Dear Real Estate and Lending Professionals,

Please find attached the most current Monthly Market Pulse absorption study for the month ending October 2006.

The table below shows the Chicagoland market's decreases in active listings, sales volume and contract pendings (includes both contingencies and pendings).

Entire Chicagoland	**September 2006**	**October 2006**	**Percent Change**
Active Listings	48,389	46,508	- 3.9%
Under Contract	8,897	8,484	- 4.6%
Closed Sales	76,167	73,166	- 3.9%
Months Supply	6.83	6.84	+0.1%

Source: MLSNI

This is not a surprise that active listings declined as we approach the Holiday season where we typically anticipate a less active market. However the declines in sales volume and pendings have resulted in virtually no change in the continued high absorption numbers. Hopefully, in the coming months we will see a decline in the Absorption Rates, reflecting the market either beginning to eliminate some of this supply, or sellers who are in no immediate need to sell will remove their property from the market allowing demand to catch up with supply.

The attached reports continue to provide a micro analysis of the Chicago area sub-markets by price range. Some have been less affected than others and continue to sell well. Much of the discussion about our market is too general, painting a picture of an across the board down-turn. As many of us know, this generalization is not true. It does seem that the upper priced market has been most affected by the softening, which is filtering downward into some of the more affordable price ranges.

The other obvious segments affected include the more peripheral markets where new construction competition continues to compound the existing supplies, or areas that had investors active that have left the marketplace in 2006. We have also been concerned with concessions that are sometimes not reported. If you missed the Chicago Tribune article earlier this month, you can read it at: http://www.chicagotribune.com/news/nationworld/chi-0611010181nov01,1,4346025.story

We have survived 18% interest rates, the early '90's recessions, and global conflicts, and we will survive this as well. We still believe that the diversity of the Chicagoland market will allow this correction to take its course without any kind of measurable collapse. But as we consider the factors that have caused this slow-down, we must consider other components other than the obvious, such as modest interest rate increases, These increases in themselves certainly have removed a segment of buyers, but combining that with continued increases in real estate taxes and other components of homeownership, we must analyze to what degree buyers are able to keep up with the escalating costs of homeownership.

We look forward to any feedback from you as to what you are seeing in your specific markets. It allows us to be more accurate in our valuations. The sharing of our thoughts along with yours will help us all better understand this market and the directions it will take… hopefully upward....and soon!

We wish you all a Happy Thanksgiving.

ATTENTION REALTORS: We appreciate your continued support and referrals. In today's transitional real estate market, there is more risk due to the uncertainty of future market trends.

We can help you. To discuss how we can work with you, please contact us at info@headrick-wagner.com.

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