

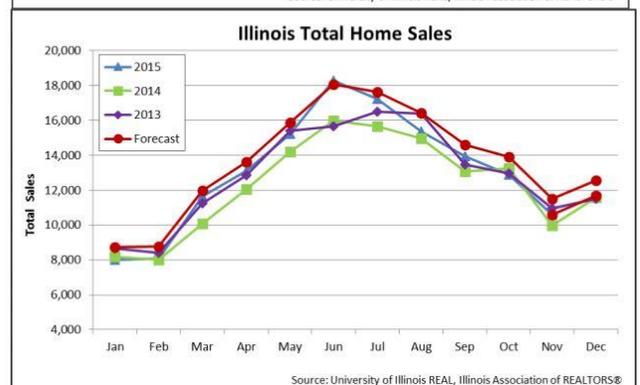
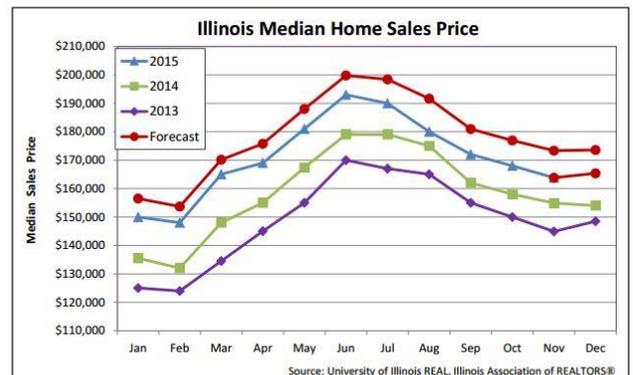
November home prices climb; Sales down but higher year-to-date than last year

The Talking Points

Consumers are shifting their focus to the end of the year and the holiday season, but that didn't dampen November home prices, which continued a more than three-year trend of consecutive year-over-year gains. Home sales slowed for a second month, but 2015 as a whole has been strong and statewide sales for the first 11 months of this year totaled 143,681, outpacing 2014 at this time last year by 6.1 percent. Forecasts call for the market's slow and steady improvement to continue into 2016.

There are a number of market dynamics to note here:

- **Median prices higher, home sales lower in November.** Median prices marked the 39th consecutive month of year-over-year gains while home sales dipped slightly as the market headed into the winter season. The statewide median price was 6.5 percent higher than last year and home sales fell 3.5 percent annually. Low housing inventory remains an issue, keeping prices strong but leaving buyers with fewer listings from which to choose. Inventory declined 11.7 percent to 63,023 in November and marked the lowest levels since February 2014.
- **REAL forecast for 2016:** Illinois in 2015 continued to move to a more "normal" real estate market. Looking ahead to 2016, the market is expected to grow, but within a narrower range, according to the annual forecast from the Regional Economics Applications Laboratory (REAL). (See *REAL charts at right*). "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,” said REAL Director Geoffrey J.D. Hewings. On a year-over-year basis, price gains will range from 3.1 to 7.4 percent for Illinois and 3.5 to 9.5 percent for the Chicago PMSA. Home sales are expected to range from -1.19 percent to 9.11 percent for Illinois and from -1.06 percent to 4.22 percent for the Chicago PMSA. Download a copy of the forecast, [“Housing Price Forecast, 2016 – Illinois and Chicago MSA.”](#)

- **How will the Fed’s rate change affect housing?** The Federal Reserve made news last week when it raised short-term interest rates for the first time in nearly a decade. The change shouldn’t have a big effect on mortgage rates, which are determined by the bond market and not the Federal Reserve. NAR Chief Economist Lawrence Yun said mortgage rates may move higher in 2016, but not in direct proportion to the short-term rate increase. If anything, the Federal Reserve’s move signals that the economy is strengthening, which could give lenders more confidence and create more lending opportunities for buyers, he said. [Read more from NAR.](#)
- **NAR HOME Survey: Young renters want to buy a home someday, but worry about affordability.** The dream of homeownership is still strong, particularly among Millennials, but many renters say the top reasons they aren’t buying now is an inability to afford a home and the flexibility that comes with renting, according to a new NAR survey, Housing Opportunities and Market Experience (HOME). The new quarterly index tracks consumer sentiment and financial outlooks with regard to housing. The good news? Eighty-eight percent of U.S. households believe owning a home is a good financial decision and 94 percent of renters who are under 34 years old want to become owners. [Read more](#) and [download an NAR infographic](#) on the survey.
- **CoreLogic: More U.S. owners are regaining equity in their homes.** At the end of the third quarter of 2015, 92 percent (46.3 million) mortgage residential properties had positive equity, according to a report released Dec. 15 by CoreLogic. “In Q3 2015 there were 37.5 million borrowers with at least 20 percent equity, up 7 percent from 35 million in Q3 2014. In the last three years, borrowers with at least 20 percent equity have increased by 11 million, a substantial uptick that is driving rapid growth in home equity originations,” said CoreLogic’s Chief Economist Frank Nothaft. The Chicago metropolitan area continues to be in the top 10 metro areas with high percentages of negative equity. Chicago ranks No. 2 with 13.8 percent. [Read more.](#)
- **U.S. housing starts surge higher in November.** Home construction hit a high note in November as U.S. housing starts climbed 10.5 percent higher, signaling a strengthening home construction market, according to data recently released by the Commerce Department. The gains beat expected forecasts and single-family construction was particularly strong. [Read coverage from Bloomberg.](#)