

# **Housing Price Forecasts**

## **Illinois and Chicago PMSA, March 2020**

Presented To  
**Illinois Realtors®**

From

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## Housing Price Forecast: Illinois and Chicago PMSA, March 2020

**NOTE:** “The forecasts were prepared using data prior to the stock market meltdown and the increased concern about the impact of the COVID-19 virus pandemic,” said Geoffrey J.D. Hewings, director of the Regional Economics Applications Laboratory at the University of Illinois. “Absent these events, the housing market would have continued its slow but steady rebound. In times past, consumers have become very risk averse when faced with uncertainties about the economy. The difference with the current crisis is the limitations on interactions and fear of infection. This may prove to have a very significant impact on the housing market over the next two to three months.”

### The Housing Market

In February, both median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 8,725 houses were sold in Illinois, changing by 2.1% from a month ago and 5.0% from a year ago. In the Chicago PMSA, 6,057 houses were sold, changing by 3.1% from a month ago and 6.6% from a year ago. The median price was \$199,000 in Illinois, up 7.0% from February last year; the comparable figure for the Chicago PMSA was \$240,000, up 4.3% from February last year.

In February, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 9.5%. 5,406 regular sales were made, 9.8% more than last year. 619 foreclosed properties were sold, 12.9% less than last year. The median price was \$248,261 for regular property sales, up 3.4% from last year; the comparable figure for the foreclosed properties was \$175,900, up 4.7% from this time last year.

Illinois and Chicago PMSA both have already recovered to their pre-bubble levels on average. The median sales price in February 2008 has been adjusted to 2020 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the February 2008 median sales price was \$140,000 (in \$2008) and \$170,504 (in \$2020); the current price level was 117% of the 2008 level after adjusting (142% before adjusting). In the Chicago PMSA, the February 2008 median sales price was \$184,000 (in \$2008) and \$224,091 (in \$2020); the comparable figure for price recovery in February 2020 is 107% after adjustment (130% before adjusting).

The sales forecast for March, April and May suggests an increase on a yearly basis and a monthly basis for both Illinois and the Chicago PMSA. Annually for Illinois, the three-month average forecasts point to an increase in the range 0.5% to 0.7%; the comparative figures for the Chicago PMSA are an increase in the range 2.2% to 3.0%. On a monthly basis, the three-month average sales are forecast to increase in the range 19.8% to 26.8% for Illinois and increase in the range 21.0% to 28.5% for the Chicago PMSA.

The pending home sales index<sup>1</sup> is a leading indicator based on contract signings. This February, the number of homes put under contract was more than last year in both Illinois and the Chicago PMSA. The pending home sales index is 164.2 (2008=100) in Illinois, up 27.8% from a year ago. In the Chicago PMSA, the comparable figure is 194.4, up 30.6% from a year ago. At the latest

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

average annual pending sales rate, Illinois had enough housing inventory for 3.4 months<sup>2</sup> (down from 3.8 last year). In the Chicago PMSA, the comparable figure was 2.7 months (down from 3.0 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 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 5.3% in March, 5.5% in April and 5.0% in May. For the Chicago PMSA, the comparable figures are 3.8% in March, 3.6% in April and 3.0% in May. As a complement to the median housing price index (HPI), the REAL HPI<sup>3</sup> forecasts a positive growth trend for both Illinois and the Chicago PMSA. In Illinois, the REAL HPI (Jan 2008=1) is forecast to change by 2.6% in March 1.8% in April and 3.5% in May. The comparable figures for the Chicago PMSA are 4.4% in March 5.1% in April and 5.1% in May. REAL 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 increased. The Conference Board Consumer Confidence Index survey revealed that despite the decline in the Present Situation Index, consumers continue to view current conditions quite favorably and were more optimistic about the short-term outlook. The University of Michigan Consumer Sentiment Index survey reported that current personal finances as well as evaluations of the national economy each posted large gains. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) slightly declined. The survey reported that the HPSI remained relatively steady in February, reflecting another month of robust consumer sentiment consistent with strong housing market data to start the year.

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

- In February, both median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 8,725 houses were sold in Illinois, changing by 2.1% from a month ago and 5.0% from a year ago. In the Chicago PMSA, 6,057 houses were sold, changing by 3.1% from a month ago and 6.6% from a year ago. The median price was \$199,000 in Illinois, up 7.0% from February last year; the comparable figure for the Chicago PMSA was \$240,000, up 4.3% from February last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for March 2020 report table)
- In February, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 9.5%. 5,406 regular sales were made, 9.8% more than last year. 619 foreclosed properties were sold, 12.9% less than last year. The median price was \$248,261 for regular property sales, up 3.4% from last year; the comparable figure for the foreclosed properties was \$175,900, up 4.7% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)

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<sup>2</sup> 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.

<sup>3</sup> REAL HPI was developed by Esteban Lopez and Minshu Du. Contact us for further details.

- In February, at the latest average annual pending sales rate, Illinois had enough housing inventory for 3.4 months<sup>4</sup> (down from 3.8 last year). In the Chicago PMSA, the comparable figure was 2.7 months (down from 3.0 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 February, the market shares of homes in the lowest price ranges (<\$100K) experienced the largest change compared to a year ago. In Illinois, the market share for homes less than \$100K decreased to 19.0% from 20.8% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 8.2% from 9.6% 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 5.3% in March, 5.5% in April and 5.0% in May. For the Chicago PMSA, the comparable figures are 3.8% in March, 3.6% in April and 3.0% in May. (Reference: Forecast for March 2020 report table)
- As a complement to the median housing price index (HPI), the REAL HPI<sup>5</sup> forecasts a positive growth trend for both Illinois and the Chicago PMSA. In Illinois, the REAL HPI (Jan 2008=1) is forecast to change by 2.6% in March 1.8% in April and 3.5% in May. The comparable figures for the Chicago PMSA are 4.4% in March 5.1% in April and 5.1% in May. REAL 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 an increase on a yearly basis and a monthly basis for both Illinois and the Chicago PMSA. Annually for Illinois, the three-month average forecasts point to an increase in the range 0.5% to 0.7%; the comparative figures for the Chicago PMSA are an increase in the range 2.2% to 3.0%. On a monthly basis, the three-month average sales are forecast to increase in the range 19.8% to 26.8% for Illinois and increase in the range 21.0% to 28.5% for the Chicago PMSA. (Reference: Forecast for March 2020 report table)
- The pending home sales index<sup>6</sup> is a leading indicator based on contract signings. This February, the number of homes put under contract was more than last year in both Illinois and the Chicago PMSA. The pending home sales index is 164.2 (2008=100) in Illinois, up 27.8% from a year ago. In the Chicago PMSA, the comparable figure is 194.4, up 30.6% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In February 2019, 1,528 houses were newly filed for foreclosure in the Chicago PMSA (down 17.3% and down 7.5% respectively from a year and a month ago). 841 foreclosures were completed<sup>7</sup> (up 2.2% and down 26.7% respectively from a year and a month ago). As of February 2019, there are 21,169 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows)

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<sup>4</sup> 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.

<sup>5</sup> REAL HPI was developed by Esteban Lopez and Minshu Du. Contact us for further details.

<sup>6</sup> The base level (100) of pending home sales is the average pending home sales of year 2008.

<sup>7</sup> Including cancelled foreclosures and auctions

were 584 in the past 6 months, 557 in the last 12 months and 542 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## **The Economy**

- In February 2020, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate was little changed at 3.5% and nonfarm payroll jobs experienced a gain of 273,000 jobs. Employment increased in health care and social assistance (+57,000), food services and drinking places (+53,000), and government (+45,000).
- In February 2020, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment fell to 3.5%, a new record low. Non-farm payroll jobs increased by 16,600 over the month. The largest average gains were found in Trade, Transportation and Utilities (+2,100), Educational and Health Services (+2,100) and Leisure and Hospitality (+1,600).
- In December 2019, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 0.13% and 0.28%, corresponding to job gains between 7,900 and 18,200. The largest contributors to the forecast increase are education and health, leisure and hospitality, and government.
- In February 2020, while concerns of a coronavirus-driven economic slowdown growing, data from the latest Health of Housing Markets report from national insurance company Nationwide projects the housing sector to remain a source of growth in 2020. The data indicate that strong, underlying housing demand factors, including above-trend household growth, solid job gains and declining mortgage rates, are driving what is looking to be a strong annual performance.
- In February 2020, according to a new report from Freddie Mac, more than half of the U.S. is in the midst of a housing shortage. They reported that years of underbuilding has led to a sizable housing deficit across the country, especially in states whose robust economies have drawn residents from other states. In turn, shortages in housing supply in these desirable states have caused residents there to search for housing in more affordable states, creating a cycle of a constant lack of inventory.

## **Longer-term Outlook**

- In February, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 130.7, up from 130.4 last month. The survey noted that despite the decline in the Present Situation Index, consumers continue to view current conditions quite favorably and were more optimistic about the short-term outlook. The University of Michigan Consumer Sentiment Index increased to 101.0 from 99.8 last month. The survey reported that current personal finances as well as evaluations of the national economy each posted large gains.
- In February, Fannie Mae Home Purchase Sentiment Index (HPSI) decreased to 92.5 from 93.0 last month. The survey reported that the HPSI remained relatively steady in February, reflecting another month of robust consumer sentiment consistent with strong housing market data to start the year; in particular, household income sentiment picked back up as more workers saw their wages rise amid tight labor market conditions, helping bolster already strong housing demand.

- The Chicago Business Activity Index (CBAI) decreased to 93.1 in December from 94.6 in November. The decrease is mainly attributed to negative manufacturing and construction job growth (not updated).

## Forecast for March 2020 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES							
	Annual				Monthly		
	Illinois		Chicago PMSA		Illinois		Chicago PMSA
<b>Dec-19</b>	13.6%		14.3%		3.5%		4.7%
<b>Jan-20</b>	13.7%		11.0%		-25.9%		-26.4%
<b>Feb-20</b>	5.0%		6.6%		2.1%		3.1%
<b>3 Month Avg.</b>	10.9%		10.9%		-7.7%		-7.3%
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES							
	Annual				Monthly		
	Illinois		Chicago PMSA		Illinois		Chicago PMSA
<b>Mar-20</b>	3.7%	5.0%	6.0%	8.1%	33.3%	45.1%	38.6% 52.2%
<b>Apr-20</b>	0.8%	1.1%	1.7%	2.2%	15.0%	20.2%	15.6% 21.2%
<b>May-20</b>	-1.9%	-2.5%	0.2%	0.3%	15.6%	21.2%	15.4% 20.9%
<b>3 Month Avg.</b>	0.5%	0.7%	2.2%	3.0%	19.8%	26.8%	21.0% 28.5%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE							
	Illinois		Chicago PMSA		Illinois		Chicago PMSA
<b>Dec-19</b>	\$199,900		\$237,000		<b>Dec-18</b>	\$186,500 \$225,000	
<b>Jan-20</b>	\$190,000		\$232,000		<b>Jan-19</b>	\$185,550 \$224,250	
<b>Feb-20</b>	\$199,000		\$240,000		<b>Feb-19</b>	\$186,000 \$230,000	
<b>Mar-20</b>	\$210,699		\$250,121		<b>Mar-19</b>	\$200,000 \$241,000	
<b>Apr-20</b>	\$224,715		\$262,013		<b>Apr-19</b>	\$213,000 \$253,000	
<b>May-20</b>	\$229,864		\$267,266		<b>May-19</b>	\$219,000 \$259,500	
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE							
	Illinois		Chicago PMSA		Illinois		Chicago PMSA
<b>Dec-19</b>	7.2%		5.3%		<b>Dec-18</b>	0.8% 0.0%	
<b>Jan-20</b>	2.4%		3.5%		<b>Jan-19</b>	0.3% 0.6%	
<b>Feb-20</b>	7.0%		4.3%		<b>Feb-19</b>	0.5% 1.1%	
<b>Mar-20</b>	5.3%		3.8%		<b>Mar-19</b>	1.0% 0.4%	
<b>Apr-20</b>	5.5%		3.6%		<b>Apr-19</b>	1.4% 1.2%	
<b>May-20</b>	5.0%		3.0%		<b>May-19</b>	1.9% 2.2%	

### Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2020]	[\$2008]	[\$2020]
<b>February 2008 Median Price</b>	\$140,000	\$170,504	\$184,000	\$224,091
<b>February 2020 Median Price</b>	\$163,398	\$199,000	\$197,063	\$240,000
Price Ratio (February 20/ February 08)	Adjusted	1.17	Adjusted	1.07
	Unadjusted	1.42	Unadjusted	1.30

### Recovery Forecasts using *Annually Growth Rates*

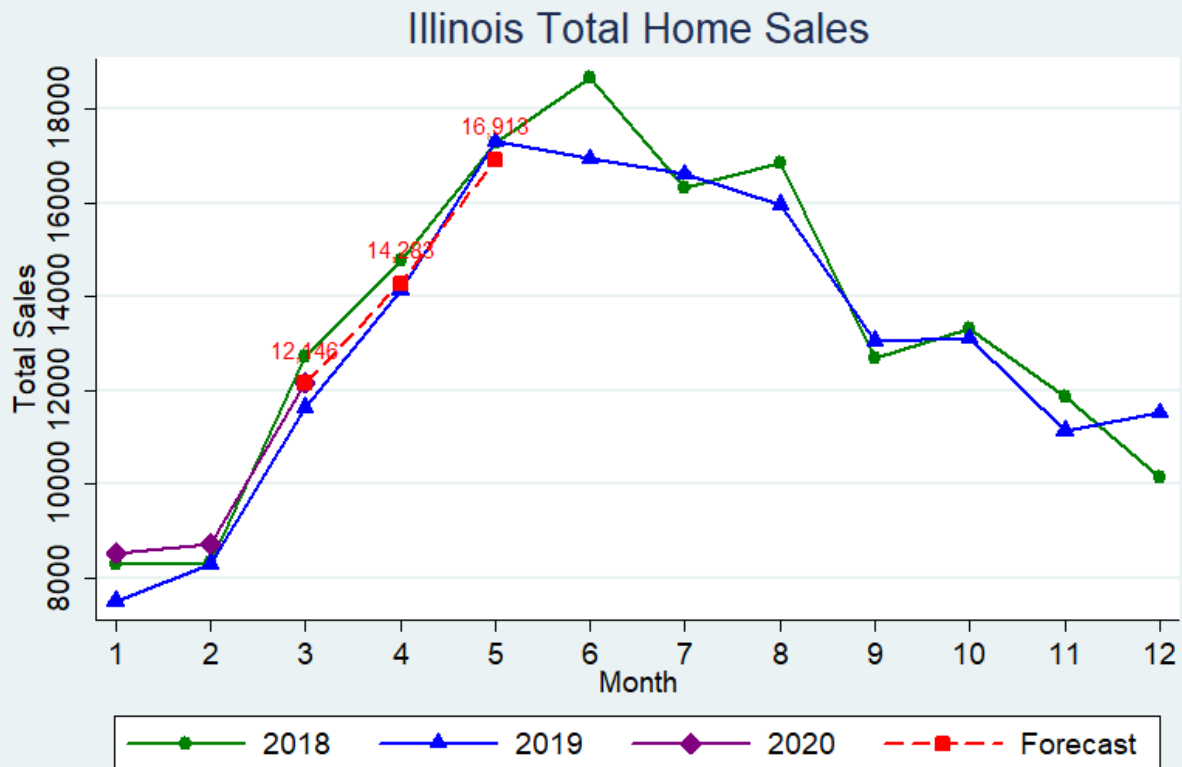
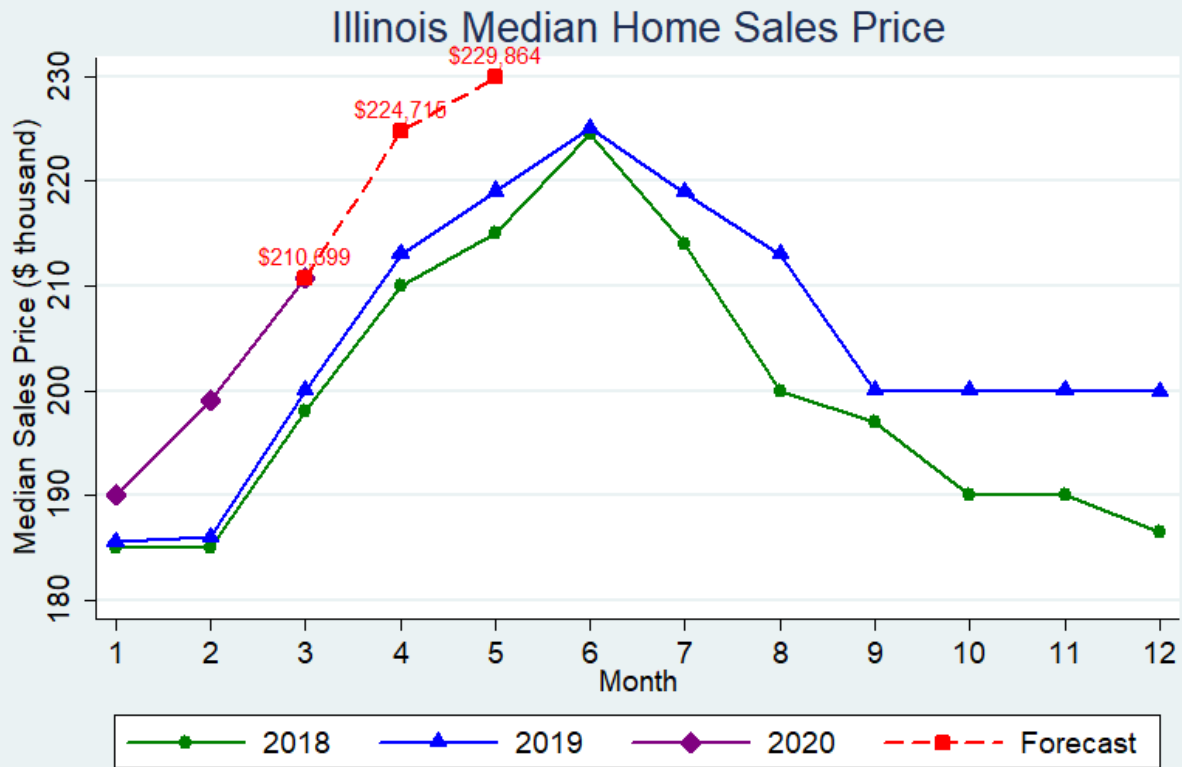
	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	4.5%	-3.5	2.0%	-3.5
Past 3 months	3.1%	-5.1	2.0%	-3.5
Past 6 months	2.6%	-5.9	1.6%	-4.5
Past 9 months	2.1%	-7.3	1.2%	-5.7
Past 12 months	1.5%	-10.4	0.7%	-9.2

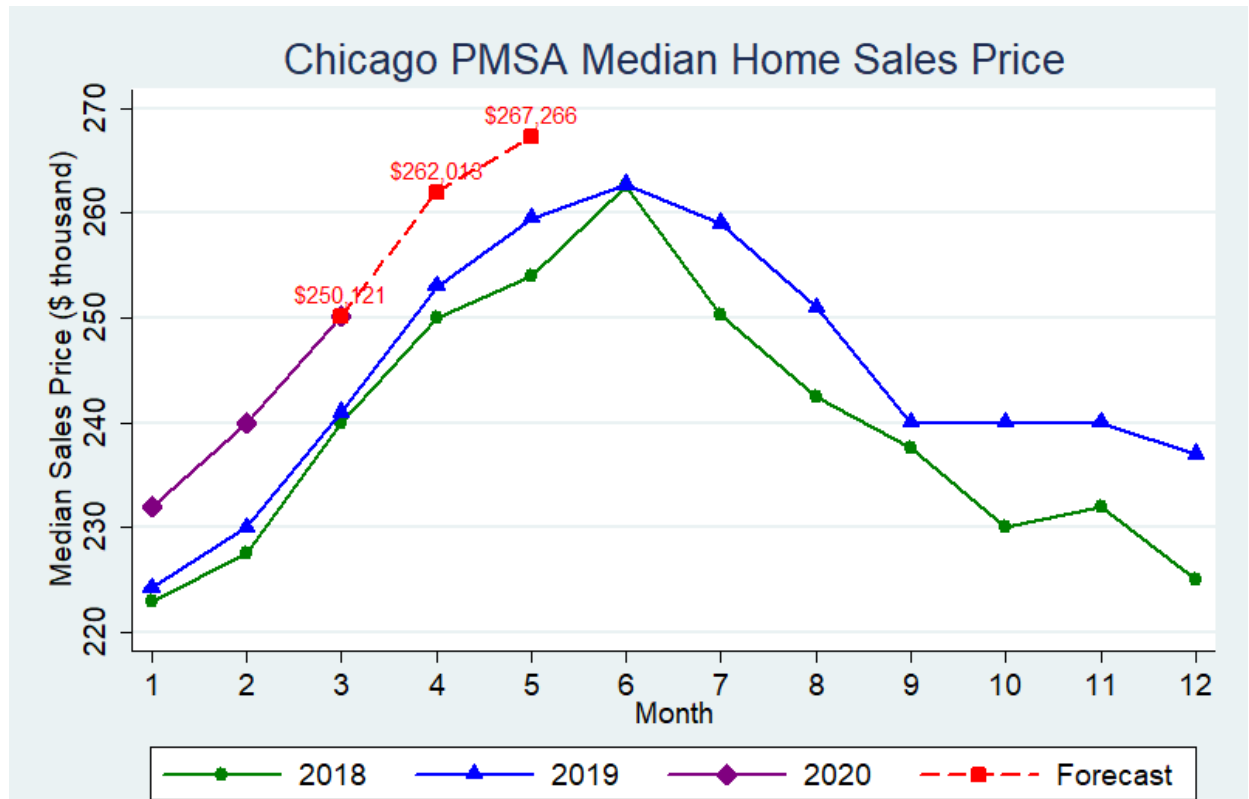
\*Annual recovery rate is the average of *annual* change rates in past months

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

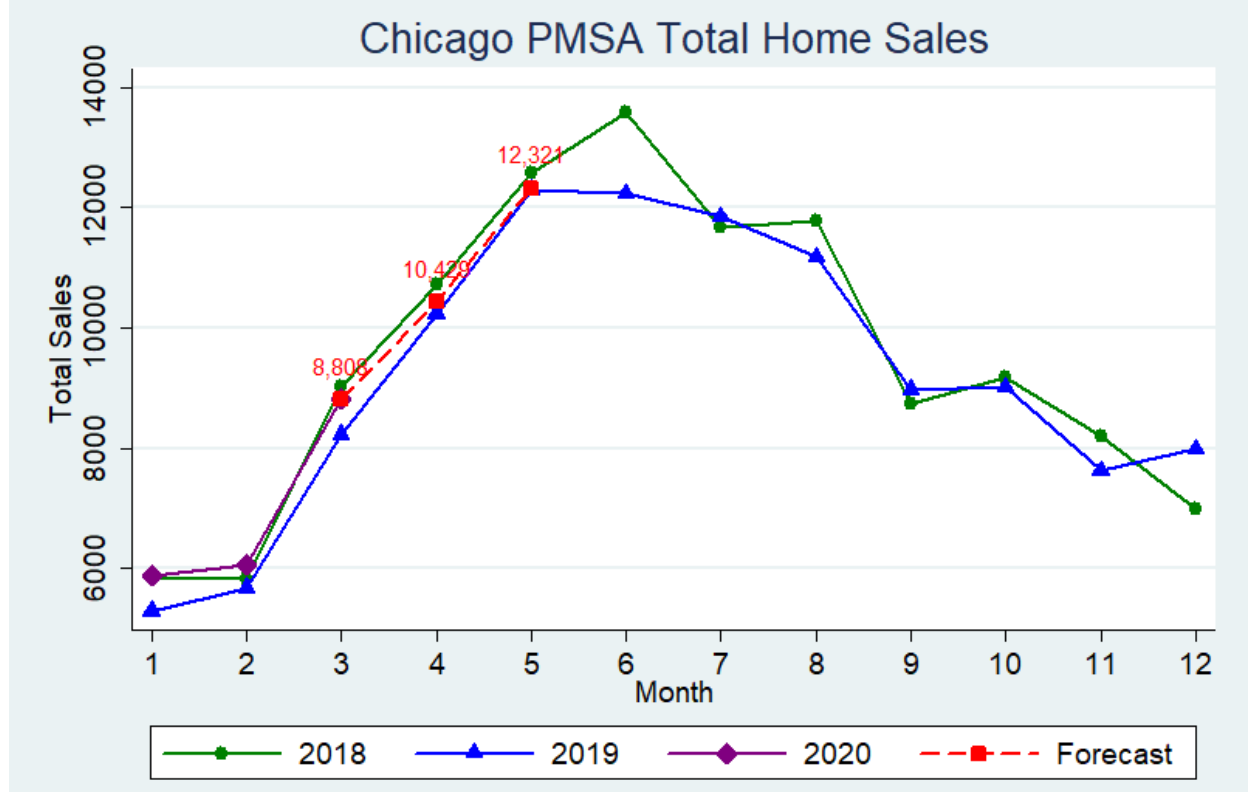
$\text{Price}_{\text{February 2020}} * (1 + \text{recovery rate})^{\text{years}} = \text{Price}_{\text{February 2008}}$ . Prices used in the formula are inflation adjusted. The recovery rate is applied as a constant annual change rate to recoup the differences between the current month and its corresponding month in 2008.



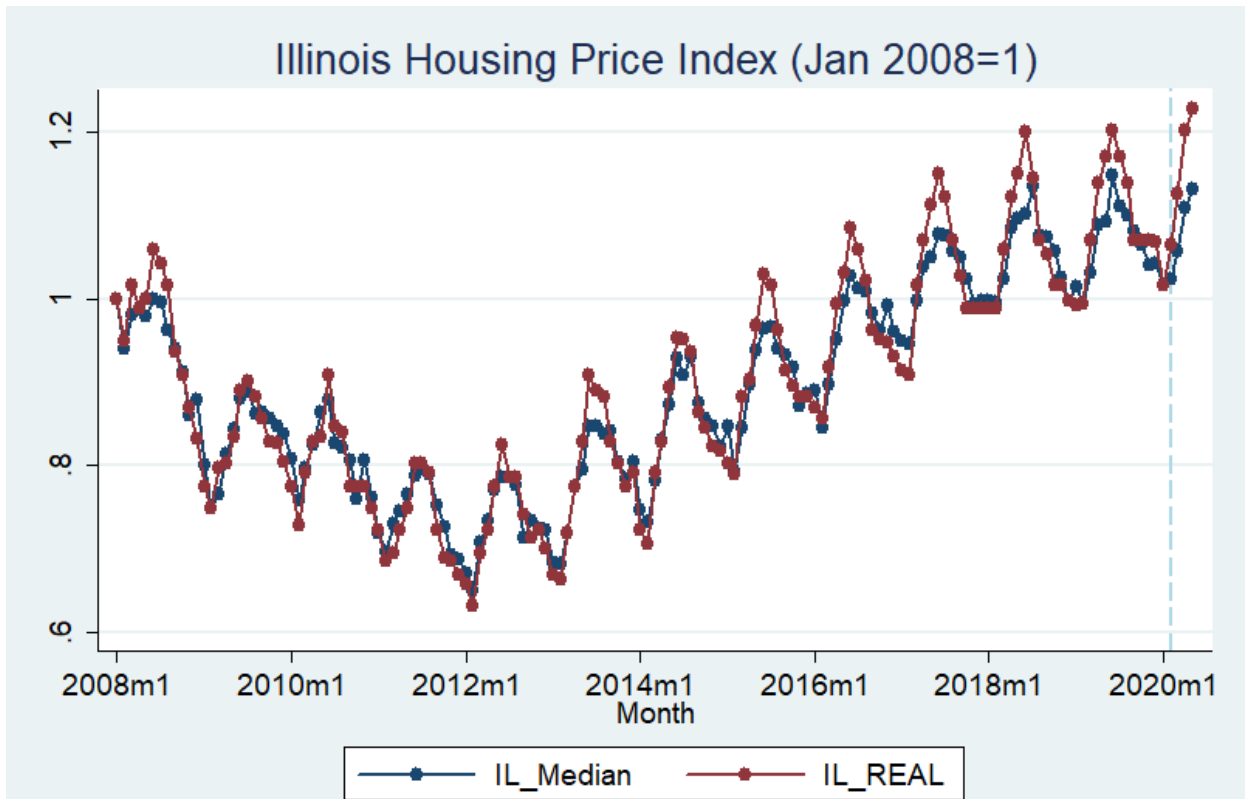




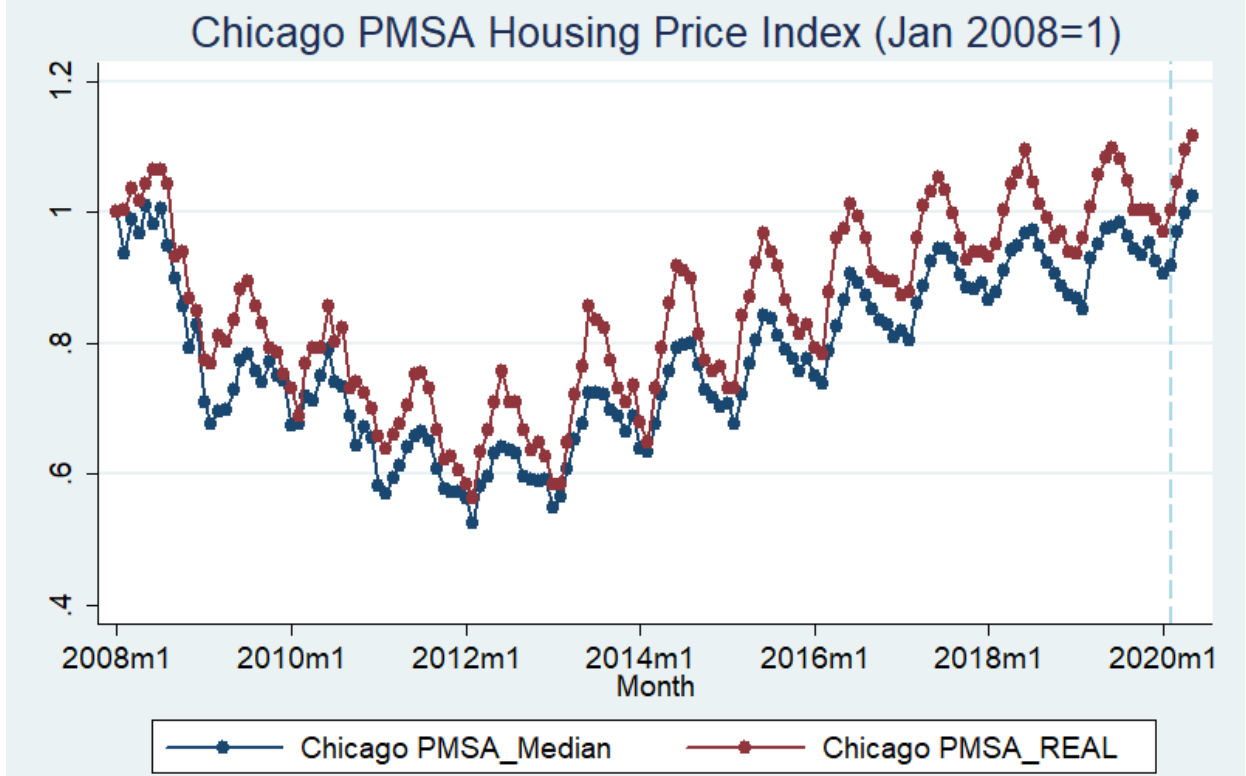
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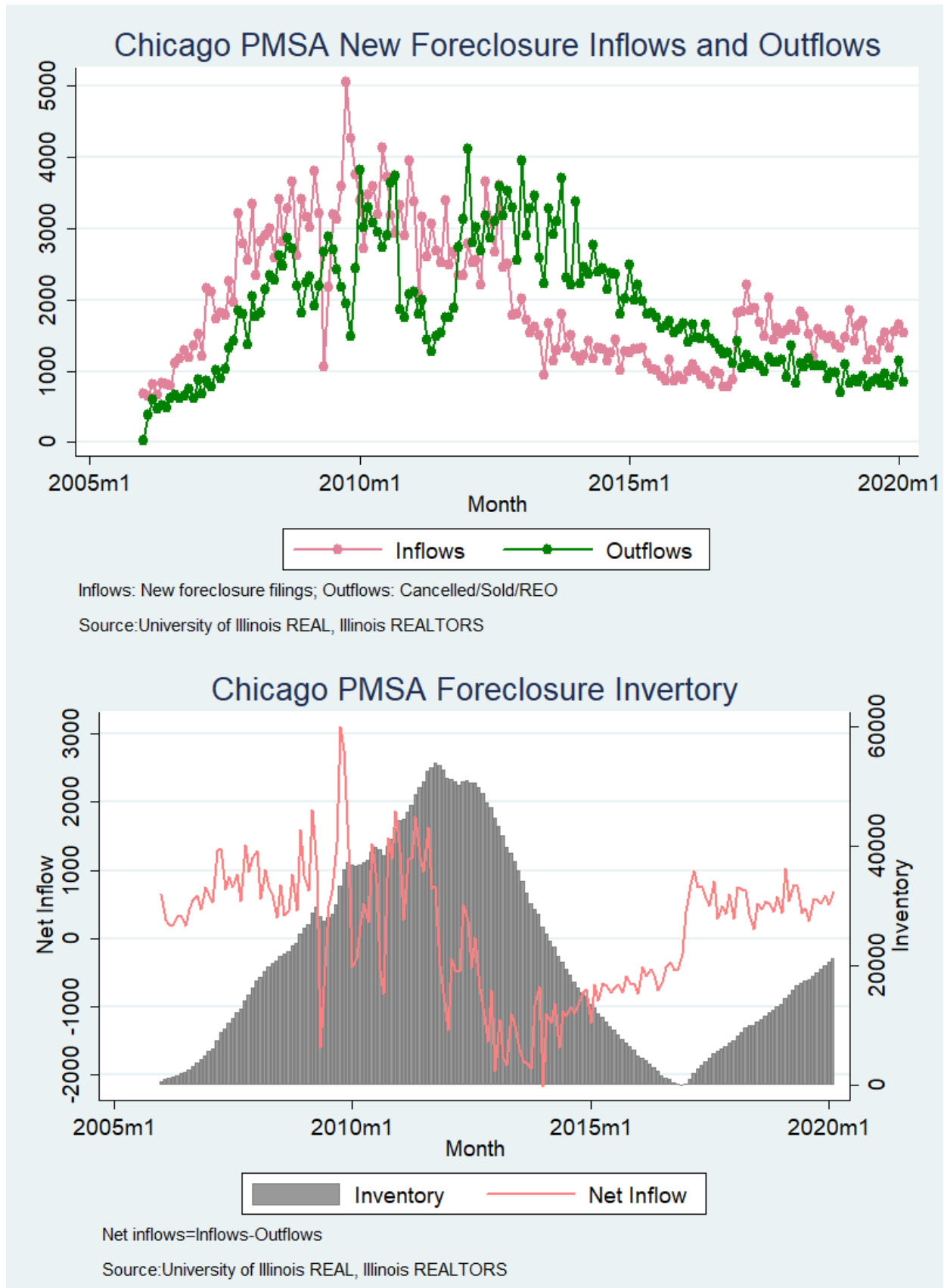
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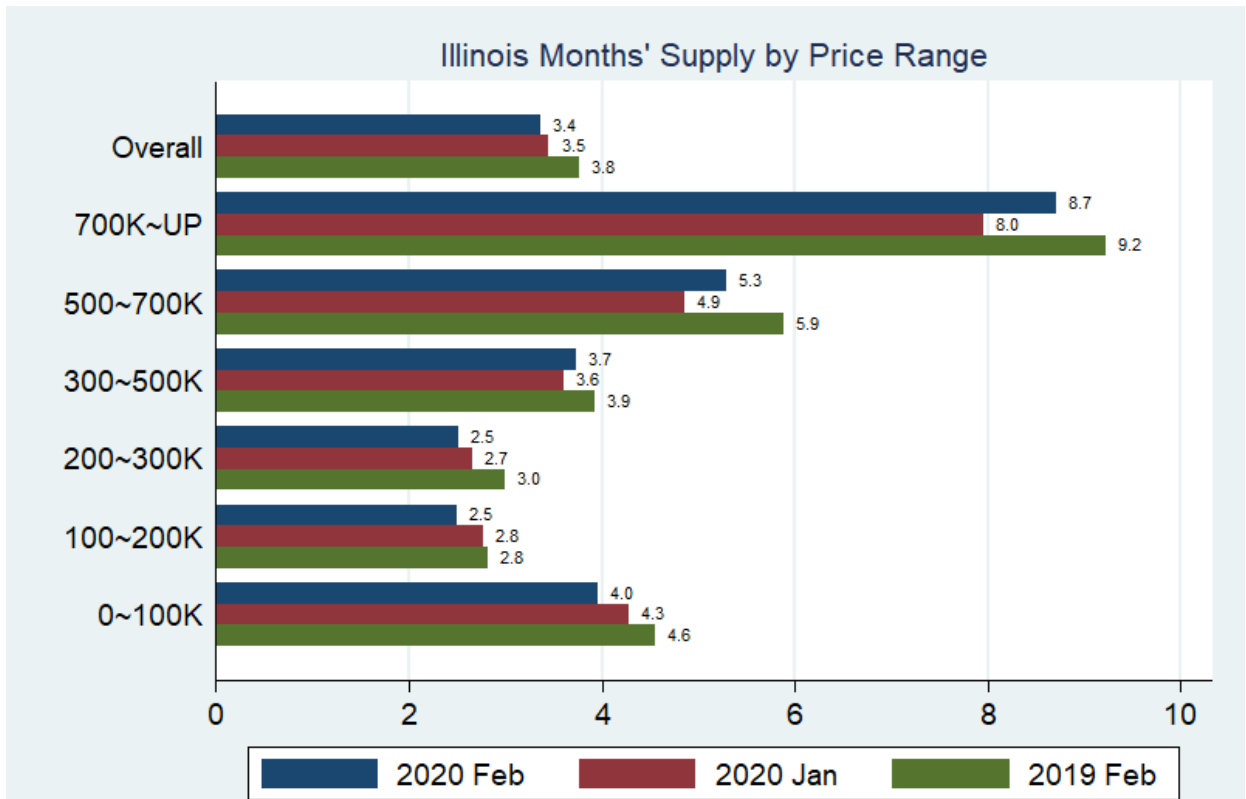


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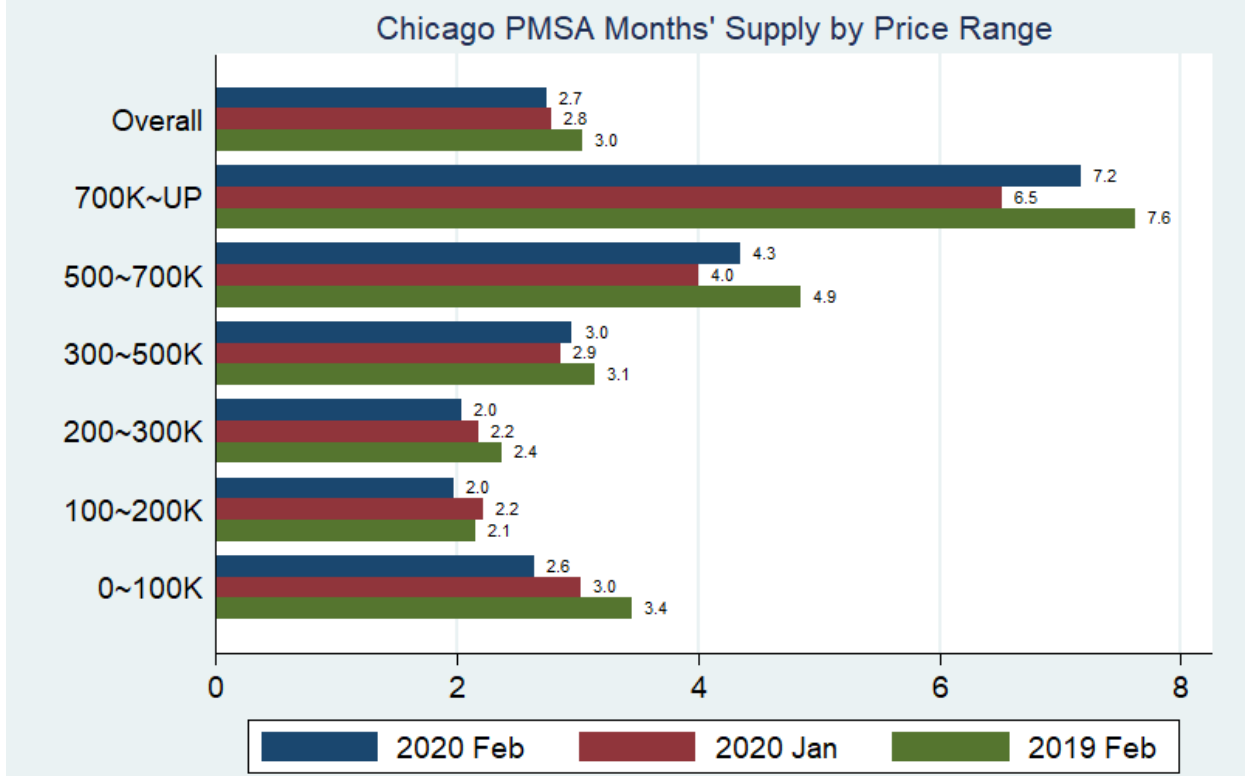


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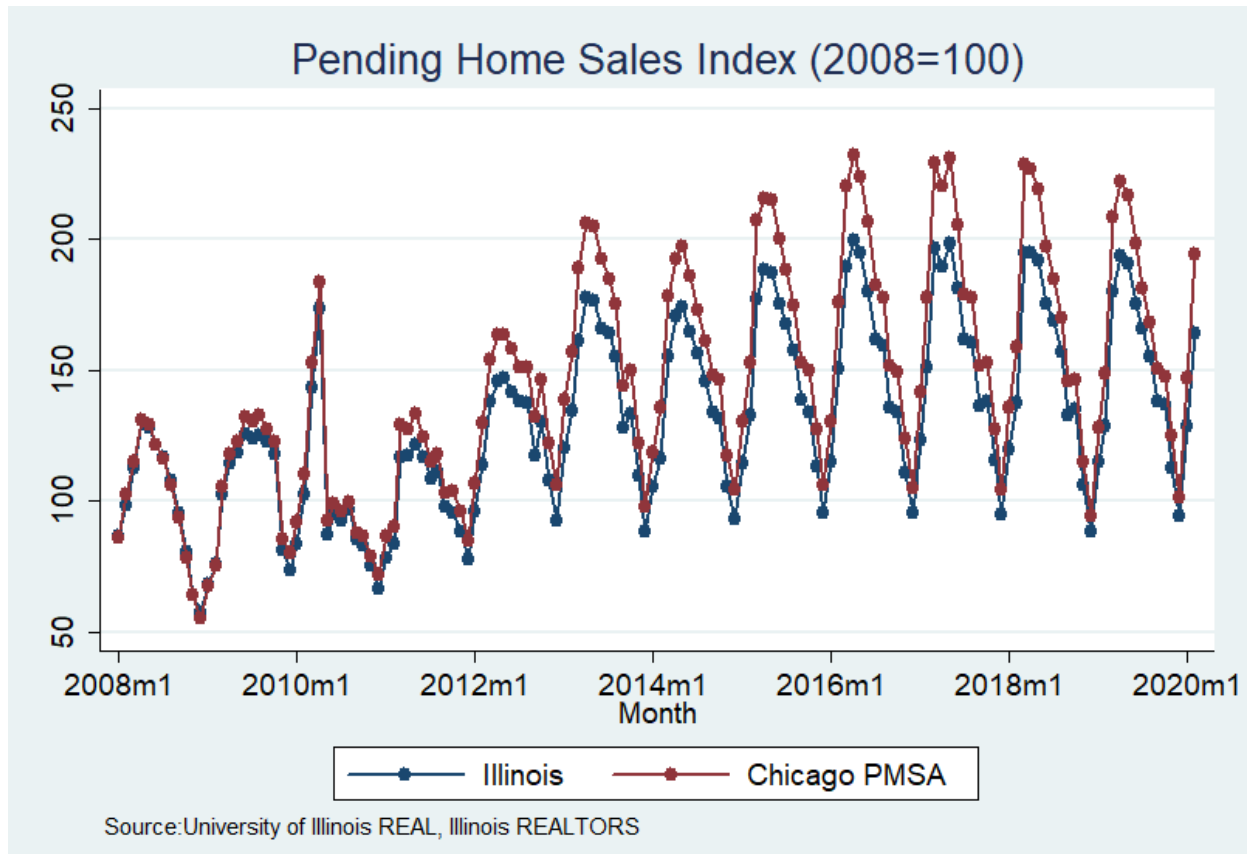


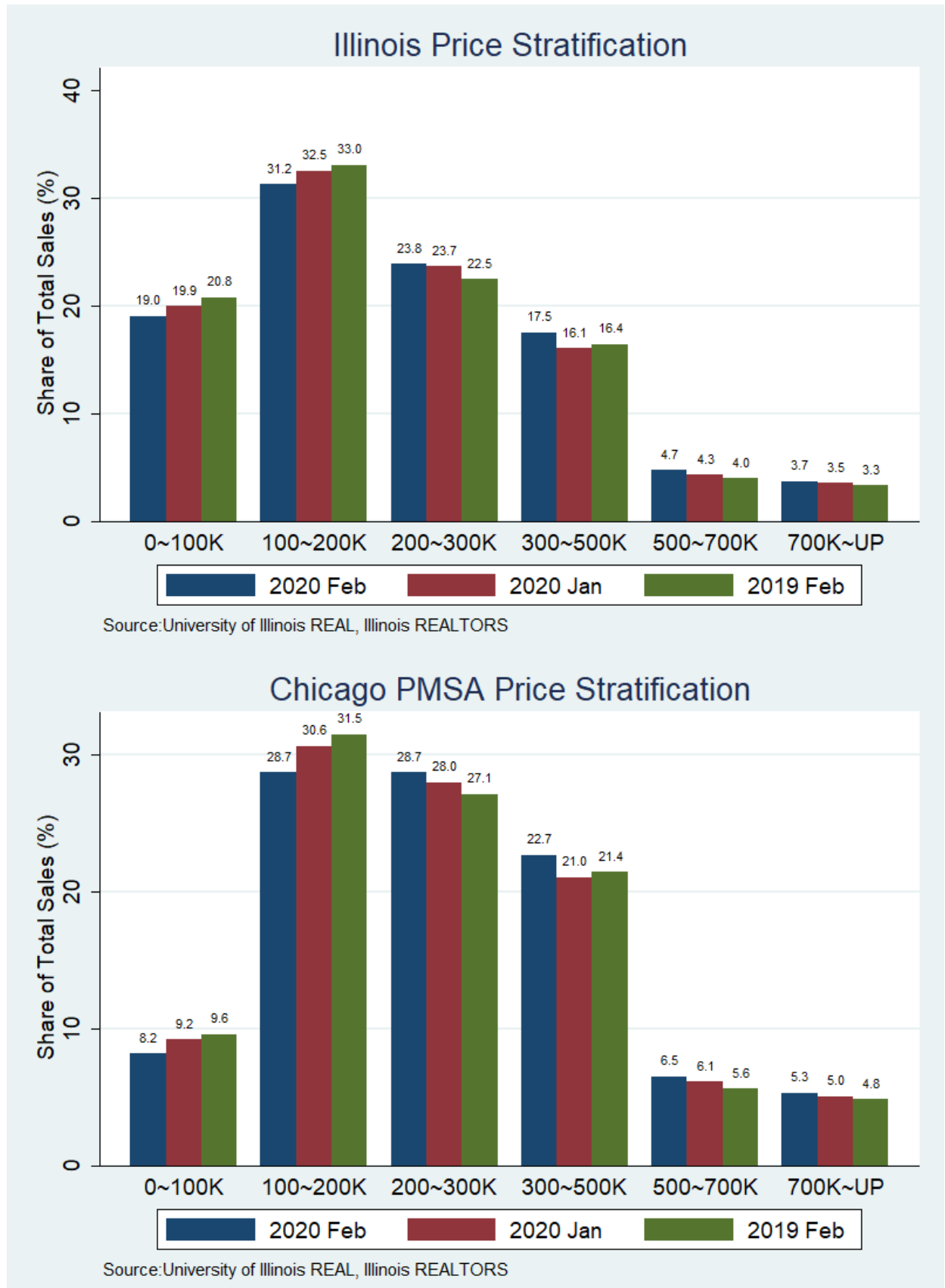


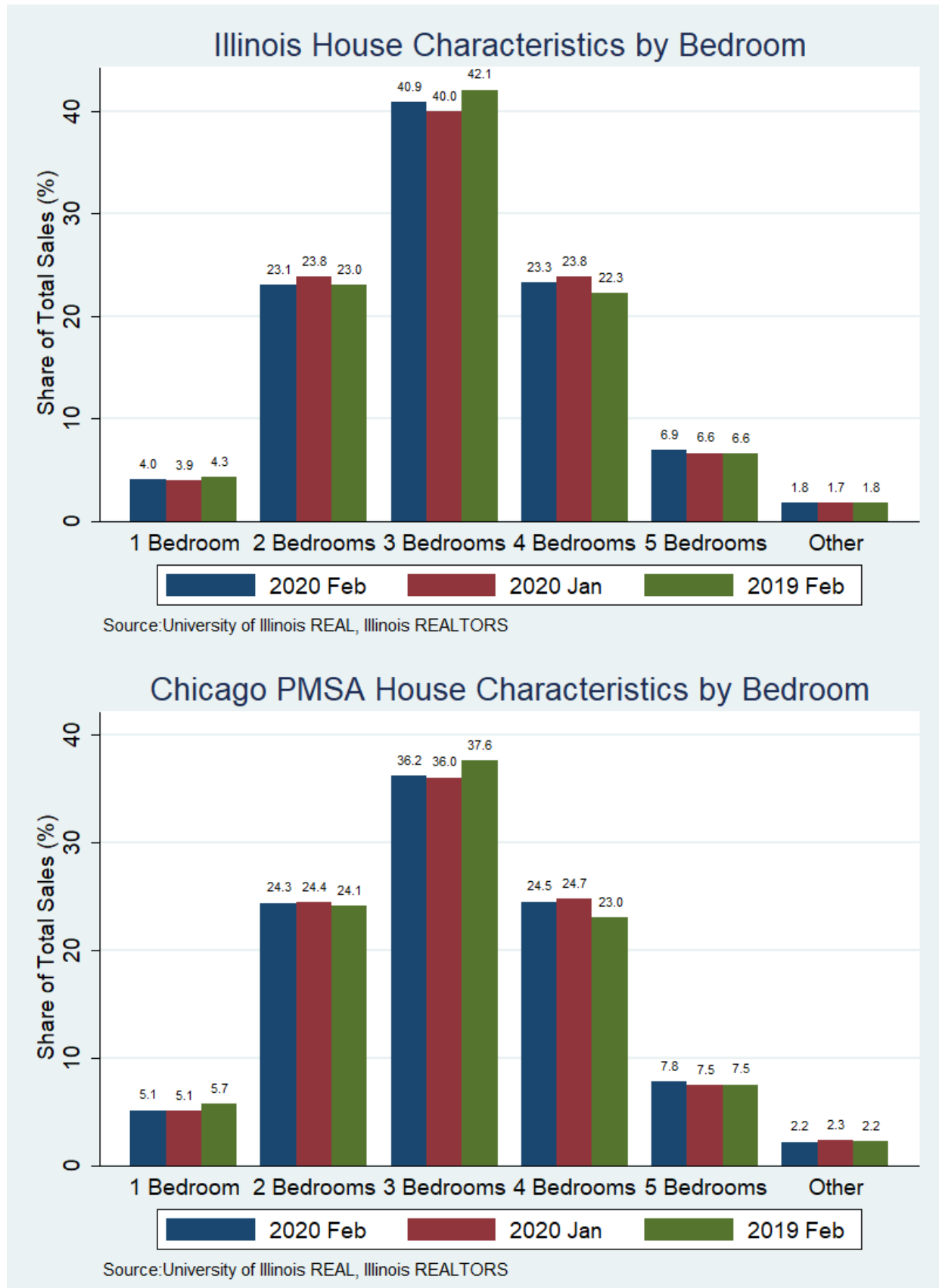
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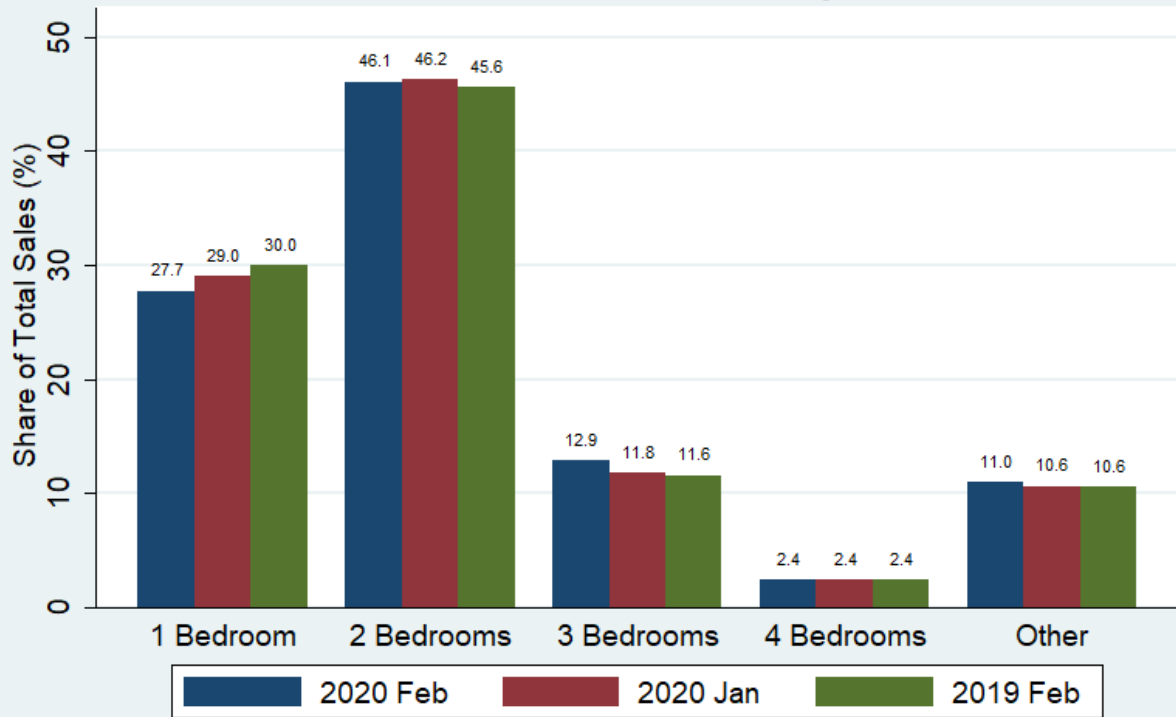






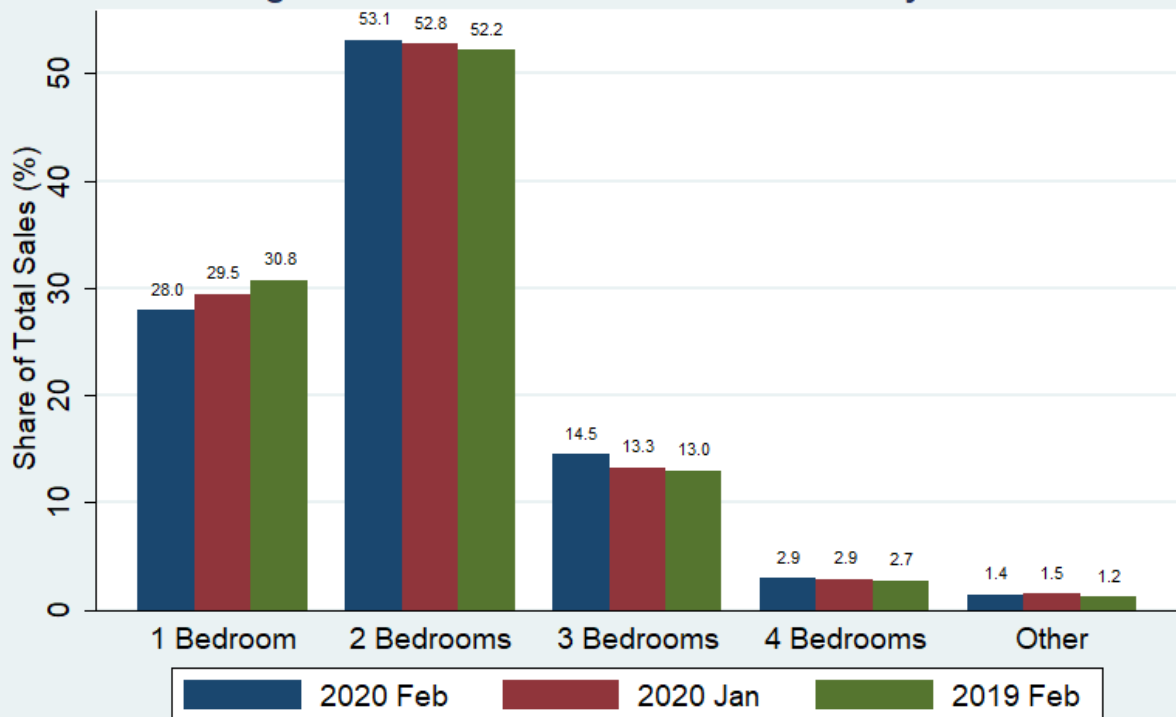


### Illinois House Characteristics by Bathroom



Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA House Characteristics by Bathroom



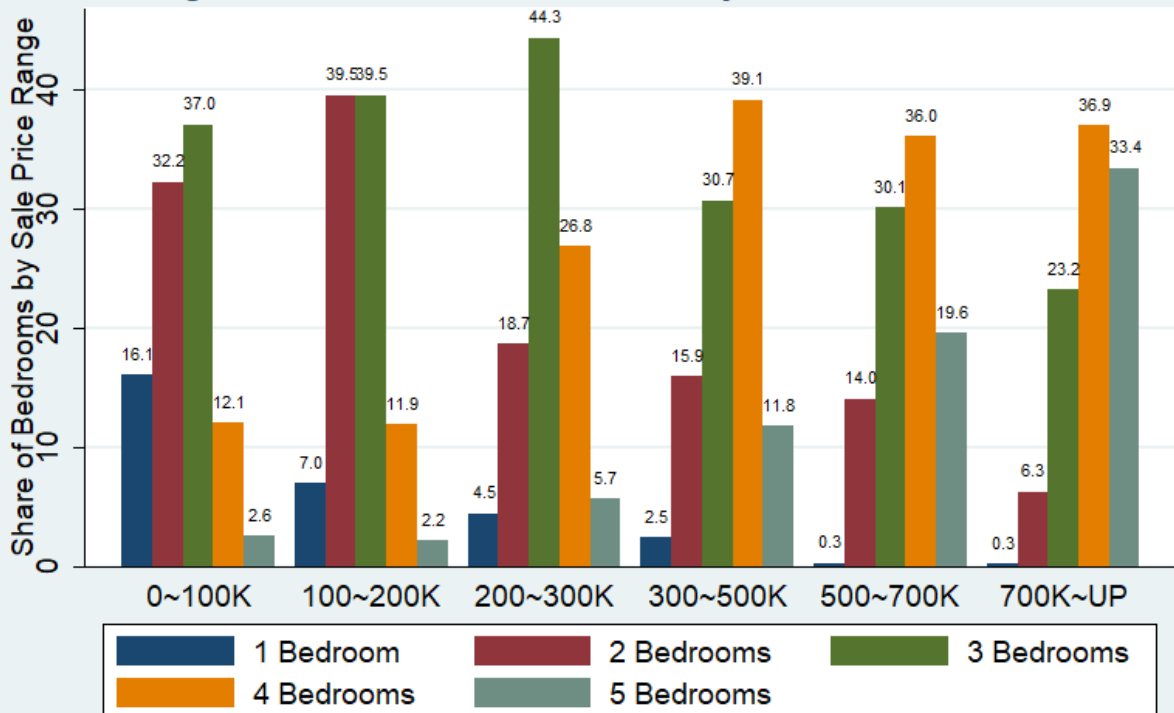
Source: University of Illinois REAL, Illinois REALTORS

### Illinois Bedroom Shares by Sale Price Stratification



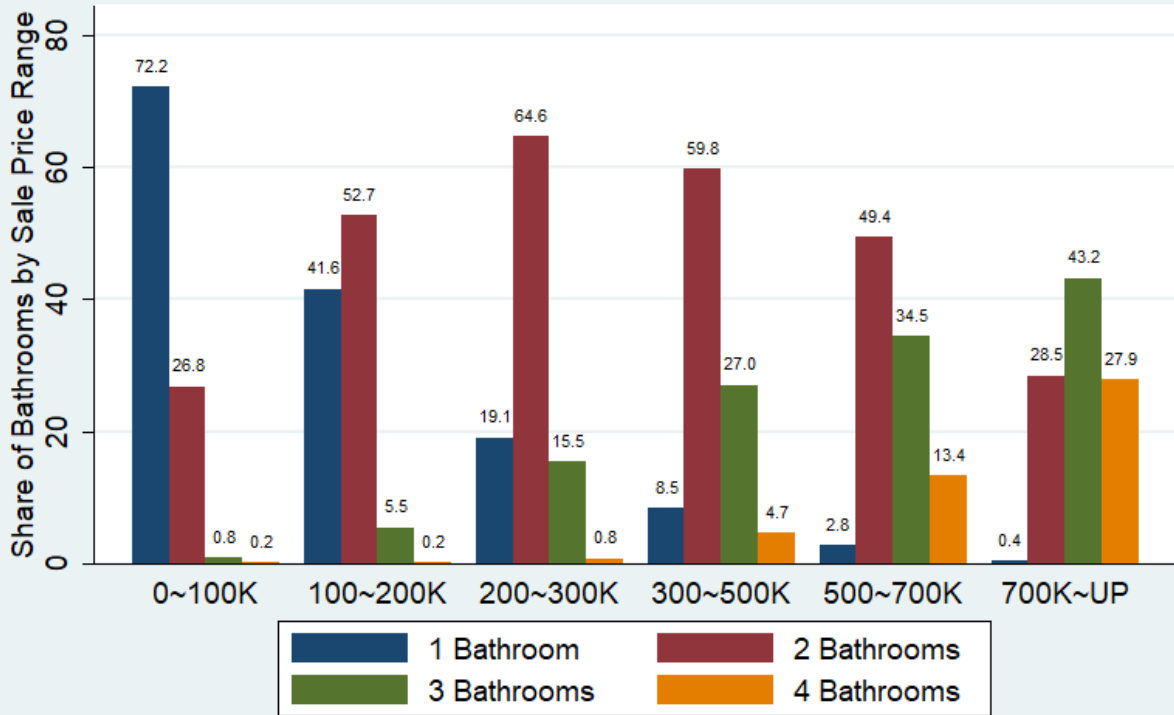
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### Chicago PMSA Bedroom Shares by Sale Price Stratification



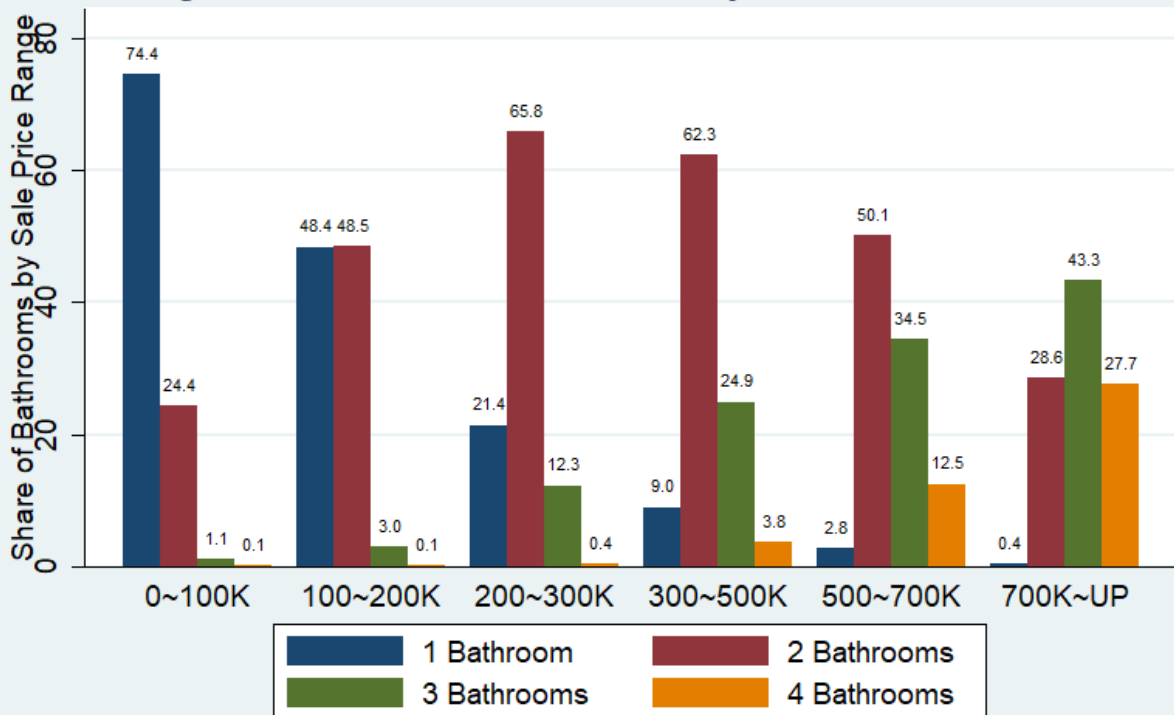
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### Illinois Bathroom Shares by Sale Price Stratification



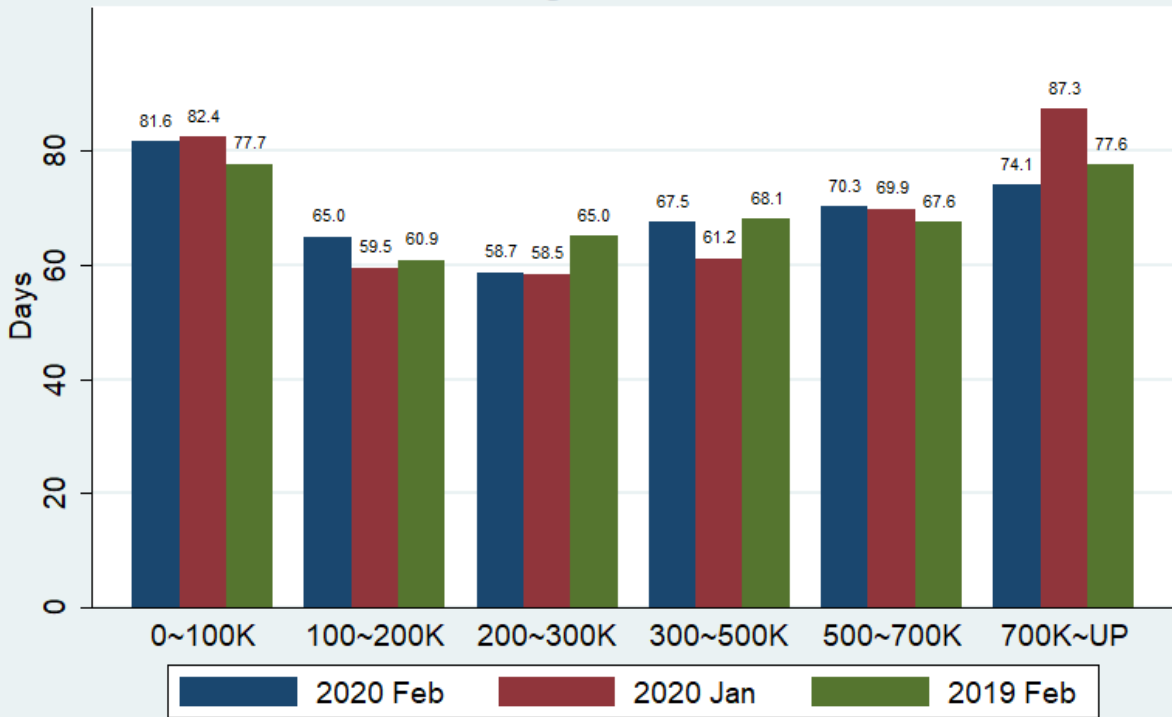
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### Chicago PMSA Bathroom Shares by Sale Price Stratification



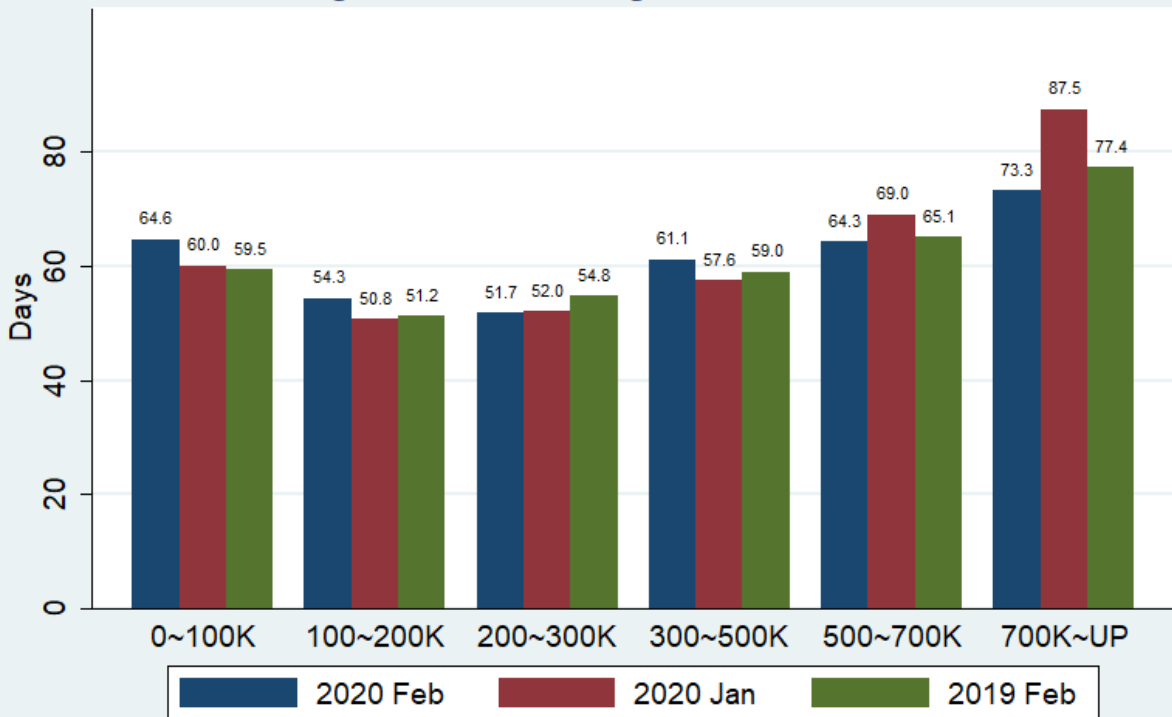
Source: University of Illinois REAL, Illinois REALTORS

### Illinois Average Time on the Market



Source: University of Illinois REAL, Illinois REALTORS

### Chicago PMSA Average Time on the Market



Source: University of Illinois REAL, Illinois REALTORS

