

# **Housing Price Forecasts**

## **Illinois and Chicago PMSA, May 2019**

Presented To  
**Illinois Realtors®**

From

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## Housing Price Forecast: Illinois and Chicago PMSA, May 2019

### The Housing Market

In April, median prices experienced positive growth while sales experienced a negative annual change in both Illinois and the Chicago PMSA. 13,942 houses were sold in Illinois, changing by 20.2% from a month ago and -5.6% from a year ago. In the Chicago PMSA, 10,093 houses were sold, changing by 23.0% from a month ago and -5.9% from a year ago. The median price was \$214,207 in Illinois, up 2.0% from April last year; the comparable figure for the Chicago PMSA was \$253,000, up 1.2% from April last year.

In April, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 10.3%. 9,238 regular sales were made, 4.3% less than last year. 790 foreclosed properties were sold, 21.4% less than last year. The median price was \$261,000 for regular property sales, up 0.4% from last year; the comparable figure for the foreclosed properties was \$175,000, up 1.7% 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 April 2008 has been adjusted to 2019 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the April 2008 median sales price was \$150,000 (in \$2008) and \$179,794 (in \$2019); the current price level was 119% of the 2008 level after adjusting (143% before adjusting). In the Chicago PMSA, the April 2008 median sales price was \$192,000 (in \$2008) and \$230,136 (in \$2019); the comparable figure for price recovery in April 2019 is 110% after adjustment (132% before adjusting).

The sales forecast for May, June and July 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 -2.4% to -3.2%; the comparative figures for the Chicago PMSA are a decrease in the range -0.9% to -1.2%. On a monthly basis, the three-month average sales are forecast to increase in the range 4.1% to 5.6% for Illinois and increase in the range 3.9% to 5.3% for the Chicago PMSA.

The pending home sales index<sup>1</sup> is a leading indicator based on contract signings. This April, the number of homes put under contract was more than last year in both Illinois and the Chicago PMSA. The pending home sales index is 206.8 (2008=100) in Illinois, up 6.2% from a year ago. In the Chicago PMSA, the comparable figure is 243.1, up 7.1% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 4.0 months<sup>2</sup> (same as a year ago). In the Chicago PMSA, the comparable figure was 3.3 months (up from 3.1 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 May, June, and July in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 2.3% in May 2.2% in June and 3.5% in July. For the Chicago PMSA, the comparable figures are 0.9% in May 0.5% in June and 1.7% in July. As a complement to the median housing price index (HPI), the REAL HPI<sup>3</sup> forecasts a mild positive growth trend for both Illinois and the Chicago PMSA.

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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.

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

In Illinois, the REAL HPI (Jan 2008=1) is forecast to change by 1.3% in May 2.9% in June and 0.4% in July. The comparable figures for the Chicago PMSA are 3.6% in May 4.8% in June and 4.5% in July. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In April, while the Conference Board Consumer Confidence Index improved, the University of Michigan Consumer Sentiment Index declined. The Conference Board Consumer Confidence Index survey revealed that consumers’ assessment of current business and labor market conditions improved, and consumers’ short-term outlook also improved. On the other hand, the University of Michigan Consumer Sentiment Index survey reported that the decline in confidence reflected dimmer expectations for the economy for the next 12 months, with sentiment down from March’s strong reading. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) decreased. The survey noted that while home selling confidence remains strong and more consumers on net expect mortgage rates to decline over the next year, respondents walked back some of their buying optimism from March.

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

- In April, median prices experienced positive growth while sales experienced a negative annual change in both Illinois and the Chicago PMSA. 13,942 houses were sold in Illinois, changing by 20.2% from a month ago and -5.6% from a year ago. In the Chicago PMSA, 10,093 houses were sold, changing by 23.0% from a month ago and -5.9% from a year ago. The median price was \$214,207 in Illinois, up 2.0% from April last year; the comparable figure for the Chicago PMSA was \$253,000, up 1.2% from April last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for May 2019 report table)
- In April, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 10.3%. 9,238 regular sales were made, 4.3% less than last year. 790 foreclosed properties were sold, 21.4% less than last year. The median price was \$261,000 for regular property sales, up 0.4% from last year; the comparable figure for the foreclosed properties was \$175,000, up 1.7% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In April, at the latest average annual pending sales rate, Illinois had enough housing inventory for 4.0 months<sup>4</sup> (same as a year ago). In the Chicago PMSA, the comparable figure was 3.3 months (up from 3.1 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 April, 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 15.8% from 16.6% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 6.2% from 7.4% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

### **The Housing Market – Forecast and Future Condition**

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<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 median price forecast indicates mild positive annual growth for May, June, and July in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 2.3% in May 2.2% in June and 3.5% in July. For the Chicago PMSA, the comparable figures are 0.9% in May 0.5% in June and 1.7% in July. (Reference: Forecast for May 2019 report table)
- As a complement to the median housing price index (HPI), the REAL HPI<sup>5</sup> forecasts a mild positive growth trend for both Illinois and the Chicago PMSA. In Illinois, the REAL HPI (Jan 2008=1) is forecast to change by 1.3% in May 2.9% in June and 0.4% in July. The comparable figures for the Chicago PMSA are 3.6% in May 4.8% in June and 4.5% in July. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for May, June and July 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 -2.4% to -3.2%; the comparative figures for the Chicago PMSA are a decrease in the range -0.9% to -1.2%. On a monthly basis, the three-month average sales are forecast to increase in the range 4.1% to 5.6% for Illinois and increase in the range 3.9% to 5.3% for the Chicago PMSA. (Reference: Forecast for May 2019 report table)
- The pending home sales index<sup>6</sup> is a leading indicator based on contract signings. This April, the number of homes put under contract was more than last year in both Illinois and the Chicago PMSA. The pending home sales index is 206.8 (2008=100) in Illinois, up 6.2% from a year ago. In the Chicago PMSA, the comparable figure is 243.1, up 7.1% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In April 2019, 1,639 houses were newly filed for foreclosure in the Chicago PMSA (down 7.2% and up 15.1% respectively from a year and a month ago). 1,000 foreclosures were completed<sup>7</sup> (down 8.0% and down 0.4% respectively from a year and a month ago). As of April 2019, there are 24,776 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 502 in the past 6 months, 436 in the last 12 months and 500 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## The Economy

- In April 2019, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate declined to 3.6% and nonfarm payroll jobs experienced a gain of 263,000 jobs. Employment increased in professional and technical services (+76,000), construction (+33,000), and health care (+27,000).
- In April 2019, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment was 4.4%, unchanged from the previous month. Non-farm payroll jobs increased by +20,900 over the month. The industry sectors with the largest payroll gains were: construction (+7,500), leisure and hospitality (+7,300), and professional and business services (+7,100).

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

<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

- In February 2018, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 0.76% and 1.10%, corresponding to job gains between 46,700 and 67,600. The largest contributors to the forecast increase are education and health; trade, transportation and utilities; and professional and business services.
- In April 2019, according to new data from First American Financial Corp., housing-market dynamics are shifting in buyers' favor, although it's not quite a buyer's market yet. They reported that affordability is on the rise and the main reason is rising inventory, and as inventory enters the market, buyers have more options, bidding wars are less likely and sellers are more likely to reduce list prices.

### **Longer-term Outlook**

- In April, while the Conference Board Consumer Confidence Index improved, the University of Michigan Consumer Sentiment Index declined. The Conference Board Consumer Confidence Index stands at 129.2, up from 124.2 last month. The survey revealed that consumers' assessment of current business and labor market conditions improved, and consumers' short-term outlook also improved. The University of Michigan Consumer Sentiment Index dropped to 97.2 from 98.4 last month. The survey reported that the decline in confidence reflected dimmer expectations for the economy for the next 12 months, with sentiment down from March's strong reading.
- In April, Fannie Mae Home Purchase Sentiment Index (HPSI) decreased to 88.3 from 89.8 last month. The survey reported that while home selling confidence remains strong and more consumers on net expect mortgage rates to decline over the next year, respondents walked back some of their buying optimism from March.
- The Chicago Business Activity Index (CBAI) decreased to 92.2 in March from 94.0 in February. The decrease is mainly attributed to negative nonmanufacturing and construction job growth and a decline in retail sales.

“Prices continue to increase at a modest rate and month-to-month sales have continued to increase,” noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory, “however year-over-year sales are down reflecting the uncertainties in consumer behavior towards house purchases”

## Forecast for May 2019 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
<b>Feb-19</b>	-0.5%	-2.9%		10.5%	7.5%			
<b>Mar-19</b>	-8.9%	-9.1%		40.0%	44.7%			
<b>Apr-19</b>	-5.6%	-5.9%		20.2%	23.0%			
<b>3 Month Avg.</b>	-5.6%	-6.3%		23.5%	25.1%			
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
<b>May-19</b>	-4.3%	-5.9%	-2.3%	-3.1%	14.8%	20.1%	18.1%	24.5%
<b>Jun-19</b>	-2.6%	-3.5%	-0.6%	-0.8%	9.0%	12.1%	8.6%	11.6%
<b>Jul-19</b>	0.0%	0.0%	0.4%	0.6%	-8.4%	-11.4%	-11.0%	-14.9%
<b>3 Month Avg.</b>	-2.4%	-3.2%	-0.9%	-1.2%	4.1%	5.6%	3.9%	5.3%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
<b>Feb-19</b>	\$186,438	\$230,000	<b>Feb-18</b>	\$185,000	\$227,500			
<b>Mar-19</b>	\$200,000	\$241,000	<b>Mar-18</b>	\$198,000	\$240,000			
<b>Apr-19</b>	\$214,207	\$253,000	<b>Apr-18</b>	\$210,000	\$250,000			
<b>May-19</b>	\$220,031	\$256,301	<b>May-18</b>	\$215,000	\$254,000			
<b>Jun-19</b>	\$228,873	\$263,821	<b>Jun-18</b>	\$224,000	\$262,500			
<b>Jul-19</b>	\$221,521	\$254,598	<b>Jul-18</b>	\$214,000	\$250,250			
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
<b>Feb-19</b>	0.8%	1.1%	<b>Feb-18</b>	8.8%	8.3%			
<b>Mar-19</b>	1.0%	0.4%	<b>Mar-18</b>	4.5%	4.3%			
<b>Apr-19</b>	2.0%	1.2%	<b>Apr-18</b>	5.0%	3.3%			
<b>May-19</b>	2.3%	0.9%	<b>May-18</b>	3.4%	2.9%			
<b>Jun-19</b>	2.2%	0.5%	<b>Jun-18</b>	4.2%	4.2%			
<b>Jul-19</b>	3.5%	1.7%	<b>Jul-18</b>	1.9%	1.1%			

### Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2019]	[\$2008]	[\$2019]
<b>April 2008 Median Price</b>	\$150,000	\$179,794	\$192,000	\$230,136
<b>April 2019 Median Price</b>	\$178,624	\$214,104	\$211,075	\$253,000
Price Ratio (April 19/ April 08)	Adjusted	1.19	Adjusted	1.10
	Unadjusted	1.43	Unadjusted	1.32

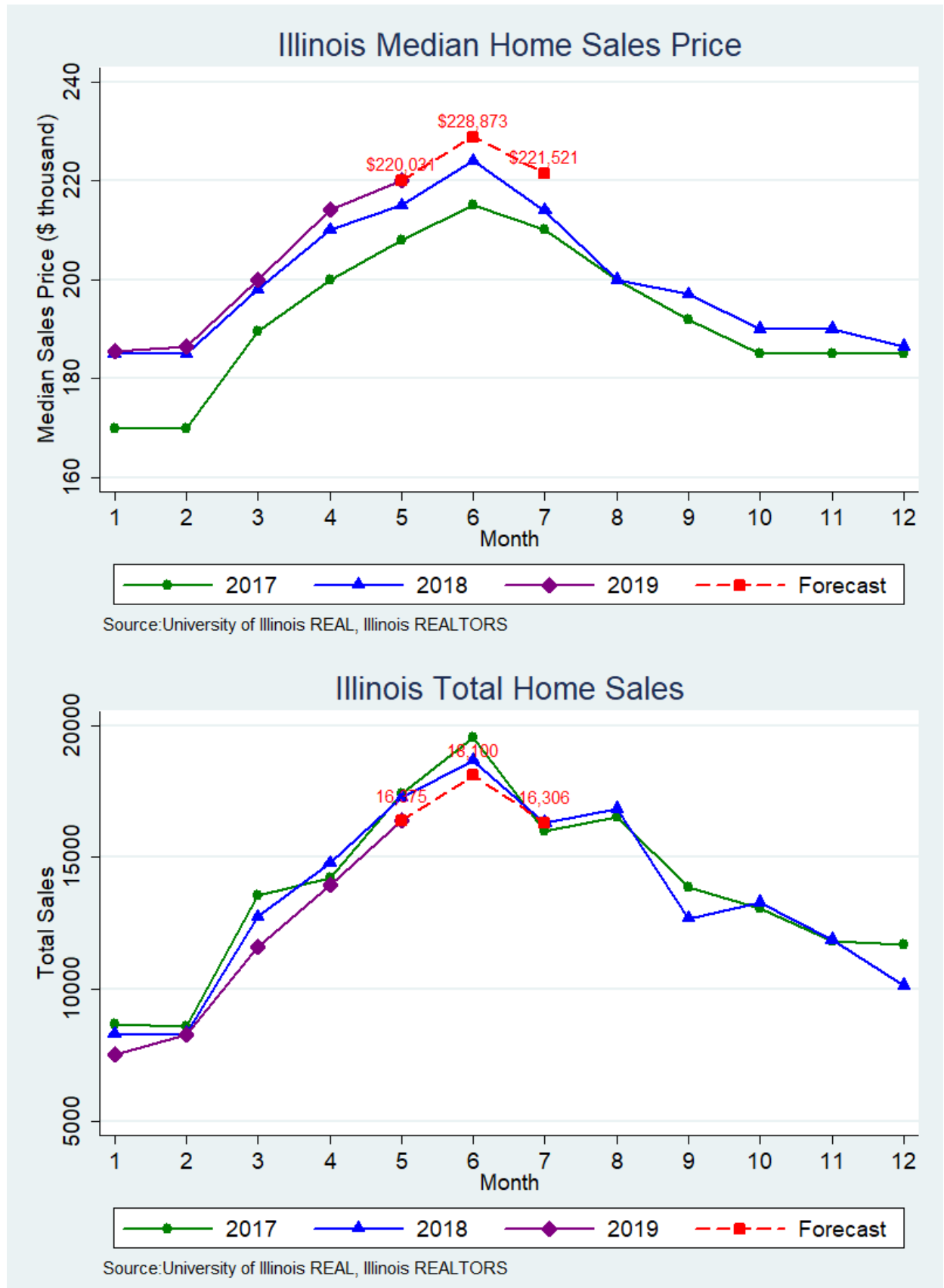
### Recovery Forecasts using *Annually Growth Rates*

	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	0.0%	746.7	-0.8%	12.4
Past 3 months	-0.5%	35.1	-0.8%	11.3
Past 6 months	-0.5%	33.0	-0.7%	13.8
Past 9 months	-0.6%	29.2	-0.4%	25.2
Past 12 months	-0.4%	46.0	-0.3%	29.7

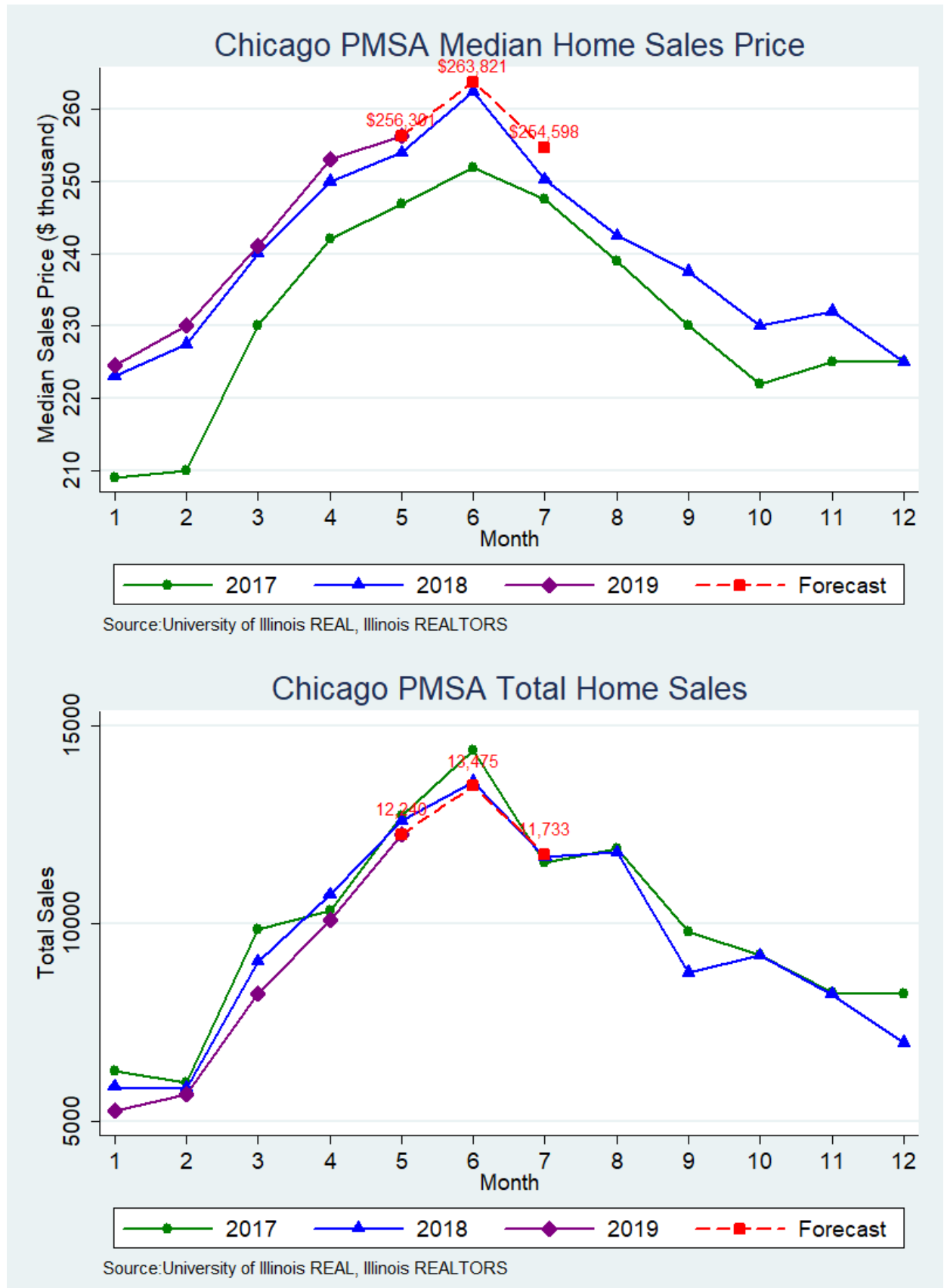
\*Annual recovery rate is the average of *annual* change rates in past months

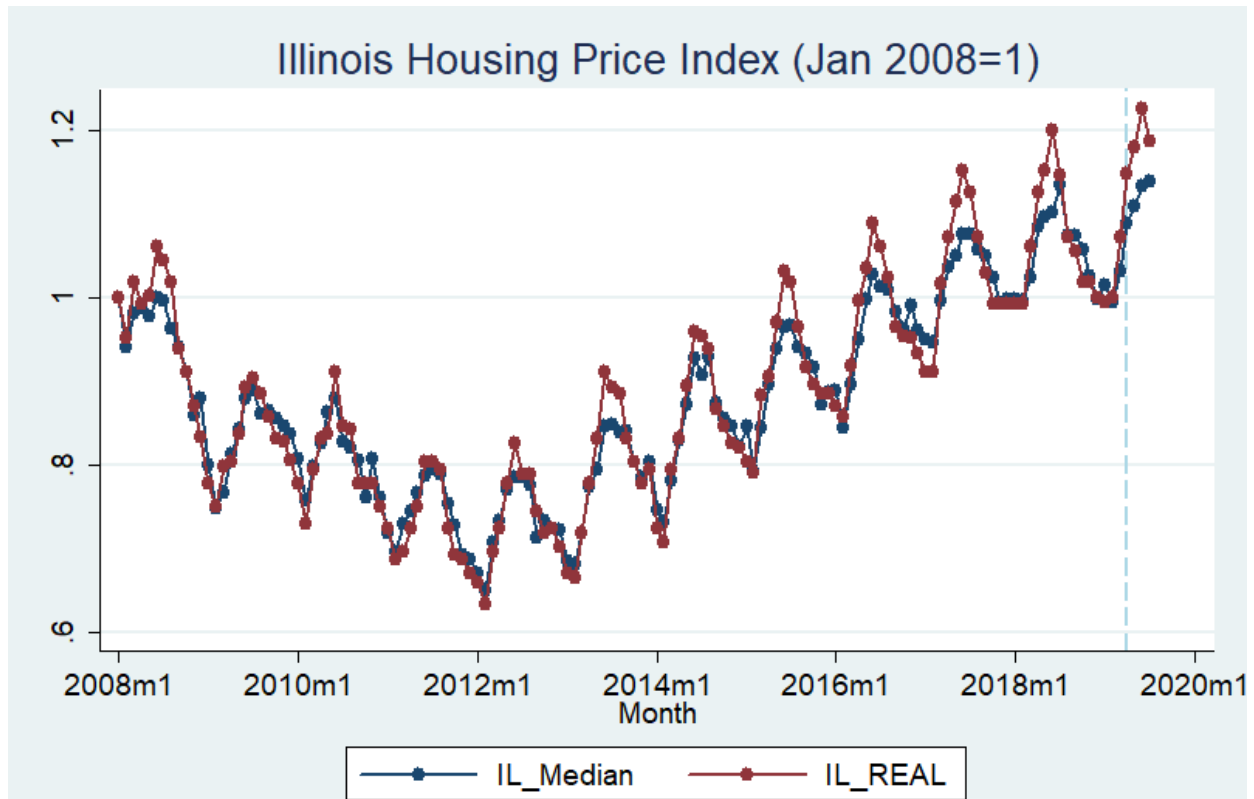
\*\* Years to recover is calculated using the following formula:

$Price_{April2019} * (1 + \text{recovery rate})^{\text{years}} = Price_{April2008}$ . 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.

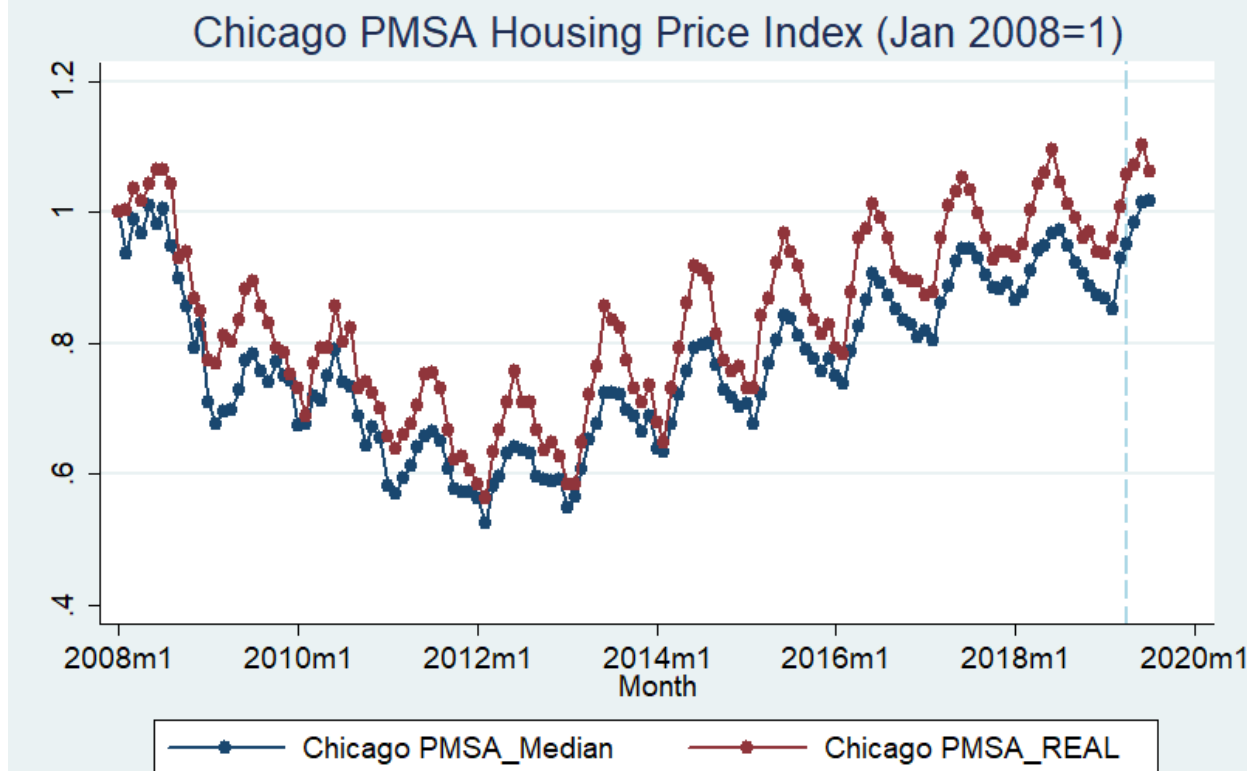




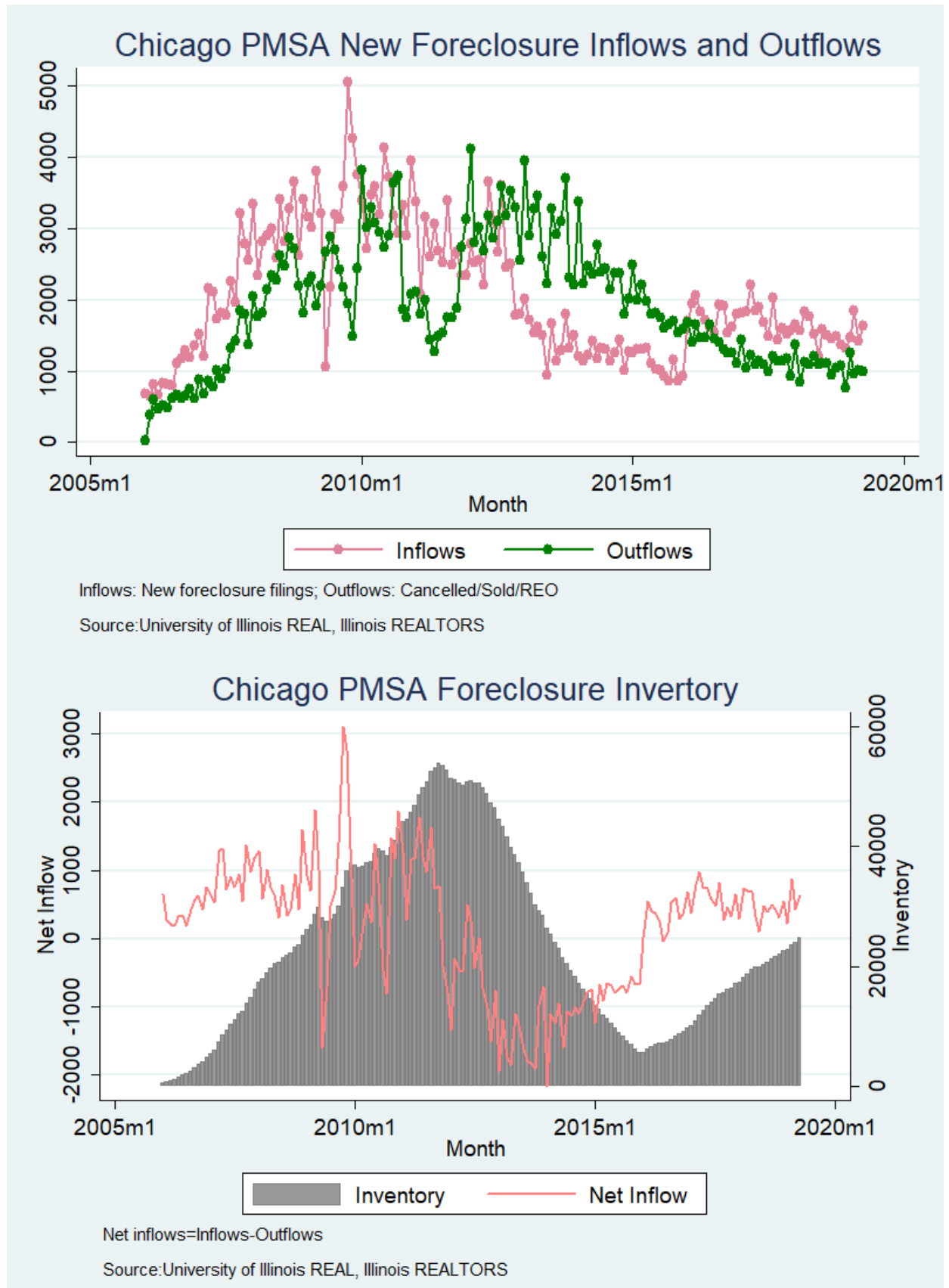


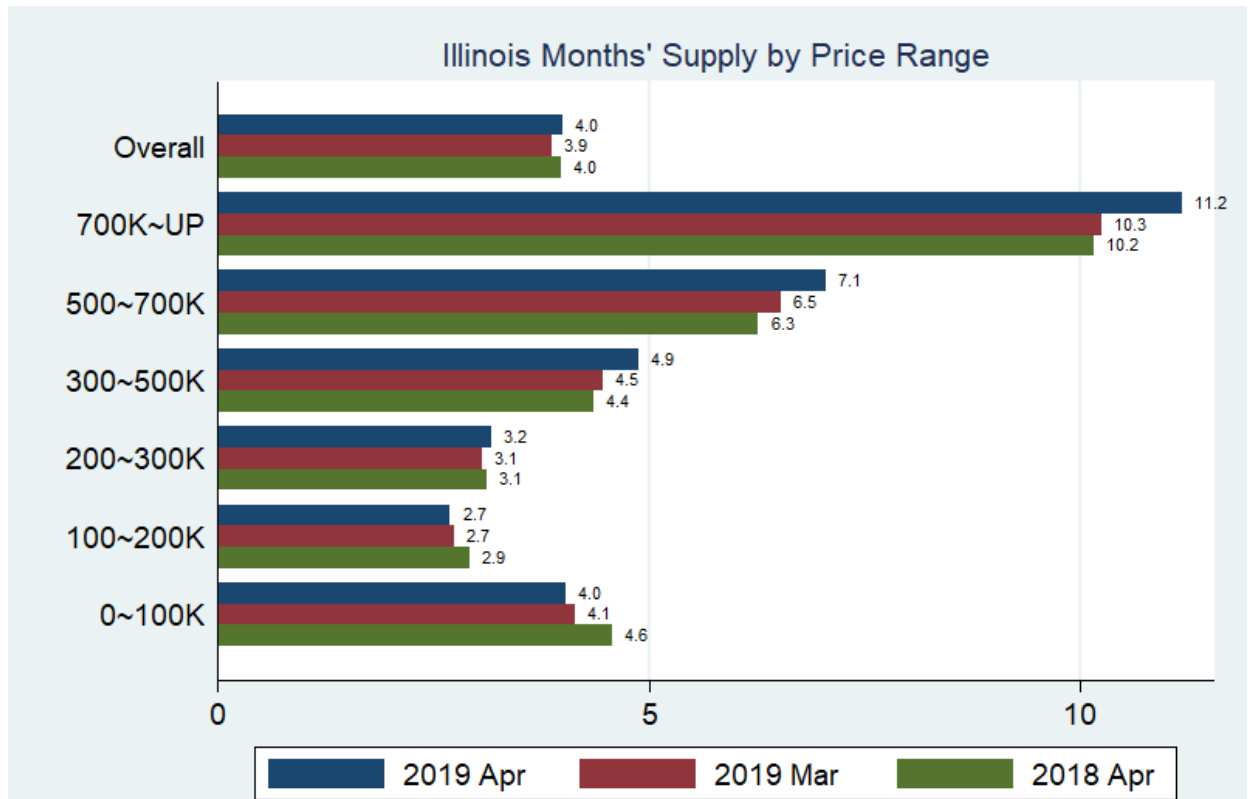


Source: University of Illinois REAL, Illinois REALTORS

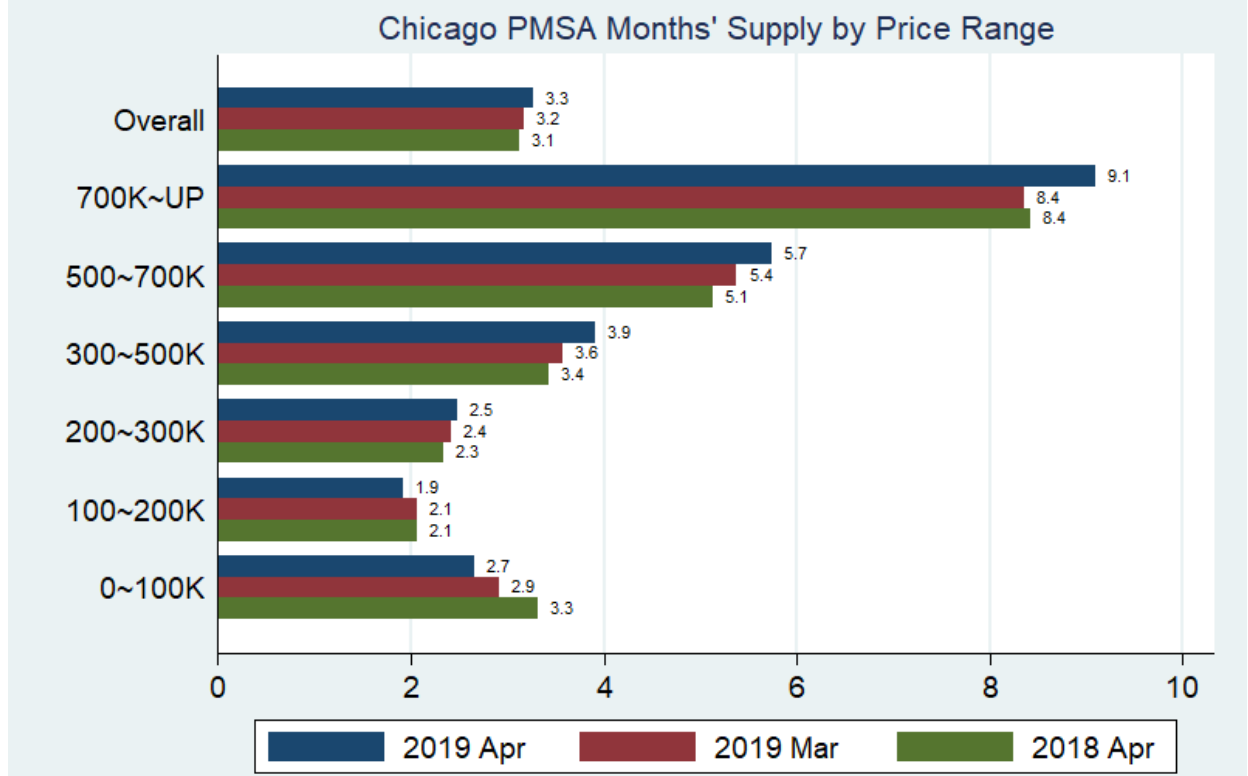


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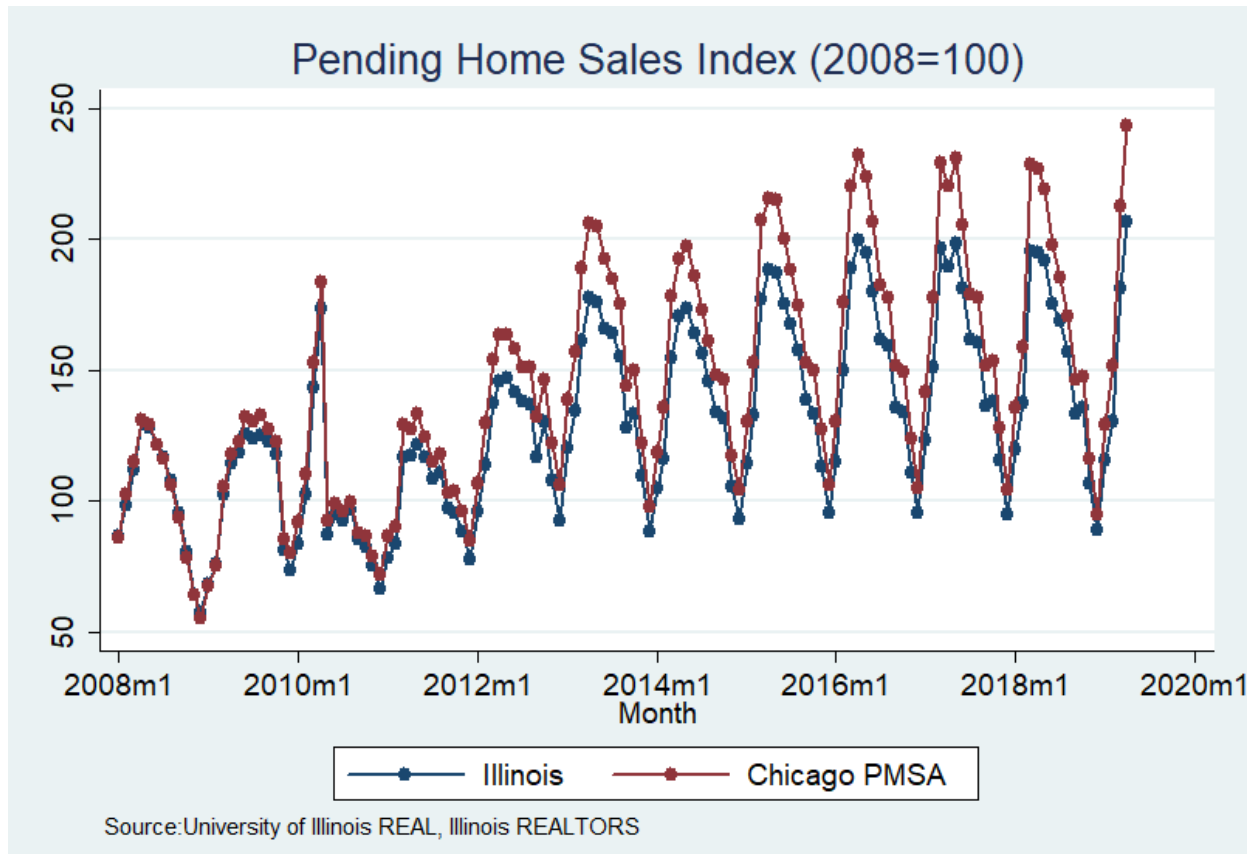


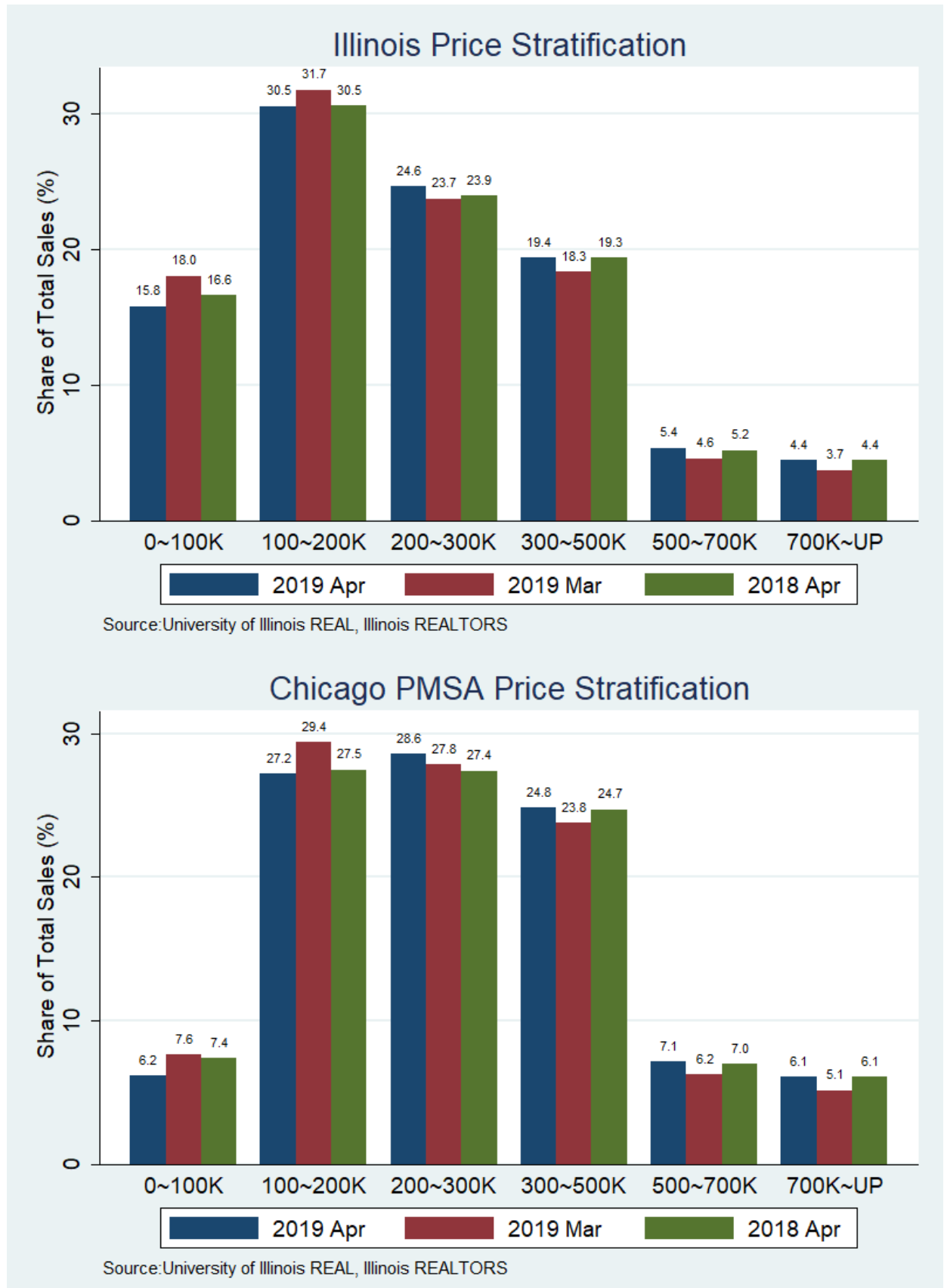


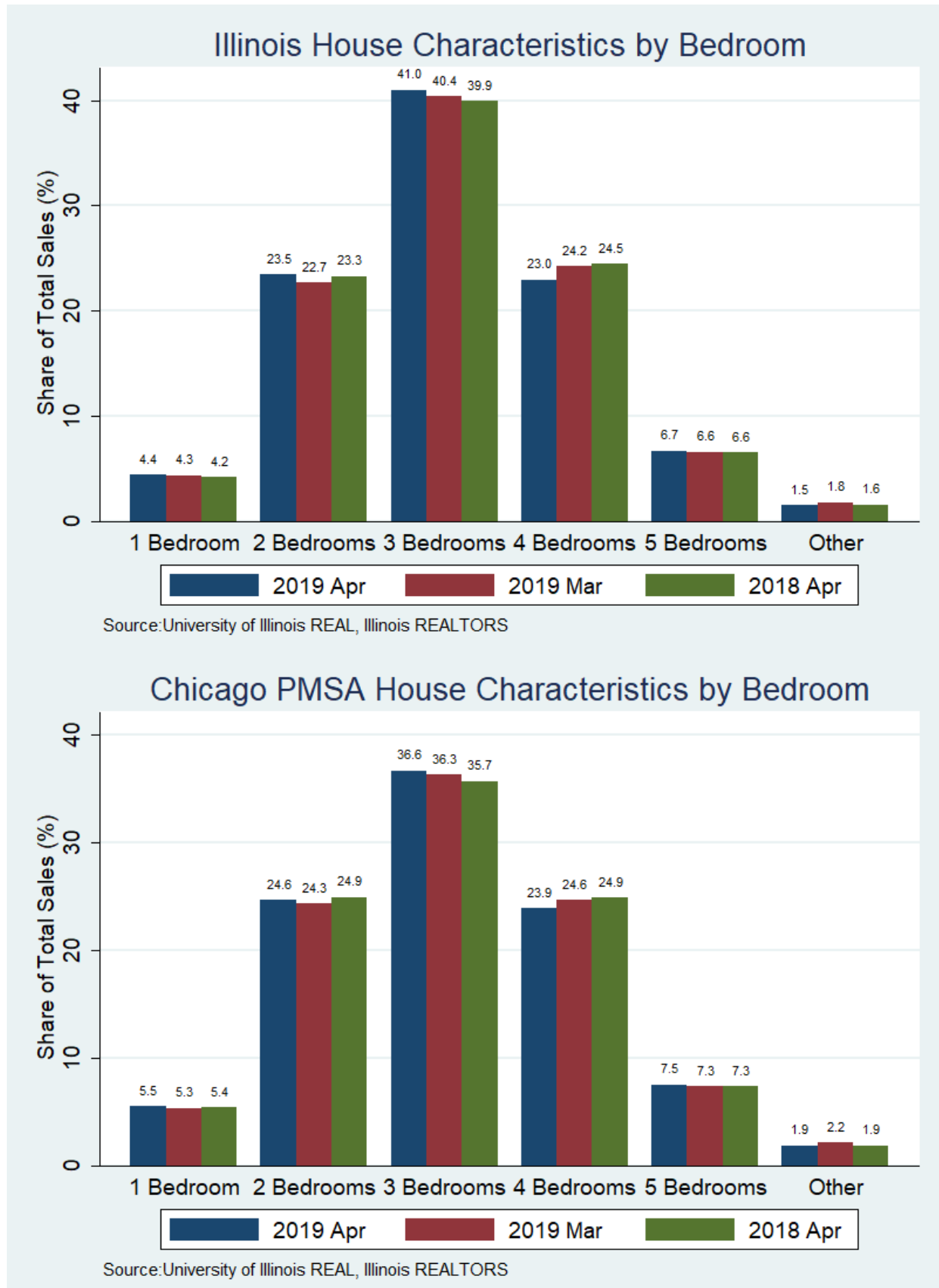
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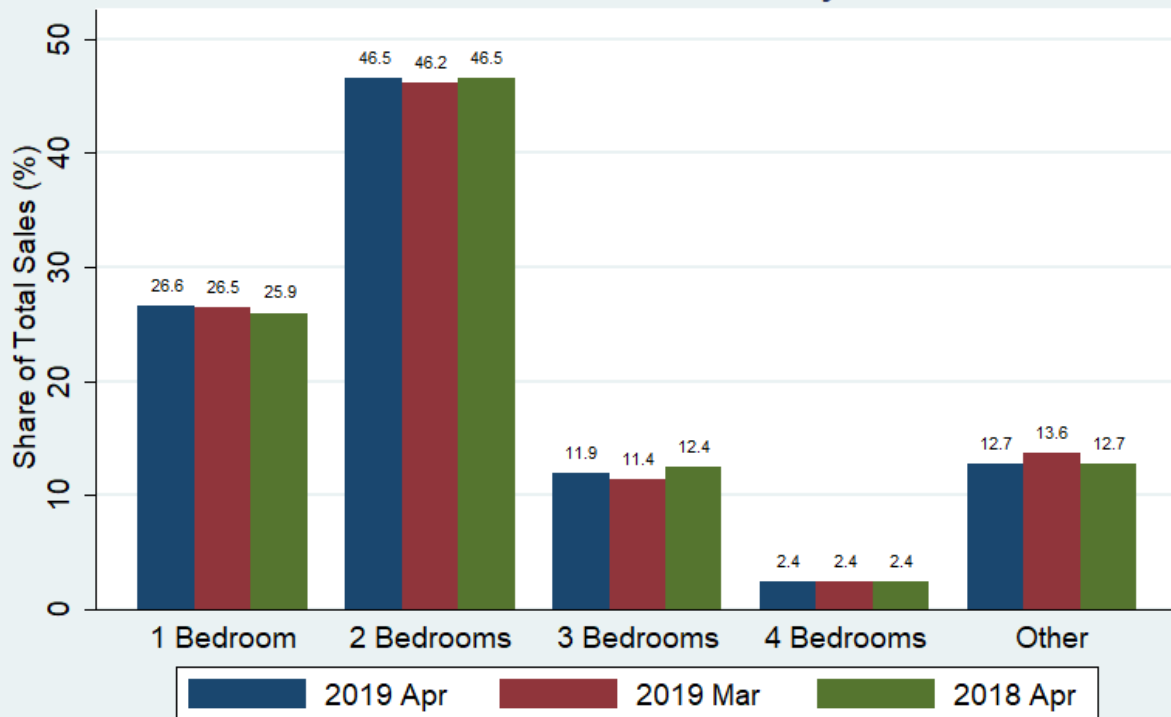
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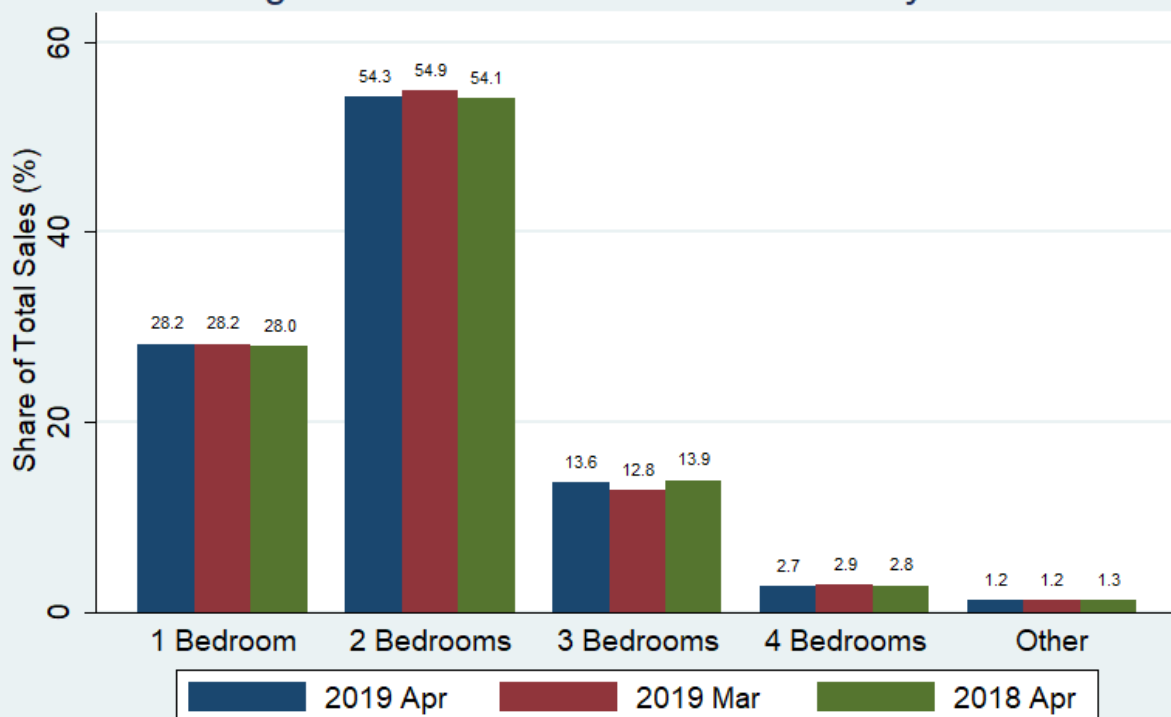


### Illinois House Characteristics by Bathroom



Source: University of Illinois REAL, Illinois REALTORS

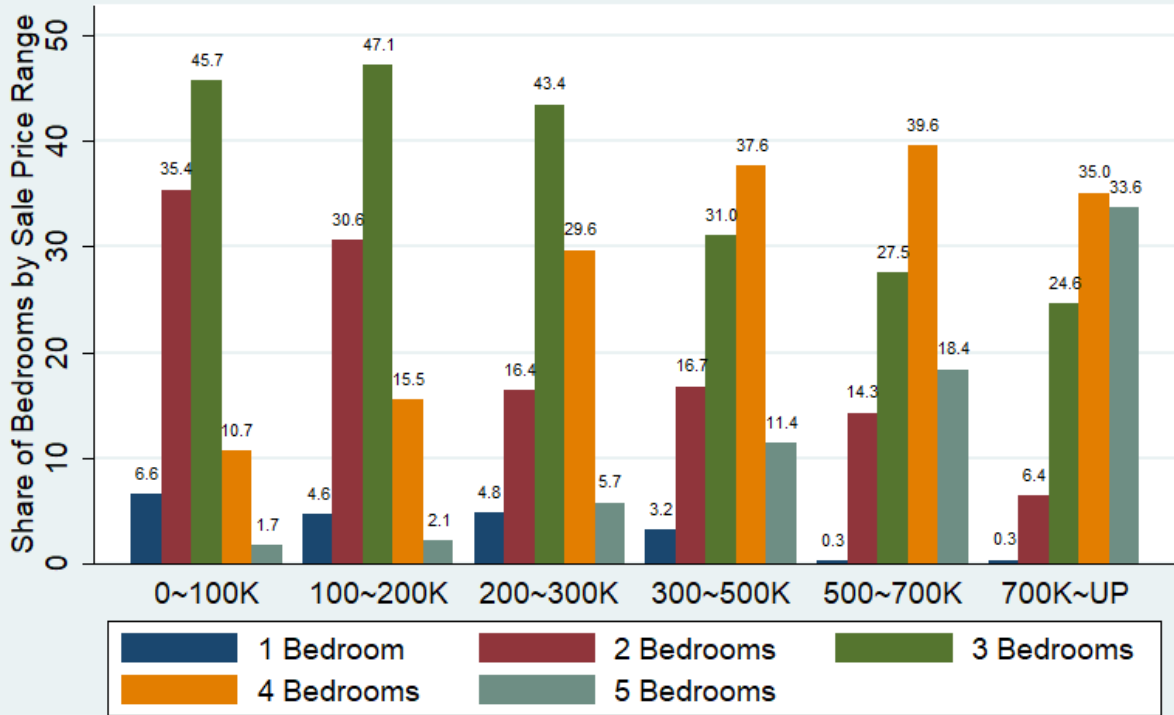
### Chicago PMSA House Characteristics by Bathroom



Source: University of Illinois REAL, Illinois REALTORS

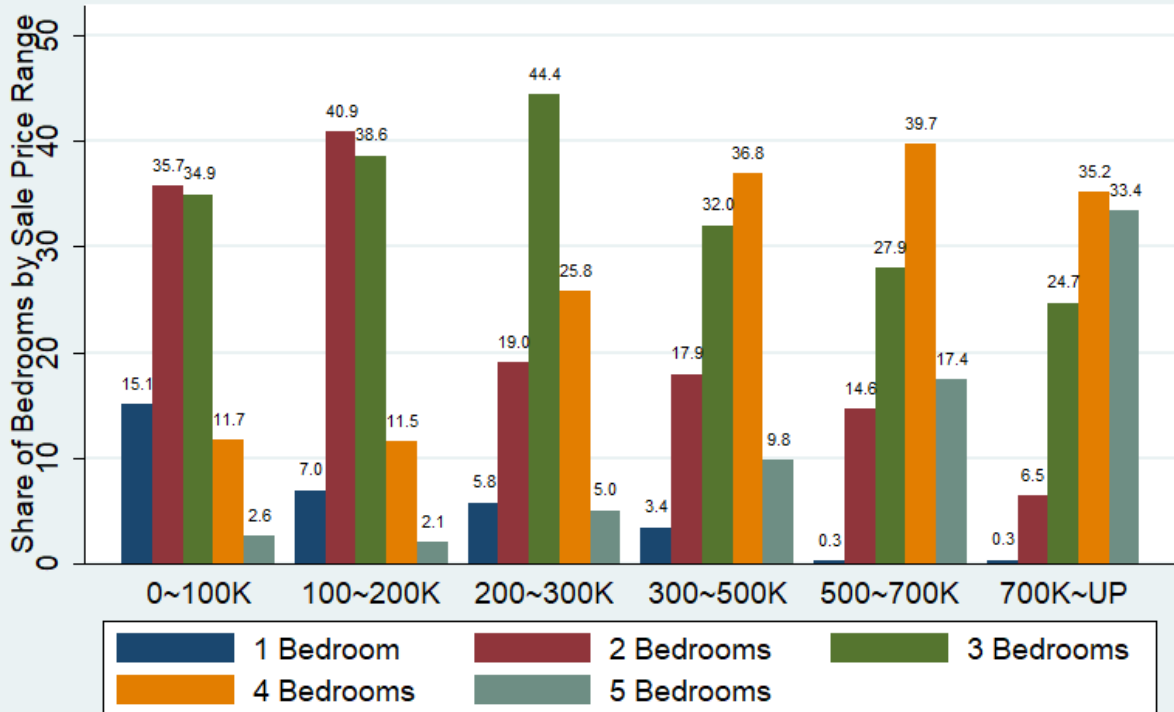


### Illinois Bedroom Shares by Sale Price Stratification



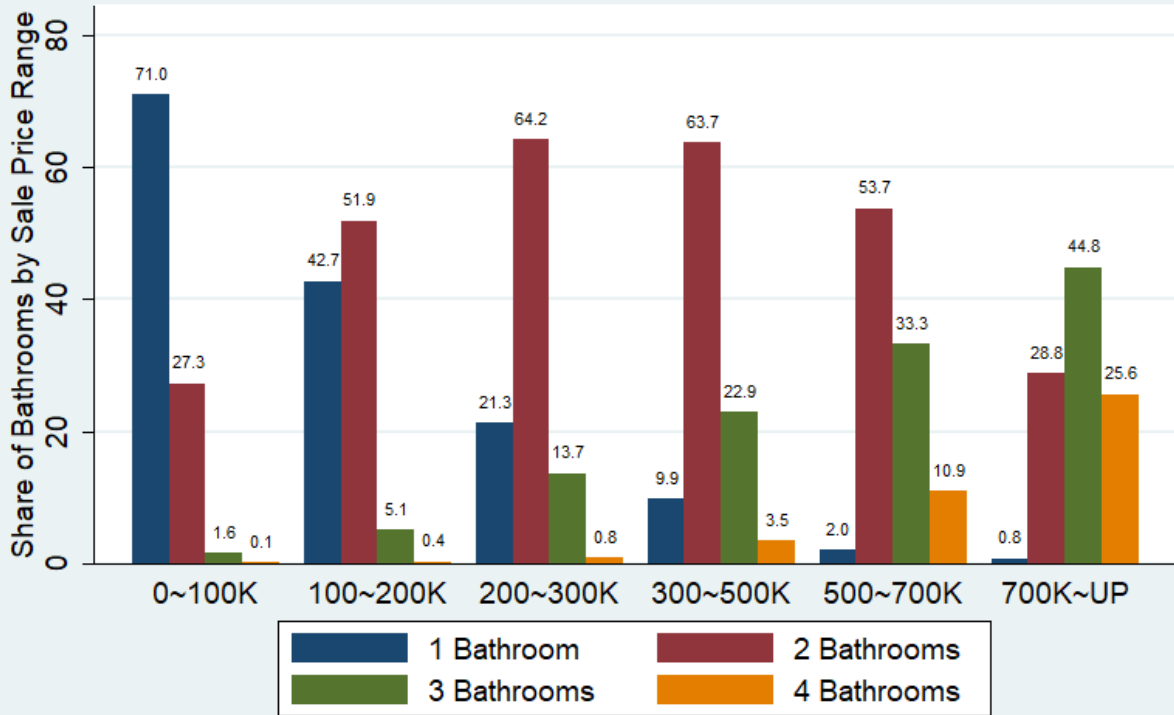
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### Chicago PMSA Bedroom Shares by Sale Price Stratification



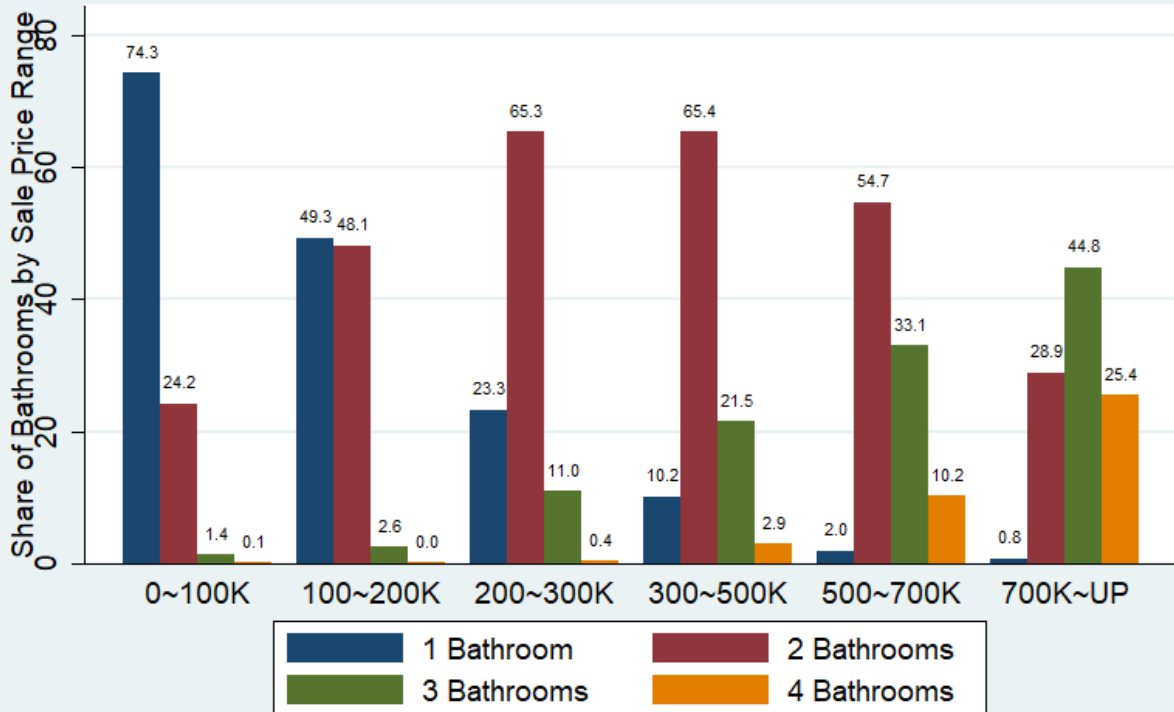
Source: University of Illinois REAL, Illinois REALTORS

### Illinois Bathroom Shares by Sale Price Stratification



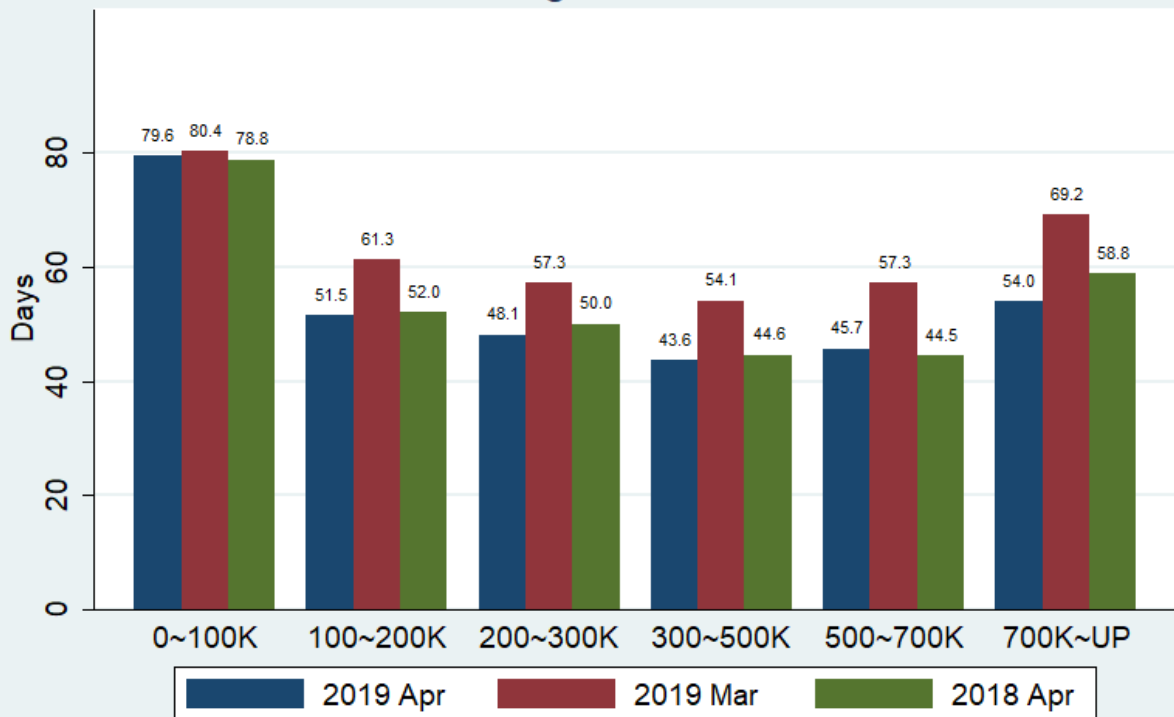
Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA Bathroom Shares by Sale Price Stratification



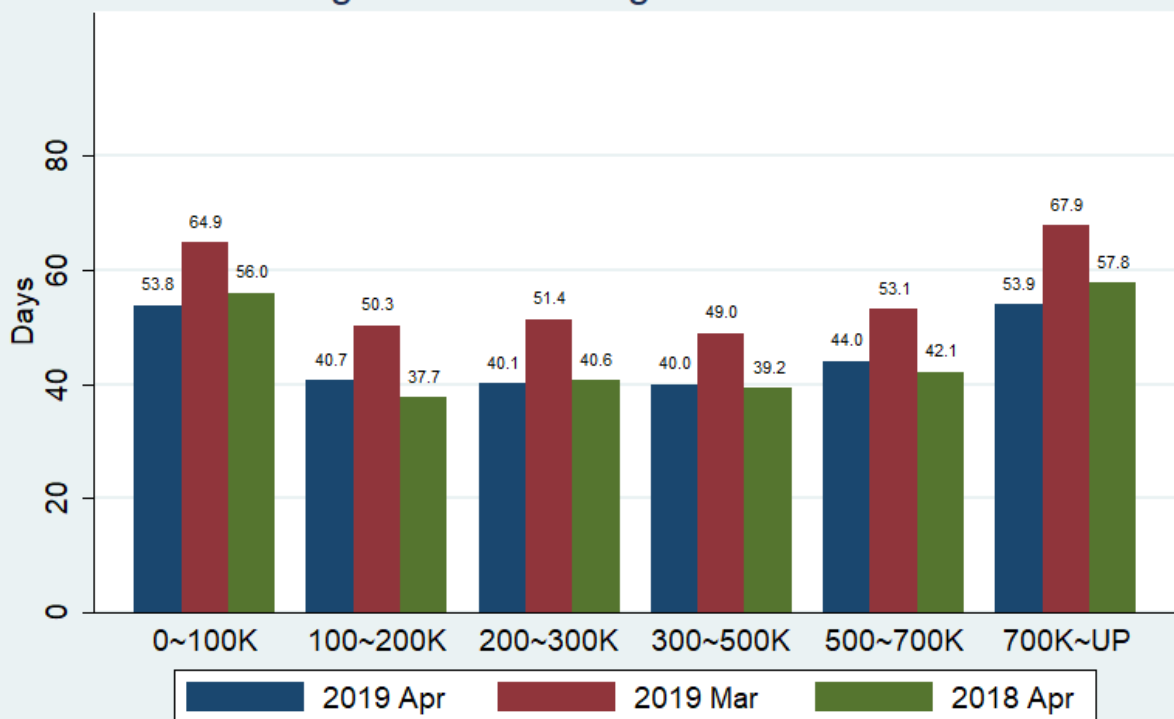
Source: University of Illinois REAL, Illinois REALTORS

### 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

