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Is downtown Chicago running out of condos?

By David Lee Matthews



A rendering of the 144-unit tower at 1345 S. Wabash Ave. Chicago-based CMK Cos. broke ground this spring on the 15-story project.

Amid rising demand and falling supply, the downtown condominium market has reached a turning point.

The downtown market has gone from glut to shortage over the past year or so, as projects started before the crash have sold out and construction of new high-rises has yet to pick up to meet increasing demand. With so few new condos for sale downtown, developers actually sold fewer units in the first quarter than they did a year earlier or in first-quarter 2012, according to a report from Appraisal Research Counselors, a Chicago-based consulting firm.

Now, amid rising condo prices and growing confidence that the recovery is real, the first projects in the next wave of high-rise development are under way. Earlier this spring, Chicago-based CMK Cos. broke ground on a 144-unit tower at 1345 S. Wabash Ave. in the South Loop. In the Gold Coast, Chicago trader Don Wilson is moving ahead with a 26-story, 40-unit tower at State and Elm streets, while Chicago-based Akara Partners plans a 65-unit tower at 100 W. Huron St. in River North.

"We're at the tip of an early stage of seeing new development occur again," said Appraisal Research Vice President Gail Lissner.

SMALL BY BOOM STANDARDS

Early is the operative word. Though they can be described as high-rises, the new developments are still small by the standards of the last boom. Developers have yet to begin marketing the 300-plus unit projects that were common back then, and many still see bigger profits by building apartments rather than condos.

But the mindset is changing. More residential developers are keeping their options open as they plan new downtown towers, mulling both condos and apartments. Chicago-based Related Midwest LLC has considered [a high-rise in Streeterville](#) that would include both.

The irony is that sales of new condos have been falling downtown, not rising. Downtown developers signed contracts to sell just 130 condos in the first quarter, down from 229 a year earlier and 175 in the first-quarter 2012, according to the Appraisal Research report. Sales also fell in 2013, to 583 units from 629 in 2012.

Because high-rise development stopped for several years after the crash, the supply of new condos has plunged even as demand has picked up. The lack of supply is a big reason sales have fallen: With fewer choices at new buildings, would-be buyers are shopping the resale market, renting or just staying put.

LOW INVENTORY

Developers of downtown condo projects were sitting on just 505 unsold units in the first quarter, about a year of supply, down from 1,649 at the end of 2011 and 3,694 at the end of 2009, according to Appraisal Research.

Indeed, several buildings completed years ago are selling out or getting low on inventory. A 714-unit tower built by CMK at 235 W. Van Buren St. sold out in the first quarter, and just six unsold condos left at the [Trump International Hotel & Tower](#).

CMK's 235 Van Buren led all downtown condo projects with 41 closed sales in the first quarter, followed by the Grant, a South Loop tower Related Midwest is marketing, with 17 sales, according to Appraisal Research.

Though high-rise construction is in the early stages of a comeback, many developers have been busy the past couple years with smaller and less risky low-rise projects, especially in the West Loop. Jason Vondrachek, managing broker/owner of Chicago-based Quest Realty Group, plans to break ground next year on a 28-unit building at the corner of Monroe and Sangamon streets. He already has a 200-person waiting list.

"We knew that these sorts of things were going to happen," he said. "The only surprise was how quickly it's come about."

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