

# **Housing Price Forecasts**

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

Presented To

**Illinois Realtors®**

From

**UIC Stuart Handler Department of Real Estate**

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

### The Housing Market

In June, house sales declined in Illinois and the Chicago PMSA sales relative to this time last year, but sales prices increased. 14,500 houses were sold in Illinois, changing by -20.3% from a year ago and 12.1% from a month ago. In the Chicago PMSA, 10,000 houses were sold, changing by -23.5% from a year ago and 10.1% from a month ago. The median price was \$291,945 in Illinois, changing by 2.1% from June last year; the comparable figure for the Chicago PMSA was \$349,940, changing by 2.9% from June last year.

In June, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.7%. 9,400 regular sales were made, -24.9% less than last year. 470 foreclosed properties were sold, 21.4% more than last year. The median price was \$355,000 for regular property sales, up by 2.9% from last year; the comparable figure for the foreclosed properties was \$250,000, up 6.2% from last year.

The sales forecast for July, August and September suggests a decrease in the number of sales on a monthly and yearly basis for both Illinois and the Chicago PMSA. Annually for Illinois, the three-month average forecasts point to a decrease in the number of sales in the range of -9.5 to -12.8%; the comparable figures for the Chicago PMSA are -12.5% to -16.9%. On a monthly basis, the three-month average for sales is forecast to decrease in the range of -4.6% to -6.2% for Illinois and -6.4% to -8.7% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings.<sup>1</sup> This June, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 101.4 (2019=100) in Illinois, down -12.1% from a year ago. In the Chicago PMSA, the comparable figure is 98.6, down -12.3% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.6 months (decreasing from 1.9 of last year). In the Chicago PMSA, the comparable figure was 1.7 months (decreasing from 2.0 of last year). The lowest price range (<\$100K) and the second lowest price range (\$100K-200K) showed the largest decline in the number of sales in Illinois. The lowest price range (<\$100K) also showed the largest decline in sales in the Chicago PMSA.

The median price forecast in Illinois indicates positive annual growth for July, August and September. The median price forecast in the Chicago PMSA indicates positive annual growth for July, August and September. In Illinois, the median price is forecast to change by 5.5% in July, 7.1% in August and 7.0% in September. For the Chicago PMSA, the comparable figures are 5.6% in July, 7.2% in August and 6.3% in September. 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>2</sup>. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 4.2% in July, 5.8% in August and 5.7% in September. The comparable figures for the Chicago PMSA are 5.5% in July, 6.9% in August and 7.7% in September. 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> SHDRE HPI succeeds REAL HPI, developed by Esteban Lopez and Minshu Du.

The Conference Board Consumer Confidence Index rose in June to 109.7 (1985=100), up from 102.5 in May, whereas the University of Michigan Consumer Sentiment Index increased to 64.4 from 59.2. The Conference Board Consumer Confidence Index survey noted that “Consumer confidence improved in June to its highest level since January 2022, reflecting improved current conditions and a pop in expectations.” The University of Michigan Consumer Sentiment Index survey noted that, “Consumer sentiment rose 9% this month, a consensus improvement across all demographic groups. The year-ahead economic outlook soared 28% over last month, and long-run expectations rose 11% as well. Overall, this striking upswing reflects a recovery in attitudes generated by the early-month resolution of the debt ceiling crisis, along with more positive feelings over softening inflation.”

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

- In June, house sales and median prices in Illinois and the Chicago PMSA sales experienced a negative annual change. 14,500 houses were sold in Illinois, changing by -20.3% from a year ago and 12.1% from a month ago. In the Chicago PMSA, 10,000 houses were sold, changing by -23.5% from a year ago and 10.1% from a month ago. The median price was \$291,945 in Illinois, changing by 2.1% from June last year; the comparable figure for the Chicago PMSA was \$349,940, changing by 2.9% from June last year.
- In June, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.7%. 9,400 regular sales were made, -24.9% less than last year. 470 foreclosed properties were sold, 21.4% more than last year. The median price was \$355,000 for regular property sales, up by 2.8% from last year; the comparable figure for foreclosed properties was \$250,000, up 6.2% from last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.6 months (decreasing from 1.9 of last year). In the Chicago PMSA, the comparable figure was 1.7 months (decreasing from 2.0 of last year). The lowest price ranges (<\$100K) and the second lowest price ranges (\$100K-200K) showed the largest decline in Illinois. The lowest price ranges (<\$100K) showed the largest decline in the Chicago PMSA.
- In June, the market shares of homes in the second lowest range experienced the largest change compared to a year ago for Illinois and the Chicago PMSA. In Illinois, the market share for homes in the \$100-200K range increased to 20.7% from 20.0% a year ago. In the Chicago PMSA, the market share for homes in the \$100-200K range increased to 14.2% from 13.2% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

### **The Housing Market – Forecast and Future Condition**

- The median price forecast in Illinois and the Chicago PMSA indicates positive annual growth rate for July, August and September. In Illinois, the median price is forecast to change by 5.5% in July, 7.1% in August and 7.0% in September. For the Chicago PMSA, the comparable figures are 5.6% in July, 7.2% in August and 6.3% in September.

(Reference: Forecast for June 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<sup>3</sup>. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 4.2% in July, 5.8% in August and 5.7% in September. The comparable figures for the Chicago PMSA are 5.5% in July, 6.9% in August and 7.7% in September. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.
- The sales forecast for July, August and September suggests a decrease on a monthly and yearly basis for both Illinois and the Chicago PMSA. Annually for Illinois, the three-month average forecasts point to a decrease in the range of -9.5 to -12.8%; the comparative figures for the Chicago PMSA are a decrease in the range of -12.5% to -16.9%. On a monthly basis, the three-month average sales are forecast to decrease in the range of -4.6% to -6.2% for Illinois and decrease in the range of -6.4% to -8.7% for the Chicago PMSA (Reference: Forecast for June 2023 report table).
- The pending home sales index is a leading indicator based on contract signings.<sup>4</sup> This June, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 101.4 (2019=100) in Illinois, down -12.1% from a year ago. In the Chicago PMSA, the comparable figure is 98.6, down -12.3% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.6 months (decreasing from 1.9 of last year). In the Chicago PMSA, the comparable figure was 1.7 months (decreasing from 2.0 of last year). The lowest price ranges (<\$100K) and the second lowest price ranges (\$100K-200K) showed the largest decline in Illinois. The lowest price ranges (<\$100K) showed the largest decline in the Chicago PMSA (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure).

## The Economy

- In June 2023, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate decreased slightly to 3.6%, and non-farm payroll jobs experienced a gain of 209,000 jobs. Notable job gains occurred over the month in Health Care (+41,000), Social Assistance (+24,000), Construction (+23,000), Leisure and Hospitality (+21,000), Government (+60,000) and Professional and Business Services (+21,000).
- In May 2023, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rate fell to 4.1%. Non-farm payroll jobs increased by 2,500. The industry sectors that reported the largest over-the-month gains in employment were: Government (+2,600), Financial Activities (+1,900) and Leisure and Hospitality (+1,400).

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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.

- In June 2023, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 3.17% and 3.24%, corresponding to job gain between 190,700 and 194,900. The largest contributors to the forecast increase are information, construction and manufacturing.
- According to a new report from Black Knight, the home price rebound has gone from a simmer to a full rolling boil, with the company's seasonally adjusted Home Price Index (HPI) hitting a new record high in May. The 0.7% seasonally adjusted monthly gain from April to May was the fifth consecutive increase for Black Knight's HPI, growth that would equate to an annualized increase of 8.9% if maintained at its current pace. Per Black Knight's newest Mortgage Monitor report, it suggests a "coming inflection" in home price appreciation. The annualized home price growth rate was at 0.1% in May but could make an upturn as early as June.

### **Longer-term Outlook**

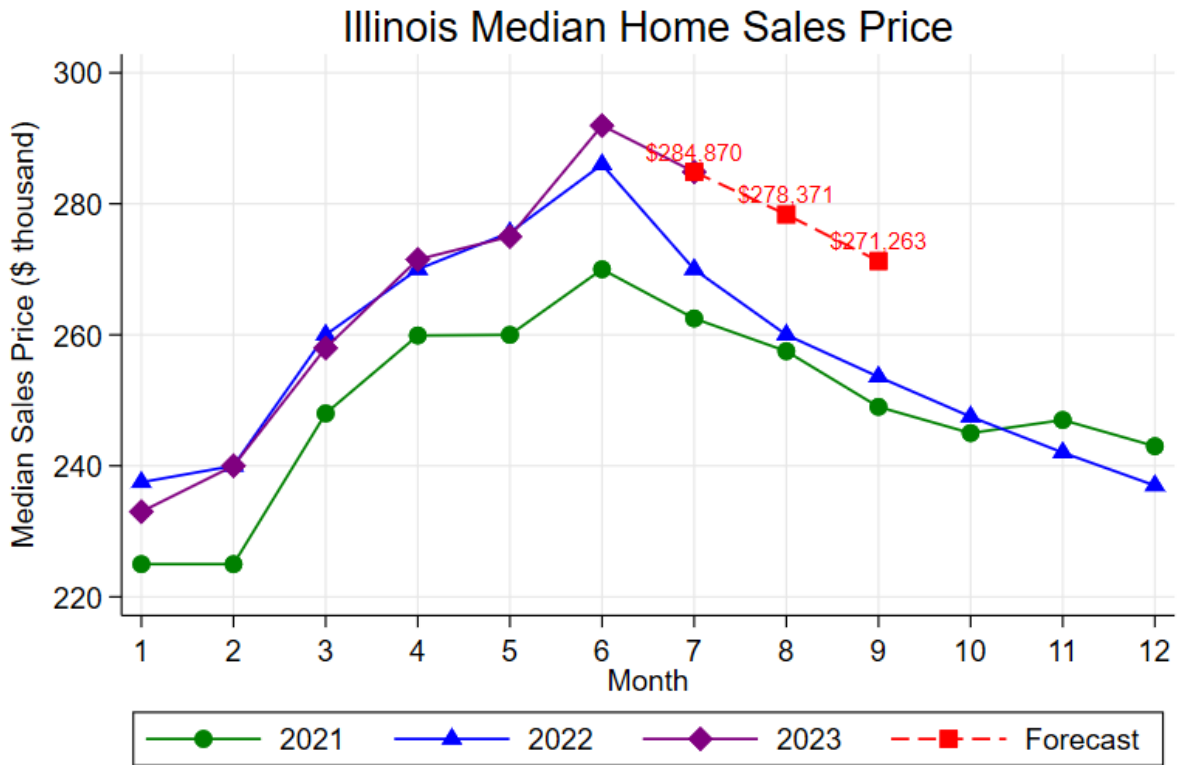
- The Conference Board Consumer Confidence Index rose in June to 109.7 (1985=100), up from an upwardly revised 102.5 in May, whereas the University of Michigan Consumer Sentiment Index increased to 64.4 from 59.2. The Conference Board Consumer Confidence Index survey noted that "Consumer confidence improved in June to its highest level since January 2022, reflecting improved current conditions and a pop in expectations." The University of Michigan Consumer Sentiment Index survey noted that "Consumer sentiment rose 9% this month, a consensus improvement across all demographic groups. The year-ahead economic outlook soared 28% over last month, and long-run expectations rose 11% as well. Overall, this striking upswing reflects a recovery in attitudes generated by the early-month resolution of the debt ceiling crisis, along with more positive feelings over softening inflation."
- In June, the Fannie Mae Home Purchase Sentiment Index (HPSI) increased by 0.4 points to 66.0. According to Mark Palim, Fannie Mae Senior Vice President and Chief Economist, "Confidence in the housing market appears to have plateaued at a relatively low level, suggesting that many consumers may be coming to terms with elevated mortgage rates and high home prices. Home prices continue to be supported by the tight supply of homes available for sale, and, compared to the end of last year, fewer respondents today believe home prices will decrease over the next 12 months. Additionally, consumers' mortgage rate expectations have tempered: A larger share of respondents think mortgage rates will stay the same over the next year, whereas mid-to-late last year, most thought rates would continue going up. This seems to signal that consumers are adapting to the idea that higher mortgage rates will likely stick around for the foreseeable future. We continue to forecast home sales to slow in the second half of the year, compared to the first half, due to ongoing affordability constraints and lack of housing supply."

"The trend of rising prices and declining sales continued during June," said Dr. Daniel McMillen, Professor of Real Estate and Associate Dean for Faculty Affairs at the University of Illinois at Chicago College of Business Administration. "Our forecasts indicate that prices will begin their expected seasonal decline over the next three months, while the number of sales continues to

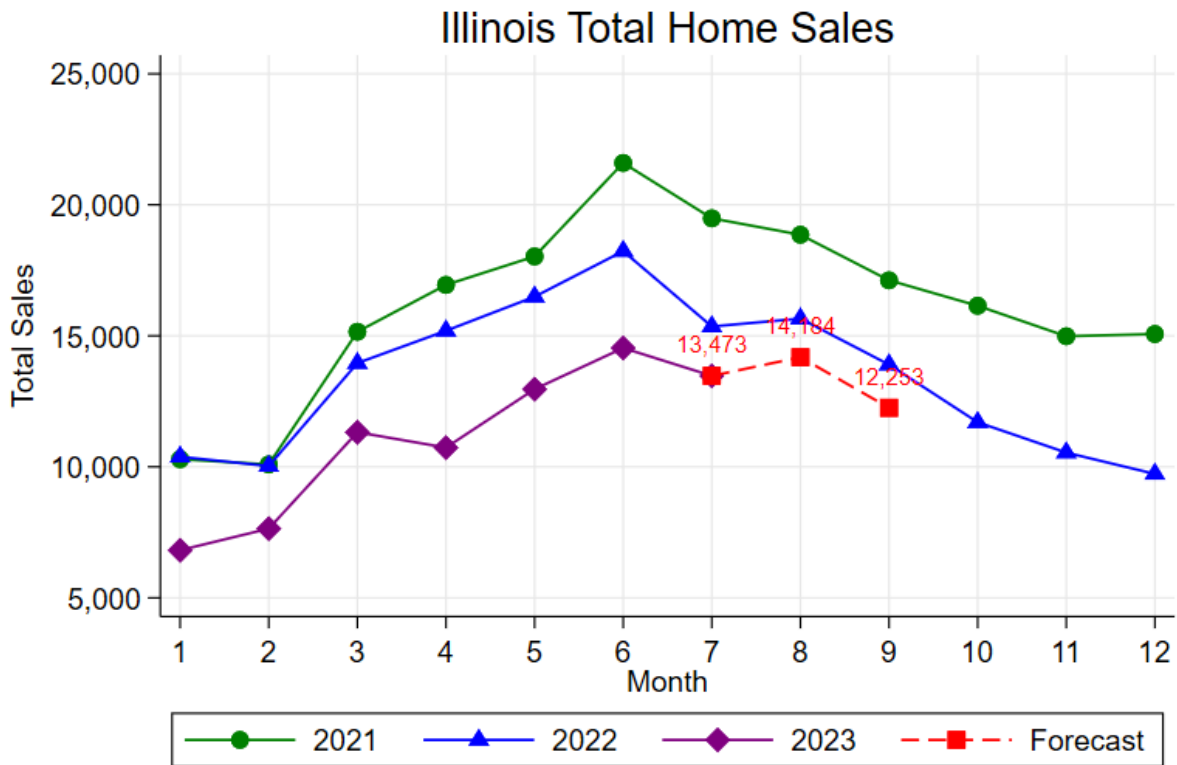
decline. Surveys suggest that consumer confidence in the economy has begun to increase again, which may moderate these trends toward declining prices and sales."

## Forecast for July 2023 Report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Apr-23	-29.4%	-30.5%		-5.2%	-2.8%			
May-23	-21.4%	-23.5%		20.8%	18.1%			
Jun-23	-20.3%	-23.5%		12.1%	10.1%			
3 Month Avg.	-23.4%	-25.6%		9.2%	8.4%			
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Jul-23	-10.4%	-14.1%	-14.1%	-19.1%	-6.2%	-8.4%	-10.0%	-13.5%
Aug-23	-8.0%	-10.8%	-10.0%	-13.5%	4.5%	6.1%	6.4%	8.6%
Sep-23	-10.1%	-13.6%	-13.5%	-18.3%	-11.6%	-15.7%	-14.5%	-19.6%
3 Month Avg.	-9.5%	-12.8%	-12.5%	-16.9%	-4.6%	-6.2%	-6.4%	-8.7%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Apr-23	\$271,500	\$320,000	Apr-22	\$270,000	\$325,000			
May-23	\$275,000	\$330,000	May-22	\$275,629	\$327,000			
Jun-23	\$291,946	\$349,940	Jun-22	\$286,000	\$340,000			
Jul-23	\$284,870	\$341,155	Jul-22	\$270,000	\$323,000			
Aug-23	\$278,371	\$332,345	Aug-22	\$260,000	\$310,000			
Sep-23	\$271,263	\$324,311	Sep-22	\$253,594	\$305,000			
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Apr-23	0.6%	-1.5%	Apr-22	3.9%	4.8%			
May-23	-0.2%	0.9%	May-22	6.0%	5.5%			
Jun-23	2.1%	2.9%	Jun-22	5.9%	6.8%			
Jul-23	5.5%	5.6%	Jul-22	2.9%	4.2%			
Aug-23	7.1%	7.2%	Aug-22	1.0%	3.3%			
Sep-23	7.0%	6.3%	Sep-22	1.8%	5.2%			



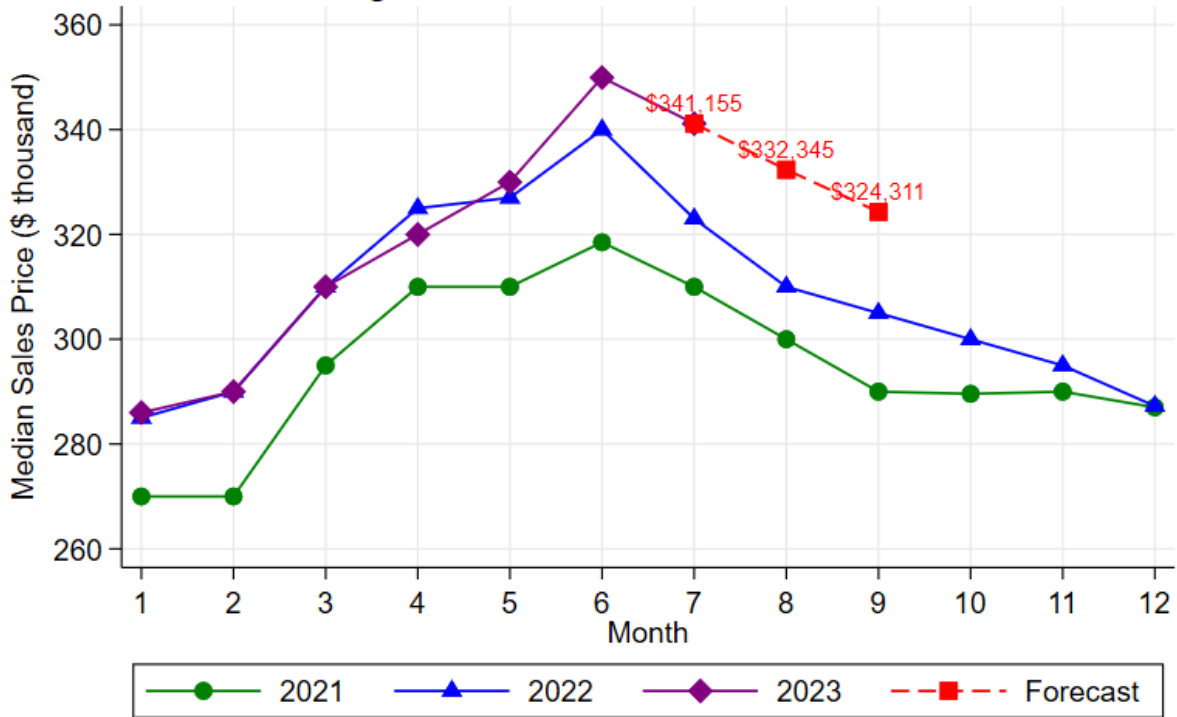
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



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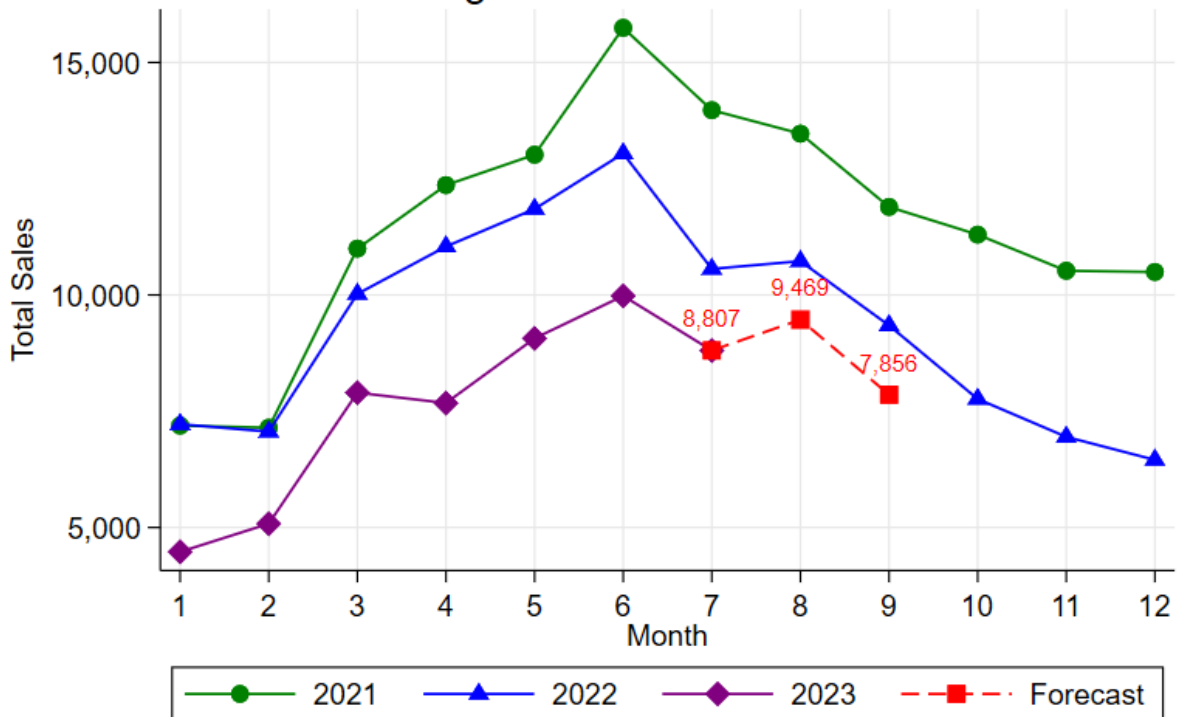


### Chicago PMSA Median Home Sales Price



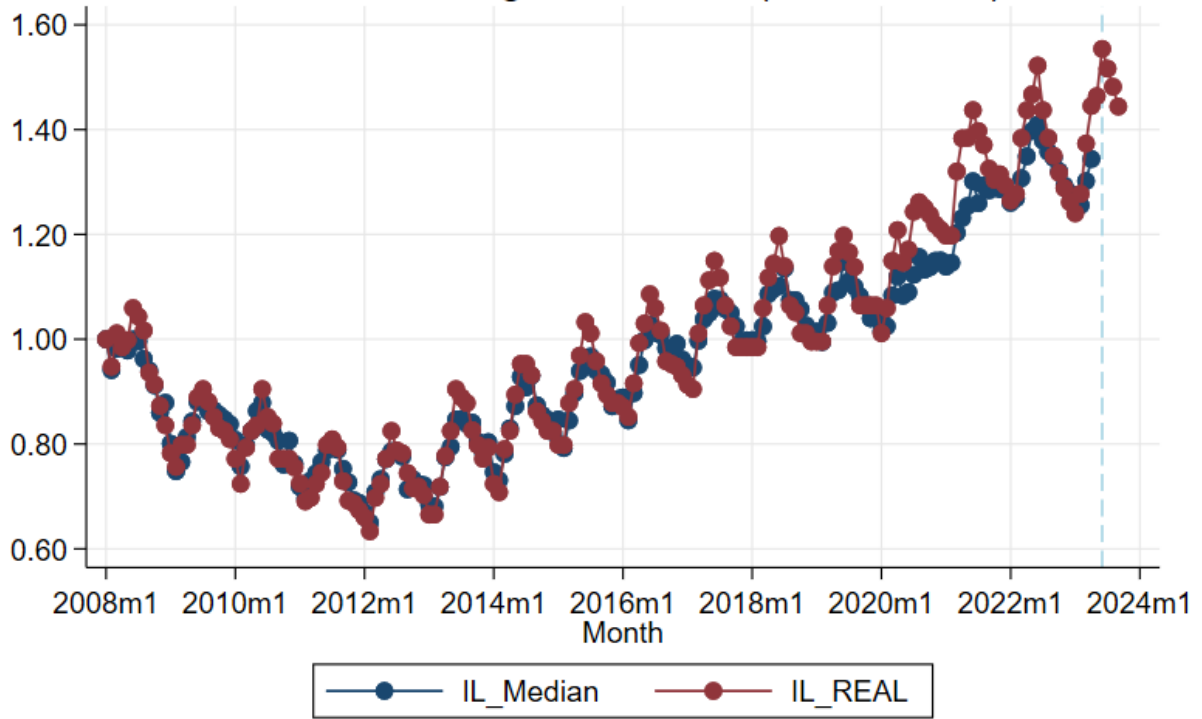
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Total Home Sales



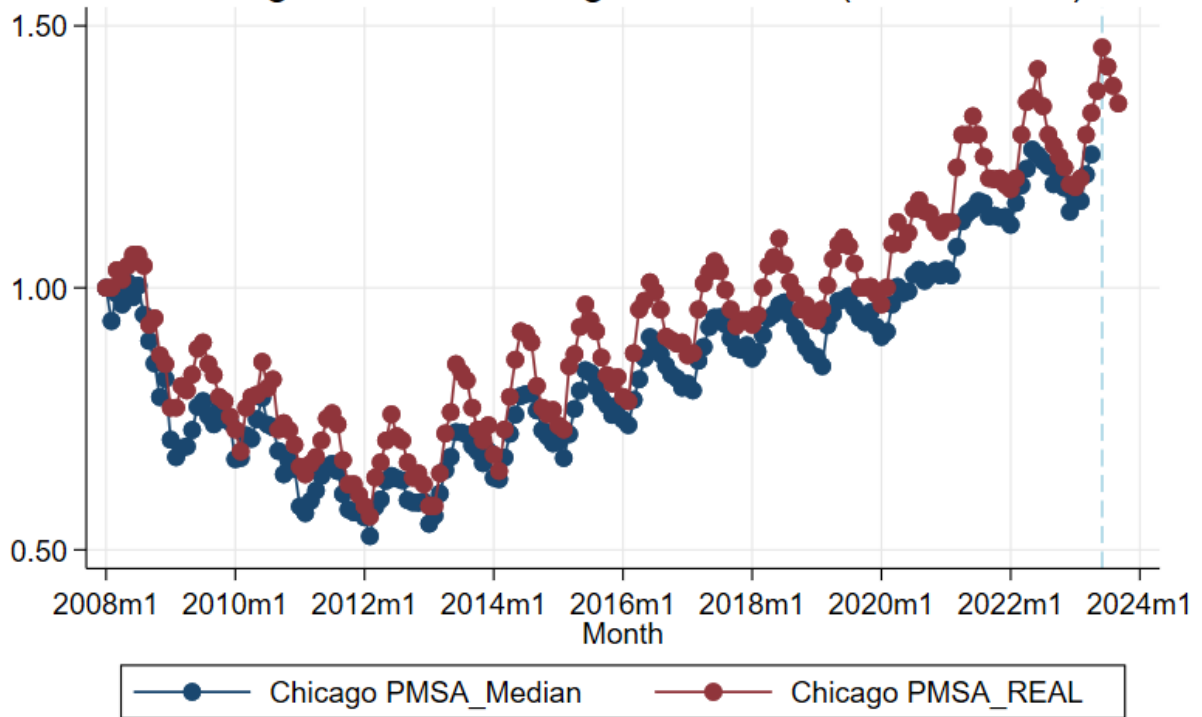
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

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



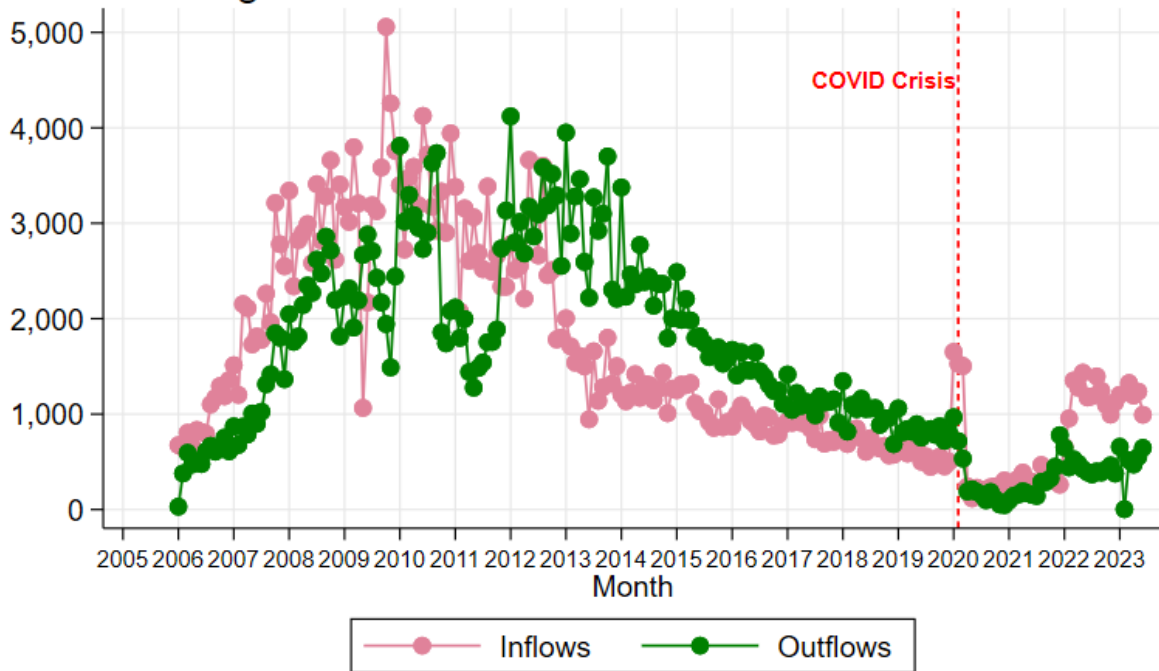
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

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



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

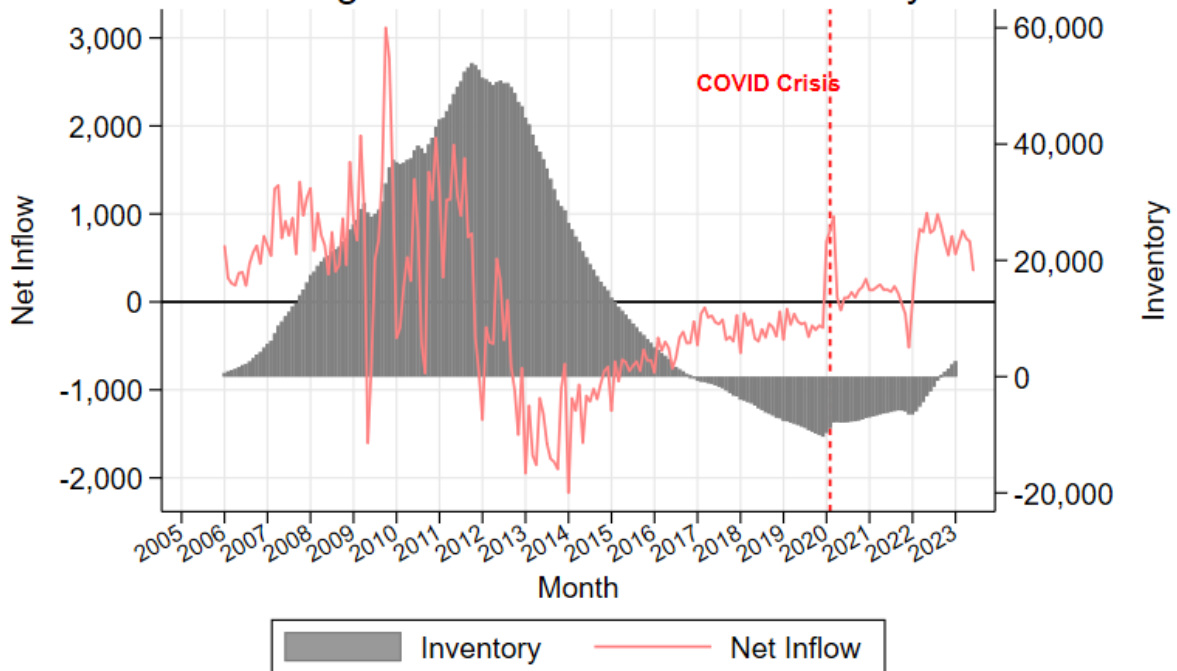
### Chicago PMSA New Foreclosure Inflows and Outflows



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

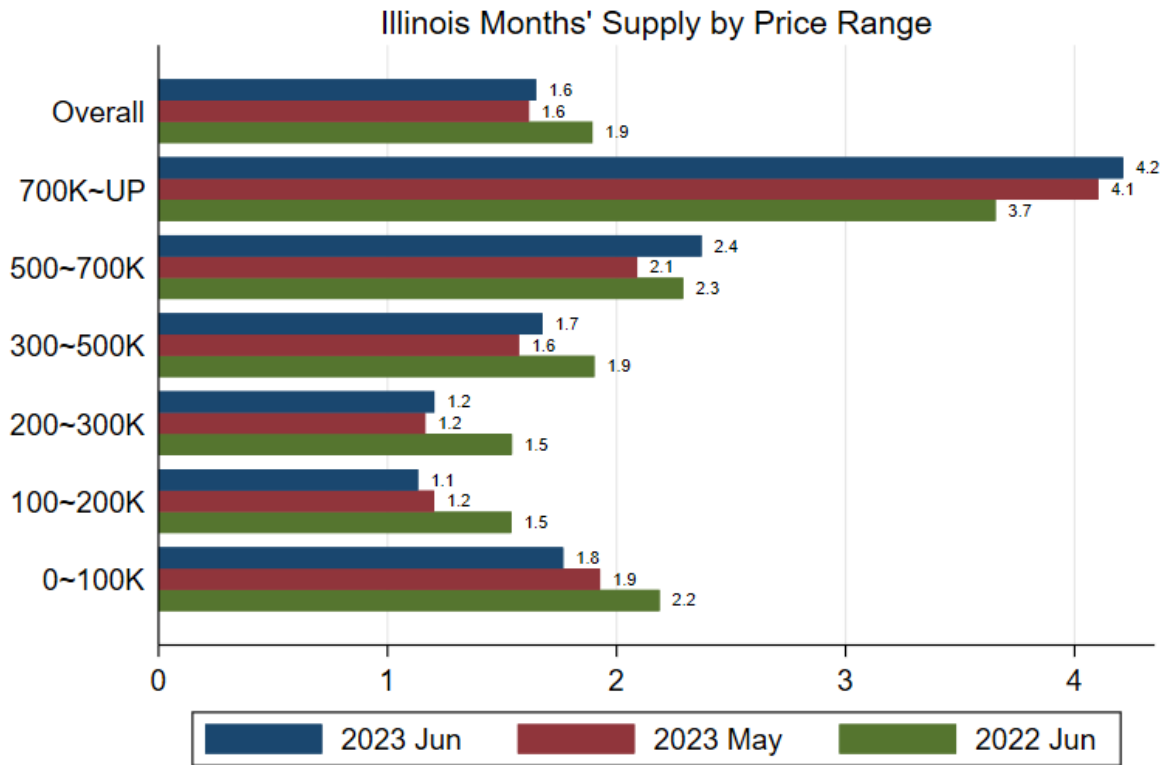
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Foreclosure Inventory

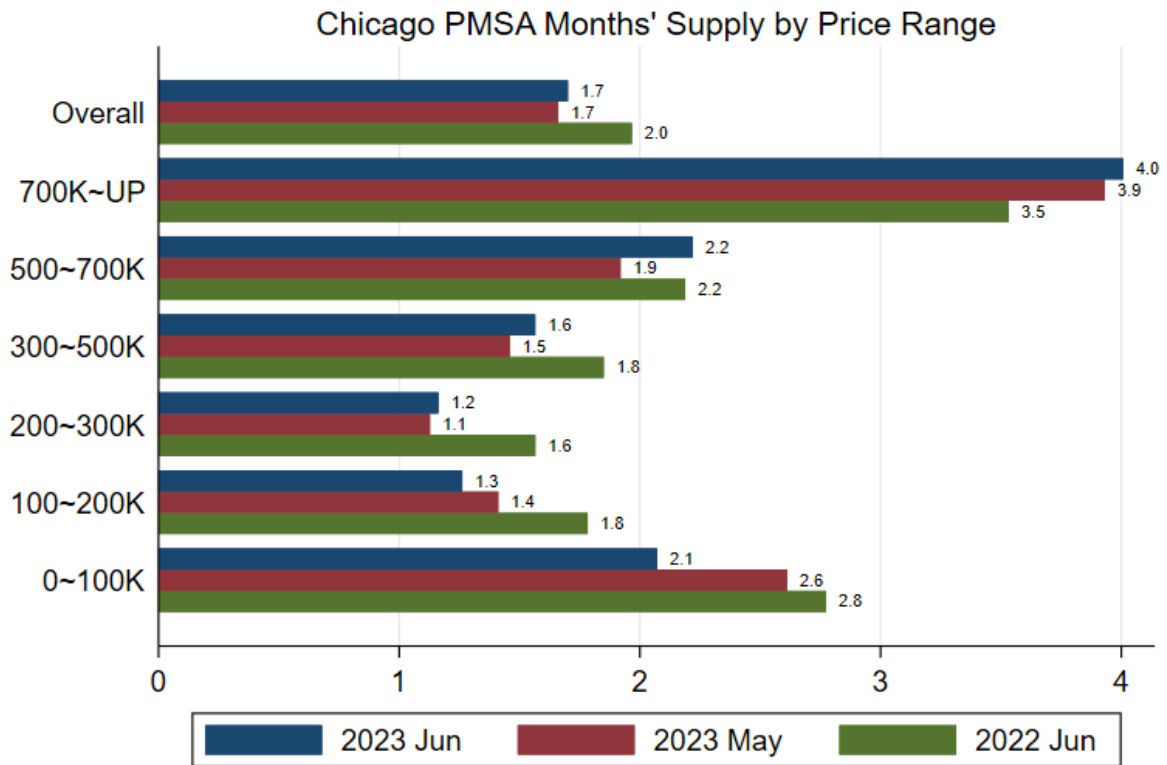


Net inflows=Inflows-Outflows

Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

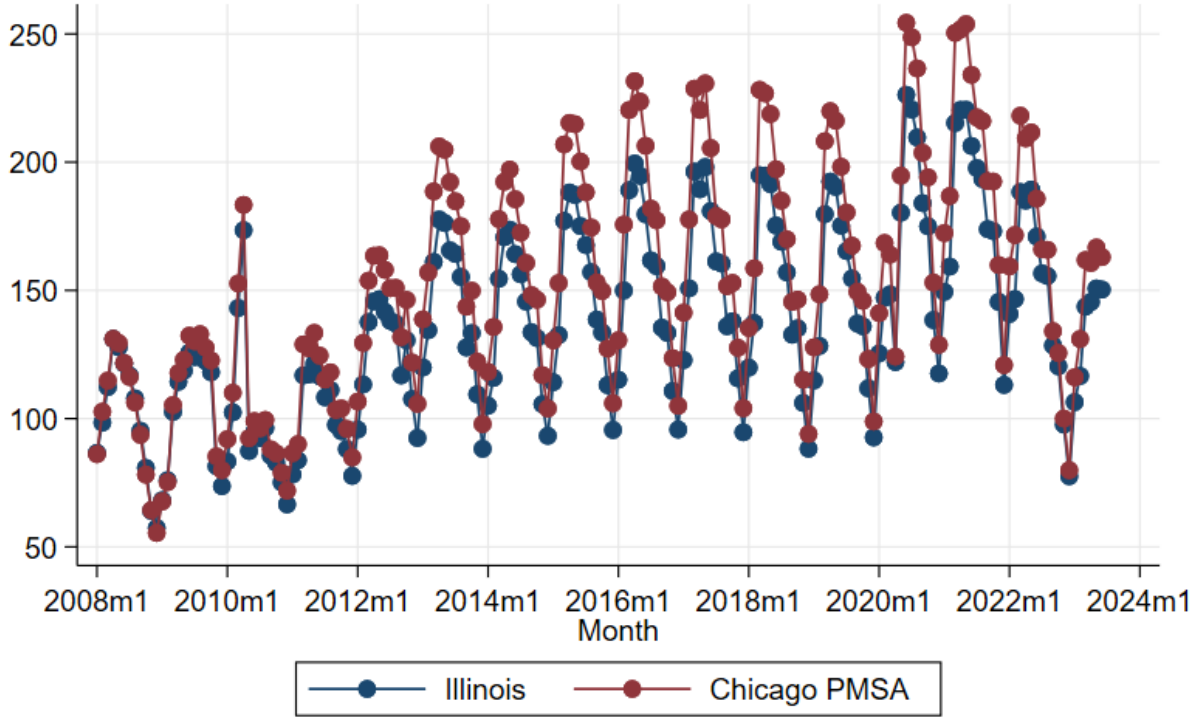


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



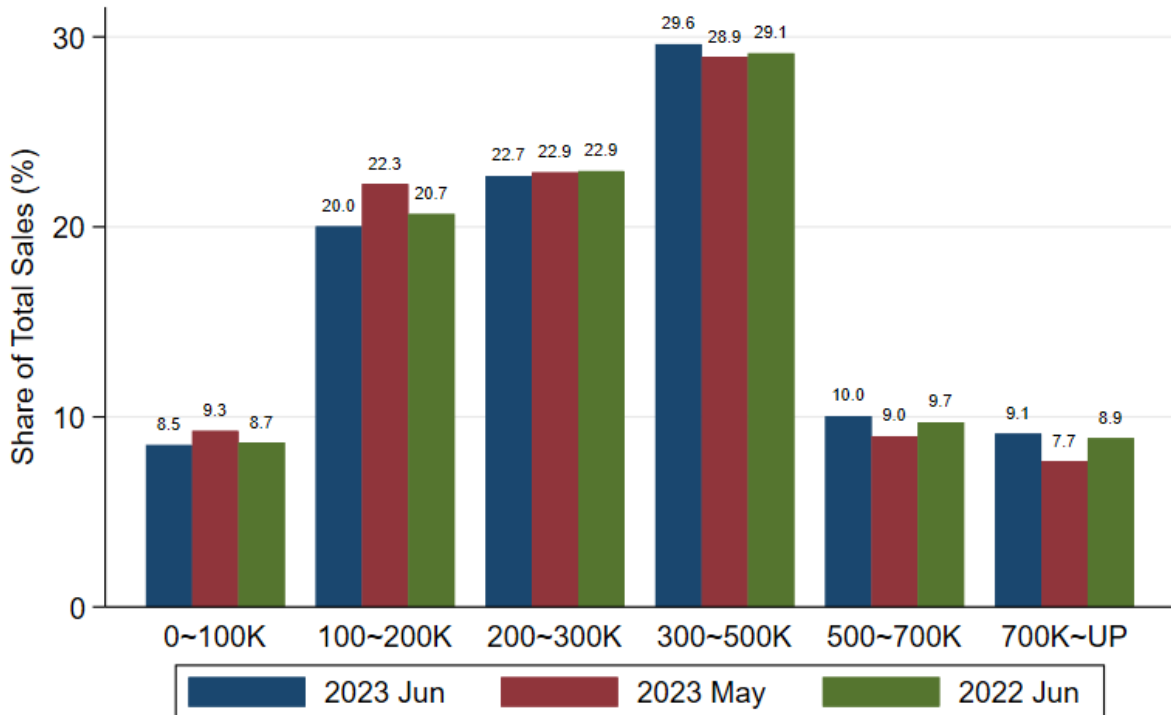
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Pending Home Sales Index (2008=100)



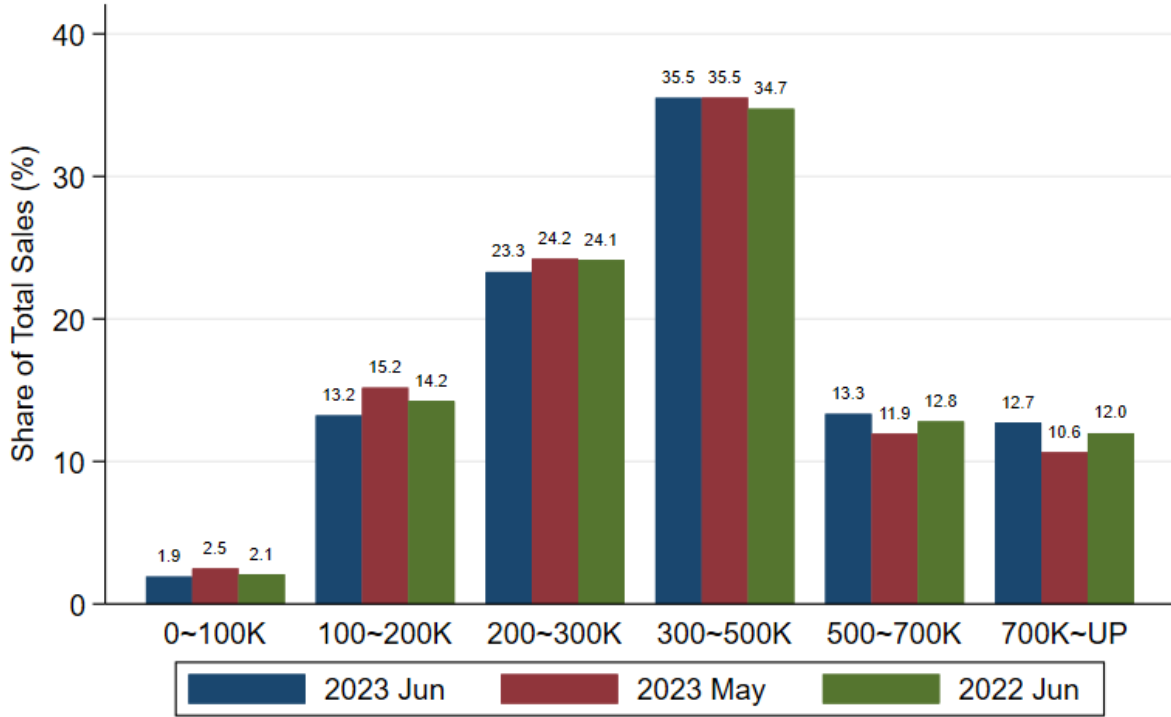
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Price Stratification



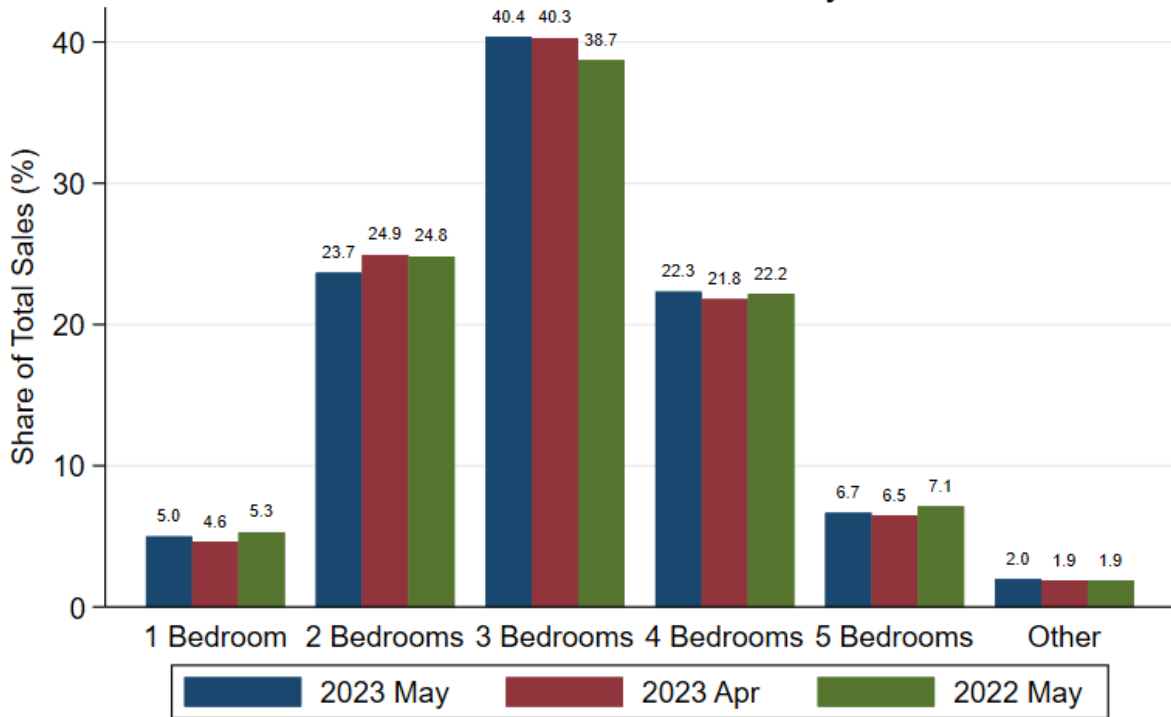
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Price Stratification



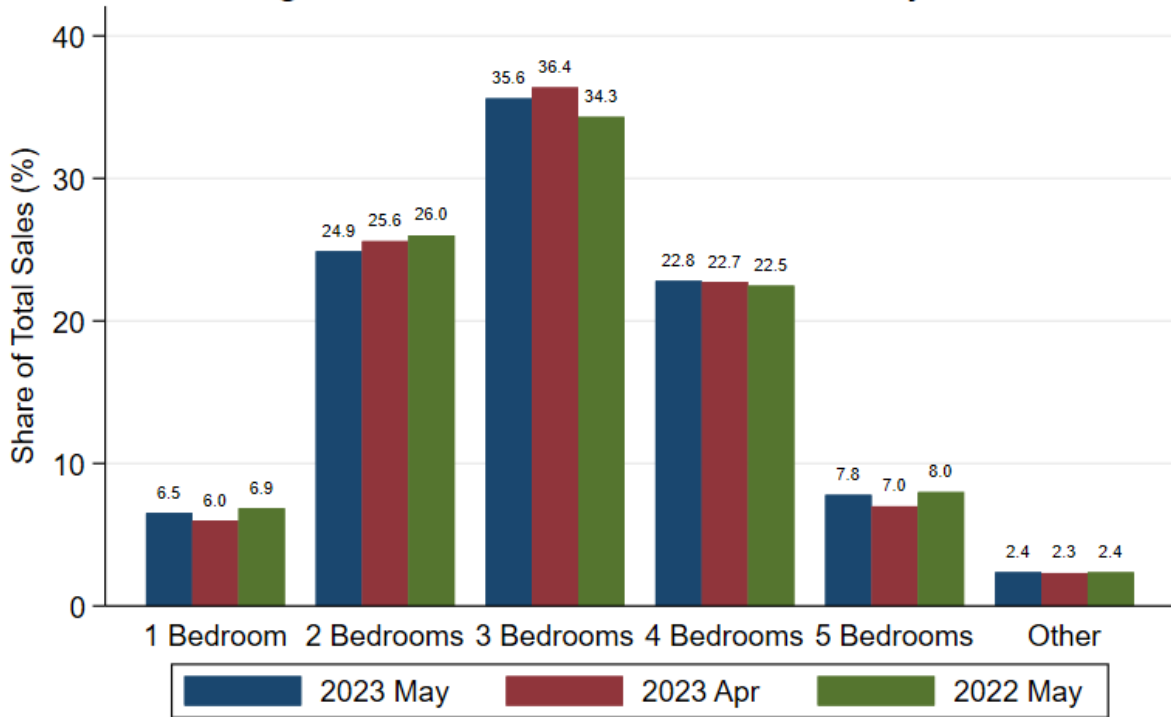
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois House Characteristics by Bedroom



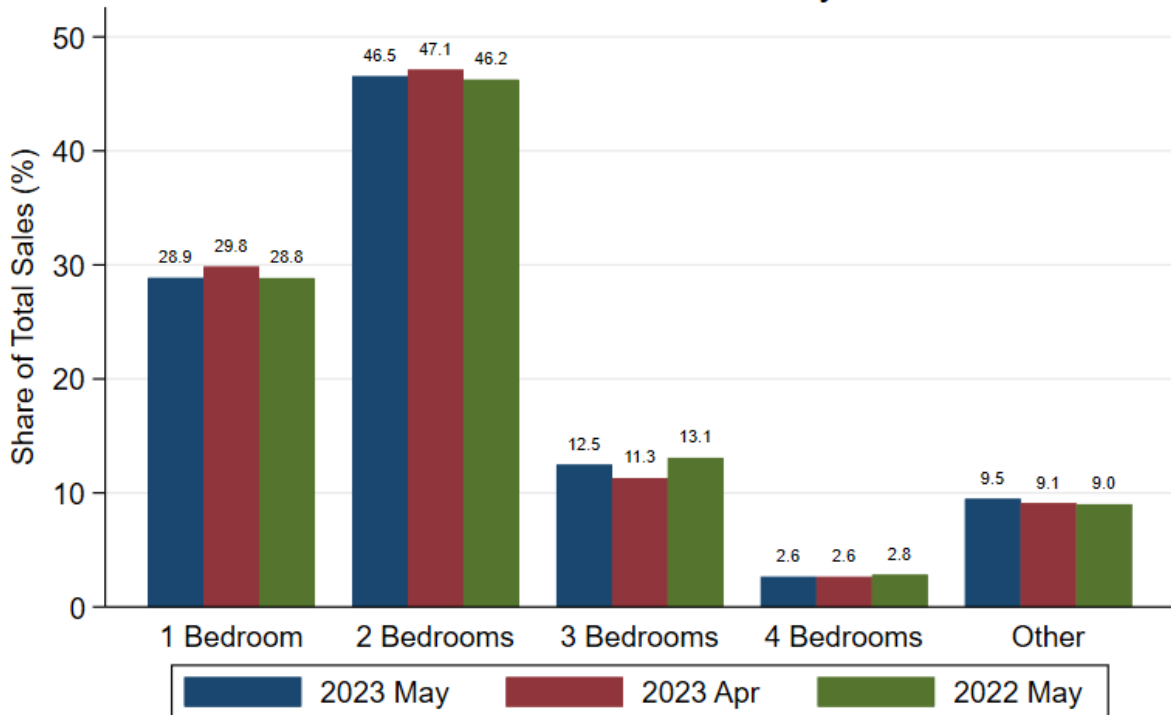
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA House Characteristics by Bedroom



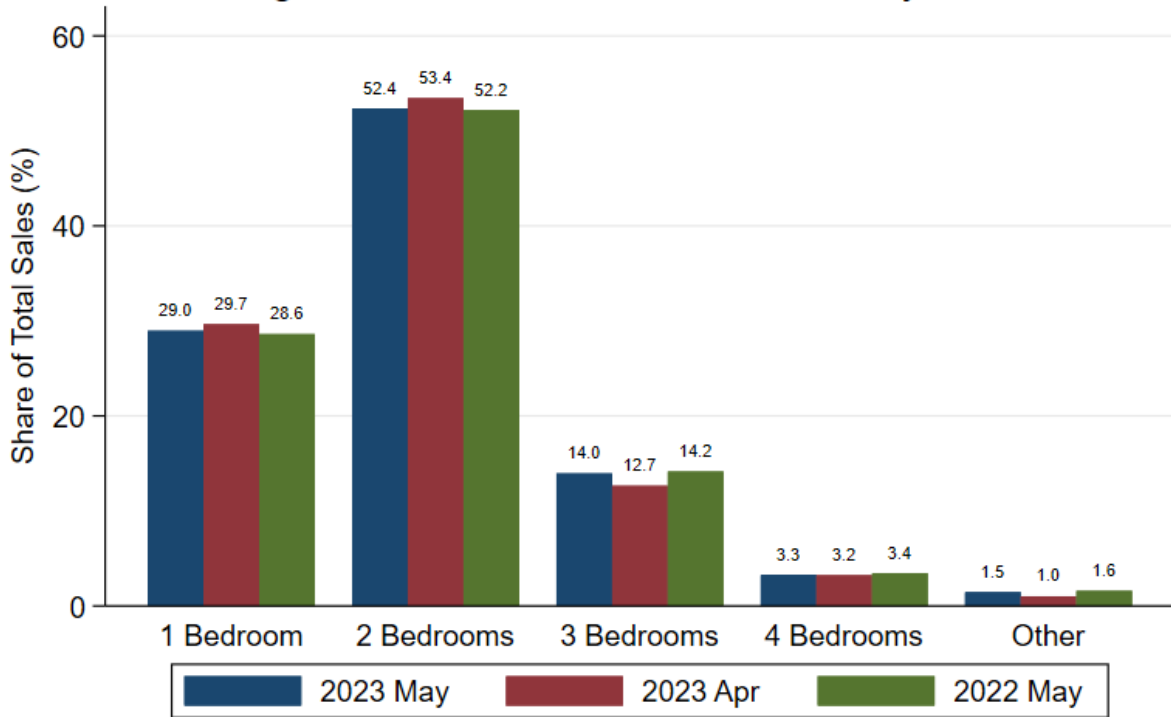
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### 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

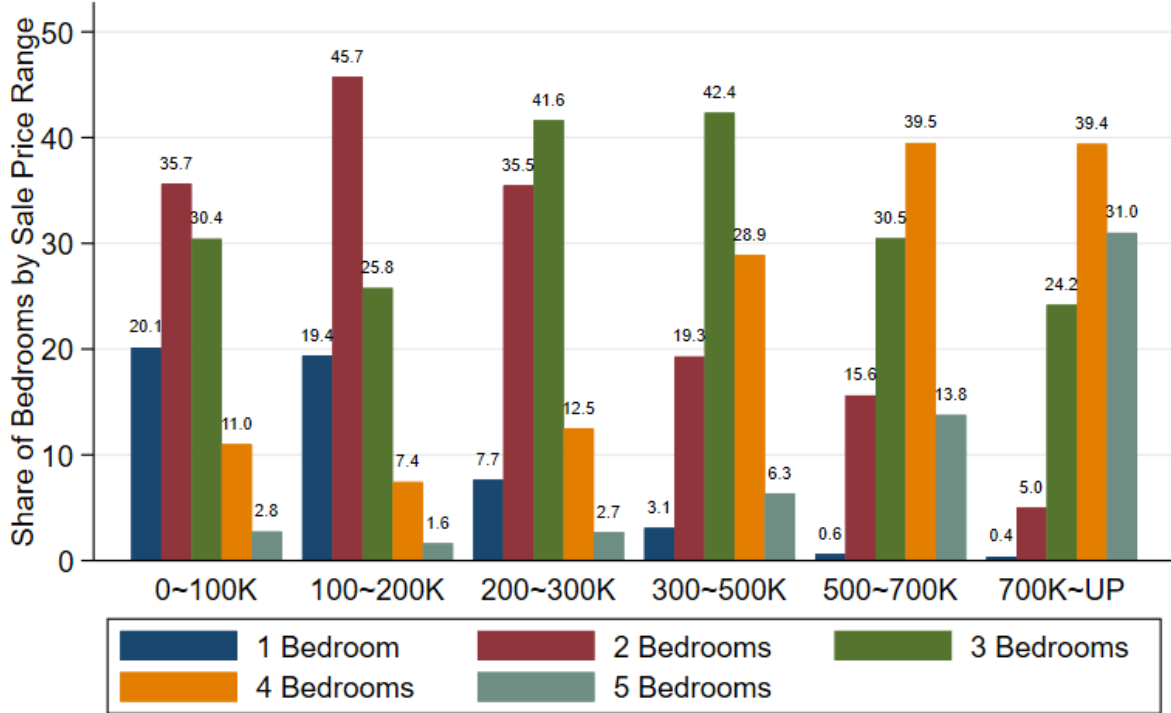
### Illinois Bedroom Shares by Sale Price Stratification



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

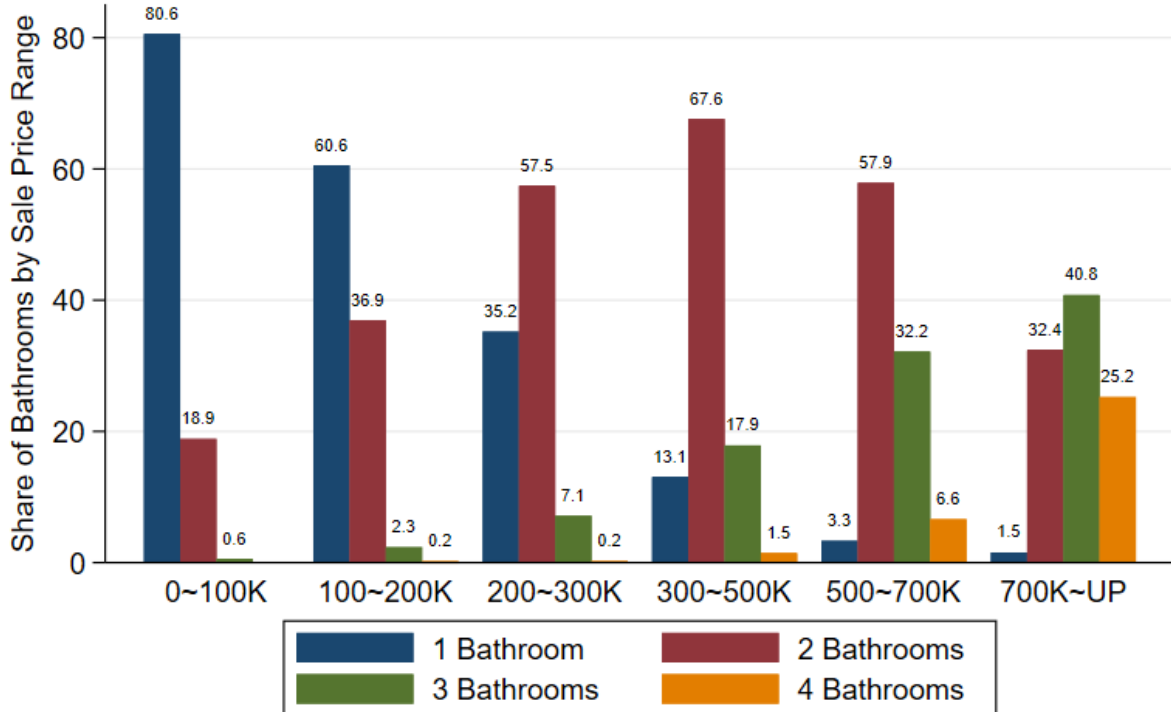


### Chicago PMSA Bedroom Shares by Sale Price Stratification

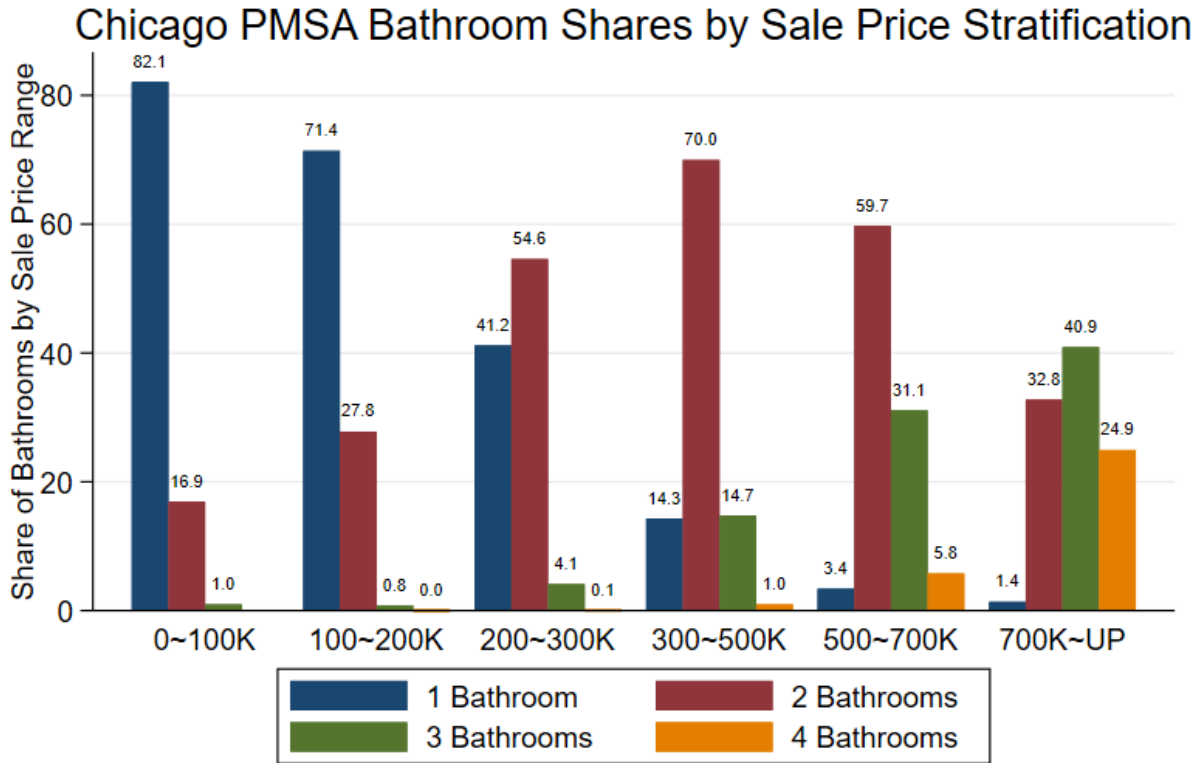


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Bathroom Shares by Sale Price Stratification

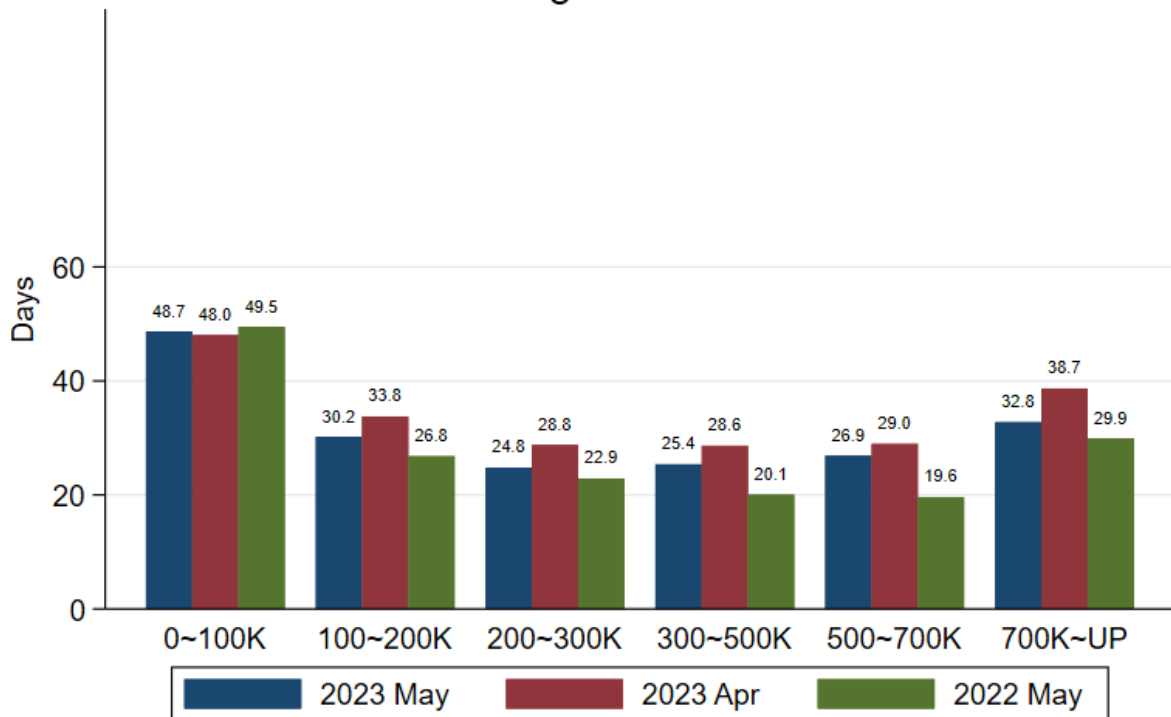


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



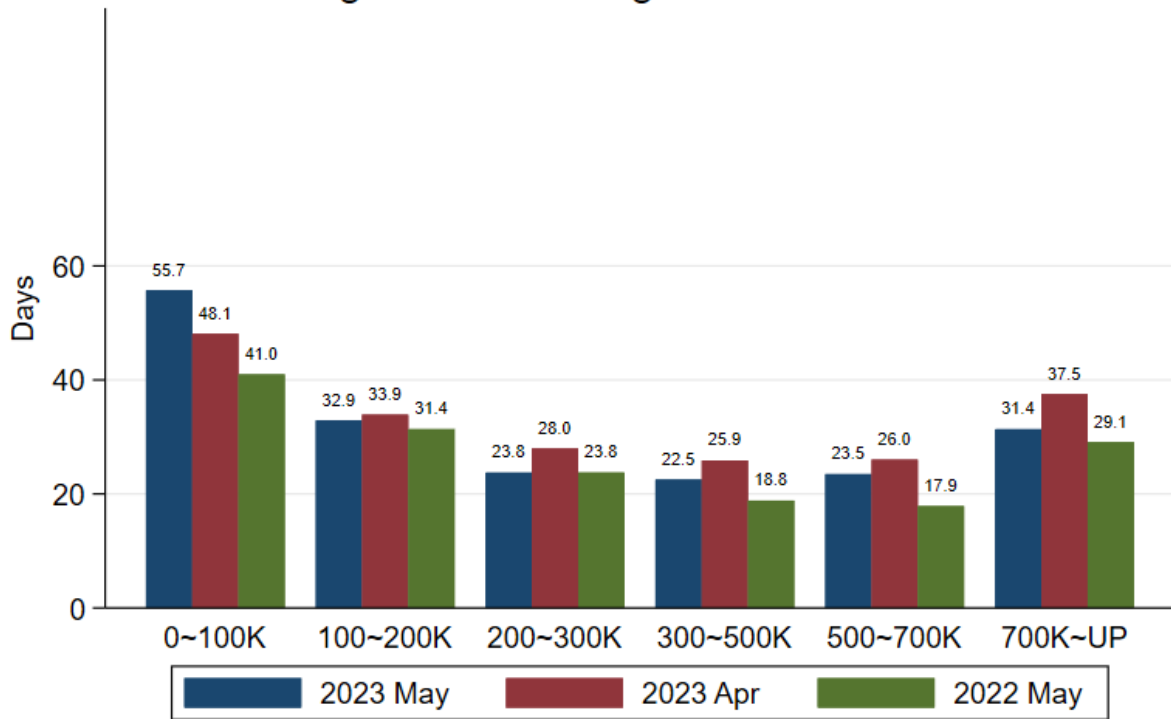
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### 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

