

Housing Price Forecasts

Illinois and Chicago PMSA, April 2021

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Recent employment growth portends the start of a sustained economic recovery even though the surge in COVID cases threatens to dampen some of the optimism. Analysts are monitoring the housing market carefully, especially in view of the expectation of a significant number of households seeking to explore relocation to accommodate more work-from-home space in light of University of Chicago forecasts suggesting as many as 20-24% of job-days will be performed from home. The crucial factor here will be the supply of homes as the current inventory remains at very low levels, 1.5 months in Illinois and 1.3 months in Chicago. Requests for forbearance declined last month and with mortgage interest rates remaining low (although higher than a few months ago), the housing market appears poised for a continued growth in sales and prices. Annual and month-to-month changes were both strong, the latter generated in part by the very cold weather in February.

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Housing Price Forecast: Illinois and Chicago PMSA, April 2021

The Housing Market

In March, median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 14,900 houses were sold in Illinois, changing by 48.3% from a month ago and 20.2% from a year ago. In the Chicago PMSA, 10,846 houses were sold, changing by 52.2% from a month ago and 24.6% from a year ago. The median price was \$249,000 in Illinois, up 15.3% from March last year; the comparable figure for the Chicago PMSA was \$295,000, up 13.5% from March last year.

In March, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.2%. 10,389 regular sales were made, 30.0% more than last year. 392 foreclosed properties were sold, 40.5% less than last year. The median price was \$300,000 for regular property sales, up 11.5% from last year; the comparable figure for the foreclosed properties was \$235,000, up 23.8% 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 March 2008 has been adjusted to 2021 values to enable calculation of the housing price recovery considering the effects of inflation. In Illinois, the March 2008 median sales price was \$150,000 (in \$2008) and \$186,917 (in \$2021); the current price level was 133% of the 2008 level after adjusting (166% before adjusting). In the Chicago PMSA, the March 2008 median sales price was \$195,000 (in \$2008) and \$242,992 (in \$2021); the comparable figure for price recovery in March 2021 is 121% after adjustment (151% before adjusting).

The sales forecast for April, May and June 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 17.5% to 23.6%; the comparative figures for the Chicago PMSA are an increase in the range 27.9% to 37.7%. On a monthly basis, the three-month average sales are forecast to increase in the range 4.7% to 6.3% for Illinois and increase in the range 5.4% to 7.3% for the Chicago PMSA.

The pending home sales index¹ is a leading indicator based on contract signings. This March, 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 223.9 (2008=100) in Illinois, up 50.6% from a year ago. In the Chicago PMSA, the comparable figure is 260.9, up 59.0% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.5 months² (down from 3.8 last year). In the Chicago PMSA, the comparable figure was 1.3 months (down from 3.2 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 April, May, and June in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 15.0% in April, 20.7% in May and 20.6% in June. For the Chicago PMSA, the comparable figures are 13.3% in April, 17.6% in May and 17.3% in June. As a complement to the median housing price index (HPI), the REAL HPI 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 11.7% in April, 15.1% in May

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

² 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.

and 16.5% in June. The comparable figures for the Chicago PMSA are 10.4% in April 12.5% in May and 12.7% in June. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

In March, 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 consumers’ assessment of current conditions and their short-term outlook improved significantly, an indication that economic growth is likely to strengthen further in the coming months. The University of Michigan Consumer Sentiment Index survey noted that consumers' attitudes about both their current situation and the future improved markedly, but confidence in the future outlook improved by the most in almost a dozen years. The more housing specific sentiment index, the Fannie Mae Home Purchase Sentiment Index (HPSI) also increased. The survey revealed that four of the HPSI’s six components increased month over month, including the components related to homebuying and home-selling conditions, household income, and home prices.

The Housing Market – Current Condition

- In March, median prices and sales experienced a positive annual change in both Illinois and the Chicago PMSA. 14,900 houses were sold in Illinois, changing by 48.3% from a month ago and 20.2% from a year ago. In the Chicago PMSA, 10,846 houses were sold, changing by 52.2% from a month ago and 24.6% from a year ago. The median price was \$249,000 in Illinois, up 15.3% from March last year; the comparable figure for the Chicago PMSA was \$295,000, up 13.5% from March last year. (Reference: Illinois and Chicago PMSA Total Home Sales and Median Home Sales Price figures; Forecast for April 2021 report table)
- In March, for the Chicago PMSA, the percentage of foreclosed sales (e.g. REOs) among the total sales was 4.2%. 10,389 regular sales were made, 30.0% more than last year. 392 foreclosed properties were sold, 40.5% less than last year. The median price was \$300,000 for regular property sales, up 11.5% from last year; the comparable figure for the foreclosed properties was \$235,000, up 23.8% from this time last year. (Reference: Ratio of Foreclosed Sales over Total Sales, Sales & Median Prices: Foreclosed vs. Regular figures)
- In March, at the latest average annual pending sales rate, Illinois had enough housing inventory for 1.5 months³ (down from 3.8 last year). In the Chicago PMSA, the comparable figure was 1.3 months (down from 3.2 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 March, the market shares of homes in the lowest price ranges (<\$200K) experienced the largest change compared to a year ago. In Illinois, the market share for homes at \$100-200K decreased to 25.6% from 30.1% a year ago; the comparative figure for the Chicago PMSA showed a decrease to 20.6% from 26.0% 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 April, May, and June in both Illinois and the Chicago PMSA. In Illinois, the median price is forecast to change by 15.0%

³ 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.

in April, 20.7% in May and 20.6% in June. For the Chicago PMSA, the comparable figures are 13.3% in April, 17.6% in May and 17.3% in June. (Reference: Forecast for April 2021 report table)

- As a complement to the median housing price index (HPI), the REAL HPI 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 11.7% in April, 15.1% in May and 16.5% in June. The comparable figures for the Chicago PMSA are 10.4% in April 12.5% in May and 12.7% in June. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month. (Reference: Housing Price Index)
- The sales forecast for April, May and June 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 17.5% to 23.6%; the comparative figures for the Chicago PMSA are an increase in the range 27.9% to 37.7%. On a monthly basis, the three-month average sales are forecast to increase in the range 4.7% to 6.3% for Illinois and increase in the range 5.4% to 7.3% for the Chicago PMSA. (Reference: Forecast for April 2021 report table)
- The pending home sales index⁴ is a leading indicator based on contract signings. This March, 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 223.9 (2008=100) in Illinois, up 50.6% from a year ago. In the Chicago PMSA, the comparable figure is 260.9, up 59.0% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In March 2021, 325 houses were newly filed for foreclosure in the Chicago PMSA (down 78.4% and up 16.5% respectively from a year and a month ago). 196 foreclosures were completed⁵ (down 70.8% and up 27.3% respectively from a year and a month ago). As of March 2021, there are 11,617 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 118 in the past 6 months, -15 in the last 12 months and 295 in the last 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

The Economy

- In March 2021, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate edged down to 6.0% and nonfarm payroll jobs experienced a gain of 916,000 jobs. Notable job gains occurred over the month in leisure and hospitality (+280,000), public and private education (+190,000), and construction (+110,000).
- In March 2021, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment decreased to 7.1%. Non-farm payroll jobs gained by 32,200 over the month. The industry sectors that reported the largest payroll gains were: Leisure and Hospitality (+13,700), Construction (+6,300) and Professional and Business Services (+6,300).
- In February 2021, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 5.72% and 6.88%, corresponding to job gain between 325,200 and 390,900. The largest contributors to the forecast increase are education and health, trade, transportation and utilities, and professional and business services.

⁴ The base level (100) of pending home sales is the average pending home sales of year 2008.

⁵ Including cancelled foreclosures and auctions

- The latest iteration of CoreLogic's Home Price Index (HPI) report revealed that home prices nationwide jumped 10.4% year over year in February, the largest annual price increase recorded on the index since April 2006. "Homebuyers are experiencing the most competitive housing market we've seen since the Great Recession," said CoreLogic President and CEO Frank Martell. "Rising mortgage rates and severe supply constraints are pushing already-overheated home prices out of reach for some prospective buyers, especially in more expensive metro areas."
- According to the Mortgage Bankers Association (MBA), forbearances fell under 5% for first time in a year. "The share of loans in forbearance decreased for the fourth straight week, dropping below 5% for the first time in a year," said Mike Fratantoni, senior vice president and chief economist at the MBA. "New forbearance requests remained at their lowest level since last March, and the pace of exits increased."

Longer-term Outlook

- In March, both the Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 109.7, up from 90.4 last month. The survey noted that consumers' assessment of current conditions and their short-term outlook improved significantly, an indication that economic growth is likely to strengthen further in the coming months. The University of Michigan Consumer Sentiment Index increased to 84.9 from 76.8 last month. The survey noted that consumers' attitudes about both their current situation and the future improved markedly, but confidence in the future outlook improved by the most in almost a dozen years.
- In March, Fannie Mae Home Purchase Sentiment Index (HPSI) increased to 81.7 from 76.5 last month. The survey noted that four of the HPSI's six components increased month over month, including the components related to homebuying and home-selling conditions, household income, and home prices.
- The Chicago Business Activity Index (CBAI) decreased to 139.0 in February from 248.2 in January. The decrease is mainly attributed to negative construction job growth and a sharp decline in expected retail sales as a result of the very cold weather than prevailed for much of the month.

"The housing sector recorded strong month-to-month and year-over-year changes in March in both sales and prices," noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory. "The main concern in the coming months will be the low inventory levels, currently 1.5 and 1.3 months at current sales rates in Illinois and Chicago respectively. The strong growth in the pending sales index suggest that demand remains strong with buyers facing a very competitive market."

Forecast for April 2021 report

PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois		Chicago PMSA	Illinois		Chicago PMSA		
Jan-21	19.5%		21.8%	-31.8%		-32.7%		
Feb-21	13.1%		15.9%	-2.0%		-0.8%		
Mar-21	20.2%		24.6%	48.3%		52.2%		
3 Month Avg.	17.9%		21.2%	-0.4%		0.7%		
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES								
	Annual			Monthly				
	Illinois		Chicago PMSA	Illinois		Chicago PMSA		
Apr-21	18.3%	24.8%	23.5%	31.9%	0.2%	0.3%	2.0%	2.7%
May-21	23.8%	32.2%	37.3%	50.5%	-0.2%	-0.3%	1.0%	1.4%
Jun-21	12.0%	16.2%	24.2%	32.8%	14.1%	19.0%	13.0%	17.6%
3 Month Avg.	17.5%	23.6%	27.9%	37.7%	4.7%	6.3%	5.4%	7.3%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE								
	Illinois		Chicago PMSA		Illinois		Chicago PMSA	
Jan-21	\$225,000		\$270,000	Jan-20	\$190,000		\$232,000	
Feb-21	\$226,000		\$270,000	Feb-20	\$198,900		\$240,000	
Mar-21	\$249,000		\$295,000	Mar-20	\$216,000		\$260,000	
Apr-21	\$260,938		\$305,862	Apr-20	\$227,000		\$270,000	
May-21	\$259,549		\$305,667	May-20	\$215,000		\$260,000	
Jun-21	\$266,497		\$310,827	Jun-20	\$221,000		\$265,000	
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE								
	Illinois		Chicago PMSA		Illinois		Chicago PMSA	
Jan-21	18.4%		16.4%	Jan-20	1.9%		3.2%	
Feb-21	13.6%		12.5%	Feb-20	6.4%		4.3%	
Mar-21	15.3%		13.5%	Mar-20	8.0%		7.9%	
Apr-21	15.0%		13.3%	Apr-20	6.1%		6.7%	
May-21	20.7%		17.6%	May-20	-1.8%		0.1%	
Jun-21	20.6%		17.3%	Jun-20	-1.8%		0.8%	

Median Prices and Recovery

	Illinois		Chicago PMSA	
	[\$2008]	[\$2021]	[\$2008]	[\$2021]
March 2008 Median Price	\$150,000	\$186,917	\$195,000	\$242,992
March 2021 Median Price	\$199,821	\$249,000	\$236,736	\$295,000
Price Ratio (March 21/ March 08)	Adjusted	1.33	Adjusted	1.21
	Unadjusted	1.66	Unadjusted	1.51

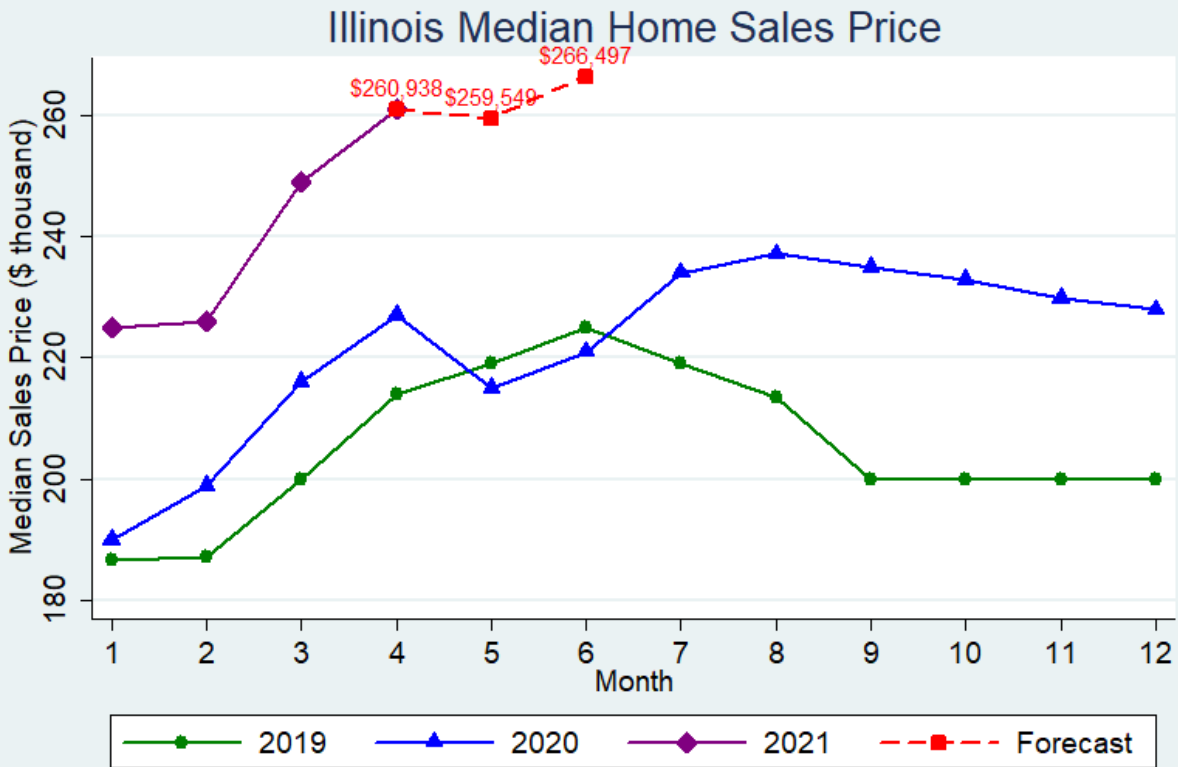
Recovery Forecasts using *Annually Growth Rates*

	Illinois	Chicago PMSA		
	Annual Recovery Rate*	Years to Recover**	Recovery Rate	Years to Recover
Current Month	12.3%	-2.5	10.5%	-1.9
Past 3 months	13.7%	-2.2	12.0%	-1.7
Past 6 months	13.7%	-2.2	11.7%	-1.8
Past 9 months	12.6%	-2.4	11.0%	-1.9
Past 12 months	9.6%	-3.1	8.7%	-2.3

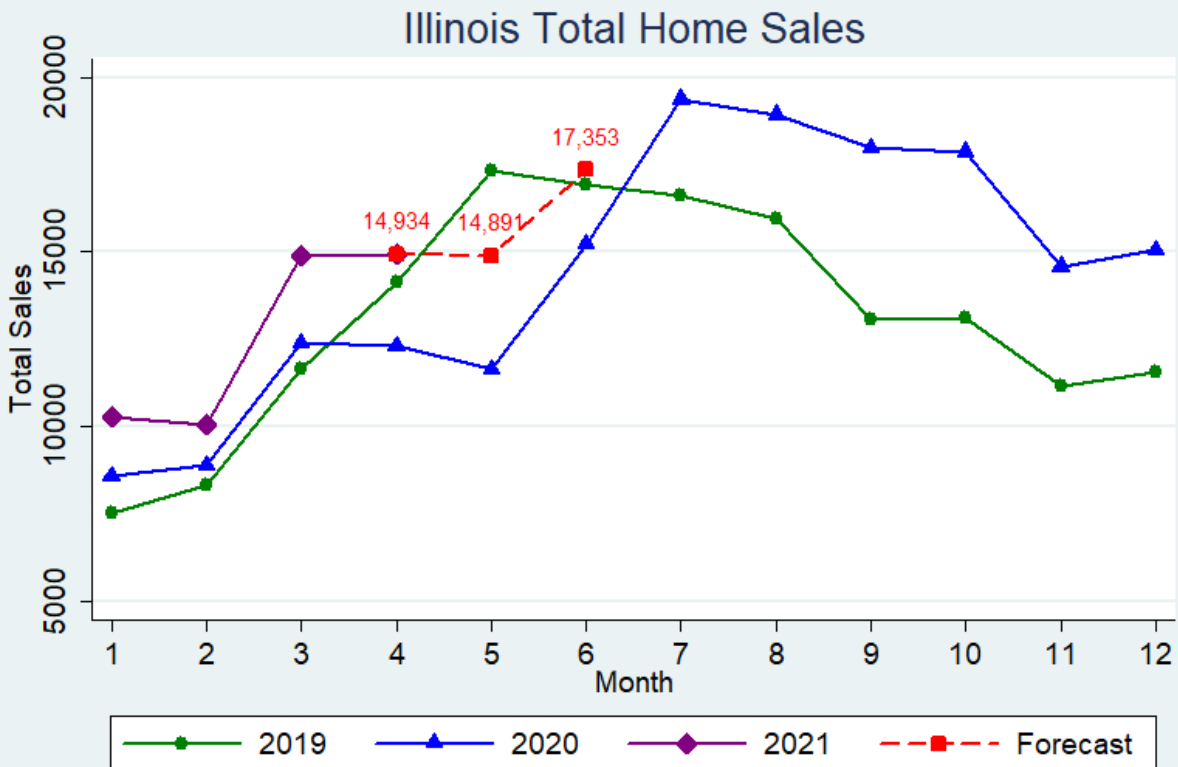
*Annual recovery rate is the average of *annual* change rates in past months

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

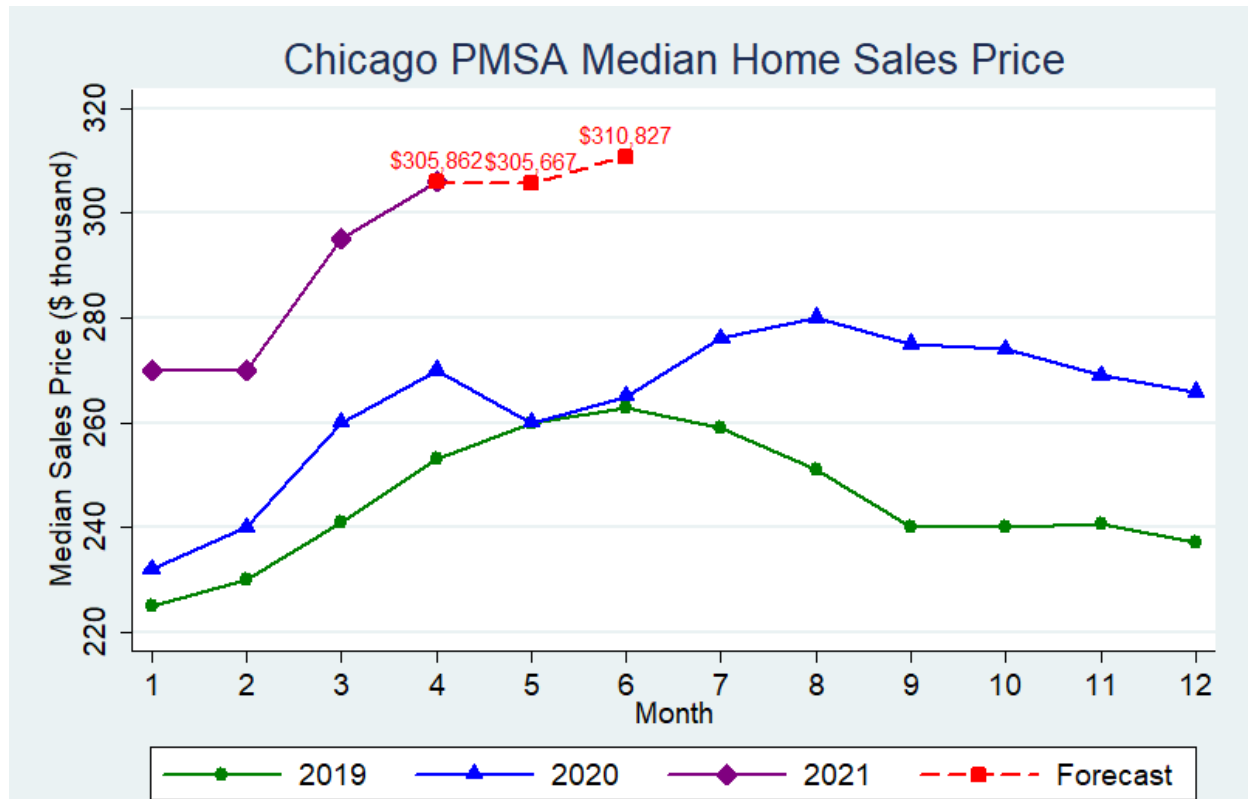
$Price_{\text{March2021}} * (1 + \text{recovery rate})^{\text{years}} = Price_{\text{March2008}}$. Prices used in the formula are inflation adjusted. The recovery rate is applied as a constant annual change rate to recoup the differences between the current month and its corresponding month in 2008.



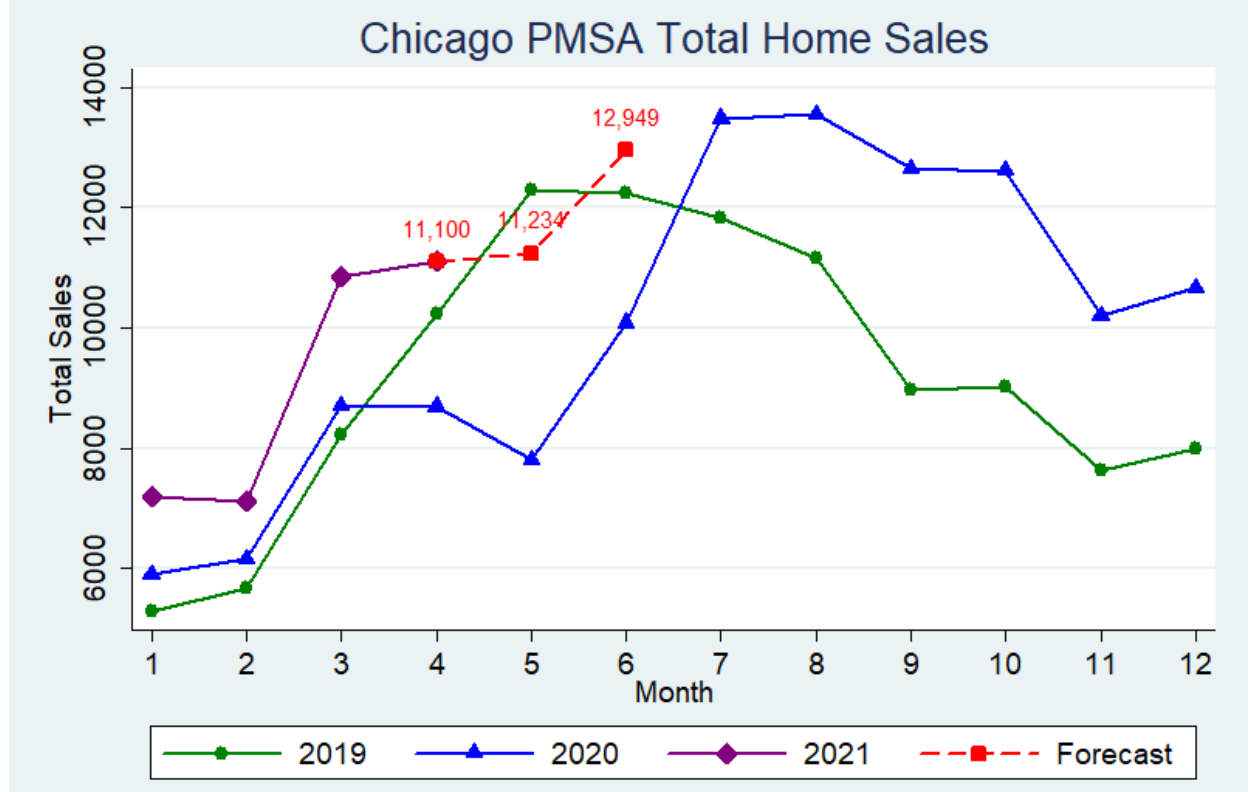
Source: University of Illinois REAL, Illinois REALTORS



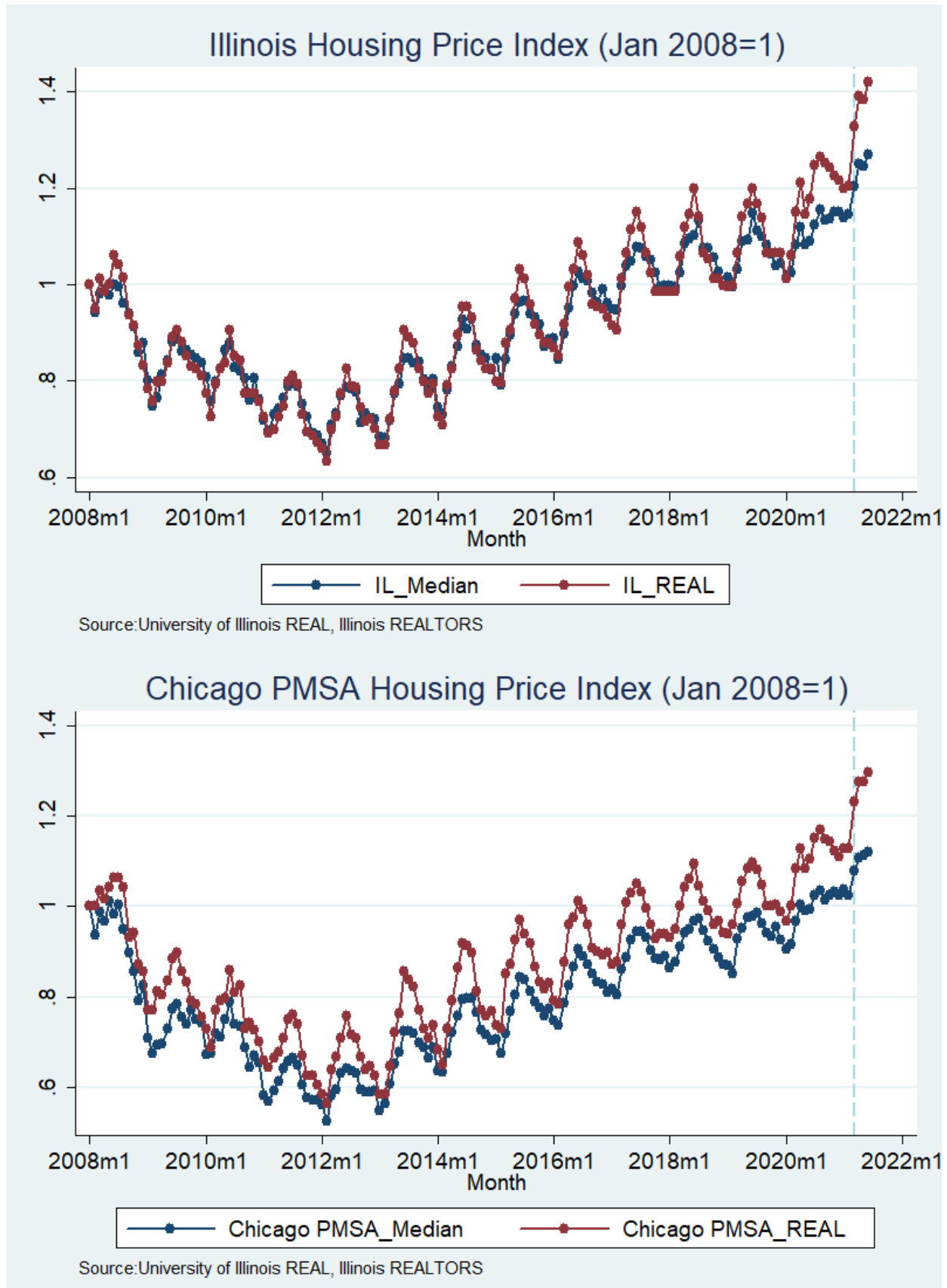
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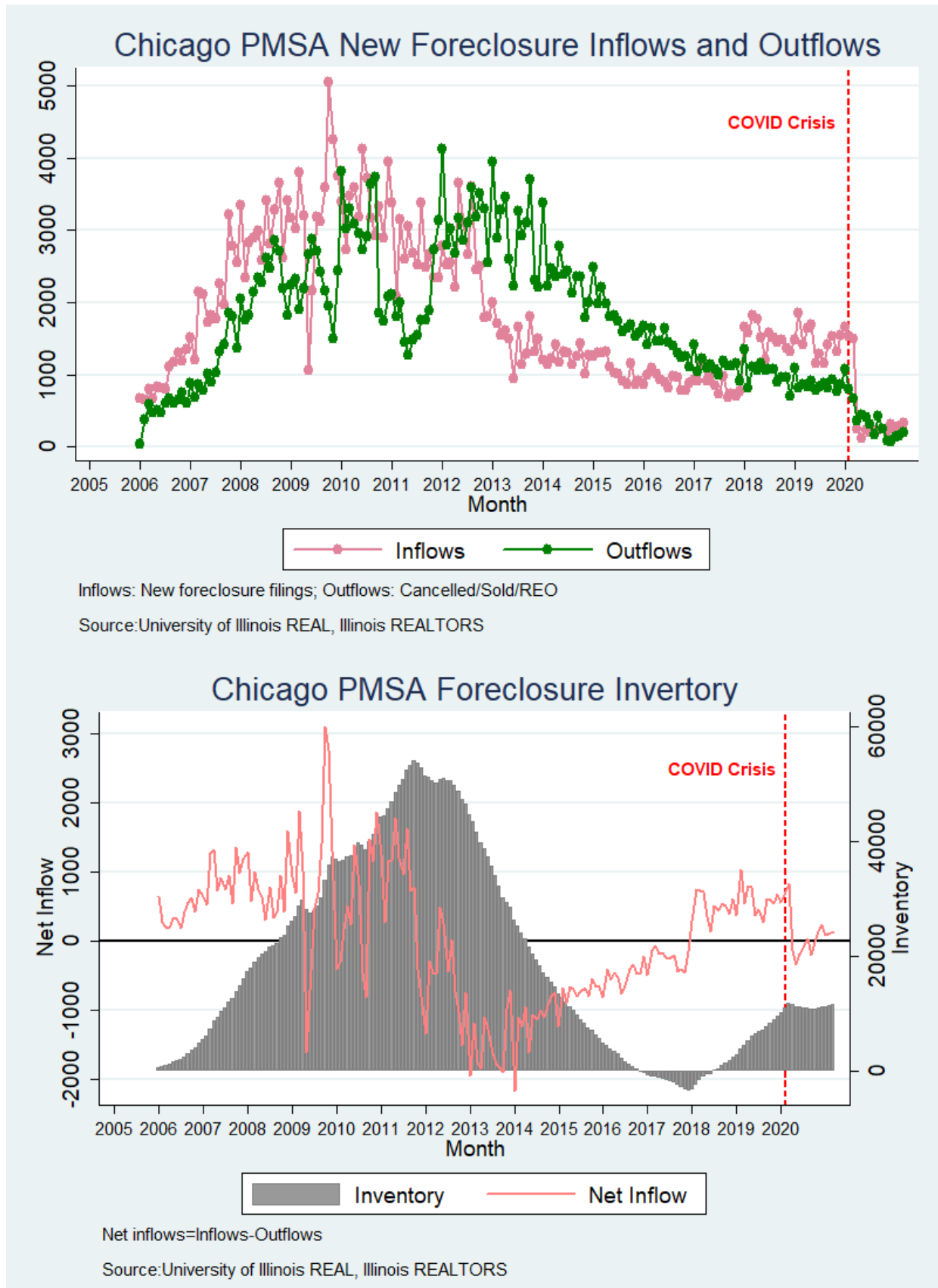


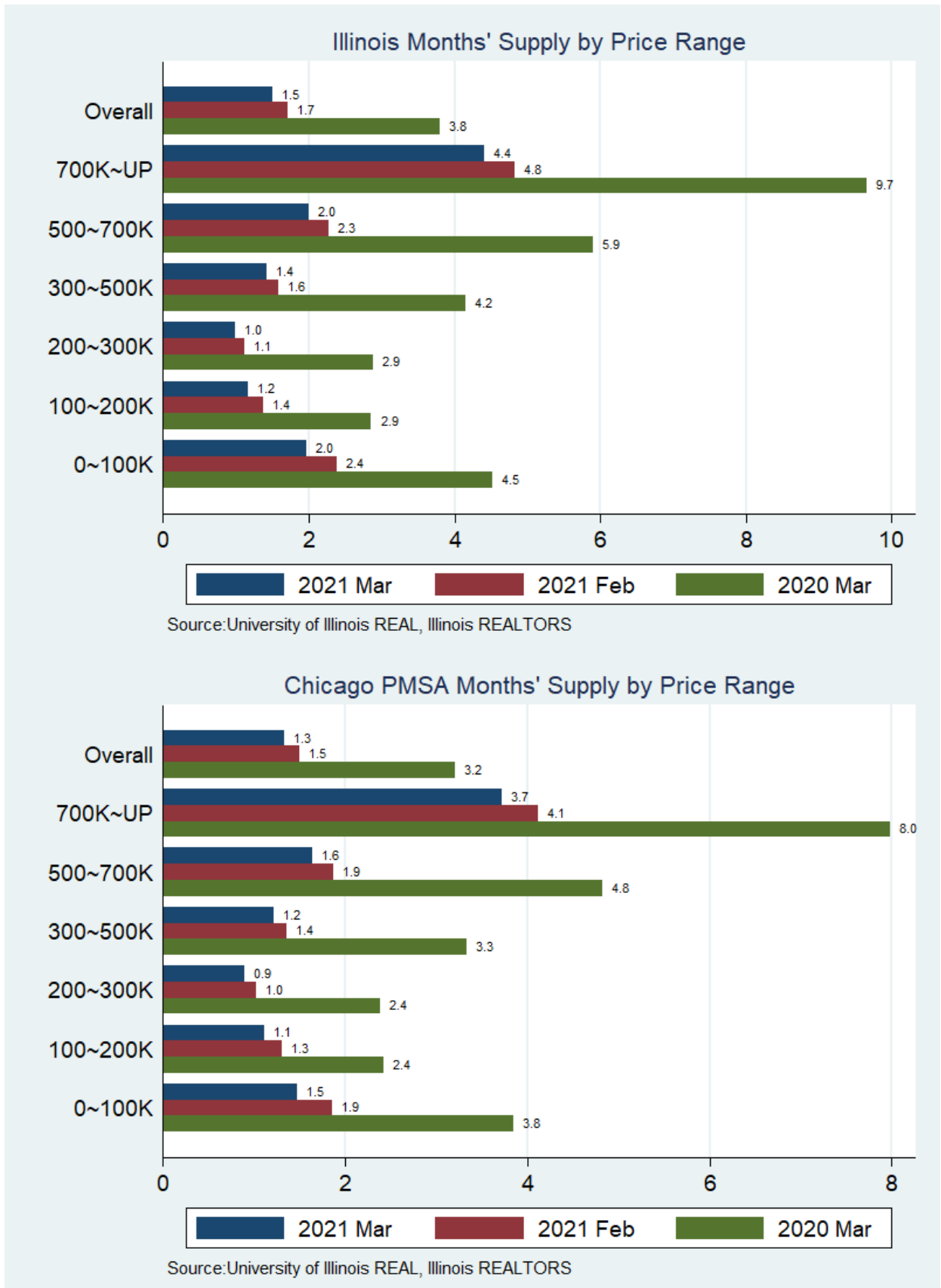
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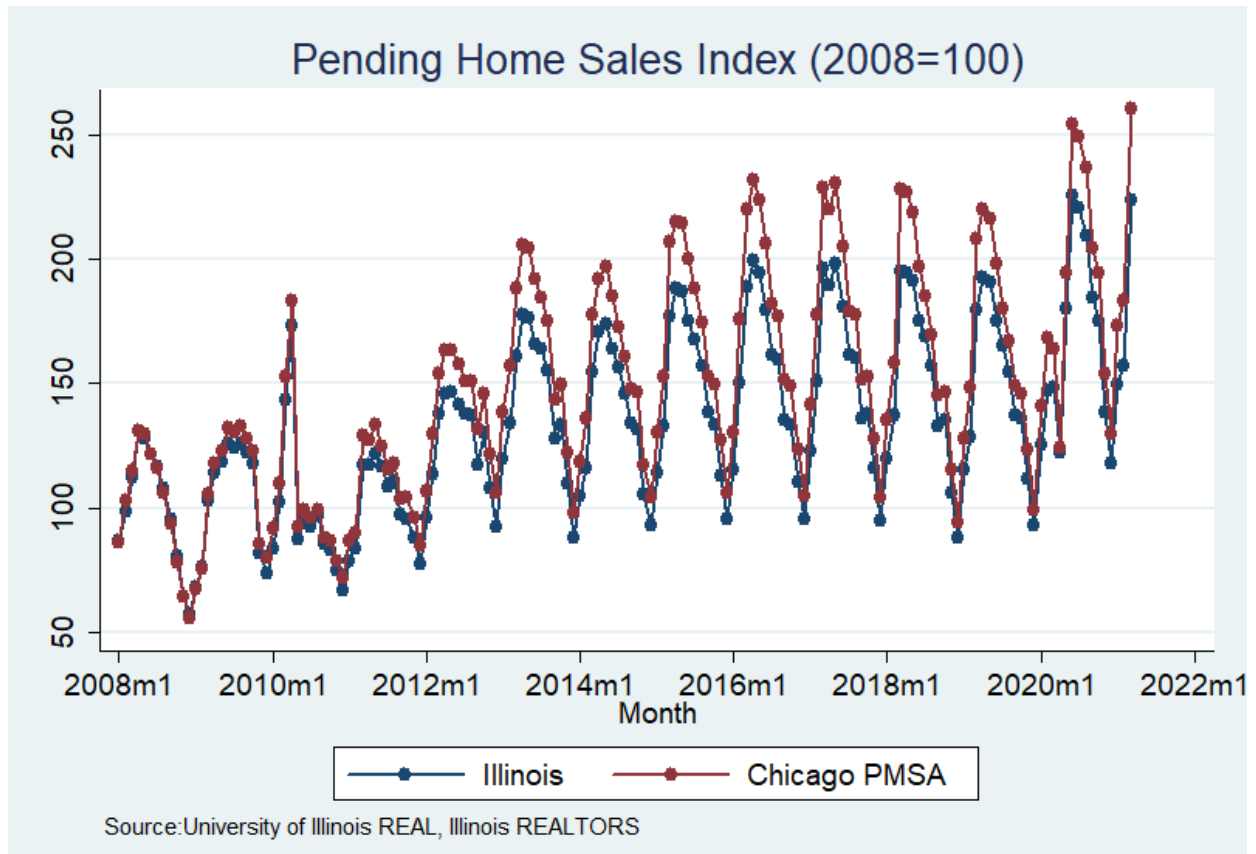


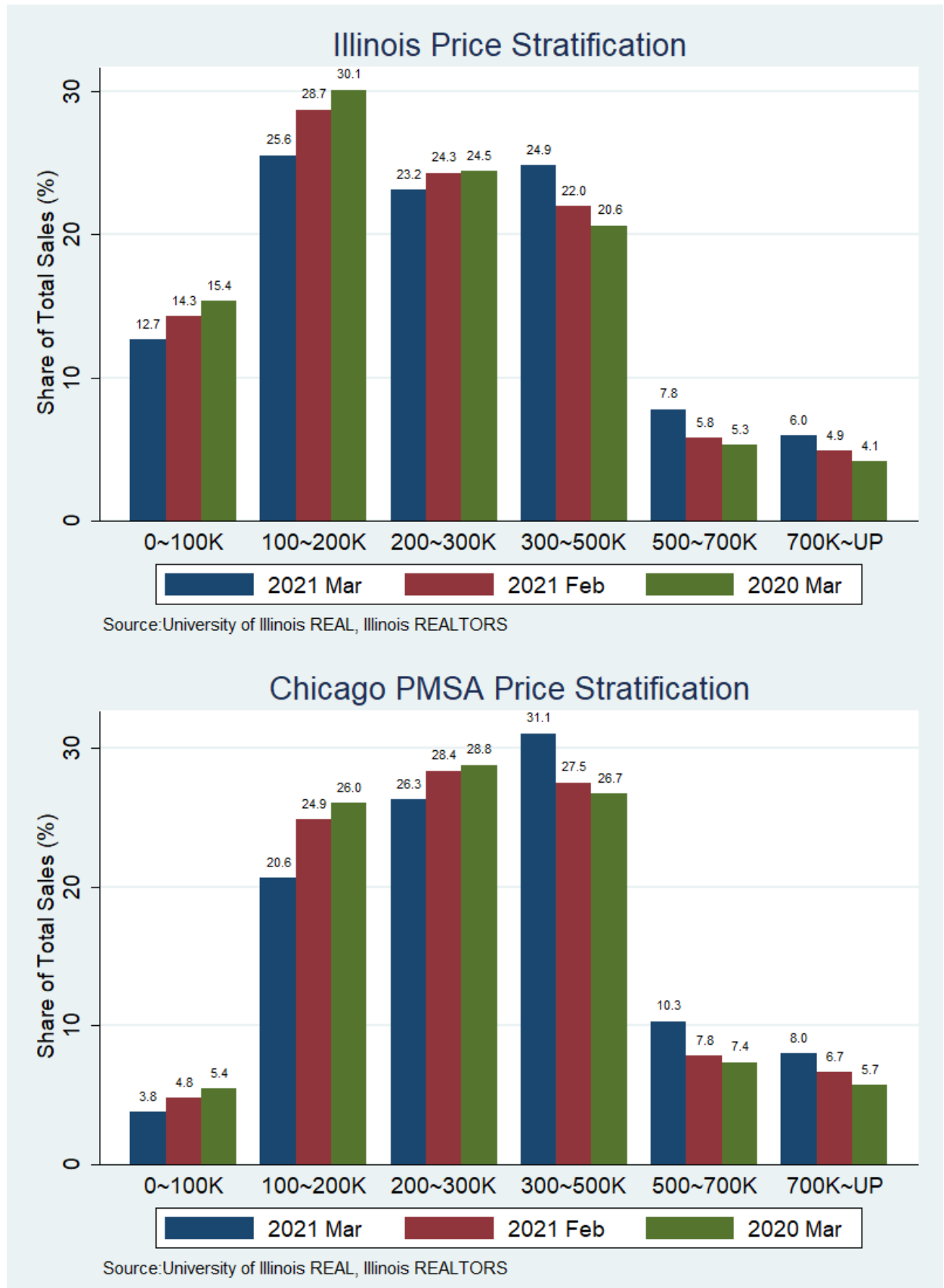
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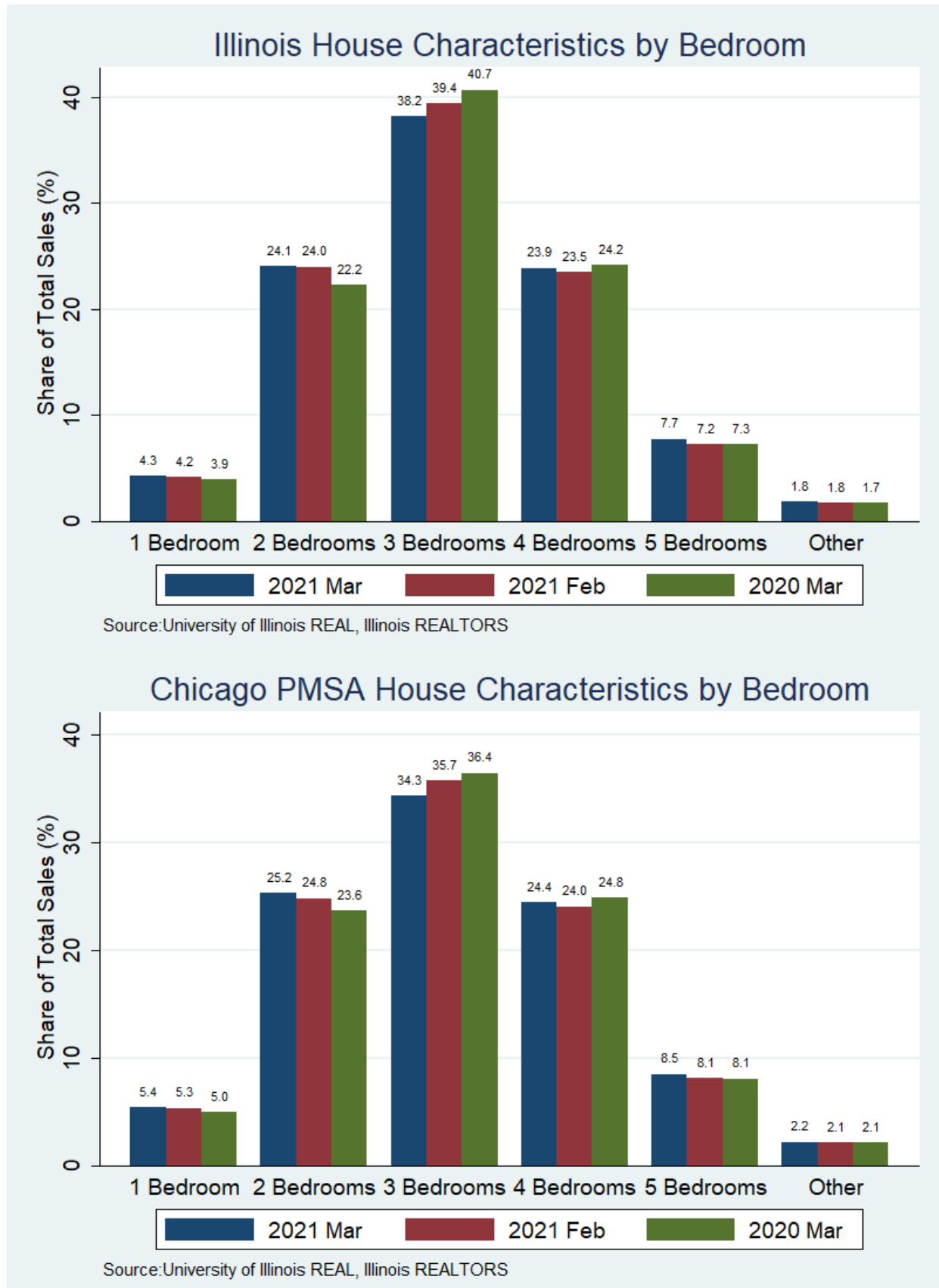


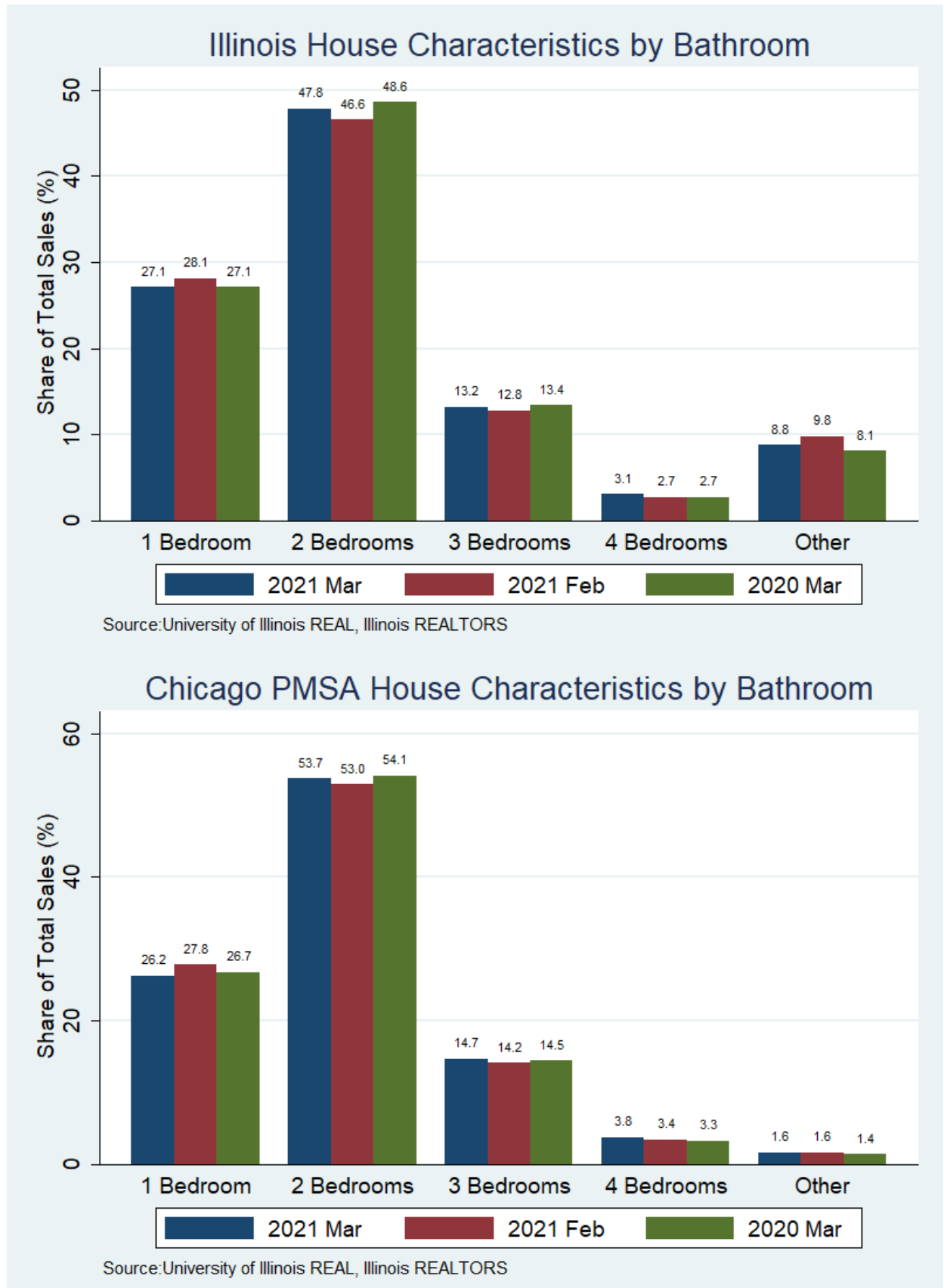










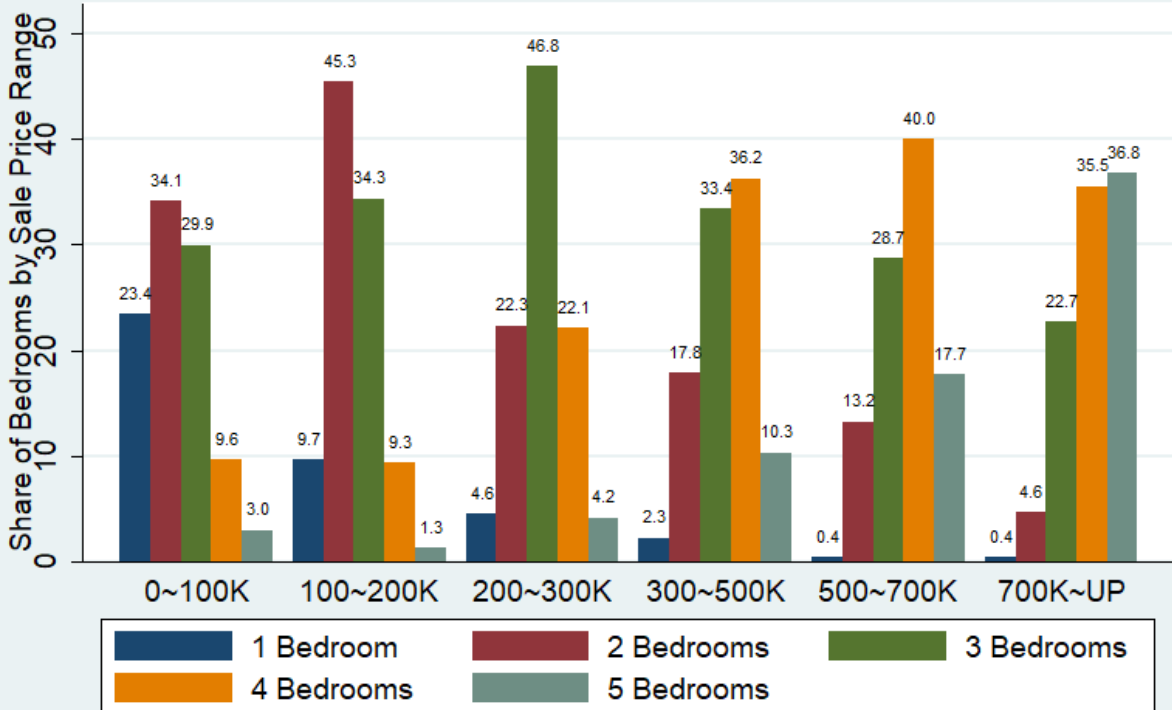


Illinois Bedroom Shares by Sale Price Stratification



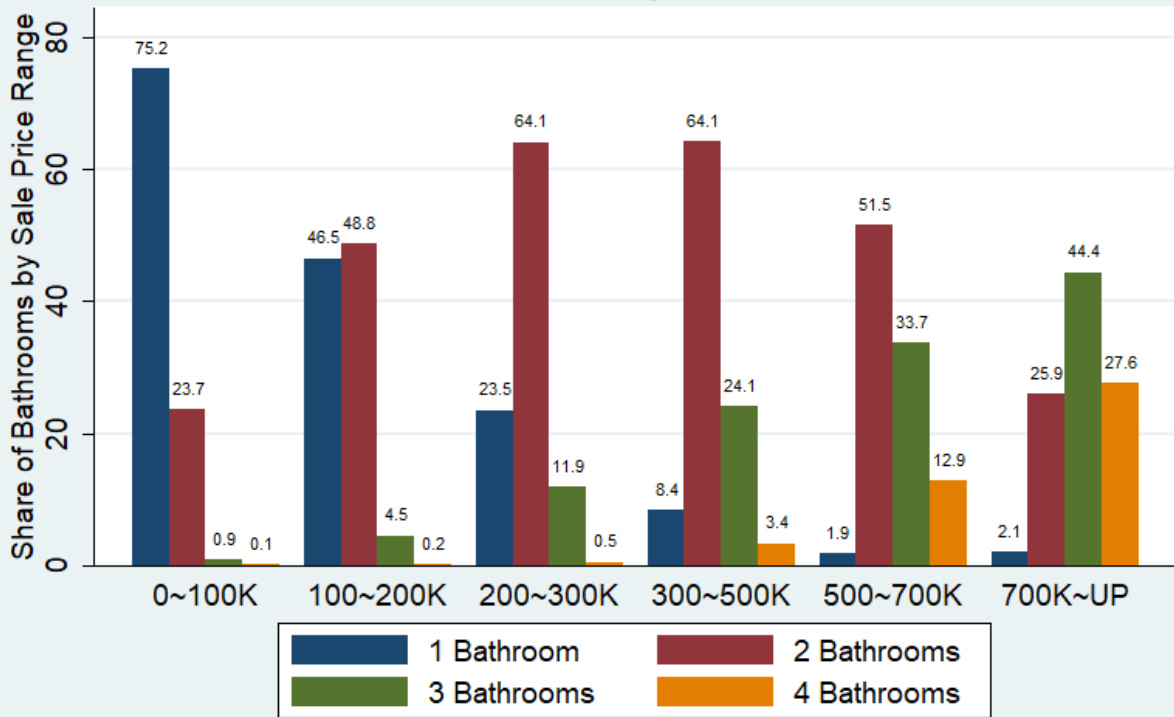
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Chicago PMSA Bedroom Shares by Sale Price Stratification



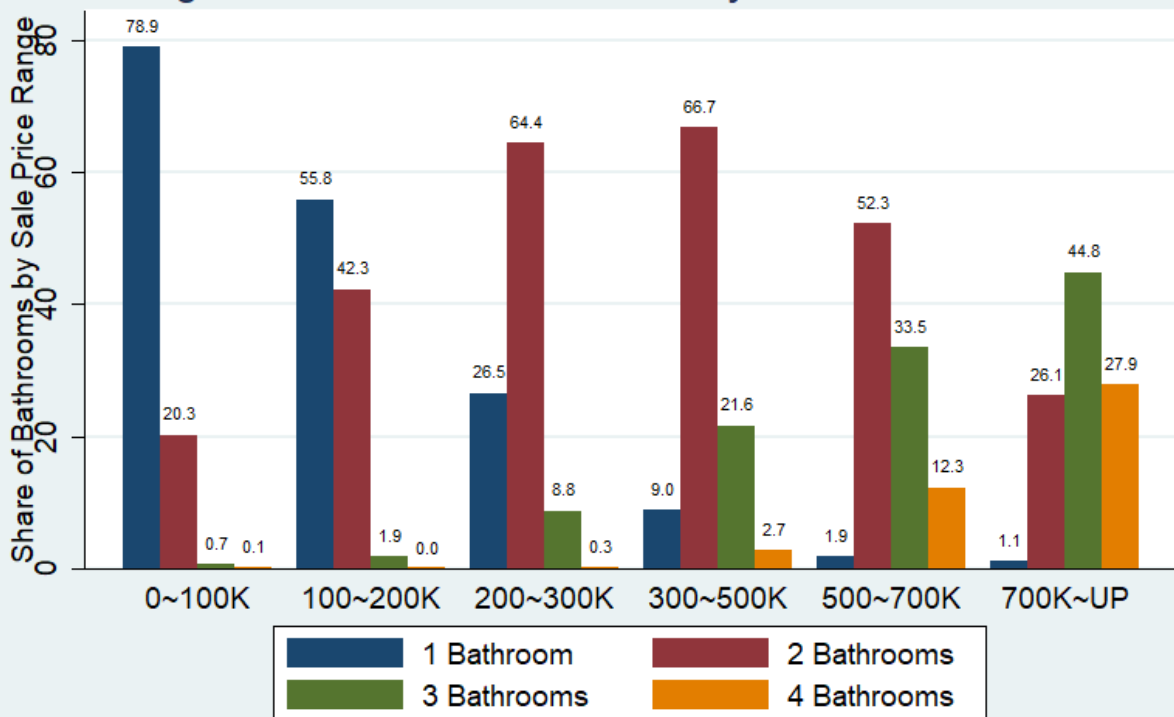
Source: University of Illinois REAL, Illinois REALTORS

Illinois Bathroom Shares by Sale Price Stratification



Source: University of Illinois REAL, Illinois REALTORS

Chicago PMSA Bathroom Shares by Sale Price Stratification



Source: University of Illinois REAL, Illinois REALTORS

