

Housing Price Forecasts

Illinois and Chicago PMSA, March 2022

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, March 2022

The Housing Market

In February, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 9,869 houses were sold in Illinois, changing by -4.6% from a month ago and -2.2% from a year ago. In the Chicago PMSA, 6,935 houses were sold, changing by -3.7% from a month ago and -3.0% from a year ago. The median price was \$240,000 in Illinois, up 6.4% from February last year; the comparable figure for the Chicago PMSA was \$290,000, up 7.4% from February last year.

In February, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.1%. 6,569 regular sales were made, 3.3% less than last year. 321 foreclosed properties were sold, 6.3% more than last year. The median price was \$295,500 for regular property sales, up 8.2% from last year; the comparable figure for the foreclosed properties was \$234,000, up 13.0% from this time last year.

Illinois and the Chicago PMSA have already recovered to their pre-bubble levels on average. The median sale price in February 2008 has been adjusted to 2022 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the February 2008 median sale price was \$147,000 (in \$2008) and \$195,000 (in \$2022); the current price level was 123% of the 2008 level after adjusting (163% before adjusting). In the Chicago PMSA, the February 2008 median sale price was \$185,000 (in \$2008) and \$246,000 (in \$2022); the comparable figure for price recovery in February 2022 is 118% after adjustment (157% before adjusting).

The sales forecast for March, April, and May suggests a decrease on a yearly basis and 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 -2.3% to -3.1%; the comparative figures for the Chicago PMSA are a decrease in the range of -4.4% to -6.0%. On a monthly basis, the three-month average sales are forecast to increase in the range of 18.0% to 24.3% for Illinois and increase in the range of 17.6% to 23.8% for the Chicago PMSA.

The pending home sales index¹ is a leading indicator based on contract signings. This February, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 146.9 (2008=100) in Illinois, down 7.8% from a year ago. In the Chicago PMSA, the comparable figure is 169.5, down 9.3% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.1 months (down from 1.2 last year). In the Chicago PMSA, the comparable figure was 1.0 months (down from 1.1 last year). Months of supply for homes in the lowest price ranges (<100K) experienced declines both in Illinois and the Chicago PMSA. The highest price ranges (\$700K+) showed the largest decline.

The median price forecast indicates positive annual growth for March, April, and May in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 3.7% in March, 3.8% in April, and 2.8% in May. For the Chicago PMSA, the comparable figures are 4.9% in March, 3.7% in April, and 2.9% in May. 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 9.3% in March, 10.2% in April, and 8.6% in May. The comparable figures for the Chicago PMSA are 12.0% in March, 11.1% in

¹ The base level (100) of pending home sales is the average pending home sales of year 2008.

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

In February, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index decreased. The Conference Board Consumer Confidence Index survey found that while consumers do not expect the economy to pick up steam in the near future, they also do not foresee conditions worsening. Nevertheless, confidence and consumer spending will continue to face headwinds from rising prices in the coming months. The University of Michigan Consumer Sentiment Index survey was conducted before the Russian invasion. The survey noted that the most likely linkage to the domestic economy is through rising energy prices and the potential for retaliatory cyber disruptions of the economy.

The Housing Market – Current Condition

- In February, sales experienced a negative annual change, whereas median prices experienced a positive annual change in both Illinois and Chicago PMSA. 9,869 houses were sold in Illinois, changing by -4.6% from a month ago and -2.2% from a year ago. In the Chicago PMSA, 6,935 houses were sold, changing by -3.7% from a month ago and -3.0% from a year ago. The median price was \$240,000 in Illinois, up 6.4% from February last year; the comparable figure for the Chicago PMSA was \$290,000, up 7.4% from February last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for March 2022 report table)
- In February, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.1%. 6,569 regular sales were made, 3.3% less than last year. 321 foreclosed properties were sold, 6.3% more than last year. The median price was \$295,500 for regular property sales, up 8.2% from last year; the comparable figure for the foreclosed properties was \$234,000, up 13.0% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular Sales figures)
- In February, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.1 months (down from 1.2 last year). In the Chicago PMSA, the comparable figure was 1.0 months (down from 1.1 last year). Months of supply for homes in the lowest price ranges (<100K) experienced declines both in Illinois and the Chicago PMSA. The highest price ranges (\$700K+) showed the largest decline. (Reference: Illinois and Chicago PMSA Annual Months' Supply by Price Range figures)
- In February, the market shares of homes in the low price ranges (\$100-200K) experienced the largest change compared to a year ago. In Illinois, the market share for homes at \$100-200K decreased to 28.7% from 26.1% a year ago; the comparative figure for the Chicago PMSA showed an increase to 24.9% from 21.0% 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 March, April, and May in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 3.7% in March, 3.8% in April, and 2.8 % in May. For the Chicago PMSA, the comparable figures are 4.9% in March, 3.7% in April, and 2.9% in May. (Reference: Forecast for March 2022 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 9.3% in March, 10.2% in April, and 8.6% in May. The comparable figures for the Chicago PMSA are 12.0% in March, 11.1% in April, and 9.7% in May. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for March, April, and May suggests a decrease on a yearly basis and 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 -2.3% to -3.1%; the comparative figures for the Chicago PMSA are a decrease in the range of -4.4% to -6.0%. On a monthly basis, the three-month average sales are forecast to increase in the range of 18.0% to 24.3% for Illinois and increase in the range of 17.6% to 23.8% for the Chicago PMSA. (Reference: Forecast for March 2022 report table)
- The pending home sales index² is a leading indicator based on contract signings. This February, the number of homes put under contract was less than last year in Illinois and Chicago PMSA. The pending home sales index is 146.9 (2008=100) in Illinois, down 7.8% from a year ago. In the Chicago PMSA, the comparable figure is 169.5, down 9.3% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In February 2022, 956 houses were newly filed for foreclosure in the Chicago PMSA (up 243.0% and 45.0%, respectively, from a year and a month ago). 528 foreclosures were completed³ (up 259% and down 30% respectively from a year and a month ago). As of February 2022, there are 3,845 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were -68.67 in the past 6 months, 41.67 in the last 12 months, and 95.33 in the previous 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In February 2022, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate decreased to 3.8%, and non-farm payroll jobs experienced a gain of 678,000 jobs. Notable job gains occurred over the month in Leisure and Hospitality (+179,000), Professional and Business Services (+95,000), Health Care (+64,000), and Construction (+60,000).
- In January 2021, according to the Illinois Department of Employment Security (IDES) news release, Illinois unemployment fell -0.1%pt to 5.0%. Non-farm payroll jobs rose by 8,600 over the month. The industry sectors that reported the largest payroll gains were Professional and Business Services (+11,100), Manufacturing (+3,200), and Government (+1,500).

² The base level (100) of pending home sales is the average pending home sales of year 2008.

³ Including cancelled foreclosures and auctions.

- In December 2021, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 5.49% and 5.63%, corresponding to job gain between 324,100 and 325,100. The largest contributors to the forecast increase are construction, trade, transportation, & utilities, and other services.
- According to CoreLogic's Home Price Index (HPI), U.S. home prices rose by 19.1% year over year in January — the largest annual increase in the national index since the company began tracking the metric in 1976. CoreLogic expects price growth to cool considerably over the course of 2022, slowing to a forecast annual gain of 3.8% by January 2023. But in the near term, price growth is projected to stay torrid, with CoreLogic predicting double-digit percentage increases for at least the first seven months of this year until rising mortgage rates reach their full impact.

Longer-term Outlook

- In February, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index decreased. The Conference Board Consumer Confidence Index stands at 110.5, down from 111.1 last month. The survey found that while consumers do not expect the economy to pick up steam in the near future, they also do not foresee conditions worsening. Nevertheless, confidence and consumer spending will continue to face headwinds from rising prices in the coming months. The University of Michigan Consumer Sentiment Index decreased to 62.8 in February from 67.2 in January. The survey noted that the economic impact from the Russian invasion is yet to be felt by consumers as the interviews were conducted prior to the invasion. The most likely linkage to the domestic economy is through rising energy prices and the potential for retaliatory cyber disruptions of the economy.
- In February, the Fannie Mae Home Purchase Sentiment Index (HPSI) increased by 3.5 points to 75.3. The survey noted that continued negative perceptions around homebuying conditions were offset in part this month by consumers' increased sense of job security, which is likely due to labor market tightness and declining COVID case counts. However, with recent geopolitical events creating additional economic uncertainty – including likely increasing inflationary pressure – the additional headwinds will compound existing affordability constraints to further soften mortgage demand in the coming year.
- The Chicago Business Activity Index (CBAI) decreased to 95.6 in December from 105.3 in November. The decrease is mainly attributed to negative construction and retail job growth.

“Prices are continuing to increase while remain low throughout Illinois,” noted Daniel McMillen, Head of the UIC Stuart Handler Department of Real Estate (SHDRE). “The number of sales will pick up with the arrival of spring, but the number of listings remains low by historical standards. Inflation continues to be a concern for consumers, and the recent rate increase by the Fed is likely to lead to a rise in interest rates, although rates remain low.”

Forecast for March 2022 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Dec-21	-0.2%	-1.7%		0.5%	-0.2%			
Jan-22	0.6%	0.2%		-31.3%	-31.3%			
Feb-22	-2.2%	-3.0%		-4.6%	-3.7%			
3 Month Avg.	-0.5%	-1.5%		-12.6%	-12.7%			
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Mar-22	-5.3%	-7.2%	-6.8%	-9.2%	37.2%	50.3%	39.0%	52.8%
Apr-22	-3.8%	-5.1%	-5.8%	-7.9%	12.0%	16.2%	11.7%	15.9%
May-22	1.7%	2.2%	-1.1%	-1.5%	11.5%	15.5%	9.8%	13.3%
3 Month Avg.	-2.3%	-3.1%	-4.4%	-6.0%	18.0%	24.3%	17.6%	23.8%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Dec-21	\$243,500	\$287,000		Dec-20	\$227,313	\$265,585		
Jan-22	\$238,000	\$285,000		Jan-21	\$225,000	\$270,000		
Feb-22	\$240,000	\$290,000		Feb-21	\$225,500	\$270,000		
Mar-22	\$257,799	\$309,310		Mar-21	\$248,588	\$295,000		
Apr-22	\$269,861	\$321,411		Apr-21	\$259,950	\$310,000		
May-22	\$267,289	\$318,977		May-21	\$260,000	\$310,000		
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois	Chicago PMSA		Illinois	Chicago PMSA			
Dec-21	7.1%	8.1%		Dec-20	13.7%	12.1%		
Jan-22	5.8%	5.6%		Jan-21	18.4%	16.3%		
Feb-22	6.4%	7.4%		Feb-21	13.3%	12.5%		
Mar-22	3.7%	4.9%		Mar-21	15.1%	13.5%		
Apr-22	3.8%	3.7%		Apr-21	14.5%	14.8%		
May-22	2.8%	2.9%		May-21	20.7%	19.2%		

Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2022]	[\$2008]	[\$2022]
February 2008 Median Price	\$147,000	\$195,331	\$185,000	\$245,825
February 2022 Median Price	\$181,053	\$240,000	\$218,773	\$290,000
Price Ratio (February 22/ February 08)	Adjusted	1.23	Adjusted	1.18
	Unadjusted	1.63	Unadjusted	1.57

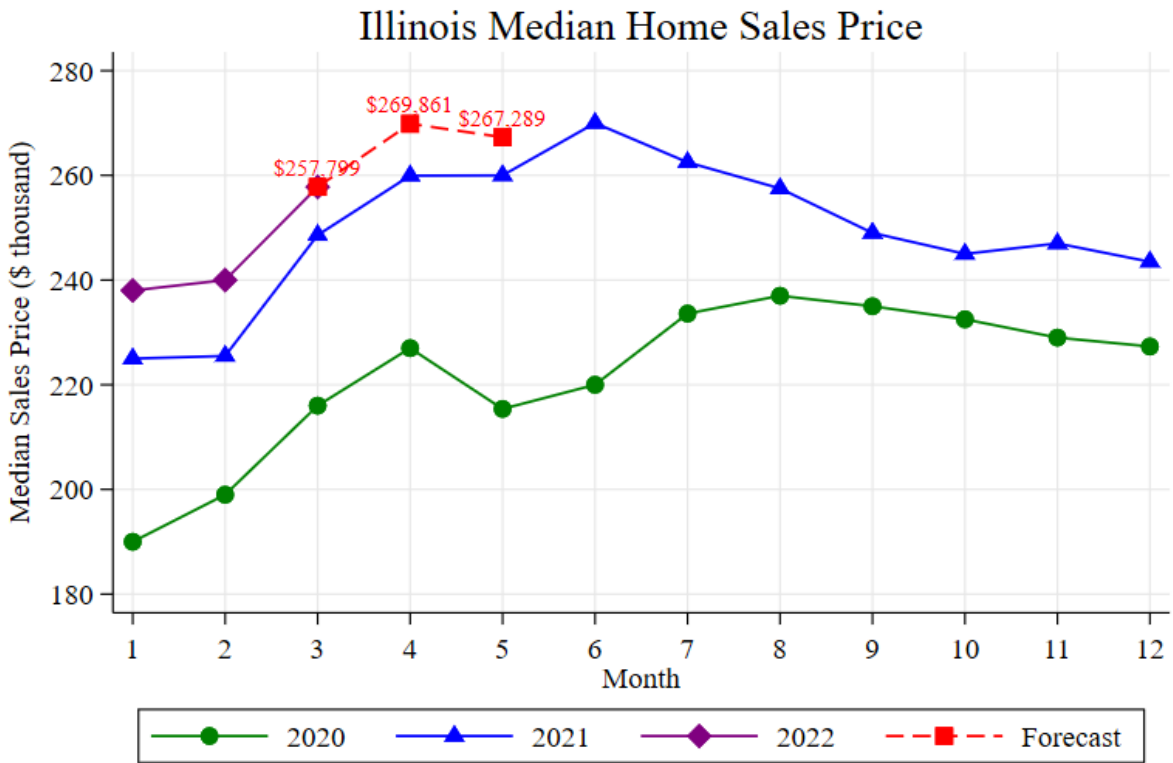
Recovery Forecasts using *Annual Growth Rates*

	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	-0.7%	31.6	0.3%	-65.6
Past 3 months	-0.7%	28.4	-0.2%	83.1
Past 6 months	-0.3%	77.5	0.0%	664.9
Past 9 months	2.8%	-7.6	2.5%	-6.7
Past 12 months	5.2%	-4.1	4.7%	-3.6

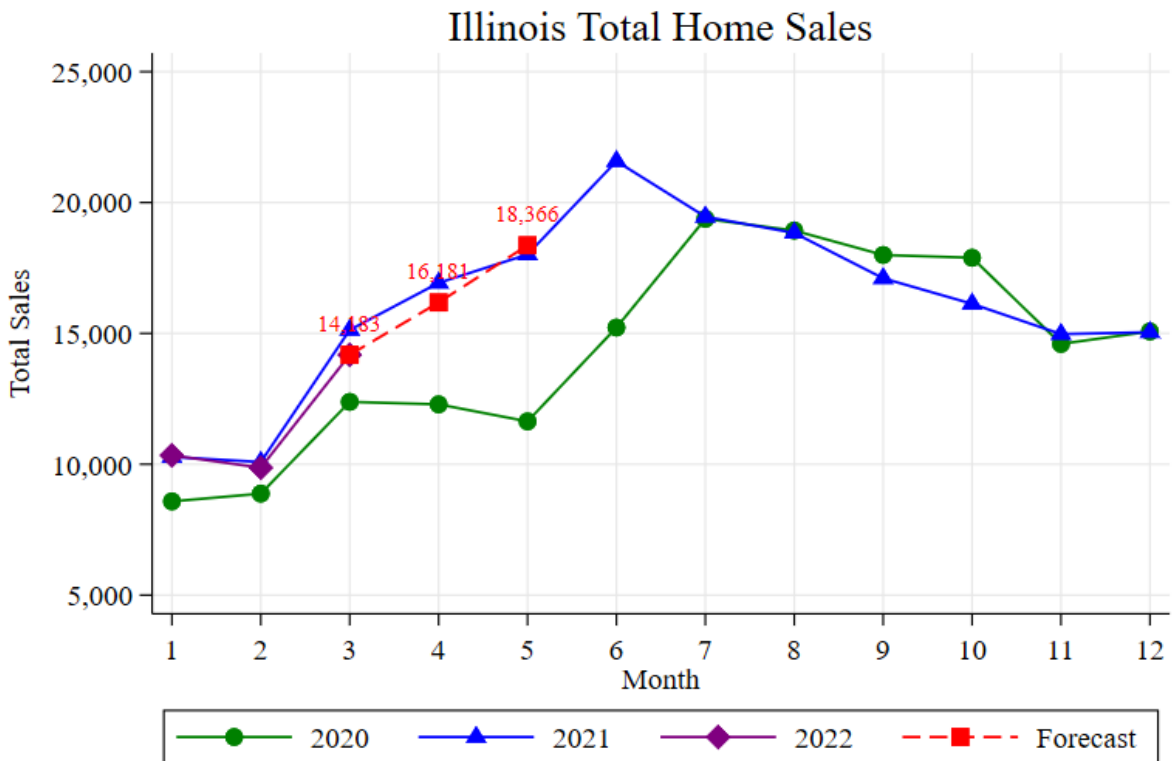
*Annual recovery rate is the average of *annual* change rates in past months

** Years to recover is calculated using the following formula:

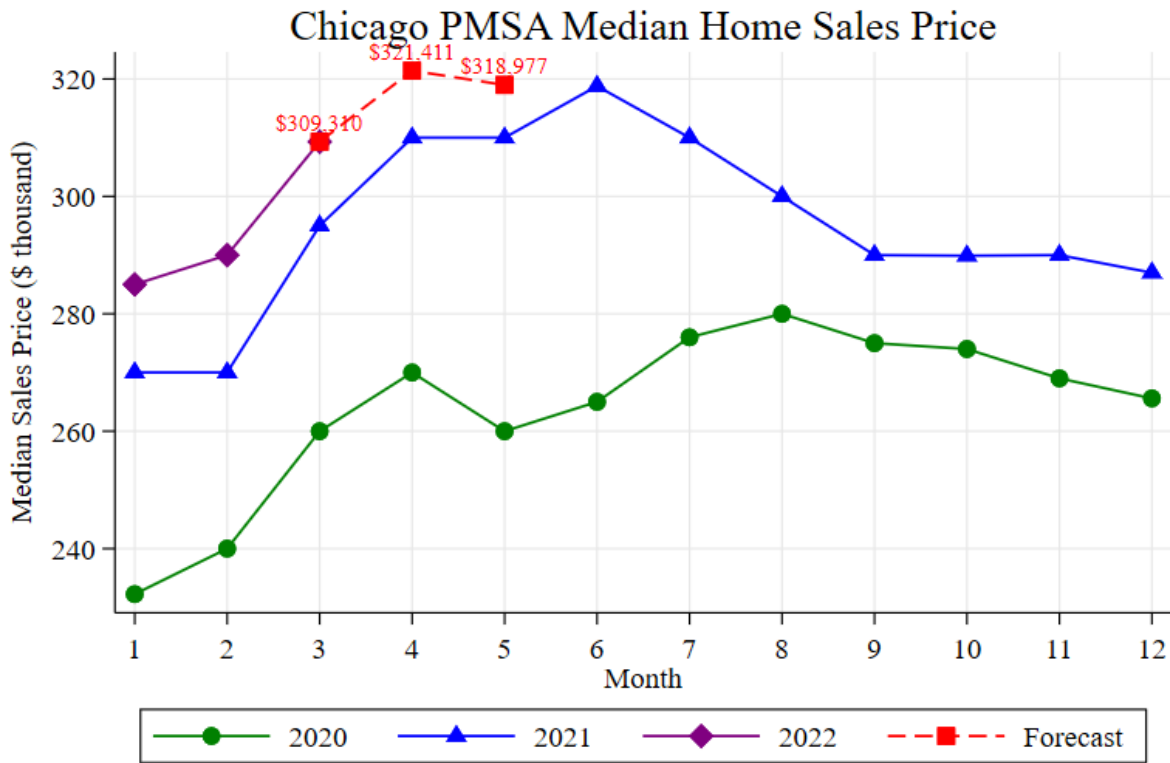
$Price_{February2022} * (1 + recovery\ rate)^{years} = Price_{February2008}$. Prices used in the formula are inflation adjusted. The recovery rate is applied as a constant annual change rate to recoup the differences between the current month and its corresponding month in 2008.



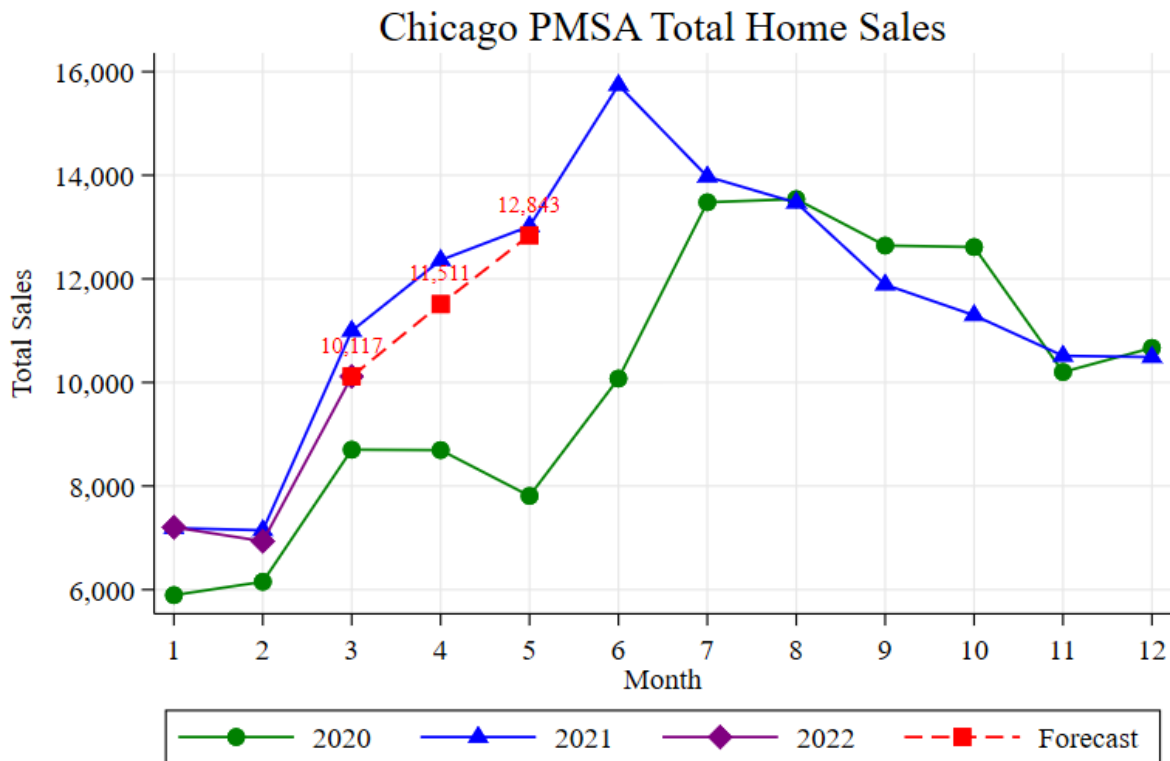
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



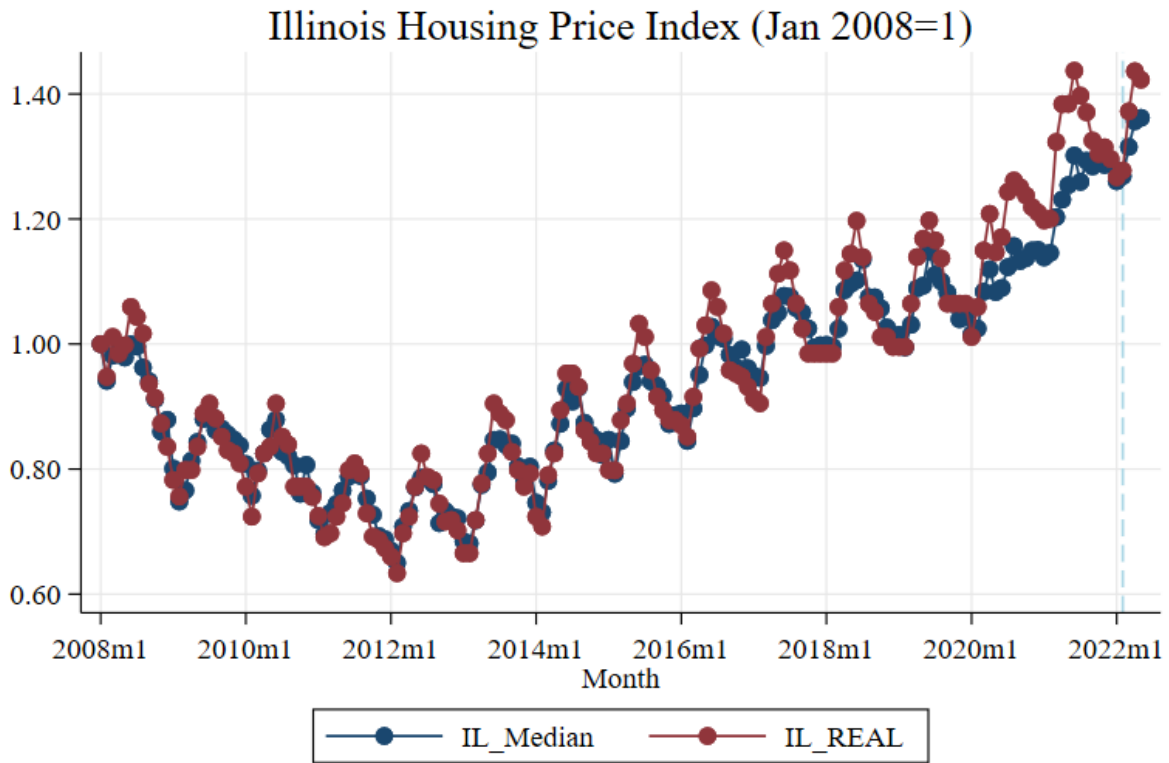
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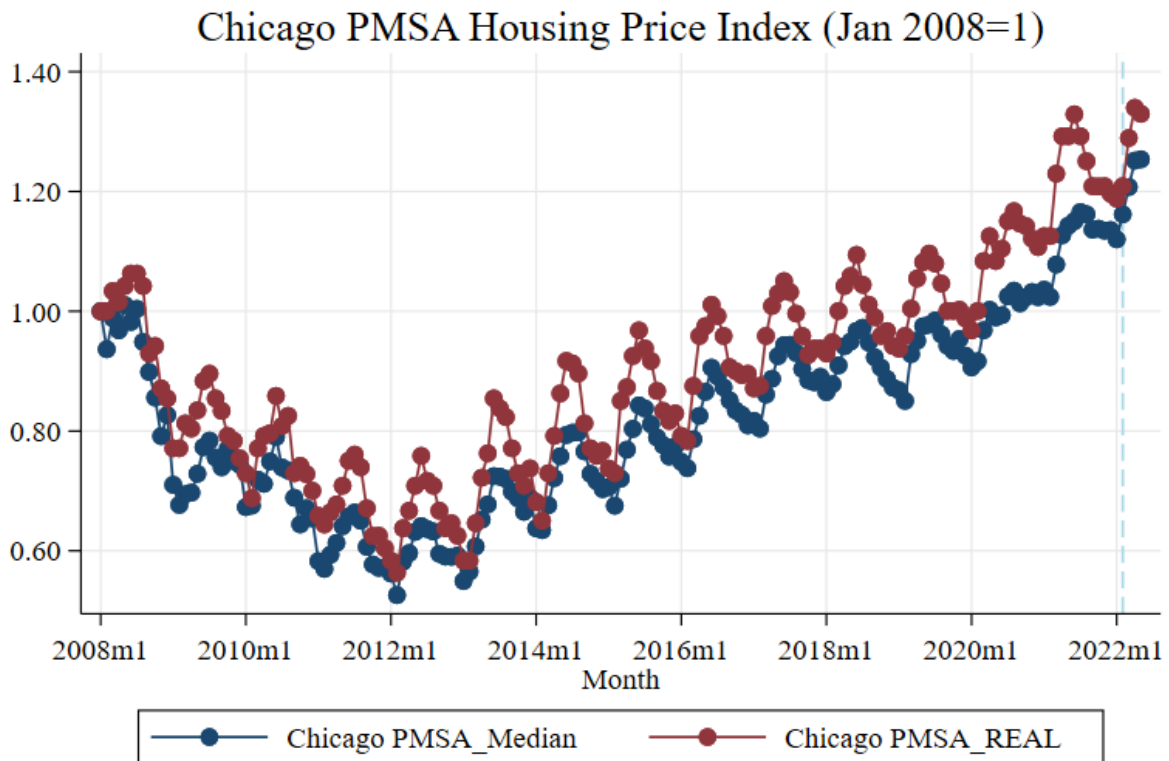
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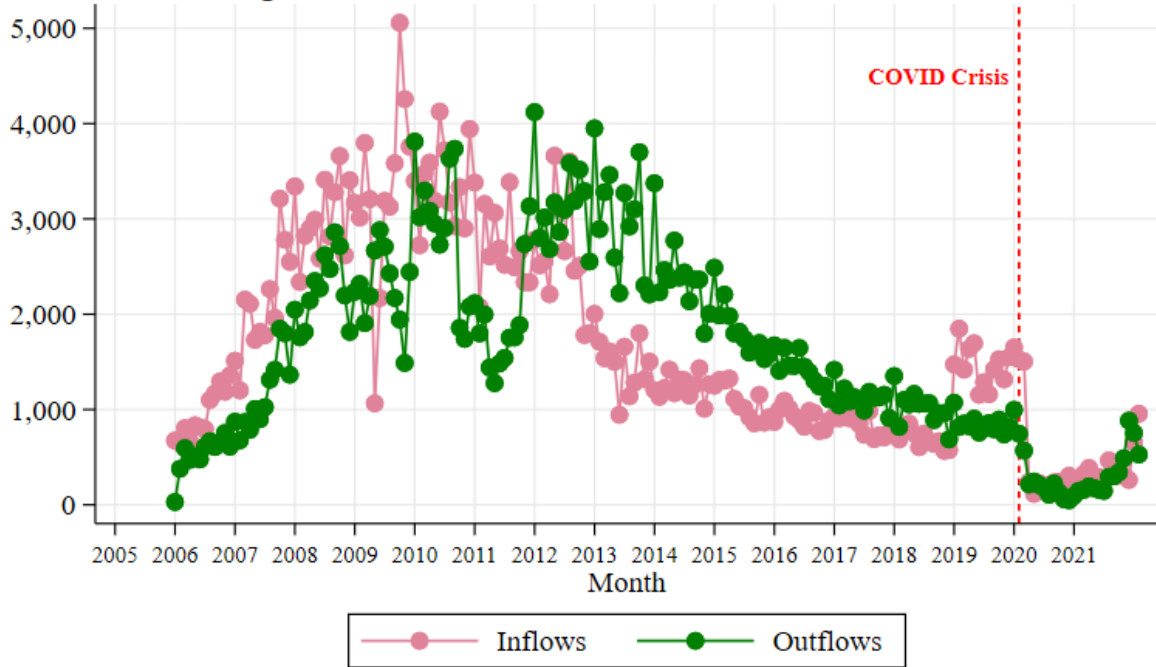


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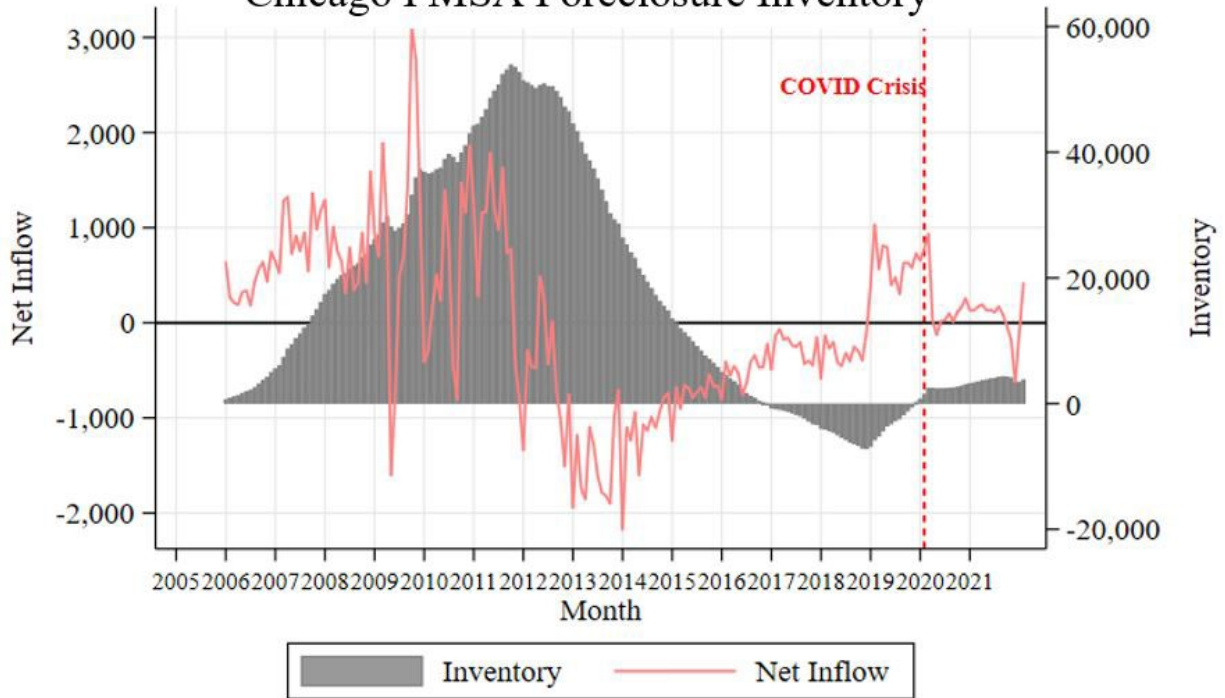
Chicago PMSA New Foreclosure Inflows and Outflows



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

Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

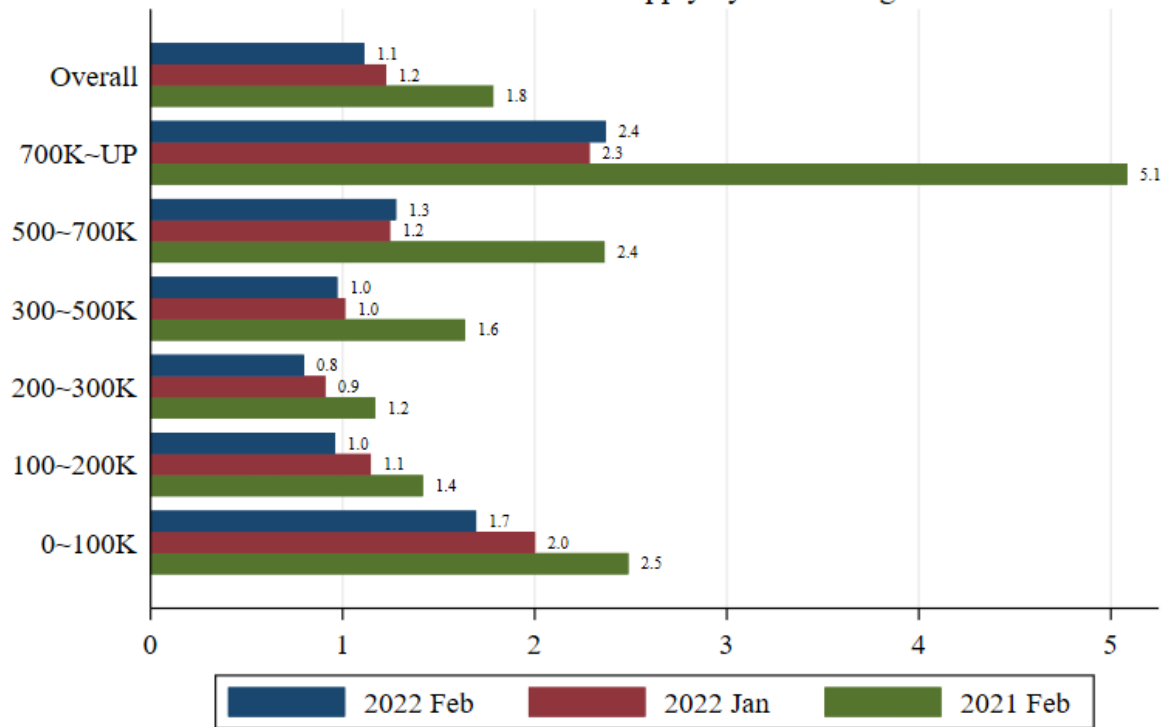
Chicago PMSA Foreclosure Inventory



Net inflows=Inflows-Outflows

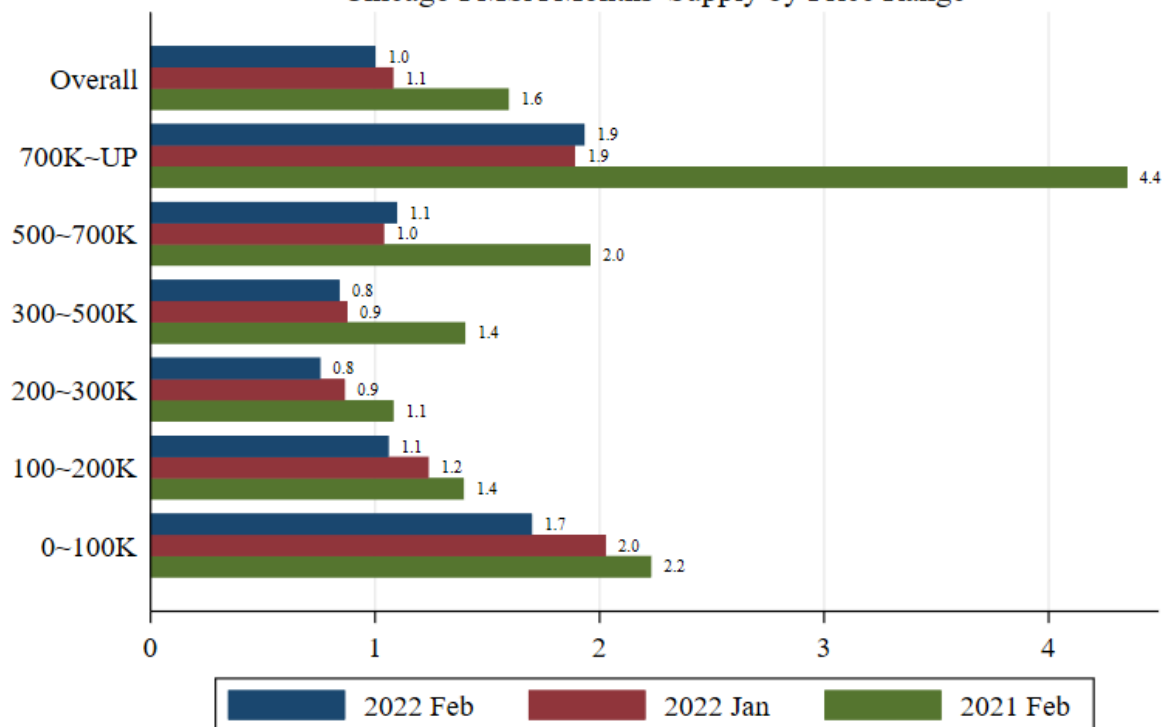
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Months' Supply by Price Range

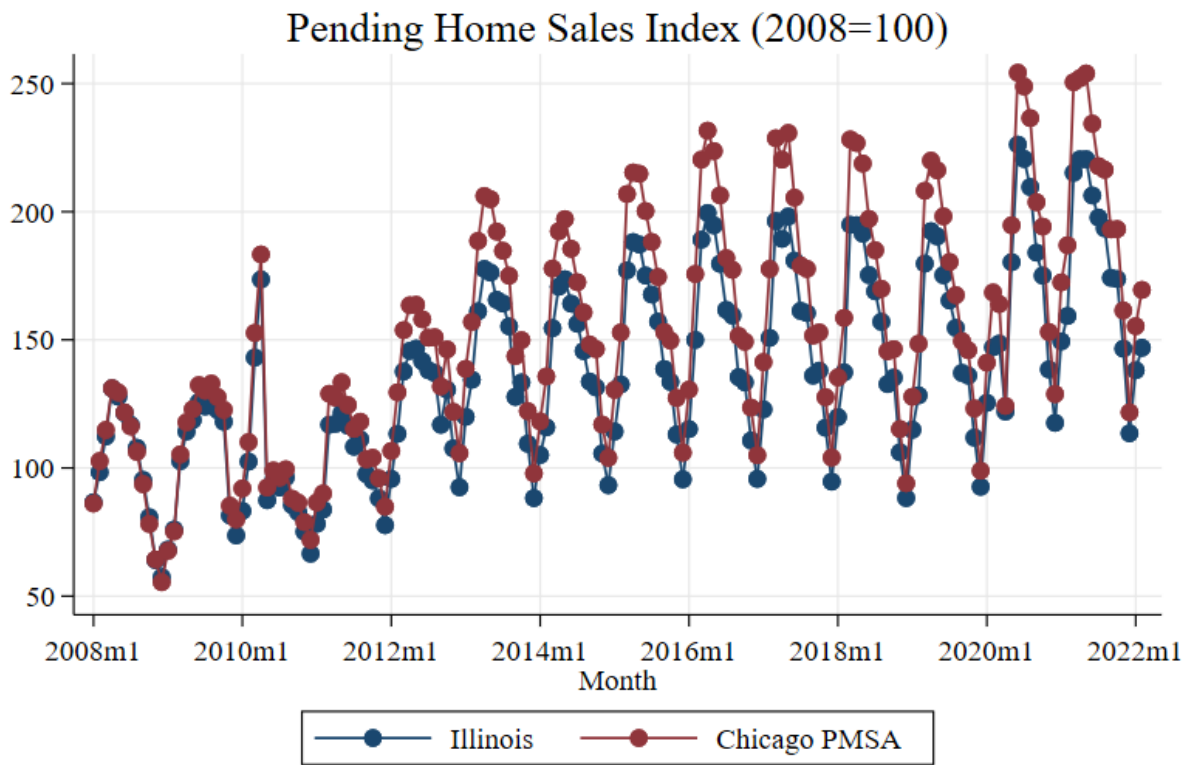


Source:University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Months' Supply by Price Range

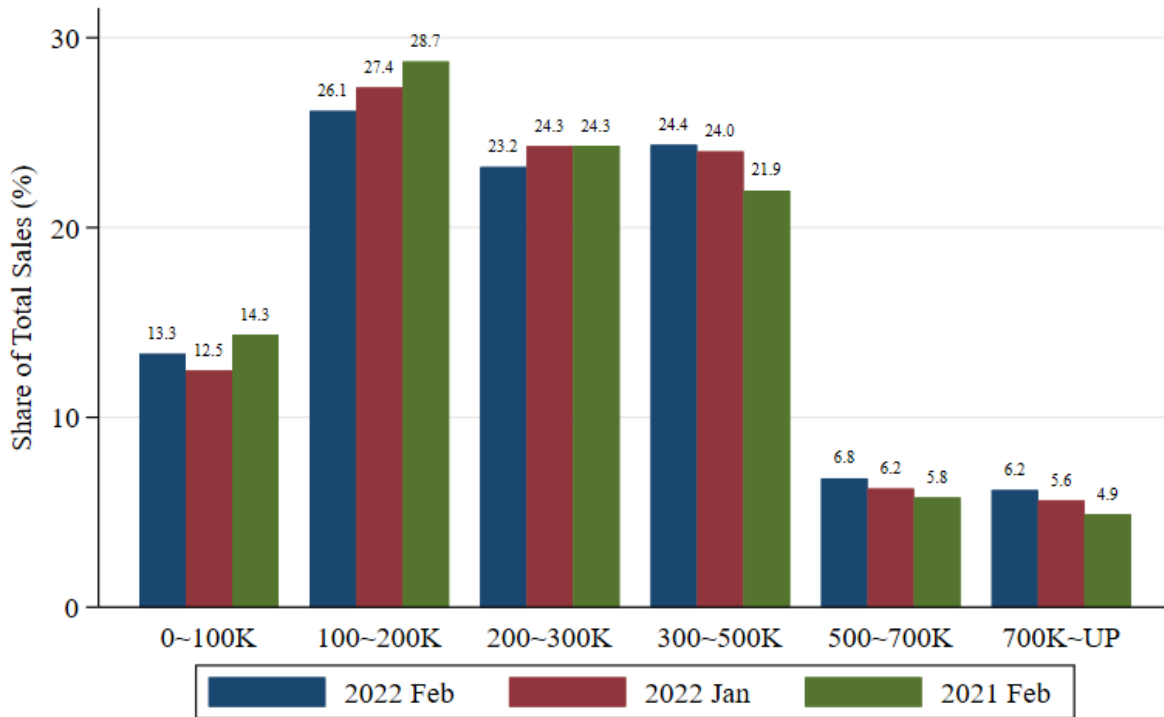


Source:University of Illinois at Chicago SHDRE, Illinois REALTORS



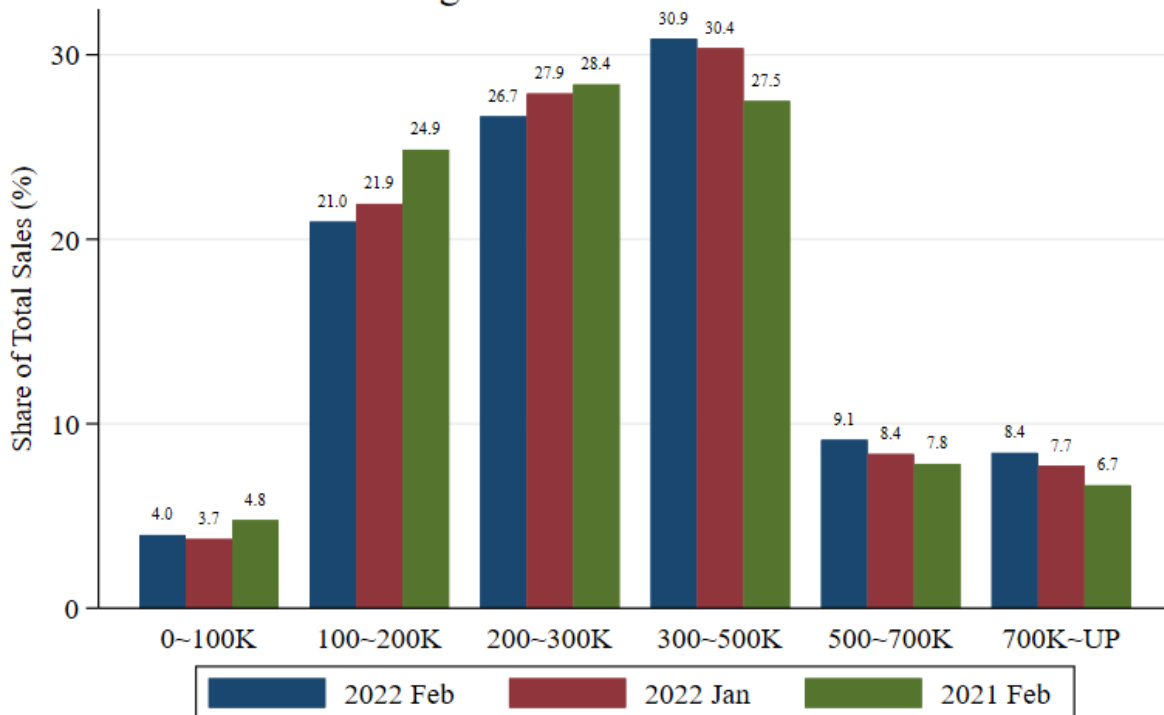
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Price Stratification



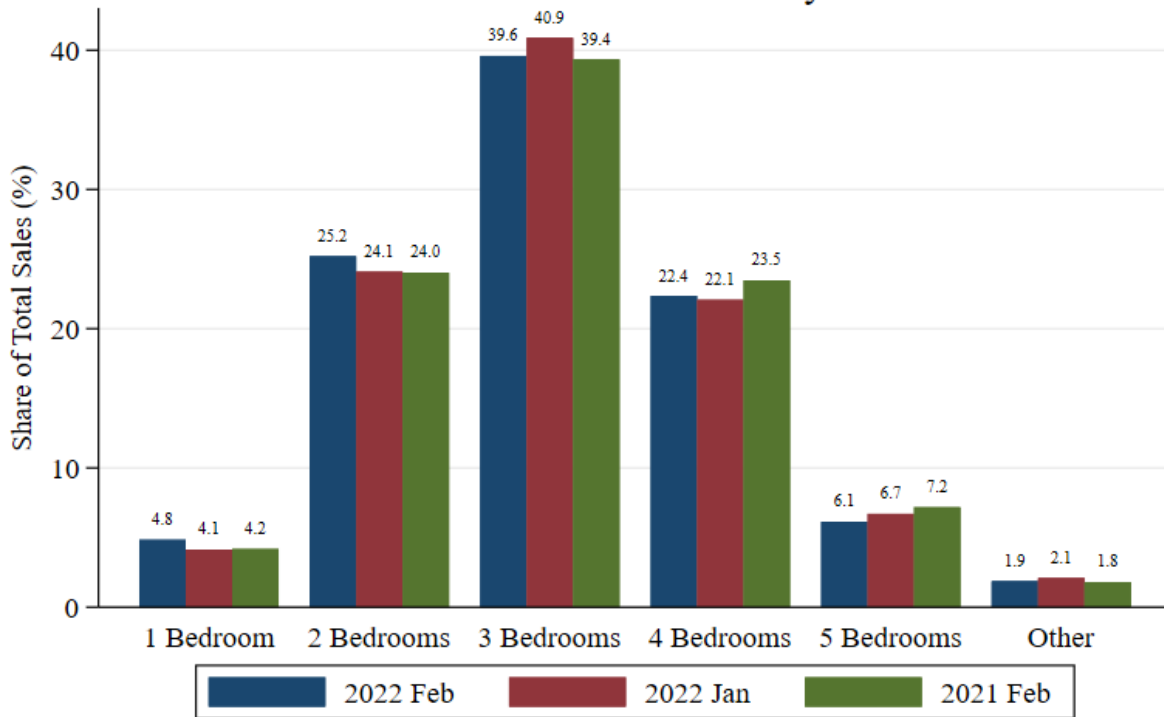
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Chicago PMSA Price Stratification



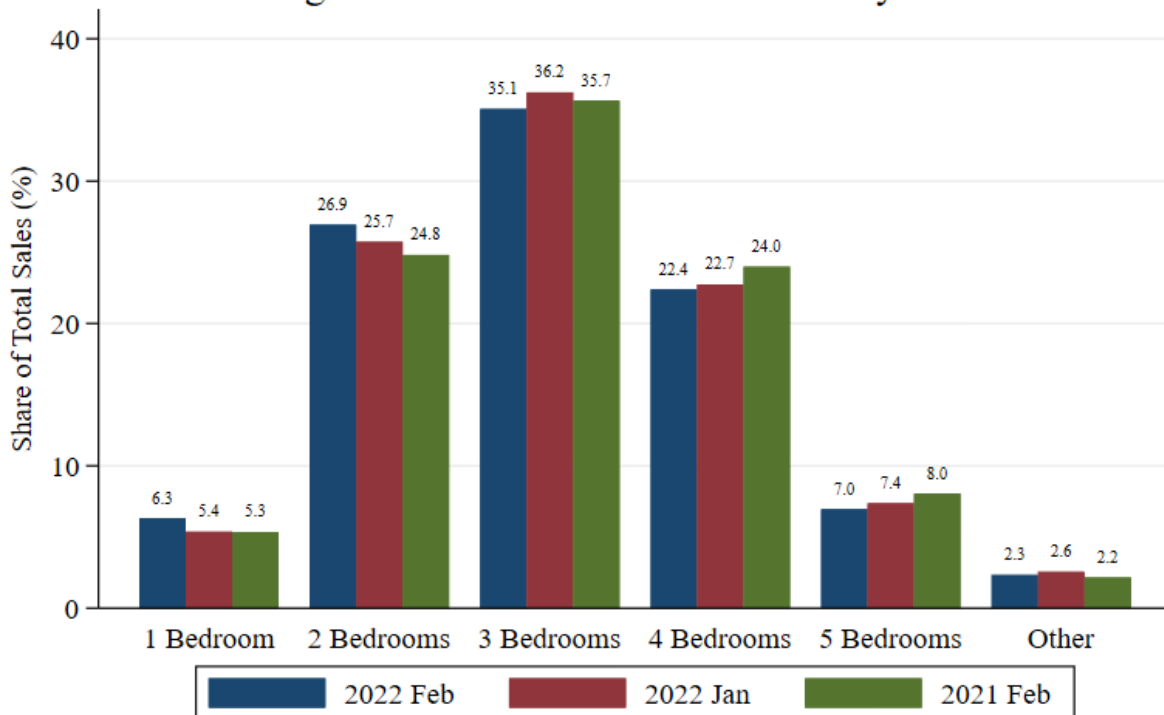
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois House Characteristics by Bedroom



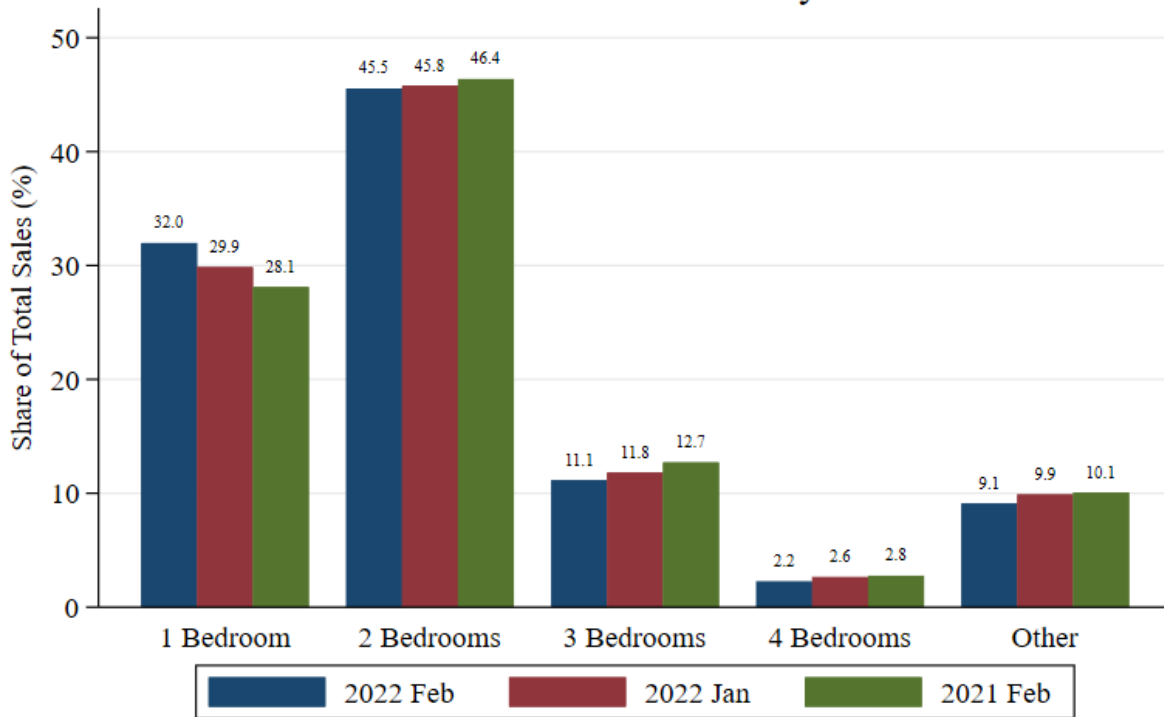
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Chicago PMSA House Characteristics by Bedroom



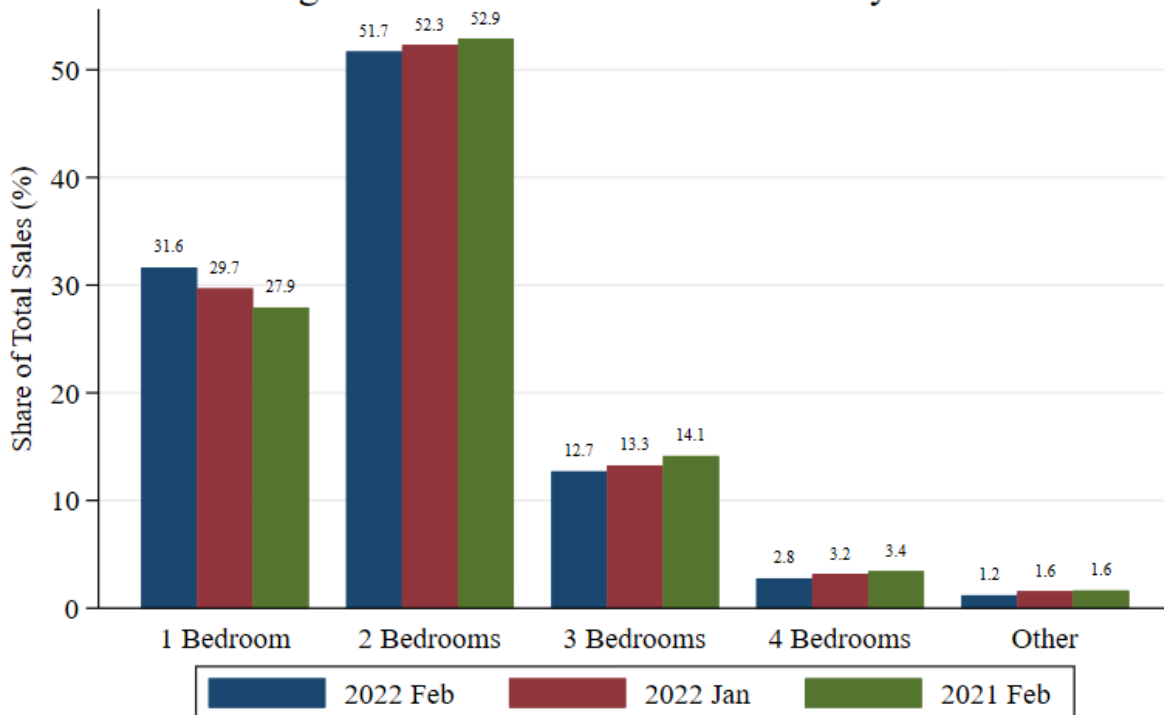
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Illinois House Characteristics by Bathroom



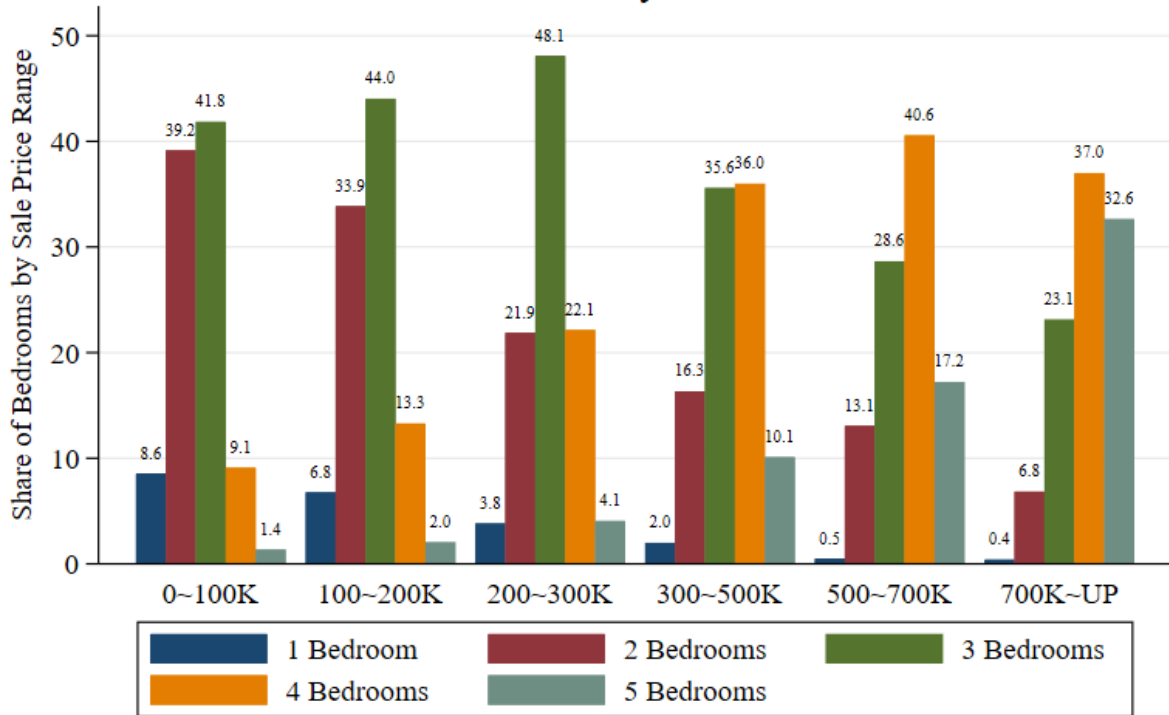
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Chicago PMSA House Characteristics by Bathroom



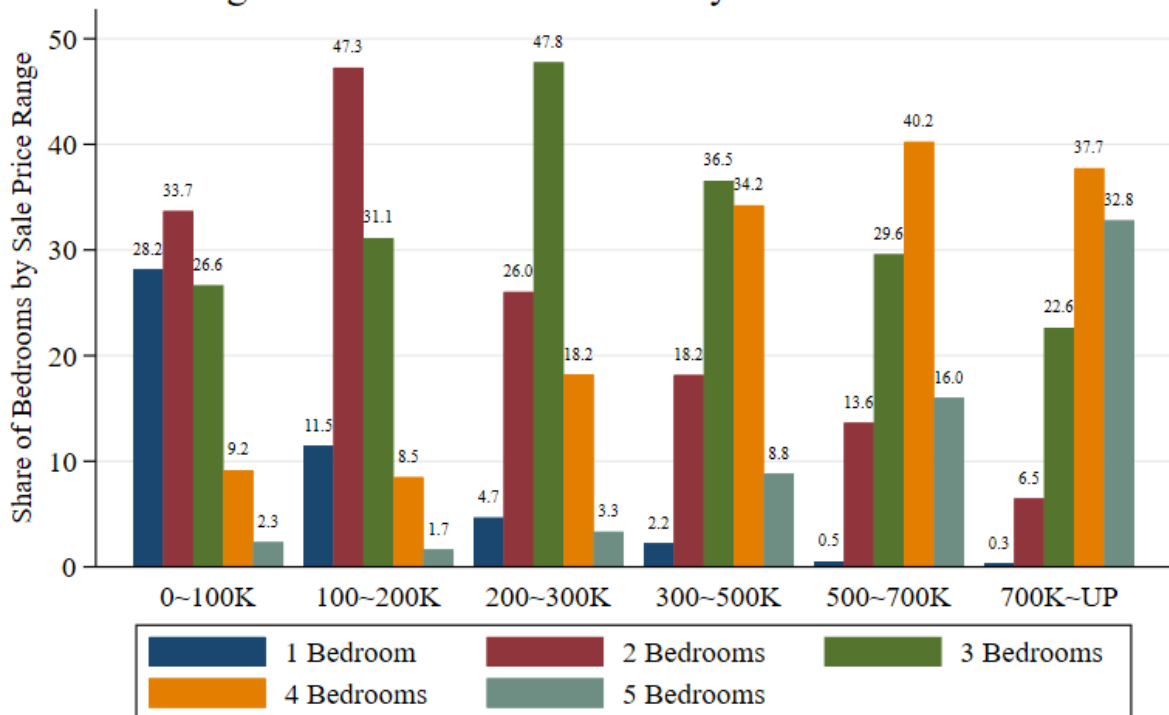
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Bedroom Shares by Sale Price Stratification



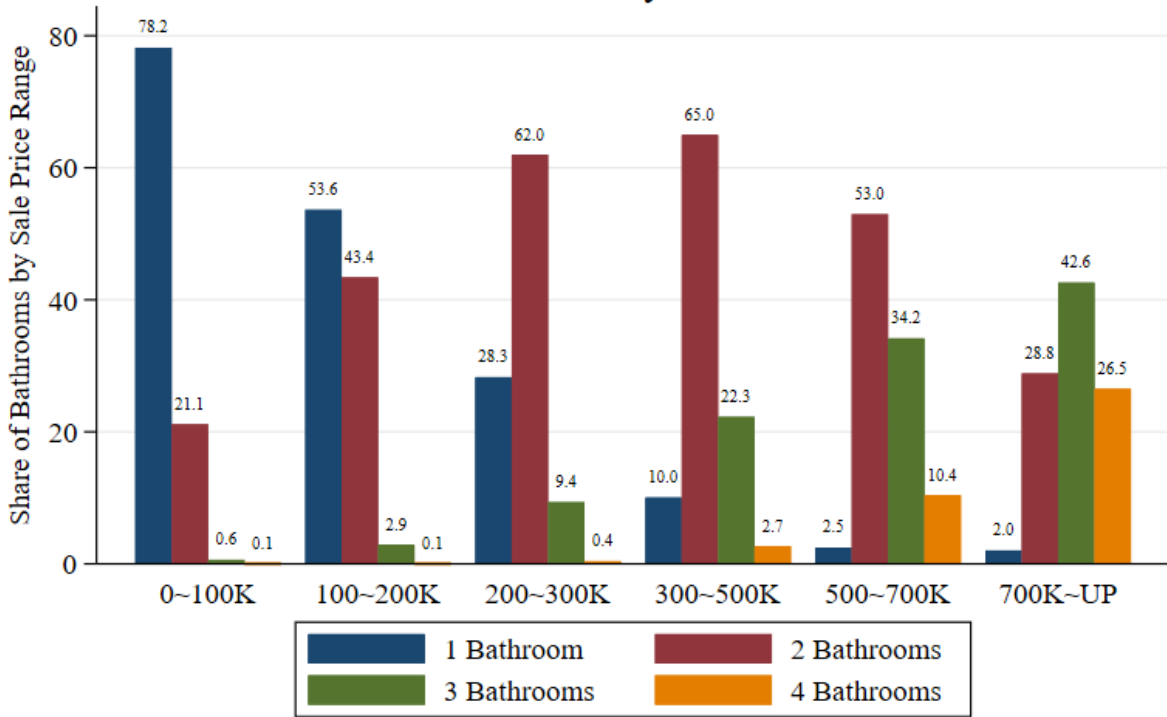
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Bedroom Shares by Sale Price Stratification



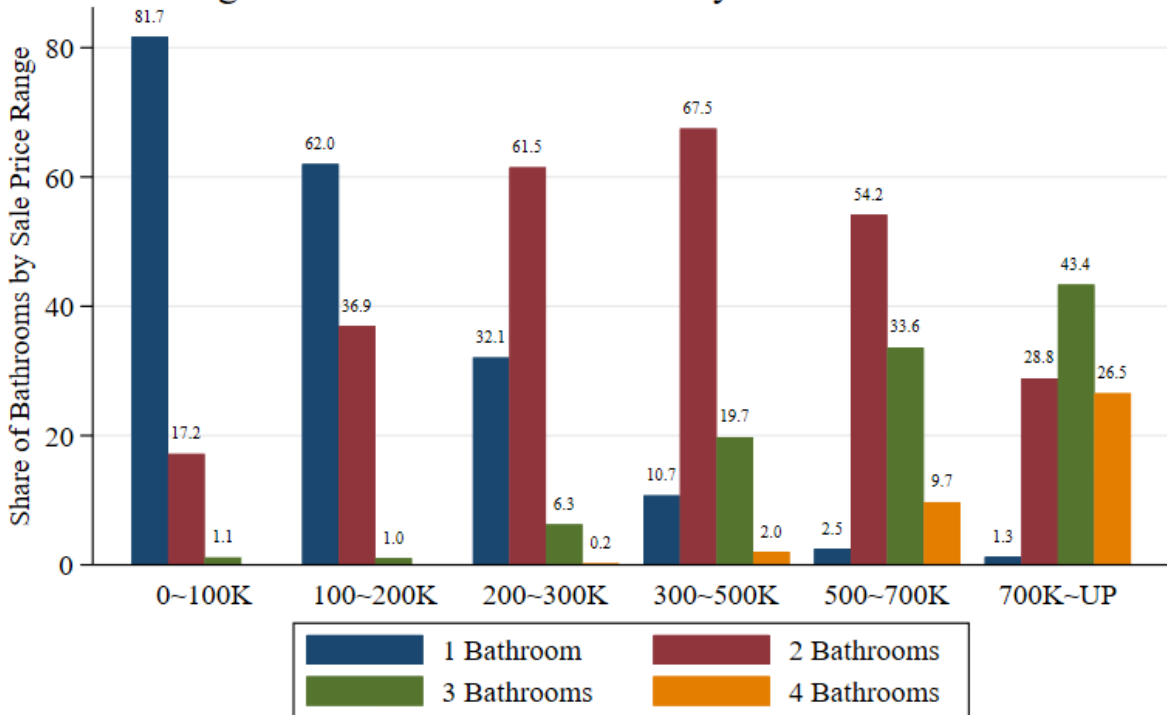
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Bathroom Shares by Sale Price Stratification



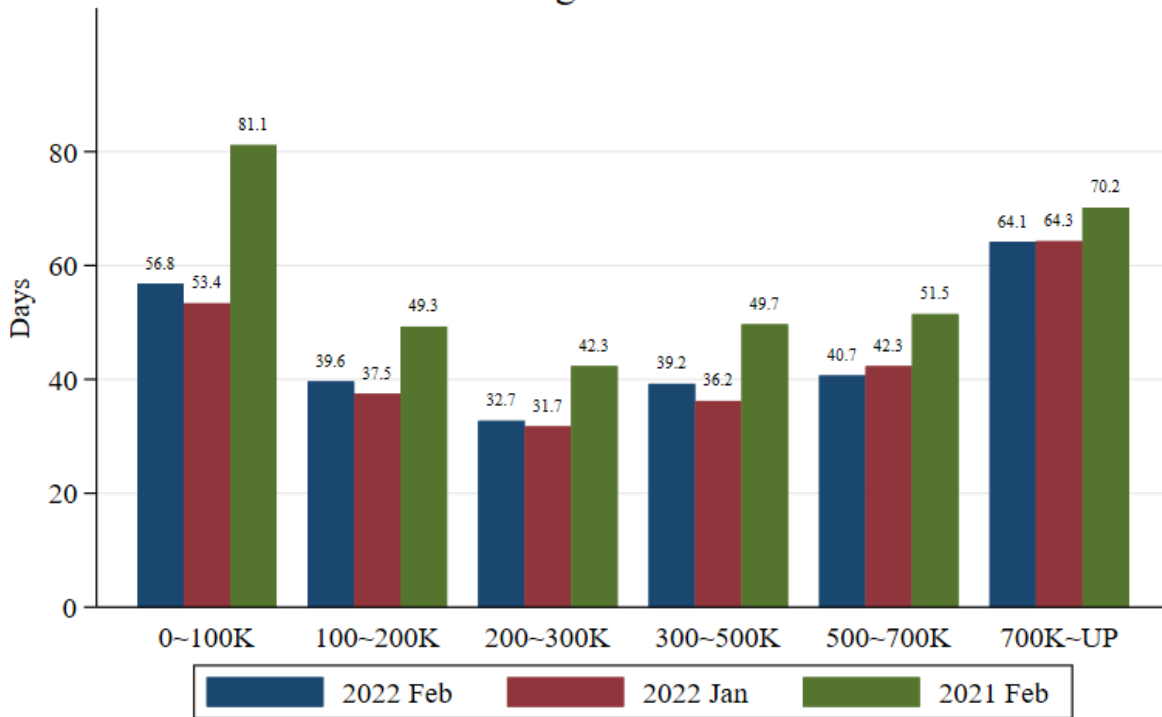
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Chicago PMSA Bathroom Shares by Sale Price Stratification



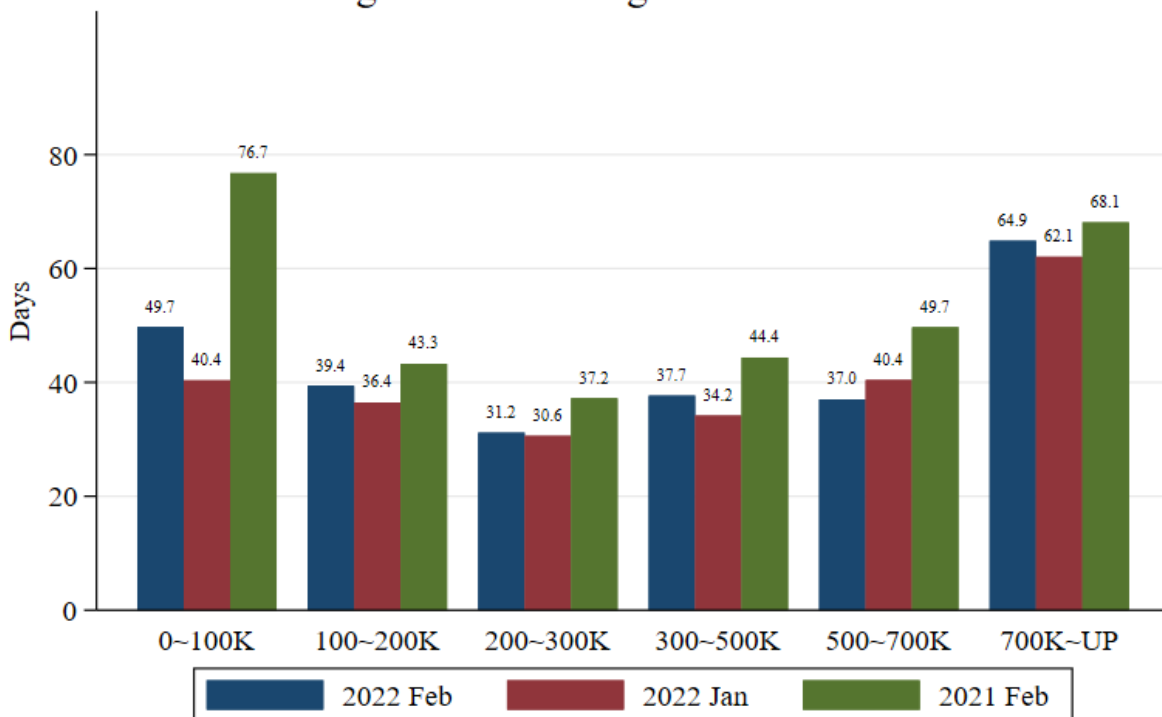
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

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

