

# Housing Price Forecasts, 2017

## Illinois and Chicago MSA

Presented To

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From

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University of Illinois

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## Housing Price Forecasts, 2017

### Introduction: The State of the Economy

By October 2016, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate edged down to 4.9% from 5.0% a year ago. The employed population grew by 2,728,000 and the participation rate increased by 0.3%. According to the Illinois Department of Employment Security (IDES), by October 2016 the Illinois unemployment rate fell to 5.6% from 5.9% a year ago and 29,500 non-farm payroll jobs were created. While professional and business services led the job growth (31,400), manufacturing experienced the largest loss (-10,000).

In October, consumer's confidence is mixed according to three sentiment indices. On the one hand, the Conference Board Consumer Confidence Index increased to 98.6 from 97.6 a year ago. On the other hand, the University of Michigan Consumer Sentiment Index decreased to 87.2 from 90.0. The more housing market specific index, Fannie Mae Home Purchase Sentiment Index (HPSI)<sup>1</sup>, also decreased to 81.7 from 83.2 last October. While more people indicated it was good time to sell, less people felt it was a good time to buy compared to a year ago. Moreover, fewer people felt household incomes were higher in the past 12 months and less people expected home prices to go up in the next 12 months. Furthermore, more survey repliers expected a decrease in mortgage rates, though the general expectation among analysts contacted by the media suggest another increase in interest rates by the end of 2016.

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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.

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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 Illinois experienced higher annual growth rate than forecasted, while median sale prices in the Chicago PMSA and sales in both regions are not significantly different from the forecasts.<sup>2</sup>

Median prices in 2016 showed moderate growth in both Illinois and the Chicago PMSA. In Illinois, annual growth rates for each month varied between 3.9% and 10.1%. The comparative range for the Chicago PMSA was between 4.0% and 10.5%. This has been the fourth consecutive year with positive annual growth rate for each month since 2013.

Sales in 2016 presented mixed annual growth. The growth rates of sales were between -5.4% and 10.3% for Illinois and between -6.1% and 11.2% for the Chicago PMSA. During the first six months of 2016, the annual growth rates were positive. In contrast, the second half of year has witnessed several months of negative annual growth rates. This is likely related to uncertainties from international affairs, increases in the interest rates and the presidential election.

Furthermore, the change of sales in the Chicago PMSA are composed of overall positive growth in regular sales and decreases in foreclosed sales. For the regular sales, the annual growth rates are between -5.2% and 16.3%. For foreclosed sales, the comparative figures are between -19.2% and -3.4%. Moreover, the percentage of foreclosed sales out of total sales continued decreasing to a monthly average of 12.6% in 2016, about one fourth lower than the monthly average of 16.9% between 2009 and 2014 (See Figures: Chicago PMSA Annual Change Rates for Sales Foreclosed vs. Regular sales & Ratio of Foreclosed Sales over Total Sales).

#### Forecasts and Future Condition

Median prices are forecast to continuously grow in 2017 within a narrower and slightly smaller range compared with 2016. On a year-over-year basis, these gains will range from 2.1% to 6.9% for Illinois and 3.8% to 8.4% for the Chicago PMSA. By December 2017, the median price of

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<sup>2</sup> This is to compare the real growth rates in 2016 with the forecasted growth rates in 2015 for 2016, using ANOVA analysis. The significance level of 5% is used. See figures: 2016 Real vs Forecast Annual Sales/Median Prices Change Rates

## Housing Price Forecasts, 2017

homes is forecast to be \$183,914 in Illinois and \$225,494 in Chicago PMSA, respectively 4.6% and 4.8% higher on an annual basis. As a complement to the median housing price index (HPI), the REAL HPI<sup>3</sup> forecasts indicate respectively a stronger and a similar growth trend for Illinois and the Chicago PMSA in the months ahead. In Illinois, the REAL HPI (Jan 2008=1) is forecast to experience a growth rate between 4.3% and 7.5% for Illinois and 2.5% to 8.3% for the Chicago PMSA. REAL HPI takes housing characteristics into account and constructs comparable “baskets” of homes for each month.

As for sales, they are forecast to experience overall positive gains in 2017 and led by the growth of regular sales in the Chicago area and sales in non-Chicago areas. The annual growth in monthly sales is forecast to be in the range from -1.4% to 8.7% for Illinois, relatively flat growth in the first six months and positive gains in the second six months. The comparative range for the Chicago PMSA is from -10.5% to -2.4%. However, the negative growth rates for the Chicago PMSA are likely driven by the trend of declines in the foreclosed sales. If we exclude foreclosed sales from all sales, we obtain the forecasts for the regular sales which indicate a growth range of -3.5 ~ 9.21% for the Chicago PMSA.

According to the latest Freddie Mac MiMi index in October, the housing market activities of Illinois has improved by 50.9% compared to the historic low experienced in September 2011 and ranks 46<sup>th</sup> (three spots lower than last year) among all states. Among the four perspectives this index assesses, the employment situation and portion of on-time mortgages were in the state’s long-run normal ranges, while the other two perspectives measuring home purchase applications and payment-to-income ratios are still weaker than their historically stable levels. The comparative figures for the Chicago Metro is an improvement rate of 47.9% since its historic low in October 2011 and a ranking of 84<sup>th</sup> out of 100 Metro areas. In the Chicago Metro area, in addition to employment, the portion of on-time mortgages was also positioned in the normal range. The MiMi index is released by Freddie Mac intending to monitor on the stability and recovery of the nation’s housing market. They indicate each market’s current conditions as “weak, in range or elevated,” relative to their historic stable level before 2005-2006.

“Over the last 12 months, Illinois’ economy has grown at a much slower rate than the US” noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications Laboratory of the

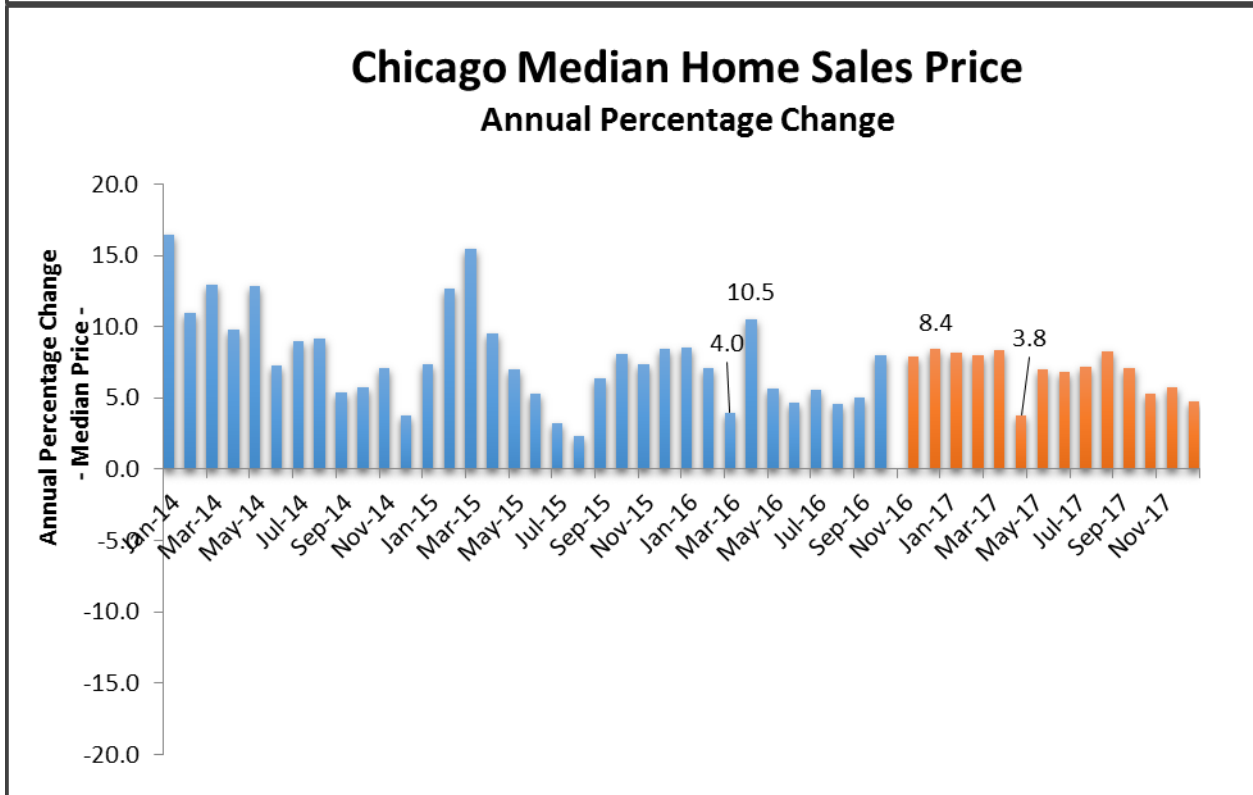
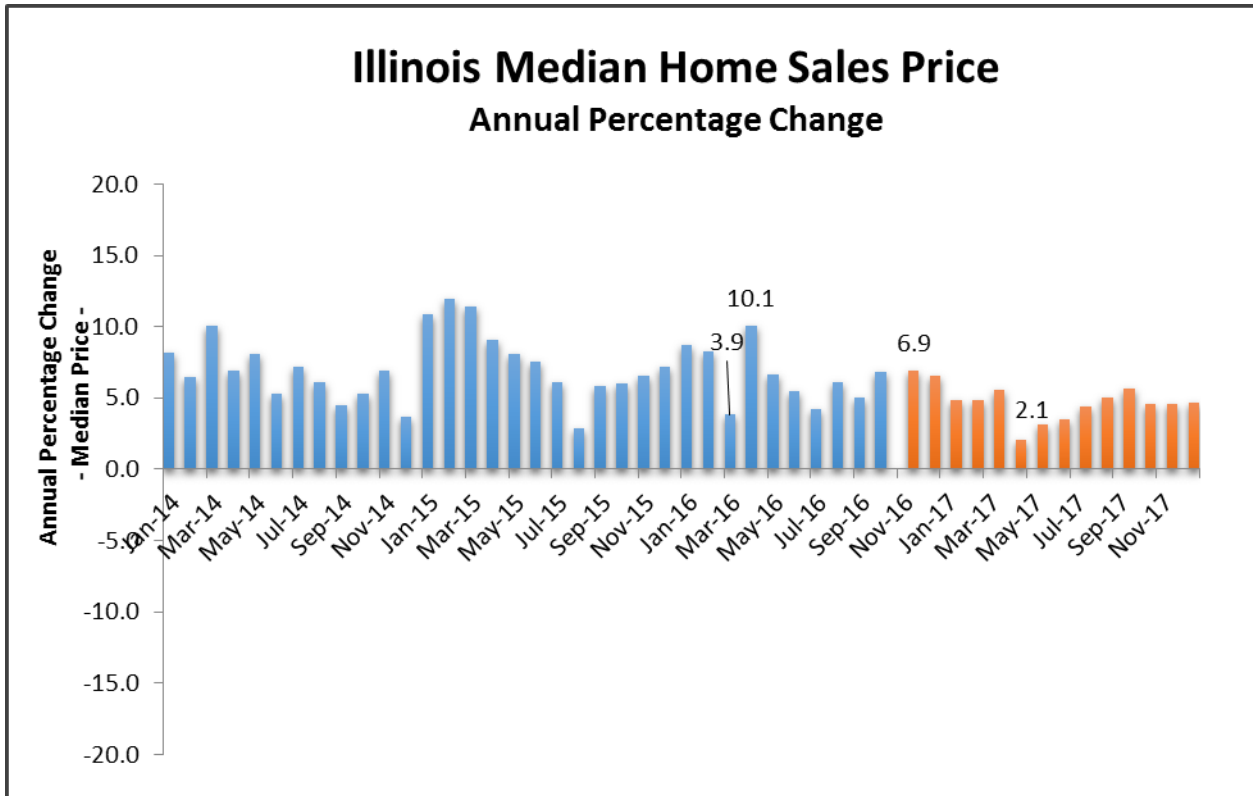
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<sup>3</sup> REAL HPI was developed by Esteban Lopez and Minshu Du. Contact us for further details.

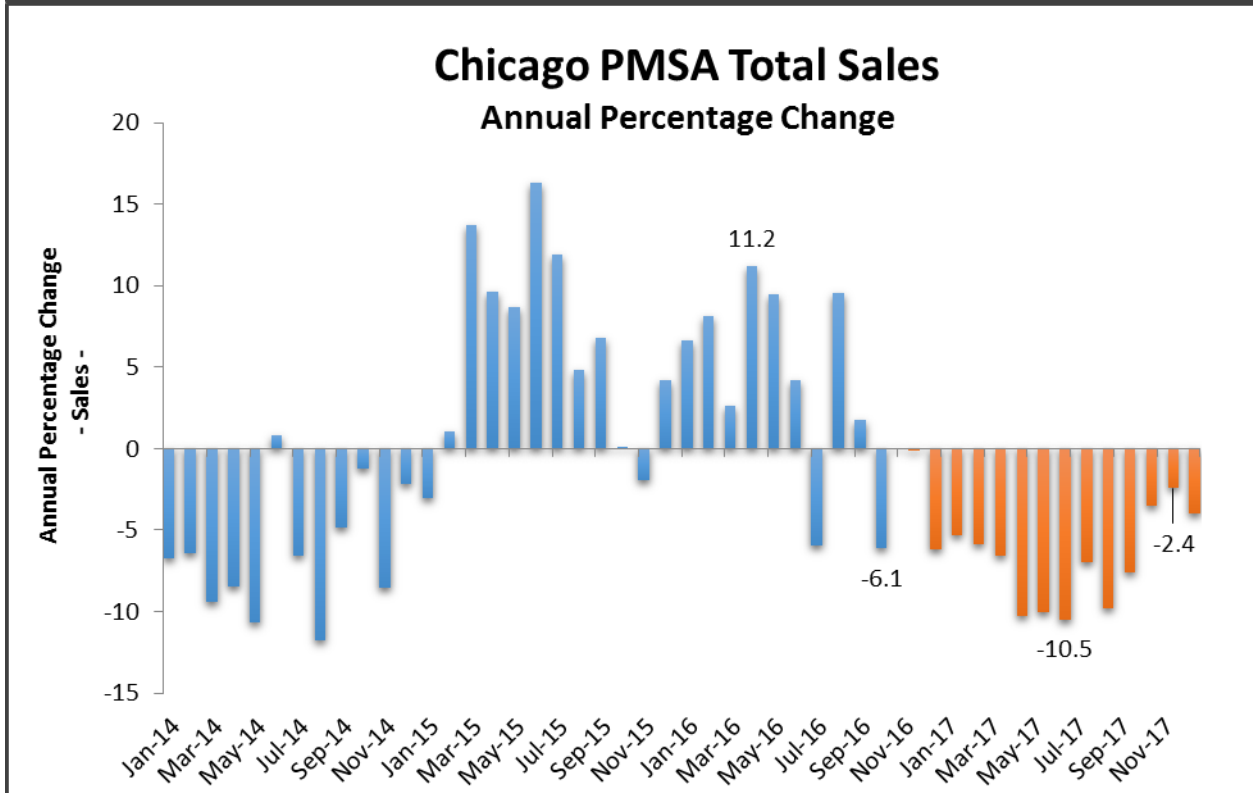
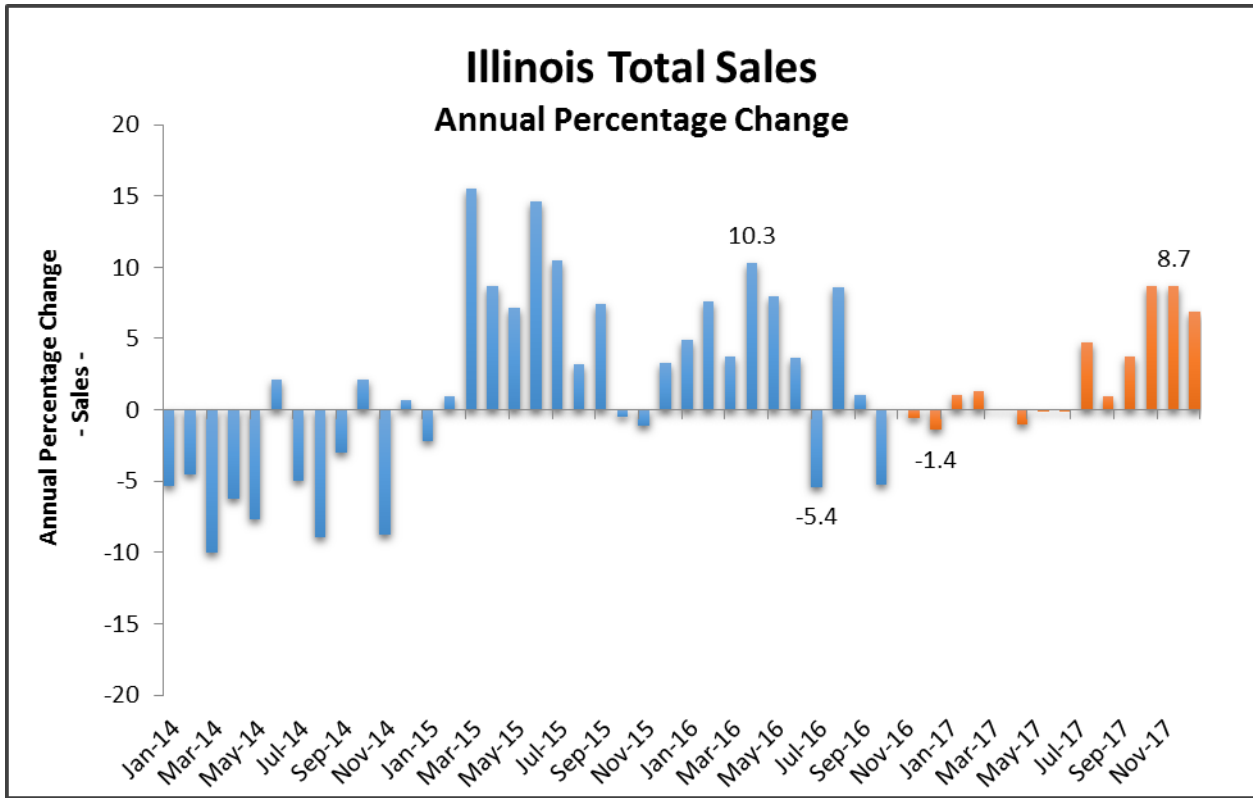
## **Housing Price Forecasts, 2017**

University of Illinois. “The state budget impasse combined with weaker (compared to 2015) employment growth has dampened the housing market. However, prices and sales continue to increase and the prospects for 2017 look similar although the growth rates will be in a narrower band”

## Housing Price Forecasts, 2017



# Housing Price Forecasts, 2017



## Housing Price Forecasts, 2017

Annual Sales Forecast (Nov 2016 to Dec 2017)

<b>Percentage Change Forecasts for the Total Number of Sales</b>								
( Illinois and Chicago PMSA: Forecast range)								
	Monthly				Annually			
	Illinois		Chicago		Illinois		Chicago	
<b>Nov-16</b>	-18.15%	-24.55%	-17.48%	-23.65%	-0.48%	-0.65%	-0.09%	-0.12%
<b>Dec-16</b>	17.12%	23.16%	11.52%	15.59%	-1.21%	-1.63%	-5.26%	-7.12%
<b>Jan-17</b>	-23.81%	-32.21%	-22.73%	-30.75%	0.91%	1.23%	-4.51%	-6.10%
<b>Feb-17</b>	3.24%	4.38%	0.64%	0.87%	1.11%	1.51%	-5.02%	-6.80%
<b>Mar-17</b>	31.84%	43.08%	31.00%	41.94%	0.06%	0.08%	-5.60%	-7.58%
<b>Apr-17</b>	15.26%	20.65%	14.35%	19.41%	-0.90%	-1.22%	-8.74%	-11.83%
<b>May-17</b>	12.60%	17.05%	12.45%	16.85%	-0.14%	-0.19%	-8.52%	-11.52%
<b>Jun-17</b>	13.23%	17.90%	13.97%	18.91%	-0.10%	-0.14%	-8.94%	-12.09%
<b>Jul-17</b>	-8.25%	-11.16%	-9.45%	-12.78%	4.03%	5.46%	-5.92%	-8.02%
<b>Aug-17</b>	-1.17%	-1.59%	-1.01%	-1.37%	0.78%	1.06%	-8.36%	-11.31%
<b>Sep-17</b>	-10.98%	-14.85%	-12.70%	-17.19%	3.21%	4.35%	-6.47%	-8.75%
<b>Oct-17</b>	-6.61%	-8.94%	-7.55%	-10.21%	7.36%	9.96%	-2.98%	-4.03%
<b>Nov-17</b>	-18.12%	-24.52%	-16.72%	-22.62%	7.40%	10.02%	-2.05%	-2.78%
<b>Dec-17</b>	15.40%	20.83%	9.97%	13.49%	5.85%	7.91%	-3.39%	-4.58%

Negative variations are in red.

Annual Median Prices Forecast (Nov 2016 to Dec 2017)

<b>Summary of the Forecast for the Median Price</b>					
( Illinois and Chicago PMSA)					
	Illinois	Chicago		Illinois	Chicago
<b>Nov-16</b>	\$176,441	\$210,368	<b>Nov-15</b>	\$165,000	\$195,000
<b>Dec-16</b>	\$175,785	\$215,192	<b>Dec-15</b>	\$165,000	\$198,500
<b>Jan-17</b>	\$170,882	\$205,559	<b>Jan-16</b>	\$163,000	\$190,000
<b>Feb-17</b>	\$167,739	\$202,248	<b>Feb-16</b>	\$160,000	\$187,354
<b>Mar-17</b>	\$180,728	\$227,533	<b>Mar-16</b>	\$171,250	\$210,000
<b>Apr-17</b>	\$189,900	\$238,667	<b>Apr-16</b>	\$186,000	\$230,000
<b>May-17</b>	\$199,051	\$249,913	<b>May-16</b>	\$193,000	\$233,500
<b>Jun-17</b>	\$210,184	\$259,088	<b>Jun-16</b>	\$203,000	\$242,500
<b>Jul-17</b>	\$206,711	\$254,621	<b>Jul-16</b>	\$198,000	\$237,500
<b>Aug-17</b>	\$200,618	\$248,923	<b>Aug-16</b>	\$191,000	\$230,000
<b>Sep-17</b>	\$190,125	\$233,508	<b>Sep-16</b>	\$180,000	\$218,000
<b>Oct-17</b>	\$187,129	\$227,453	<b>Oct-16</b>	\$179,000	\$216,000
<b>Nov-17</b>	\$184,569	\$222,526			
<b>Dec-17</b>	\$183,914	\$225,494			

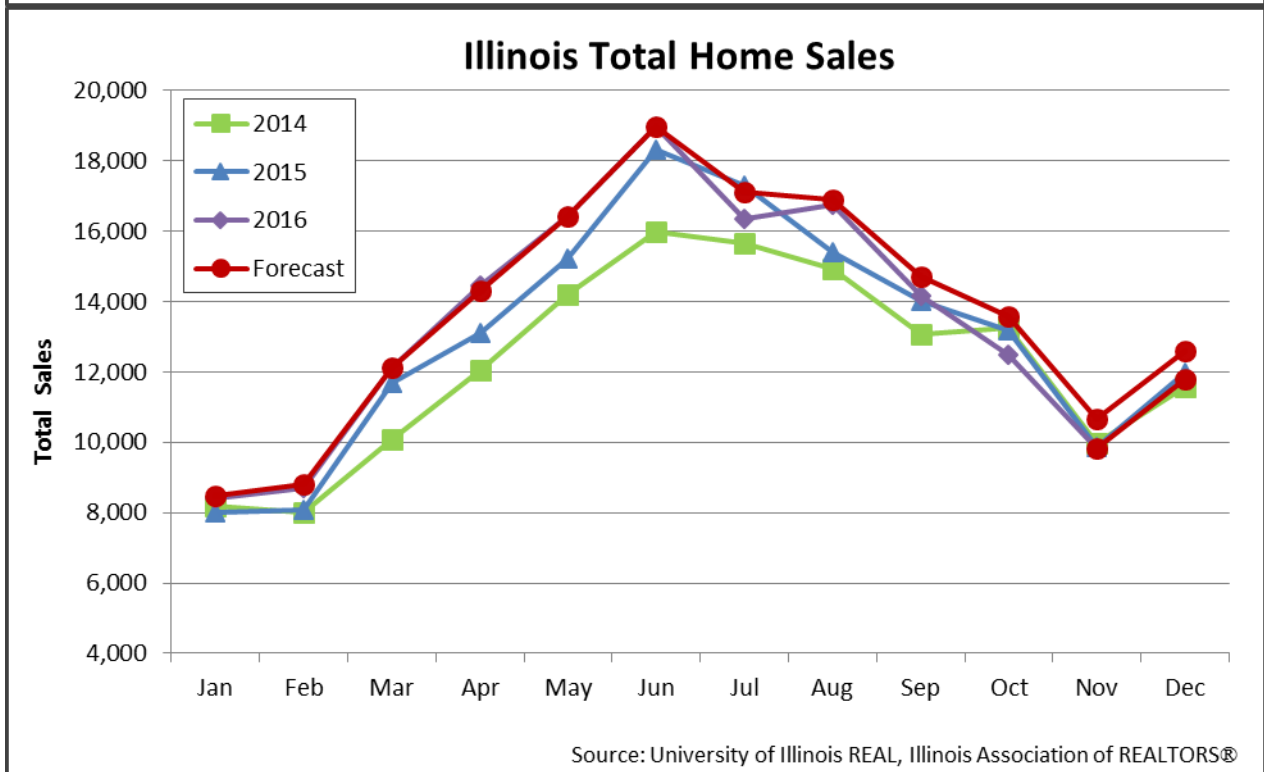
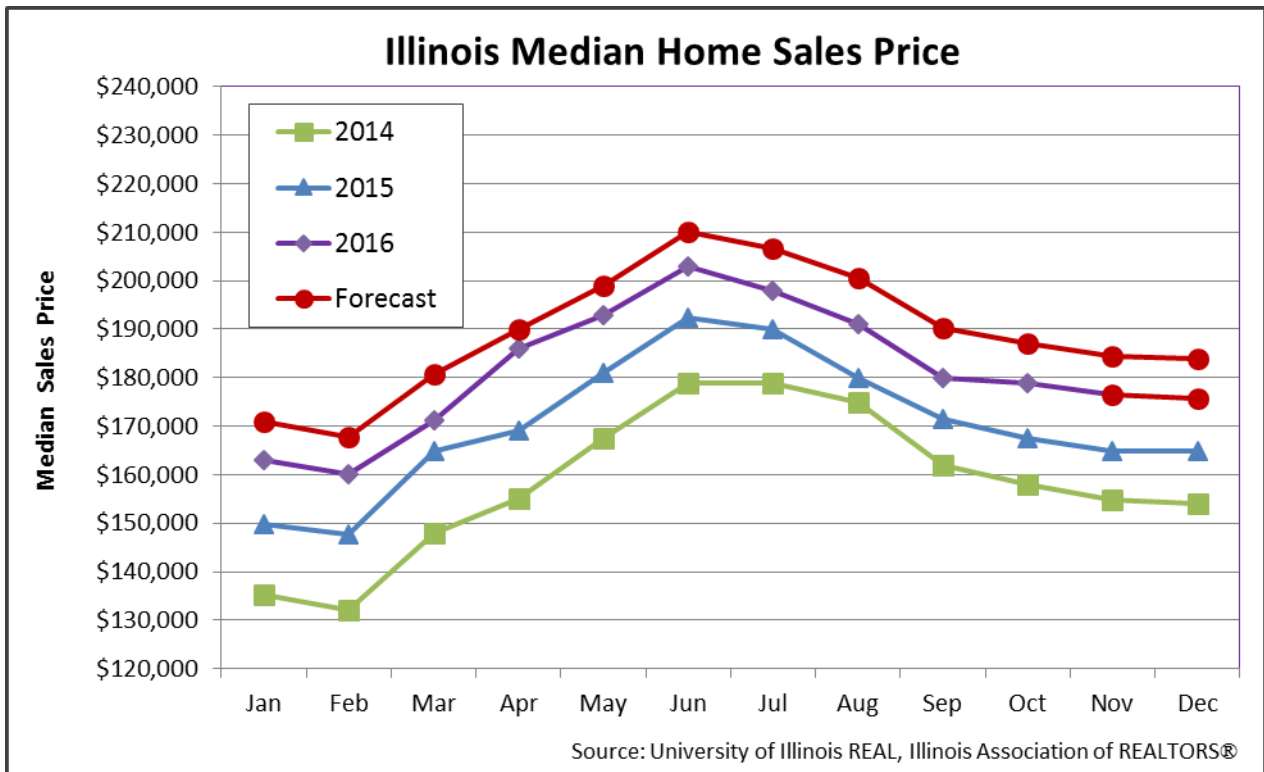


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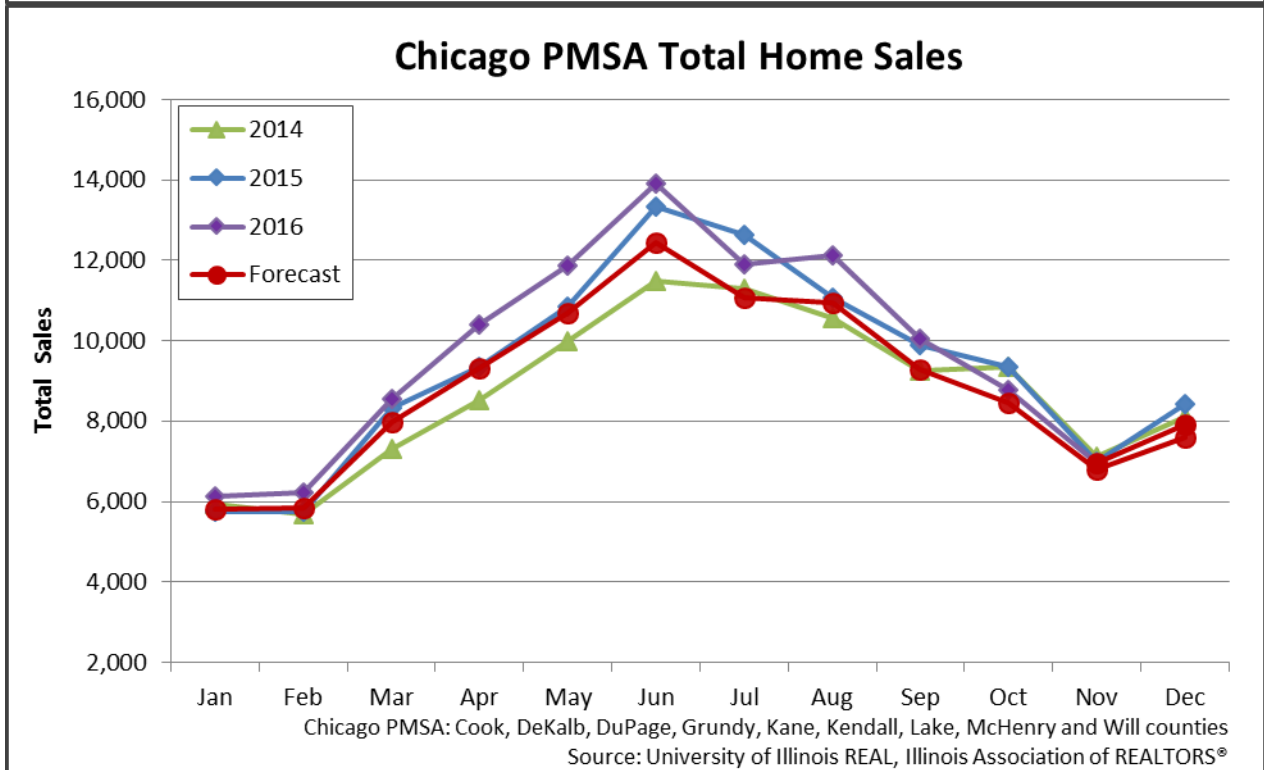
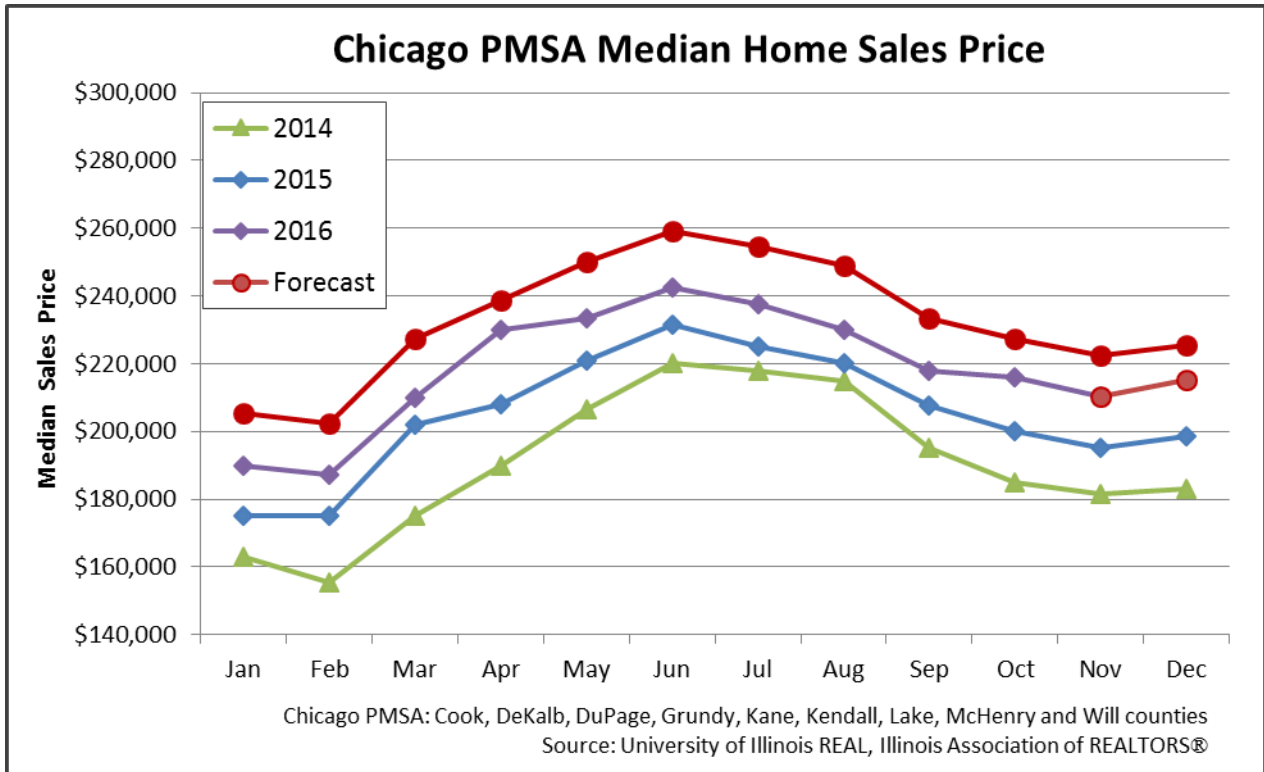
Annual Forecasts for Regular Property Sales in Chicago PMSA (Nov 2016 to Dec 2017)

<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-16</b>	5,754	-1.20%	-1.63%	\$224,837	4.58%
<b>Dec-16</b>	6,958	-2.50%	-3.39%	\$228,973	5.81%
<b>Jan-17</b>	4,896	-1.72%	-2.33%	\$221,697	5.57%
<b>Feb-17</b>	4,971	-1.61%	-2.18%	\$224,269	6.85%
<b>Mar-17</b>	7,152	-0.14%	-0.19%	\$244,097	7.06%
<b>Apr-17</b>	8,776	-2.55%	-3.46%	\$255,661	4.35%
<b>May-17</b>	10,341	-1.79%	-2.42%	\$260,198	6.20%
<b>Jun-17</b>	12,497	-0.76%	-1.03%	\$267,927	6.11%
<b>Jul-17</b>	11,129	3.73%	5.04%	\$262,874	5.19%
<b>Aug-17</b>	10,743	-0.49%	-0.66%	\$255,200	6.33%
<b>Sep-17</b>	9,110	2.15%	2.91%	\$243,064	6.14%
<b>Oct-17</b>	8,184	6.03%	8.16%	\$240,341	4.76%
<b>Nov-17</b>	6,215	6.81%	9.21%	\$237,839	5.78%
<b>Dec-17</b>	7,436	5.84%	7.91%	\$240,733	5.14%

## Housing Price Forecasts, 2017

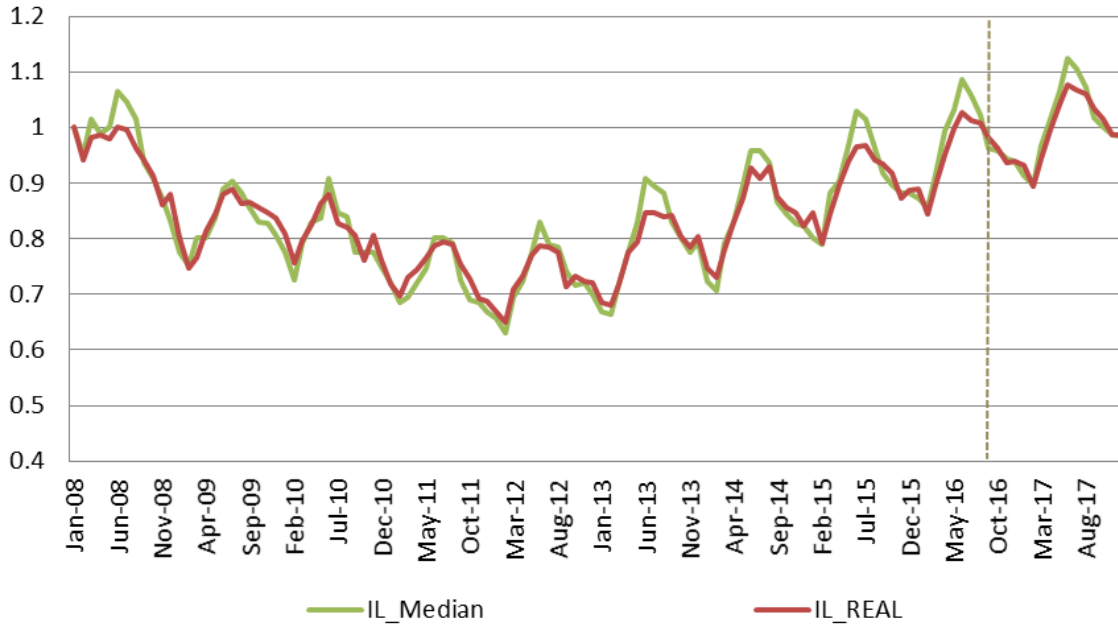


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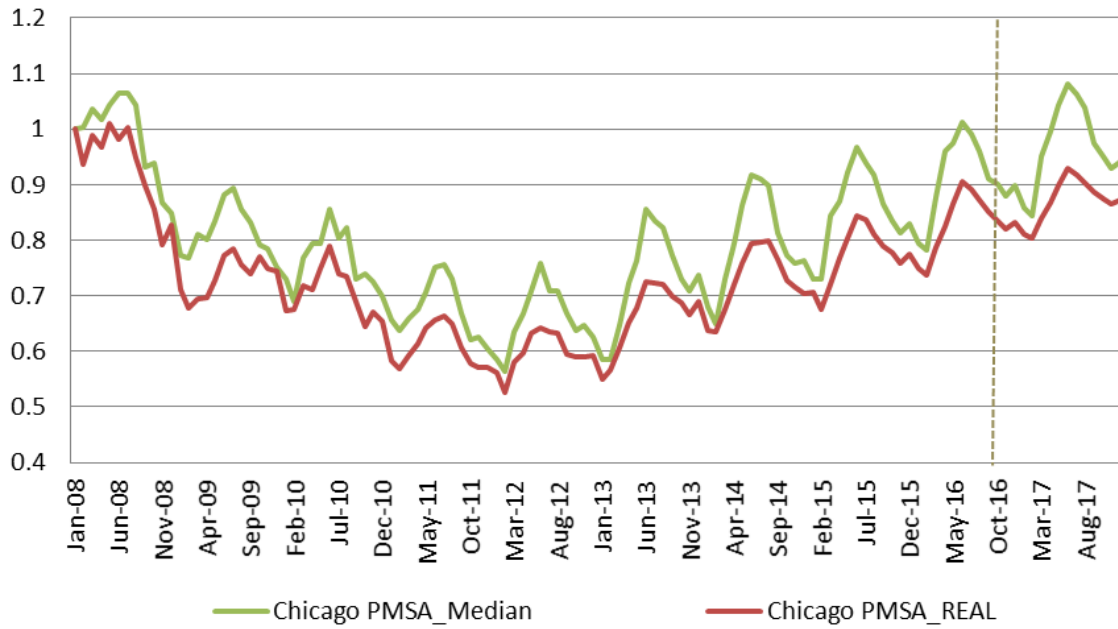


# Housing Price Forecasts, 2017

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

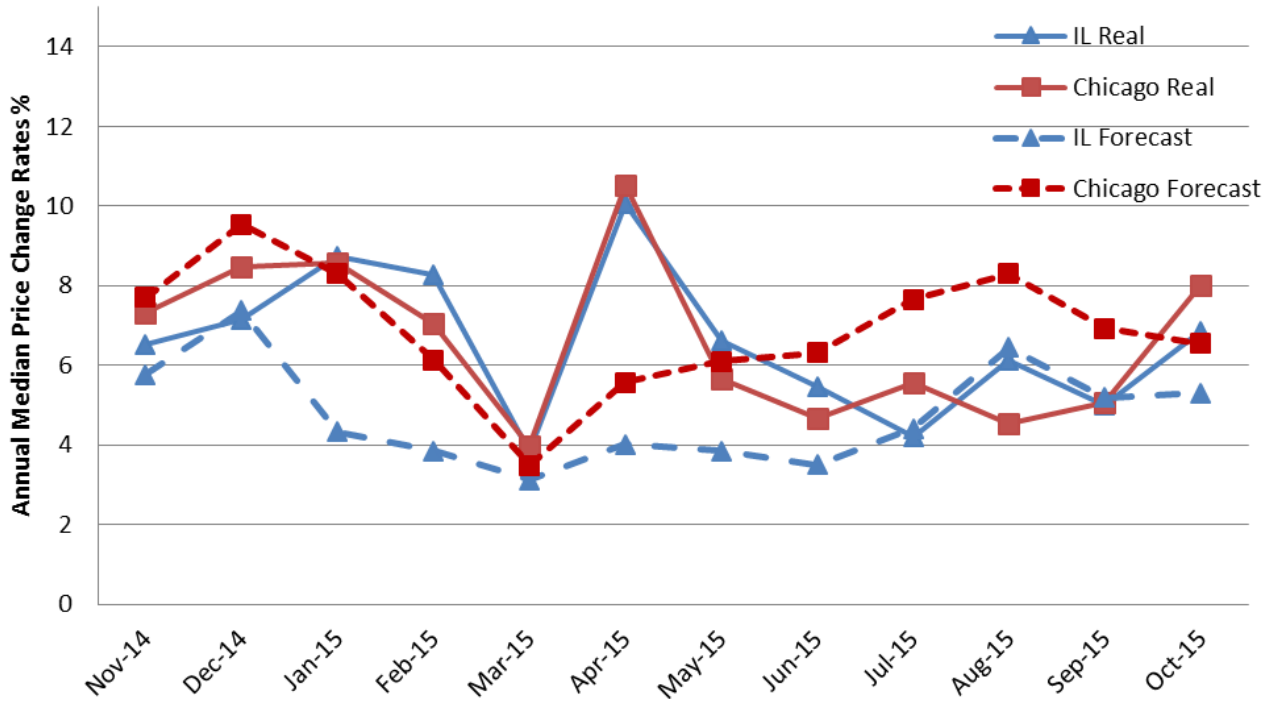


## Chicago PMSA Housing Price Index (Jan 2008=1)

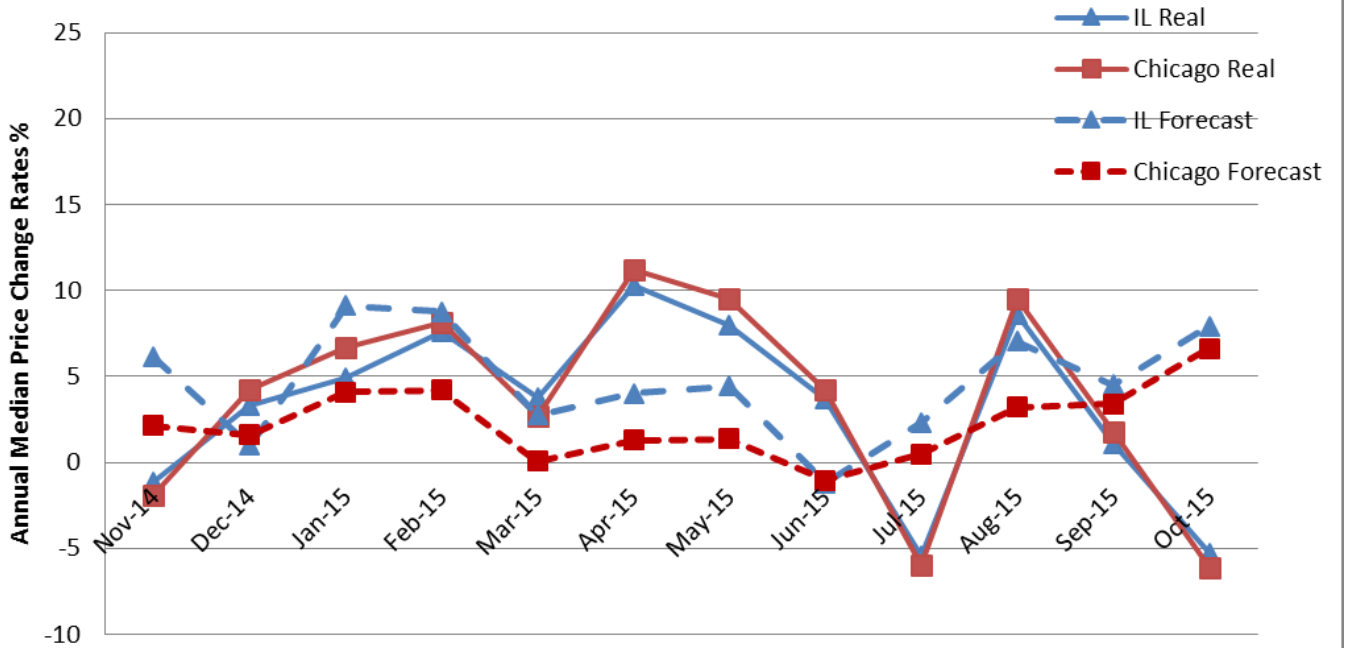


## Housing Price Forecasts, 2017

### 2016 Real vs Forecast Annual Median Price Change Rates

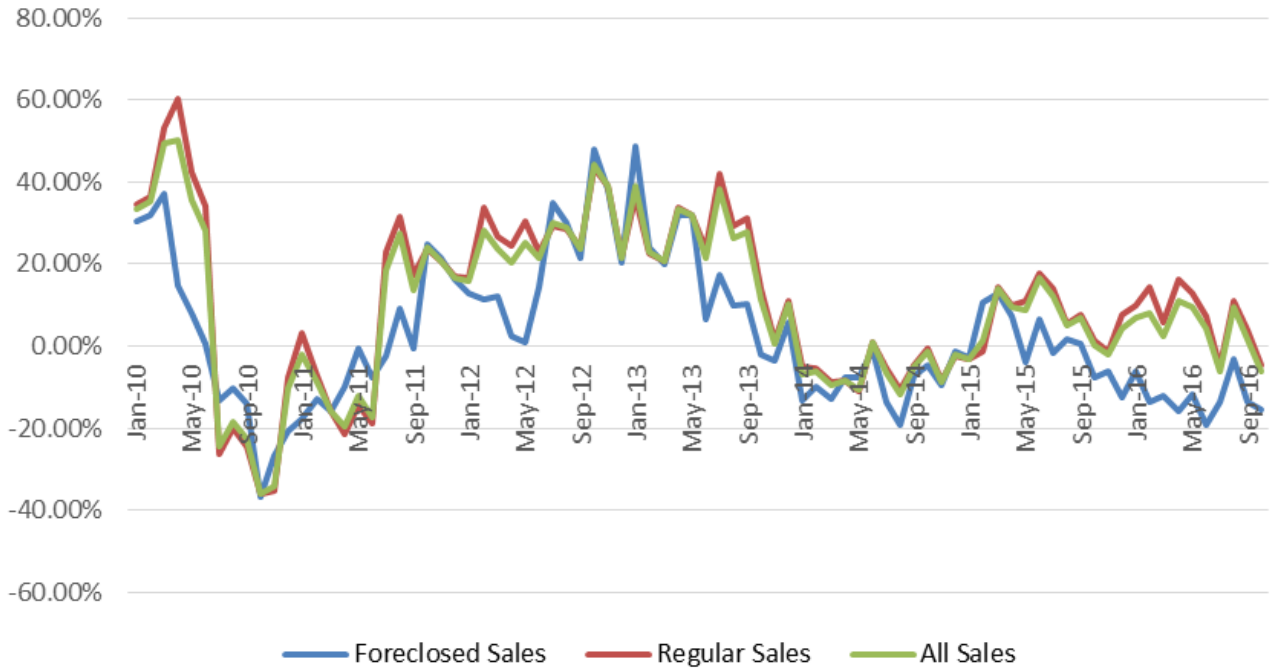


### 2016 Real vs Forecast Annual Sales Change Rates



## Housing Price Forecasts, 2017

### Chicago PMSA Annual Change Rates for Sales Foreclosed vs. Regular Sales



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

