



*Achieve
Ambitions*

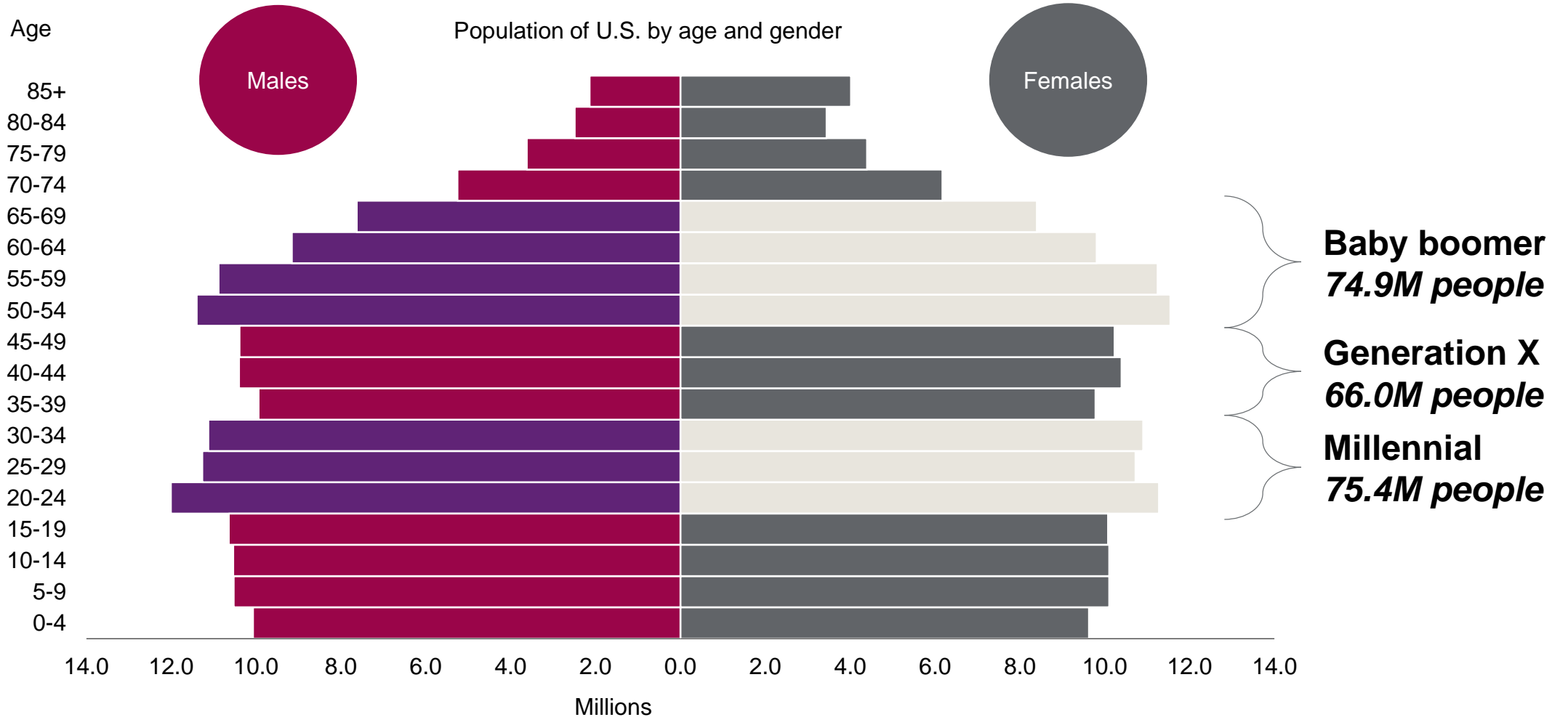
CRE[®] THE COUNSELORS
OF REAL ESTATE[®]

2018 Midyear Meetings



Demographics / Millennials

Why? U.S. demographic preferences have been shifting



Source: JLL Research, United Nations, Department of Economic and Social Affairs, Population Division (2015)

Reinforcing the Suburban Outlook

Importance of Millennial Workforce



Millennials became the largest generation in the labor force in 2016.

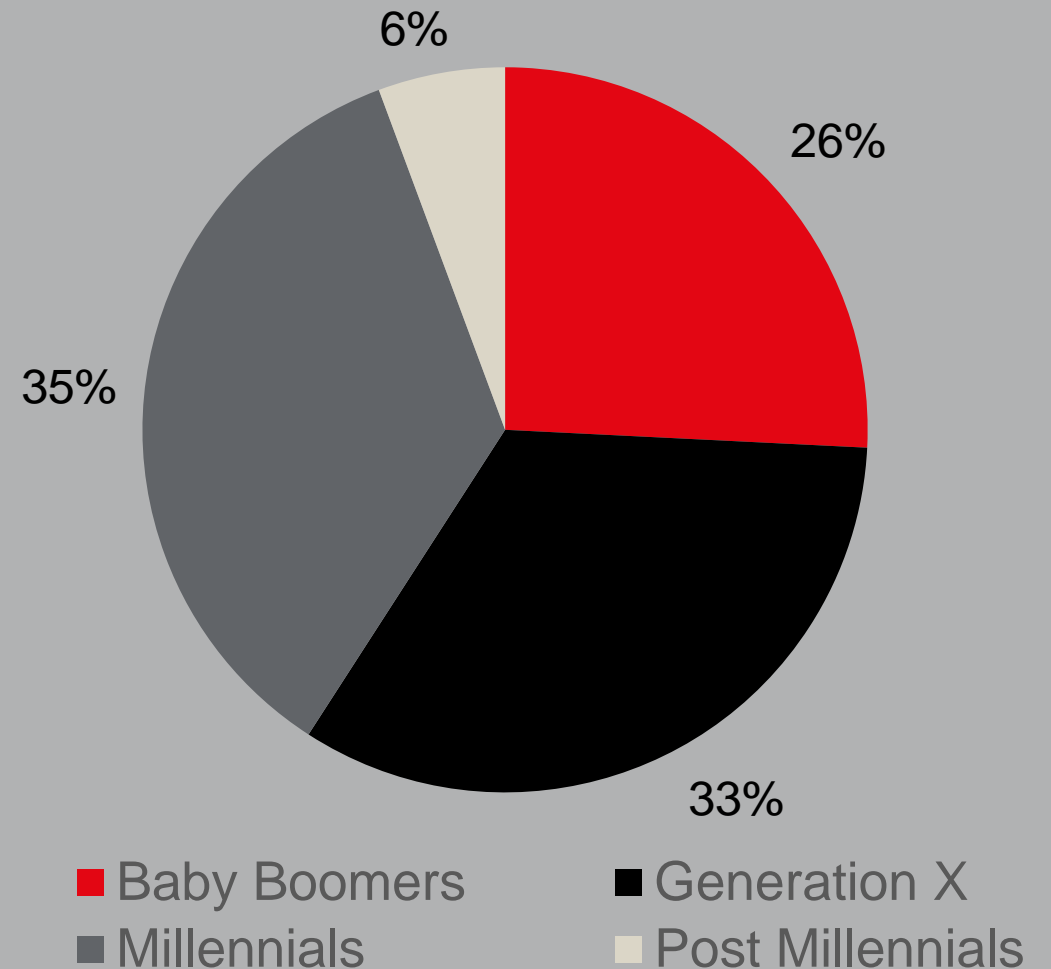
Baby Boomer Employment

41 mm

Millennial Employment

56 mm

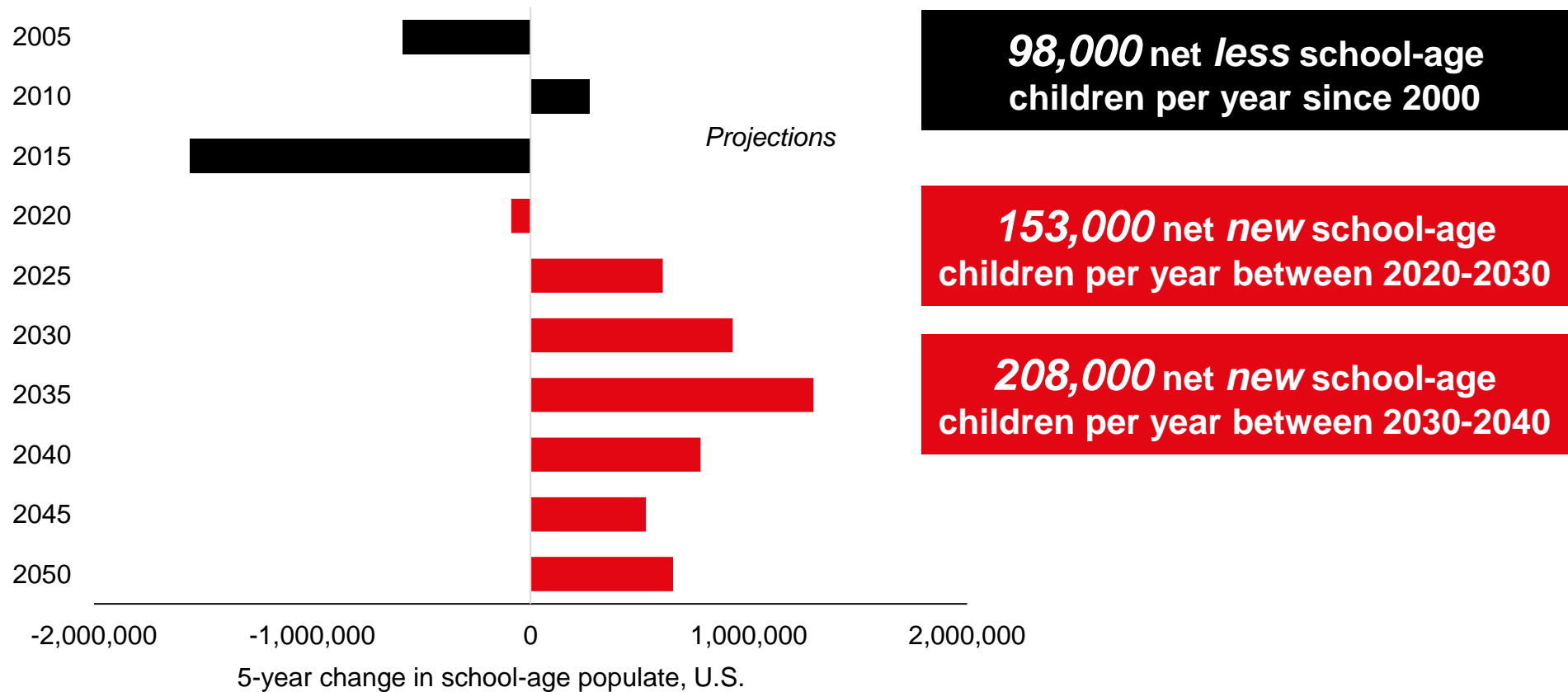
U.S. Labor Workforce by Generation



Following two decades of declines, +3.6 million new, school-age children projected between 2020 and 2040



Increased household formation will apply pressure on U.S. infrastructure, housing markets and schools. This will encourage suburbanization and favor markets with strong job nodes and high quality of life.



Source: JLL Research

Reinforcing the Suburban Outlook

Media Headlines



Suburban Chicago Snapshots

March 2017

Millennials close the gap on baby boomer population in recent years



Chicago – Suburban
Chart of the week: February 9, 2017

Suburban absorption hovers near previous peak



Millennials Are Moving to the Suburbs

posted 5.17.2016 | Courtney Lynch | Real Estate Business



The New York Times | <https://nyti.ms/2kjinxuj>

The Upshot
DEMOGRAPHIC SHIFT

Peak Millennial? Cities Can't Assume a Continued Boost From the Young

THE WALL STREET JOURNAL.

U.S.

Suburbs Outstrip Cities in Population Growth, Study Finds



One Big Reason Millennials Are Buying Homes? For Their Dogs

THE WALL STREET JOURNAL.

Home World U.S. Politics Economy Business Tech Markets Opinion Life & Arts Real Estate WSJ Magazine

REAL ESTATE

Generation Y Prefers Suburban Home Over City Condo

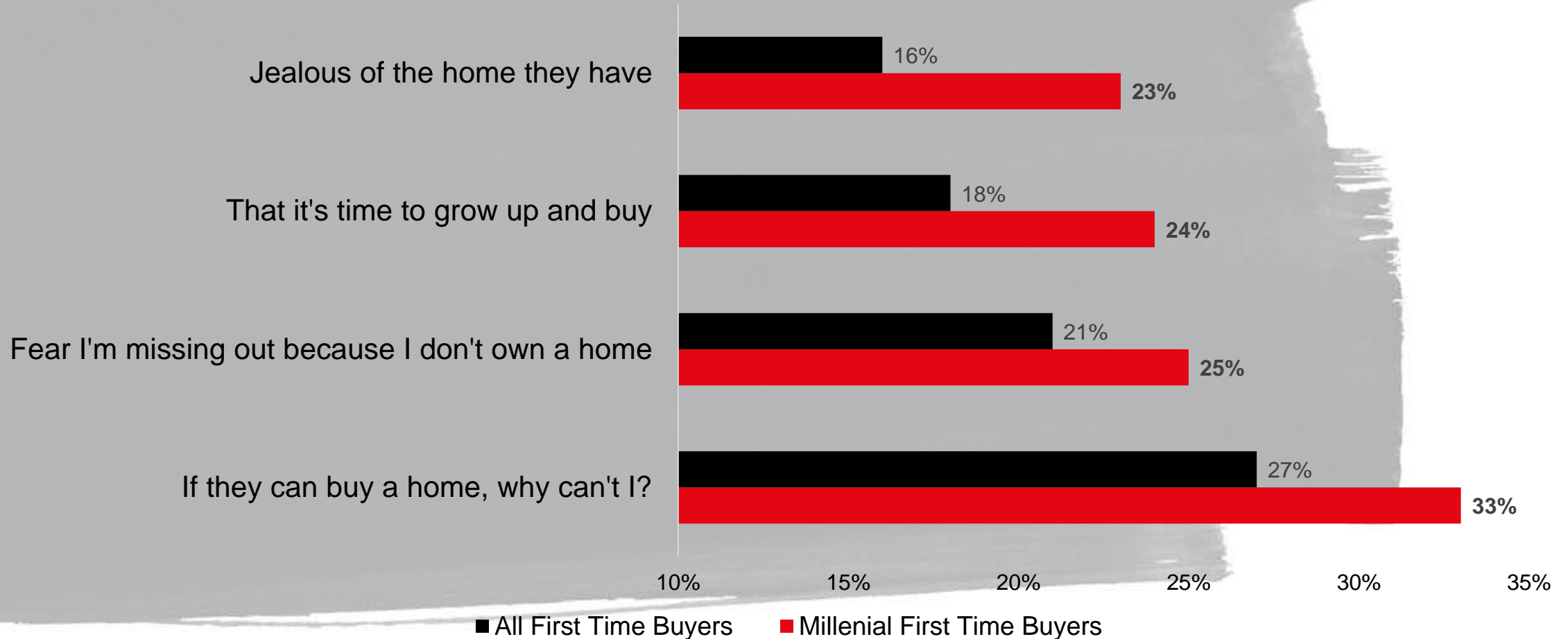
New Survey Shows 66% of Millennials Want to Live in the Suburbs

Reinforcing the Suburban Outlook

Impact of social media



What have you felt when you've seen others post pictures of their homes on social media?

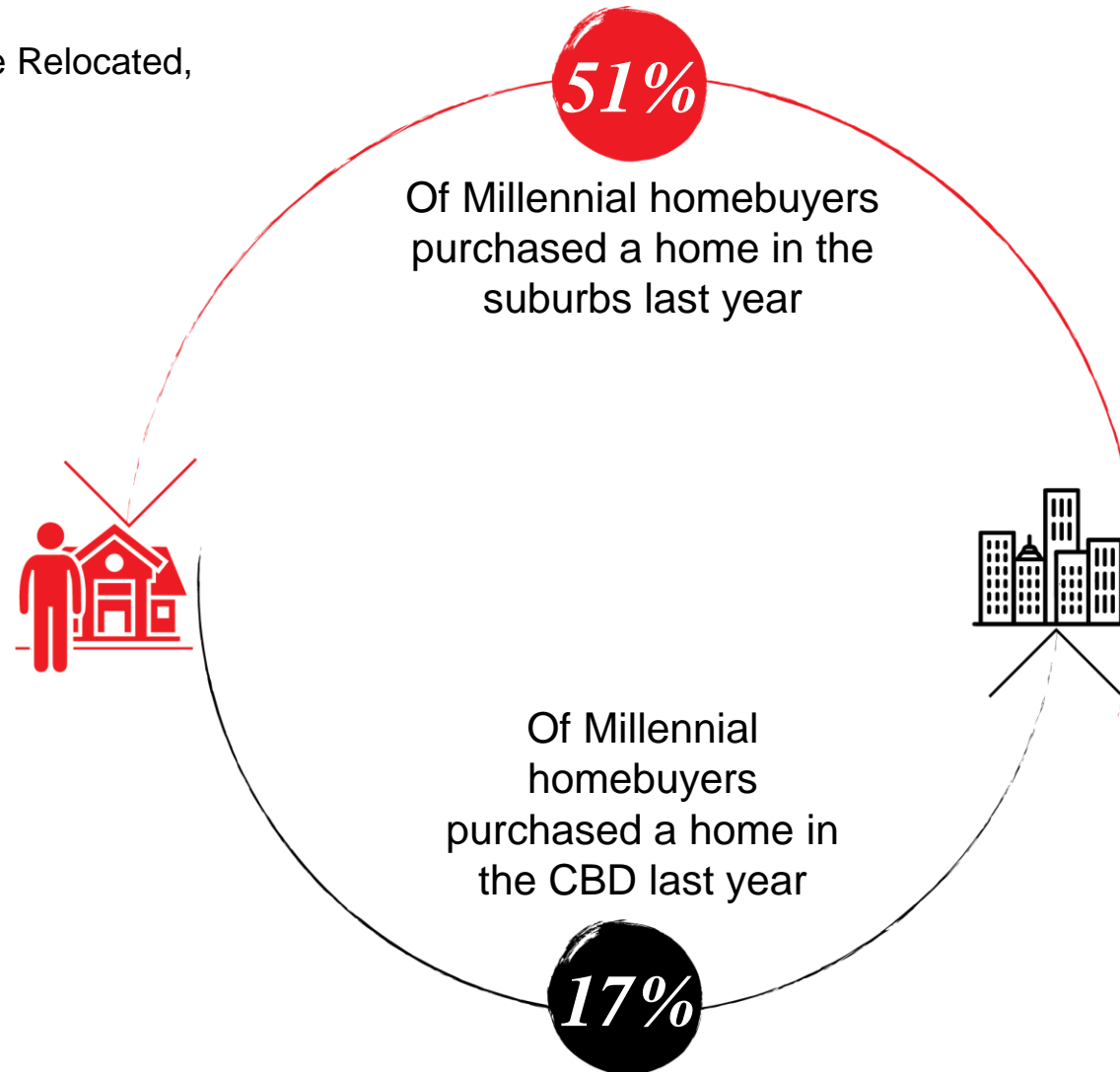


Reinforcing the Suburban Outlook

Relocations Between CBDs and Suburbs



Among 25-29 Year Olds that Have Relocated,
Suburban Destination Favored

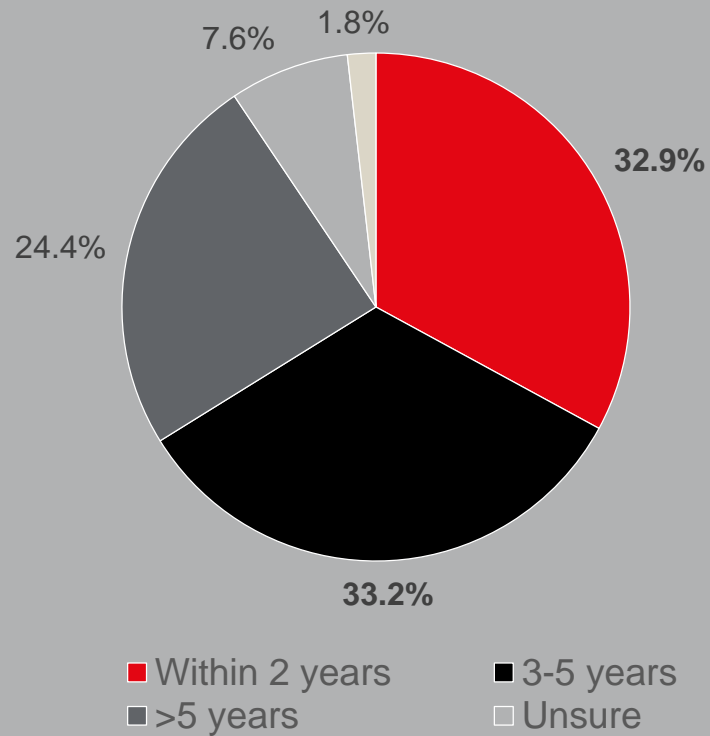


Reinforcing the Suburban Outlook

Millennial Home Ownership Preferences

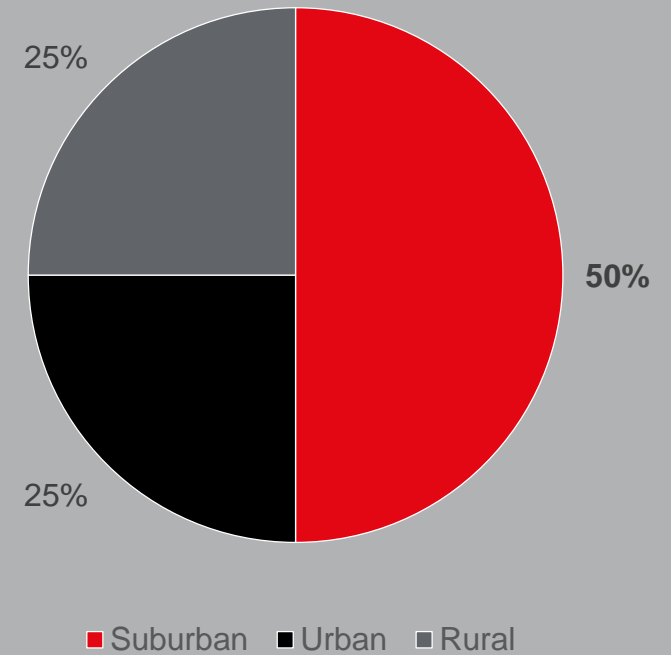


When Millennials Expect to Buy



4 in 5 millennial adults under age 25 live outside an urban core

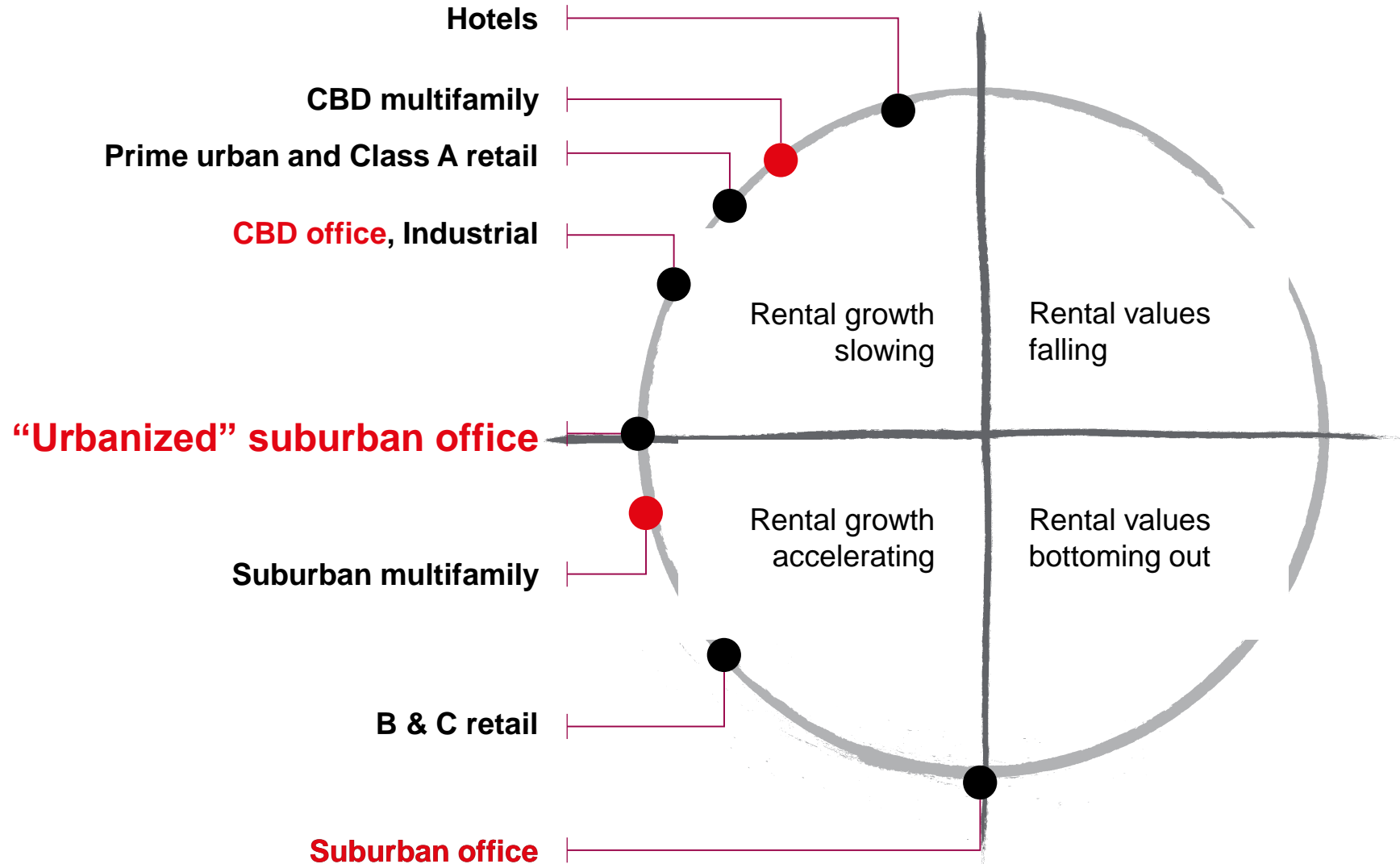
Millennials Home Location Preferences



Source: Business Insider, "How Millennials are Changing the Housing Market" 2017

*Reinforcing the
Suburban Outlook*

Secular shifts continue to impact fundamentals, causing divergent office performance across product types



Source: JLL Research

Reinforcing the Suburban Outlook

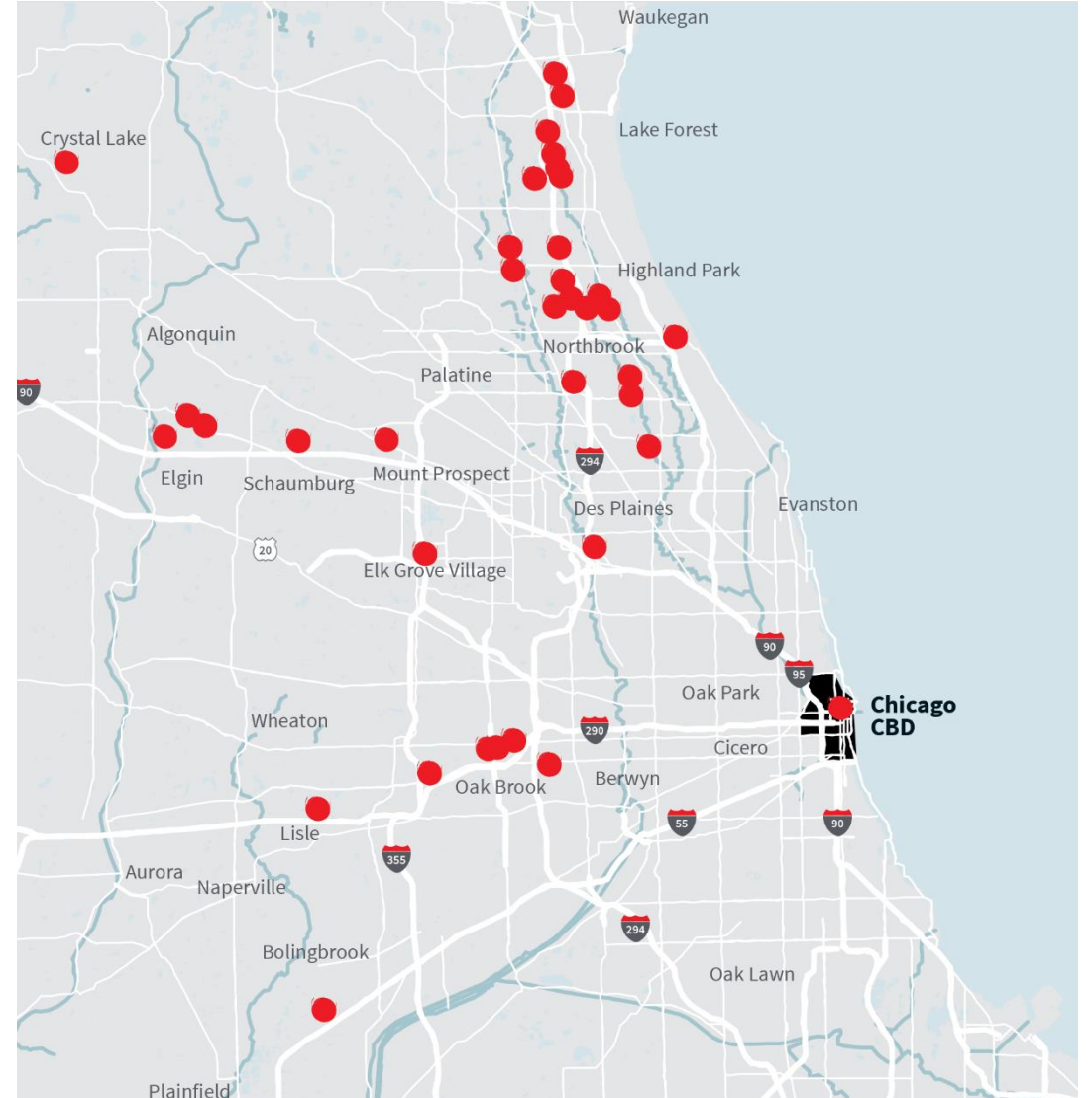
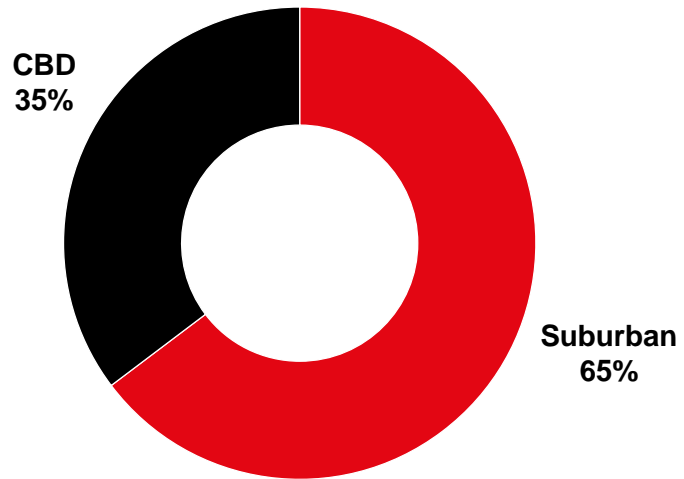
Chicago



FORTUNE
1000

Chicago MSA
42

Chicago Fortune 1000 Locations



Reinforcing the Suburban Outlook

Minneapolis

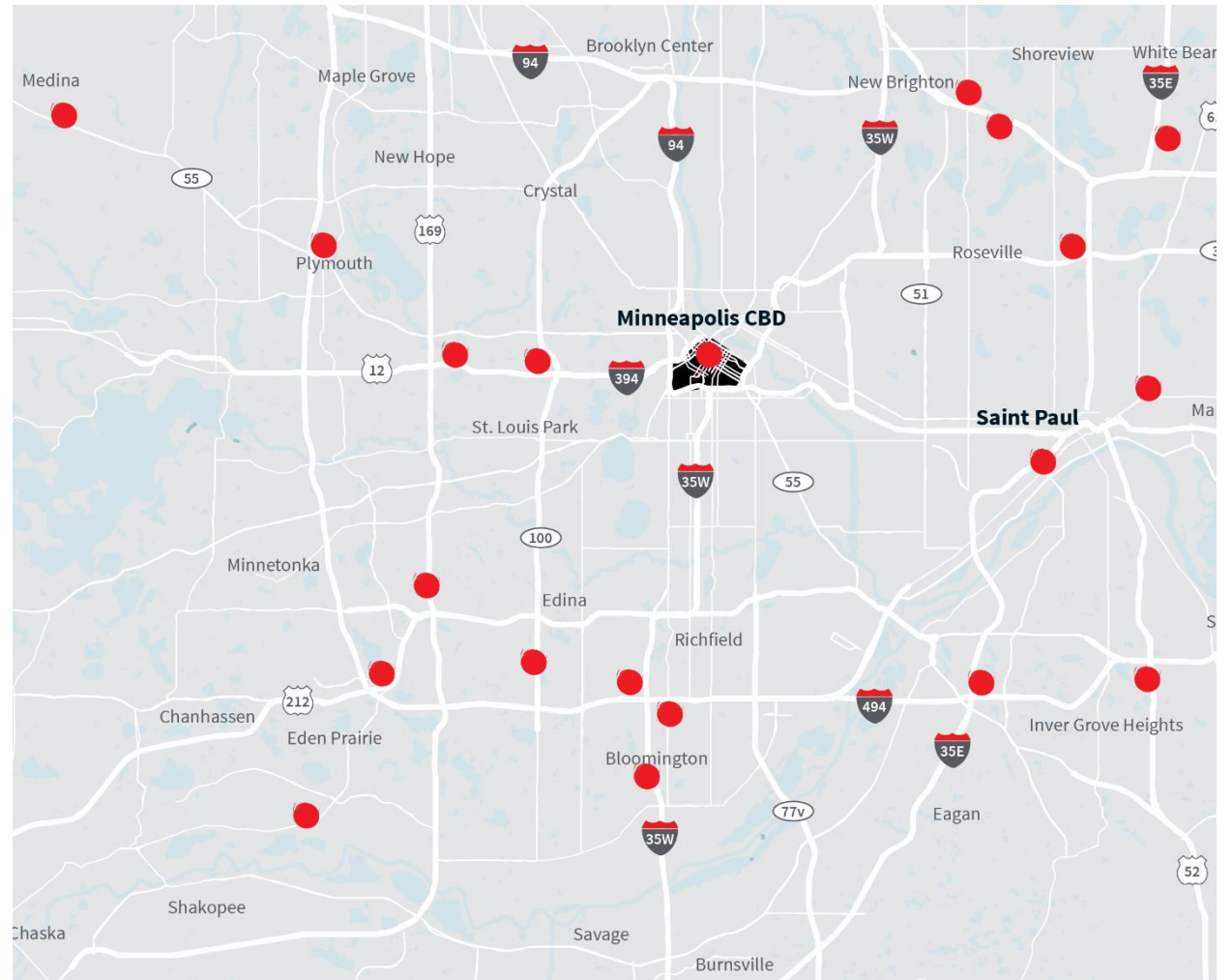
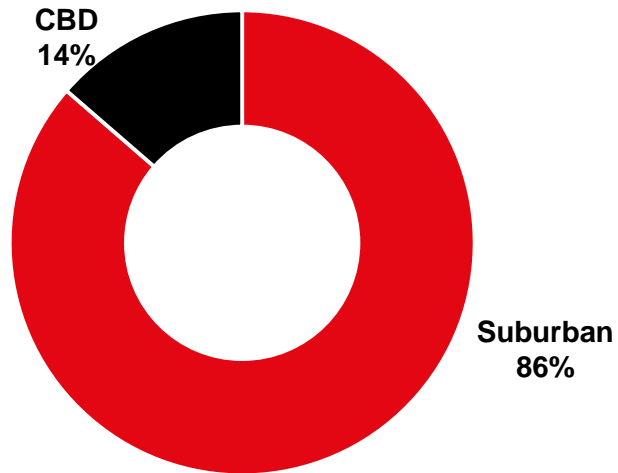


FORTUNE
1000

Minneapolis MSA

25

Minneapolis Fortune 1000 Locations



Reinforcing the Suburban Outlook

Cleveland

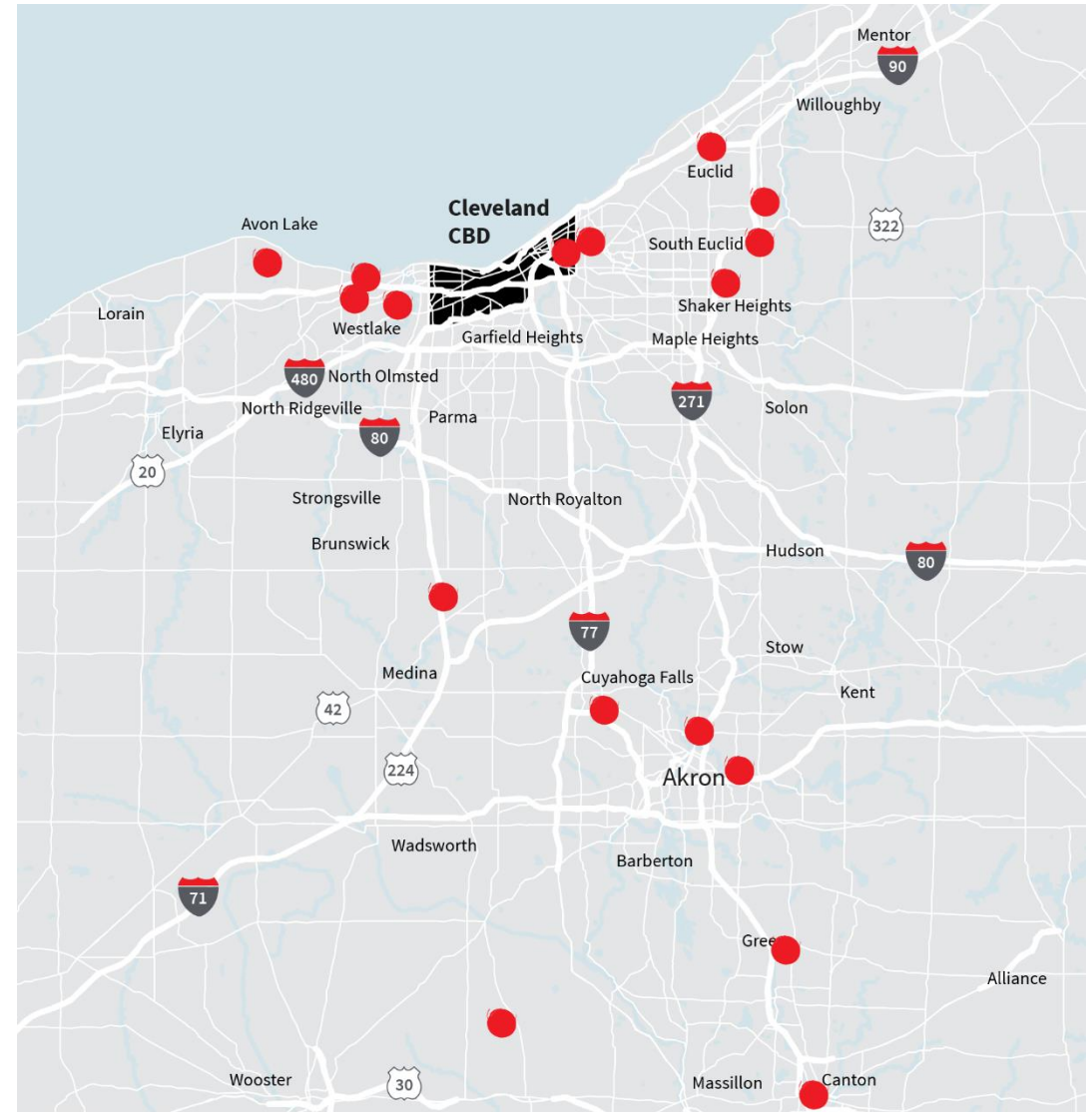
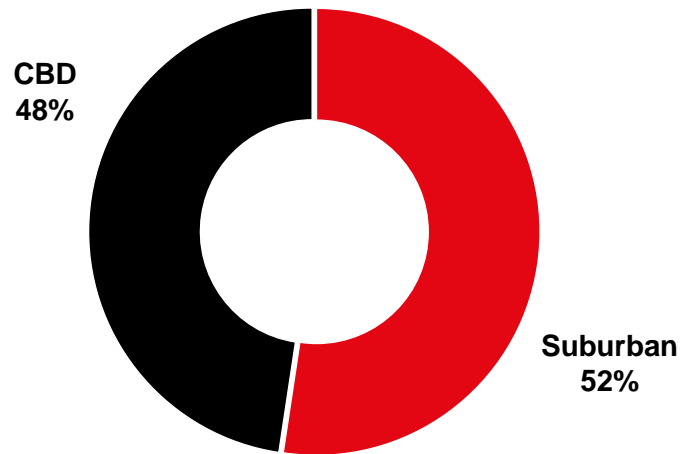


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Cleveland MSA

21

Cleveland Fortune 1000 Locations



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Indianapolis

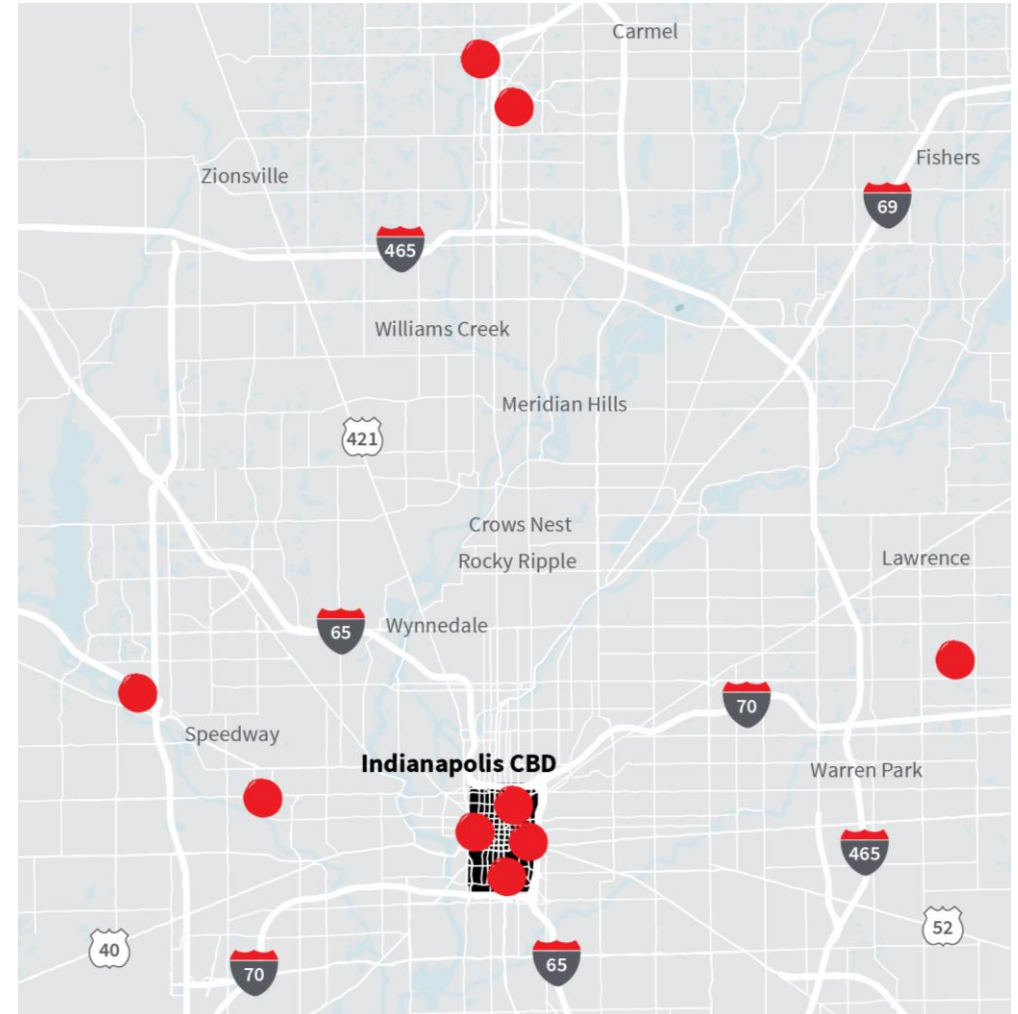
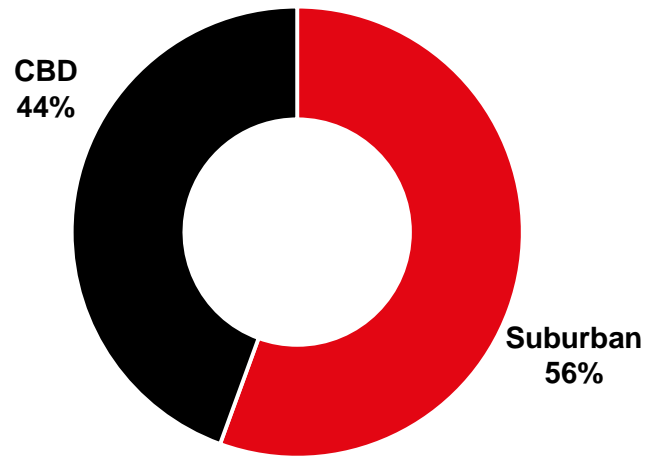


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Indianapolis MSA

9

Indianapolis Fortune 1000 Locations



Reinforcing the Suburban Outlook

Chicago Suburbs: Continued Corporate Investment



Reinforcing the Suburban Outlook

Suburban Chicago Office Value



Category	Suburban	CBD	Cost Savings	CBD Premium
Rental Rates Trophy (Gross):	\$32.00	\$65.00	\$33.00	103.1%
Rental Rates Class A (Gross):	\$26.47	\$42.25	\$15.78	59.6%
Rental Rates Class B (Gross):	\$21.36	\$35.30	\$13.94	65.3%
Average Tax & Op Ex:	\$10.50	\$16.40	\$5.90	56.2%
Average TI Allowance (10-year lease)	\$50.00	\$75.00	\$25.00	50.0%

Average Suburban Rent Savings

\$20.91 PSF

Source: JLL, CoStar
Rental rates per JLL Research 1Q2017

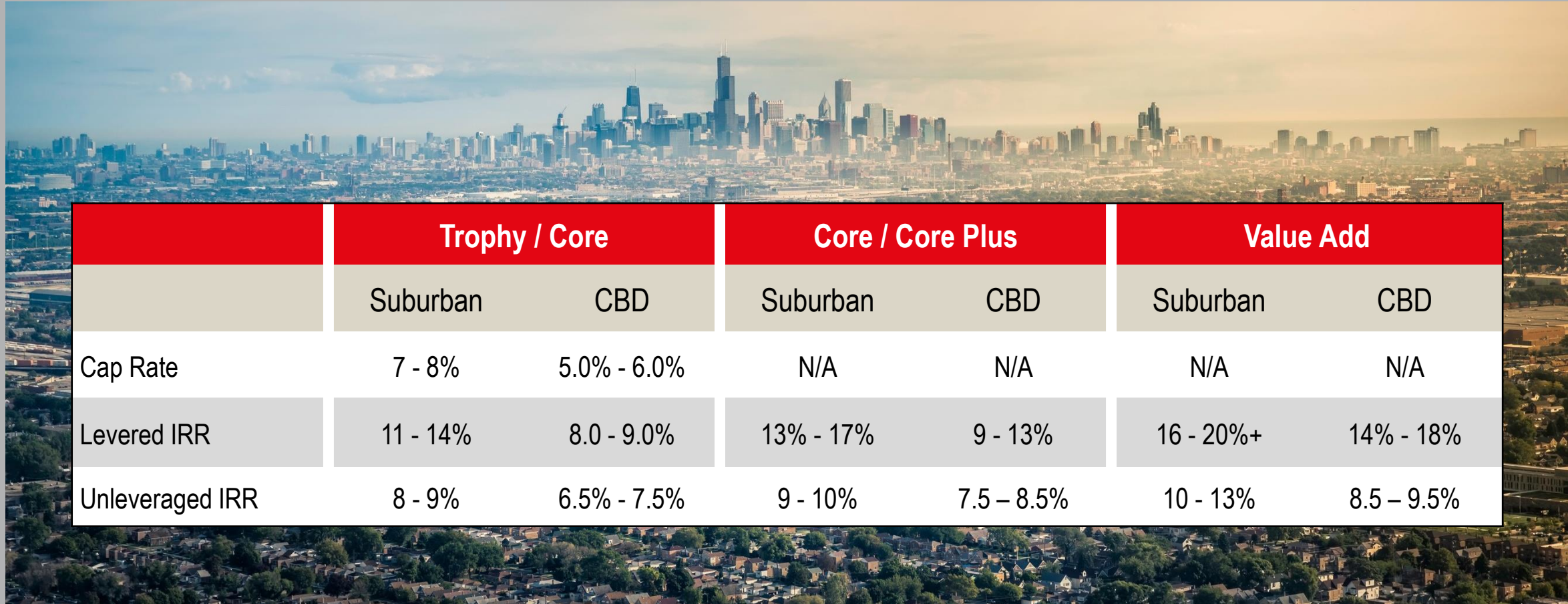
Average CBD Rent Premium

76.0% Premium

Source: JLL, CoStar
Rental rates per JLL Research 1Q2017

Reinforcing the Suburban Outlook

Superior Risk Adjusted Returns – Suburban vs. CBD Chicago

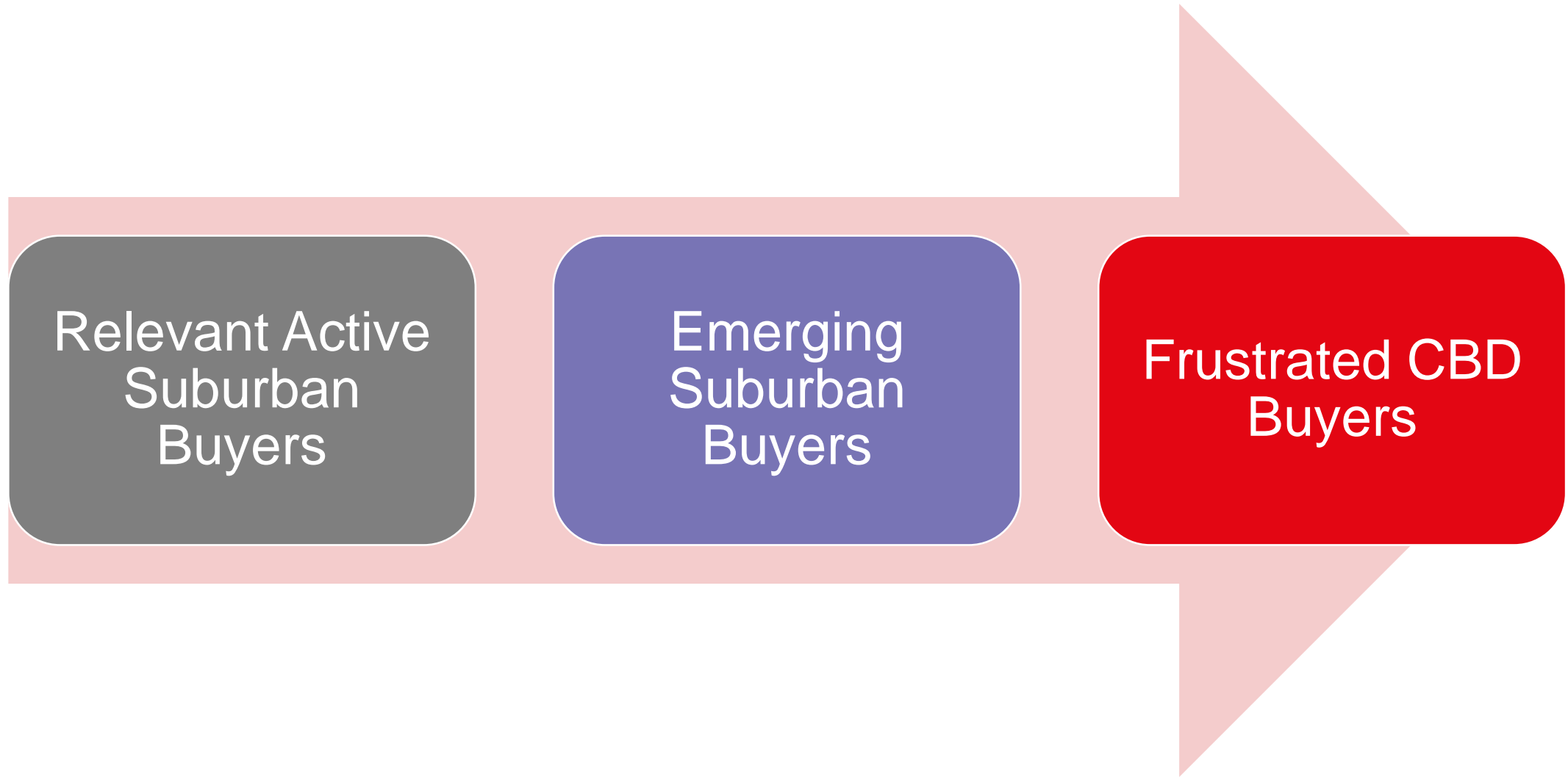



	Trophy / Core		Core / Core Plus		Value Add	
	Suburban	CBD	Suburban	CBD	Suburban	CBD
Cap Rate	7 - 8%	5.0% - 6.0%	N/A	N/A	N/A	N/A
Levered IRR	11 - 14%	8.0 - 9.0%	13% - 17%	9 - 13%	16 - 20%+	14% - 18%
Unleveraged IRR	8 - 9%	6.5% - 7.5%	9 - 10%	7.5 - 8.5%	10 - 13%	8.5 - 9.5%

*Target Investors
and their Focus*

Target Investors

Existing and Emerging Stabilized Investors



Relevant Active
Suburban
Buyers

Emerging
Suburban
Buyers

Frustrated CBD
Buyers

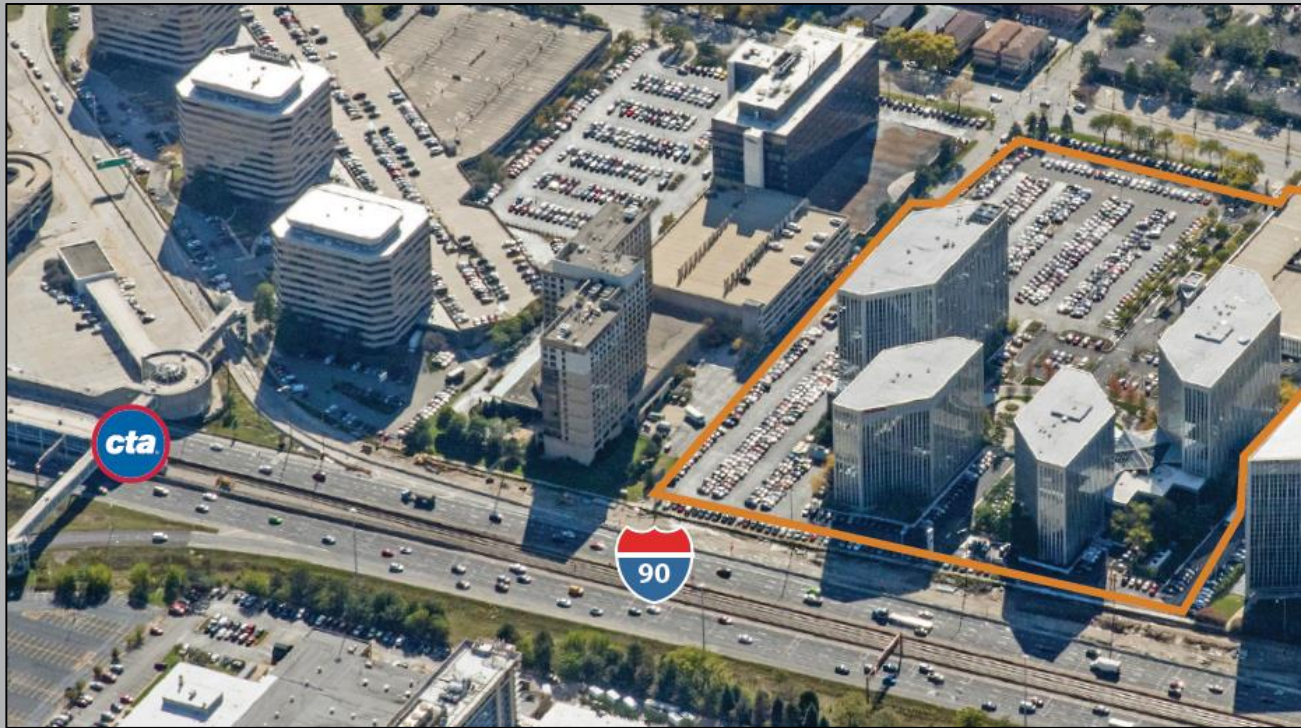
Suburban Investment Sales

Connected & Live-Work-Play Suburban



Presidents Plaza

Suburban Chicago



Keystone at the Crossing

Suburban Indianapolis

- Keystone at the Crossing
- Retail
- Dining
- Hotel
- Apartments

RIVER CROSSING AT KEYSTONE

TESLA

J.CREW

MAGGIANO'S LITTLE ITALY

The Cheesecake Factory

SULLIVAN'S STEAKHOUSE

Sheraton

Marriott

OCEAN PRIME

Jobs Fifth Avenue

NORDSTROM

POTTERY BARN

HYATT PLACE

Apple

Seamus FRESH|DRILLZ

P.F. CHANG'S CHINA BISTRO

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