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# Chicago home prices: 2003 redux

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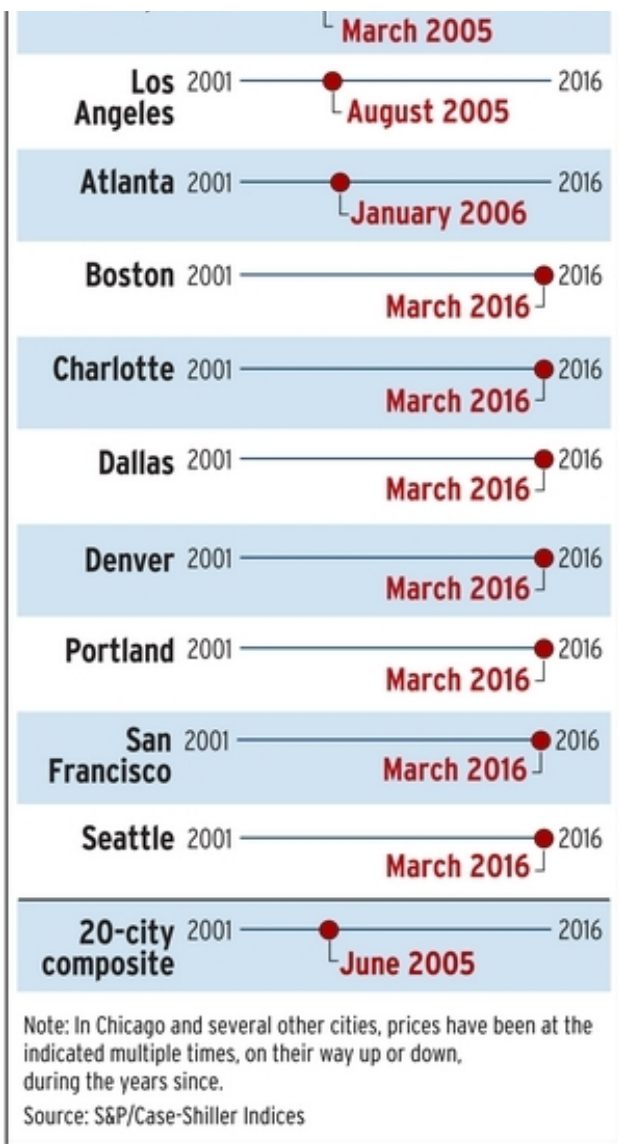
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## LOST IN TIME

In March, Chicago's home prices were at about the same level as they were in October 2003, according to the S&P/Case-Shiller Indices. That's behind 17 of the nation's top cities, including seven where prices reached new peaks in March 2016.

### CURRENT HOME PRICE LEVELS





October 2003 stands out in Chicagoans' memory for the Cubs' infamous collapse one game shy of the World Series. Now there's another reason to curse that month: Nearly 13 years later, local home values are about the same as they were at the time of that Cubs crash.

An index of Chicago-area single-family home values was at the same level in March as in October 2003, according to the S&P/Case-Shiller Indices released this week.

Though the Chicago residential market is recovering from the bust, Case-Shiller data show it's coming back much more slowly than other metropolitan areas: Of the 20 major U.S. cities Case-Shiller tracks, only two are trapped further back in time: Detroit, whose price index is at February 2001 levels, and Cleveland, at February 2003.

Over the years since the bust, Chicago has struggled with

a logjam of thousands of slow-to-sell new condos, a heavy load of foreclosures, higher-than-average unemployment and other factors as other cities moved forward.

"It's unfortunate, but Chicago has been slow coming back," said David Stiff, principal economist at CoreLogic, which owns and calculates the S&P/Case-Shiller home price indexes.

Home values in seven of the 20 metro areas have already blown past their pre-bust highs. Denver has experienced the biggest gain—its index in March was 30 percent higher than its prior high-water mark a decade earlier—followed by Dallas, up 29 percent from its April 2007 peak.

Although home values in a few Chicago neighborhoods and suburbs **have hit new highs**, the single-family index for the entire metro area in March was still about 23 percent below its September 2006 peak. That means a hypothetical home here that would have sold for \$300,000 in March and in October 2003 was worth nearly \$389,000 at the peak but is back to about \$300,000 now.

The Case-Shiller index compares the prices of the same property's sales through time, rather than comparing the average price of all homes sold at one point in time to the average price of homes sold at another point in time. The data is for single-family homes only.

For many Chicago-area homeowners, the 13-year lack of growth in their biggest investment may spark "relative pessimism about their financial condition," said Brian Melzer, an assistant professor of finance at Northwestern University's Kellogg School of Management who focuses on household finance.

When home values are rising, homeowners feel more confident about their financial strength even if they don't tap the equity via loans, Melzer said.

"You may spend a bit more today knowing that you do have that wealth, even if it's illiquid," Melzer said.

But in Chicago's long, slow housing recovery, "if you can't forecast having more housing wealth in the future, it's

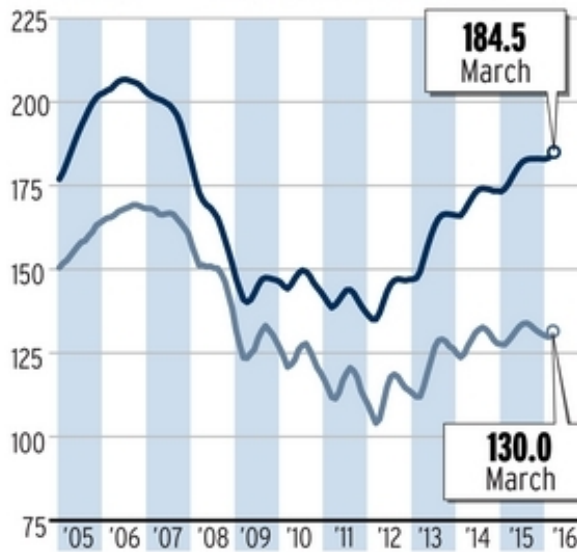
## MARCHING ON

Local single-family home prices rose 1.9 percent in March compared with a year earlier, while a 20-city index rose 5.4 percent.

### HOME PRICE INDEX

January 2000 = 100

— Chicago — Composite of 20 metro areas



Source: S&P/Case-Shiller Home Price Indices

natural to become pessimistic," he said.

While a home's value may be stuck, the cost of owning it has dropped since October 2003, Stiff said.

"Mortgage interest rates were substantially higher in 2003," Stiff said. "Most homeowners have had a chance to refinance at a lower rate, maybe multiple times."

Rates on 30-year fixed-rate mortgages were about 5.95 percent **in October 2003** and have been below 4 percent for most of the past five years.

"I know that's not much consolation," Stiff said.

On the other hand, slow price growth is good news in one respect: It means the Chicago is relatively affordable.

In fast-rising cities like Portland, "finding affordable areas is becoming a huge issue," Stiff said.

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## COMMENTS

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