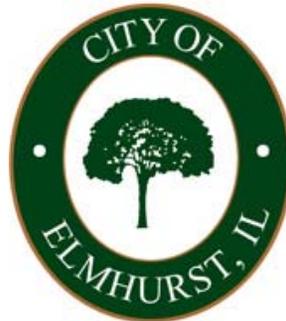




TRACY CROSS & ASSOCIATES, INC.

***An Analysis of the Market Potential  
For Various Development Options  
--- The Hahn Street Initiative ---  
Elmhurst, Illinois***

***Prepared on behalf of:***



***City of Elmhurst  
209 N. York Street  
Elmhurst, Illinois 60126***

***February 2013***



## INTRODUCTION

At the request of the City of Elmhurst, Tracy Cross & Associates, Inc. evaluated the potential and associated demand for a full and adequate continuum of market-rate, office, hospitality, retail, and residential development options within the Hahn Street Redevelopment Area of downtown Elmhurst, Illinois.

### **Objectives**

Our objective is to provide the City of Elmhurst and associated business and community development groups with a full understanding of relevant economic and competitive market trends as they may impact existing and future development initiatives within the Hahn Street Redevelopment Area which, *inclusive* of the existing Marathon Gas Station property, consists of an approximately 137,000 square feet of City-owned parcels straddling Hahn Street between York Street and Addison Avenue slated for redevelopment. Specifically, this analysis establishes the following:

- An understanding of the strengths and weaknesses of the Elmhurst area's commercial and housing sectors over the mid- to longer term (i.e. through 2020) given forecasted rates of economic, demographic and household growth throughout metropolitan Chicago, with focused attention upon its component west suburban area, the city of Elmhurst and the immediate environs of the Hahn Street property.
- Perspective relative to Elmhurst's urban core in general, and the defined Hahn Street property in particular, based upon patterns of regional growth. As a part of this analysis, Cross addressed areas of specific concern *vis-à-vis* the connectivity and cohesiveness with other downtown districts; the potential impact of private commercial/office/hospitality development; the potential for a post-5:00pm environment, etc.
- Conclusions regarding the marketability of various commercial/retail, office and/or hospitality venues which could be successfully introduced within the Hahn Street property.
- Conclusions regarding the marketability of various for sale and for rent housing forms which could be successfully introduced within the Hahn Street property, distributing this demand perspective quantitatively by housing type and qualitatively by price/rent range.
- Based upon these demand variables, forward alternative land use and design strategies which represent the most appropriate category/product mix of redevelopment initiatives in concert with the established 2009 City of Elmhurst Comprehensive Plan, the 2006 City of Elmhurst Downtown Plan, the TIF 1 Redevelopment Plan, and the North York TIF Plan (draft) and potential land development schedules in order to maximize consumer acceptance and absorption potentials cast against effective levels of demand. These recommendations are intended for use by governing agencies as the basis for attracting and retaining high quality investment in the city, planning implementation and policy decisions.



**Methodology**

In meeting these objectives, our firm conducted a series of inter-related research assignments, including the following:

- Participation in a series of stakeholder meetings to garner insight relative to previous visioning efforts, planning and economic development goals; facilitate community outreach and dialogue; strengthen understanding relative to localized consumer trade and housing preferences; and to serve as a supplement to primary and secondary data analyses.
- An in-depth and on-site investigation of the defined study area and its immediate environs.
- A thorough inventory analysis of commercial, retail and hospitality properties in Elmhurst's central business district, as well as those in other proximate suburban commercial centers in order to assess user categories, occupancy/absorption characteristics, lease rates, etc.
- A thorough analysis of employment, residential construction, demographic and socio-economic factors expected to influence commercial and residential demand potentials within the study area over the next five- to ten years.
- A complete evaluation of the overall area's residential marketplace.
- An extensive review of commercial/residential projects in the planning pipeline.

**The Report**

This report is divided into four sections. Of particular importance is **Section 1** which summarizes conclusions and provides detailed planning recommendations. Not to be dismissed, however, are the remaining three sections which can be described as *fundamentals*. **Section 2**, for instance, addresses the subject Hahn Street Redevelopment Area and its immediate environs, while **Section 3** provides insights to the strengths and weaknesses of the commercial sector. Finally, **Section 4** analyzes the residential environment.

**General  
Limiting  
Conditions**

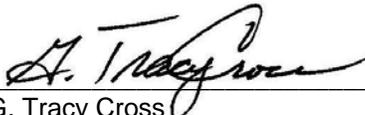
Tracy Cross & Associates, Inc. has made extensive efforts to confirm the accuracy and timeliness for the information contained in this study. Such information was compiled from a variety of sources including interviews with developers and their agents, real estate brokerage firms, government officials, and other third parties. Although Tracy Cross & Associates, Inc. believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information provided by third parties.



**Certification  
And Signature**

This analysis represents our objective and independent opinion regarding the market potential for redevelopment of the Hahn Street property in the city of Elmhurst, Illinois as certified below:

**TRACY CROSS & ASSOCIATES, INC.**  
An Illinois Corporation

By:   
G. Tracy Cross  
Its: President

By:   
HollyAnn Eageny  
Its: Vice President, Client Services

Date: February 8, 2013





## 1. SUMMARY OF FINDINGS & RECOMMENDATIONS

The Hahn Street property consists of 3.15 acres aligning the west side of York Street south of North Avenue and north of West Third Street. It is located in Elmhurst's City Centre area which features a collection of several specialty retailers, restaurants, entertainment venues, and business, medical, and government offices. The site has strong visibility along York Street and is within walking distance of several boutique shops, fast food and casual dining restaurants, and the vintage York movie theater. Many of these establishments serve as a draw destination to downtown Elmhurst not only from residents of the city but also from families, couples, and individuals living outside its immediate boundaries.

While the location of the Hahn Street property is viewed as excellent, competing forces found in the commercial sectors of the market dictate that the site should be developed as residential as its major use complimented by a relatively small component of specialty use retail and possibly a themed pub or bistro-style restaurant. This conclusion can be supported by the following:

- ❑ In the office sector, the downtown area of Elmhurst has a large amount of Class B space currently available, a direct result of Elmhurst Memorial Hospital's recent relocation 2.5 miles south of City Centre. Further, City Centre is in an area that represents the weakest office market in suburban Chicago where vacancies continue to hover well over the 20 percent mark.
- ❑ In the hospitality segment, the development of a conventional hotel or even one that might carry the boutique label also faces strong competition from room availability in a number of facilities that are close by and that provide facilities like meeting/convention space, varied dining options, and, most importantly, that are in better proximity to O'Hare airport and corporate and regional offices frequented by business travelers. Further, in the boutique category, the Hahn Street property is not "a block away from everything" nor could a small hotel compete effectively against similar venues found in the city of Chicago that are.
- ❑ Finally, the very close proximity of Oakbrook Center, the alignment of "big box" space along Butterfield Road, and the shifting of retail alignments to the west, a result of stronger population growth, clearly place limits upon Hahn Street's potentials for retail development of scale. Simply, in the categories of general merchandise, apparel, and furniture and hardware, the city of Elmhurst, with its very moderate levels of population and household growth coupled with City Centre's small daytime population base, cannot compete in these sectors. There are exceptions, however, in the categories of specialty use, destination retail or in the food and drink sectors of the market where galleries, studios, and unique food and beverage shops along with a fun restaurant with outdoor dining can be successful and provide an enhancement to residential development in a pedestrian-oriented environment much like the area of City Centre south of Third Street.



**RESIDENTIAL OPTIONS**

Without question, residential development of the Hahn Street property represents the best level of opportunity for the City of Elmhurst and its developer/builder partner. Today there is more than adequate support for either rental apartment development or, if priced properly, for higher-density townhomes. As another alternative and representing a deferred option, a condominium development could be introduced at a time when full recovery is evident in this sector with the timing of this recovery not likely to occur before 2016.

**Rental  
Apartments**

In the rental apartment category, two development alternatives are presented in the following text table ranging from 175 to 200 units. Alternative #1 provides for smaller units extending from a studio at 550 square feet to a larger two bedroom, double master bedroom unit at 1,100 square feet. Alternative #2 outlines a 175-unit community featuring larger units in the 750 to 1,200 square footage range which is very typical of suburban apartment development region-wide. As shown, rental levels inclusive of enclosed parking average \$1,600 monthly in Alternative #1 and \$1,700 monthly in Alternative #2, equal to respective value ratios of \$1.88 and \$1.79 per square foot which would place the community on par with The Residences at The Grove in Downers Grove and under Regency Terrace in Oakbrook Terrace and Oak Park Place in Oak Park. As a further comparison, Hahn Street’s suggested rental structure would place the community higher than Elm Creek which currently leases a 970 square foot unit for \$1,479 monthly. This differential is viewed as appropriate given the City Centre location of Hahn Street, the newness of the community, and the inclusion of enclosed parking.



**RESIDENTIAL ALTERNATIVE - RENTAL APARTMENTS  
-- HAHN STREET PROPERTY - CITY OF ELMHURST --**

Alternative/ Product Type	Approximate Number of Units	Square Footage		Monthly Base Rent <sup>(1)</sup>		
		Range	Weighted Average	Range	Weighted Average	\$/Sq. Ft.
<b>Alternative #1</b> Four-Story Flats Over Two Stories Parking	200	550 - 1,100	850	\$1,300 - 1,850	\$1,600	\$1.88
<b>Alternative #2</b> Four-Story Flats Over Two Stories Parking	175	750 - 1,200	950	\$1,500 - 1,950	\$1,700	\$1.79

**Absorption**

<b>Alternative #1</b>				
Monthly Absorption Pace		13.0		
Months to Stabilization @ 94%		14.5		
<b>Alternative #2</b>				
Monthly Absorption Pace		11.0		
Months to Stabilization @ 94%		15.0		

<sup>(1)</sup> Monthly base rents, which are presented in *current* dollars, include one enclosed parking space per unit. They do *not*, however, include premiums for floor or corner units.

Source: Tracy Cross & Associates, Inc.



At the rent levels outlined and under both alternatives, stabilized occupancy of 94.0 percent could be reached within a 14.5 to 15.0-month period with initial occupancies averaging between 11 and 13 units per month. This forecast is fully consistent with the 12.5 monthly rate achieved by ten newer programs found in eastern DuPage County and Oak Park.

**The For Sale Sector**

In the for sale sector, another two alternatives are outlined below. The first describes a three-story townhome product line patterned directly after better-selling courtyard idioms found throughout suburban Chicago and much akin to Pulte's very successful offering at The Glen in Glenview. This series includes four model types in the 1,800 to 2,400 square footage range priced without options and upgrades from \$301,900 to \$350,900. The second alternative is a condominium development of approximately 90 units priced in *current* dollars from \$199,900 to \$283,900, or effectively \$10,000 to \$30,000 lower than similar-style condominium programs active in Elmhurst during the market's upward trend between 2000 and 2004. Under the condominium alternative, market entry should not occur before 2016.



**RESIDENTIAL ALTERNATIVE - CONDOMINIUMS OR TOWNHOMES  
-- HAHN STREET PROPERTY - CITY OF ELMHURST --**

Alternative/ Product Type	Approximate Number of Units	Square Footage		Benchmark Base Sales Price <sup>(1)</sup>		
		Range	Average	Range	Average	\$/Sq. Ft.
<b>Alternative #1</b> Three-Story Rear-Load Rowhomes with Integral Two-Car Garage	36	1,800 - 2,400	2,100	\$301,900 - 350,900	\$326,500	\$155.48
<b>Alternative #2</b> Four-Story Flats Over Two Stories Parking <sup>(2)</sup>	90	1,000 - 1,700	1,350	\$199,900 - 283,900	\$241,900	\$179.19

**Absorption**

<b>Alternative #1</b>				
Monthly Absorption at Benchmark		1.5		
Months to Sellout		24.0		
<b>Alternative #2</b>				
Monthly Absorption at Benchmark		2.5		
Months to Sellout		36.0		

<sup>(1)</sup> Benchmark base sales prices, which are presented in *current* dollars, do *not* include options, upgrades, or end or corner unit premiums. In the condominium product line, prices also do not include floor premiums.

<sup>(2)</sup> For this alternative, the sales rate established 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.

Source: Tracy Cross & Associates, Inc.



Both the townhome and condominium product lines depicted have been priced in such a manner that allows a builder to achieve reasonable sellout within a specified timeline. For the townhome series, sales are forecast at 1.5 units monthly, which translates to a fully acceptable marketing life of 24 months while in the midrise condominium series, prices reflect a 36-month sellout period which translates to an average monthly sales rate of 2.5.

***Putting It Together***

From a highly practical point of view, the alternatives presented under the rental option clearly represent the highest and best use of the Hahn Street property not only from a market point of view but also from both a revenue and public policy perspective.

- The development of apartments fully addresses current and expected future trends in the residential marketplace as limits on supply have forced the suburban rental market into an extremely tight condition throughout the suburban Chicago market as a whole. Currently, vacancies in the region average just 3.5 percent compared to a balanced market where the vacancy rate should average between 5.0 and 6.0 percent to allow for filtering.
- In the Elmhurst Competitive Market Area, the vacancy rate in stabilized communities stands even lower at 3.4 percent and at Elmhurst Place and Elm Creek, two larger scale communities in Elmhurst proper, vacancies average just 3.0 percent.
- For the townhome option and absent commercial, the revenue yield for a 36-unit development will total \$11.8 million at a build-out average price of \$326,500. This value compares with either of the alternative rental options where the value of the community stands well over the \$35.0 million mark after the deduction of operating expenses and the application of a capitalization rate in the realistic range of 4.5 to 6.0 percent.
- At price points required to achieve an acceptable sales volume in either of the for sale options, values in previously-built townhome and condominium product built in downtown Elmhurst or elsewhere in the city would be jeopardized. Simply, to be successful, a townhome offering within the Hahn Street property would need to be priced close to \$100,000 lower than existing product built ten years ago and anywhere from 20 to 30 percent under townhomes less than a block away along Addison Avenue.
- The option to develop Hahn Street as condominiums must be deferred with the revenue yield of this alternative standing at \$21.8 million in contrast to an assigned value of \$35.0+ million as apartments.
- The introduction of apartments in the range of 175 to 200 units will undoubtedly create a better revenue stream to retail and personal service revenues presently operating in the City Centre district with these new households contributing significantly to the vibrancy of the area by



keeping life on the streets both daytime and evening and especially on weekends.

- Householders living in apartments downtown will provide an incubated base of demand for ownership housing in Elmhurst at some future date. Given Elmhurst's community-oriented focus, its good schools and proximity to employment and Metra, and what is likely to become a more vibrant downtown, many of these renter households that transition to the for sale market will be hard-pressed not to choose a home within the community.



Augmenting the residential component and aligning York Street, specialty retail uses could occupy approximately 20,000 square feet of the Hahn Street development. This space should be manageable capturing on foot residents from within the Hahn Street development or nearby and daytime workers from within the City Centre district. Commercial development, too, must provide adequate, but not dominant, parking in order to attract visitors from outside the immediate area.

Encouraged uses of the subject property's commercial space are retailers that do not have a representation within City Centre, along with those that would not be vulnerable to competition from alignments found at Oakbrook Center or in car-dependent destinations to the west. Hence, retail uses should be authentic and different. Possible uses include a distinct, small scale food and wine store that provides catering, an art gallery, a gift store with differentiated hard-to-find products, a special kind of decorating studio, a women's apparel store with unique brands and very attentive service, and, perhaps, other creatively conceived venues that center upon cooking or high quality products that cannot be found elsewhere.

It is also suggested that the commercial portion of the Hahn Street development include some type of eating and drinking establishments either a pub or bistro-style. This type of restaurant, with outdoor dining available, could be a destination of sorts by providing residents and visitors alike with an inviting and festive place where people **go** for the food and **stay** because of other people.

Rents in the commercial sector of the Hahn Street initiative could range from \$22.50 to \$25.00 per square foot depending upon the location of the storefront, its exposure to traffic both pedestrian and vehicular, and type of venue. This rental range, which would allow for a 20,000 square foot footprint to be absorbed within one year of completion of the residential portion of the development, compares with current rents in City Centre of \$17.50 to \$20.00 and reflects the newness of the development and the residential backdrop of some 175 to 200 units that are contiguous.



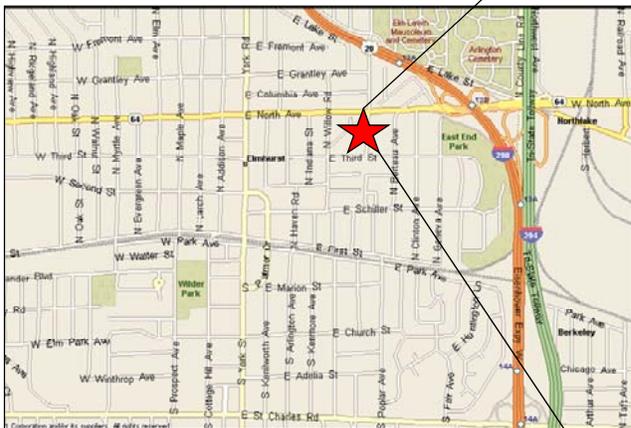


## 2. THE HAHN STREET DEVELOPMENT AREA

The Hahn Street property consists of several City of Elmhurst-owned parcels and service alleyways straddling Hahn Street between Addison Avenue and York Street, immediately south of Illinois 64/North Avenue in the North District of downtown Elmhurst, Illinois. Collectively, the property totals roughly 137,000 square feet or 3.15 acres. It is the intention of the City to vacate the existing Hahn Street to accommodate redevelopment.



### GEOGRAPHIC DELINEATION: HAHN STREET PROPERTY – ELMHURST, ILLINOIS



Source: City of Elmhurst and Microsoft Streets & Trips

The subject property is located at the north end of Elmhurst's City Centre area which extends from North Avenue south to Church Street. City Centre is the city's downtown core and is represented by several specialty retailers, restaurants, entertainment venues, and business, medical, and government offices. On the retail and restaurant side of the equation, close to 100 establishments are located within one-half mile of the Hahn Street property while options in entertainment include Fitz's Spare Keys which features live music along with food and drink and 14-lane bowling alley and pool room. In addition, there's the vintage York Theater, a fully renovated, restored, and expanded ten-screen cinema that offers first run films.





**RETAIL ALIGNMENTS  
-- CITY OF ELMHURST - CITY CENTRE --**

Category	Number of Establishments	Category	Number of Establishments
Furniture & Home Furnishings	3	Entertainment	2
Building Materials & Supply	5	Jewelry	5
Electronics	1	Hobbies & Toys	4
Health & Personal Care	3	Office Supplies	1
Food & Beverage	4	Food Service & Drinking Places	40
Clothing	12	Specialty Retail	21

Source: Tracy Cross & Associates, Inc.

There is a varied amount of vacant commercial property currently available in the City Centre area largely concentrated in the area between North Avenue on the north and Schiller Street on the south. In the retail sector, approximately 23,000 square feet of existing space is currently available for lease together with another 21,000 square feet planned for future development along North Addison Avenue. In the office category, 60,000 square feet is vacant together with an



**VACANT RETAIL PROPERTY  
-- CITY OF ELMHURST - CITY CENTRE --**

Address	Square Footage Available
<b>Retail</b>	
275 N. York Street	1,425
200 N. York Street	1,278
187-195 N. York Street	11,650
158 N. York Street	1,368
109 W. Schiller Street	6,208
125 N. Addison Avenue	1,000
135-149 N. Addison Avenue	21,316 <sup>(1)</sup>
<b>Total</b>	<b>44,245</b>
<b>Excluding 135-149 N. Addison Avenue</b>	<b>22,929</b>

<sup>(1)</sup> Proposed.

Source: Tracy Cross & Associates, Inc.

additional 29,000 square feet proposed for the same North Addison Avenue mixed-use area. The relatively large amount of office inventory available in City Centre is principally due to recently vacated medical office space that was associated with Elmhurst Memorial Hospital's Berteau campus located five blocks to the east of City Centre. In 2011, the hospital relocated, opening a new 866,000 square foot state-of-the-art facility 2.5 miles to the south near the corner of York Street and Roosevelt Road.



**VACANT OFFICE PROPERTY  
-- CITY OF ELMHURST - CITY CENTRE --**

Address	Square Footage Available
<b>Office/Mixed-Use</b>	
263 N. York Street	16,000
261 N. York Street	2,000
242 N. York Street	858-894
210 N. York Street	3,286
206 N. York Street	1,500
183 N. York Street	10,000
116 N. York Street	7,546
105 S. York Street	1,000
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
<b>Total</b>	<b>88,950</b>
<b>Excluding 135-149 N. Addison Avenue</b>	<b>59,722</b>

Source: Tracy Cross & Associates, Inc.



**THE CITY OF ELMHURST**

Serving as host to the Hahn Street initiative is the city of Elmhurst, a first ring suburb of Chicago situated in the far eastern portion of DuPage County. The city, which is just over ten square miles in land area, is 20 miles west of Chicago’s central business district and 12 miles south of O’Hare International Airport.

**Population,  
Households,  
And Income**

The population of the city of Elmhurst stood at 44,110 in 2012 representing the addition of 112 persons yearly since 2000. Households, in turn, totaled 15,689 last year equal to a modest increase of five per year since the 2000 Census.

Household distributions in the city favor ownership status with tenure in this housing subset totaling 12,600 in 2012, or 80.3 percent of the community’s household base. Households renting equaled 3,089, representing 19.7 percent of all occupied housing units.

Elmhurst is a relatively affluent community as households in the area supported a 2012 median income of \$79,916 annually, or 18.9 percent higher than the \$67,238 median carried by all households in the suburban Chicago area as a whole. By income category, close to three-quarters of the city’s household base maintained incomes of \$50,000 or more while 37.0 percent had incomes above the \$100,000 mark.

**POPULATION, HOUSEHOLDS, TENURE, AND INCOME  
-- CITY OF ELMHURST --**

Attribute	City of Elmhurst
<b>Population:</b>	
2000	42,762
2012	44,110
<b>Annual Change</b>	<b>112</b>
<b>Households:</b>	
2000	15,627
2012	15,689
<b>Annual Change</b>	<b>5</b>
<b>Tenure:</b>	
Total Households 2012	15,689
Owners	12,600
Percent	80.3
Renters	3,089
Percent	19.7
<b>Household Income 2012:</b>	
Median	\$79,916
Percent @ \$50,000+	72.1
Percent @ \$100,000+	37.0

Sources: U.S. Department of Commerce, Bureau of the Census: *Census 2010*; Nielsen Solution Center; and estimates by Tracy Cross & Associates, Inc.

**Local  
Employment**

In March 2011, private sector employment in Elmhurst totaled 26,990 workers representing 5.4 percent of DuPage County’s 500,128 covered employment base. Linked closely to employment at Elmhurst Memorial Hospital, 23.0 percent of the city’s private sector workforce is employed in health care compared to 11.1 percent county-wide. Outside of health care, other dominant employment sectors in Elmhurst include wholesale trade concentrated in distribution centers located in the northern part of the city and educational services tied to Elmhurst College, a private liberal arts institution situated two blocks west of York Street between Park Avenue and Elm Park Avenue at the south end of the City Centre district.

Elmhurst's office employment is fairly limited with the heaviest representations found in the medical sector followed by the professional, scientific, and technical services category; financial and insurance activities; and management companies.



**PRIVATE SECTOR EMPLOYMENT - 2011  
-- CITY OF ELMHURST --**

Industry (North American Industry Classification)	Number of Workers	Percent of Total
<b>All Industries</b>	<b>26,990</b>	<b>100.0</b>
Agriculture, Forestry, Fishing, & Hunting	(1)	(1)
Mining, Quarrying, & Gas Extraction	0	0.0
Utilities	(1)	(1)
Construction	1,636	6.1
Manufacturing	2,328	8.6
Wholesale Trade	3,453	12.8
Retail Trade	1,939	7.2
Transportation & Warehousing	594	2.2
Information	967	3.6
Finance & Insurance	1,617	6.0
Real Estate, Rental, & Leasing	476	1.8
Professional, Scientific, & Tech Services	1,772	6.6
Management of Companies & Enterprises	892	3.3
Administrative & Support & Waste Management	1,040	3.9
Educational Services	1,089	4.0
Health Care & Social Assistance	6,216	23.0
Arts, Entertainment, & Recreation	181	0.7
Accommodations & Food Services	1,818	6.7
Other Services (Except Public Administration)	555	2.1
Unclassified	(1)	(1)

(1) Numbers omitted to avoid disclosure of data from an individual firm.

Source: Illinois Department of Employment Security: *Where Workers Work 2012*

**Other Sources  
Of Employment**

Most employed residents of Elmhurst work elsewhere in the Chicago region with major suburban destinations found within a reasonable 30-minute commute. Major suburban locales include the Addison/Bensenville/Itasca/Wood Dale area to the north with a 2011 private sector employment base of 59,482; the Oak Brook/Oakbrook Terrace/Lombard employment concentration to the southwest, which provides covered employment for 119,849 workers; and Naperville/Lisle farther to the west with private sector rosters of 83,152.

Not to be dismissed, however, is employment in the city of Chicago and particularly its Loop and Outer Business Ring where covered employment totaled 516,057 in 2011. Facilitating employee movement into and from the city is



downtown Elmhurst's Metra station where weekday boardings and alightings via Union Pacific's west line averaged close to 1,850 daily in 2006 (the latest data available). Outside of rail and other types of public transportation, which currently account for 8.0 percent of all means of transportation to work, employed residents of Elmhurst remain automobile dependent. Currently, for instance, 78.9 percent of the city's employed workforce drives daily to work with 27.8 percent arriving at their destination in a very convenient time of less than 15 minutes.

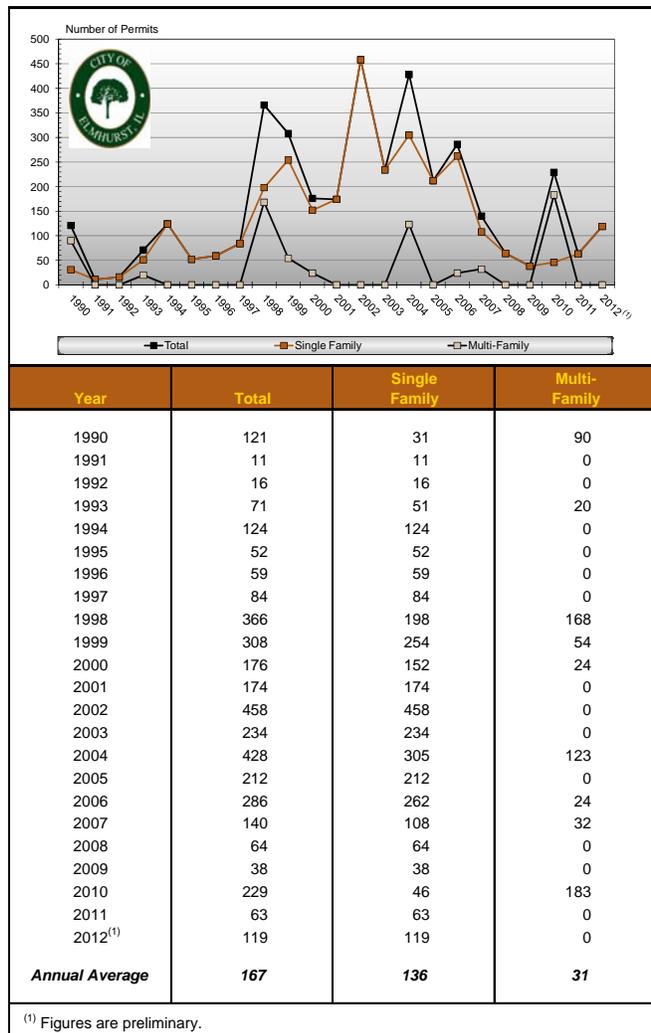
**Housing  
Activity**

Since 1990, residential building permit activity in Elmhurst has averaged 167 new units annually ranging from a low of only eleven units in 1991 to a high of 458 in 2002. During this 23-year period, single family and single address attached issuances averaged 136 units annually while 31 units yearly were authorized in the multi-family sector.

For the most part, new single family activity in the city has occurred either as a result of razing and replacing older detached homes with new ones or from townhome development as part of a condominium community or on scattered linear sites. These latter townhome properties became available also through demolition and reuse or annexation by the city into vacant properties in former unincorporated areas of DuPage County.



**RESIDENTIAL BUILDING PERMIT TRENDS  
-- CITY OF ELMHURST --**



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

In the multi-family sector, the city of Elmhurst experienced somewhat of a mini-boom during the 1997-2005 period as condominium development accelerated



both within and generally proximate to City Centre. During this nine-year timeframe, ten separate condominium and townhome communities of scale opened in the city priced on average and at base from \$244,000 to \$500,000.



**COMPOSITE SALES SUMMARY  
-- SELECTED NEW CONSTRUCTION TOWNHOME/CONDOMINIUM COMMUNITIES --  
CITY OF ELMHURST**

Program	Number of Units	Marketing Period	Average Monthly Sales Rate	Average Plan Size (Sq. Ft.)	Average Base Sales Price @ Sellout
Crescent Court	67	4Q03 - 4Q03	22.3	1,232	\$258,025
Emerald Towers	24	1Q00 - 3Q04	0.4	1,406	249,990
Essex Place of Elmhurst	58	4Q05 - Still Active	0.6	1,634	244,000
Lexington Estates	25	4Q05 - 2Q06	3.3	1,854	499,900
Market Square Condominiums	48	1Q97 - 3Q00	1.2	1,347	230,120
Market Square Townhomes	26	1Q97 - 4Q02	0.4	2,064	384,000
Museum Square Condominiums	43	1Q01 - 1Q04	1.1	1,734	324,900
Museum Square Townhomes	13	1Q01 - 4Q02	0.6	2,146	399,567
Park Elm	24	4Q00 - 2Q02	1.2	1,643	323,471
Yorkshire Court	27	3Q01 - 2Q04	0.8	2,783	487,667

Source: Tracy Cross & Associates, Inc.

Multi-family permit activity in Elmhurst since 1990 has also been augmented by smaller scale conventional apartment development and senior housing communities that provide both independent and assisted living, the largest and most recent entry to the market being Park Place. In the conventional rental sector, the newest entrants include Elmhurst Place, the age-restricted Elmhurst Point community, and the small 20-unit Charleston Place development. In addition to these three newer communities, the largest conventional apartment program in Elmhurst is Elm Creek, a 372-unit development, which was built in 1987 and fully renovated in 2005. Excluding Charleston Place, base rent levels at Elmhurst Place, Elmhurst Point, and Elm Creek currently average \$1,387 monthly for a 1,004 square foot residence, equal to a value ratio of \$1.38 per square foot.



**NEWER APARTMENT COMMUNITIES  
-- CITY OF ELMHURST --**

Attribute	Elmhurst Place	Elmhurst Point <sup>(1)</sup>	Elm Creek
Location	150 Schiller Place	111 West Third Street	One Elm Creek Drive
Year Built/Renovated	1992	2008	1987/2005
Number of Units	90	32	372
Occupied	90	16	358
Percent	100.0	50.0	96.2
Vacant	0	16	14
Percent	0.0	50.0	3.8
Average Plan Size (Sq. Ft.)	1,175	913	970
Average Monthly Base Rent	\$1,362	\$1,321	\$1,479
Average Monthly Rent Per Sq. Ft.	\$1.16	\$1.45	\$1.52

<sup>(1)</sup> Represents an age-restricted mixed-use community limited to qualifying person 55 years of age or better.

Source: Tracy Cross & Associates, Inc.

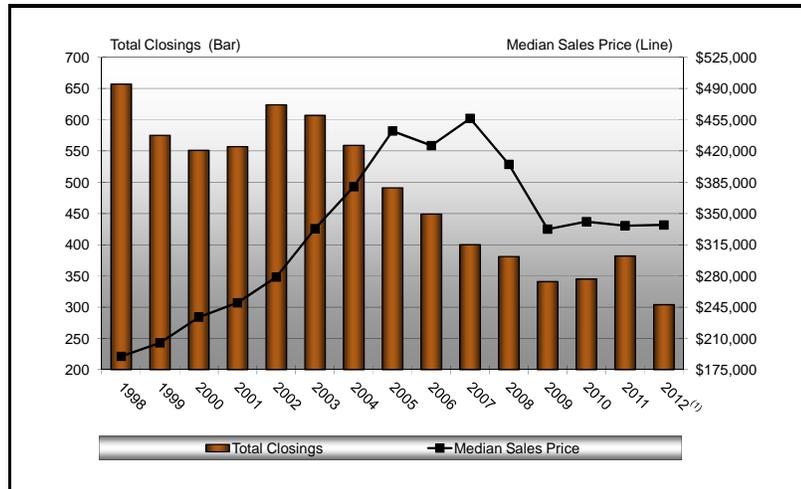


**Home Values**

In the single family detached sector of the market, the median price of a home sold in Elmhurst through August of last year stood at \$337,156 representing a very nominal increase of 0.2 percent year-over-year. From a more pertinent point-of-view, however, existing single family home prices in 2012 were down 26.1 percent from their 2007 peak of \$456,500 reflecting universal softness in the housing market both nationally and in the Chicago area proper. According to the Standard & Poor's Case-Shiller Home Price Index, for example, home values in the U.S. through November of last year were down 30.1 percent from their peak in June 2006 while in Chicago, values have declined by a near-similar 32.8 percent over roughly the same time period.



**TRENDS IN SINGLE FAMILY CLOSINGS  
-- CITY OF ELMHURST --**



Year	Total Closings	Median Sales Price
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 <sup>(1)</sup>	304	337,156

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

<sup>(1)</sup> Closings annualized YTD August 2012.

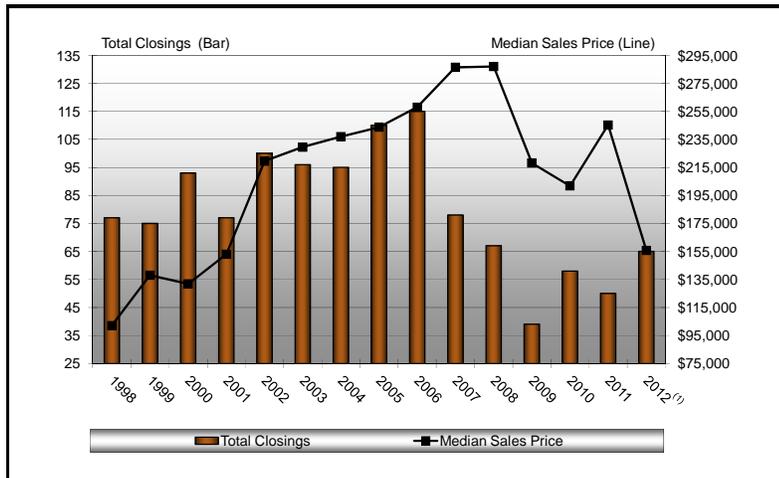
Source: MRED, LLC



Through August of last year, and on an annualized basis, 65 townhome and condominium units were sold in the existing home market in Elmhurst through the Multiple Listing Service of Northern Illinois. These homes carried a median sales price of \$155,727, representing a decline of 45.7 percent from 2008's peak median of \$287,000. The steeper price erosion noted in the attached sector compared to the single family market largely reflects distressed sales experienced in older products in the city represented by former apartments complexes built in the '60s and '70s and later converted to condominium form.



**TRENDS IN ATTACHED CLOSINGS  
-- CITY OF ELMHURST --**



Year	Total Closings	Median Sales Price
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 <sup>(1)</sup>	65	155,727
<b>Price Change</b>		
<b>Peak (2008)</b>	<b>\$287,000</b>	
<b>YTD August 2012</b>	<b>\$155,727</b>	
<b>Percent Change</b>	<b>-45.7</b>	
<small><sup>(1)</sup> Closings annualized YTD August 2012.</small>		

Source: MRED, LLC





### 3. THE COMMERCIAL SECTOR

The purpose of this section is to provide an overview of the office, hospitality, and retail sectors of the real estate marketplace as they may have application to the Hahn Street property. For the office component, a thorough review of conditions in the East-West Corridor was conducted using data supplied by Colliers International in its quarterly summary of the commercial office market in Chicago and its suburbs. For the hospitality sector, trends in occupancies and average daily room rates were obtained from Smith Travel Research for the 2006-2012 period covering five select hotels in Elmhurst proper along with 13 properties in the communities of Oak Brook, Oakbrook Terrace, and Westchester that should be viewed as competitive. Finally, in the retail category, a thorough review of all retail establishments in the City Centre area was conducted by our firm in order to show current alignments available in the market today and to identify categories that might present a development opportunity within the subject property.

#### THE OFFICE MARKET

According to Colliers International, select areas of the suburban Chicago office market witnessed some modest recovery in 2012 with net absorption climbing 41.8 percent year-over-year from 516,336 square feet in 2011 to 736,400 square feet in 2012. In terms of submarket activity, suburban absorption last year was positive in both the O'Hare area and in the Northwest Corridor where net absorption totaled 233,833 square feet and 788,016 square feet, respectively. On the other side of the market, however, the submarkets of Oak Brook (which includes Elmhurst), Lisle-Naperville, and the North Corridor experienced negative net absorption last year with the Oak Brook submarket suffering a direct loss of 268,365 square feet of leased space followed by Lisle-Naperville at a negative 16,195 square feet and the North Corridor with a net loss of 939.

Suburban office space vacancies averaged 20.5 percent among all asset categories at the close of 2012 with the highest vacancy rate noted for the Oak Brook submarket at 22.5 percent followed in rank order by the Northwest Corridor (21.2 percent), O'Hare (21.0 percent), the North Corridor (19.4 percent), and Lisle-Naperville (18.1 percent).

#### ***The East-West Corridor***

Office absorption in Elmhurst's competitive environment, defined as the East-West Corridor, which includes both the Oak Brook and Lisle-Naperville submarkets, has been quite slow in recent years largely due to the impact of the most recent recession. In the corridor, for example, net absorption over the last six years has been negative with leased space dropping by almost 600,000 square feet and vacancies continuing to hover well above the 20 percent mark. In some aspect, the East-West Corridor has given way not only to slow economic growth region-wide, but also to strong competition from the city of Chicago's technology sector which has been a source of positive demand at the suburbs expense.





**ABSORPTION AND VACANCIES - THE OFFICE MARKET**  
**-- SUBURBAN CHICAGO AND THE EAST-WEST CORRIDOR --**

Year	Area		
	Suburban Total	East/West Suburban Corridor	
		Oak Brook Submarket <sup>(1)</sup>	Lisle/Naperville Submarket <sup>(2)</sup>
<b>Net Absorption in Square Feet</b>			
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	736,400	-268,365	-16,195
<b>Vacancies As a Percent of Total Inventory</b>			
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	20.5	22.5	18.1
<sup>(1)</sup> Defined as areas south of I-290 and north of I-55 and west from U.S. 45 (Mannheim Road) to I-355. <sup>(2)</sup> Defined as areas south of U.S. 20 to the DuPage/Will county-line and west from I-355 through the eastern half of Kane County.			

Source: Colliers International: *Chicago Office Market Overview, 4th Quarter 2012*

In the East-West Corridor, office space vacancy rates are the highest in both the Class A and Class B asset classifications where vacancies at year-end 2012 exceeded 20 percent. Weakest among all classes and submarkets is the Class B sector of Lisle-Naperville where vacancies stood at 23.2 percent followed by the Oak Brook submarket where Class B vacancies were nearly the same at 22.8 percent.



**VACANCY RATES BY ASSET CLASS - THE OFFICE MARKET**  
**-- EAST-WEST CORRIDOR --**

Property Type	East-West Corridor			Oak Brook Submarket <sup>(1)</sup>			Lisle-Naperville Submarket <sup>(2)</sup>		
	Total Inventory (Sq. Ft.)	Vacant (Sq. Ft.)	Percent Vacant	Total Inventory (Sq. Ft.)	Vacant (Sq. Ft.)	Percent Vacant	Total Inventory (Sq. Ft.)	Vacant (Sq. Ft.)	Percent Vacant
<b>Total</b>	<b>43,159,285</b>	<b>8,864,117</b>	<b>20.5</b>	<b>23,945,161</b>	<b>5,381,305</b>	<b>22.5</b>	<b>19,214,124</b>	<b>3,482,812</b>	<b>18.1</b>
Class A	22,417,723	4,544,598	20.3	13,740,264	3,066,827	22.3	8,677,459	1,477,771	17.0
Class B	17,352,447	3,985,828	23.0	9,318,130	2,122,670	22.8	8,034,317	1,863,158	23.2
Class C	3,389,115	333,691	9.8	886,767	191,808	21.6	2,502,348	141,883	5.7
<sup>(1)</sup> Defined as areas south of I-290 and north of I-55 and west from U.S. 45 (Mannheim Road) to I-355. <sup>(2)</sup> Defined as areas south of U.S. 20 to the DuPage/Will county-line and west from I-355 through the eastern half of Kane County.									

Source: Colliers International: *Chicago Office Market Overview, 4th Quarter 2012*



**Application to  
Hahn Street**

Given the small size of the Hahn Street property at just over three acres, weakness in the overall office market in the East-West Corridor, coupled with the availability of close to 60,000 square feet of existing vacant office inventory in the City Centre area alone, it can be easily concluded that office space, even in part, should not be a component of the Hahn Street initiative. This conclusion can be further solidified by the relatively low number of workers employed locally in the office-related private sector outside of healthcare. For example, Elmhurst's employment in the administrative, information, real estate, professional services, and finance, management, and insurance industries totaled less than 7,000 workers in 2011 representing just 4.1 percent of DuPage County's total employment in these same categories.

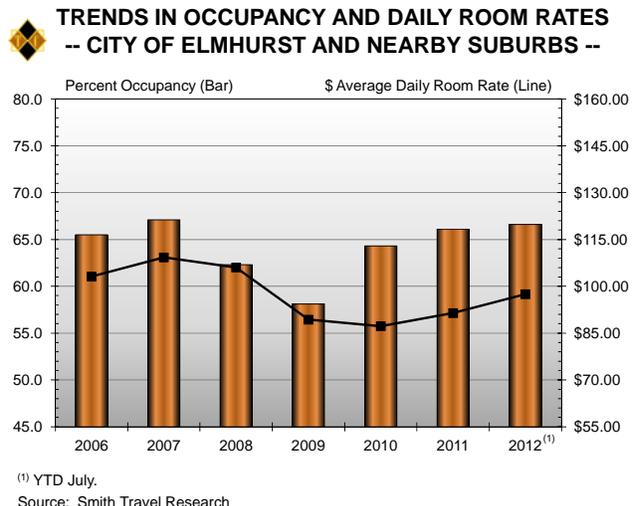
**THE HOSPITALITY SECTOR**

In Elmhurst and within a four-mile radius of the city, there are 18 larger operating hotels comprised of five in Elmhurst proper, namely the Marriott Courtyard, Clarion Inn, Springhill Suites, Extended Stay America, and The Waverton. In aggregate, there are 3,041 rooms available in these 18 facilities including 995 in the immediate area's largest hotels located in Oak Brook-Doubletree Oak Brook (427 rooms), Marriott Oak Brook (350 rooms), and Hyatt Lodge at the McDonalds Campus (218 rooms). In addition to these 18, there are another 77 hospitality venues with a total of 13,553 rooms available within a nine-mile radius of the Hahn Street property including heavy concentrations proximate to the I-88 corridor in Lombard, Downers Grove, and Westmont and in Rosemont near O'Hare. In Lombard, Downers Grove, and Westmont, 25 hotel establishments with 3,942 available rooms are currently operating while in Rosemont alone 15 facilities have 5,360 rooms.

**Occupancy and  
Room Rates**

In areas most proximate to the Hahn Street property, the 18 sampled hotels carried an average daily occupancy rate of 66.6 through the first seven months of last year marking significant improvement from a recessionary low of only 57.4 percent recorded throughout 2009. The upturn in occupancies locally can be attributable primarily to increased business travel although there has also been some modest upturn in group travel tied to smaller-sized conventions.

The increase in occupancies in the immediate area, however, has not led to significant advances in room rates. During the January-July 2012 period, for example, daily room rates among the 18 sampled facilities averaged \$97.07, still well below the market's \$108.15 average measured during the same period in 2007 and its \$107.42 average recorded in 2008.



### **Outlook**

The hotel industry in Chicago as a whole should improve slowly over the coming years stimulated in large part by increases in business, group, and leisure travel. This improvement will, however, be concentrated in the city of Chicago rather than in the suburbs which have and will continue to experience a much slower rate of economic recovery especially in the immediate area around Elmhurst including Oak Brook, Oakbrook Terrace, and along the I-88 corridor through Downers Grove and Lombard. As referenced in the previous section, this portion of the region has the highest office vacancy rate among all suburban submarkets and has experienced a drop in private sector employment of 7.5 percent between 2007 and 2011 which compares with a 2.6 percent decline in areas of western DuPage County including Naperville, Lisle, and Woodridge. Further, the immediate area is not likely to benefit from leisure travel to the Chicago area or from convention overflow in the city. Simply, in the city there are close to 33,000 hotel rooms now available with another 5,000 rooms under construction or in planning. Finally, while Elmhurst proper is “close” to O’Hare, competitive intensities around the airport are significant. In Rosemont, there are currently 15 large-scale establishments currently operating while in the nearby suburbs of Addison, Bensenville, Itasca, Schiller Park, and Wood Dale, room availability totals 2,860 distributed among 18 facilities.

### **Application to Hahn Street**

Since an appropriate use of the Hahn Street property should not incorporate development of a conventional hotel given weakness in this sector locally and the subject site’s removed distance from major employment centers in other parts of DuPage County and, competitively, from O’Hare, attention is given to the possibility of a hotel more in the format of what may be termed *boutique*. By definition, boutique hotels are focused on offering guests services in a comfortable, intimate, and welcoming setting often attended to by a 24-hour hotel staff. Typically, they are located in city destinations or in resort areas sometimes isolated to hidden places absent technology.

Revenue streams in the boutique sector are generated from three primary sources: room-rates (68 percent), restaurant, lounge, and catering (26 percent), and other operations (6 percent). With strong emphasis placed upon guest services, successful boutique hotels in urban locations must provide the following:

- A sense of arrival.
- Extras such as breakfast, Wi-Fi, honesty bar, bottled water, 24-hour room service, spas and salons, music, and light, and hot water all the time.
- Concierge service.
- A restaurant, preferably centered around a brand-name chef or trendy bar.
- Recognition as a place to be seen.
- And finally, close to everything and a “block away” from shopping, sources of entertainment or culture, and a variety of dining options.



While it might be argued that a boutique hotel within the Hahn Street property might be able to meet some of the criteria mentioned above, it certainly cannot meet all of the criteria all of the time. For example, there will be prohibitive operating costs associated with a number of the outlined prerequisites since they are labor intensive, e.g., concierge, housekeeping, restaurant personnel, and hotel staff leading to the conclusion that daily room rates would need to be in the \$150+ range compared to conventional rates which today are under \$100. Additionally, Hahn Street is not within a block away from everything and will not be able to compete against boutique venues found in the city of Chicago or homogeneous hotels found within walking distance of Oakbrook Center or those that also have extensive meeting/convention space. Finally, while a boutique hotel may be able to attract families and friends linked to Elmhurst College, overnight stays by these potential guests will be minimal as only five percent of the college's resident student body lives outside of the Chicago metropolitan area or out of state. In addition, of the college's full time undergraduate student body of 2,800, half are commuters living elsewhere in the Chicago area.

## RETAIL POTENTIALS

In the City Centre area, as shown in **Exhibit 3.1**, some 100+ establishments are currently operating in the fields of retail, eating and drinking, and entertainment. By selected categories, eating and drinking businesses dominate with 40 locations followed by 21 specialty retailers ranging from art studios to candy stores and from gift stores to bakeries. Outside of major brand eating and drinking places like Buffalo Wild Wings, Panera Bread, Starbucks, and Chipotle, national retailers are conspicuously absent from City Centre save for population-serving establishments like Jewel Osco, Walgreens, and CVS Pharmacy and destination-oriented specialty storefronts. The reason for this absence can be tied directly to retail alignments in Elmhurst found along the IL 83 corridor at its intersections with both St. Charles Road and North Avenue. Further competitive interference with City Centre is found 4.5 miles to the south at Oakbrook Center, the largest outdoor mall in the country containing over 2.0 million square feet of leasable area. Oakbrook Center is anchored by five department stores including Macy's, Neiman Marcus, Nordstrom, Sears, and Lord & Taylor and boasts a lineup of more than 160 different specialty stores, restaurants, and luxury to better-price retailers such as Tiffany & Company, Louis Vuitton, Burberry, Crate & Barrel, and Sperry Top-Sider among others.

### ***Trends In Retail Sales***

In 2011, Elmhurst generated \$874.6 million in retail sales accounting for 5.27 percent of retail activity in DuPage County as a whole. As shown in the following text table, the category of automotive and filling stations dominated the city's retail sector accounting for 31.6 percent of its sales tax revenue largely due to the heavy concentration of automotive dealerships along West Lake Street and West Grand Avenue at the city's northern boundary. Following this category in 2011 retail sales were agricultural products and other types of stores, food stores, drug and miscellaneous retail, and drinking and eating establishments.



**3.1 RETAIL ALIGNMENTS (EXCLUDING AUTOMOBILE SALES, PARTS & SERVICES AND GASOLINE STATIONS)  
-- CITY OF ELMHURST - CITY CENTRE AREA --**

<b>Retail Category/ Business</b>	<b>Distance From Hahn Street Property (Miles)</b>	<b>Retail Category/ Business</b>	<b>Distance From Hahn Street Property (Miles)</b>
<b>Furniture and Home Furnishings</b>		<b>Food Service and Drinking Places</b>	
Undercover Upholstery	0.2	Yogen Fruz	400 Ft.
Plass Appliances & Furniture	0.4	Starbucks	0.2
Polays Home Décor	0.4	Jamba Juice	0.3
<b>Building Materials and Supply</b>		Coco Mero Frozen Yogurt	0.3
J.C. Licht/Epco Paint & Decorating	500 Ft.	Cold Stone Creamery	0.4
Carpets of Elmhurst	0.2	Eliza's Specialty Coffee & Tea	0.4
Meeder Industries & Design	0.4	Smoothie Factory	0.5
Kitchen Inspirations	0.5	Brain Freeze Old Fashion Ice Cream	0.5
Ace Hardware	0.4	"That" Coffee Shop	0.5
<b>Electronics</b>		Rainbow Restaurant & Pancake House	350 Ft.
AT&T	0.1	Sakana Japanese Fusion	0.2
<b>Health &amp; Personal Care Stores</b>		Buffalo Wild Wings	0.3
CVS Pharmacy	400 Ft.	Salseria Grill & Cantina	0.4
Walgreen's	0.3	Armand's Pizzeria	0.4
Merle Norman Cosmetics	200 Ft.	Pizza Place Family Restaurant	0.4
<b>Food and Beverage Stores</b>		Pazzi di Pizza	0.4
Jewel Osco	0.4	Charlie's Restaurant	0.5
Chow Hand Made Food to Go	0.5	Lou Malnati's Pizzeria	0.5
Tannin's Wine Bar & Boutique	0.4	Two Brothers From Italy	0.5
Flight 112 Wine House	0.5	Panera Bread	400 Ft.
<b>Clothing</b>		Chipotle	0.3
GQ Formal Wear	300 Ft.	Subway	0.3
Elm Classic Consignment	0.1	Egg Harbor Café	0.3
Deja Voo Boutique	0.3	Sushi Nest	0.3
Camden Clothing Boutique	0.3	Pagoda Bistro	0.4
E Lounge	0.3	Red Dragon Restaurant	0.4
It's Good to be King	0.3	Jersey Mike's Subs	0.1
Red E	0.3	Richardson Hamburger Heaven	0.1
enzee boutique	0.3	Papa John's (Coming Soon)	400 Ft.
Leonard's Fine Men's Clothing	0.4	Angelo's Ristorante	150 Ft.
Pink Elephant Resale Shop	0.4	Francesca's Amici	0.2
York Furrier	0.4	The Standard Restaurant & Bar	0.4
La La Land	0.4	Wok's Fire Fresh Pan-Asian	0.4
<b>Entertainment</b>		Café Amano Eurocafe	0.4
Fitz's Spare Keys	0.4	100 South Chop House & Grill	0.4
York Classic Cinema	0.3	Rosalia's Deli	150 Ft.
<b>Jewelry</b>		Zanzi's Italian Deli (Coming Soon)	0.4
Solaris Jewelry	200 Ft.	Fitz's Pub	0.2
Irish Treasure Trove Ltd.	0.3	The Club Tavern	0.4
Cottage Hill Diamonds	0.4	Pints Beer Garden	0.5
Just Fun Fashion	0.4	<b>Specialty Retail</b>	
Hartman Jewelers	0.4	Fruitful Yield	0.1
<b>Hobbies and Toys</b>		Edible Arrangements	0.1
Al's Hobby Shop	0.4	Salt Creek Pottery	0.2
Elmhurst Coins & Collectibles	0.4	Cigar Lovers	0.2
My Favorite Toy Store	0.4	Kenneth Stein Violins	0.2
Gem Comics	0.4	Art Gallery	0.2
<b>Office Supplies</b>		Heavenly Cupcake Shop	0.3
West Suburban Office Products	0.2	Rocky Mountain Chocolate Factory	0.3
		Elmhurst Olive Oil Company	0.3
		Fannie May Fine Chocolates	0.4
		Wallscapes Custom Framing & Art Gallery	0.4
		Topiary Flower Designs	0.4
		Exiner Art Studio	0.4
		MWD Photography	0.4
		rouse inspired gifts (Coming Soon)	0.3
		The Uptown Shop Boutique Gifts	0.4
		Cignot	0.4
		Bleeding Heart Bakery	0.5
		Glitch Gallery	0.5
		Elmhurst Cigar House	0.5
		Karen Solem Gallery	0.5



**RETAIL SALES BY PRODUCT CATEGORY - 2011  
-- DUPAGE COUNTY AND CITY OF ELMHURST - A COMPARISON --**

Product Category (SIC Classification)	Total Retail Sales in Dollars 2011				
	DuPage County		City of Elmhurst		
	\$	Percent	\$	Percent	Percent of DuPage County
<b>Total Sales</b>	<b>\$16,594,307,868</b>	<b>100.1</b>	<b>\$874,606,025 <sup>(1)</sup></b>	<b>100.0</b>	<b>5.27</b>
General Merchandise	1,624,260,776	9.8	32,250,312	3.7	1.99
Food	1,721,310,974	10.4	85,349,236	9.8	4.96
Drinking & Eating Places	1,589,606,219	9.6	72,415,420	8.3	4.56
Apparel	750,082,768	4.5	11,033,300	1.3	1.47
Furniture & Electronics	955,059,590	5.8	18,423,959	2.1	1.93
Lumber & Building Hardware	672,112,244	4.1	11,436,670	1.3	1.70
Automotive & Filling Stations	4,161,934,875	25.1	275,976,670	31.6	6.63
Drug & Miscellaneous Retail	2,530,592,476	15.2	84,213,986	9.6	3.33
Agriculture & All Others	2,271,862,967	13.7	266,374,627	30.5	11.72
Manufacturers	317,484,979	1.9	17,131,845	2.0	5.40

<sup>(1)</sup> Excludes that portion of the city of Elmhurst located in Cook County.

Source: Illinois Department of Revenue and Tracy Cross & Associates, Inc.

In general terms, relative retail sales in Elmhurst in the categories of general merchandise, apparel, furniture and electronics, and lumber and hardware fall well below distributions noted for DuPage County. For the most part, these categories are well represented immediately outside of the city's incorporated area and reflect the competitive impact not only of Oakbrook Center but also concentrations of "big box" retailers found along the Butterfield Road corridor from Oakbrook Terrace and Oak Brook through Downers Grove and Lombard.

Looking at retail sales trendlines in Elmhurst since 1994 finds the city losing market share to other parts of DuPage County. During the eight-year period between 1994 and 2001, for instance, Elmhurst accounted for 7.1 percent of total taxable sales county-wide dropping its share to just 5.8 percent during the last ten years. This deterioration largely stems from accelerated population growth focused to the western portion of the county principally along the IL 59 arterial from Warrenville through Naperville and from continued retail development activity along Butterfield Road associated directly to the maturation of the I-355 Tollway.

Taxable sales in Elmhurst declined rather dramatically during the recessionary period between 2006 and 2009 as revenues dropped by 26.1 percent over this three year period. However, from a most recent low of \$793.3 million in 2009, retail volume in the city climbed upward to \$875.5 million in 2011 and during January-September 2012, advanced 14.8 percent year-over-year largely attributable to stronger automobile sales and, unfortunately, higher gasoline prices.





**TRENDS IN RETAIL SALES  
-- DUPAGE COUNTY AND CITY OF ELMHURST - A COMPARISON --**

Year	Total Retail Sales in Dollars			
	DuPage County	City of Elmhurst		
		\$	Percent of DuPage County	Percent Change Year-Over-Year
1994	\$11,428,885,508	\$844,173,944	7.39	---
1995	12,077,092,423	885,922,945	7.34	4.9
1996	12,865,873,160	920,361,109	7.15	3.9
1997	13,716,694,618	947,197,612	6.91	2.9
1998	14,708,117,446	1,029,348,097	7.00	8.7
1999	15,711,890,257	1,117,246,355	7.11	8.5
2000	16,051,663,106	1,150,458,407	7.17	3.0
2001	16,067,910,902	1,079,833,825	6.72	-6.1
2002	15,547,422,564	992,578,208	6.38	-8.1
2003	15,521,817,312	981,858,698	6.33	-1.1
2004	16,173,798,573	966,945,667	5.98	-1.5
2005	16,831,408,341	981,171,739	5.83	1.5
2006	17,715,346,611	1,074,003,752	6.06	9.5
2007	17,622,667,513	1,043,238,301	5.92	-2.9
2008	16,847,585,918	989,227,129	5.87	-5.2
2009	15,185,257,101	793,301,676	5.22	-19.8
2010	15,883,937,691	831,697,327	5.24	4.8
2011	16,594,307,868	875,465,376	5.28	5.3
<b>First Three Quarters</b>				
2011	\$12,097,265,333	\$632,066,379	5.22	---
2012	12,562,772,757	725,870,117	5.78	14.8

Source: Illinois Department of Revenue and Tracy Cross & Associates, Inc.

**Application to  
Hahn Street**

The potential for larger-scale retail development within the Hahn Street property should be viewed as limited. This conclusion fully considers the property's small size, its location away from major retail corridors in DuPage County, and the competitive impact of alignments found at Oakbrook Center and its environs. This statement, however, does not dismiss the fact that the City Centre area is definitely a destination draw for many households not only from Elmhurst, but from other nearby communities and that some smaller component of retail within the subject property could be successful if developed in conjunction with another use such as residential. In this regard, the highest and best retail uses suited to Hahn Street and City Centre in general would be in the electronics, food/catering, beer/wine/liquor, and other specialty use sectors of the market. Not to be dismissed is the additional potential for a destination pub-style or bistro-type eating and drinking establishment which would fully compliment almost any form of residential, especially rentals.





## 4. THE RESIDENTIAL SECTOR

The market potential for residential development within the Hahn Street property will be dependent upon the strengths and weaknesses of the housing market in the Chicago metropolitan area as a whole, its suburbs, and, more importantly, upon conditions found locally in Elmhurst proper and in surrounding areas that have direct competitive influence. To this end, this section presents a detailed overview of trends in both the for sale and rental sectors of the market throughout the region isolating specifically upon the Eastern DuPage County/Western Cook County submarket, host to the city of Elmhurst.

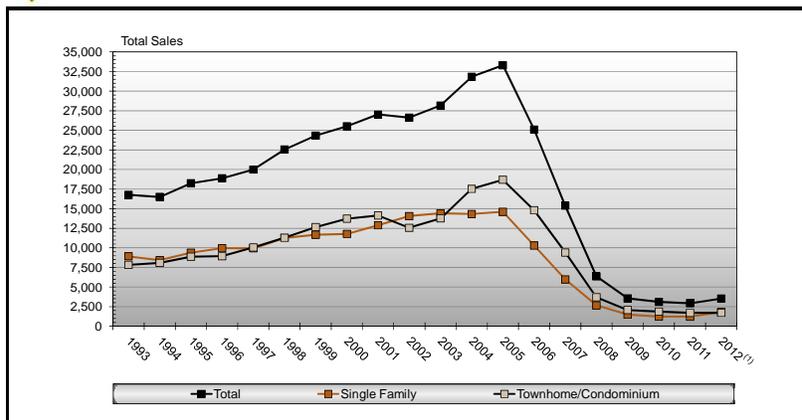
### THE FOR SALE MARKET

New home sales by production home builders in the ten-county Chicago region totaled 3,540 units in 2012 marking a 20.7 percent increase from the 2,932 units sold in 2011. While this increase was measurable and indicative of market recovery, 2012's level of activity remained 89.4 percent below volumes attained at the market's peak in 2005 when builders in the metropolitan area sold 33,287 units.

Sales in suburban Chicago equaled 2,859 in 2012 distributed between 1,795 single family detached units and 1,064 in the townhome and condominium component of the market. Overall, the suburban market in 2012 remained 88.9 percent down from the 25,761 units sold during 2005's peak with activity in both the single family and townhome/condominium sectors declining close to the same.



**NEW HOME SALES TRENDS**  
-- CHICAGO METROPOLITAN AREA --



Year	Total	Single Family	Townhome/Condominium
1993	16,766	8,925	7,841
1994	16,503	8,424	8,079
1995	18,253	9,378	8,875
1996	18,879	9,950	8,929
1997	19,988	9,939	10,049
1998	22,552	11,253	11,299
1999	24,327	11,679	12,648
2000	25,512	11,786	13,726
2001	27,012	12,882	14,130
2002	26,616	14,056	12,560
2003	28,158	14,402	13,756
2004	31,843	14,315	17,528
2005	33,287	14,598	18,689
2006	25,105	10,296	14,809
2007	15,377	5,972	9,405
2008	6,361	2,660	3,701
2009	3,552	1,475	2,077
2010	3,101	1,236	1,865
2011	2,932	1,229	1,703
2012 <sup>(1)</sup>	3,540	1,822	1,718
<b>Peak (Year)</b>	<b>33,287 (2005)</b>	<b>14,598 (2005)</b>	<b>18,689 (2005)</b>
<b>2012</b>	<b>3,540</b>	<b>1,822</b>	<b>1,718</b>
<b>Percent Variance</b>	<b>-89.4</b>	<b>-87.5</b>	<b>-90.8</b>

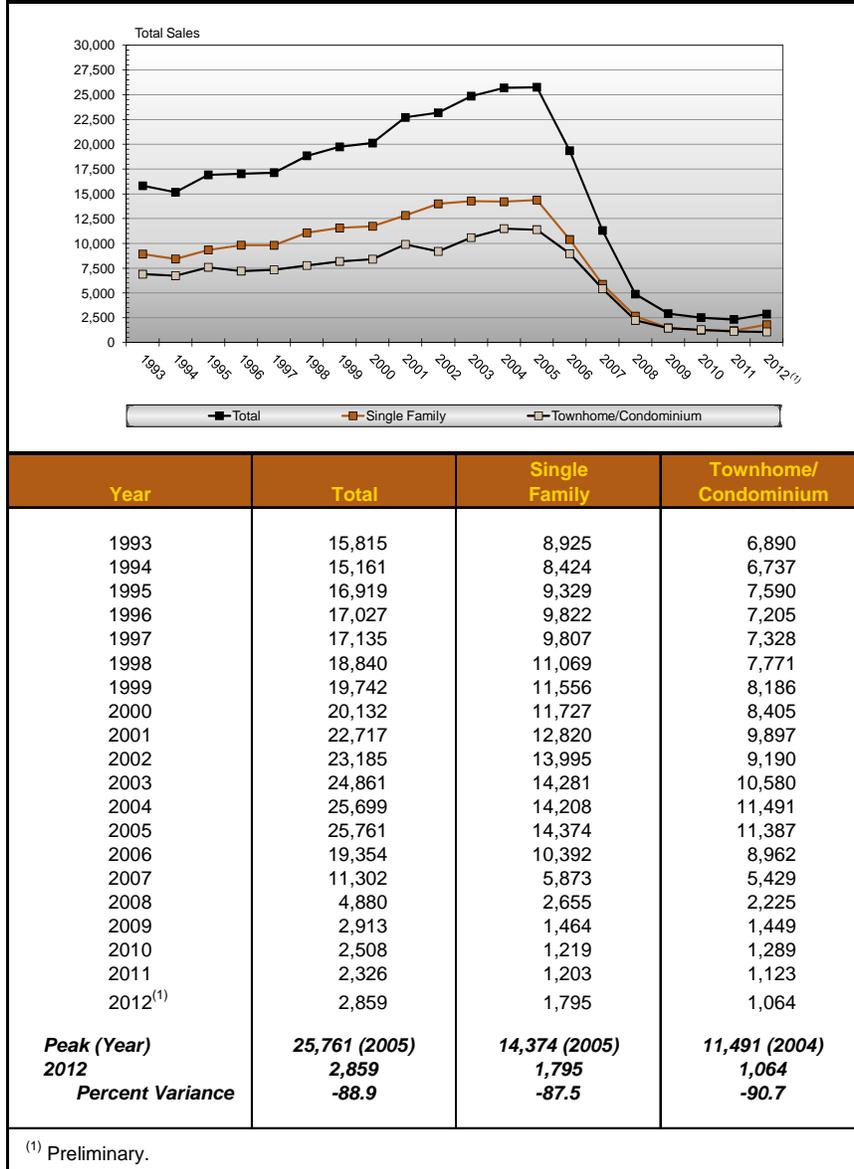
<sup>(1)</sup> Preliminary.

Source: Tracy Cross & Associates, Inc.





**NEW HOME SALES TRENDS**  
 -- SUBURBAN CHICAGO --



Source: Tracy Cross & Associates, Inc.

In the suburban single family detached market, 219 programs were active in 2012 with the average development generating only 8.2 sales during the year. This volume, however, was heavily distorted between communities that performed relatively well and those that hardly registered any pulse. As shown in the following text table, 28 individual single family developments active in the suburbs sold 20 or more homes during the year with these sales leaders reporting 28.8 sales on an average project basis. This volume compares with the yearly average sales rate of 5.2 attained by the 191 remaining programs. Interestingly, of top performing developments, 24 of the 28 supported average prices under the \$300,000 mark including 19 which were priced under \$250,000.





**2012 SALES LEADERS - THE SINGLE FAMILY SECTOR  
-- SUBURBAN CHICAGO --**

Program	Builder	Location	Average Sales Price	Total Sales 2012
Shorewood Glen <sup>(1)</sup>	Del Webb	Shorewood	\$213,290	50
Liberty Lakes	K. Hovnanian	Wauconda	245,995	42
Autumn Creek-Fields	Pulte	Yorkville	214,240	41
Blackberry Crossing-West	Ryland	Montgomery	202,290	39
Winchester Glen-The Meadows	Pulte	Carpentersville	224,690	39
Carillon at Stonegate <sup>(1)</sup>	D.R. Horton	Aurora	217,157	38
Talamore-Hartford	Ryland	Huntley	288,323	36
Talamore-Landmark	Ryland	Huntley	232,690	34
Cambridge Lakes-Meadow/Prairie	D.R. Horton	Pingree Grove	225,951	32
Cambridge at Heatherstone	D.R. Horton	Beach Park	197,178	30
Lancaster Falls-Landmark	Ryland	Volo	195,879	29
Lakewood Crossing-The Meadows	Ryland	Hampshire	169,990	28
Symphony Meadows Horizon	D.R. Horton	Volo	174,847	28
Symphony Meadows Prairie	D.R. Horton	Volo	225,516	28
Autumn Creek-The Groves	Pulte	Yorkville	140,690	25
River Hills-K. Hovnanian	K. Hovnanian	Bolingbrook	269,195	25
Hawthorn Trails	Icon	Hawthorn Woods	541,500	24
Regency Estates	K. Hovnanian	St. Charles	278,995	24
Misty Ridge	Beechen & Dill	Romeoville	237,990	23
Theodore Ridge	BnA	Joliet	193,879	23
Fairways at Augusta Village	Overstreet	Bolingbrook	489,680	22
Whitmore Place	M/I	St. Charles	270,657	22
Covington Lakes-Heritage/Signature	D.R. Horton	Huntley	237,823	21
Grande Park-Anfield	Ryan	Plainfield	256,740	21
Mill Creek-Tanna	ShoDeen	Geneva	321,735	21
Mirador	K. Hovnanian	North Aurora	248,162	21
Carillon Club-Gallery	D.R. Horton	Naperville	343,865	20
Grand Dominion-Manor <sup>(1)</sup>	Del Webb	Mundelein	222,490	20
			<b>Total</b>	<b>806</b>
			<b>Number of Developments</b>	<b>28</b>
			<b>Average Per Development</b>	<b>28.8</b>
			<b>Total Sales Remaining Suburban Developments</b>	<b>989</b>
			<b>Number of Developments</b>	<b>191</b>
			<b>Average Per Development</b>	<b>5.2</b>

<sup>(1)</sup> Represents an age-qualified, active adult community.

Source: Tracy Cross & Associates, Inc.

Only 13 of the 184 townhome/condominium programs active in the suburban area had 20 or more sales in 2012 led by Pulte's courtyard and duplex series at The Glen in Glenview with 37 and 36 contracts, respectively. Following Pulte were five townhome communities by M/I Homes and two very inexpensive offerings by Lennar in Bridgeview. Among all sales leaders in the suburban market, only one moderate to higher-density program pushed 20 sales or more during the year.





**2012 SALES LEADERS - THE ATTACHED SECTOR  
-- SUBURBAN CHICAGO --**

<b>Program</b>	<b>Builder</b>	<b>Location</b>	<b>Product Type</b>	<b>Average Sales Price</b>	<b>Total Sales 2012</b>
Regency at The Glen-Towns	Pulte	Glenview	Courtyard	\$329,490	37
Regency at The Glen-Villas	Pulte	Glenview	Duplex	607,990	36
Mayfair Grant Park	M/I	Naperville	Conventional TH	271,240	35
Mayfair Uptown	M/I	Naperville	Courtyard	234,740	34
Talamore-TH	Ryland	Huntley	Conventional TH	144,190	32
Patriot Square-Seaboard	D.R. Horton	Plainfield	Courtyard	150,000	31
Sheffield Square-Union	M/I	Orland Park	Courtyard	218,240	26
Lexington Park	Lexington	Des Plaines	Courtyard	254,990	24
Shelbourne Crossing	M/I	Winfield	Courtyard	218,240	23
One Evanston	Related Midwest	Evanston	Highrise Condominium	348,950	21
Bridgeview Place-Mews II	Lennar	Bridgeview	Courtyard	189,990	20
Bridgeview Place-Villas II	Lennar	Bridgeview	Flat-Over-Flat	129,990	20
Whitmore Place	M/I	St. Charles	Conventional TH	178,240	20
<b>Total</b>					<b>359</b>
<b>Number of Developments</b>					<b>13</b>
<b>Average Per Development</b>					<b>27.6</b>
<b>Total Sales Remaining Suburban Developments</b>					<b>705</b>
<b>Number of Developments</b>					<b>171</b>
<b>Average Per Development</b>					<b>4.1</b>

Source: Tracy Cross & Associates, Inc.

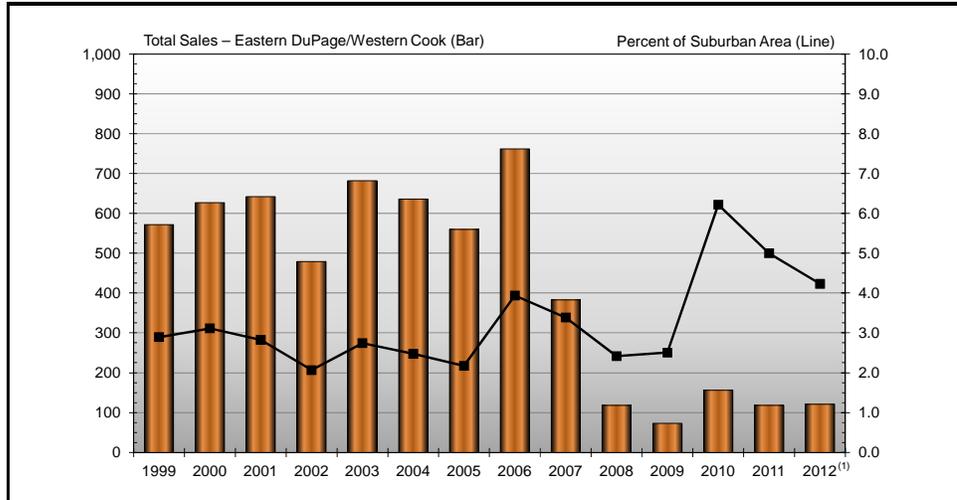
**Eastern DuPage  
County/Western  
Cook County**

In this submarket, which extends from the city of Chicago through Elmhurst to the Lisle-Naperville area, only 121 new construction homes were sold by non-custom home builders in 2012. This marks an 84.1 percent decline from the 762 units sold in 2006 and an 80.5 percent drop from the area's average of 620 units sold annually during the 1999-2006 timeframe.





**NEW HOME SALES TRENDS**  
 -- EASTERN DUPAGE COUNTY/WESTERN COOK COUNTY SUBMARKET --



Year	Total Sales Suburban Area	Eastern DuPage County/ Western Cook County Submarket	
		Total Sales	Percent of Suburban Area
1999	19,742	572	2.9
2000	20,132	627	3.1
2001	22,717	642	2.8
2002	23,185	479	2.1
2003	24,861	682	2.7
2004	25,699	636	2.5
2005	25,761	560	2.2
2006	19,354	762	3.9
2007	11,302	383	3.4
2008	4,880	118	2.4
2009	2,913	73	2.5
2010	2,508	156	6.2
2011	2,326	118	5.0
2012 <sup>(1)</sup>	2,859	121	4.2
<b>Peak (Year)</b>	<b>25,761 (2005)</b>	<b>762 (2006)</b>	---
<b>2012</b>	<b>2,859</b>	<b>121</b>	---
<b>Percent Variance</b>	<b>-88.9</b>	<b>-84.1</b>	---

<sup>(1)</sup> Preliminary.

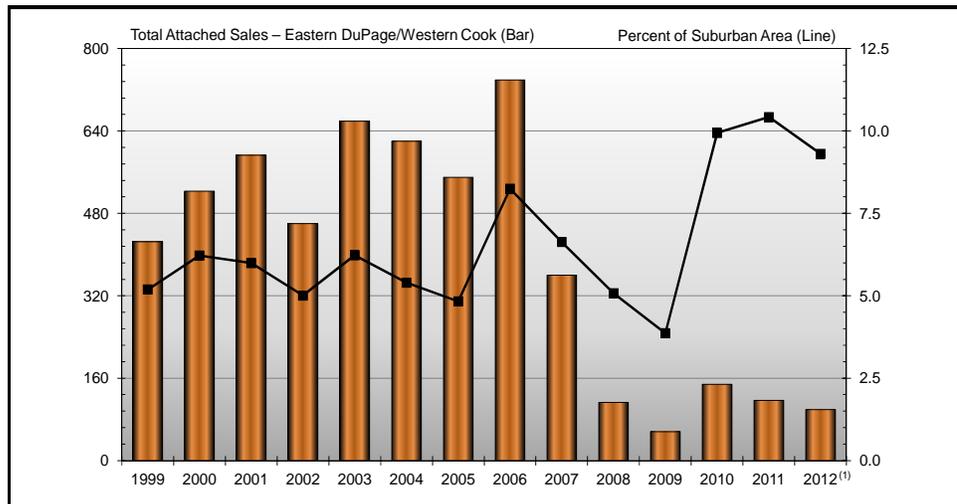
Source: Tracy Cross & Associates, Inc.

Currently, there are only five single family developments of scale active in the submarket. In 2012, these programs sold a total of 22 new homes paced by Pulte's 18 sales at the Savoy Club in Burr Ridge, a takeover community initially conceived as an age-targeted development directed to the more mature homebuyer.



In the townhome/condominium sector of the Eastern DuPage County/Western Cook County area, 99 new homes were sold in 2012 led by Lennar's two very low-priced offerings at Bridgeview Place in Bridgeview with a total of 40 sales. Following Bridgeview Place was Arcadia on the Green in Downers Grove which sold its last 13 units within a 124-unit midrise condominium community that opened for sale over seven years ago.

**TOWNHOME/CONDOMINIUM SALES TRENDS  
THE NEW CONSTRUCTION SECTOR  
-- EASTERN DUPAGE COUNTY/WESTERN COOK COUNTY SUBMARKET --**



Year	Total Attached Sales Suburban Chicago	Eastern DuPage County/ Western Cook County Submarket	
		Total Sales	Percent of Suburban Area
1999	8,186	425	5.2
2000	8,405	523	6.2
2001	9,897	593	6.0
2002	9,190	460	5.0
2003	10,580	659	6.2
2004	11,491	620	5.4
2005	11,387	550	4.8
2006	8,962	739	8.2
2007	5,429	360	6.6
2008	2,225	113	5.1
2009	1,449	56	3.9
2010	1,489	148	9.9
2011	1,123	117	10.4
2012 <sup>(1)</sup>	1,064	99	9.3
<b>Peak (Year)</b>	<b>11,491 (2004)</b>	<b>739 (2006)</b>	---
<b>2012</b>	<b>1,064</b>	<b>99</b>	---
<b>Percent Variance</b>	<b>-90.7</b>	<b>-86.6</b>	---

<sup>(1)</sup> Preliminary.

Source: Tracy Cross & Associates, Inc.



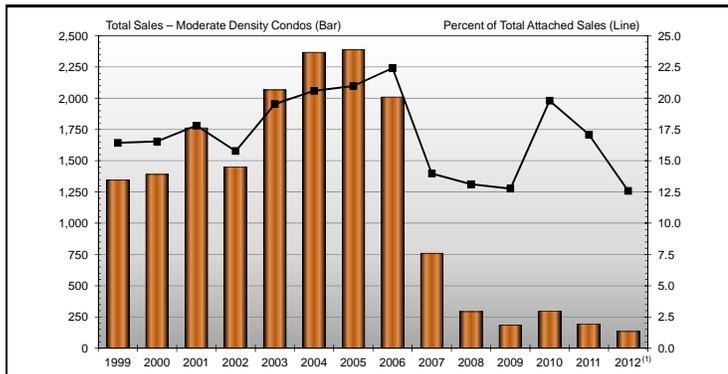
Today, 20 townhome/condominium communities are active in the Eastern DuPage County/Western Cook County submarket. Excluding Bridgeview Place, the remaining 18 communities have averaged only 0.3 sales monthly since opening. Included within this average is Essex Place of Elmhurst which opened in December 2005 and has since sold a total of 47 units at an average monthly rate of 0.6. Last year, Essex Place sold only three units which averaged 1,634 square feet in size priced without options and upgrades at \$244,000.

**Application  
To Hahn Street**

Redevelopment of the Hahn Street property with any form of for sale residential product clearly would need to be delayed until such a time when the market in Chicago returns to some form of normalization which is not likely for at least the next three years. Especially vulnerable would be the possible introduction of a 90+ unit midrise condominium product where it is doubtful that any builder could profitably generate over two sales monthly even when the market improves. One only has to be reminded that with the exception of Crescent Court, which sold 67 units in a three-month period in 2003, other moderate density condominium programs in Elmhurst struggled during their full marketing life averaging only 0.9 sales monthly through sellout. In addition, it is highly unlikely that the midrise condominium

market in suburban Chicago will recover at the same pace as the rest of the new home market. Simply, this sector recorded only 134 sales last year in all of ten counties representing only 12.6 percent of total attached sales in the market as a whole. This is in stark contrast to the condominium sector's capture rate of 22.4 percent experienced in 2006.

**MODERATE DENSITY CONDOMINIUM SALES TRENDS**  
**-- THE NEW CONSTRUCTION SECTOR - SUBURBAN CHICAGO --**



Year	Total Attached Sales	Moderate Density Condominium Sales	
		Number	Percent of Total Attached Sales
1999	8,186	1,345	16.4
2000	8,405	1,391	16.5
2001	9,897	1,763	17.8
2002	9,190	1,450	15.8
2003	10,580	2,067	19.5
2004	11,491	2,367	20.6
2005	11,387	2,389	21.0
2006	8,962	2,009	22.4
2007	5,429	759	14.0
2008	2,225	292	13.1
2009	1,449	185	12.8
2010	1,489	295	19.8
2011	1,123	192	17.1
2012 <sup>(1)</sup>	1,064	134	12.6
<b>Peak (Year)</b>	<b>11,491 (2004)</b>	<b>2,389 (2005)</b>	---
<b>2012</b>	<b>1,064</b>	<b>134</b>	---
<b>Percent Variance</b>	<b>-90.7</b>	<b>-94.4</b>	---

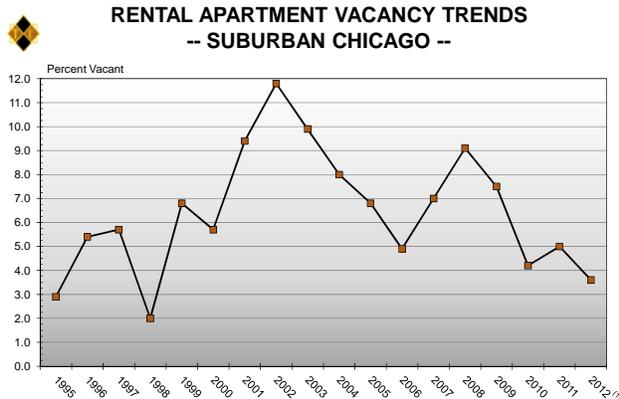
<sup>(1)</sup> Preliminary.

Source: Tracy Cross & Associates, Inc.

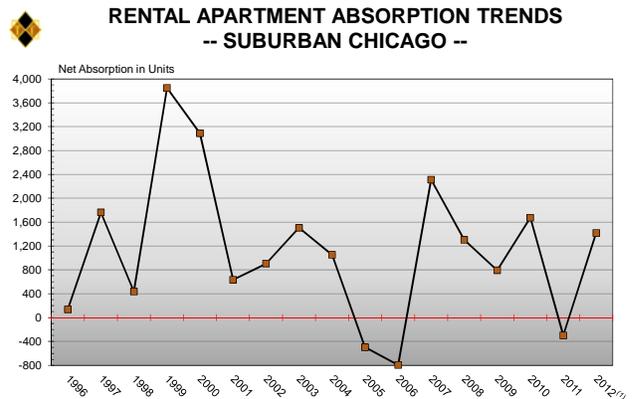
Finally, looking at other for sale options, Hahn Street may be able to accommodate a much lower density townhome development following the lead established recently by major production builders aggressively pursuing infill locations. This option, however, must be weighed against other alternatives in the rental sector where higher densities may be achieved resulting in a greater level of economic return.

**THE RENTAL MARKET**

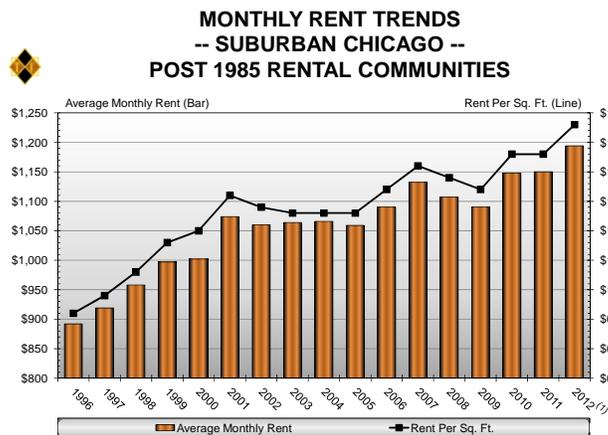
The suburban rental market in Chicago is quite strong. As of June of last year, for example, vacancies in stabilized communities built in 1985 or later averaged just 3.5 percent representing a tight market condition when compared to a balanced market where a 5.0 to 6.0 percent vacancy range allows for adequate filtering and mobility within the market. Additionally in the suburban market, net absorption of apartments has averaged 1,180 units annually since 2006 with 1,418 units absorbed on an annualized basis during the January-June 2012 period. Posted monthly rents also reflect strength in the suburban market as evidenced by their June 2012 average of \$1,194 monthly for a 935 square foot residence equal to a value ratio of \$1.28 per square foot. This value ratio represents a very healthy increase of 3.6 percent annually since 2009 and an annualized increase of 8.1 percent during the six-month period ending in June 2012.



<sup>(1)</sup> As of June.  
Source: Tracy Cross & Associates, Inc.



<sup>(1)</sup> Annualized pace for the first six months of the year.  
Source: Tracy Cross & Associates, Inc.



<sup>(1)</sup> As of June 2012.  
Source: Tracy Cross & Associates, Inc.



**A More  
Localized Focus**

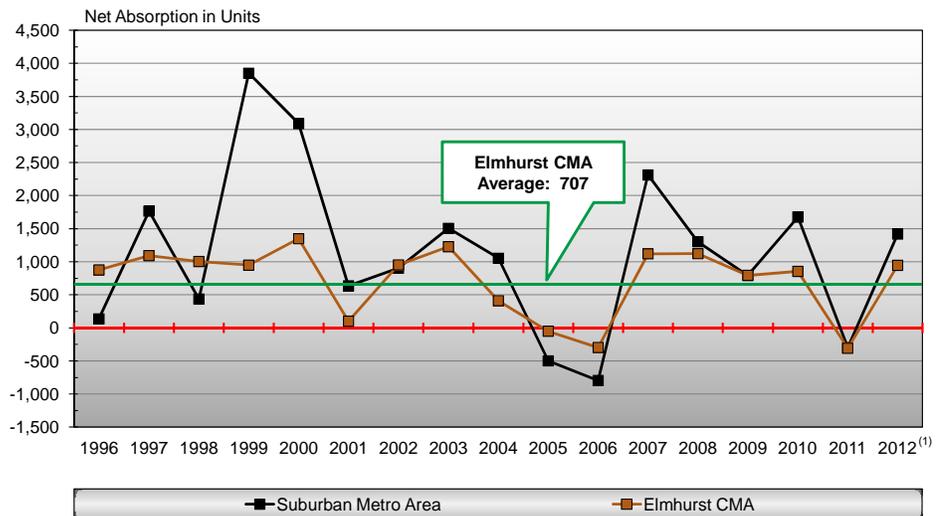
Direct and indirect competition to potential rental development of the Hahn Street property is represented by existing programs built or fully renovated in Chicago's west suburban area defined for the purpose of this analysis as the *Elmhurst Competitive Market Area* or CMA. As of June 2012, there were 78 separate communities marketing a total of 23,355 rental units in the CMA. Roughly two-thirds of all units in this competitive area (15,640 units or 67.0 percent) are found within suburban areas *west* of I-355, concentrated in the Aurora/Naperville area which alone accounts for 9,582 units or 41.1 percent of the total.

In the Elmhurst CMA, net absorption has averaged 707 units annually since 1995, accounting for 62.8 percent of net absorption throughout suburban Chicago. Cyclical in nature, absorption levels over the last 15.5 years peaked in 2000 at 1,348 units, reflecting strong new construction activity during the 1995-1999 period (again) concentrated in areas west of I-355. Subsequently, absorption levels began to subside, falling to the 101-unit mark in 2001, before improving modestly during the 2002-2003 timeframe. Thereafter, the strength of the regional *for sale* market had an adverse impact upon the rental marketplace, with absorption falling to a net *loss* of 296 units by the close of 2006 reflecting the interest rate impetus of the 2003-2005 period which stimulated unprecedented movership to *for sale* idioms.

Net absorption improved dramatically over the last five and one-half years (2007-June 2012) averaging 755 units annually, responding to the collapse of (particularly) the entry-level *for sale* sector, coupled with very limited and sporadic new apartment construction. In fact, since 2003, only 795 rental apartment units have been added to the whole of the Elmhurst CMA, translating to a nominal 94 units per year. Moreover, the vast majority of these new units are found within first-ring suburbs *east* of I-355 and more proximate to Elmhurst.



**NET ABSORPTION: POST-1985 RENTAL APARTMENT DEVELOPMENTS  
-- ELMHURST COMPETITIVE MARKET AREA --**

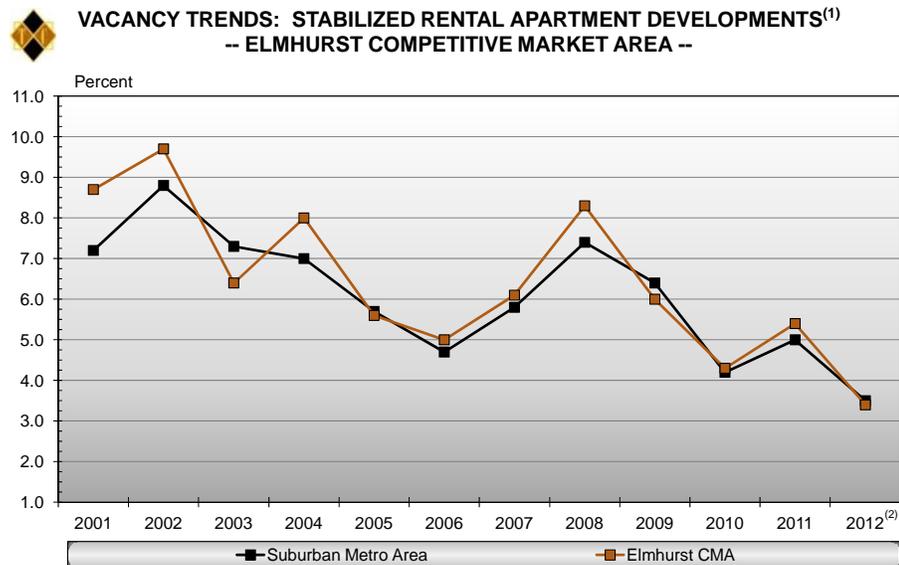


<sup>(1)</sup> Annualized rate YTD June 2012.  
Source: Tracy Cross & Associates, Inc.



Rental rate growth among the 78 newer apartment developments in the Elmhurst CMA has also been subject to market forces. Efforts to encourage lease-up during the 2003-2005 period necessitated substantial concessions and/or rent rollbacks which remained in place through most of 2005. Beginning late in the year, however, as the for-sale market began to moderate, concessions began to disappear. In 2006, rent levels advanced 2.7 percent to the \$1.15 per square foot mark, and continued to climb during 2007, reaching \$1.21 per square foot by year end, reflecting another 5.2 percent increase during the twelve-month period. Exacerbated by the effects of the national recession which resulted in staggering job losses region wide, suburban apartment developments once again began to initiate rent concessions and rollbacks in 2008 and 2009 to encourage lease-up and/or higher occupancy levels, with average rents settling at \$1.17 per square foot at the close of 2009. Most recently rents have rebounded, establishing a new peak level of \$1.29 per square foot in June 2012.

Rent concessions and/or rollbacks initiated during the 2003-2005 timeframe, coupled with the overall lack of new construction led to tighter market conditions as vacancies fell from a high of 9.7 percent in 2002 to a balanced 5.0 percent by the close of 2006. Again, for perspective, a marketplace is generally considered balanced when vacancies hover at the 5.0 to 6.0 percent level which allows for filtering or movement within the marketplace. In tandem with rising rents, vacancies among the 78 developments began to advance in 2007, reaching the 8.3 percent mark in 2008. Notably, by the close of 2011, rent concessions and discounts, coupled with continued upheaval and uncertainty in the for sale sector, saw vacancies settle at a relatively balanced 5.4 percent. However, over the six-month period ending in June 2012 and given improving conditions in the overall economy, vacancies again tightened as evidenced by an overall vacancy rate of 3.4 percent, reflecting the lowest level seen in the west suburban marketplace in more than a decade.



<sup>(1)</sup> Excludes programs in initial stages of absorption.

<sup>(2)</sup> Statistics YTD June 2012.

Source: Tracy Cross & Associates, Inc.



While the preceding paragraphs present a general overview of the west suburban rental marketplace, certainly not all of the 78 apartment complexes will be directly competitive with Hahn Street, especially those which were built *before* 1995. Hence, attention is now directed to the newest construction communities, as this latter subset reflects higher levels of potential substitution relative to future offerings within the subject property.

Since 1995, 35 fair market developments containing a total of 9,132 units have been introduced in the Elmhurst CMA including two projects with separate phases. As illustrated in **Exhibit 4.1**, these developments reached stabilized occupancy levels at an average rate of 12.1 units per month. By individual development, absorption rates have ranged from a lows of 3.0 monthly at the relatively small Lincolnshire Court in far southwest suburban Yorkville to a high of 30.2 monthly at Lincoln at the Parks in Naperville which is one of the better located developments in the area relative to proximate employment. In the eastern DuPage County portion of the CMA along with the addition of Oak Park, eleven newer apartment communities have been introduced to the market since 1995. Excluding the 69-unit Two Itasca Place which opened in May 2012, the remaining ten more localized developments reached stabilized occupancy levels at a rate of 12.5 units monthly.

**HISTORICAL ABSORPTION TRENDS  
-- EASTERN DUPAGE COUNTY AND OAK PARK --  
PROJECTS BUILT SINCE 1995**



Program	Location	Average Monthly Rate to Stabilization
The Residences at the Grove	Downers Grove	9.1
City View at the Highlands	Lombard	13.5
Regency Place	Oakbrook Terrace	3.9
Oak Park Place	Oak Park	6.9
Lincoln at Ovaltine Court	Villa Park	17.2
Stratford Green	Bloomingtondale	12.5
Two Itasca Place	Itasca	Not Stabilized <sup>(1)</sup>
Village Green at Cantera	Warrenville	12.5
Retreat at Danada Farms	Wheaton	14.0
The Retreat at Seven Bridges	Woodridge	20.0
AML I at Seven Bridges	Woodridge	15.3
	<b>Market Average</b>	<b>12.5</b>

<sup>(1)</sup> Represents average rate after one month.

Source: Tracy Cross & Associates, Inc.

As shown in **Exhibit 4.2** and reflecting conditions throughout the general area, *posted* asking rents among the 35 newer developments have begun to rise, currently averaging \$1,373 monthly for a typical 1,013 square foot apartment home. This translates to a value ratio of \$1.36 per square foot, a level 4.6 percent higher than the \$1.30 per square foot value noted in December 2011 and a sharp 7.9 percent higher than the \$1.26 per square foot rate noted one year ago (June 2011).





# 4.1

## ABSORPTION TRENDS SELECTED APARTMENT COMMUNITIES ELMHURST COMPETITIVE MARKET AREA

Program	Location	Total Units	Began Leasing (Month/Year)	Reached Stabilized Occupancy (Month/Year)	Average Monthly Rate	As a Percent of Total Units
The Residences at the Grove	Downers Grove	294	Aug-08	Dec-10	9.1	3.1
City View at the Highlands	Lombard	403	Aug-03	Dec-05	13.5	3.3
Regency Place	Oakbrook Terrace	112	Mar-07	Jun-09	3.9	3.5
Oak Park Place	Oak Park	200	Nov-08	Dec-10	6.9	3.5
Lincoln at Ovaltine Court	Villa Park	344	Nov-00	Jun-02	17.2	5.0
Stratford Green	Bloomingtondale	192	Apr-97	Jun-08	12.5	6.5
Two Itasca Place	Itasca	69	May-12	---	4.0	---
Alara at Summerfield Phase I	Aurora	200	Mar-99	Jun-00	11.9	6.0
Alara at Summerfield Phase II	Aurora	168	Jun-02	Aug-04	5.3	3.2
Amlis at Kirkland Crossing	Aurora	266	Oct-03	Jul-04	11.1	4.2
Amlis at Oakhurst North	Aurora	464	Apr-98	Jun-01	11.6	2.5
Butterfield Oaks	Aurora	336	Mar-01	Dec-02	13.3	4.0
Lakeview Townhomes at Fox Valley	Aurora	120	Oct-97	Aug-98	10.7	8.9
Legacy at Fox Valley	Aurora	272	Dec-96	Dec-98	19.2	7.1
Orchard Village	Aurora	272	Apr-00	Sep-01	15.1	5.6
Amlis at Naperville	Naperville	440	Aug-98	Nov-00	15.1	3.4
Amlis at River Run	Naperville	206	May-02	Jun-03	14.7	7.1
Bristol Station	Naperville	348	Jun-02	Jun-04	13.1	3.8
Brittany Springs	Naperville	336	Jan-96	May-98	19.4	5.8
Glenmuir Luxury Rental Homes	Naperville	321	Nov-99	Aug-01	14.6	4.5
Grand Reserve of Naperville	Naperville	318	Apr-97	Mar-99	13.4	4.2
Lincoln at the Parks	Naperville	400	May-97	Jun-98	30.2	7.6
Maple Court of Naperville	Naperville	28	Jan-98	Mar-98	9.3	33.2
Railway Plaza	Naperville	417	Aug-99	Sep-01	15.7	3.8
Thornberry Woods	Naperville	280	Jun-01	Jun-02	18.2	6.5
Farmington Lakes	Oswego	304	Jun-02	Dec-03	14.8	4.9
Village Green at Cantera	Warrenville	343	Feb-96	Mar-98	12.5	3.6
Retreat at Danada Farms	Wheaton	295	Sep-96	May-98	14.0	4.7
Amlis at Seven Bridges	Woodridge	520	Jul-02	Oct-04	15.3	2.9
The Retreat at Seven Bridges	Woodridge	252	Jan-06	Dec-96	20.0	7.9
York Meadow I	Yorkville	60	Aug-01	Dec-02	2.9	4.8
York Meadow II	Yorkville	32	Jun-04	Apr-05	3.0	9.4
Dodson Place	Geneva	22	Feb-09	Jun-09	4.0	18.2
Residence at Mill Creek	Geneva	48	Mar-09	Jun-10	3.0	6.3
The Village at Mill Creek	Geneva	30	Feb-06	Oct-06	3.0	10.0
Amlis at St. Charles	St. Charles	400	Aug-99	Dec-00	18.0	4.5
Fox Place	St. Charles	20	Oct-04	Dec-04	10.0	50.0
Absorption Summary						
Attribute	Total Market	Programs with 200 Units or More		Programs with Less Than 200 Units		
Number of Programs	37	25		12		
Total Units	9,132	8,231		901		
Average Program Size	247	329		75		
Average Monthly Absorption	12.1	15.1		6.0		
As a Percent of Program Size	4.9	4.6		8.0		

Source: Tracy Cross & Associates, Inc.



# 4.2

## COMPOSITE SUMMARY: APARTMENT DEVELOPMENTS CONSTRUCTED IN 1995 OR LATER ELMHURST COMPETITIVE MARKET AREA - JUNE 2012

Area/Municipality/ Development	Year Built/ Renovated	Number of Units	Number Vacant	Percent Vacant	Average Unit Size (Sq. Ft.)	Rent Characteristics				Stabilized Developments <sup>(1)</sup>			
						Average Posted December 2011	June 2012		Average Effective	Number of Units	Number Vacant	Percent Vacant	
							Average Posted	Average Effective					
						\$	\$/Sq.	\$	\$/Sq. Ft.				
<b>Market Area Totals/Averages</b>	---	<b>9,132</b>	<b>378</b>	<b>4.1</b>	<b>1,013</b>	<b>\$1,311</b>	<b>\$1,373</b>	<b>\$1.36</b>	<b>\$1,354</b>	<b>\$1.34</b>	<b>9,063</b>	<b>317</b>	<b>3.5</b>
<b>Eastern DuPage Co/W Cook Co</b>	---	<b>1,353</b>	<b>69</b>	<b>5.1</b>	<b>922</b>	<b>\$1,606</b>	<b>\$1,643</b>	<b>\$1.78</b>	<b>\$1,570</b>	<b>\$1.70</b>	<b>1,353</b>	<b>69</b>	<b>5.1</b>
<b>Downers Grove</b>	---	<b>294</b>	<b>12</b>	<b>4.1</b>	<b>1,003</b>	<b>\$1,739</b>	<b>\$1,788</b>	<b>\$1.78</b>	<b>\$1,696</b>	<b>\$1.69</b>	<b>294</b>	<b>12</b>	<b>4.1</b>
The Residences at The Grove	2008	294	12	4.1	1,003	1,739	1,788	1.78	1,696	1.69	294	12	4.1
<b>Lombard</b>	---	<b>403</b>	<b>35</b>	<b>8.7</b>	<b>916</b>	<b>\$1,466</b>	<b>\$1,478</b>	<b>\$1.61</b>	<b>\$1,419</b>	<b>\$1.55</b>	<b>403</b>	<b>35</b>	<b>8.7</b>
CityView at The Highlands	2003	403	35	8.7	916	1,466	1,478	1.61	1,419	1.55	403	35	8.7
<b>Oakbrook Terrace</b>	---	<b>112</b>	<b>5</b>	<b>4.5</b>	<b>1,199</b>	<b>\$2,513</b>	<b>\$2,493</b>	<b>\$2.08</b>	<b>\$2,384</b>	<b>\$1.99</b>	<b>112</b>	<b>5</b>	<b>4.5</b>
Regency Place	2007	112	5	4.5	1,199	2,513	2,493	2.08	2,384	1.99	112	5	4.5
<b>Oak Park</b>	---	<b>200</b>	<b>4</b>	<b>2.0</b>	<b>799</b>	<b>\$1,816</b>	<b>\$1,851</b>	<b>\$2.32</b>	<b>\$1,851</b>	<b>\$2.32</b>	<b>200</b>	<b>4</b>	<b>2.0</b>
Oak Park Place	2008	200	4	2.0	799	1,816	1,851	2.32	1,851	2.32	200	4	2.0
<b>Villa Park</b>	---	<b>344</b>	<b>13</b>	<b>3.8</b>	<b>843</b>	<b>\$1,237</b>	<b>\$1,313</b>	<b>\$1.56</b>	<b>\$1,212</b>	<b>\$1.44</b>	<b>344</b>	<b>13</b>	<b>3.8</b>
Lincoln at Ovaltine Court	2001	344	13	3.8	843	1,237	1,313	1.56	1,212	1.44	344	13	3.8
<b>Northern DuPage County</b>	---	<b>261</b>	<b>80</b>	<b>30.7</b>	<b>1,338</b>	<b>\$1,530</b>	<b>\$1,700</b>	<b>\$1.27</b>	<b>\$1,700</b>	<b>\$1.27</b>	<b>192</b>	<b>19</b>	<b>9.9</b>
<b>Bloomington</b>	---	<b>192</b>	<b>19</b>	<b>9.9</b>	<b>1,234</b>	<b>\$1,530</b>	<b>\$1,495</b>	<b>\$1.21</b>	<b>\$1,495</b>	<b>\$1.21</b>	<b>192</b>	<b>19</b>	<b>9.9</b>
Stratford Green	1997	192	19	9.9	1,234	1,530	1,495	1.21	1,495	1.21	192	19	9.9
<b>Itasca</b>	---	<b>69</b>	<b>61</b>	<b>88.4</b>	<b>1,626</b>	---	<b>\$2,272</b>	<b>\$1.40</b>	<b>\$2,272</b>	<b>\$1.40</b>	---	---	---
Two Itasca Place <sup>(2)</sup>	2006	69	61	88.4	1,626	---	2,272	1.40	2,272	1.40	---	---	---
<b>SW DuPage Co/Aurora/Kendall Co</b>	---	<b>6,998</b>	<b>216</b>	<b>3.1</b>	<b>1,018</b>	<b>\$1,252</b>	<b>\$1,301</b>	<b>\$1.28</b>	<b>\$1,298</b>	<b>\$1.27</b>	<b>6,998</b>	<b>216</b>	<b>3.1</b>
<b>Aurora</b>	---	<b>2,098</b>	<b>74</b>	<b>3.5</b>	<b>1,019</b>	<b>\$1,168</b>	<b>\$1,216</b>	<b>\$1.19</b>	<b>\$1,209</b>	<b>\$1.19</b>	<b>2,098</b>	<b>74</b>	<b>3.5</b>
Alara at Summerfield I/II	1999/2001	368	2	0.5	1,166	1,203	1,246	1.07	1,246	1.07	368	2	0.5
Amli at Kirkland Crossing	2003	266	20	7.5	1,145	1,313	1,409	1.23	1,409	1.23	266	20	7.5
Amli at Oakhurst North	1998	464	11	2.4	995	1,151	1,205	1.21	1,205	1.21	464	11	2.4
Butterfield Oaks	2001	336	23	6.8	878	1,077	1,147	1.31	1,127	1.28	336	23	6.8
Lakeview TH at Fox Valley	1998	120	0	0.0	1,165	1,260	1,350	1.16	1,350	1.16	120	0	0.0
Legacy at Fox Valley	1996	272	9	3.3	987	1,141	1,141	1.16	1,141	1.16	272	9	3.3
Orchard Village	2000	272	9	3.3	876	1,108	1,108	1.26	1,075	1.23	272	9	3.3
<b>Naperville</b>	---	<b>3,094</b>	<b>93</b>	<b>3.0</b>	<b>1,008</b>	<b>\$1,291</b>	<b>\$1,336</b>	<b>\$1.32</b>	<b>\$1,336</b>	<b>\$1.32</b>	<b>3,094</b>	<b>93</b>	<b>3.0</b>
Amli at Naperville	1998	440	5	1.1	938	1,138	1,254	1.34	1,254	1.34	440	5	1.1
Amli at River Run	2002	206	10	4.9	1,316	1,582	1,596	1.21	1,596	1.21	206	10	4.9
Bristol Station	2002	348	7	2.0	862	1,152	1,182	1.37	1,182	1.37	348	7	2.0
Brittany Springs	1996	336	8	2.4	1,129	1,368	1,392	1.23	1,392	1.23	336	8	2.4
Glenmuir	2000	321	22	6.9	1,033	1,458	1,407	1.36	1,407	1.36	321	22	6.9
Grand Reserve of Naperville	1997	318	0	0.0	1,055	1,330	1,503	1.42	1,503	1.42	318	0	0.0
Lincoln at The Parks	1997	400	12	3.0	896	1,176	1,204	1.34	1,204	1.34	400	12	3.0
Maple Court of Naperville	1996	28	0	0.0	869	1,072	1,072	1.23	1,072	1.23	28	0	0.0
Railway Plaza	1999	417	16	3.8	1,072	1,333	1,404	1.31	1,404	1.31	417	16	3.8
Thornberry Woods	2001	280	13	4.6	929	1,282	1,236	1.33	1,236	1.33	280	13	4.6

Area/Municipality/ Development	Year Built/ Renovated	Number of Units	Number Vacant	Percent Vacant	Average Unit Size (Sq. Ft.)	Rent Characteristics					Stabilized Developments <sup>(1)</sup>		
						Average Posted December 2011	June 2012		Average Effective	Number of Units	Number Vacant	Percent Vacant	
							Average Posted	Average Effective					
						\$	\$/Sq.	\$	\$/Sq. Ft.				
<b>Oswego</b>	---	<b>304</b>	<b>0</b>	<b>0.0</b>	<b>924</b>	<b>\$1,047</b>	<b>\$1,135</b>	<b>\$1.23</b>	<b>\$1,135</b>	<b>\$1.23</b>	<b>304</b>	<b>0</b>	<b>0.0</b>
Farmington Lakes	2002	304	0	0.0	924	1,047	1,135	1.23	1,135	1.23	304	0	0.0
<b>Warrenville</b>	---	<b>343</b>	<b>4</b>	<b>1.2</b>	<b>1,054</b>	<b>\$1,296</b>	<b>\$1,282</b>	<b>\$1.22</b>	<b>\$1,282</b>	<b>\$1.22</b>	<b>343</b>	<b>4</b>	<b>1.2</b>
Village Green at Cantera	1996	343	4	1.2	1,054	1,296	1,282	1.22	1,282	1.22	343	4	1.2
<b>Wheaton</b>	---	<b>295</b>	<b>6</b>	<b>2.0</b>	<b>1,188</b>	<b>\$1,474</b>	<b>\$1,574</b>	<b>\$1.32</b>	<b>\$1,574</b>	<b>\$1.32</b>	<b>295</b>	<b>6</b>	<b>2.0</b>
Retreat at Danada Farms	1996	295	6	2.0	1,188	1,474	1,574	1.32	1,574	1.32	295	6	2.0
<b>Woodridge</b>	---	<b>772</b>	<b>39</b>	<b>5.1</b>	<b>976</b>	<b>\$1,288</b>	<b>\$1,349</b>	<b>\$1.38</b>	<b>\$1,349</b>	<b>\$1.38</b>	<b>772</b>	<b>39</b>	<b>5.1</b>
Amli at Seven Bridges	2002	520	26	5.0	928	1,264	1,312	1.41	1,312	1.41	520	26	5.0
Retreat at Seven Bridges	1996	252	13	5.2	1,075	1,337	1,425	1.33	1,425	1.33	252	13	5.2
<b>Yorkville</b>	---	<b>92</b>	<b>0</b>	<b>0.0</b>	<b>1,342</b>	<b>\$1,384</b>	<b>\$1,384</b>	<b>\$1.03</b>	<b>\$1,384</b>	<b>\$1.03</b>	<b>92</b>	<b>0</b>	<b>0.0</b>
York Meadow	2001	92	0	0.0	1,342	1,384	1,384	1.03	1,384	1.03	92	0	0.0
<b>St. Charles/Batavia/Geneva</b>	---	<b>520</b>	<b>13</b>	<b>2.5</b>	<b>1,020</b>	<b>\$1,231</b>	<b>\$1,360</b>	<b>\$1.33</b>	<b>\$1,360</b>	<b>\$1.33</b>	<b>520</b>	<b>13</b>	<b>2.5</b>
<b>Geneva</b>	---	<b>100</b>	<b>4</b>	<b>4.0</b>	<b>1,129</b>	<b>\$1,458</b>	<b>\$1,474</b>	<b>\$1.30</b>	<b>\$1,474</b>	<b>\$1.30</b>	<b>100</b>	<b>4</b>	<b>4.0</b>
Dodson Place	2009	22	0	0.0	1,455	1,900	1,900	1.31	1,900	1.31	22	0	0.0
Residence at Mill Creek	2009	48	4	8.3	1,161	1,443	1,443	1.24	1,443	1.24	48	4	8.3
Village at Mill Creek	2006	30	0	0.0	840	1,157	1,210	1.44	1,210	1.44	30	0	0.0
<b>St. Charles</b>	---	<b>420</b>	<b>9</b>	<b>2.1</b>	<b>994</b>	<b>\$1,178</b>	<b>\$1,333</b>	<b>\$1.34</b>	<b>\$1,333</b>	<b>\$1.34</b>	<b>420</b>	<b>9</b>	<b>2.1</b>
Amli at St. Charles	1999	400	9	2.3	995	1,187	1,350	1.36	1,350	1.36	400	9	2.3
Fox Place	2004	20	0	0.0	980	990	990	1.01	990	1.01	20	0	0.0

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

<sup>(2)</sup> Originally marketed as for sale condominiums.

Source: Tracy Cross & Associates, Inc.

Seven relatively new apartment communities are proximate to the Hahn Street property including two conventional, non-age-qualified developments located in Elmhurst proper—Elm Creek and Elmhurst Place—along with five other programs in Downers Grove, Lombard, Oakbrook Terrace, Oak Park, and Villa Park. As of June 2012, these seven programs carried an average monthly rent of \$1,600 for a 945 square foot residence representing a value ratio of \$1.69 per square foot, or 24.3 percent higher than the \$1.36 per square foot level supported by newer developments in the Elmhurst CMA as a whole.



**RENT CHARACTERISTICS - DIRECT COMPETITORS  
-- HAHN STREET PROPERTY - ELMHURST, IL --**

Municipality/ Development	Year Built/ Renovated	Number of Units	Average Unit Size (Sq. Ft.)	Average Monthly Rent	
				\$	\$/Sq. Ft.
<b>Downers Grove</b>	---	<b>294</b>	<b>1,003</b>	<b>\$1,788</b>	<b>\$1.78</b>
The Residences at The Grove	2008	294	1,003	1,788	1.78
<b>Elmhurst</b>	---	<b>462</b>	<b>1,010</b>	<b>\$1,456</b>	<b>\$1.44</b>
Elm Creek	1987/2005	372	970	1,479	1.52
Elmhurst Place	1992	90	1,175	1,362	1.16
<b>Lombard</b>	---	<b>403</b>	<b>916</b>	<b>\$1,478</b>	<b>\$1.61</b>
CityView Highlands	2003	403	916	1,478	1.61
<b>Oakbrook Terrace</b>	---	<b>112</b>	<b>1,199</b>	<b>\$2,493</b>	<b>\$2.08</b>
Regency Terrace	2007	112	1,199	2,493	2.08
<b>Oak Park</b>	---	<b>200</b>	<b>799</b>	<b>\$1,851</b>	<b>\$2.32</b>
Oak Park Place	2008	200	799	1,851	2.32
<b>Villa Park</b>	---	<b>344</b>	<b>843</b>	<b>\$1,313</b>	<b>\$1.56</b>
Lincoln at Ovaltine Court	2001	344	843	1,313	1.56
		<b>Weighted Market Average</b>	<b>945</b>	<b>\$1,600</b>	<b>\$1.69</b>

Source: Tracy Cross & Associates, Inc.

**Application to  
Hahn Street**

The market potential for rental development within the Hahn Street property should be viewed as significant with this conclusion based upon the tightness of the apartment market in the western suburbs and in Elmhurst proper, rising rents, and Hahn Street's location within the City Centre area of the community. This potential is further enhanced by development of a new Mariano's Fresh Market one-half mile to the north which will open this summer and by limited supply in the planning pipeline throughout much of the area. As shown below, only 1,004 new apartment units are slated for future development in the Elmhurst Competitive Market Area most of which is removed from Elmhurst at a distance of eight miles or more. Further, and from a more practical point of view, rental demand potentials in Elmhurst's competitive environment will average approximately 1,250 to 1,500 units *annually* over the next several years,



representing a level large enough to withstand possible heightened levels of construction at any time near term.



**RESIDENTIAL PROJECTS IN PLANNING  
-- ELMHURST COMPETITIVE MARKET AREA --**

Community	Number of Projects	Number of Units			
		Total	Single Family	Multi-Family For Sale <sup>(1)</sup>	Multi-Family For Rent
Addison	2	277	31	246	---
Bloomingtondale	2	192	---	192	---
Darien	1	66	---	66	---
Elmhurst	1	28	---	---	28
Glen Ellyn	2	25	---	25	---
Lisle	1	310	---	---	310
Lombard	4	208	---	118	90
Oak Park	4	403	---	133	270
Roselle	1	16	---	16	---
Villa Park	3	259	---	259	---
Westmont	2	48	12	36	---
Wheaton	3	453	12	135	306
Wood Dale	1	17	---	17	---
Woodridge	1	108	108	---	---
<b>Total</b>	<b>28</b>	<b>2,410</b>	<b>163</b>	<b>1,243</b>	<b>1,004</b>

<sup>(1)</sup> Includes condominium units under consideration for possible conversion to a rental idiom.

Source: Tracy Cross & Associates, Inc.

