



JANUARY 2024

# 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 4th QUARTER

The fourth quarter while continuing the overall trends of 2023, did see the decline in the rate of sales shallow. The 4th quarter saw volatility in rates. The quarter saw mortgage rates hit the highest level of the year and the highest levels in over a decade at roughly 8%. However, towards the end of the quarter rates began to drop, tracking the 10-year treasury yield following a Federal Reserve meeting where market participants came to believe that the Fed was taking a more dovish stance.

All of the markets that we serve, regardless of State, once again saw declines in sales volume versus the 4th quarter of 2023. However, many markets saw the rate of decline decrease to single digits. Sales volumes in the markets we serve ranged between declines of 1.22% to 30.45% during the 4th quarter of 2023. The top performing market on a sales volume standpoint was Rockford, Illinois which saw a decline of 1.22%.

The worst performing market was the Des Moines, Iowa market which saw a decline of 30.45%. This was a bit of an outlier however, with only one other market seeing a decline in sales volume of 20% or more for the quarter. The majority of markets saw declines in sales volume under 10% on a percentage basis.

The overall trend in pricing was still slight appreciation, with all markets being flat or slightly positive for the quarter. The range varied between 0% in the St. Louis, Missouri metro market, to an increase of 15% in the Bloomington/Normal, Illinois market. This marked the second straight quarter that Bloomington/Normal had the highest appreciation rate of any of the markets that we serve.

### 2024 OUTLOOK

As is mentioned above, rates declined towards the end of the 4th quarter of 2023 and are currently at their lowest in quite some time. It is anticipated that while sales volume will continue to be substantially below the rate of 2021 and 2022, that it will at least level off versus 2023 and there likely could be some increases in sales volume as the interest rate environment is likely to be lower than where it was at the same time in the prior year.

The trend in pricing is most likely going to continue to be slightly positive as demand still outweighs supply. Declining rates could lift supply somewhat, but likely not enough to change this overall dynamic.

The residential real estate market would appear to have (2) positive trends going for it during 2024. First, the interest rate environment should be better than in 2023 which should spur activity. The market believes that the Federal Reserve is done increasing rates and that they will be cutting rates during 2024. The number of cuts is highly speculative, but it seems reasonable to assume that there will be cuts during 2024.

The second positive factor is that the spread between the 10-year treasury and mortgage interest rates also appears to be tightening. During 2023 it was near historic highs of roughly 3% while it historically is around 2%. This is basically a measure of market confidence. These spreads have recently started to decline and would appear to have more room to come down. The combination of these two factors should put downward pressure on interest rates which should help both the demand and supply side of residential real estate.

In addition to these factors, there is also a fair amount of pent up demand as we have had roughly 18-24 months of certain potential sellers feeling locked into their rates and buyers being frustrated by historically low inventory. If market conditions improve, this pent up demand will start to unwind.

*Commentary written by Matthew Miller, SRA  
Rally Appraisal, LLC ©2024 Rally Appraisal LLC*

## **COMMERCIAL REAL ESTATE MARKET 2024**

The last quarter of 2023 saw commercial real estate activity continue much slower than 2022. Capitalization rates nationwide are now higher due in part to interest rates increasing substantially. Lenders aggressively tightened lending practices requiring greater down payment and higher debt coverage ratios across all asset classes of real estate. The last two weeks in 2023 the ten-year treasury dipped below 4% for the first time since July of 2023. While 2023 was challenging, there is optimism with the Fed signaling that they are likely done increasing rates.

PWC Korpacz indicates a mix of thoughts for 2024 on where commercial real estate (CRE) sectors are heading. The office market will remain weak. A 3Q 2023 survey by PWC indicated more investors expect the bid ask price from buyers and sellers to tighten for office, warehouse and apartments but retail is expected to widen. The same survey indicates retail cap rates are likely to hold steady at higher levels than in early 2023 across all asset classes.

Cap rates in markets that Rally Appraisal serves are higher by 30 to 60 basis points and some over 100 basis points depending on the property type and market location. Investments having perceived lower risk such as apartments had the least increase in cap rates. For example, Linn County (Cedar Rapids, Iowa) apartment sale transactions indicate an average cap rate for apartments sold in the past 12 months of 7.30% and a median of 7.55%.

All of the markets that Rally Appraisal serves, regardless of State, saw declines in sales volume activity. The multifamily market had fewer transactions due to investors unwilling to part with properties with low interest rates locked in place and most apartment properties are yielding higher returns. As interest rates run through term, the expectation is that more activity will pick up in 2024 and 2025 due to refinance needs.

The industrial market throughout the Midwest has been very strong the past 36 months. Even as interest rates have increased, this market remains on good footing. There is however starting to be an increasing inventory of larger spaces for lease in most of our markets (50,000+ sq ft). There are also a large number of small shops and industrial spaces for lease with continued building of the wood pole frame condo office / warehouses throughout the Midwest. The expectation is for leasing to cool along with industrial warehouse demand as the economy finally slows and inflation approaches the Fed target of 2%. The cost to build has been a major headwind and most industrial being developed is 100,000 sq ft or more to allow for economic scale. Cost to build has adjusted downward for some building materials, but has not returned to pre pandemic levels. The supply chain is starting to be less of an issue, but more out of market factors such as international shipping and wars in Ukraine and Gaza are having impacts on supply chains. Financing is still available for industrial warehousing, but at much higher interest rates. New construction asking rental rates are now up \$1.00 to \$2.00 more per square foot triple net in most markets.

The office market remains weak with some sales occurring at record low pricing at the end of 2023. In one particular case, an office building that sold only a few years ago for over \$10,000,000 and is now vacant and is selling for 25% of original value. Office is actually selling in many cases for less per square foot than warehouse space. Employees have returned to the office, most for 3 to 4 days a week depending on the employer and type of work performed. The return to the office trend is likely nearing the end and the new occupancy for the office market is beginning to take shape. Plenty of large office space is available in most markets Rally serves but small office space of less than 5,000 sq ft still has modest demand and is slightly more limited in 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 decompressed at higher levels than sellers like. This has become more evident as sellers and buyers are settling more transactions at higher cap rates. Many buyers moving forward into 2024 have hopes of refinancing debt in the following 24 months for properties purchased in 2023. Retail is stable and will remain so, but cost to build, rents, and operating expenses are climbing, making it less attractive to be in new construction retail unless there is a long term high credit tenant. Even then, the return on investment is quite low and those purchasing are doing so out of necessity for depreciation deductions and 1031 exchanges.

Moving into 2024 there are some positives. The highest inflation is thought to be in the past with near 2% inflation likely reached sometime in 2024. This will give some room for the Fed to cut borrowing rates. The Fed indicated that it could cut rates up to 4 or 5 times during 2024 starting in late spring early summer. Rate cuts will help lenders and borrowers move in a positive direction in the second half of 2024. Lower interest rates would be welcomed by all asset classes.

The housing market continues to have strong demand but low supply and homes are at record level pricing. This is of course, due in part to many dwellers holding on to their current housing situation due in large part to 30 year rates locked in at under 4% (Golden Handcuffs). If housing interest rates can reduce to less than 6%, mortgage applications will likely increase from the lowest activity seen in many years.

Overall, the expectation for 2024 is below normal activity through the first 6 months but increasing thereafter as interest rates begin to decline and optimism of a soft landing remains in place. Lenders are indicating an unwillingness to aggressively-lend and may continue holding rates higher like they did in the last quarter of 2023 when the 10-year treasury rate declined from 5% down to 4%. Timid lending was brought on by financial losses banks suffered during the quick swing in long-term lending rates versus short-term lending rates in early 2023. Banks were not expecting such an abrupt change in policy and were caught off-guard. The hope is that as the market shows positive signs, the real estate market stabilizes to a more normalized activity level.



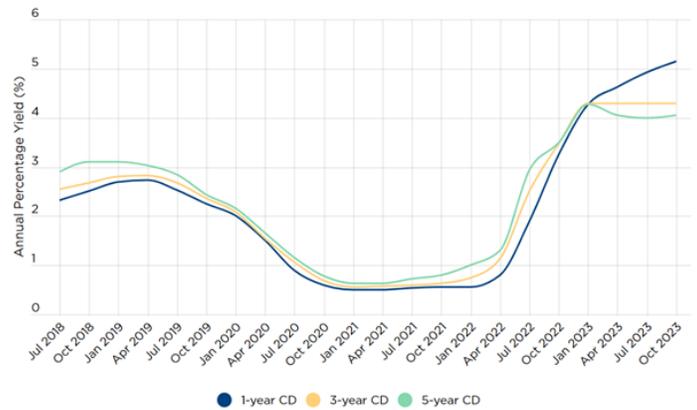
At this time financing terms are difficult for borrowers needing to refinance. The US has borrowers that need new credit for nearly \$1.5 billion in loans coming due into 2025. The tight market and higher interest rates means many borrowers will need to come to the closing table with cash as they refinance. 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 2024 market will be difficult for commercial real estate in general. It is typical for downward market swings after a boom market 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?

*Commentary written by David Passmore, MAI  
Rally Appraisal, LLC ©2024 Rally Appraisal LLC*

**High-yield CD rates: 2018-2023**



**SOURCE: NERDWALLET WEBSITE FOR CD RATES**



**SOURCE: CNBC WEBSITE (10 YEAR TREASURY YIELD – 1 YEAR)**

Supporting data in the following reports was compiled by the following Rally Certified Appraisers: Courtney Prentice, Kate VanDiver, Shane Sipes, Kasey McMahon, Cody Wellington, Tyler Vauthier, & Emilio Gonzalez (trainee)

## Iowa Residential Markets

### Iowa Quad Cities

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	550	\$197,500	1st Quarter 2023	407	\$195,000	-26.00%	-1.27%
2nd Quarter 2022	752	\$223,300	2nd Quarter 2023	572	\$235,000	-23.94%	5.24%
3rd Quarter 2022	712	\$224,450	3rd Quarter 2023	583	\$242,000	-18.12%	7.82%
4th Quarter 2022	544	\$208,250	4th Quarter 2023	498	\$231,000	-8.46%	10.92%

### Cedar Rapids

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	727	\$180,000	1st Quarter 2023	597	\$186,500	-17.88%	3.61%
2nd Quarter 2022	1074	\$196,635	2nd Quarter 2023	835	\$200,000	-22.25%	1.71%
3rd Quarter 2022	1109	\$210,000	3rd Quarter 2023	842	\$217,000	-24.08%	3.33%
4th Quarter 2022	816	\$195,000	4th Quarter 2023	695	\$207,500	-14.83%	6.41%

### Iowa City/Coralville

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	407	\$275,000	1st Quarter 2023	282	\$309,950	-30.71%	12.71%
2nd Quarter 2022	861	\$299,900	2nd Quarter 2023	676	\$309,900	-21.49%	3.33%
3rd Quarter 2022	736	\$286,000	3rd Quarter 2023	586	\$307,750	-20.38%	7.60%
4th Quarter 2022	399	\$279,900	4th Quarter 2023	378	\$308,450	-5.26%	10.20%

### Omaha Iowa Market

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	230	\$150,000	1st Quarter 2023	204	\$196,000	-11.30%	30.67%
2nd Quarter 2022	355	\$193,000	2nd Quarter 2023	303	\$216,000	-14.65%	11.92%
3rd Quarter 2022	335	\$208,000	3rd Quarter 2023	278	\$219,750	-17.01%	5.65%
4th Quarter 2022	256	\$185,000	4th Quarter 2023	243	\$202,000	-5.08%	9.19%

### Dubuque

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	177	\$202,500	1st Quarter 2023	167	\$207,700	-5.65%	2.57%
2nd Quarter 2022	285	\$225,000	2nd Quarter 2023	222	\$230,000	-22.11%	2.22%
3rd Quarter 2022	358	\$231,500	3rd Quarter 2023	223	\$235,000	-37.71%	1.51%
4th Quarter 2022	236	\$208,500	4th Quarter 2023	210	\$221,625	-11.02%	6.29%

### Des Moines

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	2768	\$268,250	1st Quarter 2023	1835	\$270,000	-33.71%	0.65%
2nd Quarter 2022	2721	\$286,500	2nd Quarter 2023	2532	\$310,000	-6.95%	8.20%
3rd Quarter 2022	3553	\$285,975	3rd Quarter 2023	2283	\$315,000	-35.74%	10.15%
4th Quarter 2022	2443	\$275,000	4th Quarter 2023	1699	\$301,000	-30.45%	9.45%

### Cedar Falls/Waterloo

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	358	\$163,500	1st Quarter 2023	273	\$168,000	-23.74%	2.75%
2nd Quarter 2022	494	\$185,000	2nd Quarter 2023	406	\$184,275	-17.81%	-0.39%
3rd Quarter 2022	583	\$175,000	3rd Quarter 2023	454	\$180,750	-22.13%	3.29%
4th Quarter 2022	379	\$162,500	4th Quarter 2023	374	\$179,450	-1.32%	10.43%

# Illinois Residential Markets

## Illinois Quad Cities

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	393	\$128,000	1st Quarter 2023	297	\$125,000	-24.43%	-2.34%
2nd Quarter 2022	570	\$126,625	2nd Quarter 2023	412	\$149,250	-27.72%	17.87%
3rd Quarter 2022	540	\$139,000	3rd Quarter 2023	436	\$157,400	-19.26%	13.24%
4th Quarter 2022	414	\$138,500	4th Quarter 2023	378	\$147,450	-8.70%	6.46%

## Peoria Metro

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	629	\$116,900	1st Quarter 2023	552	\$119,000	-12.24%	1.80%
2nd Quarter 2022	1012	\$130,000	2nd Quarter 2023	773	\$147,500	-23.62%	13.46%
3rd Quarter 2022	862	\$140,000	3rd Quarter 2023	763	\$150,000	-11.48%	7.14%
4th Quarter 2022	707	\$123,500	4th Quarter 2023	593	\$127,500	-16.12%	3.24%

## Peoria Suburban

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	427	\$135,900	1st Quarter 2023	331	\$130,000	-22.48%	-4.34%
2nd Quarter 2022	606	\$150,000	2nd Quarter 2023	496	\$165,000	-18.15%	10.00%
3rd Quarter 2022	572	\$153,750	3rd Quarter 2023	495	\$160,000	-13.46%	4.07%
4th Quarter 2022	433	\$140,000	4th Quarter 2023	378	\$159,450	-12.70%	13.89%

## Springfield

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	590	\$145,000	1st Quarter 2023	491	\$152,900	-16.78%	5.45%
2nd Quarter 2022	813	\$158,000	2nd Quarter 2023	663	\$165,000	-18.45%	4.43%
3rd Quarter 2022	805	\$171,000	3rd Quarter 2023	636	\$175,000	-20.99%	2.34%
4th Quarter 2022	591	\$164,900	4th Quarter 2023	563	\$170,000	-4.74%	3.09%

## Bloomington/Normal

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	430	\$185,500	1st Quarter 2023	354	\$215,950	-17.67%	16.42%
2nd Quarter 2022	653	\$215,000	2nd Quarter 2023	488	\$249,500	-25.27%	16.05%
3rd Quarter 2022	797	\$212,000	3rd Quarter 2023	509	\$245,000	-36.14%	15.57%
4th Quarter 2022	547	\$200,000	4th Quarter 2023	406	\$230,000	-25.78%	15.00%

## St. Louis Metro East Illinois

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	1583	\$165,000	1st Quarter 2023	1332	\$165,000	-15.86%	0.00%
2nd Quarter 2022	2233	\$194,000	2nd Quarter 2023	1777	\$203,000	-20.42%	4.64%
3rd Quarter 2022	2219	\$190,000	3rd Quarter 2023	1813	\$195,000	-18.30%	2.63%
4th Quarter 2022	1701	\$175,000	4th Quarter 2023	1532	\$190,000	-9.94%	8.57%

## Rockford

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	876	\$133,750	1st Quarter 2023	623	\$146,300	-28.88%	9.38%
2nd Quarter 2022	985	\$175,000	2nd Quarter 2023	854	\$175,000	-13.30%	0.00%
3rd Quarter 2022	1136	\$170,000	3rd Quarter 2023	1020	\$183,750	-10.21%	8.09%
4th Quarter 2022	817	\$155,000	4th Quarter 2023	807	\$172,500	-1.22%	11.29%

# Wisconsin Residential Markets

## Madison

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	1036	\$391,500	1st Quarter 2023	805	\$424,900	-22.30%	8.53%
2nd Quarter 2022	1779	\$425,000	2nd Quarter 2023	1353	\$445,000	-23.95%	4.71%
3rd Quarter 2022	1760	\$416,500	3rd Quarter 2023	1342	\$445,000	-23.75%	6.84%
4th Quarter 2022	1076	\$400,000	4th Quarter 2023	1046	\$422,709	-2.79%	5.68%

## Janesville/Beloit

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	380	\$195,000	1st Quarter 2023	320	\$239,500	-15.79%	22.82%
2nd Quarter 2022	539	\$241,000	2nd Quarter 2023	468	\$259,850	-13.17%	7.82%
3rd Quarter 2022	632	\$245,000	3rd Quarter 2023	503	\$250,000	-20.41%	2.04%
4th Quarter 2022	438	\$225,500	4th Quarter 2023	428	\$248,125	-2.28%	10.03%

## La Crosse

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	229	\$245,000	1st Quarter 2023	171	\$260,000	-25.33%	6.12%
2nd Quarter 2022	397	\$280,000	2nd Quarter 2023	290	\$289,450	-26.95%	3.38%
3rd Quarter 2022	421	\$266,500	3rd Quarter 2023	330	\$295,000	-21.62%	10.69%
4th Quarter 2022	296	\$263,950	4th Quarter 2023	271	\$270,000	-8.45%	2.29%

# Missouri Residential Markets

## St. Louis Metro

	2022			2023		Sales +/-	Median +/-
	Sales	Median Sale Price		Sales	Median Sale Price		
1st Quarter 2022	5115	\$240,000	1st Quarter 2023	4158	\$250,000	-18.71%	4.17%
2nd Quarter 2022	7444	\$275,000	2nd Quarter 2023	6088	\$282,500	-18.22%	2.73%
3rd Quarter 2022	7172	\$272,000	3rd Quarter 2023	6371	\$290,000	-11.17%	6.62%
4th Quarter 2022	5438	\$255,000	4th Quarter 2023	5371	\$255,000	-1.23%	0.00%

# Nebraska Residential Markets

## Omaha Metro

	2022		2023				
	Sales	Median Sale Price	Sales	Median Sale Price	Sales +/-	Median +/-	
1st Quarter 2022	1751	\$262,000	1st Quarter 2023	1349	\$271,000	-22.96%	3.44%
2nd Quarter 2022	2642	\$285,000	2nd Quarter 2023	2061	\$300,000	-21.99%	5.26%
3rd Quarter 2022	2509	\$285,000	3rd Quarter 2023	2082	\$299,000	-17.02%	4.91%
4th Quarter 2022	1688	\$275,000	4th Quarter 2023	1660	\$290,000	-1.66%	5.45%

# Indiana Residential Markets

## Indianapolis Metro

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	3051	\$222,000	1st Quarter 2023	2572	\$229,900	-15.70%	3.56%
2nd Quarter 2022	3953	\$247,500	2nd Quarter 2023	3215	\$245,000	-18.67%	-1.01%
3rd Quarter 2022	3820	\$244,000	3rd Quarter 2023	3262	\$240,000	-14.61%	-1.64%
4th Quarter 2022	2748	\$230,000	4th Quarter 2023	2709	\$234,900	-1.42%	2.13%

## Indianapolis Suburban

	2022			2023			
	Sales	Median Sale Price		Sales	Median Sale Price	Sales +/-	Median +/-
1st Quarter 2022	2864	\$337,750	1st Quarter 2023	2785	\$355,960	-2.76%	5.39%
2nd Quarter 2022	4335	\$367,500	2nd Quarter 2023	3537	\$380,000	-18.41%	3.40%
3rd Quarter 2022	4262	\$365,000	3rd Quarter 2023	3745	\$375,000	-12.13%	2.74%
4th Quarter 2022	3309	\$365,650	4th Quarter 2023	2895	\$375,995	-12.51%	2.83%