



February Illinois home prices move higher before start of spring housing market

The Talking Points

The spring real estate season is around the corner and homeowners who have been waiting to list their homes may finally decide the timing is right. The lower inventory of homes for sale and increasing buyer demand are driving home prices higher. Many homeowners are regaining equity in their homes and improving economic conditions could make more consumers feel confident about buying or selling.

February weather didn't slow homebuyers in the city of Chicago, where home sales climbed 3.9 percent compared to last year and the median price jumped 21.1 percent higher. While February home sales were down slightly statewide and in the Chicago PMSA, the uptick in home prices continued with double-digit gains in both regions. The upcoming spring market is an important one and economists for Freddie Mac predict 2015 could shape up to be one of the best for home sales and new home construction in recent years.

There are a number of market dynamics to note here:

- **Double-digit gains for home prices.** If there has been one recurring trend in the housing recovery, it has been the steady improvement in Illinois home prices. February was no exception with a 13.1 percent year-over-year median price increase to \$149,900 statewide, a 12.5 percent increase to \$175,000 in the Chicago PMSA and an impressive 21.1 percent gain to \$212,000 in the city of Chicago.
- **Home sale inventories see declines.** Statewide inventory fell to 59,042 homes for sale in February, a 4.8 percent drop compared to last year's inventory levels and the lowest number of homes available for sale since at least 2008. Although typically more homes are listed in the spring, the already reduced levels may have an impact on prices and make it harder for buyers to find that perfect home.
- **Mortgage rates remain low and affordability is still strong.** Mortgage rates have fluctuated slightly in recent weeks amidst better employment and economic news, but 30-year, fixed rates have continued to stay below 4 percent since late 2014. That is giving prospective homeowners more buying power. In February 2015, a 30-year, fixed rate mortgage averaged 3.68 percent compared to 4.32 percent a year ago.



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- **IHDA's @HomeIllinois loan program could help more Illinois residents get into new homes.** Just in time for the busy spring season, the Illinois Housing Development Authority (IHDA) has rolled out a new loan product offering up to \$5,000 in down payment or closing cost assistance. Unlike previous IHDA mortgage programs, @HomeIllinois is open to repeat buyers and homeowners looking to refinance as well as first-time buyers. [Learn more.](#)
- **REAL forecast:** Illinois median home prices are expected to see steady annual increases in March, April and May while home sales during the same period will experience weaker year-over-year growth but stronger monthly gains, according to the latest U of I Regional Economics Applications Laboratory (REAL) forecast.
- **Millennial buyers lead today's housing market.** Everyone seems to be watching — and waiting — for Millennials to jump into the housing market. [NAR's 2015 Home Buyer and Seller Generational Trends](#) study finds that Millennials (those 34 and younger) already account for the largest share (32 percent) of current buyers. NAR Chief Economist Lawrence Yun said underemployment, high rental costs and student debt are making it harder for more Millennials to buy a home.
- **Expect household formation to pick up.** The number of new households being formed has slowed, but there are signs the trend could be reversing as more Millennials are expected to move out on their own, [reports HousingWire on a recent client note from Capital Economics](#). During the housing downturn, the number of 18-34 year olds living with their parents grew, reaching 31 percent in 2013 compared to 27 percent before the downturn. Ed Stansfield, chief property economist for Capital Economics estimates that if the number of young adults living with their parents returns to pre-recession levels in the next five years, it could mean 400,000 more people leaving home and creating their own households each year.
- **Freddie Mac: 2015 could be the best year for home sales and construction since 2007.** Spring is here and [Freddie Mac's March U.S. Economic and Housing Market Outlook](#) pointed to four economic trends that could signal a strong home buying season including: high affordability, improving labor markets, rising rents and expanded credit availability. "(March) kicks off the spring homebuying season. Between now and the end of June, we'll see about 40 percent of all home sales for the year. So these next few months will essentially tell us whether or not 2015 will be a good or bad year for housing markets. Overall, we're feeling good about housing, and we expect this year to be the best year for home sales and new home construction since 2007 when we saw total home sales about 5.8 million for the year," said Freddie Mac Deputy Chief Economist Len Keifer.