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Season of optimism kicks off in real estate

By Mary Umberger
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For Joelle Murphy and Patrick Blackwell, last fall was a blur of open houses. For 21 tedious Sunday afternoons, from August to January, a real estate agent camped out in their living room, trying to sell their house.

Early in January, they decided they'd had enough and pulled their Edgewater home off the market--but only for a month.

After all, the Super Bowl was coming.

Home sales, like seemingly everything else, are intertwined with the big game. Football's finale traditionally signals the beginning of the busiest time in the housing year. In real estate, "spring" will begin almost immediately after the Bears walk off the field.

It's a chance to start anew for frustrated sellers like Murphy and Blackwell--and, apparently, a lot of other sellers who gave up after plodding through a fall real estate market most viewed as sickly, at best.

"It was a pandemic," said Chicago agent Brad Nugent, who said there were plenty of homes but few lookers. "Everybody packed up and went home in October. The buyers disappeared very early."

Agents say that failed sellers are newly optimistic that buyers will be back soon. The Chicago area saw a steady hum of relistings in January that agents expect will turn into a veritable chorus in the next few weeks. They're also seeing contracts signed. Most see the renewed activity as a positive, but a few worry what too much of a good thing could do to prices.

"There's an expectation that things are going to pick up after the Super Bowl," said North Side agent Patrick Martin, who signed a new listing last week and will relist Joe Delfini's Uptown condo after the game.

Delfini, a flight attendant, had his two-bedroom, two-bath unit on the market from August through October. He turned down the sole offer he received. He has since lowered his price, and this time, he predicts, the unit will sell. "What makes me optimistic is that I'm going to bite the bullet on price so that somebody is going to come in and say, 'It can't get much better than this.'"

Delfini admits he wasn't enthusiastic about his prospects in August.

"I knew in my heart of hearts it wasn't going to move because of the sheer magnitude of the inventory, the number of properties on the market," he said.

Some pockets of the market did report positive sales activity, but, in general, fall was a painful adjustment after the long-running madhouse when multiple bidders were known to fight over homes within days or even hours of being

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listed. That activity peaked in late 2005.

In November and December, existing-home sales in Chicago plummeted 22 percent from a year earlier, according to the Illinois Association of Realtors.

National numbers also were bleak. An 8.4 percent sales plunge made it the worst December in 17 years.

But, according to the real estate industry, things are getting better.

"Home sales appear to have bottomed out, having reached a cyclical low in September of last year," said David Lereah, chief economist for the National Association of Realtors, in a New Year's forecast. "I expect housing to get back on its feet in 2007."

One encouraging factor is the inventory of homes for sale, which Lereah said has hovered nationally since July at about a 7.3-month supply. That still indicates a buyer's market, he said, but the fact that it has flattened at least shows stability.

Locally, things are slightly better. In Chicago, active listings dwindled throughout the fall, from 48,400 at the end of September to about 39,000 on Jan. 1, according to Chip Wagner, a Naperville appraiser.

"Today, we have about a 6.6-month supply over the entire metro area," he said. "At the end of the third quarter, it was 6.8 months."

That's still an oversupply, he said. He regards a three- to four-month supply as a balanced market.

Wagner also said the declining number of houses available was due more to homes being withdrawn from the market than from sales, and that inventory is beginning to climb again. Between Jan. 1 and Jan. 30, the number of active listings grew by more than 2,900, to nearly 43,000.

"The market has improved just since the beginning of the year, but I fear that if a lot of activity comes [from new listings cascading onto the market], we're going to sink back to where we were," he said.

He's encouraged by the pace at which homes have sold since New Year's. "We had just under 6,500 houses under contract on Jan. 1, and now it's almost 7,500," he said. "That's a sign that we have people coming out."

Nonetheless, inventory--and the potential effect of last fall's homes piling on to this spring's homes--remains a serious question. Last week, the Census Bureau reported that 2.1 million vacant homes were for sale at the end of 2006, up from 1.56 million the year before.

Such a spike could indicate that many would-be sellers moved without finding buyers, said David Stiff, chief economist for Fiserv CSW, a home-pricing research firm in Boston.

"It's evidence that many owners are sitting on the sidelines and will place their homes back on the market when they think a recovery is under way," Stiff said. "People pulled back and are waiting until spring to see if they'll have better luck."

He's doesn't expect a rebound soon. Though he said the Chicago market is more balanced than others, sales haven't bottomed out nationally.

"We're nowhere near it," Stiff said. "We won't see prices start to accelerate until 2008."

Price, of course, is what the oversupply worries are all about. Locally, home prices managed to cling to positive territory in December, just 0.2 percent above the median sale price a year earlier, according to the Illinois Association of Realtors. However, median home prices in October went negative on a national basis for the first time since the Realtors began keeping track 40 years ago, declining by 4.2 percent, year over year.

Stiff and other market watchers blame much of the vacancy rate on investors and home builders, who reduced the supply of unsold "spec" homes in 2006, though they say it's not enough.

One of those spec homes belongs to Russell Shavitz, a heating contractor in Skokie who decided to try his hand at home building. He tore down his home in Arlington Heights and erected a 5,000-square-foot replacement that he listed for \$1.45 million.

"The for-sale sign went out in November 2005," Shavitz said. There was some interest, but no deals. He took it off the market in October, an unusual move for a spec builder and for a home at that price, and took a vacation. He also took the advice of real estate agent Sheryl Rue-Borden and professionally "staged" the vacant home--furnishing every room to make it look more inviting. "There are pictures on the wall, clothes in the closet, food in the pantry," he said. "That's costing me \$600 a month."

Shavitz said that when his house comes back on the market in about a week, it will reflect a \$50,000 price cut, a common tactic among second-time-around sellers.

"We were probably priced too high," said Murphy, who will have lowered her asking price from \$975,000 to \$899,000 when her home goes back on the market Tuesday. Last year, before she and her husband listed the home, she said an appraiser pegged it at \$1 million.

"We dropped it to \$960,000, then to \$929,000," she said. "We were trying to respond to the market, but we just kept missing it, we were behind the curve."

After a month off, plus assorted repairs and some primping suggested by her new agent, Pamela Ball, Murphy said she's positive.

"We just decided we needed to start over again," said Murphy, who wants to move closer to family. "We'll persevere."

Delfini, too, said he's optimistic, but he's also worried about inventory. He suffers from non-seller's remorse.

"Somebody did make an offer, and, in hindsight, I should have taken it," he said. "I needed them to come up about \$5,000." He said the carrying costs of the condo would have outweighed the difference.

"Coulda, shoulda, woulda," he said. "But in real estate, you can't have regrets like that."

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Sellers hope second time's the charm

They've been there, done that. Some observations from Chicagoans who tried to sell their homes last year:

-Sharon Dixon expected to have the deal done in a couple of months when she listed her Aurora home in June.

"It was a total surprise," she said, when fewer buyers seemed to come by in July and they more or less vanished in August.

By the end of September, she and real estate agent Shauna Wiet decided it would be better to take it off the market and wait.

"It wasn't just us, it was everybody," Dixon said of the silence in the marketplace. She suspected there was just too much competition. Of the 72 homes in her subdivision, seven or eight were for sale at the same time, she said.

Now, there are only a couple--the others sold, Dixon said--so she decided to try again. Last week, the home went back on the market, timed specifically to precede the Super Bowl.

"We would have a whole week ahead of that crowd of people who are planning to list after the Super Bowl," said Dixon. "Hopefully, that would put us a step ahead."

Even so, she describes herself as "optimistic but guarded." A former real estate agent who is an economic development planner for Kane County, she said she pays close attention to the market. She has seen slowdowns before.

"I've been watching this over the last 20 years," she said. "This is a cycle that happens all the time."

-Jeff and Ann Pollack knew they were coming into the game late when they listed their Woodstock home in October, which even in a busy market isn't a high-traffic time for home sales. They lasted until mid-December.

"I could count on three fingers how many showings we had," Jeff Pollack said. "I think our challenge was the overabundance of inventory."

He also suspects media reports put a chill in buyers. "There was some self-fulfilling prophecy," Pollack said. "If everybody says it's gloomy and miserable, then it's going to be gloomy and miserable."

Nonetheless, he says the same media now encourage him that at least the market has neutralized. "Some of the experts say it has bottomed out, that we should be treading at the bottom for a while.

"With the spring, there will be buyers out."

The couple relisted their home last week, and on Wednesday they were told a prospective buyer was seriously interested.

-Mary Jo Pritza is carrying two mortgages--one on a home she bought last year, another on an Oak Park townhouse first listed in February 2006.

She decided to give it a rest at the end of November, to refinish the home's floors and to see whether buyer attitudes have changed.

"They're very selective, unrealistically selective," she said. "They would say things like, 'This is a great unit but it's two blocks farther than I wanted to be.'"

In a couple of weeks, it will be for sale again, she said, though she's holding on to her price, which she says is reasonable.

"I don't know where their hesitancy comes from," she said. "Is it the political environment, that people are skeptical about the future, the war, all those things? It sure seems that people are more cautious."

--Mary Umberger

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