



2011

Chicago Housing Authority Owner's Symposium

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October 1st, 2011

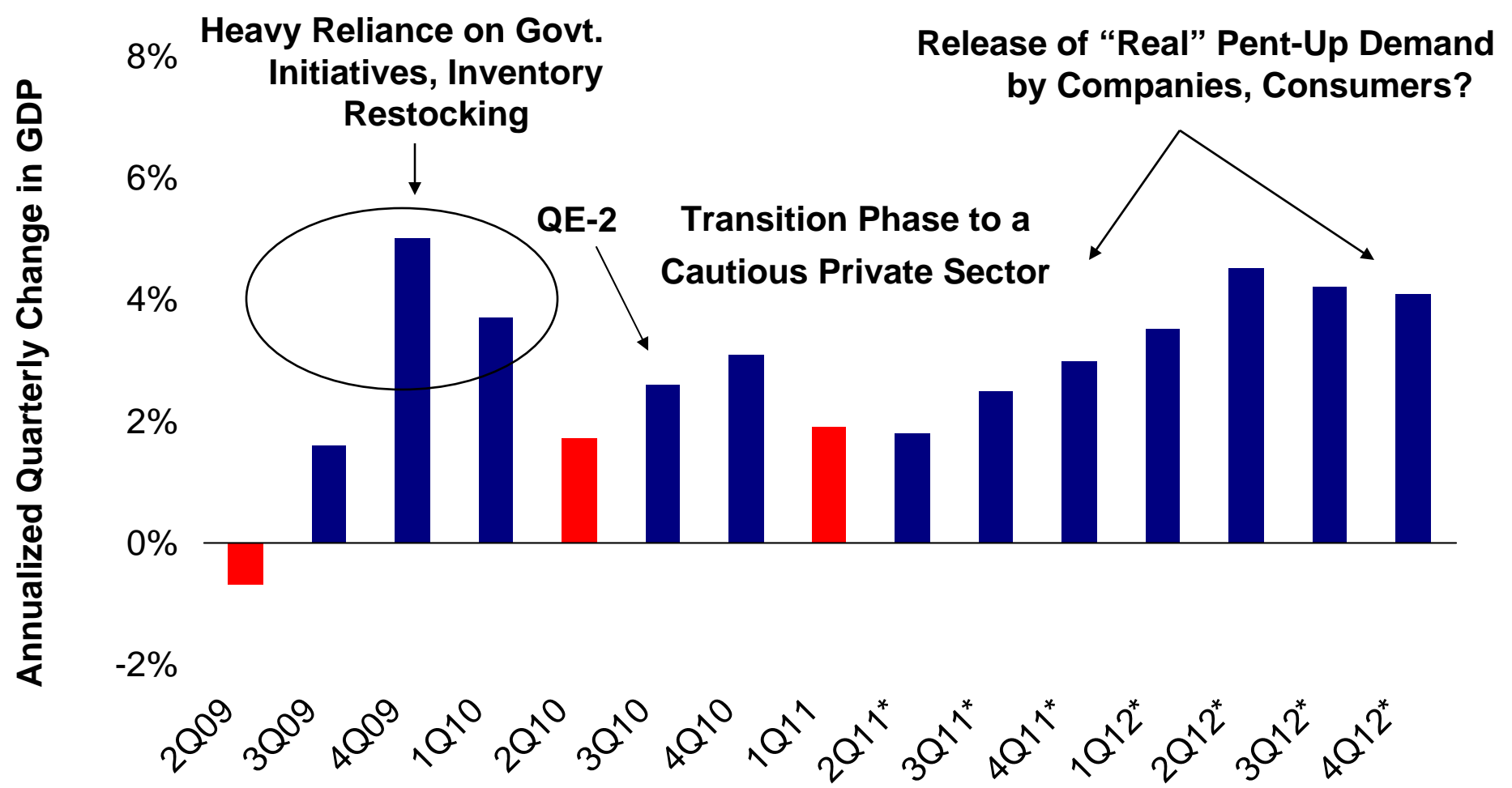
Agenda

- **Economic Fundamentals and Outlook**
- **Factors Impacting Multi-Family Assets**
- **Bullish on Multi-Family?**
- **Quick Word about the Capital Markets**
- **Distress in Chicago?**

***ECONOMIC FUNDAMENTALS
AND OUTLOOK***

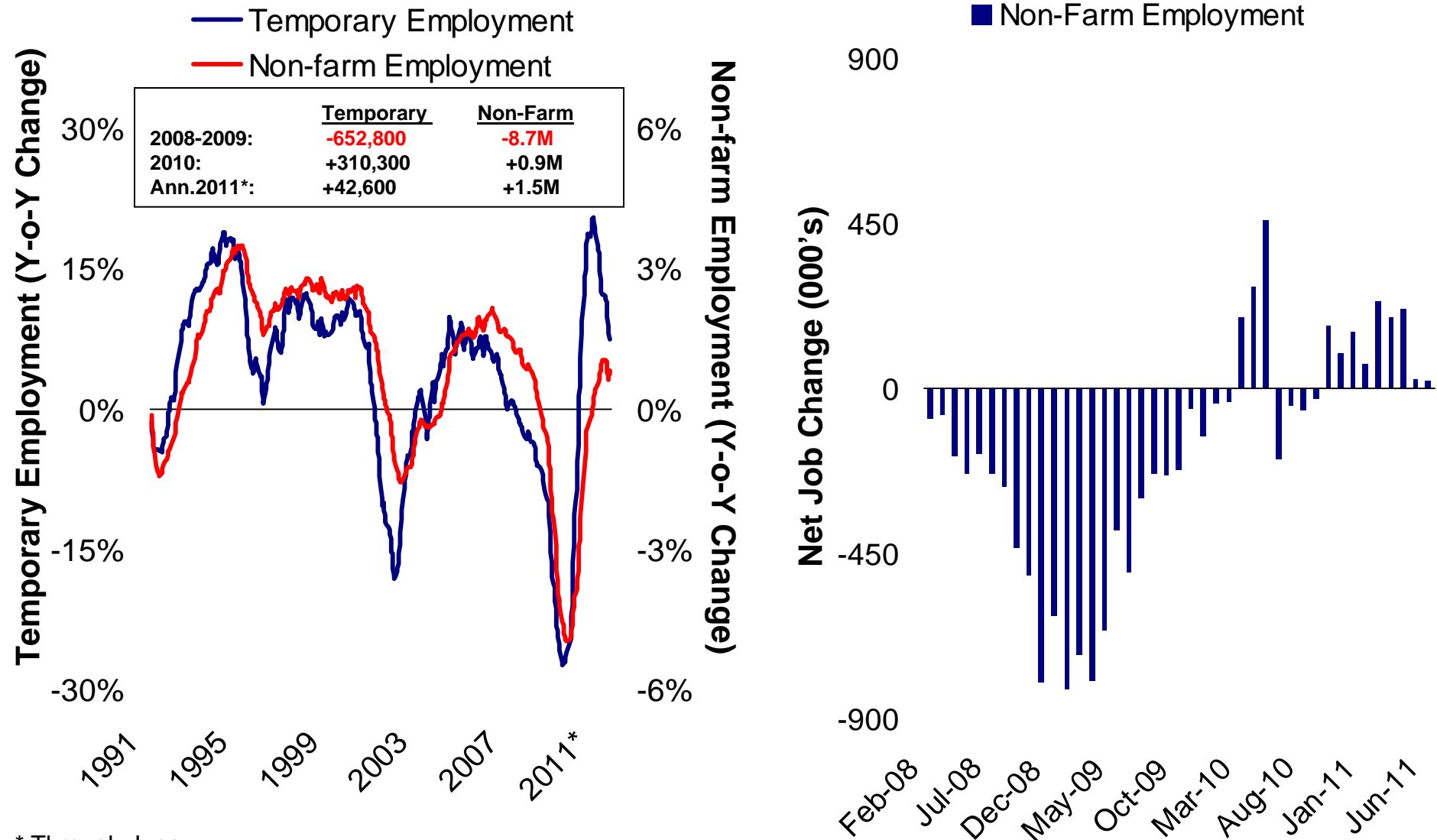
An Economy in Transition

U.S. GDP Growth Past, Present and Future



* Forecast
 Sources: Marcus & Millichap Research Services, BEA, Economy.com

Reduced Reliance on Temporary Staff A Positive, but Loss of Hiring Momentum a Major Concern

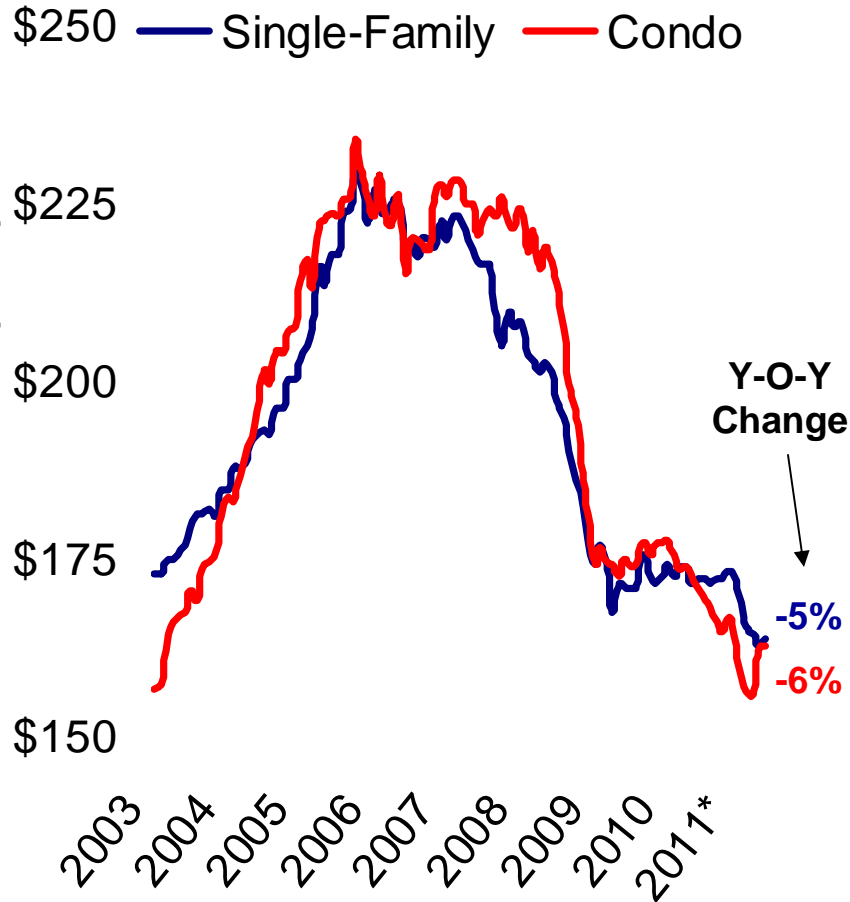


* Through June

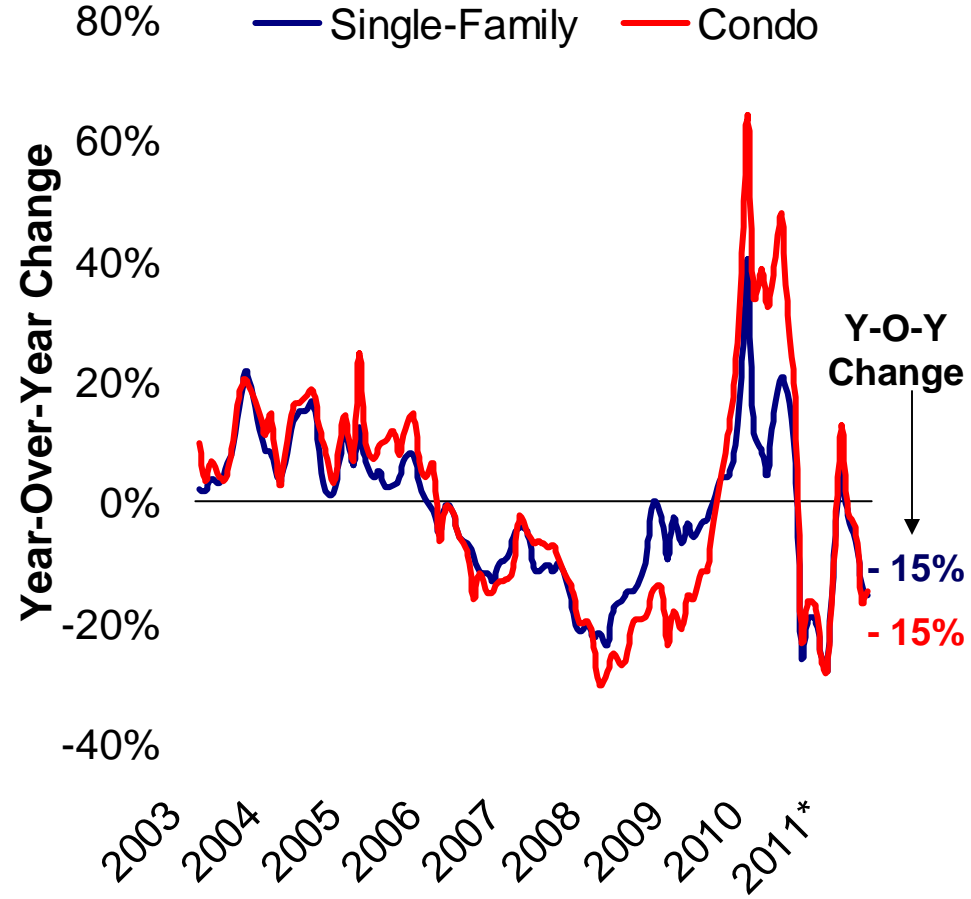
Sources: Marcus & Millichap Research Services, BLS

Single-Family Housing and Condo Market Yet to Enter Sustainable Recovery

Median Home Prices



Existing Home Sales

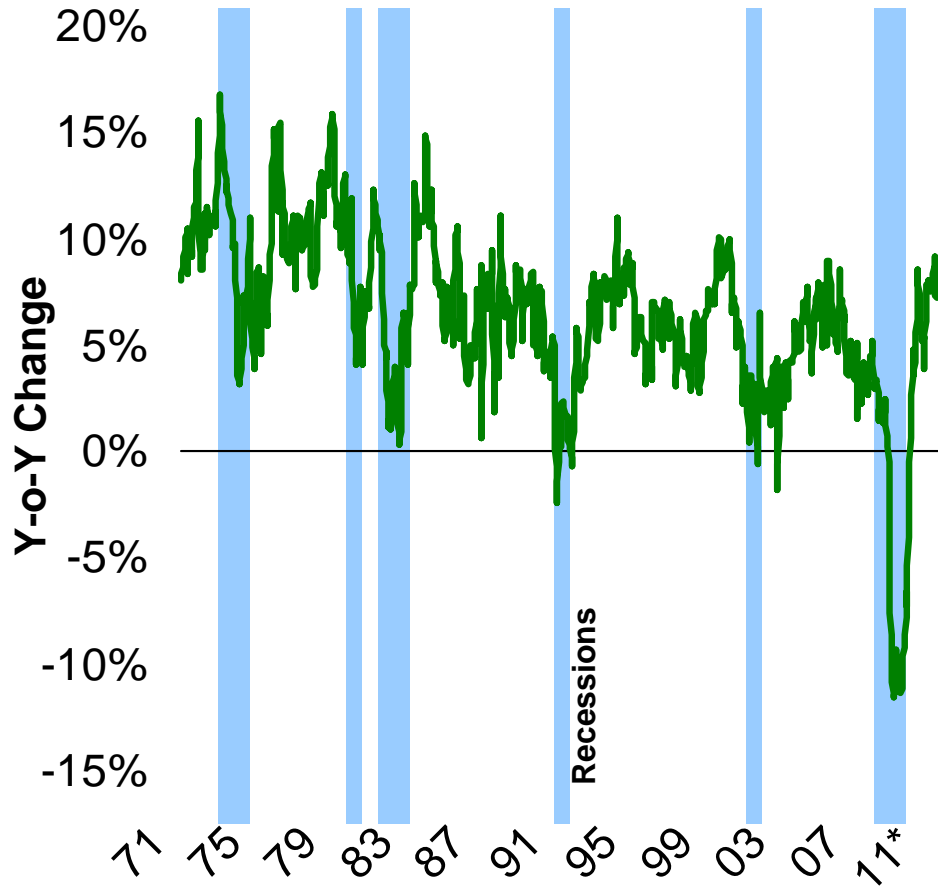


* Through May

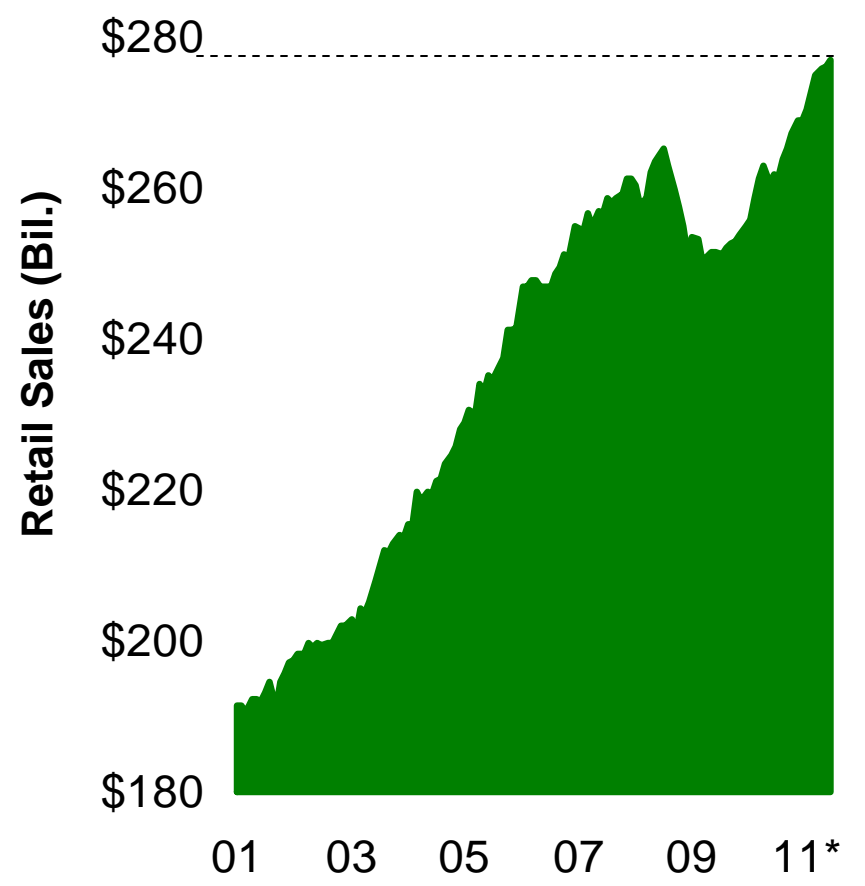
Sources: Marcus & Millichap Research Services, National Association of REALTORS®

U.S. Retail Sales Have Recovered From Dramatic Drop – Further Growth Hindered

Long-Term Total Retail Sales



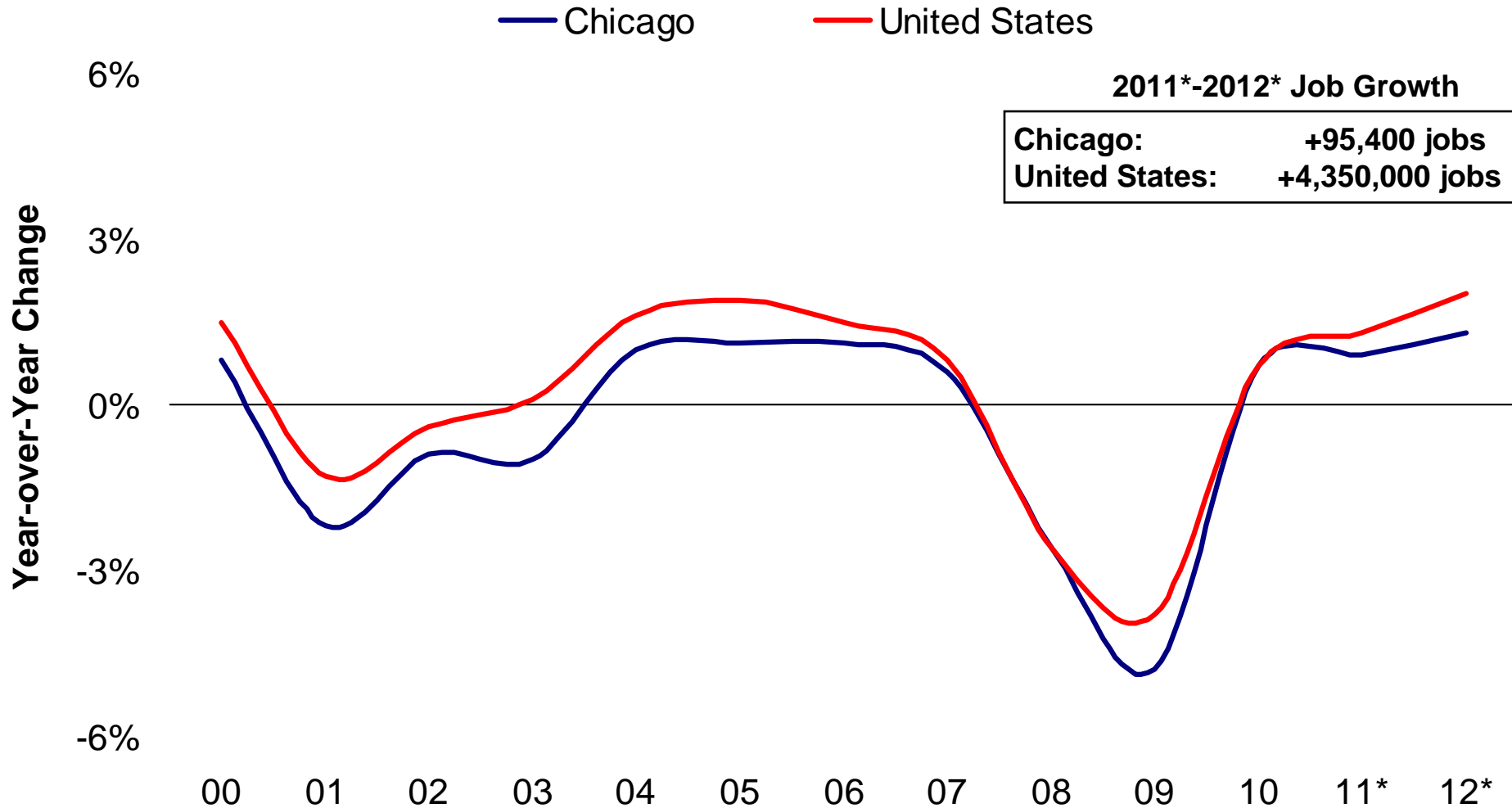
Monthly Retail Sales Excl. Auto and Gas



* Through June

Sources: Marcus & Millichap Research Services, U.S. Census Bureau

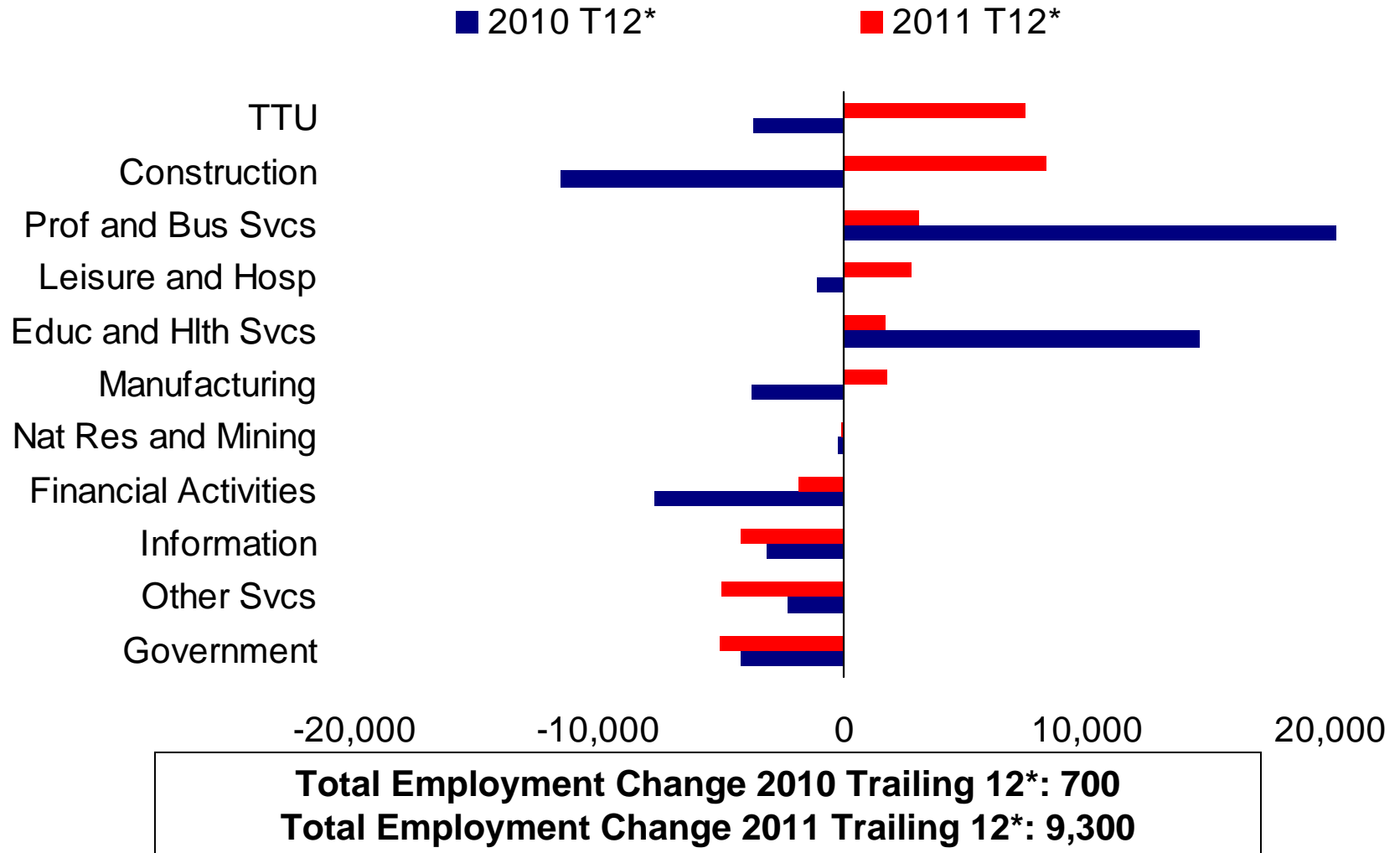
Non-farm Employment Growth Chicago vs. United States



* Forecast

Sources: Marcus & Millichap Research Services, BLS

Chicago Sector Employment Year-over-Year Absolute Change



* Through August

Sources: Marcus & Millichap Research Services, BLS

***FACTORS IMPACTING
MULTI-FAMILY ASSETS***

National Apartment Rank by Metro

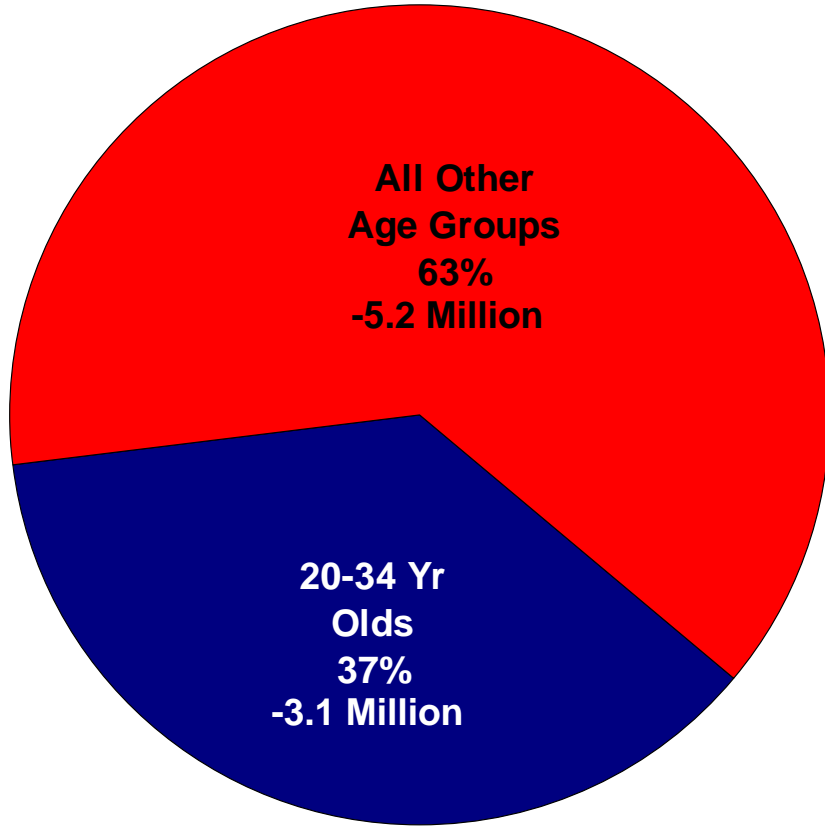
2Q11 Vacancy Rate

Top 15 Metros	2Q11 Vacancy	YOY Bps. Chg.
New York	2.8%	-30
Minneapolis	2.9%	-220
San Jose	3.2%	-100
Portland	3.5%	-220
San Diego	3.7%	-120
San Francisco	3.8%	-120
Milwaukee	4.0%	-100
Oakland	4.2%	-130
New Haven-FC	4.2%	-10
New Jersey	4.3%	-70
Boston	4.4%	-180
Los Angeles	4.4%	-110
Orange County	4.7%	-170
Philadelphia	4.7%	-160
Louisville	4.9%	-180
U.S. Average	5.9%	-190

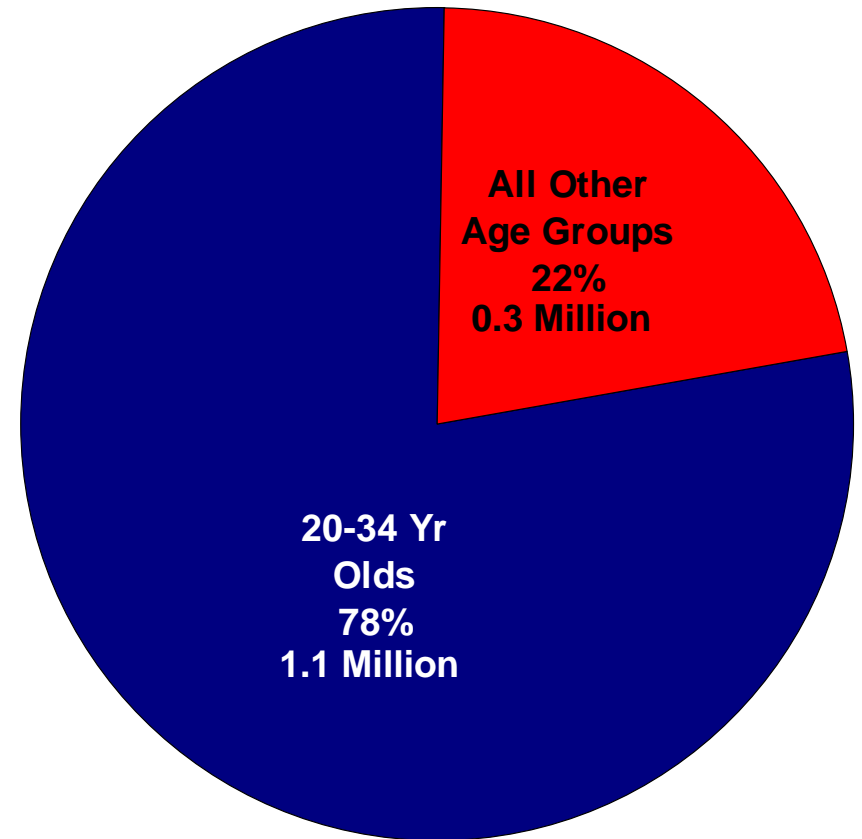
Bottom 15 Metros	2Q11 Vacancy	YOY Bps. Chg.
Indianapolis	6.9%	-270
Kansas City	6.9%	-250
St. Louis	6.9%	-180
Charlotte	7.1%	-340
Palm Beach	7.2%	-140
Oklahoma City	7.5%	-270
San Antonio	7.5%	-270
Orlando	7.8%	-320
Columbus	8.0%	-170
Las Vegas	8.1%	-300
Phoenix	8.3%	-320
Atlanta	8.7%	-260
Tucson	9.0%	-280
Houston	9.7%	-270
Jacksonville	9.8%	-340
U.S. Average	5.9%	-190

20-34 Year Olds Share of Job Losses/Gains

2008-2009 Share of Job Losses



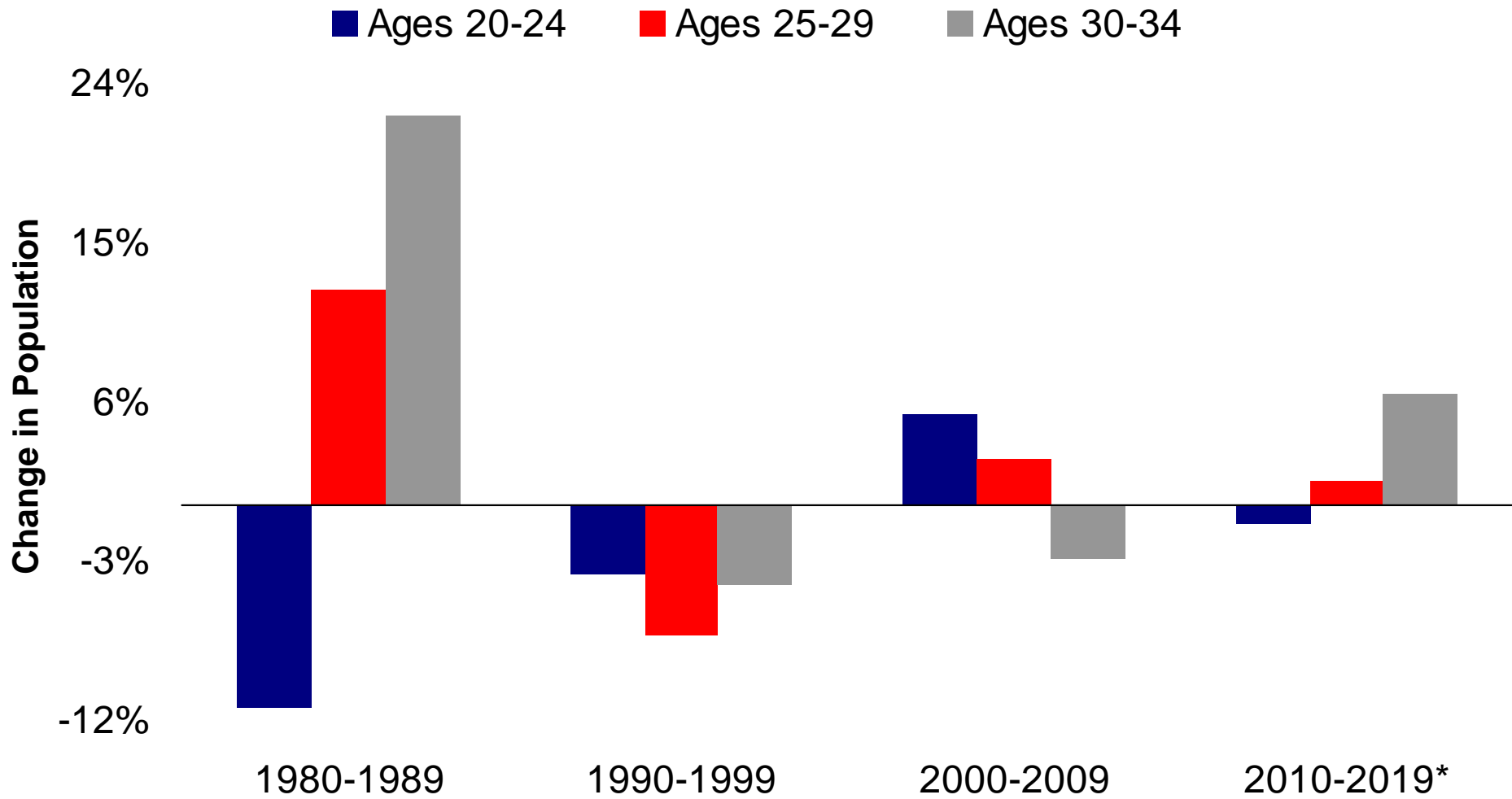
2010-2011* Share of Job Gains



* Through June

Sources: Marcus & Millichap Research Services, BLS

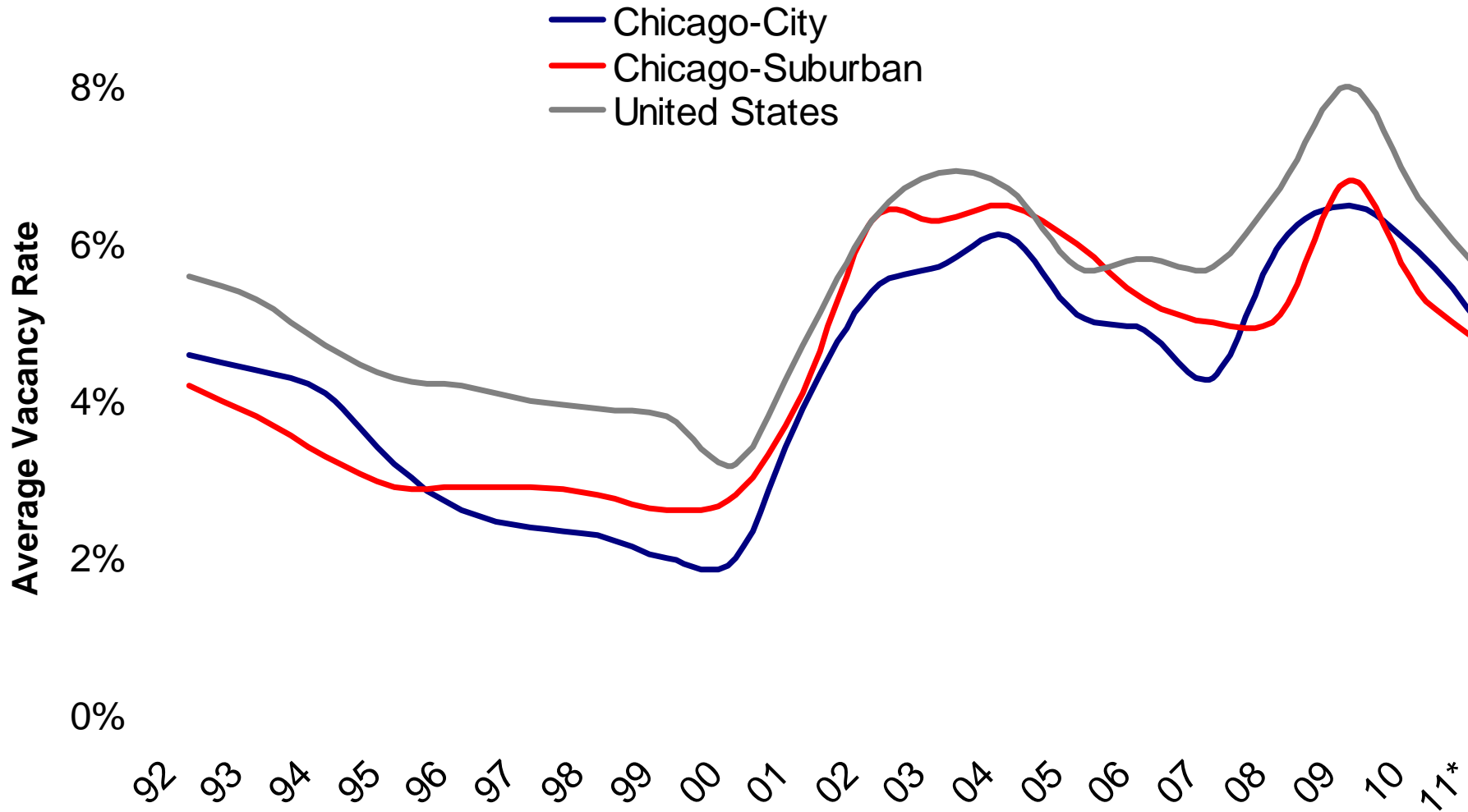
Renter Demographics Chicago



* Forecast

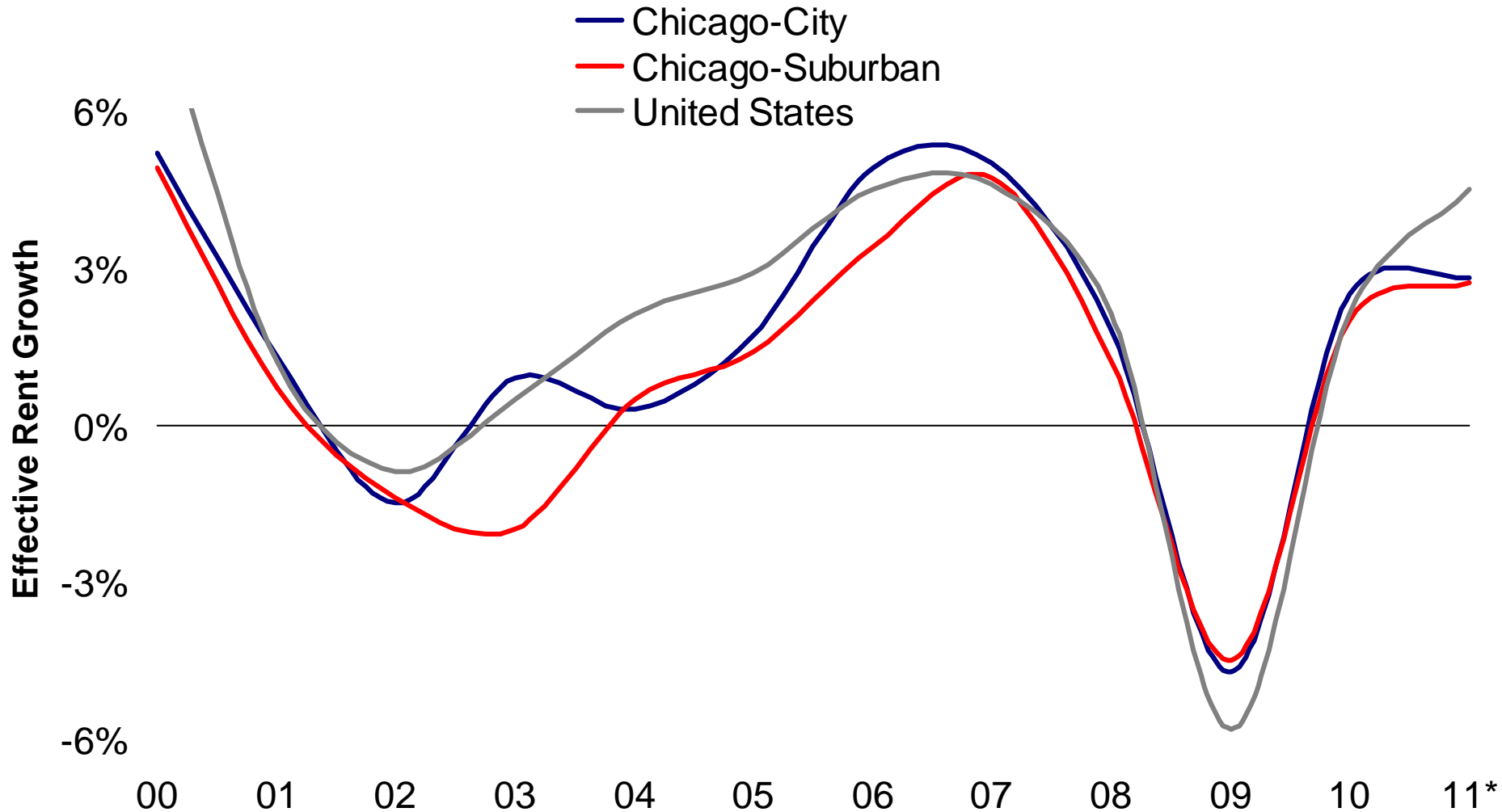
Sources: Marcus & Millichap Research Services, U.S. Bureau of Census

Chicago Apartment Vacancy Trends



* Forecast
Sources: Marcus & Millichap Research Services, Reis

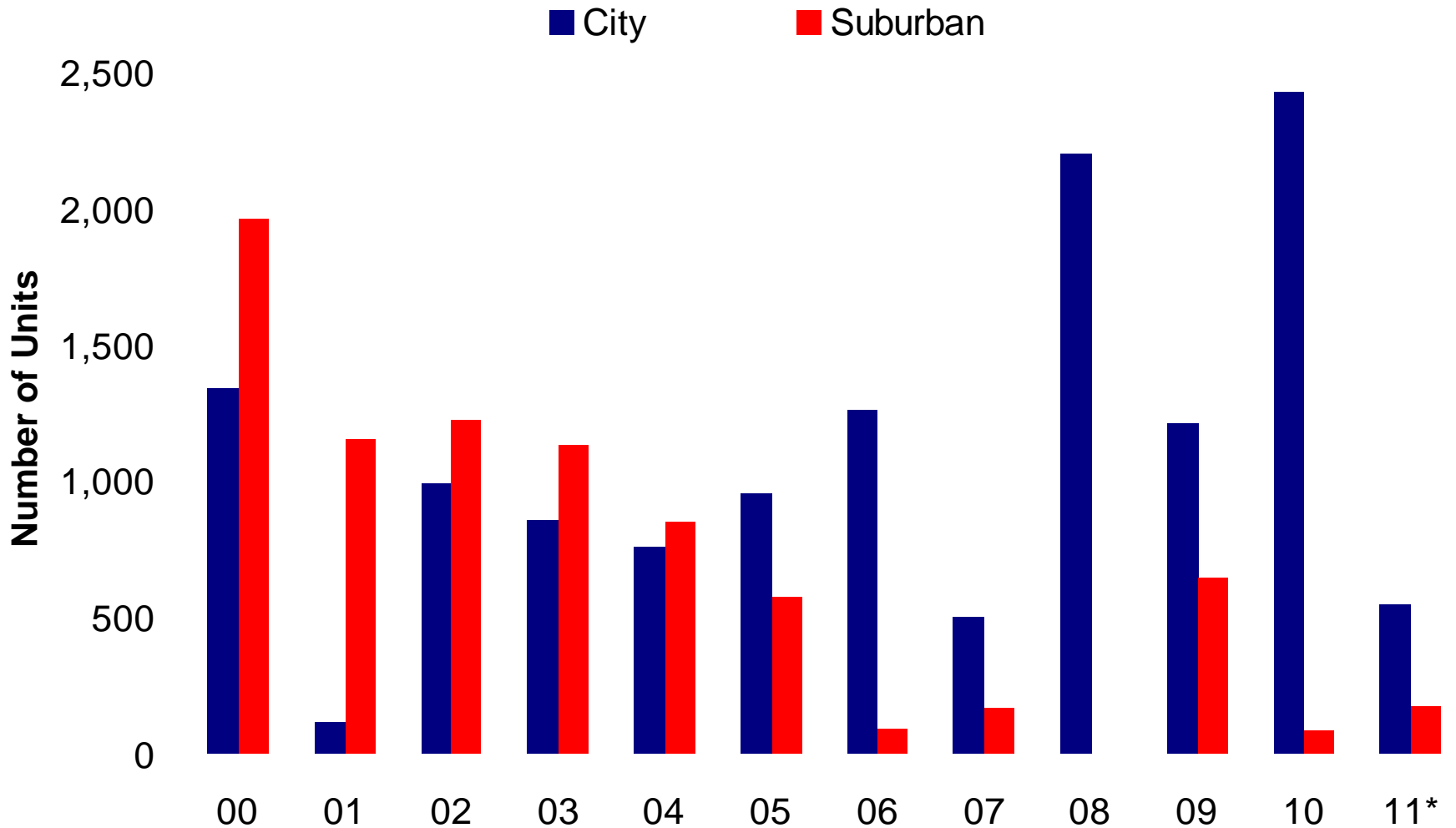
Chicago Apartment Effective Rent Trends



* Forecast

Sources: Marcus & Millichap Research Services, Reis

Chicago Apartment Construction Trends

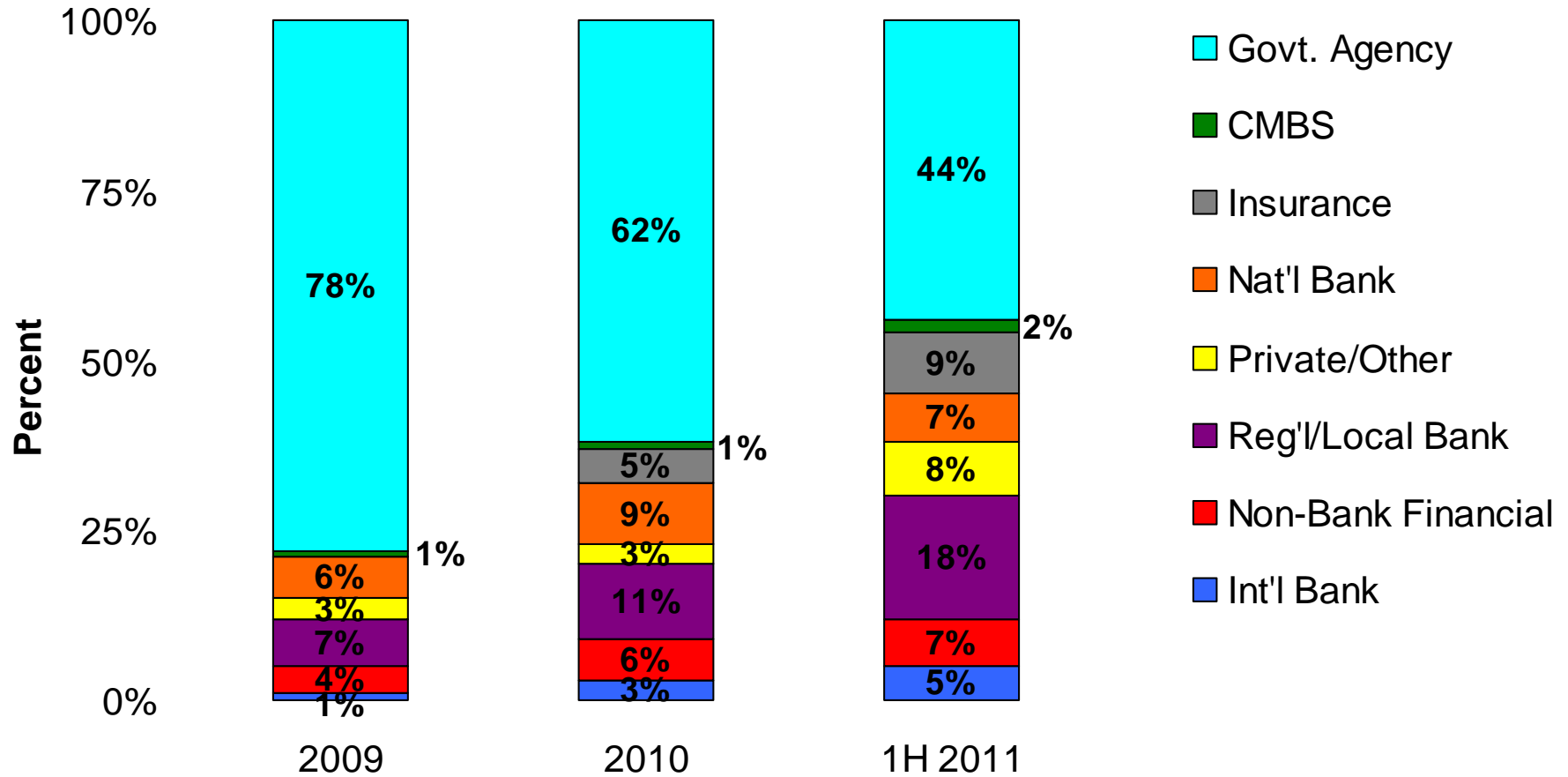


* Forecast

Sources: Marcus & Millichap Research Services, Reis

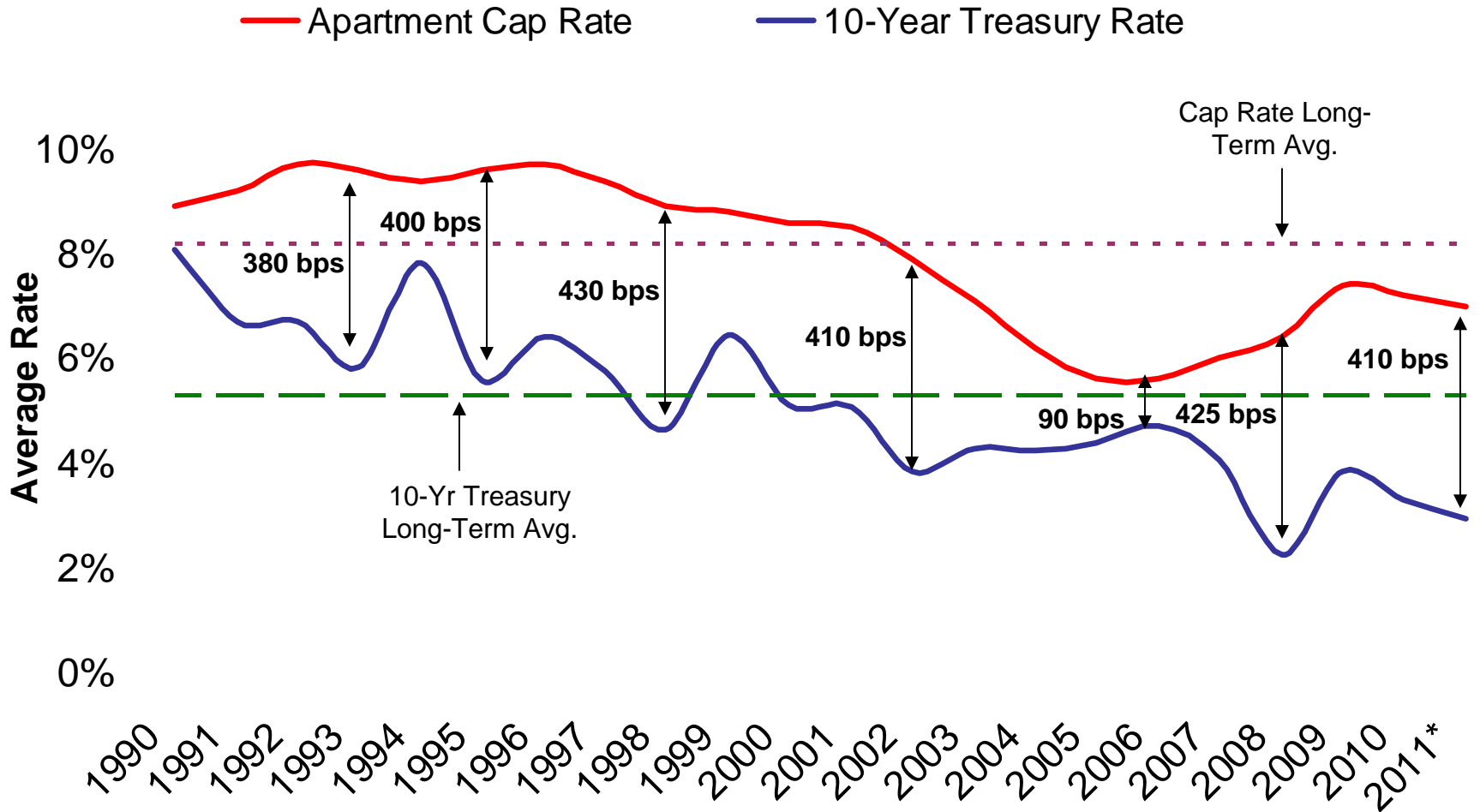
***A QUICK WORD ABOUT THE
CAPITAL MARKETS***

Apartment Mortgage Originations by Dollar Volume



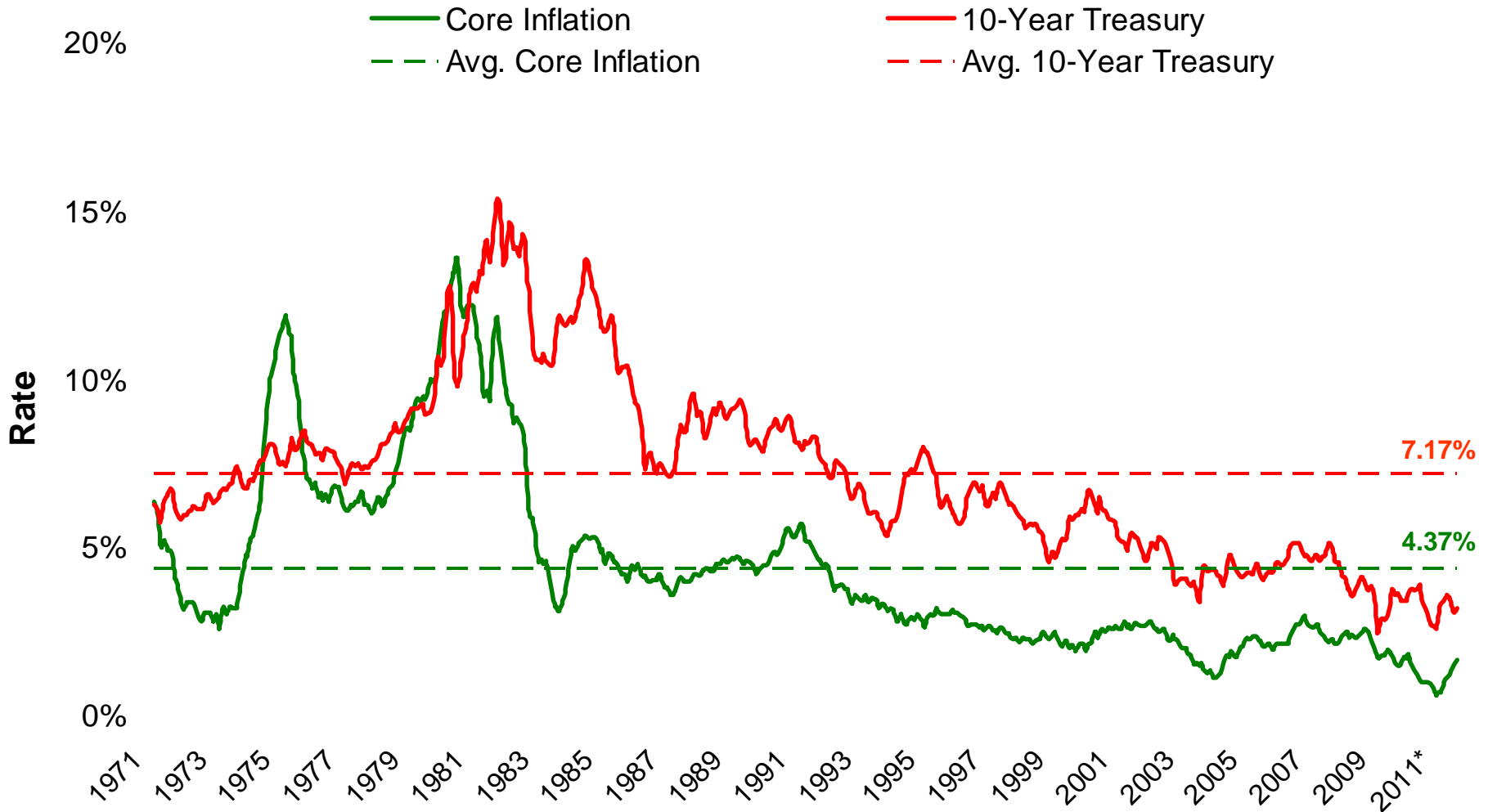
Apartment Cap Rate Trends

Average Cap Rates vs. 10-Year Treasury



* Through July 18
 Sales \$1 million and greater
 Sources: Marcus & Millichap Research Services, CoStar Group, Inc.

Core Inflation vs. 10-Year Treasury



*Through June

Sources: Marcus & Millichap Research Services, Economy.com, Federal Reserve

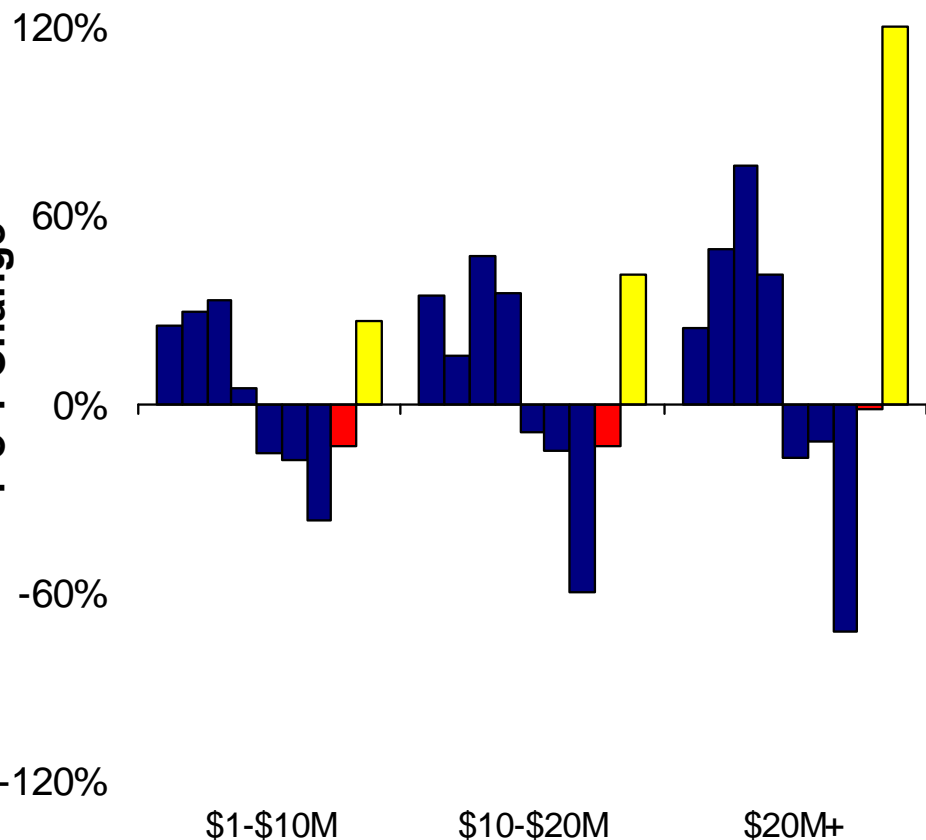
BULLISH ON MULTI-FAMILY?

U.S. Apartment Sales Activity

Trailing 12 Months as of Q2

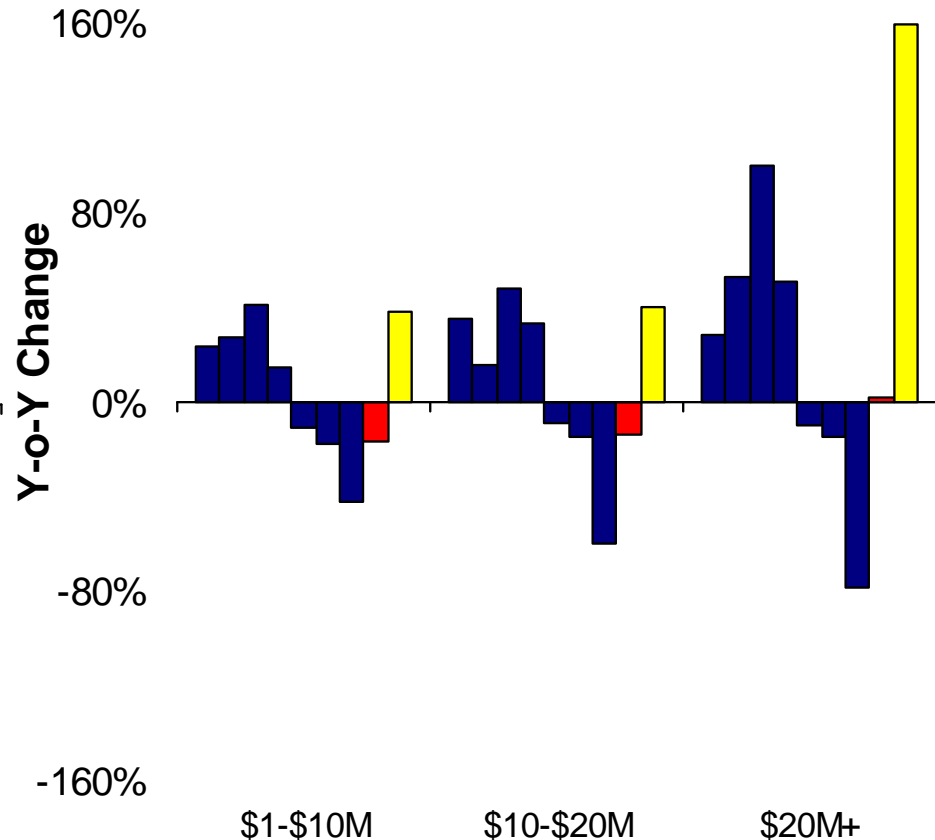
Change in Number of Transactions

■ 2003-2009 ■ 2010 ■ 2011



Change in Dollar Volume

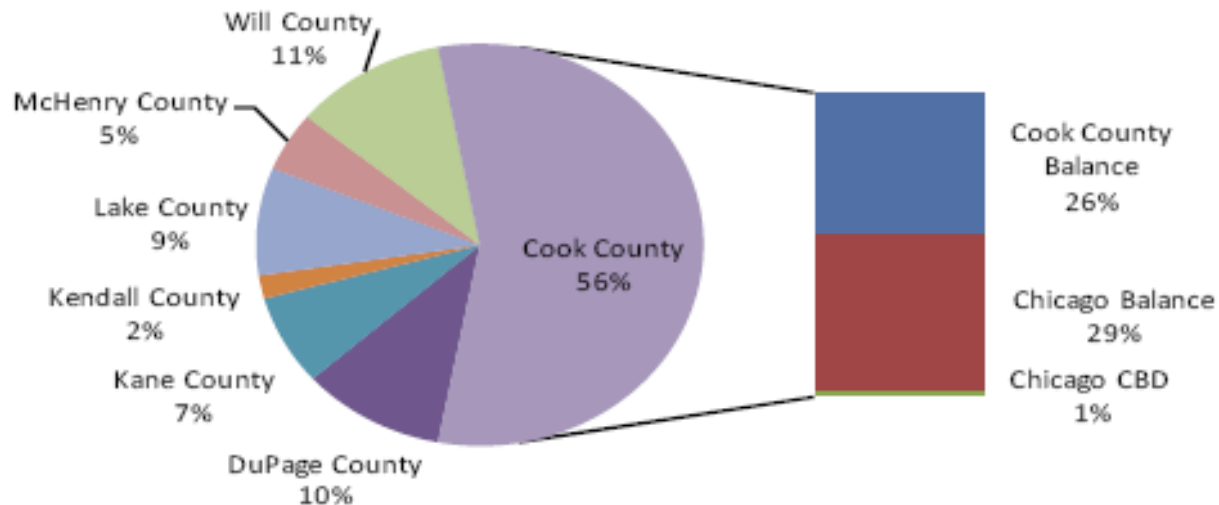
■ 2003-2009 ■ 2010 ■ 2011



Population in Chicagoland is forecasted to grow 28% in the next 30 years

	Population in households			
	2010	2040	change	growth
Cook County Balance	2,402,394	2,918,388	515,994	21%
Chicago Balance	2,814,244	3,194,353	380,109	14%
Chicago CBD	51,354	69,746	18,392	36%
DuPage County	935,102	1,151,007	215,905	23%
Kane County	532,852	802,231	269,379	51%
Kendall County	114,615	207,716	93,101	81%
Lake County	728,908	953,669	224,761	31%
McHenry County	332,766	527,353	194,587	58%
Will County	726,238	1,215,818	489,580	67%
Total	8,638,474	11,040,281	2,401,807	28%

2040 Population



Changing demographics create demand for more rental housing units

- **Married couples with children are projected to decline to under 1 in 5 households by 2025**
- **78 million echo boomers are getting ready to enter their prime renting years**
- **Singles and un-related individuals living together will comprise 1 in 3 households by 2020**
- **10 million legal immigrants will enter the country in the next 10 years**
- **Pent-up demand: '05-'10 an increase of 3 million 18-34 year olds moved back in with parents**

Affordability dynamics also creates demand

- **35 million households spend 30% or more of their annual income on housing**
- **114 million people live in households that did not earn enough to reasonably afford a two bedroom apartment (\$37,105 / \$925)**
- **Fastest growing industries are those with lower paying jobs**

Benefits of long-term ownership

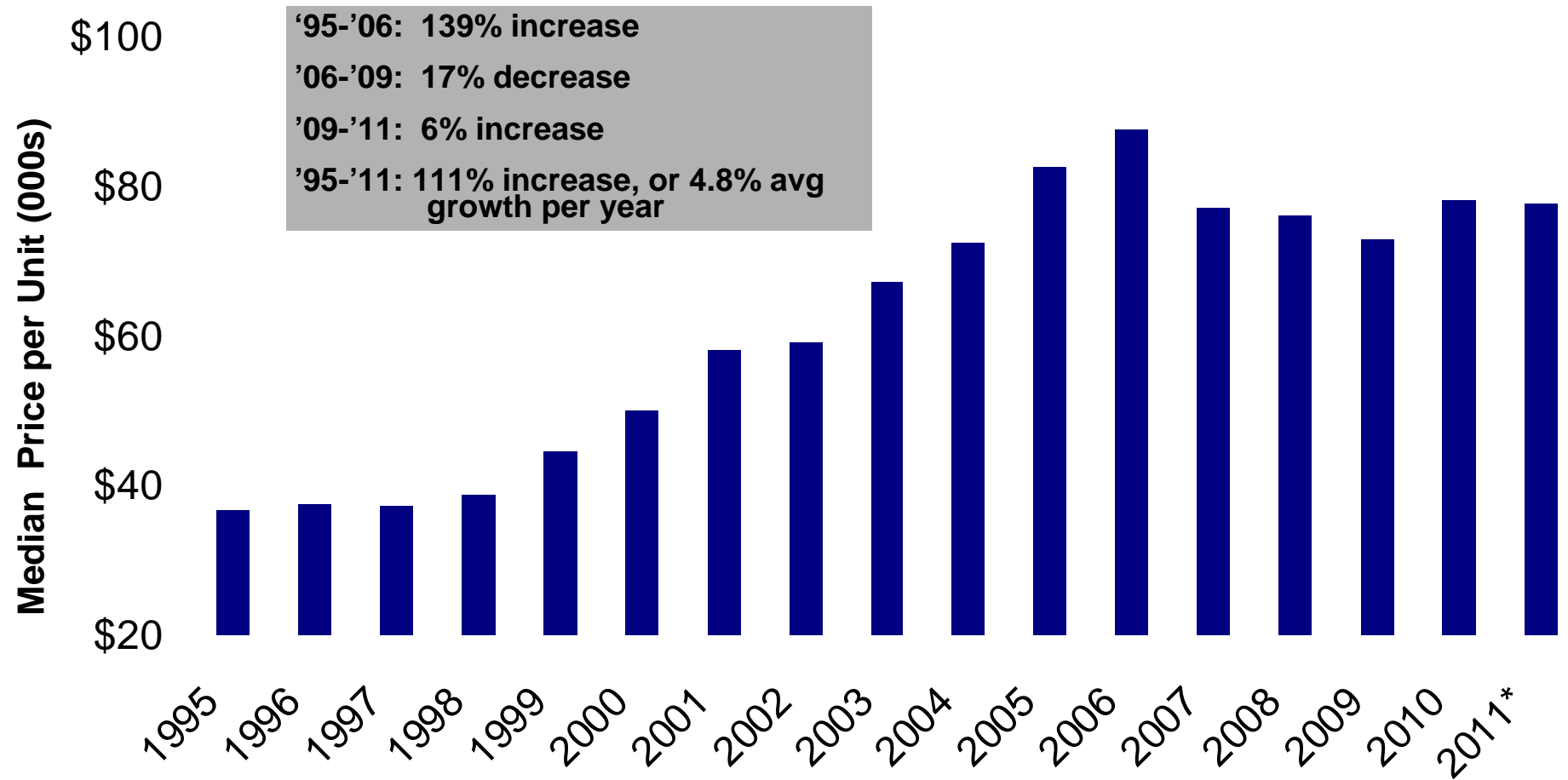
➤ Financial

- Appreciation (NOI growth and cap rate compression)
- Cashflow / Return on Equity
- Equity buildup via principal paydown
- Tax sheltered income via depreciation
- Deferred capital gains via 1031 exchange

➤ Human / Social

- Providing shelter for others
- Creating jobs
- Changing lives

Chicago Apartment Price Trends



* 1H11 Estimate

Includes sales \$500,000 and greater

Sources: Marcus & Millichap Research Services, Costar Group, Inc., Real Capital Analytics

The millionaire next door?

- **2646 N. Lincoln Avenue**
- **List Price: \$987,000**
- **3 units (retail and 2 apts)**
- **Current Cap Rate: 6.94%**
- **Assumptions**
 - **Operate for 20 years**
 - **Conservative rent and expense growth estimates**
 - **7% disposition cap rate**



The millionaire next door?

- 20 Year Cashflow after debt service of \$890K
- Estimated tax savings of \$120K
- Equity buildup of \$1.2M
- Average annual cash return of 15%



What other financial investment vehicle provides this opportunity for long-term wealth accumulation?

DISTRESS IN CHICAGO?

Midwest Estimated Distressed Apartment Assets Summary by Market

Market	Distressed	
	\$ in Mil.	# of Props
Chicago	\$1,014.02	115
Indianapolis	\$313.00	39
Columbus	\$296.91	46
Detroit	\$284.62	30
Cleveland	\$124.09	16
Milwaukee	\$121.84	5
St Louis	\$118.06	10
Cincinnati	\$114.07	11
Kansas City	\$83.00	7
Minneapolis	\$44.99	7
All Others	\$673.16	91
Midwest Total	\$3,187.7	377

As of August 9, 2011

Distress includes foreclosure, bankruptcy, and lender REO

Sources: Marcus & Millichap Research Services, Real Capital Analytics

Chicago Estimated Distressed Assets Summary by Property Type

Property Type	Distressed	
	\$ in Mil.	# of Props
Office	\$1,561.6	90
Hotel	\$1,416.4	48
Retail	\$1,282.5	124
Apartment	\$1,014.0	115
Industrial	\$673.3	118
Dev & Other	\$1,808.0	86
Grand Total	\$7,755.7	581

As of August 9, 2011

Distress includes foreclosure, bankruptcy, and lender REO

Sources: Marcus & Millichap Research Services, Real Capital Analytics



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