

Housing Price Forecasts

Illinois and Chicago PMSA, September 2022

Presented To

Illinois Realtors®

From

UIC Stuart Handler Department of Real Estate

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Housing Price Forecast: Illinois and Chicago PMSA, September 2022

The Housing Market

In August, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 15,340 houses were sold in Illinois, changing by -18.6% from a year ago and +0.7% from a month ago. In the Chicago PMSA, 10,556 houses were sold, changing by -21.6% from a year ago and +0.2% from a month ago. The median price was \$260,000 in Illinois, up 1.0% from August last year; the comparable figure for the Chicago PMSA was \$311,000, up 3.7% from August last year.

In August, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 3.78%. 10,086 regular sales were made, -22.7% less than last year. 396 foreclosed properties were sold, 22.2% more than last year. The median price was \$315,000 for regular property sales, up 3.3% from last year; the comparable figure for the foreclosed properties was \$227,500, up 3.4% from last year.

The sales forecast for September, October, and November suggests a decrease on a yearly and 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 -15.4% to -20.8%; the comparative figures for the Chicago PMSA are a decrease in the range of -14.2% to -19.2%. On a monthly basis, the three-month average sales are forecast to decrease in the range of -5.8% to -7.9% for Illinois and decrease in the range of -4.9% to -6.7% for the Chicago PMSA.

The pending home sales index¹ is a leading indicator based on contract signings. This August, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 108.1 (2019=100) in Illinois, down -17.3% from a year ago. In the Chicago PMSA, the comparable figure is 104.0 down -20.5% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.9 months (down from 2.1 last year)². In the Chicago PMSA, the comparable figure was 2.0 months (down from 2.2 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 September, October, and November in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 1.3% in September, 1.5% in October, and 0.6% in November. For the Chicago PMSA, the comparable figures are 4.3% in September, 4.0% in October, and 3.6% in November. As a complement to the median housing price index (HPI), the SHDRE HPI forecasts a positive growth trend for both Illinois and the Chicago PMSA³. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 4.6% in September, 3.2% in October, and 2.9% in November. The comparable figures for the Chicago PMSA are 6.1% in September, 5.8% in October, and 6.8% in November. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

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

² Months' supply of inventory is defined as inventory of homes for sale at the end of the month divided by the average monthly pending sales in the last twelve months.

³ SHDRE HPI succeeds REAL HPI, developed by Esteban Lopez and Minshu Du.

In August, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index Survey noted that August's improvement in confidence may help support spending, but inflation and additional rate hikes still pose risks to economic growth in the short term. The University of Michigan Consumer Sentiment Index Survey noted that the year-ahead outlook for the economy shows 59% improvement as well as 12% increase in personal financial expectations. The median expected year-ahead inflation rate also down to 4.8% from 5.2% last month.

The Housing Market – Current Condition

- In August, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 15,340 houses were sold in Illinois, changing by -18.6% from a year ago and +0.7% from a month ago. In the Chicago PMSA, 10,556 houses were sold, changing by -21.6% from a year ago and +0.2% from a month ago. The median price was \$260,000 in Illinois, up 1.0% from August last year; the comparable figure for the Chicago PMSA was \$311,000, up 3.7% from August last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for September 2022 report table)
- In August, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 3.78%. 10,086 regular sales were made, -22.7% less than last year. 396 foreclosed properties were sold, 22.2% more than last year. The median price was \$315,000 for regular property sales, up 3.3% from last year; the comparable figure for the foreclosed properties was \$227,500, up 3.4% from last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- In August, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.9 months (down from 2.1 last year)⁴. In the Chicago PMSA, the comparable figure was 2.0 months (down from 2.2 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 August, 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 the Chicago PMSA. In Illinois, the market share for homes at \$100-200K decreased to 23.8% from 24.7% a year ago; the Chicago PMSA decreased to 16.9% from 18.7% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

⁴ Months' supply of inventory is defined as inventory of homes for sale at the end of the month divided by the average monthly pending sales in the last twelve months.

The Housing Market – Forecast and Future Condition

- The median price forecast indicates positive annual growth for September, October, and November in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 1.3% in September, 1.5% in October, and 0.6% in November. For the Chicago PMSA, the comparable figures are 4.3% in September, 4.0% in October, and 3.6% in November. (Reference: Forecast for September 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 PMSA⁵. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 4.6% in September, 3.2% in October, and 2.9% in November. The comparable figures for the Chicago PMSA are 6.1% in September, 5.8% in October, and 6.8% in November. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for September, October, and November suggests a decrease on a yearly and 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 -15.4% to -20.8%; the comparative figures for the Chicago PMSA are a decrease in the range of -14.2% to -19.2%. On a monthly basis, the three-month average sales are forecast to decrease in the range of -5.8% to -7.9% for Illinois and decrease in the range of -4.9% to -6.7% for the Chicago PMSA. (Reference: Forecast for September 2022 report table)
- The pending home sales index⁶ is a leading indicator based on contract signings. This August, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 108.1 (2019=100) in Illinois, down -17.3% from a year ago. In the Chicago PMSA, the comparable figure is 104.0 down -20.5% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In August 2022, 1,396 houses were newly filed for foreclosure in the Chicago PMSA (up 200.0% and up 18.0%, respectively, from a year and a month ago). 472 foreclosures were completed (up 62.0% and up 4.0% respectively from a year and a month ago)⁷. As of August 2022, there are 9,249 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 810.5 in the past 6 months, 390.75 in the last 12 months, and 269.63 in the previous 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In August 2022, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate rose to 3.7%, and non-farm payroll jobs experienced a gain of 315,000 jobs. Notable job gains occurred over the month in Professional and Business services (+68,000), Health Care (+48,000), and Retail Trade (+44,000).
- In July 2022, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rate fell to 4.4%. Non-farm payroll jobs rose by 31,200

⁵ SHDRE HPI succeeds REAL HPI, developed by Esteban Lopez and Minshu Du.

⁶ The base level (100) of pending home sales is the average pending home sales of year 2019, the year before the Covid-19 Crisis.

⁷ Including cancelled foreclosures and auctions.

over the month. The industry sectors that reported the largest over-the-month gains in employment were: Professional and Business Services (+10,000), Manufacturing (+6,300), and Trade, Transportation and Utilities (+5,700).

- According to the latest iteration of the Federal Housing Finance Agency (FHFA) House Price Index, the U.S. home prices increased 17.7% year over year and 4% quarter over quarter during the second quarter 2022. “Housing prices grew quickly through most of the second quarter of 2022, but a deceleration has appeared in the June monthly data,” according to William Doerner, supervisory economist in the FHFA’s division of research and statistics. “The pace of growth has subsided recently, which is consistent with other recent housing data.”

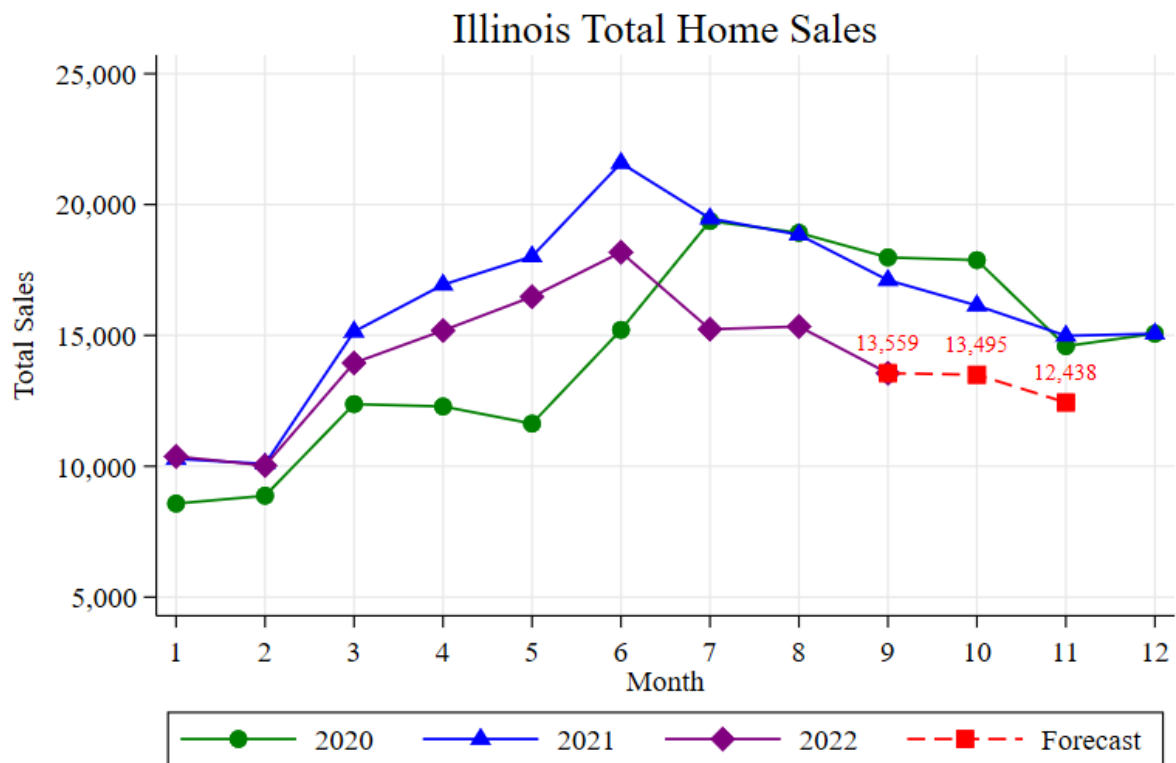
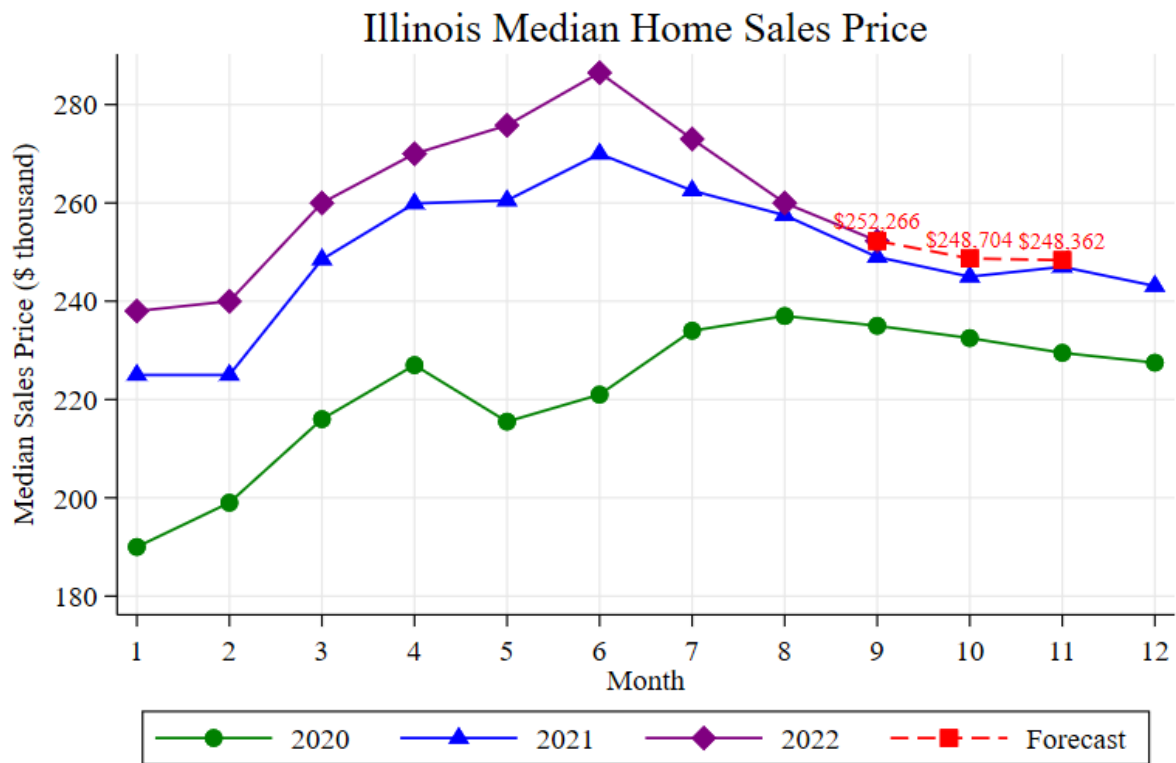
Longer-term Outlook

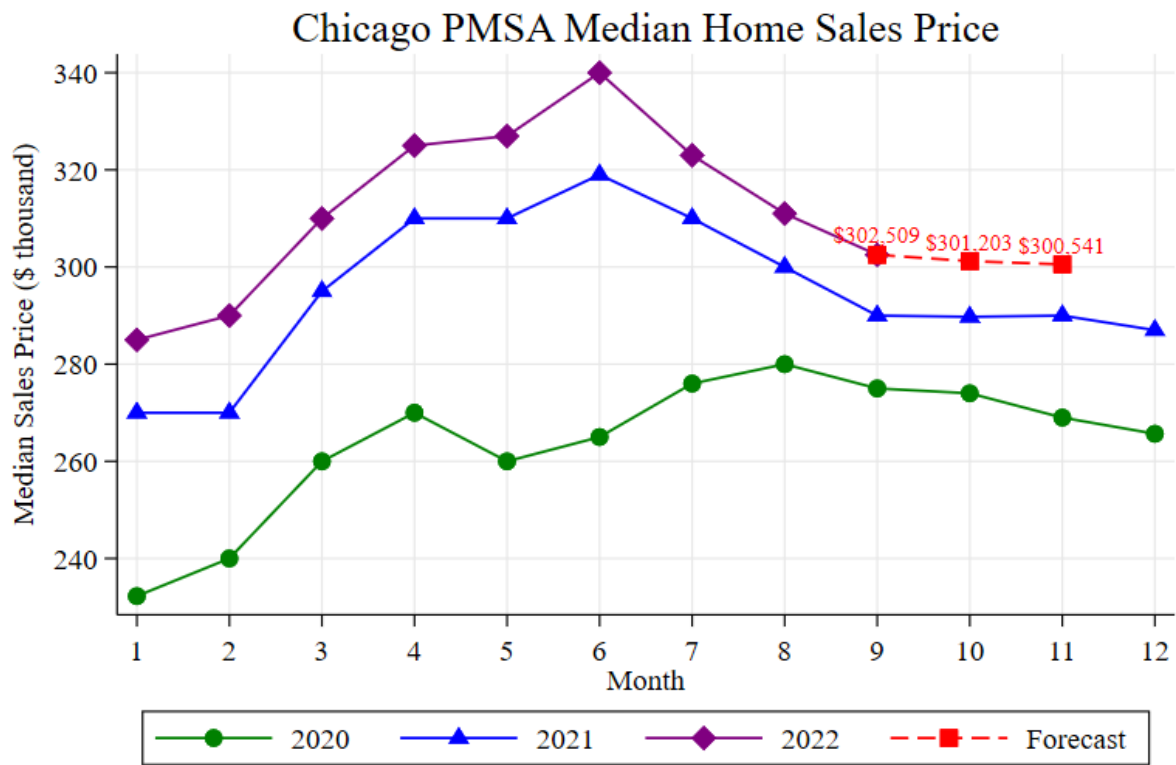
- In August, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 103.2, up from 95.3 last month. The survey noted that August’s improvement in confidence may help support spending, but inflation and additional rate hikes still pose risks to economic growth in the short term. The University of Michigan Consumer Sentiment Index increased to 58.2 in August from 51.5 last month. The survey noted that the year-ahead outlook for the economy shows 59% improvement as well as 12% increase in personal financial expectations. The median expected year-ahead inflation rate also down to 4.8% from 5.2% last month.
- In August, the Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 0.8 points to 62.0, its sixth consecutive monthly decline. The survey noted that the share of consumers expecting home prices to go down over the next year substantially increased in August. In addition, HPSI respondents reported a significant decrease in home-selling sentiment.

“The housing market in Illinois is showing signs of a return to normal conditions,” noted Daniel McMillen, Head of the UIC Stuart Handler Department of Real Estate (SHDRE). “Prices have declined since their peak in June, sales are declining, and foreclosures are increasing. Our prediction is that house prices will continue to decline modestly over the next few months, while the number of sales will show its usual late-year slowdown.

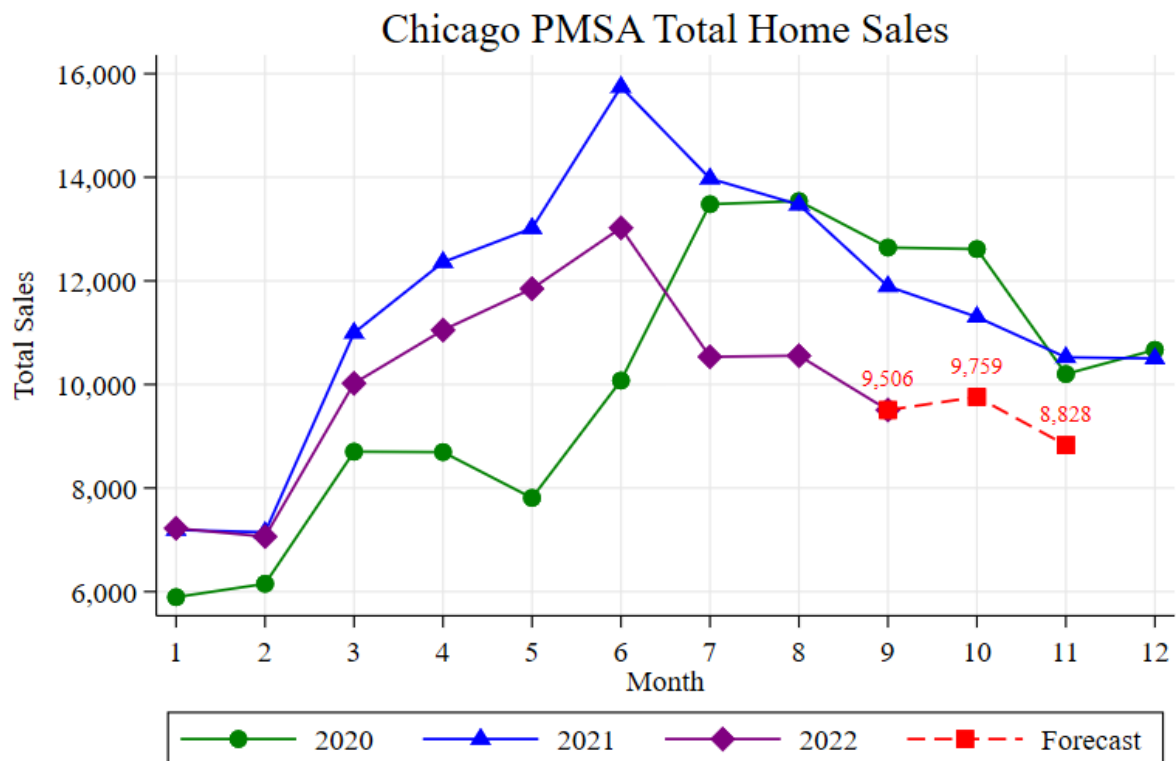
Forecast for September 2022 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
		Annual				Monthly		
		Illinois		Chicago PMSA		Illinois		Chicago PMSA
Jun-22		-15.8%		-17.3%		10.3%		9.9%
Jul-22		-21.8%		-24.6%		-16.2%		-19.1%
Aug-22		-18.6%		-21.6%		0.7%		0.2%
3 Month Avg.		-18.6%		-21.0%		-2.3%		-3.7%
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
		Annual				Monthly		
		Illinois		Chicago PMSA		Illinois		Chicago PMSA
Sep-22		-17.6%	-23.9%	-17.1%	-23.1%	-9.9%	-13.3%	-8.5% -11.4%
Oct-22		-13.9%	-18.9%	-11.6%	-15.7%	-0.4%	-0.5%	2.3% 3.1%
Nov-22		-14.5%	-19.6%	-13.7%	-18.5%	-6.7%	-9.0%	-8.1% -11.0%
3 Month Avg.		-15.4%	-20.8%	-14.2%	-19.2%	-5.8%	-7.9%	-4.9% -6.7%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois		Chicago PMSA			Illinois		Chicago PMSA
Jun-22	\$286,500		\$340,000		Jun-21	\$270,000		\$319,000
Jul-22	\$273,000		\$323,000		Jul-21	\$262,500		\$310,000
Aug-22	\$260,000		\$311,000		Aug-21	\$257,500		\$300,000
Sep-22	\$252,266		\$302,509		Sep-21	\$249,000		\$290,000
Oct-22	\$248,704		\$301,203		Oct-21	\$245,000		\$289,745
Nov-22	\$248,362		\$300,541		Nov-21	\$247,000		\$290,000
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois		Chicago PMSA			Illinois		Chicago PMSA
Jun-22	6.1%		6.6%		Jun-21	22.2%		20.4%
Jul-22	4.0%		4.2%		Jul-21	12.2%		12.3%
Aug-22	1.0%		3.7%		Aug-21	8.6%		7.1%
Sep-22	1.3%		4.3%		Sep-21	6.0%		5.5%
Oct-22	1.5%		4.0%		Oct-21	5.4%		5.7%
Nov-22	0.6%		3.6%		Nov-21	7.6%		7.8%

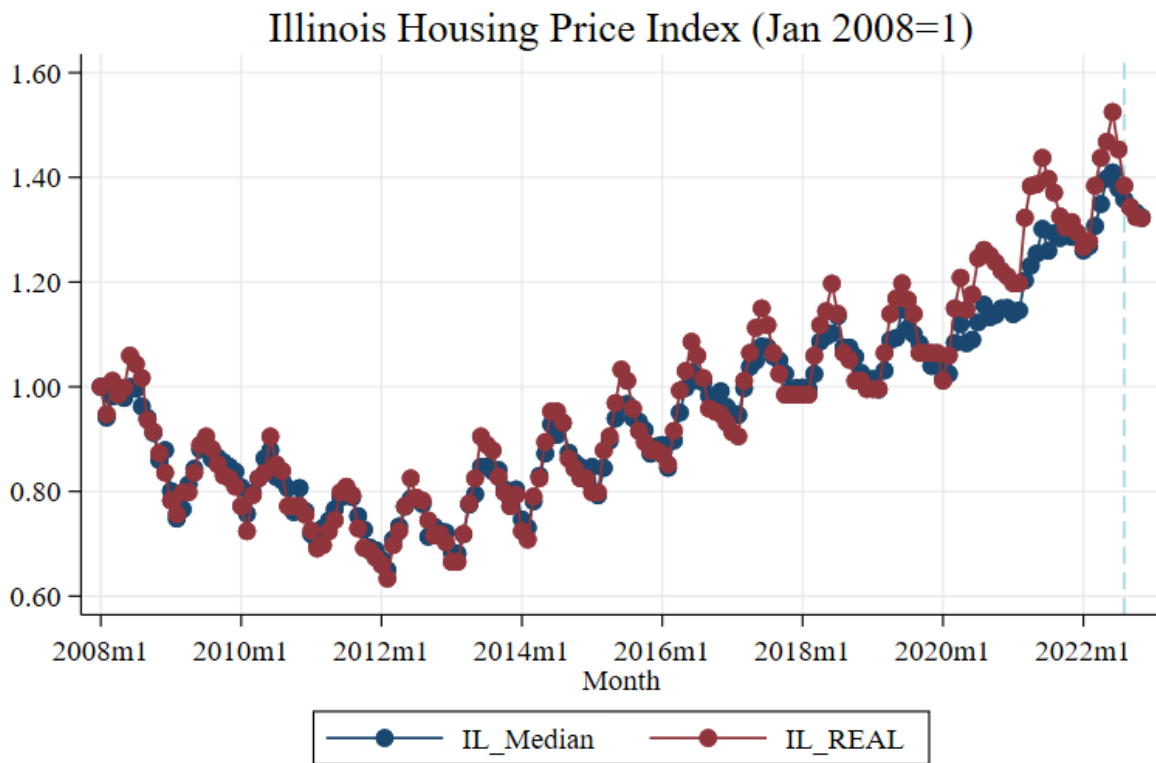




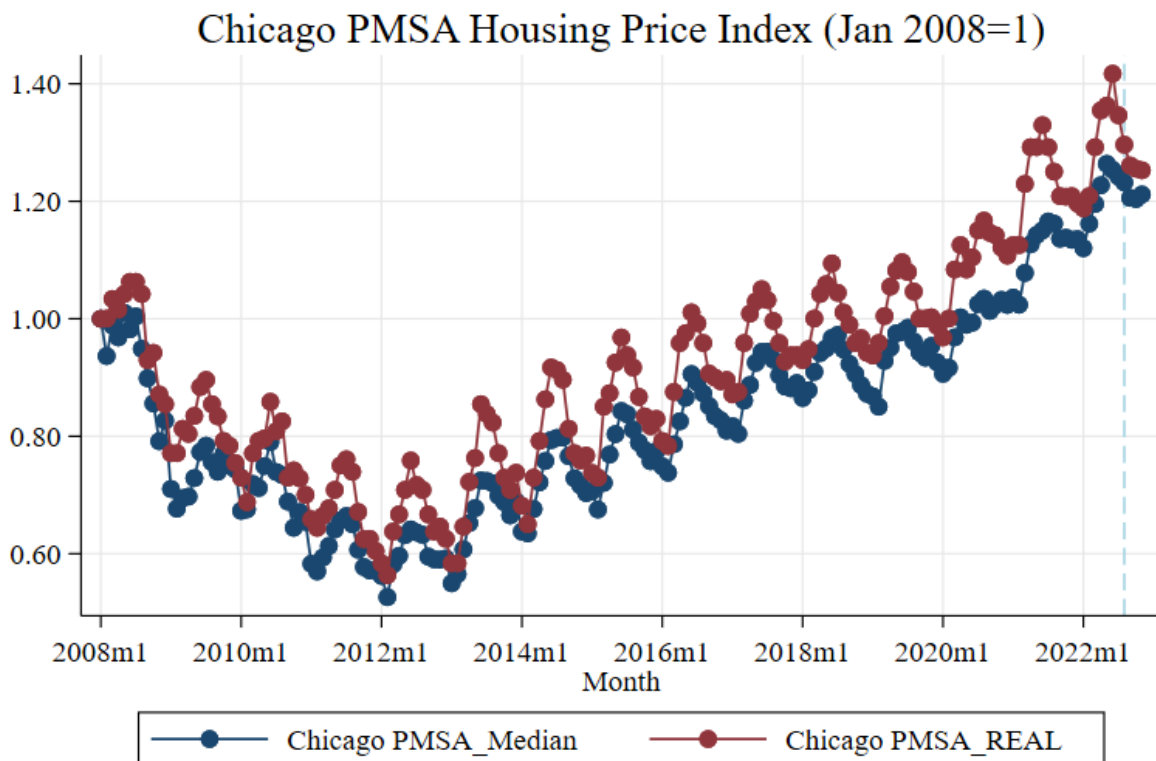
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



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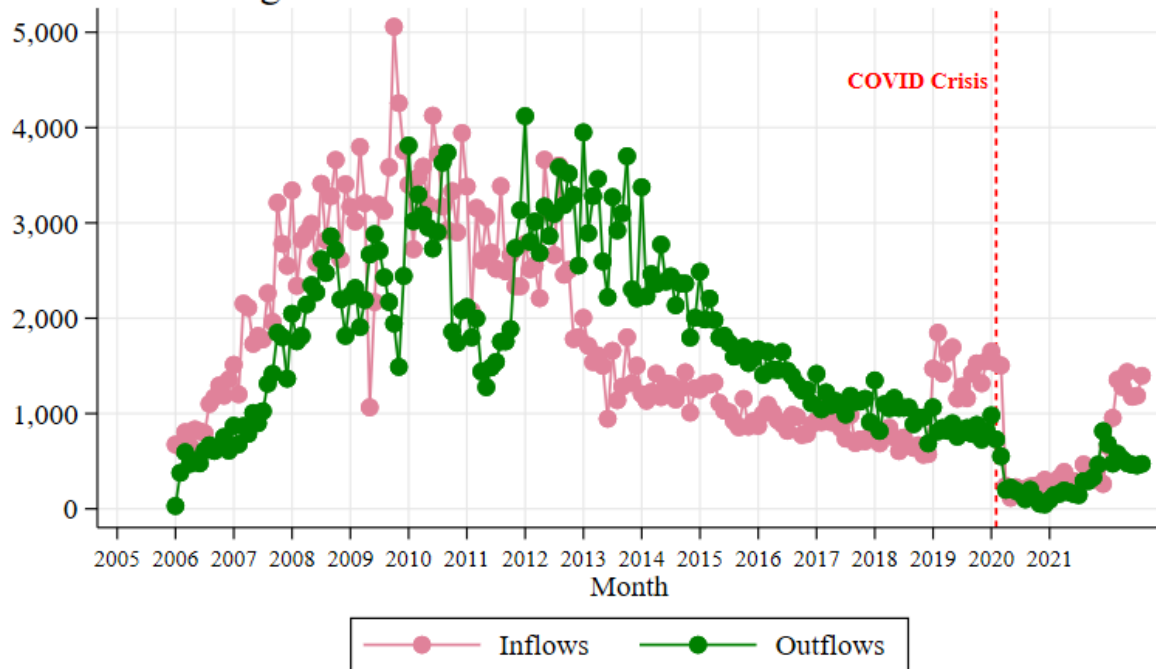


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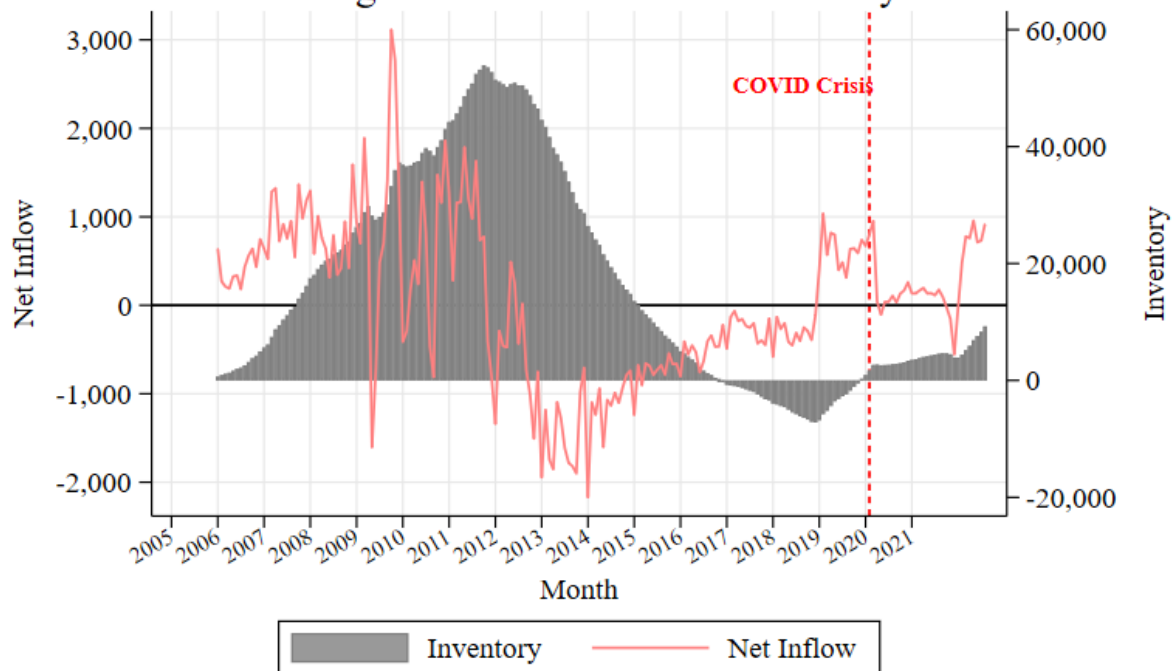
Chicago PMSA New Foreclosure Inflows and Outflows



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

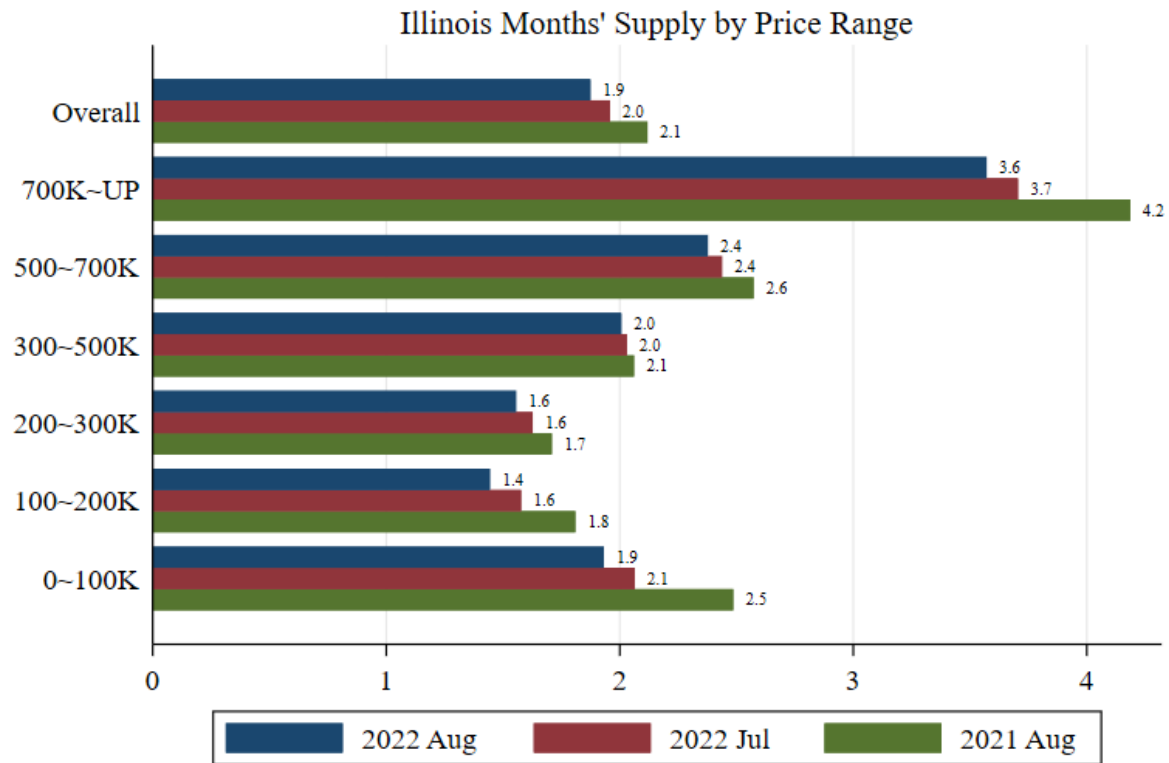
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Foreclosure Inventory

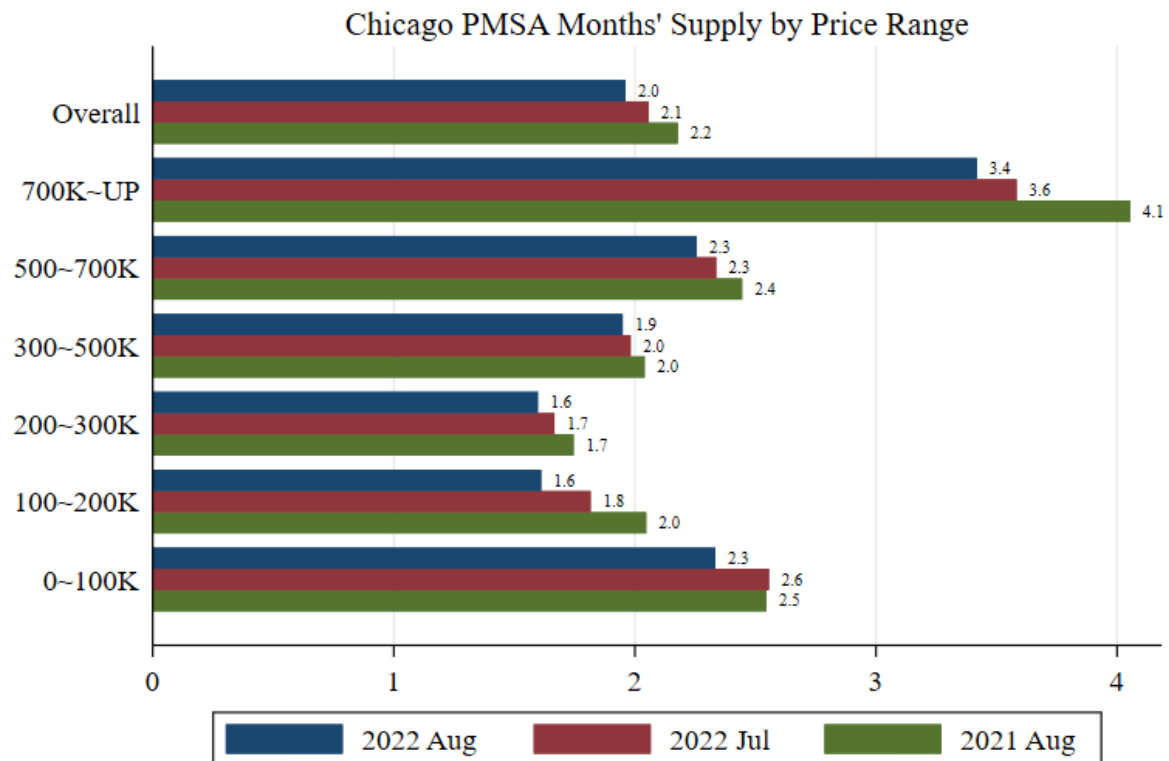


Net inflows=Inflows-Outflows

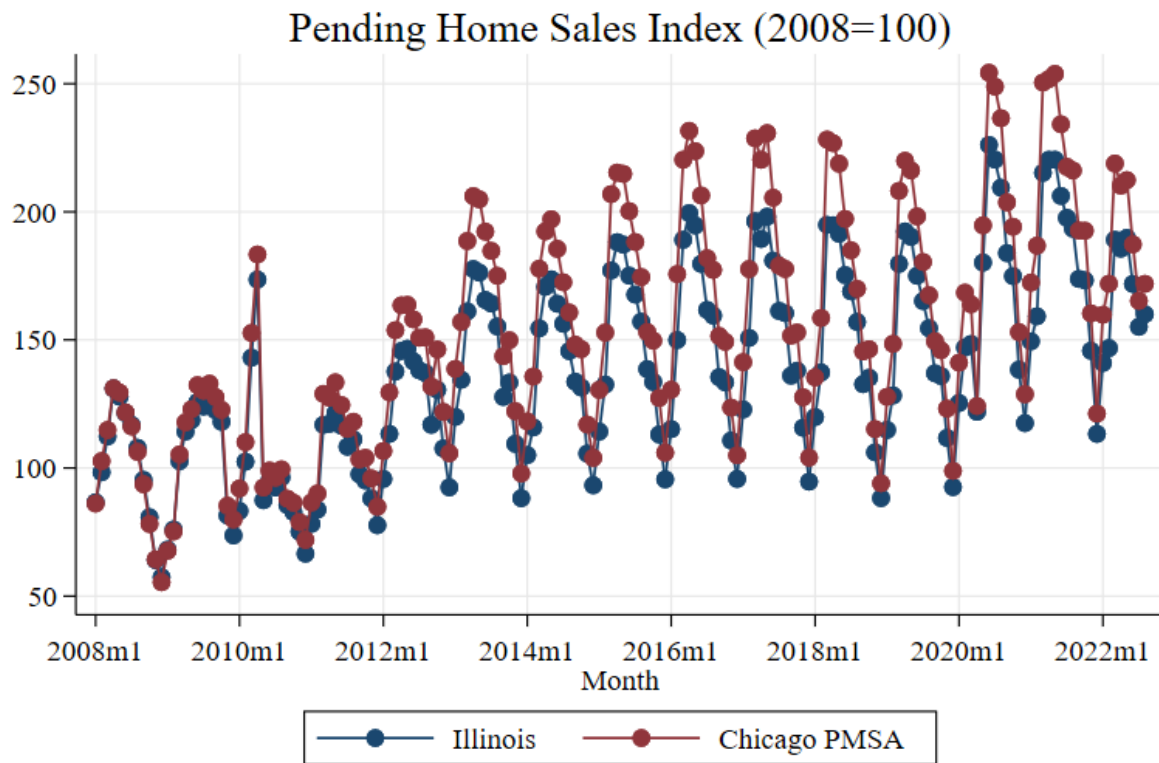
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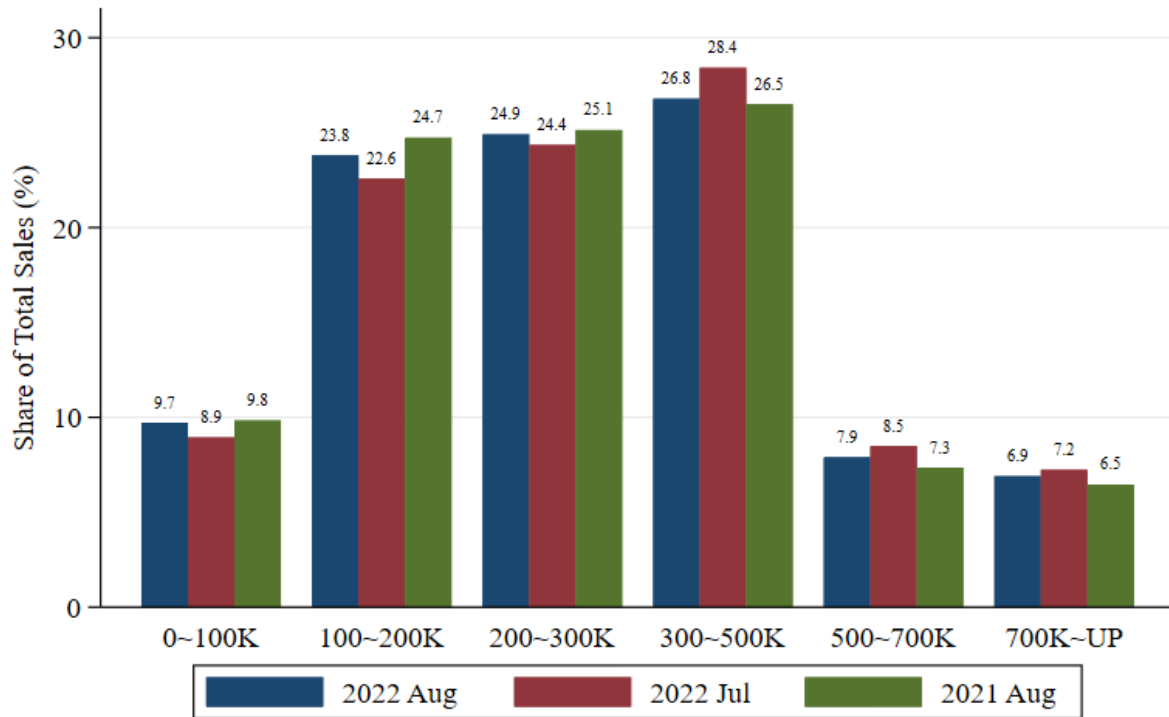


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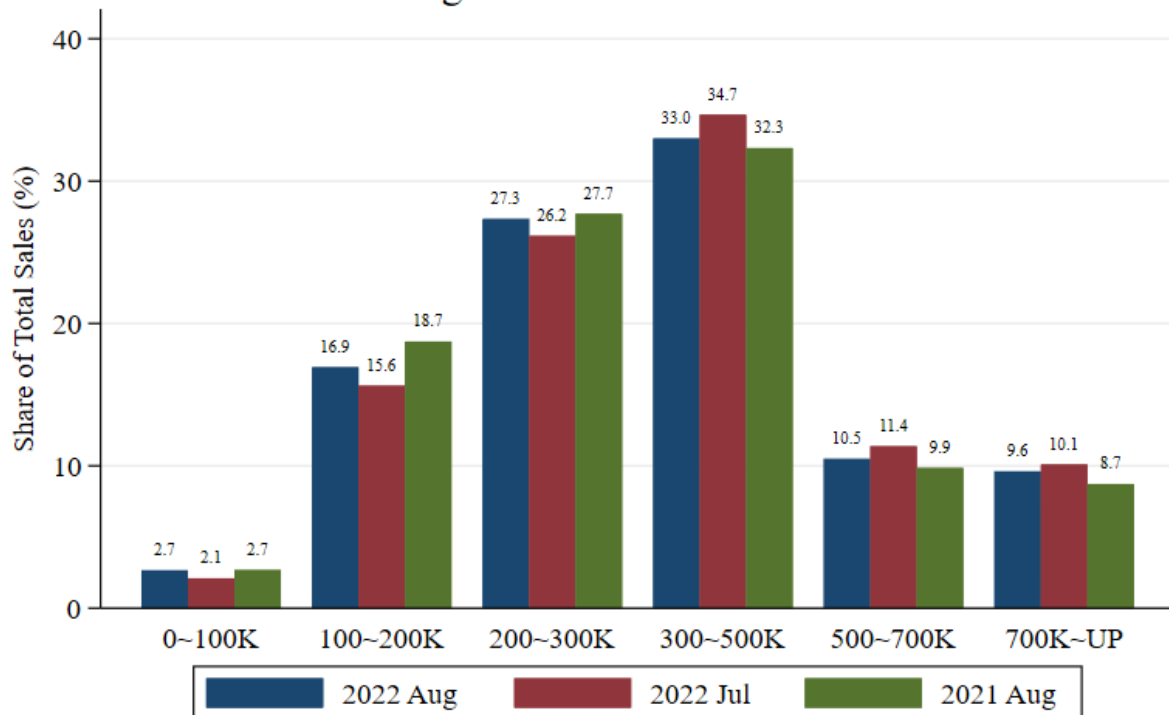
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Illinois Price Stratification

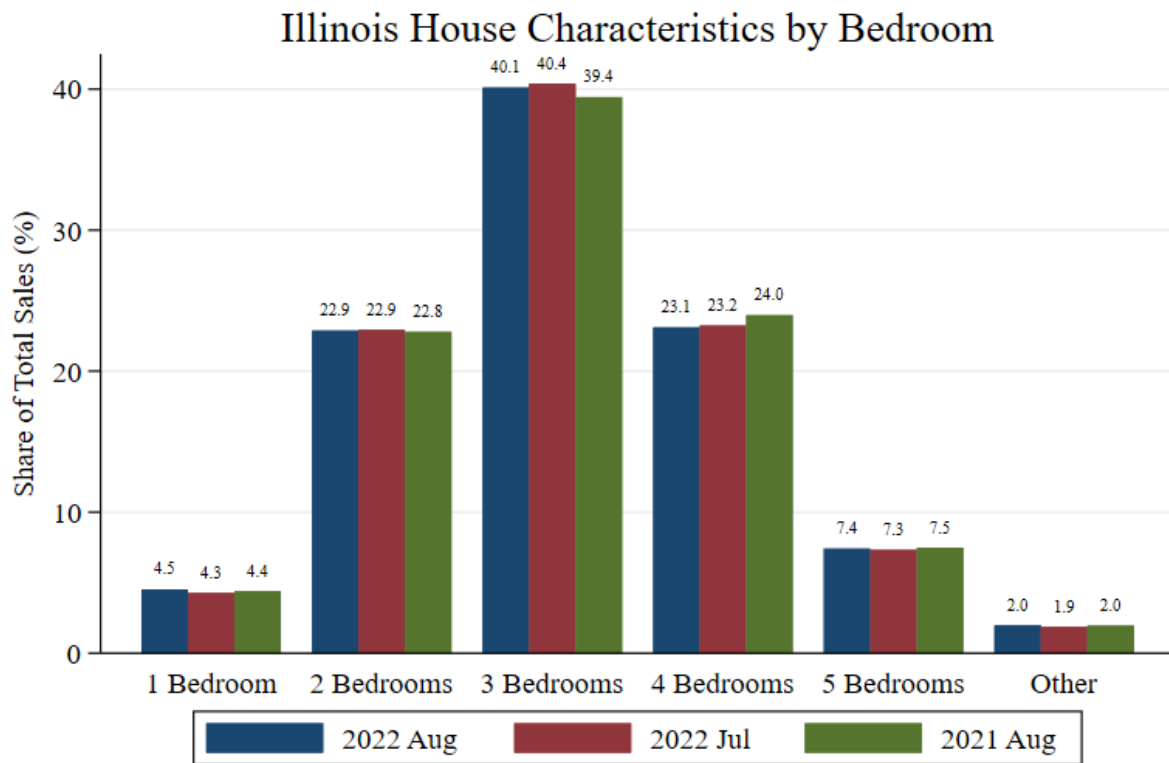


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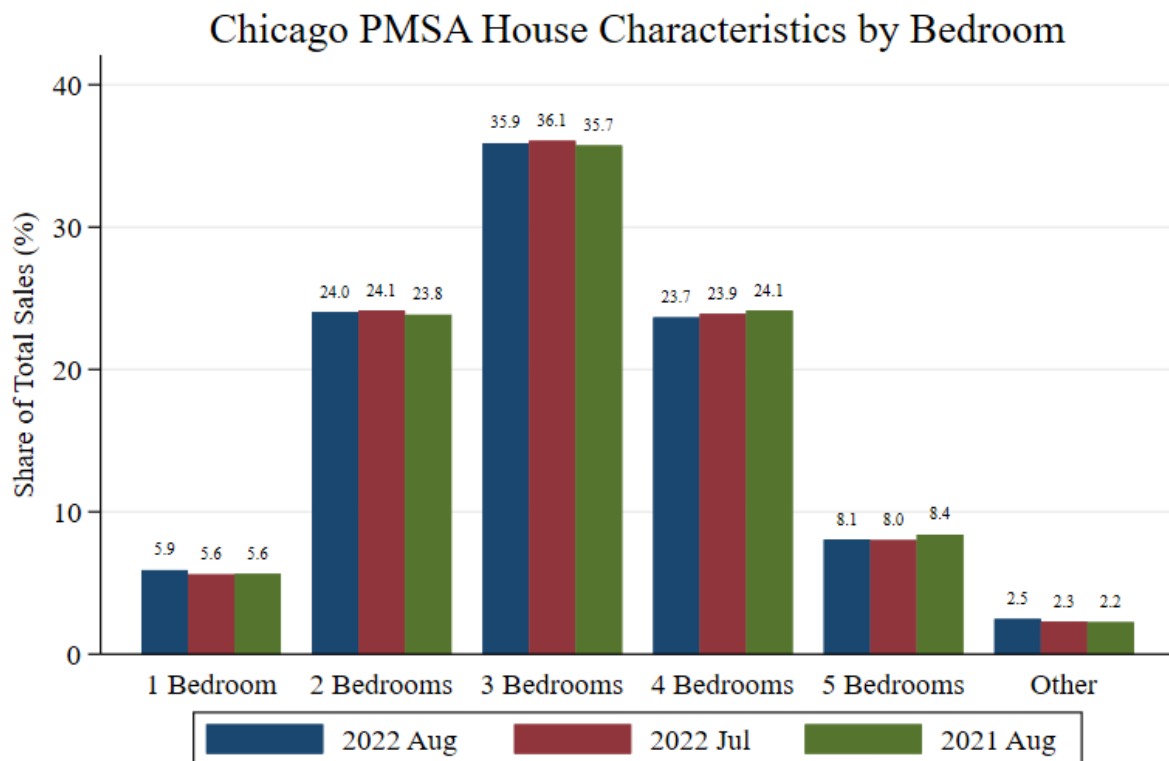
Chicago PMSA Price Stratification



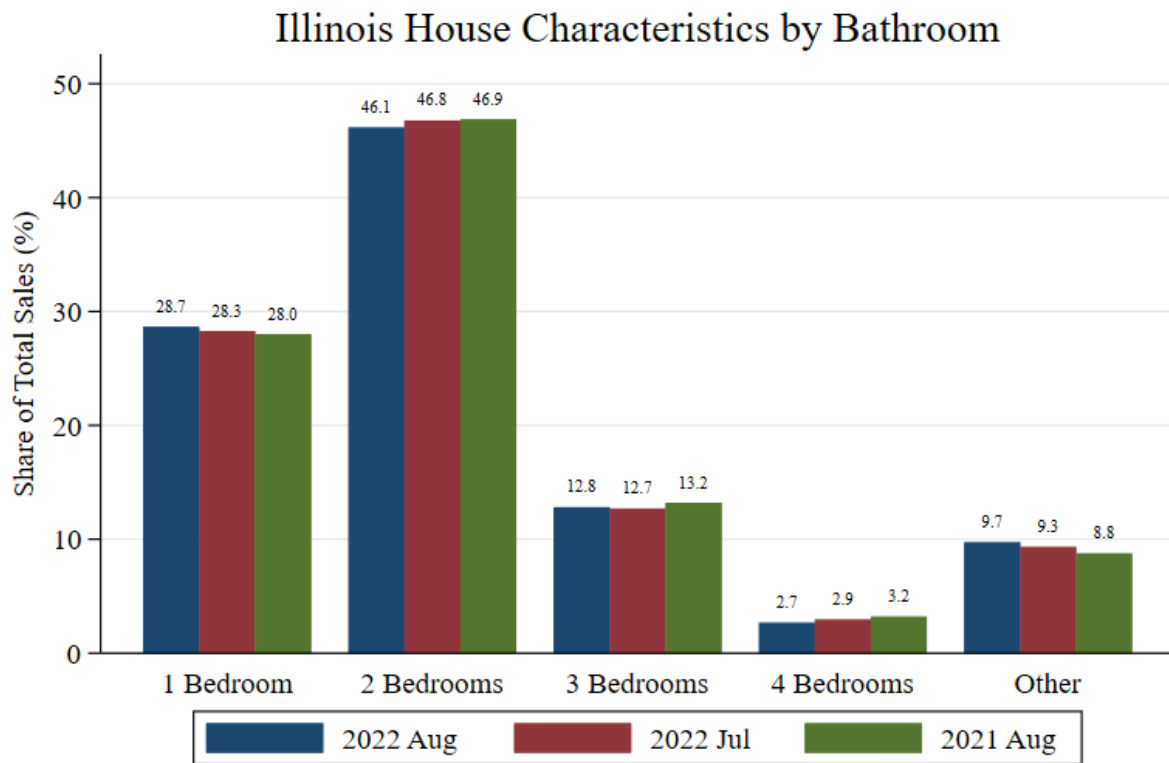
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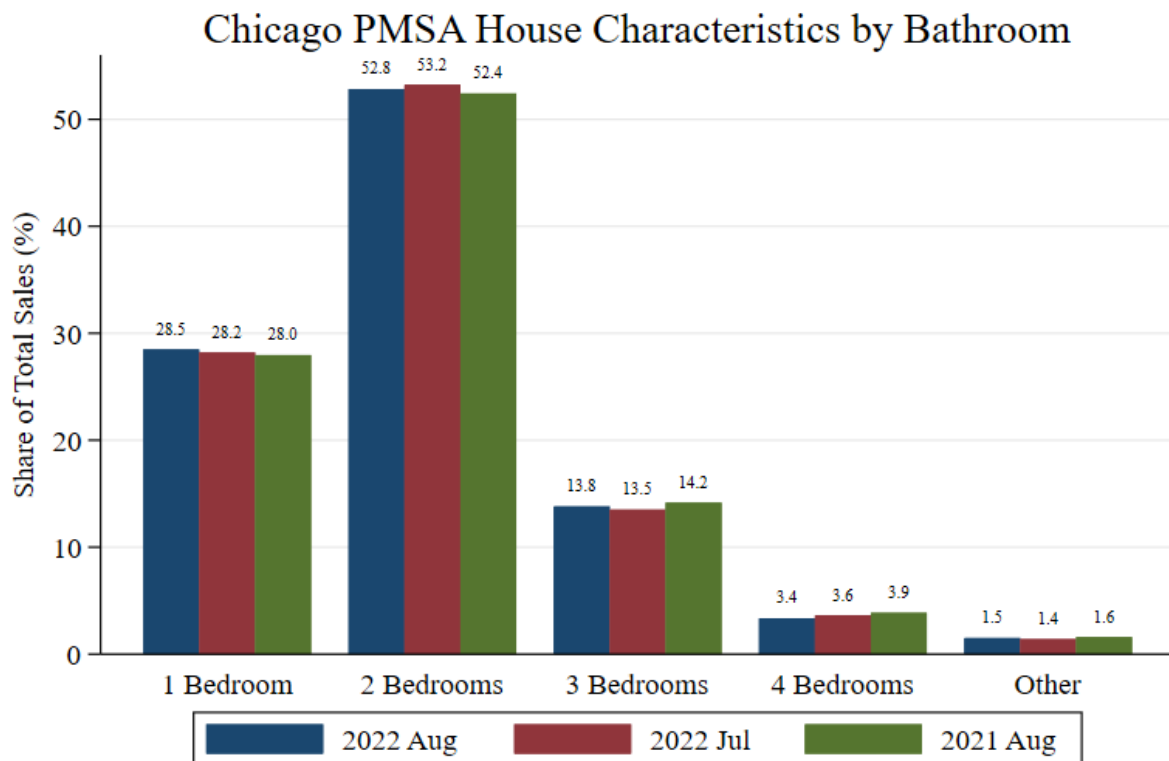
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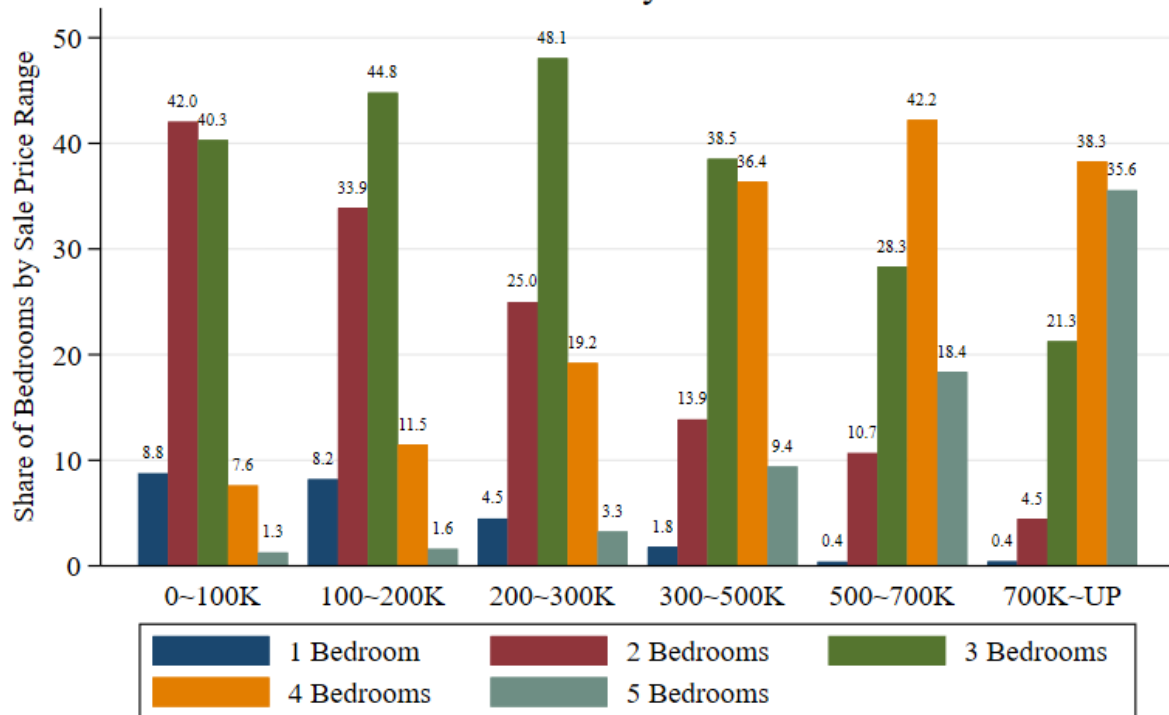


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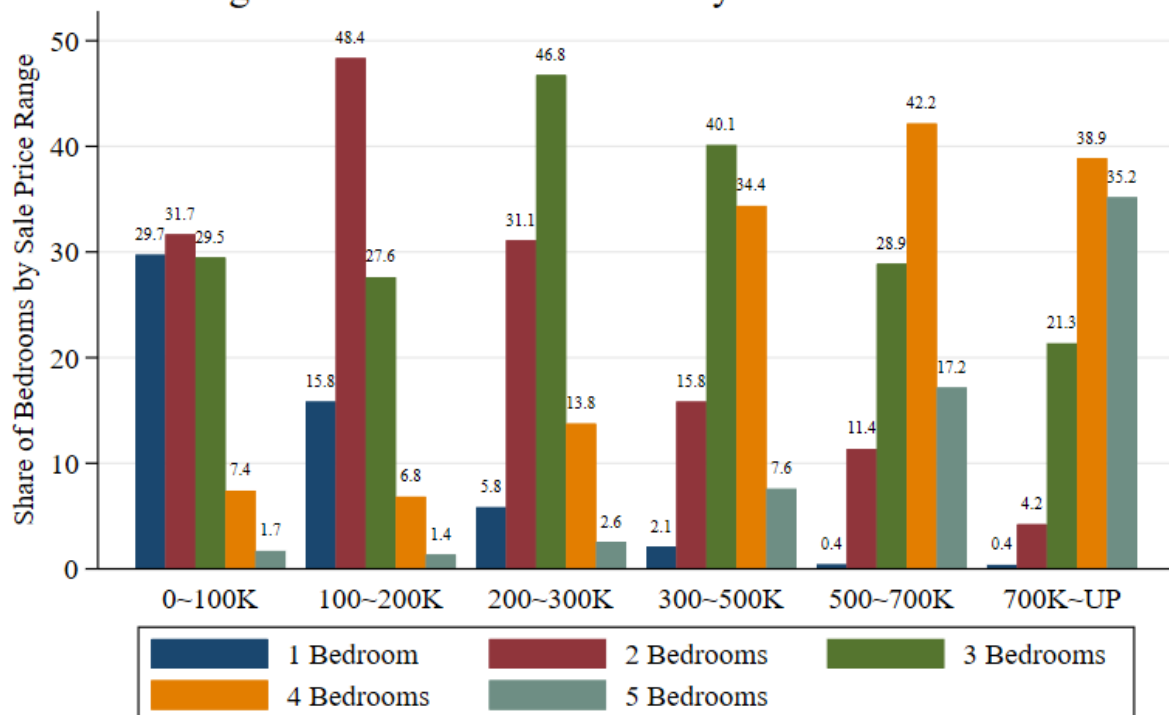
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Bedroom Shares by Sale Price Stratification



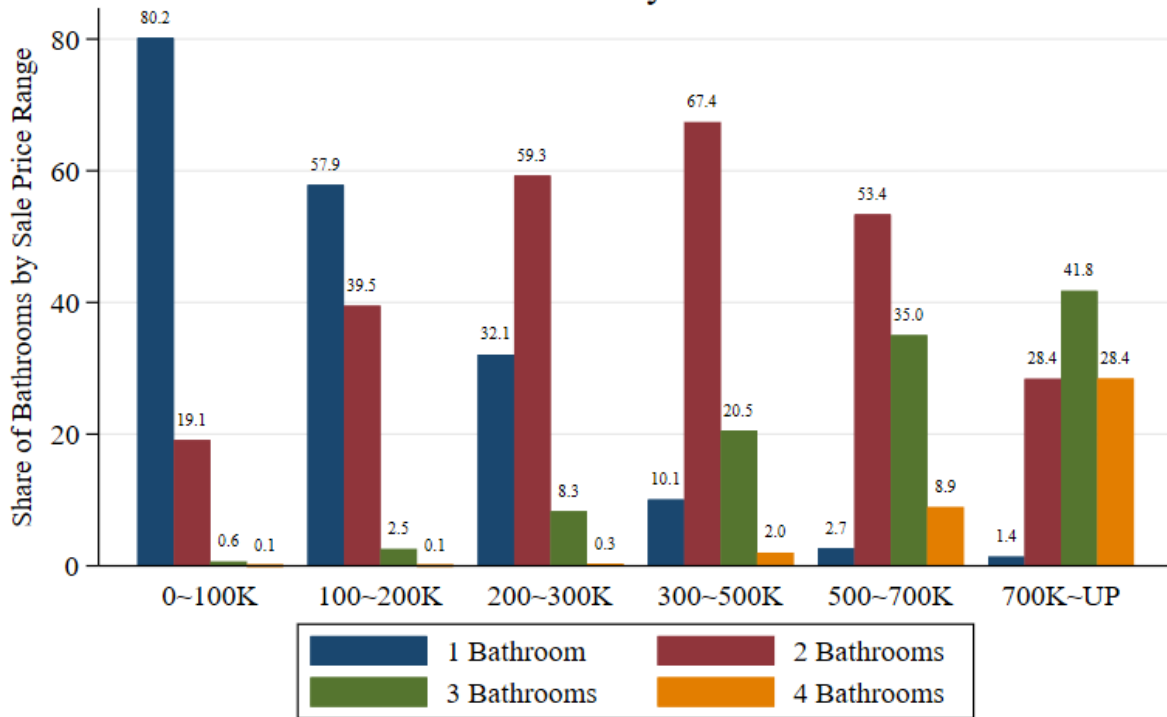
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Chicago PMSA Bedroom Shares by Sale Price Stratification



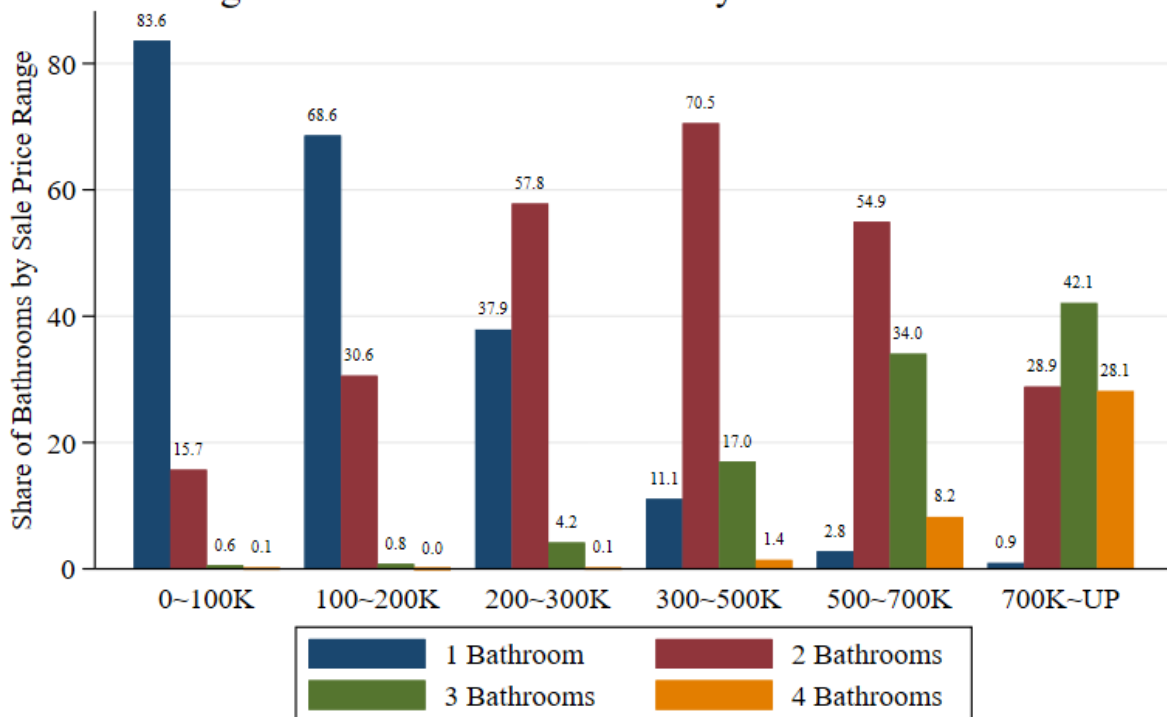
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Illinois Bathroom Shares by Sale Price Stratification



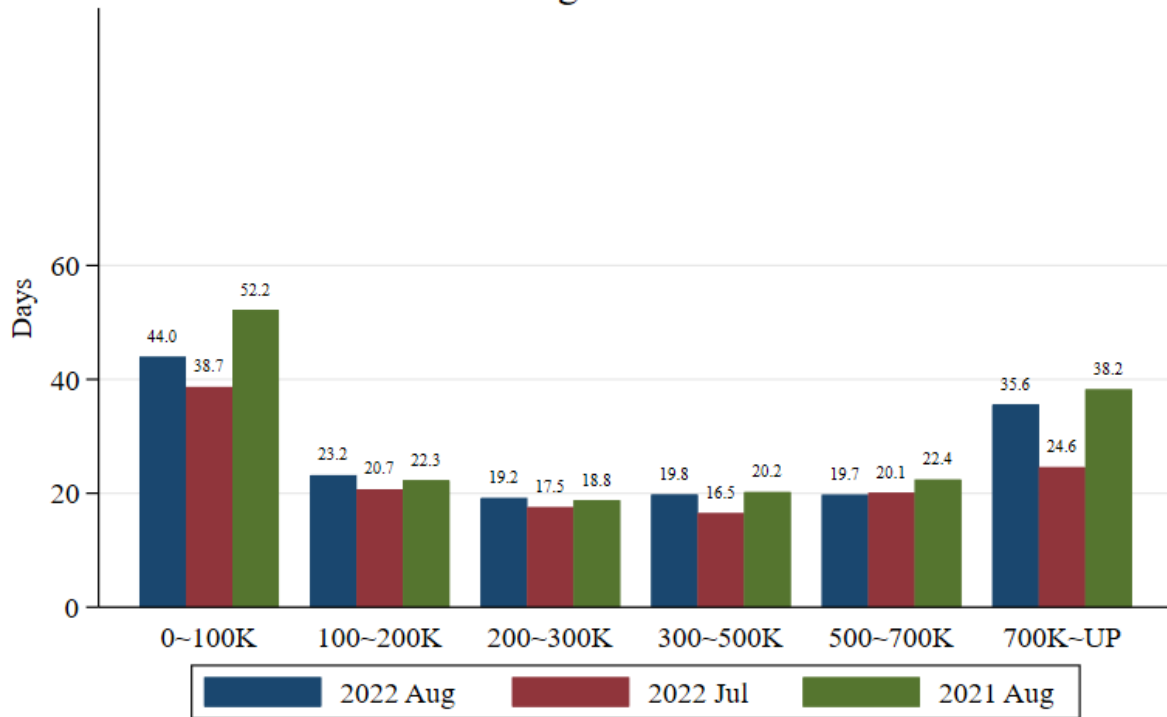
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Chicago PMSA Bathroom Shares by Sale Price Stratification



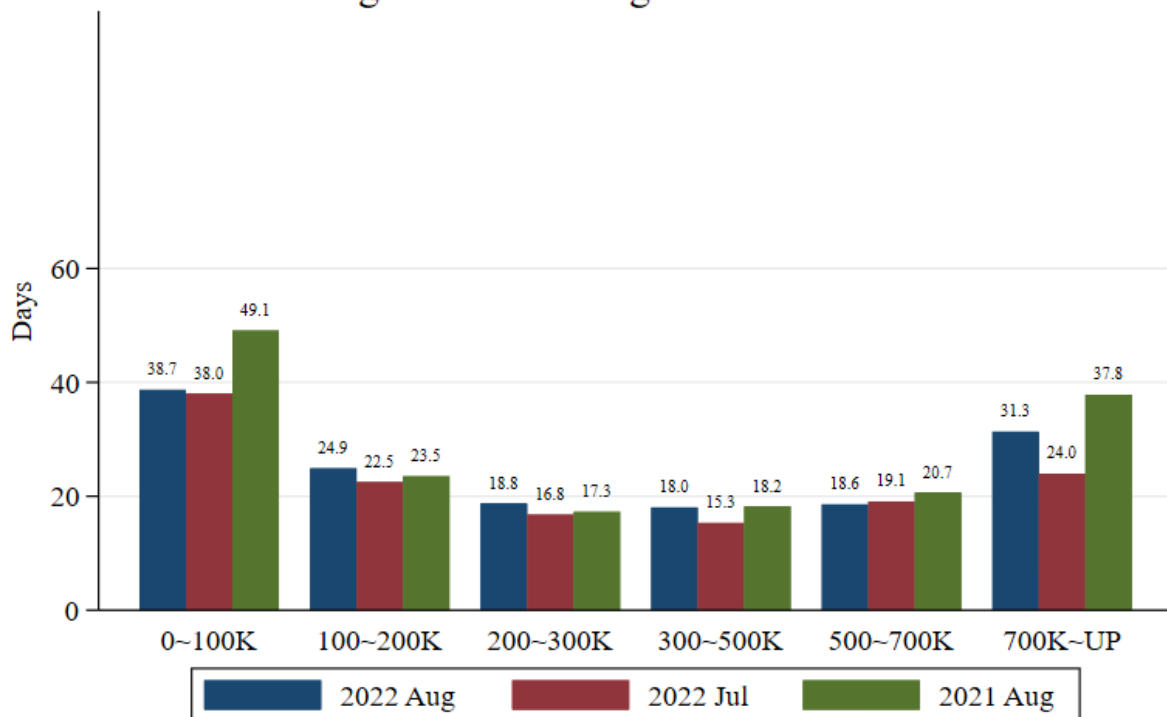
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

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

