

Housing market improving, but . . .

BY DAVID ROEDER Staff Reporter droeder@suntimes.com December 25, 2012 6:00PM

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A Glenview home was for sale in October. | Nam Y. Huh~AP

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Updated: December 26, 2012 1:22PM

As the old year expires, numerous articles will delve into whether the housing market will But they'll be asking the wrong question.

In many respects, housing almost has to get better. As for improvement, the real question

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If your reference point is housing's high-water mark of 2006, forget it. Those intoxicating and nonexistent mortgage standards aren't coming back any time soon. Chicago and most seeing average sale prices increase, but many think that's mostly due to small inventories.

It's not like a few years ago, when people moved on a whim, using home equity to buy big time. There are fewer job changes today that mandate a move, and many people still have mortgages.

Two recent reports illustrate the unstable state of housing.

A coalition of Washington-based housing organizations found that, as of this year's third quarter, foreclosure rates in the nation's 100 largest markets remain close to the record highs set earlier this year. The Local Initiatives Support Corporation, the Urban Institute and the Center for Housing Policy found that the large cities' foreclosure rate is 6 percent, vs. the record of 6.1 percent, and that the foreclosure inventory is growing.

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In the Chicago area, the foreclosure rate was 8.7 percent, the groups said, down just a tick year ago.

A separate analysis of Cook County shows that trouble remains in key areas. The Institute DePaul University found that single-family homes in Cook County are a weak market, with prices down 3 percent from a year ago. Condominium prices are down 12 percent, when compared to a year ago.

Faring better were small rental buildings of two to four units. The DePaul study found that prices for these buildings were up 10 percent.

These buildings are especially important to the local stock of affordable housing and account for about 20 percent of the residential units in Chicago.

Larger apartment buildings also saw year-over-year increases — of about 14 percent.

The DePaul analysis covers properties that have sold more than once. It reflects a belief that repeat sales provide better statistical comparisons than a database of all sales.

So, yes, there's improvement. But it primarily shows the strength of the rental market when tenants manage the down payment on a mortgage.

Here's wishing for a better 2013 for more of us than just the landlords.

HOMETEOWN FORAY: Chicago-based L3 Capital, which until now has been active on a \$100 million purchase locally in its quest for institutional-grade retail property. It bought four properties in Southport in Lake View — the addresses are 3430, 3442, 3447 and 3550 — and all are 100,000 sq ft. Tenants include Lululemon, Southport Grocery, Homemade Pizza Co., Free People and Southport. The deal also includes eight apartments.

L3 was founded in 2009 by former executives of Transwestern, Vornado Realty Trust and Sunoco. It's thinking big for future acquisitions, looking not only at hot neighborhoods but also State Street. "There is tremendous opportunity in Chicago, and we are poised to make significant gains in the market in the coming year," said Greg Schott, the company's managing principal.

L3, by the way, stands for “location, location, location.”

OOPS: In print editions of last week’s column, I misstated the annual revenue of Granite Construction Inc., possible purchaser of Kenny Construction Co. The revenue figure is about \$2 billion.

ACT II IN ST. CHARLES: In a decision that could lead to renewal of the Arcada Theatre in downtown St. Charles, the city has agreed to buy a property next to it. It’s the former George’s Sporting Goods stores at 107 E. Main, a fixture in St. Charles for more than 40 years.

The City Council appropriated \$230,000 for the deal, and the hope is the property can be used for expansion or improvements at the Arcada, a former vaudeville and movie house that now hosts live shows.

A study conducted by the city indicates that the Arcada generates approximately \$2 million in direct and indirect spending and creates 30 jobs. The report also said the facility would benefit from modernization.

The seller of the sporting goods store was the Poczekaj family, which closed the operation earlier this year.

INVESTOR ALERT: Want to load up on condos in bulk? RANY Management hired Kiser Group to market 87 condos and 19 deeded parking spaces at 4180 N. Marine Drive, a building called Polo Tower. The price is \$10.25 million.

Polo Tower is a 16-story building on the lakefront, with 189 units in all. “The opportunity is in improving current cash flow by pushing rents to demonstrable market levels, with the flexibility to see if the condo market warrants doing so,” said Matt Jones, managing director at Kiser.

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

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