

# **Housing Price Forecasts**

## **Illinois and Chicago PMSA, February 2023**

Presented To

**Illinois Realtors®**

From

**UIC Stuart Handler Department of Real Estate**

February 21, 2023

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## Housing Price Forecast: Illinois and Chicago PMSA, February 2023

### The Housing Market

In January, sales experienced a negative annual change in both Illinois and the Chicago PMSA. Meanwhile, median prices experienced a negative annual change in Illinois but a positive annual change in the Chicago PMSA. 6,723 houses were sold in Illinois, changing by -35.3% from a year ago and -30.6% from a month ago. In the Chicago PMSA, 4,420 houses were sold, changing by -38.8% from a year ago and -31.3% from a month ago. The median price was \$234,000 in Illinois, down -1.5% from January last year; the comparable figure for the Chicago PMSA was \$287,000, up 0.7% from January last year.

In January, the percentage of foreclosed sales (e.g. REOs) among the total sales for the Chicago PMSA was 5.9%. 4,085 regular sales were made, -40.7% less than last year. 303 foreclosed properties were sold, 8.6% more than last year. The median price was \$291,500 for regular property sales, up 0.5% from last year; the comparable figure for the foreclosed properties was \$234,000, up 5.9% from last year.

The sales forecast for February, March, and April suggests a decrease on a yearly basis but 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 -13.9% to -18.9%; the comparative figures for the Chicago PMSA are a decrease in the range of -14.9% to -20.1%. On a monthly basis, the three-month average sales are forecast to increase in the range of 22.5% to 30.4% for Illinois and increase in the range of 25.8% to 34.9% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings.<sup>1</sup> This January, the number of homes put under contract was less than last year in Illinois and the Chicago PMSA. The pending home sales index is 72.4 (2019=100) in Illinois, down -23.8% from a year ago. In the Chicago PMSA, the comparable figure is 70.3, down -27.0% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.5 months (up from 1.3 last year).<sup>2</sup> In the Chicago PMSA, the comparable figure was 1.5 months (up from 1.3 last year). Months of supply for homes in the lowest price ranges (<100K) experienced declines both in Illinois and the Chicago PMSA.

The median price forecast indicates negative annual growth for February, March, and April in Illinois, while the Chicago PMSA is projected to remain almost unchanged. In Illinois, the median price is forecast to change by -1.8% in February, -2.3% in March, and -1.9% in April. For the Chicago PMSA, the comparable figures are 0.2% in February, 0.3% in March, and -0.2% in April. As a complement to the median housing price index (HPI), the SHDRE HPI forecasts a negative growth trend for Illinois and a positive growth trend for the Chicago PMSA.<sup>3</sup> In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by -1.0% in February, -0.4% in March, and -0.4% in April. The comparable figures for the Chicago PMSA are 0.3% in February, 1.7% in March, and 2.2% in April. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

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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> 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.

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

In January, the Conference Board Consumer Confidence Index decreased. Meanwhile, the University of Michigan Consumer Sentiment Index increased, although it is still at historically low levels. The Conference Board Consumer Confidence Index survey noted that consumers were less positive about the short-term outlook for jobs and expect business conditions to worsen in the near term. The University of Michigan Consumer Sentiment Index survey noted that there are considerable downside risks to sentiment, with two-thirds of consumers expecting an economic downturn during the next year.

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

- In January, sales experienced a negative annual change in both Illinois and the Chicago PMSA. Meanwhile, median prices experienced a negative annual change in Illinois but a positive annual change in the Chicago PMSA. 6,723 houses were sold in Illinois, changing by -35.3% from a year ago and -30.6% from a month ago. In the Chicago PMSA, 4,420 houses were sold, changing by -38.8% from a year ago and -31.3% from a month ago. The median price was \$234,000 in Illinois, down -1.5% from January last year; the comparable figure for the Chicago PMSA was \$287,000, up 0.7% from January last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for February 2023 report table)
- In January, the percentage of foreclosed sales (e.g. REOs) among the total sales for the Chicago PMSA was 5.9%. 4,085 regular sales were made, -40.7% less than last year. 303 foreclosed properties were sold, 8.6% more than last year. The median price was \$291,500 for regular property sales, up 0.5% from last year; the comparable figure for the foreclosed properties was \$234,000, up 5.9% from last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- In January, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.5 months (up from 1.3 last year).<sup>4</sup> In the Chicago PMSA, the comparable figure was 1.5 months (up from 1.3 last year). Months of supply for homes in the lowest price ranges (<100K) experienced declines both in Illinois and the Chicago PMSA. (Reference: Illinois and Chicago PMSA Annual Months' Supply by Price Range figures)
- In January, the market shares of homes in the lowest price ranges (<\$100K) experienced the largest change compared to a year ago for Illinois. For the Chicago PMSA, the low price ranges (\$100-200K) experienced the largest change. In Illinois, the market share for homes at the lowest price increased to 13.9% from 12.5% a year ago. In the Chicago PMSA, the market share for homes at \$100-200K decreased to 20.5% from 21.9% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

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<sup>4</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 negative annual growth for February, March, and April in Illinois, while the Chicago PMSA is projected to remain almost unchanged. In Illinois, the median price is forecast to change by -1.8% in February, -2.3% in March, and -1.9% in April. For the Chicago PMSA, the comparable figures are 0.2% in February, 0.3% in March, and -0.2% in April. (Reference: Forecast for February 2023 report table)
- As a complement to the median housing price index (HPI), the SHDRE HPI forecasts a negative growth trend for Illinois and a positive growth trend for the Chicago PMSA.<sup>5</sup> In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by -1.0% in February, -0.4% in March, and -0.4% in April. The comparable figures for the Chicago PMSA are 0.3% in February, 1.7% in March, and 2.2% in April. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for February, March, and April suggests a decrease on a yearly basis but 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 -13.9% to -18.9%; the comparative figures for the Chicago PMSA are a decrease in the range of -14.9% to -20.1%. On a monthly basis, the three-month average sales are forecast to increase in the range of 22.5% to 30.4% for Illinois and increase in the range of 25.8% to 34.9% for the Chicago PMSA. (Reference: Forecast for February 2023 report table)
- The pending home sales index is a leading indicator based on contract signings.<sup>6</sup> This January, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 72.4 (2019=100) in Illinois, down -23.8% from a year ago. In the Chicago PMSA, the comparable figure is 70.3, down -27.0% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In January 2023, 1,203 houses were newly filed for foreclosure in the Chicago PMSA (up 83.0% and up 7.0%, respectively, from a year and a month ago). 721 foreclosures were completed (up 9.0% and up 67.0%, respectively, from a year and a month ago).<sup>7</sup> As of January 2023, there are 2,183 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 684 in the past 6 months, 729 in the last 12 months, and 384 in the previous 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## The Economy

- In January 2023, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate remained very low at 3.4%, and non-farm payroll jobs experienced a gain of 517,000 jobs. Notable job gains occurred over the month in Leisure and Hospitality (+128,000), Professional and Business Services (+82,000), and Health Care (+58,000).
- In December 2022, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rate was unchanged at 4.7%. Non-farm payroll jobs were

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<sup>5</sup> SHDRE HPI succeeds REAL HPI, developed by Esteban Lopez and Minshu Du.

<sup>6</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>7</sup> Including cancelled foreclosures and auctions.

also almost unchanged, down by just -800 over the month. The industry sectors that reported the largest over-the-month gains in employment were: Educational and Health Services (+5,200), Trade, Transportation and Utilities (+3,300), and Government (+1,800).

- In January 2023, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 3.9% and 4.5%, corresponding to job gains between 231,800 and 268,500. The largest contributors to the forecast increase are Information, and Financial Activities, and Other Services.
- Black Knight's latest Originations Market Monitor report revealed that mortgage rate locks grew by 32% from December to January due to decreasing interest rates, finally reversing nine consecutive months of decreasing activity. The 20 largest metro areas by lock volume experienced double-digit monthly growth, with Chicago, Nashville, and Charlotte leading the trend. However, Kevin McMahon, president of Optimal Blue, a division of Black Knight, cautioned that the mortgage industry still faces headwinds from significant rate, affordability, and inventory. In addition, lock volumes are still down over 60% from last year.

### **Longer-term Outlook**

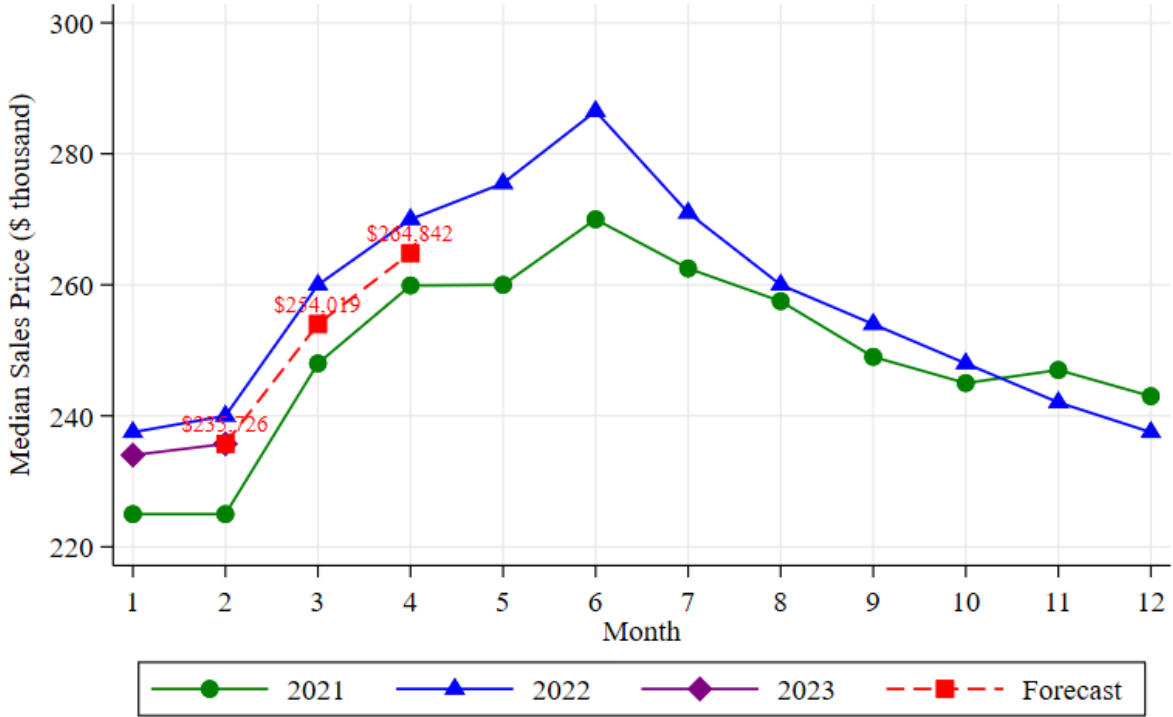
- In January, the Conference Board Consumer Confidence Index decreased whereas the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 107.1, down from 109.0 last month. The survey noted that consumers were less positive about the short-term outlook for jobs and expect that business conditions to worsen in the near term. The University of Michigan Consumer Sentiment Index increased to 64.9 in January from 62.8 last month, but it is still historically low. The survey noted that there are considerable downside risks to sentiment, with two-thirds of consumers expecting an economic downturn during the next year.
- In January, the Fannie Mae Home Purchase Sentiment Index (HPSI) increased 0.6 points to 61.6. The survey noted that consumer sentiment toward the housing market remains subdued by historical standards. According to Doug Duncan, Fannie Mae Senior Vice President and Chief Economist, the same affordability issues are persisting for consumers, as they continue to indicate that high home prices and high mortgage rates make it a 'bad time to buy' a home.

"The housing market is currently experiencing its usual winter slowdown," noted Daniel McMillen, Head of the UIC Stuart Handler Department of Real Estate (SHDRE). "Median prices are similar to their levels at this time last year in both the Chicago area and the rest of Illinois. Our forecasts indicate that prices and sales will increase over the next three months throughout the state."

**Forecast for February 2023 Report**

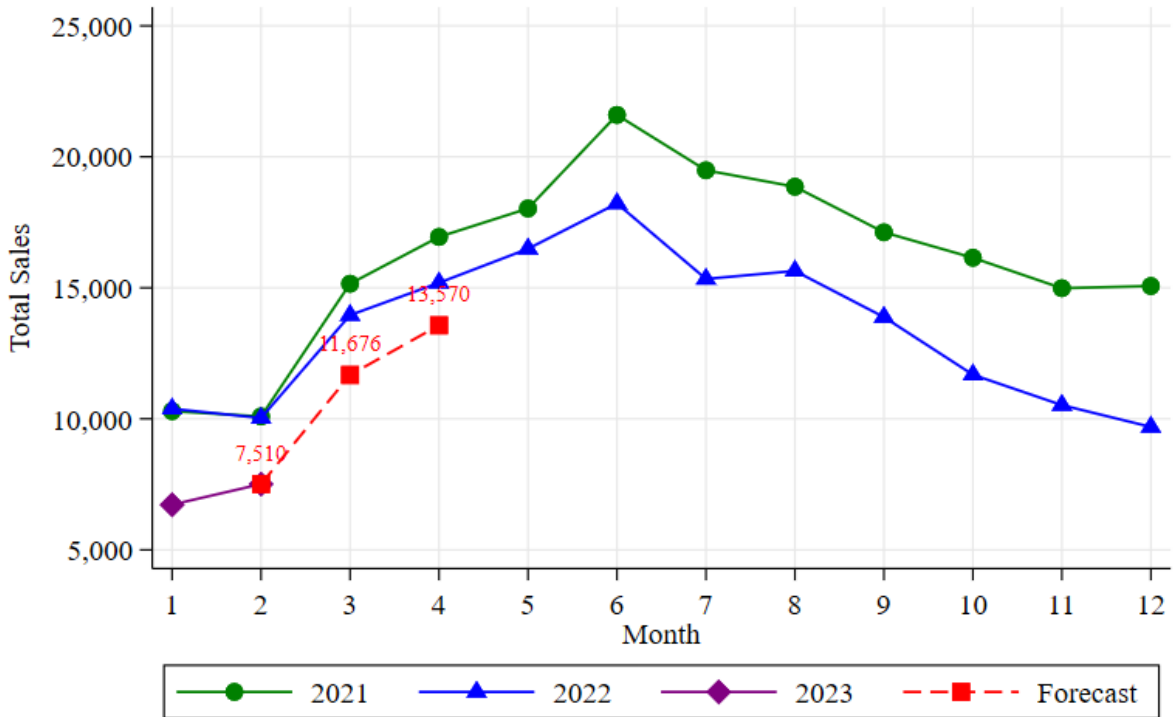
PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Nov-22	-29.8%	-34.0%		-9.9%	-10.6%			
Dec-22	-35.7%	-38.7%		-7.9%	-7.3%			
Jan-23	-35.3%	-38.8%		-30.6%	-31.3%			
3 Month Avg.	-33.4%	-37.0%		-15.6%	-15.8%			
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Feb-23	-21.4%	-28.9%	-24.6%	-33.2%	10.0%	13.5%	11.6%	15.6%
Mar-23	-13.9%	-18.8%	-14.1%	-19.1%	47.1%	63.8%	56.5%	76.4%
Apr-23	-9.1%	-12.3%	-9.4%	-12.7%	13.8%	18.7%	14.9%	20.1%
3 Month Avg.	-13.9%	-18.9%	-14.9%	-20.1%	22.5%	30.4%	25.8%	34.9%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Nov-22	\$242,060	\$295,000		Nov-21	\$247,000	\$290,000		
Dec-22	\$237,500	\$287,500		Dec-21	\$243,000	\$287,000		
Jan-23	\$234,000	\$287,000		Jan-22	\$237,500	\$285,000		
Feb-23	\$235,726	\$290,618		Feb-22	\$240,000	\$290,000		
Mar-23	\$254,019	\$310,896		Mar-22	\$260,000	\$310,000		
Apr-23	\$264,842	\$324,399		Apr-22	\$270,000	\$325,000		
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Nov-22	-2.0%	1.7%		Nov-21	7.9%	7.8%		
Dec-22	-2.3%	0.2%		Dec-21	7.0%	8.0%		
Jan-23	-1.5%	0.7%		Jan-22	5.6%	5.6%		
Feb-23	-1.8%	0.2%		Feb-22	6.7%	7.4%		
Mar-23	-2.3%	0.3%		Mar-22	4.8%	5.1%		
Apr-23	-1.9%	-0.2%		Apr-22	3.9%	4.8%		

### Illinois Median Home Sales Price

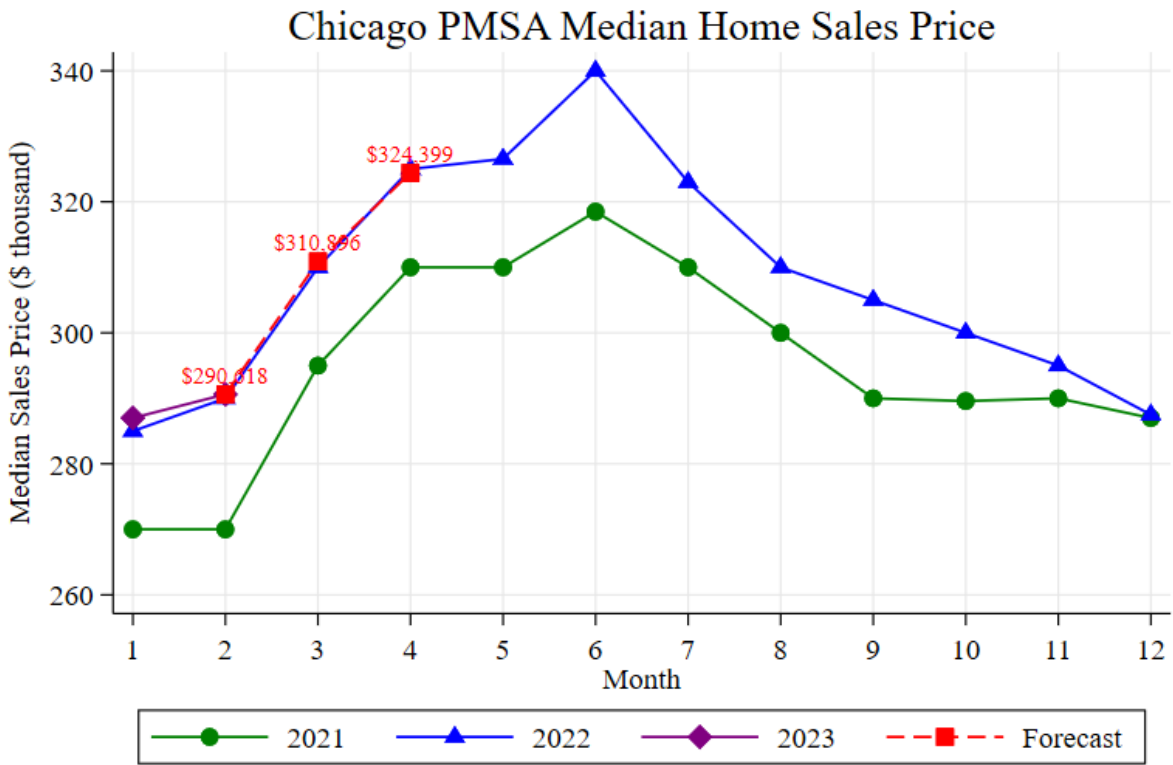


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

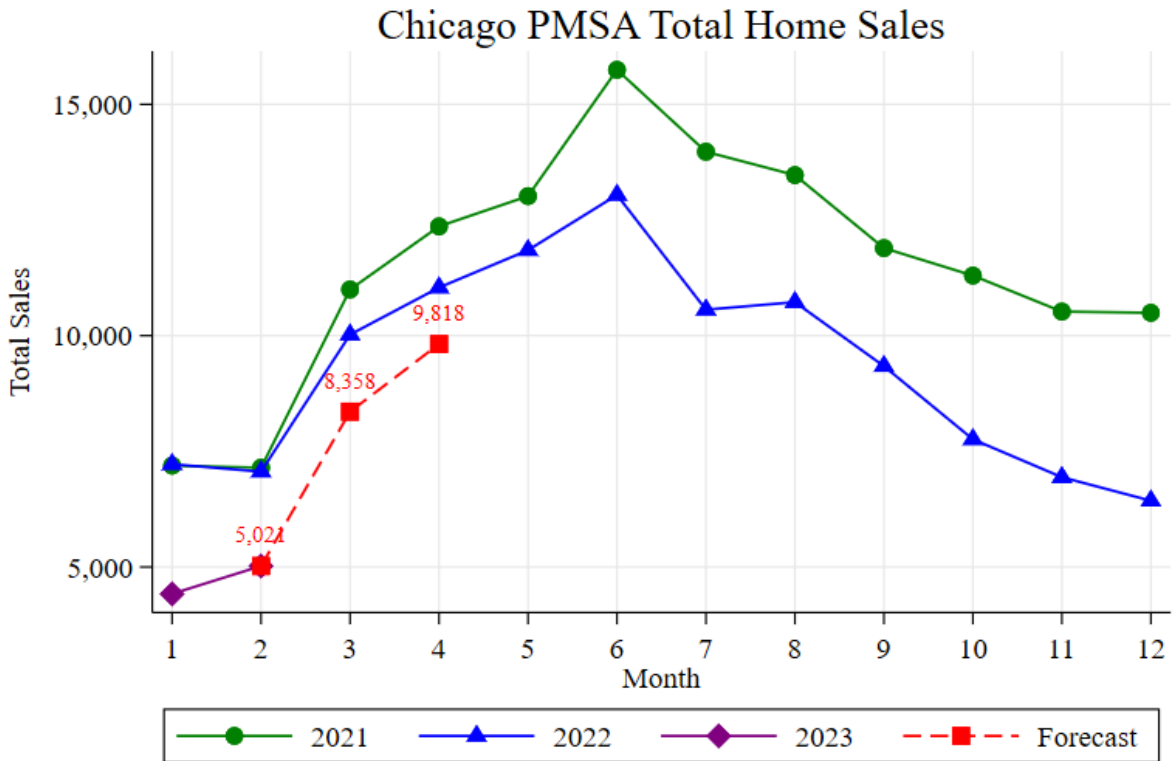
### Illinois Total Home Sales



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



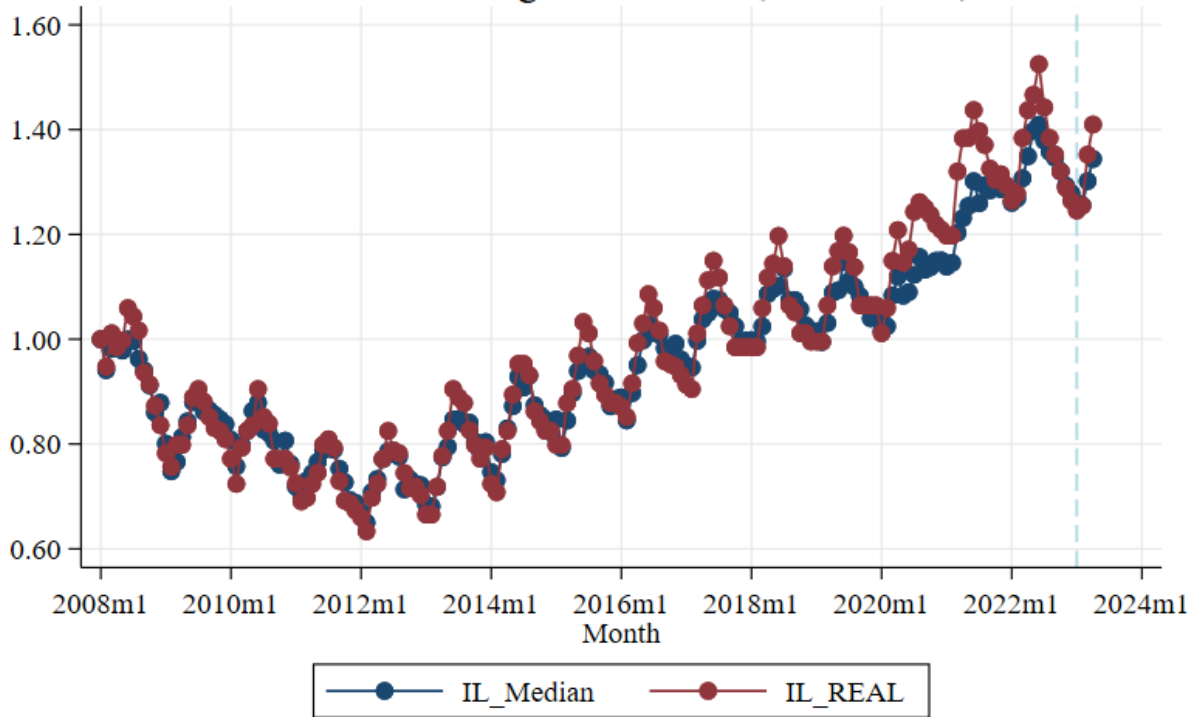
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



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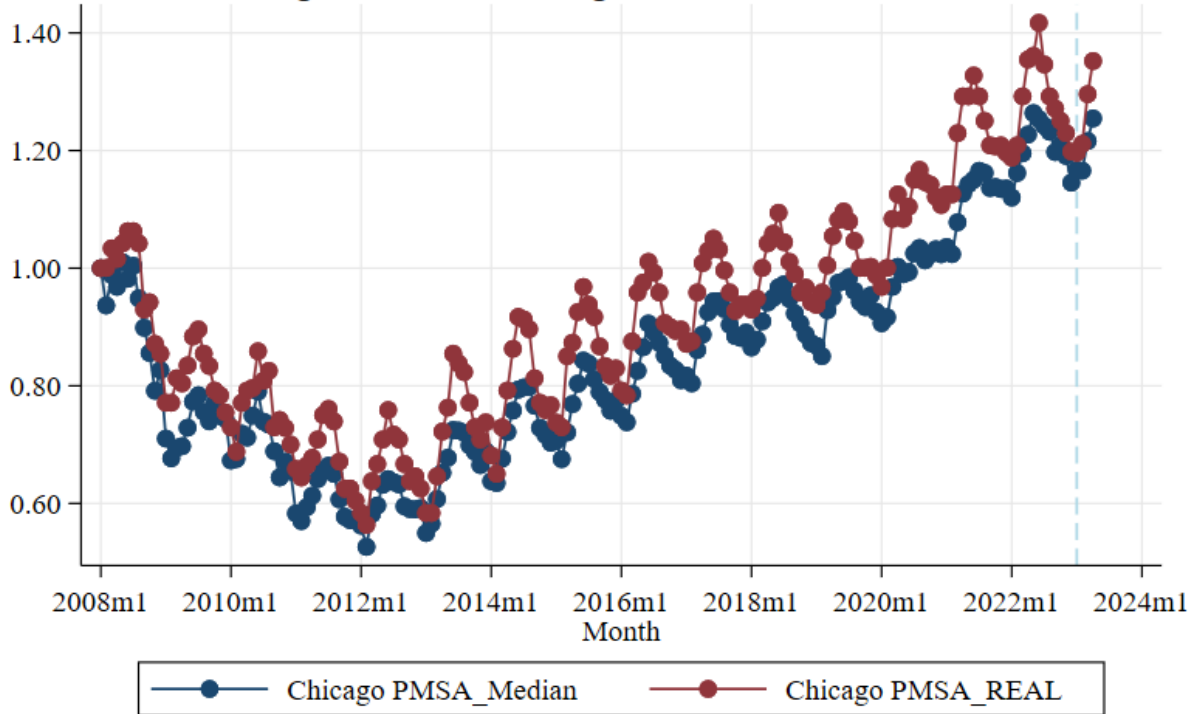


### Illinois Housing Price Index (Jan 2008=1)



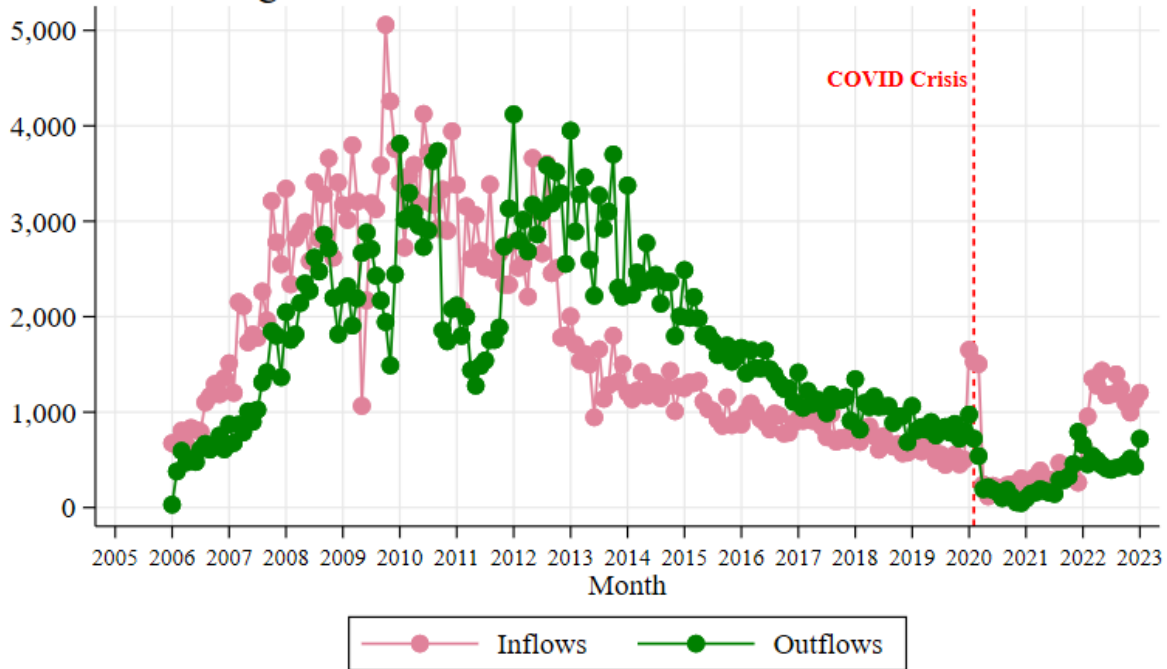
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

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



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

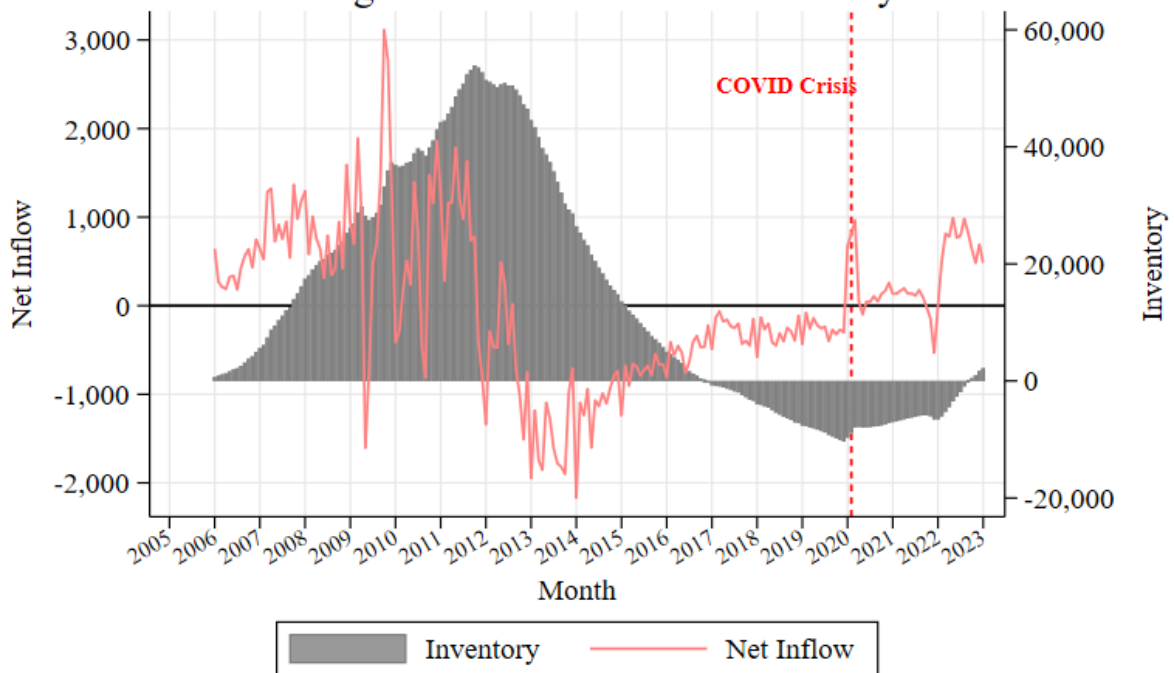
### Chicago PMSA New Foreclosure Inflows and Outflows



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

Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

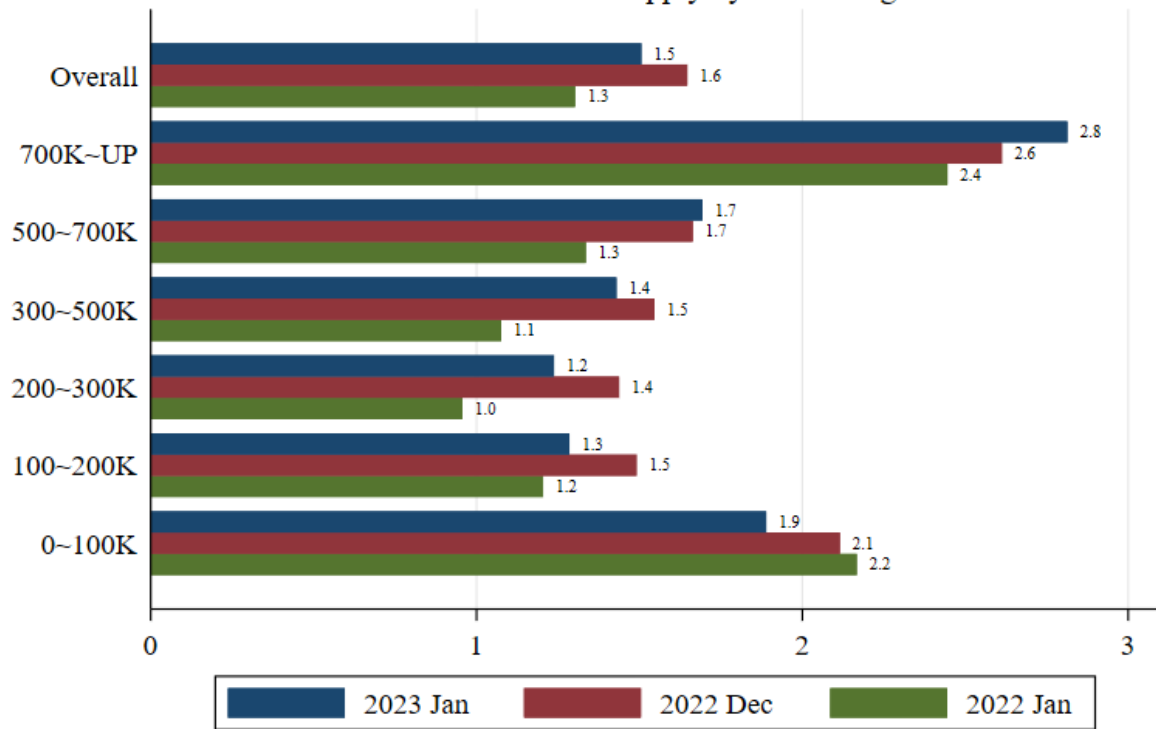
### Chicago PMSA Foreclosure Inventory



Net inflows=Inflows-Outflows

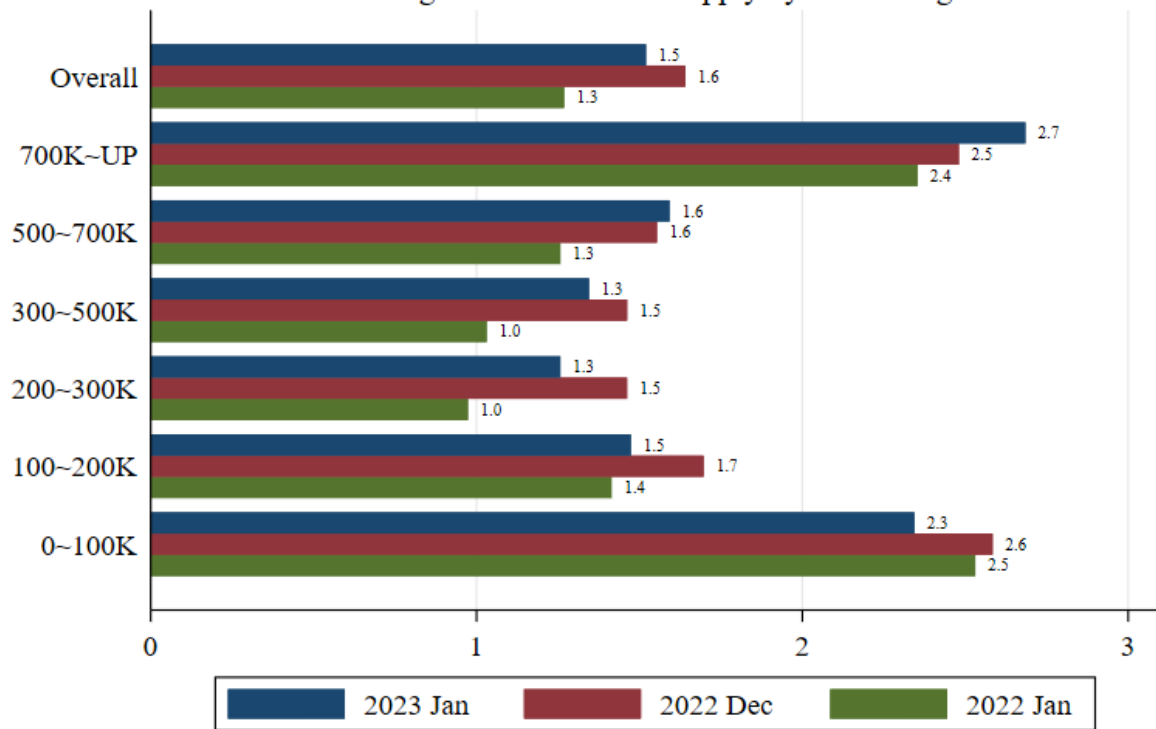
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Months' Supply by Price Range

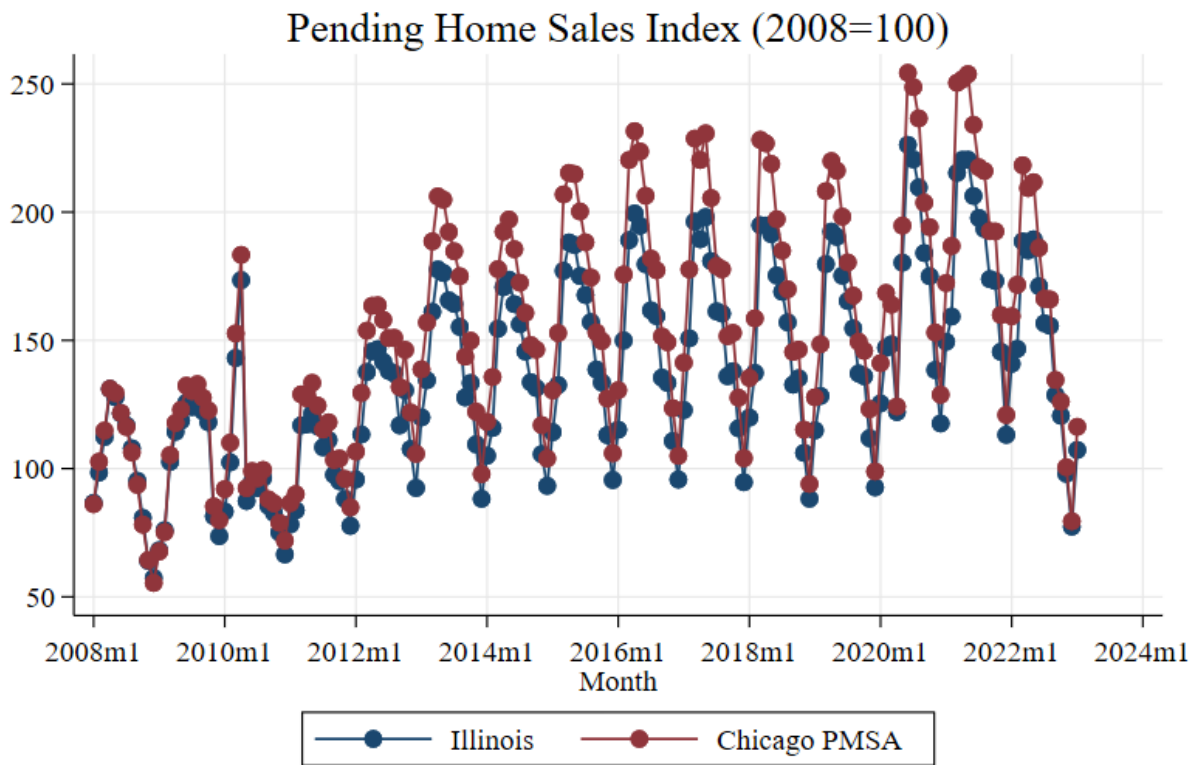


Source:University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Months' Supply by Price Range

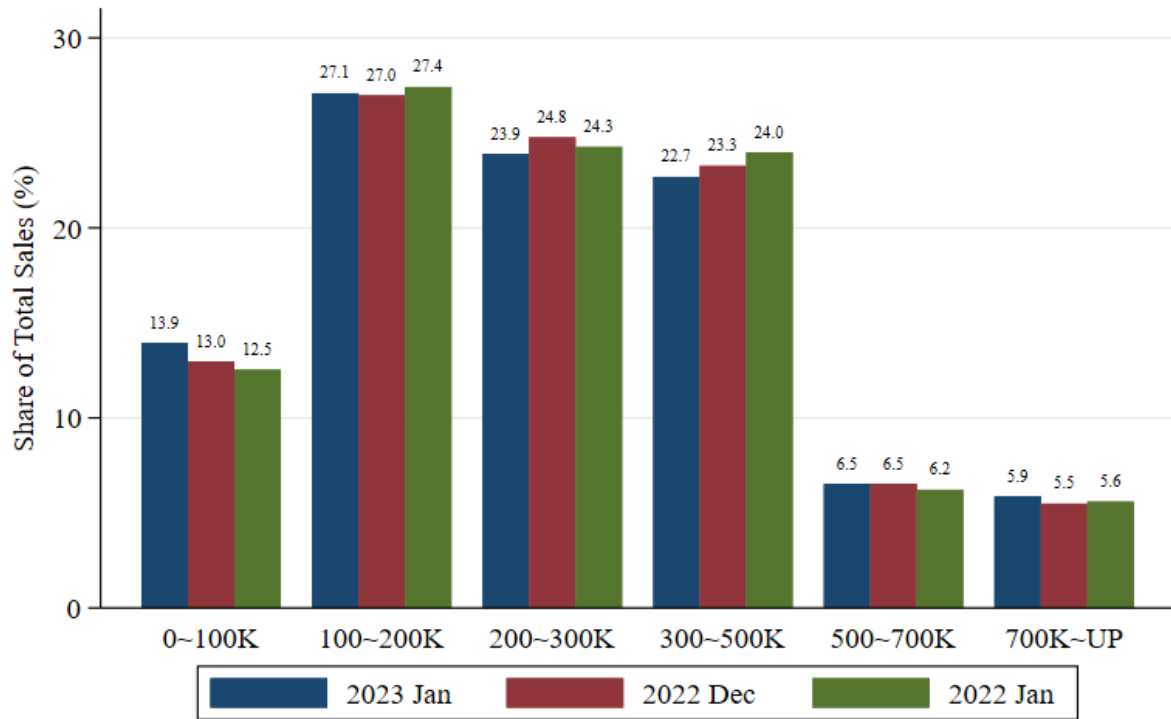


Source:University of Illinois at Chicago SHDRE, Illinois REALTORS



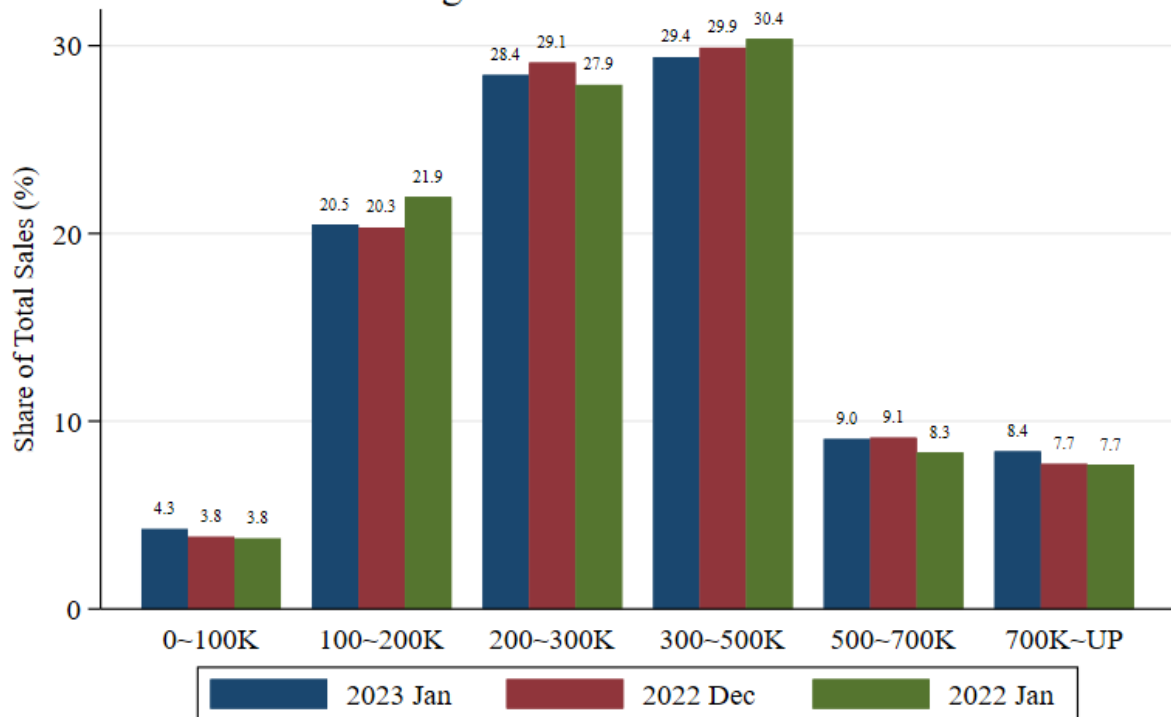
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Price Stratification



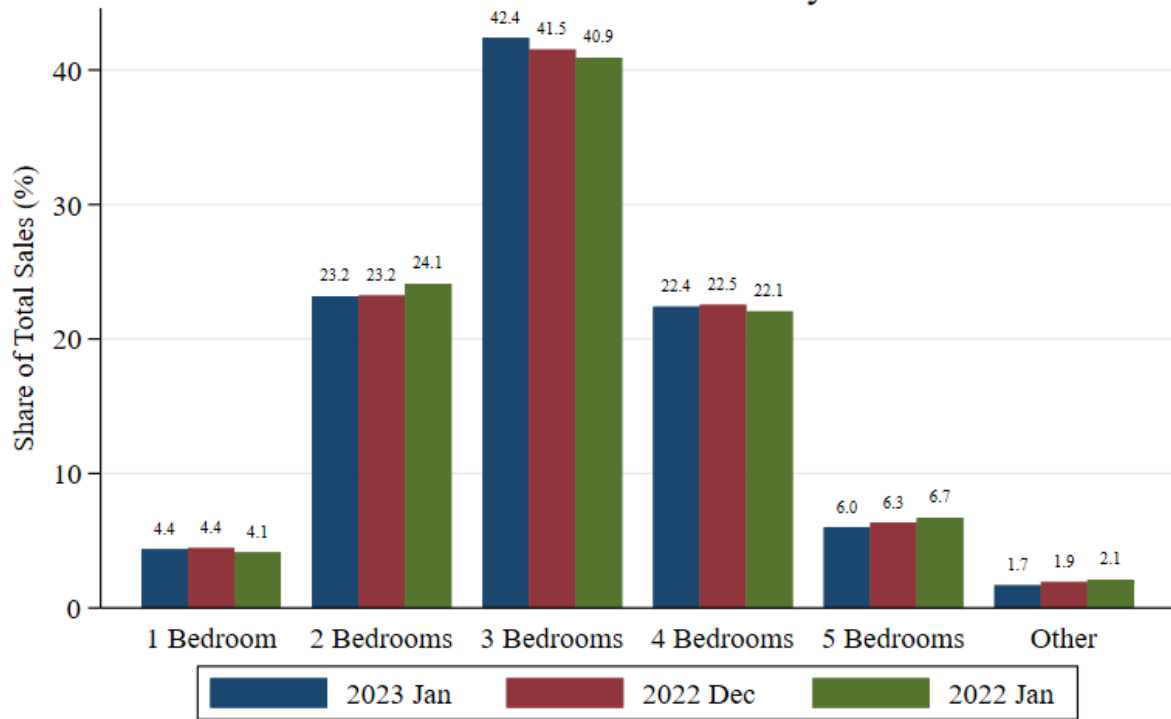
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Price Stratification



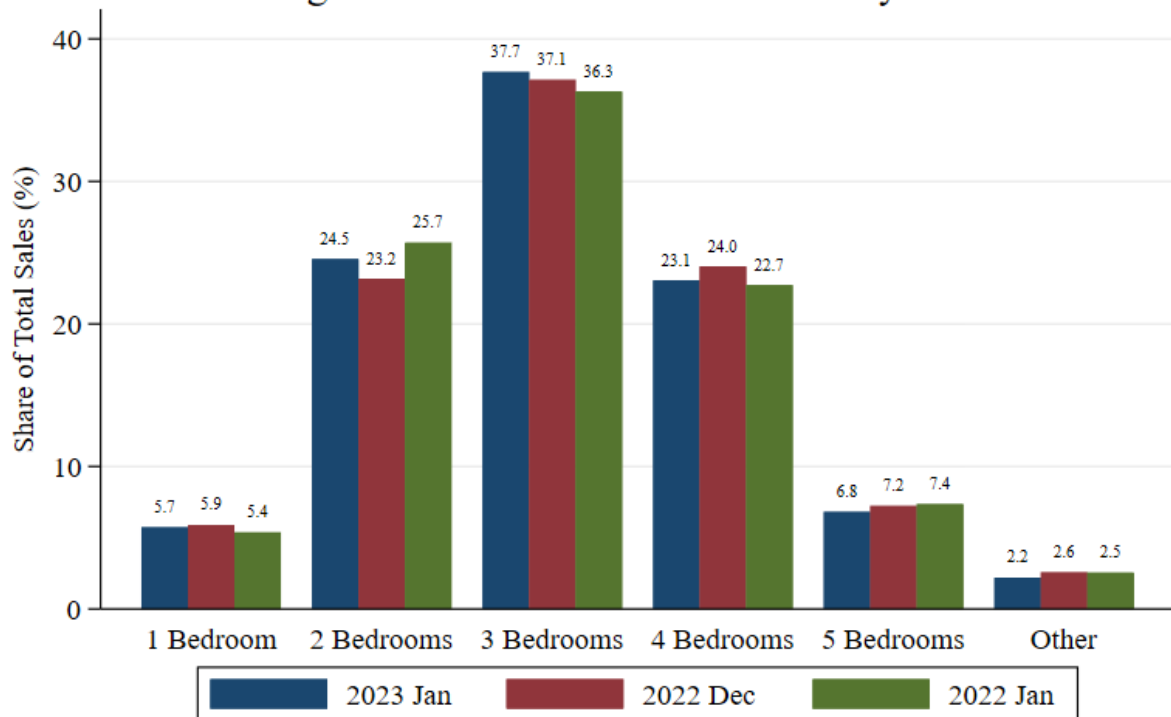
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois House Characteristics by Bedroom



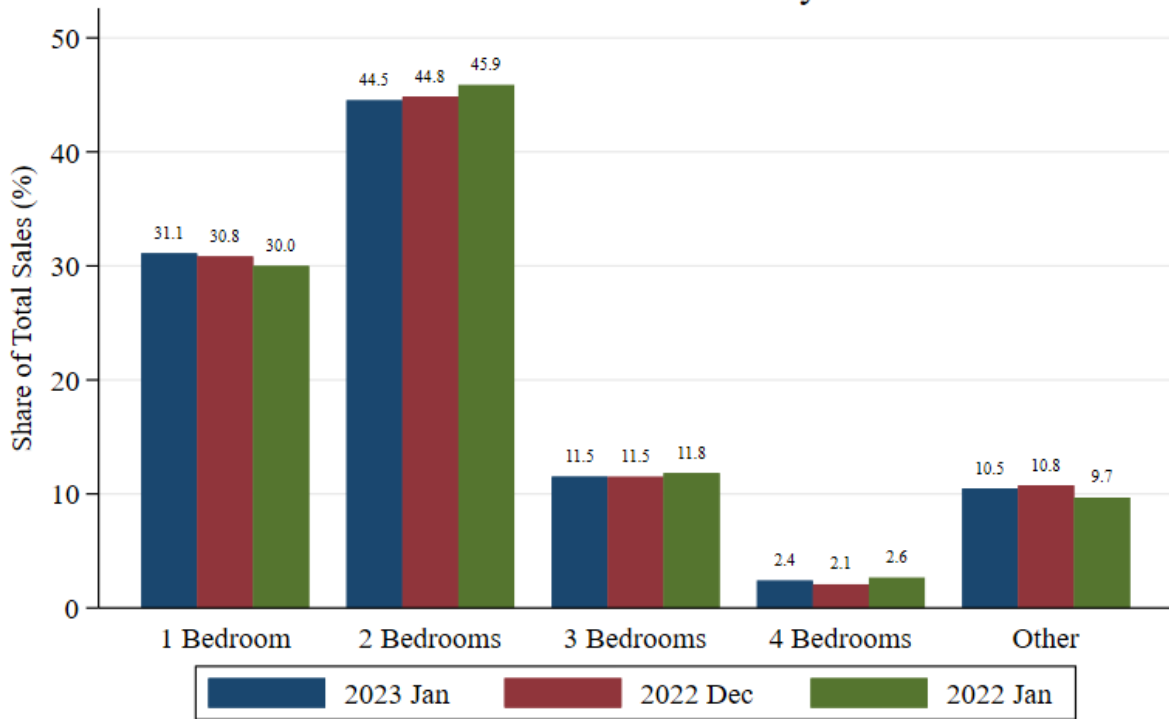
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA House Characteristics by Bedroom



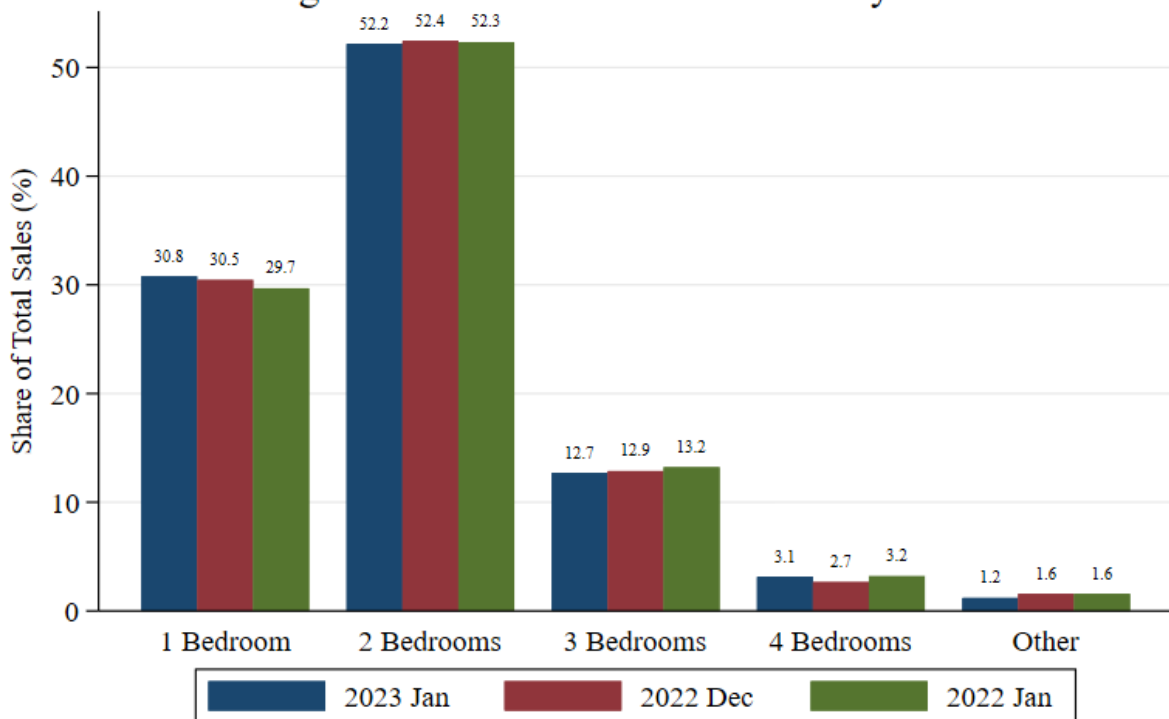
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### Illinois House Characteristics by Bathroom



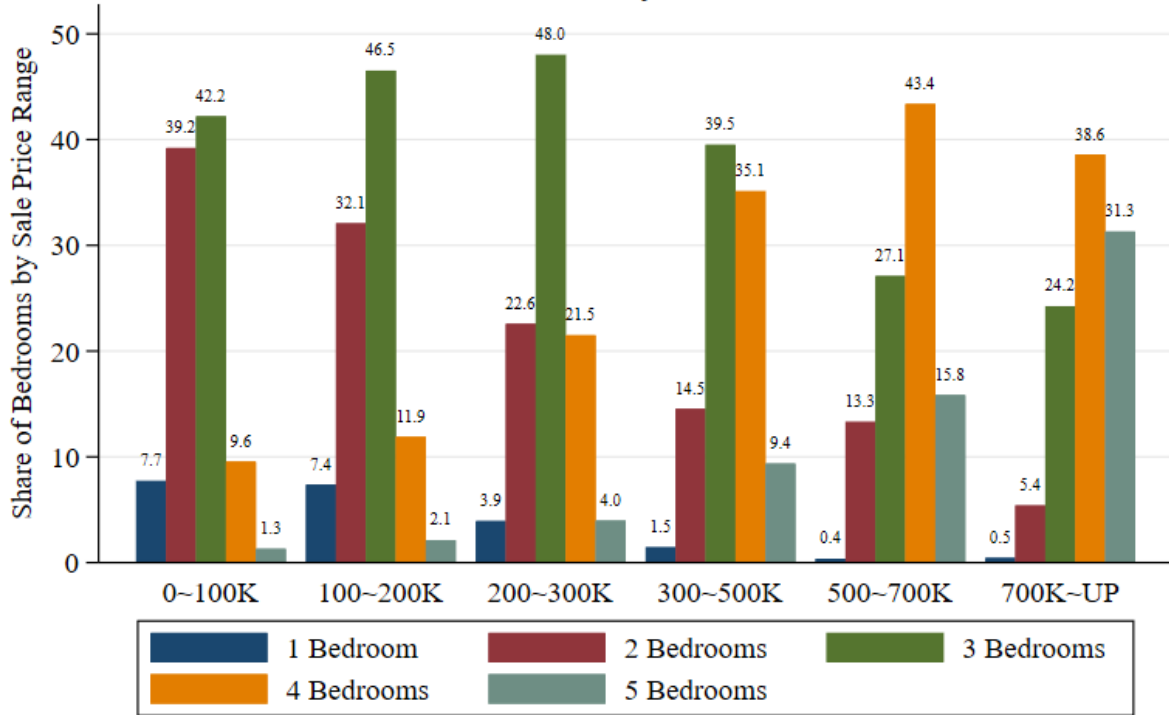
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### Chicago PMSA House Characteristics by Bathroom



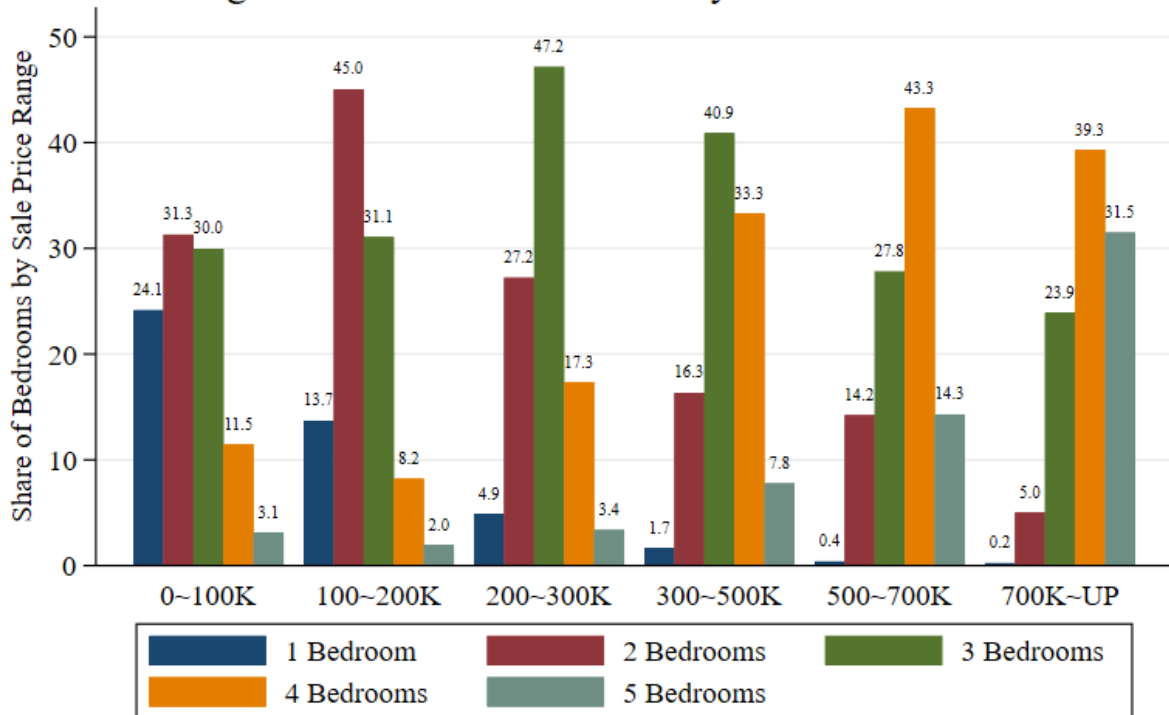
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Bedroom Shares by Sale Price Stratification



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

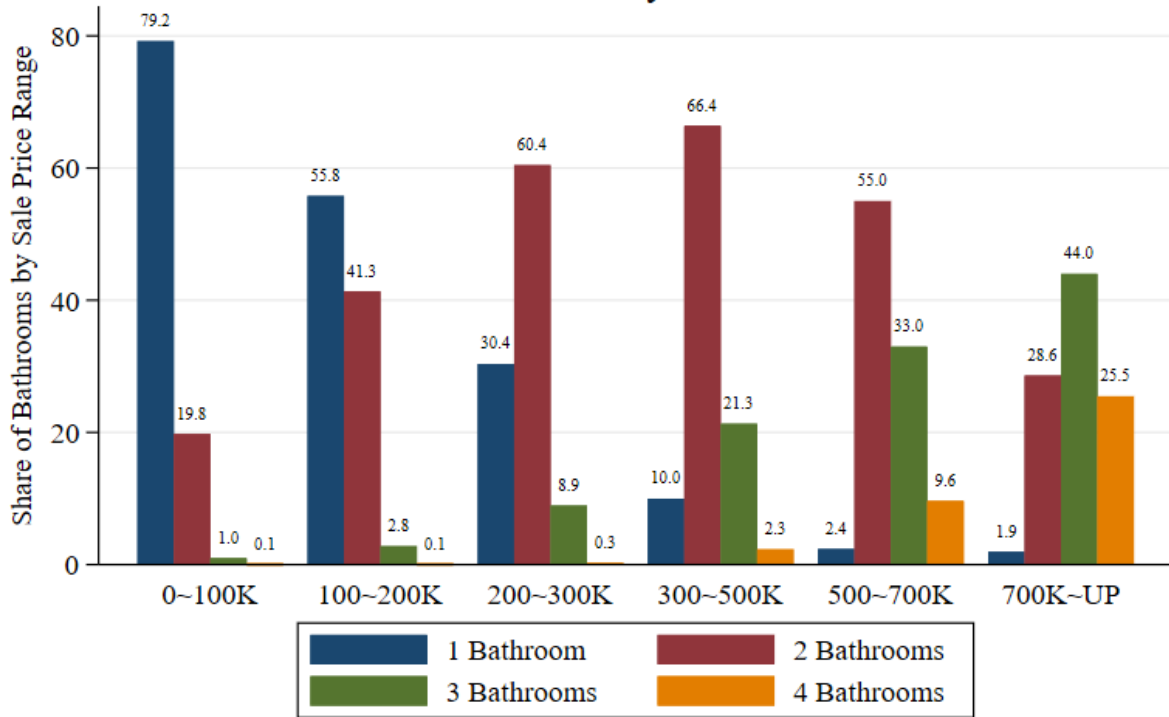
### Chicago PMSA Bedroom Shares by Sale Price Stratification



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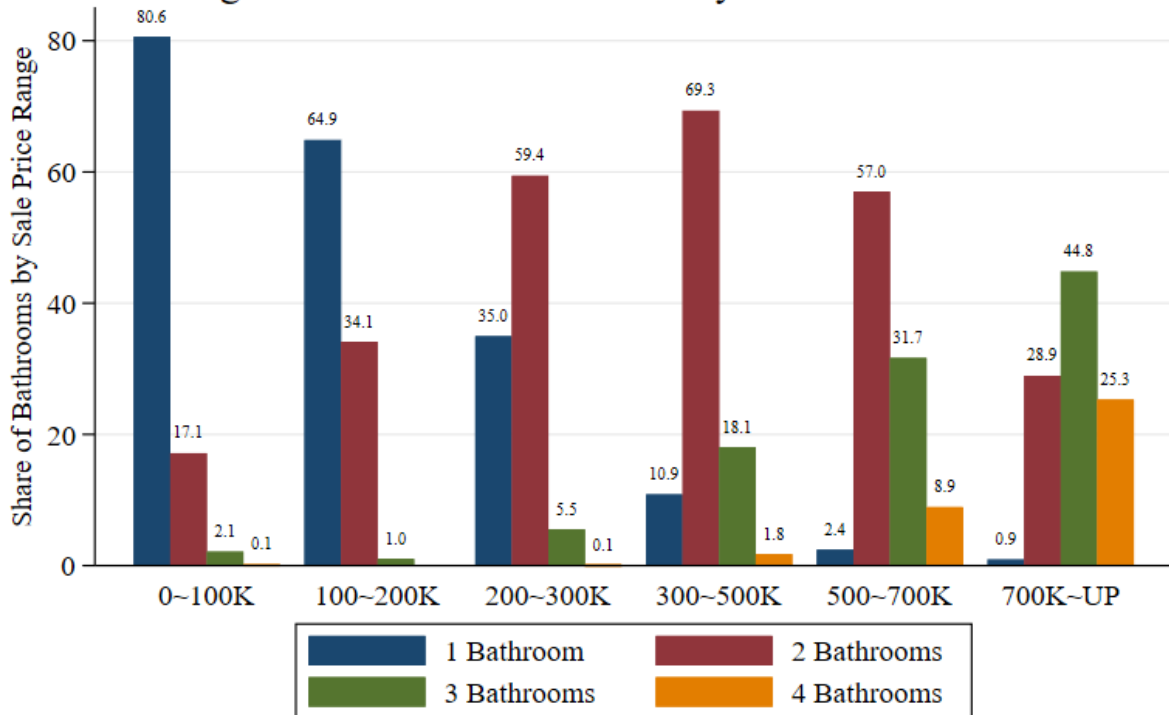


### Illinois Bathroom Shares by Sale Price Stratification



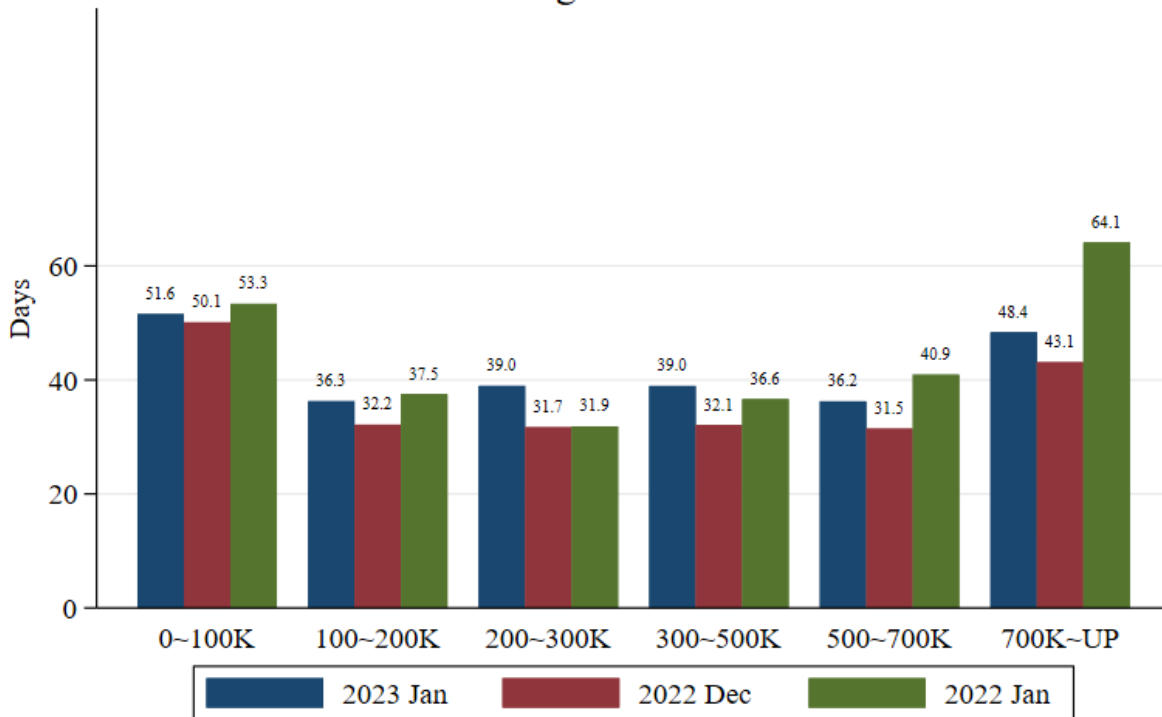
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Bathroom Shares by Sale Price Stratification



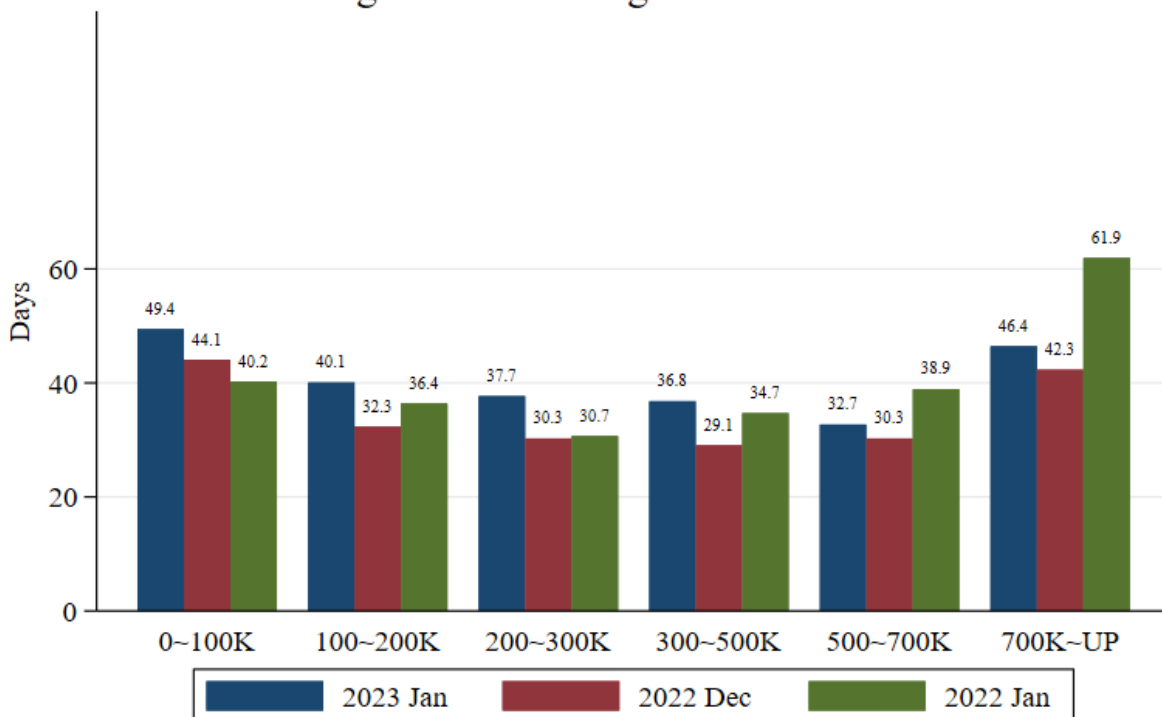
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### 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

