

Housing Price Forecasts

Illinois and Chicago PMSA, April 2018

Presented To
Illinois Realtors®

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The Housing Market

In March, median prices continued to experience positive growth while sales experienced a negative annual change. 12,455 houses were sold in Illinois, changing by 50.3% from a month ago and -7.9% from a year ago. In the Chicago PMSA, 8,848 houses were sold, changing by 51.9% from a month ago and -10.2% from a year ago. The median price was \$199,000 in Illinois, up 4.8% from March last year; the comparable figure for the Chicago PMSA was \$241,000, up 4.8% from this time last year.

In March, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 12.6%. 7,859 regular sales were made, 8.3% less than last year. 920 foreclosed properties were sold, 24.1% less than last year. The median price was \$252,000 for regular property sales, 3.7% more than last year; the comparable figure for the foreclosed properties was \$170,000, up 10.3% from this time last year.

Illinois and Chicago PMSA both have already recovered to their pre-bubble price levels. The median sales price in March 2008 has been adjusted to 2018 values to enable calculation of the housing price recovery taking into account the effects of inflation. In Illinois, the March 2008 median sales price was \$149,900 (in \$2008) and \$175,978 (in \$2018); the current price level was 113% of the 2008 level after adjusting (133% before adjusting). In the Chicago PMSA, the March 2008 median sales price was \$194,000 (in \$2008) and \$227,749 (in \$2018); the comparable figure for price recovery in March 2018 is 106% after adjustment (124% before adjusting).

The sales forecast for April, May and June suggests decreases on a yearly basis and increases on a monthly basis for both Illinois and the Chicago PMSA. Annually for Illinois, the three-month average forecasts point to a decrease in the range -4.4% to -6.0%; the comparative figures for the Chicago PMSA are a decrease in the range -5.1% to -6.9%. On a monthly basis, the three-month average sales are forecast to increase in the range 11.8% to 16.0% for Illinois and increase in the range 13.0% to 17.6% for the Chicago PMSA.

The pending home sales index¹ is a leading indicator based on contract signings. This March, the number of homes put under contract was greater than last year. The pending home sales index is 206.0 (2008=100) in Illinois, down 4.6% from a year ago. In the Chicago PMSA, the comparable figure is 247.3, up 8.0% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 3.6 months² (down from 4.1 months a year ago). In the Chicago PMSA, the comparable figure was 2.7 months (down from 3.2 months a year ago). Months of supply for homes in all price ranges experienced declines both in Illinois and the Chicago PMSA, and homes in the lowest price ranges (<100K) experienced the largest changes.

The median price forecast indicates moderate annual growth in both Illinois and the Chicago PMSA for April, May and June. In Illinois, the median price is forecast to rise by 4.7% in April 4.6% in May and 5.6% in June. For the Chicago PMSA, the comparable figures are 7.6% in April 6.0% in May and 6.6% in June. As a complement to the median housing price index (HPI), the REAL HPI³ forecasts a positive growth trend for both Illinois and the Chicago PMSA. In Illinois,

¹ The base level (100) of pending home sales is the average pending home sales of year 2008.

² Months' supply of inventory is defined as inventory of homes for sale at the end of the month divided by the average monthly pending sales in the last twelve months.

³ REAL HPI was developed by Esteban Lopez and Minshu Du. Contact us for further details.

the REAL HPI (Jan 2008=1) is forecast to change by 1.5% in April 1.1% in May and 0.3% in June. The comparable figures for the Chicago PMSA are 5.2% in April 4.0% in May and 3.4% in June. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In March, the Conference Board Consumer Confidence Index decreased while the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index survey revealed that consumers’ assessment of current conditions declined slightly, with business conditions the primary reason for the moderation. Consumers’ short-term expectations also declined, including their outlook for the stock market, but overall expectations remain quite favorable. The University of Michigan Consumer Sentiment Index increased and the survey explained that the consensus expectation among consumers is that interest rates will increase in the foreseeable future. While consumers view the current level of interest rates as still relatively low, they understand that interest rate hikes are intended to dampen the future pace of economic growth. Their reaction will both emphasize borrowing-in-advance of those expected increases as well as heighten their precautionary savings motives. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) increased and the survey revealed that the primary driver of this month’s increase was the sizable rise in the net share of consumers who think it’s a good time to buy a home, which returned the indicator to its year-ago level. On the whole, a slight majority of consumers continue to express optimism regarding the overall direction of the economy.

The Housing Market – Current Condition

- In March, median prices continued to experience positive growth while sales experienced a negative annual change. 12,455 houses were sold in Illinois, changing by 50.3% from a month ago and -7.9% from a year ago. In the Chicago PMSA, 8,848 houses were sold, changing by 51.9% from a month ago and -10.2% from a year ago. The median price was \$199,000 in Illinois, up 4.8% from March last year; the comparable figure for the Chicago PMSA was \$241,000, up 4.8% from this time last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for April 2018 report table)
- In March, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 12.6%. 7,859 regular sales were made, 8.3% less than last year. 920 foreclosed properties were sold, 24.1% less than last year. The median price was \$252,000 for regular property sales, 3.7% more than last year; the comparable figure for the foreclosed properties was \$170,000, up 10.3% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In March, at the latest average annual pending sales rate, Illinois had enough housing inventory for 3.6 months⁴ (down from 4.1 months a year ago). In the Chicago PMSA, the comparable figure was 2.7 months (down from 3.2 months a year ago). Months of supply for homes in all price ranges experienced declines both in Illinois and the Chicago PMSA, and homes in the lowest price ranges (<100K) experienced the largest changes. (Reference: Illinois and Chicago PMSA Annual Months’ Supply by Price Range figures)
- In March, the market shares of homes priced at the low end (<\$100K) experienced the largest change compared to a year ago. In Illinois, the market share for homes less than \$100K

⁴ Months’ supply of inventory is defined as inventory of homes for sale at the end of the month divided by the average monthly pending sales in the last twelve months.

decreased to 19.1% from 21.1% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 8.6% from 11.6% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

The Housing Market – Forecast and Future Condition

- The median price forecast indicates moderate annual growth in both Illinois and the Chicago PMSA for April, May and June. In Illinois, the median price is forecast to rise by 4.7% in April 4.6% in May and 5.6% in June. For the Chicago PMSA, the comparable figures are 7.6% in April 6.0% in May and 6.6% in June. (Reference: Forecast for April 2018 report table)
- As a complement to the median housing price index (HPI), the REAL HPI⁵ forecasts a positive growth trend for both Illinois and the Chicago PMSA. In Illinois, the REAL HPI (Jan 2008=1) is forecast to change by 1.5% in April 1.1% in May and 0.3% in June. The comparable figures for the Chicago PMSA are 5.2% in April 4.0% in May and 3.4% in June. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for April, May and June suggests decreases on a yearly basis and increases on a monthly basis for both Illinois and the Chicago PMSA. Annually for Illinois, the three-month average forecasts point to a decrease in the range -4.4% to -6.0%; the comparative figures for the Chicago PMSA are a decrease in the range -5.1% to -6.9%. On a monthly basis, the three-month average sales are forecast to increase in the range 11.8% to 16.0% for Illinois and increase in the range 13.0% to 17.6% for the Chicago PMSA. (Reference: Forecast for April 2018 report table)
- The pending home sales index⁶ is a leading indicator based on contract signings. This March, the number of homes put under contract was greater than last year. The pending home sales index is 206.0 (2008=100) in Illinois, down 4.6% from a year ago. In the Chicago PMSA, the comparable figure is 247.3, up 8.0% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In March 2018, 1,833 houses were newly filed for foreclosure in the Chicago PMSA (down 17.3% and up 16.5% respectively from a year and a month ago). 1,353 foreclosures were completed⁷ (up 7.6% and 35.4% respectively from a year and a month ago). As of March 2018, there are 26,744 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 381 in the past 6 months, 481 in the last 12 months and 454 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In March 2018, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate was unchanged at 4.1% and nonfarm payroll jobs experienced a gain of 103,000 jobs. Employment increased in Manufacturing (+22,000), Health Care (+22,000), and Mining (+9,000).

⁵ REAL HPI was developed by Esteban Lopez and Minshu Du. Contact us for further details.

⁶ The base level (100) of pending home sales is the average pending home sales of year 2008.

⁷ Including cancelled foreclosures and auctions

- In March 2018, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment decreased by 0.1 percentage points to 4.6%. Non-farm payroll jobs decreased by -2,100 over the month. The largest gains were in three sectors; Manufacturing (+18,200); Financial Activities (+7,800); and Government (+6,800). Furthermore, the job growth in December was slightly revised from the preliminary estimate of +15,200 jobs to +15,300 jobs.
- In January 2018, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 0.19% and 0.28%, corresponding to job changes between 11,700 and 17,300. The largest contributors to the forecast increase are education and health, leisure and hospitality, and manufacturing. **(Not updated)**
- In March 2018, according to the National Association of Realtors (NAR), would-be homebuyers have been losing confidence. The primary problem remains a dearth of homes for sale at the lower end of the market. The report explained that people who are under the age of 34, and people residing in urban areas, tend to be less optimistic about their homebuying prospects. Renters were especially pessimistic about the market.

Longer-term Outlook

- In March, the Conference Board Consumer Confidence Index decreased while the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index decreased to 127.7 from 130.0 last month. The survey revealed that consumers' assessment of current conditions declined slightly, with business conditions the primary reason for the moderation. Consumers' short-term expectations also declined, including their outlook for the stock market, but overall expectations remain quite favorable. Despite the modest retreat in confidence, index levels remain historically high and suggest further strong growth in the months ahead. The University of Michigan Consumer Sentiment Index increased to 101.4, up from 99.7 last month. The survey explained that the consensus expectation among consumers is that interest rates will increase in the foreseeable future. While consumers view the current level of interest rates as still relatively low, they understand that interest rate hikes are intended to dampen the future pace of economic growth. Their reaction will both emphasize borrowing-in-advance of those expected increases as well as heighten their precautionary savings motives.
- In March, Fannie Mae Home Purchase Sentiment Index (HPSI) increased to 88.3 from 85.8 last month. The survey revealed that the primary driver of this month's increase was the sizable rise in the net share of consumers who think it's a good time to buy a home, which returned the indicator to its year-ago level. On the whole, a slight majority of consumers continue to express optimism regarding the overall direction of the economy.
- The Chicago Business Activity Index (CBAI) increased to 98.7 in February from 102.7 in January. The decrease is mainly attributed to the decline in retail sales.

“Nationally, the Fannie Mae Home Purchase Sentiment Index (HPSI) increased primarily driven by a sizable rise in the net share of consumers who think it's a good time to buy a home,” noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory. “This positive news had different impacts locally with pending home sales index was 206.0 (2008=100) in Illinois, down 4.6% from a year ago while in the Chicago PMSA, the comparable figure was 247.3, up 8.0% from a year ago.”

Forecast for April 2018 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Jan-18	-4.6%	-6.6%		-29.1%	-28.6%			
Feb-18	-3.5%	-2.5%		0.1%	-0.6%			
Mar-18	-7.9%	-10.2%		50.3%	51.9%			
3 Month Avg.	-5.8%	-7.1%		2.8%	3.2%			
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Apr-18	-3.0%	-4.0%	-4.3%	-5.9%	8.5%	11.5%	9.0%	12.2%
May-18	-5.0%	-6.8%	-5.8%	-7.9%	16.5%	22.4%	17.8%	24.0%
Jun-18	-5.0%	-6.7%	-5.1%	-6.8%	10.4%	14.1%	12.1%	16.4%
3 Month Avg.	-4.4%	-6.0%	-5.1%	-6.9%	11.8%	16.0%	13.0%	17.6%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Jan-18	\$185,000	\$223,000	Jan-17	\$171,000	\$209,000			
Feb-18	\$185,000	\$227,990	Feb-17	\$170,000	\$210,000			
Mar-18	\$199,000	\$241,000	Mar-17	\$189,800	\$230,000			
Apr-18	\$209,354	\$260,362	Apr-17	\$200,000	\$242,000			
May-18	\$217,549	\$261,708	May-17	\$208,000	\$246,900			
Jun-18	\$227,060	\$268,537	Jun-17	\$215,000	\$252,000			
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Jan-18	8.2%	6.7%	Jan-17	5.0%	10.0%			
Feb-18	8.8%	8.6%	Feb-17	6.3%	12.0%			
Mar-18	4.8%	4.8%	Mar-17	10.5%	9.5%			
Apr-18	4.7%	7.6%	Apr-17	7.5%	5.2%			
May-18	4.6%	6.0%	May-17	7.8%	5.7%			
Jun-18	5.6%	6.6%	Jun-17	5.9%	3.9%			

Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2018]	[\$2008]	[\$2018]
March 2008 Median Price	\$149,900	\$175,978	\$194,000	\$227,749
March 2018 Median Price	\$169,511	\$199,000	\$205,287	\$241,000
Price Ratio (March 18/ March 08)	Adjusted	1.13	Adjusted	1.06
	Unadjusted	1.33	Unadjusted	1.24

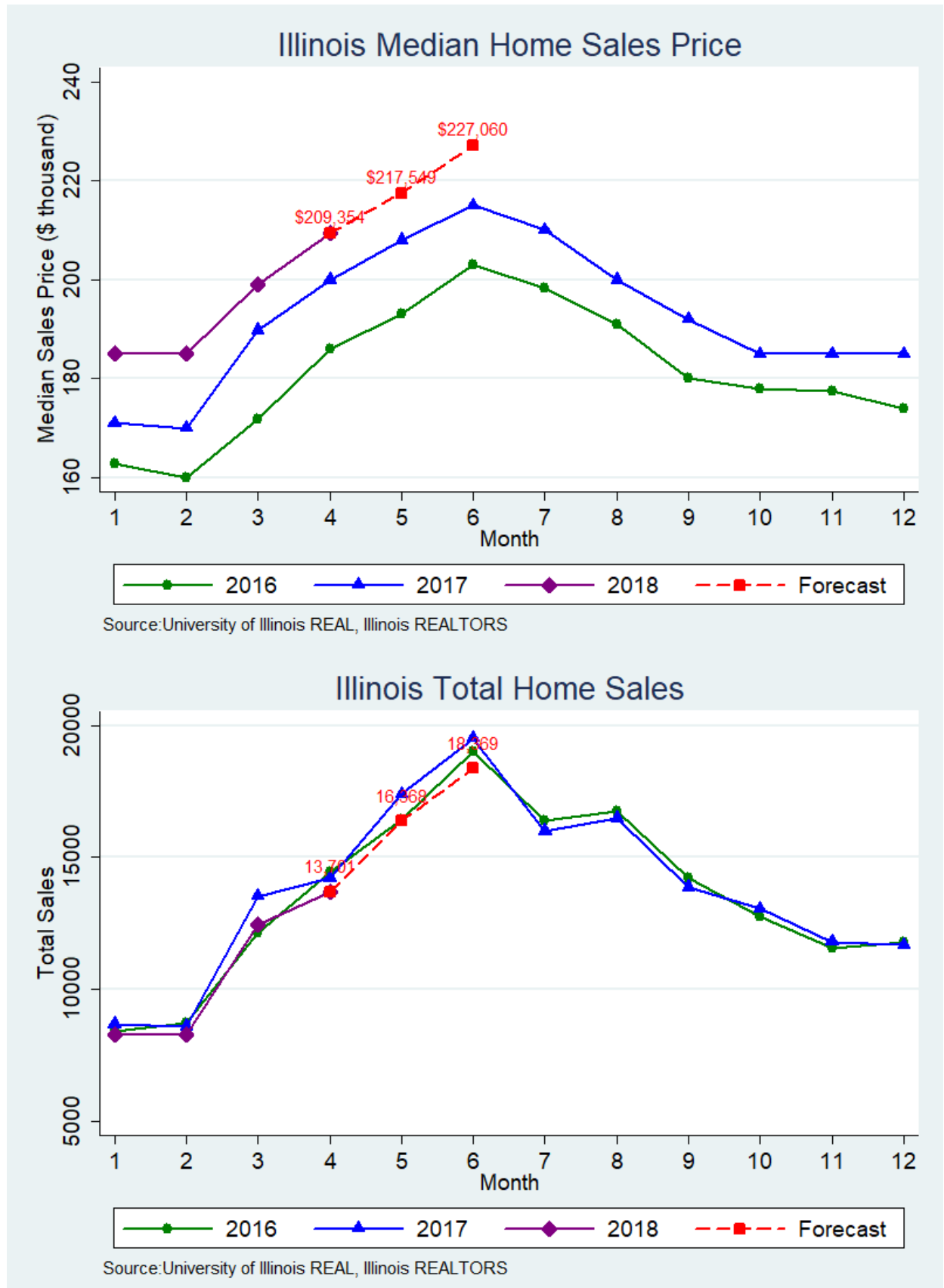
Recovery Forecasts using *Annually Growth Rates*

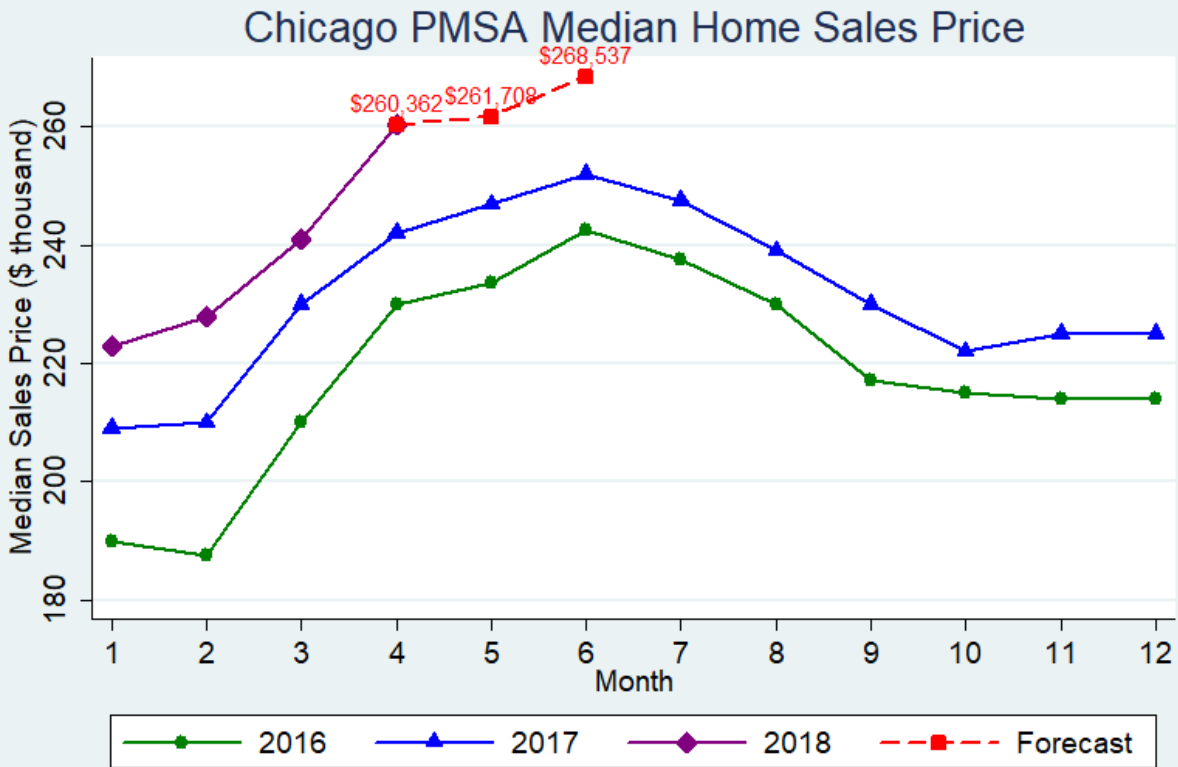
	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	2.4%	-5.1	2.4%	-2.4
Past 3 months	5.0%	-2.5	4.4%	-1.3
Past 6 months	3.8%	-3.3	3.4%	-1.7
Past 9 months	3.8%	-3.3	3.1%	-1.8
Past 12 months	4.1%	-3.0	3.1%	-1.9

*Annual recovery rate is the average of *annual* change rates in past months

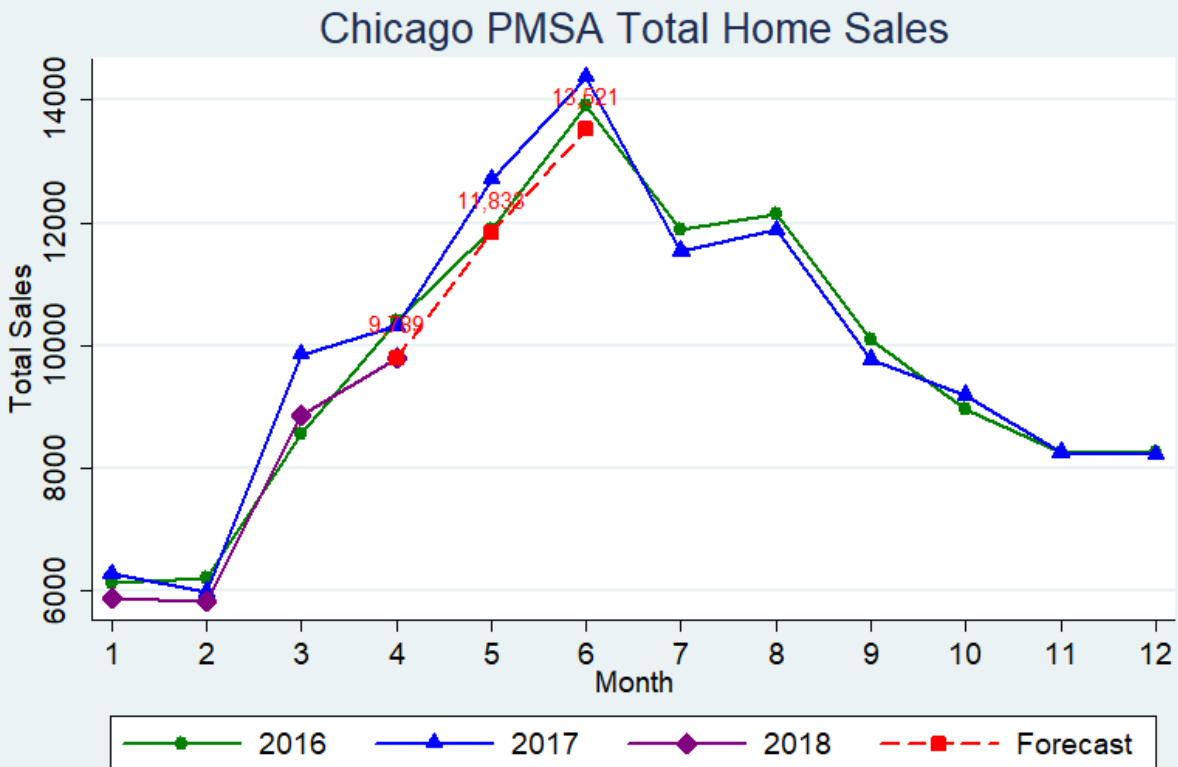
** Years to recover is calculated using the following formula:

$Price_{March2018} * (1 + recovery\ rate)^{years} = Price_{March2008}$. Prices used in the formula are inflation adjusted. The recovery rate is applied as a constant annual change rate to recoup the differences between the current month and its corresponding month in 2008.

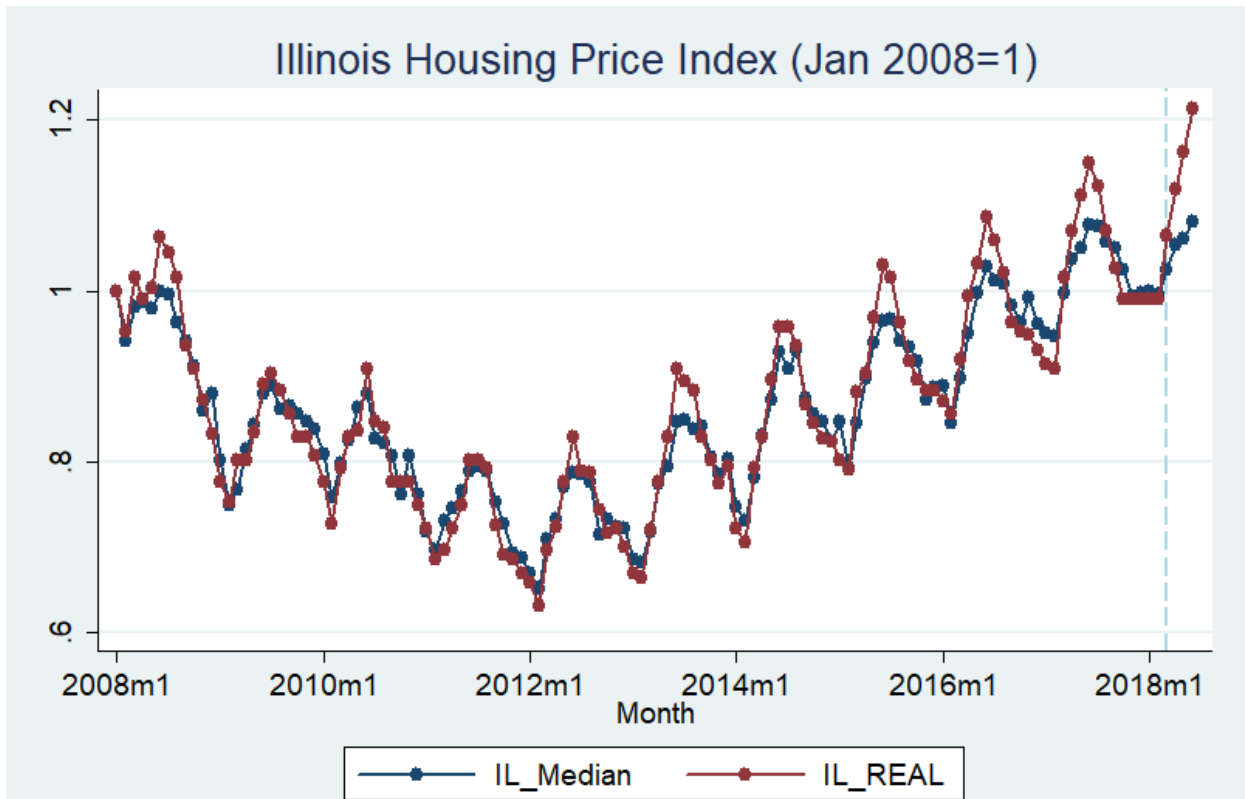




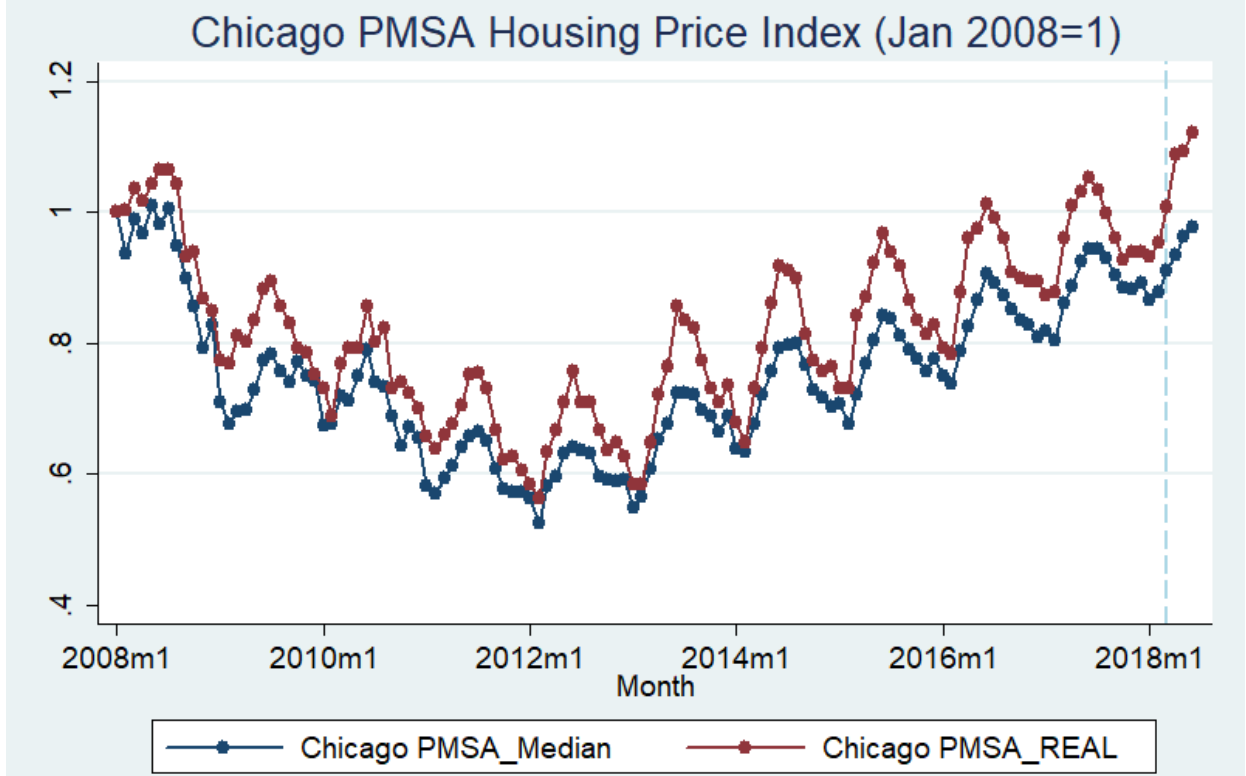
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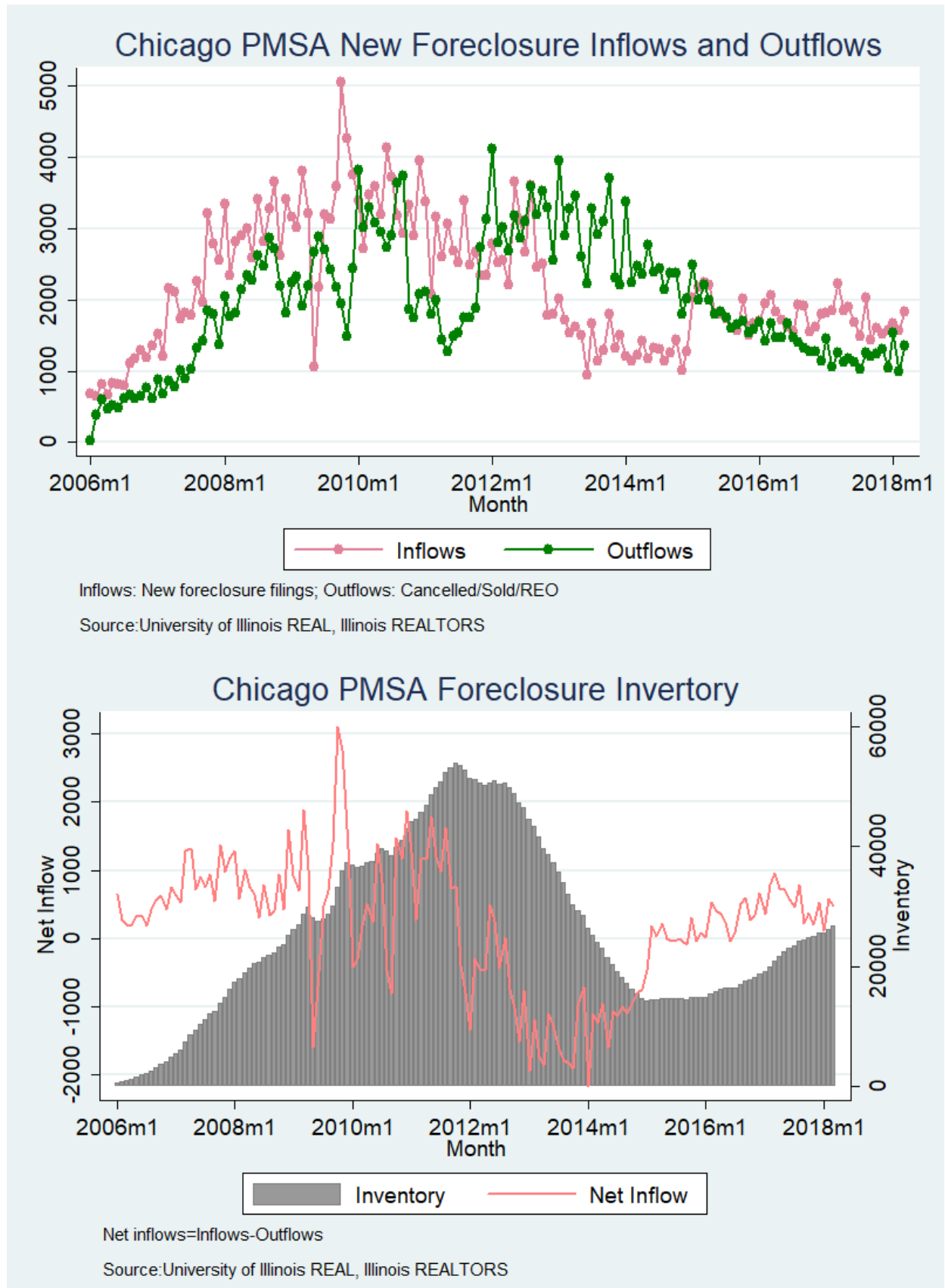
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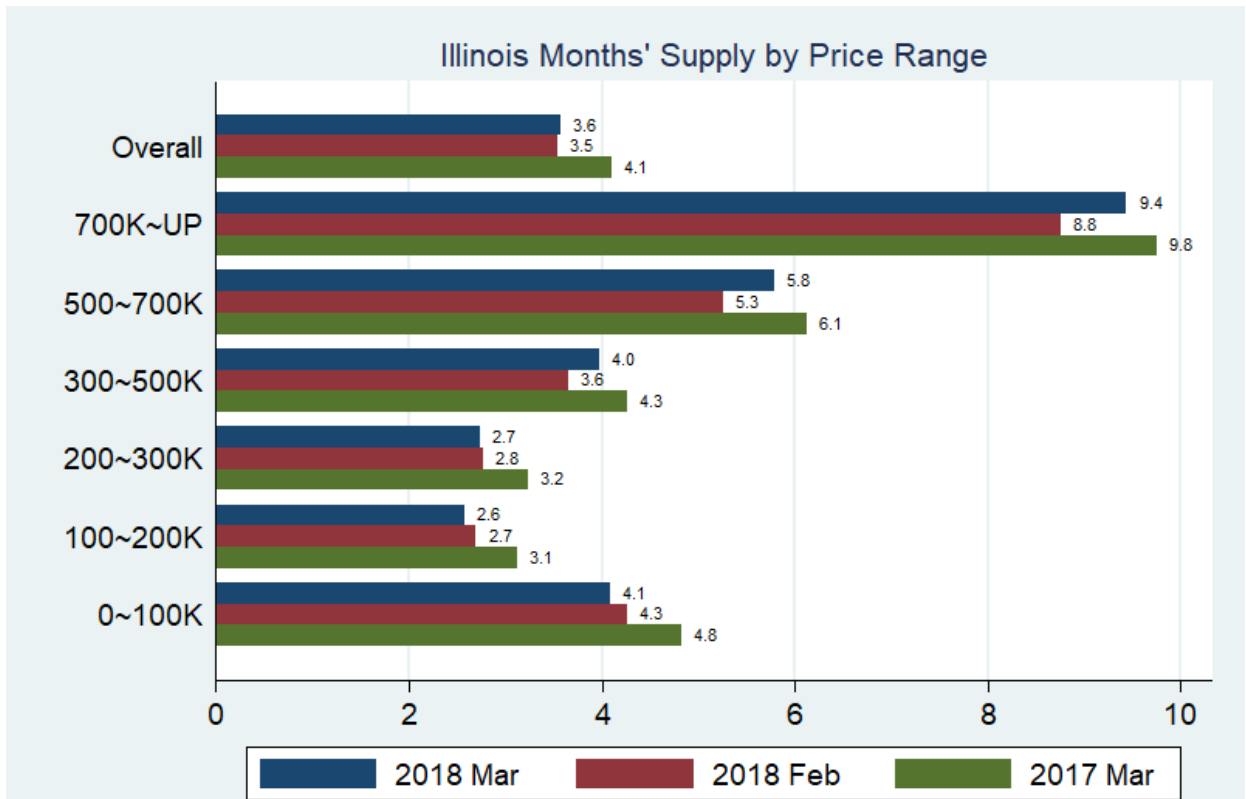


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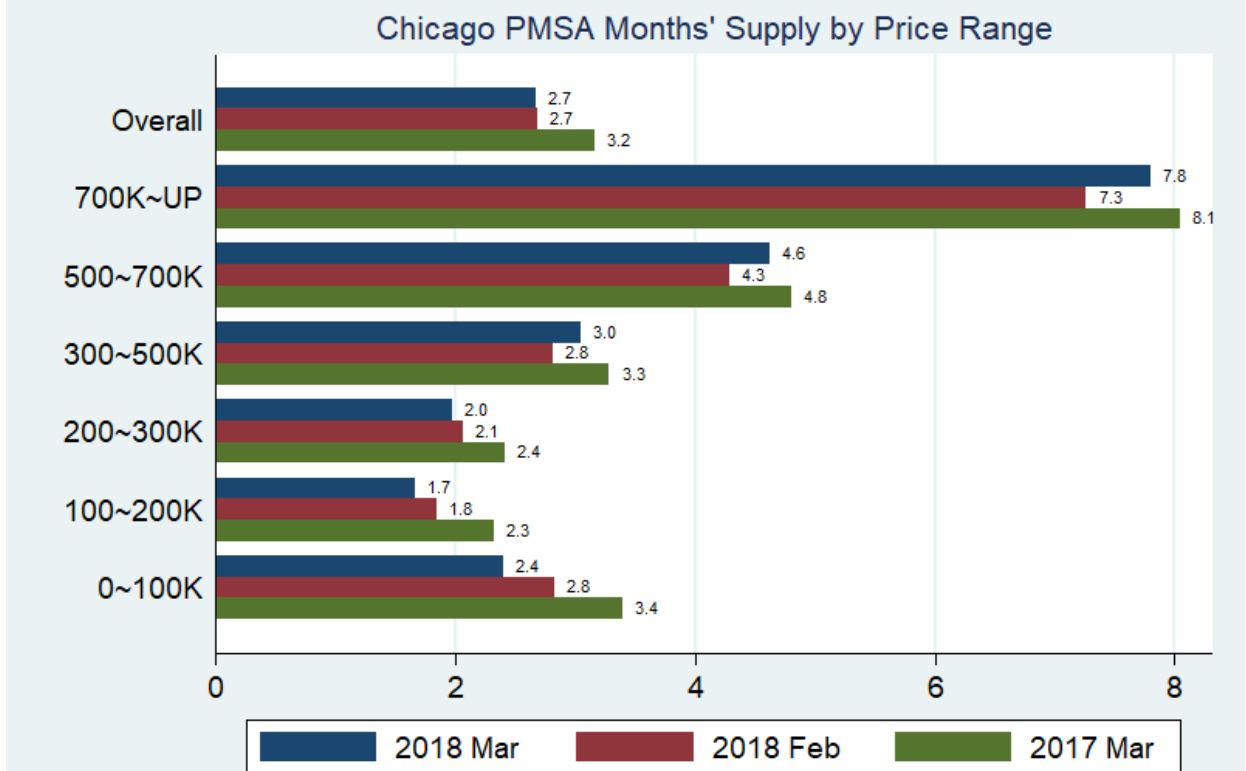


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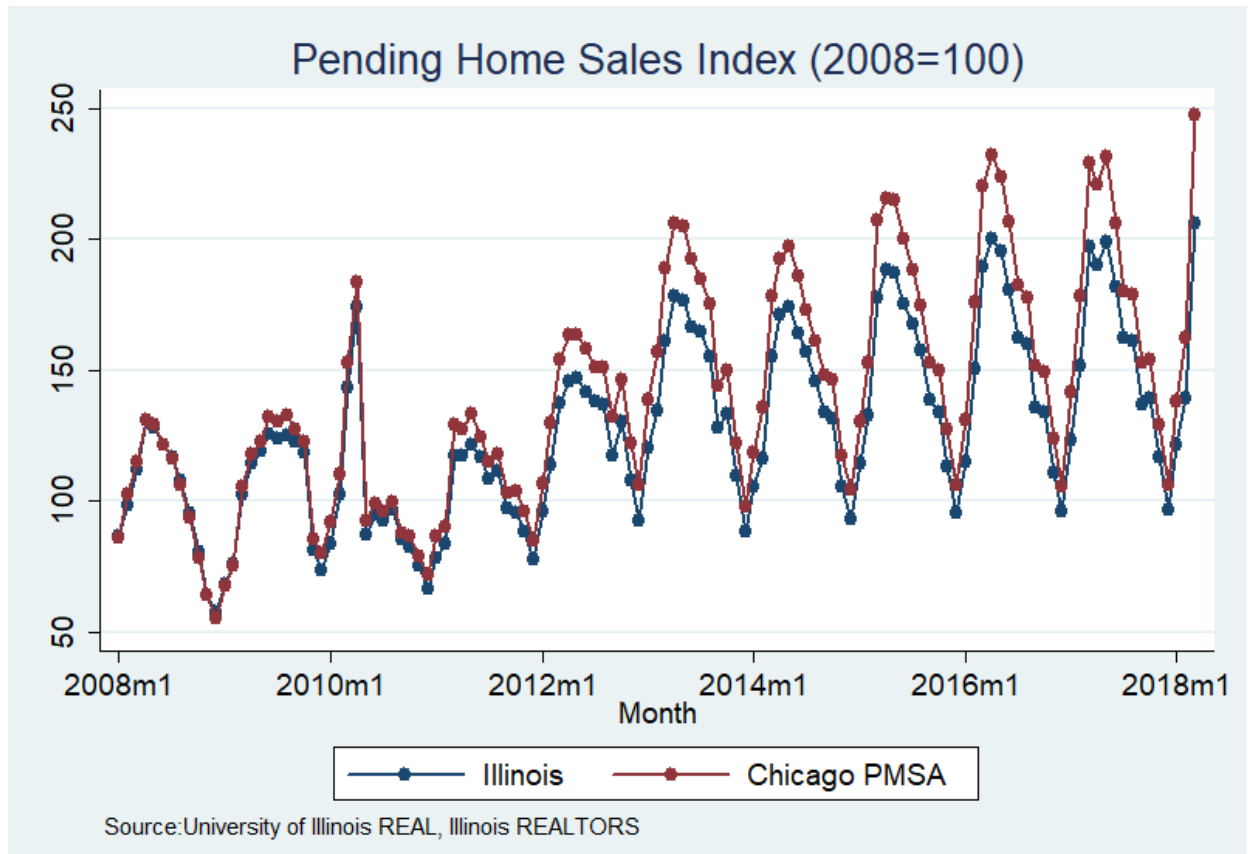


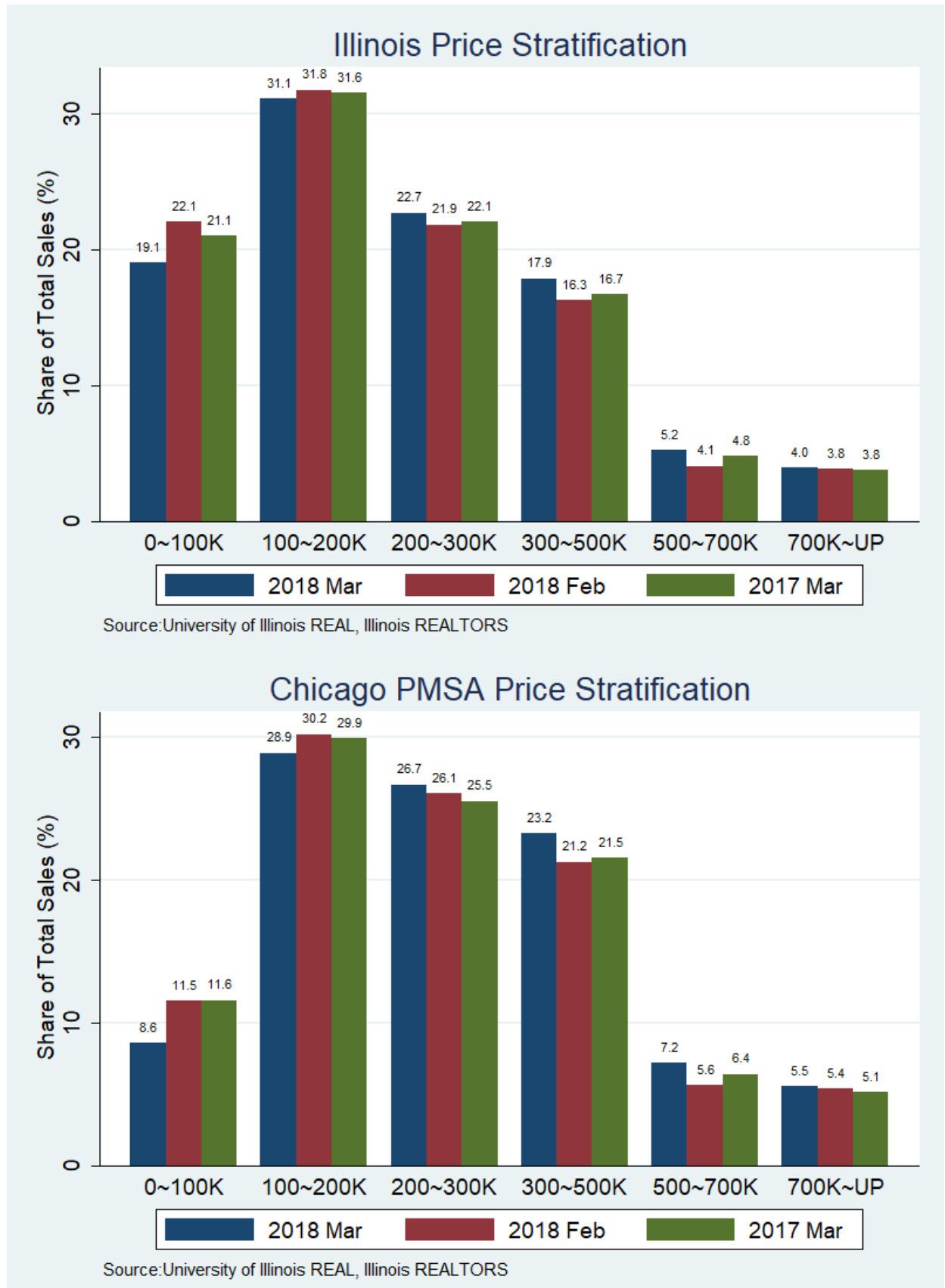


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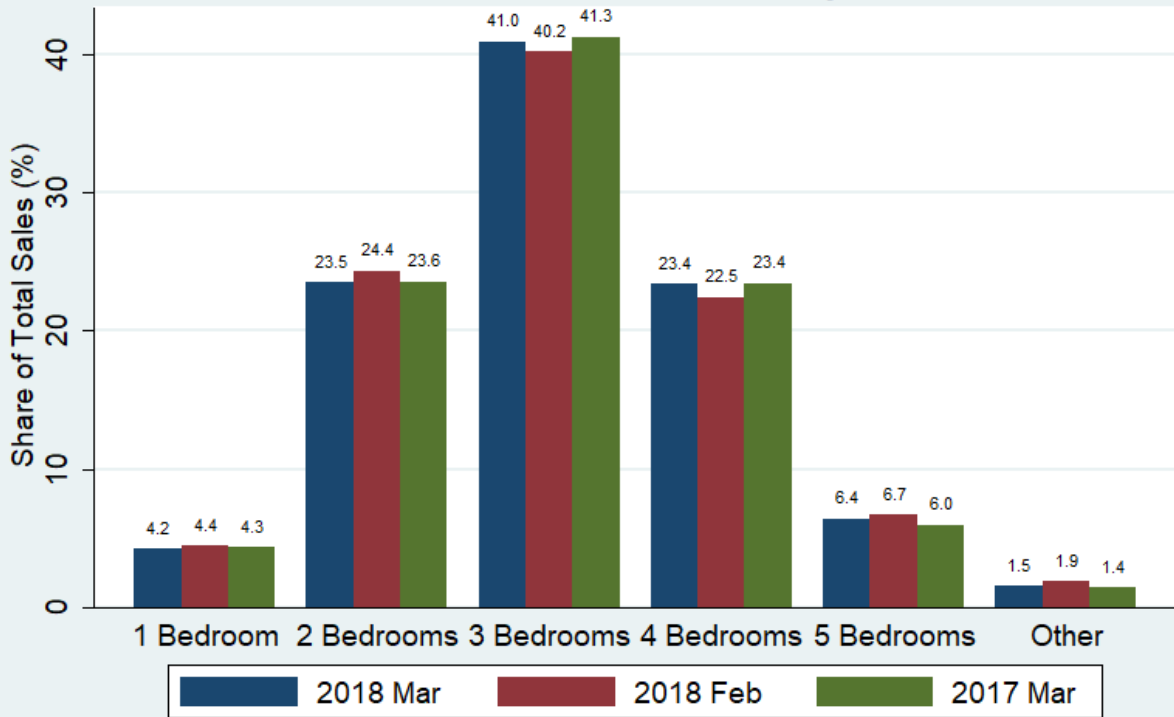


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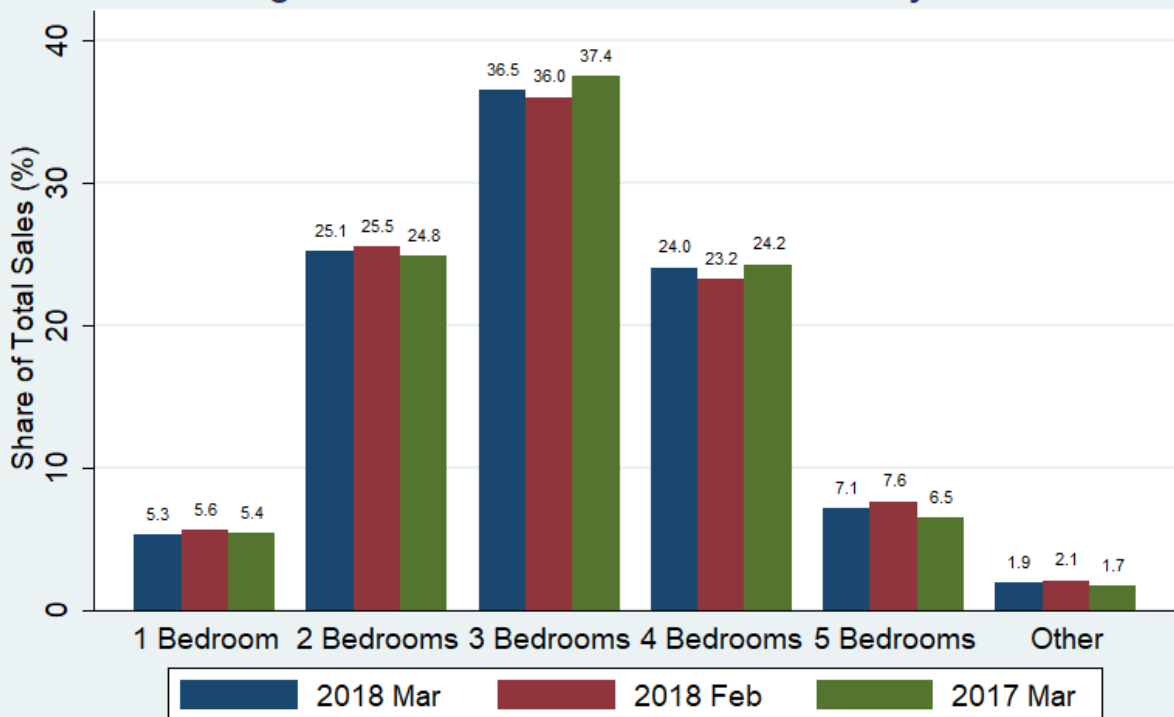


Illinois House Characteristics by Bedroom



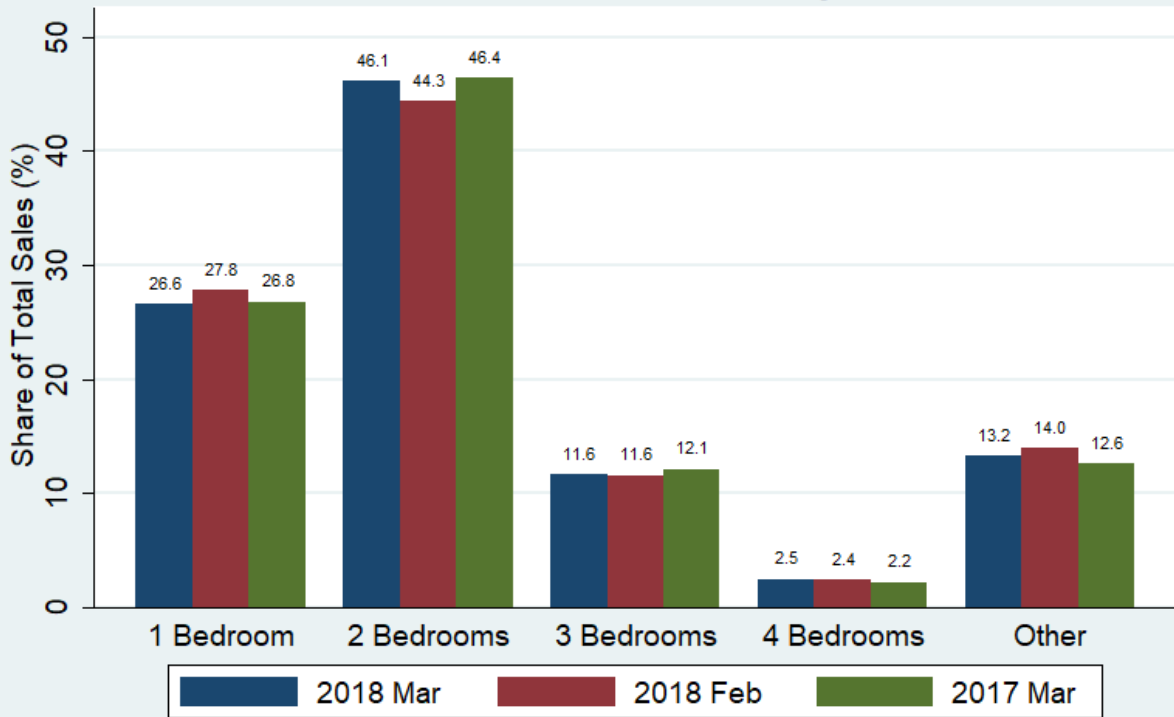
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Chicago PMSA House Characteristics by Bedroom



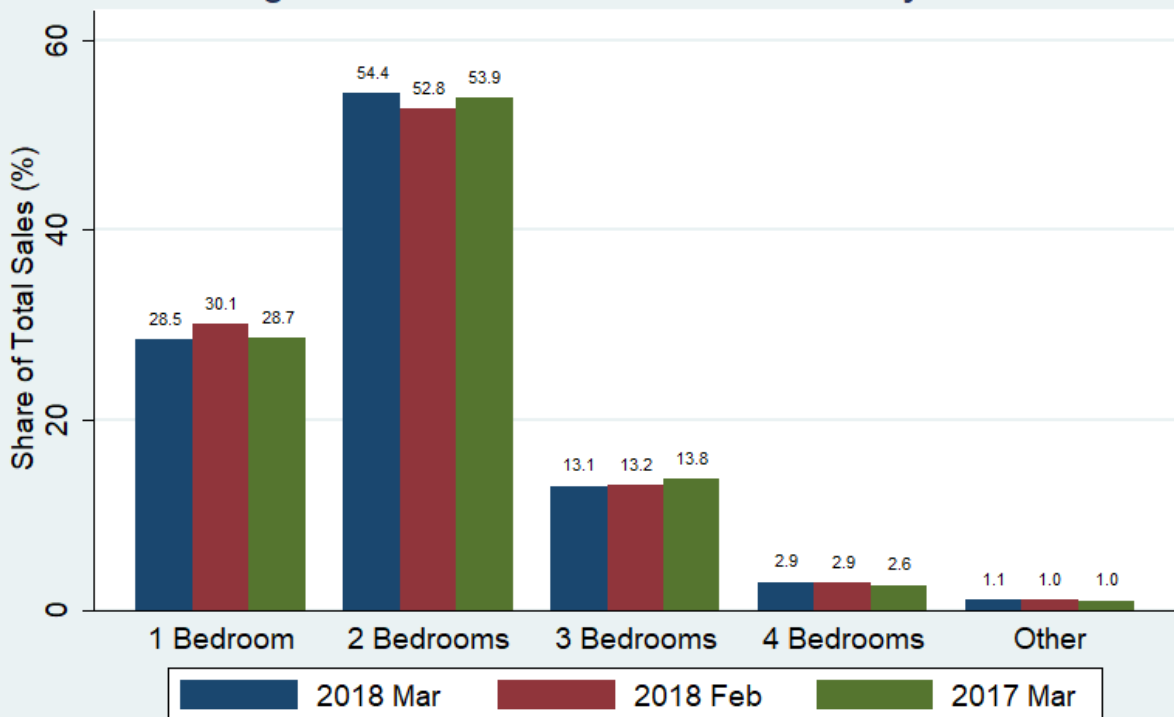
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Illinois House Characteristics by Bathroom



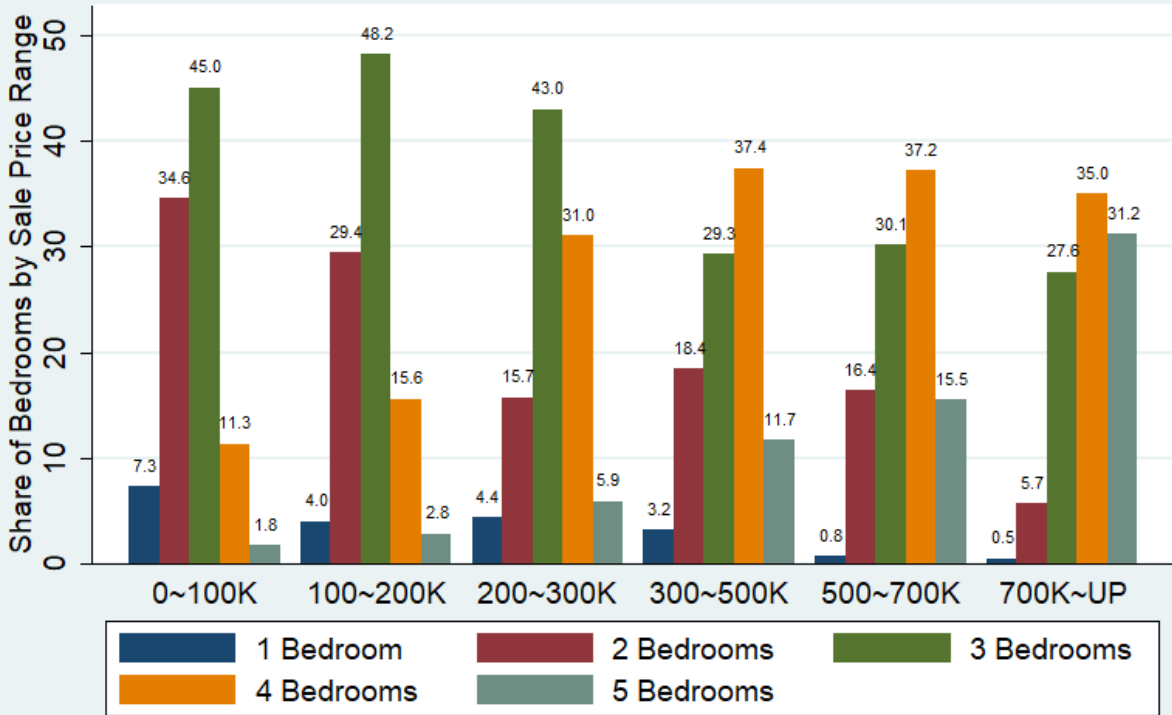
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Chicago PMSA House Characteristics by Bathroom



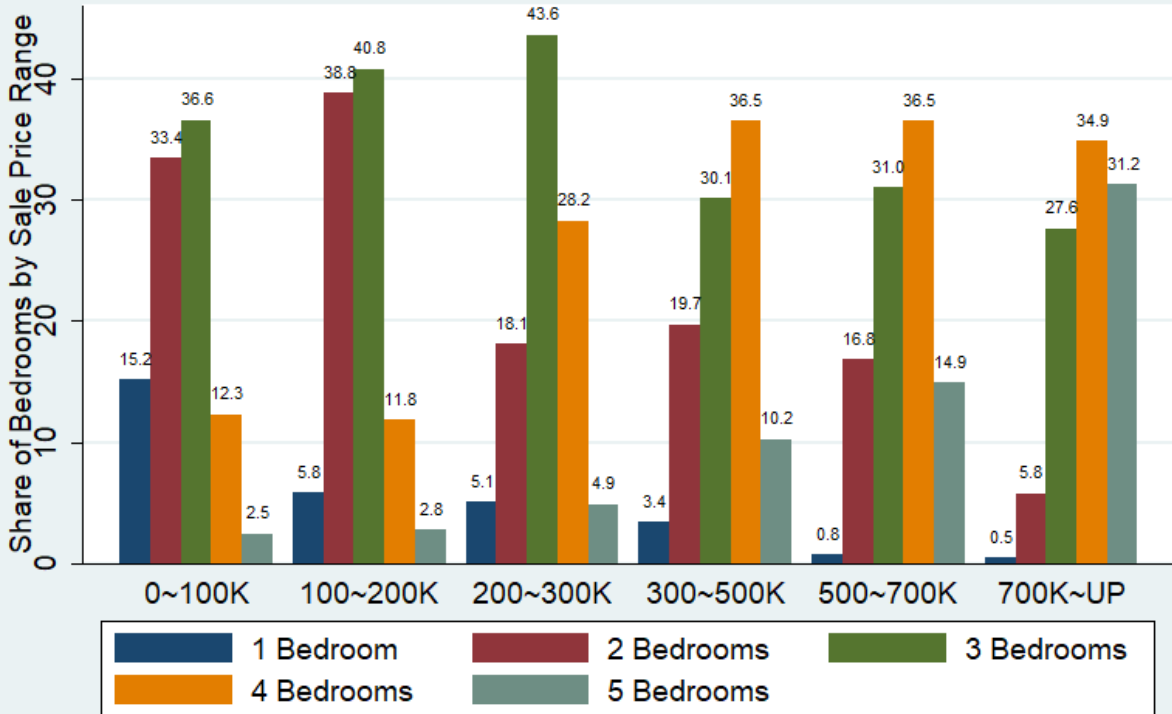
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Illinois Bedroom Shares by Sale Price Stratification



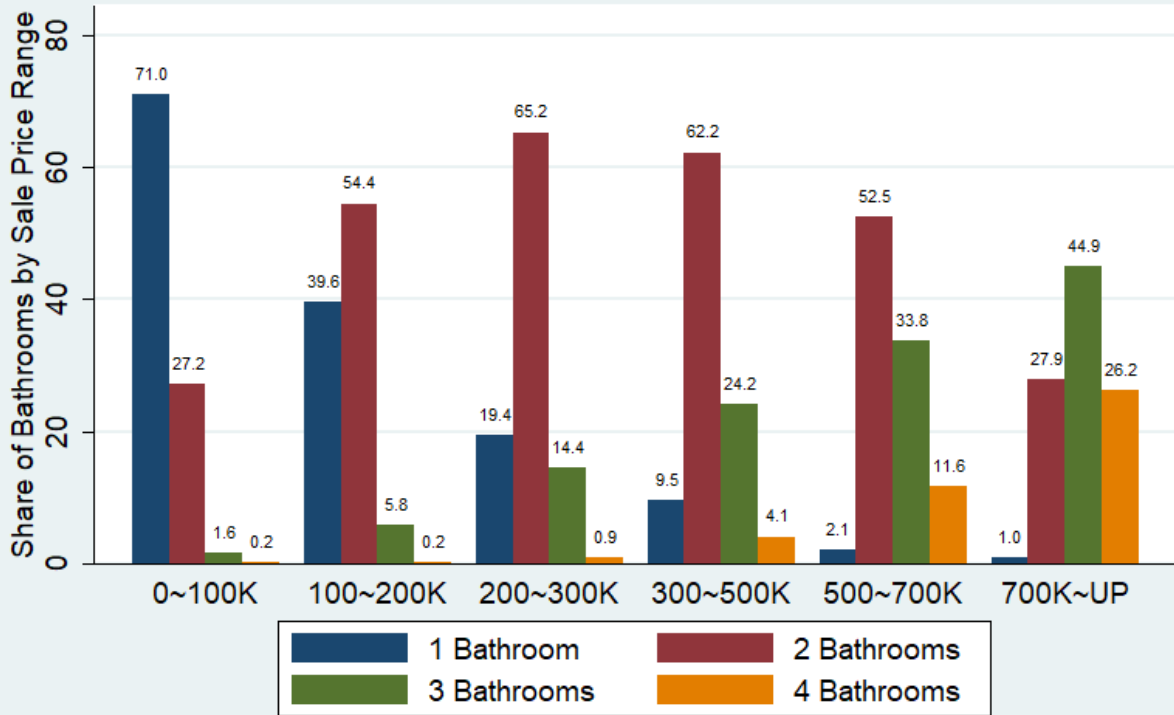
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Chicago PMSA Bedroom Shares by Sale Price Stratification



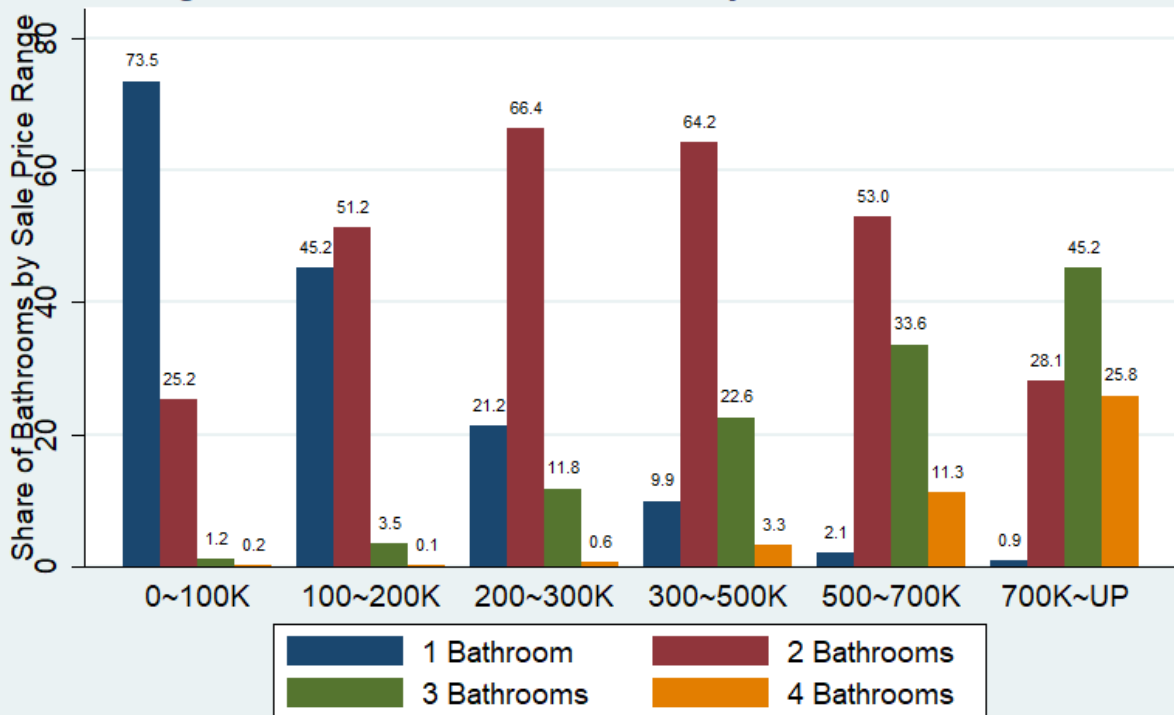
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Illinois Bathroom Shares by Sale Price Stratification



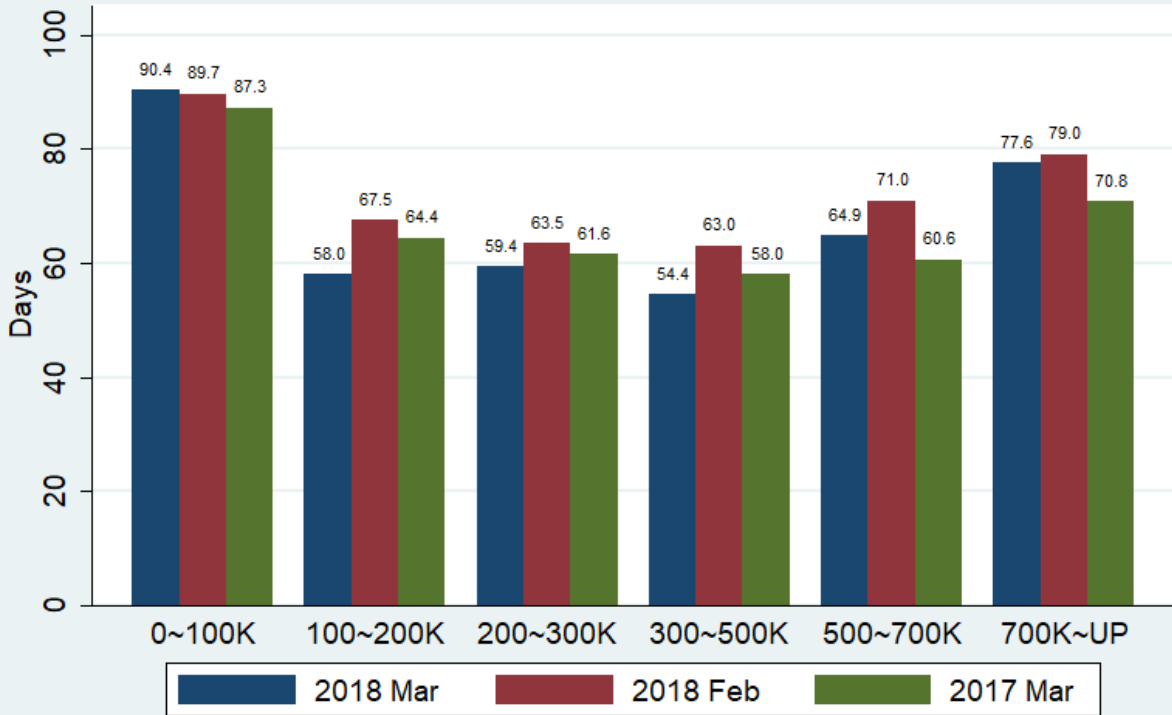
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Chicago PMSA Bathroom Shares by Sale Price Stratification



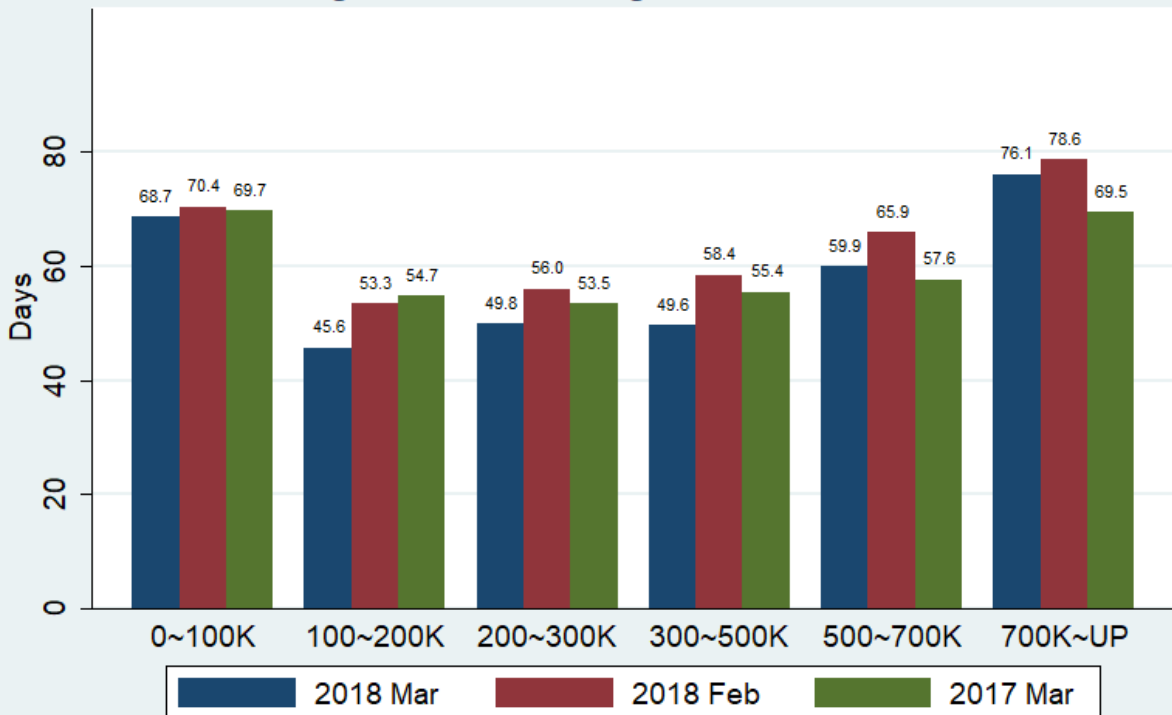
Source: University of Illinois REAL, Illinois REALTORS

Illinois Average Time on the Market



Source: University of Illinois REAL, Illinois REALTORS

Chicago PMSA Average Time on the Market



Source: University of Illinois REAL, Illinois REALTORS

