

# **The Economic Impact of Residential Property Sales in Illinois: 2010**

## **Part 3 – A Detailed Analysis of DuPage County**

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by  
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May 6, 2011

# Outline

- ▶ About This Study
- ▶ Presentation of Economic Impacts for DuPage County
- ▶ Results by Home Price Range
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# About This Study

- ▶ This report presents the results of Part 3 of a three part study conducted for the Illinois Association of REALTORS.
- ▶ In Parts 1 and 2, economic impacts were examined for average priced homes at the state and MSA level.
- ▶ The present study (Part 3) focuses on DuPage County and explores how expenditures and economic impacts differ for homes in different price ranges.

# About This Study

- ▶ To evaluate expenditures by buyers and sellers of homes in different price ranges, RCF conducted a survey of 1,967 recent home buyers and sellers in DuPage County. There were 69 responses received.
- ▶ Buyers of homes purchased from fourth quarter of 2009 through third quarter of 2010 in DuPage County were identified using information from InfoUSA, a seller of direct marketing addresses and telephone lists. InfoUSA groups homes by price ranges.

## *Review of Methods*

### **Expenditures Accompanying A Typical Residential Sale**

# **Step 1 – Estimate Direct Expenditures**

- ▶ Sellers spend money preparing their homes for sale.
- ▶ Buyers spend money getting settled after they purchase a home.
- ▶ During the transaction, both buyers and sellers may hire other professional service providers and pay taxes to government agencies.

## *Review of Methods (cont'd)*

# **Expenditures Accompanying A Typical Residential Sale**

- ▶ Expenditures of buyers and sellers are grouped into the following industries:
  - Construction
  - Retail Trade
  - Transportation
  - Finance, Insurance, Real Estate and Professional Services
  - Public Administration

# Average Expenditures Accompanying a Residential Property Sale DuPage County

## Construction

Paid to painters, electricians, plumbers, repair contractors and other service providers to fix-up, paint or make repairs prior to sale of a home or after moving into a home.

**\$4,262 per home sale**

Source: RCF survey of recent home buyers and sellers.

# Average Expenditures Accompanying a Residential Property Sale DuPage County

## Retail Trade

Paid to retail establishments such as furniture, appliance, housewares and hardware stores associated with fix-up, painting, and repairs prior to sale of a home or after moving into a home.

**\$12,481 per home sale**

Source: RCF survey of recent home buyers and sellers.

**Average Expenditures Accompanying a Residential Property Sale  
DuPage County**

## **Transportation**

Fees paid to professional moving companies, as well as costs incurred by people who moved themselves.

**\$1,173 per home sale**

Source: RCF survey of recent home buyers and sellers.

# Average Expenditures Accompanying a Residential Property Sale DuPage County

## Finance, Insurance, Real Estate and Professional Services

Lender fees, title insurance, commissions paid to real estate brokers, real estate attorney fees, property inspectors, and title company closing costs.

**\$20,823 per home sale**

Sources: RCF survey of title insurance companies and lenders, Bankrate.com average closing costs (Aug. 2010), Illinois Association of REALTORS, RCF survey of recent home buyers and sellers.

# Average Expenditures Accompanying a Residential Property Sale DuPage County

## Public Administration

Real estate transfer taxes paid by buyers and sellers to state, county and municipal authorities.

**\$1,884 per home sale**

Sources: IAR Quarterly Housing Survey by County (2009 Q4 to 2010 Q3), Illinois Transfer Tax Ordinances by Taxing Body (as maintained by IAR).

## *Review of Methods*

### **Step 2 – Estimate Total Economic Impacts**

Take account of the indirect effects of the direct expenditures from Step 1 using an input-output model for DuPage County.

## *Review of Methods (cont'd)*

# **Input-Output Modeling**

- ▶ Input-output models trace purchases and sales between industries.
- ▶ An input-output model describes how money spent in one industry goes to other industries which in turn is spent in various other industries, and so forth.
- ▶ The end result is a multiplier, or ripple effect, giving the total impact on the economy, which is calculated using the input-output model.

# **Presentation of Economic Impacts for DuPage County**

# DuPage County

- ▶ DuPage County had a \$294,417 average house price in 2010.
- ▶ The 8,322 real estate transactions in DuPage County amounted to 2.47 transactions per 100 households.

# Total Economic Impacts for DuPage County

- ▶ The average direct expenditure per real estate transaction was \$40,622, giving direct expenditures of \$338 million for the 8,322 transactions in DuPage County.
- ▶ Taking into account ripple effects, the direct expenditures led to a total output effect of \$796 million.
- ▶ 5,988 jobs and \$291 million of wage and salary income were added to DuPage County's economy due to real estate transactions.

# Total Economic Impacts for DuPage County (cont'd)

- ▶ The breakdown into direct and indirect effects for total output, employment, wage and salary income, and gross product is as follows:

2010	Direct	Indirect	Total
Output	\$338 Million	\$458 Million	\$796 Million
Employment	2,565	3,424	5,988
Wage & Salary Income	\$125 Million	\$167 Million	\$291 Million
Gross Product	\$216 Million	\$288 Million	\$503 Million

# Results by Home Price Range

# Home Price Ranges

- ▶ The following table shows the home price ranges used for this study of recent home buyers and sellers conducted by RCF.

Home Price Ranges
Under \$150,000
\$150,000 to \$199,999
\$200,000 to \$249,999
\$250,000 to \$299,999
\$300,000 to \$399,999
\$400,000 and above

# Average Direct Expenditures by Industry and Home Price Range

- ▶ Total expenditures per transaction increased from \$20,964 to \$76,539 as the home price range increased.

Industry	Average Direct Expenditures by Home Price Range, 2010					
	Under \$150,000	\$150,000 to \$199,999	\$200,000 to \$249,999	\$250,000 to \$299,999	\$300,000 to \$399,999	\$400,000 and above
Construction	\$1,083	\$1,766	\$2,781	\$3,706	\$5,099	\$10,662
Retail Trade	\$7,790	\$9,441	\$10,747	\$11,937	\$13,729	\$20,886
Transportation	\$550	\$770	\$943	\$1,101	\$1,339	\$2,290
Finance, Insurance, Real Estate and Professional Services	\$10,759	\$14,311	\$17,109	\$19,669	\$23,492	\$38,844
Public Administration	\$782	\$1,170	\$1,477	\$1,756	\$2,177	\$3,857
Total	\$20,964	\$27,457	\$33,056	\$38,169	\$45,836	\$76,539

# Percentage of Total Direct Expenditures by Industry and Home Price Range

- ▶ Spending by industry as a percentage of total expenditures was mixed.

Industry	Percentage Breakdown of Direct Expenditures by Home Price Range, 2010					
	Under \$150,000	\$150,000 to \$199,999	\$200,000 to \$249,999	\$250,000 to \$299,999	\$300,000 to \$399,999	\$400,000 and above
Construction	5%	6%	8%	10%	11%	14%
Retail Trade	37%	34%	33%	31%	30%	27%
Transportation	3%	3%	3%	3%	3%	3%
Finance, Insurance, Real Estate and Professional Services	51%	52%	52%	52%	51%	51%
Public Administration	4%	4%	4%	5%	5%	5%
Total	100%	100%	100%	100%	100%	100%

# Results by Home Price Range

- ▶ As shown on the previous two slides, total direct expenditures per transaction are dependent on home price. As the home price range increased, total direct expenditures per transaction also increased.
- ▶ However, as a percentage of total direct expenditures, only expenditures in the construction and retail industries varied noticeably.

# Results by Home Price Range (cont'd)

- ▶ The percentage of total expenditures spent in the **construction industry** (hiring contractors to perform fix-up and remodeling work) **increased from 5% to 14%** of total direct expenditures per transaction as the home price range increased.
- ▶ The percentage of total expenditures spent in the **retail industry** (purchases made at retail establishments such as furniture, appliances, housewares, hardware stores) **decreased from 37% to 27%** of total direct expenditures as the home price range increased.

# Results by Home Price Range (cont'd)

- ▶ The dollars of direct spending per real estate transaction are multiplied by the number of real estate transactions to obtain the total direct effect.
- ▶ See next slide.

# Summary of Transactions & Average Direct Expenditures by Home Price Range

Home Price Range	Average Home Price	Number of Transactions	Average Direct Expenditures	Total Direct Expenditures (Millions)
Under \$150,000	\$108,000	1,842	\$20,964	\$38.6
\$150,000 to \$199,999	\$172,500	1,430	\$27,457	\$39.3
\$200,000 to \$249,999	\$223,500	1,193	\$33,056	\$39.4
\$250,000 to \$299,999	\$270,000	983	\$38,169	\$37.5
\$300,000 to \$399,999	\$340,000	1,197	\$45,836	\$54.9
\$400,000 and above	\$619,500	1,677	\$76,539	\$128.4
DuPage County	\$294,417	8,322	\$40,622	\$338.1

Note: Average home price and number of transaction per home price range were obtained from IAR.

# Total Economic Impacts for DuPage County by Home Price Range

- ▶ The following table shows a summary of the total economic impacts in DuPage County for each home price range in 2010.

Home Price Range	Number of Transactions	Total Output (Millions)	Jobs	Wages (Millions)
Under \$150,000	1,842	\$90.9	684	\$33.3
\$150,000 to \$199,999	1,430	\$92.5	695	\$33.8
\$200,000 to \$249,999	1,193	\$92.9	698	\$34.0
\$250,000 to \$299,999	983	\$88.4	665	\$32.3
\$300,000 to \$399,999	1,197	\$129.2	972	\$47.3
\$400,000 and above	1,677	\$302.3	2,274	\$110.7
Total	8,322	\$796.1	5,988	\$291.4

# Conclusions

# Conclusions

- ▶ The direct, indirect and total impacts of real estate transactions on output, employment and wage and salary income have been presented for DuPage County.
- ▶ In addition, these results have been disaggregated by the home price range.
- ▶ Real estate transactions add substantially to the economy of DuPage County.

# Conclusions (cont'd)

- ▶ The effect of the direct expenditures on total county output was estimated using input-output modeling.
- ▶ Taking account of direct and indirect effects, 5,988 jobs in DuPage County can be attributed to the effects of real estate transactions.
- ▶ The effect on total county output is \$796 million.

**Appendix:**  
**Industry Breakdown of Economic  
Impacts by Home Price Range**

## Industry Breakdown of Economic Impacts by Home Price Range Under \$150,000

Industry	Direct (Millions)	Indirect (Millions)	Total (Millions)
Construction	\$2.0	\$0.9	\$2.9
Retail Trade	\$14.3	\$6.3	\$20.6
Transportation	\$1.0	\$1.3	\$2.4
Finance, Insurance, Real Estate and Professional Services	\$19.8	\$13.0	\$32.8
Public Administration	\$1.4	\$3.0	\$4.5
Subtotal	\$38.6	\$24.6	\$63.2
Other Industries	\$0	\$27.7	\$27.7
Total	\$38.6	\$52.3	\$90.9
Employment	293	391	684
Wage & Salary Income	\$14.3	\$19.0	\$33.3
Average Home Purchase Price, 2010			\$108,000
Number of Transactions, 2010			1,842
Total Transactions in DuPage County, 2010			8,322

## Industry Breakdown of Economic Impacts by Home Price Range \$150,000 to \$199,999

Industry	Direct (Millions)	Indirect (Millions)	Total (Millions)
Construction	\$2.5	\$1.2	\$3.7
Retail Trade	\$13.5	\$5.9	\$19.4
Transportation	\$1.1	\$1.5	\$2.6
Finance, Insurance, Real Estate and Professional Services	\$20.5	\$12.2	\$32.6
Public Administration	\$1.7	\$3.5	\$5.2
Subtotal	\$39.3	\$24.2	\$63.5
Other Industries	\$0	\$29.0	\$29.0
Total	\$39.3	\$53.2	\$92.5
Employment	298	398	695
Wage & Salary Income	\$14.5	\$19.4	\$33.8
Average Home Purchase Price, 2010			\$172,500
Number of Transactions, 2010			1,430
Total Transactions in DuPage County, 2010			8,322

## Industry Breakdown of Economic Impacts by Home Price Range \$200,000 to \$249,999

Industry	Direct (Millions)	Indirect (Millions)	Total (Millions)
Construction	\$3.3	\$1.6	\$4.9
Retail Trade	\$12.8	\$5.6	\$18.4
Transportation	\$1.1	\$1.5	\$2.6
Finance, Insurance, Real Estate and Professional Services	\$20.4	\$11.5	\$31.9
Public Administration	\$1.8	\$3.7	\$5.5
Subtotal	\$39.4	\$23.9	\$63.3
Other Industries	\$0	\$29.6	\$29.6
Total	\$39.4	\$53.4	\$92.9
Employment	299	399	698
Wage & Salary Income	\$14.6	\$19.4	\$34.0
Average Home Purchase Price, 2010			\$223,500
Number of Transactions, 2010			1,193
Total Transactions in DuPage County, 2010			8,322

## Industry Breakdown of Economic Impacts by Home Price Range \$250,000 to \$299,999

Industry	Direct (Millions)	Indirect (Millions)	Total (Millions)
Construction	\$3.6	\$1.7	\$5.4
Retail Trade	\$11.7	\$5.1	\$16.9
Transportation	\$1.1	\$1.4	\$2.5
Finance, Insurance, Real Estate and Professional Services	\$19.3	\$10.5	\$29.8
Public Administration	\$1.7	\$3.7	\$5.4
Subtotal	\$37.5	\$22.4	\$59.9
Other Industries	\$0	\$28.4	\$28.4
Total	\$37.5	\$50.8	\$88.4
Employment	285	380	665
Wage & Salary Income	\$13.9	\$18.5	\$32.3
Average Home Purchase Price, 2010			\$270,000
Number of Transactions, 2010			983
Total Transactions in DuPage County, 2010			8,322

## Industry Breakdown of Economic Impacts by Home Price Range \$300,000 to \$399,999

Industry	Direct (Millions)	Indirect (Millions)	Total (Millions)
Construction	\$6.1	\$2.9	\$9.0
Retail Trade	\$16.4	\$7.2	\$23.6
Transportation	\$1.6	\$2.1	\$3.7
Finance, Insurance, Real Estate and Professional Services	\$28.1	\$14.5	\$42.7
Public Administration	\$2.6	\$5.5	\$8.1
Subtotal	\$54.9	\$32.2	\$87.1
Other Industries	\$0	\$42.1	\$42.1
Total	\$54.9	\$74.3	\$129.2
Employment	416	556	972
Wage & Salary Income	\$20.3	\$27.0	\$47.3
Average Home Purchase Price, 2010			\$340,000
Number of Transactions, 2010			1,197
Total Transactions in DuPage County, 2010			8,322

## Industry Breakdown of Economic Impacts by Home Price Range \$400,000 and above

Industry	Direct (Millions)	Indirect (Millions)	Total (Millions)
Construction	\$17.9	\$8.4	\$26.3
Retail Trade	\$35.0	\$15.3	\$50.3
Transportation	\$3.8	\$5.1	\$8.9
Finance, Insurance, Real Estate and Professional Services	\$65.1	\$30.7	\$95.8
Public Administration	\$6.5	\$13.7	\$20.2
Subtotal	\$128.4	\$73.2	\$201.5
Other Industries	\$0	\$100.8	\$100.8
Total	\$128.4	\$173.9	\$302.3
Employment	974	1,300	2,274
Wage & Salary Income	\$47.4	\$63.3	\$110.7
Average Home Purchase Price, 2010			\$619,500
Number of Transactions, 2010			1,677
Total Transactions in DuPage County, 2010			8,322