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OPINION

Column: Higher interest rates may keep lid on south, southwest suburban home prices

By Francine Knowles

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Joni Bradley-Scott, an agent with Keller Williams Preferred Realty in Orland Park, welcomes prospective buyers to an open house in Matteson in 2021. (Joni Bradley-Scott/Joni Bradley-Scott)

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As the prime time spring and summer home buying and selling season starts to shift into full gear, south and southwest suburban real estate brokers say reality checks are in order for buyers and sellers in a more challenging Chicago metropolitan area housing market.

Market professionals and experts expect higher interest rates will continue to reduce year-over-year sales and keep a lid on prices, and they note today's market is forcing buyers and sellers to make changes.



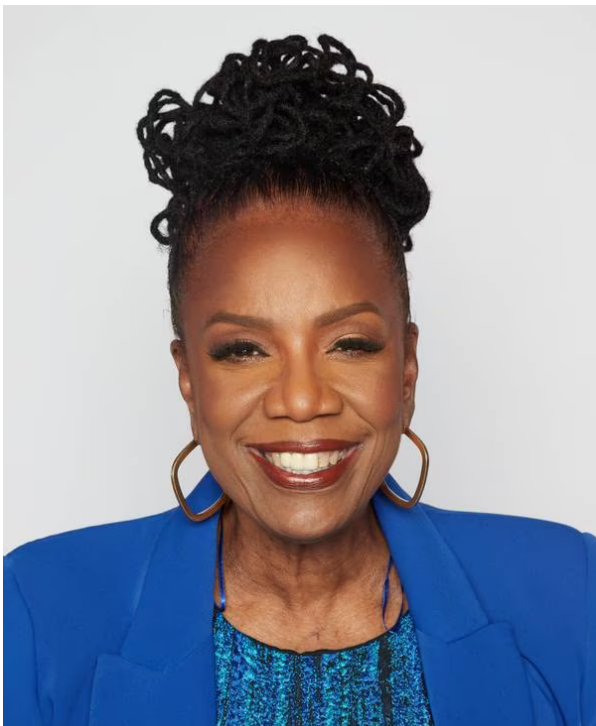
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Fulton Market apartment market heats up, but slowdown could be on the way



Andretta Robinson (Tarji Smedley)

“Buyers they don’t have as much buying power,” said Andretta Robinson, a broker and team lead of the Titan Group at Re/Max 10 in Oak Lawn. “Most of them can’t buy that same \$300,000 house they may have wanted. It may now have to be a \$250,000 house because of the interest rates, so you really have to counsel them on expectations of what they can actually purchase in this market.”

“For sellers, they can’t price their homes this year the same way they priced their homes last year.”

In the past couple of years, it wasn’t unusual for sellers to see lines of people at their open houses and for sellers to receive multiple offers and bidding wars, said Joni Bradley-Scott, a real estate agent and broker with Keller Williams Preferred Realty in Orland Park.



Joni Bradley-Scott (Joni Bradley-Scott)

Today homes are staying longer on the market and buyers are asking sellers for concessions, brokers said.

Buyers are being more cautious. Robinson has seen a surge in interest in purchases of multi-units especially among millennials. Buyers are opting to buy two to three units “so that they have tenants to help them offset the mortgage,” she said. “They feel safe and secure with the multi-units.”

Homebuyers “are very mindful about how they are spending money with inflation being up and interest rates up considerably from where they were a year ago and

being up and interest rates up considerably from where they were a year ago and two years ago, said Bradley-Scott. “Buyers are apprehensive. There’s a lot more counseling involved.”

The 30-year, fixed-rate mortgage averaged 6.35% as of May 11, 2023, up from 5.30% in May 2022, according to Freddie Mac’s weekly Primary Mortgage Market Survey. Rates are considerably higher than in 2020 and 2021. In 2020, for the full year, the 30-year, fixed mortgage rate averaged 3.38%, and in 2021, it averaged 3.15%, according to [Bankrate.com](https://www.bankrate.com).

“A year ago, it was a pretty different housing market,” said Geoff Smith, executive director of the Institute for Housing Studies at DePaul University. Interest rates were still relatively low, demand was still relatively high, and prices were continuing to increase.”

That was true pretty much across the Chicago region.



Geoff Smith (Geoff Smith)

“In the south suburbs, there had been an extended period of price growth that had reversed slower property value appreciation,” Smith said. “The south suburbs particularly benefited from those market conditions.”

In 2022, year over year prices rose in several south suburban submarkets the institute tracks. Among them was the Chicago Heights/Park Forest area, which includes several municipalities where prices spiked 15.3%; the Oak Forest/Country Club Hills area, where prices jumped 14.4%; and the Calumet City/Harvey area, where prices rose 12.4%.

Today’s higher interest rate environment affects demand. But it can also affect supply. Families who bought or refinanced in the last three years to reduce housing costs are not going to have as strong of an incentive to sell or list their home today, explained Smith.

“You have issues affecting demand and supply today that are leading to a slowdown in sales activity and we’re starting to see weakening of price growth and some price drops,” he said.

“Sales of single-family homes and condominiums in the Chicago metropolitan area sank 22.2% in March from a year earlier, according to Illinois Realtors. The median price was unchanged, holding at \$310,000. The sales forecast for April, May and June is for a decrease in the range of 6.1% to 8.2% year over year, according to data shared in an April presentation to Illinois Realtors from the University of Illinois at Chicago Stuart Handler Department of Real Estate.

Robinson said lenders have gotten creative. For example, some lenders are making it possible for buyers to buy down rates two points, and sellers have agreed to pay for that as a concession.



Jova Alexander (Jova Alexander/Jova Alexander)

Jova Alexander, 34, recently sold a 1,300 square-foot, three-bedroom, two-bathroom, single-family home in Calumet City for \$199,000, which was the list price, she said. The home went on the market in January and closed March 31, and she agreed to pay two years of property taxes as a concession to the buyer to finalize the sale, she said. The property, which was a foreclosure property she bought as her first home in 2017, had become an investment property she rented out.

She now lives in Lynwood.

Sellers have to be patient in this market, she said.

Terrance Collins, began looking to purchase a home in the south suburbs about a month ago. He said his initial concerns were pricing and interest rates

month ago. He said his initial concerns were pricing and interest rates.

“I’m noticing the type of home we would be interested in is more on the higher side based on the budget I set for us,” he said. “But I’m willing to be flexible.”



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Brokers say that’s important in today’s market.

Robinson says for sellers to get the optimum price, “make sure that your house is market ready, that your house is repair free. It needs to be cosmetically ready to get the highest prices.”

When setting your home price, get educated on comparable homes that have sold in your proximity, how many days they were on the market.

“Always go with data,” said Bradley-Scott.

Buyers and sellers should work with experienced Realtors, said Robinson.

“Stop hiring your cousin or your mama and everybody else just because they sold a house one time,” she said. “Look for experience, Google them, find the ratings, check to see how many homes they have sold in the area that you want to buy in. Don’t just pick anybody.”

Francine Knowles is a freelance columnist for the Daily Southtown.

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