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Downtown condo market shrinks for second year

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Chicago's downtown condominium market shrank for the second straight year in 2009 as meager sales forced developers to put construction plans on hold, said a report released today.

Appraisal Research Counselors said 572 condo units sold downtown last year, the lowest number since the company began keeping track in 1997. It also said developers of 1,041 future units cancelled construction plans during the year as several factors drove buyers from the market. They include job loss, inability to get a mortgage, or lack of confidence in condo valuations.

For 2008, the Chicago-based firm reported 592 condo sales downtown and 2,520 other units being erased from the market. The numbers illustrate a marked slowdown from a decade that saw Chicago post an average of about 4,000 condo sales per year.

But other numbers in the report point to a stabilizing market. Buildings that are geared to first-time buyers and quote prices at about \$290 a square foot are drawing the greatest interest and will lead a market recovery, said Gail Lissner, vice president at Appraisal Research.

That compares with prices of about \$390 a square foot a couple years ago, Lissner said. Also, the supply of new units is expected to slow to a trickle.

Meanwhile, rental housing downtown and in the suburbs have seen only slight declines in average rates and have average occupancy rates of more than 92 percent, the company said.

Most of the downtown residential construction is rental buildings, and those could put further pressure on rents for a couple of years, said Appraisal Research Vice President Ron DeVries.

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