

www.chicagotribune.com/business/ct-biz-0613-home-prices--20130613,0,3942422.story

chicagotribune.com

Home prices in Cook County show uptick

But a third of Chicago-area homes with a mortgage are still underwater

By [Mary Ellen Podmolik](#), Chicago Tribune reporter

5:30 AM CDT, June 13, 2013

Home values in Illinois' most populous county are improving, but the gains may be smaller than would-be sellers are expecting.

advertisement

First-quarter prices of single-family homes in Cook County increased 3.5 percent from 2012's first quarter and rose 3.2 percent from December, according to a home price index calculated by the Institute for Housing Studies at DePaul University. Meanwhile, first-quarter condominium prices, while down 5.2 percent on a year-over-year basis, rose 1 percent from the end of 2012.

Geoff Smith, the institute's executive director, cautioned against reading too much into the gains. Single-family home prices in Cook County remain down more than 30 percent from their peak in 2006, while condo prices are off more than 50 percent from their 2007 highs.

"It's only one quarter," he said. "If the second quarter and the third quarter show similar increases, then we have a trend.

"There's a lot of enthusiasm about the recovery, and everyone has been waiting for it to happen for a while. It's understandable. Obviously the dynamics of the market are very strange and unusual. This is still not a normal market. You can expect lots of twists and turns in the coming quarters as the market regains normalcy."

Unlike the monthly sales reports issued by the Illinois Association of Realtors that include all sales, DePaul's index looks at a rolling three-month average of repeat sales of the same homes over time. A similar methodology is used by the S&P/Case-Shiller home price index.

The report on improved values comes amid continued reports of strong buyer demand, multiple-offer scenarios and homes selling for above their list prices.

In part, the activity is fueled by escalating mortgage interest rates that are driving would-be buyers to act before rates move even higher.

Interest rates on the benchmark 30-year, fixed-rate mortgage have been climbing for the past five weeks and last week stood at an average of 3.91 percent, according to Freddie Mac's weekly survey, which will be

updated Thursday. Higher rates have somewhat dampened enthusiasm for refinancing existing mortgages, but applications for mortgages used to buy homes rose 5 percent last week, the Mortgage Bankers Association said Wednesday.

Home shoppers continue to face a shortage of properties listed for sale.

For instance, in Chicago, 8,234 single-family homes and condos were listed for sale on the local multiple listing service as of June 1, 366 fewer than in early May, according to data from Midwest Real Estate Data LLC prepared for the Chicago Association of Realtors. The lack of inventory is helping drive up prices, but economists have cautioned that a spike in the number of homes available for sale could temper pricing improvement.

In a Fannie Mae survey released this week, 40 percent of consumers said it was a good time to sell a home, up from 30 percent in April and the largest increase in the survey's three-year history.

Yet many Chicago-area homeowners who might like to list their homes and move are unable to because they owe more on their mortgages than the properties are worth. While the number of underwater homeowners declined nationally during the first quarter, Chicago bucked that trend.

About 34 percent of Chicago-area homes with a mortgage were underwater at the end of March, compared with 33.7 percent of homes at the end of December, housing analytics firm CoreLogic reported Wednesday.

DePaul's price index also found that during the first quarter, prices of small rental buildings that had less than five units posted the strongest gains, rising by about 8 percent year over year.

Meanwhile, after a rapid rise in prices for larger multifamily rental buildings for many quarters, beginning in late 2010, their values have continued to recede. First-quarter prices on larger rental buildings were down about 11 percent from a year ago. Smith attributed the softer prices to the delivery of new buildings into the market, offsetting demand.

mepodmolik@tribune.com

Twitter @mepodmolik

Copyright © 2013 Chicago Tribune Company, LLC