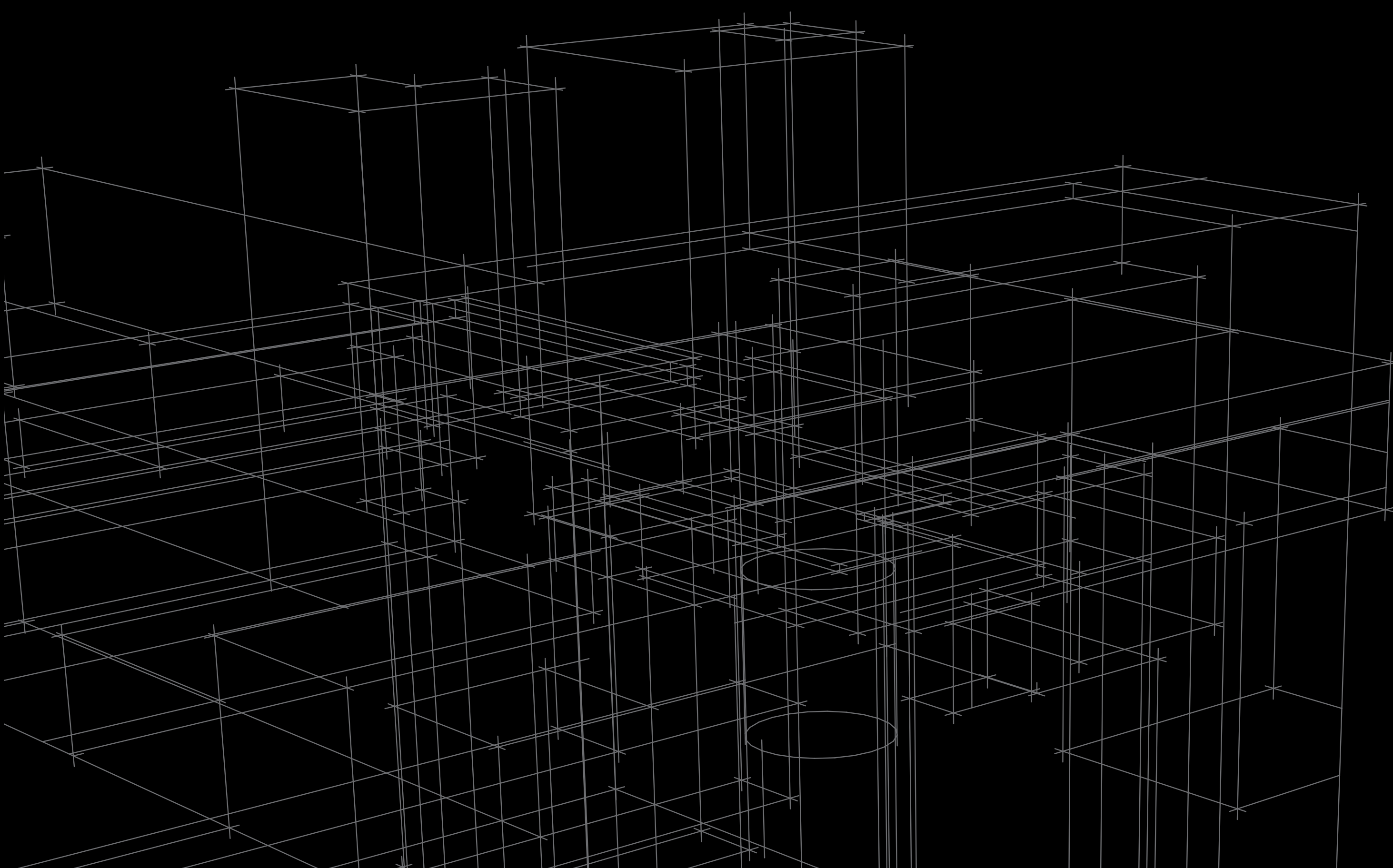
DEVELOPMENT REPORT
2015 YEAR IN REVIEW/2016 OUTLOOK

@properties®



INTRODUCTION

Welcome to the @report, the 5th edition of our annual development market report – and by far the most comprehensive one yet. What began in 2012 as an overview of neighborhood transactions and pricing, last year morphed into a forward-looking analysis of development trends, and this year took on a life of its own, thanks to a remarkable amount of direct input from you.

NEW FOR 2016: INDUSTRY SURVEYS

The 2016 @report not only includes the most in-depth analysis of neighborhood sales data we have ever assembled; it also features exclusive content based on almost 100 surveys completed by a broad cross section of developers, bankers, architects, general contractors and our own @properties brokers.

The survey responses contain valuable insights into the opinions, intentions and concerns of industry leaders on a variety of issues ranging from builder confidence to hot neighborhoods to what's missing in today's new homes. You'll find those insights on nearly every page of this year's @report.

5 PRINCIPAL RISKS

One of our most important jobs when it comes to development sales and marketing is helping our clients identify and manage risk. Fittingly, through your survey responses, we were able to classify five principal risks for residential for-sale development in the year ahead: Spiraling Construction Costs; Political Challenges to Development; The Economy; Increasing Costs/Competition for Land; and Challenges Related to Product and Programming.

These risks – and potential stratagies for mitigation – are discussed in the five essays that comprise the front section of this year's @report. The back section includes our analyses, pricing tables and market dynamics charts for the eight @report neighborhoods: The Gold Coast, River North, West Loop, South Loop, The Loop, Streeterville, Lincoln Park and Lakeview.

$7 BILLION IN SALES

These neighborhoods represent a large percentage of @properties' business, but we are happy to report that our operation continues to grow both within and beyond the downtown core. As of this writing, @properties has more than 1,930 brokers in the Chicagoland area, and the number climbs to over 2,000 with the addition of our Southwest Michigan and Lake Geneva offices. We completed over $7.3 billion in transactions in 2015, and we fully expect to top that number this year. @properties owns the #1 market share in the city, is closing in on that position on the North Shore, and is the largest independent real estate brokerage firm in Illinois.

Our Developer Services team has expanded to include executive vice presidents of sales and marketing, vice presidents of brokerage services in the city and suburbs, and marketing professionals specializing in advertising, graphic design, digital marketing and PR. Proper Title, our affiliated title company, has grown more than 400 percent since 2013 and is now the second largest title company in Illinois. And the investments we've made in local tech startups, including Yapmo, PointDrive and TurboAppeal, have strengthened our value proposition to both our brokers and our clients.

THE MARKET REPORT OR THE MOVIES?

We know that the typical market report in any industry can be arcane, monotonous and boring. We don't want to be arcane, monotonous and boring. We want to be engaging, informative and fun. That's why we put a ton of time and effort into the @report every year, and this year is no exception. We take a lot of care in our research and analysis, and a lot of pride in our design and writing. The entire @report was researched, written and produced in-house. It's a reflection of our commitment to you and our passion and joy for our work. Please take the time to read the @report and provide your feedback. We want to make it better every year, and we'll only get there with your input. So tonight if your spouse or significant other walks into the room and says, "Can we go to the movies now or do you want to keep reading that damned report?" at least ask, "Which movie?"

Thanks and enjoy.
Thad & Mike

Photo: Berkelhamer Architects

Rendering: Focus Development

Photo: Berkelhamer Architects

Rendering: SGZ Prairie LLC

TABLE OF CONTENTS

Researched by Peter Olesker and Kelly Maguire. Written by Peter Olesker.

METHODOLOGY

WHAT'S INCLUDED

The @report uses MLS data to track the average price per square foot (PSF) for condominiums and townhomes in eight Chicago neighborhoods: the Gold Coast, River North, Streeterville, the South Loop, the West Loop, the Loop, Lakeview and Lincoln Park. Product is categorized by type of construction (new, resale and all) and number of bedrooms (studios and 1s, 2s, 3+, and all).

Data for each neighborhood is divided into two sections. The first section is an annual comparison of the average PSF for closed listings from 2015 vs. 2014. The second section is a market dynamics report on Supply & Demand and Months' Supply of Inventory over the past 24 months.

We also include a written summary of the data and trends from each neighborhood.

PRICE PER SQUARE FOOT

Determining price per square foot obviously requires two inputs – the price of the listing and its square footage. However a sizable number of listings are entered into the MLS without square footage. We have found this to be especially prevalent with some new-construction developments and in neighborhoods where there is a large percentage of older product (e.g. Lakeview and Lincoln Park).

Rather than discarding all of this data, we use a number of sources, including third-party property databases, development websites and floor plans, and our own first-hand knowledge of properties (many of which we have represented), to discover square footage wherever possible. While this methodology is by no means perfect, we believe it provides a more accurate sample. Listings for which no reliable square footage measurement can be obtained are omitted from our PSF calculations.

NUMBER OF TRANSACTIONS

In the @report data tables, the number of closed transactions reflects the total number of closed listings pulled from the MLS, whether or not square footages could be ascertained for those listings. However, pricing data is based only on the number of listings for which square footage could be determined.

PRICE FLUCTUATION

It is important to consider price fluctuations within the context of number of transactions. This is especially the case for new-construction sales, as transaction volume has declined across the city.

Obviously, when transaction volume is lower, one or two transactions can have a dramatic effect on price-per-square-foot averages. We try to address any anomalies in our neighborhood write-ups.

MARKET DYNAMICS

The data in the Market Dynamics sections for each neighborhood will likely differ from the data in the Pricing/# of Transactions tables. This is because the neighborhood borders used to generate these two separate parts of the report are not identical. Pricing/Transactions data is based on hand-drawn borders, while the tool that generates Market Dynamics data can only accept inputs for specific zip codes or MLS areas. Therefore, look to the Pricing/Transactions matrices for more accurate, granular data based on the defined neighborhood borders. Look to Market Dynamics for additional context. (Think of the former as the play by play and the latter as the color commentary).

NEIGHBORHOOD BORDERS

Real estate is marketed according to neighborhood boundaries that often differ from the boundaries defined by standard MLS areas and Chicago zip codes. For example, River North, the Gold Coast, Streeterville and parts of Old Town are all included in the 8008 MLS area known as Near North.

For the @report, we draw neighborhood boundaries according to generally accepted marketplace conventions. Certain boundaries are shifted to include specific buildings or developments. The @report neighborhood boundaries are as follows:

The Gold Coast includes the area bounded by North Avenue on the north, Dearborn Street on the west, the Lake on the east and Chicago Avenue on the south. The southern border is extended to Erie between Michigan Avenue and Dearborn Street, in order to include the Cathedral District and specifically luxury high-rise buildings like the Ritz Carlton Residences, the Fordham, Pinnacle and 55 E. Erie.

River North includes the area bounded by the Chicago River on the west and the south and Oak Street on the north (to include the Kingsbury Park development). The eastern border is Wells Street between Oak and Chicago, Dearborn between Chicago and Erie, and Michigan Avenue between Erie and the river. The west boundary is extended to include the Kinzie Park development and the RiverBend high-rise west of the Chicago River.

Streeterville includes the area bounded by Chicago Avenue on the north, the Chicago River on the south, Lake Michigan on the east and Michigan Avenue on the west.

The South Loop includes the area bounded by Harrison Street to the north, Cermak to the south and Lake Michigan to the east. The western boundaries are the Chicago River south to 16th Street, State Street south to Archer Avenue, and Archer south to Cermak.

The West Loop includes the area bounded by Grand Avenue to the north, the Eisenhower Expressway to the south, the Chicago River to the east (excluding Kinzie Park and RiverBend), and Ashland Avenue to the west.

The Loop includes the area bounded by East Wacker Drive to the north, Harrison Street to the south, Lake Michigan to the east and the Chicago River to the west.

Lakeview includes the area bounded by Irving Park Road to the north, Diversey Parkway to the south, Lake Michigan to the east and Ashland Avenue to the west.

Lincoln Park includes the area bounded by Diversey Parkway to the north, North Avenue to the south and Lake Michigan to the east. The western boundary is Ashland Avenue south to the Chicago River, and the River south to North Avenue. We have also included the area bounded by North Avenue on the north, Eastman Street on the south, Halsted Street on the east and Kingsbury Street on the west in order to include the SoNo condo tower.

PRINCIPAL RISKS

CONSTRUCTION COST RISK

Could a 3D printing robot hold the answer to sky-rocketing construction costs in the palm of its cute little aluminum-alloy hand?

That's a question one ponders as one watches the time-lapse video of the construction of Rock Print, a 12-foot-high, structurally-sound column of rocks and string (and only rocks and string) built by a robot and unveiled at last year's Chicago Architecture Biennial.

The project by Gramazio Kohler Research of ETH Zurich, and Skylar Tibbits of MIT's Self-Assembly Lab is a revolutionary work at a time when provocative ideas are needed in the construction industry. While fields like manufacturing and medicine have been transformed by technology, advancements in the building trades have been much more deliberate. As one developer observed during an industry panel discussion late last year, there have been few fundamental changes in the way buildings are built over the past several decades. The industry is ripe for disruption.

RISING COSTS ARE #1 CONCERN

This is important because the rising cost of construction was far and away the #1 factor developers cited when asked to identify their top three concerns regarding for-sale development in the year ahead.

And those costs aren't likely to come down anytime soon. **General contractors responding to our construction survey were unanimous in forecasting 1% to 5% growth in the overall cost of condo/apartment construction for 2016.** This comes on the heels of even more acute increases over the last couple of years.

While slowing global economic growth may bring some relief to rising materials costs, labor is "the biggest concern going forward," according to Adam Miller, president of Summit Design + Build, LLC.

Photo: Justin Breitfelder

ROCK PRINT AT THE CHICAGO ARCHITECTURE BIENNIAL

79.1% OF DEVELOPERS IDENTIFIED RISING CONSTRUCTION COSTS AS ONE OF THEIR TOP 3 CONCERNS AFFECTING FOR-SALE RESIDENTIAL DEVELOPMENT IN 2016

SKILLED LABOR SHORTAGE

Rising labor costs combined with current manpower shortages are the result of a mass exodus from the construction industry during the Great Recession, followed by the return of construction demand to pre-recession levels.

"It has been estimated that 25% of construction workers left the industry over the past 8 years, and fewer young people are entering the trades," said Rory Tihinen, vice president of pre-construction at Leopardo Companies, Inc. **"Labor shortages in the skilled trades, particularly in vertical cast in place concrete, precast concrete, rebar and glass, are affecting projects most, with precast lead times nearing 20-year highs."**

Added Sean Walsh, managing director of Walsh Construction Group: "Material acquisition and manpower challenges within the realm of large-scale enclosure systems are a concern driven by significant demand and continued consolidation within the marketplace."

LOW TECH SOLUTIONS

You get the picture. It's not getting any easier or less expensive to build new condos and apartments. And it may be a few years before we see a robot on a jobsite in Chicago (although many architecture firms now use 3D printing technology to create models). So how can developers mitigate construction-cost risk today?

The greatest opportunity to come out of our survey research is decidedly low tech but effective: get your GC involved early in the development process. When the GC, architect, developer, and even sales and marketing are at the table early on, design, cost analysis and value engineering occur much more efficiently.

"Engaging a sophisticated contractor early in the planning stages lowers risk, saves time and money, and stretches construction dollars in many ways. Most important, it identifies accurate, guaranteed construction costs and schedules far sooner than traditionally possible," says Tihinen.

Meanwhile, it isn't like the construction industry is devoid of innovation. Architects and contractors responding to our surveys cited a number of new and evolving structural and mechanical systems, building automation, and materials with the potential to lower costs, improve efficiency, increase safety and enhance aesthetics.

Developers who keep an ear to the ground and encourage their architects and GCs to pursue innovation are the ones who will be able to best defend against rising costs and take advantage of opportunities when markets turn.

It also wouldn't hurt to befriend a robot or two.

ECONOMIC RISK

Last December, when Sam Zell predicted in a Bloomberg Television interview that "there is a high probability we are looking at a recession in the next 12 months," few people took time out from their holiday shopping to consider the news. But when the stock market posted its worst January performance since 2009, the "R word" began to creep back into the public consciousness.

EARLY 2016 ANXIETY

Headlines from the first quarter of 2016 read like an operatic drama: slowdown in China, crisis in the Middle East, plunging oil prices, uncertainty over Fed action, and nuttier-than-a-Snickers election year hijinks.

Closer to home, there are also economic concerns. According to World Business Chicago, job growth in the MSA fell at the end of last year to its lowest level since the recovery began in 2010. And while some reports claim Chicago housing prices are rising significantly, our own analysis shows much more moderate growth.

Yet while the local development community acknowledges the risks associated with current economic conditions – ranking the economy as a top 3 concern in our 2016 developer survey – the overall mood is still positive.

CONFIDENCE RULES

On a 10-point scale, 72% of developer survey respondents rated their confidence level a 7 or higher, and almost 30% were at 8 or above. A mere 8% rated their confidence a 5 or lower.

Realtors expressed an even rosier view of the market, with 84% of the 61 respondents in our broker survey indicating a confidence level of 7 or above.

Developers are also bullish when it comes to future plans, with 75% saying their new for-sale development activity will either moderately or significantly increase over the next two years. And lenders seem to be slowly climbing on board. **40% of bankers in our finance survey say they plan to moderately increase condo financing in 2016.**

BUILD A BETTER BOAT

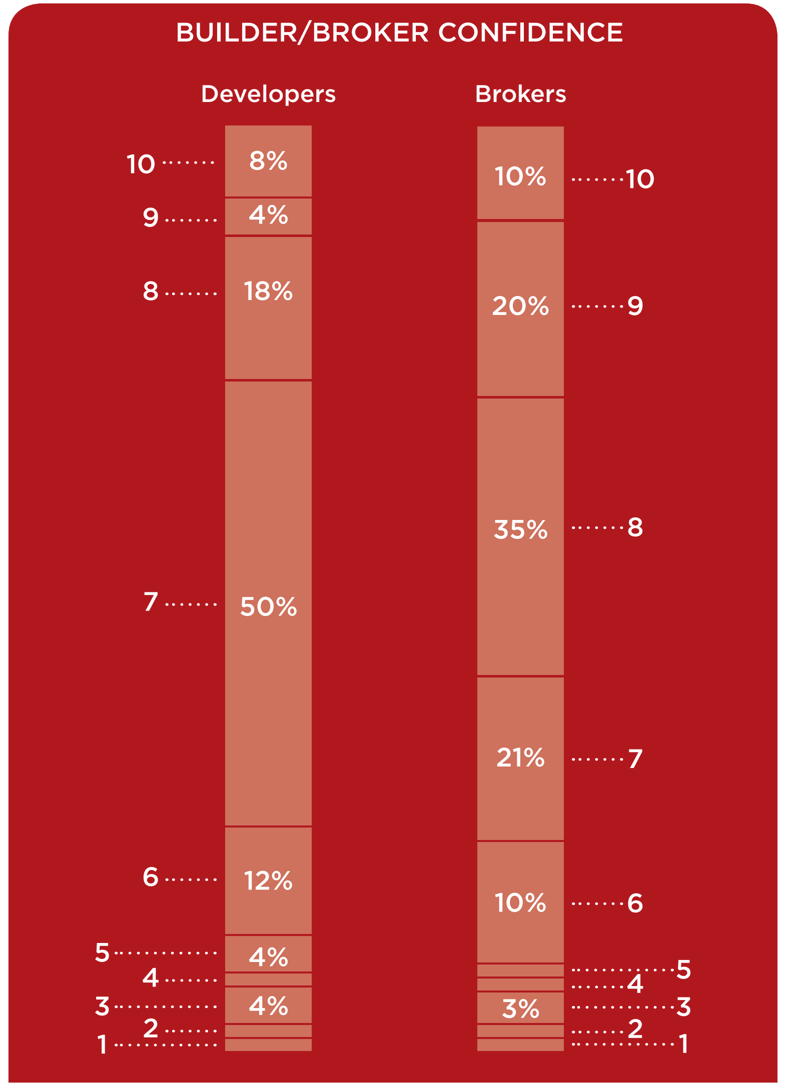
While the optimism reflected in the surveys bodes well for Chicago condo development, one cannot assume a rising tide will lift all boats. Instead, we advocate for building a better boat.

It all starts with programming. If economic turbulence increases, causing a pullback among condo buyers, marginal product will not weather the storm. (For more on mitigating product risk, turn to page 20).

Pricing strategies that create initial momentum are also crucial amid today's climate of slow price growth and lofty pre-sale requirements. Remember that there are no price increases without momentum, and momentum is not being generated on a large scale by the broader economy.

While demand for downtown condominiums is strong, our outlook for price appreciation in Chicago's core neighborhoods is still guarded. **77% of respondents to our broker survey expect prices to increase between 1% and 5% in 2016, but more than a fifth of respondents forecast no price growth at all.**

Finally, developers and brokers must give new-construction homebuyers a sense of security. This is the case in any market, but it's especially true when recession talk – the first since 2011 – starts edging into the conversation. Substantial and inspired marketing efforts, clarity on contract matters, and consistent communication will give buyers the reassurances they need to move forward with purchase decisions – even amid some gathering economic clouds.



POLITICAL RISKS

If you're worried about politics in 2016…the name-calling, the vitriol, the fundamental, unbridgeable divide…then you must be a real estate developer trying to win approval for a new condo project in the city of Chicago. Never mind this year's WWE "Monday Night Raw" episode of a presidential campaign. It's child's play compared to the political gauntlet that is residential development in the Windy City.

IMPACT ON FEASIBILITY & COSTS

You know something's up when more than twice as many developers are concerned about local political hurdles to development than about getting a construction loan. But that's exactly what the results of our developer survey indicate. The political process related to zoning, approvals and permitting was the second highest concern among residential developers for the year ahead, trailing only rising construction costs.

The current state of affairs has been brought about by a number of forces including Chicago's new Affordable Requirements Ordinance (ARO), the local custom of aldermanic privilege and the heightened sophistication of neighborhood stakeholders. Ultimately, any one of these issues can derail a good project.

All of these considerations also have real dollars-and-cents implications: additional architectural fees, legal fees and carrying costs due to delays. Whether or not these costs are factored into initial budgets, they certainly impact the bottom line.

Risk mitigation in this realm is never cut-and-dry, because one rarely knows if the steps one takes actually result in a successful path through approvals. Developers can do all the right things and still fail to achieve satisfactory results. But simply allowing the community vetting process to play out instead of attempting to proactively manage it is far too perilous an approach (if it's is an approach at all).

HOW TO GET TO "YES"

Architects are often involved in preparing and conducting community presentations for proposed developments. So as part of our design survey, we asked them how developers could better manage this process. Their responses were candid and insightful.

"You must have a strategy for how to get to 'yes'," says Pat FitzGerald, CEO of FitzGerald Associates Architects. "PR management is a must. Recruit local businesses and others who are not opposed to growth, [and engage in] more up-front interaction with the community. Create a true community amenity wherever possible," he advises.

67%

OF DEVELOPERS CITE POLITICAL RISKS AS ONE OF THEIR TOP 3 CONCERNS FOR RESIDENTIAL DEVELOPMENT IN 2016.

John Lahey, chairman and principal in charge of design at Solomon Cordwell Buenz, similarly encourages developers to "meet with stakeholders early, before design is determined. Work to address as many concerns as possible, develop the design and present a thoughtful solution you sincerely believe in," Lahey says.

Another principal at a large architecture firm active in both the condo and apartment sectors stresses the importance of quality renderings that realistically depict the proposed building in its setting. This gives the non-professional observer the best opportunity to understand the design and approve it.

ALIGNING INTERESTS

Of course, developers aren't trying to win over the NIMBYs who oppose anything other than a community vegetable garden. They're trying to speak to those rational constituents who will come out in favor of a project as long as they feel a developer is essentially trying to align his or her own interests with the community's. Most importantly in Chicago, developers are trying to demonstrate to the local alderman that they are following protocol and working in good faith.

Managing the political risks surrounding development today requires an investment of time and money, and unfortunately there is no guarantee of success. But developers who create and follow a process designed to garner community and aldermanic support have a much better chance of getting to yes.

LAND COST/COMPETITION RISK

"All of the above."
"None of the above."
"Other."

The un-answers your 8th grade history teacher sprinkled throughout the mid-term just to throw you off. Except that once in a while, the un-answers were actually the right answers.

Today, when we talk about land in the current environment of rapidly escalating costs and competition, the un-answer, i.e. the ability to look beyond conventional strategies and solutions, is becoming more and more intriguing.

This isn't a point we set out to prove when we asked developers to identify their top 3 concerns regarding for-sale residential development in the year ahead. In fact, "availability and/or rising cost of land," wasn't even one of the multiple-choice options given under that question. However, a number of survey respondents wrote it in anyway.

Likewise, in our broker survey, when we asked which of 10 neighborhoods had the greatest unmet demand for new-construction condos, we didn't expect that almost 15% of respondents would choose "Other" and provide a list of areas ranging from Andersonville to River West to Hyde Park. But, again, that's what happened.

Condo developers lately have had to endure high land prices driven by competition not only from their peers but also from hot commercial sectors like apartments, retail, hotel and office. Other costs, particularly construction, (see p. 12), are further compressing margins. And the new Affordable Requirements Ordinance (ARO) is also impacting the cost structure and feasibility of larger condominium projects.

So how do you avoid the squeeze?

HIT 'EM WHERE THEY AIN'T

Many developers remain focused on traditional centers of condo activity. Respondents to our developer survey were asked to identify the three Chicago neighborhoods they're most bullish on for new condo development. River North ranked first, making 65% of developers' "Top 3" lists, followed by the Gold Coast (55%) and the West Loop (45%). Lincoln Park ran a close 4th with 40%.

Brokers were asked that same question, and the West Loop and River North made their lists too, with 78% and 39% response rates respectively. But brokers also gave strong endorsement to two neighborhoods that were far down on most developers' lists: Bucktown/Wicker Park (51%) and Logan Square (34%).

Tapping unmet demand in locations slightly outside the core is one way to avoid getting swept up in the land rush.

MOST BULLISH FOR NEW CONDO DEVELOPMENT

Developers	Brokers
River North 65%	**West Loop** 78%
Gold Coast 55%	**Bucktown/Wicker Park** 51%
West Loop 45%	**River North** 39%
Lincoln Park 40%	**Logan Square** 34%

PARTNER UP

Managing land risk has also led a number of developers to form partnerships, especially in cases where development plans require longer time horizons. Examples of this strategy include the McCaffery/Hines partnership for the Children's Memorial redevelopment in Lincoln Park, and CMK's joint venture with Lend Lease on the 13-acre Riverline project in the South Loop. Partnerships are occurring on smaller projects too, like the 48-home Basecamp development in Old Irving Park, where Ranquist and Stocking/Urban LLC teamed up to spread risk and pool capital and experience.

The cost of, and competition for, land are major hurdles to development today. The downtown core – with its high-barrier-to-entry/high-reward dynamics – will always be the belle of the ball. But developers can also mitigate risk by looking for areas of unmet demand and considering partnerships as a way to spread risk and control costs over time.

PRODUCT DESIGN RISK

Each of the risk factors we've highlighted in the @report thus far – economic, political, land competition and construction costs – has an impact on what gets built: the product. But product has inherent risks too.

In aggregate, the thousands of product decisions a developer makes on any new project, from architecture to tile to toilets, have major implications for that project's cost, marketability and profitability. Miss the mark, and best case you've left money on the table. Worst case, you're hiding under that table trying to avoid getting shelled.

While everyone has opinions when it comes to product – and we're always happy to give ours – we primarily see our role as a conduit to the market. And the market is rather insightful.

BRAND DICTATES PRODUCT

Branding guru, author, and former Nike and Starbucks marketing exec, Scott Bedbury, suggests that very few brands "truly know who they are, where they've been or where they're going." Harsh criticism but a good reality check.

Real estate folks generally aren't known as brand builders, but there are several developers in Chicago who have done a great job. Companies like Smithfield, Sandz Development, CMK or Environs have no problem answering Bedbury's three existential questions. More importantly, their product – unique, consistent, seemingly intuitive and subtly evolving – answers them too.

BUYERS WANT TO SEE MORE

- Hardwood flooring throughout (no carpeting)
- Coat closets
- Larger closets/ organized closets
- Mudrooms
- Larger secondary bedrooms
- Kitchen pantry
- SmartHome tech (controllable from smart phone)
- Radiant heat flooring
- Large shower in master bath (in lieu of tub)
- High ceilings
- Outdoor space, outdoor space and more outdoor space
- Nicer lighting packages
- Quality millwork packages
- Even more outdoor space
- Built-in audio
- His & her closets in luxury homes/condos
- Elevators in boutique buildings
- 3 bedrooms on one level
- Wider floor plans
- Larger laundry rooms; side-by-side W/D

BE COURAGEOUS

Ironically, when it comes to product, managing risk isn't always about playing it safe. As one @properties broker noted in our broker survey, **"Cookie-cutter new construction will always sell, but there is a large premium to be had for outside the box thinking."**

One example of this thinking in action is the expansive private terraces – up to thousands of square feet – in new developments at 400 West Huron, 808 North Wells and 1615 North Burling. Larger, more functional outdoor space was far and away the most popular answer to a survey question about features that buyers value but that are lacking in many new homes. The developers of these projects recognized that void in the market, took a risk, and have seen great results.

THE MARKET KNOWS

Steve Jobs famously eschewed consumer research, saying, "People don't know what they want until you show it to them." Maybe there's some truth to that. But we see a lot of value in the 2,000 @properties brokers on the street, getting feedback from clients, who have seen dozens of properties and viewed hundreds if not thousands of web pages on Pinterest and Zillow. **Developers who tap into this knowledge base can obtain powerful (and, in all likelihood, free) market research about what to build – and what not to build.**

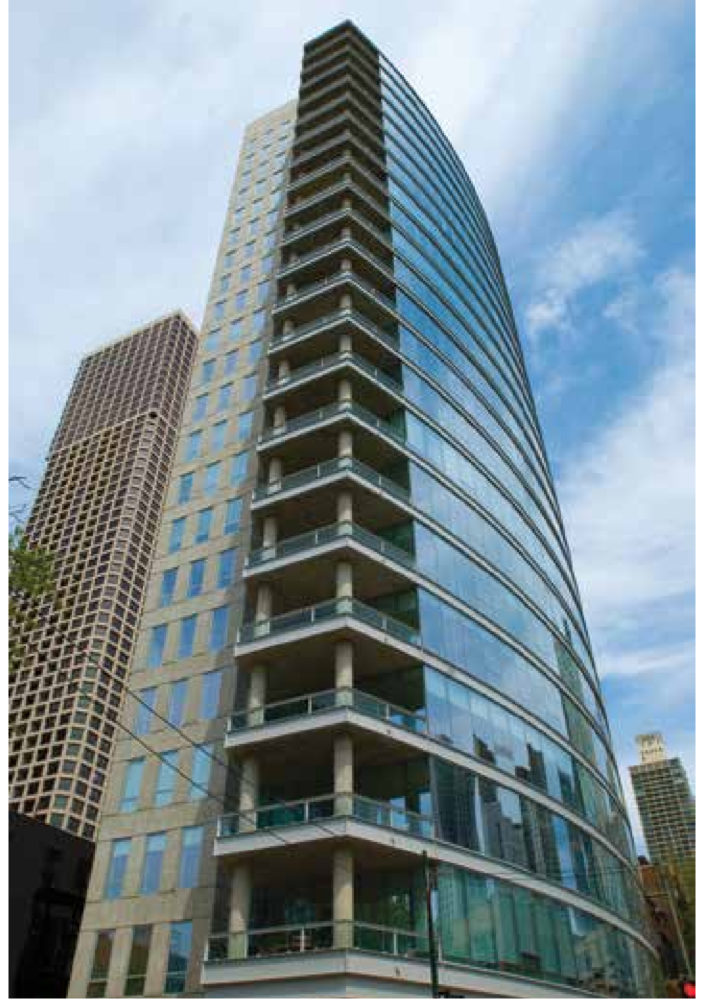
The two lists below were generated from broker feedback in a matter of minutes. They contain money-saving and money-making ideas that can be enacted immediately. Most interesting is how the product that most resembles these lists is the product that's performing so well in today's market.

Give us a call. We'll be happy to survey our brokers any time.

BUYERS WANT TO SEE LESS

- Bathrooms that open to living space
- Taste-specific and/or ornate tile in kitchens and baths (keep it simple/neutral)
- Carpeting
- Jacuzzi tubs
- Fireplaces (especially ventless gas)
- Super high-end appliances in starter/mid-range product
- Ceiling fans
- Cheap lighting packages
- Huge master baths that eat up valuable living/bedroom/ closet space
- Microwave ovens built into lower cabinets
- Bad floor plans
- Huge master bedrooms
- Movie theater amenity in large condo buildings
- Large fitness center amenity in large condo buildings
- Wine cellars

THE NEIGHBORHOODS



GOLD COAST

THE NEIGHBORHOODS

Photo: Emily Portugal

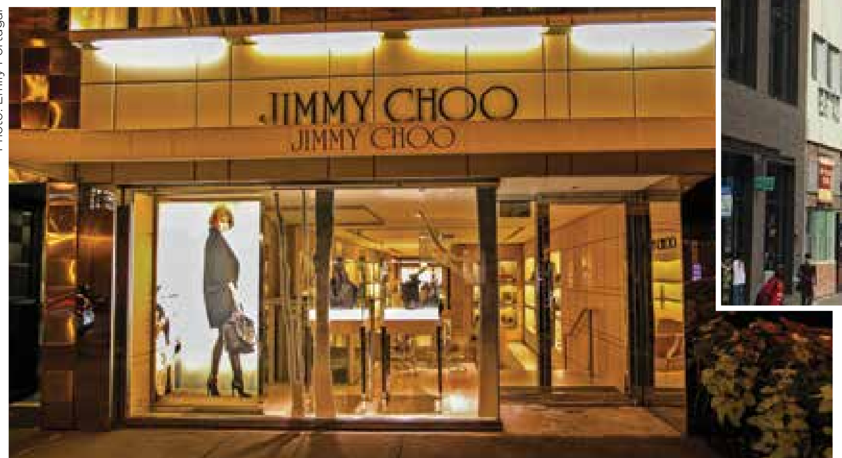
GOLD COAST

In 1971, in the wake of the Beatles breakup, Ringo Starr released the top 5 single "It Don't Come Easy." Today, that tune is a great reminder that, even in the city's best neighborhoods, the real estate market can be challenging and fickle.

Take the Gold Coast for example. In 2014 the average price per square foot for condos rose 6% and resale PSF was up 10%. In 2015, the numbers painted a different picture. Average PSF rose less than half a percentage point; the average overall price actually fell; and the number of closings over $1,000 PSF was at its lowest level since 2012. Price appreciation in some of the neighborhood's top buildings stagnated or even slid backwards.

And after a strong first half, buyers took a wait-and-see approach on new construction; with a quiet autumn prevailing at the neighborhood's two new luxury condo towers: 4 East Elm and No. 9 Walton.

Photo: Emily Portugal



Don't get us wrong. No one is panicking over the state of Gold Coast real estate. But the contrast between 2014 and 2015 does raise a number of questions about what's happening in Chicago's preeminent luxury marketplace, and why. Among them:

- Is the slowdown supply or demand driven?
- How will luxury homebuyers react to the unsettling economic events of early 2016?
- And how can developers keep audiences engaged throughout the high-rise construction cycle?

The first question is really the most important, because if demand truly has fallen for luxury condos, then maybe a mild freak-out is in order. Alas, this does not appear to be the case.

Data from Broker Metrics shows that while the number of condos for sale throughout 2015 was higher in most months compared with the year earlier, the number of units under contract and sold kept pace. Meanwhile, Months' Supply of Inventory, a measure of absorption, was predominantly lower, averaging 3.8 months in 2015 vs. 4.4 in 2014. Conclusion: demand is healthy, and we are certainly not seeing any sort of a glut.

But pricing in many of the Gold Coast's most desirable luxury buildings seems to have plateaued for the moment.

MONTHS' SUPPLY OF INVENTORY

3.8	4.5	-14%
2014	2015	CHANGE

SAME TIER SALES, SELECT GOLD COAST BUILDINGS, 2015 VS. 2014

	10 EAST DELAWARE 2014	10 EAST DELAWARE 2015	10 EAST DELAWARE 2014	10 EAST DELAWARE 2015	50 EAST CHESTNUT 2014	50 EAST CHESTNUT 2015
UNIT	32A	30A	14E	18E	1201	1501
ROOMS	6	5	8	8	7	7
BR	2	1	3	3	3	3
BA	1	1	3	3	3	3
SF	1023	1023	2161	2161	3845	3845
CLOSE DATE	12/29/2009	5/28/2015	10/01/2014	10/28/2015	1/9/2010	2/15/2015
MT	15 days	34 days	128 days	98 days	231 days	-46 days
SOLD PRICE	$769,375	$775,500	$1,780,000	$1,745,000	$2,697,467	$2,700,000
PSF	$752	$758	$824	$807	$702	$702
Change	↑0.8%		↓2.0%		↑0.1%	

The tables above show same-tier sales from 2015 vs. 2014 in a number of newer, premier buildings where there was very little positive price movement – and even a few instances of moderate price regression.

If you are an eternal optimist, there are ample opportunities to disprove this theory. For example, a two-bedroom unit on the 43rd floor at Park Tower traded 6.4% above the same unit four floors higher within six months. A two-bedroom unit on the 27th floor at 77 East Walton (The Residences at 900) sold for 5.6% more than the same unit one floor down, within 14 months. Interestingly, both of these sales were in the $700 to $750 PSF range – perhaps an indication of a sweet spot in the market. Another sweet spot seems to occur in the $450 to $600 PSF range, where last-generation buildings like The Fordham, Pinnacle and 55 East Erie showed annual price gains between 5% and 8% in a number of tiers. Luxury buyers are searching for value and finding it at these levels.

SAME TIER SALES, SELECT GOLD COAST BUILDINGS, 2015 VS. 2014

	11 EAST WALTON 2014	11 EAST WALTON 2015	11 EAST WALTON 2014	11 EAST WALTON 2015	30 WEST OAK 2014	30 WEST OAK 2015
UNIT	3002	3002	3101	3001	15B	17B
ROOMS	7	7	7	7	6	7
BR	3	3	3	3	3	3
BA	3	3	3	2	3	3
SF	3436	3436	4000	4000	3349	3349
CLOSE DATE	11/24/2014	6/24/2015	9/12/2014	7/14/2015	9/2/2014	9/11/2015
MT	128 days	27 days	33 days	294 days	4 days	164 days
SOLD PRICE	$3,450,000	$3,225,000	$3,800,000	$3,700,000	$3,625,000	$3,650,000
PSF	$1,004	$939	$950	$925	$1,082	$1,090
Change	↓6.5%		↓2.6%		↑0.7%	

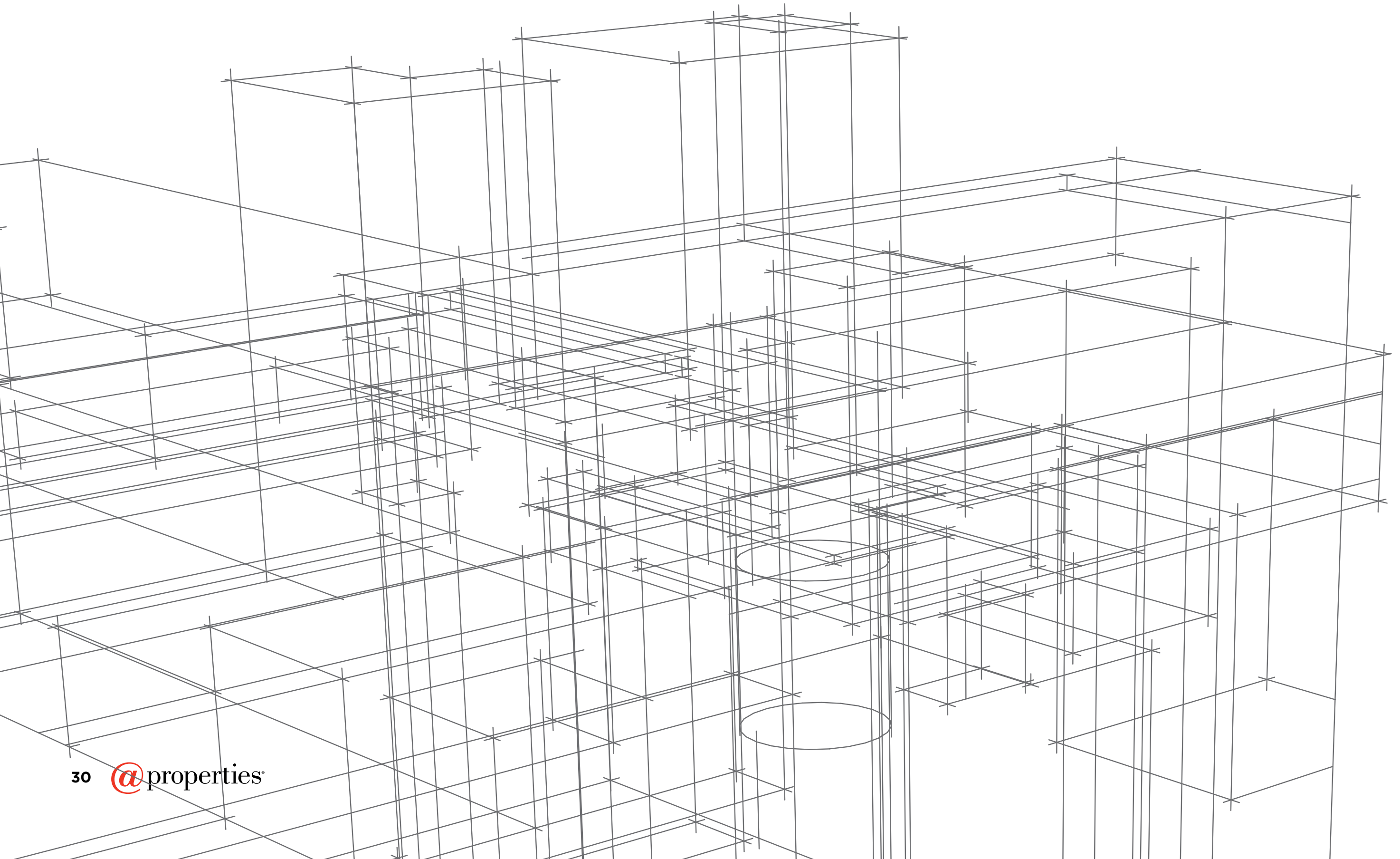
Meanwhile, at the continuously watched $1,000 PSF threshold, there were only 6 closings in the Gold Coast last year. That's nine fewer than in 2014 and five fewer than 2013. The total should move back up in 2016 with a number of $1,000+ PSF units pending at 4 East Elm. And it should climb even higher in 2017 with the completion of No. 9 Walton.

In a recent interview with Bloomberg News, Leonard Steinberg, president of Compass, a real estate agency in New York, said upper bracket home purchases are "driven by mood, not money." It's an interesting observation in light of the events of early 2016 – the roiling stock market, election-year noise, and our own local city/state crisis du jour.

It don't come easy. But when you're selling $2 million, $3 million, $4 million condominiums, in quantities of a few dozen, it's not supposed to.

Fortunately, this is the Gold Coast, and the market will eventually reward those developers who are fortunate enough to find a piece of dirt, remain focused on managing risk and maximizing appeal, and stay true to fundamentals of programming, pricing, marketing and sales.

GOLD COAST MARKET DATA



PRICING AND TRANSACTIONS CLOSED LISTINGS

2014 vs 2015

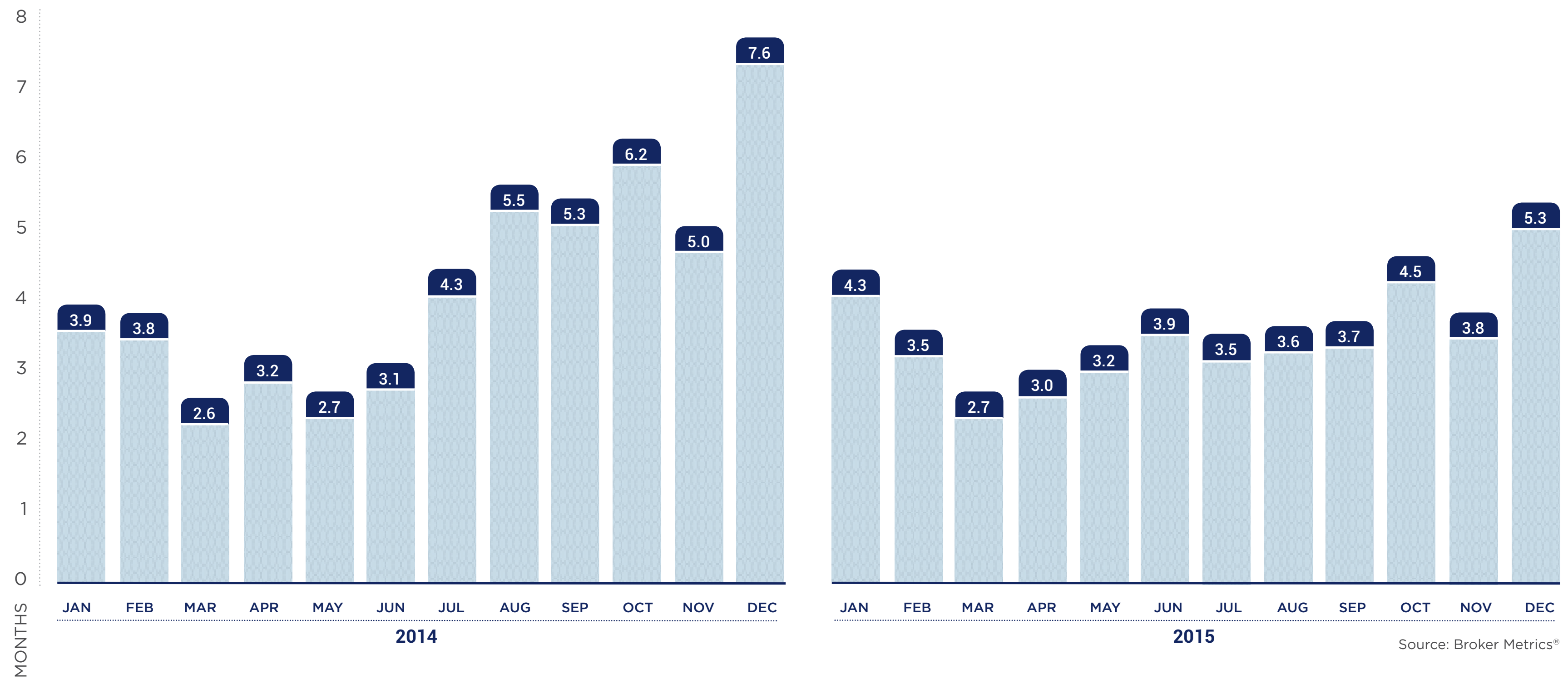
	2014 PSF	2014 # Trans	2015 PSF	2015 # Trans	2015 vs 2014 % Change PSF	2015 vs 2014 % Change
Attached All - Summary	$456	902	$458	914	0%	1%
Attached All - 1 BR	$338	357	$331	363	-2%	2%
Attached All - 2 BR	$446	313	$429	321	-4%	3%
Attached All - 3+ BR	$516	232	$531	230	3%	-1%
Attached New - Summary	$1,003	7	$777	7	-23%	0%
Attached New - 1 BR	$969	2	NA	0	NA	-100%
Attached New - 2 BR	$1,081	3	$777	7	-28%	133%
Attached New - 3+ BR	$935	2	NA	0	NA	-100%
Attached Resale - Summary	$449	895	$454	907	1%	1%
Attached Resale - 1 BR	$330	355	$331	363	0%	2%
Attached Resale - 2 BR	$436	310	$413	314	-5%	1%
Attached Resale - 3+ BR	$511	230	$531	230	4%	0%

MARKET DYNAMICS

MONTHS' SUPPLY OF INVENTORY

UNDER CONTRACT CALCULATION, 2014 – 2015

MSI-UNDER CONTRACT 0 0.2% MONTHLY CHANGE | 0.2 **5.5%** TOTAL CHANGE ↑



Source: Broker Metrics®

MARKET DYNAMICS

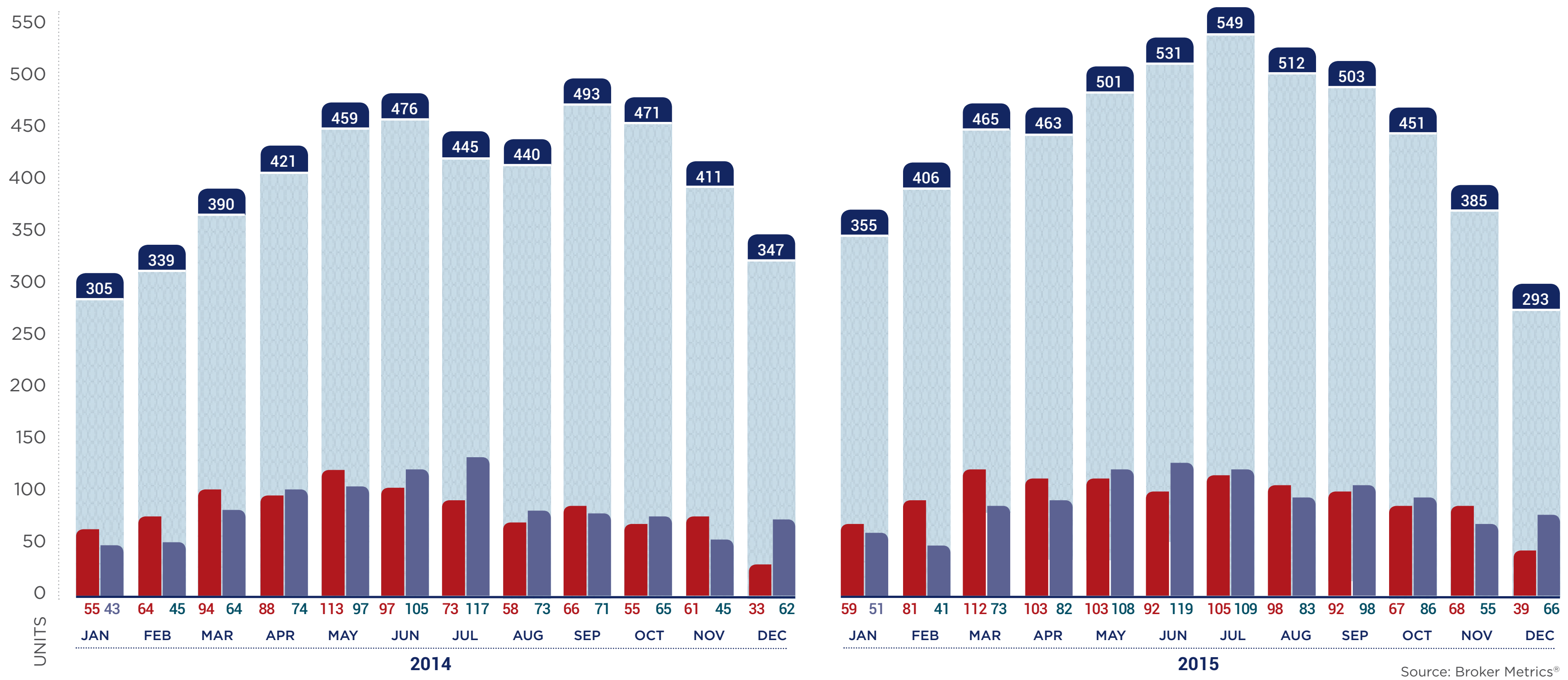
SUPPLY AND DEMAND – # UNITS

FOR SALE, UNDER CONTRACT & SOLD, 2014 – 2015

FOR SALE 0 0.2% MONTHLY CHANGE | 0.2 **5.5%** TOTAL CHANGE ↑

UNDER CONTRACT 0.4 0.6% MONTHLY CHANGE | 9.5 **13.2%** TOTAL CHANGE ↑

SOLD 0.7 1.0% MONTHLY CHANGE | 16.2 **23.7%** TOTAL CHANGE ↑



Source: Broker Metrics®

Photo: Dave Burk

STREETERVILLE

THE NEIGHBORHOODS

STREETERVILLE

The sound of ankle high waves gently lapping against the shore. The sound of crickets chirping. The sound the moon makes. These have been the sounds of new condo development in Streeterville in recent years, where millennial apartment dwellers frolic carefree at their poolside cabanas and the word "spire" once again refers to *(noun)* a tapering conical or pyramidal structure atop a building, typically a church or tower.

Looking at market stats for Streeterville, one might begin to wonder if the neighborhood is encased in amber. 2015 was the second straight year in which there were no developer units available for purchase. The last developer closings we tracked were in 2013. Pricing barely budged, inching up just 1% on a per-square-foot basis to $421 from $417 the year earlier. And the average price in the neighborhood actually fell 2.5%. Other aspects of the market looked a whole lot like 2014 as well:

	2014	2015
AVG. DAYS ON MARKET	98	102
SALES OF UNITS 2,000+ SQUARE FEET	43	44
SALES OF UNITS $600+ PER SQUARE FOOT	16	18
HIGH TRANSACTIONS (PER SQUARE FOOT)	$764	$777

Photo: Dave Burk

YEAR OVER YEAR SALES: SELECT STREETERVILLE BUILDINGS

However, unit volume did pick up by about 10% year over year. Zooming in on sales within some of the neighborhood's newer condominium buildings, we did see mostly positive performance in 2015 compared with the year earlier.

505 NORTH MCCLURG

	2014	2015
AVG. PSF	$500	$483
AVG. SF	1388	1246
TRANSACTIONS	15	18

PSF CHANGE ↓ 3.4%

240 EAST ILLINOIS

	2014	2015
AVG. PSF	$466	$508
AVG. SF	1261	1202
TRANSACTIONS	29	19

PSF CHANGE ↑ 9.0%

600 NORTH LAKE SHORE

	2014	2015
AVG. PSF	$563	$592
AVG. SF	1748	1688
TRANSACTIONS	21	22

PSF CHANGE ↑ 5.2%

530 NORTH LAKE SHORE

	2014	2015
AVG. PSF	$394	$449
AVG. SF	1855	1649
TRANSACTIONS	8	17

PSF CHANGE ↑ 14.0%

550 NORTH ST. CLAIR

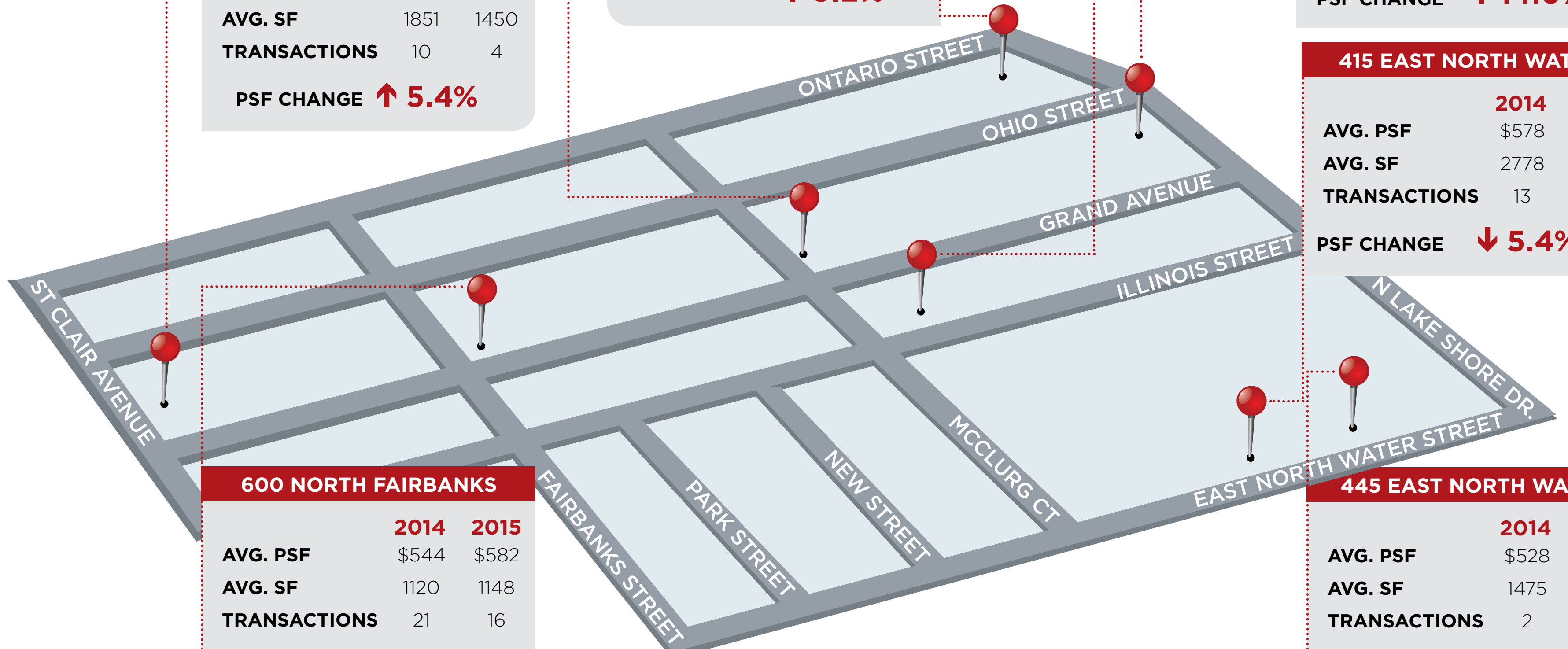
	2014	2015
AVG. PSF	$481	$507
AVG. SF	1851	1450
TRANSACTIONS	10	4

PSF CHANGE ↑ 5.4%

415 EAST NORTH WATER

	2014	2015
AVG. PSF	$578	$547
AVG. SF	2778	2697
TRANSACTIONS	13	5

PSF CHANGE ↓ 5.4%



600 NORTH FAIRBANKS

	2014	2015
AVG. PSF	$544	$582
AVG. SF	1120	1148
TRANSACTIONS	21	16

PSF CHANGE ↑ 7.0%

445 EAST NORTH WATER

	2014	2015
AVG. PSF	$528	$560
AVG. SF	1475	2236
TRANSACTIONS	2	4

PSF CHANGE ↑ 6.1%

Then we drilled down further into these buildings, examining year-over-year activity in a total of 27 different tiers. While this is not a perfect science, the collective results do paint a fairly good picture of price trends in the area. (We focus on sales of units on similar floors in order to minimize pricing variance due to views).

The data shows that Streeterville does indeed have a heartbeat. In 12 of the 27 tiers, we saw meaty price increases ranging from 6% PSF to 12% PSF, while another seven tiers saw appreciation in the 1% to 5% range.

There is also quite a bit of data to support the idea that buyers in Streeterville place a premium on larger 2 and 3-bedroom units. However, there aren't a lot of large luxury units available – at least not in newer buildings with modern finishes and amenities. So an interesting trend has emerged in which investors buy, rehab and flip large units in luxury buildings of a 1970s or '80s vintage. *Crain's* reported on this trend back in December noting that at least 20 units in buildings in Streeterville and the Gold Coast have been purchased, fixed up and resold in the past 18 months.

Photo: Dave Burk

Photo: Dave Burk

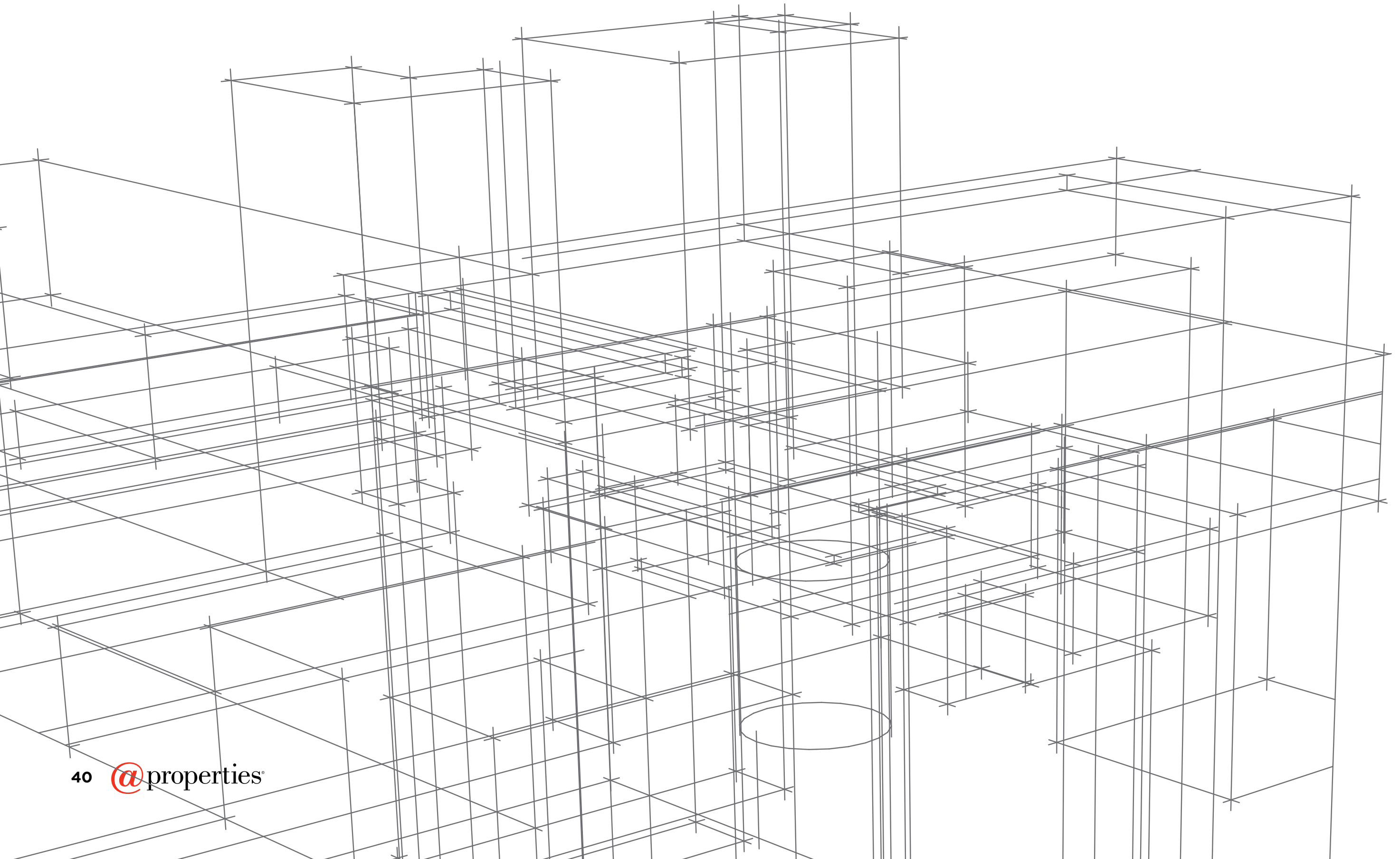
STREETERVILLE

Un-rehabbed units in these buildings are generally in the $400 to $500 PSF range, but according to @properties broker Eugene Fu, who brokered the sale of a 49th floor designer-rehabbed unit at 161 E. Chicago back in July 2014, **"In these types of buildings, when these units are gutted with super high-end finishes, they usually trade for between $750 and $850 a square foot."**

Those prices are approaching luxury new-construction territory on the Near North Side, which underscores the fact that high-end demand is there if only supply would cooperate. But things are trending in the wrong direction. BrokerMetrics data shows that Months' Supply of Inventory in the 60661 zip code was down 24.3% in 4Q15 vs. 4Q14.

However, we are finally seeing some condo construction activity this spring as Related Midwest breaks ground on the 67-story Robert A.M. Stern-designed tower at 451 E. Grand. The building will be topped by 65 condominiums, scheduled for completion, according to the Related Midwest website, in 2019. If that date holds, it could be a full decade between new-construction condo deliveries in Streeterville. Long enough for you?

STREETERVILLE MARKET DATA



PRICING AND TRANSACTIONS CLOSED LISTINGS

2014 vs 2015

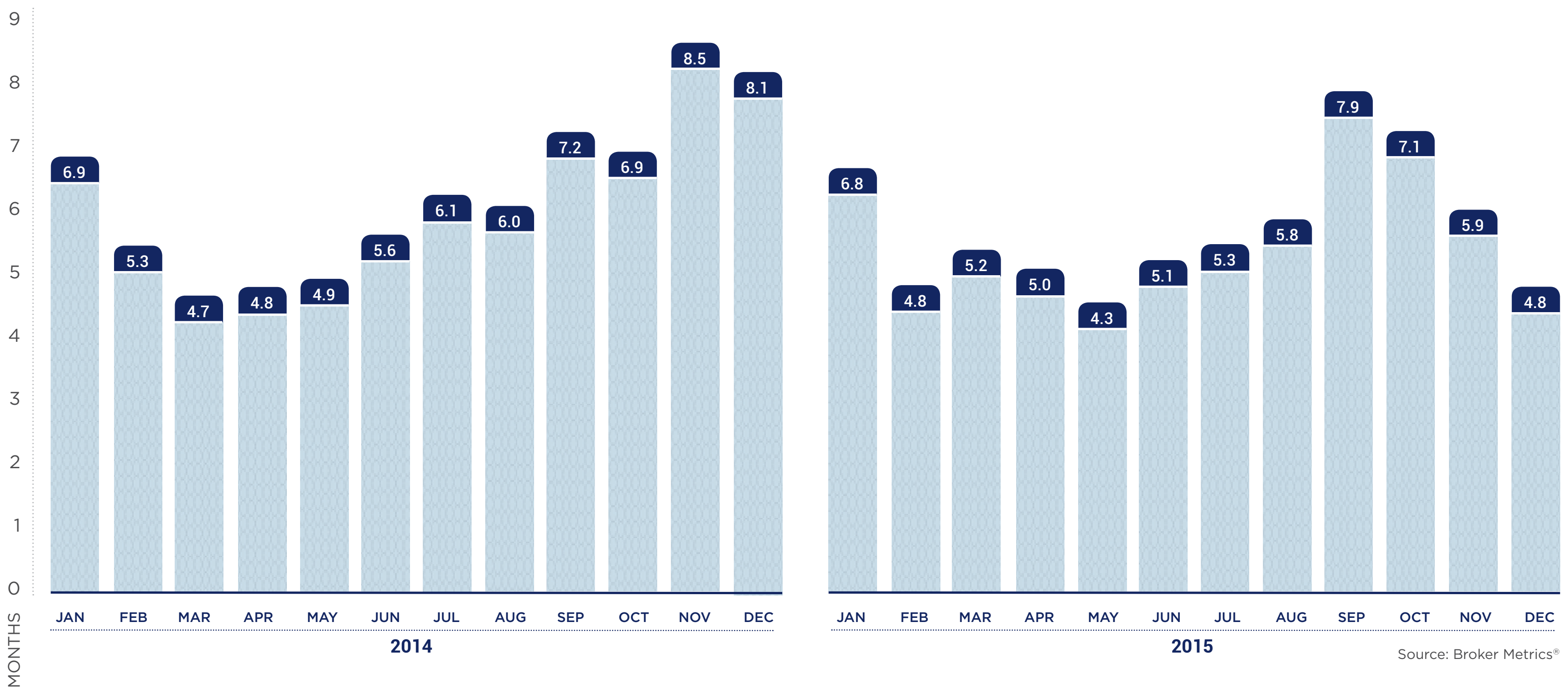
	2014 PSF	2014 # Trans	2015 PSF	2015 # Trans	2015 vs 2014 % Change PSF	2015 vs 2014 % Change
Attached All - Summary	$417	377	$421	416	1%	10%
Attached All - 1 BR	$337	182	$350	204	4%	12%
Attached All - 2 BR	$418	133	$427	147	2%	11%
Attached All - 3+ BR	$496	62	$504	65	2%	5%
Attached New - Summary	NA	NA	NA	0	NA	-100%
Attached New - 1 BR	NA	NA	NA	0	NA	-100%
Attached New - 2 BR	NA	NA	NA	0	NA	-100%
Attached New - 3+ BR	NA	NA	NA	0	NA	-100%
Attached Resale - Summary	$417	377	$421	416	1%	10%
Attached Resale - 1 BR	$337	182	$350	204	4%	12%
Attached Resale - 2 BR	$418	133	$427	147	2%	11%
Attached Resale - 3+ BR	$496	62	$504	65	2%	5%

MARKET DYNAMICS

MONTHS' SUPPLY OF INVENTORY

UNDER CONTRACT CALCULATION, 2014 – 2015

MSI-UNDER CONTRACT	-.01	-.13%	-.19	**-3.0%**
	MONTHLY CHANGE		TOTAL CHANGE	



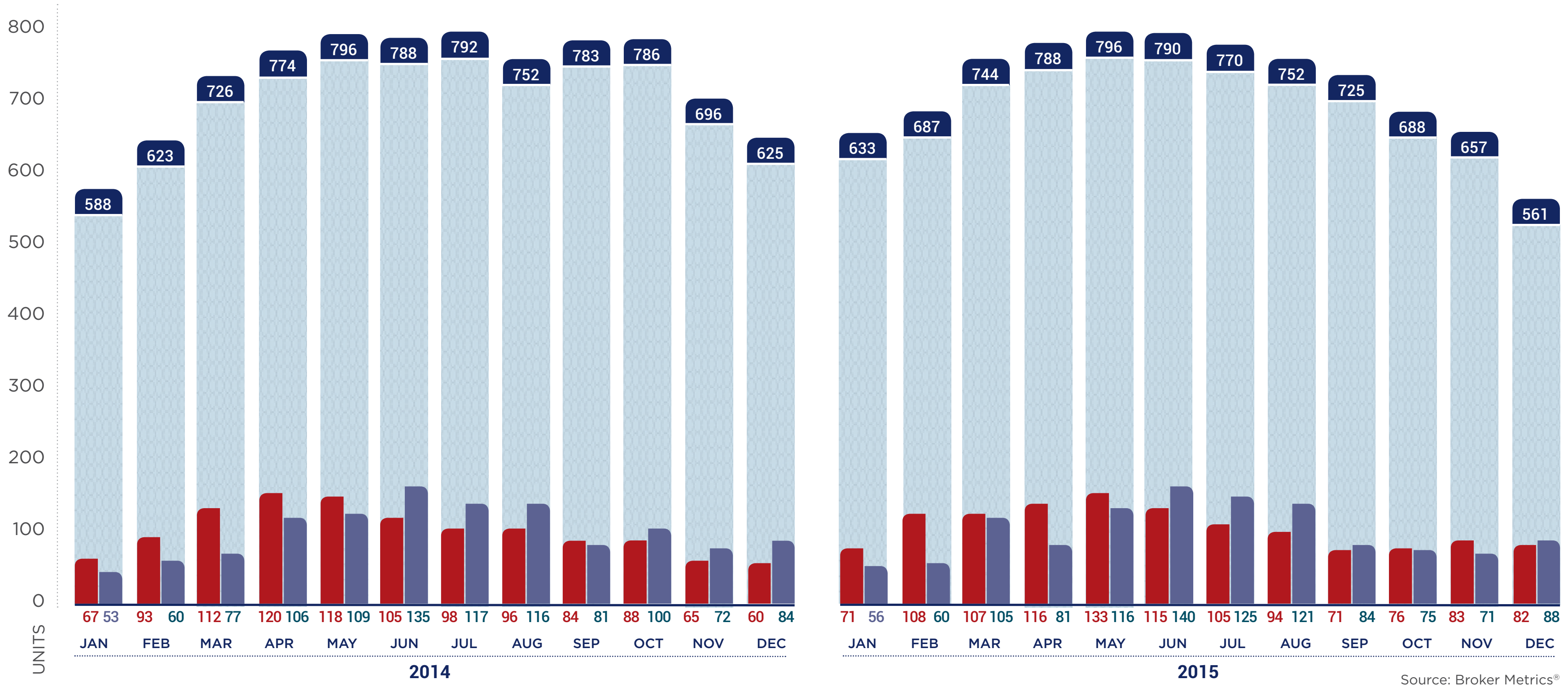
Source: Broker Metrics®

MARKET DYNAMICS

SUPPLY AND DEMAND – # UNITS

FOR SALE, UNDER CONTRACT & SOLD, 2014 – 2015

FOR SALE	0.7	0.1%	17.7	**2.5%**
	MONTHLY CHANGE		TOTAL CHANGE	
UNDER CONTRACT	0	0%	1.0	**1.0%**
	MONTHLY CHANGE		TOTAL CHANGE	
SOLD	0.5	0.6%	12.2	**14.2%**
	MONTHLY CHANGE		TOTAL CHANGE	



Source: Broker Metrics®


Photo: Tom Rossiter

THE LOOP

THE NEIGHBORHOODS


Photo: Tom Rossiter


Photo: Dave Burk

THE LOOP

In your best Allen Iverson "We're-Talkin'-About-Practice" voice, say it with me now:

We're talkin' about the Loop.

Not the Gold Coast. Not the GOOOOLLLLD Coast.

We're talkin' about the Loop.

Not River North.

Not Streeterville.

Not Lincoln Park.

We're talkin' about the Loop.

Why are we talkin' about the Loop? Because the Loop (and not any of those other traditional luxury condo markets) had the highest average price per square foot for sold condominiums in Chicago in 2015. The Loop matched the Gold Coast for the highest number of on-market condo transactions over $1,000 PSF. And the Loop showed the highest year-over-year gain in average PSF, +8%, among any Chicago neighborhood.

That's why we're talkin' about the Loop.

Photo: Dave Burk

All of this may come as a surprise to those who missed last year's @report, but the luxury condo market in the Loop has been percolating for some time now.

Pricing climbed to an average of $480 PSF last year driven by strong activity in the top half of the market. Transactions above $500 PSF numbered 115, an increase of 15%.

But overall unit volume saw only a modest increase of 2%.

Sales were held in check by limited new-construction supply. In fact new construction unit volume was down by more than 50% compared with 2014, and the 30 remaining condo units at The Legacy at Millennium Park are the only game in town. So resales filled the void, with unit volume up 11% over 2014 and resale PSF up 10% to $464.

+15% **TRANSACTIONS ABOVE $500 PER SQUARE FOOT NUMBERED 115, AN INCREASE OF 15%**

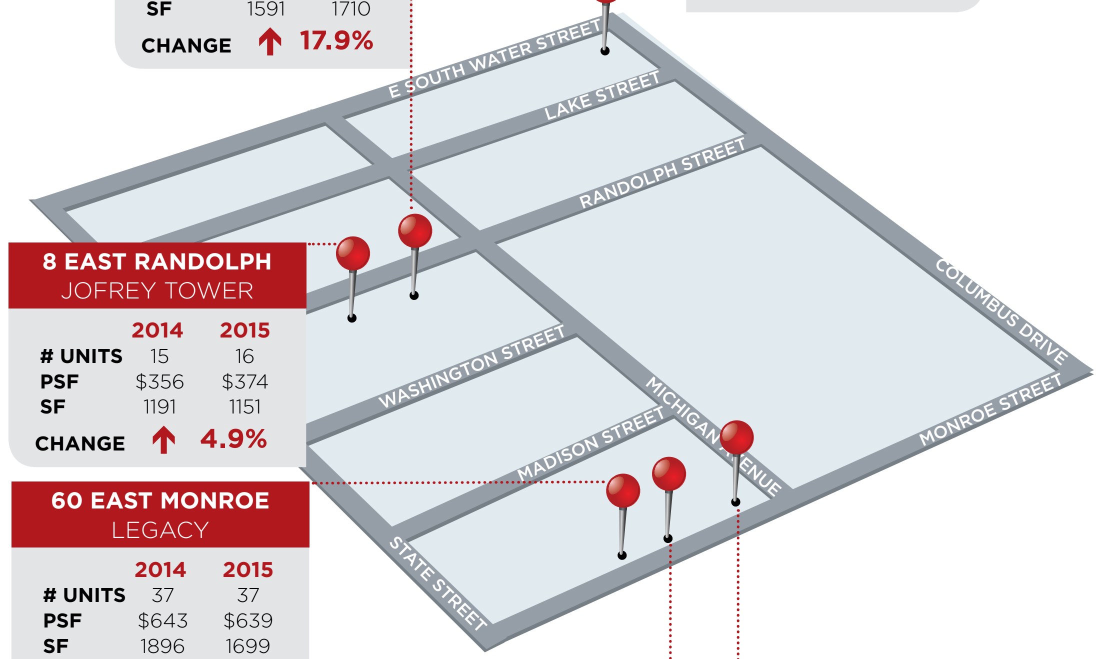
YEAR OVER YEAR SALES: SELECT LOOP BUILDINGS

130 NORTH GARLAND
HERITAGE

	2014	2015
# UNITS	21	23
PSF	$495	$584
SF	1591	1710
CHANGE	↑ 17.9%	

225 NORTH COLUMBUS
AQUA

	2014	2015
# UNITS	18	7
PSF	$720	$830
SF	1199	1540
CHANGE	↑ 15.2%	



8 EAST RANDOLPH
JOFREY TOWER

	2014	2015
# UNITS	15	16
PSF	$356	$374
SF	1191	1151
CHANGE	↑ 4.9%	

60 EAST MONROE
LEGACY

	2014	2015
# UNITS	37	37
PSF	$643	$639
SF	1896	1699
CHANGE	↓ 0.5%	

65 EAST MONROE

	2014	2015
# UNITS	15	15
PSF	$485	$590
SF	1649	1797
CHANGE	↑ 21.7%	

6 NORTH MICHIGAN
SIX NORTH

	2014	2015
# UNITS	6	8
PSF	$498	$459
SF	2262	1337
CHANGE	↓ 8.0%	

Among the area's luxury buildings, the trend is healthy price growth as the graphic on the left illustrates.

Since larger units generally are worth more on a PSF basis than smaller ones, outliers such as the 8% decline at 6 N. Michigan and the 22% increase at 65 E. Monroe are attributable to the difference in average unit sizes year over year.

340 East Randolph continues to set the pace for luxury condo sales in the Loop. (Aqua actually posted a higher PSF, but the average was skewed by a couple of big sales within a limited pool). The building at the north end of Millennium Park accounted for all but one of the area's $1,000+ PSF closings. **The high transaction on a PSF basis for 340 – and the neighborhood – was a 2,371-square-foot unit on the 48th floor, which traded at $2.66 million or $1,122 per foot.** Fifteen floors below, the same floor plan went for $1,057 PSF. The building also accounted for the high chunk price sale of 2015: $4.138 million for a 4,010 SF unit on the 59th floor.

It's worth noting that construction was completed at 340 East Randolph in 2007, which means the Loop's luxury standard bearer is nearly a decade old. And yet the only other project in the Loop pipeline is Vista Tower.

Granted, it's a rather large "only" with approximately 400 units expected to average $1,000 per square foot. But apart from Vista and those 30 Legacy condos, you can walk from the Chicago River south, past 9th Street, and never encounter a single new-construction condo unit – built or proposed. It isn't until you get to 1000 S. Michigan, which actually falls within the @report's South Loop boundaries, that a new development emerges – the Helmut Jahn-designed tower by JK Equities/Time Equities.

10.5%

ONLY 10.5% OF DEVELOPERS FLAGGED THE LOOP AS ONE OF THE TOP 3 NEIGHBORHOODS THEY'RE MOST BULLISH ON FOR NEW CONDO CONSTRUCTION.

Surely someone wants to compete for luxury buyers in the 14 blocks between those two skyscrapers. Anyone?

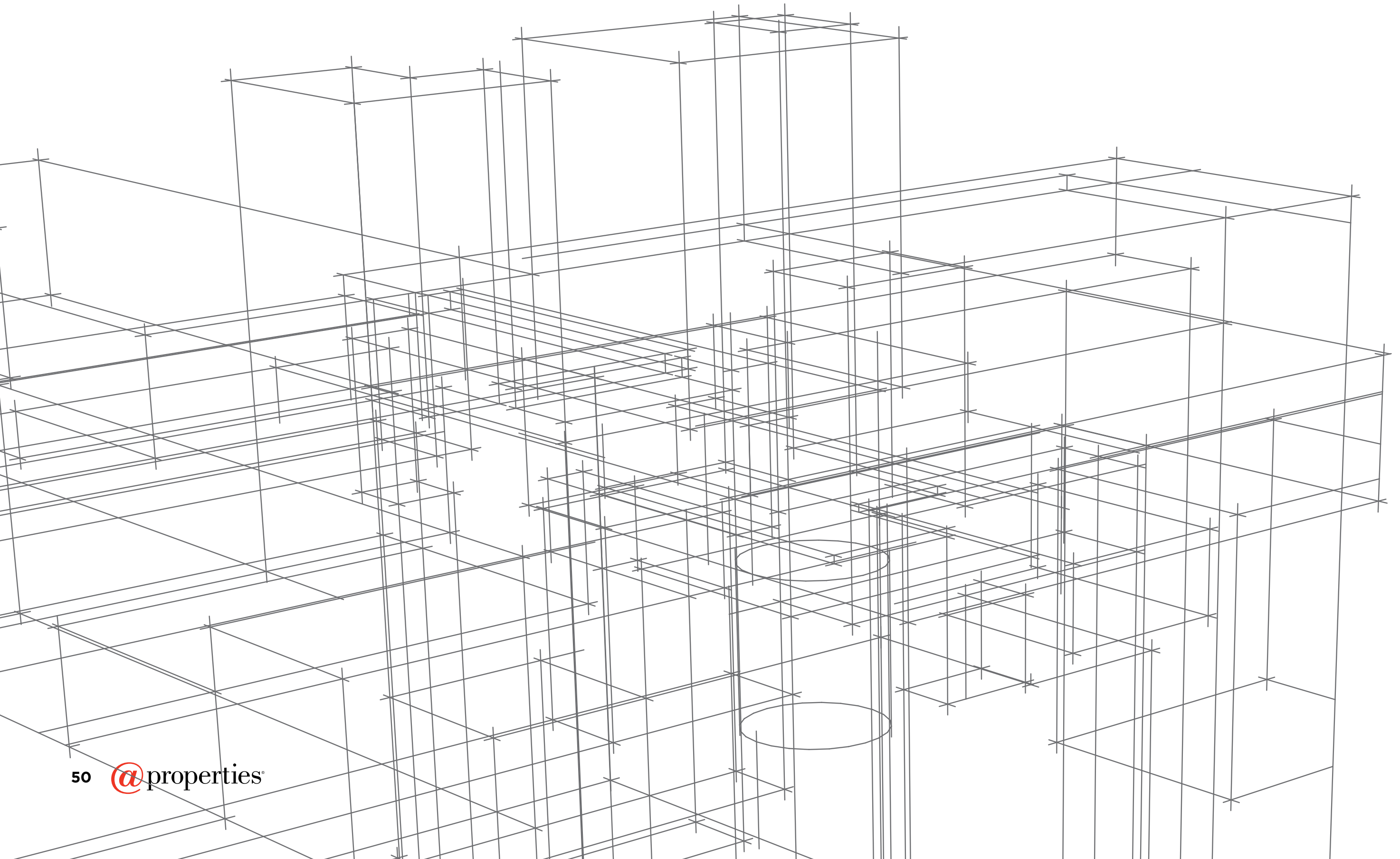
Not according to our insiders' survey. Only 10.5% of developers flagged the Loop as one of the top 3 neighborhoods they're most bullish on for new condo construction. The only neighborhood getting a colder reception among developers was Lakeview. And brokers "dissed" the Loop even worse, with only 5% including the neighborhood on their Most Bullish list.

Seriously? Excluding 235 West Van Buren, this is a market that, for the last three years, has absorbed 60 new-construction or adaptive re-use units per year at an average of $575 per foot. And there's no question those numbers would be higher if more new inventory were available. So...a boutique project similar to a 400 Huron or a 4 East Elm? An office-to-condo conversion a la Park Monroe? Something? Anything?

Again, it's the apartment guys who are having all the fun with The John Buck Company's MILA (200 N. Michigan) set to open this year; Oxford Capital doing a new 48-story, 388-unit tower next to the old Essex Inn; and BJB Partners proposing a pencil thin 41-story hotel-apartment tower at 151 N. Michigan.

With inventory low, and all energies currently focused on rentals or the stratospheric realm of Vista Tower, it seems like opportunity is knocking in the Loop. Is anyone home?

LOOP MARKET DATA



PRICING AND TRANSACTIONS CLOSED LISTINGS

2014 vs 2015

	2014 PSF	2014 # Trans	2015 PSF	2015 # Trans	2015 vs 2014 % Change PSF	2015 vs 2014 % Change
Attached All - Summary	$446	487	$480	499	8%	2%
Attached All - 1 BR	$364	178	$372	190	2%	7%
Attached All - 2 BR	$395	227	$425	229	8%	1%
Attached All - 3+ BR	$575	82	$655	80	14%	-2%
Attached New - Summary	$564	66	$665	31	18%	-53%
Attached New - 1 BR	$504	10	$616	1	22%	-90%
Attached New - 2 BR	$464	39	$603	16	30%	-59%
Attached New - 3+ BR	$692	17	$722	14	4%	-18%
Attached Resale - Summary	$423	421	$460	468	9%	11%
Attached Resale - 1 BR	$355	168	$369	189	4%	13%
Attached Resale - 2 BR	$381	188	$406	213	7%	13%
Attached Resale - 3+ BR	$543	65	$642	66	18%	2%

THE LOOP

MARKET DYNAMICS

MONTHS' SUPPLY OF INVENTORY

UNDER CONTRACT CALCULATION, 2014 – 2015

MSI-UNDER CONTRACT .01 0.2% MONTHLY CHANGE | 0.21 **3.8%** TOTAL CHANGE ↑

Source: Broker Metrics®

MARKET DYNAMICS

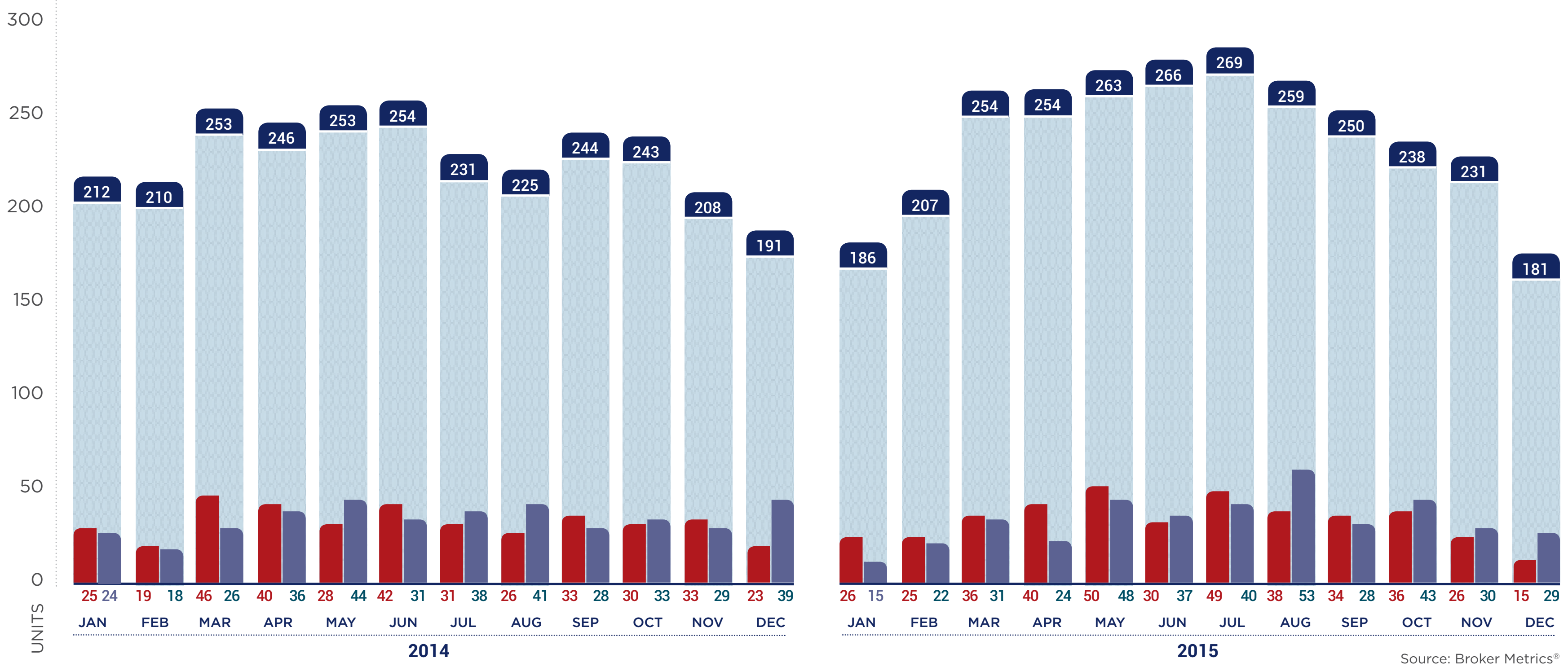
SUPPLY AND DEMAND – # UNITS

FOR SALE, UNDER CONTRACT & SOLD, 2014 – 2015

FOR SALE 0.4 -0.2% MONTHLY CHANGE | 9.4 **4.1%** TOTAL CHANGE ↑

UNDER CONTRACT 0.0 0.0% MONTHLY CHANGE | 0.4 **1.1%** TOTAL CHANGE ↑

SOLD 0.3 1.0% MONTHLY CHANGE | 7.0 **24.0%** TOTAL CHANGE ↑



Source: Broker Metrics®

Photo: Berkelhamer Architects

RIVER NORTH

THE NEIGHBORHOODS

RIVER NORTH

River North is shaping up to be the epicenter of Chicago's new-construction condo resurgence, with more than a half-dozen sizeable developments either under way or in the pipeline.

Confidence is brimming among developers. Respondents to our year-end survey ranked River North #1 among downtown neighborhoods they are most bullish on for new condo development. Brokers also put it in the top 3.

Supply, while growing, is still tight, and sales activity is on the rise. New office development on Goose Island, in the West Loop and in River North itself bodes well for a growing residential base. And a couple of recent condo developments have been home runs that even Kris Bryant would admire.

But as we pointed out in last year's market report, new condos in River North are no slam dunk. In fact two projects canceled sales programs last year. So, successful developers will focus on solving problems and managing risk to capitalize on the wealth of opportunity presented by this prime Near North location.

Photo: Berkelhamer Architects

In 2015, River North saw a healthy increase in total transactions and sales volume, but pricing merely inched forward. According to Broker Metrics, the average price per unit in the 60654 zip code was just 1.1% higher in 2015 vs. 2014. In our neighborhood survey, which also includes portions of the 60610 and 60611 zips, price growth was also less than 2%.

On a per-square-foot basis, pricing actually fell 6% from $420 PSF to $396 PSF. That figure is a little misleading. Remove the big $17 million sale of the penthouse at Trump Tower in 2014, and factor in 33 townhome sales at the new Basecamp River North project at an average of $285 a foot, and the two years are pretty much a wash.

+8%

2015 UNIT VOLUME:
884 CLOSINGS

+1.7%

INCREASE IN AVERAGE SALES PRICE-CONDO
2015: $524,581   2014: $515,897

To get a closer look, we examined same-tier sales for 2015 vs. 2014 within a handful of newer River North high-rises. For the most part, the results showed positive but fairly modest movement.

Transactions at the high end of the market were also level year over year.

LUXURY CONDO TRANSACTIONS YEAR OVER YEAR

57
CLOSINGS AT $1 MILLION AND UP IN 2015 VS. 59 IN 2014

14
CLOSINGS AT $2 MILLION AND UP IN 2015 VS. 15 IN 2014

40
CLOSINGS AT $600 PSF AND UP IN 2015 VS. 49 IN 2014

Whether these numbers are more indicative of conditions relating to supply or demand is the million-dollar question. And the next couple of years will provide the answer.

303 WEST OHIO

	2014	2015
UNIT	3105	2205
ROOMS	5	5
BR	1	1
BA	2	2
SF	930	930
CLOSE DATE	12/29/2014	3/27/2015
MT	140 days	19 days
SOLD PRICE	$362,000	$390,000
PSF	$389	$419

↑8.0%

401 NORTH WABASH

	2014	2015
UNIT	43B	49B
ROOMS	4	3
BR	1	1
BA	1	1
SF	1071	1071
CLOSE DATE	6/3/2014	5/1/2015
MT	15 days	38 days
SOLD PRICE	$688,500	$710,000
PSF	$643	$653

↑ 1.0%

303 WEST OHIO

	2014	2015
UNIT	2408	2908
ROOMS	4	4
BR	1	1
BA	1	1
SF	783	783
CLOSE DATE	8/8/2014	2/17/2015
MT	36 days	55 days
SOLD PRICE	$340,000	$325,000
PSF	$434	$415

↓4.0%

401 NORTH WABASH

	2014	2015
UNIT	75B	76B
ROOMS	5	5
BR	2	2
BA	2	2
SF	1839	1839
CLOSE DATE	9/16/2014	8/3/2015
MT	18 days	19 days
SOLD PRICE	$1,425,000	$1,450,000
PSF	$775	$788

↑ 1.0%

500 WEST SUPERIOR

	2014	2015
UNIT	2004	1804
ROOMS	5	4
BR	2	2
BA	2	2
SF	1095	1095
CLOSE DATE	1/31/2014	5/248/2015
MT	29 days	33 days
SOLD PRICE	$430,000	$451,250
PSF	$393	$412

↑5.0%

510 WEST ERIE

	2014	2015
UNIT	1107	1307
ROOMS	4	4
BR	3	1
BA	3	1
SF	795	795
CLOSE DATE	11/14/2014	8/26/2015
MT	17 days	95 days
SOLD PRICE	$310,000	$310,000
PSF	$390	$390

0%

500 WEST SUPERIOR

	2014	2015
UNIT	1913	2013
ROOMS	6	6
BR	2	2
BA	2	2
SF	1220	1220
CLOSE DATE	11/10/2014	5/27/2015
MT	27 days	61 days
SOLD PRICE	$675,000	$680,000
PSF	$553	$557

↓2.6%

510 WEST ERIE

	2014	2015
UNIT	1302	1302
ROOMS	5	5
BR	2	1
BA	2	2
SF	1100	1100
CLOSE DATE	8/20/2014	6/11/2015
MT	57 days	15 days
SOLD PRICE	$475,000	$495,000
PSF	$432	$450

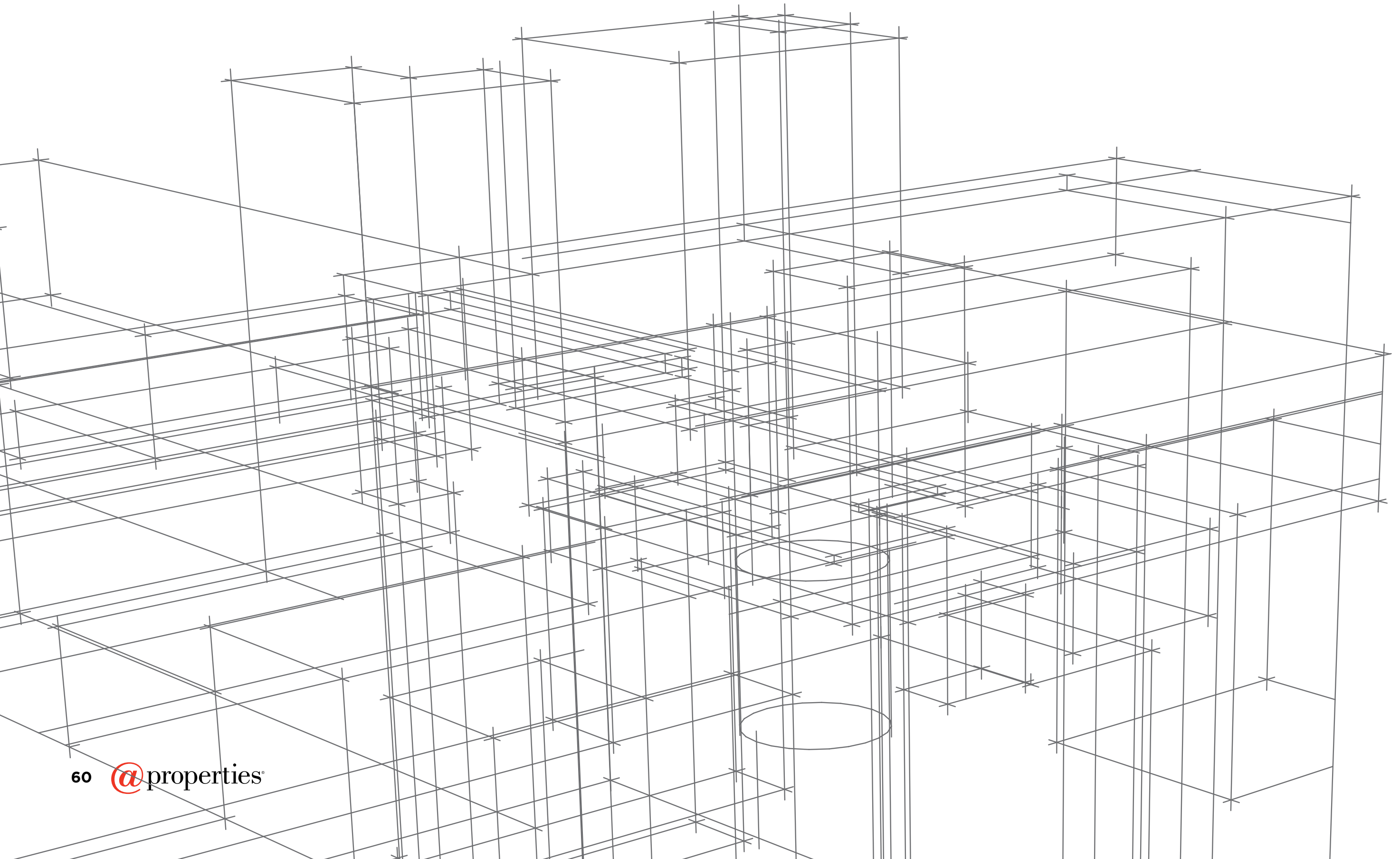
↑4.0%

Condo developments in progress and in the pipeline total more than 350 new units – many of them targeting the luxury market with prices in the $1 million to $2.5 million range. About a third of these units should deliver this year, with another third starting sales in the first half of 2016, and the final third hitting the market in late '16/early '17. That hardly represents a glut, but it's a big meal for a market that tallied fewer than 60 closings last year at $1 million plus.

To improve one's odds in this increasingly competitive market, developers will dial up their game when it comes to both programming and presentation. Differentiating product in meaningful ways will help developers take market share from competitors and/or resales. Belgravia's 403 N. Wabash, which will offer River views from every unit, Smithfield Properties' 808 N. Wells, which will feature sprawling duplex plans, sleek interiors and large outdoor spaces, and JFJ Development's 300 W. Huron, which will buck the trend of low-amenity or no-amenity condo buildings and feature an outdoor pool, running track, game room and community garden, are examples of bold programming in action.

Marketing will also be vital. We made a big deal last year of Smithfield spending a king's ransom on an impressive sales center for 400 West Huron only to tear it down months later when the development sold out prior to groundbreaking. The incremental price increases Smithfield realized as a result of that sales center more than covered its cost.

RIVER NORTH MARKET DATA



PRICING AND TRANSACTIONS CLOSED LISTINGS

2014 vs 2015

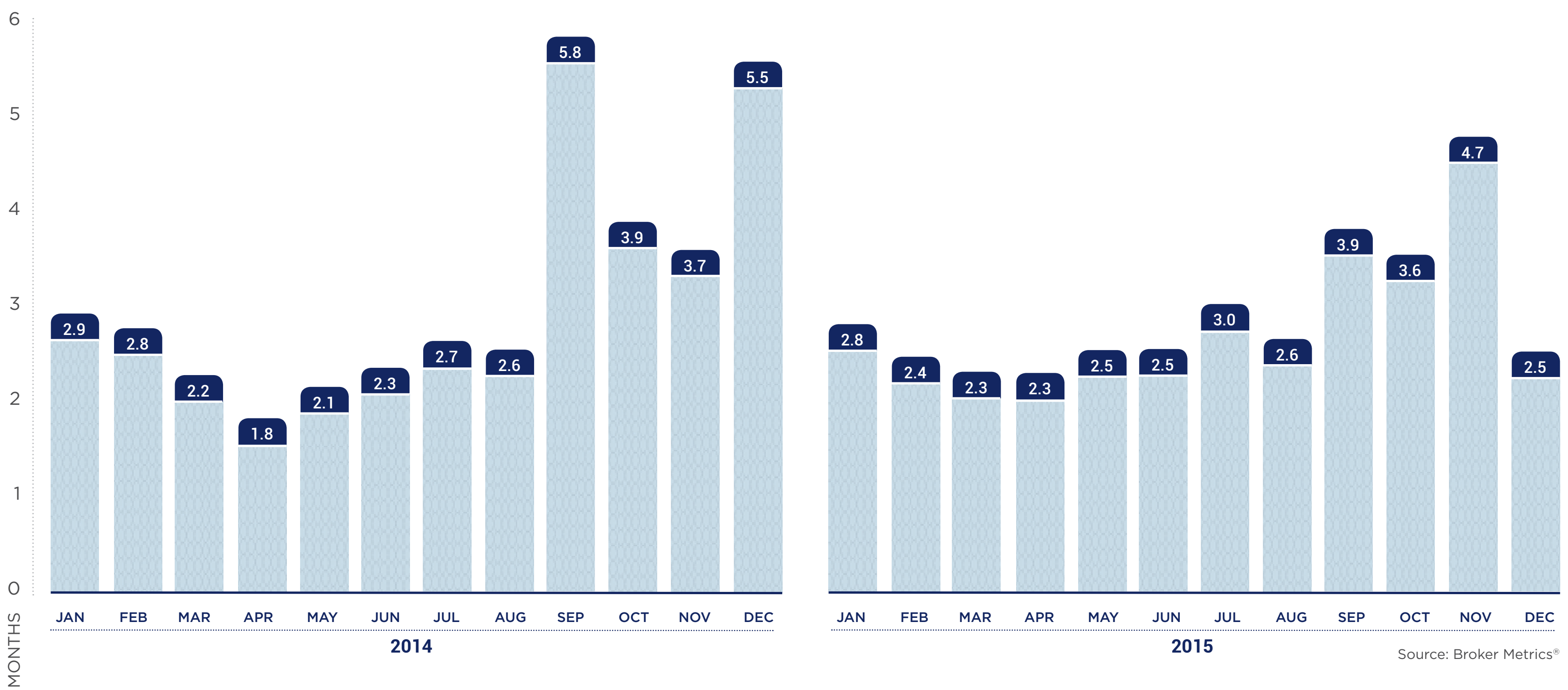
	2014 PSF	2014 # Trans	2015 PSF	2015 # Trans	2015 vs 2014 % Change PSF	2015 vs 2014 % Change
Attached All - Summary	$420	819	$396	884	-6%	8%
Attached All - 1 BR	$372	379	$375	377	1%	-1%
Attached All - 2 BR	$394	351	$408	390	4%	11%
Attached All - 3+ BR	$552	89	$398	117	-28%	31%
Attached New - Summary	$838	14	$285	33	-66%	136%
Attached New - 1 BR	$629	5	NA	0	NA	-100%
Attached New - 2 BR	$770	2	NA	0	NA	-100%
Attached New - 3+ BR	$891	7	$285	33	-68%	371%
Attached Resale - Summary	$400	805	$407	851	2%	6%
Attached Resale - 1 BR	$366	374	$375	377	2%	1%
Attached Resale - 2 BR	$390	349	$408	390	5%	12%
Attached Resale - 3+ BR	$488	82	$457	84	-6%	2%

MARKET DYNAMICS

MONTHS' SUPPLY OF INVENTORY

UNDER CONTRACT CALCULATION, 2014 – 2015

MSI-UNDER CONTRACT 0.03 1.3% MONTHLY CHANGE 0.8 **31.6%** TOTAL CHANGE



Source: Broker Metrics®

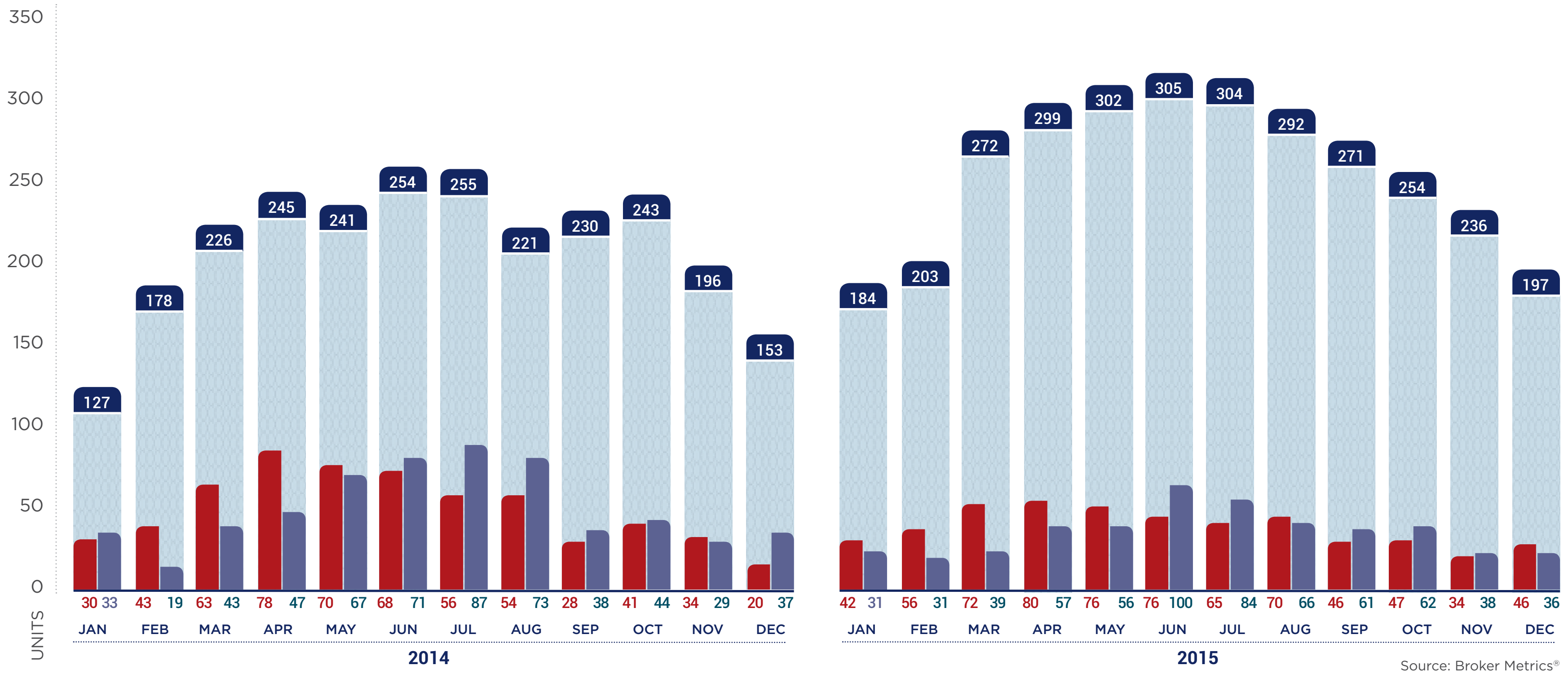
RIVER NORTH

MARKET DYNAMICS

SUPPLY AND DEMAND – # UNITS

FOR SALE, UNDER CONTRACT & SOLD, 2014 – 2015

FOR SALE	3.9	2.1%	93.6	**50.6%**
	MONTHLY CHANGE		TOTAL CHANGE	
UNDER CONTRACT	0.3	0.7%	7.7	**15.6%**
	MONTHLY CHANGE		TOTAL CHANGE	
SOLD	0.6	1.4%	14.7	**33.3%**
	MONTHLY CHANGE		TOTAL CHANGE	



Source: Broker Metrics®

WEST LOOP

THE NEIGHBORHOODS

WEST LOOP

When under-cover detective Brian O'Connor, Paul Walker's character from The Fast and the Furious, realizes he needs an edge in order to compete with the street racing gangs he's infiltrated, he orders his mechanic buddy to equip his car with NOS®. The setup blows compressed nitrous oxide into the engine creating a boost in horse-power and acceleration. Just push the little red button on the steering wheel, and – BOOM – warp speed.

Well it turns out West Loop real estate has tapped into its own highly powerful source of NOS®. Several sources, actually. There's restaurant NOS®, hotel, NOS®, retail NOS®, office NOS®, and apartment NOS®. The question is: when will developers be able to get their hands on that condo NOS®, we've all been hearing about? (Rumor has it Alan Lev is hording it in a secret warehouse on Peoria Street.)

That hasn't been confirmed, but what is confirmed is that the West Loop continues to be one of the most compelling real estate stories in Chicago. There are so many dynamic developments across the full spectrum of asset classes, with new and interesting players and proposals coming to the table every day.


Photo: Patsy McEnroe Photography

Photo: Patsy McEnroe Photography

HERE ARE JUST SOME OF
THE BIG LAND DEALS
THAT WENT DOWN IN 2015

McCaffery Interests paid a reported $10.5 million to acquire a 45,000-square foot building at Fulton and May for future retail/ mixed-use

In January 2016, Crain's reported that Thor Equities is paying approximately $50 million for four buildings west of Halsted between Fulton and Wayman, for retail development

New York-based Madison Capital paid a reported $26 million to acquire a four-building assemblage at Fulton and Sangamon

Tucker Development Corp. agreed to pay more than $50 million to acquire roughly a full block bounded by Randolph, Lake, Sangamon and Peoria streets

PLUS:

Sterling Bay fired up its next big office project, Fulton West

Construction started on the Brooklyn Bowl entertainment complex

Shapack announced a hotel project for the corner of Lake and Green streets

12 million new restaurants opened

Google moved in

A lot of really cool people joined SoHo House, and they're lounging on olive green couches, drinking Manhattans and writing screenplays at this very moment!

99.5%	SOLD PRICE TO ORIGINAL LIST PRICE

100.7%	SOLD PRICE TO LIST PRICE

Amid this epic environment for commercial real estate investment and development, the West Loop condominium market continues to outperform most of the downtown core. In 2015 condo prices rose 7% on a per-square-foot basis to $321, notching the largest gain of any neighborhood in the @report, except for the Loop. PSF pricing has risen almost 40% since 2011.

Supply is the tightest of any neighborhood in the @report, with MSI averaging just 1.9 throughout 2015. And West Loop condominiums sold at an average of 99.5% of original list price and 100.7% of most recent list price.

Tracking sales in a sampling of new and newer developments, we saw:

- A 6% increase in average PSF at 565 W. Quincy from $316 in 2014 to $335 in 2015 (high of $438)
- A 7.8% increase in average PSF at 123-125 S. Green (Emerald) from $374 in 2014 to $403 in 2015 (high of $458)
- An 11.3% increase in average PSF at 659 W. Randolph (R+D 659) from $328 in 2014 to $365 in 2015 (high of $433)
- A 10.6% increase in average PSF at 16 N. Carpenter / 23 N. Aberdeen (CA23) from $386 in 2014 to $427 in 2015 (high of $478)

+7%	IN 2015 CONDO PRICES ROSE 7% ON A PER-SQUARE-FOOT BASIS TO $321. PSF PRICING HAS RISEN ALMOST 40% SINCE 2011.

We all know that 3-bedroom condos are the darling of the West Loop, but the average unit sizes at Quincy, Green and Randolph last year were all under 1,000 square feet. Interestingly, smaller 3-beds also made a strong showing in 2015.

In fact, we saw the biggest price increases among a collection of newer buildings around Madison, Monroe and Racine. **These boutique 10 and 20 unit elevator buildings feature traditional all-brick exteriors, 3-bed/2-bath units ranging from 1,400 to 1,600 square feet and prices averaging over $420 PSF. That is nearly a 21% jump from a comp set of 2014 sales. Oh, and by the way, the average market time for these units? 18 days.**

The only new-construction to book significant closing activity in the West Loop last year was Belgravia's CA3, in the 1100 block of West Adams, which posted an average of $362 PSF compared with $354 in 2014. The pricing looks conservative considering the developer's own resale product is trading at a significant premium just a couple blocks away, but keep in mind that most of the units at CA3 were contracted in 2013.

Late last year, Belgravia unveiled CA Washington, targeting pre-construction prices in the low $400s per foot. The 40-unit first phase was about 70% sold just a couple of months after kickoff.

The West Loop new-construction pipeline is growing but still looks as if it will barely meet demand. However, a couple of projects do finally appear to be pushing into luxury territory with pricing projected above $500 PSF. This product cannot arrive soon enough in our opinion, and our broker survey seems to back this sentiment.

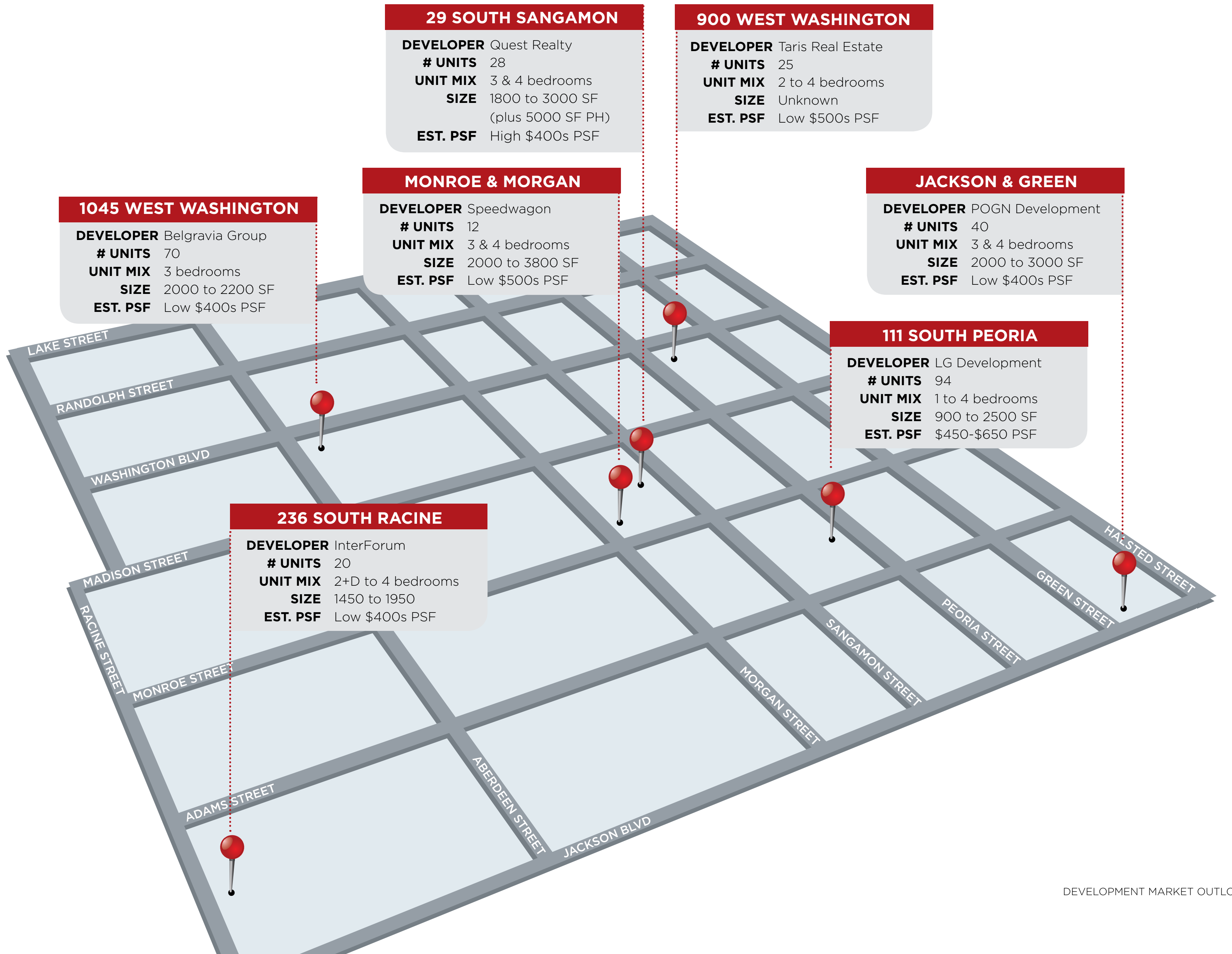
When brokers were asked to select the three neighborhoods that have the greatest unmet demand for new-construction condominiums over $1 million, the West Loop ranked behind only Lincoln Park and the Gold Coast and ahead of River North. It was also the #1 neighborhood brokers were most bullish on for new condo development, and was #3 in the developer survey trailing River North and the Gold Coast.

As we wrote last year, despite the frenzy, all of this feels more like the beginning of the cycle in the West Loop than the end, and the fierce competition for land among institutional investors seems to support this notion. The luxury diner, the luxury shopper, the luxury traveler, the luxury renter – they are all part of this shift west. And the luxury homebuyer will not be far behind. So get your NOS®, and get it tonight.

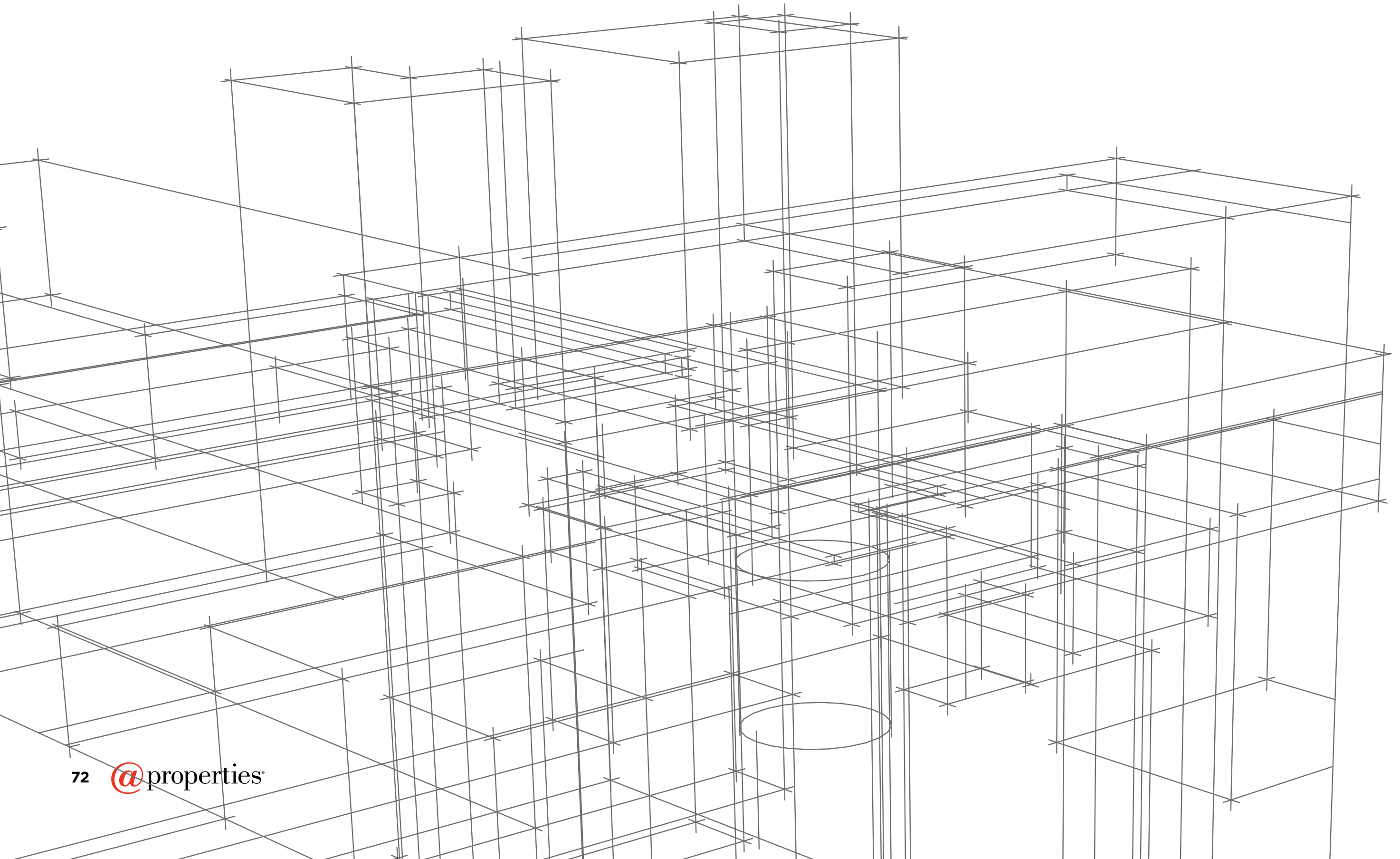
#1 WEST LOOP IS THE #1 NEIGHBORHOOD BROKERS WERE MOST BULLISH ON FOR NEW CONDO DEVELOPMENT

#3 WEST LOOP IS THE #3 NEIGHBORHOOD DEVELOPERS WERE MOST BULLISH ON FOR NEW CONDO DEVELOPMENT

WEST LOOP NEW CONSTRUCTION CONDO PIPELINE



WEST LOOP MARKET DATA



PRICING AND TRANSACTIONS CLOSED LISTINGS

2014 vs 2015

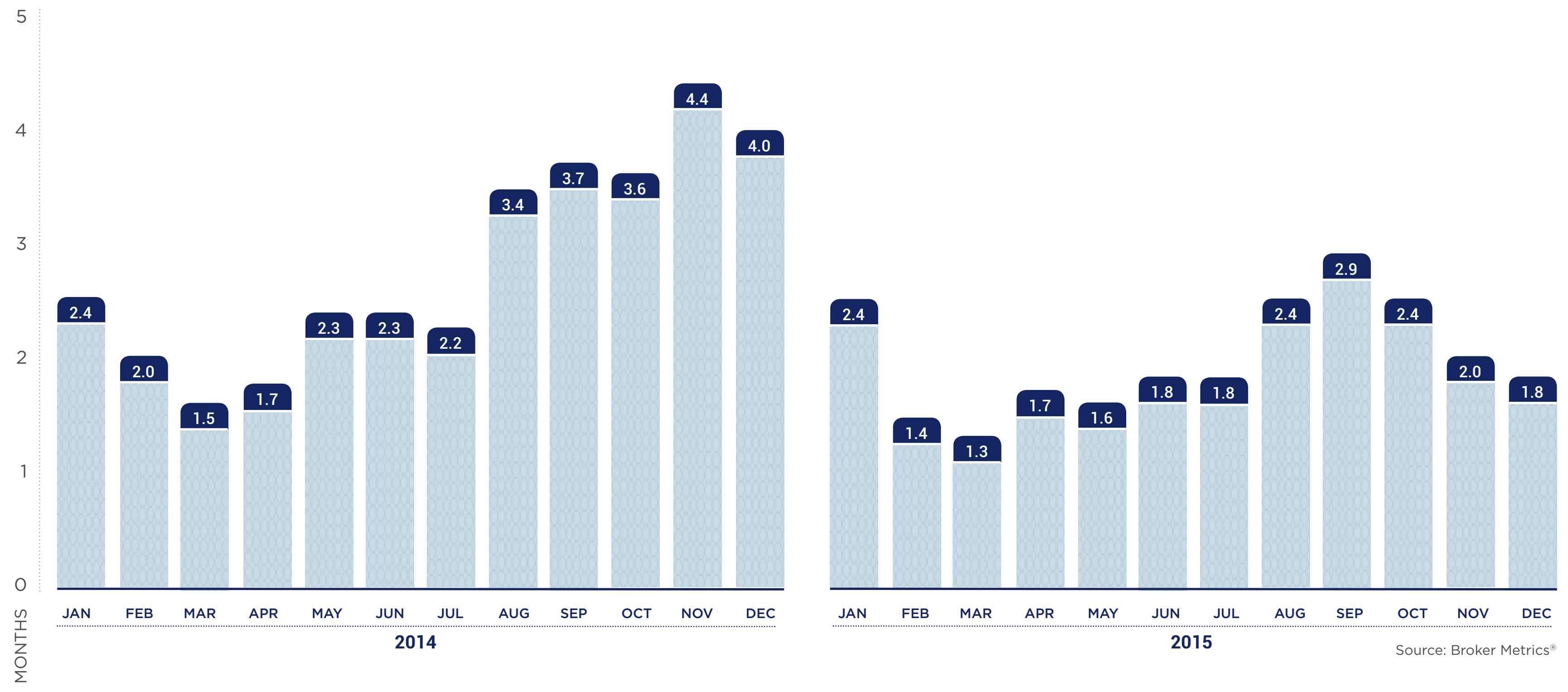
	2014 PSF	2014 # Trans	2015 PSF	2015 # Trans	2015 vs 2014 % Change PSF	2015 vs 2014 % Change
Attached All - Summary	$301	780	$321	847	7%	9%
Attached All - 1 BR	$287	277	$304	295	6%	6%
Attached All - 2 BR	$291	369	$310	405	7%	10%
Attached All - 3+ BR	$327	134	$350	147	7%	10%
Attached New - Summary	$359	37	$359	48	0%	30%
Attached New - 1 BR	NA	0	NA	0	NA	NA
Attached New - 2 BR	NA	0	NA	0	NA	NA
Attached New - 3+ BR	$359	37	$359	48	0%	30%
Attached Resale - Summary	$296	743	$316	799	7%	8%
Attached Resale - 1 BR	$287	277	$304	295	6%	6%
Attached Resale - 2 BR	$291	369	$310	405	7%	10%
Attached Resale - 3+ BR	$314	97	$344	99	10%	2%

MARKET DYNAMICS

MONTHS' SUPPLY OF INVENTORY

UNDER CONTRACT CALCULATION, 2014 – 2015

MSI-UNDER CONTRACT -.04 1.3% MONTHLY CHANGE -.91 **-31.0%** TOTAL CHANGE



Source: Broker Metrics®

WEST LOOP

MARKET DYNAMICS

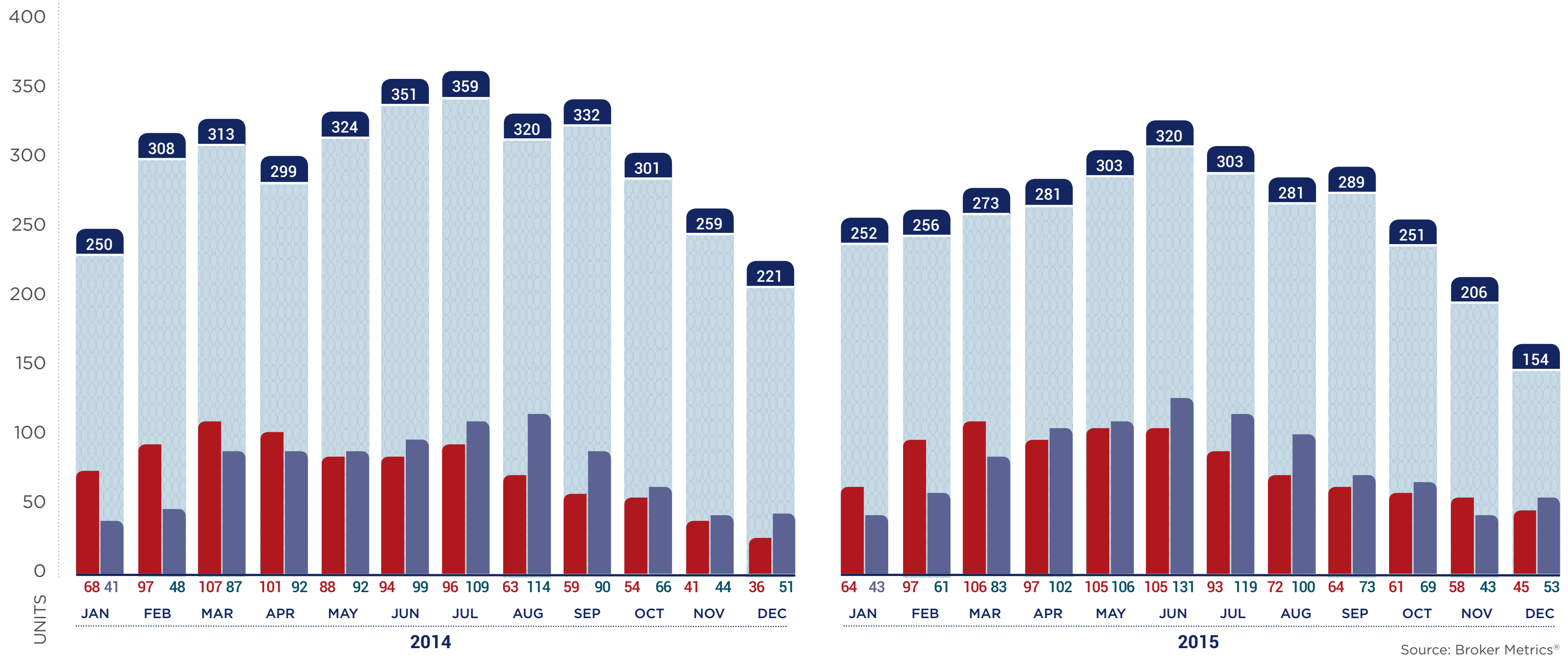
SUPPLY AND DEMAND – # UNITS

FOR SALE, UNDER CONTRACT & SOLD, 2014 – 2015

FOR SALE -2.5 -.8% MONTHLY CHANGE -59.8 **-19.2** TOTAL CHANGE

UNDER CONTRACT -.03 0% MONTHLY CHANGE -7.7 **-9.7%** TOTAL CHANGE

SOLD 0.3 0.3% MONTHLY CHANGE 6.2 **8.2%** TOTAL CHANGE



Source: Broker Metrics®

SOUTH LOOP

THE NEIGHBORHOODS

SOUTH LOOP

The South Loop is a little like everyone's favorite reality TV star. At first, everyone talks about you for all the right reasons. Then they start talking about you for all the wrong reasons. And eventually they just stop talking about you. Of course, like any popular reality star, there's always a reprise, and in the case of the South Loop, it might be an even bigger hit than the first time 'round.

For now though, the South Loop is behaving like a perfectly normal, mature market – which is a relief to many who have endured the roller coaster ride of the past decade. The average price per square foot for condos and townhomes rose a modest 2% in 2015 to $332. Unit volume was up 11% to 839 transactions. The market tightened with the average market time for sold units falling to right around 60 days and Months' Supply of Inventory averaging 3.1 months in 2015 vs. 3.5 months in the year earlier.

Resale data provides an even clearer picture of the neighborhood's newfound stability. Transactions rose by almost 20% from 2014, and per-square-foot pricing was up 7%. (The average price per square foot for new construction actually fell, as sales wound down at the luxury 1201 S. Prairie, while the first wave of closings hit at the more affordable 1345 S. Wabash.)

YEAR OVER YEAR SALES: SELECT SOUTH LOOP BUILDINGS

100 EAST 14TH ST.
1400 MUSEUM PARK

	2014	2015
UNIT	17	17
PSF	$373	$392
CHANGE	↑ 5.0%	

1201 PRAIRIE
THE GRANT

	2014	2015
UNIT	96	50
PSF	$468	$490
CHANGE	↑ 4.7%	

1322 PRAIRIE
MUSEUM PARK TOWER

	2014	2015
UNIT	11	14
PSF	$334	$354
CHANGE	↑ 6.0%	

1345 WABASH

	2014	2015
UNIT	NA	55
PSF	NA	$364
CHANGE	N/A	

1211 PRAIRIE
ONE MUSEUM PARK

	2014	2015
UNIT	17	14
PSF	$478	$523
CHANGE	↑ 9.4%	

1322 PRAIRIE
MUSEUM PARK TOWER II

	2014	2015
UNIT	7	9
PSF	$376	$383
CHANGE	↑ 1.9%	

In newer buildings, such as those within Museum Park, year-over-year sales back the idea of a healthy market.

With prices increasing, supply diminishing and demand steady, the climate feels right for new condo construction, and a couple of big players in the neighborhood agree. Along the South Branch of the Chicago River, two massive mixed-use projects are in the works.

The first is RiverLine, a joint venture between CMK and Lend Lease, which received Plan Commission approval late last year. Located between Harrison Street and Roosevelt Road, the master-planned community designed by Ralph Johnson of Perkins + Will will eventually include 2,700 residential units. Phase I will offer 278 condos, 62 townhomes and 452 apartments.

1629 PRAIRIE
ADLER PLACE

	2014	2015
UNIT	45	50
PSF	$351	$361
CHANGE	↑ 2.8%	

1901 CALUMET
HARBOR VIEW

	2014	2015
UNIT 5511	14	34
PSF	$344	$355
CHANGE	↑ 3.2%	

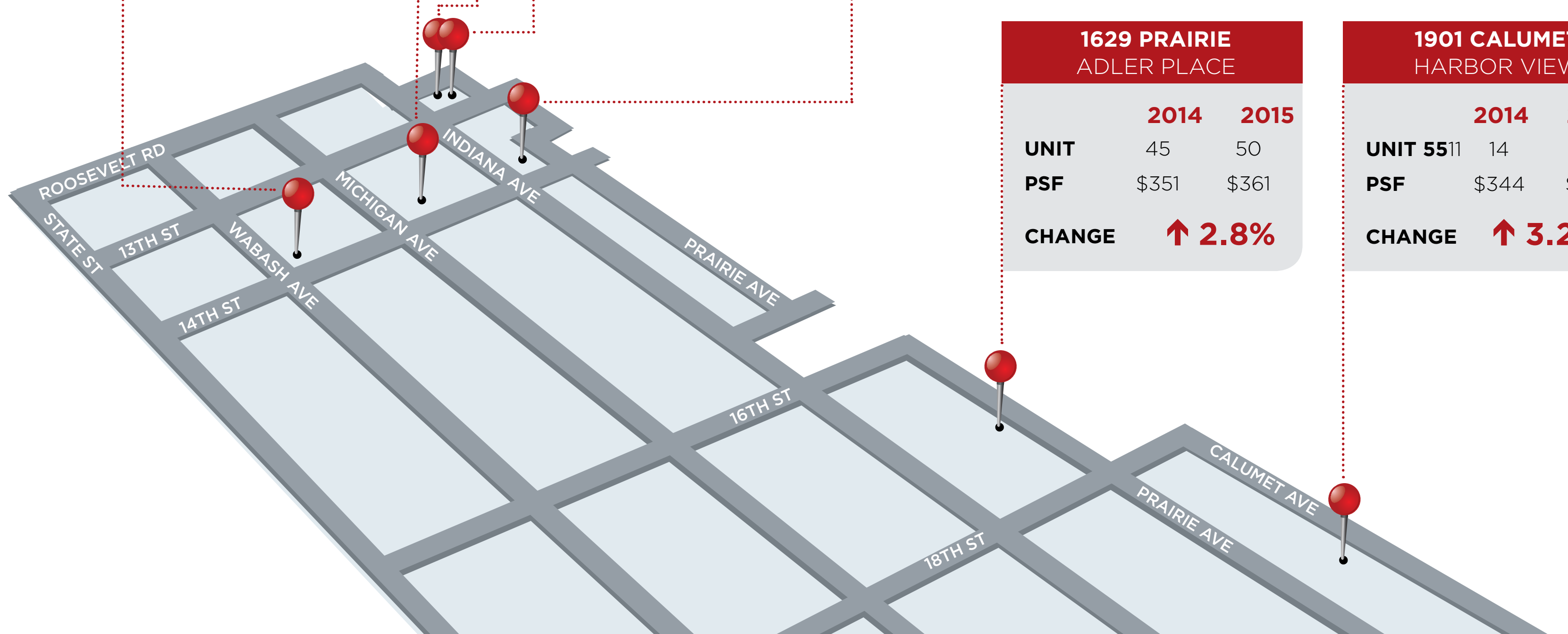


Photo: Dave Burk

SOUTH LOOP

South of Roosevelt, Related Midwest is negotiating a joint venture with General Mediterranean Holdings to develop an even larger parcel – 62 riverfront acres stretching all the way south to Chinatown.

While few details are known about the Related project, on the surface both developments seem set up to manage risk over a long time horizon by addressing a number of key variables: controlling land costs, maintaining flexibility for different uses (i.e. condos vs. apartments), creating public amenity space to bring in foot traffic, spreading risk among partners, and introducing product that appears to hit many of the right design notes.

The shift toward the river is a big moment in the South Loop's evolution, as these two developments offer huge potential to serve as connectors to the Loop, points south including Chinatown and Bridgeport, and the more established enclaves to the east.

Other highly ambitious projects are on the board, including a two-tower, 1,400+ unit development from Crescent Heights, designed by Rafael Vinoly, which may include a condo component in a future phase, and a new apartment/condo tower at 1000 S. Michigan, designed by Helmut Jahn. Condos in either of these developments would test the high end of the market, which is still relatively unproven. **Only 31 units traded above $500 per square foot in 2015, and the high sale on a PSF basis was $601.**

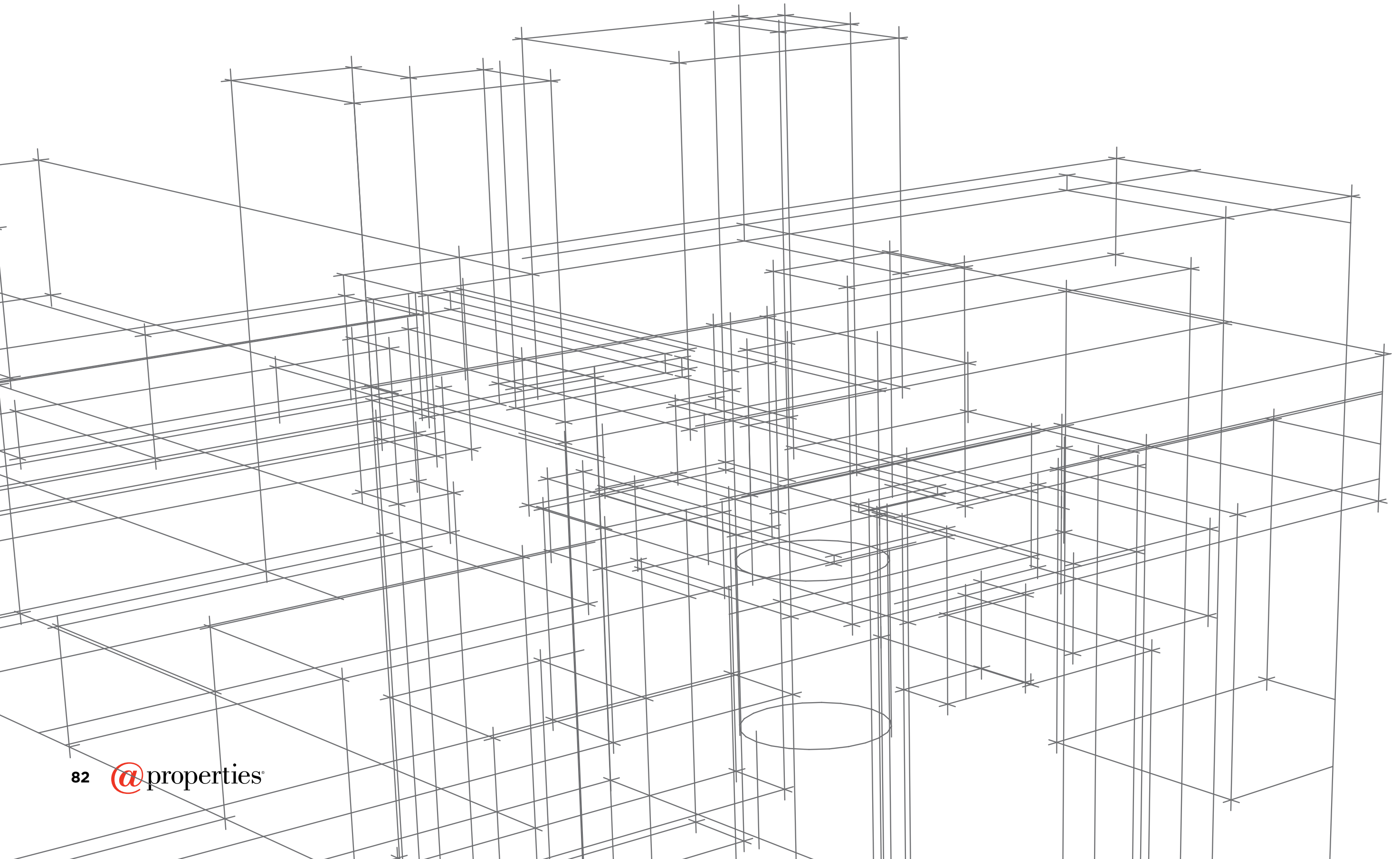
Oddly, many brokers and developers responding to our year-end survey do not share the same enthusiasm for the South Loop as entities like Related, CMK and the Sandz/Golub venture that is developing 55 townhomes at 18th and Prairie.

Only 16.6% of brokers ranked the South Loop among the top three downtown neighborhoods in terms of demand for new-construction condos under $1 million. And 11.6% put it in the top three for luxury condo demand (over $1 million). It ranked 7th out of 10 neighborhoods that brokers were most bullish on for new condo development. Developers gave it a slightly better reception ranking it 5th.

Firms like CMK and Related, who have had success in the South Loop, are likely chuckling at these results and encouraging their peers to continue slugging it out on the North Side. We tend to fall in the more bullish camp as well, especially if current apartment construction (over 1,000 units delivering in 2016 with thousands more in the pipeline) is any sign of future for-sale demand.

In 10 years, with good planning and execution, the South Loop should be a model urban neighborhood with public access to waterfronts at its east and west borders, illustrious architecture, an entertainment district anchored by the new DePaul arena, and so much more – all within walking distance (or a short Divvy ride) to the Loop.

SOUTH LOOP MARKET DATA



PRICING AND TRANSACTIONS CLOSED LISTINGS

2014 vs 2015

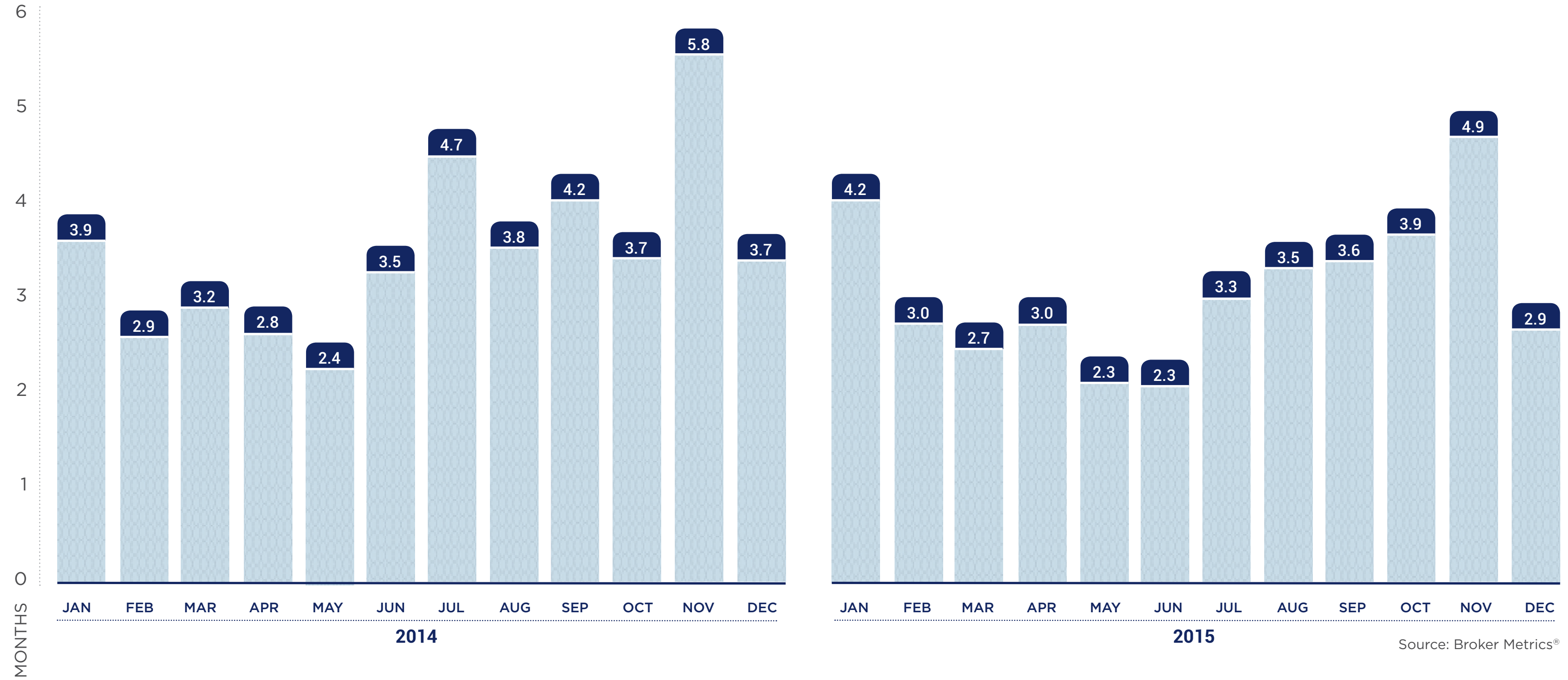
	2014 PSF	2014 # Trans	2015 PSF	2015 # Trans	2015 vs 2014 % Change PSF	2015 vs 2014 % Change
Attached All - Summary	$326	753	$332	839	2%	11%
Attached All - 1 BR	$275	179	$299	232	9%	30%
Attached All - 2 BR	$322	434	$326	475	1%	9%
Attached All - 3+ BR	$359	140	$363	132	1%	-6%
Attached New - Summary	$426	168	$406	143	-5%	-15%
Attached New - 1 BR	$370	14	$353	28	-5%	100%
Attached New - 2 BR	$409	98	$395	80	-3%	-18%
Attached New - 3+ BR	$450	56	$436	35	-3%	-38%
Attached Resale - Summary	$290	585	$311	696	7%	19%
Attached Resale - 1 BR	$267	165	$291	204	9%	24%
Attached Resale - 2 BR	$293	336	$309	395	5%	18%
Attached Resale - 3+ BR	$299	84	$332	97	11%	15%

MARKET DYNAMICS

MONTHS' SUPPLY OF INVENTORY

UNDER CONTRACT CALCULATION, 2014 – 2015

MSI-UNDER CONTRACT -.03 -.9% MONTHLY CHANGE -.83 **-20.3%** TOTAL CHANGE



Source: Broker Metrics®

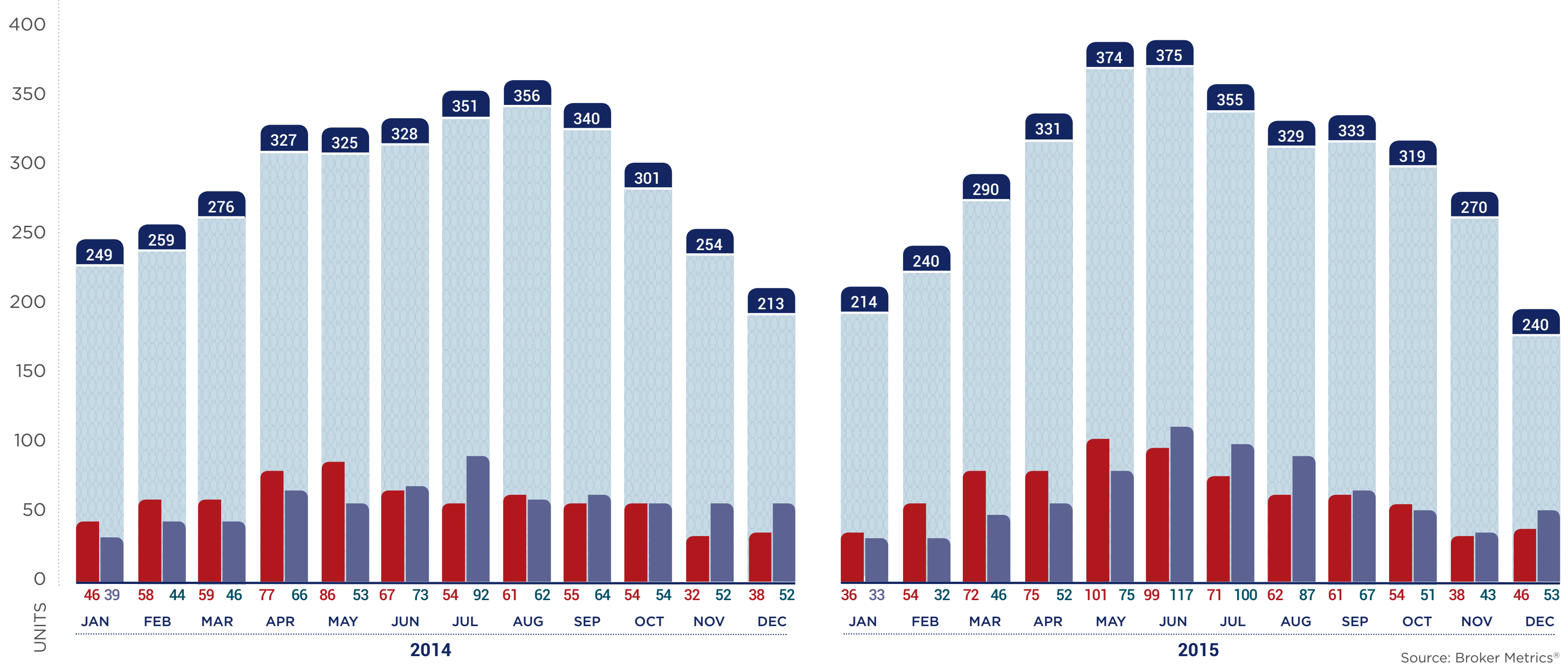
SOUTH LOOP

MARKET DYNAMICS

SUPPLY AND DEMAND – # UNITS

FOR SALE, UNDER CONTRACT & SOLD, 2014 – 2015

FOR SALE	1.2 -0.4%	MONTHLY CHANGE	28.4 **9.6%**	TOTAL CHANGE
UNDER CONTRACT	0.4 0.6%	MONTHLY CHANGE	8.5 **15.5%**	TOTAL CHANGE
SOLD	0.6 1.2%	MONTHLY CHANGE	15.1 **28.6%**	TOTAL CHANGE



Source: Broker Metrics®

LINCOLN PARK

THE NEIGHBORHOODS

LINCOLN PARK

It's time for a pop quiz.

Go big or go home is:

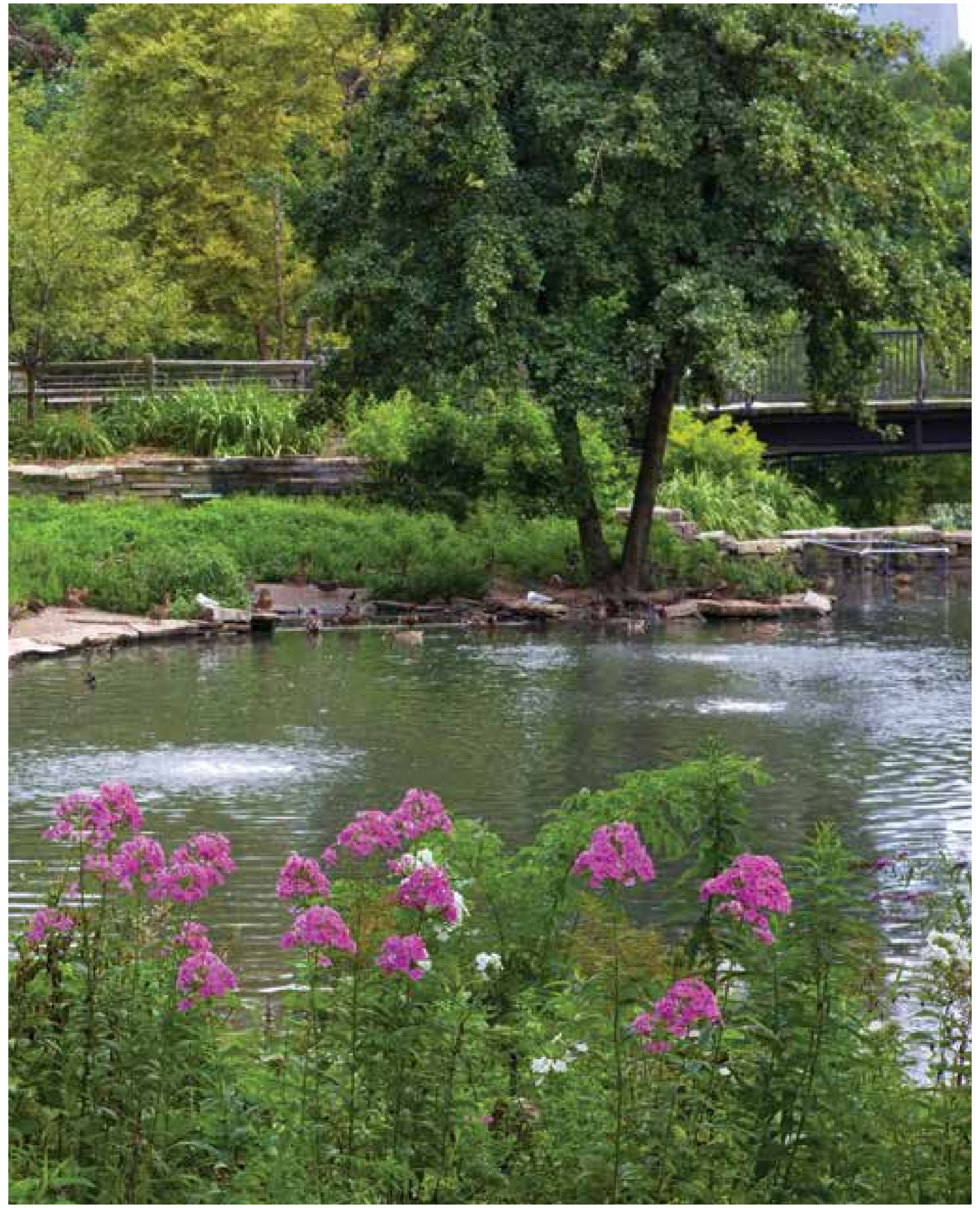
A. The phrase that best describes Cubs pitcher Jake Arrieta's facial hair plans for the 2016 baseball season

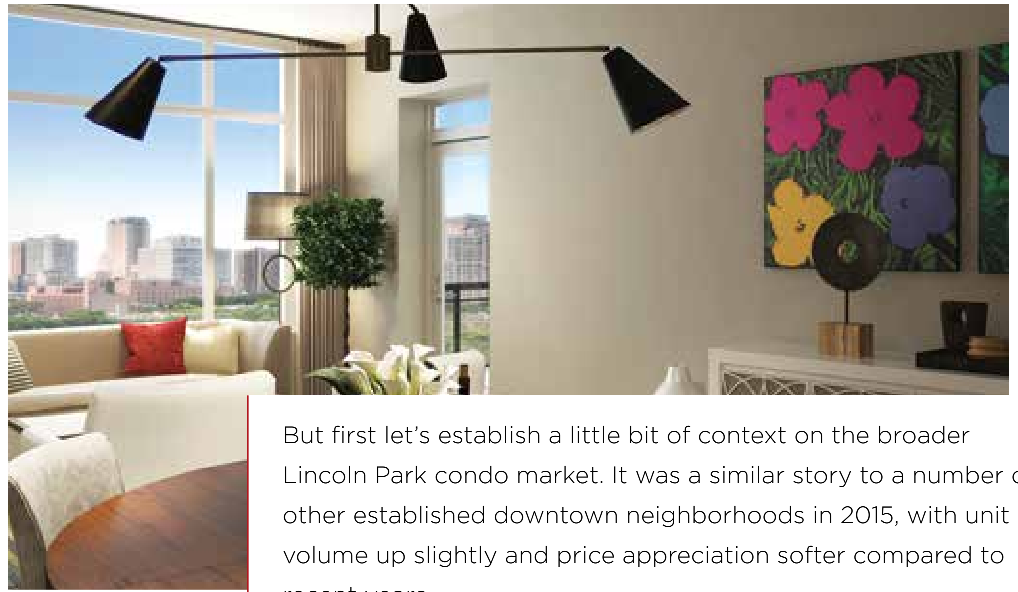
B. An interchangeable campaign slogan/ diet strategy for former Republican presidential candidate Chris Christie

C. Marching orders for new condo construction in Lincoln Park

If you answered A or B, then you probably haven't spent a lot of time talking to developers or homebuyers on Chicago's Near North Side, where large luxury condo units are in high demand and short supply.

From a development standpoint, the lack of luxury product presents both challenges and opportunities, as builders attempt to reconcile the inventory shortage against any number of risk factors outlined in the front section of this year's @report. Developers have responded with some creative solutions that have the potential to inform successful projects going forward.

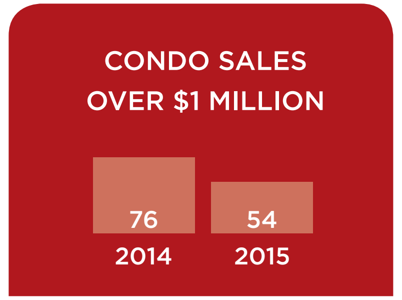


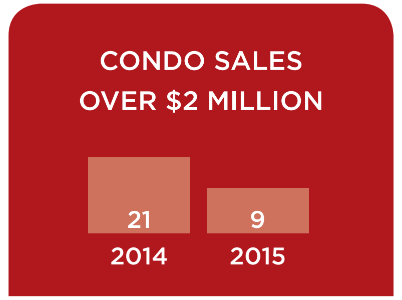


But first let's establish a little bit of context on the broader Lincoln Park condo market. It was a similar story to a number of other established downtown neighborhoods in 2015, with unit volume up slightly and price appreciation softer compared to recent years.

There were 1,219 condo closings in 2015, an increase of 3%. The average price per square foot of Lincoln Park condos and townhomes actually fell 4% to $341; however, the decline is the result of far fewer luxury-condo sales compared with prior years. A comparison of resale transactions from 2015 vs. 2014 paints a more accurate picture of slow, steady price growth in Lincoln Park, with PSF up 3% to $323. Months' Supply of Inventory averaged just 3.1 months for 2015, down 9% from an already low 3.4-month reading in 2014.

But the evaporation of high-end and new-construction inventory is the storyline we're following most closely. Of those 1,219 condo transactions last year, only 43 were new construction, down from 104 the year before. In 2014, there were 76 condo sales over $1 million. Last year there were just 54. And there were only 9 condo sales over $2 million last year, compared with 21 in 2014.





As of early 2016, there was very little active inventory on the market above $1 million, and the average market time for these listings was over 230 days, indicating that much of it caters to… how shall we say…very specific tastes.

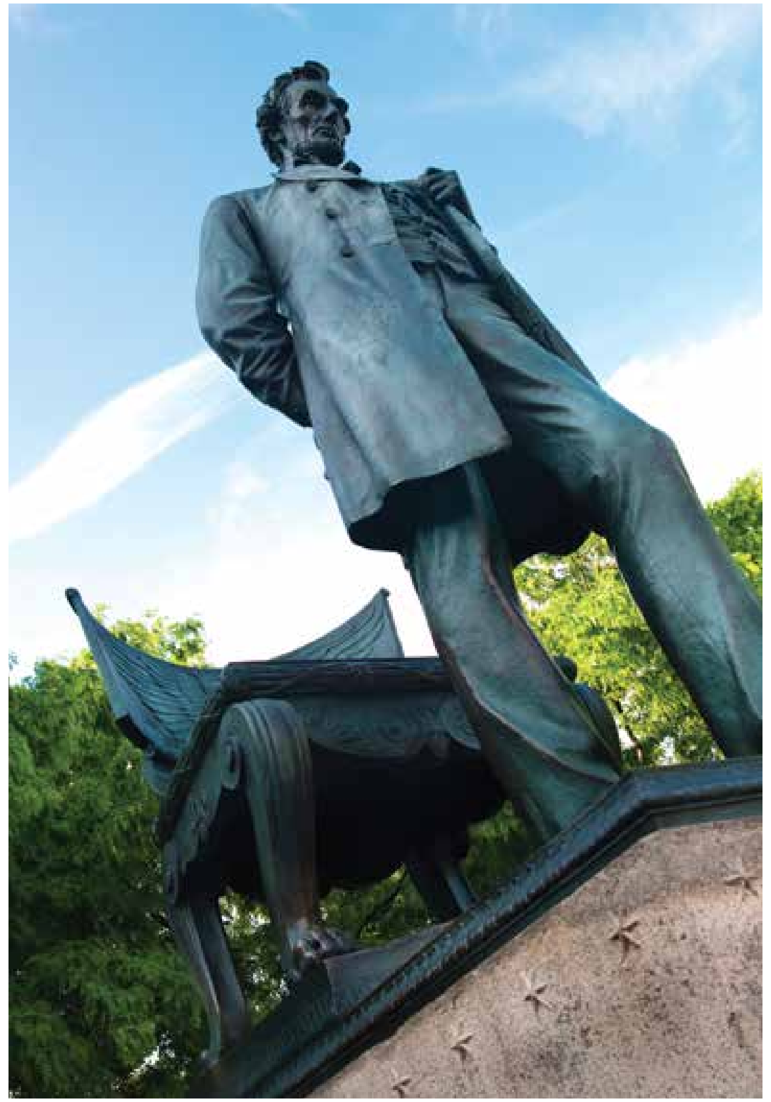
There's hardly enough new construction to fill the void. At Webster Square, Sandz Development's 95-unit condo project across from Oz Park, larger plans have led the charge since sales began last July. With the development approaching 50% sold, the average size, chunk price and per-square-foot price for units under contract are all higher than overall project averages. **Demand is so strong for larger condominiums that Sandz introduced a 2,500 square foot combo plan on the south side of the building. It sold so well that they introduced another on the north side.**

Over at 1615 North Burling, the development team of Sedgwick Investments, Contemporary Concepts, and Pappageorge Haymes has been successful with a different approach – programming luxury 2 and 3 bedroom units into highly efficient plans ranging from only 1,250 to 1,750 square feet. (The project also has a handful of 2,000 to 2,400-square-foot units).

Where the developers "went big" however was with the outdoor space, which starts at 180 square feet in standard plans and goes up to more than 2,300 square feet. Large, livable outdoor space was the #1 feature brokers said buyers want to see more of, but that most new construction is lacking (see page 20). 1615 read the market right and hit it out of the park.

But 1615 Burling and Webster Square are the only two developments in the entire neighborhood (except for one just-announced project on Ashland) with 15 or more units. Meanwhile the traditional new-construction 3-flat could be headed for the endangered species list. That's because prices for new single-family homes in Lincoln Park are through the roof.

Consider that the aggregate value of the 43 new condos sold through the MLS in Lincoln Park last year was $47.1 million, while the aggregate value of the 24 new single-families sold through the MLS was $62.9 million. A new home on a standard city lot, on a premier side street now commands $3.5 million. So if a developer can get their hands on the land, chances are they're going to build one unit, not three.



There's also a possibility they'll build two, as we have seen the emergence of the "double duplex" configuration in place of the traditional duplex-down/simplex/simplex 3-flat. It's yet another version of Go Big or Go Home. These condos offer a single-family alternative with 2,500+ square feet and three bedrooms on one level, which is a big plus for young families. Pricing of $1.1 to $1.5 million is expensive for a walk-up, but for buyers who want new features and Lincoln Park schools, it's half the price of a new single-family home.

One area in which developers can't seem to go big, however, is in getting big new projects approved (see Political Risk, page 16). The incredibly high barrier to entry created not only by land costs, but by the political process in Lincoln Park is likely to limit new development for the foreseeable future. Developers who can come up with creative alternatives and navigate the murky approval waters while maintaining their sanity will have a distinct advantage.

NEW CONSTRUCTION LOW-RISE (3 FLAT PRICING)

TOP FLOOR DUPLEX

PSF	$489	
PSF LOW	$394	**↑ 7.0%**
PSF HIGH	$573	**PSF CHANGE SINCE 2014**
SF	1270	

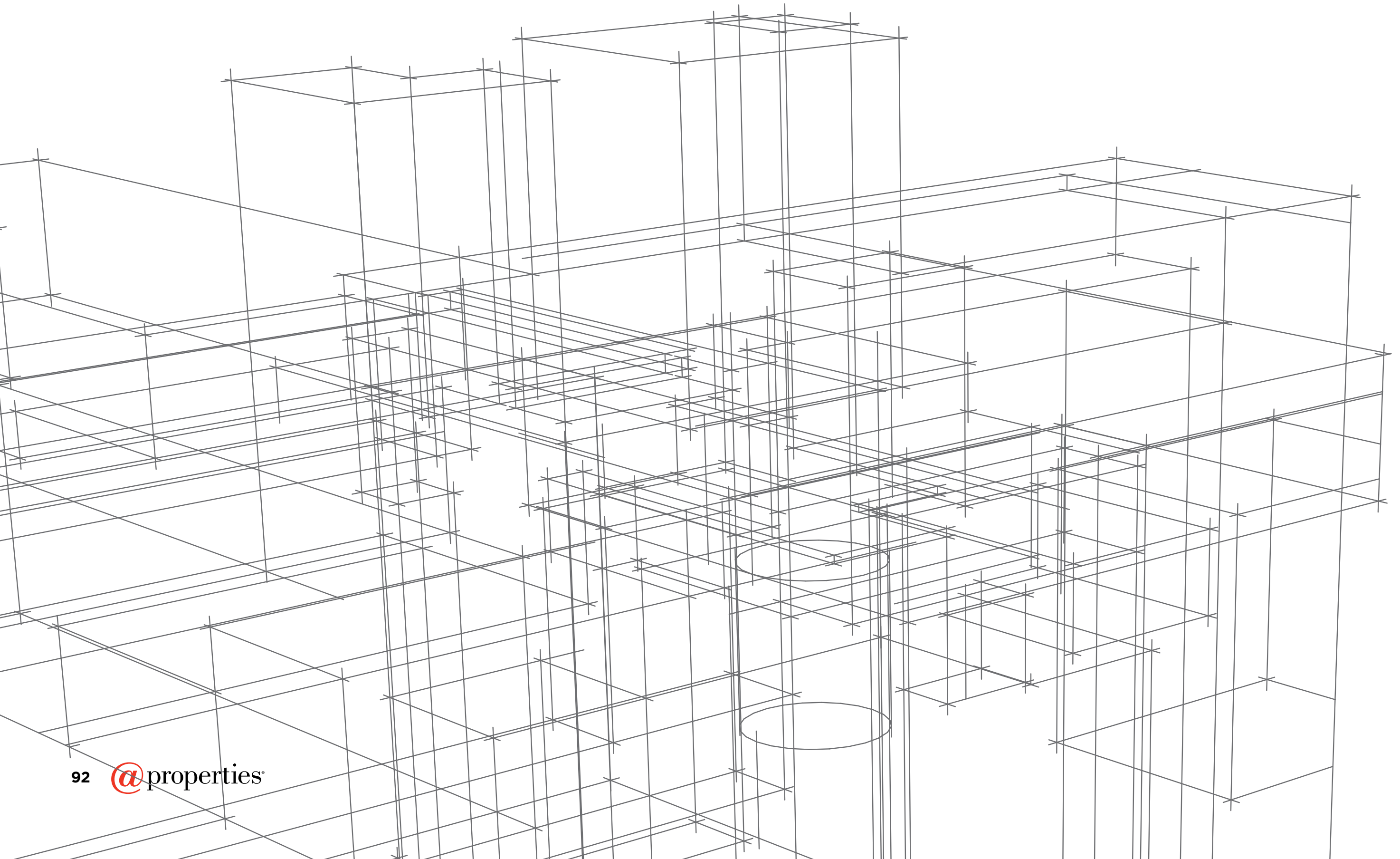
MIDDLE FLOOR DUPLEX

PSF	$414	
PSF LOW	$321	**↑ 5.0%**
PSF HIGH	$496	**PSF CHANGE SINCE 2014**
SF	1580	

FIRST FLOOR DUPLEX

PSF	$354	
PSF LOW	$290	**↑ 2.0%**
PSF HIGH	$404	**PSF CHANGE SINCE 2014**
SF	2430	

LINCOLN PARK MARKET DATA



PRICING AND TRANSACTIONS CLOSED LISTINGS

2014 vs 2015

	2014 PSF	2014 # Trans	2015 PSF	2015 # Trans	2015 vs 2014 % Change PSF	2015 vs 2014 % Change
Attached All - Summary	$357	1185	$337	1219	-6%	3%
Attached All - 1 BR	$305	238	$323	268	6%	13%
Attached All - 2 BR	$330	515	$323	532	-2%	3%
Attached All - 3+ BR	$384	432	$351	419	-9%	-3%
Attached New - Summary	$563	104	$409	26	-27%	-75%
Attached New - 1 BR	$556	10	NA	0	NA	-100%
Attached New - 2 BR	$581	27	$433	7	-25%	-67%
Attached New - 3+ BR	$560	67	$401	17	-28%	-75%
Attached Resale - Summary	$314	1081	$334	1193	6%	10%
Attached Resale - 1 BR	$281	228	$323	268	15%	18%
Attached Resale - 2 BR	$305	488	$319	523	5%	7%
Attached Resale - 3+ BR	$328	365	$347	402	6%	10%

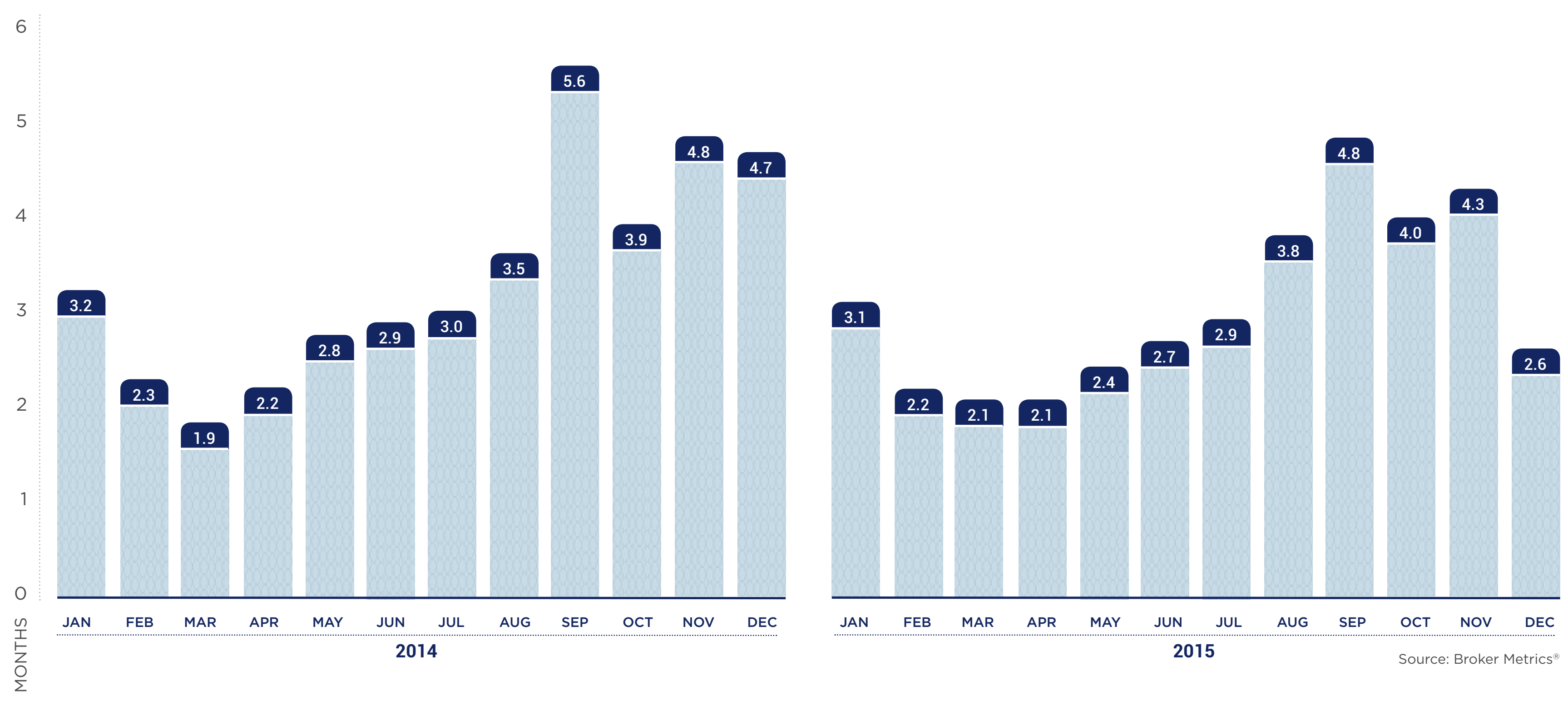
LINCOLN PARK

MARKET DYNAMICS

MONTHS' SUPPLY OF INVENTORY

UNDER CONTRACT CALCULATION, 2014 – 2015

MSI-UNDER CONTRACT 0 1.0% MONTHLY CHANGE 0.7 **25.0%** TOTAL CHANGE



Source: Broker Metrics®

MARKET DYNAMICS

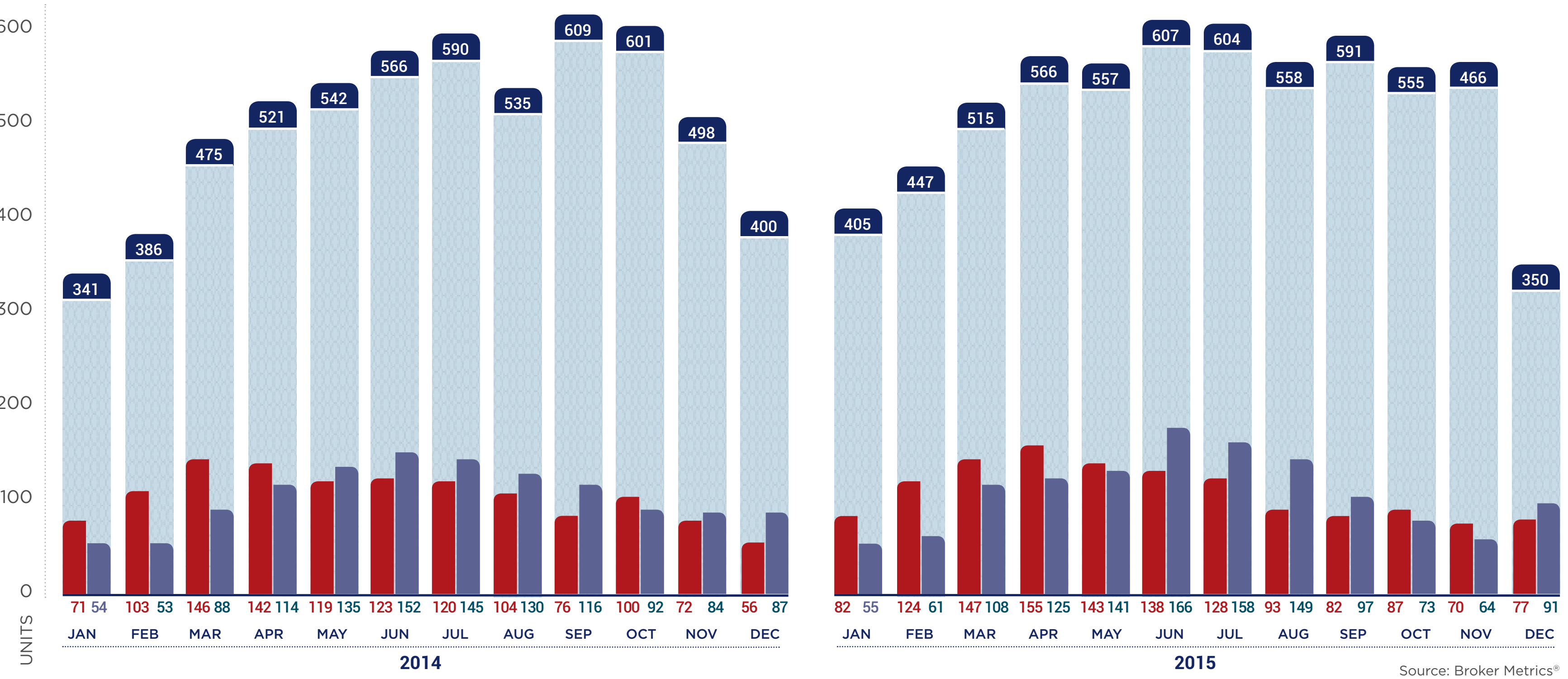
SUPPLY AND DEMAND – # UNITS

FOR SALE, UNDER CONTRACT & SOLD, 2014 – 2015

FOR SALE 3.6 0.8% MONTHLY CHANGE 7.1 **18.9%** TOTAL CHANGE

UNDER CONTRACT -0.2 -0.2% MONTHLY CHANGE -5.1 **-4.7%** TOTAL CHANGE

SOLD 0.6 0.6% MONTHLY CHANGE 14.7 **15.0%** TOTAL CHANGE



Source: Broker Metrics®

LAKEVIEW

THE NEIGHBORHOODS

LAKEVIEW

In the late 1980s and early '90s everyone was looking for the next Michael Jordan. Remember Harold Miner, a.k.a. Baby Jordan? He won two slam dunk contests, but wound up playing just four NBA seasons with a career scoring average of 9 points per game. Oops. How about Ron Harper? He averaged 23 points as a rookie in Cleveland, but bad knees slowed him down, ending the "next Jordan" debate pretty quickly. Tracy McGrady? Get serious. Vince Carter? Nuh-uh. Kobe? Close but no cigar. Steph Curry? Unbelievably great, but my money's still on MJ.

Which brings us to Lakeview. In the pecking order of North Side neighborhoods, Lakeview is a perennial All Star, one of the all-time greats. But when it comes to luxury new construction, is Lakeview right up there with Lincoln Park or the Gold Coast?

Some developers are starting to think so, and they're betting that more luxury homebuyers will subscribe to the "Go Big Or Go Home" attitude that has propelled values in Lincoln Park to dizzying heights. But there are also questions about the depth of the market in Lakeview for $1-million-plus condos and $2-million-plus single-family homes. And it just so happens that the neighborhood is seeing more development activity at those levels than ever before. All of this should make for a pretty interesting 2016.

Ever the picture of stability, Lakeview's underlying fundamentals are solid. Condo transactions rose 13% in 2015 to 1,823 units. The average price per square foot was up 2% year over year to $259, and the average price of a new-construction condo rose 9% on a per-square-foot basis to $408.

Months' Supply of Inventory continued to signal a seller's market, averaging just 3.3 months in 2015 – a 23% decline from the year before. MSI was lower in every single month of 2015 except January and February.

Despite increased sales and absorption in the broader Lakeview market, only 43 new-construction condos traded hands through the MLS in 2015 versus 54 the year earlier. And new single-family homes logged the same number of sales, 25, in each of the last two years.

Amid this environment of flat-to-slightly-declining new-construction sales, we are seeing a flurry of construction activity. A recent article in *Crain's* identified Lakeview as, far and away, Chicago's #1 teardown market, with nearly 300 lots cleared and permitted for new construction in the last five years. An increasing amount of this new development is occurring at the very high end of the market.

Consider that in all of 2015 there were 3 new-construction condominium sales over $1 million in Lakeview, but as of early March 2016 there were 17 active new-construction condo listings at this price point.

The explosion of luxury condo units is interesting, especially when compared to Lincoln Park. Let's remember that new single-family homes in Lincoln Park are so highly valued, it rarely makes sense to build condos on standard city lots anymore. Oversized lots are even more coveted for single-family development, because, as our friend Ken Brinkman of Environs Development likes to say, "a 2-karat diamond is worth more than twice as much as two 1-karat diamonds." There is also a large price spread between condo and single-family prices in Lincoln Park. These factors combine to form a logical framework for low-rise development in the neighborhood.

In Lakeview, this framework is being tested. A handful of luxury condo developments on oversized 30'-45' wide lots offer units ranging from 1,800 to more than 4,500 square feet, and priced from $1 million to just under $2 million.

At the top of that price range, these condos begin to bump up against new single-family homes in the popular Southport Corridor, as well as new, full-amenity high-rises in the Gold Coast, River North and Lincoln Park.

And so the question is whether buyers will see value in the lifestyle and location of this new product versus alternatives. The jury is still out, but one thing's for sure: if these projects are well-received, it will set a new precedent for luxury condominiums in Lakeview.

Over on the single-family side, the discrepancy between "new actives" and "new solds" isn't quite as glaring, but there are still 20 new homes currently listed at $2 million or more, whereas 15 were sold in all of 2015. Lakeview brokers have noted that a lot of the demand for these homes has been met over the last three years, and some believe it's starting to taper.

Pricing is less of an issue here, as we have seen the market be receptive to single-family-home prices between $2.5 and $3 million – and even above $3 million. But given the increased competition, developers may have to be more patient (and more prudent) in the coming months. After all, Kris Bryant, Addison Russell and Kyle Schwarber are still on their rookie contracts and may not be looking to acquire that sprawling Lakeview homestead just yet.

Everyone loves to play the "next" game in real estate. Is Logan Square the next Bucktown? Is Avondale the next Logan Square? Is River South the next River North? But when the standard for comparison is Lincoln Park...well there ain't nothing wrong with being Scottie Pippen. He's in the Hall of Fame too.

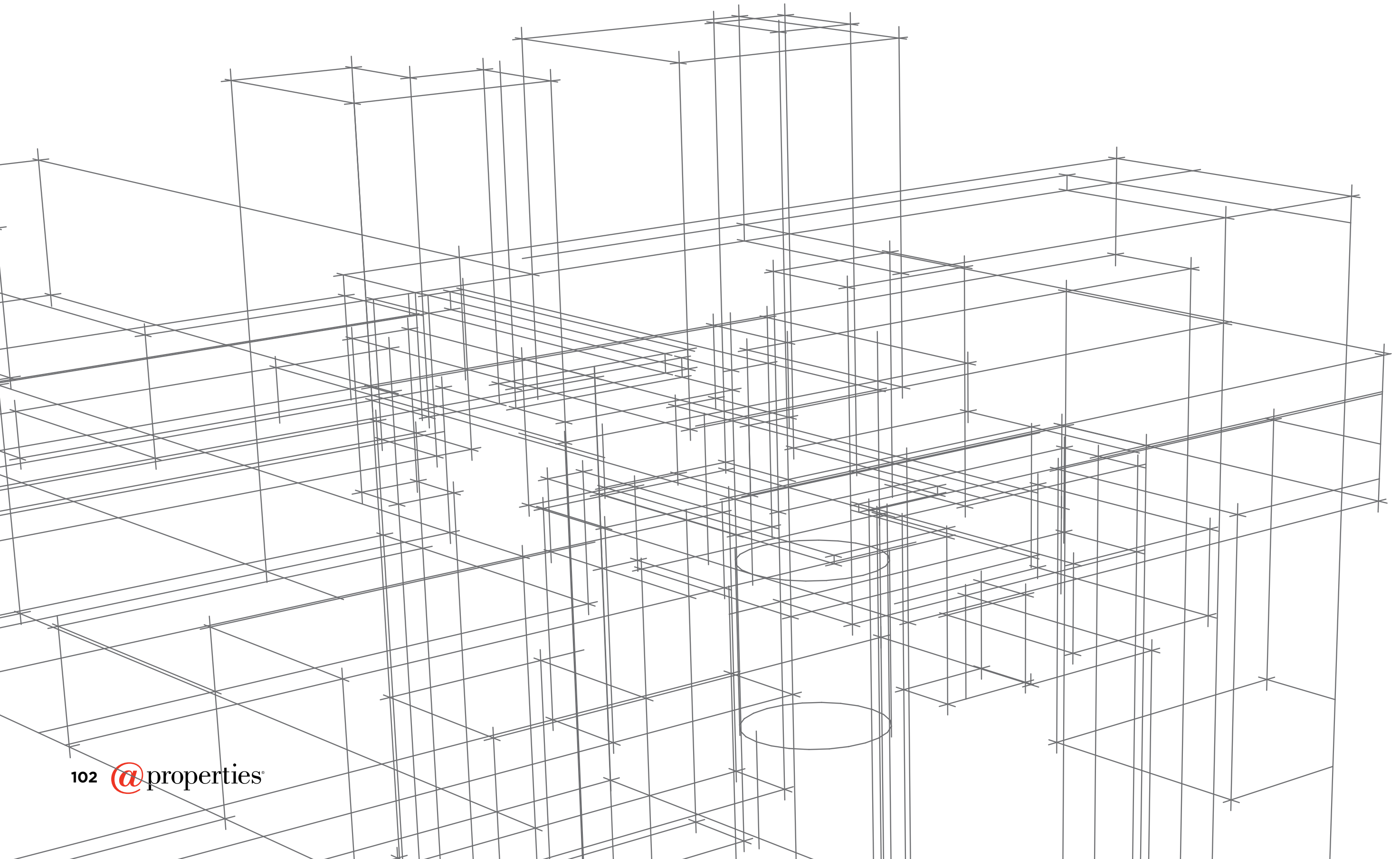
$547

2015 HIGH PSF
CLOSED CONDOMINIUM

$592

2016 HIGH PSF
ACTIVE CONDOMINIUM

LAKEVIEW MARKET DATA



PRICING AND TRANSACTIONS CLOSED LISTINGS

2014 vs 2015

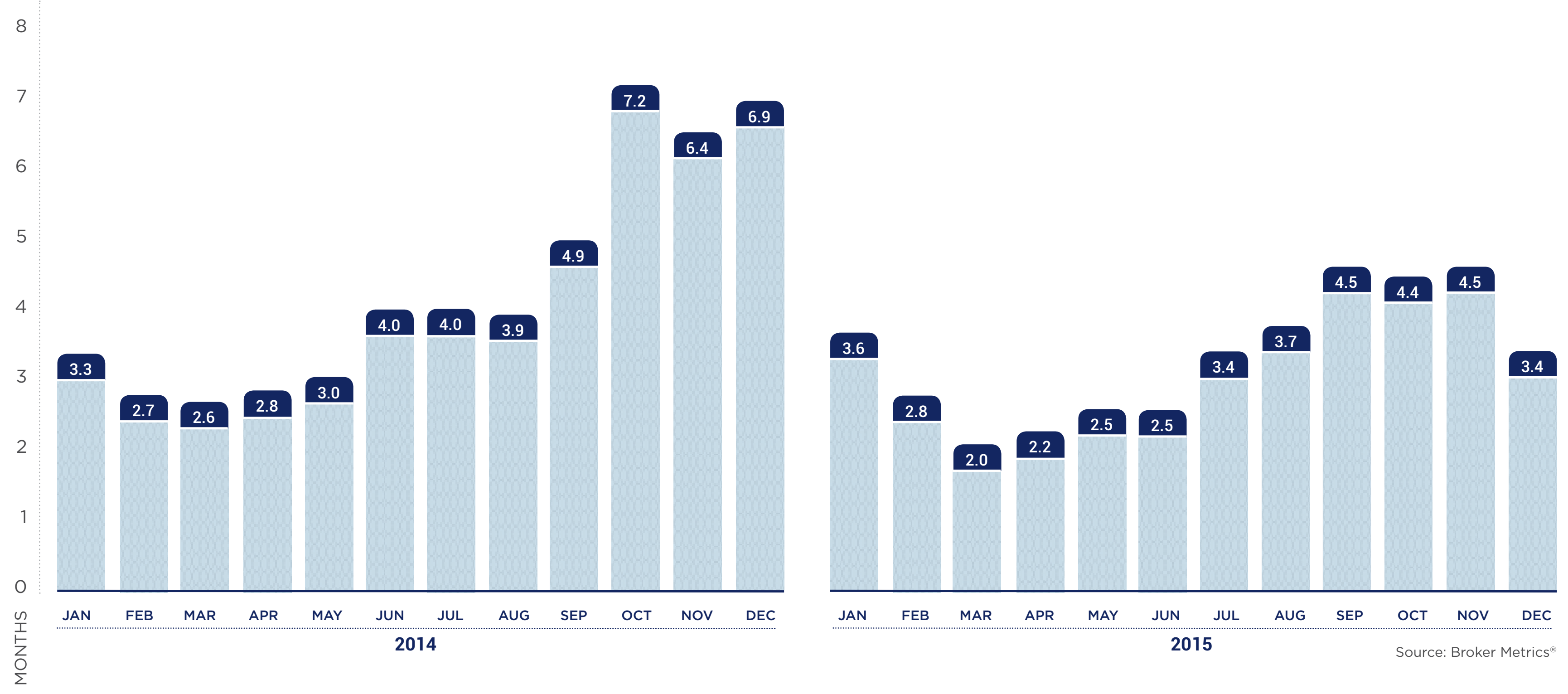
	2014 PSF	2014 # TRANS	2015 PSF	2015 # TRANS	2015 vs 2014 % Change PSF	2015 vs 2014 % Change #
Attached All - Summary	$253	1613	$259	1823	2%	13%
Attached All - 1 BR	$223	417	$226	499	1%	20%
Attached All - 2 BR	$259	742	$260	844	0%	14%
Attached All - 3+ BR	$263	454	$269	480	2%	6%
Attached New - Summary	$328	37	$388	18	18%	-51%
Attached New - 1 BR	NA	0	NA	0	NA	NA
Attached New - 2 BR	$429	6	$430	9	0%	50%
Attached New - 3+ BR	$318	31	$363	9	14%	-71%
Attached Resale Summary	$247	1576	$256	1805	4%	15%
Attached Resale - 1 BR	$223	417	$226	499	1%	20%
Attached Resale - 2 BR	$255	736	$257	835	1%	13%
Attached Resale - 3+ BR	$254	423	$267	471	5%	11%

MARKET DYNAMICS

MONTHS' SUPPLY OF INVENTORY

UNDER CONTRACT CALCULATION, 2014 – 2015

MSI-UNDER CONTRACT 0 -.3% MONTHLY CHANGE -.3 **-7.3%** TOTAL CHANGE



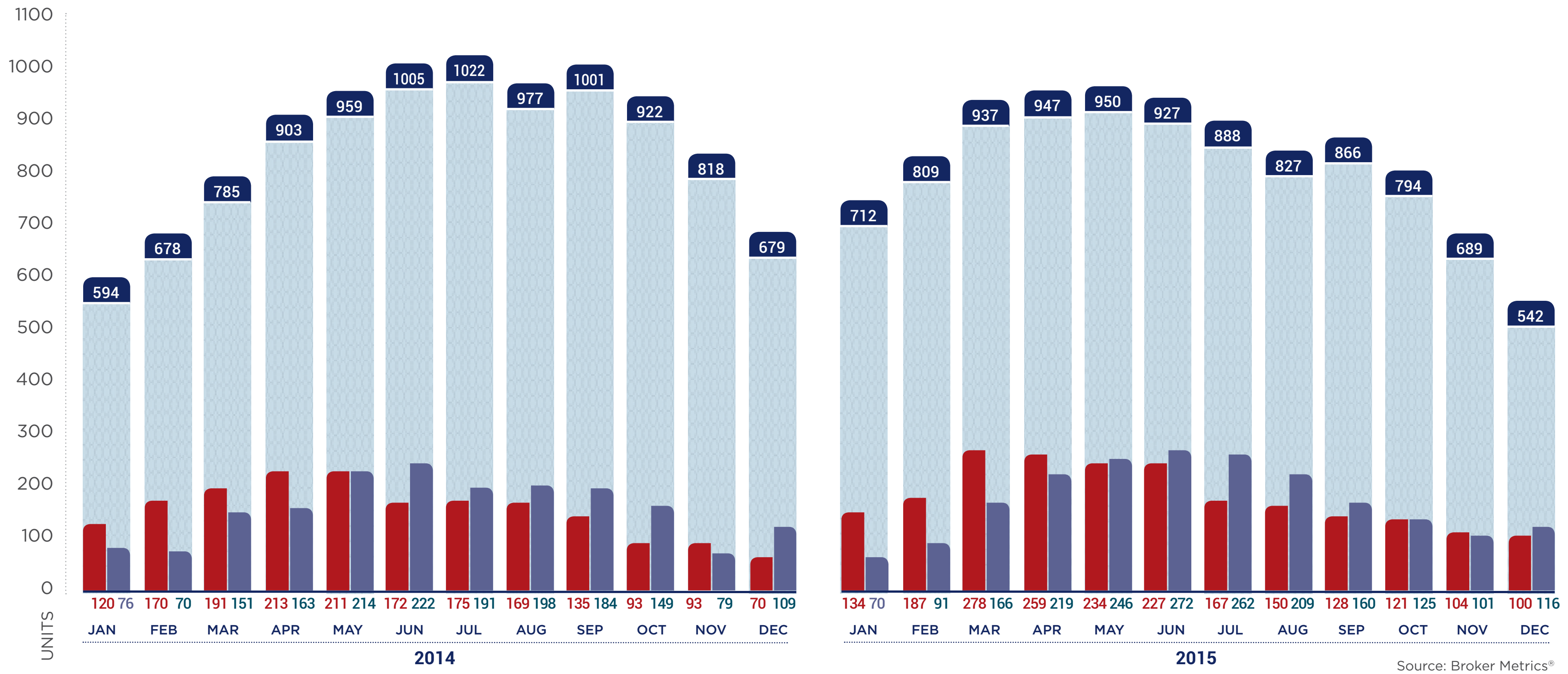
Source: Broker Metrics®

MARKET DYNAMICS

SUPPLY AND DEMAND – # UNITS

FOR SALE, UNDER CONTRACT & SOLD, 2014 – 2015

		MONTHLY CHANGE		TOTAL CHANGE
FOR SALE	0.3	0%	7.3	**0.9%**
UNDER CONTRACT	0	0%	0	**0%**
SOLD	1.4	1.0%	32.0	**23.0%**



Source: Broker Metrics®

@PROPERTIES REPRESENTED DEVELOPMENTS

RIVER NORTH
- 808 North Wells
- 400 West Huron
- Erie on the Park
- Kingsbury on the Park
- 2 East Erie
- City Club at Kingsbury Park
- Park Place
- Superior 110
- 101 West Superior

GOLD COAST
- 4 East Elm
- The Ritz-Carlton Residences, Chicago
- 10 East Delaware
- 30 West Oak
- 850 North Lake Shore Drive (Apartments)
- The Waldorf Astoria (formerly Elysian Private Residences)
- 1025 North Dearborn
- La Schola

THE LOOP
- The Legacy at Millennium Park
- 6 North Michigan
- 8 West Randolph (Joffrey Tower)
- 20 North State
- 5 North Wabash

SOUTH LOOP
- Prairie Court Townhomes
- Wells Street Tower
- Michigan Avenue Towers
- 2001 South Calumet
- Vision on State

WEST LOOP
- Residences on Racine
- 565 West Quincy
- R+D 659
- 770 Lofts
- Lofthaus
- Metro
- Westgate Terrace
- The Edge
- 23 on Green
- Platinum Tower

BUCKTOWN / WICKER PARK
- The Row Townhomes
- Bucktown Commons
- Stampworks
- Churchill Row
- Bucktown View
- Willow Court Townhomes
- Robey Square Townhomes

LINCOLN PARK / LAKEVIEW
- Webster Square
- SoNo
- The Vue
- The Helena
- The Francisco
- Ambiance

SUBURBAN / RESORT
- Kelmscott Park, Lake Forest
- River Glen, Libertyville
- The Promenade, River Forest
- The Residences at The Grove, Forest Park
- Floral Avenue, Skokie
- Mallinckrodt on the Park, Wilmette
- Port Clinton Place, Vernon Hills
- The Peninsula at New Buffalo, New Buffalo, MI
- Golfmore, Grand Beach, MI

ABOUT @PROPERTIES

@properties was founded in 2000 by top-producing real estate brokers, Thaddeus Wong and Michael Golden, as a boutique sales and marketing firm serving developers of residential new-construction and condominium-conversion developments. Over the past 16 years, the company has grown into Chicago's largest residential brokerage firm, the largest independent brokerage firm in Illinois, and one of the top 11 residential brokers in the country by sales volume.

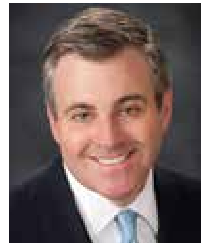
Wong and Golden remain two of the most trusted advisers to developers of new-construction and condo-conversion projects in the Chicago area. They take an active role in all facets of their clients' developments, working closely with developers, architects, lenders and strategic partners to address feasibility, product design, promotion and sales.

Recent notable multi-family sales and marketing assignments include The Legacy at Millennium Park and 6 North Michigan in the Loop; Waldorf Astoria Residences, 4 East Elm, Ten East Delaware and 30 West Oak in the Gold Coast; 400 West Huron in River North; Webster Square in Lincoln Park; R+D 659, 565 West Quincy and the Residences on Racine in the West Loop.

Throughout its history, @properties has successfully marketed more than 100 development projects, and has sold more than 45,000 residential units with a combined value of more than $32 billion. @properties has more than 2,000 licensed brokers and 21 offices throughout the city of Chicago, surrounding suburbs, Southwest Michigan and Southeast Wisconsin.

For more information, visit http://developers.atproperties.com.

THADDEUS WONG
Co-founder, @properties
ThadWong@atproperties.com
312.491.0200
773.251.6600



MIKE GOLDEN
Co-founder, @properties
MikeGolden@atproperties.com
312.491.0200
773.251.6611

@properties®

developers.atproperties.com