

# **Housing Price Forecasts**

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

Presented To

**Illinois Realtors®**

From

**UIC Stuart Handler Department of Real Estate**

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## **Housing Price Forecast: Illinois and Chicago PMSA, December 2023**

### **The Housing Market**

In November, house sales in Illinois and Chicago declined relative to this time last year, while median prices increased. 9,500 houses were sold in Illinois, changing by -10.1% from a year ago and -12.6% from a month ago. In the Chicago PMSA, 6,200 houses were sold, changing by -10.2% from a year ago and -13.4% from a month ago. The median price was \$265,000 in Illinois, changing by 9.5% from November of last year; the comparable figure for the Chicago PMSA was \$323,000, up 9.5% from last November.

In November, the percentage of foreclosed sales (e.g. REOs) out of total sales was 5.8% for the Chicago PMSA. 5,800 regular sales were made, -11.1% fewer than last year. 359 foreclosed properties were sold, 6.8% more than last year. The median price was \$328,000 for regular property sales, up 9.37% from last year; the comparable figure for foreclosed properties was \$264,500, which is 9.3% higher than last year.

The sales forecast for December, January, and February suggests a decrease on a monthly and yearly basis for both the Chicago PMSA and Illinois. Annually for Illinois, the three-month average forecasts point to a decrease in the range of -9.5 to -12.9%; the comparable figures for the Chicago PMSA are a decrease in the range of -12.1% to -16.4%. On a monthly basis, the three-month average sales are forecast to decrease in the range of -11.3% to -15.3% for Illinois and decrease in the range of -12.6% to -17.0% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings. This November, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 66.2 (2019=100) in Illinois, down 0.1% from a year ago. In the Chicago PMSA, the comparable figure is 60.1 down 0.6% from a year ago.

The median price forecast indicates positive annual growth for December, January, and February in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 11.2% in December, 11.0% in January, and 8.9% in February. For the Chicago PMSA, the comparable figures are 11.0% in December, 10.7% in January, and 10.3% in February. As a complement to the median housing price index (HPI), the SHDRE HPI forecasts a growth trend for both Illinois and the Chicago PMSA. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 8.3% in December, 8.7% in January, and 6.6% in February. The comparable figures for the Chicago PMSA are 10.4% in December, 8.5% in January, and 9.7% in February. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In November, the Conference Board Consumer Confidence Index increased moderately in November to 102.0 (1985=100), up from a downwardly revised 99.1 in October. The Conference Board Consumer Confidence Index survey noted that “consumer confidence increased in November, following three consecutive months of decline. November’s increase in consumer confidence was concentrated primarily among householders aged 55 and up; by contrast, confidence among householders aged 35-54 declined slightly. General improvements were seen across the spectrum of income groups surveyed in November. Nonetheless, write-in responses revealed consumers remain preoccupied with rising prices in general, followed by war/conflicts

and higher interest rates.” The University of Michigan Consumer Sentiment Index fell by “a modest 2.5 index points, or 4%, from October.” The survey notes that “while this marks the fourth consecutive month of declines, November’s reading reflects a balance of factors, some of which improved while others worsened. More-favorable current assessments and expectations of personal finances were offset by a notable deterioration in expected business conditions. In particular, long-run business conditions plunged by 15% to its lowest since July 2022. Younger and middle-aged consumers exhibited strong declines in economic attitudes this month, while sentiment of those age 55 and older improved from October.”.

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

- In November, house sales in Illinois and the Chicago PMSA experienced a negative annual change, while median prices experienced a positive annual change. 9,500 houses were sold in Illinois, changing by -10.1% from a year ago and -12.6% from a month ago. In the Chicago PMSA, 6,200 houses were sold, changing by -10.2% from a year ago and -13.4% from a month ago. The median price was \$265,000 in Illinois, changing by 9.5% from November last year; the comparable figure for the Chicago PMSA was \$323,000, changing by 9.5% from November last year.
- In November, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 5.8%. 5,800 regular sales were made, -11.1% less than last year. 359 foreclosed properties were sold, 6.8% more than last year. The median price was \$328,000 for regular property sales, up 9.37% from last year; the comparable figure for foreclosed properties was \$264,500, up 9.3% from last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures.)
- In November, the market share of homes in the second lowest price range experienced the largest change compared to a year ago for both Illinois and the Chicago PMSA. In Illinois, the market share for homes priced \$100-200K decreased to 23.0% from 26.4% a year ago. In the Chicago PMSA, the market share for homes price \$100-200K decreased to 14.8% from 19.8% 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 December, January, and February in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 11.2% in December, 11.0% in January, and 8.9% in February. For the Chicago PMSA, the comparable figures are 11.0% in December, 10.7% in January, and 10.3% in February. (Reference: Forecast for November 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. In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 8.3% in December, 8.7% in January, and 6.6% in February. The comparable figures for the Chicago PMSA are 10.4% in December, 8.5% in

January, and 9.7% in February. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

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- The pending home sales index is a leading indicator based on contract signings. This November, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 66.2 (2019=100) in Illinois, down 0.1% from a year ago. In the Chicago PMSA, the comparable figure is 60.1 down -0.6% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure.)

## **The Economy**

- In November 2023, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate decreased to 3.7%, and non-farm payroll jobs experienced a gain of 199,000 jobs. Notable job gains occurred over the month in Healthcare (+77,000); government (+49,000), and social assistance (+19,000).
- In November 2023, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rate increased by 0.2 percentage point to 4.6%. Non-farm payroll jobs decreased by 15,000. The industry sectors that reported the largest over-the-month gains in employment were: Professional and Business Services (-6,700), Manufacturing (-5,300), Financial Activities (-2,900), and Educational and Health Services (-2,900).

## **Longer-term Outlook**

- In November, the Conference Board Consumer Confidence Index increased moderately in November to 102.0 (1985=100), up from a downwardly revised 99.1 in October, whereas the University of Michigan Consumer Sentiment Index declined to 61.3 from 56.7 of last year. The Conference Board Consumer Confidence Index survey noted that “Consumer confidence increased in November, following three consecutive months of decline. November’s increase in consumer confidence was concentrated primarily among householders aged 55 and up; by contrast, confidence among householders aged 35-54 declined slightly. General improvements were seen across the spectrum of income groups surveyed in November. Nonetheless, write-in responses revealed consumers remain preoccupied with rising prices in general, followed by war/conflicts and higher interest rates.”. The University of Michigan

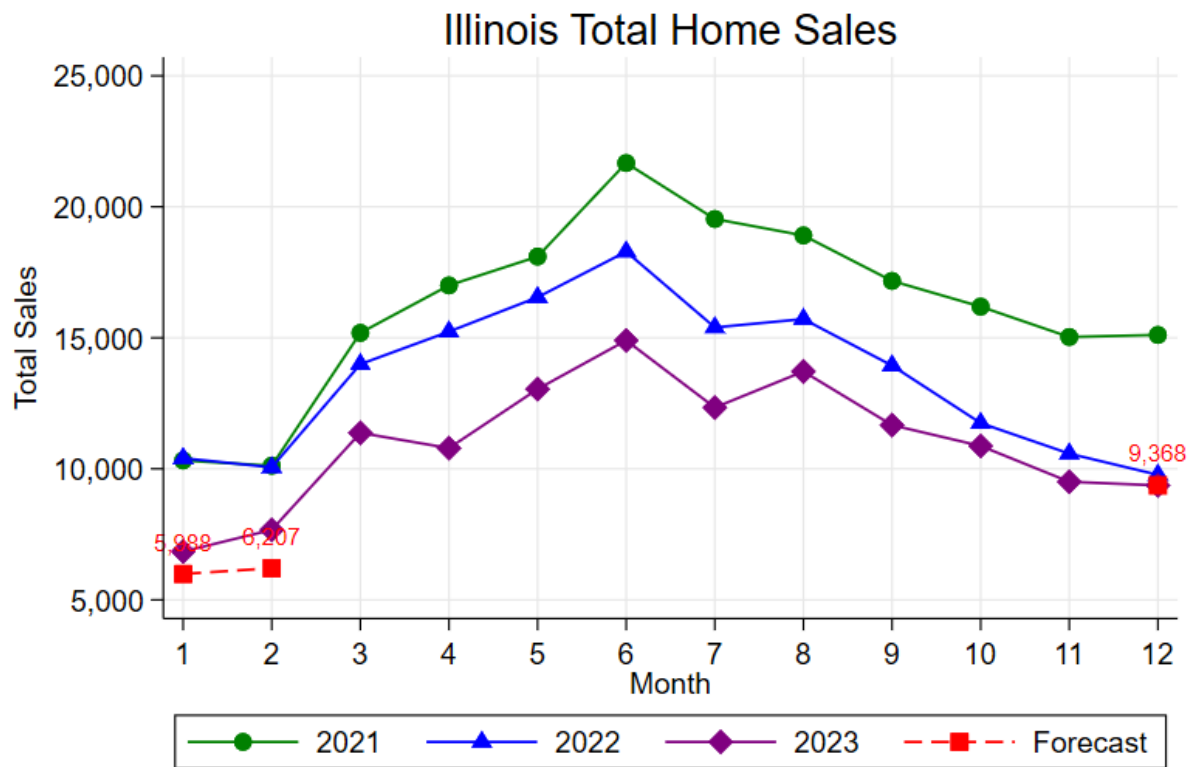
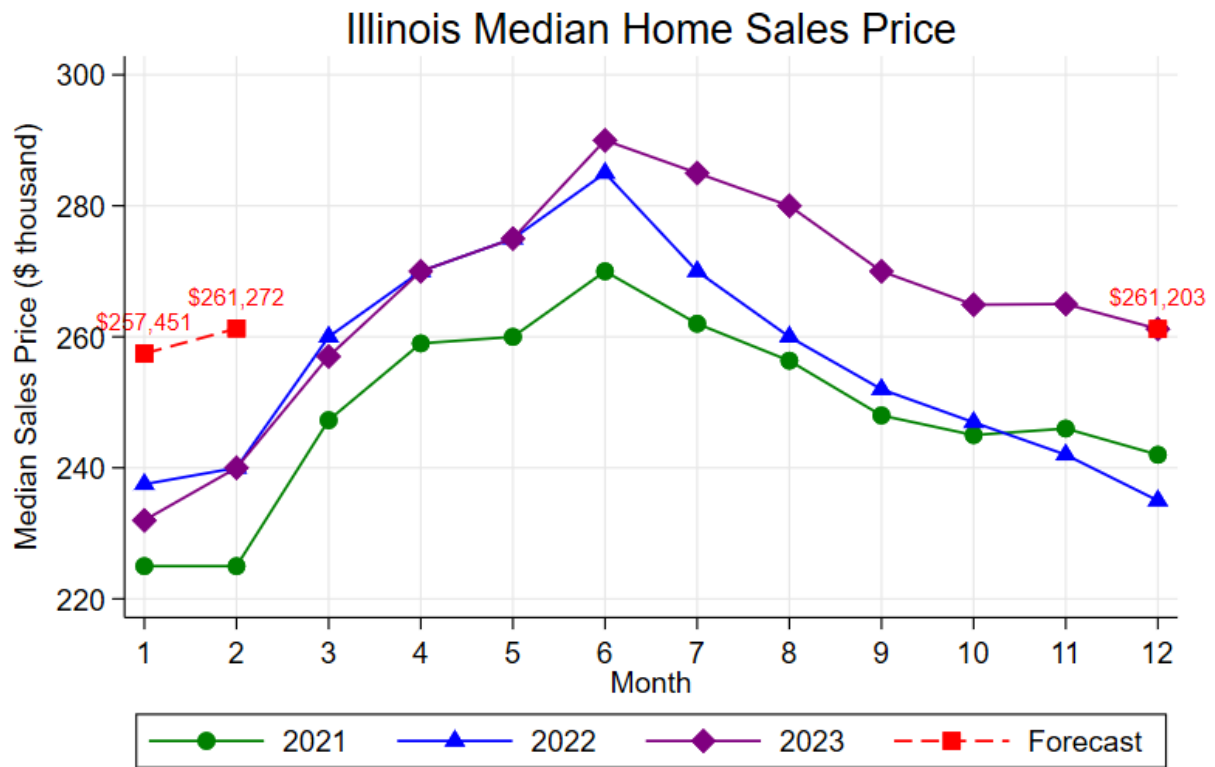
Consumer Sentiment Index survey noted that “Consumer sentiment fell a modest 2.5 index points, or 4%, from October. While this marks the fourth consecutive month of declines, November’s reading reflects a balance of factors, some of which improved while others worsened. More-favorable current assessments and expectations of personal finances were offset by a notable deterioration in expected business conditions. In particular, long-run business conditions plunged by 15% to its lowest since July 2022. Younger and middle-aged consumers exhibited strong declines in economic attitudes this month, while sentiment of those age 55 and older improved from October.”.

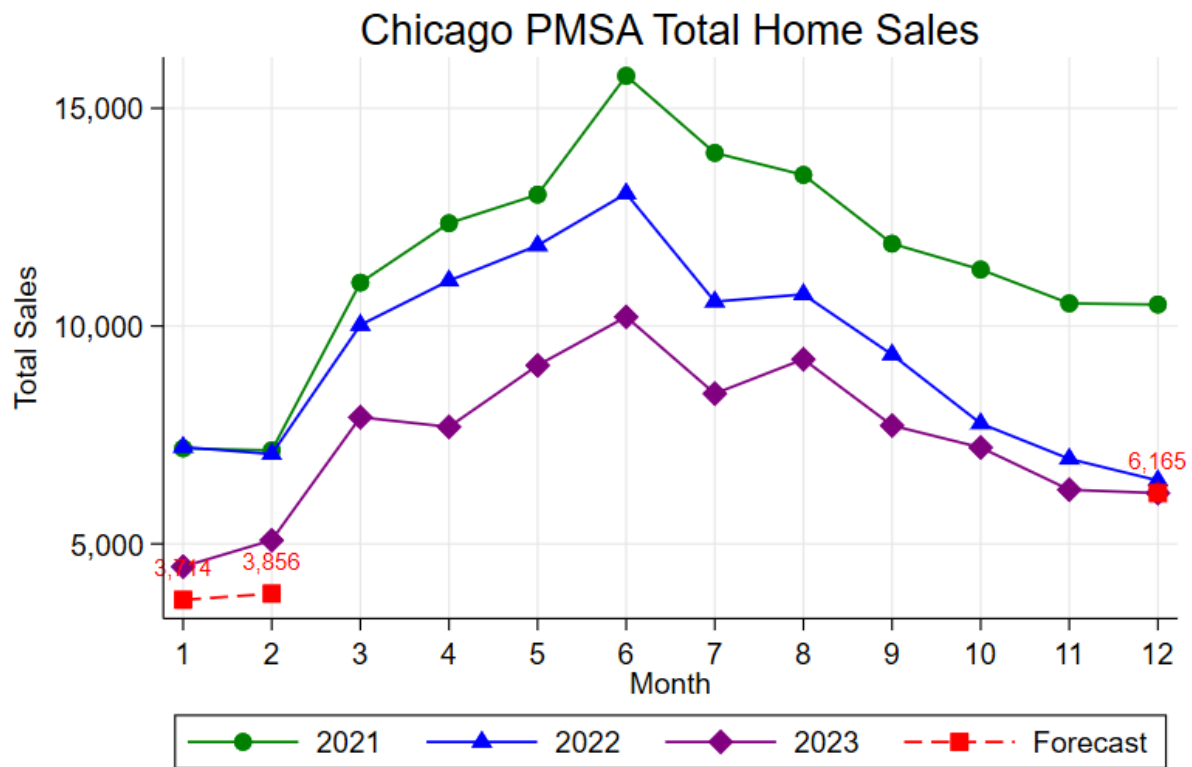
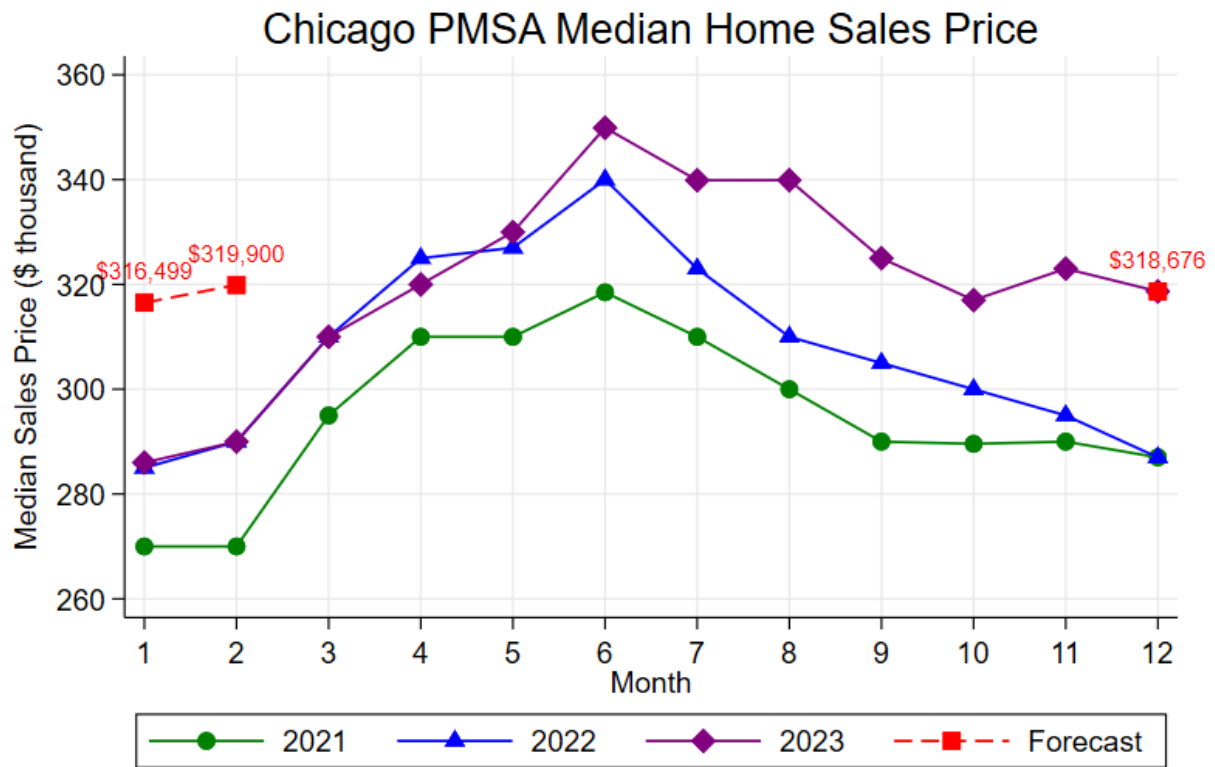
- The Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 0.6 points in November, remaining within the bounds of the low-level plateau it established in the first half of 2023. Consumers’ perceptions of homebuying conditions remain overwhelmingly pessimistic, as only 14% of consumers believe it’s a good time to buy a home, a new survey low. Pluralities of respondents also continue to expect both home prices and mortgage rates to increase over the next 12 months. Overall, the full index is up 7.0 points compared to last year.

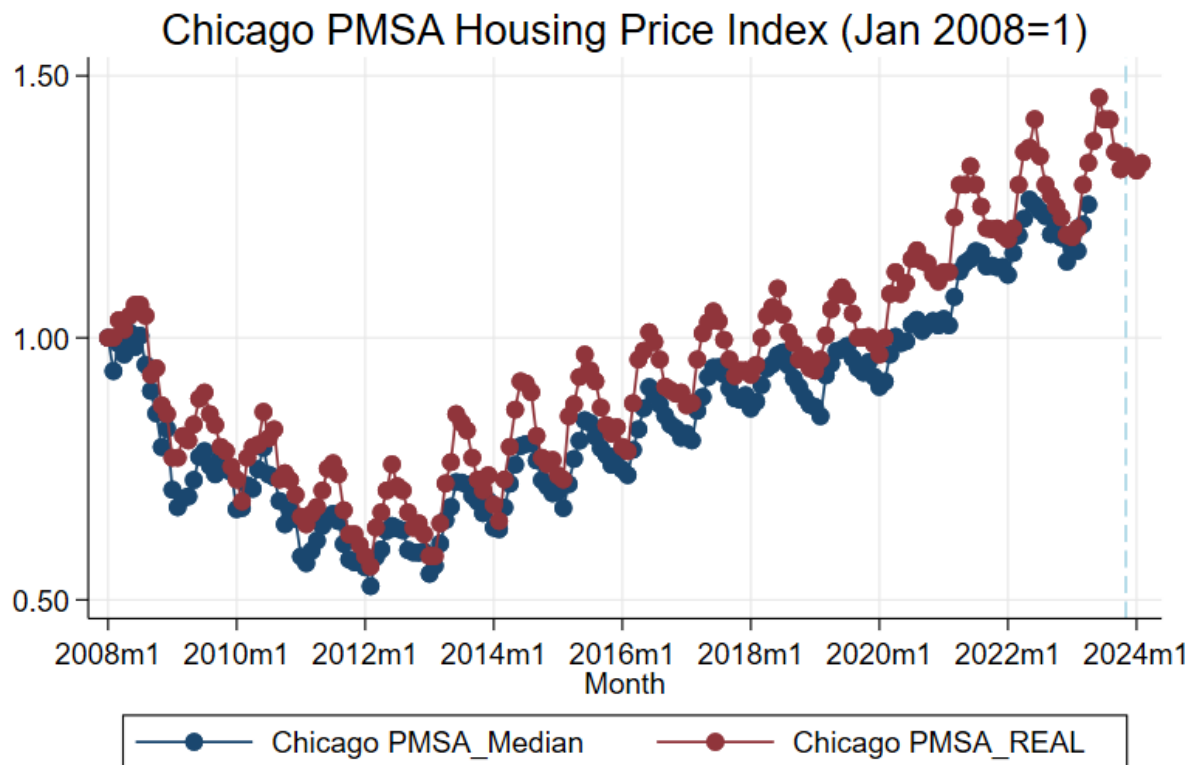
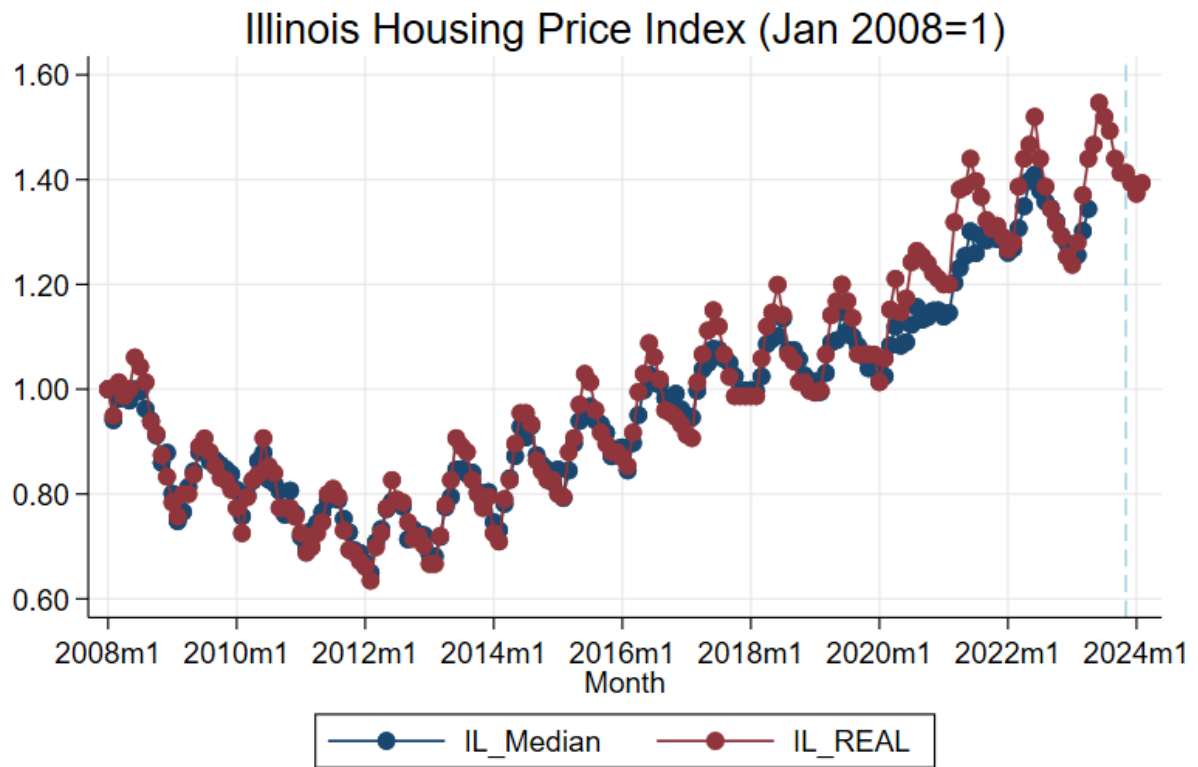
“The housing market is continuing its long-running trend of low sales and relatively high prices,” said Dr. Daniel McMillen, Professor of Real Estate and Associate Dean for Faculty Affairs in the UIC College of Business Administration. “The trend toward low sales should continue through the winter, which always is a slow time for housing sales in Illinois. However, the recent trends toward lower inflation rates, interest rates, and unemployment rates can be expected to lead to a rebound in the market if the trends continue.”

### Forecast for December 2023 Report

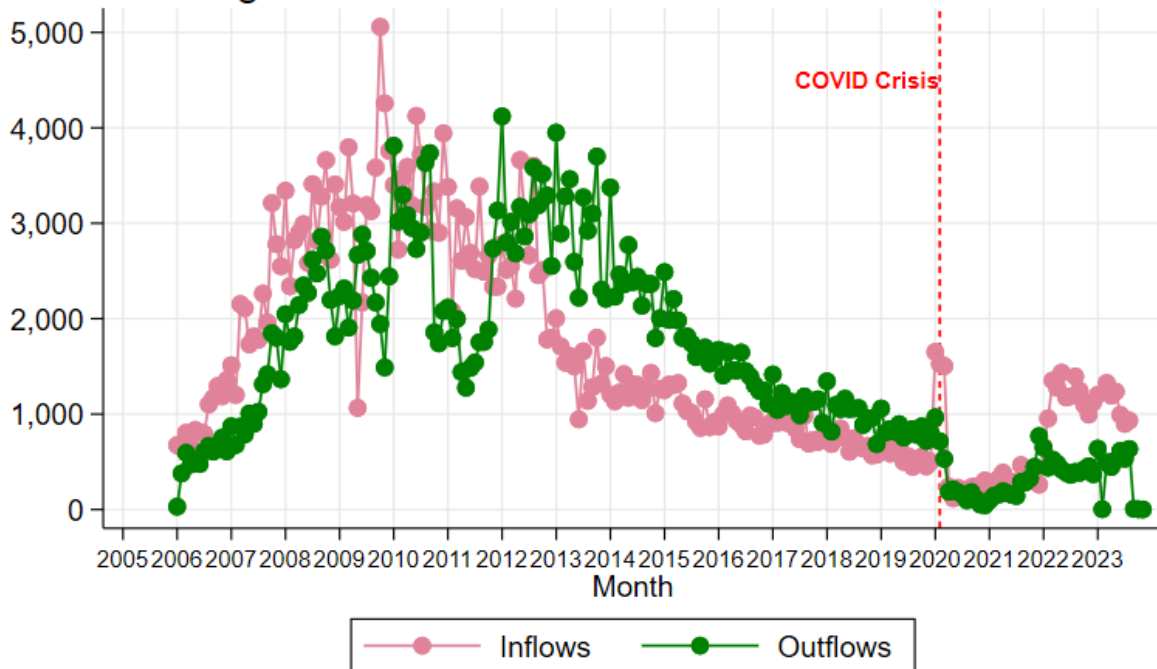
PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES					
	Annual			Monthly	
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Sep-23	-16.3%	-17.4%		-14.9%	-16.5%
Oct-23	-7.4%	-7.1%		-6.8%	-6.5%
Nov-23	-10.1%	-10.2%		-12.6%	-13.4%
3 Month Avg.	-11.6%	-12.0%		-11.6%	-12.4%
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES					
	Annual			Monthly	
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Dec-23	-3.5%   -4.8%	-3.8%   -5.2%		-1.3%   -1.7%	-1.1%   -1.4%
Jan-24	-10.6%   -14.4%	-14.5%   -19.6%		-30.7%   -41.5%	-33.8%   -45.7%
Feb-24	-16.2%   -22.0%	-20.5%   -27.8%		3.1%   4.2%	3.2%   4.4%
3 Month Avg.	-9.5%   -12.9%	-12.1%   -16.4%		-11.3%   -15.3%	-12.6%   -17.0%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE					
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Sep-23	\$270,000	\$325,000	Sep-22	\$252,000	\$305,000
Oct-23	\$264,900	\$317,000	Oct-22	\$246,950	\$299,990
Nov-23	\$265,000	\$323,000	Nov-22	\$242,000	\$295,000
Dec-23	\$261,203	\$318,676	Dec-22	\$235,000	\$287,000
Jan-24	\$257,451	\$316,499	Jan-23	\$232,000	\$286,000
Jan-00	\$0	\$0	Feb-23	\$240,000	\$290,000
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE					
	Illinois	Chicago PMSA		Illinois	Chicago PMSA
Sep-23	7.1%	6.6%	Sep-22	1.6%	5.2%
Oct-23	7.3%	5.7%	Oct-22	0.8%	3.6%
Nov-23	9.5%	9.5%	Nov-22	-1.6%	1.7%
Dec-23	11.2%	11.0%	Dec-22	-2.9%	0.0%
Jan-24	11.0%	10.7%	Jan-23	-2.3%	0.4%
Jan-00	0.0%	0.0%	Feb-23	0.0%	0.0%







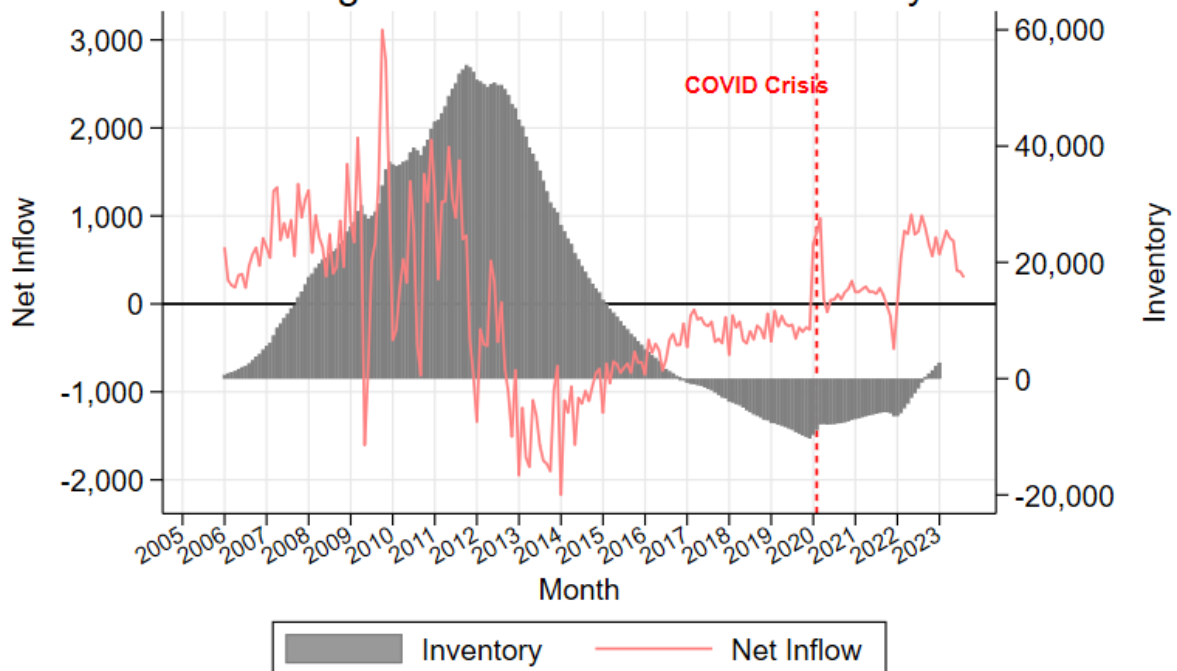
## Chicago PMSA New Foreclosure Inflows and Outflows



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

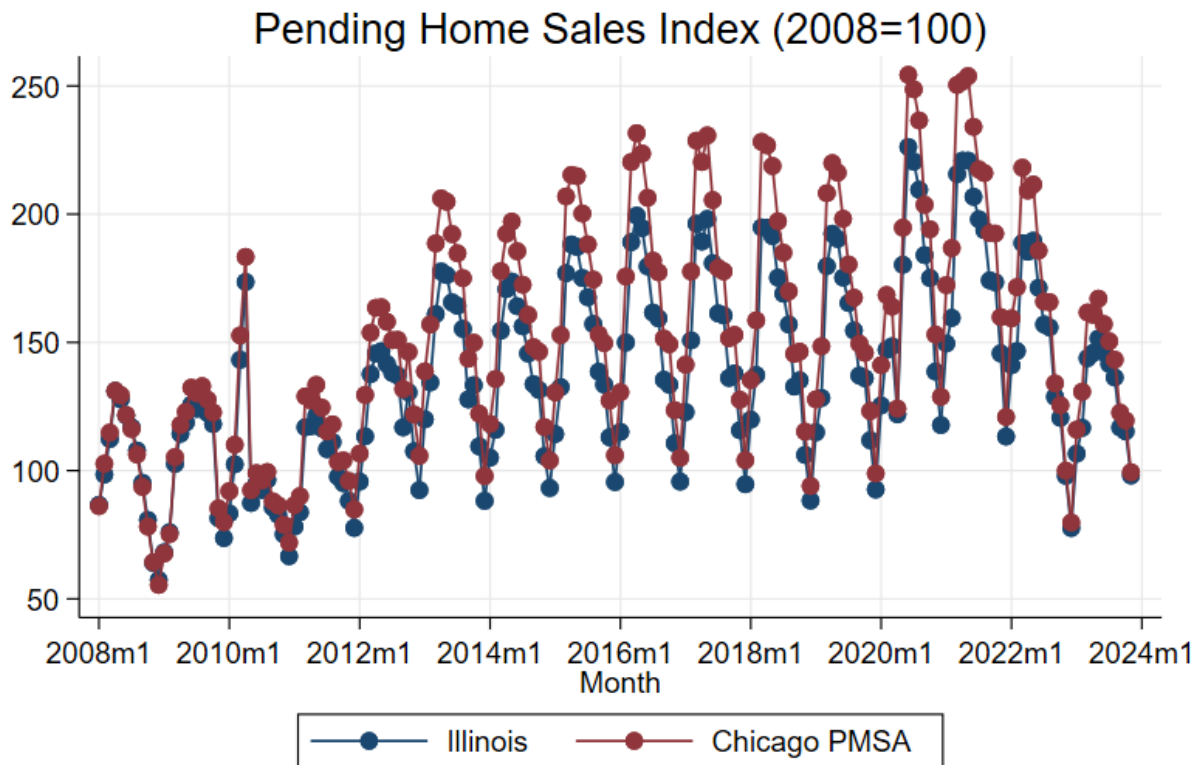
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

## Chicago PMSA Foreclosure Inventory

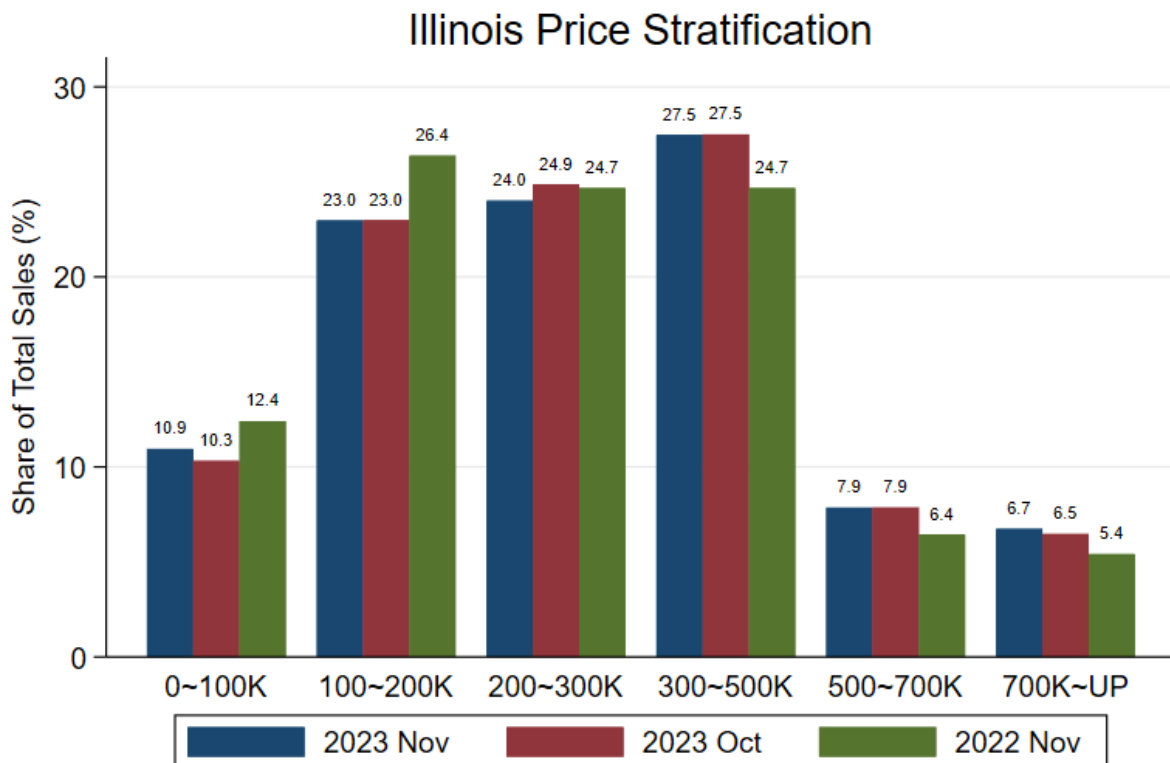


Net inflows = Inflows - Outflows

Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

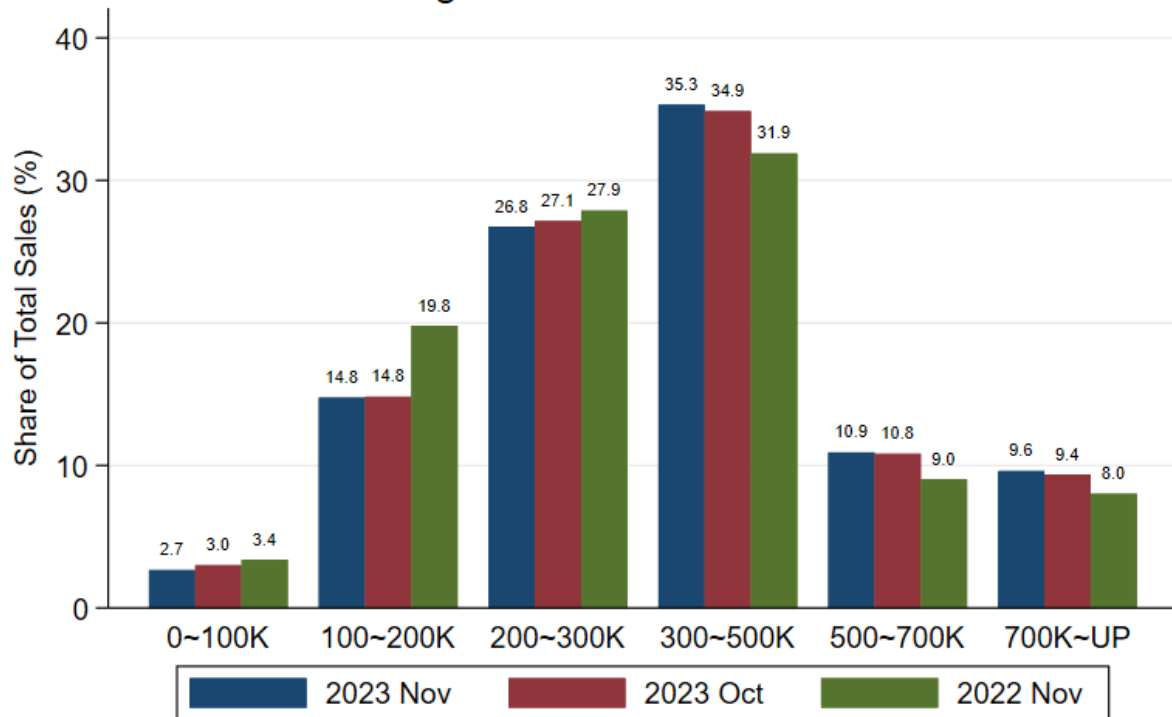


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



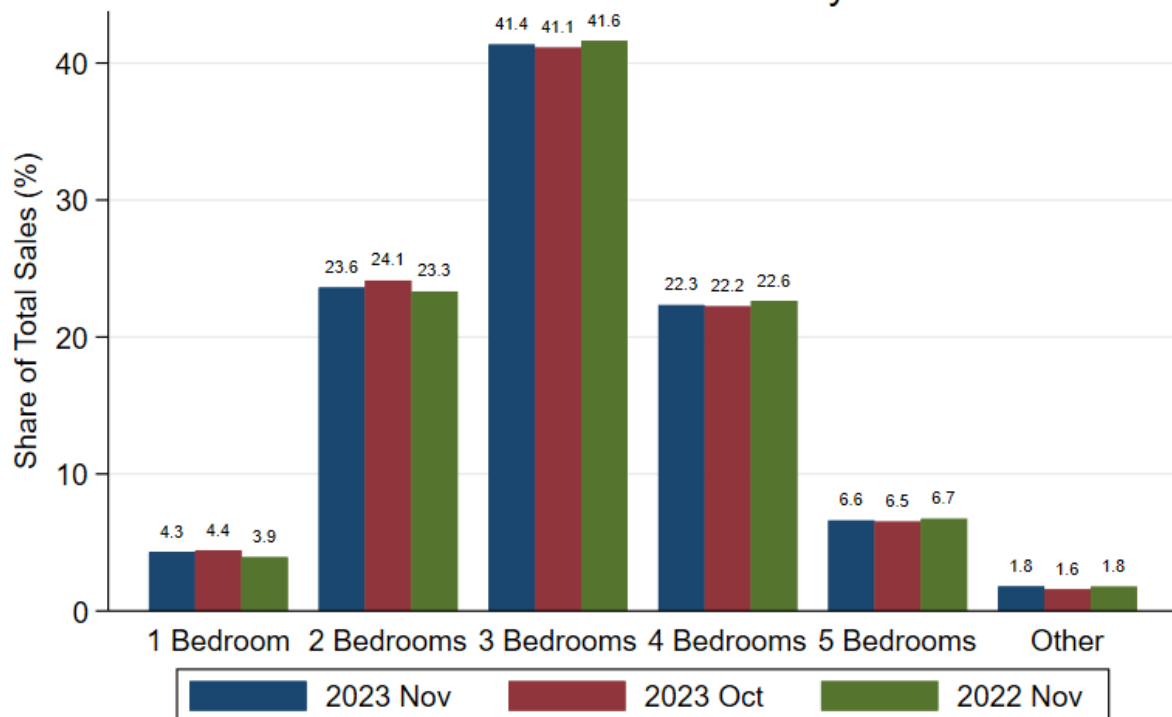
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Price Stratification



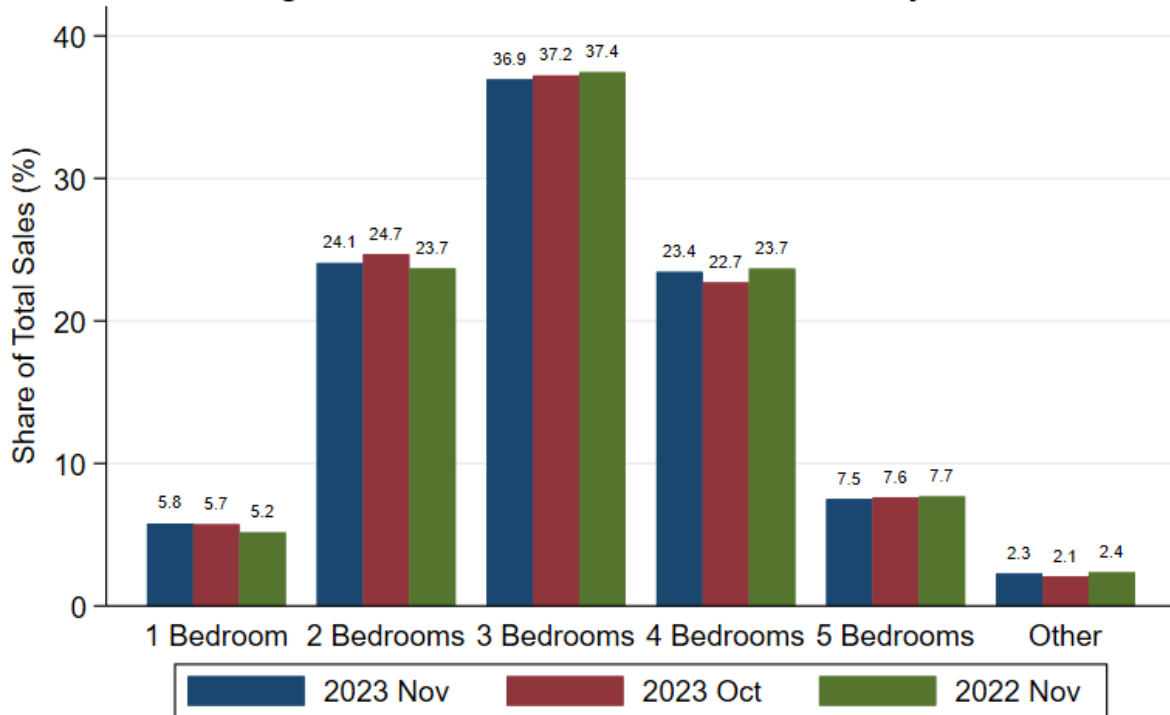
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois House Characteristics by Bedroom



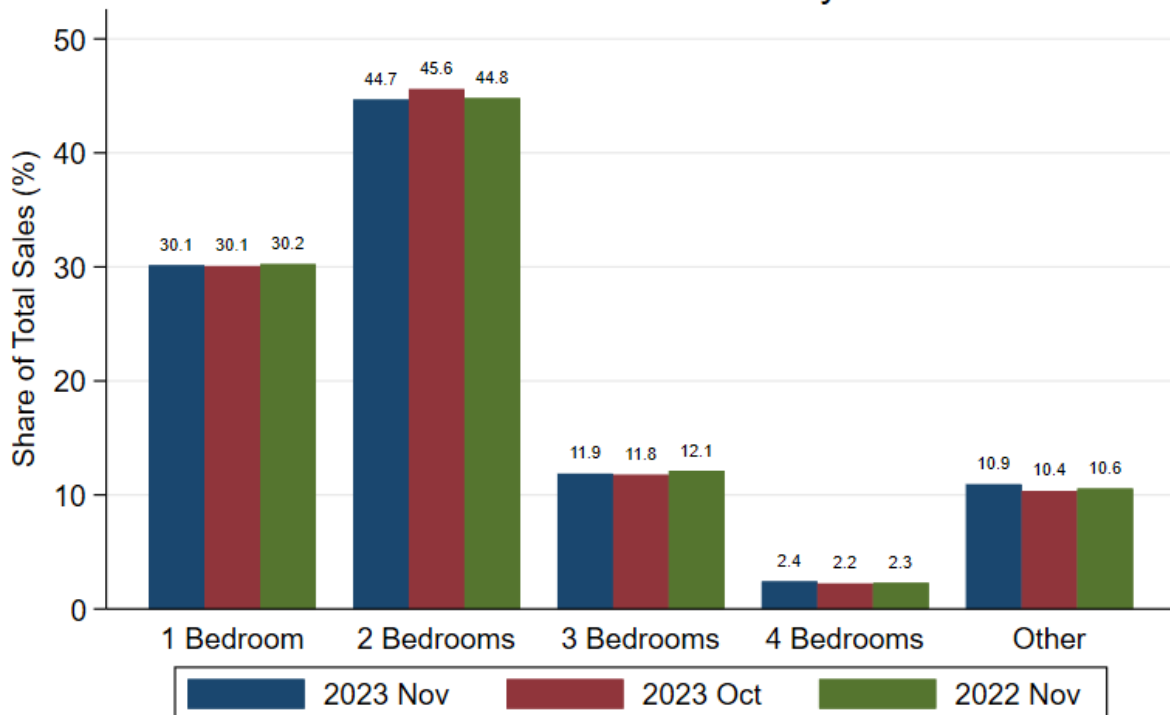
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA House Characteristics by Bedroom



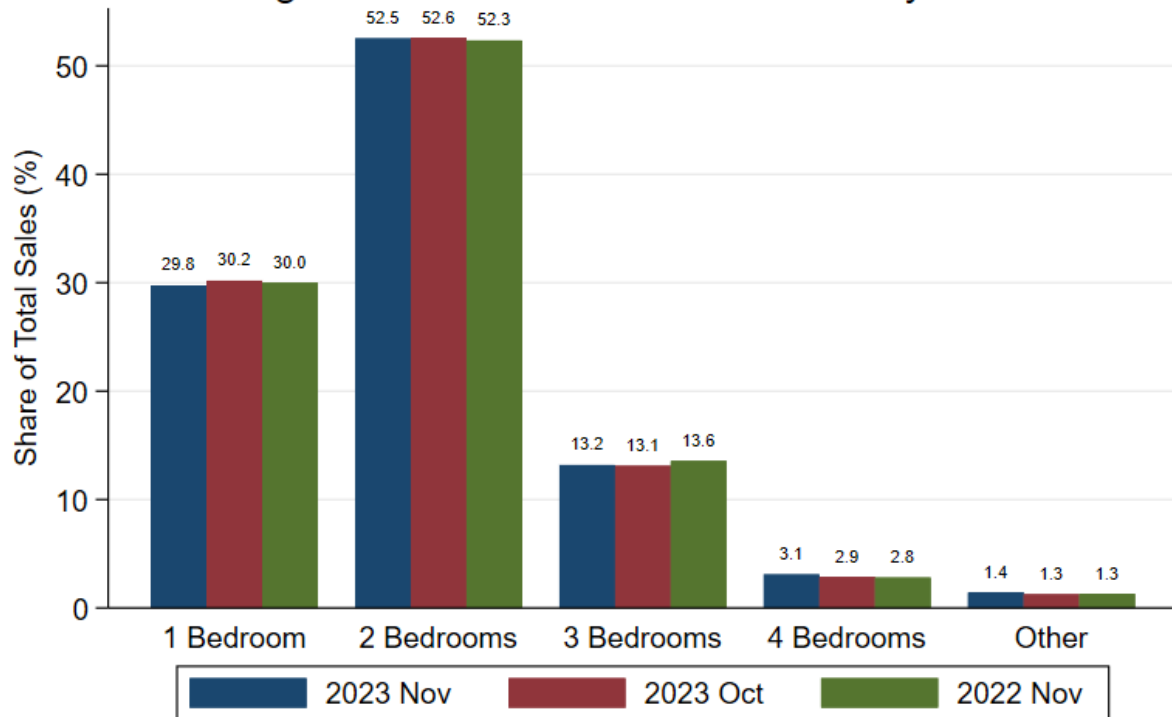
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

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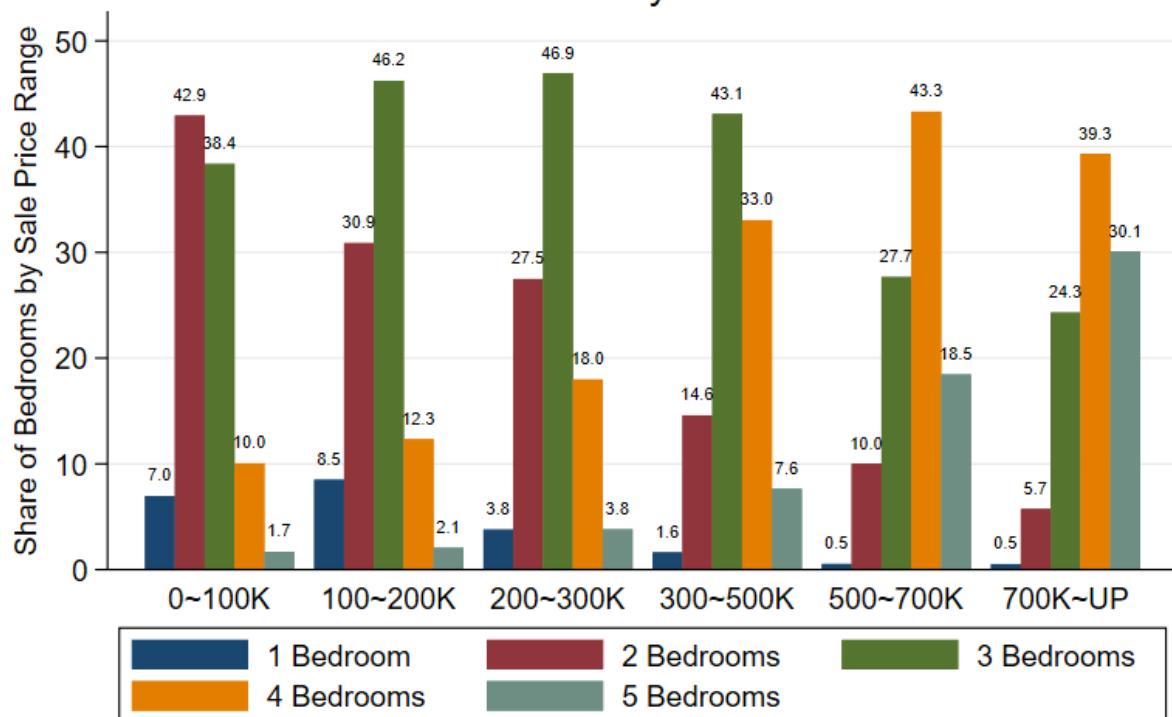
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA House Characteristics by Bathroom

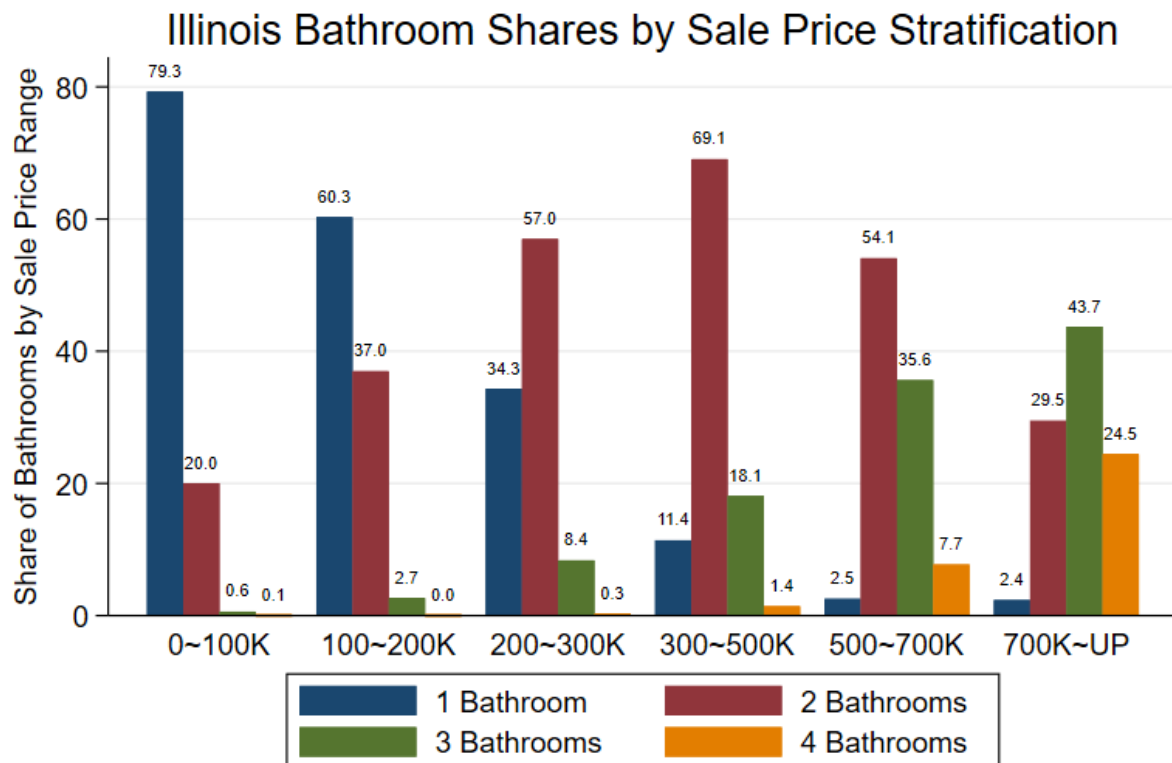
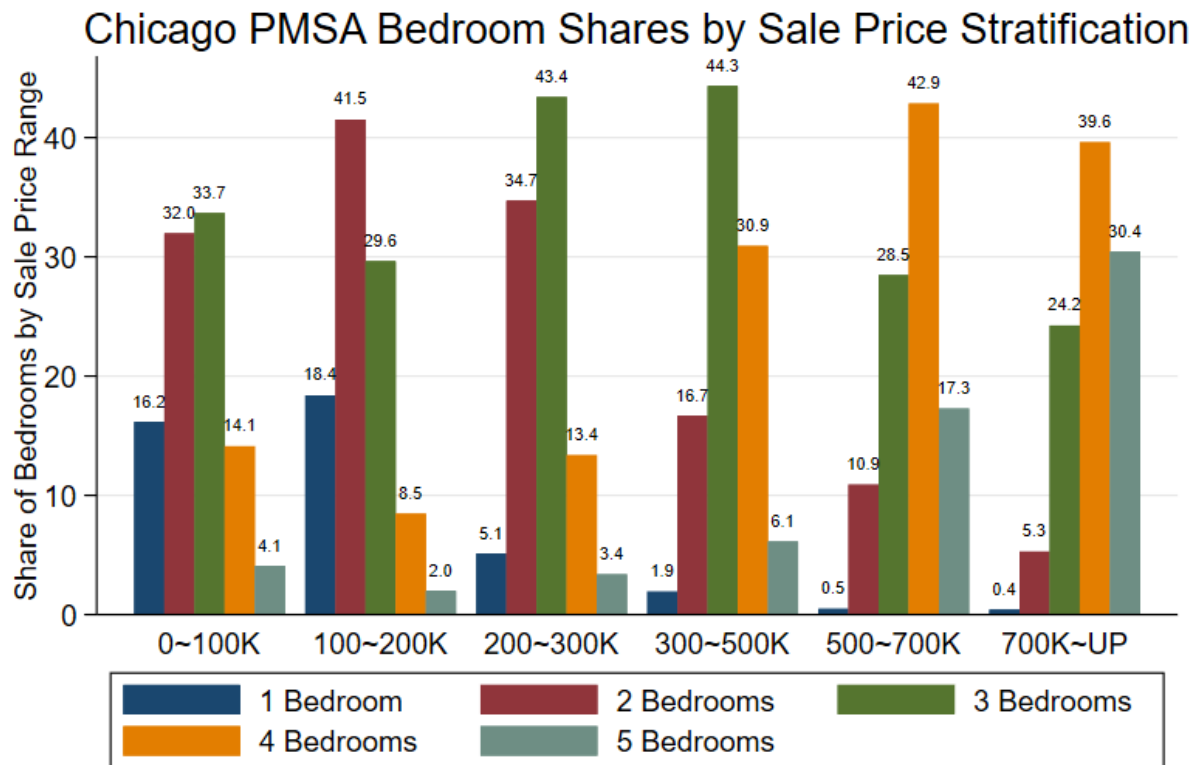


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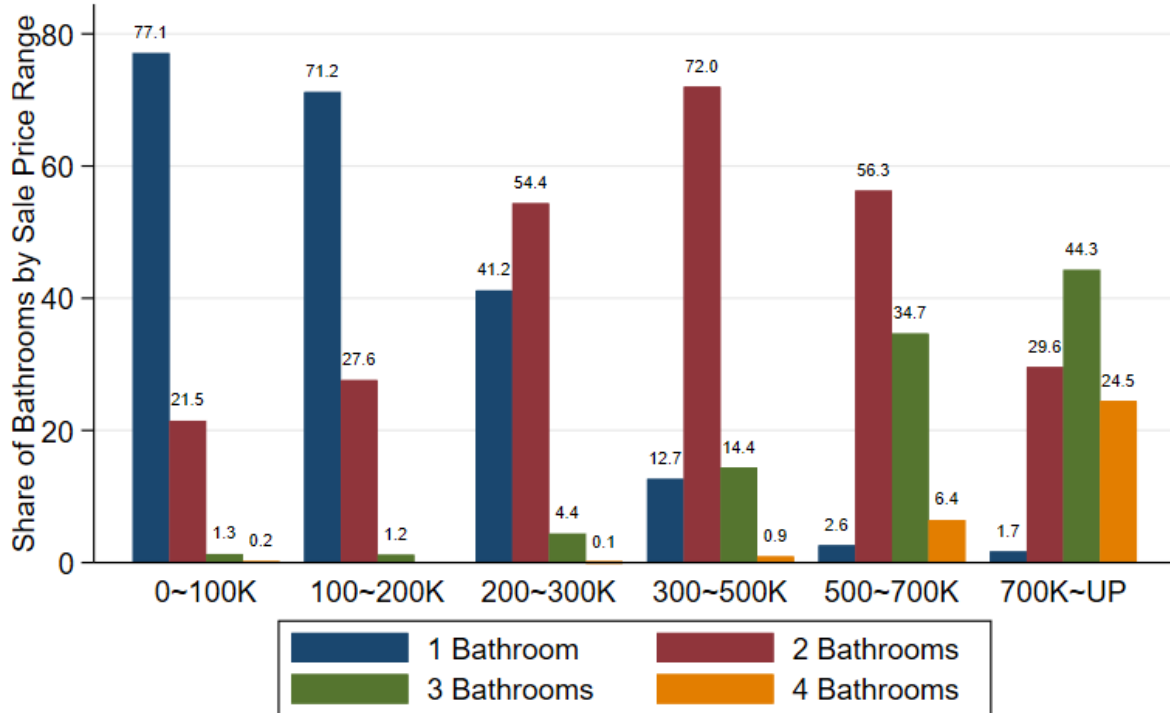
### Illinois Bedroom Shares by Sale Price Stratification



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

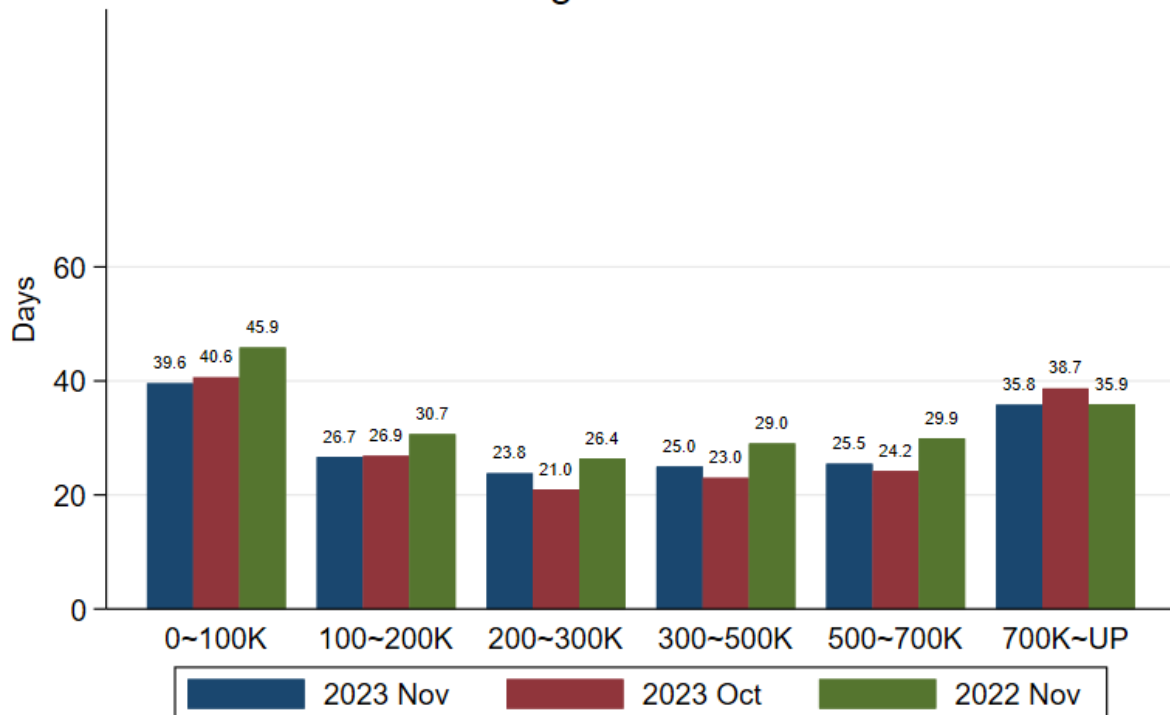


## Chicago PMSA Bathroom Shares by Sale Price Stratification



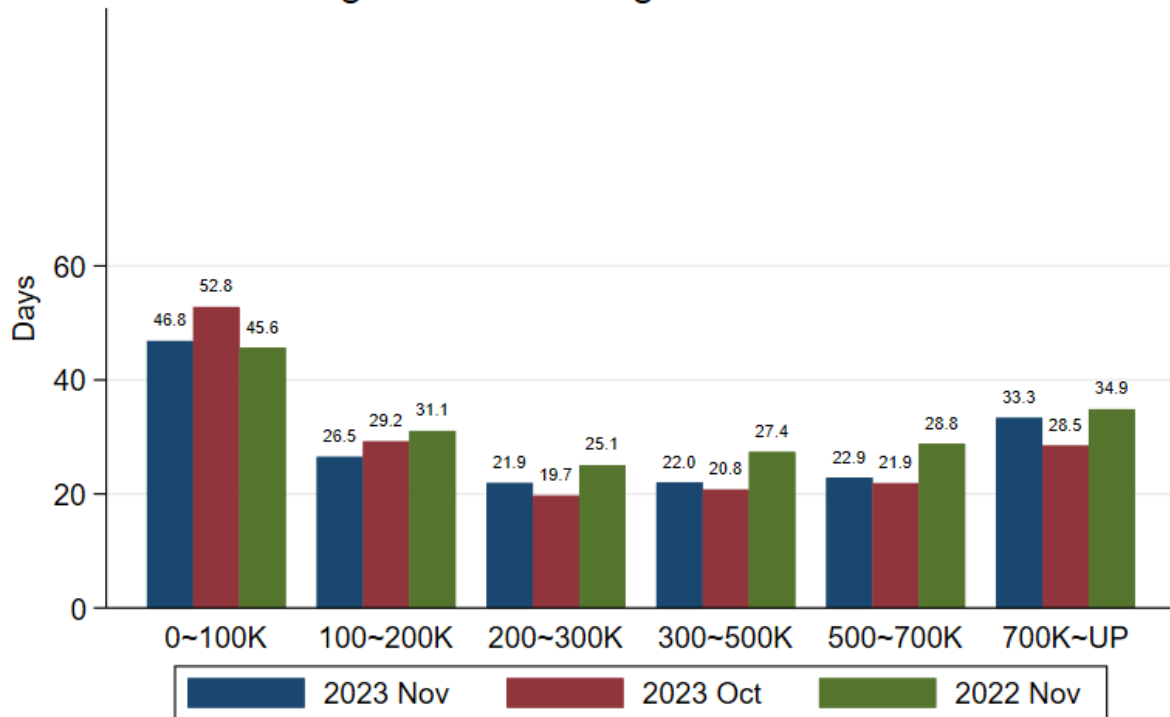
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

## 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

