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## 2007: A Decent Year. 2008: Signs of Strain?

By: Fran Walker and Kevin Knepp

Condominium unit and sales volume were down in the West Loop last year compared to 2006, but prices continued to appreciate very close to the area's historic average. In an extremely volatile year for real estate nationally, the neighborhood's condominium sales kept chugging along.

These results generally track with our 2007 forecast. We called for longer market times and single digit appreciation, and stand by that forecast despite the fact that overall market time shows a decrease. As we have pointed out in several issues, the 2006 results were severely skewed by the mass closing of the 200 N Jefferson condominium building. Accounting for 20% of that year's sales, the average market time for units in the building was over 600 days, and the average price was under \$300K. That plays havoc with market time and average sales price for the area generally and the one bedroom category in particular – note the largest year over year changes are in the one bedroom category.

Looking beyond the numbers, we believe it took anywhere from four to six weeks longer to sell condominiums in 2007 than it did in 2006. While we don't believe market times will go beyond the 180 day threshold in 2008, we also see no evidence that it will decrease. The longer market times reflect the volume decrease, and indicate the ongoing challenge of selling real estate in a volatile market.

Fourth quarter results are particularly unreliable, as they always have the lowest sales volume of any quarter. That said, unit and sales volume were down substantially in the fourth quarter '07 compared to the same period in '06, and median and average sale price decreased last quarter compared to last quarter '06.

West Loop						
# BRs	Time Period	# Units	Avg Market Time	Median Price Sold	Avg Sold Price	Total Volume
	2006	1080	223	\$315,000	\$348,225	\$376,082,959
	2007	1025	158	\$336,000	\$371,364	\$380,647,819
	<b>Difference</b>	-55	-65	\$21,000	\$23,139	\$4,564,860
	<b>% Change</b>	<b>-5%</b>	<b>-29%</b>	<b>7%</b>	<b>7%</b>	<b>1%</b>
0-1	2006	580	308	\$273,500	\$278,568	\$161,569,508
0-1	2007	397	140	\$274,500	\$279,344	\$110,899,433
	<b>Difference</b>	-183	-168	\$1,000	\$776	(\$50,670,075)
	<b>% Change</b>	<b>-32%</b>	<b>-55%</b>	<b>0.4%</b>	<b>0.3%</b>	<b>-31%</b>
2	2006	425	121	\$382,000	\$392,062	\$166,626,445
2	2007	522	168	\$369,825	\$384,579	\$200,750,039
	<b>Difference</b>	97	47	(\$12,175)	(\$7,483)	\$34,123,594
	<b>% Change</b>	<b>23%</b>	<b>39%</b>	<b>-3%</b>	<b>-2%</b>	<b>20%</b>
3+	2006	75	143	\$620,000	\$638,493	\$47,887,006
3+	2007	106	180	\$626,750	\$650,928	\$68,998,347
	<b>Difference</b>	31	37	\$6,750	\$12,435	\$21,111,341
	<b>% Change</b>	<b>41%</b>	<b>26%</b>	<b>1%</b>	<b>2%</b>	<b>44%</b>
	4th Q 2006	189	135	\$335,000	\$380,998	\$72,008,563
	4th Q 2007	174	103	\$320,400	\$353,134	\$61,445,243
	<b>Difference</b>	-15	32	(\$14,600)	(\$27,864)	(\$10,563,320)
	<b>% Change</b>	<b>-8%</b>	<b>-24</b>	<b>-4%</b>	<b>-7%</b>	<b>-15%</b>

Source: Multiple Listing Service of Northern Illinois

We believe most of this drop-off is attributable to seasonal doldrums, but we will be monitoring results closely to see if last quarter's results were more trend than aberration.

There is more volatility in the residential real estate market now than there has been in years. Even in neighborhoods that exhibit relatively stable growth patterns like the West Loop, it takes much longer to sell even well priced homes, and price sensitivity is extreme in the buying public. We are not harbingers of doom, and we don't see any catastrophe looming, but neither do we see conditions improving substantially in the year to come.

In these challenging times, do you really want to entrust your home's purchase or sale to an amateur? If you need to buy or sell residential real estate in the West Loop, look no further than the Knepp Realty Group.

**Sellers.** Be brutally honest with yourself when pricing your home for sale. Hire a competent agent with local market

knowledge to help you arrive at as realistic a valuation as possible before listing your home. With even well-priced homes taking longer to sell, it becomes a practical impossibility that overpriced homes will sell. And "well-priced" has become a moving target: as discussed above, we see more volatility and higher market times, and it is certainly possible that market forces could drive prices down over the course of a listing. Be prepared for that, and, as always, if you do not have to sell in this climate, don't.

**Buyers.** Famed stock picker Jim Cramer recently made headlines when he said buyers were dumb if they bought now. This is surprising advice coming from an analyst that teaches investors not to time the market. The fact is that this is a fantastic time to be a buyer – price reductions and other buyer incentives are commonplace. Problems in the mortgage industry belie the fact that money is still available in abundance to qualified buyers. Bottom line: be aggressive, and find a competent agent with local knowledge that will help you find and buy a great property at a great price.



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For more information, please contact us or look us up at: [www.knepprealtygroup.com](http://www.knepprealtygroup.com).

**When looking to buy or sell real estate in Chicago, look no further than Knepp Realty**



**Paul Ragi**  
312.953.0786  
p\_ragi@kw.com

**Melissa Knepp**  
312.363.6257  
mknepp@kw.com

**Kevin Knepp**  
312.363.6256  
kknepp@kw.com

**Francis Walker**  
773.551.1888  
f\_j\_walker@kw.com

