

Housing Price Forecasts

Illinois and Chicago PMSA, May 2023

Presented To

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From

UIC Stuart Handler Department of Real Estate

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Housing Price Forecast: Illinois and Chicago PMSA, May 2023

The Housing Market

In April, prices experienced a third consecutive month of increase starting from January. While the growth rate of sales has slowed down, both Illinois and the Chicago PMSA continue to maintain a consistent upward trajectory since January. However, sales were lower in April than the same time last year in both Illinois and the Chicago PMSA. On the other hand, median prices in both regions remained relatively stable compared to April of the previous year. 10,600 houses were sold in Illinois, changing by -30.2% from a year ago and -6.1% from a month ago. In the Chicago PMSA, 7,600 houses were sold, changing by -31.2% from a year ago and -3.7% from a month ago. The median price was \$272,250 in Illinois, increasing by 0.8% from April last year; the comparable figure for the Chicago PMSA was \$320,000, decreasing by -1.5% from April last year.

In April, the percentage of foreclosed sales (e.g. REOs) among the total sales for the Chicago PMSA was 6.5%. 7,100 regular sales were made, -33.1% less than last year. 467 foreclosed properties were sold, 15.6% more than last year. The median price was \$330,000 for regular property sales, remaining the same as in April last year; the comparable figure for the foreclosed properties was \$230,000, down -3.3% from last year.

The sales forecast for May, June, and July 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 -10.5% to -14.2%; the comparative figures for the Chicago PMSA are a decrease in the range of -12.4% to -16.7%. On a monthly basis, the three-month average sales are forecast to increase in the range of 8.4% to 11.4% for Illinois and increase in the range of 7.0% to 9.5% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings.¹ This April, the number of homes put under contract was less than last year in Illinois and the Chicago PMSA. The pending home sales index is 98.0 (2019=100) in Illinois, down -21.5% from a year ago. In the Chicago PMSA, the comparable figure is 96.6, down -23.6% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.4 months (down from 1.5 last year).² In the Chicago PMSA, the comparable figure was 1.5 months (remaining the same as in 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 mixed annual growth rates for May, June, and July in Illinois and negative growth rates in the Chicago PMSA. In Illinois, the median price is forecast to change by -0.4% in May, -1.0% in June, and 2.2% in July. For the Chicago PMSA, the comparable figures are -2.1% in May, -3.2% in June, and -0.4% in July. 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.³ In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 2.3% in May, 3.3% in June, and 4.7% in July. The comparable figures for the Chicago PMSA are 0.2% in May, 0.6% in

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.

June, and 2.6% 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 noted that consumers’ expectations on the business environment have decreased, suggesting a potential short-term recession. The University of Michigan Consumer Sentiment Index survey noted that, although customers have recognized a decrease in inflation for durable goods, they continue to anticipate that elevated inflation will last in the near term. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) increased 5.5 points to 66.8. The survey noted that the increase was driven by consumers’ more optimistic mortgage rate expectations.

The Housing Market – Current Condition

- In April, sales experienced negative annual and monthly changes in both Illinois and the Chicago PMSA. Meanwhile, median prices increased from last year in Illinois but decreased in the Chicago PMSA. 10,600 houses were sold in Illinois, changing by -30.2% from a year ago and -6.1% from a month ago. In the Chicago PMSA, 7,600 houses were sold, changing by -31.2% from a year ago and -3.7% from a month ago. The median price was \$272,250 in Illinois, increasing by 0.8% from April last year; the comparable figure for the Chicago PMSA was \$320,000, decreasing by -1.5% from April last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for May 2023 report table)
- In April, the percentage of foreclosed sales (e.g. REOs) among the total sales for the Chicago PMSA was 6.5%. 7,100 regular sales were made, -33.1% less than last year. 467 foreclosed properties were sold, 15.6% more than last year. The median price was \$330,000 for regular property sales, remaining the same as in April last year; the comparable figure for the foreclosed properties was \$230,000, down -3.3% from 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 1.4 months (down from 1.5 last year).⁴ In the Chicago PMSA, the comparable figure was 1.5 months (remaining the same as in 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 April, the market shares of homes in the mid-price ranges (\$200-300K) and the highest price ranges (\$700K+) experienced the largest change compared to a year ago for both Illinois and the Chicago PMSA. In Illinois, the market share for homes priced at \$200-300K increased to 23.9% from 22.5% a year ago. Meanwhile, the market share for homes priced higher than \$700K decreased to 7.0% from 8.4% a year ago. In the Chicago PMSA, the market share for homes priced at \$200-300K increased to 26.3% from 24.7% a year ago. Meanwhile, the market share for homes priced higher than \$700K decreased to 9.6% from 11.2% 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 mixed annual growth rates for May, June, and July in Illinois and negative growth rates in the Chicago PMSA. In Illinois, the median price is forecast to change by -0.4% in May, -1.0% in June, and 2.2% in July. For the Chicago PMSA, the comparable figures are -2.1% in May, -3.2% in June, and -0.4% in July. (Reference: Forecast for May 2023 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.⁵ In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 2.3% in May, 3.3% in June, and 4.7% in July. The comparable figures for the Chicago PMSA are 0.2% in May, 0.6% in June, and 2.6% 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 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 -10.5% to -14.2%; the comparative figures for the Chicago PMSA are a decrease in the range of -12.4% to -16.7%. On a monthly basis, the three-month average sales are forecast to increase in the range of 8.4% to 11.4% for Illinois and increase in the range of 7.0% to 9.5% for the Chicago PMSA. (Reference: Forecast for May 2023 report table)
- The pending home sales index is a leading indicator based on contract signings.⁶ This April, the number of homes put under contract was less than last year in Illinois and the Chicago PMSA. The pending home sales index is 98.0 (2019=100) in Illinois, down -21.5% from a year ago. In the Chicago PMSA, the comparable figure is 96.6, down -23.6% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In April 2023, 1,200 houses were newly filed for foreclosure in the Chicago PMSA (down -7.0% and down 10.0%, respectively, from a year and a month ago). 501 foreclosures were completed (up 3.0% and down -8.0%, respectively, from a year and a month ago).⁷ As of April 2023, there are 4,600 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 642 in the past 6 months, 746 in the last 12 months, and 461 in the previous 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In April 2023, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate changed little at 3.4%, and non-farm payroll jobs experienced a gain of 253,000 jobs. Notable job gains occurred over the month in Professional and Business Services (+43,000), Health Care (+40,000), Leisure and Hospitality (+31,000) and Social Assistance (+25,000).
- In March 2023, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rate fell -0.1% point to 4.4%. Non-farm payroll jobs increased by 7,900. The industry sectors that reported the largest over-the-month gains in

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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.

employment were: Professional and Business Services (+3,000), Leisure and Hospitality (+3,000), and Government (+1,600).

- In April 2023, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 3.47% and 3.75%, corresponding to job gain between 208,000 and 224,400. The largest contributors to the forecast increase are Information, and Financial Activities, and Construction.
- According to Bank of America's recent 2023 Homebuyer Insights Report, a survey carried out between March 29 and April 3 has shown that over half of prospective home buyers perceive the current housing market to be more competitive compared to the previous year. Additionally, the survey states that 67% of potential buyers are actively searching for homes. "The market is less frenzied as rates have moderated, and that may be impacting perception," said Matt Vernon, head of retail lending at Bank of America. "And low inventory is still creating a highly competitive environment. Homebuyers are doing the right thing by taking time to understand the market, weigh their priorities and determine what fits into their budgets."

Longer-term Outlook

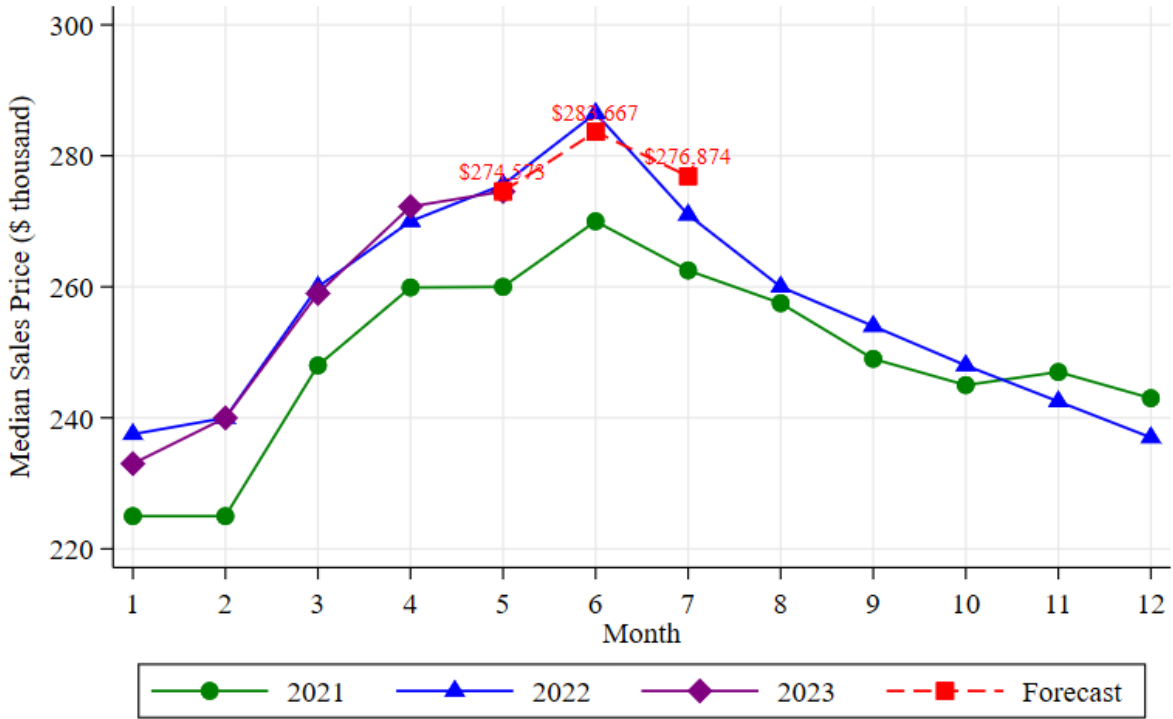
- In April, the Conference Board Consumer Confidence Index decreased whereas the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 101.3, down from 104.0 last month. The survey noted that consumers' expectations on the business environment have decreased, suggesting a potential short-term recession. The University of Michigan Consumer Sentiment Index increased to 63.5 in April from 62.0 last month. The survey noted that, although customers have recognized a decrease in inflation for durable goods, they continue to anticipate that elevated inflation will last in the near term.
- In April, the Fannie Mae Home Purchase Sentiment Index (HPSI) increased 5.5 points to 66.8. The survey noted that the increase was driven by consumers' more optimistic mortgage rate expectations. "An increased number of respondents indicated they think mortgage rates will go down over the next year," said Doug Duncan, Fannie Mae Senior Vice President and Chief Economist. "However, the bump in optimism may prove to be temporary, as consumers continue to report uncertainty about the direction of home prices."

"Although prices increased last month in both Illinois and the Chicago PMSA, the median sale price is lower this year than at the same time last year in the Chicago area" said Dr. Daniel McMillen, head of the Stuart Handler Department of Real Estate (SHDRE) at the University of Illinois at Chicago College of Business Administration. The number of sales remains significantly lower than at this time last year. "Our forecast is for the number of sales to increase in June, but to continue to be lower than last year's levels. We also expect prices to increase next month, but to remain lower than last year's level in the Chicago."

Forecast for May 2023 Report

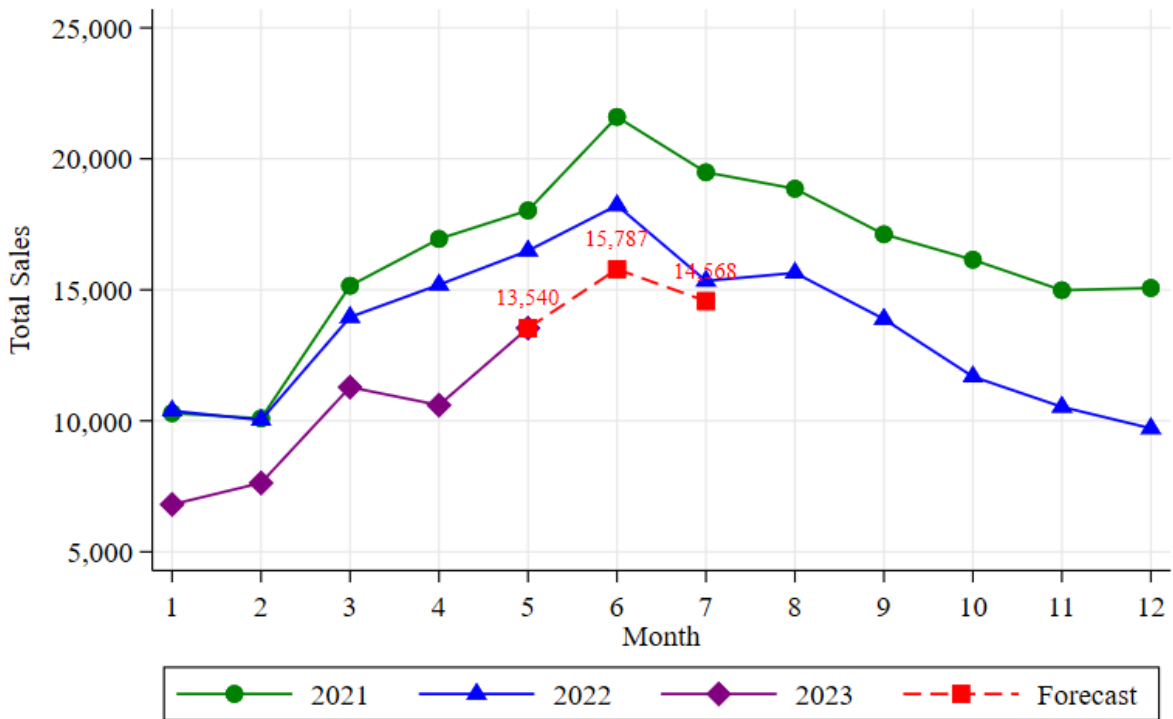
PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES						
	Annual			Monthly		
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Feb-23	-23.9%	-28.1%		12.1%	13.5%	
Mar-23	-19.2%	-21.4%		47.9%	55.2%	
Apr-23	-30.2%	-31.2%		-6.1%	-3.7%	
3 Month Avg.	-24.7%	-26.9%		14.7%	17.9%	
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES						
	Annual				Monthly	
	Illinois		Chicago PMSA		Illinois	Chicago PMSA
May-23	-15.2%	-20.6%	-18.4%	-24.9%	23.6%	31.9%
Jun-23	-11.4%	-15.4%	-12.6%	-17.1%	14.1%	19.1%
Jul-23	-4.3%	-5.8%	-5.3%	-7.1%	-6.6%	-8.9%
3 Month Avg.	-10.5%	-14.2%	-12.4%	-16.7%	8.4%	11.4%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE						
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Feb-23	\$240,000	\$290,000	Feb-22	\$240,000	\$290,000	
Mar-23	\$259,000	\$310,000	Mar-22	\$260,000	\$310,000	
Apr-23	\$272,250	\$320,000	Apr-22	\$270,000	\$325,000	
May-23	\$274,573	\$320,129	May-22	\$275,590	\$326,950	
Jun-23	\$283,667	\$329,000	Jun-22	\$286,500	\$340,000	
Jul-23	\$276,874	\$321,644	Jul-22	\$271,000	\$323,000	
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE						
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Feb-23	0.0%	0.0%	Feb-22	6.7%	7.4%	
Mar-23	-0.4%	0.0%	Mar-22	4.8%	5.1%	
Apr-23	0.8%	-1.5%	Apr-22	3.9%	4.8%	
May-23	-0.4%	-2.1%	May-22	6.0%	5.5%	
Jun-23	-1.0%	-3.2%	Jun-22	6.1%	6.8%	
Jul-23	2.2%	-0.4%	Jul-22	3.2%	4.2%	

Illinois Median Home Sales Price



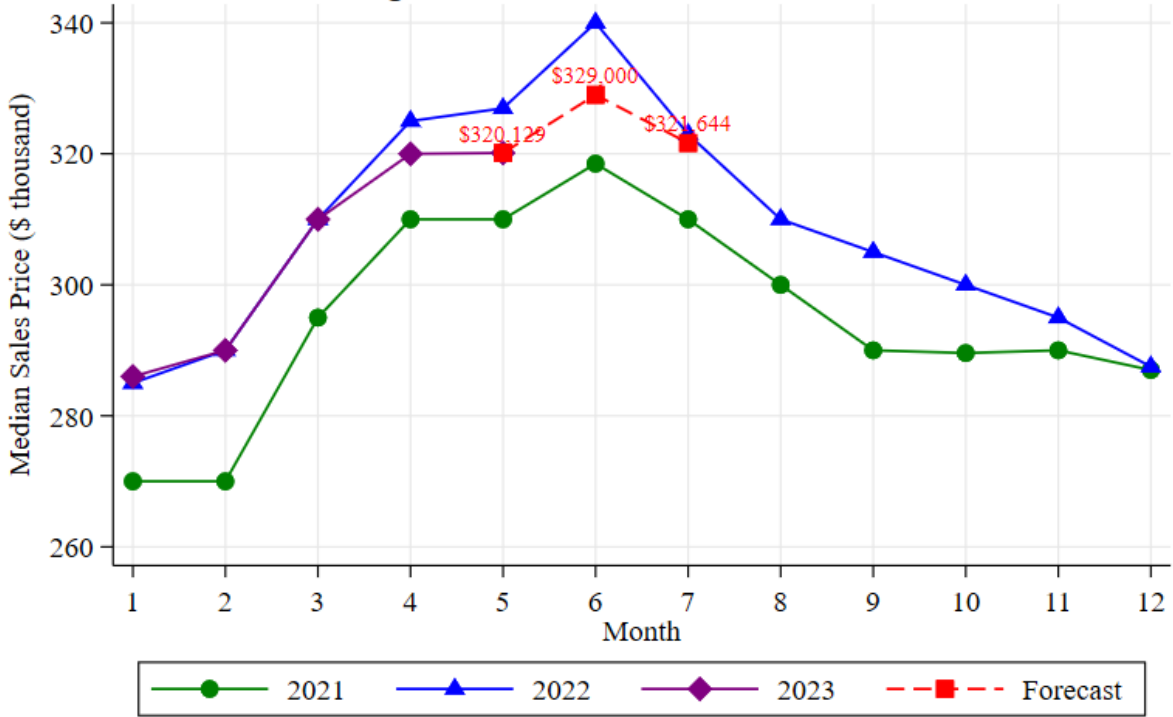
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Total Home Sales



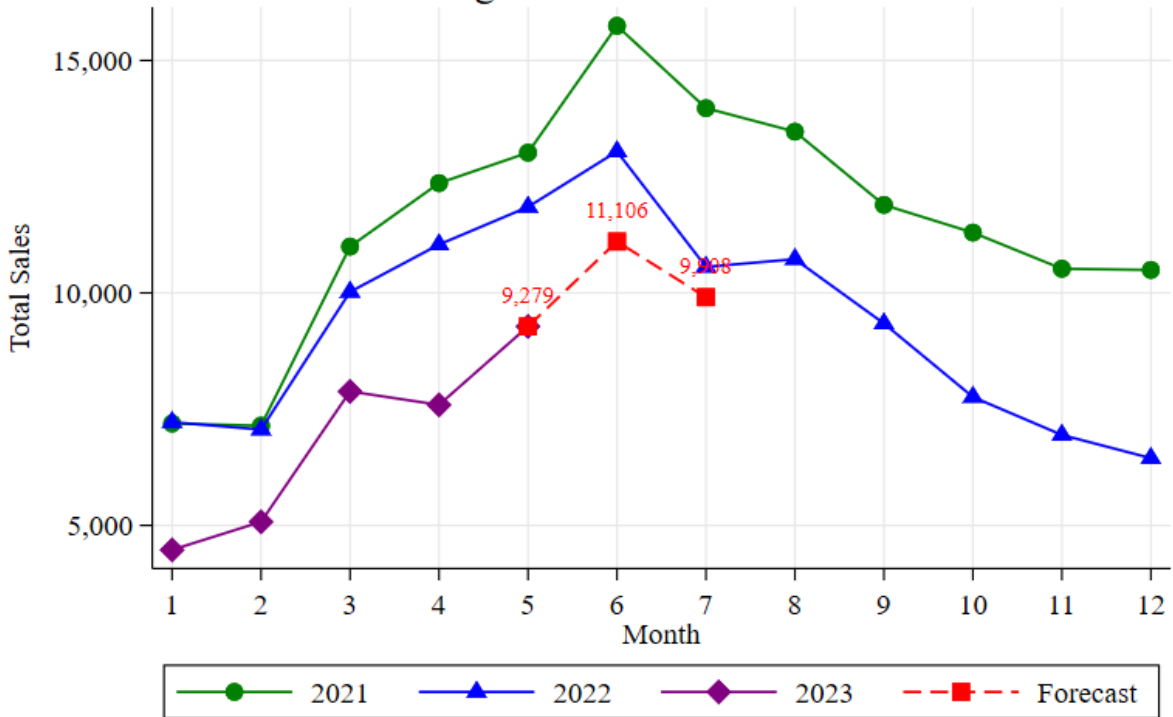
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Median Home Sales Price



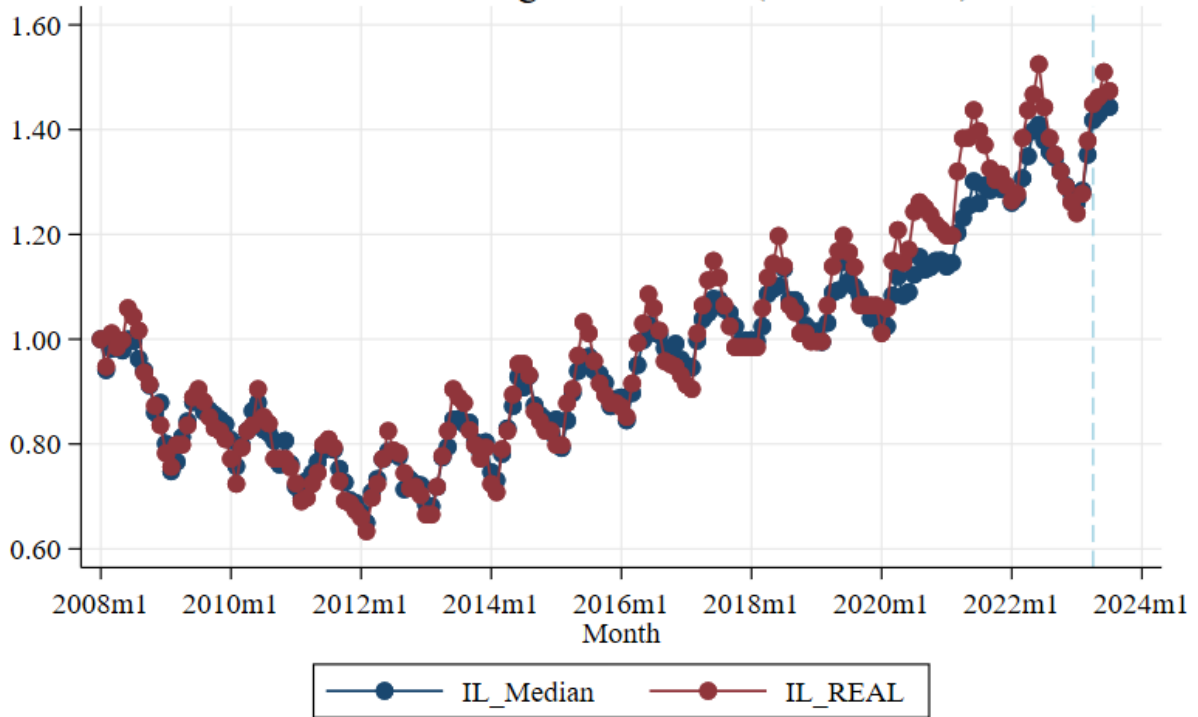
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Total Home Sales



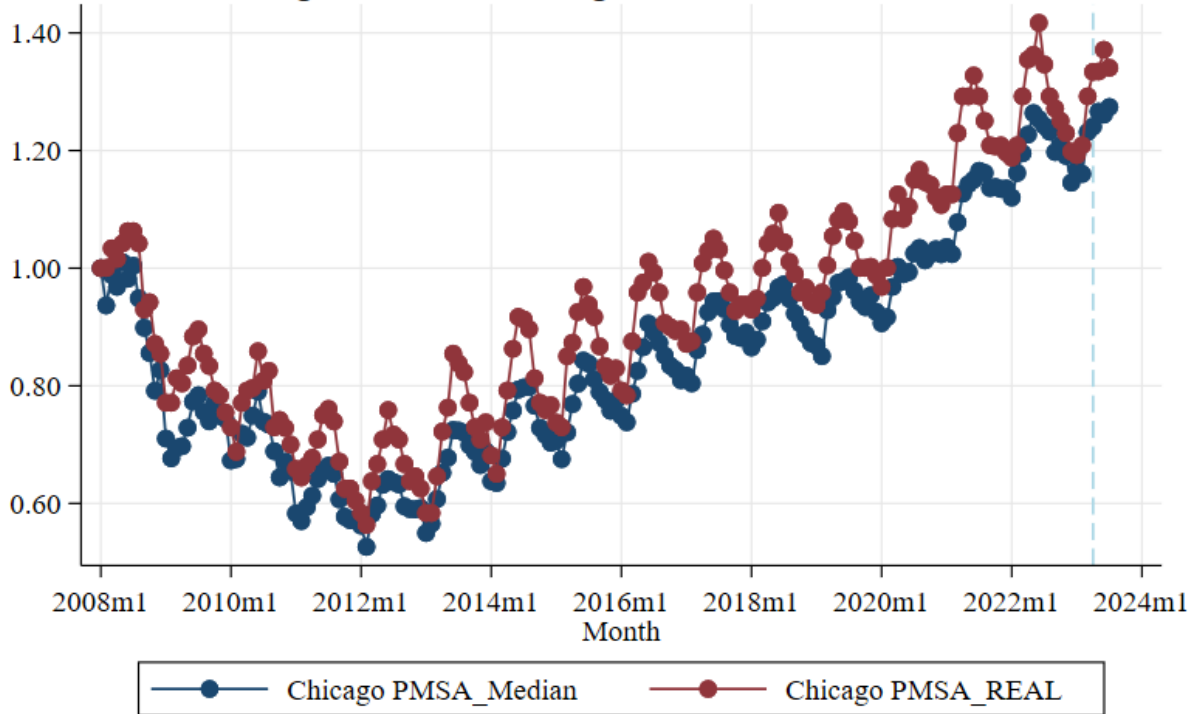
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Housing Price Index (Jan 2008=1)



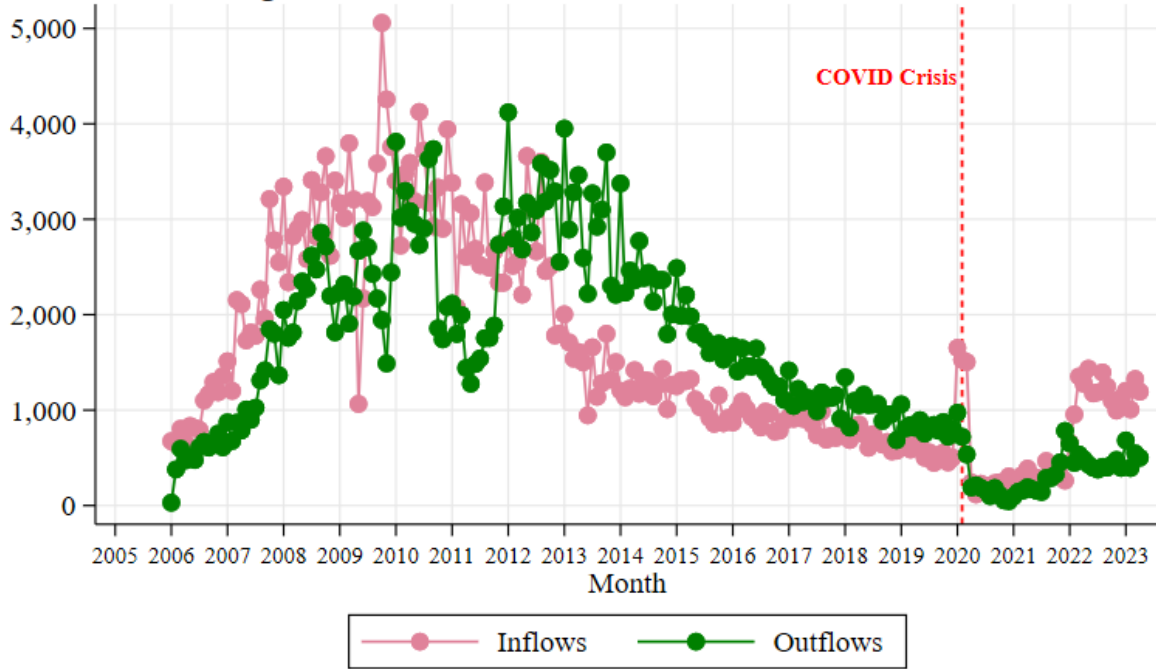
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Housing Price Index (Jan 2008=1)



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

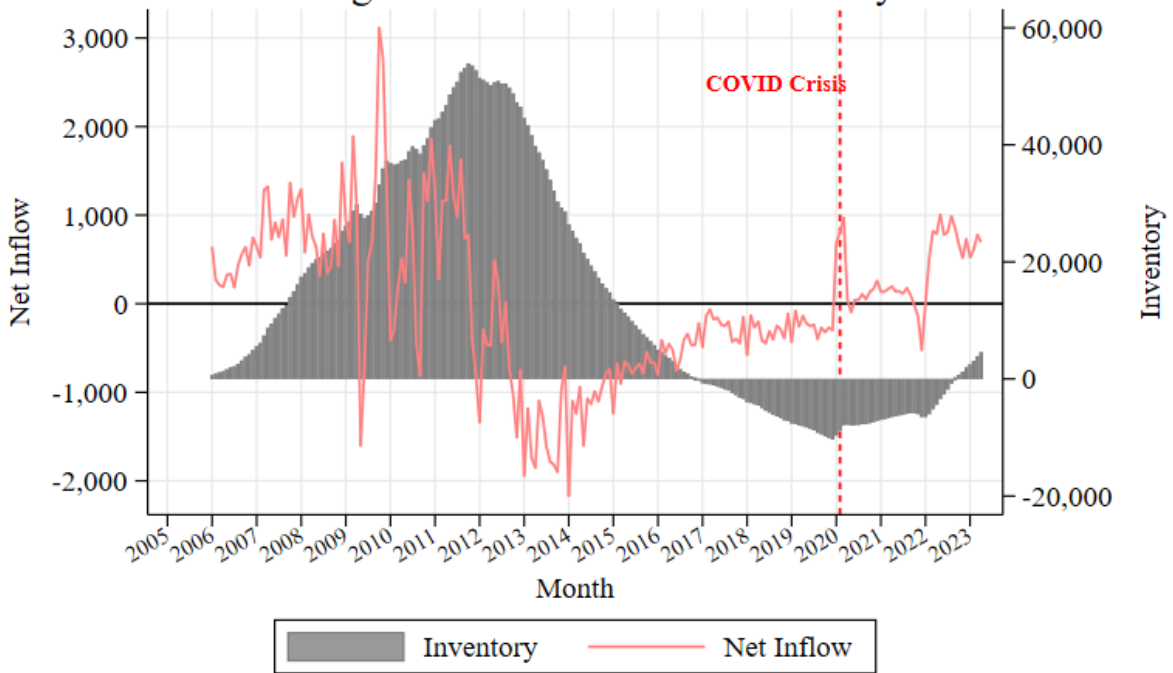
Chicago PMSA New Foreclosure Inflows and Outflows



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

Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

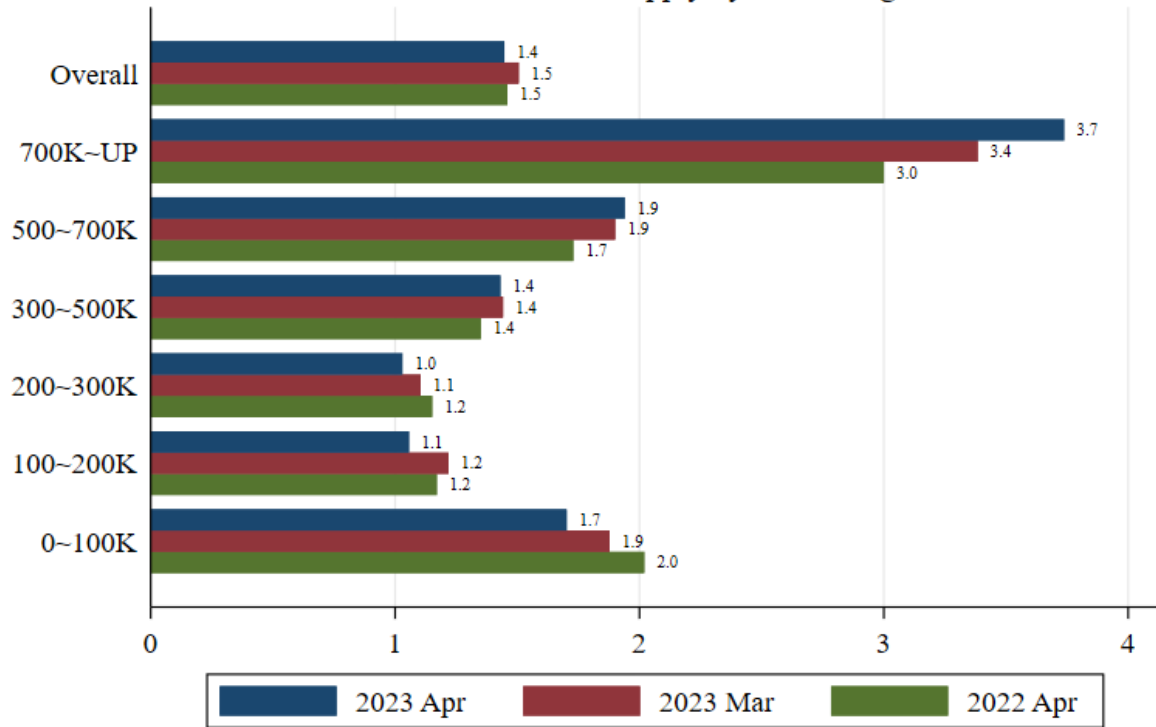
Chicago PMSA Foreclosure Inventory



Net inflows=Inflows-Outflows

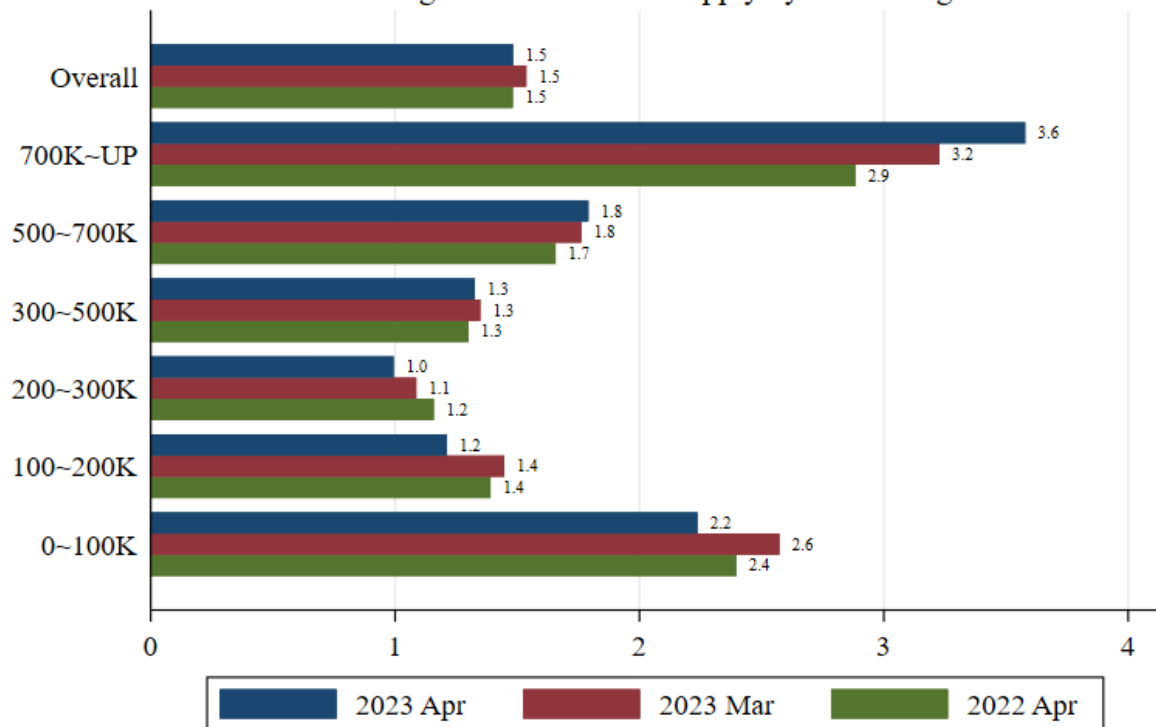
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Months' Supply by Price Range

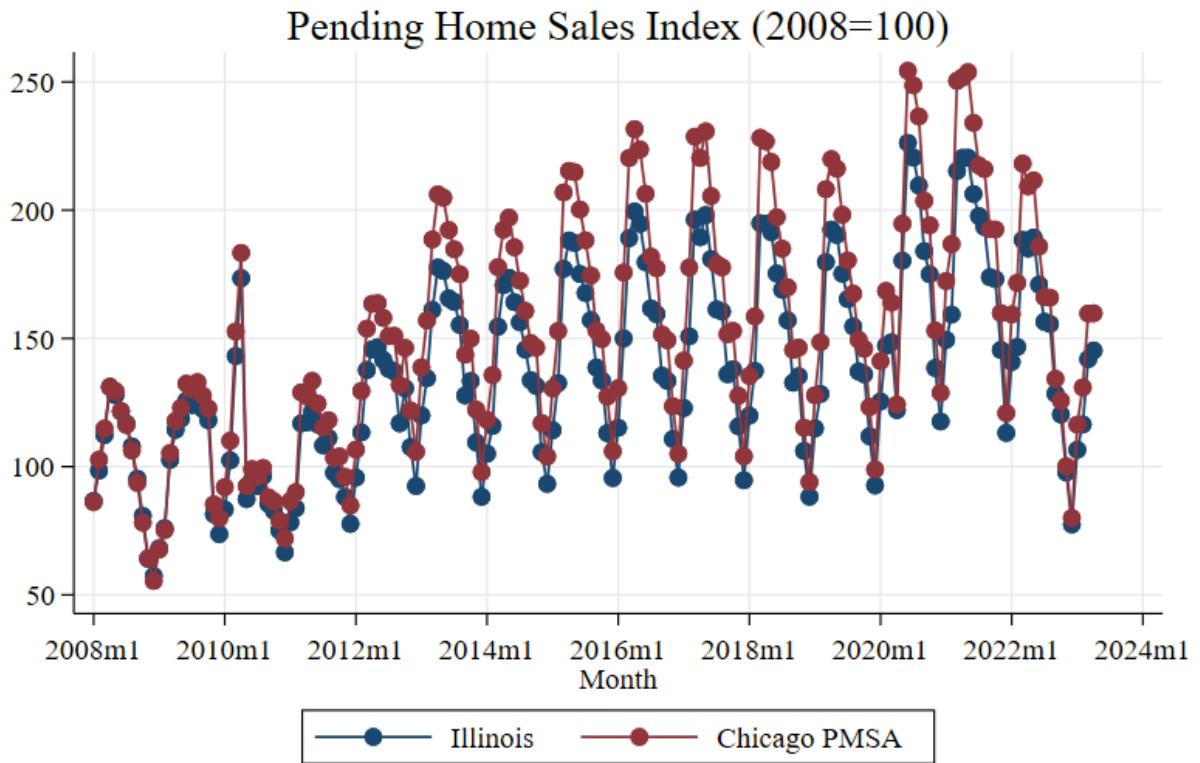


Source:University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Months' Supply by Price Range

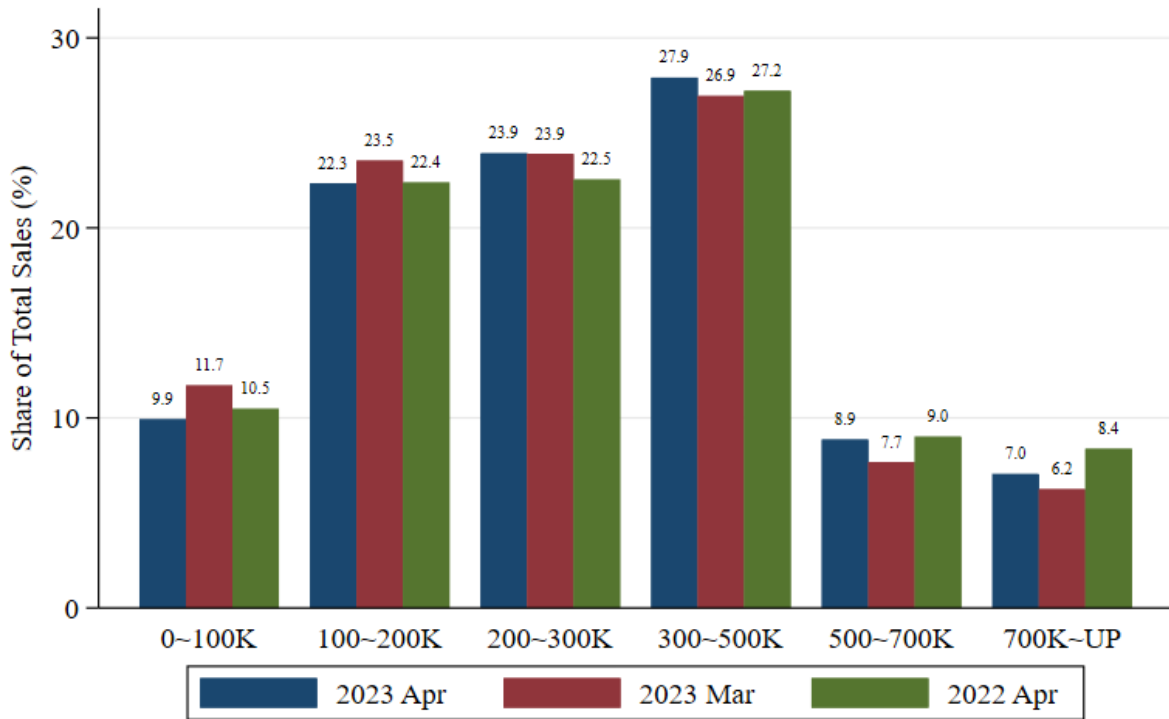


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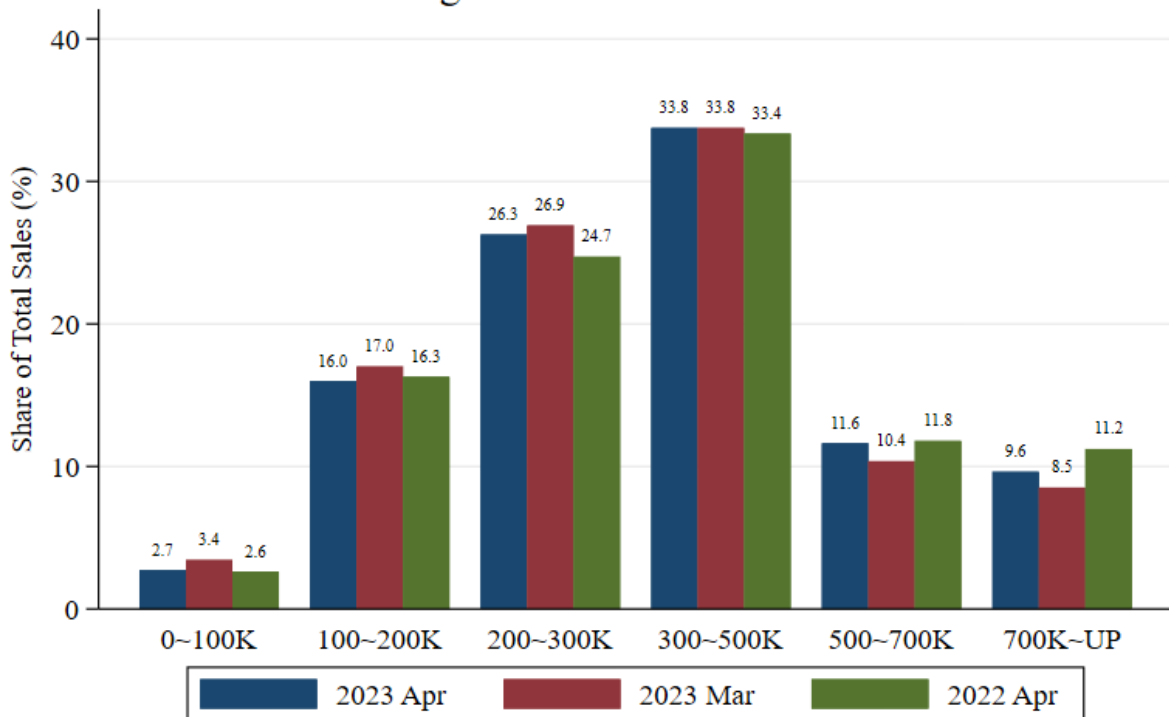
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Price Stratification



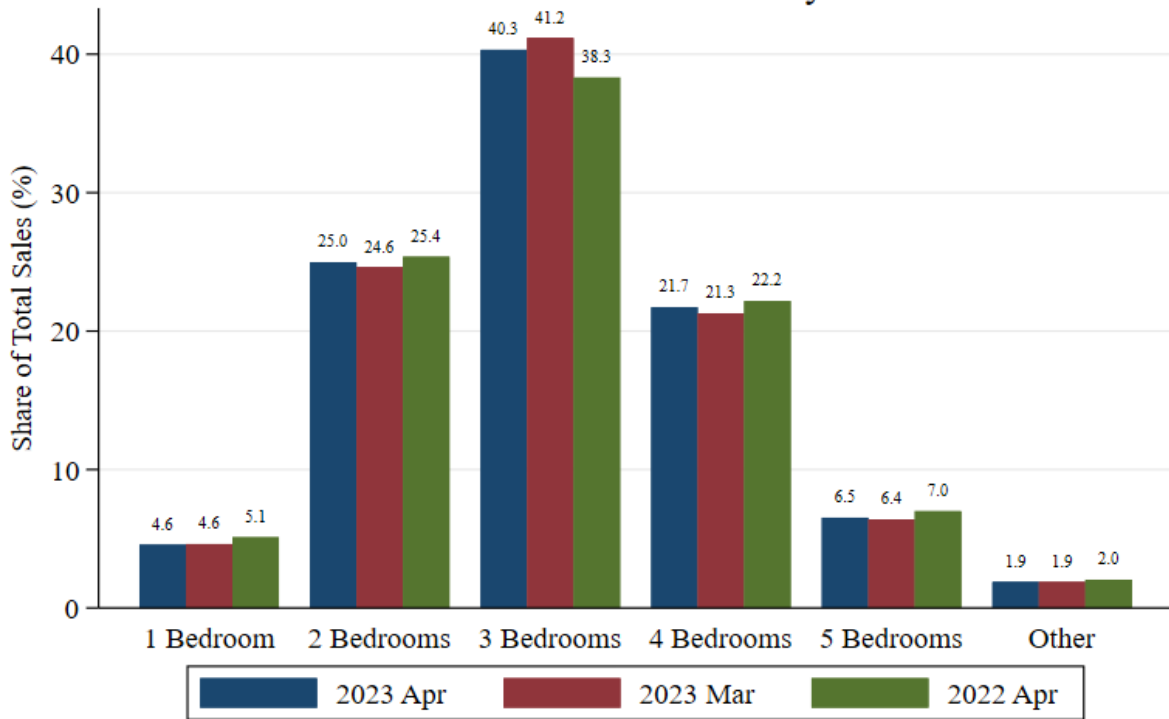
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Price Stratification



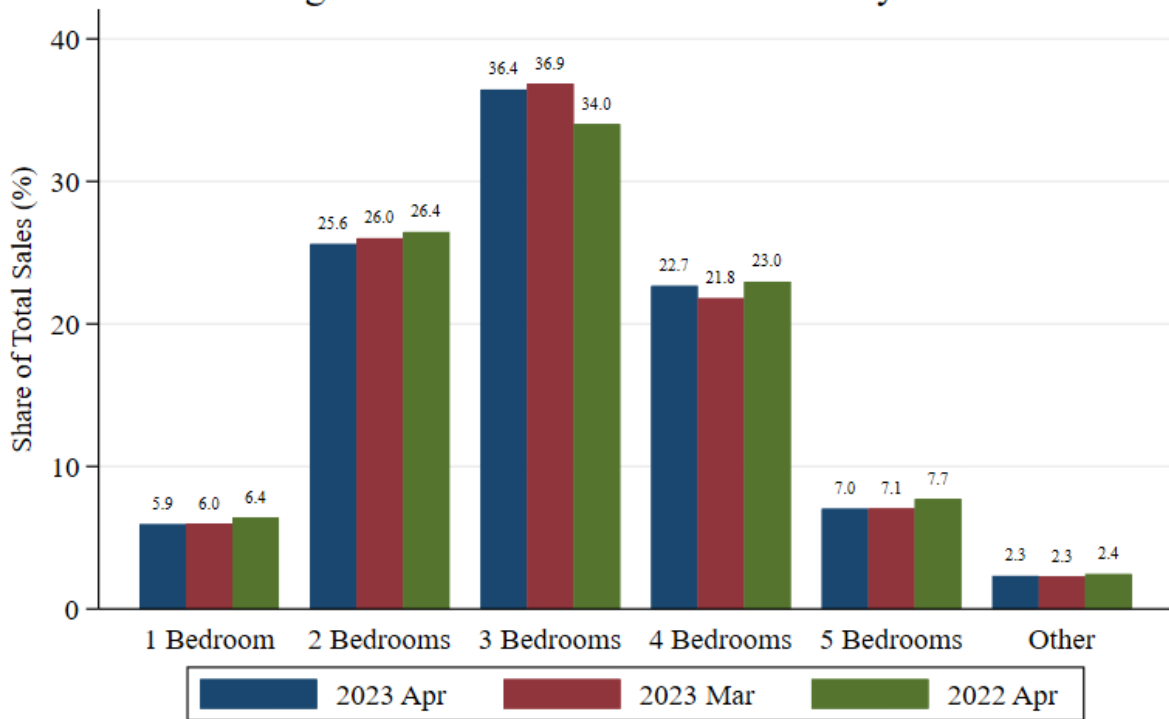
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois House Characteristics by Bedroom



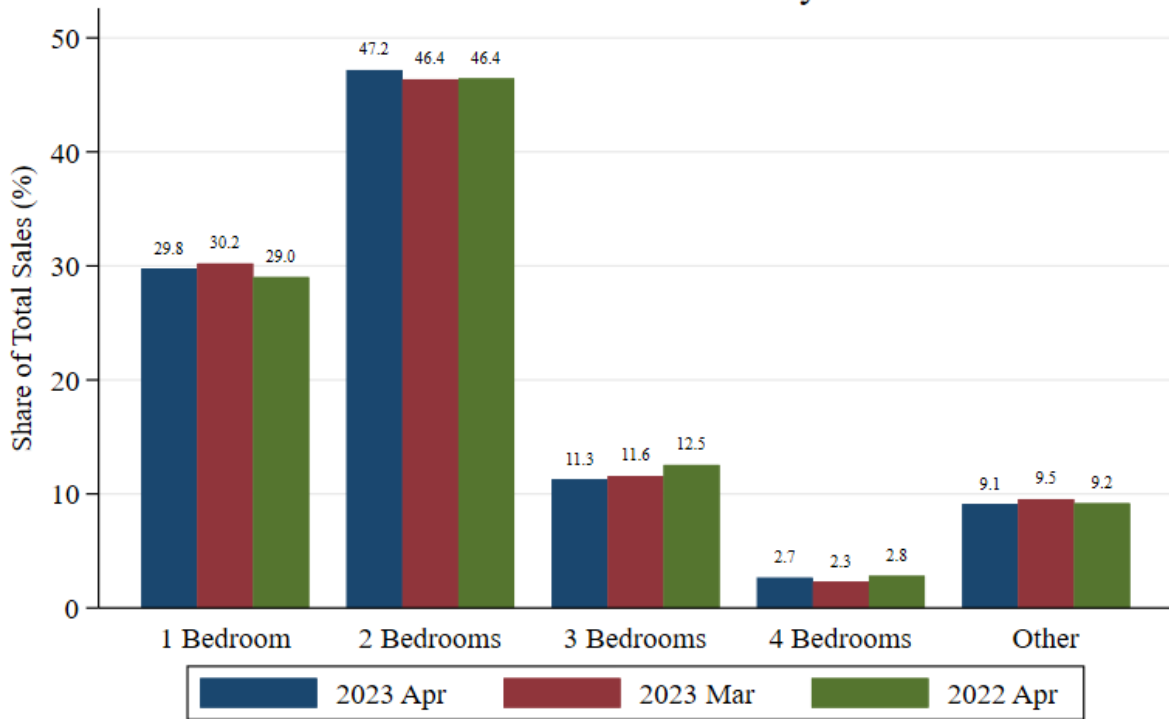
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA House Characteristics by Bedroom



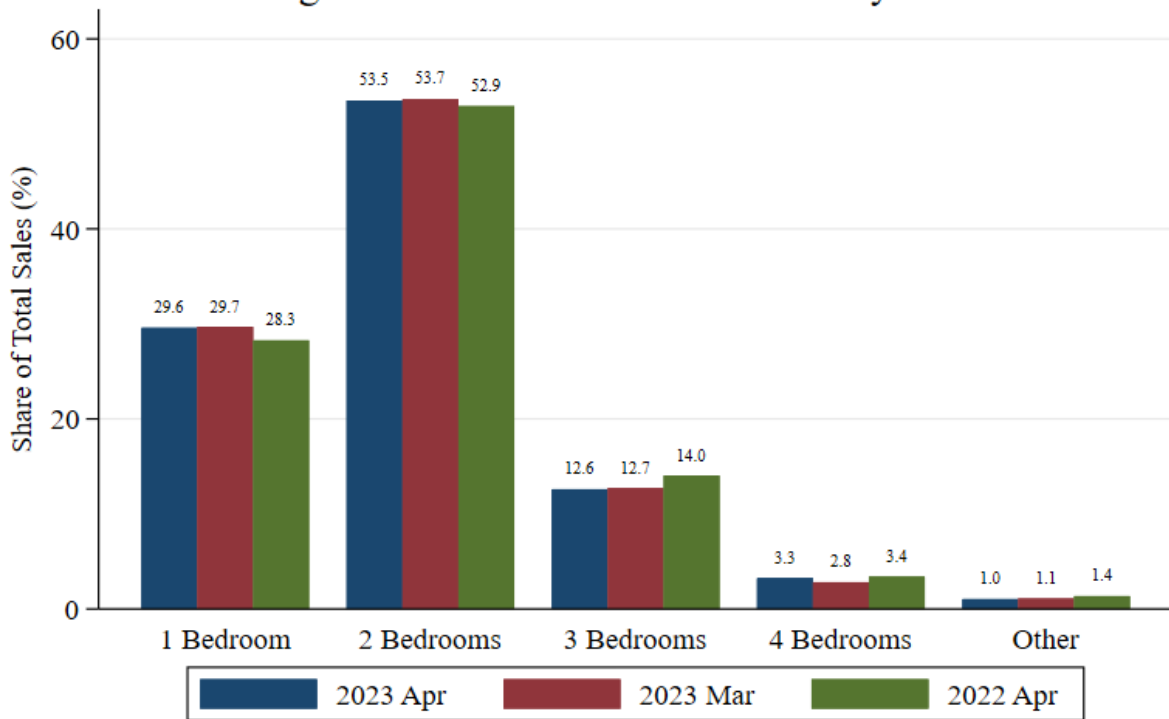
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois House Characteristics by Bathroom



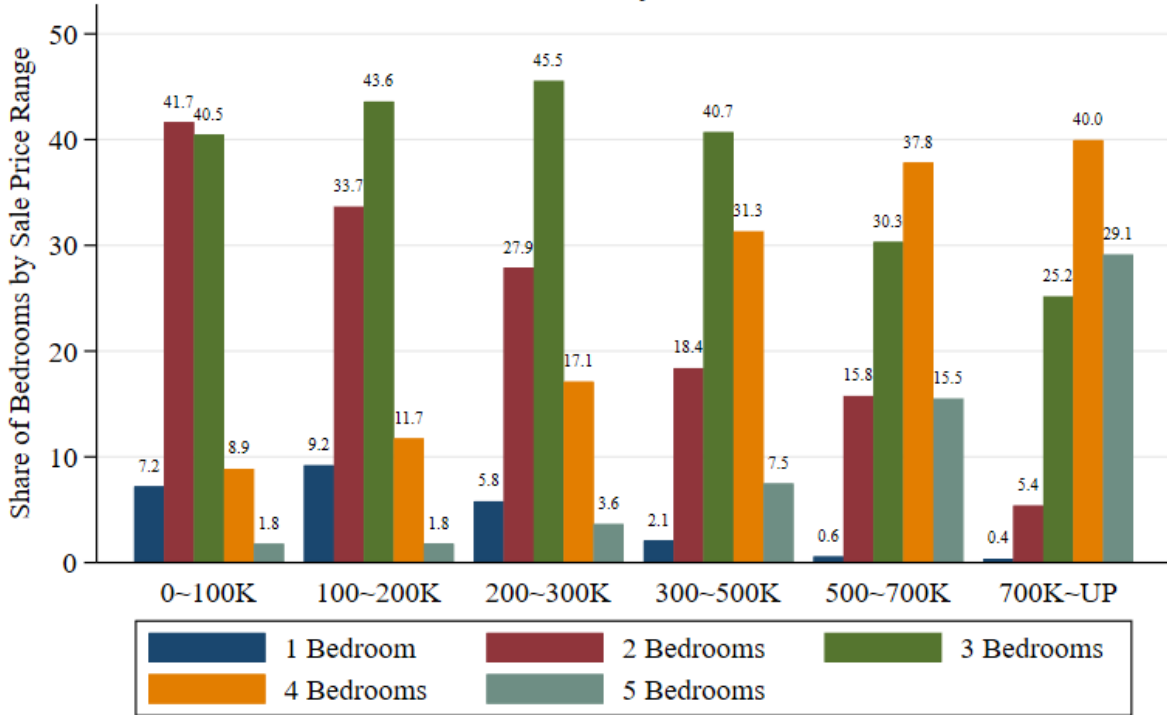
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA House Characteristics by Bathroom



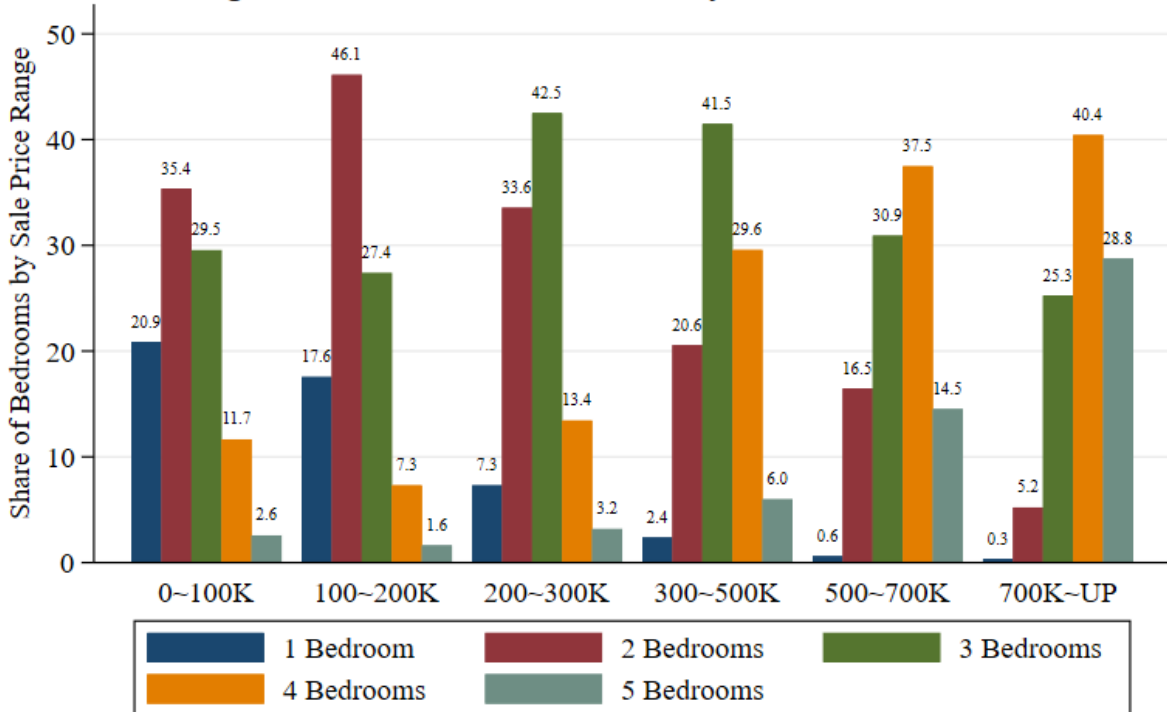
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Bedroom Shares by Sale Price Stratification



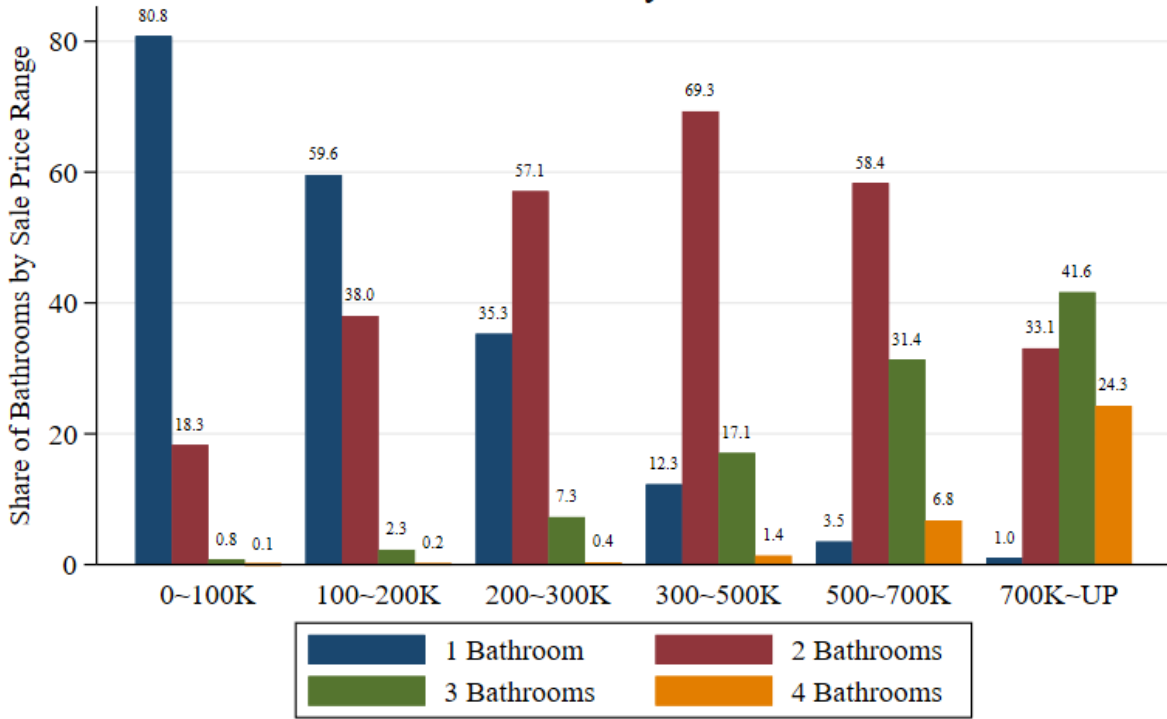
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Bedroom Shares by Sale Price Stratification



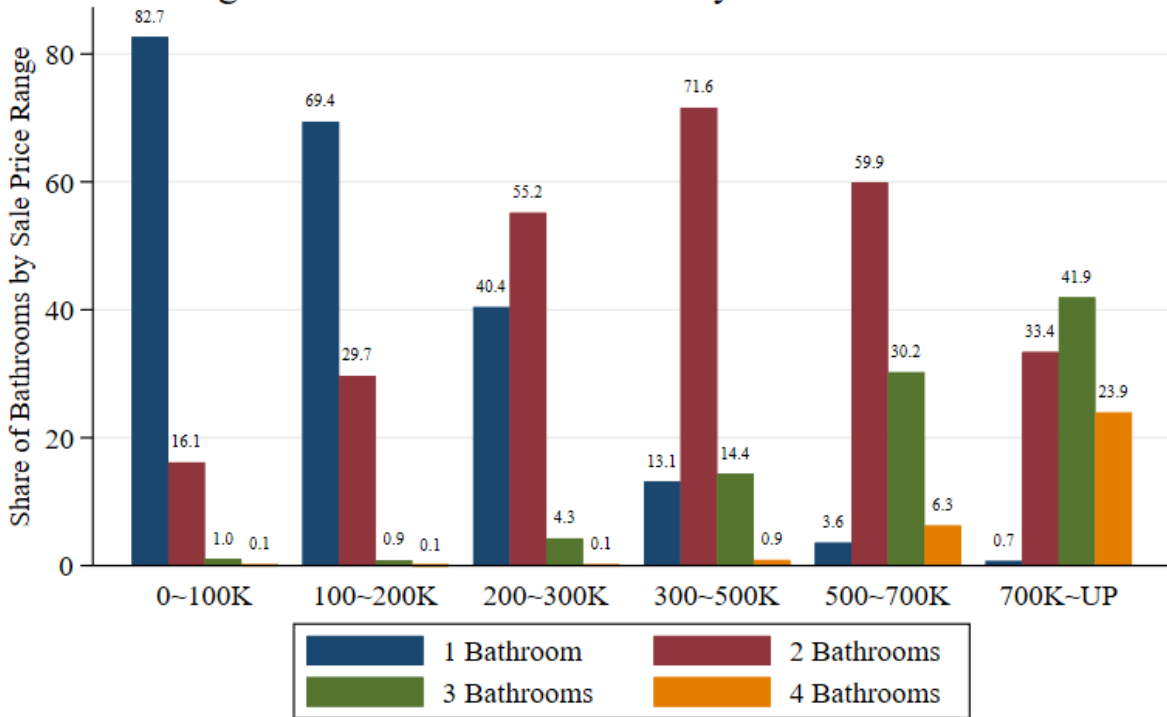
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Bathroom Shares by Sale Price Stratification



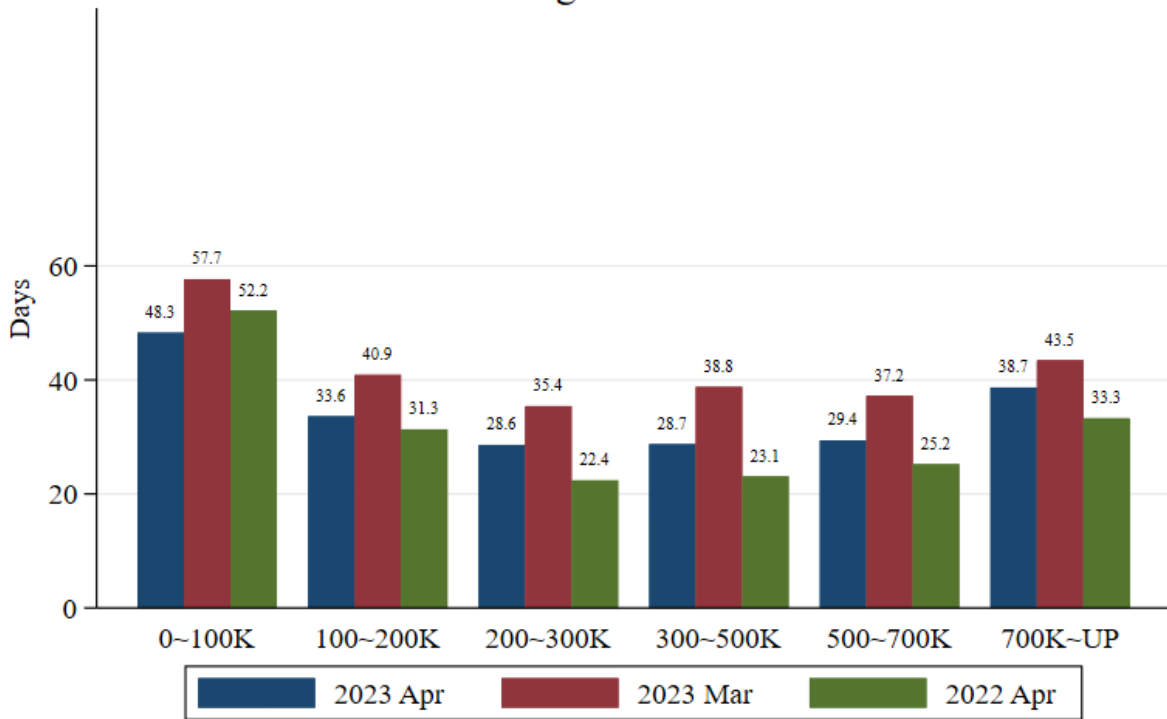
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Bathroom Shares by Sale Price Stratification



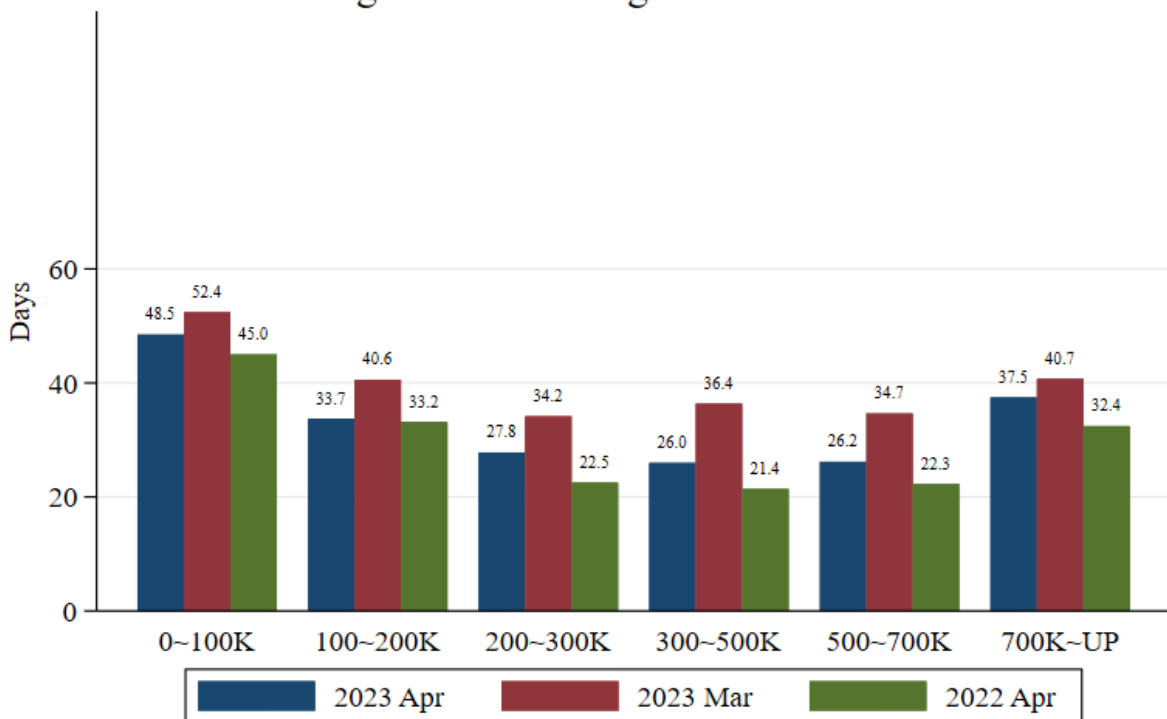
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Average Time on the Market



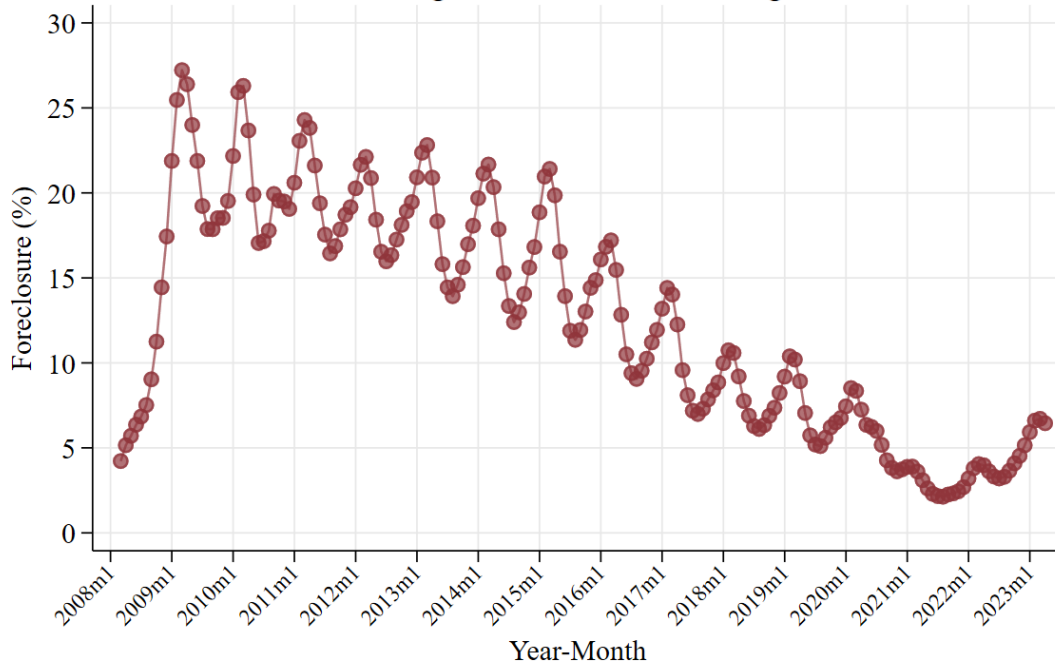
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Average Time on the Market



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

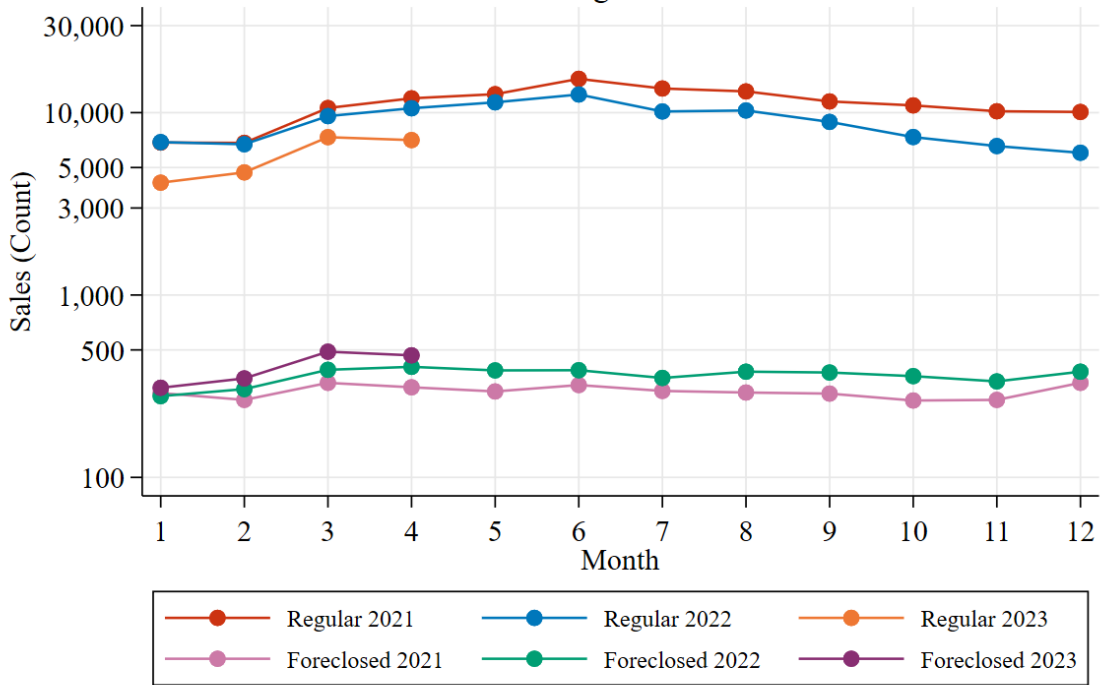
Ratio of Foreclosed Sales over Total Sales Chicago PMSA - 3 Month Average



Median Sales Price: Foreclosed vs. Regular Sales



Sales: Foreclosed vs. Regular Chicago PMSA



Median Sales Price: Foreclosed vs. Regular Chicago PMSA

