



Home prices climb higher in February; home sales shift lower

The Talking Points

Illinois homebuyers and sellers were still shaking off the winter doldrums in February as lower housing inventory and strong buyer demand drove median home prices higher even as statewide home sales decreased during the same period. February has traditionally been a slower month before activity starts to ramp up again for the spring housing market.

There are a number of market dynamics to note here:

- **Inventory continues to be a driving factor in the market.** February inventory inched slightly higher than January, but the overall supply of homes available for sale is still at historically low levels. And that creates a basic supply and demand cycle driving prices higher as there are fewer homes on the market.
- **Will the onset of spring push hesitant buyers and sellers to make a move?** March 20 is the official start of spring. It is possible that some buyers will feel emboldened by the federal tax cuts and the start of the spring housing market to move aggressively when it comes to making an offer. On the other side, sellers are reaping the benefits of a seller's market as limited inventory drives up buyer competition, and ultimately, pushes prices higher.
- **Buyer demand remains strong and homes are selling quickly.** Buyers are moving quickly when they do find the right home. Days on market averaged just over two months (71 days) statewide and as little as 56 days before selling in the city of Chicago.





February 2018

- **February home sales and prices in a nutshell.** Month-over-month home sales declined again with statewide closed sales declining 5.1 percent, the Chicago Metro Area down 4.2 percent and the city of Chicago down 2.6 percent. All regions saw median price gains: a year-over-year increase of 8.8 percent statewide, 8.3 percent in the Chicago Metro Area and 10.6 percent in the city of Chicago.
- **REAL March forecast:** The forecast for March, April and May suggests year-over-year decreases in home sales, but month-over-month gains. Median prices are expected to see moderate annual growth during the same time. Long-term, shrinking inventory and consumer concerns about affordability at the lower-end of the market could push year-over-year sales lower than 2017.
- **Freddie Mac: Mortgage rates fall for the first time this year.** After consecutive increases for the first nine weeks of 2018, [mortgage rates](#) headed back down in mid-March and averaged 4.44 percent, according to Freddie Mac.
- **NAR: Millennials lead homebuyers, but homeownership still out of reach for some.** More Millennials are buying homes, but limited inventory and rising housing costs have tempered potential growth, according to [NAR's 2018 Home Buyer and Seller Generational Trends Study](#). NAR Chief Economist Lawrence Yun said REALTORS® are noticing not only an upturn in interest from Millennial buyers, but also frustration with the home search. “Prices keep rising for the limited number of listings on the market they can afford, which is creating stark competition, speedy price growth and the need to save more in order to buy,” he said. “These challenging market conditions have caused – and will continue to cause – many aspiring Millennial buyers to continue renting unless more Gen Xers decide to sell, and entry-level home construction picks up significantly.”