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West Loop Condo Sales: 2006 Review and 2007 Forecast

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In 2006, the total condominiums sold in the West Loop amounted to 33 less units than were sold in 2005: 1,061 to 1,094. This is a 3% decrease over 2005 sales. This decrease in sales volume continues a trend first observed in 2005; altogether, West Loop sales volume has fallen off 5% since its 2004 high.

For the most part, these results track with our '06 forecast. We called for increased market times and appreciation in the 4%-6% range. What we missed was the severe drop-off in high-end home sales: half of 2005's volume disappeared in this category last year, and tracking with this result, 6 one-million dollar plus homes sold in the neighborhood last year compared to 13 in 2005. This dramatically impacts average price downward: the average neighborhood price was down \$13,000 last year, representing a 5% decrease in appreciation.

Another factor to be considered is the affect that 200 N Jefferson had on neighborhood sales. Fully 20% of the neighborhood's 2006 total sales volume (216 sales) came from this building. Market times for these units averaged 625 days, pushing up overall market time significantly. To add to the confusion, every unit in 200 Jefferson is a one bedroom with an average unit price less than \$300K, it pushed average neighborhood prices down even further.

Even factoring in all these issues, the neighborhood results are far from the gloomy "bubble burst" forecasts by

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Unit Type	Number of Units	Average Price (Days)	Average Mkt Time
2006 Total	1,061	\$347,654	225
0-1 BR	570	\$278,929	310
2 BR	419	\$391,773	122
3+ BR	72	\$634,983	148
2005 Total	1,094	\$366,020	126
0-1 BR	409	\$264,184	96
2 BR	541	\$381,981	139
3+ BR	144	\$579,581	163

Source: Multiple Listing Service of Northern Illinois.

industry cynics. Longer market times are certainly more common, but notice that in the 2 and 3+ BR segments, average market time went down and price went up. 2006 was a difficult year to sell real estate in the West Loop, but there are signs of improvement. The fourth quarter of last year, traditionally the slowest time of the year to sell real estate, saw a significant uptick in activity. The number of units sold in the quarter was less than 20% of the year's total volume, but they sold faster, pushing average market time down by 19 days. They also sold for higher prices, pushing up average sales price by \$8K.

At a recent presentation on Chicago area market conditions, National Association of Realtors Senior Economist Dr. Lawrence Yun predicted that the market bottomed out in the 4th quarter last year. He points to strong underlying fundamentals, including mortgage rates hovering near their

45 year low, strong wage and job growth and high corporate reinvestment, to make his case that the market has corrected and is poised for growth. The anecdotal evidence we have observed seems to correlate to Dr. Yun's prediction. We feel that 2007 will still feature longer market times and single digit appreciation, but it will be a better year to sell real estate than it was in 2006.

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. We have seen time and again how quickly well-priced homes sell even in the current market, while overpriced homes languish, ultimately selling for less than what they could have had they been priced right to begin with.

Buyers. This is the best buyer's market we have seen in years. It's a great time to be a buyer, as mortgage rates are low, inventory is high and there's a preponderance of sellers willing to offer great deals to ready, able, and willing buyers. A note of caution, however: a respected real estate expert put it best recently when he said sellers continue to think that market conditions are like they were in 2004, while buyers mistakenly think that it's 1929. His point is that great deals are out there, but the likelihood that buyers will get the deal of the century is remote. Bottom line: be aggressive, yet realistic, and find a competent agent with local market knowledge to help you get the best deal.