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Sold! More Chicago developers auctioning empty condo units

by KATE SHELLNUTT

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Sellers are growing more desperate to move thousands of unsold units in condominium buildings. In Chicago, that means turning to auctions as an alternative to sell empty units concentrated in large-scale high-rises, but in the suburbs—where unsold condos are dispersed among smaller buildings—auctions are less popular.

The development and conversion boom boosted downtown condo sales to an annual peak of more than 8,000 in 2005. That figure cratered 93 percent over the past three years, with fewer than 600 condos sold in 2008, according to Chicago-based Appraisal Research Counselors.

Auctions offer a way for condo developers to sell dozens of these unsold units at once and to draw the market's attention to the building, but are usually a last resort because they can result in deep discounts on properties, real estate agents and auction firms say.

About a year after Evanston-based builder Roszak/ADC completed Vetro—a 31-story, glassy South Loop high-rise—just over half of its 233 units had sold, so architect and developer Thomas Roszak decided to place a portion of its remaining units on the auction block.

On Saturday, he sold 45 of the building's 100 empty condos at a crowded auction that drew 500 people to the W Hotel on West Adams Street. Around 1,100 potential buyers visited the Vetro building at 611 S. Wells St. the week before to tour the units available for auction.

Winning bids for the condos, excluding penthouses, ranged from \$145,000 to \$429,000, roughly \$50,000 to \$100,000 less than Roszak's previous asking prices. In an ever-slowing real estate market, it's hard for sellers to pinpoint a fair price, Roszak said, so this was a way for him to learn what buyers were willing to pay.

"To see that person bidding next to them, the value of the property is corroborated, and (the buyer) can feel confident," said Stephanie Wilkinson, the east coast executive vice president of marketing for Accelerated Marketing Partners LLC, a Boston firm that conducted 44 real estate auctions across the country last year and organized Vetro's auction, its first in Chicago.

Ali Niazi, a 27-year-old investor, bought two Vetro units at Saturday's auction, a two-bedroom condo and a 1,900-square-foot penthouse.

"With the economy the way it is, it's time to invest and this is a good opportunity," said Niazi, who currently lives on West Randolph Street and North Michigan Avenue in the Loop and plans on holding onto his recently purchased properties.

"I paid five-something for a penthouse, and yeah, that's a deal," he said. The purchase price for Niazi's penthouse, one of two being auctioned, was \$567,000. It was previously listed for \$799,000.

The building's remaining units will be sold by Chicago real estate firm Baird & Warner Inc.

Last year, about \$59 billion in real estate was sold at auction, according to the National Auctioneers Association in Overland Park, Kan., up about 23 percent from 2004.

"My thought is that this is going to be something that is going to be used more and more," said Roszak.

Local auction firms agree. Chicago-based Rick Levin & Associates Inc. conducted two South Side condo auctions in December, selling units from McKinley Park Lofts at 2323 W. Pershing Rd. and Jazz on the Boulevard at 4201 S. Cottage Grove Ave.

"A lot of what's happening right now is that buyers and sellers aren't on the same page in terms of price," and most people believe prices will continue to fall in the year ahead, said company president Rick Levin, who noted the South Loop—where Vetro is located—as one neighborhood severely affected by unsold condo buildup.

Until real estate markets stabilize, developers may continue to use auctions as a way to sell out their empty inventory, he said.

Paul Rogers, senior vice president and managing broker of Inland Real Estate Auctions Inc., expects real estate auctions will increase by 50 percent in the year ahead, citing the slow market and glut of inventory putting pressure on Chicago area sellers. The Oak Brook company is working on two condo auctions to be held within the next two months.

"It eliminates the carrying cost of owning unsold real estate," Rogers said. "Sometimes it is a last resort. It's not a conventional approach for selling real estate."

Inland conducted the last major condo auction in Oak Park in 2007, selling 27 units from Avalon Condominiums on West Washington Street.

Auctioning allows condos to sell many units at once, but in Oak Park—where there are fewer large-scale condo developments than in Chicago—the 300 or so condo units currently on the market are scattered throughout the city, which makes auctions a less popular choice.

"It's not like it's one building; you're dealing with hundreds of different buyers and hundreds of different sellers," said Cissy Binkley, an agent at F.C.



Kate Shellnutt/MEDILL

At the Vetro condo auction, an auctioneer's assistant takes bids from the 500-person crowd at the W Hotel in the Loop.

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