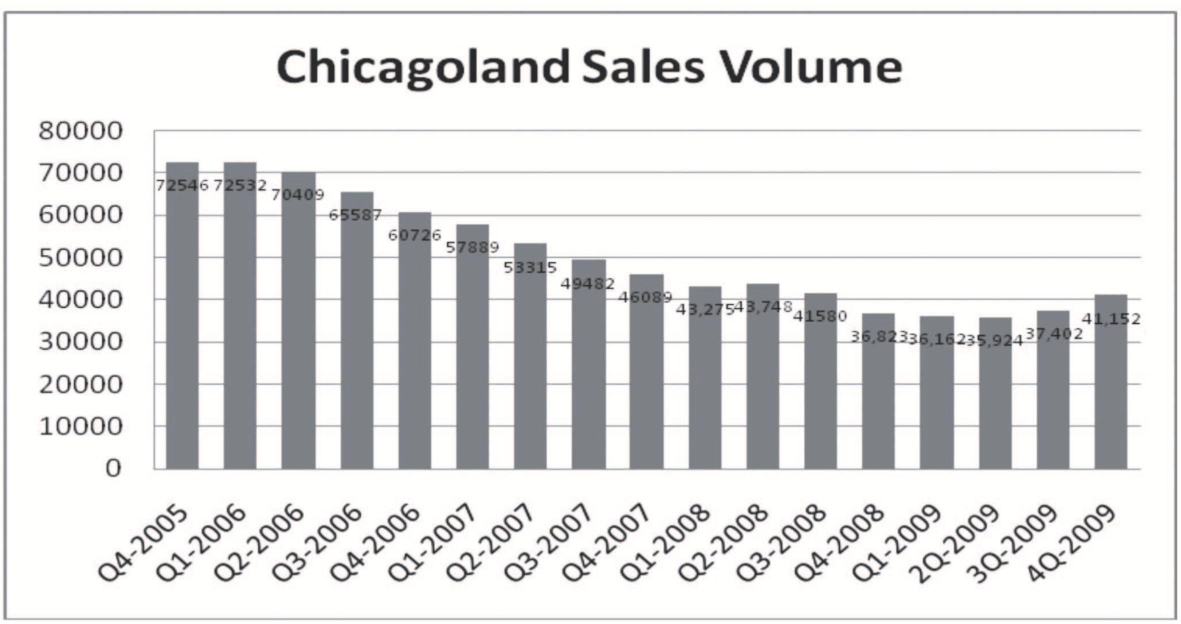
Not unlike most regions of the country, the housing market in the Chicago Metropolitan area displayed continued signs of decline into 2010. The ongoing economic recession has continued to impact real estate markets in most major metropolitan areas. Although interest rates remain at highly affordable levels, this situation has not been able to reverse the challenges facing the Chicagoland marketplace. Negative locale and national economic factors have sustained elevated consumer concern, having a continued negative impact on the real estate marketplace.

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

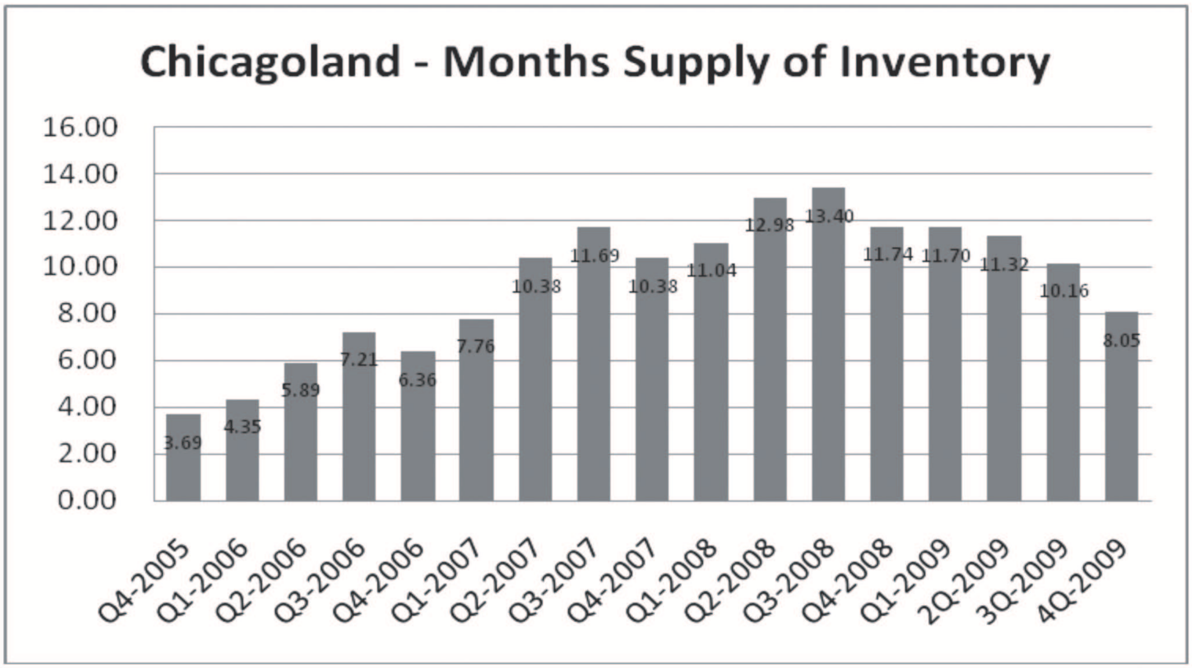
Unemployment by County-Chicago Metro Area (Source: IDES)

	Cook	DuPage	Kane	Lake	McHenry	Will	State of IL	National
Dec-09	10.8%	8.6%	11.2%	11.6%	10.4%	11.0%	11.0%	10.0%
Dec-08	7.1%	5.4%	7.5%	8.3%	6.9%	7.2%	7.9%	7.6%
Dec-07	5.1%	3.8%	4.8%	5.0%	4.3%	4.7%	5.0%	4.6%
Dec-06	4.7%	3.4%	4.3%	4.2%	3.7%	4.3%	4.6%	4.6%
Dec-05	6.5%	4.7%	5.7%	4.5%	5.1%	5.5%	5.7%	5.1%
Dec-04	6.6%	5.0%	6.0%	5.3%	5.2%	5.9%	5.8%	5.7%
Nov-03	7.3%	5.2%	7.0%	6.2%	6.3%	6.9%	6.7%	6.0%
Nov-02	7.4%	5.2%	6.6%	5.6%	5.7%	6.3%	6.5%	5.8%
Nov-01	6.1%	3.9%	5.3%	4.5%	4.5%	5.1%	5.4%	4.7%
Nov-00	4.9%	2.9%	4.3%	3.5%	3.4%	4.2%	4.4%	4.0%

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 35,924 closed properties at the end of the second quarter of 2009 which is a 49.2% decline. Note the 14.5% increase in the second half of 2009, which signals the end of the negative trend. This can be partially attributed to the governments tax incentives in 2009 and early 2010.



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 at the end of 2008, representing a 218% increase in inventory in the Chicago market in just three years. The positive is the falling inventory noted in 2009, a drop from 11.74 months supply to an 8.05 months supply at year end, representing a 45.9% decline and is the lowest since the 1st Quarter of 2007.

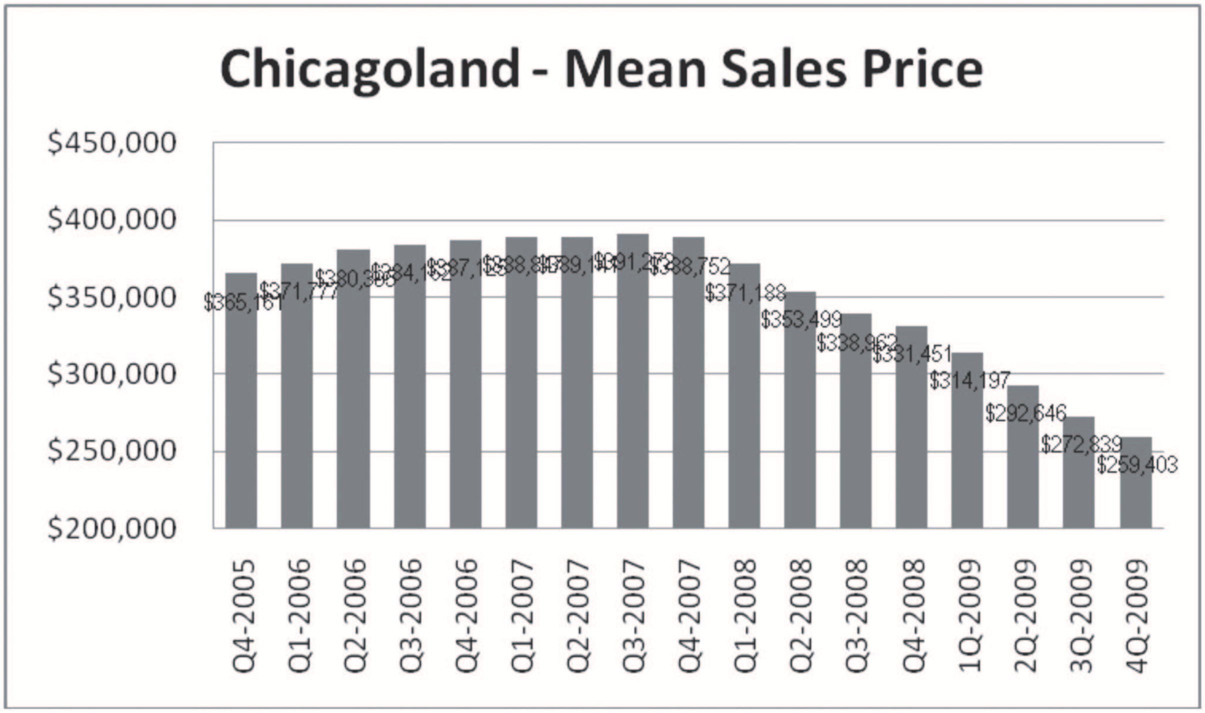


The months supply calculation is an important number, which calculates the current inventory in relation to the typical number of homes to sell per month. Typically a 4 month supply (120 days) is balanced. Metro Chicagoland is experiencing an oversupplied market, as are a vast majority of its sub-markets.

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 17 quarters in the Chicago Metropolitan Area, reflecting the beginning of the real estate downturn. Although there was evidence of 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 that carried through 2009. 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 stabilized to decreasing inventory in most communities in the Chicago Metro area, but still an oversupply and 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 in our Chicagoland marketplace will not likely occur any sooner than Spring of 2011.

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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