Residential Market Characteristics

Overview

An over-heated and irrational housing market is generally viewed as a major cause of the recent economic recession. The precipitous decline in housing values, combined with job losses across all employment sectors, has resulted in foreclosures, arrested new housing development, and compromised projects brought to market after 2007. Sales of single-family homes and condominiums were particularly affected.

Chicago’s market news is mixed. Overall, housing prices declined about 5% since 2011, and it remains a buyer’s market. Inventories of unsold homes, including foreclosures, are decreasing. The condominium market remains challenging, with continued declining prices in most sub-markets. Apartments and new apartment projects have been the only investment bright spot until the generally positive 2012 news about housing sales and construction in top 20 national housing markets. Apartment vacancies are low (anticipated to be 4.1% by year-end 2012), and rents continue to increase.

Local Market Conditions

Wicker Park and Bucktown represent two of Chicago’s stronger housing sub-markets. (It should be noted that these sub-markets do not precisely mirror the traditional boundaries for either neighborhood but are larger.) Local inventories continue to decrease. Sales prices have also increased—7.6% for Wicker Park and 9.8% for Bucktown from 2011 to 2012. Current 2012 average sales prices are $410,000 and $379,000 for Wicker Park and Bucktown, respectively. Wicker Park currently has Chicago’s highest average residential sales price PSF at $444. Foreclosures currently number 90 for Wicker Park and 126 for Bucktown, according to trulia.com. In general, foreclosures are distributed throughout the neighborhoods. Most important, there are fewer foreclosures than earlier in the downturn, and those coming on the market sell quickly. Apartments rents are also strong for both neighborhoods. WPB offers multiple rental unit sizes and are interspersed throughout the neighborhoods. Regardless of unit size, rentals range from $1.15 PSF through $2.00 PSF, with most in the $1.50-$2.00 range.
Strategic Implications for Wicker Park Bucktown

This recent housing market strength means that WPB residents and residents in proximate markets will maintain their current capacity to spend, even assuming that these residents are more frugal after the economic downturn. Apartment development or mixed-use development with upper story apartments will likely continue to be approved throughout the Chicago region. Learning the names of the committed commercial tenants for street level (and other commercial) lease space in these new developments will be important to WPB’s overall mix management. As an example, pre-recession mixed-use developments often included ground floor space described as ‘retail’ at either unsuitable or peripheral locations for retail attraction. If the upper story residential units were condominiums, the street level space was often poorly designed for either retail or restaurant tenants, as condo sales drove developer return. (Restaurants pose other issues, too.) The result was often either long-standing vacancies or office or service uses as tenants in these street level spaces.

The City of Chicago also recently passed a ‘business live/work’ ordinance, permitting storefront properties to be occupied as live/work spaces in certain areas of the City including WPB. This ordinance stipulates that such units must be located on the ground level. Certain landmark and code compliance concerns are untested. However, the ordinance will enable artists and others to legally occupy vintage space in revitalizing areas.