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# Distressed home sales in Chicago drop to lowest point on record

At the peak of the housing crisis, more than half of all home sales were distressed.

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This foreclosed house on Throop Street in Washington Heights sold in June for $35,000.

Sales of distressed homes in Chicago—foreclosures and short sales—dropped in July to their lowest point since at least January 2008, the earliest data on record.

Foreclosures and short sales were 4.9 percent of all homes sold in the city in July, according to monthly data released by the Chicago Association of Realtors on Aug. 14.

It's the first time distressed sales accounted for less than 5 percent of monthly home sales since the association started tabulating distressed sales at the start of 2008 as the foreclosure crisis was mounting. At that time, distressed sales were about 9 percent of homes sold, and the figure rose throughout the year, to nearly 40 percent in December.

Distressed sales peaked in February 2012, at more than 55 percent of home sales in Chicago. The general trend has been downward for the past six years, but the decline has not been a straight line. In winter months, the share of distressed sales rises sharply as investors keep buying property while fewer end-user homeowners make their purchases. Nevertheless, even comparing summer months, July's figure shows how far the crisis has subsided; in the summer months of 2011 and 2012, distressed sales represented more than 35 percent of the city's home sales.

Of the 2,776 homes sold in the city in July, 137 were distressed, according to the report (103 were foreclosures and 34 were short sales).

These figures are for properties that are sold after the foreclosure process is complete or, in the case of the less-common short sale, a lender has approved selling home at less than is owed on the mortgage. It's not possible to say whether the recent figures represent a normal load of distressed sales, because prior to the crisis, the real estate group did not keep records of distressed sales.

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But at the other end of the process, when lenders initiate foreclosure, "filings are down to 2000 levels, pre-crisis levels," said Geoff Smith, executive director of the Institute for Housing Studies at DePaul University. Thus, Smith said, it stands to reason that distressed sales may also be at pre-crisis levels, "or will be very soon if they're lagging behind filings."

The 4.9 percent figure is for the city as a whole, but in some individual neighborhoods that were hit hard by the crisis, the figure remains much higher. In eight of the city's 77 neighborhoods, at least 20 percent of homes sold in the past 12 months were distressed, or lender-mediated, properties, according to the association's data. They include Englewood, where more than 40 percent of sales were lender-mediated, Fuller Park (33 percent) and Burnside (32 percent).

"The foreclosure crisis has left a legacy in some of these neighborhoods where (the crisis) had the most impact," Smith said. "They're still struggling to recover."

In Lincoln Park, 0.8 percent of homes sold in the past 12 months were distressed, according to the data, and the figure was below 2 percent in seven other neighborhoods. They include the Near South Side (1.2 percent) and the Near North Side (1.6 percent).

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