

# **Housing Price Forecasts**

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

Presented To  
**Illinois Realtors®**

From

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## **Housing Price Forecast: Illinois and Chicago PMSA, August 2019**

### **The Housing Market**

In July, both median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 16,357 houses were sold in Illinois, changing by -3.0% from a month ago and 0.3% from a year ago. In the Chicago PMSA, 11,697 houses were sold, changing by -4.2% from a month ago and 0.2% from a year ago. The median price was \$219,348 in Illinois, up 2.6% from July last year; the comparable figure for the Chicago PMSA was \$259,000, up 3.5% from July last year.

In July, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 6.2%. 10,882 regular sales were made, 1.2% more than last year. 735 foreclosed properties were sold, 11.4% less than last year. The median price was \$264,000 for regular property sales, up 1.5% from last year; the comparable figure for the foreclosed properties was \$190,000, 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 July 2008 has been adjusted to 2019 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the July 2008 median sales price was \$168,500 (in \$2008) and \$201,015 (in \$2019); the current price level was 109% of the 2008 level after adjusting (130% before adjusting). In the Chicago PMSA, the July 2008 median sales price was \$214,000 (in \$2008) and \$255,295 (in \$2019); the comparable figure for price recovery in July 2019 is 101% after adjustment (121% before adjusting).

The sales forecast for August, September and October suggests an increase on a yearly basis and a decrease on a monthly basis for both Illinois and the Chicago PMSA. Annually for Illinois, the three-month average forecasts point to an increase in the range 2.4% to 3.3%; the comparative figures for the Chicago PMSA are an increase in the range 3.0% to 4.0%. On a monthly basis, the three-month average sales are forecast to decrease in the range -4.5% to -6.1% for Illinois and decrease in the range -4.8% to -6.5% for the Chicago PMSA.

The pending home sales index<sup>1</sup> is a leading indicator based on contract signings. This July, 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 178.3 (2008=100) in Illinois, up 5.6% from a year ago. In the Chicago PMSA, the comparable figure is 199.7, up 7.9% 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 last year). In the Chicago PMSA, the comparable figure was 3.7 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 August, September, and October in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 3.8% in August, 2.3% in September and 2.8% in October. For the Chicago PMSA, the comparable figures are 3.3% in August, 2.4% in September and 3.2% in October. As a complement to the median housing price index (HPI), the REAL HPI<sup>3</sup> forecasts a mild positive

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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.

growth trend for both Illinois and the Chicago PMSA. In Illinois, the REAL HPI (Jan 2008=1) is forecast to change by 2.3% in August 0.6% in September and 0.6% in October. The comparable figures for the Chicago PMSA are 1.5% in August 1.0% in September and 0.6% in October. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In July, 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 are optimistic about current and prospective business and labor market conditions, and their expectations regarding their financial outlook also improved. The University of Michigan Consumer Sentiment Index survey reported that the uptick in confidence was due in large part to the continued positive performance of the stock market and the solid employment situation. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) also increased. The survey reported that consumer job confidence and favorable mortgage rate expectations lifted the HPSI to a new survey high in July, despite ongoing housing supply and affordability challenges.

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

- In July, both median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 16,357 houses were sold in Illinois, changing by -3.0% from a month ago and 0.3% from a year ago. In the Chicago PMSA, 11,697 houses were sold, changing by -4.2% from a month ago and 0.2% from a year ago. The median price was \$219,348 in Illinois, up 2.6% from July last year; the comparable figure for the Chicago PMSA was \$259,000, up 3.5% from July last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for August 2019 report table)
- In July, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 6.2%. 10,882 regular sales were made, 1.2% more than last year. 735 foreclosed properties were sold, 11.4% less than last year. The median price was \$264,000 for regular property sales, up 1.5% from last year; the comparable figure for the foreclosed properties was \$190,000, up 8.9% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In July, at the latest average annual pending sales rate, Illinois had enough housing inventory for 4.5 months<sup>4</sup> (down from 4.6 last year). In the Chicago PMSA, the comparable figure was 3.7 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 July, the market shares of homes priced at \$100-200K experienced the largest change compared to a year ago. In Illinois, the market share for homes at \$100-200K decreased to 30.6% from 32.1% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 26.4% from 28.3% 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 August, September, and October in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 3.8% in August, 2.3% in September and 2.8% in October. For the Chicago PMSA, the comparable figures are 3.3% in August, 2.4% in September and 3.2% in October. (Reference: Forecast for August 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 2.3% in August 0.6% in September and 0.6% in October. The comparable figures for the Chicago PMSA are 1.5% in August 1.0% in September and 0.6% in October. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for August, September and October suggests an increase on a yearly basis and a decrease on a monthly basis for both Illinois and the Chicago PMSA. Annually for Illinois, the three-month average forecasts point to an increase in the range 2.4% to 3.3%; the comparative figures for the Chicago PMSA are an increase in the range 3.0% to 4.0%. On a monthly basis, the three-month average sales are forecast to decrease in the range -4.5% to -6.1% for Illinois and decrease in the range -4.8% to -6.5% for the Chicago PMSA. (Reference: Forecast for August 2019 report table)
- The pending home sales index<sup>6</sup> is a leading indicator based on contract signings. This July, 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 178.3 (2008=100) in Illinois, up 5.6% from a year ago. In the Chicago PMSA, the comparable figure is 199.7, up 7.9% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In July 2019, 1,289 houses were newly filed for foreclosure in the Chicago PMSA (down 18.4% and up 11.2% respectively from a year and a month ago). 973 foreclosures were completed<sup>7</sup> (down 11.1% and up 5.4% respectively from a year and a month ago). As of July 2019, there are 26,633 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 562 in the past 6 months, 502 in the last 12 months and 499 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## The Economy

- In July 2019, 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 164,000 jobs. Employment increased in professional and technical services (+31,000), health care (+30,000), and social assistance (+20,000).
- In July 2019, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment was 4.2%, down 0.1% from the previous month. Non-farm payroll jobs decreased by -400 over the month. The industry sectors with the largest payroll loss were: professional and business services (-3,600), other services (-1,700), and construction (-1,100).

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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 May 2019, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 0.20% and 0.35%, corresponding to job gains between 12,500 and 21,900. The largest contributors to the forecast increase are education and health, leisure and hospitality, and professional and business services. (not updated)
- In July 2019, a new survey from Freddie Mac reports that while a lack of housing supply has been an ongoing issue for the single-family market, it also has played a part in the continued strength of the multifamily-housing sector. And despite some rumblings of potential economic distress on the horizon, Freddie Mac wrote that “the current trajectory of the economy does not indicate any looming headwinds that would cause major disruption to the multifamily market.”
- In July 2019, the latest migration report from real estate brokerage Redfin revealed that potential homebuyers continue to eschew pricey metro areas in search of affordability. Potential buyers are looking to move out of some of the most expensive cities in the U.S., such as New York, which tops the list of metros by net outflow of home seekers. Redfin chief economist Daryl Fairweather said that lower mortgage rates have made buying a home more affordable, but not affordable enough for typical homebuyers contending with these areas’ sky-high home prices and taxes.

### **Longer-term Outlook**

- In July, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 135.7, up from 124.3 last month. The survey revealed that consumers are optimistic about current and prospective business and labor market conditions, and their expectations regarding their financial outlook also improved and these high levels of confidence should continue to support robust spending in the near-term despite slower growth in GDP. The University of Michigan Consumer Sentiment Index edged up to 98.4 from 98.2 last month. The survey reported that this uptick in confidence was due in large part to the continued positive performance of the stock market and the solid employment situation.
- In July, Fannie Mae Home Purchase Sentiment Index (HPSI) increased to 93.7 from 91.5 last month, a new survey high. The survey reported that consumer job confidence and favorable mortgage rate expectations lifted the HPSI to a new survey high in July, despite ongoing housing supply and affordability challenges. Fannie Mae Senior Vice President and Chief Economist Doug Duncan said that consumers appear to have shaken off a winter slump in sentiment amid strong income gains, thus sentiment is positioned to take advantage of any supply that comes to market, particularly in the affordable category.
- The Chicago Business Activity Index (CBAI) decreased to 92.1 in June from 89.2 in May. The increase is mainly attributed to positive manufacturing, nonmanufacturing and construction job growth.

“The gyrations in the stock market and the constant discussion about the possibility of a recession are likely to affect consumer confidence in the months ahead” noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory. “Low interest rates, and only modest price increases would normally be expected to boost sales but there appears to be hesitation stemming from limited supply and the market turmoil.”

**Forecast for August 2019 report**

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES					
	Annual			Monthly	
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
May-19	0.0%	-2.5%		22.5%	20.0%
Jun-19	-9.7%	-10.1%		-2.3%	-0.5%
Jul-19	0.3%	0.2%		-3.0%	-4.2%
3 Month Avg.	-3.4%	-4.4%		4.7%	4.2%
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES					
	Annual			Monthly	
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Aug-19	-0.9%	-1.3%	-1.1%	1.6%	-0.5%
Sep-19	5.4%	7.3%	5.2%	-16.2%	-17.1%
Oct-19	3.8%	5.1%	6.1%	2.6%	5.2%
3 Month Avg.	2.4%	3.3%	3.0%	-4.5%	-4.8%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE					
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
May-19	\$219,000	\$259,200	May-18	\$215,000	\$254,000
Jun-19	\$225,000	\$262,700	Jun-18	\$224,500	\$262,500
Jul-19	\$219,348	\$259,000	Jul-18	\$213,625	\$250,151
Aug-19	\$207,588	\$250,450	Aug-18	\$200,000	\$242,500
Sep-19	\$201,521	\$243,154	Sep-18	\$197,000	\$237,500
Oct-19	\$195,240	\$237,344	Oct-18	\$190,000	\$230,000
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE					
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
May-19	1.9%	2.0%	May-18	3.4%	2.9%
Jun-19	0.2%	0.1%	Jun-18	4.4%	4.2%
Jul-19	2.6%	3.5%	Jul-18	1.7%	1.1%
Aug-19	3.8%	3.3%	Aug-18	0.0%	1.5%
Sep-19	2.3%	2.4%	Sep-18	2.6%	3.3%
Oct-19	2.8%	3.2%	Oct-18	2.7%	3.6%

**Median Prices and Recovery**

	Illinois		Chicago PMSA	
	[\$2008]	[\$2019]	[\$2008]	[\$2019]
<b>July 2008 Median Price</b>	\$168,500	\$201,015	\$214,000	\$255,295
<b>July 2019 Median Price</b>	\$183,760	\$219,348	\$217,106	\$259,000
Price Ratio (July 19/ July 08)	Adjusted	1.09	Adjusted	1.01
	Unadjusted	1.30	Unadjusted	1.21

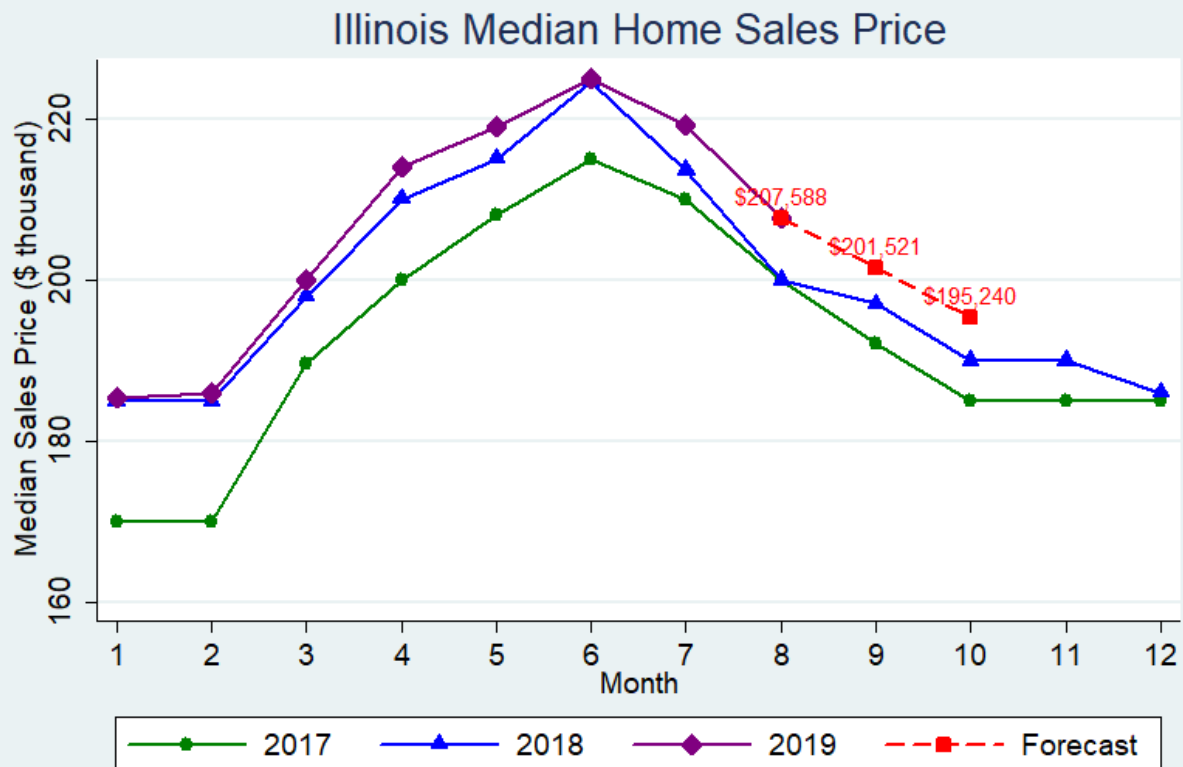
**Recovery Forecasts using *Annually Growth Rates***

	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	0.7%	-13.1	1.6%	-0.9
Past 3 months	-0.3%	30.9	0.0%	-43.5
Past 6 months	-0.4%	20.3	-0.4%	3.6
Past 9 months	-0.5%	17.3	-0.4%	3.2
Past 12 months	-0.6%	15.5	-0.3%	5.3

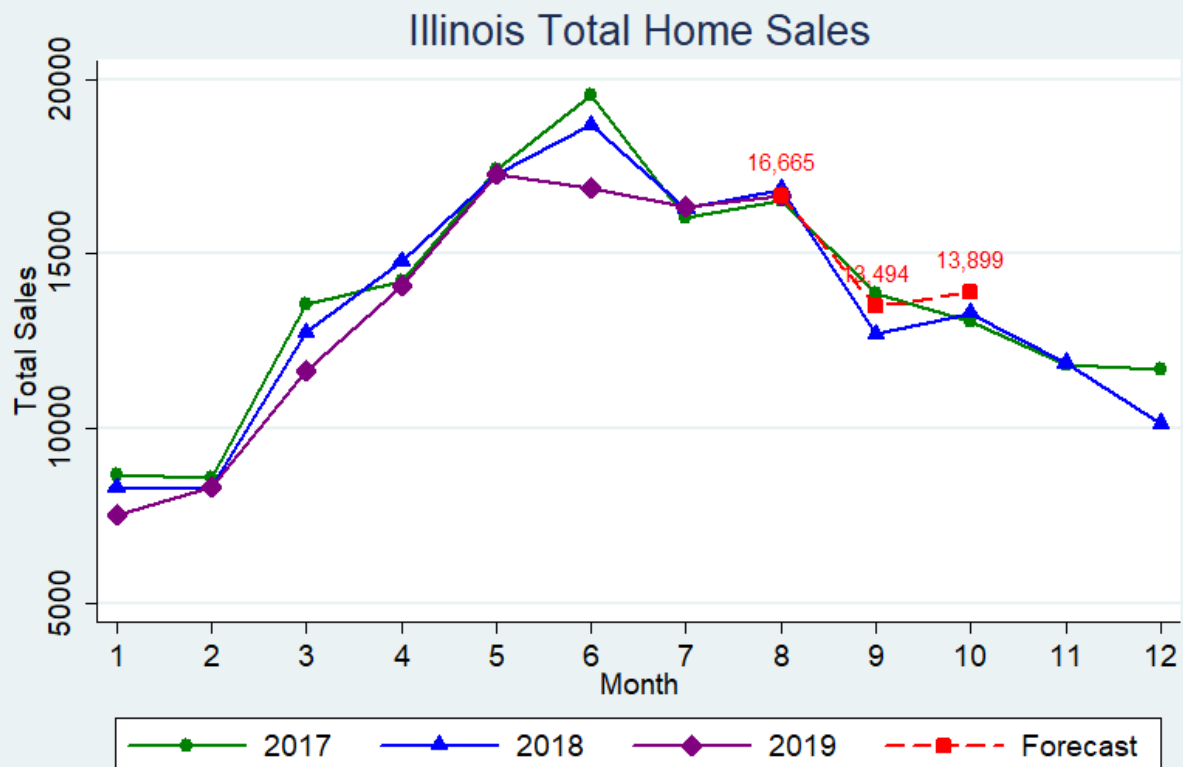
\*Annual recovery rate is the average of *annual* change rates in past months

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

$\text{Price}_{\text{July 2019}} * (1 + \text{recovery rate})^{\text{years}} = \text{Price}_{\text{July 2008}}$ . 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.



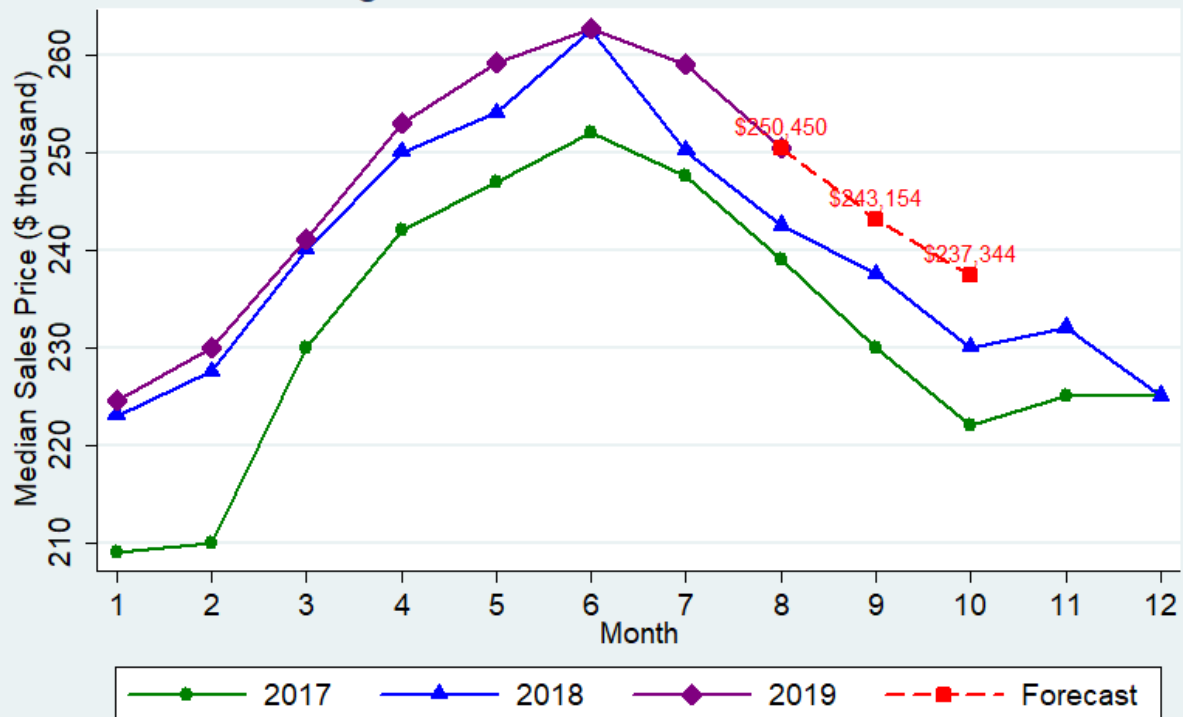
Source: University of Illinois REAL, Illinois REALTORS



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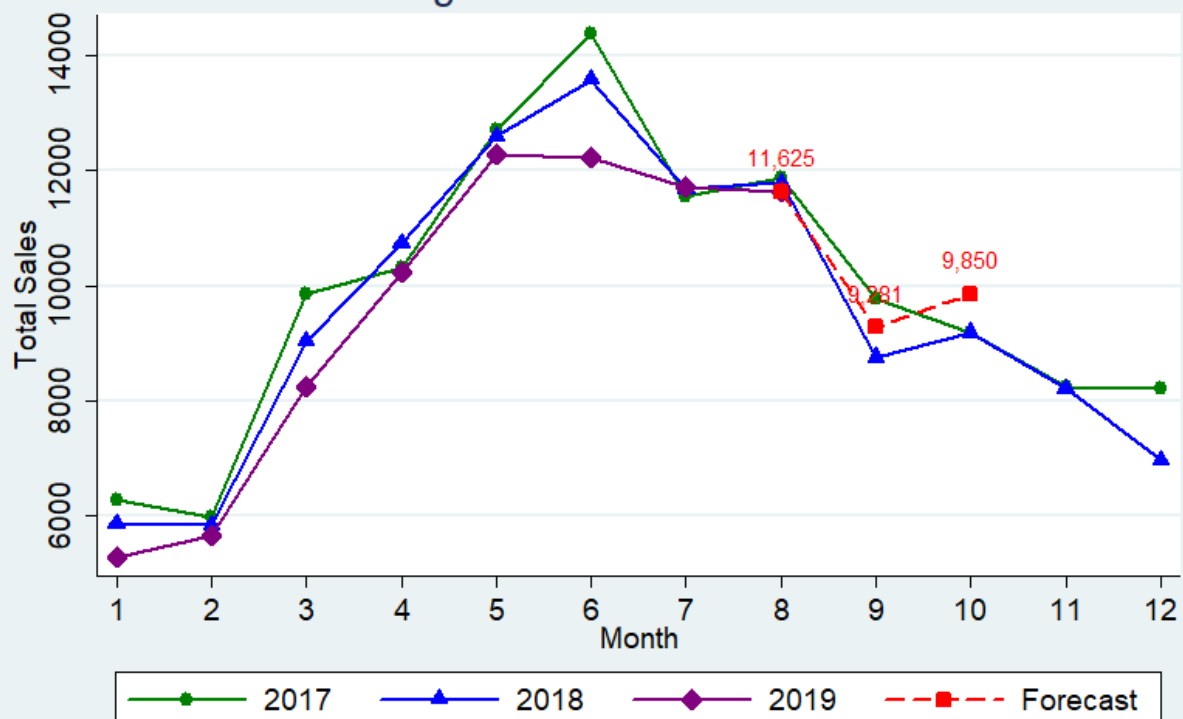


## Chicago PMSA Median Home Sales Price

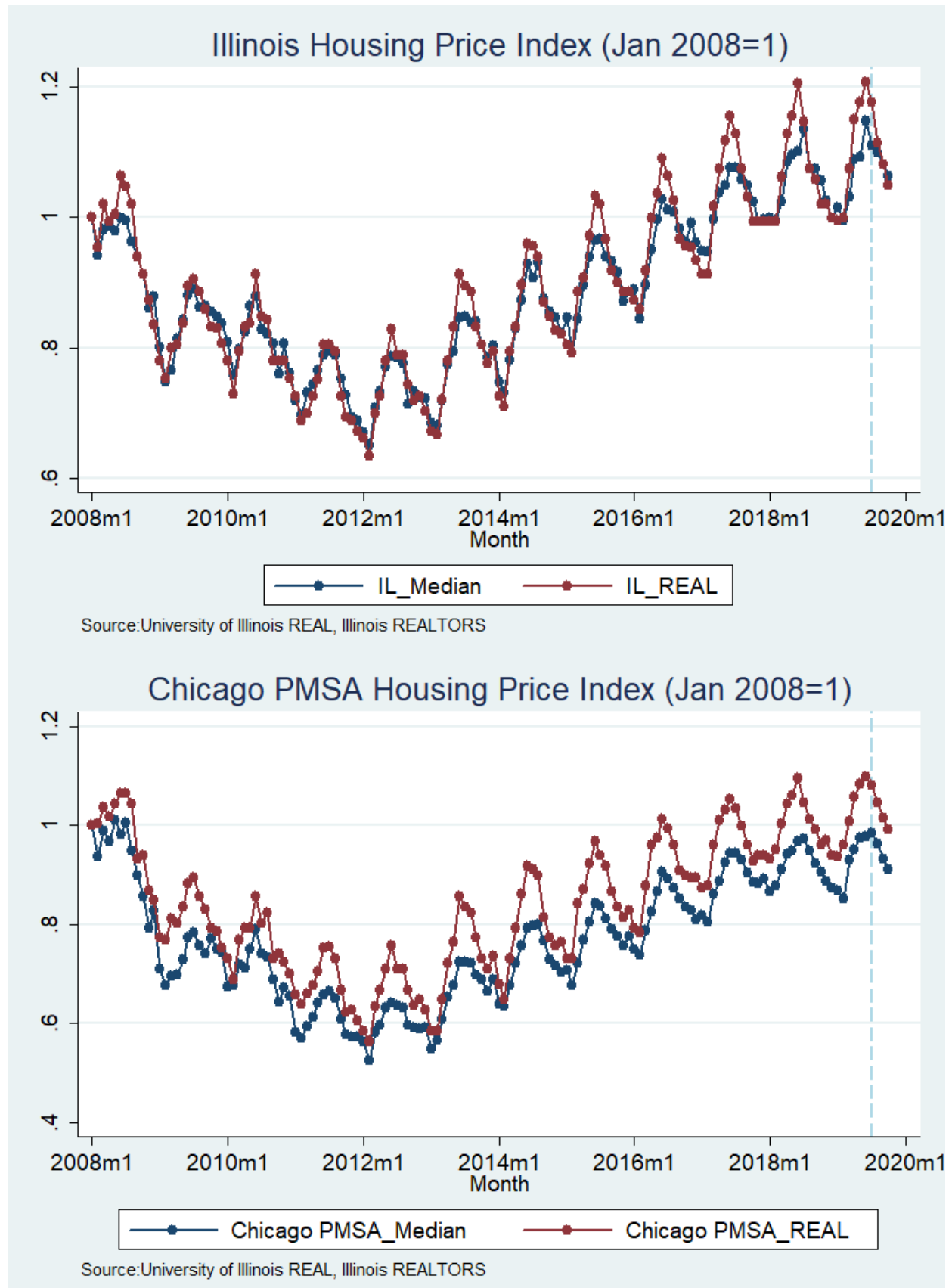


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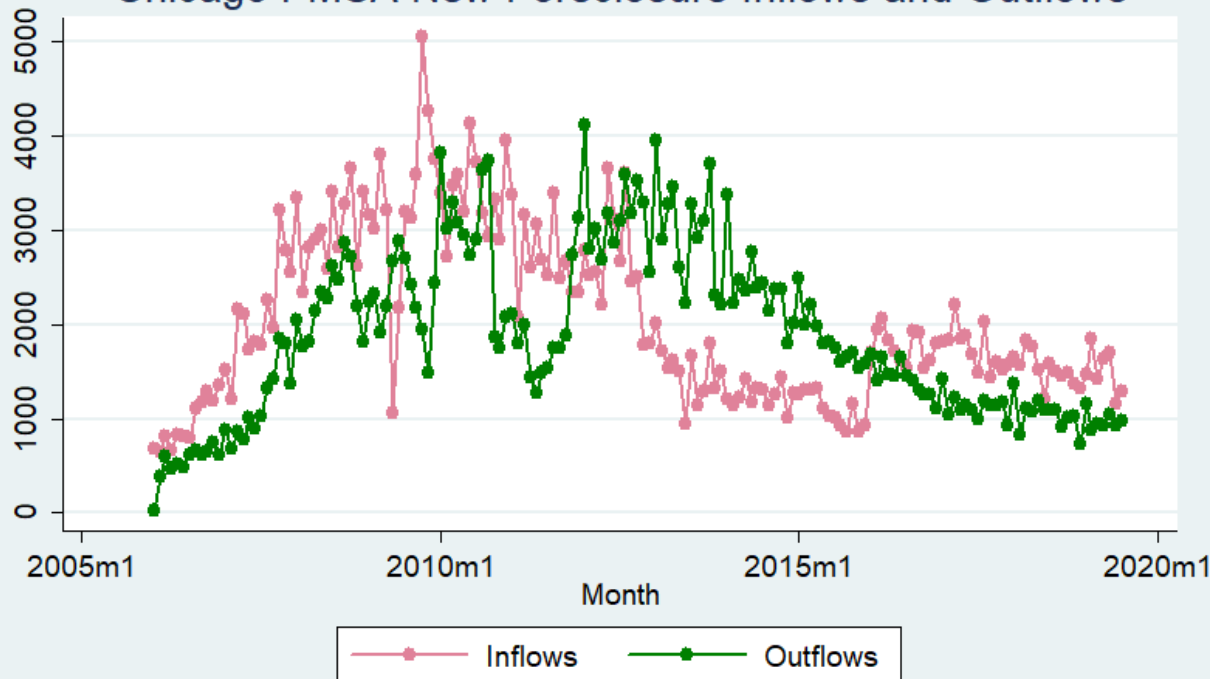
## Chicago PMSA Total Home Sales



Source: University of Illinois REAL, Illinois REALTORS



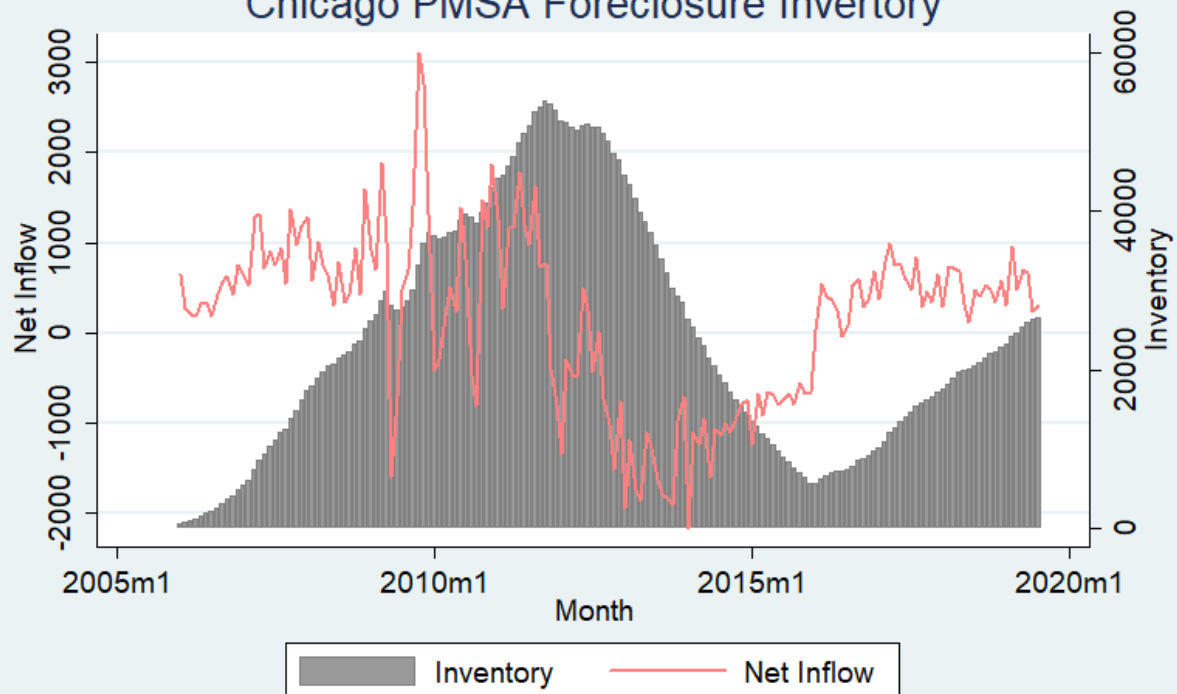
### Chicago PMSA New Foreclosure Inflows and Outflows



Inflows: New foreclosure filings; Outflows: Cancelled/Sold/REO

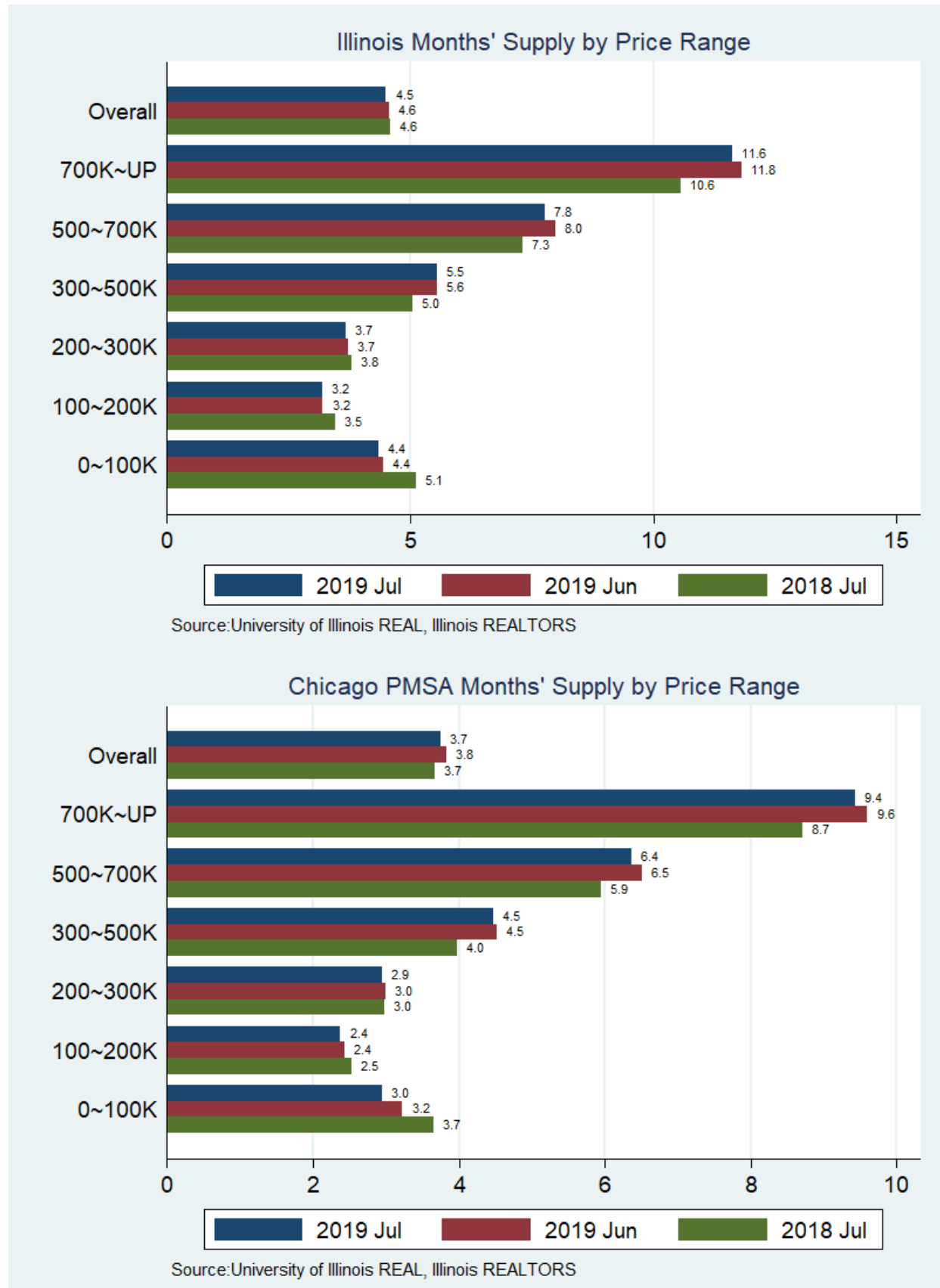
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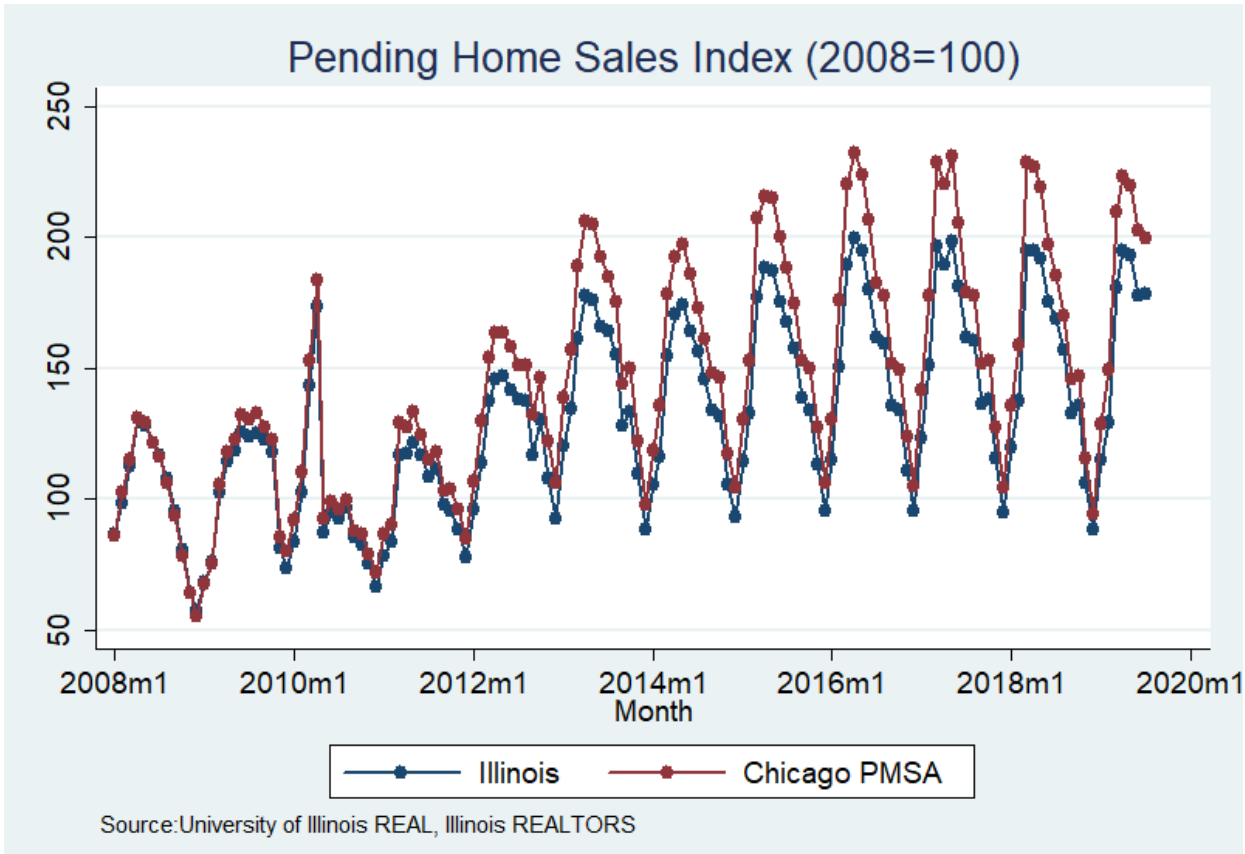
### Chicago PMSA Foreclosure Inventory

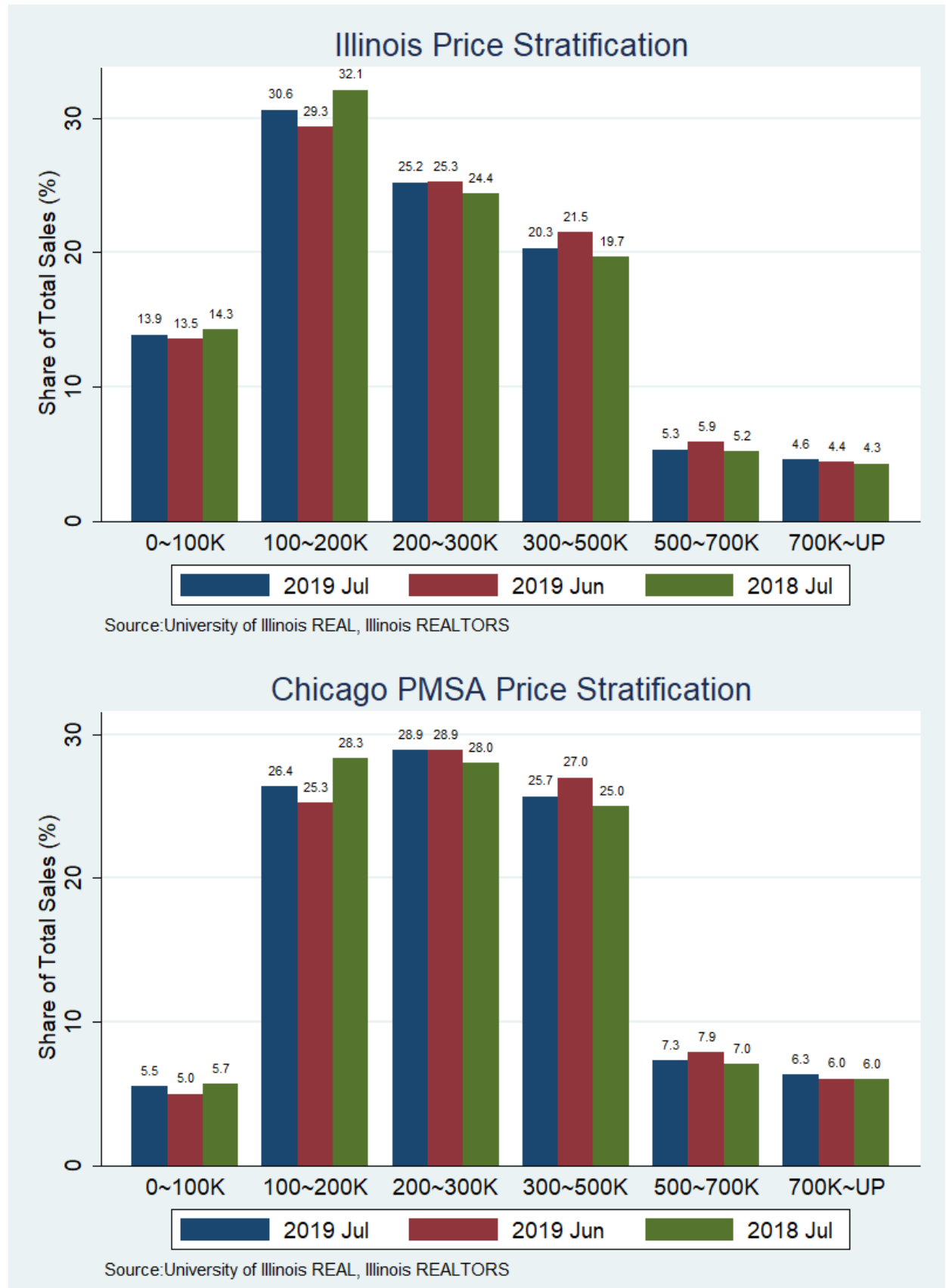


Net inflows=Inflows-Outflows

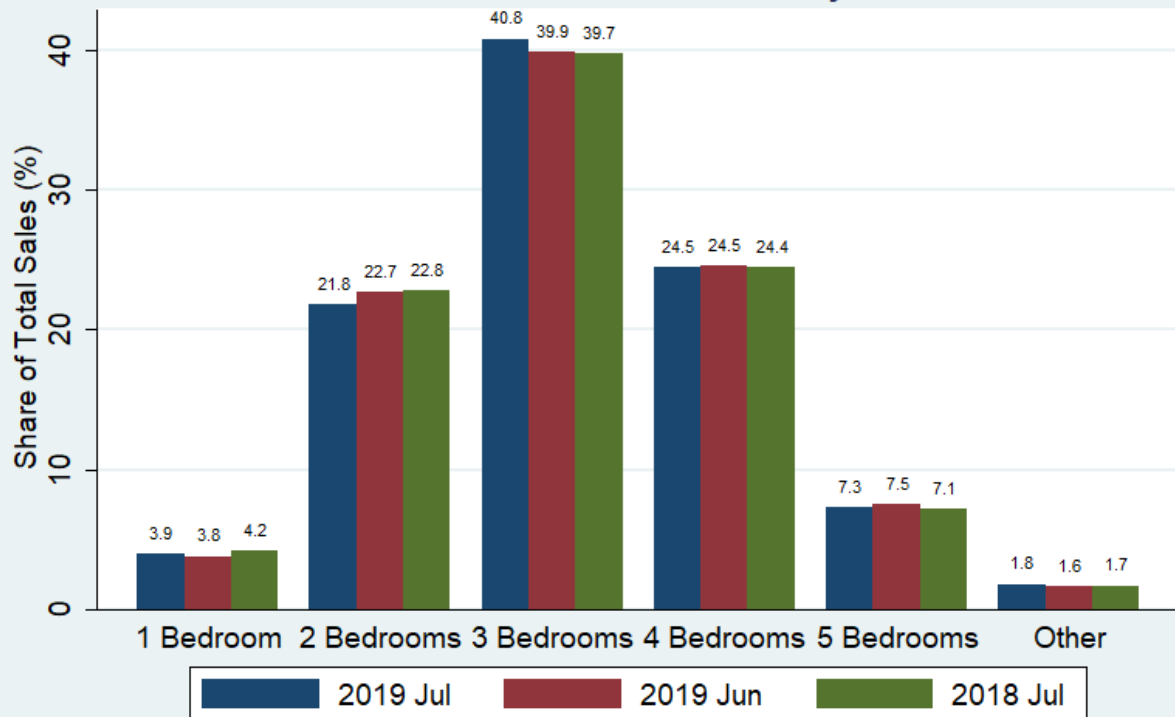
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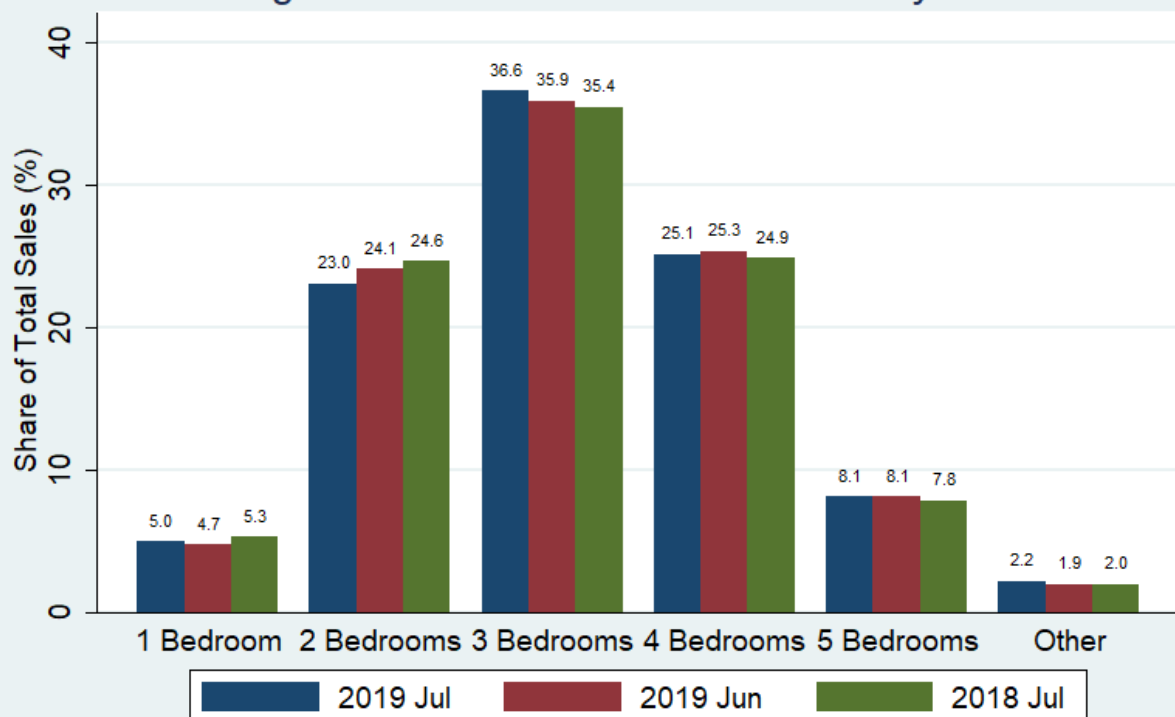


### Illinois House Characteristics by Bedroom



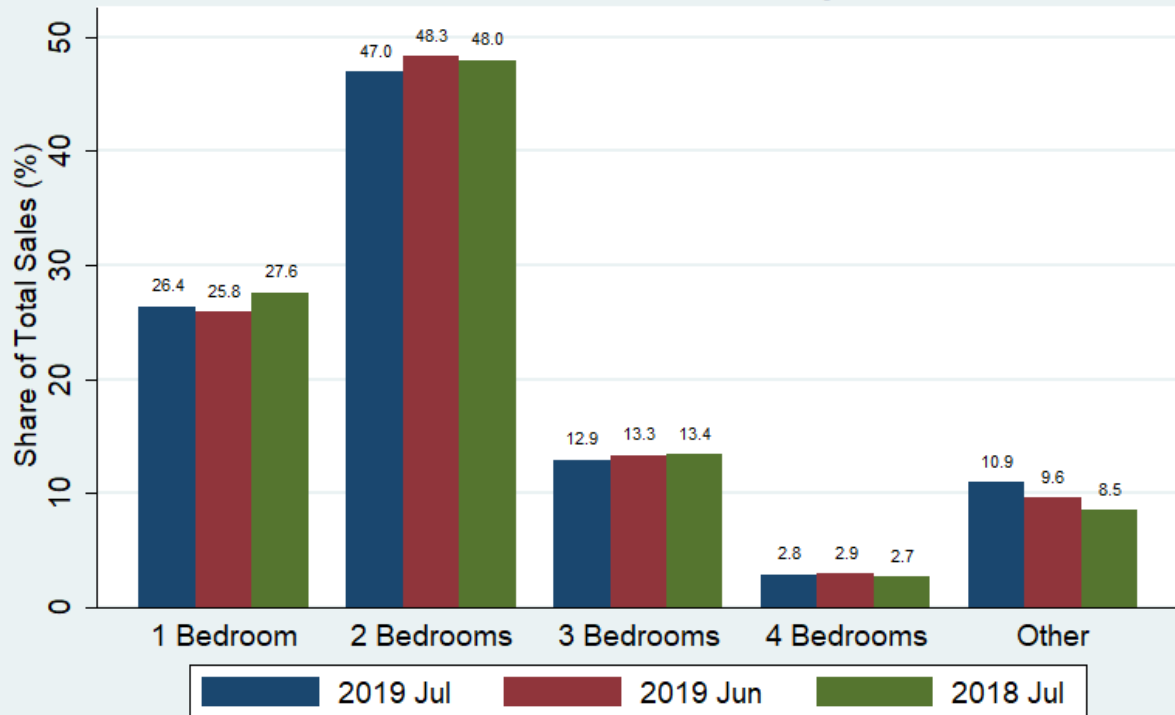
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### Chicago PMSA House Characteristics by Bedroom



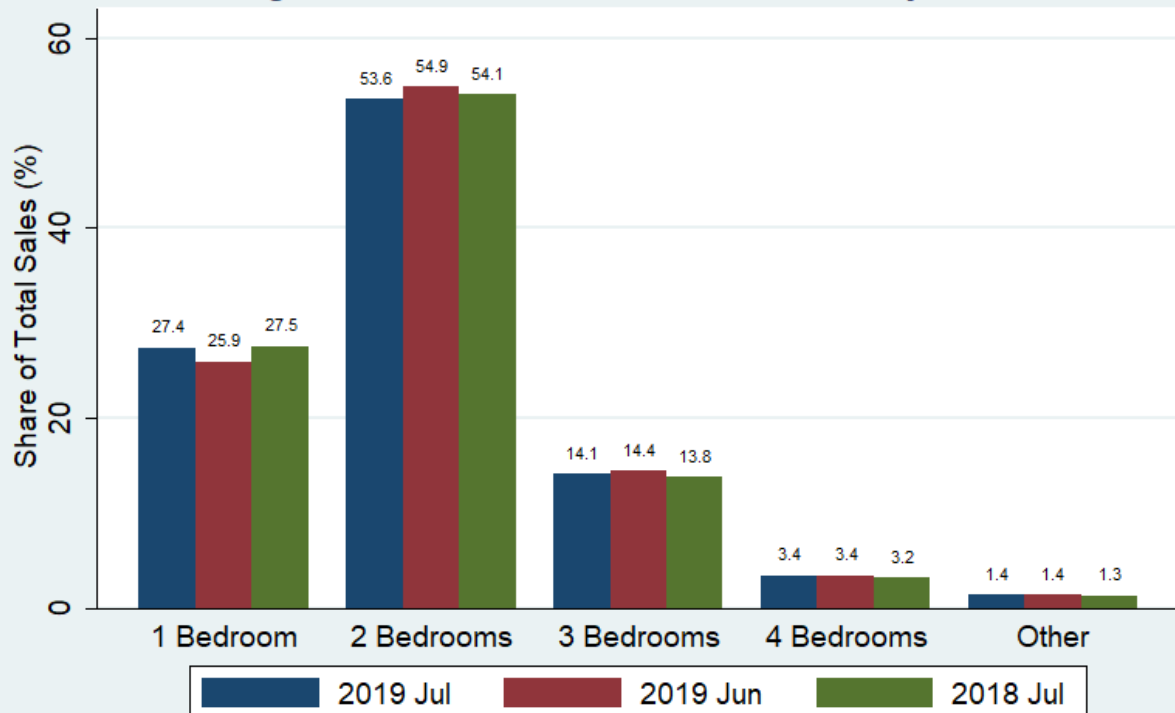
Source: University of Illinois REAL, Illinois REALTORS

### 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

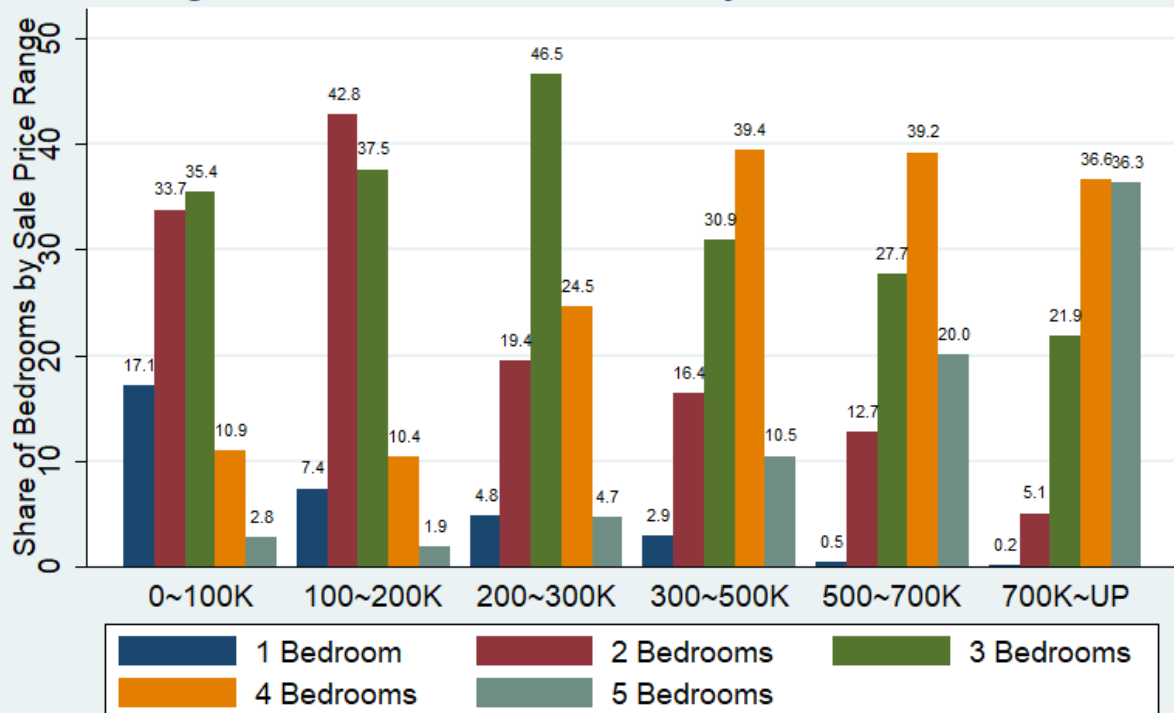


### Illinois Bedroom Shares by Sale Price Stratification



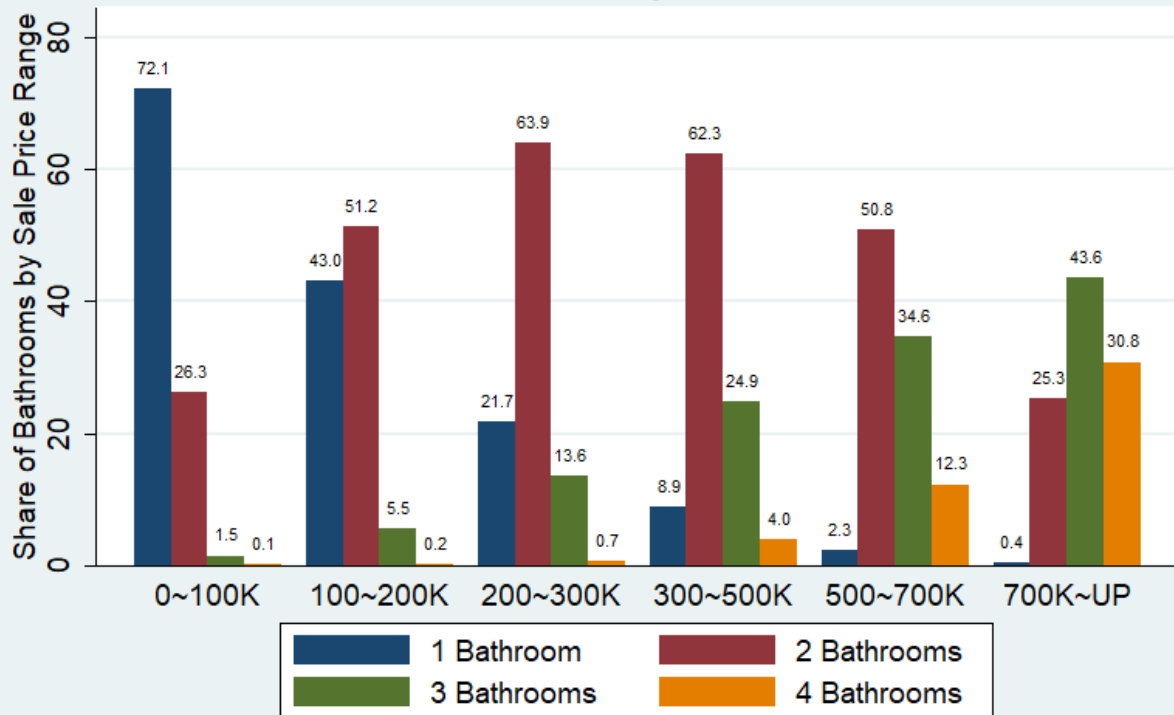
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### Chicago PMSA Bedroom Shares by Sale Price Stratification



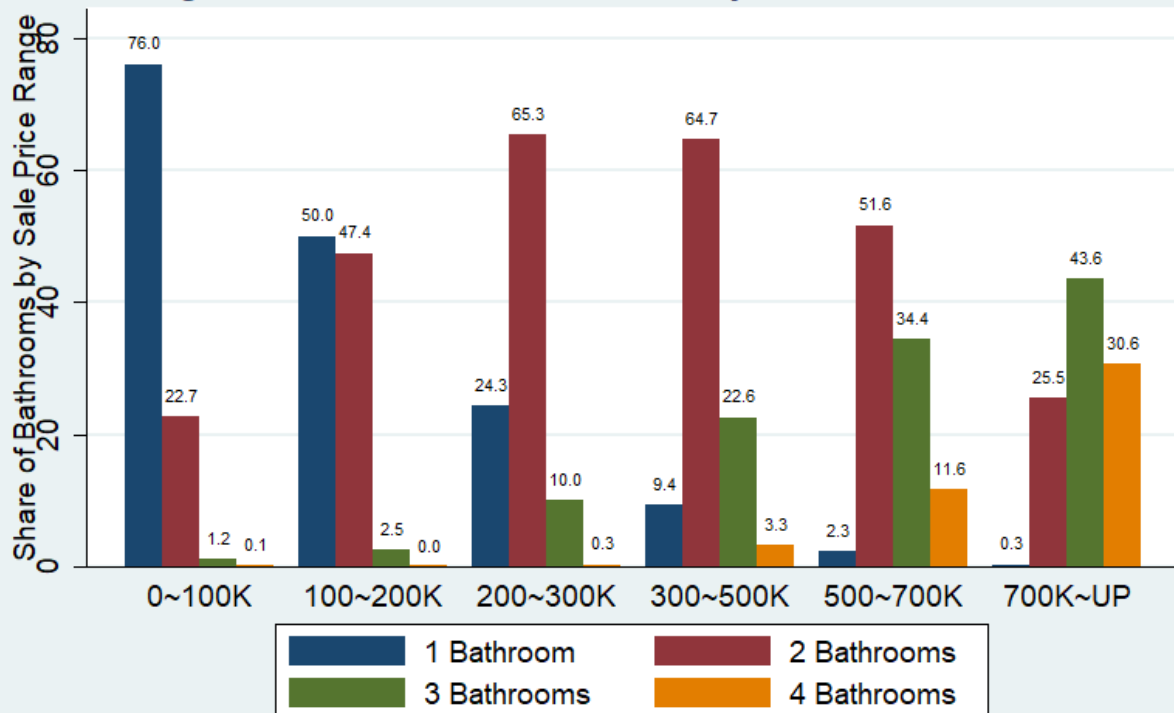
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### Illinois Bathroom Shares by Sale Price Stratification



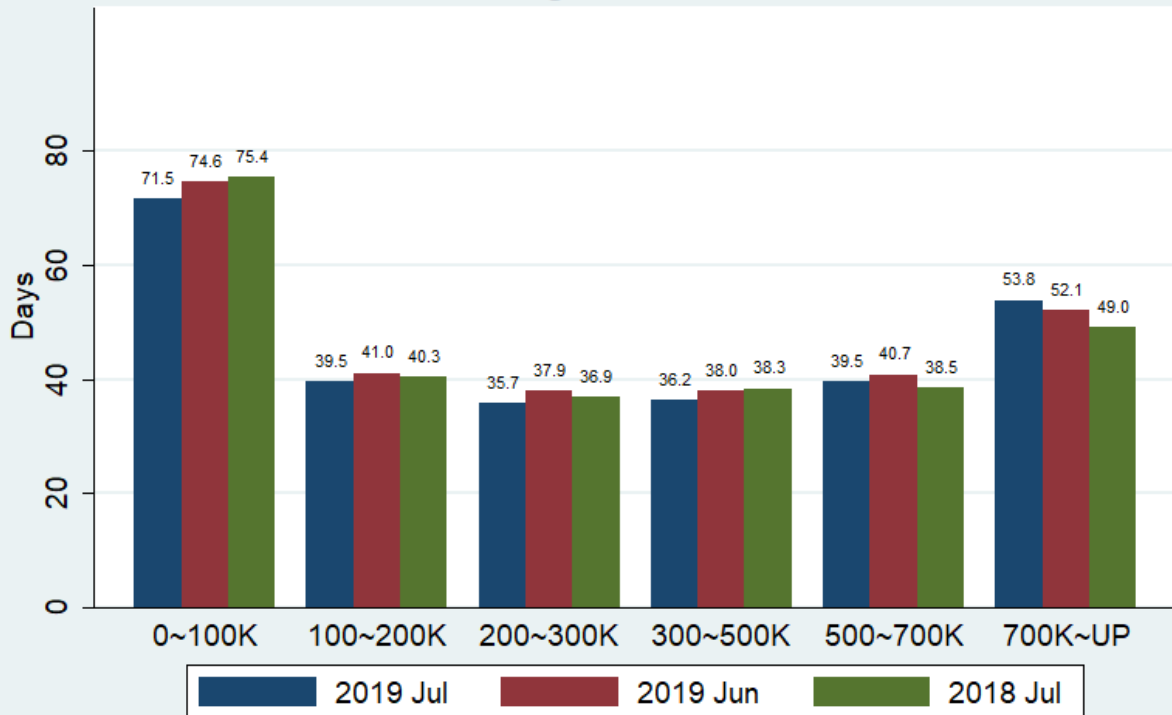
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### Chicago PMSA Bathroom Shares by Sale Price Stratification



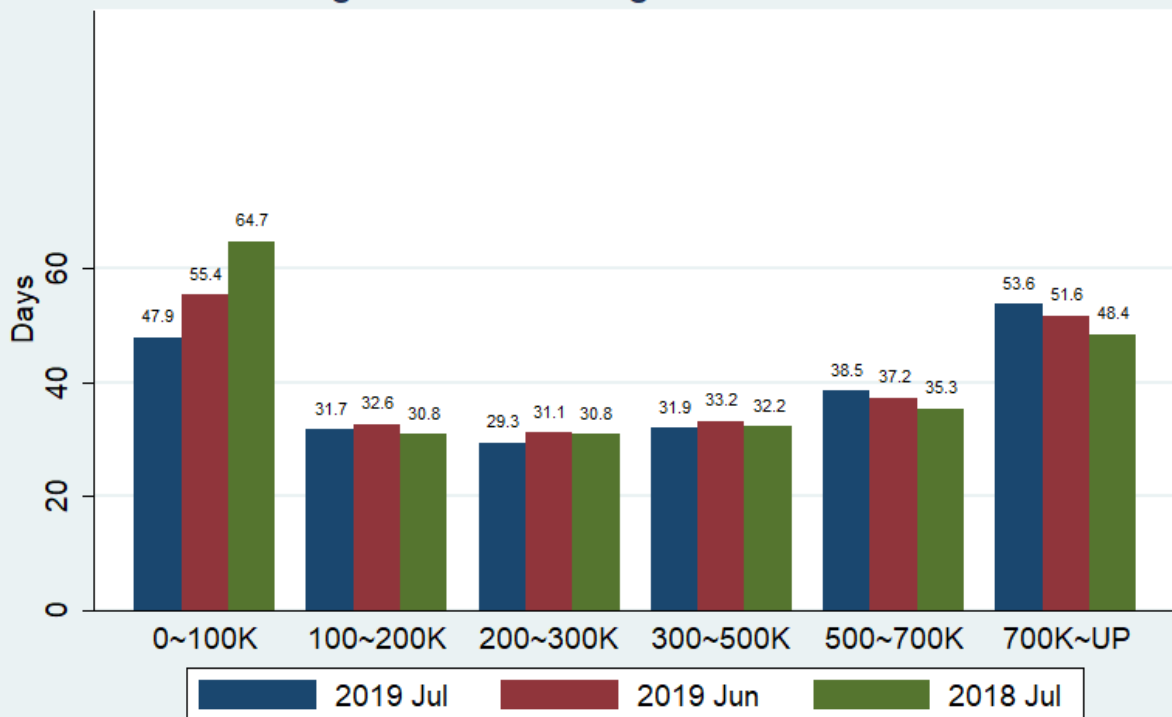
Source: University of Illinois REAL, Illinois REALTORS

### 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

