@REPORT2015

DEVELOPMENT MARKET OUTLOOK

@properties®

Branding
Authenticity
Storytelling
Programming
Value
Risk Management
Opportunity

@REPORT 2015
DEVELOPMENT MARKET OUTLOOK

Welcome to the 2015 @report, Development Market Outlook, the first @report in our new forward-looking format.

As conversations with our developer, investor and institutional clients focus on the future, the new @report has shifted to a more forward-looking view to better help clients explore opportunities and manage risk in 2015 and beyond. Like the @report of the past three years, this version still contains closed sales data, market dynamics and observations on eight core Chicago neighborhoods.

However, we have added a number of in-depth features highlighting what we believe are some of the most important themes in the new-construction marketplace today. These features grew out of our data analysis as well as our direct experiences marketing and selling a number of the city's newest condominium projects. This more opportunity-oriented study took a bit longer than we expected, but we hope you will find it was worth the wait, and we promise to accelerate the process next year.

Our first feature, ***Emerging Luxury Development Opportunities,*** examines sales above $500 per square foot, zeroing in on two neighborhoods — one with the highest percentage of luxury sales and one with the lowest. We conclude that prime luxury development opportunities exist in both. In reality, practically any new development these days is a luxury development given land and construction costs. But luxury has different definitions depending on where you build, and those definitions don't only relate to price.

The second piece, ***A Tale of Two Hurons****,* follows the pre-construction marketing programs of two very similar condominium developments that ultimately experienced two very different sales trajectories. The situation underscores the importance not only of creating a strong brand, but also of bringing that brand to life in ways that engage buyers and give new projects credibility.

Finally, in ***Less Risky Business***, we identified three recent condo developments that experienced particularly strong price growth over the past eight years. These developments were successful, not only during the sell-through, but also long after their developers completed the projects. While the projects themselves are all unique in their own right, it turns out each demonstrated a strong adherence to important programming principles, allowing their developers to minimize risk, increase value, achieve faster sales velocity and ultimately enhance their reputations.

To our clients, we are grateful for the opportunity to work on such a broad range of quality developments and for the experiences and lessons we receive in doing so. To our partners and prospects, we look forward to serving as a valuable resource and strengthening our relationships with you in the days, months and years ahead.

As always, please contact us with any questions or comments. Enjoy the new @report.

Sincerely,

Mike & Thad

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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 three sections. The first section is an annual comparison of the average PSF for closed listings from 2014 vs. 2013. The second section is a quarterly comparison of the average PSF for closed listings from 2014 vs. 2013. The third section is a market dynamics report on Supply & Demand and Months Supply of Inventory over the past 24 months.

We also included a brief written summary of the data 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 the report.

Number of transactions

In the @report data tables, the number of closed transactions in the top row (typically labeled "Attached All" or "Closed All") includes the total number of closed listings pulled from the MLS, whether or not square footages could be ascertained for those listings. However, the number of transactions for all other rows below the top row includes only those listings for which square footage could be ascertained. This is why the total number of transactions in the three rows below the top row do not equal the number of transactions in the top row. When we refer to the total number of transactions for a neighborhood in the text descriptions, we are referring to the MLS total, with and without square footages.

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 all are 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 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.

EMERGING LUXURY DEVELOPMENT OPPORTUNITIES

$500+ per square foot condo sales help foretell growth neighborhoods

Which downtown Chicago neighborhood had the highest percentage of condominium transactions over $500 per square foot in 2014? Which had the lowest?

The answers may surprise you. But before we reveal them, let's talk about why we asked ourselves that question in the first place.


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New-construction table stakes

Any conversation we have with a developer these days about a potential project ultimately boils down to a discussion of price per square foot. With current land and construction costs, a blended average of about $500 PSF upon sellout now appears to be the minimum threshold for new high-rise condo development in Chicago. And if you're building in core downtown neighborhoods like River North, Streeterville or the Gold Coast, that number ranges quite a bit higher. So we started looking into transactions at and above $500 PSF to see what we could learn. Some of the findings were predictable. Others were not.

Below is a table showing attached for-sale transactions for each neighborhood in the @report. The first two columns contain the total number of transactions in each neighborhood for 2013 and 2014. The middle two columns show the number of transactions over $500 PSF for those years. And the last two columns show transactions over $500 PSF as a percentage of total neighborhood transactions.

Total Condo Sales and Sales Above $500 PSF

	2013 Total	2014 Total	2013 500+	2014 500+	2013 500+ %	2014 500+ %
Gold Coast	912	902	136	157	14.9%	17.4%
Lakeview	1761	1613	2	2	0.1%	0.1%
Lincoln Park	1150	1186	29	54	2.5%	4.6%
Loop	612	487	111	100	18.1%	20.5%
River North	850	819	50	72	5.9%	8.8%
South Loop	739	753	8	31	1.1%	4.1%
Streeterville	444	377	66	68	14.9%	18.0%
West Loop	794	780	1	0	0.1%	0.0%

Luxury growth abounds despite drop in unit sales

We all know the market slowed in 2014, at least in terms of unit sales. Total transactions were down about 6.3% in the city compared with 2013, and in the eight neighborhoods that comprise the @report, transactions were off slightly less at 4.8%. Contrary to the prevailing slowdown, however, $500+ PSF unit sales increased in almost every neighborhood.

total transactions

-6.3%

In the South Loop, $500+ PSF sales nearly quadrupled. In Lincoln Park, they almost doubled. And in River North and the Gold Coast, they were up 44% and 15% respectively. Overall, $500+ PSF transactions increased year over year by 20%. Not surprisingly, the Gold Coast led the way on a unit basis with 157 total transactions at $500 PSF and up. River North had 72, and Streeterville had 68.

$500+

PSF

But our eye was drawn to two neighborhoods in particular — one with the highest percentage of sales over $500 PSF and one with the lowest.

Thrown for a Loop

As we mentioned, the motivation for this analysis was partially based on our frequent conversations with developers. But our curiosity was really piqued when we were combing through sales data for the Loop. We noticed a high number of transactions over $500 PSF and wondered if the percentage relative to total sales might be even greater than traditional luxury neighborhoods like the Gold Coast or Streeterville.

Sure enough, in 2014 the Loop had the highest percentage of $500+ PSF sales of any neighborhood in Chicago. Granted, there aren't a lot of residential units in the Loop, and the housing stock is relatively new, so naturally you're going to see a higher percentage. Still, if you look at sales in buildings like The Legacy at Millennium Park (60 E. Monroe), 340 on the Park (340 E. Randolph) and Aqua (225 N. Columbus), you're seeing strong price growth with pricing topping $800 PSF for prime units and a couple of sales above $1,000 PSF. And even in some of the adaptive re-use projects like 310 S. Michigan, 6 N. Michigan and 65 E. Monroe, sales are hitting the high $500s to low $600s PSF.

The big takeaway is that the Loop has become the real deal with luxury buyers, and it's only getting better with Maggie Daley Park, the Chicago Athletic Association hotel, and a slew of other new retail, apartment and hotel developments coming online. While it used to be a struggle to pull luxury buyers south of the river, today we feel confident about the Loop's ability to absorb new-construction at well above $500 PSF.

From Zero To Hero?

Ironically, we also believe the neighborhood with the lowest percentage of $500+ PSF sales – the West Loop – is another prime candidate for new luxury condo development.

The West Loop didn't notch a single condo sale at or above $500 PSF in 2014. Zero. Most new condos in the area are 3-bedroom units in low-rise buildings selling in the mid to high $300s PSF. At just under 2,000 square feet, these units chunk out at about $725,000 on average. Supply in the neighborhood is ridiculously tight. Months Supply of Inventory averaged 3.1 throughout 2014 and has been dropping ever since. But supply for 1- and 2-bedroom units is even tighter: 2.7 months throughout '14 and 1.3 months as of this June. Tales of overrun open houses and multiple offers abound. What's more, zero new-construction 1- or 2-bedroom units have been added to the market since Emerald delivered in '08.

0%

2014 West Loop condo sales above $500 PSF

The West Loop market has matured significantly since then with the addition of the Google headquarters, Soho House, dozens of new restaurants, designer retail and a truckload of institutional capital searching for an empty space on the Monopoly board. But most condominium offerings in the West Loop are a generation or two behind, in terms of luxury and sophistication.

The current 3-bedroom offerings have been a hit with young families and others looking to make a more permanent home in the neighborhood. But we also see blue skies for smaller, sharply designed condominiums targeting young, affluent buyers.

The institutional investors who are prowling today's West Loop are paying top of market prices for what sure feels a lot like a ground floor opportunity. We think there's a group of homebuyers who are ready, willing and able to do the same.

The presence of certain data is obviously important for proving up certain development scenarios. But sometimes the absence of data is important too. In the Loop, the high percentage of luxury condo transactions tells us the neighborhood has crystalized as a high-end residential destination. In the West Loop, it is our strong belief that the low percentage of luxury condo transactions is more indicative of an opportunity for new development than an obstacle to it.

A TALE OF TWO HURONS

Storytelling has always been a key component to successful development marketing. This was true before the financial crisis. But in the post-crisis market, the story a development tells — and how it is told — matters more than ever. This idea was driven home recently with the late 2014/early 2015 introduction of two condominium developments with a lot of similarities but, ultimately, very different sales trajectories.

The projects are 400 West Huron by Smithfield Properties and 100 West Huron by Akara Partners. On paper, these two developments looked a lot alike. Both offered around 25 luxury condominium units. Both had average pre-construction pricing of around $680 per square foot. Both buildings were designed by highly regarded architects with in-demand features like high ceilings, European cabinetry and large outdoor terraces.

100 West Huron hit the market first with a posh launch party on the roof of the Godfrey Hotel in the fall of 2014. 400 West Huron started quietly marketing condominiums a couple months later, and then went public in January with the opening of a fully outfitted, on-site sales center and model.

photo courtesy of *Smithfield Properties*

photo courtesy of *Smithfield Properties*

Today 400 West Huron is 80% sold with construction scheduled to start this summer. It is setting new highs on a per-square-foot basis for its location. Meanwhile condominiums at 100 West Huron are off the market, and the development is being re-tooled, possibly for another use. Why did one project gain traction while the other didn't?

The Problem With Paper

Our hypothesis goes back to storytelling. Opinions may differ on which project had a superior location, superior design, superior finishes or superior amenities. We think the overall program for 400 West Huron, which @properties is marketing, is outstanding. But programming for 100 West Huron was well within the market wheelhouse too. And the overall market is certainly deep enough to absorb the 53 total units of the two projects. On paper, it simply doesn't make sense that one of these buildings would outsell the other by such a wide margin. But unlike in the early 2000s, development marketing doesn't happen on paper. And that is one of the big differences between 400 and 100.

While the marketing team for 100 Huron went to battle with floor plans and renderings, Smithfield was busy constructing a tricked-out 3,000-square-foot sales center with a scale model of the building; wall-mounted floor plan displays; closing offices; and a built-to-scale kitchen, living area and master bath showcasing standard finishes, unique architectural details and the building's custom window-wall system.

A few days before the public opening of the 400 West Huron sales center, we toured the space with Smithfield founder and president, Bill Smith, and asked him what it cost to finish. ''I don't know,'' he said, ''but I'm spending money like a drunken sailor.''

In the two months following the introduction of 100 West Huron, the building received favorable publicity and widespread exposure through print advertising and e-mail marketing. 400 West Huron was also being pocket-marketed during this time. Neither project was setting the market on fire. Less than five units were under contract at 100 Huron, and exactly one buyer had signed a contract at 400. Then the 400 West Huron sales center opened.

photos courtesy of ***Smithfield Properties***

Show And Sell

Over the next two months, Smithfield took 15 contracts at 400 West Huron – 60% of the building. Each unit is well over $1 million. The project is now 80% sold prior to groundbreaking.

What was the magic of the 400 West Huron sales center? Storytelling has something to do with it. Those two buildings that seemed so similar on paper were actually quite different. Yes, both projects featured Italian cabinetry. But the cabinets at 400 Huron feature back-painted glass doors that create a smooth-as-butter look. When you see them, your first reaction is to run your hand over them. Both projects offered expansive terraces. But at 400 West Huron, you can actually open the door and walk into the space, which has a full-wall decal of the downtown view. Other details in the units at 400 West Huron – such as slotted air diffusers, custom-designed moldings, and marble flooring in living areas – are hard to value when they're merely text on a standard-features list. But when a buyer can see and touch these finishes, and hear the story behind why they were designed or chosen, it makes for a much more compelling presentation. Even the little Matchbox cars in the driveway of the scale model give our sales team the opportunity to talk about 400 West Huron's unique garage design.


Webster Square Sales Center

Sales centers are a great demo tool, but they have another important benefit. They lend a project credibility. Today's new-construction buyers (like today's new-construction lenders) are risk averse. They are much less willing to buy off of paper than they were in the early 2000s. Back then a buyer's biggest fear was missing out on the double-digit price appreciation that occurred between grand opening and delivery. Smithfield's sizable investment in a sales center demonstrated a commitment to, and confidence in, the project that gave buyers the requisite comfort level needed to stroke a six-figure earnest money check.

Sometimes your best deals are the ones you don't do. That may turn out to be the case for Akara – an experienced, savvy and successful development firm with a number of apartment and student housing projects to its credit. Ultimately, Akara believes there is another, more valuable use for the 100 West Huron site, so they shelved the 28-unit condo plan. Whether or not tepid pre-construction sales had anything to do with their decision is something only they know. But the fact is sales did lag.

Proving Their Worth

In fact, if you look at the luxury projects that are up and running today — 4 East Elm, No. 9 Walton, Webster Square — they all have sales centers that not only demonstrate the product, but also tell the story of what makes each development special. At Elm, the narrative is contemporary space and finishes and the opportunity to put it all together with the help of an internationally renowned interior design firm, Gary Lee Partners. In fact, the sales center is located in GLP's offices. At Walton, the pitch is the highest level of finish in the marketplace and carte blanche customization. At Webster Square, it is a heart-of-Lincoln Park location and the unexpected and stunning views that result from a 12-story building surrounded by existing low-rise construction. Each of these sales centers prove the value of the project to buyers – and prove their worth to developers by doing the marketing job they were built to do.

Are luxury buyers hungry for new construction? Yes. But not so hungry that they're willing to take a leap of faith based on a slick brochure, a website and the dulcet overtures of your friendly neighborhood real estate broker. A comprehensive, first-rate sales center is vital for project pre-sales today – especially in the luxury marketplace. Design a great product, tell a compelling story, show buyers you're for real, and success will follow.

LESS RISKY BUSINESS

Successful programming is behind a handful of luxury developments that consistently outperform the market

There are successful condominium developments that don't always stand the test of time in the resale market. Then there are projects that may not produce a financial windfall for their developers, but ultimately perform well for future owners. But aren't the best projects the ones that not only make money for developers but also reward homebuyers down the road? Developers who can point to these types of "win-win" projects in their portfolio have a great marketing advantage over the competition.

Sustainable price growth

Recently, we compiled sales data on a number of projects to see how they've been performing since they first delivered. Of course, any new condo development delivering in the late '00s dealt with a particularly unique challenge — the financial crisis, which took an average 30% bite out of residential values. Well…what better barometer than a complete market meltdown to help identify the cream of the crop?

The table below contains year-by-year sales data on 14 of the city's newest luxury condo developments going back to 2007. While some newer buildings are still struggling to get back to par, about half the buildings set new highs on an average price-per-square-foot basis in 2014 — an auspicious sign for the market overall and for new development in particular. Three of these buildings, Ten East Delaware, 30 West Oak, and 340 East Randolph, strongly outperformed the others — maintaining an average price per square foot for closed sales that was at least 20% above their opening-year PSF and 20% above their average PSF for 2011, the year that home prices bottomed.

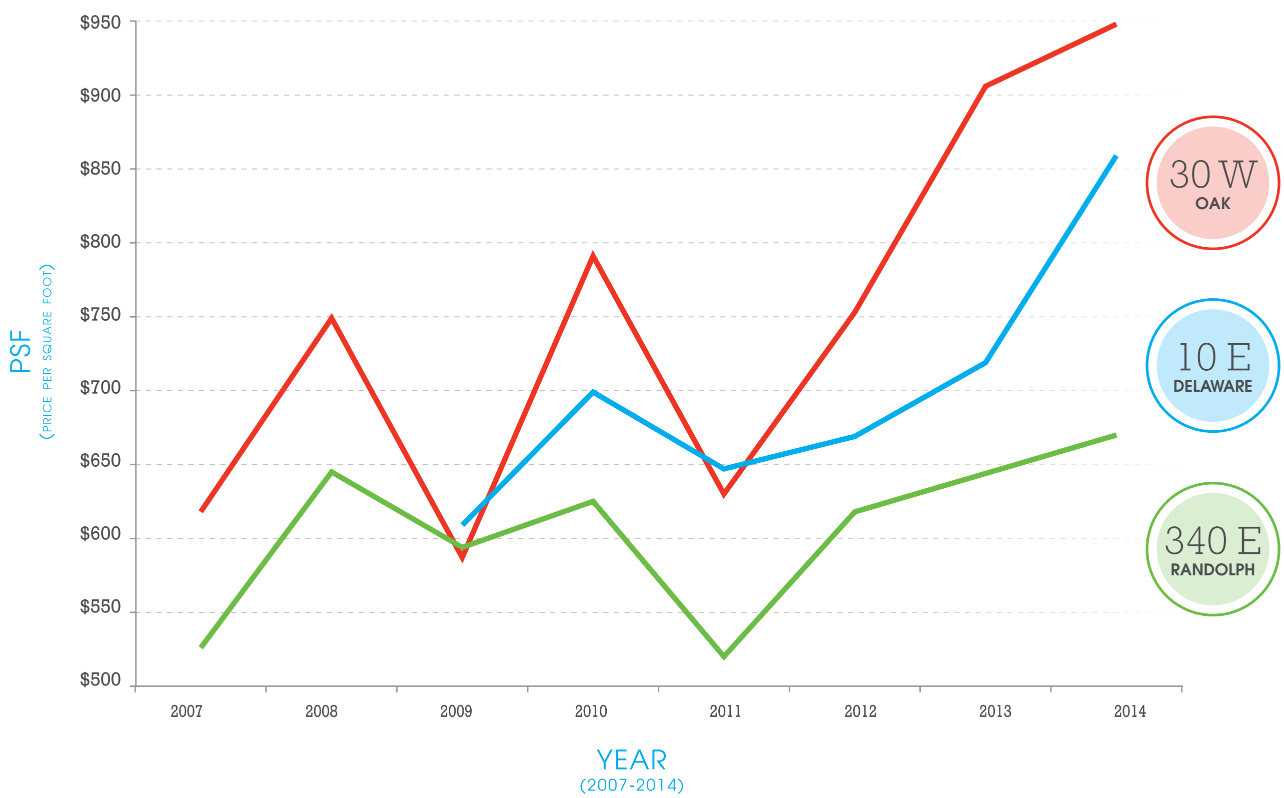
ANNUAL AVERAGE PSF FOR LUXURY BUILDINGS 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014	vs. Open	vs. 2011
Ten East Delaware			**$609**	**$699**	**$647**	**$669**	**$719**	**$859**	**23%**	**33%**
Waldorf Astoria			$930	$991	$786	$936	$948	$1,075	8%	37%
30 West Oak	**$618**	**$749**	**$587**	**$791**	**$630**	**$753**	**$906**	**$948**	**53%**	**50%**
50 East Chestnut	$757	$827	$1,035	$879	$739	$692	$729	$766	1%	4%
55 East Erie	$637	$732	$501	$592	$470	$523	$539	$648	NA	38%
The Legacy			$519	$633	$546	$558	$599	$636	0%	16%
900 Residences		$901	$1,050	$904	$822	$660	$799	$780	-13%	-5%
Ritz Carlton							$1,059	$1,008	-5%	NA
The Palmolive	$852	$975	$717	$742	$819	$512	$738	$698	NA	-15%
340 On The Park	**$526**	**$645**	**$594**	**$625**	**$520**	**$618**	**$642**	**$670**	**27%**	**29%**
Trump Tower		$759	$730	$735	$686	$720	$716	$865	14%	26%
Park Tower	$893	$690	$736	$772	$820	$1,079	$801	$873	NA	6%
840 Lake Shore	$736		$644	$695	$808	$702	$889	$642	NA	-21%
Lincoln Park 2550						$758	$821	$901	19%	NA

*Because of a limited # of closings in late 2009, we are considering 2010 the opening year for Ten East Delaware and The Legacy

Analyzing top luxury performers in the marketplace over the past several years — through the downturn and recovery — is a good gauge of what it takes to design, build, market and sell a project that's successful in the long term. At first glance, parsing common lessons from three buildings as distinct as 30 West Oak, Ten East Delaware and 340 on the Park is challenging. But that's where the lessons start. All three buildings have a strong individual identity, which helped to position each for strong, sustainable price growth.

BUILDINGS WITH AVERAGE PSF 20+% ABOVE OPEN AND 20+% ABOVE MARKET BOTTOM



30 West Oak

A 46-unit building in the Gold Coast developed by Smithfield Properties, 30 West Oak's modern architecture boldly stood out at a time when most other new construction condo developers were taking a traditional approach. Its innovative curved glass and steel form, designed by Booth Hansen, makes the most of limited Lake Michigan view corridors. Contemporary interiors introduced high-end European finishes and luxury brands, like Poggen Pohl, into the marketplace. Large floor plans with 10-foot ceilings and floor to ceiling windows extend out to expansive terraces. Despite the high-end design, the developer kept assessments down with limited amenities — correctly predicting they wouldn't be essential in a boutique building with less than 50 units.

Exclusivity, uniqueness and a strong brand identity gave buoyancy to 30 West Oak's pricing during the recession years and propelled it forward during the recovery. Despite some ups and downs, largely attributable to low resale transaction volume, 30 West Oak was essentially a mid $700s PSF building from 2008 to 2012. Then, as the recovery took hold, pricing soared from $753 per square foot in 2012 to an average of $906 per square foot in 2013 and $948 per square foot last year. The 2014 PSF average was 50% above 2011 trough pricing of $630 PSF, and 53% above the average PSF from 2007.

2007 — MLS shows 22 developer units closed at an average of $618 PSF

2008-2012 — Pricing yo-yo'd on low volume from a bottom of $587 to a high of $791

2012-2013 — Pricing shot up towards $1,000 PSF

2013 — Six transactions closed with an average of $906 PSF and a high of $985

2014 — Four transactions closed with an average of $948 PSF & a high of $1,082

53%

ABOVE 2007 AVERAGE PSF

Ten East Delaware

Another Gold Coast development just two blocks away, Ten East Delaware is the opposite of 30 West Oak in many ways. A limestone building with classical, Parisian-inspired architecture by Lucien Lagrange, Ten East Delaware has 121 units — almost three times the number as 30 West Oak. Additionally, Ten East has smaller plans and very limited views. Despite the fact that the units aren't as big, they're equally well designed. The building also features a full slate of amenities including an outdoor pool, party room, fitness center, and an agreement with the neighboring Talbott Hotel that gives residents access to amenities such as room service and maid service. Ten East also features a high level of finish, including Poggen Pohl cabinetry, designer Ann Sacks tile, and Wolf, Sub Zero and Miele appliances.

Sales launched in the fall of 2006 in a strong luxury market that quickly eroded. When the market collapsed, the developer, Prime Group Inc., didn't panic. Instead of lowering prices, which would have instantly caused buyers to lose equity and likely walk away from the deal, they offered generous broker incentives — which brought more buyers to the table. The move signaled stability and, as a result, there were very few defaults during the downturn. The majority of developer closings took place between 2010 and 2012, at the bottom of the market. Per-square-foot pricing was consistently in the mid to high $600s throughout developer sellout and has risen steadily ever since. Last year eight re-sales traded at average of $859 PSF, up 23% from opening — and 33% above 2011 trough pricing.

2006 — Sales launched in strong market that quickly eroded

2009 — 6 developer units closed at average of $609 PSF

2010 — 53 developer units closed at average of $699 PSF

2011 — 28 developer units closed at $647 PSF

2012 — 30 developer units closed at $669 PSF

2013 — 13 re-sales traded at an average of $719 PSF

2014 — 8 re-sales traded at average of $859 PSF

33%
ABOVE 2011 TROUGH PRICING

340 on the Park

Like the first two examples, 340 on the Park, developed by Related Midwest and designed by SCB, also has a strong architectural identity. The first LEED certified condo high-rise in Chicago, 340 on the Park made a big statement on a high-profile site overlooking Millennium Park. At 344 units, it is a much larger building than either of the first two projects. But it also had excellent programming with large floor plans, luxury amenities, great views and a broad product mix. The developer wisely grouped unit finishes into packages in order to efficiently manage the upgrades process.

The strong brand carried it through. The 2014 average was up 27% from opening and 29% above 2011 trough pricing. Prime units in this building now trade at over $1,000 PSF.

$975 PSF

2014 HIGHEST CLOSED SALE

2007 — 149 developer closings at an average of $526 PSF

2008 — 77 developer closings at an average of $645 PSF

2011 — Pricing bottomed at $520 PSF on 16 closings

2012 — Before reversing course and rising to $618 PSF

2013 — 24 closings at average of $642 PSF

2014 — 17 closings at an average of $670 PSF

29%

ABOVE TROUGH PRICING

Strong brand identity — flawlessly executed

A unique brand is important, but execution also has to match that brand in order to mitigate risk. And that's where we've seen other projects miss the mark. Perhaps the highest-profile example in the current marketplace is the Ritz-Carlton Residences. The Ritz promises the ultimate in condominium luxury — with a price tag to match. But there's a disconnect with the marketplace, as buyers have been reluctant to embrace the Ritz's small bedrooms and baths, tight closets, and a design that requires owners to take two separate elevators in order to access their unit. With sales still slumping and assessments well above competing buildings, the Ritz has cut back on some of its services. Service was the Ritz's ultimate differentiator, so where does that leave the project today?

We all know how hard it is to execute big luxury concepts like these. Development is inherently risky. But in an industry that punishes mistakes like no other, real estate developers must get their hands on as many insights as possible to support bold moves. This is the key to executing well with minimal risk.

The advantage @properties offers to developers is that we have 1,800 agents with an ear to the ground – agents who collectively have sold tens of thousands of units. Our brokers provide insights that otherwise might not be apparent, and put our hunches and yours in a far broader perspective. This allows us to perform a risk calculus that minimizes the impact of inevitable negative events, such as recessions, and maximizes the impact of positive ones.

@properties was involved with two of the three projects above from start to finish, from pre-development planning to marketing and sales — 30 West Oak and Ten East Delaware. We worked with the architects and developers to refine and re-refine floor plans, yielding some of the most livable, inviting plans in the Gold Coast. Both buildings introduced a new level of luxury finish to the market, and each is a good value in its own right. Judging from performance, we're guessing a similar amount of risk mitigation went into 340 on the Park.

The developers who will succeed in the Chicago luxury market of 2015 and beyond will create strong, sustainable concepts up front — and make sure the execution is flawless by drawing on all available data and insights to minimize risk.

The Neighborhoods

@REPORT 2015

DEVELOPMENT MARKET OUTLOOK


GOLD
COAST

GOLD COAST

Gold Coast condo pricing continues its steady climb, especially at the luxury end of the market. Condo prices grew at a slightly faster pace in 2014, up 6% to $456 per square foot from $430 PSF in 2013. Average resale prices were up nicely as well, by 10%. Overall unit volume was down 1%, but unit sales for product over $500 PSF — where the real action is — was up 15%. These luxury sales made up 17.4% of all transactions in 2014 vs. 14.9% the year prior. Pricing for the average Gold Coast three-bedroom unit has broken above $500 PSF at $516. And the market for product at $1,000 PSF and above continues to develop this year, especially among new and newer construction. Right now this is led by two projects — 4 East Elm and No. 9 Walton — with isolated, record-breaking sales adding a little more color and data to the extreme top end.

As the first new condo high-rise to break ground on the North Side of Chicago in five years, 4 East Elm is one of the best test cases for high-end development in downtown Chicago. We believe the lesson for developers here is about creating value for luxury buyers. @properties collaborated with developer Convexity Properties, and its design team of SCB and Gary Lee Partners, to optimize product mix, unit layouts, finishes and pricing in this building. Originally explored as 60 units of around 1500 SF each, it was determined that fewer, larger units could deliver better pricing on a per-square-foot basis, while bringing a lower density project to the neighborhood. The resulting 34-unit development features floor plans with 3,000 to 6,500 square feet and pre-construction pricing at a blended average in the mid $800s PSF. Now 60% sold, 4 East Elm is currently selling in the low $900s per square foot, meaning several million dollars in incremental value has been created since sales began.

But will Gold Coast buyers perceive value at $1,100-plus per square foot? That's a question James Letchinger's JDL Development is now attempting to answer at No. 9 Walton, a 67-unit high-rise at the corner of State and Walton that aims to be the most expensive condo building in the city. At No. 9, value is defined by sprawling floor plans of the Central Park co-op variety and fully customizable interiors.

Thus far, it appears JDL is hitting its mark. Roughly a third of the units were spoken for in a relatively short amount of time, and the developer is moving earth at the site.

Also noteworthy are three epic Gold Coast sales at price points many of us thought we might not see for a long time. Billionaire Ken Griffin reportedly spent nearly $30 million on a pair of Waldorf Astoria condos. And an entity connected to George Lucas and Mellody Hobson set a fresh record for Chicago home sales — $18.75 million for a Park Tower penthouse. While we don't have square footage data for all of these sales, our best guess is that they're in the $1,800 to $2,000+ PSF range. That's reminiscent of a galaxy far, far away…called Manhattan.

GOLD COAST

CLOSED INVENTORY
2014 vs 2013

	2013 PSF	2013 #TRANS	2014 PSF	2014 #TRANS	2014 vs 2013 %Change PSF	2014 vs 2013 %Change #
Attached All - Summary	**$430.00**	**912**	**$456.00**	**902**	**6%**	**-1%**
Attached All - 1 BR	$313.00	323	$338.00	321	8%	-1%
Attached All - 2BR	$409.00	318	$446.00	300	9%	-6%
Attached All - 3+ BR	$494.00	244	$516.00	227	4%	-7%
Attached New - Summary	**$817.00**	**28**	**$1,003.00**	**7**	**23%**	**-75%**
Attached New - 1 BR	$910.00	7	$969.00	2	6%	-71%
Attached New - 2BR	$987.00	5	$1,081.00	3	10%	-40%
Attached New - 3 BR	$751.00	16	$935.00	2	25%	-88%
Attached Resale Summary	**$410.00**	**857**	**$449.00**	**841**	**10%**	**-2%**
Attached Resale - 1 BR	$293.00	316	$330.00	319	13%	1%
Attached Resale - 2 BR	$394.00	313	$436.00	297	11%	-5%
Attached Resale - 3 BR	$474.00	228	$511.00	225	8%	-1%

In the row "Attached All Summary," the number of transactions refers to the total number of closings in the MLS for that search area – whether or not square footage could be determined. This number is provided to give readers a true gauge of transaction activity. In all other rows, the number of transactions refers only to those listings for which square footage could be ascertained.

CLOSED INVENTORY

BY QUARTER

	1Q 2014	1Q 14vs13	2Q 2014	2Q 14vs13	3Q 2014	3Q 14vs13	4Q 2014	4Q 14vs13
Closed All - Summary	**$460**	**5%**	**$436**	**5%**	**$452**	**5%**	**$483**	**8%**
Closed All - 1 BR	$355	16%	$339	7%	$327	3%	$344	12%
Closed All - 2BR	$455	3%	$408	-2%	$464	17%	$465	18%
Closed All - 3+ BR	$492	0%	$505	11%	$509	-2%	$557	5%
Closed New - Summary	**$978**	**13%**	**$1,066**	**32%**	**NA**	**NA**	**NA**	**NA**
Closed New - 1 BR	$922	0%	$1,030	4%	NA	NA	NA	NA
Closed New - 2BR	$1,081	-3%	NA	NA	NA	NA	NA	NA
Closed New - 3 BR	$783	-1%	$1,081	53%	NA	NA	NA	NA
Closed Resale - Summary	**$433**	**10%**	**$428**	**10%**	**$452**	**7%**	**$483**	**10%**
Closed Resale - 1 BR	$321	16%	$326	15%	$327	7%	$344	12%
Closed Resale - 2 BR	$402	0%	$408	6%	$464	17%	$465	18%
Closed Resale - 3 BR	$484	10%	$493	13%	$509	1%	$557	6%

CLOSED INVENTORY

NUMBER OF TRANSACTIONS BY QUARTER

	1Q 14vs13	2Q 14vs13	3Q 14vs13	4Q 14vs13
Attached All - Summary	**-8%**	**-11%**	**-8%**	**16%**
Closed All - 1 BR	-32%	-4%	7%	27%
Closed All - 2BR	9%	-4%	-23%	6%
Closed All - 3+ BR	7%	-26%	-7%	17%
Attached New - Summary	**-50%**	**-83%**	**-100%**	**-100%**
Closed New - 1 BR	-50%	-67%	-100%	NA
Closed New - 2BR	50%	NA	NA	NA
Closed New - 3 BR	-83%	-83%	-100%	-100%
Attached Resale - Summary	**-5%**	**-8%**	**-6%**	**17%**
Closed Resale - 1 BR	-31%	-2%	9%	27%
Closed Resale - 2 BR	8%	-1%	-23%	6%
Closed Resale - 3 BR	22%	-22%	-3%	20%

AVERAGE DOM CLOSED

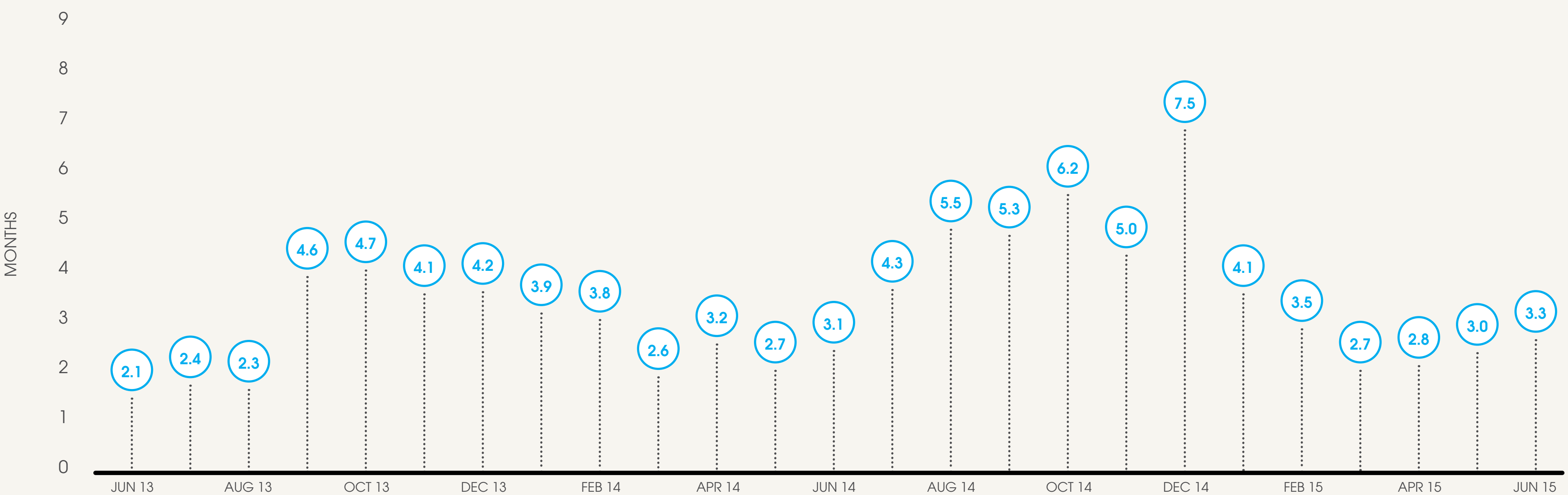
109

26.3%
MSI UC

MARKET DYNAMICS

MONTHS SUPPLY OF INVENTORY - UC CALCULATION
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION: MSI-UC

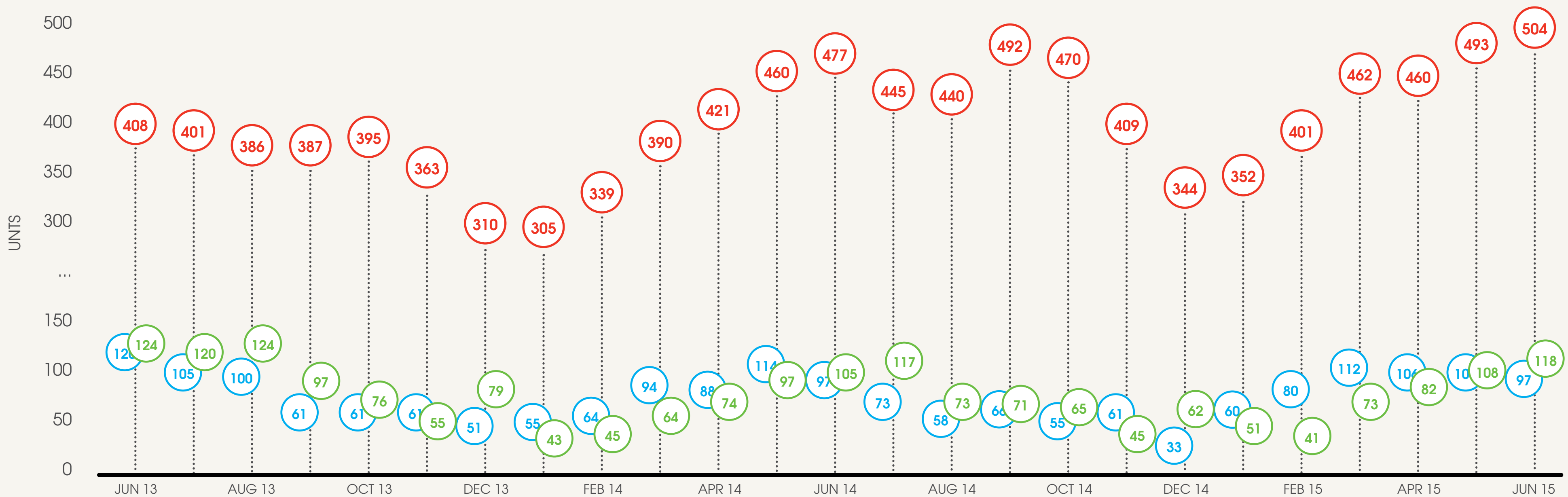
MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
0.04	1.09	0.90	26.26

GOLD COAST

MARKET DYNAMICS

SUPPLY AND DEMAND - NUMBER OF UNITS (FC, UC, SOLD)
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION:

	MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
FOR SALE	3.93	1.08	94.36	25.83
UNDER CONTRACT	0.07	0.09	1.68	2.15
SOLD	-0.87	-0.96	-20.89	-23.00

RIVER NORTH

photo courtesy of ***Smithfield Properties***

RIVER NORTH

Limited inventory continues to be a big theme in River North — and one of the primary drivers of 15% price growth on a per-square-foot basis in 2014. This was the biggest year over year increase of any neighborhood in the market report, continuing a trend set in 2013. Supply hovered around the 3-month level throughout 2014 — and into the beginning of this year. The inventory issue pushed sold unit volume (# of transactions) down 4% in 2014.

Another major factor in River North's dramatic PSF growth was the sellout of Trump Tower and the building's success in the resale market. The Trump penthouse sold at $17 million or $1,192 PSF…for raw space. The buyer estimates he will spend another $15 million finishing the unit, which would give it a cost of $2,244 PSF upon completion. Trump sales overall averaged $865 PSF, including the penthouse — up 21.7% from $711 last year, the best growth among the buildings we studied.

In the middle market, River North's ascent back to pre-crash levels is right on schedule. Last year we predicted that units at Silver Tower, the neighborhood's newest condominium high-rise, would top $500 PSF — and two did.

The investor who took over Silver Tower sold out the last of the developer units at around $325 PSF in 2012, so that's pretty impressive three-year price growth. And we've seen price increases of 30% to 40% in other buildings that have transitioned from distressed to non-distressed situations, illustrating the elasticity of core neighborhoods such as River North.

Interestingly, both $500 PSF sales at Silver were one-bedrooms, bucking a trend we identified post-crash – that larger units generally have been more valuable on a PSF basis. But in River North, which is Main and Main for high-priced apartments, mid-market condo buyers might be looking at a mortgage payment similar to rent, while also putting themselves in a position to build equity.

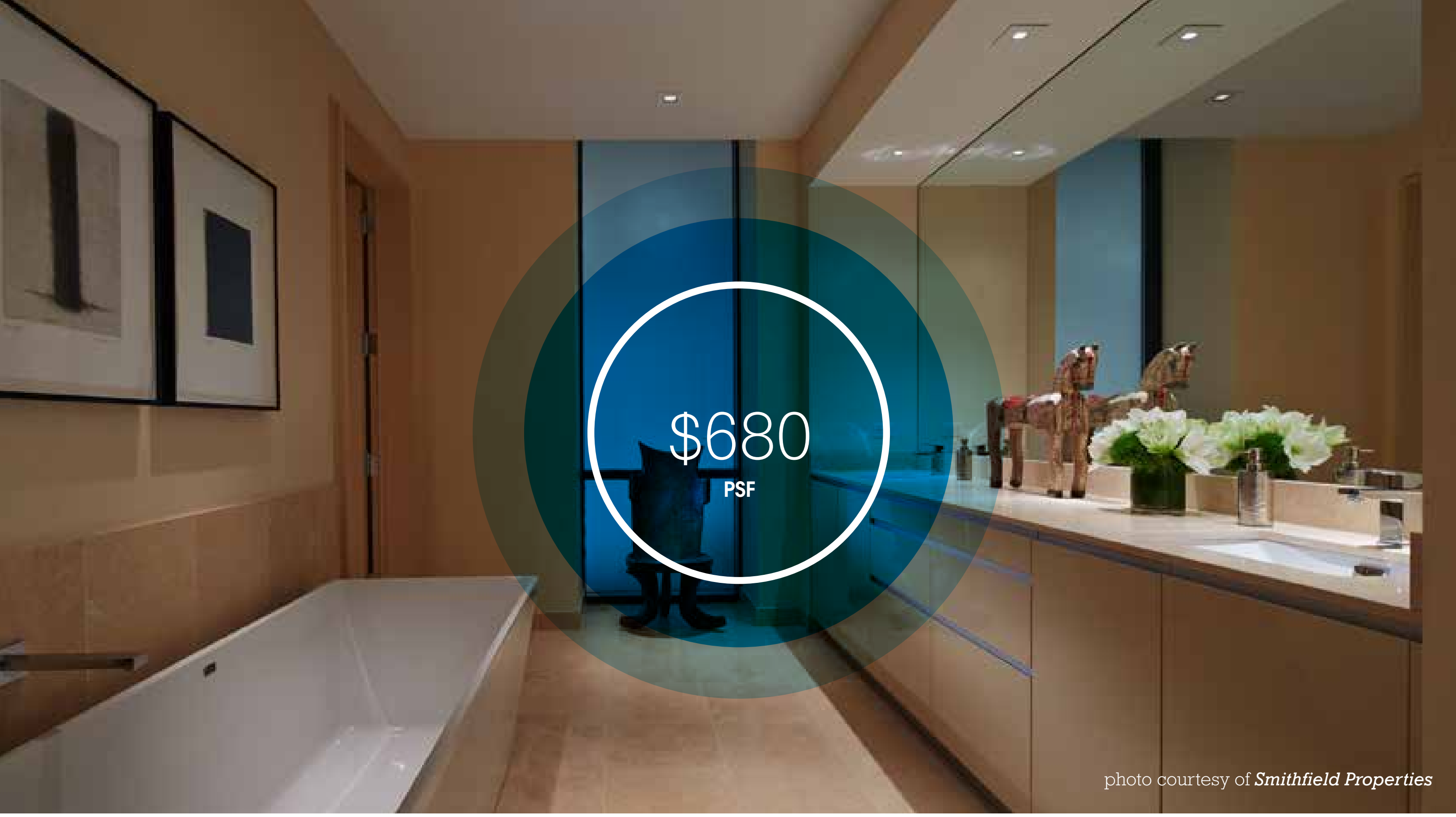


photo courtesy of *Smithfield Properties*

For now, however, luxury reigns in the River North new-construction market. One new-construction development, 400 West Huron, and one hybrid adaptive re-use/new build, the Ronsley at 676 N. Kingsbury, are selling extremely well at around $680 PSF — top-of-market pricing for the Kingsbury corridor. *(To learn how 400 West Huron sold 15 units in two months, read A Tale of Two Hurons on page 14).*

Meanwhile, two other boutique developments are targeting more mainstream buyers. Strata, on Larrabee just north of Chicago Avenue, offers three-bedroom units starting at about $450 per square foot. At Sedgwick and Locust, where the last of the Cabrini Green row houses are gathering weeds, Belgravia is bringing its very successful low-rise concept over from the West Loop, offering two- and three-bedroom condos with chunk prices starting in the $400,000s and $600,000s respectively. Based on the success of Ranquist Development's sold-out Basecamp River North townhome project across the street, Belgravia should have no problem attracting buyers to this emerging location.

RIVER NORTH

CLOSED INVENTORY

2014 vs 2013

	2013 PSF	2013 #TRANS	2014 PSF	2014 #TRANS	2014 vs 2013 %Change PSF	2014 vs 2013 %Change #
Attached All - Summary	**$366.00**	**850**	**$420.00**	**819**	**15%**	**-4%**
Attached All - 1 BR	$342.00	356	$372.00	349	9%	-2%
Attached All - 2BR	$374.00	383	$394.00	311	5%	-19%
Attached All - 3+ BR	$383.00	65	$552.00	73	44%	12%
Attached New - Summary	**$653.00**	**21**	**$838.00**	**14**	**28%**	**-33%**
Attached New - 1 BR	$680.00	10	$629.00	5	-8%	-50%
Attached New - 2BR	$705.00	9	$770.00	2	9%	-78%
Attached New - 3 BR	$398.00	2	$891.00	7	124%	250%
Attached Resale Summary	**$355.00**	**783**	**$400.00**	**719**	**13%**	**-8%**
Attached Resale - 1 BR	$330.00	346	$366.00	344	11%	-1%
Attached Resale - 2 BR	$361.00	374	$390.00	309	8%	-17%
Attached Resale - 3 BR	$382.00	63	$488.00	66	28%	5%

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CLOSED INVENTORY

BY QUARTER

	1Q 2014	1Q 14vs13	2Q 2014	2Q 14vs13	3Q 2014	3Q 14vs13	4Q 2014	4Q 14vs13
Closed All - Summary	**$400**	**17%**	**$405**	**6%**	**$402**	**9%**	**$486**	**29%**
Closed All - 1 BR	$349	20%	$375	9%	$387	4%	$363	8%
Closed All - 2BR	$403	10%	$387	0%	$380	1%	$429	13%
Closed All - 3+ BR	$468	24%	$509	24%	$502	48%	$686	62%
Closed New - Summary	**$672**	**18%**	**$629**	**0%**	**NA**	**NA**	**NA**	**NA**
Closed New - 1 BR	$627	0%	$630	-10%	NA	NA	NA	NA
Closed New - 2BR	$770	22%	NA	NA	NA	NA	NA	NA
Closed New - 3 BR	$638	62%	$627	56%	NA	NA	NA	NA
Closed Resale - Summary	**$365**	**12%**	**$398**	**8%**	**$402**	**12%**	**$486**	**32%**
Closed Resale - 1 BR	$338	19%	$363	15%	$387	6%	$363	8%
Closed Resale - 2 BR	$376	10%	$387	2%	$380	5%	$429	18%
Closed Resale - 3 BR	$389	4%	$498	21%	$502	48%	$686	62%

CLOSED INVENTORY

NUMBER OF TRANSACTIONS BY QUARTER

	1Q 14vs13	2Q 14vs13	3Q 14vs13	4Q 14vs13
Attached All - Summary	**6%**	**-15%**	**-7%**	**-18%**
Closed All - 1 BR	12%	10%	-10%	-15%
Closed All - 2BR	-14%	-33%	-5%	-29%
Closed All - 3+ BR	114%	-17%	-5%	6%
Attached New - Summary	**60%**	**-44%**	**-100%**	**-100%**
Closed New - 1 BR	100%	-50%	-100%	NA
Closed New - 2BR	0%	NA	-100%	-100%
Closed New - 3 BR	300%	100%	NA	NA
Attached Resale - Summary	**3%**	**-14%**	**-5%**	**-18%**
Closed Resale - 1 BR	11%	14%	-7%	-15%
Closed Resale - 2 BR	-13%	-32%	-3%	-26%
Closed Resale - 3 BR	83%	-22%	-5%	6%

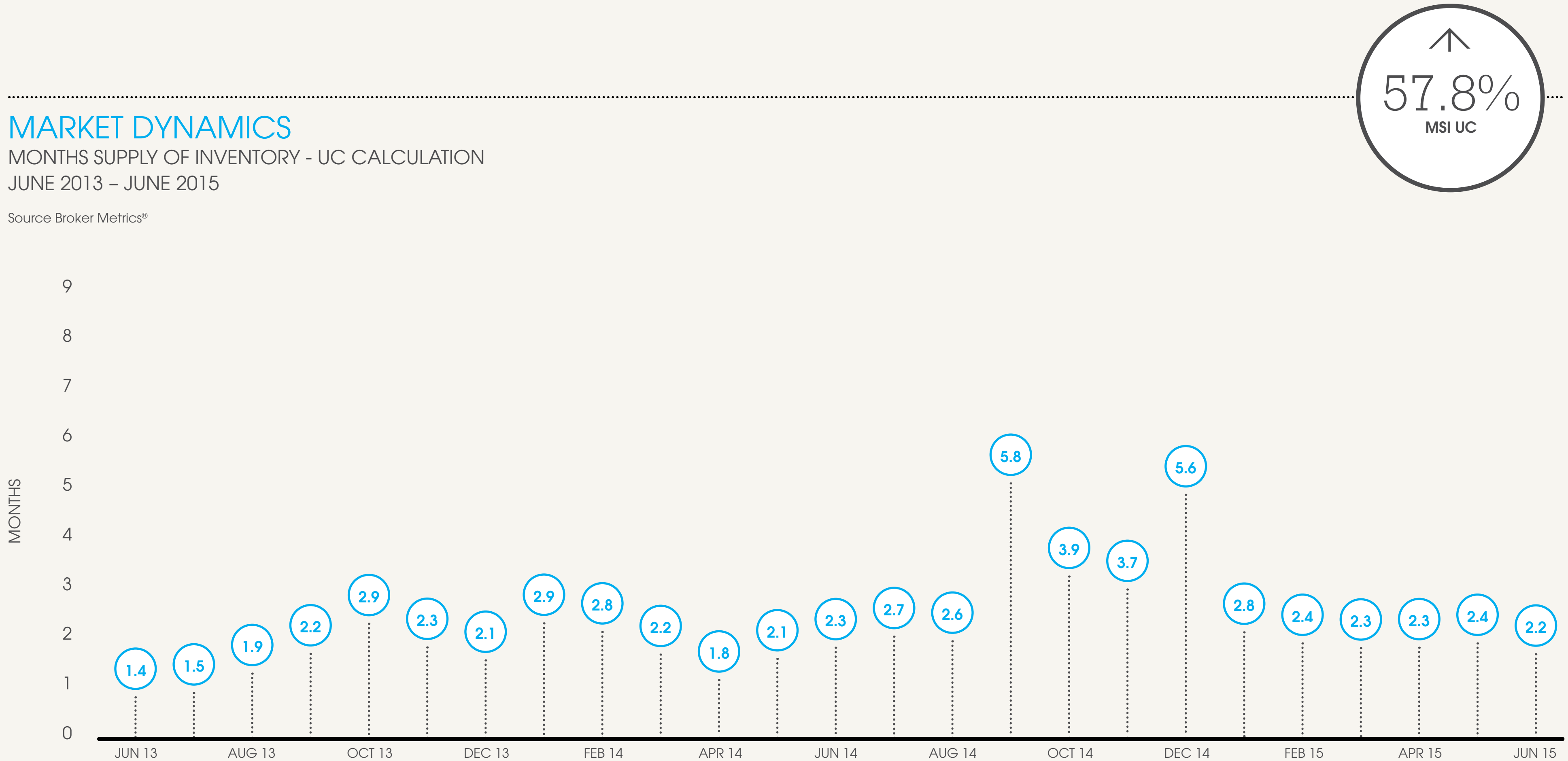
AVERAGE DOM CLOSED

59

MARKET DYNAMICS

MONTHS SUPPLY OF INVENTORY - UC CALCULATION
JUNE 2013 – JUNE 2015

Source Broker Metrics®



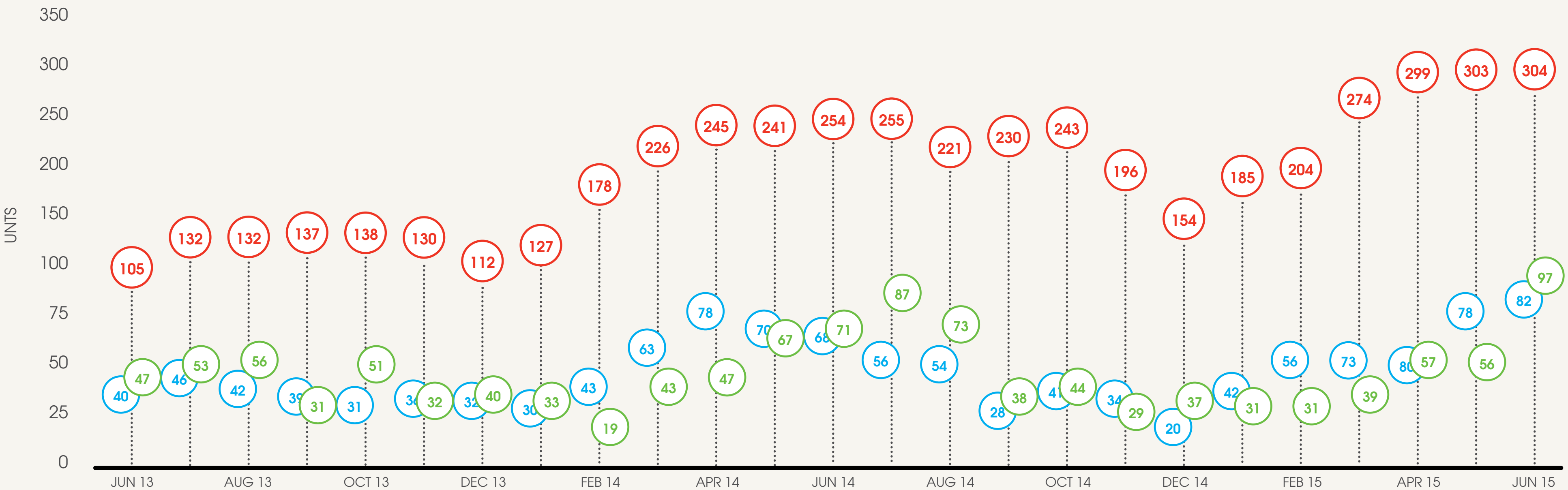
KEY INFORMATION: MSI-UC

MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
0.05	2.41	1.20	57.79

MARKET DYNAMICS

SUPPLY AND DEMAND - NUMBER OF UNITS (FC, UC, SOLD)
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION:

	MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
FOR SALE	6.85	5.77	164.44	138.51
UNDER CONTRACT	1.19	3.30	28.64	79.23
SOLD	0.51	1.20	12.20	28.86

WEST LOOP

© Patsy McEnroe Photography

WEST LOOP

After looming large for years, the West Loop residential resurgence is well underway and we can all feel the vibe. The "residential follows restaurants" adage we coined last year has gained even more momentum and breadth. And the successful opening of the Soho House private club and hotel has elevated "West Loop cool" to a whole new level. Google's new Chicago HQ is tipping the adaptive-reuse office development trend into overdrive and bringing in jobs and foot traffic. And luxury retailer Billy Reid is set to open later this year in what could be the start of unique retail growth.

Is the West Loop evolving into a luxury market?

11%
per-square-foot

The big double-digit pricing bounce we saw in 2013 (+14%) continued last year, with prices up 11% on a per-square-foot basis to $301. New construction pricing was up 16% to $359 PSF on only 37 units — all of which were 3-bedrooms. This continues a pricing recovery that started in 2012. Closed transactions dropped 2% in 2014, from 794 to 780, but this is better than the 6.3% citywide slowdown and largely due to the inventory squeeze.

As we mentioned in our report on emerging luxury opportunities *(see page 8)*, we believe the West Loop is a prime candidate for new luxury condo development — even though not a single unit traded above $500 PSF last year. The West Loop might not look like a luxury condo opportunity on the surface, but we're confident that the demand is there, and that the market will gel quickly.

However, one should not make the mistake of applying a traditional definition of luxury. Preserving the current neighborhood vibe, while satisfying the elevated, Houzz-inspired design sensibilities of today's upwardly mobile hipsters (huppies???), is how luxury reaches new heights in the emerging West Loop.

Soho House is the best illustration of this trend, and we've been following it closely. According to *Crain's*, developer Jeffrey Shapack originally looked at the Three Arts Club space in the Gold Coast for the Chicago location of this growing global brand, but the building and neighborhood didn't feel right. Shapack instead introduced Soho CEO Nick Jones to the Allis Building on Green Street. With its urban rusticity and the neighborhood's leading-edge restaurant scene, Jones knew immediately the West Loop was the place. He and his design team transformed the historic, century-old industrial warehouse into the biggest Soho House in the world. And what we believe is the quintessential definition of soulful West Loop luxury.

Like other luxury projects today, a strong identity is key. And in the West Loop, that means authenticity. For example, Soho's designers gave a nod to the building's history as a leather factory by using materials from Horween, the last remaining tannery in Chicago. But they also mixed in modern finishes to create a unique luxury brand. Partnering with designers to tell a differentiated story is another lesson we've seen applied to successful luxury residential – as is exclusivity and a boutique approach. Rather than cast a wide net, Soho focused on a very specific clientele. Successful West Loop luxury residential developers will learn from this and deliver projects with equally meticulous programming.

CLOSED INVENTORY

2014 vs 2013

	2013 PSF	2013 #TRANS	2014 PSF	2014 #TRANS	2014 vs 2013 %Change PSF	2014 vs 2013 %Change #
Attached All - Summary	**$272.00**	**794**	**$301.00**	**780**	**11%**	**-2%**
Attached All - 1 BR	$281.00	289	$287.00	237	2%	-18%
Attached All - 2BR	$261.00	376	$291.00	315	11%	-16%
Attached All - 3+ BR	$289.00	88	$327.00	120	13%	36%
Attached New - Summary	**$310.00**	**11**	**$359.00**	**37**	**16%**	**236%**
Attached New - 1 BR	NA	0	NA	0	NA	NA
Attached New - 2BR	NA	0	NA	0	NA	NA
Attached New - 3 BR	$310.00	11	$359.00	37	16%	236%
Attached Resale Summary	**$271.00**	**742**	**$296.00**	**635**	**9%**	**-14%**
Attached Resale - 1 BR	$281.00	289	$287.00	237	2%	-18%
Attached Resale - 2 BR	$261.00	376	$291.00	315	11%	-16%
Attached Resale - 3 BR	$286.00	77	$314.00	83	10%	8%

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CLOSED INVENTORY
BY QUARTER

	1Q 2014	1Q 14vs13	2Q 2014	2Q 14vs13	3Q 2014	3Q 14vs13	4Q 2014	4Q 14vs13
Closed All - Summary	**$283**	**12%**	**$297**	**10%**	**$309**	**10%**	**$305**	**12%**
Closed All - 1 BR	$279	9%	$291	3%	$293	3%	$280	-2%
Closed All - 2BR	$276	10%	$295	16%	$298	9%	$289	9%
Closed All - 3+ BR	$304	17%	$308	5%	$334	10%	$302	3%
Closed New - Summary	**NA**	**NA**	**NA**	**NA**	**$348**	**7%**	**$375**	**NA**
Closed New - 1 BR	NA	NA	NA	NA	NA	NA	NA	NA
Closed New - 2BR	NA	NA	NA	NA	NA	NA	NA	NA
Closed New - 3 BR	NA	NA	NA	NA	$348	7%	$375	NA
Closed Resale - Summary	**$283**	**12%**	**$297**	**10%**	**$303**	**8%**	**$292**	**7%**
Closed Resale - 1 BR	$279	9%	$291	4%	$293	3%	$280	-2%
Closed Resale - 2 BR	$276	10%	$295	16%	$298	9%	$289	9%
Closed Resale - 3 BR	$304	18%	$308	6%	$324	8%	$317	8%

CLOSED INVENTORY

NUMBER OF TRANSACTIONS BY QUARTER

	1Q 14vs13	2Q 14vs13	3Q 14vs13	4Q 14vs13
Attached All - Summary	**6%**	**-31%**	**4%**	**-6%**
Closed All - 1 BR	63%	-26%	-18%	-29%
Closed All - 2BR	-26%	-36%	-1%	-13%
Closed All - 3+ BR	-6%	-29%	108%	189%
Attached New - Summary	**NA**	**NA**	**633%**	**NA**
Closed New - 1 BR	NA	NA	NA	NA
Closed New - 2BR	NA	NA	NA	NA
Closed New - 3 BR	NA	NA	633%	NA
Attached Resale - Summary	**6%**	**-30%**	**-5%**	**-17%**
Closed Resale - 1 BR	63%	-26%	-18%	-29%
Closed Resale - 2 BR	-26%	-36%	-1%	-13%
Closed Resale - 3 BR	0%	-13%	36%	22%

AVERAGE DOM CLOSED

49

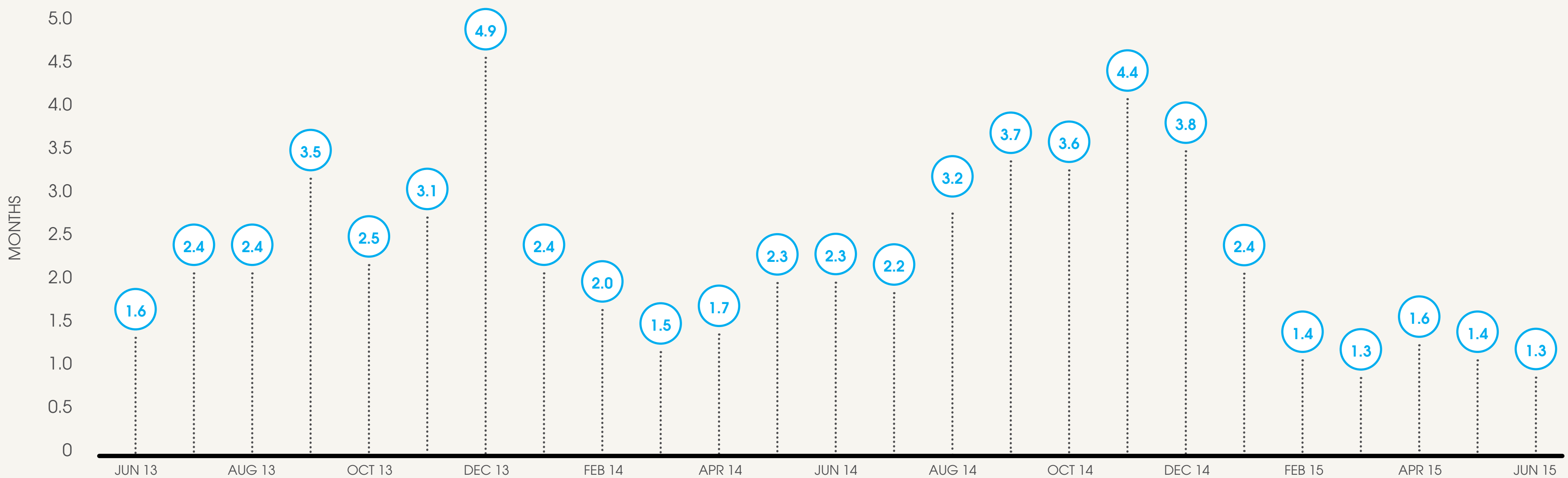
WEST LOOP

-23.6%
MSI UC

MARKET DYNAMICS

MONTHS SUPPLY OF INVENTORY - UC CALCULATION
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION: MSI-UC

MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
-0.03	-0.98	-0.67	-23.60

-14.2% FOR SALE

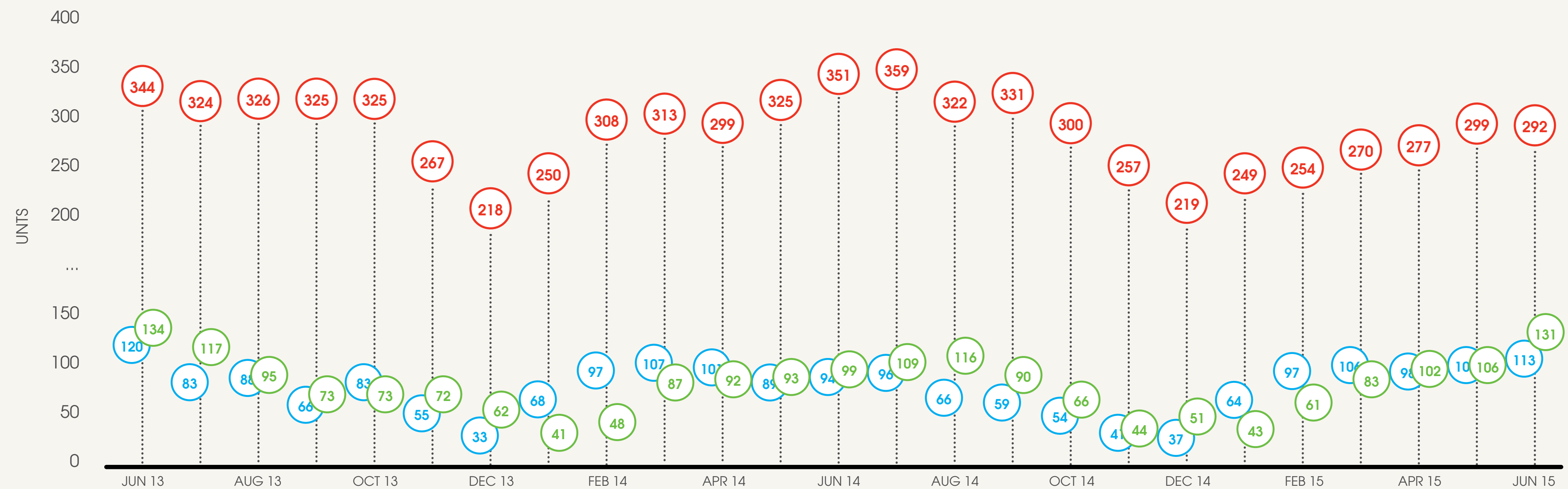
7.5% UNDER CONTRACT

-4.6% SOLD

MARKET DYNAMICS

SUPPLY AND DEMAND - NUMBER OF UNITS (FC, UC, SOLD)
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION:

	MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
FOR SALE	3.93	1.08	94.36	25.83
UNDER CONTRACT	0.07	0.09	1.68	2.15
SOLD	-0.87	-0.96	-20.89	-23.00

© Tom Rossiter

THE LOOP

This year's winner for the Most Superlatives award goes to the Loop, a neighborhood that is quickly gaining ground in the luxury marketplace.

As noted in *Emerging Luxury Development Opportunities* (page 8), the Loop sported a higher percentage of condo sales over $500 per square foot than any other neighborhood in 2014. It also saw the average price per square foot of new construction rise almost 20% to $564. The overall average price-per-square-foot – for new and existing sales combined – grew by 4% to $446. Only the Gold Coast has a higher average PSF.

In newer buildings, average pricing now ranges in the $600s PSF, and tops $800 PSF for prime units.

Loop New-Construction / Adaptive Reuse Closings (Developer Units Only)

Building	2014 Average PSF	Change in PSF 2014 vs. 2013 (%)	2014 Closed Unit Volume	Change in Closed Unit Volume (2014 vs 2013)
Aqua	$675	23%	9	(59%)
340 On The Park	$670	4.4%	17	(29.2%)
The Legacy at Millennium Park	$636	6.2%	27	(38.6%)
Park Monroe	$549	15%	4	(91.5%)

The Loop also saw the biggest percentage decline in unit volume in 2014, down 20%. And new-construction unit sales fell a whopping 70%, from 220 closings in 2013 to just 66 last year.

But the numbers only tell part of the story. The last 24 months have been an interesting time in Loop real estate. 2013 was by far the best year for condo sales since the recession ended, with strong absorption in the area's major development projects: Aqua, 235 Van Buren, Park Monroe and The Legacy at Millennium Park. From our perch at the Legacy sales office, where more than 55 contracts were signed in 2013 at an average price of over $1.1 million, we entered 2014 with a ton of optimism. However, the year got off to a slow start and turned out to be a grind. Why?

We think the primary reason is inventory. There was a lot less of it in 2014, especially at lower price points. In addition, buyers may have gone into 2014 thinking they would find recession-era deals. But developers, emboldened by the success of 2013, were less inclined to negotiate, and even sought to raise prices in certain situations. Also, because the Loop is a popular destination with second-home and move-down buyers, condos are often a choice-based, rather than a need-based purchase. Not finding exactly what they were looking for, many buyers simply took a wait-and-see-approach. "A lack of urgency" was a common phrase at weekly sales meetings.

Despite the fact that unit volume was way down in 2014, the luxury market actually performed very well, with 54 closings over $600 PSF and 23 over $700 PSF. That was an increase of 35% and 77% respectively from the year earlier.

Whatever forces were at work in the market, things shifted again in early 2015, and the first half of the year was stellar.

A number of other interesting events have also helped to shape the Loop market in the past several months.

- In October 2014, The John Buck Company started construction on a luxury apartment tower at 200 N. Michigan. The project will be the cornerstone in the transformation of North Michigan Avenue between Wacker and Madison – historically a dead zone.
- In December 2014, Maggie Daley Park opened. Today the park is not only a tourist attraction and neighborhood amenity; it also extends the greenery of Millennium Park all the way to the lake – enhancing views for nearby high-rises.
- In May 2015, the Chicago Athletic Association hotel opened. In addition to hotel rooms, the project includes two restaurants, as well as a bar managed by Land and Sea Dept., arbiter of all things hip in the Chicago cocktail scene. We think the impact of the CAA, a Hartshorne Plunkard Architecture design, will be major. The "residential" Loop used to consist of condo high-rises and Millennium Park. Now it's acquiring much more of a neighborhood feel, and the CAA has become the de facto corner bar. Its vibe – along with its effect on the neighborhood – feels a lot like Soho House in the West Loop.
- Finally, just a few weeks ago, Kraft-Heinz announced that it was moving its headquarters from suburban Northfield to the Aon Center, bringing approximately 1,000 high-paying jobs to the Loop. Ostensibly, some of these folks will want to live near the office.

What's next for the Loop?

For starters a little 93-story, billion-dollar, condo and hotel project called Wanda Vista in Lakeshore East. Two of the biggest questions with any new condo development are pre-sales and financing, but Wanda may already have answers to both. Developed by a joint venture between Chicago-based Magellan Group and Wanda Group, China's largest commercial property company, Wanda Vista figures to have a fairly large built-in market of investor-buyers who can jumpstart the project. Working in Wanda's favor, the Loop has shown itself to be a choice location for Chinese nationals looking to own residential real estate in Chicago. And, Magellan has always been a heavyweight when it comes to project pre-sales. This time around, they'll have a large captive audience of past Lakeshore East clients to tap into. Still, the partnership isn't taking anything for granted. Curbed Chicago recently reported that they are building out a large sales center in retail space at Coast, another Lakeshore East building.

In addition to Wanda, we've been privy to some other residential concepts for the Loop, which we think are quite viable. Some involve adaptive reuse and others mixed-use new-construction with luxury condominiums. None have taken hold as of yet; however, we believe the market is ripe. The Loop has shown an ability to attract a diversity of condo buyers – from empty nesters to young professionals to families to students to investors. And the area continues to evolve as a luxury destination. Much like the West Loop and the South Loop – two neighborhoods that got knocked down hard in the Recession – the Loop has come back in a big way, and its best days are ahead.

CLOSED INVENTORY

2014 vs 2013

	2013 PSF	2013 #TRANS	2014 PSF	2014 #TRANS	2014 vs 2013 %Change PSF	2014 vs 2013 %Change #
Attached All - Summary	**$429.00**	**612**	**$446.00**	**487**	**4%**	**-20%**
Attached All - 1 BR	$355.00	242	$364.00	158	3%	-35%
Attached All - 2BR	$406.00	293	$395.00	211	-3%	-28%
Attached All - 3+ BR	$576.00	68	$575.00	79	0%	16%
Attached New - Summary	**$475.00**	**220**	**$564.00**	**66**	**19%**	**-70%**
Attached New - 1 BR	$411.00	76	$504.00	10	23%	-87%
Attached New - 2BR	$435.00	123	$464.00	39	7%	-68%
Attached New - 3 BR	$649.00	21	$692.00	17	7%	-19%
Attached Resale Summary	**$402.00**	**383**	**$423.00**	**382**	**5%**	**0%**
Attached Resale - 1 BR	$330.00	166	$355.00	148	8%	-11%
Attached Resale - 2 BR	$387.00	170	$381.00	172	-2%	1%
Attached Resale - 3 BR	$534.00	47	$543.00	62	2%	32%

In the row "Attached All Summary," the number of transactions refers to the total number of closings in the MLS for that search area – whether or not square footage could be determined. This number is provided to give readers a true gauge of transaction activity. In all other rows, the number of transactions refers only to those listings for which square footage could be ascertained.

CLOSED INVENTORY
BY QUARTER

	1Q 2014	1Q 14vs13	2Q 2014	2Q 14vs13	3Q 2014	3Q 14vs13	4Q 2014	4Q 14vs13
Closed All - Summary	**$448**	**10%**	**$452**	**9%**	**$443**	**7%**	**$439**	**-4%**
Closed All - 1 BR	$337	-4%	$363	4%	$382	8%	$358	-3%
Closed All - 2BR	$371	-7%	$416	11%	$387	-5%	$398	-10%
Closed All - 3+ BR	$600	16%	$572	7%	$569	3%	$559	-4%
Closed New - Summary	**$524**	**13%**	**$543**	**20%**	**$671**	**47%**	**$614**	**20%**
Closed New - 1 BR	$397	-13%	$350	-14%	$663	63%	$615	59%
Closed New - 2BR	$412	-7%	$463	17%	$577	29%	$524	12%
Closed New - 3 BR	$676	33%	$672	10%	$749	19%	$720	11%
Closed Resale - Summary	**$413**	**13%**	**$434**	**10%**	**$425**	**8%**	**$416**	**3%**
Closed Resale - 1 BR	$324	5%	$363	15%	$364	12%	$353	-2%
Closed Resale - 2 BR	$352	-6%	$405	13%	$375	-1%	$379	-7%
Closed Resale - 3 BR	$559	2%	$543	9%	$549	4%	$528	11%

CLOSED INVENTORY

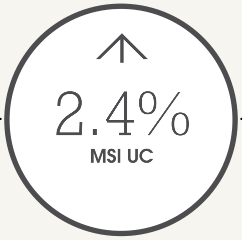
NUMBER OF TRANSACTIONS BY QUARTER

	1Q 14vs13	2Q 14vs13	3Q 14vs13	4Q 14vs13
Attached All - Summary	**-3%**	**-26%**	**-36%**	**-25%**
Closed All - 1 BR	-31%	-40%	-37%	-26%
Closed All - 2BR	-4%	-15%	-46%	-33%
Closed All - 3+ BR	157%	-22%	24%	12%
Attached New - Summary	**-12%**	**-70%**	**-89%**	**-84%**
Closed New - 1 BR	-55%	-96%	-90%	-92%
Closed New - 2BR	-6%	-63%	-93%	-84%
Closed New - 3 BR	75%	0%	-50%	-73%
Attached Resale - Summary	**2%**	**-1%**	**-3%**	**19%**
Closed Resale - 1 BR	-21%	-11%	-6%	-5%
Closed Resale - 2 BR	-3%	23%	-13%	20%
Closed Resale - 3 BR	267%	-27%	46%	167%

AVERAGE DOM CLOSED

97

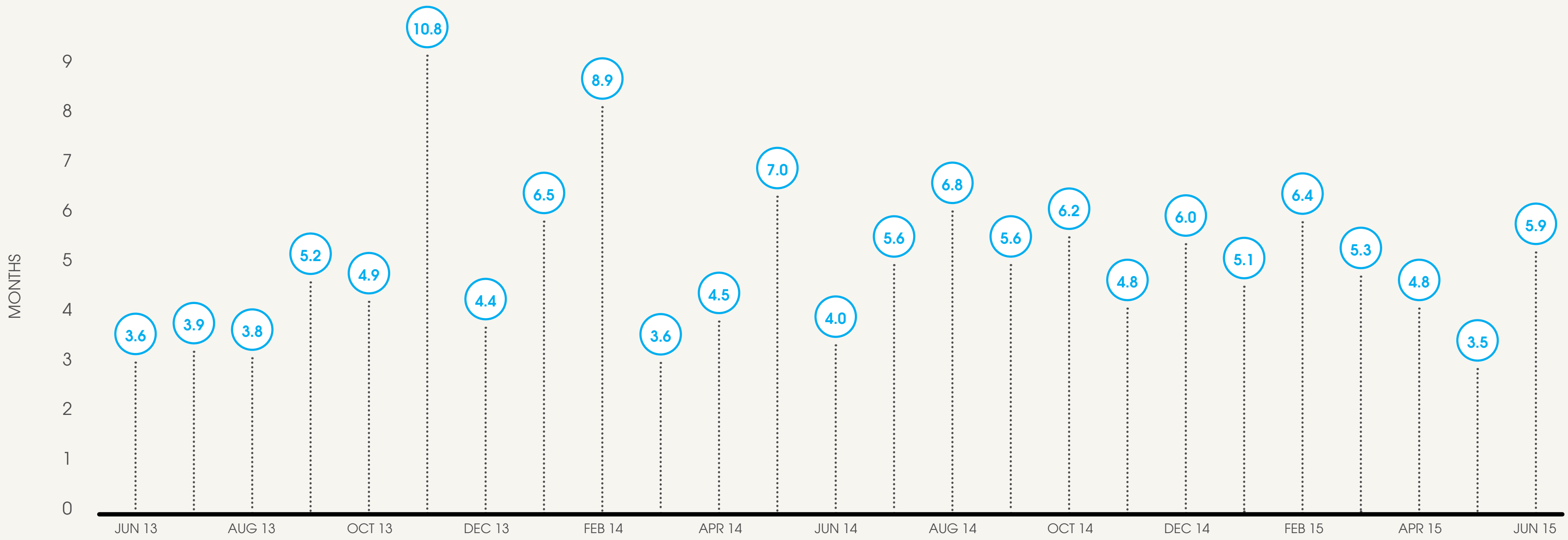
LOOP



MARKET DYNAMICS

MONTHS SUPPLY OF INVENTORY - UC CALCULATION
JUNE 2013 – JUNE 2015

Source Broker Metrics®



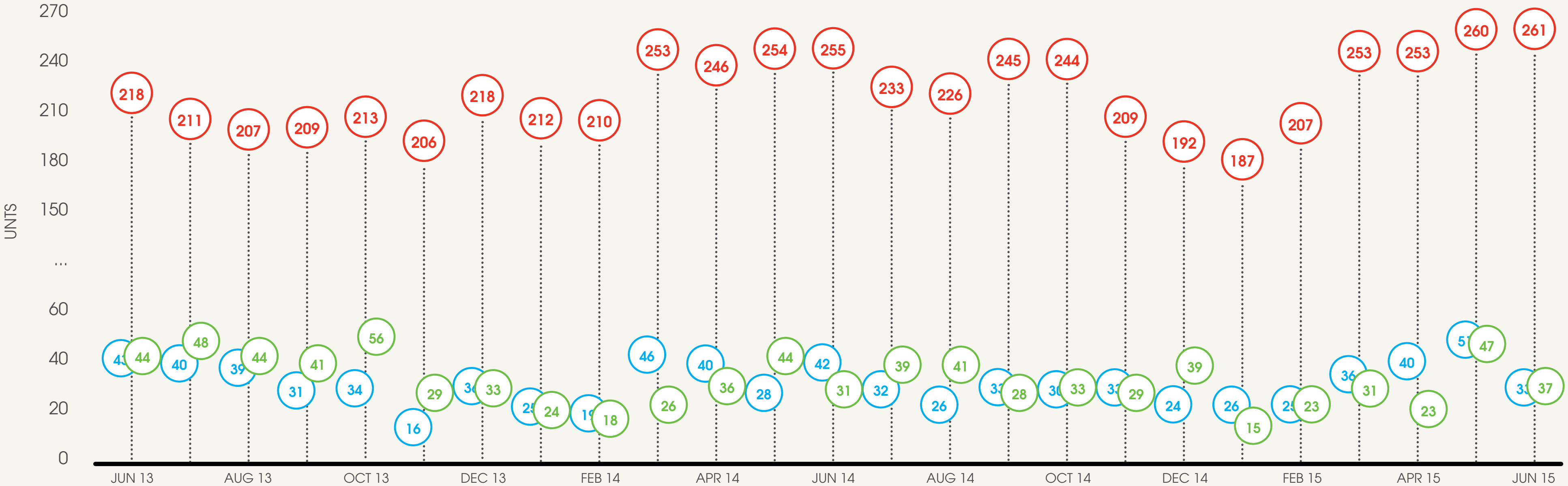
KEY INFORMATION: MSI-UC

MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
0.01	0.10	0.13	2.38

MARKET DYNAMICS

SUPPLY AND DEMAND - NUMBER OF UNITS (FC, UC, SOLD)
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION:

MONTHLY CHANGE		MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
FOR SALE	1.23	0.58	29.57	13.92
UNDER CONTRACT	0.00	0.00	-0.01	-0.02
SOLD	-0.48	-1.20	-11.60	-28.87

SOUTH LOOP

SOUTH LOOP

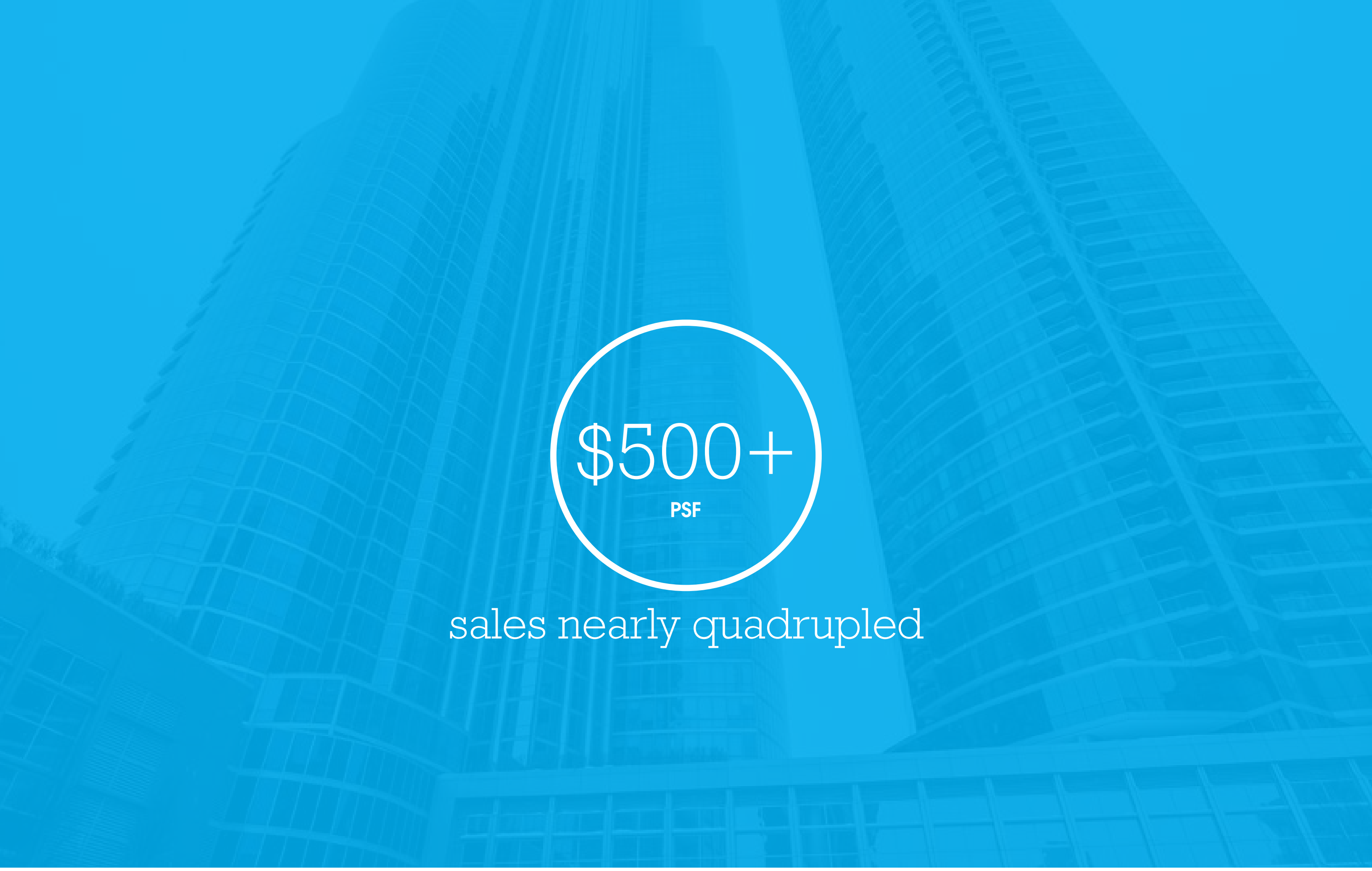
Like a lot of neighborhoods over the past eight years, the South Loop's meter has gone from exuberance to panic to depression to hope — and now to something resembling confidence. New restaurants and bars have opened. The Roosevelt Collection filled its retail space and recently sold at a big profit. And well over 1,000 new apartments have been recently completed or are under construction. It seems like much of the vision for the South Loop prior to the crash has been quietly fulfilled. In the immortal words of rapper LL Cool J, "Don't call it a comeback. I been here for years."

One of only two neighborhoods in this year's report where the total number of condo closings was actually higher in 2014 than 2013, South Loop unit volume rose 2% year over year. Supply averaged 3.6 months throughout 2014 — and was trending down in the first half of 2015 compared with same period last year. Days on Market averaged 69 days in 2014 and was also trending down in the first half of 2015.

South Loop prices rose 8% on a PSF basis to $326 in 2014. Resale units gained slightly less, 6% PSF on average. New construction prices jumped 14% PSF to $426 in 2014 from $374 in 2013. This figure could dip back down this year due to a wave of closings in CMK's 1345 S. Wabash, a new-construction high-rise catering to entry-level buyers. Thus far in 2015, the building has booked 25 closings in the MLS at an average price of $365 PSF.

Also on the development front, a group of investors is repositioning The Guild at 50 E. 16th Place (formerly 1555 S. Wabash), updating 141 units and common areas floor by floor. @properties broker Joffre Colbert is leading the sales effort, which began last November and is ahead of schedule. Through the first half of 2015, 15 units were sold with another 50 under contract — most of which are closing this summer. Pricing is around $325 PSF, slightly lower than CMK is getting for new construction with no amenities two blocks north.

The luxury market is also gaining momentum in the South Loop. As we mentioned in our report on emerging luxury opportunities *(page 8),* sales at $500 PSF or higher nearly quadrupled in 2014 to 31 units, from only 8 in 2013. The pricing high in the neighborhood for 2014 was $687 PSF, set by a 61st



floor unit at 1211 S. Prairie. More luxury product is in the pipeline too. Prairie Court, a joint venture between Sandz Development and Golub will feature approximately 60 townhomes at 18th and Prairie priced from the high $700,000s to just over $1 million.

Massive land deals in the South Loop also point the way to further investment in the neighborhood. CMK has amassed a huge land portfolio between Harrison Street and Roosevelt Road, including Franklin Point where they recently unveiled plans for a 2,700-unit master planned development. Related Midwest is also reportedly negotiating a partnership to develop 62 acres of riverfront land that stretches from Roosevelt south to 16th street. Similar to a Lakeshore East or Central Station, the project would take a decade or more to complete.

Come down to the South Loop today, and you'll no longer find a neighborhood bearing the scars of the housing crisis. You'll find a thriving community and a lot of optimism.

SOUTH LOOP

CLOSED INVENTORY

2014 vs 2013

	2013 PSF	2013 #TRANS	2014 PSF	2014 #TRANS	2014 vs 2013 %Change PSF	2014 vs 2013 %Change #
Attached All - Summary	**$302.00**	**739**	**$326.00**	**753**	**8%**	**2%**
Attached All - 1 BR	$246.00	174	$275.00	165	12%	-5%
Attached All - 2BR	$307.00	415	$322.00	411	5%	-1%
Attached All - 3+ BR	$320.00	128	$359.00	134	12%	5%
Attached New - Summary	**$374.00**	**198**	**$426.00**	**168**	**14%**	**-15%**
Attached New - 1 BR	$304.00	21	$370.00	14	22%	-33%
Attached New - 2BR	$374.00	131	$409.00	98	9%	-25%
Attached New - 3 BR	$388.00	46	$450.00	56	16%	22%
Attached Resale Summary	**$274.00**	**519**	**$290.00**	**542**	**6%**	**4%**
Attached Resale - 1 BR	$239.00	153	$267.00	151	12%	-1%
Attached Resale - 2 BR	$277.00	284	$293.00	313	6%	10%
Attached Resale - 3 BR	$290.00	82	$299.00	78	3%	-5%

In the row "Attached All Summary," the number of transactions refers to the total number of closings in the MLS for that search area – whether or not square footage could be determined. This number is provided to give readers a true gauge of transaction activity. In all other rows, the number of transactions refers only to those listings for which square footage could be ascertained.

CLOSED INVENTORY
BY QUARTER

	1Q 2014	1Q 14vs13	2Q 2014	2Q 14vs13	3Q 2014	3Q 14vs13	4Q 2014	4Q 14vs13
Closed All - Summary	**$321**	**31%**	**327**	**14%**	**$326**	**2%**	**$329**	**3%**
Closed All - 1 BR	$275	27%	267	10%	$281	8%	$279	8%
Closed All - 2BR	$313	23%	320	12%	$324	1%	$327	-1%
Closed All - 3+ BR	$358	43%	367	18%	$354	5%	$355	9%
Closed New - Summary	**$429**	**27%**	**415**	**27%**	**$422**	**10%**	**$453**	**18%**
Closed New - 1 BR	$376	10%	360	14%	$355	16%	$386	34%
Closed New - 2BR	$398	14%	399	23%	$400	8%	$448	13%
Closed New - 3 BR	$461	49%	433	29%	$452	8%	$489	29%
Closed Resale - Summary	**$287**	**23%**	**280**	**1%**	**$291**	**2%**	**$299**	**7%**
Closed Resale - 1 BR	$272	30%	262	12%	$275	8%	$262	4%
Closed Resale - 2 BR	$292	21%	284	1%	$300	3%	$293	5%
Closed Resale - 3 BR	$285	17%	290	-4%	$280	-4%	$327	9%

CLOSED INVENTORY

NUMBER OF TRANSACTIONS BY QUARTER

	1Q 14vs13	2Q 14vs13	3Q 14vs13	4Q 14vs13
Attached All - Summary	**20%**	**21%**	**-18%**	**-7%**
Closed All - 1 BR	-21%	9%	2%	-16%
Closed All - 2BR	32%	16%	-20%	-5%
Closed All - 3+ BR	75%	55%	-33%	-3%
Attached New - Summary	**140%**	**142%**	**-47%**	**-54%**
Closed New - 1 BR	-50%	-40%	-20%	-33%
Closed New - 2BR	133%	162%	-56%	-55%
Closed New - 3 BR	350%	225%	-27%	-64%
Attached Resale - Summary	**7%**	**-1%**	**-2%**	**20%**
Closed Resale - 1 BR	-19%	15%	4%	-11%
Closed Resale - 2 BR	20%	-7%	7%	32%
Closed Resale - 3 BR	20%	-10%	-38%	42%

AVERAGE DOM CLOSED

69

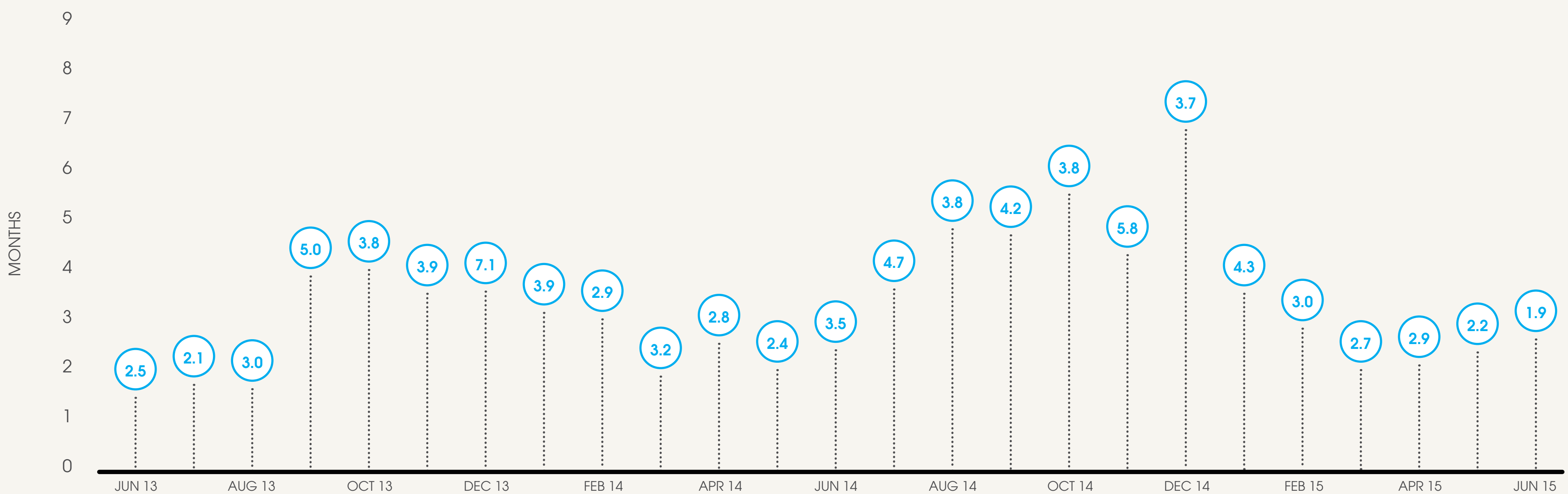
SOUTH LOOP

-14.8%
MSI UC

MARKET DYNAMICS

MONTHS SUPPLY OF INVENTORY - UC CALCULATION
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION: MSI-UC

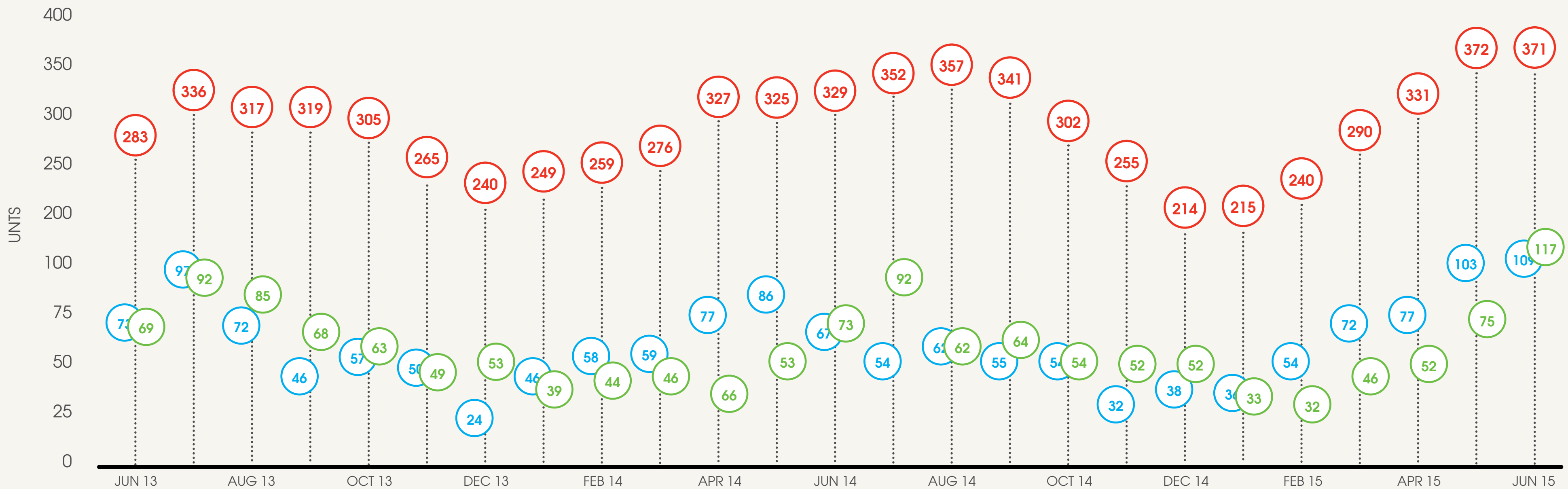
MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
-0.02	-0.62	-0.57	-14.79

SOUTH LOOP

MARKET DYNAMICS

SUPPLY AND DEMAND - NUMBER OF UNITS (FC, UC, SOLD)
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION:

	MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
FOR SALE	0.59	0.20	14.27	4.89
UNDER CONTRACT	0.44	0.78	10.65	18.69
SOLD	-0.25	-0.38	-5.92	-9.22

STREETER VILLE

© Dave Burk Photography

STREETERVILLE

Luxury apartment development continues to rule Streeterville, which saw no new for-sale product whatsoever in 2014. Annual unit sales were down 15%, from 425 units in 2013 to 360 units in 2014 — the fewest transactions of any neighborhood in the @report. Pricing for the neighborhood increased a modest 4% on a per square foot basis to $417 PSF in 2014, from $401 PSF in 2013. The average Streeterville three-bedroom condo is now nearly $500 PSF, with market topping sales in the $700s PSF.

In a somewhat unusual development, months supply of inventory in Streeterville was higher, year over year, in almost every month in 2014. Granted the number of homes for sale increased. But we saw MSI drop in other neighborhoods despite that increase. Average market time for the neighborhood was 102 days — the 2nd highest among @report neighborhoods.

As the PSF required to make new Streeterville condos viable keeps going up, apartments keep winning out with developers. In fact, we recently advised a developer *not* to build condos on a site in Streeterville because we thought it was too risky given the pricing needed to cover high construction costs and the slim margin for error presented by the site in question. This poses a unique challenge, because Streeterville has yet to prove itself on a consistent basis as a top-tier market, pricewise.

Prior to the crash, we were hitting some pretty lofty numbers with Chicago Spire pre-sales, but that was an iconic, one of a kind project with broad international appeal. Related took over the Spire site late last year, and will almost certainly reprogram this prime location for a more local market. The only other prominent site in the Streeterville pipeline, 451 East Grand, is also controlled by Related. And it may give us a clue as to which direction the Spire site — as well as the neighborhood in general – could evolve.

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With a sophisticated Park Avenue design by New York architect Robert A.M. Stern, 451 East Grand is set to get 100 condos and 250 apartments. It also features a very neighborly new 1.7 acre park designed by Michael Van Valkenburgh & Associates, the landscape architect of both Maggie Daley Park and The 606. After years with no new inventory in this neighborhood, 100 units could sell very quickly, and will most likely set a new high-water mark for the neighborhood on a PSF basis.

But what about more marginal sites, like those that sit mid-block or have limited view corridors? Can $700+ PSF be achieved in these locations? Again, that will be a matter of inspired programming — the right design, the right product mix, the right amenities and perhaps a mix of uses.

The competition from apartments is intensifying with over 2,250 new units coming online in addition to the inventory that has been added in the last couple of years. Look for concessions to continue and lease-ups to be challenging.

Streeterville is no slam dunk when it comes to new condo development. Risks abound, from high land costs and challenging sites to heated competition from apartment developers. Given its proximity to the lake, Michigan Avenue and the Loop, Streeterville will always be a desirable location — but at what price? The current math puts a premium on both an excellent site and product. But could the intense apartment competition begin to favor well-programmed condo developments more broadly? We shall see.

CLOSED INVENTORY
2014 vs 2013

	2013 PSF	2013 #TRANS	2014 PSF	2014 #TRANS	2014 vs 2013 %Change PSF	2014 vs 2013 %Change #
Attached All - Summary	**$401.00**	**444**	**$417.00**	**377**	**4%**	**-15%**
Attached All - 1 BR	$345.00	213	$337.00	170	-2%	NA
Attached All - 2BR	$399.00	155	$418.00	131	5%	NA
Attached All - 3+ BR	$475.00	57	$496.00	59	4%	NA
Attached New - Summary	**$527.00**	**9**	**NA**	**0**	**NA**	**-100%**
Attached New - 1 BR	$464.00	2	NA	0	NA	-100%
Attached New - 2BR	$491.00	6	NA	0	NA	-100%
Attached New - 3 BR	$699.00	1	NA	0	NA	-100%
Attached Resale Summary	**$398.00**	**416**	**$417.00**	**360**	**5%**	**NA**
Attached Resale - 1 BR	$343.00	211	$337.00	170	-2%	NA
Attached Resale - 2 BR	$395.00	149	$418.00	131	6%	NA
Attached Resale - 3 BR	$470.00	56	$496.00	59	6%	NA

In the row "Attached All Summary," the number of transactions refers to the total number of closings in the MLS for that search area – whether or not square footage could be determined. This number is provided to give readers a true gauge of transaction activity. In all other rows, the number of transactions refers only to those listings for which square footage could be ascertained.

CLOSED INVENTORY
BY QUARTER

	1Q 2014	1Q 14vs13	2Q 2014	2Q 14vs13	3Q 2014	3Q 14vs13	4Q 2014	4Q 14vs13
Closed All - Summary	**$414**	**12%**	**$420**	**1%**	**$429**	**6%**	**$399**	**0%**
Closed All - 1 BR	$324	2%	$340	-4%	$354	1%	$323	-8%
Closed All - 2BR	$424	13%	$411	-2%	$425	6%	$415	4%
Closed All - 3+ BR	$477	3%	$546	-2%	$489	3%	$463	3%
Closed New - Summary	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
Closed New - 1 BR	NA	NA	NA	NA	NA	NA	NA	NA
Closed New - 2BR	NA	NA	NA	NA	NA	NA	NA	NA
Closed New - 3 BR	NA	NA	NA	NA	NA	NA	NA	NA
Closed Resale - Summary	**$424**	**16%**	**$426**	**4%**	**$429**	**6%**	**$399**	**0%**
Closed Resale - 1 BR	$324	2%	$340	-4%	$354	-8%	$323	-7%
Closed Resale - 2 BR	$424	16%	$411	0%	$425	7%	$415	4%
Closed Resale - 3 BR	$477	3%	$546	12%	$489	3%	$463	3%

CLOSED INVENTORY

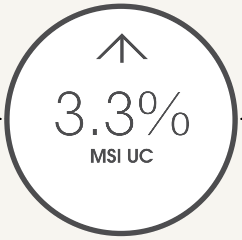
NUMBER OF TRANSACTIONS BY QUARTER

	1Q 14vs13	2Q 14vs13	3Q 14vs13	4Q 14vs13
Attached All - Summary	**-17%**	**-12%**	**-35%**	**14%**
Closed All - 1 BR	-35%	10%	-45%	8%
Closed All - 2BR	-12%	-44%	-27%	32%
Closed All - 3+ BR	57%	220%	-13%	-8%
Attached New - Summary	**NA**	**NA**	**-100%**	**-100%**
Closed New - 1 BR	NA	NA	-100%	-100%
Closed New - 2BR	NA	NA	-100%	NA
Closed New - 3 BR	NA	NA	NA	NA
Attached Resale - Summary	**-15%**	**-10%**	**-33%**	**15%**
Closed Resale - 1 BR	-35%	10%	-44%	11%
Closed Resale - 2 BR	-4%	-34%	-23%	32%
Closed Resale - 3 BR	57%	23%	-13%	-8%

AVERAGE DOM CLOSED

102

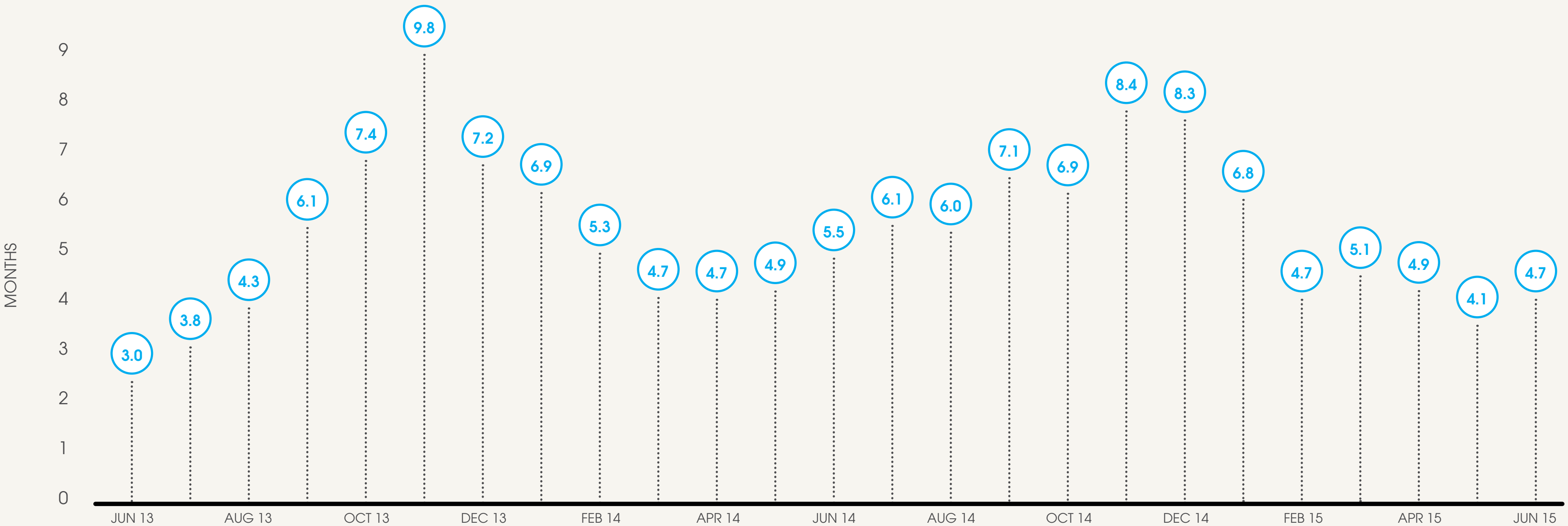
STREETERVILLE



MARKET DYNAMICS

MONTHS SUPPLY OF INVENTORY - UC CALCULATION
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION: MSI-UC

MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
0.01	0.14	0.19	3.27

STREETERVILLE

30.8%
FOR SALE

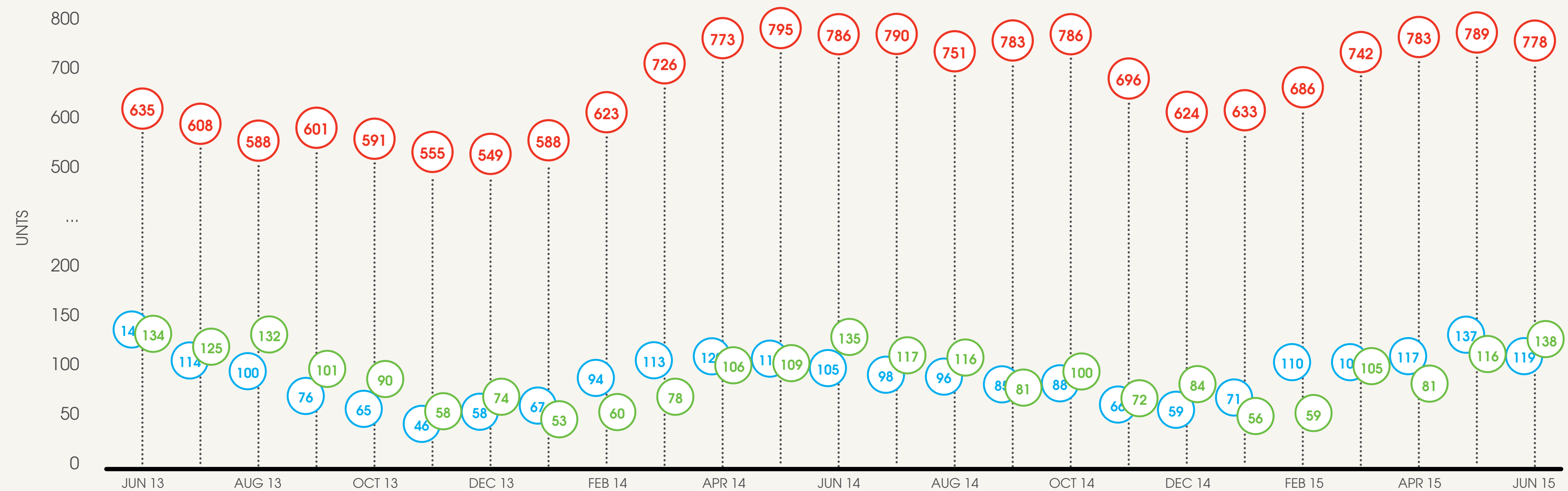
16.5%
UNDER CONTRACT

-8.3%
SOLD

MARKET DYNAMICS

SUPPLY AND DEMAND - NUMBER OF UNITS (FC, UC, SOLD)
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION:

	MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
FOR SALE	7.67	1.28	184.15	30.78
UNDER CONTRACT	0.60	0.69	14.47	16.50
SOLD	-0.34	-0.35	-8.23	-8.28

LINCOLN PARK

LINCOLN PARK

What a difference three years makes. When we first started having pricing conversations with Sandz Development in 2012 about their Webster Square project, a target price for condominiums in the mid $500s PSF actually made us a little nervous given the state of the market. While pending sales at Lincoln Park 2550, the neighborhood's flagship, were in the mid to high $600s PSF at the time, all other new-construction in the neighborhood was sitting in the mid to high $300s. We knew Webster fit somewhere in the middle, but it was tough to know exactly where. After all, Lincoln Park new construction was about as uncommon as G-rated language at Wiener's Circle.

Over the next two years, condo inventory in the neighborhood got progressively tighter, helping to boost pricing. Ironically, this is benefitting projects like Webster Square and the Children's Memorial Hospital redevelopment, both of which have dealt with delays. Sometimes time actually is on your side.

Average condo pricing in Lincoln Park rose a healthy 13% last year on a PSF basis. But new-construction pricing actually was down 3% per square foot. The fall-off occurred because Lincoln Park 2550 made up a smaller percentage of new-construction closings. In fact new-construction unit volume more than doubled last year to 67 units from 33 the year before.

To get an apples-to-apples comparison on low-rise new-construction in the neighborhood, we took a look at typical middle-floor, 2-bedroom/2-bath simplex units in new three flats. In these units, pricing was up 9.4% year over year to $465 PSF. In 2013, one of these units sold above $500 PSF. Last year, seven did — and two of those topped $600 PSF.

All of this bodes well for Webster Square, which we perceive as an answer to a dramatically underserved middle market. With PSF pricing in the mid $500s, the project is looking like a great value compared to new construction and adaptive reuse elsewhere on the North Side. In many of those projects, the focus is on low density with big floor plans and pricing more along the lines of 2550. But the middle market has largely been ignored — and this is about to get tested.


© Jorge Gera

Webster Square isn't the only new-construction in the neighborhood. Another new project is 1615 North Burling Street, which offers 15 units ranging from the high $500s to $700s PSF.

Finally Children's is another possibility for new condo development. At a recent Homebuilders Association panel discussion, Dan McCaffery of McCaffery Interests talked about the need to be flexible on larger projects in case the market throws you a curveball. McCaffery reportedly has been exploring options for a 30- to 60-unit condo building in addition to the 600+ apartments and 100,000 square feet of retail at Children's. If the demand tips away from apartments, one might expect more condos.

Like many of the other neighborhoods we've studied, moving middle-market buyers out of high-end rentals or existing homes will take impeccable programming — from smart floor plans and original finishes to valued amenities.

CLOSED INVENTORY
2014 vs 2013

	2013 PSF	2013 #TRANS	2014 PSF	2014 #TRANS	2014 vs 2013 %Change PSF	2014 vs 2013 %Change #
Attached All - Summary	**$316.00**	**1150**	**$357.00**	**1186**	**13%**	**3%**
Attached All - 1 BR	$256.00	205	$305.00	165	19%	-20%
Attached All - 2BR	$303.00	321	$330.00	303	9%	-6%
Attached All - 3+ BR	$340.00	274	$384.00	290	13%	6%
Attached New - Summary	**$580.00**	**56**	**$563.00**	**104**	**-3%**	**86%**
Attached New - 1 BR	$537.00	1	$556.00	10	4%	900%
Attached New - 2BR	$520.00	22	$581.00	27	12%	23%
Attached New - 3 BR	$601.00	33	$560.00	67	-7%	103%
Attached Resale Summary	**$287.00**	**744**	**$314.00**	**654**	**9%**	**-12%**
Attached Resale - 1 BR	$253.00	204	$281.00	155	11%	-24%
Attached Resale - 2 BR	$287.00	299	$305.00	276	6%	-8%
Attached Resale - 3 BR	$297.00	241	$328.00	223	10%	-7%

In the row "Attached All Summary," the number of transactions refers to the total number of closings in the MLS for that search area – whether or not square footage could be determined. This number is provided to give readers a true gauge of transaction activity. In all other rows, the number of transactions refers only to those listings for which square footage could be ascertained.

CLOSED INVENTORY
BY QUARTER

	1Q 2014	1Q 14vs13	2Q 2014	2Q 14vs13	3Q 2014	3Q 14vs13	4Q 2014	4Q 14vs13
Closed All - Summary	**$377**	**20%**	**$341**	**21%**	**$376**	**12%**	**$361**	**8%**
Closed All - 1 BR	$294	25%	$313	28%	$325	22%	$275	3%
Closed All - 2BR	$330	20%	$316	9%	$335	11%	$343	2%
Closed All - 3+ BR	$404	13%	$362	27%	$409	9%	$388	11%
Closed New - Summary	**$508**	**-12%**	**$528**	**50%**	**$628**	**-5%**	**$640**	**8%**
Closed New - 1 BR	$503	NA	$528	NA	$654	NA	$451	-16%
Closed New - 2BR	$508	48%	$604	-5%	$566	2%	$728	34%
Closed New - 3 BR	$509	-21%	$513	55%	$639	-6%	$630	0%
Closed Resale - Summary	**$335**	**26%**	**$310**	**13%**	**$323**	**7%**	**$316**	**7%**
Closed Resale - 1 BR	$274	16%	$285	16%	$293	10%	$268	4%
Closed Resale - 2 BR	$292	10%	$397	43%	$314	7%	$317	5%
Closed Resale - 3 BR	$361	30%	$325	16%	$336	5%	$325	7%

CLOSED INVENTORY
NUMBER OF TRANSACTIONS BY QUARTER

	1Q 14vs13	2Q 14vs13	3Q 14vs13	4Q 14vs13
Attached All - Summary	**30%**	**-3%**	**-18%**	**-1%**
Closed All - 1 BR	-16%	-13%	-26%	-21%
Closed All - 2BR	36%	-2%	-26%	1%
Closed All - 3+ BR	71%	2%	-2%	12%
Attached New - Summary	**167%**	**155%**	**82%**	**13%**
Closed New - 1 BR	NA	NA	NA	0%
Closed New - 2BR	125%	50%	100%	-60%
Closed New - 3 BR	175%	157%	54%	160%
Attached Resale - Summary	**14%**	**-10%**	**-25%**	**-3%**
Closed Resale - 1 BR	-18%	-20%	-30%	-24%
Closed Resale - 2 BR	25%	-4%	-30%	12%
Closed Resale - 3 BR	43%	-11%	-12%	-2%

AVERAGE DOM CLOSED

66

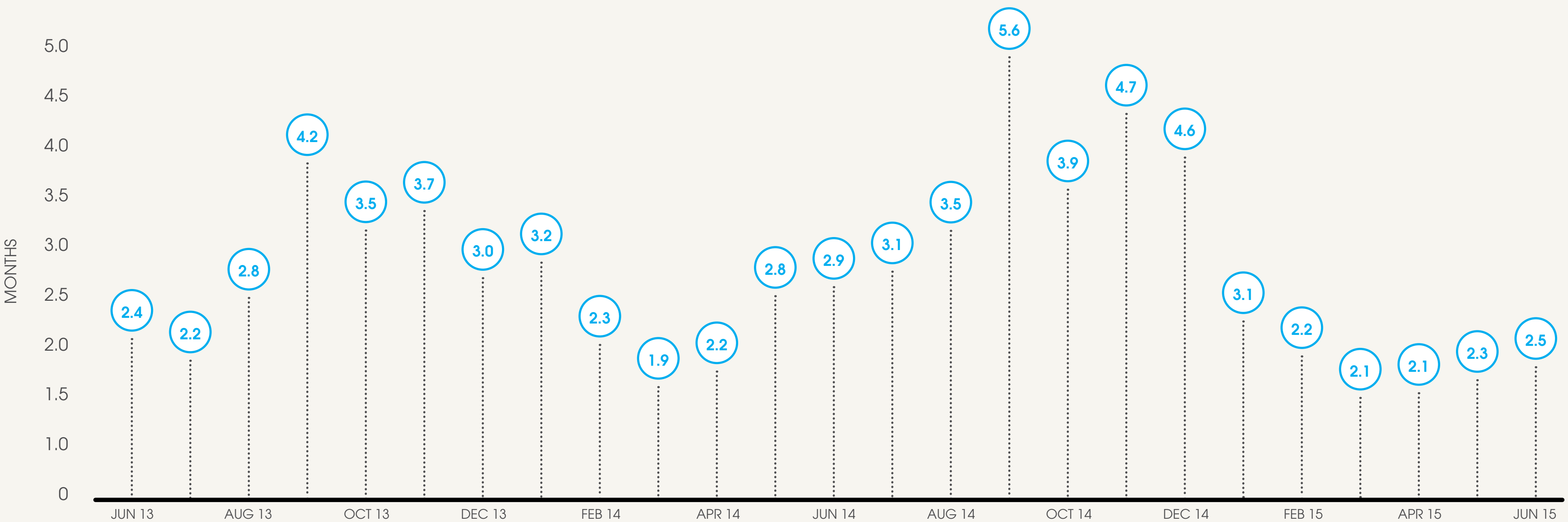
LINCOLN PARK

-0.9%
MSI UC

MARKET DYNAMICS

MONTHS SUPPLY OF INVENTORY - UC CALCULATION
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION: MSI-UC

MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
0.00	-0.04	-0.03	-0.91

LINCOLN PARK

30.5% FOR SALE

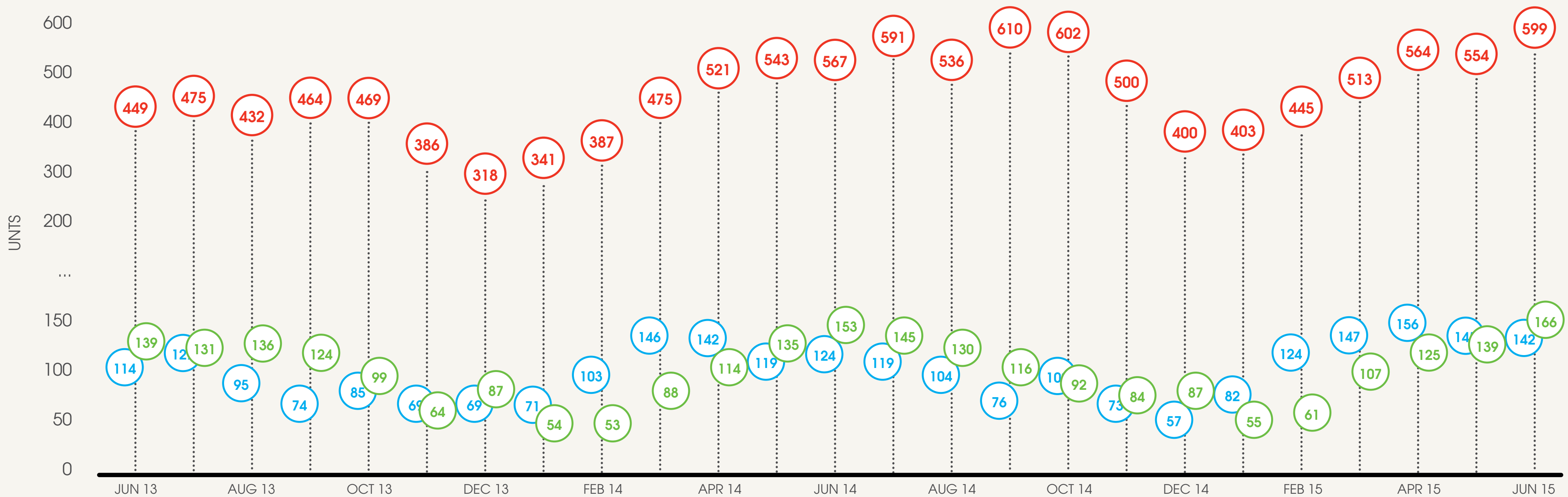
38.3% UNDER CONTRACT

3.5% SOLD

MARKET DYNAMICS

SUPPLY AND DEMAND - NUMBER OF UNITS (FC, UC, SOLD)
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION:

	MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
FOR SALE	5.36	1.27	128.58	30.51
UNDER CONTRACT	1.42	1.60	34.19	38.29
SOLD	0.15	0.15	3.71	3.51

LAKEVIEW

LAKEVIEW

The recession halted new condominium development just about everywhere in Chicago for a good eight years. But what happens when a prime North Side neighborhood sees no new large-scale condo development for a decade and a half or more? That's the case in Lakeview, where you'd be hard-pressed to identify new condo developments of more than a dozen units built since the new millennium. Development is no easy proposition in this neighborhood.

But finally developers are starting to look at prime sites and ask some interesting questions. How deep is the Lakeview luxury market? What price points can be captured? What type of product is in demand? Of course, the crystal ball has accumulated a lot of dust, so answers are hard to come by. The dearth of data is just one of the many challenges developers eyeing Lakeview face. But we think a handful of big opportunities exist for visionary developers who can solve the product puzzle and find a little bit of luck as well.

Lakeview pricing was up just 3% on a PSF basis in 2014 to $253, after double-digit growth in 2013. New construction pricing dropped 8% year-over-year to $328 PSF. We attribute the decline to the inventory that was available in the marketplace and not to any type of weakness or lack of demand.

In fact, Lakeview condo inventory has tightened considerably since last year, averaging only around 2.5 months through the first six months of 2015. Unit volume for all condos in 2014 was down 8% from 2013. New construction condo sales dropped even further by 17%. Newer and rehabbed condominiums go under contract almost immediately upon hitting the market…if they make it to the open market at all.

But for any type of new high-rise condo construction to occur in Lakeview – and we've looked at real plans with real developers – pricing is going to have to set a new precedent. New-construction pricing of, say, $550 to $600 PSF is a quantum leap from existing high-rise price levels in the neighborhood. In fact, only one condominium in all of Lakeview (1,613 transactions) topped $500 PSF. However, as we mentioned in our report on emerging luxury neighborhoods on page 8, a lack of growth data doesn't always indicate lack of growth opportunity.

New construction condo sales are almost exclusively walk up 3-flat product. When we dig deeper and look at the average two-bedroom, two-bath, middle-floor unit, they actually rose in value by 8% to $429 PSF last year. Units in prime locations are selling in the high $400s PSF, though admittedly they are few and far between. It's reminiscent of what we found in Lincoln Park with Webster Square, minus a comp on the high end (2550 N. Lakeview).

New construction single-family home sales is really where the action is with unit volume up 12% in 2014. Luxury single-family product is an easy win lately and further dampens multi-family lot availability creating even more unmet demand for those seeking condos.

Of all Chicago neighborhoods, Lakeview has perhaps the finest natural amenities, some of the city's best public elementary schools, great access to public transportation and every convenience imaginable. It also has a large base of affluent residents. One would assume at least a small percentage of them would want to stay in the neighborhood rather than pull up stakes and move south for new-construction finishes and modern amenities. As the exploration of future high-end condo development in the neighborhood continues, we look forward to gathering more information from our brokers about where – product- and price-wise – that market exists and how deep it is.

CLOSED INVENTORY

2014 vs 2013

	2013 PSF	2013 #TRANS	2014 PSF	2014 #TRANS	2014 vs 2013 %Change PSF	2014 vs 2013 %Change #
Attached All - Summary	**$246.00**	**1761**	**$253.00**	**1613**	**3%**	**-8%**
Attached All - 1 BR	$205.00	404	$223.00	363	9%	-10%
Attached All - 2BR	$252.00	613	$259.00	411	3%	-33%
Attached All - 3+ BR	$255.00	407	$263.00	290	3%	-29%
Attached New - Summary	**$358.00**	**46**	**$328.00**	**37**	**-8%**	**-20%**
Attached New - 1 BR	NA	0	NA	0	NA	NA
Attached New - 2BR	$395.00	23	$429.00	6	9%	-74%
Attached New - 3 BR	$336.00	23	$318.00	31	-5%	35%
Attached Resale Summary	**$241.00**	**1378**	**$247.00**	**1027**	**2%**	**-25%**
Attached Resale - 1 BR	$205.00	404	$223.00	363	9%	-10%
Attached Resale - 2 BR	$247.00	590	$255.00	401	3%	-32%
Attached Resale - 3 BR	$250.00	384	$254.00	263	2%	-32%

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CLOSED INVENTORY
BY QUARTER

	1Q 2014	1Q 14vs13	2Q 2014	2Q 14vs13	3Q 2014	3Q 14vs13	4Q 2014	4Q 14vs13
Closed All - Summary	**$255**	**10%**	**$255**	**4%**	**$253**	**2%**	**$254**	**0%**
Closed All - 1 BR	$232	26%	$218	8%	$225	5%	$220	3%
Closed All - 2BR	$288	23%	$268	7%	$245	-6%	$256	0%
Closed All - 3+ BR	$273	10%	$254	0%	$271	7%	$264	1%
Closed New - Summary	**$377**	**11%**	**$247**	**-34%**	**$354**	**4%**	**$376**	**0%**
Closed New - 1 BR	*$389*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Closed New - 2BR	*$450*	*14%*	*NA*	*NA*	*$364*	*NA*	*$448*	*8%*
Closed New - 3 BR	*$353*	*14%*	*$247*	*-33%*	*$353*	*4%*	*$370*	*3%*
Closed Resale - Summary	**$242**	**10%**	**$252**	**4%**	**$248**	**0%**	**$246**	**0%**
Closed Resale - 1 BR	$227	23%	$218	8%	$225	5%	$220	3%
Closed Resale - 2 BR	$274	25%	$265	8%	$244	-6%	$253	0%
Closed Resale - 3 BR	$253	7%	$250	5%	$262	4%	$250	-2%

CLOSED INVENTORY

NUMBER OF TRANSACTIONS BY QUARTER

	1Q 14vs13	2Q 14vs13	3Q 14vs13	4Q 14vs13
Attached All - Summary	**-17%**	**-33%**	**-21%**	**-22%**
Closed All - 1 BR	**80%**	**-36%**	**-28%**	**-9%**
Closed All - 2BR	**-58%**	**-35%**	**-12%**	**-34%**
Closed All - 3+ BR	**-51%**	**-27%**	**-24%**	**-15%**
Attached New - Summary	**-48%**	**-36%**	**900%**	**-10%**
Closed New - 1 BR	NA	NA	NA	NA
Closed New - 2BR	-60%	NA	NA	-75%
Closed New - 3 BR	-45%	80%	800%	33%
Attached Resale - Summary	**-14%**	**-33%**	**-23%**	**-22%**
Closed Resale - 1 BR	79%	-36%	-28%	-9%
Closed Resale - 2 BR	-58%	-33%	-13%	-33%
Closed Resale - 3 BR	-52%	-31%	-31%	-19%

AVERAGE DOM CLOSED

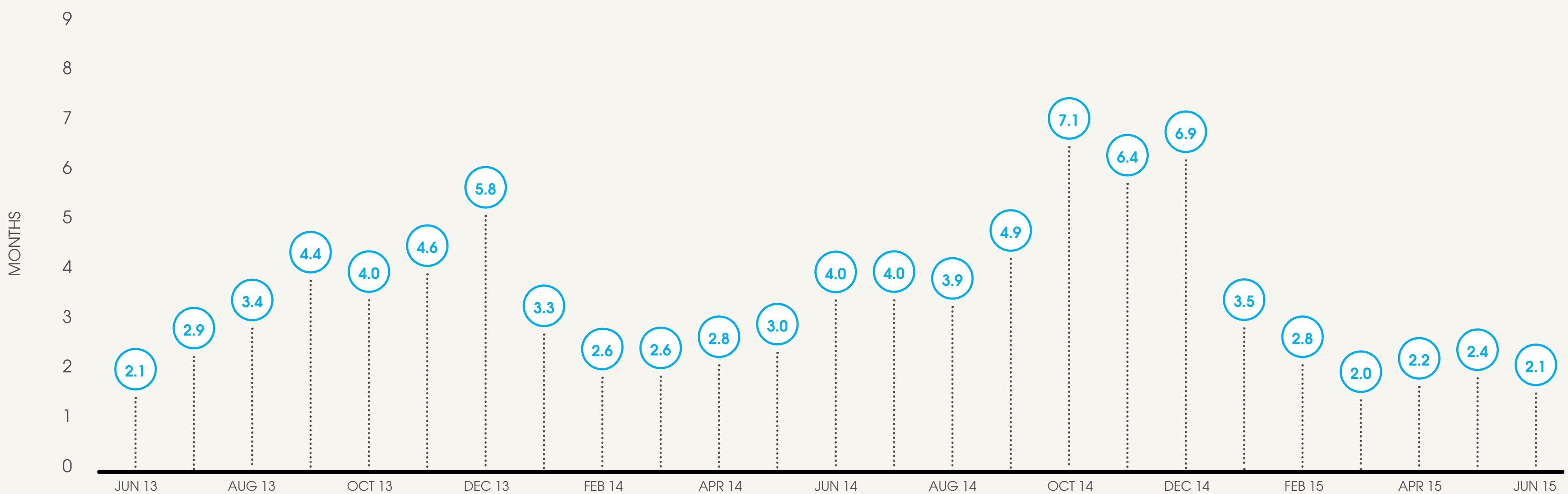
75

-2.8%
MSI UC

MARKET DYNAMICS

MONTHS SUPPLY OF INVENTORY - UC CALCULATION
JUNE 2013 – JUNE 2015

Source Broker Metrics®



KEY INFORMATION: MSI-UC

MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
0.00	-0.12	-0.11	-2.85

LAKEVIEW

27.5% FOR SALE

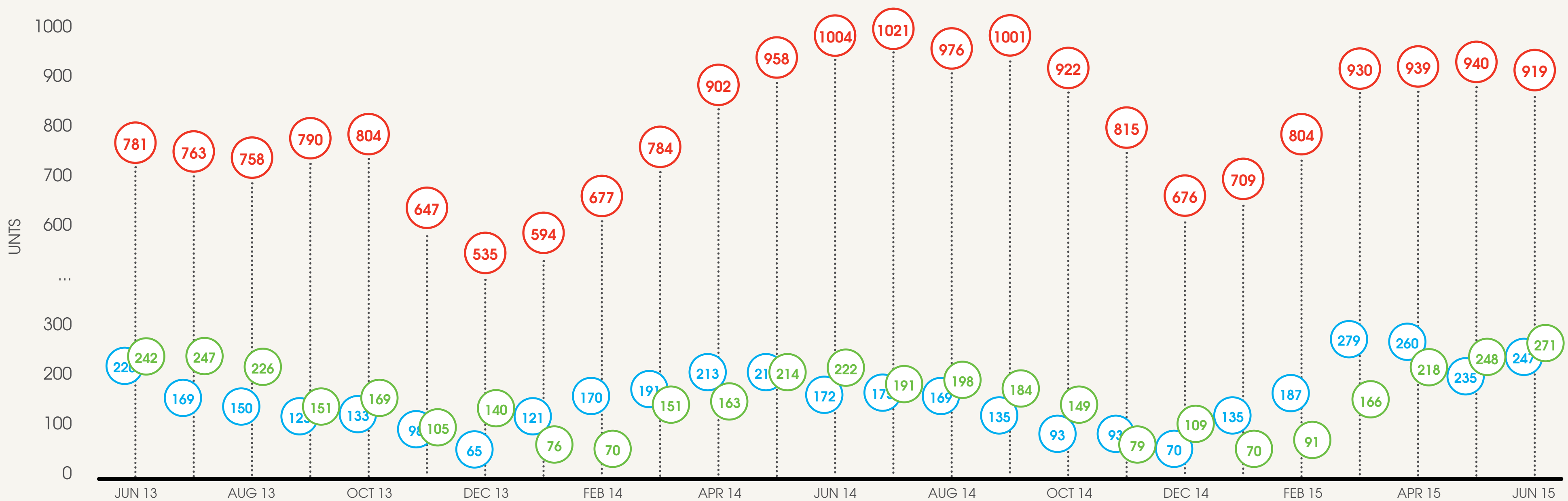
49.2% UNDER CONTRACT

0.1% SOLD

MARKET DYNAMICS

SUPPLY AND DEMAND - NUMBER OF UNITS (FC, UC, SOLD)
JUNE 2013 – JUNE 2015

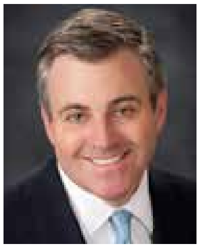
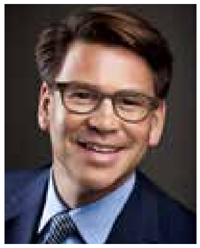
Source Broker Metrics®



KEY INFORMATION:

	MONTHLY CHANGE	MONTHLY %	TOTAL CHANGE	TOTAL % CHANGE
FOR SALE	8.31	1.14	199.45	27.47
UNDER CONTRACT	2.71	2.05	64.95	49.18
SOLD	0.01	0.00	0.16	0.10

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 15 years, the company has grown into Chicago's largest residential brokerage firm, the largest independent brokerage firm in Illinois, and one of the top 12 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 Apartments and Webster Square Condominiums in Lincoln Park; 850 Lake Shore Drive Apartments in Streeterville; and R+D 659 and 565 West Quincy 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 $25 billion. @properties has more than 1,900 licensed brokers and 18 offices throughout the city of Chicago, surrounding suburbs, Southwest Michigan and Southeast Wisconsin.

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

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