

## Shifting view of American Dream

By Steve Lord slord@stmedianetwork.com March 17, 2013 3:16PM



Nadine Johnson (left), a broker and leasing agent for Kettley Realtors and Angie Martinez talk about some of the advantages of renting a home on Friday, February 15, 2013 in Aurora at a home the Martinez family decided to rent. | Steven Buyansky—Sun-Times Media

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Angie Martinez just moved into her little part of the American Dream.

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The house on Aurora's far West Side has three floors, three bedrooms, a fully finished basement, and a yard with a fence — perfect for her, her husband and five children. "As soon as we saw it, it fit our needs perfectly," she said.

It also fit their needs in another, more non-traditional way

— it is a rental, not a purchase.

Martinez and her husband have found that renting is how they can grab back their part of the dream, after the nightmare of foreclosure.

There was a time when the classic American Dream included owning the house with the white picket fence. But the last few years have changed that.

Planning agencies and those in real estate have been noticing a trend toward more available rental properties — not just apartments, but houses like the one Martinez is moving into. That is good news, because the number of people looking to rent is on the climb, too.

"Definitely, over the last three years, there has been a huge rental market building," said Lori Gaul, a Realtor with John Greene, a Naperville-based real estate company. "From 2001 to 2005, people were buying. Now, it's kind of flip-flopped the other way."

Consider:

The city of Naperville recently approved Naperville Crossings, a 200-unit apartment complex in the southern part of the city, the first development platted as apartments in Naperville in years.

In Plainfield, a large multi-family apartment complex is going up at Routes 59 and 127.

Large real estate companies such as Kettley Realtors, based in Aurora, and Prudential-Stark, based in Elgin, have opened either property management or rental divisions to cope with the growing demand.

"We always did property management, we've just gotten bigger and better at it," said Ed Kettley Jr., managing broker at Kettley Realtors. "We can wait around until listings go back to where they

were, sell one house a year, or we can do this.”

Nadine Johnson, a broker and leasing agent for Kettley, said the demand for rentals has been so great that she cannot handle them all. She said she can get as many as 85 calls in three days on one rental listing.

“They last three years, more people are coming to me than I can possibly help,” she said.

### **Jump in late 2012**

Renting was always the black sheep of the real estate market, particularly in the Chicago region. For years, regional agencies such as the Metropolitan Planning Council, or the Chicago Metropolitan Area for Planning identified a huge disconnect between the demand for rental properties, and the actual number of units available.

Gaul pointed out developments that were built as apartments became condominiums. They made rules that limited renting by condo owners, such as saying only the original buyer could rent, to discourage investors and speculators.

But CMAP recently pointed out they had seen an increase in rental properties available, based on the third quarter of 2012. They predicted a jump in available rentals throughout the region in 2013 and 2014.

According to data from CMAP, the region added about 1,050 rental apartments through the third quarter of 2012, all of them in the city of Chicago.

There are almost 7,200 units under construction throughout the whole region, 5,500 of which are in Chicago.

But the ratio is reversed for the 1,300 completed and 800 under-construction senior housing units, CMAP said. Some 80 percent of the completed senior units and 70 percent of the under-construction units are in suburban areas.

Elizabeth Schuh, CMAP senior policy analyst, warned that one quarter of a year “does not make a long-term trend.”

Still, the major factor behind the increased rentals seems to be the bust in the real estate market. And while Realtors are saying they see positive trends in the market, no one thinks it will return to what it was — certainly not for a long time.

### **More units, more demand**

Many people who would have sold their homes could not, or did not want to sell at the reduced price they would have had to take. Many of them now are renting their properties.

“There’s an awful lot of stuff out there to rent, and a lot of it is nice,” said Kay Diamond, of Prudential-Stark in Elgin.

The irony, though, is that as the number of apartments or houses for rent has increased, so has the number of people looking to rent.

Renting has always had its highest demand among young people just starting out, and seniors who, for one reason or another, can’t or don’t want to own a house anymore.

But there are many more renters now in the area between those two demographics, something Joanna Trotter, vice president of programs for the Metropolitan Planning Council, calls “a culture shift.”

The high number of foreclosures during the past several years has led to a higher number of people who cannot, or don’t want to be, homeowners again — at least for a while. For someone foreclosed on, it will be two to five years before they can consider buying property again.

That was the situation with the Martinezes, who are a combined family where one of the two was foreclosed on. But even if they could purchase, they don’t want to. “Right now, we can’t buy,” Martinez said. “But there is a certain peace of mind, not buying. Once you have a mortgage, you’re locked in.”

So, even though there are more rental units out there, there still are more people looking to rent.

“The demand is outpacing the supply,” Kettley said.

Because of that, rental prices remain high, despite the availability of more units.

For speculators who have been able to buy property, they can easily make their investment back

on rent.

"You can rent for more than the monthly payments," Gaul said.