



Talking Points

Study: "The Economic Impact of Residential Property Sales in Illinois: 2010 Statewide Results"

Data shows the expenditures made by buyers and sellers in connection with a residential property transaction generate a significant economic impact to the Illinois economy.

- \$28,581 total direct expenditures for one residential home sale in Illinois annually
- \$3.2 billion is the annual expenditures for all home sales occurring in the state
- \$4.7 billion indirect expenditures from total home sales annually
- \$7.9 billion is total amount of direct and indirect expenditures made as a result of Illinois existing residential home sales in Illinois annually. *RCF: Output is sales of all industries to one another and to final consumers.*
- \$3.6 billion Gross State Product – *GSP is the measurement of the economic output of a state. It is the sum of all value added by industries within the state and serves as the state counterpart to the nation's gross domestic product or GDP. RCF: GSP is the net income after subtracting sales between industries from total output.*
- \$1.9 billion of the Gross State Product came from first-time buyers; impact from non first-time buyers is \$1.7 billion
- 53% of buyers in 2010 were first-time buyers (IAR Profile of Home Buyers/Sellers)
- \$2.3 billion wage and salary income
- 85,677 jobs

2007-2010 Comparison

In a similar study done in 2007 (same methodology, same research firm), it was found that the total output from all home sales in Illinois was \$12.5 billion. That output supported 136,000 jobs. This significant drop-off is the result of considerably fewer transactions in 2010 than in 2007.

Chicago-based RCF Economic and Financial Consulting (RCF), analyzed typical expenses on both sides of a residential real estate transaction when someone buys or sells a home. RCF research methodology:

- Survey of 415 recent home buyers and sellers of existing homes (no new construction)
- Survey of title companies, research reports, other data sources.
- IAR data for home sales during the one-year period 4Q09 to 3Q10 totaling 111,319 residential sales for the period www.illinoisrealtor.org/marketstats
- Input-output model developed by the University of Illinois Regional Economics Applications Laboratory (REAL) to quantify the "ripple effects" or multiplier effect on the economy (how money spent in one industry goes to other industries which is spent in various other industries).
- The home buyer/seller survey was sent to people identified in county recorder of deeds offices as the new owners of homes transacted within the previous 12 months.

The survey asked about the property that these people purchased and moved into, and also had a separate section asking about the property they moved from/sold. If someone sold a house and then bought a house then they answered questions for each section.

Direct Expenditures from a home sale:

- Expenditures to prepare a home for sale by the seller (e.g., repairs, home improvements).
- A buyer will spend money after they purchase a home on remodeling, new furnishings and household items.
- Both parties in the home sale transaction may hire professional service providers such as attorneys and real estate professionals, as well as incur fees from home inspectors, appraisers and the title company and pay taxes to local, county and state government agencies.
- Categories: Construction, Retail Trade, Transportation, Finance/Insurance/Real Estate/Professional Services, Public Administration

Ripple effects – or multiplier effect: How money spent in one industry goes to other industries which in turn is spent in various other industries, and so forth.

The research really underscores the importance of the housing market on the health of the overall Illinois economy.

- If there are fewer home sales in a given year, there will be an impact across many related industries and the economy.
- Stronger private sector job growth and improved consumer confidence are paramount to a housing market recovery.

Key issues for Congress to help the housing market:

- Improving liquidity in the lending market so people who want to buy a home and have the financial ability to do so are not locked out. Increase the conforming loan limit in the Chicago region above its current \$417,000 limit giving banks the ability to sell these healthy mortgages to Fannie Mae and Freddie Mac.
- Preserve the mortgage interest deduction (MID), which has been in the federal tax code since 1913 and helps many families become homeowners by reducing the carrying costs of owning a home.
- IRS data: deduction is claimed most often by taxpayers in the 35-45 age group and 65 percent of taxpayers who made less than \$100,000.
- In 2008, more than 1.7 million taxpayers in Illinois claimed a deduction for mortgage interest on their federal taxes at roughly \$11,593 for the average taxpayer who had a mortgage.