

Housing Price Forecasts

Illinois and Chicago PMSA, October 2021

Presented To

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Institute of Government and Public Affairs
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The Housing Market

In September, median prices experienced a positive annual change while sales experienced a negative annual change in both Illinois and Chicago PMSA. 16,782 houses were sold in Illinois, changing by -10.7% from a month ago and -6.7% from a year ago. In the Chicago PMSA, 11,653 houses were sold, changing by -13.2% from a month ago and -7.8% from a year ago. The median price was \$249,000 in Illinois, up 6.0% from September last year; the comparable figure for the Chicago PMSA was \$290,000, up 5.5% from September last year.

In September, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 2.7%. 11,238 regular sales were made, 6.6% less than last year. 333 foreclosed properties were sold, 36.6% less than last year. The median price was \$295,000 for regular property sales, up 5.7% from last year; the comparable figure for the foreclosed properties was \$235,000, up 20.5% from this time last year.

Illinois and the Chicago PMSA both have already recovered to their pre-bubble levels on average. The median sale price in September 2008 has been adjusted to 2021 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the September 2008 median sale price was \$160,000 (in \$2008) and \$200,396 (in \$2021); the current price level was 124% of the 2008 level after adjusting (156% before adjusting). In the Chicago PMSA, the September 2008 median sale price was \$200,000 (in \$2008) and \$250,495 (in \$2021); the comparable figure for price recovery in September 2021 is 116% after adjustment (145% before adjusting).

The sales forecast for October, November and December suggests a decrease on both a yearly basis and 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 -3.4% to -4.6%; the comparable figures for the Chicago PMSA are a decrease in the range -5.0% to -6.8%. On a monthly basis, the three-month average sales are forecast to decrease in the range -3.7% to -5.0% for Illinois and decrease in the range -4.1% to -5.5% for the Chicago PMSA.

The pending home sales index¹ is a leading indicator based on contract signings. This September, the number of homes put under contract was slightly more than last year in both Illinois and the Chicago PMSA. The pending home sales index is 184.9 (2008=100) in Illinois, up 0.5% from a year ago. In the Chicago PMSA, the comparable figure is 205.4, up 0.8% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.9 months (down from 3.1 last year). In the Chicago PMSA, the comparable figure was 1.8 months (down from 2.8 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 October, November, and December in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 5.8% in October, 6.7% in November and 7.0 % in December. For the Chicago PMSA, the comparable figures are 5.1% in October, 6.7% in November and 6.4% in December. 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 10.9% in October, 9.3% in November and 8.5% in December. The comparable

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

figures for the Chicago PMSA are 10.8% in October 10.4% in November and 9.6% in December. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In September, the Conference Board Consumer Confidence Index decreased while the University of Michigan Consumer Sentiment Index slightly increased. The Conference Board Consumer Confidence Index stands at 109.3, down from 115.2 last month. The survey noted that concerns about the Delta variant continued to weaken the optimistic outlook. The University of Michigan Consumer Sentiment Index increased to 71.0 from 70.3 last month. The survey noted that the small gain still meant that consumers expected the least favorable economic prospects in more than a decade. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 1.2 points to 74.5. The survey noted that a greater share of consumers compared to last month reported that it is not a good time to buy a home. A majority of consumers continue to feel that it is a good time to sell. The primary reason of these divergent opinions of homebuying and home-selling conditions is high home prices.

The Housing Market – Current Condition

- In September, median prices experienced a positive annual change while sales experienced a negative annual change in both Illinois and Chicago PMSA. 16,782 houses were sold in Illinois, changing by -10.7% from a month ago and -6.7% from a year ago. In the Chicago PMSA, 11,653 houses were sold, changing by -13.2% from a month ago and -7.8% from a year ago. The median price was \$249,000 in Illinois, up 6.0% from September last year; the comparable figure for the Chicago PMSA was \$290,000, up 5.5% from September last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for October 2021 report table)
- In September, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 2.7%. 11,238 regular sales were made, 6.6% less than last year. 333 foreclosed properties were sold, 36.6% less than last year. The median price was \$295,000 for regular property sales, up 5.7% from last year; the comparable figure for the foreclosed properties was \$235,000, up 20.5% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In September, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.9 months (down from 3.1 last year). In the Chicago PMSA, the comparable figure was 1.8 months (down from 2.8 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 September, the market shares of homes in the medium price ranges (\$300~500K) experienced the largest change compared to a year ago. In Illinois, the market share for homes at \$300-500K increased to 25.7% from 22.2% a year ago; the comparative figure for the Chicago PMSA showed an increase to 32.2% from 28.2% 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 October, November, and December in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 5.8% in October, 6.7% in November and 7.0 % in December. For the Chicago

PMSA, the comparable figures are 5.1% in October, 6.7% in November and 6.4% in December. (Reference: Forecast for October 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 10.9% in October, 9.3% in November and 8.5% in December. The comparable figures for the Chicago PMSA are 10.8% in October 10.4% in November and 9.6% in December. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for October, November and December suggests a decrease on both a yearly basis and 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 -3.4% to -4.6%; the comparative figures for the Chicago PMSA are a decrease in the range -5.0% to -6.8%. On a monthly basis, the three-month average sales are forecast to decrease in the range -3.7% to -5.0% for Illinois and decrease in the range -4.1% to -5.5% for the Chicago PMSA. (Reference: Forecast for October 2021 report table)
- The pending home sales index² is a leading indicator based on contract signings. This September, the number of homes put under contract was slightly more than last year in both Illinois and the Chicago PMSA. The pending home sales index is 184.9 (2008=100) in Illinois, up 0.5% from a year ago. In the Chicago PMSA, the comparable figure is 205.4, up 0.8% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In September 2021, 389 houses were newly filed for foreclosure in the Chicago PMSA (up 65.5% and down 16.5% respectively from a year and a month ago). 342 foreclosures were completed³ (down 10.2% and up 9.6% respectively from a year and a month ago). As of September 2021, there are 12,871 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 122 in the past 6 months, 128 in the last 12 months and 208 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In September 2021, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate declined by 0.4 percentage points to 4.8% and nonfarm payroll jobs experienced a gain of 194,000 jobs. Notable job gains occurred over the month in leisure and hospitality (+74,000), professional and business services (+60,000), retail trade (+56,000), and transportation and warehousing (+47,000).
- In August 2021, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment fell 0.1 percentage points to 7.0%. Non-farm payroll jobs rose by 2,500 over the month. The industry sectors that reported the largest payroll gains were Leisure and Hospitality (+5,800), Manufacturing (+3,900), and Government (+1,900).
- In June 2021, the one-year-ahead forecast for Illinois indicates that non-farm employment will change at a rate between 5.47% and 5.92%, corresponding to job gains between 314,400 and 318,400. The largest contributors to the forecast increase are Trade, Transportation & Utilities, Professional & Business Services, and Education & Health.

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 the latest Forbearance and Call Volume Survey from the Mortgage Bankers Association (MBA), the share of loans in forbearance dropped by 27 basis points week over week entering this month, falling to 2.62% as of Oct. 3. “Payment performance has remained steady for those who have exited forbearance into a workout since 2020, with more than 85% of those borrowers current as of October,” said Mike Fratantoni, MBA senior vice president and chief economist. “It also continues to be striking that so many homeowners in forbearance have continued to make their payments. Almost 16% of borrowers in forbearance as of Oct. 3 were current.”

Longer-term Outlook

- In September, the Conference Board Consumer Confidence Index decreased while the University of Michigan Consumer Sentiment Index slightly increased. The Conference Board Consumer Confidence Index stands at 109.3, down from 115.2 last month. The survey noted that concerns about the Delta variant continued to weaken the optimistic outlook. The University of Michigan Consumer Sentiment Index increased to 71.0 from 70.3 last month. The survey noted that the small gain still meant that consumers expected the least favorable economic prospects in more than a decade. Buying attitudes for household durables and long term economic prospects fell in early September while the year-ahead economic outlook slightly improved but below the June peak.
- In September, the Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 1.2 points to 74.5. The survey noted that a greater share of consumers compared to last month reported that it is not a good time to buy a home. A majority of consumers continue to feel that it is a good time to sell. The primary reason of these divergent opinions of homebuying and home-selling conditions is high home prices.
- The Chicago Business Activity Index (CBAI) decreased to 126.7 in July from 171.3 in June. The decrease is mainly attributed to negative nonmanufacturing job growth.

“Again, this month the market exhibits positive growth in prices with a decline in the number of sales,” said Dr. Daniel McMillen, head of the Stuart Handler Department of Real Estate at the University of Illinois at Chicago College of Business Administration. “While high prices are beginning to deter buyers and surveys suggest that people are not currently optimistic about the economy, consumers continue to feel that it is a good time to sell a home. Prices are expected to continue to increase through the rest of the year while the number of sales is expected to decrease.”

Forecast for October 2021 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES									
		Annual				Monthly			
		Illinois		Chicago PMSA		Illinois		Chicago PMSA	
Jul-21		0.3%		3.6%		-9.8%		-11.2%	
Aug-21		-0.7%		-0.8%		-3.3%		-3.8%	
Sep-21		-6.7%		-7.8%		-10.7%		-13.2%	
3 Month Avg.		-2.3%		-1.6%		-8.0%		-9.4%	
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES									
		Annual				Monthly			
		Illinois		Chicago PMSA		Illinois		Chicago PMSA	
Oct-21		-6.2%	-8.4%	-7.7%	-10.4%	-1.1%	-1.4%	-1.3%	-1.8%
Nov-21		-1.3%	-1.7%	-2.2%	-3.0%	-11.3%	-15.3%	-11.4%	-15.4%
Dec-21		-2.1%	-2.8%	-4.7%	-6.3%	1.9%	2.6%	1.2%	1.6%
3 Month Avg.		-3.4%	-4.6%	-5.0%	-6.8%	-3.7%	-5.0%	-4.1%	-5.5%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE									
	Illinois		Chicago PMSA			Illinois		Chicago PMSA	
Jul-21	\$262,500		\$310,000		Jul-20	\$233,547		\$276,000	
Aug-21	\$257,025		\$300,000		Aug-20	\$237,000		\$280,000	
Sep-21	\$249,000		\$290,000		Sep-20	\$235,000		\$275,000	
Oct-21	\$245,944		\$287,913		Oct-20	\$232,500		\$274,000	
Nov-21	\$244,985		\$287,153		Nov-20	\$229,500		\$269,000	
Dec-21	\$243,386		\$282,558		Dec-20	\$227,500		\$265,500	
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE									
	Illinois		Chicago PMSA			Illinois		Chicago PMSA	
Jul-21	12.4%		12.3%		Jul-20	6.6%		6.6%	
Aug-21	8.4%		7.1%		Aug-20	10.9%		11.6%	
Sep-21	6.0%		5.5%		Sep-20	17.5%		14.6%	
Oct-21	5.8%		5.1%		Oct-20	16.3%		14.2%	
Nov-21	6.7%		6.7%		Nov-20	14.8%		11.6%	
Dec-21	7.0%		6.4%		Dec-20	13.8%		12.0%	

Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2021]	[\$2008]	[\$2021]
September 2008 Median Price	\$160,000	\$200,396	\$200,000	\$250,495
September 2021 Median Price	\$198,806	\$249,000	\$231,542	\$290,000
Price Ratio (September 21/ September 08)	Adjusted	1.24	Adjusted	1.16
	Unadjusted	1.56	Unadjusted	1.45

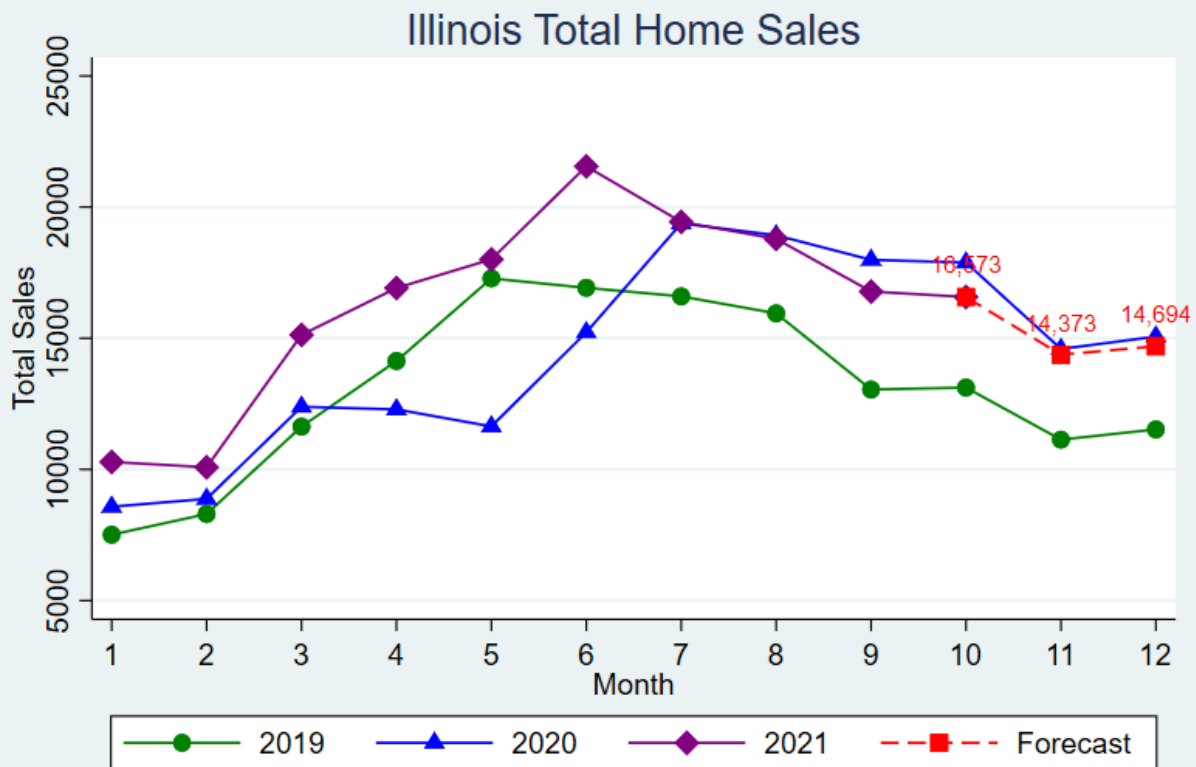
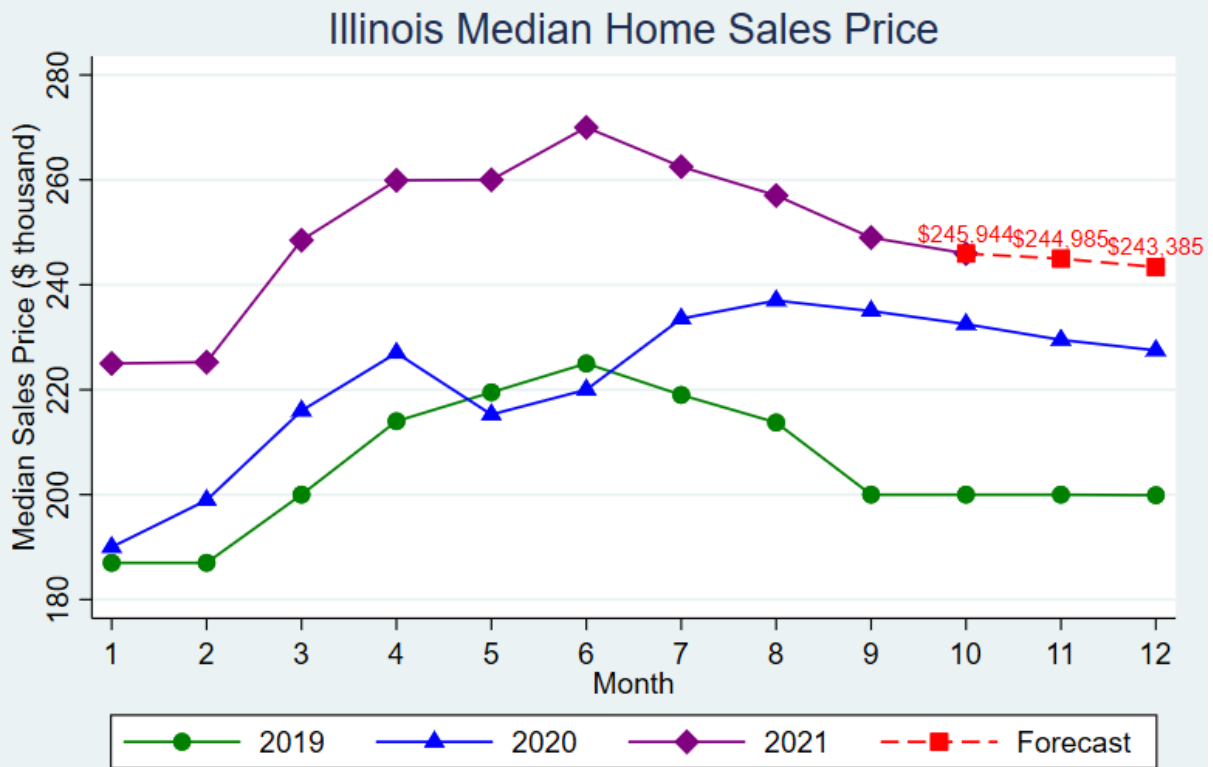
Recovery Forecasts using *Annually Growth Rates*

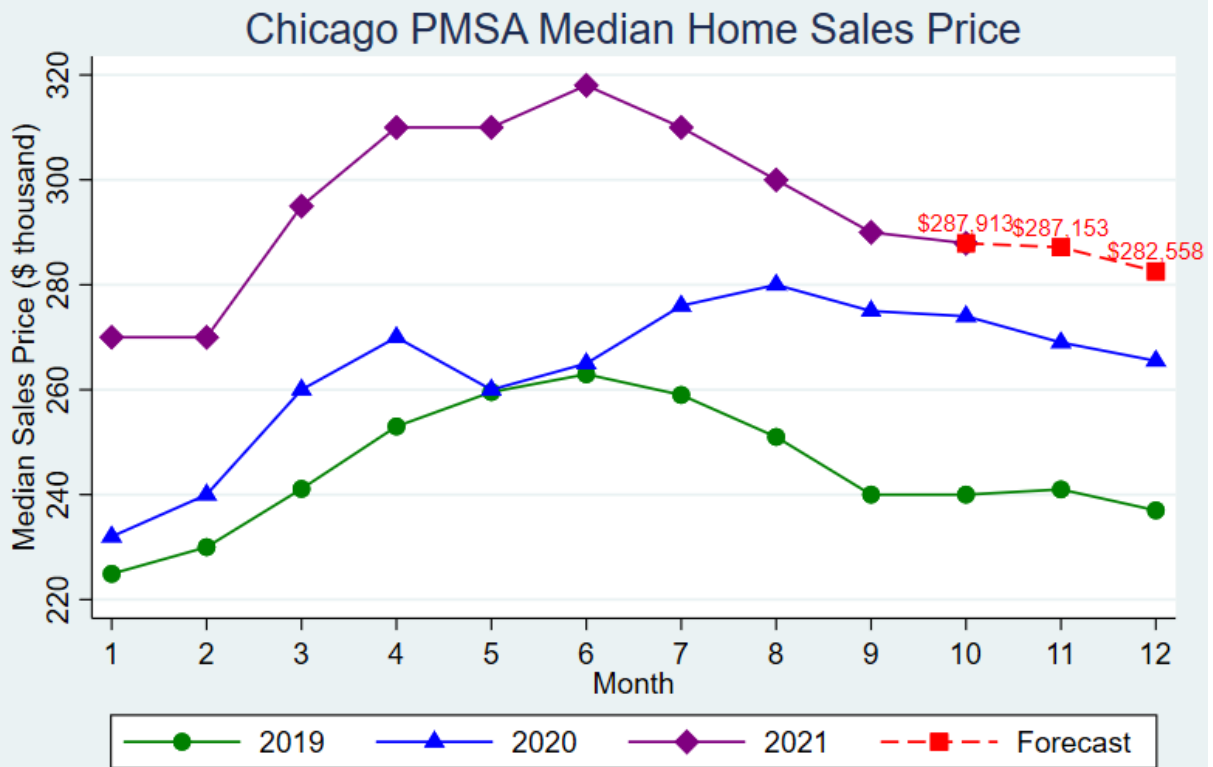
	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	0.6%	-38.0	0.1%	-152.0
Past 3 months	3.5%	-6.3	2.9%	-5.1
Past 6 months	8.6%	-2.6	7.7%	-2.0
Past 9 months	10.3%	-2.2	9.2%	-1.7
Past 12 months	11.1%	-2.1	9.7%	-1.6

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

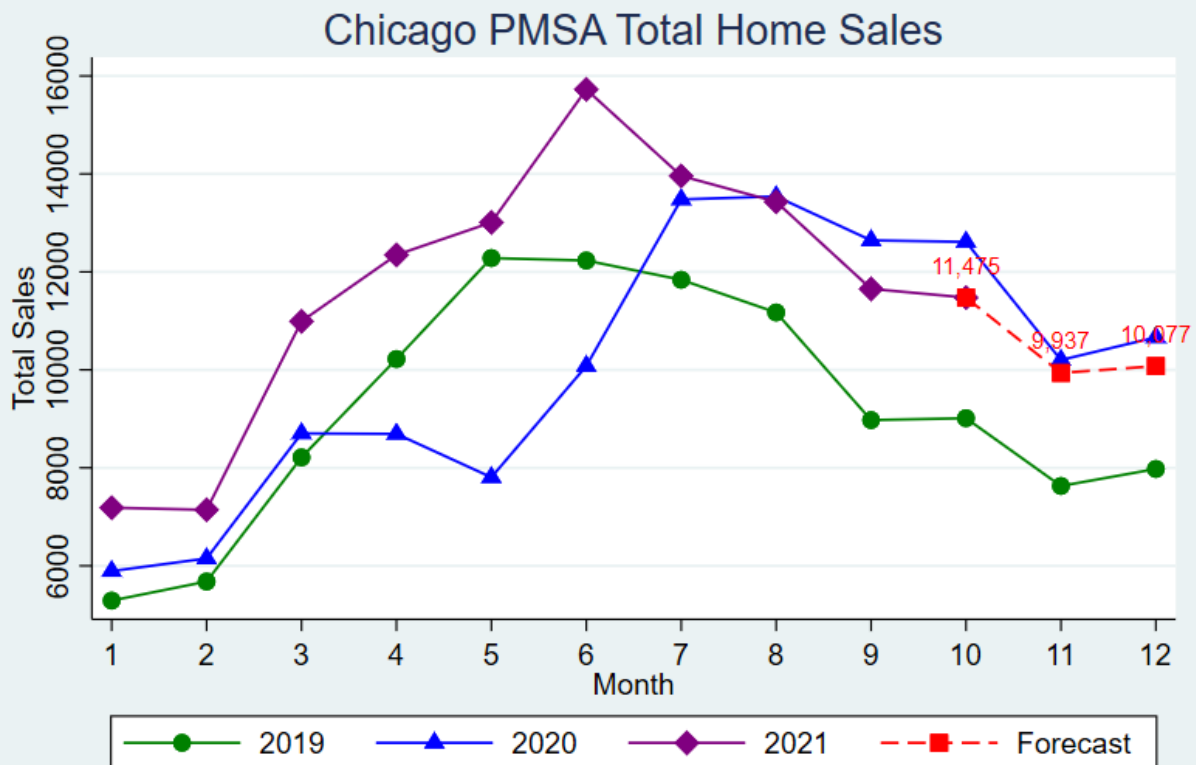
** Years to recover is calculated using the following formula:

$\text{Price}_{\text{September 2021}} * (1 + \text{recovery rate})^{\text{years}} = \text{Price}_{\text{September 2008}}$. 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.

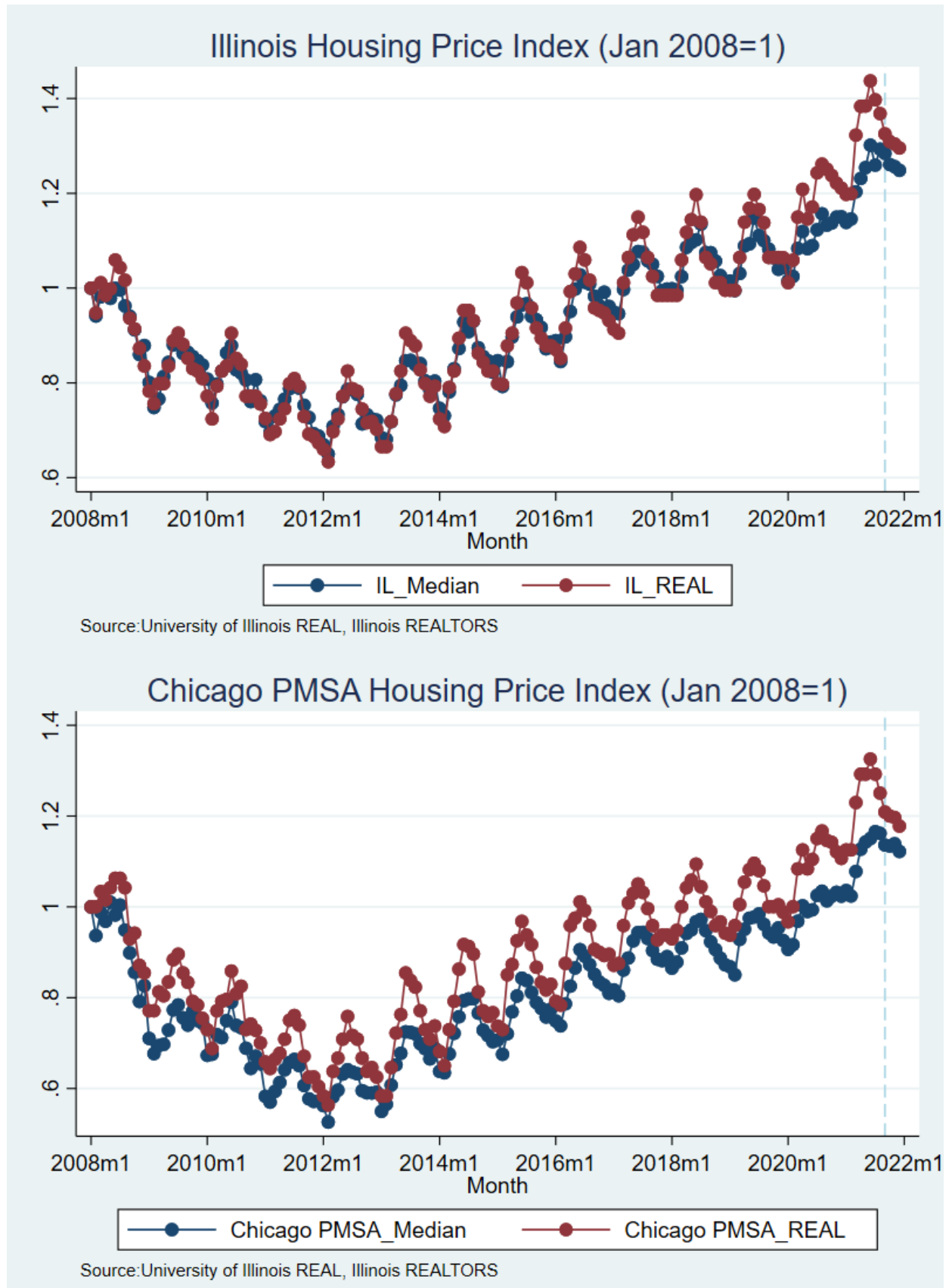




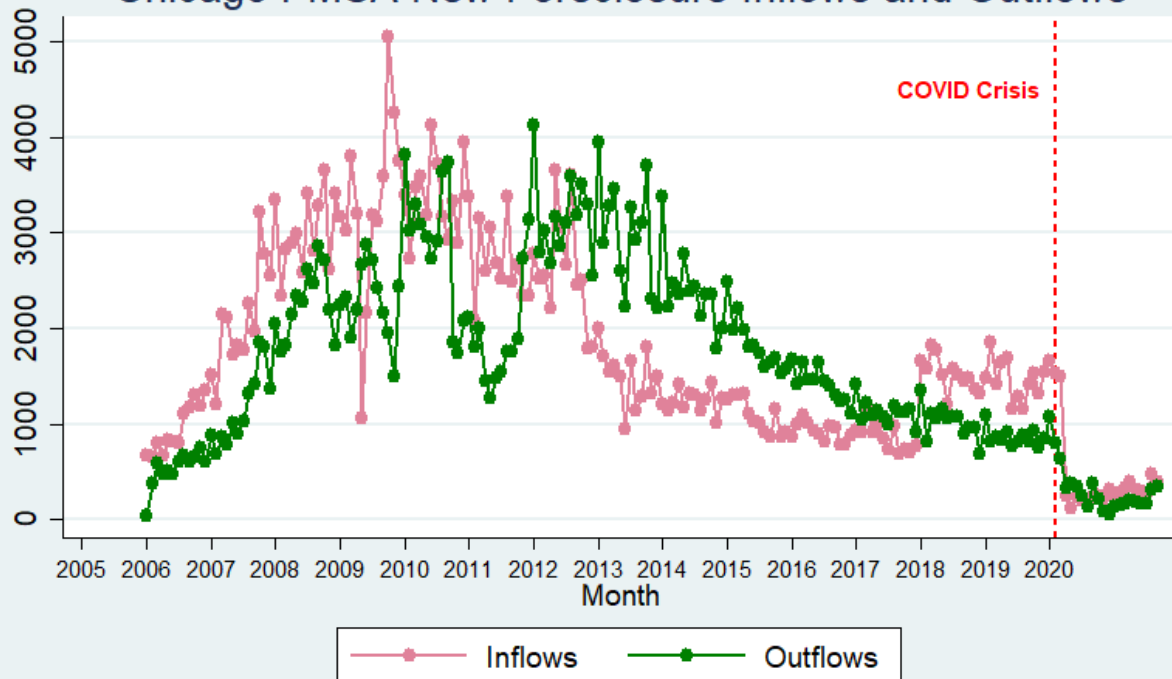
Source: University of Illinois REAL, Illinois REALTORS



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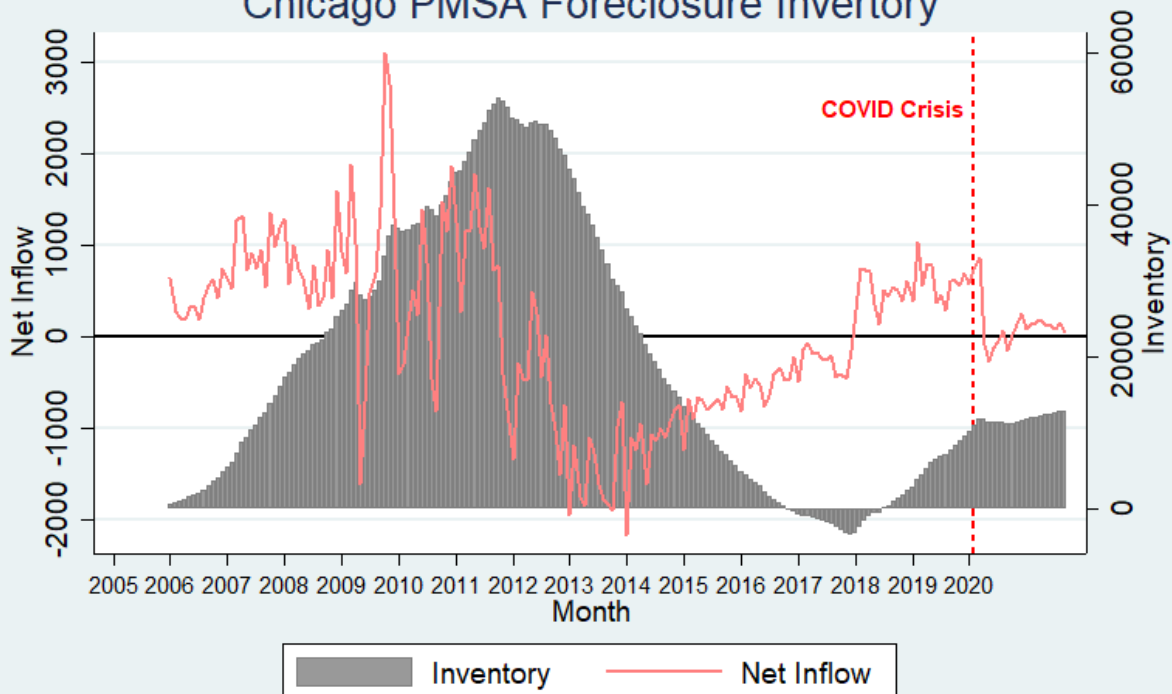
Chicago PMSA New Foreclosure Inflows and Outflows



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

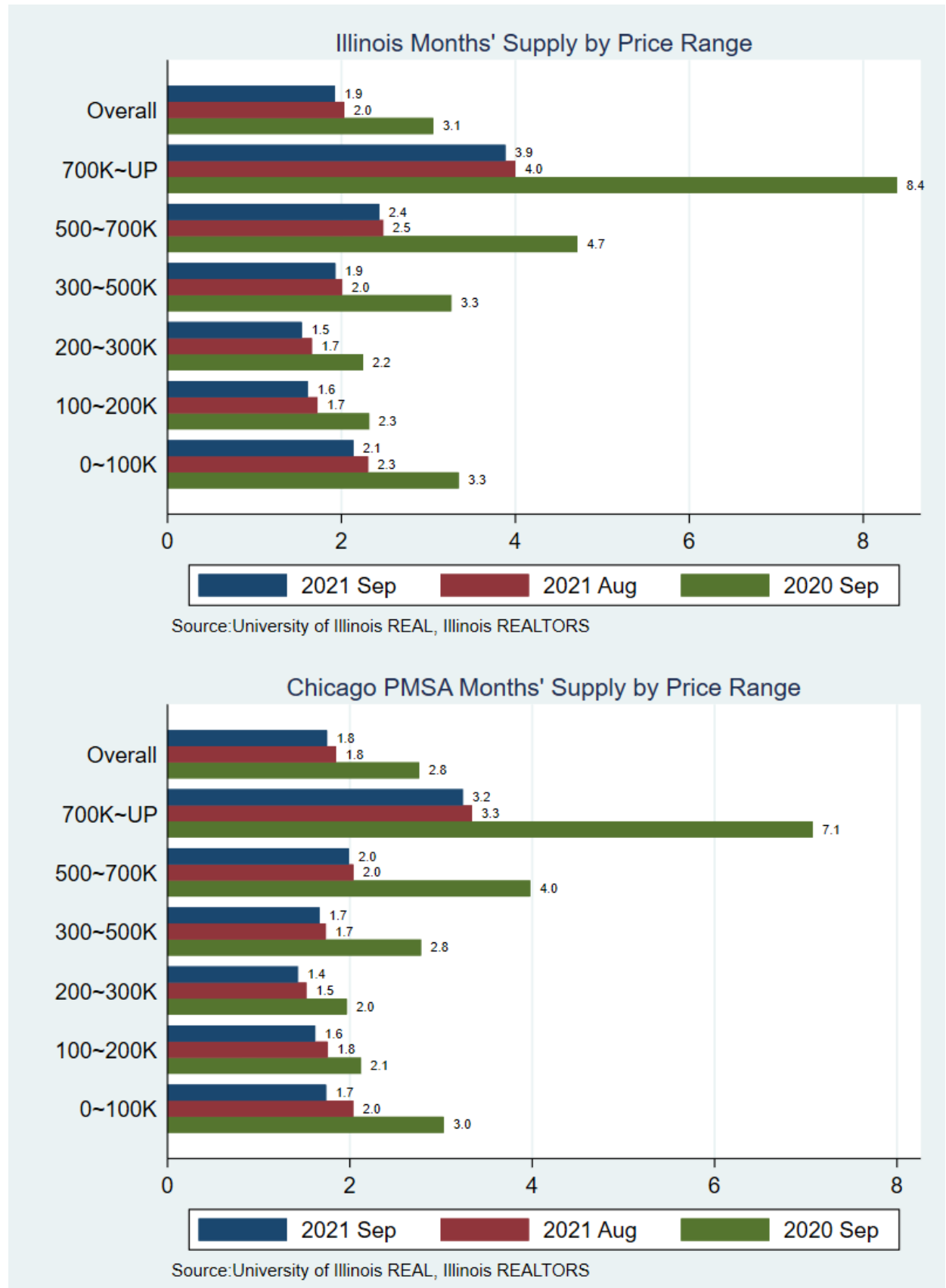
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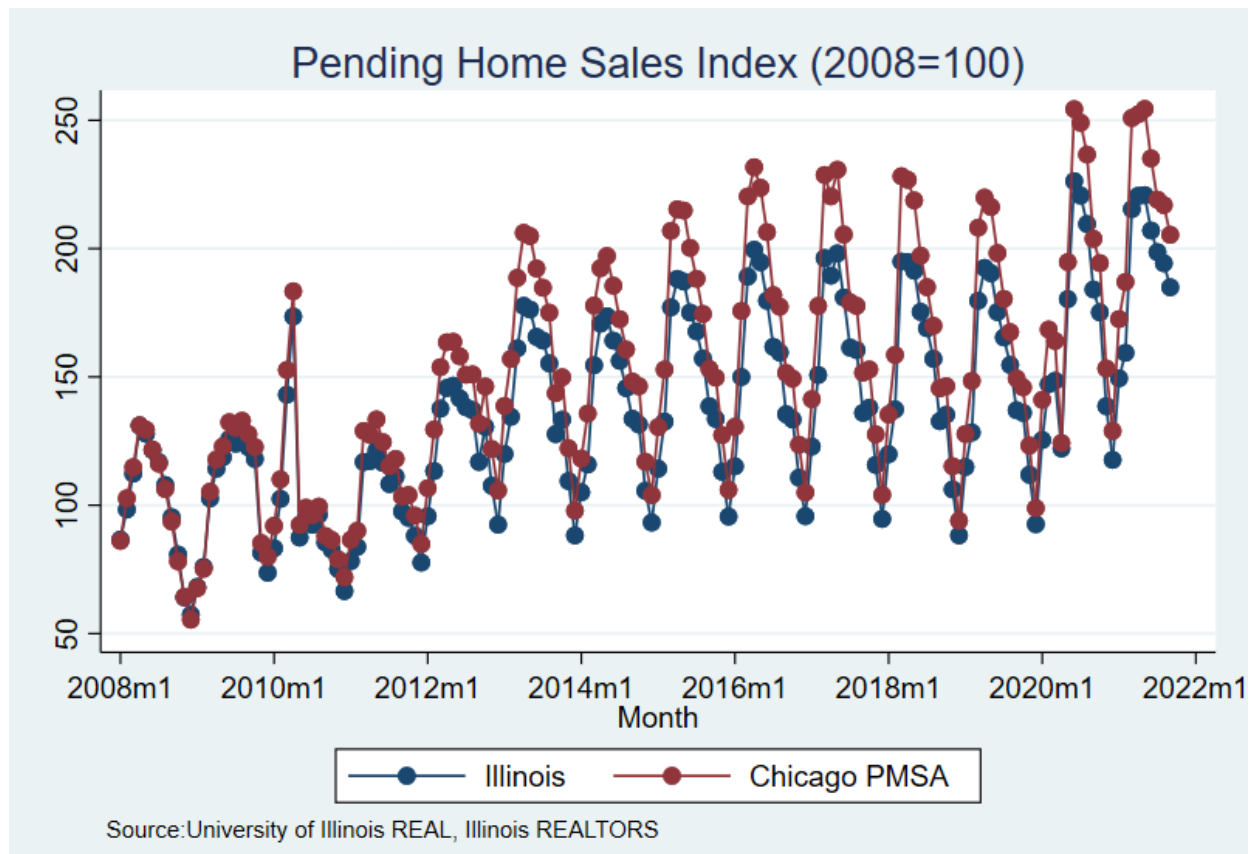
Chicago PMSA Foreclosure Inventory



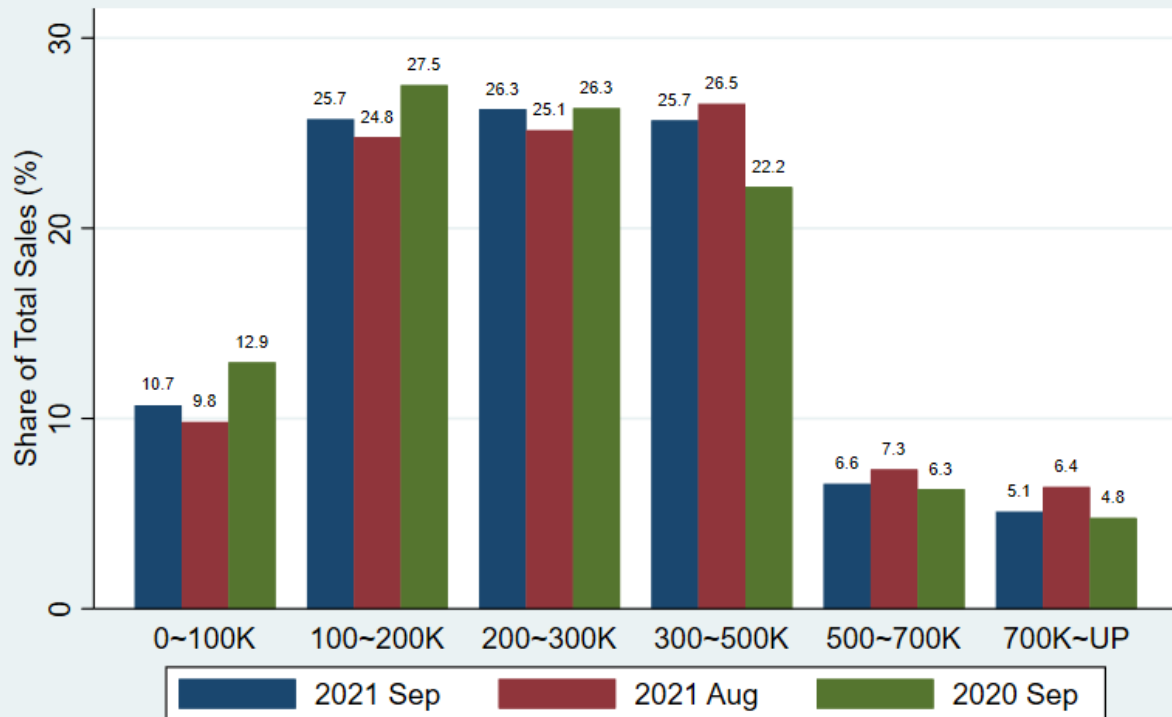
Net inflows = Inflows - Outflows

Source: University of Illinois REAL, Illinois REALTORS



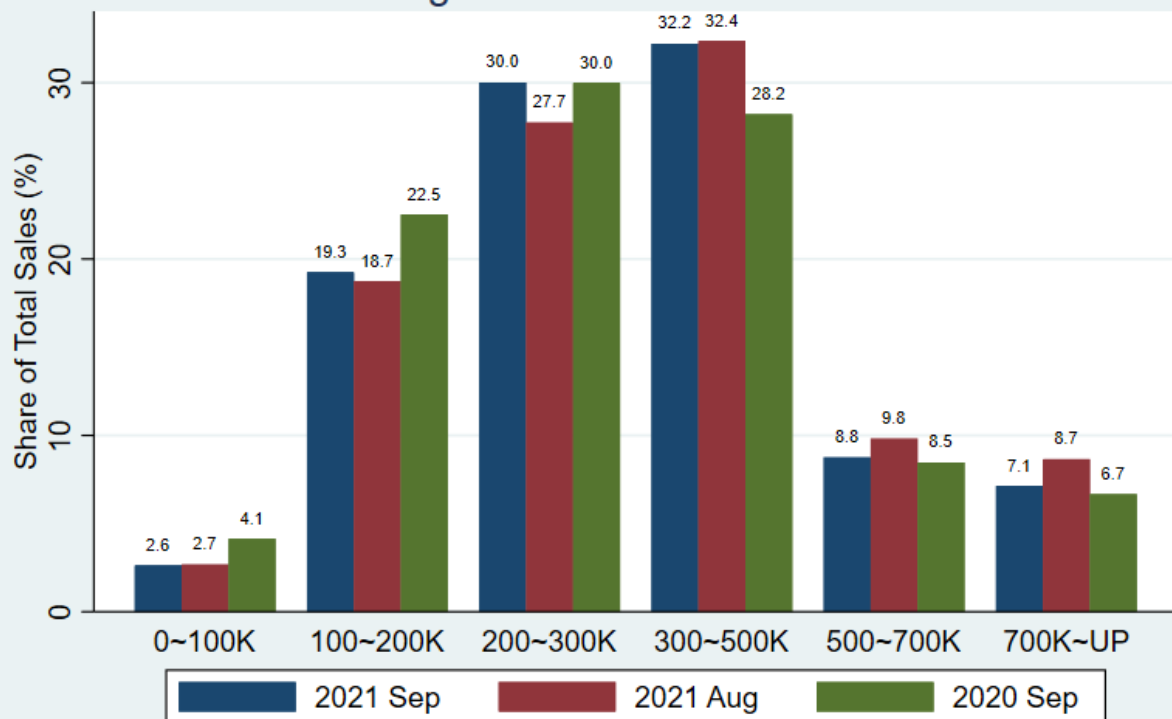


Illinois Price Stratification



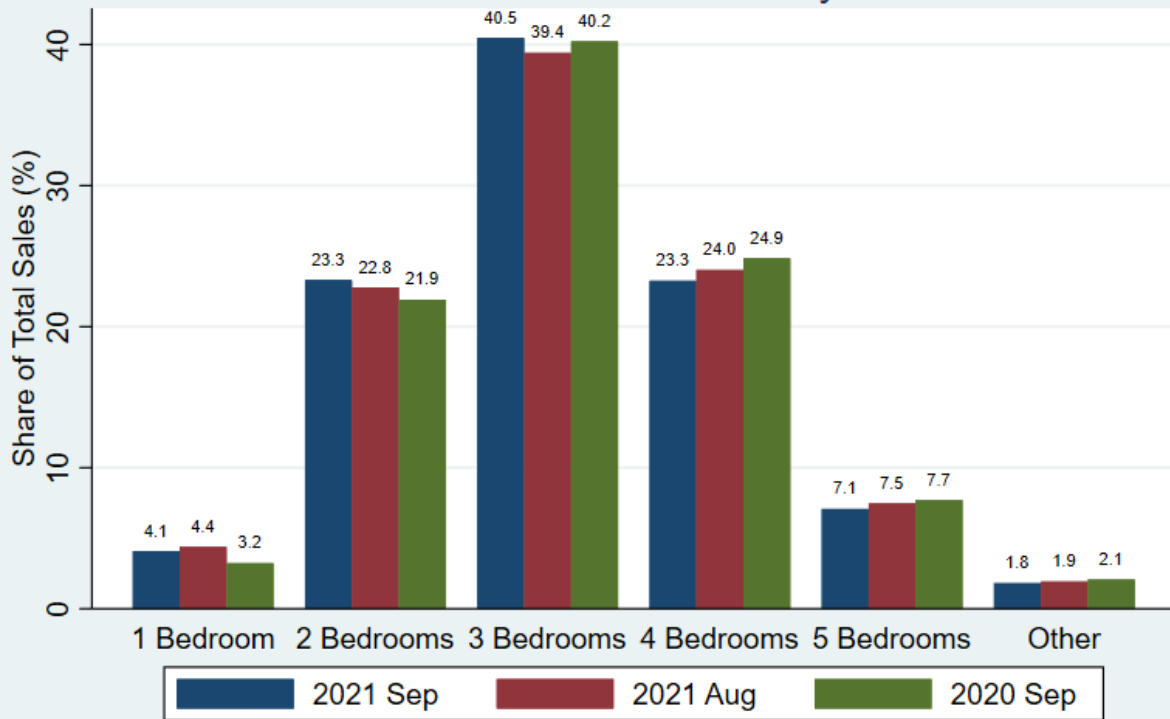
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Chicago PMSA Price Stratification



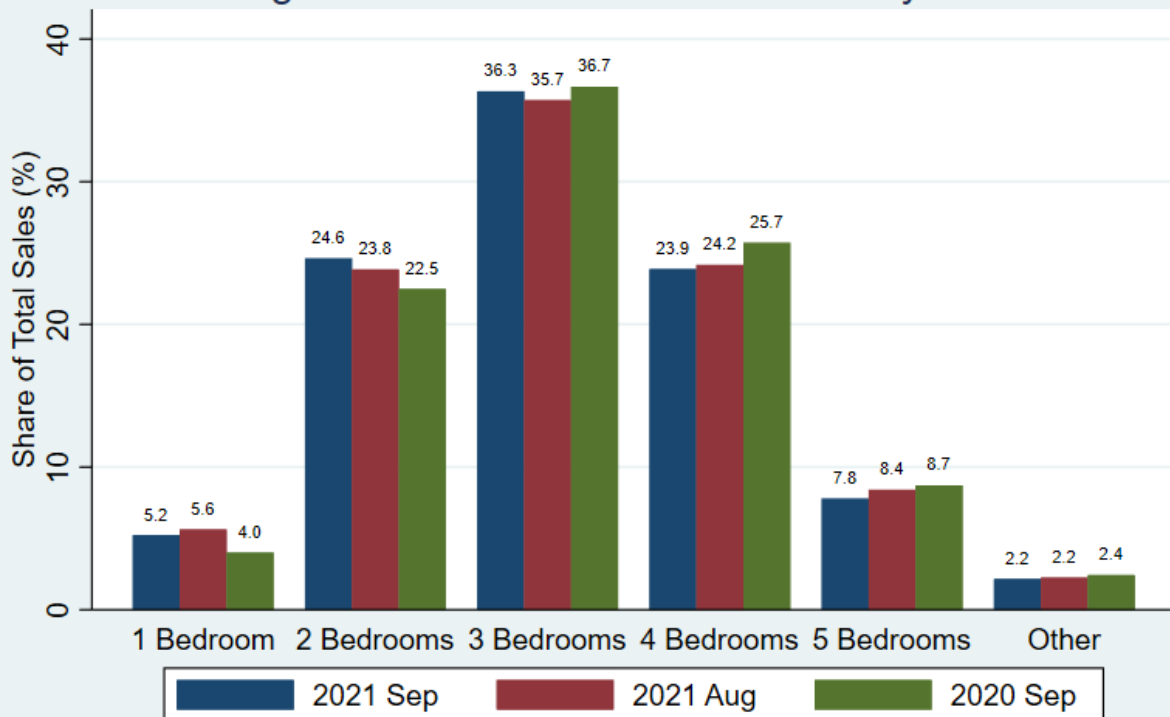
Source: University of Illinois REAL, Illinois REALTORS

Illinois House Characteristics by Bedroom



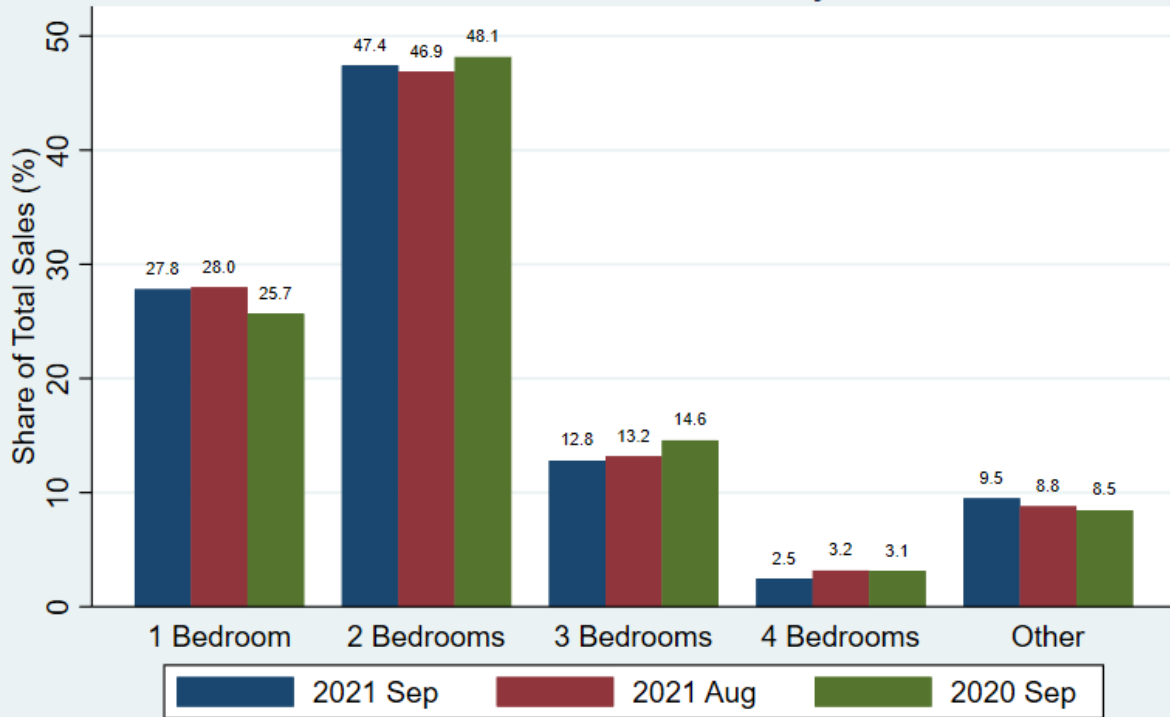
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Chicago PMSA House Characteristics by Bedroom



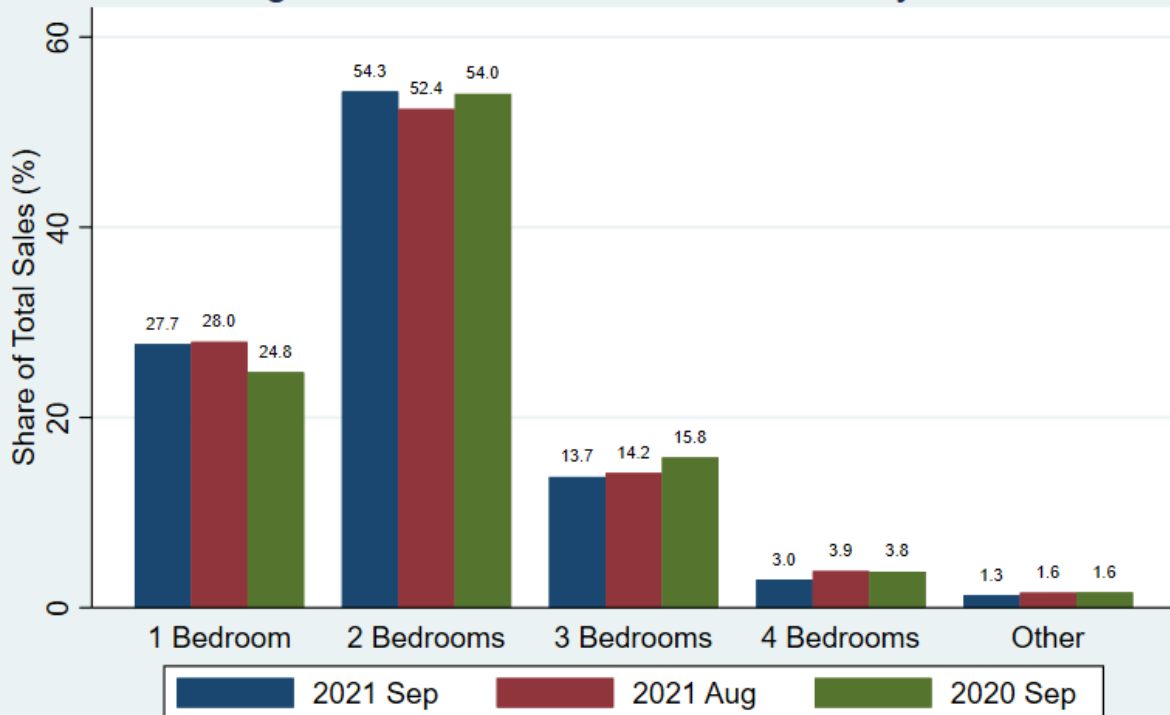
Source: University of Illinois REAL, Illinois REALTORS

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



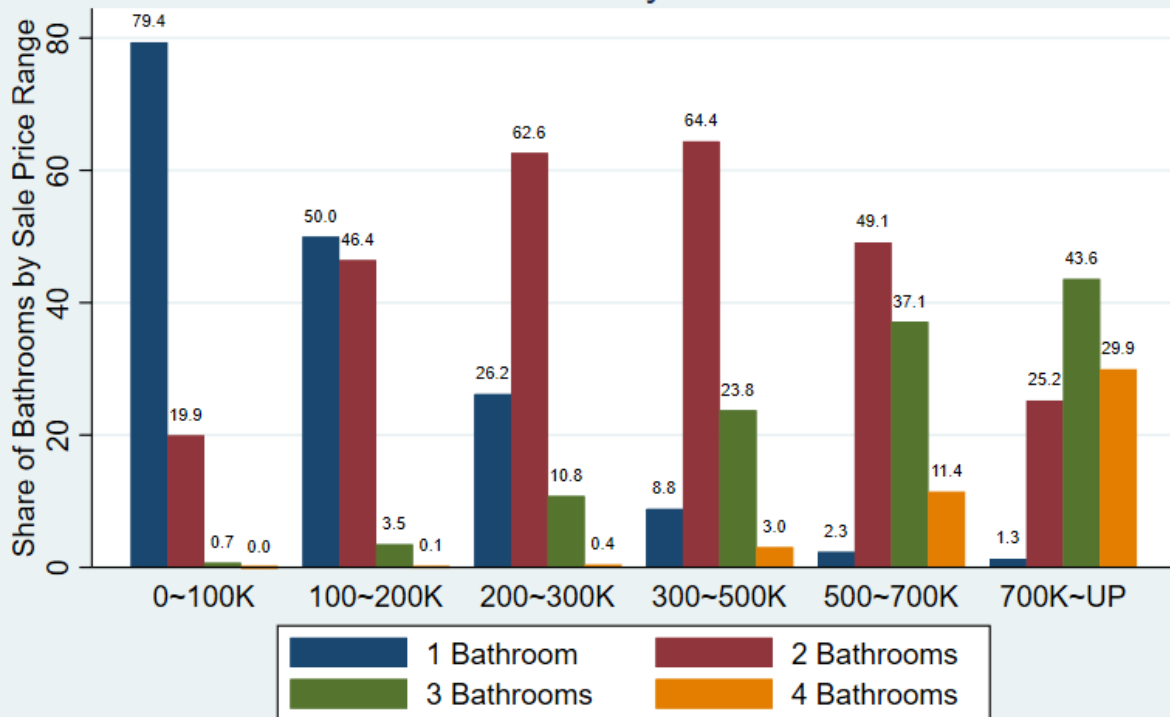
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Chicago PMSA Bedroom Shares by Sale Price Stratification



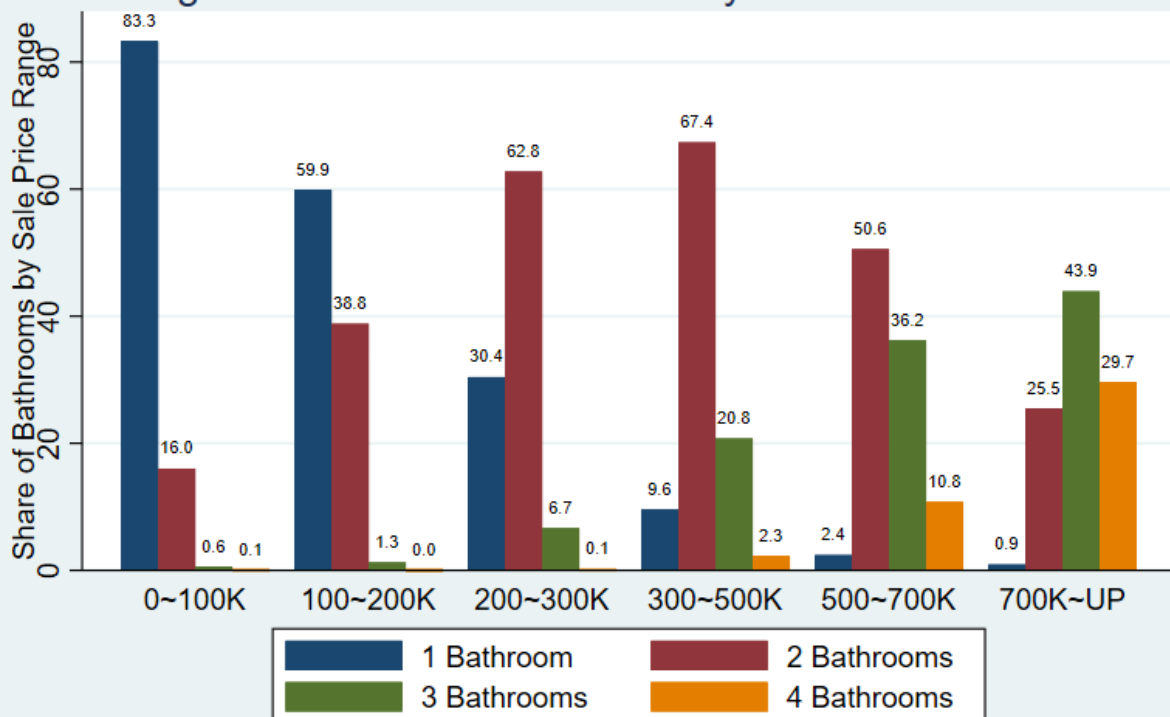
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Illinois Bathroom Shares by Sale Price Stratification



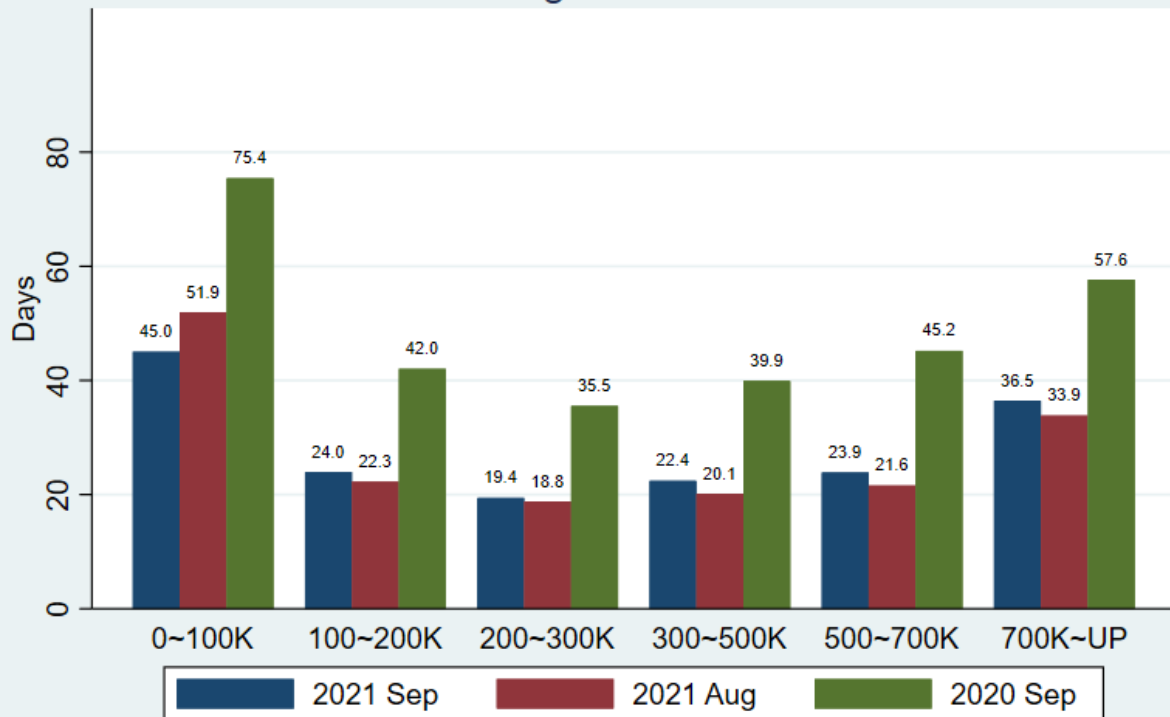
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Chicago PMSA Bathroom Shares by Sale Price Stratification



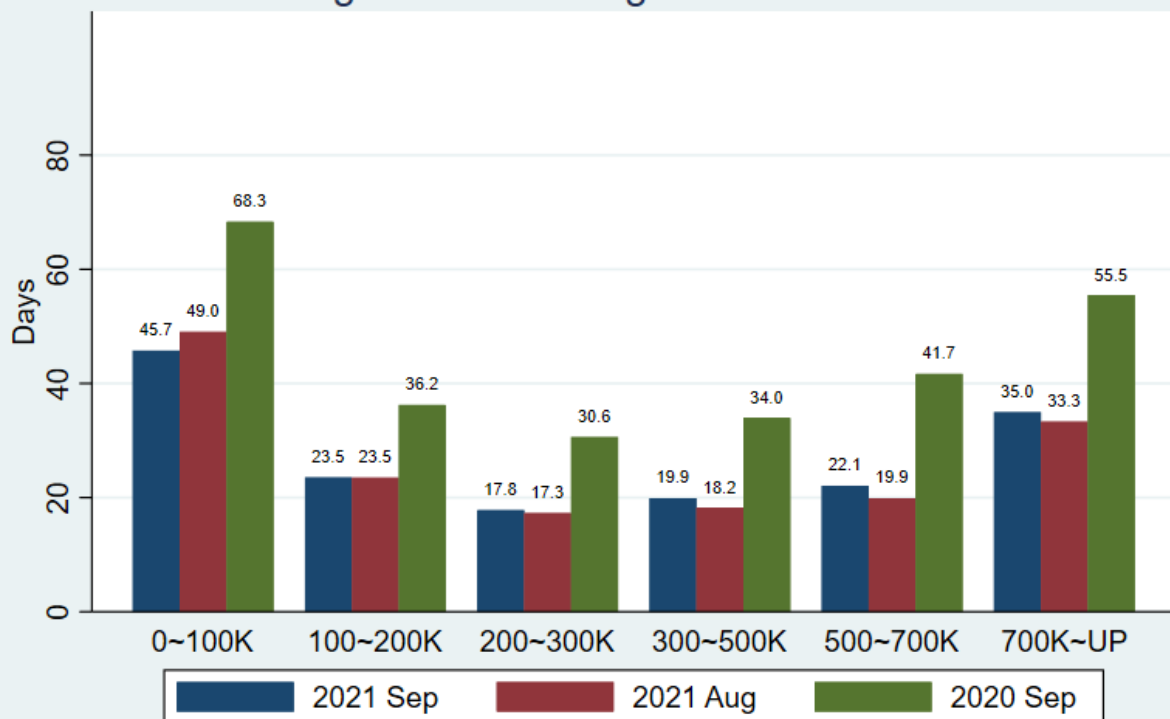
Source: University of Illinois REAL, Illinois REALTORS

Illinois Average Time on the Market



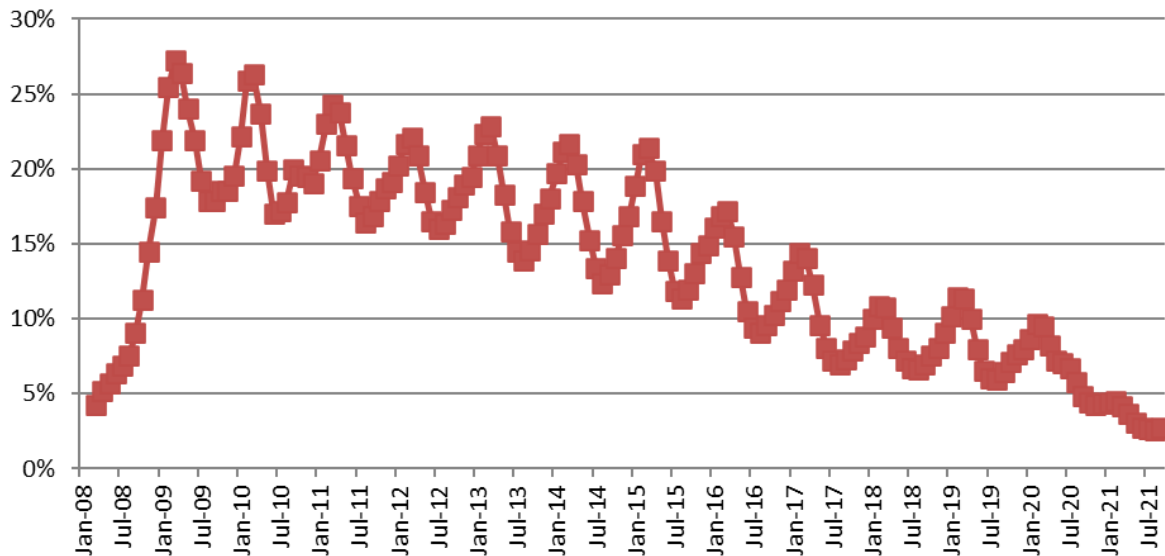
Source: University of Illinois REAL, Illinois REALTORS

Chicago PMSA Average Time on the Market



Source: University of Illinois REAL, Illinois REALTORS

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



Median Sales Price: Foreclosed vs. Regular Sales

