Suburban Cook home price gains pass those of Chicago

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Second-quarter single-family home prices rose more in suburban Cook County than in the city of Chicago, the first time that has happened since early 2013 and possibly a sign that the market's recovery outside ZIP codes that start with 606 is underway.

That's one potential takeaway from a quarterly home price index calculated by the Institute for Housing Studies at DePaul University. Another reason for the higher price gain isn't as lasting, that it's more the result of a lack of inventory than increased demand for suburban homes.

"Prices are complicated," said Geoff Smith, the institute's executive director. "We have to be careful, we don't want to say the suburbs are back. It'll be something to monitor. The same with the distressed areas. If the quarterly price (increase) trends are slowing down, is that a sign that flipping has fallen off a bit or is it an anomaly?"

Single-family home prices rose 16.9 percent year over year in suburban Cook County during the three months ended in June and 16.6 percent in Chicago, according to the index scheduled to be released Wednesday. Compared with the first quarter, the gains in suburban Cook and the city were 6.9 percent and 3.1 percent, respectively.

Single-family home prices for Cook County are down about 26 percent from their late 2006 peak. Like the national S&P/Case-Shiller home price index, DePaul's index looks at repeat home sales over time.

Much of the recent big gains of almost 30 percent year over year have come in areas hardest hit by housing's free fall, as investors moved into those communities and scooped up properties to rehab and rent out or sell. Areas that didn't experience as many foreclosures, meanwhile, have registered more stable price gains.

But there is growing evidence that as prices have increased, investor appetite for distressed homes has diminished. While prices in areas with high foreclosures rose 10 percent from the fourth quarter of 2013 to the first quarter this year, the gain totaled only 2.3 percent during the second quarter.

That makes prices in those areas that have experienced a lot of foreclosure activity down about 54 percent from their peak, compared with prices in areas with few foreclosures that are off their early 2007 peak by only about 9 percent.

"Those (high foreclosure) areas are still challenged," Smith said. "Even with pretty strong price growth over the past year, the prices are still pre-1997 levels. That's an indicator of a broad lack of demand."

Despite continued improvement in year-over-year pricing, concerns about homebuyer demand have continued to linger as summer winds down. In July, the number of home sales throughout the Chicago area was down 8 percent from a year ago, and some counties recorded double-digit declines in sales volume, according to the Illinois Association of Realtors.

Fannie Mae's most recent consumer survey showed that people's attitudes toward their own personal financial situations and the housing market grew more bearish last month. The percentage of people who said it was a good time to buy a home fell to 64 percent, matching the survey's all-time low.

Mike Drews, a real estate agent with Charles B. Doss & Co. Realtors in Aurora, said he saw some uncertainty creep into the housing market in late July. Reports of an improving suburban Cook County housing market give him hope.

"We're always the last to catch up," Drews said. "Everything flows from Chicago out to the west, but we're finally starting to catch up."

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