742	+$91,942	43.8%
34	South Carolina	$296,923	$189,188	+$107,735	56.9%
35	Pennsylvania	$268,633	$188,055	+$80,578	42.8%
36	**Illinois**	**$264,402**	**$193,032**	**+$71,370**	**37.0%**
37	North Dakota	$261,051	$220,497	+$40,554	18.4%
38	Nebraska	$259,374	$177,573	+$81,801	46.1%
39	Michigan	$247,085	$170,556	+$76,529	44.9%
40	Missouri	$246,275	$165,180	+$81,095	49.1%
41	Indiana	$241,837	$157,227	+$84,610	53.8%
42	Ohio	$229,251	$152,150	+$77,101	50.7%
43	Alabama	$228,136	$157,505	+$70,631	44.8%
44	Kansas	$226,151	$150,145	+$76,006	50.6%
45	Iowa	$219,987	$160,642	+$59,345	36.9%
46	Kentucky	$207,499	$140,160	+$67,339	48.0%
47	Arkansas	$207,159	$146,561	+$60,598	41.3%
48	Oklahoma	$204,983	$136,712	+$68,271	49.9%
49	Louisiana	$200,684	$180,612	+$20,072	11.1%
50	Mississippi	$180,915	$139,368	+$41,547	29.8%
51	West Virginia	$166,679	$118,815	+$47,864	40.3%

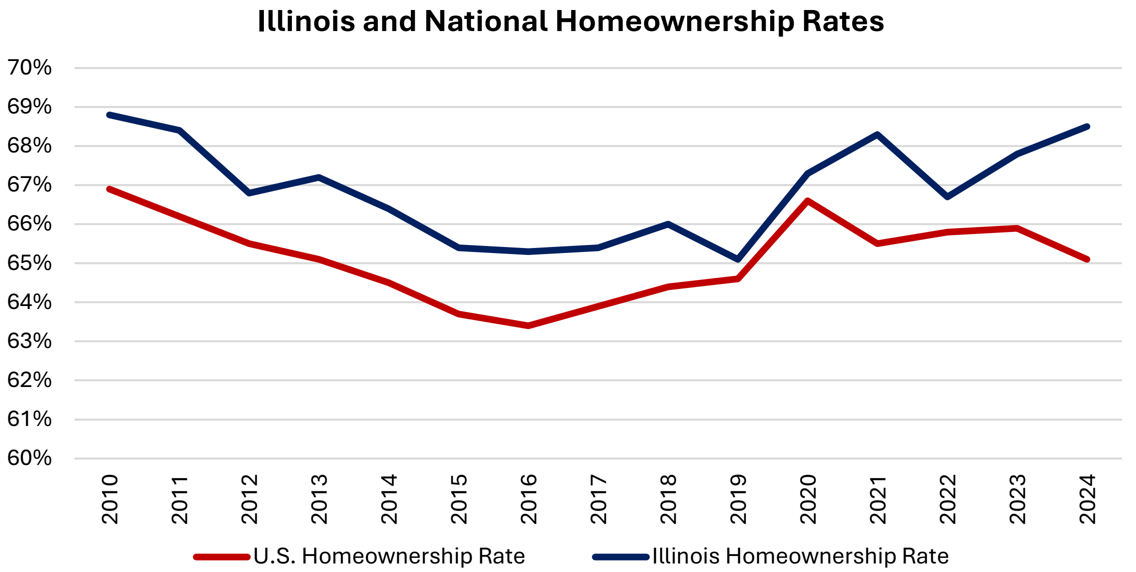
Source(s): Authors' analysis of Zillow Home Value Index data (Zillow, 2025a).

FIGURE 3: MEDIAN RENT BY STATE, JULY 2024

Rank	State	Median Rent
1	New York	$3,450
2	Massachusetts	$3,200
3	Hawaii	$3,000
4	California	$2,825
5	District of Columbia	$2,600
T-6	Florida	$2,500
T-6	New Jersey	$2,500
8	Colorado	$2,288
9	Rhode Island	$2,245
10	New Hampshire	$2,200
11	Arizona	$2,102
T-12	Nevada	$2,100
T-12	Vermont	$2,100
T-12	Washington	$2,100
15	Virginia	$2,050
T-16	Connecticut	$2,000
T-16	Georgia	$2,000
T-16	Maine	$2,000
--	***Chicago Area***	***$2,000***
19	Delaware	$1,995
20	Texas	$1,965
21	South Carolina	$1,897
T-22	North Carolina	$1,895
T-22	Maryland	$1,885
T-24	Alaska	$1,850
T-24	Utah	$1,850
26	**Illinois**	**$1,809**
27	Montana	$1,800
T-28	Oregon	$1,795
T-28	Tennessee	$1,795
30	New Mexico	$1,718
31	Idaho	$1,700
32	Pennsylvania	$1,550
33	Minnesota	$1,538
34	Louisiana	$1,500
T-35	Alabama	$1,400
T-35	Indiana	$1,400
T-35	Mississippi	$1,400
T-35	Oklahoma	$1,400
39	Arkansas	$1,375
T-40	Kentucky	$1,350
T-40	Michigan	$1,350
T-40	Nebraska	$1,350
43	Missouri	$1,309
44	Ohio	$1,300
45	Wisconsin	$1,275
46	Kansas	$1,245
47	South Dakota	$1,232
48	Wyoming	$1,200
49	Iowa	$1,111
T-50	North Dakota	$1,000
T-50	West Virginia	$1,000

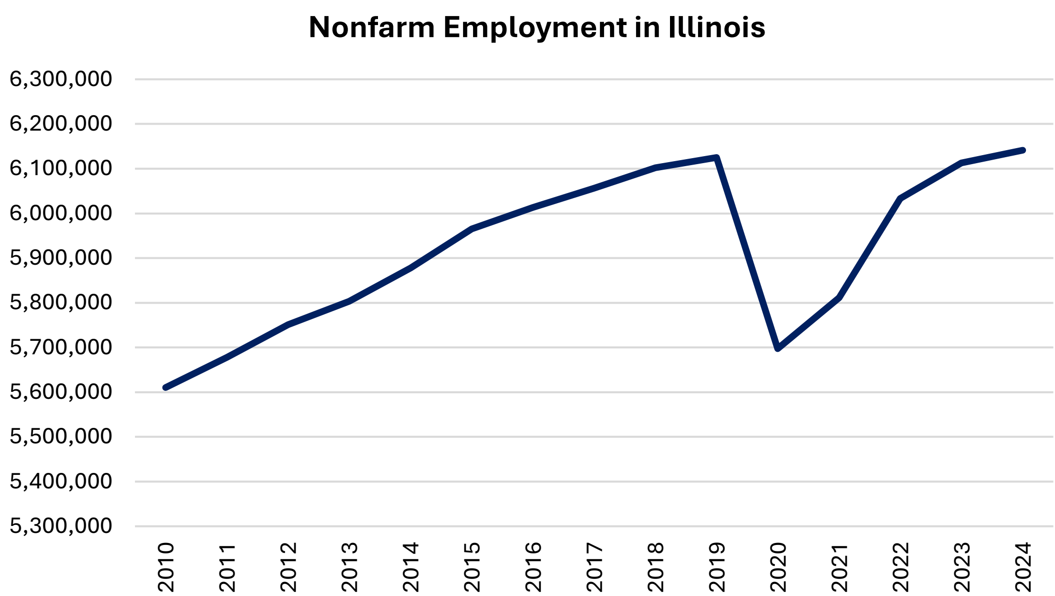
Source(s): Authors' analysis of Zillow Rentals Data (Zillow, 2025b).

FIGURE 4: HOMEOWNERSHIP RATES, ILLINOIS AND UNITED STATES, 2010–2024 ANNUAL AVERAGES



Source(s): Authors' analysis of homeownership rates in Illinois and the United States using Federal Reserve Economic Data from the Federal Reserve Bank of St. Louis (FRED, 2025). The homeownership rate is the proportion of households that is owner-occupied. Illinois' homeownership rate jump in 2021 was driven by low mortgage rates averaging 3.0 percent and pandemic-era support, including the federal student loan payment pause and three federal economic impact payments from March 2020 to March 2021.

FIGURE 5: TOTAL NONFARM EMPLOYMENT IN ILLINOIS, 2010–2024 ANNUAL AVERAGES



Source(s): Authors' analysis of total nonfarm employment data for Illinois from the Bureau of Labor Statistics at the U.S. Department of Labor (BLS, 2025c). All numbers are annual averages and are seasonally adjusted.

Employment growth is a key contributor to household formation and thus to demand in the housing market (Garcia & Paciorek, 2022; NAR, 2024). The strong job market has played a role in enabling younger Americans to form their own households instead of living with roommates, parents, or relatives (Carbonaro, 2024b; Marshall, 2023; JCHS, 2024a). In Illinois, total nonfarm employment averaged 6.1 million workers in 2024, surpassing pre-pandemic levels. When compared with 2010, Illinois now has 531,000 more workers, or employed persons—a growth of more than 9 percent (Figure 5).

Consequently, household formations in Illinois have accelerated over recent years (Figure 6). In 2023, Illinois had more than 5.0 million households for the first time. The number of households increased by nearly 4 percent compared to 2018's level of 4.8 million. This five-year growth rate has continued to climb; in 2015, Illinois only added 0.3 percent more households than it had in 2010. With more residents living on their own rather than with parents, relatives, or roommates, the demand for housing units has increased in Illinois.

FIGURE 6: TOTAL HOUSEHOLDS IN ILLINOIS AND FIVE-YEAR GROWTH RATES, 2010–2023

Year	Total Households in Illinois	5-Year Household Formation Change
2023	**5,001,904**	**+3.56%**
2022	4,968,761	+3.12%
2021	4,930,255	+2.67%
2020	4,884,061	+2.04%
2019	4,846,134	+1.41%
2018	4,830,038	+1.20%
2017	4,818,452	+0.93%
2016	4,802,124	+0.61%
2015	4,786,388	+0.34%
2014	4,778,633	--
2013	4,772,723	--
2012	4,774,275	--
2011	4,773,002	--
2010	4,769,951	--

Source(s): Authors' analysis of "Selected Housing Characteristics" from the *American Community Survey* (1-Year Estimates) from the U.S. Census Bureau (Census, 2025a).

FIGURE 7: IMMIGRATION FROM ABROAD, ILLINOIS AND UNITED STATES, 2010–2024

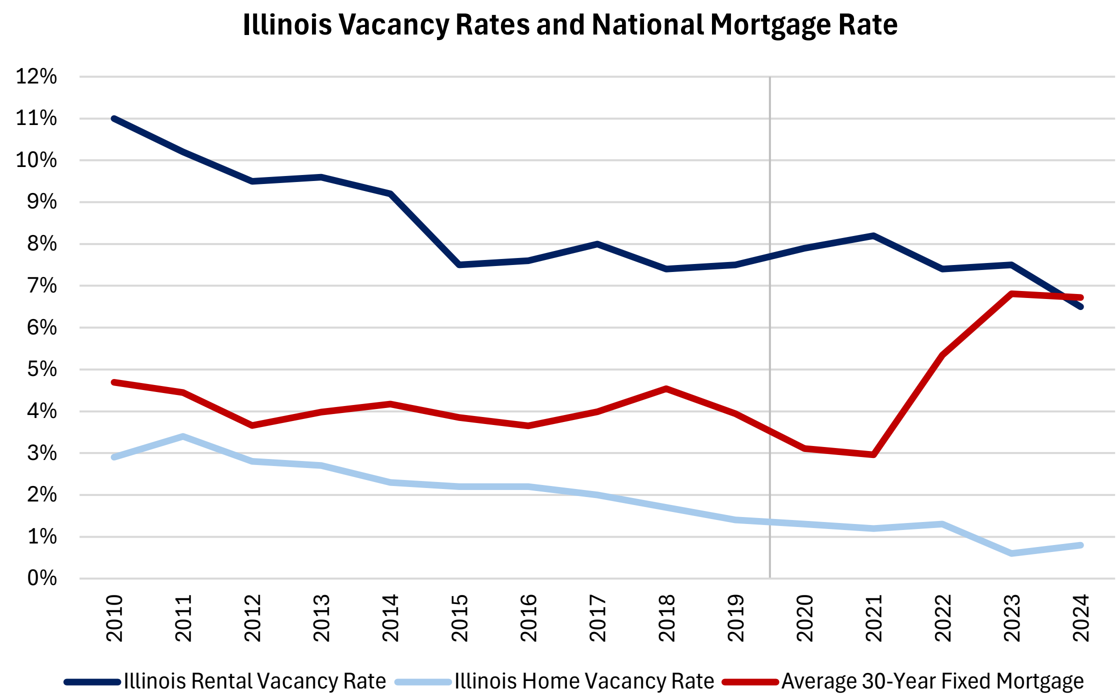
Year	Immigration from Abroad		Illinois Share
	Illinois	United States	
2024*	**112,955**	**2,786,119**	**4.1%**
2023	96,508	2,362,565	4.1%
2022	73,644	2,079,392	3.5%
2021	51,608	1,400,401	3.7%
2020**	--	--	--
2019	56,785	1,828,895	3.1%
2018	64,608	1,801,489	3.6%
2017	69,590	2,017,519	3.4%
2016	64,093	2,091,928	3.1%
2015	64,896	1,976,216	3.3%
2014	66,537	1,941,503	3.4%
2013	67,422	1,810,985	3.7%
2012	63,654	1,742,841	3.7%
2011	69,354	1,826,277	3.8%
2010	59,735	1,673,093	3.6%

Source(s): Authors' analysis of 2010 through 2023 "State-to-State Migration Flows" from the U.S. Census Bureau (Census, 2025b). *Note: 2024 estimates are from "State Population Totals and Components of Change: 2020-2024" from the U.S. Census Bureau due to data availability (Census, 2025c). **Note: Data is unavailable for 2020 due to the COVID-19 pandemic, but the number is likely low because the U.S. border was closed for much of the year in an effort to stop the spread of the virus.

Note that the data from the *American Community Survey* released by the U.S. Census Bureau in Figure 6 corroborates the finding that Illinois' population has been slowly growing since 2010 (Lubbers, 2023; Ramos & Armentrout, 2022). Any losses from "net domestic migration" have been offset by people arriving from abroad (Figure 7). Illinois became more urban and suburban, more foreign-born, and higher-paid over the 10-year period from 2014 through 2023 (Manzo & Bruno, 2023). The U.S. Census Bureau further showed that Illinois added about 20,000 new residents in 2023 and another 68,000 people in 2024, largely due a record year for international migration (Barrett, 2024; *NBC Chicago*, 2024). In fact, the share of all people from abroad who settled in Illinois was above pre-pandemic levels in both 2023 and 2024, at 4 percent, contributing to Illinois' growth in employment and household formations (Figure 7).

Illinois' housing shortage is primarily due to a significant undersupply of available housing units, as evidenced by vacancy rates (Figure 8). Economists assert that there is a "natural rate" of housing vacancies. If the number of housing units perfectly matched the number of households requiring shelter, then the vacancy rate would be 0 percent (or, conversely, the occupancy rate would be 100 percent). This would force renters to stay in their units, even if properties are dilapidated or if they have unscrupulous landlords, because there would be no other units available where they could move. It would also prevent homeowners from upgrading to new homes because there would be no resale or new construction properties listed in the marketplace. Accordingly, "healthy" housing markets require certain levels of vacancies in order to efficiently align the preferences of buyers and sellers and to match the needs of tenants with landlords.[2]

FIGURE 8: HOME AND RENTAL VACANCY RATES AND 30-YEAR FIXED MORTGAGE RATE, ILLINOIS AND U.S., 2010–2024



Source(s): Authors' analysis of vacancy rates in Illinois and the United States and the average 30-year fixed-rate mortgage using Federal Reserve Economic Data from the Federal Reserve Bank of St. Louis (FRED, 2025). The rental vacancy rate is the percentage of rented housing units that is available, the home vacancy rate is the percentage of the owner-occupied housing units that is available, and the 30-year fixed rate mortgage average in the United States is from applications submitted to Freddie Mac from lenders across the country and is provided to the Federal Reserve Bank of St. Louis "as is."

Vacancy rates have been on the decline in Illinois since at least 2010 (Figure 8). The rental vacancy rate—or the percentage of all prospective rental units that are unoccupied—was 11 percent in 2010. As the economy rebounded from the Great Recession, rental vacancy rates settled between 7 and 8 percent

[2] Economists do not agree, however, on the precise "natural vacancy rate." For example, researchers at the Brookings Institution consider a 12 percent overall vacancy rate on both owner-occupied and rental housing units to be the natural rate (Patel, Rajan, & Tomeh, 2024). Others put the natural vacancy rate at between 7 and 8 percent (Hartwell, 2024). In 2005, researchers at DePaul University estimated the natural vacancy rate to be 9.6 percent in Cook County, Illinois (Cannon, Cole, & Dombrow, 2005).

yearly. By 2024, just 6.5 percent of rental properties were vacant across Illinois. The home vacancy rate—or the percentage of the owner-occupied housing stock that is available—has fallen from 3 percent in 2010 to historic lows of 0.6 percent in 2023 and 0.8 percent in 2024 (Figure 8).

Higher interest rates can explain some of the recent drop in Illinois' home vacancy rate (Figure 8). The average 30-year fixed mortgage rate—which ranged between 3.7 percent and 4.5 percent every year from 2010 through 2019—dipped to 3.0 percent in 2021. Then, as the Federal Reserve began hiking interest rates to combat high inflation, the average 30-year fixed mortgage rate skyrocketed to 5.3 percent in 2022, 6.8 percent in 2023, and 6.7 percent in 2024 (Figure 8). Higher interest rates significantly increase the average monthly cost of homeownership, which creates a financial incentive for many would-be sellers—who are locked-in to mortgage rates below 3 or 4 percent—to delay plans they may have to relocate or upgrade to better properties.

Few owner-occupied homes are vacant because housing inventory is considerably below pre-pandemic levels (Figure 9). According to Realtor.com data compiled by the Federal Reserve Bank of St. Louis, point-in-time counts of active single-family, townhome, and condo listings for sale have ranged between 17,000 and 25,000 per month since 2021, with an average of 18,000 active for-sale listings in 2024. Illinois' for-sale inventory in 2024 remained 64 percent below the 51,000 average monthly listings from 2019. Nationally, active listings were down 29 percent in 2024 compared to five years earlier. The share of active listings located in Illinois was thus halved, from 4 percent down to 2 percent.

FIGURE 9: HOUSING INVENTORY (ACTIVE FOR-SALE LISTINGS), ILLINOIS AND THE UNITED STATES, 2017–2024

Annual Averages	Illinois		United States		Illinois' Share of Listings
Year	Active Listings	Compared to 2019	Active Listings	Compared to 2019	
2024	**18,216**	**-64.3%**	**825,025**	**-29.0%**	**2.2%**
2023	17,358	-66.0%	645,447	-44.5%	2.7%
2022	20,693	-59.5%	570,365	-50.9%	3.6%
2021	24,795	-51.4%	502,973	-56.7%	4.9%
2020	38,219	-25.1%	828,412	-28.8%	4.6%
2019	51,055	0.0%	1,162,696	±0.0%	4.4%
2018	50,853	-0.4%	1,187,080	+2.1%	4.3%
2017	51,480	0.8%	1,235,202	+6.2%	4.2%

Source(s): Authors' analysis of housing inventory in Illinois and the United States using Federal Reserve Economic Data from the Federal Reserve Bank of St. Louis (FRED, 2025). Housing inventory is the annual average active listing count for single-family, condo, and townhome listings for a given market during specified months and excludes pending sales. Data dates back to 2017 and is provided to the Federal Reserve Bank of St. Louis from Realtor.com.

A primary reason why Illinois lacks housing inventory is that homebuilders and developers are not constructing a sufficient supply of units (Figure 10). Building permits data reveals that the number of new privately owned housing units authorized for construction in the United States gradually increased from under 1.0 million homes before 2014 to 1.7 million homes in 2021, before falling in 2022, 2023, and 2024 to fewer than 1.5 million new units as high interest rates made financing housing projects more expensive (Weinstock, 2023; Thompson, 2024). In Illinois, new home construction continued to decline. Authorized new construction in 2023 (under 17,000 units) was Illinois' lowest level since 2013. Overall, an average of 22,000 housing units were built annually from 2015 through 2019. Following the pandemic, only 19,000 homes were built per year from 2020 through 2024. As a result, the share of the nation's new units located in Illinois has been halved as well, from 2 percent down to just 1 percent.

In downtown Chicago, the number of new apartments delivered annually has bottomed out to a three-decade low, causing rents to rise by 6 percent in the first quarter of 2025 (Herzog, 2025). Fewer than 200 news units are expected to be completed this year. Downtown apartment deliveries are only projected to increase to about 400 new units in 2026 and just under 1,900 new units by 2027 (Herzog, 2025).

FIGURE 10: BUILDING PERMITS FOR NEW HOUSING CONSTRUCTION, ILLINOIS AND THE UNITED STATES, 2010–2024

New Privately Owned Housing Units Authorized			
Year	Illinois	United States	Illinois' Share of New Units
2024	**19,825**	**1,471,367**	**1.3%**
2023	16,863	1,511,102	1.1%
2022	20,549	1,680,368	1.2%
2021	19,658	1,736,982	1.1%
2020	18,058	1,471,141	1.2%
2019	20,524	1,386,048	1.5%
2018	21,510	1,328,827	1.6%
2017	24,992	1,281,977	1.9%
2016	22,603	1,206,642	1.9%
2015	19,571	1,182,582	1.7%
2014	20,578	1,046,363	2.0%
2013	15,545	990,822	1.6%
2012	13,797	829,658	1.7%
2011	11,809	624,061	1.9%
2010	12,318	604,610	2.0%
2020-2024 Average	*18,991*	*1,574,192*	*1.2%*
2015-2019 Average	*21,840*	*1,277,215*	*1.7%*

Source(s): Authors' analysis of 2010 through 2023 "Permits by State" data from the U.S. Census Bureau (Census, 2025d).

Investor activity, which can limit the supply of homes available for prospective homebuyers, has increased in the Chicago metropolitan area (Figure 11). The number of homes purchased by investors—everything from large private equity firms to single owners of Airbnb units—was just over 2,000 units in 2010, accounting for 8 percent of the Chicago area market. By 2021, investor purchases increased more than fivefold to over 11,000 properties and a market share of 11 percent. While investor purchases totaled about 10,000 units in 2022 and about 8,000 units in each of 2023 and 2024, their share of the Chicago area market has increased—rising to between 12 and 14 percent ownership of all housing units since 2022.

FIGURE 11: INVESTOR PURCHASES OF HOUSING INVENTORY IN THE CHICAGO METRO AREA, 2010–2024

Year	Chicago Metropolitan Area	
	Investor Purchases	Investor Market Share
2024	**7,702**	**12%**
2023	8,597	14%
2022	10,110	12%
2021	11,414	11%
2020	6,509	10%
2019	9,163	12%
2018	10,440	13%
2017	8,787	11%
2016	6,888	10%
2015	6,115	10%
2014	5,719	11%
2013	5,750	12%
2012	3,276	10%
2011	2,385	8%
2010	2,322	8%

Source(s): Authors' analysis of 2010 through 2023 investor data by metropolitan area from Redfin (Redfin, 2025).

Estimating Illinois' Housing Shortage

Researchers employ varying methods to calculate the housing shortage, which is why national housing supply estimates range between 1.5 million and 5.5 million units (see Figure 1). One way to measure the housing shortage is to compare the number of available units to the total number of households and determine the current vacancy rate. By evaluating the current vacancy rate against a "natural vacancy rate" based on historical averages, researchers can determine how many housing units should be available to accommodate existing households (Patel, Rajan, & Tomeh, 2024). This is the approach taken by Moody's Analytics, which concluded that the United States has a housing shortage of 1.5 to 2.0 million units (Villa, Rosin, & Chen, 2024).

Another approach accounts for "pent-up" demand from individuals who would otherwise choose to form their own households under more favorable market conditions (Patel, Rajan, & Tomeh, 2024). For example, many individuals living with roommates, parents, or other relatives might prefer living on their own but are unable to do so due to high housing costs. Zillow estimated a housing shortage of 4.5 million units by focusing on individuals or families who live with nonrelatives (8.1 million) and contrasting that with the number of housing units available for rent or sale (3.6 million) (Lacter, 2024).

This analysis blends these two methods.[3] First, the "vacancy-rate" (Moody's) approach is utilized to calculate Illinois' housing deficit in 2023 relative to the 10-year average vacancy rate in the pre-pandemic period from 2010 through 2019. Then, a "pent-up demand" (Zillow) approach adds in "missing households" that would otherwise be formed under improved circumstances. In comparison with Zillow, which considers all people living with nonrelatives as potential "missing households," this analysis focuses only on individuals between the ages of 35 and 64 years old who live with nonrelatives—as reported in the U.S. Census Bureau's *American Community Survey* (Census, 2025e). This group of adults is selected to represent "missing households" because individuals over 65 years old are more likely to be retired and to consider moving in with their adult children or into group facilities, while young people between the ages of 18 and 34 years old are more likely to prefer living with roommates or with other family members. The assumption is that by the middle-age years of 35 to 64 years old, most people would prefer to be out on their own, married, or in otherwise independent living arrangements rather than living with roommates. The number of individuals aged 35 to 64 years old living with nonrelatives is divided by the average household size across the state to arrive at an estimate on "missing households." The vacancy-only housing deficit and the pent-up demand among missing households are subsequently added together to arrive at an annual housing shortage in Illinois.

Based on the most recently available data, Illinois' housing deficit amounts to 95,000 homes (Figure 12). According to *American Community Survey* data from the U.S. Census Bureau, Illinois had 5.0 million households and 5.4 million housing units in 2023. Fully 92 percent of housing units were occupied, leaving 8 percent vacant. By contrast, from 2010 through 2019, the statewide vacancy rate averaged just under 10 percent. Applying this historical vacancy rate suggests that Illinois should have over 5.5 million housing units to accommodate its households, or nearly 95,000 more housing units.

This housing deficit has grown significantly since 2019 (Figure 12). In the decade before the pandemic, Illinois' total vacancy rate fell into a narrow range of 9 to 10 percent, effectively resulting in no housing

[3] Note that there are other methods to calculate the housing shortage. These include comparing historical construction rates to current trends (an "underbuilding" approach), comparing people who currently self-report as being the heads of their households versus historical averages, and what is referred to as an "Oaxaca-Blinder decomposition," which looks at changes in household formation and compares them to changes in housing costs (Patel, Rajan, & Tomeh, 2024).

deficit. However, as vacancy rates have declined, Illinois' housing deficit has worsened continuously every year since 2019—from an estimated 6,000 units in 2019 to just under 95,000 units as of 2023.

FIGURE 12: HOUSEHOLDS, HOUSING UNITS, AND THE HOUSING SURPLUS OR DEFICIT IN ILLINOIS, 2010–2023

Year	Households	Housing Units	Vacant Housing Units	Housing Deficit (-) or Surplus (+)
2023	**5,001,904**	**5,443,501**	**8.1%**	**-94,821**
2022	4,968,761	5,427,357	8.4%	-74,267
2021	4,930,255	5,412,995	8.9%	-45,994
2020	4,884,061	5,373,385	9.1%	-34,456
2019	4,846,134	5,360,315	9.6%	-5,531
2018	4,830,038	5,347,268	9.7%	-756
2017	4,818,452	5,334,847	9.7%	-349
2016	4,802,124	5,310,327	9.6%	-6,790
2015	4,786,388	5,303,675	9.8%	+3,982
2014	4,778,633	5,299,433	9.8%	+8,327
2013	4,772,723	5,291,704	9.8%	+7,141
2012	4,774,275	5,293,619	9.8%	+7,338
2011	4,773,002	5,285,389	9.7%	+517
2010	4,769,951	5,267,614	9.4%	-13,879
2010-2019 Average	*4,795,172*	*5,309,419*	*9.7%*	*±0*

Source(s): Authors' analysis of "Selected Housing Characteristics" from the *American Community Survey* (1-Year Estimates) from the U.S. Census Bureau (Census, 2025a).

FIGURE 13: ESTIMATING "MISSING HOUSEHOLDS" IN ILLINOIS BASED ON RESIDENTS AGES 35–64 YEARS OLD LIVING WITH NONRELATIVES AND THE AVERAGE (ADJUSTED) HOUSEHOLD SIZE, 2010–2023

Year	"Other Nonrelatives"* Ages 35-64	Average Household Size *Excluding* "Other Nonrelatives" Ages 35-64	"Missing Households"	Existing Households Plus "Missing Households"
2023	116,844	2.46	47,526	5,049,430
2022	119,113	2.49	47,877	5,016,638
2021	119,985	2.52	47,661	4,977,916
2020	133,568	2.52	53,098	4,937,159
2019	149,005	2.54	58,591	4,904,725
2018	137,388	2.56	53,575	4,883,613
2017	155,752	2.57	60,532	4,878,984
2016	147,667	2.58	57,171	4,859,295
2015	145,375	2.60	55,988	4,842,376
2014	145,878	2.60	56,116	4,834,749
2013	145,697	2.60	56,070	4,828,793
2012	145,745	2.59	56,226	4,830,501
2011	145,706	2.59	56,364	4,829,366
2010	145,613	2.58	56,507	4,826,458
2010-2019 Average	*145,382*	*2.58*	*56,712*	*4,851,886*

Source(s): Authors' analysis of "Selected Housing Characteristics" and "Living Arrangements of Adults 18 Years and Over by Age" from the *American Community Survey* (1-Year Estimates) from the U.S. Census Bureau (Census, 2025a; Census, 2025e). *Note: "Other nonrelatives" include anyone who is not a spouse or unmarried partner and who is not related to the individual.

The housing deficit does not fully account for decades of underbuilding following the Great Recession that produced pent-up demand from individuals who would otherwise have formed households if homes were more widely available and more affordable. Figure 13 accounts for these "missing households." Over recent years, the number of people between the ages of 35 and 64 years old in living arrangements with nonrelatives has decreased, and average household sizes have dropped slightly. Dividing the former by the latter generates an estimated 48,000 missing households in Illinois that would be formed if market conditions were better. While the average was 57,000 missing households over the 10-year period from 2010 through 2019, it dropped below 48,000 in 2021 as households formed due to low mortgage rates and to the strong post-pandemic economic expansion. The number of missing households stagnated at 48,000 in 2022 and 2023 as mortgage rates soared. The 2019 to 2021 drop in missing households demonstrates that many people ages 35 to 64 years old would prefer to form their own households under favorable market conditions (Figure 13).

The data reveals that Illinois has a total housing shortage of 142,000 units (Figure 14). With a housing deficit of nearly 95,000 homes based on historical vacancy rates and more than 47,000 missing households that would have formed had there been adequate, affordable units, Illinois needed more than 142,000 available homes in 2023. The data also shows that Illinois' housing supply deficit has deteriorated. The state generally needed about 60,000 more homes in the years leading up to 2020. Then, as more households formed while resale inventory and new construction fell and institutional investors captured more of the housing market, the state became short nearly 94,000 homes in 2021, over 122,000 homes in 2022, and finally more than 142,000 homes in 2023.[4]

FIGURE 14: THE HOUSING DEFICIT, PENT-UP DEMAND, AND TOTAL HOUSING SHORTAGE IN ILLINOIS, 2010–2023

Year	Housing Deficit (-) or Surplus (+) based on Households Alone	Housing Units to Accommodate Missing Households	Illinois' Total Housing Shortage
2023	**-94,821**	**-47,526**	**-142,347**
2022	-74,267	-47,877	-122,144
2021	-45,994	-47,661	-93,655
2020	-34,456	-53,098	-87,554
2019	-5,531	-58,591	-64,122
2018	-756	-53,575	-54,331
2017	-349	-60,532	-60,880
2016	-6,790	-57,171	-63,961
2015	+3,982	-55,988	-52,007
2014	+8,327	-56,116	-47,790
2013	+7,141	-56,070	-48,928
2012	+7,338	-56,226	-48,888
2011	+517	-56,364	-55,846
2010	-13,879	-56,507	-70,386
2010-2019 Average	*±0*	*-56,712*	*-56,712*

Source(s): Authors' analysis of "Selected Housing Characteristics" and "Living Arrangements of Adults 18 Years and Over by Age" from the *American Community Survey* (1-Year Estimates) from the U.S. Census Bureau (Census, 2025a; Census, 2025e).

Illinois needs to build more homes than it has at any point since 2010 (Figure 15). A healthy housing market not only has to address the present housing shortage, but also must factor in future household growth as well. To address its housing deficit, return the state to its natural vacancy rate, and address pent-up demand from missing households, Illinois needs about 142,000 more homes. Homebuilders and developers will also be counted on to deliver shelter for an additional 85,000 newly formed households over the next five years. In total, Illinois needs to construct 227,000 more housing units over the next five years. In other words, Illinois needs to build 45,000 new homes per year over the next five years—more than

[4] A simple back-of-the-envelope approach based on total nonfarm employment yields at a similar number. From 2013 through 2023, Illinois added 309,858 workers, an increase of 5.3 percent (BLS, 2025c). Meanwhile, the state added just 151,797 housing units, a gain of 2.9 percent (Figure 12). If the growth in housing units had kept pace with the rise in employment over the 10-year period, then the number of housing units would have grown by 2.5 percent more, or an additional 130,744 housing units.

double the five-year new building permit average of about 19,000 authorized units from 2019 through 2023 (see Figure 10).[5]

FIGURE 15: THE FIVE-YEAR BUILDING SHORTAGE IN ILLINOIS, DEPENDING ON APPROACH

Illinois' Building Shortage Over Next 5 Years	Households-Only Vacancy Rate Approach	Households and Pent-Up Demand Approach
Average 5-Year Household Formation Rate*	+1.8%	+1.7%
Current Housing Shortage	94,821	142,347
+ New Households in Five Years	+88,256	+85,005
= Homes Needed within Five Years	183,077	227,352
Average Homes Needed Per Year	**36,615**	**45,470**

Source(s): Authors' analysis of "Selected Housing Characteristics" and "Living Arrangements of Adults 18 Years and Over by Age" from the *American Community Survey* (1-Year Estimates) from the U.S. Census Bureau (Census, 2025a; Census, 2025e). *Note: The average 5-year household formation rate since 2015, which begins with 2010 household levels (see Figure 6). Reduced household formation is likely to occur due to both decreased levels of immigration—which is assumed to return to historical norms—and an aging population.

Average Monthly Homeownership Costs in Illinois

Across the country, housing costs have been aggravated by four compounding factors. Strong demand met with weak supply have made homes appreciably more expensive for prospective homebuyers to purchase than they were just a few years ago—especially relative to inflation. Second, mortgage rate hikes have lifted monthly mortgage payments even further for those who finance their homes. Third, property tax bills have risen, due to higher home values and greater costs for local governments to provide services following a period of ballooning inflation (Yan, 2024). Fourth, homeowners insurance and renters insurance rates have skyrocketed, driven by a combination of escalating home values, rising construction costs, and intensifying natural disasters, such as from hurricanes, floods, tornadoes, hail storms, wildfires, and other catastrophic events (Fowlie et al., 2025; Knueven, 2024). Families need greater dwelling coverage for their increasingly expensive homes and larger dollar amounts to cover other property items and liabilities as well, while insurers require higher premiums to spread out their risk exposure.

A 2024 analysis by Redfin found that property tax bills had gone up in nearly every major metropolitan area since 2019 (Anderson & de la Campa, 2024). The largest percentage increases in median monthly property taxes occurred in Indianapolis (67 percent), Atlanta (66 percent), Jacksonville (60 percent), Tampa (57 percent), and Miami (48 percent). The report found that median property taxes were highest in New York and New Jersey, and effective property tax rates—or property tax bills divided by home values—were highest in Texas, with Austin, San Antonio, and Houston having tax rates that exceeded those in the Chicago metro area (Anderson & de la Campa, 2024).

Figure 16 approximates average property tax bills in the 50 U.S. states and the District of Columbia using average home values in July 2024, per the Zillow Home Value Index and effective 2024 property tax rates as determined by SmartAsset using data from the U.S. Census Bureau's *American Community Survey* (Zillow, 2025a; Odeniran, 2024). The results suggest that Illinois' homeowners pay the 8th-highest property tax bills

[5] Note that, although household growth has been on the rise in Illinois, Figure 15 uses the average five-year household formations rate from 2015 through 2023 because recent evaluations anticipate a national slowdown in population gains (McCue, 2025). From 2025 to 2035, the United States is anticipated to accept an average of 870,000 immigrants per year, down considerably from levels experienced since 2010 (see Figure 7). The United States is projected to see rapid growth in households formed by people ages 70 years and older paired with a modest uptick in formations among people ages 35 and 54 years old, but households will decline among other age groups. The result is a 6 percent increase in total U.S. households over a decade (McCue, 2025). For these reasons, it is assumed that Illinois' household formations will abate and return to average rates of growth (see Figure 15).

in the country, behind only New Jersey, New Hampshire, Connecticut, New York, Massachusetts, Vermont, and Rhode Island. A December 2024 report from the nonpartisan Commission on Government Forecasting and Accountability found that Illinois ranked 6th nationally in per capita property tax revenue collected, behind New Jersey, Connecticut, New Hampshire, New York, and Massachusetts (O'Malley, 2024) The average Illinois homeowner faces an annual property tax bill of approximately $5,600 (Figure 16).[6] However, relatively high property taxes have clearly not deterred residents from becoming homeowners, since Illinois consistently has a higher homeownership rate than the national average (see Figure 4).

Figure 17 estimates average annual homeowners insurance premiums in the 50 U.S. states and the District of Columbia using July 2024 Zillow Home Value Index home values and Bankrate's published homeowners' insurance costs by state (Zillow, 2025a; Van Keuren, 2025). Bankrate utilized Quadrant Information Services—a private firm that specializes in solutions for property and casualty insurance companies—to analyze January 2025 rates for all zip codes and all insurance carriers in the 50 states and District of Columbia. Bankrate provides uniform quotes for homes with $300,000 in dwelling coverage that are owned by 40-year-old male and female householders with good credit scores and clean claim histories who have $1,000 deductibles, $500 hail deductibles, and 2 percent hurricane deductibles (where necessary) (Van Keuren, 2025). In Figure 17, the $300,000 dwelling coverage is replaced by the average July 2024 home value in each state, and annual insurance premiums are scaled up or down in proportion with the new coverage amounts. Note that Figure 17 is for illustrative purposes only and actual quotes would vary; homeowners insurance can fluctuate due to many factors, ranging from the years units were built and roof ages to the demographics and credit scores of homeowners to bundles with auto insurance and military discounts.

Although Illinois residents have experienced sharp rises in homeowners insurance, the state remains one of the most affordable in the nation (Sheets, 2024). Illinois ranks 35th in the nation by the average homeowners insurance premium, costing owners north of $1,800 per year (Figure 17). Homeowners in Florida face the highest premiums, at nearly $7,100 per year on average, followed by those in Colorado ($5,500 per year) and Nebraska ($4,700 per year). Homeowners pay the least, between $500 and $1,100 per year, in West Virginia, Ohio, and Vermont.

Many homeowners opt to fund "escrow accounts" that are added onto their mortgage payments. Homeowners make monthly contributions into these escrow accounts that are sufficient to cover property tax and insurance payments, which lenders make on their behalf. When combining these two components of housing costs, Illinois averages the 14th-highest escrow costs in the nation. Illinois households pay an estimated $7,400 on average in property taxes and homeowners insurance, or more than $600 per month, into their escrow accounts. While this is less than other populous states like New York ($900 per month), Florida ($900 per month), California ($800 per month), and Texas ($700 per month), it does exceed monthly costs for households in all neighboring states, which range from less than $300 per month in Indiana to just over $500 per month in Wisconsin (Figure 18).

[6] Individual income tax return data released by the Illinois Department of Revenue (IDOR) produce a similar dollar amount. In Illinois, taxpayers can claim the "Illinois Property Tax Credit," which is equal to 5 percent of the property tax paid on their principal residences (IDOR, 2020). In tax year 2022, the total property tax credit amount was $552,501,547 to 1,937,801 Illinois-based taxpayers, or an average of $285 per claimant (IDOR, 2024). Dividing this value by 5 percent yields an average property tax bill of $5,702 for households who filed taxes and claimed the credit. Note that this does *not* include retirees (since retirement income is not subject to income taxation in Illinois), people who own homes but did not earn incomes, and tax filers who simply forgot to claim—or were unaware of—the property tax credit.

FIGURE 16: HOME VALUES AND AVERAGE PROPERTY TAX BILLS BY STATE, JULY 2024

Rank	State	Average Home Value	Average Property Tax	Property Tax Rate
1	New Jersey	$529,466	$12,337	2.3%
2	New Hampshire	$475,460	$8,986	1.9%
3	Connecticut	$404,913	$8,098	2.0%
4	New York	$474,538	$7,782	1.6%
5	Massachusetts	$623,180	$7,167	1.2%
6	Vermont	$396,760	$7,062	1.8%
7	Rhode Island	$464,744	$6,460	1.4%
8	**Illinois**	**$264,402**	**$5,579**	**2.1%**
9	California	$769,174	$5,461	0.7%
10	Washington	$588,965	$5,183	0.9%
11	Texas	$301,684	$4,917	1.6%
12	Wisconsin	$304,940	$4,849	1.6%
13	Maine	$403,658	$4,723	1.2%
14	Maryland	$420,350	$4,288	1.0%
15	Oregon	$494,102	$4,249	0.9%
16	Alaska	$364,036	$4,223	1.2%
17	Nebraska	$259,374	$3,994	1.5%
18	Pennsylvania	$268,633	$3,788	1.4%
19	Montana	$461,182	$3,643	0.8%
20	Minnesota	$333,421	$3,501	1.1%
21	South Dakota	$306,768	$3,497	1.1%
22	District of Columbia	$604,399	$3,385	0.6%
23	Michigan	$247,085	$3,336	1.4%
24	Ohio	$229,251	$3,278	1.4%
25	Iowa	$219,987	$3,278	1.5%
26	Florida	$395,569	$3,244	0.8%
27	Kansas	$226,151	$3,030	1.3%
28	Virginia	$390,381	$2,967	0.8%
29	Utah	$517,456	$2,846	0.6%
30	Georgia	$328,281	$2,725	0.8%
31	Colorado	$542,428	$2,658	0.5%
32	North Dakota	$261,051	$2,584	1.0%
33	Idaho	$451,102	$2,526	0.6%
34	Arizona	$432,163	$2,420	0.6%
35	North Carolina	$329,655	$2,406	0.7%
36	Hawaii	$853,917	$2,306	0.3%
37	New Mexico	$302,881	$2,241	0.7%
38	Missouri	$246,275	$2,241	0.9%
39	Nevada	$438,642	$2,193	0.5%
40	Delaware	$386,417	$2,125	0.6%
41	Wyoming	$349,521	$2,027	0.6%
42	Indiana	$241,837	$1,862	0.8%
43	Tennessee	$320,733	$1,860	0.6%
44	Oklahoma	$204,983	$1,742	0.9%
45	Kentucky	$207,499	$1,660	0.8%
46	South Carolina	$296,923	$1,574	0.5%
47	Mississippi	$180,915	$1,375	0.8%
48	Arkansas	$207,159	$1,222	0.6%
49	Louisiana	$200,684	$1,104	0.6%
50	West Virginia	$166,679	$917	0.6%
51	Alabama	$228,136	$890	0.4%

Source(s): Authors' analysis of Zillow Home Value Index data and effective 2024 property tax rates as determined by SmartAsset using data from the U.S. Census Bureau's *American Community Survey* (Zillow, 2025a; Odeniran, 2024).

FIGURE 17: HOME VALUES AND AVERAGE HOMEOWNERS' INSURANCE PREMIUMS BY STATE, JULY 2024

Rank	State	Average Home Value	Average Insurance	Insurance on $300,000*	Insurance Rate
1	Florida	$395,569	$7,089	$5,376	1.8%
2	Colorado	$542,428	$5,455	$3,017	1.0%
3	Nebraska	$259,374	$4,670	$5,401	1.8%
4	Texas	$301,684	$3,746	$3,725	1.2%
5	Montana	$461,182	$3,717	$2,418	0.8%
6	California	$769,174	$3,541	$1,381	0.5%
7	Hawaii	$853,917	$3,456	$1,214	0.4%
8	Massachusetts	$623,180	$3,411	$1,642	0.5%
9	Rhode Island	$464,744	$3,346	$2,160	0.7%
10	Oklahoma	$204,983	$3,182	$4,657	1.6%
11	Kansas	$226,151	$3,142	$4,168	1.4%
12	Arizona	$432,163	$3,024	$2,099	0.7%
13	South Dakota	$306,768	$2,963	$2,898	1.0%
14	Minnesota	$333,421	$2,871	$2,583	0.9%
15	Washington	$588,965	$2,833	$1,443	0.5%
16	District of Columbia	$604,399	$2,746	$1,363	0.5%
17	New York	$474,538	$2,695	$1,704	0.6%
18	Louisiana	$200,684	$2,655	$3,969	1.3%
19	North Carolina	$329,655	$2,631	$2,394	0.8%
20	Tennessee	$320,733	$2,464	$2,305	0.8%
21	North Dakota	$261,051	$2,338	$2,687	0.9%
22	Maryland	$420,350	$2,250	$1,606	0.5%
23	South Carolina	$296,923	$2,249	$2,272	0.8%
24	Connecticut	$404,913	$2,239	$1,659	0.6%
25	Alabama	$228,136	$2,189	$2,879	1.0%
26	Kentucky	$207,499	$2,179	$3,151	1.1%
27	Georgia	$328,281	$2,097	$1,916	0.6%
28	Arkansas	$207,159	$2,088	$3,024	1.0%
29	New Mexico	$302,881	$2,071	$2,051	0.7%
30	Virginia	$390,381	$2,053	$1,578	0.5%
31	New Jersey	$529,466	$2,044	$1,158	0.4%
32	Utah	$517,456	$2,039	$1,182	0.4%
33	Mississippi	$180,915	$1,912	$3,171	1.1%
34	Idaho	$451,102	$1,865	$1,240	0.4%
35	**Illinois**	**$264,402**	**$1,832**	**$2,079**	**0.7%**
36	Missouri	$246,275	$1,741	$2,121	0.7%
37	Michigan	$247,085	$1,645	$1,997	0.7%
38	Maine	$403,658	$1,642	$1,220	0.4%
39	Oregon	$494,102	$1,629	$989	0.3%
40	Iowa	$219,987	$1,577	$2,151	0.7%
41	New Hampshire	$475,460	$1,547	$976	0.3%
42	Nevada	$438,642	$1,455	$995	0.3%
43	Wyoming	$349,521	$1,434	$1,231	0.4%
44	Indiana	$241,837	$1,341	$1,663	0.6%
45	Delaware	$386,417	$1,208	$938	0.3%
46	Wisconsin	$304,940	$1,181	$1,162	0.4%
47	Pennsylvania	$268,633	$1,082	$1,208	0.4%
48	Alaska	$364,036	$1,053	$868	0.3%
49	Vermont	$396,760	$1,050	$794	0.3%
50	Ohio	$229,251	$982	$1,285	0.4%
51	West Virginia	$166,679	$533	$959	0.3%

Source(s): Authors' analysis of Zillow Home Value Index data and average home value-adjusted homeowners insurance premiums as determined by Bankrate, which utilizes Quadrant Information Services and provides uniform quotes for homes with $300,000 in dwelling coverage, $1,000 deductibles, and other considerations not listed here (Zillow, 2025a; Van Keuren, 2025).

FIGURE 18: HOME VALUES AND AVERAGE ESCROW PAYMENTS BY STATE, JULY 2024

Rank	State	Average Home Value	Average Escrow (Property Tax and Insurance)	Monthly Escrow	Effective Escrow Rate
1	New Jersey	$529,466	$14,380	$1,198	2.7%
2	Massachusetts	$623,180	$10,577	$881	1.7%
3	New Hampshire	$475,460	$10,533	$878	2.2%
4	New York	$474,538	$10,478	$873	2.2%
5	Connecticut	$404,913	$10,337	$861	2.6%
6	Florida	$395,569	$10,332	$861	2.6%
7	Rhode Island	$464,744	$9,806	$817	2.1%
8	California	$769,174	$9,002	$750	1.2%
9	Nebraska	$259,374	$8,664	$722	3.3%
10	Texas	$301,684	$8,663	$722	2.9%
11	Colorado	$542,428	$8,113	$676	1.5%
12	Vermont	$396,760	$8,112	$676	2.0%
13	Washington	$588,965	$8,016	$668	1.4%
14	**Illinois**	**$264,402**	**$7,411**	**$618**	**2.8%**
15	Montana	$461,182	$7,360	$613	1.6%
16	Maryland	$420,350	$6,538	$545	1.6%
17	South Dakota	$306,768	$6,461	$538	2.1%
18	Minnesota	$333,421	$6,372	$531	1.9%
19	Maine	$403,658	$6,364	$530	1.6%
20	Kansas	$226,151	$6,172	$514	2.7%
21	District of Columbia	$604,399	$6,131	$511	1.0%
22	Wisconsin	$304,940	$6,030	$503	2.0%
23	Oregon	$494,102	$5,878	$490	1.2%
24	Hawaii	$853,917	$5,761	$480	0.7%
25	Arizona	$432,163	$5,444	$454	1.3%
26	Alaska	$364,036	$5,276	$440	1.4%
27	North Carolina	$329,655	$5,037	$420	1.5%
28	Virginia	$390,381	$5,020	$418	1.3%
29	Michigan	$247,085	$4,980	$415	2.0%
30	Oklahoma	$204,983	$4,924	$410	2.4%
31	North Dakota	$261,051	$4,923	$410	1.9%
32	Utah	$517,456	$4,885	$407	0.9%
33	Pennsylvania	$268,633	$4,869	$406	1.8%
34	Iowa	$219,987	$4,855	$405	2.2%
35	Georgia	$328,281	$4,821	$402	1.5%
36	Idaho	$451,102	$4,391	$366	1.0%
37	Tennessee	$320,733	$4,325	$360	1.3%
38	New Mexico	$302,881	$4,312	$359	1.4%
39	Ohio	$229,251	$4,260	$355	1.9%
40	Missouri	$246,275	$3,982	$332	1.6%
41	Kentucky	$207,499	$3,839	$320	1.9%
42	South Carolina	$296,923	$3,822	$319	1.3%
43	Louisiana	$200,684	$3,759	$313	1.9%
44	Nevada	$438,642	$3,648	$304	0.8%
45	Wyoming	$349,521	$3,461	$288	1.0%
46	Delaware	$386,417	$3,333	$278	0.9%
47	Arkansas	$207,159	$3,310	$276	1.6%
48	Mississippi	$180,915	$3,287	$274	1.8%
49	Indiana	$241,837	$3,203	$267	1.3%
50	Alabama	$228,136	$3,079	$257	1.3%
51	West Virginia	$166,679	$1,450	$121	0.9%

Source(s): Authors' analysis of Zillow Home Value Index data, effective 2024 property tax rates as determined by SmartAsset, and average home value-adjusted homeowners insurance premiums as determined by Bankrate (Zillow, 2025a; Odeniran, 2024; Van Keuren, 2025).

Figure 19 puts it all together to estimate total monthly costs for new homebuyers in each state as of last July. The analysis assumes that homebuyers purchased homes at the average price point and took out 30-year fixed-rate mortgages at 6.5 percent interest in 2024. It also presumes a 20 percent downpayment, avoiding any private mortgage insurance costs. In Illinois, the $264,000 average home price means that borrowers put approximately $53,000 down and financed the $211,000 remaining balance, which is used to calculate the monthly mortgage cost. Property tax and insurance contributions are added in to provide estimates on total monthly housing costs for new 2024 homebuyers.

In 2024, new homeowners purchasing properties priced at the average home values in their states paid between $1,000 per month in West Virginia and $4,800 per month in Hawaii (Figure 19). Comparable homebuyers in Illinois had total housing costs that amounted to just under $2,000 per month on average. Illinois ranked 34th nationally, well below other populous states like California ($4,600 per month), New York ($3,300 per month), and Florida ($2,900 per month) and behind neighboring Minnesota ($2,200 per month) and Wisconsin ($2,000 per month) but above the $1,400 to $1,600 paid monthly in bordering Indiana, Iowa, Missouri, and Kentucky.

Figure 20 shows the changes in monthly housing costs by state from 2021 to 2024. Results are sorted by the change in monthly mortgage payment, which is for new homebuyers with 30-year fixed-rate mortgages and 20 percent downpayments in each state and each year. Overall, housing costs soared the most in Florida due to pandemic-driven migration patterns and the intensifying frequency of natural disasters. In Florida, the average house cost 32 percent more in 2024 than in 2021. This, combined with interest rates jumping from an average of 3.0 percent to an average of 6.5 percent or higher, led to a doubling (97 percent increase) in monthly mortgage costs for the same exact house. Property taxes have grown by an average of 35 percent and monthly homeowners insurance has quadrupled (a 335 percent increase), producing total monthly housing costs that have more than doubled in just three years (a 112 percent increase). In 2025, many Florida markets were experiencing "corrections," with home values declining as prospective buyers were being priced out by both elevated prices and rising insurance costs and property taxes (Lambert, 2025; Dasko, 2025).

All other states (excluding the District of Columbia) saw their total monthly housing costs increase by between 50 and 85 percent from 2021 to 2024 for new homebuyers to purchase the same average home (Figure 20). In Illinois, home values grew 19 percent—but principal and interest payments became 78 percent more expensive—while property tax bills rose 21 percent and monthly insurance premiums shot up by 55 percent for the average home. The data is clear that the cost to buy a home has become less affordable across the United States, including in Illinois (Figure 20).

Finally, it is worth noting that Illinois continues to fare better on housing affordability than the rest of the United States (Figure 21). An accurate depiction of housing affordability requires an assessment of both total housing costs and households' ability to pay for those expenses. In 2023, the latest year for which data is available from the U.S. Census Bureau's *American Community Survey*, Illinois' households earned average incomes of $111,000 per year, or more than $9,000 per month. If the average household purchased the average-priced home in 2024 and faced the typical mortgage rate, property tax rate, and insurance quote, it would have paid just under $2,000 per month in total housing costs, representing 21 percent of their household income. Accordingly, Illinois ranks 38th among the 50 U.S. states and the District of Columbia in housing costs as a share of household income (Figure 21).[7]

[7] A separate analysis of for-sale listings across the income spectrum as well as median home sales prices compared to the median income of households found that Illinois was the 5th most affordable state, or 47th rank among the 50 states and District of Columbia, in 2024 (Neufeld, 2025).

FIGURE 19: HOME VALUES AND AVERAGE MONTHLY HOUSING COSTS BY STATE, JULY 2024

Rank	State	Average Home Value	Monthly Mortgage*	Monthly Property Tax	Monthly Insurance	Monthly Housing Costs (Mortgage and Escrow)
1	Hawaii	$853,917	$4,318	$192	$288	$4,798
2	California	$769,174	$3,889	$455	$295	$4,640
3	Massachusetts	$623,180	$3,151	$597	$284	$4,033
4	New Jersey	$529,466	$2,677	$1,028	$170	$3,876
5	Washington	$588,965	$2,978	$432	$236	$3,646
6	District of Columbia	$604,399	$3,056	$282	$229	$3,567
7	Colorado	$542,428	$2,743	$221	$455	$3,419
8	New Hampshire	$475,460	$2,404	$749	$129	$3,282
9	New York	$474,538	$2,400	$649	$225	$3,273
10	Rhode Island	$464,744	$2,350	$538	$279	$3,167
11	Utah	$517,456	$2,617	$237	$170	$3,024
12	Oregon	$494,102	$2,498	$354	$136	$2,988
13	Montana	$461,182	$2,332	$304	$310	$2,945
14	Connecticut	$404,913	$2,047	$675	$187	$2,909
15	Florida	$395,569	$2,000	$270	$591	$2,861
16	Vermont	$396,760	$2,006	$589	$88	$2,682
17	Maryland	$420,350	$2,126	$357	$188	$2,670
18	Idaho	$451,102	$2,281	$211	$155	$2,647
19	Arizona	$432,163	$2,185	$202	$252	$2,639
20	Maine	$403,658	$2,041	$394	$137	$2,571
21	Nevada	$438,642	$2,218	$183	$121	$2,522
22	Virginia	$390,381	$1,974	$247	$171	$2,392
23	Alaska	$364,036	$1,841	$352	$88	$2,280
24	Texas	$301,684	$1,525	$410	$312	$2,247
25	Delaware	$386,417	$1,954	$177	$101	$2,232
26	Minnesota	$333,421	$1,686	$292	$239	$2,217
27	South Dakota	$306,768	$1,551	$291	$247	$2,090
28	North Carolina	$329,655	$1,667	$201	$219	$2,087
29	Georgia	$328,281	$1,660	$227	$175	$2,062
30	Wyoming	$349,521	$1,767	$169	$120	$2,056
31	Wisconsin	$304,940	$1,542	$404	$98	$2,044
32	Nebraska	$259,374	$1,312	$333	$389	$2,034
33	Tennessee	$320,733	$1,622	$155	$205	$1,982
34	**Illinois**	**$264,402**	**$1,337**	**$465**	**$153**	**$1,955**
35	New Mexico	$302,881	$1,532	$187	$173	$1,891
36	South Carolina	$296,923	$1,501	$131	$187	$1,820
37	Pennsylvania	$268,633	$1,358	$316	$90	$1,764
38	North Dakota	$261,051	$1,320	$215	$195	$1,730
39	Michigan	$247,085	$1,249	$278	$137	$1,664
40	Kansas	$226,151	$1,144	$253	$262	$1,658
41	Missouri	$246,275	$1,245	$187	$145	$1,577
42	Iowa	$219,987	$1,112	$273	$131	$1,517
43	Ohio	$229,251	$1,159	$273	$82	$1,514
44	Indiana	$241,837	$1,223	$155	$112	$1,490
45	Oklahoma	$204,983	$1,037	$145	$265	$1,447
46	Alabama	$228,136	$1,154	$74	$182	$1,410
47	Kentucky	$207,499	$1,049	$138	$182	$1,369
48	Louisiana	$200,684	$1,015	$92	$221	$1,328
49	Arkansas	$207,159	$1,048	$102	$174	$1,323
50	Mississippi	$180,915	$915	$115	$159	$1,189
51	West Virginia	$166,679	$843	$76	$44	$964

Source(s): Authors' analysis of Zillow Home Value Index data, effective 2024 property tax rates, and average home value-adjusted homeowners insurance premiums (Zillow, 2025a; Odeniran, 2024; Van Keuren, 2025). *Note: The monthly mortgage is for principal and interest payments assuming a 30-year fixed-rate mortgage at 6.5 percent and a 20 percent downpayment.

FIGURE 20: CHANGES IN AVERAGE MONTHLY HOMEOWNERSHIP COSTS BY STATE, JULY 2021–JULY 2024

Rank	State	Average Home Value	Monthly Mortgage*	Monthly Property Tax	Monthly Insurance	Monthly Housing Costs (Mortgage and Escrow)
1	Florida	+31.5%	+97.1%	+34.8%	+335.4%	+111.8%
2	Connecticut	+28.7%	+92.9%	+31.3%	+50.2%	+71.2%
3	New Hampshire	+28.4%	+92.4%	+37.1%	+44.2%	+74.1%
4	Georgia	+27.3%	+90.9%	+30.5%	+47.8%	+77.5%
5	Tennessee	+26.5%	+89.6%	+31.0%	+49.5%	+78.4%
6	South Carolina	+26.4%	+89.6%	+28.9%	+109.6%	+85.1%
7	Maine	+26.4%	+89.6%	+35.7%	+34.5%	+75.1%
8	North Carolina	+26.0%	+88.9%	+31.4%	+94.1%	+81.7%
9	New Jersey	+25.9%	+88.8%	+29.8%	+61.8%	+67.4%
10	Rhode Island	+24.9%	+87.2%	+33.5%	+88.4%	+75.3%
11	Montana	+23.0%	+84.3%	+31.3%	+35.7%	+70.8%
12	New Mexico	+23.0%	+84.3%	+24.6%	+3.8%	+64.9%
13	Kansas	+22.8%	+84.2%	+23.8%	+58.4%	+67.4%
14	Indiana	+22.3%	+83.3%	+25.5%	+47.3%	+71.9%
15	Oklahoma	+22.0%	+82.9%	+22.0%	+34.5%	+63.9%
16	Vermont	+21.3%	+81.9%	+24.8%	+17.0%	+62.6%
17	Ohio	+21.0%	+81.4%	+22.7%	+16.6%	+62.5%
18	Wisconsin	+20.9%	+81.2%	+27.3%	+18.7%	+63.4%
19	Massachusetts	+20.8%	+81.1%	+24.1%	+26.5%	+64.9%
20	Kentucky	+20.7%	+80.9%	+20.7%	+72.3%	+71.1%
21	South Dakota	+20.0%	+79.9%	+26.7%	+51.2%	+66.4%
22	Missouri	+19.7%	+79.5%	+23.8%	+35.9%	+65.8%
23	Nevada	+19.3%	+78.8%	+24.3%	+20.3%	+69.5%
24	Hawaii	+19.2%	+78.7%	+19.2%	+220.7%	+79.9%
25	Nebraska	+19.0%	+78.4%	+21.3%	+90.2%	+67.5%
26	Virginia	+18.9%	+78.2%	+20.5%	+54.3%	+68.1%
27	**Illinois**	**+18.6%**	**+77.8%**	**+20.9%**	**+55.4%**	**+58.3%**
28	Iowa	+18.6%	+77.8%	+17.8%	+64.9%	+61.8%
29	Delaware	+17.7%	+76.4%	+22.1%	+35.3%	+68.2%
30	Wyoming	+17.7%	+76.4%	+24.1%	+49.9%	+68.8%
31	New York	+17.6%	+76.4%	+19.1%	+69.3%	+60.6%
32	Arkansas	+17.6%	+76.3%	+21.7%	+38.4%	+64.7%
33	Texas	+17.4%	+76.0%	+19.6%	+95.6%	+64.2%
34	Arizona	+16.9%	+75.2%	+28.4%	+72.0%	+70.2%
35	Alabama	+16.7%	+74.9%	+16.7%	+72.4%	+70.2%
36	Michigan	+16.6%	+74.9%	+19.3%	+73.3%	+62.1%
37	California	+16.4%	+74.5%	+16.4%	+32.1%	+63.2%
38	West Virginia	+16.3%	+74.4%	+16.3%	-17.3%	+59.9%
39	Pennsylvania	+16.3%	+74.3%	+20.5%	+60.3%	+60.7%
40	Washington	+12.6%	+68.7%	+17.9%	+56.8%	+59.8%
41	Utah	+12.2%	+68.3%	+18.7%	+70.9%	+63.1%
42	Maryland	+12.0%	+68.0%	+15.4%	+33.4%	+55.7%
43	Colorado	+11.8%	+67.7%	+14.2%	+69.5%	+63.0%
44	Mississippi	+10.6%	+65.9%	+12.1%	+64.9%	+58.4%
45	Minnesota	+9.5%	+64.2%	+12.7%	+32.1%	+51.1%
46	Alaska	+9.5%	+64.1%	+8.5%	-23.9%	+46.1%
47	Oregon	+9.2%	+63.7%	+14.5%	+26.4%	+53.8%
48	North Dakota	+9.2%	+63.7%	+15.0%	+32.8%	+51.7%
49	Idaho	+5.1%	+57.5%	+20.1%	+30.0%	+51.9%
50	Louisiana	+0.7%	+50.9%	+0.7%	+83.6%	+50.2%
51	District of Columbia	-5.4%	+41.8%	-3.7%	+19.1%	+35.1%

Source(s): Authors' analysis of Zillow Home Value Index data, effective 2024 property tax rates, and average home value-adjusted homeowners insurance premiums (Zillow, 2025a; Odeniran, 2024; Van Keuren, 2025). *Note: Monthly mortgage assumes a 30-year fixed mortgage, which averaged about 6.5 percent in July 2024 and 3.0 percent in July 2021, and a 20 percent downpayment.

FIGURE 21: AVERAGE MONTHLY HOUSING COSTS AS SHARE OF AVERAGE HOUSEHOLD INCOME BY STATE, 2023-2024

Rank	State	Average Annual Household Income (2023)	Average Monthly Household Income	Monthly Costs: Mortgage and Escrow	Monthly Housing Costs as a Share of Household Income
1	Hawaii	$124,713	$10,393	$4,798	46.2%
2	California	$134,491	$11,208	$4,640	41.4%
3	Montana	$94,069	$7,839	$2,945	37.6%
4	Massachusetts	$138,516	$11,543	$4,033	34.9%
5	Washington	$129,161	$10,763	$3,646	33.9%
6	New Jersey	$138,153	$11,513	$3,876	33.7%
7	Rhode Island	$113,091	$9,424	$3,167	33.6%
8	Oregon	$107,214	$8,935	$2,988	33.4%
9	Florida	$103,634	$8,636	$2,861	33.1%
10	Colorado	$124,578	$10,382	$3,419	32.9%
11	Idaho	$98,653	$8,221	$2,647	32.2%
12	New York	$122,227	$10,186	$3,273	32.1%
13	Maine	$97,157	$8,096	$2,571	31.8%
14	New Hampshire	$124,500	$10,375	$3,282	31.6%
15	Utah	$117,752	$9,813	$3,024	30.8%
16	Vermont	$105,931	$8,828	$2,682	30.4%
17	Arizona	$104,620	$8,718	$2,639	30.3%
18	Nevada	$103,067	$8,589	$2,522	29.4%
19	Connecticut	$131,007	$10,917	$2,909	26.6%
20	District of Columbia	$160,752	$13,396	$3,567	26.6%
21	New Mexico	$85,782	$7,149	$1,891	26.5%
22	Wyoming	$93,304	$7,775	$2,056	26.4%
23	South Dakota	$96,650	$8,054	$2,090	25.9%
24	North Carolina	$98,139	$8,178	$2,087	25.5%
25	Texas	$106,549	$8,879	$2,247	25.3%
26	Tennessee	$94,180	$7,848	$1,982	25.3%
27	Wisconsin	$97,894	$8,158	$2,044	25.1%
28	Maryland	$129,366	$10,781	$2,670	24.8%
29	Delaware	$109,486	$9,124	$2,232	24.5%
30	Nebraska	$101,268	$8,439	$2,034	24.1%
31	Georgia	$103,146	$8,596	$2,062	24.0%
32	Alaska	$114,201	$9,517	$2,280	24.0%
33	South Carolina	$92,578	$7,715	$1,820	23.6%
34	Minnesota	$113,293	$9,441	$2,217	23.5%
35	Virginia	$123,132	$10,261	$2,392	23.3%
36	Michigan	$93,806	$7,817	$1,664	21.3%
37	Kansas	$93,781	$7,815	$1,658	21.2%
38	**Illinois**	**$110,930**	**$9,244**	**$1,955**	**21.1%**
39	North Dakota	$98,324	$8,194	$1,730	21.1%
40	Pennsylvania	$102,578	$8,548	$1,764	20.6%
41	Missouri	$93,074	$7,756	$1,577	20.3%
42	Oklahoma	$85,650	$7,138	$1,447	20.3%
43	Alabama	$85,530	$7,128	$1,410	19.8%
44	Kentucky	$83,499	$6,958	$1,369	19.7%
45	Arkansas	$81,056	$6,755	$1,323	19.6%
46	Indiana	$91,900	$7,658	$1,490	19.5%
47	Ohio	$93,500	$7,792	$1,514	19.4%
48	Iowa	$93,942	$7,829	$1,517	19.4%
49	Louisiana	$83,303	$6,942	$1,328	19.1%
50	Mississippi	$76,305	$6,359	$1,189	18.7%
51	West Virginia	$76,585	$6,382	$964	15.1%

Source(s): Authors' analysis of "Selected Economic Characteristics" from the *American Community Survey* (1-Year Estimates), Zillow Home Value Index data, effective 2024 property tax rates, and average home value-adjusted homeowners insurance premiums (Census, 2025a; Zillow, 2025a; Odeniran, 2024; Van Keuren, 2025). *Note: The monthly mortgage is for principal and interest payments assuming a 30-year fixed-rate mortgage at 6.5 percent and a 20 percent downpayment.

Lenders often use the "28/36 Rule" to assess the creditworthiness of potential homebuyers (ATTOM, 2024). This rule-of-thumb posits that households should spend no more than 28 percent of their gross incomes on monthly housing costs and should not spend more than 36 percent of their incomes servicing all debts, including home mortgages, auto loans, student loans, credit cards, and personal loans (Kagan, 2024). The data in Figure 21 suggests that Illinois was one of 32 states that enabled its average household to afford its average home for less than 28 percent of its income, while places like Hawaii and California had expenses-to-income ratios exceeding 40 percent (Figure 21).

Potential Policy Options

There is strong interest in resolving the housing shortage among homeowners, renters, industry representatives, elected officials, and policymakers. To understand which actions could be most impactful, an advanced but common statistical technique called a "regression" is utilized. The "median quantile regression" parses out the independent effects of six supply, demand, and government factors on home price growth between 2019 and 2024 among the 50 states and District of Columbia. The results are shown in Figure 22.

FIGURE 22: MEDIAN QUANTILE REGRESSION OF THE IMPACT OF DEMAND, SUPPLY, AND GOVERNMENT FACTORS ON AVERAGE STATE-LEVEL HOME PRICE GROWTH FROM JULY 2019 – JULY 2024

Home Price Growth, 2019-2024	Effect	t value	Significant?
Demand Factors			
1 Percent Gain in Homeownership Rate (2024)	+0.3%	+0.67	No
1 Percent Gain in Nonfarm Employment Growth (2019-2024)	+3.2%	+4.59	Yes
1 Percent Gain in Immigrants as Share of 2023 Population	-0.2%	-0.05	No
Supply Factors			
1 Percent Gain in Total Vacancy Rate (2024)	-1.5%	-2.18	Yes
1 Percent Gain in Building Permits to Households (2024)	-2.7%	-2.47	Yes
Government Factor			
1 Percent Rise in Effective Property Tax Rate (2024)	+0.9%	+0.26	No
Constant Term (Baseline)	40.0%	1.30	No
R^2	0.332		
Sample Size	51		

Source(s): Authors' analysis of "Selected Economic Characteristics" from the *American Community Survey* (1-Year Estimates), Zillow Home Value Index data, effective 2024 property tax rates, nonfarm employment data from the Bureau of Labor Statistics at the U.S. Department of Labor, and vacancy rates, homeownership rates, and building permits data from Federal Reserve Economic Data by the Federal Reserve Bank of St. Louis (Census, 2025a; Zillow, 2025a; Odeniran, 2024; BLS, 2025c; FRED, 2025).

The data reveals that improving housing affordability requires an increase in inventory (Figure 22). On the demand side, changes in the homeownership rate and the surge in immigration since 2019—relative to total state populations—each had no discernible effect on rising home values. However, a 1 percent gain in employment growth from 2019 through 2024 period was statistically associated with a 3 percent increase in home prices in the median U.S. state over that period.[8]

Limiting or reducing employment growth tends to trigger economic recessions, so the focus of potential solutions shifts to the supply side (Figure 22). A 1 percent rise in a state's vacancy rate for all housing units is linked with a 2 percent drop in home price growth, meaning recent declines in vacancy rates fueled home values. Moreover, a 1 percent increase in permits to build new housing units results in a 3 percent decrease

[8] More homeowners or more immigrants would thus only affect home prices through their effects on job growth. For example, research finds that increases in foreign-born migrants boost employment and help combat industry labor shortages (Orrenius et al., 2024; Edelberg & Watson, 2024).

in home price growth. Historically, one building permit has typically been issued for every two new jobs created (NAR, 2024). Home prices in Illinois have grown in large part because employment has risen while homebuilding activity has stagnated. Finally, although property tax rates affect monthly housing costs, they had no statistical impact on increasing or decreasing home prices from 2019 through 2024 (Figure 22).

To make housing more affordable, Illinois needs to build more homes and increase the share of housing units available to rent or buy. Across the United States, housing policy is primarily the purview of local governments. This is especially true in Illinois, where home rule authority allows local governments to enact policies, regulations, and taxes that are not prohibited under state law. Nevertheless, there are strategies that the State of Illinois and local governments could take to boost inventory.

Illinois could ease zoning restrictions. Currently, six U.S. states—California, Maine, Montana, Oregon, Vermont, and Washington—have passed legislation legalizing multifamily zoning statewide (Meyersohn, 2023; Duffort, 2023). Oregon, the first state to prohibit single-family zoning in 2019, requires municipalities with more than 10,000 residents to allow duplexes on land zoned for single-family homes and those with more than 25,000 residents to allow duplexes, triplexes, and fourplexes in single-family zones (Minott & Selby, 2023). Washington in 2023 required cities to issue more permits for two-unit, four-unit, and six-unit properties on land zoned for single-family homes—with standards varying by the size of each city's population (Rifkin, 2024). Additionally in 2023, Montana enacted a comprehensive land-use planning act requiring municipalities with at least 5,000 residents located within counties of 70,000 people or more to select from a menu of housing initiatives to increase housing supply, including permitting more density, legalizing tiny homes and accessory dwelling units (ADUs) such as basement apartments and backyard houses, and opening up commercial zones to housing development (Montana Legislature, 2023).

Illinois could consider passing legislation to legalize multifamily housing units on land zoned for residential use in municipalities with 25,000 residents or more—which would have applied to 89 cities and towns across the state following 2020 Census counts (Census, 2025a). This would improve housing density and permit the construction of more "missing middle" units, including duplexes, fourplexes, and sixplexes. In Chicago, it would alter zoning ordinances and allow greater density outside of the downtown Loop and the Near North, Near West, and Near South Sides (Freemark, 2024). In lieu of State action, local governments could also be encouraged to allow more multifamily zoning.

Illinois could reform minimum parking requirements. Minimum parking requirements can increase building costs and reduce the number of units constructed. Structured or underground parking in urban areas like Chicago adds an estimated $25,000 to $65,000 per space to new construction costs (LHS, 2025). States and local governments can reduce the number of spaces required per unit or even completely eliminate parking minimums, particularly in central business districts or near public transportation systems. For example, Nevada allows municipalities to establish zones that do not require one parking space per bedroom for new developments, Oregon prohibits municipalities from requiring that driveways and parking considerations be included in development applications, and the City of Minneapolis has eliminated minimum parking requirements altogether for new housing developments (Rifkin, 2024).

Illinois could simplify and fast-track permitting processes. In surveys of developers, 83 percent reported construction delays due specifically to permitting issues (Rifkin, 2024). A simple state-level policy that Illinois could adopt is a time limit on how long local governments have to approve or deny building permits, especially the largest municipalities with the greatest capacity (NAHB, 2025). Texas, for example, requires jurisdictions to act within 15 days of receiving applications; if localities do not act in time, permits are deemed approved and landowners can work with licensed third parties to complete inspections (Rifkin, 2024). Furthermore, beginning in 2023, California required administrative approval for small subdivisions in multifamily-zoned areas within 60 days (CLI, 2023).

The City of Chicago, where obtaining a construction permit can take up to 12 weeks, has worked to streamline approvals. For example, Chicago offers a Self-Certification Permit Program, which speeds up permitting for residential and commercial projects where certified architects and structure engineers can bypass other City reviews and certify that projects comply with building codes (Lam, 2024). Chicago also launched the Express Permit Program in November 2023, allowing homeowners and business owners to apply for building permits online for repairing, replacing, or renovating existing buildings (Lam, 2024). Finally, in April 2024, Mayor Brandon Johnson released a report on addressing Chicago's housing affordability issues which recommended decreasing the number of weeks for reviews, reducing the number of design review meetings with the Department of Planning and Development (DPD) from three to one, and eliminating environmental reviews as a requirement for the sale of environmentally-cleared parcels, among other proposals (City of Chicago, 2024). Many of these reforms could be implemented to streamline permitting.

Illinois could establish tax incentives to convert more commercial buildings to residential units. Residential conversions that expand mixed-used districts comprised of office buildings, multifamily housing, and walkable retail, restaurant, and entertainment establishments offer a solution to both the housing shortage and post-pandemic vacancies plaguing commercial properties (Morgan Stanley, 2024). In San Francisco, voters approved an ordinance exempting office conversions from the City's transfer tax. The District of Columbia provides 20-year property tax abatements for downtown residential conversions (Morgan Stanley, 2024). In Chicago, 4.8 million square feet of office inventory was planned for or undergoing conversion in 2024, spurred in part by $98 million in Tax Increment Financing (TIF) funds to convert a 44-story skyscraper on LaSalle Street to a vibrant mixed-used center with 386 apartments plus commercial units and indoor and outdoor amenities (Donley, Morin, & Whelan, 2024; Rogal, 2024). Additional tax incentives or tax credits can help reduce overall construction project costs, which have been cited as a contributing factor in the drop-off in new apartment construction in Chicago (Herzog, 2025). Local governments across Illinois could consider exempting residential conversions from their transfer taxes and utilizing more TIF district funding to spur conversions.

Illinois could create a low-interest loan program to expand the building of affordable housing units. While federal programs like the Low-Income Housing Tax Credit (LIHTC) have historically spurred the development of affordable rental housing, the demand for affordable units continues to outpace supply, leading to long wait lists and worsening housing insecurity among low-income households (JCHS, 2024b). At the state-level, low-interest loans can help stimulate housing supply by offsetting development costs (Rifkin, 2024). Florida, for example, allocated $200 million to provide low-interest loans to affordable housing developers that provide a minimum of 20 percent of units available to families earning 50 percent or less of the area median income (AMI) (Rifkin, 2024; FHFC, 2025). Illinois could consider creating a State Apartment Incentive Loan (SAIL) program to provide low-interest loans and incentivize construction of more affordable housing units (FHFC, 2025).

Illinois could strengthen its affordable rental housing property tax program to incentivize developers to build more affordable units. In 2021, state lawmakers unanimously passed House Bill 2621 in both the House and the Senate, lowering property taxes for owners of properties with 7 units or more who designate 15 percent, 20 percent, or 35 percent of units as affordable to households with incomes at or below 60 percent of the area median income (AMI) (Housing Action Illinois, 2023; Gallun, 2021). Properties offering 15 percent or more affordable units for at least 10 years are eligible for 25 percent decreases in their assessed value, those offering 35 percent or more are eligible for 35 percent reductions in assessed value, and those in downtown Chicago or "low affordability communities" across the state—as determined by the Illinois Housing Development Authority (IHDA)—that are built using project labor agreements (PLAs) and offer 20 percent or more are eligible for a reduction that is phased out over 30 years (IHDA, 2025). This is in addition to the City of Chicago's Affordable Requirements Ordinance (ARO), which orders developers with at least 10 units that receive a zoning change, receive financial assistance such as tax increment financing (TIF) funding, or are built Downtown or on city-owned land to make between 10 and 20 percent of their units available for below-market rents, or else pay a fee that is deposited into a fund intended to address housing affordability (City of Chicago, 2021). Both Illinois and the City of Chicago could strengthen their policies by providing greater reductions to developers in assessed value in the first 10 years, expanding eligibility to more communities, increasing penalties for developers who violate local fair housing laws, and creating centralized leasing platforms where low-income residents can easily find and apply for affordable housing units (Schwalb, 2024).

Illinois could consider making it easier for individuals and nonprofits to compete with institutional investors. As interest rates were hiked, institutional investors gained market share because they were far more likely to buy homes with cash instead of financing purchases (HUD User, 2023). Greater investor ownership means less inventory available for individual buyers and renters—particularly for those in the market for lower-tier units and starter homes—driving up home prices and rents (GAO, 2024; Stoney, 2024; Porter & Martin, 2024). In response, state and local governments can purchase single-family homes owned by institutional investors and resell them to individual households, particularly to current renters. States like Oregon have leveraged federal Community Development Block Grant (CDBG) dollars in partnership with private developers and nonprofits to outcompete institutional investors in purchasing, rehabilitating, and selling homes to local residents at affordable prices (HUD User, 2023). Illinois could also enact legislation to give current renters and nonprofits the first opportunity to purchase properties before they are listed on the open market (HUD User, 2023). Finally, at a minimum, limited liability companies (LLCs) and other pass-through business entities could be required to disclose their ownership so tenants and elected officials can hold them accountable if problems arise in their units (HUD User, 2023).

Illinois could consider increasing surtaxes on short-term rentals like Airbnb and Vrbo properties. Currently, Chicago imposes a 4.5 percent Hotel Accommodations Tax and 6 percent Shared Housing Surcharge (City of Chicago, 2019). This is on top of hotel taxes imposed by other governments and agencies (Civic Federation, 2019). Some cities effectively ban short-term rentals—such as New York City, which prohibits rentals of entire homes for less than 30 days and only allows room rentals if hosts are in the same unit as the guest or two guests (maximum)—while others have little to no restrictions (Host Tools, 2024). Chicago has taken a middle-ground approach, enabling a market with safety standards and tax surcharges that research shows is associated with localized reductions in burglaries and reduced Airbnb revenues in areas near hotels (Zhe Jin, Zhong, & Wagman, 2024). The State of Illinois could add its own Shared Housing Surcharge to generate additional State tax revenue, encourage the state's 112 million visitors to stay in hotels, and incentivize owners of short-term rentals to either rent their properties to long-term tenants or list them for sale—increasing supply across the state (DCEO, 2024).

These potential changes are generally backed by bipartisan majorities of Americans. A September 2024 poll of 1,223 likely voters found that 76 percent said housing affordability was getting worse in their communities, 77 percent agreed that America needs more homes and rentals to fix the housing shortage, and 60 percent said that private equity firms and big investors buying up homes to profit from them as rentals was a "serious problem" (Radosevich & Turner, 2024). Similarly, an April 2024 online questionnaire with 20,041 responses from U.S. adults found that 74 percent said the government should provide incentives to builders and developers to create more affordable housing units and 64 percent said encouraging local governments to ease zoning regulations would be effective in combatting the problem (NAHB, 2024). Finally, a September 2023 survey of 5,051 Americans found that 86 percent supported policies that require simplified, faster permitting, 81 percent supported allowing commercial buildings to be converted to housing, 62 percent supported eliminating parking minimums, and 58 percent supported allowing townhomes and multifamily units on any residential lot (Horowitz & Kansal, 2024).

Finally, it is worth noting that Illinois could expand domestic skilled labor supply pools by ensuring registered apprentices are employed on housing projects, especially those that receive financial assistance from the State or from local governments. The National Association of Home Builders notes that a "severe labor shortage is exacerbating the housing affordability crisis through higher home building costs and construction delays" and advocates for supporting funding for building and construction trades education (Thompson & Pagan, 2024). Between 2019 and 2022, Illinois' construction apprenticeship programs graduated 71 percent of their participants and delivered average wages of $21 per hour for first-year apprentices and $45 per hour for graduating apprentices (Bruno & Manzo, 2025). As a result, 99 percent of graduating construction apprentices could afford two-bedroom apartments at local fair market rents (Bruno & Manzo, 2025). Registered apprenticeships also grew by 62 percent in Illinois' construction and utilities industries from 2015 through 2024 (ApprenticeshipUSA, 2025). Accordingly, Illinois could tap into this workforce development solution and attach apprenticeship requirements to financial incentives that are provided to developers to build more housing units, such as tax increment financing (TIF) incentives and property tax abatements. This would help combat skilled labor shortages while ensuring that workers can afford to live in the communities where they are building new homes.

Conclusion

Illinois faces a housing shortage of 142,000 homes and needs to build 227,000 more housing units in total over the next five years to resolve this shortage while servicing the future growth of households. Importantly, the housing shortage has led to increases in home prices and rental rates, exacerbating affordability issues, pricing out working-class families from areas with the best economic opportunities and highest-rated schools, and negatively affecting the economy. Illinois' home values increased by 37 percent between 2019 and 2024 and its median rent rose to $1,800 per month.

Illinois' housing shortage was driven by several factors. Strong employment growth, demographic shifts, and the rise of remote working have altered housing demand. Decades of underbuilding, historically low vacancy rates, for-sale inventory and new building permits that are both significantly below pre-pandemic levels, and greater market share captured by institutional investors have limited the supply of available homes. Restrictive zoning laws, minimum parking requirements, and lengthy permitting timelines have also played critical roles.

While rising home values are beneficial to current homeowners, who experience equity gains and net worth improvements, they afflict renters, first-time homebuyers, and future residents who are either priced out of homeownership or must pay considerably more for the same properties as households who were previously in their position. A potential policy goal could be to improve housing affordability while encouraging meaningful growth in home values that is closer to the rate of inflation. The data reveals that this could be achieved through higher levels of supply.

To boost inventory and new home construction, elected officials, policymakers, and industry representatives in Illinois could work to ease zoning restrictions, reform or eliminate minimum parking requirements, fast-track permitting processes, establish tax incentives for residential conversions, incentivize affordable housing projects through a low-interest loan program or through stronger affordable rental housing property tax programs, make it easier for individuals and nonprofits to compete with institutional investors, and increase surtaxes on short-term rentals like Airbnb and Vrbo properties. These policy solutions can resolve Illinois' housing shortage and improve housing affordability for both current and future households.

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