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## After record year in 2005, builders continue downtown condo boom

by [Gail Lissner](#) 2/21/06 | Updated 3/21/06

### Housing Watch

Encouraged by record-breaking condo sales in downtown Chicago last year, when nearly 8,200 new units sold, developers are gearing up for a repeat performance in 2006.

Builders will be working hard this year to deliver the massive number of units sold during 2005. Around 4,600 condominiums are planned for completion in downtown Chicago during 2006, an increase of 48 percent over the number of units delivered in 2005.

More than 85 percent of these units already have sold, and developers are wasting no time in filling the pipeline with new projects to replace them. The number of new units unveiled in 2006 could well rival the record-breaking pace of 2005, and many of the new projects will begin marketing during the first half of this year.

There will be changes in the shape of downtown building, however, as developers react to rising construction costs and the price and size of sites that will host some of the largest projects getting underway

Here are some of the trends buyers, renters, and sellers can expect in 2006:

**A busy resale market.** Speculators have been active in downtown Chicago and account for a considerable number of the new units sold during 2005. We can expect that more than 20 percent of new condo buyers whose units are delivered this year will try to sell or rent them almost immediately after completion. Buyers anxious to resell will face increased competition and might not realize the profits they envisioned. Prices of new units will rise. The rising costs of construction and land are pushing up the price of new homes. None of the highrise condo projects that have come to market so far in 2006 are priced under \$325 per square foot. In low-rise and mid-rise condo developments, buyers can expect to find prices from \$250 to more than \$300 per square foot depending on location.

**Condos will get smaller.** Developers will address their rising costs in part by building smaller units aimed at price-sensitive consumers, especially first-time buyers. Home shoppers will be perusing a number of new units that are smaller than typical Chicago condos, though they won't be as cramped as

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the closet-sized units common in Manhattan or Hong Kong.

**Denser developments.** As unit sizes go down, unit counts will go up at a number of developments. Buyers will notice an increase in the total number of condos in many buildings. That's partly because developers are responding to strong buyer demand and partly because several large sites that allow for greater density will be developed during the next year.

**Buyers will pay for views.** Condos with spectacular views will continue to command higher prices and sell more rapidly than "average" housing units. That's evident from the fast pace of sales at highrise projects overlooking Millennium Park and Grant Park.

Buyers of units with great views may find that they are paying up to 100 percent more than those with obstructed views. For example, a unit on the east side of a building with clear views of Grant Park might be priced at \$550 to \$650 per square foot, and a similar unit with an obstructed view on the west side of the same building might be priced at only \$300 per square foot.

Units with wonderful views not only sell the fastest, they also are the last to be affected in a "soft" market, and the first to recover when the market picks up.

*Gail Lissner, SRA, is co-author of Appraisal Research Counselors' quarterly Downtown Chicago Residential Benchmark Report, [www.AppraisalResearch.com](http://www.AppraisalResearch.com). This in-depth analysis of the downtown Chicago housing market, focused on the area between North Avenue (1600 N.), Cermak Road (2200 S.), the lake and Ashland Avenue (1600 W.), tracks development activity and helps people investing in residential real estate make informed decisions.*

See more in [Columnists](#), [Gail Lissner](#).

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