

Housing Price Forecasts, 2022

Illinois and Chicago MSA

Presented To

Illinois Association of Realtors

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Regional Economics Applications Laboratory,
Institute of Government and Public Affairs
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Introduction: The State of the Economy

In October 2021, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate declined to 4.6% and nonfarm payroll jobs experienced a gain of 531,000 jobs. Statewide, according to the Illinois Department of Employment Security (IDES), by September 2021 the Illinois unemployment fell to 6.8%. Non-farm payroll jobs rose by 9,300 over the month. The industry sectors that reported the largest payroll gains were: Leisure and Hospitality (+5,500), Trade, Transportation and Utilities (+3,700) and Construction (+2,500).

In October 2021, the Conference Board Consumer Confidence Index increased to 113.8 from 109.8 a month ago and the University of Michigan Consumer Sentiment Index decreased to 71.4 in October from 72.8 in September¹. The Conference Board Consumer Confidence Index survey revealed that consumer confidence improved in October as concerns about the spread of the Delta variant abated. The University of Michigan Consumer Sentiment Index survey noted that the Delta variant, supply chain shortages, and reduced labor force participation rates will continue to dim the pace of consumer spending into 2022. The more housing market specific index, Fannie Mae Home Purchase Sentiment Index (HPSI)², decreased 1 point to 75.5 in October. The survey noted that consumers once again reported mixed feelings about homebuying and home-selling conditions, as well as increased pessimism regarding the larger economy.

¹ The October index value is from the preliminary result from the October 2021 survey.

² This index uses information from their National Housing Survey collecting consumers' feeling and opinions on home purchasing, directions and conditions of the housing market, finance conditions and the job market.

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The Housing Market Conditions and Forecasts

Current Conditions

In the last twelve months, median prices maintained positive annual growth in each month while sales experienced a more mixed trend. The median sale prices in both Illinois and the Chicago PMSA generally experienced a lower than forecasted annual growth rate in the beginning and end of the year while the growth rate was higher than forecasted in midyear. Actual sales in both Illinois and the Chicago PMSA experienced similar or higher annual growth rates than forecasted.³

Median prices in 2021 showed high growth in both Illinois and the Chicago PMSA in the second year of pandemic. In Illinois, annual growth rates for each month varied between 5.38% and 22.73%. The comparative range for the Chicago PMSA was between 5.45% and 20.0% (See Figures: Illinois Median Home Sales Price Annual Percentage Change & Chicago Median Home Sales Price Annual Percentage Change).

Sales in 2021 in both Illinois and the Chicago PMSA experienced periods of irregular growth: positive growth rates until midyear but negative later on. The sales growth rates were between -11.01% and 54.75% for Illinois and between -11.61% and 66.64% for the Chicago PMSA. During the last few months, both regions experienced negative annual growth rates in sales (See Figures: Illinois Total Sales Annual Percentage Change & Chicago PMSA Total Sales Annual Percentage Change).

The sales change in the Chicago PMSA was characterized by overall positive growth in regular sales and negative growth in foreclosed sales. For regular sales, annual growth rates were between -10.2% and 75.8%. The comparable figures for foreclosed sales were between -51.1% and -34%. Moreover, the percentage of foreclosed sales out of total sales continued to decrease to a monthly average of 3.1% in 2021, about one fourth lower than the monthly average of 14% between 2010 and 2020 (See Figures: Chicago PMSA Annual Change Rates for Sales Foreclosed vs. Regular sales & Ratio of Foreclosed Sales over Total Sales).

³ This is to compare the real growth rates in 2021 with the forecasted growth rates in 2020 for 2021, using ANOVA analysis. The significance level of 5% is used. See figures: 2021 Real vs Forecast Annual Sales/Median Prices Change Rates

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Forecasts and Future Condition

Median prices are forecasted to grow continuously in 2022 within a lower and narrower range compared with 2021. On a year-to-year basis, these gains will range from 2.0% to 7.9% for Illinois and 1.4% to 7.7% for the Chicago PMSA (See Figures: Illinois Median Home Sales Price Annual Percentage Change & Chicago Median Home Sales Price Annual Percentage Change). By December 2022, the median price of homes is forecasted to be \$261,561 in Illinois and \$306,134 in Chicago PMSA, respectively 7.9% and 7.6% higher on an annual basis (See Table: Annual Median Prices Forecast [Nov 2021 to Dec 2022]). As a complement to the median housing price index (HPI), the REAL HPI⁴ forecasts indicate a positive growth trend for both Illinois and the Chicago PMSA in the months ahead (see Figures: Illinois Housing Price Index & Chicago PMSA Housing Price Index). The REAL HPI (Jan 2008=1) is forecasted to experience a growth rate between 5.5% and 11.2% for Illinois and 6.4% to 10.7% for the Chicago PMSA. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

Sales are forecasted to experience overall negative gains in 2022 for both Illinois and the Chicago area. The annual growth in monthly sales is forecasted to range from -4.1% to 11.5% for Illinois, with negative gains for most months. The comparative range for the Chicago PMSA is from -11.0% to -5.0%, with negative gains for all months. (See Table: Annual Sales Forecast [Nov 2021 to Dec 2022]). When we exclude foreclosed sales from all sales, we obtain the forecasts for the regular sales, which indicate a growth range of -6.8 to 9.6% for the Chicago PMSA (See Table: Annual Forecasts for Regular Property Sales in Chicago PMSA [Nov 2021 to Dec 2022]).

According to Fannie Mae’s latest set of predictions for 2022, home price growth is forecasted to be slower than in 2021, but still be strong by historical standards. The year-over-year total home sale is forecasted to decline by 3.4 % in 2022. The change is primarily driven by a decline in existing housing unit sales. The number of new single-family housing units is forecasted to decline by 3.8% by the end of 2021 but is expected to increase by 13% next year. Meanwhile, existing housing units are forecasted to grow by 6%, similar to the last year’s growth of 5.6%, but are expected to decline by 5.6% in 2022. The research team also forecasts mortgage rates to rise from 3.1% to 3.4%, though the downward pressure on prices from rising rates will not be enough to pull

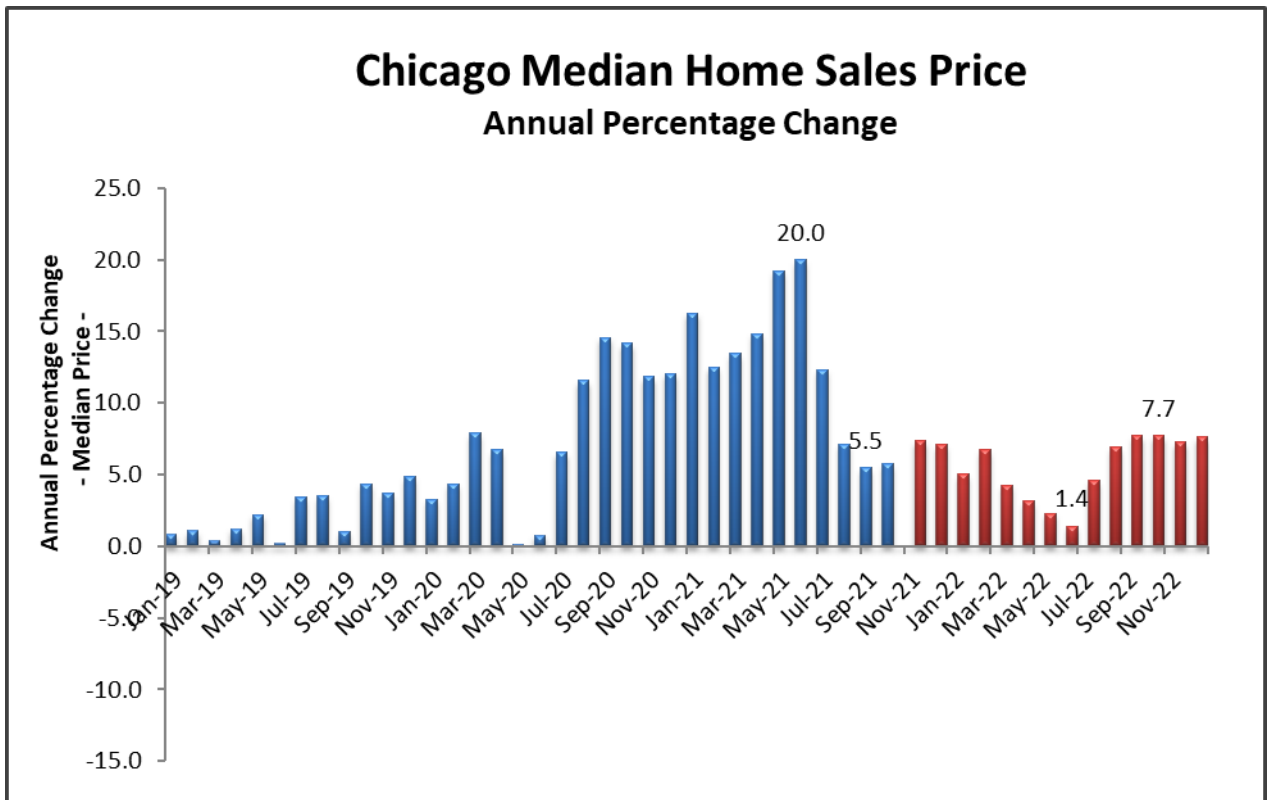
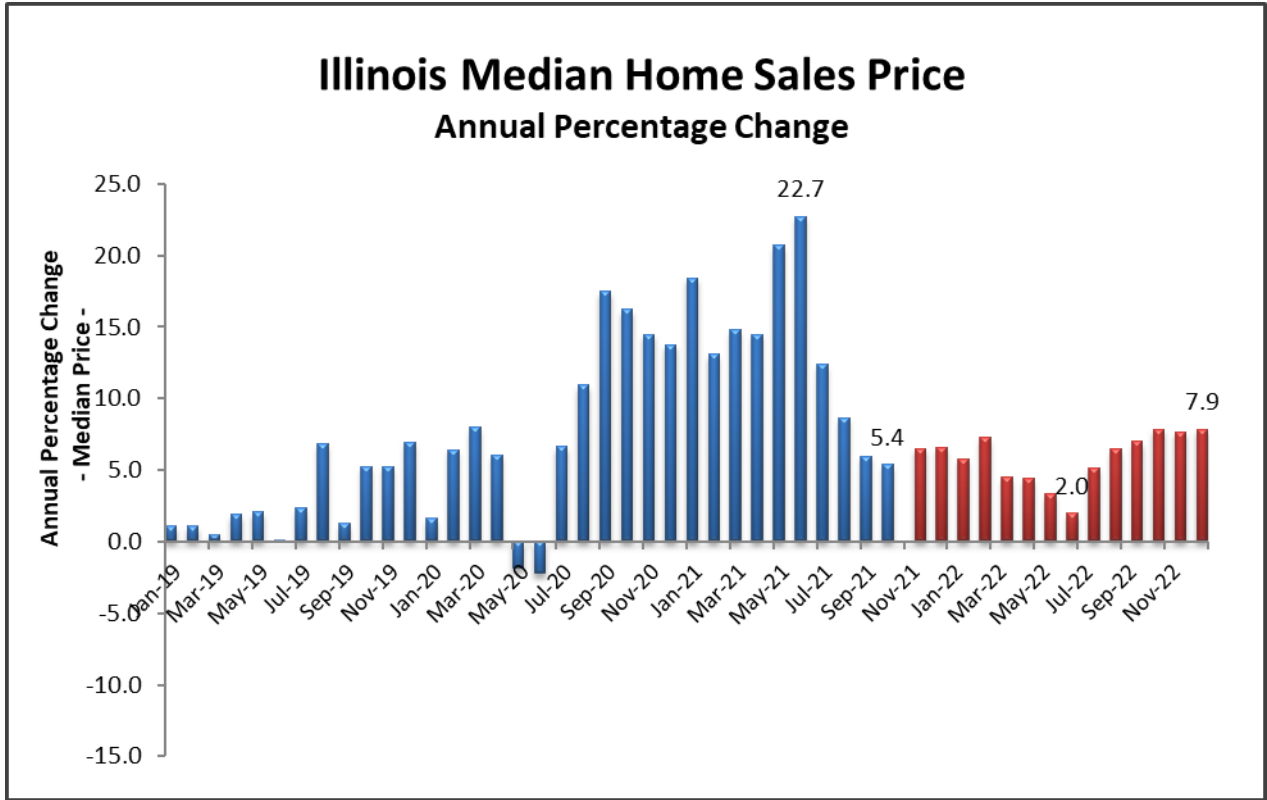
⁴ REAL HPI was developed by Esteban Lopez and Minshu Du. Contact us for further details.

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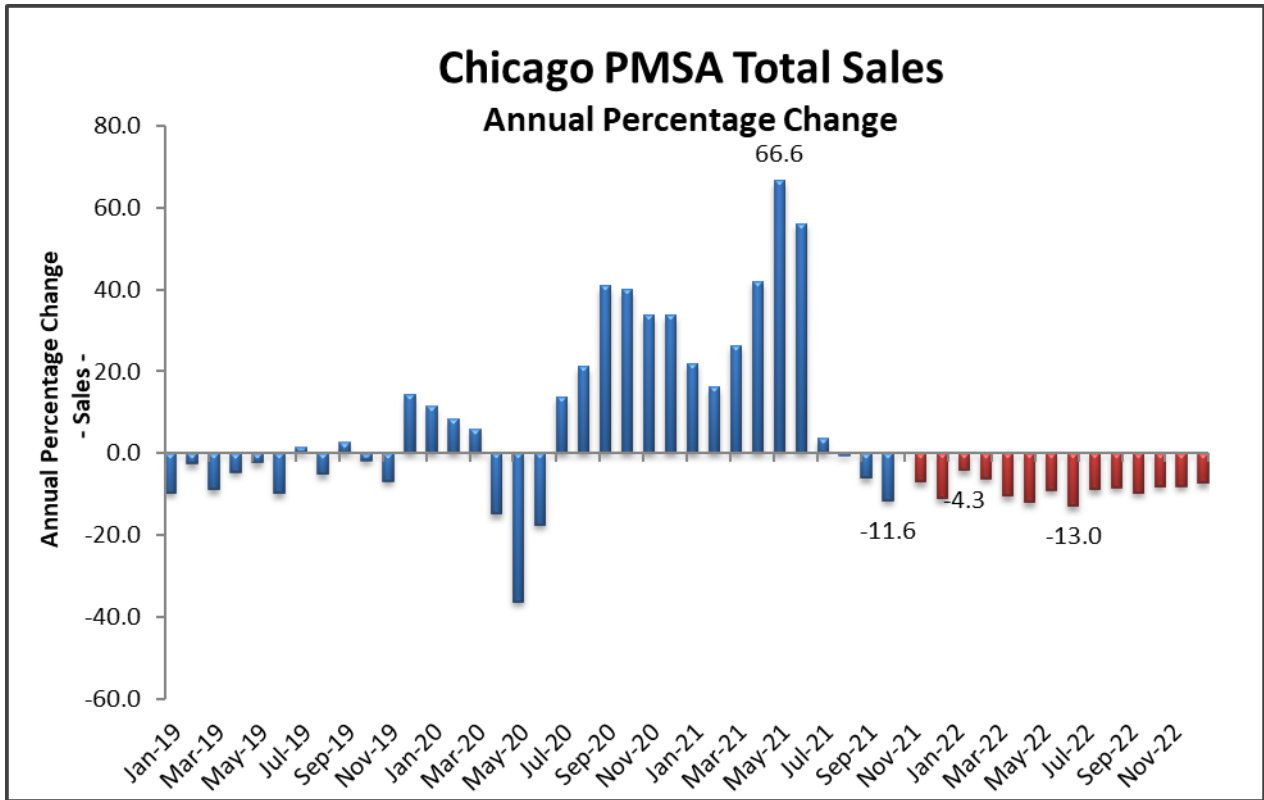
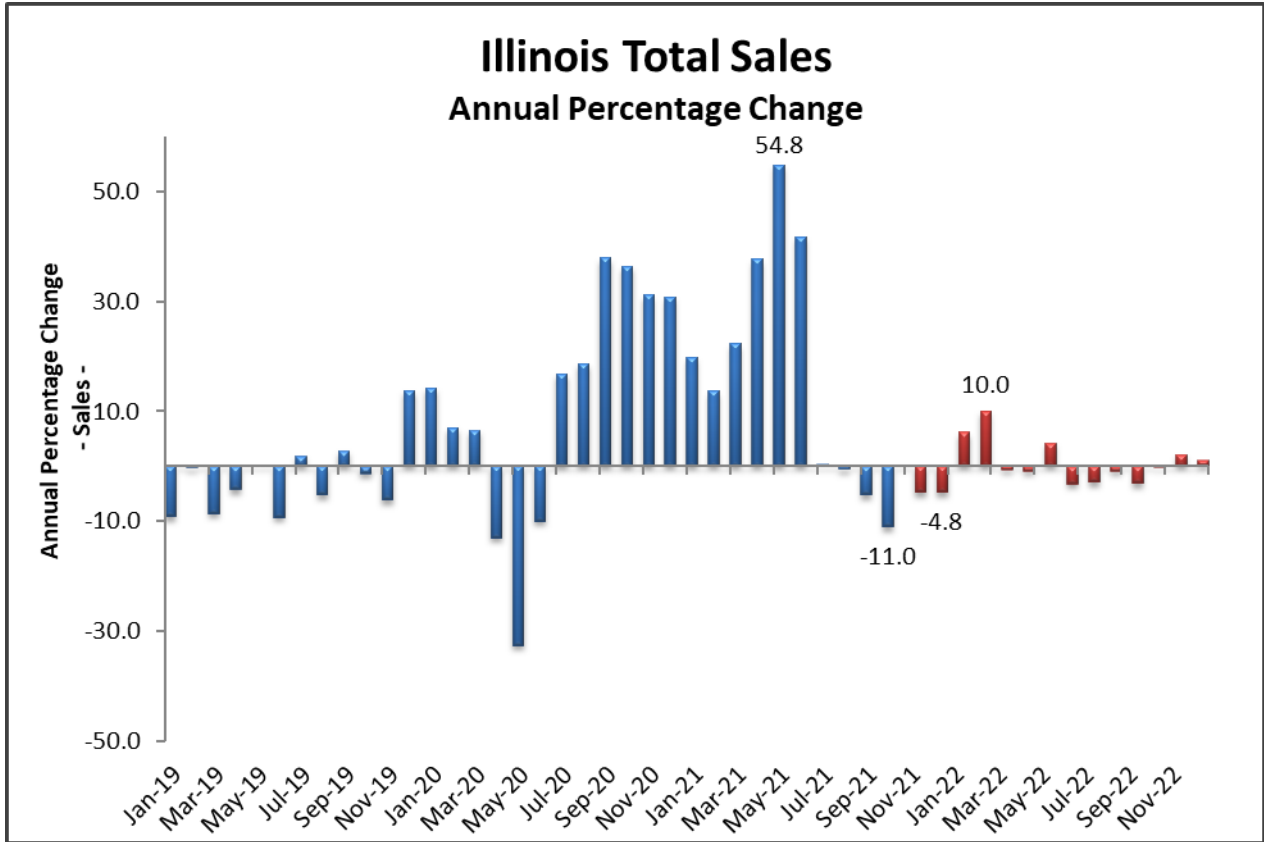
prices down. The research team expects the severe shortage of homes for sale to remain the primary driver of strong house price appreciation through at least 2022.

“The market is sending mixed signals, with positive growth expected in prices but considerable variance in sales” noted Daniel McMillen, Head of the UIC Stuart Handler Department of Real Estate. “Affordability, limited inventory, and possibly declines in consumer confidence dampen demand while low interest rates continue to make ownership attractive. The net effect of these forces is reflected in a market that is difficult to forecast.”

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Annual Sales Forecast (Nov 2021 to Dec 2022)

Percentage Change Forecasts for the Total Number of Sales								
(Illinois and Chicago PMSA: Forecast range)								
	Monthly				Annually			
	Illinois		Chicago		Illinois		Chicago	
Nov-21	-10.79%	-14.60%	-12.71%	-17.20%	-4.08%	-5.52%	-6.00%	-8.11%
Dec-21	2.73%	3.69%	-0.13%	-0.18%	-4.10%	-5.54%	-9.55%	-12.92%
Jan-22	-20.30%	-27.47%	-23.25%	-31.46%	5.24%	7.09%	-3.67%	-4.96%
Feb-22	1.36%	1.84%	-2.27%	-3.07%	8.50%	11.50%	-5.34%	-7.23%
Mar-22	30.20%	40.86%	39.97%	54.08%	-0.57%	-0.78%	-8.91%	-12.06%
Apr-22	9.81%	13.28%	8.70%	11.77%	-0.76%	-1.03%	-10.33%	-13.98%
May-22	10.16%	13.74%	7.74%	10.47%	3.58%	4.85%	-7.69%	-10.41%
Jun-22	9.50%	12.85%	13.32%	18.02%	-2.75%	-3.72%	-11.03%	-14.92%
Jul-22	-8.09%	-10.94%	-6.06%	-8.20%	-2.48%	-3.35%	-7.62%	-10.32%
Aug-22	-1.14%	-1.54%	-2.66%	-3.60%	-0.81%	-1.09%	-7.16%	-9.68%
Sep-22	-9.66%	-13.08%	-11.18%	-15.12%	-2.70%	-3.65%	-8.33%	-11.27%
Oct-22	-3.07%	-4.15%	-3.72%	-5.04%	-0.01%	-0.01%	-7.02%	-9.50%
Nov-22	-9.18%	-12.42%	-12.65%	-17.11%	1.84%	2.49%	-6.95%	-9.40%
Dec-22	1.79%	2.42%	0.54%	0.73%	0.91%	1.23%	-6.33%	-8.56%

Negative variations are in red.

Annual Median Prices Forecast (Nov 2021 to Dec 2022)

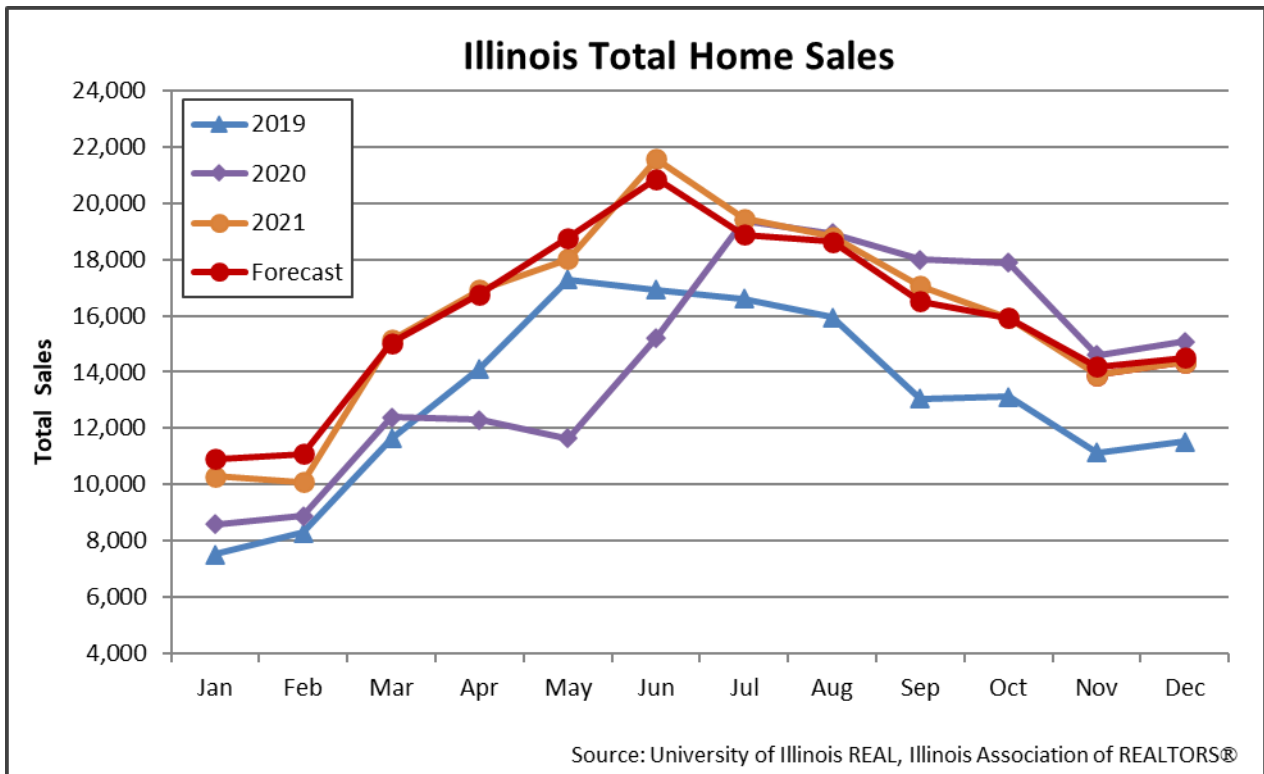
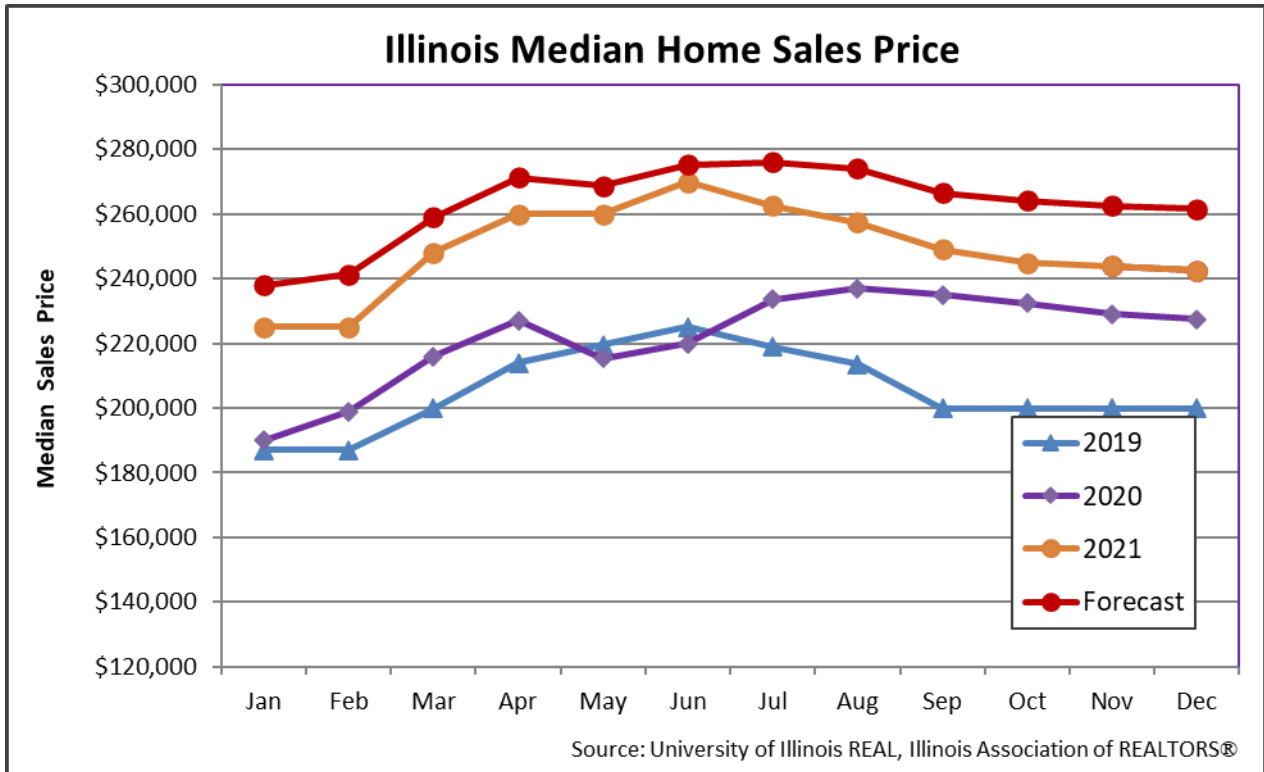
Summary of the Forecast for the Median Price					
(Illinois and Chicago PMSA)					
	Illinois	Chicago		Illinois	Chicago
Nov-21	\$243,900	\$288,751	Nov-20	\$229,000	\$269,000
Dec-21	\$242,518	\$284,398	Dec-20	\$227,500	\$265,585
Jan-22	\$237,987	\$283,524	Jan-21	\$225,000	\$270,000
Feb-22	\$241,325	\$288,114	Feb-21	\$225,000	\$270,000
Mar-22	\$259,086	\$307,590	Mar-21	\$248,000	\$295,000
Apr-22	\$271,285	\$319,791	Apr-21	\$259,900	\$310,000
May-22	\$268,663	\$317,161	May-21	\$260,000	\$310,000
Jun-22	\$275,307	\$322,478	Jun-21	\$270,000	\$318,000
Jul-22	\$276,091	\$324,137	Jul-21	\$262,500	\$310,000
Aug-22	\$274,099	\$320,695	Aug-21	\$257,500	\$300,000
Sep-22	\$266,467	\$312,317	Sep-21	\$249,000	\$290,000
Oct-22	\$264,230	\$312,138	Oct-21	\$245,000	\$289,745
Nov-22	\$262,571	\$309,702			
Dec-22	\$261,561	\$306,134			

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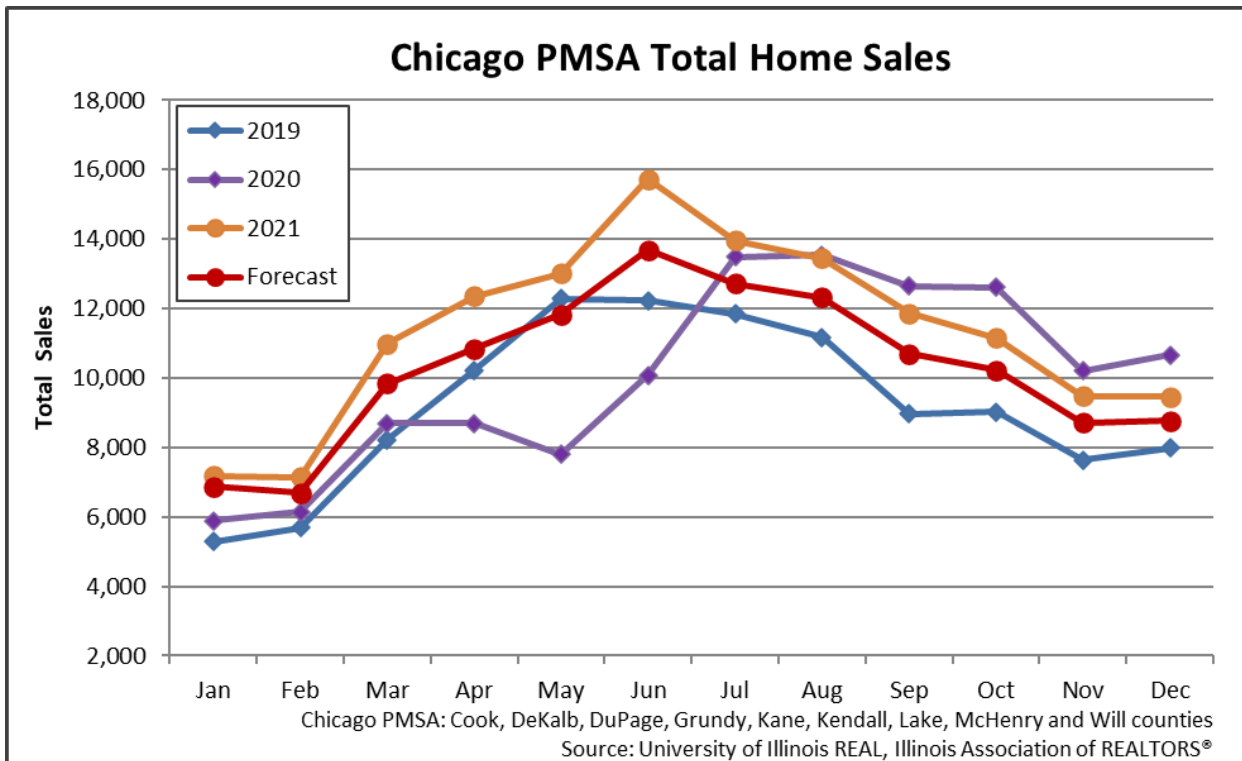
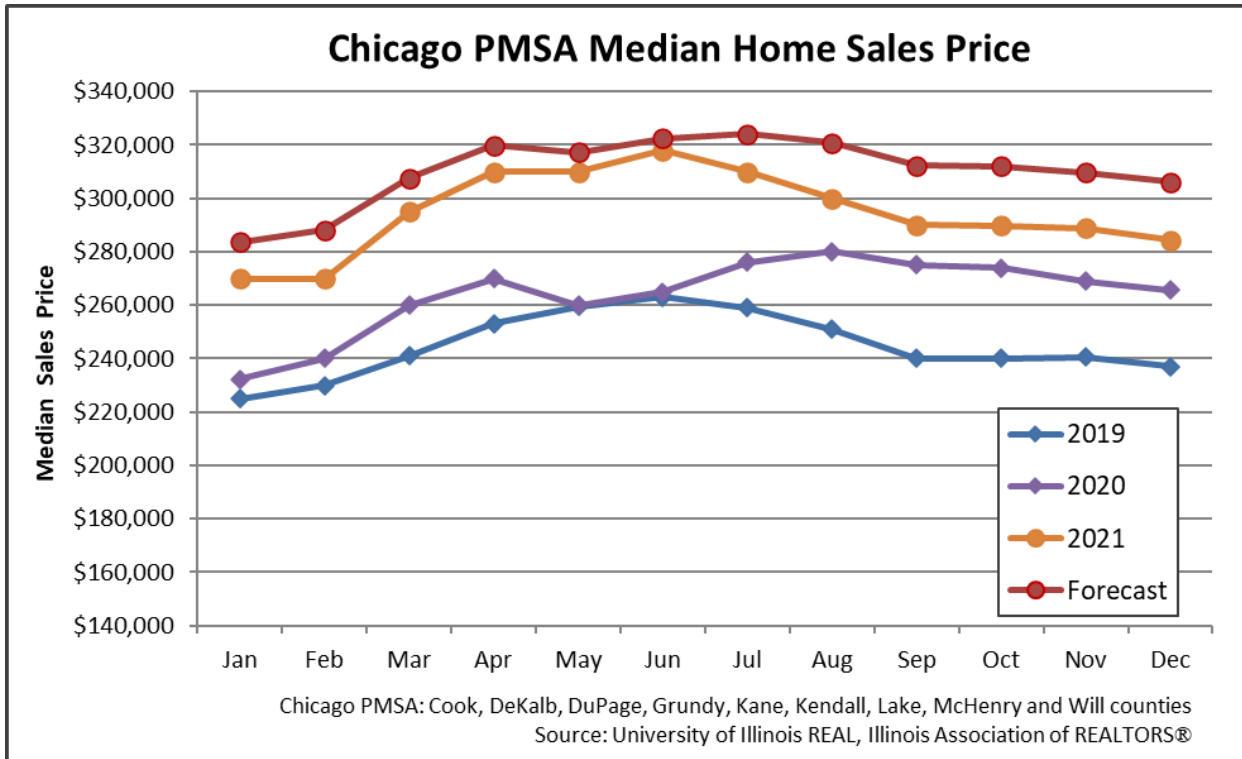
Annual Forecasts for Regular Property Sales in Chicago PMSA (Nov 2021 to Dec 2022)

Summary of the Forecasts for <i>Regular Property Sales</i>					
(Chicago PMSA)					
	Sales			Median Prices	
	Forecasted Sales	Annually		Forecasted Price	Annually
Nov-21	9,508	-1.66%	-2.24%	\$287,644	6.09%
Dec-21	9,562	-4.61%	-6.23%	\$286,010	6.32%
Jan-22	7,384	7.07%	9.56%	\$285,747	3.91%
Feb-22	7,275	6.31%	8.54%	\$287,678	5.18%
Mar-22	10,153	-3.07%	-4.16%	\$308,276	2.76%
Apr-22	11,190	-5.16%	-6.98%	\$318,717	1.81%
May-22	12,229	-2.30%	-3.11%	\$318,645	1.16%
Jun-22	14,012	-6.83%	-9.24%	\$325,009	1.57%
Jul-22	13,186	-1.95%	-2.64%	\$322,413	3.67%
Aug-22	12,885	-0.76%	-1.03%	\$318,618	4.46%
Sep-22	11,402	-0.23%	-0.31%	\$308,706	4.67%
Oct-22	11,004	1.83%	2.48%	\$304,453	4.98%
Nov-22	9,781	2.44%	3.31%	\$301,422	4.79%
Dec-22	9,871	2.75%	3.72%	\$300,094	4.92%

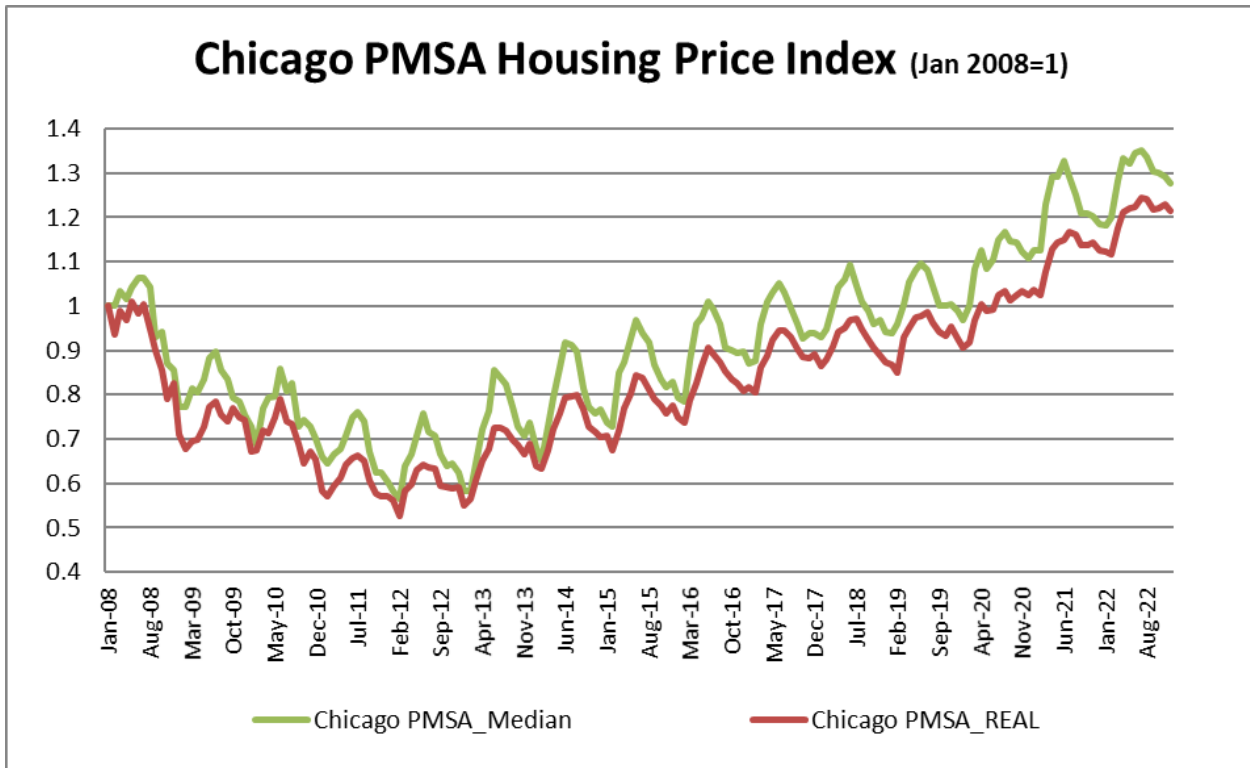
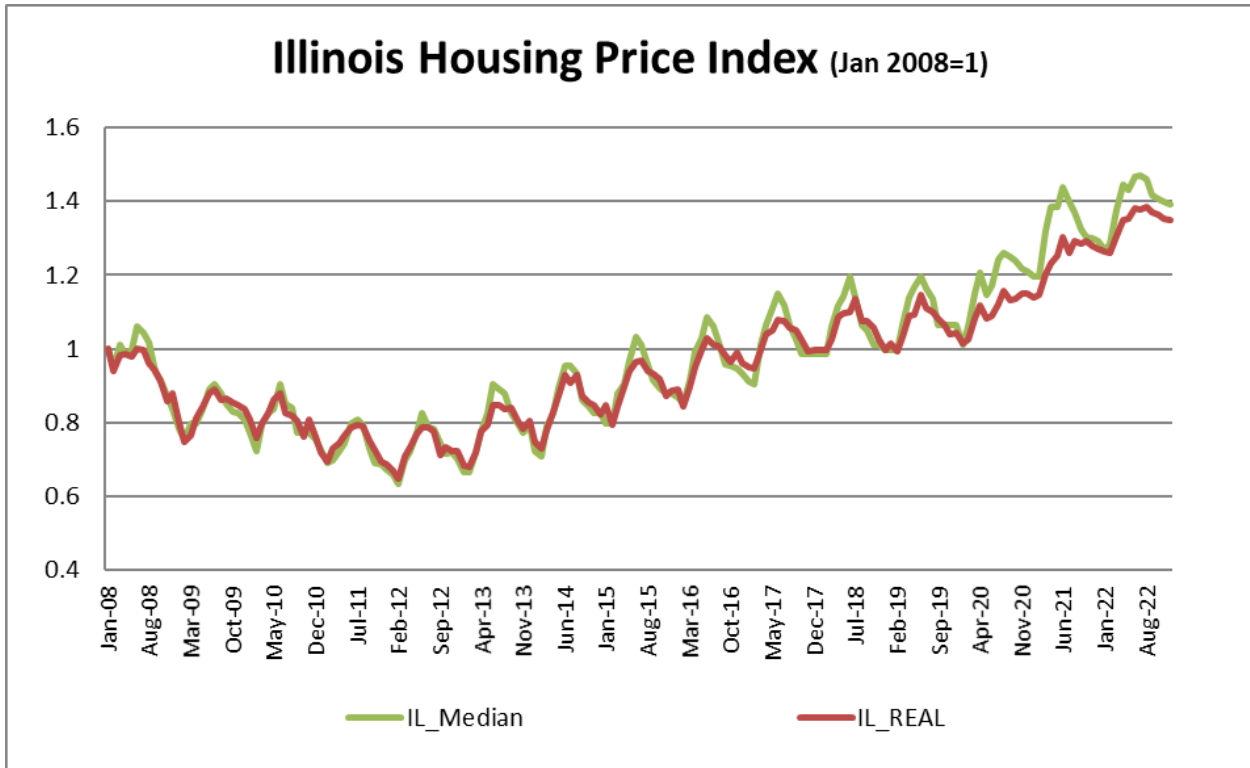
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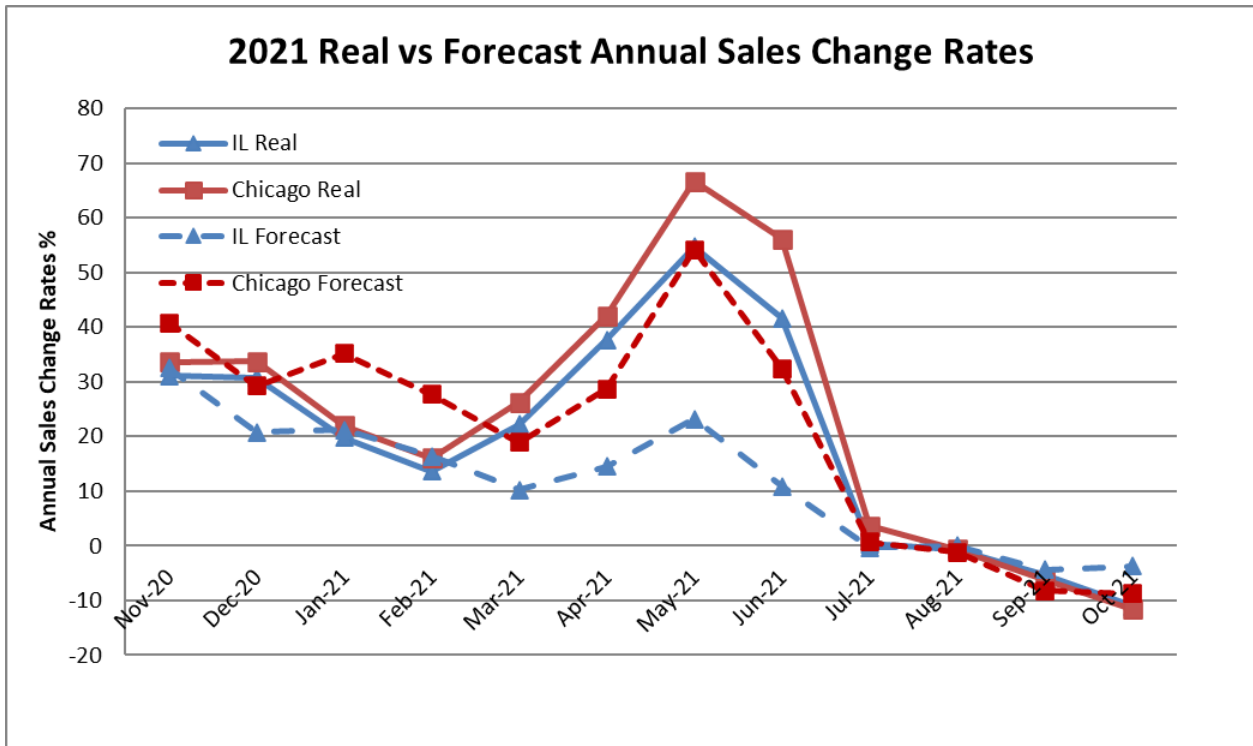
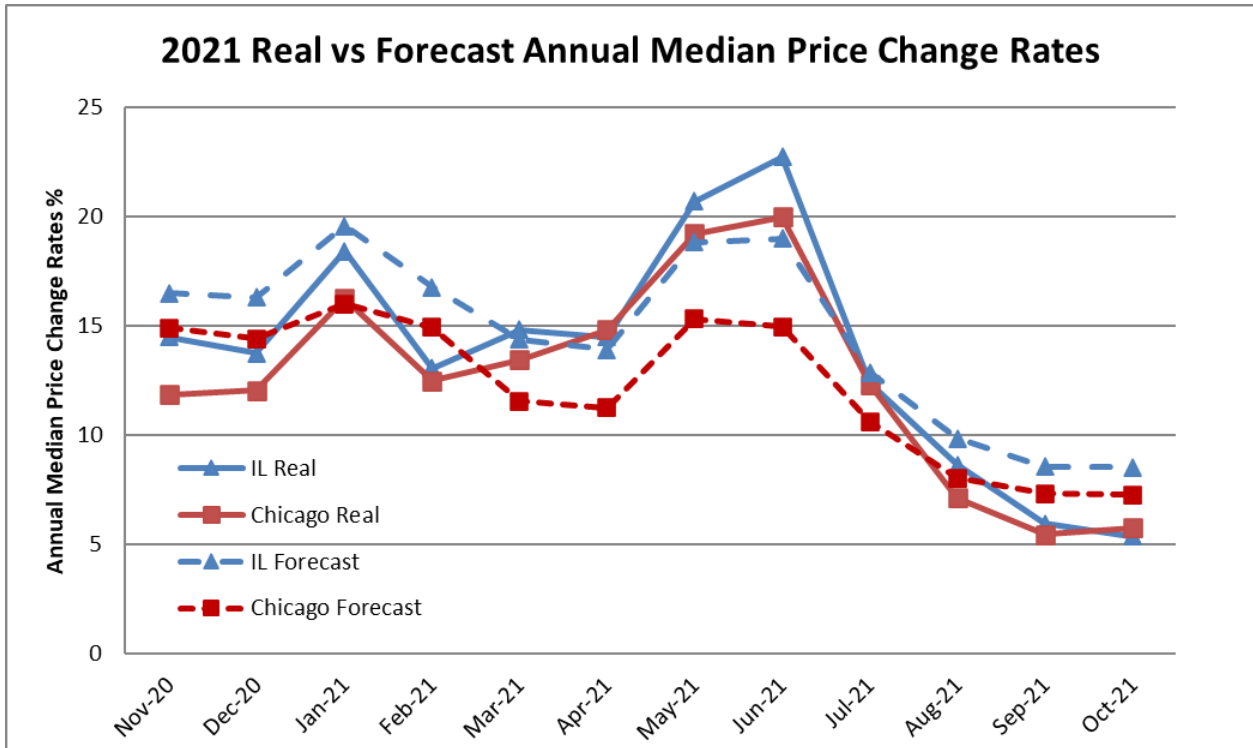
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