

# **Housing Price Forecasts**

## **Illinois and Chicago PMSA, June 2022**

Presented To

**Illinois Realtors®**

From

**UIC Stuart Handler Department of Real Estate**

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## **Housing Price Forecast: Illinois and Chicago PMSA, June 2022**

### **The Housing Market**

In May, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 16,194 houses were sold in Illinois, changing by 6.9% from a month ago and -10.1% from a year ago. In the Chicago PMSA, 11,641 houses were sold, changing by 5.6% from a month ago and -10.6% from a year ago. The median price was \$276,000 in Illinois, up 6.2% from May last year; the comparable figure for the Chicago PMSA was \$327,000, up 5.5% from May last year.

In May, for the Chicago PMSA, the percentage of foreclosed sales (e.g., REOs) among the total sales was 3.53%. 11,163 regular sales were made, -11.3% less than last year. 408 foreclosed properties were sold, 21.4% more than last year. The median price was \$330,000 for regular property sales, up 4.8% from last year; the comparable figure for the foreclosed properties was \$232,500, down -1.1% from this time last year.

The sales forecast for June, July, and August 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 -4.5% to -6.1%; the comparative figures for the Chicago PMSA are a decrease in the range of -7.7% to -10.4%. On a monthly basis, the three-month average sales are forecast to increase in the range of 3.7% to 5.0% for Illinois and increase in the range of 2.4% to 3.2% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings. This May, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 131.6 (2019=100) in Illinois, down -11.5% from a year ago. In the Chicago PMSA, the comparable figure is 131.8, down -14.1% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.4 months (down from 1.7 last year). In the Chicago PMSA, the comparable figure was 1.5 months (down from 1.8 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 June, July, and August in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 4.7% in June, 7.4% in July, and 8.6% in August. For the Chicago PMSA, the comparable figures are 4.3% in June, 7.5% in July, and 9.8% in August. 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 7.5% in June, 10.8% in July, and 8.4% in August. The comparable figures for the Chicago PMSA are 8.7% in June, 9.2% in July, and 9.1% in August. SHDRE 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 decreased. The Conference Board Consumer Confidence Index survey found that consumers do not foresee the economy picking up steam in the months ahead, though they do expect labor market conditions to remain relatively strong. The University of Michigan Consumer Sentiment Index survey noted that consumers’ assessment of their current

financial situation relative to a year ago is at its lowest reading since 2013, with 36% of consumers attributing their negative assessment to inflation.

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

- In May, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 16,194 houses were sold in Illinois, changing by 6.9% from a month ago and -10.1% from a year ago. In the Chicago PMSA, 11,641 houses were sold, changing by 5.6% from a month ago and -10.6% from a year ago. The median price was \$276,000 in Illinois, up 6.2% from May last year; the comparable figure for the Chicago PMSA was \$327,000, up 5.5% from May last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for June 2022 report table)
- In May, for the Chicago PMSA, the percentage of foreclosed sales (e.g., REOs) among the total sales was 3.53%. 11,163 regular sales were made, -11.3% less than last year. 408 foreclosed properties were sold, 21.4% more than last year. The median price was \$330,000 for regular property sales, up 4.8% from last year; the comparable figure for the foreclosed properties was \$232,500, down -1.1% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- In May, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.4 months (down from 1.7 last year). In the Chicago PMSA, the comparable figure was 1.5 months (down from 1.8 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 May, 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 21.6% from 24.4% a year ago; for homes at \$100-200K in the Chicago PMSA showed a decrease to 15.6% from 18.1% 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 4.7% in June, 7.4% in July, and 8.6% in August. For the Chicago PMSA, the comparable figures are 4.3% in June, 7.5% in July, and 9.8% in August. (Reference: Forecast for June 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 7.5% in June, 10.8% in July, and 8.4% in August. The comparable figures for the Chicago PMSA are 8.7% in June, 9.2% in July, and 9.1% in August. SHDRE 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 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 -4.5% to -6.1%; the comparative figures for the Chicago PMSA are a decrease in the range of -7.7% to -10.4%. On a monthly basis, the three-month average sales are forecast to increase in the range of 3.7% to 5.0% for Illinois and increase in the range of 2.4% to 3.2% for the Chicago PMSA. (Reference: Forecast for June 2022 report table)
- 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 less than last year in Illinois and Chicago PMSA. The pending home sales index is 131.6 (2019=100) in Illinois, down -11.5% from a year ago. In the Chicago PMSA, the comparable figure is 131.8, down -14.1% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In May 2022, 1,436 houses were newly filed for foreclosure in the Chicago PMSA (up 366.0% and up 12.0%, respectively, from a year and a month ago). 517 foreclosures were completed<sup>2</sup> (up 195.0% and down -7.0% respectively from a year and a month ago). As of May 2022, there are 6,568 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 370.83 in the past 6 months, 212.83 in the last 12 months, and 169.33 in the previous 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## The Economy

- In May 2022, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate was remained at 3.6%, and non-farm payroll jobs experienced a gain of 390,000 jobs. Notable job gains occurred over the month in leisure and hospitality (+84,000), professional and business services (+75,000), and transportation and warehousing (+47,000).
- In April 2022, according to the Illinois Department of Employment Security (IDES) news release, Illinois unemployment fell -0.1%pt to 4.6%. Non-farm payroll jobs rose by 9,300 over the month. The industry sectors that reported the largest over-the-month gains in employment

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<sup>1</sup> The base level (100) of pending home sales is the average pending home sales of year 2019, the year before the Covid-19 Crisis.

<sup>2</sup> Including cancelled foreclosures and auctions.

were: Leisure and Hospitality (+7,300), Manufacturing (+5,700), and Educational and Health Services (+3,500).

- Nationwide home prices grew 20.9% year over year in April as buyers continue to race against increasing mortgage rates in an effort to find affordable homes, according to CoreLogic. Patrick Dodd, president and CEO of CoreLogic, pointed to the ongoing shortage of for-sale homes as another key driver of home-price increases. “The record growth in home prices is a result of a scarcity of for-sale inventory coupled with eager buyers who want to purchase before mortgage rates go higher,” Dodd said. “Buyers who closed on their home in April had locked in their mortgage rate in February or March, when rates were lower than today.”

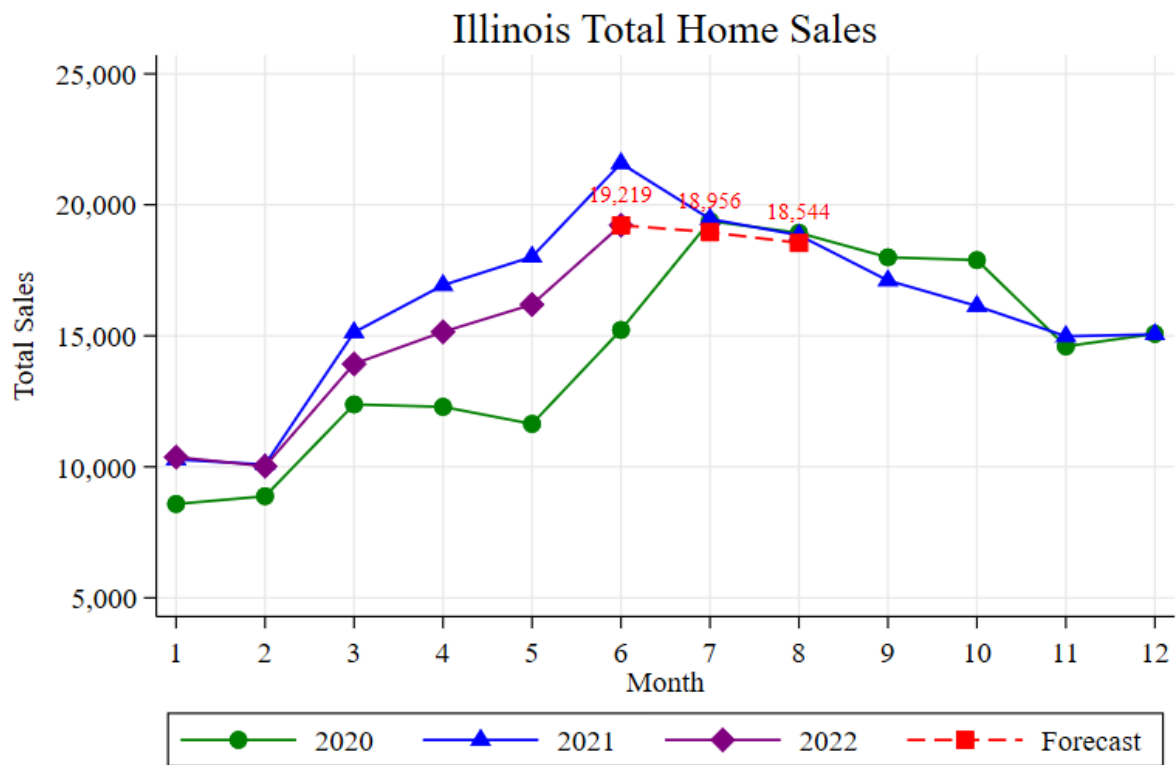
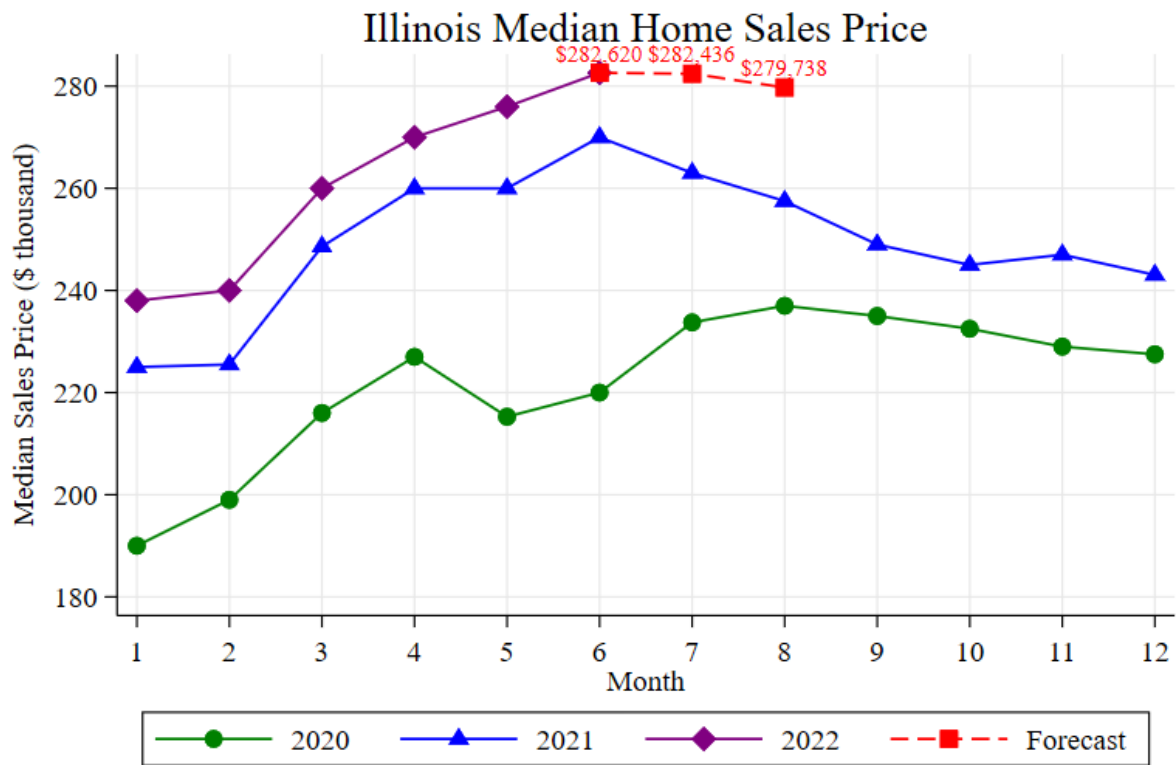
### **Longer-term Outlook**

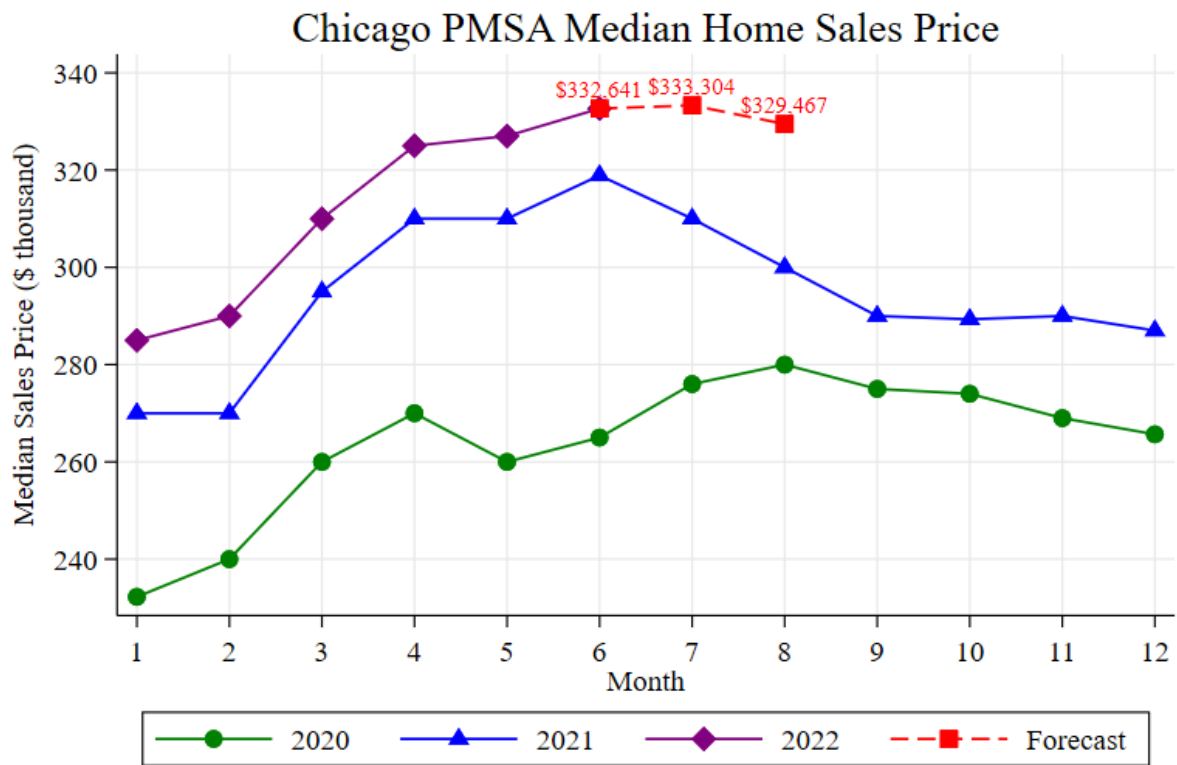
- In May, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index decreased. The Conference Board Consumer Confidence Index stands at 106.4, down from 108.6 last month. The survey noted that consumers do not foresee the economy picking up steam in the months ahead, though they do expect labor market conditions to remain relatively strong. The University of Michigan Consumer Sentiment Index decreased to 58.4 in May from 65.2 last month. The survey noted that consumers’ assessment of their current financial situation relative to a year ago is at its lowest reading since 2013, with 36% of consumers attributing their negative assessment to inflation.
- In May, the Fannie Mae Home Purchase Sentiment Index (HPSI) remained relatively flat in May, decreasing by only 0.3 points but inching nearer its 10-year- and pandemic-low of 63.0 from April 2020. The survey noted that surveyed consumers continue to express concerns about housing affordability, with the “Good Time to Buy” indicator reaching a new survey low, as 79% of respondents reported that it’s a bad time to buy a home. “Respondents’ pessimism regarding homebuying conditions carried forward into May, with the percentage of respondents reporting it’s a bad time to buy a home hitting a new survey high. The share reporting that it’s ‘easy to get a mortgage’ also decreased across almost all segments,” said Doug Duncan, Fannie Mae Senior Vice President and Chief Economist.

“Prices increased again while the number of sales remains low throughout Illinois,” noted Daniel McMillen, Head of the UIC Stuart Handler Department of Real Estate (SHDRE). “The SHDRE forecast now indicates an increase in the number of sales over the next three months. Foreclosures are down significantly since the same time last year. Inflation continues to be a concern for consumers, particularly among higher-income household, and interest rates are expected to rise this summer.”

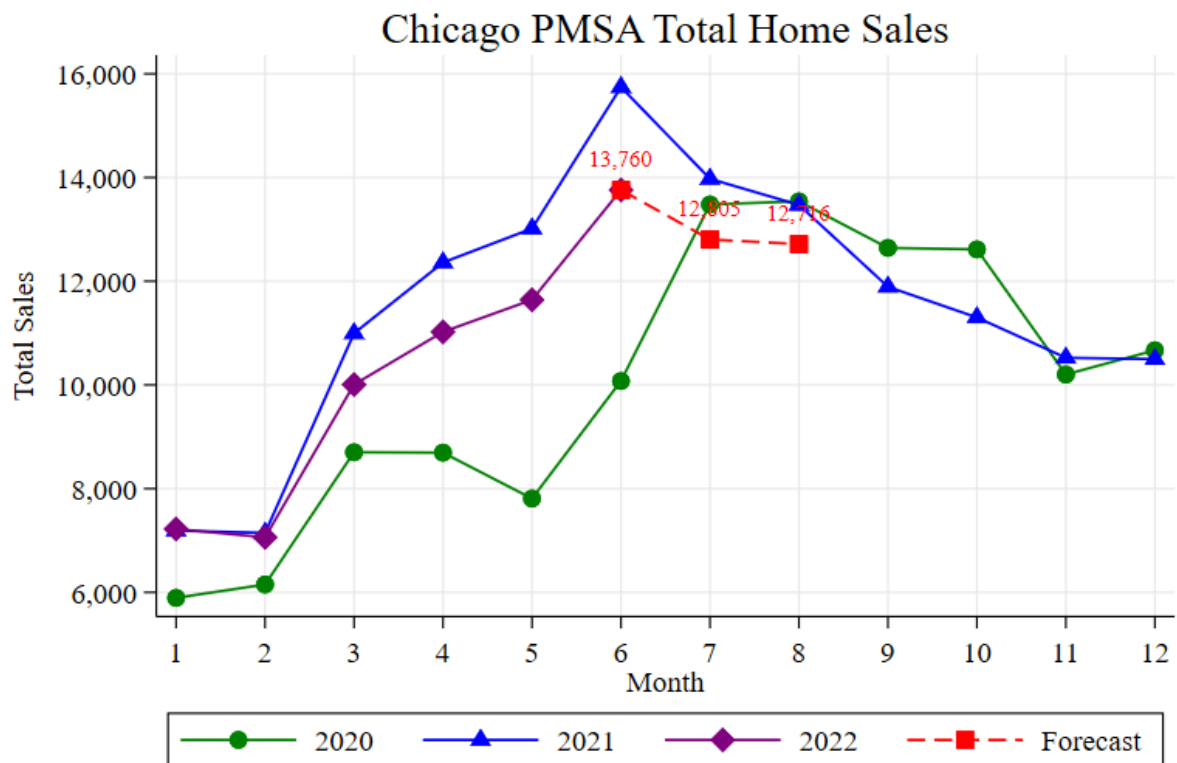
## Forecast for June 2022 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
		Annual				Monthly		
		Illinois		Chicago PMSA		Illinois		Chicago PMSA
Mar-22		-8.0%		-9.0%		38.9%		41.7%
Apr-22		-10.5%		-10.8%		8.8%		10.1%
May-22		-10.1%		-10.6%		6.9%		5.6%
3 Month Avg.		-9.6%		-10.2%		15.8%		16.3%
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
		Annual				Monthly		
		Illinois		Chicago PMSA		Illinois		Chicago PMSA
Jun-22		-9.3%	-12.6%	-10.7%	-14.5%	15.9%	21.5%	15.5% 20.9%
Jul-22		-2.2%	-3.0%	-7.1%	-9.6%	-1.2%	-1.6%	-5.9% -8.0%
Aug-22		-1.3%	-1.8%	-4.8%	-6.5%	-1.8%	-2.5%	-0.6% -0.8%
3 Month Avg.		-4.5%	-6.1%	-7.7%	-10.4%	3.7%	5.0%	2.4% 3.2%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois		Chicago PMSA			Illinois		Chicago PMSA
Mar-22	\$260,000		\$310,000		Mar-21	\$248,588		\$295,000
Apr-22	\$270,000		\$325,000		Apr-21	\$260,000		\$310,000
May-22	\$276,000		\$327,000		May-21	\$260,000		\$310,000
Jun-22	\$282,620		\$332,640		Jun-21	\$270,000		\$318,897
Jul-22	\$282,436		\$333,304		Jul-21	\$263,000		\$310,000
Aug-22	\$279,738		\$329,467		Aug-21	\$257,500		\$300,000
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois		Chicago PMSA			Illinois		Chicago PMSA
Mar-22	4.6%		5.1%		Mar-21	15.1%		13.5%
Apr-22	3.8%		4.8%		Apr-21	14.5%		14.8%
May-22	6.2%		5.5%		May-21	20.8%		19.2%
Jun-22	4.7%		4.3%		Jun-21	22.7%		20.3%
Jul-22	7.4%		7.5%		Jul-21	12.5%		12.3%
Aug-22	8.6%		9.8%		Aug-21	8.6%		7.1%



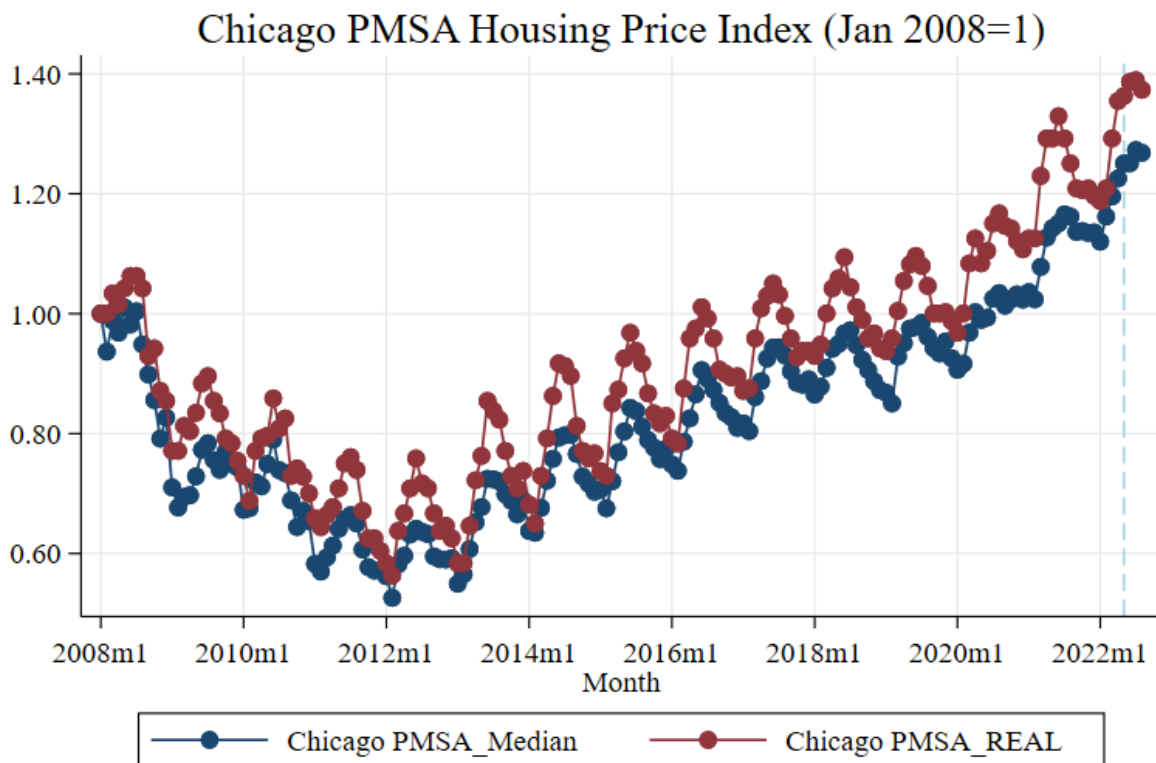
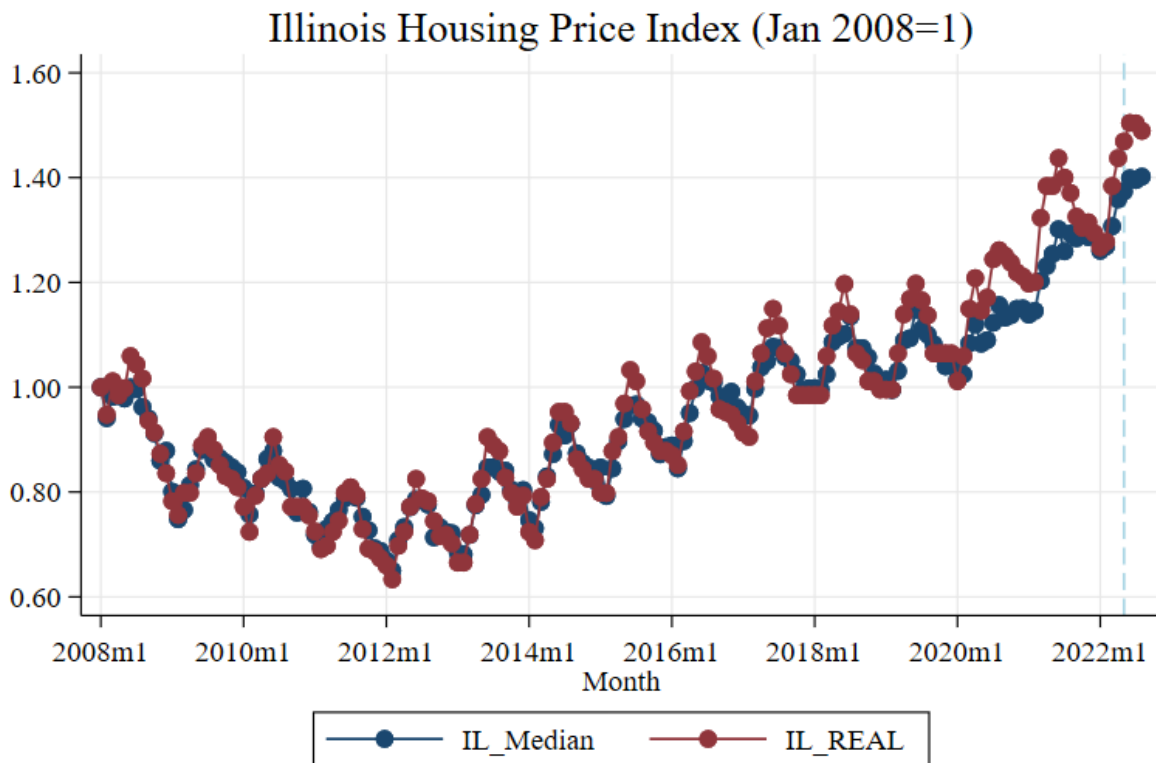


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

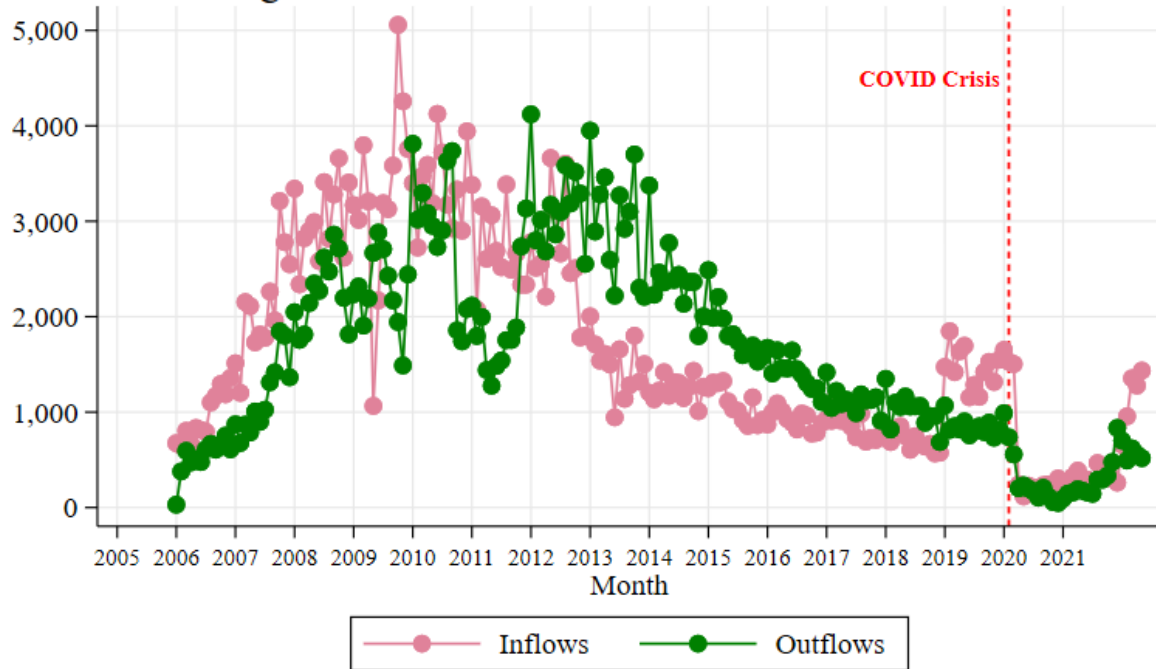


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS





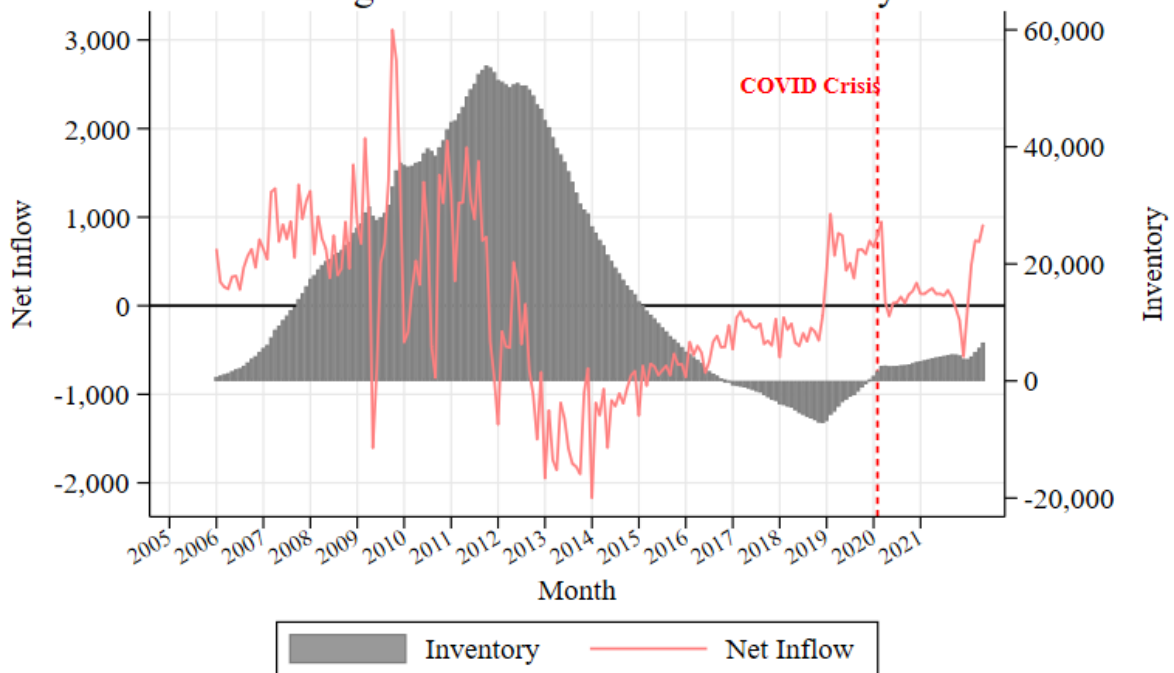
### Chicago PMSA New Foreclosure Inflows and Outflows



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

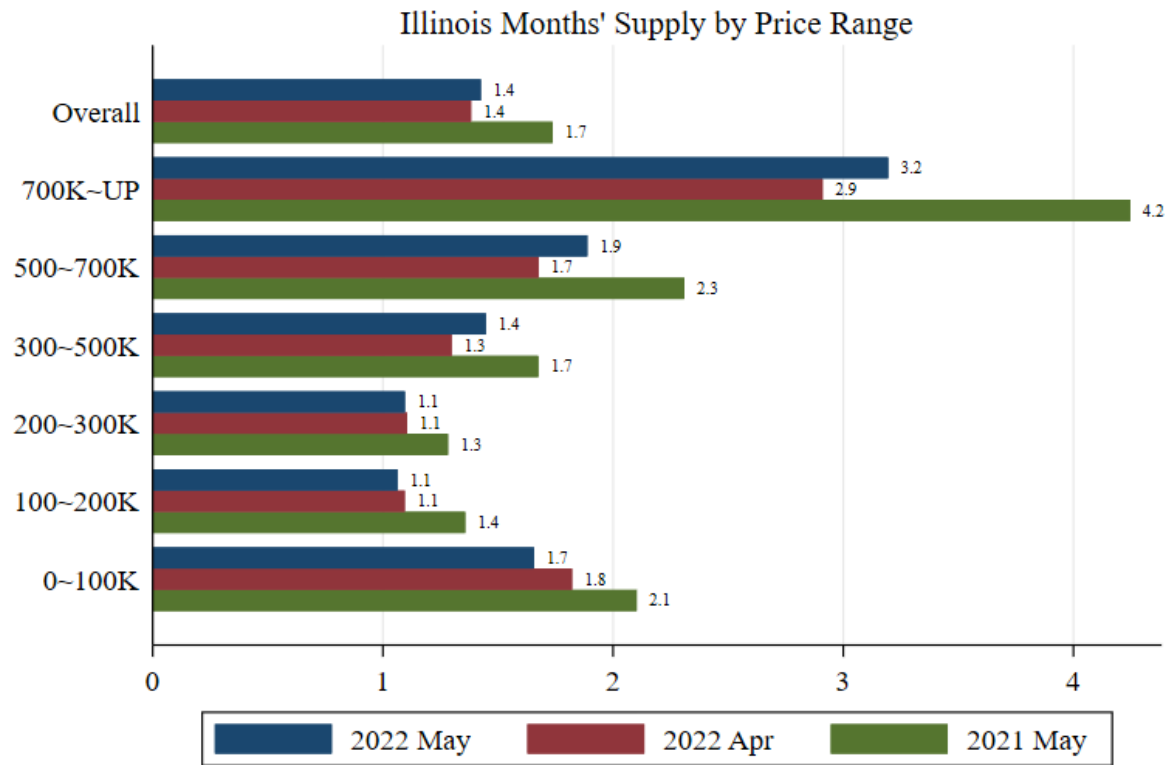
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Foreclosure Inventory

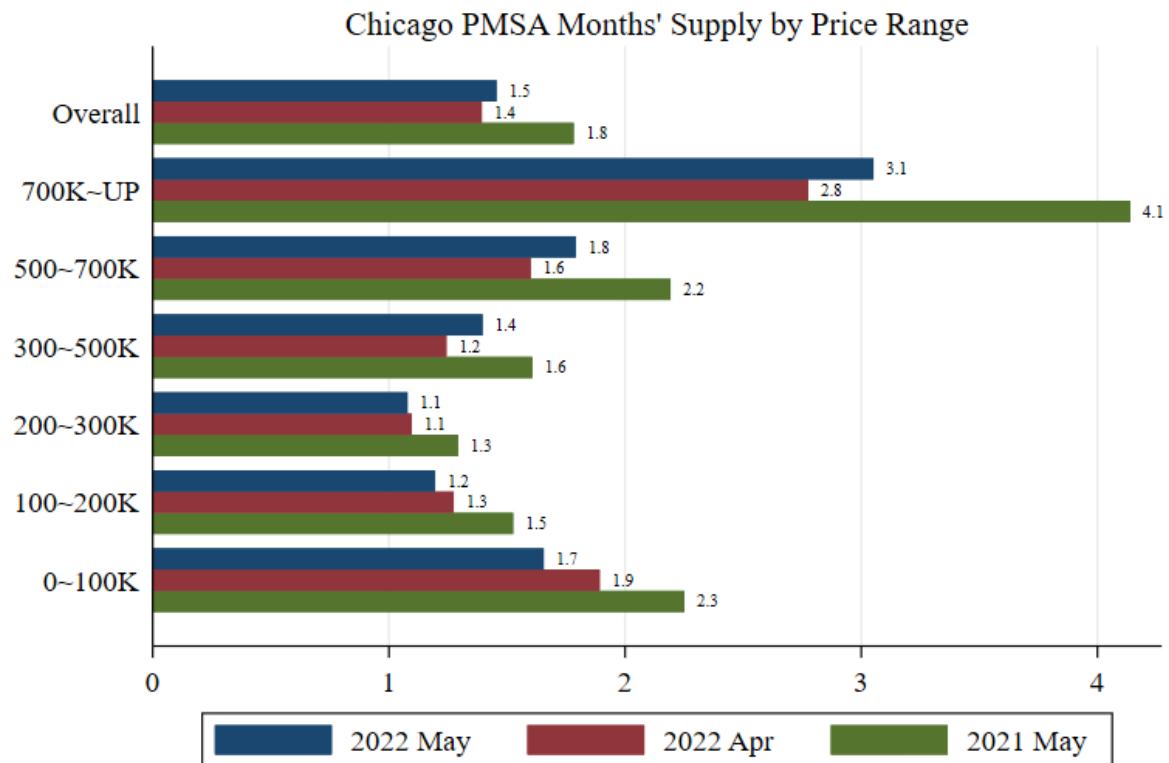


Net inflows=Inflows-Outflows

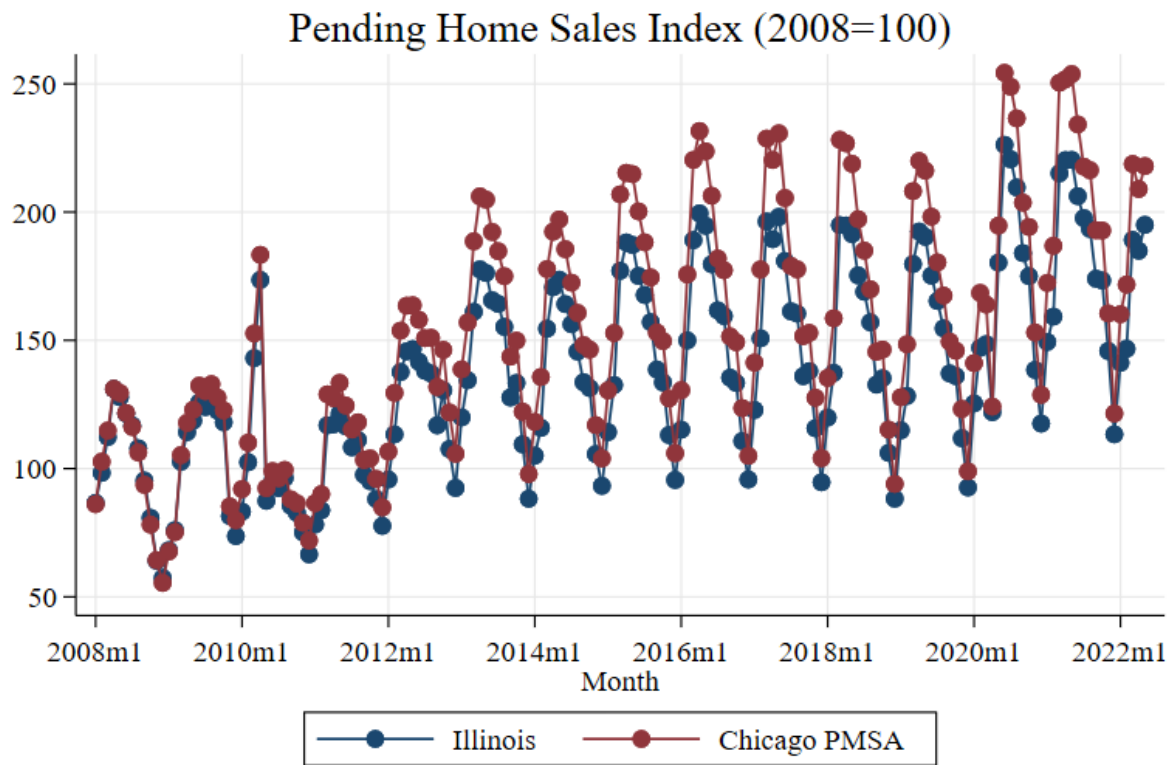
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



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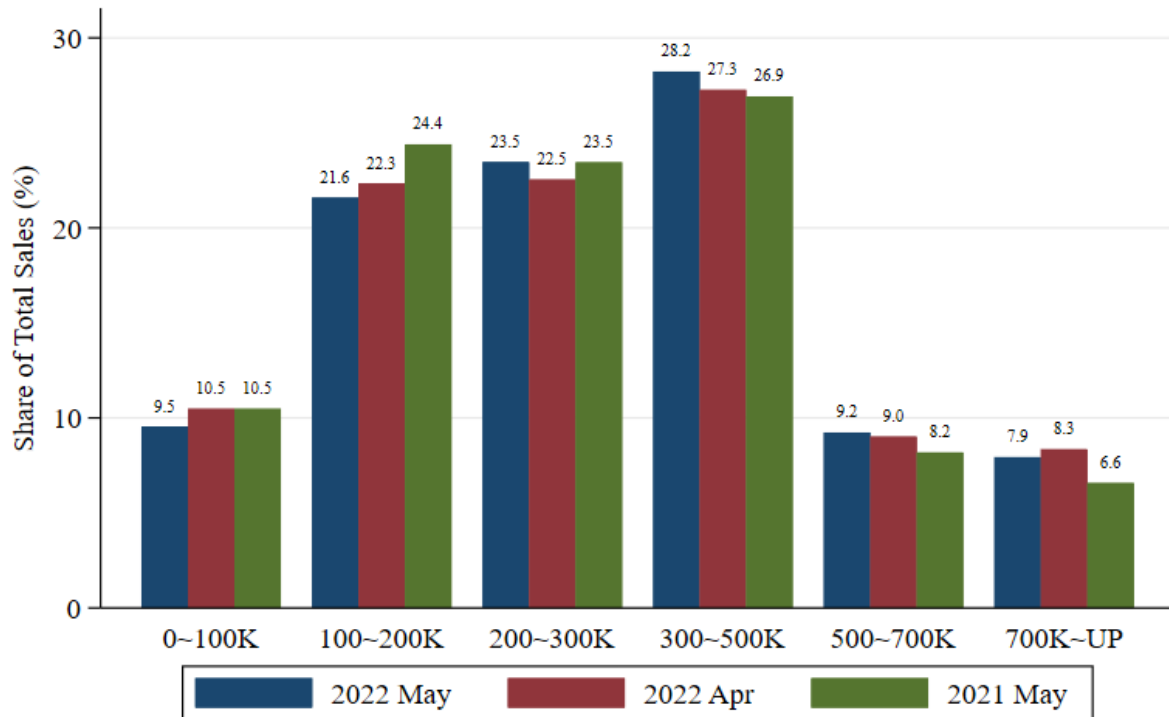


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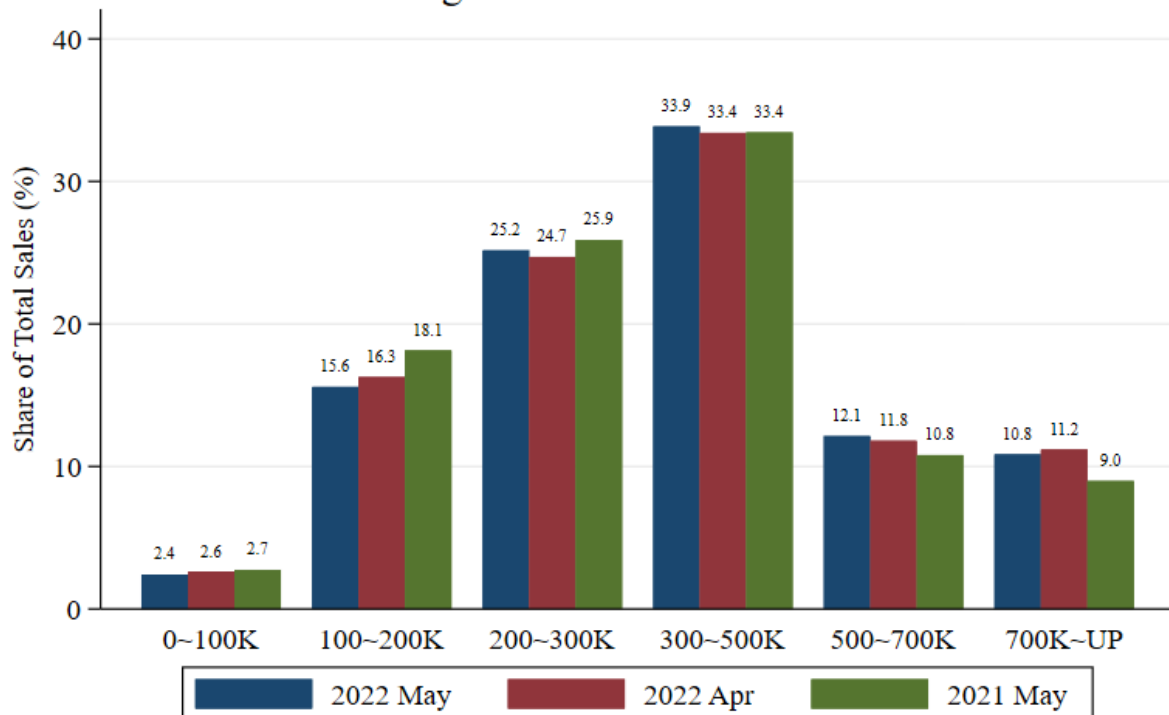
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Price Stratification

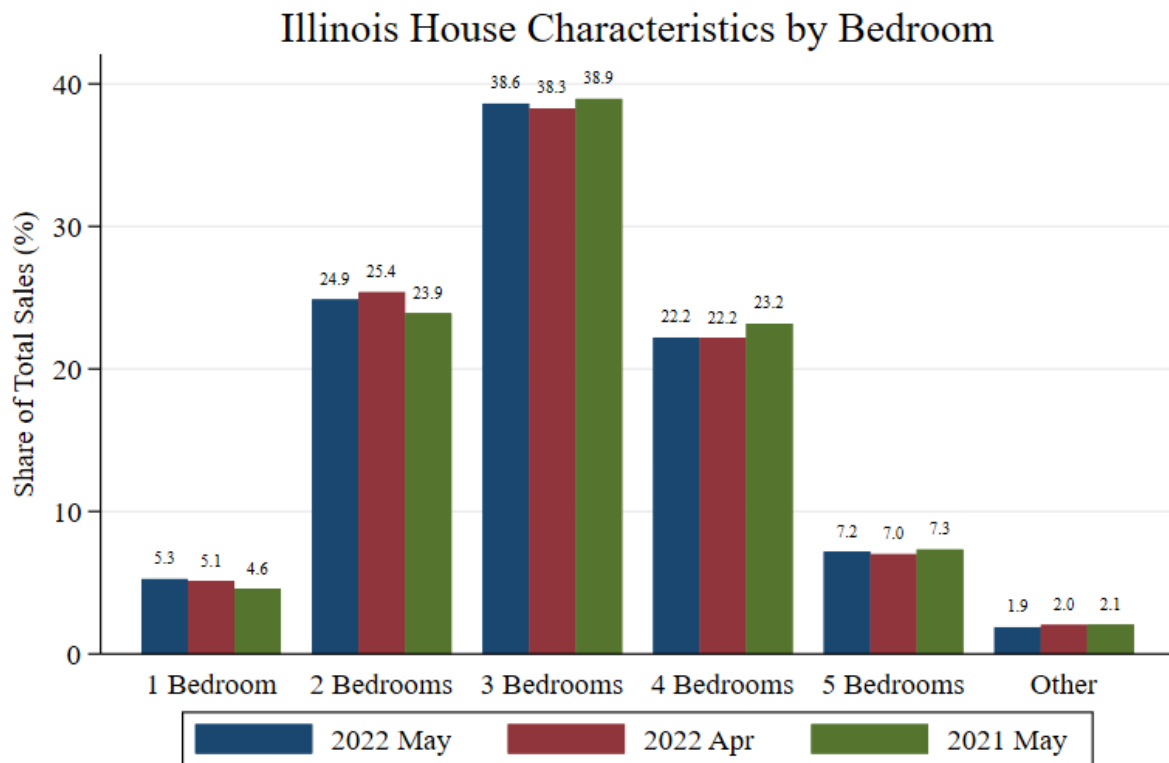


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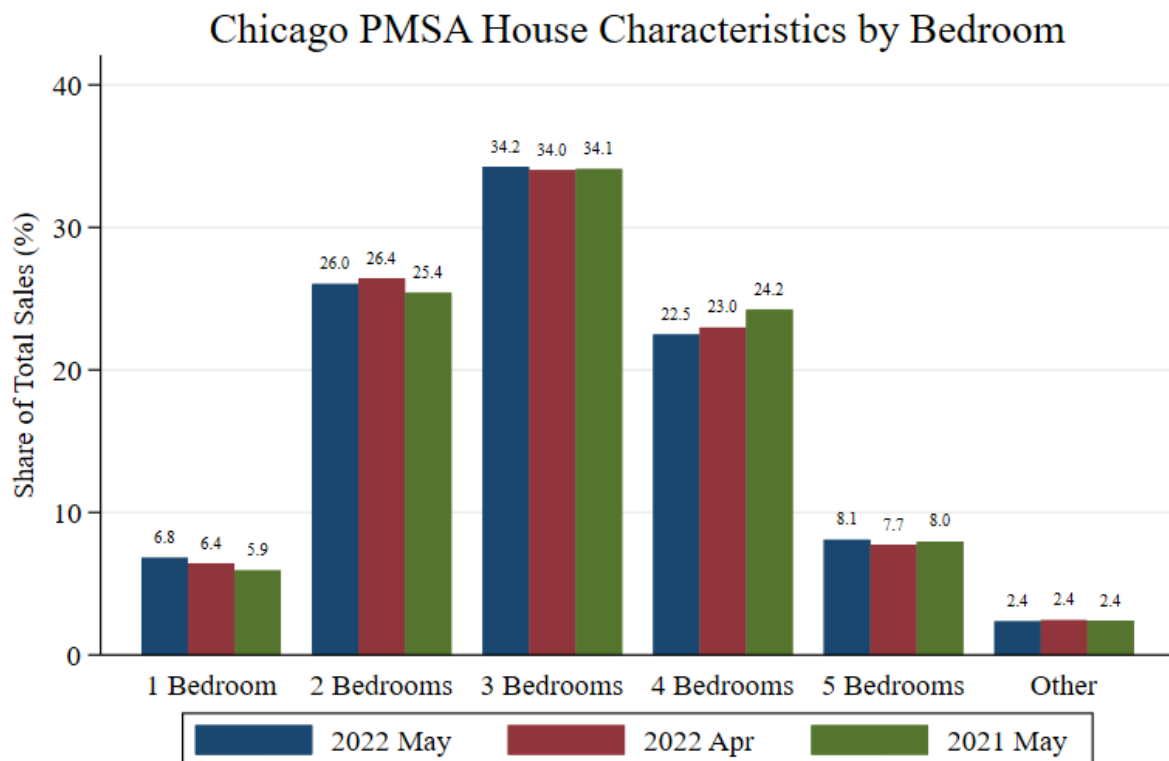
### Chicago PMSA Price Stratification



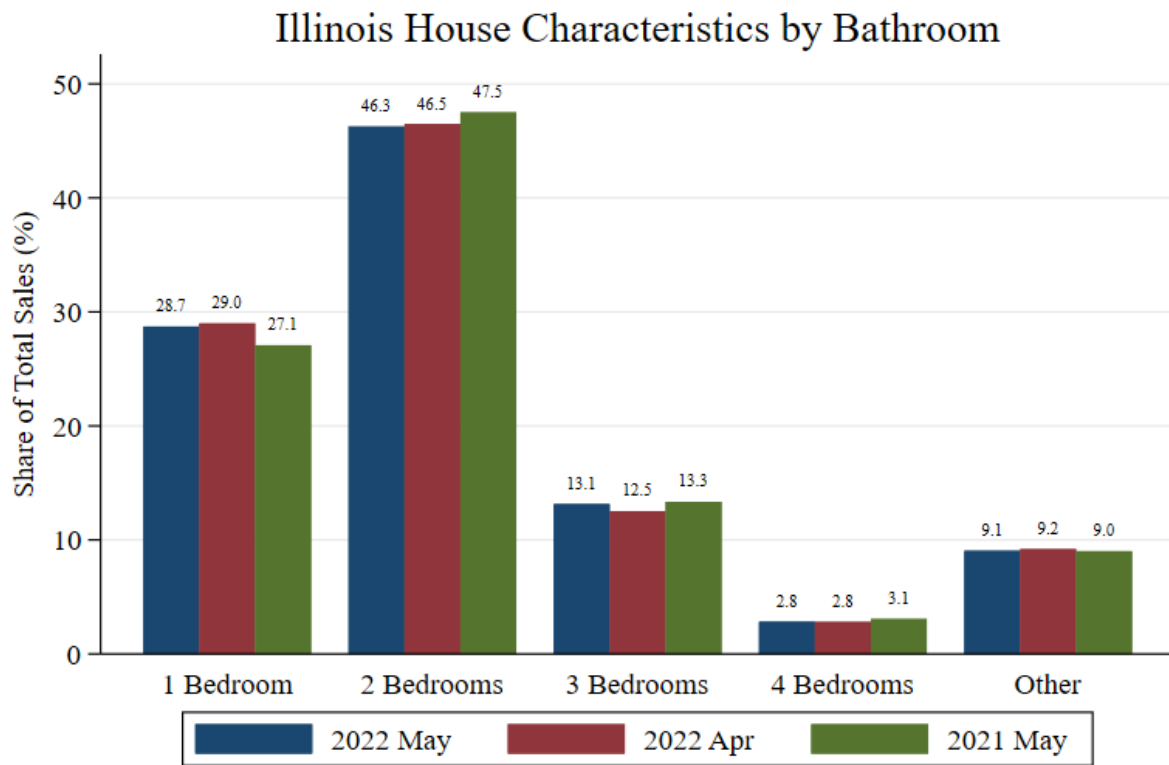
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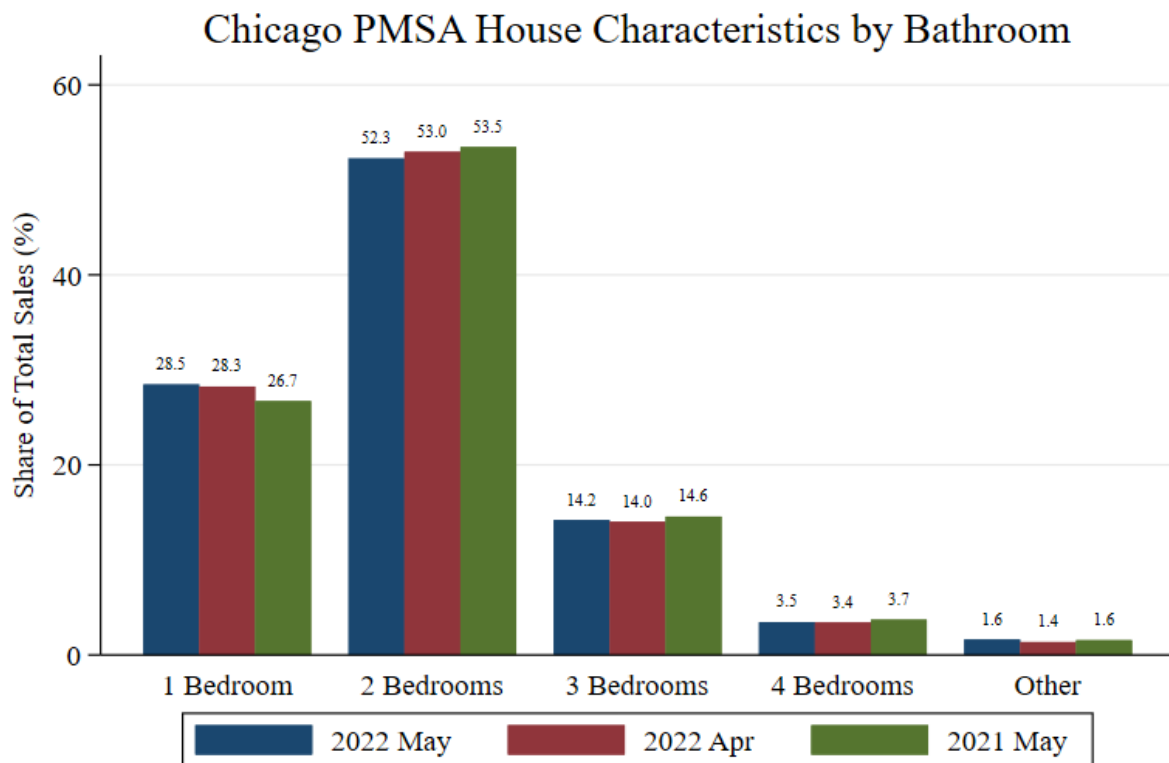
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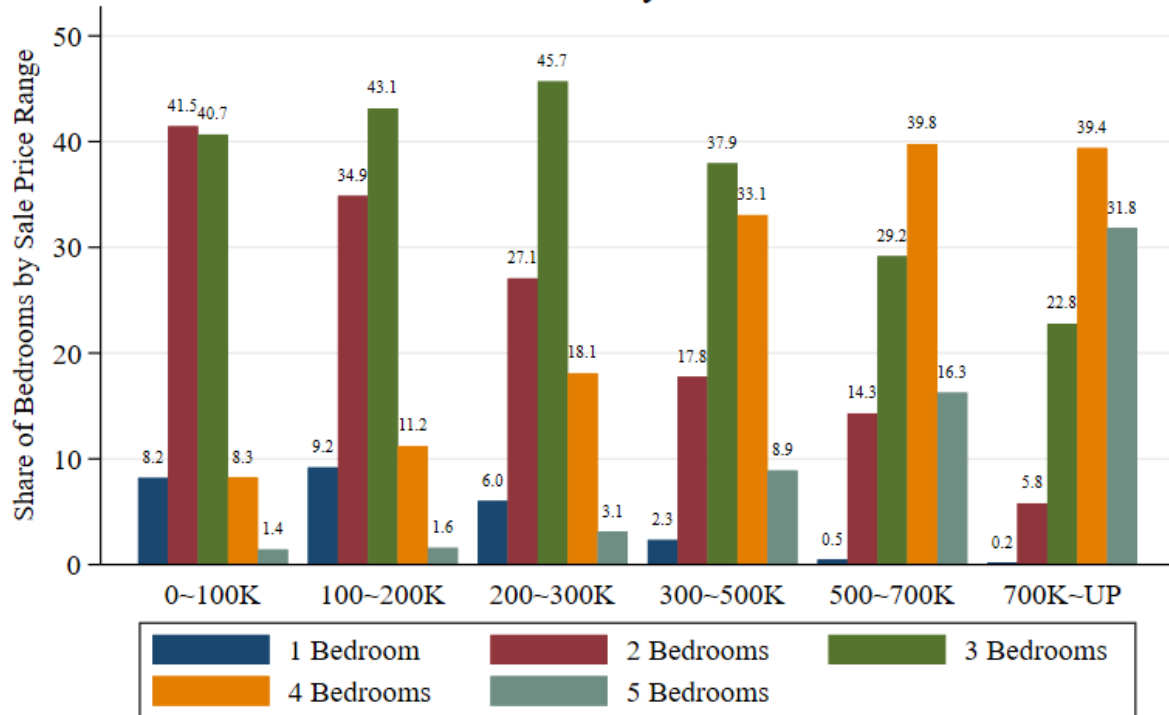


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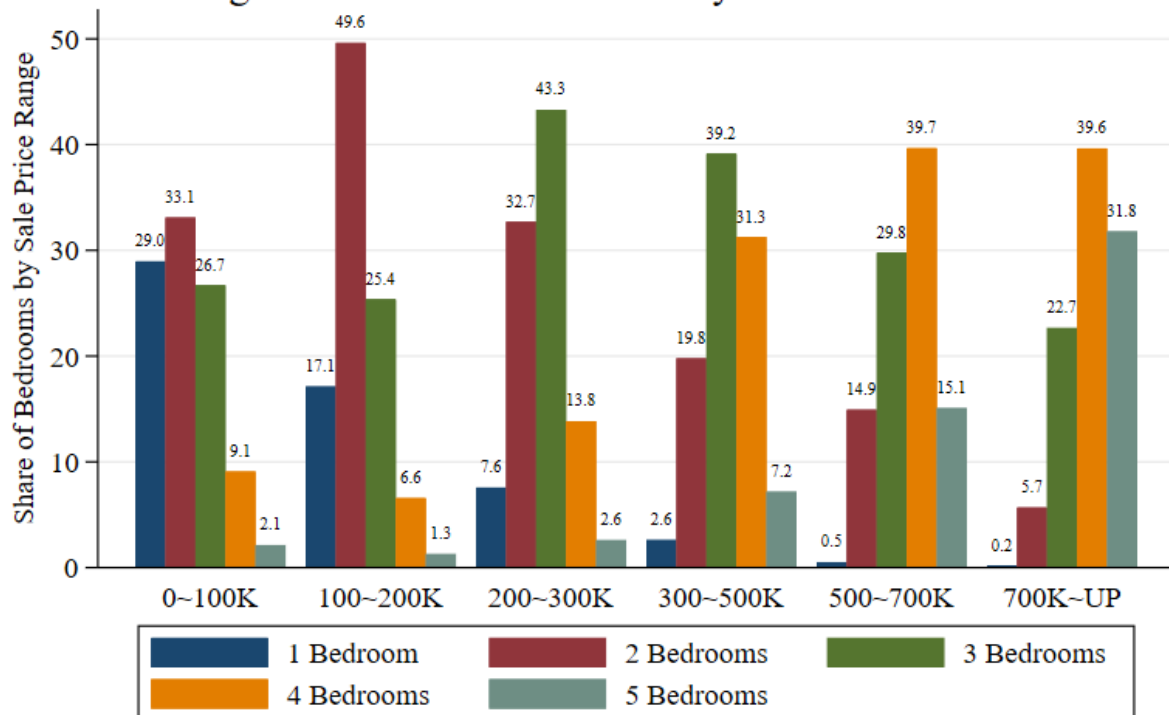
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Bedroom Shares by Sale Price Stratification



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

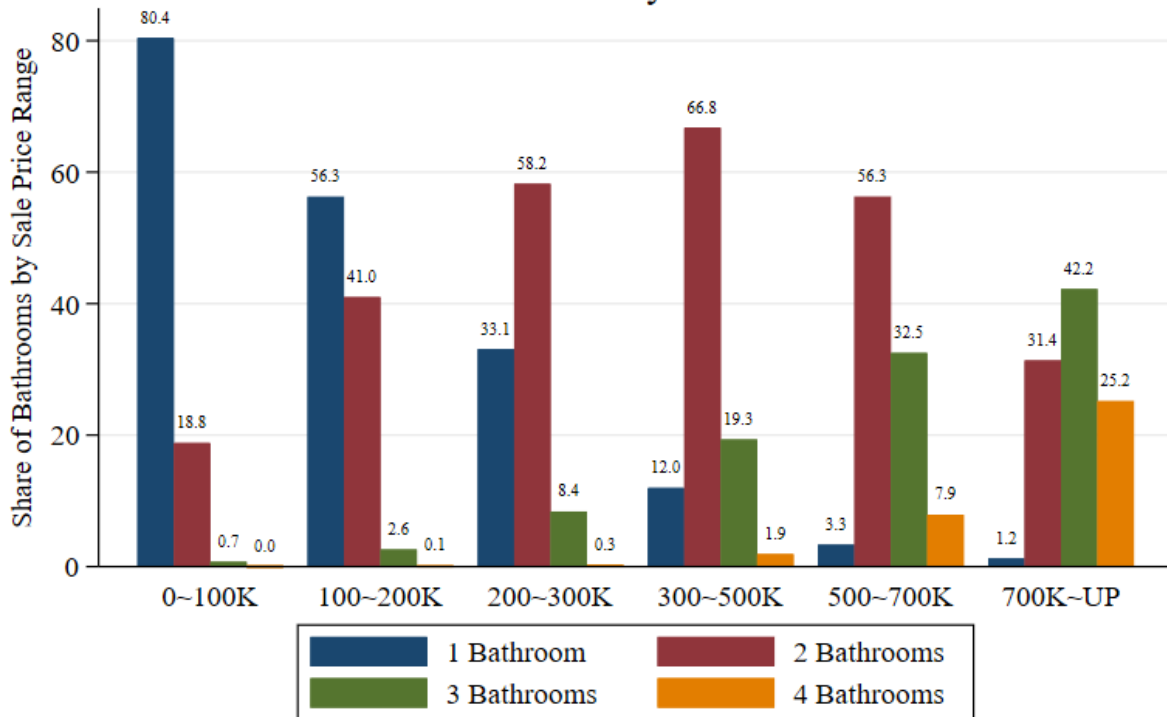
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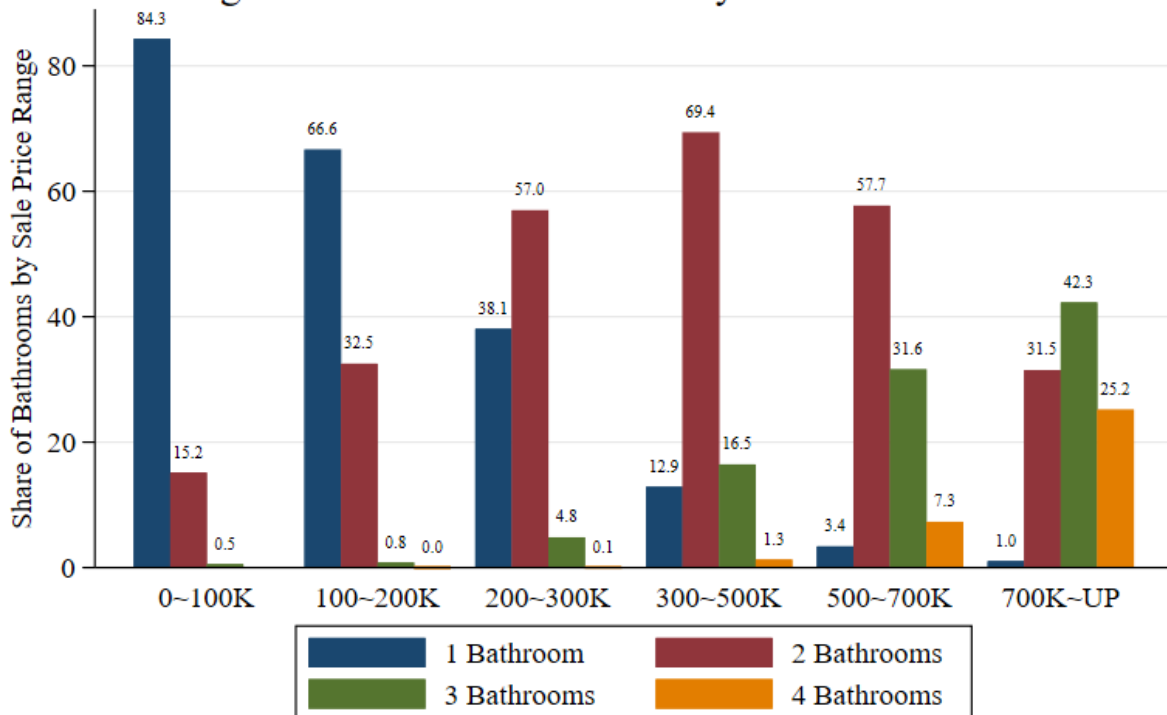


### Illinois Bathroom Shares by Sale Price Stratification



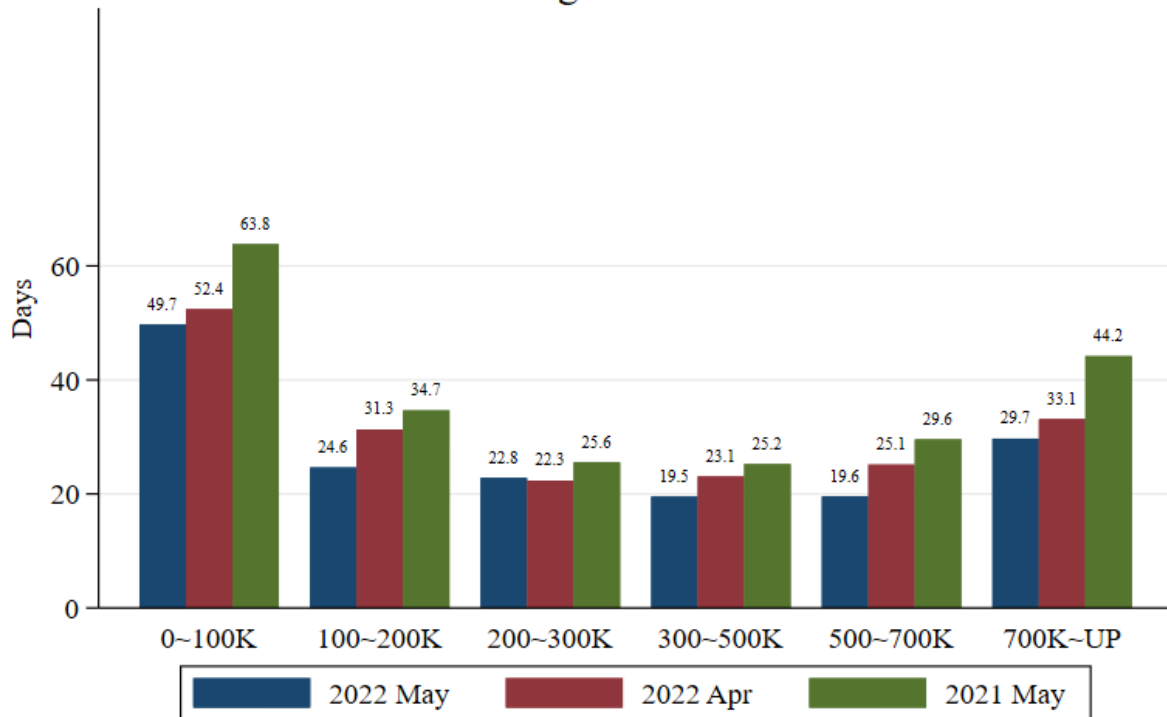
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### Chicago PMSA Bathroom Shares by Sale Price Stratification



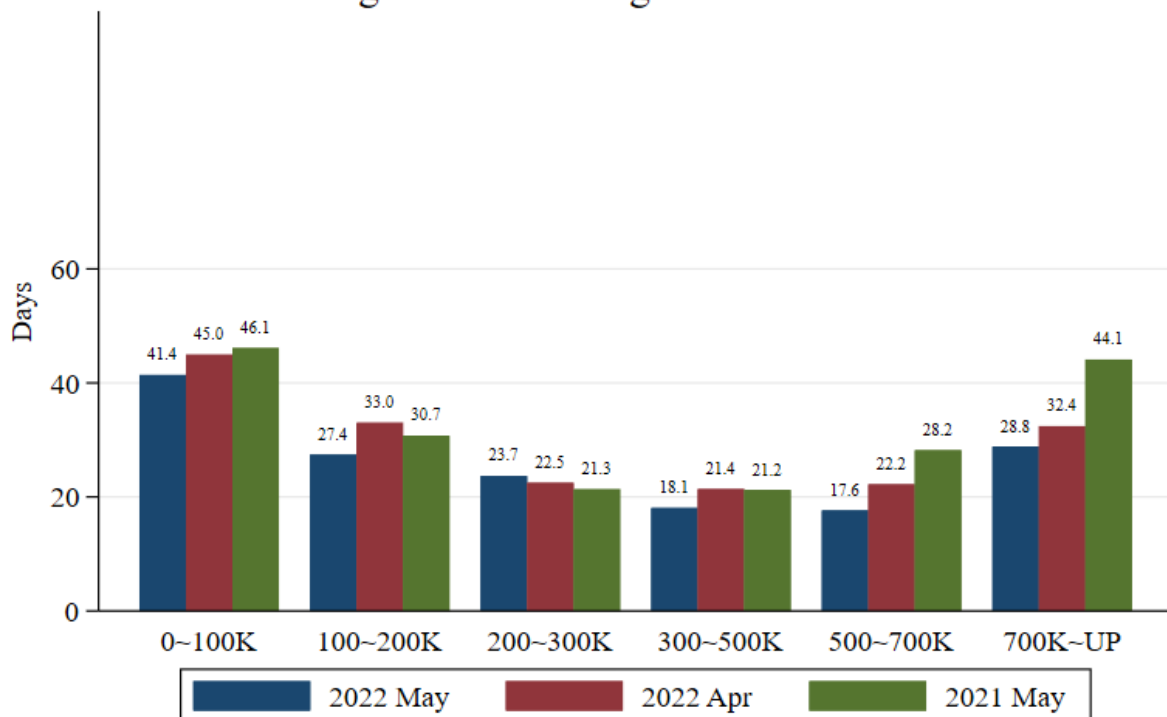
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Average Time on the Market



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Average Time on the Market



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