

# Housing Price Forecasts

## Illinois and Chicago PMSA, October 2018

Presented To  
**Illinois Realtors®**

From

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## Housing Price Forecast: Illinois and Chicago PMSA, October 2018

### The Housing Market

In September, median prices continued to experience positive growth while sales experienced a negative annual change in both Illinois and the Chicago PMSA. 12,432 houses were sold in Illinois, changing by -25.6% from a month ago and -10.4% from a year ago. In the Chicago PMSA, 8,587 houses were sold, changing by -26.8% from a month ago and -12.1% from a year ago. The median price was \$198,000 in Illinois, up 3.1% from September last year; the comparable figure for the Chicago PMSA was \$239,000, up 3.9% from this time last year.

In September, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 7.7%. 7,840 regular sales were made, 11.1% less than last year. 687 foreclosed properties were sold, 23.6% less than last year. The median price was \$246,500 for regular property sales, 2.8% higher than last year; the comparable figure for the foreclosed properties was \$165,000, up 4.5% from this time last year.

Illinois and Chicago PMSA both have already recovered to their pre-bubble levels on average. The median sales price in September 2008 has been adjusted to 2018 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the September 2008 median sales price was \$160,000 (in \$2008) and \$186,782 (in \$2018); the current price level was 106% of the 2008 level after adjusting (124% before adjusting). In the Chicago PMSA, the September 2008 median sales price was \$199,070 (in \$2008) and \$232,392 (in \$2018); the comparable figure for price recovery in September 2018 is 103% after adjustment (120% before adjusting).

The sales forecast for October, November and December suggests decreases on a yearly basis and 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 -2.5% to -3.4%; the comparative figures for the Chicago PMSA are a decrease in the range -3.6% to -4.9%. On a monthly basis, the three-month average sales are forecast to decrease in the range -1.4% to -1.9% for Illinois and decrease in the range -1.2% to -1.6% for the Chicago PMSA.

The pending home sales index<sup>1</sup> is a leading indicator based on contract signings. This September, the number of homes put under contract was greater than last year. The pending home sales index is 140.5 (2008=100) in Illinois, up 2.9% from a year ago. In the Chicago PMSA, the comparable figure is 159.2, up 4.8% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 4.5 months<sup>2</sup> (down from 4.6 months a year ago). In the Chicago PMSA, the comparable figure was 3.5 months (down from 3.6 months a year ago). Months of supply for homes in lower price ranges (<300K) 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 for October, November, and December in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 3.7% in October 4.2% in November and 3.0% in December. For the Chicago PMSA, the comparable figures are 4.4% in October 4.3% in November and 4.0% in December. As a

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

<sup>2</sup> 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.

complement to the median housing price index (HPI), the REAL HPI<sup>3</sup> 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 3.0% in October 4.0% in November and 3.9% in December. The comparable figures for the Chicago PMSA are 2.6% in October 2.4% in November and 2.0% in December. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In September, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index survey revealed that consumers’ assessment of current conditions remains extremely favorable, bolstered by a strong economy and robust job growth and consumers’ optimism about the short-term outlook also improved considerably. The University of Michigan reported that consumer sentiment remained at very favorable levels and all households held very optimistic expectations for improved personal finances in the year ahead, the most favorable financial prospects since 2004. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) slightly decreased. The survey reported that respondents expressed a slightly pessimistic view on income growth and job security.

### **The Housing Market – Current Condition**

- In September, median prices continued to experience positive growth while sales experienced a negative annual change in both Illinois and the Chicago PMSA. 12,432 houses were sold in Illinois, changing by -25.6% from a month ago and -10.4% from a year ago. In the Chicago PMSA, 8,587 houses were sold, changing by -26.8% from a month ago and -12.1% from a year ago. The median price was \$198,000 in Illinois, up 3.1% from September last year; the comparable figure for the Chicago PMSA was \$239,000, up 3.9% from this time last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for October 2018 report table)
- In September, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 7.7%. 7,840 regular sales were made, 11.1% less than last year. 687 foreclosed properties were sold, 23.6% less than last year. The median price was \$246,500 for regular property sales, 2.8% higher than last year; the comparable figure for the foreclosed properties was \$165,000, up 4.5% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In September, at the latest average annual pending sales rate, Illinois had enough housing inventory for 4.5 months<sup>4</sup> (down from 4.6 months a year ago). In the Chicago PMSA, the comparable figure was 3.5 months (down from 3.6 months a year ago). Months of supply for homes in lower price ranges (<300K) 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 September, 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 decreased to 17.3% from 18.6% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 7.4% from 9.2% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

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

<sup>4</sup> 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.

## The Housing Market – Forecast and Future Condition

- The median price forecast indicates moderate annual growth for October, November, and December in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 3.7% in October 4.2% in November and 3.0% in December. For the Chicago PMSA, the comparable figures are 4.4% in October 4.3% in November and 4.0% in December. (Reference: Forecast for October 2018 report table)
- As a complement to the median housing price index (HPI), the REAL HPI<sup>5</sup> 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 3.0% in October 4.0% in November and 3.9% in December. The comparable figures for the Chicago PMSA are 2.6% in October 2.4% in November and 2.0% in December. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for October, November and December suggests decreases on a yearly basis and 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 -2.5% to -3.4%; the comparative figures for the Chicago PMSA are a decrease in the range -3.6% to -4.9%. On a monthly basis, the three-month average sales are forecast to decrease in the range -1.4% to -1.9% for Illinois and decrease in the range -1.2% to -1.6% for the Chicago PMSA. (Reference: Forecast for October 2018 report table)
- The pending home sales index<sup>6</sup> is a leading indicator based on contract signings. This September, the number of homes put under contract was greater than last year. The pending home sales index is 140.5 (2008=100) in Illinois, up 2.9% from a year ago. In the Chicago PMSA, the comparable figure is 159.2, up 4.8% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In September 2018, 1,450 houses were newly filed for foreclosure in the Chicago PMSA (up 1.3% and down 4.0% respectively from a year and a month ago). 1,068 foreclosures were completed<sup>7</sup> (down 8.6% and down 15.3% respectively from a year and a month ago). As of September 2018, there are 29,668 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 311.5 in the past 6 months, 403.5 in the last 12 months and 497.2 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## The Economy

- In September 2018, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate declined to 3.7% and nonfarm payroll jobs experienced a gain of 134,000 jobs. Employment increased in professional and business services (+54,000), health care (+26,000), and transportation and warehousing (+24,000).
- In August 2018, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment fell to 4.1%. Non-farm payroll jobs decreased by -5,200 over the month. The largest declines were in three sectors; leisure and hospitality (-3,600);

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

<sup>7</sup> Including cancelled foreclosures and auctions

education and health services (-1,300); and construction (-1,200). Furthermore, the job growth in July was revised from the preliminary estimate of +3,700 jobs to +0 jobs.

- In August 2018, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 0.34% and 0.64%, corresponding to job gains between 21,100 and 39,200. The largest contributors to the forecast increase are professional and business, education and health, and leisure and hospitality.
- In September 2018, according to the Zillow Housing Aspirations Report, across the country, people are largely happy with their current homes, and would rather stay in them and make updates than move. More specifically, eighty-seven percent of people who are 55 years or older, and 91 percent of retirees, would renovate their homes instead of using the money for a down payment on a new one. The top reasons for not moving are that they love their home and they don't want to deal with the hassle of moving.
- In September 2018, according to Attom Data Solutions, the biggest foreclosure risk in today's housing market comes from natural disaster events such as last year's hurricanes added Blomquist. The report noted that a decade after poorly underwritten mortgages triggered a housing market crash, it's clear that the foreclosure risk associated with those problem mortgages has faded.

### **Longer-term Outlook**

- In September, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index increased to 138.4 from 134.7 last month. The survey revealed that consumers' assessment of current conditions remains extremely favorable, bolstered by a strong economy and robust job growth and consumers' optimism about the short-term outlook also improved considerably. The University of Michigan Consumer Sentiment Index increased to 100.1 from 96.2 last month. The University of Michigan reported that consumer sentiment remained at very favorable levels and all households held very optimistic expectations for improved personal finances in the year ahead, the most favorable financial prospects since 2004.
- In September, Fannie Mae Home Purchase Sentiment Index (HPSI) slightly decreased to 87.7 from 88.0 last month. The survey reported that respondents expressed a slightly pessimistic view on income growth and job security.
- The Chicago Business Activity Index (CBAI) increased to 103.0 in August from 87.0 in July. The decrease is mainly attributed to an improvement in expected retail sales.

## Forecast for October 2018 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
<b>Jul-18</b>	1.6%	1.1%		-12.7%	-14.0%			
<b>Aug-18</b>	1.4%	-1.3%		2.8%	0.6%			
<b>Sep-18</b>	-10.4%	-12.1%		-25.6%	-26.8%			
<b>3 Month Avg.</b>	-2.1%	-3.7%		-12.0%	-13.5%			
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
<b>Oct-18</b>	-4.5%	-6.1%	-6.0%	-8.2%	-0.4%	-0.6%	-0.5%	-0.7%
<b>Nov-18</b>	-3.9%	-5.3%	-4.8%	-6.5%	-7.6%	-10.3%	-7.5%	-10.1%
<b>Dec-18</b>	1.0%	1.3%	0.2%	0.2%	4.3%	5.8%	4.9%	6.6%
<b>3 Month Avg.</b>	-2.5%	-3.4%	-3.6%	-4.9%	-1.4%	-1.9%	-1.2%	-1.6%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
<b>Jul-18</b>	\$214,000	\$250,800	<b>Jul-17</b>	\$210,000	\$247,500			
<b>Aug-18</b>	\$201,000	\$243,000	<b>Aug-17</b>	\$200,000	\$239,000			
<b>Sep-18</b>	\$198,000	\$239,000	<b>Sep-17</b>	\$192,000	\$230,000			
<b>Oct-18</b>	\$191,760	\$231,860	<b>Oct-17</b>	\$185,000	\$222,000			
<b>Nov-18</b>	\$192,728	\$234,725	<b>Nov-17</b>	\$185,000	\$225,000			
<b>Dec-18</b>	\$190,628	\$233,991	<b>Dec-17</b>	\$185,000	\$225,000			
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
<b>Jul-18</b>	1.9%	1.3%	<b>Jul-17</b>	6.0%	4.2%			
<b>Aug-18</b>	0.5%	1.7%	<b>Aug-17</b>	4.7%	3.9%			
<b>Sep-18</b>	3.1%	3.9%	<b>Sep-17</b>	6.7%	5.9%			
<b>Oct-18</b>	3.7%	4.4%	<b>Oct-17</b>	3.9%	3.3%			
<b>Nov-18</b>	4.2%	4.3%	<b>Nov-17</b>	4.2%	5.1%			
<b>Dec-18</b>	3.0%	4.0%	<b>Dec-17</b>	6.3%	5.1%			

### Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2018]	[\$2008]	[\$2018]
<b>September 2008 Median Price</b>	\$160,000	\$186,782	\$199,070	\$232,392
<b>September 2018 Median Price</b>	\$169,609	\$198,000	\$204,730	\$239,000
Price Ratio (September 18/ September 08)	Adjusted	1.06	Adjusted	1.03
	Unadjusted	1.24	Unadjusted	1.20

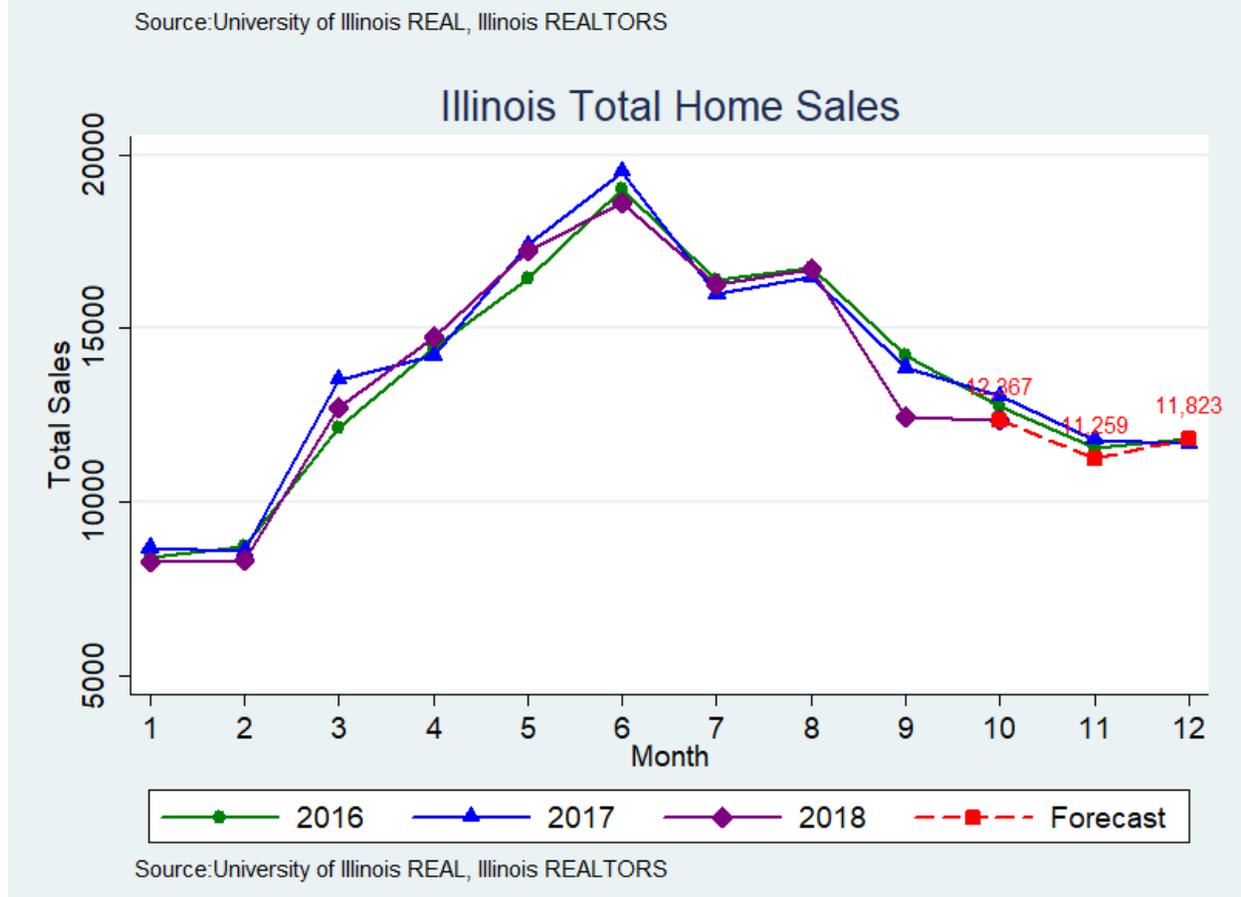
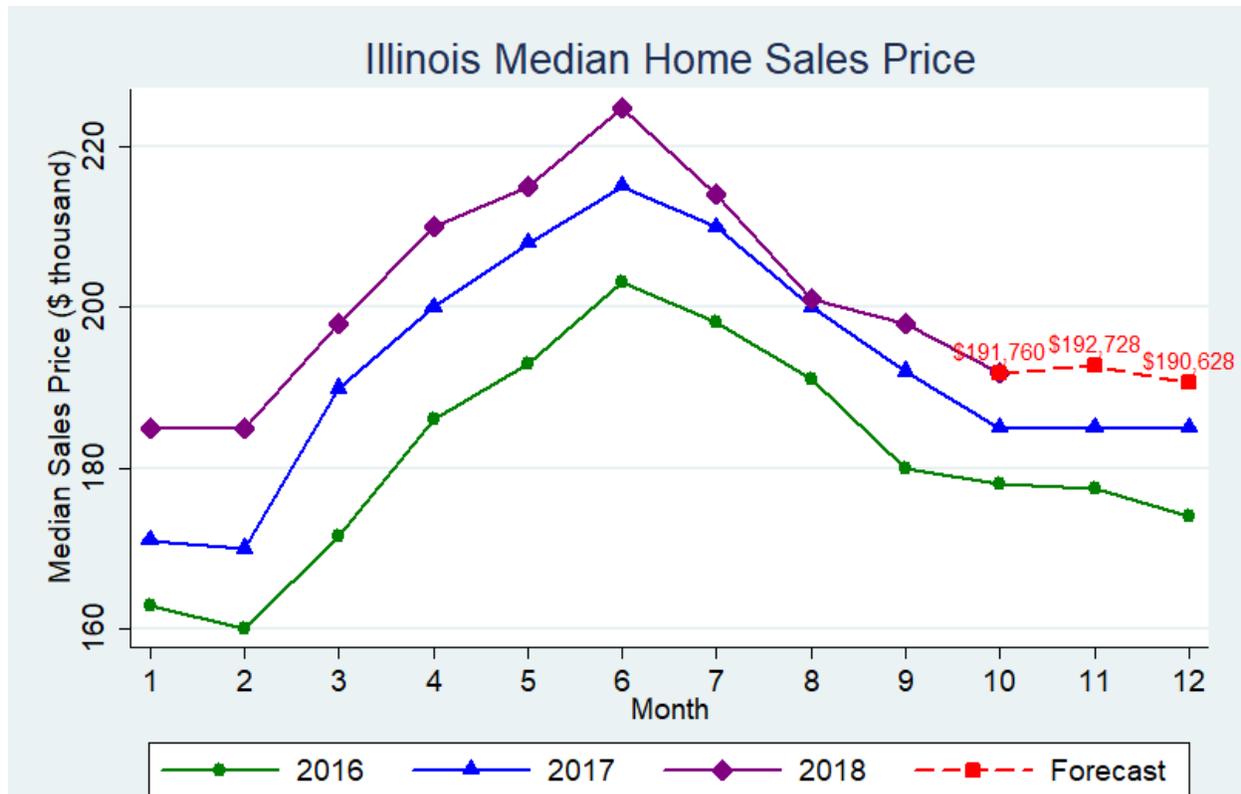
### Recovery Forecasts using *Annually Growth Rates*

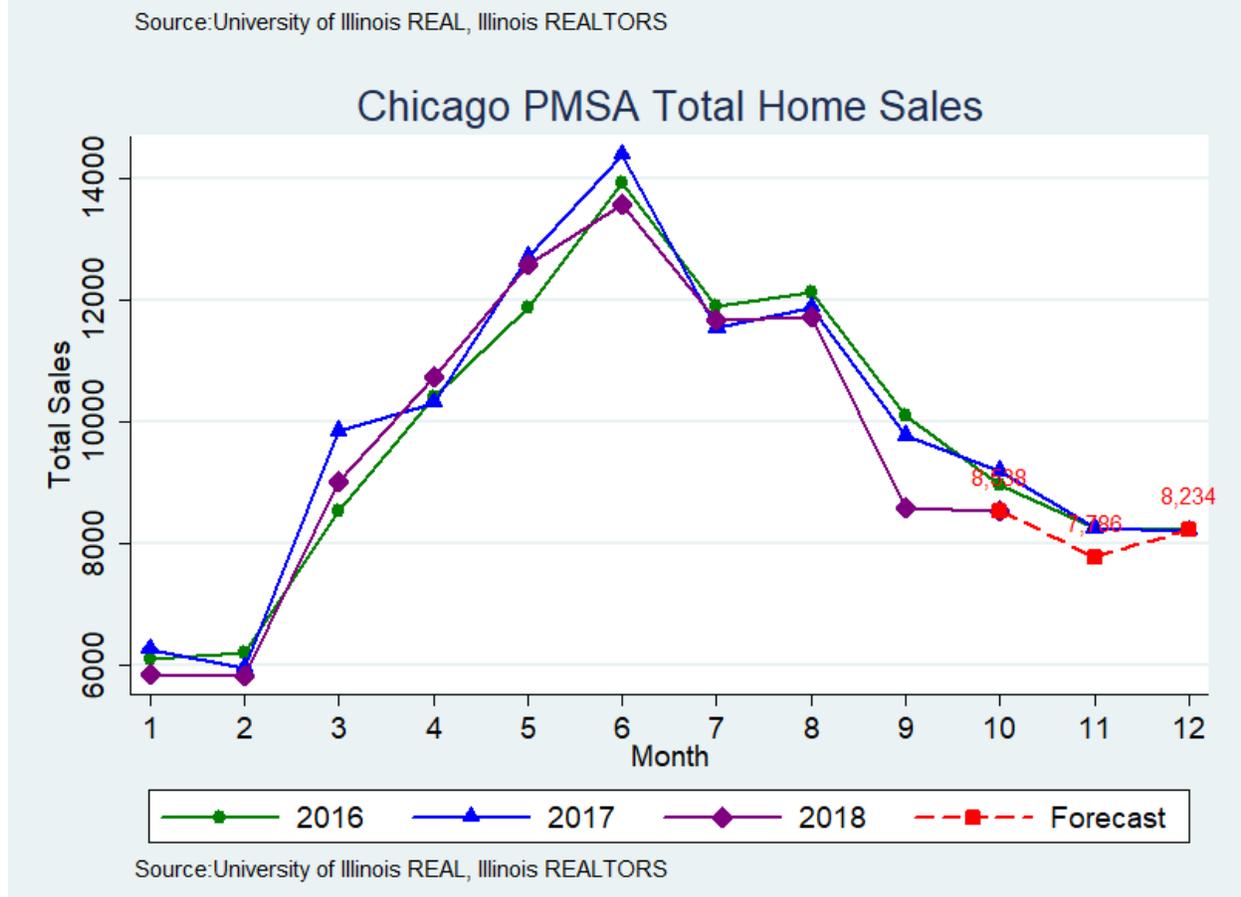
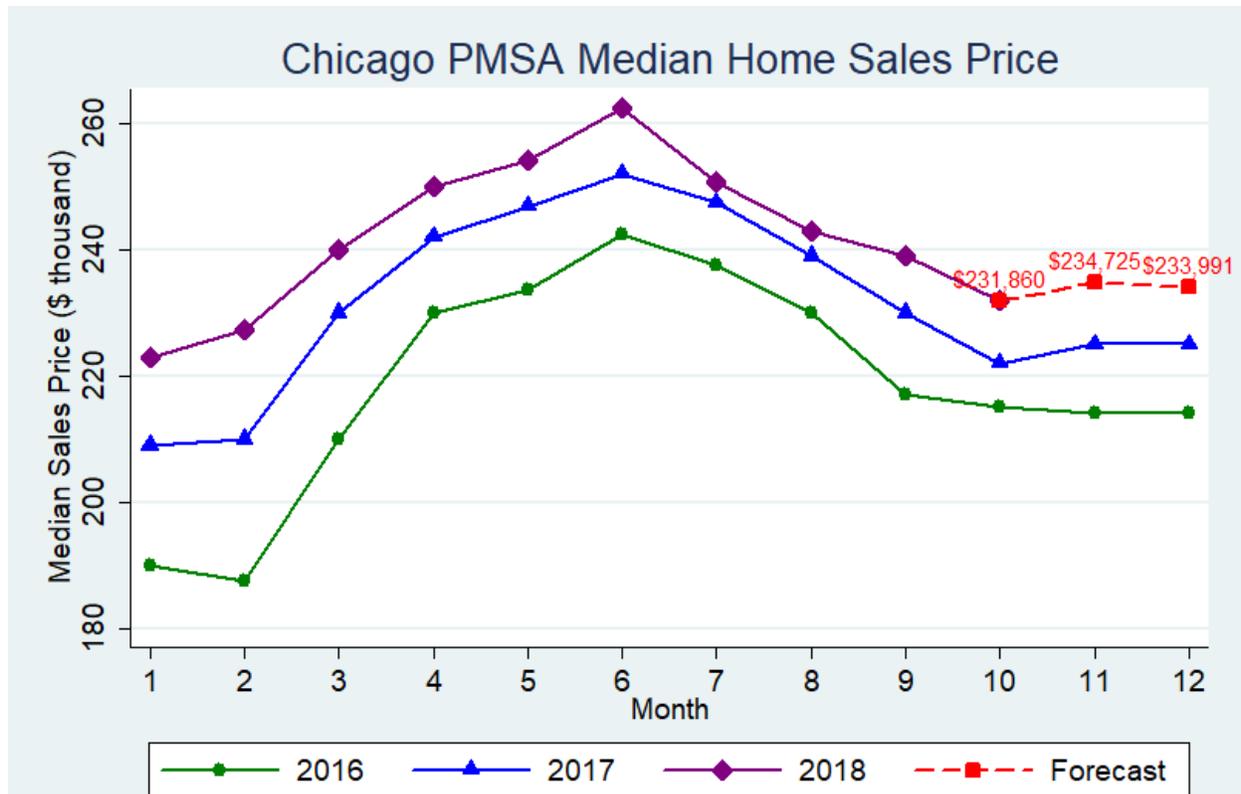
	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	0.8%	-7.1	1.6%	-1.8
Past 3 months	-0.8%	7.2	-0.4%	7.9
Past 6 months	0.4%	-15.0	0.2%	-14.3
Past 9 months	1.9%	-3.2	1.5%	-1.9
Past 12 months	2.1%	-2.8	1.7%	-1.6

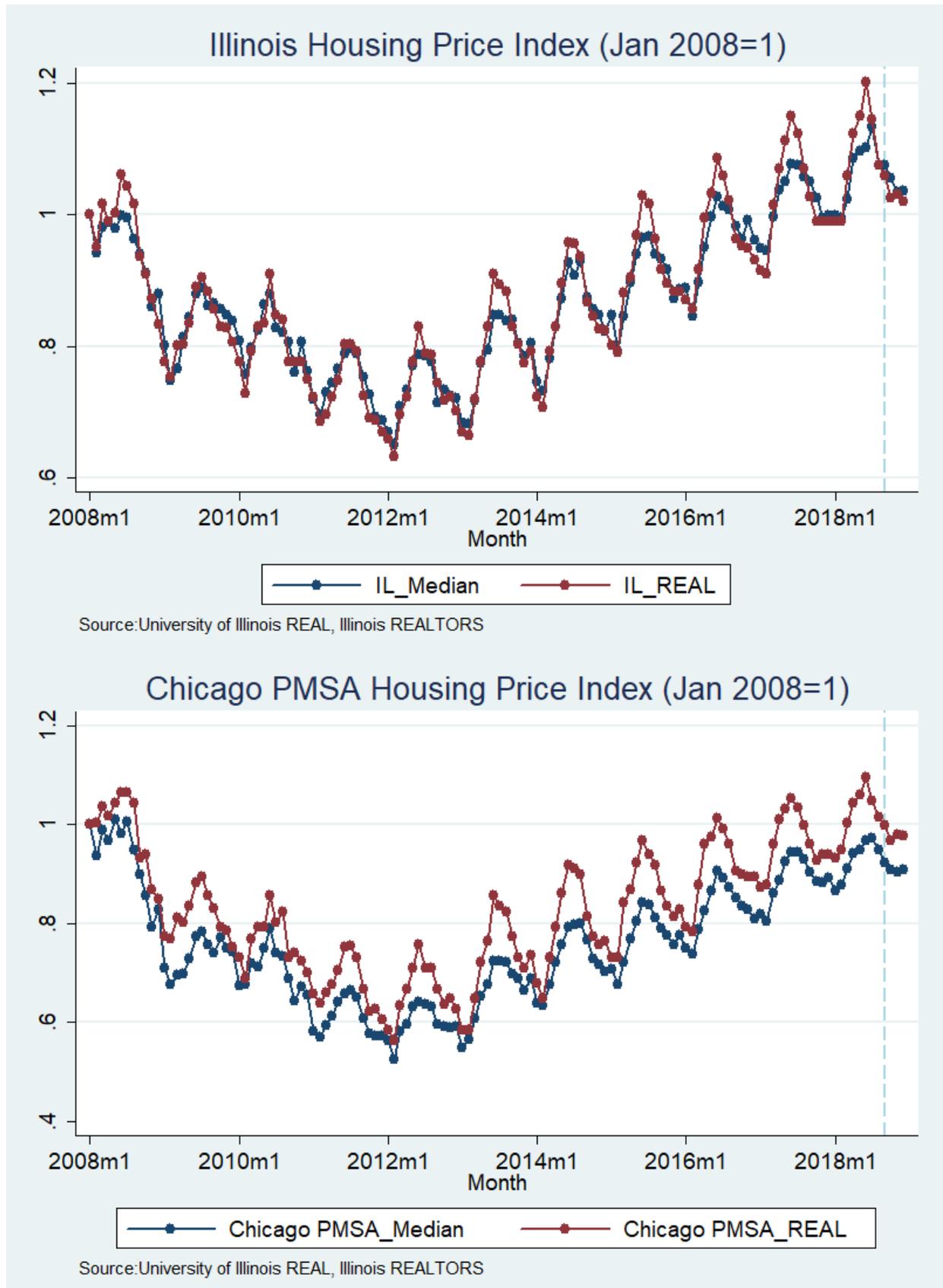
\*Annual recovery rate is the average of *annual* change rates in past months

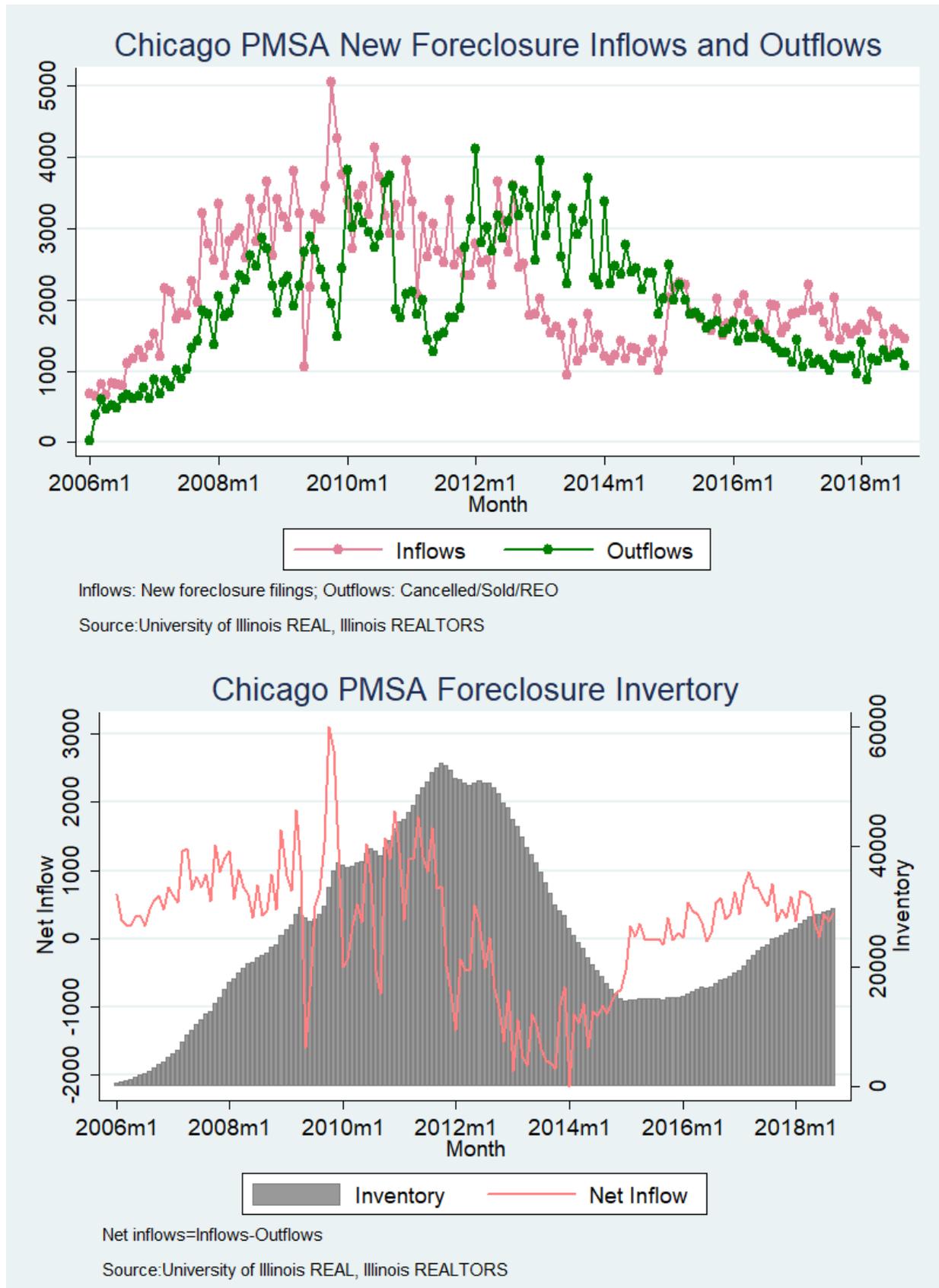
\*\* Years to recover is calculated using the following formula:

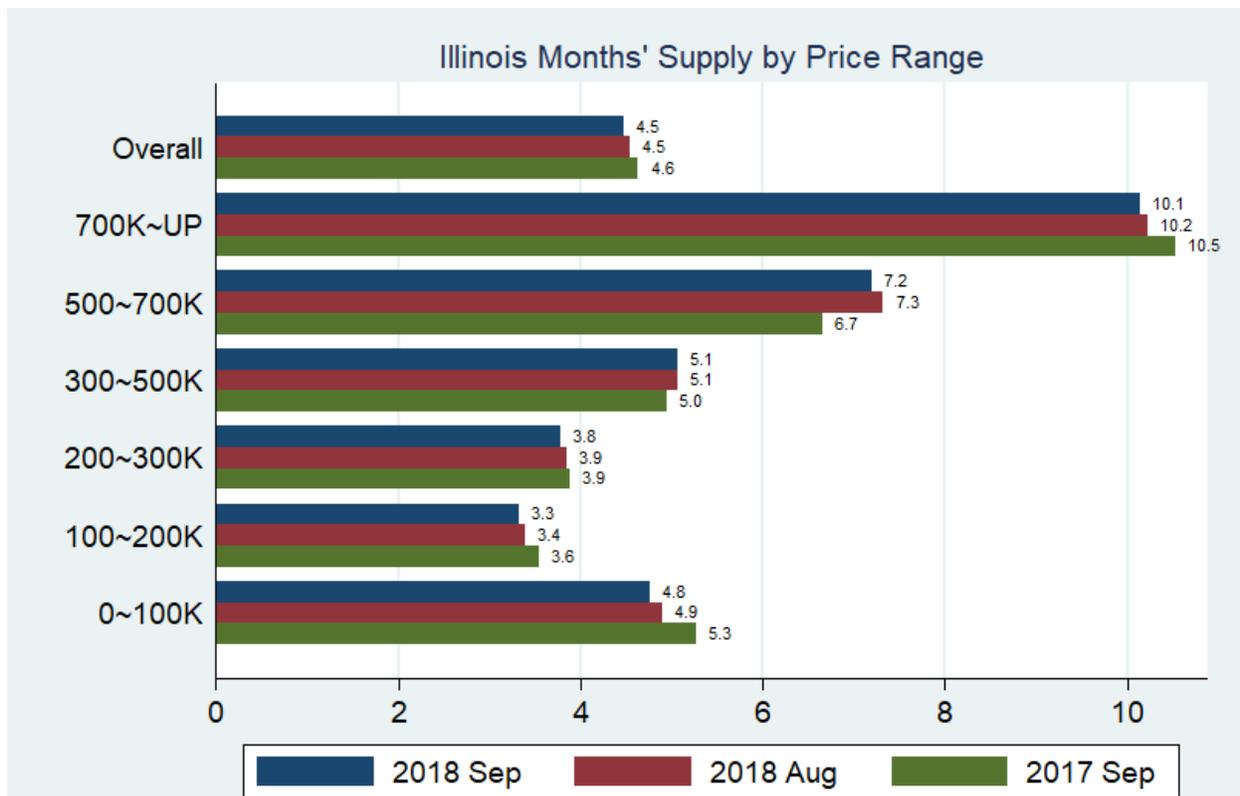
$Price_{September2018} * (1 + \text{recovery rate})^{\text{years}} = Price_{September2008}$ . Prices used in the formula are inflation adjusted. The recovery rate is applied as a constant annual change rate to recoup the differences between the current month and its corresponding month in 2008.



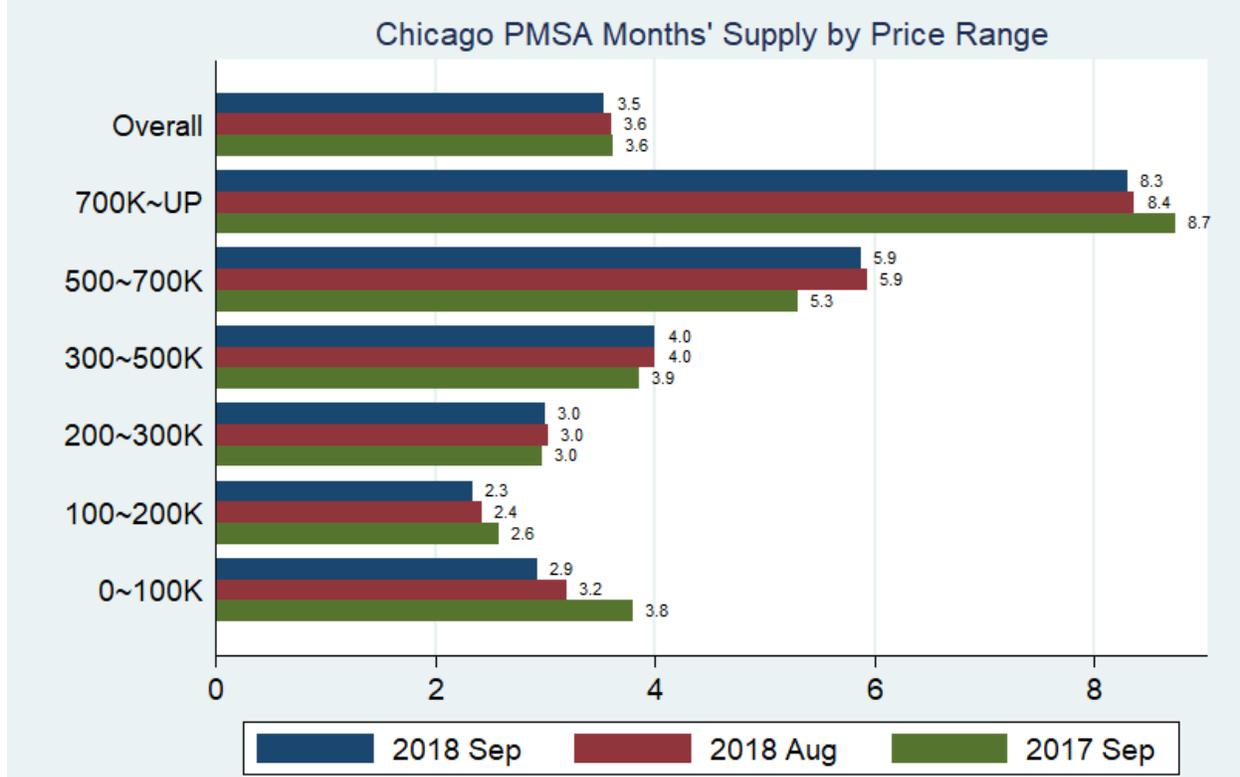




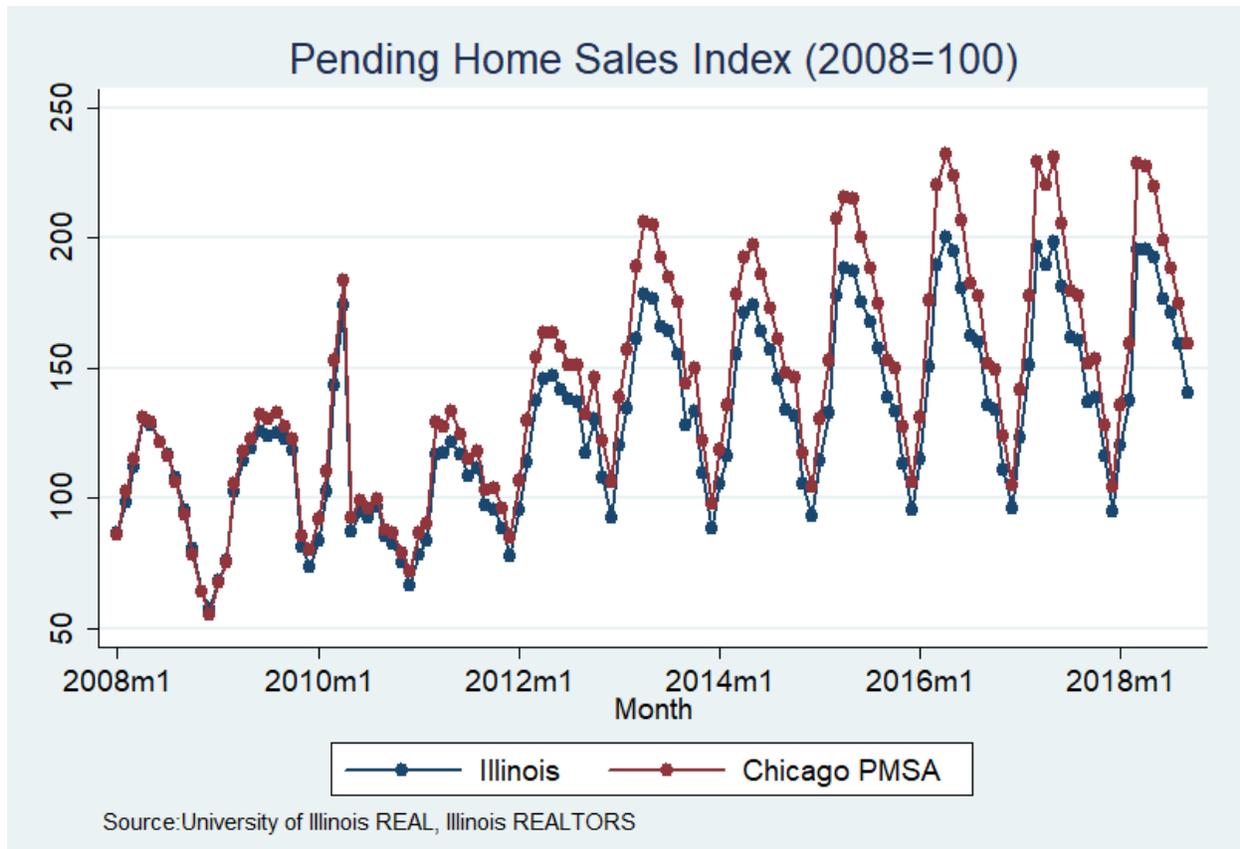


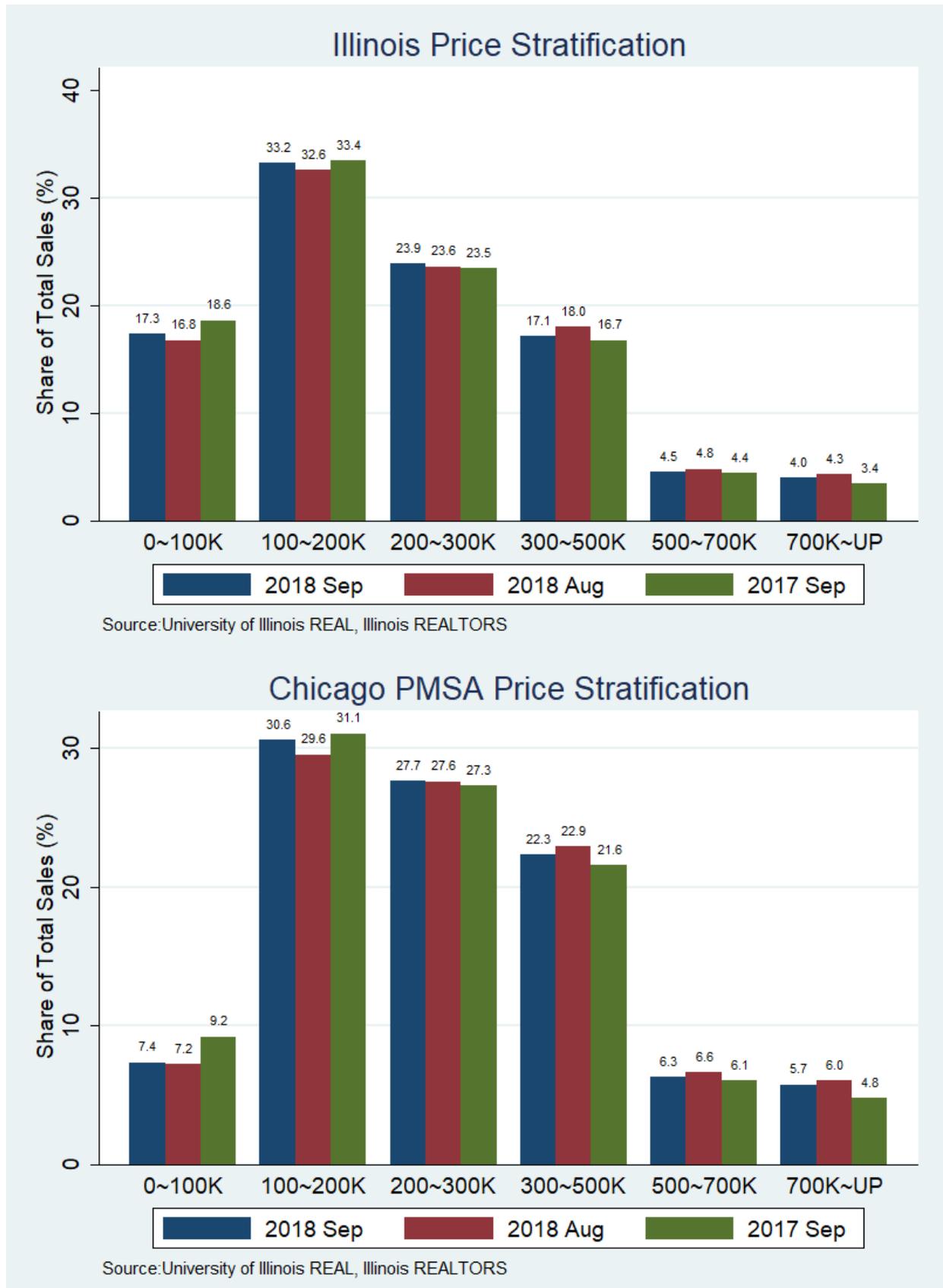


Source: University of Illinois REAL, Illinois REALTORS

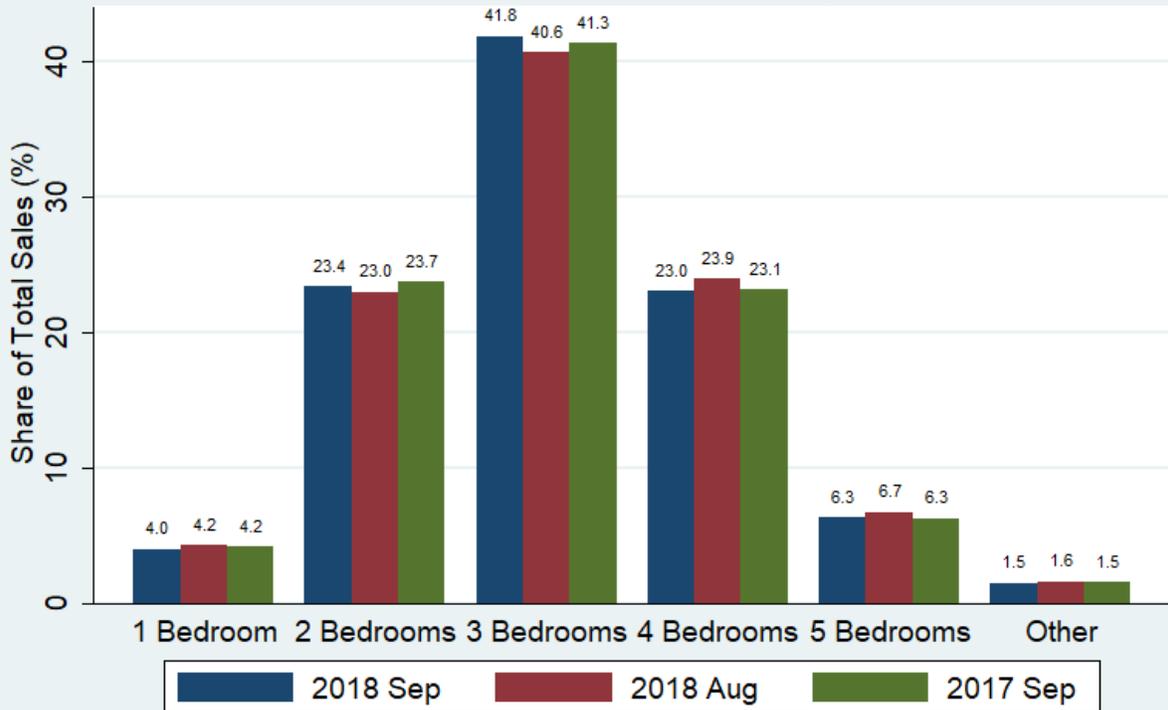


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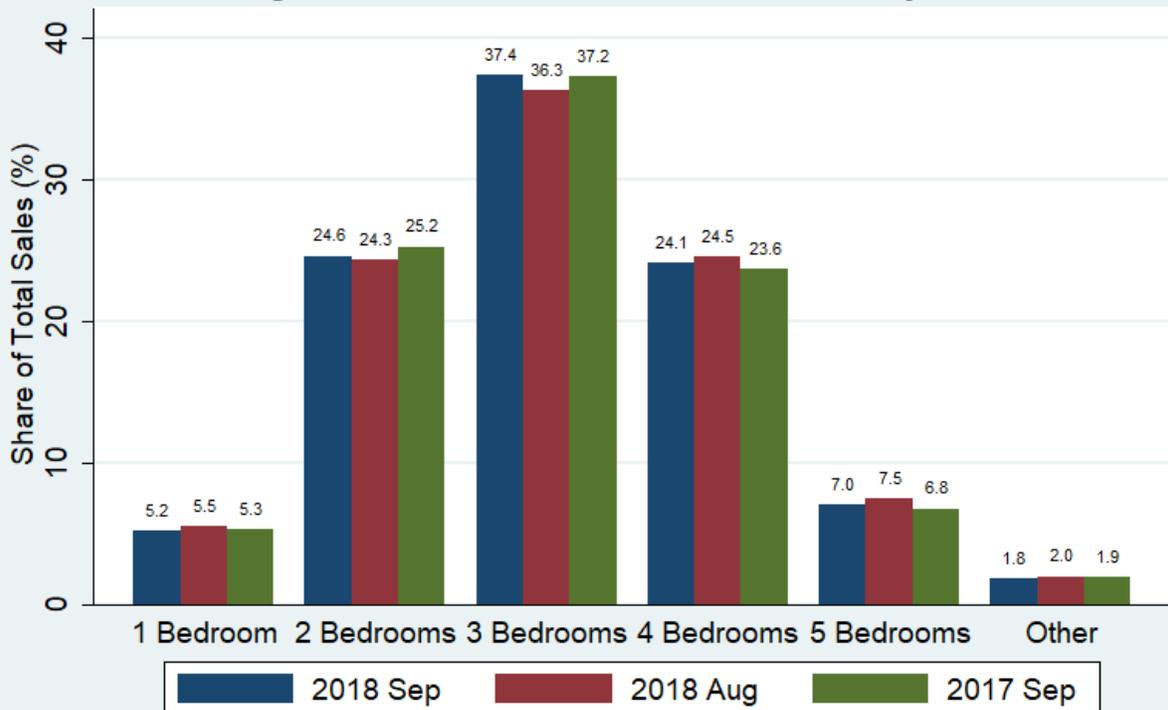


### Illinois House Characteristics by Bedroom



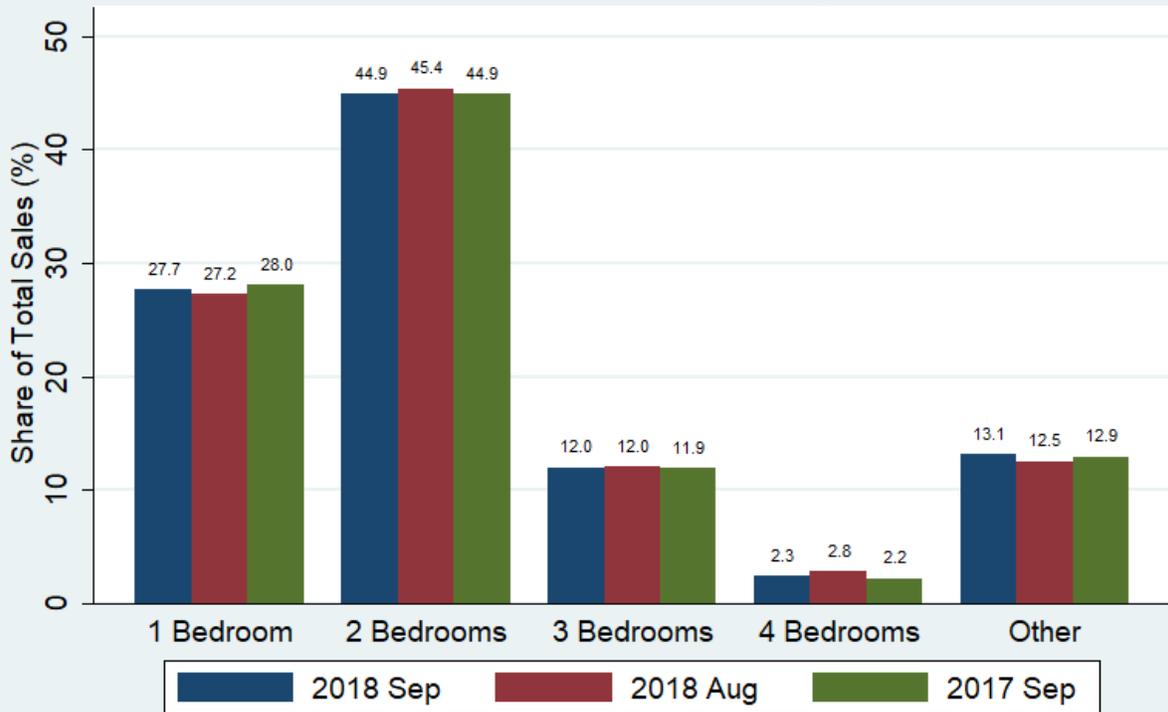
Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA House Characteristics by Bedroom



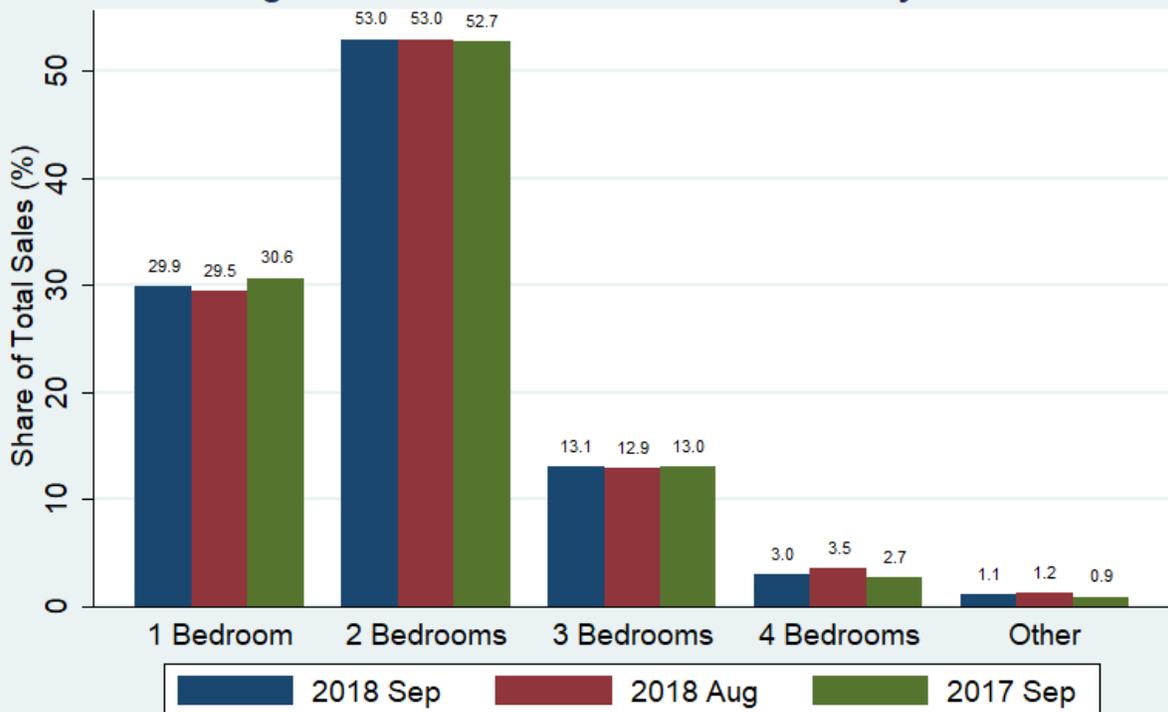
Source: University of Illinois REAL, Illinois REALTORS

### Illinois House Characteristics by Bathroom



Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA House Characteristics by Bathroom



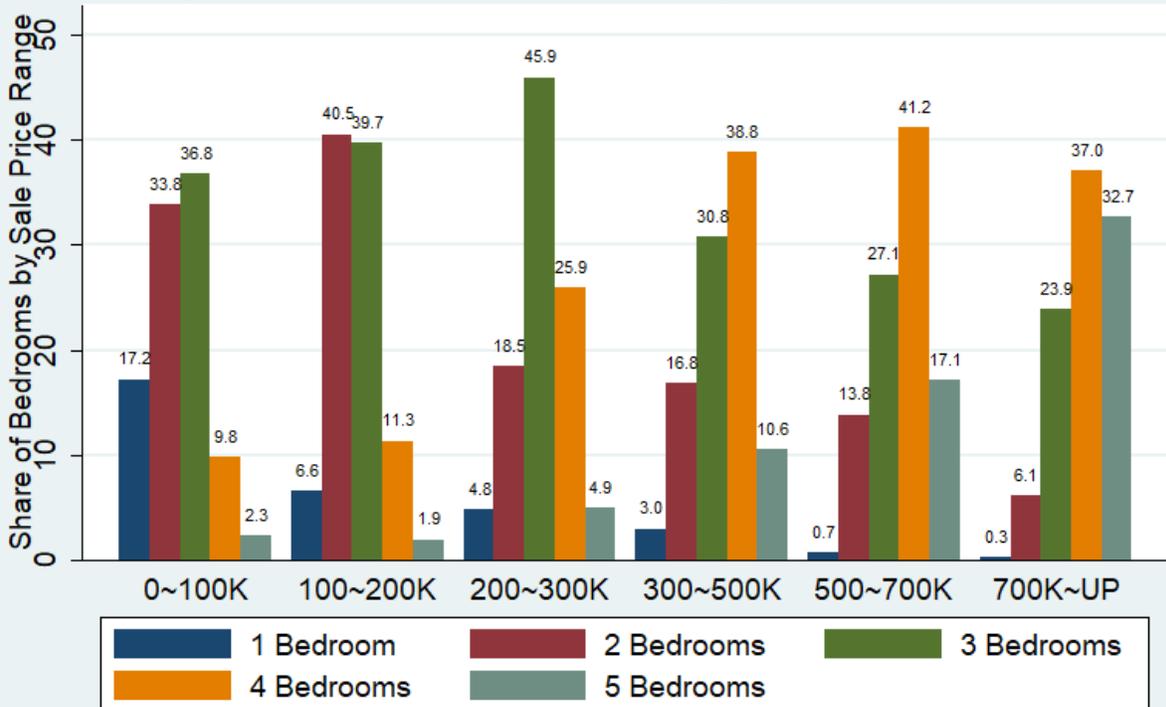
Source: University of Illinois REAL, Illinois REALTORS

### Illinois Bedroom Shares by Sale Price Stratification



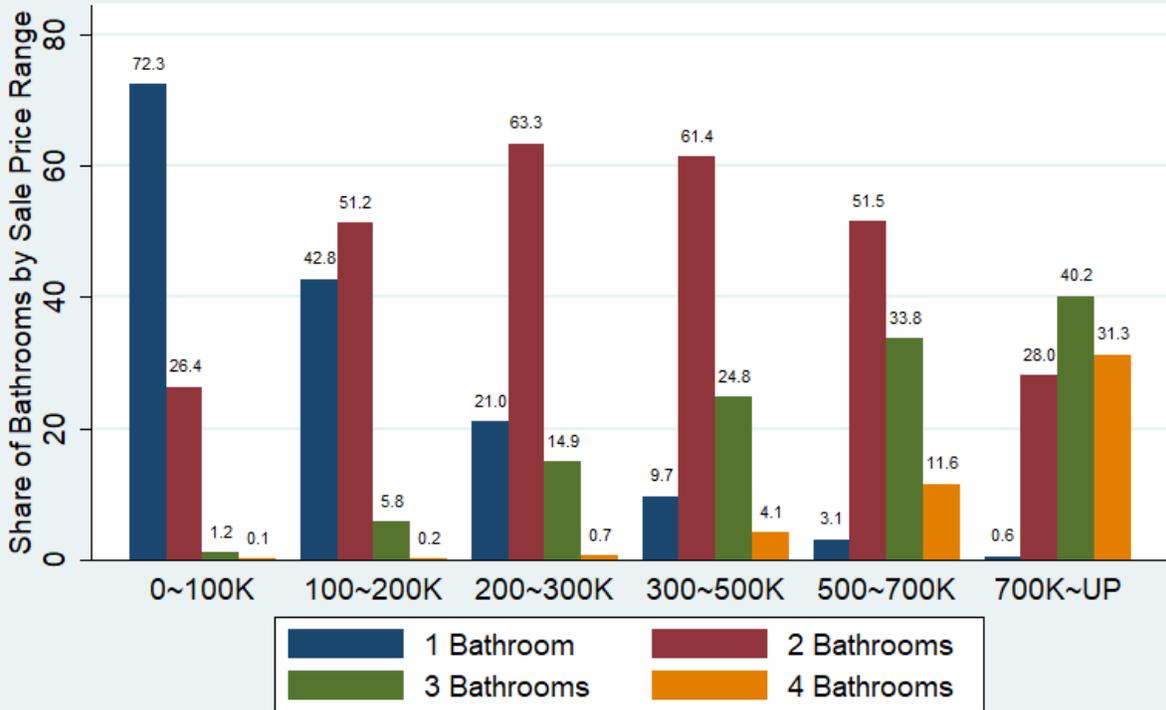
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### Chicago PMSA Bedroom Shares by Sale Price Stratification



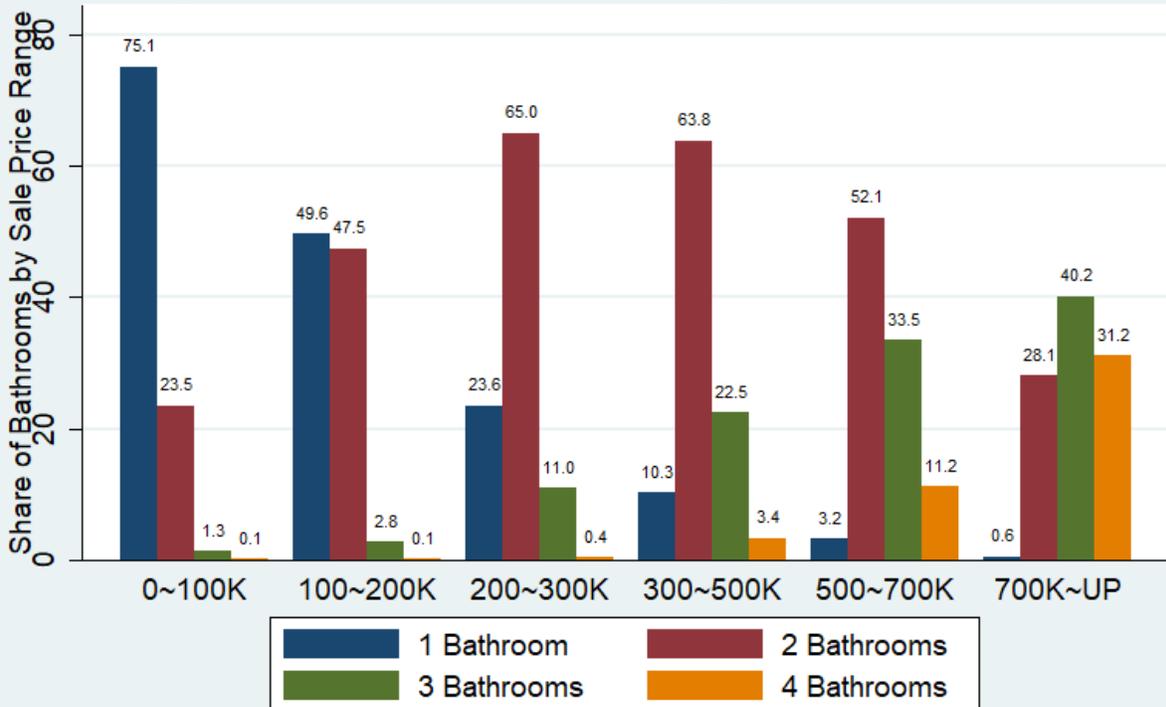
Source: University of Illinois REAL, Illinois REALTORS

### Illinois Bathroom Shares by Sale Price Stratification



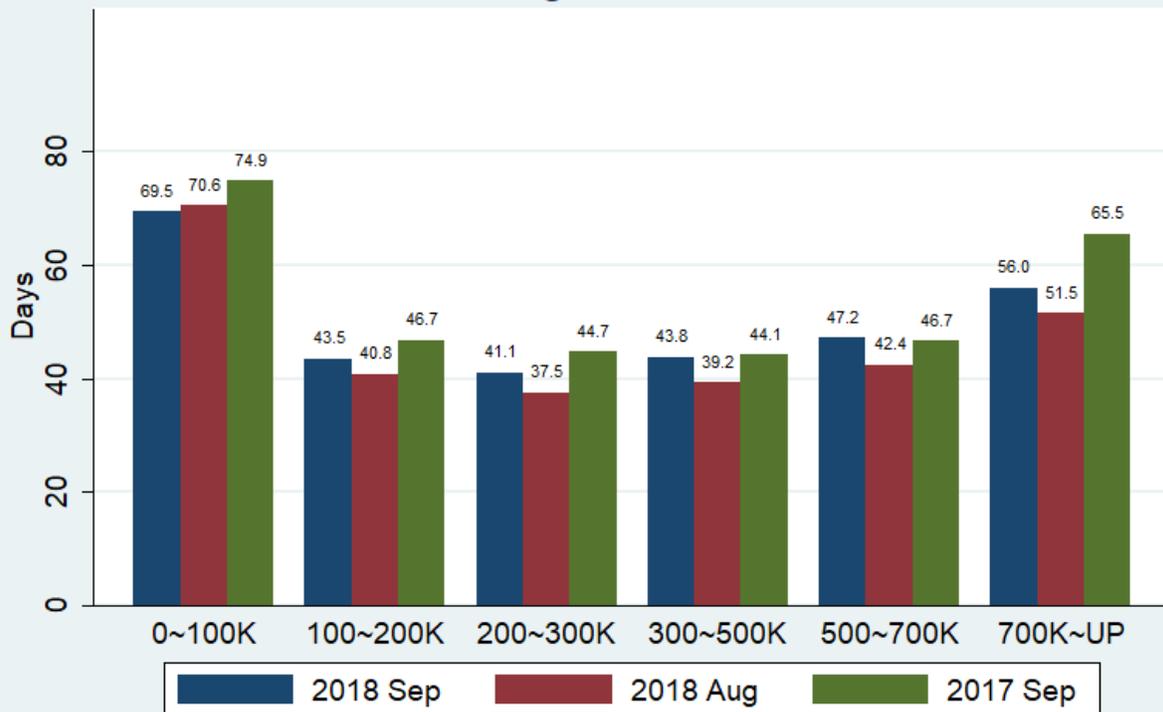
Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA Bathroom Shares by Sale Price Stratification



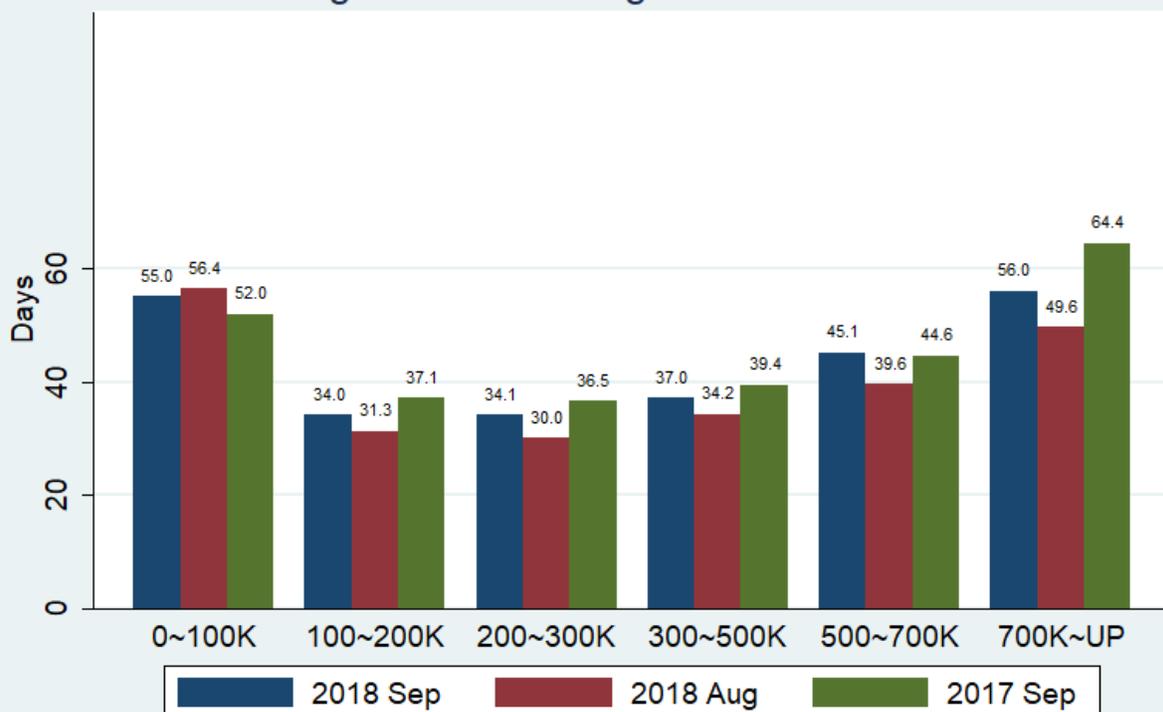
Source: University of Illinois REAL, Illinois REALTORS

### 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

