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# Top 10 real estate predictions in 2010

Written By: Eleanor Goldberg on January 30, 2010 No Comment



Four of the city's real estate all-stars—an appraiser, investor, academic and analyst—spent a little over two hours bemoaning the industry's bleak 2010 fate at Thursday's Chicago Association of Realtors Forecast. Then, they boiled their complicated, chart-heavy predictions into a bookmark-sized Letterman-esque top 10 list.

1. **“Housing demand may continue or hold steady through most of 2010.”** We'll see positive year-over-year sales in both Illinois and Chicago, but negative month-to-month sales in January to February, projected Geoffrey Hewings, University of Illinois economics director. However, come March, we can anticipate some “sunshine” in the form of positive numbers. October median Chicago home prices will drop 7 percent, year-over-year, a decline for which we can thank the market's additional foreclosed properties.
2. **“Existing housing inventory will remain affordable.”** The median price for existing Chicago homes in the third quarter 2009 was \$205,000, a near 20 percent decrease from the third quarter 2007, according to Hanley Wood Market Intelligence LLC. Since buyers will continue to take their sweet time to smell every aspect of a property before committing, owners will have minimal leverage when it comes to marking up a price tag.

“There’s going to be a slow absorption of inventory,” reported Gail Lissner, of Appraisal Research Counselors. “The market needs an uptick in consumer confidence and jobs.”

3. **“Unsold inventory levels are decreasing, and few new condo units will be completed in 2010.”** Developers got the hint. No one’s interested in new edifices. In the third quarter 2008, Chicago had 4,670 new unsold construction units. As the cranes drove away, the number of such vacancies dropped 31 percent in the third quarter 2009. “The future inventory pipeline is empty,” Lissner shared on her Powerpoint presentation. Bottom line? Expect little new supply in 2010 and 2011.
4. **“Developers will continue to rely on discounted process to accelerate sales in their stalled projects.”** In the past, developers preferred to throw in a brand new kitchen, rather than discount a condo’s price, explained Donna Urbikas, Prudential Rubloff Properties broker associate. But in 2010, a perk or two won’t suffice in luring buyers. But high profile (think Gold Coast and prominent Loop pockets) and well-publicized (ubiquitous as Best Buy circular ads) discount programs *will* lure buyers. “Frankly, the market is discounting,” Lissner offered. “565 Quincy [a West Loop high-rise] is entering a discount program of 15 to 30 percent.” She also noted that condos may see drastic cuts of up to \$300 to \$400 a square foot.
5. **“REALTORS may gain from a pent-up demand caused by many people putting moves on hold due to the recession.”** Scaredy-cat buyers were in no rush to sign the dotted line in 2009. New-home sales that once sold in a month, took more than a year to move, according to Hanley Wood. However, buyers will lose their “play it safe” luxury once the government stops buying up mortgage-backed securities in March. Mortgage interest rates will soar as a result, Wood predicts. Also, the \$6,500 [federal tax credit](#) for repeat home buyers expires at the end of April. Thus, realtors have the auspicious opportunity to encourage buyers to get going, because these deals are soon going out the window.
6. **“Buyers have changed their opinion that ‘bigger is better’ and will seek more reasonably sized homes in 2010.”** The American dream will undergo some renovations in the coming year. While owning a home is still the ultimate end goal, buyers don’t have their sights set on saving up for a gaudy Gatsby mansion in West Egg. According to Hanley Wood, 6 percent of total sales exceeded \$700,000 in 2009, as compared with 10 percent a year earlier. Through July 12, 2009, 980 downtown Chicago listings priced under \$300,000 closed, while 262 properties in the \$500,000 to \$699,999 range closed. Put simply, “Sales are stronger at a lower price point,” Lissner offered.
7. **“REALTORS need to be prepared for better-educated buyers.”** Lissner’s empathetic query: “Do you feel like you’re working harder for each deal?” was met with nods and grunts from the audience. She aptly responded with a blip, “It’s because you are.” Potential buyers are dilly-dallying, so much so that only 4 percent of buyers who walked in the door of a for-sale home last year actually made a purchase, according to Appraisal. While this figure increased 1 percentage point since 2008, it was down 7 percentage points from 2006. A new Illinois Association of Realtors law aims to boost buyers’ confidence by phasing out the industry’s “salespersons.” By April 30, 2012, they’ll be required to get a broker’s license in order to practice. Realtors are also taking it upon themselves to get ahead by beefing up their qualifications. Urbikas, for example, recently got her CRS—Certified Residential Specialist—which assures clients that she has, in fact, closed deals.
8. **“Aging Chicago homebuyers will want more one-story, ranch-style detached homes or maintenance-free condos.”** Arizona and Florida might have to capitulate their undefeated “retiree capital” titles. Chicago retirees who would have sold their residences to buy in a milder climate will nix their plans because the value of their existing home will drop to a no-profit point. “Houses aren’t moving in Arizona and Florida,” Hewings explained. “It’s awful because the volume of retirees has slowed down.”
9. **“Market demand will continue to create opportunities for short-sale experts.”** Short sales, foreclosures and real estate owned sales for single-family residences in Chicago and the metro area comprised a staggering 50 percent of total real estate deals completed in 2009, according to MRED LLC. Michael Hart of Hanley Wood Market Intelligence predicts an even higher number of such sales in 2010 and admonishes brokers to become “well-versed” in such transactions. “They need that designation behind their name,” Hart forewarned.
10. **“The commercial outlook will brighten as vacancies fill gradually and commercial financing continues to improve.”** Because new construction has all but ceased, few new empty spaces will be added to the market, according to Joe Cosenza, vice chairman of Inland Real Estate Group of Properties Inc. Apartment brokers will fill vacant spaces with the help of incentives and the expected price stabilization. The concept of “office space” may become obsolete for those who can operate their business from an iPhone. But, he couldn’t say with confidence what will transpire in the industrial sector. As for his understanding of commercial real estate financing, Cosenza used no euphemisms.

“A year ago....Sh\*t.”

“Six months ago....Crap.”

“Today....A little better than crap, unless you’re big.”

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