

Housing Price Forecasts

Illinois and Chicago PMSA, September 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, September 2023

The Housing Market

In August, house sales in Illinois and the Chicago PMSA sales declined relative to August 2022 while median prices increased. However, the number of sales increased relative to July 2023. 13,500 houses were sold in Illinois, changing by -14.0% from a year ago and 9.8% from a month ago. In the Chicago PMSA, 9,100 houses were sold, changing by -15.1% from a year ago and 8.0% from a month ago. The median price was \$280,000 in Illinois, an increase of 7.7% from August last year; the comparable figure for the Chicago PMSA was \$339,900, up 9.6% from August last year.

In August, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among total sales was 4.7%. 8,600 regular sales were made, -16.2% less than last year. 427 foreclosed properties were sold, 12.1% more than last year. The median price was \$345,000 for regular property sales, up 9.524% from last year; the comparable figure for foreclosed properties was \$250,000, up 8.7% from last year.

The sales forecast for September, October, and November suggests a decrease on a yearly and monthly basis for both Illinois and the Chicago PSMA. Annually for Illinois, the three-month average forecasts point to a decrease in the range of -8.5 to -11.6%; the comparable figures for the Chicago PMSA are a decrease in the range of -13.6% to -18.4%. On a monthly basis, three-month average sales are forecast to decrease in the range of -8.6% to -11.6% for Illinois and decrease in the range of -12.2% to -16.5% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings.¹ This August, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 95.0 (2019=100) in Illinois, down -9.5% from a year ago. In the Chicago PMSA, the comparable figure is 90.2 down -10.0% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.8 months (down from 2.0 of last year). In the Chicago PMSA, the comparable figure was 1.8 months (down from 2.1 of 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 September, October, and November in Illinois. The median price forecast indicates positive annual growth for September, October, and November in the Chicago PMSA. In Illinois, the median price is forecast to change by 7.6% in September, 8.5% in October, and 10.0% in November. For the Chicago PMSA, the comparable figures are 8.8% in September, 9.6% in October, and 10.7% in November. As a complement to the median housing price index (HPI), the SHDRE HPI forecasts positive growth for both Illinois and the Chicago PMSA². In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 6.1% in September, 7.4% in October, and 8.6% in November. The comparable figures for the Chicago PMSA are 6.8% in September, 5.5% in October, and 6.9%

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

in November. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In August, the Conference Board Consumer Confidence Index declined to 106.1 from 114.0 in July, while the University of Michigan Consumer Sentiment Index declined slightly to 71.6 from 69.5 in July. The Conference Board Consumer Confidence Index survey noted that “Consumer confidence fell in August 2023, erasing back-to-back increases in June and July. August’s disappointing headline number reflected dips in both the current conditions and expectations indexes. Write-in responses showed that consumers were once again preoccupied with rising prices in general, and for groceries and gasoline in particular. The pullback in consumer confidence was evident across all age groups—and most notable among consumers with household incomes of \$100,000 or more, as well as those earning less than \$50,000.” The University of Michigan Consumer Sentiment Index survey noted that “Sentiment reached its second highest reading in 21 months and is now about 39% above the all-time historic low reached in June of 2022. While buying conditions for durables and expectations over living conditions both improved, the long-run economic outlook fell back about 12% this month but remains higher than just two months ago. Consumers weighed a combination of positive and negative factors in the economy, which led to differing offsetting trends across demographic groups.”

The Housing Market – Current Condition

- In August, house sales in Illinois and the Chicago PMSA sales experienced a negative annual change, while median prices experienced a positive annual change. 13,500 houses were sold in Illinois, changing by -14.0% from a year ago and 9.8% from a month ago. In the Chicago PMSA, 9,100 houses were sold, changing by -15.1% from a year ago and 8.0% from a month ago. The median price was \$280,000 in Illinois, changing by 7.7 from August last year; the comparable figure for the Chicago PMSA was \$339,900, changing by 9.6% from August last year.
- In August, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.7%. 8,600 regular sales were made, -16.2% less than last year. 427 foreclosed properties were sold, 12.1% more than last year. The median price was \$345,000 for regular property sales, up 9.524% from last year; the comparable figure for foreclosed properties was \$250,000, up 8.7% from last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- In August, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.8 months (down from 2.0 of last year). In the Chicago PMSA, the comparable figure was 1.8 months (down from 2.1 of last year). Months of supply for homes in the lowest price ranges (<100K) experienced a decrease in Illinois. Months of supply for homes in the lowest price ranges (<100K) experienced decrease in the Chicago PMSA. (Reference: Illinois and Chicago PMSA Annual Months’ Supply by Price Range figures)
- In August, the market shares of homes in the medium price range experienced the largest change compared to a year ago for Illinois. In August, the market shares of homes in the

\$200K-\$300K and \$300K-\$500K experienced the largest change compared to a year ago for the Chicago PMSA. In Illinois, the market share for homes at \$100-200K decreased to 9.4% from 9.9% a year ago. In the Chicago PMSA, the market share for homes at \$100-200K decreased to 2.4% from 2.7% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

The Housing Market – Forecast and Future Condition

- The median price forecast indicates positive annual growth for September, October, and November in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 8.8% in September, 8.5% in October, and 10.0% in November. For the Chicago PMSA, the comparable figures are 8.8% in September, 9.6% in October, and 10.7% in November. (Reference: Forecast for August 2023 report table)
- As a complement to the median housing price index (HPI), the SHDRE HPI also forecasts positive growth for Illinois and the Chicago PMSA. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 10.0% in September, 7.0% in October, and 10.0% in November. The comparable figures for the Chicago PMSA are 7.0% in September, 5.0% in October, and 7.0% in November. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.
- The sales forecast for September, October, and November suggests a decrease on a yearly and monthly basis for both Illinois and the Chicago PSMA. Annually for Illinois, the three-month average forecasts point to a decrease in the range of -8.5 to -11.6%; the comparable figures for the Chicago PMSA are a decrease in the range of -13.6% to -18.4%. On a monthly basis, three-month average sales are forecast to decrease in the range of -8.6% to -11.6% for Illinois and decrease in the range of -12.2% to -16.5% for the Chicago PMSA (Reference: Forecast for August 2023 report table).
- The pending home sales index is a leading indicator based on contract signings. This August, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 94.99 (2019=100) in Illinois, down -949.0% from a year ago. In the Chicago PMSA, the comparable figure is 90.16 down -10.04% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)

The Economy

- In August 2023, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate declined to 3.8%, and non-farm payroll jobs experienced a gain of 187,000 jobs. Notable job gains occurred over the month in Health Care (+71,000), Leisure and Hospitality (+40,000), Social Assistance (+26,000), and Construction (+22,000).
- In July 2023, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rate was unchanged at 4.0%, remaining at the lowest level

since the onset of the pandemic. Non-farm payroll jobs increased by 11,200. The industry sectors that reported the largest over-the-month gains in employment were: Educational and Health Services (+6,400), Trade, Transportation and Utilities (+4,500), and Government (+1,900)

- In August 2023, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 2.72% and 3.0%, corresponding to job gain between 165,300 and 182,000. The largest contributors to the forecast increase are information, and manufacturing, and professional service.

Longer-term Outlook

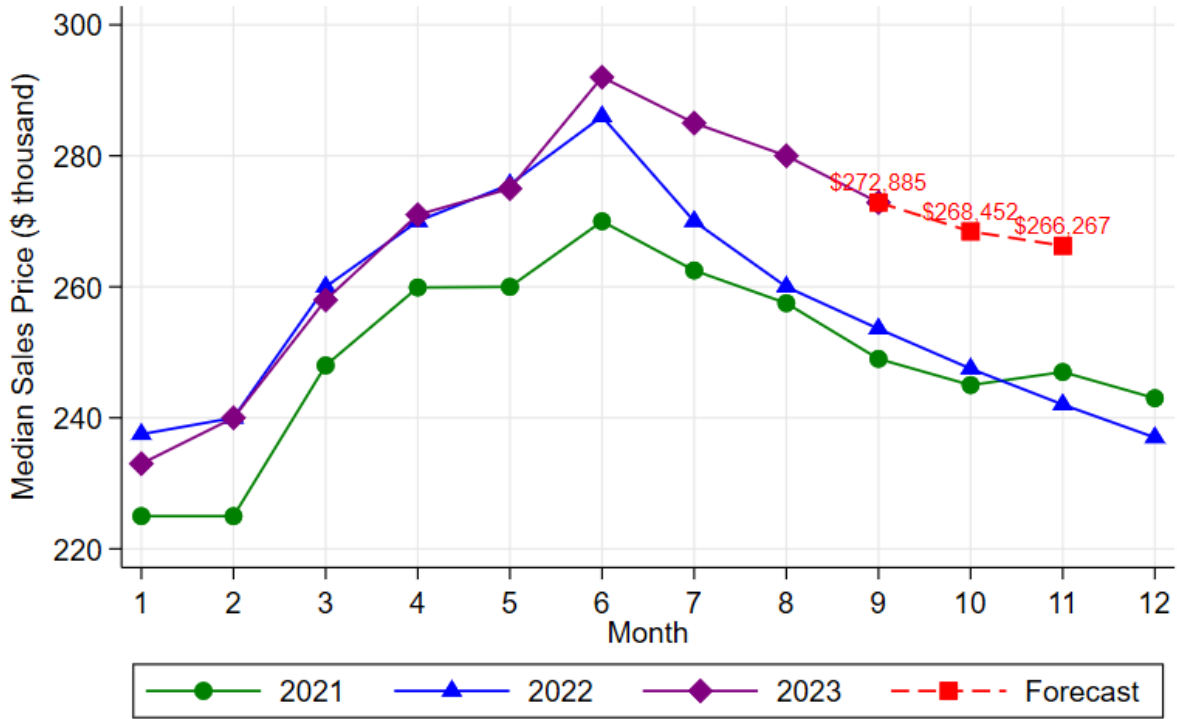
- In August, the Conference Board Consumer Confidence Index declined to 106.1 from 114.0 in July, whereas the University of Michigan Consumer Sentiment Index declined to 71.6 from 69.5 in July. The Conference Board Consumer Confidence Index survey noted that “Consumer confidence fell in August 2023, erasing back-to-back increases in June and July. August’s disappointing headline number reflected dips in both the current conditions and expectations indexes. Write-in responses showed that consumers were once again preoccupied with rising prices in general, and for groceries and gasoline in particular. The pullback in consumer confidence was evident across all age groups—and most notable among consumers with household incomes of \$100,000 or more, as well as those earning less than \$50,000.” The University of Michigan Consumer Sentiment Index survey noted that “Sentiment reached its second highest reading in 21 months and is now about 39% above the all-time historic low reached in June of 2022. While buying conditions for durables and expectations over living conditions both improved, the long-run economic outlook fell back about 12% this month but remains higher than just two months ago. Consumers weighed a combination of positive and negative factors in the economy, which led to differing offsetting trends across demographic groups.”
- In August, the Fannie Mae Home Purchase Sentiment Index (HPSI) was effectively unchanged from July. According to Doug Duncan, Fannie Mae Senior Vice President and Chief Economist, “Mortgage rates once again breached the 7-percent mark in August, hitting a 22-year high and doing no favors for consumer sentiment. Consumers remain pessimistic toward the housing market in general and homebuying conditions in particular. The overall HPSI is maintaining the low-level plateau set a few months back, and we don’t see much upside to the index in the near future, barring significant improvements to home affordability, which we also don’t expect. While renters are slightly more pessimistic than homeowners, for two years now a large majority of both groups have told us that it’s a bad time to buy a home, and they’ve continuously cited affordability concerns as the primary reason. If mortgage rates remain elevated, many existing homeowners will likely continue to hold on to their current historically low mortgage rates, suppressing existing home listings and providing support for home prices – assuming mortgage demand maintains resilience despite the higher rate environment.”

“Although prices declined in August in both Illinois and the Chicago area, they remain much higher than at this time last year,” 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 continue to their usual seasonal decline over the next three months, while remaining higher than at this time last year. The number of sales remains low and is forecast to decline further over the next three months.”

Forecast for September 2023 Report

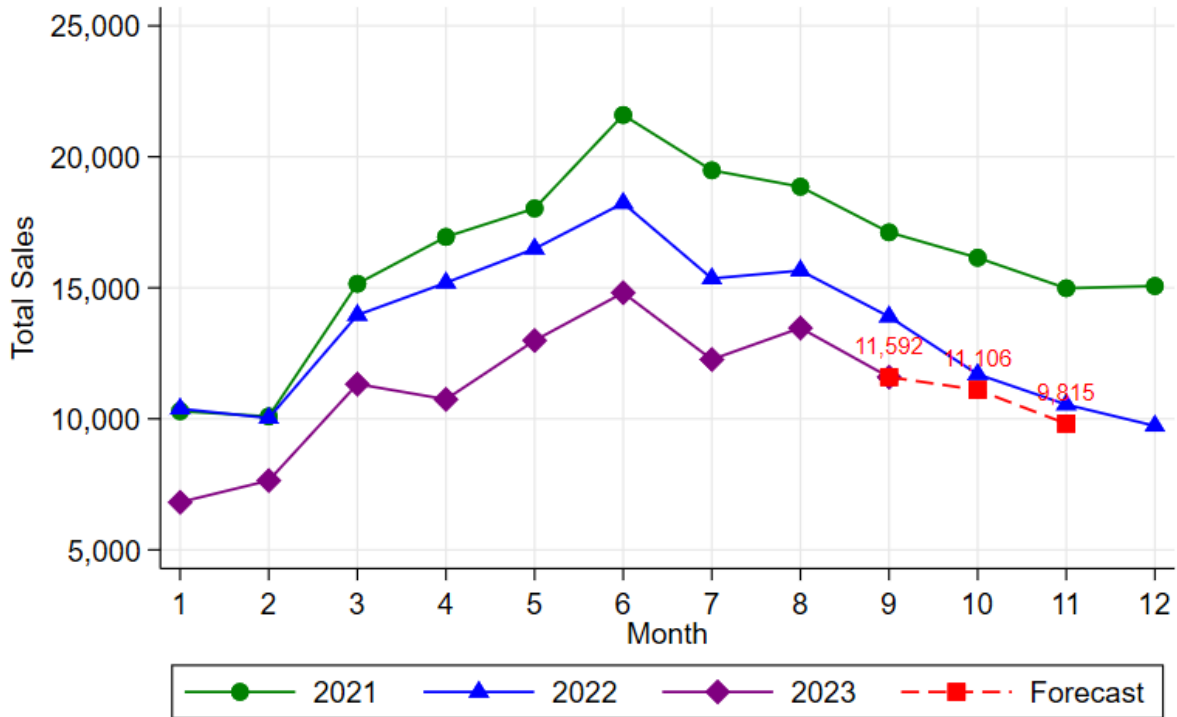
PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES						
	Annual			Monthly		
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Jun-23	-18.8%	-21.8%		14.0%	12.2%	
Jul-23	-20.1%	-20.2%		-17.2%	-17.3%	
Aug-23	-14.0%	-15.1%		9.8%	8.0%	
3 Month Avg.	-17.7%	-19.2%		1.2%	0.1%	
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES						
	Annual				Monthly	
	Illinois		Chicago PMSA		Illinois	Chicago PMSA
Sep-23	-14.1%	-19.1%	-16.1%	-21.8%	-11.8%	-16.0%
Oct-23	-4.3%	-5.9%	-9.2%	-12.5%	-3.6%	-4.8%
Nov-23	-5.9%	-8.0%	-15.2%	-20.5%	-9.9%	-13.4%
3 Month Avg.	-8.5%	-11.6%	-13.6%	-18.4%	-8.6%	-11.6%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE						
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Jun-23	\$292,000	\$349,525		Jun-22	\$286,000	
Jul-23	\$285,000	\$339,887		Jul-22	\$270,000	
Aug-23	\$280,000	\$339,900		Aug-22	\$260,000	
Sep-23	\$272,885	\$331,946		Sep-22	\$253,594	
Oct-23	\$268,452	\$328,687		Oct-22	\$247,500	
Nov-23	\$266,267	\$326,523		Nov-22	\$242,030	
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE						
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Jun-23	2.1%	2.8%		Jun-22	5.9%	
Jul-23	5.6%	5.2%		Jul-22	2.9%	
Aug-23	7.7%	9.6%		Aug-22	1.0%	
Sep-23	7.6%	8.8%		Sep-22	1.8%	
Oct-23	8.5%	9.6%		Oct-22	1.0%	
Nov-23	10.0%	10.7%		Nov-22	-2.0%	

Illinois Median Home Sales Price



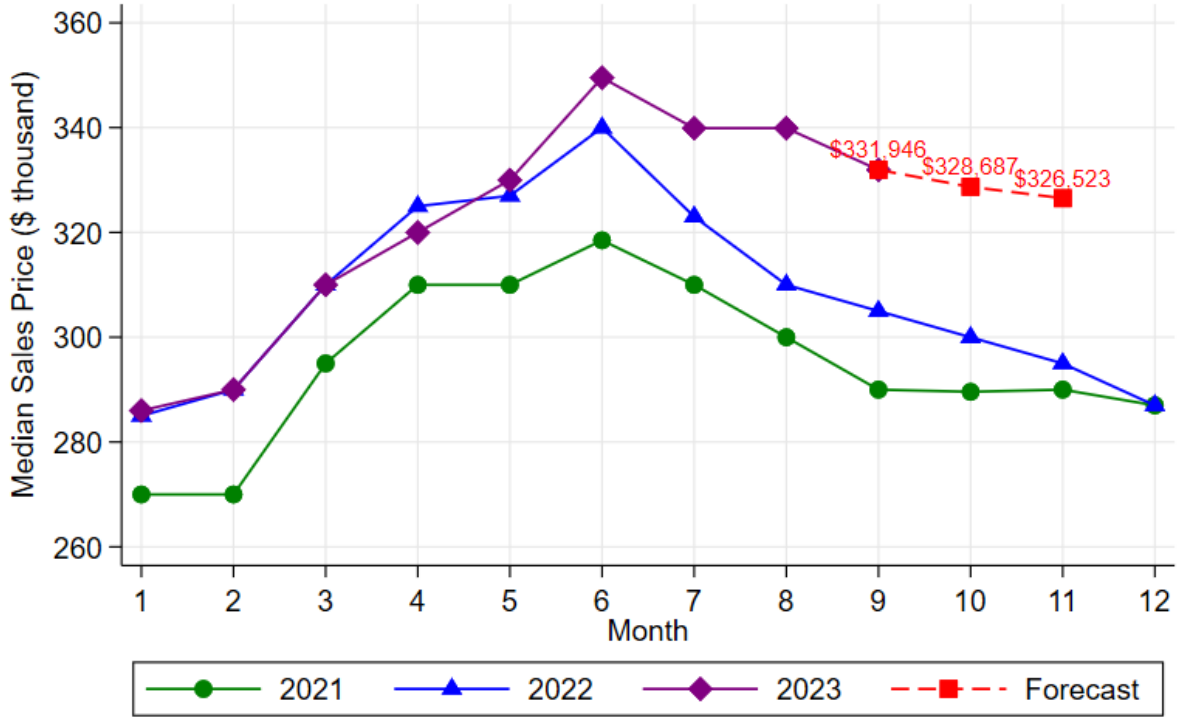
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Total Home Sales



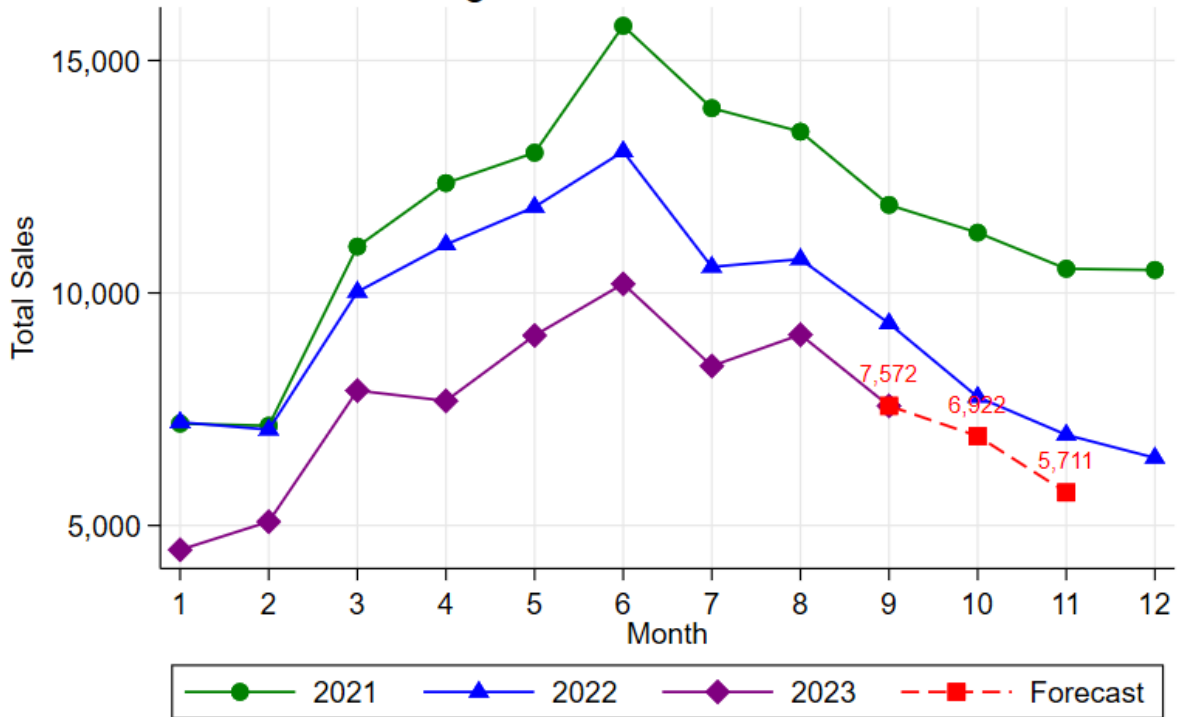
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Median Home Sales Price



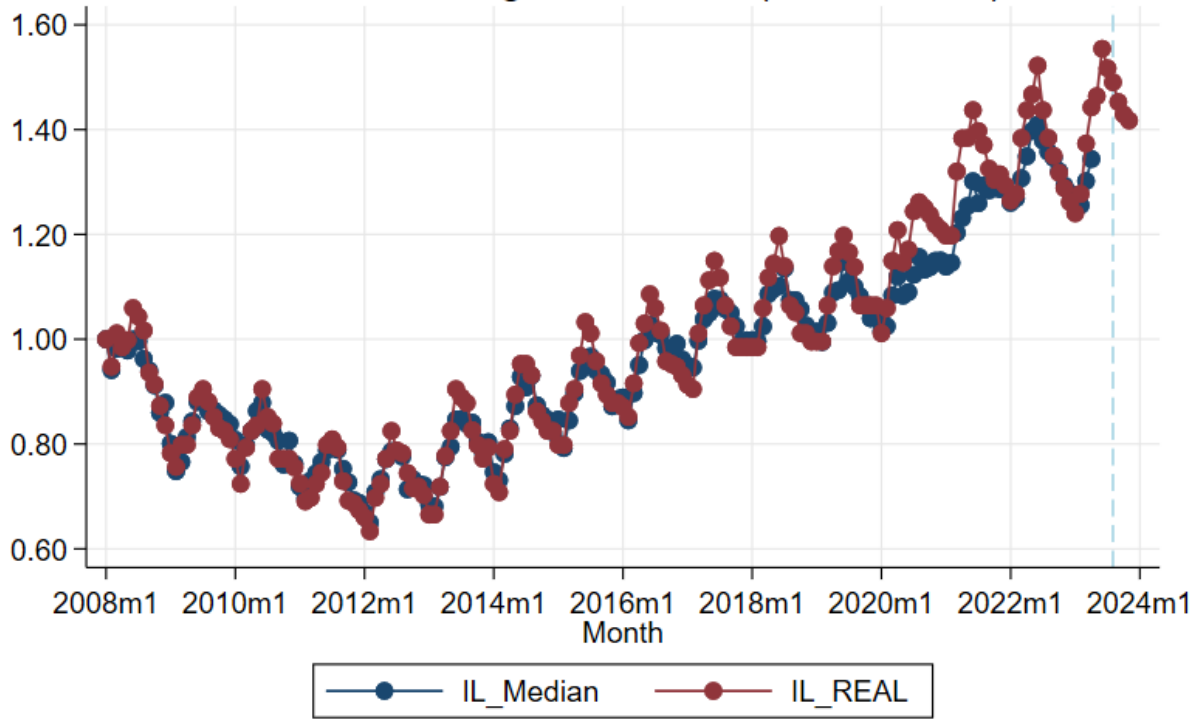
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Total Home Sales



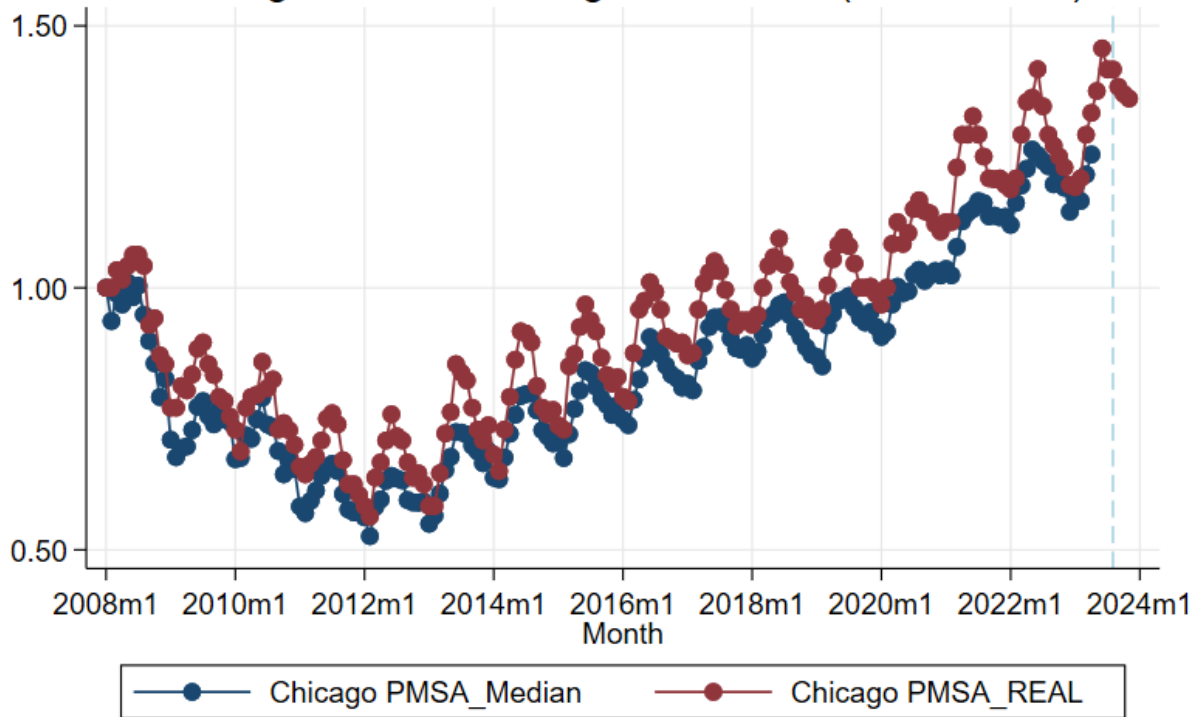
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Housing Price Index (Jan 2008=1)



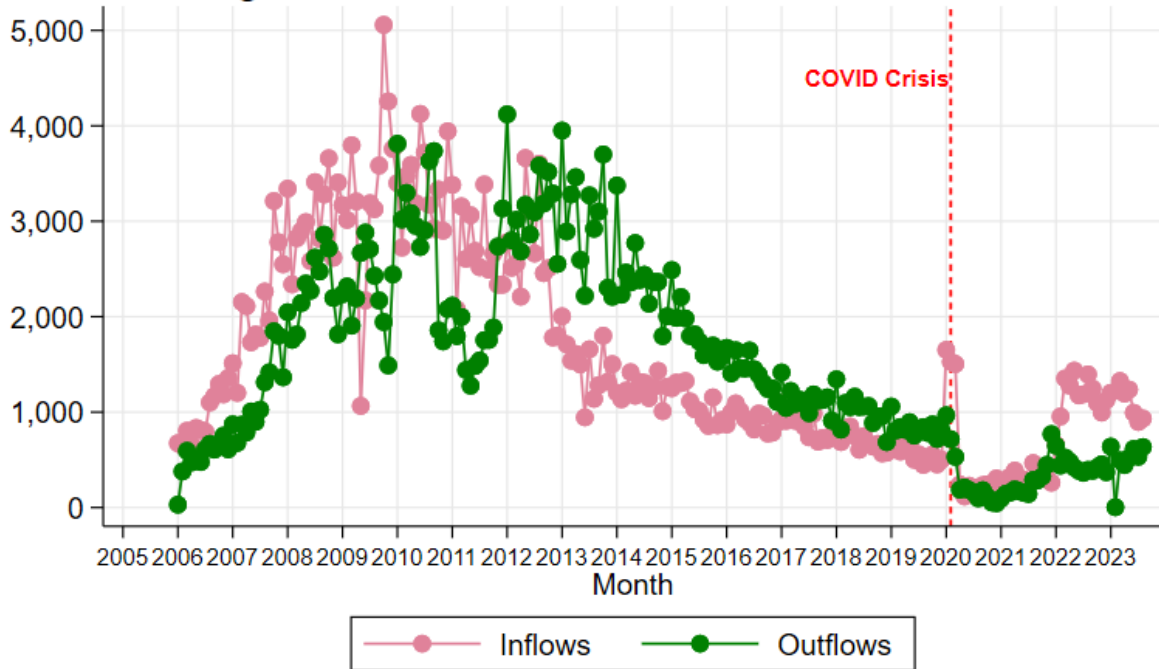
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Housing Price Index (Jan 2008=1)



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

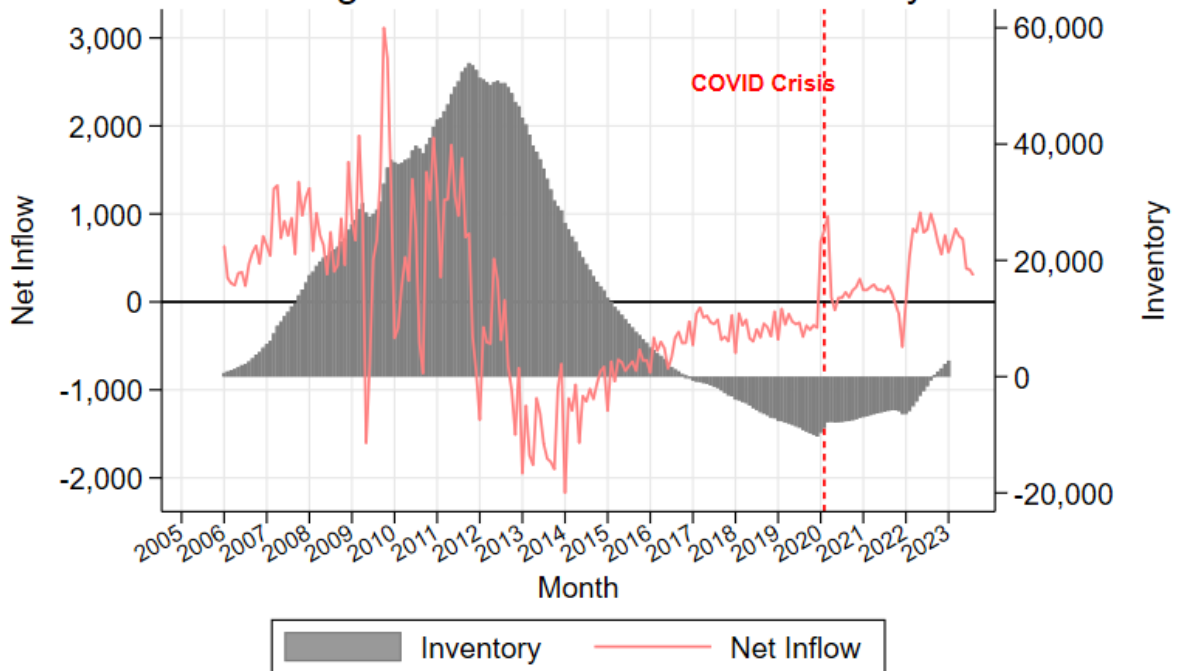
Chicago PMSA New Foreclosure Inflows and Outflows



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

Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

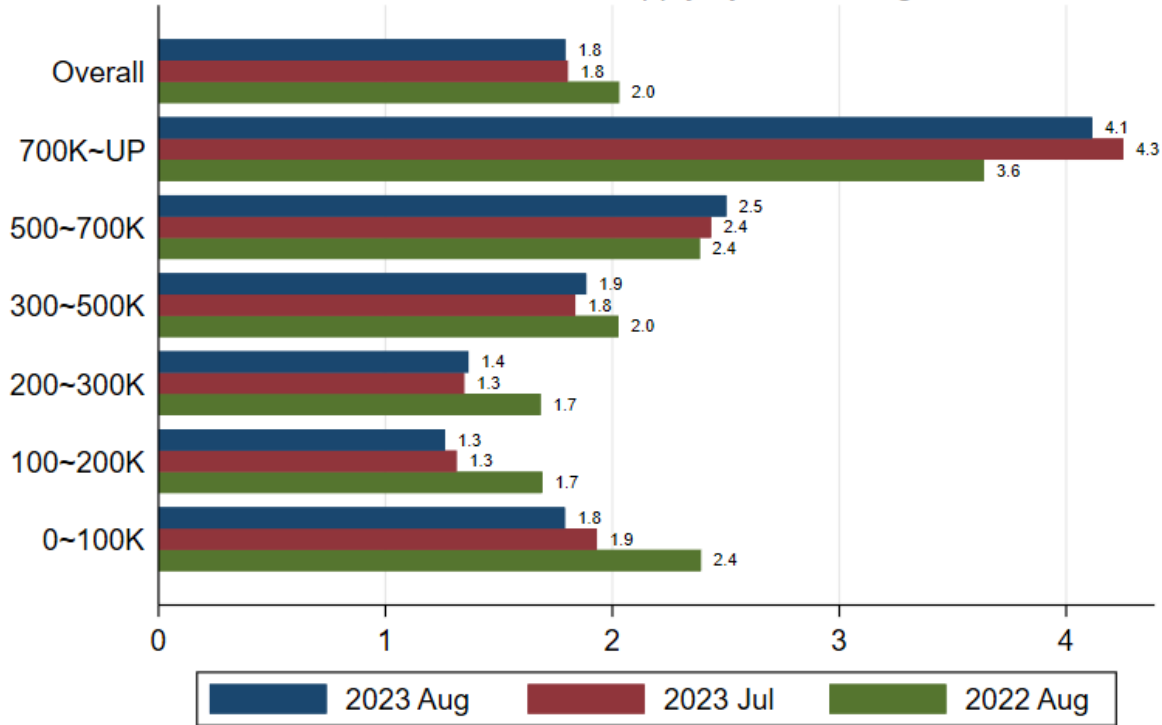
Chicago PMSA Foreclosure Inventory



Net inflows=Inflows-Outflows

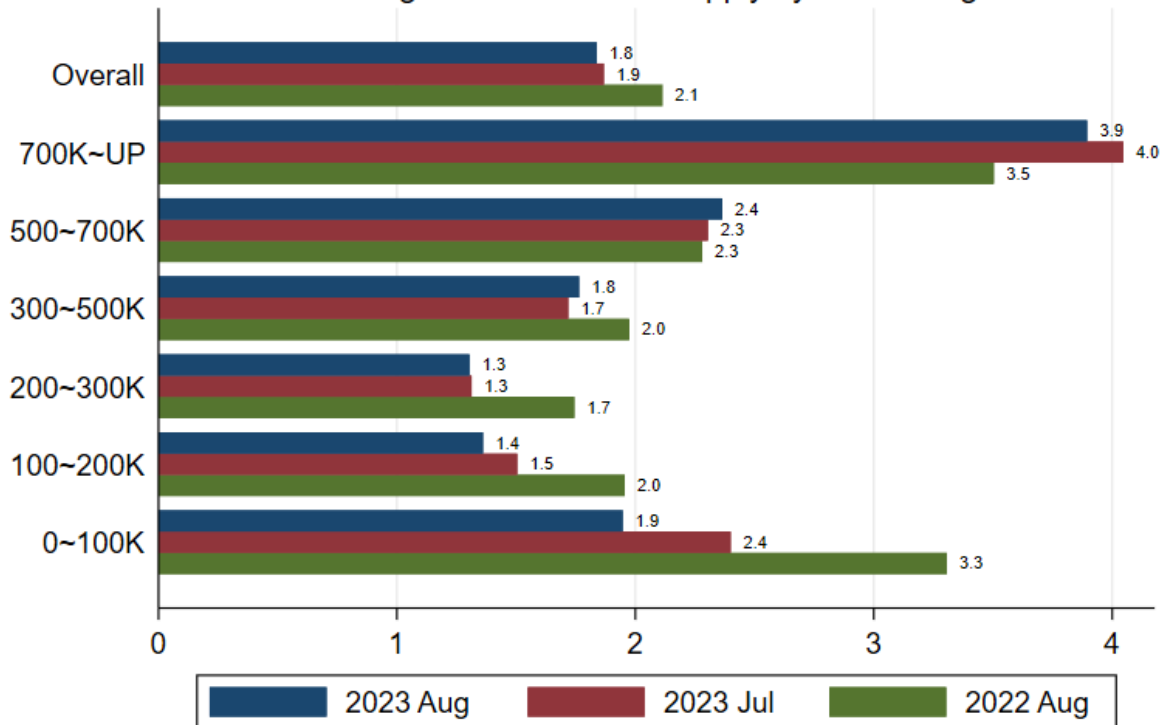
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Months' Supply by Price Range



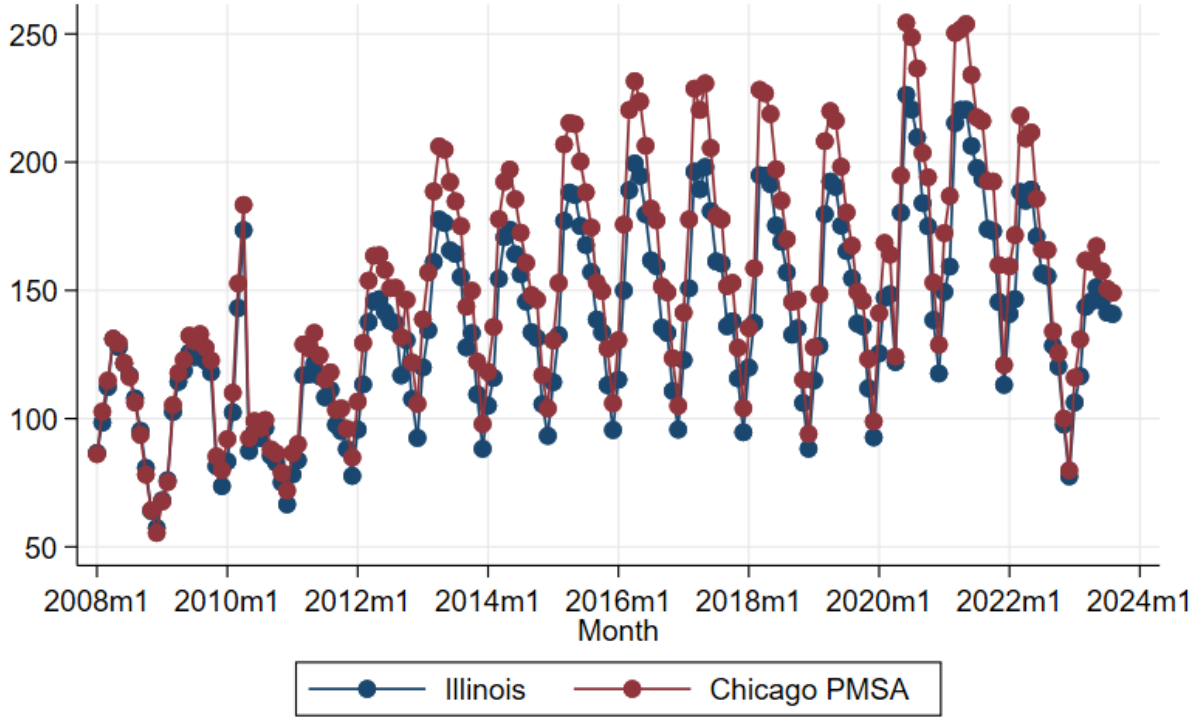
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Months' Supply by Price Range



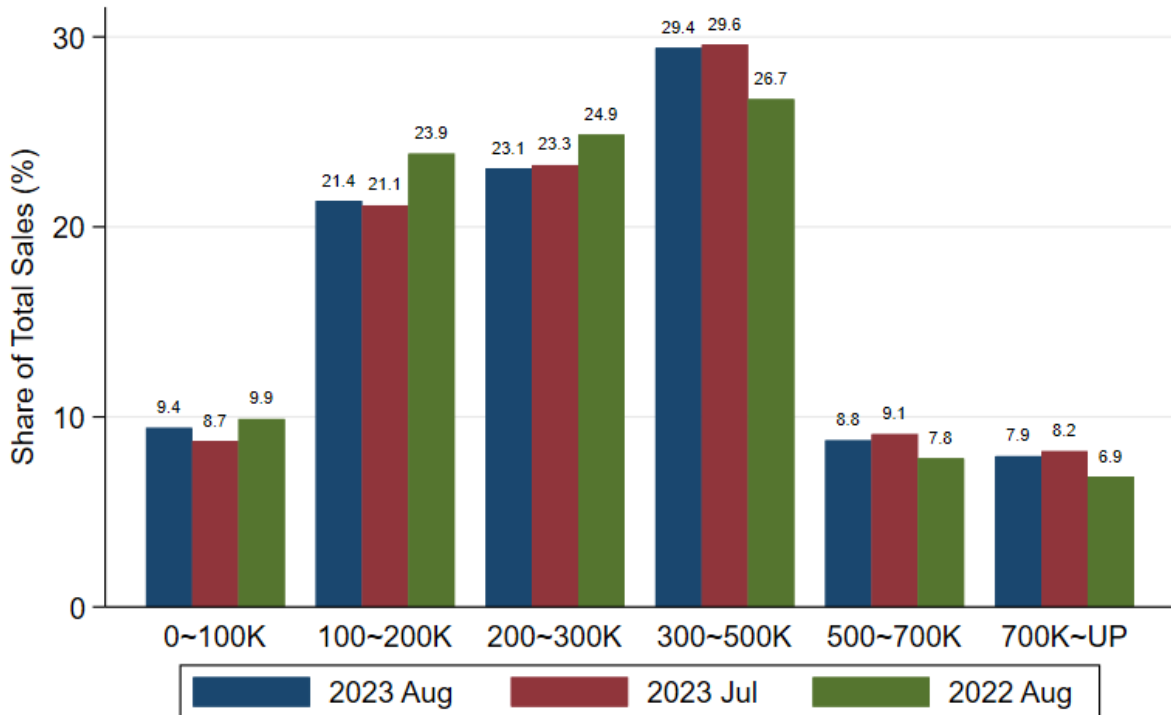
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Pending Home Sales Index (2008=100)



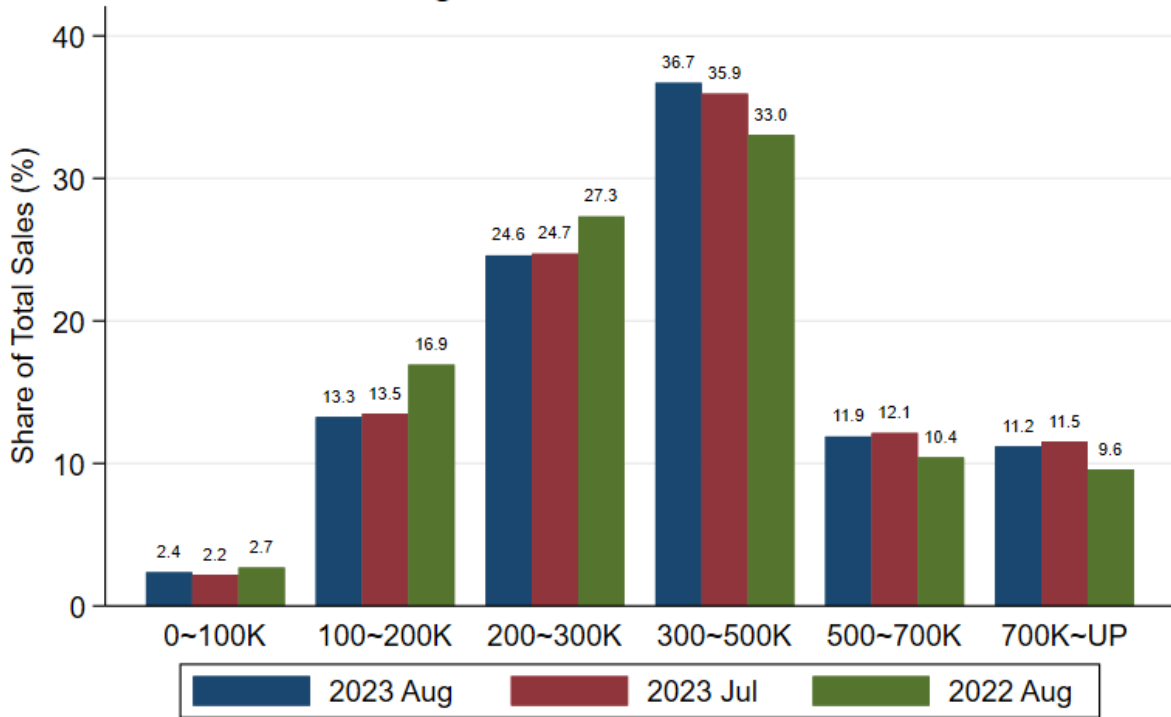
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Price Stratification



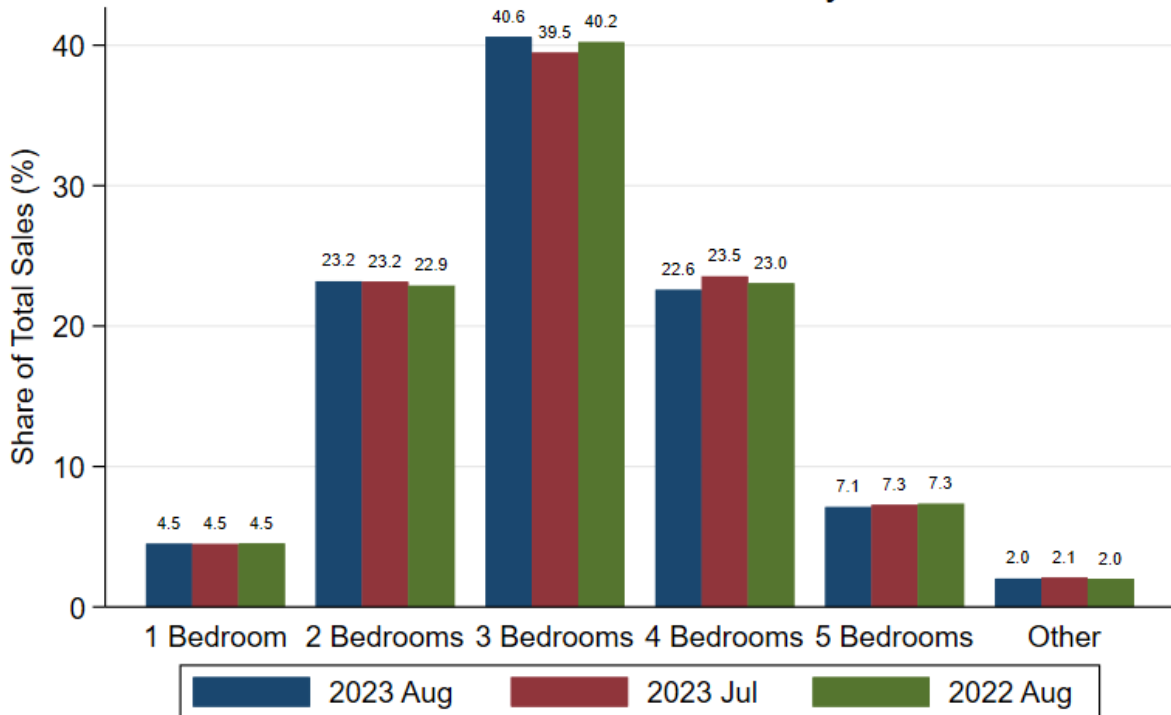
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Price Stratification



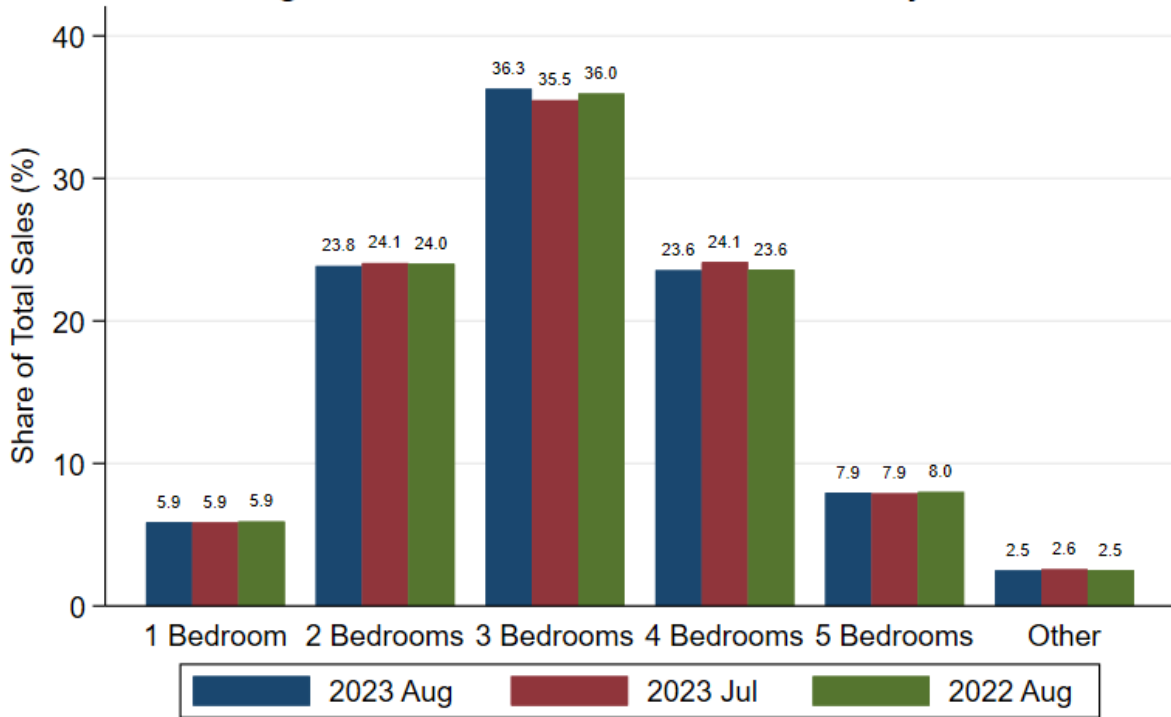
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois House Characteristics by Bedroom



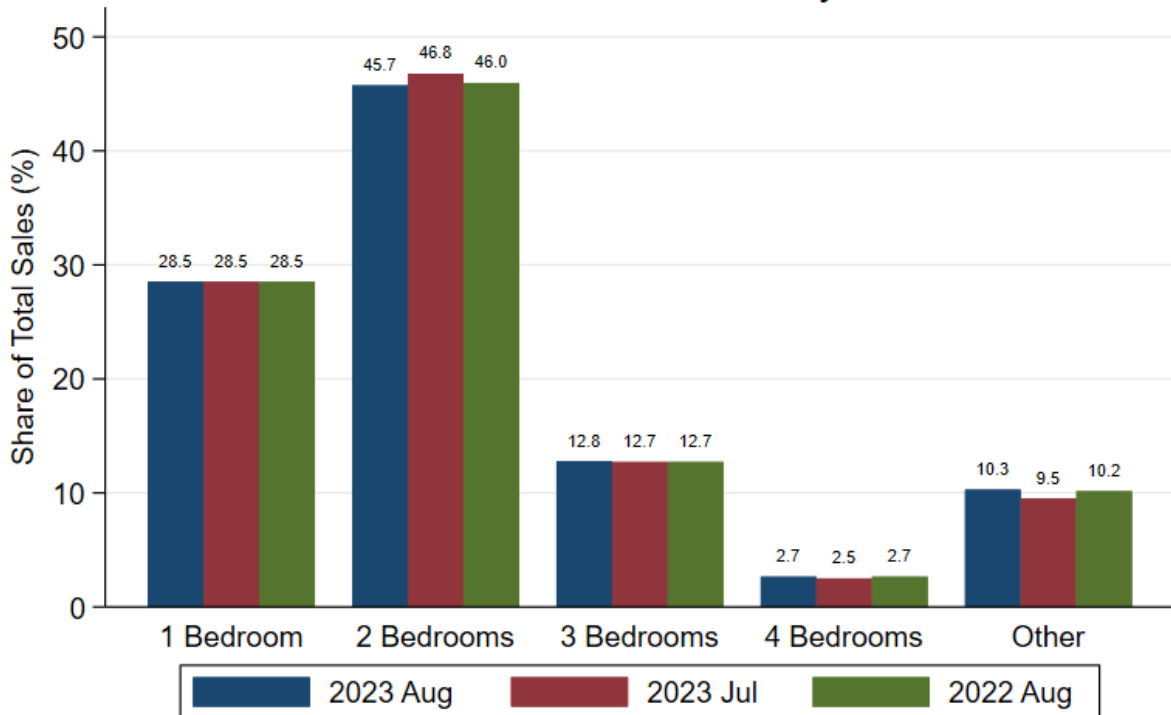
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA House Characteristics by Bedroom



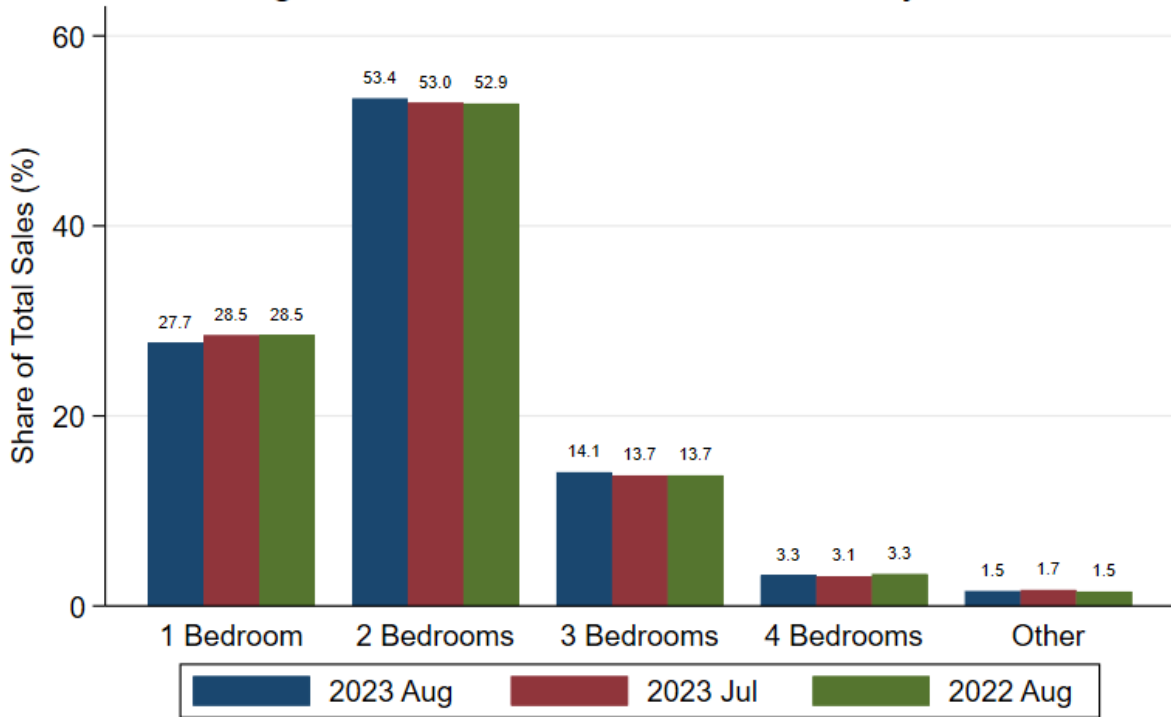
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois House Characteristics by Bathroom



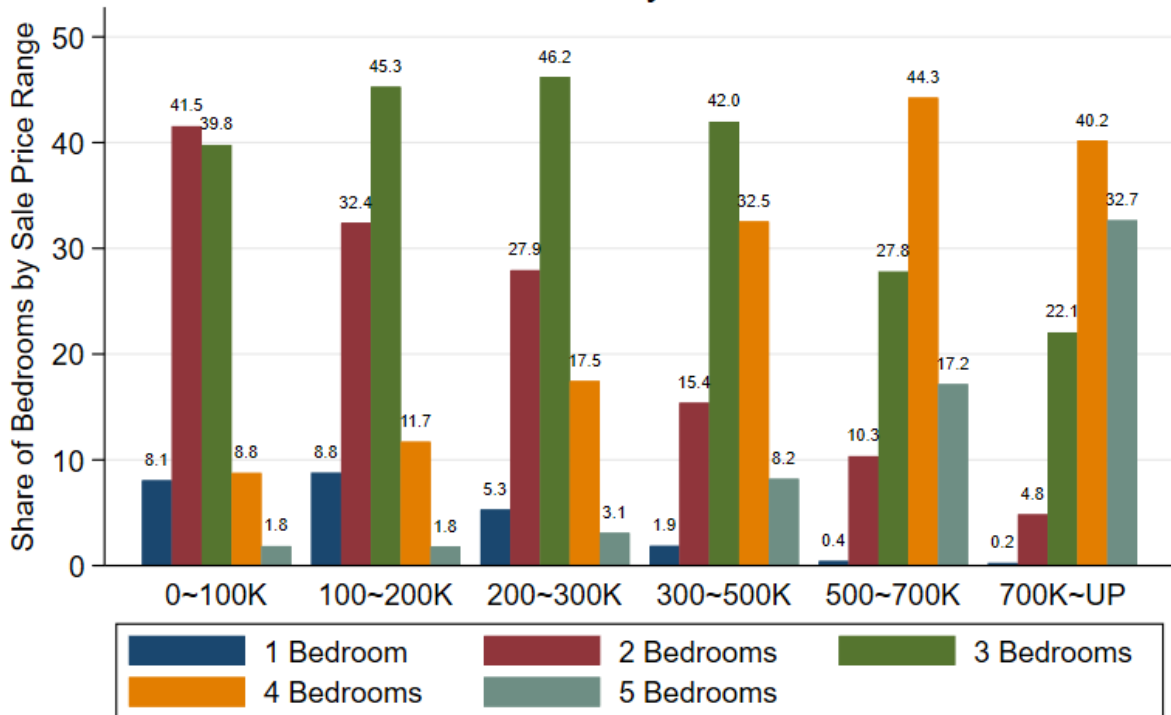
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA House Characteristics by Bathroom



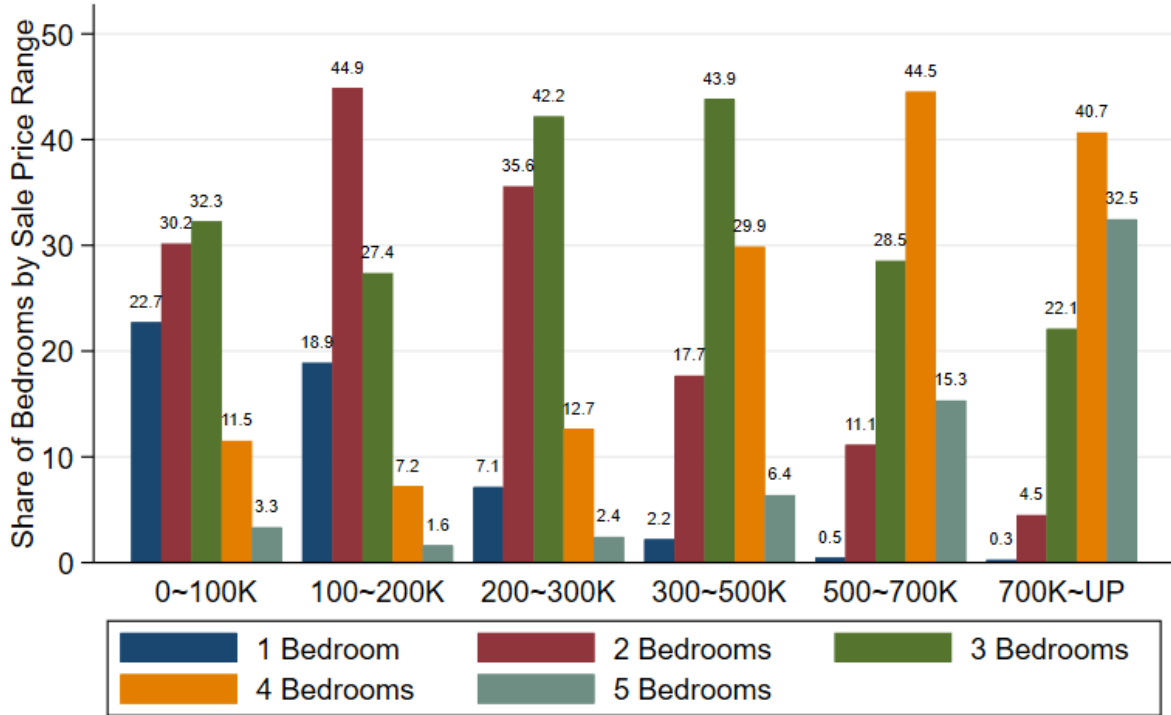
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Bedroom Shares by Sale Price Stratification



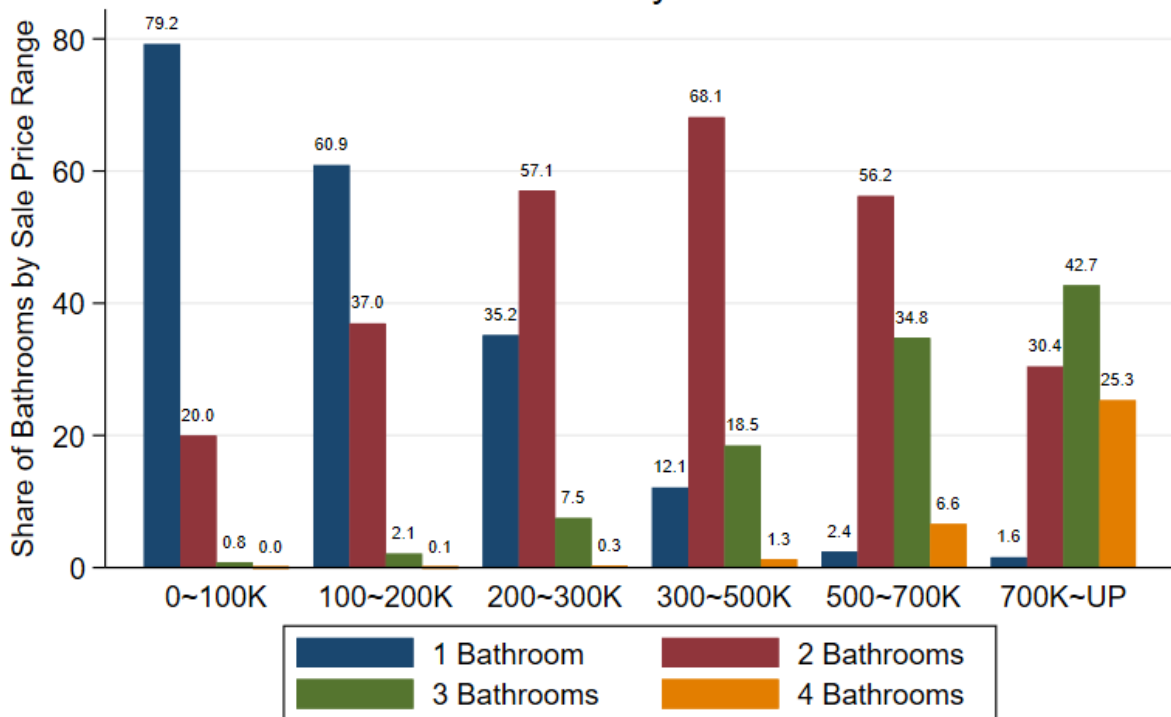
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Bedroom Shares by Sale Price Stratification



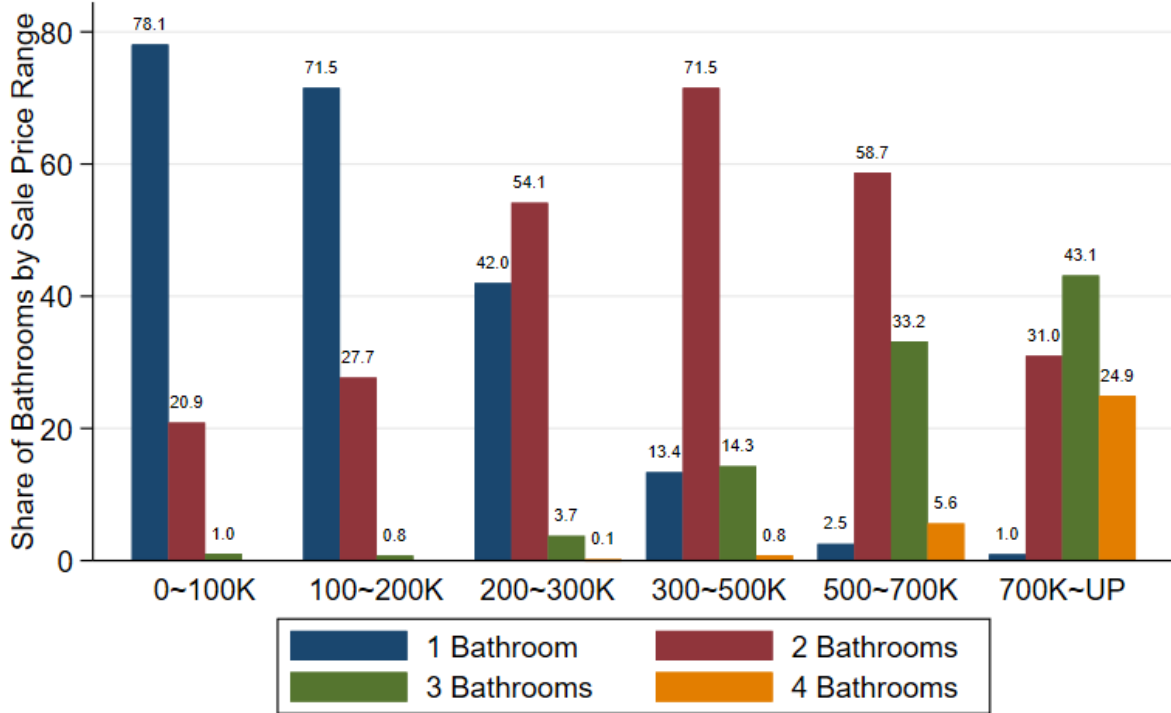
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Bathroom Shares by Sale Price Stratification



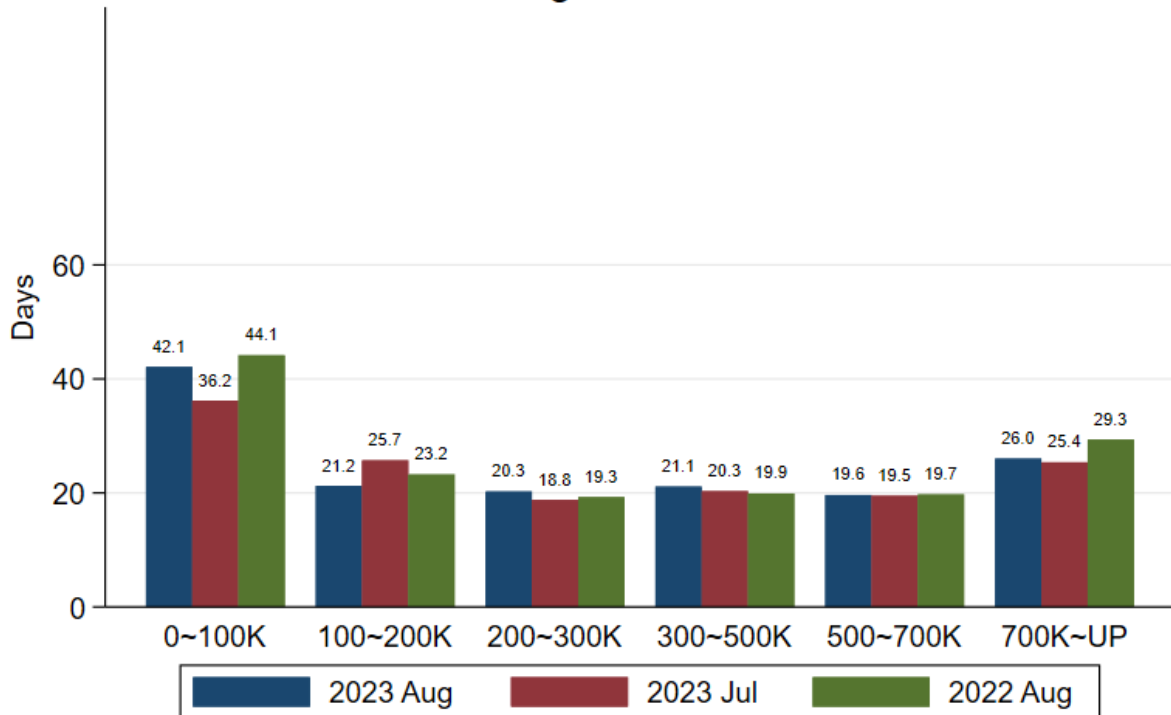
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Bathroom Shares by Sale Price Stratification



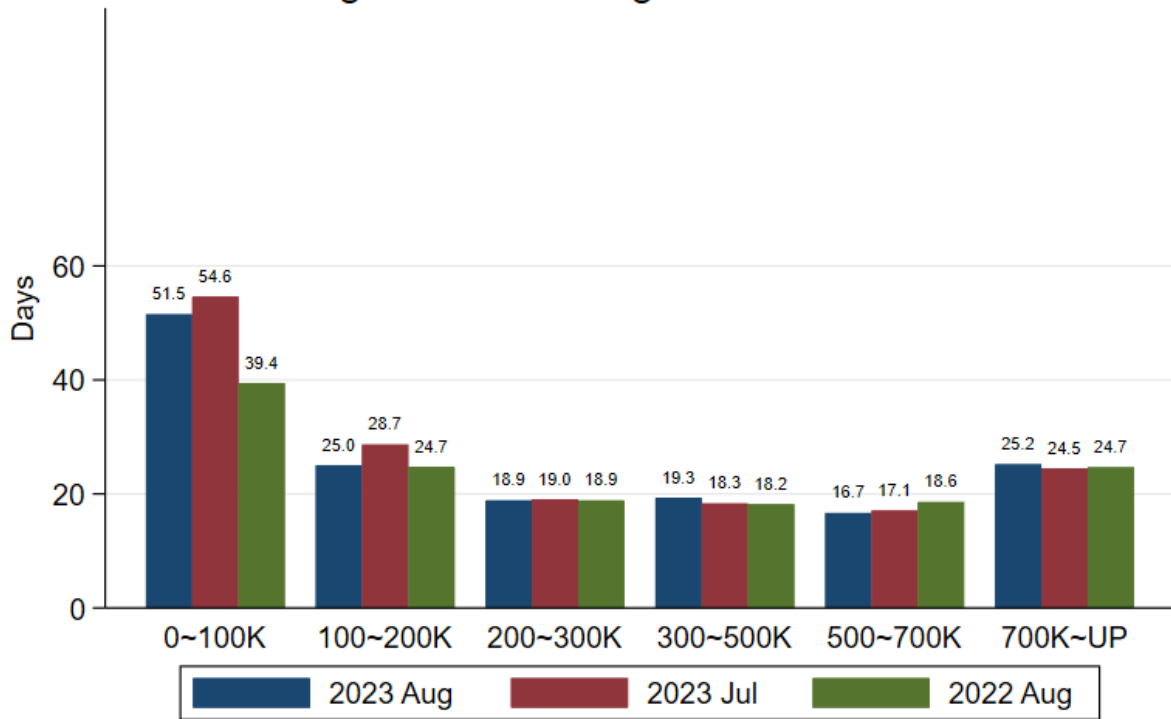
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

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

