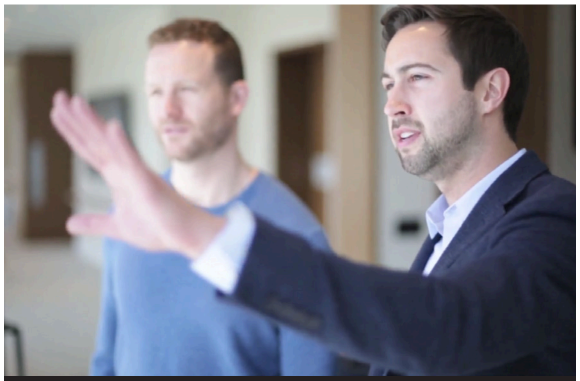
High-end rental brokerage enters the condo fray with new sales division

by Scott Klocksin



LUXURY LIVING CHICAGO'S DARRELL SCOTT (RIGHT) SPEAKING WITH A CLIENT

Luxury Living Chicago Realty, a high-end rental brokerage, is moving into sales.

The company's book of leasing business includes the 449-unit River City complex in the South Loop, one of the largest in a flurry of buildings recently deconverted from condo to rental.

But with demand for luxury rentals so high that it's leading to a partial reversal of the condo conversion craze of the 1990s and 2000s, it's worth asking: Is now a good time to get into high-end condo sales? The answer, according to Darrell Scott, who will head up the firm's new sales division, is a resounding "yes."

The transition to sales has actually been happening organically, without an official sales division, Scott said, noting that the company closed about $37 million in sales last year. Luxury Living Founder Aaron Galvin said their goal for 2019 will be to double that figure.

"It's sort of a natural transition to go into sales," Scott said. "A lot of our clients we've worked with in the past are people who can afford to buy million-dollar-and-up homes. And when they're ready to do so, we already have a relationship with them. So it's pretty seamless."

Seamless may be an apt word for the transition from renting luxury apartments to selling luxury condos. But of the 67 sales transactions the firm did last year, at least one stuck out: A detached single-family home in West Lincoln Park that sold for $1.3 million. It was one of at least two seven-figure deals Luxury Living can claim last year.

Scott explained that Luxury Living's typical client often isn't renting for lack of an option to buy. In many cases, he said, clients the firm leases to rent in up-market buildings simply because there's limited for-sale inventory that meets their criteria for amenities and location.

"Much of the condo stock throughout the city just doesn't measure up to what's available in some of the newer rentals around town, whether it's fitness facilities or top-of-the-line finishes inside the units," he said. "It comes down to newer properties 5 to 7 years old or ones that have been newly renovated. The inventory hasn't really caught up."

At least in the Downtown area, that may be starting to change, as a new crop of ultra-luxury condo projects begins to deliver. This week, One Bennett Park, a 70-story rental-condo hybrid in Streeterville, will have its grand opening. That's in addition to new high-end condos on their way in marquee developments like the 94-story Vista Tower, which is nearly topped off in the Lakeshore East neighborhood.

At this point, Scott said, the move into sales will continue to take place through organic growth and there are no plans to recruit sales-specific agents from outside of the company: "We expect to grow rapidly, and ultimately, it will depend on the market."

Case-Shiller: Home prices kept cool in December

by Andrew Morrell

One of the most widely cited barometers of the U.S. housing market showed home price growth continuing a downward trend at the close of 2018, a positive sign for buyers.

The S&P CoreLogic Case-Shiller Home Price Index registered a 4.18 percent increase in home prices for the 12 months ending Dec. 31. That means that while most U.S. homeowners have seen the value of their homes steadily increase over the last year, the rate of growth has declined for nine consecutive months, as measured by the index. Home prices in the 20 major markets the index examines haven't grown at such a slow pace since Nov. 2014. The version of the index that covers the entire U.S. also fell from the previous month to an annual rate of 4.7 percent, the lowest that figure has been since Aug. 2015.

The primary culprits behind this slower price growth — according to CoreLogic's deputy chief economist, Ralph McLaughlin — are interest rates and inventory growth.

"First, mortgage rates hit near-term highs back in November, which likely limited homebuyers' borrowing power for home purchases that closed in December," McLaughlin said in a Feb. 26 analysis. "Second, inventory is finally rising after sinking to historic lows last year, which is helping ease what has been a fiercely competitive market over the past few years. As a result, we expect January's S&P CoreLogic Case-Shiller National Home Price Index to slow to under 5 percent growth year-over-year."

In Chicago, price growth through 2018 was slightly slower than the national average, at just 3 percent by the end of December. The Chicago area's annual home price growth has remained remarkably consistent, coming in at around 3 percent for the last 10 months in a row.

Whether that's good or bad news is a matter of perspective. According to Case-Shiller data, Chicago metro area home prices remain about 16 percent below their pre-recession peak, after adjusting for inflation. Meanwhile, at the national level, home prices ended 2018 about 11 percent above the high-water mark seen prior to the housing crisis. But even with the recent deceleration in price gains, according to S&P Dow Jones Indices Managing Director David Blitzer, "home prices continue to outpace wage gains of 3.5 percent to 4 percent, and inflation of about 2 percent."

This latest report from Case-Shiller solidifies the view that the housing market is near a tipping point early in the new year, with many economists favoring the upside.

"Slower price appreciation coupled with lower mortgage rates in 2019 should help homebuyers who haven't been priced out of the market," said Danielle Hale, chief economist at Realtor.com. "While 2018 started with a real estate frenzy and ended with a fizzle, we could see 2019's slow beginning start to pick up later in the year."