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Supply and demand

Renters look to condos for location, amenities

By Janice Rosenberg
Special to the Tribune
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When Jason Cragg began looking for a place to live in Chicago, it never occurred to him that he could rent a condominium. The apartment search company he contacted showed him basic rental apartments, but they also enlightened him about the advantages of condo living.

"One of the real benefits of living here is that the apartment includes a parking space and the use of the complex amenities," says Cragg, a director in the financial services industry who lives in the South Loop. "Also I have a more stable platform of neighbors to get to know. They're more mature and really care about the place."

According to Chicago-area real estate experts, condo rentals are a trend. Their increasing availability is a result of investors buying units for use as rental properties, and of owners retaining their condos as rentals when they move out.

"This has been a trend for a couple of years," says Judy Roettig, executive vice president of the Chicagoland Apartment Association in Schiller Park. "We refer to this as a 'ghost market' because it's very difficult to identify how many condominium units are being rented."

Apartment-finding companies also note the trend. The vast majority of rental agreements signed through Chicago Apartments and Condos cover condos, says John Mousser, the company's managing broker.

Maurice Ortiz, marketing director at The Apartment People, says he's seen "a huge influx of condos" for rent since 2001. "People ask me if the growing number of condominiums being built has hurt our business," Ortiz says. "The fact is, it has actually increased our inventory."

Ortiz lists three reasons condos are popular with renters. First, they are more likely to allow pets. Second, they tend to have features such as hardwood floors, central air conditioning and stainless steel appliances. And third, as the old saw goes, there's location, location, location. Condo rentals have created opportunities to live in the hottest parts of town.

Meghan Frelk stumbled into condo living when she rented her first post-college dwelling with help from an apartment-finding service. Two years later, when she decided to look for a bigger place, condo rentals were high on her list. In May, she moved from a Lincoln Park courtyard building with 30 units, to a nearby high-rise.

"Condominium buildings are kept up better," says Frelk, who works in development for a non-profit organization. "In my first place, the condo association took care of light bulbs outside and general upkeep. If I needed repairs, I talked to my landlord and we arranged for someone to come in."



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Mitch Rattner, president of Home Equity Savers in Glenview, and his business partner, Mariann Weiss, own a high-rise condo on LaSalle Street, among other properties. If their tenant calls with plumbing or electrical trouble, Rattner notifies the condo association, which arranges to fix the problem, then adds the charges to Rattner's monthly association fee.

(Note: Associations have varying ways to handle repairs, and some don't become involved in work that affects only the owner's unit. Before signing a lease, check to see how repairs are handled.)

"If you're just moving to an area, just out of college or just starting a career in a big city, the best way to learn about it without worrying about what will happen if you lose your job, is to rent a condo," Rattner says.

Owners' options

Finding a renter for a condo at a time when the average security deposit may be enough for a down payment on a unit, isn't always easy.

Luno Khuon, a software engineer who lives in Bolingbrook, bought a newly constructed condo in the western suburbs. It's been on the rental market for several months.

"People who are coming through to see it don't pass the screening process," Khuon says. "People who have good credit and can afford to buy, will buy instead."

Barry Stoltze, owner of The Mortgage Department Inc. in Des Plaines, knows finding a tenant can take time, but he thinks it's worth the wait. Stoltze recently moved into his fiancée's condo. He placed a "For Rent" sign outside the condo he bought in 2003 in a seven-unit Lakeview building.

"Plenty of people feel there's no end in sight to the appreciation on condominiums, so I figure why not keep it if I can cover the mortgages plus the association dues with the rent," Stoltze says.

Landlords in Chicago, even those who offer only one unit, must comply with the City of Chicago Residential Landlord and Tenant Ordinance. Failure to follow that can subject landlords to severe liability, says Richard Magnone, partner in the Chicago law firm Reda Ciprian Magnone.

He suggests landlords consult an attorney for help in preparing a lease that complies with the ordinance.

"This ordinance is a very good thing for renters," Magnone says. "It's a little harsh on landlords who are ignorant of the law."

Conflict at home

Not all condo owners are thrilled to have renters in their buildings.

The average renter has no respect for the property, rules and regulations, or the neighbors, says Jackie Smith-Williams, president of the board of the Deer Park II Condominium Association in south suburban Alsip.

For example, when one Deer Park II condo owner moved for employment reasons, he rented his unit. When the tenants did not pay their rent, disturbed their neighbors' peace and refused to move out, the condo owner obtained a court removal order.

The renters eventually left, but not before taking appliances and other items that did not belong to them.

This and a number of other unpleasant incidents led Smith-Williams and her fellow board members at the 104-unit property to launch a campaign to add a no-rent clause to the association bylaws.

"I thought we'd have a hard time stopping rentals," Smith-Williams says. "But when we brought it to the table at the association meeting, I was shocked to see so many people saying they absolutely didn't want renters. The decision passed by the required two-thirds majority."

The Illinois Condominium Property Act should help parties on both sides avoid conflicts. It states that renters must be treated the same as owners with equal access to all amenities and that renters must live according to condo bylaws.

The act requires condo owners to create leases for their tenants stating this, says Angela Falzone, an associate with Association Advocates Inc., a property consulting firm in Chicago.

If the renters don't abide by the rules, associations can fine the owners and may have other legal actions available to them.

"Renters may be careless and not have the same interests as owners," says Falzone, who has managed properties for 30 years. "And, in my experience, often the non-resident owners do not have the same interest in caring for the property either. They may bring renters in and not monitor them properly."

Having too many renters also can affect the mortgage process. When 50 percent or more of the units in a property are not owner-occupied, secondary mortgage markets such as Fannie Mae and Freddie Mac will not buy mortgages provided for that property, says Jim Nabors, president of the National Association of Mortgage Brokers in Washington, D.C.

"It's not that buyers can't get a mortgage, but there are fewer players in the market," Nabors says. "Instead of thousands of mortgage possibilities, buyers are limited to hundreds and they mostly must turn to local banks."

But in today's market, with investors buying units at preconstruction prices, renters are inevitable, says Art Prazak, associate broker at Coldwell Banker Residential Brokerage in Bolingbrook. Having spent 20 years on the board of his condo association in the southwest suburb, he knows both sides of the story.

"We've had folks move in who were selling drugs," Prazak says. "Under our bylaws we were allowed to do a forced entry and to evict the tenants. But most renters blend in and take care of the property. They are young couples just starting out, trying to build credit so that they could move on as their careers progress."

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