


Be productive virtually anywhere with AT&T.	All-for-Less starting at \$99.99 a month	Wireless, High Speed Internet, Landline, Access to over 20,000 AT&T Wi-Fi Hotspots.	Make your business S t r e t c h . Find out how	 at&t
--	---	--	--	---

Home sales show spark

By Steve Daniels
April 06, 2009

Emerging from their recessionary bunkers, home buyers are snapping up foreclosed and marked-down houses — a sign of life for the moribund market.

There were 1,438 homes sold in Chicago last month, a 26% increase over February, according to the Chicago Assn. of Realtors/MRED. Nearly half those sales were foreclosures or so-called short sales, in which the price paid doesn't cover the outstanding debt on the home, the association reported. Each month this year, the percentage of sales attributed to foreclosed homes or short sales has gone up, from 29% in January to 37% in February and 46% in March.

There are other signs of momentum. Lenders report that they are pre-qualifying more prospective buyers, and mortgage applications are up significantly.

Still, sales remain well below the pace of a year ago and prices continue to fall, reflecting the growing number of distressed sellers. For condos and townhouses, the biggest category sold in the city, the median price dropped to \$289,500 in March, down 6% from \$308,625 in January, according to the association. The cause of the drop: lenders selling the homes piling up on their books. The median price on short sales and foreclosures was \$88,000 in March, significantly lower than traditional sales, at \$309,200.

NO PAIN, NO GAIN

But economists and even real estate agents say the pain homeowners are feeling from the declining value of neighboring properties is necessary. The adjustment ultimately will revive the housing market, give buyers and sellers the pricing information they need to again make investment decisions and jump-start consumer-driven economic demand.

"That stuff has to go off the market," says David Hanna, president of the Chicago Assn. of Realtors. "It has to come out of the pipeline."

First-time home buyers are accounting for much of the current sales, lenders say.

Katie Haller, 25, a consultant in Chicago for International Business Machines Corp., is one of those. A renter for the past three years in Lincoln Park and Lakeview, she's been scouting for buying opportunities over the past two years. She decided to act last month after the price on a two-bedroom, two-bath condo in Wicker Park fell to \$289,000 even though the unit was appraised at \$330,000.

"I hadn't seen that (kind of unit) in my range before," she says. "It all fell into place."

Lenders say purchases of this type are mainly what they are funding. Higher-priced homes aren't moving, primarily because banks are demanding big down payments for so-called jumbo loans, those above the \$417,000 limit set by giant mortgage buyers Fannie Mae and Freddie Mac.

"Our purchase applications have doubled since January," says Hilde Betts, senior vice-president of consumer lending for Chicago-based Harris N.A., Chicago's third-largest bank. "For us, that's an indicator that clients are seeing a certain light at the end of the tunnel."

Guaranteed Rate Inc., one of Chicago's most active mortgage firms, saw its loan volume for home purchases rise 28% in March to \$72 million.

RECORD VOLUME?

Chicago Bancorp, another active mortgage bank, had \$120 million in applications for mortgages in March, about 70% of which were for purchases rather than refinancing, CEO Stephen Calk says. In February, less than 50% of its volume was purchases. The firm is on track to record \$1.5 billion in volume this year, surpassing \$1.2 billion in 2006, its biggest year.

Just a few months ago, "we were fully anticipating having the worst year in our 15-year history," Mr. Calk says.

Investors and economists note the uptick in sales but say at least some of that is seasonal. "It's still early to say this is a firming trend," says Jim Russell, senior portfolio strategist for U.S. Bank in Cincinnati.

The bank forecasts that housing prices nationally will fall another 10% to 15% this year after dropping 18% in 2008. The Midwest, with its exposure to the ailing auto sector, is likely to feel much of that pain, he says.

©2009 by Crain Communications Inc.

