

Housing Price Forecasts

Illinois and Chicago PMSA, July 2021

Presented To

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Housing Price Forecast: Illinois and Chicago PMSA, July 2021

The Housing Market

In June, median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 21,129 houses were sold in Illinois, changing by 17.8% from a month ago and 38.9% from a year ago. In the Chicago PMSA, 15,402 houses were sold, changing by 18.8% from a month ago and 52.8% from a year ago. The median price was \$270,554 in Illinois, up 22.5% from June last year; the comparable figure for the Chicago PMSA was \$319,000, up 20.4% from June last year.

In June, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 2.7%. 14,917 regular sales were made, 60.4% more than last year. 381 foreclosed properties were sold, 45.7% less than last year. The median price was \$320,000 for regular property sales, up 17.6% from last year; the comparable figure for the foreclosed properties was \$255,000, up 34.6% 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 June 2008 has been adjusted to 2021 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the June 2008 median sales price was \$167,000 (in \$2008) and \$208,099 (in \$2021); the current price level was 130% of the 2008 level after adjusting (162% before adjusting). In the Chicago PMSA, the June 2008 median sales price was \$212,000 (in \$2008) and \$264,174 (in \$2021); the comparable figure for price recovery in June 2021 is 121% after adjustment (150% before adjusting).

The sales forecast for July, August and September 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 9.1% to 12.3%; the comparative figures for the Chicago PMSA are an increase in the range 12.1% to 16.3%. On a monthly basis, the three-month average sales are forecast to decrease in the range -3.1% to -4.2% for Illinois and decrease in the range -3.3% to -4.4% for the Chicago PMSA.

The pending home sales index¹ is a leading indicator based on contract signings. This June, 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 221.1 (2008=100) in Illinois, down 2.1% from a year ago. In the Chicago PMSA, the comparable figure is 252.1, down 0.9% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.7 months (down from 3.5 last year). In the Chicago PMSA, the comparable figure was 1.5 months (down 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 positive annual growth for July, August, and September in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 15.9% in July, 12.7% in August and 10.9% in September. For the Chicago PMSA, the comparable figures are 15.4% in July, 12.5% in August and 11.9% in September. 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 15.4% in July, 11.2% in August and 12.1% in September. The comparable figures for the Chicago

¹ The base level (100) of pending home sales is the average pending home sales of year 2008.

PMSA are 13.7% in July 11.5% in August and 11.8% in September. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In June, 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’ assessment of current conditions improved again, suggesting economic growth has strengthened further in Q2 and consumers’ short-term optimism rebounded, buoyed by expectations that business conditions and their own financial prospects will continue improving in the months ahead. The University of Michigan Consumer Sentiment Index survey stated that the gain was driven by sentiment among consumers who earn more than \$100,000 a year and mostly by their view of future economic conditions. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) remained relatively flat. The survey revealed that consumers continued to cite high home prices as the predominant reason for their ongoing and significant divergence in sentiment toward homebuying and home-selling conditions.

The Housing Market – Current Condition

- In June, median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 21,129 houses were sold in Illinois, changing by 17.8% from a month ago and 38.9% from a year ago. In the Chicago PMSA, 15,402 houses were sold, changing by 18.8% from a month ago and 52.8% from a year ago. The median price was \$270,554 in Illinois, up 22.5% from June last year; the comparable figure for the Chicago PMSA was \$319,000, up 20.4% from June last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for July 2021 report table)
- In June, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 2.7%. 14,917 regular sales were made, 60.4% more than last year. 381 foreclosed properties were sold, 45.7% less than last year. The median price was \$320,000 for regular property sales, up 17.6% from last year; the comparable figure for the foreclosed properties was \$255,000, up 34.6% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In June, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.7 months (down from 3.5 last year). In the Chicago PMSA, the comparable figure was 1.5 months (down 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 June, 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 22.9% from 29.8% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 16.3% from 24.4% 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 July, August, and September in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 15.9% in July, 12.7% in August and 10.9% in September. For the Chicago PMSA, the comparable figures are 15.4% in July, 12.5% in August and 11.9% in September. (Reference: Forecast for July 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 15.4% in July, 11.2% in August and 12.1% in September. The comparable figures for the Chicago PMSA are 13.7% in July 11.5% in August and 11.8% in September. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for July, August and September 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 9.1% to 12.3%; the comparative figures for the Chicago PMSA are an increase in the range 12.1% to 16.3%. On a monthly basis, the three-month average sales are forecast to decrease in the range -3.1% to -4.2% for Illinois and decrease in the range -3.3% to -4.4% for the Chicago PMSA. (Reference: Forecast for July 2021 report table)
- The pending home sales index² is a leading indicator based on contract signings. This June, 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 221.1 (2008=100) in Illinois, down 2.1% from a year ago. In the Chicago PMSA, the comparable figure is 252.1, down 0.9% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In June 2021, 292 houses were newly filed for foreclosure in the Chicago PMSA (up 27.5% and down 5.2% respectively from a year and a month ago). 196 foreclosures were completed³ (down 49.6% and down 3.0% respectively from a year and a month ago). As of June 2021, there are 12,192 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 126 in the past 6 months, 80 in the last 12 months and 237 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In June 2021, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate was little changed at 5.9% and nonfarm payroll jobs experienced a gain of 850,000 jobs. Notable job gains occurred over the month in leisure and hospitality (+343,000), public and private education (+269,000), and professional and business services (+72,000).
- In June 2021, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rose to 7.2%. Non-farm payroll jobs rose by 12,500 over the month. The industry sectors that reported the largest payroll gains were: Leisure and Hospitality (+10,700), Trade, Transportation and Utilities (+3,400), and Construction (+2,100).
- 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. (not updated)

² The base level (100) of pending home sales is the average pending home sales of year 2008.

³ Including cancelled foreclosures and auctions

- According to ICE Mortgage Technology’s latest Origination Insight Report, the percentage of residential mortgages tabbed for home purchases hit 47% in May, the highest purchase share in 15 months. “Across the country, we’re seeing a strong and competitive purchase market, particularly among millennials,” said Joe Tyrrell, President of ICE Mortgage Technology. “With FICO score requirements loosening, millennials are taking advantage of the current environment to continue to jump into homeownership.”
- According to Redfin’s housing market data, the number of homes newly listed for sale surpassed 2019 levels for the first time since the start of the year. “Many buyers have backed away from the housing market and are waiting until more and better homes are listed,” said Redfin chief economist Daryl Fairweather. “With more new listings starting to come on the market, buyers who threw in the towel may want to look again because the market is tilting more in their favor.”
- In addition, the Mortgage Bankers Association noted that forbearance exits increased in the first part of July but cautioned that many homeowners may still have problems meeting their mortgage commitments. While foreclosure sales as a percentage of the total continue their downward trend, there is concern about the potential for increases in the foreclosure inventory in the coming months and years.

Longer-term Outlook

- In June, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 127.3, up from 120.0 last month. The survey noted that consumers’ assessment of current conditions improved again, suggesting economic growth has strengthened further in Q2 and consumers’ short-term optimism rebounded, buoyed by expectations that business conditions and their own financial prospects will continue improving in the months ahead. The University of Michigan Consumer Sentiment Index increased to 85.5 from 82.9 last month. The survey noted that the gain was driven by sentiment among consumers who earn more than \$100,000 a year and mostly by their view of future economic conditions.
- In June, Fannie Mae Home Purchase Sentiment Index (HPSI) remained relatively flat, decreasing by 0.3 points to 79.7. The survey noted that consumers continued to cite high home prices as the predominant reason for their ongoing and significant divergence in sentiment toward homebuying and home-selling conditions.
- 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. (not updated)

Forecast for July 2021 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Apr-21	37.3%	41.9%		11.7%	12.2%			
May-21	54.1%	66.1%		6.3%	5.1%			
Jun-21	38.9%	52.8%		17.8%	18.8%			
3 Month Avg.	42.9%	53.1%		12.0%	12.2%			
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Jul-21	12.8%	17.3%	17.9%	24.2%	4.7%	6.3%	5.1%	6.9%
Aug-21	10.3%	14.0%	11.6%	15.7%	-4.1%	-5.5%	-4.9%	-6.6%
Sep-21	3.8%	5.1%	6.3%	8.6%	-9.8%	-13.2%	-10.0%	-13.5%
3 Month Avg.	9.1%	12.3%	12.1%	16.3%	-3.1%	-4.2%	-3.3%	-4.4%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Apr-21	\$260,000	\$310,000	Apr-20	\$227,000	\$270,000			
May-21	\$261,000	\$310,000	May-20	\$215,000	\$260,000			
Jun-21	\$270,544	\$319,000	Jun-20	\$220,900	\$265,000			
Jul-21	\$271,313	\$318,615	Jul-20	\$234,000	\$276,000			
Aug-21	\$267,397	\$315,122	Aug-20	\$237,278	\$280,000			
Sep-21	\$260,547	\$307,766	Sep-20	\$235,000	\$275,000			
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Apr-21	14.5%	14.8%	Apr-20	6.1%	6.7%			
May-21	21.4%	19.2%	May-20	-1.8%	0.1%			
Jun-21	22.5%	20.4%	Jun-20	-1.8%	0.8%			
Jul-21	15.9%	15.4%	Jul-20	6.8%	6.6%			
Aug-21	12.7%	12.5%	Aug-20	11.1%	11.6%			
Sep-21	10.9%	11.9%	Sep-20	17.5%	14.6%			

Median Prices and Recovery

	Illinois	Chicago PMSA
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	[\$2008]	[\$2021]	[\$2008]	[\$2021]
June 2008 Median Price	\$167,000	\$208,099	\$212,000	\$264,174
June 2021 Median Price	\$217,112	\$270,544	\$255,998	\$319,000
Price Ratio (June 21/ June 08)	Adjusted	1.30	Adjusted	1.21
	Unadjusted	1.62	Unadjusted	1.50

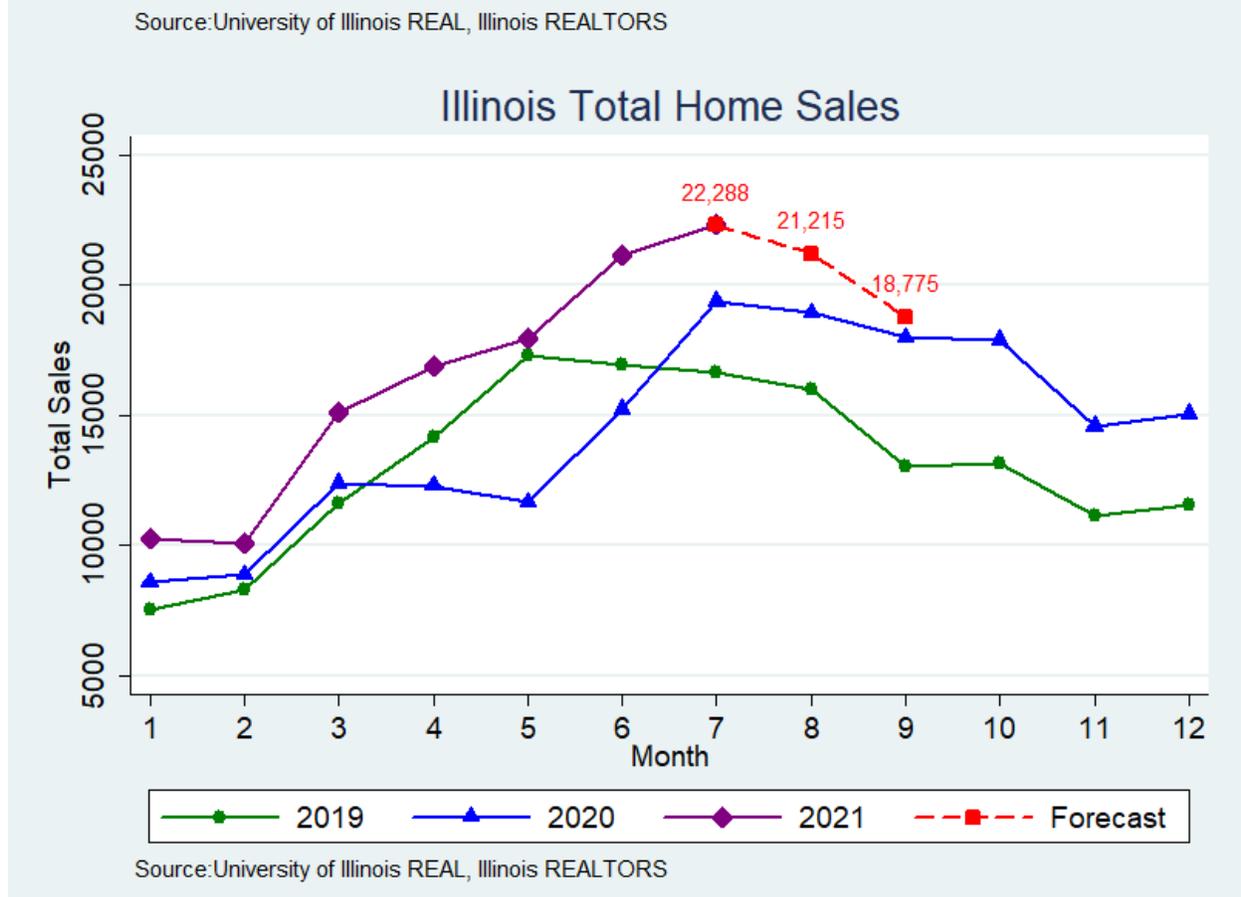
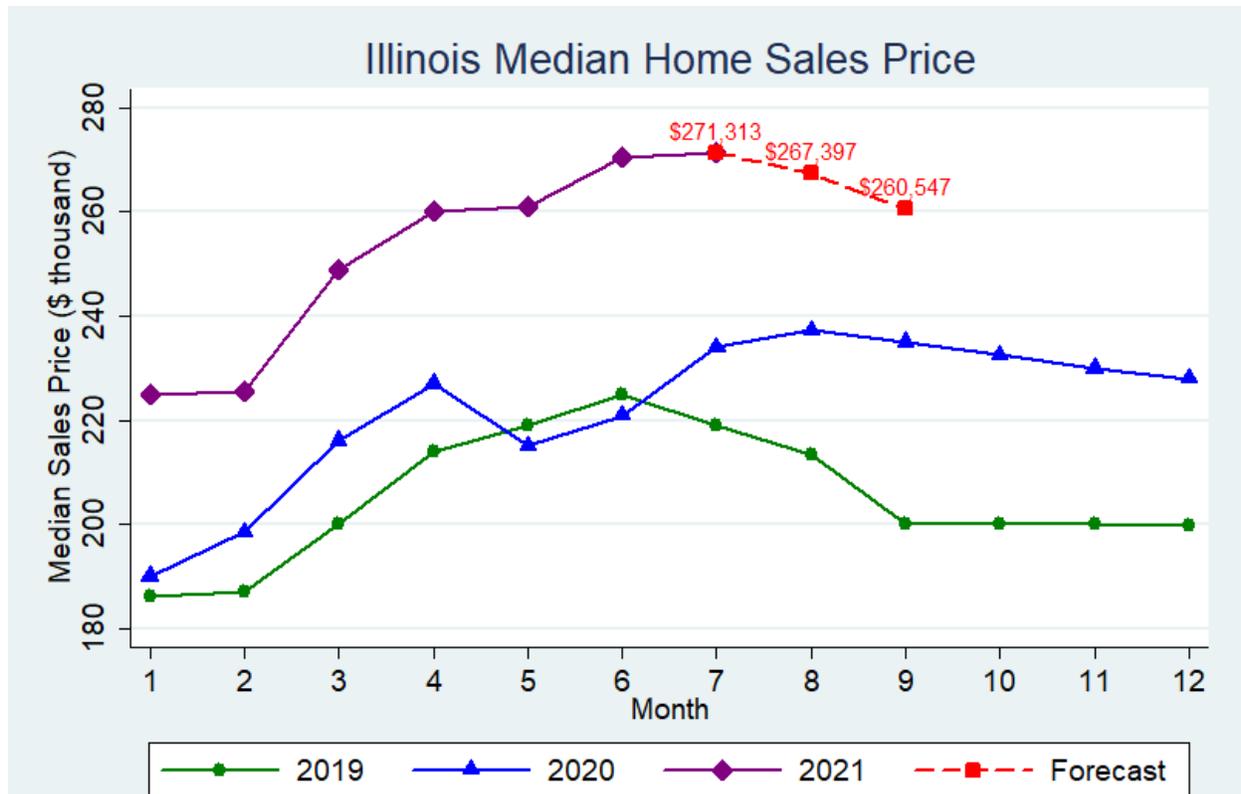
Recovery Forecasts using *Annually Growth Rates*

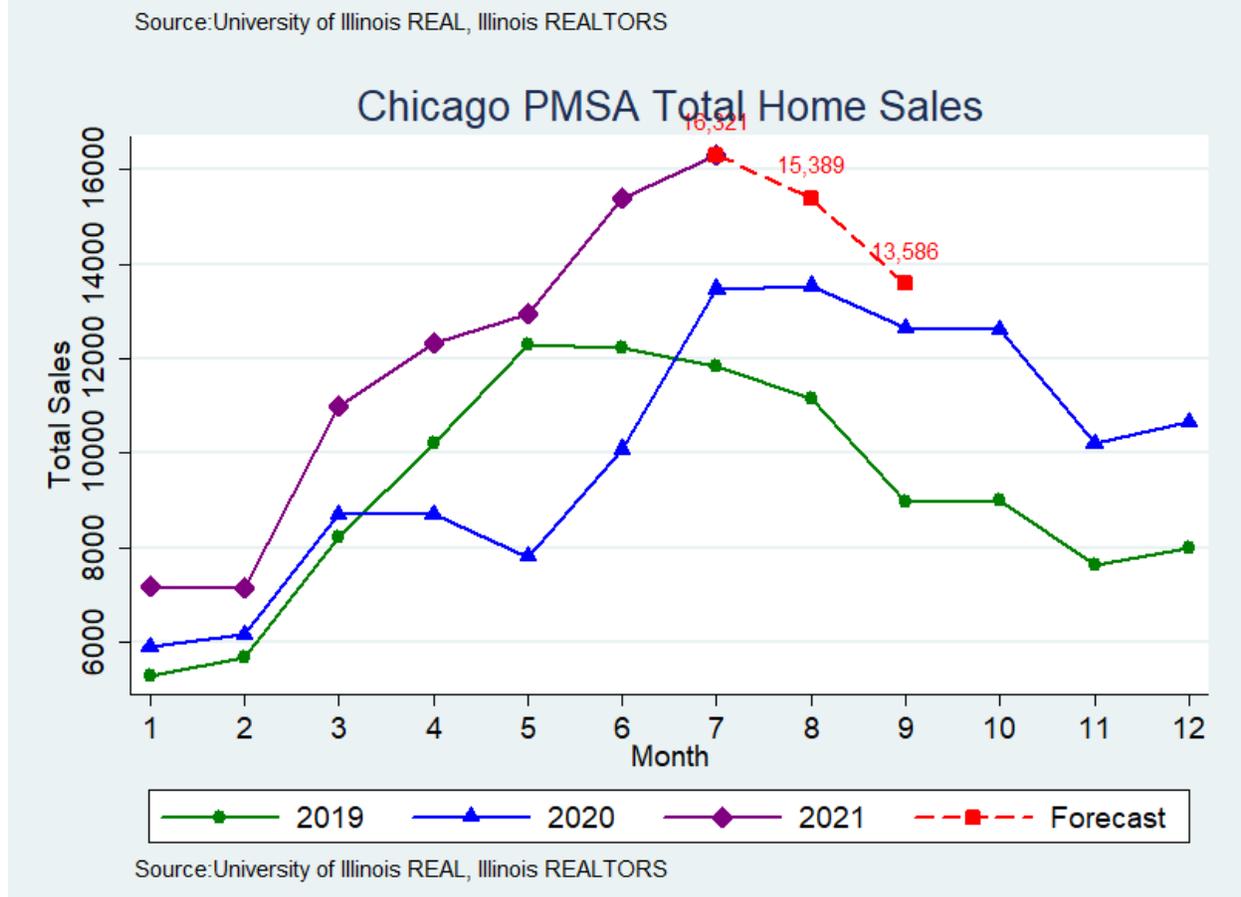
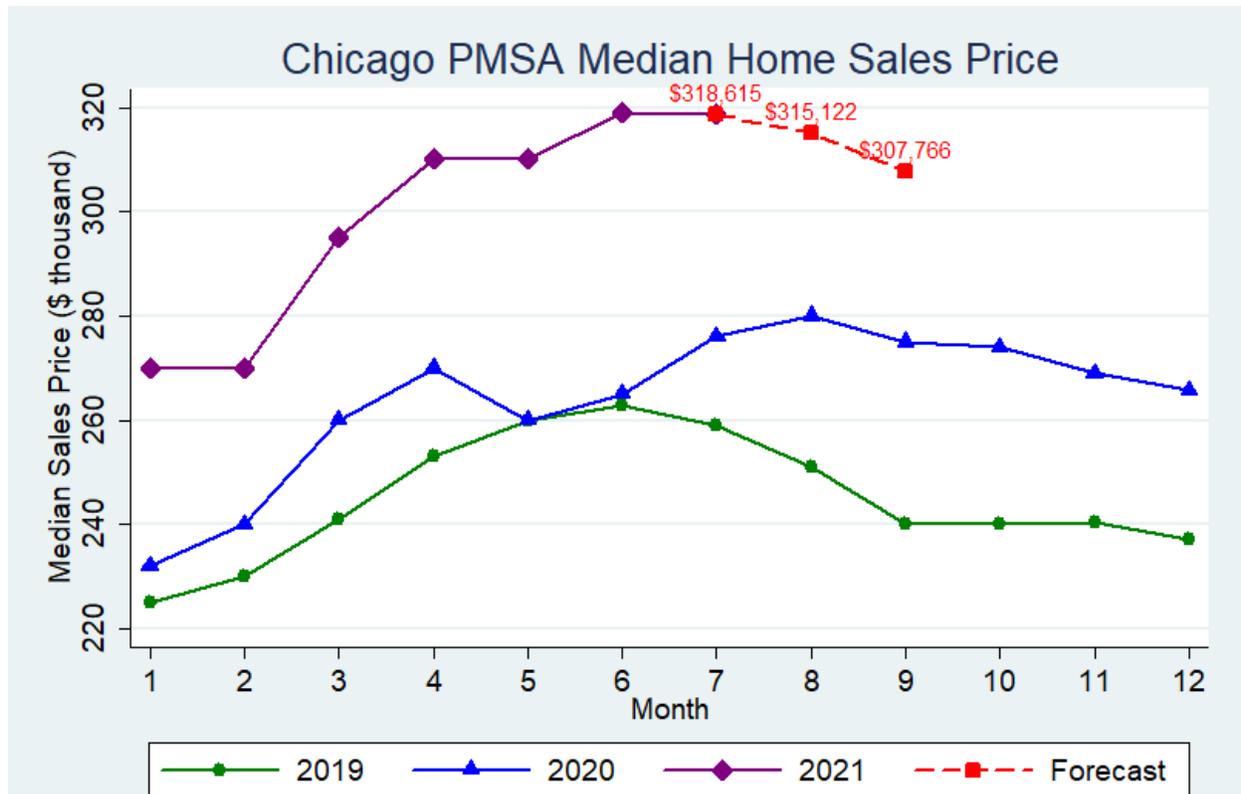
	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	16.3%	-1.7	14.3%	-1.4
Past 3 months	13.9%	-2.0	12.6%	-1.6
Past 6 months	13.8%	-2.0	12.3%	-1.6
Past 9 months	13.8%	-2.0	12.0%	-1.7
Past 12 months	12.9%	-2.2	11.4%	-1.7

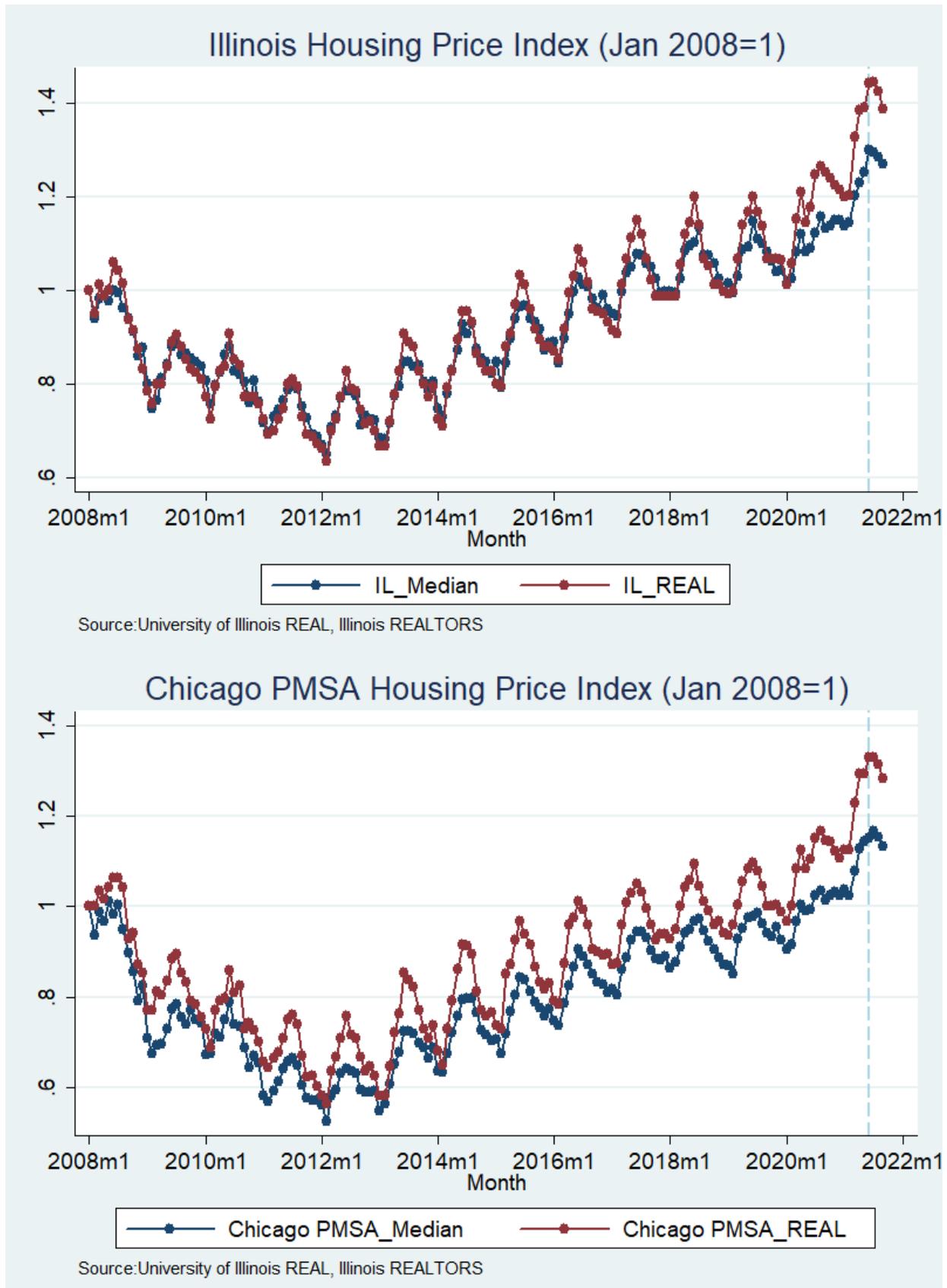
*Annual recovery rate is the average of *annual* change rates in past months

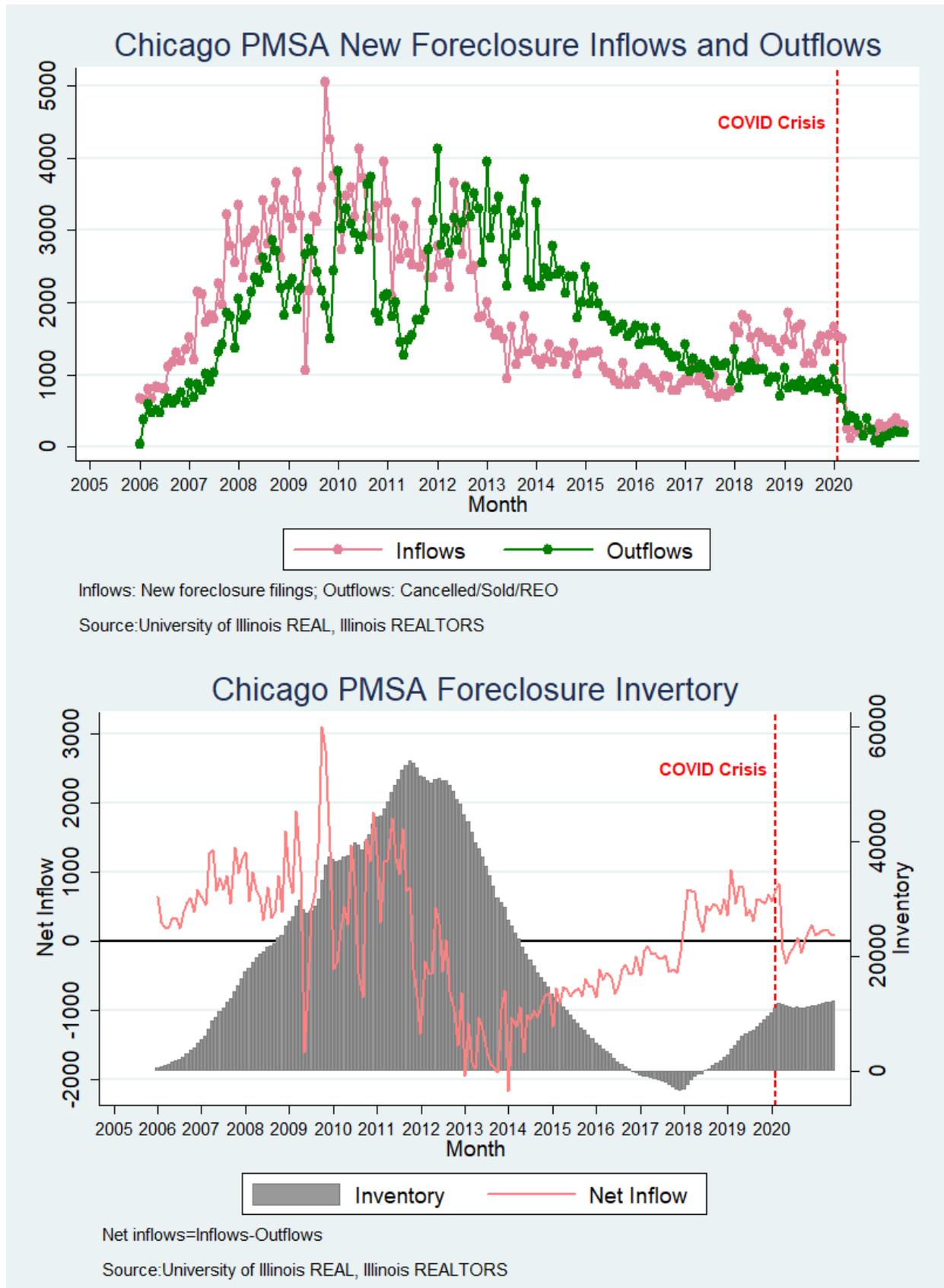
** Years to recover is calculated using the following formula:

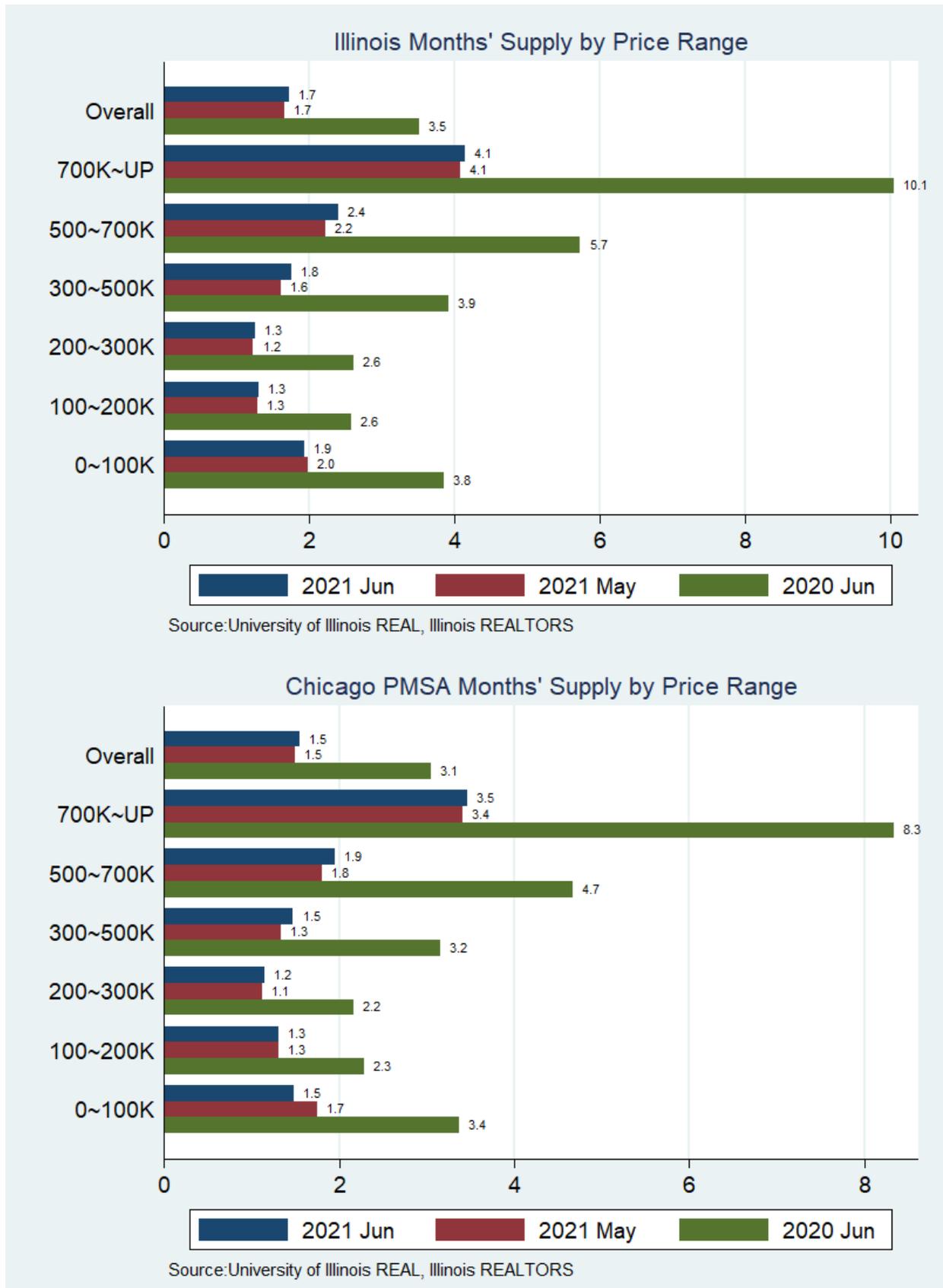
$Price_{June2021} * (1 + \text{recovery rate})^{\text{years}} = Price_{June2008}$. Prices used in the formula are inflation adjusted. The recovery rate is applied as a constant annual change rate to recoup the differences between the current month and its corresponding month in 2008.

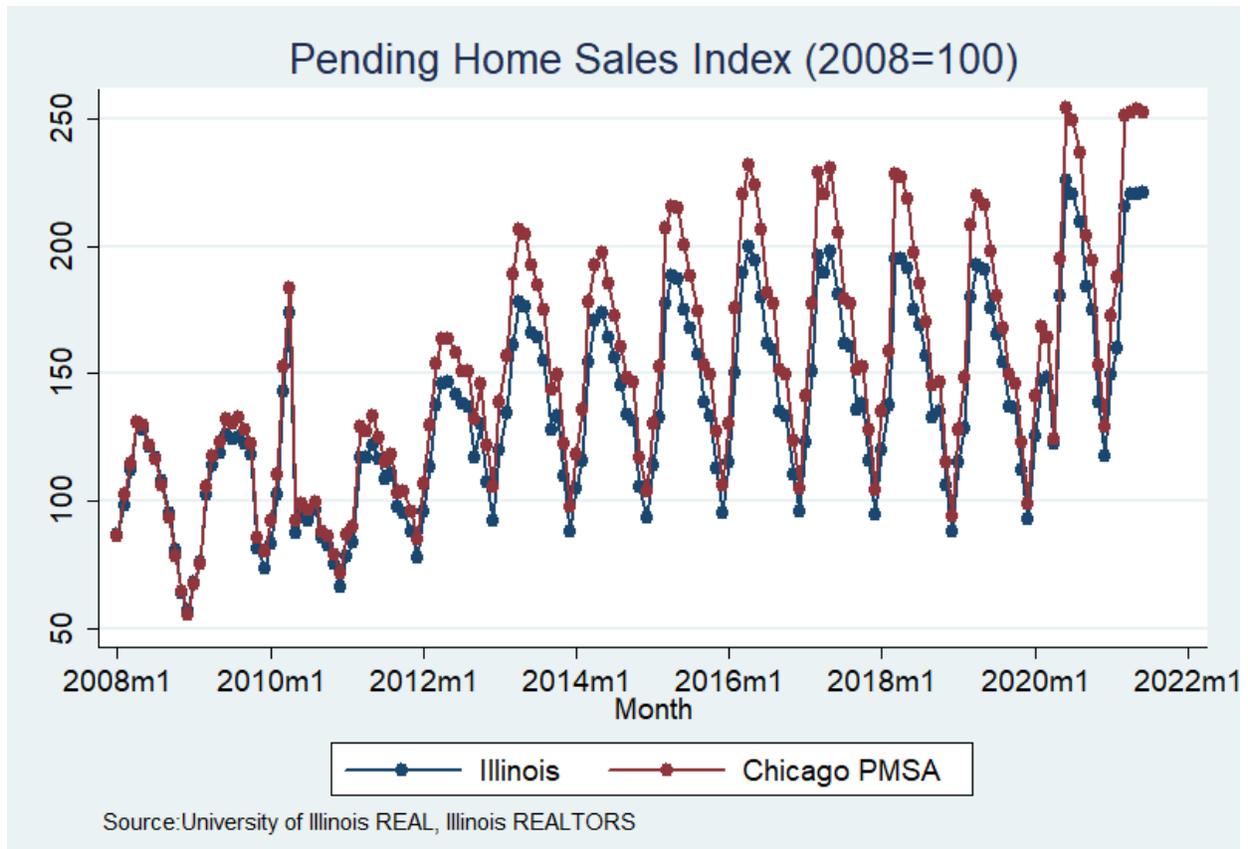


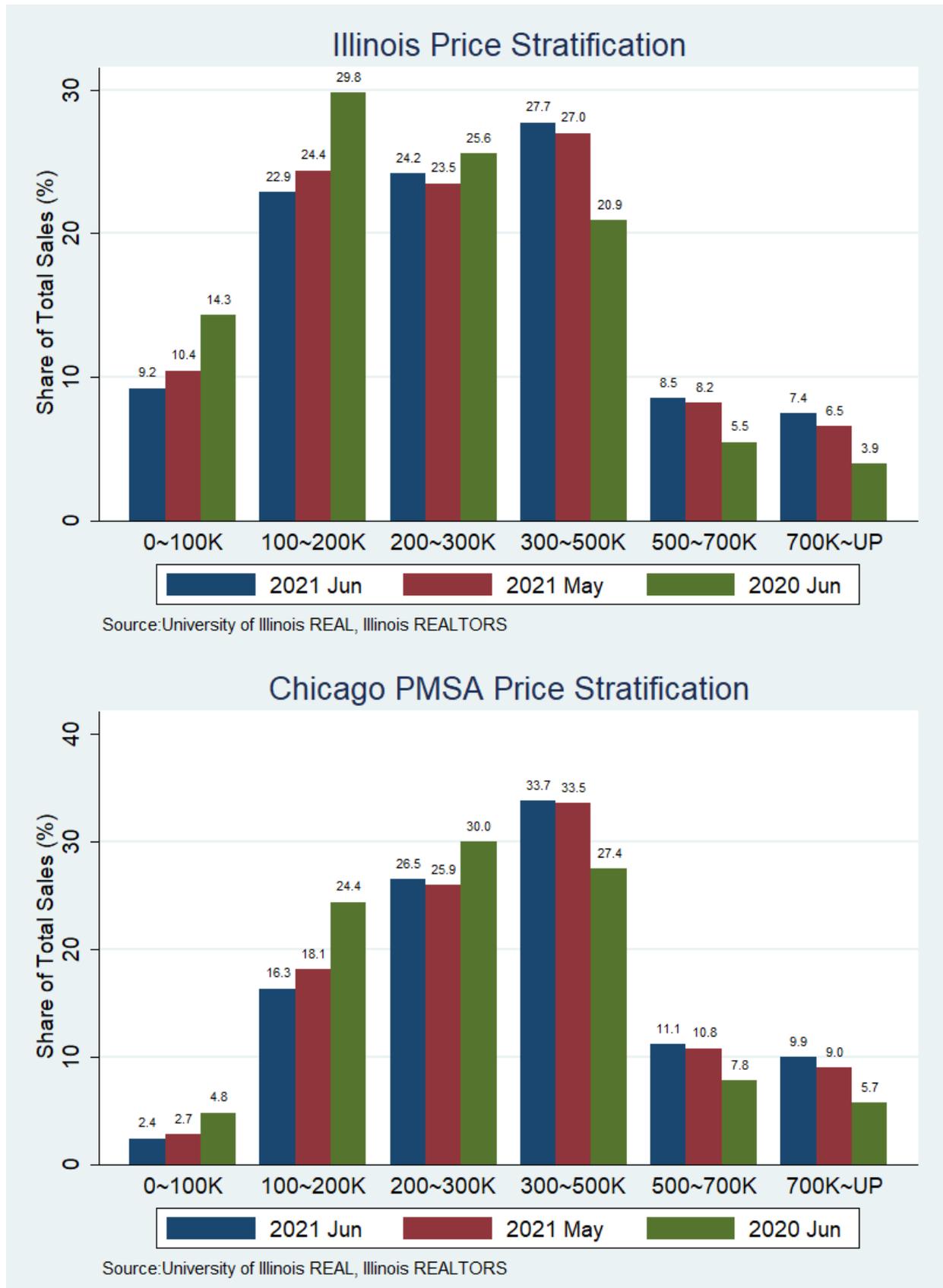




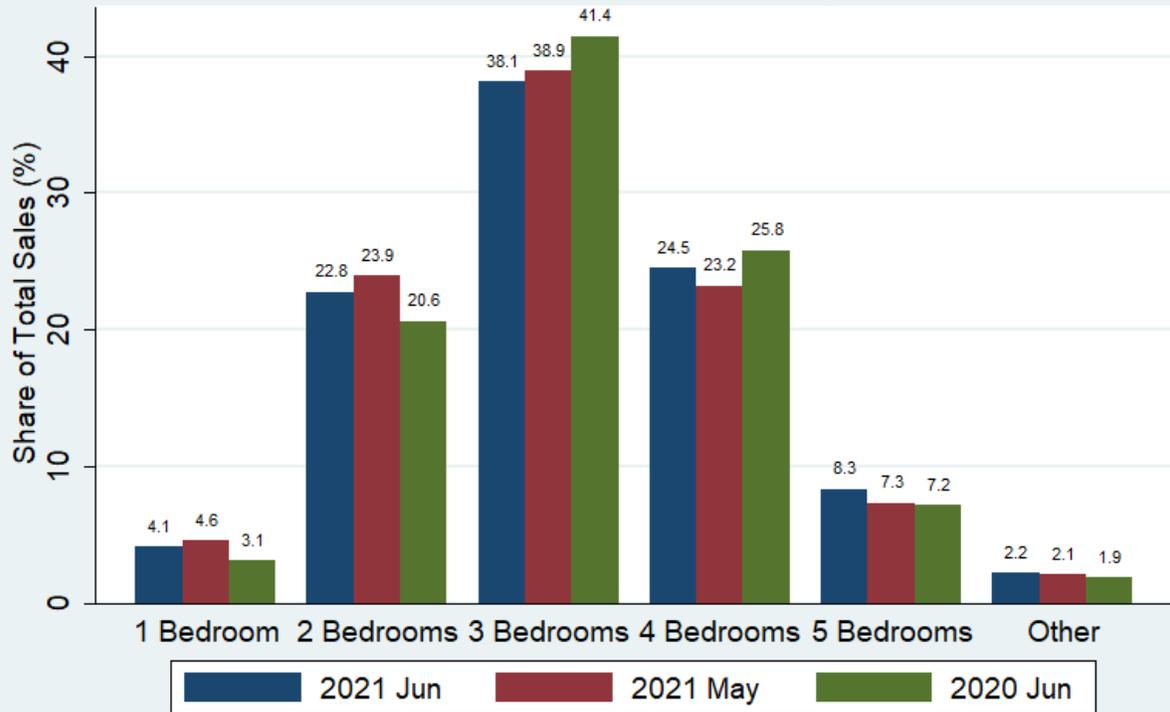






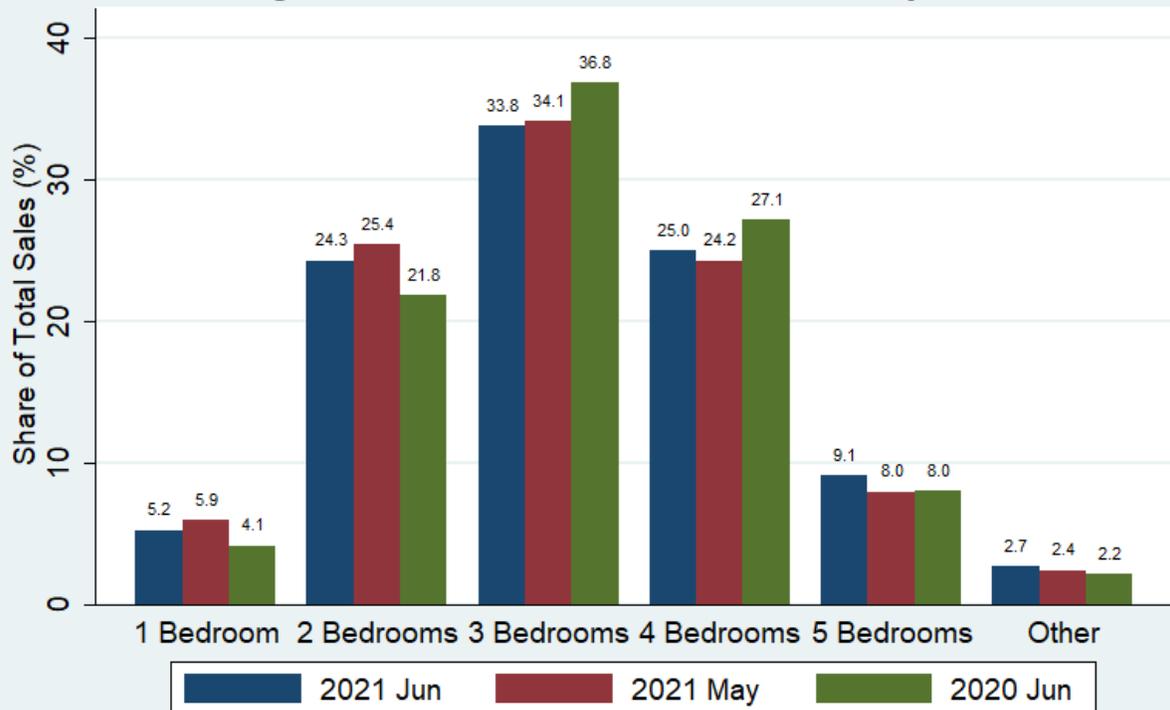


Illinois House Characteristics by Bedroom



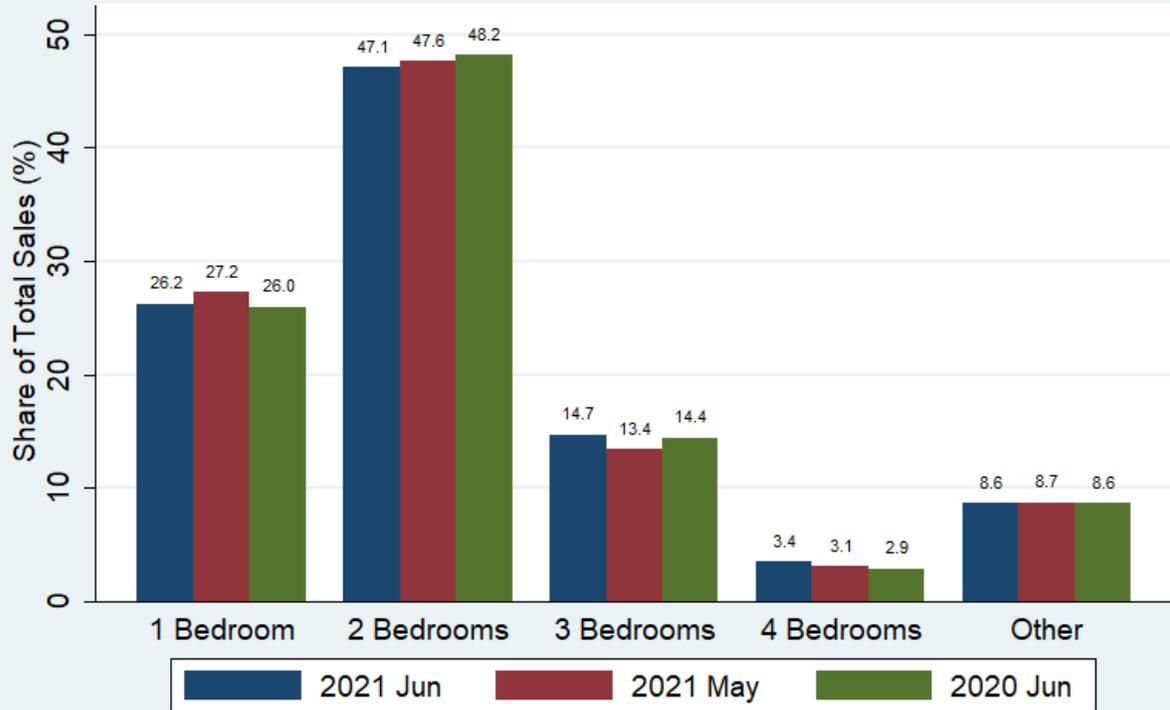
Source: University of Illinois REAL, Illinois REALTORS

Chicago PMSA House Characteristics by Bedroom



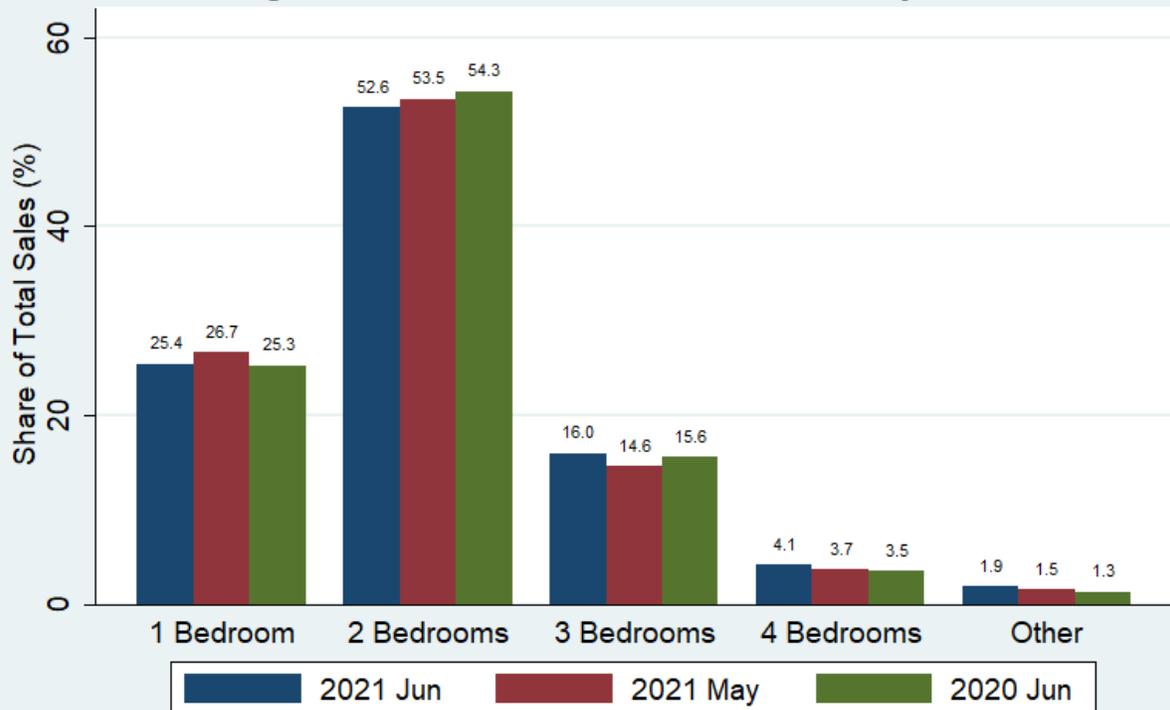
Source: University of Illinois REAL, Illinois REALTORS

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



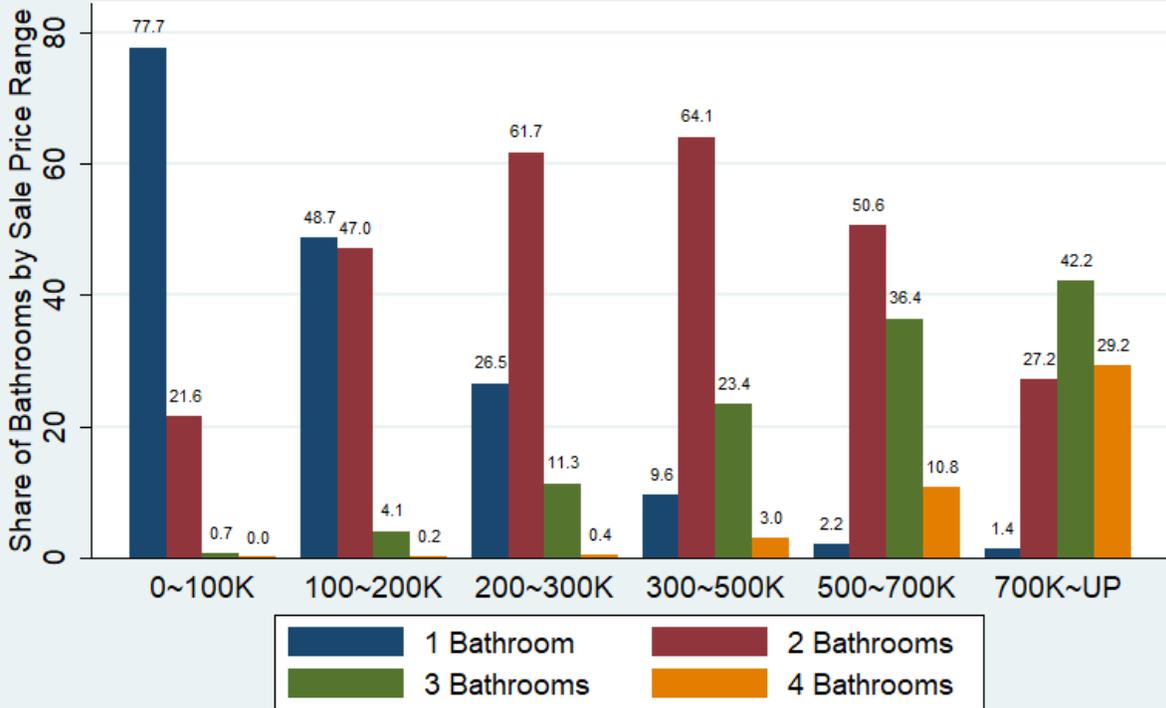
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Chicago PMSA Bedroom Shares by Sale Price Stratification



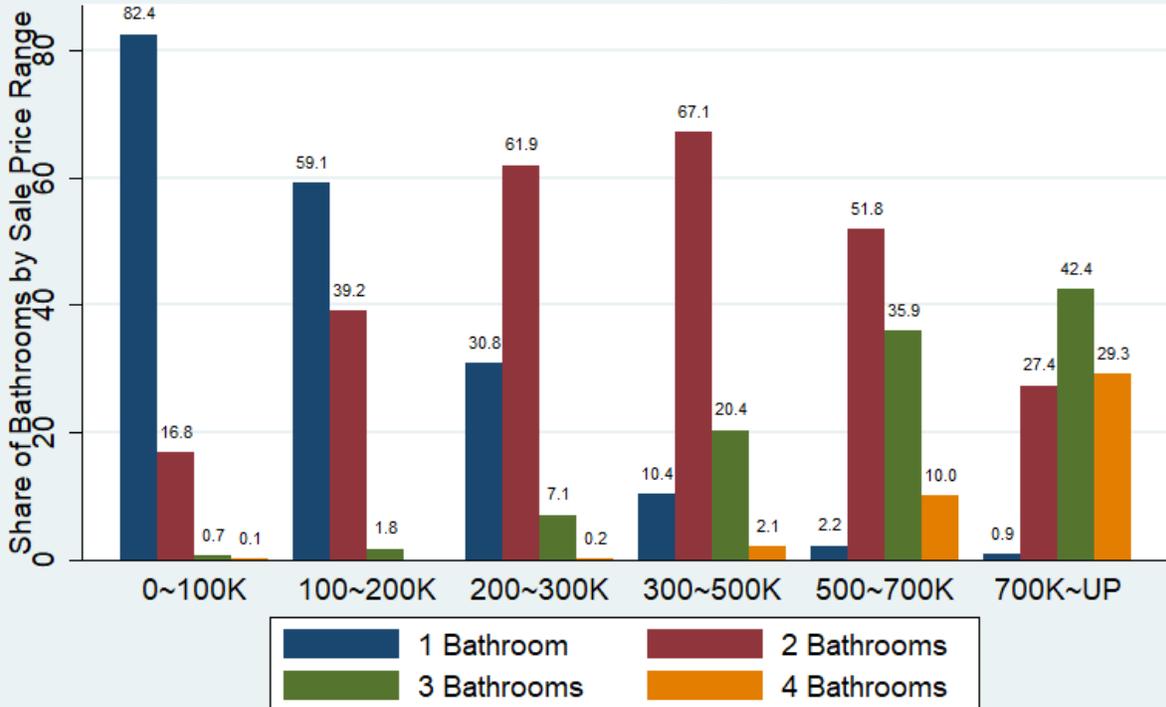
Source: University of Illinois REAL, Illinois REALTORS

Illinois Bathroom Shares by Sale Price Stratification



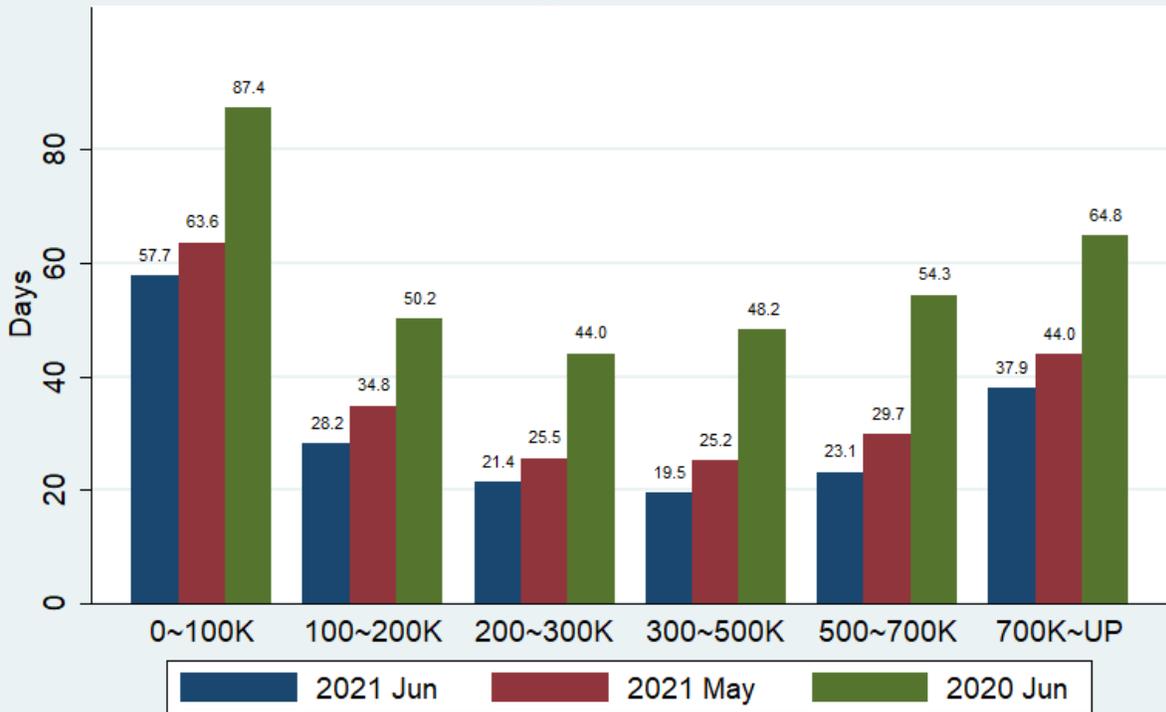
Source: University of Illinois REAL, Illinois REALTORS

Chicago PMSA Bathroom Shares by Sale Price Stratification



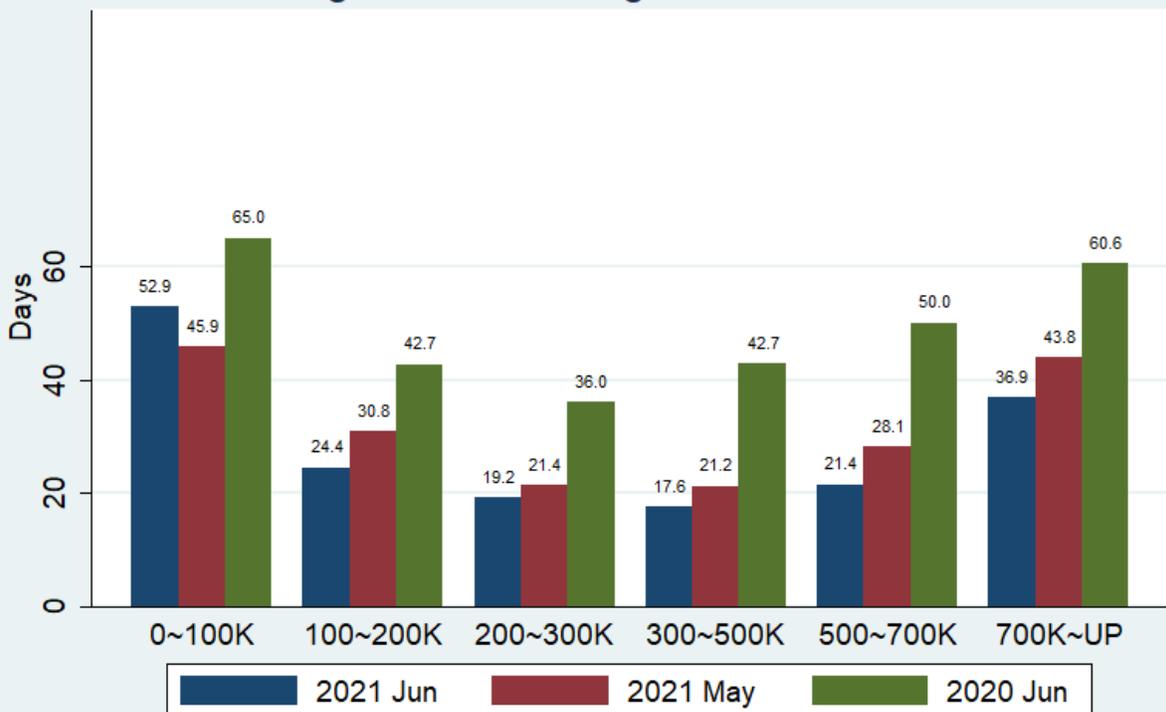
Source: University of Illinois REAL, Illinois REALTORS

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

