

Silver (dollar) linings

2007 | Despite plummet in home sales, prices manage to rise

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The volume of home sales in the Chicago area fell sharply in 2007, but you knew that from many headlines.

What you might not know is that the final tally on the 2007 housing market shows two trends to cheer buyers and sellers alike.

One is that median sales prices in Chicago and suburbs are still rising. The increase is small, 2.4 percent in 2007 and 1.1 percent in December compared with the same month in 2006, the Illinois Association of Realtors said Thursday.

But the improvement stands in sharp contrast to national reports showing the average median price was down 6 percent for December. Formerly hot markets in Florida, California, Nevada and Arizona have seen prices fall at well into double-digit rates.

The other positive is that mortgage rates have declined almost to historic lows of mid-2003. Stephen Baird, president of the Baird & Warner real estate firm, said lower interest rates have made homes more affordable for most buyers.

They also have led to a comeback in refinancings, something few people thought was possible with lenders veering to more conservative standards.

"We are actually seeing a lot of refis come through our offices," Baird said.

The Mortgage Bankers Association said refinancings last week were at their highest level since April 2004. Thirty-year fixed-rate mortgages are down to average rates of around 5.5 percent locally and a few lenders are quoting 15-year fixed rate deals at under 5 percent.

Geoffrey Hewings, director of the Regional Economics Applications Laboratory at the University of Illinois, said Chicago prices are holding strong because the market never experienced the wild highs of other cities. He also said a surprisingly active job market is helping.

The U.S. Labor Department counted only 18,000 new jobs across the country in December. However, some 5,200 of them were in Illinois.

Hewings said that's probably an anomaly -- state numbers fluctuate from month to month. But he said Illinois has been showing job growth in every classification but manufacturing and construction.

Baird said he's heartened by the data in median home prices because, over many years, Chicago area homes tend to rise in value about 4 percent to 7 percent annually, a slower and steadier pace than more volatile cities. Only around 2000 did Chicago have a period of prices spiking by more than 10 percent annually, Baird said.

Total homes sales in the region were down 16.9 percent in 2007 to 137,133, said the Illinois Association of Realtors. It reported the median sales price -- half the homes selling for more, half for less -- at \$254,000.

In December, it said the sales total was down 33.2 percent from the same month in 2006. The median price was \$247,800. The numbers include single-family homes and condominiums.

The national Realtors group said that for all of 2007, the median price was down 1.4 percent to \$218,900.

"We are seeing that some sellers are holding onto their homes and not selling at the lower market prices," said Caroline Sallee, consultant for Anderson Economic Group LLC. "We are not seeing much improvement in the high-end part of the home market."

Baird, however, said he sees little sign of sellers avoiding the market. He said inventories of homes for sale remain high.

What's changed are sellers' expectations, Baird said. "The sellers have become more reasonable in what they're asking over the last 1.5 years," he said.