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HOMELIFE

Peering into trends of 2005

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BY [CELESTE BUSK](#) Real Estate Reporter

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Home prices, hot neighborhoods, interest rates and design trends: These are a few of the bottom lines in the housing market. To get an idea of what's in store for 2005, the Chicago Sun-Times took these issues to a variety of national and local housing and economic experts. Here's a look at housing predictions for the coming year:

1. HOUSING DESIGN: "Builders will be getting away from a typical production community and return to more nostalgic [architectural] features and classic housing," said Mike Templeton, vice president of marketing for Concord Homes.

"We'll also be seeing more four-sided architecture [with details on all four sides of the home]. There will be more variation and interest in the back elevation. We'll be seeing builders put things like brick, gingerbread, stone and gabled roofs on the back.

"Other trends will be garages, recessed from the home. Front porches have been back for a few years, and we'll continue to see that as a strong element in 2005," he said.

"There are lots of exciting things coming up in interiors. We've been looking for the second-floor laundry room to take hold, and that will continue to be prevalent in the marketplace. We'll also be seeing more Jack-and-Jill bathrooms [bathrooms shared by 2 bedrooms] and the return of the walk-in pantry. As for closet space, it's getting bigger and bigger and can rival the size of a secondary bedroom. We'll be seeing some closets as big as 8 by 9 feet and 9 by 10 feet, especially in move-up homes.

"There also will be a continued trend in more Old World finishes with natural materials, such as wood, stone, granite and a lot of distressed looks on kitchen cabinetry."

2. ECONOMIC OUTLOOK: "Despite a forecast for slight uptick in home-loan interest rates, 2005 is going to be a good year for residential real estate sales in Chicago," said James Kinney, president of Rubloff Residential Properties.

"We anticipate that 2005 will be a continuation of the great residential real estate market of 2004. While interest rates will increase slightly in 2005, mortgage costs still will be very near record-low levels, and a better job market is expected, so that will help housing demand."

In mid-December, Freddie Mac's Primary Mortgage Market Survey reported that average 30-year fixed-rate mortgages declined slightly, from 5.71 percent to 5.68 percent a week earlier. Last year at this time, the benchmark 30-year rate averaged 5.88 percent.

In 2005, Kinney also sees more diversified housing products in the Chicago marketplace along with more buyers. "Banks are bullish and eager to lend," he said. "Look for a demand for more pre-sales and the return of investors to the downtown condominium market."

"Look for more payment-sensitive first-time buyers to accept interest-only mortgages in 2005," he said. "They know they'll only live in that first condo for three or four years. Then, they'll take the appreciation at resale, place a down payment and move up to a large place."

The outlook for the rental apartment market will be very good for renters seeking deals, and hard for apartment owners.

"Rents will be relatively flat, and vacancies will continue to be high as former renters continue to buy condominiums with affordable interest rates," Kinney said. "However, the new luxury rental market downtown looks strong, and we are anticipating a good rental year."

3. INTERIOR DESIGN: Opulence -- that's the bottom line on next year's interior design trend from Susan Fredman, president of Susan Fredman & Associates in Chicago, Northbrook and Union, Mich.

"We'll be seeing luxurious, sensual materials of every kind, and textures that are sexy and tactile and layered," she said.

"Every item needs attention to detail, whether it is trim on draperies or layers of trims and cords on a pillow or insets in the backsplash," she said.

"Also, elegance is back, understated and firmly stated. People want to show off their homes and entertain with style. There will be bling, bling everywhere, from mother of pearl on the fireplace to stones on the trim for a pillow," she said.

"As always, there will be modern twists on classic themes. Transitional done softer and sexier. Modern classic without hard edges," Fredman said.

4. HOT NEIGHBORHOODS: The Sun-Times consulted a variety of housing experts and came up with five of the hottest neighborhoods expected next year:

Central Station/Prairie Avenue. These have joined the most bustling subneighborhoods of the growing South Loop.

The Central Station development began in the early 1990s with the development of high-end luxury town houses. Mayor Daley resides in one of the original town houses. Bounded by Roosevelt Road on the north, McCormick Place Complex on the south, Lake Shore Drive on the east and Michigan Avenue on the west, Central Station is minutes from Grant Park, Soldier Field and the Museum Campus.

Just south of Central Station, another booming residential area is centered at the Prairie Avenue Historic District. Around 1900, the Prairie Avenue District, on Prairie between 18th and Cullerton, was Chicago's most fashionable neighborhood.

Referred to as "Millionaires Row," Prairie Avenue was home to George Pullman, Marshall Field, Phillip Armour and Potter Palmer. The Prairie Avenue Historic District was listed on the National Register of Historic Places in 1972 and designated a city landmark in 1979. Fueled by the landmark designation, many new residential developments are under way in the area, and more are expected.

South Loop. The area will get a boost as one of the largest vacant tracts of land is scheduled to become Riverside Park, a \$1.5-billion mixed-use venture. The 62-acre tract of undeveloped land is along the south branch of the Chicago River, south of Roosevelt Road to 16th Street and east to Clark Street, said Judi

Fishman, project manager for the Riverside Park development team, composed of Roosevelt/Clark Development, L.P. in association with Rezmar Corp.

About 4,600 residential units are planned in various styles and price points -- including studios, mid-rise condos, high-rise condominiums, lofts, town houses and row houses.

West Loop. Developers have created more than 5,000 new lofts, condominiums, town houses and single-family homes in the last 10 years, real estate experts say.

On 26 acres two blocks north of the United Center, 764 units are planned at Westhaven Park. The \$200 million development, by Brinshore Development and the Michaels Development Co., will be built on the site of the former Henry Horner Homes housing complex, bounded by Hermitage, Lake, Oakley and Washington.

Chicago River. "A riverfront home is a very special place to live," said Alexandra Korompilas, director of sales and marketing for Rezmar Development Group, which is marketing River North Park, a 56-unit town-house development at Irving Park and the North Shore Channel.

Bridgeport. The ongoing construction of several of the first new residential developments in the area in more than 20 years continues to spur revitalization.

One the biggest new developments is Bridgeport Village, just 10 minutes from the Loop at 3300 S. Racine. The \$75 million project will include 30 newly developed city blocks -- the city's largest single-family home development in more than 50 years, said developer Thomas A. Snitzer, president of Snitzer Homes.

Another large development is the 66-unit Bridgeport Station Lofts at the southeast corner of 35th and Morgan streets.

5. LOCAL PERSPECTIVE. "2004 was a positive year for the housing market. Chicago is and remains stable. Current market indicators suggest we will continue to see that trend continue into 2005," said Darlene Little, president of the Chicago Association of Realtors.

"Certain areas of the city are experiencing greater levels growth and movement than they had in the past. The south portion of the city appears to be seeing the highest levels of growth," Little said.

6. THE NATIONAL OUTLOOK. Stronger than expected home sales and higher median prices have caused the National Association of Realtors to revise upward its year-end forecast.

Existing-home sales are expected to jump 7.9 percent, to 6.58 million in 2004, well above last year's record.

For 2005, NAR projects 6.38 million sales, which would be the second highest level on record.

The national median existing-home price is projected to rise 7.9 percent to \$182,500 for the year. The median new-home price should increase 8.9 percent to \$214,600.

7. BANKER'S OUTLOOK: Carl Tannenbaum, chief economist for LaSalle Bank, said retail sales are up 7 percent, but the creation of new jobs is disappointing.

"The creation of jobs is critical to consumption, real estate included," Tannenbaum said at a recent economic forum.

"Nevertheless, housing is still a bright spot," he said. "Sales and starts are holding up, and mortgage rates are still reasonable. The Fed's raise in interest rates won't damage the real estate market."

8. APPRAISER FORECAST. 80,000 rental units have arrived in the last 15 years, said Gail Lissner, vice president of Appraisal Research Counselors.

"Because of the weak rental market, with just 18 percent of development accounting for rentals, many buildings are offering higher concessions and lower rents," Lissner said. These buildings also must compete with investor-owned condos. In 2005, between 1,500 and 2,000 of these rental units will be converted to condos.

"The market should see huge deliveries from 2005 through 2007 based on for-sale announcement inventory levels," Lissner said at a recent economic forum. With baby boomers, first-time buyers and investors driving demand for real estate, the outlook for unsold inventory is very favorable. This past year, only 306 completed units remained unsold, which is down from years past.

Lissner projects 2005 to be just behind record-breaking 2004 with a big wave of deliveries and more national investors putting money into Chicago. Adaptive reuse buildings and condo conversions will also continue to add tremendously to this growing market.

9. BUILDER/REALTOR PREDICTIONS. The future of residential development in Chicago is bright, said Charles Huzenis, president of Jameson Realty Group. Huzenis is developing two condominium high-rises, Jefferson Tower and 50 East Chestnut.

He sees a strong condominium market in Chicago in 2005, fueled by a mix of entry-level buyers, empty-nesters and investors.

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