



The Hahn Street Redevelopment Area
Conclusions & Recommendations
Elmhurst, Illinois



Presented by
Tracy Cross & Associates, Inc.
October 1, 2012



Assignment Goals and Objectives -- The Final Analysis --



- Provide conclusions regarding the highest and best market-supported uses of the Hahn Street property.
- To assist governing bodies in their future land planning and design efforts in concert with the goals of the City of Elmhurst's Redevelopment Plan for the North District.



The Commercial Sector





Hospitality Demand Generators



- ❑ Fully dependent upon access and proximity to corporate offices, convention facilities, airports, tourist attractions, and/or major university(ies).

- ❑ Distribution of demand by segments:
 - Business travel/group/convention 74%
 - Leisure/tourist 22%
 - Other 4%



Competitive Alignments – The Hospitality Sector -- The North District - City of Elmhurst --



<u>Community</u>	<u>Number of Operating Properties</u>	<u>Number of Rooms</u>
Addison	3	360
Bensenville	1	92
Broadview	1	60
Brookfield	2	56
Burr Ridge	1	119
Downers Grove	7	1,046
Elmhurst	5	686
Franklin Park	6	299
Glen Ellyn	3	231
Glendale Heights	1	83
Hillside	3	405
Itasca	4	989
Lombard	11	1,769
Melrose Park	1	95
Northlake	1	94
Oak Brook	8	2,014
Oak Park	1	154
Oakbrook Terrace	5	701
Rosemont	15	5,360
Schiller Park	8	1,135
Villa Park	2	191
Westmont	4	345
Wood Dale	2	310
<i>Total</i>	95	16,594

Source: Smith Travel Research



Elmhurst North District in Competitive Context -- The Hospitality Sector --



- Business travel/group/convention:
 - In Downers Grove, Elmhurst (currently), Lombard, Oak Brook, and Oakbrook Terrace there are 36 operating properties with a combined total of 6,214 available rooms. **All** competing properties are located more proximate to major office centers with many having direct ties to convention facilities on site or within walking distance.
 - While the North District is “close” to O’Hare, Rosemont alone has 15 operating properties with 5,360 available rooms.
- Leisure/tourism:
 - The closest tourist attraction to Elmhurst is downtown Chicago which has over 33,000 rooms with another 6,500 rooms under construction or in planning. Three-quarters of these rooms are found within 3, 4, or 5-star rated properties.
- Elmhurst College



Elmhurst College, A Hospitality Demand Driver?



- ❑ Elmhurst College has a current full-time student enrollment of 2,800.
 - 50% Commuter students
 - 50% Resident students
- ❑ Of Elmhurst College's resident student base, only 5 percent emanate from outside the Chicago metropolitan area or out of state.
- ❑ Overnight stays by friends and families of resident students at the college is viewed to be minimal at best with more than adequate accommodations available within a four-mile radius of campus. In this radius, 18 properties have 3,041 rooms.

Source: Elmhurst College



A Boutique Hotel in the North District?

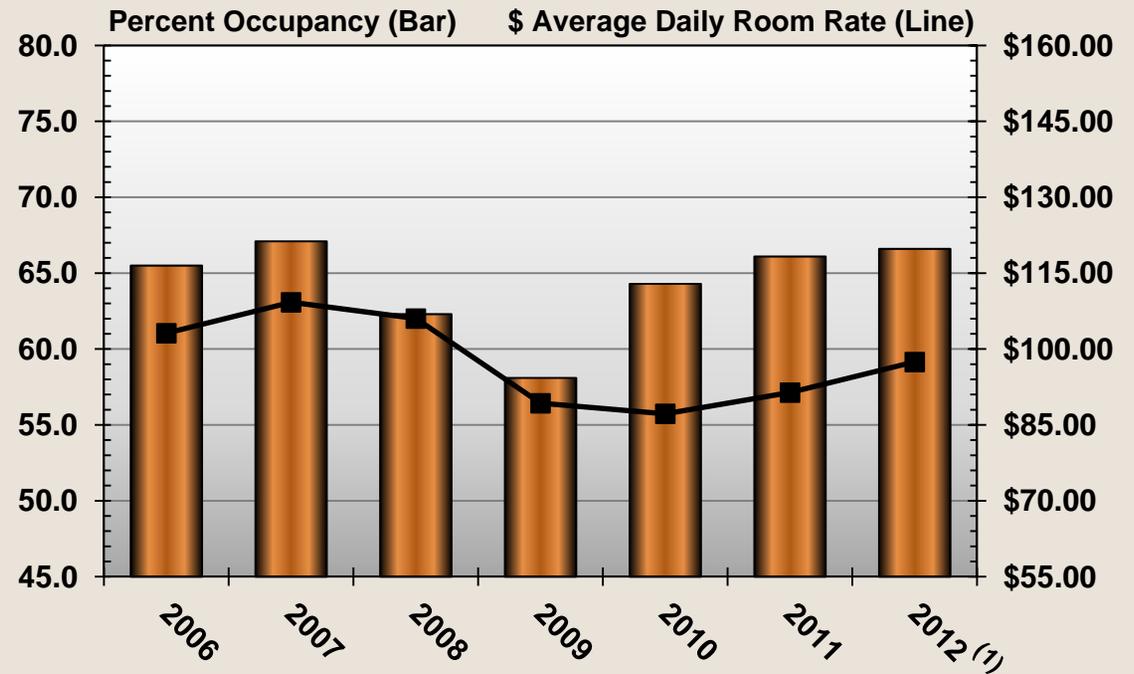


- ❑ Revenue streams.
 - Rooms 68 %
 - Restaurant, lounge, & catering 26%
 - Other operations 6%

- ❑ A successful boutique hotel must provide:
 - Sense of arrival
 - Extras (breakfast, WiFi, cocktails, bottled water, room service, hot water all the time, spas, and salons)
 - Concierge (we know about everything)
 - Flexibility (meet every need)
 - Consistent updating (furniture, décor, etc.)
 - Recognized as a place to be seen
 - Restaurant a must, preferably centered around a brand-name chef or very trendy bar.
 - We're less than a block away from...



Trends in Occupancies and Daily Room Rates -- Four-Mile Radius of Elmhurst City Centre --



(1) YTD July.

Source: Smith Travel Research



Office Demand Generators



- ❑ Fully dependent upon significant localized employment in the information, real estate professional services, management, finance & insurance, administrative, and health care sectors.
- ❑ Private Sector Employment by Industry: 2011

Industry

Information
 Real Estate
 Professional Services
 Management
 Finance & Insurance
 Administrative & Support
 Health Care

Total

Total Excluding Health Care

Elmhurst as a Percent of DuPage County

	<u>DuPage County</u>		<u>City of Elmhurst</u>	
	<u>Number of Workers</u>	<u>Percent of Total Covered Employment</u>	<u>Number of Workers</u>	<u>Percent of Total Covered Employment</u>
Information	10,386	2.1	967	3.6
Real Estate	8,118	1.6	476	1.8
Professional Services	48,098	9.6	1,772	6.6
Management	21,271	4.3	892	3.3
Finance & Insurance	29,247	5.8	1,617	6.0
Administrative & Support	47,678	9.5	1,040	3.9
Health Care	55,629	11.1	6,216	23.0
Total	220,427	44.0	12,980	48.2
Total Excluding Health Care	164,798	32.9	6,764	25.2
Elmhurst as a Percent of DuPage County	----- 4.1 -----			

Sources: Illinois Department of Employment Security: *Where Workers Work 2012* and Tracy Cross & Associates, Inc.



Absorption and Vacancies

-- The Office Market --



<u>Attribute</u>	<u>Area</u>		
	<u>Suburban Total</u>	<u>Oak Brook</u>	<u>Lisle/ Naperville</u>
Absorption (Net Sq. Ft.)			
2007	899,333	-47,469	340,888
2008	-735,123	-440,124	41,117
2009	-2,995,189	-628,458	-140,810
2010	627,530	-69,525	-177,013
2011	516,336	105,184	706,134
2012	244,556	3,804	16,736
Vacancies (Percent)			
2007	17.4	16.6	18.7
2008	19.3	19.3	19.8
2009	22.0	21.9	20.5
2010	21.6	22.2	21.8
2011	21.2	21.9	18.1
2012	21.0	21.9	18.0

Source: Colliers International: *Chicago Office Market Overview 2nd Quarter 2012*



Vacant Commercial Property -- City Of Elmhurst - City Centre --

Retail		Office/Mixed-Use	
<u>Address</u>	<u>Square Footage Available</u>	<u>Address</u>	<u>Square Footage Available</u>
275 N. York Street	1,425	263 N. York Street	16,000
200 N. York Street	1,278	261 N. York Street	2,000
187-195 N. York Street	11,650	242 N. York Street	858-894
158 N. York Street	1,368	210 N. York Street	3,286
109 W. Schiller Street	6,208	206 N. York Street	1,500
125 N. Addison Avenue	1,000	183 N. York Street	10,000
135-149 N. Addison Avenue	21,316 ⁽¹⁾	116 N. York Street	7,546
Total	44,245	105 S. York Street	1,000
<i>Excluding 135-149 N. Addison Avenue</i>	<i>22,929</i>	107 S. Adell Place	2,000
		180 W. Park Avenue	7,123
		100 N. Addison Avenue	3,576
		135-149 N. Addison Avenue	29,228
		152 N. Addison Avenue	1,539
		183 N. Addison Avenue	2,400
		Total	88,950
		<i>Excluding 135-149 N. Addison Avenue</i>	<i>85,722</i>

⁽¹⁾ Proposed.

Source: Tracy Cross & Associates, Inc.

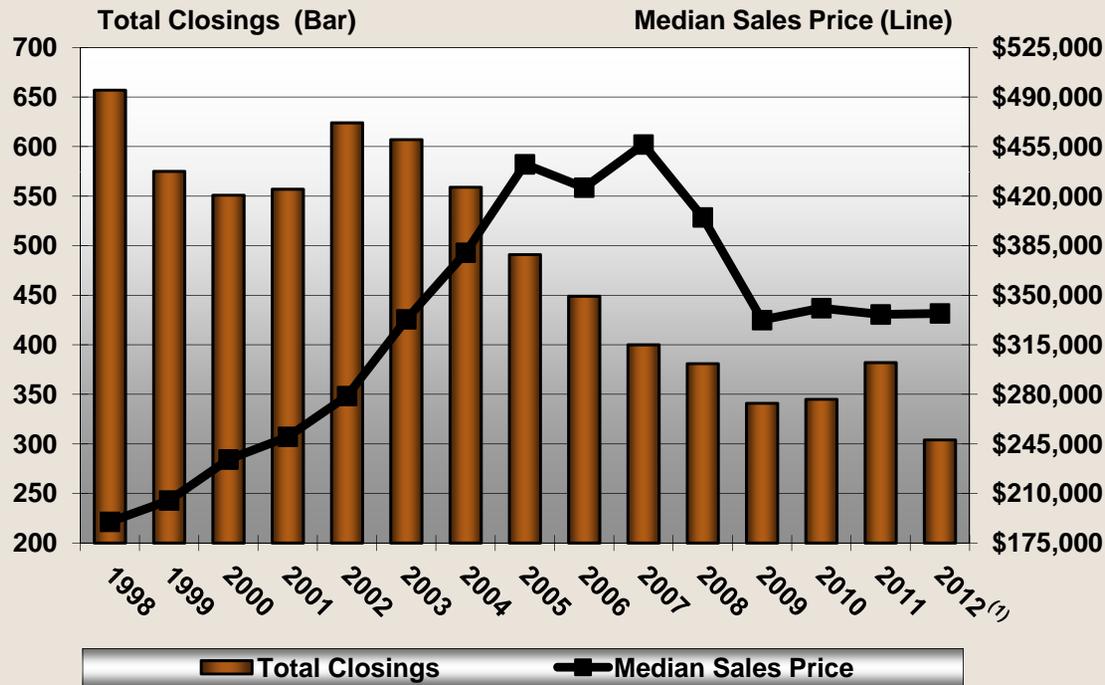


The Residential Sector





Trends In Single Family Closings: City of Elmhurst



<u>Year</u>	<u>Total Closings</u>	<u>Median Sales Price</u>
1998	657	\$190,000
1999	575	205,000
2000	551	234,000
2001	557	250,000
2002	624	278,800
2003	607	333,000
2004	559	380,000
2005	491	442,500
2006	449	426,000
2007	400	456,500
2008	381	405,000
2009	341	332,456
2010	345	340,860
2011	382	336,449
2012 ⁽¹⁾	304	337,156

Price Change

<i>Peak 2007</i>	\$456,500
<i>YTD August 2012</i>	\$337,156
<i>Percent Change</i>	-26.1

⁽¹⁾ Closings annualized YTD August 2012.

Source: MRED, LLC



Existing Home Supply in Months: Single Family -- City of Elmhurst --

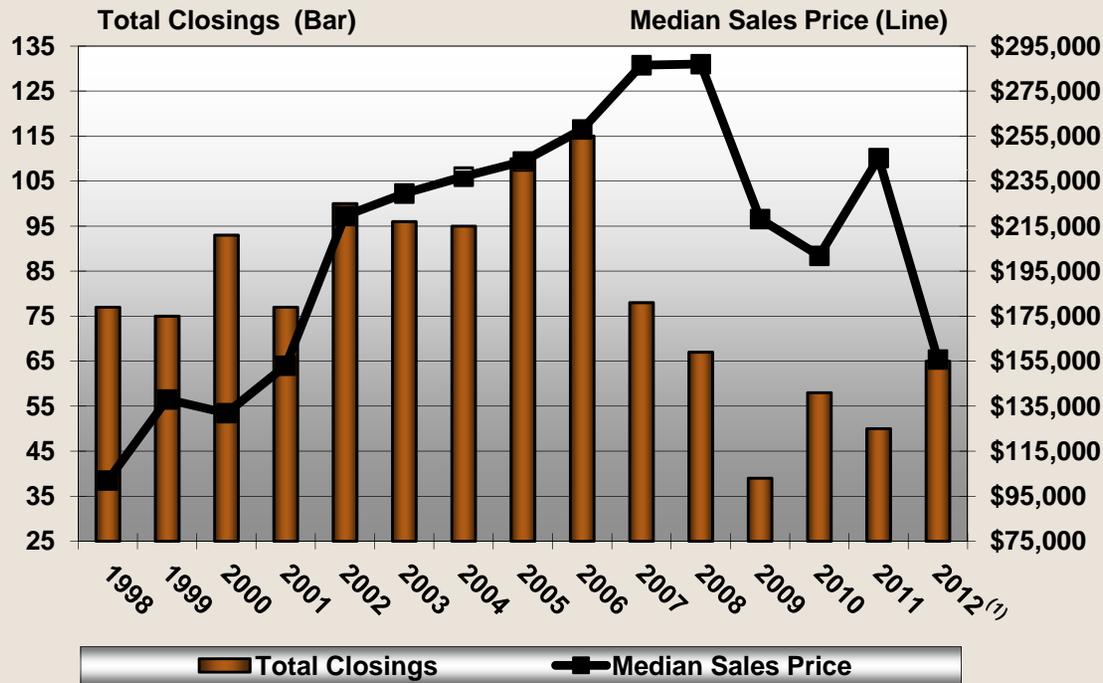


<u>Price Range</u>	<u>Total Closings 2009 - 2011</u>	<u>Total Active Listings</u>	<u>Months of Supply</u>
Under \$250,000	314	42	4.8
250,000 - 499,999	461	81	6.3
500,000 and Over	293	84	10.3
<i>Total</i>	<i>1,068</i>	<i>207</i>	<i>7.0</i>
<i>Median</i>	<i>\$336,600</i>	<i>\$398,851</i>	<i>---</i>

Sources: MRED, LLC and Tracy Cross & Associates, Inc.



Trends In Attached Closings: City of Elmhurst



<u>Year</u>	<u>Total Closings</u>	<u>Median Sales Price</u>
1998	77	\$102,000
1999	75	138,000
2000	93	131,900
2001	77	153,000
2002	100	219,500
2003	96	229,500
2004	95	237,000
2005	110	243,750
2006	115	258,000
2007	78	286,525
2008	67	287,000
2009	39	218,170
2010	58	201,828
2011	50	245,236
2012 ⁽¹⁾	65	155,727

Price Change

<i>Peak 2008</i>	\$287,000
<i>YTD August 2012</i>	\$155,727
<i>Percent Change</i>	-45.7

⁽¹⁾ Closings annualized YTD August 2012.

Source: MRED, LLC



Existing Home Supply in Months: Townhomes/Condominiums -- City of Elmhurst --

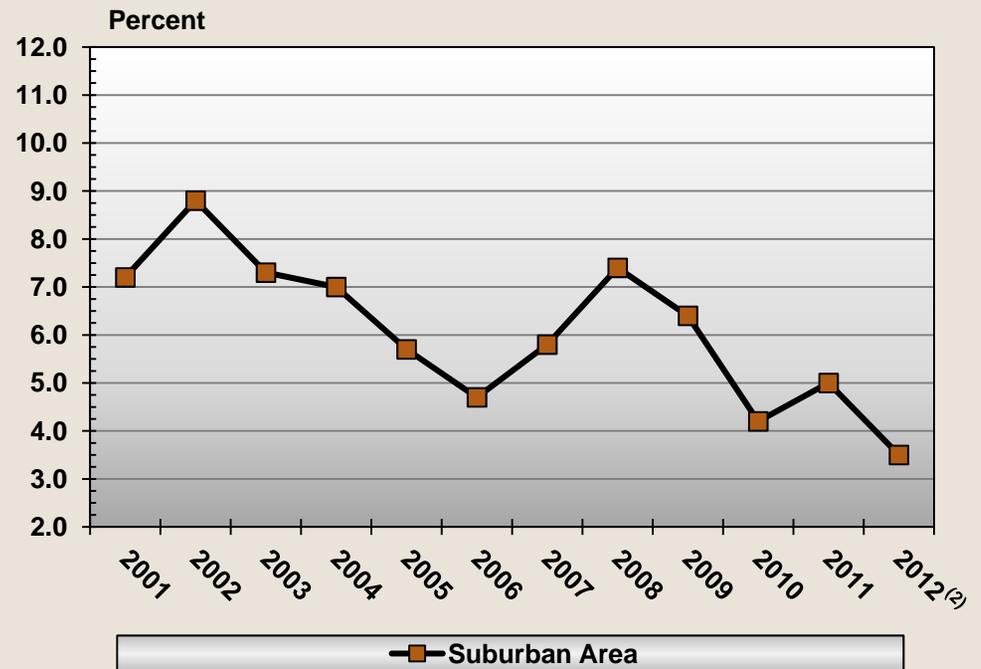


<u>Price Range</u>	<u>Total Closings 2009 - 2011</u>	<u>Total Active Listings</u>	<u>Months of Supply</u>
Under \$200,000	65	73	40.6
200,000 - 249,999	25	5	7.2
250,000 - 299,999	20	6	10.9
300,000 and Over	37	19	19.0
<i>Total</i>	<i>147</i>	<i>103</i>	<i>25.2</i>
<i>Median</i>	<i>\$220,928</i>	<i>\$153,608</i>	<i>---</i>

Sources: MRED, LLC and Tracy Cross & Associates, Inc.



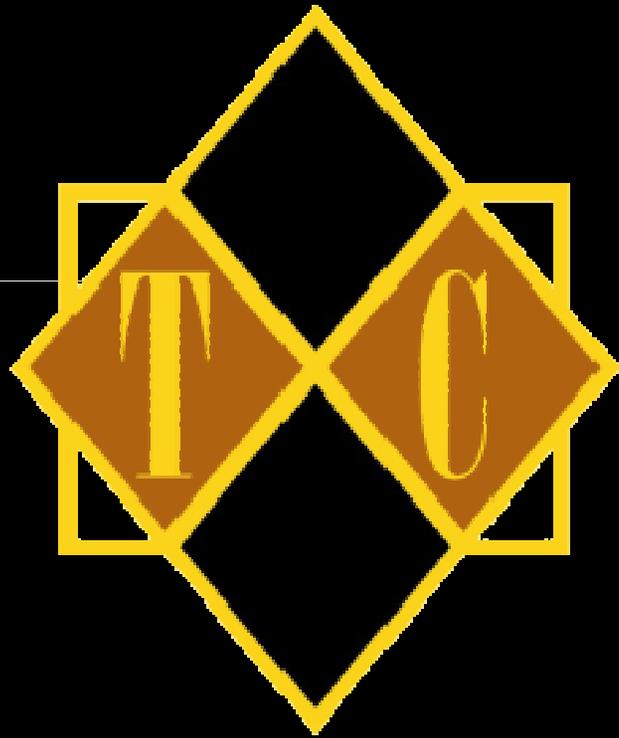
Vacancy Trends: Stabilized Rental Apartment Developments⁽¹⁾ -- Suburban Chicago --



(1) Excludes programs in initial stages of absorption.

(2) As of June 2012.

Source: Tracy Cross & Associates, Inc.



Recommendations



Residential Alternatives – Single Family or Townhomes

-- Hahn Street Property --



<u>Product Type</u>	<u>Potential Number of Units</u>	<u>Square Footage Range</u>	<u>Price Range Required For 24 Mo. Sellout⁽¹⁾</u>	<u>Monthly Sales Volume</u>	<u>Potential Revenue Yield</u>
Single Family	20	2,100 - 3,200	\$595,900 - 776,900	0.8	\$13.626 M
Rowhomes	36	1,800 - 2,400	\$301,900 - 350,900	1.5	\$11.732 M

⁽¹⁾ Presented in current dollars not inclusive of homesite premiums, options, or upgrades.

Source: Tracy Cross & Associates, Inc.



Residential Alternatives – Condominiums

-- Hahn Street Property --



<u>Product Type</u>	<u>Potential Number of Units</u>	<u>Square Footage</u>		<u>Price Range Required For 36 Mo. Sellout⁽¹⁾</u>	<u>Monthly Sales Volume</u>	<u>Potential Revenue Yield</u>
		<u>Range</u>	<u>Weighted Average</u>			
Four-Story Flats Over Two Stories Parking	90	1,000 - 1,700	1,350	\$199,900 - 283,900	2.5	\$21.7 M

⁽¹⁾ Presented in current dollars not inclusive of homesite premiums, options, or upgrades.

Source: Tracy Cross & Associates, Inc.

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For this alternative, sales of 2.5 monthly could only occur if product were to be introduced no sooner than 2016, or at a time when solid recovery is fully evident in suburban Chicago's condominium market and at a time when the perception of financial risk is minimized.



Residential Alternatives – Rental Apartments -- Hahn Street Property --

<u>Product Type</u>	<u>Approximate Number of Units</u>	<u>Square Footage</u>		<u>Monthly Rent</u>		
		<u>Range</u>	<u>Weighted Average</u>	<u>Range</u>	<u>Average</u> \$ \$/Sq. Ft.	
Alternative #1						
Four-Story Flats Over Two Stories Parking	200	550 - 1,100	850	\$1,300 - 1,850	\$1,600	\$1.88
<i>Absorption</i>	<i>13.0 Units Monthly</i>					
<i>Months to Stabilization @94%</i>	<i>14.5</i>					
Alternative #2						
Four-Story Flats Over Two Stories Parking	175	750 - 1,200	950	\$1,500 - 1,950	\$1,700	\$1.79
<i>Absorption</i>	<i>11.0 Units Monthly</i>					
<i>Months to Stabilization @94%</i>	<i>15.0</i>					
<u>Sale of Residential in Year Five</u>	<u>Per Unit</u>	<u>Total Revenue</u>				
Alternative #1	\$200,000+	\$40.0 M+				
Alternative #2	\$200,000+	\$35.4 M+				



Source: Tracy Cross & Associates, Inc.



Product Recommendations – The Retail Sector -- The Hahn Street Property --



Total Leaseable Area (Sq. Ft.)

20,000 Not to Exceed 30,000

**Potential Users
(Examples)**

**Pub-Style Dining or Bistro
Specialty Foods/Catering
Computer/Software
Beer/Wine/Liquor
Other Specialty Shops**

**Achievable Rent
Per Sq. Ft./Year
(Must Accompany
Apartment of at
Least 150 Units)**

\$22.50 - 25.00

Source: Tracy Cross & Associates, Inc.



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Discussion