

Housing Price Forecasts

Illinois and Chicago PMSA, March 2019

Presented To
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Regional Economics Applications Laboratory,
Institute of Government and Public Affairs
University of Illinois

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Contact: Geoffrey Hewings 217-333-4740 (hewings@illinois.edu)
Jiyoung Chae 217-244-7226 (jchae3@illinois.edu)

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The Housing Market

In February, median prices experienced positive growth while sales experienced a negative annual change in both Illinois and the Chicago PMSA. 8,174 houses were sold in Illinois, changing by 9.3% from a month ago and -1.8% from a year ago. In the Chicago PMSA, 5,607 houses were sold, changing by 6.3% from a month ago and -4.0% from a year ago. The median price was \$187,000 in Illinois, up 1.1% from February last year; the comparable figure for the Chicago PMSA was \$230,000, up 1.1 from February last year.

In February, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 11.9%. 4,842 regular sales were made, 4.1% less than last year. 720 foreclosed properties were sold, 4.1% less than last year. The median price was \$240,000 for regular property sales, same as last year; the comparable figure for the foreclosed properties was \$169,900, up 8.9% 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 February 2008 has been adjusted to 2019 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the February 2008 median sales price was \$140,000 (in \$2008) and \$166,596 (in \$2019); the current price level was 112% of the 2008 level after adjusting (134% before adjusting). In the Chicago PMSA, the February 2008 median sales price was \$184,000 (in \$2008) and \$218,955 (in \$2019); the comparable figure for price recovery in February 2019 is 105% after adjustment (125% before adjusting).

The sales forecast for March, April and May suggests a decrease on a yearly basis and an increase 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 -3.1% to -4.2%; the comparative figures for the Chicago PMSA are a decrease in the range -4.3% to -5.9%. On a monthly basis, the three-month average sales are forecast to increase in the range 20.8% to 28.2% for Illinois and increase in the range 23.5% to 31.8% for the Chicago PMSA.

The pending home sales index¹ is a leading indicator based on contract signings. This February, the number of homes put under contract was less than last year in Illinois and more than last year in the Chicago PMSA. The pending home sales index is 136.5 (2008=100) in Illinois, down 0.6% from a year ago. In the Chicago PMSA, the comparable figure is 162.5, up 2.3% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 3.6 months² (same as a year ago). In the Chicago PMSA, the comparable figure was 2.8 months (same as last year). Months of supply for homes in the lowest price ranges (<100K) experienced declines both in Illinois and the Chicago PMSA.

The median price forecast indicates mild positive annual growth for March, April, and May in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 2.6% in March 2.2% in April and 2.8% in May. For the Chicago PMSA, the comparable figures are 2.3% in March 2.8% in April and 2.8% in May. As a complement to the median housing price

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.

index (HPI), the REAL HPI³ forecasts a mild positive growth trend for Illinois and a mild negative growth trend for the Chicago PMSA. In Illinois, the REAL HPI (Jan 2008=1) is forecast to change by 1.2% in March 0.3% in April and 1.5% in May. The comparable figures for the Chicago PMSA are -1.6% in March -2.0% in April and -0.1% in May. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In February, 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 continue to view both business and labor market conditions favorably and expect the economy to continue expanding. The University of Michigan Consumer Sentiment Index survey also reported that the measure of current conditions increased while the expectations gauge rose to the highest since October. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) slightly decreased. The survey noted that job confidence reached a new survey high, but consumers were less optimistic about home buying and selling conditions than they were a year ago.

The Housing Market – Current Condition

- In February, median prices experienced positive growth while sales experienced a negative annual change in both Illinois and the Chicago PMSA. 8,174 houses were sold in Illinois, changing by 9.3% from a month ago and -1.8% from a year ago. In the Chicago PMSA, 5,607 houses were sold, changing by 6.3% from a month ago and -4.0% from a year ago. The median price was \$187,000 in Illinois, up 1.1% from February last year; the comparable figure for the Chicago PMSA was \$230,000, up 1.1 from February last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for March 2019 report table)
- In February, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 11.9%. 4,842 regular sales were made, 4.1% less than last year. 720 foreclosed properties were sold, 4.1% less than last year. The median price was \$240,000 for regular property sales, same as last year; the comparable figure for the foreclosed properties was \$169,900, up 8.9% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In February, at the latest average annual pending sales rate, Illinois had enough housing inventory for 3.6 months⁴ (same as a year ago). In the Chicago PMSA, the comparable figure was 2.8 months (same as last year). Months of supply for homes in the lowest price ranges (<100K) experienced declines both in Illinois and the Chicago PMSA. (Reference: Illinois and Chicago PMSA Annual Months’ Supply by Price Range figures)
- In February, the market shares of homes at all price ranges experienced small changes compared to a year ago. In Illinois, the market share for homes less than \$100K decreased to 20.5% from 22.2% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 9.5% from 11.6% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

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

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.

The Housing Market – Forecast and Future Condition

- The median price forecast indicates mild positive annual growth for March, April, and May in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 2.6% in March 2.2% in April and 2.8% in May. For the Chicago PMSA, the comparable figures are 2.3% in March 2.8% in April and 2.8% in May. (Reference: Forecast for March 2019 report table)
- As a complement to the median housing price index (HPI), the REAL HPI⁵ forecasts a mild positive growth trend for Illinois and a mild negative growth trend for the Chicago PMSA. In Illinois, the REAL HPI (Jan 2008=1) is forecast to change by 1.2% in March 0.3% in April and 1.5% in May. The comparable figures for the Chicago PMSA are -1.6% in March -2.0% in April and -0.1% in May. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for March, April and May suggests a decrease on a yearly basis and an increase 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 -3.1% to -4.2%; the comparative figures for the Chicago PMSA are a decrease in the range -4.3% to -5.9%. On a monthly basis, the three-month average sales are forecast to increase in the range 20.8% to 28.2% for Illinois and increase in the range 23.5% to 31.8% for the Chicago PMSA. (Reference: Forecast for March 2019 report table)
- The pending home sales index⁶ is a leading indicator based on contract signings. This February, the number of homes put under contract was less than last year in Illinois and more than last year in the Chicago PMSA. The pending home sales index is 136.5 (2008=100) in Illinois, down 0.6% from a year ago. In the Chicago PMSA, the comparable figure is 162.5, up 2.3% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In February 2019, 1,848 houses were newly filed for foreclosure in the Chicago PMSA (up 17.6% and up 25.4% respectively from a year and a month ago). 1,002 foreclosures were completed⁷ (up 18.7% and down 23.6% respectively from a year and a month ago). As of February 2019, there are 23,386 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 443.5 in the past 6 months, 438.8 in the last 12 months and 515.4 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In February 2019, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate declined to 3.8% and nonfarm payroll jobs experienced a gain of 20,000 jobs. Employment increased in professional and business services (+42,000), health care (+21,000), and wholesale trade (+11,000).
- In January 2019, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment was 4.3%, unchanged from December. Non-farm payroll

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

jobs increased by +24,000 over the month. The largest gains were in three sectors; trade, transportation and utilities (+9,300), construction (+5,800), and manufacturing (+4,200).

- In December 2018, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 0.73% and 0.93%, corresponding to job gains between 44,700 and 57,000. The largest contributors to the forecast increase are education and health; trade, transportation and utilities; and leisure and hospitality. **(not updated)**
- In February 2019, CoreLogic data revealed that millennials are increasingly willing to migrate from state to state to find affordable homes. Millennial applicants from the often-pricey state of New York, for example, applied for mortgages in less-expensive states like neighboring Pennsylvania and New Jersey in 2018. California millennials saw Nevada and even Texas as cheaper housing alternatives to their home state. Millennial buyer shares were lower in warmer states like Florida and Arizona, where snowbirding retirees continue to carve up larger slices of the application volume and drive up prices.

Longer-term Outlook

- In February, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index rose to 131.4 from 121.7 last month. The survey revealed that consumers continue to view both business and labor market conditions favorably and expect the economy to continue expanding. The University of Michigan Consumer Sentiment Index increased to 93.8 from 91.2 last month. The survey reported that the measure of current conditions increased while the expectations gauge rose to the highest since October.
- In February, Fannie Mae Home Purchase Sentiment Index (HPSI) slightly decreased to 84.3 from 84.7 last month. The survey reported that job confidence reached a new survey high, but consumers were less optimistic about home buying and selling conditions than they were a year ago.
- The Chicago Business Activity Index (CBAI) decreased to 96.8 in December from 99.3 in November. The decrease is mainly attributed to negative construction job growth. **(not updated)**

“Housing prices continue their slow but steady increase,” noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory, “however year-over-year sales exhibit negative trends for the next three months although month-to-month changes are forecast to be very positive.”

Forecast for March 2019 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Dec-18	-13.3%	-15.2%		-14.6%	-15.0%			
Jan-19	-9.7%	-10.1%		-26.2%	-24.3%			
Feb-19	-1.8%	-4.0%		9.3%	6.3%			
3 Month Avg.	-8.9%	-10.4%		-12.5%	-12.7%			
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Mar-19	-3.1%	-4.2%	-6.1%	-8.3%	42.6%	57.6%	42.0%	56.8%
Apr-19	-3.3%	-4.5%	-5.3%	-7.2%	13.3%	18.0%	17.0%	23.0%
May-19	-2.9%	-4.0%	-2.2%	-2.9%	14.8%	20.0%	18.7%	25.2%
3 Month Avg.	-3.1%	-4.2%	-4.3%	-5.9%	20.8%	28.2%	23.5%	31.8%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Dec-18	\$186,500	\$225,000	Dec-17	\$185,000	\$225,000			
Jan-19	\$186,000	\$224,500	Jan-18	\$185,000	\$223,000			
Feb-19	\$187,000	\$230,000	Feb-18	\$185,000	\$227,500			
Mar-19	\$203,164	\$245,593	Mar-18	\$198,000	\$240,000			
Apr-19	\$214,622	\$256,953	Apr-18	\$210,000	\$250,000			
May-19	\$221,011	\$261,186	May-18	\$215,000	\$254,000			
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Dec-18	0.8%	0.0%	Dec-17	6.3%	5.1%			
Jan-19	0.5%	0.7%	Jan-18	8.2%	6.7%			
Feb-19	1.1%	1.1%	Feb-18	8.8%	8.3%			
Mar-19	2.6%	2.3%	Mar-18	4.4%	4.3%			
Apr-19	2.2%	2.8%	Apr-18	5.0%	3.3%			
May-19	2.8%	2.8%	May-18	3.4%	2.9%			

Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2019]	[\$2008]	[\$2019]
February 2008 Median Price	\$140,000	\$166,596	\$184,000	\$218,955
February 2019 Median Price	\$157,147	\$187,000	\$193,282	\$230,000
Price Ratio (February 19/ February 08)	Adjusted	1.12	Adjusted	1.05
	Unadjusted	1.34	Unadjusted	1.25

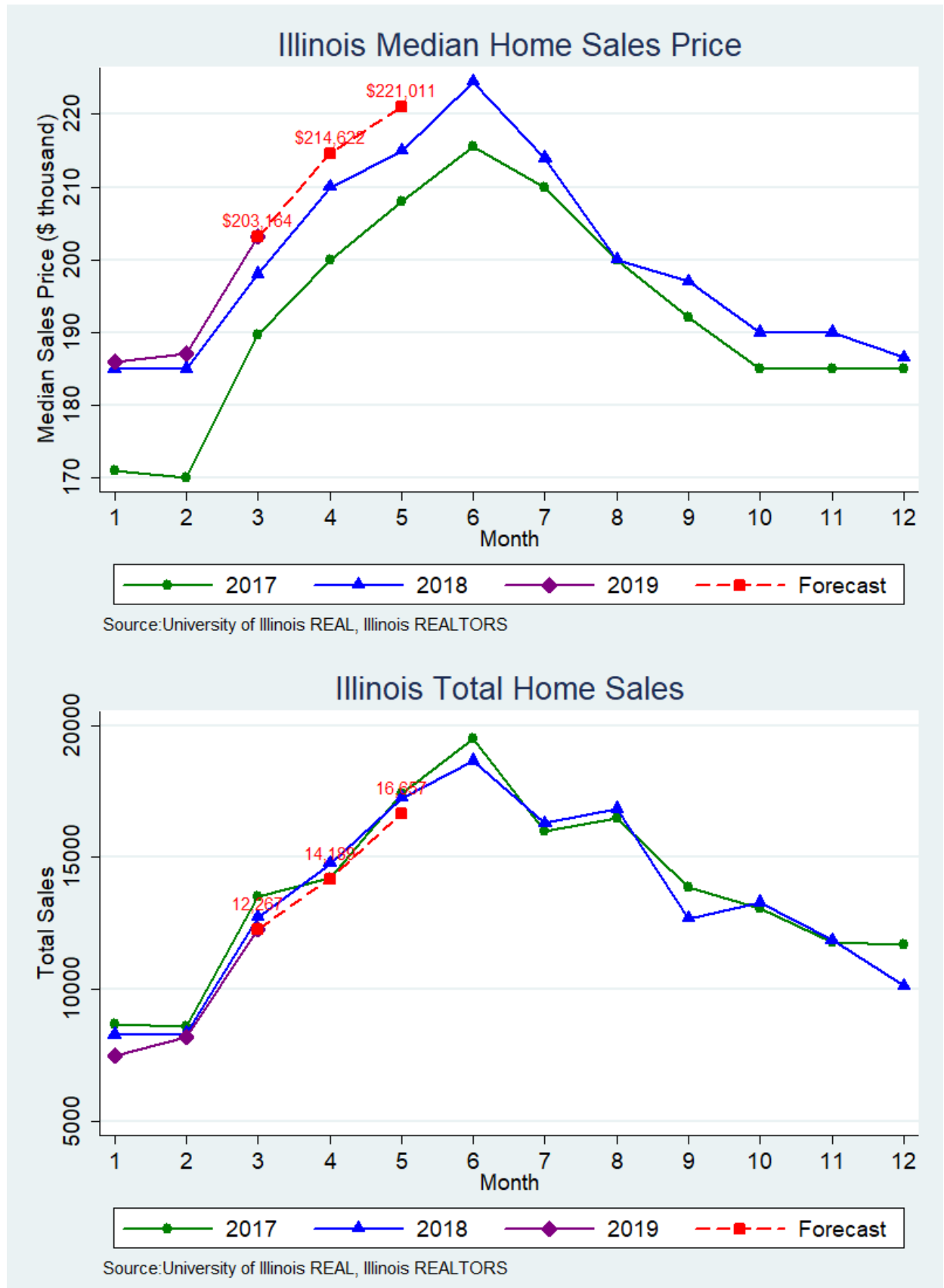
Recovery Forecasts using *Annually Growth Rates*

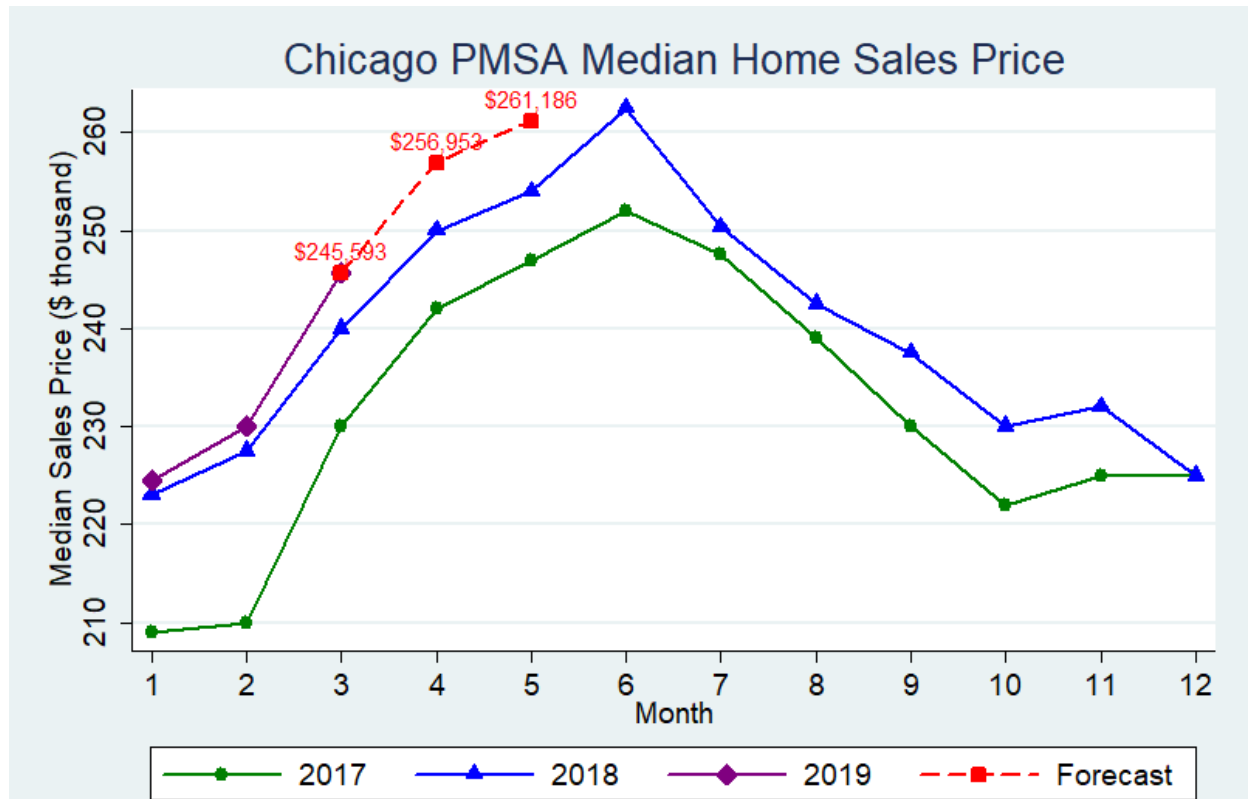
	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	-0.3%	36.7	-0.3%	16.6
Past 3 months	-0.7%	15.5	-1.0%	5.1
Past 6 months	-0.2%	59.3	0.0%	-282.0
Past 9 months	-0.4%	28.2	-0.2%	26.1
Past 12 months	0.1%	-95.5	0.1%	-46.2

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

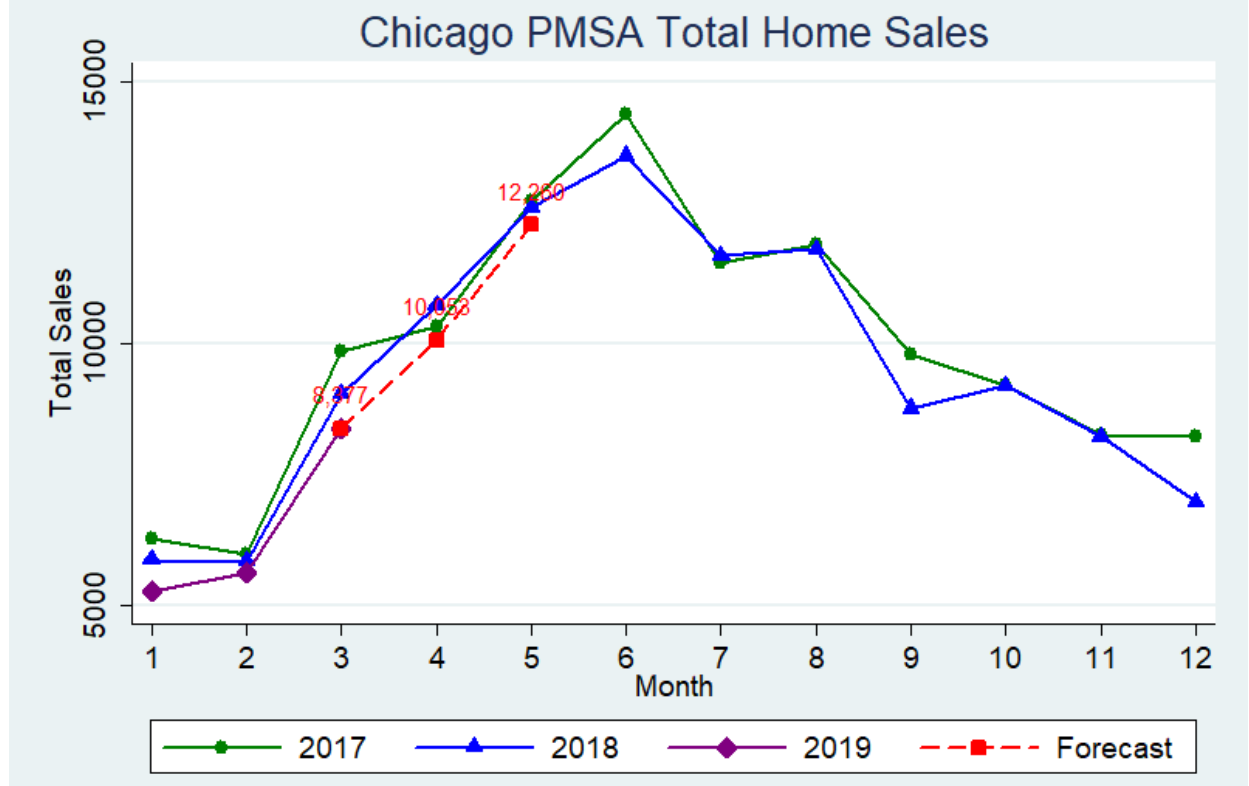
** Years to recover is calculated using the following formula:

$Price_{February2019} * (1 + \text{recovery rate})^{\text{years}} = Price_{February2008}$. 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.

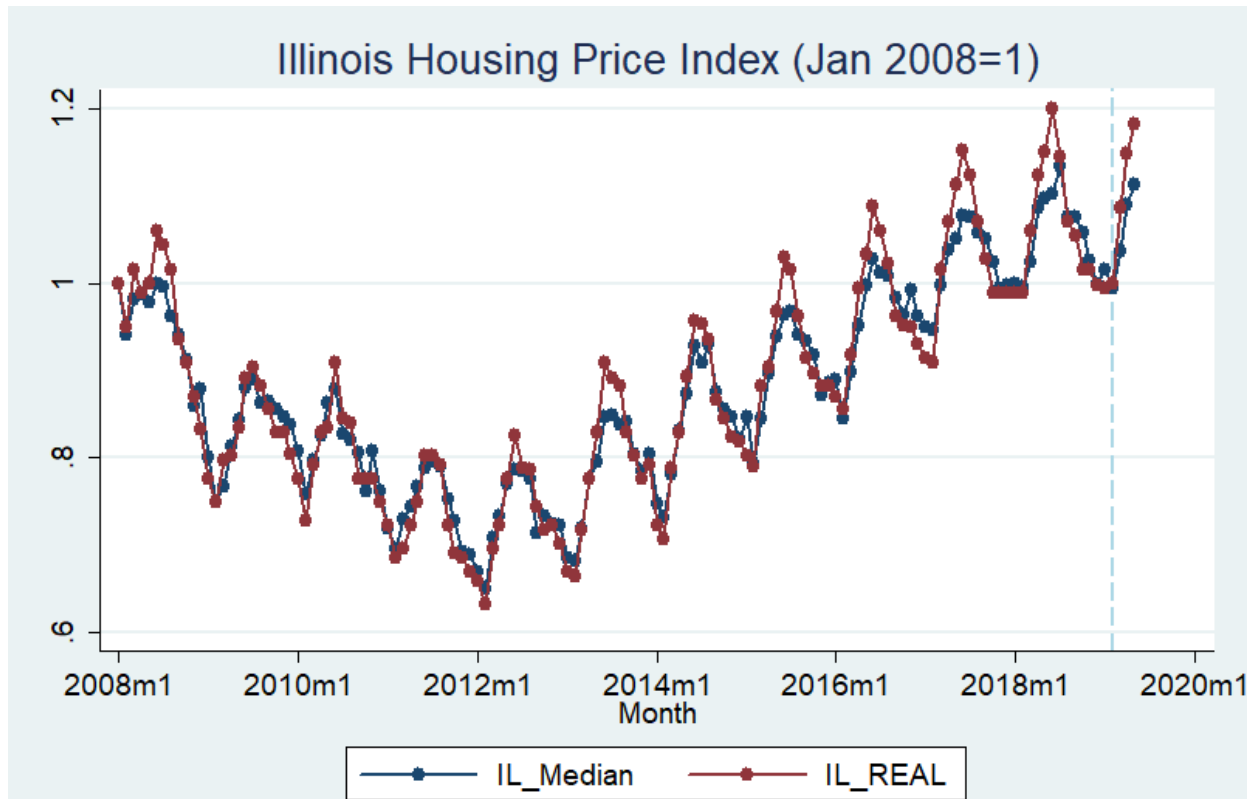




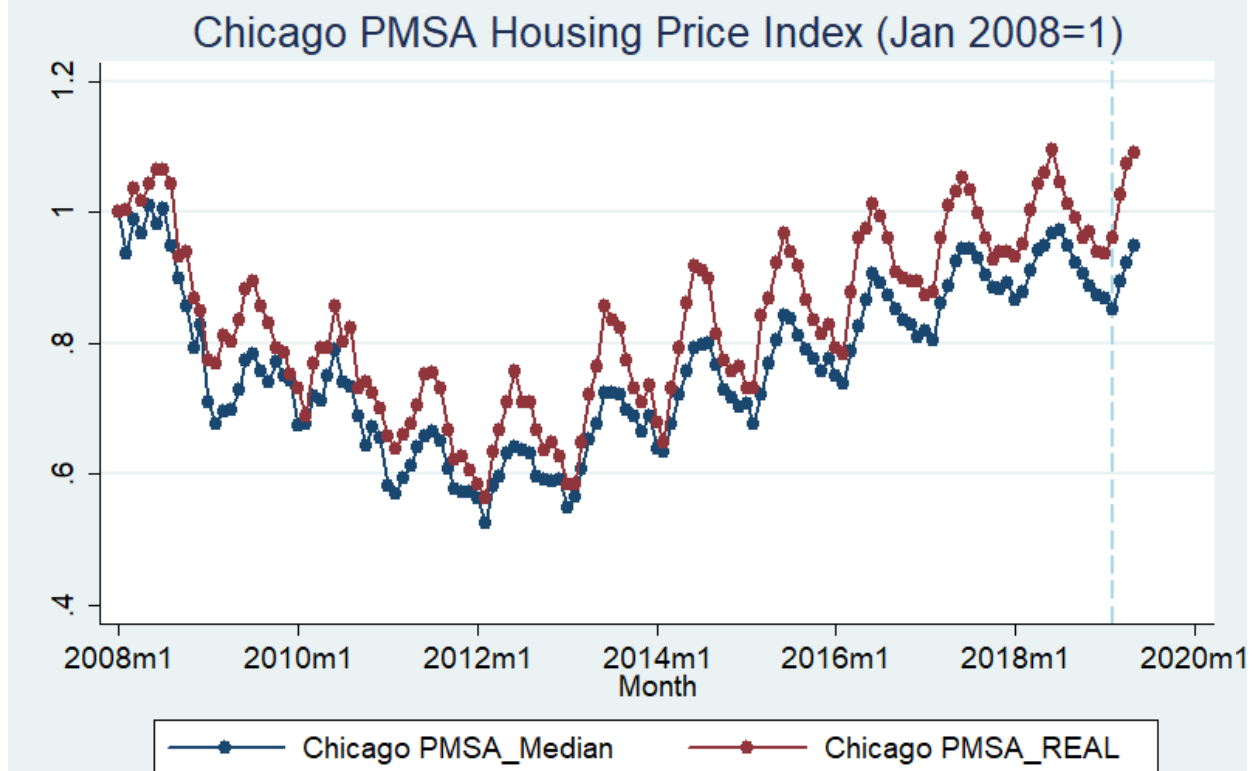
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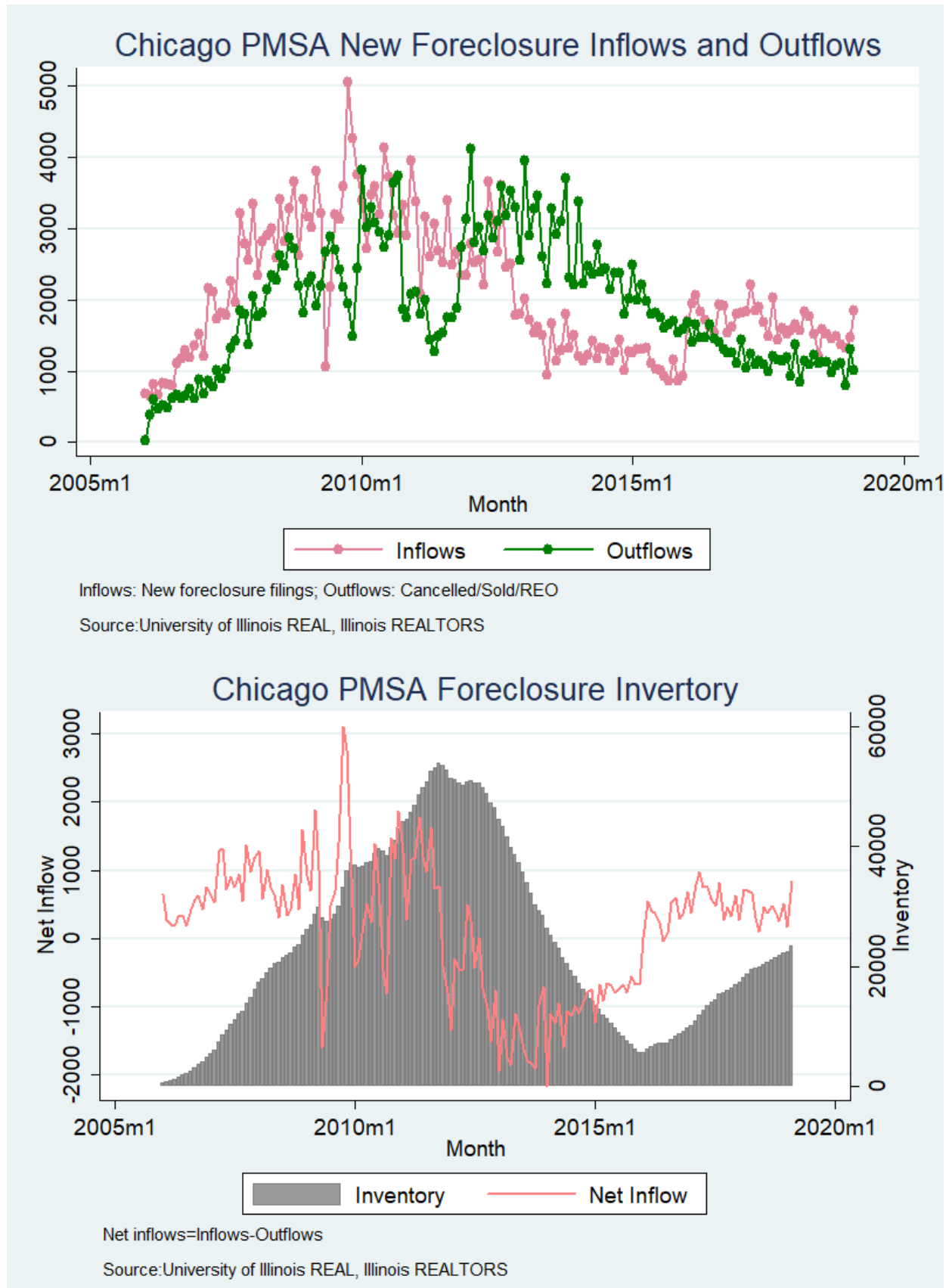
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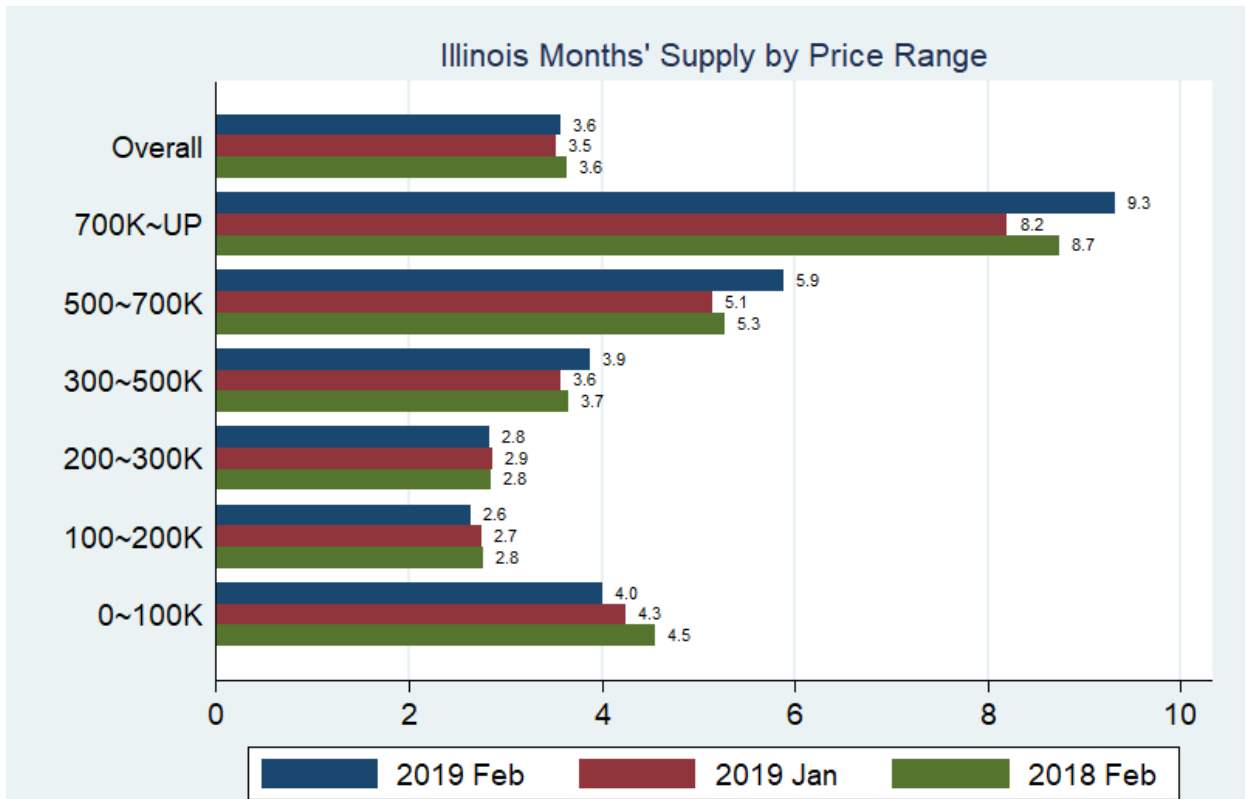


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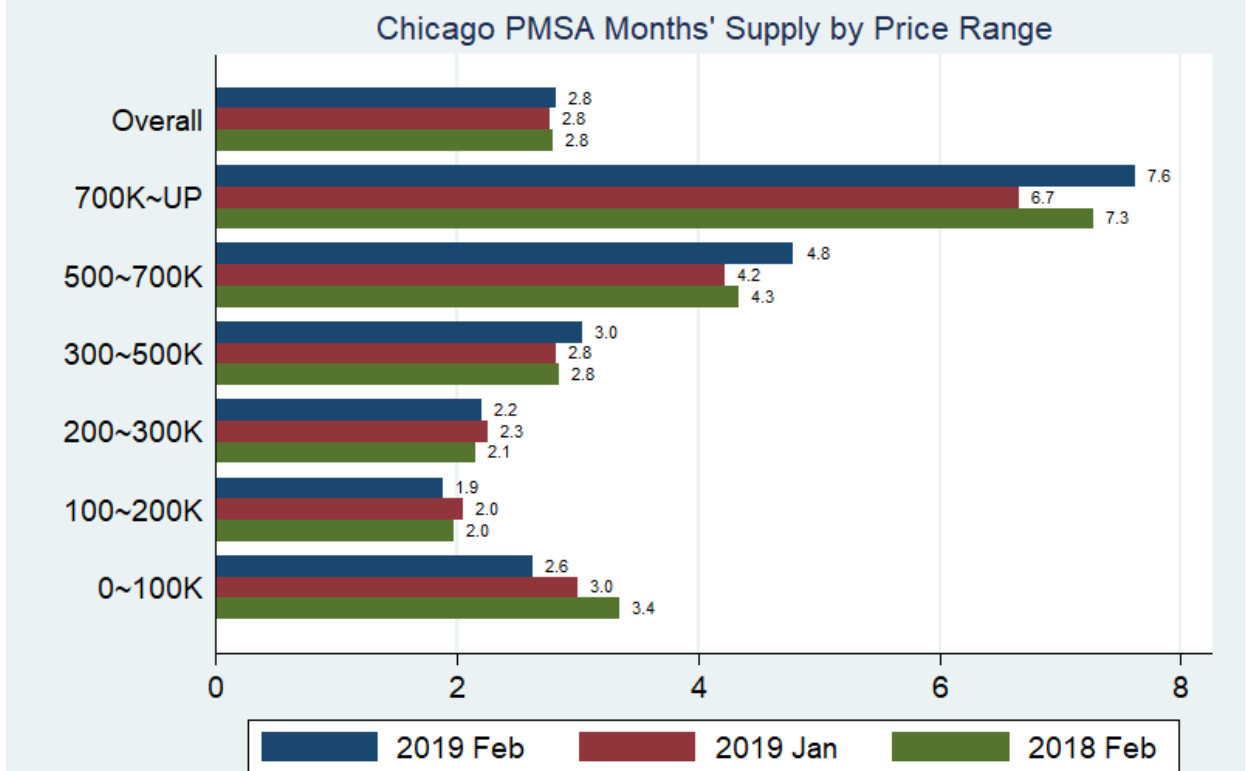


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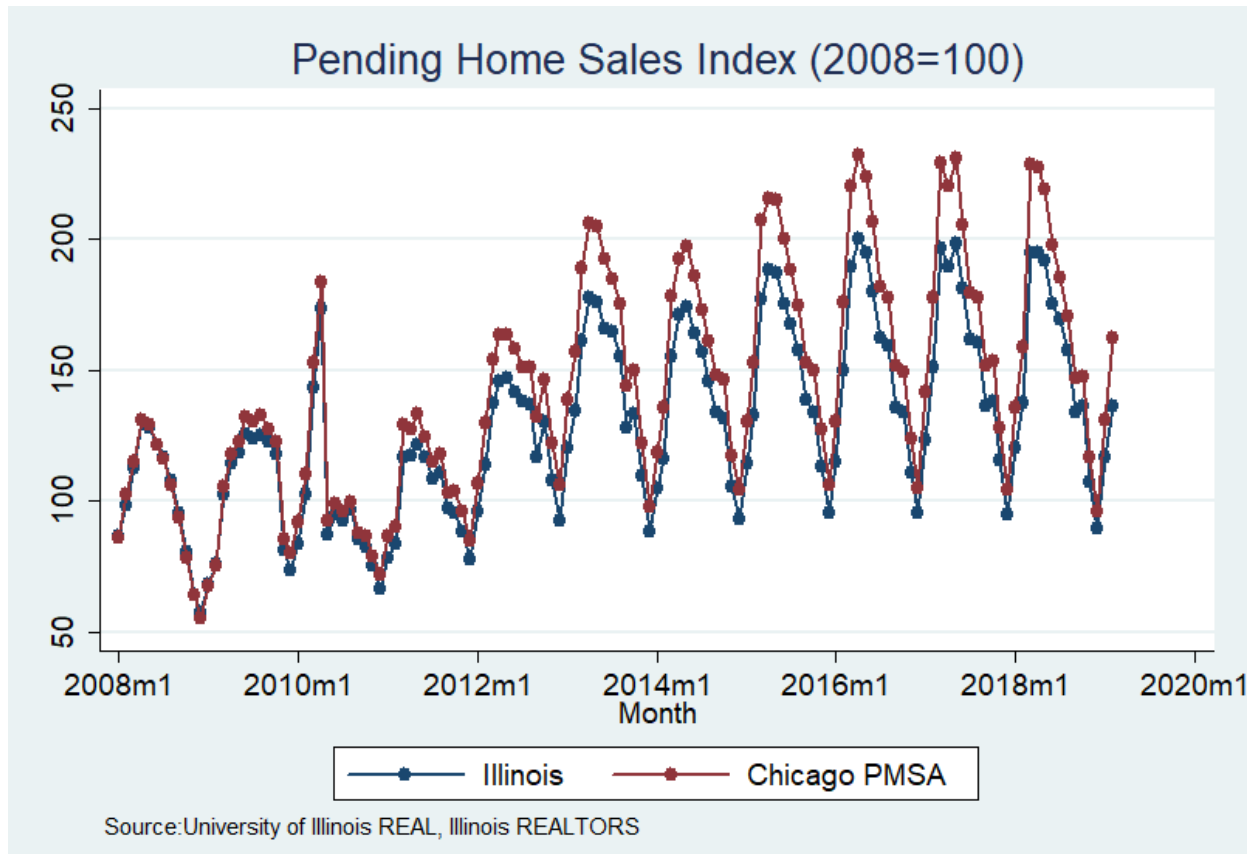




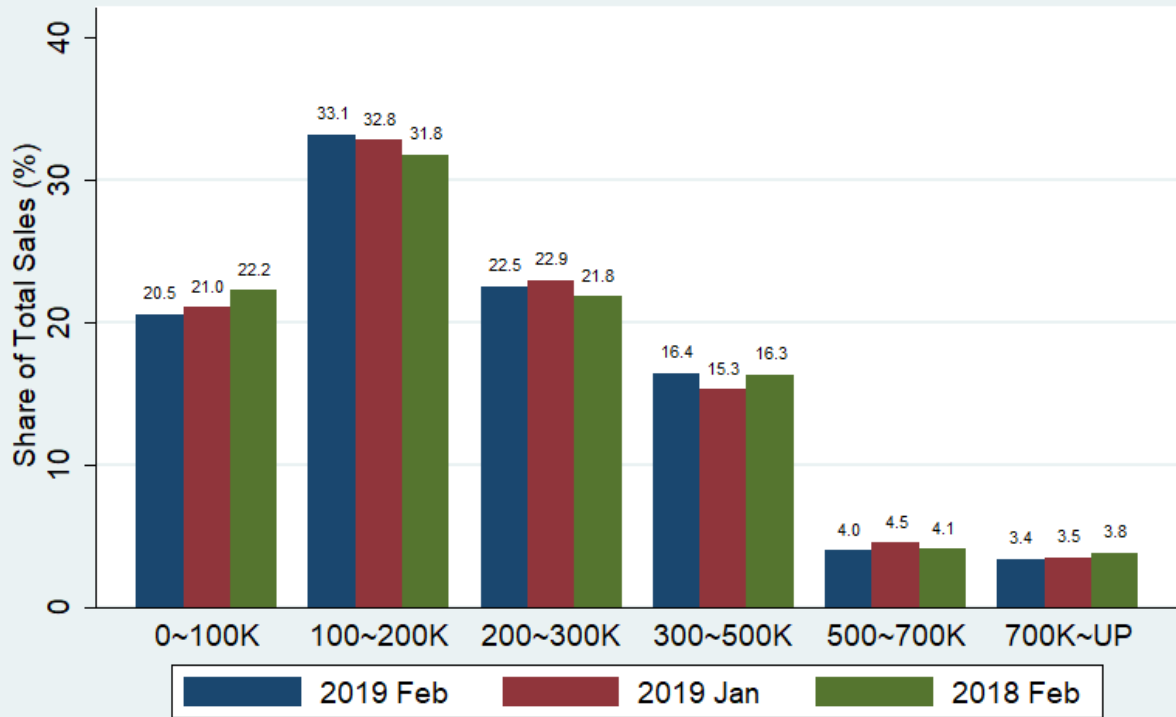
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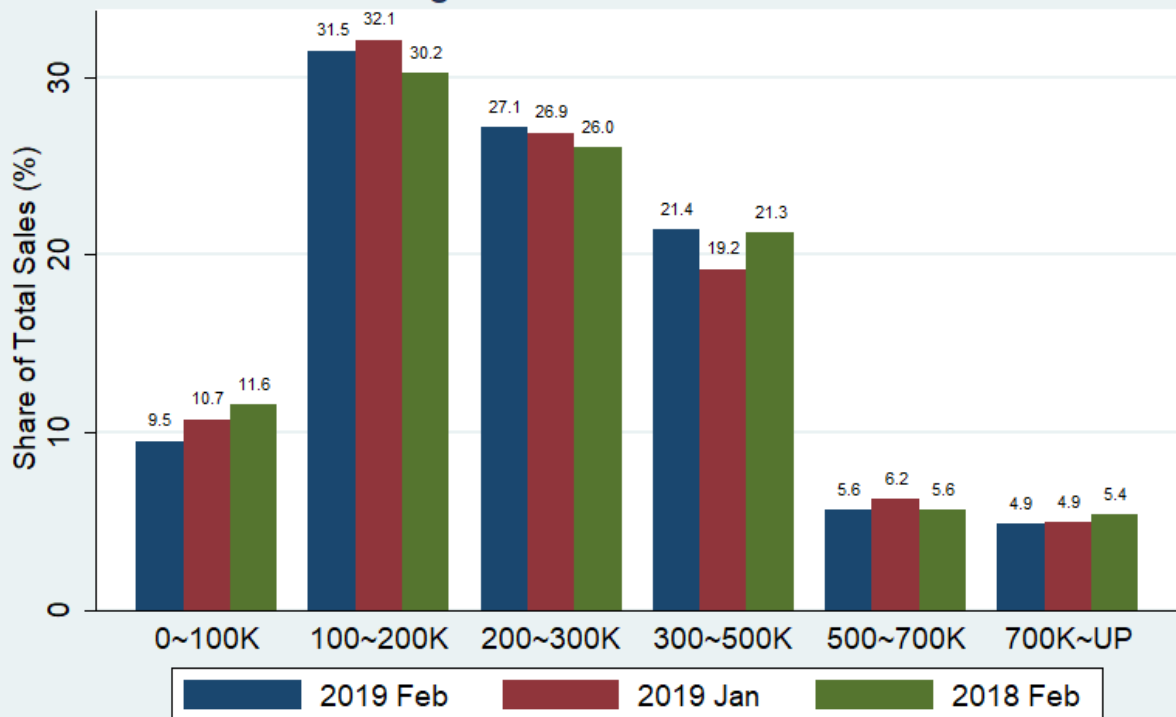


Illinois Price Stratification

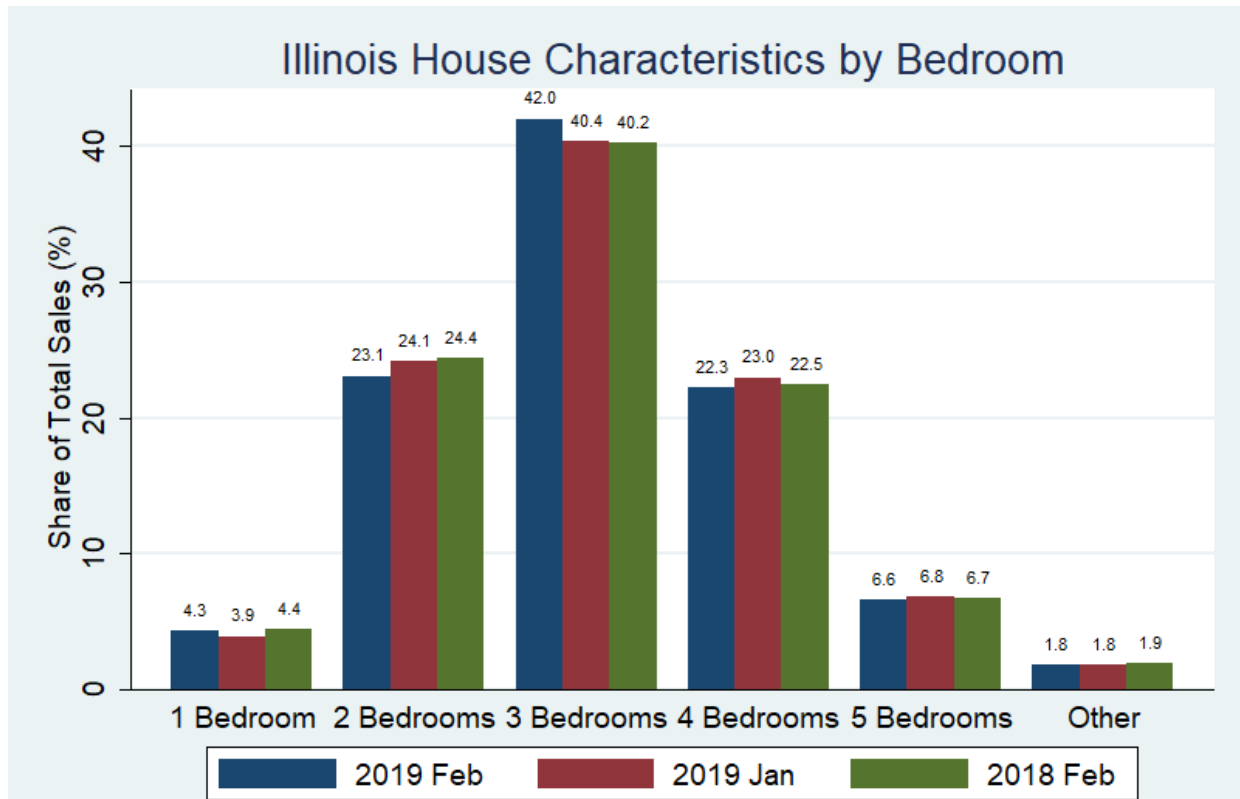


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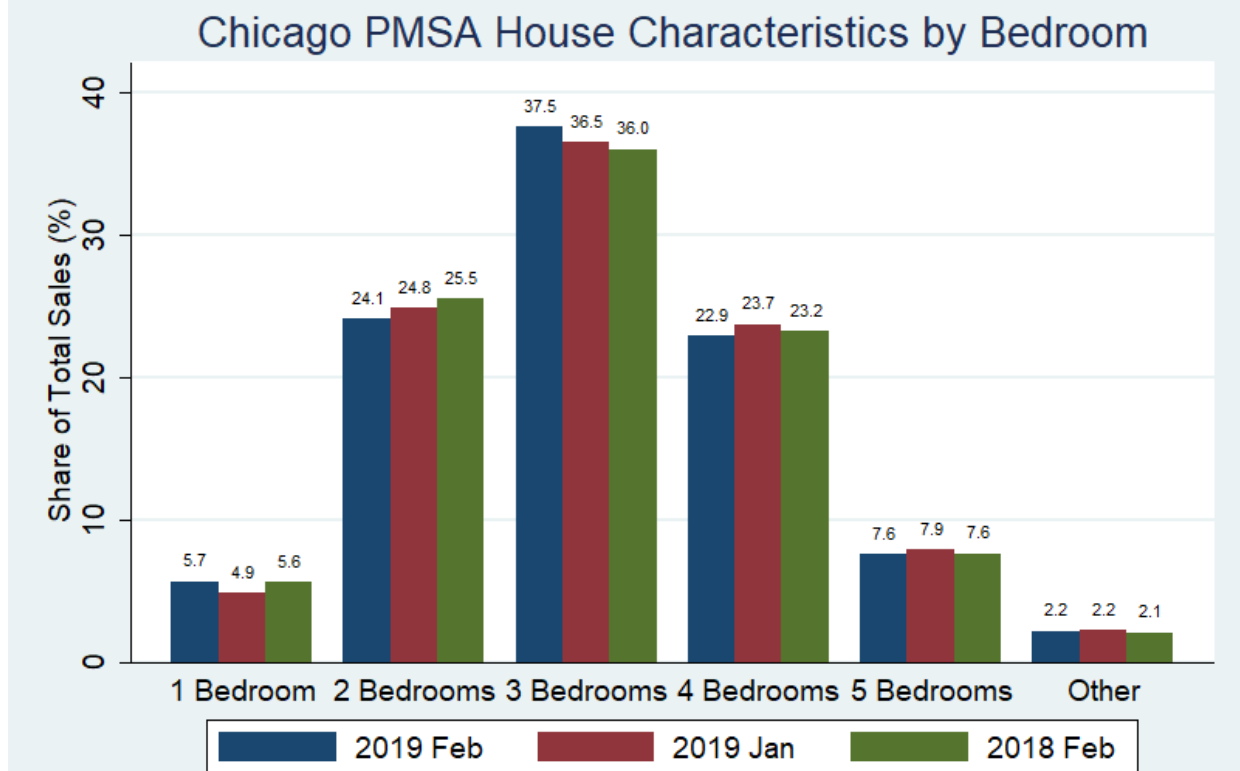
Chicago PMSA Price Stratification



Source: University of Illinois REAL, Illinois REALTORS

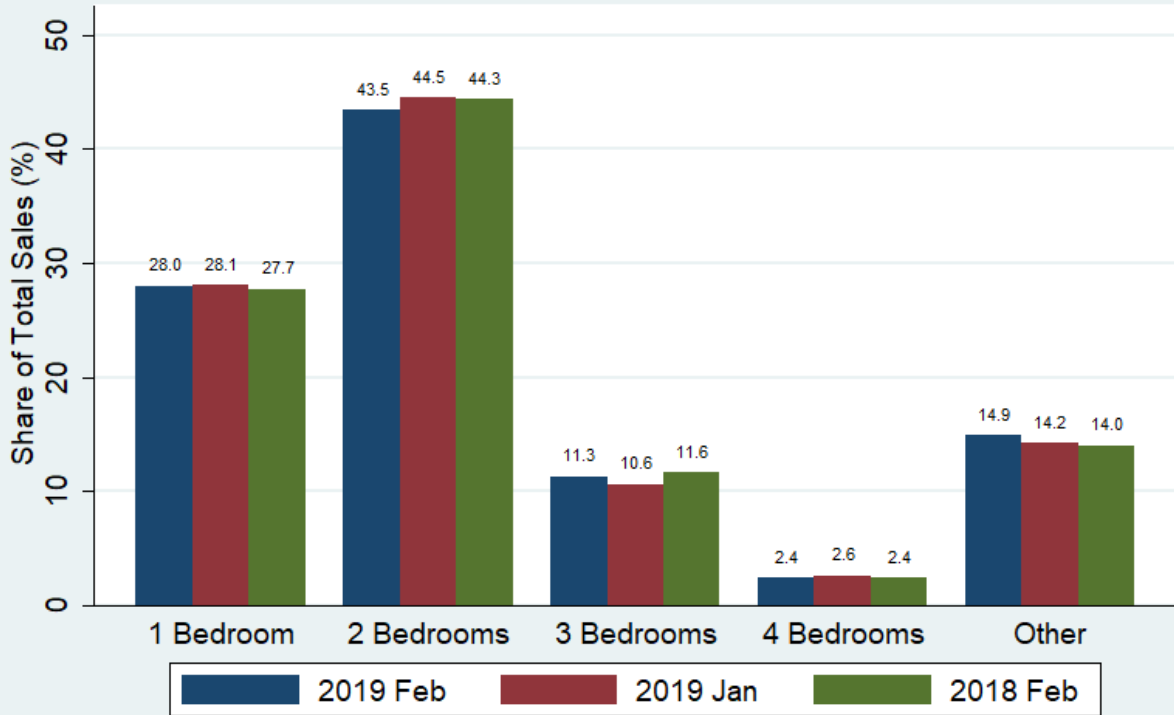


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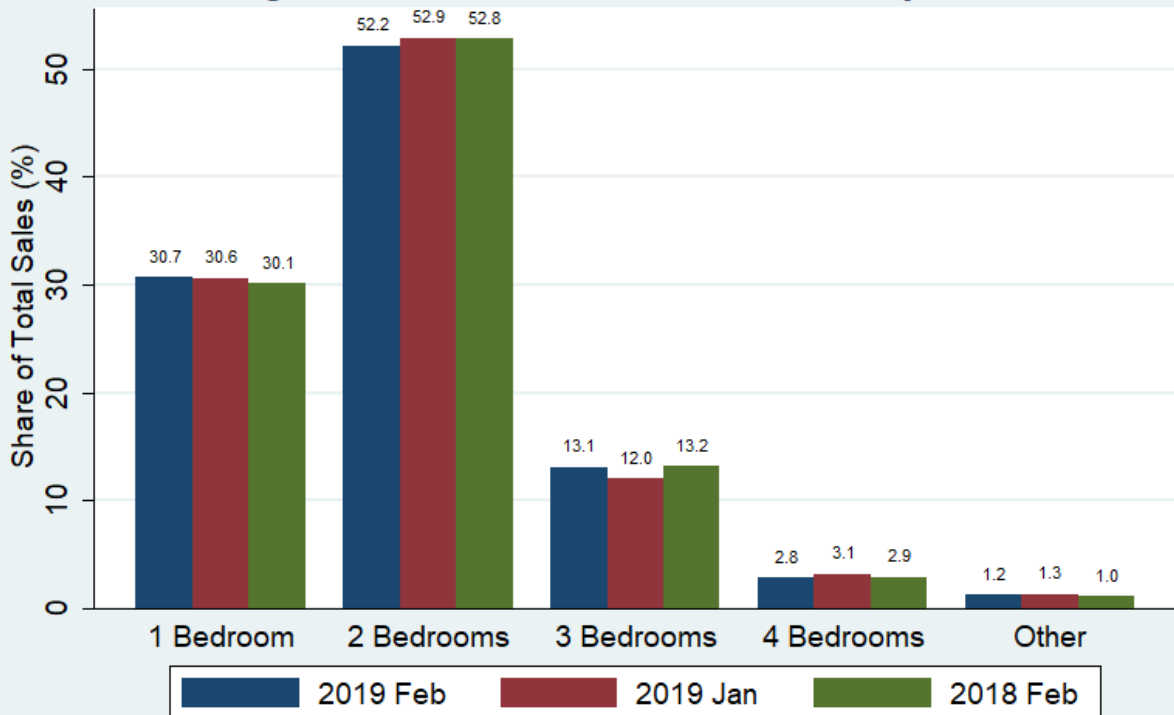
Source: University of Illinois REAL, Illinois REALTORS

Illinois House Characteristics by Bathroom



Source: University of Illinois REAL, Illinois REALTORS

Chicago PMSA House Characteristics by Bathroom



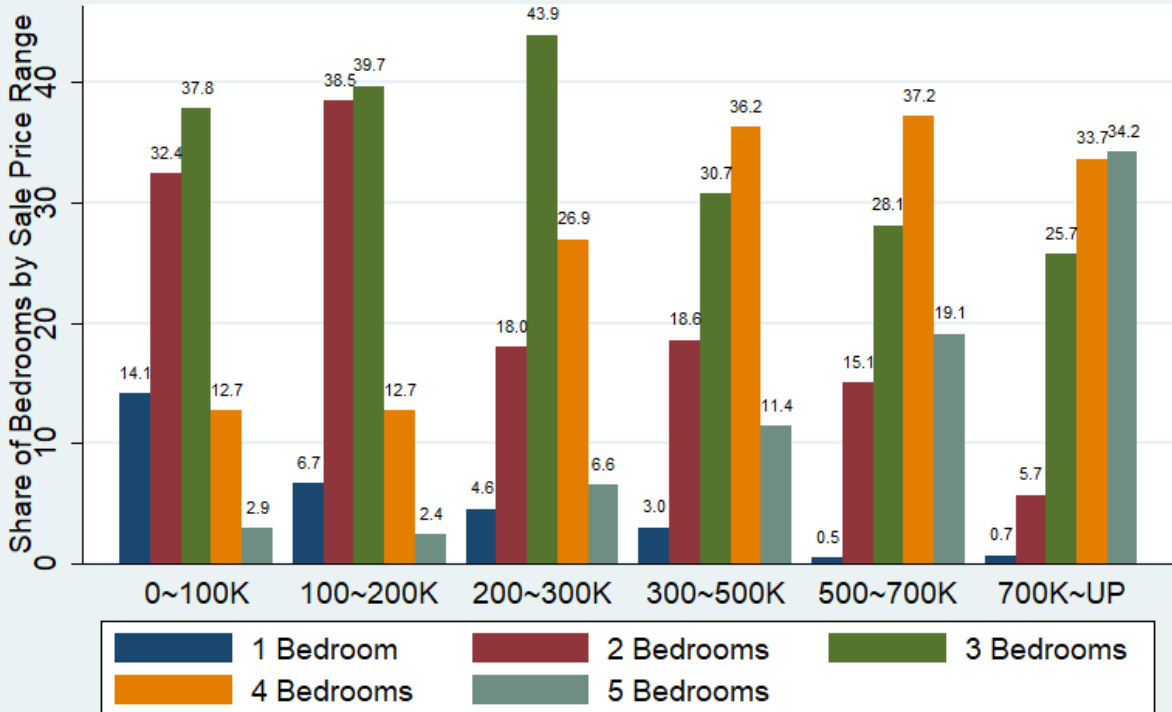
Source: University of Illinois REAL, Illinois REALTORS

Illinois Bedroom Shares by Sale Price Stratification



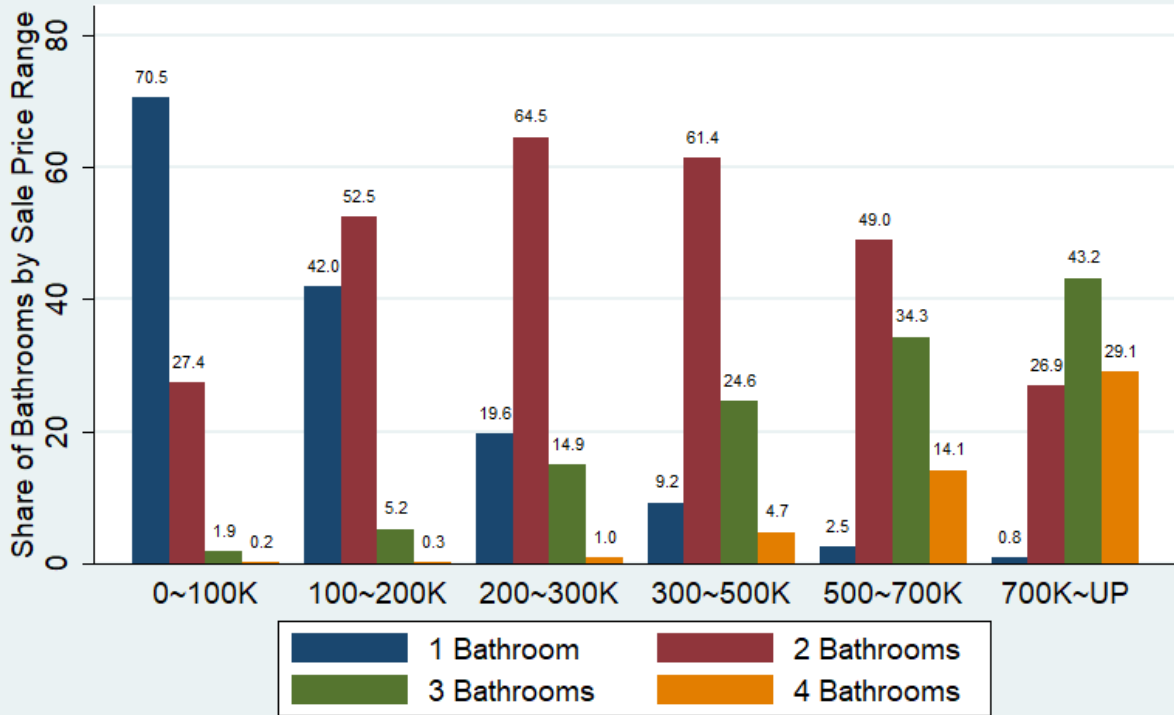
Source: University of Illinois REAL, Illinois REALTORS

Chicago PMSA Bedroom Shares by Sale Price Stratification



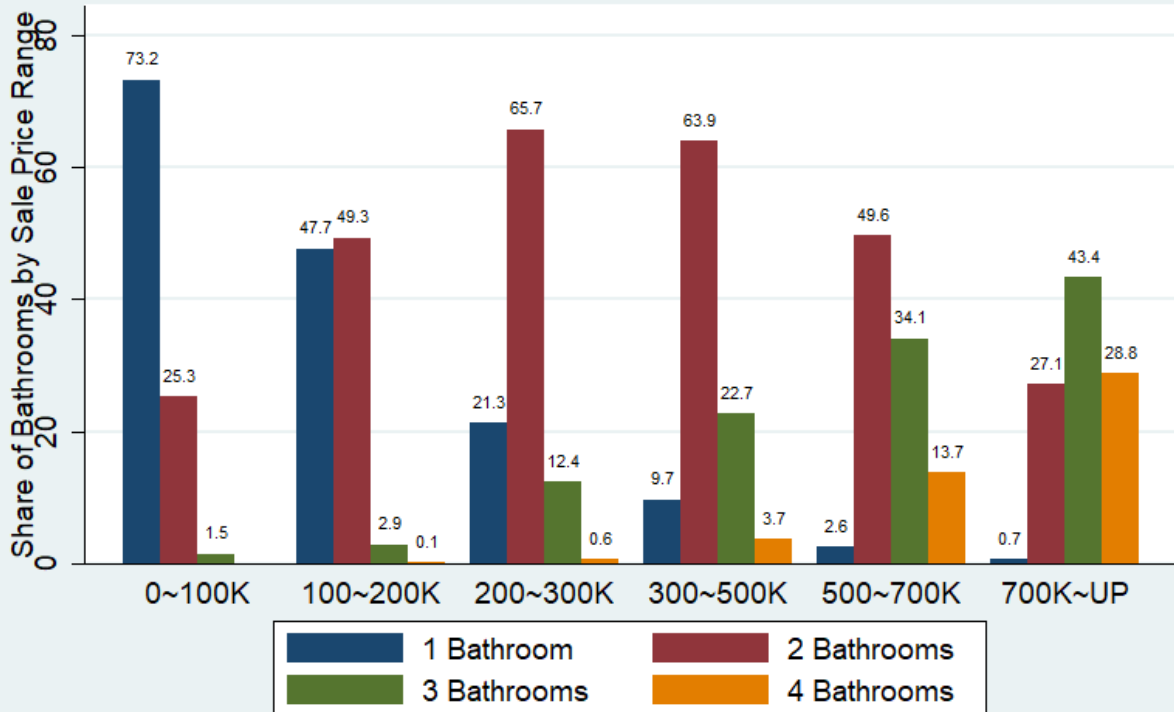
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Illinois Bathroom Shares by Sale Price Stratification



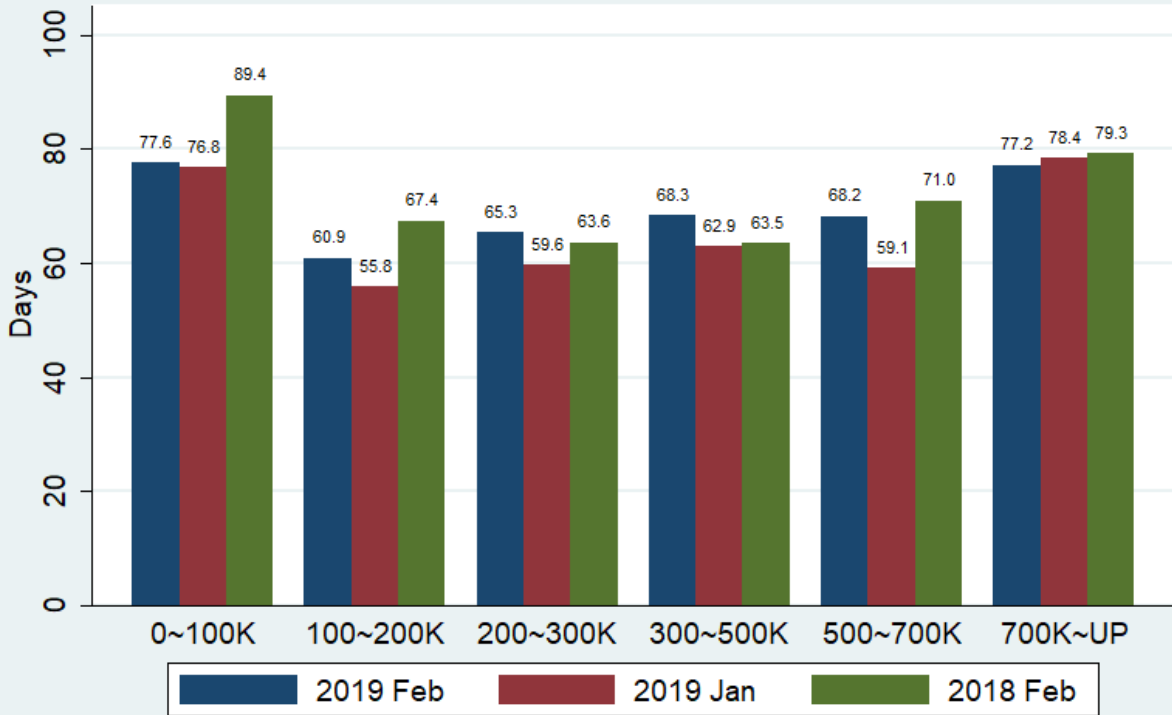
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Chicago PMSA Bathroom Shares by Sale Price Stratification



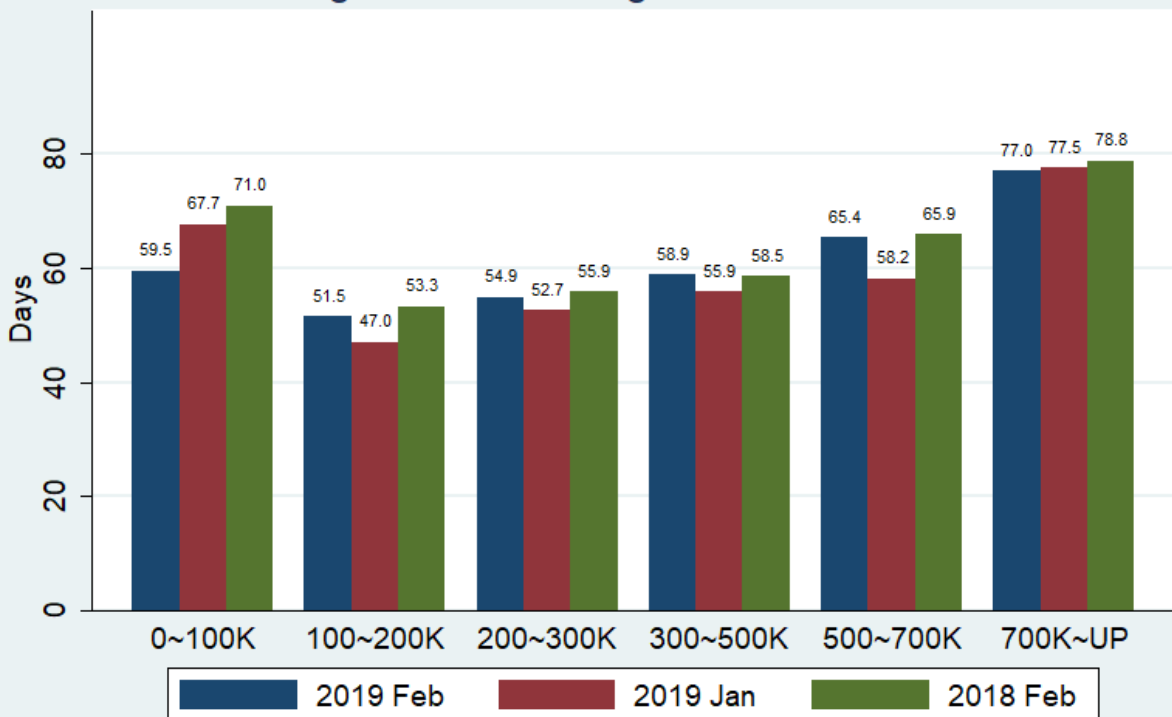
Source: University of Illinois REAL, Illinois REALTORS

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

