



Illinois home prices start off year with double-digit gain; sales lower

The Talking Points

The Illinois housing market for January 2015 reflects steady annual gains in home prices but lower home sales. Foreclosures are still affecting the state's market as a decline in foreclosure sales brings down overall sales for the period. At the same time, consumers are feeling more confident about the economy, the employment outlook is improving and mortgage rates remain low — all good signs as the housing market gears up for the spring season.

Statewide in January there were 7,824 homes sold, a 4.3 percent decline compared to January 2014. The statewide median rose to \$150,000, a 10.4 percent gain over last year at this time. Days on market remained the same statewide while the inventory of homes for sale was slightly lower, down 4.8 percent.

There are a number of market dynamics to note here:

- **Home prices continue to improve, but affordability remains strong.** Statewide median home prices have recorded year-over-year gains every month since September 2012. Price gains have also been consistent in the Chicago PMSA and the city of Chicago. In January, the Illinois Housing Affordability Index rose to 271, slightly lower than January 2014 but higher than it has been in the last 10 months. Rockford and Decatur were among the [five lowest-cost housing markets](#) in the fourth quarter of 2014 as identified by the National Association of REALTORS®.
- **Changes in financing criteria may bring more first-time buyers back to the market.** Once a driving force in the recovering housing market, first-time buyers and their share of home purchases had slowed in recent years. But federal mortgage program changes allowing for lower down payments and mortgage insurance fees could open the door for more first-time buyers to pursue homeownership.
- **REAL forecast: Stronger monthly growth in home sales is expected.** Over the next three months, home sales will continue to show weaker annual growth, but there will be positive movement when comparing month-to-month. Improved pending home sales numbers also suggest future sales growth and prices are expected to see steady annual upticks, according to the latest U of I Regional Economics Applications Laboratory (REAL) forecast. A notable trend is a decline in foreclosure sales, which in turn has driven down overall home sales totals. Illinois is still grappling with “zombie” foreclosures, or foreclosed properties which were vacant before the lending institutions repossessed the property. Illinois ranks fourth in the country with 9,538 such properties.



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In the Chicago area, zombie properties account for 19 percent of all active foreclosures, according to RealtyTrac.

- **Mortgage interest rates edge higher after improved employment reports.** For the second week, fixed mortgage rates moved higher, up to an average 3.76 percent for a 30-year fixed and 3.05 percent for a 15-year, fixed mortgage, according to Freddie Mac. On the positive side, the gains come after reports of a stronger U.S. job market. Taking a broader look, fixed-rate mortgages are still near May 2013 lows. [Read more from Freddie Mac.](#)
- **Homebuilder confidence solid despite severe weather.** The winter weather in some parts of the country dampened recent homebuilder confidence, but overall the home construction industry continues to be optimistic. “Solid job growth, affordable home prices and historically low mortgage rates should help unleash growing pent-up demand and keep the housing market moving forward in the year ahead,” said David Crowe, chief economist for the [National Association of Home Builders.](#)
- **Mortgage credit availability improved in January.** Access to mortgage credit rose 1.8 percent in January according to the latest [Mortgage Credit Availability Index](#) from the Mortgage Bankers Association. Lower FHA mortgage insurance premiums and new 97 percent loan-to-value loan programs from Freddie Mac and Fannie Mae are contributing to better access for consumers, said Mike Fratantoni, chief economist for the association. “Several new initiatives aimed at making mortgage credit more available and affordable to consumers were recently announced and resulted in a net loosening of credit over the month.”