

# Housing Price Forecasts, 2019

## Illinois and Chicago MSA

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From

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### Introduction: The State of the Economy

In October 2018, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate was unchanged at 3.7% and nonfarm payroll jobs experienced a gain of 250,000 jobs. Statewide, according to Illinois Department of Employment Security (IDES), by October 2018 the Illinois unemployment rate increased to 4.2% and 10,300 non-farm payroll jobs were created. The largest gains were in three sectors; trade, transportation and utilities (+5,300), information services (+2,000), and manufacturing (+1,300).

Both the broader view of consumer's confidence and home purchase sentiment remained high compared to a year ago. In October 2018, the Conference Board Consumer Confidence Index increased to 137.9 from 125.9 a year ago. The University of Michigan Consumer Sentiment Index decreased to 98.6 from 100.7 but still remained high. Both surveys revealed that consumer sentiment remained at favorable levels and all households held fairly optimistic expectations for improved personal finances in the year ahead. The more housing market specific index, Fannie Mae Home Purchase Sentiment Index (HPSI)<sup>1</sup>, also increased to 85.7 from 85.2 last October. The survey reported that the net percentage of consumers who believe mortgage rates will increase in the next 12 months jumped to 57% from 46% year over year.

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<sup>1</sup> This index uses information from their National Housing Survey collecting consumers' feeling and opinions on home purchasing, directions and conditions of the housing market, finance conditions and the job market.

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### The Housing Market Conditions and Forecasts

#### Current Conditions

In the last twelve months, median prices maintained positive annual growth in each month while sales experienced a more mixed trend. The median sale prices in both Illinois and the Chicago PMSA experienced higher annual growth rate than forecasted in the first half of 2018, while those in the second half year are not significantly different from the forecasts. Actual sales and forecasted sales in Illinois and the Chicago PMSA experienced higher annual growth rates than forecasted but followed a very similar pattern.<sup>2</sup>

Median prices in 2018 showed moderate growth in both Illinois and the Chicago PMSA. In Illinois, annual growth rates for each month varied between 0.5% and 8.8%. The comparative range for the Chicago PMSA was between 1.2% and 8.2% (See Figures: Illinois Median Home Sales Price Annual Percentage Change & Chicago Median Home Sales Price Annual Percentage Change). This has been the sixth consecutive year with positive annual growth rate for each month since 2013.

Sales in 2018 in both Illinois and the Chicago PMSA experienced periods of irregular growth, alternating between positive and negative annual growth rates. The growth rates of sales were between -9.1% and 3.9% for Illinois and between -10.9% and 3.9% for the Chicago PMSA. During the last few months, both regions experienced continuous negative annual growth rates in sales (See Figures: Illinois Total Price Annual Percentage Change & Chicago PMSA Total Sales Annual Percentage Change).

Furthermore, the change of sales in the Chicago PMSA was characterized by overall negative growth in both regular sales and foreclosed sales. For the regular sales, the annual growth rates were between -10.0% and 4.9%. For foreclosed sales, the comparative figures were between -22.9% and -5.6%. Moreover, the percentage of foreclosed sales out of total sales continued decreasing to a monthly average of 8.3% in 2018, about one third lower than the monthly

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<sup>2</sup> This is to compare the real growth rates in 2018 with the forecasted growth rates in 2017 for 2018, using ANOVA analysis. The significance level of 5% is used. See figures: 2018 Real vs Forecast Annual Sales/Median Prices Change Rates

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average of 14.1% between 2009 and 2017 (See Figures: Chicago PMSA Annual Change Rates for Sales Foreclosed vs. Regular sales & Ratio of Foreclosed Sales over Total Sales).

### Forecasts and Future Condition

Median prices are forecast to continuously grow in 2019 within a narrower and slightly smaller range compared with 2018. On a year-over-year basis, these gains will range from 1.2% to 4.4% for Illinois and 2.0% to 4.4% for the Chicago PMSA (See Figures: Illinois Median Home Sales Price Annual Percentage Change & Chicago Median Home Sales Price Annual Percentage Change). By December 2019, the median price of homes is forecast to be \$196,341 in Illinois and \$241,145 in Chicago PMSA, respectively 4.0% and 3.9% higher on an annual basis (See Table: Annual Median Prices Forecast (Nov 2018 to Dec 2019)). As a complement to the median housing price index (HPI), the REAL HPI<sup>3</sup> forecasts indicate a similar positive growth trend for both Illinois and the Chicago PMSA in the months ahead (see Figures: Illinois Housing Price Index & Chicago PMSA Housing Price Index). The REAL HPI (Jan 2008=1) is forecast to experience a growth rate between 1.1% and 4.8% for Illinois and 0.1% to 4.5% for the Chicago PMSA. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

As for sales, they are forecast to experience overall positive gains in 2019 and led by the growth of regular sales in the Chicago area. The annual growth in monthly sales is forecast to be in the range from -0.2% to 16.3% for Illinois, with positive gains for most months. The comparative range for the Chicago PMSA is from -0.7% to 17.0%. If we exclude foreclosed sales from all sales, we obtain the forecasts for the regular sales which indicate a growth range of -0.6 ~ 14.5% for the Chicago PMSA.

Freddie Mac’s recent outlook report for 2019 predicts the housing market will see modest growth, and revealing the “great unknown” for the year ahead. The biggest unknown for housing in 2019 are the current negative trends, according to Freddie Mac’s forecast. These trends include lack of housing supply, and whether that will persist and/or rising interest rates and if the market will adjust to the shock and resume its modest growth. “Almost all the trends in the U.S. housing market have been negative in recent months as housing market activity continues to adjust to higher mortgage rates,” Freddie Mac Chief Economist Sam Khater said.

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

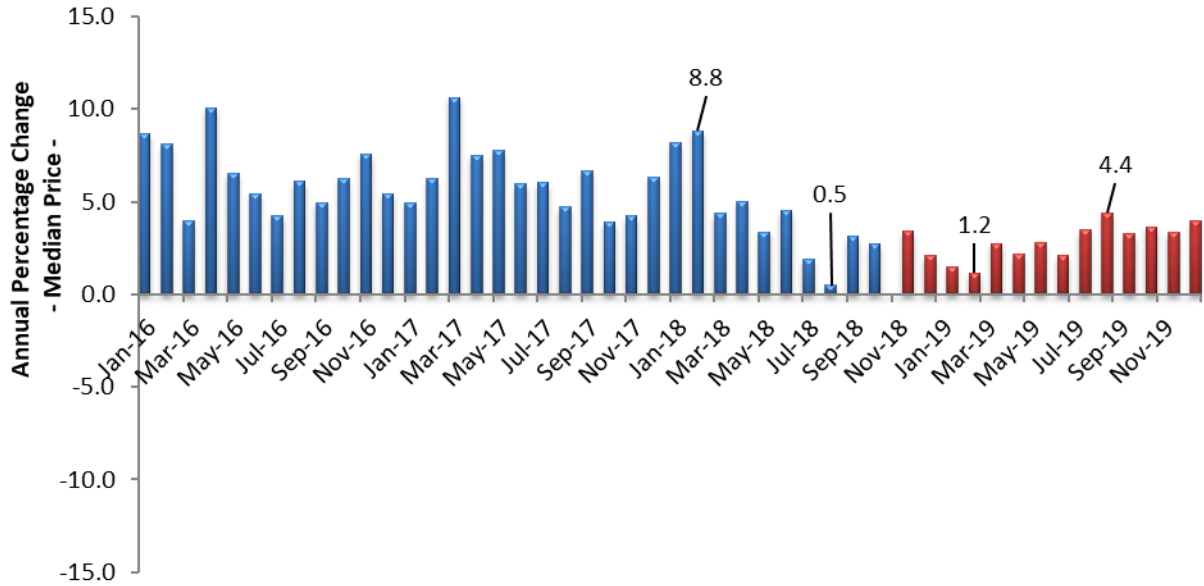
## **Housing Price Forecasts, 2019**

“If new home sales are to resume growth in 2019, builders may have to shift their focus to more modestly priced homes and smaller sized homes to help offset housing affordability concerns,” Khater said. “But with cost pressures pinching profitability, this will be a significant challenge.”

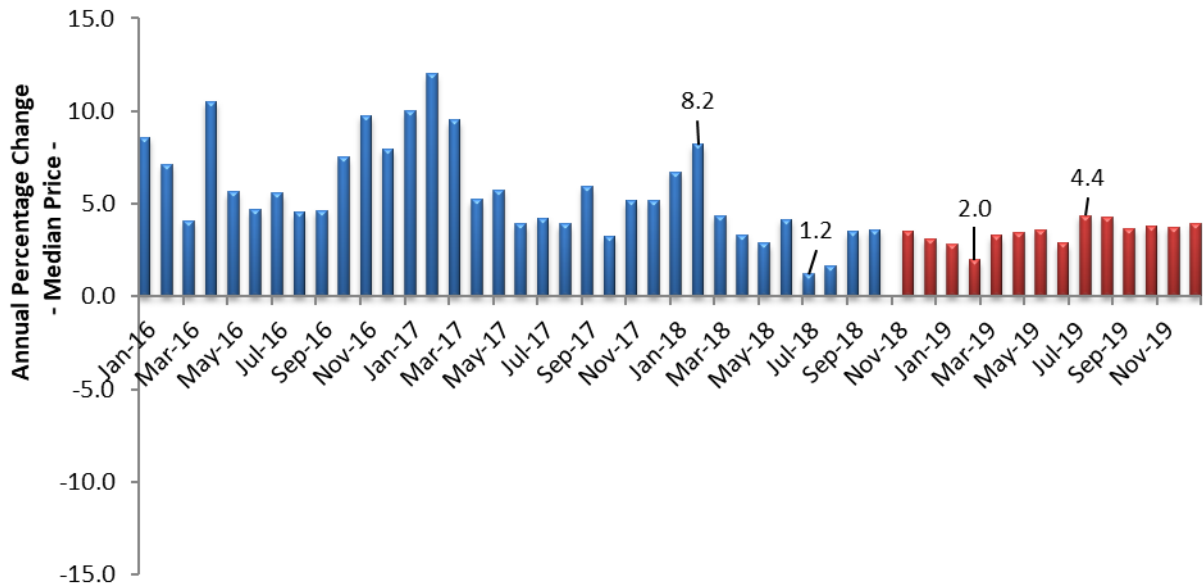
“Now that the election of a new Governor has been completed, there are concerns about how he will address the myriad fiscal problems facing the state” noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory of the University of Illinois. “The housing market in Illinois has certainly been dampened by anemic employment growth with continued net out-migration further reducing demand in the housing market.”

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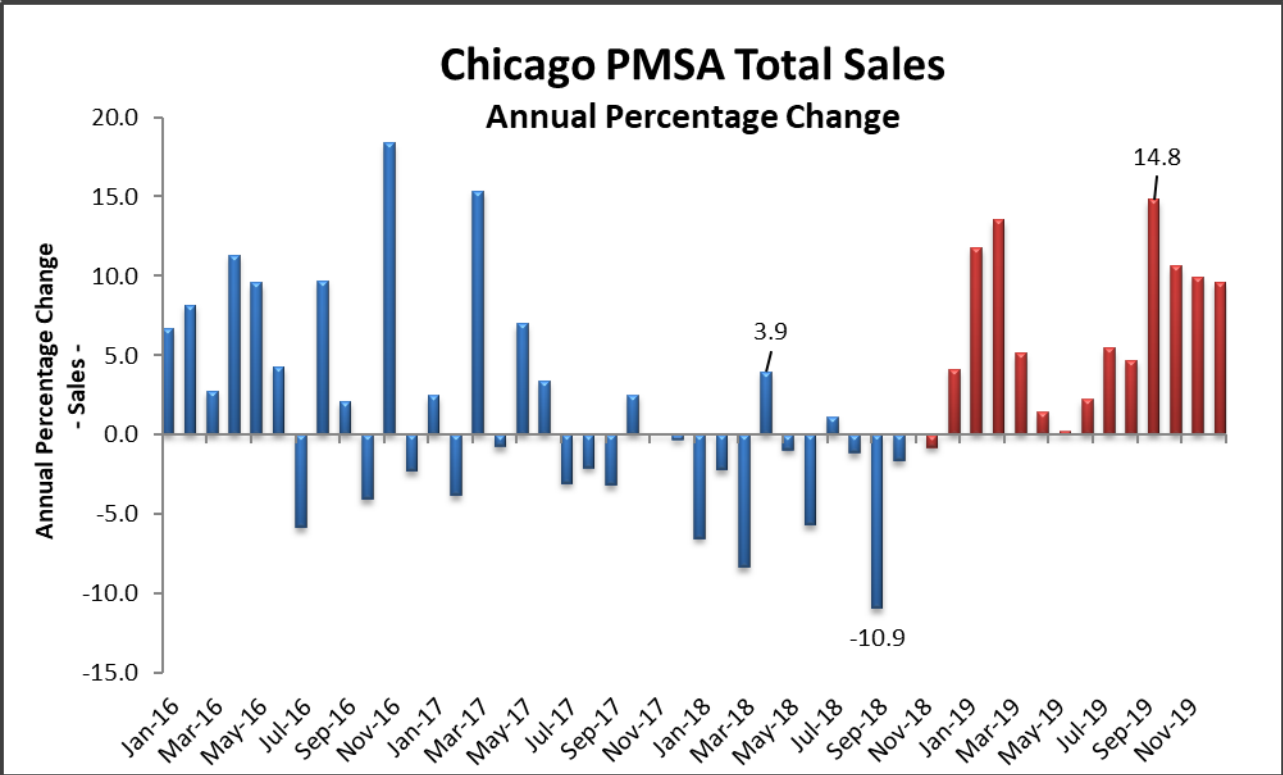
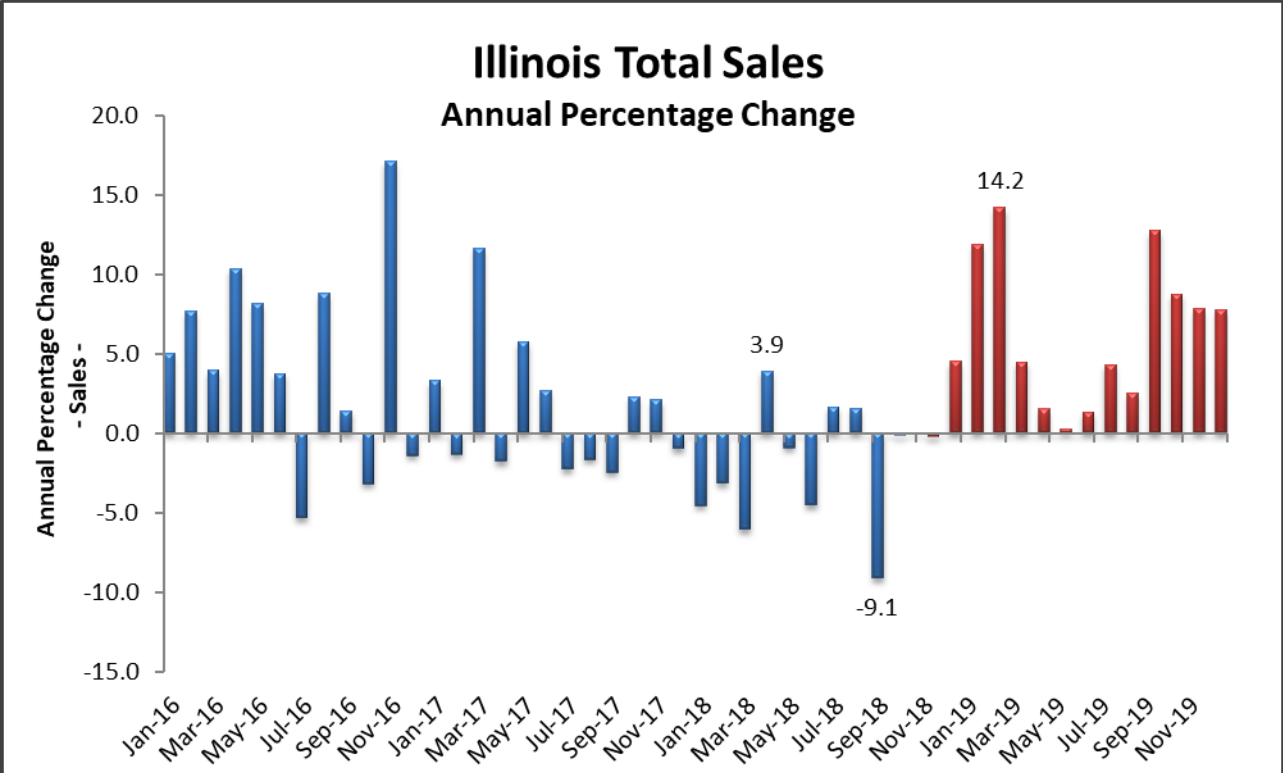
## Illinois Median Home Sales Price Annual Percentage Change



## Chicago Median Home Sales Price Annual Percentage Change



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## Housing Price Forecasts, 2019

Annual Sales Forecast (Nov 2018 to Dec 2019)

<b>Percentage Change Forecasts for the Total Number of Sales</b>								
( Illinois and Chicago PMSA: Forecast range)								
	Monthly				Annually			
	Illinois		Chicago		Illinois		Chicago	
<b>Nov-18</b>	-8.25%	-11.16%	-8.02%	-10.85%	-0.18%	-0.25%	-0.68%	-0.92%
<b>Dec-18</b>	3.23%	4.36%	3.84%	5.19%	3.86%	5.22%	3.50%	4.74%
<b>Jan-19</b>	-20.46%	-27.68%	-19.86%	-26.87%	10.13%	13.70%	10.01%	13.54%
<b>Feb-19</b>	2.06%	2.78%	0.95%	1.28%	12.07%	16.33%	11.51%	15.57%
<b>Mar-19</b>	33.89%	45.85%	36.71%	49.66%	3.82%	5.17%	4.36%	5.89%
<b>Apr-19</b>	10.81%	14.63%	12.38%	16.74%	1.30%	1.76%	1.19%	1.61%
<b>May-19</b>	13.11%	17.74%	13.60%	18.40%	0.24%	0.33%	0.20%	0.28%
<b>Jun-19</b>	7.86%	10.63%	8.41%	11.38%	1.15%	1.55%	1.88%	2.55%
<b>Jul-19</b>	-8.63%	-11.67%	-9.55%	-12.93%	3.68%	4.97%	4.65%	6.29%
<b>Aug-19</b>	1.01%	1.37%	-0.06%	-0.08%	2.15%	2.91%	3.99%	5.40%
<b>Sep-19</b>	-14.61%	-19.77%	-15.91%	-21.52%	10.83%	14.65%	12.58%	17.02%
<b>Oct-19</b>	-0.25%	-0.34%	0.05%	0.06%	7.45%	10.08%	9.04%	12.23%
<b>Nov-19</b>	-8.90%	-12.04%	-8.51%	-11.52%	6.66%	9.01%	8.44%	11.42%
<b>Dec-19</b>	3.20%	4.33%	3.57%	4.83%	6.63%	8.97%	8.16%	11.05%

Negative variations are in red.

Annual Median Prices Forecast (Nov 2018 to Dec 2019)

<b>Summary of the Forecast for the Median Price</b>					
( Illinois and Chicago PMSA)					
	Illinois	Chicago		Illinois	Chicago
<b>Nov-18</b>	\$191,273	\$232,927	<b>Nov-17</b>	\$185,000	\$225,000
<b>Dec-18</b>	\$188,861	\$232,023	<b>Dec-17</b>	\$185,000	\$225,000
<b>Jan-19</b>	\$187,787	\$229,239	<b>Jan-18</b>	\$185,000	\$223,000
<b>Feb-19</b>	\$187,144	\$231,755	<b>Feb-18</b>	\$185,000	\$227,250
<b>Mar-19</b>	\$203,401	\$247,874	<b>Mar-18</b>	\$198,000	\$240,000
<b>Apr-19</b>	\$214,556	\$258,656	<b>Apr-18</b>	\$210,000	\$250,000
<b>May-19</b>	\$220,997	\$263,109	<b>May-18</b>	\$215,000	\$254,000
<b>Jun-19</b>	\$229,561	\$270,079	<b>Jun-18</b>	\$224,900	\$262,500
<b>Jul-19</b>	\$221,415	\$261,402	<b>Jul-18</b>	\$214,000	\$250,500
<b>Aug-19</b>	\$209,836	\$253,451	<b>Aug-18</b>	\$201,000	\$243,000
<b>Sep-19</b>	\$204,466	\$246,694	<b>Sep-18</b>	\$198,000	\$238,000
<b>Oct-19</b>	\$196,940	\$238,691	<b>Oct-18</b>	\$190,000	\$230,000
<b>Nov-19</b>	\$197,609	\$241,652			
<b>Dec-19</b>	\$196,341	\$241,145			

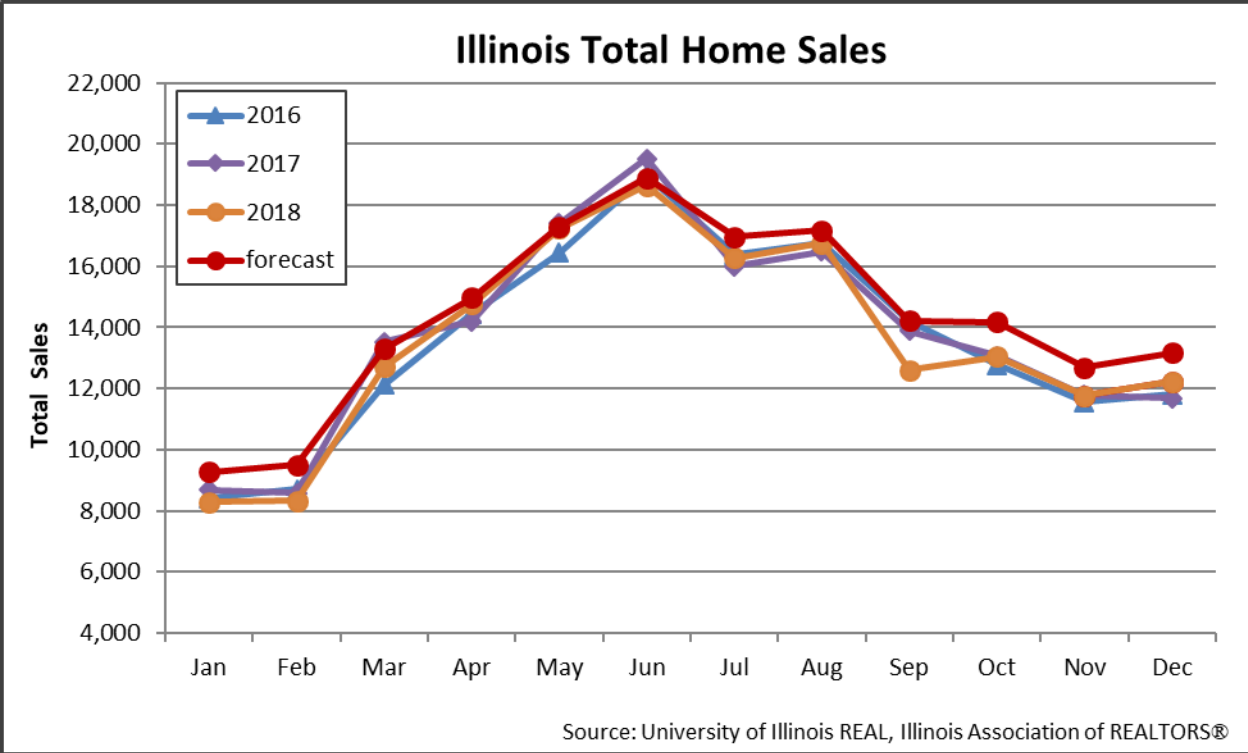
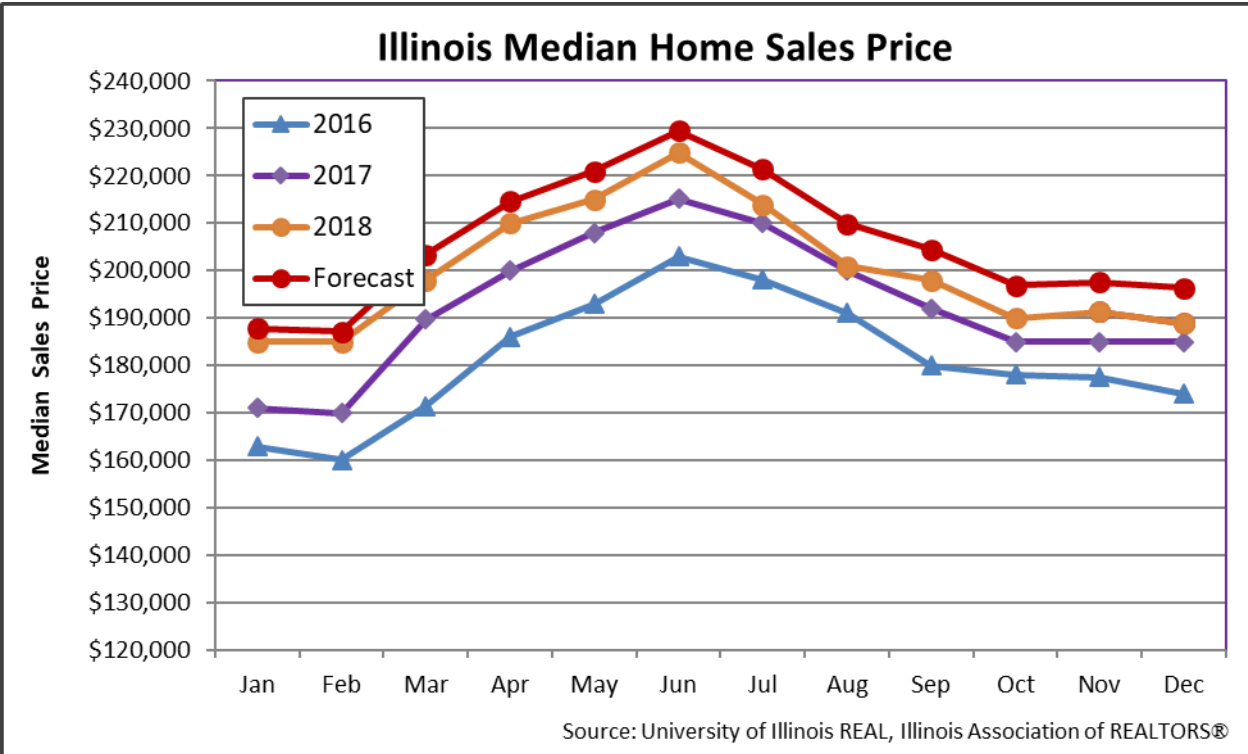


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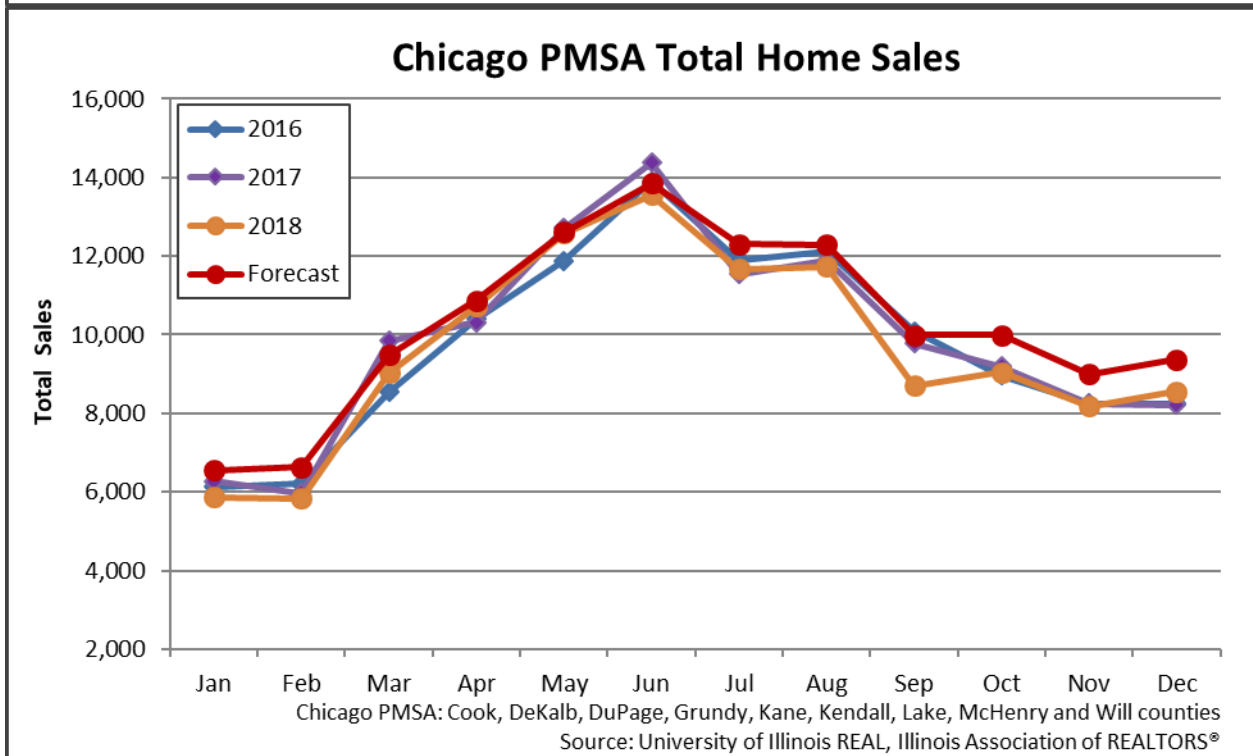
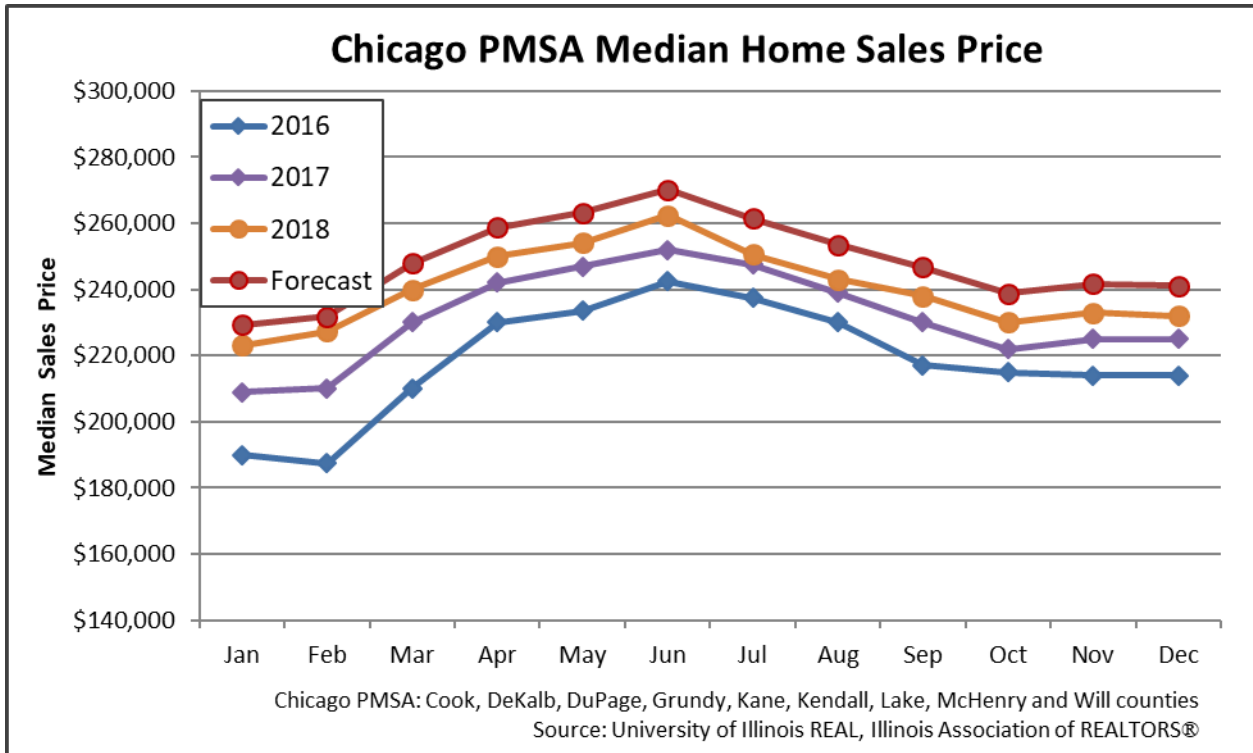
Annual Forecasts for Regular Property Sales in Chicago PMSA (Nov 2018 to Dec 2019)

<b>Summary of the Forecasts for <i>Regular Property Sales</i></b>					
<b>(Chicago PMSA)</b>					
	<b>Sales</b>			<b>Median Prices</b>	
	<b>Forecasted Sales</b>	<b>Annually</b>		<b>Forecasted Price</b>	<b>Annually</b>
<b>Nov-18</b>	7,289	-0.05%	-0.07%	\$240,617	2.39%
<b>Dec-18</b>	7,529	3.59%	4.86%	\$239,507	2.14%
<b>Jan-19</b>	5,600	10.16%	13.74%	\$240,631	1.53%
<b>Feb-19</b>	5,652	10.31%	13.94%	\$243,584	1.49%
<b>Mar-19</b>	8,311	3.20%	4.33%	\$256,328	2.12%
<b>Apr-19</b>	9,669	0.35%	0.47%	\$266,903	2.46%
<b>May-19</b>	11,426	-0.60%	-0.82%	\$268,189	2.36%
<b>Jun-19</b>	12,684	1.12%	1.51%	\$275,792	1.83%
<b>Jul-19</b>	11,188	3.58%	4.84%	\$267,701	2.96%
<b>Aug-19</b>	11,140	2.97%	4.02%	\$258,349	3.34%
<b>Sep-19</b>	8,936	10.69%	14.46%	\$252,145	2.50%
<b>Oct-19</b>	8,856	7.35%	9.95%	\$243,040	2.33%
<b>Nov-19</b>	7,892	7.04%	9.53%	\$246,971	2.64%
<b>Dec-19</b>	8,158	7.10%	9.61%	\$246,124	2.76%

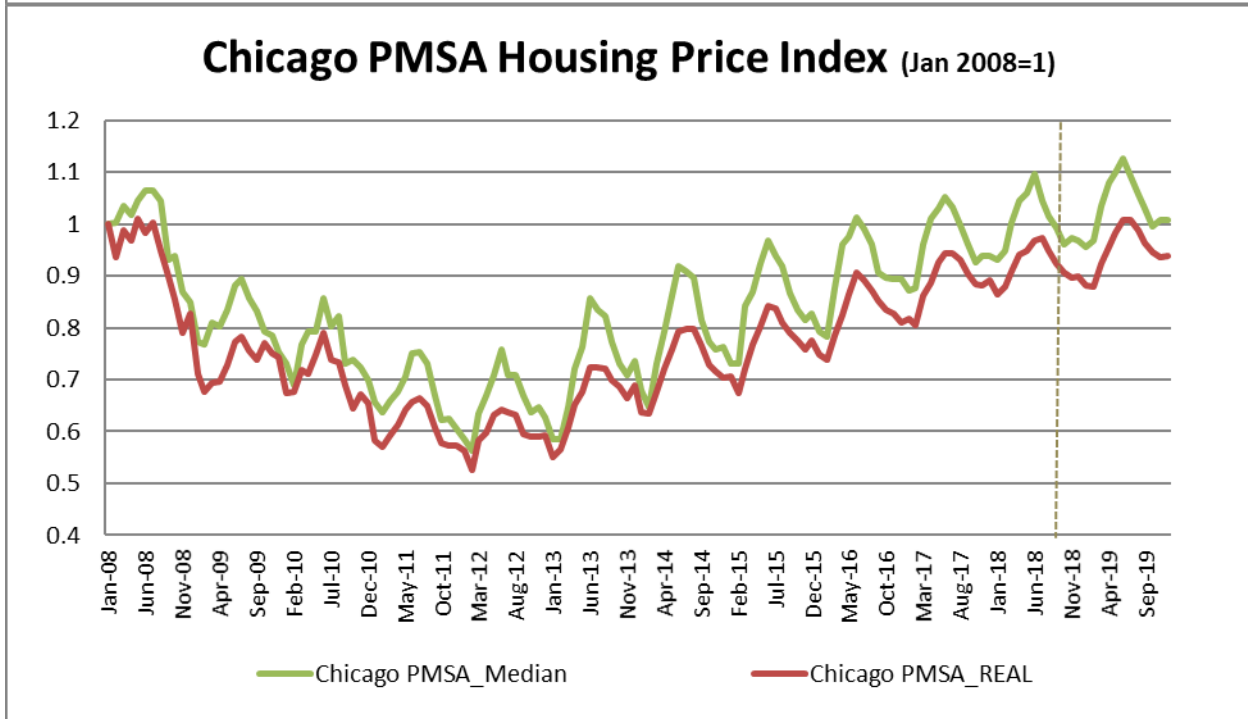
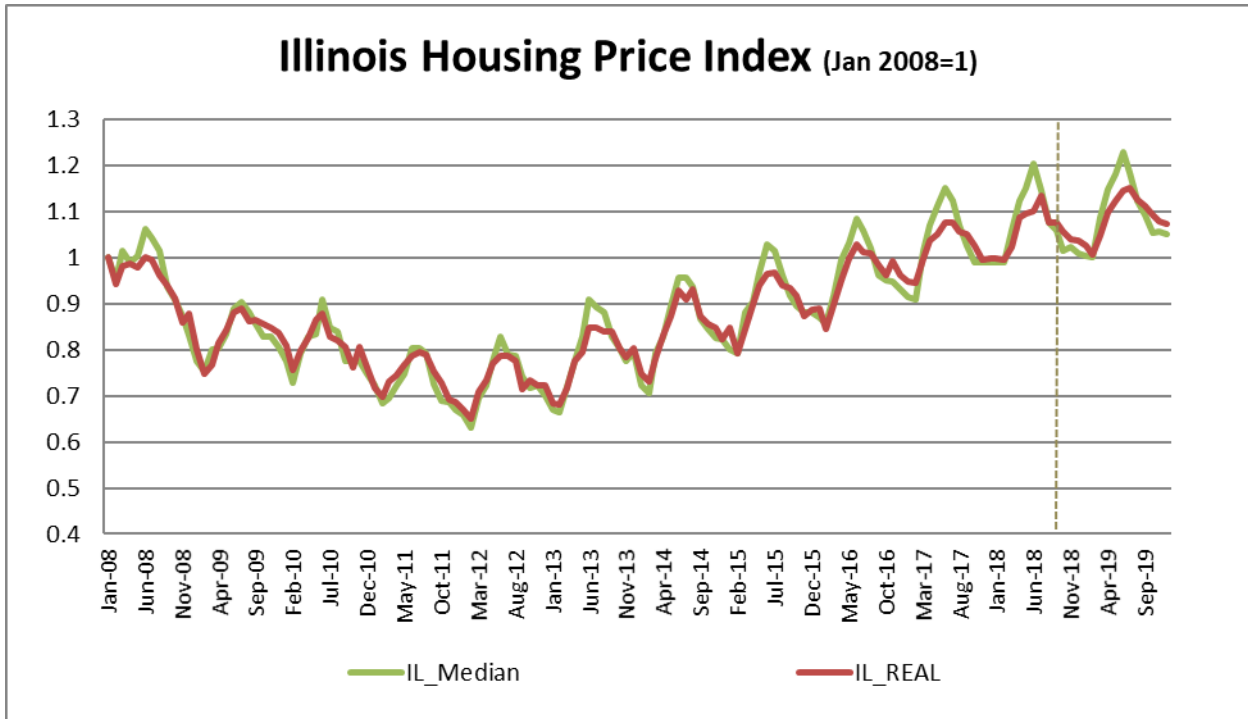
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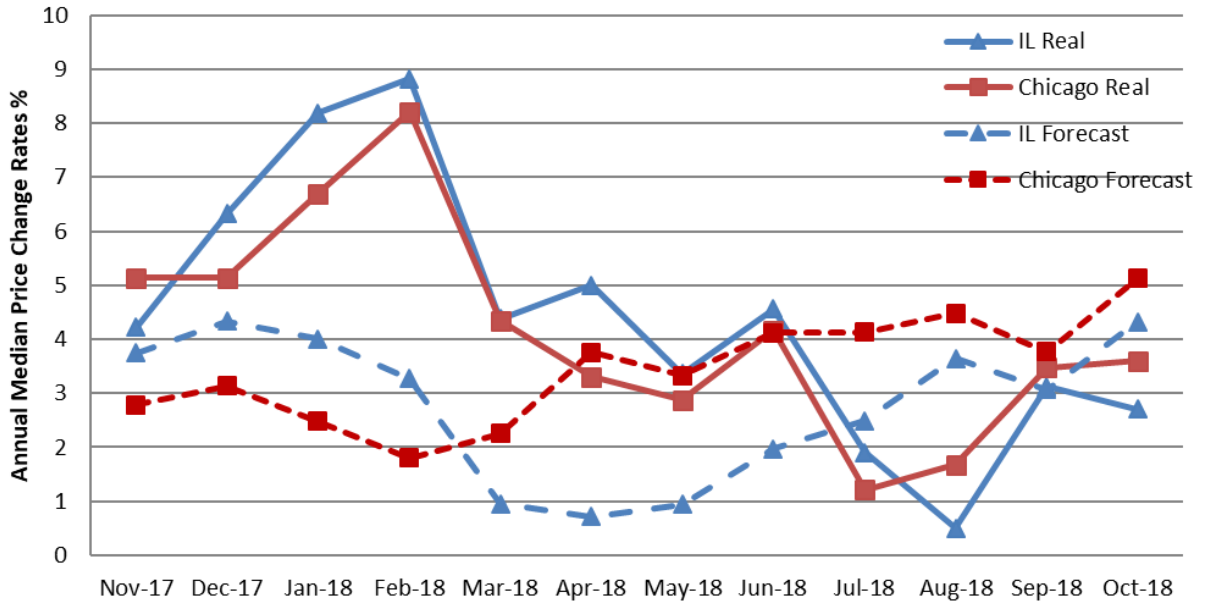


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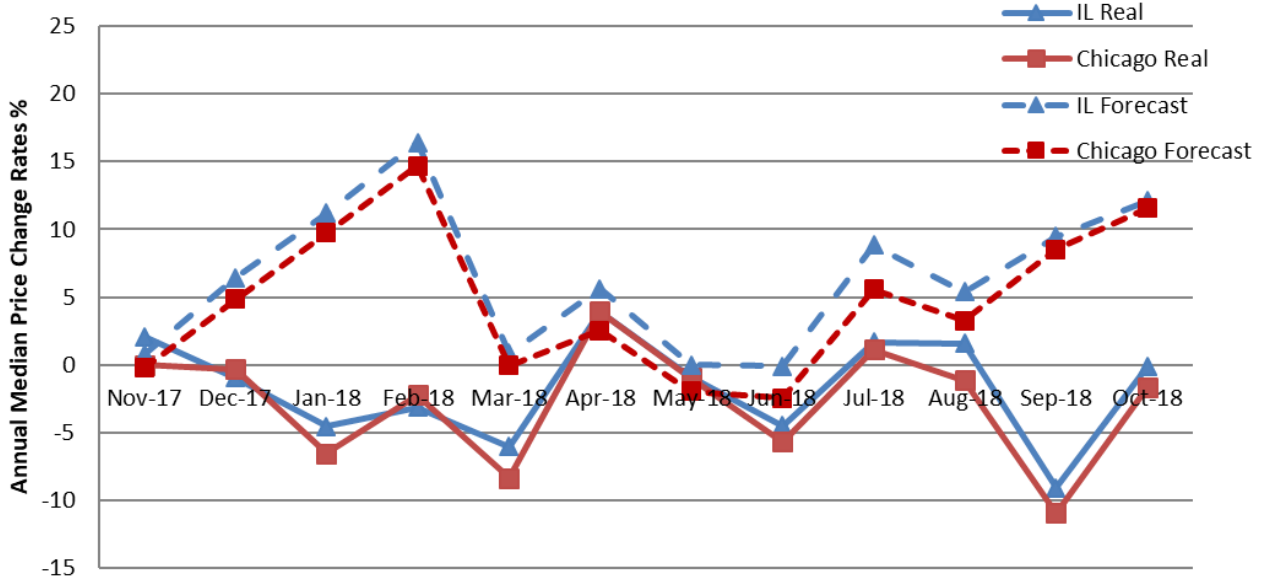


## Housing Price Forecasts, 2019

### 2018 Real vs Forecast Annual Median Price Change Rates



### 2018 Real vs Forecast Annual Sales Change Rates



## Housing Price Forecasts, 2019

