



TRACY CROSS & ASSOCIATES, INC.

**RESIDENTIAL MARKET ANALYSIS
ELM STREET APARTMENTS
-- AN UPDATE --
WINNETKA, ILLINOIS**

TO: Mr. Josh Wohlreich
Stoneleigh Companies

FROM: Ms. HollyAnn Eageny
Tracy Cross & Associates, Inc.

SUBJECT: Luxury Rental Apartment Development
Winnetka, Illinois

DATE: April 20, 2015

At the request of Stoneleigh Companies, Tracy Cross & Associates, Inc. conducted selected research services to assess the marketplace relative to Stoneleigh Companies' proposed *Elm Street* mixed-use luxury apartment community to be located at the southeast intersection of Elm Street and Lincoln Avenue in downtown Winnetka, Illinois. This memorandum highlights the current state of the market and relevant changes which have occurred since our initial March 2014 analysis.

***Elm Street
Apartments***

As conceptualized, Elm Street Apartments will consist of 113 luxury apartment homes distributed among two (2) six-story, mixed-use buildings developed over a podium parking structure to include 129 *private* subterranean parking spaces for residents. This translates to a *private enclosed* parking ratio of 1.14 to one residential unit. Preliminary design concepts envision approximately 32,790 square feet of restaurant and retail space at plaza level, 15,490 square feet of retail and/or office space on the second floor, an approximate 7,200 square foot private amenity center, and 120,000+/- *net leasable* residential square feet. Three additional municipal subterranean garages will facilitate additional commuter, public and guest parking for another 317 cars.

Reflecting energy-efficient construction technologies and enhanced with a variety of masonry elevation treatments, the development will reflect an urban architectural design aesthetic complimentary to its downtown Winnetka environs. Community amenities are expected to include, at a minimum, a motor court entrance to a well-appointed reception lobby, separate mail/package center, a resident business center, some level of concierge services, a club room with catering kitchen and areas for social gatherings, central bicycle storage, a fully-

equipped fitness center and rooftop terraces with swimming pool, fireside lounge and grilling area, along with appropriate hardscape. This community center will also facilitate leasing and management offices.

As summarized in the following table, a variety of plan styles are envisioned primarily reflecting one bedroom plus den one and one and one-half bath and two bedroom two bath designs extending from 850 to 1,250 square feet, along with penthouse units providing between 1,200 and 1,900 square feet of living area and featuring two bedroom, two bedroom plus den and three bedroom two bath plans, along with a three bedroom plus den, two and one-half bath option. All conceptualized unit sizes are *exclusive* of balcony or terrace. Overall, Elm Street Apartments is expected to provide 120,000 net leasable square feet, with the average apartment residence offering 1,062 square feet of living area.



**A PROTOTYPE APARTMENT MATRIX: ELM STREET APARTMENTS
-- 113-UNIT PROTOTYPE --**



Plan Designation	Total Units	Percent of Total	Bedrooms/ Baths	Net Rentable Square Feet	
				Per Unit	Total
A-1	24	21.2	1+Den / 1.0	850	20,400
A-2	36	31.9	1+Den / 1.5	950	34,200
B-1	15	13.3	2 / 2.0	1,000	15,000
B-2	9	8.0	2 / 2.0	1,050	9,450
B-3	9	8.0	2 (Dbl Mbr) / 2.0	1,250	11,250
PH-1A	4	3.5	2 / 2.0	1,200	4,800
PH-1B	6	5.3	2 (Dbl Mbr) / 2.0	1,350	8,100
PH-2	4	3.5	2+Den / 2.0	1,500	6,000
PH-3	4	3.5	3 / 2.0	1,750	7,000
PH-4	2	1.8	3+Den / 2.5	1,900	3,800
Total/Average:	113	100.0	—	1,062	120,000

Source: Tracy Cross & Associates, Inc.



All apartments are expected to feature an enhanced level of interior appointments commensurate with higher-quality new construction apartment development. These include laminate wood flooring throughout the main living area, stainless steel kitchen appliances, granite countertops/islands, full-size in-unit washer and dryer, walk-in closets in all master bedrooms, ceramic tile baths, and internet and cable television connectivity, and some level of in-unit storage. It is expected that the resident will be responsible for all utilities.



Construction of Elm Street Apartments is expected to commence in the late-2015, in anticipation of *phased occupancies* beginning in the spring of 2017.

Conclusion

Based upon a thorough analysis of the current marketplace, Tracy Cross & Associates, Inc. *affirms* its conclusion that Elm Street Apartments represents a viable development opportunity. This conclusion is based upon the subject property's **excellent** location anchoring the new Lincoln Avenue promenade, just steps from METRA and also proximate to a wealth of regional employment, dining, shopping, healthcare and entertainment; the expectation of improving economic conditions during the 2015-2020 forecast period; the expected high levels of interior appointments and amenities to be provided by the new construction alternative; and, most importantly, strong sustaining demand for new construction rental alternatives in the marketplace. These factors are summarized as follows:

- Our conclusion is based, in part, upon Winnetka's proximity to significant sources of employment. As shown in the following table, for example, Winnetka is within a 30-minute drive time of some 1.58 million private sector jobs, representing nearly one-half of total private sector employment in the six-county Chicago metropolitan region. While the region as a whole has been slow to recover from the recent recession, in 2014, private sector employment in the six-county Chicago region totaled 3,381,175, reflecting the addition of 248,124 jobs since 2010 or an annual growth rate of 1.9 percent. Areas serving Winnetka accounted for roughly one-third of private sector payroll additions or 81,268 jobs, translating to a modestly lower annual growth rate of 1.3 percent, but nonetheless indicating that Elm Street Apartments will enter the market at a time of improving economic conditions which will initially create a positive influence upon the rental sector and, as consumer confidence is restored over time, ultimately extend to ownership components.



**TRENDS IN PRIVATE SECTOR EMPLOYMENT
AREAS INCLUDING AND PROXIMATE TO WINNETKA
2000 - 2014**



Area	Total Private Sector Employment				Average Annual Change		
	2000	2005	2010	2014	2000 - 2005	2005 - 2010	2010 - 2014
Six-County Chicago Metro Area⁽¹⁾	3,487,542	3,333,380	3,133,051	3,381,175	-30,832	-40,066	62,031
Within a 30-Minute Commute of Winnetka:	1,683,682	1,588,781	1,500,096	1,581,365	-18,980	-17,737	20,317
City of Chicago ⁽²⁾	835,223	763,225	736,711	783,380	-14,400	-5,303	11,667
North Suburban Cook County	190,345	178,420	173,945	180,866	-2,385	-895	1,730
Northwest Suburban Cook County	480,696	436,540	394,999	405,859	-8,831	-8,308	2,715
Lake County ⁽³⁾	177,418	210,596	194,441	211,260	6,636	-3,231	4,205

(1) Includes Cook, DuPage, Kane, Lake, McHenry, and Will counties in Illinois.
(2) Includes Central Business District, Outer Business Ring, North District, Northwest District and West Central District.
(3) Includes Buffalo Grove, Deerfield, Gurnee, Highland Park, Lake Bluff, Lake Forest, Lake Villa, Lake Zurich, Libertyville, Lincolnshire, Long Grove, Mundelein, North Chicago, Vernon Hills and Waukegan.

Source: Illinois Department of Employment Security: *Where Workers Work 2015*

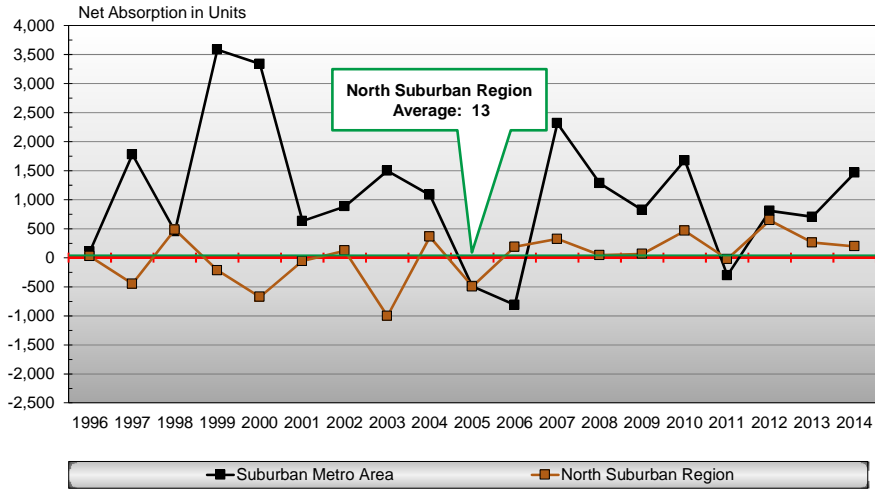
- Rental housing demand in the North Shore Market Area will average a sustained volume of 300 units yearly during the 2015-2020 forecast period, representing more than sufficient support for the proposed development. This rental construction forecast reflects stabilization in tenure shifts given tighter home purchase requirements, replacement demand a result of the overall age and condition of much of the market area's existing rental stock, and a 5.0 to 6.0 percent vacancy allowance to facilitate movement in the marketplace merely to maintain market equilibrium. Most importantly, given years of pent-up demand and the overall lack of new construction of late, demand potentials could *double during any given year if supply were made available and competitive rental rates were maintained.*

- To this point, as illustrated, absorption among newer (post-1985) apartment projects in the region's north suburban area (which includes the North Shore Market Area) has averaged just 13 units yearly since 1995 reflecting significant conversion of former rental properties to ownership forms, exacerbated by the definitive lack of new rental housing construction. While the pattern of rental conversion to ownership ceased amid the downturn in the housing market, the general lack of new construction has continued to weigh heavily upon this localized marketplace. Over the last four years, however, net absorption in the north suburban region has averaged 419 units annually, reflecting increased occupancies among existing post-1985 developments and, most recently, absorption of new units at Midtown Square and Tapestry in Glenview and The Oaks in Vernon Hills.



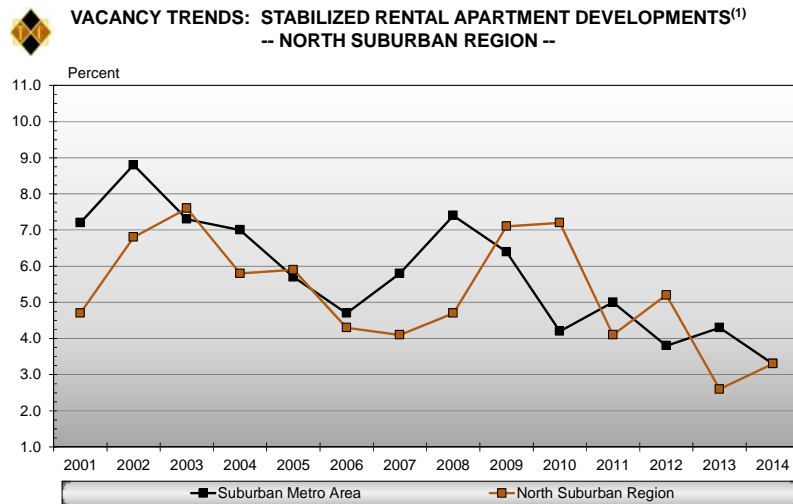


NET ABSORPTION: POST-1985 RENTAL APARTMENT DEVELOPMENTS
-- NORTH SUBURBAN REGION --



Source: Tracy Cross & Associates, Inc.

□ As detailed in our March 2014 analysis, the overall lack of new construction has also had a dramatic impact upon vacancies throughout the marketplace. Specifically, suburban vacancies among stabilized developments fell from a high of 8.8 percent in 2002 to a relatively balanced 4.7 percent by the close of 2006. In tandem with advancing rents and the impact of the recession, vacancies began to move upward again in 2007, reaching the 7.4 percent market in 2008. Notably, by the close of 2011, rent concessions and discounts, coupled with continued upheaval and uncertainty in the for sale sector saw suburban-wide vacancies settle at 5.0 percent, reflective of market balance. As illustrated in the following graphic, the North Suburban Region generally maintained market balance during the 2001-2006 timeframe with vacancies hovering at the 6.0 percent mark. However, the north suburban area was sharply impacted by the severe economic downturn between 2007 and 2009, with vacancies quickly rising past the 7.0 percent mark. Improving economic conditions over the last 24 months have again resulted in tightening vacancies as evidenced by an overall stabilized vacancy rate of 3.8 percent suburban-wide and a strained 3.3 percent in the northern suburbs, reflecting among the *lowest levels seen in more than a decade*.



(1) Excludes programs in initial stages of absorption.

Source: Tracy Cross & Associates, Inc.

- **Exhibit 1** provides a composite summary of eight newer apartment developments of scale in the more localized North Shore area which are viewed as Elm Street Apartment’s most direct sources of competitive substitution. These include selected, primarily higher-density and/or mixed-use developments in Deerfield, Glenview, and Vernon Hills. *Excluded* from statistics presented in Exhibit 1 is *Woodview* in Deerfield which opened in 2015 and is identified for comparative purposes only.
- Consistent with trends in the marketplace as a whole, overall vacancies among the five stabilized newer developments remain tight, with 24 units unoccupied in December 2014 reflecting a vacancy factor of 3.3 percent. Consistent with the stabilized vacancy rate of 3.2 percent noted in December 2013, current tight conditions lend further support to the potential success of Elm Street Apartments.
- Exhibit 1 also reveals that *posted base* asking rents among the eight newer developments currently average \$2,047 monthly for a 1,055 square foot apartment home. This translates to a value ratio of \$1.94 per square foot. While posted base rents remain significantly above the \$1.51 per square foot value noted among much older apartment developments throughout the north suburban region as a whole, it is important to note that current rental rates are largely attributed to the three new construction developments which opened in the latter half of 2014. Among the five *stabilized* higher-density direct competitors, for example, rent growth over the last twelve months has been minimal, with the \$1.85 per square foot average noted in December 2014 only 1.1 percent higher than the \$1.83 per square foot average noted one year earlier. Further, the tight market conditions have yet to warrant significant lease incentives and/or roll-backs, with the typical discounts reflected in special rates for enclosed parking or waiving of application fees on a 12- or 13-month lease.





**COMPOSITE SUMMARY: DIRECT COMPETITORS
NORTH SHORE CMA - DECEMBER 2014**

Area/Municipality/ Development	Year Built/ Renovated	Number of Units	Number Vacant	Percent Vacant	Average Unit Size (Sq. Ft.)	Rent Characteristics					Stabilized Developments ⁽¹⁾		
						Average Posted December 2013	December 2014		Average Effective	Number of Units	Number Vacant	Percent Vacant	
							Average Posted	Average Effective					
						\$	\$/Sq.	\$	\$/Sq. Ft.				
Market Area Totals/Averages	---	1,466	667	45.5	1,055	\$2,130	\$2,047	\$1.94	\$2,047	\$1.94	728	24	3.3
Deerfield	---	56	0	0.0	1,082	\$2,196	\$2,235	\$2.07	\$2,235	\$2.07	56	0	0.0
Deerfield Village Centre	2000	56	0	0.0	1,082	2,196	2,235	2.07	2,235	2.07	56	0	0.0
Woodview ⁽²⁾	2015	248	248	100.0	938	---	2,098	2.24	2,098	2.24	---	---	---
Glenview	---	727	392	53.9	1,019	\$2,434	\$2,233	\$2.19	\$2,233	\$2.19	293	3	1.0
Aloft at The Glen Town Center	2004	181	3	1.7	1,170	2,443	2,545	2.18	2,545	2.18	181	3	1.7
Midtown Square	2014	138	126	91.3	906	---	2,165	2.39	2,165	2.39	---	---	---
Tapestry Glenview	2014	296	263	88.9	888	---	1,978	2.23	1,978	2.23	---	---	---
Valley Lo Towers	1985	112	0	0.0	1,259	2,419	2,484	1.97	2,484	1.97	112	0	0.0
Vernon Hills	---	683	275	40.3	1,091	\$1,885	\$1,835	\$1.68	\$1,835	\$1.68	379	21	5.5
AMLJ at Museum Gardens	2004	294	20	6.8	1,117	1,823	1,746	1.56	1,746	1.56	294	20	6.8
The Commons at Town Center ⁽³⁾	2009	85	1	1.2	1,221	2,098	2,147	1.76	2,147	1.76	85	1	1.2
The Oaks of Vernon Hills	2014	304	254	83.6	1,029	---	1,834	1.78	1,834	1.78	---	---	---

⁽¹⁾ Excludes rental programs currently undergoing renovation and/or new programs undergoing initial absorption.

⁽²⁾ Development began pre-leasing late-February 2015 and is not included in market area statistics.

⁽³⁾ Originally marketed as for sale condominiums.

Source: Tracy Cross & Associates, Inc.

□ As noted, three higher-density mixed-use apartment communities entered the North Shore competitive marketplace in 2014, including *Midtown Square* and *Tapestry* in Glenview along with *The Oaks* in Vernon Hills. These three developments are generating an average absorption rate of 9.7 units per month, led by *Tapestry* Glenview which had recorded an initial lease rate of 13.2 monthly through the close of 2014. The following paragraphs briefly highlight these new communities along with *Woodview* in Deerfield which just started taking reservations:

- In mid-July 2014, Kinzie Partners introduced ***The Oaks*** in Vernon Hills, a 304-unit development aligning U.S. 45 west of Milwaukee Avenue. The Oaks consists of 256 garden flats distributed among elevator-served residential buildings which feature one bedroom, one bedroom plus den and two bedroom plan styles offering between 695 and 1,196 square feet of living area. Posted lease rates for the apartment flats extend from \$1,449 to \$2,065 and average \$1,708 for a 921 square foot unit, or \$1.85 per square foot. Optional hallway access garages carry incremental fees of \$150 to \$180 monthly. The remaining 48 units reflect a two-story, two-car garage townhome idiom. The two plan styles include a 1,487 square foot unit which leases for \$2,395 monthly and a 1,800 square foot plan which carries a monthly lease rate of \$2,695. This development has generated an initial absorption rate of 11.1 units per month, with 50 units leased through December 2014.



- ***Midtown Square*** is a 138-unit transit-oriented mixed-use development aligning Church Street in Glenview. Plan offerings consist of one bedroom one bath, two bedroom one bath and two bedroom two bath designs ranging in unit size from 763 to 1,341 square feet. Corresponding posted rents extend from \$1,760 to \$3,065 monthly, translating to an average 906 square foot apartment home which leases for \$2,165 per month or \$2.39 per square foot. *Midtown Square* began leasing in mid-September 2014, with the twelve units leased as of December translating to an initial absorption rate of 4.8 units per month.



- Also in Glenview, Lennar Multifamily Communities introduced **Tapestry Glenview** in October 2014. A variety of one bedroom and one bedroom plus den one bath and two bedroom two bath designs are



available ranging in unit size from 599 to 1,212 square feet. Corresponding posted base rents extend from \$1,318 to \$2,701 monthly, translating to an average 888 square foot unit which carries a base rent of \$1,986 or \$2.24 per square foot. Tapestry Glenview is currently offering free enclosed parking (a value of \$75 monthly) for units leased before April 30, 2015. At this writing, Tapestry Glenview has leased 33 units or an initial absorption rate of 13.2 units per month.

- Lastly, in late-February 2015, Ravine Partners' began *pre-lease marketing* of **Woodview**, a 248-unit community located off Parkway North Boulevard in Deerfield. Plan designs include junior one bedroom and one bedroom one bath units ranging in size from 525 to 859 square feet, along with



a variety of two bedroom two bath plan types offering between 983 and 1,328 square feet of living area. Posted base rents extend from \$1,390 to \$3,085 and average \$2,098 which includes a 938 square foot apartment home (\$2.24 per square foot. At this writing, Woodview is beginning the reservation process with initial occupancies expected in May of 2015.

- Finally, our conclusion also reflects the fact that, in addition to new rental demand, support for Elm Street Apartments may also be drawn from turnover in the North Shore Market Area's existing rental stock which, in 2015, is represented by 12,517 households. Of these, an estimated 3,800 will move annually, with approximately 50 percent of these mobile households remaining renters and representing part of Elm Street Apartments' pool of prospective residents.

Based upon current market conditions as summarized, and in anticipation of introduction in 2017, **Exhibit 2** forwards a benchmark rental strategy to competitively position the 113-unit prototype Elm Street Apartments in context with newer apartment development in the north suburban area which offer similar lifestyle environs.





**A BENCHMARK RENTAL STRATEGY: ELM STREET APARTMENTS
-- 113-UNIT PROTOTYPE --**

Floor	Plan Designation										Posted Monthly Revenue Per Floor ⁽²⁾
	Plan A-1 1+Den / 1.0 850 Sq. Ft.	Plan A-2 1+Den / 1.5 950 Sq. Ft.	Plan B-1 2 / 2.0 1,000 Sq. Ft.	Plan B-2 2 / 2.0 1,050 Sq. Ft.	Plan B-3 ⁽³⁾ 2 / 2.0 1,250 Sq. Ft.	PH-1A 2 / 2.0 1,200 Sq. Ft.	PH-1B ⁽³⁾ 2 / 2.0 1,350 Sq. Ft.	PH-2 2+Den / 2.0 1,500 Sq. Ft.	PH-3 3 / 2.0 1,750 Sq. Ft.	PH-4 3+Den/2.5 1,900 Sq. Ft.	
Six-Story Buildings: 20 Penthouse Units											
6	---	---	---	---	---	\$3,670	\$4,015	\$4,360	\$4,935	\$5,280	\$43,255
5	---	---	---	---	---	3,650	3,995	4,340	4,915	5,260	43,055
93 Standard Units											
4	2,315	2,545	2,655	2,770	3,225	---	---	---	---	---	80,320
3	2,305	2,535	2,645	2,760	3,215	---	---	---	---	---	80,010
2	2,295	2,525	2,635	2,750	3,205	---	---	---	---	---	79,700
1	---	---	---	---	---	---	---	---	---	---	---
Total Number of Units:	24	36	15	9	9	4	6	4	4	2	113
Total Monthly Rent:	\$55,320	\$91,260	\$39,675	\$24,840	\$28,935	\$14,640	\$24,030	\$17,400	\$19,700	\$10,540	\$326,340
Average Monthly Rent:	\$2,305	\$2,535	\$2,645	\$2,760	\$3,215	\$3,660	\$4,005	\$4,350	\$4,925	\$5,270	\$2,888
Average Rent/Sq. Ft.:	\$2.71	\$2.67	\$2.65	\$2.63	\$2.57	\$3.05	\$2.97	\$2.90	\$2.81	\$2.77	\$2.89

Community Summary			
Total Number of Units:	113	Absorption Forecast	
Weighted Average Unit Size (Sq. Ft.):	1,062	Units Per Month:	7.5
Total Posted <i>Base</i> Monthly Rent⁽¹⁾:	\$325,210	Months to Stabilization	
Average Posted <i>Base</i> Monthly Rent⁽¹⁾:	\$2,878	@ 95.0 Percent (114 Units):	14.2
Average <i>Base</i> Rent/Sq. Ft.:	\$2.71		
Total Overall Posted Monthly Rent⁽²⁾:	\$326,340		
Average Overall Posted Monthly Rent⁽²⁾:	\$2,888		
Average Overall Rent/Sq. Ft.:	\$2.89		

⁽¹⁾ Benchmark posted *base* rents are presented in current dollars. They **include** one (1) enclosed parking space per unit valued at \$150 monthly, but **do not include** premiums for floor, corner-unit orientation or enhanced view corridors, or revenues derived from storage fees, pet fees, or other landlord-provided services or administrative fees.

⁽²⁾ Benchmark posted *overall* rents are presented in current dollars and **include** floor premiums as well as one (1) enclosed parking space per unit valued at \$150 monthly. They **do not include** incremental revenues derived from corner-unit orientation or enhanced view corridors, or incremental revenues derived from storage fees, pet fees, or other landlord-provided services or administrative fees.

⁽³⁾ Represents a split or double master design.

As shown, benchmark posted **base** rents for **standard floor** units extend from \$2,295 monthly for an 850 square foot one bedroom plus den unit to \$3,205 monthly for the largest two bedroom design, with penthouse units carrying posted base rents extending from \$3,650 at 1,200 square feet to \$5,260 for a 1,900 square foot residence. Benchmark rents, which are presented in **current April 2015** dollars, **include** one (1) enclosed parking space per unit valued at \$150 monthly. This benchmark rental strategy translates to an average 1,062 square foot apartment home which carries a **posted base** monthly rent of \$2,878 or \$2.71 per square foot. *Inclusive* of floor premiums, benchmark rents translate to an *overall* average of \$2,888 or \$2.89 per square foot. Benchmark rents *do not include* incremental revenues which may be derived from corner-unit orientation, enhanced views, storage fees, pet fees, or other landlord-provided services or administrative fees.

For perspective, **Exhibits 3 through 8** illustrate the value positioning of benchmark rents at Elm Street Apartments relative to its most direct sources of competition. For example, on a comparable footage basis, benchmark rents position the conceptualized Winnetka community (on average) roughly \$400 per month higher than the three newest and most proximate North Shore communities (Midtown Square, Tapestry and Woodview) when these new competitors rents are adjusted to include optional parking fees. These value relationships reconcile the enhancement of new construction and the high level of amenities to be provided with variances in location and lifestyle and, most importantly, the likelihood of heightened competition through the development's lease-up period and beyond. Similarly, benchmark rents position the proposed development some \$366 monthly above adjusted posted base rents among newer higher-density developments in Evanston. Conversely, benchmark rents position the conceptualized development roughly \$387 per month (again, *inclusive* of parking) below the newest comparably-sized higher-density developments found in the Near North community area of Chicago, with these differentials viewed as necessary to offset the potential influence of these more eclectic, urban environments.

Given current and anticipated rental market conditions, at benchmark rents Elm Street Apartments will generate an overall absorption rate of 7.5 units per month thus enabling the 113-unit prototype program to achieve a stabilized occupancy level of 95 percent or 107 units leased within an approximate 14.2-month period **from first occupancy**. The forecasted leasing period *does not include* three months of pre-lease marketing prior to initial deliveries. Again, current market conditions have yet to signal a rise in levels of incentives or discounting, and the marketplace is expected to maintain balanced occupancies despite the number of units which could come on line during the forecast period. That said, over the course of lease-up, it *may* be necessary to offer a *nominal* discount on select units if the leasing mix appears imbalanced.

**Alternative
Rental Strategies**

To reiterate, benchmark rents were established to provide a competitive position in the market and allow for an acceptable absorption period for the 113-unit community. As these lease rates may differ from Stoneleigh Companies' financial objectives, the following table outlines a forecast of overall absorption based upon a variety of lease rates and over varying timeframes to assist with ongoing financial modeling.





ALTERNATIVE LEASE RATE/ABSORPTION SCENARIOS: ELM STREET APARTMENTS
 -- 113-UNIT PROTOTYPE --

Variance From Benchmark Rents	Anticipated Monthly Absorption (In Units) @ Variance From Benchmark			Months to Stabilized Occupancy @ 95.0 Percent ⁽¹⁾ (107 Units)	Average Monthly Absorption Rate ⁽¹⁾
	3 Months of Pre-Leasing	1st 12 Months of Occupancy	Thereafter		
+\$150	3.0	5.7	3.7	22.5	4.8
+100	3.0	6.6	4.3	18.5	5.8
+50	3.0	7.4	4.8	15.8	6.8
Benchmark	3.0	8.0	5.2	14.2	7.5

⁽¹⁾ Starting at the first month of occupancy.

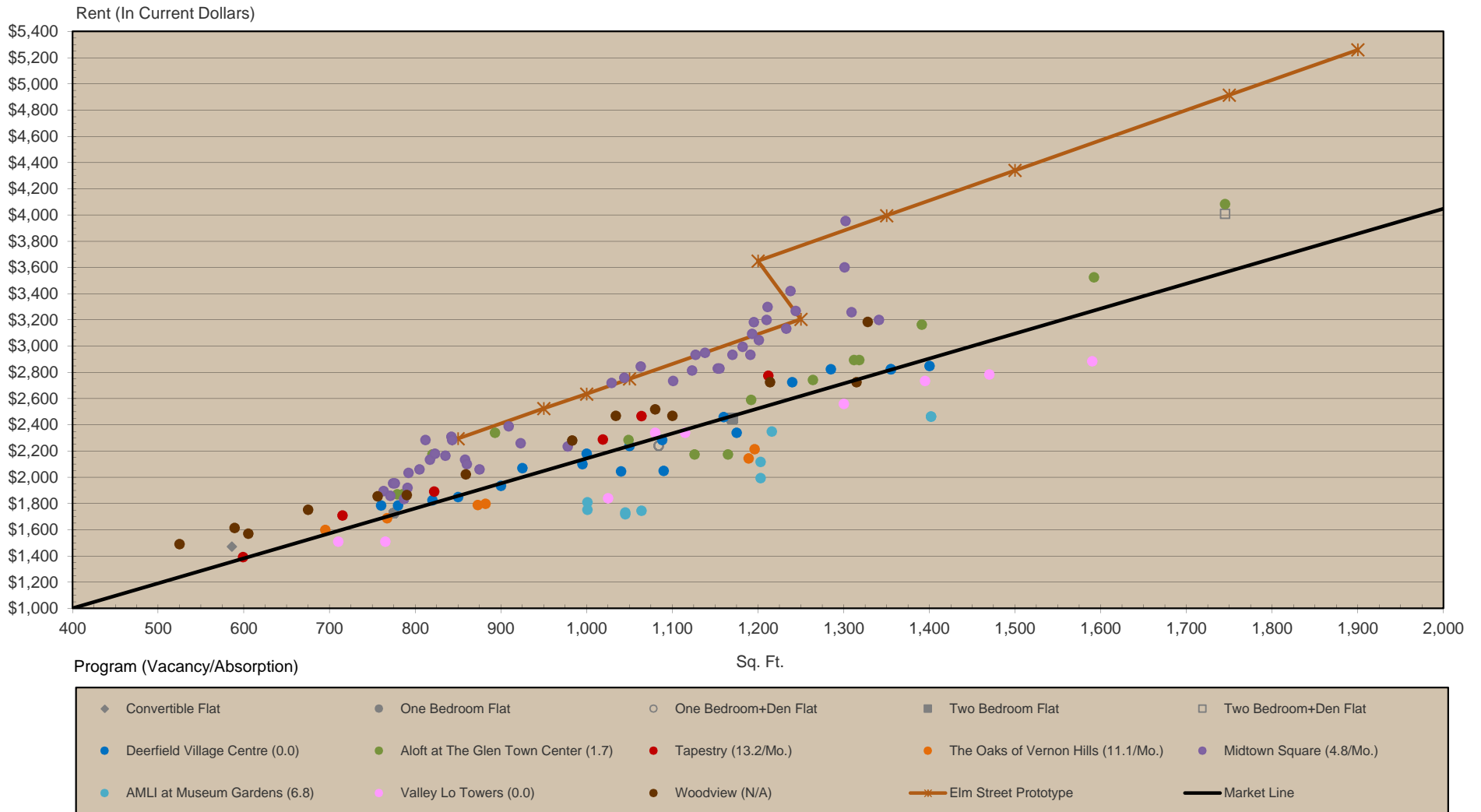
Source: Tracy Cross & Associates, Inc.





3

Rent/Value Analysis Newer Higher-Density Competitors: Direct Competitors North Shore CMA December 2014



Rent/value analysis uses a scatter diagram to graphically represent a set of observations found in today's marketplace, specifically the square footage of units offered and their associated rent levels. Regression analysis is then used to fit a line through the set of market observations that represent the "best fit" or average market line. This market line can then be used to predict the performance of a new, untested product line or offer explanations regarding the occupancy/absorption rates of currently available product lines.



Rent/Value Analysis
Newer Higher-Density Apartments: Direct Competitors
North Shore CMA
December 2014

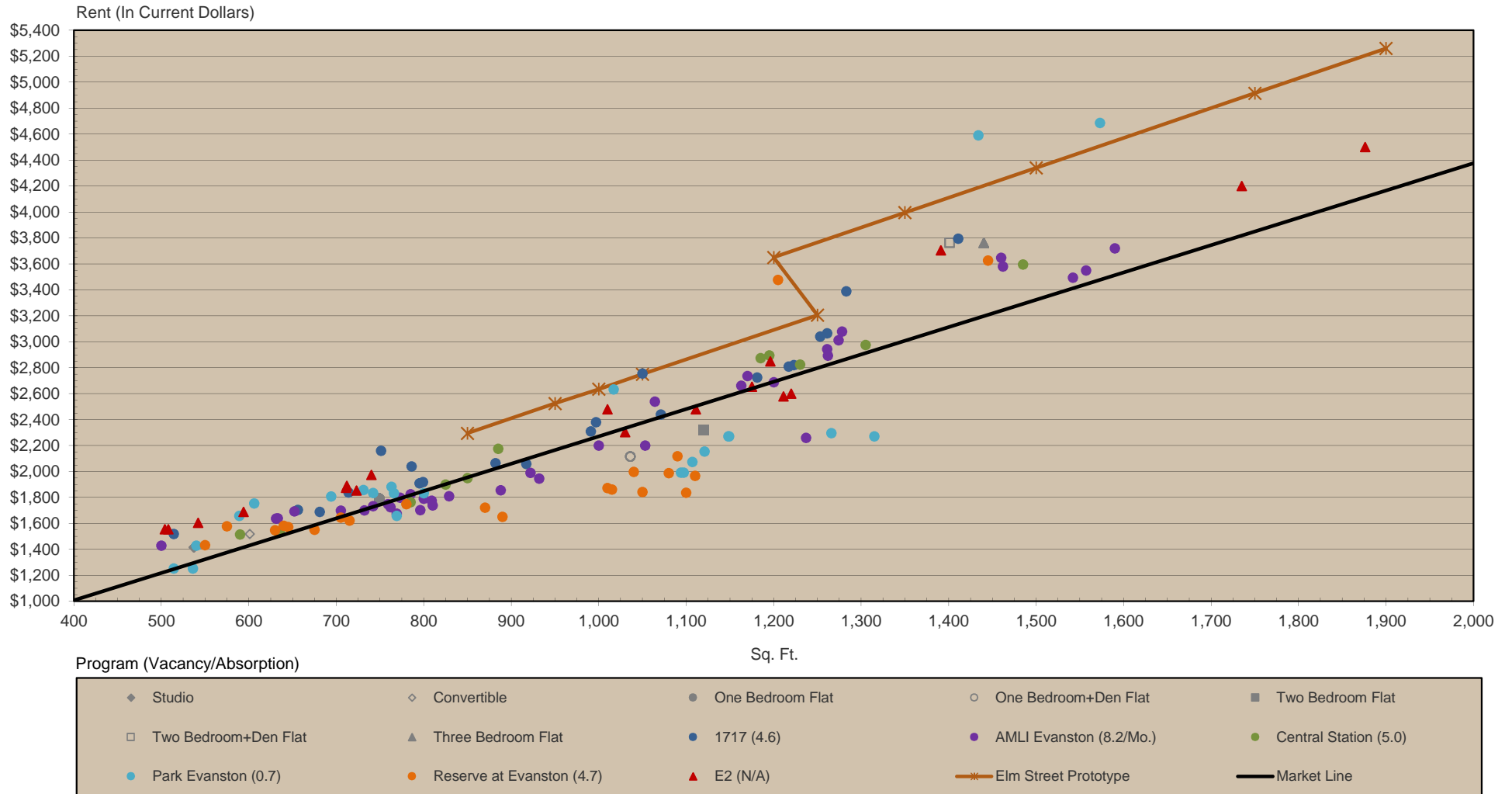
Plan Size (Sq. Ft.)	Average Market Rent	Program/Location	Year Built/ Renovated	Average Plan Size (Sq. Ft.)	Adjusted Average ⁽¹⁾ Posted Base Rent		Average Market Rent	Variance From Market	Vacancy Rate/ (Monthly Absorption)
					Dollars	Rent per Sq. Ft.			
400	\$1,003	Elm Street Prototype at Bnchmk Base Rents	2017	1,062	\$2,878	\$2.71	\$2,261	+\$617	7.5/Mo. Fcst
500	1,193	Midtown Square/Glenview	2014	906	2,300	2.54	1,964	+336	(4.8/Mo.)
600	1,383	⁽³⁾ Woodview/Deerfield	2015	938	2,198	2.34	2,025	+173	N/A
700	1,573	Aloft at The Glen Town Center/Glenview	2004	1,170	2,620	2.24	2,466	+154	1.7
800	1,763	Tapestry Glenview/Glenview	2014	888	2,064	2.32	1,930	+134	(13.2/Mo.)
900	1,953								
1,000	2,143	--- Market ---	---	962	2,071	2.15	2,071	0	1.3 / (9.7/Mo.)
1,100	2,333								
1,200	2,523	Deerfield Village Centre/Deerfield	2000	1,082	2,285	2.11	2,299	-14	0.0
1,300	2,713	The Oaks of Vernon Hills/Vernon Hills	2014	921	1,858	2.02	1,993	-135	(11.1/Mo.)
1,400	2,903	⁽²⁾ Valley Lo Towers/Glenview	1985	1,259	2,484	1.97	2,635	-151	0.0
1,500	3,093	⁽²⁾ The Commons at Town Center/Vernon Hills	2009	1,221	2,147	1.76	2,563	-416	1.2
1,600	3,283	⁽²⁾ AMLI at Museum Gardens/Vernon Hills	2004	1,117	1,896	1.70	2,365	-469	6.8
1,700	3,473								
1,800	3,663								

Slope: \$1.9 per sq. ft.

⁽¹⁾ Average posted base rent adjusted to include optional single space enclosed parking fee; utilized for analytical purposes only.
⁽²⁾ Development not included in derivation of market line.
⁽³⁾ Excluded from absorption statistics as development had only been open one week at survey.



Rent/Value Analysis
Newer Higher-Density Apartments
Evanston
December 2014



Rent/value analysis uses a scatter diagram to graphically represent a set of observations found in today's marketplace, specifically the square footage of units offered and their associated rent levels. Regression analysis is then used to fit a line through the set of market observations that represent the "best fit" or average market line. This market line can then be used to predict the performance of a new, untested product line or offer explanations regarding the occupancy/absorption rates of currently available product lines.



**Rent/Value Analysis
Newer Higher-Density Apartment Developments
Evanston
December 2014**

Plan Size (Sq. Ft.)	Average Market Rent	Program/Location	Year Built/ Renovated	Average Plan Size (Sq. Ft.)	Adjusted Average ⁽¹⁾ Posted Base Rents		Average Market Rent	Variance From Market	Vacancy Rate/ (Monthly Absorption)
					Dollars	Rent per Sq. Ft.			
400	\$1,010	Elm Street Prototype at Bnchmk Base Rent	2017	1,062	\$2,878	\$2.71	\$2,400	+\$478	7.5/Mo. Fcst
500	1,220	⁽²⁾ E2	2015	821	2,103	2.56	1,894	+209	N/A
600	1,430	1717	2013	907	2,247	2.48	2,075	+172	4.6
700	1,640	Central Station	2013	964	2,282	2.37	2,195	+87	5.0
800	1,850								
900	2,060	---- Market ----	---	911	2,083	2.29	2,083	0	3.2 / (8.2/Mo.)
1,000	2,270								
1,100	2,480	AMLI Evanston	2013	952	2,149	2.26	2,169	-20	(8.2/Mo.)
1,200	2,690	Park Evanston	1996	926	2,076	2.24	2,115	-39	0.7
1,300	2,900	Reserve at Evanston	2003	844	1,812	2.15	1,943	-131	4.7
1,400	3,110								
1,500	3,320								
1,600	3,530								
1,700	3,740								
1,800	3,950								

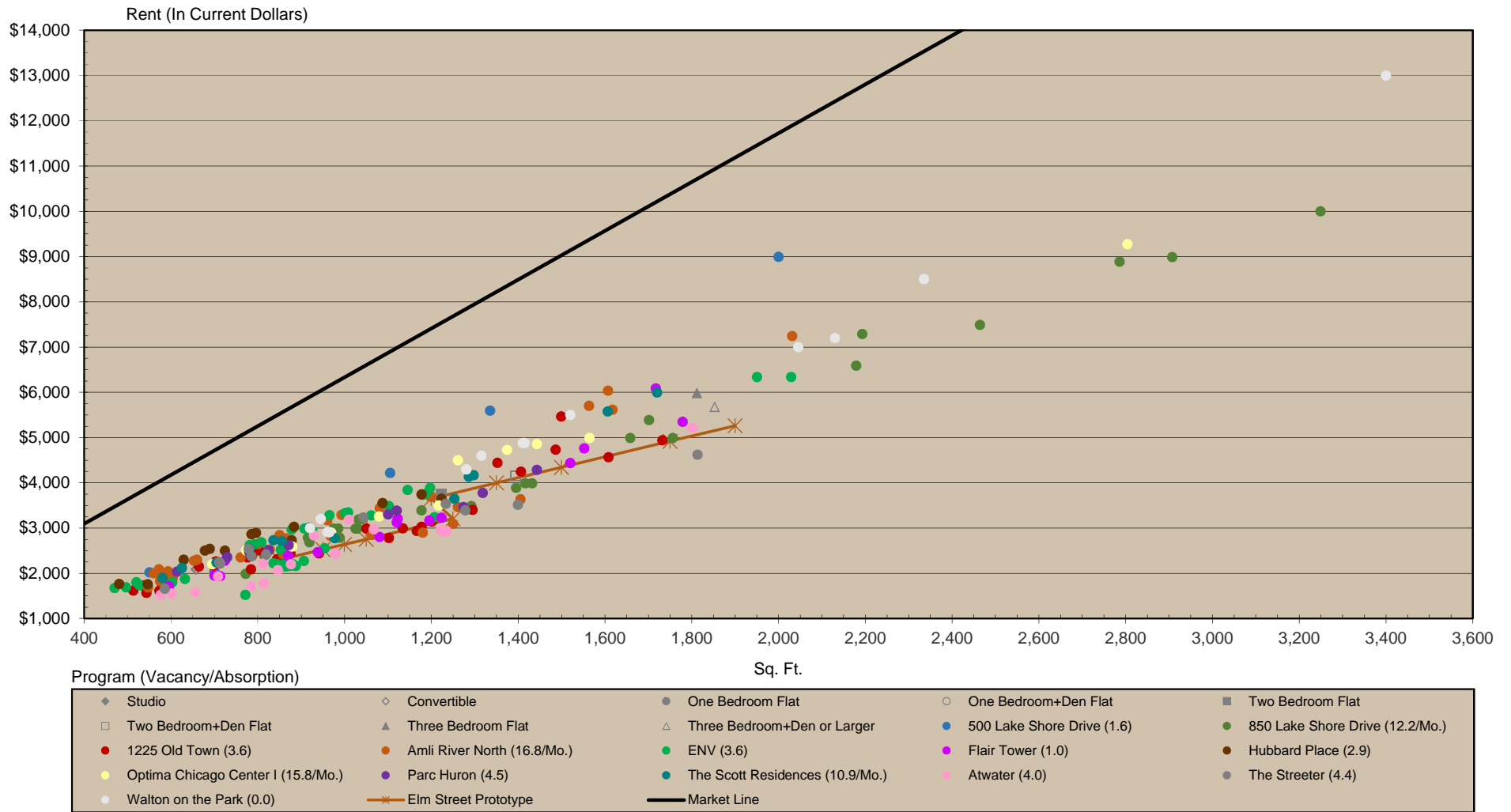
Slope: \$2.1 per sq. ft.

⁽¹⁾ Average posted base rents adjusted to include optional single space enclosed parking fee; utilized for analytical purposes only.

⁽²⁾ Development opened in mid-February 2015 and is not included in market statistics.



Rent/Value Analysis
Selected Post-2005 Apartment Developments
City of Chicago - Near North Community Area
December 2014



Rent/value analysis uses a scatter diagram to graphically represent a set of observations found in today's marketplace, specifically the square footage of units offered and their associated rent levels. Regression analysis is then used to fit a line through the set of market observations that represent the "best fit" or average market line. This market line can then be used to predict the performance of a new, untested product line or offer explanations regarding the occupancy/absorption rates of currently available product lines.



Rent/Value Analysis
Selected Post-2005 Apartment Developments
City of Chicago-Near North Community Area
December 2014

Plan Size (Sq. Ft.)	Average Market Rent	Development	Year Built/ Fully Renovated	Average Plan Size (Sq. Ft.)	Average Posted Base Rent		Average Market Rent	Variance From Market	Vacancy Rate/ (Monthly Absorption)
					Dollars	Rent per Sq. Ft.			
400	\$1,213	500 Lake Shore Drive	2013	892	\$3,265	\$3.66	\$2,738	+\$527	1.6
500	1,523	Walton on the Park	2010	1,463	5,011	3.43	4,508	+503	0.0
600	1,833	Hubbard Place	2013	773	2,590	3.35	2,369	+221	2.9
700	2,143	Amlie River North	2013	866	2,804	3.24	2,657	+147	(16.8/Mo.)
800	2,453	The Scott Residences	2014	867	2,788	3.22	2,661	+127	(10.9/Mo.)
900	2,763	Optima Chicago Center I	2013	1,011	3,124	3.09	3,107	+17	(15.8/Mo.)
1,000	3,073								
1,100	3,383	---- Market ----	---	957	2,940	3.07	2,940	0	3.2 / (13.9/Mo.)
1,200	3,693								
1,300	4,003	ENV	2010	899	2,714	3.02	2,760	-46	3.6
1,400	4,313	Parc Huron	2010	969	2,919	3.01	2,977	-58	4.5
1,500	4,623	The Streeter	2006	949	2,749	2.90	2,915	-166	4.4
1,600	4,933	850 Lake Shore Drive	2013	1,300	3,827	2.94	4,003	-176	(12.2/Mo.)
1,700	5,243	1225 Old Town	2012	871	2,495	2.86	2,673	-178	3.6
1,800	5,553	Flair Tower	2010	949	2,626	2.77	2,915	-289	1.0
1,900	5,863	The Bernardin	2005	1,047	2,884	2.75	3,219	-335	5.8
2,000	6,173	⁽¹⁾ Elm Street Prototype at Bnchmk Base Rents	2017	1,062	2,878	2.71	3,265	-387	7.5/Mo. Fcst
2,100	6,483	Atwater	2009	949	2,432	2.56	2,915	-483	4.0
2,200	6,793								
2,300	7,103								
2,400	7,413								
2,500	7,723								
2,600	8,033								
2,700	8,343								
2,800	8,653								
2,900	8,963								
3,000	9,273								
3,100	9,583								
3,200	9,893								
3,300	10,203								
3,400	10,513								

Slope: \$3.1 per sq. ft.

⁽¹⁾ Benchmark posted base rents include one (1) enclosed parking space per unit valued at \$150 per month.