



July home prices up, but sales dip amid low inventory

The Talking Points

July continued what has been a strong summer for home sellers, with low housing inventory driving up buyer competition and prices. Homes are selling at a record pace, averaging just 47 days on the market statewide, and for higher annual median prices in more than half of Illinois' 102 counties. Home sales have been choppy this year, marking gains some months and declines in others. This back and forth could be forcing buyers to the sidelines some months only to have them rush back in as inventories recover slightly. Illinois home sales are forecast to experience modest annual growth heading into the fall.

There are a number of market dynamics to note here:

- **Buyers want homes, but the shortage of housing inventory continues to impact the market.** In July, there were 60,541 homes for sale statewide, a 12.6 percent decrease compared to last year. It marked the lowest number of homes for sale in July since at least 2008 when Illinois REALTORS® began tracking that statistic. In fact, statewide housing inventory hasn't been in positive territory in 27 months.
- **Lower inventory equals slower home sales.** July is the middle of the summer market, but there were sales declines across the board in July with statewide sales down 4.3 percent, the PMSA down 4.9 percent and the city of Chicago down 5.7 percent. Year to date, sales are still higher than last year at this time.
- **Listings are moving faster than ever, averaging just 47 days statewide.** Homes that are on the market are moving quickly. Statewide days on market in July hit a low of 47 days, the Chicago PMSA held steady at 39 days and in the city of Chicago, days on market fell to an exceptional 34 days. While good for sellers, the competitive market could be





July 2017

frustrating to first-time buyers and others looking for modestly-priced homes that are quickly being snapped up.

- **REAL forecast:** Low inventory could impact upcoming demand as income growth fails to keep pace with rising home prices, says Geoffrey J. D. Hewings, director of the Regional Economics Applications Laboratory (REAL). The forecast calls for slight annual sales increases in August, September and October with moderate annual growth for prices during the same time. Pending home sales are running higher than a year ago.
- **Freddie Mac: Low Inventory Driving Up Cash Sales.** Low inventory coupled with strong buyer demand is triggering more competition in the housing market and driving cash sales higher, according to [Freddie Mac's August 2017 Outlook](#). Cash sales in June accounted for 18 percent of all home sales, above the historical average of 10 percent, the report found. "Usually, not many people like to invest a lot of cash into real estate, which is illiquid and has high transaction costs," said Sean Beckett, chief economist for Freddie Mac. "However, in the current, highly-competitive housing market, a cash offer is an effective way to gain an advantage over other bidders. In a cash sale, the seller doesn't have to worry about the buyer's ability to obtain a mortgage or the chances that an appraisal will come in below the agreed sales price. And each cash sale means one less mortgage origination."
- **CoreLogic: Mortgage Delinquency Rate Declines.** Mortgage delinquencies have fallen to a 10-year low, according to CoreLogic's latest [Loan Performance Insights Report](#). "Strong employment growth and home price increases have contributed to improved mortgage performance," said Dr. Frank Nothaft, chief economist for CoreLogic. "Early-stage delinquencies are hovering around 17-year lows, and the current-to-30-day past due transition rate remained low at 0.8 percent. However, the same positive economic conditions helping performance have also contributed to a lack of affordable supply, creating challenges for homebuyers."