



# REAL ESTATE PERSPECTIVES

January 19, 2018

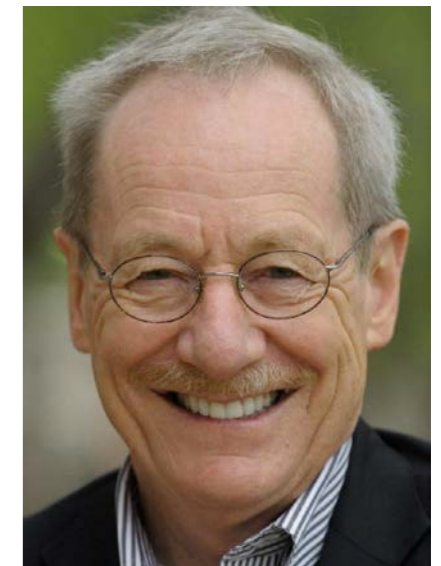
Illinois Financial Forecast Forum



VISION | ECONOMICS | STRATEGY | FINANCE | IMPLEMENTATION

# The Panel

- Stephen B. Friedman, President, SB Friedman Development Advisors
  - ▶ *Moderator*
- Ranadip Bose, Senior Vice President, SB Friedman Development Advisors
  - ▶ *Future Adaptations of Commercial Office Space*
- Christian Beaudoin, Managing Director- Research, JLL
  - ▶ *Who Are Future Commercial Users and What Do They Want?*
- Geoffrey J.D. Hewings, Emeritus Director, Regional Economics Applications Laboratory
  - ▶ *Future Housing Trends and the Housing Market in Illinois*

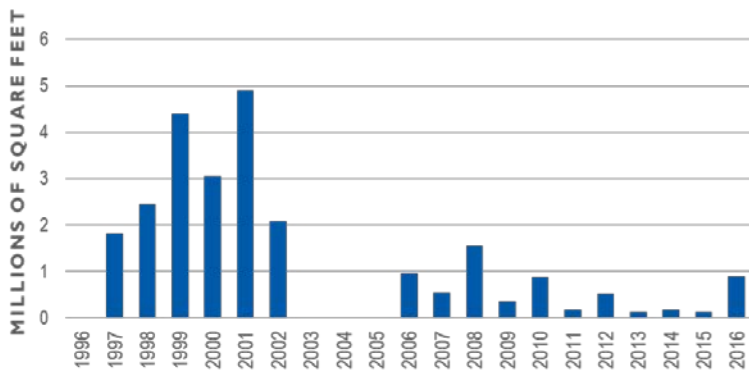


# Local Fiscal Health Depends on Healthy Real Estate

- Commercial property share of property tax base can be high
- Residential base relies on “above average” new valuations per resident to support schools and services
- Sales taxes support large share of municipal budget

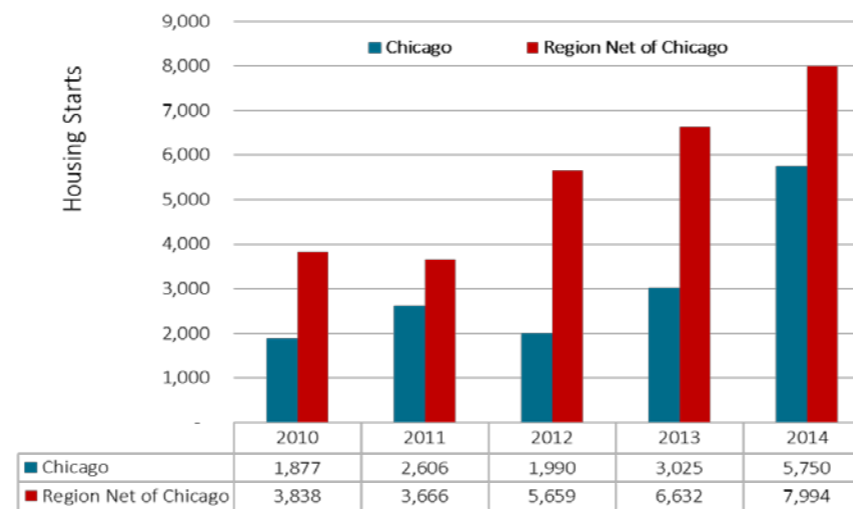
## REGIONALLY...

New Suburban Office Deliveries in the Chicago Region [1][2]

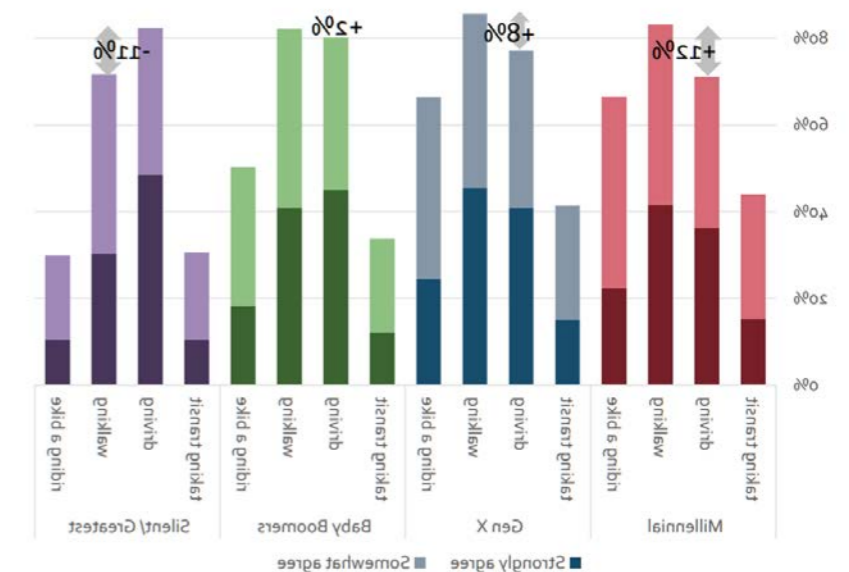


[1] Includes only Class A deliveries 100,000 SF or larger  
 [2] Suburban totals calculated using regional totals less City of Chicago  
 Source: CoStar, SB Friedman

## CITY CAPTURING INCREASED PERCENTAGE OF REGIONAL HOUSING STARTS



## MILLENNIALS PREFER WALKABLE ENVIRONMENTS



# Recent Trends Threaten Local Government Finances

- Increased concentration of economic activity in the Chicago Metro area
- Higher office vacancy rates and relatively lower rents in suburbs
- Decline of shopping malls and other retail/growth of e-commerce
- Pressure on housing value
  - ▶ Demographics of housing demand
    - Younger and just getting started
    - Older and downsizing
  - ▶ Tax Act incentivizing rental
    - Triple preference: interest, taxes, depreciation
  - ▶ Higher effective property taxes will be capitalized and reduce value

# Local Government Can Respond

- What are the dimensions of these trends?
- What land use and development strategies can be used to address these trends and moderate their impact?

