

**The Chicago Home Partner
2019/20 Real Estate Forecast**



Introduction

Welcome to the 9th Annual Chicago Home Partner Real Estate Forecast, where we discuss our predictions from the previous year and what we believe both potential home buyers and sellers should be on the lookout for in 2020. We've done things a little differently this year based on client feedback and focused more on what's happening NOW – rather than elaborating on what we've seen in the year prior.

As always, we've focused specifically on North Side neighborhoods when discussing market trends and data. Boundaries include: (**North** – Rogers Park, **West** – Irving Park/West Loop, and **East** – Lake Michigan and **South** - the Loop).

What We Predicted Last Year

2019 Chicago Home Partner Predictions		
Our Prediction	Measurement	2019 Results
Home Prices Will Remain Flat	Median Sales Price	1.5% decrease in median home price
Housing Inventory to Improve Slightly	Months Supply of Inventory	Inventory increased by 6.9% in 2019
Mortgage Rates Remain Unchanged	Median Interest Rate or 2018	Rates decreased from 4.5% to 4.25%
Home Sales Will Be Flat or Slightly Down	Number of transactions	Total number of homes decreased by 4% in 2019
Less Competition / Longer Buyer Deliberation Period	Days on Market	Days on market increased by 11% in 2019

For much of the 2019 real estate season, trends followed previous years with a “slow and steady” approach to most important measures of data, whether increasing or decreasing.

Median home prices all but remained flat on the North Side compared to years prior. The average home sold for -1.5% **less** (\$385,000) in 2019 than in 2018 (\$392,000). Even the new construction sector which has traditionally increased year-over-year finally saw inventory catch up with demand and sold for -3% less in 2019, (\$749,500) than it did in 2018, (\$769,000).

Inventory of available well-priced homes in desirable locations had hindered growth in previous years, however in 2019 buyers finally had multiple homes to choose from.

Following a 15% increase in 2018, inventory in 2019 brought an additional 4,700 homes to the market, for a year-over-year increase of roughly 7.3%. This was great news for buyers who lost out in the bidding wars of previous years and served as another wake up call for sellers to realistically price for-sale properties.

Mortgage rates continued to be a major headline in the housing market for much of 2019 yet failed to make truly significant movements. Where fluctuations did occur throughout the year, 2019 rates averaged .25% lower ending the year around 3.6%.

Entry-level buyers found 2019 to be a great opportunity to enter the market, with 11 of 12 months posting median under contract prices **at or below** \$400,000. These under contract prices indicate the price at which a property was **listed** when a contract was written, and \$400,000 is typically used as the higher-end threshold for entry level buyers.

Seller realism finally became a necessity for those motivated to sell their homes. For the first time in years, median for sale price of homes listed **decreased** nearly 2% on the North Side. This served as a sign that sellers finally understood that buyers were refusing to compete over homes “at any price”. In direct correlation we witnessed an -8.7% decrease in expired listings, (those that tested the market and failed).

We at CHP cautioned our sellers to the dangers of overpricing, and in turn, priced listings aggressively and sold homes in less than 40 days at over 99.5% of asking price.

2019 was definitely not a “positive” year when compared to other major metro markets like Phoenix, Atlanta or Boston that experienced dramatic jumps in media sales price. Nation-leading taxes, minimal job growth and a shrinking population have all impacted Chicago’s recovery. However, relatively flat prices, inventory increases and a slight shift in housing affordability still gave us cause to view 2019 favorable.

What We Expect to See in 2020

1. Home Sales and Prices Will Be Flat or Slightly Down

“2020 promises to be more of the same steady, boring housing market in Chicago,” says Geoff Smith, executive director of the Institute for Housing Studies at DePaul University.

This **isn’t** necessarily terrible news. Chicago consistently experiences more subtle movements when compared to large cities on either coast. That means that our numbers, (positive or negative), tend to take a more slow-and-steady approach. This insulated us from extreme price surges in the early 2000’s and even protected us, (to some level), from devastating levels of depreciation experienced during the downturn.

National experts predict Chicago as a whole to experience roughly a -1% decline in sales and home prices to dip -0.3% over the course of the year. This outlook differs, however,

as not all submarkets, (neighborhoods), will be affected the same. Areas with high levels of entry-level homes or in neighborhoods with amenities like desirable schools, should appreciate modestly in 2020.

2. Fear and Uncertainty Will Impact Buyer Behavior

Much like 2019, Chicago faces a tremendous amount of uncertainty in 2020, as well as one of the most heated Presidential elections in recent years. We have fledging leadership at both the city and state levels who will be tested in the upcoming year – facing campaign promises and potentially more taxes to fund them.

The state's pension obligation and spending issues have also continued to prevented market corrections. This consumer uncertainty is **nothing new** to home buyers and sellers in Chicago and has caused most consumers to proceed into the market with caution.

Everything in 2020 will be a bit more difficult, and that's just part of a balancing market with external pressure. Where sellers don't love this type of market, it's actually quite healthy and should **NOT** be confused with what we experienced during the last recession.

3. Housing Inventory to Improve Slightly

We believe that the positive inventory movement of 2019 will continue to build throughout 2020. Available housing stock is expected to increase across the nation and North Side numbers should follow suit - not just in the upper/luxury market.

In 2019 we predicted a more patient and thoughtful buyer, and this will continue into 2020 with one change – they're ready to act. Where home buyers have more options to choose from due to increased inventory, many really want or need to move. Whether they've outgrown the home they bought post-recession or are looking for a different neighborhood to better suit their lifestyle – buyers this year know what they want and are ready to write on it.

4. Sellers MUST Get Realistic

Near the end of 2019 and into early 2020 we noticed certain trends with regards to sellers in the marketplace that really supported the necessity of seller realism.

Typically, well-priced newly-listed inventory is the major mover in the marketplace. However, in December and January we noted that the average under contract listing had been on the market for **124 days!** This is nearly 40 days higher than 2019 numbers and almost 60 days higher than 2018.

This is great news for sellers who have been stagnant on the market, however this movement also comes at a price. Of those listed for less than 60 days in December and January, the average listing experienced 0 price reductions. Those listed for more than 60 days experienced at least 1 price reduction and contracted, (not closed), at nearly 3% less than the price they came on the market.

What does this all mean? To sellers it means that those who list appropriately from the start will sell quicker and at a higher net price at the end. Those who decide to “test the market” will linger, experience price adjustments, incur all the carry-costs associated with owning said home and probably experience more dramatic negotiations at contract time as savvy agents will use both price reductions and market time in offer calculations.

What this means to the potential home buyer and seller in 2020

After all the facts, figures and speculation, we’re still discussing one of the most emotional decisions of your life. Where the finances need to make sense, we’re talking about a home, your home, and how this will impact your life moving forward.

Regardless of your situation, we are always here to help and advise you as to the **BEST** decision to help you achieve your goals. That being said, here are some overarching suggestions everyone entering the market should consider and discuss.

Sellers

If you’ve been considering listing your home and waiting for *the right time*, we would suggest you make a call to chat about your local market. Inventory in most neighborhoods will continue to grow throughout the year and competition will begin to increase. We’ve already seen the number of showings increase tremendously over January 2019, although some of this should be discounted due to a mild winter thus far.

Listing prices of most available homes have decreased, (slightly), from a year ago, depending on your neighborhood/location. The average list price of homes hitting the market in January was down 1.0% compared to January 2019, which could indicate that home sellers are finally getting the memo about realistic pricing.

Should inventory continue to improve, this could provide buyers looking to move up an opportunity to buy a better home with a softer price, which will then outweigh selling their current home for slightly less. This strategy is a solid one – however dependent on the neighborhood you’re interested in.

Where we cannot in good faith tell everyone reading this that NOW is the time to sell their home, it’s a great idea to explore your options and discuss your local market sooner than later. Contact us and we’ll be happy to provide any information you need.

Buyers

As always, planning is the key to success in any real estate venture, but even more so with so many outside factors affecting the local market. There's a lot to be aware of this year with shifting market dynamics and the impending income tax changes, so conferring with an advisor is our number one piece of advice.

Flattening home prices and increased inventory *could* increase competition for well-priced listings in desirable areas. Remember that, as stated for the sellers above, many buyers have been priced out of the move-up market and **need** to move as their li Having your finances in order, achieving mortgage prequalification and doing some preliminary research will put you in a great place to move forward quickly.

Aside from that, keep in mind that over that past two years the highest number of homes for sale took place in the first two quarters of the year. Where there's always the possibility that your "perfect" home might not be listed for months, the widest selection for viewing should be in the first 5-6 months of the year.

Overall, we feel that the North Side will continue on a slow and steady course, fueled by buyer demand and steadily growing home inventory.

In Conclusion

Buying or selling a home is much more than a financial decision – it's an emotional and personal one regarding your future, where you will raise your family (2 and 4 legged) and what life changes you may be facing. We, at Chicago Home Partner, understand ALL the factors that come into play when making this decision, and we are here to advise regardless of the outcome.

Please feel free to reach out to us with any questions this report may have inspired or for more granular information on what YOUR neighborhood is currently experiencing.

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