



## Tax breaks cool down

It wasn't just another year that faded into the sunset. It also was the end of some attractive energy tax breaks for homeowners, Mary Ellen Podmolik writes. PAGE 2

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# OUTLOOK 2011



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## Cautious optimism for home builders

By John Handley | SPECIAL TO TRIBUNE NEWSPAPERS

Kristin Voss welcomed the new year in a new home. Despite the bad economy and uncertainties in the housing market, she decided to take a chance: She bought a two-bedroom, 1,500-square-foot town house in Oswego.

"I don't know whether prices will go up or down," she said. "But if no one buys now, then how is housing going to get better?"

The 24-year-old high school teacher had been living with her parents in Carol Stream. She opted for a \$173,900 unit at Pulte Homes' Prescott Mill.

Chicago-area home builders are hoping there will be many more buyers like Voss in the coming year. But the crystal ball for 2011 is cloudy. Even with low mortgage rates and prices that have dropped 30 percent since 2006, the market remains sluggish.

What do the real estate experts predict for 2011? They hedge their bets, but most see a glimmer of optimism ahead.

Real estate analyst Tracy Cross expects home sales in the Chicago area will increase 20 percent in 2011. "But that is from a very low base in 2010," he said. He added, though, that the housing market has an even greater potential for growth, as much as 40 percent.

Cross said 5,500 building permits were issued in the Chicago area in 2010, one of the lowest totals ever.

"I expect permits to rise to 6,800 in 2011, but that could go to 8,000," said Cross, president of Tracy Cross & Associates Inc., in Schaumburg. "It depends on whether builders reset prices. If prices are reduced, people would rather buy new homes than foreclosures."

Industry economist David Crowe sees modest positive signs nationally.

"We project a 22 percent gain in housing starts in 2011, to 740,000, up from over 600,000 in 2010," said Crowe, chief economist for the National Association of Home Builders. "The Midwest is riding the same train at the same speed as the rest of the nation to a housing recovery."

To pump up sales, builders are reducing the size and amenities of new homes, Crowe added.

Real estate analyst Steve Hovany predicts a slow housing recovery in 2011, even though "the majority of mortgages are underwater, and people are not going to move unless they have to."

"The No. 1 issue for homebuilders is the 30 percent drop in prices. They are going to have to figure out how to build houses that cost 30 percent less than 2006 prices," said Hovany, president of Strategy Planning Associates Inc., in Schaumburg.

Chicago-area suburban builders offered varied assessments of 2011.

"We see opportunities in the market, so we are opening several new communities in all parts of the suburbs in 2011," said Chris Naatz, vice president of sales for Cambridge Homes, a division of D.R.

Horton.

"Coming soon in northwest Indiana will be a single-family development with prices starting under \$200,000," he said. Located in Winfield, 30 minutes from the Loop, it will be Cambridge's 15th project in the area.

At Pulte Homes, "we're a little bullish about 2011 despite continued sluggish sales," said Steve Atchison, division president for Illinois/Michigan.

Among Pulte's plans are the opening of a new multiuse development at The Glen in Glenview and completing a failed 24-unit multifamily project in Park Ridge.

"We're aggressive in land acquisition," Atchison said. "We're also retooling designs and redoing projects."

A relative newcomer to the Chicago area, M/I Homes has been active with the opening of six multifamily projects in the western suburbs. A seventh is scheduled to start in the first quarter of 2011.

"All of them are takeovers of failed projects, but we're putting a new face on them," said Cheryl Bonk, sales manager at M/I, which is headquartered in Columbus, Ohio.

Ray Blankenship, area vice president for Town & Country Homes, expects a flat sales year in 2011 but then a surge in 2012. But the builder doesn't plan to stand still this year. "In March, we plan to open a new project in St. Charles, where we'll finish a defunct development of 44 single-family homes," he said.

Now operating in six suburbs, Town & Country this summer also will take over a defunct development in Lake County, Blankenship said.

At West Point Builders, President Pat Curran said he sees "see an uptick in 2011, but we're still a year away from normal home sales."

"We have a new product line at West Point Gardens in Elgin that was designed to

hit today's market — first-time buyers. These detached town homes are priced from \$159,990," Curran said.

He added that Elgin understands the marketplace and has allowed changes in home design.

Barbara Kininmonth, director of sales and marketing for Crown Communities-Chicago, said the metro area's population growth will gradually spur home sales. Crown is building at Highland Woods, a 1,100-home development in Elgin.

Chris Shaxted, executive vice president of Lakewood Real Estate Solutions, believes there is a rising pent-up demand for housing. But Shaxted noted that attitudes toward investing in homes have changed. Using a house as a money-making machine is a dead concept.



Pickell

"We're back to basics," he said. "Now, people are buying homes just for shelter, which makes a lot of sense."

Even luxury houses are shrinking because of the economy. "We used to build an average size of 5,000 square feet," said North Shore custom builder Orren Pickell. "Now that's down to 4,000 or even 3,200 square feet."

In addition, said the president of Orren Pickell Designers & Builders, average prices have fallen from \$260 to \$210 a square foot, and land costs are down about a third. Pickell noted that while grown children are moving back with their parents, aging parents also are moving in with their grown children.

"We're building additions on top of garages," he said. "These remodeled spaces

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# What do you like about your neighborhood?



I have a lot of family nearby. Our church is a couple of blocks away. And it's safe, sort of. You should be careful.

— Jonathon

Hernandez, of Chicago, retail store stocker



We moved there two years after we got married and have been there 41 years. We moved there because it was close to my

parents' house. It's where we've raised our kids; it's "home" to them.

— Carol McCrory, of Palos Hills, retired



It's quiet, with mostly families nearby. And it's in a well-run town. That makes a difference.

— Bryan Wrobel, of Hillside, plumber



It's quiet. We have a park and bike trail. For my 14-year-old, it's a safe place, with lots of other kids and parents nearby.

— Florence Vaughan, of Broadview, letter carrier

## NEW-HOME BUYERS

### Aqua becomes family's second home

Having owned a second home at neighboring Harbor Point most of her adult life, Libby Andrews had a box seat to watch Lakeshore East develop in downtown Chicago.

Libby and her husband, Scott, found themselves intrigued by the architecture of the Aqua tower as it was being built at 225 N. Columbus Drive.

"That's when we decided to look for an investment property and headed for Aqua," Libby said. "But, ultimately, we were so impressed by Aqua's views and amenities we decided to buy a unit as a second home rather than as an investment property."

Because Scott's orthopedic surgery practice is in northwest Indiana, the couple kept their primary home in a south suburb of Chicago. But Libby said it doesn't compare with the time they spend in their new two-bedroom condo, which they bought in April, facing northwest on the 67th floor at Aqua.

"While it was the architecture that originally got our attention, we loved the huge balconies and the open feel of Aqua's condos," she said. "When I walked in the first time, I felt like I owned Chicago, that I was floating above it all."

"But even more importantly, we love the location. It's walking distance to everything one would want to do in Chicago: theatre, Grant and Millennium parks, the lakefront and Michigan Avenue," said Libby, owner of a yoga accessories company.



Members of the Andrews family, who live on the 67th floor at Aqua tower, 225 N. Columbus Drive, enjoy the huge balconies.

pedway that connects Aqua through its underground tunnel system across downtown to City Hall.

"It gives us access to lots of fast-food options, the surrounding hotels during inclement weather, shopping and access to trains to the airport, ball games and directly to the private train entrance at Olympia Fields Country Club without ever going outside," said Libby.

The sense of community at Lakeshore East is another plus for the family.

"The outside terrace with the pool, hot tub, cabana, bonfire and

on our list of favorites, but they are very important to us," said Libby. "And every Friday and Saturday night is a social hour at the Aqua bonfire."

Birthday parties are a big hit with the couple's three children, Grace, 10, Dylan, 9, and Sean, 8. Festivities typically include playing ball in the park, basketball in the indoor court, swimming, dinner and bowling at Lucky Strike, a movie in the media room and making s'mores at the bonfire on the deck.

For more information, call Magellan Realty at 312.492.2200 or visit

## Cautious optimism for home builders

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offer privacy for both families."

In downtown Chicago, the story is much the same. Just a few years ago, downtown Chicago could have been called "Crane City" because of the race to build high-rise condos.

Now, unsold inventory stands at 2,500 condo units, estimated Gail Lissner, vice president of Appraisal Research Counselors. She noted that the only new building slated to open in 2011 is the 40-story, 89-unit Ritz-Carlton Residences at 625 N. Michigan Ave.

Lissner said sales will rebound when buyers have more confidence in the job market and when they believe prices have hit bottom. "Any glimmer of price appreciation will boost the market."

She added that condo building owners that have reduced prices have discovered that price cuts "are a great motivator for buyers."

Nicholas Gouletas, chairman and CEO of American Invsco, said that "in the next 24 months, housing will start coming out of the ground."

"Real estate runs in cycles of seven to 10 years," he said. "We're now in midcycle, close to the bottom. When the rebound comes, suburban growth will move faster than downtown because it only takes 90 days to build houses."

Alan Lev, president and CEO



Lev

mates that it will take two to three years "to burn off the inventory of downtown condos."

His company, developer of the two-tower

condo development 600 Lake Shore Drive, is buying distressed residential buildings in the city.

Keith Giles, of Weichert Realtors Frankel & Giles in Chicago, sees 2011 as a transitional year but with an improvement in sales from 2010.

"It will take three to five years before the start of new condo construction," he said. "In the meantime, financing is available for rental buildings. Developers already are looking for sites."

He also believes there are opportunities in the construction of downtown student housing.

Colin Kihnke, president of CMK Cos., said: "The rental market will be solid in 2011 because many people feel uncertain in this economy. They would rather rent than buy." CMK Cos. developed the 2,450-unit condo building at 235 Van Buren St., in Chicago.

"When renters find it is more economical to buy, there will be increased condo sales," he predicted.