

# **Housing Price Forecasts**

## **Illinois and Chicago PMSA, June 2021**

Presented To

**Illinois Realtors®**

From

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## **Housing Price Forecast: Illinois and Chicago PMSA, June 2021**

### **The Housing Market**

In May, median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 17,675 houses were sold in Illinois, changing by 5.0% from a month ago and 51.8% from a year ago. In the Chicago PMSA, 12,768 houses were sold, changing by 3.7% from a month ago and 63.5% from a year ago. The median price was \$262,000 in Illinois, up 21.8% from May last year; the comparable figure for the Chicago PMSA was \$310,000, up 19.2% from May last year.

In May, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 3.1%. 12,333 regular sales were made, 72.5% more than last year. 340 foreclosed properties were sold, 42.2% less than last year. The median price was \$315,000 for regular property sales, up 17.5% from last year; the comparable figure for the foreclosed properties was \$235,000, up 22.4% 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 May 2008 has been adjusted to 2021 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the May 2008 median sales price was \$157,000 (in \$2008) and \$197,926 (in \$2021); the current price level was 132% of the 2008 level after adjusting (167% before adjusting). In the Chicago PMSA, the May 2008 median sales price was \$200,251 (in \$2008) and \$252,450 (in \$2021); the comparable figure for price recovery in May 2021 is 123% after adjustment (155% before adjusting).

The sales forecast for June, July and August suggests an increase 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 an increase in the range 10.7% to 14.5%; the comparative figures for the Chicago PMSA are an increase in the range 14.4% to 19.5%. On a monthly basis, the three-month average sales are forecast to increase in the range 3.5% to 4.8% for Illinois and increase in the range 3.3% to 4.4% for the Chicago PMSA.

The pending home sales index<sup>1</sup> is a leading indicator based on contract signings. This May, 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 230.2 (2008=100) in Illinois, up 27.6% from a year ago. In the Chicago PMSA, the comparable figure is 265.8, up 36.5% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.5 months<sup>2</sup> (down from 3.7 last year). In the Chicago PMSA, the comparable figure was 1.4 months (down from 3.2 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 positive annual growth for June, July, and August in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 21.8% in June, 15.2% in July and 12.0% in August. For the Chicago PMSA, the comparable figures are 18.9% in June, 14.0% in July and 11.2% in August. As a complement to the median housing price index (HPI), the REAL HPI 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 17.2% in June,

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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.

13.9% in July and 9.6% in August. The comparable figures for the Chicago PMSA are 15.6% in June 13.6% in July and 11.4% in August. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In May, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index declined. The Conference Board Consumer Confidence Index survey revealed that consumers’ assessment of present-day conditions improved, suggesting economic growth remains robust in Q2, however, consumers’ short-term optimism retreated, prompted by expectations of decelerating growth and softening labor market conditions in the months ahead. The University of Michigan Consumer Sentiment Index survey stated that the resurgent strength of the economy produced more immediate gains in demand than supply, causing consumers to expect a surge in inflation. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) remained relatively flat. The survey revealed that consumers are feeling substantially more positive about their jobs and income, while at the same time showing even greater pessimism about homebuying conditions compared to last month.

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

- In May, median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 17,675 houses were sold in Illinois, changing by 5.0% from a month ago and 51.8% from a year ago. In the Chicago PMSA, 12,768 houses were sold, changing by 3.7% from a month ago and 63.5% from a year ago. The median price was \$262,000 in Illinois, up 21.8% from May last year; the comparable figure for the Chicago PMSA was \$310,000, up 19.2% from May last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for June 2021 report table)
- In May, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 3.1%. 12,333 regular sales were made, 72.5% more than last year. 340 foreclosed properties were sold, 42.2% less than last year. The median price was \$315,000 for regular property sales, up 17.5% from last year; the comparable figure for the foreclosed properties was \$235,000, up 22.4% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In May, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.5 months (down from 3.7 last year). In the Chicago PMSA, the comparable figure was 1.4 months (down from 3.2 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 May, the market shares of homes in the lowest price ranges (<\$200K) experienced the largest change compared to a year ago. In Illinois, the market share for homes at \$100-200K decreased to 24.2% from 30.2% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 17.9% from 25.3% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

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

- The median price forecast indicates positive annual growth for June, July, and August in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 21.8% in June, 15.2% in July and 12.0% in August. For the Chicago PMSA, the comparable figures are 18.9% in June, 14.0% in July and 11.2% in August. (Reference: Forecast for June 2021 report table)

- As a complement to the median housing price index (HPI), the REAL HPI 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 17.2% in June, 13.9% in July and 9.6% in August. The comparable figures for the Chicago PMSA are 15.6% in June 13.6% in July and 11.4% in August. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for June, July and August suggests an increase 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 an increase in the range 10.7% to 14.5%; the comparative figures for the Chicago PMSA are an increase in the range 14.4% to 19.5%. On a monthly basis, the three-month average sales are forecast to increase in the range 3.5% to 4.8% for Illinois and increase in the range 3.3% to 4.4% for the Chicago PMSA. (Reference: Forecast for June 2021 report table)
- The pending home sales index<sup>3</sup> is a leading indicator based on contract signings. This May, 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 230.2 (2008=100) in Illinois, up 27.6% from a year ago. In the Chicago PMSA, the comparable figure is 265.8, up 36.5% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In May 2021, 308 houses were newly filed for foreclosure in the Chicago PMSA (up 165.5% and down 20.6% respectively from a year and a month ago). 204 foreclosures were completed<sup>4</sup> (down 53.6% and down 5.6% respectively from a year and a month ago). As of May 2021, there are 12,028 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 147 in the past 6 months, 54 in the last 12 months and 246 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## The Economy

- In May 2021, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate declined to 5.8% and nonfarm payroll jobs experienced a gain of 559,000 jobs. Notable job gains occurred over the month in leisure and hospitality (+292,000), public and private education (+144,000), and health care and social assistance (+46,000).
- In May 2021, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment remained at 7.1%. Non-farm payroll jobs lost by 7,900 over the month. The industry sectors that reported the largest payroll declines were: Government (-10,000), Construction (-5,600) and Financial Activities (-1,300).
- In March 2021, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 5.71% and 6.08%, corresponding to job gain between 326,900 and 343,000. The largest contributors to the forecast increase are education and health, trade, transportation and utilities, and professional and business services.
- According to the latest figures from CoreLogic, the single-family rent growth rate more than doubled year over year during April. The big jump is due to a couple of factors, both past and present. For one thing, rent growth decelerated substantially last April due to the beginning

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<sup>3</sup> The base level (100) of pending home sales is the average pending home sales of year 2008.

<sup>4</sup> Including cancelled foreclosures and auctions

of the COVID-19 pandemic. For another, worsening affordability and persistent supply issues in the for-sale housing market, coupled with ongoing demographic pressure from aging millennials, have continued to place upward pressure on the single-family rental market.

### **Longer-term Outlook**

- In May, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index declined. The Conference Board Consumer Confidence Index stands at 117.2, down marginally from 117.5 last month. The survey noted that consumers' assessment of present-day conditions improved, suggesting economic growth remains robust in Q2, however, consumers' short-term optimism retreated, prompted by expectations of decelerating growth and softening labor market conditions in the months ahead. The University of Michigan Consumer Sentiment Index declined to 82.9 from 88.3 last month. The survey noted that the resurgent strength of the economy produced more immediate gains in demand than supply, causing consumers to expect a surge in inflation.
- In May, Fannie Mae Home Purchase Sentiment Index (HPSI) remained relatively flat, increasing by 1.0 points to 80.0. The survey noted that consumers are feeling substantially more positive about their jobs and income, while at the same time showing even greater pessimism about homebuying conditions compared to last month.
- The Chicago Business Activity Index (CBAI) slightly decreased to 103.4 in April from 103.9 in March. The decrease is mainly attributed to decline in expected retail sales.

**Forecast for June 2021 report**

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES					
	Annual			Monthly	
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Mar-21	21.8%	26.2%		49.9%	53.8%
Apr-21	37.0%	41.6%		11.5%	12.1%
May-21	51.8%	63.5%		5.0%	3.7%
3 Month Avg.	36.6%	43.1%		18.1%	18.5%
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES					
	Annual			Monthly	
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Jun-21	22.8% 30.9%	32.6% 44.1%		7.8% 10.5%	7.8% 10.5%
Jul-21	6.5% 8.8%	10.1% 13.7%		6.9% 9.3%	7.0% 9.5%
Aug-21	5.2% 7.1%	5.3% 7.1%		-3.2% -4.3%	-4.0% -5.4%
3 Month Avg.	10.7% 14.5%	14.4% 19.5%		3.5% 4.8%	3.3% 4.4%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE					
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Mar-21	\$249,000	\$295,000	Mar-20	\$216,000	\$260,000
Apr-21	\$260,000	\$310,000	Apr-20	\$227,000	\$270,000
May-21	\$262,000	\$310,000	May-20	\$215,050	\$260,000
Jun-21	\$269,069	\$315,097	Jun-20	\$221,000	\$265,000
Jul-21	\$269,649	\$314,776	Jul-20	\$234,000	\$276,000
Aug-21	\$265,679	\$311,305	Aug-20	\$237,280	\$280,000
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE					
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Mar-21	15.3%	13.5%	Mar-20	8.0%	7.9%
Apr-21	14.5%	14.8%	Apr-20	6.1%	6.7%
May-21	21.8%	19.2%	May-20	-1.8%	0.0%
Jun-21	21.8%	18.9%	Jun-20	-1.8%	0.8%
Jul-21	15.2%	14.0%	Jul-20	6.8%	6.6%
Aug-21	12.0%	11.2%	Aug-20	11.1%	11.6%

**Median Prices and Recovery**

	Illinois		Chicago PMSA	
	[\$2008]	[\$2021]	[\$2008]	[\$2021]
<b>May 2008 Median Price</b>	\$157,000	\$197,926	\$200,251	\$252,450
<b>May 2021 Median Price</b>	\$207,826	\$262,000	\$245,900	\$310,000
Price Ratio (May 21/ May 08)	Adjusted	1.32	Adjusted	1.23
	Unadjusted	1.67	Unadjusted	1.55

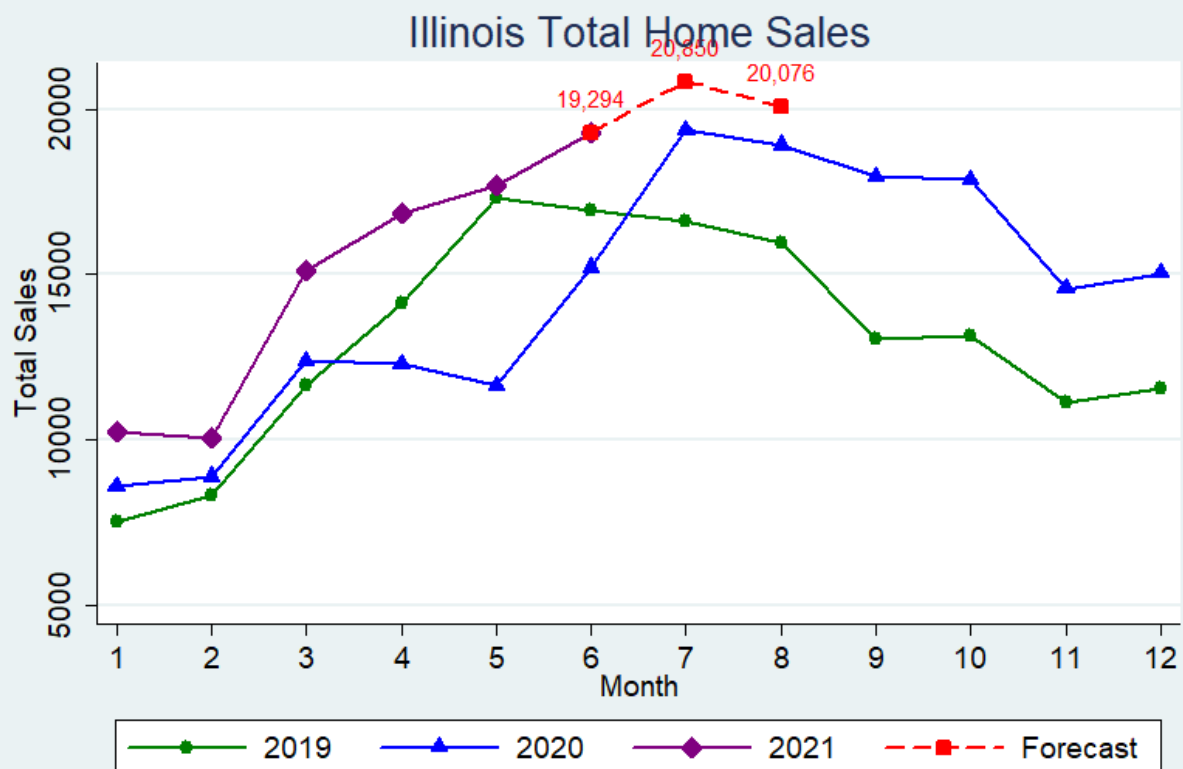
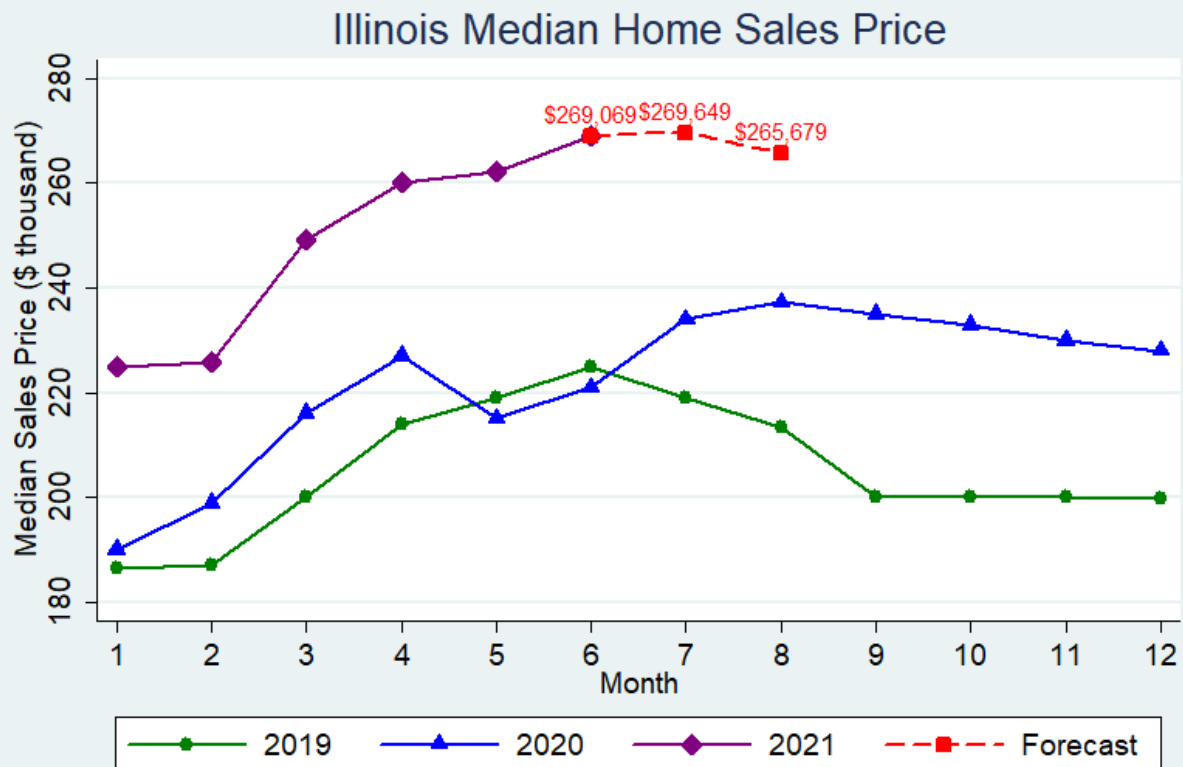
**Recovery Forecasts using *Annually Growth Rates***

	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	16.0%	-1.9	13.6%	-1.6
Past 3 months	12.7%	-2.3	11.4%	-1.9
Past 6 months	13.2%	-2.3	11.7%	-1.9
Past 9 months	13.8%	-2.2	11.8%	-1.8
Past 12 months	11.4%	-2.6	10.2%	-2.1

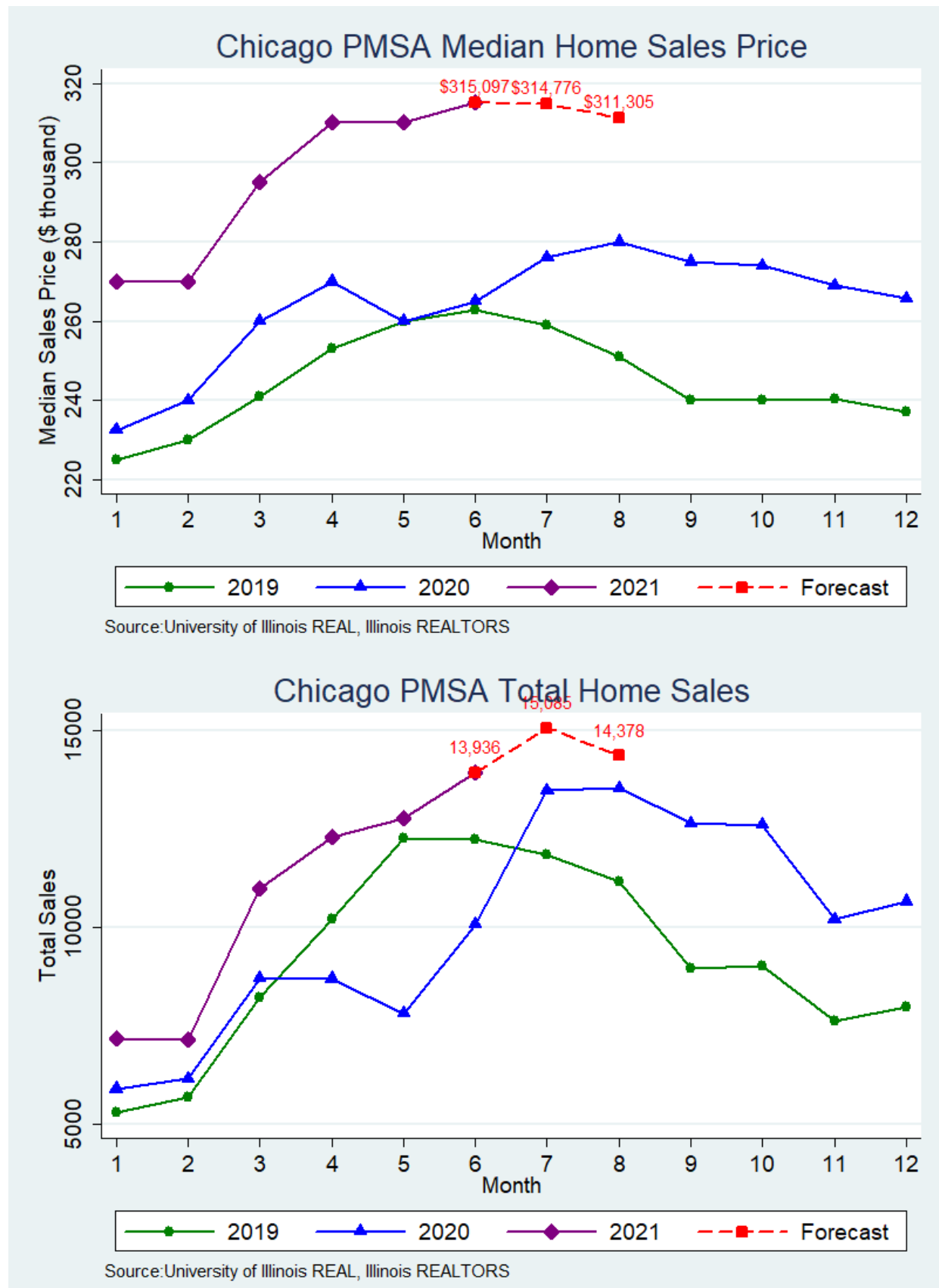
\*Annual recovery rate is the average of *annual* change rates in past months

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

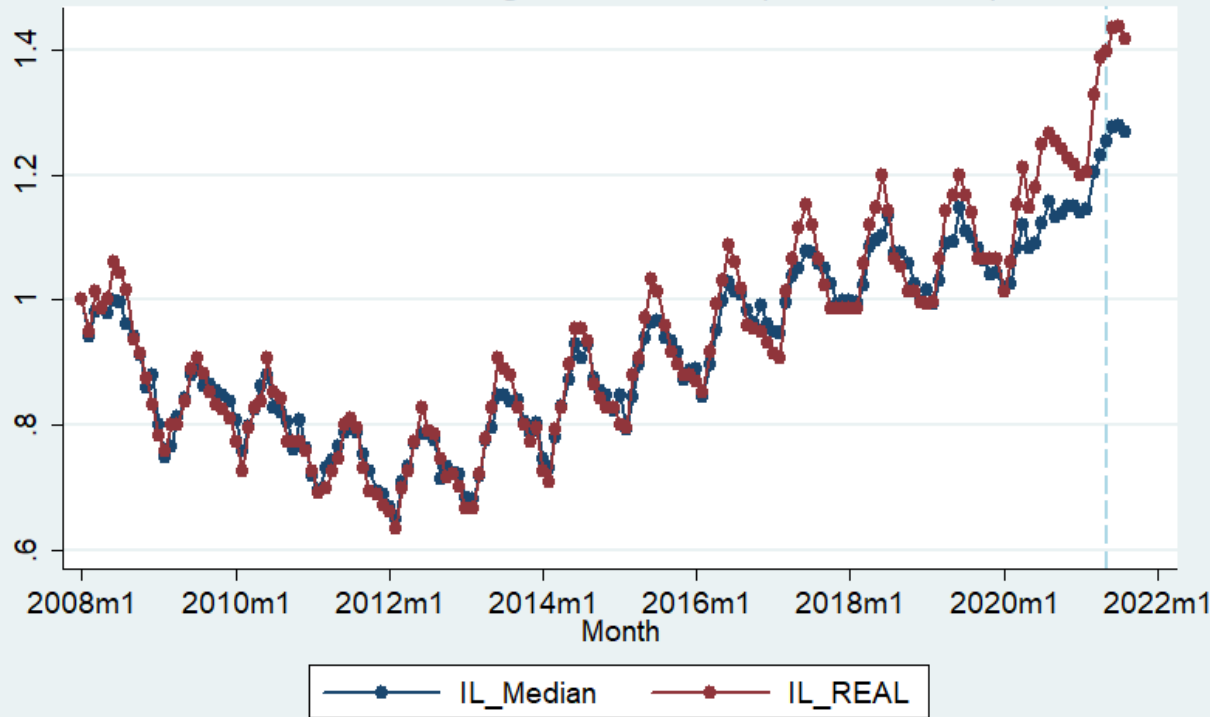
$\text{Price}_{\text{May2021}} * (1 + \text{recovery rate})^{\text{years}} = \text{Price}_{\text{May2008}}$ . Prices used in the formula are inflation adjusted. The recovery rate is applied as a constant annual change rate to recoup the differences between the current month and its corresponding month in 2008.



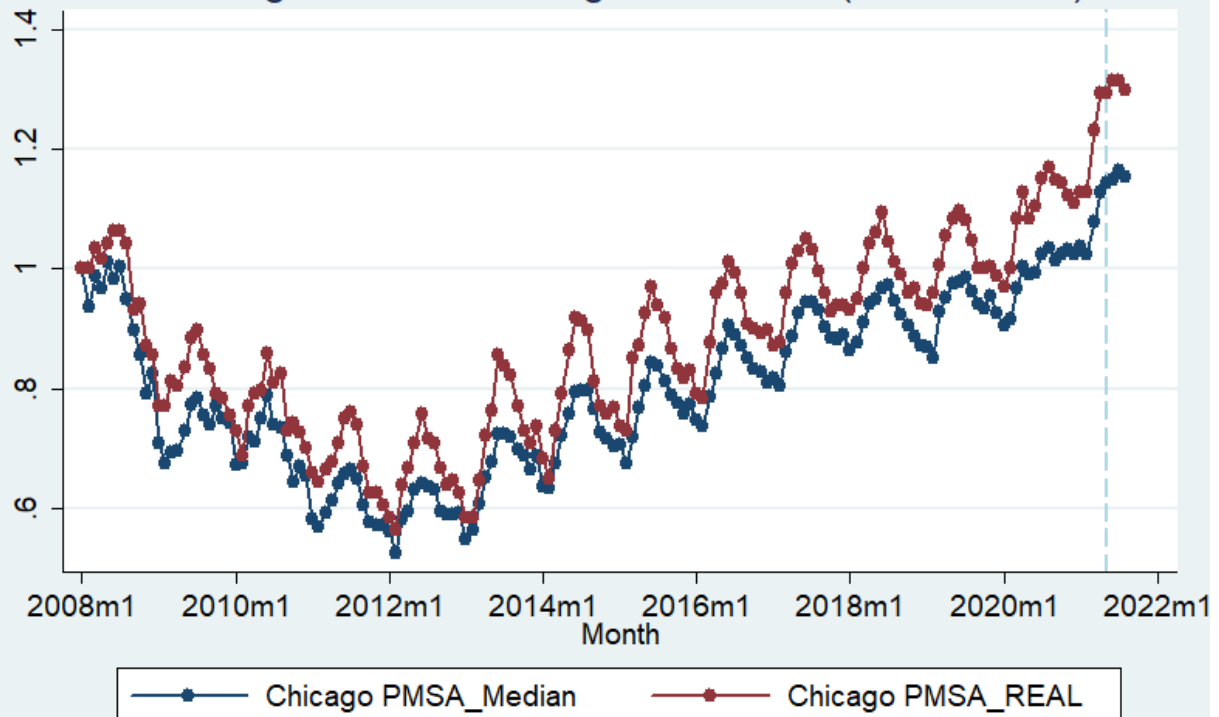




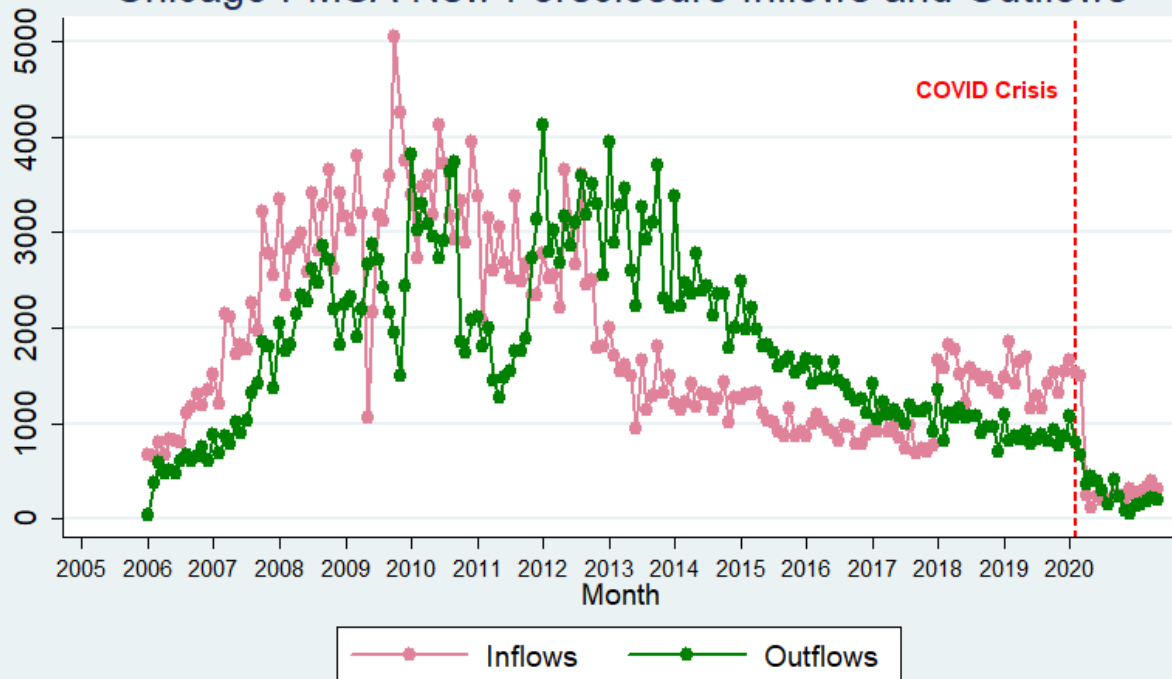
Illinois Housing Price Index (Jan 2008=1)



Chicago PMSA Housing Price Index (Jan 2008=1)



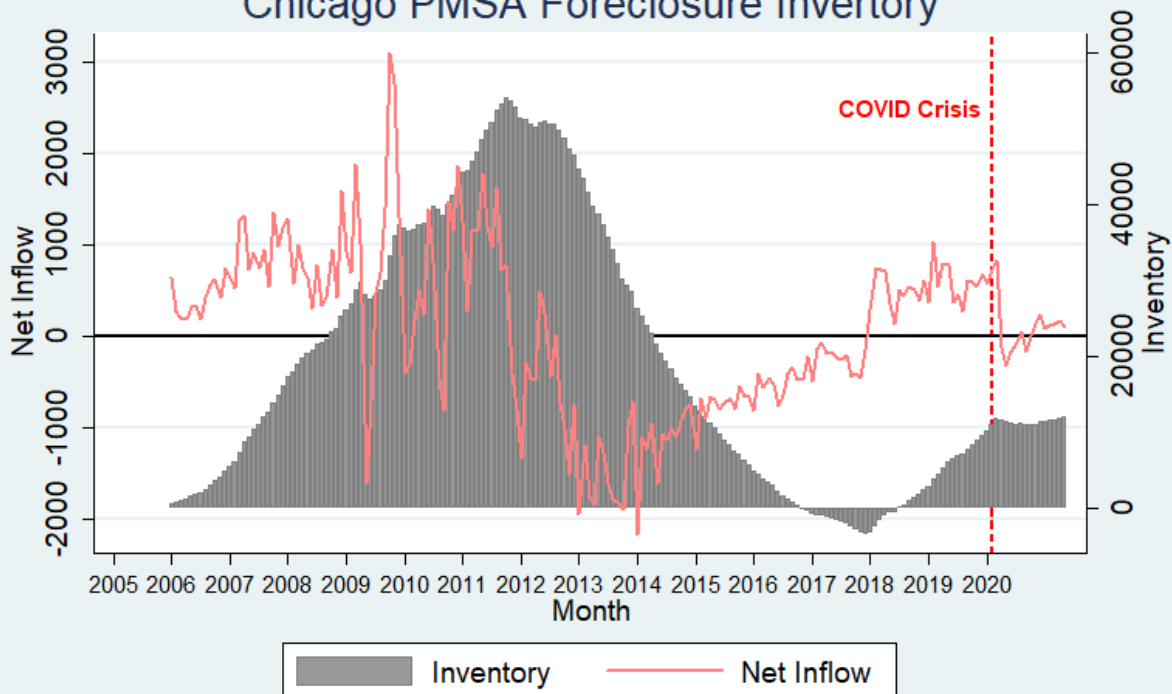
### Chicago PMSA New Foreclosure Inflows and Outflows



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

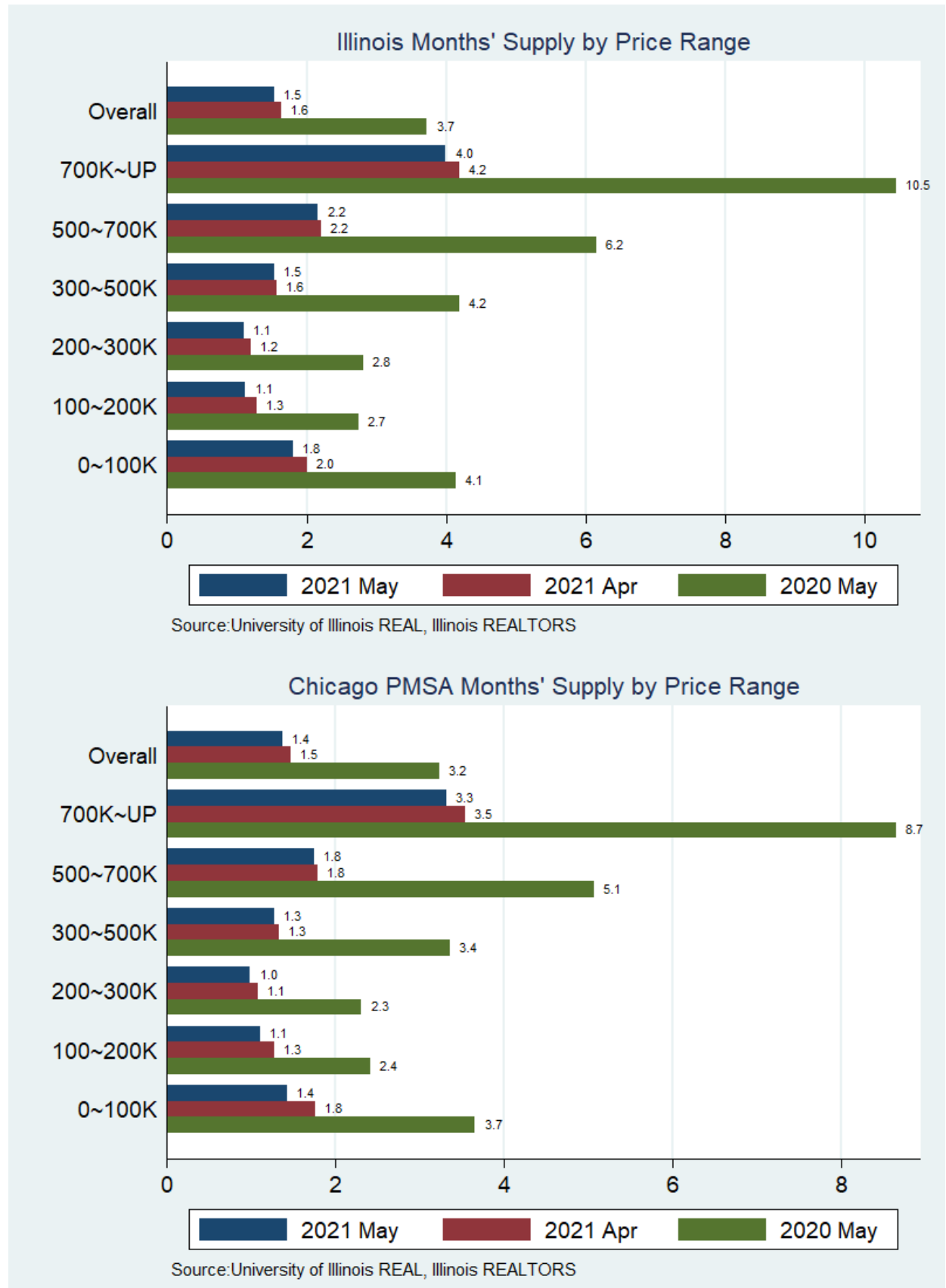
Source: University of Illinois REAL, Illinois REALTORS

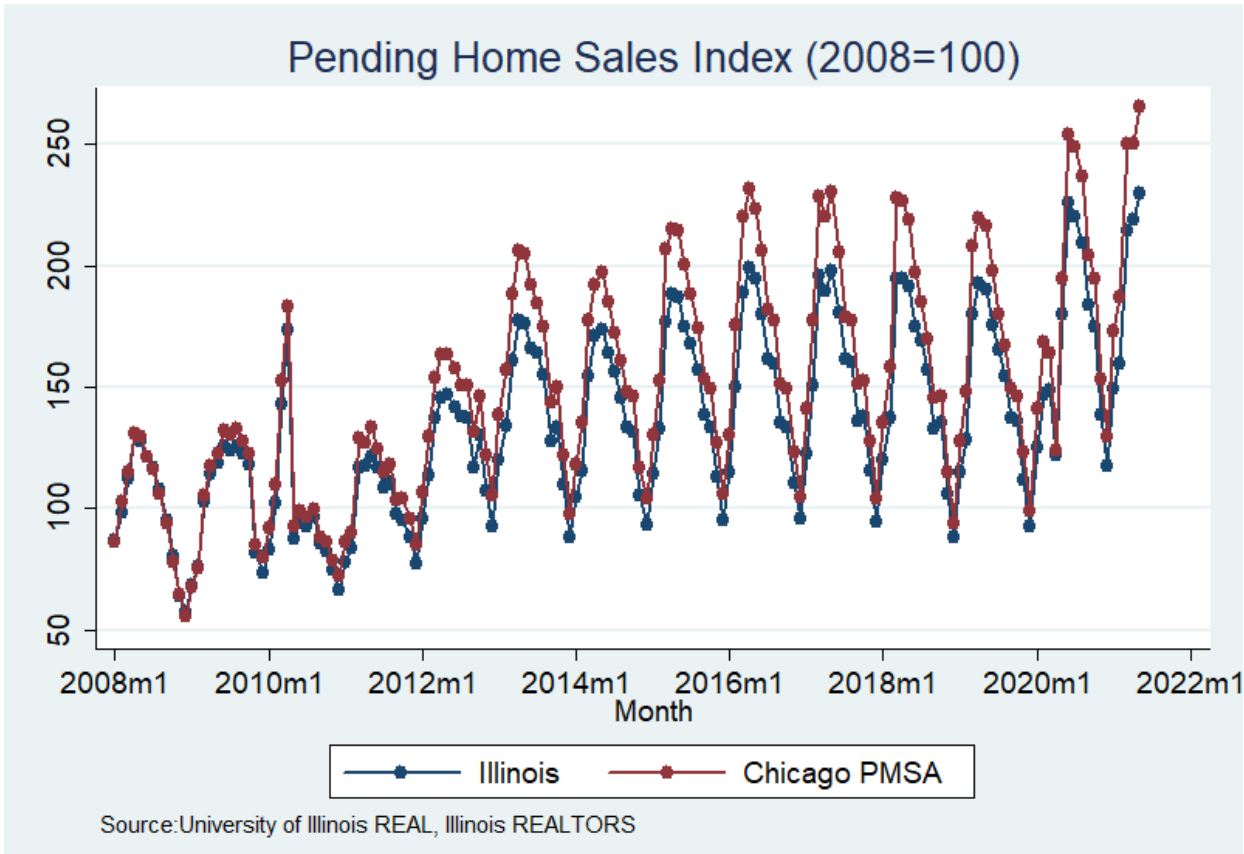
### Chicago PMSA Foreclosure Inventory

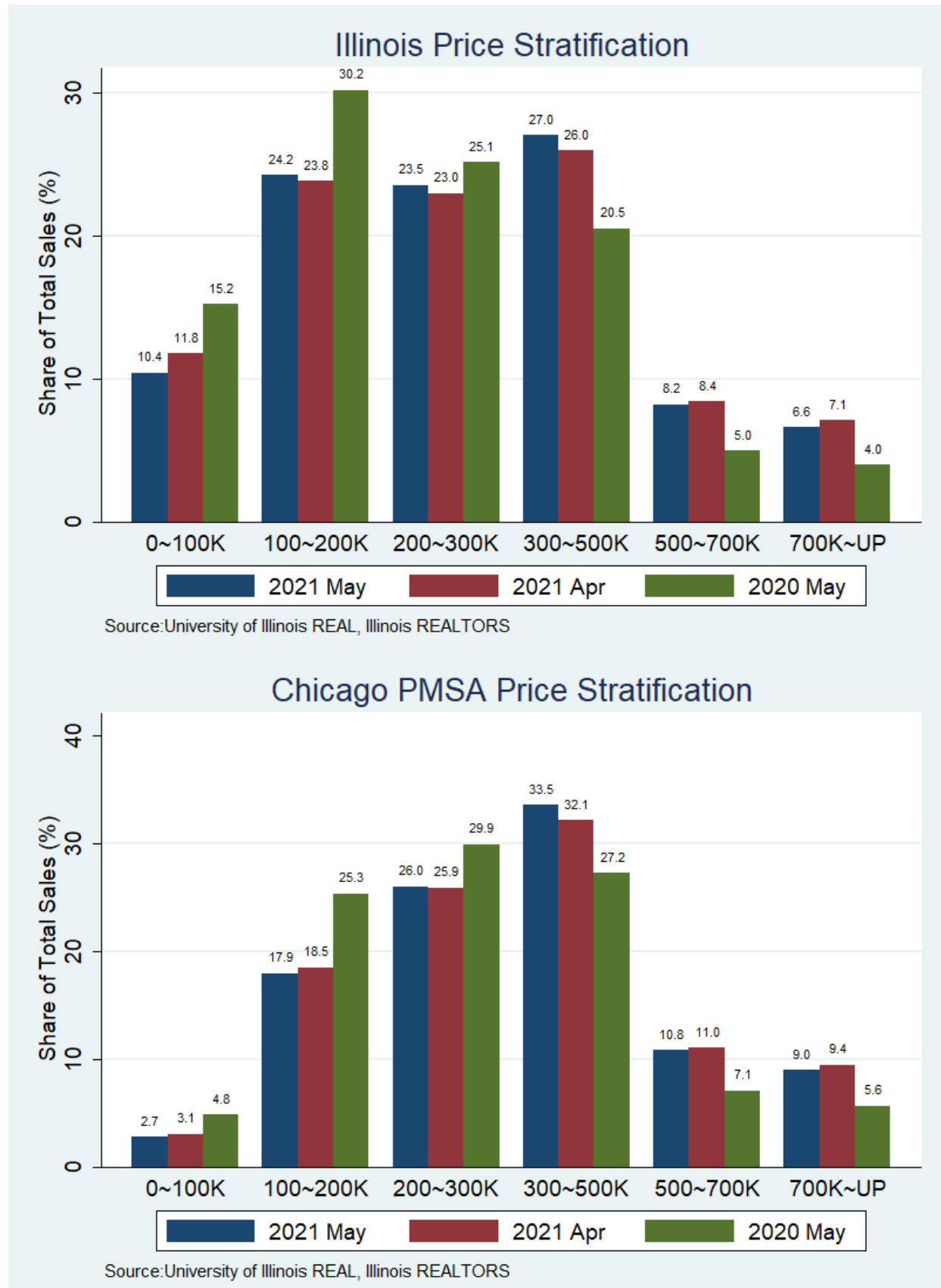


Net inflows = Inflows - Outflows

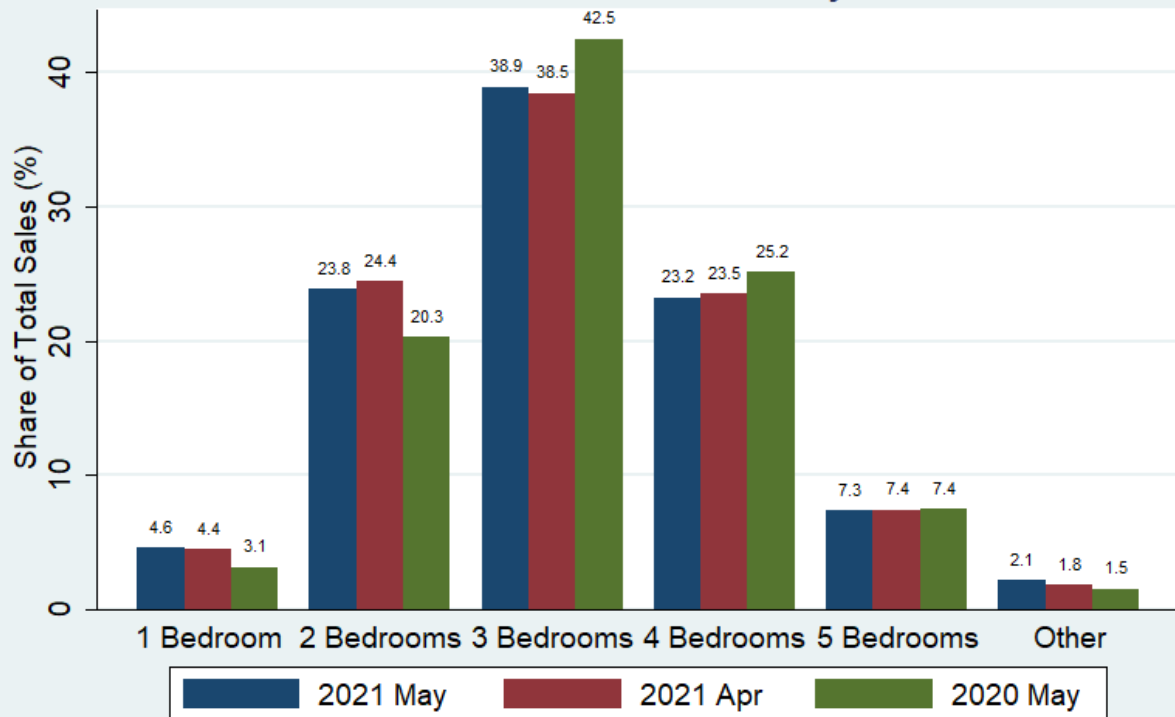
Source: University of Illinois REAL, Illinois REALTORS







### Illinois House Characteristics by Bedroom



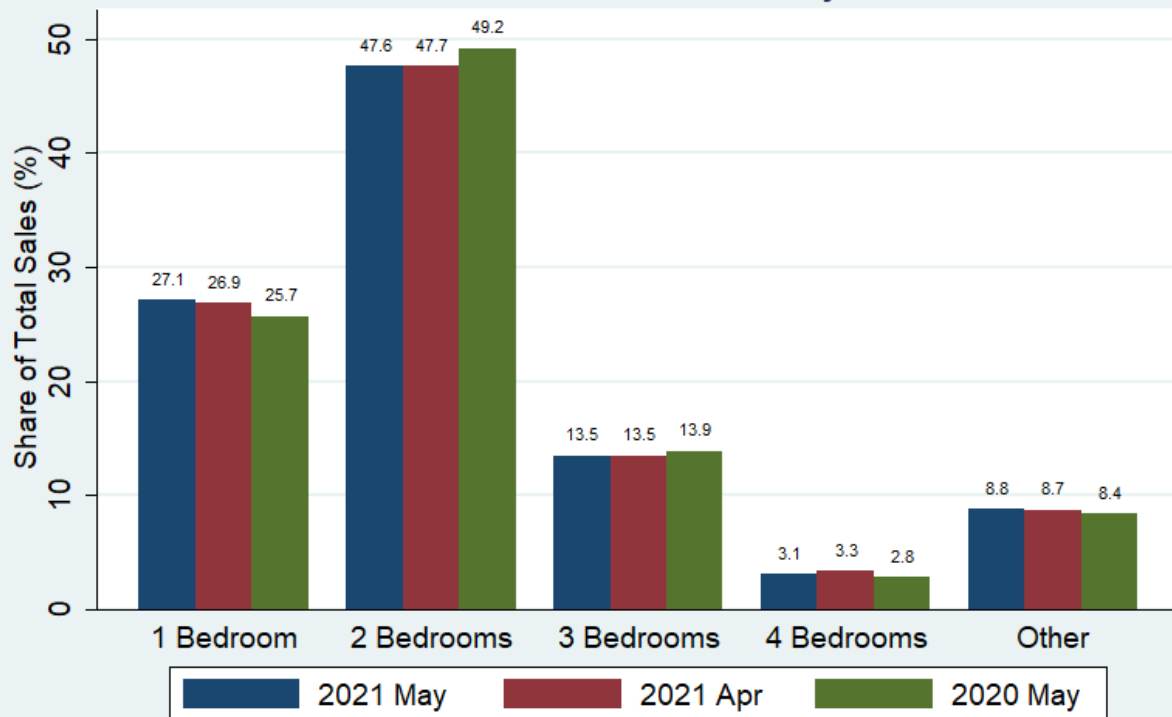
Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA House Characteristics by Bedroom



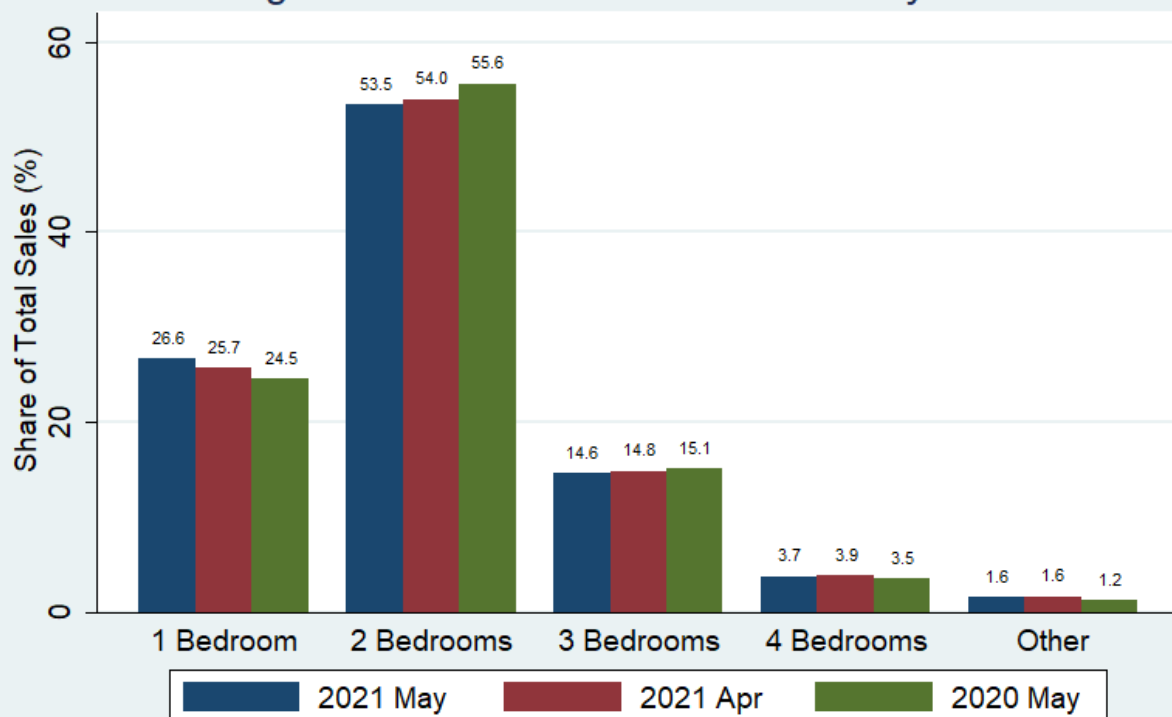
Source: University of Illinois REAL, Illinois REALTORS

### 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

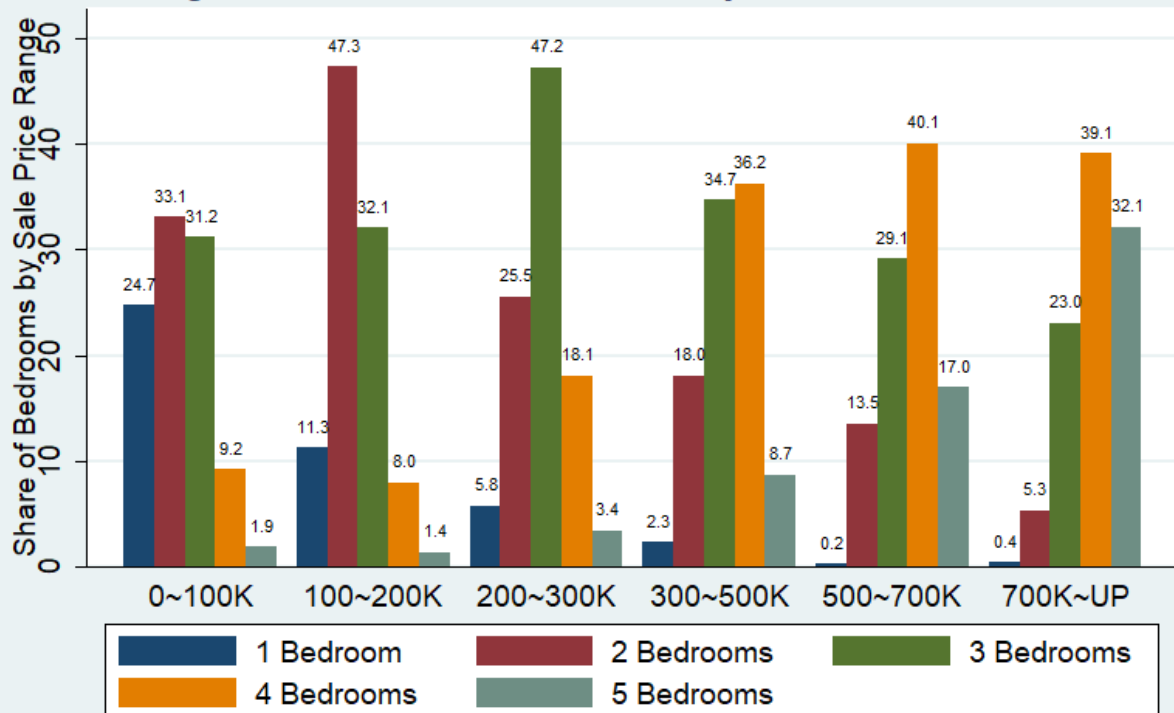


### Illinois Bedroom Shares by Sale Price Stratification



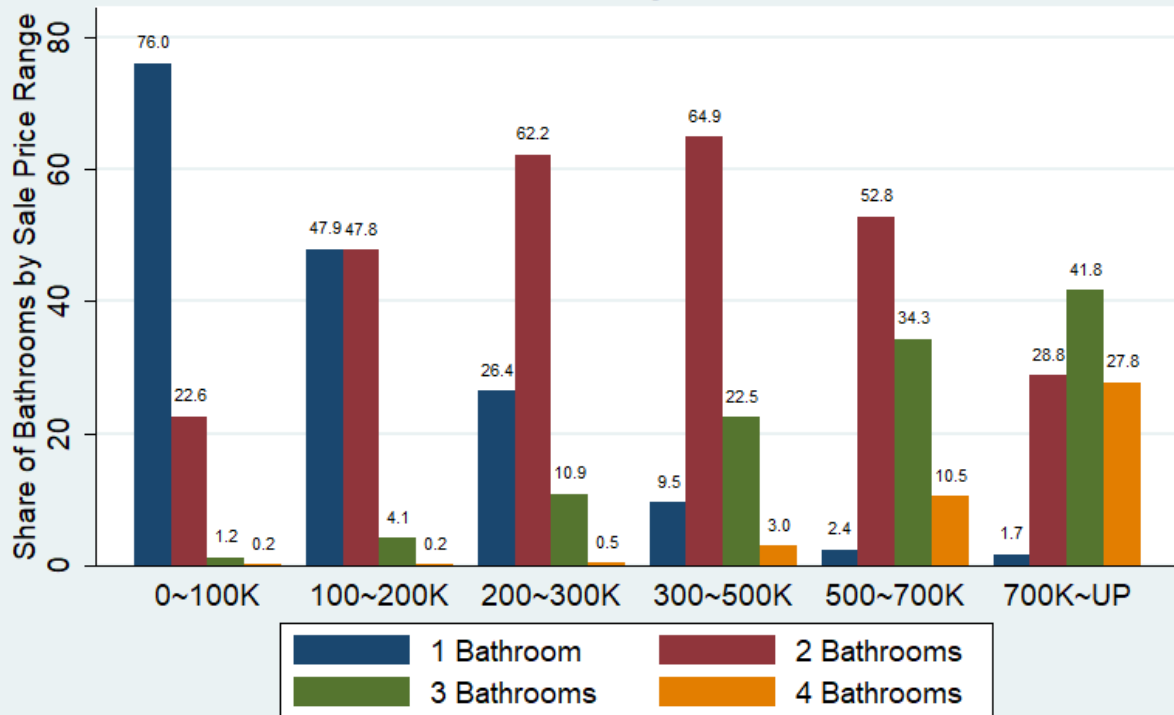
Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA Bedroom Shares by Sale Price Stratification



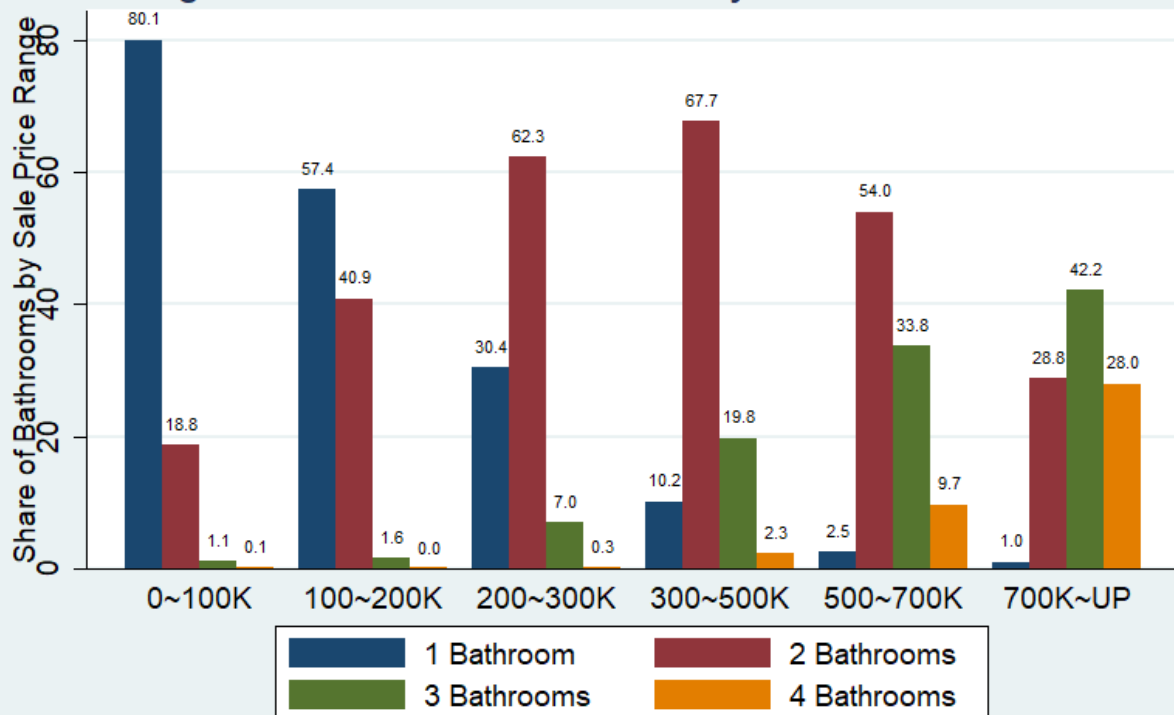
Source: University of Illinois REAL, Illinois REALTORS

### Illinois Bathroom Shares by Sale Price Stratification



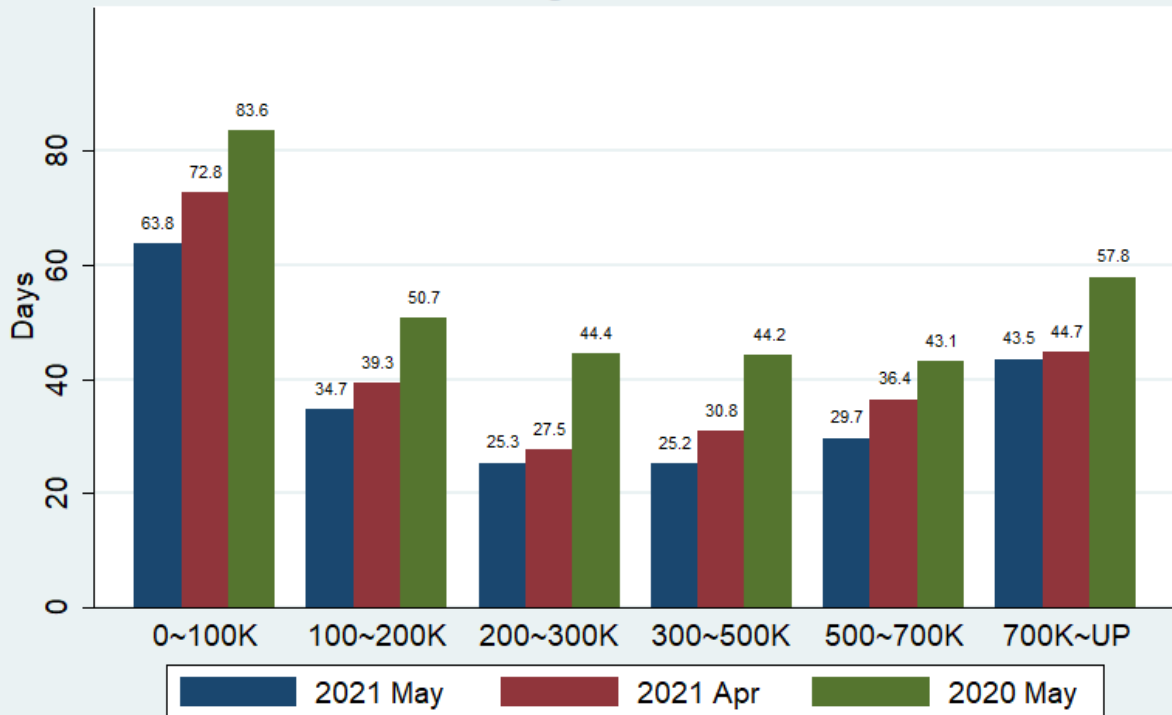
Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA Bathroom Shares by Sale Price Stratification



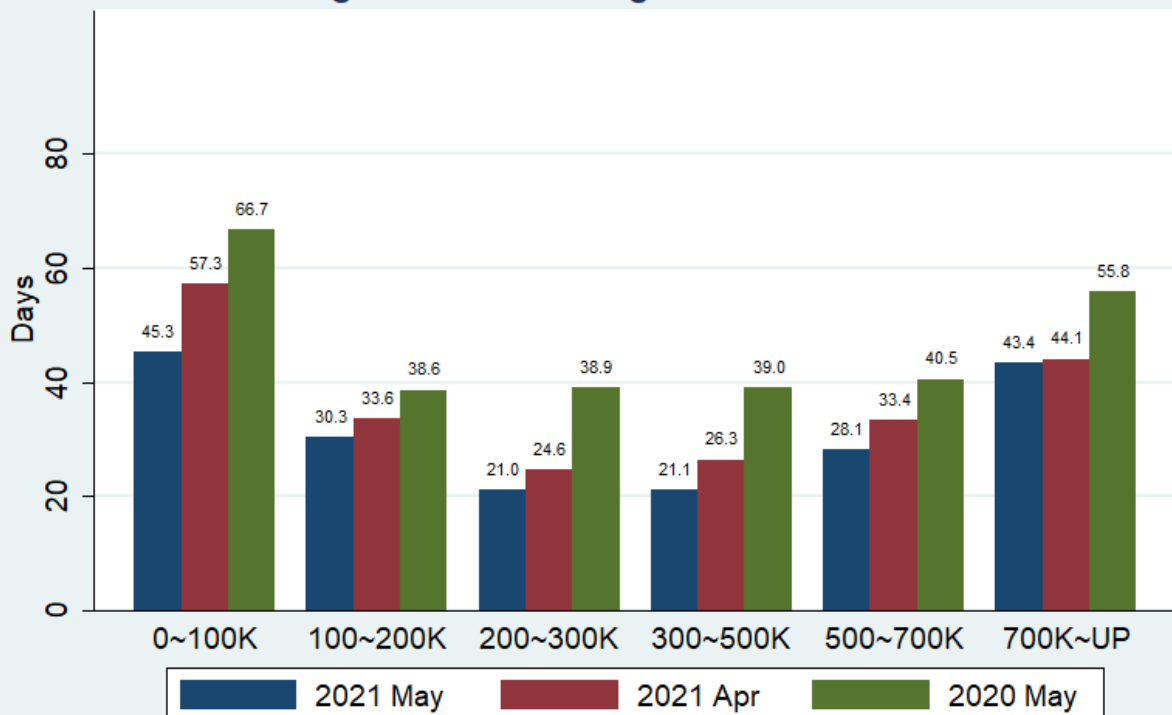
Source: University of Illinois REAL, Illinois REALTORS

### Illinois Average Time on the Market



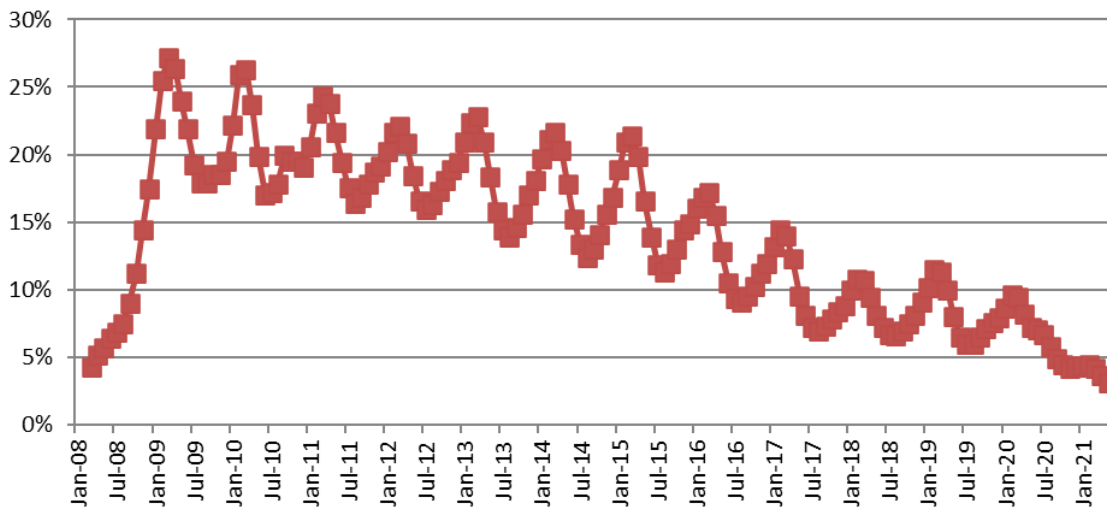
Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA Average Time on the Market



Source: University of Illinois REAL, Illinois REALTORS

### Ratio of Foreclosed Sales over Total Sales Chicago PMSA - 3 Month Average



### Median Sales Price: Foreclosed vs. Regular Sales

