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Chicago's cheaper property prices trump New York

The 'windy city' may lack cachet but affluent buyers are seduced by its well-priced homes



High-quality rental developments have been built in or near Chicago's downtown commercial district © 2018 Chicago Home Photos

What does \$5m buy in Chicago? A stroll from Lincoln Park in Gold Coast, one of Chicago's wealthiest neighbourhoods, there is a smart, five-bedroom town house on the market with Compass for \$4.95m.

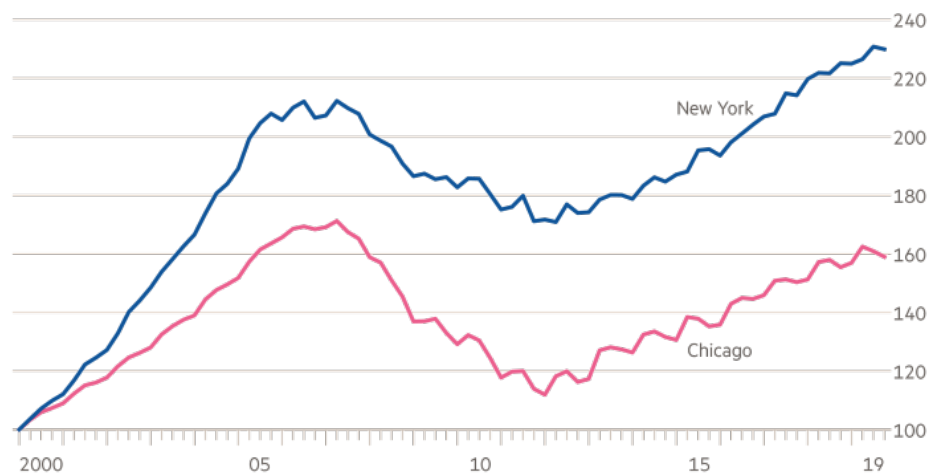
Buyers will not find that in New York. On West 57th Street, a similar distance south of Manhattan's Central Park, a one-bedroom apartment is currently on the market at One57, for \$5.05m. At just under 1,500 sq ft, it is roughly one-fifth of the size.

It may be America's second city, but when it comes to the priciest homes, Chicago is another country from New York. In the three years to the end of 2019, Manhattan saw 3,808 sales of homes costing more than \$5m, according to Core, a New York agent. Over that period Chicago recorded just 47, according to the local realtor association.

Joseph Vavra, associate professor of economics at University of Chicago Booth School of Business, suggests several reasons. Chicago has a broad mix of industries. Unlike New York's Wall Street and Silicon Valley in California, it lacks a comparable engine of extreme wealth creation.

Growth in NYC house prices outstrips Chicago

Property prices rebased (2000=100%)



Source: Federal Housing Finance Agency
© FT

Weaker zoning controls in Chicago make it easier to build new homes there than either Manhattan or San Francisco, he says. If demand suddenly increases in a particular neighbourhood, “you can easily replace smaller buildings with bigger buildings”.

Chicago never accumulated the cachet of the two coastal cities among very rich international buyers who have been instrumental in pushing up prices for high-priced homes.

And Chicago’s scarcity of very expensive homes represents much lower average prices, a function of slower price gains in recent years. According to the Federal Housing Agency Housing Index, average prices have grown 59 per cent since 2000; those in New York have increased 130 per cent; Los Angeles is up 220 per cent.

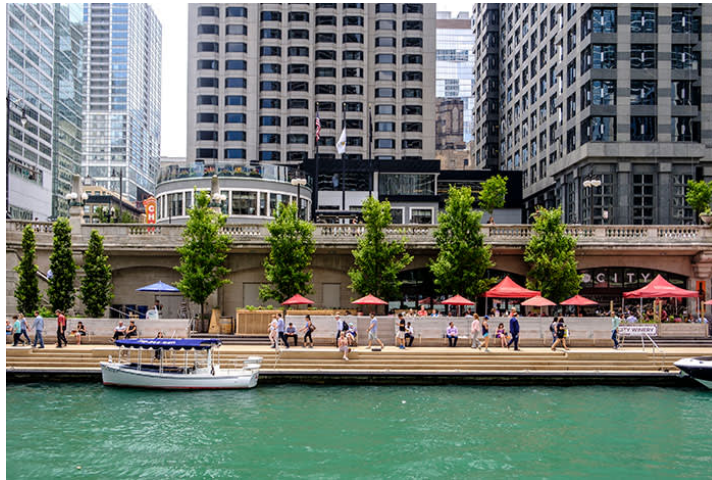
In recent years, crime has marred the city’s reputation. A 2016 study from New York University estimated that roughly half of the increase in US homicides that year was due to Chicago; it was the only major US city to report increases in 2015 and 2016.



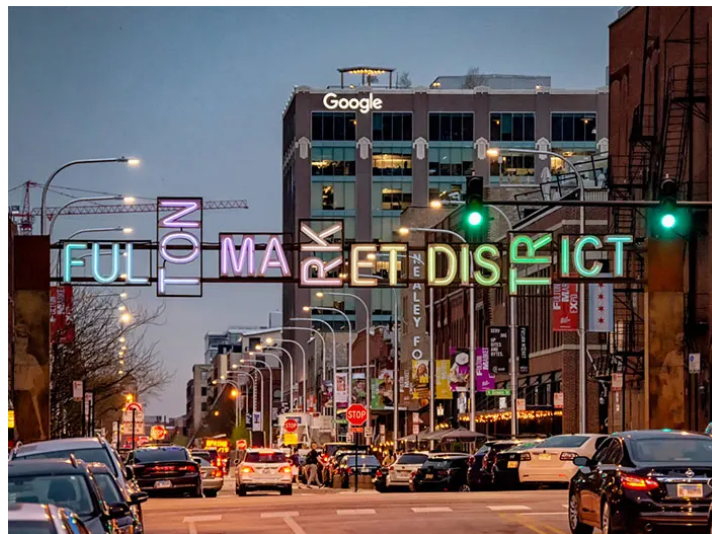
However, thanks to waning housing affordability in America's other leading cities, a growing number of affluent professionals — and their employers — are choosing to overcome the obstacles and move to Chicago.

“The past few years have seen the growth of jobs in the urban core and a flow of population of higher income to the central city neighbourhoods,” says Geoff Smith, director of the Institute for Housing Studies at DePaul University in Chicago.

Tech companies represent a significant number of the new arrivals, he says, with many recruiting graduates from the Midwest's leading universities offering, in Chicago, “a more affordable place to live”.



The River Walk in downtown Chicago © Interim Archives/Getty Images



The busy Fulton Market District entrance © Alamy

Many of the new arrivals are finding a home in a host of high-quality rental developments that have been built in or near Chicago's downtown commercial district in recent years. Integra Realty Resources, an appraisal and consulting company, calculates that of the 36,110 rental units built in downtown Chicago since 2000, more than half have been completed since 2015.

Charles, a software engineer in his mid-30s who did not want to give his surname, and his wife, an office manager, swapped California's Bay Area for downtown Chicago in autumn 2019.

A year earlier, he had sat down with a spreadsheet to work out what he could afford to buy near the tech firm he worked for in San Jose. "For a [fire-destroyed] burnt-out husk of a home I would have paid \$900,000, before the cost of rebuilding it." Even after putting in his entire life savings, he would need another five years of saving to afford the deposit.



Two-bedroom condo, W Fulton Street, \$1.125m © VHT



Four-bedroom condo, W Washington Blvd, \$2.5m © B R Lillie Photography

The couple are now renting on an upper floor of a new high-rise building in West Loop, a downtown neighbourhood with a view of the Chicago skyline.

They pay \$2,300 per month, a third less than the tired apartment they left in an unremarkable neighbourhood of San Jose, where he recently faced a 10 per cent annual rent increase. They are looking to buy something nearby that “will cost half the price and will be in a much more interesting neighbourhood”.

In Fulton Market, a two-bedroom, two-bathroom apartment is being marketed through Compass for \$1.125m.

West Loop, formerly an industrial zone, is now a hip residential destination stuffed with good restaurants and bars and littered with period architecture, such as the Beaux Arts Union Station.

“We have grocery stores, bars, restaurants, culture,” says Charles. “I can walk to work — I have never been able to do that and I cherish it more than anything’.” The couple can walk through the city to Lake Michigan in 30 minutes; the train connections allow easy access. “We’re healthier, happier and more financially stable,” he says.

When he is at the office, his staff electronic notice board is yet another reflection of Chicago’s growing popularity.

“There is a steady stream of posts from new hires relocating to Chicago from more expensive cities. And they are asking for accommodation tips,” says Charles.

Buying guide

- In the year to February, median Chicago sales prices increased 6.4 per cent, according to Midwest Real Estate Data
- The average sale price of a home in Chicago in 2019 was \$289,950
- Regular flights connect Chicago with New York in 2 hours 30 minutes

What you can buy for ...

\$350,000 A one-bedroom condo

\$1.2m A three-bedroom loft apartment in West Loop

\$5.5m A five-bedroom townhouse in Gold Coast

And in New York ...

\$2.25m A smart two-bedroom apartment in Greenwich Village

\$35m A luxury townhouse on the Upper East Side



Crosby Street, New York, \$2.1m

Where Soho, Lower Manhattan. 45 minutes to JFK airport

What A one-bedroom loft apartment in a co-op building

Why Built in 1881 with 12ft ceilings, double-height windows and original iron columns

Who Douglas Elliman



Central Park South, New York, \$45m

Where The Plaza Residences, overlooking Central Park. 40 minutes to JFK

What A four-bedroom apartment with library and wood-paneled study

Why Includes use of a concierge, 24-hour doorman, spa and limousine

Who Douglas Elliman By Edin Imsirovic