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BUSINESS OF LIFE



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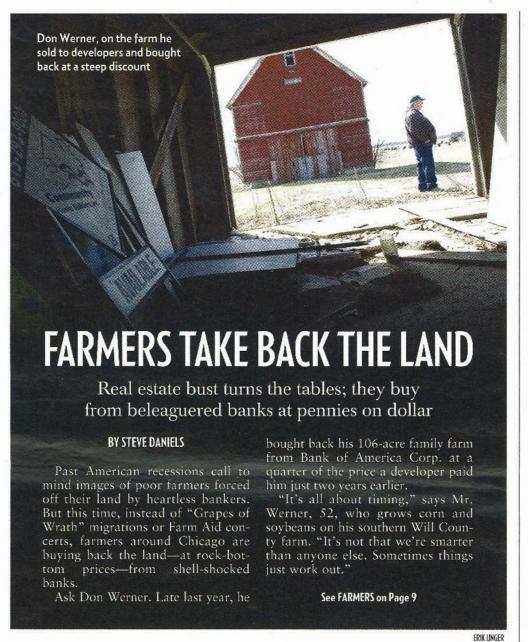
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CRAINS

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Factories start to hire again

Illinois manufacturers add 1,000 jobs in Jan.; first gain since 2008

BY JOHN PLETZ

Manufacturers are hiring for the first time in two years, another sign the economy is slowly grinding forward.

Companies large and small that have survived the downturn-from Caterpillar Inc. to Peerless Industries Inc.—are beginning to call back laid-off workers or hire new ones. Illinois manufacturers added 1,000 jobs in January, according to state data, the first month-overmonth growth since 2008, even as overall unemployment in the state continued rising, to 11.3% from 11.0%.

"Manufacturing in Illinois is turning the corner," says Mitch Daniels, an economist at the Department of Employment Security.

The addition of 1,000 jobs brings total manufacturing employment in the state to 555,100. But the gain doesn't begin to make up for the 115,800 jobs lost in the sector during the previous two years. With a 17% drop in employment since the recession started in December 2007, manufacturing was the sec-

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Sears to bring Web shopping home

New site for Chicago. other cities to offer same-day delivery

BY MONÉE FIELDS-WHITE

Sears Holdings Corp. is giving its Web site a local flavor with souped-up home delivery.

Crain's has learned that the Hoffman Estates-based retailer is creating localized versions of its Marketplace Web site for large metropolitan areas, starting with Chicago, New York, Washington, D.C., and Boston. In addition to the 10 million

items available on the national Marketplace site, the new versions will offer goods from merchants in those areas.

Even more ambitious is the promise to drop off merchandise at customers' homes the same day an order is placed. No other major online retailer offers such rapid delivery. "That can really be a game-changer for Sears,' says Neil Stern, a partner at Chicago retail consultancy McMillan Doolittle LLP.

It's the latest move in Chairman Edward Lampert's campaign to revive Sears by emphasizing online sales over the com-



Edward Lampert

stores. In January, Sears beoffering gan goods from other retailers alongside the own on Marketplace

site. Last spring, it enhanced the online operation with mygofer, a service that allows customers to pick up goods ordered online at a store in Joliet.

The localized Web site and expanded delivery options set

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ONLINE OVERTURE

Sears Holdings hopes a localized approach and speedy delivery will draw more customers to its Web site.



Source: ComScore Inc.

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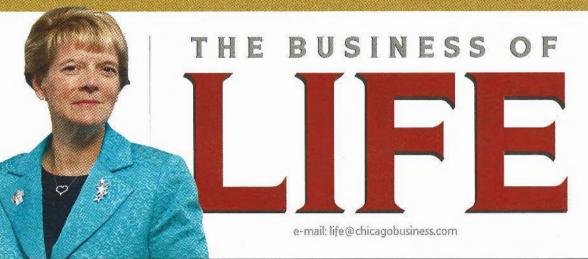
13.7 million

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Sportvision CEO Hank Adams follows technology—and history, too. PAGE 26

SEEN & NOTED

When granite's out of style, they'll be ready

Granite counters and floors of 21/4-inch oak planks have ruled housing style for years. But highend home buyers are starting to branch out.

At Mr. Floor Cos. in Skokie, co-owner Igor Murokh has noticed rising demand for wood planks as wide as 10 inches. "You need wider planks for floors in the big great rooms that

people are putting in their houses today," he says.

A decade ago, 90% of Mr. Murokh's sales were in oak and other materials native to the United States. Now more than half his business involves imported woods. Jatoba from Brazil, prized for its natural mahogany colors, is newly popular. So is bamboo in minutely woven strands.

'Clients who are environmentally conscious like bamboo for its green qualities," Mr. Murokh says. "Bamboo is harvested after just seven to nine years of growth, while an oak tree can take 40 years or more."

Stephen Knutson, an Evanston architect and interior restorer, works with soapstone for countertops and German silver for sinks and countertops, at five times the price of stainless steel.

'My clients want the unusual," he says. "They want what their neighbors don't have."

Sally McQueen, 37, who is remodeling her family's kitchen in Wilmette, opted for a counter top of marble, which is susceptible to stains. But Ms. McQueen decided on a sturdy sealant to protect it after also considering limestone, tinted concrete and reclaimed hardwoods.

"Kitchens are all designed around trends, and for a while now granite has been the trend," she says. "But I think it will look dated in a few years when people move on to something else. Marble, to me, is classic and timeless."

H. Lee Murphy

RESIDENTIAL REAL ESTATE



LISA PREDICO

High-end hope

Some see glimmers of activity, even amid glut of \$1M houses; 'coming out of this dark period'

BY H. LEE MURPHY

Look past the bankruptcies, foreclosures and empty subdivisions around Chicago and you'll see a faint stirring of activity in high-end home sales. Buyers are returning to open houses, in some cases to tour homes that were custom built for buyers who ultimately backed out of their deals. Others are back in the market for their own custom homes: Builders are fielding more phone calls and even laying plans for some speculative projects here and there.

It's too early to predict a bonafide recovery in the high-end market. There is still a big inventory of unsold houses priced above \$1 million to work through. But luxury homebuilders believe the worst of the severe downturn is over. Many expect to be hunting for empty lots where they can sink new foundations in coming months.

"Houses around here have started selling again. We're coming out of this dark period we've been in," says Patrick Richter, 58, owner of Richter

Builders LLC in Libertyville. He founded the firm in 1978-by his calculation, five recessions ago. At one time in the 1990s, Mr. Richter was building in a dozen local subdivisions simultaneously. A year ago, he didn't have a single new client in sight.

"The phone had stopped ringing," he says.

Now he has nine active clients and is so encouraged that he's breaking ground before summer on his first spec house-with no contract buyer-in nearly three years. It will be spread over 4,400 square feet and carry a price of nearly \$1.5 million. "By the time it's

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INSIDE

Custom-home **buyers** Houses called

their name; big discounts didn't hurt. 26

Fixing up One owner remodeled his house to sell;

one to stay. 30 Site-seeing Buyers go looking for their own land. 32

High-end buyers, builders see some buds of hope in market

HOMES from Page 25

finished, I'm confident there will be a buyer," he says.

Mike Avis, a Lake Bluff homebuilder, sold his last new house in Highland Park two years ago for \$2.6 million. The phones went silent all last year, but now he's working on plans for homes for three clients.

"The banks are putting them through the ringer and the loans aren't all finalized yet, but this is the most hopeful I've been in a long while," says Mr. Avis, 45.

High-end buyers are showing some resiliency, too.

Daniel and Noelle Walsh hired CBI Custom Homes Inc. of Lake

CBI Custom Homes Inc. of Lake Bluff to begin work on a showplace two years ago in Glenview that was a little more than half complete last summer when CBI abandoned the project.

The Walshes—Daniel, 33, trades eurodollar options in Chicago and Noelle, 31, is a software analyst for law firms—say they lost some \$200,000 on the project. No matter. They hired a replacement builder, Orren Pickell Designers & Builders LLC of Lake Bluff, and doubled the size of their planned house to nearly 9,500 square feet from 4,500, with a billiards room, gym, library and music room, as well as a kitchen with two big center islands and dual Miele dish-

washers. The cost had ballooned to \$3.3 million by the time the family, with two children, a nanny and a personal chef, took up residence in February.

"The economy got worse, and we started watching the numbers very closely," Ms. Walsh says. "But no matter what, we were committed to getting this done."

CBI's owners could not be reached for comment.

Many builders have gone out of business in the downturn. The Home Builders Assn. of Chicago had 1,600 members five years ago. Today, membership has shrunk 75% to just 400 firms, according to Director Rita Unzner. She headed a staff of two dozen just three years ago. "Today I'm the only one left," she says.

BIG DISCOUNTS

The casualties include names like Abdul Alwan, owner of Alwan Builders Inc. in Glenview, who specialized in houses priced between \$2 million and \$5 million with features such as extrathick foundations with double steel reinforcement and delicately curved plaster ceilings. He once built two homes a year, but Mr. Alwan, 70, hasn't started a project since 2008. "I'd love to get back building again," he says.

One big impediment is the pool of luxury houses still for sale.

Christopher Huecksteadt, director of Houston-based market researcher Metrostudy, estimates there are 386 new homes priced above \$800,000 for sale around Chicago. Only 322 new homes priced above \$800,000 sold all of last year. "We've got over a year's supply of luxury homes available already," he says. "So why build more this year?"

Discounts are driving customers back to the market, developers say, raising expectations for this year. Daniel Callaghan, a Burr Ridge-based developer, reduced prices on lots in a 55-acre Oak Brook subdivision called Brittwood Creek in February to \$700,000 from \$1.25 million. "When I lowered the prices, I had a spike in interest from buyers," says Mr. Callaghan, 53. "I had talked to just six people interested in lots in the entire past year. Then when I lowered prices, six people showed up on the very first day to look at land. Another dozen showed up after that. At least half of them are serious."

Some luxury builders are moving downmarket in search of a broader audience. C. A. Development Inc. once specialized in homes priced above \$800,000 on rezoned industrial sites around Chicago. But its volume plummeted from 90 homes sold in 2005 to just eight last year. So

the firm recently introduced its new Smart Choice home model, a 2,500-square-feet house priced as low as \$460,000, far smaller than its old models of 3,600 to 5,000 square feet.

"We have had to be sensitive to the market," says Paul Bertsche, 57, a co-owner of Chicago-based C. A. Development. "What we've found is at these prices, we're getting busy again."

SMALLER PLANS

Other luxury builders are getting busy again, too, without sacrificing so much. John Hall Homes Inc. in west suburban St. Charles built and sold six homes in 2008, down from a peak of 11 in 2006, then had no activity at all last year. Co-owner John Hall Jr. briefly considered closing his doors. But orders for new construction are flowing again. He expects to finish seven homes this year.

But Mr. Hall, 39, has noticed restraint in home buyers' plans.

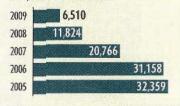
"Those who wanted 6,000 square feet and four-car garages three years ago now are willing to settle for 4,000 square feet and a three-car garage," he says. "They're downsizing onto smaller lots with smaller houses, though they still want upgraded details like theaters and bars and granite counter tops. "They want \$1-million-house amenities, but

SLOW SALES

New-home sales overall fell 80% from 2005 to 2009, while sales at the more insulated high end dropped 53% in the same period in 15 Chicago-area counties.

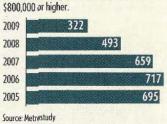
NEW HOME SALES

Number of new construction sales of singlefamily homes and townhouses.



HIGH-END HOME SALES

Number of closings on new houses priced at



they would like to pay less than that today," he adds. "We're cutting our costs and our profits and trying to give them what they want. That's the only way to stay in business today."

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