

Appraisal Research Counselors

400 E Randolph Street, Suite 715  
Chicago, Illinois 60601-7388

T: 312-565-0977  
F: 312-565-3436

[Click here to view AppraisalResearch.com](http://AppraisalResearch.com)



Professional Service Since 1968

*Appraisal Research Counselors®*

## Lissner: Buyers taking a “wait and see” approach to home decisions

Posted 6/18/2008 by magazine



Buyers are continuing to wait on the sidelines so far in 2008, although there are some very enticing opportunities for buyers with good credit. A decrease in the number of potential buyers actively shopping the market along with attractive interest rates and a record number of building completions this year will provide some excellent buying opportunities. However, with the uncertainty in the financial markets and slower resale market, many buyers are taking a “wait and see” attitude and deferring purchase decisions.

As reflected in our weekly survey of new-construction condominium developments located throughout the city of Chicago, fewer potential buyers are visiting sales offices in 2008 and even fewer are deciding to purchase. Overall, the number of potential buyers visiting new condominium developments each week in 2008 to date has declined 25 percent from the first half of 2007, with sales volume down more than 65 percent from the first half of 2007. Thus, while a smaller number of potential buyers are looking at their alternatives in the market, even fewer are ready to commit to a purchase.

The large drop-off in sales volume and potential buyer traffic occurred in August of last year, coinciding with the public awareness of the turmoil in the sub-prime and credit markets. At this point, market activity has not yet returned to its pre-August 2007 levels.

In 2008 and 2009, developers will complete construction on a record number of downtown Chicago condominium buildings, many of which started their marketing programs during the robust market conditions of 2005 and early 2006. While a total of 10,000 units are projected for completion in 2008 and 2009, 70 percent of the 2008 units and 55 percent of the 2009 units are already under contract to individual owners. Thus, the focus of the developers with 2008 building completions is to sell the inventory that is not yet under contract.

While slower sales velocities are affecting the ability of developers to sell out their projects, it is also affecting the pipeline of new potential condominium developments. As a result, only one new condominium project in downtown Chicago has started a marketing program to date during 2008, and no other major announcements are expected. The lone addition to the downtown market in 2008 is the highest-profile project in Chicago, the 1,194-unit [Chicago Spire](#), which is being marketed both locally and internationally. In contrast, during the first half of 2007, 13 projects in downtown Chicago had already started marketing programs, although four of these proposed projects have already been canceled after a slow initial start.

During the remainder of 2008 and into 2009, we expect that developers will continue to market their units in ongoing projects and will hold off announcements of new projects until market conditions strengthen. Thus, while 2008 and 2009 will have large numbers of units being completed, there will be little ground-breaking occurring during this period, which means that there will be few completions of buildings in 2010 and into 2011.

With the downturn in sales activity in the condo market, we are seeing condominium developers looking at other development opportunities, with many contemplating rental development. Already, 2008 and 2009 will be at

record levels for rental unit completions, with more than 4,000 new rental units being completed in downtown Chicago within this two year period. We are also tracking a large pipeline of potential rental developments being proposed, although we expect that few of these proposed developments will actually break ground due to the limited sources of equity and debt in the market.

The “shadow” rental market will also continue to offer additional rental competition, as individual condo unit owners offer their units for rent, continuing a trend that has been present in the downtown Chicago market for the past 30 years.

*Gail Lissner, CRE, SRA, is co-author of [Appraisal Research Counselors](#)' quarterly [Downtown Chicago Residential Benchmark Report](#). This in-depth analysis of the downtown Chicago housing market tracks development activity and helps people investing in residential real estate make informed decisions.*

See more in [Gail Lissner](#).

| [E-mail](#) | [Permalink](#) | [Print](#)