

April 2007

Dear Real Estate, Lending, and Relocation Professionals and Interested Parties:

Headrick-Wagner Appraisal Group, Ltd. is pleased to present our First Quarter 2007 *Quarterly Report* and *Monthly Market Pulse* ending March 31st. Unfortunately, the news is not as rosy as we had hoped for earlier this year. Inventory continues to increase, but fortunately our values are generally holding steady which is contrary to regional reports.

INVENTORY AND PRICES AS OF 4/1/07 AS COMPARED TO PREVIOUS QUARTER AND SAME PERIOD LAST YEAR

Entire Chicagoland	1 th Q 07 April 1 07	4 th Q 06 Jan 1 07	% Change	1st Q 06 April 1 06	% Change
Active Listings	49,640	39,925	+24.3%	34,256	+44.9%
Average List Price	\$456,376	\$451,537	+1.1%	\$483,387	-5.6%
Under Contract	9,930	6,479	+53.3%	12,800	-22.4%
Closed Sales (12 mo. annualized)	68,288	71,027	-3.9%	83,413	-18.1%
Average Sale Price	\$338,381	\$336,702	+0.5%	\$328,625	+3.0%
Months Supply	7.62	6.18	+23.3%	4.27	+78.5%

Source: MLSNI

The first quarter statistics show that listings are climbing fast, contract pendings are not keeping pace with the prior year, and the sales volume (previous 12 month period) is declining. With all these forces taking place, the inventory level has increased 78.5% over the same period from last year.

An interesting observation shows that the average list price has declined 5.6%. This shows that pricing may be in the process of becoming more realistic in the difficult marketplace, and the oversupply is placing pressure downward on home prices.

The good news is the average sales price has increased a modest 3%. This is far from the 5% to 10% (or greater) annual increases that we were accustomed to the first half of this decade. But it is also contrary to some of the national housing reports suggesting some markets are declining in year over year sales prices. This is not considered "appreciation," but changes in the mean sales price.

Understand that we have witnessed many home prices that have declined in the past year, but generally speaking, our values are holding steady. Areas susceptible to these declining values seem to have a strong new construction presence, or are in the upper price brackets.

UNDER CONTRACTS IN THE PAST 60 DAYS

Area	Pending 2/4/07	Pending 4/1/07	Percent Increase
Chicago	1,274	1,519	+19.23%
Suburban Cook	2,174	2,814	+29.43%

DuPage	667	1,074	+61.02%
Kane	570	763	+33.86%
Kendall	176	244	+38.64%
Lake	751	1,120	+49.13%
McHenry	359	452	+25.91%
Will	752	1,017	+35.24%
*ALL	7,464	9,930	+33.04%

Source: MLSNI

These statistics show that the Spring market is in full bloom and homes are still selling. The difficulty we are having is that there are nearly 10,000 new listings since January 1st. With higher inventory levels, it is definitely a “Buyer’s Market” and with the mortgage interest rates hitting new 12-month lows this month, there might not be a better time to be hunting for a new home – as long as you have already sold your home or don’t have one to sell.

What is evident is that various sub-markets are outperforming others. If you closely study the attached Monthly Market Pulse for individual communities, you will see several examples of this.

In some towns, there is a great dichotomy taking place, for example in Naperville, homes priced under \$500,000 the inventory is under 4 months, considered an undersupply, but it quickly increases for higher priced housing – 7.74 months up to \$1 Million, 22 months over \$1 Million, and 96 months over \$2 Million.

Many areas have price ranges that are undersupplied – such as the lower price brackets in Arlington Heights, Batavia, Bloomingdale, Carol Stream, Channahon, Darien, Deerfield, Elburn, Evanston, Geneva, Glen Ellyn, Glenview, Hoffman Estates, LaGrange, Libertyville, Lombard, Niles, North Aurora, Roselle, Skokie, Vernon Hills, Tinley Park, Wheaton, Winfield and many City of Chicago neighborhoods. Many attached housing price ranges in different Chicago neighborhoods also remain undersupplied.

Conversely, the upper bracket homes have dramatic oversupply of inventory, some areas over 1 to 2 years.

Historical trends suggest that inventory typically grows in our early Spring market, but soon the pace of the pendings should increase at a higher rate than new listings to enter the marketplace. At that point, the inventory should start turning downward. We are not stating this is taking place, or predicting that it will, just suggesting that historically this is the trend. We hope to see this inventory depleted in the upcoming months as the market heats up.

We cannot emphasize enough, while negative information continues to be disseminated from various organizations that track the sales volume and mean and median housing statistics both regionally and nationally, we continue to say that many sub-markets are doing better. Also, concentrating on closed sales only tells us the story of what happened 60 days ago (+/-).

Recently, a clip on CNBC stated that the Midwest sales prices had declined 2.1%. Our housing statistics generated from the Multiple Listing Service of Northern Illinois shows that in the Chicagoland area, there is a 1/2% increase over the previous quarter and a 3% increase over the same period last year. The table below shows the increase in both the average sales price, as well as the inventory levels in selected regions within the Chicago market.

Region of Chicago	12-month change in mean	12-month change in inventory (Months Supply)
North Suburban	+5.24%	+120%
Northwest Suburbs	+2.22%	+141%
Western Suburbs & Fox Valley	+4.30%	+54%
Southwest Suburbs & Joliet area	+6.60%	+98%
Far Southern Suburbs	+5.74%	+82%

We can not sugar-coat the fact that the supply of inventory is at very high levels, levels that many in the real estate market have never seen. Hopefully using our reports will allow our friends in real estate and clients make prudent decisions during the selling and purchasing process.

Headrick-Wagner Appraisal Group, Ltd. is a real estate appraisal and consulting firm that competently covers the entire Chicago market area. In addition to the market studies that we provide to our clients and the real estate community, we specialize in corporate relocation, litigation and residential lending appraisals.

With real estate markets like this, you can not afford to engage the services of a professional appraisal firm that does not have their pulse on the marketplace like Headrick-Wagner Appraisal Group, Ltd. does. We appreciate your support and referrals, and we have enjoyed speaking at the many real estate offices over the past 16 months. Please contact Bob or Chip if you would like one of us to come to speak to your organization. Thank you.

Bob and Chip

ROBERT E. HEADRICK, SCRP, SRA and ALVIN "CHIP" WAGNER, SCRP, SRA, IFA

*Headrick-Wagner Appraisal Group ~ Real Estate Appraisers & Consultants
Specializing in Relocation, Litigation, Lending, Appraisals since 1970 with offices in:
Naperville - Oak Brook - Chicago - Flossmoor - Schaumburg - Park Ridge
1700 Park Street - Suite 109, Naperville, IL 60563
Telephone 630/420-9312 ext. 12 - Fax 800/460-0070 - Toll Free 800/460-0020*

Visit our web page at: <http://www.headrick-wagner.com>