

**chicagotribune.com**

## **A REALITY CHECK ON HOUSING MARKET**

By: Mary UMBERGER

On Real Estate

November 30, 2012

If the Chicago real estate market were a patient recovering from a lingering, debilitating illness, the doctor might be obliged to set the patient's over-expectant family straight: Yes, your loved one's symptoms have eased up, says the MD, but, gee, it's a little too soon to be training for a marathon.

Those are the kinds of expectations that many Chicago-area homeowners seem to harbor these days, according to Naperville appraiser Alvin "Chip" Wagner, whose recent newsletter to members of the local real estate community sought to address a form of irrational exuberance he's seeing lately: Yes, the market is better, but that doesn't necessarily mean your home is gaining in value — in fact, some prices might fall further.

In an edited interview, Wagner talked about how consumers might be reading too much into recent reports of an improving, but not healed, housing market:



**Q: In comments you sent out with the A.L. Wagner Appraisal Group's recent Quarterly Market Report, you pointed out a number of positive indicators for the Chicago residential market. What's going well out there?**

A: There are a bunch of things. The number of days a house stays on the market before it sells is down in 2012, a sign that our market is moving and improving.

The number of active listings of homes for sale is declining — there were 32,000 in the third quarter, compared with almost 41,000 a year earlier, a nearly 22 percent drop. Still, we're far from 2005, the height of the real estate boom, when there were just 23,000.

Plus, the number of homes under contract is up. The approximately 15,000 as of the third quarter represented about a 34 percent improvement from a year before. And the volume of closed sales is the highest it's been in several years — up about 21 percent from a year ago.

**Q: Where's the "but" in all of this?**

A: Well, absolutely, the market is improving, but not in the area of pricing, which is what homeowners want to know about. In the third quarter, the average sales price throughout the area was \$244,203. One year ago, the average was \$258,364. That's about a 5.5 percent decline.

Yet, I go to people's houses to do appraisals, and (the homeowners' expectations are) driven by what they see in the media, and they say to me, the market has picked up, and they expect their house is growing in value. They expect to see a 3 to 5 percent growth. I end up having to tell them, your values aren't appreciating, they may be flat or even declining.

**Q: But aren't sales prices going up in some places?**

A: Yes. When I put together this Quarterly Report, 26 of 190 communities, or 13 percent, saw an increase in the mean sales price, year over year. But those increases were all over the map, not in any one geographic area, and they included modest-priced areas and upper-bracket areas.

The towns that saw price growth were: Barrington (area), Bensenville, Bloomingdale, Blue Island, Burnham, Burr Ridge, Calumet Park, Carpentersville, Darien, Evanston, Evergreen Park, Glencoe, Highland Park, Libertyville/Green Oaks, Lincolnshire, Lockport, Oak Brook, Oak Park, Prospect Heights, Skokie, Thornton, Vernon Hills, Willow Springs, Willowbrook, Wood Dale and the city of Chicago.

There was no rhyme or reason to the price growth. It ranged from 0.01 percent in Burr Ridge to 31.49 percent in Burnham.

Even within these localities — and within localities that haven't seen prices increase — there's wide variation among neighborhoods. Sometimes it's that a town's entry-level homes are seeing higher prices, but the upper brackets are declining. Or maybe there will be submarkets whose prices are based on schools or the walking distance to a train or to the downtown area.

**Q: Are there any lurking issues that you think could derail this progress?**

A: Well, jobs are always the issue. If people don't feel confident in their jobs, they don't buy houses.

But the other thing is property taxes, which aren't being talked about a lot — yet. I've been an appraiser since 1990, and I used to be able to confidently say that in many parts of the Chicago area, property taxes tended to be 2 percent of the home's value — in some places, 1 percent. That held until the mid-2000s.

At that time, we also began an overall 30 percent drop in home values — 60 percent in some places. But property taxes continued to go up. Now, I understand — just because property values have gone down doesn't mean we don't need taxes to pay for the roads and the schools and the fire department.

But there's no rule of thumb on taxes any more — they're all over the place, and though some have declined, in others they could be 3, 4 or 5 percent of a home's value. As our property values stabilize, people (who might buy homes) are going to take a closer look at those property taxes in deciding where they want to live.

*housingnews@comcast.net*

*Twitter: @maryumberger*

Copyright © 2012 Chicago Tribune Company, LLC