

Aurora Market Remains Affordable

Peter F. Colwell

ORER Director Peter Colwell spoke to the Aurora Board of Realtors® on September 5. He presented an analysis of data on the area's recent market activity. A summary of his findings is presented below.

Through its Star Series, the Bureau of Economic and Business Research at the University of Illinois provides speakers to professional and community groups across the state. Parties interested in arranging for speakers should contact the BEBR; its telephone number is (217) 333-2330.

The recent history of the Aurora area market presents an interesting case. The city is close enough to Chicago to be influenced by that market's activity, yet is far enough away, and has a strong enough identity of its own, that separate trends can appear (see *ORER Letter*, Winter 1990).

The first figure below plots the average number of days a single-family property has remained on the market through MLS. As one might expect, houses sold quickly in the late 1970s, then remained unsold longer amid high interest rates in

the early 1980s. Should we be troubled that recent experience shows average days on the market approaching the highs of a few years ago; have the "bad old days" returned? Probably not. Measurement error can easily find its way into this statistic in certain market environments. For example, the highs shown for the early-to-mid 1980s are likely understated, since during that period a frustrated seller may have changed brokers after a listing's expiration, or even withdrawn a property from the market for a period of time. The measured time in such a

Figure 1: Days on Market

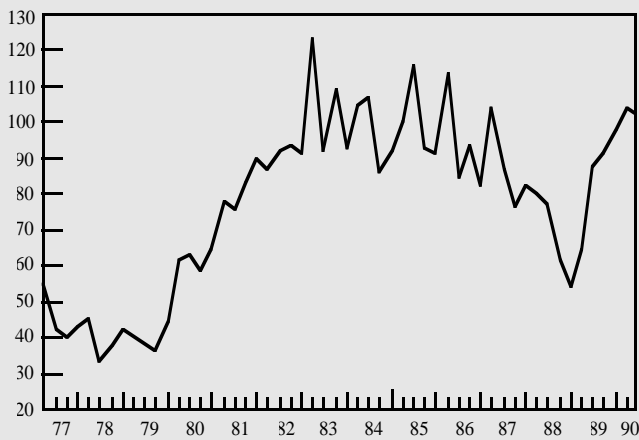


Figure 2: Listings and Houses Sold

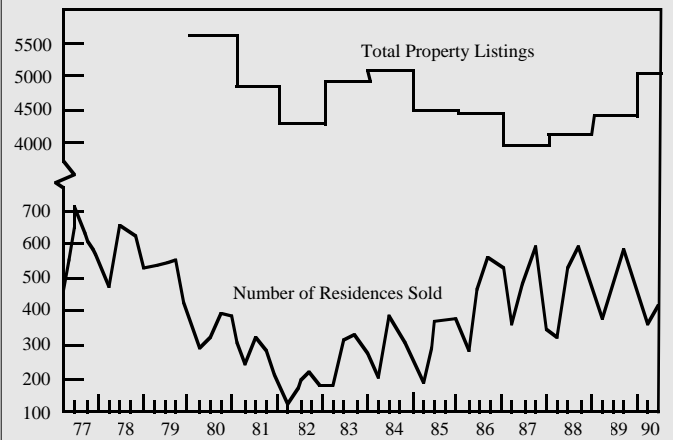


Figure 3: Number of Lots Sold

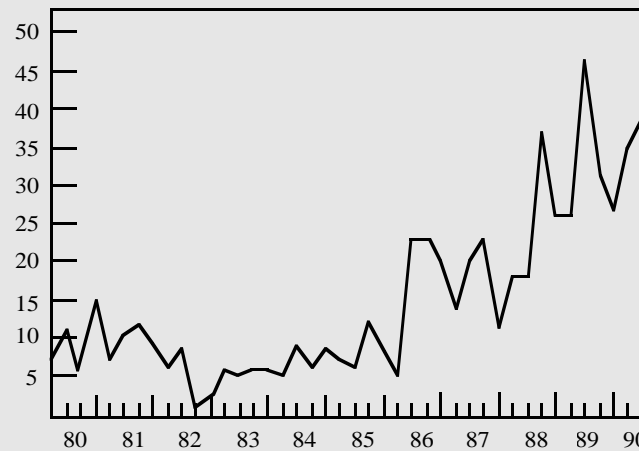
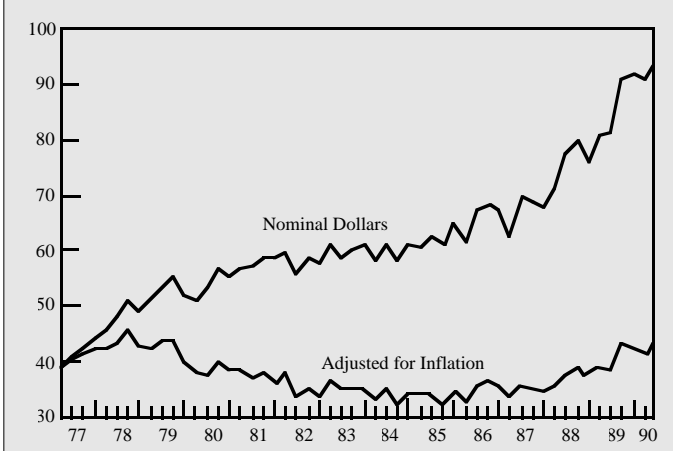


Figure 4: Average Price of Single-Family Homes



period may have reflected only a portion of the time the property was actually available for sale. While the market has softened recently, it is not close to the depths reached in the early to mid 1980s.

The second figure plots both number of houses sold and total real estate listings (annual rates for all property types, the only relevant data available, with estimates for 1990). It is interesting that the gap has closed in recent years, though it seems to have widened slightly in the late 1989 - early 1990 period. But again, there is not necessarily cause for concern. The gap is certainly not as wide as it was at its peak, and there could be errors from estimating the 1990 listing total or from aggregating all property types. Note in the third figure that the sale of lots, which accounts for some of

the listing activity, has remained strong.

Perhaps the most interesting story is told in the fourth figure, which tracks the average price of an Aurora area home, in both nominal and inflation-adjusted dollars. We should not be surprised to see today's nominal cost considerably higher than that of the late 1970s. What may be surprising is that the inflation-adjusted cost is somewhat lower today than it was in the vigorous market of a dozen years ago. In fact, Aurora's affordability is even greater than the figure might indicate, because the quality of the average home has risen in recent years. A figure showing the average "real" cost of a "constant quality" home in Aurora would certainly demonstrate a downward slope. Aurora appears to offer a very affordable housing market. ■

ORER Paper Available

Paper #82, "The Use of Futures To Hedge the Price Risk of Construction Materials," by Mohammad Amr A.G. Hassanein, is the most recent addition to the *ORER Working Paper Series*.

Dr. Hassanein is on the faculty of the U of I College of Engineering. The paper is available in two versions, the longer of which is a technical work of sufficient length that ORER must charge \$6 for each request (to cover copying and mailing costs). A shorter, summary version is also available.

A single copy of the summary version, or of any other paper in the series, is available at no cost to the requestor from the Office of Real Estate Research.

New Licensing Examination Procedures

Recent administrative changes in the Illinois licensing examinations for real estate salespersons and brokers may be of interest to *ORER Letter* readers.

The changes follow the state's appointment of a new examination administrator; Assessment Systems, Inc. replaces Educational Testing Service. The first tests under the new system will be administered on October 16. There no longer are application forms; all registration activity is conducted by phone. The applicant should call 1-800-274-0999 (between 8:00 A.M. and 8:00 P.M. Eastern Time, Monday through Friday) at least three business days before the desired examination date.

The exam is to be completed on a device called Ex Pro, a hand-held computer that administers all aspects of the multiple-choice exam. It presents questions,

allows review of previous questions, and keeps track of time (four hours are permitted) and score. The examinee learns immediately upon completion if a passing score has been achieved.

Examinees may use calculators, but not those with alpha keyboards. Solar calculators, which require brightly lit rooms, are not recommended.

A *Candidate's Booklet* will be provided to each individual who registers for one of the exams. The booklet is to contain information on exam dates and testing center locations. *The Booklet must be obtained from Assessment Systems, Inc.; ORER will not have access to the Booklet and will not be able to provide copies to U of I students or alumni.* The examination fee of \$42 must be paid on the day of the exam. Cash and personal checks are not acceptable forms of payment.

Course and experience requirements remain the same. U of I Finance 264 and 464 continue as qualifying courses for the salesperson's exam, while the other Finance courses in real estate (365 - 369) and Agricultural Economics 312 can help to fulfill broker exam requirements. The applicant who has completed any qualifying course work at the University of Illinois should contact the Office of Real Estate Research for a Uniform Real Estate Transcript. Please include your full name, Social Security Number, the semester the course was completed, the name of the instructor, and the final grade.

Readers should also note that the General Assembly has delivered to Governor Thompson a bill to require each license holder to complete twelve hours of continuing real estate education every twenty-four months. ■

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