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# A glimmer of relief in housing

## Surprise increase in sales hints that crisis may be hitting bottom

By Mary Umberger | Tribune reporter  
11:03 PM CDT, March 24, 2008

Home sales in Chicago and the nation, helped in part by steep price declines, took a surprise bounce upward in February, encouraging some to wonder whether the long-awaited "Are we there yet?" moment in housing's downward spiral has arrived.

But no one was ready to pop champagne corks yet, as many in the industry cautioned against reading too much into short-term data, saying housing still has a long climb ahead of it.

Nationwide, existing-home sales rose an unexpected 2.9 percent from January through February, according to the National Association of Realtors, the first month-to-month uptick in seven months.

And in a separate report released Monday, Chicago-area home sales showed a one-month gain of nearly 10 percent in February, along with a 15 percent jump statewide.

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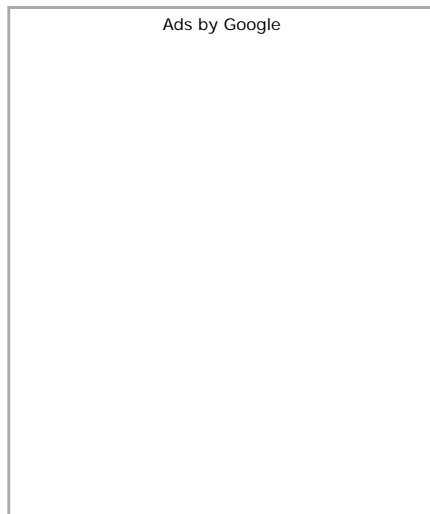
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The surprising housing data, along with news of an increased Bear Stearns bid by JPMorgan Chase, helped brighten the mood Monday on Wall Street, as the Dow Jones industrial average jumped nearly 190 points.

The increase in sales of existing homes came as prices across the country last month declined at the fastest rate on record: The 8.2 percent price drop since February 2007 is the biggest since the national trade group began keeping records in 1968.

Perversely, the decline may be the market's gain as prices may have dropped low enough to motivate some bargain hunters who have been sitting on the sidelines.

"Prices were so inflated that I regard this as a positive," said Caroline Sallee, an economic consultant for Anderson Consulting Group. "We've been saying we need to see prices drop and inventory [of homes for sale] move.

"This makes sense, and it's a good thing."

The Realtors, describing the market as "stabilizing," said sales were on pace to hit 5.03 million units this year, up from a projected 4.89 million in February. Nonetheless, sales nationwide were still down nearly 24 percent from the year before.

And there's more gloom: Illinois' year-over-year sales, generally regarded as a

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stronger market measure, were down 23 percent, and prices were off 5.6 percent.

Chicago-area sales slipped about 27 percent, though prices were essentially unchanged, year over year, the Realtors said.

Still, some long-time market skeptics said they were buoyed by the report.

"It's a little encouraging," said Mike Larson, an analyst at Weiss Research in Jupiter, Fla. "For the first time, we see some buyers are responding to price cuts. We've had prices falling for some time, and it hasn't made much difference in terms of volume. But in the month of February, there's clearly some reaction, some bargain-hunters who were willing to get off the fence."

Sallee and others agree that the monthly data doesn't mean the market has turned around.

"It is good news, but it's February," said David Wyss, chief economist for Standard & Poor's. "Not a lot of people buy houses in February. While it's good news, you shouldn't take it too seriously until we get April or May data."

Chicago-area real estate agents said they're seeing increased activity, though with mixed results because more stringent lending standards are complicating some deals.

"I do see more buyers now, maybe within the last couple of weeks," said Oak Park agent Donna Karpavicius. "Weather has been a factor that kept people away. But we have had good open houses and people are out looking."

She said she hasn't seen many prices drop significantly in her area, but they get attention when they do.

"Last month I had a property close in Franklin Park," she said. "They were first-time buyers. They wouldn't have been able to afford a house like this last year."

She said she had been on the market for \$245,000. It came off the market and went back on for \$209,900, as a foreclosure. The people had bought it for \$255,000 a year ago.

My people pounced on it."

Francisco Ybarra hopes a price reduction to \$699,000 from \$719,000—plus a little jazz —will land a buyer for his West Town neighborhood rowhouse.

His agent, Sandesh Bilgi, hired jazz musicians to entertain at an agents' open house cocktail party last week to raise the property's profile.

"At the height of the housing boom] we wouldn't have needed to do it; it would have been under contract before I could even plan an event," Bilgi said.

He said he's confident the property will sell, though he agreed with Karpavicius that the mortgage industry's more rigorous standards—bigger down payments, stronger credit scores—have derailed some deals despite attractive interest rates.

"I think the market can only get worse if people can't get loans," said Ybarra. "People want to buy houses, but they're just not giving loans."

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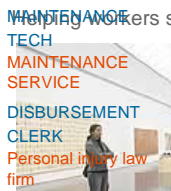
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