

# Condominiums in Chicago— Their Beginning and Future

*Two studies have recently concluded that urban high-rise condominiums are the best real estate investment currently available. There is a large potential market in Chicago.*

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**R**IGHT or wrong? Condominiums are a relatively new concept, the product of American ingenuity in the past ten to twenty years. Wrong! You're thousands of years off the mark!

The fact is that condominiums are a very old concept traced back as far as ancient Babylon, about 4,000 years ago. The concept was already old in the days of ancient Rome and Athens.

The condominium concept didn't begin to gather momentum in the United States until about 20 years ago. It was only a trickle then, but it has grown to a flood in the past ten years as people realize the many advantages to be gained.

Condominiums were quite common in Brazil as long ago as 1928. They passed an enabling act to permit what they call "horizontal properties." Many other Latin American countries soon followed suit.

## **Puerto Rico Was U.S. First**

The first inroads of condominiums to the U.S. came in 1951 when Puerto Rico enacted laws permitting them, then added more laws in 1958 concerning jointly-owned property. People on mainland USA obviously liked what they saw and the Federal Housing Ad-



ministration drew up its first condominium statutes in 1962, using Puerto Rico's as a model. It worked well there, so why not on the mainland? Within five years, all 48 states had their own condominium statutes. Now, all 50 states have them.

Census figures in 1970 showed only 85,000 condominium units in the nation. But by 1975 new construction added over a million, conversions of existing apartment buildings added about 100,000, and the total swelled to more than 1,250,000 by April 1975. An estimate we saw said there were over 200,000 units added in 1977; while another estimate said that 5 million people lived in condominiums or cooperatives in 1978.

The Department of Housing and Urban Development, in a recent study, said, "Overall, condominium owners

appear basically satisfied with their unit and building." In a random sampling, made in six different areas from among over 600 owners, 95% replied that they were "satisfied or very satisfied."

While no precise figures are as yet available, estimates place the number of condominium units in Chicago at more than 80,000. We must wait until the 1980 census is complete for more accurate and authoritative figures, but we shall guess the total will prove to be even larger than the estimates.

## **Boon To Inner City**

Real estate professionals, urbanologists, city planners, economists—experts as a whole—view the condominium's growth as a major factor in revitalizing and preserving inner cities and urban areas as a whole, and with private capital instead of tax dollars. The National Association of Realtors predicts that condominiums will make up 10% of the entire housing market in the near future, while HUD says that 50% of the nation's entire population will be living in them by the turn of the century—only 20 years away!

City officials recognize condominiums are private sources of prevention for the disease of inner-city decline. City officials know that ownership protects the tax base and permits the maintenance of city services.

Condominiums conserve and enhance a city's cultural and recreational amenities as they provide receptive audiences for museums, art galleries, opera, theater, parks and professional sports teams.

*continued on page 36*



## Condo Beginnings and Future

*continued from page 63*

Condominium ownership makes people more concerned about their city. They take a direct interest in services provided and *not* provided. They also get involved in the political life, charitable, civic and business organizations that mean so much to a community.

Business thrives with condominium ownership. Service industries become economically feasible.

### Popular with All

Condominiums are for just about everyone. Young married couples between the ages of 25 and 35 constitute a large market, as do the so-called "empty nesters," couples over 45 years of age whose children are no longer living with them, as well as for career people who want to live near their office and those living on a fixed income who wish to stabilize their monthly payment for housing. All of these buyers also gain the added advantages of avoiding maintenance and upkeep, tax deductions not available when renting, and the lifestyle that

offers them so much more freedom to enjoy leisure time and the amenities offered in a condominium, such as swimming pool, tennis court, hospitality suite, and so on.

It's interesting to note that some who had moved to single-family, detached dwellings in the suburbs are returning to the city. They tell us that condominium homeownership makes a lot of sense. The energy crunch is another important factor to them; they see the price of driving into the city increase day after day as gasoline prices soar.

Besides saving a great deal by not driving, they also cut back on fuel consumption and avoid the hassle of fighting traffic the year around, particularly when snow snarls traffic, forcing them to spend hours traveling to and from work. Some of our most satisfied buyers are in the areas of the Gold Coast, Streeterville, Near North and North Shore.

The condominium movement is also including smaller apartment complexes such as garden courts and low-to medium-rise buildings. We saw a dramatic example of the success of smaller developments not long ago when one of our affiliated companies

put a north side garden apartment on the market as a condominium. They held an open house on a Saturday and Sunday and, despite the fact that they used no advertising, people streamed in to see and buy. Our sales associates wrote 63 contracts for the 55 apartments in the complex. The clients who came recognized excellent values and were quick to write \$1,000 good-faith checks as they signed contracts. We view this as a good sign that there is still heavy demand for good values in condominiums in the city.

### Lofts and Warehouses

A fairly recent phenomenon has been the rehabilitation of old loft and warehouse buildings, converting them into condominiums. Many of these units come out as very large living quarters, with buyers doing a great deal of their own rehabilitation and decoration. Even an old ice house is undergoing this rehabilitation at the present time.

We have seen condominium values more than keep pace with inflation. Appreciation rates have skyrocketed to over 100% in a few years.

Two interesting studies were recently conducted and both arrived at the same conclusion: urban high-rise condominiums are *the best real estate investment currently available.*

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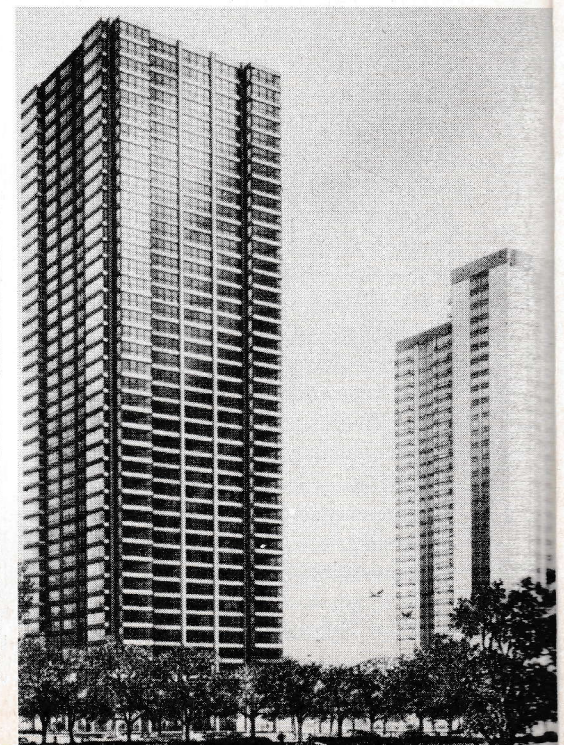
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Rendering of new Buckingham Plaza Condominium, joint venture of American Invsco Corp., Illinois Center Corp. and Metropolitan Structures, Inc. Luxury 42-story condo will be erected at Lake Shore Dr. and Randolph St. and will contain 305 homes.





## High-Rise City Condo

Quoting from a recent article in the *Chicago Tribune*: "Along with soaring real estate prices, the last few years have seen a continuing controversy over which type of Chicago residential real estate has appreciated the most. The answer is in, and the winner is the high-rise city condominium, which has appreciated at the rate of 19.1% per year, compounded, since 1974. At the same time, single-family homes in Chicago proper rose in value at an annual rate of 15.7% and single-family residences in suburban Cook County increased 14.1% per year."

"The study covered 10% of all residences in Cook County," said John Pfister, vice president and market research manager for Chicago Title and Trust Co. "The figures were obtained from county records on prices of property sold at least twice since the end of 1973."

Real estate editor Don DeBat of the *Chicago Sun-Times* wrote, "According to a report prepared for Continental Bank of Chicago, condominiums not only appear to be a good hedge against inflation, but virtually all types of units . . . regardless of location . . . have appreciated faster than the consumer price index for metropolitan Chicago."

"Overall, values of condominiums in Chicago have nearly doubled, with a 97% gain in price since the last half of 1972."

Another study recently made for the real estate department of the First National Bank of Chicago states unequivocally that there is a large potential market for condominiums. The study was conducted by M. Leanne Lachman and Lewis Bolan of the Real Estate Research Corporation (RERC). In their study, "Emerging Trends In Real Estate," they say, "Taking into account replacement housing, with a projected growth of 1½ million households per year, the demand for new housing units will be 2.3 million units annually through 1985 . . . if supply and demand remain in approximate balance. We have the highest proportion of adult households in the history of America right now, so there is a large potential market for condominiums."

## Different Motivation

They continue, "For many people, a condominium is considered the first step on the ownership housing path, on the way to a single-family house. For others, a condominium replaces a

larger, single-family home. For still others, an owned multifamily unit matches long-term occupancy desires.

"Condominiums will represent a very significant proportion of nationwide housing starts by the mid-1980s."

An excellent example of new construction is the announcement that came from Mayor Jane Byrne's office on May 1, 1980, that a luxury condominium is under construction at Randolph Street and Lake Shore Drive. It is to be called Buckingham Plaza, a joint venture of American Invsco Corporation, Illinois Center Corporation and Metropolitan Structures, Inc.

Slated for completion by the spring of 1982, Buckingham Plaza will contain 305 homes in its 42 stories, with apartments ranging from one bedroom to luxurious three bedroom homes, swimming pool on the 42nd floor, outdoor sun decks, sauna and locker facilities, gourmet food and drugstore commissary, valet and receiving room, indoor parking, hospitality suite, a sophisticated security system and 24-hour doorman service, plus other amenities.

In making the announcement, Mayor Byrne commented that it is heartening to know that the joint venture

partners have such faith and confidence in the economic future of Chicago that they would announce the start of such a large development.

## Dearborn Park

Another example of new construction is the ambitious Dearborn Park, near downtown Chicago. There are 749 condominium units consisting of townhouses, mid-rise and high-rise condominiums. They range in price from \$73,900 to \$139,900 for the two- to four-bedroom units.

There is the recently completed 1100 North Lake Shore Drive. Original prices when construction began in 1978 ranged upward from \$178,000. Original developer units still available range from \$262,000 to \$290,000, and resales have already taken place, ranging upward from \$265,000. Some of these units were never occupied by the original buyer. They sold at a substantial profit from blueprints.

There is no doubt about it. Condominiums are here to stay as a viable, desirable, practical housing life-style for those wishing to own instead of rent. We see nothing ahead but a bright future for this ancient yet modern concept of home ownership. □

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