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West Loop Condominium Sales: 2005 Year in Review

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THE TOTAL CONDOMINIUM UNITS SOLD IN 2005 IN THE WEST LOOP MARKET WAS 1,094. This represents a 2% decrease over the 2004 figure of 1,114. Given this market size, we believe a 20 unit year-to-year difference is insignificant.

What is significant, however, is what happened to the two other key data points: market time and average price. In 2004, market times in the West Loop averaged 98 days. In 2005, that number jumped to 126 days, representing a 28% increase. Average price went from \$323,425 in 2004 to \$365,020 in 2005, representing a 13% increase.

We perform our analysis on the West Loop area because we're headquartered here. We would be happy to perform a customized analysis to meet your own particular needs – simply give us a call.

We believe that the market time increase is artificially inflated by new construction that sold in 2005: newly built units that had market times in the 600-900 day range were fairly common throughout the data and skewed the results up. We also believe that average price appreciation was skewed up by new construction pricing outpacing

West Loop Condominium Sales

Unit Type	Number of Units	Average Price	Average Mkt. Time (Days)
2005			
Total	1,094	\$366,020	126
1 BR	404	\$264,184	96
2 BR	537	\$381,981	139
3 BR	140	\$579,581	163
2004			
Total	1,114	\$323,425	98
1 BR	468	\$246,800	72
2 BR	534	\$345,048	111
3 BR	93	\$537,043	157

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

comparable resale units. As an example, three units sold in 2004 in the \$1 million plus category; in 2005 thirteen units sold in this price point.

No market can be sustained in which both significant market time and average price increases exist simultaneously. One of them has to give, and we will be watching both measurements closely throughout the year. If market time predominates, prices will flatten out, and sellers can expect to realize low single digit appreciation in the 4%-6% range. If price predominates, we will see double digit appreciation.

We fully expect to see market time predominate in 2006. The market will continue to soften and prices will flatten. Appreciation will still be realized, but at lower than recent averages. This has implications for both buyers and sellers:

Sellers. We always tell our clients to surround themselves with talent because the price of incompetence is too high.

In a soft market, the stakes are raised enormously. Even though it may take longer in this environment, a well-priced, well-marketed home will still sell. But a home that is neither well-priced nor well-marketed will yield disastrous results for the seller. Think twice before selling FSBO (For Sale By Owner), or using either a discount broker or an inexperienced agent. The commission saved may well end up costing two or three times that amount if and when the property finally does sell, and it may take up to three times longer to sell it.

Buyers. This is a great time to move up or down, as buyers will be able to find good deals at virtually any price point. Buyers looking to move up will benefit from the pressure upper price point sellers will be under to sell their homes and may well reduce or eliminate the premiums paid on such homes. Buyers looking to move down will benefit from the increased inventory on the market due to the longer market times. One caution here is that there is pressure on entry level prices: it's getting very hard to find a one bedroom condo in the West Loop for \$250K with parking.

Whether you are a buyer or a seller or both in the coming year, we advise you to plan your moves carefully, surround yourself with good advisors, and make decisions based on sound logic. The market, after all, is merciless and does not forgive those who make costly mistakes.



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