

Appraisal Research Counselors

400 E Randolph Street, Suite 715
Chicago, Illinois 60601-7388

T: 312-565-0977
F: 312-565-3436

[Click here to view AppraisalResearch.com](http://AppraisalResearch.com)



Professional Service Since 1968

Appraisal Research Counselors®



Get Email News Alerts

[DAILY NEWS](#) [THIS WEEK'S CRAIN'S](#) [INDUSTRY NEWS](#) [MULTIMEDIA](#) [LISTS](#) [SMALL BUSINESS](#) [BLOGS](#) [SPORTS](#)
[FINANCE](#) [GOVERNMENT](#) [HEALTHCARE](#) [LAW](#) [MANUFACTURING](#) [MARKETING/MEDIA](#) [CONSUMER](#) [TECHNOLOGY](#) [TOURISM](#)

Home > Industry News >

Email this Story

Print | Reprints

5 comments | Related Stories

Discounting boosts first-quarter downtown condo sales

By: [Alby Gallun](#) May 17, 2010

(Crain's) — More price-cutting spurred sales of downtown condominiums in the first quarter, helping developers chip away at a mountain of unsold units built during the bubble.

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.

Projects that sold well employed a familiar marketing strategy.

"If you discount, they will come," says Appraisal Research Vice-president Gail Lissner.

A 241-unit development at 565 W. Quincy St. in the West Loop led the market with 59 sales in the quarter after its developer, Chicago-based Belgravia Group Ltd., slashed prices on some condos by as much as 30%.

Other projects that have relied heavily on discounting to boost sales include condo conversions at 200 N. Dearborn St. and 222 E. Pearson St.

Enter your

CRAIN'S LIVE SEARCH

TODAY'S FEATURE

Video distribution analytics powered

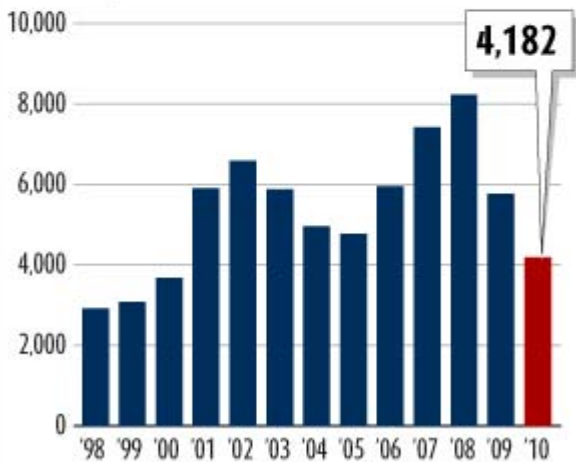


CUTTING THE GLUT

The number of unsold condos and townhomes in downtown Chicago has fallen by nearly half in the past two years as developers have canceled projects and spurred sales through discounting.

TOTAL UNSOLD INVENTORY

(Annual 1Q figures)



Source: Appraisal Research Counselors

Federal tax credits for home purchases also boosted demand at the lower end of the market and may have created some urgency in the first quarter because buyers needed to get a home under contract by April 30 to qualify. But sales remained sluggish at more expensive condo projects, which have relied less on discounting and tax credits to fuel sales.

After suffering through four years of falling sales, downtown developers collectively are on track to post an increase this year, albeit off a very low base. Developers sold just 572 condos and townhomes last year and 592 in 2008, just a fraction of the 8,162 they sold in 2005, at the peak of the market, according to Appraisal Research. The firm counts sales when buyers sign purchase contracts for condos, not when they close.

Many would-be buyers are still reluctant to commit until the job market improves and the

residential market stabilizes.

“We’re on pace for 1,000 (sales) but that could be a stretch,” Ms. Lissner says.

The good news is that construction has all but stopped, allowing demand to catch up with supply. Downtown developers were sitting on 4,182 unsold units at the end of the quarter, roughly half the amount two years earlier. The supply has fallen as developers have sold units and canceled proposed projects because of the depressed market and a lack of financing.

The unsold inventory falls to 3,355 units if the calculation excludes the Chicago Spire, the proposed 150-story lakefront skyscraper that has been stalled without financing and recently closed its sales office in NBC Tower.

Though that’s still more than a three-year supply of condos and townhomes at the current sales pace, “it’s a much more manageable level of inventory,” Ms. Lissner says.

Auctions remain an option for some slow-selling projects, allowing developers to unload a bunch of unsold condos in a single day, reset prices for leftover units and drum up interest among buyers and brokers.

Two projects — a condo conversion at 1400 N. Lake Shore Drive and the Prairie Pointe tower at 1600 S. Prairie Ave. — have held auctions this year, selling a combined 31 units at a 45% average discount, according to Appraisal Research.

Other struggling developers have mulled canceling their condo sales and renting out their units as apartments instead. But that’s not an easy switch to make, even in today’s depressed condo market.

Most Viewed Recent

Today's Most Viewed

[ShoreBank rescues probe](#)

['Zombie' buildings](#)

[ShoreBank saves over the top](#)

[Freed fights mortgage](#)

[Oprah hires personal](#)

USEFUL LINKS

REVIEWS

Last fall, developer Jack Berger considered an apartment conversion for the Mondial, a 141-unit project in River West, tearing up 50 sales contracts and giving the buyers their deposits back. But Mr. Berger couldn't find a partner willing to finance a conversion of the building at 900 W. Huron St.

"The numbers just didn't work," he says.

So now he's remarketing the Mondial as a condo project, slashing prices on some units as much as 30% from earlier levels. Prices range from \$199,000 for a junior one-bedroom condo to \$389,000 for two bedrooms, says Mr. Berger, who plans to reopen a sales office early next month.

About eight previous buyers have agreed to purchase units in the Mondial at the new prices. Still, Mr. Berger admits to having some trepidation about trying to sell more than 100 condos in the current market.

"If diarrhea and not sleeping at night is trepidation, yes," he says.

Read more news on *Crain's*
ChicagoRealEstateDaily.com

SPONSORED BY

What do you think?

Joe Z. wrote:

You can watch architect / developer Jack Berger talking about Mondial and Chicago architecture at YoChicago:<http://yochicago.com/mondials-developer-talks-architecture/9429/>

5/18/2010 11:46 AM CDT

[Recommend](#)

[Report Abuse](#)

Frank G. wrote:

Don't think this latest description of trepidation shall assist in merchandising efforts; interviewee shall hopefully be a little less colorful in the future with his language.

5/17/2010 11:15 PM CDT

[Recommend \(4\)](#)

[Report Abuse](#)

john t. wrote:

three words for jack ambien - immodium - prayer

5/17/2010 4:11 PM CDT

[Recommend](#)

[Report Abuse](#)

Ryan C. wrote:

"If diarrhea and not sleeping at night is trepidation, yes," -- Thanks for that. TOO MUCH INFORMATION!

5/17/2010 3:41 PM CDT

[Recommend \(4\)](#)

[Report Abuse](#)

Shawn A. wrote:

[Special Car Review](#)
[Chicago Restaurant](#)

[BUSINESS TOOLS](#)

[Traffic](#)
[Weather](#)
[Big Dates](#)
[New Business Licen](#)
[Bankruptcies](#)
[Federal Tax Liens](#)

[SERVICES](#)

[Classified](#)
[Download Top Lists](#)
[About Us](#)
[Subscription Center](#)
[Events](#)
[Crain's Events](#)

[ALSO IN CRAIN'S](#)

[Daily News](#)
[This Week's Crain's](#)
[Lists](#)
[People](#)