



Exclusive: The state of the Chicago market

Each month, Valuation Review is partnering with IRR-Residential, a national real estate valuation services provider, to bring you a monthly snapshot of a specific metropolitan statistical area. This edition looks at the greater Chicago area, including Naperville and Joliet, Ill. Read on for more.
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The metro Chicago real estate market has been impacted negatively like many of the other larger metropolitan cities as a result of declining values over the last three or years years. When comparing these downward trends, Chicago was fortunate not to have suffered the extreme declines that many other cities have, according to **Gerald Cote**, managing director of IRR-Residential Gerald Cote and Associates, one of two IRR-Residential offices serving the Chicago area.

Matthew Rayburn, managing director of IRR-Residential Rayburn Appraisals and Consulting, argued that Chicago has made a moderate comeback during the last 12 months. "While there has been a substantial decline in the overall volume, recent data indicates the number of sales and listings beginning to stabilize in a majority of Chicago and its suburbs," he said. "As a result of the past downward trends, there has been an almost complete halt to new residential development across the metropolitan area."

According to a recent article in the *Daily Herald*, 2010 is expected to bring even more foreclosures and short sales than 2009. At some point, the market needs to unload all of the problem assets in order to resume a normal activity level. "Forecasting for the future is difficult," said Cote. "But the general consensus is that we do not expect much change in the way things have been going for at least another 12-24 months (probably closer to the 24 mark), as new foreclosures continue to hold prices in check."

Rayburn reported that both the median and average price in the Chicago metro area have declined 21 percent from February 2009 to February 2010. Building permits have declined 52 percent over the same period. "There are very few land sales with a tremendous oversupply of vacant lot listings in the suburbs. New construction is far from what it was three years ago," he noted.

The most active price range in the area is below \$400,000, comprising 81 percent of all sales. Purchases over \$700,000 consist of only 5 percent of total sales. More than half of all property types in the area are townhouse-condos, with almost 30 percent made up of single-family homes. Multi-family homes account for just 14.8 percent of the inventory.

"On a positive note, the Chicagoland area benefits from a diversified job market which has likely helped to soften the impact of the current economic conditions," said Rayburn. "While Chicago has its fair share of real estate challenges, the latest market data indicates that marketing time is holding constant. There are currently more than 4,200 properties under contract. So far, the first quarter 2010 has been relatively stable for residential attached and detached housing."

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