

APRIL 2023

RALLY APPRAISAL MARKET REPORT

A Quarterly Publication

MARKET TRENDS

Below are ongoing market trends for both residential and commercial real estate in the markets that Rally Appraisal LLC serves throughout the Midwest in the States of Iowa, Illinois, Wisconsin, Indiana, Missouri and Nebraska. Residential real estate trends are updated once a quarter with corresponding data for each metro market that Rally serves. Commercial real estate trends will be updated on a bi-annual basis as trends in these markets take longer to develop and measure..

RESIDENTIAL 1st QUARTER

The first quarter of 2023 largely continued the trends from 4th quarter 2022. However, the dispersion between markets on both a sales volume and median value standpoint expanded during the quarter.

All of the markets that we serve, regardless of State, saw declines in sales volume versus the 1st quarter of 2022 and also versus the prior quarter or 4th quarter of 2022. This past quarter showed the lowest sales volumes in the past 2 years. This continues to be driven mostly by the interest rate environment as rates remained elevated versus in the recent past which diminishes demand. There also continues to be a shortage of inventory as many potential sellers are locked in at very low interest rates and are reluctant to give that up in order to move.

Sales volumes in the markets we serve ranged between declines of 2.76% to 39.57% during the 1st quarter of 2023. There were (2) markets with declines of less than 10% which were the Indianapolis suburban market and the Dubuque, IA market. There were (4) markets that saw sales decline by 30% or more. These markets were Cedar Rapids, IA, Iowa City/Coralville, IA, the Iowa Omaha market or Council Bluffs and Rockford, IL.

Median values also varied widely by location although the overall trend is still slight appreciation. The range varied between a decline of 4.34% in the Peoria, IL suburban market, to an increase of 26.67% in the IA Omaha market or Council Bluffs. This illustrates that markets are starting to diverge somewhat. There were (3) markets overall that saw declines in the median sales price during the quarter. The Peoria, IL suburban market was joined by the Iowa and Illinois markets of the Quad Cities. In addition to the IA Omaha market, Janesville/Beloit WI also saw median sales prices increase over 20% during the quarter.



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2023 CONTINUED OUTLOOK

Rates remained elevated during the 1st quarter of 2023, but have recently declined to their lowest levels in some time. At this point there is no evidence that this is spurring significant additional market activity. Therefore, during the 2nd quarter it seems very likely that there will continue to be substantial declines in year over year sales numbers. This trend will in all likelihood continue in the 3rd quarter as well. Starting in the 4th quarter the numbers start to get easier to compete with on a year over year basis and this could be the first quarter where we do not see declines in sales volume.

The overall strength of the economy and Federal Reserve policy remain unknowns as the year progresses. Since our last market report we experienced some turmoil in the banking industry with (2) banks collapsing and a third that remains in great distress. This led market participants to believe that the Federal Reserve was closer to being done with interest rate increases which is why we have had recent declines in interest rates.

What happens with the rate environment remains critical to the housing market as this is the biggest driver of overall demand. Whether or not we go into a recession and how severe it is will also have an impact. At this point, the most likely scenario for the remainder of 2023 would appear to be sales volumes at significantly lower levels than during 2021 and 2022 with pricing being relatively stable.

COMMERCIAL

The first quarter of 2023 saw commercial real estate activity slow greatly as interest rates increased. Capitalization rates nationwide also followed interest rates higher, but are not yet showing the true impact as the results often lag 6 months. PWC Korpacz indicated 50 to 60 basis points for office, warehouse and multifamily with only a slight increase in retail of 3 basis points year of year Q1 2022 to Q1 2023. 1031 activity was also slower but there are still many commercial investments purchased with cash which is why cap rates did not rise at the same rate as interest rates.

All of the markets that Rally Appraisal serves, regardless of State, saw declines in sales volume activity in all asset classes. The multifamily market had very modest activity which is surprising as this market was one of the strongest and most appealing investment markets the past few years.

Buyers have quickly realized that they can no longer purchase at sub 6% and sub 7% cap rates while sellers are still stuck in the past. This divide has led to fewer closed transactions and fewer owners willing to list. MLS data in Cedar Rapids showed only 3 multifamily sales and they were all 5 to 8 units. Other markets served by Rally have also cooled greatly on this asset class.

The industrial market throughout the Midwest has been very strong the past 24 months. Even as interest rates have increased this market remains on good footing but will begin to start showing a slow down for the first time in many months. Leasing of industrial space has continued to be very strong as there is still limited inventory. The cost to build is a major headwind and most industrial being developed is 100,000 sq ft or more to allow for economic scale. Cost to build is starting to adjust downward for some building materials but will likely never return to pre pandemic levels. The supply chain is starting to be less of an issue. Financing is still available for industrial warehousing but at much higher interest rates which is the other headwind to construction cost.

Office is by far the weakest sector of the commercial real estate market and has never recovered from the 2008 recession. Employees are being forced to return to the office for 3 to 4 days a week depending on the employer and type of work being performed. The return to the office trend is in full swing and has been since the latter half of last year, but as of yet is not having an impact. Large office space is available in most markets Rally serves but small office space of less than 5,000 sq ft still seems to have modest demand and is in limited supply. There are fewer and fewer large office users in all markets and with more people working from home or sharing offices, large office space is greater in supply.

The retail market is moving forward in most markets. The biggest issue with retail is interest rates rising fast and cap rates now decompressing. This will become more evident as sellers and buyers are going to be settling more transactions at higher cap rates moving forward or buying more retail with cash. Lenders are requiring loan to value of no greater than 70% on most deals and some less than 70%. Only one sale of commercial retail sold during the Q1 2023 in Cedar Rapids and the previous Q4 2022 had nine MLS sales with nearly all sales being lower quality, smaller retail/commercial properties. Markets such as Des Moines and Omaha were of course much stronger but it is becoming very evident that commercial real estate is going to have a difficult year with weakening market conditions.

At this time financing terms are difficult for borrowers needing to refinance. The US has borrowers that need new credit for nearly \$1.5 billion in loans coming due into 2025. The tight market and higher interest rates means many borrowers will need to come to the closing table with cash as they refinance. Some properties are being repossessed already according to a recent article in the Wall Street Journal article published the week of April 10th. Thankfully most lending practices in the Midwest have been more conservative and the expectation is that the markets which Rally Appraisal serves will be less impacted by overzealous lending practices.

The theme of increased property tax assessments in most Midwest states will impact commercial real estate negatively on top of the already high interest rate environment. Assessments in some cases have increased 20%, 30% and even more. The impact however won't truly be felt until payments are due and in some states like Iowa will be Fall of 2024. Based on reviewing many properties at least in Iowa, many assessments were greatly below market the past few years and now finally being brought to market.

Overall the 2023 market will be difficult for commercial real estate in general. It is typical for downward market swing after a boom markets as what goes up must come back down. The question remains how far will the market come down and for how long will it last?

*Supporting data compiled by the following
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Rally Appraisal Market Data - April 2023

Iowa Residential Markets

Iowa Quad Cities

	2021-2022		2022-2023				
	Sales	Median Sale Price	Sales	Median Sale Price	Sales +/-	Median +/-	
2nd Quarter 2021	778	\$204,375	2nd Quarter 2022	752	\$223,300	-3.34%	9.26%
3rd Quarter 2021	890	\$210,000	3rd Quarter 2022	712	\$224,450	-20.00%	6.88%
4th Quarter 2021	706	\$195,400	4th Quarter 2022	544	\$208,250	-22.95%	6.58%
1st Quarter 2022	550	\$197,500	1st Quarter 2023	407	\$195,000	-26.00%	-1.27%

Cedar Rapids

	2021-2022		2022-2023				
	Sales	Average Sale Price	Sales	Average Sale Price	Sales +/-	Average +/-	
2nd Quarter 2021	1082	\$226,185	2nd Quarter 2022	1074	\$240,559	-0.74%	6.35%
3rd Quarter 2021	1238	\$226,796	3rd Quarter 2022	1108	\$245,512	-10.50%	8.25%
4th Quarter 2021	1048	\$215,963	4th Quarter 2022	801	\$241,367	-23.57%	11.76%
1st Quarter 2022	727	\$221,169	1st Quarter 2023	468	\$221,963	-35.63%	0.36%

Iowa City/Coralville

	2021-2022		2022-2023				
	Sales	Median Sale Price	Sales	Median Sale Price	Sales +/-	Median +/-	
2nd Quarter 2021	926	\$265,945	2nd Quarter 2022	861	\$299,900	-7.02%	12.77%
3rd Quarter 2021	855	\$257,500	3rd Quarter 2022	736	\$286,000	-13.92%	11.07%
4th Quarter 2021	585	\$269,900	4th Quarter 2022	399	\$279,900	-31.79%	3.71%
1st Quarter 2022	407	\$275,000	1st Quarter 2023	282	\$309,950	-30.71%	12.71%

Omaha Iowa Market

	2021-2022		2022-2023				
	Sales	Median Sale Price	Sales	Median Sale Price	Sales +/-	Median +/-	
2nd Quarter 2021	402	\$165,000	2nd Quarter 2022	355	\$193,000	-11.69%	16.97%
3rd Quarter 2021	411	\$175,000	3rd Quarter 2022	335	\$208,000	-18.49%	18.86%
4th Quarter 2021	369	\$171,750	4th Quarter 2022	256	\$185,000	-30.62%	7.71%
1st Quarter 2022	230	\$150,000	1st Quarter 2023	139	\$190,000	-39.57%	26.67%

Dubuque

	2021-2022		2022-2023				
	Sales	Median Sale Price	Sales	Median Sale Price	Sales +/-	Median +/-	
2nd Quarter 2021	316	\$214,612	2nd Quarter 2022	285	\$225,000	-9.81%	4.84%
3rd Quarter 2021	350	\$202,250	3rd Quarter 2022	358	\$231,500	2.29%	14.46%
4th Quarter 2021	304	\$212,000	4th Quarter 2022	236	\$208,500	-22.37%	-1.65%
1st Quarter 2022	177	\$202,500	1st Quarter 2023	167	\$207,700	-5.65%	2.57%

Des Moines

	2021-2022		2022-2023				
	Sales	Median Sale Price	Sales	Median Sale Price	Sales +/-	Median +/-	
2nd Quarter 2021	4167	\$255,000	2nd Quarter 2022	2721	\$286,500	-34.70%	12.35%
3rd Quarter 2021	4360	\$265,000	3rd Quarter 2022	3553	\$285,975	-18.51%	7.92%
4th Quarter 2021	3630	\$265,813	4th Quarter 2022	2443	\$275,000	-32.70%	3.46%
1st Quarter 2022	2768	\$268,250	1st Quarter 2023	1835	\$270,000	-33.71%	0.65%

Cedar Falls/Waterloo

	2021-2022		2022-2023				
	Sales	Median Sale Price	Sales	Median Sale Price	Sales +/-	Median +/-	
2nd Quarter 2021	542	\$173,950	2nd Quarter 2022	494	\$185,000	-8.86%	6.35%
3rd Quarter 2021	634	\$170,000	3rd Quarter 2022	583	\$175,000	-8.04%	2.94%
4th Quarter 2021	511	\$153,500	4th Quarter 2022	379	\$162,500	-25.83%	5.86%
1st Quarter 2022	358	\$163,500	1st Quarter 2023	273	\$168,000	-23.74%	2.75%

Illinois Residential Markets

Illinois Quad Cities

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	605	\$129,900	2nd Quarter 2022	570	\$126,625	-5.79%	-2.52%
3rd Quarter 2021	653	\$132,500	3rd Quarter 2022	540	\$139,000	-17.30%	4.91%
4th Quarter 2021	553	\$134,900	4th Quarter 2022	414	\$138,500	-25.14%	2.67%
1st Quarter 2022	393	\$128,000	1st Quarter 2023	297	\$125,000	-24.43%	-2.34%

Peoria Metro

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	1084	\$121,700	2nd Quarter 2022	1012	\$130,000	-6.64%	6.82%
3rd Quarter 2021	1031	\$127,000	3rd Quarter 2022	862	\$140,000	-16.39%	10.24%
4th Quarter 2021	859	\$119,500	4th Quarter 2022	707	\$123,500	-17.69%	3.35%
1st Quarter 2022	629	\$116,900	1st Quarter 2023	552	\$119,000	-12.24%	1.80%

Peoria Suburban

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	751	\$139,900	2nd Quarter 2022	606	\$150,000	-19.31%	7.22%
3rd Quarter 2021	667	\$144,000	3rd Quarter 2022	572	\$153,750	-14.24%	6.77%
4th Quarter 2021	569	\$140,000	4th Quarter 2022	433	\$140,000	-23.90%	0.00%
1st Quarter 2022	427	\$135,900	1st Quarter 2023	331	\$130,000	-22.48%	-4.34%

Springfield

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	898	\$147,700	2nd Quarter 2022	813	\$158,000	-9.47%	6.97%
3rd Quarter 2021	955	\$160,000	3rd Quarter 2022	805	\$171,000	-15.71%	6.88%
4th Quarter 2021	815	\$154,000	4th Quarter 2022	591	\$164,900	-27.48%	7.08%
1st Quarter 2022	590	\$145,000	1st Quarter 2023	491	\$152,900	-16.78%	5.45%

Bloomington/Normal

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	827	\$180,500	2nd Quarter 2022	653	\$215,000	-21.04%	19.11%
3rd Quarter 2021	842	\$199,900	3rd Quarter 2022	797	\$212,000	-5.34%	6.05%
4th Quarter 2021	651	\$180,500	4th Quarter 2022	547	\$200,000	-15.98%	10.80%
1st Quarter 2022	430	\$185,500	1st Quarter 2023	354	\$215,950	-17.67%	16.42%

St. Louis Metro East Illinois

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	2444	\$175,000	2nd Quarter 2022	2233	\$194,000	-8.63%	10.86%
3rd Quarter 2021	2523	\$177,500	3rd Quarter 2022	2219	\$190,000	-12.05%	7.04%
4th Quarter 2021	2223	\$168,000	4th Quarter 2022	1701	\$175,000	-23.48%	4.17%
1st Quarter 2022	1583	\$165,000	1st Quarter 2023	1332	\$165,000	-15.86%	0.00%

Rockford

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	1076	\$156,950	2nd Quarter 2022	985	\$175,000	-8.46%	11.50%
3rd Quarter 2021	1352	\$162,750	3rd Quarter 2022	1136	\$170,000	-15.98%	4.45%
4th Quarter 2021	1189	\$151,000	4th Quarter 2022	817	\$155,000	-31.29%	2.65%
1st Quarter 2022	876	\$133,750	1st Quarter 2023	607	\$147,500	-30.71%	10.28%

Wisconsin Residential Markets

Madison

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	2005	\$380,000	2nd Quarter 2022	1779	\$425,000	-11.27%	11.84%
3rd Quarter 2021	2069	\$378,000	3rd Quarter 2022	1760	\$416,500	-14.93%	10.19%
4th Quarter 2021	1611	\$365,500	4th Quarter 2022	1076	\$400,000	-33.21%	9.44%
1st Quarter 2022	1036	\$391,500	1st Quarter 2023	805	\$424,900	-22.30%	8.53%

Janesville/Beloit

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	584	\$210,276	2nd Quarter 2022	539	\$241,000	-7.71%	14.61%
3rd Quarter 2021	727	\$200,000	3rd Quarter 2022	632	\$245,000	-13.07%	22.50%
4th Quarter 2021	609	\$205,000	4th Quarter 2022	438	\$225,500	-28.08%	10.00%
1st Quarter 2022	380	\$195,000	1st Quarter 2023	320	\$239,500	-15.79%	22.82%

La Crosse

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	377	\$249,000	2nd Quarter 2022	397	\$280,000	5.31%	12.45%
3rd Quarter 2021	458	\$240,000	3rd Quarter 2022	421	\$266,500	-8.08%	11.04%
4th Quarter 2021	387	\$237,900	4th Quarter 2022	296	\$263,950	-23.51%	10.95%
1st Quarter 2022	229	\$245,000	1st Quarter 2023	171	\$260,000	-25.33%	6.12%

Missouri Residential Markets

St. Louis Metro

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	8213	\$251,500	2nd Quarter 2022	7444	\$275,000	-9.36%	9.34%
3rd Quarter 2021	8773	\$255,000	3rd Quarter 2022	7172	\$272,000	-18.25%	6.67%
4th Quarter 2021	7435	\$245,000	4th Quarter 2022	5438	\$255,000	-26.86%	4.08%
1st Quarter 2022	5115	\$240,000	1st Quarter 2023	4158	\$250,000	-18.71%	4.17%

Nebraska Residential Markets

Omaha Metro

	2021-2022			2023-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	2845	\$250,000	2nd Quarter 2022	2642	\$285,000	-7.14%	14.00%
3rd Quarter 2021	2991	\$250,000	3rd Quarter 2022	2509	\$285,000	-16.12%	14.00%
4th Quarter 2021	2706	\$243,750	4th Quarter 2022	1688	\$275,000	-37.62%	12.82%
1st Quarter 2022	1751	\$262,000	1st Quarter 2023	1349	\$271,000	-22.96%	3.44%

Indiana Residential Markets

Indianapolis Metro

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	4205	\$210,000	2nd Quarter 2022	3953	\$247,500	-5.99%	17.86%
3rd Quarter 2021	4432	\$220,000	3rd Quarter 2022	3820	\$244,000	-13.81%	10.91%
4th Quarter 2021	4069	\$220,000	4th Quarter 2022	2748	\$230,000	-32.46%	4.55%
1st Quarter 2022	3051	\$222,000	1st Quarter 2023	2572	\$229,900	-15.70%	3.56%

Indianapolis Suburban

	2021-2022			2022-2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
2nd Quarter 2021	4439	\$312,500	2nd Quarter 2022	4335	\$367,500	-2.34%	17.60%
3rd Quarter 2021	4970	\$319,312	3rd Quarter 2022	4262	\$365,000	-14.25%	14.31%
4th Quarter 2021	4222	\$329,977	4th Quarter 2022	3309	\$365,650	-21.62%	10.81%
1st Quarter 2022	2864	\$337,750	1st Quarter 2023	2785	\$355,960	-2.76%	5.39%