

Dear Real Estate and Lending Professionals,

Please find attached the most current Monthly Market Pulse absorption study for the month ending November 2006.

The table below shows the Chicagoland market's decreases in active listings, sales volume and contract pendings (includes both contingencies and pendings).

Entire Chicagoland	October 2006	November 2006	Percent Change
Active Listings	46,508	43,028	- 7.5%
Under Contract	8,484	7,417	- 12.6%
Closed Sales (annualized)	73,166	72,471	- 0.9%
Months Supply	6.84	6.46	+5.4%

Source: MLSNI

This is the first time in 2006 that the Months Supply of Inventory has decreased. It is too early to make any assumptions that the market is improving, as we are in the period between Thanksgiving and New Years when many less-motivated sellers remove their homes from the market. Hopefully, in the coming months we will be able to see a decline in the Absorption Rates, reflecting the market either beginning to eliminate some of this supply, or sellers who are in no immediate need to sell will remove their property from the market allowing demand to catch up with supply.

In our last e-mail newsletter, we brought attention to the sales concessions we are seeing that are not often being reported. The following is the **definition of Market Value** that appraisers and lenders consider in the valuation of real estate.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. *(editor's note: such as a real estate commission)* Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party

institutional lender that is not already involved in the property or transaction. Any adjustment should be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the markets reaction to the financing or concessions based on the appraiser's judgment.

As you can see from the definition of Market Value, concessions must be taken into consideration.

Simply put, this means if a property that was listed had a concession paid by the seller, such as \$5,000 towards closing costs, and it is reported as selling for \$200,000, the net sales price is only \$195,000. Although \$200,000 is recorded, this is not the true amount of the dollar consideration being exchanged. Appraisers must consider this when using these properties as a comparable and must make adjustments where appropriate.

And a final note, in December 2006, Chip Wagner was awarded the SRA designation for appraisers involved in the valuation and analysis of residential real estate by the Appraisal Institute. The SRA designation is earned upon the successful completion of a graduate-level curriculum, which includes a written demonstration appraisal report and attaining 2,000 hours of qualifying experience beyond state certification requirements. As the leading organization for professional real estate appraisers, the Appraisal Institute represents more than 21,000 members worldwide. For more information regarding the Appraisal Institute, please visit www.appraisalinstitute.org

We wish you all a Wonderful Holiday and a most prosperous New Year.

Bob and Chip

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