

Jon Josko

## Real Estate Analysis

### Case 1

The area in question is Streeterville. The property is a few blocks north of the river, just east of Michigan Avenue. I think a luxury hotel or condominium would be the best use of this space. The Park 1, which currently occupies the space does provide valuable parking space. But rent on a maximum of 200 parking spaces I think is far below what could be made in this particular location. The property is fairly wide and can support a high rise. Just west at 535 N Michigan is a very successful luxury condo building which operates on a similar amount of space.

The Demographic and Income Profile lists the number of households in a mile wide radius around the property. In 2010, there were 45,894 households, which increased to 57,618 by 2018. It projects an additional 6,000 households by 2023. With an average household income projected to rise \$12,000 to \$103,537, I think that a luxury condominium would do very well here. Currently, the population by age lists individuals aged 25-34 making up 32% of the area, while those aged 35-44 make up 15.2%.

It projects that the younger aged groups (0-34) will still rise in total number, but older aged groups (35-44) are rising faster in comparison. This aging population may partly explain the large increase in per capita income, since individuals typically make more as they get older. As far as these incomes go, those making over \$200,000 make up 20.9% of residents, projected to rise to 23.8%. This is an additional 3,000 residents making it into the \$200,000 income range in

the next 5 years within a mile of the site.



There are plenty of restaurants, grocery and department stores, and attractions all around the property- everything that made the condominium project on Michigan a success. The location would give an excellent view of both downtown and uptown. From the south, Trump Tower and the Sears Tower would appear right next to one another almost in a line, along with other awesome sights. Directly north is the Hancock Center. If built tall enough, the lake can be seen from the south and east ends. These are all sights that those already living in the area may want to have once they move into the higher income brackets and can afford the high cost of living. The Household Budget Expenditures lists Housing as making up 31.8% of expenditures, by far the largest of any expense. It is safe to assume that those currently residing in the area have a high preference for the convenience and excellent views that this part of the city gives, and are willing to pay for it.

The tapestry report classifies 26.6% of this area's residents as "Laptops and Lattes" and 61.9% as "Metro Renters". Both of these groups are increasing in number, and are the most

likely groups to live in a luxury condominium. Metro Renters are described as being young- late 20's early 30's, being primarily white and having a larger than average income (median of \$67,000), despite their age. They're also being described as spending "a large portion of their wages on rent, clothes, and the latest technology". Most metro renters will choose to walk or take public transit to and from work. Laptops and Lattes describe a slightly older age group (mid-late 30s) that have a significantly higher than average salary (median of \$112,200), but share nearly all of the characteristics of the Metro Renters. They pay nearly double the average for rent, and are more likely to own property than the metro renters. I think a luxury condominium would cater to this group very well, and the larger Metro Renters group will typically transition into the Laptops and Lattes group as they age. The Market Profile section even lists shops such as Whole Foods and Nordstrom as being very popular with these groups, and these are only a few blocks away from the site.



LifeMode Group: Uptown Individuals

## Metro Renters

**Households:** 1,911,500

**Average Household Size:** 1.67

**Median Age:** 32.5

**Median Household Income:** \$67,000

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#### WHO ARE WE?

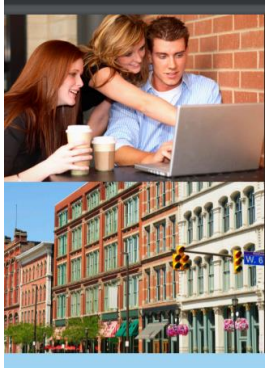
Residents in this highly mobile and educated market live alone or with a roommate in older apartment buildings and condos located in the urban core of the city. This is one of the fastest growing segments; the popularity of urban life continues to increase for consumers in their late twenties and thirties. *Metro Renters* residents income is above the US average, but they spend a large portion of their wages on rent, clothes, and the latest technology. Computers and cell phones are an integral part of everyday life and are used interchangeably for news, entertainment, shopping, and social media. *Metro Renters* residents live close to their jobs and usually walk or take a taxi to get around the city.

#### OUR NEIGHBORHOOD

- Over half of all households are occupied by singles, resulting in the smallest average household size among the markets, 1.67.
- Neighborhoods feature 20+ unit apartment buildings, typically surrounded by offices and businesses.
- Renters occupy close to 80% of all households.
- Public transportation, taxis, walking, and biking are popular ways to navigate the city.

#### SOCIOECONOMIC TRAITS

- Well-educated consumers, many currently enrolled in college.
- Very interested in the fine arts and strive to be sophisticated; value education and creativity.
- Willing to take risks and work long hours to get to the top of their profession.
- Become well informed before purchasing the newest technology.
- Prefer environmentally safe products.
- Socializing and social status very important.



LifeMode Group: Uptown Individuals

## Laptops and Lattes

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Households: 1,307,500

Average Household Size: 1.87

Median Age: 37.4

Median Household Income: \$112,200

### WHO ARE WE?

*Laptops and Lattes* residents are predominantly single, well-educated professionals in business, finance, legal, computer, and entertainment occupations. They are affluent and partial to city living—and its amenities. Neighborhoods are densely populated, primarily located in the cities of large metropolitan areas. Many residents walk, bike, or use public transportation to get to work; a number work from home. Although single householders technically outnumber couples, this market includes a higher proportion of partner households, including the highest proportion of same-sex couples. Residents are more interested in the stock market than the housing market. *Laptops and Lattes* residents are cosmopolitan and connected—technologically savvy consumers. They are active and health conscious, and care about the environment.

### OUR NEIGHBORHOOD

- 30-something single householders (Index 174), with a number of shared households (Index 246); low average household size of 1.87.
- City dwellers, primarily in apartment buildings: with 2–4 units (Index 186), 5–19 units (Index 218), or 20+ units (Index 533).
- Older housing, 2 out of 3 homes built before 1970; 40% built before 1940 (Index 311).
- Most households renter occupied, with average rent close to \$1,970 monthly (Index 189).
- Many owner-occupied homes valued at \$500,000+ (Index 533).

### SOCIOECONOMIC TRAITS

- More than three out of four have a bachelor's degree or higher (Index 252).
- Unemployment rate is low at 2.8%; labor force participation is high, more than 75%.
- Salaries are the primary source of income for most households, but self-employment income (Index 146) and investment income (Index 173) complement the salaries in this market.
- These are health-conscious consumers, who exercise regularly and pay attention to the nutritional value of the food they purchase.
- Environmentally conscientious but also image-conscious: both impact their purchasing.

There is a lot of competition when it comes to luxury hotels and condominiums in this area, but that is due to the very high demand for housing. It would be extremely easy to find tenants for the property due to its excellent location. However, the ability to finance and construct a high rise in one of the most expensive places to live is something very few firms can pull off. If there was an area in Streeterville where a luxury condominium should be built, I think this is one of the few good places. The income of this parking garage is likely lower than the businesses around it and would make it more likely that a developer could actually purchase it from the owner. The costs involved in the demolition of a parking garage are likely far lower than that of a high rise, or other unsuitable office space. It could be argued that it would be cheaper to purchase and renovate an already existing apartment building or hotel, and convert that into a luxury condominium. This may certainly be the case, but of course a residential building would be far more expensive than a 3 story parking garage. I would recommend that the development of a luxury condominium in this area should be unique in its style from the

apartment buildings around it- in both its architectural style, as well as the choice of shops it may choose to rent out on the first floor. There is an advantage in choosing how a building is designed before it enters the market. For example, if the developer chose to use the first floor as rental space for shops, the size and shape of those spaces could be altered during construction to better fit an amenity the developer thinks his tenants and the surrounding area would value.

View from west.



View from south.



View from south-west.

