



Illinois home sales on the upswing in March with double-digit gains

The Talking Points

The March housing market roared in like a lion with home sales surging ahead with double-digit gains statewide, in the nine-county Chicago PMSA and in the city of Chicago. With lower available inventory, home sales have been slower to recover than median prices, but March sales showed robust growth across the state with the majority of Illinois counties seeing a jump in home sales compared to last year. Buyer demand is strong and homeowners, who are enjoying improving home equity with more than two years of improving home prices, could be more tempted to get off the fence and sell their homes this spring.

There are a number of market dynamics to note here:

- **Home sales show striking gains.** March was a good month for home sales with substantial increases in the number of homes sold even as overall housing inventory remains low. There were 11,416 homes sold statewide in March, a 13.1 percent gain over last year and the strongest March in terms of total sales since 2007 when 11,979 homes sold. The uptick in sales was a trend seen around the state with higher year-over-year sales in 61 counties. There were 8,158 homes sold in the Chicago PMSA, an 11.5 percent jump and 2,118 sold in the city of Chicago, a 13.0 percent increase.
- **Improving home prices show no signs of slowing.** Inventory, while slightly higher than February, remains historically low and that has been good news on home prices, which have experienced year-over-year increases for 31 consecutive months. The statewide median price in March rose 11.5 percent to \$165,000.
- **Data show median prices nearly three-quarters of the way back to pre-recession levels.** Median prices have made steady gains in Illinois for the past several years. But a lingering question is just how the housing sector is doing when you measure today's market against the market prior to the recession? The U of I Regional Economics Applications Laboratory (REAL) looked at median prices and adjusted them for inflation to get a clearer picture. According to the data, the current median price in Illinois is 79 percent of the 2008 median price when you factor in the rate of inflation. For the Chicago PMSA, median prices are 74 percent of pre-recession levels. According to





REAL, it could take 27-48 months for the Illinois market and 20-40 months for the Chicago PMSA market to be classified as fully recovered to pre-recession levels in terms of median prices.

- **Positive market momentum expected to continue this spring.** The latest REAL forecast calls for robust median home price growth and moderate year-over-year gains in home sales for April, May and June. Statewide, the median price is forecast to rise by 12.1 percent in April, 10.4 percent in May and 10.5 percent in June. The three-month average for Illinois home sales is expected to increase between 7.1 and 9.0 percent. Distressed sales are accounting for a smaller share of price and sales gains and pending sales increased in March.
- **Mortgage rates remain near lows for the year, giving consumers more buying power.** Mortgage rates continue to hover well below 4 percent, allowing buyers to lock in low rates. Freddie Mac offers this comparison: The average 30-year, fixed rate was 3.67 percent for the week of April 16, 2015 compared to 4.27 percent the same time last year. Someone buying a \$200,000 home this year at the lower rate would save \$828 a year in interest payments, according to [Freddie Mac](#).
- **Boomerang buyers returning to market, but credit issues will hinder some from buying.** A new [National Association of REALTORS® study](#) finds that while nearly a million former U.S. distressed homeowners have re-entered the housing market and nearly 1.5 million more are expected to qualify in the next five years, tight credit standards and tough lender requirements could make it harder for millions more to buy again over the next decade.
- **Freddie Mac: Spring market factors in place for best home sales since 2007.** Harsh winter weather and slower economic growth have impacted the 2015 housing market, but [Freddie Mac's April U.S. Economic and Housing Market Outlook](#) remains optimistic about future housing growth as mortgage rates are low and purchase applications and pending homes sales are higher. But inventory and generational buying trends will be issues to watch. "In the long run, our expectations are grounded and measured based on the simple facts of supply and demand and the country's current demographic shift. The demand isn't fully there yet from Millennials and our current rate of economic growth of about 2 percent for Real GDP, only supports a gradual recovery. We do expect acceleration in growth and housing demand, but even under our upbeat forecast the housing markets return to a stable range of activity remains a couple years away," said Freddie Mac Deputy Chief Economist Len Keifer.