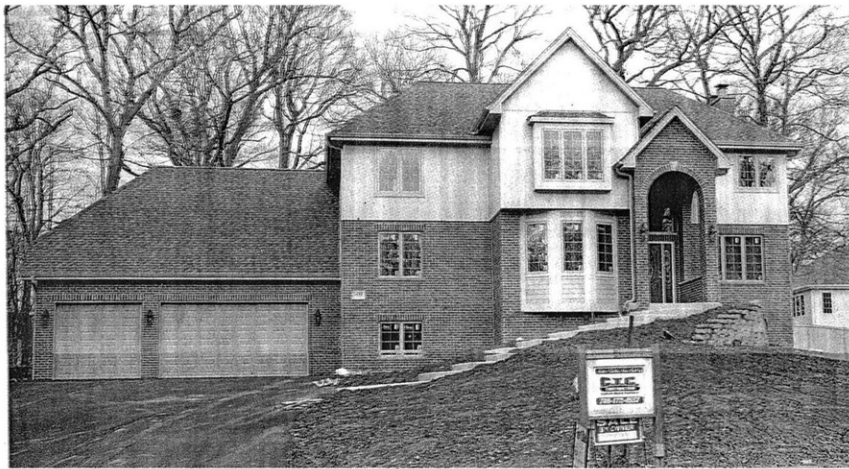


NEW HOMES

FRIDAY, JANUARY 18, 2008 | SECTION 6

NEW

Get smart when planning a homeIf you're thinking of selling soon, don't trip over too many expensive options. **PAGE 3****An abundance of concepts**Some home buyers give their builder chapter and verse about what they want. **PAGE 3****All hail the architect**From log cabins to homes from catalogs, design remains a key element. **PAGE 2**

Tribune photo by William Sluis

This new house located in suburban Mokena is one of many that are freshly constructed and available. Builders say discounts on such homes may soon come to an end.

Turning point

Improvement in housing market could mean an end to discounts

By William Sluis
TRIBUNE REPORTER

For those who believe that housing is going to stage a turnaround, the next month may be a last chance to get a home at a bargain price.

That's because, if the early spring selling season gets off to a strong start, incentives and discounts may soon be a thing of the past.

"There are signs that consumers are growing a bit more confident and that there is some pent-up demand for new homes," said Jack Sorenson, president of U.S. Shelter, based in Hoffman Estates.

Builders have offered discounts in part because land prices have fallen and because subcontractors, eager to obtain more work, have cut their prices, several of the builders said at a midwinter conference held by Sharon Windle Inc. in Schaumburg.

"Vendors are very hungry for business, because they don't want to cut staffs," said Bob Mevni, vice president for sales and marketing for Ryland Homes in East Dundee. They have cut prices for drywall and other basics.

Lumber prices also have dropped, helping builders hold down prices. But the discounts may soon be over, especially if buying picks up, other builders said.

A recent focus group showed that home seekers think this is a good time to buy but many are leery of selling an existing home, said Christopher Shahted, executive vice president of Lakewood Homes in Hoffman Estates.

"Even with good credit, some buyers are reluctant," he said.

Several builders said they are cutting the size of a typical home by as much as 200 or 300 square feet, to prune costs. In some houses, living rooms are a thing of the past, while dining rooms are endangered. Many buyers would rather have a larger kitchen with a fancy breakfast area.

But rooms that can include a wide-screen television, such as an extra den or an upstairs family room, remain popular.

Many new houses include "green" features, particularly when it comes to better insulation and windows, as well as heating, cooling and ventilation units that save energy.

Some builders said they are redesigning townhouses, to make them more affordable. Multifamily housing is comprising a larger portion of the local

PLEASE SEE BUILDERS 30 PAGE 4



Photo for the Tribune by Theresa Scarborough

Home builder Pat Curran says he has been looking at some land on which he intends to build.

BUILDERS

CONTINUED FROM PAGE 1

market.

"We won't see any further lowering of prices," said Chris Naatz, vice president of sales and marketing for Pulte Homes/Dell Webb in Schaumburg.

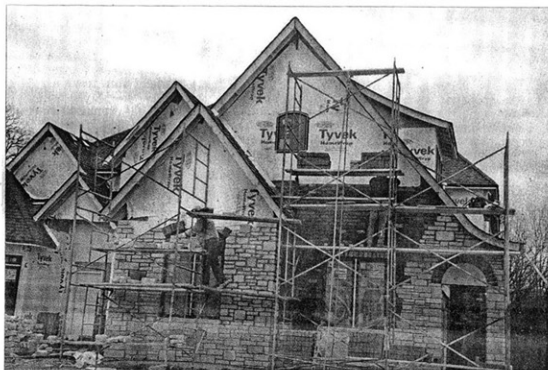
Housing for buyers over age 55 has been one of the bright spots in the local housing scene, Naatz said, and no slowdown appears imminent in that category.

As for land prices, "in some cases, land is worth 40 percent less than it was a few years ago, and builders are eager to clear if off their books," said Andy Konovodoff, president of the Illinois division of Town & Country Homes in Lombard. That has helped to feed the discounting of new homes, he added.

Local builders have seen a slowdown before, but some became too optimistic after a 10-year boom, said Pat Curran, president of West Point Builders in Elgin. Now, he sees them as too downbeat.

"In 2005, builders were wildly optimistic, but now some are at the other extreme," he said.

Curran said he has been looking at buying some land, and is working with a consultant on how much



Tribune photo by William Sluis

Stonework is being added by workers to this home that is nearing completion near the border of New Lenox and Mokena.

West Point would need to charge for new housing there.

He said his company typically builds 60 to 100 houses a year, and sold 35 in 2007. He is hopeful of selling more than that over the next 12 months.

Overall housing starts in the Chicago area in 2007 fell to around 18,000, from more than 31,000 at a peak in 2005.

Developers here sold about 21,000 houses last year.

Naatz said one reason for the slowdown is that "builders can't afford to construct a home for less," in the face of high costs for land, improvements, municipal impact fees and labor.

Typically, a suburb will charge between \$30,000 and \$50,000 per home for fees that go to the schools, park

district, village or other units of government.

Home builder Debbie Beaver of William Ryan Homes said the Chicago area market "in a normal year is the workhorse of our company." But last year, it was outpaced by Dallas and Milwaukee, she said.

Looking ahead, Chicago benefits from a relatively strong job market and con-

tinuing income growth for consumers, the builders said.

"The key is to return to very strong employment growth," said Konovodoff. Although interest rates have fallen to near a 2-year low, "home buyers don't consider these rates to be a bargain," he added.

Curran said that buyers with good credit "are having no trouble getting a mortgage. The problems in the mortgage market are correcting themselves."

Other builders said rates may have room to drop further, as the Federal Reserve tries to ignite economic activity.

In the meantime, home buyers are seeking to buy smaller yards, in an effort to avoid using all their time for maintenance, Curran said.

"People don't want to spend their day behind a lawn mower," he said.

That means many buyers are happy with a site that measures 8,000 square feet, instead of 15,000 square feet, he said.

Beaver said a smaller home is all right with buyers, "as long as it includes the finer things, including hardwood flooring, stainless steel appliances and granite countertops."

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