

Homebuilders on track for best year since the crash

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Local homebuilders finally had a spring selling season worth crowing about.

Builders sold 1,343 new homes here in the second quarter, up nearly 40 percent from a year earlier, according to a report from Schaumburg-based housing consultant Tracy Cross & Associates Inc. Area developers are on pace to sell 5,025 new homes on a seasonally adjusted annualized rate in 2013, up 46 percent from last year's total.

That would mark the first year since 2008 that local homebuilders hit the 5,000-unit sales mark and the second consecutive [annual sales gain](#). Yet the market is a far cry from its peak in 2005, when 33,000 new homes sold here.

Still, the data is encouraging for a business battered by the recession, and homebuilders of all kinds are seeing new demand.

Suburban sales rose 30.7 percent on a seasonally adjusted annualized basis, while city sales were up nearly 81 percent. Sales of single-family homes and town homes and condominiums were each up about 40 percent on that basis as well.

Many of the top-selling projects are in further-out exurbs such as Hampshire and Oswego, where new homes are cheaper and where many developers set their sights before the crash.

“You wouldn't have this level of sales at all these suburban developments if (buyers) didn't have some confidence there was security in their investment,” said Erik Doersching, executive vice-president and managing partner at Tracy Cross.

The surge in city sales can be attributed mostly to the strong performance of two failed South Loop condo towers [rebooted](#) by a joint venture including developer Related Cos. The venture sold 154 condos in the second quarter, accounting for nearly half of the city's new-home sales, according to Tracy Cross.

Though demand for new homes has been strong this year, supply has waned. There were 320 active housing developments in the Chicago area at the end of the second quarter, down from 394 at the same time last year and a peak of 1,285 in 2007, according to Tracy Cross.

High-rise condo development still isn't palatable to many lenders, and though home prices are rising, prices haven't risen to the point to justify buying large pieces of land to build from scratch.

Jeff Benach, co-principal of Chicago-based Lexington Homes, said more than 5,000 new homes would sell this year if “builders had inventory.”

Mr. Benach has sold 49 homes this year and just launched sales of two town home developments in suburban Palatine totaling 56 units, 41 of them part of a stalled project Lexington bought out of distress.

He said he is “guardedly optimistic” about housing's momentum, but many factors, including the tepid broader economic recovery, could impede the comeback. Mr. Benach said he is searching for raw land development sites, but not for projects larger than 50 or 60 lots.

“I don't see a lot of jumping on major, big pieces” of land, Mr. Benach said. “Nobody's quite comfortable yet to commit to a long-term thing, at least at this point.”

<http://www.chicagorealestatedaily.com/article/20130808/CRED0701/130809812/homebuilders-on-track-for-best-year-since-the-crash?r=7111D3548690J6R>

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