TRACY CROSS & ASSOCIATES, INC.

An Analysis of the Market Potential For Residential Development --- First Street Redevelopment – Phase Three --- St. Charles, Illinois

Prepared on behalf of:

City of St. Charles, Illinois
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REAL ESTATE MARKET ANALYSIS
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INTRODUCTION

At the request of the City of St. Charles, Illinois, Tracy Cross & Associates, Inc. was retained to furnish an independent analysis of the market potential for residential development within the First Street Redevelopment Area of downtown St. Charles, Kane County, Illinois.

Objectives

The objective of this analysis is to provide officials of the City of St. Charles, Illinois with a full understanding of relevant economic and competitive market trends as they may impact specifically upon the overall marketability of planned new rental apartment and ownership condominium development within *Phase Three* of the First Street Redevelopment Area. This area aligns the west bank of the Fox River and extends west to North 2nd Street and south from Main Street to Prairie Street in the city's central business district.

Intended to be used by the City as a tool for future policy and residential development decisions in the area, this analysis establishes the following:

- ❑ An understanding of the strengths and weaknesses of the St. Charles area's multi-family residential marketplace over the immediate- to mid-term (i.e., through 2018). This evaluation is based upon forecasts of economic and housing growth throughout the Chicago region, with an emphasis upon relevant changes in their direction and magnitude as they may influence far west suburban areas;
- ❑ Conclusions regarding the overall marketability of phased construction of 72 higher-density rental apartments and 36 ownership condominiums *as conceptualized by the City's development partner*, and within the context of the First Street mixed-use master plan. These conclusions are based upon factors associated with the location of the property, the performance of competing suburban multi-family rental apartment and for sale developments, and the near term demand outlook for residential development in St. Charles and its immediate far west suburban environs;
- ❑ A forecast of absorption addressing the developer's proposed rental apartment and condominium plan portfolios and pro forma rent/sales prices.

Methodology

In meeting these objectives, our firm conducted a series of inter-related research investigations that included the following:

- ❑ A full investigation of the First Street property and its environs;
- ❑ A thorough analysis of various factors of influence upon residential demand potentials over the 2013-2018 forecast period, focusing specifically upon the St. Charles Market Area, defined for purposes of this analysis as the townships of St. Charles, Geneva, Batavia, Campton

and Blackberry in Kane County, along with Wayne and Winfield townships in DuPage County.

- ❑ A complete evaluation of the overall area's residential marketplace, along with an assessment of rental apartment and condominium programs marketed in other suburban mixed-use developments of comparable scale;

- ❑ An extensive review of residential projects in the planning pipeline.

The Report

This report is divided into three sections. Of particular importance is **Section 1** which provides detailed conclusions and forecasts of absorption and sales. Not to be dismissed, however, are the remaining two sections which can be described as *fundamentals*. **Section 2**, for instance, defines the market area based upon all demand-related variables, while **Section 3** concludes with a complete and thorough analysis if the area's competitive 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 Phase 3 residential development within the First Street Redevelopment Area of the City of St. Charles, Kane County, Illinois as certified below:

TRACY CROSS & ASSOCIATES, INC.
An Illinois Corporation

By: G. Tracy Cross
Its: President

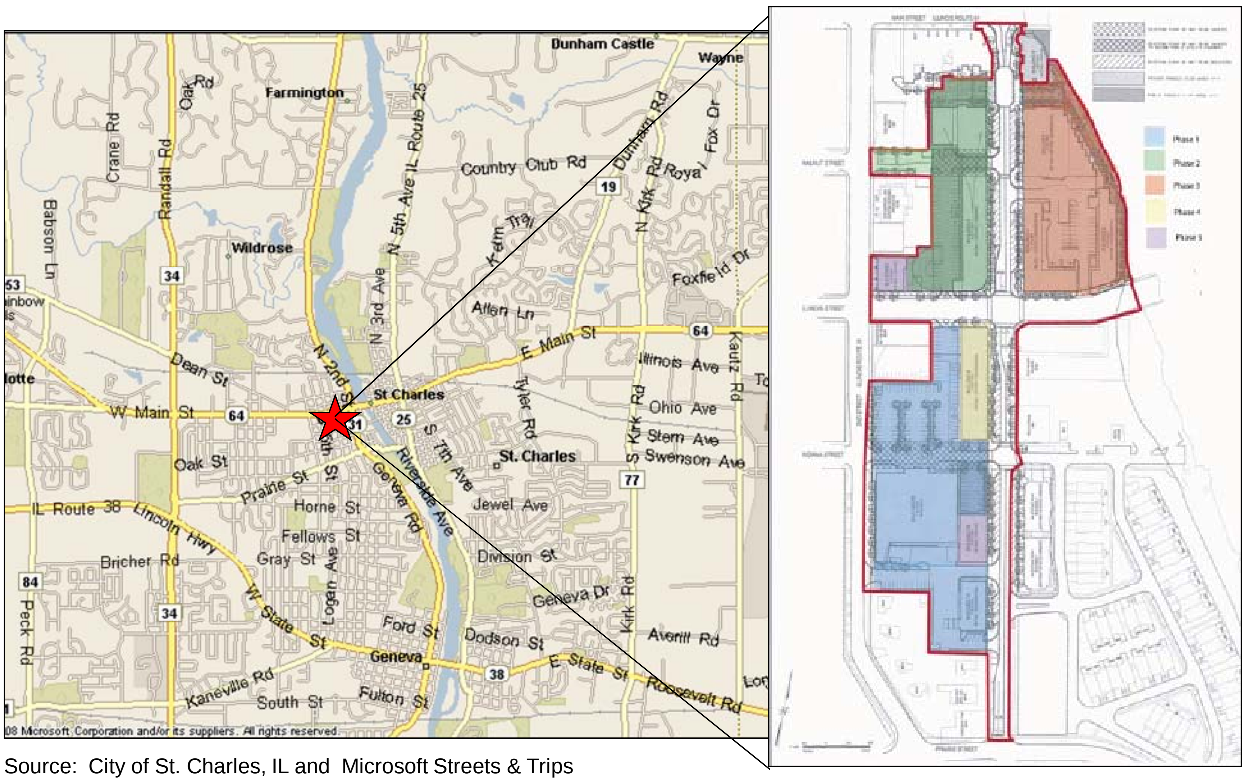
By: HollyAnn Eageny
Its: Vice President, Client Services

Date: December 20, 2013

1. CONCLUSIONS AND RECOMMENDATIONS

The First Street Redevelopment Project is a master-planned mixed-use development encompassing an approximate six-block area of downtown St. Charles bounded generally by the Fox River, Main Street/Route 64, Second Street/Route 31, and Prairie Street. Phase Three, *which is the subject of this analysis*, consists of City and privately-owned properties aligning the Fox River at Main and South 1st streets as illustrated in the following graphic:

GEOGRAPHIC DELINEATION:
FIRST STREET REDEVELOPMENT AREA – ST. CHARLES, IL



Source: City of St. Charles, IL and Microsoft Streets & Trips

Approved by the City of St. Charles in 2006 as a component of the City's comprehensive plan, the master First Street redevelopment plan incorporates phased introduction of a variety of retail, office, commercial, entertainment and dining venues, and urban-scale for sale and rental apartment housing options, along with public improvements including improved parking, streetscape, lighting, a riverfront walkway, and a public plaza for civic gatherings. Initial phases of the overall master redevelopment included relocation and expansion of the

Blue Goose specialty market and Harris Bank facility, riverfront infrastructure improvements, and construction of a municipal parking structure. The 22-unit Milestone Row Condominiums developed over street level retail and office was concurrently developed adjacent to the project.

The Environs

The city of St. Charles is a well established suburb of Chicago, located in eastern Kane County, approximately 35 miles due west of downtown Chicago and 25 miles southwest of O'Hare International Airport. The city boasts a vibrant downtown business district, replete with fine dining and casual eateries, numerous long-standing local merchants, the Arcada Theater concert venue, art and antique galleries, specialty shops, a boutique hotel, and the Blue Goose epicurean market, along with a wealth of consumer service providers.

Residentially, St. Charles boasts numerous family-oriented neighborhoods of single family homes such as Cambridge East, Charlemagne, Hunt Club, and Royal Fox, along with larger lot developments and private estates concentrated in its western and far northern quadrants. St. Charles, in fact, experienced its strongest growth period during the 1990-2004 era, when roughly 40 percent of its housing stock was constructed. Based upon recent closing activity, the average sales price of a single family home in St. Charles currently stands at $347,960, while the median home value in September 2013 stood at $301,376.

St. Charles Township, which includes the city proper as well as portions of Wayne and unincorporated eastern Kane County which utilize St. Charles schools, parks and library, supports an estimated 2013 population of 51,569, representing the addition of 730 persons yearly since 2000. Households, in turn totaled 18,353 in 2013, equal to the annual addition of 268 yearly since 2000. The median age of a householder in St. Charles Township currently stands at 52.2 years. By age category, 12.6 percent of current householders are under the age of 35, while 44.9 percent are aged between 35 and 54. Another 33.5 percent align age categories of 55 to 74, while the remaining 8.9 percent are aged 75 and older.

While household distributions in St. Charles Township favor ownership status, equal to 79.4 percent of the community's household base (14, 569 households), the township also supports a relatively strong base of renters, equal to 20.6 percent or 3,784 households. Overall, St. Charles Township is relatively affluent, as evidenced by an estimated 2013 median income of $84,843 annually, or 41.0 percent higher than the $60,164 median carried by all households in metro Chicago.

St. Charles is well served by local and regional transportation systems, including Randall Road, a major north-south commutation arterial joining with the four-lane U.S. 20 expressway to the north, and the Ronald Reagan Memorial Tollway (I-88) to the south. Via U.S. 20 and its connection with the new Elgin-O'Hare Expressway, major sources of employment in and around the Itasca, Schaumburg and O'Hare areas can be reached within a 40- to 60-minute drive time. I-88, in turn, provides linkage to heavy satellite employment concentrations in Aurora, Naperville, Warrenville, Lisle, Lombard and Oak Brook. Finally, for residents working in the city of Chicago, Union Pacific's West Line from neighboring Geneva offers rail transportation to the Loop reaching the central business district in approximately one hour. In aggregate, there are some 877,588 *suburban* private sector jobs or just over one-quarter of total metro private sector employment within convenient commuting distance of downtown St. Charles, including 19,431 jobs in St. Charles itself.

PRIVATE SECTOR EMPLOYMENT
AREAS INCLUDING AND PROXIMATE TO ST. CHARLES
2012

Area	Total Private Sector Employment 2012: Number of Workers	Total Private Sector Employment 2012: Percent of Six-County Metro Area
Six-County Chicago Metro Area [1]	***3,261,253***	***100.0***
Within a 30-Minute Commute of St. Charles:	**308,712**	**9.5**
Kane County	160,955	4.9
St. Charles	19,431	0.6
Remainder of Kane County	141,524	4.3
Aurora/DuPage County	19,828	0.6
Glen Ellyn, DuPage County	9,730	0.3
Lisle, DuPage County	23,359	0.7
Naperville, DuPage County	63,798	2.0
West Chicago, DuPage County	15,234	0.5
Wheaton, DuPage County	15,808	0.5
Within a 30 to 45-Minute Commute of St. Charles:	**568,876**	**17.4**
Remainder of DuPage County	381,959	11.7
Arlington Heights, Cook County	45,386	1.4
Barrington, Cook/Lake Counties	10,653	0.3
Hoffman Estates, Cook County	23,199	0.7
Palatine, Cook County	18,811	0.6
Rolling Meadows, Cook County	17,320	0.5
Schaumburg, Cook County	71,548	2.2
All Areas Within a 45-Minute Commute of St. Charles	**877,588**	**26.9**

[1] Includes Cook, DuPage, Kane, Lake, McHenry, and Will counties in Illinois.

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

There are five newer rental communities in St. Charles and Geneva which, combined, support a total of 520 apartment units. As shown in the following text table, rents in these five developments currently average $1,409 monthly for a residence that offers 1,027 square feet of living area. This equals a value ratio of

$1.37 per square foot. At present, only four units are unoccupied which translates to a vacancy factor of 0.8 percent.

COMPOSITE SUMMARY: NEWER APARTMENT DEVELOPMENTS
-- IMMEDIATE ST. CHARLES AREA --

Program/ Address	Year Built	Number of Units	Occupied		Vacant		Average Plan Size (Sq. Ft.)	Average Monthly Posted Rent	
			Number	Percent	Number	Percent		$	$/Sq. Ft.
St. Charles									
Amli at St. Charles	1999	400	397	99.3	3	0.8	995	$1,396	$1.40
Fox Place	2004	20	20	100.0	0	0.0	978	1,016	1.04
Geneva									
Dodson Place	2009	22	22	100.0	0	0.0	1,455	$2,005	$1.38
Residence at Mill Creek	2009	48	47	97.9	1	2.1	1,161	1,455	1.25
The Village at Mill Creek	2006	30	30	100.0	0	0.0	956	1,205	1.25
Total/Average	***---***	***520***	***516***	***99.2***	***4***	***0.8***	***1,026***	***$1,409***	***$1.37***

Source: Tracy Cross & Associates, Inc.

Situated in St. Charles, and the largest of the five localized rental communities, is AMLI at St. Charles, a 400-unit community that opened in 1999. This garden-style apartment development located east of the Fox River at Kirk Road and Route 64, offers a variety of one bedroom, one bedroom plus den, two bedroom, and two bedroom plus den units in the size band from 694 to 1,452 square feet. Rents range from $1,154 monthly to $1,965 and average $1,396 for a 995 square foot unit. AMLI at St. Charles, which reached stabilized occupancy levels in a 21-month period at a rate of 18.0 units monthly, features an extensive level of community amenities including a resort-style swimming pool and sun deck, two fitness centers, a business and conference center, and a multi-media room with surround sound. The community's clubhouse and swimming pool area are centrally located and overlook an expansive lake and walking trail.

As noted, the newest condominium community in St. Charles is the 22-unit Milestone Row which was introduced in 2007 adjacent to the First Street project. This community featured a variety of primarily two bedroom two bath plan types offering between 1,474 and 1,662 square feet of living area, along with two penthouse units averaging 3,098 square feet in size which featured three bedrooms and two and one-half baths. At market introduction, base sales prices for the two bedroom designs extended from $369,900 to $389,900 with all except the smallest 1,474 square foot plan types including one (1) deeded enclosed parking space in the sales price. The penthouse plans, in turn, were priced at $799,900 and included two deeded parking spaces. Overall, Milestone Row carried an average sales price of $502,757 which included a 2,006 square foot residence, equal to a value ratio of $250.63 per square foot. Milestone Row struggled to gain traction amid the housing downturn and ceased marketing in 2011 with only 13 of the 22 units sold, reflecting an overall sales rate of 0.2 units per month. The remaining nine units were subsequently leased, and have been offered for resale based upon lease expirations. In 2012, three units at Milestone Row were sold through the brokerage network at an average closing price of $368,333 or $175.82 per square foot, a price point 29.6 percent *below* the original sales prices. The marketing time of the three resales stood at 227 days. Two additional units are currently listed for sale at Milestone Row, including a two bedroom design carrying an asking price of $359,900 and a penthouse unit listed for $589,900, translating to an average asking price of $474,900 or $206.21 per square foot, a level 19.5 percent below original sales prices.

The Proposed Phase Three Development

As conceptualized, First Street-Phase Three will consist of 72 higher-density rental apartments, 32 midrise condominiums, and a municipal 121-stall parking structure. The 72 luxury apartments will be distributed between two 36-unit, four-story mixed-use residential buildings, each to include 11,960 square feet of retail, restaurant and office space, along with 35 enclosed private or private/reserved resident parking spaces. Construction of the initial phase of 36 luxury apartments (Building 1) is anticipated in Spring 2014, with the second phase (Building 2) expected to commence in late-2014 or early 2015.

As summarized in the following table, according to the Land Plan dated 10/13/13, First Street Apartments will provide 76,800 net leasable *residential* square feet distributed between studio, one bedroom one bath and two bedroom two bath plan styles ranging in unit size from 800 to 1,400 square feet. Based upon a pro forma average rental rate of $1.25 per square foot as provided by the City of St. Charles, it is expected that corresponding lease rates will extend from $1,027 monthly for a studio apartment to $1,717 monthly for a two bedroom two bath unit, translating to an overall average 1,067 square foot apartment home which leases for $1,334 monthly. It is further assumed that the resident will be responsible for all utilities, while parking will be available for an incremental monthly fee.

PROPOSED RENTAL APARTMENT MATRIX: FIRST STREET-PHASE THREE

Plan Type	Total Units	Percent of Total	Bedrooms/ Baths	Net Rentable Square Feet: Per Unit	Net Rentable Square Feet: Total	Proposed Rents[1]: $	Proposed Rents[1]: $ / Sq. Ft.
Plan A	24	33.3	0 / 1.0	800	19,200	$1,027	$1.28
Plan B	24	33.3	1 / 1.0	1,000	24,000	1,257	1.26
Plan C	24	33.3	2 / 2.0	1,400	33,600	1,717	1.23
Total/Average:	***72***	***100.0***	***---***	***1,067***	***76,800***	***$1,334***	***$1.25***

[1] Unit types, plan sizes and mix, along with pro forma average rental rate of $1.25 per square foot provided by City of St. Charles. Individual rental rates by plan type were calculated based upon market average lease rates for analytical purposes only.

Source: City of St. Charles: Phase Three Land Plan dated 10/13/13.

It is also assumed that all apartments will feature an enhanced level of interior appointments commensurate with higher-quality apartment construction throughout suburban Chicago, including but not limited to energy-efficient stainless steel kitchen appliances, granite kitchen countertops/islands, in-unit full-size washer and dryer, laminate wood flooring in all living, dining and kitchen areas, walk-in closets in all master bedrooms, ceramic tile baths, internet and cable television connectivity, and some level of in-unit storage. The relatively small scale of the planned rental community negates the necessity for extensive community amenities.

In addition to rental apartments, Phase Three will include development of 32 ownership condominiums distributed within a five-story, mixed-use residential building (Building 3) aligning the Fox River. Building 3 will include 12,850 square feet of retail, restaurant and office space at street level and 37 *private* enclosed parking spaces. Although detailed plan offerings are not currently available, preliminary concepts outline a standard 1,400 square foot two bedroom two bath design. According to the City of St. Charles, the developer is projecting sales prices in the range of $225.00 to $250.00 per square foot, translating to an average base sales price of approximately $332,500. It is assumed that the sales price of a condominium unit will include one (1) deeded enclosed parking space per unit. No additional information regarding association fees or common area amenities is available at this time. Introduction of the 32-unt condominium program is anticipated in mid-2015 or later based upon developer pre-sale requirements.

CONCLUSION

Based upon a synthesis of market factors detailed throughout this report, the proposed Phase Three residential development is generally viewed as a viable development opportunity. Overall, the First Street property's vibrant downtown St. Charles location, coupled with proximity to significant sources of employment, is in concert with the proposed lifestyle orientation of the conceptualized First Street community. That said, however, market potentials for the proposed housing idioms vary dramatically, ranging from ***very strong*** for the conceptualized *First Street Apartments* to ***very limited*** for the 32-unit condominium program over *at least the mid-term*. Simply put, while there is more than adequate support for rental apartments based upon the overall strength of the suburban rental sector, a languishing recovery in the for sale housing sector, and especially in the higher-density condominium sector, translates to a *high degree of risk* attendant to introduction of the First Street Condominiums *before full recovery is evident*. It should be fully understood that the timing of this recovery is not likely to occur before 2016 and its impact upon the condominium sector not likely realized until at least 2017 or even beyond. These conclusions are further summarized below:

- 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 as a whole into an *extremely tight* market condition. In the West Suburban Competitive Market Area (CMA), for example, vacancies currently average just 3.1 percent compared to a balanced market where the vacancy rate should average between 5.0 and 6.0 percent to allow for movement among communities. To reiterate, in the localized St. Charles area, vacancies stand at a mere 0.8 percent with only four of 520 newer rental units currently unoccupied. Hence, *even without factoring new renter household growth*, the 72-unit First Street Apartments would serve to alleviate at least some measure of market tightness locally.

- Rental housing demand in the St. Charles Market Area will average a sustained volume of 300 units annually during the 2013-2018 forecast period, reflecting anticipated renter household growth averaging 210 households annually during the six-year timeframe, new construction requirements to return the marketplace to a more balanced state, and replacement demand given an aging rental inventory. To this point, since 2000, renter household growth in the St. Charles

Market Area has averaged 247 households annually, accounting for 22.8 percent of total household growth during the 13-year timeframe. Yet there has been only limited new rental construction in the market area during this time, as only five boutique-scale developments providing a total of 120 new units have been introduced since 2000 or *less than* ten units yearly.

- ❑ Moreover, there is limited land available for larger-scale apartment development to the east, resulting in increasing spillover growth pressure upon the St. Charles Market Area. It is also evident that tenure shifts from renter to owner status evident during the 1999-2005 timeframe have now *fully abated* given tighter lending standards and the impact of foreclosures upon home values. This will provide new stimulus to apartment potentials locally with even some segments relinquishing their ownership status in favor of an enhanced lifestyle rental environment.

- ❑ Lastly, in reference to apartments, Chicago's employment picture is slowly improving which will stimulate job finding by many college graduates who are now unemployed or under-employed and living at home. These 21 to 29 year olds are the prime target for new lifestyle apartment development not only in the city but in the suburbs as well. From a long term perspective, younger apartment-dwelling householders downtown will provide an incubated base of demand for ownership housing **in St. Charles** at some future date. Given the City's community-oriented focus, excellent schools, proximity to employment and METRA, and what is already a vibrant downtown district, as many of these younger renter households transition to the for sale market over time they will be hard-pressed not to choose a home in St. Charles.

- ❑ Our rather bleak conclusion relative to condominium potentials near term reflects the fact that Chicago's for sale housing sector has been slow to recover from the impact of the housing downturn and subsequent recession. Only recently, in fact, has the existing home market shown some momentum as, according to the Standard & Poor/Case-Schiller Index, overall home values in the metropolitan region reached $127,680 in August 2013, up 13.4 percent compared to the $112,600 indexed value in December 2012, but still well below the peak index value of $168,600 noted in September 2006.

- ❑ Home prices in St. Charles have also begun to advance most recently, although at a more moderated pace than the region as a whole. Specifically, based upon closing statistics garnered from the Multiple Listing Service of Northern Illinois 606 single family homes were sold in St. Charles through the first nine months of 2013. On an annualized basis, closings year-to-date translate to a volume of 680 units, representing a 17.6 percent increase over the 578 single family homes sold in the city in 2012. However, the median sales price of a home sold in September 2013 stood at $301,376, up a modest 1.4 percent compared to the $297,100 median noted in 2012.

- ❑ As it relates to First Street Condominiums, while the proposed 32-unit program will especially appeal to localized downsizing/empty-nesters who wish to remain vested in St. Charles but seek a new lifestyle housing option, it is also highly likely that this profile consumer will elect to defer transition from their existing residence until *sustained momentum* in the housing market is realized and home values are restored. Given the tempered pace of market appreciation to date, the timing of sustained recovery is (again) not expected to occur before 2016, and its impact upon the condominium sector therefore is not likely to be realized until at least 2017 and beyond.

- ❑ Median home values are also particularly relevant vis-à-vis the proposed First Street Condominiums, as the profile consumer typically moves *laterally or down* in size, but almost universally *down in price*. Based upon the conceptualized 1,400 square foot plan design and pro forma sales prices ranging from $225.00 to $250.00 per square foot, average sales prices at First

Street Condominiums would fall in the range of $315,000 to $350,000, or up to 16.3 percent higher than current median home values locally.

- Caution is also exercised as the St. Charles marketplace has shown resistance to higher-density and/or higher-priced attached for sale alternatives. Specifically, the vast majority of higher-density condominium development in the western suburbs has occurred in more urbanized, primarily rail-served communities located *east of* I-355 in DuPage and western Cook counties. The St. Charles area, in fact, as accounted for *less than five percent* of all west suburban midrise and highrise condominium sales since 1995, or an average of only 12 sales annually over the last 18 years. In aggregate, only five condominium developments have been introduced in the local marketplace, namely Hunt Club and Milestone Row in St. Charles; Quarry Stone Pond in Batavia; and, in Geneva, two phases of River North and Crossings at Geneva, originally planned to provide a total of 484 units. It is important to note that *only* River North-Phase I achieved full sell-out. Excluding Crossings at Geneva, marketing of the remaining developments was halted prior to completion, with undeveloped phases cancelled and unsold units converted to rental idioms. At Crossings at Geneva, a “lease to own” program is now available.

- For the most part, new higher-density condominium developments in the St. Charles area carried average sales prices well below the $200.00 per square foot mark, and averaging $175.00. The lone exception, of course, is Milestone Row where sales prices hovered at $250.00 per square foot. Again, sales at this latter program averaged 0.2 monthly during its marketing life.

- Higher-density condominium sales throughout the west suburban region have been tepid in recent years, averaging only 81 sales annually during the 2010-3rd Quarter 2013 timeframe and are expected to remain below trend during the forecast period. At present, there are 15 higher-density condominium programs actively marketing in west suburban areas proximate to St. Charles. Excluding three truly discretionary-buyer programs in the Hinsdale/Burr Ridge area, remaining 12 communities are generating 0.5 sales monthly at an average sales price of $251,844 or $166.01 per square foot, a price point *substantially below* projected pro forma sales prices.

Absorption Potentials-First Street Apartments

Given the extremely strained rental market conditions, First Street Apartments will generate an overall absorption rate of 5.7 units per month, enabling *each 36-unit phase* to achieve a stabilized occupancy level of 95 percent or 34 units leased within a six-month timeframe *from first occupancy*. This leasing period *does not include* three months of pre-lease marketing prior to initial deliveries.

The projected absorption pace is consistent with the 5.0 units monthly average achieved by the four newest localized communities, namely *Dodson Place, Residence at Mill Creek, Village at Mill Creek* and *Fox Place*, which are all of comparable scale to the proposed phasing of First Street Apartments, averaging 30 units in size. The projected absorption rate is also consistent with the 8.4 unit monthly pace noted among new higher-density rental apartments throughout the western suburbs when variances in location, scale and community amenities are factored.

It is important to note that the forecasted absorption rate *assumes an enhanced level of interior appointments and community amenities commensurate with new construction apartment development throughout the region.* The forecasted absorption rate also assumes that pro forma rents provided by the City of St. Charles *include premiums for floor and unit location but do not include parking.* To this point, one enclosed parking space is included in the monthly lease rate at Dodson Place, Residence at Mill Creek, Two Itasca Place, Regency Place and City View at The Highlands. Among remaining newer west suburban higher-density communities, *private* enclosed parking is available for incremental fees ranging from $65 to $190 monthly, with the average standing at $110 per month based upon a 12-month parking agreement. The exception is Oak Park Place where *reserved parking* in an adjacent municipal parking structure is available at a current rate of $77 monthly. These market average parking fees are viewed as reasonable for transference to First Street Apartments as resident parking is determined.

Finally, **Exhibits 1.1 through 1.4** illustrate the value positioning of First Street Apartments at *pro forma rents* relative to posted average *base rents* among newer higher-density apartment communities both locally and in areas to the east. As shown, pro forma rents position First Street Apartments substantially below these competing communities with variances ranging from $114 monthly compared to localized developments and some $385 per month lower than the market area as a whole. Given the enhancement of a new construction alternative, coupled with the lifestyle environs of downtown St. Charles, and considering the general lack of rental projects announced to date in (particularly) the localized marketplace, pro forma rents could be increased by $160 monthly *excluding parking* or to an average of $1.40 per square foot *without jeopardizing absorption potentials*.

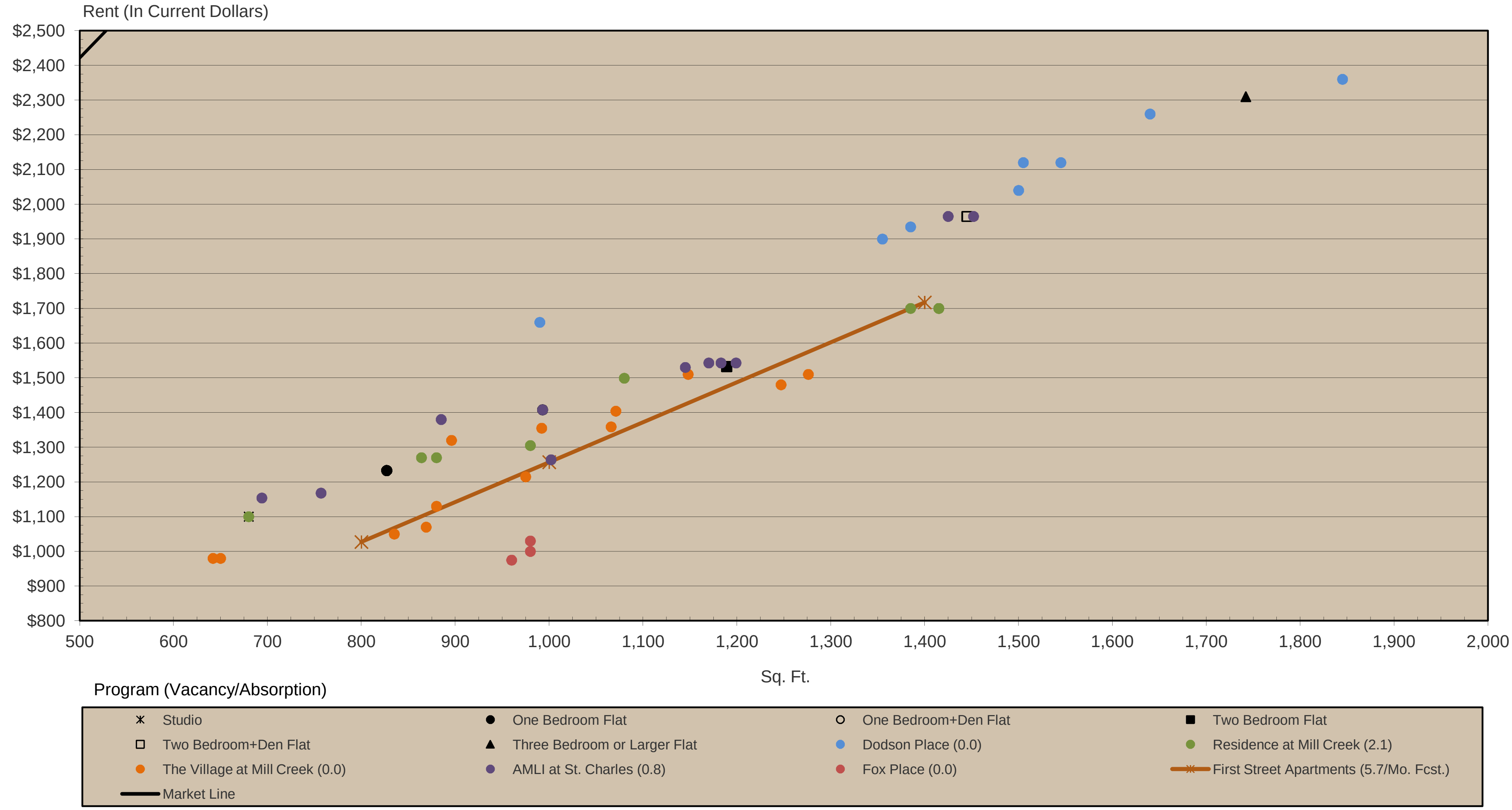
Absorption Potentials-First Street Condominiums

At an average sales price of $315,000 for a 1,400 square foot residence, the proposed First Street Condominiums would support a per square foot value ratio of $225.00 which would place the community approximately $84,000 *higher* than similar competing offerings which are located some 15 to 20 miles to the east; or simply stated, competing product that is closer to regional employment, more convenient to rail transportation to the city, and within areas that support significantly higher population densities than St. Charles and its immediate environs. For this reason, it is highly unlikely that the First Street Condominiums could generate sales volumes in excess of 0.5 monthly, even at a time of sustained market recovery. This forecast can be further supported by the fact that higher-density, higher-end condominium communities in the far western suburbs of St. Charles, Geneva and Batavia have never performed well with only 221 new units in this sector sold in these areas over the last 18 years.

CLOSING REMARKS

The conclusions forwarded for the higher-density condominium portion of the First Street development are not meant to suggest that the concept has no market potential. Rather, the 32-unit community must support significantly lower price points to be successful, and that market introduction be deferred until later in the forecast period, say in 2017 or 2018. Regarding price, and to approach one sale per month, the condominium development must be positioned nearer the $265,000 mark for a 1,400 square foot unit in order to be properly aligned with its most direct sources of competition to the east. This price point

Rent/Value Analysis
Newer Apartment Developments
Localized St. Charles/Geneva Area
June 2013



Rent/value analysis uses a scatter diagram to graphically represent a set of observations found in today's marketplace, specifically the square footage of units offered and their associated rent levels. Regression analysis is then used to fit a line through the set of market observations that represent the "best fit" or average market line. This market line can then be used to predict the performance of a new, untested product line or offer explanations regarding the occupancy/absorption rates of currently available product lines.

1.2

Rent/Value Analysis
Newer Apartment Developments
Localized St. Charles/Geneva Area
June 2013

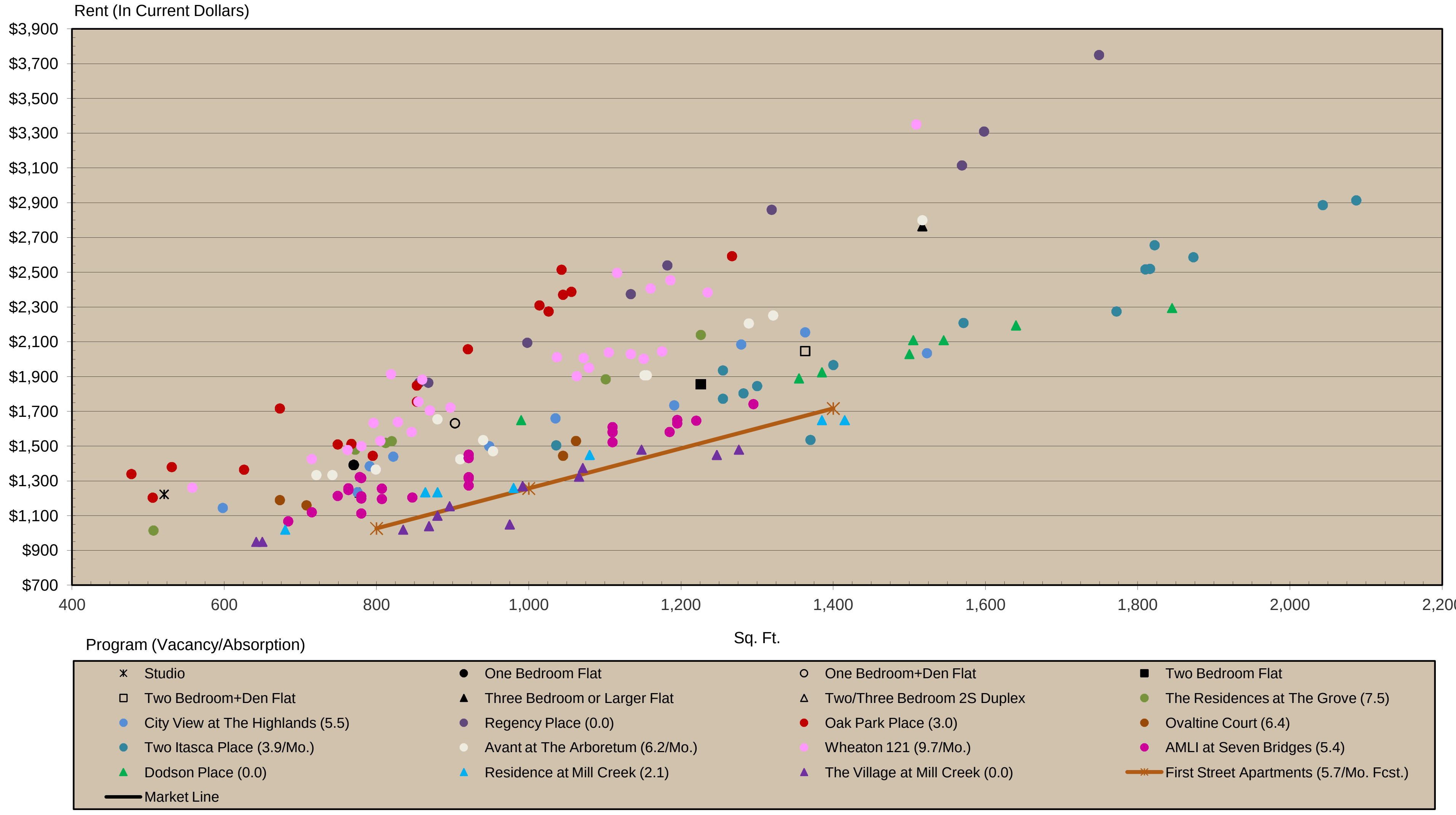
Plan Size (Sq. Ft.)	Average Market Rent
400	$815
500	910
600	1,005
700	1,100
800	1,195
900	1,290
1,000	1,385
1,100	1,480
1,200	1,575
1,300	1,670
1,400	1,765
1,500	1,860
1,600	1,955
1,700	2,050
1,800	2,145
1,900	2,240
2,000	2,335
2,100	2,430
2,200	2,525

Slope: $0.95 per sq. ft.

Development/Location	Year Built/ Renovated	Average Plan Size (Sq. Ft.)	Average Posted Base Rent: Dollars	Average Posted Base Rent: Rent per Sq. Ft.	Average Market Rent	Variance From Market	Vacancy Rate/ (Monthly Absorption)
Dodson Place/Geneva	2009	1,455	$2,005	$1.38	$1,817	$+188	0.0
AMLI at St. Charles/St. Charles	1999	995	1,396	1.40	1,380	+16	0.8
---- Market ----	***---***	***1,026***	***1,409***	***1.37***	***1,409***	***0***	***0.8***
Residence at Mill Creek/Geneva	2009	1,161	1,455	1.25	1,538	-83	2.1
First Street Apartments at Pro Forma Rents	**2014**	**1,067**	**1,334**	**1.25**	**1,448**	**-114**	**5.7/Mo. Fcst.**
The Village at Mill Creek/Geneva	2006	956	1,205	1.26	1,343	-138	0.0
Fox Place/St. Charles	2004	978	1,016	1.04	1,364	-348	0.0

1.3

Rent/Value Analysis
Higher-Density Apartment Developments: Flats and 2S Duplex Plan Types
West Suburban CMA
June 2013



Rent/value analysis uses a scatter diagram to graphically represent a set of observations found in today's marketplace, specifically the square footage of units offered and their associated rent levels. Regression analysis is then used to fit a line through the set of market observations that represent the "best fit" or average market line. This market line can then be used to predict the performance of a new, untested product line or offer explanations regarding the occupancy/absorption rates of currently available product lines.

1.4

Rent/Value Analysis
Higher-Density Apartment Developments: Flats and 2S Duplex Plan Types
West Suburban CMA
June 2013

Plan Size (Sq. Ft.)	Average Market Rent
400	$952
500	1,067
600	1,182
700	1,297
800	1,412
900	1,527
1,000	1,642
1,100	1,757
1,200	1,872
1,300	1,987
1,400	2,102
1,500	2,217
1,600	2,332
1,700	2,447
1,800	2,562
1,900	2,677
2,000	2,792
2,100	2,907
2,200	3,022

Slope: $1.15 per sq. ft.

Development/Location	Year Built/ Renovated	Average Plan Size (Sq. Ft.)	Average Posted Base Rent: Dollars	Average Posted Base Rent: Rent per Sq. Ft.	Average Market Rent	Variance From Market	Vacancy Rate/ (Monthly Absorption)
Regency Place/Oakbrook Terrace	2007	1,199	$2,541	$2.12	$1,871	$+670	0.0
Oak Park Place/Oak Park	2008	799	1,836	2.30	1,411	+425	3.0
Wheaton 121/Wheaton	2013	892	1,757	1.97	1,518	+239	(9.7/Mo.)
The Residences at The Grove/Downers Grove	2008	938	1,700	1.81	1,571	+129	7.5
[1] Avant at The Arboretum/Lisle	2013	936	1,587	1.70	1,569	+18	(6.2/Mo.)
---- Market ----	---	***968***	***1,606***	***1.66***	***1,606***	***0***	***2.2 / (6.6/Mo.)***
City View at The Highlands/Lombard	2003	916	1,508	1.65	1,546	-38	5.5
Two Itasca Place/Itasca	2006	1,626	2,252	1.38	2,362	-110	(3.9/Mo,)
Ovaltine Court/Villa Park	1917/2001	805	1,270	1.58	1,418	-148	6.4
Dodson Place/Geneva	2009	1,455	2,005	1.38	2,166	-161	0.0
AMLI at Seven Bridges/Woodridge	2002	928	1,353	1.46	1,560	-207	5.4
Residence at Mill Creek/Geneva	2009	1,161	1,455	1.25	1,827	-372	2.1
First Street Apartments at Pro Forma Rents	**2014**	**1,067**	**1,334**	**1.25**	**1,719**	**-385**	**5.7/Mo. Fcst.**
The Village at Mill Creek/Geneva	2006	956	1,205	1.26	1,592	-387	0.0

[1] Development began marketing July 2013.

Source: Tracy Cross & Associates, Inc.

6-13 AVG

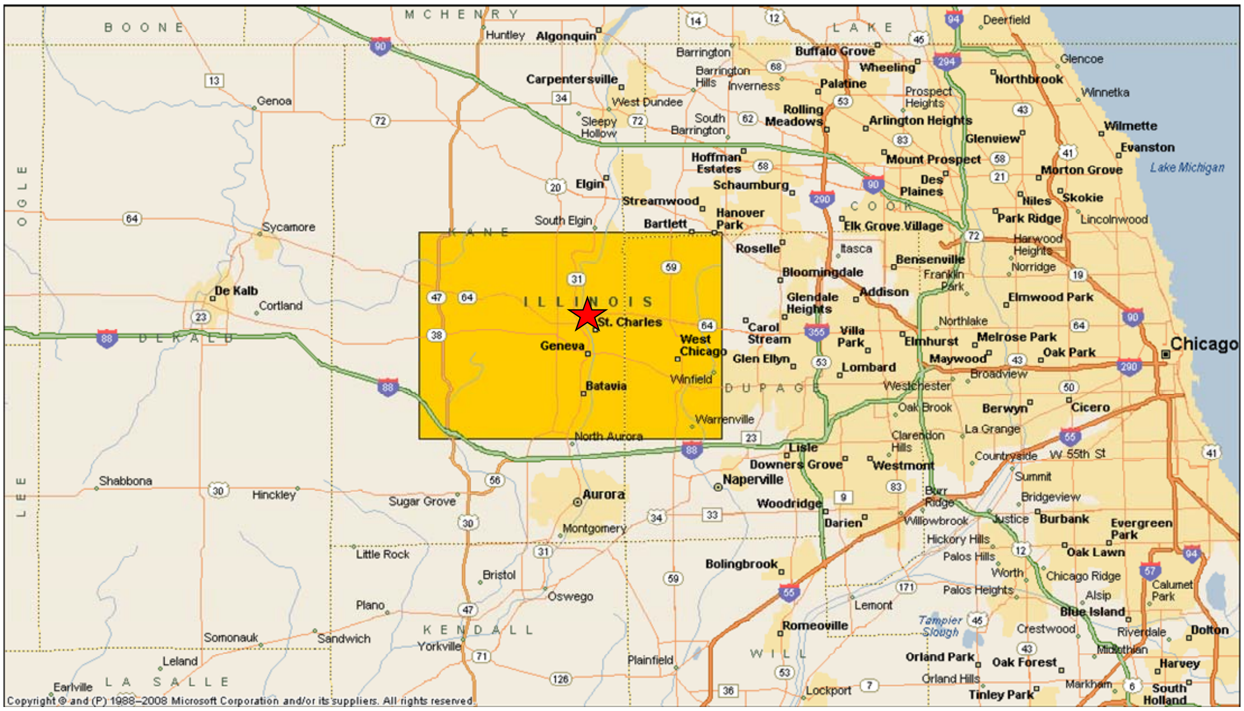
would also position the program approximately 10 to 12 percent below housing values in St. Charles itself, a prerequisite to allow for move-down succession to occur from residents in St. Charles proper.

Finally, as an alternative, given the overall strength of particularly the localized rental sector, should Building 3 also be developed as a rental apartment idiom, construction could commence in tandem with the phasing schedule of Buildings 1 and 2. If this option were pursued, a 42-unit development could carry a similar $1.40 per square foot average (excluding parking) with stabilized occupancy of 95 percent attainable within a seven- to nine-month period of Building 3's first move-ins.

2. *BACKGROUND TO THE MARKET*

From an overall perspective, the geographic area from which primary residential demand support for the First Street development will emanate consists of a seven-township area that includes St. Charles, Geneva, Batavia, Campton, and Blackberry in Kane County, along with Wayne and Winfield in DuPage County, generally extending west from the city of Warrenville to Illinois Route 47 and south from West Bartlett Road to the northern village boundaries of North Aurora.

GEOGRAPHIC DELINEATION:
THE ST. CHARLES MARKET AREA



Source: Microsoft Streets & Trips and Tracy Cross & Associates, Inc.

The selection of this geographic quadrant, defined for purposes of this analysis as the St. Charles Market Area, is based upon a number of factors including commonalities relative to sources of employment, commuting patterns established along U.S. 20, the I-88 highway system and/or the METRA commuter rail network; socio-economic and demographic similarities of area residents; and the alignment and location of residential developments which will serve as a source of competition, either direct or indirect.

Population, Households, And Tenure

The 2000 Census revealed that during the 1990s, the population of the St. Charles Market Area grew by 6,367 persons yearly to a 2000 base of 224,600. Market area households in turn advanced by 2,056 annually to a level of 73,896 in 2000. During the decade, the host St. Charles Township accounted for 13.9 percent of total population growth in the market area and 17.0 percent of all household additions.

As detailed in **Exhibit 2.1**, growth in both population and households slowed appreciably during the 2000-2010 timeframe. Specifically, the 2010 Census showed a total market area household base of 86,614 representing the annual addition of 1,272 households yearly since 2000, a pace 38.0 percent slower than growth levels witnessed during the 1990s. Several factors contributed to this rather steep decline, most notably the implosion of the for-sale housing market beginning in 2007, coupled with the subsequent national recession which continued through the close of the decade. Other contributing factors included the largely built-out nature of component townships in DuPage County, coupled with the higher price of housing in unincorporated areas of Kane County where larger lot sizes are mandated due to the lack of municipal water and sewer. Notably, population and household growth in St. Charles Township during the 2000-2010 timeframe virtually mirrored that of the previous decade, with the host township increasing its share of total market area household additions to 25.4 percent.

Recent estimates derived from the 2010 Census indicate that the St. Charles Market Area supports a 2013 household base of 87,953, representing the annual addition of 446 households yearly since 2010, with household growth through 2018 projected at 910 households per annum. These below trend statistics are attributed, in part, to lingering stagnation in the regional economy, as well as the fact that growth throughout much of the market area will remain constricted on the basis of zoning mandates or more restrictive subdivision regulation.

Tenure distributions in the St. Charles Market Area continue to favor ownership housing which currently accounts for 84.2 percent of all occupied units. Nonetheless, during the decade of the 2000s, renter household additions accounted for *nearly one-quarter* (23.1 percent) of total household growth in the market area or 293 renter households yearly. St. Charles Township in turn accounted for 24.2 percent of all renter household growth over the ten-year timeframe or 71 renter household additions yearly. Since 2010, renter household growth in the market area is estimated at 95 yearly or 21.3 percent of total household growth, equal to an estimated 2013 base of 13,865 renter households. Renter household growth over the last three years likely reflects an increase in investor-held single family detached, townhome/duplex and condominium rentals throughout the market area, as there has been no substantive new rental apartment construction in the market area since 2009. St. Charles Township currently supports an estimated 3,784 renter households or 27.3 percent of the market area base.

Consistent with these statistics, analysis of household compositions reveals that 53.5 percent of resident market area households represent married couples and/or non-family households *without children*. Also consistent with higher-

2.1

POPULATION, HOUSEHOLDS, AND INCOME
-- ST. CHARLES MARKET AREA --

Attribute/Year	St. Charles Market Area	St. Charles Township	Attribute/Year	St. Charles Market Area	St. Charles Township
Population			**Households**		
1990	160,931	33,247	1990	53,333	11,375
2000	224,600	42,083	2000	73,896	14,869
2010	257,680	50,852	2010	86,614	18,101
2013	262,484	51,569	2013	87,953	18,353
2018	275,660	55,197	2018	92,503	19,643
Average Annual Change			**Average Annual Change**		
1990 - 2000	6,367	884	1990 - 2000	2,056	349
2000 - 2010	3,308	877	2000 - 2010	1,272	323
2010 - 2013	1,601	239	2010 - 2013	446	84
2013 - 2018	2,635	726	2013 - 2018	910	258
2013 Population by Race/Hispanic or Latino			**2013 Households by Type**		
Total Population	***262,484***	***51,569***	***Total Households***	***87,953***	***18,353***
Not Hispanic or Latino	**223,838**	**46,571**	Married Couple with Children	30,513	5,576
White Alone Not Hispanic	180,678	40,621	Married Couple without Children	28,796	6,257
Black Alone Not Hispanic	6,570	1,165	Other Family with Children	6,580	1,333
Asian Alone Not Hispanic	16,655	2,053	Other Family without Children	3,697	814
All Other Races Not Hispanic	19,935	2,732	Nonfamily with Children	147	48
			Nonfamily without Children	18,220	4,325
Hispanic or Latino	**38,646**	**4,998**			
2013 Housing Units and Tenure			**2013 Household Income**		
Total Housing Units	***91,850***	***19,311***	***Total Households***	***87,953***	***18,353***
Occupied Housing Units	**87,953**	**18,353**	Under $25,000	$8,895	$2,211
Owner Occupied	74,088	14,569	25,000 - 34,999	5,689	1,249
Percent	84.2	79.4	35,000 - 49,999	8,767	1,661
			50,000 - 74,999	14,250	3,059
Renter Occupied	13,865	3,784	75,000 - 99,999	13,826	2,531
Percent	15.8	20.6	100,000 - 149,999	18,567	3,429
			150,000 and Over	17,959	4,213
Vacant	**3,897**	**958**	***Median***	***$86,528***	***$84,843***
Percent	4.2	5.0			

Source: U.S. Department of Commerce, Bureau of the Census: Census 1990, 2000 and 2010; Nielsen Solution Center; and estimates by Tracy Cross & Associates, Inc.

density multi-family profile demographics, some 47.4 percent of all resident households (or 41,718 households) consist of persons living alone or in two-person arrangements.

Age and Income

Households in the St. Charles Market Area are quite affluent, as evidenced by an estimated 2013 median income of $86,528, significantly higher than the $60,164 median represented for the Chicago region as a whole. More importantly, as shown in the following table and detailed in **Exhibit 2.2**, in the age categories of “Under 35” and “Aged 55 to 64” which represent the strongest renter and/or lifestyle condominium ownership age segments, incomes are quite high with 63.2 percent of the younger subset currently supporting incomes of $50,000 or more, while 81.3 percent of the more mature age group earns at least $50,000 per annum. In St. Charles Township, incomes among these profile age groups mirror the market area as a whole, at 61.6 and 80.2 percent, respectively.

HOUSEHOLD AGE AND INCOME CHARACTERISTICS: 2013
-- ST. CHARLES MARKET AREA --

Attribute	Total Households: St. Charles Market Area Number	Percent	Median	St. Charles Township Number	Percent	Median
Total Households	**87,953**	**100.0**	**$86,528**	**18,353**	**100.0**	**$84,843**
Under 25 Years	1,737	2.0	38,362	417	2.3	34,247
25 - 34 Years	9,316	10.6	70,729	1,893	10.3	65,676
35 - 44 Years	17,193	19.5	94,622	3,402	18.5	91,111
45 - 54 Years	24,144	27.5	103,485	4,845	26.4	106,906
55 - 64 Years	19,699	22.4	99,460	4,010	21.8	104,149
65 - 74 Years	9,677	11.0	58,072	2,155	11.7	63,139
75 - 84 Years	4,268	4.9	38,990	1,078	5.9	39,091
85 Years and Over	1,919	2.2	29,040	553	3.0	25,075
Total Households Under 35 Years	**11,053**	**12.6**	**$65,642**	**2,310**	**12.6**	**$60,000**
With Incomes of $50,000 or More	6,985	63.2	---	1,424	61.6	---
Total Households Aged 55 to 64 Years	**19,699**	**22.4**	**$99,460**	**4,010**	**21.8**	**$104,149**
With Incomes of $50,000 or More	16,013	81.3	---	3,218	80.2	---

Source: The Nielsen Company: *Household Income by Age of Householder* and Tracy Cross & Associates, Inc.

Employment

As previously noted, there are some 877,588 suburban private sector jobs within a 45-minute drive time of St. Charles, representing roughly 27 percent of total private sector employment in the six-county Chicago metropolitan area. Nonetheless, one cannot discount the recessionary impact of the last several years which has had a profound impact upon not only employment sources supporting the proposed First Street residential developments but regionally as well. Specifically, as shown in the following table, employment sources proximate to St. Charles endured private sector job losses totaling 61,568 between 2005 and 2010, representing 30.7 percent of the 200,330 private sector jobs lost in the six-county metro area over the five-year period. The intensity of job losses throughout the metro area began to reverse in 2010 and turned positive in 2011. Between 2010 and 2012, for example, the six-county area

2.2

HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER - 2013
-- ST. CHARLES MARKET AREA --

Age of Householder	2013 Income: Under $25,000 Number of Households	Under $25,000 Percent of Total Households	$25,000 - 34,999 Number of Households	$25,000 - 34,999 Percent of Total Households	$35,000 - 49,999 Number of Households	$35,000 - 49,999 Percent of Total Households	$50,000 - 74,999 Number of Households	$50,000 - 74,999 Percent of Total Households	$75,000 - 99,999 Number of Households	$75,000 - 99,999 Percent of Total Households	$100,000 and Over Number of Households	$100,000 and Over Percent of Total Households	Total	Median
St. Charles Market Area														
15 - 24 Years	546	0.62	277	0.31	203	0.23	260	0.30	189	0.21	262	0.30	1,737	$38,362
25 - 34 Years	935	1.06	863	0.98	1,244	1.41	1,949	2.22	1,655	1.88	2,670	3.04	9,316	70,729
35 - 44 Years	999	1.14	1,045	1.19	1,474	1.68	2,738	3.11	2,982	3.39	7,955	9.04	17,193	94,622
45 - 54 Years	1,205	1.37	867	0.99	1,699	1.93	3,627	4.12	4,182	4.75	12,564	14.28	24,144	103,485
55 - 64 Years	1,220	1.39	824	0.94	1,642	1.87	2,971	3.38	3,263	3.71	9,779	11.12	19,699	99,460
65 - 74 Years	1,769	2.01	971	1.10	1,506	1.71	1,835	2.09	1,110	1.26	2,486	2.83	9,677	58,072
75 - 84 Years	1,373	1.56	566	0.64	733	0.83	638	0.73	353	0.40	605	0.69	4,268	38,990
85 Years & Over	848	0.96	276	0.31	266	0.30	232	0.26	92	0.10	205	0.23	1,919	29,040
Total	***8,895***	***10.11***	***5,689***	***6.47***	***8,767***	***9.97***	***14,250***	***16.20***	***13,826***	***15.72***	***36,526***	***41.53***	***87,953***	***$86,528***
St. Charles Township														
15 - 24 Years	141	0.77	73	0.40	34	0.19	63	0.34	22	0.12	84	0.46	417	$34,247
25 - 34 Years	219	1.19	187	1.02	232	1.26	492	2.68	297	1.62	466	2.54	1,893	65,676
35 - 44 Years	232	1.26	217	1.18	261	1.42	643	3.50	540	2.94	1,509	8.22	3,402	91,111
45 - 54 Years	281	1.53	199	1.08	330	1.80	697	3.80	747	4.07	2,591	14.12	4,845	106,906
55 - 64 Years	287	1.56	193	1.05	312	1.70	562	3.06	573	3.12	2,083	11.35	4,010	104,149
65 - 74 Years	402	2.19	189	1.03	281	1.53	391	2.13	236	1.29	656	3.57	2,155	63,139
75 - 84 Years	373	2.03	124	0.68	154	0.84	153	0.83	87	0.47	187	1.02	1,078	39,091
85 Years & Over	276	1.50	67	0.37	57	0.31	58	0.32	29	0.16	66	0.36	553	25,075
Total	***2,211***	***12.05***	***1,249***	***6.81***	***1,661***	***9.05***	***3,059***	***16.67***	***2,531***	***13.79***	***7,642***	***41.64***	***18,353***	***$84,843***

Source: Nielsen Solution Center and Tracy Cross & Associates, Inc.

added 128,202 private sector jobs reflecting an annual growth rate of 2.0 percent. Employment growth in areas serving St. Charles has advanced at a slightly higher pace of 2.3 percent annually, reflecting the addition of 40,095 jobs since 2010, and signaling that the proposed First Street residential developments will enter the market at a time of improving economic conditions which will initially create a positive influence upon the rental sector and, as consumer confidence is restored over time, ultimately extend to the for sale sector.

TRENDS IN PRIVATE SECTOR EMPLOYMENT
AREAS INCLUDING AND PROXIMATE TO ST. CHARLES
2000 - 2012

Area	Total Private Sector Employment				Average Annual Change		
	2000	2005	2010	2012	2000 - 2005	2005 - 2010	2010 - 2012
Six-County Chicago Metro Area [1]	*3,487,542*	*3,333,380*	*3,133,051*	*3,261,253*	*-30,832*	*-40,066*	*64,101*
Within a 30-Minute Commute of St. Charles:	**306,602**	**310,895**	**293,258**	**308,712**	**859**	**-3,527**	**7,727**
Kane County	165,760	171,148	155,665	160,955	1,078	-3,097	2,645
St. Charles	22,510	23,016	17,643	19,431	101	-1,075	894
Remainder of Kane County	143,250	148,132	138,022	141,524	977	977	1,751
Aurora, DuPage County	13,019	16,060	17,288	19,828	608	246	1,270
Glen Ellyn, DuPage County	10,448	10,884	10,143	9,730	87	-148	-207
Lisle, DuPage County	21,275	20,644	19,089	23,359	-126	-311	2,135
Naperville, DuPage County	63,877	60,099	60,929	63,798	-756	166	1,435
West Chicago, DuPage County	13,826	14,923	14,513	15,234	219	-82	361
Wheaton, DuPage County	18,397	17,137	15,631	15,808	-252	-301	89
Within a 30 to 45-Minute Commute of St. Charles:	**597,199**	**588,166**	**544,235**	**568,876**	**-1,807**	**-8,786**	**12,321**
Remainder of DuPage County	383,183	380,094	347,317	381,959	-618	-6,555	17,321
Arlington Heights, Cook County	53,982	46,471	44,641	45,386	-1,502	-366	373
Barrington, Cook/Lake Counties	10,761	11,605	10,581	10,653	169	-205	36
Hoffman Estates, Cook County	20,710	24,293	26,490	23,199	717	439	-1,646
Palatine, Cook County	23,687	21,969	23,812	18,811	-344	369	-2,501
Rolling Meadows, Cook County	24,125	23,239	17,576	17,320	-177	-1,133	-128
Schaumburg, Cook County	80,751	80,495	73,818	71,548	-51	-1,335	-1,135
All Areas Within a 45-Minute Commute of St. Charles	**903,801**	**899,061**	**837,493**	**877,588**	**-948**	**-12,314**	**20,048**

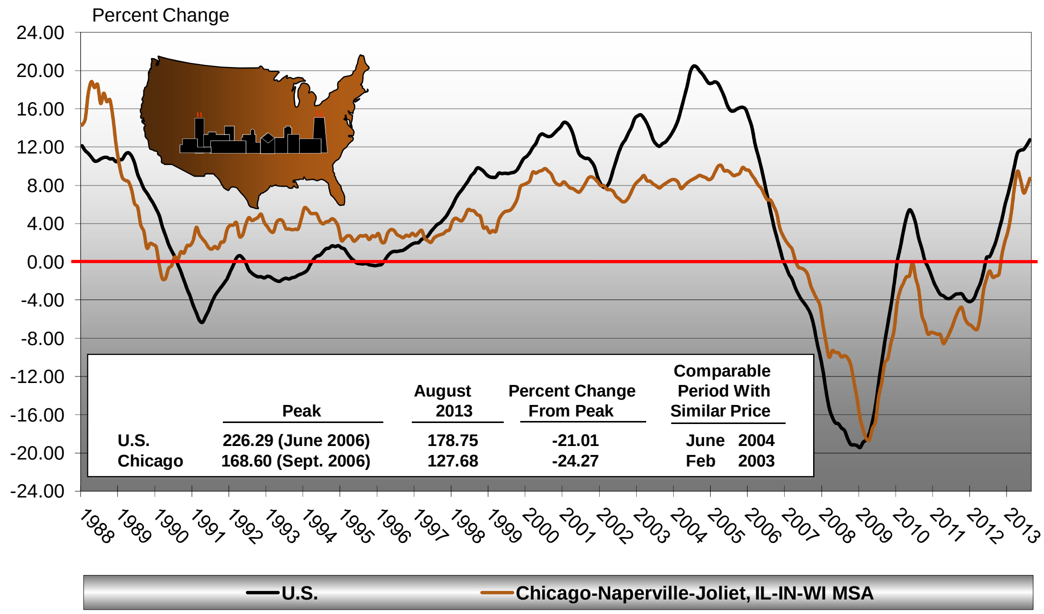
[1] Includes Cook, DuPage, Kane, Lake, McHenry, and Will counties in Illinois.

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

Existing Home Price Trends

Without dispute, the Chicago region has been severely impacted by the Great Recession which began in late-2007 and the subsequent implosion of the region's for sale housing market. Only recently, in fact, has the regional for sale market shown signs of sustainable recovery. According to the Standard & Poor/Case-Schiller Index, for example, the median sale price of an existing home in the Chicago metro area stood at $127,680 in August 2013, up 13.4 percent from the $112,600 indexed value in December 2012, but still well below the peak index value of $168,600 noted in September 2006. As the following graphic also indicates, however, recovery in the Chicago metro area's existing home sector lags advances noted in the nation as a whole.

TRENDS IN EXISTING HOME PRICES – A COMPARISON
CHICAGO-NAPERVILLE-JOLIET, IL-IN-WI MSA AND THE U.S.



Source: Standard & Poor's/Case-Shiller Home Price Indices: *10 City Composite*

As delineated in the following table, home prices in St. Charles have also begun to advance most recently, although at a more moderated pace than the region as a whole. Specifically, based upon closing statistics garnered from the Multiple Listing Service of Northern Illinois, a total of 606 single family homes were been sold in St. Charles during the first nine months of 2013. On an annualized basis, closings during the January-September 2013 period translate to a volume of 680 units, representing a 17.6 percent increase over the 578 single family homes sold in 2012. The median sales price of a home sold as of September 2013 stood at $301,376, up a modest 1.4 percent compared to the $297,100 median noted in 2012, while overall marketing time fell by 4.0 percent to an average of 168 days.

SINGLE FAMILY CLOSING ACTIVITY: CITY OF ST. CHARLES
2012 - SEPTEMBER 2013

Price Range	Single Family Closings by Price Range			
	2012		YTD September 2013[1]	
	Number	Percent	Number	Percent
Under $100,000	29	5.0	20	3.3
100,000 - 119,999	12	2.1	13	2.1
120,000 - 139,999	28	4.8	11	1.8
140,000 - 159,999	22	3.8	24	4.0
160,000 - 179,999	35	6.1	24	4.0
180,000 - 199,999	23	4.0	29	4.8
200,000 - 249,999	74	12.8	93	15.3
250,000 - 299,999	70	12.1	87	14.4
300,000 - 349,999	57	9.9	66	10.9
350,000 - 399,999	47	8.1	46	7.6
400,000 - 449,999	38	6.6	42	6.9
450,000 - 499,999	47	8.1	37	6.1
500,000 - 599,999	49	8.5	53	8.7
600,000 - 699,999	13	2.2	25	4.1
700,000 and Over	34	5.9	36	5.9
Total:	***578***	***100.0***	***606***	***100.0***
Percent Change Y-O-Y	***---***		***+17.6***	
Average Sales Price:	***$336,921***		***$347,960***	
Percent Change Y-O-Y	***---***		***+3.3***	
Median Sales Price:	***$297,100***		***$301,376***	
Percent Change Y-O-Y	***---***		***+1.4***	
Average DOM:	***175***		***168***	
Percent Change Y-O-Y	***---***		***-4.0***	

[1] Closings YTD September 2013 translate to an annualized rate of 680 sales.

Source: Multiple Listing Service of Northern Illinois

Residential Building Activity

Since 1990 and through August 2013, residential building activity in the St. Charles Market Area has averaged 1,027 units annually, distributed between 927 single family units (including single address townhomes and duplexes) and 100 in the multi-family sector. As shown in **Exhibit 2.3**, the strongest periods of new residential construction in the market area occurred during the early 1990s when residential construction volumes averaged 1,287 units annually due in large part to intense development along the Illinois Route 59 corridor. It also surged during the 1998-2005 period when authorizations averaged 1,567 units yearly, a result of robust single family detached and attached for sale activity fostered by relatively low interest rates, shifts in renter to ownership tenure and, as we now know, extremely lax lending practices during the 2003-2005 housing boom.

2.3

TRENDS IN RESIDENTIAL BUILDING PERMITS
-- ST. CHARLES MARKET AREA --

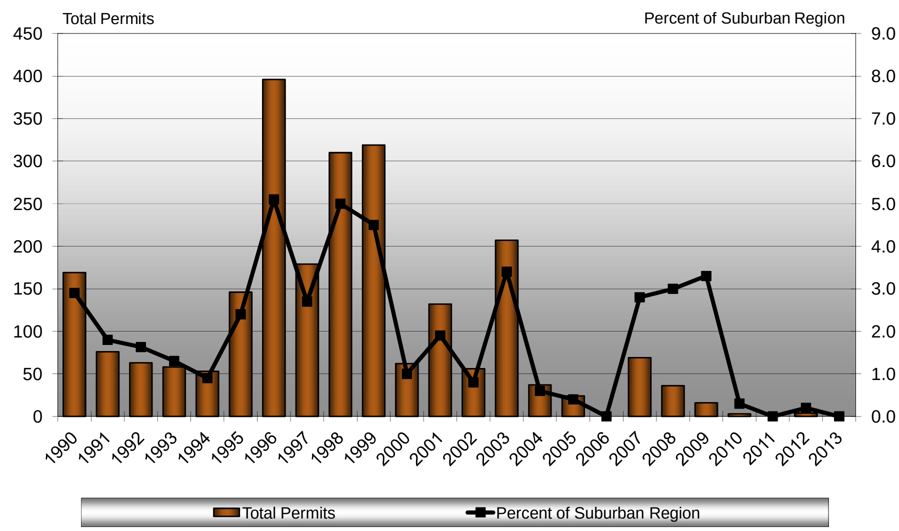
Year	St. Charles Market Area			St. Charles Township					
				Total Permits		Single Family		Multi-Family	
	Total Permits	Single Family	Multi-Family	Number	Percent of Market Area	Number	Percent of Market Area	Number	Percent of Market Area
1990	1,204	1,035	169	165	13.70	149	14.40	16	9.47
1991	1,158	1,082	76	155	13.39	155	14.33	0	0.00
1992	1,310	1,247	63	156	11.91	152	12.19	4	6.35
1993	1,294	1,252	42	176	13.60	166	13.26	10	23.81
1994	1,507	1,454	53	332	22.03	332	22.83	0	0.00
1995	1,099	953	146	160	14.56	117	12.28	43	29.45
1996	1,524	1,128	396	189	12.40	144	12.77	45	11.36
1997	1,197	1,018	179	162	13.53	154	15.13	8	4.47
1998	1,686	1,376	310	471	27.94	234	17.01	237	76.45
1999	2,082	1,763	319	698	33.53	443	25.13	255	79.94
2000	1,740	1,678	62	441	25.34	431	25.69	10	16.13
2001	1,661	1,529	132	529	31.85	425	27.80	104	78.79
2002	1,474	1,418	56	388	26.32	378	26.66	10	17.86
2003	1,545	1,338	207	193	12.49	173	12.93	20	9.66
2004	1,257	1,220	37	100	7.96	87	7.13	13	35.14
2005	1,087	1,063	24	111	10.21	89	8.37	22	91.67
2006	629	629	0	68	10.81	68	10.81	0	0.00
2007	362	293	69	30	8.29	30	10.24	0	0.00
2008	169	133	36	18	10.65	14	10.53	4	11.11
2009	158	142	16	9	5.70	5	3.52	4	25.00
2010	102	99	3	8	7.84	8	8.08	0	0.00
2011	97	97	0	11	11.34	11	11.34	0	0.00
2012	140	136	4	18	12.86	18	13.24	0	0.00
2013(1)	160	160	0	69	43.13	69	43.13	0	0.00
Annual Average 1990 - 2013	1,027	927	100	194	18.90	161	17.32	34	33.56

(1) Seasonally adjusted and annualized YTD August.

Source: U.S. Department of Commerce, Bureau of the Census: *C-40 Construction Reports*

Residential construction volume in the St. Charles Market Area began to slide in 2006 and precipitously so after 2008. Between 2009 and 2012, for example, residential building activity dropped to a yearly average of only 124 units, representing a *decline of 92.1 percent* from 1998-2005 averages. Virtually *all* recent residential construction declines can be attributed to erosion in the for sale market as only four boutique apartment communities were introduced in the whole of the defined St. Charles Market Area over the last ten years, namely *Fox Place* in St. Charles and *Dodson Place, Residence at Mill Creek* and *Village at Mill Creek* in Geneva which *collectively* added 120 rental units to the marketplace or a mere 12 units yearly on average. The St. Charles Market Area, in fact, has accounted for *less than two percent* of all new multi-family construction in the whole of suburban Chicago since 2000, with the vast majority of these newer units reflecting condominium for sale idioms concentrated in areas east of Route 59 or aligning the Fox River in the downtown districts of St. Charles (Milestone Row), Batavia (Quarry Stone Pond), and Geneva (Crossings at Geneva).

MULTI-FAMILY PERMIT TRENDS:
ST. CHARLES MARKET AREA



Source: U.S. Bureau of the Census: <u>C-40 Construction Reports</u> and Tracy Cross & Associates, Inc.

Demand For Housing

During the 2013-2018 forecast period, new residential construction in the St. Charles Market Area will average 1,075 units yearly. The for sale sector is expected to average 785 units yearly, with volumes ranging from only 200 in 2013 to a high of 1,350 in 2018 as the ownership sector transitions slowly from deep recession to a new normal which is expected to be approximately 33 percent below volumes generated during the 1990-1996 period. Rental housing demand, in turn, will average a sustained volume of 300 units annually. Anticipated new construction demand requirements are reconciled as follows:

- ❑ During the 2000-2013 timeframe, household growth in the St. Charles Market Area advanced by an estimated average of 1,081 annually, with more than three-quarters of household additions representing homeowners (77.2 percent or 834 households yearly). Renter households in the seven-township market area advanced by an estimated average of 247 annually, accounting for 22.8 percent of total household growth during the 13-year timeframe.

- However, household growth in the St. Charles Market Area is expected to moderate during the 2013-2018 timeframe to a projected 910 households annually. This below trend forecast reflects, in part, the languishing pace of regional economic recovery, coupled with in-place zoning restrictions in much of the market area which preclude significant large-scale development. Based upon trend statistics, just over three quarters of household additions will represent ownership households (76.9 percent or 700 households yearly). To this point, the 785-unit yearly for sale demand will be heavily concentrated in the form of mainstream and move-up detached family housing idioms.

- The 300-unit yearly rental apartment demand, in turn, anticipates renter household growth averaging 210 households annually during the 2013-2018 timeframe. As noted, construction of Class A rental apartments in the St. Charles Market Area has been very limited over the last decade, as only five boutique-scale communities providing a total of just120 new units have been introduced since 2000. As detailed in Section 3, conditions throughout the localized area are extremely tight, with vacancies among newer (post-1985) rental communities averaging only 0.8 percent (4 of 520 total units available). Given the age of the vast majority of rental inventory in the market area, coupled with the tight market conditions, another 90+/- new units yearly will be required to replace units lost to demolition and help to move the marketplace to a more balanced state.

- In addition, there is limited land available for larger-scale apartment development to the east, resulting in increasing spillover growth pressure upon the St. Charles Market Area. It is also evident that tenure shifts from renter to owner status evident during the 1999-2005 timeframe have now *fully* abated given tighter lending standards and the impact of foreclosures upon home values. This will provide new stimulus to apartment potentials locally with even some segments relinquishing their ownership status in favor of an enhanced lifestyle rental environment.

- Finally, Chicago's employment picture is slowly improving which will stimulate job finding by many college graduates who are now unemployed or under-employed and living at home. These 21 to 29 year olds are the prime target for new apartment development not only in the city but also in the suburbs.

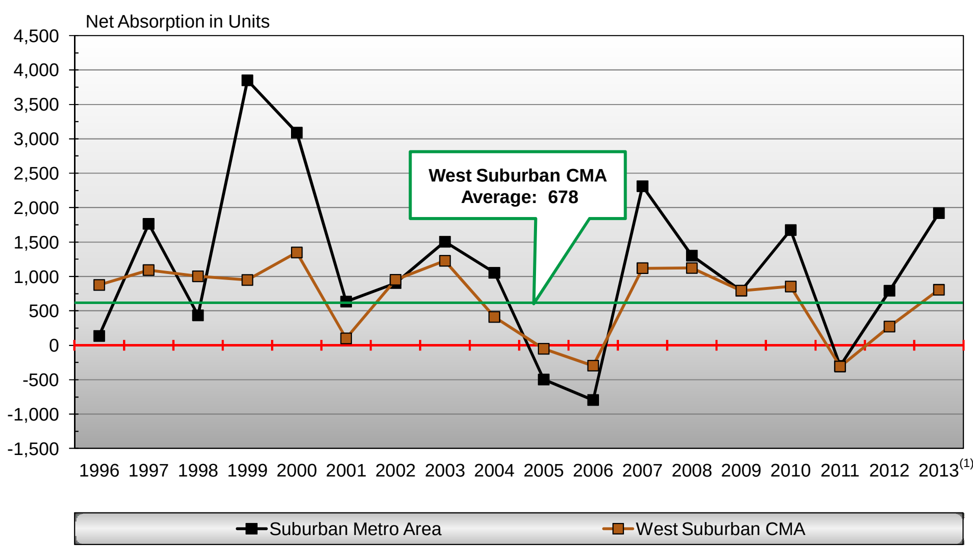
3. *THE COMPETITIVE ENVIRONMENT*

There has been only limited new multi-family for sale or rental apartment construction of scale in the St. Charles Market Area over the last two-plus decades. Rather, higher-density development has remained concentrated in Chicago's Central District; some eight to 20 miles southeast in suburban locales generally located west of Route 53/I-355 and *south* of I-88; and/or within mixed-use developments found in many of the region's first-ring rail line suburban municipalities which offer a comparable living environment to that envisioned within First Street. The following paragraphs therefore summarize trends from a *regional* perspective, focusing upon newer (post-1985) rental apartments and new construction condominium developments throughout the region, with concentrated emphasis upon alternatives within the more localized west suburban region, *generally* encompassing west suburban Cook, DuPage and southern Kane counties, and defined for purposes of this analysis as the *West Suburban Competitive Market Area (CMA)*. As initial phases of the proposed development consist of 72 rental apartments distributed between two mixed-use buildings, we begin with an overview of suburban Chicago's rental apartment marketplace.

THE SUBURBAN APARTMENT MARKET

Since 1995 and through June 2013, the Chicago region's suburban marketplace has averaged a net absorption of 1,121 rental units annually. Cyclical in nature, absorption levels during this 17.5-year period peaked in 1999 at 3,850 net units, reflecting strong new construction activity during the 1997-1999 timeframe, primarily concentrated in the region's near western suburbs. As noted, net absorption in the West Suburban CMA has averaged 678 units annually since 1995, accounting for a full 60.5 percent of net suburban apartment absorption.

NET ABSORPTION: POST-1985 RENTAL APARTMENT DEVELOPMENTS
-- WEST SUBURBAN CMA --



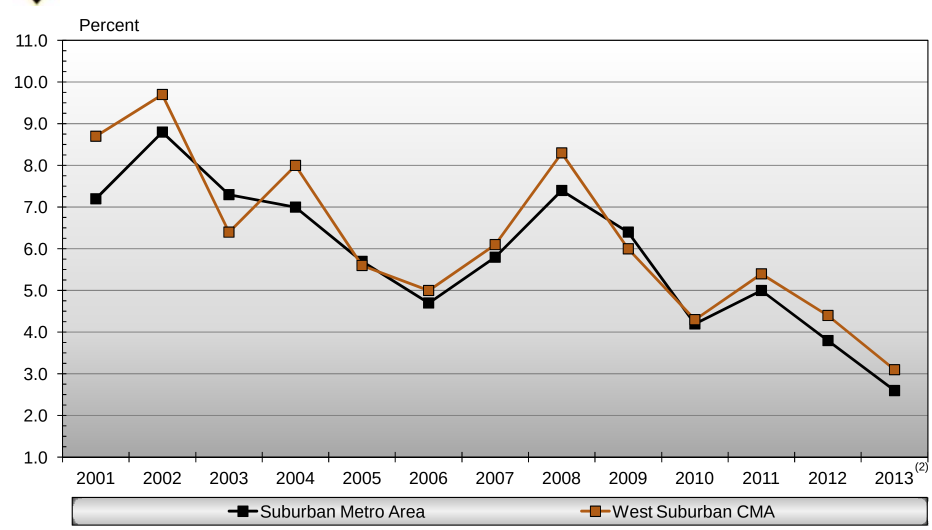
(1) Annualized rate YTD June 2013.
Source: Tracy Cross & Associates, Inc.

During the more recent 2009-June 2013 period, however, net absorption in the CMA dropped to an annual average of 484 units annually reflecting very limited and sporadic new apartment construction. In fact, since 2009, only 607 rental apartment units have been added to the whole of the CMA, translating to a nominal 135 units per year. More to the point, only 70 units in two boutique apartment communities have been introduced west of the Fox River in the last 4.5 years, with no development of significant scale occurring in the immediate St. Charles or Geneva area since 1999 when the 400-unit AMLI at St. Charles community opened.

Suburban rental rate growth has also been subject to market forces. Specifically, during the 2003-2005 housing boom period, and again during the Great Recession which resulted in staggering job losses region-wide, substantial concessions and/or rent rollbacks were initiated throughout the marketplace to encourage lease-use and/or higher occupancy levels, with average *base* rents throughout the suburban marketplace and in the West Suburban CMA settling at $1.17 per square foot at the close of 2009. As shown in **Exhibit 3.1**, rents have rebounded most recently, with the CMA establishing a new peak level of $1.34 per square foot as of June 2013, reflecting a 3.9 percent increase from the $1.29 per square foot average noted at the close of 2012.

The overall lack of new construction, has also had a dramatic impact upon vacancies throughout the marketplace. As illustrated in the following graphic, suburban vacancies among stabilized developments fell from a high of 8.8 percent in 2002 to a relatively balanced 4.7 percent by the close of 2006. In tandem with advancing rents, vacancies began to move upward again in 2007, reaching the 7.4 percent market in 2008. Notably, by the close of 2011, rent concessions and discounts, coupled with continued upheaval and uncertainty in the for-sale sector, saw suburban wide vacancies settle at a balanced 5.0 percent. While vacancies in the West Suburban CMA generally patterned the suburban marketplace through 2006, between 2007 and 2009, the west suburban area was more sharply impacted by the economic downturn, with vacancies quickly rising past the 8.0 percent mark during the three-year period. However, improving economic conditions over the last 18 months have again resulted in tightening conditions as evidenced by an overall stabilized vacancy rate of 2.6 percent suburban-wide and 3.1 percent in the West Suburban CMA, reflecting the *lowest levels seen in more than a decade*.

VACANCY TRENDS: STABILIZED RENTAL APARTMENT DEVELOPMENTS[1]
-- WEST SUBURBAN CMA --

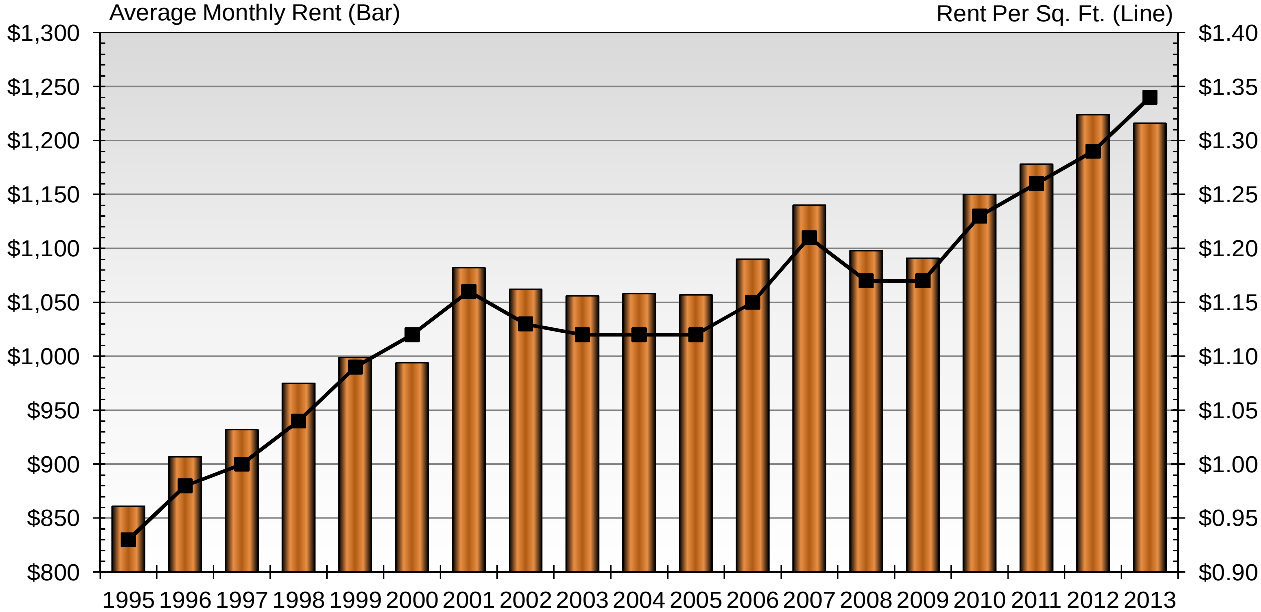


(1) Excludes programs in initial stages of absorption.

(2) Statistics YTD June 2013.

Source: Tracy Cross & Associates, Inc.

3.1 TRENDS IN POSTED RENTS: APARTMENTS CONSTRUCTED SINCE 1985
WEST SUBURBAN CMA



Year[1]	Average Posted Rent[2] $	$/Sq. Ft.	Percent Change
1995	$861	$0.93	---
1996	907	0.98	+5.4
1997	932	1.00	+2.0
1998	975	1.04	+4.0
1999	999	1.09	+4.8
2000	994	1.12	+2.8
2001	1,082	1.16	+3.6
2002	1,062	1.13	-2.6
2003	1,056	1.12	-0.9
2004	1,058	1.12	---
2005	1,057	1.12	---
2006	1,090	1.15	+2.7
2007	1,140	1.21	+5.2
2008	1,098	1.17	-3.3
2009	1,091	1.17	---
2010	1,150	1.23	+5.1
2011	1,178	1.26	+2.4
2012	1,224	1.29	+2.4
2013	1,216	1.34	+3.9

(1) As of December 31st 1995-2012; June 2013.
(2) Represents weighted average base posted rent (i.e. excluding floor, unit location and/or view premiums) before incentives, if applicable.

Source: Tracy Cross & Associates, Inc.

Newer Developments

While the preceding paragraphs present a general overview of the CMA's rental marketplace, certainly not all of the apartment complexes found in the west suburban area will be directly or even indirectly competitive with the proposed First Street Apartments, especially those which were built *before* 1995. From a practical standpoint and considering developments of scale, plan designs, community amenities and/or location, 35 new and/or *fully renovated* developments offering a collective 9,584 apartment units are viewed to represent the *most direct* sources of competitive substitution vis-à-vis the proposed development. These include selected developments in Aurora, Bloomingdale, Downers Grove, Geneva, Itasca, Lombard, Naperville, North Aurora, Oakbrook Terrace, Oak Park, Oswego, St. Charles, Villa Park, Warrenville, Wheaton, Woodridge, and Yorkville.

Eleven of the 35 developments represent higher-density and/or mixed-use apartments similar to the proposed First Street Apartments, including among others *Dodson Place, Residence at Mill Creek* and *Village at Mill Creek* in Geneva. As illustrated in the following table, nine of the eleven higher-density developments reached stabilized occupancy levels at an overall average rate of 8.4 units per month. Notably, four of the nine stabilized communities are of smaller scale, providing fewer than 200 units, with overall absorption rates among these latter developments averaging of 3.5 units per month.

ABSORPTION TRENDS: HIGHER-DENSITY APARTMENT DEVELOPMENTS
-- WEST SUBURBAN CMA --

Program	Location	Total Units	Leasing (Month/Year)	Achieved Stabilized Occupancy (Month/Year)	Average Monthly Rate	As a Percent of Total Units
Lincoln at Ovaltine Court	Villa Park	344	Nov-00	Jun-02	17.2	5.0
Amli at Seven Bridges	Woodridge	520	Jul-02	Oct-04	15.3	2.9
City View at the Highlands	Lombard	403	Aug-03	Dec-05	13.5	3.3
The Village at Mill Creek	Geneva	30	Feb-06	Oct-06	3.0	10.0
Regency Place	Oakbrook Terrace	112	Mar-07	Jun-09	3.9	3.5
The Residences at the Grove	Downers Grove	294	Aug-08	Dec-10	9.1	3.1
Oak Park Place	Oak Park	200	Nov-08	Dec-10	6.9	3.5
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
Two Itasca Place	Itasca	69	May-12	---	3.9	---
Wheaton 121	Wheaton	306	Mar-13	---	9.7	---

Absorption Summary

Attribute	Total Market	Programs with 200 Units or More	Programs with Less Than 200 Units
Number of Programs	11	6	5
Total Units	2,348	2,067	281
Average Program Size	213	345	56
Average Monthly Absorption to Stabilization	8.4	12.4	3.5
As a Percent of Program Size	3.8	3.5	6.6

Source: Tracy Cross & Associates, Inc.

Excluded from the noted statistics are *Two Itasca Place* and *Wheaton 121* which are currently undergoing lease-up. Two Itasca Place was initially introduced as a condominium for sale project in 2006; however, a stagnant marketplace undermined sales volumes, with the developer converting the second phase to rental apartments in May 2012. At the close of June 2013, 54 of the 69 apartments units had been leased, translating to an average absorption rate of 3.9 units monthly. In mid-March 2013, Morningside Group introduced Wheaton 121, a 306-unit apartment development located in downtown Wheaton. Wheaton 121 generated an initial absorption rate of 9.7 units per month, with 34 units leased through the close of June.

Mirroring conditions in the marketplace overall, vacancies among stabilized newer developments are *extremely strained* with only 225 unoccupied units reflecting a vacancy factor of 2.5 percent. This compares with a 3.5 percent vacancy factor noted one year ago (June 2012). Notably, in the localized St. Charles/Geneva area, only four of the 520 newer apartment units are currently available or a vacancy factor of 0.8 percent. Comparatively, in June 2012, local vacancies stood at 2.5 percent, indicating even tighter conditions in the local marketplace.

As detailed in **Exhibit 3.2**, *posted base* asking rents among the 35 newer developments have recently begun to advance to an average $1,416 monthly for a typical 1,015 square foot apartment home. This translates to a value ratio of $1.39 per square foot, a level 3.7 percent higher than the $1.34 per square foot ratio noted in December 2012 and also 3.7 percent higher than current rents in the West Suburban CMA overall. In the localized St. Charles/Geneva area, posted base rents currently average $1,409 monthly or $1.37 per square foot, up 3.0 percent compared to the $1.33 per square foot average noted in December 2012.

Given strained conditions, only a few of the 35 newer developments in the whole of the CMA are currently offering discounts, lease incentives and/or rent roll-backs. Specifically, Exhibit 3.2 also illustrates that current discounts among the 35 projects equate to an overall average *effective base* rent of $1,406 or $1.38 per square foot. Throughout the marketplace, discounts vary widely from waiving of application fees to up to two months of free rent on a 12- or 13-month lease of *select* vacant unit types.

Also excluded from the mid-year 2013 statistics is Lincoln Property Group's *Avant at the Arboretum* aligning Warrenville Road at I-88 in Lisle. This 310-unit midrise community began pre-leasing in late-July 2013 with initial occupancies occurring in October. A variety of one bedroom one bath and two bedroom two bath designs are available ranging in unit size from 721 to 1,517 square feet. Corresponding posted base rents extend from $1,334 to $2,800 monthly, translating to an average 936 square foot unit which carries a base rent of $1,587 or $1.70 per square foot. Avant at the Arboretum is currently offering one month of free rent to encourage lease-up, translating to an effective

3.2

COMPOSITE SUMMARY: APARTMENT DEVELOPMENTS CONSTRUCTED IN 1995 OR LATER
WEST SUBURBAN CMA - JUNE 2013

						Rent Characteristics					Stabilized Developments[1]		
						Average Posted December 2012	June 2013						
							Average Posted		Average Effective				
Municipality/ Development	Year Built/ Renovated	Number of Units	Number Vacant	Percent Vacant	Average Unit Size (Sq. Ft.)		$	$/Sq.	$	$/Sq. Ft.	Number of Units	Number Vacant	Percent Vacant
West Suburban CMA Totals/Averages	***---***	***9,584***	***625***	***6.5***	***1,015***	***$1,355***	***$1,416***	***$1.39***	***$1,406***	***$1.38***	***9,063***	***225***	***2.5***
Aurora	**---**	**2,098**	**58**	**2.8**	**1,017**	**$1,185**	**$1,240**	**$1.22**	**$1,240**	**$1.22**	**2,098**	**58**	**2.8**
Alara at Summerfield I/II	1999/2001	368	10	2.7	1,160	1,154	1,280	1.10	1,280	1.10	368	10	2.7
Amli at Kirkland Crossing	2003	266	10	3.8	1,145	1,419	1,478	1.29	1,478	1.29	266	10	3.8
The Aventine at Oakhurst North	1998	464	8	1.7	991	1,130	1,205	1.22	1,205	1.22	464	8	1.7
Butterfield Oaks	2001	336	10	3.0	878	1,158	1,129	1.29	1,129	1.29	336	10	3.0
Lakeview TH at Fox Valley	1998	120	2	1.7	1,165	1,325	1,315	1.13	1,315	1.13	120	2	1.7
Legacy at Fox Valley	1996	272	4	1.5	987	1,175	1,211	1.23	1,211	1.23	272	4	1.5
Orchard Village	2000	272	14	5.1	876	1,072	1,148	1.31	1,148	1.31	272	14	5.1
Bloomingdale	**---**	**192**	**8**	**4.2**	**1,234**	**$1,550**	**$1,503**	**$1.22**	**$1,503**	**$1.22**	**192**	**8**	**4.2**
Stratford Green	1997	192	8	4.2	1,234	1,550	1,503	1.22	1,503	1.22	192	8	4.2
Downers Grove	**---**	**294**	**11**	**3.7**	**1,003**	**$1,804**	**$1,804**	**$1.80**	**$1,747**	**$1.74**	**294**	**11**	**3.7**
The Residences at The Grove	2008	294	11	3.7	1,003	1,804	1,804	1.80	1,747	1.74	294	11	3.7
Geneva	**---**	**100**	**1**	**1.0**	**1,164**	**$1,536**	**$1,501**	**$1.29**	**$1,501**	**$1.29**	**100**	**1**	**1.0**
Dodson Place	2009	22	0	0.0	1,455	2,028	2,005	1.38	2,005	1.38	22	0	0.0
Residence at Mill Creek	2009	48	1	2.1	1,161	1,493	1,455	1.25	1,455	1.25	48	1	2.1
Village at Mill Creek	2006	30	0	0.0	956	1,245	1,205	1.26	1,205	1.26	30	0	0.0
Itasca	**---**	**69**	**15**	**21.7**	**1,626**	**$2,222**	**$2,252**	**$1.38**	**$2,079**	**$1.28**	**---**	**---**	**---**
Two Itasca Place[2]	2006	69	15	21.7	1,626	2,222	2,252	1.38	2,079	1.28	---	---	---
Lombard	**---**	**403**	**12**	**3.0**	**916**	**$1,523**	**$1,508**	**$1.65**	**$1,508**	**$1.65**	**403**	**12**	**3.0**
CityView at The Highlands	2003	403	12	3.0	916	1,523	1,508	1.65	1,508	1.65	403	12	3.0
Naperville	**---**	**3,094**	**89**	**2.9**	**1,008**	**$1,324**	**$1,384**	**$1.37**	**$1,375**	**$1.36**	**3,094**	**89**	**2.9**
Amli at Naperville	1998	440	13	3.0	938	1,209	1,308	1.39	1,308	1.39	440	13	3.0
Amli at River Run	2002	206	2	1.0	1,316	1,577	1,714	1.30	1,714	1.30	206	2	1.0
Bristol Station	2002	348	4	1.1	862	1,180	1,208	1.40	1,199	1.39	348	4	1.1
Brittany Springs	1996	336	3	0.9	1,129	1,399	1,438	1.27	1,438	1.27	336	3	0.9
Glenmuir	2000	321	6	1.9	1,033	1,410	1,480	1.43	1,480	1.43	321	6	1.9
Grand Reserve of Naperville	1997	318	16	5.0	1,055	1,365	1,472	1.40	1,472	1.40	318	16	5.0
Lincoln at The Parks	1997	400	8	2.0	896	1,253	1,280	1.43	1,280	1.43	400	8	2.0
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	24	5.8	1,072	1,378	1,448	1.35	1,390	1.30	417	24	5.8
Thornberry Woods	2001	280	13	4.6	929	1,312	1,291	1.39	1,291	1.39	280	13	4.6
North Aurora	**---**	**146**	**113**	**77.4**	**1,469**	**---**	**$1,739**	**$1.18**	**$1,739**	**$1.18**	**---**	**---**	**---**
Randall Highlands	2013	146	113	77.4	1,469	---	1,739	1.18	1,739	1.18	---	---	---
Oakbrook Terrace	**---**	**112**	**1**	**0.9**	**1,199**	**$2,493**	**$2,541**	**$2.12**	**$2,541**	**$2.12**	**112**	**1**	**0.9**
Regency Place	2007	112	1	0.9	1,199	2,493	2,541	2.12	2,541	2.12	112	1	0.9
Oak Park	**---**	**200**	**3**	**1.5**	**799**	**$1,918**	**$1,875**	**$2.35**	**$1,875**	**$2.35**	**200**	**3**	**1.5**
Oak Park Place	2008	200	3	1.5	799	1,918	1,875	2.35	1,875	2.35	200	3	1.5

Municipality/ Development	Year Built/ Renovated	Number of Units	Number Vacant	Percent Vacant	Average Unit Size (Sq. Ft.)	Rent Characteristics: Average Posted December 2012	June 2013 Average Posted $	June 2013 Average Posted $/Sq.	June 2013 Average Effective $	June 2013 Average Effective $/Sq. Ft.	Stabilized Developments[1] Number of Units	Stabilized Developments[1] Number Vacant	Stabilized Developments[1] Percent Vacant
Oswego	**---**	**304**	**8**	**2.6**	**924**	**$1,147**	**$1,066**	**$1.15**	**$1,066**	**$1.15**	**304**	**8**	**2.6**
Farmington Lakes	2002	304	8	2.6	924	1,147	1,066	1.15	1,066	1.15	304	8	2.6
St. Charles	**---**	**420**	**3**	**0.7**	**994**	**$1,323**	**$1,378**	**$1.39**	**$1,378**	**$1.39**	**420**	**3**	**0.7**
Amli at St. Charles	1999	400	3	0.8	995	1,337	1,396	1.40	1,396	1.40	400	3	0.8
Fox Place	2004	20	0	0.0	978	1,041	1,016	1.04	1,016	1.04	20	0	0.0
Villa Park	**---**	**344**	**6**	**1.7**	**815**	**$1,243**	**$1,300**	**$1.60**	**$1,300**	**$1.60**	**344**	**6**	**1.7**
Lincoln at Ovaltine Court	2001	344	6	1.7	815	1,243	1,300	1.60	1,300	1.60	344	6	1.7
Warrenville	**---**	**343**	**3**	**0.9**	**1,054**	**$1,297**	**$1,304**	**$1.24**	**$1,304**	**$1.24**	**343**	**3**	**0.9**
Village Green at Cantera	1996	343	3	0.9	1,054	1,297	1,304	1.24	1,304	1.24	343	3	0.9
Wheaton	**---**	**601**	**278**	**46.3**	**1,038**	**$1,576**	**$1,730**	**$1.67**	**$1,661**	**$1.60**	**295**	**6**	**2.0**
Retreat at Danada Farms	1996	295	6	2.0	1,189	1,576	1,702	1.43	1,702	1.43	295	6	2.0
Wheaton 121	2013	306	272	88.9	892	---	1,757	1.97	1,622	1.82	---	---	---
Woodridge	**---**	**772**	**14**	**1.8**	**976**	**$1,306**	**$1,397**	**$1.43**	**$1,397**	**$1.43**	**772**	**14**	**1.8**
Amli at Seven Bridges	2002	520	8	1.5	928	1,281	1,393	1.50	1,393	1.50	520	8	1.5
Retreat at Seven Bridges	1996	252	6	2.4	1,075	1,358	1,404	1.31	1,404	1.31	252	6	2.4
Yorkville	**---**	**92**	**2**	**2.2**	**1,342**	**$1,384**	**$1,405**	**$1.05**	**$1,405**	**$1.05**	**92**	**2**	**2.2**
York Meadow	2001	92	2	2.2	1,342	1,384	1,405	1.05	1,405	1.05	92	2	2.2

[1] Excludes rental programs currently undergoing renovation and/or new programs undergoing initial absorption.
[2] Originally marketed as for sale condominiums.

Source: Tracy Cross & Associates, Inc.

base rent value ratio of $1.57 per square foot or a 7.6 percent discount from posted rates. At this writing, Avant at the Arboretum has leased 31 units, equating to an initial absorption rate of 6.2 units per month.

For the most part, suburban developments represent two and three-story, garden-style apartments although several newer developments, primarily located in mixed-use and/or city center environments, feature midrise idioms. These higher-density communities include *Residences at The Grove* in Downers Grove; *Dodson Place, Residence at Mill Creek,* and *Village at Mill Creek* in Geneva; *Two Itasca Place* in Itasca; *Avant at The Arboretum* in Lisle; *City View at The Highlands* in Lombard; *Regency Place* in Oakbrook Terrace; *Oak Park Place* in Oak Park; *Ovaltine Court* in Villa Park; *Wheaton 121* in Wheaton; and *AMLI at Seven Bridges* in Woodridge. With the exception of the three Geneva developments, higher-density programs are concentrated in areas east of Route 59 with most found east of I-355. Isolating upon these twelve most directly competitive higher-density/mixed-use communities, linear regression analysis reveals that, by bedroom type, posted base rents average $1,606 monthly or $1.66 per square foot. Posted rents range from lows of $1,223 monthly for the limited number of studio apartments offered to an average high of $2,786 for a three bedroom flat. Posted lease rates among the higher-density communities are *exclusive* of utilities, premiums, other incremental fees and, for the most part, parking.

POSTED RENTS BY UNIT TYPE: HIGHER-DENSITY FLATS
WEST SUBURBAN CMA

Plan Type	Number of Units	Percent of Total	Average Unit Size (Sq. Ft.)	Rent Characteristics: Average Monthly	Rent Characteristics: $/Sq. Ft.
Studio	63	2.4	521	$1,223	$2.35
One Bedroom Flat	1,299	49.5	770	1,392	1.81
One Bedroom+Den Flat	81	3.1	903	1,632	1.81
Two Bedroom 2S Duplex	97	3.7	708	1,160	1.64
Two Bedroom Flat	923	35.2	1,226	1,856	1.51
Two Bedroom+Den Flat	94	3.6	1,363	2,047	1.50
Three Bedroom 2S Duplex	24	0.9	1,062	1,530	1.44
Three Bedroom Flat	40	1.5	1,501	2,786	1.86
Three Bedroom+Den Flats	2	0.1	1,845	2,360	1.28
Total / Weighted Average	***2,623***	***100.0***	***968***	***$1,606***	***$1.66***

Source: Tracy Cross & Associates, Inc.

Specific to parking, while Dodson Place, Residence at Mill Creek, Two Itasca Place, Regency Place and City View at The Highlands include one enclosed parking space per unit, the remaining seven communities offer enclosed parking for incremental fees ranging from $65 to $125 monthly, with the average standing at $70 per month for a 12-month lease. Also, parking at Oak Park Place reflects reserved spaces within an adjacent municipal parking structure with leases for

$77 per month. Typically, the tenant is responsible for all utilities, however at Wheaton 121 and Avant at The Arboretum, management employs a utility billing service with incremental fees for water and refuse collection ranging between $15 and $60 monthly based upon unit type.

All units offered by the twelve higher-density developments feature balconies and include a higher level of interior appointments such as energy-efficient black or stainless steel appliances, granite countertops/islands, in-unit laundry appliances, wood laminate flooring in all living areas, ceramic tile baths, and walk-in closets in all master bedrooms. Finally, in terms of community amenities, all except Dodson Place and Two Itasca Place, provide at least a fitness center and clubroom for resident use, while among the newest developments, amenities such as rooftop terraces, fireside lounges, multi-media rooms, and a host of other luxury enhancements are the norm.

Condominium Rentals

In the localized St. Charles, Geneva and Batavia area, potential competition from what is commonly referred to as the "shadow market" is minimal. Listings in this market, which include previously owner-occupied units that are now available for rent, currently average $1,217 monthly for a typical 1,167 square foot unit or $1.04 per square foot. However, these ownership units, which include Hunt Club Condominiums and Milestone Row in St. Charles and Quarry Stone Pond in Batavia among others, are *generally* in communities of smaller scale and lack significant level of community amenities or on-site management. Moreover, these rental alternatives continue to be *actively marketed for sale* based upon temporary lease expirations, fully negating their competitive influence.

Future Rental Competition

The competitive landscape is likely to intensify over the next few years as the overall strength of the market has not gone unnoticed. Apart from the proposed First Street Apartments, for example, no fewer than eleven larger-scale rental communities are in various stages of the planning pipeline is suburban areas generally proximate to St. Charles. As outlined in the following table, two of these are currently under construction and will be in their initial leasing stage in tandem with the subject development, including *The Oaks at Naperville Crossing* (298 units) in Naperville, and the transit-oriented *Plaza Station* in Aurora, which will consist of 508 higher-density apartments along with 100 age-qualifying senior rentals. In addition to these announced developments, it is quite probable that a number of other west/northwest suburban developments abandoned as for sale product will re-emerge as rental idioms, while St. Charles itself may be asked to consider rental alternatives elsewhere in the city. With the exception of Mill Creek Apartments proposed in the Geneva area, most developments announced to date, however, represent larger-scale communities located some *5.0 to 20.0 miles north and/or southeast* of the St. Charles city center, thus limiting their direct, and possibly harmful, competitive influence.

RENTAL APARTMENT PROJECTS IN PLANNING[1]: WEST SUBURBAN CMA

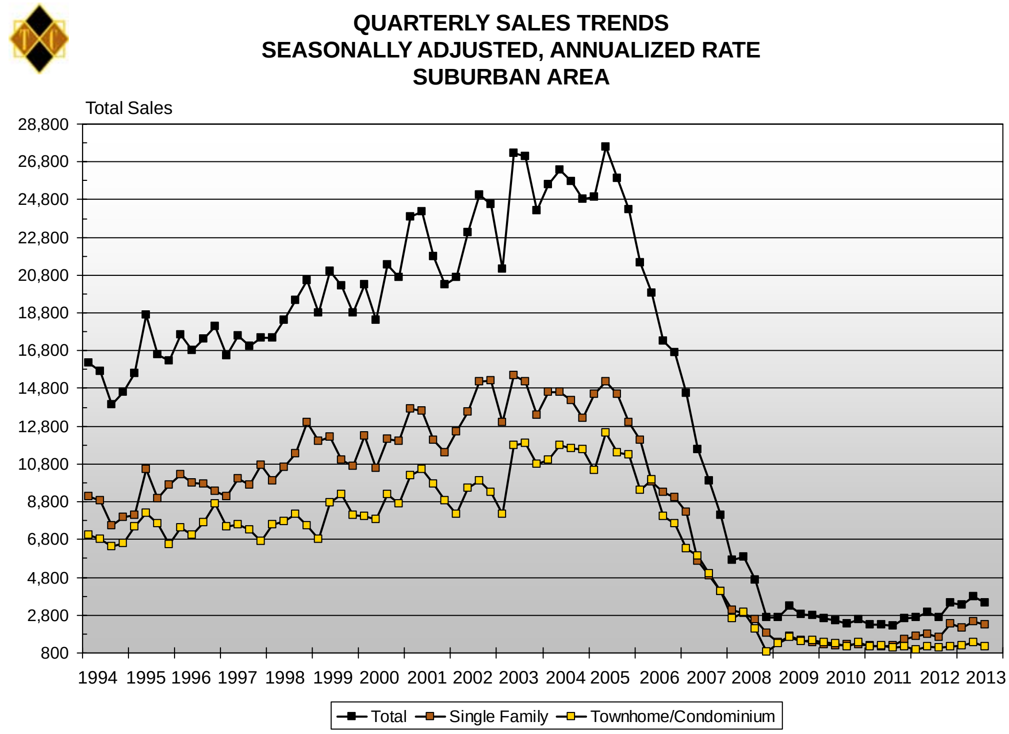
Municipality/ Proposed Development Name	Location	Builder/Developer	Current Status[2:3]	Number of Units
Aurora				
Kensington Station	Meridian Parkway, west of Route 59	TBD	PP	455
Plaza Place Apartments	New York Street, 1/4 mile west of Route 59	Station I LLC	UC	508
Elmhurst				
Hahn Street District	Hahn Street and York Road	TBD	CS	TBD
Elm Creek Townhomes-Ph II	One Elm Creek Drive	AIMCO Residential	FP	16
Geneva				
Mill Creek Apartments[5]	Keslinger and LaFox	Sho-Deen Residential	CS	150
Lombard				
Yorktown Apartments-Addition	Finley Road and 22nd Street	AIMCO Residential	CS	90
Naperville				
The Oaks at Naperville Crossing	Route 59 and 95th Street	Lennar	UC	298
Oak Park				
Lake and Forest Apartments	Lake Street and Forest Avenue	Sertus Capital	INF	270
South Elgin				
Arbor Green	1800 McDonald Road	TBD	CS	347
Villa Park				
Garden Station	401 N. Ardmore Avenue	Golden Spike Development	FP	250
			Market Area Total [4]	***2,384***

(1) Excludes age and/or income-restricted, service-enhanced, and congregate care senior developments.
(2) As of 6/30/2013.
(3) Status key: Concept Stage (CS); Preliminary Plat Approval (PP); Final Plat Approval (FP); Site Improvements started (INF); Permits issued/under construction (UC).
(4) Excludes developments with unit counts and product idioms yet to be determined.
(5) Underlying zoning will allow for the development of up to 400 multi-family units.

Source: Tracy Cross & Associates, Inc.

THE FOR SALE SECTOR

As has been well documented, Chicago's new construction housing sector was among the most dramatically impacted by the Great Recession and the subsequent implosion of the for sale marketplace. From a peak volume of 25,761 units in 2005, for example, sales of suburban single family, townhome and condominium units tumbled below the 5,000-unit mark by the close of 2008. As illustrated in the following graphic, new construction sales throughout the region continued to freefall during the 2009-2011 period, reaching an historic low in 2011 when only 2,355 total new production-type home sales were recorded in the ten-county suburban region. Sales volume in 2011 represented an unprecedented 90.9 percent drop from 2005 peak levels.



Note: DeKalb County, IL and Kenosha County, WI included starting 2nd Quarter 2003.

Source: Tracy Cross & Associates, Inc.

Perhaps a more striking comparison considers the dramatic decline in the *number of active production developments* in the suburban marketplace. At the height of the housing boom in 2005, for instance, there were 1,123 single family, townhome and condominium communities actively marketing in the suburban area. By 2011, the number of active developments had fallen to 452. Today, there are only 330 developments actively marketing in the whole of the suburban region.

By housing type, total suburban single family sales peaked at 14,374 units in 2005, subsequently falling to an average low of 1,223 units per year in 2010 and 2011, a decline of 91.5 percent from peak. As shown in the following table, new production single family activity began to show modest improvement in 2012, with a total of 1,825 homes sold, a level 49.2 percent higher than the previous two-year average. Measured improvement has continued through the first three quarters of 2013, as a seasonally adjusted annualized volume of 2,295 single family sales reflects a 25.8 percent increase over levels achieved in 2012.

TRENDS IN PRODUCTION HOUSING SALES
CHICAGO METROPOLITAN AREA[1] - 3RD QUARTER 2013

Area/ Product Sector	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	3rd Quarter 2013[2] Total Sales	3rd Quarter 2013[2] Percent Change From 2012	Year-To-Date 2013[2] Total Sales	Year-To-Date 2013[2] Percent Change From 2012
Chicago Metropolitan Area	***28,158***	***31,843***	***33,287***	***25,105***	***15,377***	***6,361***	***3,552***	***3,101***	***2,915***	***3,459***	***4,148***	***+19.9***	***4,375***	***+26.5***
Single Family	***14,402***	***14,315***	***14,598***	***10,296***	***5,972***	***2,660***	***1,475***	***1,236***	***1,253***	***1,851***	***2,353***	***+27.1***	***2,324***	***+25.6***
Townhome/Condominium	***13,756***	***17,528***	***18,689***	***14,809***	***9,405***	***3,701***	***2,077***	***1,865***	***1,662***	***1,608***	***1,795***	***+11.6***	***2,051***	***+27.5***
City of Chicago	**3,297**	**6,144**	**7,526**	**6,071**	**4,075**	**1,481**	**639**	**593**	**560**	**558**	**697**	**+24.9**	**857**	**+53.6**
Single Family	121	107	224	123	99	5	11	17	26	26	36	+38.5	29	+11.5
Townhome/Condominium	3,176	6,037	7,302	5,948	3,976	1,476	628	576	534	532	661	+24.2	828	+55.6
Suburban Area	**24,861**	**25,699**	**25,761**	**19,034**	**11,302**	**4,880**	**2,913**	**2,508**	**2,355**	**2,901**	**3,451**	**+19.0**	**3,518**	**+21.3**
Single Family	14,281	14,208	14,374	10,173	5,873	2,655	1,464	1,219	1,227	1,825	2,317	+27.0	2,295	+25.8
Townhome/Condominium	10,580	11,491	11,387	8,861	5,429	2,225	1,449	1,289	1,128	1,076	1,134	+5.4	1,223	+13.7

[1] Includes DeKalb County, IL and Kenosha County, WI.
[2] Seasonally adjusted, annualized rate.

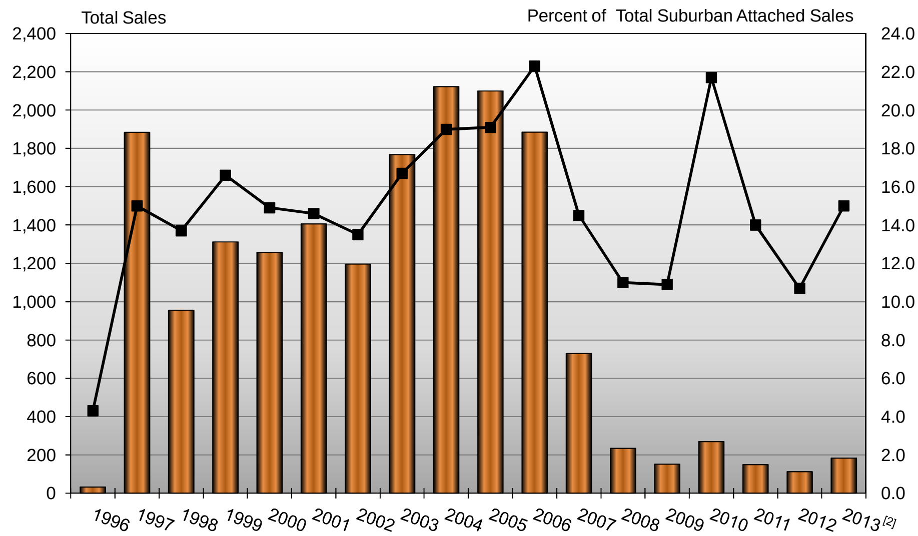
Source: Tracy Cross & Associates, Inc.

Attached for sale idioms, which include single address townhome, duplex *and* higher-density condominiums, were also severely impacted by the market downturn. Specifically, the preceding graph and table also illustrate that total suburban townhome/condominium sales peaked in 2004 at 11,491 units, with sales thereafter steadily falling through the close of 2012 when volume totaled only 1,076 units. In 2004, there were 496 suburban attached for sale developments actively marketing. This number grew to 570 by the close of 2006, but declined rapidly thereafter as the full weight of the downturn was realized. While a seasonally adjusted and annualized 1,223 units sold during the January-September 2013 period does indicate some improvement in this housing sector, attached alternatives continue to lag market gains seen in the detached sector.

Higher-Density Condominiums

Higher-density condominiums have borne a significant portion of the market's downturn. *Excluding* developments in the truly urban cities of Evanston and Oak Park, for example, sales of new *suburban* condominiums averaged 2,036 units annually during the 2004-2006 period representing roughly 20 percent of all new suburban attached sales volume. In tandem with the onset of the Great Recession, however, suburban condominium sales plunged in 2007 to the 729-unit level, down 64.2 percent from the previous three-year average, while this housing subset's market share fell to 14.5 percent. Higher-density condominium sales continued to spiral to a recent low of 112 units sold in 2012, marking the lowest sales volume recorded in the last 16 years. As in the new construction housing sector in general, *modest* improvement in new suburban higher-density condominium sales was noted most recently, as sales through the 3rd Quarter of 2013 equated to a seasonally adjusted annualized volume of 183 units, up 63.4 percent over 2012 levels, but still well below the 1,033-unit average noted during the 1996-2012 timeframe. Contributing to the uptick in condominium sales of late are five condominium programs located in Burr Ridge, Hinsdale, Lincolnshire, Wheeling and Willow Springs which are generating sales levels this year equal to 15 or more units on an annualized basis.

SALES TRENDS: HIGHER-DENSITY CONDOMINIUMS[1]
SUBURBAN CHICAGO

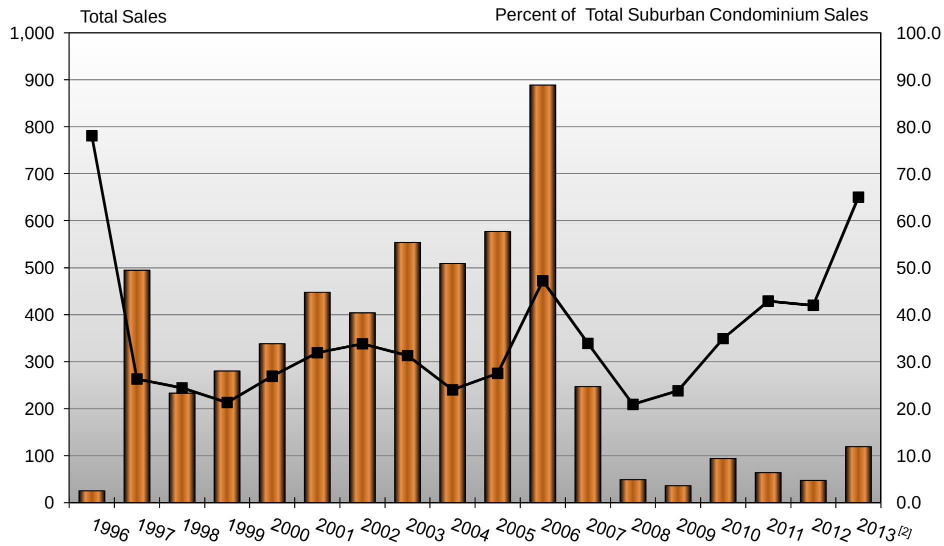


[1] Excludes Evanston and Oak Park
[2] Seasonally adjusted, annualized YTD September.
Source: Tracy Cross & Associates, Inc.

The West Suburban CMA

The West Suburban CMA as a whole has accounted for just under one-third of suburban new higher-density condominium sales since 1996, averaging 300 units annually or 30.4 percent. For perspective, and again excluding Oak Park, the West Suburban CMA *generally* extends west from Harlem Avenue to Route 47 in Kane/Kendall counties and south from Irving Park Road/Route 19 to 95th street. In this defined area, sales of this generic form peaked in 2006 when 822 units were sold, representing 46.3 percent of like suburban product. Here, as well, sales dropped precipitously after 2006, with the 225 units sold in 2007 down 72.6 percent year-over-year, and falling to a low of only 36 units old in 2009 (a level 95.6 percent below peak). New construction condominium sales in the West Suburban CMA have remained tepid since 2009, averaging only 81 units annually during the 2010-3rd Quarter 2013 timeframe.

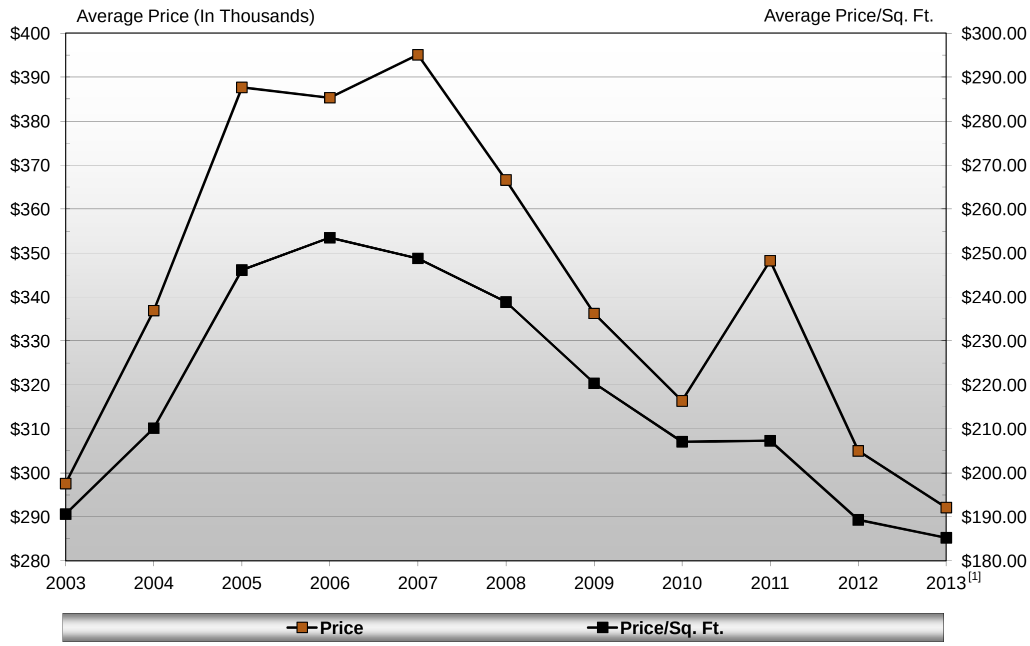
SALES TRENDS: HIGHER-DENSITY CONDOMINIUMS[1]
WEST SUBURBAN CMA



[1] Excludes Evanston and Oak Park
[2] Seasonally adjusted, annualized YTD September.
Source: Tracy Cross & Associates, Inc.

Commensurate with accelerated sales activity, *prices* of new higher-density condominium units region-wide also rose dramatically during the housing boom era, In the West Suburban CMA, for example, sales prices of new midrise and highrise condominium units spiked during the 2004-2007 period, peaking in 2007 at an overall average of $395,056. This 2007 average sales price represented a substantial 32.8 percent increase over the $297,569 average noted in 2003. This peak pricing period reflected a number of discretionary developments introduced in Batavia, Burr Ridge, Naperville, Riverside and St. Charles in 2006 and 2007, where average sales prices extended from roughly $500,000 to nearly $1.2 million. As shown, reflecting the implosion of the housing market and free-falling sales thereafter, prices have also tumbled to an overall average of $285,652 at the close of the 3rd Quarter 2013, down 27.7 percent from 2007's peak. It is also important to note that, with the exception of 2006, condominium sales prices overall have remained *below* the $250.00 per square foot mark, falling to a $185.49 per square foot average as of September 2013.

PRICING TRENDS: NEW HIGHER-DENSITY CONDOMINIUMS
WEST SUBURBAN CMA



[1] YTD September 2013.
Source: Tracy Cross & Associates, Inc.

As summarized in **Exhibit 3.3**, there are currently 15 midrise condominium developments actively marketing throughout the West Suburban CMA. Of these, only the age-qualifying *Crossings at Geneva* is located in the immediate St. Charles area. Also, three of the 15, namely River Street Plaza in Aurora, 4929 Forest in Downers Grove and Richmond Station in Westmont, are in some stage of foreclosure with units marketed on behalf of the lender, while several are marketing units based upon temporary lease expirations.

Since opening, the average higher-density condominium development in the western suburbs has generated a mere 0.4 sales monthly on a per project basis, with sales during the January-September 2013 timeframe equating to only 0.7 monthly per project. In fact, only three active developments, *Village Center-Estate* in Burr Ridge, *Hamptons of Hinsdale-Abbeys* in Hinsdale, and *Market Street West* in Willow Springs have achieved sales in excess of 1.0 monthly thus far in 2013.

The 15 active condominium developments in the West Suburban CMA carry an average base sales price of $285,652 which includes a typical 1,540 square foot residence, equal to a value ratio of $185.49 per square foot. As Exhibit 3.3 reveals, there is a broad range of price points available, from an average low of $177,567 in Northlake to highs in excess of $400,000 in Hinsdale and Burr Ridge. Given these extended price points, the 15 active condominium communities were further disaggregated into two general pricing categories to provide some understanding of value relationships on a comparable footage basis. Twelve of the 15 carry average sales prices which generally fall below

3.3

COMPOSITE SUMMARY: MIDRISE CONDOMINIUM DEVELOPMENTS
WEST SUBURBAN CMA - 3RD QUARTER 2013

Municipality/ Development	Builder	Total Units	Average Plan Size (Sq. Ft.)	Pricing Characteristics: Range	Pricing Characteristics: Average	Pricing Characteristics: Average $/Sq. Ft.	Sales History: Total	Sales History: Avg. Mo. S.O.	Sales History: Total	Sales History: SAAR(1)
Aurora										
River Street Plaza	Vanstrand Group	92	1,418	$145,900 - $399,900	$215,500	$151.97	69	0.8	2	2.51
Burr Ridge										
Village Center-Estate	Edw. R. James Co.	59	2,155	446,103 - 562,503	487,102	226.03	42	0.6	22	27.59
Village Center-Luxury	Edw. R. James Co.	24	1,416	240,000 - 339,403	289,702	204.59	24	0.3	9	11.29
Downers Grove										
4929 Forest	4929 Forest LLC	28	1,660	329,900	329,900	198.73	26	0.3	6	7.52
Elmhurst										
Essex Place	Hartz Construction	58	1,628	230,000 - 250,000	243,333	149.47	52	0.6	5	6.27
Elmwood Park										
Park Place	Galewood Dev.	17	1,308	214,900	214,900	164.30	17	0.2	1	1.33
Geneva										
Crossings at Geneva-AA	HPD Cambridge	222	1,186	217,800 - 221,400	219,600	185.16	65	0.6	0	0.00
Hinsdale										
Hamptons of Hinsdale-Abbeys	Next Generation Dev.	93	1,747	315,000 - 499,000	425,222	243.40	20	0.8	16	20.06
Itasca										
One Itasca Place	Itasca Properties LLC	70	1,699	239,000 - 379,900	326,833	192.37	64	0.6	0	0.00
Lombard										
Yorkbrook Place-Ph I-III	Hartz Construction	81	1,323	195,900	195,900	148.07	40	0.4	10	12.54
Northlake										
Wolf Ridge	Neri Development	45	1,381	179,900 - 184,900	177,567	128.58	32	0.4	8	10.03
Westmont										
Ashton Grove	Kase Ryan Builders	32	1,627	259,000 - 269,000	264,000	162.26	21	0.2	1	1.25
Richmond Station	D. Thomas Properties	9	1,411	385,000 - 405,000	396,667	281.12	2	0.1	0	0
Willow Springs										
Market Street West	Gammonley Group	60	1,487	191,000 - 370,000	245,162	164.87	43	0.5	12	15.05
Woodridge										
Farmingdale Village-Condos	Gallagher & Henry	184	1,660	$239,900 - 266,900	253,400	152.65	19	0.2	3	3.76
Market Area Total/Average	***---***	***1,074***	***1,540***	***$145,900 - $562,503***	***$285,652***	***$185.49***	***536***	***0.4***	***95***	***119.12***

(1) Sales seasonally adjusted and annualized YTD September 2013.

Source: Tracy Cross & Associates, Inc.

$325,000, including River Street Plaza, Burr Ridge Village Center-Luxury, 4929 Forest, Essex Place of Elmhurst, Park Place, Crossings at Geneva, One Itasca Place, Yorkbrook Place I-III, Wolf Ridge, Ashton Grove, Market Street West and Farmingdale Village. As summarized below, these twelve programs generated a total of 24 sales in 2012; however sales volume year-to-date equates to only six sales per project on an annualized basis. The remaining three developments, Burr Ridge Village Center-Estate, Hamptons of Hinsdale-Abbeys, and Richmond Station all represent discretionary product offerings priced well in excess of $325,000.

PRICE/VALUE ALIGNMENTS: MIDRISE CONDOMINIUMS
WEST SUBURBAN CMA

	Product Generally Priced	
Attribute	**Under $325,000**	**$325,000 and Above**
Number of Programs	12	3
Number of Plans	37	16
Sales Per Month Since Opening	0.4	0.5
Sales 2012	24.00	9.00
SAAR YTD 2013[(1)]	5.99	15.88
Plan Size (Sq. Ft.)		
Low	822	1,262
High	2,475	2,377
Average	1,517	1,786
Median	1,495	1,774
Base Sales Price		
Low	$128,467	$347,918
High	$421,908	$539,934
Average	$251,844	$435,338
Per Sq. Ft.	$166.01	$243.75
Median	$239,900	$442,552
Per Sq. Ft.	$160.47	$249.47
Market Slope (Incremental Price Movement/Sq. Ft.)	$177.52	$166.83

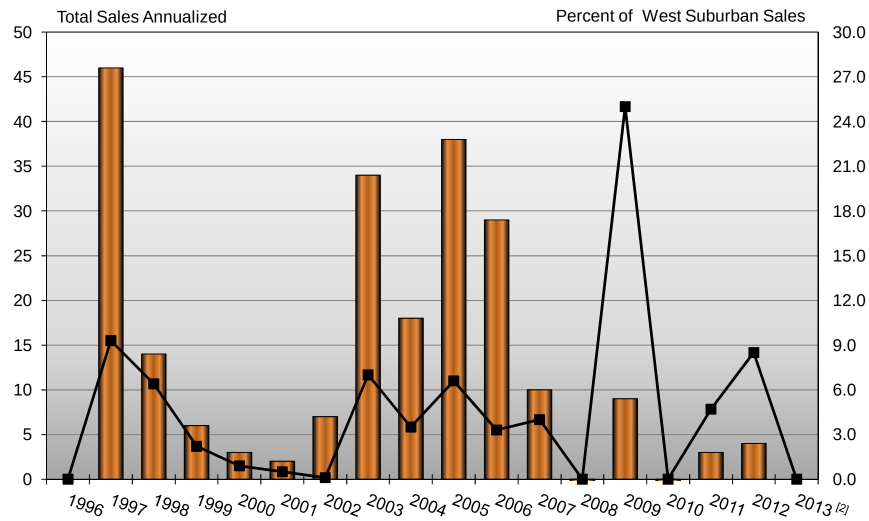
(1) Sales seasonally adjusted and annualized YTD September 2013.

Source: Tracy Cross & Associates, Inc.

The Localized St. Charles Area

Finally, as graphically illustrated below, west suburban higher-density condominium development has been concentrated in more urbanized, primarily rail-served communities located *east of I-355* in DuPage County, with the localized St. Charles/Batavia/Geneva area accounting for only 4.1 percent of all west suburban condominium sales since 1996, or a *total* of 221 units sold over the last nearly 18 years.

SALES TRENDS: HIGHER-DENSITY CONDOMINIUMS[1]
ST. CHARLES/BATAVIA/GENEVA AREA



[1] Excludes Oak Park
[2] YTD September 2013.
Source: Tracy Cross & Associates, Inc.

In aggregate, only five condominium communities have been introduced in the localized St. Charles area since 1996. These include, in Geneva, *River North I & II*, which marketed in phases from 1998 through June 2004, and *Crossings at Geneva-Phase I*, an age-qualifying development which began marketing in 2004; *Quarry Stone Pond* in Batavia, which was introduced in July 2003 and ceased marketing in December 2011; and, in St. Charles, *Hunt Club Condominiums-Phase I* which marketed from May 1995-December 1997, and more recently *Milestone Row Condominiums*, introduced in February 2007 and actively marketed through December 2011. These five developments were originally planned to collectively provide 484 units. It is noteworthy that only River North-Phase I achieved full sell-out. Excluding Crossings at Geneva, stagnant sales volumes saw marketing of the remaining programs halted prior to completion, with undeveloped phases cancelled and unsold units converted to rental idioms. At Crossings at Geneva, a “lease to own” program is currently available.

COMPOSITE SUMMARY: CONDOMINIUM DEVELOPMENTS
-- IMMEDIATE ST. CHARLES AREA --

Development Municipality	Year Built	Planned Number of Units	Average Plan Size (Sq. Ft.)	Pricing Characteristics: Range	Pricing Characteristics: Average	Pricing Characteristics: $/Sq. Ft.	Total Sales	Avg. Sales Since Opening
Batavia								
Quarry Stone Pond	2003	44	2,124	$297,400 - $529,700	$407,200	$191.71	25	0.2
Geneva								
River North-Phase I	1998	32	1,804	$152,500 - $310,900	$260,460	$144.38	32	0.6
River North-Phase II	2003	78	1,416	189,760 - 284,295	254,316	179.60	40	2.4
Crossings at Geneva[1]	2004	222	1,186	199,900 - 355,100	219,600	185.16	65	0.6
St. Charles								
Hunt Club	1995	86	1,309	$139,900 - $206,900	$169,100	$129.18	46	1.4
Milestone Row	2007	22	2,006	369,900 - 799,900	492,743	245.63	13	0.2
Total/Average	---	***484***	---	---	---	---	***221***	---

[1] Age-qualifying community; resident must be 55 years of age or older.

Source: Tracy Cross & Associates, Inc.