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'It's a slow repair' for condo market as experts look to 2013

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In Chicago, where the cry "Wait 'til next year" is a common refrain, the condominium market is getting its own version of a losers' lament: "Wait 'til 2013."

If you are a condo investor, owner, builder, Realtor or anybody else with a vested interest in rising condo prices, the market probably won't appear stable for three years. That consensus view emerged Tuesday in interviews with condo experts commenting on the latest data on housing, numbers that threw the stock market into a tizzy.

The report for July showed the volume of sales for all homes -- condo and single-family -- declining nationally and in the Chicago area from July 2009. In both cases, the decline was about 25 percent. The same data from Realtors groups showed that prices nationwide were essentially flat, while in the Chicago market they registered a year-over-year dip of 9.6 percent.

Drilling into the numbers shows that condos are behaving differently from the rest of housing. The Illinois Association of Realtors said that for the Chicago market, condo sales in July were down 28 percent compared with July 2009, but average prices rose about 1 percent.

Price stability is a sign of a market that's starting to heal. Experts think it will take three years -- hence the rooting for 2013 -- before condos purge what ails them, such as foreclosures and short sales, a lingering stench of unsold units and the general plague of joblessness. It will be a "tedious road to recovery," said housing analyst Tracy Cross, president of Tracy Cross & Associates.

Those who track Chicago condos argue that it's hard to generalize about prices. Realtor Sara Benson, president of Benson Stanley Realty, said vast differences apply depending on the financial stability of the building that includes the condo. Many condo associations are defunct or bankrupt, and units in those buildings continue to be discounted, she said. But a bargain price still poses risks for the buyer, especially if an emergency repair is needed and few owners are around to pay an assessment.

Benson said prices are rising in buildings that are mostly owner-occupied and have condo associations with ample financial reserves. "The downtown Chicago market has the greatest supply of inventory and therefore is at the most risk of loss of value," she said.

Another sign of gradual, if snail-like, improvement is that the condo inventory is being whittled down. In the most important market, Chicago's core, running from North Avenue south to Cermak, and most everything east of Ashland, annual condo sales averaged 4,000 units a year for a decade through 2007, Appraisal Research Counselors said. The sales total shrank to less than 600 units in 2008 and in 2009, according to the firm's reports, and for the first half of this year added up to 406, a total swelled by a now-expired federal tax credit for home buyers.

Downtown, there are about 2,800 unsold units, the firm said. While that's about four years' worth of sales at the current pace, the condo inventory was 6,500 units just two years ago. "It's a slow repair," said Harry Huzenis, a founder of Jameson Realty Group.

Huzenis said he sees no great velocity of sales in any segment of the market. But life goes on. Singles graduate and move away from their parents. Couples marry, have children and start looking for a little more space and a new school district. All of that, Huzenis said, will feed a demand for homes, from studio condos to move-up Georgians in the suburbs. As for condo prices, Huzenis said, "I think we'll bounce along the bottom for a while unless we get further job losses."

Individual investors have been on the sidelines in the condo market, but partnerships are pooling funds to buy units in bulk. Don't call it "smart money" yet, though. The market still is capable of more sucker punches.

Cross said prices for the more expensive condos and single-family homes are still too high. "This market depends on the job transferee who doesn't exist," he said.

Benson added that banks are putting up for sale more condo foreclosures, often because the mortgage guarantors Fannie Mae and Freddie Mac are pressuring them to unload bad loans. In a survey of the city's North Side from Foster to Howard and the lake west to Kimball, Benson counted more than 280 condos for sale for \$50,000 or less. Many had once sold for \$200,000 and all were foreclosures, she said.

David Roeder reports on real estate at 6:22 p.m. every Thursday on WBBM-AM (780). The reports are repeated at 10:22 p.m. Thursday and 7:22 a.m. Sunday.

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