

# Study: Illinois Needs 227K Homes in 5 Years to Ease 142K-Unit Shortage and Meet Growing Demand

LA GRANGE, IL, UNITED STATES, June 24, 2025 /EINPresswire.com/ -- Though housing in Illinois remains more affordable than many other U.S. states, it faces an existing housing shortage of 142,000 units and needs to build 227,000 new homes over the next five years to keep pace with demand, according to new research by the nonpartisan [Illinois Economic Policy Institute \(ILEPI\)](#) and the [Project for Middle Class Renewal \(PMCR\)](#) at the University of Illinois at Urbana-Champaign.

Read the report, “You Can’t Buy What You Can’t Afford: Illinois’ Housing Shortage and Ways to Fix It,” [here](#).

ILEPI and PMCR researchers explored the myriad of supply and demand factors that have roiled housing markets—from recent economic expansion, spikes in employment and household formation that have driven higher demand, to a historic increase in investor ownership of properties, barriers to building and development, rising mortgage interest rates and other factors that have limited household mobility and constrained housing supply.

“Stable housing markets rely on finding a balance between economic and demographic factors that drive demand with regulatory policies and industry dynamics that influence supply,” said



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

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

Project for Middle Class Renewal

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ILEPI Economist and study coauthor Frank Manzo IV. “Without a stable equilibrium, families are left unable to find housing, unable to afford housing, or both. This dynamic is playing out not just in Illinois, but in a growing number of states across our country.”

Demand for housing in Illinois has been fueled by rising incomes, robust employment growth and household formations, and higher rates of homeownership relative to the national average. For example, the state’s workforce grew by 9% between 2010 and 2024, and new household formation grew by 4% over the past five years.

However, publicly-available data shows that housing supply has not kept pace. Active listings of new homes fell by 64% and the state’s vacancy rate for both rental and owner-occupied units reached historic lows over the past five years, while the five-year average of new housing construction permits also fell by 13%.

Researchers linked these trends with a 37% increase in the value of Illinois homes since 2019. They noted that while the cost of housing is still competitive compared to other states, rising home values have driven increases in other homeownership costs, such as insurance and property taxes. Additionally, they concluded that macro-economic factors, such five-year increase in average 30-year fixed mortgage rates of nearly 40%, and nearly a doubling of investor ownership of housing stock near metropolitan job centers such as Chicago since 2010 have also contributed to an ever-increasing cost of homeownership while shrinking the state’s supply of available and affordable homes.

“Regardless of where in Illinois you live, it costs dramatically more to own or rent a home today than it did five or ten years ago,” said study coauthor, University of Illinois at Urbana-Champaign Professor, and PMCR Director Dr. Robert Bruno. “Increased demand and dwindling supply are driving up home values, which in turn drives up insurance and property tax rates. Interest rate hikes have increased the cost to build new units or purchase existing homes. And the rise of investor ownership able to make all-cash offers has made it even more difficult for average households to find units they can actually afford.”

To assess the number of new housing units Illinois needs to stabilize the state’s housing market and keep pace with demand, ILEPI and PMCR researchers analyzed three factors. First, they looked at housing unit data from the U.S. Census Bureau in the decade prior to the COVID-19 pandemic to determine how many additional homes Illinois would need to match a healthy “vacancy rate.” Second, researchers examined the U.S. Census Bureau’s American Community Survey data to assess pent-up demand from “missing households”—or working-age adults living with non-relatives who might otherwise be in the housing market themselves. Finally, they examined American Community Survey data to estimate new household growth that would naturally occur over the next five years.

The data revealed Illinois generally had an average housing vacancy rate of 9.7% between 2010 and 2019, with the rate collapsing to nearly eight percent between 2019 and 2024, or a deficit of

more than 95,000 housing units. Additionally, it revealed that Illinois has more than 47,000 “missing households” that would form under more favorable market conditions. Finally, the data showed that Illinois could naturally expect the formation of approximately 85,000 new households over the next five years, yielding a total housing need of 227,000 units.

“When it comes to stabilizing the Illinois housing market and combatting the affordability crisis that has plagued this vital economic sector since the pandemic, the factor most acutely within the control of local and state officials, builders and developers,” added Manzo. “In short, it means finding ways to more than double the average annual number of housing units that are being permitted across Illinois over the next five years.”

To increase housing supply, Manzo and Bruno outlined a series of potential policy options. These include easing zoning restrictions to expand construction of multifamily developments in more communities, reforming minimum parking space requirements to reduce development costs, simplifying and fast-tracking permitting processes, offering tax incentives for developers willing to convert commercial properties into residential units or finance new affordable housing projects, reforms to help individual homebuyers better compete with institutional investors, and a surcharge on short-term rentals like Vrbo or Airbnb to encourage more property owners to offer longer-term housing opportunities for the state’s growing workforce .

“The bottom line is that while Illinois policymakers cannot dictate things like mortgage interest rates, tariffs on building materials, or broader inflationary trends that increase the cost of building new housing units, there are a number of policies that have proven to reduce barriers to new housing construction and improve access to affordable options for prospective buyers, renters, and even developers,” Manzo added. “With home values skyrocketing, supply already at a deficit, and demand for housing remaining strong, the data argues in favor of considering policy interventions that can better reflect our current supply needs and the public imperative of improving housing affordability for both current and future households.”

## ILEPI

The Illinois Economic Policy Institute (ILEPI) is a nonpartisan nonprofit research organization which uses advanced statistics and the latest forecasting models to promote economic growth for businesses and working families in Illinois and across the nation.

## Project for Middle Class Renewal

The Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign investigates the working conditions of workers in today's economy to elevate public discourse aimed at reducing poverty, create more stable forms of employment, and promote middle-class jobs.

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