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Bargains for condo buyers

As many downtown condos sit empty, sellers cut prices

By Jeffrey Steele, Special to the Tribune

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Jodi Geoghan couldn't believe her good fortune. She and her husband, Ritchie, had just moved back to Chicago from California in mid-December, taken a sublet on the Gold Coast and needed to buy a new home quickly. The couple got preapproved for a loan, and on Jan. 31 saw an ad for an open house at a condo high-rise development in the West Loop.

The Geoghan's found a one-bedroom unit they wanted and returned the next day to sign a contract. The couple bought the condo for \$210,900, including parking. They expect to close March 15 and move in soon.

"Prices were lower than what we expected," she said. "When we arrived at 565 Quincy, and they really did have things in our price range we loved, we were ecstatic. I just feel really lucky about the timing, and that we got into a place downtown at the price we did. I don't think this is going to happen again."

The Geoghan's took advantage of a buyer's market for condos in downtown Chicago. With unsold condos piling up, developers are slashing prices to chip away at inventory. Low interest rates and a first-time-buyer tax credit make conditions even more favorable for buyers.

From 2008 to 2009, construction was completed on 7,750 condo units downtown, which includes the Gold Coast, River North, Streeterville, Loop, West Loop and South Loop, said Gail Lissner, vice president at Appraisal Research Counselors, an appraisal and consulting firm in Chicago. Of that amount, about 2,200 new-construction units are still available for sale by developers. According to Midwest Real Estate Data LLC, 5,020 condo units are listed for sale or resale in the downtown area.

"The market presents an excellent buying opportunity, certainly unmatched by anything we've seen recently," Lissner said. "For anyone with a job, who feels good about their employment, this is a great time to buy. There are some outstanding values in the market."

Added Michael Golden, co-founder of Chicago's @Properties, a full-service residential and commercial brokerage firm: "It's an incredible opportunity to buy now and build equity quickly. Think about it. If there is inflation, prices will go up, and your equity will grow. If there's not inflation, prices still pretty much have to go up, because there will be a need for new housing. ... Prices won't go up again as they did in the last decade. But I think there will be a bounce."

What had been a seller's market downtown, with high demand and comparatively meager supply, has been upended in the last couple of years. Developers overbuilt, churning out towering high-rises bulging with hundreds of units. While smaller buildings in other areas of Chicago sold out, many Loop high-rise units languished on the market. As the economic meltdown and unemployment rates expanded, some developers found themselves with few, if any, interested buyers.

"Now they realize if they're going to sell anything, they're going to have to adjust the price," said Mark Sutherland, partner in Sutherland and Pearsall Development Corp., developing 550 St. Clair, a 26-story condo tower in Chicago's Streeterville neighborhood.

How big an adjustment? A sizable one, said Nicholas Gouletas, CEO of American Invsco, which instituted drastic discounts of up to \$150,000 per unit at its Private Residences at Ontario Place last month. The reductions on upgraded one-bedroom units pushed their prices down to \$219,000 to \$245,000.

"The developers thought they would make a profit. That's gone," he said. "Then they put in some equity. That's gone. And then the bank had a loan for somewhere between 40 to 60 percent. Now you're going to the bank and asking them to take a haircut. ... I've been in this business for 40 years, and my father before me. We have five generations of Gouletas family members in this business. I've never seen this before. I see this as a real buyer's market."



With the resale market remaining weak, the condo glut has forced sellers to cut prices as well. Since May 2006, **Kevin Kelly**, a real estate agent at Coldwell Banker's Lincoln Park Plaza office, has owned a South Loop condo in the historic Prairie Avenue District near **Soldier Field**. He put the unit up for sale 6 1/2 months ago, has reduced the price three times and still has received no bites from potential buyers.

"It's been challenging," said Kelly. "You have to separate yours from all the other condos down here. There are 400 to 500 condos on the market in the South Loop, minimum. There's just an oversupply. It's a supply-and-demand issue. Right now, the supply is outweighing the demand. But I believe mine will sell in the next 30 days. It's priced right, and it's at its time in the market to sell."

It's likely a losing strategy for potential buyers to sit on the sidelines, waiting for prices to drop further, said Alan Lev, president of Belgravia Group, which cut prices at 565 Quincy, near Union Station, by as much as 30 percent in mid-January.

"I think they're going to miss the opportunity on several fronts," he said. "Prices are at rock bottom, they'll lose out on the tax credit, and I believe interest rates are going to tick up later in the year. I can see why a year ago people would have waited. But today, I believe if they do, they're going to kick themselves and say, 'Boy, I really should have bought.'"

Others believe the discounting will continue at least through the end of this year, and not just because of the glut.

"I think it's going to be a while, at least until excess inventory is reduced," Sutherland said. "It has a lot to do with the unemployment situation, the lack of consumer confidence and the credit crunch. It's not as easy now to go out and get a mortgage."

Lissner said the nature and extent of price reductions, and how broadly they are being promoted, vary enormously, building by building.

"We see different developments employing different discount programs," she said. "Sometimes, they are limited-time offerings. Sometimes, they will have loss leaders and only reduce prices on select units to get people in the door and to maintain their image. Other developers are going in and reducing all their prices. Some are doing it quietly; some are advertising it to the world."

While free flat-screen TVs and upgraded appliance packages were typical of the incentives developers offered in the last decade, discounts are the new incentive.

"The market has moved beyond cutesy incentives. Buyers are motivated by cash, and thus price discounts are what move buyers to take the plunge and buy," Lissner said. "We are definitely seeing many developments now include parking in the unit pricing, and that, too, is, in effect, a price discount. Because construction on most of the units has already been completed, we are seeing less focus on free unit upgrades, although developers may change a countertop if that is what it takes to make a sale."

For those in the market to buy a condo, industry observers advise doing just what the Geoghans did.

"We move fast," Jodi Geoghan said.

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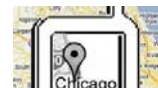
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