



# Housing Price Forecasts

## Illinois Metropolitan Statistical Areas

R | E | A | L

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Dr. Geoffrey J.D. Hewings, Director

**November  
Analysis  
& Forecast**

December 2011

This report provides analysis of the housing market for the month of November 2011 with forecasts for the next three months (December, January and February) prepared by economists from the University of Illinois Regional Economics Applications Laboratory (REAL). Complementary analysis of the economy is provided to put the housing market into a broader perspective. For more information, visit [www.illinoisrealtor.org/marketstats](http://www.illinoisrealtor.org/marketstats) or contact the Illinois Association of REALTORS® 217-529-2600.

### The Housing Market

The positive trends in both Illinois and Chicago PMSA housing markets stem in large part from the fact that the housing inventory levels are low, and the pending home sales indices are high. The number of houses listed on the market continues to decline for both Illinois and Chicago. In Illinois, there is a 10.3 months' supply at the current sales pace; in the Chicago PMSA it will take 10.4 months to sell out the inventory at the current sales pace. Both of these months' supply figures are the lowest since January 2010.

The sales forecast suggests positive year-to-year changes in both the state of Illinois (5-27% higher than last year) and Chicago PMSA (6-12% higher than last year) for the next three months.

The price signals from housing market and rent market were mixed. On one hand, housing prices continue to decline. Median prices in November 2011 were \$128,500 in Illinois (-\$16,500 or -11.4% less than last November) and \$150,000 in Chicago PMSA (-\$25,000 or -14.3% less than last November). On the other hand, the apartment rents and occupancy rates in Chicago area keep on going up. According to Appraisal Research Counselors, a Chicago-based consulting firm, Chicago suburban rents reached \$1.18 per square foot which is 2.6% above a year ago, and the Chicago downtown Class A apartment rent for \$2.40 per square foot on average which is 8.1% above the year-earlier level. Under normal housing market conditions, high apartment rents usually induce renters to become homeowners, until the rental price falls and housing price increases to achieve some equilibrium level. According to the Global house price calculated by the Economist, housing prices in the U.S. have fallen so far that they now look cheap when compared against both rents and income.

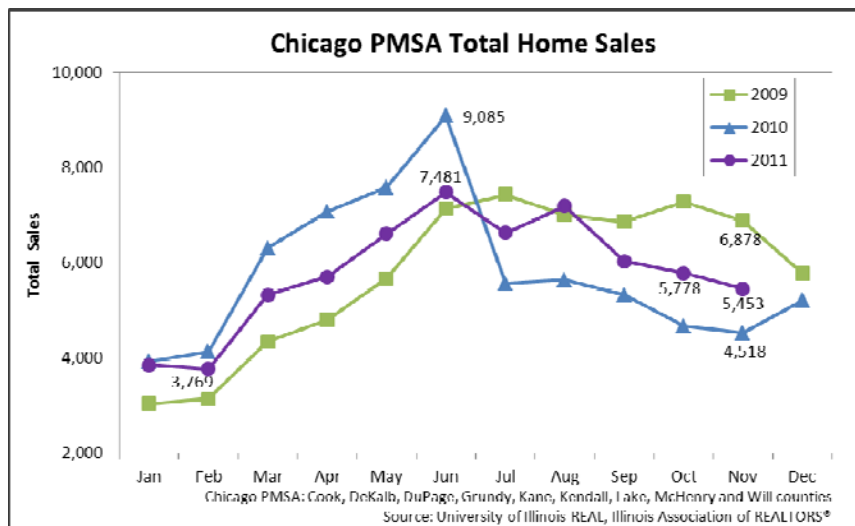
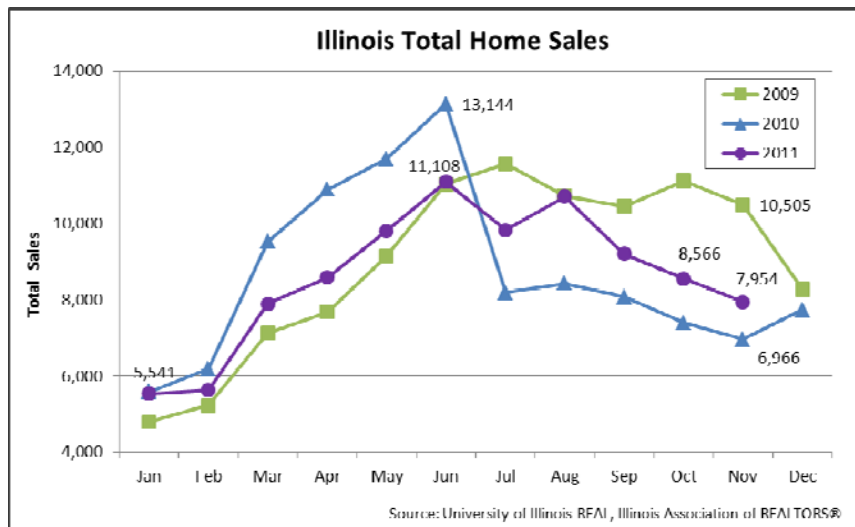
One thing stopping the housing price recovery is the huge stock of foreclosed houses. According to our foreclosure calculation (based on data from Record Information Services), in November 2011, Chicago PMSA has 10,636 total foreclosure filings, with 5,961 Scheduled Auctions and 4,675 Default Notices. The other factor that preys on a housing recovery is the fact that the unemployment rate is still hovering in the 9-10% range.

*“Little by little, there is some accumulating evidence that there may be some measure of recovery in the housing market. The positive trends in both Illinois and the Chicago PMSA housing markets stem in large part from the fact that the housing inventory levels are low and the pending home sales indices are high. Factors working against the housing recovery are the stock of distressed properties and unemployment hovering in the 9 to 10 percent range.” - Dr. Geoffrey J.D. Hewings, Director, University of Illinois REAL*

## Housing Market Forecast – Sales

- In Illinois 7,954 houses were sold in November, -7.1% less than last month but 14.2% more than a year ago. The comparable figures for the Chicago PMSA were 5,453 houses sold in November 2011, -5.6% less than last month and 20.7% more than last November.

- The sales forecast suggest positive year-to-year changes in both the state of Illinois (5-27% higher than last year) and Chicago PMSA (6-12% higher than last year) for the next three months.

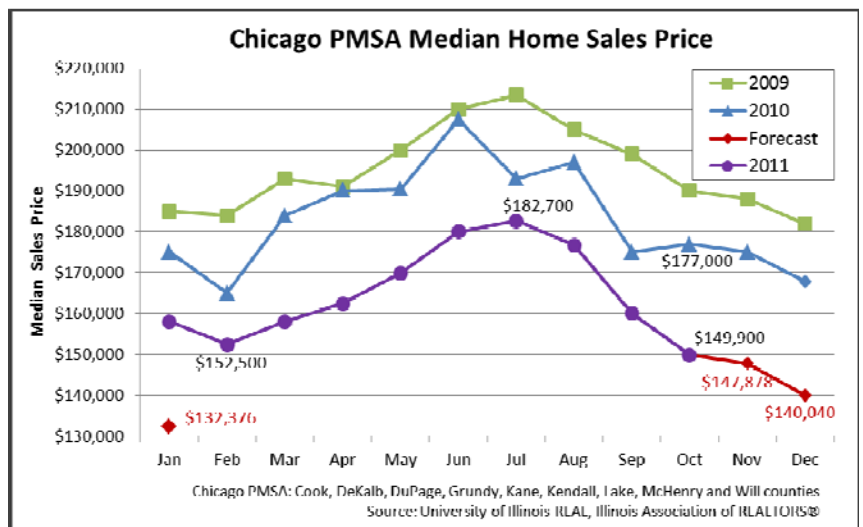
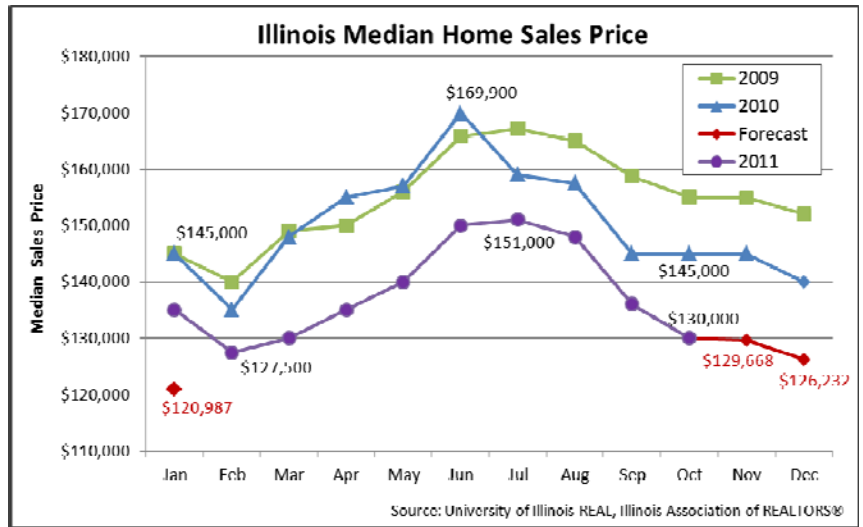


## The Economy

- According to the U.S. Bureau of Labor Statistic (BLS), in November, the unemployment rate declined by 0.4 percentage point to 8.6 percent. From April through October, the rate held in a narrow range from 9.0 to 9.2 percent. The nonfarm payroll employment rose by 120,000. Employment in retail trade rose by 50,000 in November. Gains also see in leisure and hospitality, professional and business services, and health care sectors. Government employment continued to trend down.
- In November 2011, the State of Illinois added 600 jobs and the unemployment rate fell to 10 percent from 10.1 percent one month ago.
- Illinois added 105,600 jobs since January 2010. This represents a 1.9 percent job growth. Illinois has the same job recovery rate as the nation, while Illinois is out performing the other Midwest states in job recovery.
- Leading growth sectors in Illinois are Professional and Business Services (+53,800); Educational and Health Services (+38,100); Trade, Transportation and Utilities (+22,600); and Manufacturing (+18,200). Government has lost the most jobs since January 2010, down -13,600.

## Housing Market Forecast – Median Price

• Forecasts for the next three months (November 2011, December 2011, and January 2012) for Illinois and Chicago PMSA suggest that even though the sales volume in the following three months will be similar to the same period last year, the sale price will still be 10-17% lower than the same period last year.



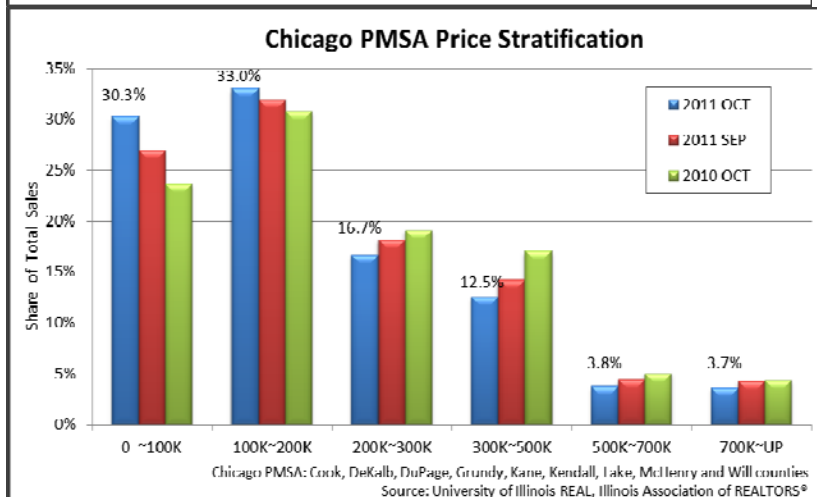
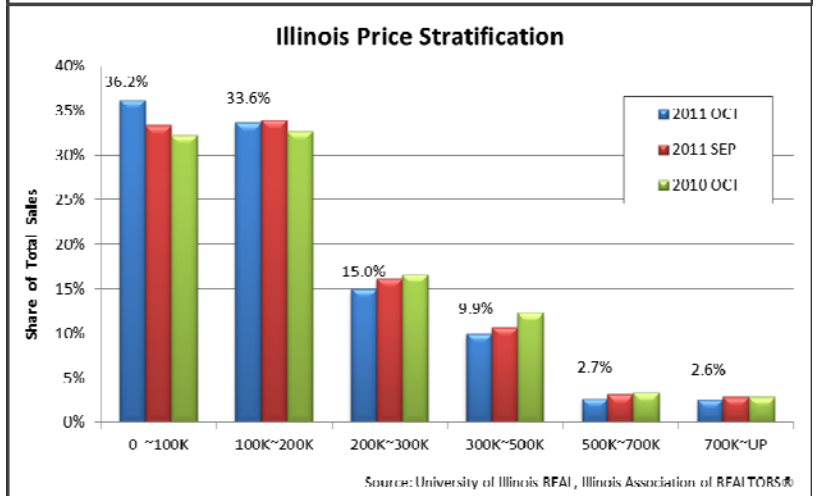
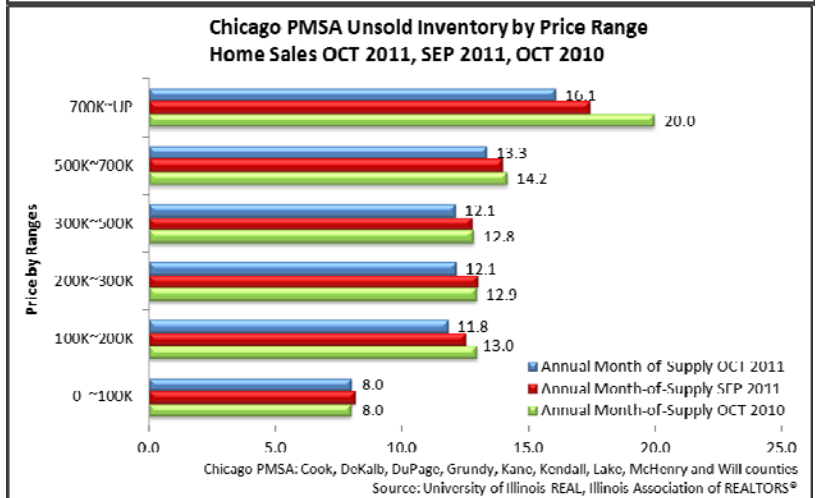
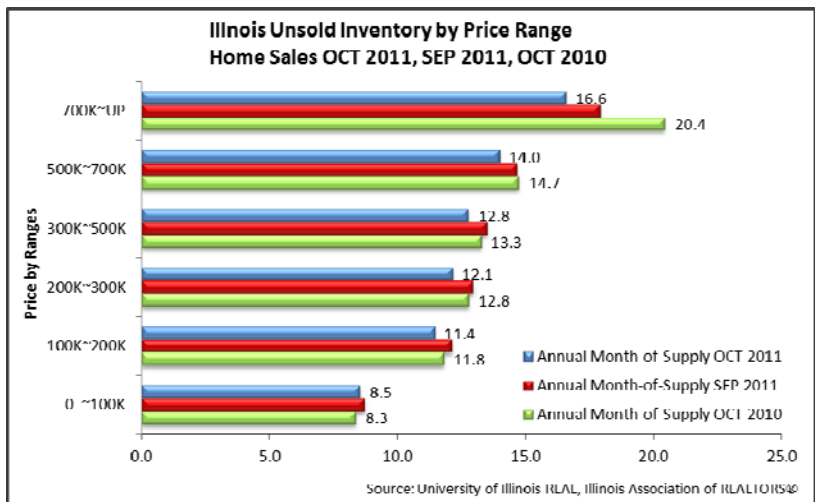
## Longer-Term Outlook

• The Conference Board Consumer Confidence Index® now stands at 56.0 in November (1985=100), up from 40.9 in October. According to Lynn Franco, Director of The Conference Board Consumer Research Center, “Consumer’s assessment of current conditions finally improved, after six months of steady declines. Consumers’ apprehension regarding the short-term outlook for business conditions, jobs and income prospects eased considerably.” The Thomson Reuters/ University of Michigan’s November reading (64.1) also shows slight improvement from October (60.9).

• Comparing November 2011 to the same month last year, the housing inventories decreased about -11.8% for Illinois and -15.3% for Chicago. In November, Illinois had 87,879 houses listed in the market, and the housing inventories will take 10.3 months to sale according to the current annual sales rate (down from 11.5 a year ago). By the end of November, 59,790 houses are listed in Chicago PMSA, and it will take 10.4 months to sale (down from 12.2 months a year ago).

- In November, at the current annual sales rate, Illinois had enough housing inventory for 10.3 months (down from 11.5 a year ago). In the Chicago PMSA, the comparable figure was 10.4 months (down from 12.2 months last year this time). Houses that are priced for less than \$100,000 will only take about 8 months to sell in both Illinois and the Chicago PMSA. At the other end of the market, houses that are priced for more than \$700,000 will take about 15 months to sell in these two markets.

- 36.2% of the sales in Illinois this November were less than \$100,000. In the Chicago PMSA, 30.3% of the sales were less than \$100,000.



## Interest Rates November 2011

The monthly average commitment rate for a 30-year, fixed-rate mortgage for the North Central region was 4.0 percent in November 2011, down from 4.07 percent during the previous month, according to the Federal Home Loan Mortgage Corporation.

Last year in November it averaged 4.30 percent.

\*Freddie Mac North Central region: OH, IN, IL, MI, WI, MN, IA, ND, SD

## About REAL the IAR Housing Forecast

Economists from the University of Illinois Regional Economics Applications Laboratory (REAL) developed the Illinois housing price forecast using an augmented distributed lag model as the framework to relate house pricing and the economic business cycle. This “ARIMA” model is considered a highly accurate forecasting method and one that can be easily updated with data provided by the Illinois Association of REALTORS® each month and quarter and selected monthly economic data available for the state and metropolitan regions.

Leading the research team is Dr. Geoffrey J.D. Hewings, director of REAL and professor of Economics, Geography and Regional Science. He earned his B.A. from the University of Birmingham in the United Kingdom and his M.A. and Ph.D. from the University of Washington in Seattle.

Sales and price data is from Multiple Listing Service sales reported by 31 participating Illinois REALTOR® local boards and associations including Midwest Real Estate Data LLC data as of December 7 reported for the period November 1 through November 30, 2011.

The Chicago PMSA, as defined by the U.S. Census Bureau, includes the counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry and Will.

Learn more about REAL at [www.real.illinois.edu/](http://www.real.illinois.edu/).

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