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Mary Umberger

## Home builders are souring on speculators

Investors are becoming the bogeymen of the housing industry. You'd think that home builders would welcome with open arms anybody who showed up to sign a contract, but more doors seem to be closing to would-be speculators every day.

That's the word from the National Association of Home Builders, which polled its membership several times this year to gauge investor influence.

The short version of what NAHB found: In just the period between two surveys in March and April, builders said the number of speculators buying single-family homes jumped from 3 percent of all purchasers to 11 percent. In condo sales, it went from 10 to 15 percent.

They're the big "what if?" in the hand-wringing over a housing bubble in regions where investors are being blamed for driving home prices to irrational levels.

One reason builders are skittish is that when the investors rent out their properties, a house-after-house array of "for rent" signs can scare off their potential buyers. And the "real" residents of condo buildings tend to object to a disproportionate number of renters among them.

But a bigger reason is that the investors can turn into the builders' competition the minute they close the deal and put the homes up for sale. To an extent, the investment properties have an edge over the builder's own product, because the investor is offering a new, ready-to-move-into home to consumers who may not want to wait for one to be built from scratch.

This is called "hidden supply," and it's not just a one-on-one competition thing. If prices should start to falter, the investment properties could come cascading back onto the market in large numbers, creating a glut.

The fact that NAHB is studying this — and making announcements about it — means that speculator activity is being taken very seriously. Firm numbers are hard to come by, but one recent analysis suggests that investors bought 23 percent of all homes sold last year.

Not that all builders think that the investment binge is such a bad thing.

"I talked to a major downtown developer the other day, who said he wouldn't let anybody buy more than five units," said Alan Lev, president of Belgravia Group, a downtown developer. Lev says his company wants zero investors.

"Our documents have a specific provision that says that if the buyer doesn't live in it or tries to resell it within a year after the close, we can buy it back at the original price," he said.

Lev, who also is an officer with the Home Builders Association of Greater Chicago, said that though there's plenty of this so-called "property flipping" going on in the Chicago-area condo scene, it isn't a significant factor in the local single-family market.

But it's very serious stuff to builders of houses in the hot-as-fire markets in parts of Florida and California, and in Phoenix and Las Vegas, to name a few places. There, some companies are even adding \$50,000 penalties to contracts to discourage speculators who quickly resell.

Good luck on that one in places where price appreciation has gone wild, says David Seiders, economist for the NAHB, who talked about speculators at a housing conference in Washington in June.

"In some areas of Florida, even that won't stop them."

Hear Mary Umberger on WBBM Newsradio 780 at 6:21 p.m. and 10:22 p.m. each Thursday and Friday and 7:20 a.m. each Saturday and Sunday. [mumberger@tribune.com](mailto:mumberger@tribune.com)



# GLASS AND GLITZ ARE THE NEW TRADITIONS IN STREETERVILLE

By John Handley ■ Tribune staff reporter

Glass is in. Concrete and brick are out. Modern is in. Traditional is out. Those are the guiding lights of Chicago's leading architects who are competing — informally — to design unique skyscrapers for a glitzy new neighborhood.

Their entries in what they hope will be the best of 21st Century residential architecture soon will tower over the south end of Streeterville, the fast developing neighborhood between North Michigan Avenue and Navy Pier.

Suddenly hot, Streeterville will sprout 13 new high-rise condos in the next two years, adding 3,500 residential units.

None of the towers is ordinary. All are contemporary.

Why the switch from the old-style buildings of concrete, brick and stone? "Developers have discovered that great design actually sells condos," explained David Hovey, president of Optima Inc., an architectural and development firm in Glencoe.

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1 Architect Helmut Jahn at work in his Chicago office. 2 A rendering of Jahn's 600 N. Fairbanks condo building. 3 Architect David Brininstool stands in front of his condo building under construction at 630 N. Franklin St. 4 A rendering of Brininstool's 550 St. Clair condo in Streeterville.

## Eminent domain ruling: Business as usual for some places

By John Handley  
Tribune staff reporter

The City of Elgin determined it was time for the Northern Illinois Coin and Stamp store to cash out.

The shop at 122 S. Grove St. is in the path of the Elgin's downtown economic redevelopment plan. An eight-story condominium with 60 units is planned for the site, which also included an old theater that has been demolished.

But the coin-store owner refused the city's offer to buy the building.

It's a case study of the use of eminent domain power by government to further private development. And it's officially legal now that the U.S. Supreme Court has ruled that government agencies can constitutionally take property in the name of economic development, and even transfer it to a private party, as long as the landowner receives compensation.

"We rarely use the power of eminent domain

to take property," said Raymond Moller, Elgin's director of economic development. "Our goal is to negotiate and pay a fair and reasonable price for acquisitions."

"The Supreme Court's decision affirms our interpretation of how eminent domain can be used," Moller added.

"For older towns, the court's [5-4 decision late last month] was critically important for redevelopment."

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# STREETERVILLE: Contemporary is key word in building boom

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"The surge in contemporary architecture means there is an alternative to bland buildings. It's a breath of fresh air," Hovey added.

Helmut Jahn, internationally known architect of the James R. Thompson Center and the United Airlines terminal at O'Hare International Airport, has designed his first residential high-rise in Chicago for a Streeterville location.

"It will have a total glass and metal skin. No exposed concrete outside. All the balconies are recessed and part of the curtain wall," said Jahn, describing his 41-story condo that will be built at 600 N. Fairbanks Ct. "This building will be different from what you normally see. I call it urbanistically sophisticated."

The building will have a rounded corner at the intersection of Fairbanks and Ohio Street, and one side curves upward from the base.

Jahn noted that there have been complaints about the architecture of some Chicago high-rise condos built in recent years. "In a hot market, you can sell anything. But it's fortunate now that some developers want to do something better," he said.

Gary Rosenberg, president of Urban R2 Development, developer of 600 N. Fairbanks, said it will be "a work of art itself."

Jahn is not as optimistic about all the other residential towers going up in Streeterville. "My expectations are not high. We'll have to wait until they are built."

From residents' perspective, Hovey noted that buildings with floor-to-ceiling glass windows are more livable. "The views are better, and there is more light inside."

"High-rise living is all about the views," said Robert Bistry of Built Form Architects, designer of Avenue East, the 27-story condo to be built at 160 E. Illinois St., directly behind the Intercontinental Hotel at 505 N. Michigan Ave. It will have only three sides with windows.

"Architecturally, Avenue East will be a transition between the classic buildings on Michigan Avenue, including Tribune Tower and the Wrigley Building, and the new high-rises in Streeterville. The east facade will be more glassy than the sides," Bistry said.

"The refreshing, friendly architectural competition in Streeterville is good for the city," he added.

Another development with a convenient link to Michigan Avenue on upper Illinois Street is CityFront Plaza, planned for a complex of three residential towers by Centrum Properties Inc. The architect is DeStefano & Partners.

"Most developers want a safe and predictable look, so less interesting architecture has been the result," said David Brininstool, partner in the Chicago architectural firm of Brininstool & Lynch, designer of 550 St. Clair, a 26-story condo to be built at St. Clair and Ohio Streets.

"What's happening now," he said, "is that de-



velopers feel architecture has value in the marketplace."

Another force affecting design comes from City Hall. "Mayor Daley didn't like contemporary architecture before. But now he's coming around," said 550 St. Clair developer Mark Sutherland, principal of Sutherland Pearsall Development.

"There has been a definite change in climate at City Hall. Now they are encouraging contemporary design," Brininstool said. "Before, city employees were trying to read the mayor's mind. They thought he wanted red brick and limestone."

"Now is one of the most exciting times in 25 years as an architect. Great work is possible again," Brininstool said.

One key developer looks south for proof of the trend. "Millennium Park was one indication that the city had changed its thinking," said Daniel McLean, president of MCL Cos., builder of three Streeterville condo towers. "Now contemporary architecture is more accepted and mainstream. The public has embraced the clean, modern look."

McLean described the look of his latest Streeterville project, Park View, as "soaring glass." Designed by the architectural firm of Solomon Cordwell & Buenz, it will have 47 stories and 270 units and is scheduled to begin in the fourth quarter.

Why is Streeterville emerging as a showcase for modern architecture?  
Abe Lincoln started it all. He charged \$350 in



A rendering of the Park View (left), designed by Solomon Cordwell & Buenz and described by its developer, Daniel McLean of MCL Cos., as "soaring glass." Avenue East (above) is described by Robert Bistry of Built Form Architects as architecturally "a transition between the classic buildings on Michigan Avenue ... and the new high-rises in Streeterville."

1858 for legal work in forming Chicago Dock and Canal Trust, a real estate investment firm that became a major landowner in Streeterville.

Then came "Cap" Streeter, who ran his ship aground in 1886 on a sandbar offshore of what is now Chicago Avenue and Superior Street. He decided to stay and gave the neighborhood its name.

Though just east of Michigan Avenue, south Streeterville has been slow to develop. Gradually, the sea of street-level parking lots and industrial sites is giving way to more residential buildings.

The latest condo explosion will fill in most of the vacant sites.

"Streeterville's time has come," said 550 St. Clair developer Sutherland, who added that his firm is planning another residential project in the neighborhood.

First occupancies at 550 are scheduled for the third quarter of 2007.

He says he doesn't fear the competition of the other new buildings being launched at nearly the same time. "No, the momentum of all the projects will help us," he said.

Real estate analyst Steven Friedman, president of S.B. Friedman Co., explained why Streeterville is suddenly hot. "There's land there." He added that the emergence of Chicago as a leisure destination has helped spark the popularity of city living.

"Streeterville is the only place where there are vacant sites near the lake and river," said Gail Lissner, vice president of Appraisal Re-

## New Streeterville towers

**CityFront Plaza:** Three towers of 31, 65 and 40 stories. First tower: the Fairbanks, 31 stories; 281 units; prices, mid-\$300,000s to \$2 million-plus; developer, Centrum Properties Inc.; architect, DeStefano & Partners.

**Avenue East:** 160 E. Illinois St.; 27 stories; 133 units; prices, mid-\$200,000s to \$1 million-plus; developer, Residential Homes of America; architect, Built Form Architects.

**600 N. Lake Shore Drive:** Tower one, 40 stories, 154 units; tower two, 46 stories, 246 units; prices, from high \$300,000s to \$1.7 million; developer, Belgravia Group; architect, Pappageorge/Haymes.

**The Park View:** McClurg Court and Illinois Street; 47 stories; 270 units; prices, from \$425,900; developer, MCL Cos.; architect, Solomon Cordwell & Buenz & Associates.

**Second MCL tower:** Peshtigo Court and Grand Avenue.

**Two rental towers:** 300 block of East Ohio Street; 49 and 51 stories; 481 and 420 apartments, respectively; developer, Golub & Co.; architect, Solomon Cordwell Buenz & Associates.

**550 N. St. Clair:** 26 stories, 112 units; prices, high \$200,000s to nearly \$2 million; developer, Sutherland Pearsall Development; architect, Brininstool & Lynch.

**600 N. Fairbanks:** 41 stories; 224 units; prices, from \$310,000, penthouses, \$1.6 million to \$1.9 million; developer, Urban R2 Development; architect, Murphy/Jahn Architects.

**150 E. Ontario:** 51 stories, 160 units; developer, Monaco Development.

John Handley

search Counselors. And, she foresees no threat to the launching of the Streeterville projects. Despite fears about the overheated housing market nationally, Chicago condo sales and traffic remain strong, according to Lissner.

Not everyone is looking forward to more construction in Streeterville. The panoramic views of some existing residents will be blocked by the new buildings. These residents also fear the Manhattanization of the neighborhood, resulting in high-rise canyons towering over grid-locked traffic.

Ald. Burton Natarus (42nd), who represents the area, stressed that the neighborhood was approved as a high-rise area in the 1960s, when Chicago Dock and Canal plans were approved.

But McLean, a pioneer in Streeterville condos, sees a different outcome.

"This is the most complete downtown neighborhood in the city," he said, adding that the new projects will increase foot traffic on Streeterville's streets and make it a real neighborhood.

"Streeterville has the river, the lake, a new art gallery, sightseeing boat tours, grocery stores, two hotels, a movie theater, dozens of restaurants, a fountain on the river and views of the city's skyline from many buildings."

As cranes start cropping up, it appears that "Cap" Streeter's new neighborhood has set sail, and no sandbars are likely to block its progress.

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