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## Chilling out

### Home appreciation cools in all but a few spots; at least it's still going up

Home values in the Chicago area rose 5% last year, as robust price increases in South Side neighborhoods offset a virtual halt to appreciation in some formerly red-hot suburbs.

An index of single-family home prices for the Chicago-Naperville-Joliet area went up 4.9% in the 12 months ended Sept. 30, down from 9.8% in the prior year, according to Fiserv Lending Solutions, a unit of Brookfield, Wis.-based Fiserv Inc.

Fiserv's index is based on repeat sales of the same properties, painting a more accurate picture than most home-price indicators, which often use median prices that can be skewed by sales at the high or low end.

The Chicago picture isn't pretty: Fiserv predicts that, after a 10-year boom fueled by record-low interest rates, home appreciation will continue to slow, falling to 2.4% this year and 2.1% in 2008.

Still, that's better than in many U.S. cities. In New York, Los Angeles and Miami, prices are expected to fall over the next two years.

"We think Chicago will hold up pretty well because it didn't get caught up in the speculative frenzy like other areas have," says David Stiff, chief economist at Fiserv.

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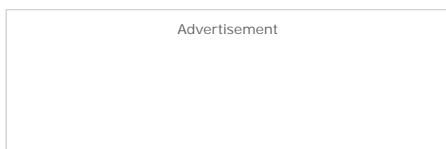
Last year, home prices increased in each of the 76 local zip codes that Fiserv tracks, though the rate of appreciation slowed in every one.

The days of double-digit gains are mostly over — except in pockets of the city. South Side neighborhoods saw the biggest gains, led by the 60620 zip code in Auburn Gresham, where prices rose 12.2% in the year ended Sept. 30.

Once a struggling area torn by crime and drugs, Auburn Gresham has bounced back in recent years amid an increase in public and private investment. Retail outlets have opened on West 79th Street — the neighborhood's main drag — rehabbers have been busy fixing up its bungalows and young families are moving back in.



This house on Paulina Avenue in the 60620 zip code sold for \$174,000 in October after selling for \$126,000 in March 2004. Photo: Erik Unger



Of course, the neighborhood is appreciating from relatively low prices. The median home price in Auburn Gresham: \$165,000. Compare that with the affluent western suburb of Clarendon Hills, where the median home

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price is \$600,000. After going up 11% in each of the past two years, prices there rose just 0.8% last year, the lowest in the region, according to the Fiserv index.

In areas like that, demand for pricey teardowns has slowed, says Baird & Warner real estate agent Ellen Carmignani. Many sellers, meanwhile, are reluctant to drop their asking prices.

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"People have been sitting on their prices for too long and it's just not coming," she says.

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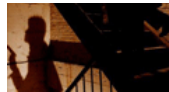
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