



# Housing Price Forecasts

## Illinois Metropolitan Statistical Areas

R | E | A | L

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**3Q11  
Analysis  
4Q11  
Forecast**

November 9, 2011

This report provides analysis of the housing market in the third quarter of 2011 with forecasts for the fourth quarter of 2011 prepared by economists from the University of Illinois Regional Economics Applications Laboratory ([REAL](http://www.illinoisrealtor.org/marketstats)). 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 Illinois Economy and Jobs

Illinois added 1,600 jobs in September 2011 at a rate of 0.03%, compared with a revised 2,900 job gain in August 2011. Compared to September 2010, Illinois has added 44,400 jobs. The three-month moving average of jobs, a more stable measure of labor market, was up by 5,400 jobs per month for the state of Illinois through September. In September 2011, the Nation added 103,000 jobs at a rate of 0.08%. Compared to September 2010, the Nation added 1,490,000 jobs.

Since the beginning of the recession in Dec 2007, the state of Illinois has lost 323,700 jobs so far. Five sectors in Illinois have employment levels in this month that are lower than January 1990 – Construction, Manufacturing, Trade, Transportation & Utilities, Information and Financial activities. However, one of the highlights in Illinois employment growth report is that “Even as national economy slows, Illinois added 81,000 jobs since January 2010,” according to the [Illinois Department of Employment Security](http://www.employmentsecurity.com). Through September 2011, the cumulative job growth for Illinois, RMW (RMW: Indiana, Iowa, Michigan, Missouri, Ohio and Wisconsin) and the Nation compared to January 1990 stood at 7.49%, 9.45%, and 20.32%, respectively.

**Table 1: Illinois, US and Rest of the Midwest (RMW) Employment Change**

Total non-farm employment	Sep 2011 Number of Jobs	Aug 2011 – Sep 2011		Last 12 months	
		Growth Rate (%)	Number of Jobs	Growth Rate (%)	Number of Jobs
<b>Nation</b>	131,334,000	0.08	103,000	1.15	1,490,000
<b>Rest of Midwest (RMW)</b>	18,701,500	-0.27	-50,100	0.97	179,000
<b>Illinois</b>	5,661,500	0.03	1,600	0.79	44,400
<b>Illinois Metro</b>	5,160,600	0.16	8,300	0.73	37,200
<b>Illinois non-Metro (Rural)</b>	500,900	-1.33	-6,700	1.46	7,200
<b>Illinois Chicago (Upstate)</b>	4,012,600	0.10	4,000	0.63	25,000
<b>Illinois non-Chicago</b>	1,648,900	-0.15	-2,400	1.19	19,500

Table 2: MSA Growth Rates, September 2011 and Last 12 Months

Market Area	Sep 2011 Number of Jobs	Aug 2011 – Sep 2011			Last 12 months	
		Growth compared to Illinois	Growth Rate %	Number Of Jobs	Growth Rate %	Number of Jobs
Bloomington-Normal (B-N)	89,600	+	0.46	400	-0.48	-400
Champaign-Urbana (C-U-R)	105,400	+	0.42	400	-2.58	-2,800
Chicago	4,012,700	+	0.10	4,000	0.63	25,000
Davenport-Rock Island-Moline (D-R-M)	182,200	+	0.98	1,800	1.75	3,100
Decatur	52,600	+	0.67	500	0.13	100
Kankakee	45,000	+	2.54	1,100	6.38	2,700
Peoria	185,400	+	0.45	800	3.86	6,900
Rockford	143,500	-	-0.13	-200	0.70	1,000
Springfield	113,000	+	0.79	900	0.73	1,000
Metro-East	231,300	-	-0.57	-1,300	0.37	1,000
Illinois			0.03	1,600	0.79	44,400

MSA Definitions (Data are provided for IL counties only in multi-state MSAs)

**Bloomington-Normal (B-N):** McLean Co. **Champaign-Urbana (C-U-R):** Champaign Co., Ford Co. & Piatt Co.  
**Chicago:** Cook Co. IL, DeKalb Co. IL, DuPage Co. IL, Grundy Co. IL, Kane Co. IL, Kendall Co. IL, Lake Co. IL, McHenry Co. IL, Will Co. IL & Kenosha Co. WI **Davenport-Moline-Rock Island (D-R-M):** Henry Co. IL, Mercer Co. IL, Rock Island Co. IL & Scott Co. IA **Decatur:** Macon Co. **Kankakee:** Kankakee Co. **Metro-East:** Bond Co., Calhoun Co., Clinton Co., Jersey Co., Macoupin Co., Madison Co., Monroe Co. & St. Clair Co. **Peoria-Pekin (Peoria):** Marshall Co., Peoria Co., Stark Co., Tazewell Co. & Woodford Co. **Rockford:** Boone Co. & Winnebago Co. **Springfield:** Menard Co. & Sangamon Co.

Table 3: MSA League Tables, Non-farm Employment Growth Rate

Monthly growth:

Rank	Aug 2011	Sep 2011	Rank	Change**
1	Springfield (0.64%)	Kankakee (2.54%)	1	↑ (+3)
2	Metro-East (0.18%)	Davenport-Rock Island-Moline (0.98%)	2	↑ (+5)
3	Chicago (-0.12%)	Springfield (0.79%)	3	↓ (-2)
4	Kankakee (-0.24%)	Decatur (0.67%)	4	↑ (+2)
5	Peoria (-0.35%)	Bloomington-Normal (0.46%)	5	↑ (+4)
6	Decatur (-0.59%)	Peoria (0.45%)	6	↓ (-1)
7	Davenport-Rock Island-Moline (-0.66%)	Champaign-Urbana-Rantoul (0.42%)	7	↑ (+1)
8	Champaign-Urbana-Rantoul (-1.01%)	Chicago (0.1%)	8	↓ (-5)
9	Bloomington-Normal (-1.04%)	Rockford (-0.13%)	9	↑ (+1)
10	Rockford (-2.17%)	Metro-East (-0.57%)	10	↓ (-8)

Growth over last 12-months:

Rank	Aug 2011	Sep 2011	Rank	Change**
1	Peoria (3.28%)	Kankakee (6.38%)	1	↑ (+1)
2	Kankakee (2.81%)	Peoria (3.86%)	2	↓ (-1)
3	Metro-East (1.23%)	Davenport-Rock Island-Moline (1.75%)	3	↑ (+1)
4	Davenport-Rock Island-Moline (0.79%)	Springfield (0.73%)	4	↑ (+2)
5	Chicago (0.51%)	Rockford (0.7%)	5	↑ (+2)
6	Springfield (0.36%)	Chicago (0.63%)	6	↓ (-1)
7	Rockford (-0.17%)	Metro-East (0.37%)	7	↓ (-4)
8	Decatur (-0.61%)	Decatur (0.13%)	8	← (+0)
9	Bloomington-Normal (-1.76%)	Bloomington-Normal (-0.48%)	9	← (+0)
10	Champaign-Urbana-Rantoul (-2.3%)	Champaign-Urbana-Rantoul (-2.58%)	10	← (+0)

### The Illinois MSAs

In September 2011, Chicago-Downstate and Metro-Rural had mixed performances. Chicago and Illinois Metro were experiencing job growth. The rural areas in Illinois were experiencing job loss. However, compared to last September, Chicago-Downstate and Metro-Rural all put on positive performance. Illinois Metro added 8,300 jobs at a rate of 0.16% in September of 2011. Eight out of ten MSAs posted positive growth in September.

Table 3 provides a league table for the MSAs – the first set of data refer to the most recent month while the second set of data record the performance over the last 12 months. As for the MSA league table, six out of ten MSAs posted a net improvement from August to September. Metro-East dropped to the last place in terms of monthly growth performance, while Kankakee climbed up to the first place. Over the last 12-month period, Kankakee climbed up to the first place by adding 6,900 jobs, while Champaign-Urbana-Rantoul remained in the last place for the seventh consecutive months.

## Illinois Housing Market 4Q11 Forecast

“While median prices continue to trend downwards, there is some indication of increased demand as inventory levels in certain price ranges have been shrinking,” said Dr. Geoffrey J.D. Hewings, director of the Regional Economics Applications Laboratory (REAL) of the University of Illinois. “In the third quarter, 64.1 percent of homes were sold in the price range under \$200,000.”

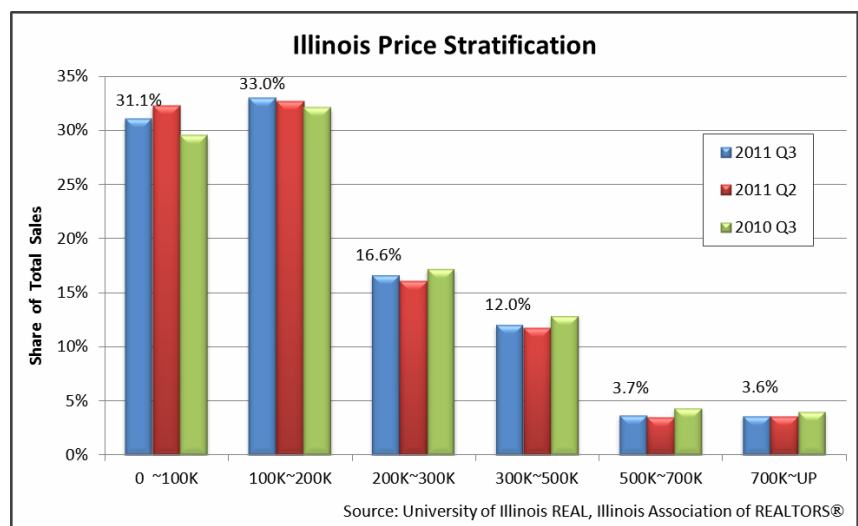
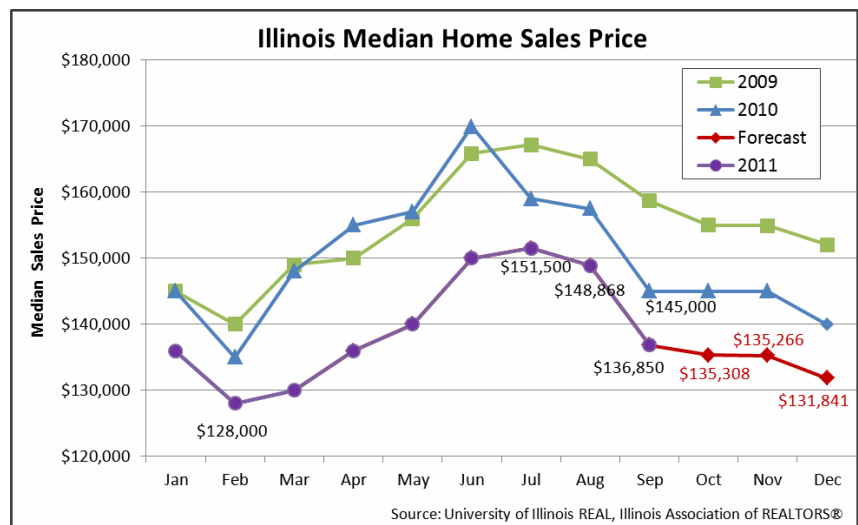
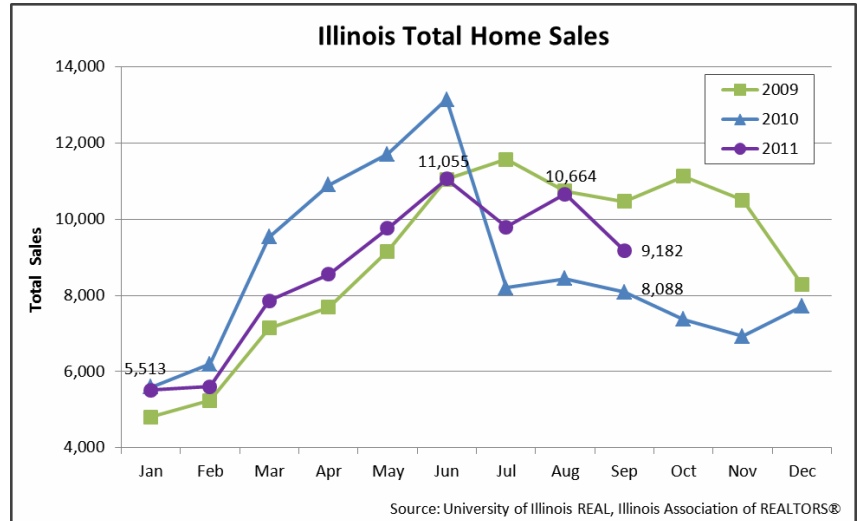
Adds Hewings: “On the jobs front, the three-month moving average of jobs was up by 5,400 jobs per month for the state of Illinois through September. Uncertainty remains about the economy, and if we had six or nine months of robust growth, something in the order of 150,000 to 250,000 jobs nationally, then we would see some real uptick in the housing market.”

- Sales volume in 4Q11 is forecasted to be 26-61% higher than 4Q10.

- Median price forecast indicates that the price level in 4Q11 will be 6-7% lower than 4Q10.

- In 3Q11, 33.0% of home sales were in the price range \$100-200K, and 31.1% of home sales were less than \$100,000.

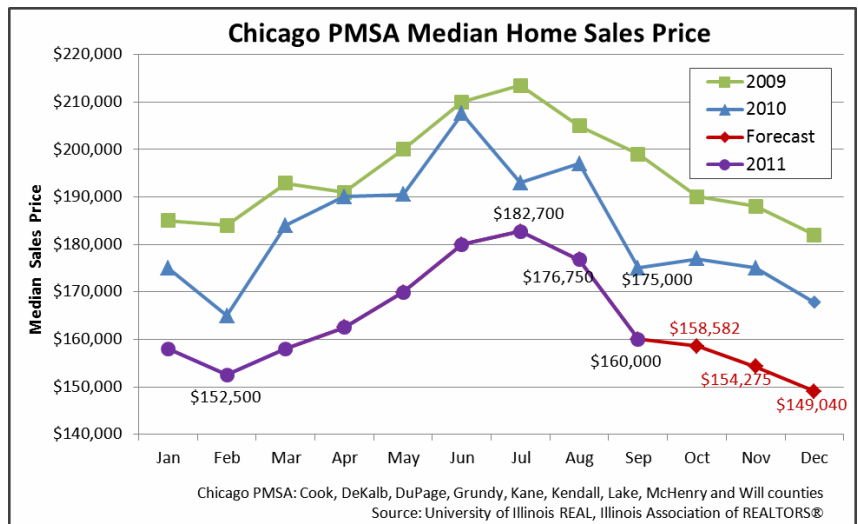
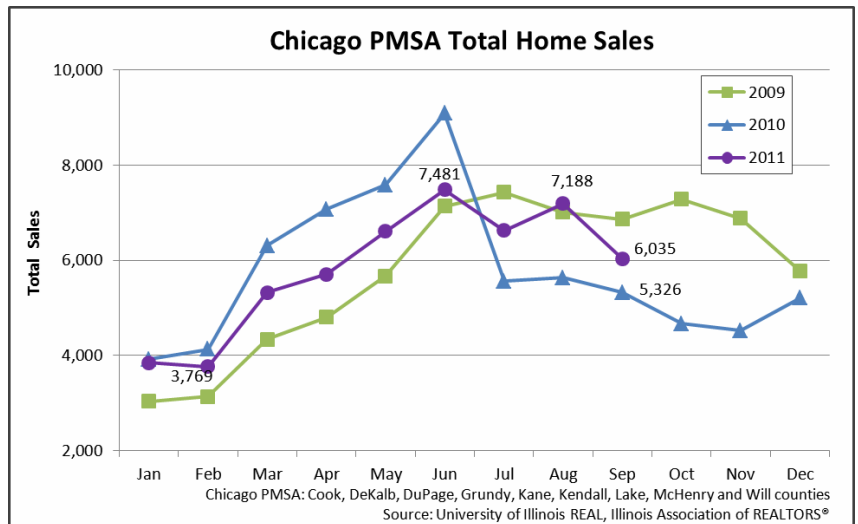
- The overall 3Q11 supply is 3.3 quarters for the state of Illinois.



## Chicago PMSA Region Housing Market 4Q11 Forecast

- Sales volume in 4Q11 is forecasted to be 30-64% higher than 4Q10.
- Median price forecast indicates that the price level in 4Q11 will be 10-11% lower than 4Q10.
- 30.4% of homes sold in 3Q11 were in the price range \$100-200K, and 24.7% of homes sold for less than \$100,000.
- The overall 3Q11 supply is 3.3 quarters in the Chicago PMSA, comparing to 4.7 quarter's supply in 3Q10.
- Homes priced under \$100,000 are in high demand. The quarter's supply for this price range is only 2.4 quarters.

*Chicago PMSA: Cook, DeKalb, Grundy, Kane, Kendall, Lake, McHenry and Will counties.*

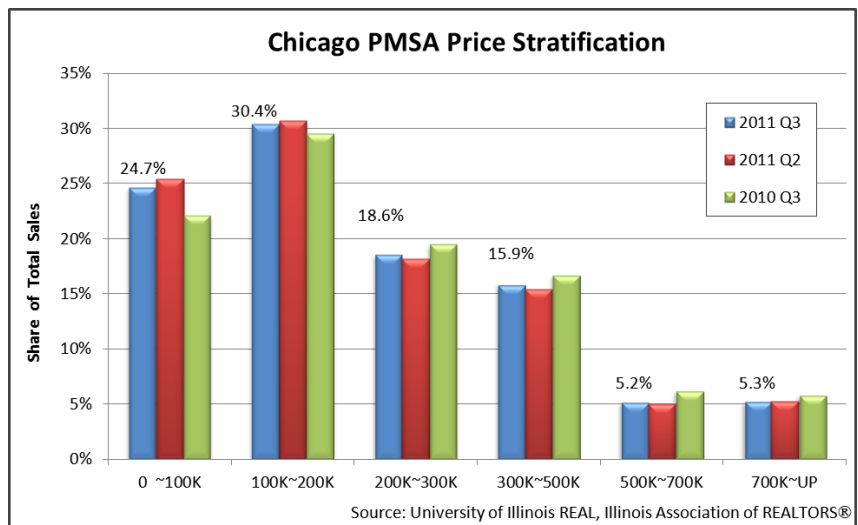


## Mortgage Rates

The 3Q11 interest rate for 30-year, fixed-rate mortgages **averaged 4.31%** in the North Central Region, according to the Federal Home Loan Mortgage Corporation.

It was down from 4.69% in the 2Q11 and down from 4.45% a year ago in 3Q10.

Source: Freddie Mac



## 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 a professor of Geography, Economics and Urban and Regional Planning for the University of Illinois. 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 information is generated from a survey of Multiple Listing Service sales reported by 31 participating Illinois REALTOR® local boards and associations including Midwest Real Estate Data LLC data as of October 7 for the period July 1 through September 30, 2011.

The Chicagoland 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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