



717 Melrose, #1, Under Contract Before Hitting Market



## Where Are the Homes?

The housing market needs more homes. There are plenty of buyers without enough homes for sale. Nationwide, monthly new listings continue to fall. And when they hit the market, they sell quickly. Across Chicago, new listings of Single Families ticked up 3 percent in February over same period last year offering a mere 1.8 months' supply of inventory. New listings of condos fell 15 percent from February 2021 with available inventory dropping 38 percent.

Anyone who has been searching for a home is intimately acquainted with these trends. I have shared the frustration with my clients as I help them navigate the new normal of making purchase decisions more quickly; these market realities have also compelled us to identify off-market opportunities proactively and creatively.

So, where are the homes? A look at four key reasons today's housing supply is low:

1. New Home Construction Remains at Historic Lows. For the last 13 years, builders have constructed far fewer homes, falling well below the previous 50-year average of new-construction starts.
2. The Pandemic Rocket-Fueled Demand. Consumers gained a renewed appreciation and focus on the meaning of home, and, with low interest rates, were motivated to find their new ideal for work and family life. This frenzy coincided with a hesitation among some sellers to list their homes during the pandemic, complicating supply woes.
3. Homeowners Are Remaining in their Homes Longer. Over the past decade, there has been a shift in the length of time homeowners stay in their homes. The previous trends of five to seven years have been eclipsed by a new mentality to build more equity or uncertainty of where to go, resulting in an average 13-year stay.
4. Millennials are Super-Charging Housing Demand. The sheer size of this group necessitates greater supply needs. Millennials represent the largest generation in U.S. history. Defined as those born from 1980 to 1998, they are aging into prime household-forming and home-buying years. According to the National Association of Realtors, they represent 43% of all homebuyers, up 6 percent from last year.

### Hope on the Horizon

Projected increases in new-home construction starts are underway. A February new residential construction report revealed a 22-percent increase in new construction starts over last year. February also produced a 12 percent upswing over January in the number of newly completed Single-Family homes. In the city, sales of lots for redevelopment show signs of life. In Logan Square, there has been an increase in land sales, signaling more new-construction home and multi-unit projects in a neighborhood starving for inventory.

In addition, economists are predicting a more balanced market may be on the way. The uptick in interest rates and forecast greater supply of new construction and existing homes should soften the pace of home appreciation and provide buyers more options.

Overcoming low inventory was the focus of an in-depth conversation I recently shared with colleagues selling across the city and suburbs. We discussed ways to encourage sellers to enter the market and how to support them with their own housing needs and lifestyle changes. Lease-back options and conditional contracts whereby sellers agree to sell to a buyer once they find a home are becoming common place. Working with agents in other markets to identify short- and longer-term housing solutions is a service many of us are actively engaging in.

The takeaway is we are here as your advisors, market experts and support to help you achieve your lifestyle and housing ideals. If you have questions about the market or wish to discuss how I can help you, I am delighted to be of service.

Warmly,

Cadey



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