

# **Housing Price Forecasts, 2023**

## **Illinois and Chicago MSA**

Presented To

### **Illinois Association of Realtors**

From

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College of Business Administration  
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## Housing Price Forecasts, 2022

### Introduction: The State of the Economy

In October 2022, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate rose to 3.7%, and non-farm payroll jobs experienced a gain of 261,000 jobs. Statewide, according to the Illinois Department of Employment Security (IDES), the Illinois unemployment rate increased to 4.6% in October 2022. Non-farm payroll jobs rose by 3,600 over the month. The industry sectors that reported the largest payroll gains were: Trade, Transportation and Utilities (+2,800), Leisure and Hospitality (+2,300), Manufacturing (+1,800), and Professional and Business Services (+1,800).

In October 2022, the Conference Board Consumer Confidence Index stands at 102.5, down from 107.8 last month, and the University of Michigan Consumer Sentiment Index slightly increased to 58.6 from 58.2 last month. The Conference Board Consumer Confidence Index survey noted that inflation pressure will continue as a strong headwind to consumer confidence and spending, which could result in a challenging holiday season for retailers. The University of Michigan Consumer Sentiment Index survey revealed that continued declines in sentiment for higher-income consumers is worrisome given how much consumption spending they drive, and their dismal views are unlikely to abate given ongoing turbulence in financial markets. The more housing market specific index, the Fannie Mae Home Purchase Sentiment Index (HPSI), decreased 4.1 points to 56.7 in October, its eighth consecutive monthly decline<sup>1</sup>. The survey noted that home sales are expected to slow even further in the coming months, as continued affordability constraints reduce homebuyer demand, and as homeowners become reluctant to sell at potentially reduced prices.

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<sup>1</sup> 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.

## Housing Price Forecasts, 2022

### 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 mixed trends. Median sales prices in both Illinois and the Chicago PMSA generally experienced higher annual growth rates than forecasted through most of the year, particularly in the second half. Actual sales in Illinois experienced lower annual growth rates than forecasted, whereas the Chicago PMSA experienced higher annual growth rates than forecasted in the first half year but lower rates than forecasted in the second half.<sup>2</sup>

The growth in median prices has slowed in 2022 for both Illinois and the Chicago PMSA, compared with a year ago. In Illinois, annual growth rates for each month varied between 0.8% and 6.0%. The comparable range for the Chicago PMSA was between 3.5% and 7.4% (See Figures: Illinois Median Home Sales Price Annual Percentage Change & Chicago Median Home Sales Price Annual Percentage Change).

Sales for 2022 in both Illinois and the Chicago PMSA experienced negative growth rates. The sales growth rates were between -27.9% and 0.9% for Illinois and between -32.4% and 0.5% 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 Chicago PMSA experienced negative growth in regular sales and positive growth in foreclosed sales. For regular sales, annual growth rates were between -34.0% and 0.4%. Comparable figures for foreclosed sales were between 0% and 26.2%. Moreover, the percentage of foreclosed sales out of total sales increased to a monthly average of 4.02% in 2022, about one fourth of the monthly average of 13% between 2010 and 2021 (See Figures: Chicago PMSA Annual Change Rates for Sales Foreclosed vs. Regular sales & Ratio of Foreclosed Sales over Total Sales).

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<sup>2</sup> This is to compare the real growth rates in 2022 with the forecasted growth rates in 2021 for 2022, using ANOVA analysis. The significance level of 5% is used. See figures: 2022 Real vs Forecast Annual Sales/Median Prices Change Rates

## Housing Price Forecasts, 2022

### Forecasts and Future Condition

Median prices are forecast to grow throughout 2023 within a lower and narrower range compared with 2022. On a year-over-year basis, these gains will range from -1.0% to 4.3% for Illinois and 0.5% to 5.8% for the Chicago PMSA (See Figures: Illinois Median Home Sales Price Annual Percentage Change & Chicago Median Home Sales Price Annual Percentage Change). By December 2023, the median price of homes is forecast to be \$257,700 in Illinois and \$312,900 in Chicago PMSA, respectively 3.5% and 5.6% higher on an annual basis (See Table: Annual Median Prices Forecast [Nov 2022 to Dec 2023]). As a complement to the median housing price index (HPI), the REAL HPI 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)<sup>3</sup>. The REAL HPI (Jan 2008=1) is forecast to experience a growth rate between 0% and 4.7% for Illinois and 3.5% to 7.7% for the Chicago PMSA. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

Sales are forecast to experience mixed trends in growth rates in 2023 for both Illinois and the Chicago PMSA. The annual growth in monthly sales is forecast to range from -23.1% to 25.7% for Illinois, with negative growth in the first half year. The comparative range for the Chicago PMSA is from -29.6% to 4.8%, with negative growth in most months. (See Table: Annual Sales Forecast [Nov 2022 to Dec 2023]). When we exclude foreclosed sales from all sales, we obtain the forecasts for the regular sales, which indicate a growth range of -28.8 to 30.8% for the Chicago PMSA (See Table: Annual Forecasts for Regular Property Sales in Chicago PMSA [Nov 2022 to Dec 2023]).

According to Fannie Mae’s latest set of predictions for 2023, home price growth is forecast to be slower than in 2022 and to turn negative beginning in the second quarter of 2023. The year-over-year total home sale is forecast to decline by 22.0% in 2023, primarily driven by a decline in existing housing unit sales. The number of new single-family housing units is forecast to decline by 17.1% by the end of 2022, and expected to decrease again by 17.5% next year. Similarly, existing housing units are forecast to decrease by 17.8%, in contrast to last year’s positive growth of 8.4%, and are expected to decline by 22.5% in 2023. The research team also forecasts mortgage rates to fall between the fourth quarter of 2022 to the same quarter of 2023: from 7.0% to 6.5%.

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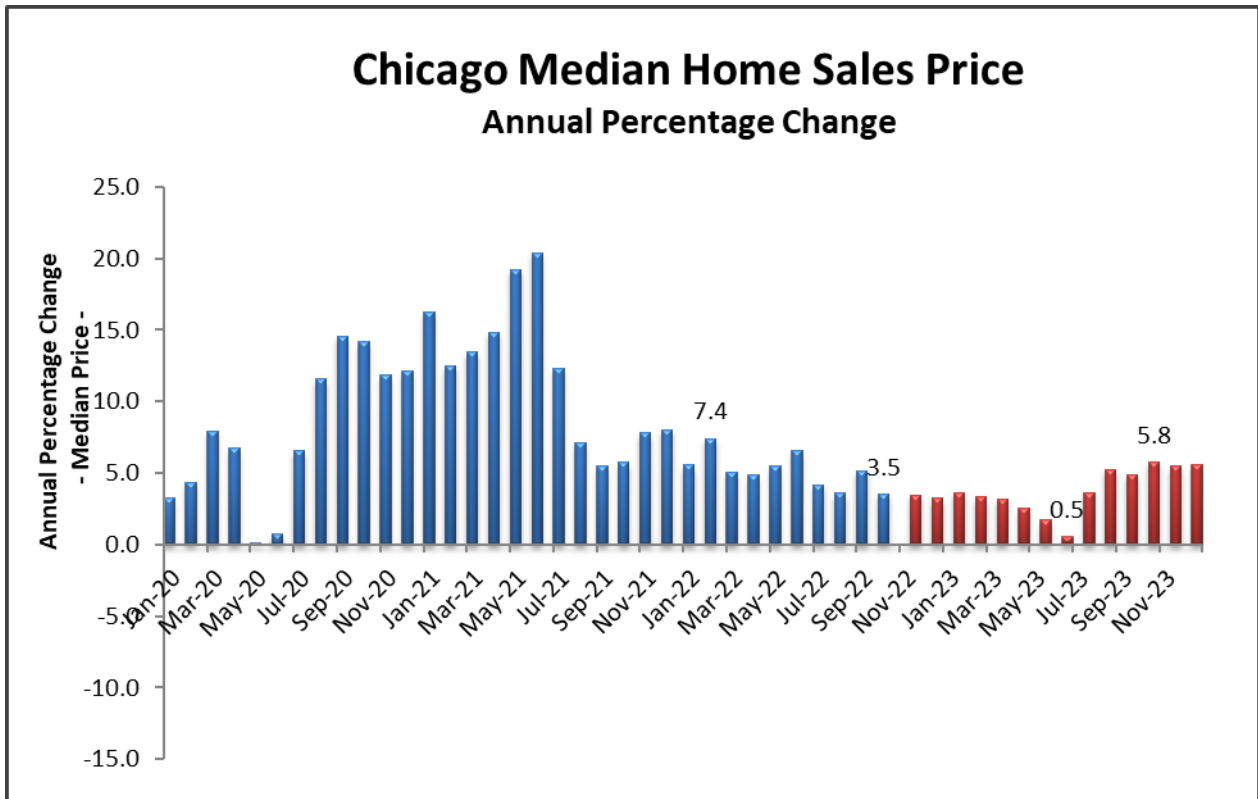
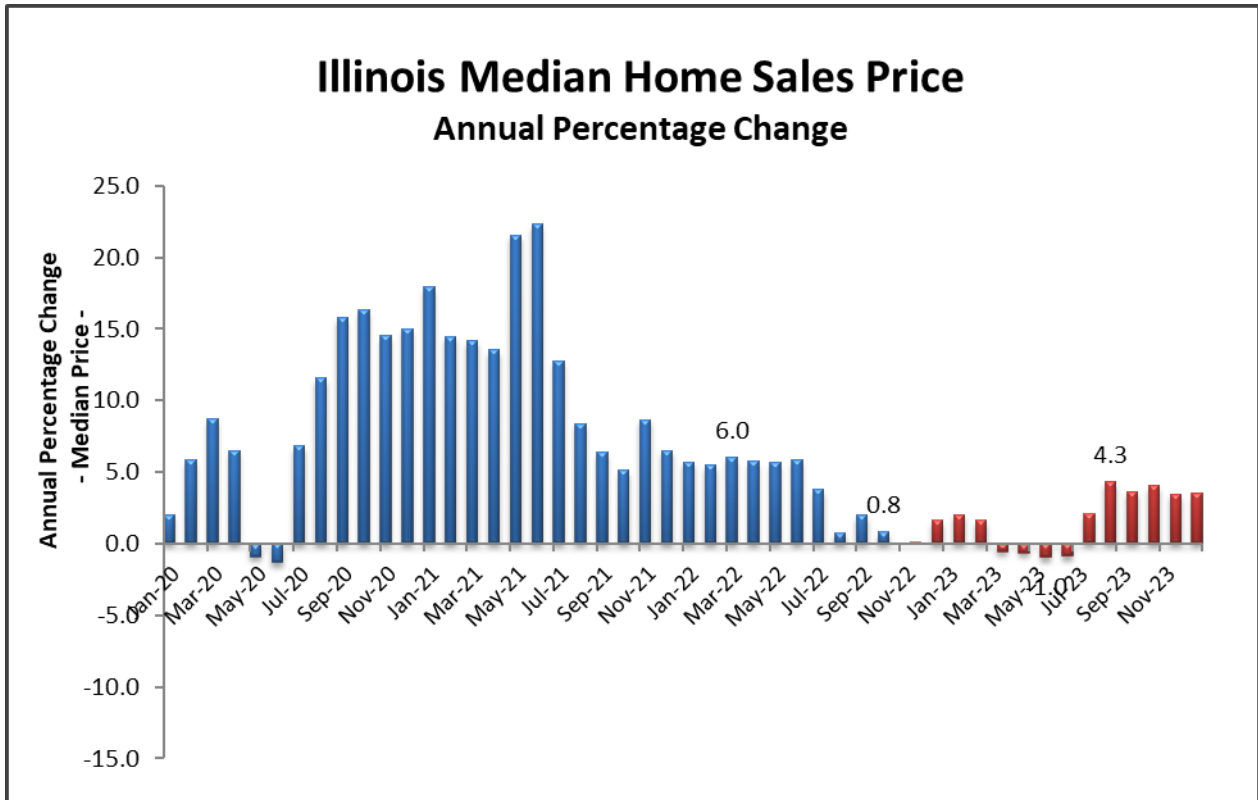
<sup>3</sup> REAL HPI was developed by Esteban Lopez and Minshu Du. Contact us for further details.

## **Housing Price Forecasts, 2022**

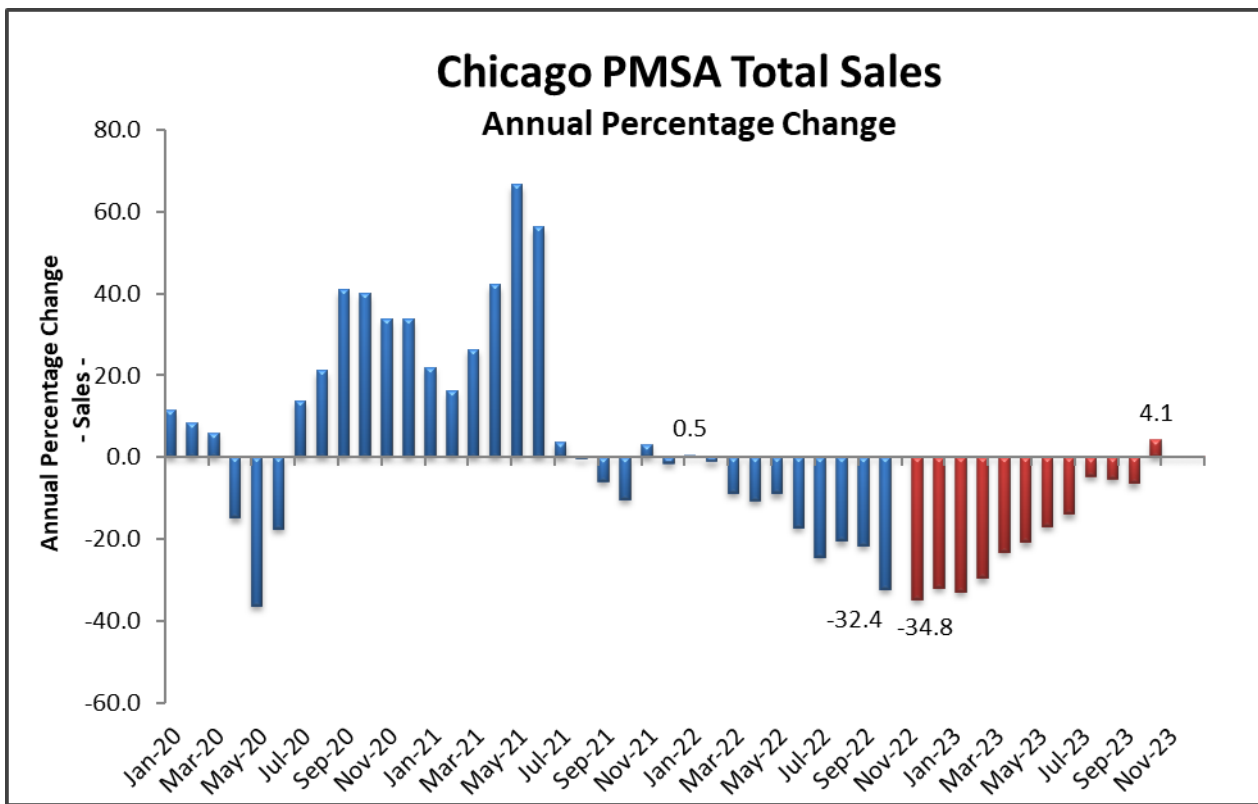
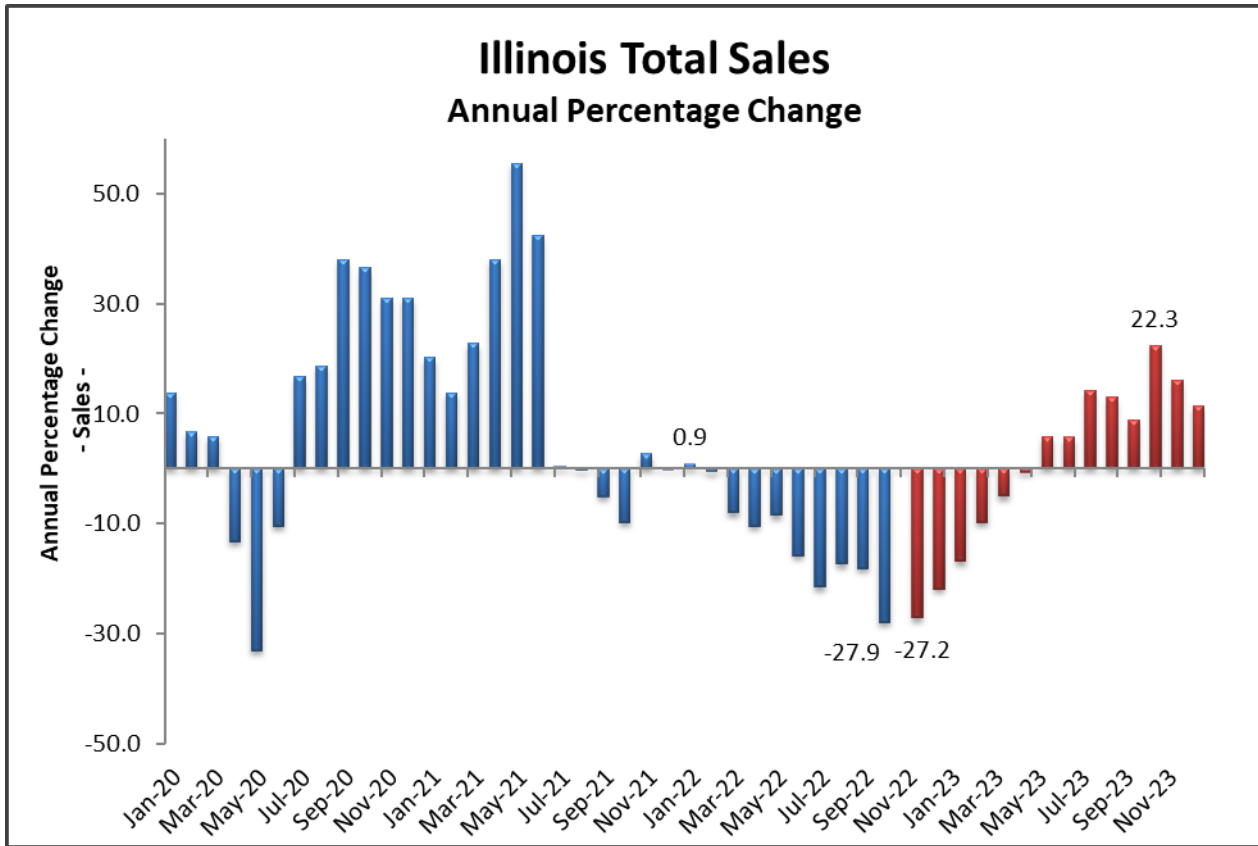
The research team expects that, on a national basis, the average home price is expected to decline by 1.5% in 2023, and the pace of sales is likely to slow as well.

“The rate of rate of growth in house prices slowed in 2022 compared with the heights reached in 2021, while the number of sales remained low,” noted Daniel McMillen, Head of the Stuart Handler Department of Real Estate at the University of Illinois Chicago. “Although uncertainty regarding interest rates and the rate of inflation makes the market difficult to predict, our forecast is that rates of growth in prices will be low throughout the first half of 2023, after which they are expected to rebound. The number of sales is forecast to be low in the Chicago area throughout 2023, but the number is expected to increase in the rest of Illinois during the second half of the year.”

## Housing Price Forecasts, 2022



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Annual Sales Forecast (Nov 2022 to Dec 2023)

Percentage Change Forecasts for the Total Number of Sales								
( Illinois and Chicago PMSA: Forecast range)								
	Monthly				Annually			
	Illinois		Chicago		Illinois		Chicago	
<b>Nov-22</b>	-5.13%	-6.94%	-8.71%	-11.79%	-23.09%	-31.25%	-29.58%	-40.02%
<b>Dec-22</b>	6.54%	8.84%	3.53%	4.78%	-18.62%	-25.19%	-27.15%	-36.74%
<b>Jan-23</b>	-22.72%	-30.73%	-27.43%	-37.12%	-14.36%	-19.43%	-28.05%	-37.95%
<b>Feb-23</b>	4.19%	5.67%	2.23%	3.01%	-8.35%	-11.29%	-25.24%	-34.14%
<b>Mar-23</b>	39.56%	53.53%	46.67%	63.15%	-4.24%	-5.74%	-19.76%	-26.74%
<b>Apr-23</b>	11.69%	15.82%	11.68%	15.81%	-0.60%	-0.82%	-17.68%	-23.92%
<b>May-23</b>	13.38%	18.11%	10.64%	14.40%	4.97%	6.72%	-14.38%	-19.46%
<b>Jun-23</b>	8.62%	11.66%	11.75%	15.90%	4.85%	6.56%	-11.87%	-16.06%
<b>Jul-23</b>	-7.87%	-10.64%	-8.68%	-11.74%	11.98%	16.20%	-3.95%	-5.34%
<b>Aug-23</b>	0.96%	1.30%	0.49%	0.66%	11.00%	14.88%	-4.59%	-6.22%
<b>Sep-23</b>	-11.72%	-15.86%	-11.80%	-15.97%	7.48%	10.12%	-5.53%	-7.48%
<b>Oct-23</b>	-5.49%	-7.43%	-7.36%	-9.96%	19.00%	25.70%	3.53%	4.77%
<b>Nov-23</b>	-9.18%	-12.41%	-11.64%	-15.75%	13.73%	18.58%	0.13%	0.17%
<b>Dec-23</b>	2.78%	3.76%	3.55%	4.80%	9.68%	13.10%	0.14%	0.19%

Negative variations are in red.

Annual Median Prices Forecast (Nov 2022 to Dec 2023)

Summary of the Forecast for the Median Price					
( Illinois and Chicago PMSA)					
	Illinois	Chicago		Illinois	Chicago
<b>Nov-22</b>	\$250,059	\$300,000	<b>Nov-21</b>	\$249,900	\$290,000
<b>Dec-22</b>	\$248,988	\$296,283	<b>Dec-21</b>	\$245,000	\$287,000
<b>Jan-23</b>	\$244,922	\$295,338	<b>Jan-22</b>	\$240,000	\$285,000
<b>Feb-23</b>	\$245,412	\$299,596	<b>Feb-22</b>	\$241,500	\$290,000
<b>Mar-23</b>	\$263,478	\$319,927	<b>Mar-22</b>	\$265,000	\$310,000
<b>Apr-23</b>	\$273,178	\$333,381	<b>Apr-22</b>	\$275,000	\$325,000
<b>May-23</b>	\$277,328	\$332,654	<b>May-22</b>	\$280,000	\$327,000
<b>Jun-23</b>	\$287,439	\$341,869	<b>Jun-22</b>	\$290,000	\$340,000
<b>Jul-23</b>	\$280,689	\$334,546	<b>Jul-22</b>	\$275,000	\$323,000
<b>Aug-23</b>	\$273,272	\$327,089	<b>Aug-22</b>	\$262,000	\$310,828
<b>Sep-23</b>	\$264,286	\$319,968	<b>Sep-22</b>	\$255,000	\$305,000
<b>Oct-23</b>	\$259,099	\$317,345	<b>Oct-22</b>	\$249,000	\$300,000
<b>Nov-23</b>	\$258,761	\$316,383			
<b>Dec-23</b>	\$257,738	\$312,946			

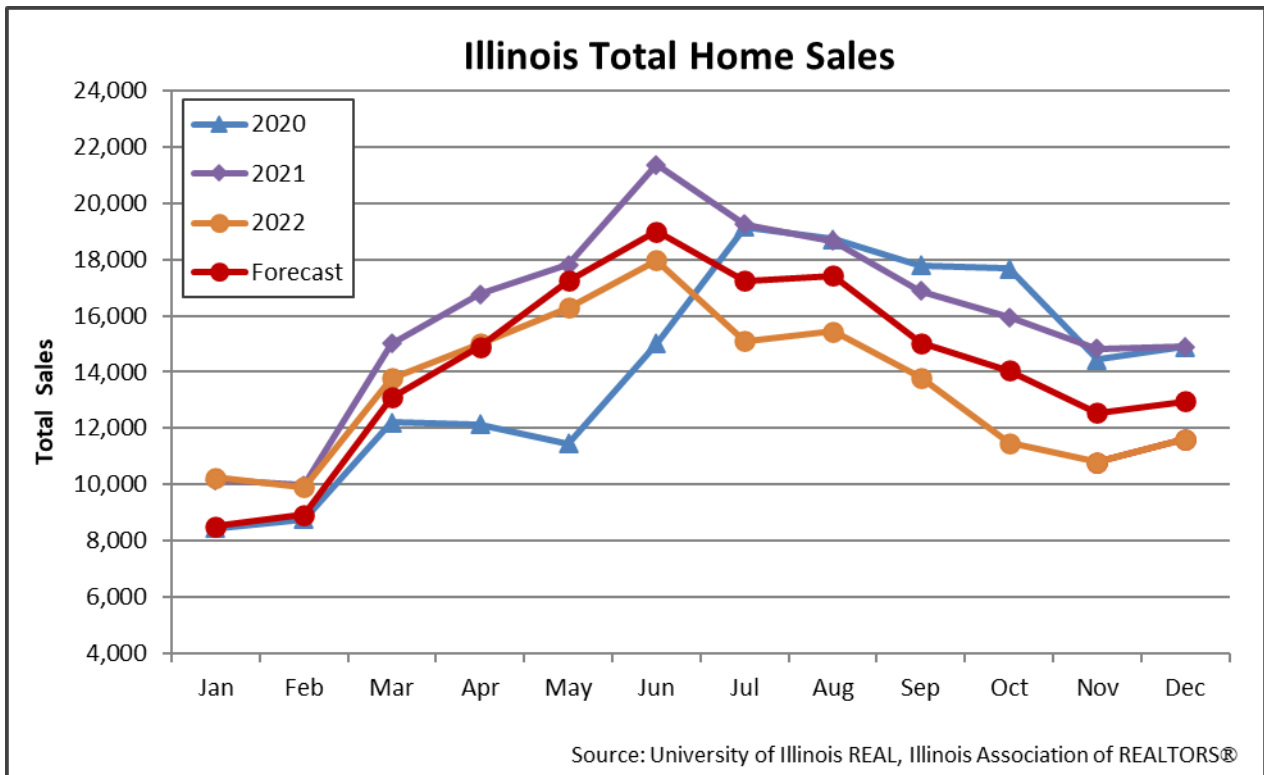
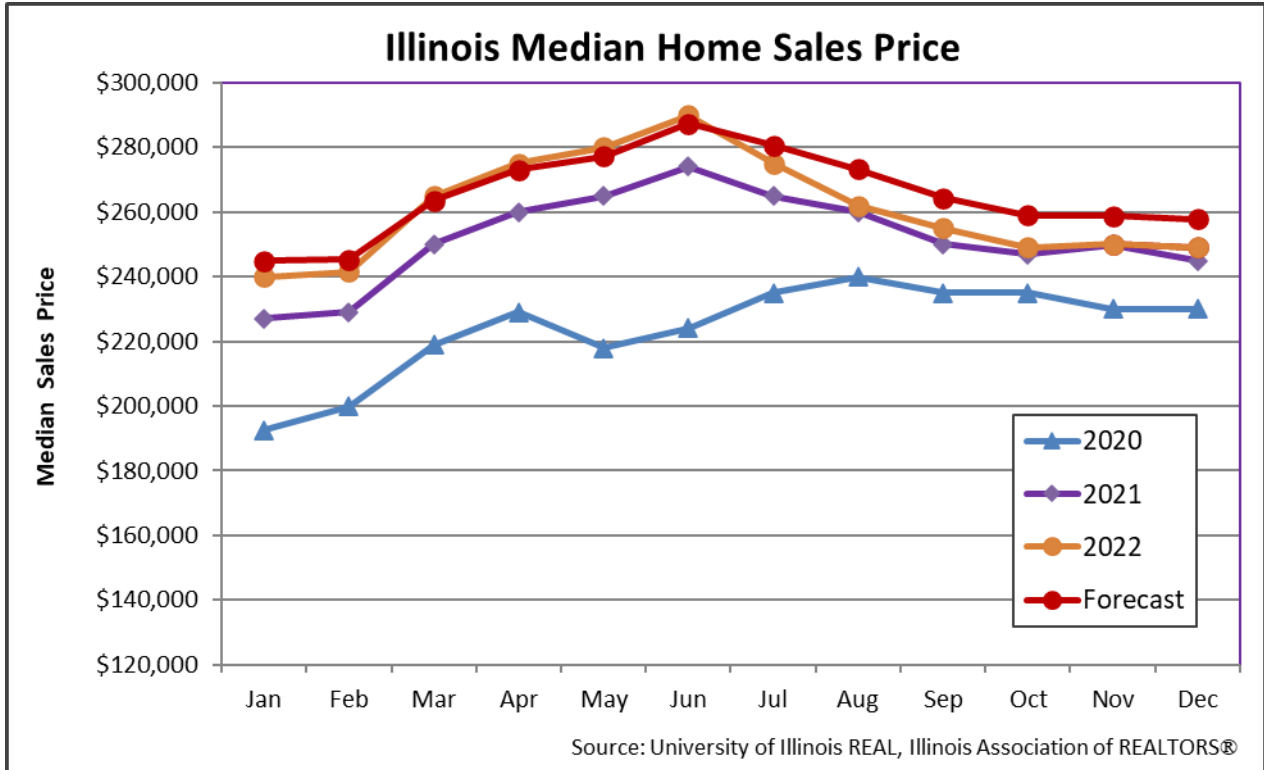


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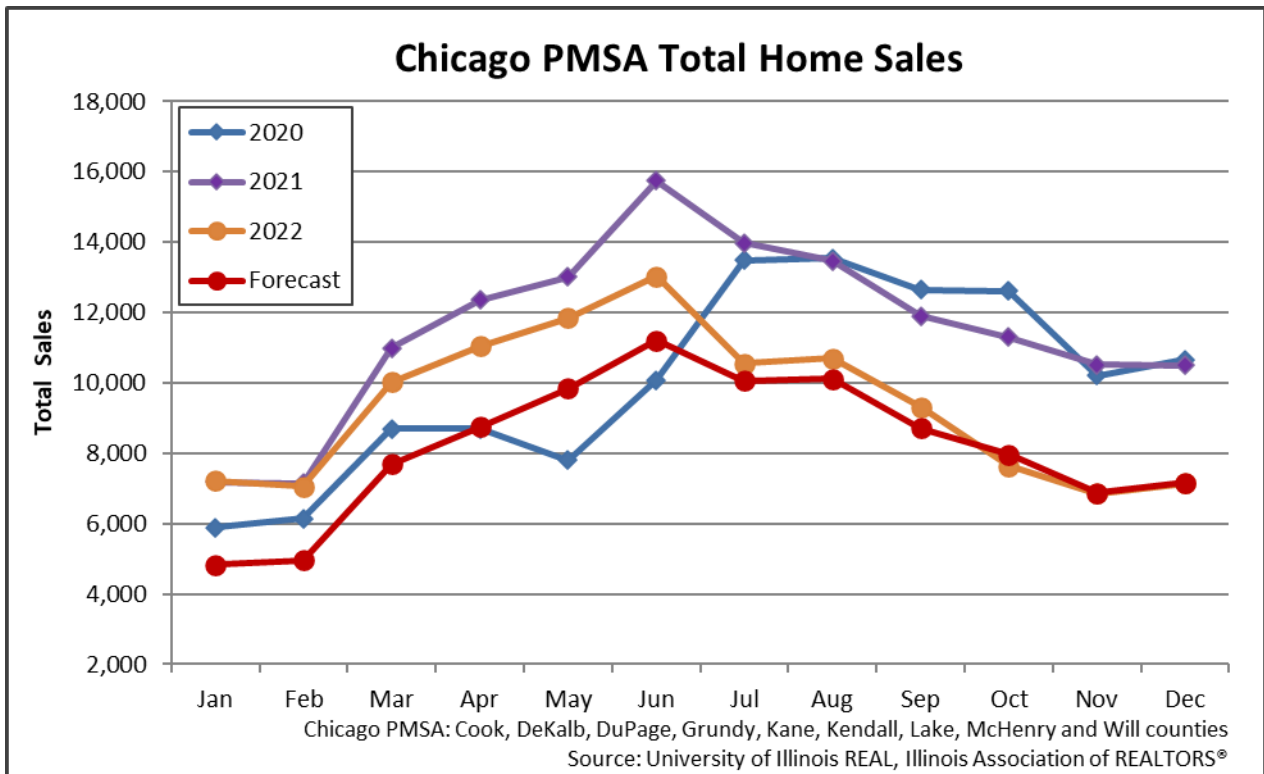
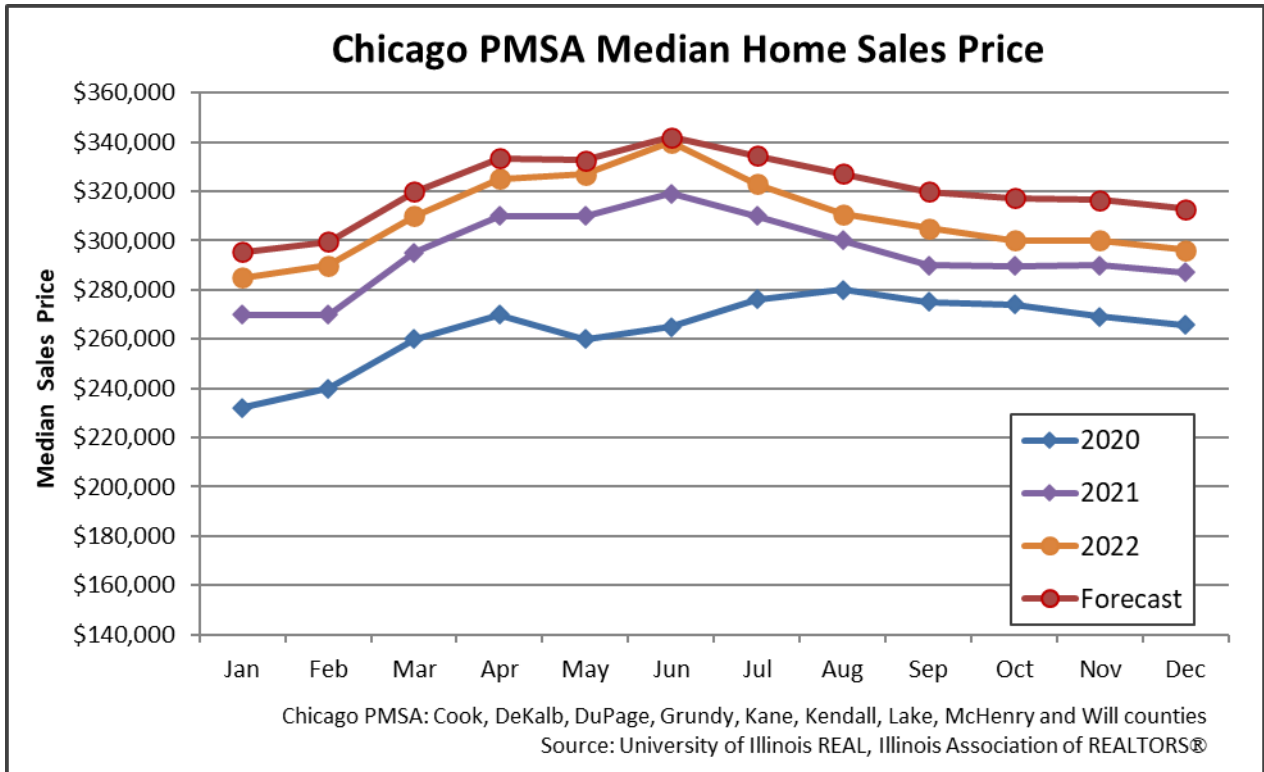
Annual Forecasts for Regular Property Sales in Chicago PMSA (Nov 2022 to Dec 2023)

<b>Summary of the Forecasts for <i>Regular Property Sales</i></b>					
<b>(Chicago PMSA)</b>					
	<b>Sales</b>			<b>Median Prices</b>	
	<b>Forecasted Sales</b>	<b>Annually</b>		<b>Forecasted Price</b>	<b>Annually</b>
<b>Nov-22</b>	6,716	-28.78%	-38.94%	\$302,414	2.51%
<b>Dec-22</b>	7,273	-23.58%	-31.91%	\$299,266	3.20%
<b>Jan-23</b>	5,117	-21.64%	-29.27%	\$299,040	3.15%
<b>Feb-23</b>	5,493	-15.21%	-20.58%	\$302,169	2.43%
<b>Mar-23</b>	8,623	-8.24%	-11.15%	\$320,489	2.72%
<b>Apr-23</b>	10,143	-3.24%	-4.39%	\$334,453	1.35%
<b>May-23</b>	11,654	2.16%	2.92%	\$335,211	1.58%
<b>Jun-23</b>	13,042	3.47%	4.70%	\$345,717	0.21%
<b>Jul-23</b>	11,661	12.95%	17.52%	\$334,453	2.91%
<b>Aug-23</b>	11,711	12.37%	16.74%	\$327,054	3.83%
<b>Sep-23</b>	9,910	10.04%	13.58%	\$319,411	3.07%
<b>Oct-23</b>	9,158	22.80%	30.85%	\$312,235	4.08%
<b>Nov-23</b>	8,170	18.40%	24.90%	\$313,671	3.72%
<b>Dec-23</b>	8,369	12.80%	17.32%	\$310,787	3.85%

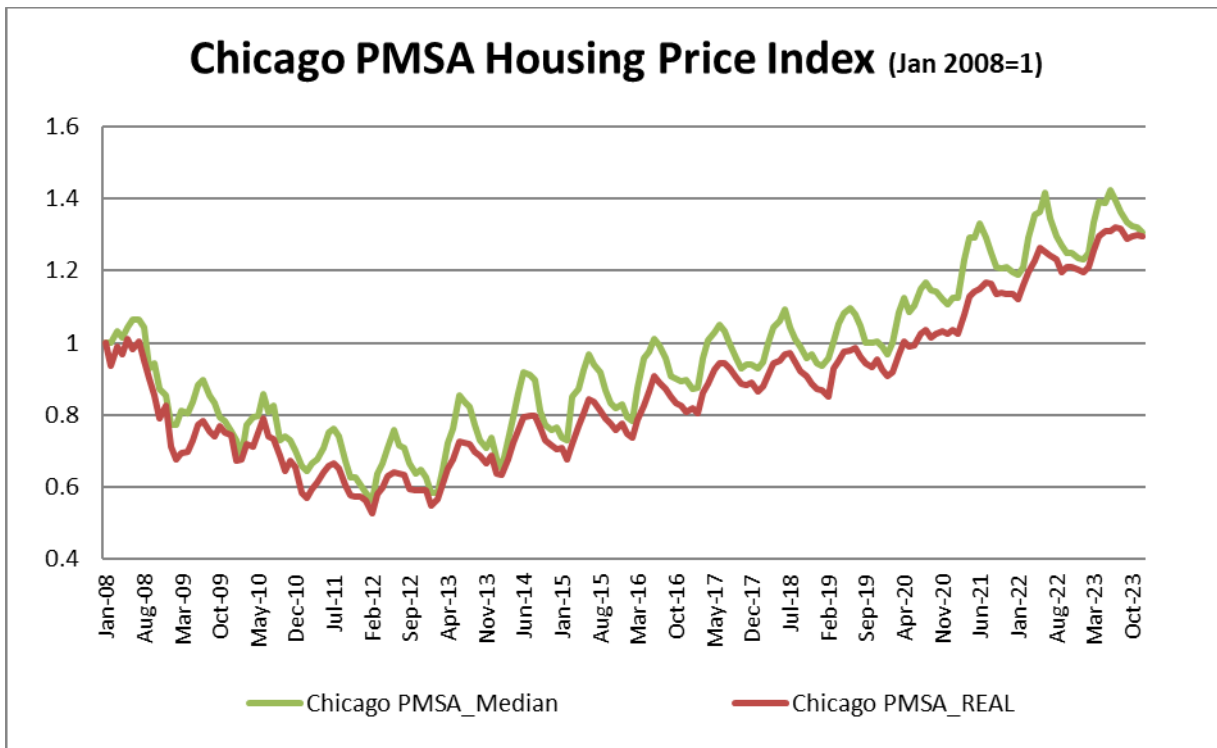
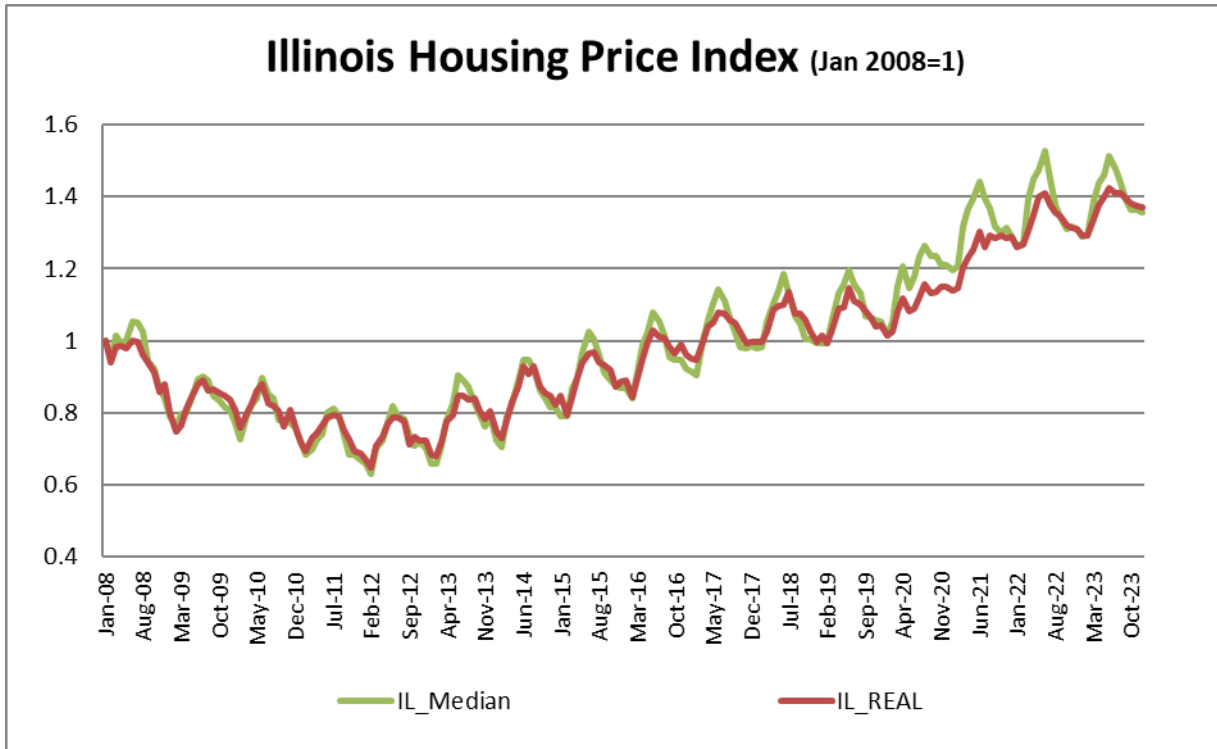
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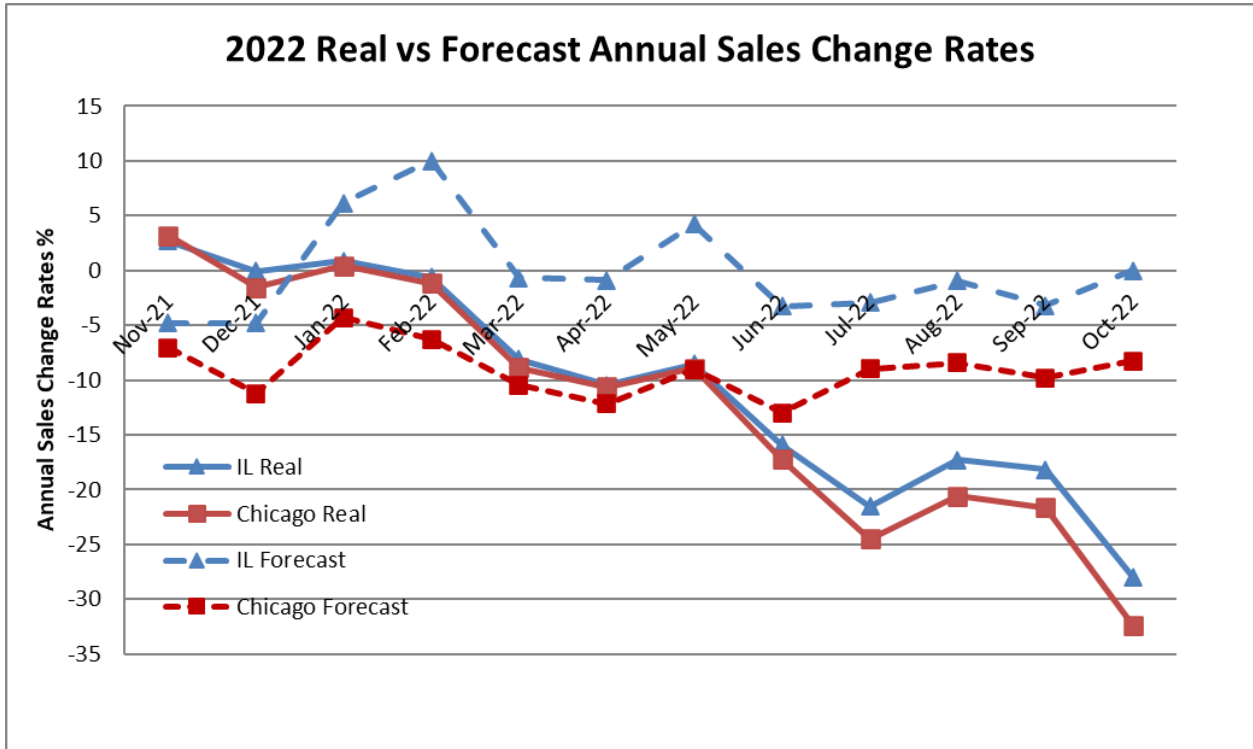
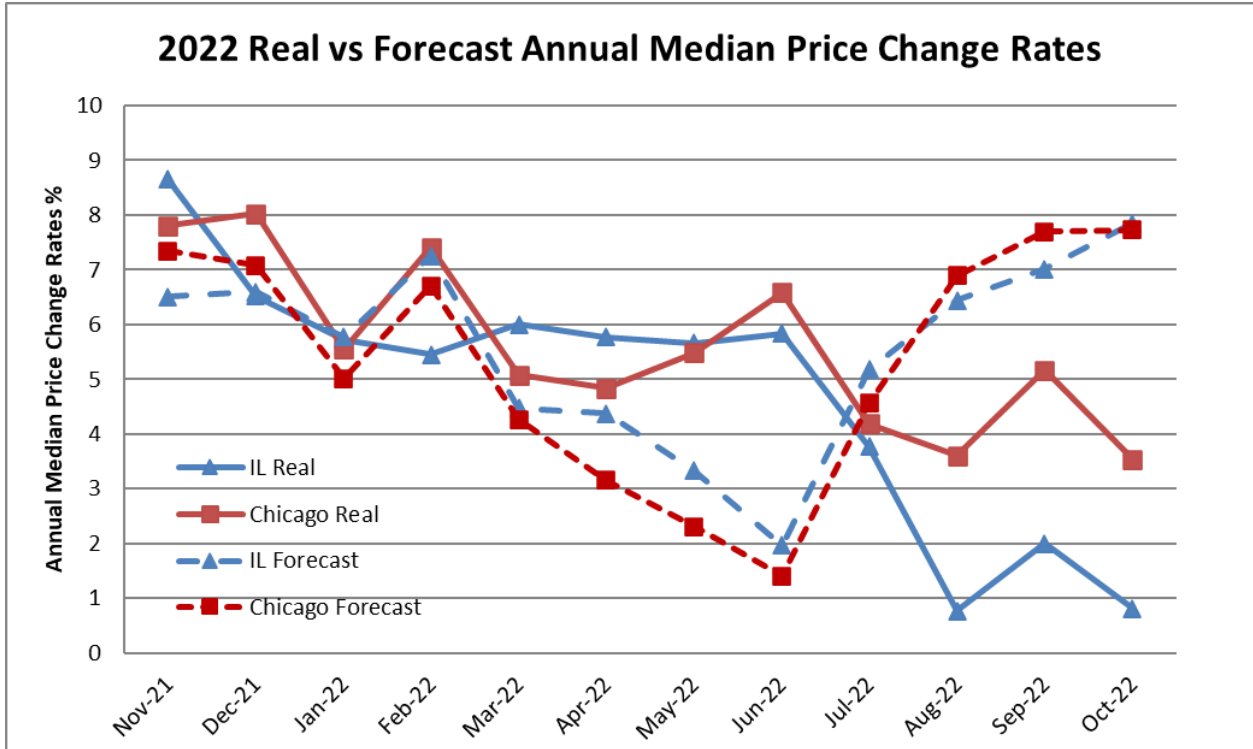
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