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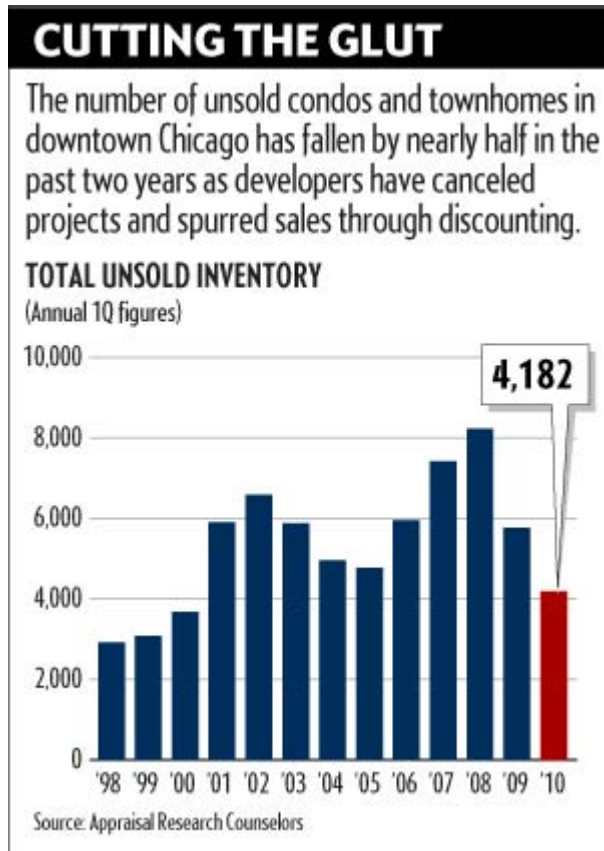
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## Crain's: Huge Reduction In Downtown Developer Condo Inventory

 [Gary Lucido](#) on 05.18.10 at 8:54 AM | [no comments](#)



Yesterday Crain's reported a [huge decline in the inventory of unsold condos in downtown Chicago](#) - half of what it was two years ago. What drove the decrease? Canceled projects and discounting.

According to the article "Downtown builders sold 256 condos and townhomes in the first three months of the year, up from 148 in the fourth quarter and 55 in the year-earlier period, according to Appraisal Research Counselors, a Chicago-based real estate consulting firm"

The article goes on to highlight some examples of the extreme discounting that has taken place recently - up to 30% off: 565 W. Quincy St. in the West Loop, 200 N. Dearborn St. and 222 E. Pearson St.

Of course, as Appraisal Research points out, there's still more than a 3 year supply of condominiums at the current sales rate. And in



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my favorite line of the article - the last sentence - one developer attributes his intestinal ailments to the current market conditions - a bit too much information.

The problem with discounts is that overnight they completely destroy the value of all the condos sold up to that point. Of course, one could argue that the value was never there to begin with and that the first buyers overpaid. I have noticed that developers seem to initially be able to get above market prices for their homes as they skim the least price sensitive buyers from the market. In reaction to this, we have buyers who are appropriately factoring in these discounts when they are ready to buy in a new development. They want the discount that they are sure is coming now or they will just wait. What is the solution? We're planning on asking for price guarantees in our next deal - just like at Best Buy. How can a developer refuse us while steadfastly insisting that they are not planning on discounting? Should be interesting.

BTW, the Appraisal Research data above is not at all consistent with our own condo inventory data extracted from the MLS. We assume that this is because not all developer condos are listed in the MLS. Consequently, the inventory numbers we publish are apparently understated.

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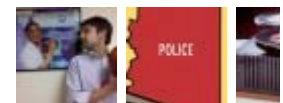
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