

**Market Study**

**Arlington Downs**

Proposed Future Residential Phases  
N. Euclid Ave, E of Rohlwing Rd  
Arlington Heights, Cook County, Illinois 60005  
Client Reference:

**Prepared For:**

Devco Management LLC

**Effective Date of the Market Study:**

April, 2018

**IRR - Chicago**

File Number: 194-2018-0339





**Arlington Downs**  
N. Euclid Ave, E of Rohlwing Rd  
Arlington Heights, Illinois



April 24, 2018

Mr. David Trandel  
Devco Management LLC  
3400 West Stonegate Boulevard, Suite 128  
Arlington Heights, IL 60005

SUBJECT: Market Study

**Arlington Downs: Proposed Future Residential Phases**  
N. Euclid Ave, E of Rohlwing Rd  
Arlington Heights, Cook County, Illinois 60005  
IRR - Chicago File No. 194-2018-0339

Dear Mr. Trandel:

Integra Realty Resources – Chicago is pleased to submit the accompanying market study of the referenced property.

Information for this report was researched and gathered from property inspections and conversations with brokers, developers, lenders, investors, managers, and leasing agents involved in the Suburban Chicago apartment market. On a quarterly basis since 2005, we have also researched the rental apartment market for Suburban Chicago. This ongoing work, along with our database going back 40+ years, well positions us to analyze and understand market trends specific to the proposed project.

Should you have any questions about this report or desire further consultations as you move forward, please do not hesitate to call us directly.

Mr. David Trandel  
Devco Management LLC  
April 24, 2018  
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If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**Integra Realty Resources - Chicago**



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# General Information

## Purpose of the Appraisal

The purpose of this report is to provide:

- An overview of the Suburban Chicago rental apartment market.
- An analysis of the market demand for rental apartment units at the subject location.
- An analysis of the target renter demographic.
- A survey and overview of the rental competition in the market.
- A critique of the proposed future rental apartment phases planned for Arlington Downs.
- Conclusions regarding the market demand for the proposed future rental apartment phases and absorption projections for the proposed units.

## Effective Date

The effective date of the analysis and conclusions is April 2018.

## Intended Use and User

The addressee on the letter of transmittal is the client and the intended user of this report. An additional intended user is the Planning and Community Development Department of Arlington Heights.

This report is prepared for exclusive use by the intended users for internal planning purposes.

## Sources of Data / Extent of Research

An inspection of the subject site and neighborhood was completed along with a review of the architectural drawings which were provided for the subject property.

The following data sources were researched:

- Inspection of the site and a review of the proposed development site plan
- Visual inspection of the immediate neighborhood
- Ongoing discussions with brokers, developers, lenders and investors active in the suburban Chicago rental market
- Inspection of the competing rental buildings in the market and discussions with management and leasing agents
- Previous assignments where information was not confidential

## Applicable Requirements

This market study is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP.

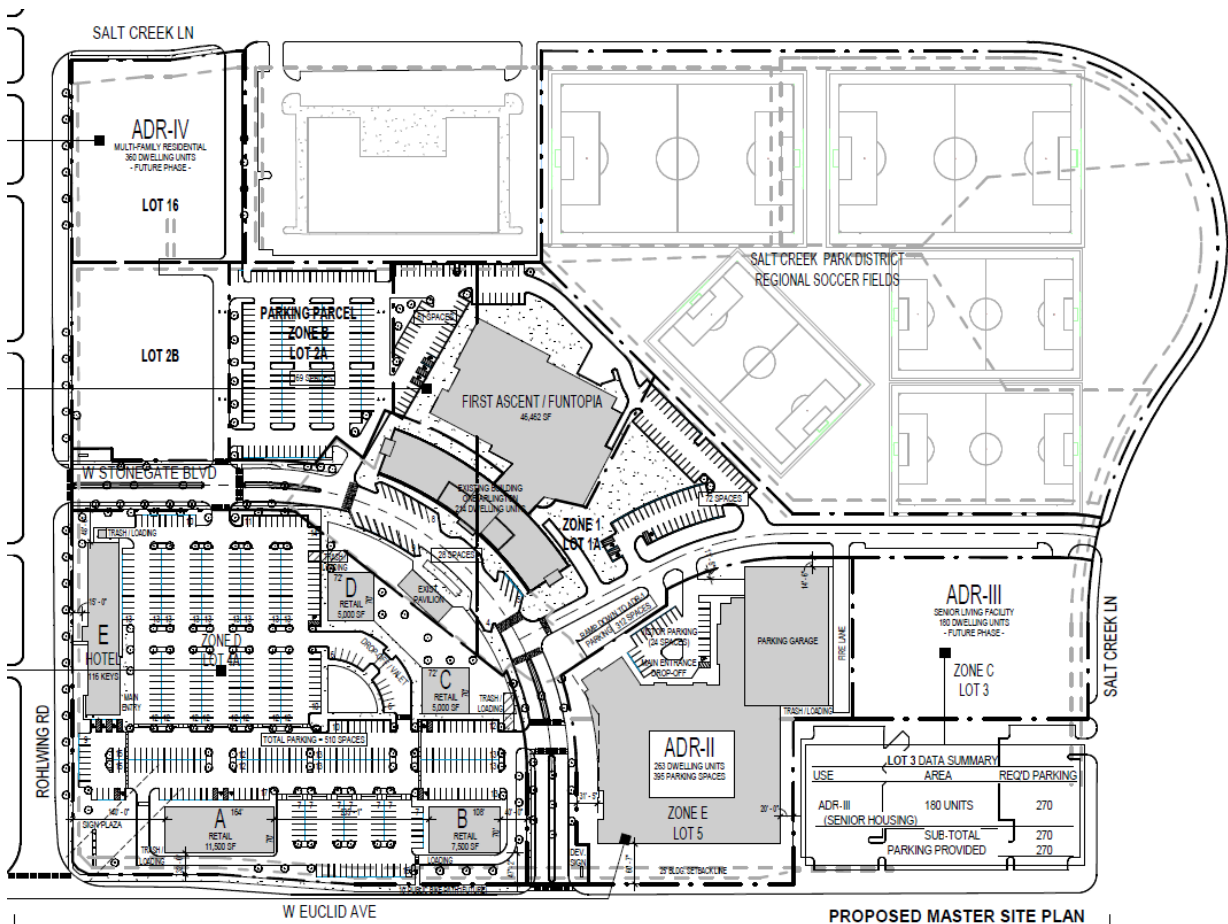
## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

## Inspection

Gail Lissner, SRA, CRE, conducted an inspection of the site on April 3, 2018.

## Executive Summary and Conclusions



### Arlington Downs Proposed Master Site Plan

#### Development Location and Overall Plan

N. Euclid Ave, E of Rohlwing Rd  
Arlington Heights, Cook County, Illinois 60005

The Arlington Downs development is located at the northeast corner of W. Euclid Avenue and Rohlwing Road in northwest suburban Arlington Heights, IL. With rental apartment, retail, hotel, and entertainment/recreational amenities, this 27-acre site is in the process of becoming a mixed-use development offering a wide range of amenities. Its components will include the following:

- One Arlington, a 214-unit luxury rental apartment building, was completed in late 2014. It was the adaptive reuse of a former hotel which had closed. One Arlington also includes a



- ground floor tenant, N25, which is an 18,000 SF shared office, co-working space facility which is currently expanding into the remaining vacant first floor space in the building.
- The former waterslide park just north of One Arlington is planned for conversion to a First Ascent/Funtopia facility. With 30,000 SF, First Ascent will offer a 57-foot-high rock wall and numerous workout amenities and classes. Funtopia will be a children’s entertainment facility with 15,000 SF of space including fun walls, ropes courses, crawling caves, and a jungle gym.
  - A Vib Hotel is also planned for development. It will be a 116-room stylish boutique select-service hotel.
  - Retail facilities are also planned totaling approximately 40,000 SF of retail space, with a heavy food/restaurant orientation.
  - Additional residential phases: There are three residential sites which are the subject of this market study:
    - ADR II: This site is located on the north side of Euclid Avenue between Rohlwing Road and Salk Creek Lane and is planned to include 263 units in a five-story building. ADR II is the first parcel which is planned for construction and could potentially break ground in the fall of 2018. It is currently proposed with a mix of 34 studio units (13%), 113 1BR units (43%), 89 2BR units (34%), 27 3BR units (10%). The parking ratio will be 1.5:1. No unit square footages were provided.
    - ADR IV: This site is located at the southeast corner of Rohlwing Road and Salt Creek Lane and is proposed for 360 units.
    - ADR III: This site is located on the west side of Salt Creek Lane, north of Euclid Avenue and is proposed to include 180-unit senior living or age-restricted units.

### Conclusion

Based upon our analysis of the subject location, the proposed development plan, and the suburban rental apartment market, we believe that additional rental apartments will be marketable at this location. With three pads and a phased development plan, we believe that there will be adequate demand to absorb the three proposed phases. Given the size of the Arlington Heights market and its perceived desirability in the market, the proximity to major employment centers within easy commuting distance, the lack of new apartment construction in Arlington Heights, the good reception to date for the One Arlington units, the strong occupancy trends in the Northwest Cook County rental apartment market, and the proposed plans for the other components of the Arlington Downs mixed-use development, it is expected that there will be sustained demand and good absorption for these additional residential phases at rents competitive with the Luxury Class A new construction projects in the market.

## Analysis and Conclusions

### Property Location

The subject property is located in Arlington Heights, a community of approximately 75,000 persons located northwest of O'Hare Airport in the northwest suburbs of Chicago. The location is 30 miles from Chicago's central business district ("The Loop") and 15 miles from O'Hare Airport. The village is bordered by Buffalo Grove on the north, Wheeling, Prospect Heights and Mount Prospect on the east, Elk Grove Village on the south and Rolling Meadows and Palatine on the west. Interstate 90 runs along portions of the southern border while Illinois Route 53 extends along portions of the western border. It is also served by the Metra Union Pacific/Northwest Line which has stops at Arlington Park and downtown Arlington Heights to Ogilvie Transportation Center. The Arlington Park stop is within walking distance of the subject.

The median household income for Arlington Heights is approximately \$94,750, according to 2018 estimates by Environics Analytics. Within the past 12 months, according to MRED LLC, there were 826 sales of single family residences in Arlington Heights with an average price of \$421,230 and a median price of \$380,500. These sales ranged from a low of \$180,000 to a high of \$1,400,000. An additional 531 condos and townhomes also sold within the past 12 months with an average price of \$185,485 and a median price of \$161,500. These sales ranged from a low of \$55,000 to a high of \$745,000.

Accessibility to transportation is a key advantage of the Arlington Downs location, with Illinois Route 53 spanning portions of the village's western edge. The subject property, located just east of the highway at the full interchange at Euclid Avenue. Cars are the main mode of transportation in the suburbs, but there are also two Metra train stations, including one which is less than a 10-minute walk from the subject site.

Woodfield Mall, one of the largest malls in the county is four miles south. This is a premier shopping center and destination for both locals and tourists. Anchor tenants include Macy's, Nordstrom, Lord & Taylor, JC Penny and Sears. There are approximately 300 stores. Ikea, one of two stores in the Chicagoland area, is also located in Schaumburg. To the south of the mall is the Streets of Woodfield which includes a 20-screen movie theater as well as additional retailers including Carson's and a Legoland Discovery Center. Being situated close to Woodfield Mall is considered to be an excellent amenity for the subject property.

To the east of the Arlington Downs development is Arlington International, a thoroughbred horse race track which originally opened in 1927 and operates from May through September. From a residential perspective, the track provides very desirable views from units which overlook its attractive grounds along with additional demand for housing, particularly during the racing season.

Overall, this is considered to be an excellent location for future phases of residential development in the Arlington Downs development.

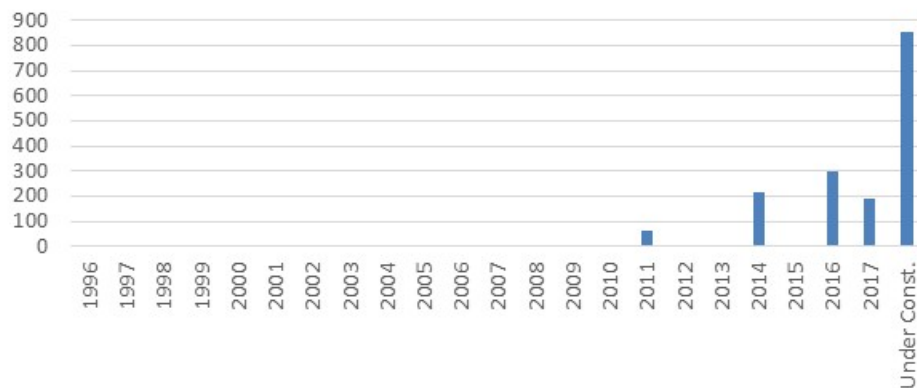
**Northwest Cook County Suburban Rental Market Conditions**

The Cook County Northwest submarket is defined as roughly Interstate 294 to the east, Lake County on the north, Route 59 on the west and DuPage County to the south. O’Hare International Airport is at the southeastern most part of the submarket. The Integra Realty Resources - Chicago internal database for the Cook County Northwest submarket consists of 25,711 dwelling units which we track on a quarterly basis. The median unit size for the submarket is 877 square feet which is in-line with the overall suburban market. The median year built was 1975 compared to the overall suburban market having a median of 1985.

Cook County Northwest was one of the first submarkets to be develop in suburban Chicago to a significant density. However, no new apartment development took place in the 1990s or early 2000s. It was not until 60 units were constructed in Des Plaines in 2011 that there was any new rental product added to this submarket since the 1980s, and these 60 units actually began construction as condominiums but were completed as rental apartments during to the downturn in the for-sale market. There have only been a few new projects added to this rather sizable market during the past few years, but development activity is beginning to increase with over 800 units currently under construction for delivery in 2018/2019. The lack of newer product in the Northwest Cook County submarket has been more a function of lack of suitable sites for development rather than submarket economics.

As shown below, new rental apartment development did not occur in the Northwest Cook County submarket for many years and has only begun occurring in the past few years.

New Construction Apt Units Delivered in NW Cook Submarket: 1996-1997 and Under Construction for Delivery in 2018/2019



Median net rent per square foot as of 4Q2017 stands at \$1.50, a gain of 2.7 percent from a year ago. Rents in the Northwest Cook submarket are up 6.3 percent compared to the levels posted two years ago. One-bedrooms have a median rent of \$1,180 while two bedrooms have a median net rent of \$1,414. Occupancy is flat for the past year at 95.4 percent. The submarket remains relatively “full” with pricing therefore expected to remain stable.



### Renter Profile

The subject property is situated along a corridor and submarket which has experienced limited new rental apartment construction in recent years. Very little apartment development occurred in the overall Chicago suburban market between 2004 and 2012. Only within the last few years has new product come onto the market in the Northwest Cook submarket. Thus, persons who are employed in the Arlington Heights/Schaumburg area had limited apartment options until very recently. Renters desiring a luxury apartment within close proximity of employment within Schaumburg would need to travel significant distances to find a newly constructed, Class A rental apartment development.

It is anticipated that the renter profile will be comprised of persons who work in the area, commute via I-90, I-290, or I-355 or couples who work in different parts of the metropolitan area and require a location which is centralized for their individual commutes. We view much of the demand for this location to be employment-based. With the proximity to the O'Hare and Schaumburg office markets and the multitude of other employment opportunities available via the highway network, this is a rather central location for a person working in the northwest suburban market.

Unlike some of the locations where recent development which been occurring in the Chicago area suburban market, the subject location is not a transit-oriented location although it does offer easy access to a Metra station which serves the western section of Arlington Heights and the Arlington Park Race Track. Thus, this is a location which would necessitate ownership of a car and its proximity to area expressways makes it a very convenient location for persons traveling by car. As a rental apartment development site, this location would appeal to a mobile resident and would have less appeal to a person who would want a more walkable suburban downtown location. As the future phases of the Arlington Downs development take place, there will be more amenities added to the development which will increase its desirability to persons desiring retail, restaurant, and fitness/entertainment amenities in close proximity.

The Arlington Downs location will also appeal to persons in transition – i.e. moving locally or transferees, persons in the process of obtaining a divorce, divorced parents, or active grandparents relocating to be closer to their families.

We also expect that empty nesters will also comprise a segment of the market demand for the rental apartment phases. This could include both persons who are downsizing from the immediate area along with persons relocating from outside the region to be closer to their children and grandchildren who live in the Arlington Heights area. In addition, Parcel ADR III will specifically be targeted to the senior component of the market.

Thus, there is a diverse renter profile that is expected to be attracted to the subject property.

**Competition Overview: Existing Properties**

The primary competition to the apartment units at Arlington Downs would be expected to be similar in age and location. However, while Arlington Heights has a population of approximately 75,000 persons and over 31,100 households, new rental apartment development has been extremely limited in the community. In fact, One Arlington is the only existing, newly developed apartment building with over 100 units which has been developed in Arlington Heights in over 20 years despite the vibrancy and desirability of Arlington Heights. Currently, a very small project with 45 units is under construction at the southwest corner of Dunton Avenue and Eastman Street in downtown Arlington Heights. The Parkview Apartments project will be completed in 2018 and consists of a mix of one, two, and three bedroom units, with 19 units being affordable units. This is the only new construction project other than the One Arlington project which has been developed in Arlington Heights.

If the subject were in lease-up today, the primary competition for the subject units would include the following:

- Arlington Heights apartment properties: The top three properties in the market include One Arlington, Dunton Tower, and Hancock Square. One Arlington was completed in 2014 while Hancock Square and Dunton Tower, both located in downtown Arlington Heights, were completed in 1988 and 1986. We have also included another property which is more typical of the garden-style developments which were built in the 1970s and 1980s in Arlington Heights, although its rent levels would fall well below what would be indicated by new construction.
- Schaumburg apartment properties: North680, which was constructed in 2017, is the first apartment property to be built in Schaumburg in approximately 30 years. This will be a primary competitor, as it features similar new construction amenities and a location approximately three miles from Arlington Downs. We have also included several older Schaumburg properties which would provide alternatives, but offer lower priced, inferior units.
- Other new construction properties: Our survey included projects which have been developed since 2016 in Itasca, Deer Park, and Wheeling. Unlike the North680 project, these properties are located further away, approximately 7 to 10 miles from the subject development.

A summary of the data is presented on the following page.

## Apartment Competition Summary

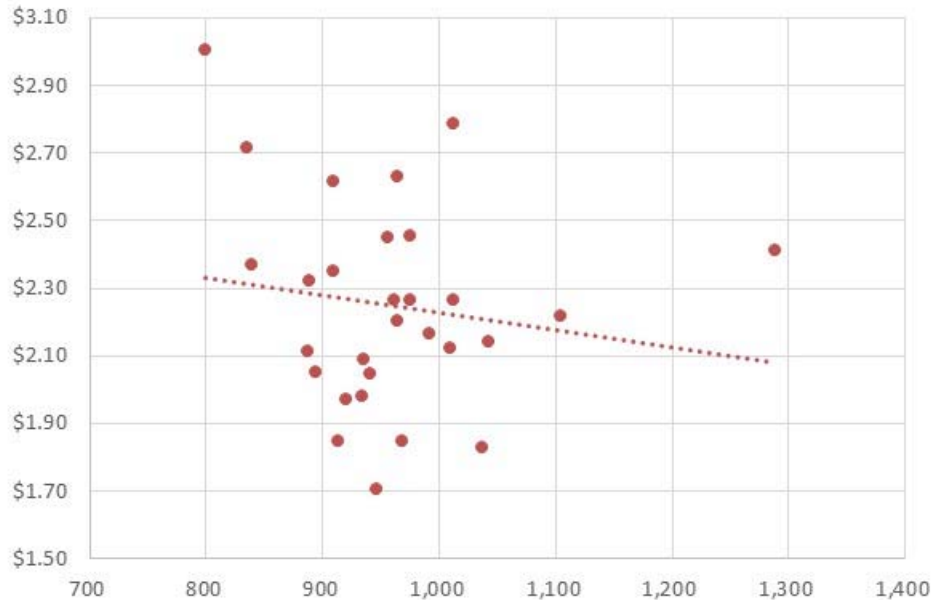
Name	Address	Suburb	Total Units	Class	Date Built	Date Renov	Avg Size (SF)	Quoted Rent PSF	Net Rent PSF
One Arlington	3400 W. Stonegate Blvd	Arlington Heights	214	A	2014		936	\$2.06	\$2.00
Hancock Square	200 North Arlington Hts Rd	Arlington Heights	409	B	1988	2016	849	\$2.39	\$2.39
Dunton Tower	55 South Vail	Arlington Heights	216	B	1986	2006	902	\$1.94	\$1.94
Central Park East	1551 E. Central Road	Arlington Heights	204	B	1989	2011	995	\$1.65	\$1.65
North680	680 E. Algonquin Rd.	Schaumburg	180	A	2017		894	\$2.23	\$2.23
TGM Park Meadows Apts	10 N. Lincoln Meadows	Schaumburg	576	B	1990	2014	799	\$1.95	\$1.95
The Treehouse	2500 Brush Road	Schaumburg	752	B	1980	2012	857	\$1.55	\$1.55
International Village	1220 E. Algonquin Road	Schaumburg	732	B	1971	2008	937	\$1.46	\$1.34
Versailles on the Lakes	1024 N. Plum Grove Rd.	Schaumburg	618	B	1971	2008	776	\$1.87	\$1.71
Deer Park Crossing	21599 W. Field Ct.	Deer Park	236	A	2018		1,350	\$1.93	\$1.70
The Residences at Hamilton Lakes	1133 N. Arlington Hts. Rd.	Itasca	297	A	2017		934	\$2.24	\$1.87
Northgate Crossing	250 Northgate Pkwy	Wheeling	300	A	2016		969	\$1.89	\$1.69
<b>Total</b>			<b>4,734</b>						

As shown by the rents which are being achieved at One Arlington, Dunton Tower, Hancock Square, and 680 North, the prime Heights/Schaumburg properties can command rents are commanding rents in the \$2.00 to \$2.35 PSF range.

As additional information, we also surveyed all of the new construction rental apartment developments in Northwest Cook County, DuPage County, Lake County, and the North Shore submarkets which have been completed in the Chicago suburban area since 2013. All of these developments are elevator-style properties. This survey included 6,075 units but excluded Kane, Kendall, Naperville/Aurora, and locations far south of the city of Chicago.

The average unit sizes and average net effective rents being achieved in these developments are summarized as follows, showing the strong rent premiums for new construction apartments being developed throughout the metropolitan area.

4Q 2017 Net Effective Rents PSF at the Apartment Complexes Constructed Since 2013 in the Cook NW, DuPage, Lake, and North Shore submarkets



These 29 developments summarized above contain a total of 6,075 units and were completed between 2013 and 2018ytd. Average net effective rents ranged from \$1.71 to \$3.00 PSF with average unit sizes of 799 to 1,288 SF. Only six of the developments had rents averaging below \$2.00 PSF with five developments with rents above \$2.50 PSF. The vast bulk of the developments had average rents between \$2.00 and \$2.50 PSF.

**Projects Currently Under Construction and Proposed Competition**

In addition to the existing apartment developments in the market, there is additional apartment development taking place along with a growing pipeline of projects which are being proposed for development. These projects are in varying stages of the entitlement, financing or construction process, and all of these developments will not end up being constructed. Some will end up with entitlement issues and others may get stalled or cancelled due to difficulty raising equity or obtaining financing.

The following is a summary of the projects which are being developed or proposed for the Northwest Cook County submarket and which could provide additional competition to the subject units.

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**Under Construction: 2018-2019 Deliveries**

Property	Submarket	City	Developer	Status	Units
Wheeling Town Center/Dundee & Northgate	Cook NW	Wheeling	Urban R2	Construction	301
Buckingham Place/Littelfuse site/800 E NW Hwy	Cook NW	Des Plaines	Dearborn-Buckingham	Construction	270
Covington Lexington Woods/Golf & E River Rd	Cook NW	Des Plaines	Lexington	Construction	236
Parkview Apts, 212 N. Dunton	Cook NW	Arlington Heights	Cullen Davis	Construction	45



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**Projects in Planning (Pipeline)**

Property	Submarket	City	Developer	Status	Units
<b>Northwest Cook County</b>					
Uptown 501/501 W Dundee	Cook NW	Wheeling	DAC/Atlas	Planning	265
Marriott/Host site/8535 W Higgins	Chicago	Chicago	Glenstar	Planning	299
Sim's Bowl site/1555-65 Ellinwood	Cook NW	Des Plaines	Opus	Planning	113
Ellinwood Apts, 1425 Ellinwood	Cook NW	Des Plaines	Bayview-Compasspoint	Planning	200
20West, 20 W Northwest Highway	Cook NW	Mount Prospect	Nicholas & Assoc.	Planning	73
Plum Farms/NWC Rts 59 & 72	Cook NW	Hoffman Estates	TBD	Planning	TBD
Motorola Site - Multiple Phases	Cook NW	Schaumburg	Urban Street	Planning	TBD
NWC Lake & Church	Cook NW	Hanover Park	Monroe Residential	Planning	131
Hickory Apartments, NWC Hickory & Kensington	Cook NW	Arlington Heights		Planning	79
Arlington Downs - multiple phases	Cook NW	Arlington Heights	Springbank/Trandel	Planning	263
Arlington Downs - multiple phases	Cook NW	Arlington Heights	Springbank/Trandel	Planning	360
Northwest Hwy & Walnut	Cook NW	Arlington Heights	Brian Properties	Planning	106
SWC E. Railroad & S. Berteau	Cook NW	Bartlett	Foxford	Planning	41

As shown above, the Arlington Downs development (the subject property) comprises the largest chunk of new inventory being proposed for the Arlington Heights rental apartment market.

**The Subject Property - Unit Mix**

The residential component of the Arlington Downs project consists of three development sites in addition to the existing One Arlington development. A preliminary unit mix for the first phase of 263 units (Site ADR II) is planned to include 13% studio units, 43% one bedroom units, 34% two bedroom units and 10% three bedroom units. While we were informed that these units will be contained in a five-story building, no additional information was provided. Site ADR IV is proposed for 360 units although its unit mix has not yet been proposed. It is anticipated that as a future phase, its mix will be finalized closer to the time of development in order to be in line with current market demand and trends.

The following comments pertain to the 263 units which are proposed for Site ADR II:

**Studio Units:** Suburban developments which have been incorporating studio/convertible units have reported excellent market reception. We concur with the decision to include these units and believe that there is greater opportunity to increase the studio/convertible component if desired by ownership, with some product differentiation between the smaller studios and larger convertible units which contain a bedroom alcove.

**One Bedroom Units:** One bedroom units continue to be a very popular unit type and we believe that there may be an opportunity to increase the number of units in the one bedroom component from its current level of 43%.

**Two Bedroom Units:** Two bedroom units currently comprise 34% of the total units in the development. Consideration may be warranted to reduce this number, since leasing agents have been reporting more limited demand for two bedroom units. For example, properties in lease-up find



that there is broader market demand for its studio and one bedroom units rather than its two bedroom units.

**Three Bedroom Units:** Three bedroom units make up a small component of the rental market. With 10% of the units proposed as three bedroom units, this is considered to be a significant number of units. Some of the newer developments such as Deer Creek Crossing and North Gate Crossing have incorporated three bedrooms in a townhome component rather than as traditional apartment units. While these units can appeal to empty nesters and families or divorced parents, their price point can be above the reach or desired price point of most of the target market. Thus, consideration may be warranted to slightly reducing the size of this market segment.

#### **The Subject Property - Unit Finishes and Amenities**

The units should incorporate the finishes which are consistent with the new construction competition in the suburban market.

#### **The Subject Property - Building Amenities**

The current trend in building amenities is to provide a boutique hotel-type atmosphere in apartment buildings. One Arlington is an example of a building with extensive amenities, many of which are rather unique. For the next phase of the development, we suggest focusing on the most important amenities: a well-equipped fitness center with a separate multi-purpose/yoga room, multi-purpose club room(s), active lobby area, outdoor swimming pool with sun deck, seating areas, fire pit, barbecue and eating areas, etc. One Arlington does not have a swimming pool although it has a dramatic rooftop deck; thus, with the addition of a pool in the next phase, there will be an opportunity to capture the segment of the market which desires the pool amenity not currently available at One Arlington.

These suggested amenities are consistent with what are available at the competition and will be consistent with the expectations of tenants in the Class A apartment market. The amenity packages have become very important in the lease-up and tenant retention in existing properties and a necessity for a luxury property aiming to achieve top market rents.

#### **The Subject Property – Lease-up Velocity**

On a quarterly basis, Integra Realty Resources has been surveying the 100+ unit apartment developments which have been engaged in lease-up in the suburban Chicago market. For the past five years, the lease-up velocity in the projects which are stabilized averaged 12 units per month, with an average of 10 units per month in the projects which are currently engaged in lease-up. Thus, with market rent levels comparable to its new construction competition and a similar lease-up pace, this would indicate a lease up in less than two years for the 263-unit phase (Site ADR II) which is proposed as the next phase of development at Arlington Downs.

### Senior Housing Parcel: ADR III

One of the parcels at Arlington Downs is currently proposed to include 180 units of Senior Housing. It was not specified as to the type of senior housing anticipated, although it is likely that it would be age-restricted 55+ housing or Independent Living. There are many different forms of housing targeted for seniors as the needs of seniors can vary as they age and as their health declines. These include the following categories:

- Age-restricted, 55+ housing
- Independent Living (IL)
- Assisted Living (AL)
- Memory Care (MC)
- Skilled Care

### Age-restricted, 55+ Communities:

The age-restricted communities specifically target persons who are 55 years of age or older; frequently, these developments are also referred to as “active adult communities”. While officially marketing to the 55+ age group, the average resident of this type of development nationwide is more typically a person in their early 70s. These developments provide the typical new construction apartment units and amenities found in conventional new Class A rental apartment developments in the market, but also provide extensive social programming and additional services for its residents. These communities are able to command rent premiums due to the wide assortment of activities and programs which are organized by management to engage the residents. Some of these projects also offer an informal continental breakfast daily, although they do not provide lunch or dinner.

Within the past year, this segment of the market has attracted interest from rental apartment developers with several projects now proposed for development in the Chicago suburban market. These include the following:

- **Overture:** A 175-unit development in Yorktown Shopping Center in Lombard is currently under construction with occupancy planned for the fall of 2018. Developed by Greystar Properties, it will consist of 1BR/1 bath and 2BR/2 bath units ranging in size from 765 to 1,337 SF.
- **624-654 Waukegan Road in Glenview:** Trammel Crow Company is planning to develop a 169-unit development, with construction expected to start later this year. Its units will range in size from 572 SF junior one bedroom units to 1,240 SF two bedroom units. Its amenities will be an enhanced version of the amenities typically found in new apartment developments, with a dining room with demonstration kitchen, conference room, business center, bistro, theatre room, club room, enlarged fitness center, guest suite, beauty salon, outdoor swimming pool, and sundeck.

- 1727 Oak in Evanston: Trammel Crow is also proposing a 17 story, 169 unit building in downtown Evanston which will be a similar concept to its Glenview development.

These types of developments command rents which carry a premium over typical apartment units but are less than Independent Living developments. Given the similarity in the markets between DuPage County, the North Shore, and Arlington Heights, it is very likely that this type of development could be well received at Arlington Downs by empty nesters (couples and widows) who are looking to make a lifestyle change: downsizing their residence, simplifying their household obligations, and increasing their opportunities for socialization.

#### **Independent Living Communities:**

For persons who are desiring more services than provided at a 55+ age restricted community, independent living communities also provide daily meals and typically more on-site staff. With the availability of lunch and dinner being provided on a daily basis, independent living communities can cater to older residents who desire or require additional services. Independent living communities also offer extensive social programming to keep the residents engaged, and frequently offer additional services which can be engaged on an a la carte basis, as needed. Meal service, housekeeping, and laundry services may or may not be included in the base rent, depending upon the development.

#### **Assisted Living Communities:**

Assisted Living Communities are geared towards seniors that have had a slight decline in health and require assistance performing one or more daily living activities. These properties also provide planned activities and common amenities designed for semi-active senior residents. Three daily meals, weekly housekeeping and laundry service are typically included, with additional services or care service packages available for an additional fee.

#### **Memory Care Communities:**

Memory care is a specialized form of assisted living that is targeted towards the care of elderly residents suffering from various stages of memory loss or Alzheimer's. Memory care services are offered in similar residential settings to assisted living and in institutional settings such as skilled nursing facilities. Units are typically small apartments or rooms that do not include a kitchen.

#### **Skilled Nursing:**

Skilled nursing is for elderly residents that require around the clock nursing care. Living quarters typically consist of rooms that may be private or semi-private. Three daily meals, planned activities and housekeeping are included along with 24-hour nursing care.

#### **Continuing Care Retirement Communities:**

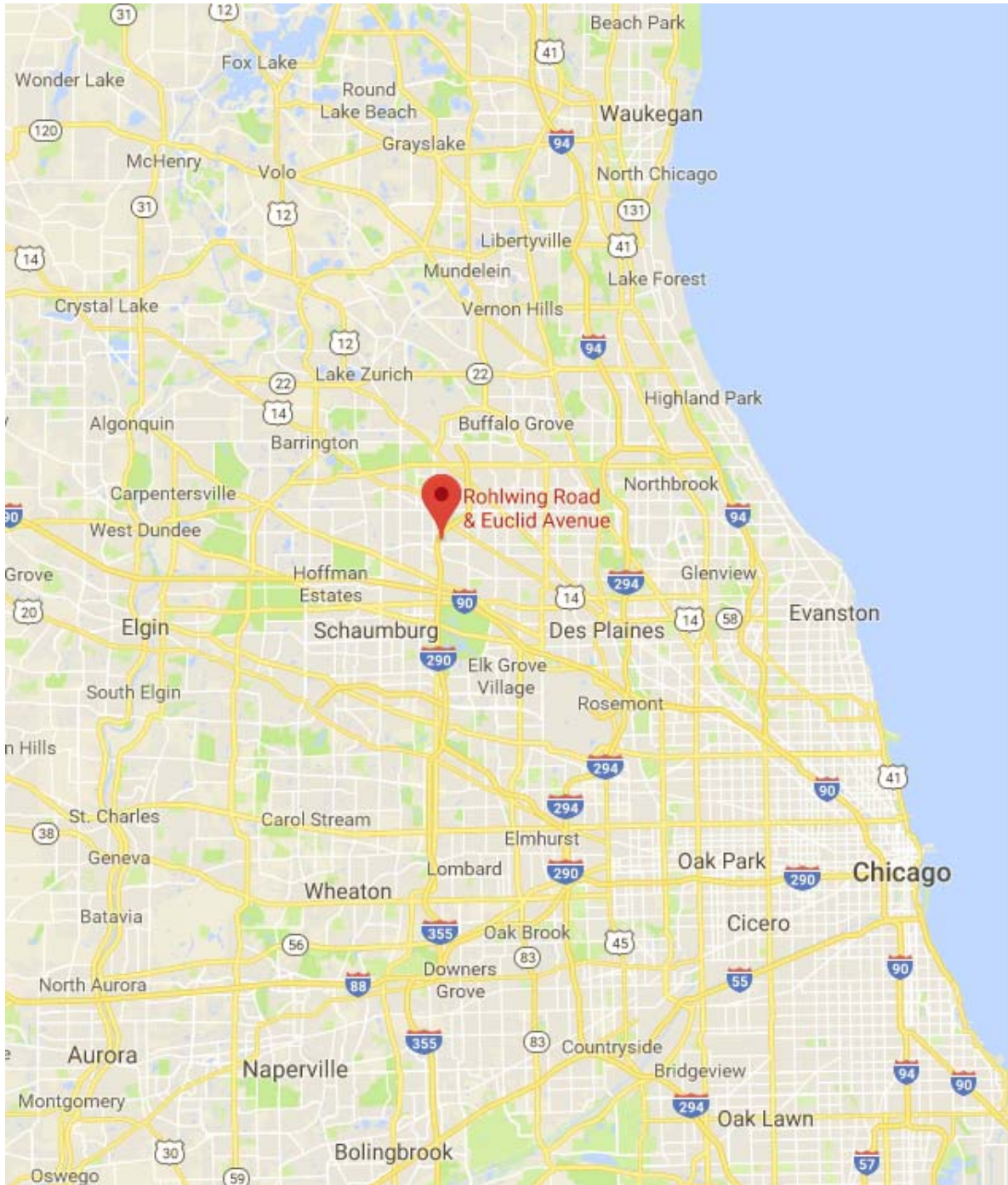
Continuing care retirement communities typically combine independent living, assisted living, and skilled nursing into a single community, with the different types of care typically segregated. These are typically entry-fee based communities.

**Conclusion:**

Within a five-mile radius of the Arlington Downs development are nearly 125,000 owner and renter households, with over 58,000 households (47%) being headed by persons 55 years of age or older and 39,500 households (32%) being headed by persons 62 years of age or older. The number of age 62+ households is expected to increase to over 43,700 by 2023.

With Arlington Downs being a large mixed-use development, there will certainly be the opportunity to incorporate housing for seniors. An age-restricted, 55+ community or independent living property would be most similar to the apartment offerings in the other phases and would expand the diversity of rental product type in the development. In addition, there may be the opportunity to substitute more need-based senior housing such as assisted living, memory care, or skilled care components, depending upon market need and analysis at that time.

### Location Map



### View of the Surrounding Area



### Aerial View of Arlington Downs Site



Aerial View of the Arlington Downs site



## Arlington Downs Development Plan

LOT 16 / 2B DATA SUMMARY		
USE	AREA	REQ'D PARKING
ADR-IV	360 UNITS	540
SUB-TOTAL		540
PARKING PROVIDED		540

LOT 1A / 2A DATA SUMMARY		
USE	AREA	REQ'D PARKING
ONE ARLINGTON (RES.)	214 UNITS	289
OFFICE (25N)	11,722 SF	59
FIRST ASCENT	46,463 SF	132 *
FUNTORIA	(area included above)	117 *
SUB-TOTAL		597
PARKING PROVIDED		642
EXCESS PARKING		45

\* PARKING COUNTS PER TENANT STDS

LOT 4A DATA SUMMARY		
USE	AREA	REQ'D PARKING
BLDG A - RETAIL	11,500 SF	172 *
BLDG B - RETAIL	5,000 SF	75 *
BLDG C - RETAIL	7,500 SF	112 *
BLDG D - RETAIL	5,000 SF	75 *
BLDG E - HOTEL (116 KEYS)	55,400 SF (approx)	116
SUB-TOTAL		84,400 SF (approx) 550
PARKING PROVIDED		510
PARKING DEFICIT		40

\* 15 PARKS / 1,000 SQ. FT. RETAIL AREA PER TENANT STDS.

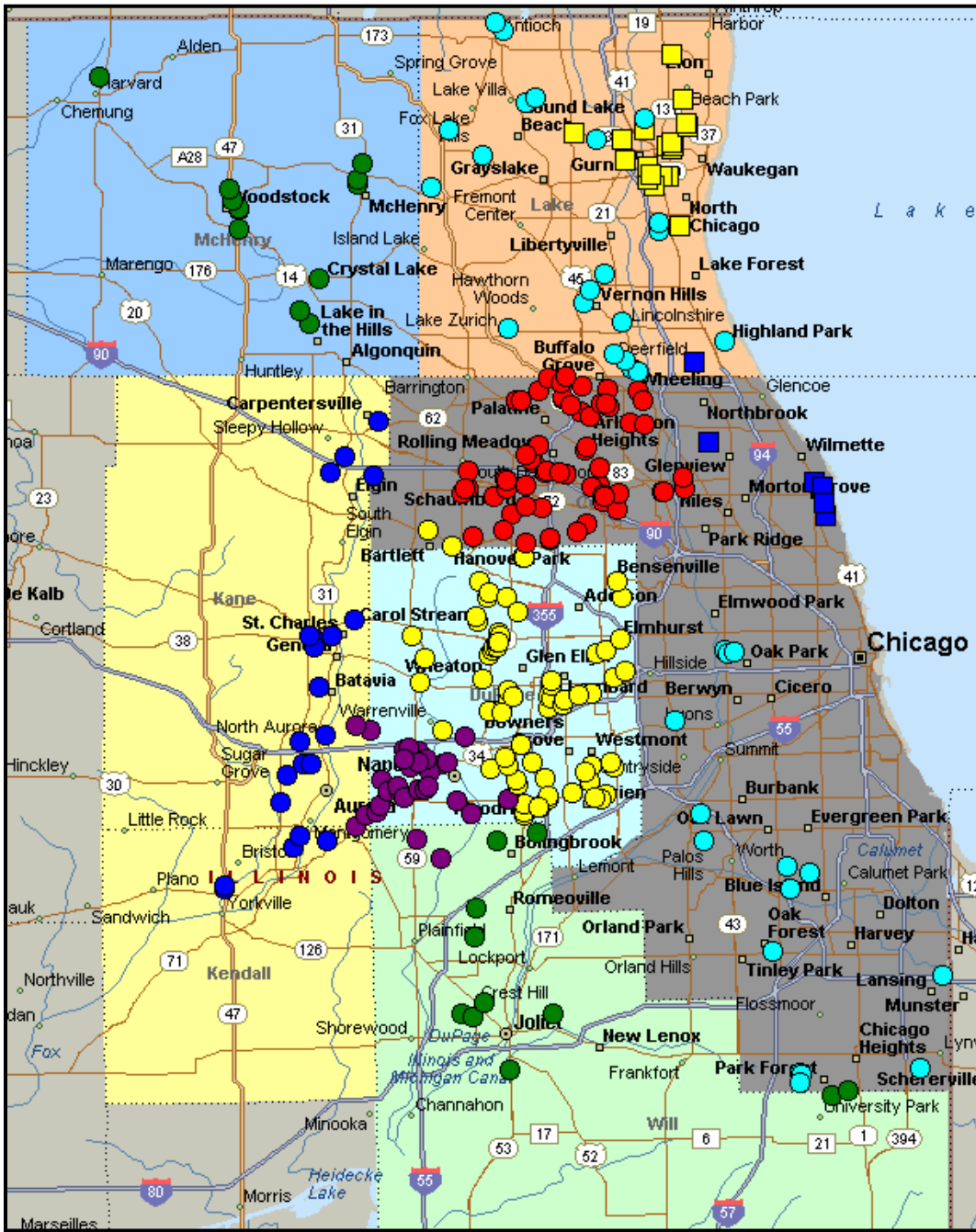
LOT 5 DATA SUMMARY		
USE	AREA	REQ'D PARKING
ADR-II (RESIDENTIAL)	263 UNITS	395
SUB-TOTAL		395
PARKING PROVIDED		395



# Suburban Chicago Apartment Market Overview

## Market area defined

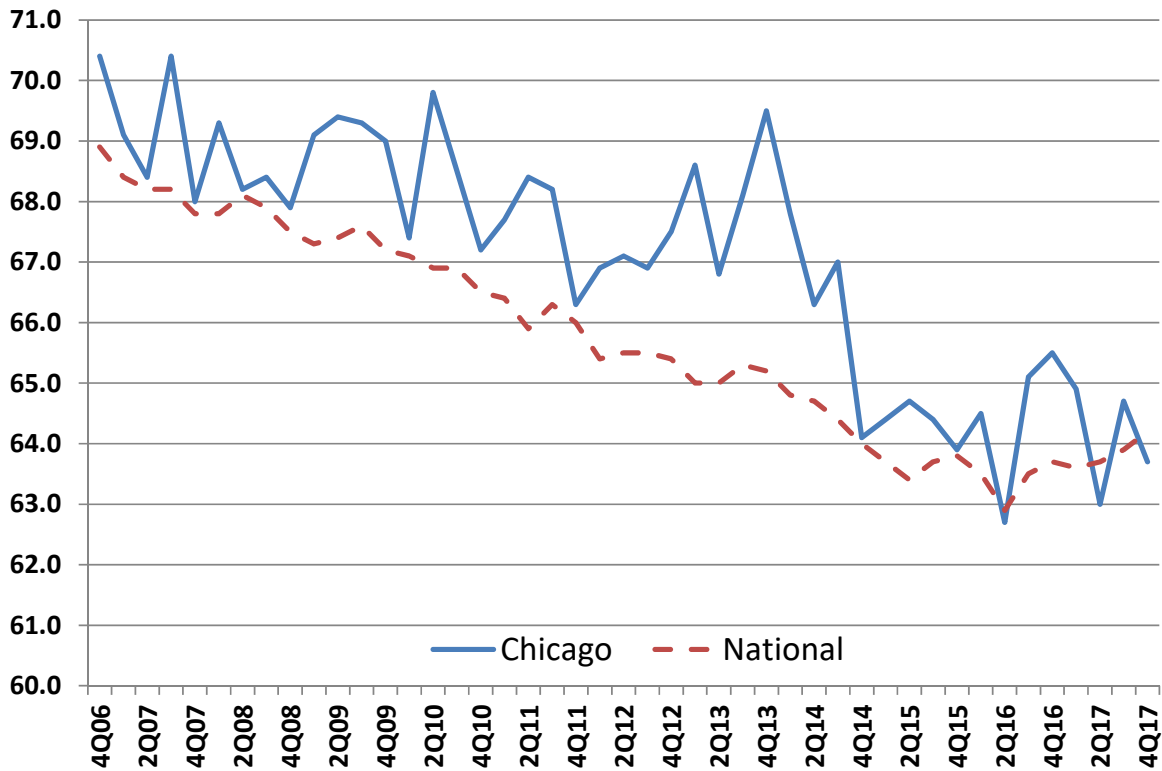
The Suburban Chicago market is defined as including Cook, Lake, McHenry, Kane, Kendall, DuPage and Will counties. Properties located within the city of Chicago are of course excluded from the survey.



**Survey property profile.** The database for the Suburban Chicago survey includes 300+ complexes with a total of over 95,000 dwelling units indicating an average development size of just over 300 units. Our survey includes virtually every major apartment community developed since 1995 plus older developments (primarily post-1970) throughout the MSA. The data was gathered by direct contact with on-site staff and/or ownership.

**Demand drivers.** As the economy rallied in 2004-2007, demand for apartments increased. Recessionary pressures caused a market decline in 4q07 through 2q09; however, performance improved dramatically thereafter. Rental demand is being driven by instability in the for-sale housing market, the inability to obtain a mortgage due lack of down payment, debt to income ratios (including the impact of student loans) and/or credit issues. Homeownership rates throughout the region had been on a decline through year end 2011 but rose through 2013 – seemingly pointing to a turn in the market. With rising interest rates and a perception of rising values, there was a push for buyers to “get off the fence” and ownership increased through 2013. With the Dodd Frank lending rules starting in January 2014, obtaining a loan became even more difficult due to increased underwriting requirements. Each percentage point change equates to roughly 30,000 households in the Chicago MSA.

### Homeownership Rate – Chicago MSA vs National



The market remains in flux but with a steady downward trend in ownership, more recently stabilizing.



Revised BLS numbers for the Chicago MSA indicate positive employment growth; however, this slowed in 2016:

<b>Employment Change</b>	
Year	Annual Change
2007	37,425
2008	(28,442)
2009	(237,558)
2010	(44,875)
2011	59,267
2012	71,225
2013	68,267
2014	66,333
2015	86,133
2016	57,142
2017	30,967

The unemployment rate for the Chicago MSA is 4.7 percent (National, 4.1 percent) as of November 2017. The national unemployment rate for 25+ year olds with a bachelor's degree is at 2.1 percent.

**Rent Trends & Concessions.** Median net rent per square foot is at \$1.44 which is up 3.9 percent from a year ago and accompanied by a drop in occupancy. One bedroom units have a median net rent of \$1,180 per month while two bedrooms are at \$1,395. Compared to two years ago, net rent growth has amounted to a positive 7.8 percent. We expect rent growth to continue trending upward in the near term for the overall suburban market due to demand fundamentals, occupancy levels and limited new supply in most markets.

Concessions are a marketing tool used to react to current demand without the need for continually adjusting "market" rents. The percent of complexes offering concessions is over 20 which is fairly steady over the last several quarters. The amount of the concession, currently offered at just less than one month per lease year, has been flat over the past two years. Concessions are expected to remain in the market over the next year.

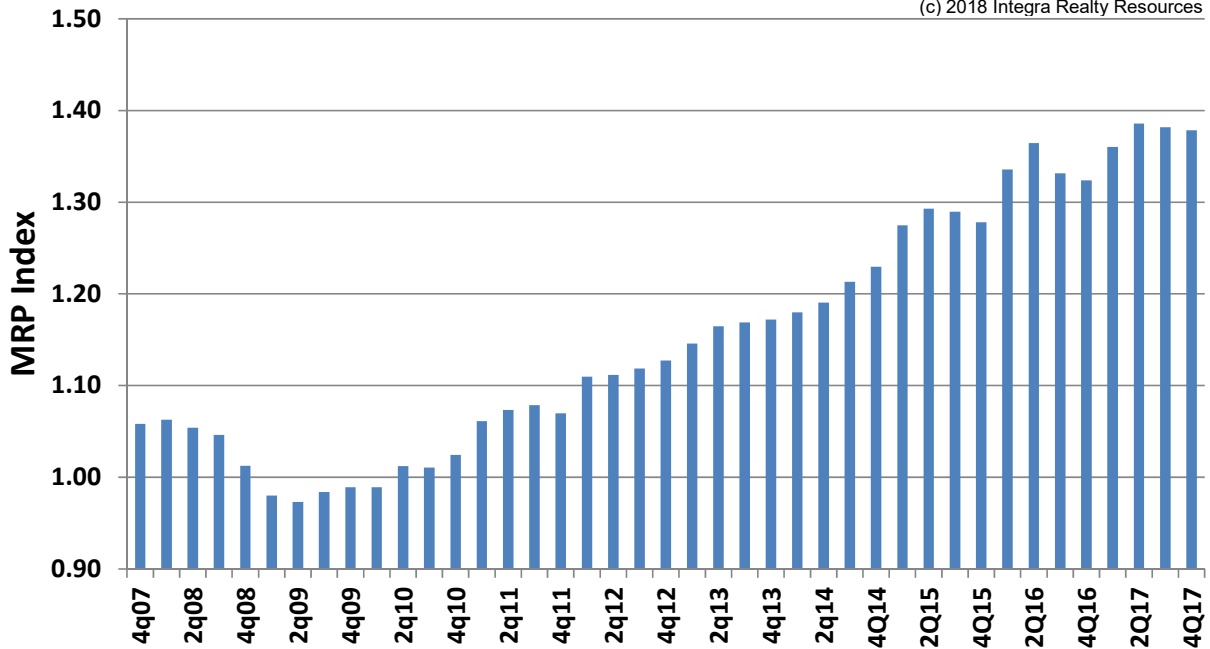
**Occupancy.** Physical occupancy is at 95.1 percent for the entire market – up 20 bps from a year ago and 10 bps from two years ago. At 95+ percent occupancy, the suburban market overall is considered "full" indicating pricing will continue to escalate in spite of the modest amount of new supply being added. We expect occupancy to remain steady in the near term with owners continuing to push rents in spite of the downward trend in occupancy.

**Market Revenue Performance.** Market revenue performance is a function of the product of net rent and occupancy.

### Market Revenue Performance

Net Rent PSF x Occupancy

(c) 2018 Integra Realty Resources



Market revenue performance for the overall suburban market remains strong. The modest downward trends in the last quarters of the year are seasonal.

***New construction/Communities in Lease-up.***

There are a number of projects under construction throughout the MSA. Details are presented in the Submarket and the Housing Supply sections.

Several of the projects we are tracking are mid-rise buildings on in-fill sites rather than traditional walk up complexes. These have been favored in redeveloping downtown areas where transit-oriented development is needed but the all-in costs of construction at over \$300 per square foot or \$300,000+ per unit (wrap product) require fairly high rent levels for project feasibility. Walk up product cost is in the \$125,000-\$135,000 per unit range (not including soft costs or land).

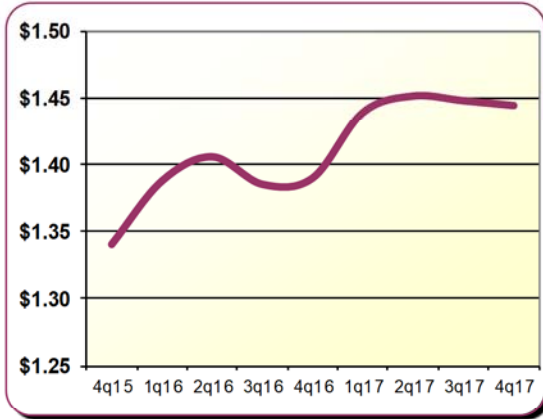
In response to the inability to add new product to the market, owners are undertaking renovation projects in order to capitalize on demand for higher end product. Renovations often include replacing cabinetry, counters, fixtures and floor coverings.



## All Suburban Apartments - 4q17

Showing median trend lines

### Net Rent PSF - \$1.44

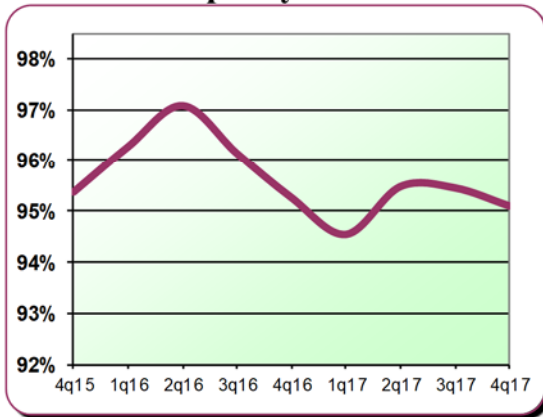


Median \$	134	139	141	138	139	144	145	145	144
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### Snapshot & Trends

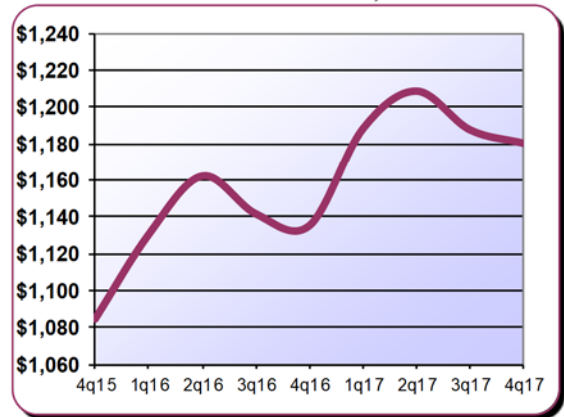
Suburban Metro	
Complexes	318
Units	96,531
SF/unit	906
Yr Built	1986
Net PSF	\$1.44 →
Occupancy	95.1% ↘
Pct W/concessions	22.6% →
Concession Amt	8.0% →
One Bdrm/Mo	\$1,180 →
Two Bdrm/Mo	\$1,395 →

### Occupancy - 95.1%



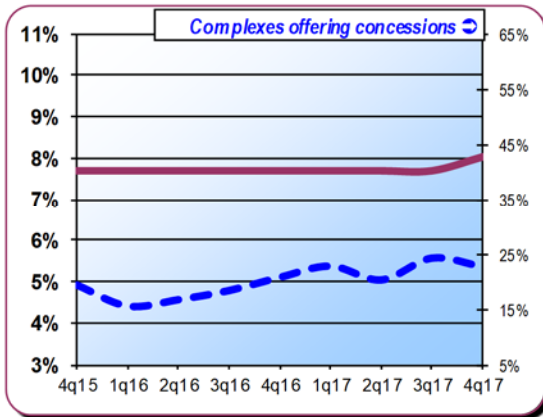
Median %	95.4	96.3	97.1	96.1	95.3	94.5	95.5	95.4	95.1
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### Net One Bdrm - \$1,180/mo



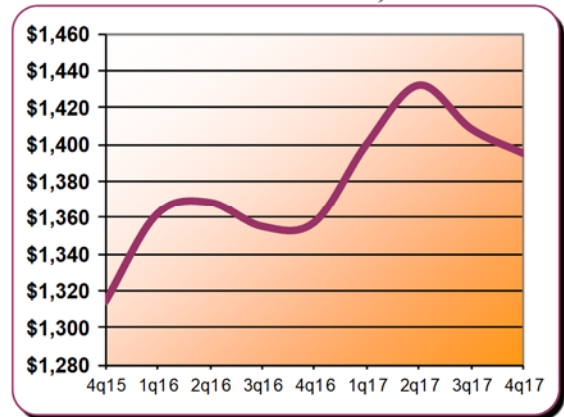
Median \$	1084	1130	1162	1142	1135	1188	1209	1188	1180
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### Concessions - 8.0% when offered



Median %	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	8.0
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### Net Two Bdrm - \$1,395/mo



Median \$	1314	1362	1368	1355	1357	1400	1432	1408	1395
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**Performance by Property Class**

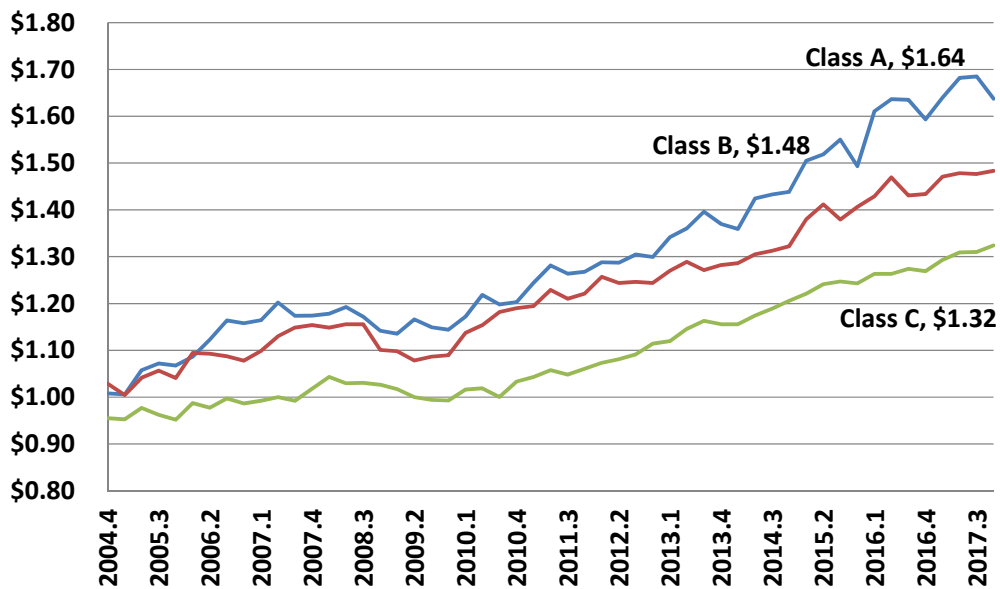
The suburban survey dataset includes has the following characteristics:

	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>
Distribution (units)	25%	35%	40%
Median Year Built	2007	1987	1972
Median Unit Size (sf)	977	884	839
Average Complex Size	255	342	311

Property Classes are generally defined as follow:

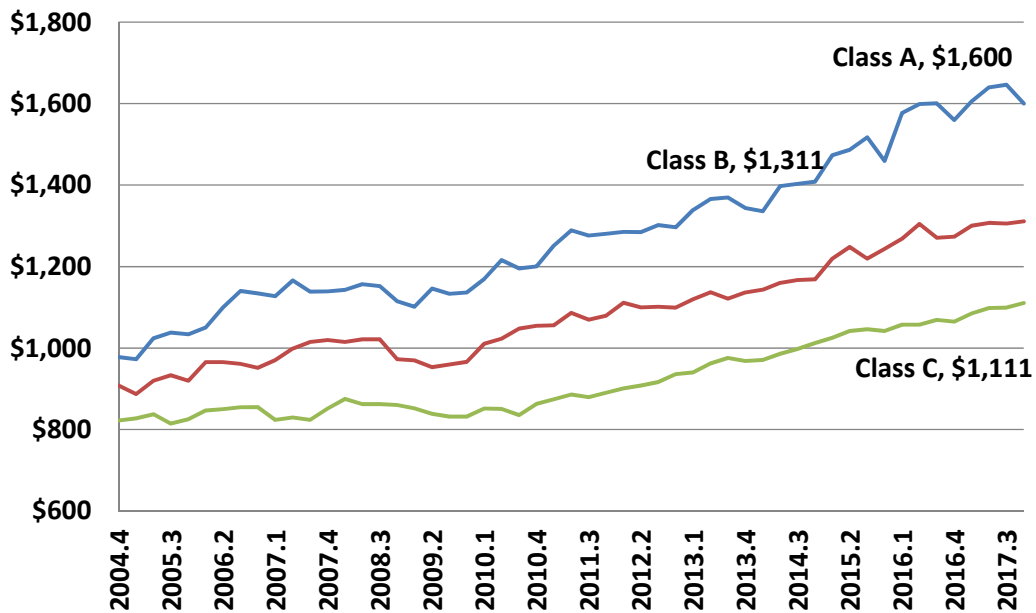
- Class A - Newer properties that have generally been constructed since the early 1990s. Amenities often include open layout floor plans, 9-foot ceilings, in-unit washer and dryer, high quality cabinetry and potentially granite counters and stainless steel appliances. Some communities have direct entry garages. The complex typically has a clubhouse, fitness center and swimming pool.
- Class B - Typically constructed in the 1980s but may include older product that has been significantly renovated. Amenities often include open layout floor plans, 8-foot ceilings, in-unit washer and dryer, good quality cabinetry and laminate counters. The complex typically has a clubhouse, fitness center and swimming pool.
- Class C - Typically constructed in the 1970s with limited renovations, if any. Units typically have older style floor plans (such as galley style, closed kitchens), average quality cabinetry and laminate counters. The complex may have a clubhouse and swimming pool but the quality is generally average. Laundry facilities are typically limited to a laundry room in the complex.

**Net Rent PSF by Property Class**

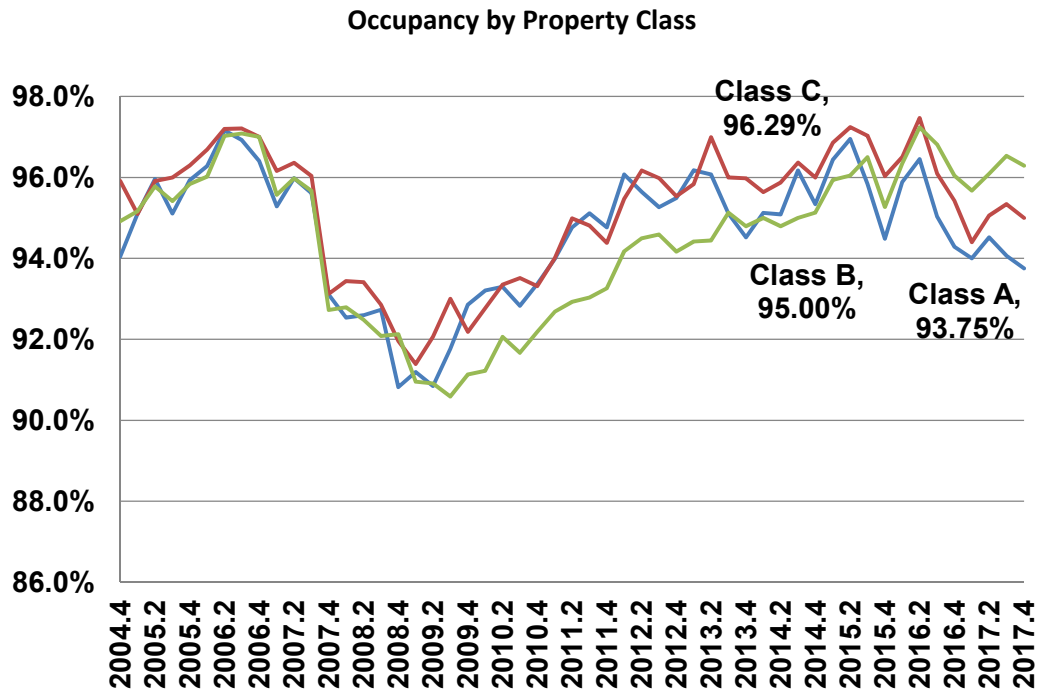


There was a clear bifurcation in performance by property class in 2010 with gains in net rent achieved primarily in the Class A and B markets while Class C properties lagged. The Class C market turned in 2011 with product gaining momentum primarily due to the rising cost of A and B product. On a year over year basis, rents psf increased 2.8%, 3.5% and 4.3% for A, B and C product respectively. The monthly “chunk” rent spread is shown below. Class A product chunk pricing averages a 22.0% premium over B and B product is 18.0% over C.

**Monthly Rent by Property Class**



After tracking fairly consistent for years, a 100 basis point spread in occupancy between A/B versus C product emerged in 2010 and continued through 2q13. Starting in 3q13 the spread moved back to traditional patterns. Occupancy for all classes typically declines in the fourth quarter due to seasonality of the rental market.







**Occupancy by Submarket**

Submarket	4q12	1q13	2q13	3q13	4q13	1q14	2q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	Y/Y Chng	2 Yr Chng
Cook NW	95.5	95.6	96.4	96.1	95.5	95.8	95.5	96.6	95.8	96.9	96.9	97.3	95.1	96.0	97.2	96.0	96.4	94.1	95.2	95.3	95.4	-0.1%	0.3%
Cook South	95.1	93.9	94.3	93.0	93.8	94.5	94.5	95.3	95.0	95.1	96.4	96.5	95.5	96.1	96.9	96.9	95.9	94.9	95.8	96.3	95.7	-0.2%	0.2%
DuPage	94.2	95.0	95.7	95.5	95.0	94.8	95.1	95.8	95.3	96.1	96.3	96.6	95.3	96.7	97.2	96.1	95.7	94.4	95.4	95.5	95.1	-0.6%	-0.1%
Kane/Kendall	94.0	94.8	94.6	93.9	93.8	95.0	94.6	95.2	95.0	96.3	95.7	95.8	96.0	96.7	97.6	96.4	95.2	95.1	96.2	96.1	95.3	0.1%	-0.8%
Lake	96.9	96.9	96.1	95.1	97.6	97.7	96.3	96.9	96.9	97.7	98.3	98.0	96.6	97.0	97.5	96.9	95.5	95.0	95.5	95.3	95.8	0.4%	-0.8%
McHenry	94.0	93.8	92.1	96.6	95.4	95.4	95.5	95.3	95.3	96.1	96.4	96.1	95.4	96.2	97.9	96.1	95.6	93.9	95.1	96.4	94.8	-0.8%	-0.7%
Naperville/Aurora	95.7	96.9	97.3	94.6	96.0	95.5	95.8	96.0	96.1	97.1	97.6	96.9	96.0	96.4	97.1	95.1	95.0	94.4	95.6	94.8	94.4	-0.6%	-1.7%
North Shore	94.8	95.4	94.7	96.4	94.1	94.6	91.9	94.8	95.3	96.8	96.4	96.1	94.2	95.4	95.7	95.4	93.8	92.9	94.6	93.8	91.9	-1.9%	-2.4%
Waukegan/Gurnee	94.5	93.9	94.0	96.5	95.5	96.4	95.3	95.4	94.6	95.6	95.8	96.0	95.2	96.5	96.6	96.8	96.9	95.8	96.0	95.9	95.4	-1.5%	0.2%
Will	94.5	93.1	94.4	94.9	93.5	94.2	95.4	95.4	94.7	95.4	95.6	96.4	94.1	95.4	96.1	96.5	95.5	96.7	96.9	96.6	96.0	0.5%	2.0%
All Suburban	94.9	95.1	95.6	95.2	95.1	95.4	95.2	95.9	95.3	96.3	96.7	96.7	95.4	96.3	97.1	96.1	95.3	94.5	95.5	95.4	95.1	-0.2%	-0.3%

Note: Quarterly occupancy values are rounded for display purposes but not for Yr/Yr Change calculations.

**Concessions by Submarket**

Submarket	4q12	1q13	2q13	3q13	4q13	1q14	2q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	Y/Y Chng	
Cook NW	7.7	7.7	8.0	5.5	5.5	5.5	4.0	4.5	5.4	6.1	6.0	2.5	5.9	7.7	6.2	6.3	7.7	5.6	7.7	7.7	7.7	0.0%	
Cook South	8.3	8.3	8.3	4.2	8.3	8.0	8.0	5.9	6.1	5.9	4.8	7.7	5.0	7.7	8.0	7.7	8.0	8.0	7.7	7.7	8.0	0.0%	
DuPage	7.7	7.7	7.7	7.7	7.7	7.7	7.7	8.3	7.7	7.7	7.7	7.7	7.7	8.0	8.3	7.7	7.7	7.7	6.7	8.3	8.0	4.2%	
Kane/Kendall	7.7	7.7	7.7	5.0	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	6.7	7.7	8.3	4.7	8.3	7.7	0.4%
Lake	8.3	8.3	8.3	8.3	8.3	8.3	8.3	7.2	7.2	8.3	5.6	2.8	8.0	7.1	7.2	8.3	7.6	7.6	6.2	6.2	3.5	-54.3%	
McHenry	7.9	8.0	8.1	7.7	5.7	8.5	8.3	6.2	5.0	6.0	0.0	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Naperville/Aurora	4.5	8.7	6.7	4.2	8.7	7.8	8.3	1.7	8.6	4.2	7.5	8.0	5.5	3.5	4.3	6.0	8.3	3.2	6.3	5.4	6.9	-17.1%	
North Shore	0.0	4.4	5.2	4.5	6.4	4.8	8.3	8.3	6.0	4.2	8.3	4.7	8.3	8.3	8.3	8.2	8.0	7.7	8.3	7.4	8.0	0.0%	
Waukegan/Gurnee	8.3	7.7	8.3	4.3	8.3	8.3	5.6	8.3	8.3	8.3	8.3	7.3	5.5	8.3	6.0	7.5	8.3	8.3	8.3	8.2	8.3	11.1%	
Will	4.2	4.2	4.2	8.3	8.3	6.3	7.0	4.2	6.3	4.2	8.3	8.0	8.3	2.5	5.6	3.7	3.0	7.6	6.3	1.1	8.7	189.5%	
All Suburban	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.6	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	8.0	4.4%	

Note: Numbers shown are percentages - 1 month free rent on 12 month lease equals 8.3%.

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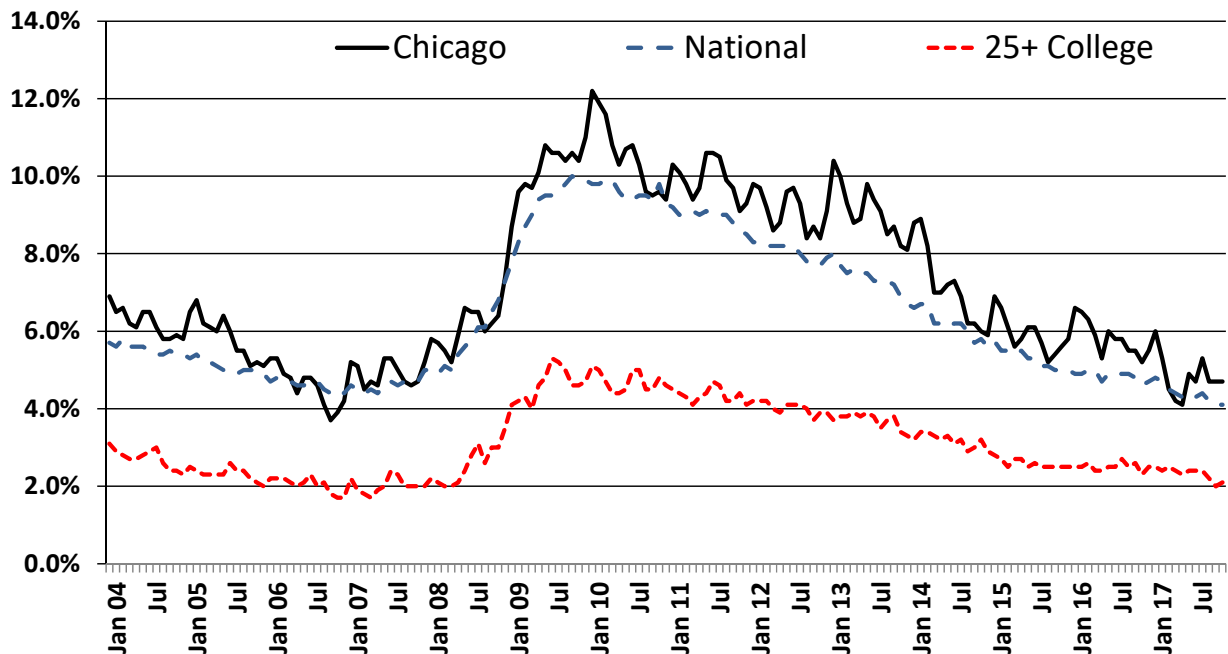


### Demand Generators

The apartment market is influenced by a number of factors including employment, homeownership trends and a desire to maintain flexibility.

The unemployment rate for the Chicago MSA is 4.7 percent (National, 4.1 percent) as of November 2017. The national unemployment rate for 25+ year olds with a bachelor’s degree is at 2.1 percent.

Chicago vs. National Unemployment Rate – BLS Data

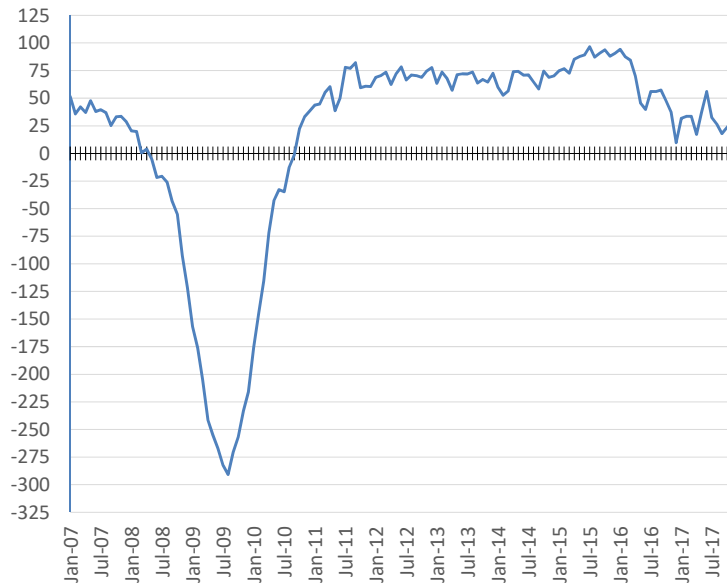


The Chicago market generated an annual average of 75,000 new jobs from 1992 to 2000 – a trough to peak period. Employment declined from 2000-2003 with peak post-recession employment achieved in 2007 which did not even match the 2000 employment level. The 2016 employment level of 4.684M finally eclipsed the prior 2000 total employment peak of 4.631M.

By looking at the month over month comparisons to prior year employment, the trends in employment become more evident. The rate of growth in employment has declined precipitously over the past year.



### Year over Year Employment Growth Chicago MSA



BLS numbers indicate a deceleration in employment growth as follows:

### Chicago MSA Employment - Non Farm (000s)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Empl Chg
2006	4397.8	4411.7	4445.1	4492.2	4529.9	4572.7	4544.3	4547.6	4553.9	4555.2	4570.3	4573.1	
2007	4449.3	4447.5	4487.3	4529.2	4577.6	4610.6	4583.9	4584.5	4579.1	4588.4	4603.8	4601.7	37.425
2008	4469.7	4467.3	4487.8	4533.2	4572.4	4588.8	4563.2	4558.4	4536.0	4533.5	4511.2	4480.1	-28.442
2009	4313.0	4291.2	4282.8	4292.0	4317.4	4321.7	4280.8	4267.6	4265.5	4276.7	4278.1	4264.1	-237.558
2010	4137.3	4146.0	4167.3	4220.2	4274.8	4288.9	4246.1	4255.1	4264.3	4298.8	4311.2	4302.4	-44.875
2011	4181.1	4190.8	4222.3	4280.6	4313.5	4339.2	4324.0	4332.2	4346.4	4358.4	4372.1	4363.0	59.267
2012	4250.0	4261.2	4295.8	4343.1	4385.5	4417.5	4390.6	4403.3	4416.8	4427.2	4446.6	4440.7	71.225
2013	4313.5	4334.9	4363.7	4400.3	4456.8	4489.6	4462.5	4477.0	4480.6	4494.1	4511.3	4513.2	68.267
2014	4373.4	4387.6	4420.1	4474.2	4531.1	4560.5	4533.6	4541.8	4539.0	4568.6	4580.2	4583.4	66.333
2015	4448.2	4464.3	4492.7	4559.6	4618.8	4649.6	4630.1	4629.1	4629.9	4662.4	4668.3	4674.1	86.133
2016	4542.4	4551.8	4577.2	4629.7	4664.3	4689.5	4686.1	4685.1	4687.2	4710.1	4705.6	4683.8	57.142
2017	4574.2	4585.4	4610.8	4647.0	4701.4	4745.6	4718.7	4711.5	4705.1	4733.8	4735.3	4715.6	30.967

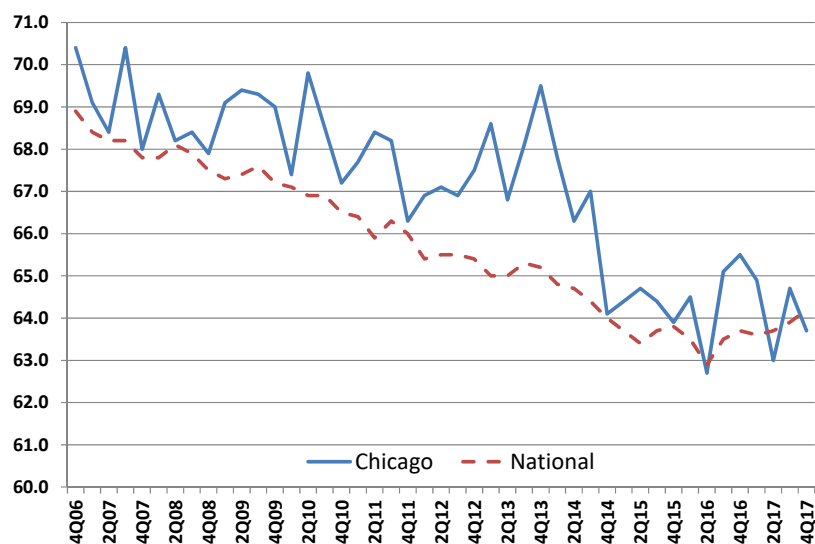


**Homeownership Trends**

Rental demand is being driven by instability in the for-sale housing market, the inability to obtain a mortgage due lack of down payment, debt to income ratios (including the impact of student loans) and/or credit issues. Homeownership rates throughout the region had been on a decline through year end 2011 but rose through 2013 – seemingly pointing to a turn in the market. With the Dodd Frank lending rules starting in January 2014, obtaining a loan has become even more difficult due to increased underwriting requirements. The 2018 tax reform has a positive impact on rental housing due to a) capping the real estate and income tax deductions at \$10,000, b) eliminating interest deductions on home equity loans, c) increasing the exemption levels which eliminates the economic benefit of mortgage interest deductions for most households and d) reduction in the actual tax rates which decreases the value of deductions.

Nationally, the homeownership rate continues to show a decline but with an upward bump in 3Q16. Each percentage point change equates to roughly 30,000 households in the Chicago MSA.

**Homeownership Rate – Chicago MSA**



The rental market is most heavily influenced by demographic trends in the 25-35 age cohort. This age group is less concerned about owning a home than maintaining flexibility for potential job-related moves. The prospect of tying up funds for a down payment on a home and then worrying about the ability to “cash out” for a move in a timely manner (not to mention getting whole relative to the initial purchase) have weighed on the for-sale market. Renting provides options. While price levels of for sale product have been increasing, it has been overall at a modest rate. There has been pressure on interest rates which will motivate some to act on homeownership. There are few compelling reasons to act now on the purchase of a residence.

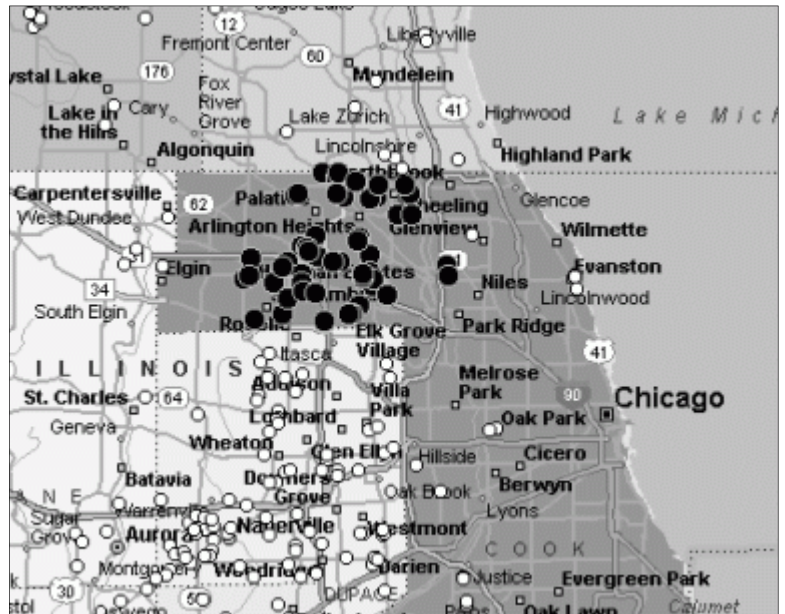
From a household formation standpoint, there is pent up demand in the 25-34 year old cohort as many in this category remain living with parents.



## Cook County – Northwest Apartment Submarket Overview

**Market area defined.** The Cook County Northwest sub market is defined as roughly 294 to the east, Lake County on the north, Route 59 on the west and DuPage County to the south. O’Hare International Airport is at the southeastern most part of the submarket.

**Survey property profile.** The database for the Cook County – Northwest survey consisted of 25,711 dwelling units. Median unit size for the submarket is 877 square feet which is in-line with the overall suburban market. The median year built was 1975 compared to the overall suburban market having a median of 1985. Cook County Northwest was one of the first submarkets to develop in suburban Chicago to a significant density. The lack of newer product has been more a function of lack of suitable sites for development rather than submarket economics.



**Demand drivers.** Significant housing demand is driven by the primary employment centers of O’Hare International Airport and its surrounding industrial base in the southeast quadrant, the Schaumburg office/retail market in the northwest and the I-88 office corridor to the south. The office market remains plagued by high vacancy.

**Rent Trends & Concessions.** Median net rent per square foot currently stands at \$1.50 – a gain of 2.7 percent from a year ago. Rents in the Northwest Cook submarket are up 6.3 percent compared to the levels posted two years ago. One-bedrooms have a median rent of \$1,180 while two bedrooms have a median net rent of \$1,414.

The value of the concession stands at just under one month free rent. Concessions will remain in the market.

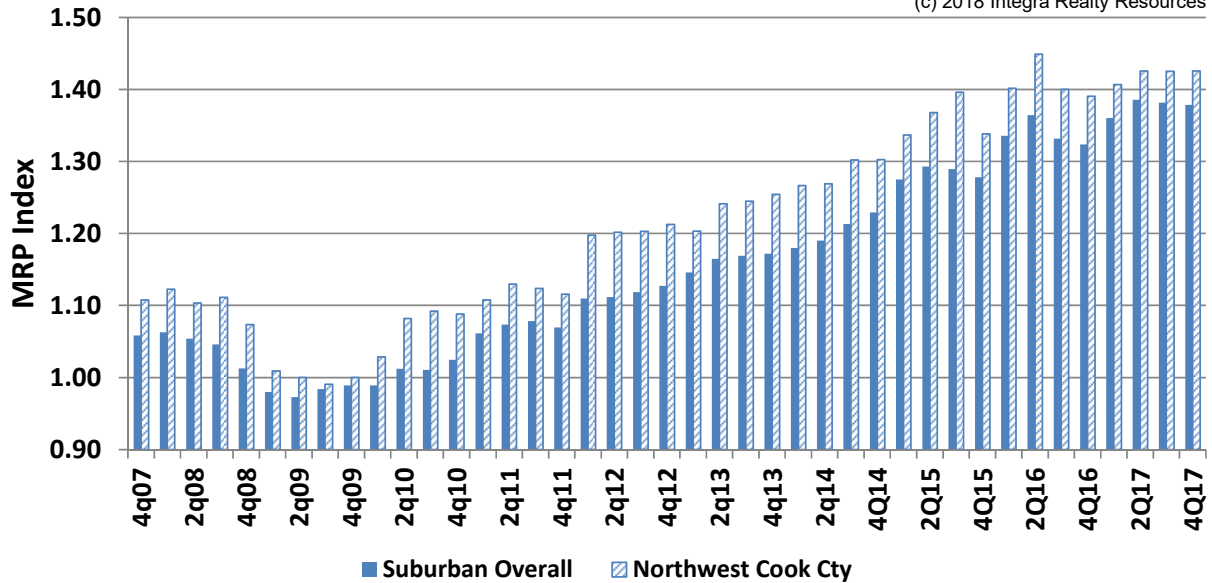
**Occupancy.** Occupancy is flat from 95.4 percent a year ago to the current level of 95.4 percent. The submarket remains relatively “full” with pricing therefore expected to remain stable.

**Market Revenue Performance.** Market performance is a function of the product of net rent and occupancy.

### Market Revenue Performance

Net Rent PSF x Occupancy

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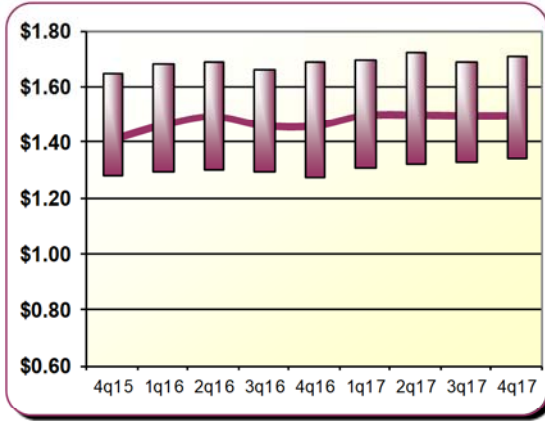
The Northwest Cook submarket has been tracking consistent with the overall suburban market. Performance leveled off in the second half of 2011 until the significant gain in 1q12 and then in 2q13 which has held, albeit with a modest decline in 4q15. The 1q16 results put the submarket “back on trend” with a pullback in the last half of 2016 and gains in 2017.



## Cook County-Northwest Apartments - 4q17

Showing (a) median trend line and (b) middle 2/3rds surveyed (thick bars).

### Net Rent PSF - \$1.50

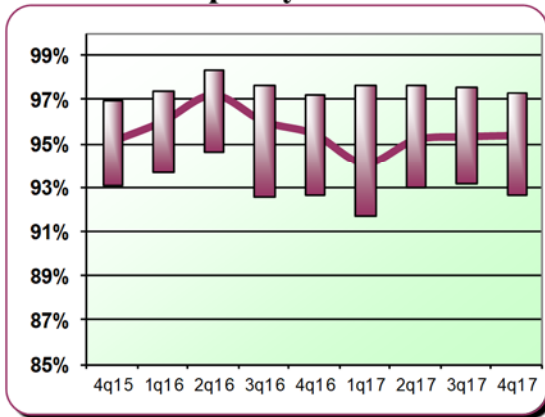


Median \$	141	146	149	146	146	150	150	150	150
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### Snapshot & Trends

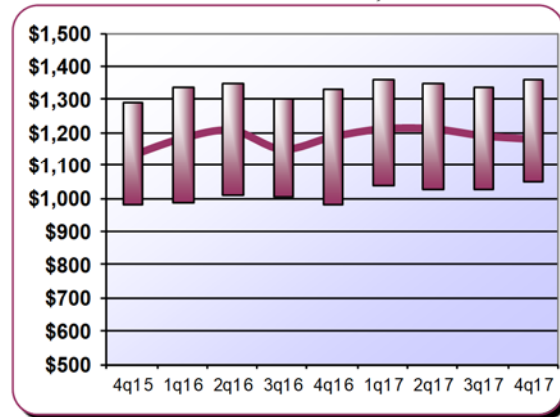
Cook Cnty NW		Suburban Metro	
66	Complexes	318	
25,711	Units	96,531	
877	SF/unit	906	
1975	Yr Built	1986	
\$1.50 →	Net PSF	\$1.44 →	
95.4% →	Occupancy	95.1% ↘	
24.2% →	Pct W/concessions	22.6% →	
7.7% →	Concession Amt	8.0% →	
\$1,180 →	One Bdrm/Mo	\$1,180 →	
\$1,414 →	Two Bdrm/Mo	\$1,395 →	

### Occupancy - 95.4%



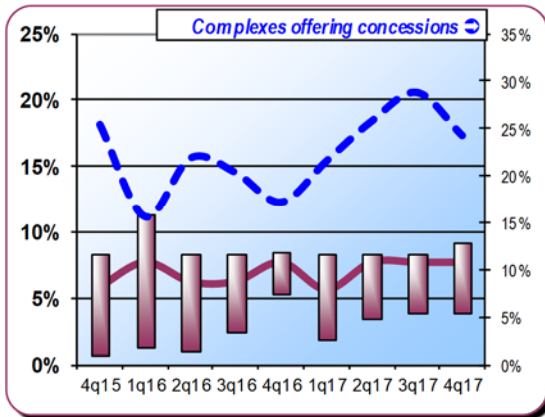
Median %	95.1	96.0	97.2	96.0	95.4	94.1	95.2	95.3	95.4
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### Net One Bdrm - \$1,180/mo



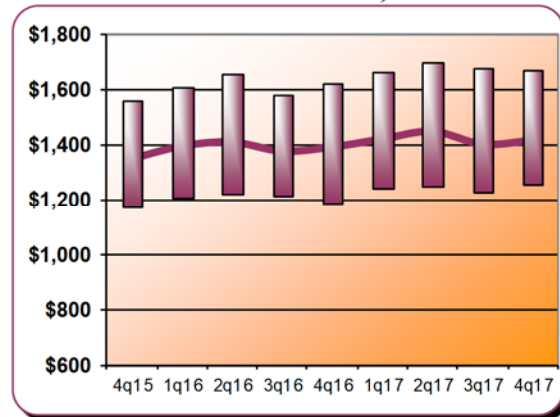
Median \$	1131	1183	1207	1150	1187	1211	1212	1191	1180
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### Concessions - 7.7% when offered



Median %	5.9	7.7	6.2	6.3	7.7	5.6	7.7	7.7	7.7
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### Net Two Bdrm - \$1,414/mo



Median \$	1348	1394	1408	1375	1390	1419	1446	1400	1414
-----------	------	------	------	------	------	------	------	------	------





## Suburban Multi-Family Housing Supply

Integra Realty Resources - Chicago has been tracking rental apartment construction on an annual basis since 1996. Since that time, there have been over 24,600 units delivered to the suburban market plus an additional 4,265 units which are currently under construction.

### History of Recent Deliveries: 2016-2017

The most recent additions to the suburban market include the following buildings which delivered in 2016-2017 along with the buildings which are currently under construction for delivery in 2018-2019:

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#### 2016 and 2017 Deliveries

Property	Submarket	City	Developer	Status	Units	Delivered
Metro 59	Aurora - Naperville	Aurora	Next Gen/Avgeris	Leasing	232	2016
Station Boulevard	Aurora - Naperville	Aurora	Goel/TCCI	Leasing	417	2016
Northgate Crossing	Cook NW	Wheeling	Reva	Stabilized	300	2016
Apex 41	DuPage	Lombard	Glenstar	Leasing	181	2016
Elmhurst 255	DuPage	Elmhurst	Morningside	Stabilized	192	2016
Wheaton Courthouse Square	DuPage	Wheaton	Focus	Stabilized	149	2016
Walnut Ridge	McHenry	Woodstock	Cunat	Stabilized	108	2016
Northshore 770	North Shore	Northbrook	Morningside	Leasing	347	2016
The Main	North Shore	Evanston	O'Donnell	Leasing	112	2016
Residences of Orland Park Crossing	South Cook	Orland Park	Reva	Stabilized	231	2016
Vantage Oak Park	South Cook	Oak Park	LSI/Golub/Wood	Stabilized	270	2016
Springs at Weber	Will	Romeoville	Continental Properties	Stabilized	292	2016
<b>2016 Deliveries</b>					<b>2,831</b>	
North 680	Cook NW	Schaumburg	UrbanStreet	Stabilized	192	2017
The Residences at Hamilton Lakes	DuPage	Itasca	M&R/Hamilton	Leasing	297	2017
Springs on Orchard Rd	Kane	North Aurora	Continental Properties	Leasing	300	2017
Centrum Evanston/Davis & Maple	North Shore	Evanston	Centrum	Leasing	101	2017
McGovern House	North Shore	Highland Park	Merdingner	Leasing	73	2017
The Residences at Wilmette/611 Green Bay	North Shore	Wilmette	M&R	Leasing	75	2017
Uptown LaGrange	South Cook	LaGrange	Opus	Leasing	254	2017
The Emerson/Lake/Westgate/North	South Cook	Oak Park	Clark Street/Lennar	Leasing	271	2017
The Brook on Janes	Will	Bolingbrook	Lennar	Leasing	280	2017
<b>2017 Deliveries</b>					<b>1,843</b>	

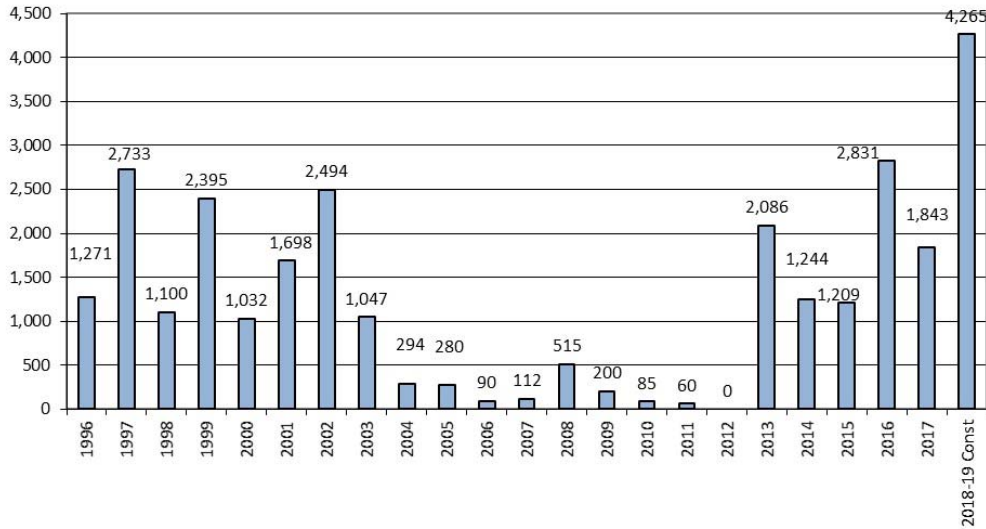
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#### Under Construction: 2018-2019 Deliveries

Property	Submarket	City	Developer	Status	Units
Wheeling Town Center/Dundee & Northgate	Cook NW	Wheeling	Urban R2	Construction	301
Buckingham Place/Littelfuse site/800 E NW Hwy	Cook NW	Des Plaines	Dearborn-Buckingham	Construction	270
Covington Lexington Woods/Golf & E River Rd	Cook NW	Des Plaines	Lexington	Construction	236
Parkview Apts, 212 N. Dunton	Cook NW	Arlington Heights	Cullen Davis	Construction	45
Marq on Main/Main St & Burlington	DuPage	Lisle	Marquette	Construction	201
Lakeside Village/200 Royce	DuPage	Oak Brook Terr	Interforum	Construction	315
NWC Addison & First	DuPage	Elmhurst	Opus	Construction	164
Main & Maple	DuPage	Downers Grove	Trammel Crow	Construction	115
Burlington Station	DuPage	Downers Grove	Holladay	Construction	89
Springs at South Elgin/Gyorr Rd & Sterns	Kane	South Elgin	Continental Properties	Construction	300
Springs at Canterfield/ES Rt 31 N of I-90	Kane	West Dundee	Continental Properties	Construction	260
The Atworth at Melody Farms/Milw & Town Ln	Lake	Vernon Hills	Focus	Construction	260
444 Social/SWC Aptakasic & Pkwy/Regal site	Lake	Lincolnshire	ECD/Greenberg	Construction	302
Deer Park Crossing/Field Pkwy	Lake	Deer Park	Reva	Construction	236
101 West/101 W Liberty St	Lake	Barrington	Monroe Residential	Construction	64
811 Emerson	North Shore	Evanston	CA & Focus	Construction	242
1000 Skokie Blvd/Sunset Ridge	North Shore	Northbrook	Finger	Construction	304
Kelmscott Park Apts/NWC Laurel & Western	North Shore	Lake Forest	Focus	Construction	111
SEC Harlem & South Blvd	South Cook	Oak Park	Lincoln	Construction	250
Grande Park Apts/SWC 127th & Ridge	Will	Plainfield	Wilmette RE	Construction	200
<b>Total</b>					<b>4,265</b>

### Suburban Apt Deliveries by Year: 1996-2017

(2018-2019 - Projects Currently Under Construction)

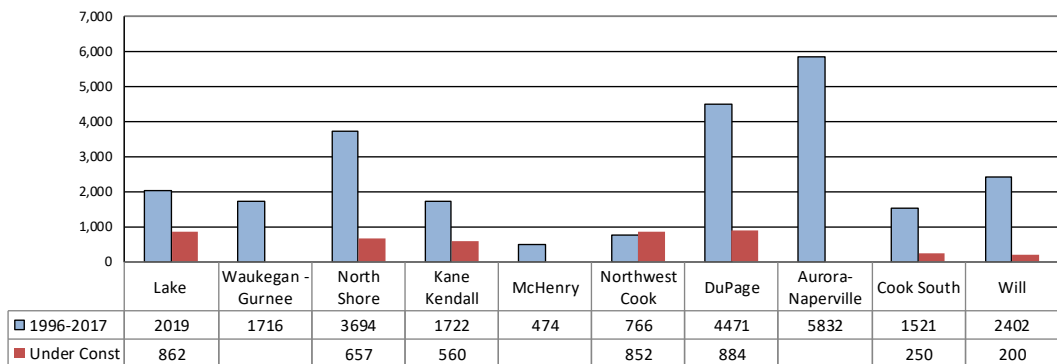


While there was a large amount of development activity which occurred in the late 1990s through the very early 2000s, apartment development virtually ceased and did not begin again until 2013. Since that time, there has been a significant increase in the new apartment development activity. However, given the size of the suburban metropolitan area, the number of new apartments being added to the market is still quite small.

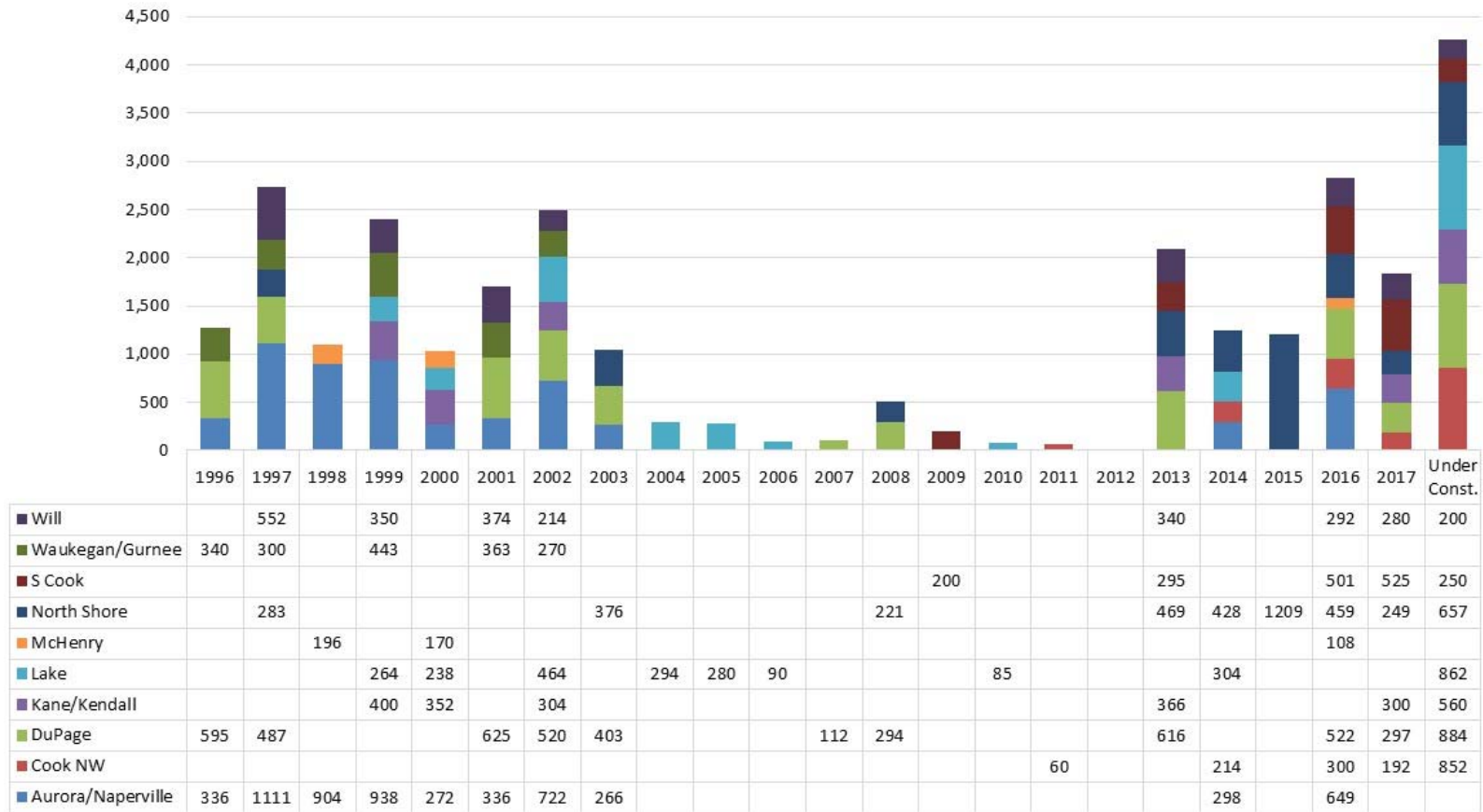
#### Deliveries by Submarket

Following is a delivery distribution by submarket for the developments which will have delivered through 2017, along with the buildings which are currently under construction.

### Suburban Apt Deliveries by Submarket: 1996-2017 Projects Currently Under Construction - Delivering 2018-2019



### Suburban Apt Deliveries by Submarket: 1996-2017 Projects Currently Under Construction - Delivering 2018-2019



Since 2013, the North Shore submarket has seen the largest surge of activity. Given the size of the submarket, this has been a substantial increase in the base with absorption in the newer product slowing notably in the latter half of 2015. Concessions are now more prevalent in this market. The remaining submarkets have added relatively few units.

Of particular note is the small amount of new development activity which had occurred in the Northwest Cook submarket until very recently. This market has a high concentration of Class B and C buildings with pent up demand for Class A product and developers are now pursuing an increasing number of new developments in the Northwest Cook submarket.

#### **Current Status - Selected Projects/Sites**

We are tracking many development sites where new product is being proposed. Locations range from the North Shore markets out to Kane and the South Cook submarkets. A few sites have been approved for development by the local municipalities; however, several projects have not moved forward either due to rents not being high enough to support construction costs or the inability to obtain either the equity or a construction loan. Some projects classified as “confidential” are consulting assignments for which we have been retained but are not yet public.

The proposed projects are typically 150 to 300 units and are widely distributed throughout the region. There are numerous additional sites in the region proposed for multi-family.

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**Projects in Planning (Pipeline)**

Property	Submarket	City	Developer	Status	Units
<b>North Shore</b>					
1450 Sherman	North Shore	Evanston	Albion	Planning	286
1727 Oak (55+ age restricted)	North Shore	Evanston	Trammel Crow	Planning	169
The Legacy/1621 Chicago	North Shore	Evanston	Horizon	Planning	215
1555 Oak - adaptive reuse	North Shore	Evanston	Cameel Halim	Planning	80-90
Amberley Woods Ph II	North Shore	Lake Forest	UrbanStreet/Trilogy	Planning	45
Karger Center property/1850 Green Bay Rd	North Shore	Highland Park	Albion	Planning	171
One Winnetka/Elm & Lincoln	North Shore	Winnetka	Stonestreet/Trandel	Planning	36
87 Hundred/8700 Waukegan	North Shore	Morton Grove	Equibase/Heartland	Planning	184
8000 North/NWC Lincoln & Oak	North Shore	Skokie	Greenspire/Pontarelli	Planning	153
Confidential	North Shore	Confidential	TBD	Planning	<100
Confidential	North Shore	Confidential	TBD	Planning	<100
<b>Lake County</b>					
Station Square/Trimm Property	Lake	Libertyville	Swanson	Planning	92
Former Kmart/225 S Rand	Lake	Lake Zurich	Garden Homes	Planning	162
NWC Rt 22 & Old Rand Rd	Lake	Lake Zurich	MBR Properties	Planning	100
Confidential	Lake	Confidential	Confidential	Planning	TBD
<b>Northwest Cook County</b>					
Uptown 501/501 W Dundee	Cook NW	Wheeling	DAC/Atlas	Planning	265
Marriott/Host site/8535 W Higgins	Chicago	Chicago	Glenstar	Planning	299
Sim's Bowl site/1555-65 Ellinwood	Cook NW	Des Plaines	Opus	Planning	113
Ellinwood Apts, 1425 Ellinwood	Cook NW	Des Plaines	Bayview-Compasspoint	Planning	200
20West, 20 W Northwest Highway	Cook NW	Mount Prospect	Nicholas & Assoc.	Planning	73
Plum Farms/NWC Rts 59 & 72	Cook NW	Hoffman Estates	TBD	Planning	TBD
Motorola Site - Multiple Phases	Cook NW	Schaumburg	Urban Street	Planning	TBD
NWC Lake & Church	Cook NW	Hanover Park	Monroe Residential	Planning	131
Hickory Apartments, NWC Hickory & Kensington	Cook NW	Arlington Heights		Planning	79
Arlington Downs - multiple phases	Cook NW	Arlington Heights	Springbank/Trandel	Planning	263
Arlington Downs - multiple phases	Cook NW	Arlington Heights	Springbank/Trandel	Planning	360
Northwest Hwy & Walnut	Cook NW	Arlington Heights	Brian Properties	Planning	106
SWC E. Railroad & S. Berteau	Cook NW	Bartlett	Foxford	Planning	41
<b>Kane County</b>					
Vistas of Mill Creek	Kane	Geneva	Shodeen	Planning	268
Prairie Centre/St Charles Mall/E of Randall/Rt 38	Kane	St Charles	Shodeen	Planning	609
Prairie Winds/NS Bricher W of Randall Rd	Kane	St Charles	Big Rock	Planning	250
Charlestown Mall site/E of K NS E Main	Kane	St Charles	Krausz Companies	Planning	256
Watermark at the Grove/WS Randall	Kane	Elgin	Interstate Partners	Planning	258
Utopia of East Dundee/NS Main W of Dundee Ave	Kane	East Dundee	Oehlerking	Planning	64
One Washington Place/NWC Wash. & Wilson	Kane	Batavia	Shodeen	Planning	186
Reserve at Hudson Crossing/Frmr Alexdr Lumber	Kane	Oswego	Shodeen	Planning	245
Randall Oaks/WS Randall N of Randall Comm	Kane	North Aurora	Shodeen	Planning	261
Confidential	Kane	Confidential	Confidential	Planning	220
<b>McHenry County</b>					
Grove Residences/Rt 14 near Illinois	McHenry	Fox River Grove	Gart Partners	Planning	300
<b>DuPage County</b>					
SEC Main & Ogden	DuPage	Lisle	Flaherty & Collins	Planning	164
Woodmoor on Finley Road/frmr Ken-Loch	DuPage	Uninc/Lombard	UrbanStreet/Atlas	Planning	388
Yorktown	DuPage	Lombard	AIMCO	Planning	78
Elan Yorktown / Yorktown Mall site	DuPage	Lombard	Greystar	Planning	295
McChesney & Miller site	DuPage	Glen Ellyn	Springbank/Trandel	Planning	245
Duane/Melrose	DuPage	Glen Ellyn	Reva	Planning	48
Cantera Residences/Ferry W of Winfield Rd	DuPage	Warrenville	Covington Realty	Planning	242
Downers Grove Civic Center site	DuPage	Downers Grove	Next Gen	Planning	234
One North Cass / Cass & Burlington	DuPage	Westmont	Gammonley	Planning	208
<b>Aurora/Naperville</b>					
None					
<b>South Cook County</b>					
NWC Lake & Forest	South Cook	Oak Park	Albion	Planning	265
Residence at Brookside Glen/SW 191st & 80th	South Cook	Tinley Park	Mayher/DJM	Planning	144
<b>Will County</b>					
Highlands of Lockport/143rd & 355	Will	Lockport	Equibase/Heartland	Planning	248
Lincoln Station/NS Rt 30 at Prairie & RR	Will	New Lenox	Gammonly/TBD	Planning	208
Village Place Apts/Normantown E of Brunswick	Will	Romeoville	Rose/S.R. Jacobsen	Planning	216
Highpoint Town Square	Will	Romeoville	HPTS	Planning	72



## **Conclusions**

With an average delivery of roughly 1,100 units per year in the suburban market since 1996, the addition to overall supply has been minimal. Combined with the number of condo conversions that occurred in the market in the early 2000s, the supply of rental units has actually seen a decline. While certain submarkets are adequately supplied with rental units at this time, we believe opportunities exist to create additional rental product. The diverse employment base for the MSA and our direct surveys of buildings in the market indicates a strong long-term picture for multi-family rental product.

Difficulties remain however in securing large enough sites suitable for development and obtaining the necessary zoning approvals in light of general community opposition to rental development. As shown, these factors are contributing to a shift in development to more high-density sites – potentially in redeveloping downtown markets as transit-oriented developments. The costs of construction remain high (\$250+/- psf) for these mid-rise structures (concrete construction) and while demand may certainly exist, the feasible rent levels will be catering to the upper end of the market. While adding supply of substance appears improbable at this point in the MSA overall, we note a significant increase in new construction activity.

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## Demographic Trends

In researching the demographics of the target market area, we have provided data from Environics Analytics for the demographics of the residents located in Arlington Heights and within the three and five-mile radii of the subject property. This includes information relating to the 2010 U.S. Census, 2018 estimates (based upon the 2010 census), and 2023 projections for the area.

We fully recognize that while the demographics provide insights on the existing population, demand for the subject units will come from both the immediate market area and from outside this market area.

### Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

<b>Surrounding Area Demographics</b>					
	3-Mile Radius	5-Mile Radius	Arlington Heights, IL (village)	Chicago- Naperville-Elgin, IL-IN-WI (Metro)	Illinois
2018 Estimates					
Population 2010	107,029	275,206	75,101	9,461,105	12,830,632
Population 2018	107,376	275,777	74,956	9,504,650	12,768,442
Population 2023	107,382	275,743	74,134	9,531,666	12,745,779
Compound % Change 2010-2018	0.0%	0.0%	0.0%	0.1%	-0.1%
Compound % Change 2018-2023	0.0%	0.0%	-0.2%	0.1%	0.0%
Households 2010	43,003	109,041	30,633	3,475,726	4,836,972
Households 2018	43,626	110,291	31,134	3,528,983	4,859,251
Households 2023	43,811	110,668	30,983	3,553,670	4,868,017
Compound % Change 2010-2018	0.2%	0.1%	0.2%	0.2%	0.1%
Compound % Change 2018-2023	0.1%	0.1%	-0.1%	0.1%	0.0%
Median Household Income 2018	\$90,858	\$86,226	\$94,750	\$69,412	\$64,068
Average Household Size	2.4	2.5	2.4	2.7	2.6
College Graduate %	51%	49%	54%	36%	33%
Median Age	42	41	44	38	38
Owner Occupied %	76%	72%	77%	66%	67%
Renter Occupied %	24%	28%	23%	34%	33%
Median Owner Occupied Housing Value	\$324,783	\$320,461	\$363,274	\$242,814	\$196,422
Median Year Structure Built	1973	1975	1972	1969	1969
Avg. Travel Time to Work in Min.	32	32	33	35	32

Source: Environics Analytics

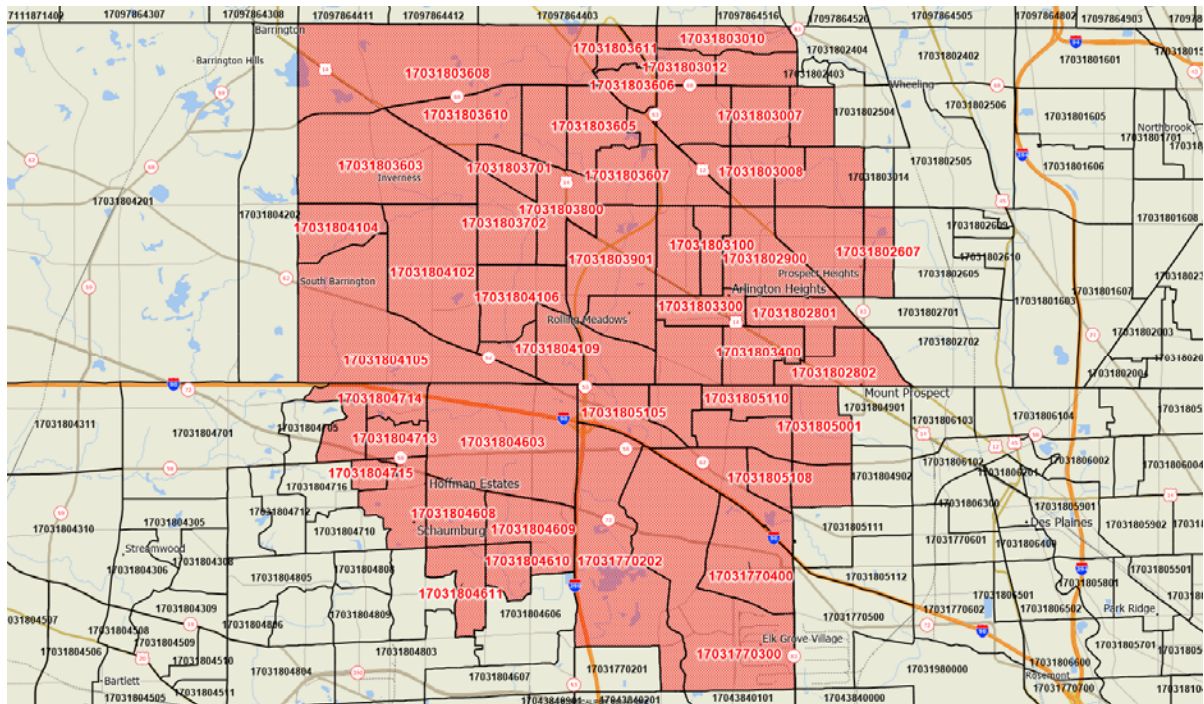
As shown above, the current population within a 5-mile radius of the subject is 275,777, and the average household size is 2.5. Population in the area has been flat since the 2010 census, and this trend is projected to continue over the next five years. This differs from the population of the Chicago MSA, which is projected to grow slightly.

Median household income is \$86,226, which is higher than the household income for the Chicago MSA. Residents within a 5-mile radius have a considerably higher level of educational attainment than those of the Chicago MSA, while median owner-occupied home values are considerably higher.

As already discussed, the subject property will draw prospective renters from an area that is much wider than these geographic boundaries. Additional renter demand will be generated from persons from outside the area due to job relocations or others relocating to be closer to their employment.

In addition to the demographic information provided above, we have also included a Ribbon Demographics Survey which separates the two demographic groups: renters and home-owners. With this additional analysis, we are able to further dissect the demand for rental units by the existing renters in the market and their income levels.

The following is a map of the Ribbon Demographics Survey Area. It is somewhat similar to the five-mile radius grouping which we used but is searched by census tract.



**Ribbon Demographics Survey Area**





**HISTA 2.2 Summary Data** **Arlington Heights, IL PMA**  
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Renter Households						
Age 15 to 54 Years						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	493	152	192	207	39	1,083
\$10,000-20,000	455	305	151	116	113	1,140
\$20,000-30,000	988	414	406	248	243	2,299
\$30,000-40,000	633	514	362	240	386	2,135
\$40,000-50,000	1,153	665	390	453	377	3,038
\$50,000-60,000	1,163	677	270	193	154	2,457
\$60,000-75,000	1,429	933	612	241	192	3,407
\$75,000-100,000	1,036	1,483	704	486	179	3,888
\$100,000-125,000	800	832	421	362	200	2,615
\$125,000-150,000	255	433	281	174	108	1,251
\$150,000-200,000	154	303	341	153	58	1,009
\$200,000+	285	231	188	210	52	966
<b>Total</b>	<b>8,844</b>	<b>6,942</b>	<b>4,318</b>	<b>3,083</b>	<b>2,101</b>	<b>25,288</b>

Percent Renter Households						
Age 15 to 54 Years						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	1.9%	0.6%	0.8%	0.8%	0.2%	4.3%
\$10,000-20,000	1.8%	1.2%	0.6%	0.5%	0.4%	4.5%
\$20,000-30,000	3.9%	1.6%	1.6%	1.0%	1.0%	9.1%
\$30,000-40,000	2.5%	2.0%	1.4%	0.9%	1.5%	8.4%
\$40,000-50,000	4.6%	2.6%	1.5%	1.8%	1.5%	12.0%
\$50,000-60,000	4.6%	2.7%	1.1%	0.8%	0.6%	9.7%
\$60,000-75,000	5.7%	3.7%	2.4%	1.0%	0.8%	13.5%
\$75,000-100,000	4.1%	5.9%	2.8%	1.9%	0.7%	15.4%
\$100,000-125,000	3.2%	3.3%	1.7%	1.4%	0.8%	10.3%
\$125,000-150,000	1.0%	1.7%	1.1%	0.7%	0.4%	4.9%
\$150,000-200,000	0.6%	1.2%	1.3%	0.6%	0.2%	4.0%
\$200,000+	1.1%	0.9%	0.7%	0.8%	0.2%	3.8%
<b>Total</b>	<b>35.0%</b>	<b>27.5%</b>	<b>17.1%</b>	<b>12.2%</b>	<b>8.3%</b>	<b>100.0%</b>

Renter Households						
Aged 55+ Years						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	612	90	13	23	31	769
\$10,000-20,000	1,006	305	36	38	22	1,407
\$20,000-30,000	906	211	48	24	48	1,237
\$30,000-40,000	554	234	62	19	27	896
\$40,000-50,000	487	216	33	52	46	834
\$50,000-60,000	345	182	48	26	45	646
\$60,000-75,000	426	249	50	86	35	846
\$75,000-100,000	493	243	122	76	17	951
\$100,000-125,000	236	99	65	36	56	492
\$125,000-150,000	274	234	29	77	57	671
\$150,000-200,000	241	69	34	27	10	381
\$200,000+	241	178	93	15	18	545
<b>Total</b>	<b>5,821</b>	<b>2,310</b>	<b>633</b>	<b>499</b>	<b>412</b>	<b>9,675</b>

Percent Renter Households						
Aged 55+ Years						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	6.3%	0.9%	0.1%	0.2%	0.3%	7.9%
\$10,000-20,000	10.4%	3.2%	0.4%	0.4%	0.2%	14.5%
\$20,000-30,000	9.4%	2.2%	0.5%	0.2%	0.5%	12.8%
\$30,000-40,000	5.7%	2.4%	0.6%	0.2%	0.3%	9.3%
\$40,000-50,000	5.0%	2.2%	0.3%	0.5%	0.5%	8.6%
\$50,000-60,000	3.6%	1.9%	0.5%	0.3%	0.5%	6.7%
\$60,000-75,000	4.4%	2.6%	0.5%	0.9%	0.4%	8.7%
\$75,000-100,000	5.1%	2.5%	1.3%	0.8%	0.2%	9.8%
\$100,000-125,000	2.4%	1.0%	0.7%	0.4%	0.6%	5.1%
\$125,000-150,000	2.8%	2.4%	0.3%	0.8%	0.6%	6.9%
\$150,000-200,000	2.5%	0.7%	0.4%	0.3%	0.1%	3.9%
\$200,000+	2.5%	1.8%	1.0%	0.2%	0.2%	5.6%
<b>Total</b>	<b>60.2%</b>	<b>23.9%</b>	<b>6.5%</b>	<b>5.2%</b>	<b>4.3%</b>	<b>100.0%</b>

Renter Households						
All Age Groups						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	1,105	242	205	230	70	1,852
\$10,000-20,000	1,461	610	187	154	135	2,547
\$20,000-30,000	1,894	625	454	272	291	3,536
\$30,000-40,000	1,187	748	424	259	413	3,031
\$40,000-50,000	1,640	881	423	505	423	3,872
\$50,000-60,000	1,508	859	318	219	199	3,103
\$60,000-75,000	1,855	1,182	662	327	227	4,253
\$75,000-100,000	1,529	1,726	826	562	196	4,839
\$100,000-125,000	1,036	931	486	398	256	3,107
\$125,000-150,000	529	667	310	251	165	1,922
\$150,000-200,000	395	372	375	180	68	1,390
\$200,000+	526	409	281	225	70	1,511
<b>Total</b>	<b>14,665</b>	<b>9,252</b>	<b>4,951</b>	<b>3,582</b>	<b>2,513</b>	<b>34,963</b>

Percent Renter Households						
All Age Groups						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	3.2%	0.7%	0.6%	0.7%	0.2%	5.3%
\$10,000-20,000	4.2%	1.7%	0.5%	0.4%	0.4%	7.3%
\$20,000-30,000	5.4%	1.8%	1.3%	0.8%	0.8%	10.1%
\$30,000-40,000	3.4%	2.1%	1.2%	0.7%	1.2%	8.7%
\$40,000-50,000	4.7%	2.5%	1.2%	1.4%	1.2%	11.1%
\$50,000-60,000	4.3%	2.5%	0.9%	0.6%	0.6%	8.9%
\$60,000-75,000	5.3%	3.4%	1.9%	0.9%	0.6%	12.2%
\$75,000-100,000	4.4%	4.9%	2.4%	1.6%	0.6%	13.8%
\$100,000-125,000	3.0%	2.7%	1.4%	1.1%	0.7%	8.9%
\$125,000-150,000	1.5%	1.9%	0.9%	0.7%	0.5%	5.5%
\$150,000-200,000	1.1%	1.1%	1.1%	0.5%	0.2%	4.0%
\$200,000+	1.5%	1.2%	0.8%	0.6%	0.2%	4.3%
<b>Total</b>	<b>41.9%</b>	<b>26.5%</b>	<b>14.2%</b>	<b>10.2%</b>	<b>7.2%</b>	<b>100.0%</b>





HISTA 2.2 Summary Data

Arlington Heights, IL PMA

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Owner Households						
Age 15 to 54 Years						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	289	86	69	30	42	516
\$10,000-20,000	177	89	85	51	42	444
\$20,000-30,000	277	131	238	153	286	1,085
\$30,000-40,000	471	208	178	136	277	1,270
\$40,000-50,000	708	326	348	231	169	1,782
\$50,000-60,000	518	360	285	366	410	1,939
\$60,000-75,000	824	684	462	740	495	3,205
\$75,000-100,000	1,054	1,425	1,203	1,227	637	5,546
\$100,000-125,000	626	1,178	1,490	1,831	1,019	6,144
\$125,000-150,000	204	1,099	1,048	1,599	971	4,921
\$150,000-200,000	217	1,311	1,234	2,118	1,479	6,359
\$200,000+	356	1,253	1,837	2,632	1,609	7,687
<b>Total</b>	<b>5,721</b>	<b>8,150</b>	<b>8,477</b>	<b>11,114</b>	<b>7,436</b>	<b>40,898</b>

Percent Owner Households						
Age 15 to 54 Years						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	0.7%	0.2%	0.2%	0.1%	0.1%	1.3%
\$10,000-20,000	0.4%	0.2%	0.2%	0.1%	0.1%	1.1%
\$20,000-30,000	0.7%	0.3%	0.6%	0.4%	0.7%	2.7%
\$30,000-40,000	1.2%	0.5%	0.4%	0.3%	0.7%	3.1%
\$40,000-50,000	1.7%	0.8%	0.9%	0.6%	0.4%	4.4%
\$50,000-60,000	1.3%	0.9%	0.7%	0.9%	1.0%	4.7%
\$60,000-75,000	2.0%	1.7%	1.1%	1.8%	1.2%	7.8%
\$75,000-100,000	2.6%	3.5%	2.9%	3.0%	1.6%	13.6%
\$100,000-125,000	1.5%	2.9%	3.6%	4.5%	2.5%	15.0%
\$125,000-150,000	0.5%	2.7%	2.6%	3.9%	2.4%	12.0%
\$150,000-200,000	0.5%	3.2%	3.0%	5.2%	3.6%	15.5%
\$200,000+	0.9%	3.1%	4.5%	6.4%	3.9%	18.8%
<b>Total</b>	<b>14.0%</b>	<b>19.9%</b>	<b>20.7%</b>	<b>27.2%</b>	<b>18.2%</b>	<b>100.0%</b>

Owner Households						
Aged 55+ Years						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	905	463	136	41	40	1,585
\$10,000-20,000	2,040	570	101	28	22	2,761
\$20,000-30,000	2,722	1,247	163	88	40	4,260
\$30,000-40,000	1,940	1,473	282	53	39	3,787
\$40,000-50,000	1,626	1,530	284	100	96	3,636
\$50,000-60,000	1,022	1,414	334	94	78	2,942
\$60,000-75,000	1,428	2,289	435	183	83	4,418
\$75,000-100,000	1,540	3,512	856	287	216	6,411
\$100,000-125,000	1,021	2,499	1,067	447	198	5,232
\$125,000-150,000	578	2,105	791	251	109	3,834
\$150,000-200,000	491	1,886	1,131	302	130	3,940
\$200,000+	659	2,797	1,329	723	322	5,830
<b>Total</b>	<b>15,972</b>	<b>21,785</b>	<b>6,909</b>	<b>2,597</b>	<b>1,373</b>	<b>48,636</b>

Percent Owner Households						
Aged 55+ Years						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	1.9%	1.0%	0.3%	0.1%	0.1%	3.3%
\$10,000-20,000	4.2%	1.2%	0.2%	0.1%	0.0%	5.7%
\$20,000-30,000	5.6%	2.6%	0.3%	0.2%	0.1%	8.8%
\$30,000-40,000	4.0%	3.0%	0.6%	0.1%	0.1%	7.8%
\$40,000-50,000	3.3%	3.1%	0.6%	0.2%	0.2%	7.5%
\$50,000-60,000	2.1%	2.9%	0.7%	0.2%	0.2%	6.0%
\$60,000-75,000	2.9%	4.7%	0.9%	0.4%	0.2%	9.1%
\$75,000-100,000	3.2%	7.2%	1.8%	0.6%	0.4%	13.2%
\$100,000-125,000	2.1%	5.1%	2.2%	0.9%	0.4%	10.8%
\$125,000-150,000	1.2%	4.3%	1.6%	0.5%	0.2%	7.9%
\$150,000-200,000	1.0%	3.9%	2.3%	0.6%	0.3%	8.1%
\$200,000+	1.4%	5.8%	2.7%	1.5%	0.7%	12.0%
<b>Total</b>	<b>32.8%</b>	<b>44.8%</b>	<b>14.2%</b>	<b>5.3%</b>	<b>2.8%</b>	<b>100.0%</b>

Owner Households						
All Age Groups						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	1,194	549	205	71	82	2,101
\$10,000-20,000	2,217	659	186	79	64	3,205
\$20,000-30,000	2,999	1,378	401	241	326	5,345
\$30,000-40,000	2,411	1,681	460	189	316	5,057
\$40,000-50,000	2,334	1,856	632	331	265	5,418
\$50,000-60,000	1,540	1,774	619	460	488	4,881
\$60,000-75,000	2,252	2,973	897	923	578	7,623
\$75,000-100,000	2,594	4,937	2,059	1,514	853	11,957
\$100,000-125,000	1,647	3,677	2,557	2,278	1,217	11,376
\$125,000-150,000	782	3,204	1,839	1,850	1,080	8,755
\$150,000-200,000	708	3,197	2,365	2,420	1,609	10,299
\$200,000+	1,015	4,050	3,166	3,355	1,931	13,517
<b>Total</b>	<b>21,693</b>	<b>29,935</b>	<b>15,386</b>	<b>13,711</b>	<b>8,809</b>	<b>89,534</b>

Percent Owner Households						
All Age Groups						
Year 2018 Estimates						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	1.3%	0.6%	0.2%	0.1%	0.1%	2.3%
\$10,000-20,000	2.5%	0.7%	0.2%	0.1%	0.1%	3.6%
\$20,000-30,000	3.3%	1.5%	0.4%	0.3%	0.4%	6.0%
\$30,000-40,000	2.7%	1.9%	0.5%	0.2%	0.4%	5.6%
\$40,000-50,000	2.6%	2.1%	0.7%	0.4%	0.3%	6.1%
\$50,000-60,000	1.7%	2.0%	0.7%	0.5%	0.5%	5.5%
\$60,000-75,000	2.5%	3.3%	1.0%	1.0%	0.6%	8.5%
\$75,000-100,000	2.9%	5.5%	2.3%	1.7%	1.0%	13.4%
\$100,000-125,000	1.8%	4.1%	2.9%	2.5%	1.4%	12.7%
\$125,000-150,000	0.9%	3.6%	2.1%	2.1%	1.2%	9.8%
\$150,000-200,000	0.8%	3.6%	2.6%	2.7%	1.8%	11.5%
\$200,000+	1.1%	4.5%	3.5%	3.7%	2.2%	15.1%
<b>Total</b>	<b>24.2%</b>	<b>33.4%</b>	<b>17.2%</b>	<b>15.3%</b>	<b>9.8%</b>	<b>100.0%</b>



**Qualifying Demographic Group**

With the rental units which are being proposed in this report, we have focused on the group of renters with incomes of at least \$50,000 and with 1 to 4-person households. This results in a total of 18,944 renter households. However, we also expect that there will be demand from owner households as there will be empty nesters downsizing and persons divorcing/separating, creating additional demand from the owner demographic group. This is a much larger group with 60,652 owner households with incomes of at least \$50,000. In addition, the subject property will be attracting transferees who are moving to the area for jobs, providing another large base of renters who are not accounted for in these demographic statistics.

## Rental Competition Survey

### Existing Competition

Twelve apartment developments with over 4,700 units were included in our rental competition survey. A summary of the units included in this survey is shown below:

Unit Type	No. of Projects	No. of Units	%	Unit SF Range
Studio/Convertible	5	219	5%	392-769
One Bedroom	12	2,340	49%	635-1,012
One Bedroom + Den	5	329	7%	830-1,039
Two Bedroom	12	1,689	36%	848-1,647
Three Bedroom	5	157	3%	1,107-2,283
Total/Range	12	4,734	100%	392-2,283

The primary competition to the apartment units at Arlington Downs would be expected to be comparable in age and location. However, while Arlington Heights has a population of approximately 75,000 persons and over 31,100 households, new rental apartment development has been extremely limited in the community. In fact, the 214-unit One Arlington building is the only existing, newly developed apartment building with over 100 units which has been developed in Arlington Heights in over 20 years despite the vibrancy and desirability of Arlington Heights. Currently, a very small project with 45 units is under construction at the southwest corner of Dunton Avenue and Eastman Street in downtown Arlington Heights. The Parkview Apartments project will be completed in 2018 and consists of a mix of one, two, and three bedroom units, with 19 units being affordable units. This is the only new construction project other than the One Arlington project which has been developed.

One Arlington actually was not even new construction; rather, it was the adaptive reuse of a closed hotel which was retrofitted with 214 units. Thus, its unit sizes average 936 SF, larger than many of the new construction apartment buildings which are being developed in the Chicago Metropolitan Area.

Hancock Square and Dunton Tower are both high-rise rental apartment properties which are located in downtown Arlington Heights and will provide competition to the Arlington Downs units. Constructed in 1986-1988, these buildings are now 30+ years old. While they have experienced updating over the years, they lack the features and amenities which are afforded by new construction. However, their downtown locations are extremely marketable and appeal to renters looking for a very walkable neighborhood with retail and restaurant amenities along with excellent accessibility to the Metra train station for easy commuting to jobs in downtown Chicago. While retail and restaurants are planned as part of the Arlington Downs development, they will be more limited in scale than in downtown Arlington Heights. However, the subject location may be more desirable for persons to whom access to Route 53 is important, as it provides very easy access by car to many parts of the Chicago Metropolitan Area.

Also developed in the 1980s is the Central Park East development which is an example of the more typical three-story suburban developments in Arlington Heights and neighboring suburbs. Its units do not command the same rent premiums as either new construction like One Arlington or the downtown projects, Hancock Square and Dunton Tower.

Thus, renters looking for a high-end, new construction rental apartment development in Arlington Heights have extremely limited options due to the lack of apartment development which has taken place.

Approximately three miles southwest of Arlington Downs is North 680, a 180-unit rental apartment development which was constructed in Schaumburg in 2017. The project began offering occupancy in April 2017 while construction was still taking place and is now 90% leased, as of April 2018, or within a one year period. It was the first rental apartment project to be constructed in Schaumburg in approximately 30 years. The developer of this project has purchased the former Motorola site across the street and is planning a large, mixed-use development which will also include a rental apartment component.

With Schaumburg being easily accessible on Route 53, it provides additional rental alternatives within a 10 to 15-minute drive. However, these projects were generally built in the 1970s and 1980s, again lacking the new construction elements which Arlington Downs will possess. We have included a sampling of the larger projects, but these projects will provide lower cost and inferior alternatives to the Arlington Downs units.

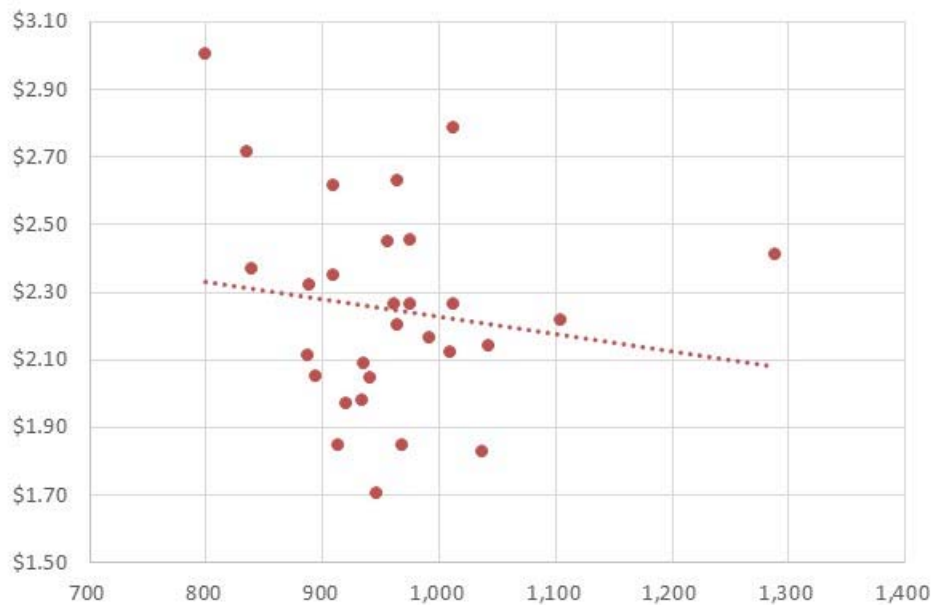
With the limited new construction activity to date, we expanded the geographic search to include three apartment projects developed in 2016-2018 which are located further to the north, south, and east. The Residences at Hamilton Lakes is a 297unit development which opened for occupancy in 2017in the Hamilton Lakes office park in Itasca, approximately nine miles south. Deer Park Crossing is currently under construction approximately seven miles northwest in Deer Park. This 236-unit development opened for occupancy in late March 2018 and is still under construction. While situated much further from the employment centers than Arlington Downs, it is surrounded close to excellent shopping facilities and amenities located in neighboring shopping centers. Situated nine miles to the northeast is the Northgate Crossing development in Wheeling which opened for occupancy in 2016 while construction was underway. It is close to 90% occupancy at the present time. Thus, with the exception of the North 680 project in Schaumburg, the other new construction alternatives are situated far from the Arlington Downs development and the Schaumburg employment market, outside of the primary market area.

**Recently Constructed Rental Apartment Developments in the Suburban Market (2013-2018):**

As additional information, we also surveyed all of the new construction rental apartment developments in Northwest Cook County, DuPage County, Lake County, and the North Shore submarkets which have been completed in the Chicago suburban area since 2013. All developments are elevator-style properties. This survey included 6,075 units but excluded Kane, Kendall, Naperville/Aurora, and locations far south of the city of Chicago.

The average unit sizes and average net effective rents being achieved in these developments are summarized as follows, showing the strong rent premiums for new construction apartments being developed throughout the metropolitan area.

4Q 2017 Net Effective Rents PSF at the Apartment Complexes Constructed Since 2013 in the Cook NW, DuPage, Lake, and North Shore submarkets



These 29 developments summarized above contain a total of 6,075 units and were completed between 2013 and 2018ytd. Average net effective rents ranged from \$1.71 to \$3.00 PSF with average unit sizes of 799 to 1,288 SF. Only six of the developments had rents averaging below \$2.00 PSF with five developments with rents above \$2.50 PSF. The vast bulk of the developments had average rents between \$2.00 and \$2.50 PSF.



### Projects Currently Under Construction and Proposed Competition

In addition to the existing apartment developments in the market, there is additional apartment development taking place along with a growing pipeline of projects which are being proposed for development. These projects are in varying stages of the entitlement, financing or construction process, and all of these developments will not end up being constructed. Some will end up with entitlement issues and others may get stalled or cancelled due to difficulty raising equity or obtaining financing.

The following is a summary of the projects which are being developed or proposed for the Northwest Cook County submarket and which could provide additional competition to the subject units.

### Northwest Cook County Submarket – Under Construction & Pipeline

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#### Under Construction: 2018-2019 Deliveries

Property	Submarket	City	Developer	Status	Units
Wheeling Town Center/Dundee & Northgate	Cook NW	Wheeling	Urban R2	Construction	301
Buckingham Place/Littelfuse site/800 E NW Hwy	Cook NW	Des Plaines	Dearborn-Buckingham	Construction	270
Covington Lexington Woods/Golf & E River Rd	Cook NW	Des Plaines	Lexington	Construction	236
Parkview Apts, 212 N. Dunton	Cook NW	Arlington Heights	Cullen Davis	Construction	45

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#### Projects in Planning (Pipeline)

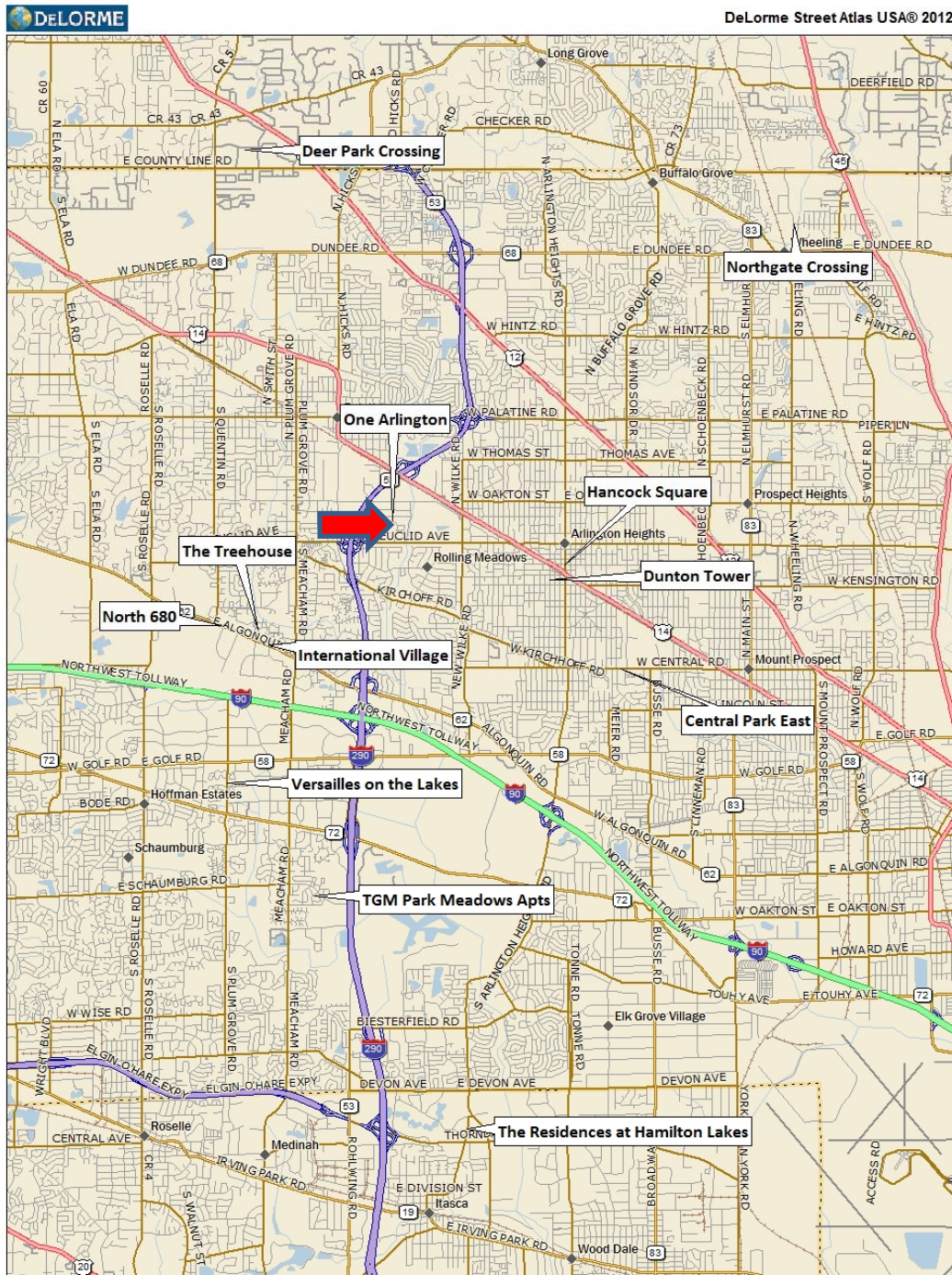
Property	Submarket	City	Developer	Status	Units
<b>Northwest Cook County</b>					
Uptown 501/501 W Dundee	Cook NW	Wheeling	DAC/Atlas	Planning	265
Marriott/Host site/8535 W Higgins	Chicago	Chicago	Glenstar	Planning	299
Sim's Bowl site/1555-65 Ellinwood	Cook NW	Des Plaines	Opus	Planning	113
Ellinwood Apts, 1425 Ellinwood	Cook NW	Des Plaines	Bayview-Compasspoint	Planning	200
20West, 20 W Northwest Highway	Cook NW	Mount Prospect	Nicholas & Assoc.	Planning	73
Plum Farms/NWC Rts 59 & 72	Cook NW	Hoffman Estates	TBD	Planning	TBD
Motorola Site - Multiple Phases	Cook NW	Schaumburg	Urban Street	Planning	TBD
NWC Lake & Church	Cook NW	Hanover Park	Monroe Residential	Planning	131
Hickory Apartments, NWC Hickory & Kensington	Cook NW	Arlington Heights		Planning	79
Arlington Downs - multiple phases	Cook NW	Arlington Heights	Springbank/Trandel	Planning	263
Arlington Downs - multiple phases	Cook NW	Arlington Heights	Springbank/Trandel	Planning	360
Northwest Hwy & Walnut	Cook NW	Arlington Heights	Brian Properties	Planning	106
SWC E. Railroad & S. Berteau	Cook NW	Bartlett	Foxford	Planning	41

As shown above, the Arlington Downs development (the subject property) comprises the largest chunk of new inventory being proposed for the Arlington Heights rental apartment market.

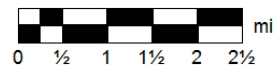
#### Existing Competition - Details

On the following pages is information pertaining to these developments which were included in the survey.

# Apartment Competition Map



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Data Zoom 11-0





## Apartment Rental Competition Overview

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Name	Address	Suburb	Total Units	Class	Date Built	Date Renov	Avg Size (SF)	Quoted Rent PSF	Net Rent PSF	Garage Fee	Occup.
One Arlington	3400 W. Stonegate Blvd	Arlington Heights	214	A	2014		936	\$2.06	\$2.00	\$75	90.2%
Hancock Square	200 North Arlington Hts Rd	Arlington Heights	409	B	1988	2016	849	\$2.39	\$2.39	\$75	97.6%
Dunton Tower	55 South Vail	Arlington Heights	216	B	1986	2006	902	\$1.94	\$1.94	\$75	94.0%
Central Park East	1551 E. Central Road	Arlington Heights	204	B	1989	2011	995	\$1.65	\$1.65	\$110	98.0%
North680	680 E. Algonquin Rd.	Schaumburg	180	A	2017		894	\$2.23	\$2.23	\$75 - \$120	90.0%
TGM Park Meadows Apts	10 N. Lincoln Meadows	Schaumburg	576	B	1990	2014	799	\$1.95	\$1.95	\$130	94.4%
The Treehouse	2500 Brush Road	Schaumburg	752	B	1980	2012	857	\$1.55	\$1.55	surface pkg only	93.0%
International Village	1220 E. Algonquin Road	Schaumburg	732	B	1971	2008	937	\$1.46	\$1.34	\$90	90.0%
Versailles on the Lakes	1024 N. Plum Grove Rd.	Schaumburg	618	B	1971	2008	776	\$1.87	\$1.71	\$65	86.7%
Deer Park Crossing	21599 W. Field Ct.	Deer Park	236	A	2018		1,350	\$1.93	\$1.70	\$150	In lease-up
The Residences at Hamilton Lakes	1133 N. Arlington Hts. Rd.	Itasca	297	A	2017		934	\$2.24	\$1.87	\$125	In lease-up
Northgate Crossing	250 Northgate Pkwy	Wheeling	300	A	2016		969	\$1.89	\$1.69	\$145 - \$175	In lease-up
<b>Total</b>			<b>4,734</b>								

### Apartment Rental Competition Unit Mix

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Name	Address	Suburb	Studio	Studio	1BR	1BR	1BR +den	1BR +den	2BR	2BR	3BR	3BR	Total
One Arlington	3400 W. Stonegate Blvd	Arlington Heights	51	24%	113	53%			50	23%			214
Hancock Square	200 North Arlington Hts Rd	Arlington Heights	30	7%	143	35%	89	22%	147	36%			409
Dunton Tower	55 South Vail	Arlington Heights	27	12%	108	50%			81	38%			216
Central Park East	1551 E. Central Road	Arlington Heights			48	24%	48	24%	108	53%			204
North680	680 E. Algonquin Rd.	Schaumburg			104	58%	24	13%	52	29%			180
TGM Park Meadows Apts	10 N. Lincoln Meadows	Schaumburg			392	68%			184	32%			576
The Treehouse	2500 Brush Road	Schaumburg			300	40%	148	20%	230	31%	74	10%	752
International Village	1220 E. Algonquin Road	Schaumburg			400	55%			317	43%	15	2%	732
Versailles on the Lakes	1024 N. Plum Grove Rd.	Schaumburg	108	18%	288	47%			222	24%			618
Deer Park Crossing	21599 W. Field Ct.	Deer Park			96	41%			96	41%	44	19%	236
The Residences at Hamilton Lakes	1133 N. Arlington Hts. Rd.	Itasca	3	1%	186	63%			96	32%	12	4%	297
Northgate Crossing	250 Northgate Pkwy	Wheeling			162	54%	20	7%	106	35%	12	4%	300
<b>Total</b>			<b>219</b>	<b>5%</b>	<b>2,340</b>	<b>49%</b>	<b>329</b>	<b>7%</b>	<b>1,689</b>	<b>36%</b>	<b>157</b>	<b>3%</b>	<b>4,734</b>



### Apartment Rental Competition Unit Sizes

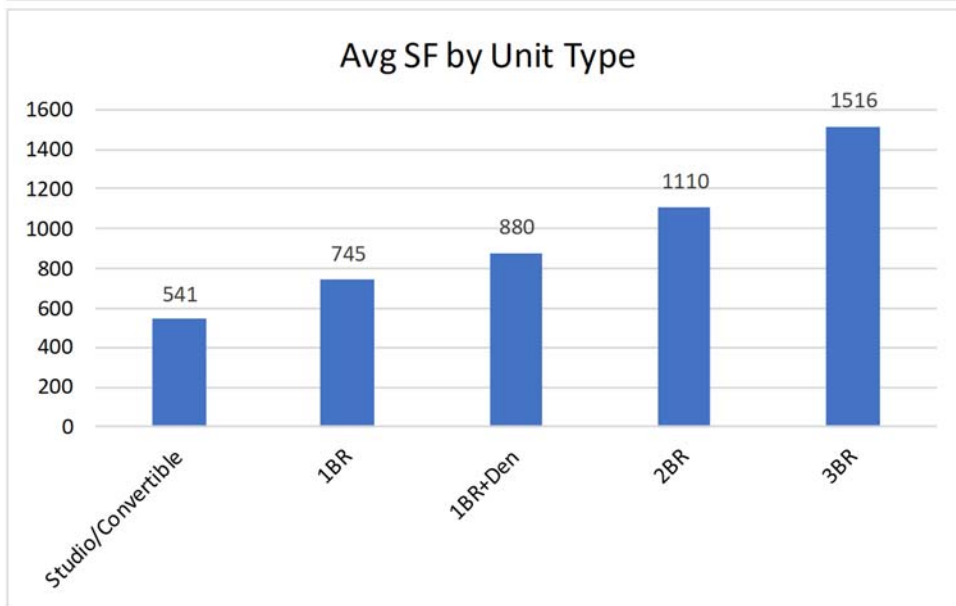
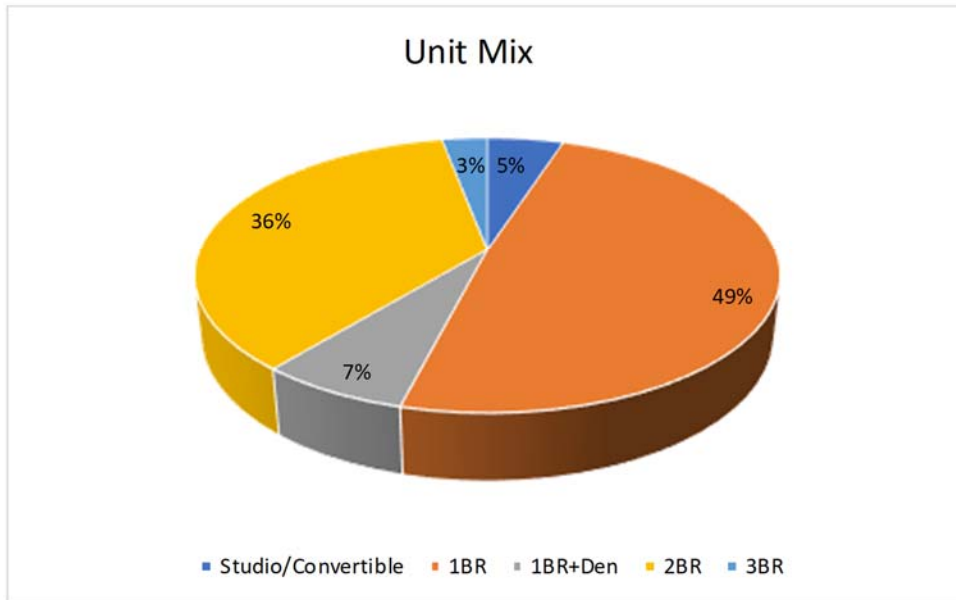
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Unit Square Footage Range

Name	Address	Suburb	Studio		1BR		1BR+Den		2BR		3BR	
One Arlington	3400 W. Stonegate Blvd	Arlington Heights	549	769	803	1012			1,193	1,521		
Hancock Square	200 North Arlington Hts Rd	Arlington Heights	608		677		850	925	975	1,128		
Dunton Tower	55 South Vail	Arlington Heights	600		785	800			1,100	1,200		
Central Park East	1551 E. Central Road	Arlington Heights			770	810	938		1,056	1,168		
North680	680 E. Algonquin Rd.	Schaumburg			665	785	1,039		1,130	1,588		
TGM Park Meadows Apts	10 N. Lincoln Meadows	Schaumburg			635	760			990	1,040		
The Treehouse	2500 Brush Road	Schaumburg			715	723	830		974		1,107	
International Village	1220 E. Algonquin Road	Schaumburg			760				1,075	1,200	1,400	
Versailles on the Lakes	1024 N. Plum Grove Rd.	Schaumburg	392	517	696				848	1,241		
Deer Park Crossing	21599 W. Field Ct.	Deer Park			806	927			1,312	1,647	1,965	2,283
The Residences at Hamilton Lakes	1133 N. Arlington Hts. Rd.	Itasca	472		655	859			1,146	1,299	1,480	
Northgate Crossing	250 Northgate Pkwy	Wheeling			696	873	883		1,190	1,212	1,971	2,005



### Market Survey Summary



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## New Rental Development – Lease-up Survey

We have surveyed the market in order to determine the lease-up rates which have been achieved in newly constructed rental buildings in the Suburban Chicago market. Developments which have started lease-up since 2013 are summarized on the following page.

The survey is showing average monthly absorption rates generally ranging approximately from 10 to 20 units per month. Some of the slower leasing properties had issues particularly pertaining to that property, such as challenging locations and seasonal issues that can affect lease-up; for example, properties opening in the 3rd or 4th quarter start out more slowly and generally will not see a pickup in activity until the spring leasing season.

Lease-up Survey

Absorption of New Rental Units

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Name	Suburb	Submarket	Leasing		Total Units	Absorption																Avg. /mo	Status												
			Began	Delivered		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16			1Q17	2Q17	3Q17	4Q17								
<b>Stabilized</b>																																			
The Springs at 127th	Plainfield	Will	1Q2013	Feb-13	340	102	79	18	56	44	28															18	Stabilized								
Amli Evanston	Evanston	North Shore	1Q 2013	Mar-13	195	22	29	36	31	34	25															10	Stabilized								
1717	Evanston	North Shore	1Q 2013	Mar-13	175	5	101	33	8	22															11	Stabilized									
Ninety7Fifty on the Park	Orland Park	South Cook	2Q 2013	Apr-13	295		97	86	24	38	30															18	Stabilized								
Randall Highlands	North Aurora	Kane	2Q 2013	Apr-13	146		11	34	32	25	37															9	Stabilized								
Algonquin Square	Algonquin	Kane	2Q 2013	Jun-13	220		15	21	70	61	49															14	Stabilized								
Central Station	Evanston	North Shore	2Q 2013	Sep-13	80		6	22	11	17	16															5	Stabilized								
Avant at the Arboretum	Lisle	DuPage	3Q 2013	Sep-13	310		31	36	66	28	56	27	36	15															12	Stabilized					
Wheaton 121	Wheaton	DuPage	3Q 2013	Sep-13	306		76	138	0	31	15	18	3															13	Stabilized						
Tapestry Naperville	Naperville	Naperville/Aurora	2Q 2014	Apr-14	298					87	44	14	29	55	19	28															13	Stabilized			
One Arlington	Arlington Hts.	Cook NW	3Q 2014	Sep-14	214		30	21	10	64	39	22	15															10	Stabilized						
Tapestry Glenview	Glenview	North Shore	3Q 2014	Sep-14	290		20	21	37	57	33	26	19	23	24															10	Stabilized				
Oaks of Vernon Hills	Vernon Hills	Lake	3Q 2014	Sep-14	336					49	8	78	49	72	0	-8	34	22															11	Stabilized	
Midtown Square	Glenview	North Shore	4Q 2014	Dec-14	138					28	34	35	30															11	Stabilized						
E2	Evanston	North Shore	1Q 2015	Mar-15	356								146	139	11	27	18															23	Stabilized		
Reserve at Glenview	Glenview	North Shore	1Q 2015	May-15	239								43	43	17	45	20	14	9	-19	10	21	18	7	Stabilized										
Woodview	Deerfield	North Shore	1Q 2015	Jun-15	248								77	49	13	37	43	10															13	Stabilized	
Amli Deerfield	Deerfield	North Shore	2Q 2015	Aug-15	240									54	12	37	35	10	10	15	38	8			8	Stabilized									
Park 205	Park Ridge	Cook NW	3Q 2015	Oct-15	115										25	26	24	12	15															7	Stabilized
Northgate Crossing	Wheeling	Cook NW	4Q 2015	Jan-16	288											40	41	35	35	36	42			13	Stabilized										
Courthouse Square	Wheaton	DuPage	1Q 2016	May-16	149												39	30	13	17	48			10	Stabilized										
Orland Park Crossing	Orland Park	South Cook	1Q 2016	May-16	231											40	59	35	39	17	11	5	8	10	Stabilized										
Springs at Weber Road	Romeoville	Will	2Q 2016	Aug-16	292													44	80	14	87	40			18	Stabilized									
																										12									
<b>In lease-up</b>																																			
Northshore 770	Northbrook	North Shore	1Q 2016	Jan-16	347											71	62	43	11	39	0	53	0	12	In lease-up										
Apex 41	Lombard	DuPage	2Q 2016	Oct-16	181													15	15	15	71	22	11	8	In lease-up										
The Main	Evanston	North Shore	2Q 2016	Oct-16	112													18	11	2	48	10	4	5	In lease-up										
Station Boulevard	Aurora	Naperville/Aurora	3Q 2015	Dec-16	425														23	53	62	60	40	16	In lease-up										
Metro 59	Aurora	Naperville/Aurora	2Q 2016	Feb-17	232															16	65	22	2	9	In lease-up										
Springs on Orchard Rd.	North Aurora	Kane/Kendall	4Q 2016	Dec-16	300														27	72	18	72	27	14	In lease-up										
Brook on Janes	Bolingbrook	Will	1Q 2017	Mar-17	288															60	98	23	11	16	In lease-up										
North 680	Schaumburg	Cook NW	1Q 2017	Apr-17	180															23	52	14	21	9	In lease-up										
Uptown La Grange	La Grange	Cook South	1Q 2017	Mar-17	254															32	54	46	30	14	In lease-up										
Hamilton Lakes	Itasca	Cook NW	2Q 2017	Jun-17	297																65	0	10	8	In lease-up										
The Emerson	Oak Park	Cook South	2Q 2017	Aug-17	270																27	35	24	10	In lease-up										
Centrum Evanston	Evanston	North Shore	2Q 2017	Jul-17	101																33	0	20	6	In lease-up										
Residences at Wilmette	Wilmette	North Shore	3Q 2017	Oct-17	75																	17	6	In lease-up											
																										10									
<b>Total</b>						129	332	341	417	301	332	230	137	373	534	375	171	338	368	315	273	392	829	431	243										
<b>Avg/Bldg/Qtr</b>						43.0	55.3	37.9	46.3	33.4	36.9	32.9	19.6	46.6	59.3	37.5	19.0	30.7	36.8	24.2	24.8	26.1	46.1	26.9	16.2										
<b>Avg Monthly Absorption Per Building</b>						14.3	18.4	12.6	15.4	11.1	12.3	11.0	6.5	15.5	19.8	12.5	6.3	10.2	12.3	8.1	8.3	8.7	15.4	9.0	5.4										

For absorption purposes, buildings are considered stabilized at 90% leased



## Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Gail Lissner, SRA, CRE, made a personal inspection of the property that is the subject of this report. No one provided significant real property appraisal assistance to the person(s) signing this certification.
12. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
13. As of the date of this report, Gail Lissner, SRA, CRE, has completed the continuing education program for Designated Members of the Appraisal Institute.



Gail Lissner, SRA, CRE  
Certified General Real Estate Appraiser  
Illinois Certificate # 553.001842





## Assumptions and Limiting Conditions

This market study and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This market study and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. The conclusions stated in our market study apply only as of the effective date of the market study, and no representation is made as to the effect of subsequent events.
2. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
3. No environmental impact studies were either requested or made in conjunction with this market study, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the market study assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
4. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
5. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The market study covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

6. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
7. The market study shall be considered only in its entirety. No part of the market study shall be utilized separately or out of context.
8. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
9. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
10. The current purchasing power of the dollar is the basis for the values stated in the market study; we have assumed that no extreme fluctuations in economic cycles will occur.
11. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
12. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
14. The market study is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
15. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated

- upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Chicago, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the “Integra Parties”), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the market study cannot be considered as an environmental assessment of the subject property.
16. The persons signing the report may have reviewed available flood maps and may have noted in the market study whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
  17. Integra Realty Resources – Chicago is not a building or environmental inspector. Integra Chicago does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
  18. The market study and conclusions assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
  19. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the market study, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the market study was fraudulent or prepared with intentional misconduct.
  20. Integra Realty Resources – Chicago, an independently owned and operated company, has prepared the market study for the specific intended use stated elsewhere in the report. The use of the market study by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the market study is addressed to and shall be solely for the Client’s use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the market study or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the market study (even if their reliance was foreseeable).
  21. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future

- occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
22. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

# **Addendum A**

## **Qualifications**



## Gail Lissner, SRA, CRE

### Experience

Managing Director for Integra Realty Resources  
Former Vice President and Appraiser for Appraisal Research Counselors

Throughout her career, Ms. Lissner has focused on the housing/multi-family market, with a particular interest in condominium development, apartment development, and the condominium conversion/deconversion market. Gail's work with condominiums and apartments spans many decades, providing consulting services to the original Chicago condominium convertors in the 1970s, and expanding to work in the conversion market throughout the United States. Gail has produced a report on the condominium market on a quarterly basis since 1997 and is co-author of the Downtown Chicago Condominium Report, a quarterly report delineating development trends and condo pricing in Downtown Chicago. In Gail's consulting and valuation work for apartment and condominium developments, the scope of work ranges from site and building plan consultations at project inception to market and feasibility studies along with comprehensive appraisals. Her work includes both urban and suburban properties and also includes townhome and single family residential developments. Gail has also testified as an expert witness in a variety of housing matters.

### Professional Activities & Affiliations

Appraisal Institute: SRA Designation  
The Counselors of Real Estate: CRE Designation  
Board Member (2017-2020): State of IL Real Estate Appraisal Administration and Disciplinary Board

Village Trustee (2017-2021): Village of Glencoe Board of Trustees  
President: Realty Club of Chicago (2016)  
Vice President: Realty Club of Chicago (2015)  
Secretary/Treasurer: Counselors of Real Estate Midwest Chapter (2009-2014)  
Mentor: Goldie B Wolfe Miller Women Leaders in Real Estate at Roosevelt University (2008-2010)

Member: Commercial Real Estate Women (CREW)  
Member: Real Estate Investment Association (REIA) and Chicago Real Estate Council (CREC)  
Member: Lambda Alpha International and Honorary Land Economics Society - Ely Chapter  
Member: North Shore Barrington Board of Realtors  
Crains Chicago Business: Named as one of Crains 20 Women to Watch 2008

### Licenses

Illinois, Certified General Real Estate Appraiser, 553.001842, Expires September 2019  
Illinois, Licensed Real Estate Managing Broker - Gail Lissner, 471.004757, Expires April 2019  
Wisconsin, Certified General Real Estate Appraiser - Gail Lissner, 2282-10, Expires December 2019

### Education

Bachelor of Arts from Washington University, 1972. Phi Beta Kappa, 1972.

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Arlington Downs: Proposed Future Residential Phases

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## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

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