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West Loop Condo Sales: 3rd Quarter Results

By: Fran Walker and Kevin Knepp

The total condominium units sold through the third quarter of this year was 872, representing a 4% increase in units sold through three quarters of 2005. On the surface, this statistic contradicts recent national trends showing a falloff in sales from last year. To a certain extent, we find that West Loop sales data does indeed buck the national trend. On deeper examination, however, certain factors contribute to a less rosy yet certainly not untenable market condition.

The neighborhood's newest building closed this year at 200 N. Jefferson. It significantly impacts '06 results in three categories: sales volume, average price and market time. 216 transactions were closed in the building, representing 25% of the neighborhood's total sales volume. Market times for the 200 Jefferson units averaged 625 days, significantly altering the market's average market time upwards. Every unit in the building is a one bedroom, and their average sales price was less than \$300K, pushing the market's average price down.

Looking at the data after removing the 200 Jefferson sales reveals a more realistic assessment. The one bedroom category shows 284 units sold, \$275,176 average sales price, and 110 days average market time. This has the affect of lowering the total number of units sold in the neighborhood by 25% from last year. Market time pushes up by 30-40 days, but not nearly as high as the 125 days in the raw data. Average sales price, down 6% in the raw data from 2005, actually comes up 2-3%.

We are in a soft market. Real estate has historically appreciated in Chicago with short soft periods, and we see no factors that will contribute to a prolonged period. Just the opposite, in fact: interest rates are still near historic lows, with economists predicting that they may actually drop further, demand in this market remains high, and the Chicago market never experienced runaway appreciation that other markets had over the last two years. In our 2005 year in review, we noted that both market times and average

West Loop Condominium Sales

Unit Type	Number of Units	Average Price	Average Mkt. Time (Days)
Thru 3rd Quarter '06			
Total	872	\$339,496	244
1 BR	404	\$279,763	337
2 BR	322	\$388,324	121
3+ BR	57	\$604,314	131
Thru 3rd Quarter '05			
Total	840	\$361,054	119
1 BR	319	\$260,704	77
2 BR	416	\$372,335	137
3+ BR	105	\$621,234	170

Source: Multiple Listing Service of Northern Illinois. "Total" includes all unit sales, including studios and 3+ bedrooms.

price were up significantly. As these two factors — time and price — do not normally go up or down in synch, we predicted that either market time would start to predominate, in which case appreciation would flatten to a modest 4%-6%. If price won out, double digit appreciation would continue. Obviously, the former scenario won out. It appears that for at least the next six months, appreciation will continue at a flat rate on the low end of our prediction. Please note that this neighborhood continues to appreciate, though modestly. This flatly contradicts national media reports. Keep in mind that all real estate is local: what market forces predominate in certain parts of the country (notably east and west coasts) will not necessarily predominate here.

Sellers. In a soft market, correctly pricing your home is absolutely essential. It is critically important that you price it based on realistic market valuation. The market will not care if you overpaid or otherwise need more equity from the sale than what the home is really worth — there are too many homes in inventory for a buyer to give more than a passing glance at an overpriced home. In some markets, realtors are actually counseling their clients to price their home lower than available comps because values are sliding into the negative. We don't think that will happen in this market, but take a hard look at realistic comparable sales and if

you cannot price your home where the comps are selling, we advise you to delay listing or be prepared to sell for less than what you would expect. People with at least two years of ownership should see gains from the sale of their home, although it might not be as high as expected over the short term.

Buyers. This is a great time to be a buyer. With more choices available than in a tight market, and many sellers anxious to sell their homes, the list price will almost certainly not be the final sales price. Don't be afraid to take an aggressive negotiating position, especially if you are able to identify several properties that would work for you: if you can't get the price you want on choice A, move to the next one. A caution: most sellers have been advised as to their home's real value, so don't be too aggressive on fairly priced homes — you're more likely to have your offer scoffed at in this situation than have a productive negotiation. If you are considering a move into real estate investment, there is no better time. Resale and new construction will feel a pinch in the short term, meaning you may be able to find a property where the numbers result in a net neutral or positive cash flow situation. Needless to say, it's also a great time to look for investment properties.

Whether you are a buyer or a seller or both in the coming months, we advise you to plan your moves carefully, surround yourself with good advisors, and make decisions based on sound logic. With average market times running 4+ months, time is your enemy and you cannot afford to hire real estate professionals who do not understand the fundamentals of this market and do not know how to properly buy and sell homes. We do, and the properties we have sold this year have taken us on average only 75 days to sell. Another sobering statistic: currently only 56% of listings taken sell, meaning you only have a 50/50 chance that the agent you list with will sell your home. We sell 90% of the listings we take. With so much at stake when it comes to buying and selling real estate, our industry knowledge and sales expertise makes the Knepp Realty Group a compelling choice.



The real estate professionals at Knepp Realty Group are in the business of meeting or exceeding our clients' expectations. We strive to accomplish this goal with every client, and we do it by taking personal responsibility for the financial betterment of our clients. The people that make up our company determine how well we serve our clients in this regard, and together the team is dedicated to our clients' success. When looking to buy or sell residential real estate in Chicago, look no further than Knepp Realty.

For more information, please contact us or look us up at:
www.knepprealtygroup.com.

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