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NOVEMBER 2007 eNEWSLETTER

Dear Real Estate, Relocation and Lending Professionals:

I hope you had a wonderful Thanksgiving. We have plenty to be thankful for this year, but unfortunately a strong real estate market is not one of them. And as we know, Thanksgiving generally marks the beginning of the slowest 6 weeks our real estate market will see during the course of a year. Few buyers are looking for homes through the holidays. As a result, many people remove their home from the market because they recognize the fact that there are few lookers, combined with the hassle of showing a property during the holidays.

With that being said, you may notice some communities in our report are showing downward trends in the inventory level. I have mentioned often that our market in Chicago will show signs of changing (in a good way) when the inventory levels begin to decrease.

But it is cautioned that the same drop has happened in previous years during this same period. It is a direct result of active listings being removed from the open market (withdrawn, cancelled or expired) and not as a result of these active listings moving to Pending or under contract.

If we follow the trend from last year, the inventory levels will stabilize and/or decline over the next three months, and probably begin increasing in February 2008 as people bring their homes back onto the market. Contract pendings will continue to be followed closely, looking for an increase from the same period the prior year. Any positive news that we see, we will report it immediately as that will likely mark the improvement in our market. This is not expected to occur in 2008, but lets all remain optimistic!

ENHANCED MARKET REPORTS

Bob and I are proud to present our enhanced and updated market reports. Over the course of the past year, many real estate agents had made requests to add communities. We have carefully analyzed your requests, and the amount of market activity in these areas and decided to add some communities based on your requests. Final consideration was given to the actual volume of activity in these areas.

We are most excited by the fact we now have "Type=2" attached housing, including condos, townhomes and duplexes in the suburbs. We have added 126 suburban areas to our "ATTACHED" report.

Monthly DETACHED Report - After the additions completed last month, the report now contains 128 suburban areas and 18 City of Chicago areas.

Monthly ATTACHED Report - The report contains 126 suburban areas and 32 City of Chicago areas. The new price breakdown for attached properties has been made. The old breakdown (including $2M+) remains for the Lincoln Park, Loop, Near North, Near South areas plus the Chicago summary.

Both reports are attached, as well as uploaded to our website.

DAYS ON MARKET and MARKETING TIME

Recently, I had a client ask for the Days on Markets (DOM) by price range in all of the Chicago metropolitan area. Our monthly study does track by community, both the number of active listings as well as the days on the market of those listings in the three month trend. The client then asked for the Days on Market of the Sold Sales.

After the data was extracted, the results showed a lower DOM for the closed sales than the active listings, and I was asked to explain why. The following were my observations.

First of all, it could be related to the seasonal changes in our marketplace. The average market time is typically longer in the Fall and Winter months than it is in the Spring and Summer months. This is because the Active Listing data was extracted on a specific time in the latter part of our Fall market when marketing times are increasing. But the Sales data was averaged over the entire year, between 11/18/06 and 11/18/07, and the better markets were averaged in those totals.

A second reason could be the softening marketplace in which the supply of homes increases, yet the contract pendings and sales volume continue to decline. The economics of supply and demand suggest an increase in supply combined with a decrease in demand will lead to longer marketing times. Simply put, it takes time for the current supply of housing to be absorbed by the rate of sales occurring, which leads to a longer marketing time.

Below are the results of the survey for the client (price ranges dictated by client request).

Chicagoland all MLS areas	Avg. DOM Actives	Avg. DOM (12 mo. Sales)
$100,000 and less	158 DOM (2,863 listings)	106 DOM (3,663 sales)
$100,000-$300,000	153 DOM (28,937 listings	111 DOM (30,565 sales)
$300,000-$500,000	175 DOM (16,503 listings)	130 DOM (15,046 sales)
$500,000-$750,000	200 DOM (6,210 listings)	148 DOM (5,059 sales)
$750,000 and above	242 DOM (6,311 listings)	194 DOM (3,911 sales)

Source: MLS of Northern Illinois (11/18/2007)

What is a "normal" marketing time, or what is "reasonable" marketing time. In the real estate appraisal profession, the marketing time is usually part of the definition of value.

For example, one part of the definition of **Market Value** states: "*… a reasonable time is allowed for exposure in the open market.*" Reasonable could be 30 days, it could be 180 days, or it could be 1 year or even greater, depending on what the market standard is for the timing, price and location of the housing. This is the definition of value found on many appraisals including lender appraisals for purchase and refinances.

But in relocation appraisals, the definition of **Anticipated Sales Price** states: "*… a reasonable marketing period, not to exceed 120 days and commencing on the date of appraisal inspection, is allowed for exposure in the open market. The analysis assumes an adequate effort to market the subject* *property."* This is also part of the value definition for real estate agents who complete the Worldwide Employee Relocation Council's Broker Market Analysis (BMA). This limits the marketing period to 120 days which could be reasonable in some markets, and a quick-sale in other markets.

If you are involved in Foreclosure properties, we often see a "quick-sale" direction, which is where a client would like a value in a 30-day marketing period.

Currently (as of 11/17/07), the average DOM of closed sales is 125 days. Last year during the same period, it was 87 days. Two years ago, it was 80 days. It is taking longer to sell those homes.

Many real estate agents will agree that the first 30 to 60 days are key in marketing in the open market, and beyond that, properties begin to become shop worn, and reductions to the asking price are considered necessary to continue the marketing of the home. Be aware, some markets are in decline, and overpricing today will lead to price reductions tomorrow that still may be overpriced because of the decline in the marketplace. Moral of the story is to ***list the property competitively now***.

Although our market is currently soft and oversupplied in most areas with extended marketing periods, when a home is reasonably and competitively priced as compared to its competition, the days on market will be reduced.

Remember, today there are fewer buyers looking at more homes. To sell that home quickly, unfortunately, this may include pricing it below the market. To get top dollar, staging properties and removing any curable negative marketing concerns (i.e. fresh paint, new carpet, clean up yard, replace countertops with granite) will help reduce those marketing times.

WELCOME

Finally, if this is your first eNewsletter from me, welcome. I have been frequently adding names to my distribution list over the past month. My eNewsletter is published monthly, when the Monthly Market Pulse and Quarterly Report from Headrick-Wagner Consulting is available.

Headrick-Wagner Consulting publishes these reports. They are co-authored jointly by Chip Wagner of A.L. Wagner Appraisal Group, Inc., and Bob Headrick of Robert E. Headrick & Associates, both well-respected Chicago area real estate appraisals and consulting firms.

You may download archived issues of our market report at www.headrick-wagner.com.

Happy Holidays!

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, IFA, SCRP and is the opinion of the author. Market statistics were derived from the Multiple Listing Service of Northern Illinois.