

Appraisal Research Counselors

400 E Randolph Street, Suite 715  
Chicago, Illinois 60601-7388

T: 312-565-0977  
F: 312-565-3436

[Click here to view AppraisalResearch.com](http://AppraisalResearch.com)



Professional Service Since 1968

*Appraisal Research Counselors®*

August 12, 2014

## Condos gain downtown, but apartments still reign

By Dennis Rodkin



A rendering of the 144-unit tower now under construction at 1345 S. Wabash Ave. that CMK Cos. launched earlier this year.

If apartment builders are the speedy rabbit racing out ahead to build thousands of downtown units in the next few years, condominium developers are the tortoise, moving ahead at a deliberate pace.

"It's slow and steady," said Gail Lissner, a vice president of Chicago-based consulting firm Appraisal Research Counselors. "But at least it's moving."

Just a few years ago the turtle had withdrawn into its shell, overwhelmed by a backlog of 6,000 unsold condos left over from the boom years. But with unsold condo and town home inventory slimmed down to 397 units by mid-2014 and demand for both types of for-sale housing returning, "it's not such a one-sided market anymore," Ms. Lissner said. "It's not all rentals" being built.

Rentals are still the leader by far, with at least 4,700 new apartments expected to be completed in 2014 and 2015 in the greater downtown, compared to just 381 condos and townhomes, according to Appraisal Research.

### ON THE DRAWING BOARD

Ms. Lissner noted that developers have announced or are considering at least 1,700 for-sale units, most of them intended as condos or townhouses. Other projects whose details remain confidential will push that up, she said.

That's after two years, 2011 and 2012, where nothing was proposed on the for-sale side, followed by 161 units proposed in 2013.

Ironically, developers sold fewer downtown condos, 270, in the first half of 2014 than the 389 they did in the first half a year earlier, according to Appraisal Research. But that's mainly because the supply of new condos for sale has dwindled as demand has picked up and construction has not kept pace.

The rebounding condo market gives developers new options they didn't have before.

"You have a safety net because you can build to rent and then sell them down the line," said Tim Sheahan, a principal partner at Conlon: A Real Estate Company. For consumers, the double-barreled inventory means "more choices."

### 'TOO MANY SCARS'

But few expect apartment development to eclipse condo construction in the next few years.

"It's going to stay heavily weighted for rentals," said Jim Letchinger, president of Chicago-based JDL Development Corp. The concept of young adults buying a one-bedroom condo, which fueled some of the boom in the early 2000s, "is gone," he said. "There are too many scars" from the years 2006 to 2009, when condo prices crashed.

"Back then, their parents were telling them to buy," Mr. Letchinger said. "They're not going to do that anymore."

"You can build condominiums," he said, "but you have to pick and choose where you do it."

He said he believes the primary hole in the condo market is the lack of supply of condominiums with the square footage of a suburban house, sized to empty-nesters and growing families who are disinclined to rent. Last month, Mr. Letchinger agreed to pay **about \$70 million** for a prime condo development site in the Gold Coast.

## MORE UNITS PER BUILDING

One distinct sign of a renewed optimism is that developers are proposing buildings with more condos, which during the downturn would have appeared to expose the developer to greater risk, Ms. Lissner said.

While no downtown project that began sales between late 2011 and late 2013 dared to go with more than 50 units, in March CMK Cos. launched a 144-unit tower now under construction at 1345 S. Wabash Ave.

Three buildings now in proposal stages each will have 100 or more units, although in two cases, the developers have not yet said definitively whether the units will be rentals, condominiums or a mix, Ms. Lissner said.

In the neighborhoods away from downtown, construction of small condo buildings "has been the hot story," Mr. Sheahan said. "They're coming in everywhere."

That's because many lots are too small for large buildings. More importantly, developers need "to stay nimble, to commit to something you can build and sell in a year or 18 months," Mr. Sheahan said.

---

## COMMENTS

Please read [Chicago Real Estate Daily's commenting policy](#)

Post a new comment

**WILLIAM M.** (Logout)

| Follow replies to my comments

Share to: [More](#)

Post

0 Comments

[RSS](#) | [Subscribe](#)

---

---

## CRAIN'S

Crain's Chicago Business  
150 N. Michigan Ave., 16th Floor  
Chicago, IL 60601

Copyright © 2014 Crain Communication, Inc.