



Tribune file photo by Stacie Freudenberg

Incentives offered by McKinley Park Lofts on Pershing Road on Chicago's South Side attracted buyer Allen Yunek, who purchased a two-bedroom, two-bath unit there.

# Glut reaction

It's going to take time, patience and perks — and some rental conversions — to help the market party like it was 1999

By Mary Umberger  
SPECIAL TO THE TRIBUNE

Alan Yunek is convinced he snagged a bargain.

After spending two years methodically checking out an estimated 75 properties, he closed on a two-bedroom, two-bath condominium on the city's South Side in July.

He knew the price was right.

But what sealed the deal was when the developer at McKinley Park Lofts threw in a second parking spot.

"That was pretty much the grabber," said Yunek, an electrician. "I am ecstatic."

One down, about 37,000 more to go.

At least that many condos and townhouses were on the market in the greater Chicago area Sept. 1, according to Chip Wagner, a Naperville appraiser, who said there undoubtedly are more because many developers don't list all their for-sale properties in MRED, the regional real estate industry's database.

Getting them sold might require

## Looking forward ...

Pipeline of proposed condo developments (as of July)

MARKET	UNITS
West Loop	2,944
Streeterville	1,000
South Loop	8,479
River North	885
Near North	1,096
Loop/New Eastside	1,080
Gold Coast	540

**Total proposed new-construction condo units 16,024**

Source: Appraisal Research Counselors.



Photo for the Tribune by Anthony Robert LaPenna  
Kathy and Bill Litgen, with Cece-lia, 2, listed their Ravenswood condo in February.

endless replays of Yunek's experience—the right price, sugar coated, according to local housing analysts. A dab of patience wouldn't hurt either.

## » CONDOS

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"Price is key," said Gail Lissner, vice president of Appraisal Research Counselors in Chicago, who studies the downtown housing market. "And then any type of incentive they can come up with that makes [a unit] more enticing or affordable."

Wade through the sea of for-sale condo ads, and the variety is hard to miss: Closing costs, a year of assessments or a time share in any number of exotic locales. Offers of plasma screen TVs have become almost common, joined by free motor scooters and Rolex watches.

Incentives are nearly the norm in new-construction condos, according to Lissner and others.

Take heed, though: "Often-times, these incentives are built into the development's pricing structure, since buyers in this market appear to feel that they 'deserve' a concession," Lissner said. "Thus, some developers are increasing their list prices so that they have room to negotiate downward with a potential buyer."

But Lissner said that even the most attractive enticements probably can't cure one very slow market, in the near term.

Market analysts say the inertia comes from the credit crunch that's making mortgages harder to come by, in addition to would-be buyers' inability to sell their units. But they also see psychological problems at play: Uncertainty about the economy, lack of consumer confidence and concerns that the



Photo for the Tribune by Stacie Freudenberg

**Electrician Allen Yunek says two parking spaces with the purchase of his McKinley Park Lofts condo sealed his deal.**

housing market hasn't bottomed out.

"If buyers aren't out there in the market in the first place, it's hard to grab their attention," she said.

Tell Kathy and Billy Litgen about it. They listed their Ravenswood Manor condo in February, with little response. Having purchased another home, they moved and now juggle two mortgages.

Real estate agent Christopher Motal recently took over the listing. Describing the vintage, three-bedroom, duplexed unit as "overpriced and empty," he got them to cut the price and brought in a stager to partly furnish it.

That seems to have had some benefit, Kathy said. "People are staying longer, asking questions," she said. "And twice, people came back for a second viewing."

But still, she said, it's slow. And she's clearly frustrated.

"We loved it so much when we bought it in 2003; we were so happy there," she said. "It's hard to believe that other people don't like it as much as we did."

Or perhaps there's just so much to choose from.

The number of condos and townhouses for sale in Chicago, for example, has held steady at around 15,000—about an eight-month supply, with four to five months regarded as a balanced market, according to Wagner.

Downtown, in particular, is practically bursting with condos, with more on the way. In Lissner's broadly defined downtown area, the number of housing units has zoomed from fewer than 50,000 in 1990 to about 98,000. By 2010, there will be about 110,000, she said.

and irresistible enticements, the strategy for sellers may be to wait it out.

It could be a long wait, according to Cross, who studies the suburban market.

"The recovery should begin modestly in 2009 and be back to normal by 2010," he said. And that's "normal" as in the housing pace seen in 1998 and 1999.

Lissner looks at 2010 for the downtown.

"We'll see a record number of units completing construction in 2008 and 2009, and very little that will be completed in 2010, so we'll be using up this excess inventory," she said.

Developer Horner is looking at early next year. "I have a theory and an optimism that once we get through the election—whoever wins—there will be more of a sense of certainty than we have been living with for a year and a half," he said.

And the silver lining? The pent-up demand from buyers who are stuck on the fence, said Horner.

"There's only so much you can delay before you have to decide," he said.

of the for-sale flats are turning into rentals. Burnham Pointe, for example, a new 28-story building at 720 S. Clark St., made that shift this summer.

That strategy, however, depends on variables, including whether a developer's financing permit its local zoning and what the rental market will bear.

"There could be some conversion to rentals, we're starting to see that surface," said Schaumburg-based housing analyst Tracy Cross.

"The trouble is, when they're built as condominiums, you wind up with a 1,300-square-foot unit [in suburban markets], which is the top end of the rental market."

He added that smaller city units better lend themselves to rentals.

And individuals in the resale market who opt to rent out their units are creating a "shadow market" that Lissner estimates may amount to 25 percent of all rentals downtown.

"Renting is an option, absolutely, and it's an option people are looking at," she said.

Short of becoming a landlord or offering price cuts

But residential real estate activity downtown this year has been thin, she said.

Sales of new-construction units dropped 73 percent, to a record low 685 in the first six months of 2008 from 2,443 a year earlier, Lissner said. And just one building, the Chicago Spire, accounted for about half of those 2008 sales.

Not all condo stories are dour.

Second-quarter sales in the Chicago region were down 33.6 percent from a year earlier but prices have held their own: They were up 4 percent over the second quarter of 2007, to a median \$238,260, according to the Illinois Association of Realtors.

Developer Bob Horner said his company, Winthrop Properties, has sold an average of a unit a week at Printers Corner, an 88-unit building in the South Loop.

He theorizes that's because the building has been completed and buyers have something tangible to size up, as opposed to buying from blueprints.

"Most buyers out there today have a relatively urgent need to buy," he said. "People have a good sense of what they're getting."

And, he said, his clients are mostly first-time buyers, a demographic that's highly desirable because they have no existing condo to sell before they can buy again.

Lissner sees the marketplace pulling back to stem the tide of condos for sale. Ten projects downtown have canceled this calendar year, accounting for about 1,100 units, she said.

Beside that, she said, some