Note: For best results, this e-mail needs to be in HTML format. Plain text will remove the tables in this newsletter. A PDF of this letter is attached to this e-mail.

May 22, 2007

Dear Real Estate Professionals and Industry Friends:

Attached you will find our newest Monthly Market Pulse, which reflects April 2007 statistics.

We know that many of you rely on this data, and are anxious for our monthly and quarterly releases. We see that many Realtors are taking advantage of our Inventory Supply calculator on our web page, by entering your own market data to produce your own custom inventory reports. Once again, when visiting our web page at www.headrick-wagner.com/report.asp, you can click the link titled ***"Create your own personalized report"*** and a brief explanation of calculating inventory levels will appear.

So, what is really going on? Our Spring market appears to have run out of gas as our gasoline prices are now reaching record levels. Following earlier reports of rebounding sales activity, the Chicagoland housing market appears to have down-shifted in April and May to a slower pace raising concerns about our Spring selling season. Of particular concern is the market's ability to absorb record high unsold inventory levels in the face of weakening demand. The attachments show the three-month trend, which in most cases, continues to increase.

We have written about the increasing Listings and the decline in Sales volume in previous months. We will focus on the Contract Pendings this month. The exhibits below show the percentage of contract pendings in relationship to the number of listings. We include both categories of Contingencies and Pendings on our analysis.

May 22, 2007 – Single Family Detached Properties (MLS Tpe=1)

Active Listings	55,755
Listings with Contingencies	7,640
Pendings	3,950
Total Number of homes on the market (Active & U/C)	67,345

For detached housing in our market, 17.2% of the market is under contract.

To put things in perspective…

As of April 1, 2007, it was 16.9% of the market under contract (approximately 1/6 of the market).

One year ago, on April 1, 2006, 23.2% of the market was under contract (almost ¼), and two years ago on April 1, 2005, 32.2% was under contract (almost 1/3 of the market).

The highest ratio that we could find was 7 years ago, in April 2000 when 45% of the market was under contract.

This negative trend is interesting because it measures the number of pendings in relationship to the current inventory of homes (active listings). The ratio is not adversely influenced by the increase in listings or decrease in sales. It shows that we are in a soft real estate market.

On a positive note, we would like to note that listings increased 26% in 6 weeks since April 1, 2007 – from 44,219 listings to 55,575 listings. Pendings increased 28.8% during the same period – from 8,996 to 11,590. This shows that our market is still active, just not as strong as recent years.

May 22, 2007 – Single Family Attached Properties (MLS Tpe=2)

Active Listings	34,845
Listings with Contingencies	4,789
Pendings	8,310
Total Number of units on the market (Active & U/C)	47,944

For attached housing in our market (Condos, Townhomes, Duplexes), 27.3% of the market is under contract.

This market segment appears to out performing the detached housing market. This could be due to the affordability of these housing options in our marketplace.

Again, we emphasize that one shoe does not fit all, and we definitely have sub-markets that are out performing and under-performing the statistical trends. But pendings appear to be down at all price points.

May 22, 2007 – Single Family Detached Properties (MLS Tpe=1)

	$0 - $499,999	**$500 - $999,999**	**$1,000 +**
Active Listings	**42,712**	**9,412**	**3,631**
Listings with Contingencies	**6,130**	**1,216**	**293**
Pendings	**3,067**	**575**	**307**
Total Number of units on the market (Active & U/C)	**51,909**	**11,203**	**4,231**

For properties priced under $500,000, 17.7% of the market is under contract.
For properties priced between $500,000 and $1 Million, 16% of the market is under contract.
For properties priced over $1 Million, 14.2% of the market is under contract.

The slow Spring market could be attributed to the Sub-prime mortgage delinquencies. This transfers to all home price segments in the housing market due to the fact that first-home purchase activity generates ripple effects all the way up to the luxury home market due to the trade-up activity it generates. Therefore, a decline in first-home purchase activity makes it less likely that the next price-bracket can be sold.

The Sub-prime problem continues to be a concern, which may be causing home buyers to rethink their timing to purchase a new home. The slowdown is occurring at a time when mortgage rates remain at near-record lows, home prices have stabilized and in some cases declined, combined with employment at record high levels and an expanding economy that continues to create new jobs.

Finally, we have been closely following our markets to try to analyze any trends that may be signs of an improving real estate market. There is no question that the national media has generalized to a degree that many potential buyers are looking to "get a deal" in markets where deals do not exist.....at least yet. New construction competition is NOT a factor in every market segment. Some areas still have very minimal competition. While the days on multiple offers in hours seem far behind us, these areas are settling into what used to be considered a "Normal Market"....a long lost term.

So to leave on an upward note, while the sky has some clear areas and others that have darkened, it has not fallen in a great many areas of the Chicago metro area. Those sub-markets where the competition is more intense must be carefully watched with those properties properly priced and staged to help deter extended marketing times and reduce the potential for loss to the resale of recently purchased properties.

If your office would like us to come in and do a presentation, please contact either one of us and we can discuss how we can help you. Thank you again for your support and we look forward to working with you in 2007.

BOB & CHIP

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