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## Condo market goes on hiatus

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BY DON DEBAT - For Sun-Times Media

"Condomania" is going to take a vacation in downtown Chicago in 2010 and 2011, forecasters predict.

"With only 1,200 new condominiums in the pipeline for construction in 2010, and only 86 units planned for delivery in 2011, the Chicago's downtown market is returning to production levels reminiscent of the early 1990s when there was very little new condo development activity," reports Gail Lissner, vice president of Appraisal Research Counselors, Ltd.

For downtown residents fighting through the construction traffic, the slow down may be a welcome relief following the 18,000 condo units which have been delivered over the four-year period between 2006 and 2009.

And if you are a cash-strapped first-time buyer, there is more good news. New-construction units are bargains today as a full-fledged condo price war appears to be underway downtown, with asking prices falling 25 percent to 40 percent in some buildings.

"On the positive side, 2009 was a year for record deliveries with more than 3,600 condo units being completed, and 67 percent of these units reported sold or under contract," Lissner said. Here is an outline of the trends Appraisal Research found in its "Downtown Chicago Residential Benchmark Report" for the fourth quarter of 2009:

- **FHA-financing comeback.** A rising number of condominium developers are applying for Federal Housing Administration-insured loan approval for their buildings to allow buyers to purchase with only 3.5% down payments.
- **Condo-price discounts.** Several downtown buildings, including Michigan Avenue Tower II, Astoria Tower & Spa, Prairie District Lofts, 550 St. Clair, Ontario Place, 565 Quincy St. ranging from 10 percent to 35 percent depending on the type of unit.

"Some downtown buildings have undergone substantial re-pricing of their entire unsold inventory in order to quicken the sellout of the building," Lissner said. "Other buildings have opted for individual 'loss-leaders,' testing the effects of particularly well-priced units on their sales pace."

- **First-time buyer boom.** "First-time buyers are the strongest segment of a recovering housing market," said Lissner. Several factors are sparking sales to novice purchasers, including the \$8,000 first-time buyer tax credit, the availability of FHA financing with 3.5 percent down, the freedom from having to sell an existing residence, and the large amount of inventory which is affordably priced at \$250 to \$300 per square foot.

However, Lissner said there is "a sense of urgency to buy" now since the first-time buyer tax credit will expire in the spring. Units need to be under contract by April 30th and close by June 30th. "For first-time buyers who are employed and feel confident about their jobs, these are very attractive market conditions," Lissner said.

- **Rent-to-own.** Some developers who are seeking cash flow are turning to rent-to-own programs cash. "Several developers opting to rent out some of their unsold inventory on an interim basis, either in a rent-to-own program or just as a pure rental," Lissner said.

- **New developments on hold.** Several proposed condominium developments have been shelved. "It is likely that it will be at least two or three years before new development deals begin again," Lissner predicted. "We expect that the best locations will recover first and that smaller developments will likely start first."

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