



Winfield Realty & Consulting, Inc.

Property Preservation, LLC



2011 Market Forecast Chicago and Suburbs



In the third quarter of 2010 we released a report that indicated statistically housing prices bottomed in the inner city of Chicago high risk zip codes. And, single family housing prices appear to be stabilizing in the suburbs however we felt the federal tax credit was distorting the statistical results expecting a double dip in price decline post tax credit.

We also reported there was price equilibrium in balance between the prices of single family detached homes compared to Condos and Townhomes which would cause condo and townhome prices to tumble. And, we expected to see an increase in Short Sale Flips.

The following data was provided by Terradatum Inc. who provides a Broker and Agent statistical Metric tool for MRED the Chicago Metropolitan Super Regional MLS covering most of Northern Illinois, SE Wisconsin and NE Indiana. **MRED Comingle sales data reported for Short Sales and REO, there is no way to break them apart, REO inventory has decreased and Short Sale has increased.

On our web site you can now search the market for current trends on a city and zip code level using the Terradatum Metric tool.

Without a doubt 2010 year end results clearly show stabilization but they also show several areas of concern and continued market weakness.

But as in our last discussion Macro results can be misleading and we really need to drill down to a micro level which is why we made the Broker/Agent Metrics tool available to our clients on our web site.

Everyone is pretty much in agreement that prices declined in the 7-8% range in the Chicago Metro area in 2010.

Source	Chicago PMSA
Case Schiller Indice	-7.4%
Illinois Association of Realtors	-7.8%
Regional Economics Application Lab (REAL Univ. Of IL.) **	-8%
Projected 2011 Decline	
Housing Predictor.com	-8.3%

** This report can be seen in its entirety on our web site we can't cut and paste out of it; Lots of relevant stuff in it.

When we dissect the market by segment, i.e. property type and bank versus non bank we start to see the importance of a micro market analytics. Note the dramatic differences between bank and non bank sales. Pay close attention to the High risk zip code chart. Interthnx.com has a mortgage fraud report. It identifies the following zips:

60621,60636,60644,60651,60619,60624,60637 as having a high risk of fraud with zip code 60621 being the highest in the country. It's too early to tell if the price increases in these areas are fraud (flips) or if bank pricing was so aggressively low money was left on the table. What we do know is that these zip codes have some of the highest violent crime rates in Chicago.

Single Family Home Median Price				
	Bank	Non Bank	Difference	
2010 Median Price	\$ 110,000	\$ 253,000	57%	
Sold price Increase/Decrease	6%	-2%		
2011 Under Contract List Prices	\$ 124,000	\$ 229,900		
Under Contract List Price Change	3.3%	-16.1%		
Forecasted Under Contract Sale Prices	\$ 115,568	\$ 214,266		
Adjusted rate of Increase/Decline	5%	-15%		
2011 List Price Increase/Decrease				
Existing List Price Change	-6.7%	-8.8%		
New List Price Change	1.2%	-10.50%		
Days on market	185	195		
Months of Supply	5.8	14.8		
2010 SP/LP Ratio				93.20%
2011 Monthly Forecasted Rate of Increase/Decrease	0.42%	-1.25%		

Condo and Townhome Median Price				
	Bank	Non Bank	Difference	
2010 Median Price	\$ 71,000	\$ 210,000	66%	
Sold price Increase/Decrease	-19%	-16%		
2011 Under Contract List Prices	\$ 89,000	\$ 199,000		
Under Contract List Price Change	-11.0%	-16.8%		
Forecasted Under Contract Sale Prices	\$ 83,330	\$ 196,623		
Adjusted rate of Increase/Decline	17%	-7%		
2011 List Price Increase/Decrease				
Existing List Price Change	-5.0%	-8.9%		
New List Price Change	-2.2%	-6.00%		
Days on market	185	230		
Months of Supply	6.0	19.4		
2010 SP/LP Ratio				93.63%
2011 Monthly Forecasted Rate of Increase/Decrease	1.42%	-0.58%		

2-4 Family Apts Cook County Median Price				
	Bank	Non Bank	Difference	
2010 Median Price	\$ 79,000	\$ 169,000	53%	
Sold price Increase/Decrease	72%	-27%		
2011 Under Contract List Prices	\$ 99,000	\$ 139,900		
Under Contract List Price Change	76.8%	-47.2%		
Forecasted Under Contract Sale Prices	\$ 91,258	\$ 128,953		
Adjusted rate of Increase/Decline	13%	-31%		
2011 List Price Increase/Decrease				
Existing List Price Change	-3.3%	-10.0%		
New List Price Change	25.3%	-20.00%		
Days on market	153	169		
Months of Supply	4.2	13.5		
2010 SP/LP Ratio				92.18%
2011 Monthly Forecasted Rate of Increase/Decrease	1.08%	-2.58%		

High Risk Zip Codes Combined Median Price				
	Bank	Non Bank	Difference	
2010 Median Price	\$ 35,000	\$ 125,500	72%	
Sold price Increase/Decrease	17%	*14.9		
2011 Under Contract List Prices	\$ 47,735	\$ 87,691		
Under Contract List Price Change	44.7%	-45.2%		
Forecasted Under Contract Sale Prices	\$ 43,997	115,673		
Adjusted rate of Increase/Decline	20%	-8%		
2011 List Price Increase/Decrease				
Existing List Price Change	7.7%	-12.5%		
New List Price Change	38.3%	-12.50%		
Days on market	130	140		
Months of Supply	5.3	14.6		
2010 SP/LP Ratio				92.17%
2011 Monthly Forecasted Rate of Increase/Decrease	1.67%	-0.67%		

As can be seen from the spreads the bank sales are substantially lower than non bank sales. A normal month of supply for the Chicago market is 4-6 months or 120 to 180 days. We can see that bank owned property supply has declined and approaching a normal supply (excluding shadow inventory imbedded on the non bank inventory). When we have a normal supply we see stable to increasing prices. However the non bank owned properties are still way over supply.

The forecasted rate of decline for Single Family Detached Compared to Condos and Townhomes is not in balance. Detached homes are preferred; Attached homes are the affordable alternative. If Detached prices are going to continue to decline then the Attached housing has to decline at a similar rate or greater to reach equilibrium. The month supply is at 19 a solid 5 months more than Detached inventory. We are of the opinion the stats for attached housing are understated and we may see double digit decline in 2011 for Attached homes.

So what do we need to watch out for in 2011?

- Fraud is on the increase and prices are up in the high risk areas. So if you are acquiring a portfolio with assets in these areas triple check your values.
- It would appear the bank owned properties have stopped declining, however REAL says there are 5 million homes in the shadow inventory bucket in Illinois.
- The existing supply and list prices of non bank homes is still not in balance and declining.

- While the statistics suggest we have turned the corner on Condos and Townhomes there is still a huge imbalance in the pricing compared to single family detached. If those prices continue to fall as expected the condo and townhome prices will continue to decline and possibly at a double digit rate as last year.
- This analysis is still a macro level analysis. When we drill down the Broker Metric data to the county and city level we get entirely different pictures, see our web site.
- There are currently 84,296 active listings (attached, detached, 2-4 unit) in the 8 county Chicago metro areas.
- 13,506 new listings came on the market
 - 3976 deals closed
 - 2572 listings expired
 - 7071 new listings went under contract
 - Until the contracts closed and expired deals exceed the number of new listings we will continue to have an oversupply.
 - Assuming a new contract run rate of 7071 we have an 11.92 month supply almost twice the normal market supply at 180 days (6 months).
 - New properties coming on the market are outpacing closed and expired sales by 52%

On April 15 the spring market kicks off, we will see a large spike in new listings, but also in new contracts which statistically show up in June when they close. Both price and contracts will rise in a normal seasonal pattern.

Loan approval is becoming more of a challenge with FHA deals still leading the way. FICO scores coming down to the 500 levels for FHA deals will help. Property condition not meeting FHA minimum property standards continues to be an issue. If nothing else 2011 will prove to be an interesting year.

Thanks for your business.

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