

Eight Real Estate Trends For 2008

Few topics captured more headlines in 2007 than the housing industry. From the mortgage meltdown to over-supply, it seemed each month brought more bad news. However, the Chicago region fared better than most. While differing reports suggest home values fluctuated up or down by a percentage point or two throughout the year and many neighborhoods still saw strong growth in values, all data shows significant appreciation in our market over the past five years.

Although everyone has their opinion on the state of housing, most agree that 2008 will be a year to watch the industry closely. Here are eight trends to keep an eye on in 2008:

1.) Optimism in '08

Even amidst negative reports, this past year; some real estate veterans see opportunity – the silver lining of a seemingly grey cloud.

“While sales activity has been slow, other conditions have been favorable for starting a homebuilding company,” said John Wozniak, president of Naperville-based J. Lawrence Homes (www.jlawrencehomes.com). The 25-year industry veteran, together with partner James Chittaro, launched J. Lawrence Homes in the fall of 2007. The company could have as many as 400 homes in its development pipeline by next year, according to the two principals.

“Interest rates are low, capital is still available, and there are good deals on land. We’re well-positioned for what we think will be an industry comeback in 2008 and 2009,” said Wozniak.

Another builder making big plans for the coming year is Chicago-based Lexington Homes. Its executive team, which has built more than 40,000 homes in the Chicago area under the Lexington and Concord brands, is back in the market and planning a number of new communities for 2008. Lexington’s focus will be on infill locations in established suburbs like Wheeling, Des Plaines and St. Charles, and city neighborhoods like Bridgeport and Brighton Park.

“We’ve weathered storms before, so our experience will certainly come into play in this challenging market,” said Jeff Benach, Lexington’s executive vice president of sales and marketing. “But by focusing on high-quality locations and innovative designs and keeping our inventory low, we feel we will be in a good position in 2008 and beyond.”

2.) An Increase in Infill

The Chicago market is full of well-established inner-ring suburbs that have flourished over several decades thanks to commuter-friendly locations and reasonably-priced homes. But today, these infill areas are undergoing a demographic shift as Baby Boomers prepare for an empty nest, while their Generation Y kids set out to purchase their first home.

As a result, builders like Lennar (www.Lennar.com) will focus their efforts on building maintenance-free homes in popular infill locations like Arlington Heights, Orland Park, Des Plaines, Morton Grove and Bridgeview. According to Lennar, these new communities are a necessary supplement to the aging housing stock that currently characterizes many inner-ring suburbs.

“While inner-ring suburbs have always been popular with home buyers, long-term we foresee a steady increase in demand for new-construction homes in these areas,” said Leigh Nevers, vice president of sales and marketing for Lennar’s Chicago region. “Demand will come from Boomers who want to

downsize without moving to a new location, while on-the-go young professionals will continue to see the financial benefits of living in a commuter-friendly suburb.”

3.) Bigger Still Better

For single-family home buyers, the demand for large homes is still growing. A study by REALTOR magazine found that in 2004, nine percent of buyers wanted a home that was at least 3,000 square feet. By 2007, that number had grown to 12 percent wanting a 3,000-plus-square-foot home. Builders expect to see a continued appetite for big homes in the next year.

Rolling Meadows-based Kimball Hill Homes (www.kimballhillhomes.com) offers 15 floor plans throughout the Chicago area that measure more than 3,000 square feet.

“We expect 2008 to be a good move-up market, and those buyers are seeking bigger, estate-style homes. Move-up buyers want to reward themselves with the home they’ve always wanted, but are also thinking about practicalities, like plenty of rooms for the kids, guests and entertaining,” said Jack Wexelberg, regional president of Kimball Hill Homes.

Wexelberg noted employment continues to be solid in Chicago and there is the potential for interest rates to remain historically low, or even go lower – both factors for favorable conditions for move-up buyers selling their existing home.

4.) Not-So-Empty Nesters

One demographic trend influencing the increase in larger homes is the rise in multi-generational living. More than 22 million retirement-age Baby Boomers are caretakers for an older generation of loved ones, often having elderly parents move in with them. At the same time, this generation’s twenty-something children are returning to the nest in growing numbers as they complete school, search for jobs and try to save money. Builders are responding with homes designed with multi-generational living in mind.

“We see many move-up buyers selecting homes with dual master suites, so both the homeowner and the older relative can have the privacy of a suite,” said Jack Wexelberg, regional president of Kimball Hill Homes. “And the homes with dual masters available also offer up to three secondary bedrooms and optional private baths, allowing for plenty of space for the kids, too.”

5.) Green Goes Mainstream

While this trend has been growing for the past couple of years, some developers say 2008 will be the tipping point for green building. A survey by the National Association of Home Builders find 50 percent of its members plan to participate in some kind of green building this year.

As more green developments come online, buyers will rely even more on the independent accreditation of the U.S. Green Buildings Council (USGBC), according to developer Ibrahim Shihadeh, co-principal of Winthrop Properties (www.winthropproperties.com), developer of Winthrop Club in Evanston. The contemporary high rise is designed to meet the requirements for Silver LEED certification from the USGBC.

“The third-party endorsement of the USGBC will help people differentiate just how environmentally sound the development is,” he said.

Steven Fifield, CEO of Fifield Cos (www.fifieldcos.com), added that it is not limited to for-sale

housing. "Many would-be buyers are opting to rent instead, but they still want the high-end features they'd expect in a luxury condominium," said Fifield.

6.) Technology is the New Standard

To fit buyers' fast-paced lifestyle, developers will increasingly include cutting-edge systems that easily integrate technology into the home.

"Buyers want full access to tech tools that enrich their daily lives and make functions that control the home's environment even more intuitive," said Andrius Augunas, founder and principal of Rokas International. "Smart Home technology, once reserved as a luxurious upgrade in the custom home market, has greater appeal for a wider audience."

At 2100 (www.2100condos.com), a timber-loft condo conversion adjoining a new-construction high rise by Rokas International at 2100 S. Indiana in the South Loop, "Smart Home" technology is included in every home. Via their "Smart Home" touch screen, homeowners will be able to control home systems such as heating and cooling, lighting, audio and video. They'll also be able to access their system remotely via the Internet.

7.) People in Glass Houses

New-construction high rises are increasingly showcasing contemporary styles, which developers and designers cite as a top trend for 2008.

Among the most prominent is Trump International Hotel & Tower, Chicago, by Skidmore, Owings and Merrill. The glass and stainless steel exterior will give residents unprecedented city views, as the 92-story tower features the highest residential floor ever.

"A glass facade follows the 'less is more' design philosophy. It's sleek and stylish yet simple. And few features have as much impact on a home's interior than oversized windows," said Ted Mazola, president of New West Realty (www.newwestrealty.com), developer of 1555 Wabash in the South Loop. The contemporary midrise features large windows in each residence.

Also in the South Loop is Printers Corner, a contemporary high rise with a faceted design allowing each unit to have floor-to-ceiling corner windows.

And for seniors, The Clare at Water Tower, downtown Chicago's first high-rise continuing care retirement community, showcases curving glass architecture to maximize views of Lake Michigan.

8.) Remaining a Renter

Amidst uncertainty about when the ownership market will return to a positive trendline, as well as tighter lending standards, some apartment developers predict people will remain renters for longer than in years past as well as some owners returning to the renter pool.

"For more and more people, the rent versus buy debate will be pretty simple, and they'll opt to rent for a longer period of time," said Rick Cavanaugh, president of Chicago-based Fifield Cos. "Thus rental developments will see higher resident retention rates and, with that, an increased demand for developers to create lifestyle choices and a sense of place."

Fifield Cos. is in the third phase of K Station, its billion-dollar, master-planned community near the

Fulton River District. Once complete, the development will bring 2,400 luxury rental units, a one-acre city park and retail centers, including a Jewel-Osco, the this quickly-emerging area. "We're not just creating an apartment building, but rather a vibrant neighborhood with a complete lifestyle and a sense of place," he said.

Anthony Rossi Sr., president of RMK Management (www.rmk.com), developer of Regency Place in Oakbrook Terrace, said creating a sense of community among residents is especially important when there are many transferees. "When relocating, it can be hard to meet people outside of worklife. When a transferee rents in a community with clubhouse amenities and resident appreciation events, he or she can more easily forge friendships," said Rossi.

For Marquette Companies, the extensive renovation of the clubhouse at Bourbon Square in Palatine brings a new opportunity for neighbors to meet and interact.

"Since the pool, fitness center and club house are exclusive amenities, residents know each person they meet will be a neighbor," John Eifler, vice president of Marquette Companies. "Beyond the clubhouse, we've updated the apartments to a level today's renters would find in for-sale condos. These upscale finishes complement Bourbon Square's floor plans, which are the largest apartments in the area. The homes live like a townhome or single-family home with fireplaces, dining rooms and storage, so it's no wonder that people who may have been in the market to buy are renting an apartment here."

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