

## Suburbs take lead in building, selling new homes again

Kimball Hill went out of business, Naperville's Mayfair development had only 26 families living in the newly constructed townhouses from 2009 to 2011.

Another 146 empty lots sprouted nothing but weeds along newly paved roads in the partially finished subdivision near Route 59 and 75th Street.

That is, until Columbus, Ohio-based M/I Homes scooped up the depressed site and began building the rest of the townhouses. M/I cleaned up the lots, added a gazebo and other amenities and put the "for sale" signs out starting last April.

It's one example of new homes being built and sold again around the suburbs, about four years after the free-falling local housing market forced a number of homebuilders into bankruptcy and turned stalled developments into abandoned eyesores.

While just 2,612 new homes were sold in the Chicago suburbs in the fourth quarter of 2011, that's up 21.4 percent from the third quarter of 2011. It's an increase of 2.9 percent compared to the same period the year before, said a report by Schaumburg-based Tracy Cross & Associates Inc.

Still, experts aren't breaking out the champagne yet. Newly constructed home sales in Chicago and the surrounding 10-county region are far below the record 33,000 newly constructed homes sold in 2005.

"This is like saying my baby is 5 years old and is still crawling," said Tracy Cross, principal with Tracy Cross & Associates. "The industry is on the floor and it can't do much more than raise its head this year."

In 2011, Elgin, Huntley and Oswego collectively accounted for about 15.4 percent of sales of newly built homes. That outpaced Chicago, which had 14.3 percent of the region's new home sales. Other suburbs active with new construction under way include Naperville, Volo, Pingree Grove, Plainfield and Arlington Heights.

The pacesetters, according to Tracy Cross & Associates, including M/I Home's Mayfair development in Naperville, Blackberry Crossing-West by Ryland in Montgomery and Ryland's Talamore-Landmark in Huntley.

Experts are seeing homebuilders aggressively scooping up depressed land and stalled developments and turning them into more affordable housing to lure recession-weary homebuyers back into the market. That's why you're seeing more townhouses, condos and single-family homes for lower prices, some discounted as much as 25 percent from original prices in prime locations, experts said.

The sight of bulldozers and a slight uptick in the economy have helped other major projects get attention. One is Geneva-based Shodeen Inc., which is seeking to build Elburn Station with 2,275 residential units, offices and industrial buildings on the eastern edge of Elburn. The village board has yet to approve the project.

Elburn could compete with any other suburbs for potential homebuyers, said Elburn President Dave Anderson, who called Elburn an innovative community with small town charm and rural characteristics.

"The village is anticipating that the economy will be making a slow turnaround and that doesn't mean growth cannot take place," said Anderson.

Posted: 02/15/2012

The top builders in the area include Pulte in Hoffman Estates, D.R. Horton in Libertyville, K. Hovnanian (formerly Town & Country) in Lombard, Lennar Corp. in Hoffman Estates, and Columbus, Ohio-based M/I Homes Inc., which has its Chicago-area headquarters in Naperville.

M/I Homes came into the area in 2010 and has since scooped up about a dozen formerly distressed developments from troubled or bankrupt builders, including Kimball Hill and Neumann Homes. It now has developments in Naperville, Winfield, Carol Stream, St. Charles, Aurora, Hanover Park, Lemont and Orland Park. The company also is negotiating to acquire three more sites, which could be finalized in the coming months, said M/I of Chicago President Ron Martin.

"Part of the reason is that we're buying properties in A+ locations, going in and improving the product and offering it to consumers at more affordable prices than they could have gotten three or four years ago," Martin said.

Martin said the homes are built more efficiently with energy-star compliance that includes 30-year warranties at no extra cost. This has been attracting mostly first-time homebuyers who are, on average, about 35 years old or are divorced or suddenly single, Martin said.

"We believe sales will be even better this year than last year," Martin said. "We're already seeing that in our sales centers now."

Much of the current construction is due to banks finally loosening up on their assets from troubled developers or investors and selling them to new builders, said John Lawrence Wozniak, president of the Homebuilders Association of Greater Chicago. Wozniak also is president of J. Lawrence Homes in Wheaton, which has active projects in North Aurora and elsewhere.

"The market is not up dramatically, but up slightly and, really, there's only one way to go at this point," said Wozniak.