

Housing Price Forecasts

Illinois and Chicago PMSA, May 2022

Presented To

Illinois Realtors®

From

UIC Stuart Handler Department of Real Estate

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Housing Price Forecast: Illinois and Chicago PMSA, May 2022

The Housing Market

In April, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 14,985 houses were sold in Illinois, changing by 7.7% from a month ago and -11.5% from a year ago. In the Chicago PMSA, 10,892 houses were sold, changing by 9.0% from a month ago and -11.9% from a year ago. The median price was \$271,000 in Illinois, up 4.2% from April last year; the comparable figure for the Chicago PMSA was \$325,000, up 4.8% from April last year.

In April, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 3.93%. 10,398 regular sales were made, 13.9% less than last year. 425 foreclosed properties were sold, 22.8% more than last year. The median price was \$330,000 for regular property sales, up 5.4% from last year; the comparable figure for the foreclosed properties was \$238,000, up 0.2% from this time last year.

The sales forecast for May, June, and July suggests a decrease on a yearly basis and an increase on 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 of -5.3% to -7.2%; the comparative figures for the Chicago PMSA are a decrease in the range of -5.2% to -7.1%. On a monthly basis, the three-month average sales are forecast to increase in the range of 5.2% to 7.0% for Illinois and increase in the range of 5.4% to 7.3% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings. This April, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 127.4 (2019=100) in Illinois, down -14.3% from a year ago. In the Chicago PMSA, the comparable figure is 128.5, down -15.6% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.3 months (down from 1.7 last year). In the Chicago PMSA, the comparable figure was 1.2 months (down from 1.6 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 May, June, and July in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 3.2% in May, 1.9% in June, and 4.9% in July. For the Chicago PMSA, the comparable figures are 4.1% in May, 2.9% in June, and 6.2% in July. As a complement to the median housing price index (HPI), the SHDRE HPI¹ 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 8.6% in May, 6.8% in June, and 10.0% in July. The comparable figures for the Chicago PMSA are 7.7% in May, 7.4% in June, and 7.7% in July. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In April, the Conference Board Consumer Confidence Index decreased, whereas the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index survey found that purchasing intentions are still down overall from recent levels as interest rates have begun rising. Looking ahead, inflation and the war in Ukraine will continue to pose

¹ SHDRE HPI succeeds the REAL HPI, which was developed by Esteban Lopez and Minshu Du using a methodology developed by Daniel McMillen.

downside risks to confidence and may further curb consumer spending this year. The University of Michigan Consumer Sentiment Index survey noted that most of the surge was concentrated in expectations in the year-ahead outlook for the economy and in personal financial expectations. However, the global economy has added even more uncertainties about prospects for the U.S. economy.

The Housing Market – Current Condition

- In April, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 14,985 houses were sold in Illinois, changing by 7.7% from a month ago and -11.5% from a year ago. In the Chicago PMSA, 10,892 houses were sold, changing by 9.0% from a month ago and -11.9% from a year ago. The median price was \$271,000 in Illinois, up 4.2% from April last year; the comparable figure for the Chicago PMSA was \$325,000, up 4.8% from April last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for May 2022 report table)
- In April, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 3.93%. 10,398 regular sales were made, 13.9% less than last year. 425 foreclosed properties were sold, 22.8% more than last year. The median price was \$330,000 for regular property sales, up 5.4% from last year; the comparable figure for the foreclosed properties was \$238,000, up 0.2% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- In April, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.3 months (down from 1.7 last year). In the Chicago PMSA, the comparable figure was 1.2 months (down from 1.6 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 April, the market shares of homes in the low price ranges (\$100-200K) experienced the largest change compared to a year ago for both Illinois and Chicago PMSA. In Illinois, the market share for homes at \$100-200K decreased to 22.3% from 23.8% a year ago; for homes at \$100-200K in the Chicago PMSA showed a decrease to 16.3% from 18.5% 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 May, June, and July in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 3.2% in May, 1.9% in June, and 4.9% in July. For the Chicago PMSA, the comparable figures are 4.1% in May, 2.9% in June, and 6.2% in July. (Reference: Forecast for May 2022 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 8.6% in May, 6.8% in June, and 10.0% in July. The comparable figures for the Chicago PMSA are 7.7% in May, 7.4% in June, and 7.7% in July. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)

- The sales forecast for May, June, and July suggests a decrease on a yearly basis and an increase on 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 of -5.3% to -7.2%; the comparative figures for the Chicago PMSA are a decrease in the range of -5.2% to -7.1%. On a monthly basis, the three-month average sales are forecast to increase in the range of 5.2% to 7.0% for Illinois and increase in the range of 5.4% to 7.3% for the Chicago PMSA. (Reference: Forecast for May 2022 report table)
- The pending home sales index² is a leading indicator based on contract signings. This April, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 127.4 (2019=100) in Illinois, down -14.3% from a year ago. In the Chicago PMSA, the comparable figure is 128.5, down -15.6% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In April 2022, 1,278 houses were newly filed for foreclosure in the Chicago PMSA (up 230.0% and down -6.0%, respectively, from a year and a month ago). 566 foreclosures were completed³ (up 193% and down -11.0% respectively from a year and a month ago). As of April 2022, there are 5,556 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 181 in the past 6 months, 142.50 in the last 12 months, and 123.38 in the previous 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In April 2022, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate was unchanged at 3.6%, and non-farm payroll jobs experienced a gain of 428,000 jobs. Notable job gains occurred over the month in leisure and hospitality (+78,000), manufacturing (+55,000), transportation and warehousing (+52,000), and professional and business services (+41,000).
- In March 2022, according to the Illinois Department of Employment Security (IDES) news release, Illinois unemployment fell -0.1%pt to 4.7%. Non-farm payroll jobs rose by 18,300 over the month. The industry sectors that reported the largest over-the-month gains in employment were: Professional and Business (+9,700), Financial Activities (+3,800), and Leisure and Hospitality (+3,500).
- In March 2022, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 5.42% and 5.44%, corresponding to job gain between 325,000 and 325,800. The largest contributors to the forecast increase are trade, transportation, & utilities, professional and business services, other services, and Information.
- The Federal Reserve has raised benchmark interest rates by half of a percentage point, the largest such increase in 22 years. “A 75-basis-point increase is not something the committee is actively considering,” Federal Reserve chairman Jerome Powell said. “If inflation comes down, we’re not going to stop. We’re just going to go down to 25-basis-point increases.” A statement released by the Federal Open Market Committee (FOMC) cited uncertainties stemming from Russia’s ongoing invasion of Ukraine as lingering reasons for the Fed’s

² The base level (100) of pending home sales is the average pending home sales of year 2019, the year before the Covid-19 Crisis.

³ Including cancelled foreclosures and auctions.

proactivity, adding that “COVID-related lockdowns in China are likely exacerbate supply chain disruptions.”

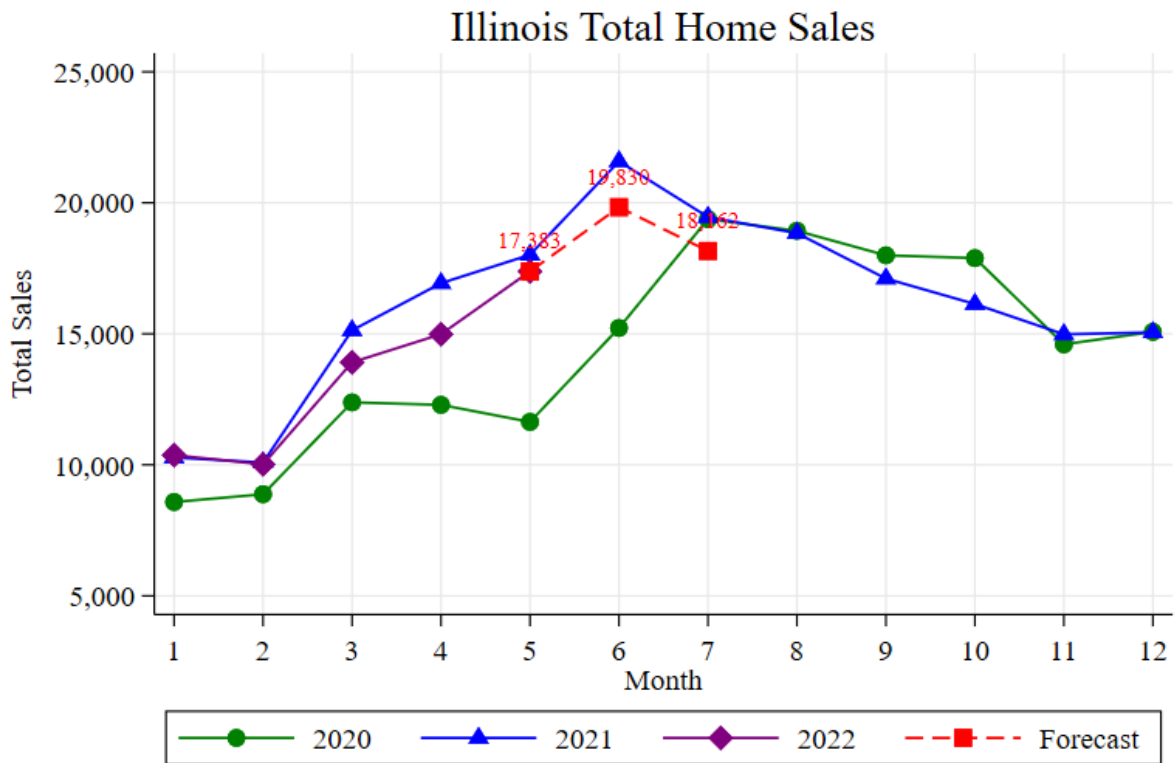
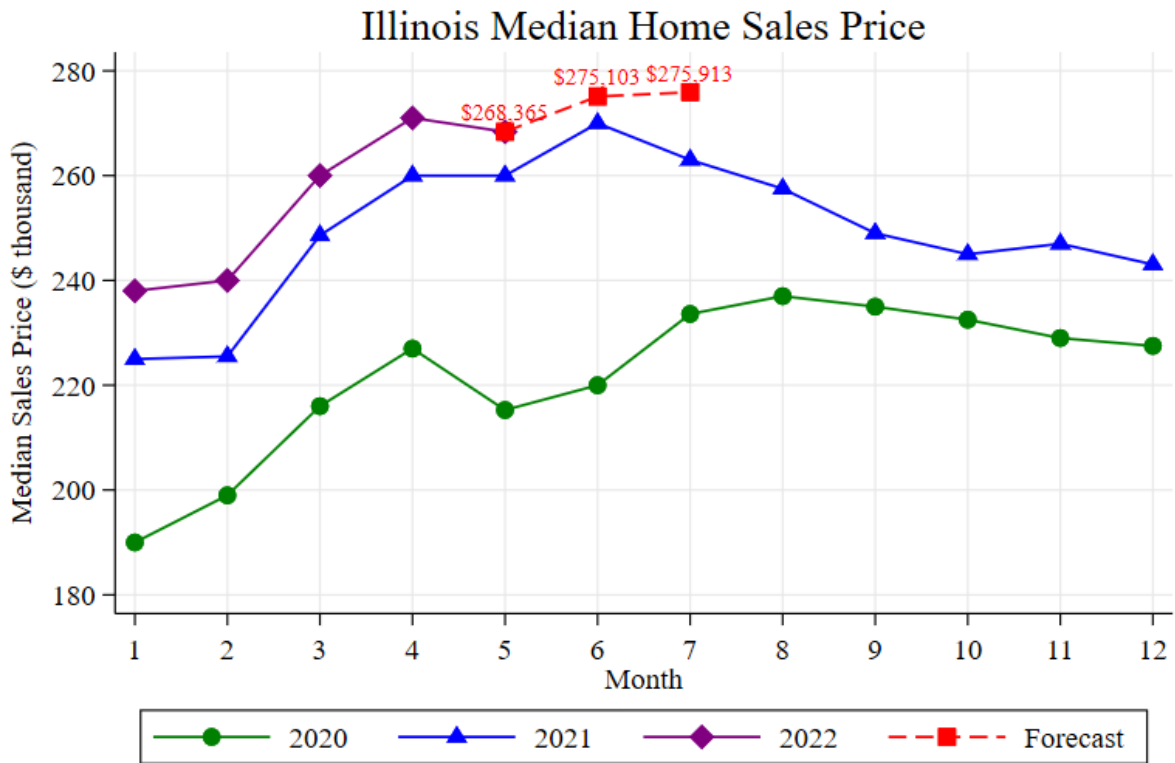
Longer-term Outlook

- In April, the Conference Board Consumer Confidence Index decreased, whereas the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 107.3, down from 107.6 last month. The survey noted that purchasing intentions are still down overall from recent levels as interest rates have begun rising. Looking ahead, inflation and the war in Ukraine will continue to pose downside risks to confidence and may further curb consumer spending this year. The University of Michigan Consumer Sentiment Index increased to 65.2 in April from 59.4 last month. The survey noted that most of the surge was concentrated in expectations in the year-ahead outlook for the economy and in personal financial expectations. However, the global economy has added even more uncertainties about prospects for the U.S. economy, which keeps the April figure still lower than in any prior month in the past decade.
- In April, the Fannie Mae Home Purchase Sentiment Index (HPSI) decreased by 4.7 points to 68.5. The survey noted that consumers expressed heightened concerns about housing affordability and rising mortgage rates. “Consumers continue to report difficult homebuying conditions amid the budget-tightening constraints of inflation, higher mortgage rates, and high home price appreciation” said Doug Duncan, Fannie Mae Senior Vice President and Chief Economist. “The current lack of entry-level supply and the rapid uptick in mortgage rates appear to be adversely impacting potential first-time homebuyers in particular, evidenced by the larger share of younger respondents (aged 18- to 34) reporting that it’s a ‘bad time to buy a home.’”
- The Chicago Business Activity Index (CBAI) increased to 109.2 in February from 98.1 in January. The increase is mainly attributed to positive construction and retail job growth.

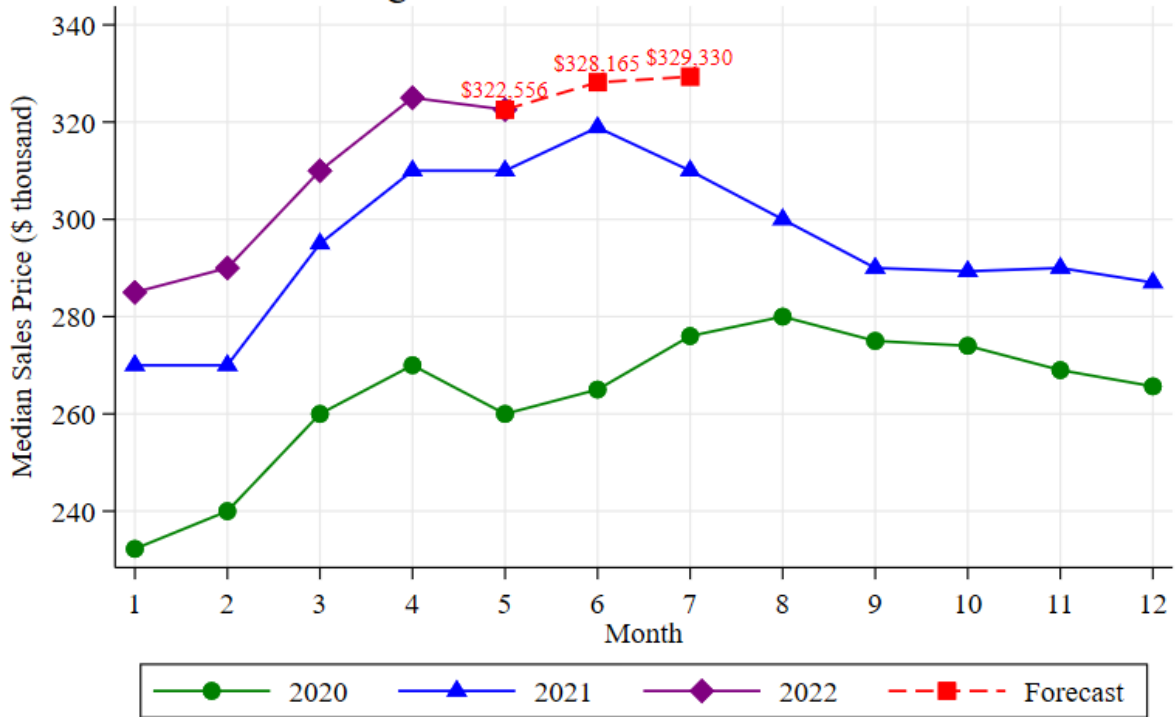
“Prices are continuing to increase while sales remain low throughout Illinois,” noted Daniel McMillen, Head of the UIC Stuart Handler Department of Real Estate (SHDRE). “However, the SHDRE forecast indicates a month-over-month increase in sales over the next month. Inflation and the recent increase in interest rates are a concern for consumers, particularly for first-time home buyers. The Federal Reserve’s recent increase in the benchmark interest rate is expected to slow the rate of growth in house prices in the coming months.”

Forecast for May 2022 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES						
	Annual			Monthly		
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Feb-22	-0.7%	-1.3%		-3.4%	-2.3%	
Mar-22	-8.1%	-9.1%		38.8%	41.7%	
Apr-22	-11.5%	-11.9%		7.7%	9.0%	
3 Month Avg.	-7.7%	-8.4%		13.5%	15.1%	
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES						
	Annual				Monthly	
	Illinois		Chicago PMSA		Illinois	Chicago PMSA
May-22	-3.0%	-4.0%	-3.8%	-5.2%	13.6%	18.4%
Jun-22	-6.9%	-9.3%	-7.4%	-10.0%	12.0%	16.2%
Jul-22	-5.7%	-7.7%	-4.2%	-5.6%	-7.2%	-9.7%
3 Month Avg.	-5.3%	-7.2%	-5.2%	-7.1%	5.2%	7.0%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE						
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Feb-22	\$240,000	\$290,000		Feb-21	\$225,500	
Mar-22	\$260,000	\$310,000		Mar-21	\$248,588	
Apr-22	\$271,000	\$325,000		Apr-21	\$260,000	
May-22	\$268,365	\$322,556		May-21	\$260,000	
Jun-22	\$275,103	\$328,165		Jun-21	\$270,000	
Jul-22	\$275,913	\$329,330		Jul-21	\$263,000	
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE						
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Feb-22	6.4%	7.4%		Feb-21	13.3%	
Mar-22	4.6%	5.1%		Mar-21	15.1%	
Apr-22	4.2%	4.8%		Apr-21	14.5%	
May-22	3.2%	4.1%		May-21	20.8%	
Jun-22	1.9%	2.9%		Jun-21	22.7%	
Jul-22	4.9%	6.2%		Jul-21	12.6%	

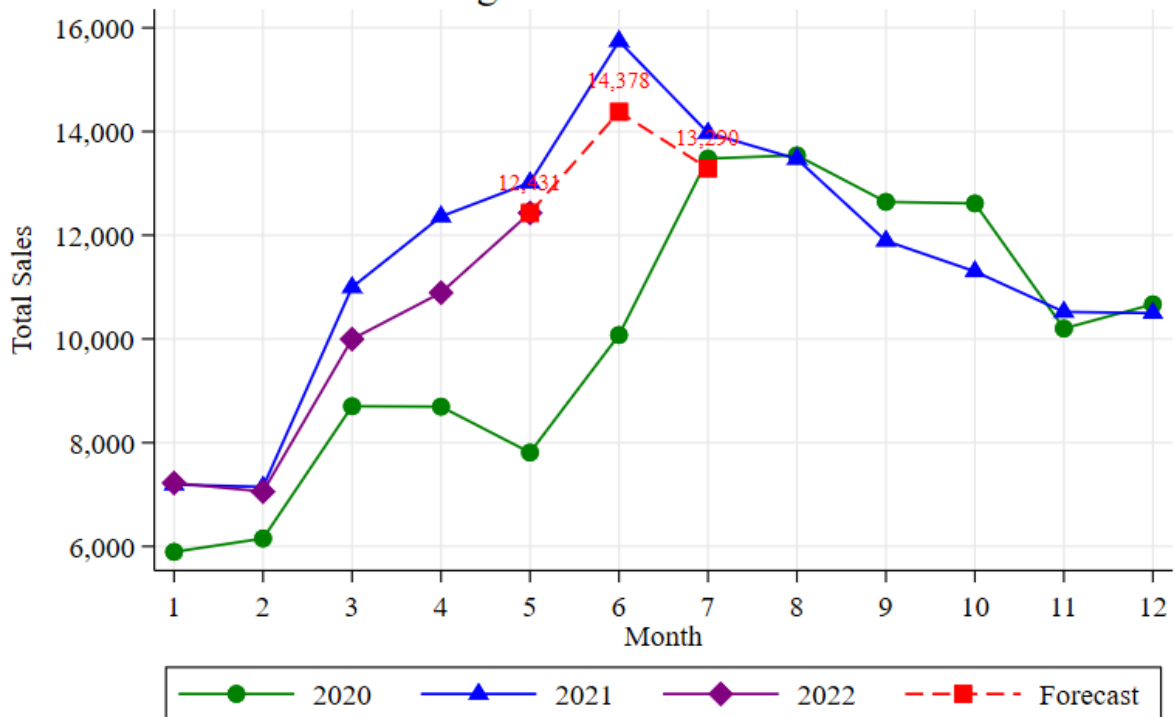


Chicago PMSA Median Home Sales Price

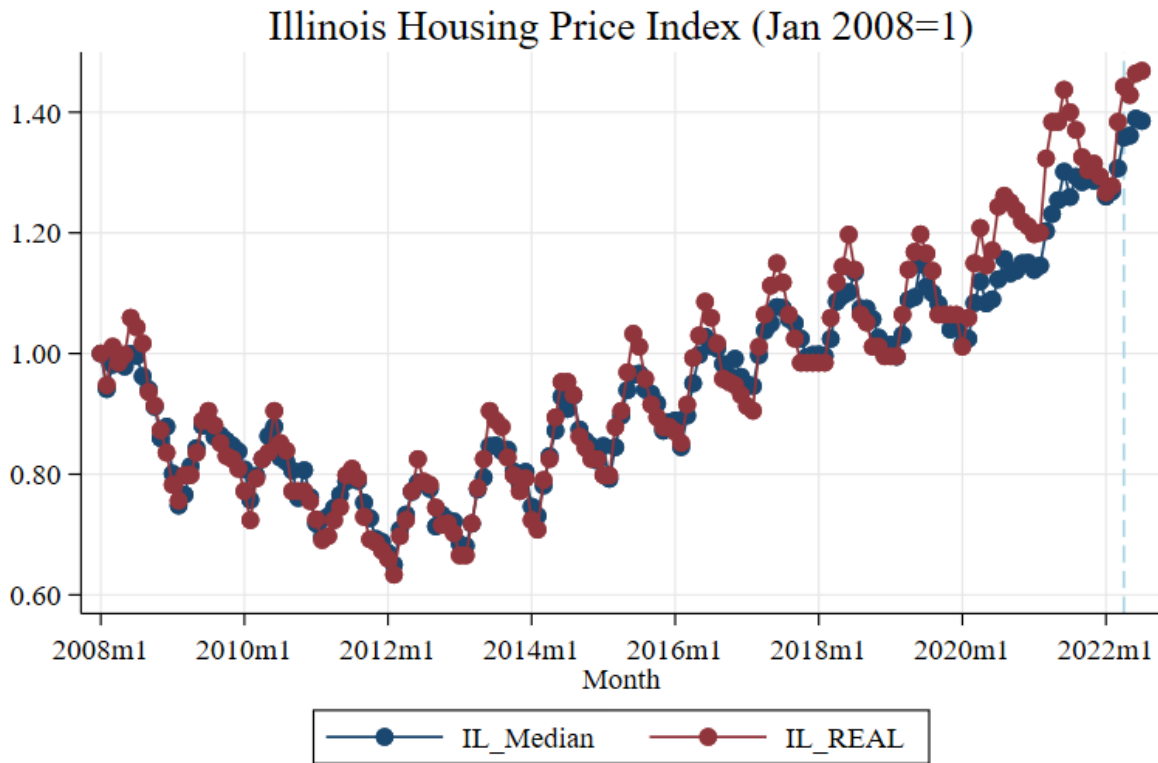


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

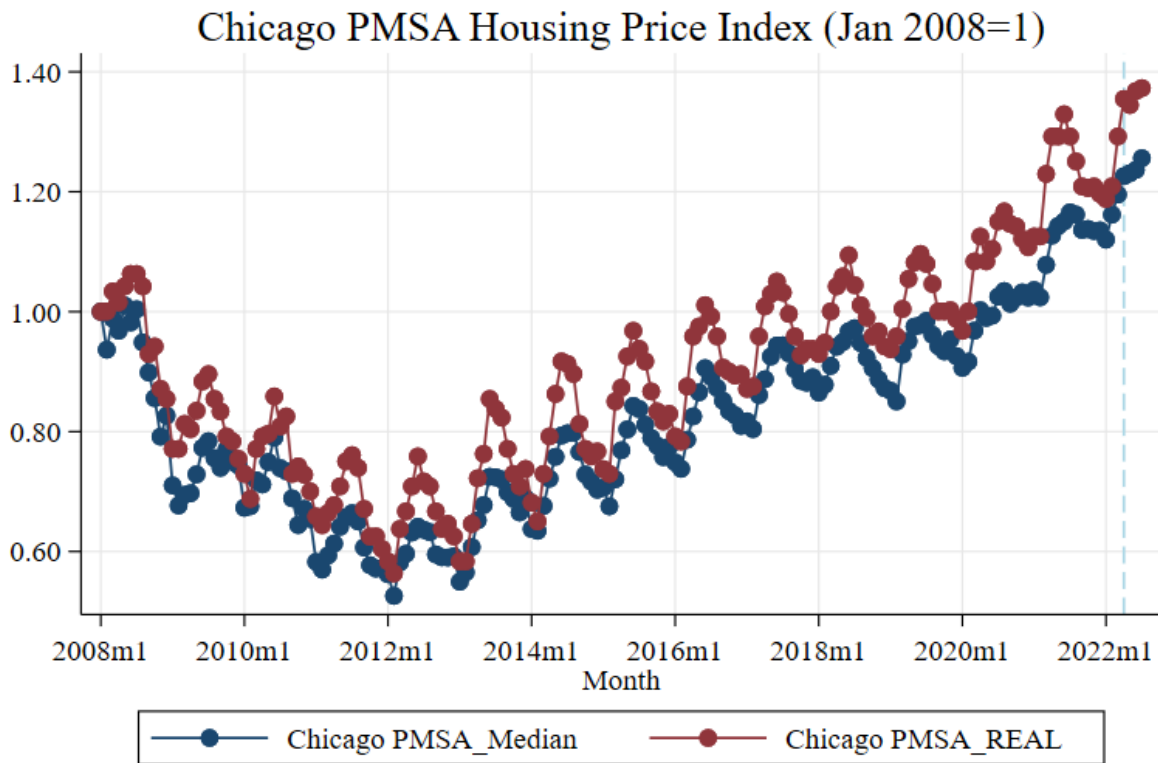
Chicago PMSA Total Home Sales



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

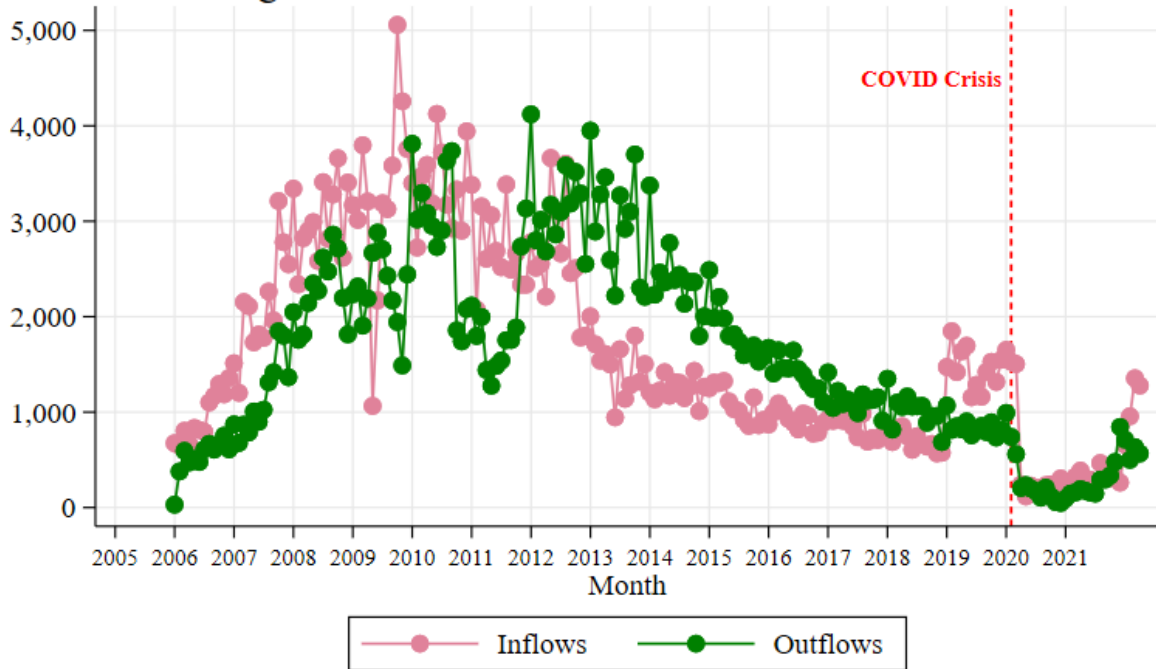


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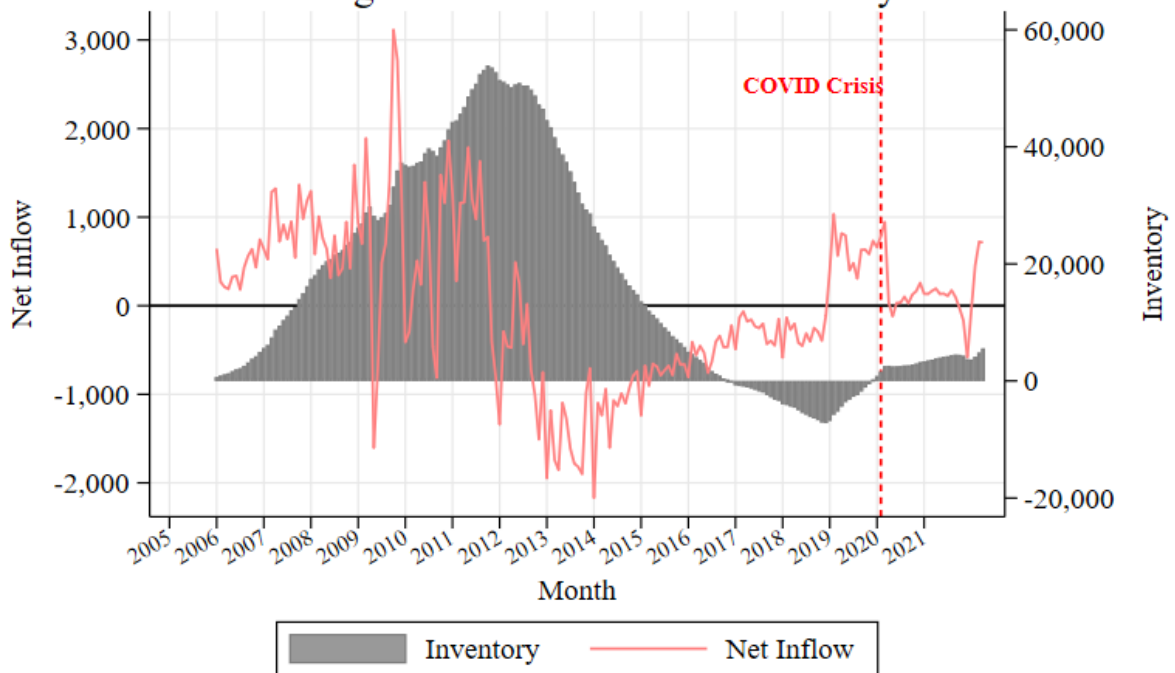
Chicago PMSA New Foreclosure Inflows and Outflows



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

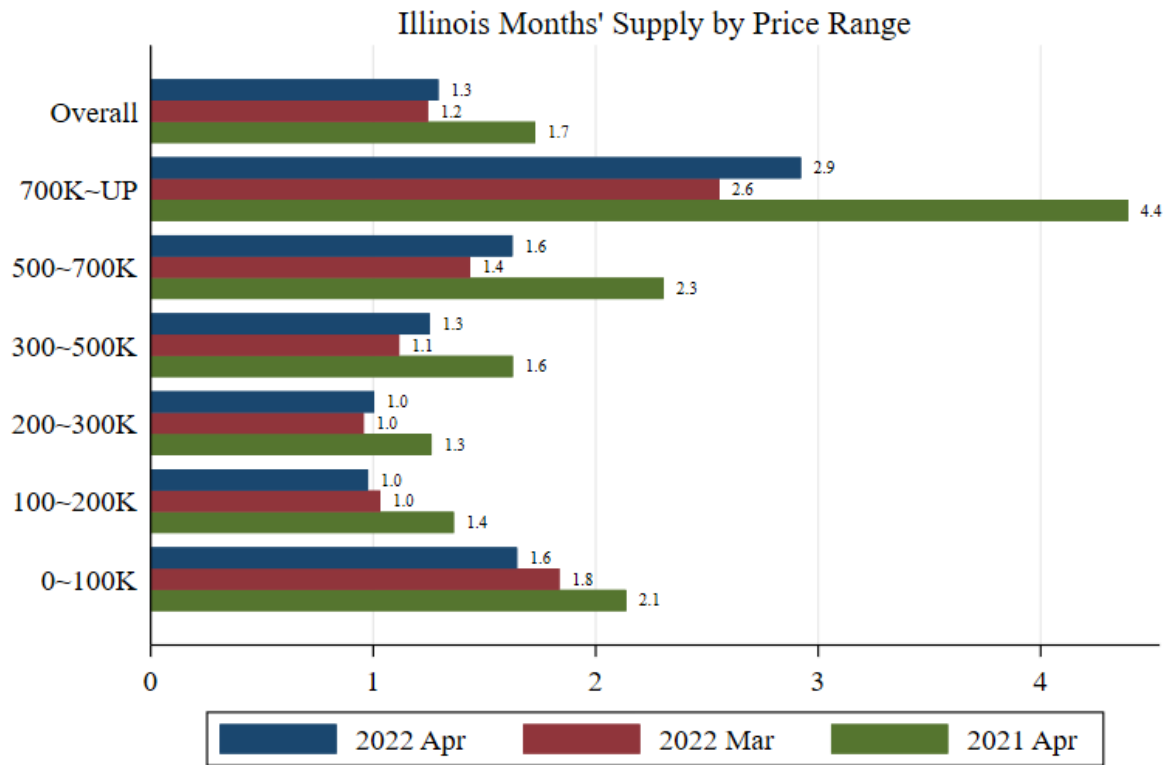
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Foreclosure Inventory

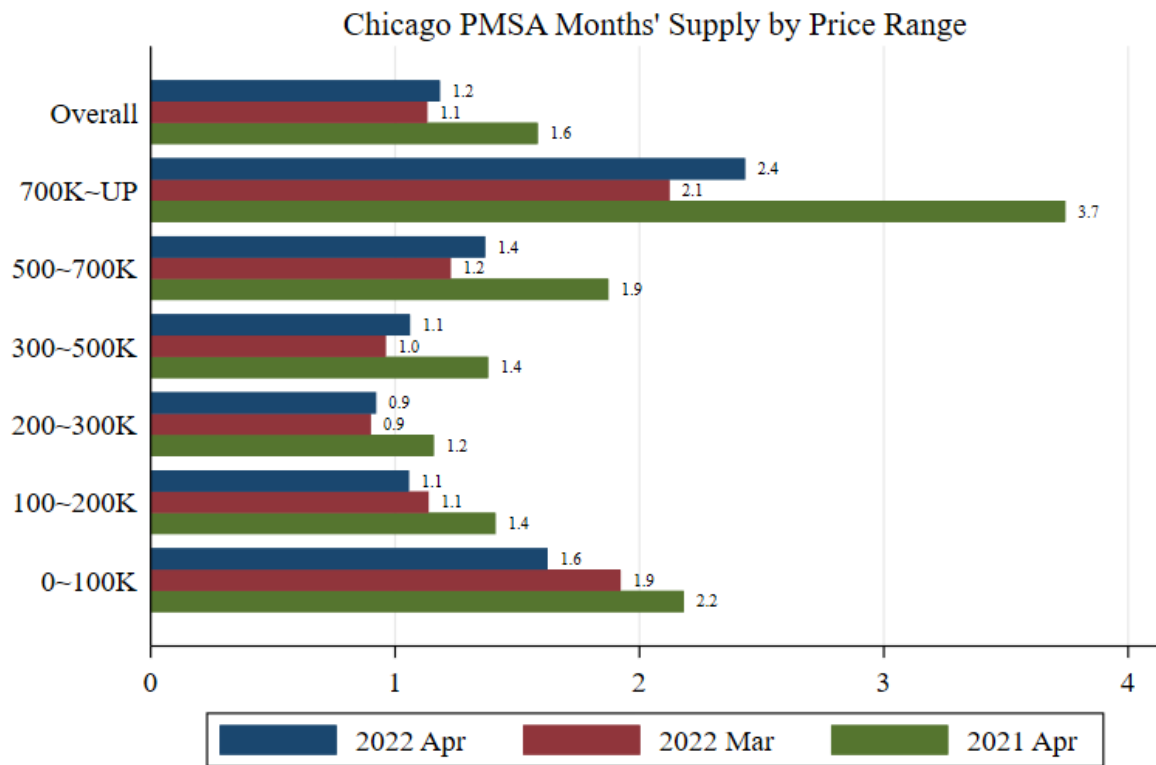


Net inflows=Inflows-Outflows

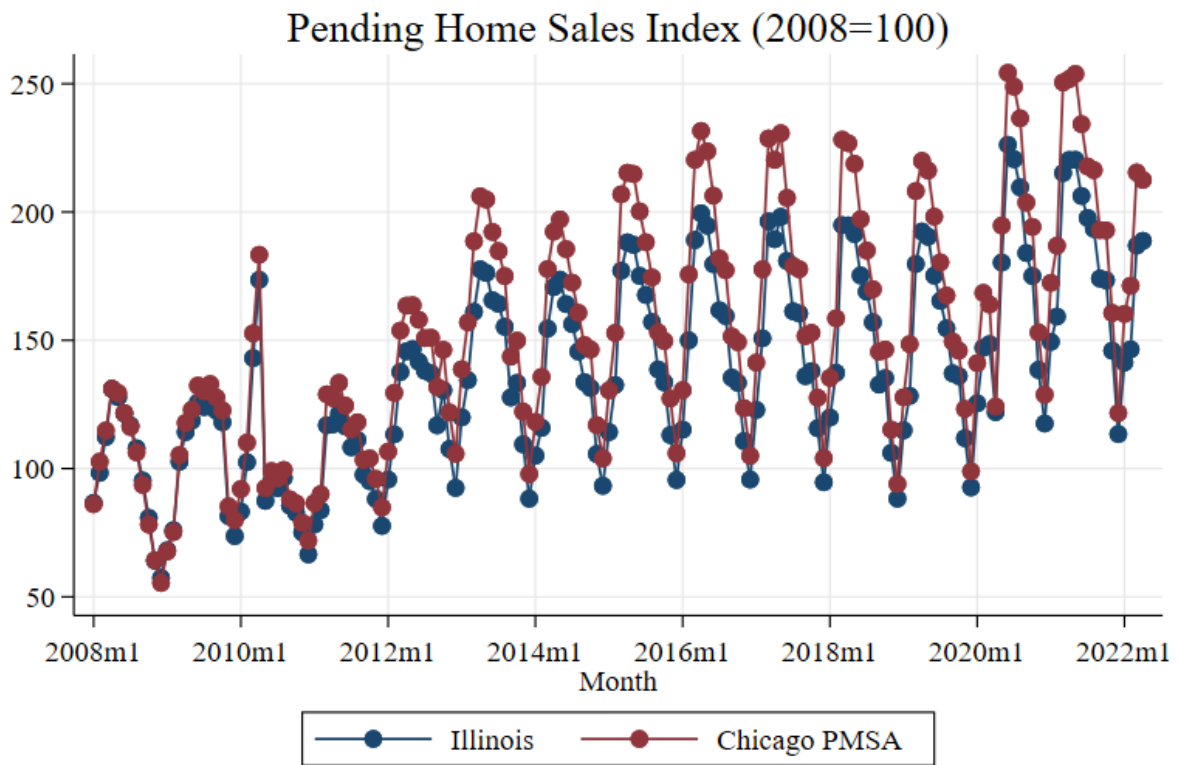
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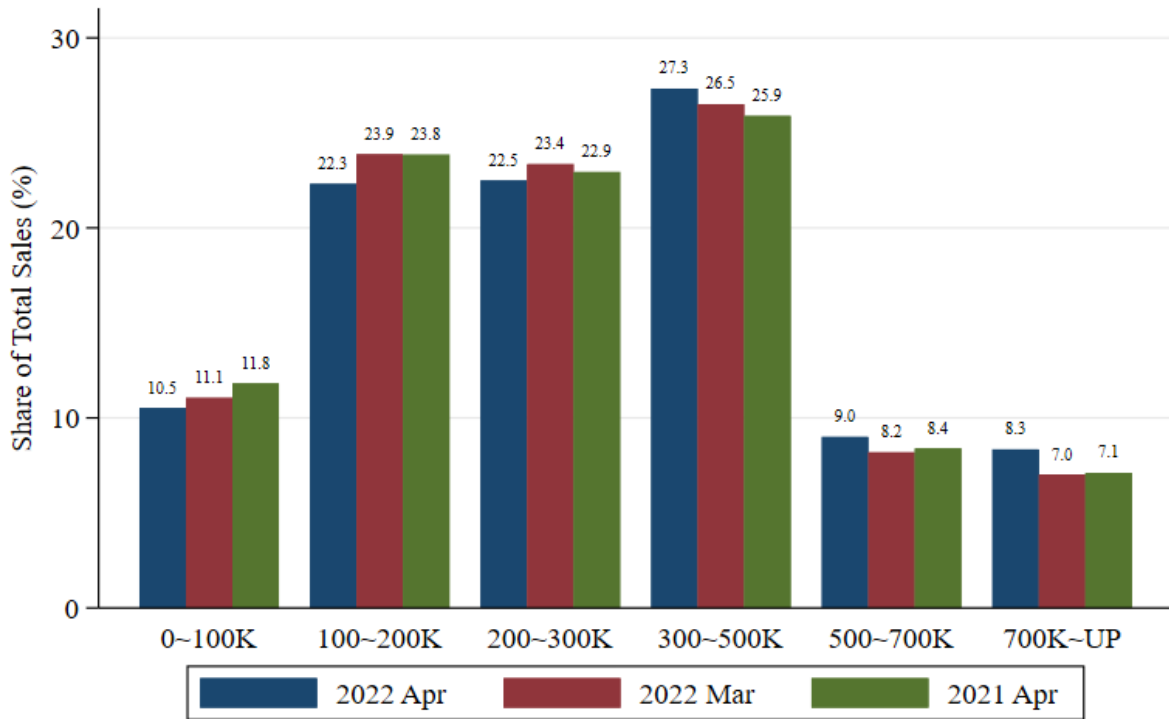


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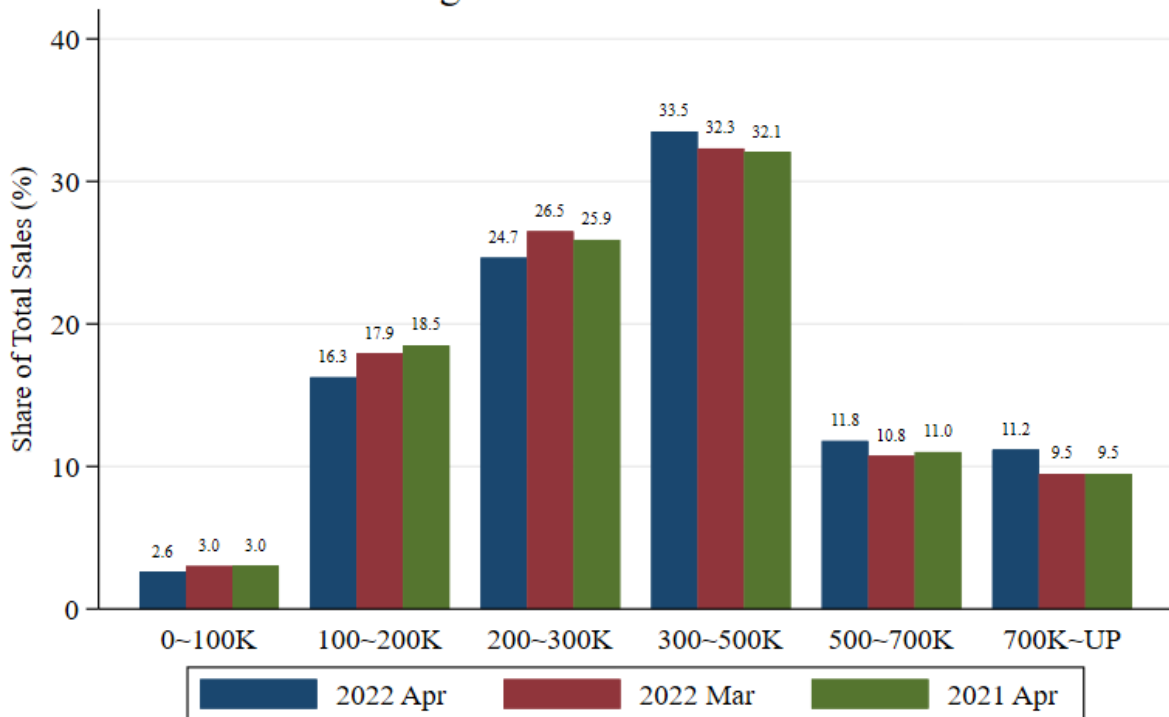
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Illinois Price Stratification



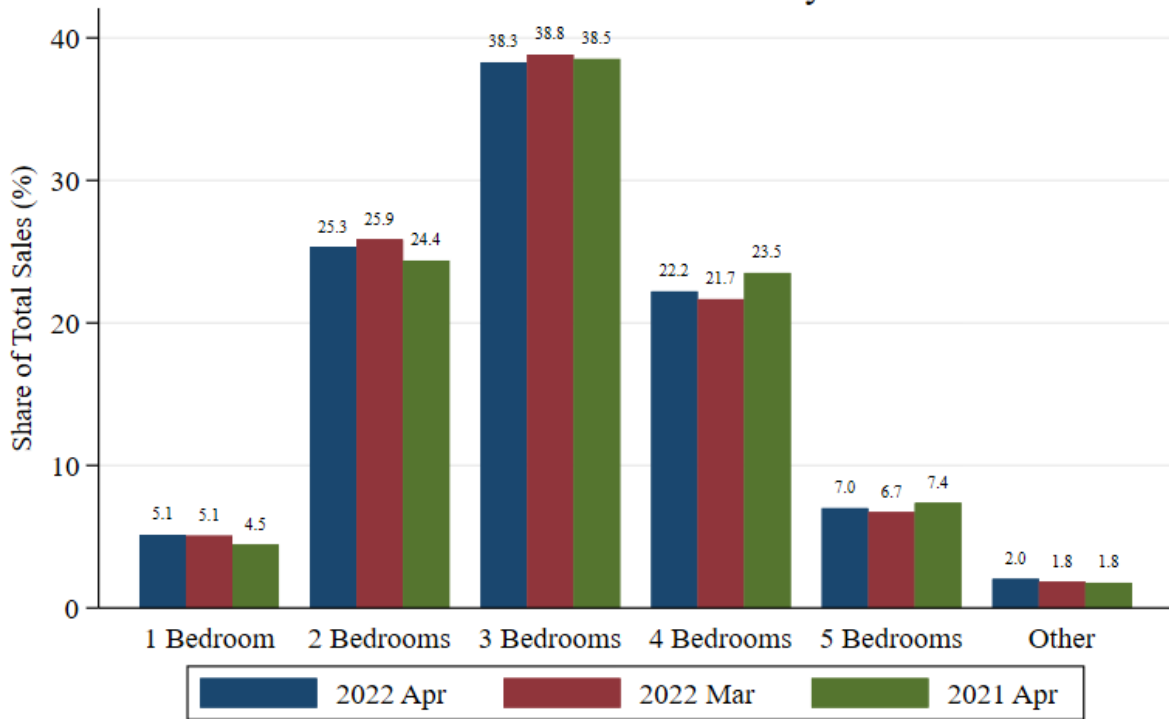
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Chicago PMSA Price Stratification



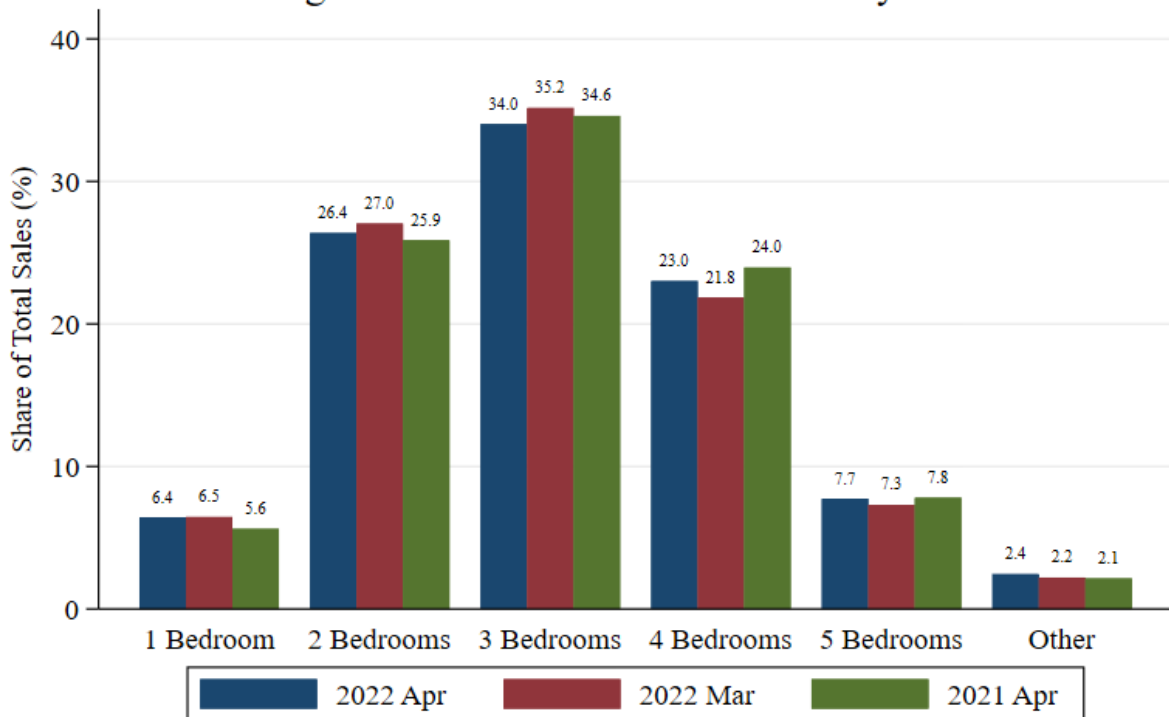
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois House Characteristics by Bedroom



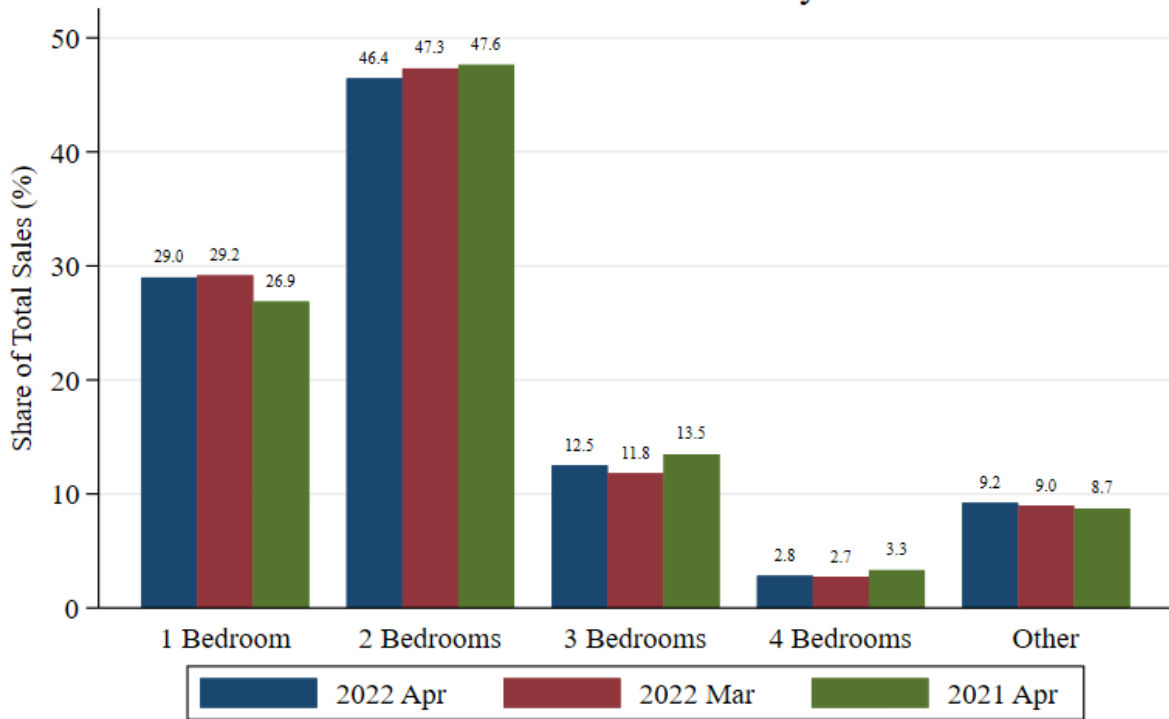
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA House Characteristics by Bedroom



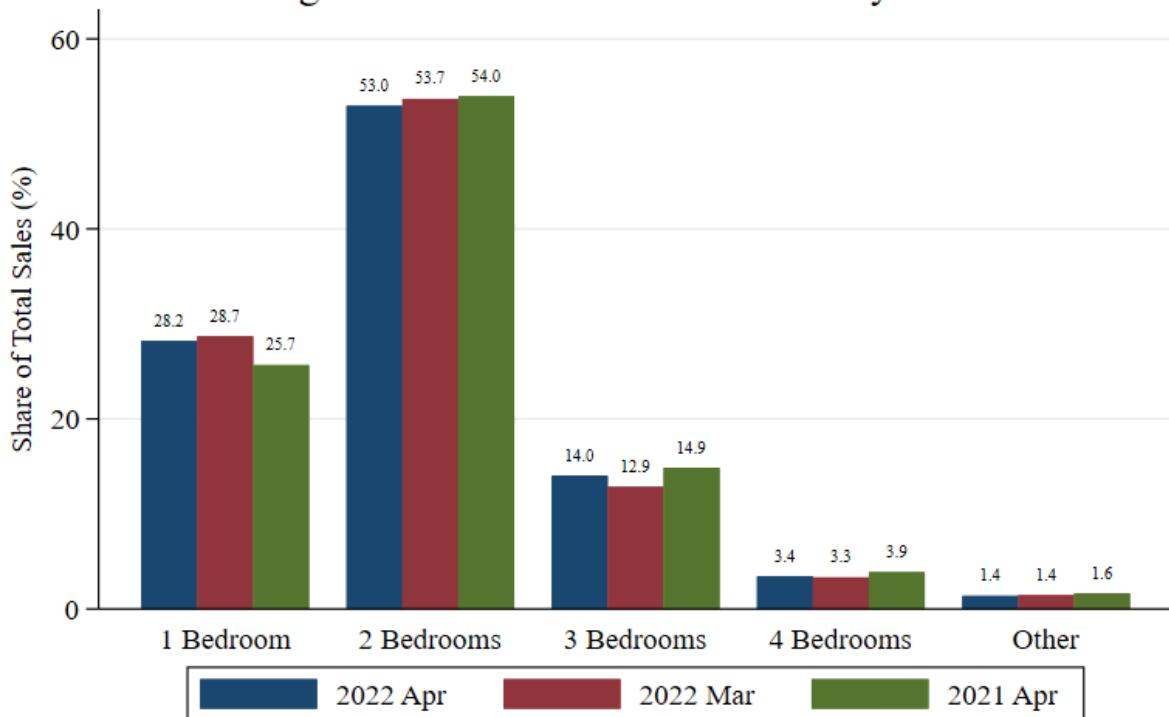
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Illinois House Characteristics by Bathroom



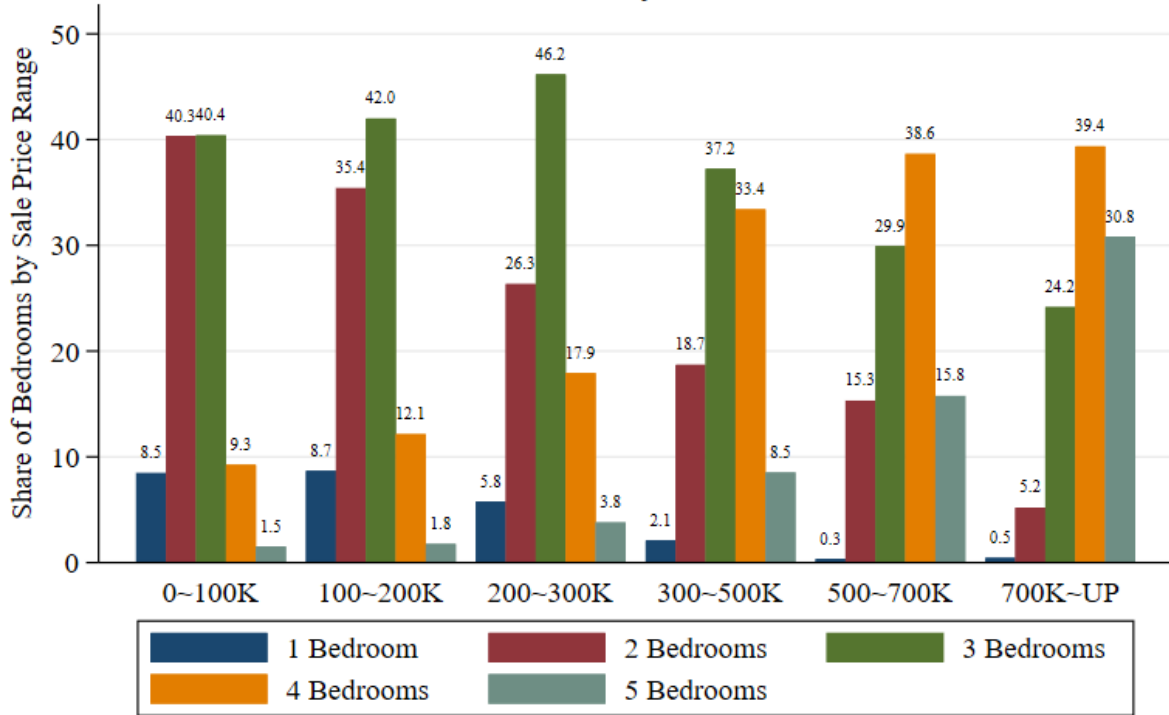
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA House Characteristics by Bathroom



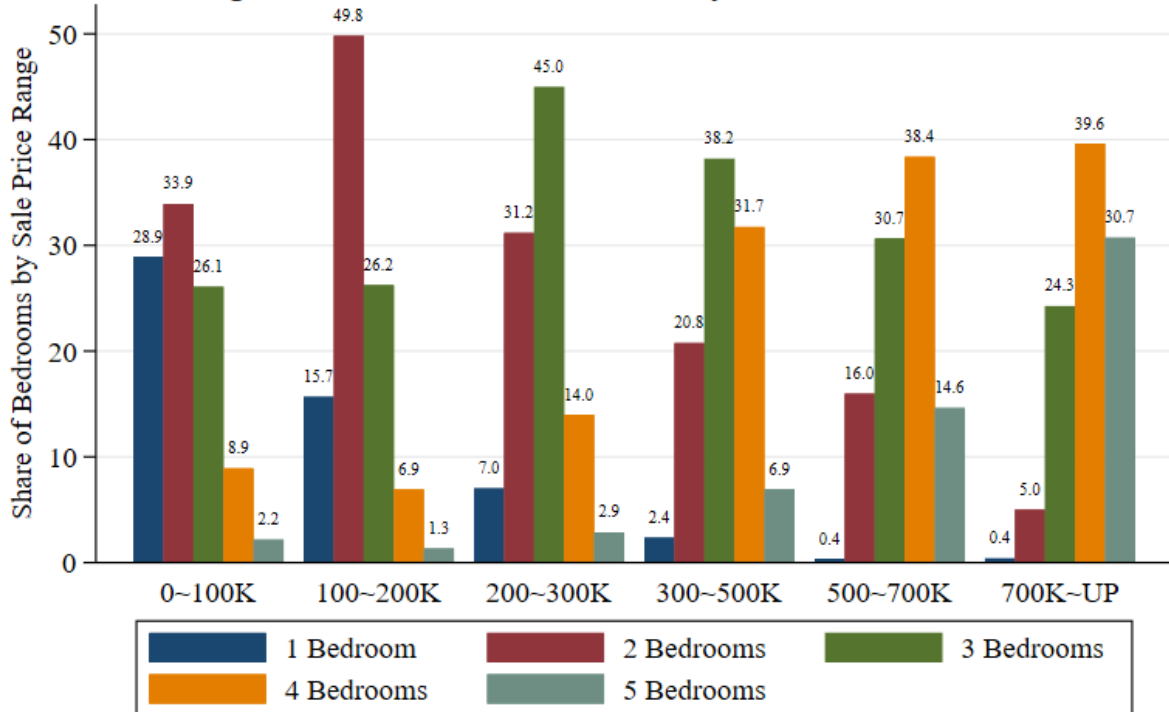
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Bedroom Shares by Sale Price Stratification



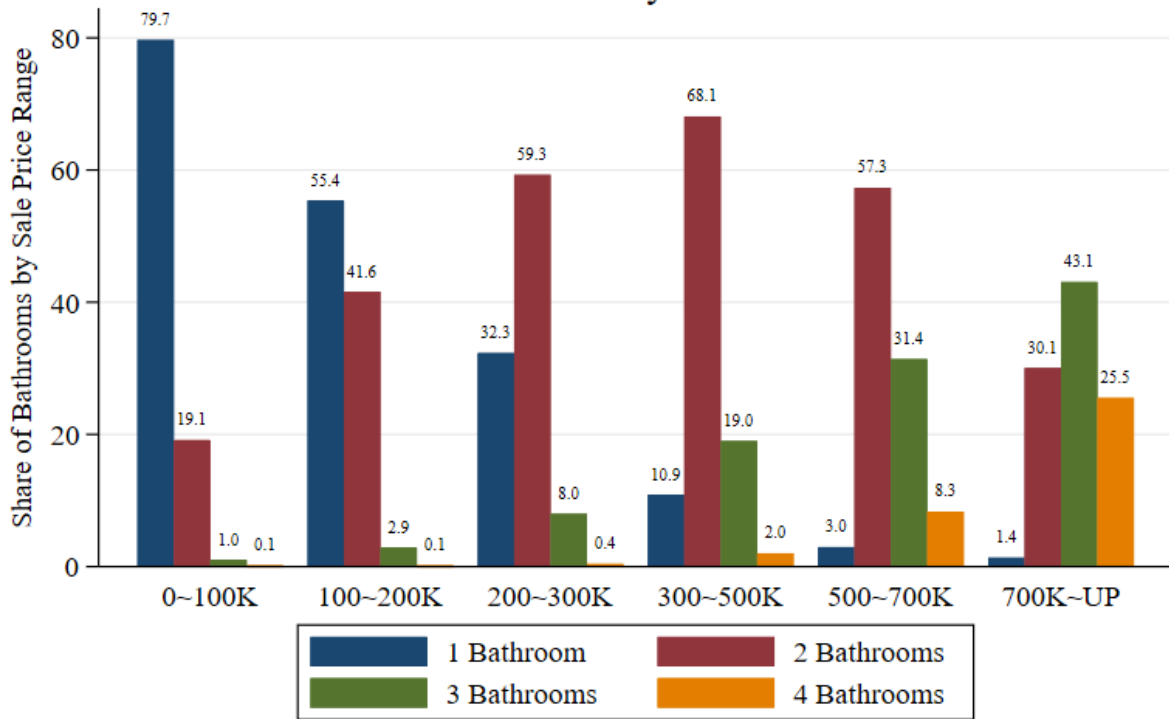
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Bedroom Shares by Sale Price Stratification



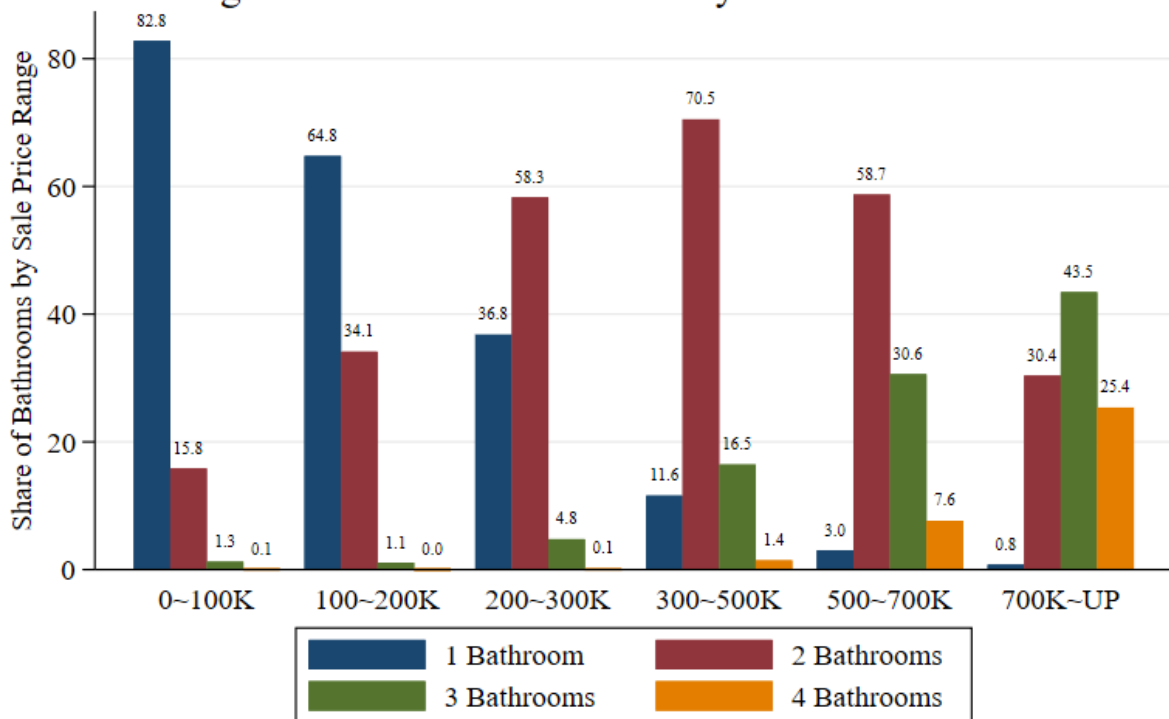
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Illinois Bathroom Shares by Sale Price Stratification



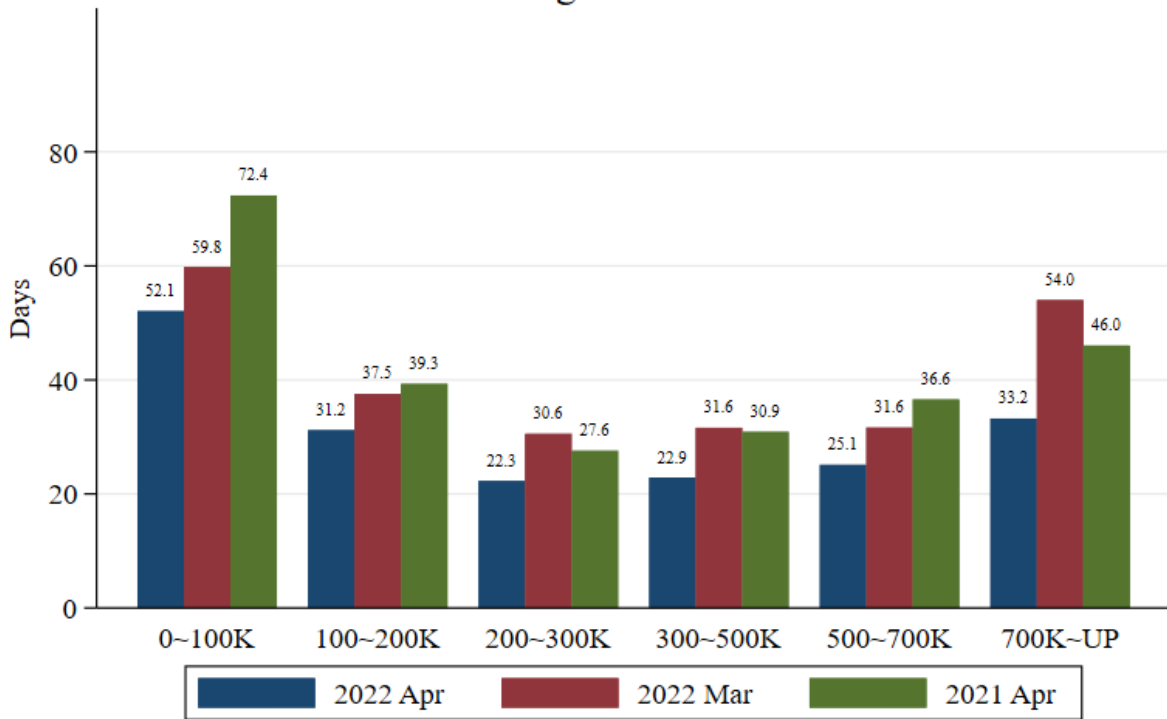
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Chicago PMSA Bathroom Shares by Sale Price Stratification



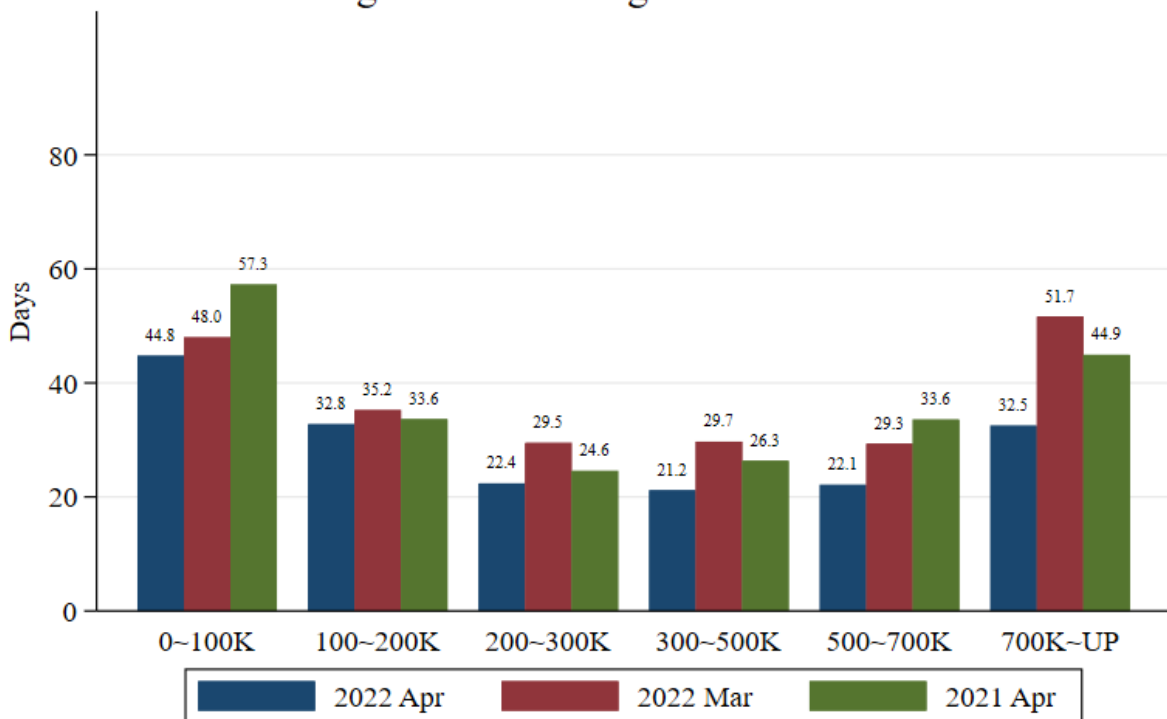
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

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

