

# **Housing Price Forecasts**

## **Illinois and Chicago PMSA, March 2023**

Presented To

**Illinois Realtors®**

From

**UIC Stuart Handler Department of Real Estate**

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## Housing Price Forecast: Illinois and Chicago PMSA, March 2023

### The Housing Market

Prices and the number of sales increased from January to February in both Illinois and the Chicago PMSA. However, sales were lower in February than at the same time last year in both Illinois and the Chicago PMSA. Meanwhile, median prices remained the same as in February last year in both Illinois and the Chicago PMSA. 7,500 houses were sold in Illinois, changing by -25.1% from a year ago and 10.6% from a month ago. In the Chicago PMSA, 5,000 houses were sold, changing by -29.4% from a year ago and 11.6% from a month ago. The median price was \$240,000 in Illinois, remaining the same as in February last year; the comparable figure for the Chicago PMSA was \$290,000, also remaining the same as in February last year.

In February, the percentage of foreclosed sales (e.g. REOs) among the total sales for the Chicago PMSA was 6.6%. 4,600 regular sales were made, -31.2% less than last year. 344 foreclosed properties were sold, 12.8% more than last year. The median price was \$295,000 for regular property sales, remaining the same as in February last year; the comparable figure for the foreclosed properties was \$239,000, up 3.5% from last year.

The sales forecast for March, April, and May suggests a decrease on a yearly basis but 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 -5.7% to -7.7%; the comparable figures for the Chicago PMSA are a decrease in the range of -10.7% to -14.4%. On a monthly basis, the three-month average sales are forecast to increase in the range of 22.9% to 31.0% for Illinois and increase in the range of 23.2% to 31.4% for the Chicago PMSA.

The pending home sales index is a leading indicator based on contract signings.<sup>1</sup> This February, the number of homes put under contract was less than last year in Illinois and the Chicago PMSA. The pending home sales index is 79.6 (2019=100) in Illinois, down -19.6% from a year ago. In the Chicago PMSA, the comparable figure is 79.7, down -23.3% from a year ago. At the latest average annual pending sales rate, Illinois had enough housing inventory for 1.4 months (up from 1.3 last year).<sup>2</sup> In the Chicago PMSA, the comparable figure was 1.4 months (up from 1.2 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 negative annual growth for March, April, and May in Illinois and mixed growth in the Chicago PMSA. In Illinois, the median price is forecast to change by -0.6% in March, -0.3% in April, and -1.4% in May. For the Chicago PMSA, the comparable figures are 0.1% in March, -0.3% in April, and -1.0% in May. As a complement to the median housing price index (HPI), the SHDRE HPI forecasts a mixed growth trend for Illinois and a positive growth trend for the Chicago PMSA.<sup>3</sup> In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 1.3% in March, 1.3% in April, and -0.7% in May. The comparable figures for the Chicago PMSA are 1.4% in March, 1.8% in April, and 0.1% in May. SHDRE HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

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<sup>1</sup> The base level (100) of pending home sales is the average pending home sales of year 2019, the year before the Covid-19 Crisis.

<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> SHDRE HPI succeeds REAL HPI, developed by Esteban Lopez and Minshu Du.

In February, the Conference Board Consumer Confidence Index decreased whereas the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index survey noted that households are likely cautious due to the current economic conditions, including inflation and rising borrowing costs. The University of Michigan Consumer Sentiment Index survey noted that consumers have observed both positive and negative developments in the economy, with recognition of the strong labor markets and robust income growth, but also with concerns about rising unemployment.

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

- In February, sales experienced a negative annual change in both Illinois and the Chicago PMSA. Meanwhile, median prices remained the same as in February last year in both Illinois and the Chicago PMSA. 7,500 houses were sold in Illinois, changing by -25.1% from a year ago and 10.6% from a month ago. In the Chicago PMSA, 5,000 houses were sold, changing by -29.4% from a year ago and 11.6% from a month ago. The median price was \$240,000 in Illinois, remaining the same as in February last year; the comparable figure for the Chicago PMSA was \$290,000, also remaining the same as in February last year. (Reference: Illinois and Chicago PMSA Median Home Sales Price and Total Home Sales figures; Forecast for March 2023 report table)
- In February, the percentage of foreclosed sales (e.g. REOs) among the total sales for the Chicago PMSA was 6.6%. 4,600 regular sales were made, -31.2% less than last year. 344 foreclosed properties were sold, 12.8% more than last year. The median price was \$295,000 for regular property sales, remaining the same as in February last year; the comparable figure for the foreclosed properties was \$239,000, up 3.5% from 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 1.4 months (up from 1.3 last year).<sup>4</sup> In the Chicago PMSA, the comparable figure was 1.4 months (up from 1.2 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 February, the market shares of homes in the medium price ranges (\$200-300K) experienced the largest change compared to a year ago for both Illinois and the Chicago PMSA. In Illinois, the market share for homes at \$200-300K increased to 24.5% from 23.3% a year ago. In the Chicago PMSA, the market share for homes at \$200-300K increased to 29.1% from 26.8% a year ago. (Reference: Illinois and Chicago PMSA Price Stratification figures)

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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.

## The Housing Market – Forecast and Future Condition

- The median price forecast indicates negative annual growth for March, April, and May in Illinois and mixed growth in the Chicago PMSA. In Illinois, the median price is forecast to change by -0.6% in March, -0.3% in April, and -1.4% in May. For the Chicago PMSA, the comparable figures are 0.1% in March, -0.3% in April, and -1.0% in May. (Reference: Forecast for March 2023 report table)
- As a complement to the median housing price index (HPI), the SHDRE HPI forecasts a mixed growth trend for Illinois and a positive growth trend for the Chicago PMSA.<sup>5</sup> In Illinois, the SHDRE HPI (Jan 2008=1) is forecast to change by 1.3% in March, 1.3% in April, and -0.7% in May. The comparable figures for the Chicago PMSA are 1.4% in March, 1.8% in April, and 0.1% 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 but 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 -5.7% to -7.7%; the comparative figures for the Chicago PMSA are a decrease in the range of -10.7% to -14.4%. On a monthly basis, the three-month average sales are forecast to increase in the range of 22.9% to 31.0% for Illinois and increase in the range of 23.2% to 31.4% for the Chicago PMSA. (Reference: Forecast for March 2023 report table)
- The pending home sales index is a leading indicator based on contract signings.<sup>6</sup> This February, the number of homes put under contract was less than last year in Illinois and the Chicago PMSA. The pending home sales index is 79.6 (2019=100) in Illinois, down -19.6% from a year ago. In the Chicago PMSA, the comparable figure is 79.7, down -23.3% from a year ago. (Reference: Illinois and Chicago PMSA Pending Home Sales Index figure)
- In February 2023, 1,000 houses were newly filed for foreclosure in the Chicago PMSA (up 5.0% and down -16.0%, respectively, from a year and a month ago). 407 foreclosures were completed (down -10% and down 42.0%, respectively, from a year and a month ago).<sup>7</sup> As of February 2023, there are 2,900 homes at some stage of foreclosure — the foreclosure inventory. The monthly average net flows of foreclosures (foreclosure inflows - outflows) were 629 in the past 6 months, 744 in the last 12 months, and 407 in the previous 24 months. (Reference: Chicago PMSA Foreclosure Inflows and Outflows, and Inventory figures).

## The Economy

- In February 2023, according to the Bureau of Labor Statistics (BLS) Employment Situation Report, the national unemployment rate edged up to 3.6%, and non-farm payroll jobs experienced a gain of 311,000 jobs. Notable job gains occurred over the month in Leisure and Hospitality (+105,000), Retail Trade (+50,000), Government (+46,000), and Professional and Business Services (+45,000).
- In January 2023, according to the Illinois Department of Employment Security (IDES) news release, the Illinois unemployment rate fell to 4.5%. Non-farm payroll jobs increased by 14,300. The industry sectors that reported the largest over-the-month gains in employment

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<sup>5</sup> SHDRE HPI succeeds REAL HPI, developed by Esteban Lopez and Minshu Du.

<sup>6</sup> The base level (100) of pending home sales is the average pending home sales of year 2019, the year before the Covid-19 Crisis.

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

were: Government (+7,900), Leisure and Hospitality (+6,300), and Educational and Health Services (+1,900).

- In February 2023, the one-year-ahead forecast for Illinois indicates that the non-farm employment will change at a rate between 4.08% and 4.38%, corresponding to job gain between 243,600 and 261,300. The largest contributors to the forecast increase are Information, and Financial Activities, and Construction.
- Black Knight, a mortgage industry data analytics company, reported that demand for alternative mortgage products, such as jumbo loans and adjustable-rate mortgages (ARMs), increased as interest rates rose again in February. Rate-lock dollar volumes increased by 2% from January to February. “As rates resumed their upward trajectory in February, borrowers responded predictably, moving toward more rate-favorable offerings,” said Kevin McMahon, president of Black Knight division Optimal Blue. “And yet such lock volumes remain more than 40% down from last year’s level, with the triple-threat of rate, affordability and inventory challenges still looming large for the foreseeable future.”

### **Longer-term Outlook**

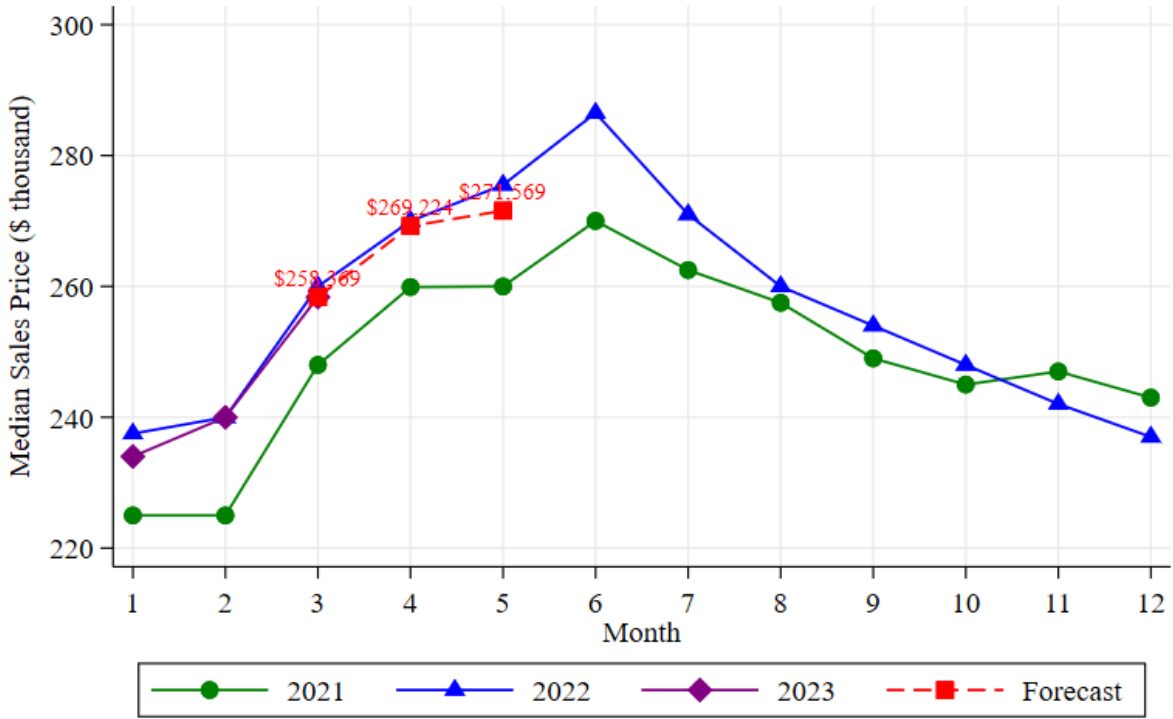
- In February, the Conference Board Consumer Confidence Index decreased whereas the University of Michigan Consumer Sentiment Index increased. The Conference Board Consumer Confidence Index stands at 102.9, down from 106.0 last month. The survey noted that households are likely cautious due to the current economic conditions, including inflation and rising borrowing costs. The University of Michigan Consumer Sentiment Index increased to 67.0 in February from 64.9 last month. The survey noted that consumers have observed both positive and negative developments in the economy, with recognition of the strong labor markets and robust income growth, but also with concerns about rising unemployment.
- In February, the Fannie Mae Home Purchase Sentiment Index (HPSI) decreased 3.6 points to 58.0. The survey noted that the decline was partly driven by a substantial decrease in consumers’ sense of home-selling conditions. “With home-selling sentiment now lower than it was pre-pandemic – and homebuying sentiment remaining near its all-time low – consumers on both sides of the transaction appear to be feeling cautious about the housing market,” said Doug Duncan, Fannie Mae Senior Vice President and Chief Economist.

“Prices and sales increased month-over-month in both Illinois and the Chicago PMSA,” said Dr. Daniel McMillen, head of the Stuart Handler Department of Real Estate (SHDRE) at the University of Illinois at Chicago College of Business Administration. “Although the number of year-over-year sales is lower than at this time last year, the housing market appears to have begun its rebound from the winter downturn somewhat early. Our forecast is that the number of sales and the median price will continue to rise through May in both Illinois and the Chicago PMSA, and we expect the monthly sales growth rate to be higher this year than in 2022 in both locations.”

**Forecast for March 2023 Report**

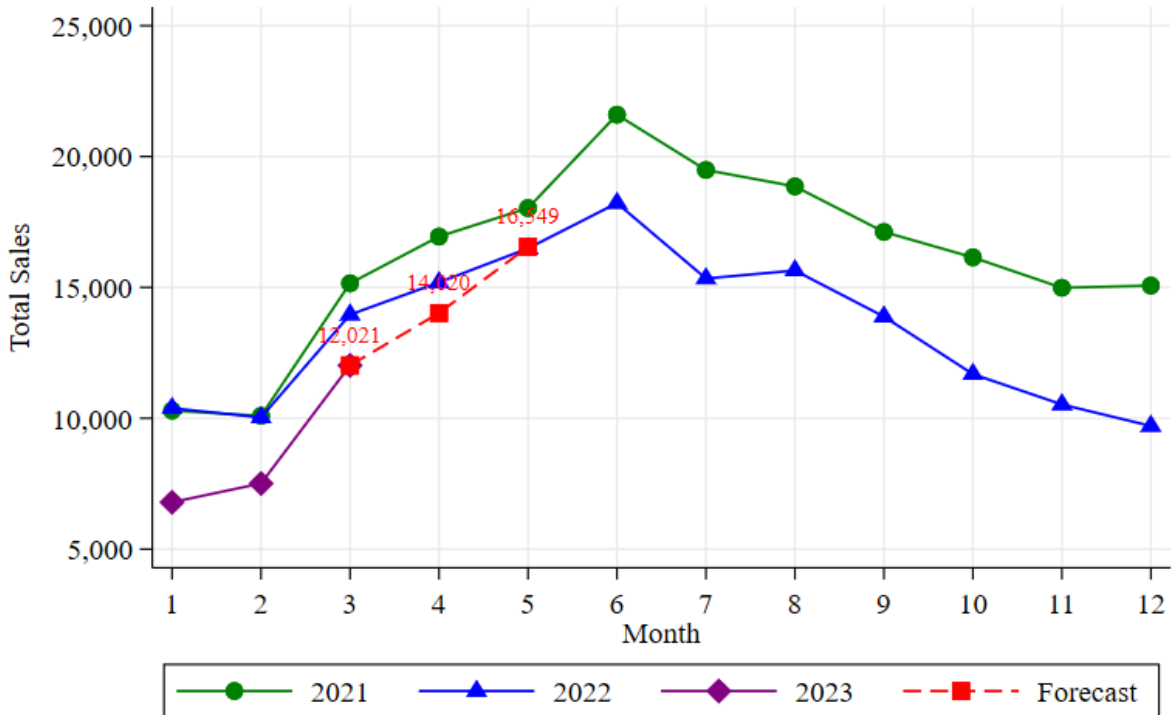
PERCENTAGE CHANGE FOR THE TOTAL NUMBER OF SALES						
	Annual			Monthly		
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Dec-22	-35.6%	-38.6%		-7.8%	-7.2%	
Jan-23	-34.6%	-38.2%		-30.0%	-30.7%	
Feb-23	-25.1%	-29.4%		10.6%	11.6%	
3 Month Avg.	-32.3%	-35.9%		-11.2%	-11.0%	
SUMMARY OF THE FORECAST INTERVALS FOR THE TOTAL NUMBER OF SALES						
	Annual				Monthly	
	Illinois		Chicago PMSA		Illinois	Chicago PMSA
Mar-23	-11.8%	-16.0%	-16.9%	-22.9%	51.1%	69.1%
Apr-23	-6.6%	-8.9%	-11.1%	-15.0%	14.1%	19.1%
May-23	0.3%	0.4%	-5.0%	-6.8%	15.3%	20.7%
3 Month Avg.	-5.7%	-7.7%	-10.7%	-14.4%	22.9%	31.0%
SUMMARY OF THE FORECAST FOR THE MEDIAN PRICE						
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Dec-22	\$237,000	\$287,000		Dec-21	\$243,000	
Jan-23	\$234,000	\$286,000		Jan-22	\$237,500	
Feb-23	\$240,000	\$290,000		Feb-22	\$240,000	
Mar-23	\$258,369	\$310,423		Mar-22	\$260,000	
Apr-23	\$269,224	\$323,873		Apr-22	\$270,000	
May-23	\$271,569	\$322,969		May-22	\$275,500	
ANNUAL PERCENTAGE CHANGE OF THE MEDIAN PRICE						
	Illinois	Chicago PMSA		Illinois	Chicago PMSA	
Dec-22	-2.5%	0.0%		Dec-21	7.0%	
Jan-23	-1.5%	0.4%		Jan-22	5.6%	
Feb-23	0.0%	0.0%		Feb-22	6.7%	
Mar-23	-0.6%	0.1%		Mar-22	4.8%	
Apr-23	-0.3%	-0.3%		Apr-22	3.9%	
May-23	-1.4%	-1.0%		May-22	6.0%	

### Illinois Median Home Sales Price

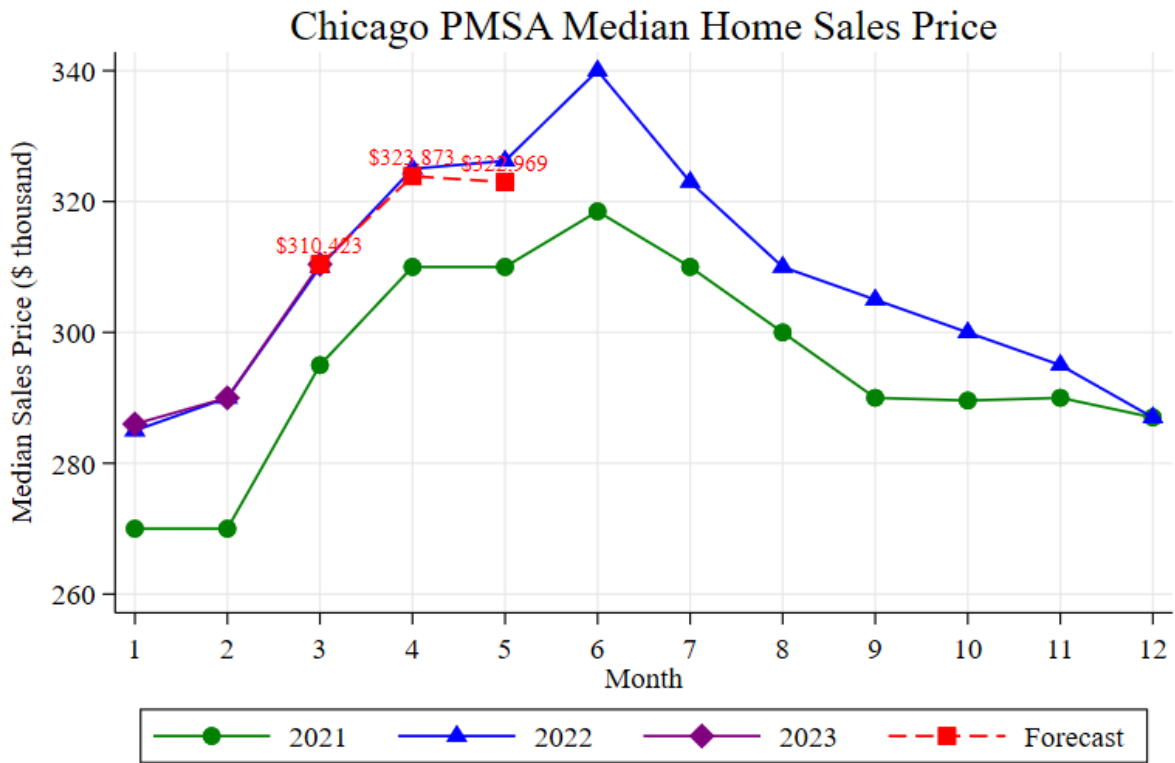


Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

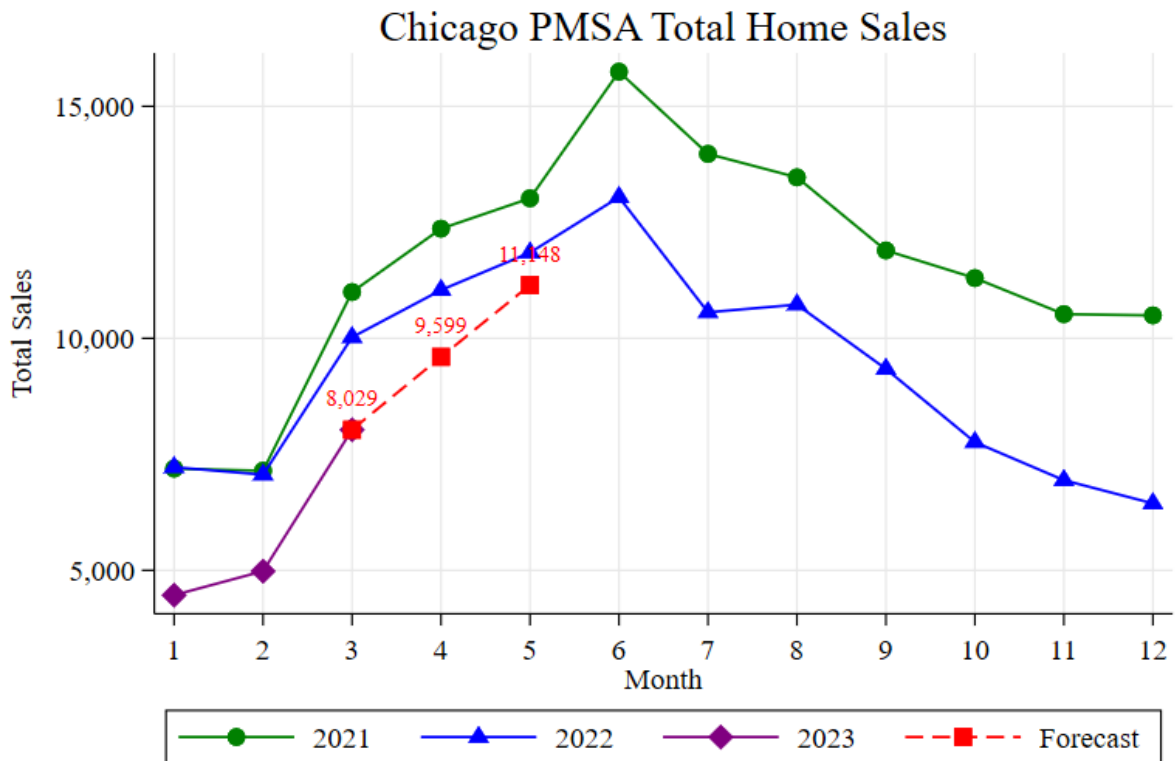
### Illinois Total Home Sales



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



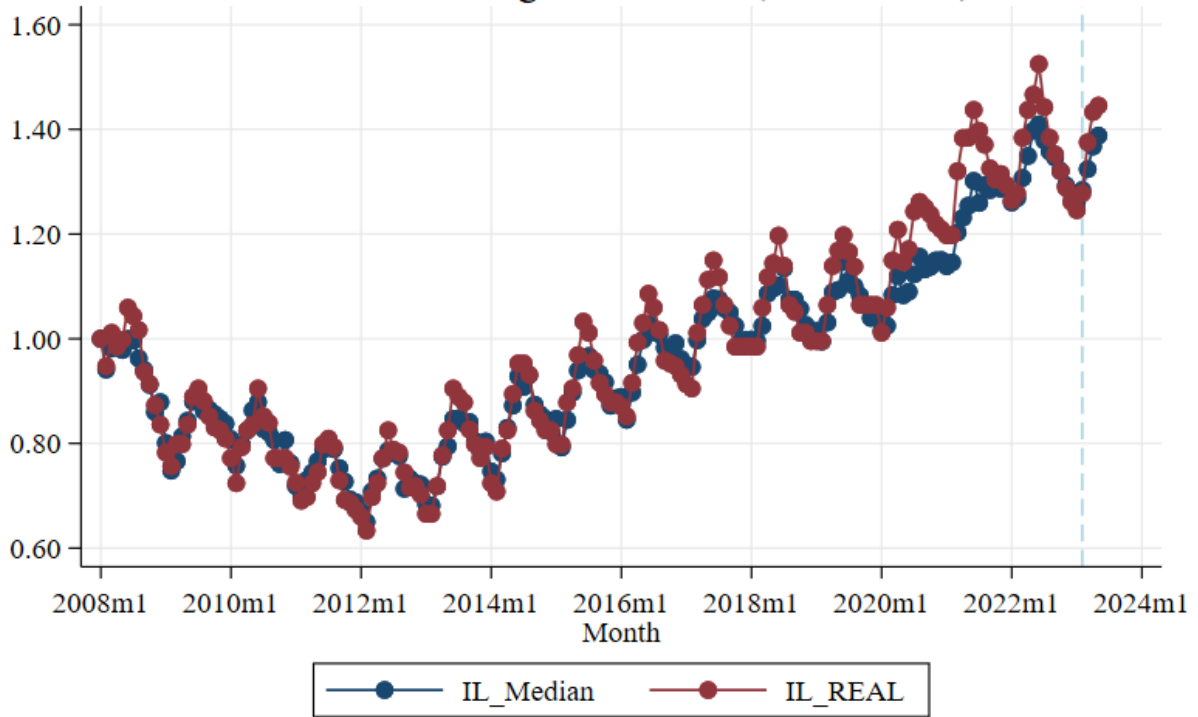
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS



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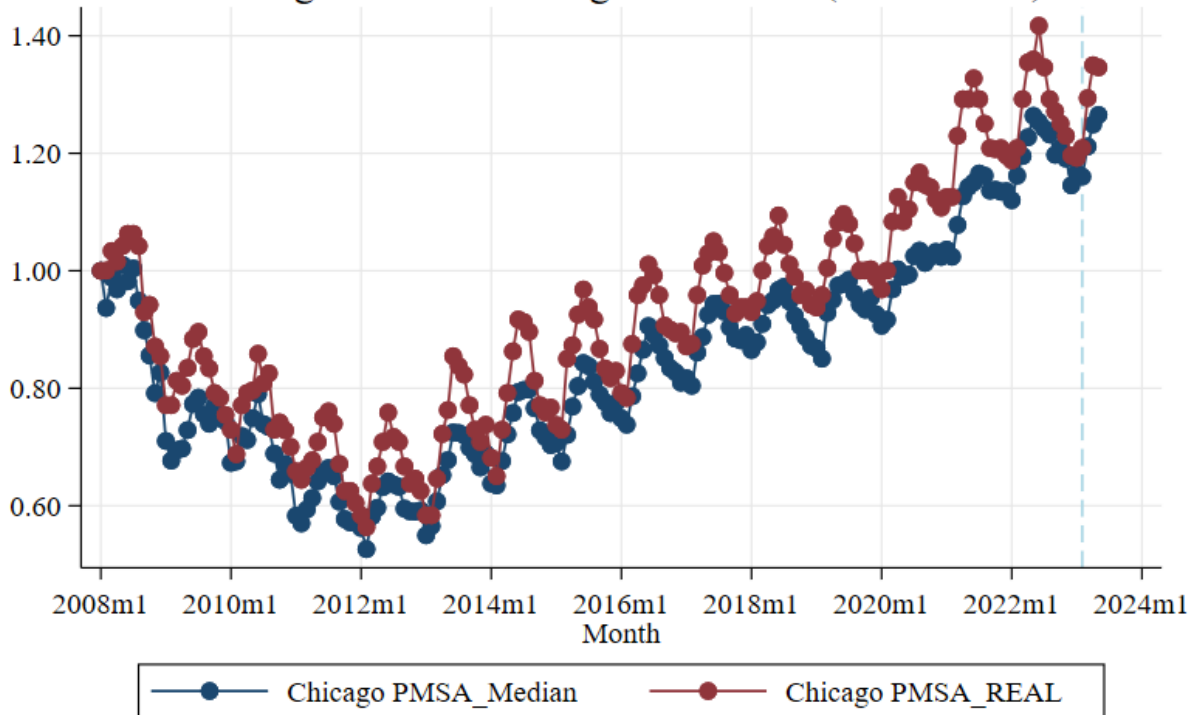


### Illinois Housing Price Index (Jan 2008=1)



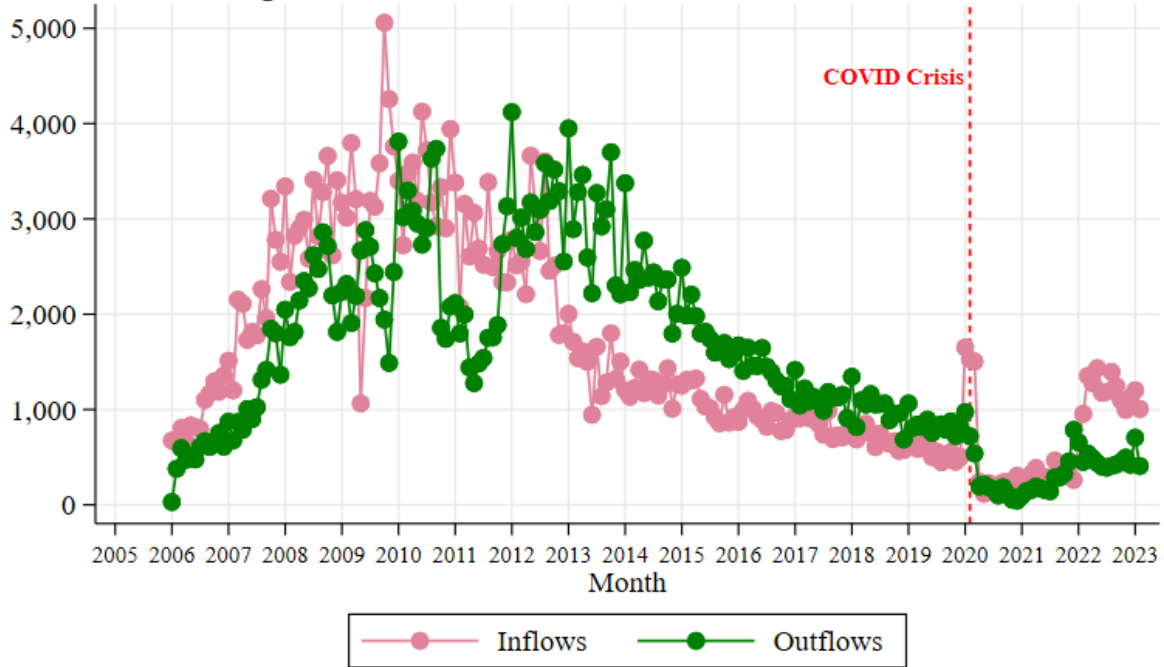
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Housing Price Index (Jan 2008=1)



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

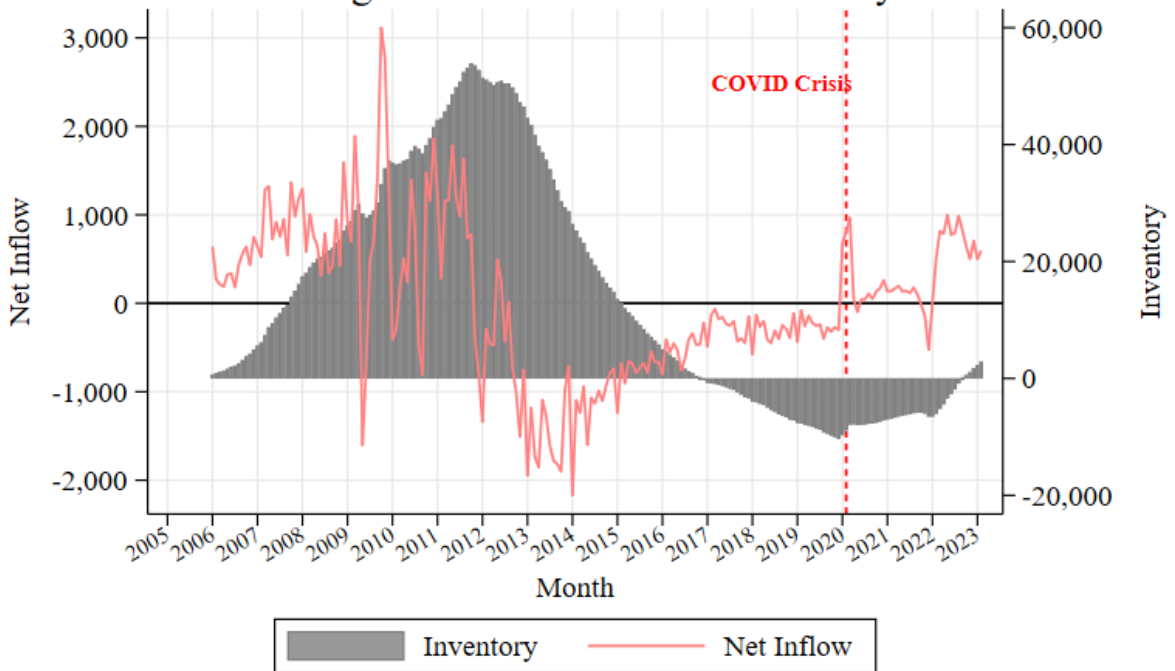
### Chicago PMSA New Foreclosure Inflows and Outflows



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

Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

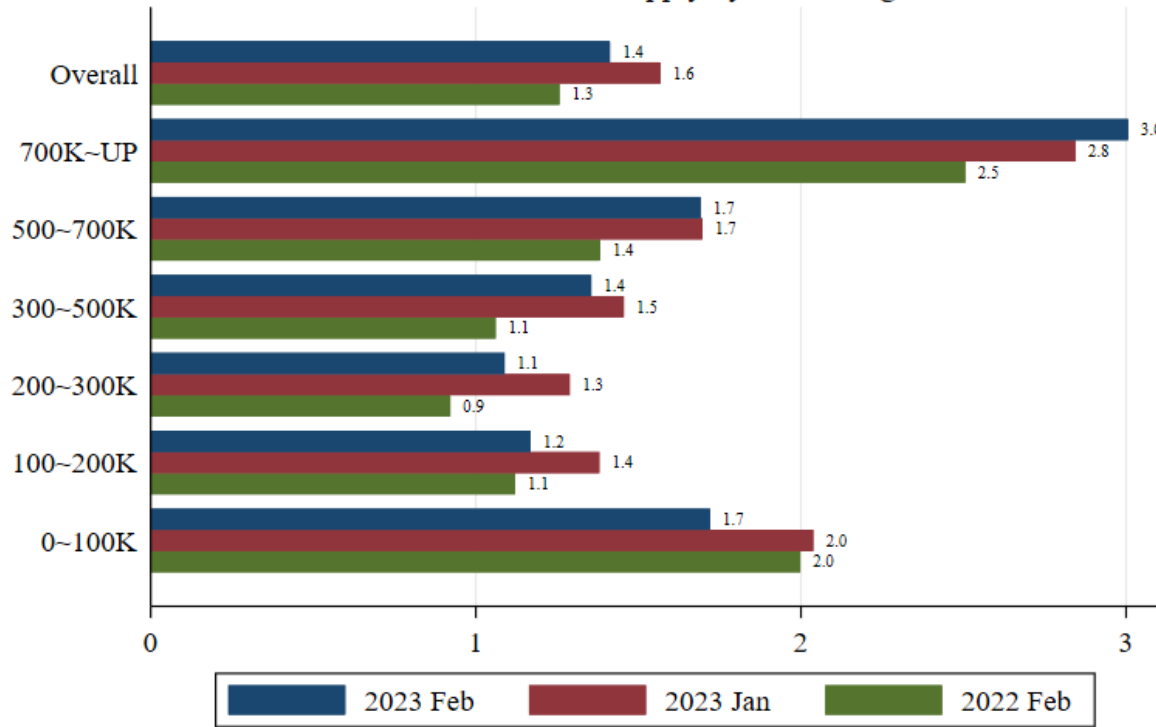
### Chicago PMSA Foreclosure Inventory



Net inflows=Inflows-Outflows

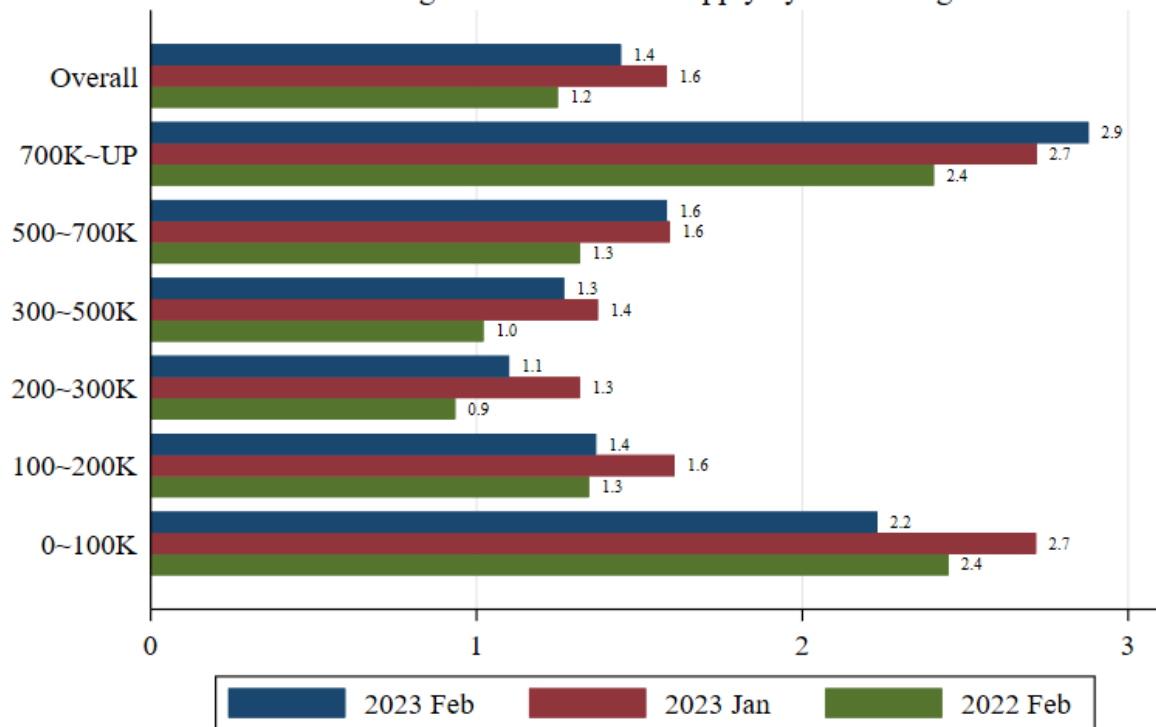
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

Illinois Months' Supply by Price Range

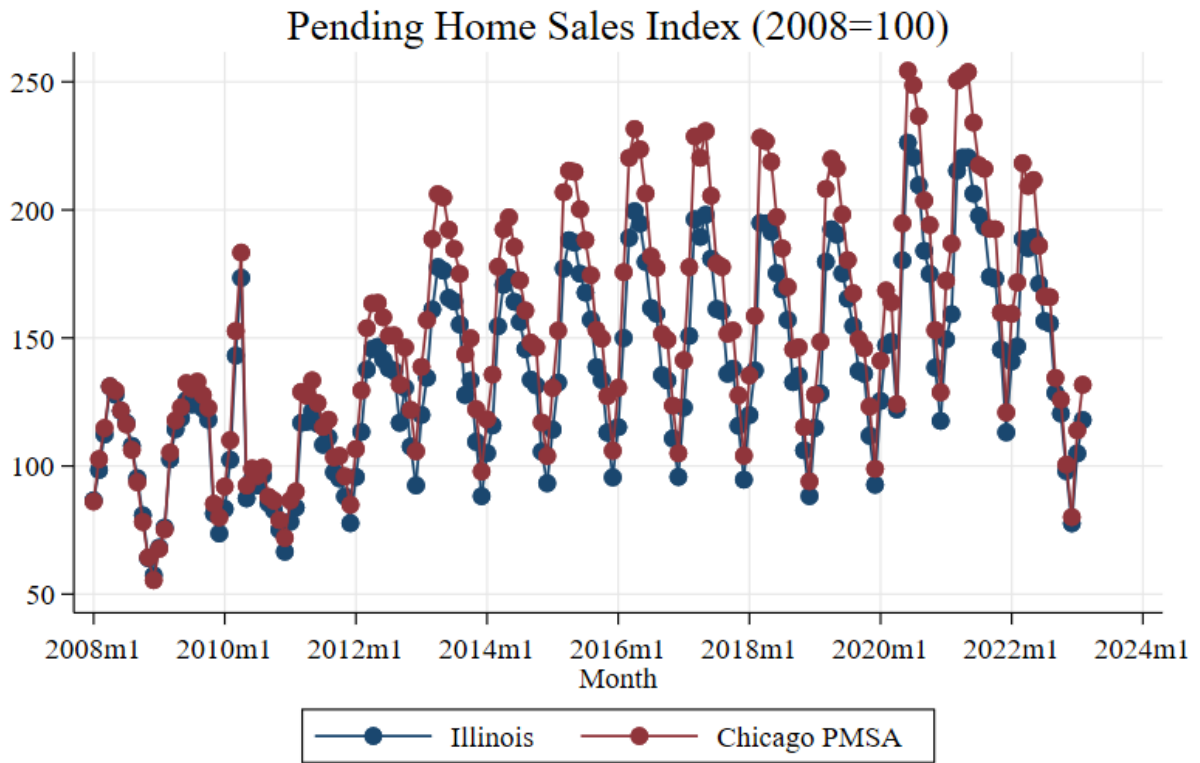


Source:University of Illinois at Chicago SHDRE, Illinois REALTORS

Chicago PMSA Months' Supply by Price Range

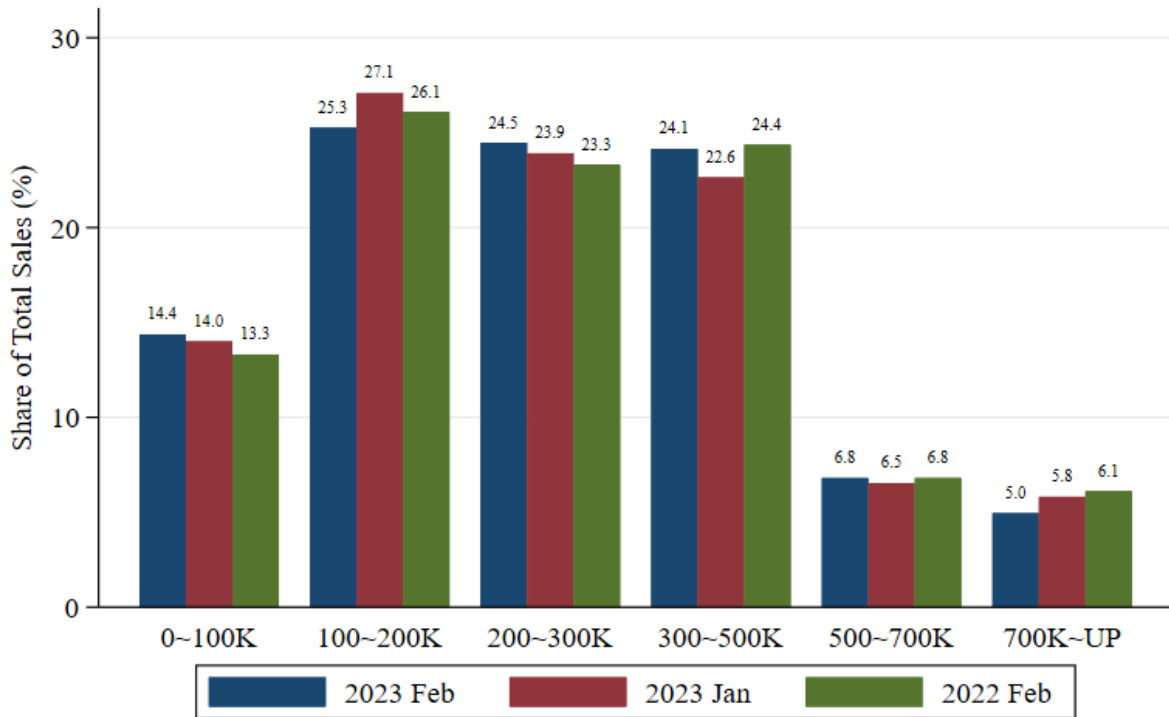


Source:University of Illinois at Chicago SHDRE, Illinois REALTORS



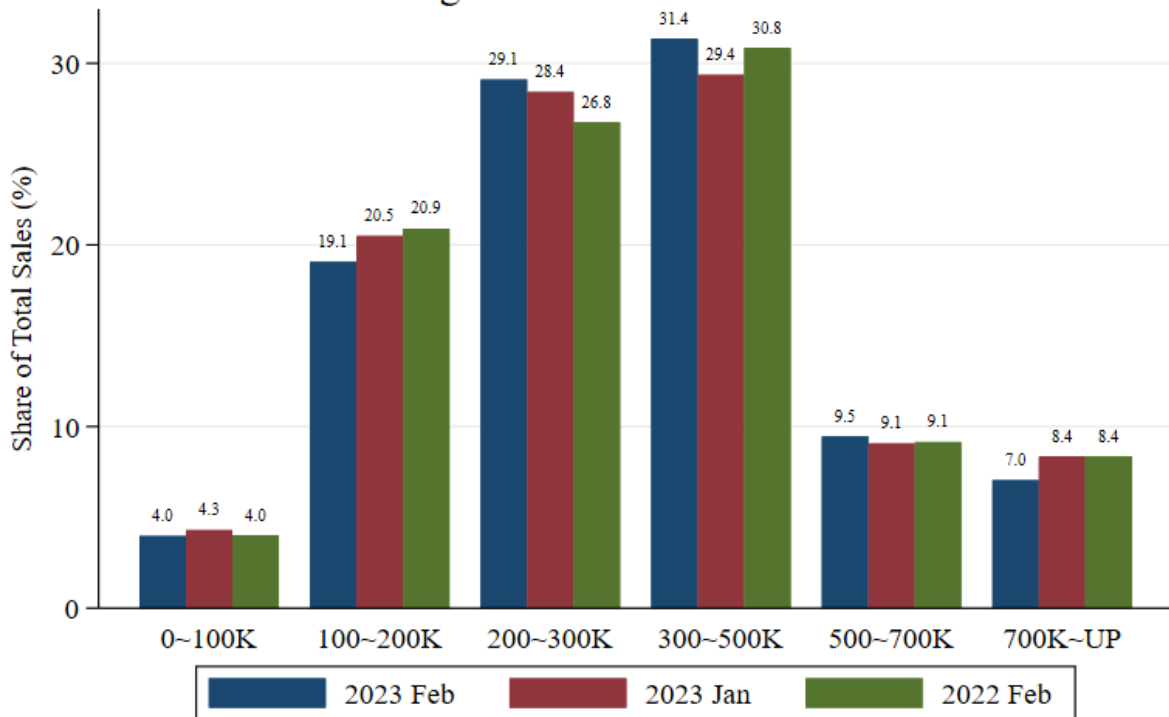
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Price Stratification



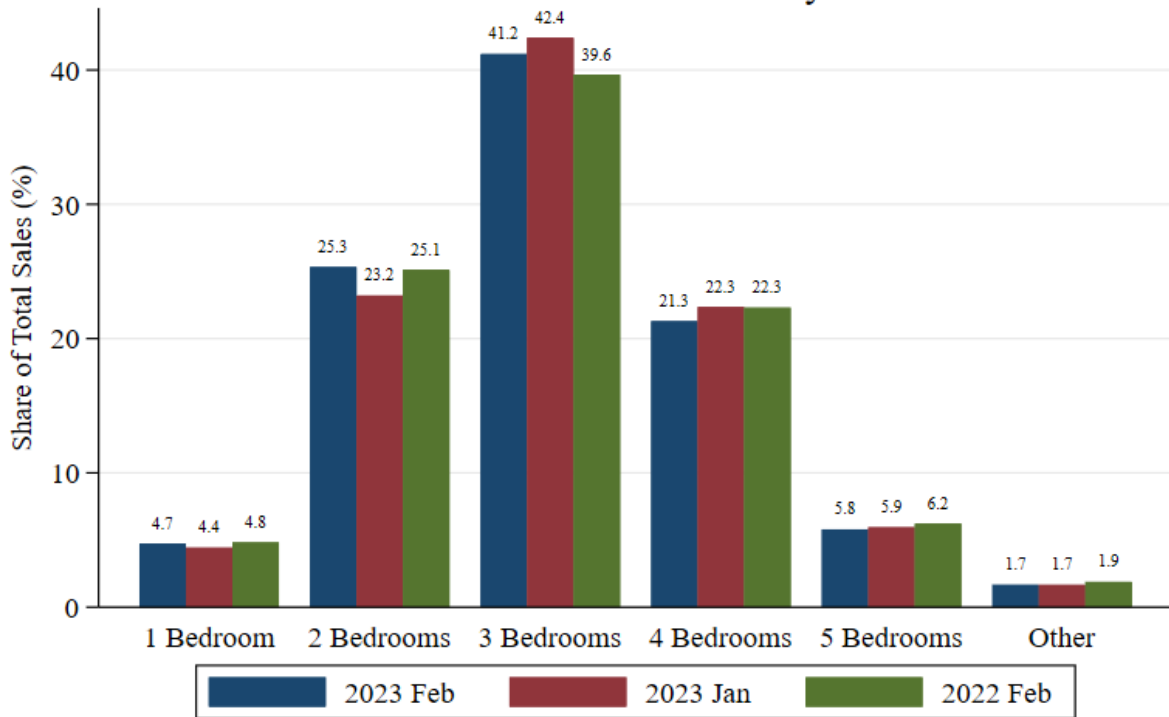
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Price Stratification



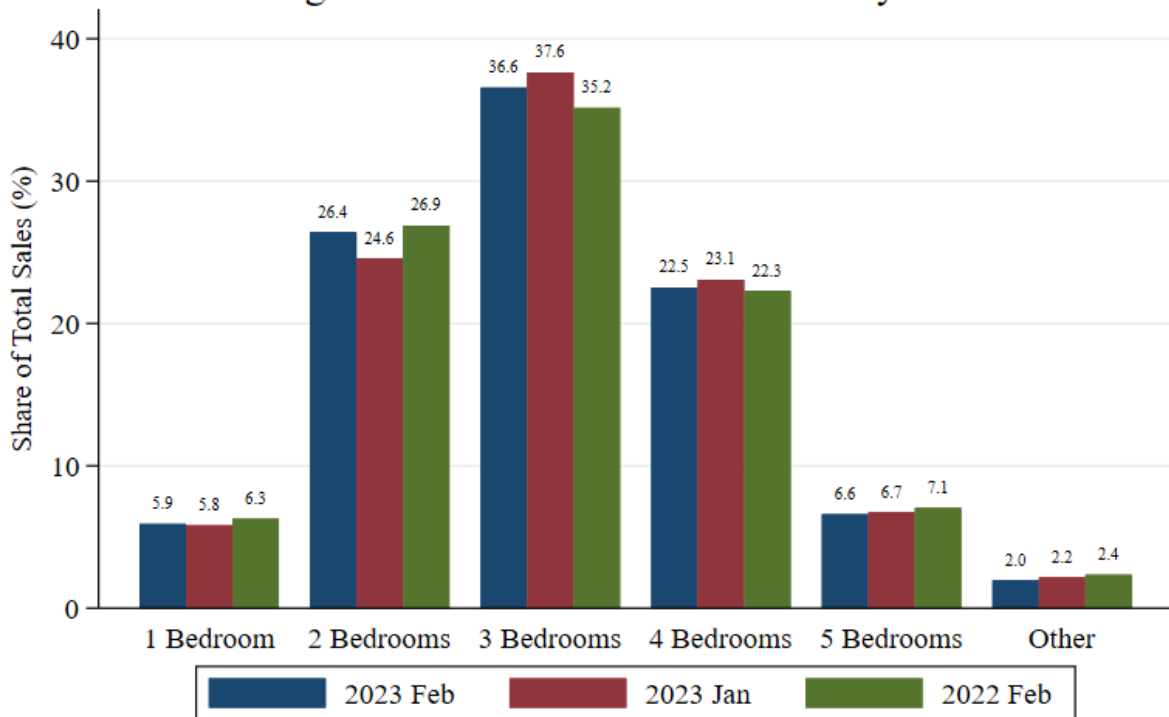
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois House Characteristics by Bedroom



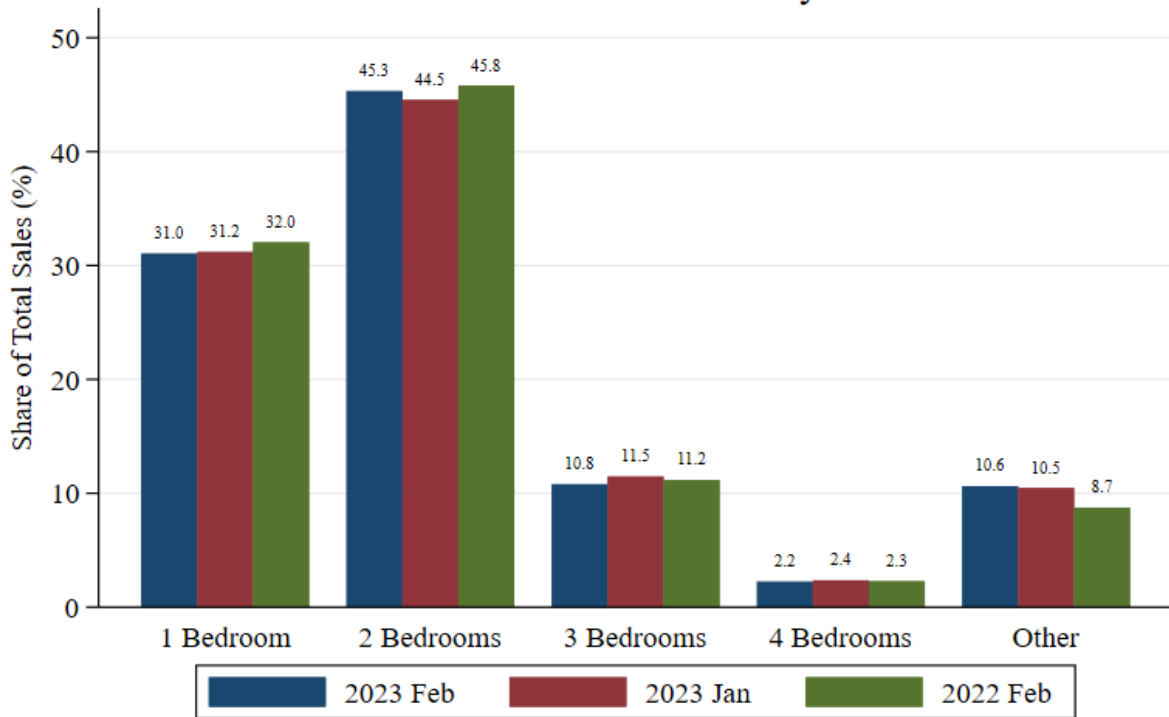
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA House Characteristics by Bedroom



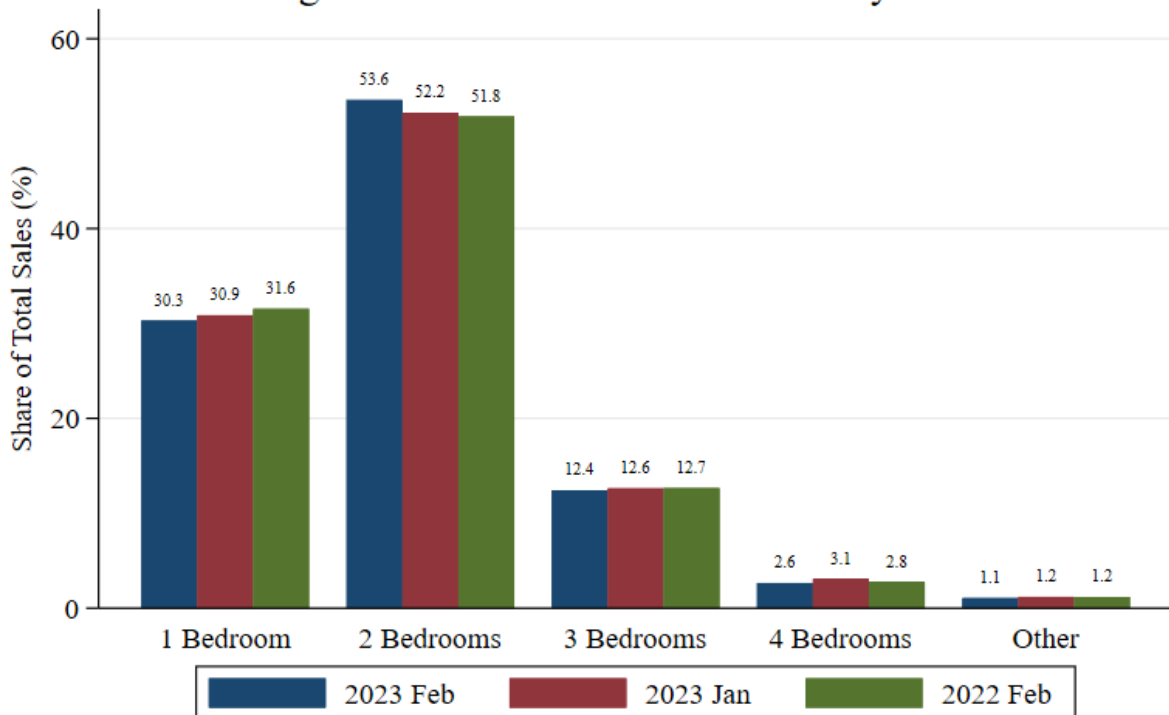
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### Illinois House Characteristics by Bathroom



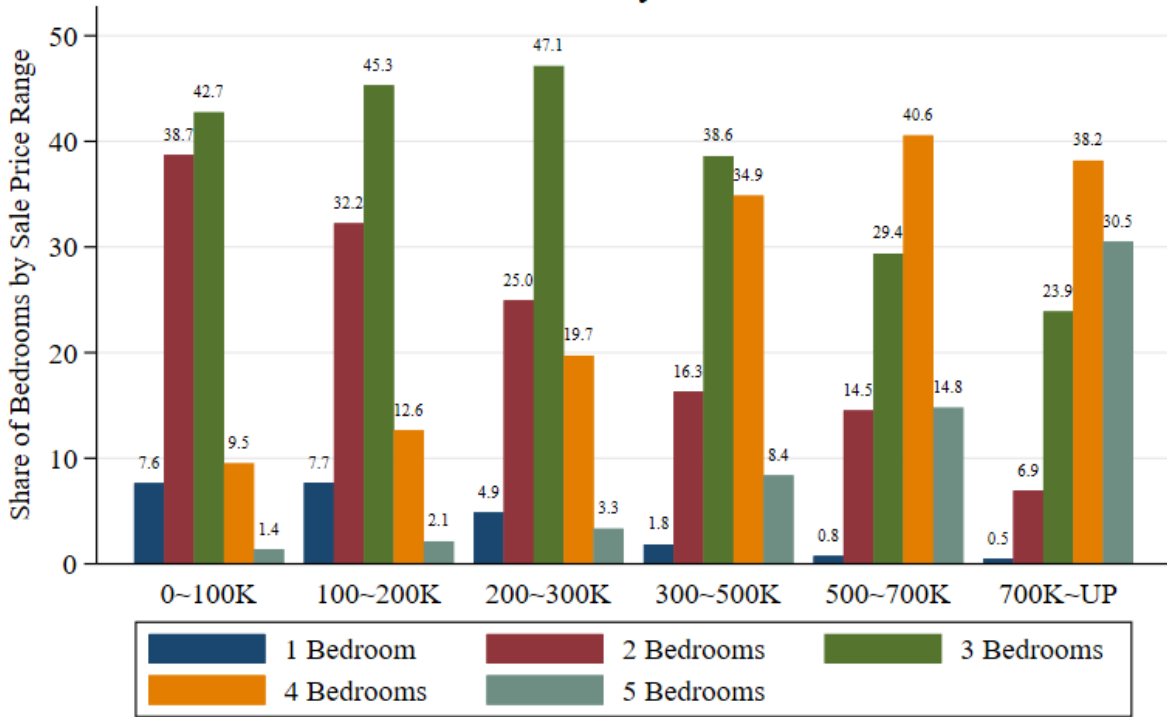
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA House Characteristics by Bathroom



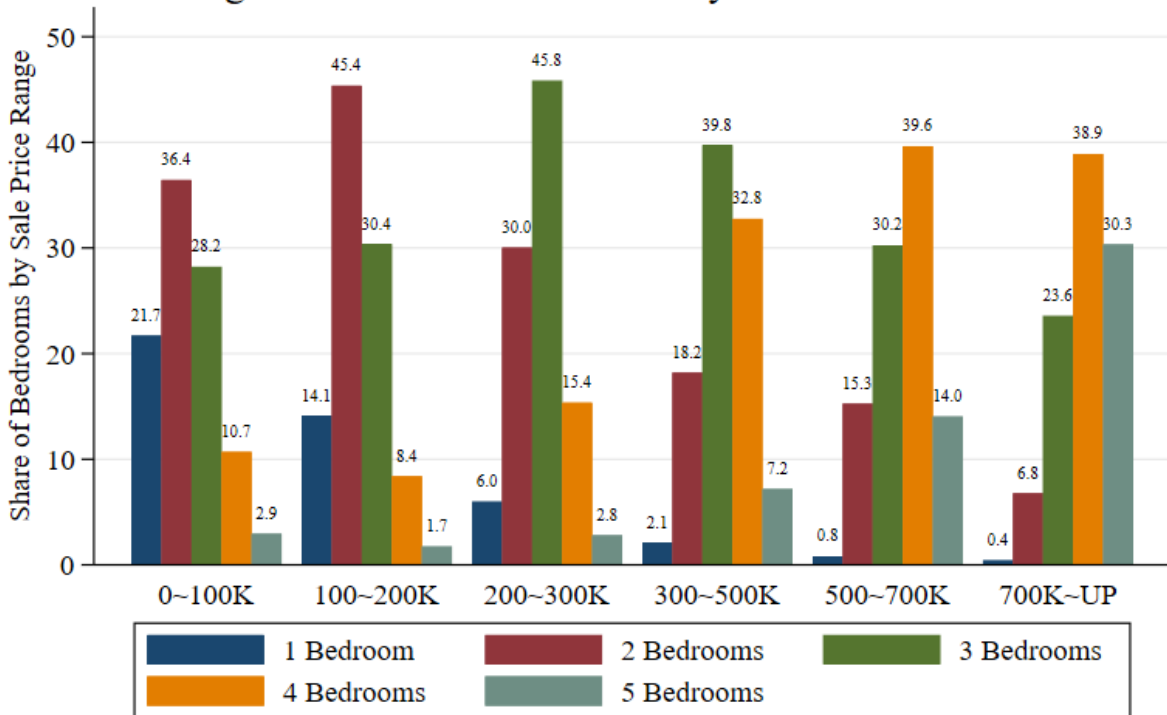
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Illinois Bedroom Shares by Sale Price Stratification



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

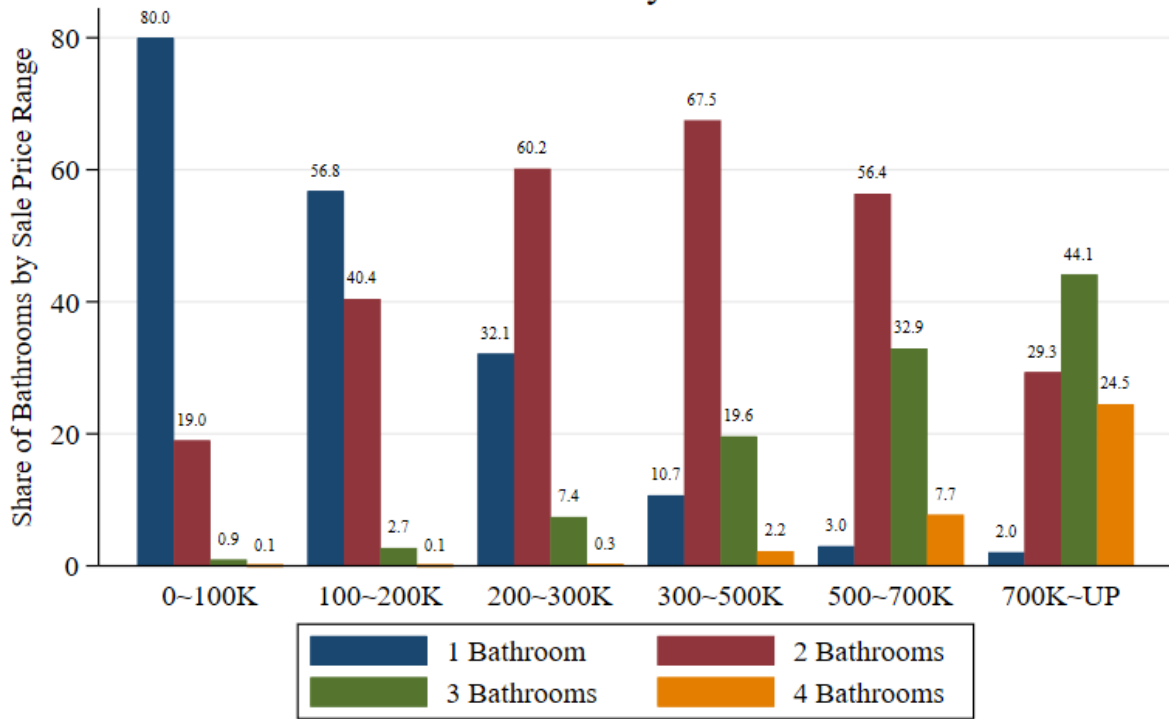
### Chicago PMSA Bedroom Shares by Sale Price Stratification



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

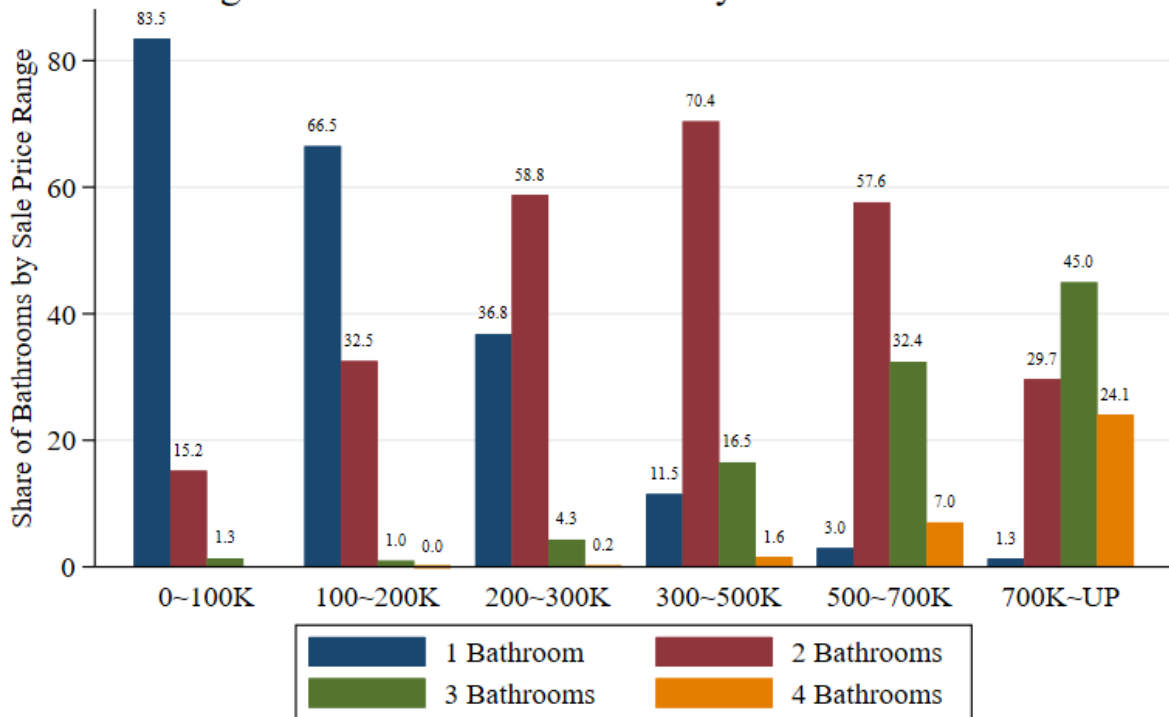


### Illinois Bathroom Shares by Sale Price Stratification



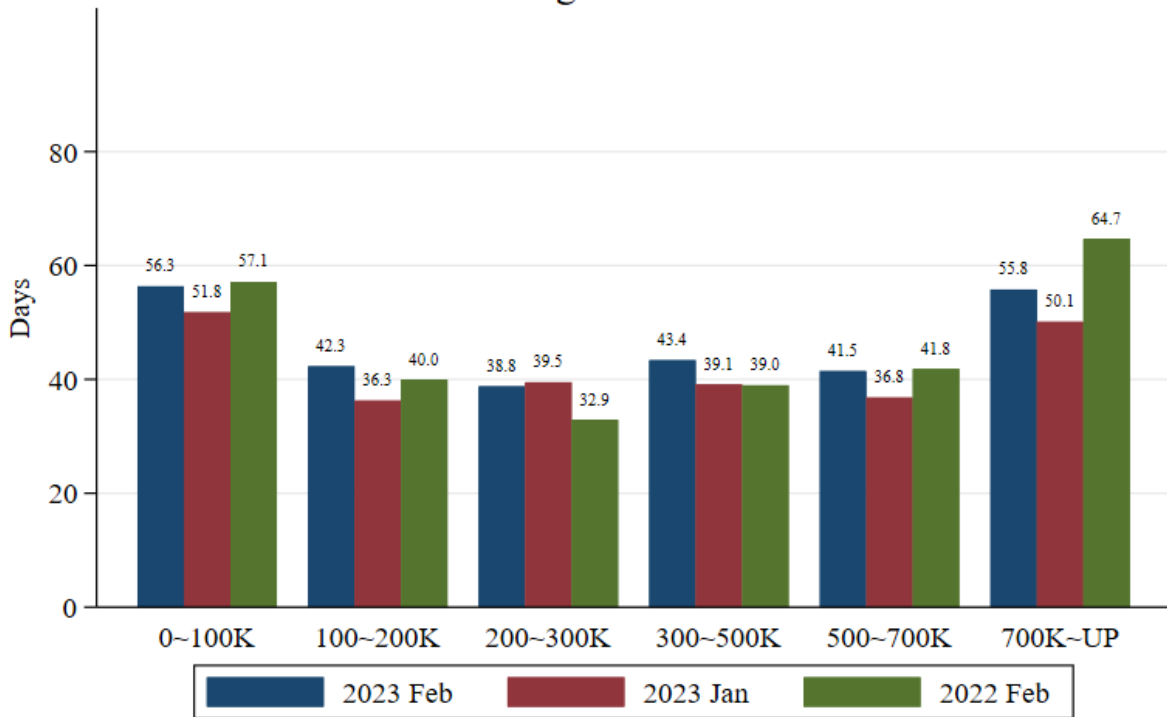
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### Chicago PMSA Bathroom Shares by Sale Price Stratification



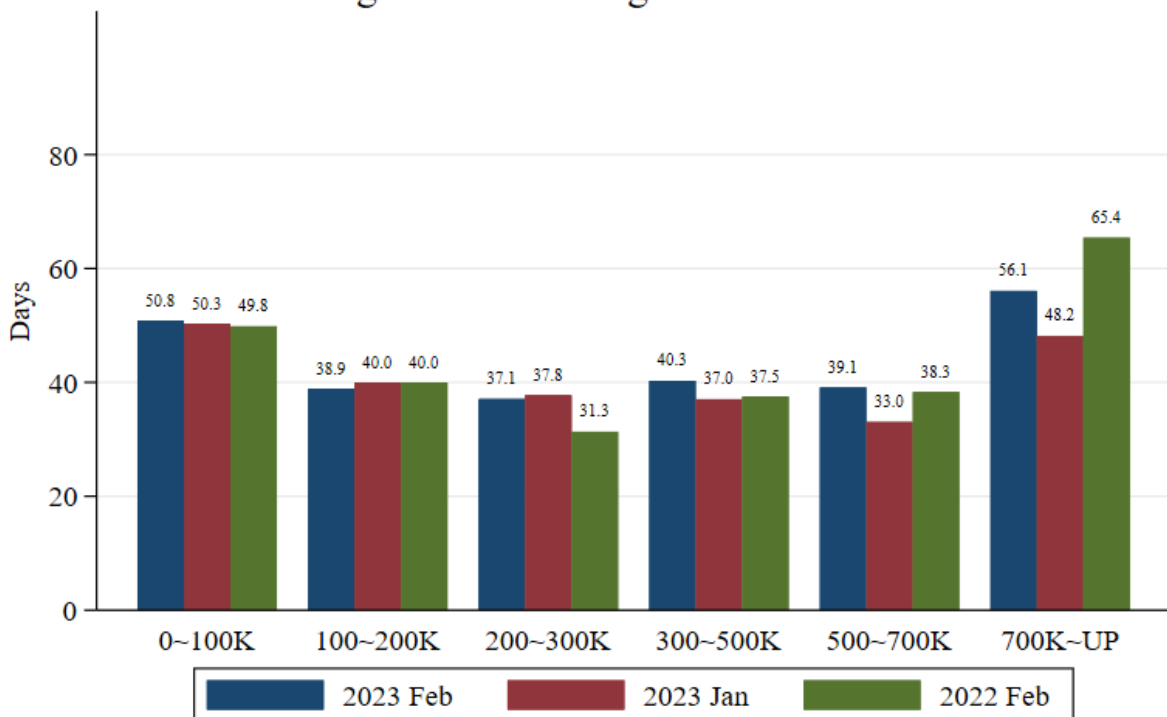
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### Illinois Average Time on the Market



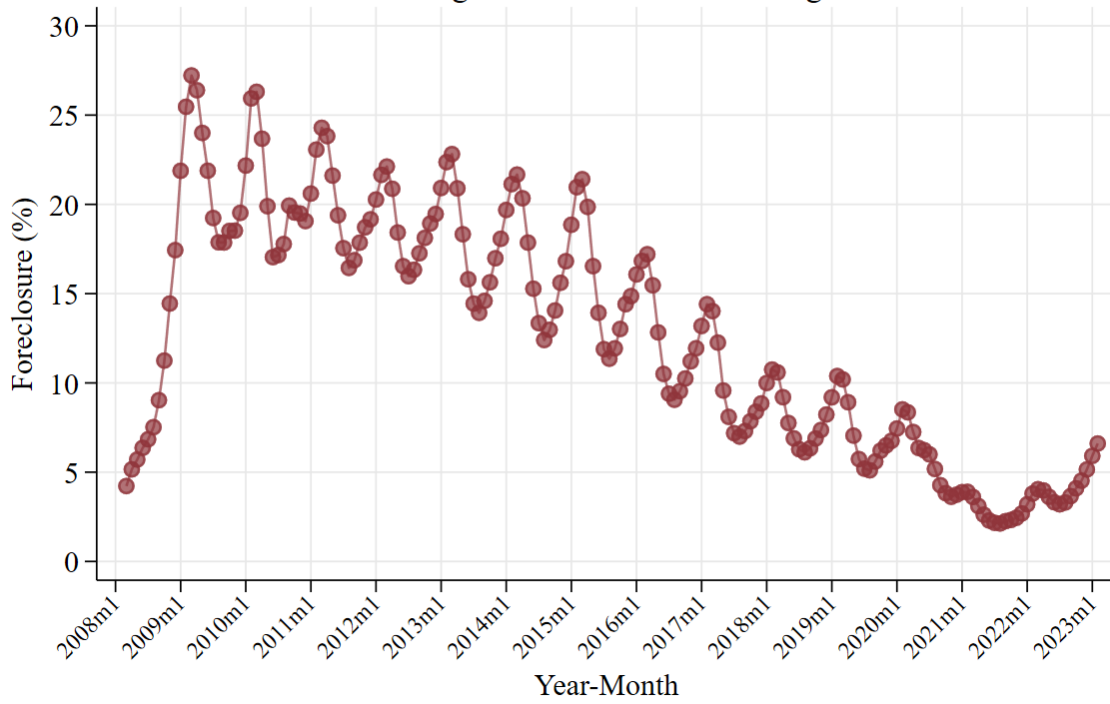
Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

### Chicago PMSA Average Time on the Market



Source: University of Illinois at Chicago SHDRE, Illinois REALTORS

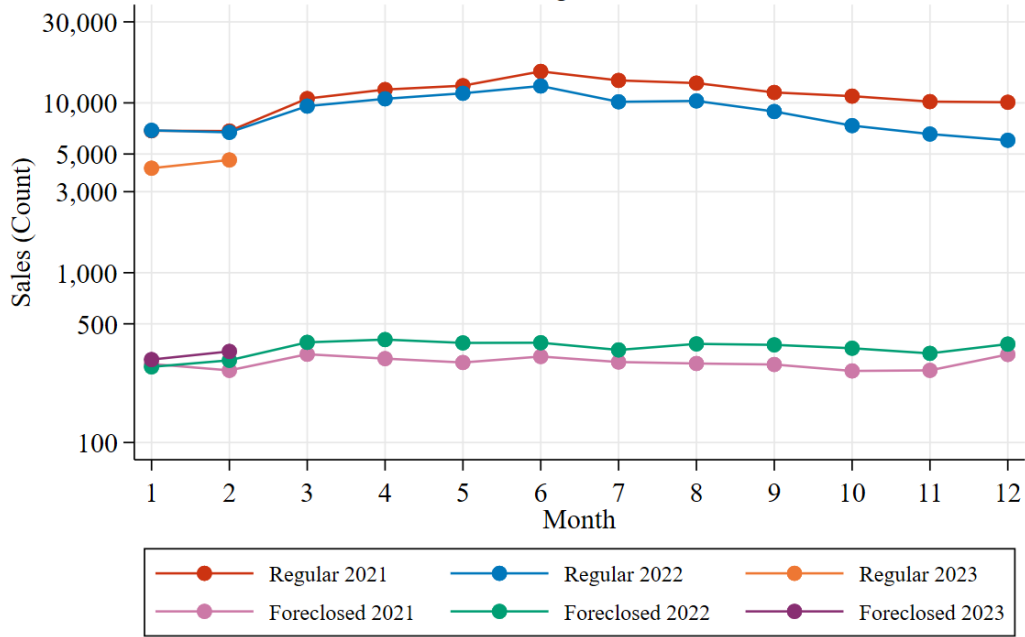
### Ratio of Foreclosed Sales over Total Sales Chicago PMSA - 3 Month Average



### Median Sales Price: Foreclosed vs. Regular Sales



Sales: Foreclosed vs. Regular  
Chicago PMSA



Median Sales Price: Foreclosed vs. Regular  
Chicago PMSA

