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Distressed-home sales drop to new post-bust low

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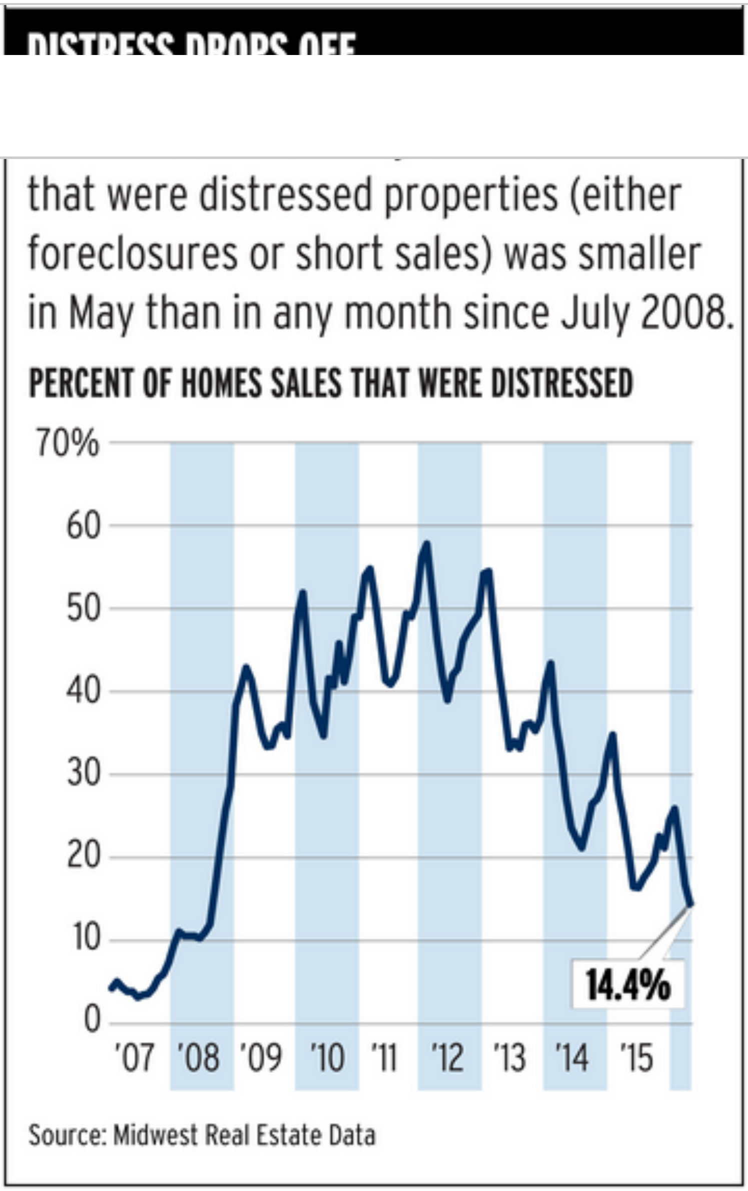

Eight years after distressed homes began to clog the Chicago real estate market, sales of such properties fell to an almost eight-year low in May, another sign of the market's slow recovery.

Of all homes sold in the Chicago area in May, 14.4 percent were distressed—either foreclosed homes or short sales—according to a report from Midwest Real Estate Data.

That's the lowest share of distressed sales since August 2008, a time when troubled properties were crowding onto the market in unprecedented numbers. It's nearly two percentage points below the last low of **16.3 percent** in June 2015.

"They are going away fast, without a doubt," said Kevin Rampersad, a Naperville-based Re/Max Professionals agent who specializes in foreclosure sales. "It means we're seeing the light, our market is stabilizing again after so many years."

Distressed sales peaked in February 2012, when they accounted for 57.8 percent of all Chicago-area home sales. Such sales include foreclosures, which are being sold by the lender or other entity that has taken back the home, and short sales, where the homeowner has permission from the lender to sell the home for less than what is owed on the mortgage.

The figures follow a seasonal pattern, with distressed sales accounting for a bigger share of the market in the winter, when non-distressed sales taper off. The percentage falls in the spring and summer months, when non-distressed sales pick up.

The news is best for sellers, said Nick Hansen, an @properties agent who focuses on the foreclosure market.

"Your competition is other homeowners who are selling at retail, not the bankers who are unemotional about the property and will sell it low to have it off their books," he said.

Does this mean the foreclosure crisis is almost over in Chicago?

"The answer to that question is a geographical one," said Haakon Knutson, director of sales at the MG Group at Berskhire Hathaway HomeServices KoenigStrey Realty Group. "In Lincoln Park and some of the other neighborhoods, you rarely see a foreclosure anymore, but you still have parts of our market that are dominated by the distressed homes."

In 11 South Side neighborhoods and four suburbs, distressed properties accounted for more than 40 percent of all sales in the 12 months ending May 31, according to MRED. They include West Englewood, where 55.3 percent of sales were distressed, Gage Park (53.8 percent), and West Pullman 51.9 percent), and the south suburb of Dolton (55.0 percent).

Meanwhile, in the same period, 2.3 percent of Lincoln Park's sales were distressed, followed by the Loop (3.0 percent), Near North (3.7 percent), Lakeview (4.0 percent) and north suburban Wilmette (4.3 percent).

“You'll never have zero distress," said Naomi Campbell, a Coldwell Banker agent based in Libertyville who has focused on foreclosure sales. "There will always people getting a divorce, losing their job, having a health crisis and they lose their house."

In the past 12 months, 18.7 percent of all Chicago-area home sales were distressed. Distressed sales were at their highest for the 12 months in February, at 25.9 percent. The figures follow a seasonal pattern, with distressed sales accounting for a bigger share of the market in the winter, when non-distressed sales taper off. The percentage falls in the spring and summer months, when non-distressed sales pick up.

The **surge in overall home sales** in recent months has helped drive down distressed sales' share of the total.

Of 12,537 local homes sold in May, 1,801 were distressed. It's the smallest number of distressed sales since 2008, when 819 of 7,758 sales, or 10.6 percent of the total, were distressed. As foreclosures and short sales rose, distressed sales jumped to 28.6 percent of the market by December 2008.

Around that time, Rampersad and other brokers shifted their focus from regular home sales to foreclosures, and rode the wave up. Rampersad said foreclosures were 90 percent of his sales at the peak. More recently, they're about half. He's broadening his attention back to the general market, and happy to do so because the selling process is much simpler.

With homeowners as clients, Rampersad said, "if I see a door handle needs to be replaced, I tell them and they go buy a new one."

When selling a foreclosure for a bank, "I need to get a guy to come estimate the cost of a new door handle," he said, "turn in the estimate to the bank, and wait to see if it's approved at a meeting the next week.”

COMMENTS