

# Housing Price Forecasts, 2016

## Illinois and Chicago MSA

Presented To

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From

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Regional Economics Applications Laboratory,  
Institute of Government and Public Affairs  
University of Illinois

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Contact: Geoffrey Hewings 217-333-4740 ([hewings@illinois.edu](mailto:hewings@illinois.edu))  
Xian Fang 217-244-7226 ([fang21@illinois.edu](mailto:fang21@illinois.edu))

## Housing Price Forecasts, 2015

### Introduction: The State of the Economy

By October 2015, according to the Bureau of Labor Statistics (BLS) Employment Situation report, the national unemployment rate continued to decline to an eight-year low of 5.0%. Nonfarm payroll jobs experienced an annual gain of 2,760,000 jobs. Statewide, according to Illinois Department of Employment Security (IDES), by October 2015 the Illinois unemployment rate fell to 5.4% from 6.3% a year ago and 40,300 non-farm payroll jobs were created. While professional and business services led the job growth (21,700), manufacturing experienced the largest loss (-10,000).

Both the broader view of consumer's confidence and home purchase sentiment are higher than the same time last year. In October, the University of Michigan Consumer Sentiment Index increased to 90.0 from 86.9. Similarly, the Conference Board Consumer Confidence Index increased to 97.6 from 94.5 a year ago. These readings of confidence levels are high compared with their historic records, and mainly backed up by the positive employment news. Fannie Mae Home Purchase Sentiment Index (HPSI)<sup>1</sup> increased to 83.2 in October, reaching its highest October reading dating back to its inception in 2011. However, 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, home prices were also expected to go up in the next 12 months but household income was not expected to move in the same way. Furthermore, more survey repliers expected an increase in mortgage rates. Not surprisingly, after many months of media attention to the Federal Reserve's monetary policy, many analysts are expecting movement in interest rates in December of this year.

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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, 2015**

### **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 more a more mixed trend.<sup>2</sup> Median prices in 2015 showed moderate growth in both Illinois and the Chicago PMSA. In Illinois, annual growth rates prices for each month varied between 2.9% and 12.1%. The comparative range for the Chicago PMSA is between 2.3% and 15.3%. This has been the third consecutive year with positive annual growth rate for each month since 2013. Furthermore, in Chicago PMSA, regular sales and foreclosed sales experienced similar trends of growth. For regular sales, annual growth rates of median prices in each month ranged between -0.2% and 15.6%. The comparative figure for the foreclosed sales is between 1.3% and 12.2%.

Sales in 2015 presented positive growth in general. The growth rates of sales were between -2.81% and 15.3% for Illinois and between -2.02% and 16.3% for the Chicago PMSA. The sales growth achieved in 2015 seemed a healthy rebound, after the strong positive sales growth in 2013 and the subsequent more negative sales growth in 2014.

Moreover, the percentage of foreclosed sales out of total sales continued decreasing to a monthly average of 18.3% in 2015, about one third lower than the monthly average of 25.5% between 2009 and 2014. The declining percentage was attributed to different forces in each year. For example, the declining percentage in 2014 was mainly accounted for by the decrease in foreclosed sales while regular sales were relatively constant compared to 2013. However, in 2015, while the foreclosed sales stayed at a similar level as in 2014, their influence was diminished by the increase in the number of regular sales (See Figures: Chicago PMSA Annual Change Rates for Sales Foreclosed vs. Regular sales).

#### **Forecasts and Future Condition**

Median prices are forecast to continuously grow in 2016 but within a narrower range compared to 2015. On a year-over-year basis, these gains will range from 3.1 to 7.4% for Illinois and 3.5% to 9.5% for the Chicago PMSA. By December 2016, the median price of homes is forecast to be

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<sup>2</sup> The real conditions were not statistically different (at 95% confidence level) than the forecasts made in 2014 for 2015. See figures: 2015 Real vs Forecast Annual Sales/Median Prices Change Rates

## Housing Price Forecasts, 2015

\$173,546 in Illinois and \$212,304 in Chicago PMSA, respectively 5.0% and 5.9% higher on an annual basis. As a complement to the median housing price index (HPI), the REAL HPI<sup>3</sup> forecast indicates a milder growth trends in the months ahead. In Illinois, the REAL HPI (Jan 2008=1) is forecast to experience a growth rate between 2.5% and 6.2% for Illinois and 0.9% to 6.1% 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 positive gains in most months in 2016 with milder growth rates and a narrower range compared to 2015. The annual growth in monthly sales is forecast to be in the range from -1.19% to 9.11% for Illinois and -1.06% to 4.22% for the Chicago PMSA.

Furthermore, if we exclude foreclosed properties from all properties, we obtain the forecasts for the regular properties. For the regular property sales in the Chicago PMSA, a smaller growth range between -0.5% and 4.6% are forecast for the annual price growth rates and a wider range between -6.2% and 17.4% are forecast for the volume of regular sales.

The MiMi index released by Freddie Mac is designed to monitor the stability and recovery of the nation’s housing market. The index indicates each market’s current conditions as “weak, in range or elevated,” relative to their historic stable level before 2005-2006. According to the latest Freddie Mac MiMi index in October, the housing market activities of Illinois has improved by 45.9% compared to the historic low reached in September 2011; Illinois now ranks 41<sup>th</sup> (three spots higher than last year) among all states. Among the four perspectives this index assesses, the employment situation and the proportion of on-time mortgages were in the state’s long-run normal ranges, while the other two perspectives measuring home purchase application and payment-to-income ratios are still weaker than their historically stable levels. The comparative figures for the Chicago Metro area is an improvement rate of 54.7% since its historic low in October 2010 and a ranking of 83<sup>th</sup> out of 100 Metro areas. In the Chicago Metro, only employment out of the four assessed perspectives were in the normal range.

“Twice this year, in February and October, Illinois added jobs at a faster rate than the US as a whole” noted Geoffrey J.D. Hewings, Director of the Regional Economics Applications

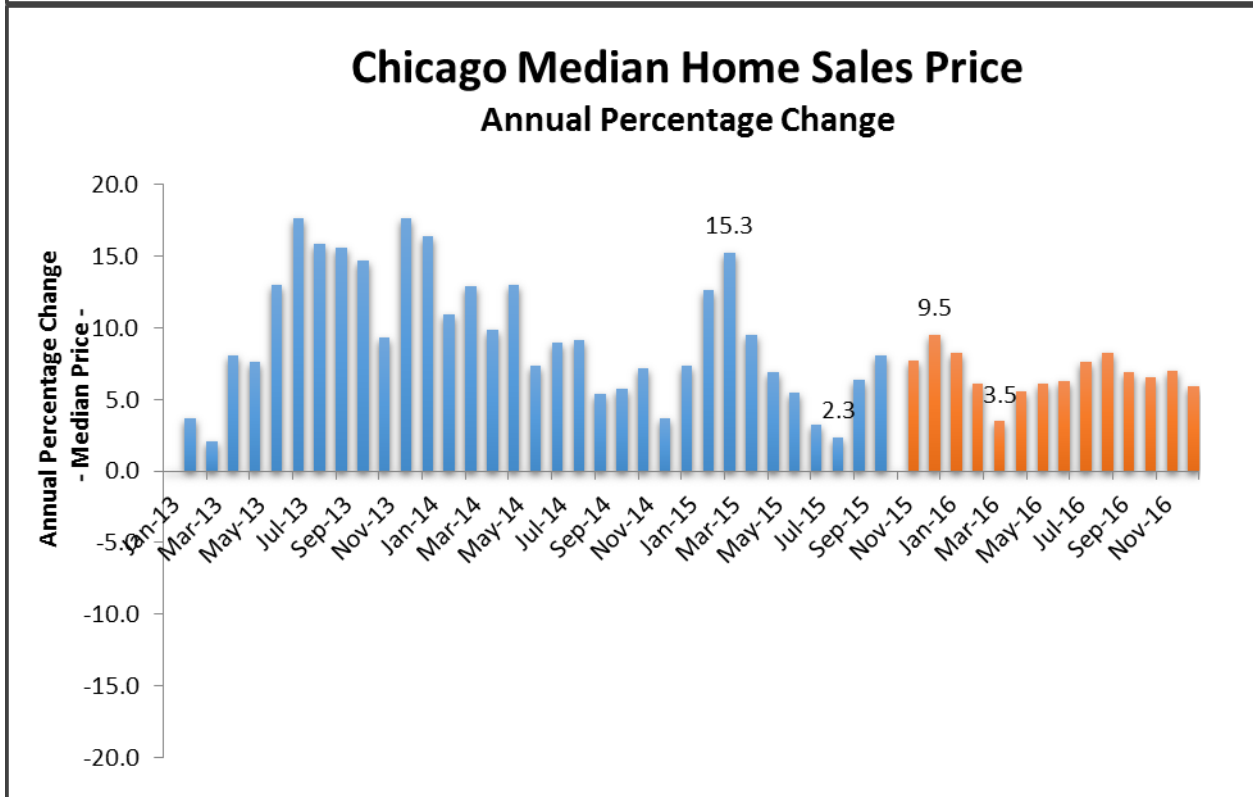
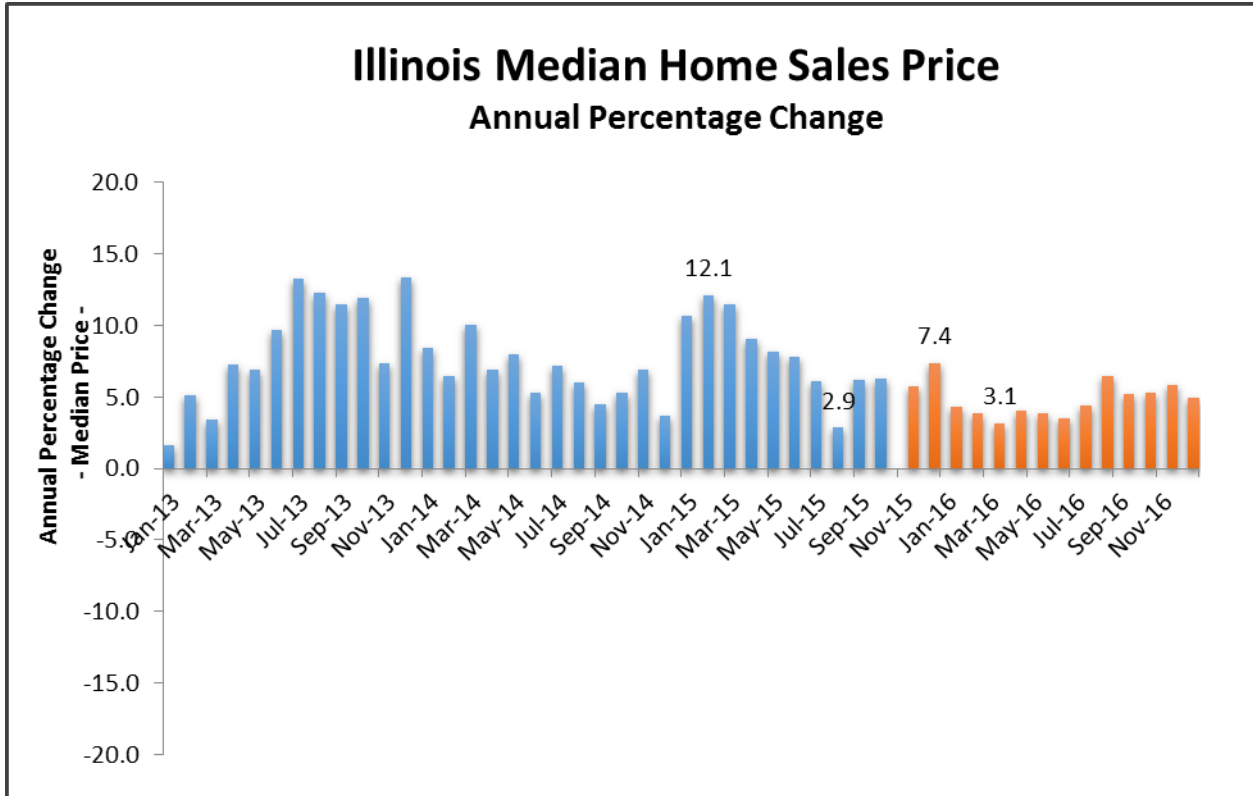
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<sup>3</sup> REAL HPI was developed by Esteban Lopez and Minshu Du. Contact us for further details.

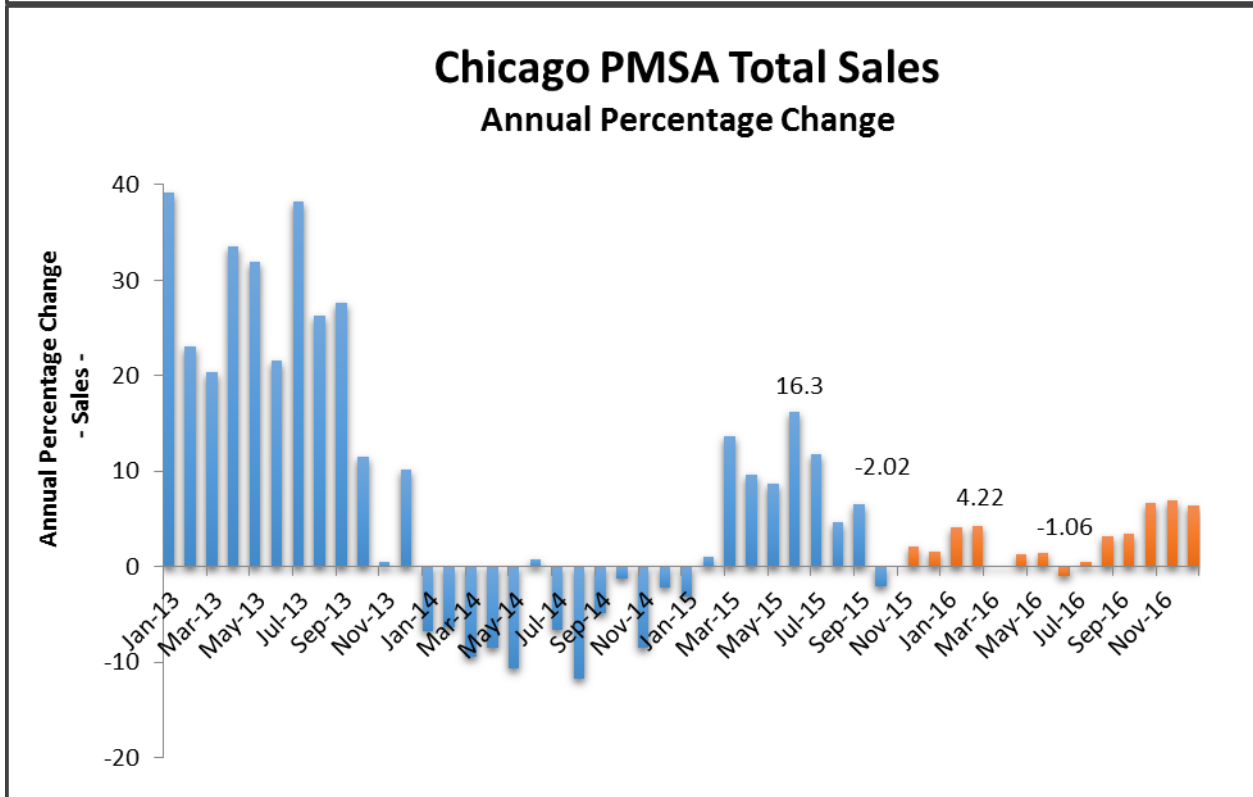
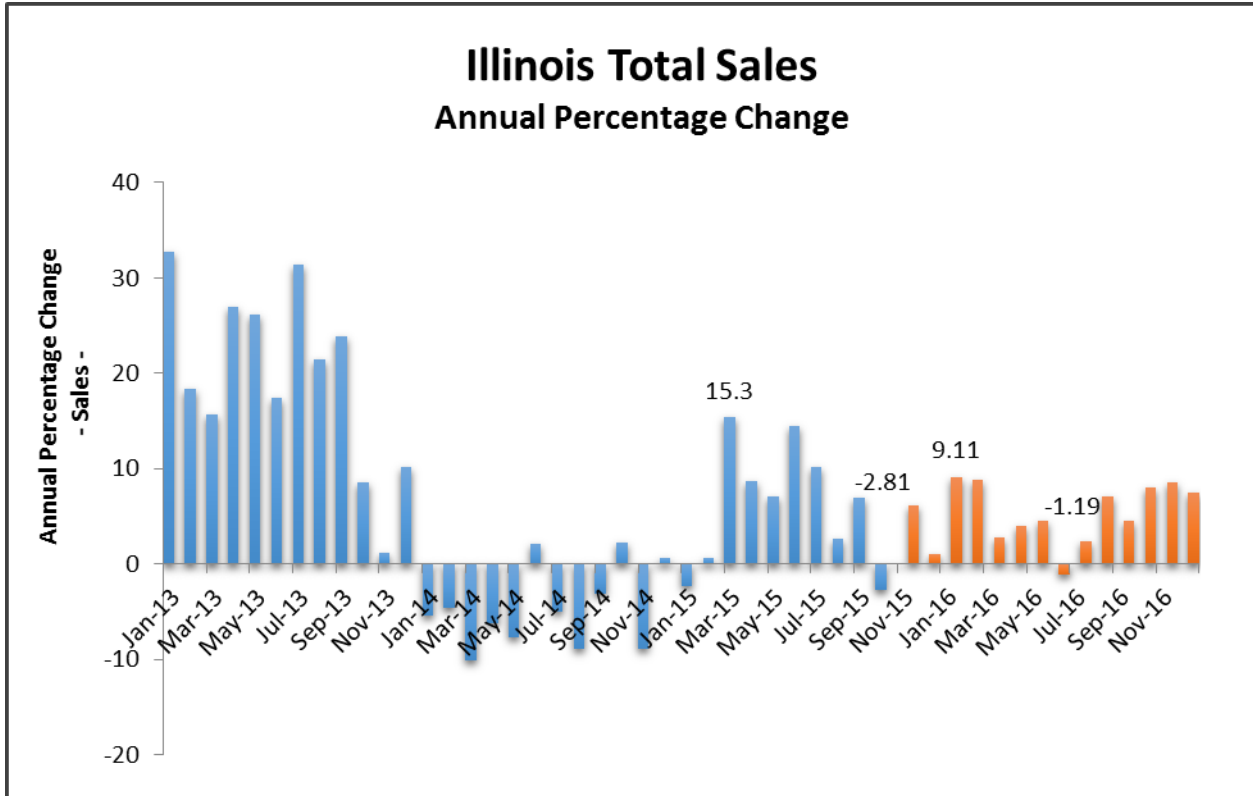
## **Housing Price Forecasts, 2015**

Laboratory of the University of Illinois, “with the October result the more surprising in view of the fact that Illinois still does not have a state budget. The housing sales and price forecasts for 2016 for both Illinois and Chicago are still positive but within smaller ranges month-to-month than those experienced in 2015.”

## Housing Price Forecasts, 2015



# Housing Price Forecasts, 2015



## Housing Price Forecasts, 2015

Annual Sales Forecast (Nov 2015 to Dec 2016)

<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-15</b>	-15.04%	-20.34%	-17.53%	-23.72%	5.21%	7.05%	1.81%	2.45%
<b>Dec-15</b>	8.79%	11.89%	11.20%	15.16%	0.84%	1.13%	1.36%	1.84%
<b>Jan-16</b>	-21.59%	-29.20%	-23.23%	-31.42%	7.75%	10.48%	3.48%	4.71%
<b>Feb-16</b>	0.45%	0.60%	0.06%	0.08%	7.46%	10.09%	3.59%	4.85%
<b>Mar-16</b>	31.01%	41.95%	33.21%	44.93%	2.35%	3.18%	0.06%	0.08%
<b>Apr-16</b>	11.65%	15.76%	11.64%	15.74%	3.40%	4.60%	1.09%	1.47%
<b>May-16</b>	14.23%	19.25%	13.81%	18.69%	3.78%	5.12%	1.15%	1.56%
<b>Jun-16</b>	11.71%	15.84%	17.01%	23.02%	-1.01%	-1.37%	-0.90%	-1.22%
<b>Jul-16</b>	-2.09%	-2.82%	-3.27%	-4.42%	1.97%	2.67%	0.40%	0.55%
<b>Aug-16</b>	-5.81%	-7.86%	-8.64%	-11.69%	6.00%	8.12%	2.73%	3.69%
<b>Sep-16</b>	-9.53%	-12.89%	-8.93%	-12.09%	3.85%	5.21%	2.88%	3.90%
<b>Oct-16</b>	-4.00%	-5.42%	-3.65%	-4.94%	6.75%	9.13%	5.62%	7.61%
<b>Nov-16</b>	-14.61%	-19.77%	-17.30%	-23.41%	7.31%	9.89%	5.93%	8.02%
<b>Dec-16</b>	7.87%	10.64%	10.65%	14.41%	6.40%	8.66%	5.41%	7.32%

Negative variations are in red.

Annual Median Prices Forecast (Nov 2015 to Dec 2016)

<b>Summary of the Forecast for the Median Price</b>					
(Illinois and Chicago PMSA)					
	Illinois	Chicago		Illinois	Chicago
<b>Nov-15</b>	\$163,825	\$195,688	<b>Nov-14</b>	\$154,900	\$181,690
<b>Dec-15</b>	\$165,344	\$200,467	<b>Dec-14</b>	\$154,000	\$183,000
<b>Jan-16</b>	\$156,506	\$189,525	<b>Jan-15</b>	\$150,000	\$175,000
<b>Feb-16</b>	\$153,700	\$185,743	<b>Feb-15</b>	\$148,000	\$175,000
<b>Mar-16</b>	\$170,162	\$208,774	<b>Mar-15</b>	\$165,000	\$201,750
<b>Apr-16</b>	\$175,775	\$219,579	<b>Apr-15</b>	\$169,000	\$208,000
<b>May-16</b>	\$187,976	\$234,479	<b>May-15</b>	\$181,000	\$221,000
<b>Jun-16</b>	\$199,775	\$246,656	<b>Jun-15</b>	\$193,000	\$232,000
<b>Jul-16</b>	\$198,387	\$242,217	<b>Jul-15</b>	\$190,000	\$225,000
<b>Aug-16</b>	\$191,613	\$238,253	<b>Aug-15</b>	\$180,000	\$220,000
<b>Sep-16</b>	\$180,925	\$221,890	<b>Sep-15</b>	\$172,000	\$207,500
<b>Oct-16</b>	\$176,925	\$213,107	<b>Oct-15</b>	\$168,000	\$200,000
<b>Nov-16</b>	\$173,328	\$209,309			
<b>Dec-16</b>	\$173,546	\$212,304			

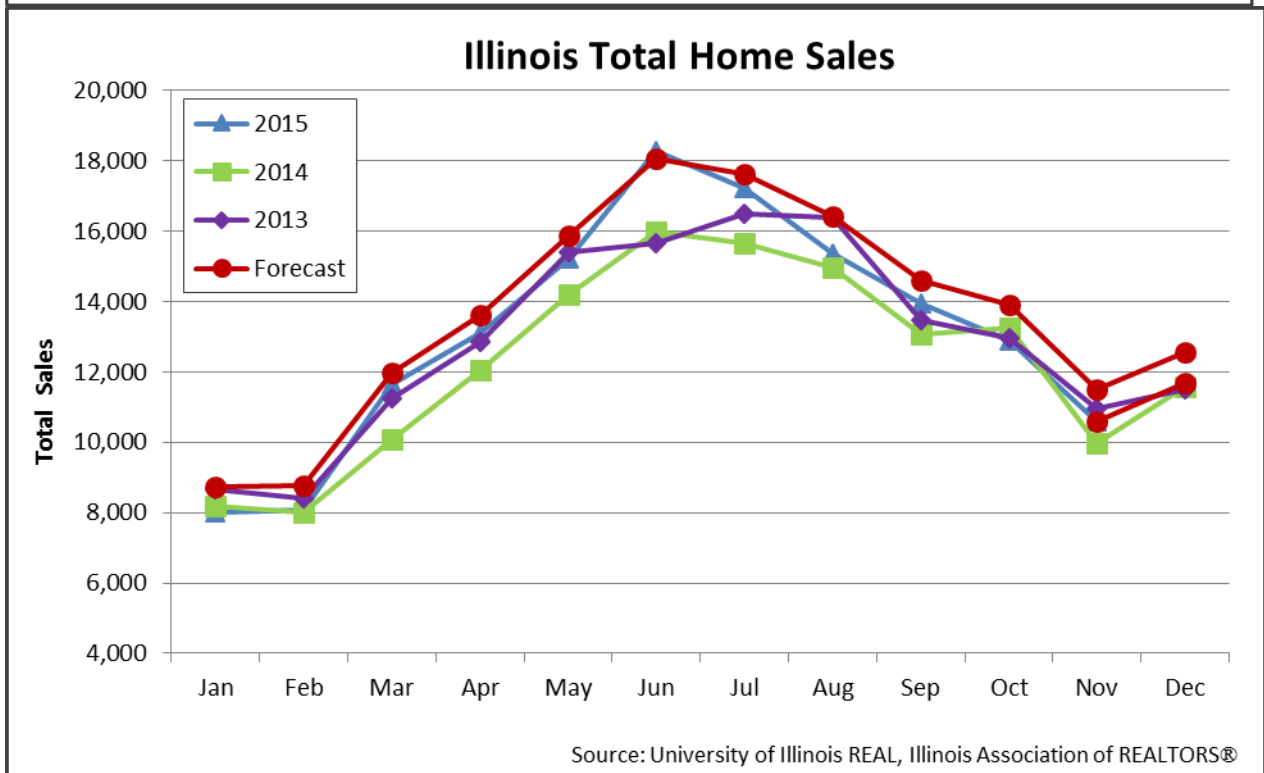
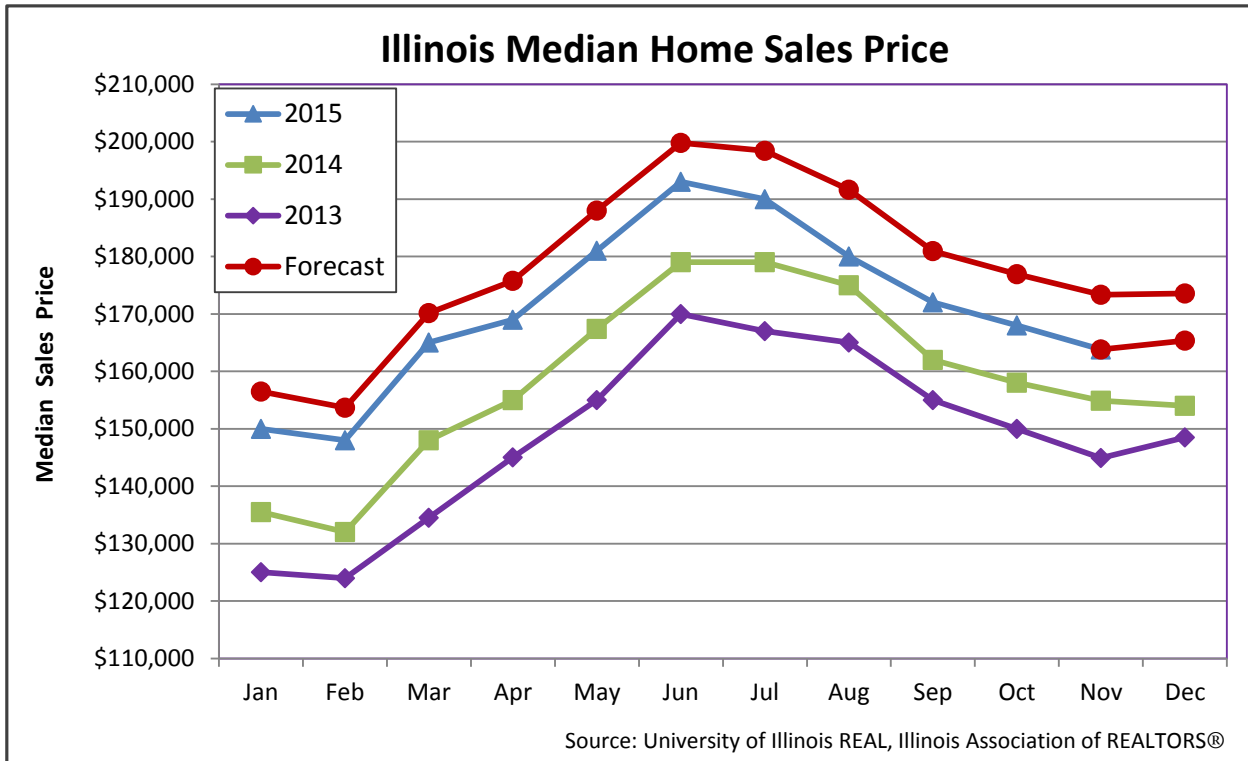


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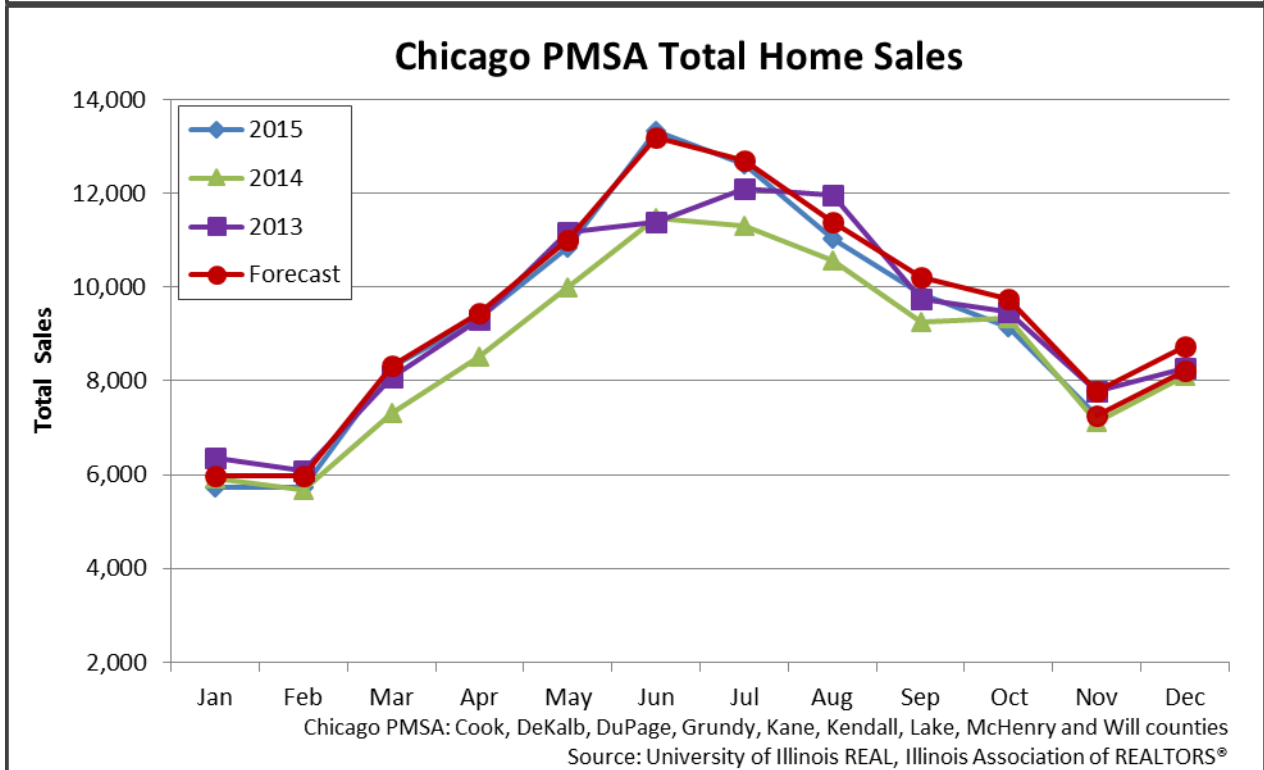
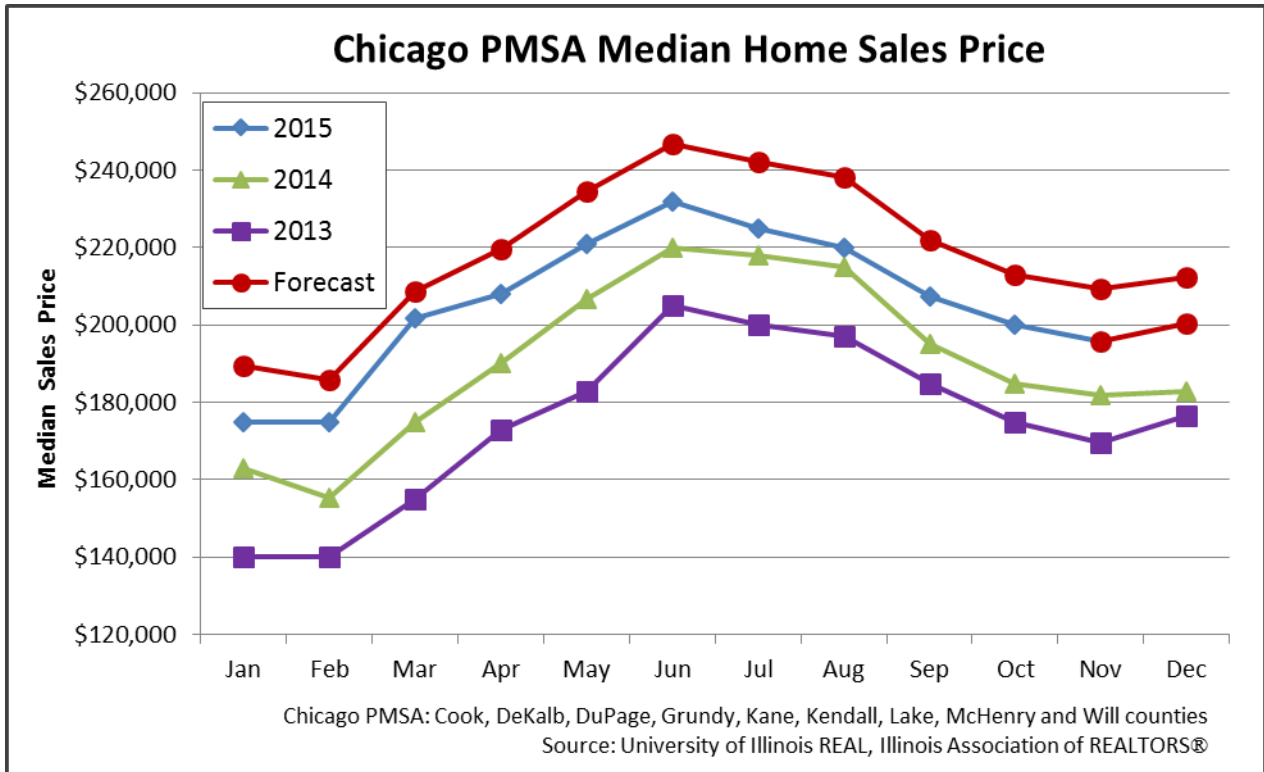
Annual Forecasts for Regular Property Sales in Chicago PMSA (Nov 2015 to Dec 2016)

<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-15</b>	6,298	10.58%	14.31%	\$213,439	4.12%
<b>Dec-15</b>	6,680	5.01%	6.77%	\$216,653	4.41%
<b>Jan-16</b>	4,895	12.68%	17.15%	\$206,644	3.32%
<b>Feb-16</b>	4,790	12.88%	17.42%	\$207,400	<b>-0.29%</b>
<b>Mar-16</b>	6,631	2.24%	3.03%	\$227,890	<b>-0.48%</b>
<b>Apr-16</b>	7,592	2.06%	2.79%	\$238,423	1.46%
<b>May-16</b>	9,083	0.85%	1.15%	\$247,305	1.98%
<b>Jun-16</b>	10,804	<b>-4.61%</b>	<b>-6.23%</b>	\$258,118	3.25%
<b>Jul-16</b>	10,478	<b>-3.32%</b>	<b>-4.50%</b>	\$253,036	4.15%
<b>Aug-16</b>	9,689	2.08%	2.81%	\$247,971	4.63%
<b>Sep-16</b>	8,409	1.23%	1.67%	\$233,142	4.08%
<b>Oct-16</b>	8,038	4.46%	6.03%	\$225,435	2.94%
<b>Nov-16</b>	6,699	5.41%	7.31%	\$220,739	3.42%
<b>Dec-16</b>	7,080	5.10%	6.90%	\$223,954	3.37%

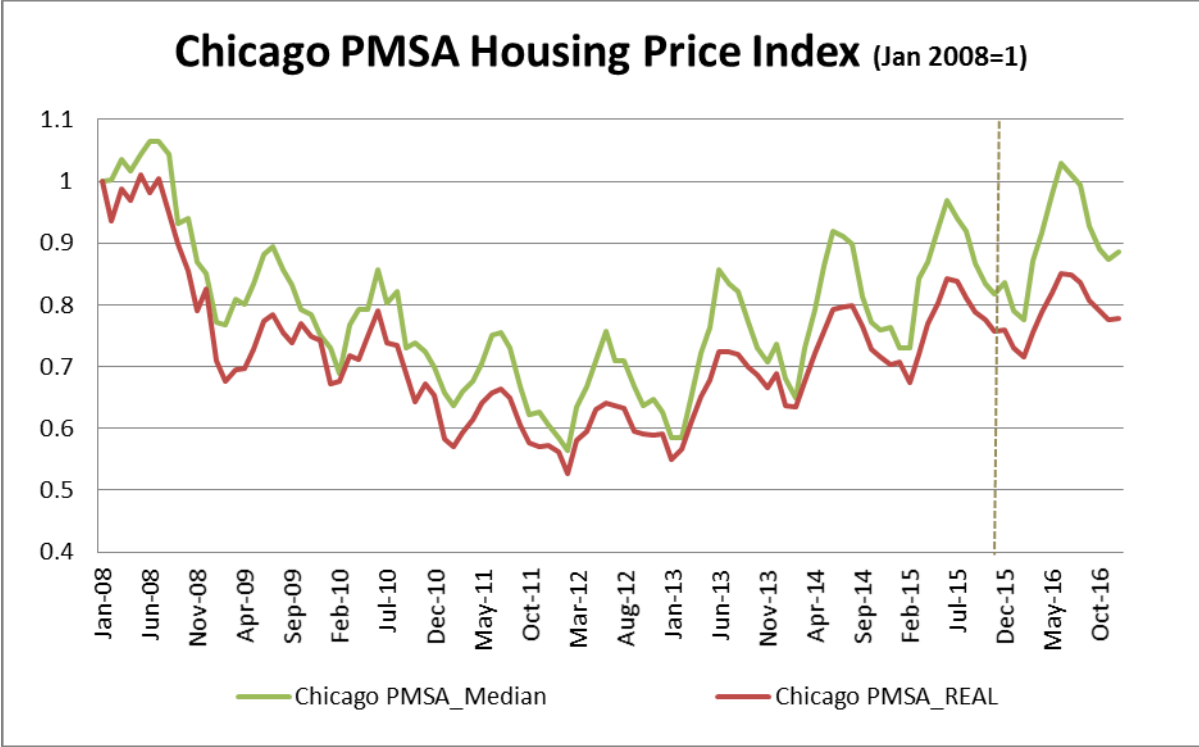
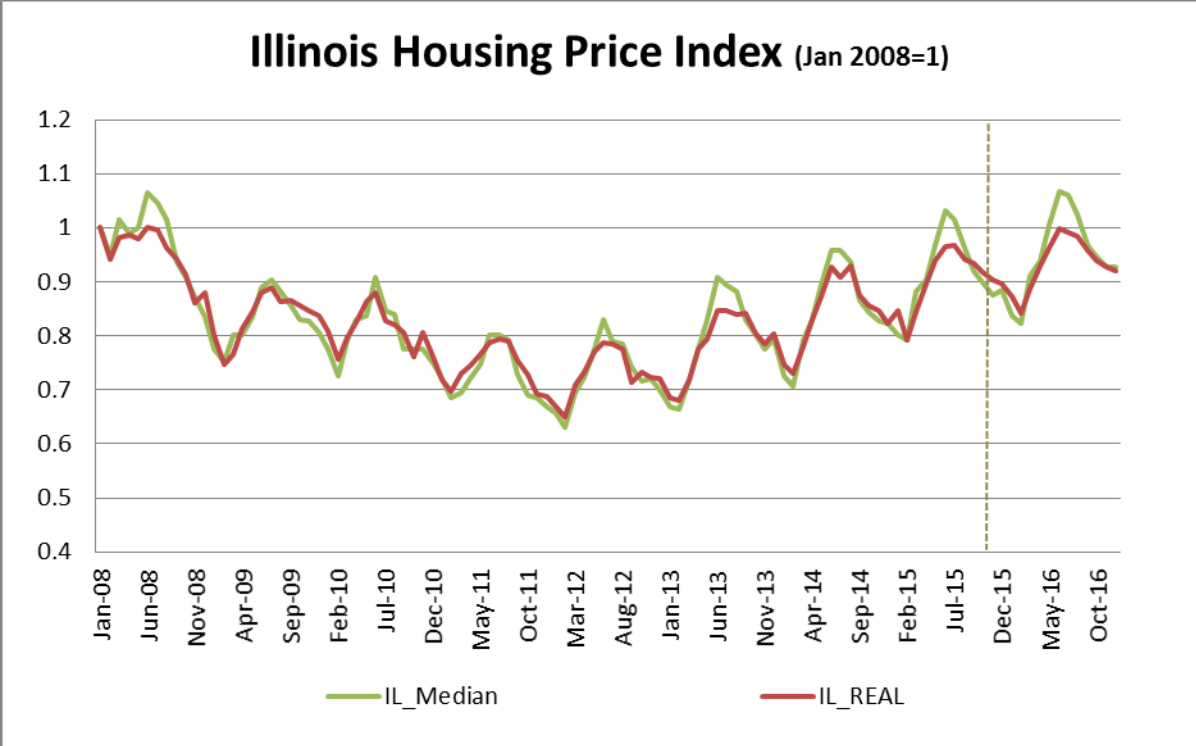
## Housing Price Forecasts, 2015



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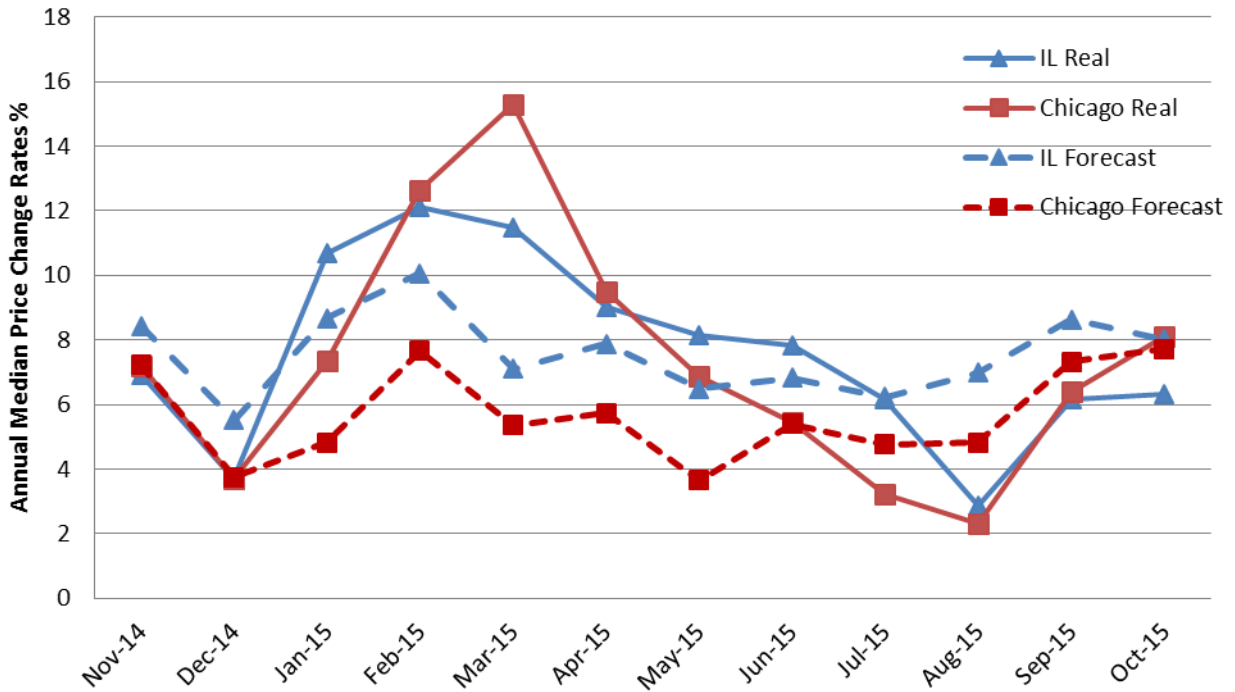


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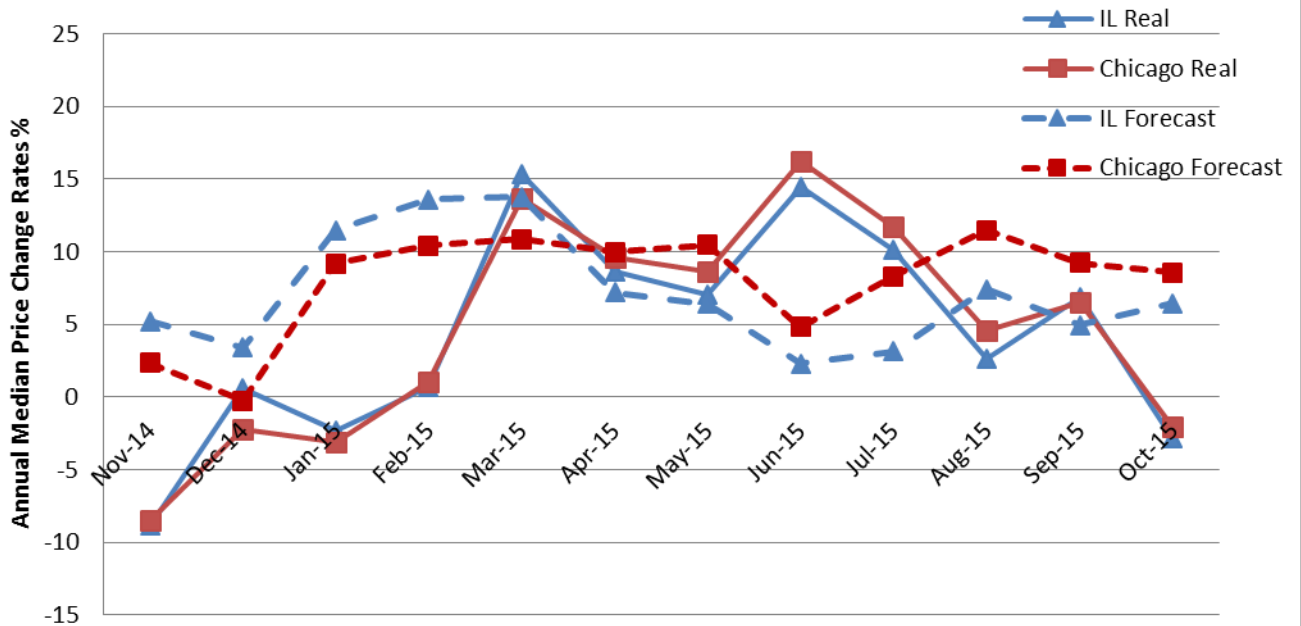


## Housing Price Forecasts, 2015

### 2015 Real vs Forecast Annual Median Price Change Rates



### 2015 Real vs Forecast Annual Sales Change Rates



# Housing Price Forecasts, 2015

