

Slowik: Home prices increase, but construction boom fades into distant memory

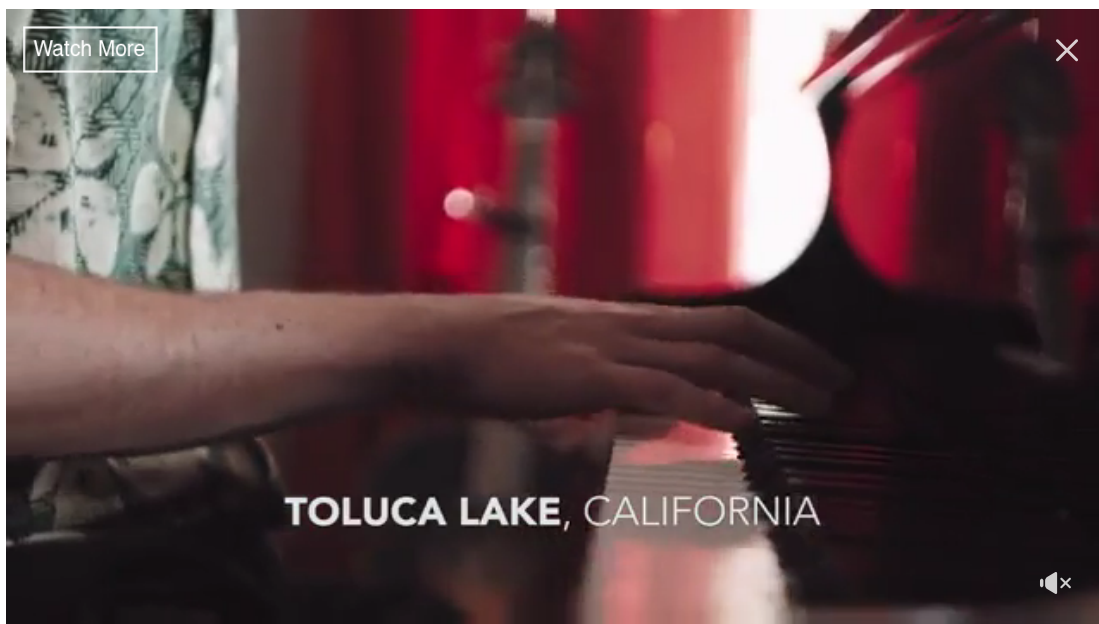
By **Ted Slowik**

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Homeowners in the south suburbs can celebrate a little bit of good news.

For the first time in a while, area home values are showing a rather significant increase. If the trend continues, families hurt by stagnant wages could benefit from increased equity in their homes. We could see growth in construction jobs.

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In the longer term, improved values could help school districts and other taxing bodies that have been squeezed for revenue ever since home values collapsed when the housing bubble burst in 2008.

But let's not get too far ahead of ourselves. First, here's what the latest numbers say.

Illinois Realtors issued a report Nov. 21 saying median prices of homes sold during October showed solid gains compared to the same month a year ago. Cook and Will counties posted some of the strongest numbers in the state, with median prices in Will County up 10.3 percent to \$199,900. In Cook County, the increase was 10 percent, to \$220,000.

"We're just beginning to see this level of (double-digit) increase" in year-over-year prices, said Doug Carpenter, of Mokena, Illinois Realtors president and managing broker of Coldwell Banker Honig Bell in Orland Hills.

Carpenter sounded cautiously optimistic. Home values in the south suburbs, after all, have yet to fully recover from the market collapse eight years ago that triggered the Great Recession, even though home prices in most other areas of the country are equal to or greater than they were in 2008.

"Prices here are still not back to where we were," Carpenter told me. "We're still on the path to recovery."

While prices are up, sales are down. Illinois Realtors reported 12,469 homes sold statewide in October, down 5.4 percent compared to a year ago.

"Demand is high and inventory is low," Carpenter said. "We're getting into a situation where we're seeing multiple offers for homes."

Again, I wouldn't encourage people to pop open bottles of champagne just yet. But if the trend continues, we could see an uptick in new residential construction in the Southland to meet demand.

That would be good news on the employment front, since construction jobs are typically good-paying, union positions like carpenters, plumbers, electricians, and so on.

It feels strange to look back at the pre-2008 era as the "good old days," but the housing boom was good for a lot of people. You didn't need a college degree to find work in the trades.

My buddy Dave was a union carpenter for many years. He could always find work during the boom years of the 1990s and early 2000s. But after the crash, new-home construction practically ground to a halt. Dave found himself working fewer and fewer hours.

Eventually, he couldn't make a living at it anymore, and he had to quit. He was a master craftsman who couldn't find anyone who needed his skills.

The housing market has slowly rebounded over the past eight years. Interest rates remain at historically low levels, another bit of good news. The monthly average commitment rate for a 30-year, fixed-rate mortgage was 3.47 percent in October, Illinois Realtors said. That's an increase from 3.46 percent the previous month, but still lower than the 3.78 percent in October 2015.

The time it took to sell a home in October averaged 60 days, the state Realtors association said, down from 69 days a year earlier.

The problem with reading too much into the strong year-over-year increase in home prices is that it's a single data point. Median home prices in Illinois historically go up down every year, peaking in June and bottoming out in February.

That's according to data published by the Regional Economics Application Laboratory at the University of Illinois, which works with Illinois Realtors to develop a monthly housing forecasting model.

"(There is) no doubt that the election contributed to a decline in sales, but prices continue to grow. For the next three months, price growth is anticipated to be a little stronger. Declining supply contributes some uncertainty to sales growth," REAL director Geoffrey J.D. Hewings said in the November housing forecast.

The Institute for Housing Studies at DePaul University studies home prices in Chicago and suburban Cook County. Its most recent quarterly report, issued in October, said the recovery of home prices in south suburban areas, like Chicago Heights, Park Forest, Oak Forest, Country Club Hills remains the weakest in the Chicago region.

"House price trends are one of the most important indicators of a neighborhood's economic health," the October report said. "Home equity is one of the key vehicles for families to build wealth, and the variation in price trends can be an indicator of household financial conditions across communities measured by the level of home equity gained and lost by households and neighborhoods over time."

I know you can't read too much into statistical reports and forecasts. You can't make the leap and say a spike in home prices last month will translate to more construction jobs next year.

But anecdotally, I see construction gradually increasing in places where it was robust before it suddenly stopped. People seem to be building new homes again. Not as many as before 2008, but a few more than last year.

That's good, because union construction jobs aren't the kind of work that companies can relocate to Mexico or someplace else. Housing is but one segment of the economy, but I think it's one of the most important. Growth in that industry is good news for pipefitters, bricklayers, concrete finishers, painters and other tradespeople.

But even if the Chicago area suddenly experienced another housing boom, it would probably be too late to help my buddy Dave, the former carpenter. He drives a truck now.

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