



TRACY CROSS & ASSOCIATES, INC.

November 11, 2013

Mr. Warren James
Reva Development Partners, LLC
212 W. Kinzie Street, 3rd Floor
Chicago, IL 60654

Dear Mr. James:

At the request of Reva Development Partners, LLC, Tracy Cross & Associates, Inc. conducted selected research to assess the state of the marketplace relative to the planned Orland Crossing Apartments in Orland Park, Illinois. Orland Crossing is a 120,000 square foot mixed-use commercial development located at the northeast intersection of 143rd Street and LaGrange Road. Phase I is host to a variety of specialty merchants and upscale dining including Ann Taylor, Chico's, Coldwater Creek, Talbot's and White House/Black Market and PF Chang's Bistro. Phase II envisions development of a specialty grocery store, along with a 231-unit luxury rental apartment community to be located in the northeast quadrant of the overall development between LaGrange Road and John Humphrey Drive, principally north of 141st Street.

Orland Crossing Apartments, *which is the subject of this memorandum*, will consist of 168 higher-density luxury rental apartments distributed among four (4) elevator-served residential buildings featuring non-combustible steel stud and bar joist construction, each to include enclosed parking at grade. Another 63 frame construction rowhome-style apartments will be distributed in a series of two- and three-story residential buildings to include two-car direct-access parking. All building types will offer a variety of masonry and cement-fiber elevation treatments to complement the master community's urban architectural design aesthetic.



Residentially, design concepts envision one bedroom and one bedroom plus den one bath and two bedroom two bath flats, along with two bedroom two bath and three bedroom two bath rowhome apartments ranging in unit size from 695 to 1,985 square feet, *exclusive* of balcony or terrace. As summarized in the following table, Orland Crossing Apartments will provide 264,053 net leasable square feet, with the average apartment residence offering 1,143 square feet of living area.



PROPOSED RENTAL APARTMENT MATRIX: ORLAND CROSSING - ORLAND PARK, IL

Plan Type	Total Units	Percent of Total	Bedrooms/ Baths	Net Rentable Square Feet		Proposed Rents	
				Per Unit	Total	\$	\$/ Sq. Ft.
Apartment Flats							
Plan A1	24	10.4	1 / 1.0	695	16,680	\$1,295	\$1.86
Plan A2	64	27.7	1 / 1.0	767	49,088	1,435	1.87
Plan A4	24	10.4	1+Den / 1.0	882	21,168	1,595	1.81
Plan B1	24	10.4	2 / 2.0	1,189	28,536	1,925	1.62
Plan B2	32	13.9	2 / 2.0	1,196	38,272	1,975	1.65
<i>Total/Average - Flats:</i>	<i>168</i>	<i>72.7</i>	<i>---</i>	<i>915</i>	<i>153,744</i>	<i>\$1,611</i>	<i>\$1.76</i>
Rowhome Apartments							
Plan T1	17	7.4	2 / 2.0	1,487	25,279	2,325	1.56
Plan T2	8	3.5	3 / 2.0	1,800	14,400	2,450	1.36
Plan T3	24	10.4	3 / 2.0	1,785	42,840	2,550	1.43
Plan T4	14	6.1	3 / 2.0	1,985	27,790	2,650	1.34
<i>Total/Average - THs:</i>	<i>63</i>	<i>27.3</i>	<i>---</i>	<i>1,751</i>	<i>110,309</i>	<i>\$2,499</i>	<i>\$1.43</i>
Development Summary							
<i>Wtd. Total/Average</i>	<i>231</i>	<i>100.0</i>	<i>---</i>	<i>1,143</i>	<i>264,053</i>	<i>\$1,853</i>	<i>\$1.62</i>

Source: Reva Development Partners, LLC: Orland Crossing Pro forma dated 10/30/13.

All apartments will feature an enhanced level of interior appointments commensurate with higher-quality apartment construction, including but not limited to energy-efficient stainless steel appliances, granite kitchen countertops/islands, laminate wood flooring in all living areas, in-unit washer and dryer, walk-in closets in all master bedrooms, ceramic tile baths, internet and cable television connectivity, and some level of in-unit storage.

In addition to on-site leasing and management, community amenities are expected to include, at a minimum, a resident business center, lounge and social areas, a fitness center, outdoor terraces and courtyards with fireside lounge, an outdoor pool, and lushly landscaped boulevards and other hardscape to establish a sense of place and blend harmoniously with the master community.

General Conclusion

Based upon a preliminary investigation of various factors of influence, the market potential for the conceptualized Orland Crossing Apartments is viewed as *strong*. Although we are in the process of finalizing our analysis, this memorandum is offered to provide officials of Orland Park an understanding of current market

dynamics as they impact upon today's and tomorrow's rental apartment sector in general, and their likely influence upon the proposed Orland Crossing development:

- ❑ First and foremost, the subject property supports an *excellent* location within one of the more desirable south/southwest suburbs of Chicago. From a marketing standpoint, Orland Crossing boasts all the necessary ingredients for establishing a successful residential community. Orland Park, for example, is host to numerous well-established local merchants, movie cinemas, fine dining and casual eateries, along with art and antique galleries, specialty shops, and wealth of national and regional retailers, along with office and consumer service providers. In addition, the subject property is directly east of the Orland Park METRA commuter station, and within walking distance of the Old Orland Historic District, the Humphrey Sports Complex and the municipal center. This vibrant quasi-urban environment is in concert with the proposed lifestyle orientation of the Orland Crossing community.

- ❑ Orland Park lies within the shadows of sizable levels of employment. As summarized in the following table, for example, there are some 1.3 million *private sector* jobs within a reasonable commuting distance of Orland Park, representing roughly 40 percent of total private sector employment in the six-county metropolitan region which encircles the city of Chicago.

**PRIVATE SECTOR COVERED EMPLOYMENT
 AREAS INCLUDING AND PROXIMATE TO ORLAND PARK
 2012**



Area	Total Private Sector Employment 2012	
	Number of Workers	Percent of Six-County Metro Area
Six-County Chicago Metro Area ⁽¹⁾	3,261,253	100.0
Areas Serving Orland Park	1,301,094	39.9
City of Chicago-Central Business District/Outer Business Ring	513,533	15.7
Suburban Cook County		
West/Southwest	279,119	8.6
South	141,739	4.3
Eastern DuPage County	199,364	6.1
Will County	167,339	5.1

⁽¹⁾ Includes Cook, DuPage, Kane, Lake, McHenry, and Will counties in Illinois.

Source: Illinois Department of Employment Security: *Where Workers Work 2013*

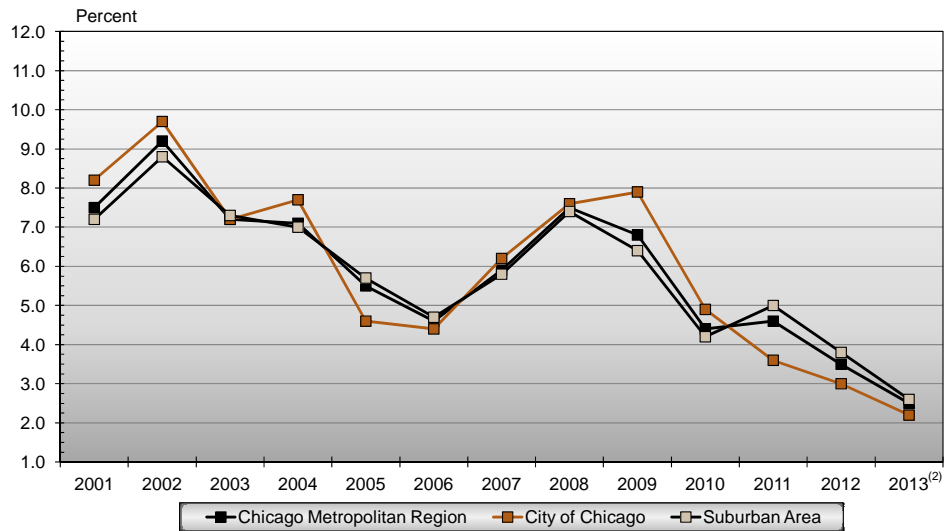
- ❑ From an overall perspective, vacancies among newer (post-1985) suburban apartment developments are *extremely tight*. At the close of June 2013, for example, overall vacancies among 177 Class A/B+ suburban apartment communities stood at only 2.6 percent or only 1,240



or 47,266 stabilized units unoccupied. This compares with a 3.8 percent vacancy factor noted only six months earlier, and represents the lowest vacancy levels seen in the suburban region in more than a decade. 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 among communities.



VACANCY TRENDS: STABILIZED RENTAL APARTMENT DEVELOPMENTS⁽¹⁾
-- CHICAGO METROPOLITAN REGION --



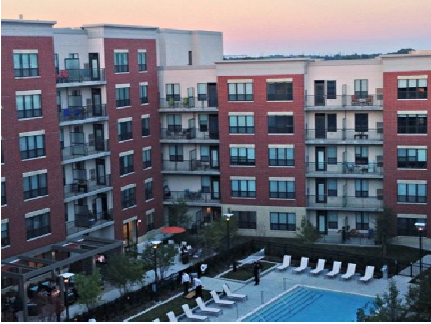
(1) Excludes programs in initial stages of absorption.

(2) As of June 2013.

Source: Tracy Cross & Associates, Inc.

- Contributing to the tight suburban marketplace is the relatively limited level of new construction in recent years, as strict zoning covenants on the part of many of the region's municipal jurisdictions, have precluded significant rental apartment development. Specifically, over the last four and one-half years, the nine-county suburban region as a whole has added only 1,882 new units to the marketplace, equal to a nominal average of 418 units yearly. Additive to the lack of supply, since 2000, numerous rental apartment communities have been converted to condominium ownership, *depleting* the marketplace of some 12,647 units. These latter factors have acutely affected the Orland Park Market Area where the *vast majority* of rental alternatives are now over twenty years old.



- The *only* new rental alternative in the whole of the south suburbs is, in fact, *Ninety 7 Fifty on the Park*, which represents a public/private partnership between the Village of Orland Park and Flaherty & Collins Properties. Located directly west of the subject Orland Crossing property and part of the village's new downtown, *Ninety 7 Fifty on the Park* consists of 295 higher-density apartments developed within a series of elevator-served buildings, some of which feature first floor retail. Plan offerings primarily reflect one bedroom one bath and two bedroom two bath flats offering between 746 and 1,315 square feet of living area, along with a nominal number of two-story apartment styles providing 1,512 square feet. Posted base rents currently extend from \$1,410 to \$2,400 monthly, translating to an average 930 square foot apartment residence which leases for \$1,598 monthly or \$1.72 per square foot. This value ratio is consistent with the overall \$1.76 per square foot lease rates anticipated for apartment flats at Orland Crossing. *Ninety 7 Fifty on the Park* began marketing in mid-October 2012 and, to date, has leased 198 units, equating to an overall absorption rate of 15.2 units per month. Based upon absorption levels to date, *Ninety 7 Fifty on the Park* is expected to achieve a stabilized occupancy level of 95 percent or 280 units leased in spring 2014.
- Apart from *Ninety 7 Fifty on the Park*, the following text table illustrates the *very limited* availability of rental alternatives in the immediate Orland Park area. For the most part, these privately-managed developments represent six- to twelve-flat garden apartment buildings which are now at least twenty years old. Despite their age and lack of community amenities, however, conditions in the immediate Orland Park area are *extremely strained* as evidenced by an overall vacancy factor of *only 2.1 percent* or just 19 of 918 units unoccupied. Hence, *without factoring new renter household formations*, the 231 proposed Orland Crossing apartments would serve to alleviate at least some measure of market tightness, without jeopardizing occupancies elsewhere in the local marketplace. Applying *Ninety 7 Fifty's* average absorption rate to the conceptualized Orland Crossing Apartments, for example, suggests that the proposed 231-unit community would also achieve a stabilized occupancy level of 95 percent or 219 units leased within a 15-month timeframe *from first occupancy*, currently anticipated in spring 2015.





**COMPOSITE RENTAL SUMMARY - LOCALIZED DEVELOPMENT
 -- ORLAND PARK MARKET AREA --**

Program	Location	Year Built/ Fully Renovated	Vacancy Characteristics			Average Plan Size (Sq. Ft.)	Average Base Monthly Rent	
			Total Units	Number Vacant	Percent Vacant		\$	\$/Sq. Ft.
Apartments of Orland	Orland Hills	1998/1989	252	1	0.4	893	\$977	\$1.09
Heritage Manor	Orland Park	1976	80	0	0.0	915	957	1.05
<i>Ninety 7 Fifty on the Park</i>	Orland Park	2012 ⁽¹⁾	295	97	32.9	930	1,598	1.72
Green Oaks	Palos Hills	1975/2000 ⁽²⁾	160 ⁽³⁾	4	2.5	804	901	1.12
Edenbridge	Tinley Park	1975	122	7	5.7	903	1,059	1.17
Edgewater Walk	Tinley Park	1969	192	7	3.6	992	995	1.00
Towers of Edgewater Walk	Tinley Park	1990	112	0	0.0	1,203	1,141	0.95
Total/Average	---	1983	1,213	116	9.6	937	\$1,143	\$1.22
Total/Average Excluding Ninety 7 Fifty on the Park			918	19	2.1	939	\$997	\$1.06

⁽²⁾ Pre-leasing 10/12; currently absorbing at an overall rate of 15.2 units monthly.
⁽²⁾ Program fully renovated in 2000.
⁽³⁾ Excludes 224 affordable tax credit units.

Source: Tracy Cross & Associates, Inc.

- For purposes of this analysis, the Orland Park Market Area consists of portions of far southwestern Cook County and eastern Will County, generally extending south of 87th Street to Steger Road and east of the Illinois Ship Canal and Will-Cook Road to Harlem Avenue. In this defined market area, there is *more than adequate demand* to support the addition of no fewer than 275 new rental units annually through 2018. This rental construction requirement reflects the overall lack of fair market rental apartment construction of scale in the whole of the south suburbs, coupled with the loss of at least 460 units locally to ownership conversion since 2000, along with pressure in the suburban marketplace as a whole and in the localized area in particular, where vacancies among stabilized developments currently average a tight 2.1 percent or only 19 available units. Hence, the 275 annual unit rental construction forecast reflects a level required *merely to maintain market equilibrium*, compensating for units lost to demolition, abandonment and/or conversion, even without the formation of new renter households, which is unlikely. The forecasted new rental absorption also considers that more households will elect a rental alternative during the forecast period given continued weakness in the for sale sector, more stringent mortgage approval standards, and relatively high prices found locally, where new single family homes start above \$375,000 and attached products begin at an average of \$286,000.



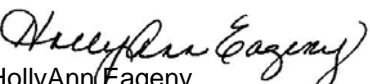
- On a cautionary note, the rental apartment competitive landscape is likely to intensify over the next few years as the overall strength of the market has not gone unnoticed and the potential for competition from other conceptualized transit-oriented, mixed-use developments may gain momentum during the forecast period. These include the master-planned Village Station in New Lenox, Gateway in Oak Forest and The Boulevard at Central Station in Tinley Park. However, these developments have been in planning for several years, with no timetable for development or public/private partnerships announced as the properties continue to be marketed. Also, it is quite probable that a number of other south/southwest suburban developments abandoned as for sale product may re-emerge as rental idioms.

To reiterate, the preceding paragraphs were offered merely to provide planning officials of the Village of Orland Park with *preliminary* and *general* characteristics of today's rental apartment market. We are in the process of finalizing our analysis and will shortly forward a detailed assessment of the marketplace and forecasts of absorption at pro forma rents for the conceptualized product lines, along with recommendations as appropriate which are viewed to enhance the marketability of the Orland Crossing development and maximize overall economic returns.

In the interim, please feel free to call if you wish to discuss the marketplace in greater detail.

Respectfully submitted,

TRACY CROSS & ASSOCIATES, INC.


HollyAnn Eageny
Vice President, Client Services

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