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Existing homes building up

Biggest supply since '92; sales picture not pretty

By Mary Umberger
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As of Friday, there was one less house for sale in Evanston -- with 279 to go.

That would be the former home of David Hill and Gina Griffin-Hill, who closed the sale on their house almost exactly one year after putting it on the market and cutting the price three times.

"Price is key," said David Hill, capturing in three words a concept housing-market analysts are going to far greater lengths to emphasize in light of two home-sales reports out this week.

The first, on Thursday, indicated that aggressive price cutting in the home-building industry is starting to whack away at the nation's glut of new construction.

The second, on Friday, indicated a different story for the resale market.

Nationally, existing-home sales fell 2.6 percent in April compared with March. April sales were down 8.2 percent from a year before, according to the National Association of Realtors. At the same time, the number of homes for sale was the highest since 1992.

The Illinois picture was better, with April sales showing a third consecutive monthly increase, though they remain 12 percent off last year's pace, according to a report from the Illinois Association of Realtors. Chicago-area home sales lag 16.1 percent behind the 2006 pace, the trade group said.

Chicago-area agents, however, said they are seeing improved momentum in the market that is not apparent in the April numbers.

"You're going to see what's going on today reflected [in closings] in six to eight weeks," said Arlington Heights Re/Max agent Bill Brucks. "The numbers are going to hold up because a lot of people are jumping back in and buying. And it is absolutely price driven."

But others point out that sales are going to have to do more than hold up to beat back the rising inventory of homes for sale, which broke a 16 year-record by leaping 10.4 percent nationwide in April, according to the national Realtors report.

Locally, inventory also continues to climb, said Naperville appraiser Robert Headrick, whose firm tracks sales across the Chicago region.

"Whatever increase [being seen] in contracts is being offset by the larger increase in inventory levels," he said.

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Headrick said that in Evanston, for example, where Hill and Griffin-Hill sold, the number of single-family homes for sale climbed to 279 on Friday from 209 in February.

In the same period, 100 single-family homes went off the market, waiting to close, said North Side Baird & Warner agent Pamela Ball. Nearly half of these were sold in the past few weeks.

"There are so many properties out there, you could kill a whole forest printing out the sheets of homes for sale," said Mike Larson, an analyst for Weiss Research in Jupiter, Fla. "We have 1.7 million excess homes, and if you're not the lowest price of the bunch or don't have something that makes your house really stand out, it's going to sit."

Larson said the existing-homes market needs to take a hard look at the price cutting that seems to be moving home building into better territory, at least for the near term.

"It looks like the home builders are pursuing the auto industry's strategy after the Sept. 11 attacks, when they realized they had to do something to spur sales, so they introduced zero-percent financing," Larson said. "The carmakers put some cash down on the hood, and sales skyrocketed."

But area real estate agents say the price message may be getting through in Chicago, where some report sales as steady, even brisk, in some price categories and geographic pockets.

"The market is so efficient right now. There is demand for each category but only up to the market price," said Thaddeus Wong, co-founder of @Properties in Chicago. "Buyers are finding out the most recent price something [comparable] sold for, and that's what they're paying. They're not paying more."

Terry Wilkowski, senior vice president for Koenig & Strey GMAC Real Estate, said from his base in Wheaton that he is seeing "a good share" of price reductions.

"I hear some agents saying that you can take an appraised value from last year and adjust it 5 percent downward, and then you're priced right," Wilkowski said.

"There is a certain percentage of sellers who are living in the past," Wong said. "It's like a stock that was selling at 35, and now it's 30, but you put in an order to sell at 35."

David Hill agreed that it took a while to get a grip on what the market would bear for his Evanston home, which sold for about 15 percent off the original asking price.

"It was way too high in the first place," said his wife.

Griffin-Hill said they finally came to terms with the price when they brought in agent Dina Davis in February. The couple already had moved and were covering two mortgages.

"In hindsight, we priced it higher than we should have," Hill said. "It feels good not to have to pay the additional mortgage. It's a great feeling." ----- mumberger@tribune.com

Graphic: Slump lingers APRIL EXISTING-HOME SALES Not seasonally adjusted

AREA	HOMES SOLD	CHG. FROM 2006	MEDIAN PRICE	CHG FROM 2006 U.S.	514,000	- 8
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Sources: National Association of Realtors, Illinois Association of Realtors Chicago Tribune -See microfilm for complete graphic

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