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

CITY CAPTURING INCREASED PERCENTAGE OF REGIONAL HOUSING STARTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Chicago</th>
<th>Region Net of Chicago</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,877</td>
<td>3,838</td>
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<tr>
<td>2011</td>
<td>2,006</td>
<td>3,666</td>
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<tr>
<td>2012</td>
<td>1,950</td>
<td>5,659</td>
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<tr>
<td>2013</td>
<td>3,025</td>
<td>6,632</td>
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<td>2014</td>
<td>5,750</td>
<td>7,094</td>
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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?