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ALVIN L. "CHIP" WAGNER III, SRA, SCRP

OCTOBER 2010 eNEWSLETTER

Dear Chicago-Area Real Estate Community and other interested parties in real estate and relocation:

Attached please find my October Statistics:

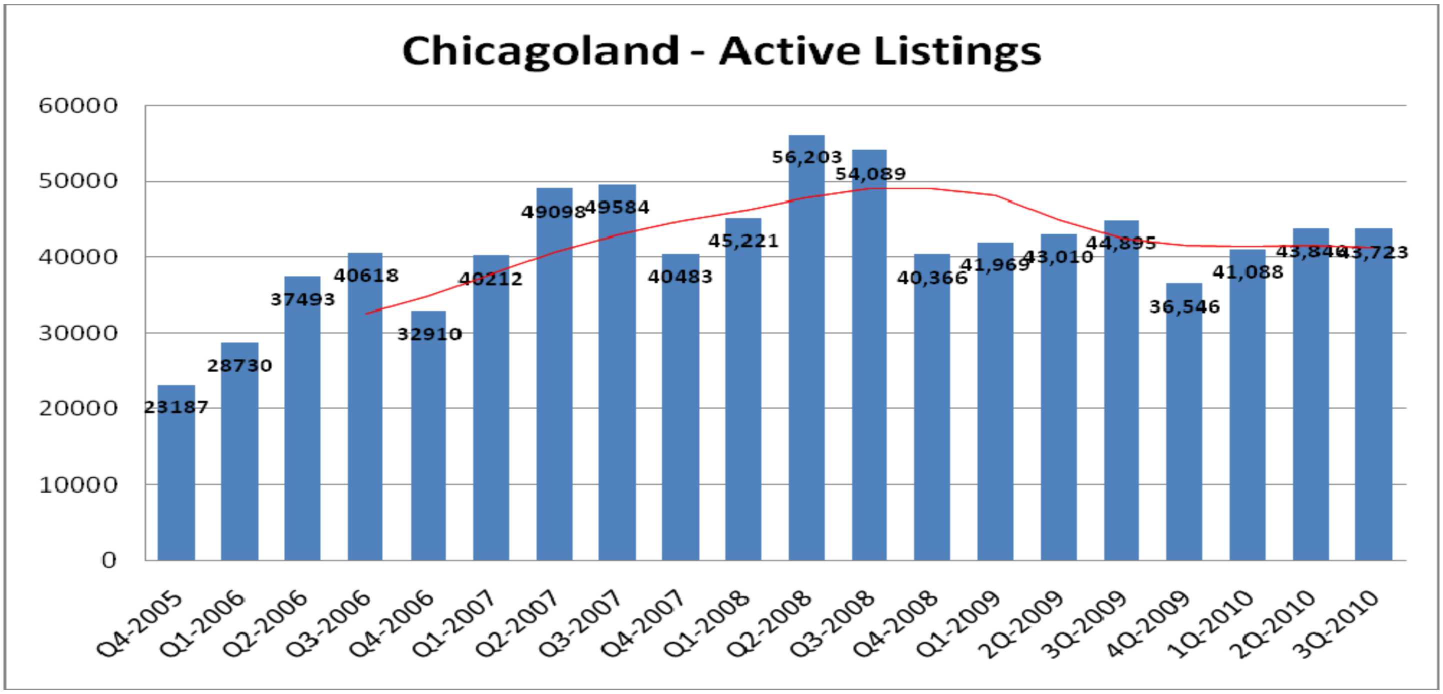
- Monthly Market Pulse for Detached Housing – October 2010
- Monthly Market Pulse for Attached Housing – October 2010
- Quarterly Report for Detached Housing – 3rd Quarter 2010

Throughout 2010, there have been crazy things taking place. I'm not talking about our great weather which started in the early spring to the late fall warmth. No, I'm not referring to the Blackhawks playing hockey in the middle of the summer and subsequently hoisting the Lord Stanley's Cup. I could be referring to the fact that the Chicago Bears are alone in first place after 6 games, but that's not it either. I'm talking about our local real estate market in 2010 which has shown us things we have not seen before.

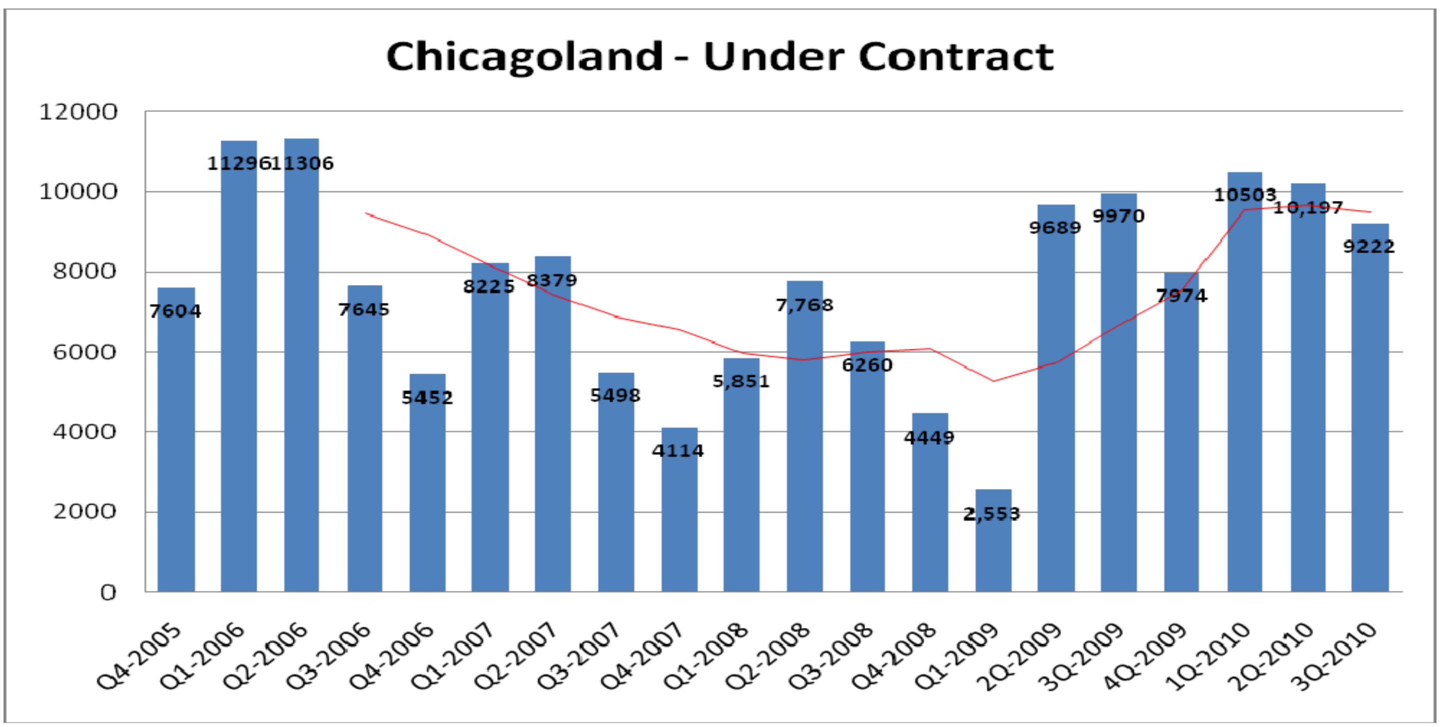
We have struggled through our longest recession since the "Great Depression" in the 1930's; We have seen our highest level of unemployment in 20-25 years in the Chicago area; and, we have mortgage interest rates at 40+ year lows. Mix in the "tax credit" that influenced demand that expired on April 30th and you have a really complex year. Now we are approaching mid-term elections. History tells us that presidential elections often wreak havoc on various markets, and the real estate market is no exception. But the mid-term elections typically have less influence, but this year will likely be an exception with tea parties and uncertainties abound.

Last week, I was asked by a homeowner looking to downsize, if they should sell now or wait until next Spring. My honest answer to them was that conventional thinking is usually people take their homes off the market at this time of the year and market in the Spring season. But with interest rates where they are, the current oversupply of homes, and the looming shadow inventory including foreclosures and short sales, I suggested that there is "*no time like the present*." The one thing I can say for certain, is there is no "*same ole, same ole*" in this complex real estate marketplace. We cannot look at history and expect it to repeat itself. We continue to forge ahead, breaking new ground and the old crystal ball is cloudy as ever.

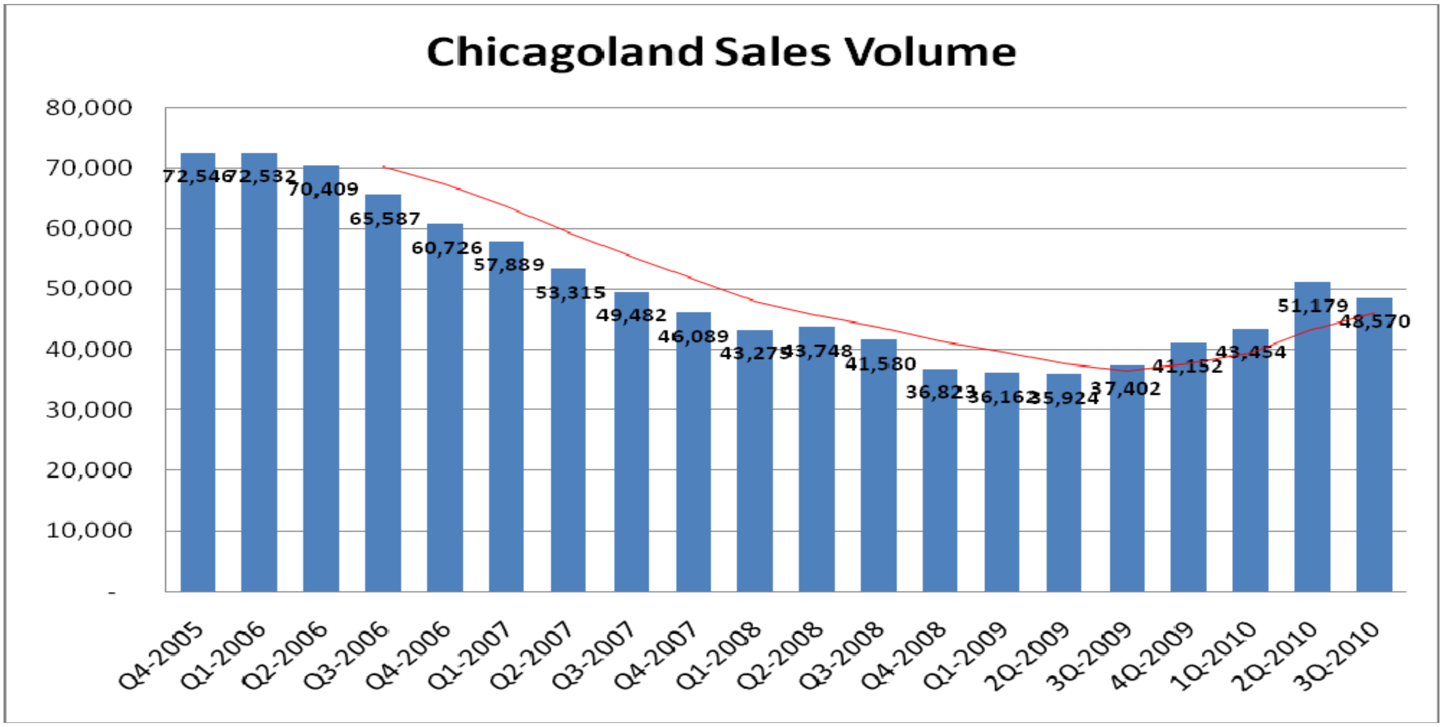
One thing we CAN do, is look at **trends**. The following graphs note key statistics that I track. The graphs report quarterly statistics from the reports I publish, beginning in the fourth quarter of 2005 and continue into the third quarter of 2010. The "red line" in the graph is called a "trendline" in Microsoft's Excel program. A "trendline" is a line that is drawn over pivot highs or under pivot lows to show the prevailing direction of price. Trendlines are a visual representation of support and resistance in any time frame. A trendline does not represent the data of the data series. Instead, a trendline is used to depict trends in your existing data, or forecasts of future data.



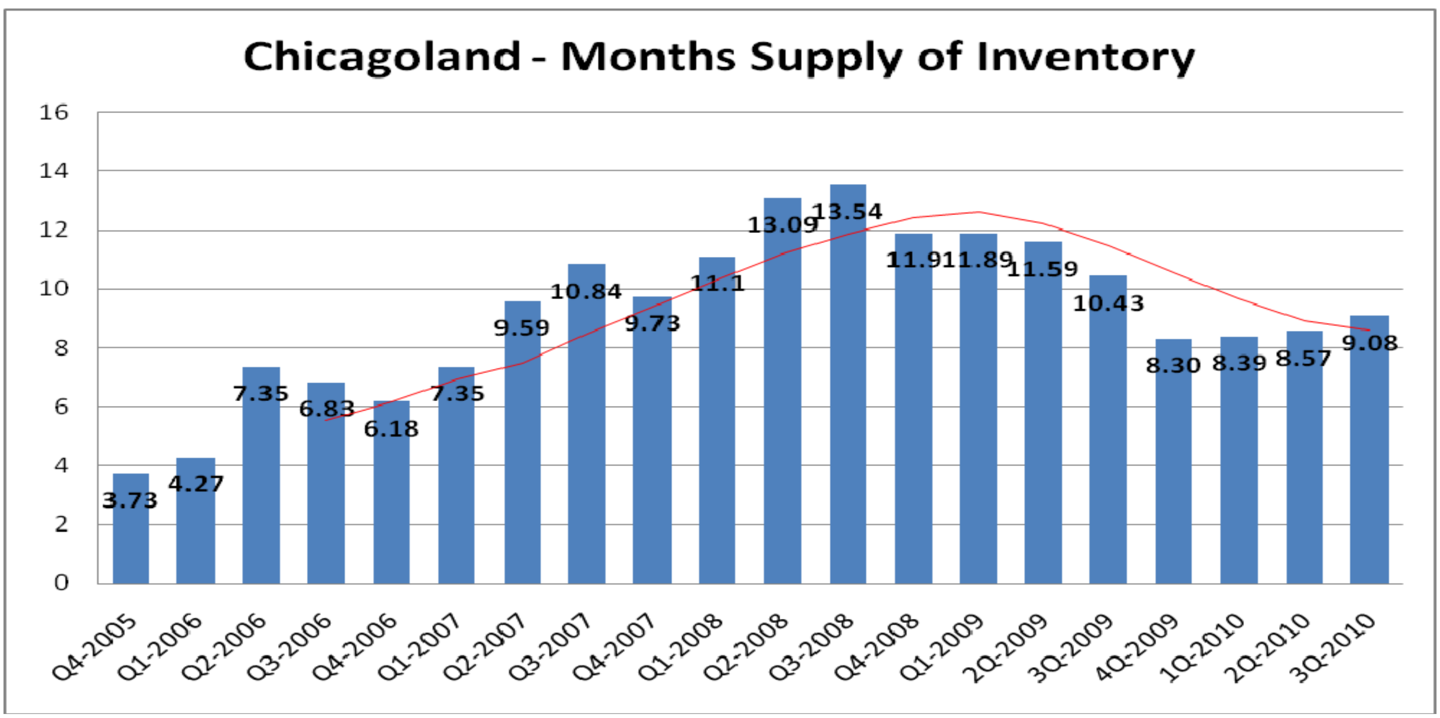
The graph noted above shows all of the Active Listings in the MRED, Inc. multiple listing service. The third quarter of 2010 has 43,723 listings, which is the lowest third quarter total since we had 40,618 listings in 2006. The trendline shows the increase through the end of 2008, and the decline in 2009 with the stabilization in 2010. The future trend would suggest a somewhat stable trend.



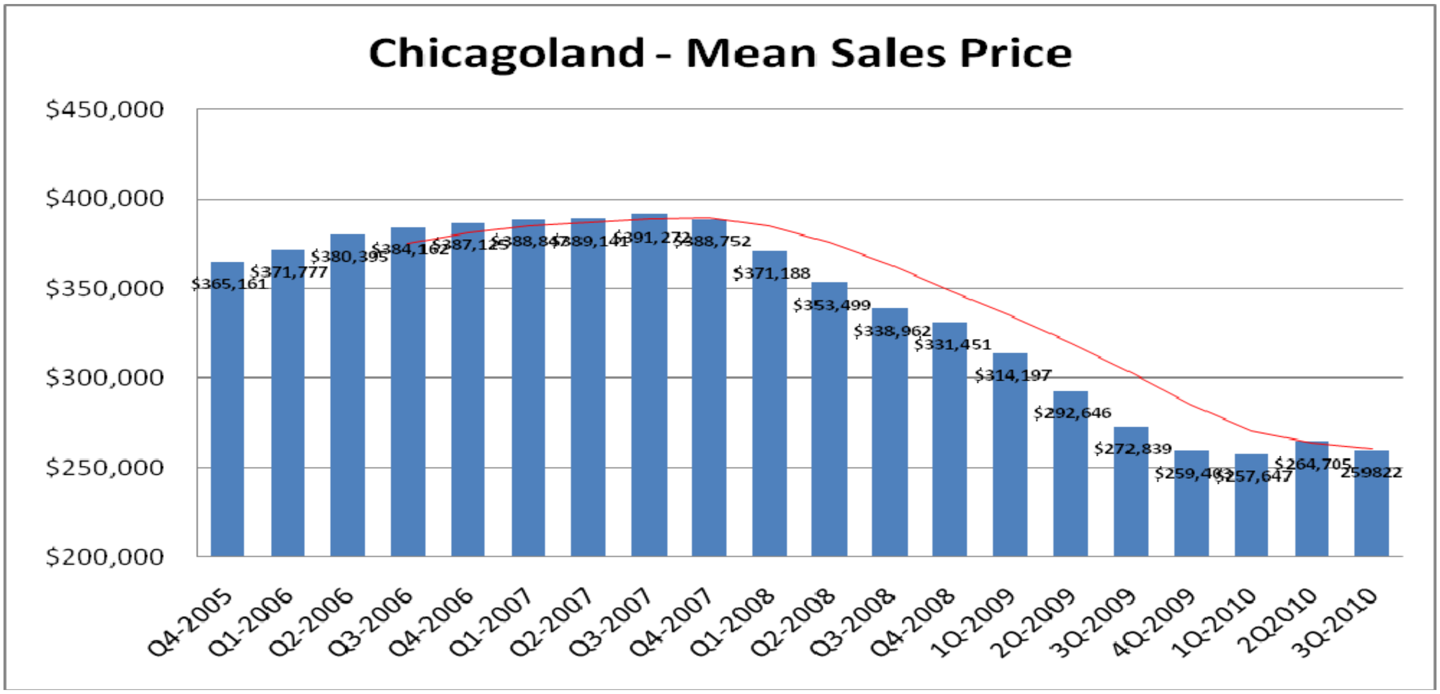
The graph noted above shows all of the homes Under Contract in the MRED, Inc. multiple listing service. The third quarter of 2010 has 9,222 under contract, which is slightly less than the 9,970 homes under contract in the third quarter of 2009. Last year the extraordinary amount of pendings was a result of the federal tax incentive. The trendline shows the decrease through 2009, and the increase into 2010 with stabilization noted. The future trend would suggest a somewhat stable trend.



The graph noted above shows the Sales Volume in the MRED, Inc. multiple listing service. The third quarter of 2010 has 48,570 homes under contract, which is the most since the third quarter of 2007 when it was 49,482 homes. The trend had been declining up until the middle of 2009, and began increasing into 2010 which is a positive. There was a noted jump in the second quarter of 2010 and then a decline in the third quarter. This can be attributed to the tax credit, which expired on 4/30/10 (as the contract date) and homes then closed in the next quarter. It appears the tax credit influenced a stronger early spring market, and then a bit of a "hangover" with a noted slowdown in the second half of the spring into the summer. This graph supports the conclusion.



The graph noted above shows the Months Supply of Inventory in the MRED, Inc. multiple listing service. The third quarter of 2010 has 9.08 month supply, which is the lowest third quarter since 2006. The noted trend removes the seasonality changes, and suggests a continued downward trend in the inventory level.



The graph above shows the upward trend in values through 2007 and then the decline over the next 10 quarters, which totaled about 34%. In 2010, the market increased almost 3% and then fell 2%, respectively the next two quarters. The trend moving forward is inconclusive as there are modest increases and decreases over the past 4 quarters. This suggests we may be "bumping along the bottom" of the market. In my analysis of individual communities throughout Chicagoland, every area is showing similar patterns, some trending slightly up, some trending slightly down.

I expect this trend to remain inconsistent into 2011 because of the "distressed" market sales that are taking place (distressed includes foreclosures, short sales, court-ordered sales, etc.) as these sales tend to be lower in price.

I always caution that the change (increase or decrease) in the mean sales price does not reveal the true appreciation or depreciation in the market. These statistics are influenced by many factors, one being the new construction market. New construction homes are typically higher priced, and builders that put market data in the MLS, more new construction homes were being built and sold before the real estate crash, and as the market deteriorated, fewer new homes sold leading to rates of change that are not truly reflective of the market.

I continue to believe that the Chicagoland real estate market is better in 2010 than in 2009 or 2008. The worst is behind us and all indicators are that the market is trying to improve.

Regards,

Chip

Alvin "Chip" Wagner III, SRA, SCRP (RAC Member)

A. L. Wagner Appraisal Group, Inc. is proud to have been serving the Chicago metropolitan area since 1970 by its founder Alvin Wagner Jr. Currently lead by his son Alvin III, known as "Chip," we specialize in corporate relocation appraisals and complete residential appraisals for all purposes including lending, REO/Foreclosure, Legal (divorce, estates, trusts, litigation support), market value appraisals for Realtors and individuals for both listing and selling purposes. Visit www.WagnerAppraisal.com for more information on our qualifications and services. Thank you for your referrals!

If you know of someone who would benefit by this newsletter or our market studies, please feel free to pass them along. If you would like to be removed from my distribution list, please send an e-mail to: Chip@WagnerAppraisal.com. All information contained in this eNewsletter was created by Alvin L. "Chip" Wagner III, SRA, SCRP and is the opinion of the author. Market statistics were derived from the MRED, LLC and the former Multiple Listing Service of Northern Illinois.