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Welcome to Bargainville

The Home Front

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With home and condominium prices starting the year on the edge of a slippery slope, both buyers and sellers are seeking clarity on the future of residential real estate values, experts say.

Although the nation's housing market showed signs of stabilizing in the second half of 2009 and several economic indicators are pointing up, risks of a relapse remain high.

Heavy foreclosure activity forecast for 2010 could potentially depress real estate prices further in the hardest-hit areas, according to a new economic outlook by Freddie Mac.

"At the national level, we expect the housing market to weather the growth in distressed sales without further significant setbacks, though risks remain," said Frank Nothaft, vice president and chief economist for Freddie Mac.

"The pace of recovery in this forecast is well below the growth following most recessions over the past half-century," Nothaft observed.

"For example, following the 1974-1975 recession and the double-dip recessions in the early 1980s, economic growth surged 7 percent or more for sustained periods, more than twice the pace we expect over the coming year," he said.

Why does Freddie Mac expect such a subdued recovery? The gloom is caused by the after effects of the financial crisis, according to Nothaft.

"The high rate of mortgage defaults and the growing inventory of loans in foreclosure, weakened bank balance sheets and corresponding reluctance to lend, and depressed household net worth remain a drag on the economy," he said.

In Chicago, the drag is pulling condo pricing downtown sharply lower in early 2010, noted Appraisal Research Ltd., a major condominium appraisal firm.

"Several buildings have undergone substantial re-pricing of their entire unsold inventory in order to quicken the sellout of the property," said Gail Lissner, vice president of Appraisal Research. "Other buildings have opted for individual loss-leaders, testing the effects of particularly well-priced units on their sales pace."

As a result of re-pricing, Chicago's downtown condo market is becoming "Bargainville," for prospective buyers, experts say. Here are some examples of how prices recently have been skidding:

At Astoria Tower & Spa, a 248-unit high-rise at State and 9th streets in the South Loop, you can buy a one-bedroom unit for \$159,800, down from \$199,800, reports Weichert Realtors — Frankel & Giles. Penthouse units that were selling for \$699,800 are going for \$549,800, a discount of 27 percent.



At 565 Quincy, prices for a one bedroom, one bath were cut from \$201,000 to \$164,000.

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At Ontario Place, a 467-unit high-rise condominium conversion at 10 East Ontario in River North, prices have been slashed up to \$150,000 on some remaining upgraded one-bedroom units, pushing them down to a range of \$219,000 to \$245,000, reported American Invsco. As if the aggressive pricing wasn't enough, some buyers also are being enticed with a free parking space valued at \$40,000.

At 565 Quincy, a West Loop condominium, prices recently were cut to \$164,000 from \$201,000 for a junior one-bedroom, one-bath unit, and one-bedroom, one-bath residences were reduced to \$219,000 from \$312,900. Two-bedroom, two-bath layouts now are going for \$331,000, down from \$441,900. Parking, valued at \$35,000, now is included with the one-bedroom and two-bedroom residences, reported Belgravia Group, the developer.

If only falling home prices could find the basement floor. The federal government is projecting price decreases to continue through 2010. It is likely that the total fall in home prices between 2006 and the end of 2010 could hit 40 percent in some markets, putting prices at their lowest levels in 20 years.

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