

CHICAGO METROPOLITAN AREA ILLINOIS MARKET

Like most regions of the country, the housing market in the Chicago Metropolitan area displayed continued signs of decline in 2009. The reality of economic recession has impacted real estate markets in virtually every major metropolitan area. Although interest rates remain at highly affordable levels, this situation has not been able reverse the challenges facing the Chicagoland marketplace. Negative locale and national economic factors have sustained elevated consumer concern, having a direct negative impact on the real estate marketplace.

The region is comprised of six counties and four collar counties. The primary 6 counties noted below have seen substantial increases in unemployment as major employers are having layoffs.

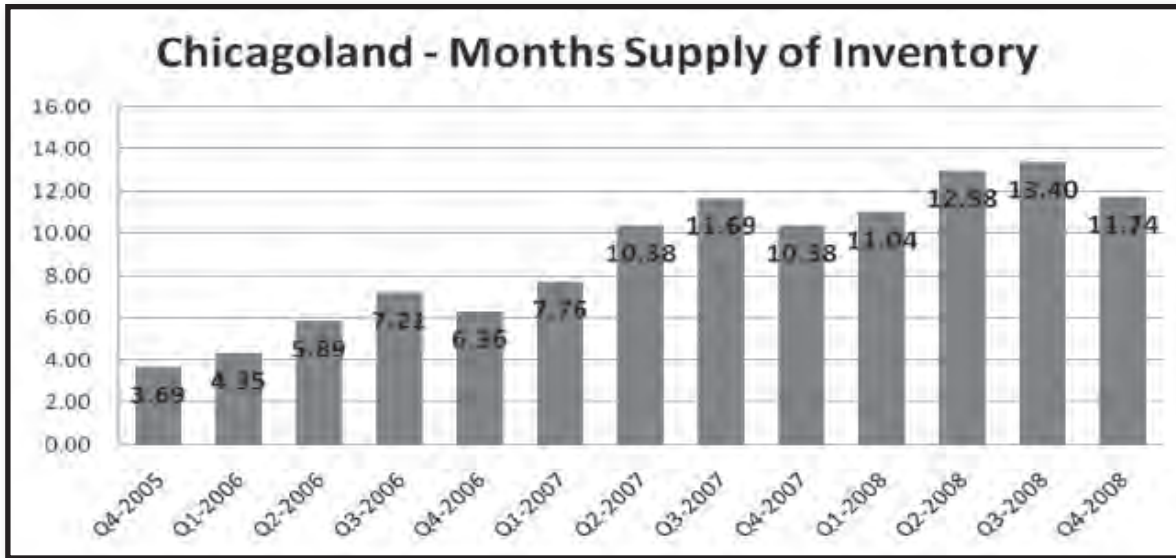
	<u>Cook</u>	<u>DuPage</u>	<u>Kane</u>	<u>Lake</u>	<u>McHenry</u>	<u>Will</u>	<u>State of IL</u>	<u>National</u>
Dec-08	7.10%	5.40%	7.50%	8.30%	6.90%	7.20%	7.90%	7.60%
Dec-07	5.10%	3.80%	4.80%	5.00%	4.30%	4.70%	5.00%	4.60%
Dec-06	4.70%	3.40%	4.30%	4.20%	3.70%	4.30%	4.60%	4.60%
Dec-05	6.50%	4.70%	5.70%	4.50%	5.10%	5.50%	5.70%	5.10%
Dec-04	6.60%	5.00%	6.00%	5.30%	5.20%	5.90%	5.80%	5.70%
Nov-03	7.30%	5.20%	7.0%	6.20%	6.30%	6.90%	6.70%	6.00%
Nov-02	7.40%	5.20%	6.60%	5.60%	5.70%	6.30%	6.50%	5.80%
Nov-01	6.10%	3.90%	5.30%	4.50%	4.50%	5.10%	5.40%	4.70%
Nov-00	4.90%	2.90%	4.30%	3.50%	3.40%	4.20%	4.40%	4.00%

As noted by the following graph, the sales volume has been decreasing in the Chicago Metropolitan Area, from a peak of 72,546 closed properties as of the end of 2005, to 36,823 closed properties at the end of 2008 which is a 49.2% decline.



The entire region's inventory level at the end of the year in 2005 was a balanced 3.69 months supply. Three years later, the inventory level has grown to 11.74 months supply. This represents a 218% increase in inventory in the Chicago market in just three years.

CHICAGO ILLINOIS MARKET continued



The months supply calculation is an important number, which calculates the current inventory in relation to the typical number of homes to sell per month. Typically a 4 month supply (120 days) is balanced. Metro Chicagoland is experiencing an oversupplied market, as are a vast majority of its sub-markets.

New construction developments have virtually halted. Where the limited amount of new construction takes place, builders continue to offer significant incentives and concessions to new home buyers. Transferees who recently purchased new homes are having a difficult time competing with the builders in these areas.

The following graph shows the change in mean (average) sales price over the previous 13 quarters in the Chicago Metropolitan Area. Although there was evidence market softening due to increasing inventory levels and decline of sales volume in 2006, the area's average sales price continued to increase in 2006, and stabilized in 2007, and has shown dramatic declines in 2008. These patterns should not be generalized into the sub-markets of the Chicago area, and the change in Mean Sales Price is not considered Appreciation or Depreciation. It may be influenced by presence or lack of higher priced and new construction listings in our MLS system.



CHICAGO ILLINOIS MARKET continued

The current trends reflect increasing inventory in most communities in the Chicago Metro area, sustaining a buyer's market in a vast majority of cases. Moderate declines are anticipated to continue in many "upper-bracket" segments, while other markets will struggle to sustain value. The oversupplied nature of markets will outweigh any offset by the affordable current residential mortgage interest rates. A vast improvement will likely not occur in our Chicagoland marketplace no sooner than the Spring of 2010.



For additional or more current information on the residential market in the Chicago Metropolitan area, visit www.rac.net and select "The RAC Report," or contact any of the following RAC members:

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