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DePaul's home price index shows uneven market recovery in Cook County

Prices for larger multifamily buildings have jumped, but there has been no such positive momentum for two-to-four-flat buildings, condominiums and single-family homes, according to a DePaul University index.

By [Mary Ellen Podmolik](#), Chicago Tribune reporter

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A housing recovery is starting to gain traction in Cook County, but depending on the property type and when it was purchased, it may be a long road back.

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Prices for larger multifamily buildings in Cook County have jumped nearly 31 percent year-over-year for the quarter that ended in June. But there has been no such positive momentum for two-to-four-flat buildings, condominiums and single-family homes, according to a Cook County home price index just developed by DePaul University.

In fact, compared with June 2011, prices of two-to-four-unit buildings rose less than 1 percent and single-family homes were down 2.6 percent. Condo values, while rising marginally from the first to second quarter of this year, were down 11 percent, on par with pre-1997 pricing levels, DePaul researchers found.

Regardless of any improvements, prices are down 26 percent to 55 percent from the peaks that were recorded from 2006's third quarter to 2007's first quarter, depending on the type of property.

"This data tells you the Cook County housing market is still weak," said Geoff Smith, the housing institute's executive director. "What does it mean for individual homeowners? A person who bought their condo or single-family home in 2007 at the peak of the market, they are likely underwater. That's significant for the broader state of the market because you've got a lot of people who bought at that point of time."

For several months, the Illinois Association of Realtors has reported sharp increases in the volume of existing homes sold in the Chicago area. In August, more homes were sold in the area than in any of the past 59 months. Median selling prices have fluctuated.

Meanwhile, the S&P/Case-Shiller home price index has shown four consecutive monthly gains for the Chicago area as of June, a month in which it said Chicago prices rose 4.6 percent from May but remained below their year-ago level. The July report is expected to be issued Tuesday.

Much like the widely watched S&P/Case-Shiller, DePaul's index looked at repeat sales of individual properties over time, which some economists consider a better indicator of a market's performance. But unlike that index's macro view of the market, DePaul researchers narrowed the focus to specific building types, and only those within Cook County.

The keen interest in renting has enabled residential buildings with at least five rental units to experience the most impressive steps toward recovery. The market for those buildings, many of which are in the stronger submarkets, bottomed in 2010's fourth quarter, the findings showed. In addition to the increased demand for rental units, that segment also has benefited from a general lack of new construction, which is driving up the prices of existing buildings changing hands, Smith said.

Those gains aren't evident among two-to-four unit buildings, many of which are owner-occupied and are in lower-income neighborhoods hit heavily by foreclosures. As a result, many of the properties recently sold were foreclosed properties picked up at a discount by investors. It is a decided difference from the frenetic run-up in prices that the segment saw between 2000 and 2006, when prices rose 111 percent, according to DePaul.

Single-family homes have shown only a modest recovery on a quarterly basis but were down 2.6 percent year-over-year in the second quarter. Before peaking in the fourth quarter of 2006, home prices had a six-year run-up of about 73 percent, according to the data.

Condos, whose values peaked after other segments of the market, have been the slowest to show any signs of recovery. After bottoming in 2012's first quarter, they have shown some quarter-over-quarter improvement but declines on an annualized basis.

Zeke Morris, president of the Chicago Association of Realtors, attributes the poor showing for condos to buildings with defaults or restrictive policies that are hampering owners' abilities to sell their units.

Economists aren't predicting much more pricing improvement, or recovery, this year.

"More metro areas seem to be experiencing positive changes rather than negative," said Geoffrey J.D. Hewings, an economics professor at the University of Illinois. "Is that a recovery? No. Had we continued to experience job growth in the 250,000-jobs-per-month range, we could start talking more positively about a recovery."

Hewings suggests that consumers temper their expectations and put aside any thoughts that even when a recovery takes hold of all segments, property values will move back to where they were near the height of the market. "That's probably an unrealistic expectation," Hewings said.

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