

Appreciating Chicago's Condominiums

Prepared in conjunction with the *Illinois Mortgage Bankers Association (IMBA)*

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Chicago's downtown condominium market consistently outperforms the nation.

During the 1990s:

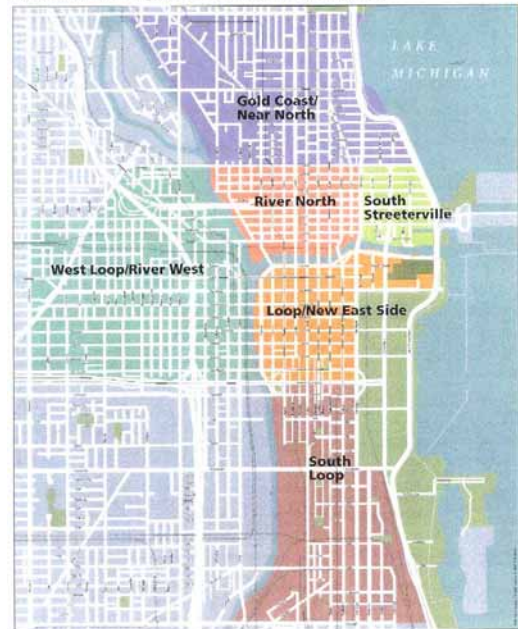
- The CPI index increased 38.1%.
- The U.S. average house price increased 59.7%.
- An average downtown Chicago condominium increased 118.7%.

- The average house price in the U.S. increased from \$111,800 to \$178,500.
- The average Chicago condominium price increased from \$178,743 to \$390,978.

The fact of condominium appreciation over the last few years is well known. It may surprise you to know:

- Chicago condominium per square foot prices appreciated in each of the last 12 years.
- Chicago condominium PSF prices have outpaced the U.S. average house appreciation for 9 of 12 years.
- Average prices in the U.S. increased 30.8% since 1995, with the Chicago MSA trailing slightly. Average prices for downtown Chicago Condominiums increased 80.1%.

Downtown Chicago Residential Submarkets



The preceding is based on an analysis of 19,818 sales totaling \$4.9 billion since 1988. Only valid closed sales of attached housing from the Multiple Listing Service of Northern Illinois (*see technical issues*). The sales are from zip codes 60601, 60610 and 60611 which consist of the following market communities.

- Gold Coast
- River North
- South Streeterville
- Loop/New East Side

There are 293 properties containing 33,353 units within the market area with a total estimated value approaching \$13.0 billion – all within a market containing only 2.76 square miles. The concentration of wealth is comparable to Lake Forest and Highland Park combined; which encompass 34.0 square miles (12.3x) but only have about 17,500 housing units (0.5x).

Both markets are high-end luxury locations with a virtually identical number of million dollars and up home sales in 2000. Downtown Chicago however, has true market diversity. Affordable entry-level housing can be found. Fully 25.0% of the units can be purchased for less than \$177,600 (*based on 2000 pricing*). In Lake Forest/Highland Park, only 5.5% of the housing product meets this criterion. Lake Forest/Highland Park's appreciation was about equal to the nation. Downtown Chicago outperformed the nation by two to one.

One misconception about the market is that the high appreciation is only in the large two and three bedroom units. Demand for this product is strong. But it is the studios and one bedroom units that have outpaced the market as a whole. Studio units appreciated 8.10% per year since 1988, with one bedroom units averaging 7.47% per year. Although large three-bedroom units lagged, at a still strong 6.66%, their "per square foot" prices – now at \$362 PSF – are more than \$125 higher than studios (\$231) and one bedroom units (\$237). The trend of combining multiple units will continue.

The following table summarizes the four neighborhoods. The Gold Coast has the highest average unit price (\$448,068). River North has more affordable units (\$299,069) while South Streeterville has the best long-term appreciation (8.87% per year). The Loop/New East Side is a mature market with smaller units. As Lakeshore East brings new luxury units to market, average pricing and long-term appreciation will increase.

Downtown Chicago Condo Market

Neighborhood	2000 Avg	88-00 Aprr	2000 PSF	Avg SF	Bldgs	Units	Units/Bldg
Gold Coast	\$448,068	7.40%	\$284	1,324	237	20,738	88
River North	\$299,069	8.16%	\$242	1,219	36	4,840	134
South Streeterville	\$336,811	8.87%	\$267	1,268	16	5,255	328
New East Side	\$314,681	6.59%	\$262	1,150	4	2,520	630
Total	\$390,904	7.07%	\$270	1,289	293	33,353	114

Note: Avg SF is based on all sales with SF reported over the 1988-2000 period.

On the following pages are neighborhood market snapshots from Appraisal Research Counselors **Condominium Benchmark Series**. Following this are snapshots of selected representative buildings.

- **John Hancock, 175 East Delaware** ~ Consistently above market. Rising prices for large units.
- **Newberry Plaza, 1030 North State** ~ Pricing close to the market as a whole.
- **Water Tower Place, 180 East Pearson** ~ Average price of \$538 PSF
- **Outer Drive East, 400 East Randolph** ~ Tracking the market but still below the curve.

For a report on a property you are interested in,
 email wmiller@appraisalresearch.com
(one sample per company)

The snapshots indicate the variety in the marketplace as well as the necessity of understanding that each building becomes its own unique market with further varying trends by unit type.

30 Years of Appreciation Results

The **IMBA** and **Appraisal Research Counselors** have been tracking condominium appreciation trends since 1967. Joint studies were published in 1971, 1977, 1979, 1980 and 1987.

The average price in 1971 at **1440 North Lake Shore Drive** (*built in 1962, converted in 1970, 235 units*) was \$43.60 PSF. In 2000, the average price was \$245.26 PSF – a 6.1% per year return (vs. CPI at 5.1%). Not only is downtown Chicago a great place to live and work, it offers solid real estate investment yields.

Appraisal Research Counselors can prepare market snapshots on **any** condominium property within the greater downtown market (more than 35,000 units tracked). In addition, our quarterly Downtown Chicago Benchmark Report (approximately 350 pages) provides details on the 115 active developments (new construction condominium and townhouse, condominium conversions, and adaptive reuse projects) as well as a time-series rental survey of more than 16,000 rental units in both standard and luxury buildings. Visit www.AppraisalResearch.com for a sample report.

Technical Issues

Statistics never lie – they just don't always tell the whole truth.

The truth is that any analysis is only as good as the underlying data. The MLS data used as the basis for this study is very good; but it is not perfect. The Multiple Listing Service of Northern Illinois (MLSNI) identifies 20,443 sales of attached housing within zip codes 60601, 60610 and 60611 between January 1, 1988 and March 31, 2001.

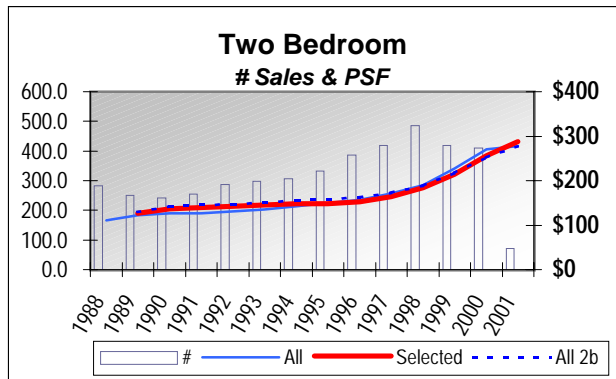
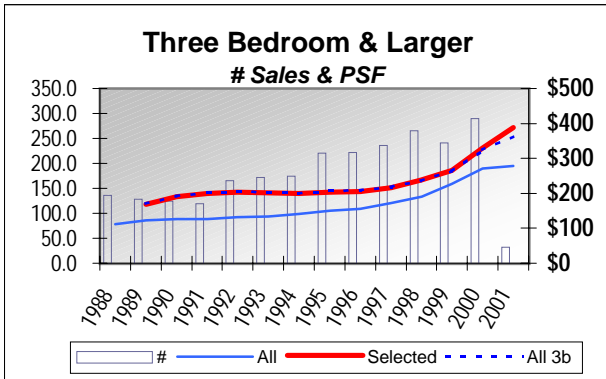
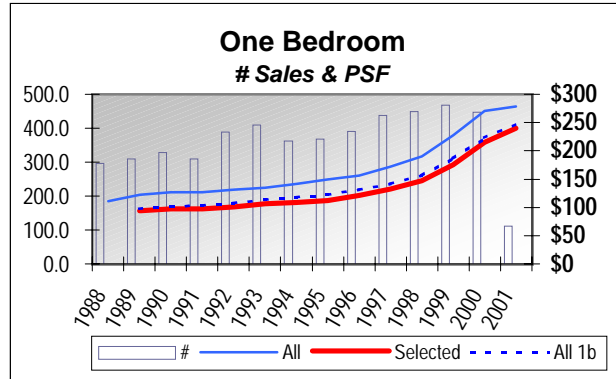
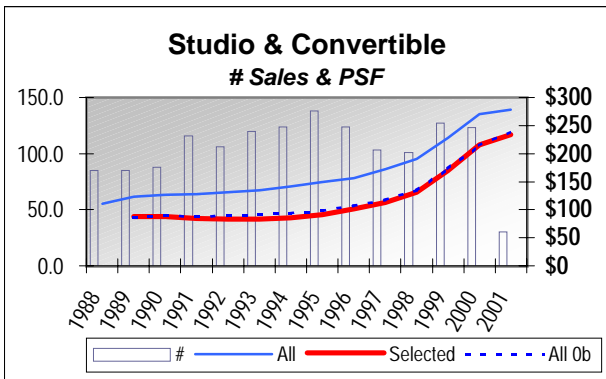
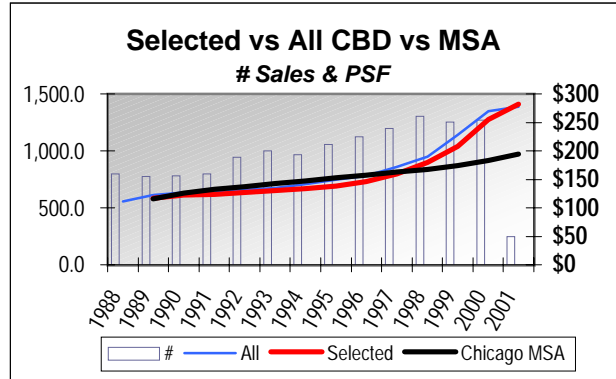
We excluded 625 sales due to obvious errors (like a wrong zip code), out of the market area, and because they were part of townhouse developments versus condominium. The resulting dataset contains 19,818 records. This dataset is used to calculate total counts and total price statistics.

Only 16,413 of these sales, or 82.8 percent, indicate unit square footage (*after cleaning the data and enhancing with known square footages for a few large buildings*). Appreciation trends are based on the PSF prices. Fully 80.5% of these are within the Gold Coast, which accounts for only about 62% of the units and 68% of the sales. Within certain buildings – typically older buildings with varying unit configurations, the lack of square footages has the potential to skew the results.

We are sure that there are other discrepancies that we have not yet identified. Appraisal Research Counselors will continue updating and enhancing these market snapshots from our Condominium Benchmark Series. We are interested in finding and correcting actual and perceived discrepancies. If something doesn't seem right, please email wmiller@appraisalresearch.com. We will investigate and report back. Your assistance is appreciated.

Eugene W. Stunard, MAI is President of Appraisal Research Counselors. William H. Miller, Russ Haraus, SRA, John R. Jaeger and Gail Lissner, SRA are Vice Presidents responsible for Research, Single-Family, Multi-Family and Residential Development, respectively. Russ is a member of IMBA's Technology Committee. Bill chaired IMBA's Appraisal Committee (1987-1988) and on the Board of Directors (1989). Gene served on the Board of Directors (1983-1987).

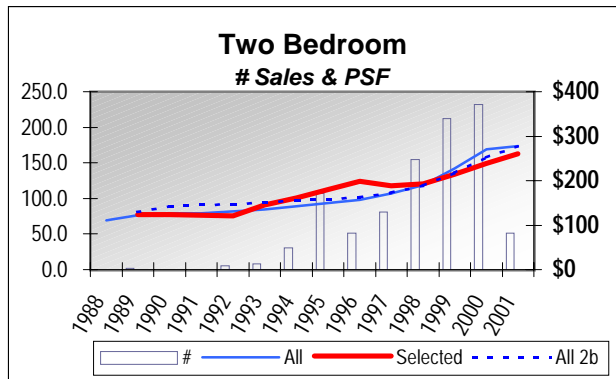
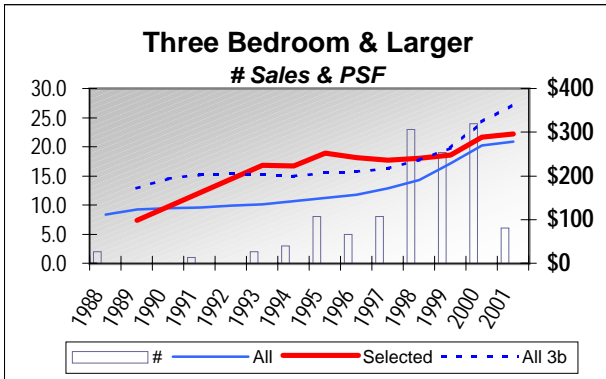
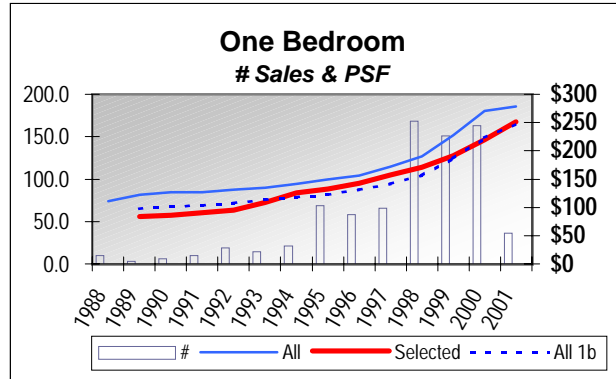
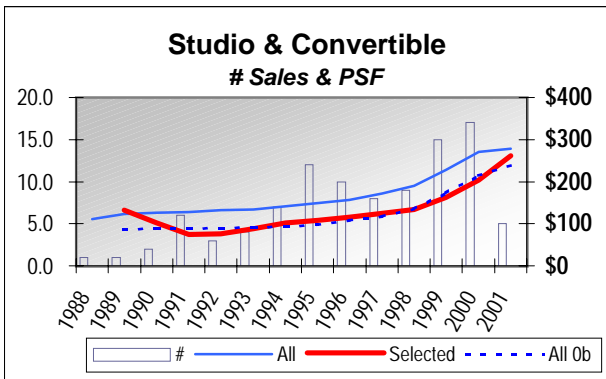
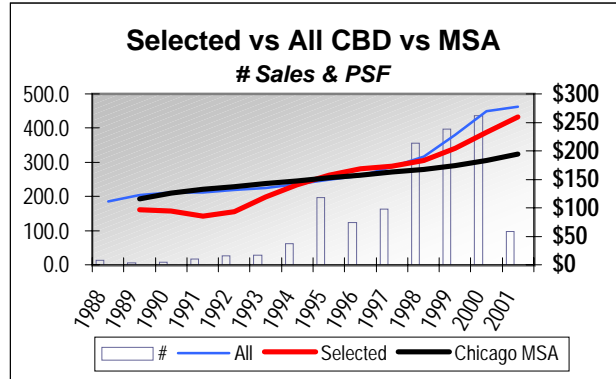
Gold Coast
237 Buildings
20,738 Units



Sales Profile

	All Condominiums in 60601, 60610 & 60611					Gold Coast				
	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm
Total Sales	19,818	2,108	7,849	6,834	3,027	13,515	1,470	5,076	4,441	2,528
Avg # Sales/Yr	1,496	159	592	516	228	1,020	111	383	335	191
1999 Sales	2,337	199	959	870	309	1,253	127	467	418	241
2000 Sales	2,231	191	836	831	373	1,271	123	448	410	290
2001 (1Q)	447	42	198	157	50	245	30	112	71	32
Average Unit SF	1,289	594	878	1,446	2,479	1,324	569	837	1,433	2,518
1999 Avg Price	\$305,073	\$116,870	\$174,044	\$342,700	\$726,992	\$332,734	\$107,352	\$158,293	\$352,305	\$755,582
2000 Avg Price	\$390,978	\$128,939	\$203,136	\$392,713	\$942,301	\$448,068	\$130,308	\$195,242	\$429,260	\$1,000,003
2001 Price (1Q)	\$349,084	\$137,846	\$212,311	\$407,796	\$883,786	\$362,650	\$130,505	\$197,729	\$419,787	\$1,030,735
1999 Avg PSF	\$228	\$198	\$208	\$235	\$286	\$226	\$195	\$195	\$232	\$286
2000 Avg PSF	\$270	\$231	\$237	\$269	\$362	\$284	\$236	\$235	\$281	\$373
2001 PSF (1Q)	\$278	\$247	\$256	\$287	\$364	\$280	\$232	\$245	\$294	\$405
88-00 Avg Appr	7.07%	8.10%	7.47%	6.27%	6.66%	7.40%	8.22%	7.55%	6.66%	6.89%
Volume (000)	\$4,908,112	\$154,247	\$1,028,418	\$1,877,268	\$1,848,179	\$3,374,580	\$98,099	\$576,792	\$1,141,856	\$1,557,833

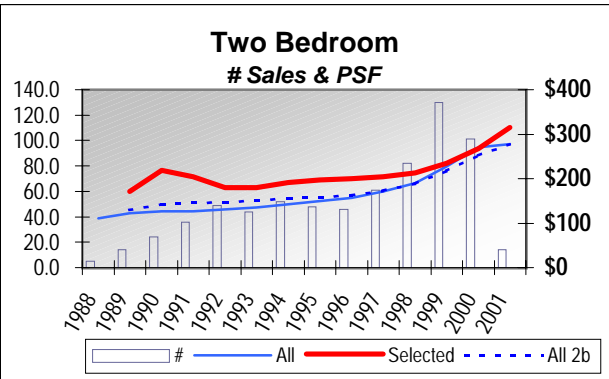
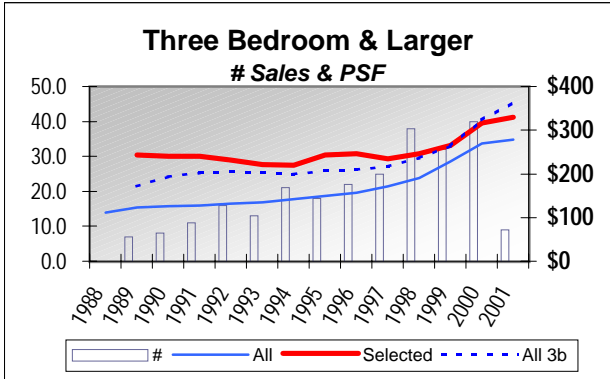
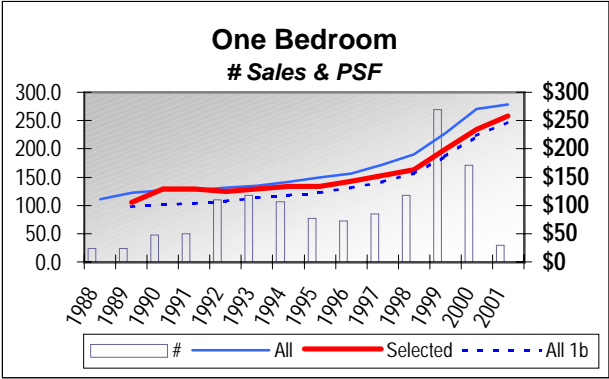
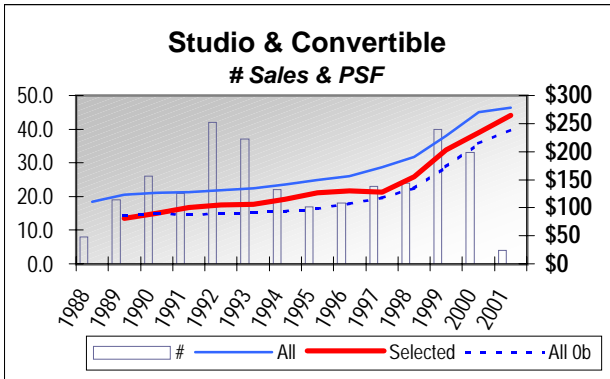
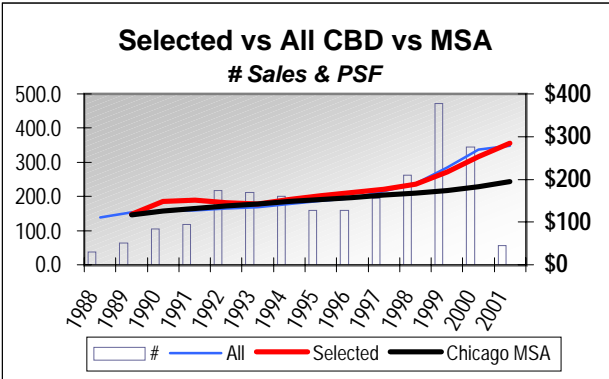
River North
36 Buildings
4,840 Units



Sales Profile

	All Condominiums in 60601, 60610 & 60611					River North				
	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm
Total Sales	19,818	2,108	7,849	6,834	3,027	1,930	100	794	935	101
Avg # Sales/Yr	1,496	159	592	516	228	146	8	60	71	8
1999 Sales	2,337	199	959	870	309	397	15	151	212	19
2000 Sales	2,231	191	836	831	373	436	17	163	232	24
2001 (1Q)	447	42	198	157	50	98	5	36	51	6
Average Unit SF	1,289	594	878	1,446	2,479	1,219	595	904	1,423	2,426
1999 Avg Price	\$305,073	\$116,870	\$174,044	\$342,700	\$726,992	\$284,265	\$171,547	\$182,044	\$322,192	\$762,460
2000 Avg Price	\$390,978	\$128,939	\$203,136	\$392,713	\$942,301	\$299,069	\$112,421	\$206,823	\$336,868	\$692,392
2001 Price (1Q)	\$349,084	\$137,846	\$212,311	\$407,796	\$883,786	\$325,290	\$166,400	\$233,799	\$371,200	\$616,417
1999 Avg PSF	\$228	\$198	\$208	\$235	\$286	\$224	\$188	\$206	\$233	\$284
2000 Avg PSF	\$270	\$231	\$237	\$269	\$362	\$242	\$219	\$234	\$243	\$292
2001 PSF (1Q)	\$278	\$247	\$256	\$287	\$364	\$278	\$304	\$269	\$279	\$299
88-00 Avg Appr	7.07%	8.10%	7.47%	6.27%	6.66%	8.16%		8.21%		8.75%
Volume (000)	\$4,908,112	\$154,247	\$1,028,418	\$1,877,268	\$1,848,179	\$489,424	\$9,925	\$132,529	\$282,712	\$64,259

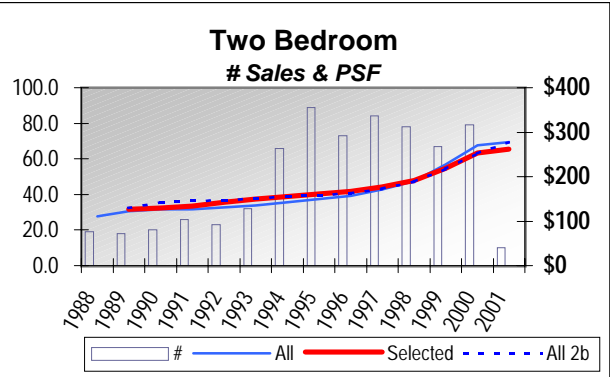
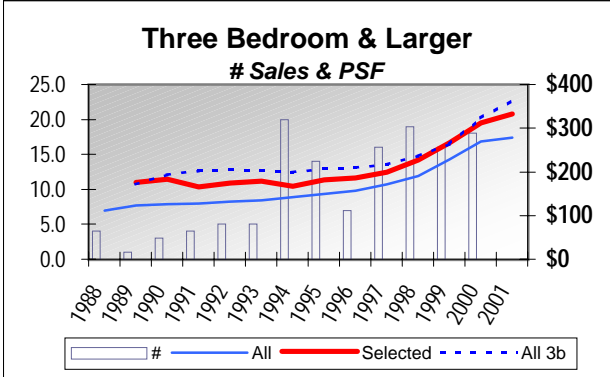
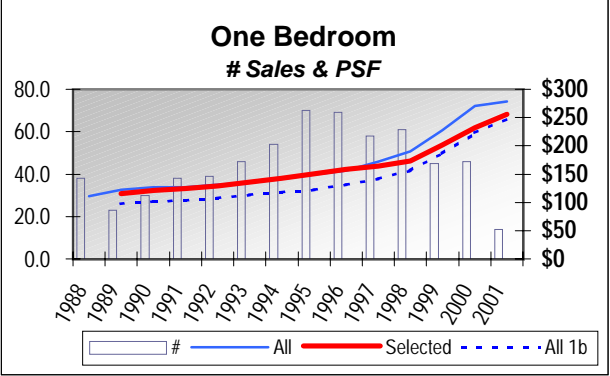
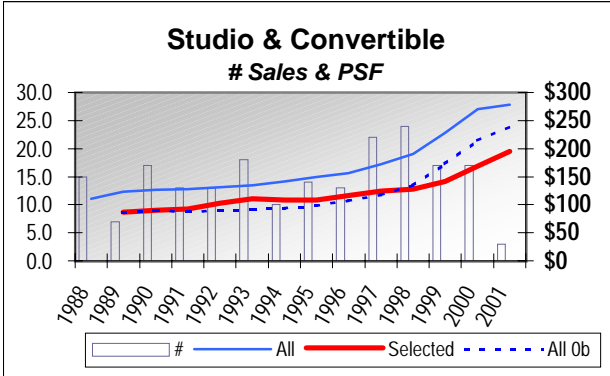
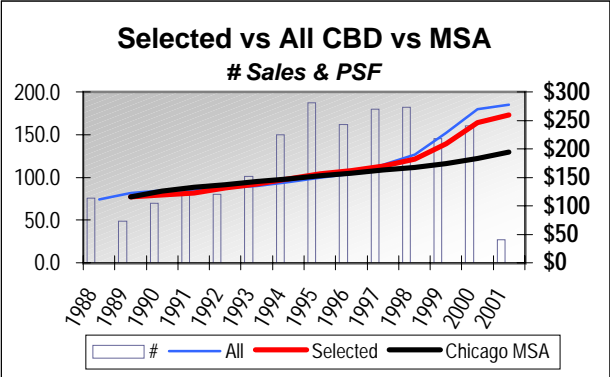
South Streeterville
16 Buildings
5,255 Units



Sales Profile

	All Condominiums in 60601, 60610 & 60611					South Streeterville				
	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm
Total Sales	19,818	2,108	7,849	6,834	3,027	2,602	334	1,302	706	260
Avg # Sales/Yr	1,496	159	592	516	228	196	25	98	53	20
1999 Sales	2,337	199	959	870	309	472	40	270	130	32
2000 Sales	2,231	191	836	831	373	345	33	171	101	40
2001 (1Q)	447	42	198	157	50	56	4	29	14	9
Average Unit SF	1,289	594	878	1,446	2,479	1,268	648	986	1,648	2,433
1999 Avg Price	\$305,073	\$116,870	\$174,044	\$342,700	\$726,992	\$264,100	\$134,591	\$193,894	\$371,827	\$580,712
2000 Avg Price	\$390,978	\$128,939	\$203,136	\$392,713	\$942,301	\$336,811	\$137,925	\$218,907	\$409,573	\$821,208
2001 Price (1Q)	\$349,084	\$137,846	\$212,311	\$407,796	\$883,786	\$389,618	\$165,475	\$241,312	\$620,968	\$607,233
1999 Avg PSF	\$228	\$198	\$208	\$235	\$286	\$238	\$223	\$227	\$255	\$285
2000 Avg PSF	\$270	\$231	\$237	\$269	\$362	\$267	\$245	\$241	\$281	\$348
2001 PSF (1Q)	\$278	\$247	\$256	\$287	\$364	\$302	\$284	\$276	\$349	\$311
88-00 Avg Appr	7.07%	8.10%	7.47%	6.27%	6.66%	8.87%	9.53%	8.31%	6.76%	
Volume (000)	\$4,908,112	\$154,247	\$1,028,418	\$1,877,268	\$1,848,179	\$676,173	\$30,166	\$220,676	\$260,917	\$164,414

Loop/New East Side
4 Buildings
2,520 Units

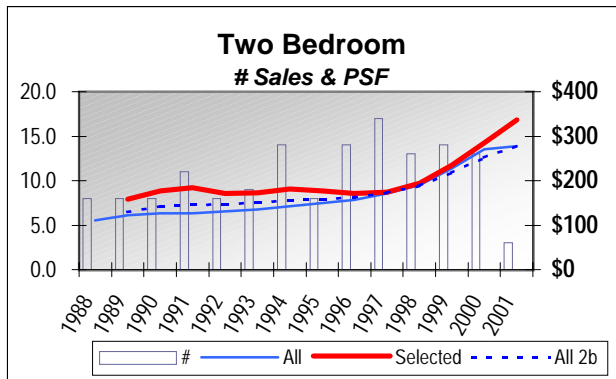
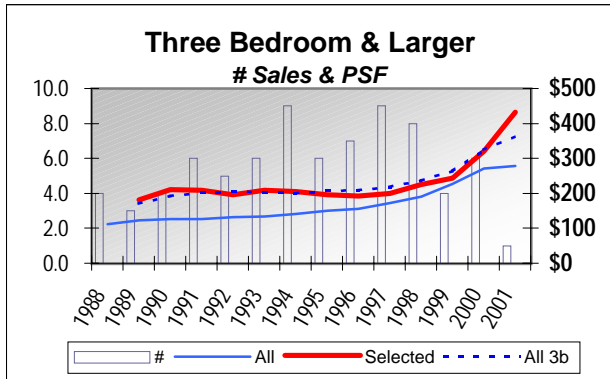
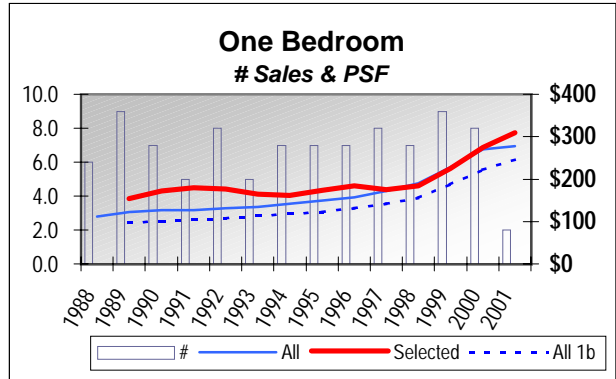
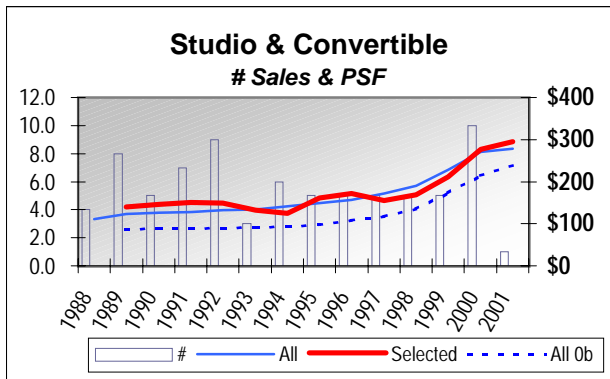
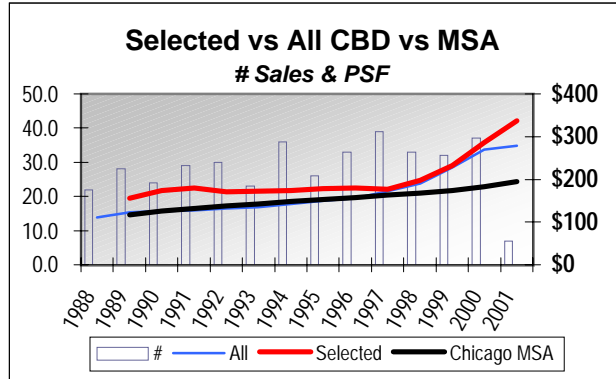


Sales Profile

	All Condominiums in 60601, 60610 & 60611					Loop/New East Side				
	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm
Total Sales	19,818	2,108	7,849	6,834	3,027	1,650	203	631	684	132
Avg # Sales/Yr	1,496	159	592	516	228	125	15	48	52	10
1999 Sales	2,337	199	959	870	309	145	17	45	67	16
2000 Sales	2,231	191	836	831	373	160	17	46	79	18
2001 (1Q)	447	42	198	157	50	27	3	14	10	
Average Unit SF	1,289	594	878	1,446	2,479	1,150	657	898	1,339	1,961
1999 Avg Price	\$305,073	\$116,870	\$174,044	\$342,700	\$726,992	\$273,047	\$98,041	\$186,577	\$309,304	\$550,363
2000 Avg Price	\$390,978	\$128,939	\$203,136	\$392,713	\$942,301	\$314,681	\$117,200	\$208,926	\$350,986	\$612,111
2001 Price (1Q)	\$349,084	\$137,846	\$212,311	\$407,796	\$883,786	\$252,052	\$126,833	\$227,500	\$323,990	
1999 Avg PSF	\$228	\$198	\$208	\$235	\$286	\$229	\$155	\$220	\$236	\$291
2000 Avg PSF	\$270	\$231	\$237	\$269	\$362	\$262	\$182	\$244	\$269	\$332
2001 PSF (1Q)	\$278	\$247	\$256	\$287	\$364	\$256	\$208	\$268	\$255	
88-00 Avg Appr	7.07%	8.10%	7.47%	6.27%	6.66%	6.59%	6.03%	6.09%	5.94%	5.52%
Volume (000)	\$4,908,112	\$154,247	\$1,028,418	\$1,877,268	\$1,848,179	\$334,050	\$15,912	\$90,190	\$170,139	\$57,808

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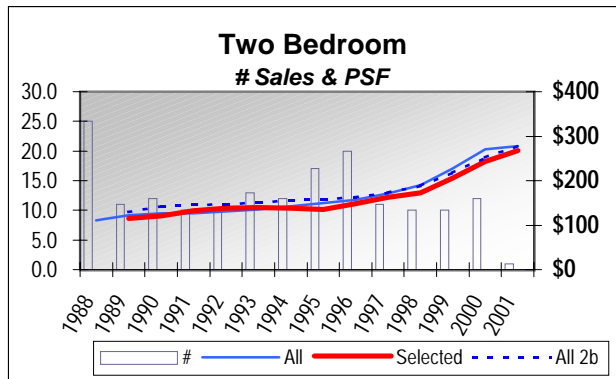
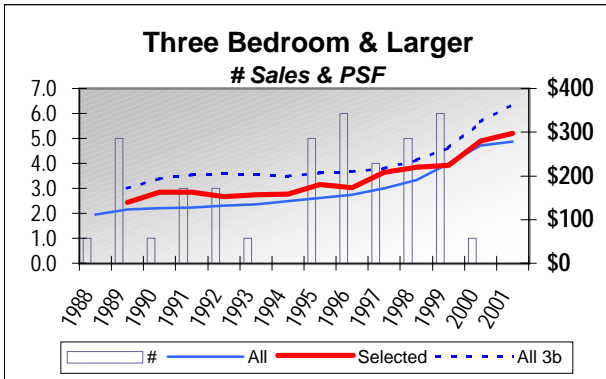
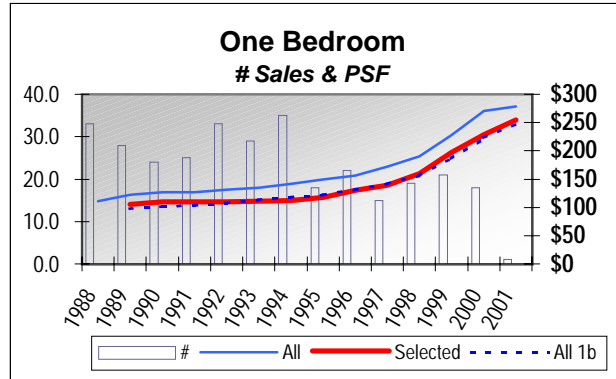
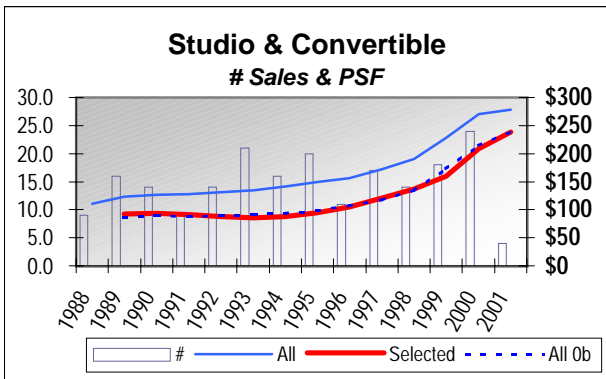
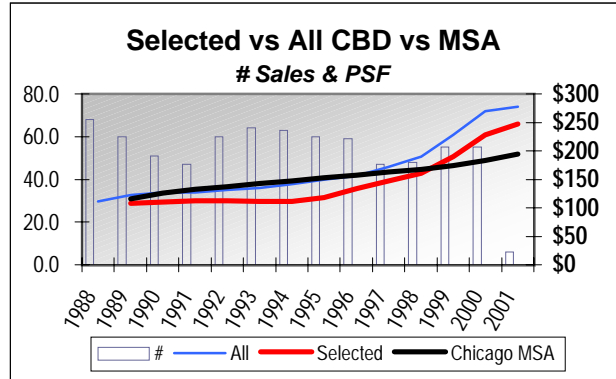
175 E Delaware
John Hancock
Built in 1973; 703 Units
Gold Coast/Near North



Sales Profile

	All Condominiums in 60601, 60610 & 60611					175 E Delaware				
	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm
Total Sales	19,818	2,108	7,849	6,834	3,027	399	78	95	148	78
Avg # Sales/Yr	1,496	159	592	516	228	30	6	7	11	6
1999 Sales	2,337	199	959	870	309	32	5	9	14	4
2000 Sales	2,231	191	836	831	373	37	10	8	13	6
2001 (1Q)	447	42	198	157	50	7	1	2	3	1
Average Unit SF	1,289	594	878	1,446	2,479	1,242	589	930	1,399	1,973
1999 Avg Price	\$305,073	\$116,870	\$174,044	\$342,700	\$726,992	\$300,864	\$142,050	\$198,822	\$362,357	\$513,750
2000 Avg Price	\$390,978	\$128,939	\$203,136	\$392,713	\$942,301	\$394,473	\$168,250	\$289,063	\$428,308	\$838,750
2001 Price (1Q)	\$349,084	\$137,846	\$212,311	\$407,796	\$883,786	\$507,581	\$187,500	\$299,500	\$580,000	\$1,026,565
1999 Avg PSF	\$228	\$198	\$208	\$235	\$286	\$255	\$251	\$251	\$261	\$249
2000 Avg PSF	\$270	\$231	\$237	\$269	\$362	\$317	\$304	\$299	\$309	\$392
2001 PSF (1Q)	\$278	\$247	\$256	\$287	\$364	\$356	\$285	\$320	\$365	\$474
88-00 Avg Appr	7.07%	8.10%	7.47%	6.27%	6.66%	6.05%	6.44%	5.96%	5.76%	6.72%
Volume (000)	\$4,908,112	\$154,247	\$1,028,418	\$1,877,268	\$1,848,179	\$102,223	\$8,047	\$16,928	\$41,871	\$35,376

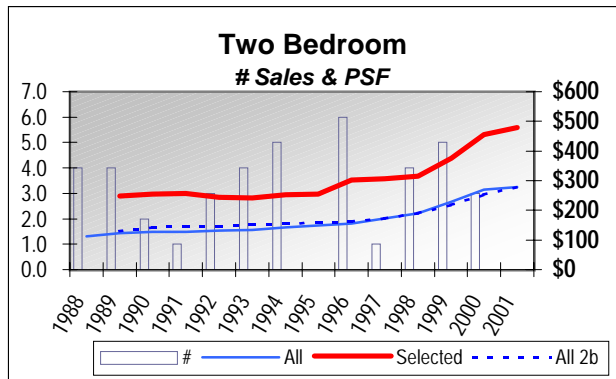
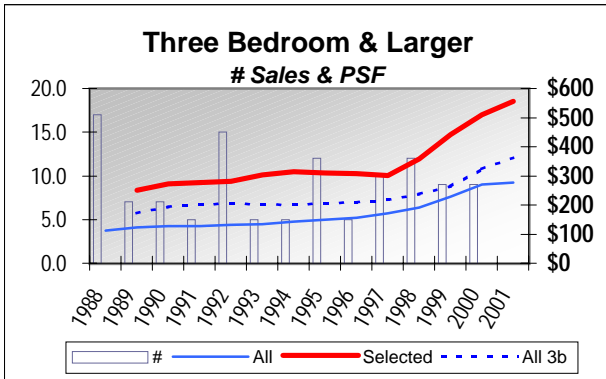
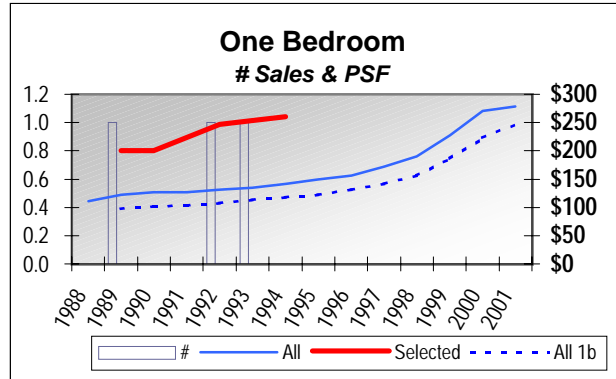
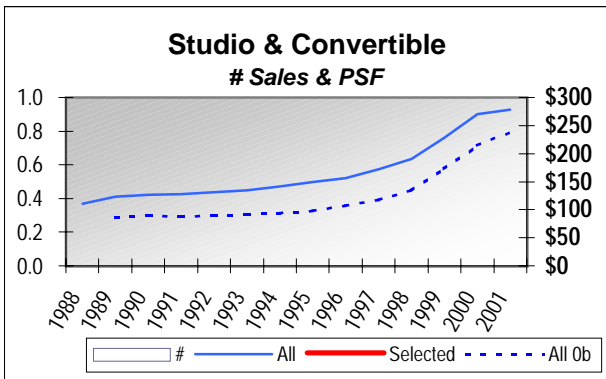
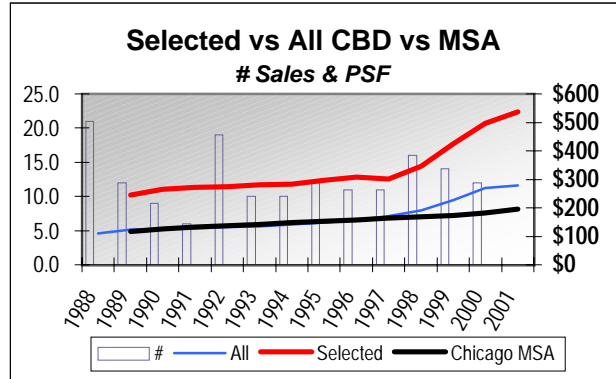
1030 N State
Newberry Plaza
Built in 1981; 624 Units
Gold Coast/Near North



Sales Profile

	All Condominiums in 60601, 60610 & 60611					1030 N State				
	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm
Total Sales	19,818	2,108	7,849	6,834	3,027	743	207	321	174	41
Avg # Sales/Yr	1,496	159	592	516	228	56	16	24	13	3
1999 Sales	2,337	199	959	870	309	55	18	21	10	6
2000 Sales	2,231	191	836	831	373	55	24	18	12	1
2001 (1Q)	447	42	198	157	50	6	4	1	1	
Average Unit SF	1,289	594	878	1,446	2,479	896	584	842	1,179	1,725
1999 Avg Price	\$305,073	\$116,870	\$174,044	\$342,700	\$726,992	\$201,083	\$103,486	\$176,943	\$274,700	\$455,667
2000 Avg Price	\$390,978	\$128,939	\$203,136	\$392,713	\$942,301	\$200,793	\$138,440	\$204,131	\$295,558	\$500,000
2001 Price (1Q)	\$349,084	\$137,846	\$212,311	\$407,796	\$883,786	\$181,067	\$121,725	\$273,500	\$326,000	
1999 Avg PSF	\$228	\$198	\$208	\$235	\$286	\$211	\$179	\$215	\$232	\$261
2000 Avg PSF	\$270	\$231	\$237	\$269	\$362	\$244	\$238	\$243	\$255	\$298
2001 PSF (1Q)	\$278	\$247	\$256	\$287	\$364	\$250	\$238	\$267	\$282	
88-00 Avg Appr	7.07%	8.10%	7.47%	6.27%	6.66%	6.82%	7.73%	7.13%	6.45%	6.66%
Volume (000)	\$4,908,112	\$154,247	\$1,028,418	\$1,877,268	\$1,848,179	\$96,184	\$15,230	\$35,981	\$31,452	\$13,522

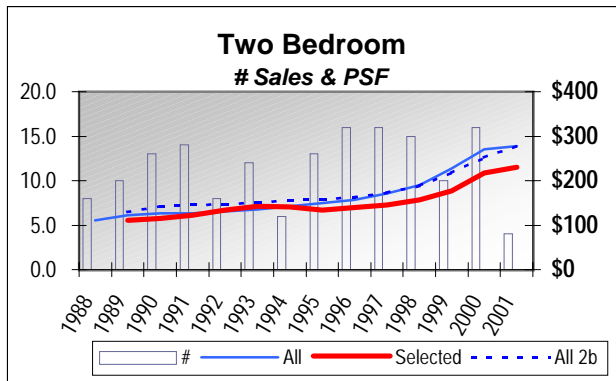
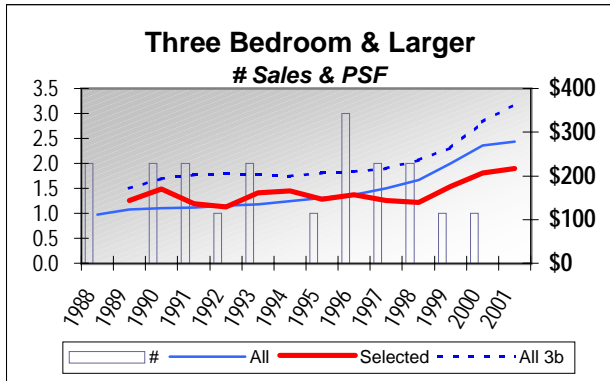
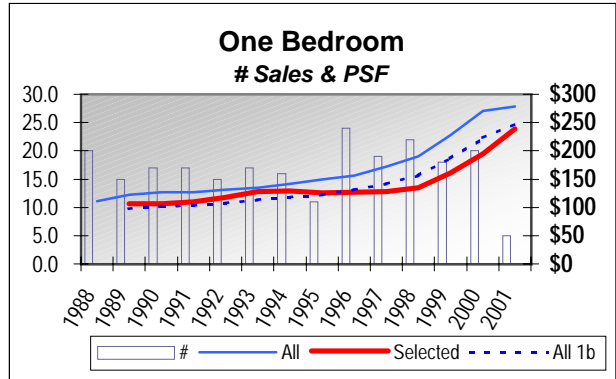
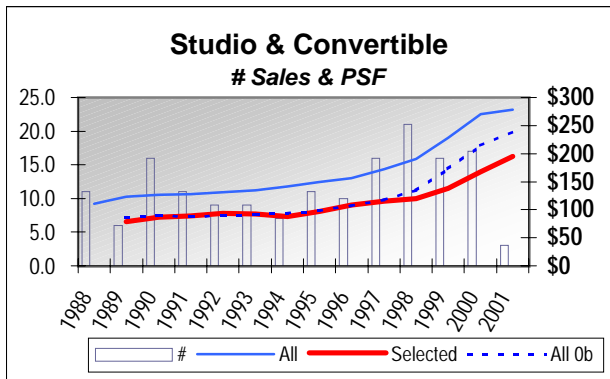
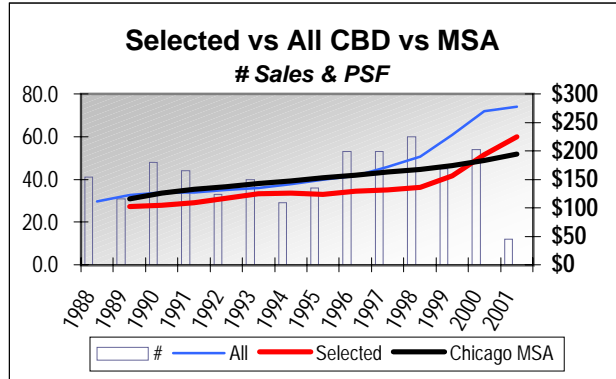
180 E Pearson
Water Tower Place
Built in 1976; 260 Units
Gold Coast/Near North



Sales Profile

	All Condominiums in 60601, 60610 & 60611					180 E Pearson				
	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm
Total Sales	19,818	2,108	7,849	6,834	3,027	163		3	42	118
Avg # Sales/Yr	1,496	159	592	516	228	12		0	3	9
1999 Sales	2,337	199	959	870	309	14			5	9
2000 Sales	2,231	191	836	831	373	12			3	9
2001 (1Q)	447	42	198	157	50					
Average Unit SF	1,289	594	878	1,446	2,479	2,716		1,930	2,022	2,988
1999 Avg Price	\$305,073	\$116,870	\$174,044	\$342,700	\$726,992	\$1,171,429			\$833,000	\$1,359,444
2000 Avg Price	\$390,978	\$128,939	\$203,136	\$392,713	\$942,301	\$1,527,542			\$1,098,333	\$1,670,611
2001 Price (1Q)	\$349,084	\$137,846	\$212,311	\$407,796	\$883,786					
1999 Avg PSF	\$228	\$198	\$208	\$235	\$286	\$454			\$431	\$464
2000 Avg PSF	\$270	\$231	\$237	\$269	\$362	\$538			\$480	\$557
2001 PSF (1Q)	\$278	\$247	\$256	\$287	\$364					
88-00 Avg Appr	7.07%	8.10%	7.47%	6.27%	6.66%	6.51%			5.29%	6.88%
Volume (000)	\$4,908,112	\$154,247	\$1,028,418	\$1,877,268	\$1,848,179	\$144,846		\$1,378	\$25,843	\$117,626

400 E Randolph
Outer Drive East
Built in 1964; 957 Units
Loop/New East Side



Sales Profile

	All Condominiums in 60601, 60610 & 60611					400 E Randolph				
	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm	Total	Studio	1 Bdrm	2 Bdrm	3+ Bdrm
Total Sales	19,818	2,108	7,849	6,834	3,027	579	163	236	161	19
Avg # Sales/Yr	1,496	159	592	516	228	44	12	18	12	1
1999 Sales	2,337	199	959	870	309	45	16	18	10	1
2000 Sales	2,231	191	836	831	373	54	17	20	16	1
2001 (1Q)	447	42	198	157	50	12	3	5	4	
Average Unit SF	1,289	594	878	1,446	2,479	963	635	837	1,257	2,177
1999 Avg Price	\$305,073	\$116,870	\$174,044	\$342,700	\$726,992	\$149,458	\$96,325	\$147,889	\$225,040	\$272,000
2000 Avg Price	\$390,978	\$128,939	\$203,136	\$392,713	\$942,301	\$205,702	\$117,200	\$168,100	\$324,594	\$560,000
2001 Price (1Q)	\$349,084	\$137,846	\$212,311	\$407,796	\$883,786	\$197,958	\$126,833	\$187,000	\$265,000	
1999 Avg PSF	\$228	\$198	\$208	\$235	\$286	\$169	\$153	\$179	\$184	\$195
2000 Avg PSF	\$270	\$231	\$237	\$269	\$362	\$217	\$182	\$211	\$250	\$217
2001 PSF (1Q)	\$278	\$247	\$256	\$287	\$364	\$233	\$208	\$267	\$211	
88-00 Avg Appr	7.07%	8.10%	7.47%	6.27%	6.66%	6.02%	7.19%	5.35%	6.49%	3.21%
Volume (000)	\$4,908,112	\$154,247	\$1,028,418	\$1,877,268	\$1,848,179	\$75,929	\$11,968	\$26,642	\$30,874	\$6,445