Chicago's New Home Market

Where Are We Now?

Appraisal Institute®

Presented by

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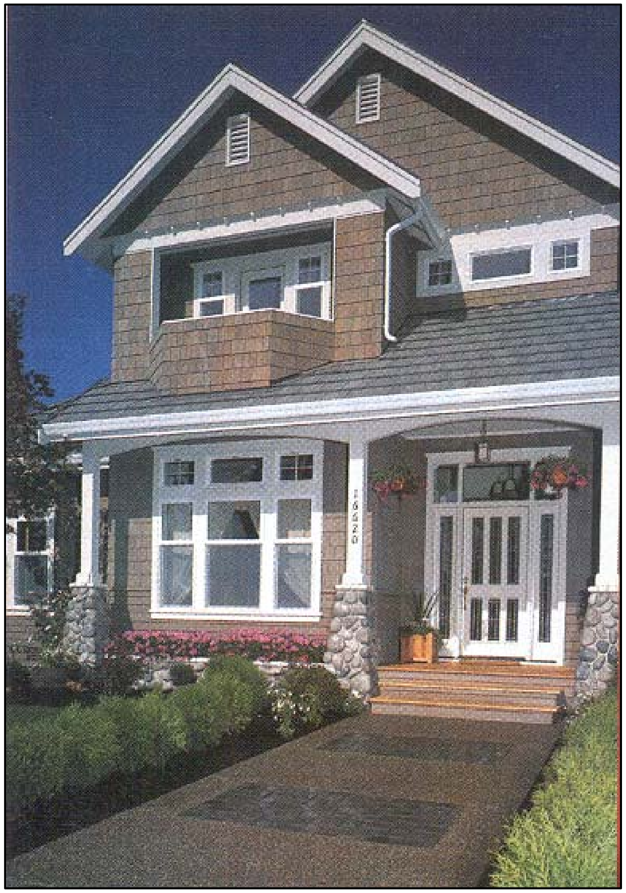
Permit Ranking – The Single Family Sector 2014
-- Chicago Metropolitan Area --



Metropolitan Areas with Over 5,000 Permits
(Presented in Thousands)

Houston	**38.25**
Dallas-Ft. Worth	**22.61**
Atlanta	**16.88**
Washington, D.C.	**12.24**
Phoenix	**11.69**
Austin	**11.60**
New York-Northern New Jersey-Long Island	**10.96**
Orlando	**9.96**
Raleigh-Durham	**9.85**
Charlotte	**8.88**
Seattle-Tacoma	**8.63**
Denver-Boulder	**8.49**
Nashville	**8.32**
Los Angeles-Long Beach	**8.12**
Tampa	**7.27**
Riverside-San Bernardino	**7.18**
Las Vegas	**6.77**
Minneapolis-St. Paul	**6.63**
Chicago	**6.50**
Jacksonville	**6.31**
San Antonio	**6.15**
Philadelphia	**6.07**
Oklahoma City	**5.93**
Miami-Ft. Lauderdale	**5.83**
Portland	**5.44**

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports* and Tracy Cross & Associates, Inc.

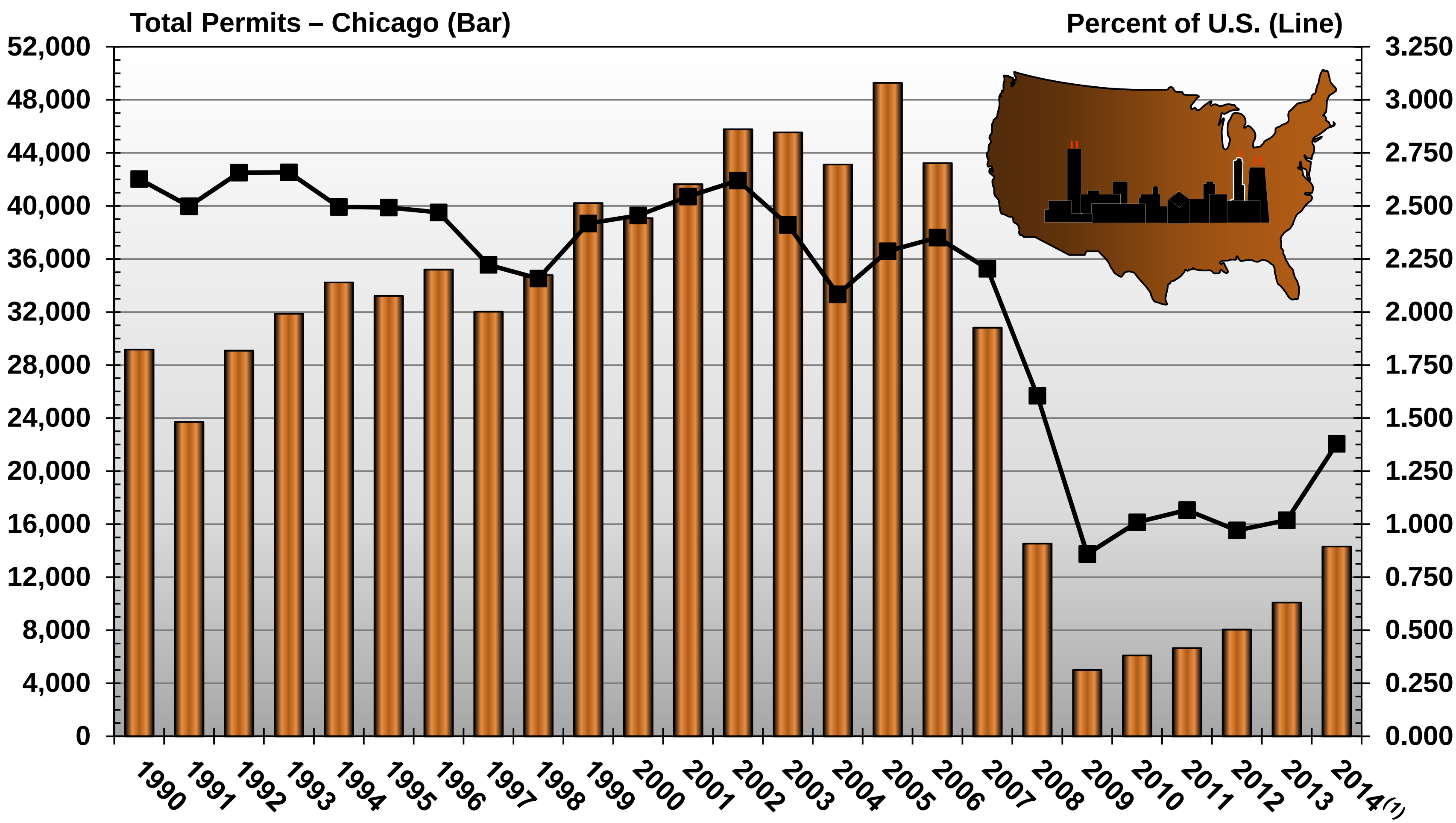
Permit Ranking – The Multi-Family Sector 2014
-- Chicago Metropolitan Area --

Metropolitan Areas with Over 4,000 Permits (Presented in Thousands)

New York-Northern New Jersey-Long Island	35.63
Houston	25.43
Los Angeles-Long Beach	18.77
Dallas-Ft. Worth	18.13
Seattle-Tacoma	13.28
Washington, D.C.	12.63
Miami-Ft. Lauderdale	9.98
Atlanta	9.50
Austin	9.50
Phoenix	8.66
Denver-Boulder	8.44
San Jose-Santa Clara	7.99
Chicago	7.80
Boston	7.30
Portland	6.99
Philadelphia	6.67
Orlando	6.57
Charlotte	6.53
San Francisco-Oakland	6.28
Nashville	5.70
Tampa	5.16
Raleigh-Durham	4.90
Minneapolis-St. Paul	4.72
San Diego	4.39
Kansas City	4.04
San Antonio	4.03

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports* and Tracy Cross & Associates, Inc.

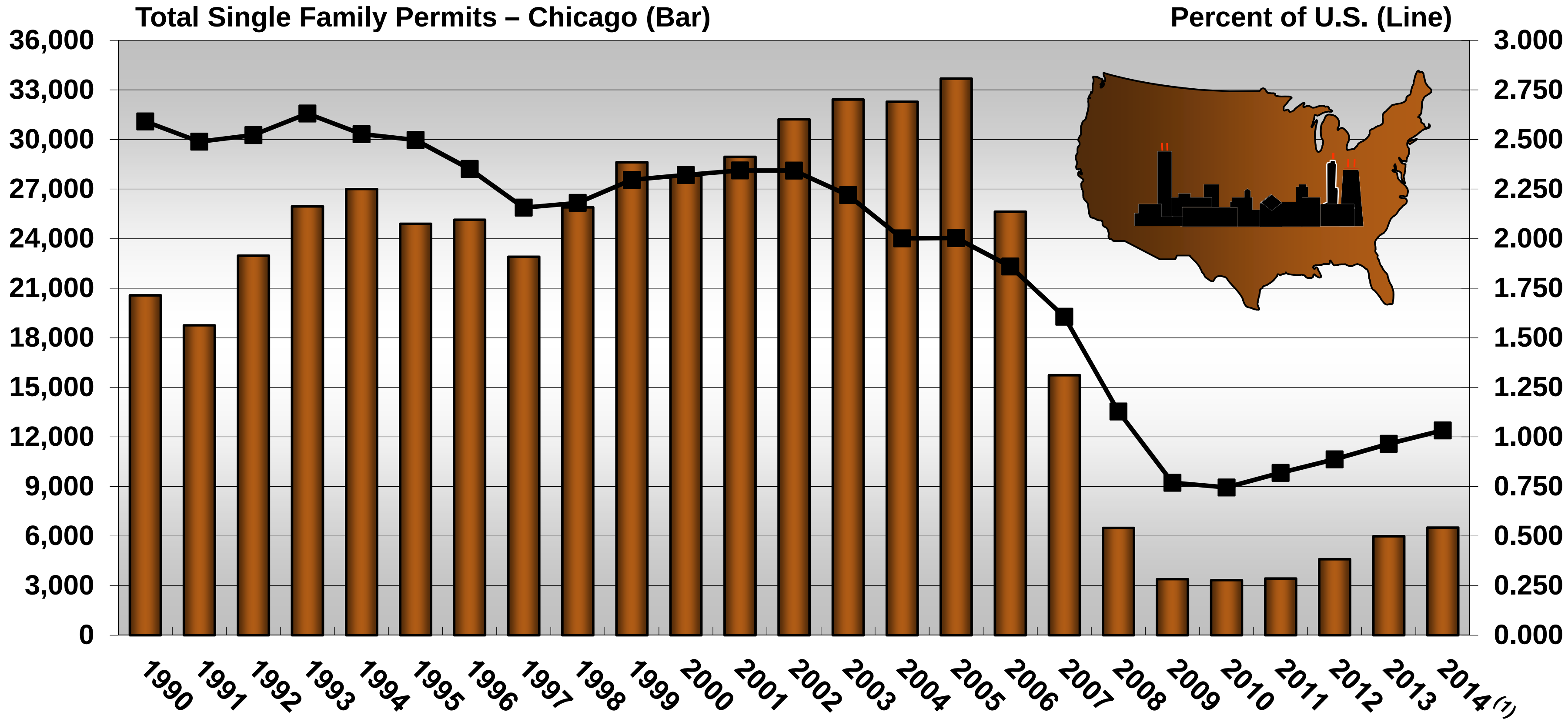
Residential Building Permit Trends
-- U.S. and Chicago Metropolitan Area --



(1) Preliminary.

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports* and Tracy Cross & Associates, Inc.

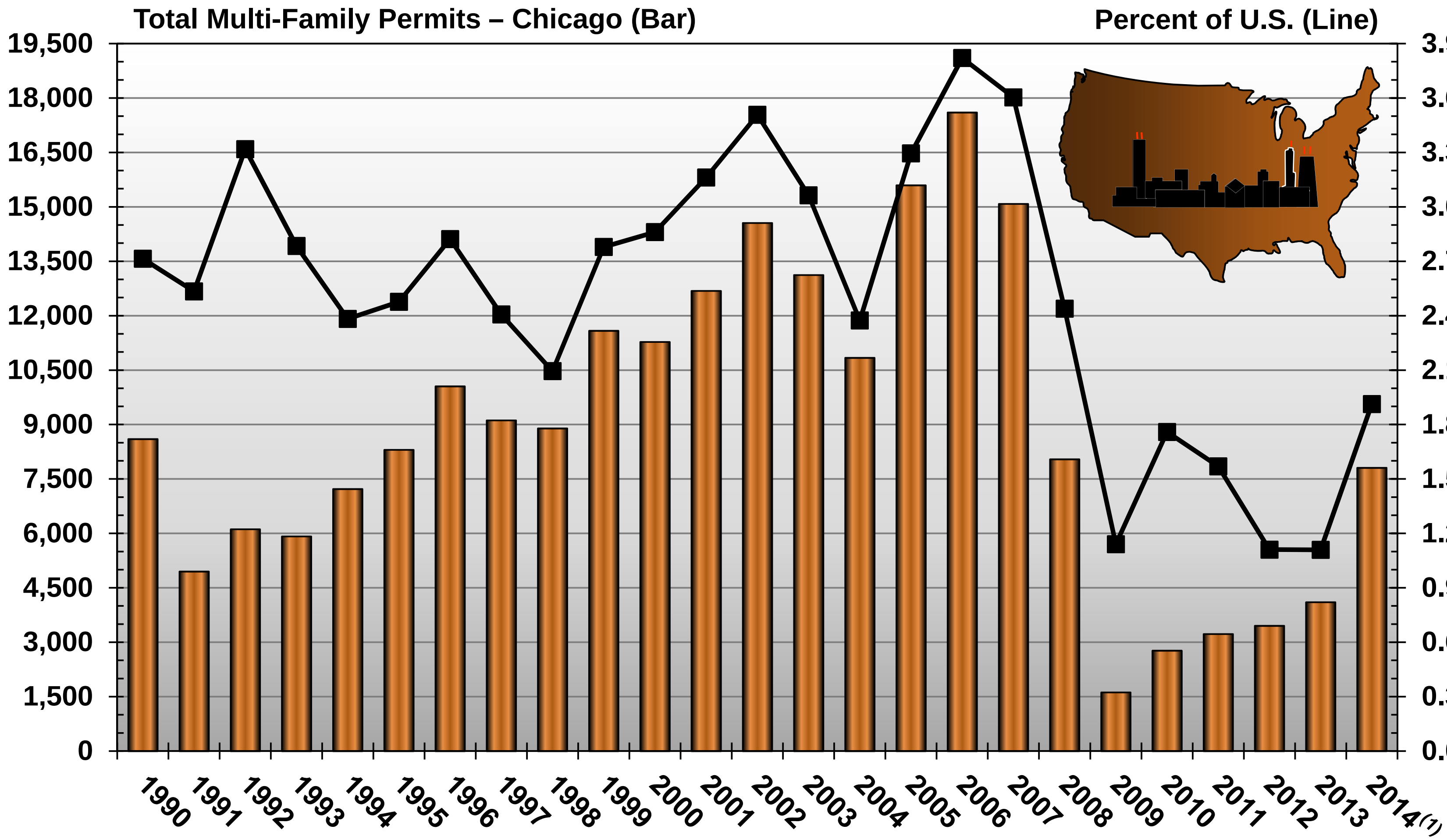
Single Family Building Permit Trends
-- U.S. and Chicago Metropolitan Area --



(1) Preliminary.

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports* and Tracy Cross & Associates, Inc.

Multi-Family Building Permit Trends
-- U.S. and Chicago Metropolitan Area --



(1) Preliminary.

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports* and Tracy Cross & Associates, Inc.

New Home Sales
-- U.S. and Chicago Metropolitan Area --

	U.S.[1]		Chicago	
Year	Total Sales	Y/Y Change (Percent)	Total Sales	Y/Y Change (Percent)
2004	1,201,000	10.1	31,843	14.3
2005	1,279,000	6.5	33,287	4.5
2006	1,049,000	-18.0	25,105	-24.6
2007	769,000	-26.7	15,377	-38.7
2008	482,000	-37.3	6,361	-58.6
2009	374,000	-22.4	3,552	-44.2
2010	321,000	-14.2	3,101	-12.7
2011	306,000	-4.7	2,915	-6.0
2012	368,000	20.3	3,467	18.9
2013	430,000	16.8	4,415	27.3
2014	432,000	0.4	3,777	-14.5
2015	520,000 [2]	20.4	3,709 [3]	-1.8
Peak 2005	*1,279,000*	*---*	*33,287*	*---*
- - - to - - -				
Current	*520,000*	*-59.3*	*3,709*	*-88.9*

[1] Single family sales.
[2] Seasonally adjusted, annual rate YTD February.
[3] Seasonally adjusted, annual rate YTD March.

Source: Tracy Cross & Associates, Inc.

Existing Home Sales
-- U.S. and Chicago Metropolitan Area[1] --

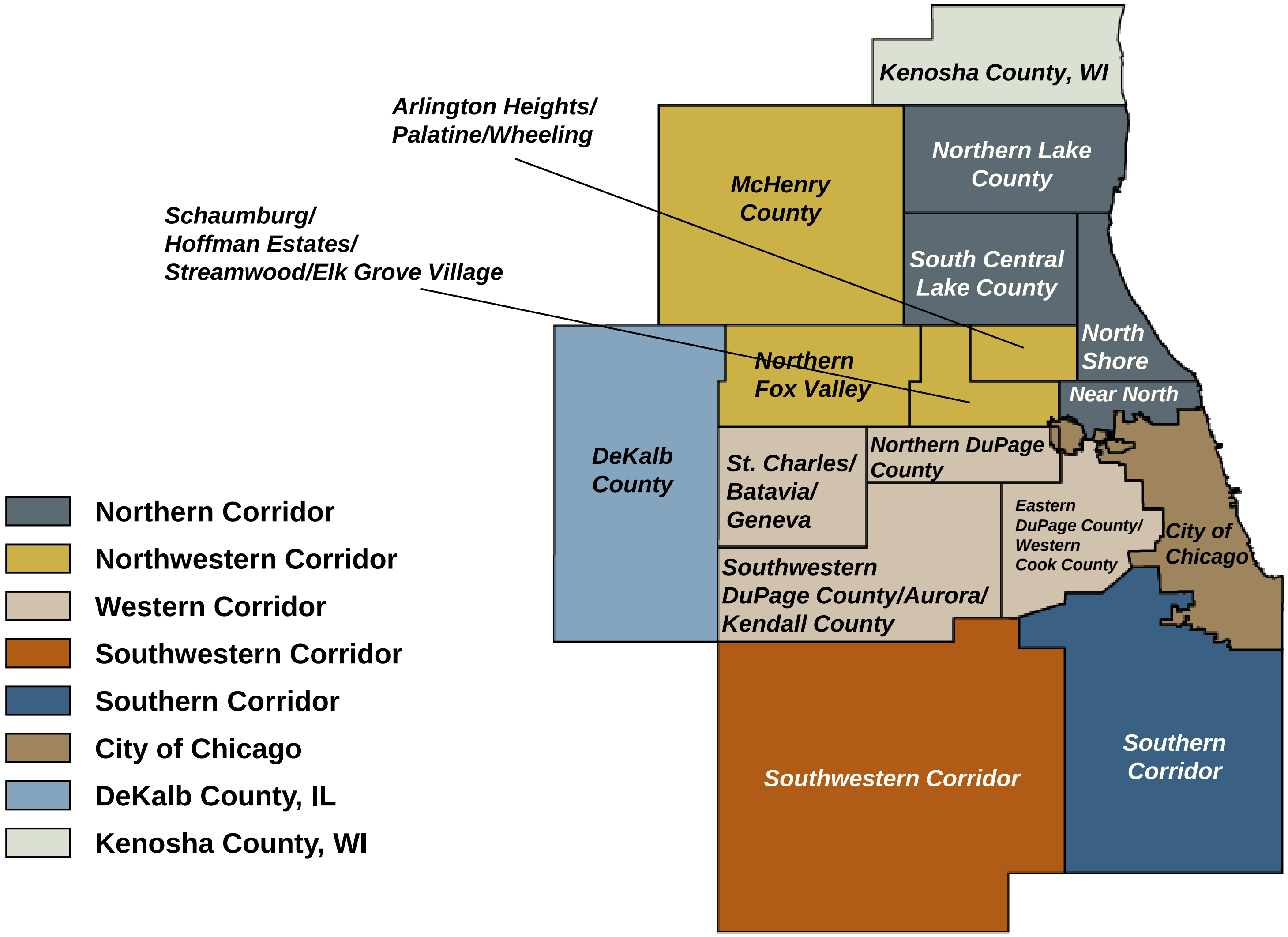
	U.S.		Chicago	
Year	Total Sales (000s)	Y/Y Change (Percent)	Total Sales	Y/Y Change (Percent)
2004	6,778	9.7	129,390	---
2005	7,076	4.4	133,313	3.0
2006	6,478	-8.5	116,527	-12.6
2007	5,022	-22.5	92,657	-20.5
2008	4,124	-17.9	69,406	-25.1
2009	4,334	5.1	69,367	-0.1
2010	4,182	-3.5	69,010	-0.5
2011	4,263	1.9	71,315	3.3
2012	4,656	9.2	90,608	27.1
2013	5,087	9.3	111,672	23.2
2014	4,935	-3.0	104,379	-6.5
Peak 2005	*7,076*	*---*	*133,313*	*---*
- - - to - - -				
2014	*4,935*	*-30.3*	*104,379*	*-21.7*
YTD February				
2014[2]	4,665	---	103,217	---
2015[2]	4,850	4.0	102,045	-1.1

(1) Consists of nine Illinois counties: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will.

(2) Seasonally adjusted, annual rate.

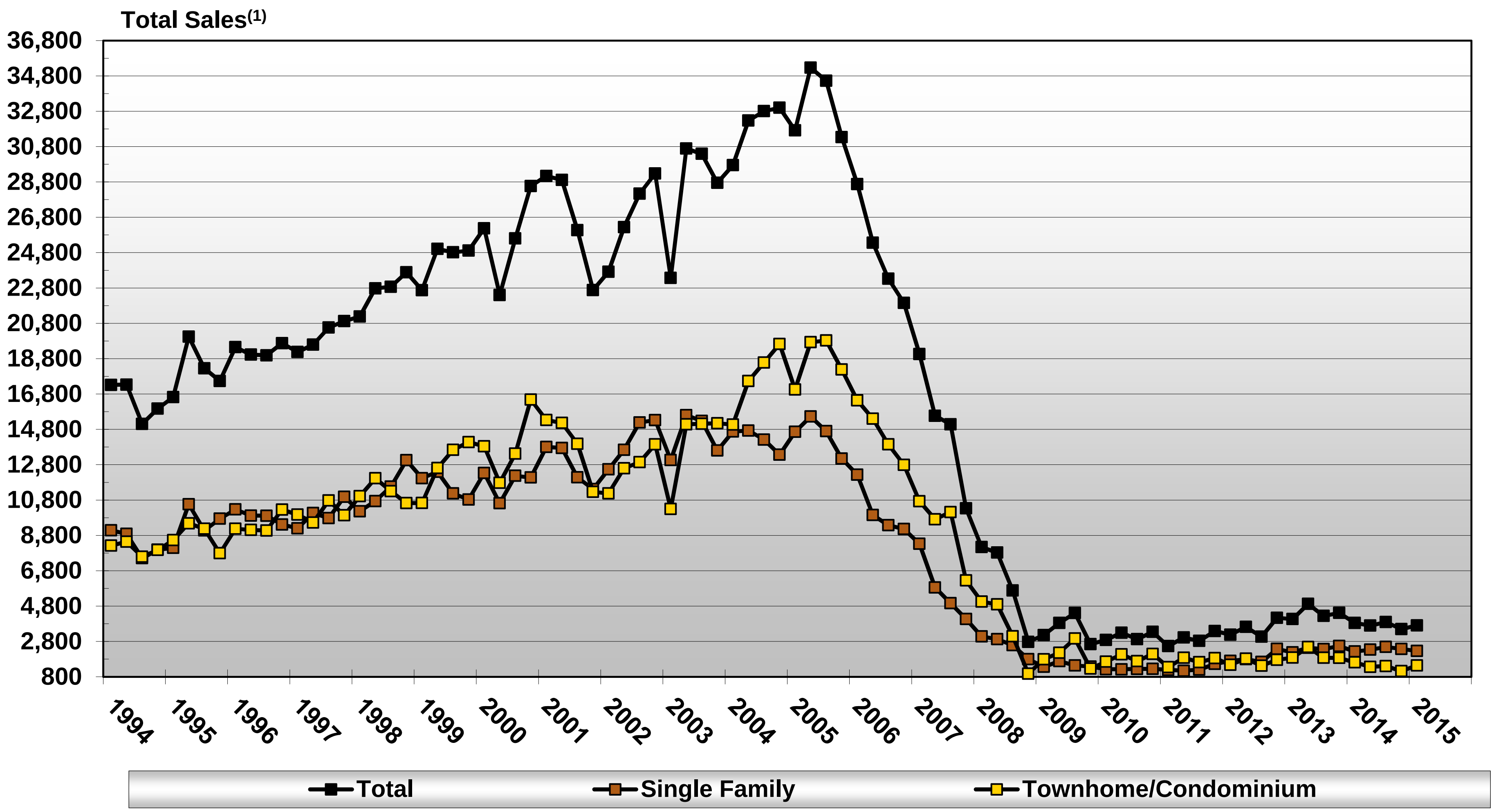
Source: National Association of Realtors, Illinois Board of Realtors, and Tracy Cross & Associates, Inc.

Delineation of Chicago's Submarkets



Source: Tracy Cross & Associates, Inc.

Trends in Total New Home Sales
-- Chicago Metropolitan Area --



[1] **Seasonally adjusted, annual rate.**

Note: DeKalb County, IL and Kenosha County, WI included starting 2nd Quarter 2003.

Source: Tracy Cross & Associates, Inc.

New Home Sales by Product Type: 2005 and 2015 – A Comparison
-- City of Chicago --

	2005		2015[1]		
Product Type	Total Sales	Percent	Total Sales	Percent	Percent Change From 2005
City of Chicago Total	7,277	100.0 [2]	336	100.0	-95.4
THE SINGLE FAMILY SECTOR	217	3.0	21	6.3	-90.3
THE ATTACHED SECTOR	7,060	97.0	315	93.7	-95.5
Higher-Density Condominiums	6,335	87.1	283	84.2	-95.5
Garden Condominiums	319	4.4	---	---	-100.0
Townhomes and Flats	40	0.5	---	---	-100.0
Courtyard Homes	216	3.0	32	9.5	-85.2
Conventional Townhomes	150	2.1	---	---	---
Four-Plexes	---	---	---	---	---
Ranch Villas	---	---	---	---	---
Duplexes	---	---	---	---	---

(1) Seasonally adjusted annual rate YTD March.
(2) Totals may not add due to rounding.

Source: Tracy Cross & Associates, Inc.

New Home Sales by Product Type: 2005 and 2015 – A Comparison
-- Chicago Suburban Area --

	2005		2015		
Product Type	Total Sales	Percent	Total Sales	Percent	Percent Change From 2005
Suburban Area Total	25,347	100.0	3,373	100.0	-86.7
THE SINGLE FAMILY SECTOR	14,071	55.5	2,243	66.5	-84.1
THE ATTACHED SECTOR	11,276	44.5	1,130	33.5	-90.0
Higher-Density Condominiums	2,389	9.4	106	3.1	-95.6
Garden Condominiums	814	3.2	---	---	-100.0
Townhomes and Flats	846	3.3	53	1.6	-93.7
Courtyard Homes	2,080	8.2	347	10.3	-83.3
Conventional Townhomes	3,370	13.3	351	10.4	-89.6
Four-Plexes	277	1.1	50	1.5	-81.9
Ranch Villas	448	1.8	35	1.0	-92.2
Duplexes	1,052	4.2	188	5.6	-82.1

(1) Seasonally adjusted annual rate YTD March.

Source: Tracy Cross & Associates, Inc.

New Home Sales by Submarket: 2005 and 2015 – A Comparison
-- Chicago Metropolitan Area --

Submarket	2005 Total Sales	2005 Percent	2015(1) Total Sales	2015(1) Percent	2015(1) Percent Change From 2005
Metropolitan Area Total	33,038	100.0	3,709	100.0	-88.8
CITY OF CHICAGO	7,277	22.0	336	9.1	-95.4
NORTHERN CORRIDOR	3,757	11.4	524	14.1	-86.1
Near North	1,000	3.0	78	2.1	-92.2
North Shore	176	0.5	237	6.4	34.7
South Central Lake County	714	2.2	71	1.9	-90.1
Northern Lake County	1,867	5.7	138	3.7	-92.6
NORTHWESTERN CORRIDOR	6,363	19.3	1,244	33.5	-80.4
McHenry County	2,876	8.7	323	8.7	-88.8
Northern Fox Valley	2,404	7.3	684	18.4	-71.5
Schaumburg/Hoffman Estates/Streamwood	589	1.8	131	3.5	-77.8
Arlington Heights/Palatine/Wheeling	494	1.5	106	2.9	-78.5
WESTERN CORRIDOR	6,292	19.0	907	24.5	-85.6
Eastern DuPage County/Western Cook County	502	1.5	85	2.3	-83.1
Northern DuPage County	862	2.6	18	0.5	-97.9
Southwestern DuPage County/Aurora/Kendall County	4,463	13.5	680	18.3	-84.8
St. Charles/Batavia/Geneva	465	1.4	124	3.3	-73.3
SOUTHWESTERN CORRIDOR	5,987	18.1	592	16.0	-90.1
SOUTHERN CORRIDOR	2,228	6.7	92	2.5	-95.9
DEKALB COUNTY	693	2.1	14	0.4	-98.0
KENOSHA COUNTY (WI)	441	1.3	---	0.0	-100.0

(1) Seasonally adjusted annual rate YTD March.

Source: Tracy Cross & Associates, Inc.

Municipal and Community Area Sales Leaders 2015
-- Chicago Metropolitan Area --

Area	1st Quarter 2015 Total Sales	1st Quarter 2015 Seasonally Adjusted Annual Rate (Rounded)
Pingree Grove	87	308
Elgin	65	230
Chicago-Near South	61	216
Naperville	55	195
Glenview	51	181
Huntley	50	177
Volo	37	131
Joliet	35	124
New Lenox	31	110
Geneva	30	106
Bolingbrook	29	103
Aurora	28	99

Area	1st Quarter 2015 Total Sales	1st Quarter 2015 Seasonally Adjusted Annual Rate (Rounded)
Shorewood	24	85
Plainfield	23	82
Oswego	22	78
South Elgin	22	78
Palatine	20	71
Lisle	19	67
Hampshire	17	60
Hinsdale	14	50
Yorkville	14	50
Lemont	13	46
Woodridge	13	46
Barrington	12	43
Northbrook	12	43

Source: Tracy Cross & Associates, Inc.

Program Sales Leaders – 1st Quarter 2015
-- Chicago Metropolitan Area --

Single Family			Townhome/Condominium		
Program	Location	Total Sales	Program	Location	Total Sales
Hunter's Ridge	Joliet	21	Cambridge Lakes-Seaboard	Pingree Grove	26
River Hills	Bolingbrook	20	1345 Wabash	Chicago-Near South	21
Talamore	Huntley	17	The Grand	Chicago-Near South	19
Shorewood Glen (AA)	Shorewood	14	Lexington Hills of Palatine	Palatine	17
Mill Creek-Tanna	Geneva	14	Patriot Commons at The Glen-Condos	Glenview	16
Talamore	Huntley	14	Lakewood Crossing	Hampshire	15
Ashwood Pointe	Naperville	14	Alder Place	Chicago-Near South	15
Prairie Pointe	South Elgin	14	Patriot Commons at The Glen-TH/Flats	Glenview	15
Heather Glen	New Lenox	14	Symphony Meadows-Seaboard	Volo	14
Timbers Edge	Woodridge	13	Westgate at The Glen-Rowhomes	Glenview	14
Carillon at Cambridge Lakes (AA)	Pingree Grove	12	Cambridge Lakes-Legacy	Pingree Grove	12
Arbor Trails-Americana	Lisle	11	Carillon at Cambridge Lakes-Composer (AA)	Pingree Grove	12
Windett Ridge	Yorkville	10	Talamore	Huntley	10
Bristol Park	New Lenox	10	Carillon at Cambridge Lakes-Bayside (AA)	Pingree Grove	10

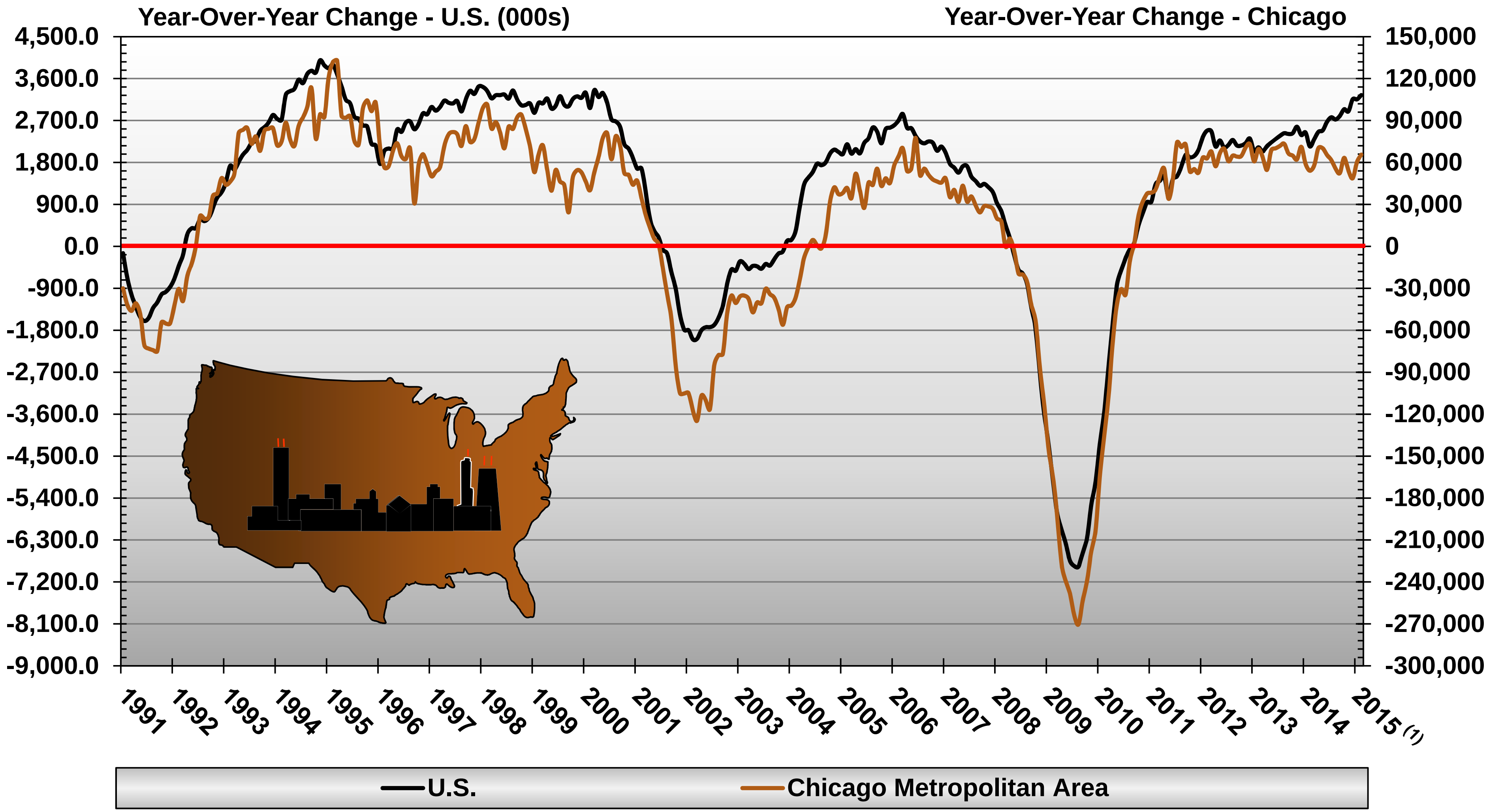
(AA): Represents an age-qualified active adult community.

Source: Tracy Cross & Associates, Inc.

-- Reasons Behind Chicago's Discernable Weakness --

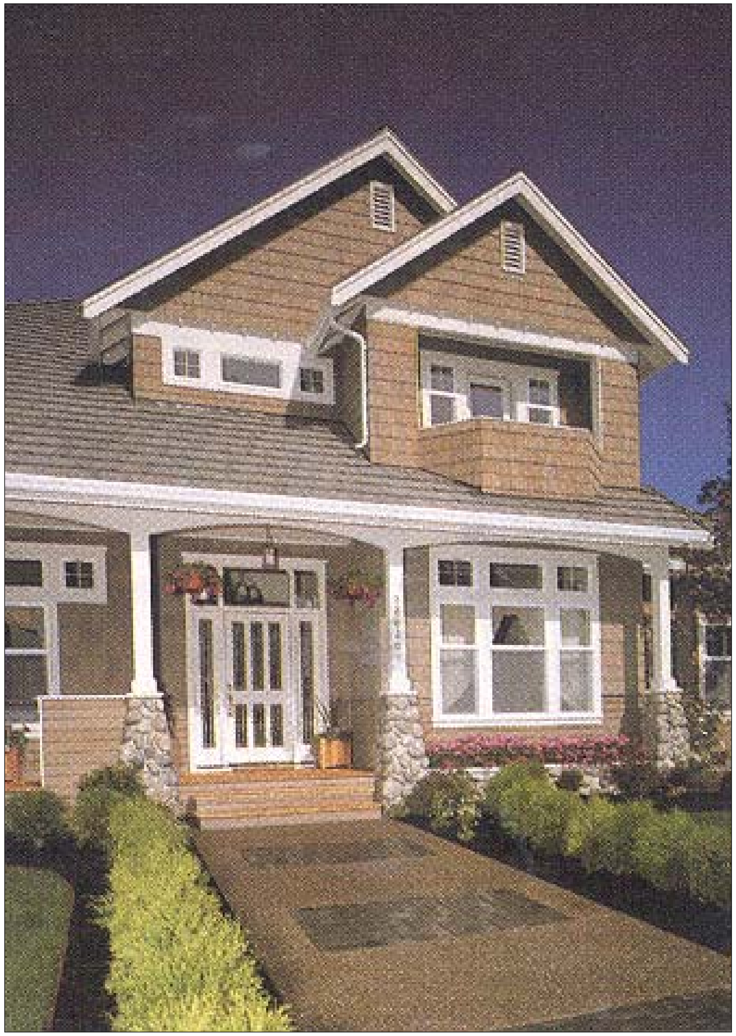
- Springfield
- Outmigration to Right-To-Work States
- Slower Economic Growth
- Competition from the Existing Home Market and Price Erosion Resulting from Foreclosures and Resales
- A Frozen Condominium Market in the City—Resale Competition from Old/New (Both Investor and Consumer Held) and Competition from Unsold New Units
- Vertical Integration of the Developer and Builder
- Private Versus Public Home Builders and Supply Constraints
- 297 Separate and Distinct Political Jurisdictions
  -- (40', 50', 60', 70', 80'+ -- Huh??? --) --
- Lake Michigan

Employment Trends
-- U.S. and Chicago – A Comparison --



(1) YTD February.

Source: U.S. Department of Labor, Bureau of Labor Statistics



New home sales nationally have typically accounted for 1 out of every 6 total sales.

* *

During the 2008-2014 period, however, they represented only 1 out of every 11 sales.

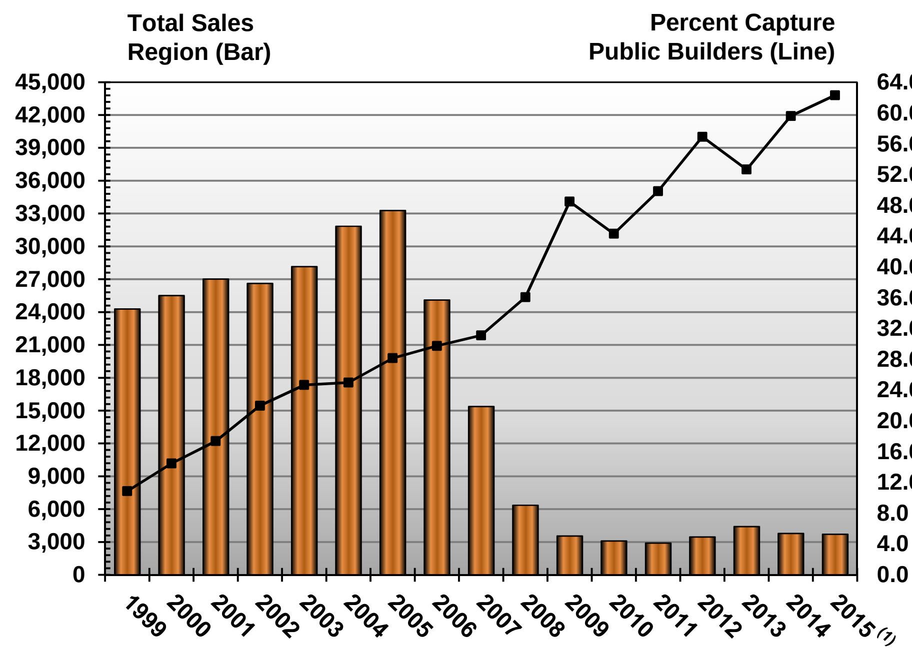
* *

Through 2007, the Chicago area maintained the same new to total sales ratio as the U.S. (1.0 to 6.0). During the last seven years, however, new home sales in the region accounted for only 1 out of every 22 sales.

Source: National Association of Realtors, Illinois Board of Realtors, and Tracy Cross & Associates, Inc.

New Construction Home Sales By Public And Private Companies

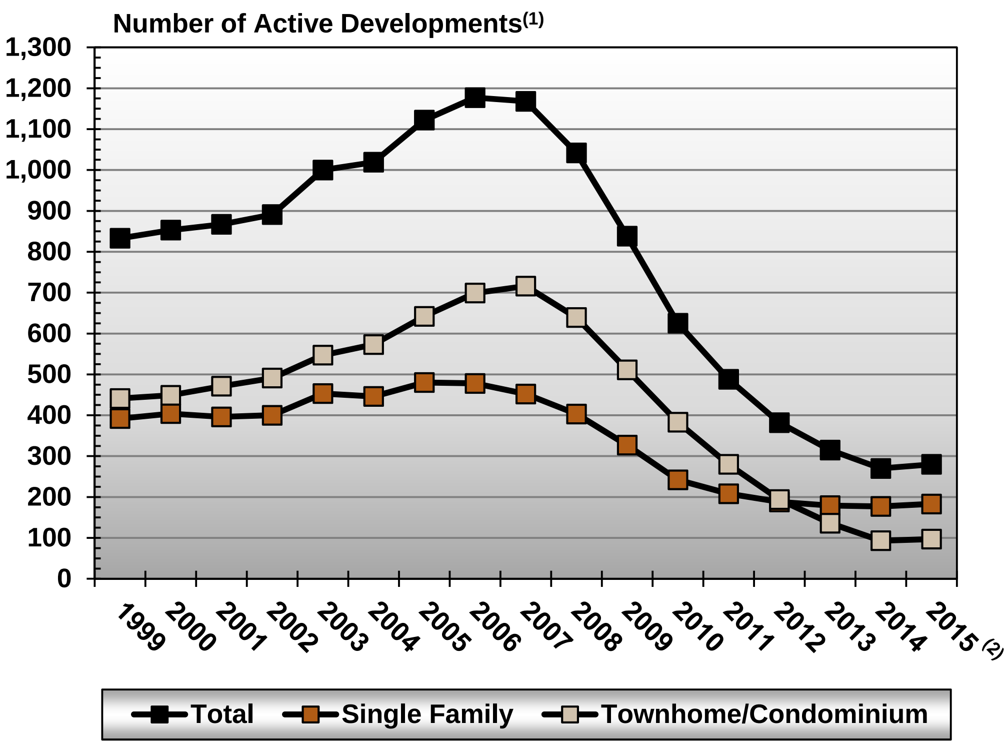
		Public Builders		Private Builders	
Year	Total Sales	Total Sales	Percent Capture	Total Sales	Percent Capture
1999	24,288	2,641	10.9	21,686	89.3
2000	25,512	3,690	14.5	21,925	85.9
2001	27,012	4,692	17.4	22,320	82.6
2002	26,616	5,849	22.0	20,767	78.0
2003	28,158	6,943	24.7	21,215	75.3
2004	31,843	7,952	25.0	23,891	75.0
2005	33,287	9,369	28.1	23,918	71.9
2006	25,105	7,466	29.7	17,639	70.3
2007	15,377	4,783	31.1	10,594	68.9
2008	6,361	2,294	36.1	4,067	63.9
2009	3,552	1,722	48.5	1,830	51.5
2010	3,101	1,374	44.3	1,727	55.7
2011	2,911	1,451	49.8	1,460	50.2
2012	3,467	1,973	56.9	1,494	43.1
2013	4,415	2,325	52.7	2,090	47.3
2014	3,777	2,250	59.6	1,527	40.4
2015[(1)]	3,712	2,314	62.3	1,398	37.7



(1) Seasonally adjusted annual rate YTD March.

Source: Tracy Cross & Associates, Inc.

An Erosion in Supply
-- Chicago Metropolitan Area --



Number of Active Developments[1]
Metropolitan Area

Year	Total	Single Family	Townhome/ Condominium
1999	833	392	441
2000	853	404	449
2001	867	396	471
2002	891	400	491
2003	1,000	453	547
2004	1,019	446	573
2005	1,122	480	642
2006	1,177	478	699
2007	1,168	452	716
2008	1,042	403	639
2009	838	327	511
2010	625	242	383
2011	488	208	280
2012	382	188	194
2013	315	179	136
2014	270	177	93
2015[2]	280	183	97

[1] Average number of programs based upon the number of days an individual development was active during the year.
[2] As of 1st Quarter.

Source: Tracy Cross & Associates, Inc.

40’, 50’, 60’, 70’, 80’+ -- Huh?

What’s Lake Michigan got to do with housing in Chicago?

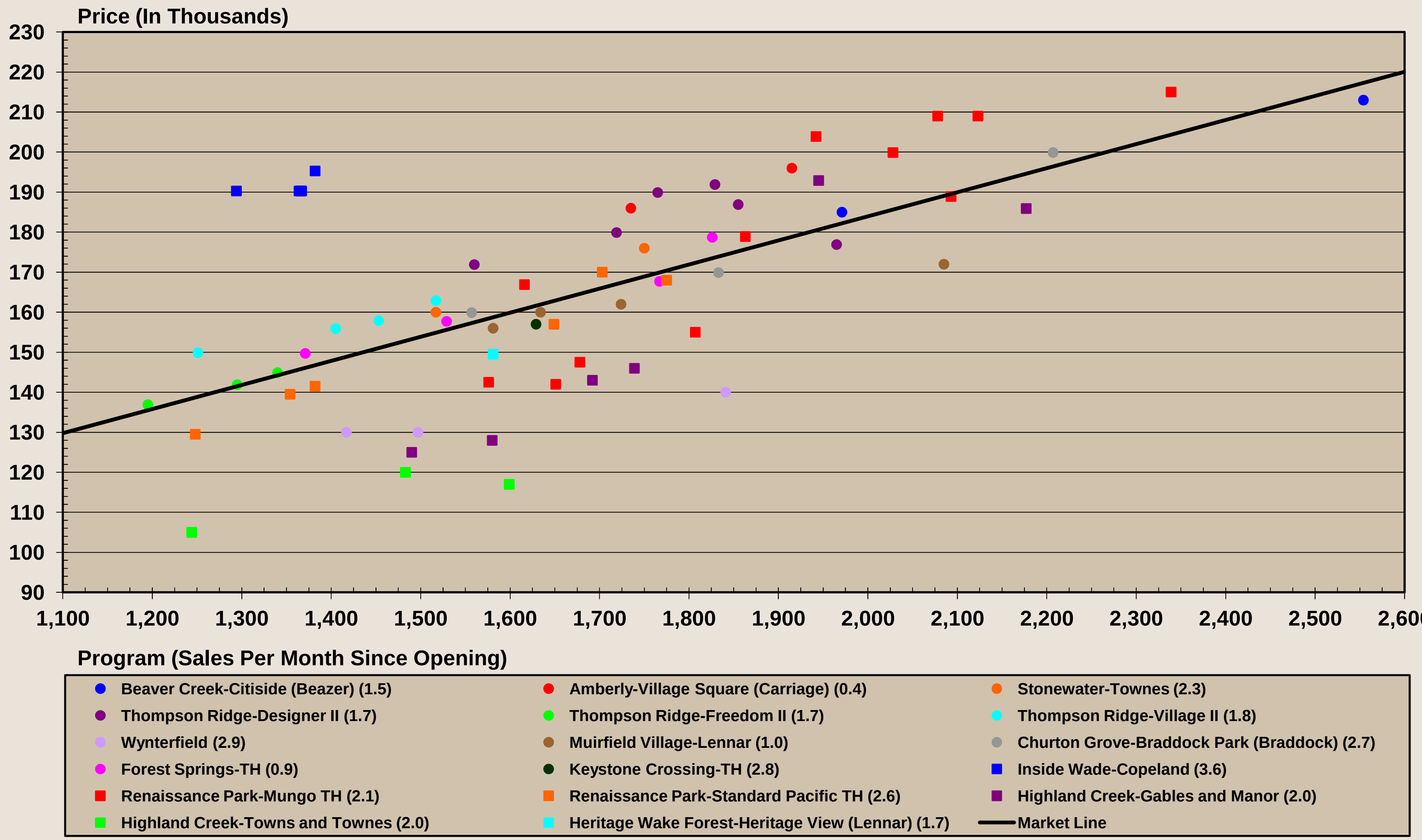
A Single Tip
To Better
Absorption Forecasts

Understanding Price/Value

Regression Analysis
-- An Invaluable Analytical Tool --

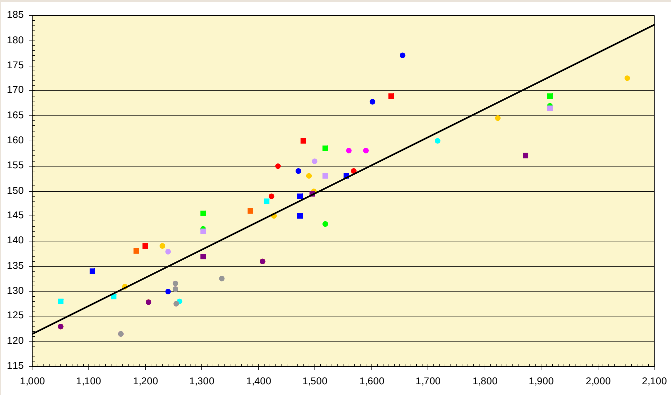
- A precise alignment of price.
- Absorption rates at varying price points.
- To note success and failures.
- To establish values for tangibles and intangibles.
- To weigh comparisons in value between different housing types.
- To identify voids or gluts.

Price/Value Analysis
-- How It's Used --



Source: Tracy Cross & Associates, Inc.

The Concept of Elasticity



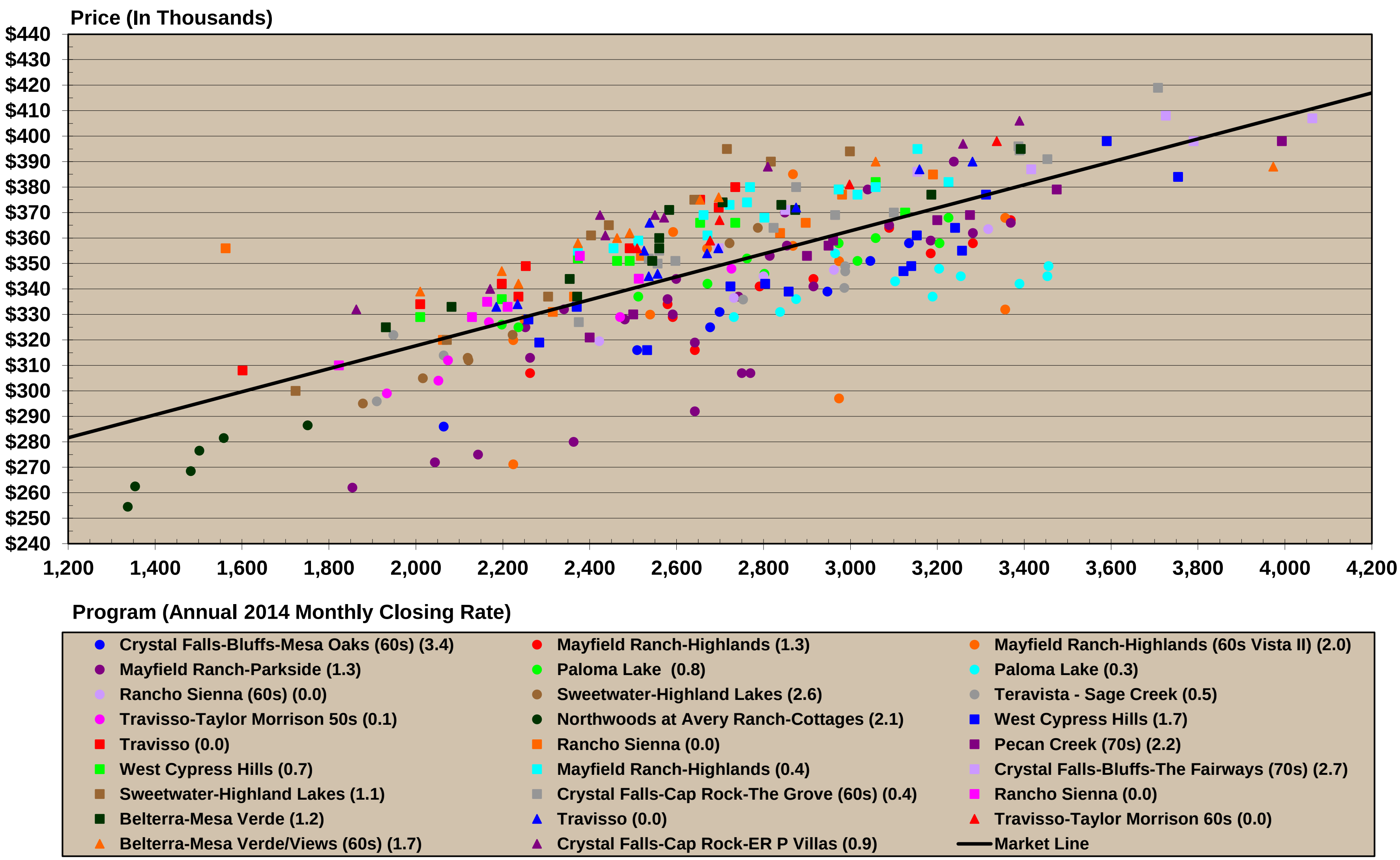
$$\text{Elasticity Coefficient “E”} = \frac{\textbf{Percent Change in Volume}}{\textbf{Percent Change in Price}}$$

Solving for E:

Market Rate Volume:	**4.5/Month**	**Market Rate Sales Price:**	**$200,000**
Change in Volume:	**1.0/Month**	**Change in Sales Price:**	**$5,000**
Percent Change in Volume:	**22.2%**	**Percent Change in Price: 2.5%**	

$$\textbf{E} = \frac{\textbf{Percent Change in Volume}}{\textbf{Percent Change in Price}} = \frac{22.2\%}{2.5\%} = 8.88\%$$

Price/Value Analysis – Better-Selling Single Family Developments
Average Sales Price Generally $300,000 to $375,000
-- Greater Austin --



Source: Tracy Cross & Associates, Inc.

Price/Value Analysis – Better-Selling Single Family Developments
Average Sales Price Generally $300,000 to $375,000
-- Greater Austin --

Plan Size (Sq. Ft.)	Average Market Price
1,300	$286,119
1,400	290,631
1,500	295,143
1,600	299,655
1,700	304,167
1,800	308,679
1,900	313,191
2,000	317,703
2,100	322,215
2,200	326,727
2,300	331,239
2,400	335,751
2,500	340,263
2,600	344,775
2,700	349,287
2,800	353,799
2,900	358,311
3,000	362,823
3,100	367,335
3,200	371,847
3,300	376,359
3,400	380,871
3,500	385,383
3,600	389,895
3,700	394,407
3,800	398,919

Slope: $45.12 per sq. ft.

Program/Location (Builder)	Typical Lot Dimension (WxD)	Average Plan Size (Sq. Ft.)	Average Base Sales Price: Dollars	Average Base Sales Price: Price Per Sq. Ft.	Average Market Price	Price Variance From Market	Annual Closing Rate 2014: Total	Annual Closing Rate 2014: Per Mo.
Crystal Falls-Cap Rock Villas/Leander (Grand Haven Homes)	70 x 180	2,608	$369,990	$141.86	$345,141	$+24,849	11.00	0.9
Sweetwater-Highland Lakes/Austin (Chesmar Homes)	50 x 120	2,458	359,657	146.32	338,368	+21,289	13.00	1.1
[1] Mayfield Ranch-Highlands/Round Rock (Highland Homes)	60 x 120	2,797	371,990	133.00	353,663	+18,327	5.00	0.4
Belterra-Mesa Verde/Views/Dripping Spr (Highland Homes)	60 x 130	2,615	363,690	139.08	345,452	+18,238	20.00	1.7
[1] Travisso/Leander (Highland Homes)	50 x 120	2,325	350,490	150.75	332,367	+18,123	0.00	0.0
[1] Travisso/Leander (Taylor Morrison)	60 x 125	2,844	372,190	130.87	355,784	+16,406	0.00	0.0
Belterra-Mesa Verde/Dripping Springs (Wilshire)	60 x 130	2,614	358,990	137.33	345,406	+13,584	14.00	1.2
West Cypress Hills/Leander (Highland)	60 x 130	2,608	358,190	137.34	345,136	+13,054	8.00	0.7
[1] Rancho Sienna/Georgetown (Chesmar)	65 x 125	2,525	354,101	140.24	341,391	+12,710	0.00	0.0
[1] Travisso/Leander (Grand Haven)	60 x 125	2,660	357,990	134.58	347,482	+10,508	0.00	0.0
[1] Crystal Falls-Cap Rock/Grove/Leander (Grand Haven)	60 x 135	2,948	370,636	125.72	360,476	+10,160	5.00	0.4
Crystal Falls-Bluffs/The Fairways/Leander (Taylor Morrison)	70 x 130	3,385	387,561	114.49	380,194	+7,367	32.00	2.7
[1] Rancho Sienna/Georgetown (Sitterle)	70 x 130	2,203	334,000	151.61	326,862	+7,138	0.00	0.0
---- Market ----	*---*	*2,687*	*348,700*	*129.77*	*348,700*	*0*	*20.27*	*1.7*
Sweetwater-Highland Lakes/Austin (Ryland Homes)	55 x 120	2,267	324,133	142.98	329,750	-5,617	31.00	2.6
Paloma Lake /Round Rock (Highland Homes)	60 x 120	2,787	347,535	124.70	353,212	-5,677	9.00	0.8
Pecan Creek/Round Rock (Gehan)	70 x 120	3,073	359,212	116.89	366,116	-6,904	26.00	2.2
[1] Travisso/Leander (Taylor Morrison)	50 x 120	2,237	319,823	142.97	328,396	-8,573	1.00	0.1
West Cypress Hills/Spicewood (Milestone)	65 x 125	2,960	350,190	118.31	361,018	-10,828	20.00	1.7
[1] Teravista-Sage Creek/Georgetown (Wes People)	57 x 115	2,520	329,114	130.60	341,165	-12,051	6.00	0.5
Mayfield Ranch-Highlands Vista II/Round Rock (Lennar)	60 x 120	2,741	338,065	123.34	351,137	-13,072	24.00	2.0
[1] Rancho Sienna/Georgetown (Ryland)	60 x 120	2,847	342,390	120.26	355,919	-13,529	0.00	0.0
Mayfield Ranch-Highlands/Round Rock (M/I Homes)	60 x 120	2,871	341,390	118.91	357,002	-15,612	15.00	1.3
Mayfield Ranch-Parkside/Georgetown (M/I Homes)	60 x 120	2,680	330,798	123.43	348,384	-17,586	15.00	1.3
Crystal Falls-Bluffs/Mesa Oaks/Leander (Taylor Morrison)	60 x 125	2,725	329,419	120.89	350,415	-20,996	41.00	3.4
Nwds at Avery Ranch-Cottages/Round Rock (Grand Haven)	50 x 115	1,497	271,657	181.47	295,007	-23,350	25.00	2.1
[1] Paloma Lake/Round Rock (Grand Haven)	70 x 120	3,133	341,717	109.07	368,824	-27,107	4.00	0.3

[1] New market entrant excluded from market closing statistics.

Source: Tracy Cross & Associates, Inc.

Price/Value Analysis - Production Single Family
Better Selling Communities by Pricing Tier
-- Greater Austin --

Attribute	Under $300,000	$300,000 - 375,000	$375,000 - 425,000	$425,000 - 500,000	$500,000 - 600,000	$600,000 - and Above
	Pricing Tier by Average Sales Price					
Number of Programs	19	26	29	29	13	17
Number of Plans	148	258	256	262	134	131
Average Per Builder	7.8	9.9	8.8	9.0	10.3	7.7
Average Lot Width in Feet	52	60	66	88	83	87
Average Annual Closing Rate Per Builder	26.92	20.27	18.11	15.40	20.25	6.30
Average Monthly Closing Rate Per Builder	2.3	1.7	1.5	1.3	1.7	0.6
Plan Size (Sq. Ft.)						
Minimum	1,528	1,337	1,647	1,673	2,179	2,525
Maximum	3,761	4,063	5,013	4,532	5,631	5,124
Average	2,373	2,687	2,917	3,227	3,584	3,746
Market Sales Price						
Minimum	$237,732	$287,788	$337,943	$389,357	$455,149	$530,356
Maximum	$356,528	$410,785	$507,623	$540,684	$667,240	$728,114
Average	$282,686	$348,700	$401,964	$471,610	$541,472	$623,262
Per Sq. Ft.	$119.13	$129.77	$137.80	$146.15	$151.08	$166.38
Slope (Price Movement Per Incremental Sq. Ft.)	$53.20	$45.12	$50.41	$52.93	$61.44	$76.09

Source: Tracy Cross & Associates, Inc.

Some Final Comments