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Cook County home prices show big gains in 4th quarter

For 4th quarter of 2013, single-family home prices in Chicago rise 16.8 percent from same period in 2012 and suburban prices rise 14.5 percent, DePaul institute data show

By Mary Ellen Podmolik

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A large part of Tom Gniedziejko's business during the past few years has been buying older ranch homes on Chicago's Northwest Side, adding second-story additions and reselling them.

The deals just aren't what they used to be. Compared with two years ago, Gniedziejko is paying about $50,000 more for a home in the city's Edison Park and Norwood Park neighborhoods, but he isn't complaining.

"I'm getting my money back," Gniedziejko said. "People didn't buy houses for five or six years, because they were scared. Now, people are not scared and it's cheaper to buy houses than rent. It's a no-brainer for people. The last house I sold, I had six or seven offers the first weekend. That's pretty good."

A lack of desirable homes available for sale and greater consumer confidence are boosting demand for homes across Cook County, but particularly in certain city neighborhoods and suburban Cook County communities.

As a result, fourth-quarter 2013 prices of single-family homes in Cook County posted their largest year-over-year increase in data going back to 1997, rising 16.8 percent in Chicago and 14.5 percent in suburban Cook County, according to a report scheduled to be released Wednesday by the Institute for Housing Studies at DePaul University.

But as with every positive report that has come out on housing in the past year, there are caveats attached.

"We're still only at 2002 price levels and we're seeing a slowing of quarter-to-quarter price increases," said Geoff Smith, the institute's executive director. "Even though this is great news, there is a way to go."

DePaul's home price index showed that within Cook County, 25 of 28 submarkets showed year-over-year home price gains. Meanwhile, the other three groupings of areas — Pilsen/Bridgeport/Little Village and Roseland/Pullman/South Chicago/Hegewisch in the city and Calumet City/Harvey in south suburban Cook County — posted year-over-year decreases.

Easily beating the city average were Jefferson Park/Edison Park, Irving Park/Albany Park and Portage Park/Belmont-Cragin, which all posted annual price gains in excess of 20 percent. The areas experienced a dramatic erosion in home prices during the housing crisis, so a full recovery remains in the distance.

For instance, fourth-quarter home prices were up almost 24 percent in Portage Park/Belmont-Cragin from a year earlier but remain 56 percent below their peak before the market plummeted. Still, compared with the more normalized pricing environment of 2000, prices in those neighborhoods have increased about 18 percent.

In Edison Park, a home that was temporarily removed from the market just before Christmas came back on the market at $10,000 more and sold for its list price. Buyers "are surprised by the activity and by the fact that if there is an open house, there are 15 people at the open house," said Ray Mandel, a real estate agent at Coldwell Banker Residential Brokerage who had the listing.

Missing from the list of biggest gainers were areas like Chicago's Lakeview and Lincoln Park neighborhoods, but that is because their housing markets never experienced the free fall of other neighborhoods.

The story is similar in suburban Cook County. Among the areas with the best pricing improvement was the Elmwood Park/Franklin Park area, where fourth-quarter single-family home prices were up 17 percent from a year earlier. From its pricing peak to trough, home prices fell 55 percent and the communities were awash in foreclosures and short sales.

These days, the mix between distressed home sales and traditional home sales is beginning to even out, according to Erica McClain, an agent with Re/Max Vision.

"We're starting to see some multiple offers on properties," she said. "It has already bottomed out here. A lot of buyers that I've come across are still thinking they're going to get the prices they got a few years ago and they have sticker shock."

DePaul's price index is calculated by looking at repeat sales of single-family homes over time, similar to the methodology used in the national S&P/Case-Shiller home price index. DePaul's index excludes home sales that occur twice within six months, to exclude the effect of homes that are flipped.

Despite the gains, there remain buying opportunities, primarily for consumers looking to purchase a house and make it their home for several years.

"If your goal is to buy your place and live there, it's still a reasonable time to buy," Smith said. "If you are looking to flip a property, maybe that was a great opportunity that has passed."

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