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## Cash Purchases Of Properties Prevail In High Foreclosure Areas, Long-Term Impact Uncertain

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Following the country's mortgage crisis more people in Cook County are buying homes with cash instead of credit, a new report from the [Institute for Housing Studies at DePaul University](#) finds.

The cash trend is also more prevalent in areas with high foreclosure rates, according to the study, [Cash or Credit: The role of cash buyers in Cook County's housing market](#), which analyzed residential property sales from 2005 to 2011 in Cook County—one of the nation's weakest housing markets.



In 2005, about 15 percent of all home sales were bought with cash. That number jumped to 45 percent in 2011.

Geoff Smith, executive director of the Institute for Housing Studies, said buyers are taking advantage of the low residential property prices, and that's good because properties in the area need to "absorbed."

"You need to see someone step in," Smith said. "You need these cash buyers to fill that role."

But the real question, Smith said, is what type of owners will these cash buyers be?

If the cash buyers create long-term, affordable rental housing, that's good for community stabilization, Smith said.

[A strong supply of affordable housing](#) is "very much in need" in Cook County, he said.

However, some buyers may purchase a property, let it sit until the market improves and then sell it, which may not be the best way to improve struggling communities, especially those facing high foreclosure rates, Smith added.

Bob Palmer, policy director with [Housing Action Illinois](#), agreed that in the short-term it's good that somebody "is dealing with these properties that might otherwise be abandoned or unsecured."

But, Palmer said, it's not clear from this report what the cash buyers and investors are actually doing with the properties.

"You would assume that they are keeping them secured," he said. "In high-foreclosure neighborhoods that has been a big problem."

The report also reflects how difficult it is for people living in Cook County's communities to access credit and obtain a traditional 30-year mortgage, Palmer said.

"(The homes) are being scooped up by mostly investors, and if they turn them into rental housing that's affordable, then that's good, but who knows what the long-term impact is," Palmer said. "I think that's unclear at this point."

Throughout the past seven years, financed home purchases decreased 76 percent, and cash purchases increased by 12 percent, according to the report.

And in foreclosure-ravaged communities, nearly 70 percent of the residential properties were purchased with cash. In comparison, about 30 percent of homes in low-foreclosure communities were bought with cash.

The report credits the spike of cash purchases in high-foreclosure areas to significantly lower home prices and difficulties for people in these areas to obtain credit.

West Sidehousing advocate Elce Redmond with the South Austin Community Coalition said he was shocked by the report's findings regarding cash purchases in high-foreclosure communities.

"When have you ever heard that," Redmond asked. "That's a large number of houses going for cash."

Most likely these cash sales are from investors, Redmond said.

For example, in the Austin community -- which has one of the highest rates of foreclosures in Chicago -- an owner of four homes in the area lost all his property within a year, and all four were quickly purchased from investors, he said.

"They put a little siding up and put a couple of boards," Redmond said. "It's all cosmetic -- nothing really long term."

Investors purchasing homes in bulk, not renting them out and doing minimal work is a common trend in Austin and across Cook County, Redmond said.

"They bought it, waiting for the market to turn over, and they get these buildings for a steal," Redmond said. "It's not that much money they are investing."

Smith of the Institute for Housing Studies said more research is still needed beyond its recent report.

The next step is to study the cash versus credit purchases on a smaller, community level, which will help determine how specific areas in Cook County are recovering from the housing crash and what individual buyers and investors are doing with the properties.

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