

# **Housing Price Forecasts**

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

Presented To

**Illinois Realtors®**

From

**UIC Stuart Handler Department of Real Estate**

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

### **The Housing Market**

In October, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 11,490 houses were sold in Illinois, changing by -27.9% from a year ago and -16.8% from a month ago. In the Chicago PMSA, 7,600 houses were sold, changing by -32.4% from a year ago and -18.0% from a month ago. The median price was \$249,000 in Illinois, up 0.8% from October last year; the comparable figure for the Chicago PMSA was \$300,000, up 3.5% from October last year.

In October, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.82%. 7,220 regular sales were made, -34.0% less than last year. 366 foreclosed properties were sold, 26.2% more than last year. The median price was \$300,000 for regular property sales, up 3.4% from last year; the comparable figure for the foreclosed properties was \$240,000, up 2.1% from last year.

The sales forecast for November, December, and January 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 -19.2% to -26.0%; the comparative figures for the Chicago PMSA are a decrease in the range of -28.3% to -38.3%. On a monthly basis, the three-month average sales are forecast to decrease in the range of -7.4% to -10.1% for Illinois and decrease in the range of -11.0% to -14.9% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings. This October, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 82.5 (2019=100) in Illinois, down -29.3% from a year ago. In the Chicago PMSA, the comparable figure is 77.9 down -33.1% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 2.0 months (remaining the same as last year). In the Chicago PMSA, the comparable figure was 2.0 months (remaining the same as last year). The lowest price ranges (<\$100K) showed the largest decline both in Illinois, and in the Chicago PMSA.

The median price forecast indicates positive annual growth for November, December, and January in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 0.1% in November, 1.6% in December, and 2.1% in January. For the Chicago PMSA, the comparable figures are 3.4% in November, 3.2% in December, and 3.6% in January. 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<sup>1</sup>. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 2.3% in November, 1.9% in December, and 2.8% in January. The comparable figures for the Chicago PMSA are 6.8% in November, 5.9% in December, and 6.7% in January. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In October, the Conference Board Consumer Confidence Index decreased, whereas the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index survey noted that inflation pressures will remain to be strong headwinds to consumer confidence and spending, which could result in a challenging holiday season for retailers. The University of Michigan Consumer Sentiment Index survey noted that continued declines in

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<sup>1</sup> SHDRE HPI succeeds REAL HPI, developed by Esteban Lopez and Minshu Du.

sentiment for higher-income consumers is worrisome given how much consumption spending they drive, and their dismal views are unlikely to abate given ongoing turbulence in financial markets.

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

- In October, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 11,490 houses were sold in Illinois, changing by -27.9% from a year ago and -16.8% from a month ago. In the Chicago PMSA, 7,600 houses were sold, changing by -32.4% from a year ago and -18.0% from a month ago. The median price was \$249,000 in Illinois, up 0.8% from October last year; the comparable figure for the Chicago PMSA was \$300,000, up 3.5% from October last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for November 2022 report table)
- In October, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.82%. 7,220 regular sales were made, -34.0% less than last year. 366 foreclosed properties were sold, 26.2% more than last year. The median price was \$300,000 for regular property sales, up 3.4% from last year; the comparable figure for the foreclosed properties was \$240,000, up 2.1% from last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- In October, at the latest average annual pending sales rate, Illinois had enough housing inventory for 2.0 months (remaining the same as last year)<sup>2</sup>. In the Chicago PMSA, the comparable figure was 2.0 months (remaining the same as last year). The lowest price ranges (<\$100K) showed the largest decline both in Illinois, and in the Chicago PMSA. (Reference: Illinois and Chicago PMSA Annual Months' Supply by Price Range figures)
- In October, 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 24.8% from 25.9% a year ago. In the Chicago PMSA, the market share for homes at \$100-200K decreased to 18.0% from 19.9% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

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<sup>2</sup> 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 November, December, and January in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 0.1% in November, 1.6% in December, and 2.1% in January. For the Chicago PMSA, the comparable figures are 3.4% in November, 3.2% in December, and 3.6% in January. (Reference: Forecast for November 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<sup>3</sup>. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 2.3% in November, 1.9% in December, and 2.8% in January. The comparable figures for the Chicago PMSA are 6.8% in November, 5.9% in December, and 6.7% in January. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for November, December, and January 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 -19.2% to -26.0%; the comparative figures for the Chicago PMSA are a decrease in the range of -28.3% to -38.3%. On a monthly basis, the three-month average sales are forecast to decrease in the range of -7.4% to -10.1% for Illinois and decrease in the range of -11.0% to -14.9% for the Chicago PMSA. (Reference: Forecast for November 2022 report table)
- The pending home sales index<sup>4</sup> is a leading indicator based on contract signings. This October, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 82.5 (2019=100) in Illinois, down -29.3% from a year ago. In the Chicago PMSA, the comparable figure is 77.9 down -33.1% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In October 2022, 1,100 houses were newly filed for foreclosure in the Chicago PMSA (up 255.0% and down -12.0%, respectively, from a year and a month ago). 499 foreclosures were completed (up 52.0% and up 8.0% respectively from a year and a month ago)<sup>5</sup>. As of October 2022, there are 10,900 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 803.67 in the past 6 months, 514.17 in the last 12 months, and 327.96 in the previous 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## The Economy

- In October 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 261,000 jobs. Notable job gains occurred over the month in Health Care (+53,000), Professional and Technical Services (+43,000), and Manufacturing (+32,000).
- In September 2022, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rate was unchanged at 4.5%. Non-farm payroll jobs rose by 14,500 over the month. The industry sectors that reported the largest over-the-month

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<sup>3</sup> SHDRE HPI succeeds REAL HPI, developed by Esteban Lopez and Minshu Du.

<sup>4</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>5</sup> Including cancelled foreclosures and auctions.

gains in employment were: Educational and Health Services (+5,400), Government (+3,900), and Professional and Business Services (+3,800).

- In October 2022, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 4.09% and 4.10%, corresponding to job gain between 238,800 and 239,600. The largest contributors to the forecast increase are Information, and Financial Activities and Others.
- The recent release of 2022 Profile of Home Buyers and Sellers by the National Association of Realtors (NAR) shows that the first-time buyers' home purchases fell to its lowest record since the beginning of tracking the metric. According to the release, 26% of all residential property purchases were made by first-time buyers, down from 34% in 2021 and down from a peak of 50% in 2010. "It's not surprising that the share of first-time buyers shrank to the lowest level ever recorded given the housing market's combination of historically low inventory, persistently high home prices and rapidly escalating interest rates," said Jessica Lautz, NAR's vice president of demographics and behavioral insights. "Those who have housing equity hold the cards and they've fared very well in the current real estate market."

### **Longer-term Outlook**

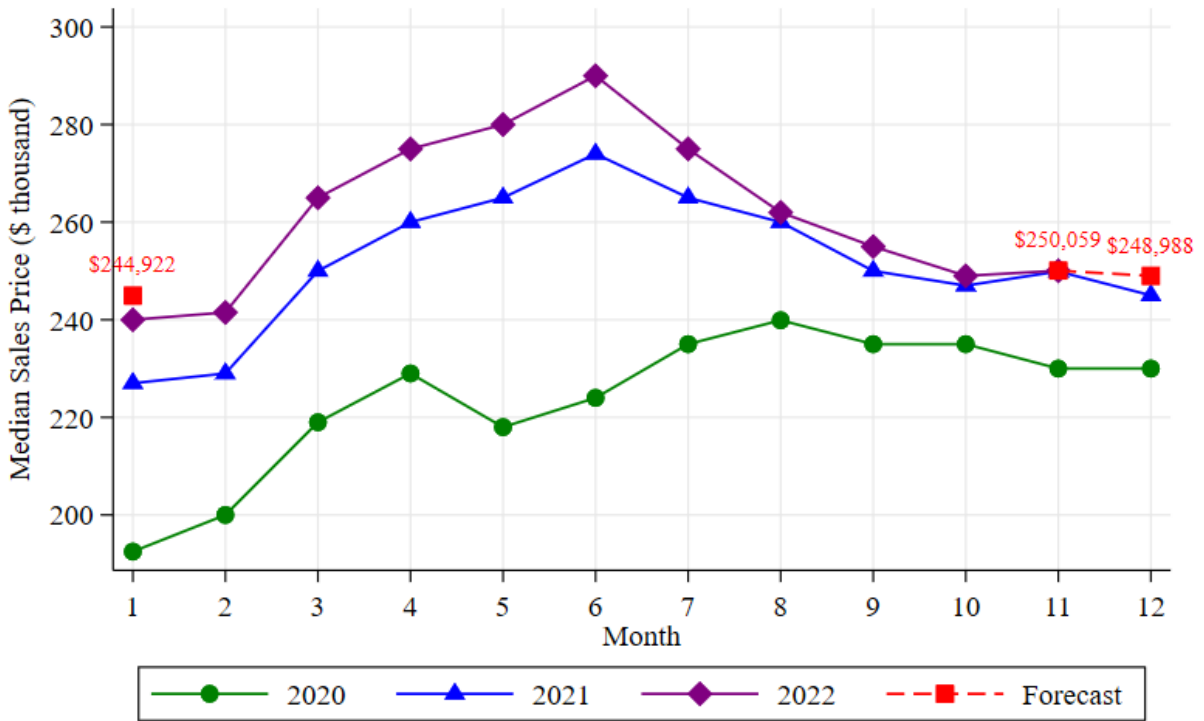
- In October, the Conference Board Consumer Confidence Index decreased, whereas the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 102.5, down from 107.8 last month. The survey noted that inflation pressures will remain to be strong headwinds to consumer confidence and spending, which could result in a challenging holiday season for retailers. The University of Michigan Consumer Sentiment Index slightly increased to 58.6 in October from 58.2 last month. The survey noted that continued declines in sentiment for higher-income consumers is worrisome given how much consumption spending they drive, and their dismal views are unlikely to abate given ongoing turbulence in financial markets.
- In October, the Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 4.1 points to 56.7, its eighth consecutive monthly decline. The survey noted that consumers are increasingly pessimistic about both homebuying and home-selling conditions. Home sales are expected to slow even further in the coming months, as continued affordability constraints reduce homebuyer demand, and as homeowners become reluctant to sell at potentially reduced prices.

"The housing market in Illinois has slowed since its peak in June" noted Daniel McMillen, Head of the UIC Stuart Handler Department of Real Estate (SHDRE). "Prices and the number of sales have returned to approximately the same levels as in November 2021. Inflation and high interest rates have led to a decline in consumer confidence. However, inventories remain low, and as a result, prices are not expected to decline substantially over the next few months."

## Forecast for November 2022 report

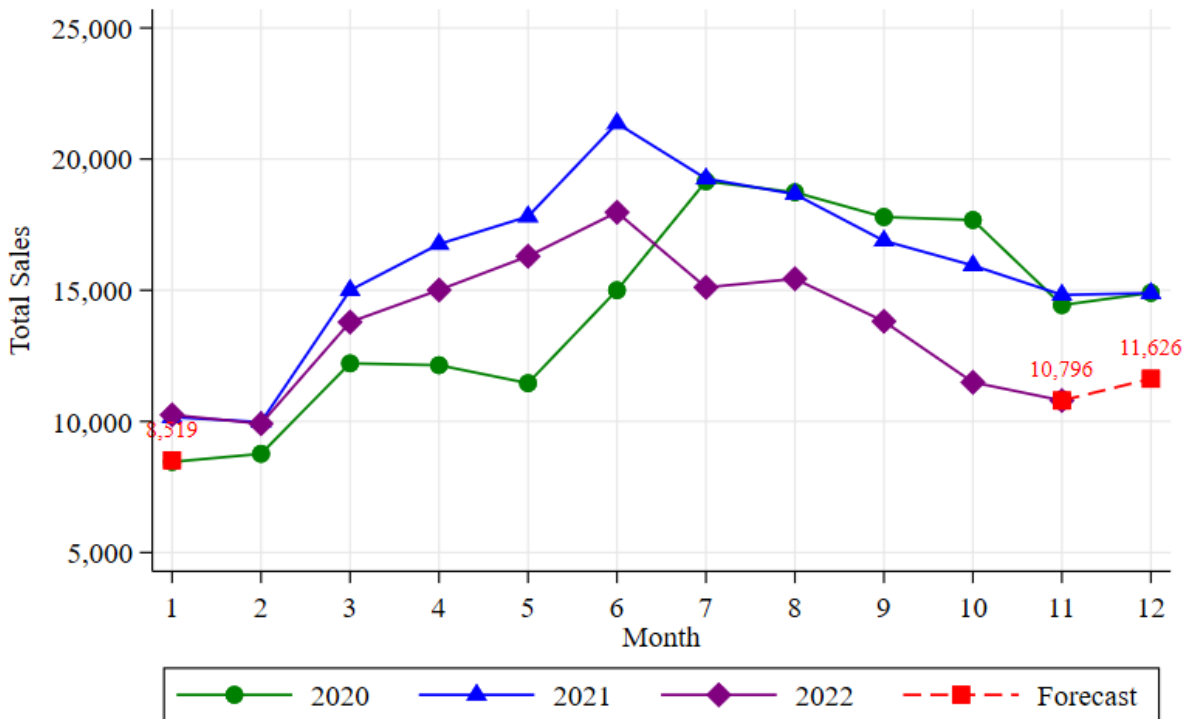
PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual		Monthly					
	Illinois	Chicago PMSA	Illinois	Chicago PMSA				
Aug-22	-17.3%	-20.6%	2.2%	1.4%				
Sep-22	-18.2%	-21.6%	-10.5%	-12.9%				
Oct-22	-27.9%	-32.4%	-16.8%	-18.0%				
3 Month Avg.	-20.9%	-24.5%	-8.2%	-9.5%				
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual		Monthly					
	Illinois	Chicago PMSA	Illinois	Chicago PMSA				
Nov-22	-23.1%	-31.2%	-29.6%	-40.0%	-5.1%	-6.9%	-8.7%	-11.8%
Dec-22	-18.6%	-25.2%	-27.2%	-36.7%	6.5%	8.8%	3.5%	4.8%
Jan-23	-14.4%	-19.4%	-28.1%	-38.0%	-22.7%	-30.7%	-27.4%	-37.1%
3 Month Avg.	-19.2%	-26.0%	-28.3%	-38.3%	-7.4%	-10.1%	-11.0%	-14.9%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Aug-22	\$262,000	\$310,828	Aug-21	\$260,000	\$300,000			
Sep-22	\$255,000	\$305,000	Sep-21	\$250,000	\$290,000			
Oct-22	\$249,000	\$300,000	Oct-21	\$247,000	\$289,745			
Nov-22	\$250,059	\$300,000	Nov-21	\$249,900	\$290,000			
Dec-22	\$248,988	\$296,283	Dec-21	\$245,000	\$287,000			
Jan-23	\$244,922	\$295,338	Jan-22	\$240,000	\$285,000			
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Aug-22	0.8%	3.6%	Aug-21	8.4%	7.1%			
Sep-22	2.0%	5.2%	Sep-21	6.4%	5.5%			
Oct-22	0.8%	3.5%	Oct-21	5.1%	5.7%			
Nov-22	0.1%	3.4%	Nov-21	8.7%	7.8%			
Dec-22	1.6%	3.2%	Dec-21	6.5%	8.0%			
Jan-23	2.1%	3.6%	Jan-22	5.7%	5.6%			

### Illinois Median Home Sales Price

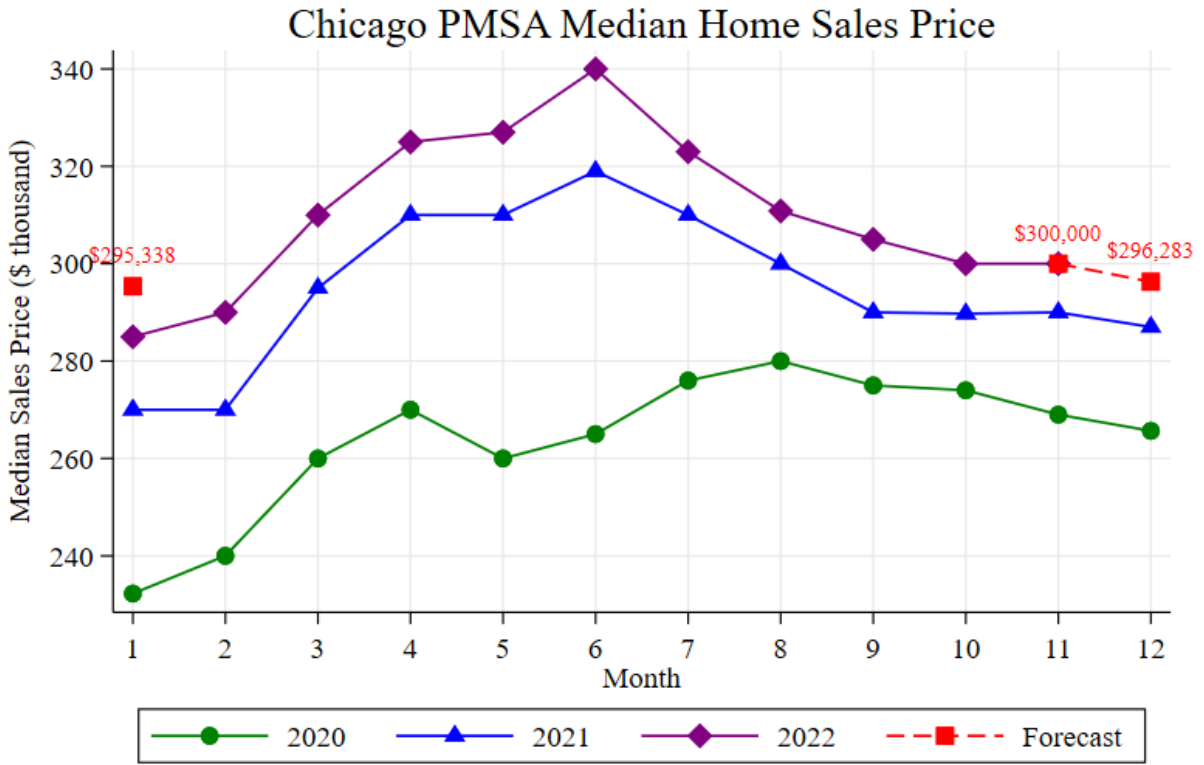


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

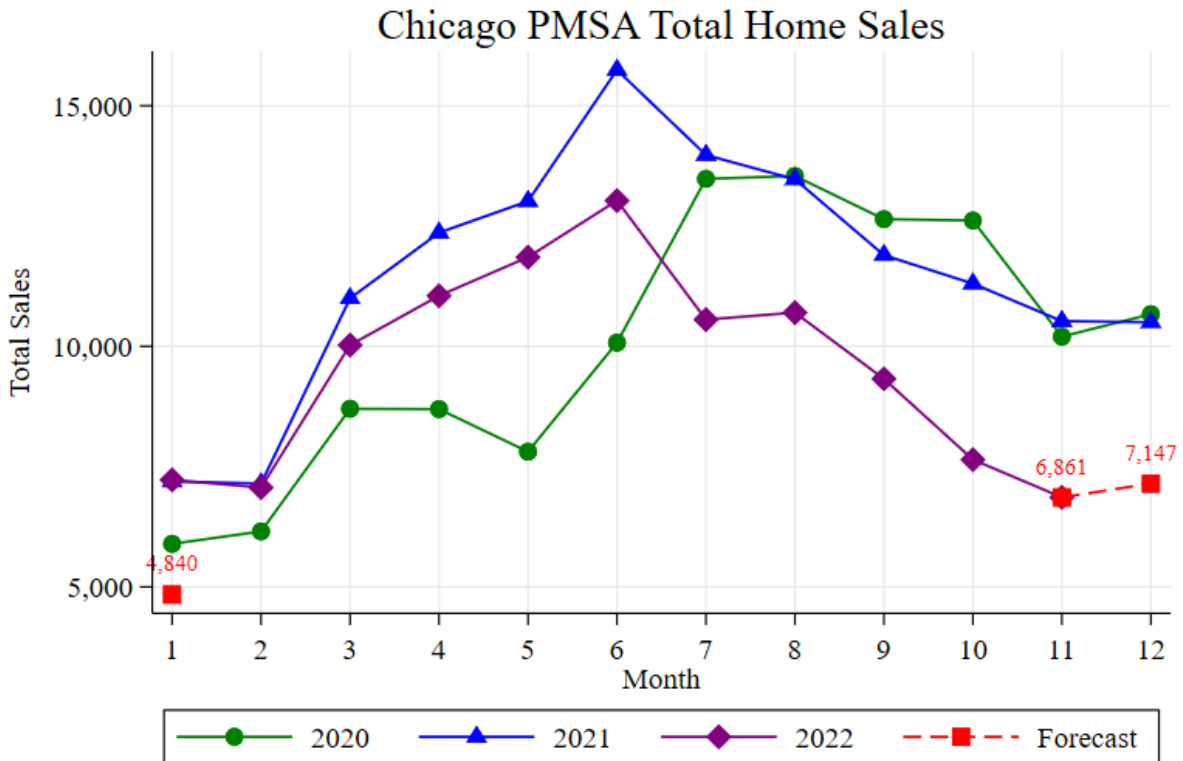
### Illinois Total Home Sales



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



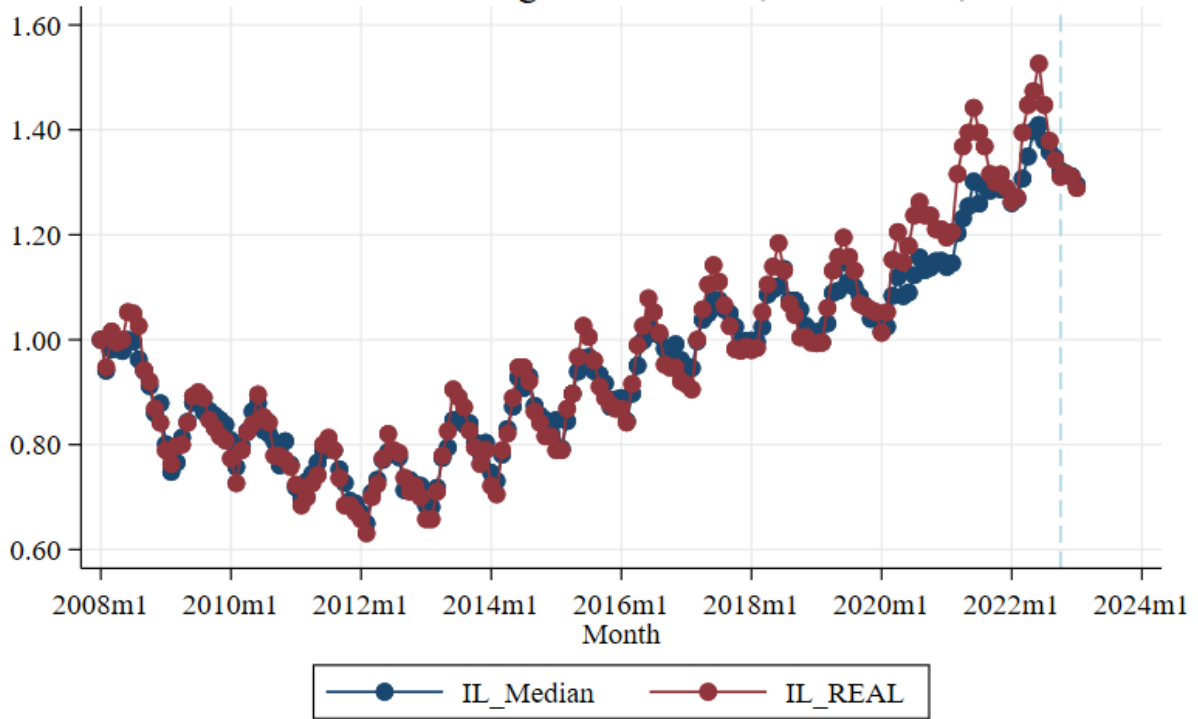
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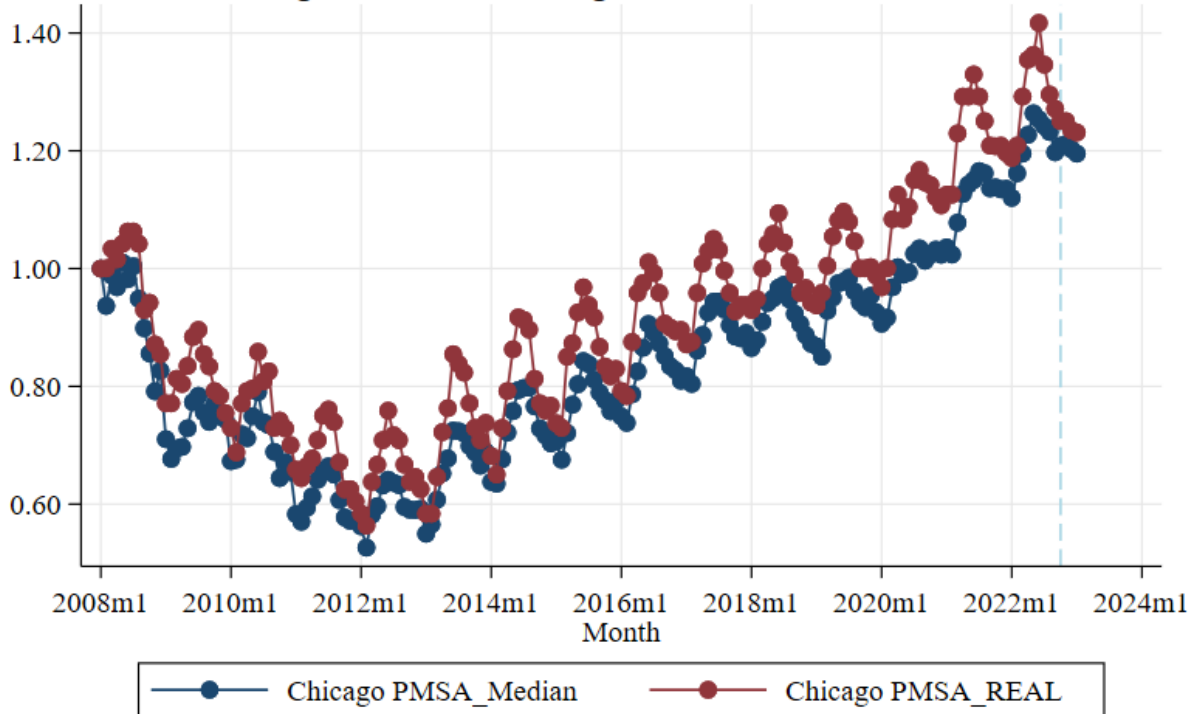


### Illinois Housing Price Index (Jan 2008=1)



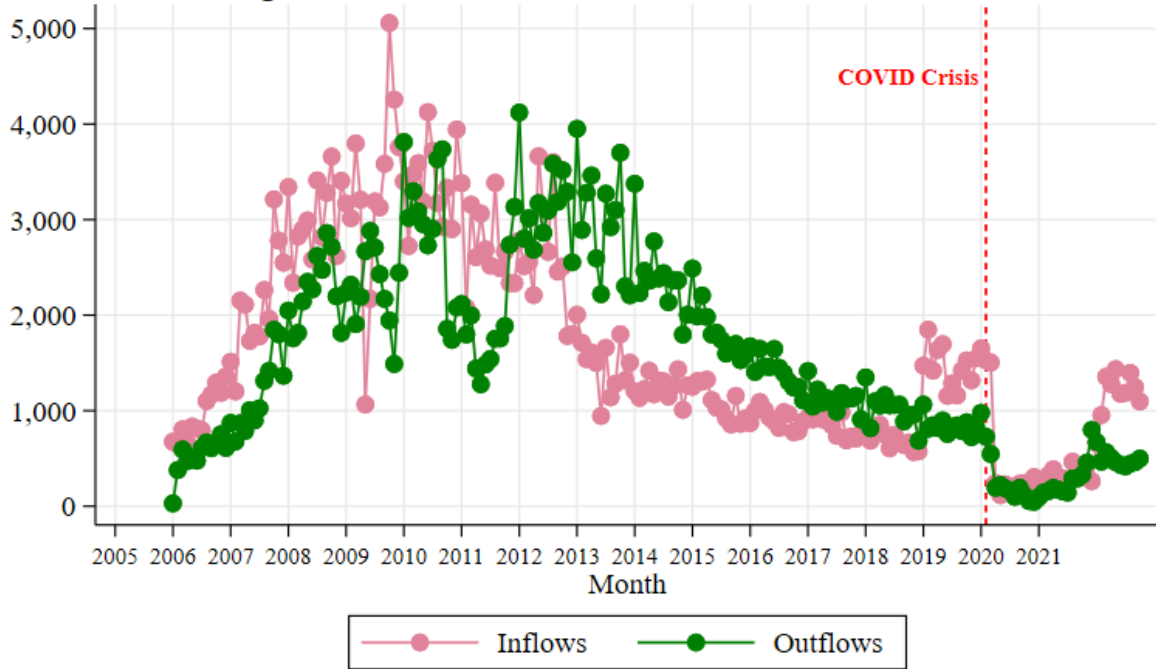
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Housing Price Index (Jan 2008=1)



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

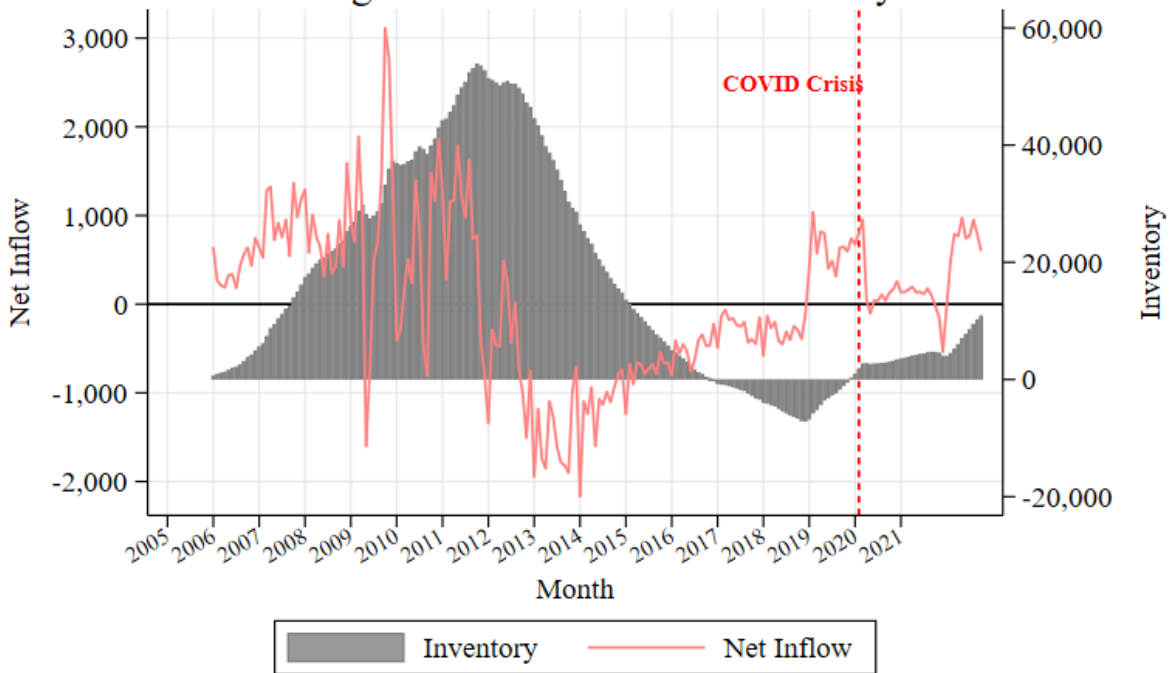
### Chicago PMSA New Foreclosure Inflows and Outflows



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

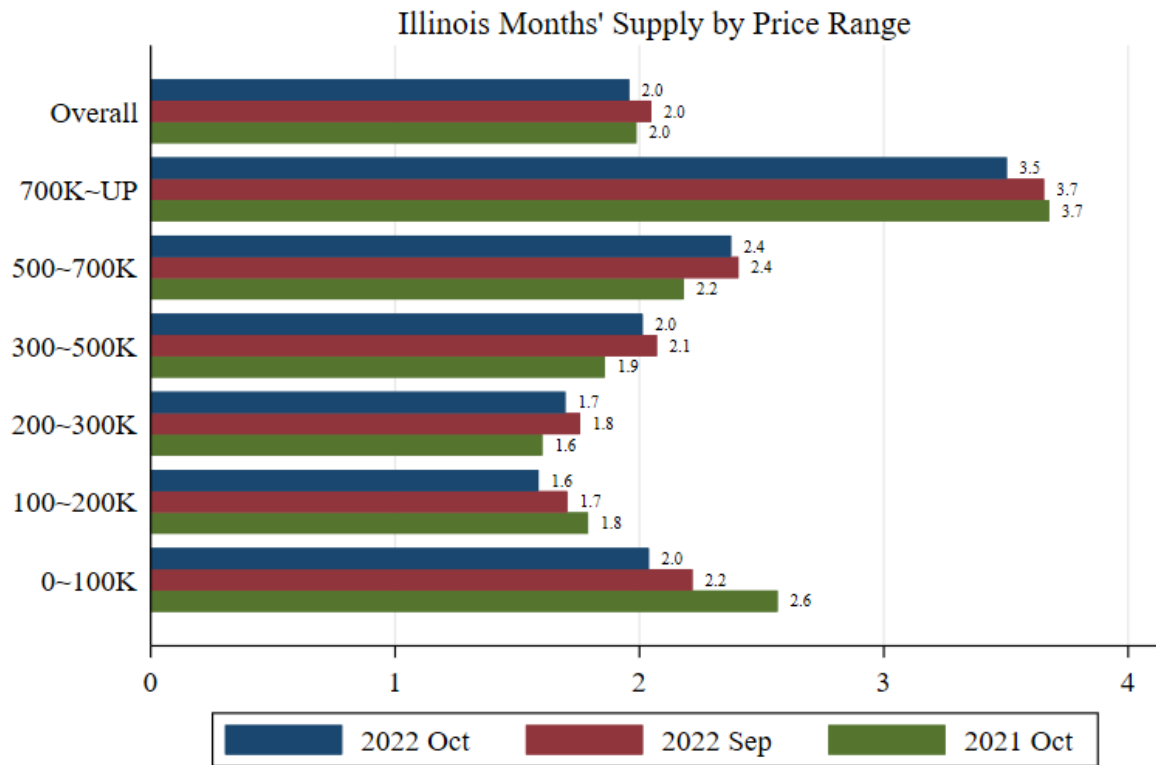
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Foreclosure Inventory

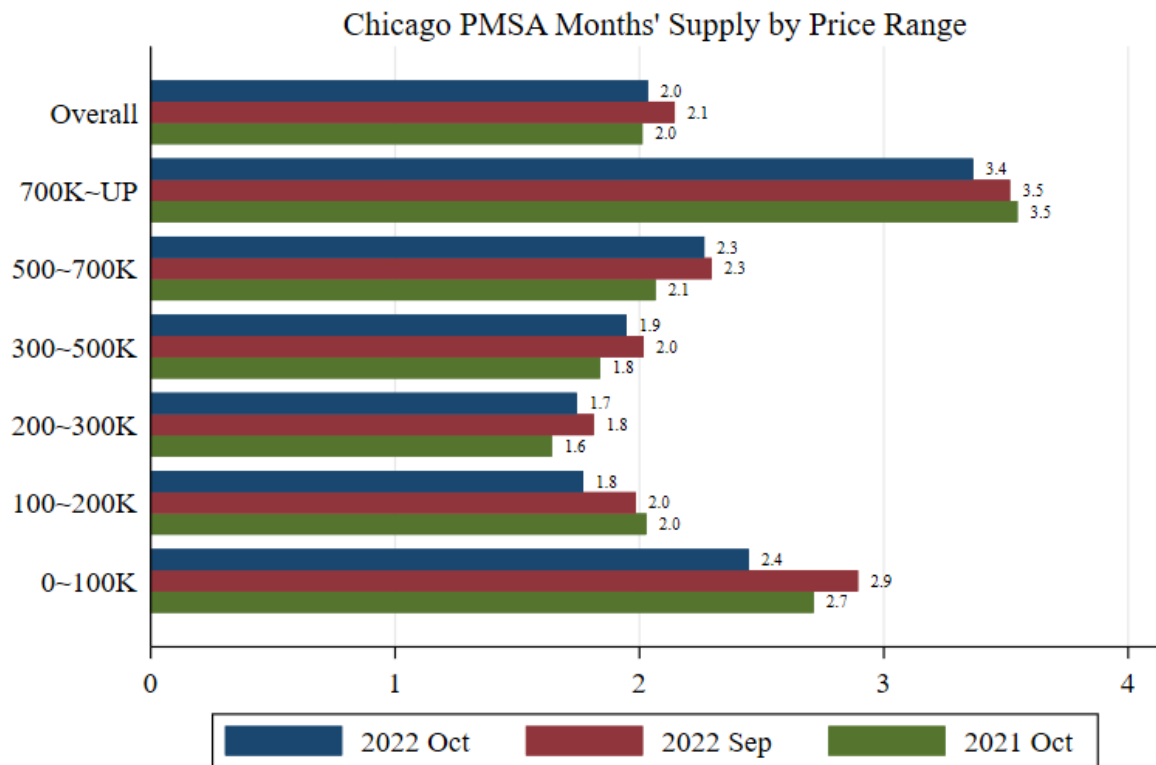


Net inflows=Inflows-Outflows

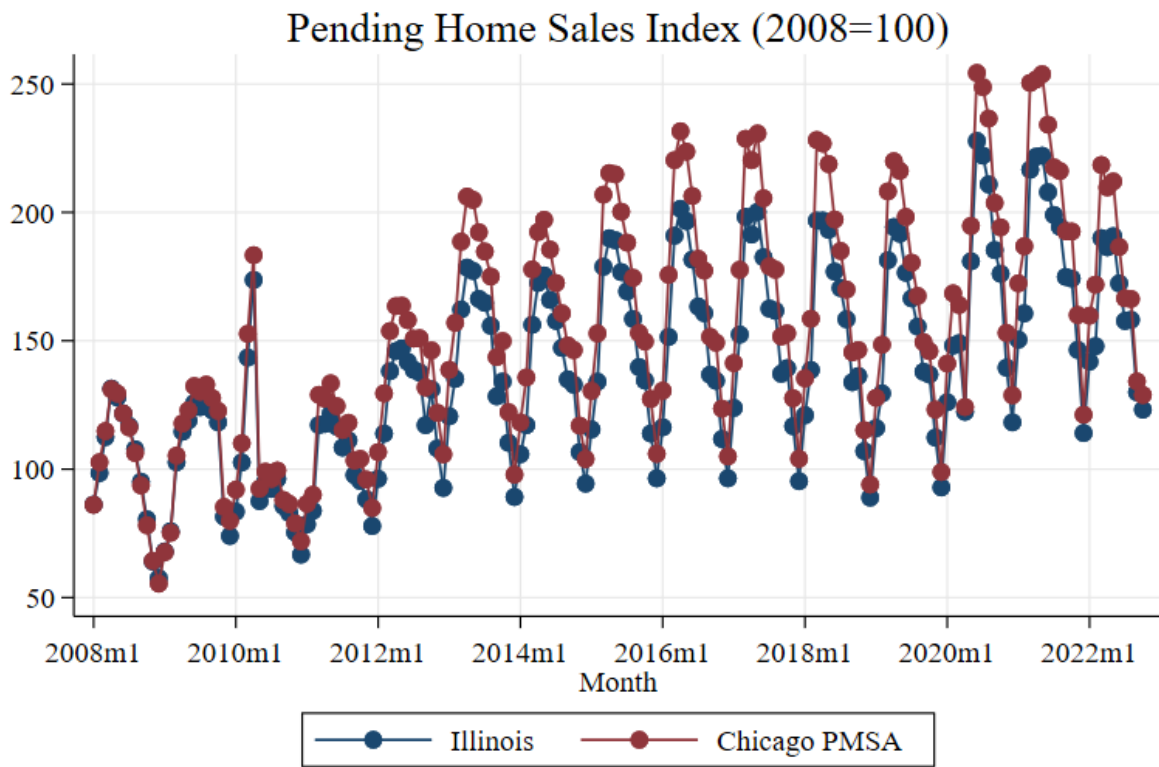
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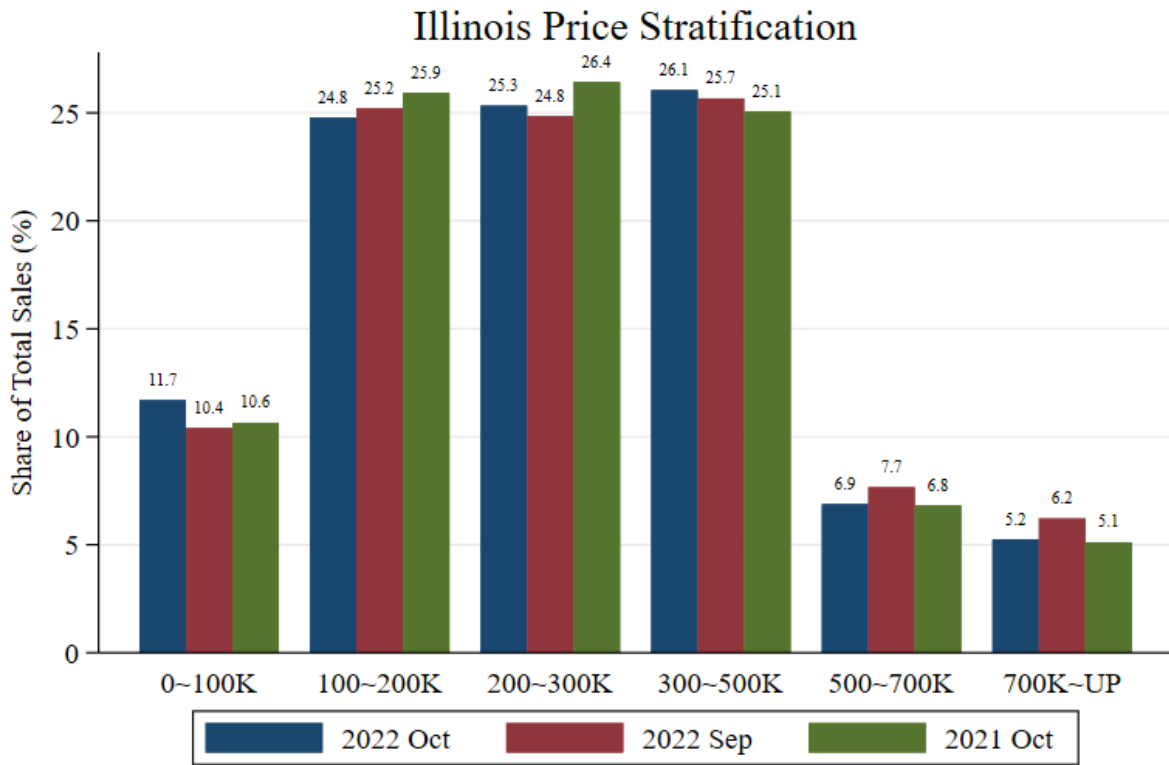
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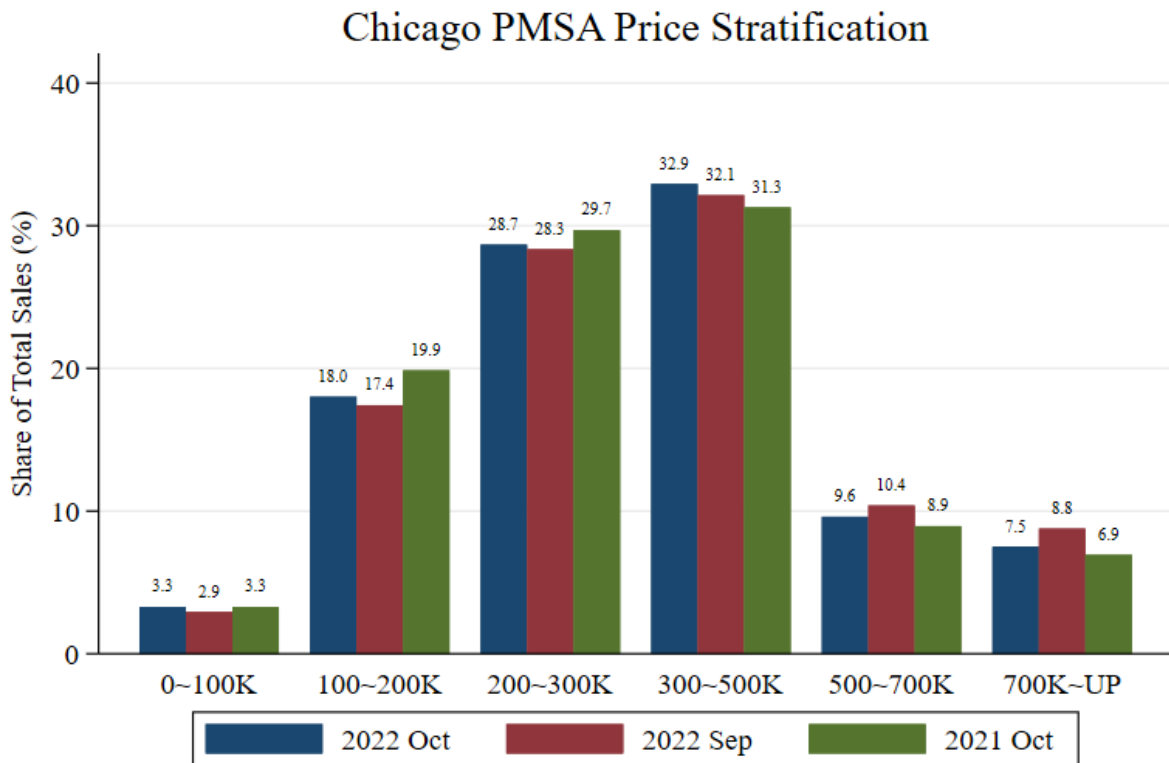
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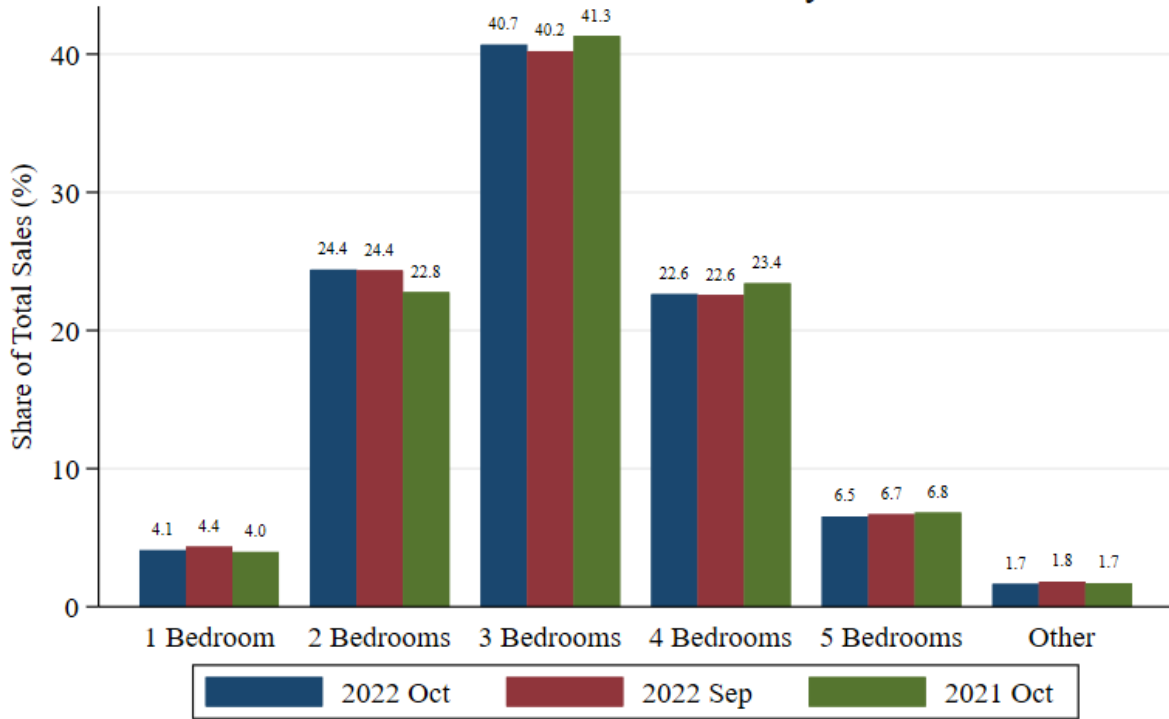


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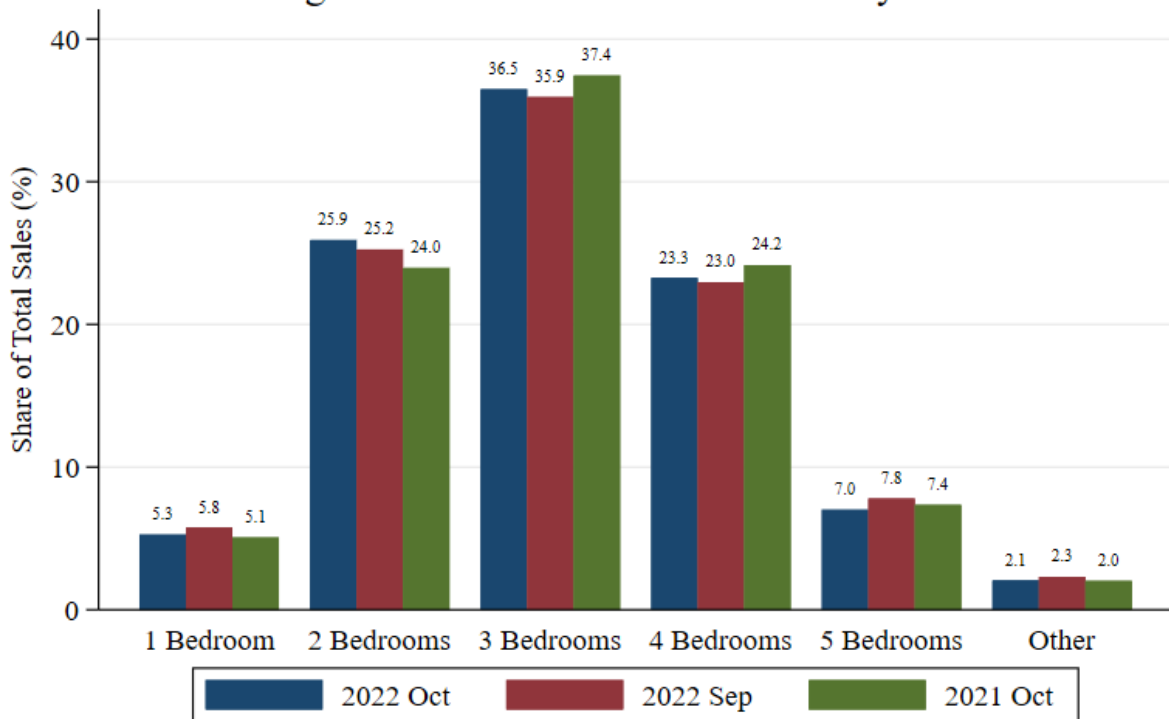
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois House Characteristics by Bedroom



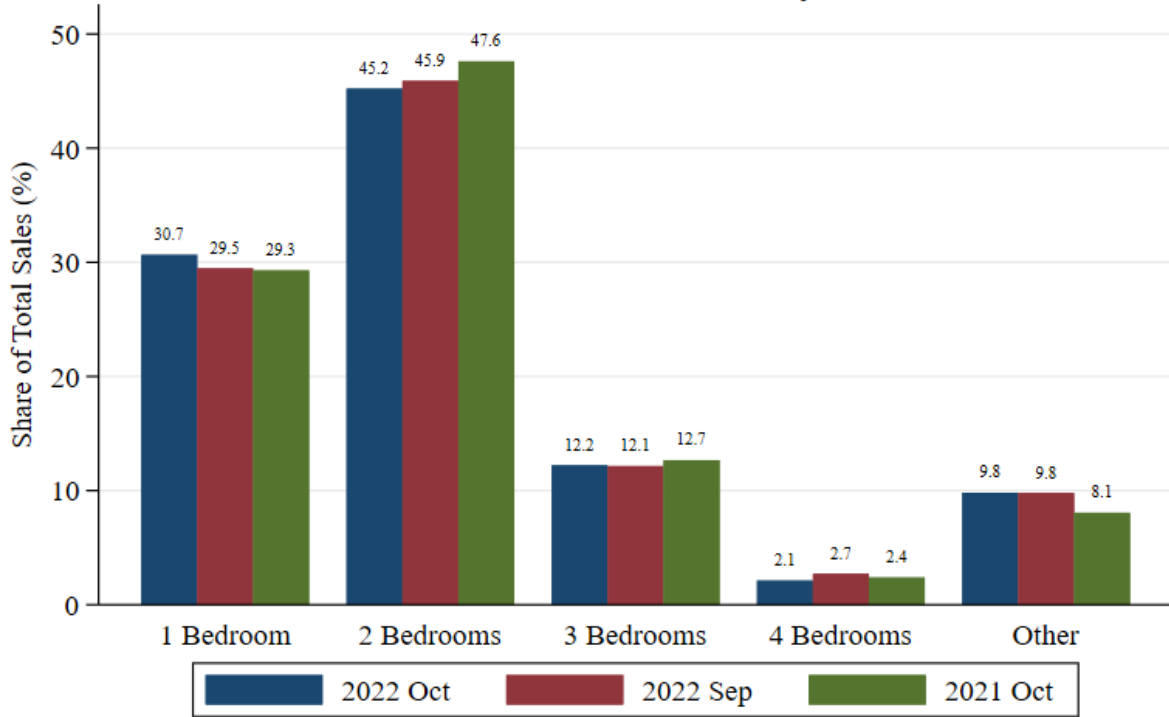
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### Chicago PMSA House Characteristics by Bedroom



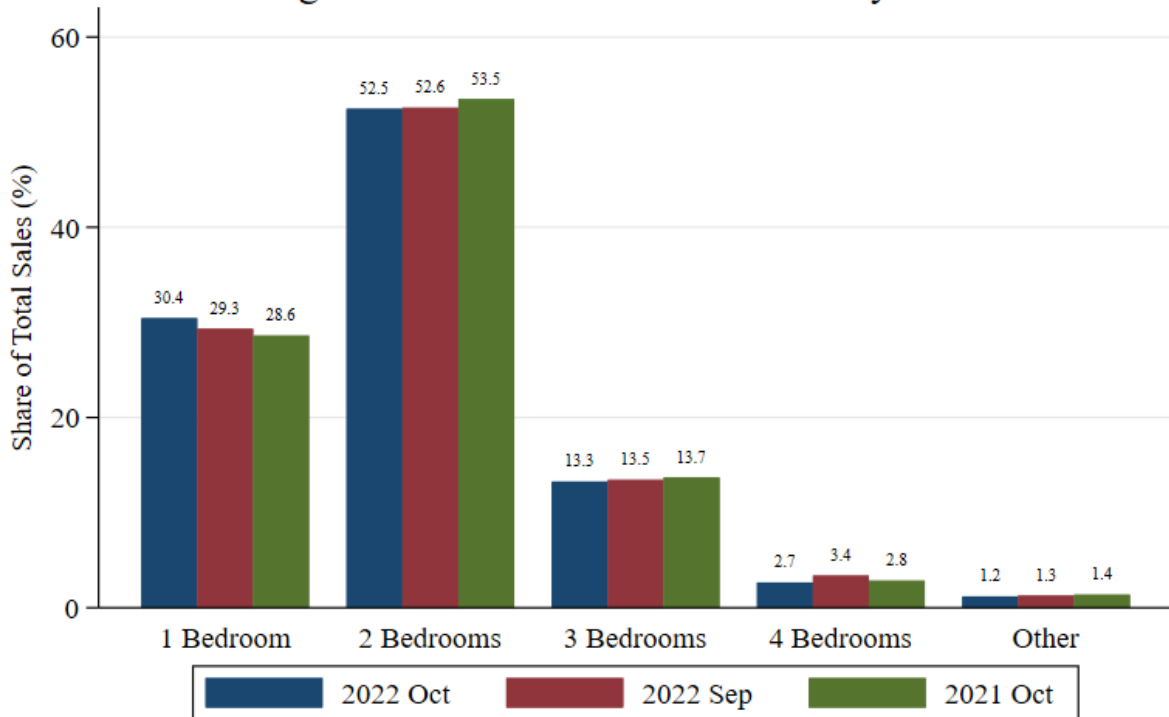
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### Illinois House Characteristics by Bathroom



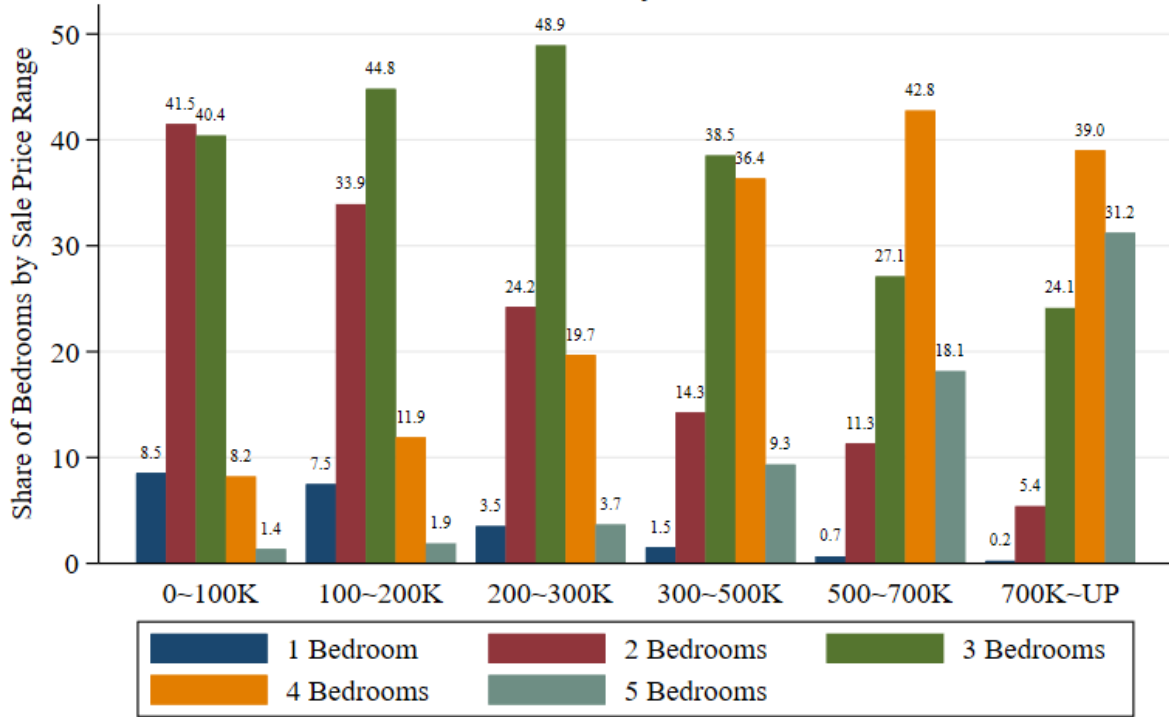
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### Chicago PMSA House Characteristics by Bathroom



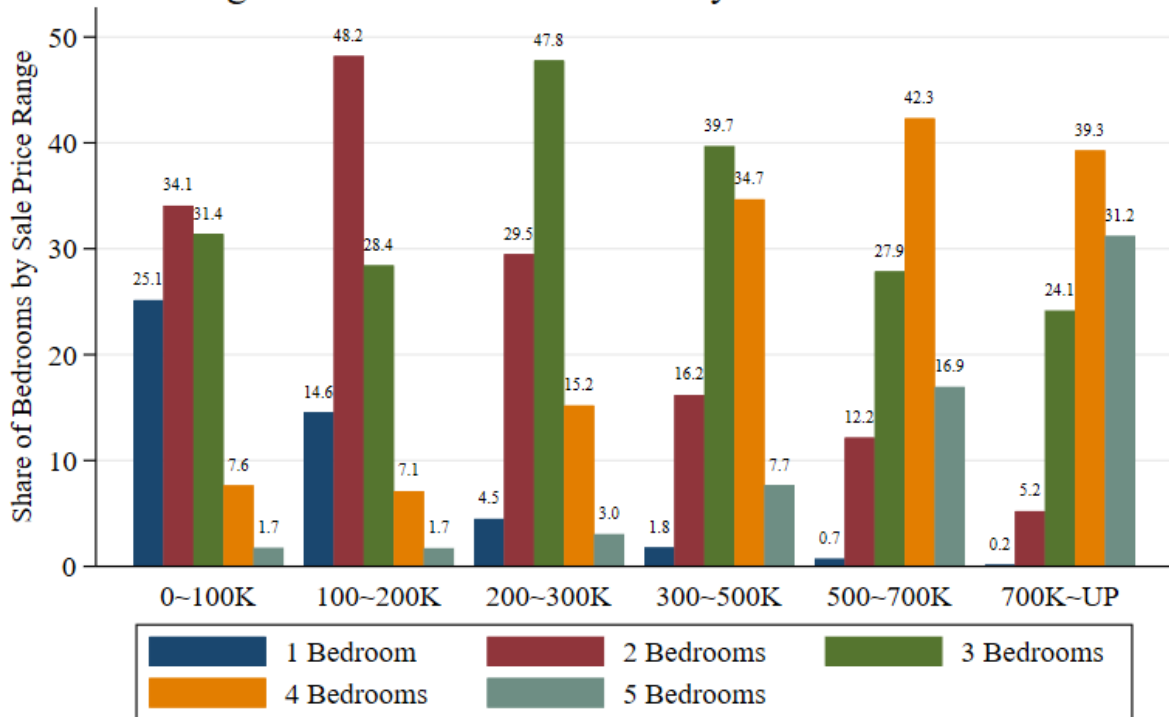
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Bedroom Shares by Sale Price Stratification



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

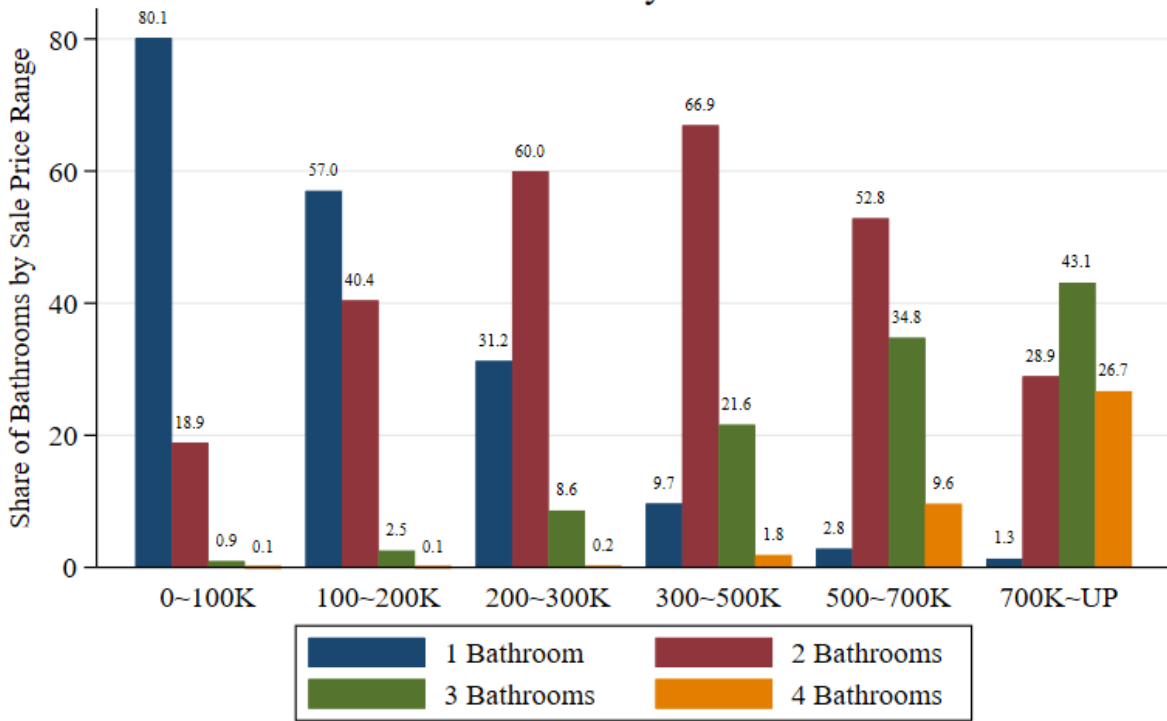
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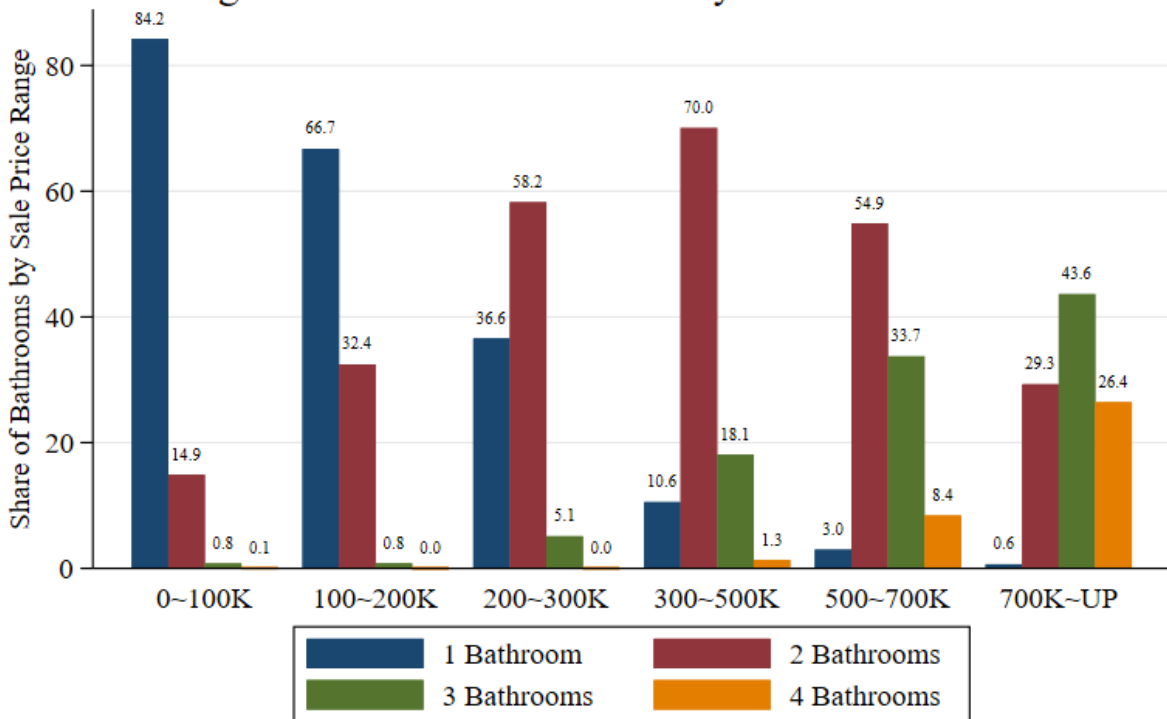


### Illinois Bathroom Shares by Sale Price Stratification



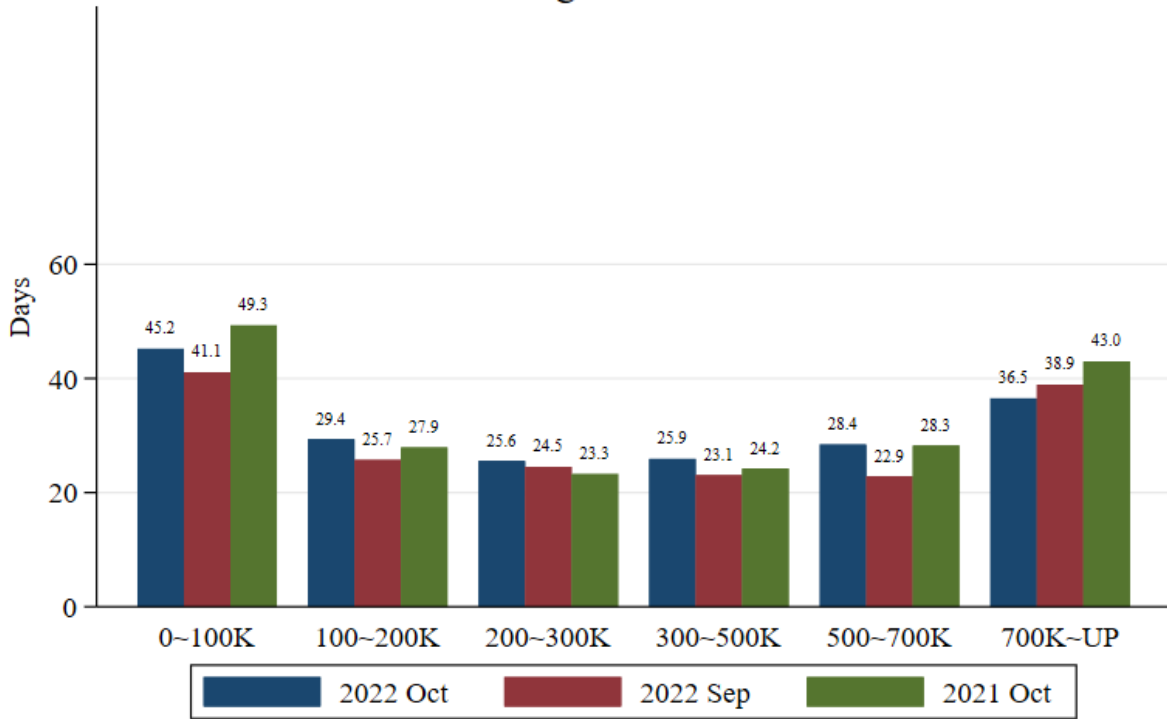
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### Chicago PMSA Bathroom Shares by Sale Price Stratification



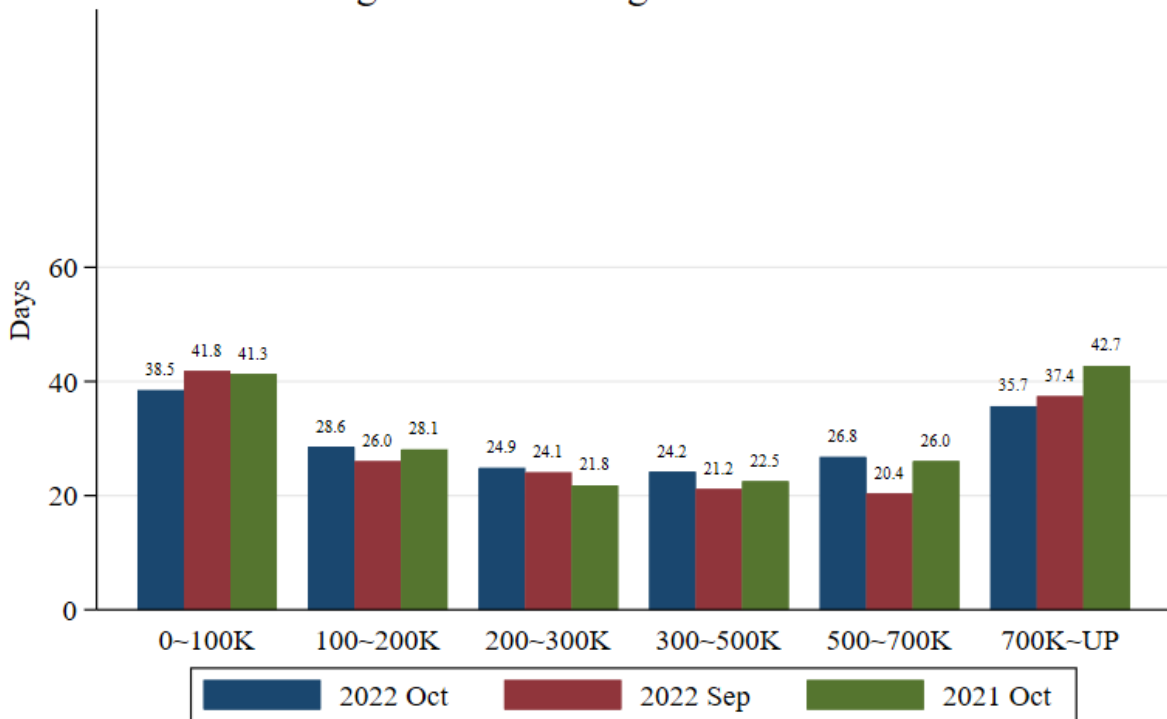
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### 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

