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Shore's housing market saturated

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Evanston is the only northern suburb with an overall balanced market where demand meets supply of homes for sale, according to the most recent analysis of homes sales by Headrick-Wagner Consulting Group of Naperville.

In fact, Evanston joins only a select group of communities in the entire Chicago area with this status.

Joining Evanston in having an overall balanced housing market are two Chicago neighborhoods, Edgewater and Bridgeport, along with a smattering of other communities, none in the north or northwest suburbs.

A "balanced market" is defined as an area with between a four- and six-months supply of homes on the market. For July 2007, Evanston had a 6.26 months' supply, while Edgewater had 4.48 months and Bridgeport had a 6.40 months' supply in July, the latest month for which figures were available.

More than six months is considered an oversupply of homes, while less than four months is considered an undersupply.

The Headrick-Wagner analysis calculates the months' supply by dividing the number of active listings in the Multiple Listing Service of Northern Illinois Inc. by the typical number of homes that sell in a month.

These balanced markets contrast sharply with the situation for the vast majority of suburbs and neighborhoods of Chicago as a whole, where the supply of homes exceeds the demand.

Buyers' market

For the Chicago area as a whole, the average months' supply of homes was 9.59 months as of July 1, 2007, up from 5.60 months a year ago.

The difference in figures illustrates the lack of uniformity of the real estate market, with some areas escaping the overall sluggishness of home sales.

"While the absorption numbers have continued to increase in general, you will note some micro-market areas that remain relatively stable," stated Robert Headrick, of Naperville-based Robert E. Headrick & Associates.

In Wilmette and Winnetka, the figures showed the housing market was still in an oversupply state, but the numbers were starting to come down after peaking in June.

For example, Wilmette's supply of homes was 6.86 months, down from 7.27 months in June but up from 5.69 months in July 2006. Winnetka's July supply of homes was 8.11 months, down from 8.75 in June, as well as the 8.37 months figure of a year ago.

But "micro-market" areas of Wilmette and Winnetka showed a different picture.

In both communities, homes in the \$1 million to \$1.9 million price range showed a balanced market in July.

Generally, the more expensive a home in the community, the longer it will be on the market. For example, in Wilmette homes in the \$3 million and up price range stayed on the market an average of 24 months as of July.

The numbers in this analysis reflect what Coldwell Banker broker associate Peggy O'Halloran said she has observed out in the field.

"Two million and down go faster," said O'Halloran, who markets homes in Wilmette, Northfield, Winnetka, Glencoe, Evanston, Arlington Heights and Mount Prospect.

Homes that are longer on the market may be incorrectly priced, she said.

"I think it's a pricing issue. People who bought a house two years ago won't get what they paid for it unless it was a rehab. They would be hurting," O'Halloran said.

But those selling homes that they bought longer ago will still make a tidy sum (see sidebar.)

Local market saturated

Up north in Glencoe and across the Edens in Northbrook and Glenview, the markets in all price ranges showed an oversupply of homes, the Headrick-Wagner analysis showed.

Again, at the lowest price range of homes in Glencoe -- \$500,000 to \$999,999 -- the months' supply was the least or 8.16 months, still considered an oversupply. Go up in price and your wait could be as much as 22 months to sell a \$3 million and up home in Glencoe. Overall, in July, homes in Glencoe were on the market for 11.03 months, the highest in the three-month period and up from 10.70 months for July 2006.

In Northbrook, homes in the \$300,000 to \$499,000 price range were on the market for 10.52 months, with the months supply steadily going up through the price ranges to 50.40 months for the \$2 million and up homes.

In Glenview, the months' supply of the lesser priced homes, below \$1 million, sold in an average of about 10 months, but homes in the \$2 million price-range spent up to 32 months on the market.

Could homes priced less than \$2 million be going for teardowns?

O'Halloran doesn't think so in all cases.

"I think the teardown market has slowed down. I think people are buying these (more moderately priced) homes to live in. Things are getting back to the way they used to be," O'Halloran said.



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