



The New Trier Report

A Comprehensive Review of the 2010
Real Estate Market in Wilmette



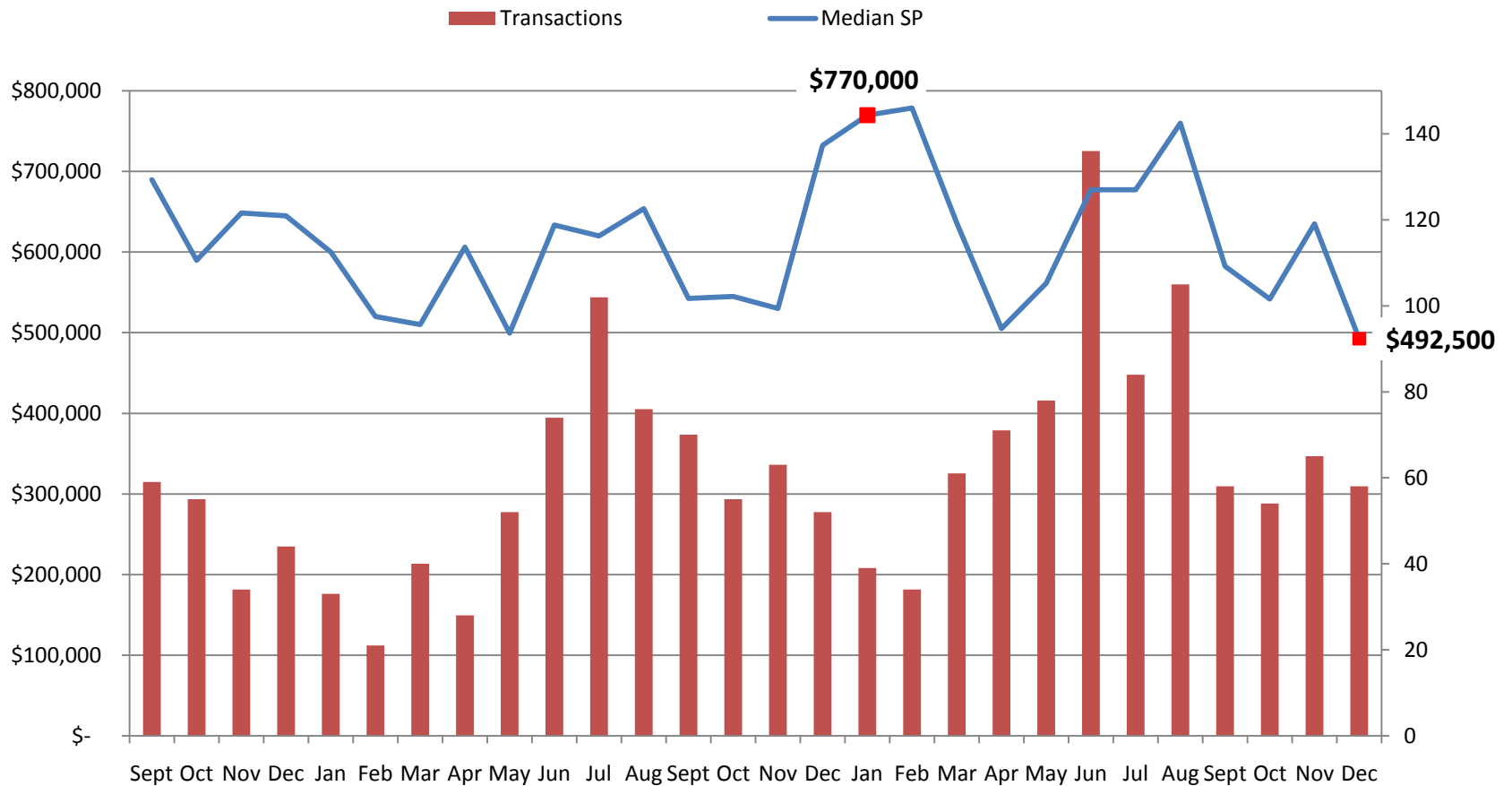
2010 – A Difficult Year

- A few major themes drove the market:
 - **Pricing** was key – a mis-priced home was ignored until price reductions brought it in line with buyer expectations. These homes often sold for LESS even after reaching an appropriate price;
 - **Lending** – the ability to secure financing limited the buyer pool in 2010. Banks became much more conservative (stringent) as they wrestled with higher levels of defaults and foreclosures;
 - **Contingent Contracts** - Sellers accepted more contingencies as a means to attract contracts and Home Sale and Home Close contingencies became more commonplace;
 - **Job security** – Prospective buyers acted in a much more conservative manner, opting to “Lose” a home in order to avoid undue risk often beyond their control.

Where the Action Was

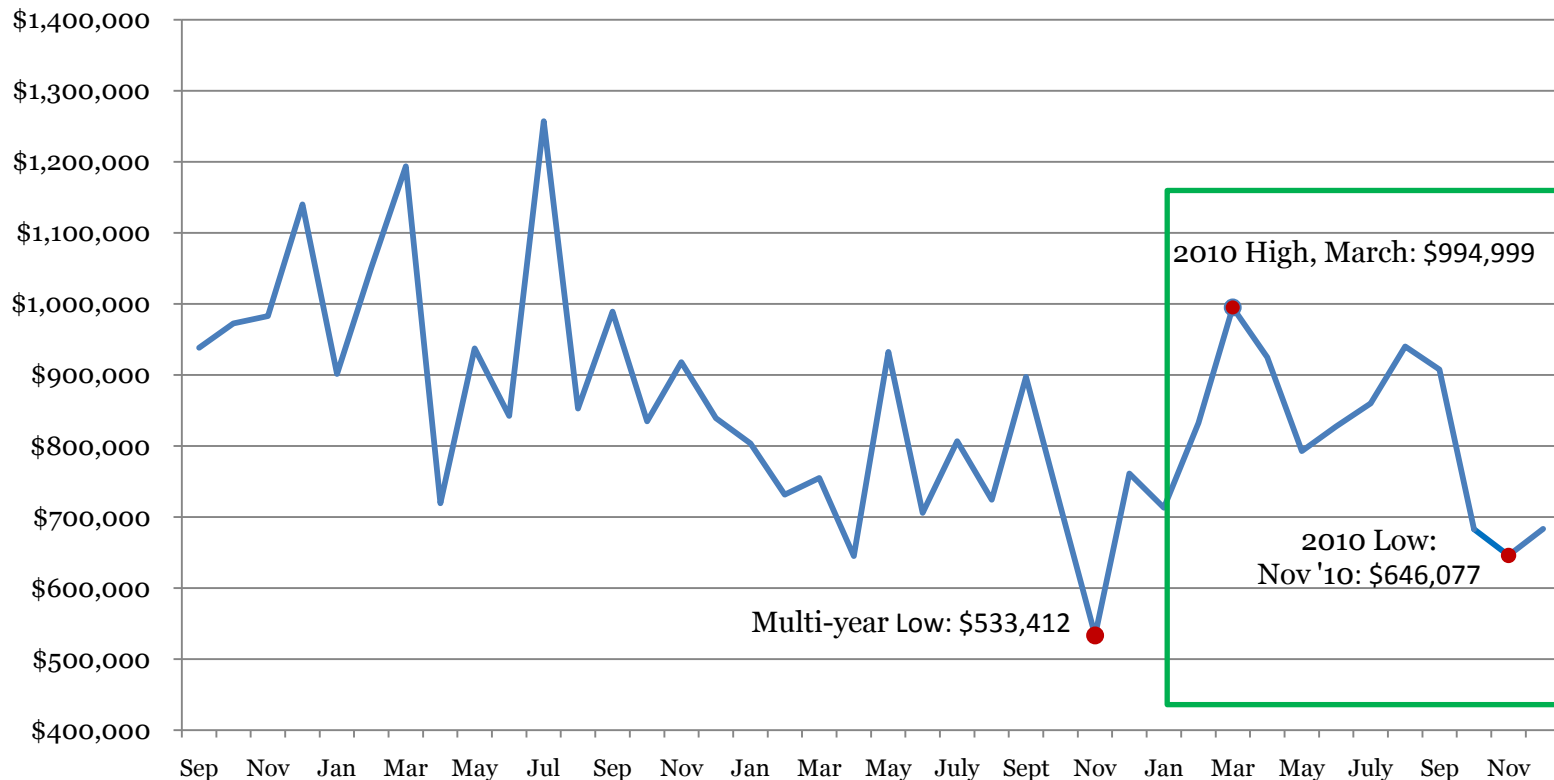
- The Federal Tax Credits –
 - **Lower priced homes** seemed outpaced the upper end homes as first and second time buyers began to re-emerge from a 2-year absence.
 - These credits pulled demand out of the July, August and September timeframe forcing an artificial slowdown in Summer
- Lower Interest Rates –
 - Despite a drop to historically low levels, we did not see the surge in buying “4.25%” interest rates should have created.
 - Rather, there was a surge in “re-fi’s” and “cash-in” refinancings as homeowners opted to sit tight in current homes and wait for more favorable market conditions.

Chicago's North Shore - Single Family Homes Sales Evanston, Wilmette, Winnetka and Kenilworth September 2008 - December 2010



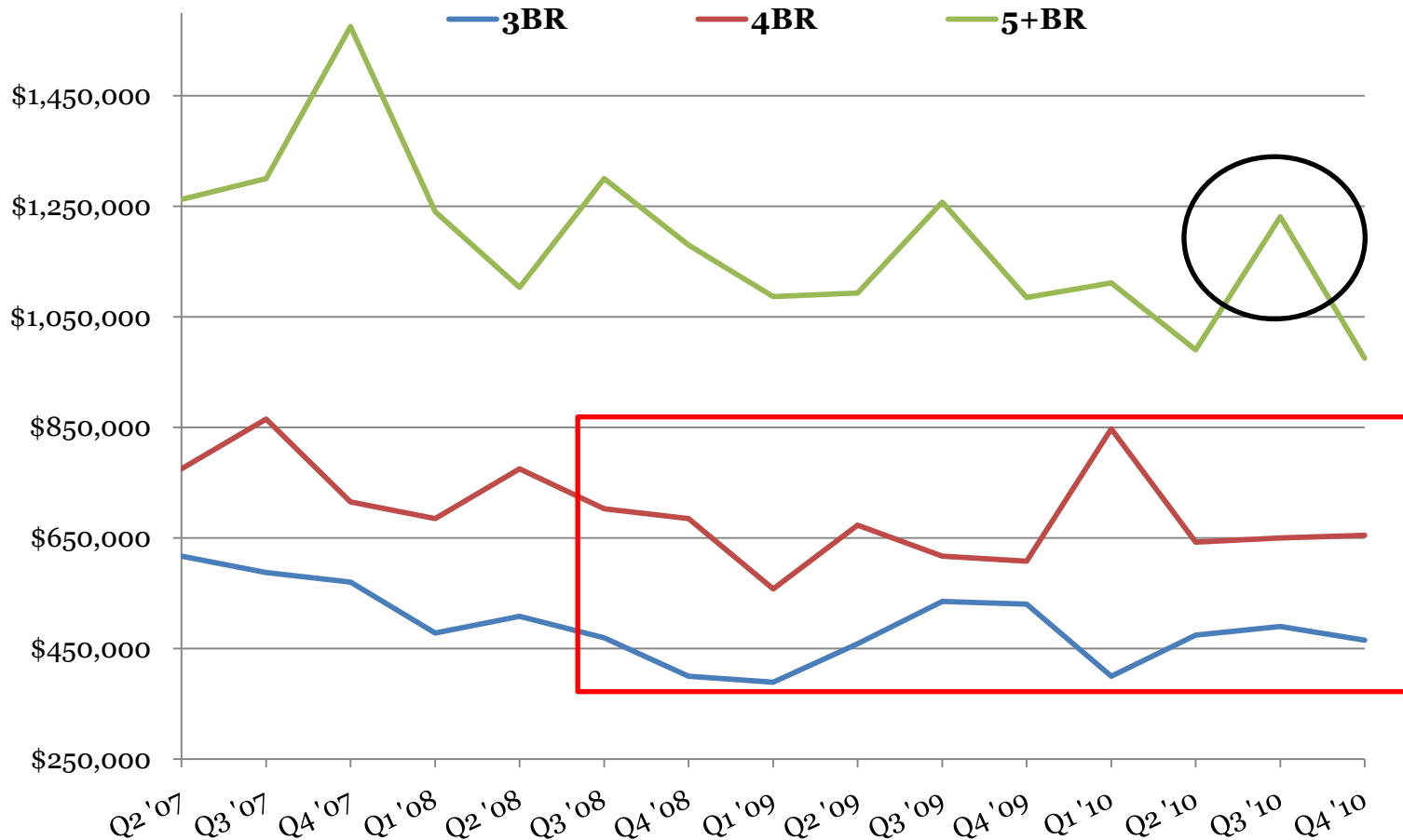
If we ignore the high reached in February 2010 we still see a moderate downtrend in pricing for North Shore Single Family Homes. In November there was a slight uptick in transactions (driven by minor increases in all four communities) but then the downtrend in volume continued on. While there was a 26% increase in sales in 2010 over 2009, the decline from June is something to watch. All four communities showed a dramatic decline in Median Price and with if there is not a motivating improvement in the broader markets (financial, job and housing) we could see a period of stagnant appreciation.

Wilmette Average Sold Price September 2007 to December 2010



As with the broader real estate market, Wilmette suffered through 2009 not only with lower prices but also lower transaction volume. In early 2010 Wilmette real estate appeared to be back on track in the first quarter and improving. January began with average Sold Prices just above \$713,000 and continued upward to \$994,999 in March. In the first quarter, people who had sold to first-time home buyers were driving the Wilmette move, but then the market lost headway. The trend reversed dramatically and in November the average sales price closed just below \$650,000 with a minor recovery in December. Much of this can be attributed to a general pessimism, a persistently high unemployment rate and an unfriendly lending environment.

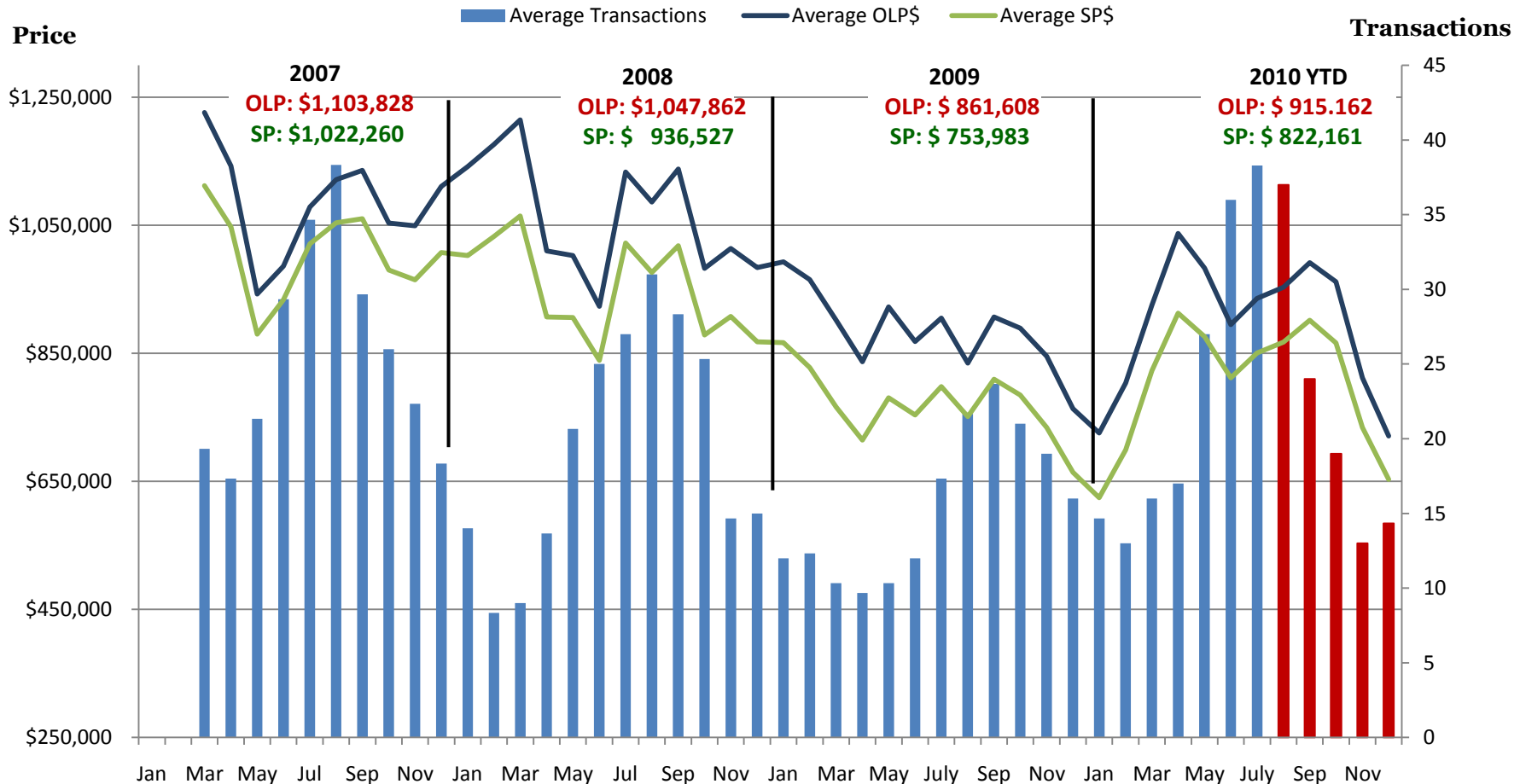
Analysis of Wilmette SF Sales Median Price by # of Bedrooms



There is still a persistent downward trend in home sale prices for Wilmette. That's somewhat disturbing but linked to the broader macro-trends discussed elsewhere in this report. The big move up in Q3 was in the 5 BR homes (black circle): of the 28 properties that sold between July and September 2010, 21 were in excess of \$1,200,000 and 1300 Sheridan was sold over \$4MM. The sluggishness in the three- and four-bedroom units is disturbing because those are the vast majority of Wilmette homes.

Closed Transactions - Trailing Three Months

Wilmette March 2007 - November 2010



FINALLY - a break in the decline of Trailing 3 Month **transactions**. After a steady but dramatic drop August, September, October and November, closed volume headed upward and the annual total ended ahead of that for 2009. Last month I noted that there appeared to be a stability between Original List Prices (OLP) and Sold Prices (SP). In December that ratio improved to a shade over 90%. NOTE: This data screens out Distressed Sales, which are, admittedly, a very small percentage of Wilmette transactions but that improvement in December is very welcome news. Average prices continue to drop suggests smaller, lower priced homes are out-selling the larger ones. Over 50% of the homes sold in the last quarter were BELOW the annual average, \$683,000.

What to Look For in 2011

- **Easing Lending Standards** – the banks seem to realize it's good business to lend to well-qualified buyers
- **Low levels of transactions** – we will not see the high levels of transactions typical of the 2005 – 2008 years
- **Value Pricing** – not the kind Wal-Mart made famous but Original List Prices that accurately price a home based true **mContingent Contracts** market conditions
- – Buyers will not assume the amount of risk we saw in prior years. However, in exchange for such contingencies, Sellers will demand higher contract prices.

How to Reach Me

Address:

@properties North Shore

30 Green Bay Road

Winnetka, IL 60093

Telephone: 847-833-8572

Email: donshea@atproperties.com

Website: www.welcometoWilmette.com