

A photograph of the Chicago skyline at dusk, featuring several prominent skyscrapers like the Willis Tower. The sky is a mix of orange, pink, and blue, and the city lights are visible. The foreground shows a body of water reflecting the lights.

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CBRE CHICAGO MULTIFAMILY INSTITUTIONAL 2015 OUTLOOK

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Presentation Summary

1. Appraisal Survey
2. Client Survey
3. NMHC Takeaways
4. 5 Case Studies
5. Q&A



How will apartment capital allocations from your clients change from 2014 to 2015?

- 0% 1. Down 25%+
- 19% 2. Down 10%
- 38% 3. Flat
- 25% 4. Up 10%
- 19% 5. Up 25%+
- 6. 80% either Flat or up 10-25%**



What is your allocation for investing in Value-Add apartments for 2015?

31% 1. More than 2014

56% 2. Same

12% 3. Less than 2014

4. 88% either same or more Value Add \$\$



What is your allocation for investing in Core apartments for 2015?

29% 1. More than 2014

43% 2. Same

29% 3. Less than 2014

4. 71% either same or more Core \$\$\$



What is your allocation for investing in apartment development for 2015?

67% 1. More than 2014

20% 2. Same

13% 3. Less than 2014

4. **87% either more or same Development \$**



Where will the interest rate on the 10 year treasury be at the end of 2015 (Current is 1.95%)?

17% 1. <1.75%

39% 2. 2.00%

39% 3. 2.25%

0% 4. 2.50%

6% 5. 2.75%

0% 6. >3.00%

7. 94% “Thought” 10-year would be <2.25%



Are you a net buyer or seller in 2015?

71% 1. Net Buyer

29% 2. Net Seller



Where are apartment cap rates going in 2015?

- 0% 1. Down 50 bps
- 44% 2. Down 25 bps
- 56% 3. Flat
- 0% 4. Up 25 bps
- 0% 5. Up 50 bps



What inning are we in the Apartment cycle?

- 0% 1. 4th or lower
- 12% 2. 5th
- 18% 3. 6th
- 65% 4. 7th
- 6% 5. 8th or higher



INVESTMENT SALES & DSF – THEMES FOR NMHC

JANUARY 2015

- Deal flow on sales and debt expected to up
- Capital availability domestically and internationally increasing, new sources of capital entering market
- Cap rates and returns under pressure to drop
- Fundamentals to continue to positively surprise supporting value add and pre-stabilized investments
- Pre-stabilized offerings will be robust
- Portfolio offerings will be robust
- All these factors lead us to believe we are mid-cycle, not late cycle



CASE STUDIES

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CASE STUDIES

Client:	AMLI Residential/Invesco
Property:	AMLI at Danada Farms
Location:	Wheaton, IL
Closing Date:	August 2014
Description:	A 600-unit value-add investment opportunity
Assignment:	Promote location and value add opportunity
Challenges:	Large deal size for suburbs, 8-foot ceilings thought to be functionally obsolete, property taxes post close
Results:	100 CA's, 40 Tours, 15 Offers. The property was sold for \$92,600,000 or \$154,333 per unit. Buyer secured 65% LTV debt from Pru. Cap was sub 5% on T-12 adjusted for RE Taxes



CASE STUDIES

Client:	Chicago's Teachers Union/PRG
Property:	55 West Chestnut
Location:	Gold Coast submarket of Downtown Chicago
Closing Date:	October 2014
Description:	The CTU developed this asset in 1966-67 as an apartment building to house retired teachers (registered with the union), though at the time of sale there were only 8 teachers living in the property who were receiving a 20% discount. The offering also included 88 structured parking spaces and 17 surface spots
Assignment:	Fortress location and substantial low hanging fruit
Challenges:	Condition of windows, property was mismanaged, return on renovation
Results:	105 CA's, 50 Tours, 15 Offers. Sold for \$48,500,000 at a 3.60% cap rate on T-12. Buyer secured floating rate bank debt



CASE STUDIES

Client:	Related Midwest/Heitman
Property:	OneEleven West Wacker
Location:	South River North submarket of Downtown Chicago
Closing Date:	January 2015
Description:	504-unit Iconic AA located trophy apartment building with 38,163 SF of ground floor and lower level retail space and 418 parking spaces in a public / private garage
Assignment:	Hired to sell the fee simple interest in the property
Challenges:	Pre-stabilized, 38,000 of unoccupied commercial space
Results:	3 active institutional core bidders all cash. CBRE Chicago eclipsed 1225 Old Town and broke the record again, selling OneEleven for \$328,225,000 or \$650,000 per unit, not including commissions and TI's. Cap rate in the 4.00% to 4.25% range. No discount to stabilized occupancy. All cash but buyer secured 40% LTV Life Co. debt



CASE STUDIES

Client:	Shodeen/Axiom
Property:	Wessel Court
Location:	St. Charles, IL
Closing Date:	TBD/Under Contract
Description:	A 228-unit multifamily value-add asset in St. Charles, IL. The offering includes 191,000 SF and was 97.4% occupied
Assignment:	Promote management and renovation value add strategy, by renovating two units for prototype renovations
Challenges:	Age of asset, street appeal
Results:	Trade buyer tried to pre-empt the process but was beat out by private capital buyer. Cap is 4.8% on 30-60-90 Day annualized NOI not adjusted for taxes. Buyer is securing floating rate bank debt



CASE STUDIES

Client:	K&T Management/TBD
Property:	415 W. Fullerton
Location:	Lincoln Park submarket of Chicago
Closing Date:	Currently On Market
Description:	101-unit multifamily asset with 9,509 SF of fully occupied retail that is in excellent condition and located in the heart of Lincoln Park
Assignment:	Promote AAA location, upside in renovation on an already renovated property
Challenges:	Pricing whisper
Results:	25 property tour requests in first week of launching. Several investors trying to pre-empt the process. Cap at “whisper” is 3.3% on 2014 adjusted actuals



THANK YOU!

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