

Housing Price Forecasts

Illinois and Chicago PMSA, December 2021

Presented To

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From

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The Housing Market

In November, median prices and sales experienced a positive annual change in both Illinois and Chicago PMSA. 14,716 houses were sold in Illinois, changing by -8.6% from a month ago and 0.8% from a year ago. In the Chicago PMSA, 10,321 houses were sold, changing by -8.4% from a month ago and 1.2% from a year ago. The median price was \$246,625 in Illinois, up 7.7% from November last year; the comparable figure for the Chicago PMSA was \$290,000, up 7.8% from November last year.

In November, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 2.8%. 9,944 regular sales were made, 2.5% larger than last year. 299 foreclosed properties were sold, 30.6% less than last year. The median price was \$295,000 for regular property sales, up 8.8% from last year; the comparable figure for the foreclosed properties was \$229,000, up 11.7% 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 November 2008 has been adjusted to 2021 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the November 2008 median sale price was \$154,975 (in \$2008) and \$246,625 (in \$2021); the current price level was 122% of the 2008 level after adjusting (159% before adjusting). In the Chicago PMSA, the November 2008 median sale price was \$188,000 (in \$2008) and \$290,000 (in \$2021); the comparable figure for price recovery in November 2021 is 118% after adjustment (154% before adjusting).

The sales forecast for December, January and February suggests a decrease on a monthly basis for both Illinois and the Chicago PMSA. On an annual basis, however, the forecast shows a decrease for Illinois but an increase for Chicago PMSA. Annually for Illinois, the three-month average forecasts point to a decrease in the range -0.2% to -0.3%; the comparative figures for the Chicago PMSA are an increase in the range 4.5% to 6.0%. On a monthly basis, the three-month average sales are forecast to decrease in the range -9.1% to -12.3% for Illinois and decrease in the range -7.0% to -9.5% for the Chicago PMSA.

The pending home sales index¹ is a leading indicator based on contract signings. This November, 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 153.2 (2008=100) in Illinois, up 10.6% from a year ago. In the Chicago PMSA, the comparable figure is 169.4, up 10.6% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.6 months (down from 2.5 last year). In the Chicago PMSA, the comparable figure was 1.4 months (down from 2.3 last year). Months of supply for homes in the lowest price ranges (<100K) experienced declines both in Illinois and the Chicago PMSA. The highest price ranges (\$700K+) showed the largest decline.

The median price forecast indicates positive annual growth for December, January, and February in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 7.8% in December, 6.9% in January and 8.4 % in February. For the Chicago PMSA, the comparable figures are 7.6% in December, 5.5% in January and 7.2% in February. As a complement to the median housing price index (HPI), the SHDRE HPI forecasts a positive growth trend for both

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

Illinois and the Chicago PMSA. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 11.1% in December, 11.5% in January and 10.4% in February. The comparable figures for the Chicago PMSA are 9.4% in December 7.6% in January and 8.4% in February. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In November, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index decreased. The Conference Board Consumer Confidence Index stands at 109.5, down from 111.6 last month. The survey noted that concerns about rising prices—and, to a lesser degree, the Delta variant—were the primary drivers of the slight decline in confidence. The University of Michigan Consumer Sentiment Index decreased to 66.8 in November from 71.7 in October². The survey noted that the November index is the lowest level in a decade due to an escalating inflation rate and the growing belief among consumers that no effective policies have yet been developed to reduce the damage from surging inflation. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 0.8 point to 74.7. The survey noted that consumers expressed not only disparate views of homebuying and home-selling conditions but also their greatest economic pessimism in 10 years. Consumers also continued to report strong expectations that mortgage rates will increase over the next 12 months, and they expressed even greater pessimism about the direction of the economy, with 70% saying it’s on the wrong track.

The Housing Market – Current Condition

- In November, median prices and sales experienced a positive annual change in both Illinois and Chicago PMSA. 14,716 houses were sold in Illinois, changing by -8.6% from a month ago and 0.8% from a year ago. In the Chicago PMSA, 10,321 houses were sold, changing by -8.4% from a month ago and 1.2% from a year ago. The median price was \$246,625 in Illinois, up 7.7% from November last year; the comparable figure for the Chicago PMSA was \$290,000, up 7.8% from November last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for December 2021 report table)
- In November, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 2.8%. 9,944 regular sales were made, 2.5% larger than last year. 299 foreclosed properties were sold, 30.6% less than last year. The median price was \$295,000 for regular property sales, up 8.8% from last year; the comparable figure for the foreclosed properties was \$229,000, up 11.7% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- In November, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.6 months (down from 2.5 last year). In the Chicago PMSA, the comparable figure was 1.4 months (down from 2.3 last year). Months of supply for homes in the lowest price ranges (<100K) experienced declines both in Illinois and the Chicago PMSA. The highest price ranges (\$700K+) showed the largest decline. (Reference: Illinois and Chicago PMSA Annual Months’ Supply by Price Range figures)
- In November, the market shares of homes in the upper-middle 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 25.3% from 21.6% a year ago; the comparative figure for the

² The November index value is from the preliminary result from the November 2021 survey.

Chicago PMSA showed an increase to 32.0% from 27.6% 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 December, January, and February in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 7.8% in December, 6.9% in January and 8.4 % in February. For the Chicago PMSA, the comparable figures are 7.6% in December, 5.5% in January and 7.2% in February. (Reference: Forecast for December 2021 report table)
- As a complement to the median housing price index (HPI), the SHDRE HPI forecasts a positive growth trend for both Illinois and the Chicago PMSA. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 11.1% in December, 11.5% in January and 10.4% in February. The comparable figures for the Chicago PMSA are 9.4% in December 7.6% in January and 8.4% in February. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for December, January and February suggests a decrease on a monthly basis for both Illinois and the Chicago PMSA. On an annual basis, however, the forecast shows a decrease for Illinois but an increase for Chicago PMSA. Annually for Illinois, the three-month average forecasts point to a decrease in the range -0.2% to -0.3%; the comparative figures for the Chicago PMSA are an increase in the range 4.5% to 6.0%. On a monthly basis, the three-month average sales are forecast to decrease in the range -9.1% to -12.3% for Illinois and decrease in the range -7.0% to -9.5% for the Chicago PMSA. (Reference: Forecast for December 2021 report table)
- The pending home sales index³ is a leading indicator based on contract signings. This November, 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 153.2 (2008=100) in Illinois, up 10.6% from a year ago. In the Chicago PMSA, the comparable figure is 169.4, up 10.6% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In November 2021, 311 houses were newly filed for foreclosure in the Chicago PMSA (up 41.0% and 1.0% respectively from a year and a month ago). 513 foreclosures were completed⁴ (up 689.0% and up 41.0% respectively from a year and a month ago). As of November 2021, there are 13,482 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 36.5 in the past 6 months, 102.17 in the last 12 months and 180.04 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In November 2021, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate declined by 0.4% pt to 4.2% and nonfarm payroll jobs experienced a gain of 210,000 jobs. Notable job gains occurred over the month in professional and business services (+90,000), transportation and warehousing (+50,000), construction (+31,000), and manufacturing (+31,000).

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

⁴ Including cancelled foreclosures and auctions.

- In October 2021, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment fell 0.2%pt to 6.0%. Non-farm payroll jobs rose by 40,900 over the month. The industry sectors that reported the largest payroll gains were: Professional and Business Services (+17,700), Leisure and Hospitality (+8,400), and Trade, Transportation and Utilities (+7,700).
- According to the latest Mortgage Monitor Report from Black Knight, home-price appreciation has pushed the collective tappable equity of U.S. homeowners to another record high during the third quarter of this year. Despite the rate of appreciation slowing in recent months, the aggregate total of tappable equity increased by \$2.3 trillion over the past year, which is 32% of annual growth rate⁵. “For context, that’s less than a third of the rate at which people were pulling cash out of their homes at the peak of such activity in 2005,” said by Ben Graboske, Black Knight’s data and analytics president. “Underwriting standards are much higher today as well, with the average credit scores of cash-out refinance borrowers more than 50 points higher than during that period, and the resulting LTVs are much lower.”

Longer-term Outlook

- In November, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index decreased. The Conference Board Consumer Confidence Index stands at 109.5, down from 111.6 last month. The survey noted that concerns about rising prices—and, to a lesser degree, the Delta variant—were the primary drivers of the slight decline in confidence. The University of Michigan Consumer Sentiment Index decreased to 66.8 in November from 71.7 in October⁶. The survey noted that this is the lowest level in a decade due to an escalating inflation rate and the growing belief among consumers that no effective policies have yet been developed to reduce the damage from surging inflation.
- In November, Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 0.8 point to 74.7. The survey noted that consumers expressed not only disparate views of homebuying and home-selling conditions but also their greatest economic pessimism in 10 years. Consumers also continued to report strong expectations that mortgage rates will increase over the next 12 months, and they expressed even greater pessimism about the direction of the economy, with 70% saying it’s on the wrong track.

“Although prices and the number of sales have declined since their summer peak, they are still up since the same time last year,” said Daniel McMillen, Head of the UIC Stuart Handler Department of Real Estate (SHDRE). “Median prices are up more than 7.7% since November 2020 and sales are up about 1%. Surveys suggest that the pandemic and concerns about inflation are causing consumers to become pessimistic about the economy.”

⁵ Tappable equity is the amount available for a mortgage borrower to access while retaining at least 20% equity in their home.

⁶ The November index value is from the preliminary result from the November 2021 survey.

Forecast for December 2021 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES					
	Annual			Monthly	
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Sep-21	-5.1%	-6.1%		-9.3%	-11.8%
Oct-21	-10.0%	-10.6%		-5.8%	-5.1%
Nov-21	0.8%	1.2%		-8.6%	-8.4%
3 Month Avg.	-5.1%	-5.6%		-7.9%	-8.6%
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES					
	Annual			Monthly	
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Dec-21	-3.4% -4.6%	-2.3% -3.1%		-1.5% -2.0%	0.5% 0.6%
Jan-22	1.0% 1.4%	9.2% 12.4%		-23.8% -32.2%	-19.8% -26.8%
Feb-22	3.2% 4.4%	9.8% 13.2%		0.5% 0.6%	0.0% 0.0%
3 Month Avg.	-0.2% -0.3%	4.5% 6.0%		-9.1% -12.3%	-7.0% -9.5%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE					
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Sep-21	\$249,000	\$290,000	Sep-20	\$235,000	\$275,000
Oct-21	\$245,000	\$289,000	Oct-20	\$232,500	\$274,000
Nov-21	\$246,625	\$290,000	Nov-20	\$229,000	\$269,000
Dec-21	\$245,204	\$285,726	Dec-20	\$227,500	\$265,585
Jan-22	\$240,621	\$284,806	Jan-21	\$225,000	\$270,000
Feb-22	\$243,973	\$289,389	Feb-21	\$225,000	\$270,000
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE					
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Sep-21	6.0%	5.5%	Sep-20	17.5%	14.6%
Oct-21	5.4%	5.5%	Oct-20	16.3%	14.2%
Nov-21	7.7%	7.8%	Nov-20	14.5%	11.9%
Dec-21	7.8%	7.6%	Dec-20	13.8%	12.1%
Jan-22	6.9%	5.5%	Jan-21	18.4%	16.3%
Feb-22	8.4%	7.2%	Feb-21	13.1%	12.5%

Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2021]	[\$2008]	[\$2021]
November 2008 Median Price	\$154,975	\$202,762	\$188,000	\$245,971
November 2021 Median Price	\$188,500	\$246,625	\$221,652	\$290,000
Price Ratio (November 21/ November 08)	Adjusted	1.22	Adjusted	1.18
	Unadjusted	1.59	Unadjusted	1.54

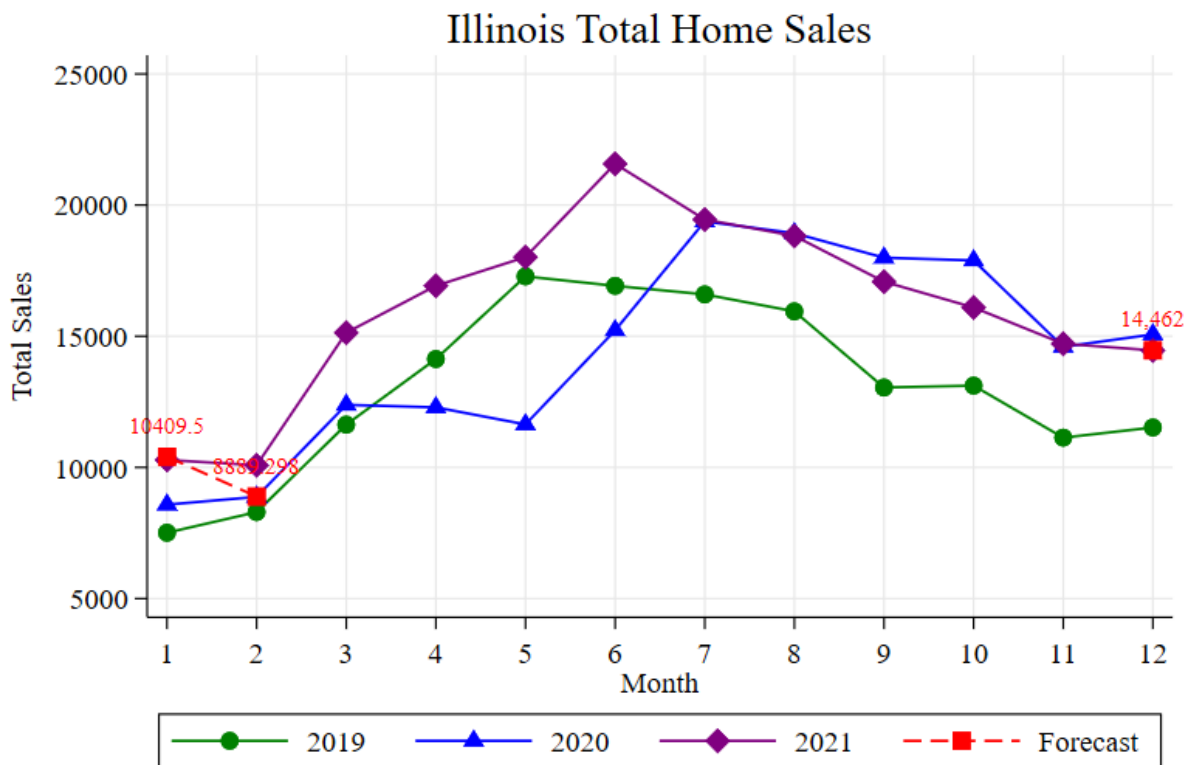
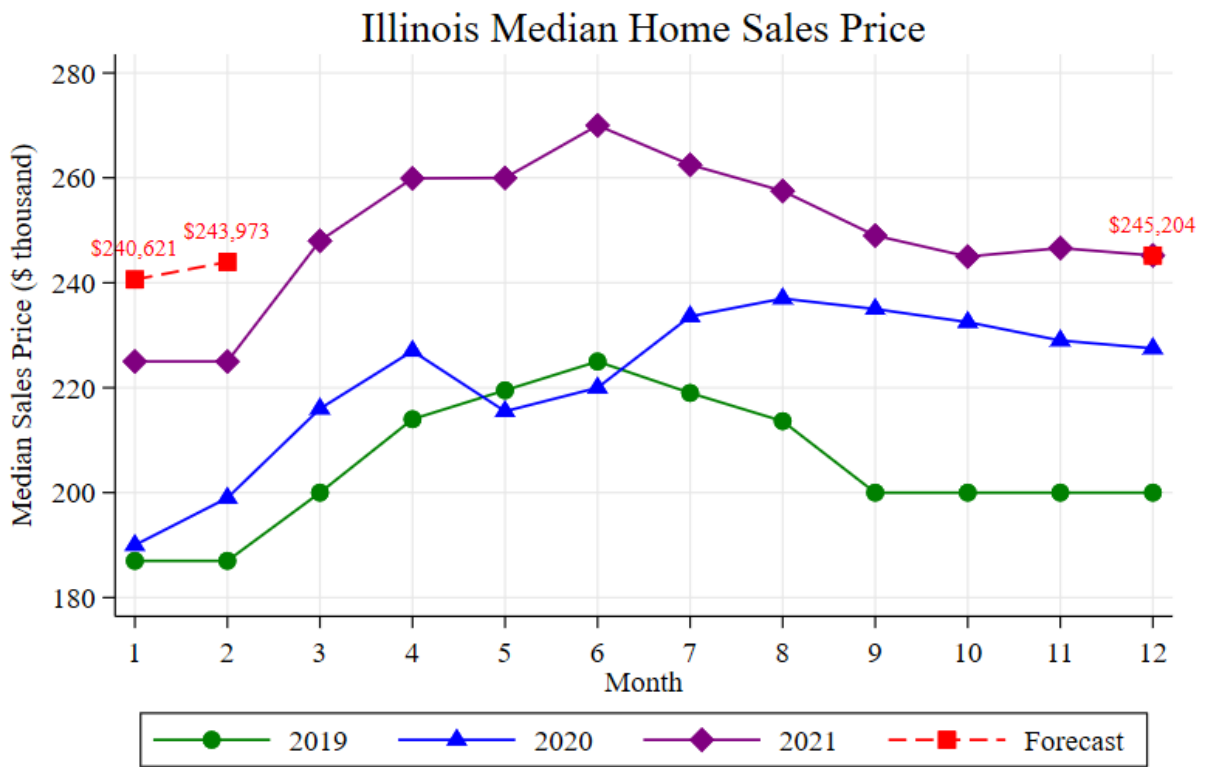
Recovery Forecasts using *Annually Growth Rates*

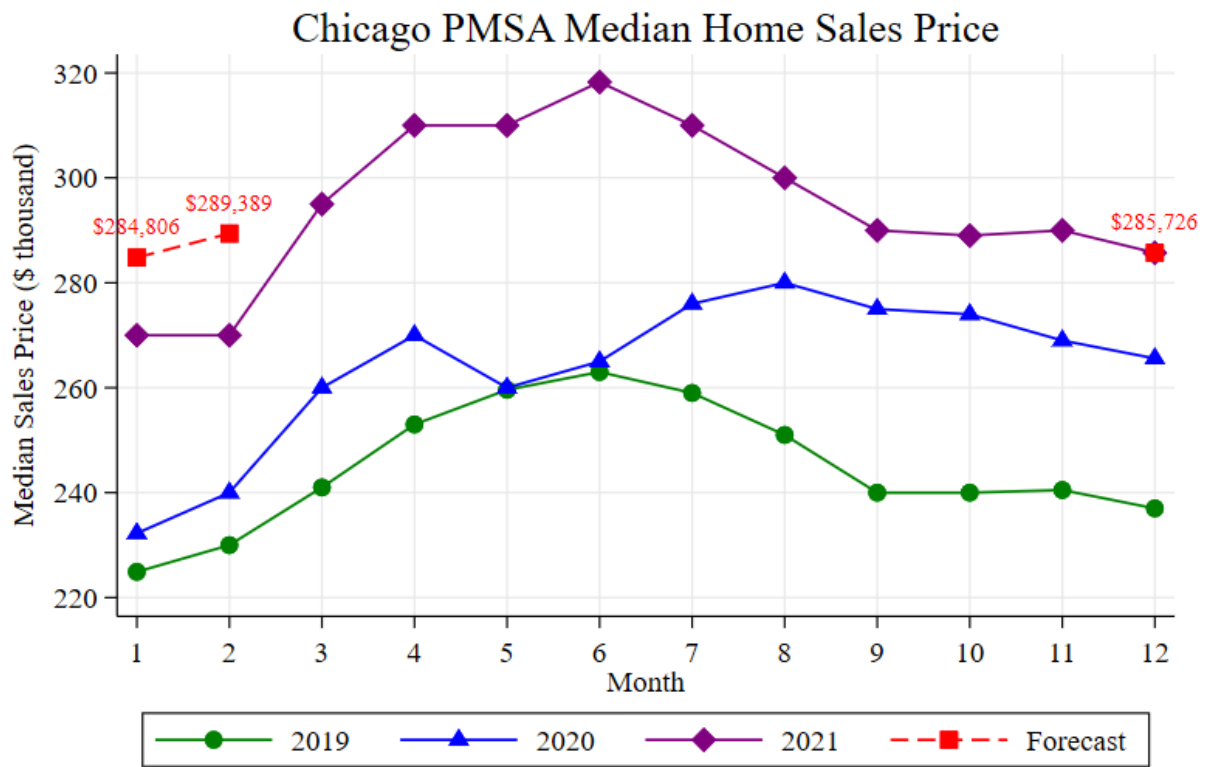
	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	0.7%	-27.3	0.8%	-20.1
Past 3 months	0.1%	-137.9	0.0%	-342.3
Past 6 months	4.5%	-4.4	3.8%	-4.4
Past 9 months	7.1%	-2.9	6.3%	-2.7
Past 12 months	8.7%	-2.4	7.8%	-2.2

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

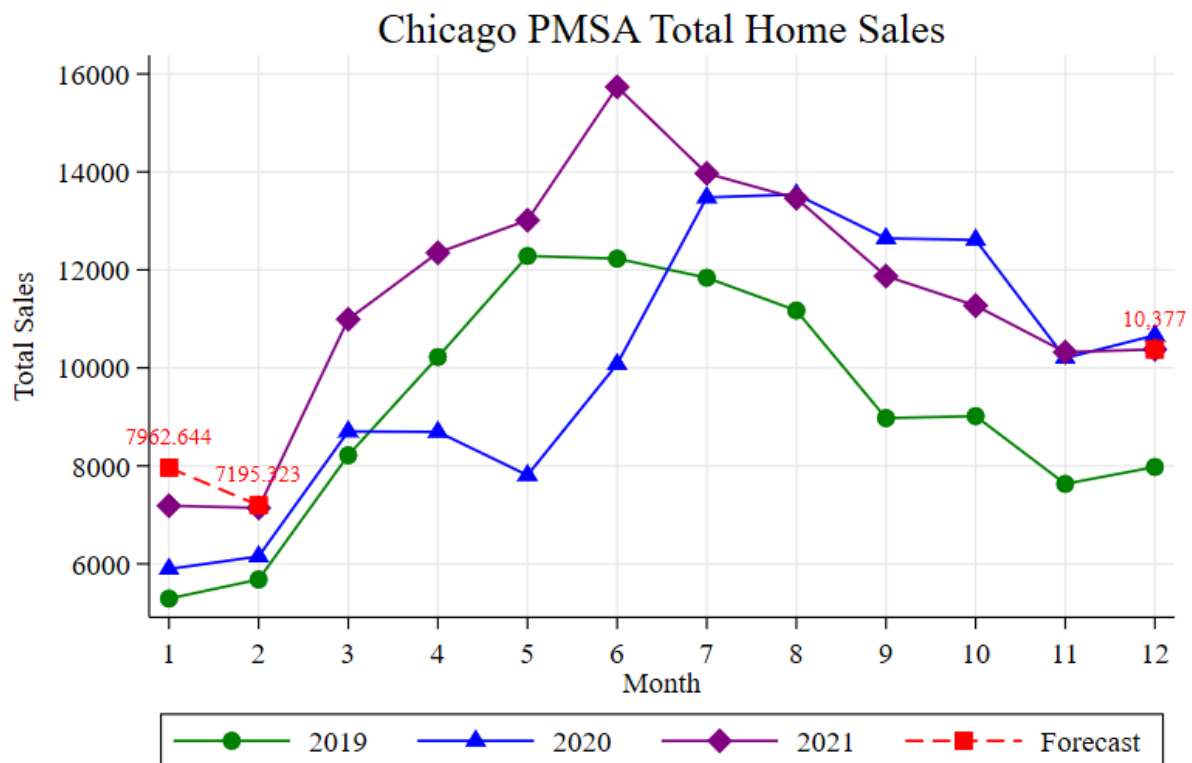
** Years to recover is calculated using the following formula:

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

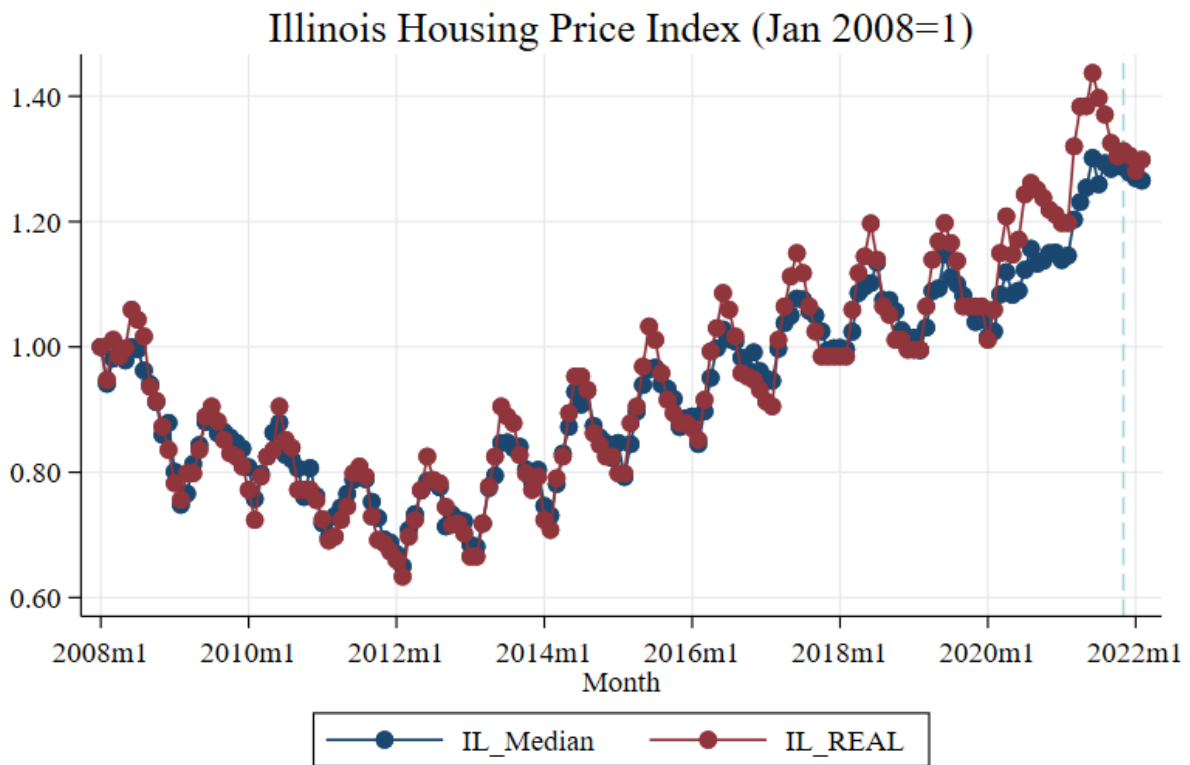




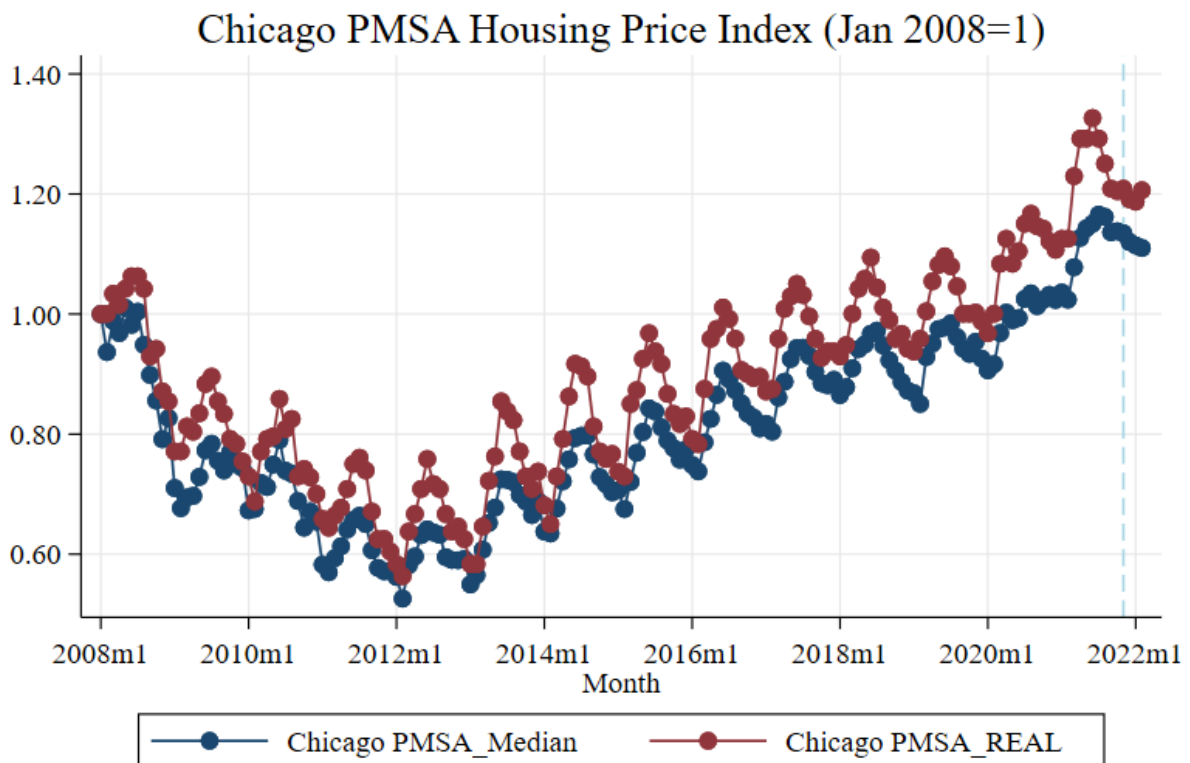
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



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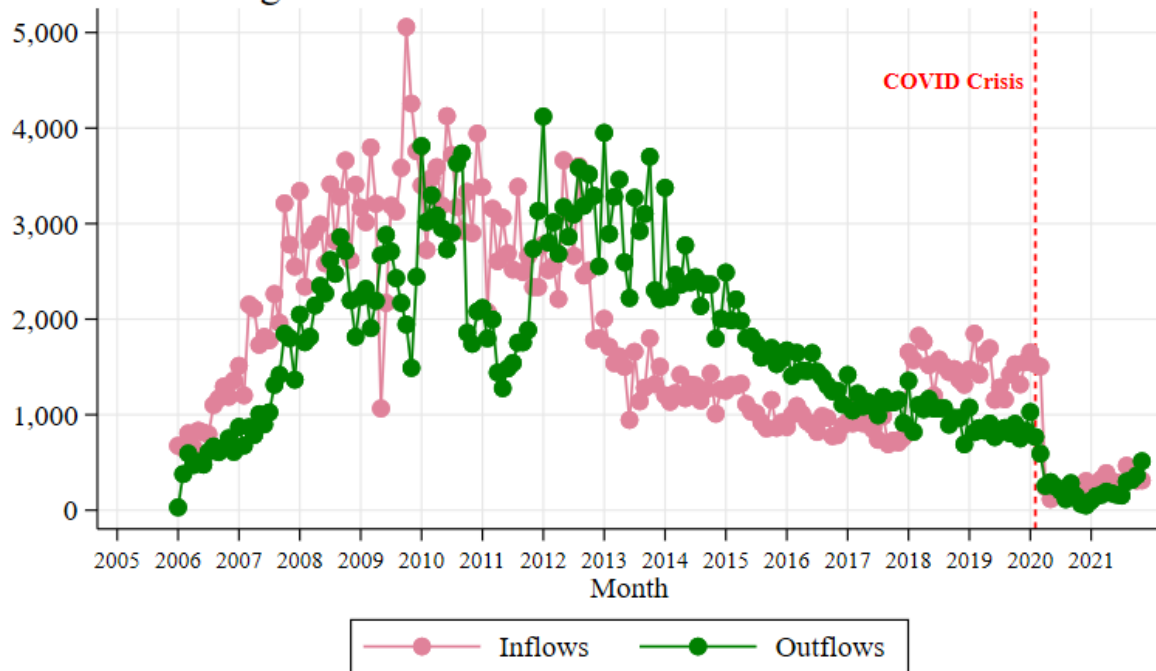


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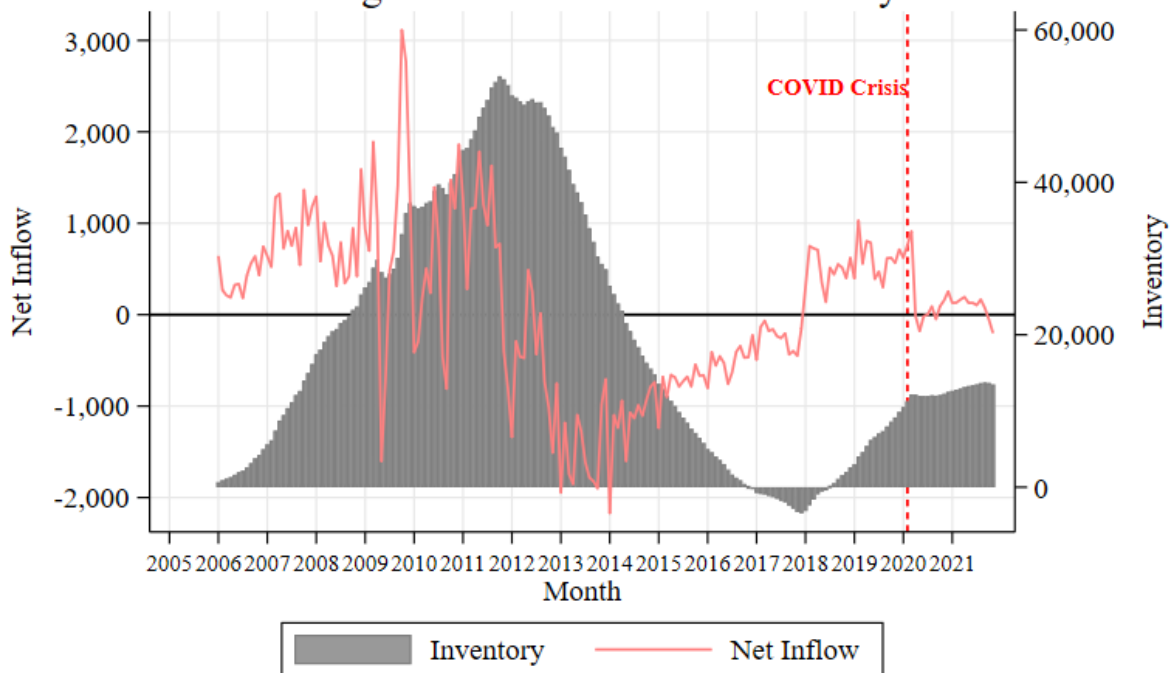
Chicago PMSA New Foreclosure Inflows and Outflows



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

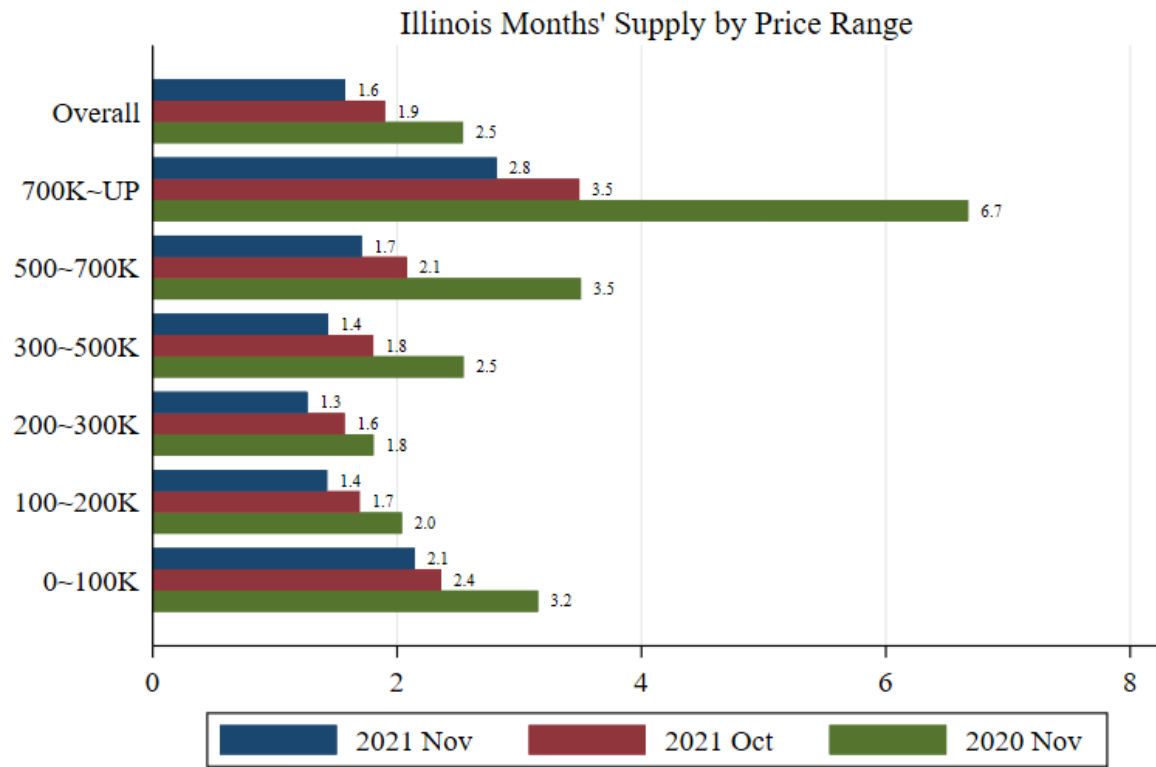
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Chicago PMSA Foreclosure Inventory

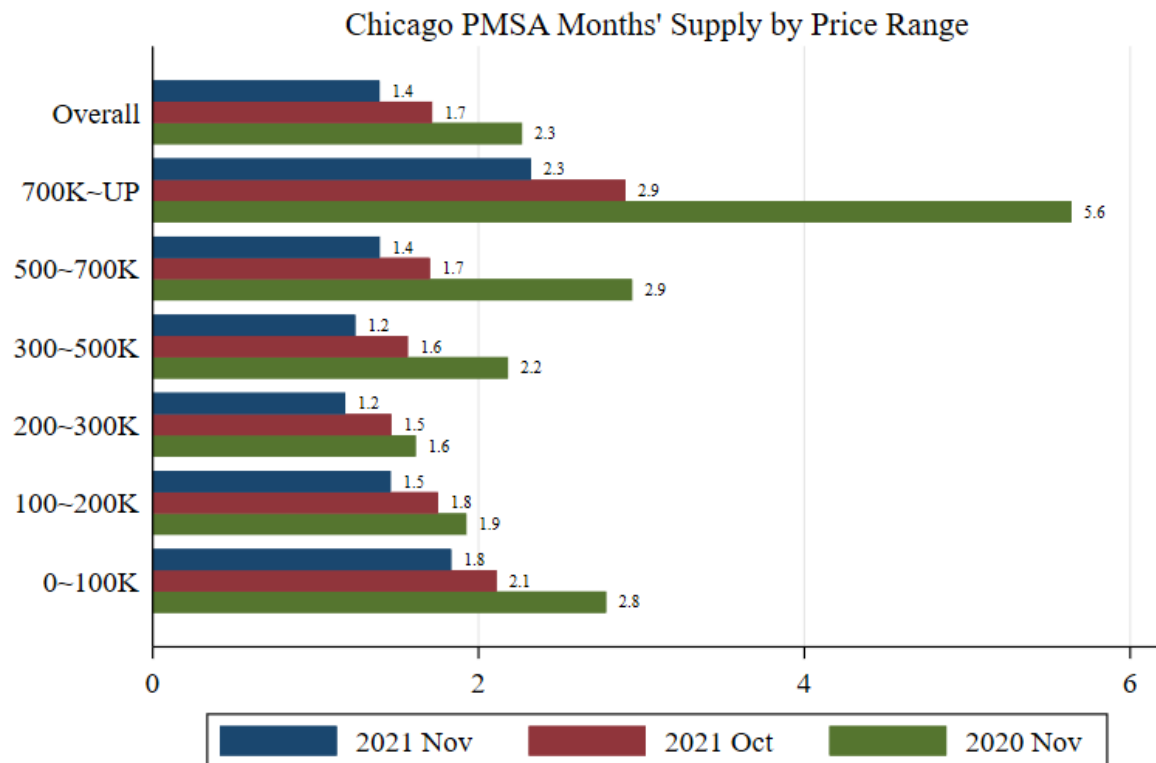


Net inflows=Inflows-Outflows

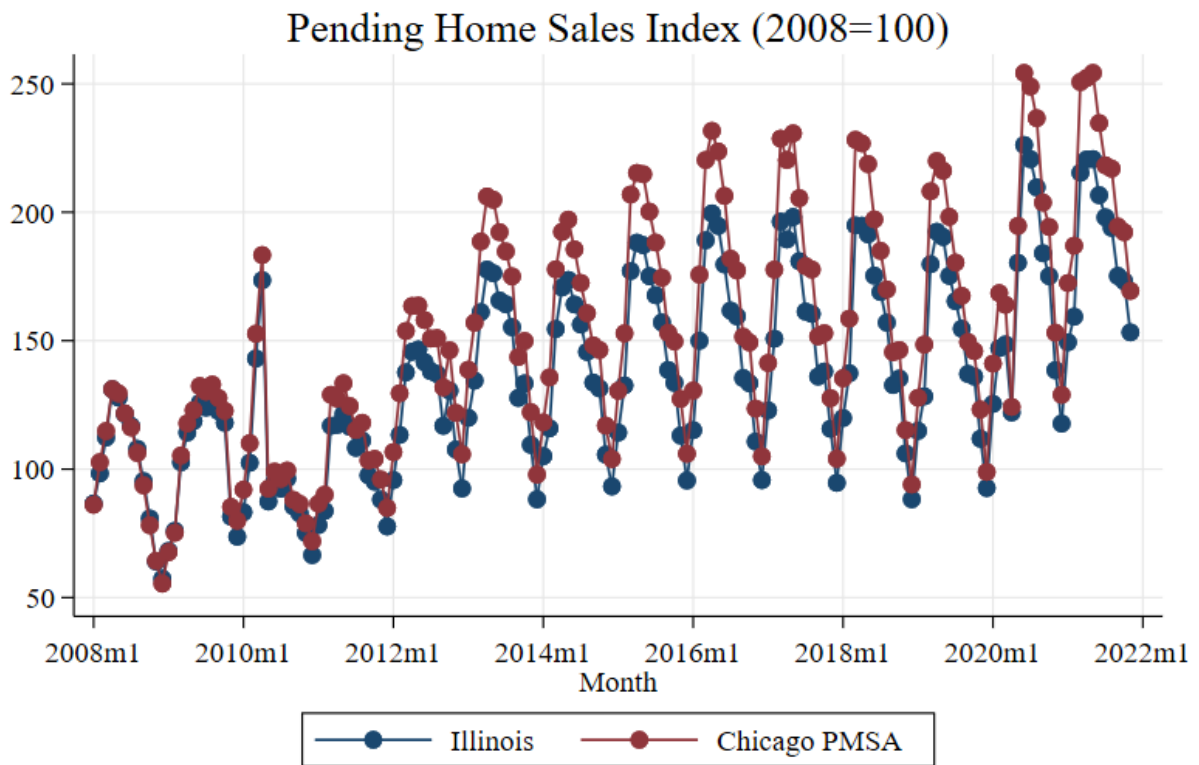
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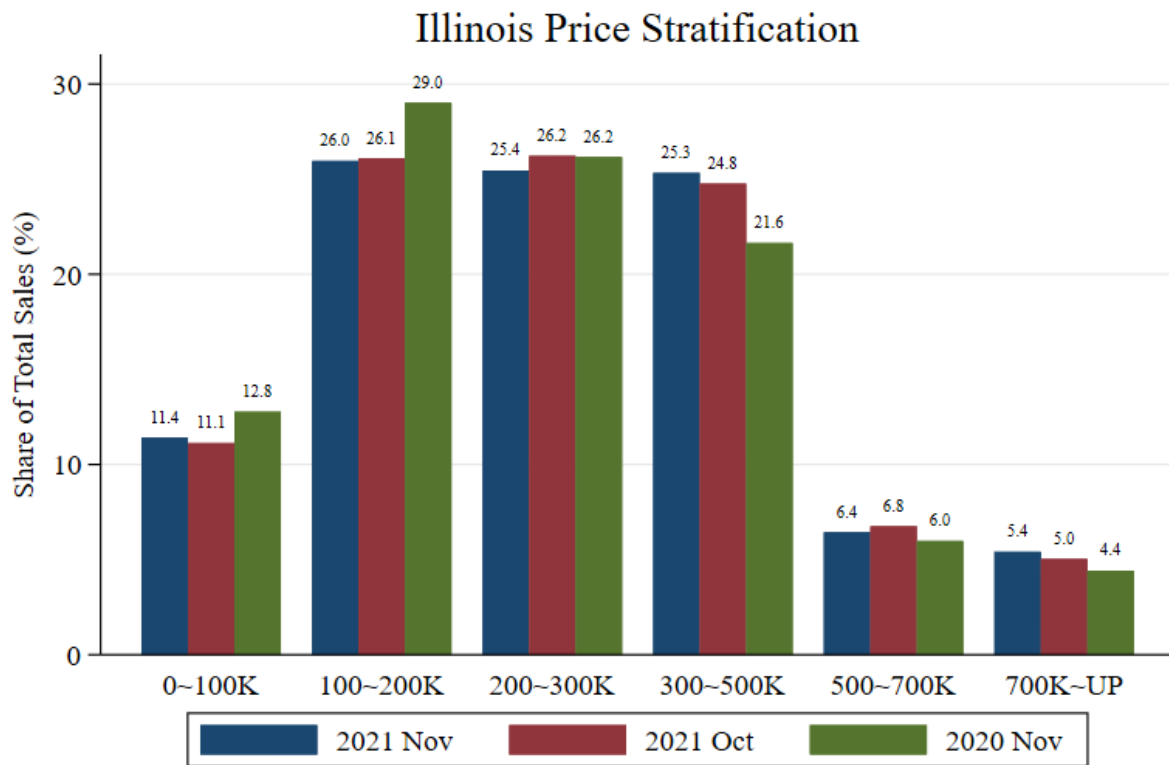
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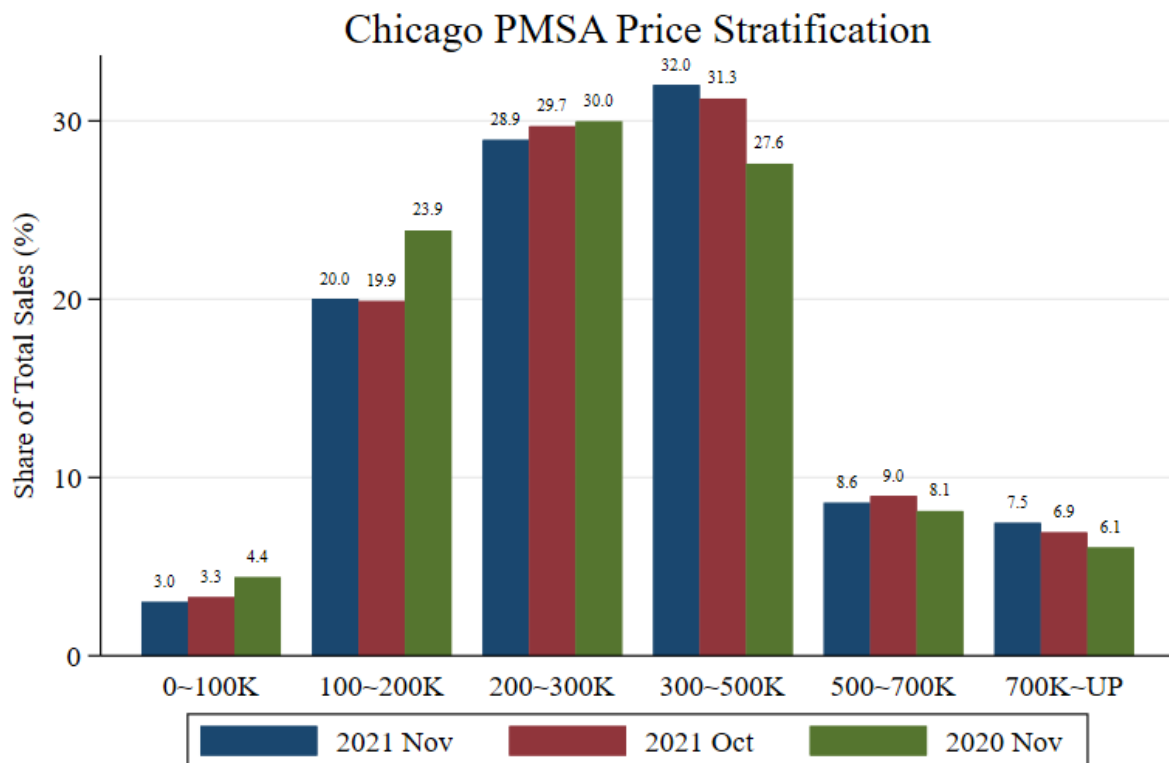
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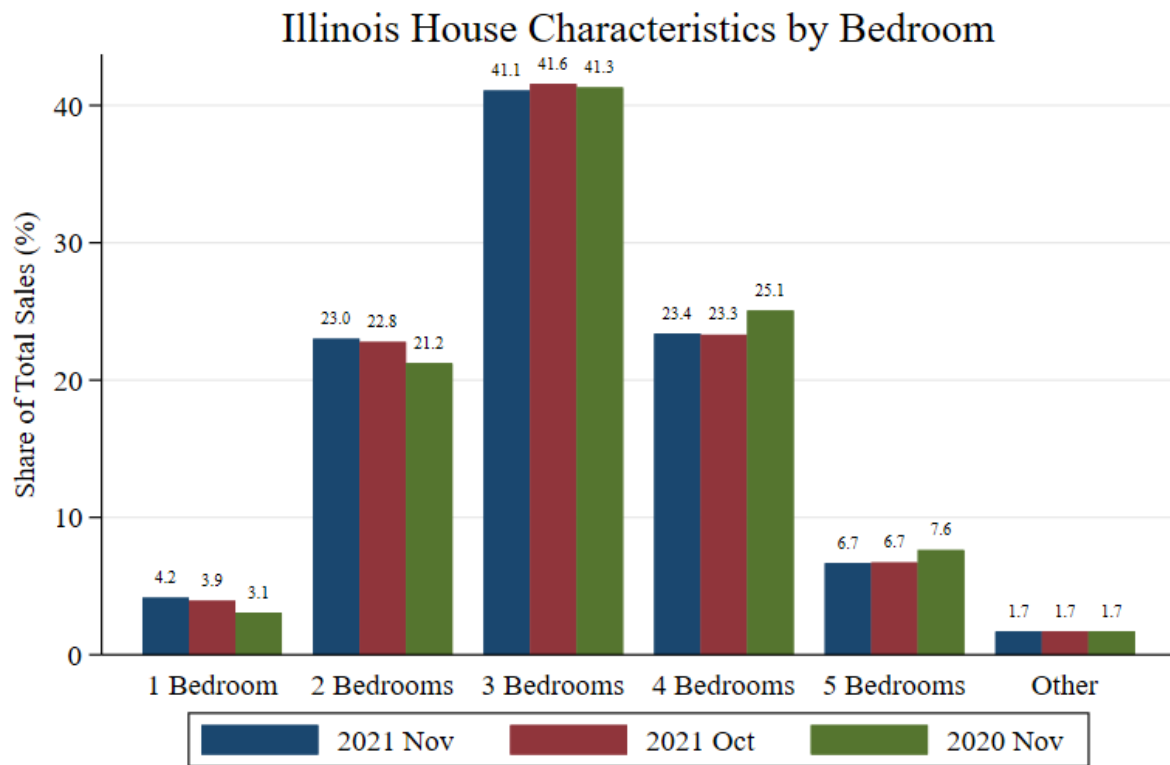
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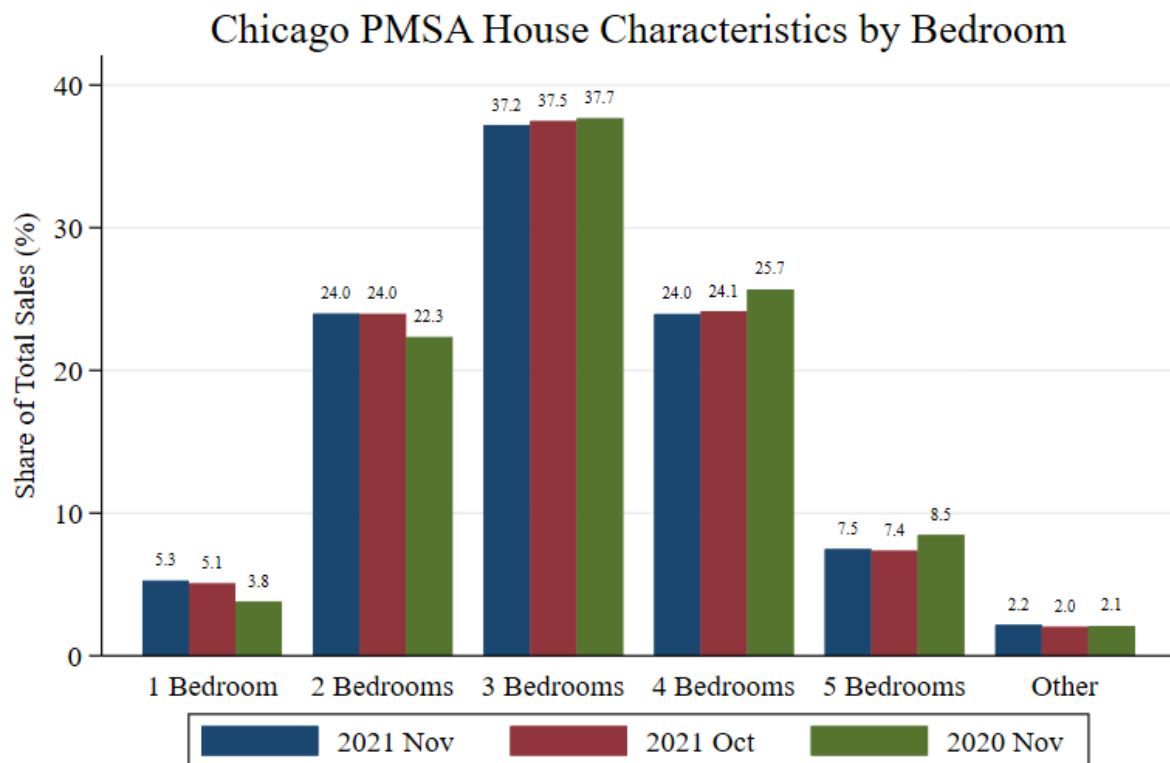
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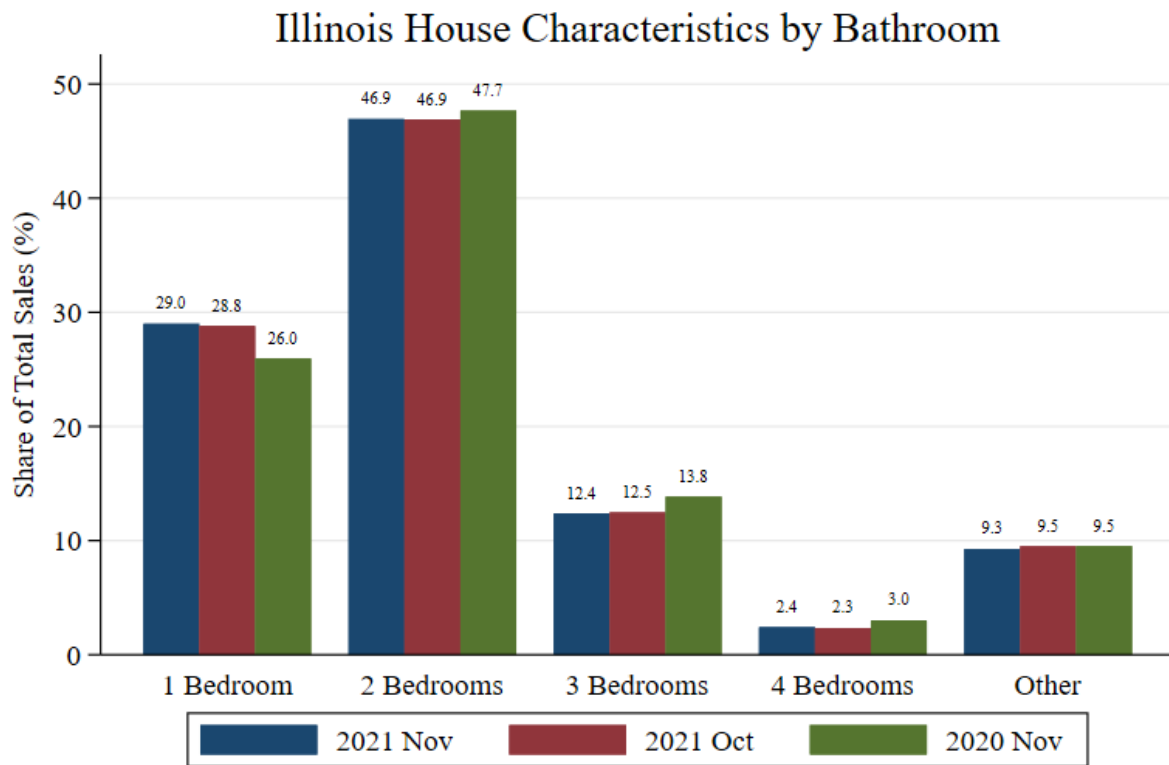
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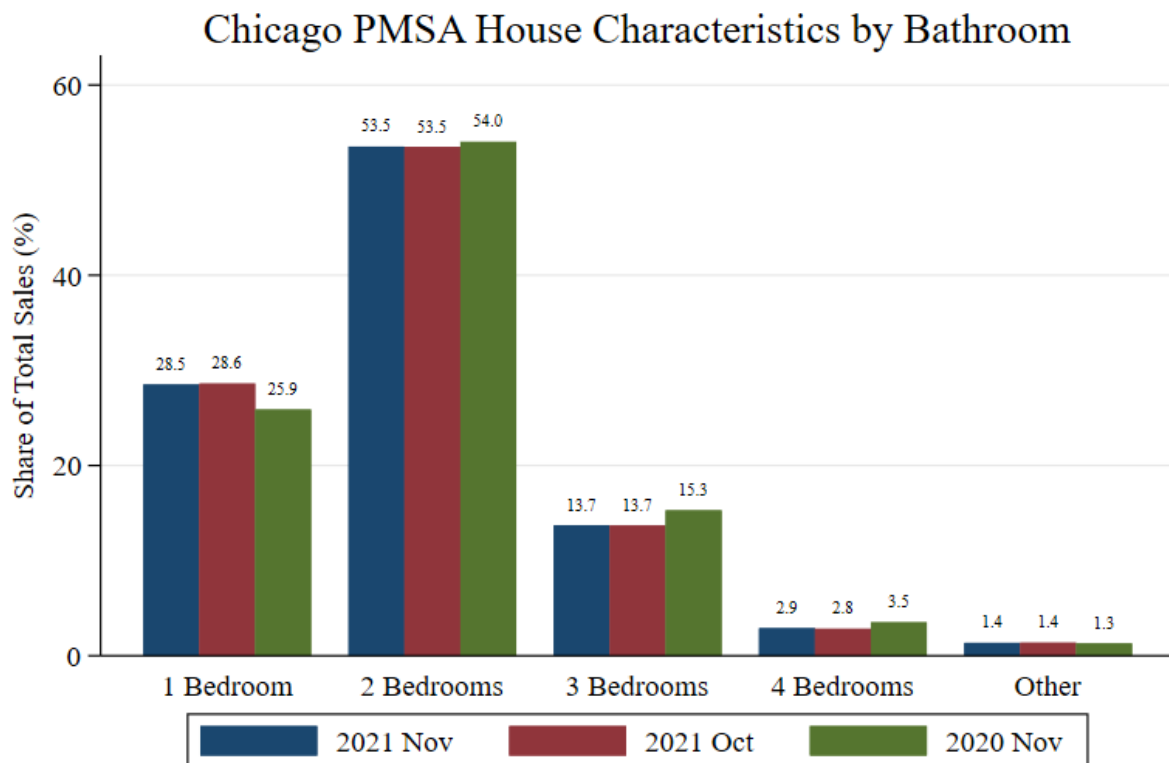
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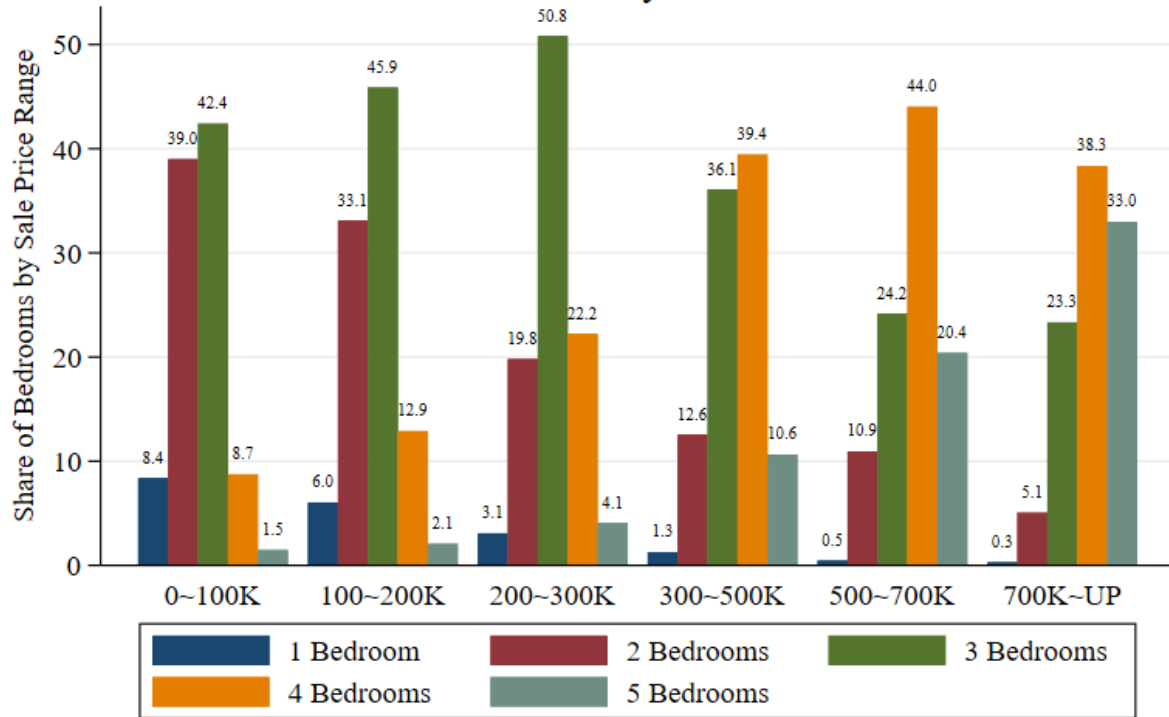


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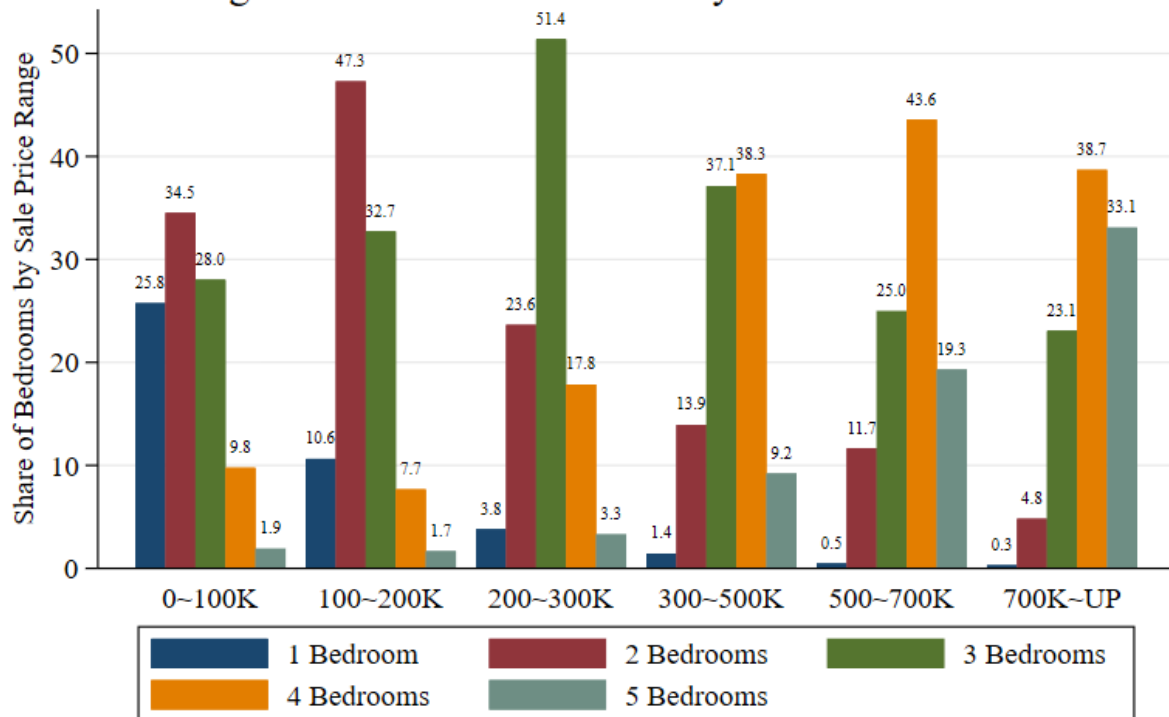
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Illinois Bedroom Shares by Sale Price Stratification



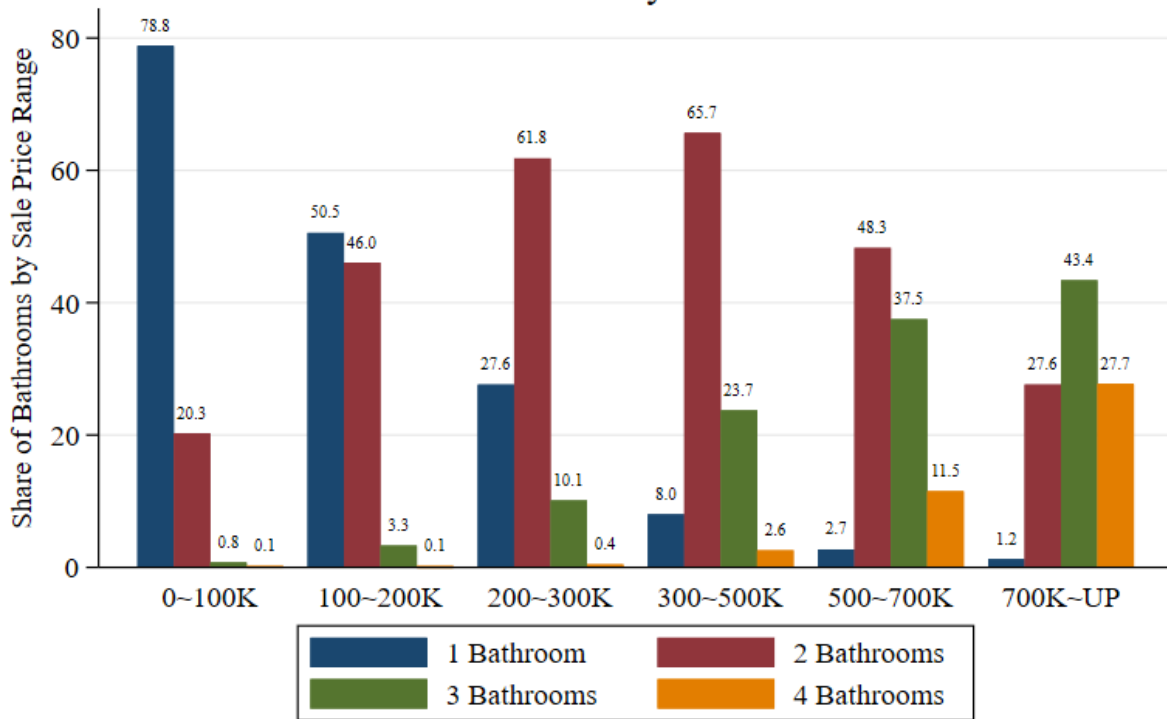
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Chicago PMSA Bedroom Shares by Sale Price Stratification



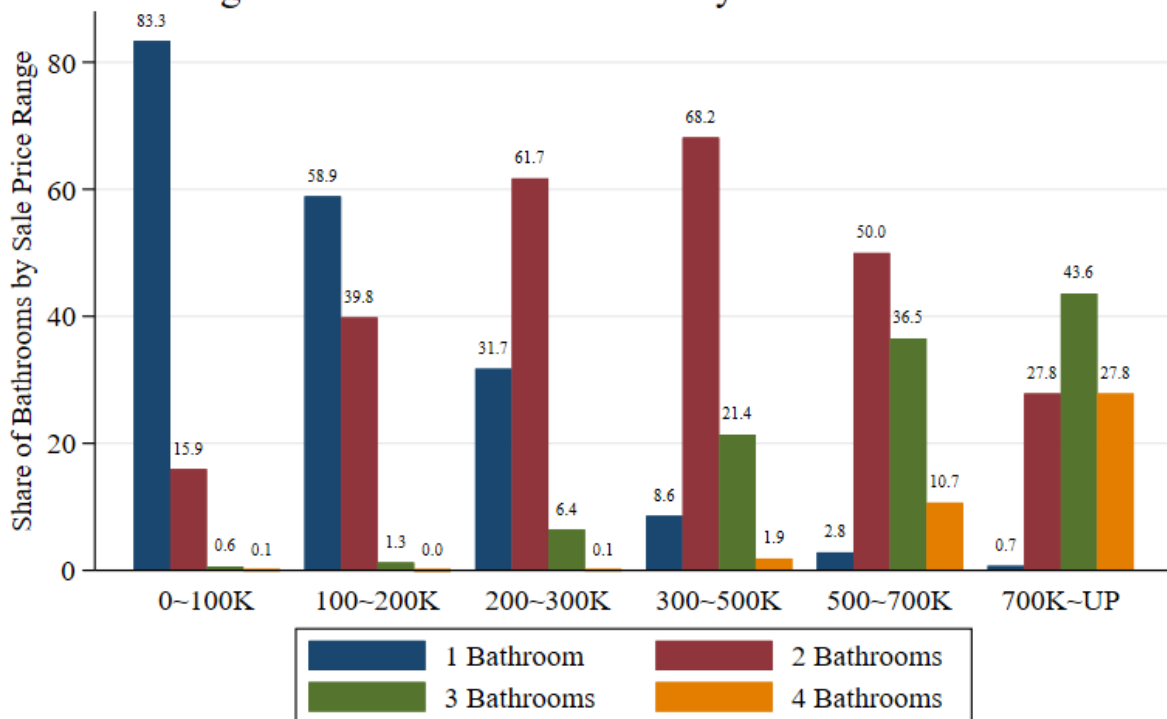
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Illinois Bathroom Shares by Sale Price Stratification



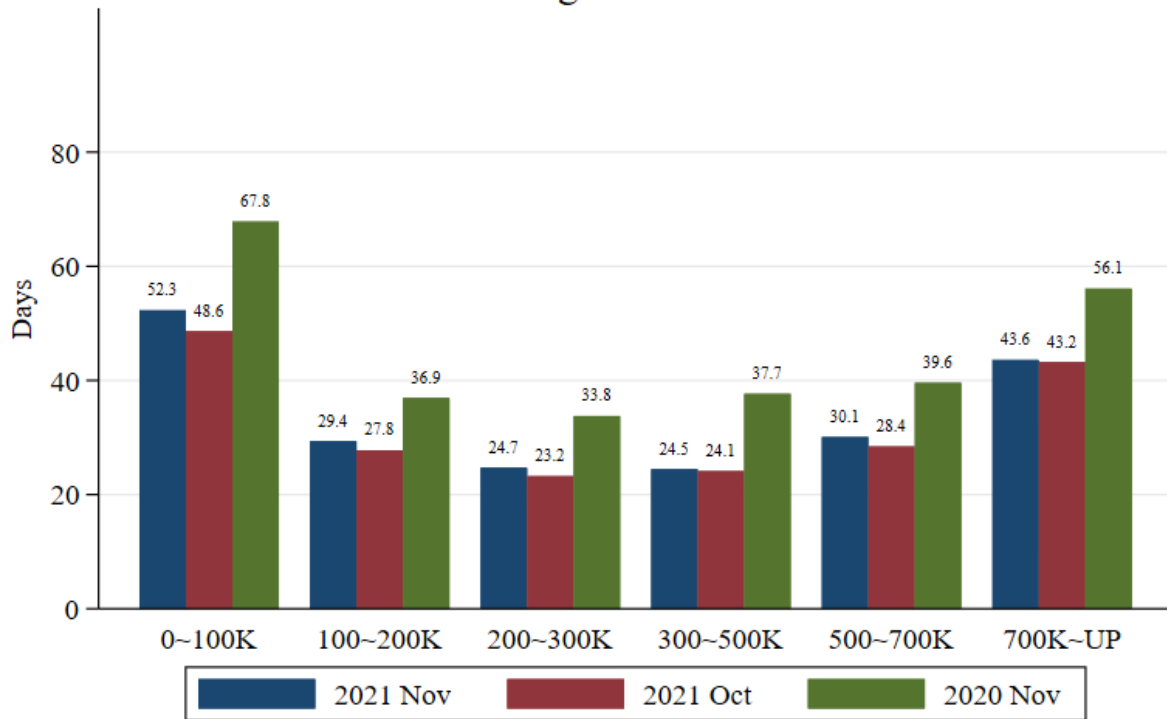
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Chicago PMSA Bathroom Shares by Sale Price Stratification



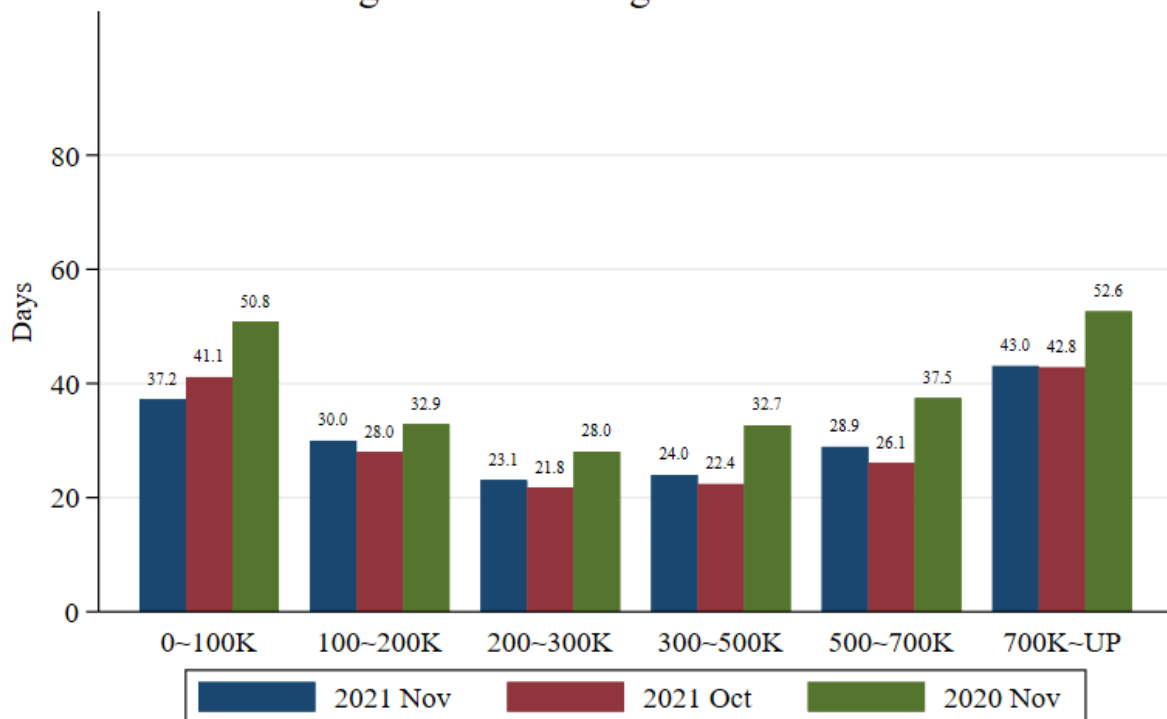
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Average Time on the Market



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Average Time on the Market



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

