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## Chicago home sales plunge

### Existing-home prices drop more than 2%

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Chicago-area sales of existing homes took their worst plunge since at least 1998 in January, and the median price dropped for the first time in at least a decade, according to the Illinois Association of Realtors.

The price drop suggests that antsy sellers, after hanging tough since the housing boom began to wind down more than two years ago, are starting to budge.

Nonetheless, real estate agents said the budging will have to get more aggressive and be done by more people if the logjam is to loosen. The Illinois trade group said January sales of single-family homes and condos in the Chicago area were off 34 percent from January 2007.

Housing and related industries represent up to 10 percent of gross domestic product, so the real estate bust is a significant drag on the economy. For example, Lowe's Cos., the nation's second-biggest home improvement retailer, reported Monday that fourth-quarter profit dropped by a third, and same-store sales declined by 7.6 percent.

Illinois Realtors said economic factors plus rough winter weather made January one for the books.

The median price throughout the Chicago region dropped 2.2 percent, year-over-year, to \$239,700. It was the first such decline since the Illinois Realtors began their current record-keeping system in 1998. Condominium sales weren't included in the data before 1998, and so sales comparisons wouldn't be applicable.

In several counties, however, the slide was far steeper.

"We can't blame it all on the weather, but we all know what January was like," said association spokeswoman Ann Londrigan. "Compounding problems with consumer confidence and mortgage tightening, there's not much good about January that you can say."

Richard DeKaser, chief economist for National City Bank in Cleveland, pointed out that though weather could have played a part, he was surprised at the size of the Chicago region's slide. In the last quarter of 2007, in comparison, Chicago-area sales slipped an average 19.9 percent each month, according to Realtor data.

"Year over year, that decline is truly huge," he said. "It's much worse than I would have expected."

Nationwide, the median price of a home sold in January fell 4.6 percent, according to a report issued Monday by the National Association of Realtors, which said the month's sales were off 23.4 percent from the year



earlier.

Though Chicago real estate agents report that many sellers are cutting their prices, analysts see others clinging to outdated notions of pricing and remaining a roadblock to the recovery.

"I do think there's a stubbornness there, particularly in high-priced markets like Chicago," said Caroline Sallee, an economist for Anderson Economic Group in East Lansing, Mich., who studies Midwest housing. "People aren't coming down on the price, so the home doesn't sell and you continue to see inventory [of homes for sale] rise."

Linda Rizzuto, for one, said she isn't inclined to come down from the \$444,900 she's asking for the Northwest Side home where she has lived 17 years, though not one would-be buyer has looked at it since she listed it in January.

"My friends think I'm crazy for putting the house up for sale now because the market is bad," she said. "If I had to sell, I would be panicking, but I don't have to sell."

Glen Ellyn real estate agent Karen Lippoldt said sellers "need to get more aggressive with pricing."

Nonetheless, asking prices are coming down. "I had over \$500,000 in price reductions for the year in 2007," she said.

She said that in her area, builders were skewing the price data with huge cuts just to get homes off their books. And homes do sell, she said.

"I have three homes under contract," Lippoldt said. "None of [the sellers] got what they wanted, but was it a fair price? Yes."

The Illinois Realtors report said that in the Chicago area prices fell the most in McHenry County, where the median was down 9.6 percent, to \$194,500 from \$215,250 a year earlier. In second and third place in the region were Lake and DuPage Counties, which year-over-year saw prices drop 9.4 percent and 8.2 percent, respectively.

On the upside, Grundy County prices rose 8.6 percent. Cook's and Kendall's grew by less than 1 percent.

National City's DeKaser said the market may be nearing the bottom because the nationwide pace of decline has slowed since fall. "We have continued to post losses, but it has been very gradual, which raises the question of whether we are at the bottom of the market," he said.

Even so, he sees sales at "persistently low levels for a period of years, but nonetheless improving."

Peter Morici, professor of business at the University of Maryland, said government actions promise little relief to the market.

"Buyers are scared, and recent actions by the Federal Reserve, the Bush administration or the Congress offer little hope for better times soon," he said. "Housing prices are falling, gas prices are rising, good new jobs are getting scarcer than hen's teeth, and credit card terms are getting tougher."

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