



P.O. Box 114
Champaign, Illinois 61824
217-649-0487
info@crawmerappraisal.com
www.crawmerappraisal.com

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January 25, 2024

**2024
Champaign-Urbana
Commercial Market Report**

This report focuses on the current condition of the multifamily, warehouse, retail, and office real estate markets for Champaign, Urbana, and Savoy, Illinois. It presents data regarding the current supply and occupancy for these property types, as well as sales and rent data from the beginning of 2022 to the present. The report also includes five-year forecasts for each property type and data regarding commercial land sales.

Overall, I think you will agree the data shows that Champaign, Urbana, and Savoy have a relatively strong commercial real estate market. It probably will come as no great surprise that the multifamily market continues to rate highest on several value indicators and that this is likely to continue over the next five years. However, indicators are also very favorable for the warehouse market. And despite the challenges created by online shopping, COVID-19, and remote office work, the retail and office markets appear to be relatively stable.

At the end of the report, you will find explanations of the methods used to gather information and arrive at the conclusions shown in the report. But there are many details that I have chosen not to explain in this section. Please feel free to contact me if you have questions in this regard or about any other aspect of the report.

Charles J. Crawmer, MAI
Certified General Real Estate Appraiser
Illinois license #553.002563
Expires 09/30/2025

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Multifamily

Supply

As of the end of 2023, there are 1,400 multifamily properties in Champaign, Urbana, and Savoy. This property survey primarily focuses on residential properties with three or more units owned by investors seeking rental income. These properties exhibit an average size of 23,071 gross square feet and provide an average of 422 gross square feet per resident. Overall, this market currently contains 32,299,198 gross square feet, with the largest portion of properties located in Champaign and most properties involving standard apartment units with 0-4 bedrooms. For properties with these standard apartment units, one and two-bedroom units make up the largest proportion of the total units:

Total Square Footage										
	<u>apartments</u>	<u>certified private housing</u>	<u>university housing</u>	<u>group house</u>	<u>fraternity /sorority</u>	<u>house apartments</u>	<u>low-income housing</u>	<u>senior apartments</u>	<u>total</u>	
Champaign	17,221,096	619,870	1,001,050	207,197	577,583	388,291	920,368	300,000	21,235,455	66%
Urbana	6,652,026	61,600	1,550,100	101,412	226,318	132,750	516,875	166,500	9,407,581	29%
Savoy	1,472,162	0	0	0	0	0	0	184,000	1,656,162	5%
total	25,345,284	681,470	2,551,150	308,609	803,901	521,041	1,437,243	650,500	32,299,198	

Total Resident Capacity									
	<u>apartments</u>	<u>certified private housing</u>	<u>university housing</u>	<u>group house</u>	<u>fraternity /sorority</u>	<u>house apartments</u>	<u>low-income housing</u>	<u>senior apartments</u>	<u>total</u>
Champaign	36,369	2,534	4,814	607	2,050	707	1,811	334	49,226
Urbana	14,393	340	6,574	255	821	271	932	221	23,807
Savoy	3,063	0	0	0	0	0	0	440	3,503
total	53,825	2,874	11,388	862	2,871	978	2,743	995	76,536

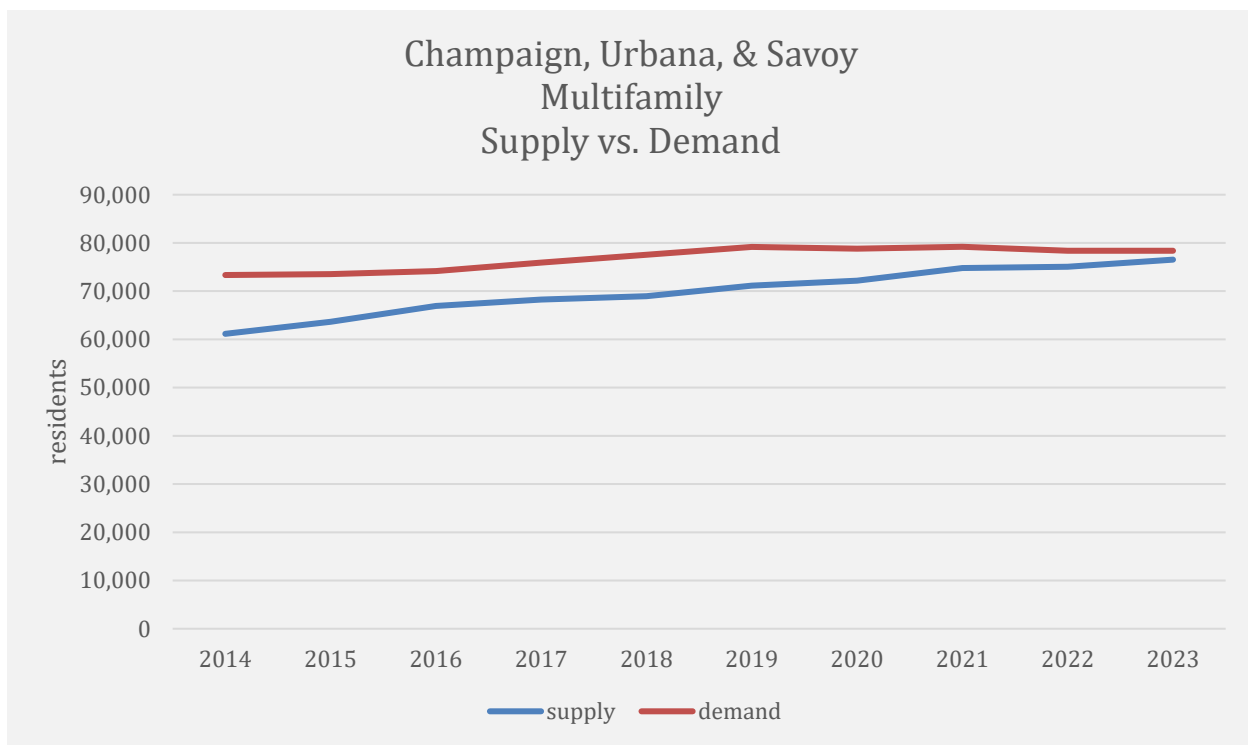
Total Properties									
	<u>apartments</u>	<u>certified private housing</u>	<u>university housing</u>	<u>group house</u>	<u>fraternity /sorority</u>	<u>house apartments</u>	<u>low-income housing</u>	<u>senior apartments</u>	<u>total</u>
Champaign	652	8	13	97	43	118	11	1	943
Urbana	298	1	20	36	18	37	10	2	422
Savoy	34	0	0	0	0	0	0	1	35
total	984	9	33	133	61	155	21	4	1,400
avg property size (sf)	25,757	75,719	77,308	2,320	13,179	3,362	68,440	162,625	23,071
avg sf / resident	471	237	224	358	280	533	524	654	422

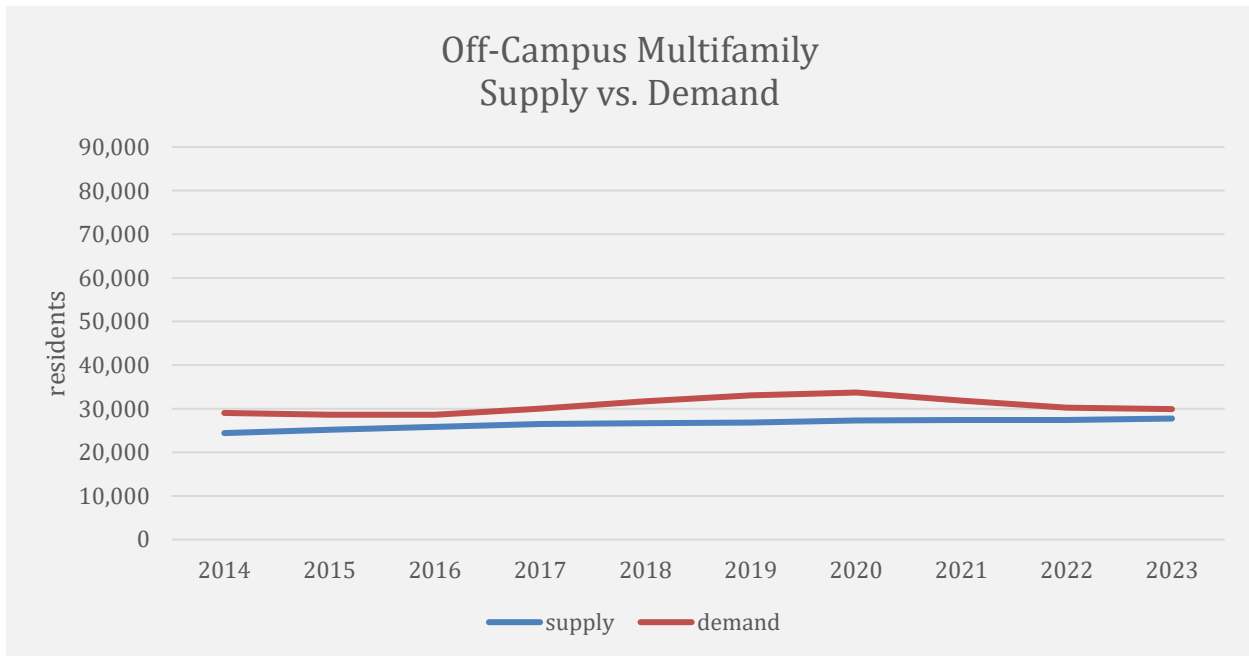
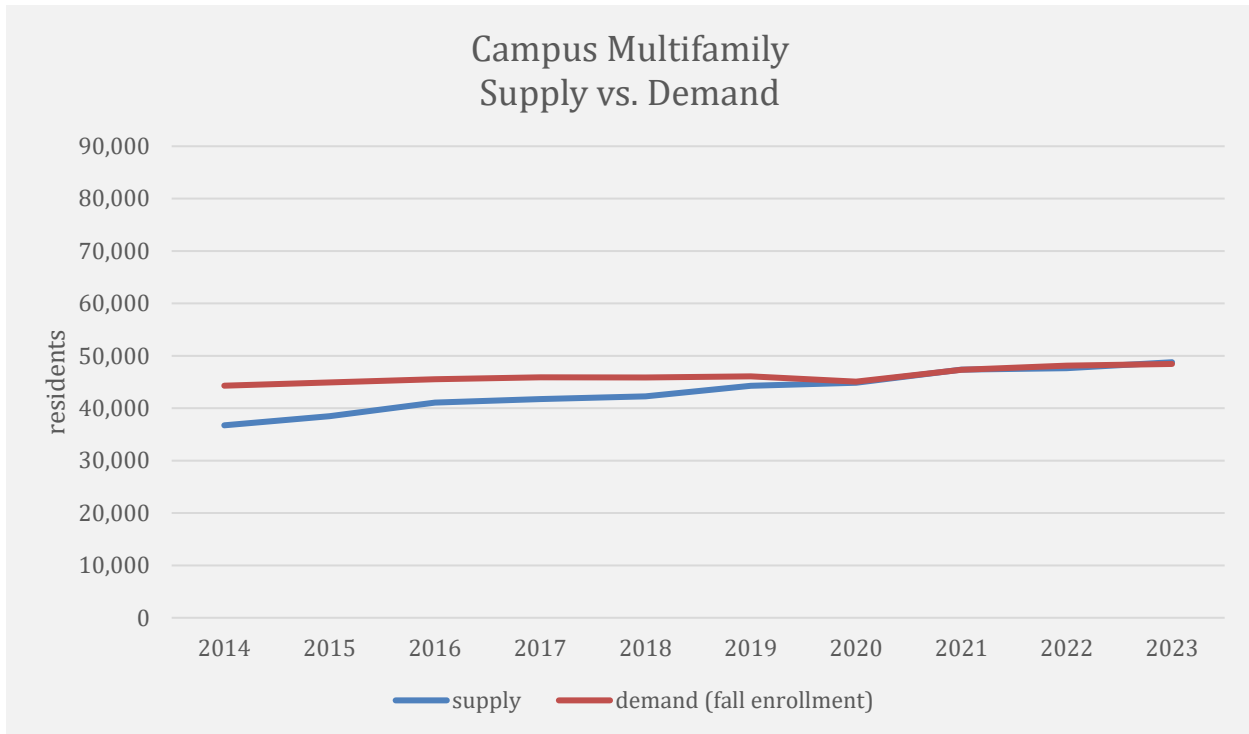
Unit Type Mix						
	<u># studio units</u>	<u># 1-bed units</u>	<u># 2-bed units</u>	<u># 3-bed units</u>	<u># 4-bed units</u>	<u>total</u>
Champaign	2,010	7,434	7,197	2,109	2,474	21,224
Urbana	351	3,399	3,881	764	839	9,234
Savoy	0	280	550	318	82	1,230
total	2,361	11,113	11,628	3,191	3,395	31,688
% of total	7%	35%	37%	10%	11%	

Vacancy

It is relatively more difficult to tabulate vacancy levels for individual multifamily properties. As a result, multifamily vacancy data was not compiled on an individual property basis like it was for the other commercial property types. Instead, vacancy estimates were created using comparisons of the multifamily supply and market demand estimates. This does not allow vacancy estimates for the individual multifamily subcategories, but it does enable separate estimates for the overall market, Campus, and multifamily properties outside Campus.

Demand estimates for the overall market were created using census data regarding the population and the percentage of the population occupying rental housing. This resulted in estimates of the number of people seeking rental housing each year. Separately, University of Illinois fall enrollment implied the number of students looking for rental housing on Campus. This involved subtracting the number of students in online programs from total student enrollment and an assumption that online students live outside the Champaign, Urbana, and Savoy market. Finally, the Campus values were subtracted from the overall numbers to arrive at separate demand estimates for multifamily properties outside Campus. Here are the resulting graphs showing comparisons of these estimates to the rental housing supply:





All three graphs show demand exceeding supply over the past ten years, except for Campus beginning in 2020. They have been nearly equal on Campus for the past few years. These supply levels below and equal to demand imply that the overall market and each submarket are undersupplied, and that vacancy is minimal and well below 5%. However, the graphs clearly suggest that the market's overall supply is getting increasingly closer to market demand.

Normal, balanced markets require at least some vacancy to prepare units for new tenants and complete other necessary building maintenance. Therefore, supply always exceeds demand in a normal market where vacancy is assumed to be in the range of 5-10%. And the above graphs suggest that the overall market and each submarket need additional supply to reach that normal vacancy range. Consequently, it follows that current vacancy is lower than 5%. The table below shows the supply increases needed to achieve 5% vacancy for the current level of demand:

	<u>demand</u>	<u>current supply</u>	<u>5% vacancy supply</u>	<u>necessary supply increase</u>
Champaign, Urbana, & Savoy	78,369	76,536	82,494	5,958
Campus*	48,448	48,781	50,998	2,217
Off-Campus*	29,921	27,755	31,496	3,741

*these values are a submarket breakdown of the overall totals and do not represent additional supply

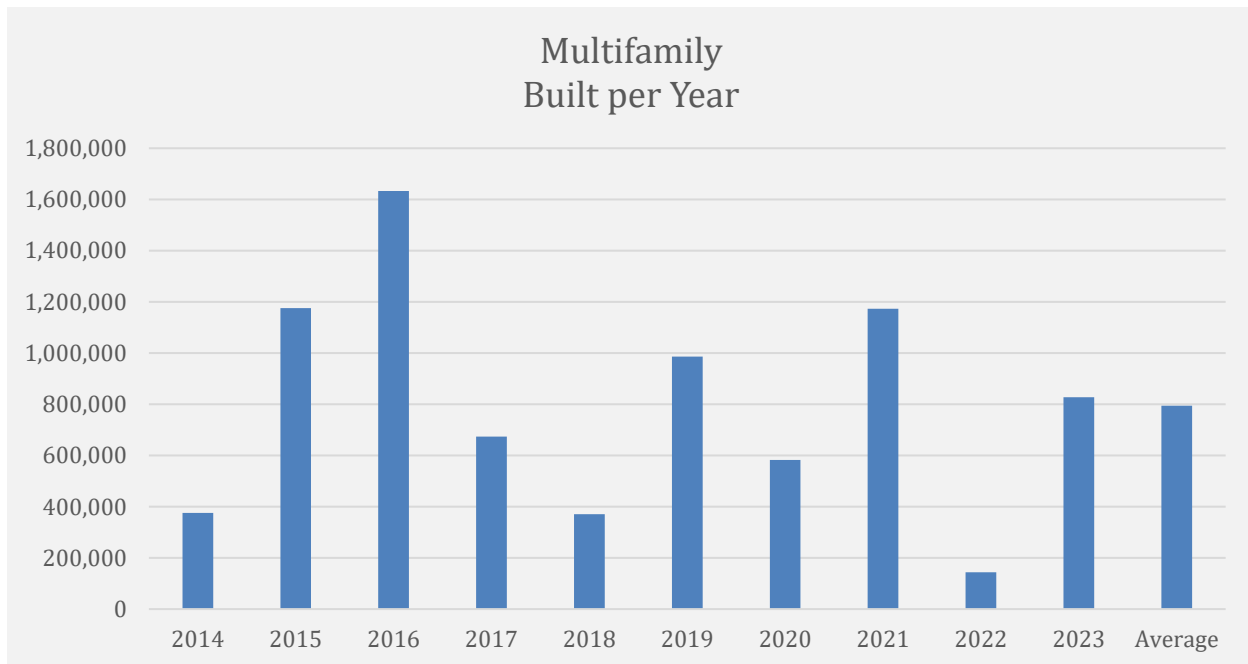
While the multifamily supply numbers account for most of the rental housing in this market, there are rental properties not included in the totals. These include single-family residences that may be rented. Therefore, the supply numbers underestimate the actual supply of rental housing and overestimate the necessary supply increases shown above. I do not know the actual number of such properties year-to-year, nor do I plan to count them in the future as I have done for the other rental properties in this market. The occupancy of these properties can change between owners and renters, and it is difficult to track these changes over time.

New Construction

New multifamily construction has averaged 794,320 square feet per year over the past ten years. This equates to 5.5 times the combined average annual construction for the other commercial property types. New construction for 2023 was slightly above the average at 827,295 square feet, while 2022 showed the lowest amount of construction for the ten-year period (144,102sf). 2023 construction increased the market's overall resident capacity by 1.96%, occurred primarily on Campus and in Champaign, and involved the addition of 866 units with a unit type mix generally similar to the existing mix for the overall market:

	<u>resident capacity</u>		<u>resident capacity</u>		<u>units</u>	<u>resident capacity</u>	<u>% of total</u>
Savoy	0	Downtown Champaign	50	studio	96	96	11%
Champaign	1,378	Campus	1,093	1-bed	361	361	42%
Urbana	99	Carle @ The Fields	334	2-bed	276	552	32%
total	1,477	total	1,477	3-bed	64	192	7%
				4-bed	69	276	8%
				total	866	1477	

New construction during 2023 was coupled with minimal resident capacity reductions resulting from the demolition of previously existing properties.



Sales & Capitalization Rates

The sales volume for multifamily properties during 2022 and 2023 was much higher than it was for the other property types. There were fifty-nine sales in 2022 and thirty-two during 2023. Overall, these sales exhibited the following averages:

	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	<u>Cap Rate</u>	
							<u>Sample Size</u>	<u>Cap Rate</u>
2022	59	1967	48,058	107	\$118	\$53,576	54	8.35%
2023	32	1971	49,316	110	\$139	\$58,550	32	7.40%

Creating the most similar subsets possible of sales from each year in terms of property subcategory, location, age, size, and unit mix suggests that overall market condition changes (i.e., increased inflation and interest rates) have not significantly affected buyers and sellers in this multifamily market during the past year, aside from the reduced number of transactions. Average per unit sale prices and capitalization rates generally have remained the same:

	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	<u>Cap Rate</u>	
							<u>Sample Size</u>	<u>Cap Rate</u>
2022	14	1978	63,374	125	\$125	\$58,375	14	8.23%
2023	15	1977	40,523	80	\$116	\$56,456	15	8.20%

Other subsets of multifamily property sales reveal additional details regarding the subcategories involved:

Apartments								Cap Rate	
	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	<u>Sample Size</u>	<u>Cap Rate</u>	
2022-2023	63	1983	62,258	142	\$121	\$53,640	61	7.95%	

Apartments (Campus only)								Cap Rate	
	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	<u>Sample Size</u>	<u>Cap Rate</u>	
2022-2023	36	1984	35,571	92	\$156	\$64,211	34	6.55%	

Apartments (18-2 only*)								Cap Rate	
	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	<u>Sample Size</u>	<u>Cap Rate</u>	
2022-2023	13	1986	37,531	103	\$184	\$79,418	13	5.52%	

*Section 18, Quadrant 2 is the area of Campus bordered by Springfield, First, Armory, and Wright

Apartments (Off-Campus only)								Cap Rate	
	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	<u>Sample Size</u>	<u>Cap Rate</u>	
2022-2023	27	1981	97,841	208	\$75	\$39,545	27	9.70%	

As expected, Campus apartment properties show higher average unit prices and lower capitalization rates. And the area of Campus bordered by Springfield, First, Armory, and Wright is associated with even higher unit prices and lower rates than the overall Campus average.

Given separate consideration, sales of apartment properties that additionally include first floor retail space only occurred during 2022:

Apartments with Retail								Cap Rate	
	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	<u>Sample Size</u>	<u>Cap Rate</u>	
2022-2023	4	2010	42,481	78	\$198	\$112,925	4	6.54%	

The largest concentration of house apartment properties, former single-family residences divided into multiple apartments, is on the west side of downtown Champaign, east of Prospect and north of Springfield. This is where most of the sales shown below occurred. Also, only one of these sales occurred during 2023:

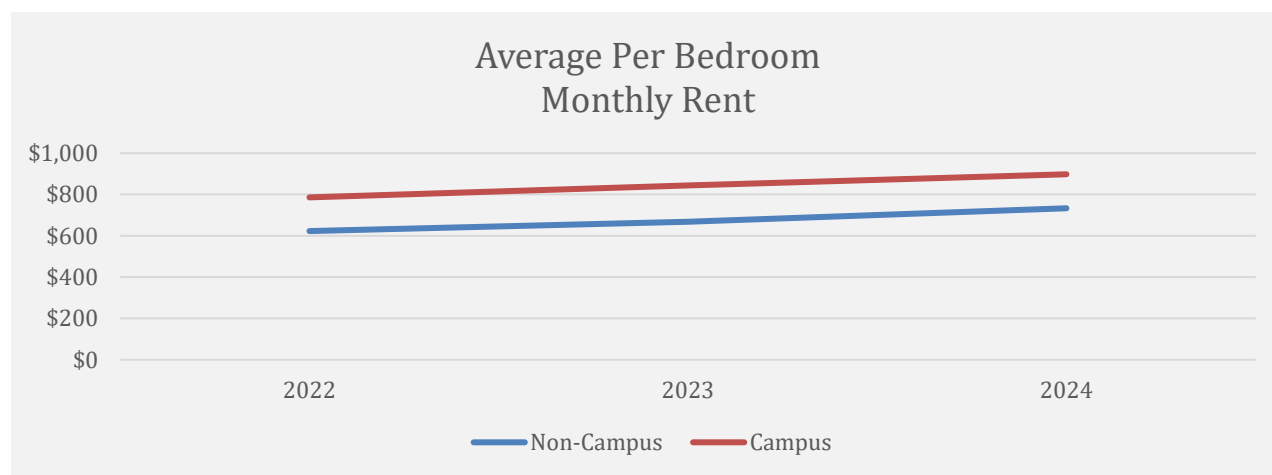
House Apartments								
	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	Cap Rate	
							<u>Sample Size</u>	<u>Cap Rate</u>
2022-2023	13	1907	4,093	8	\$67	\$36,947	9	9.16%

The remaining multifamily property sales involved group houses primarily occupied by University of Illinois students. Seven of these transactions occurred during 2023, while the remaining two happened in 2022. However, six of the 2023 transactions occurred at the end of the year between the same buyers and sellers, and primarily involved group houses in “Seniorland”, the neighborhood south of Green Street between the railroad tracks and First Street:

Group Houses								
	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Bedrooms</u>	<u>Price/SF</u>	<u>Price/Bed</u>	Cap Rate	
							<u>Sample Size</u>	<u>Cap Rate</u>
2022-2023	9	1941	24,924	51	\$219	\$71,082	9	6.93%

Rental Rates

A survey of listed rental rates over the past three years for privately-owned apartment units with 0-4 bedrooms shows an increasing average per bedroom monthly rental rate:



The rate of increase 2022-2024 outpaced general inflation, suggesting a real increase in apartment rental rates of 4-8% over those two years, or an average annual increase of 2-4%:

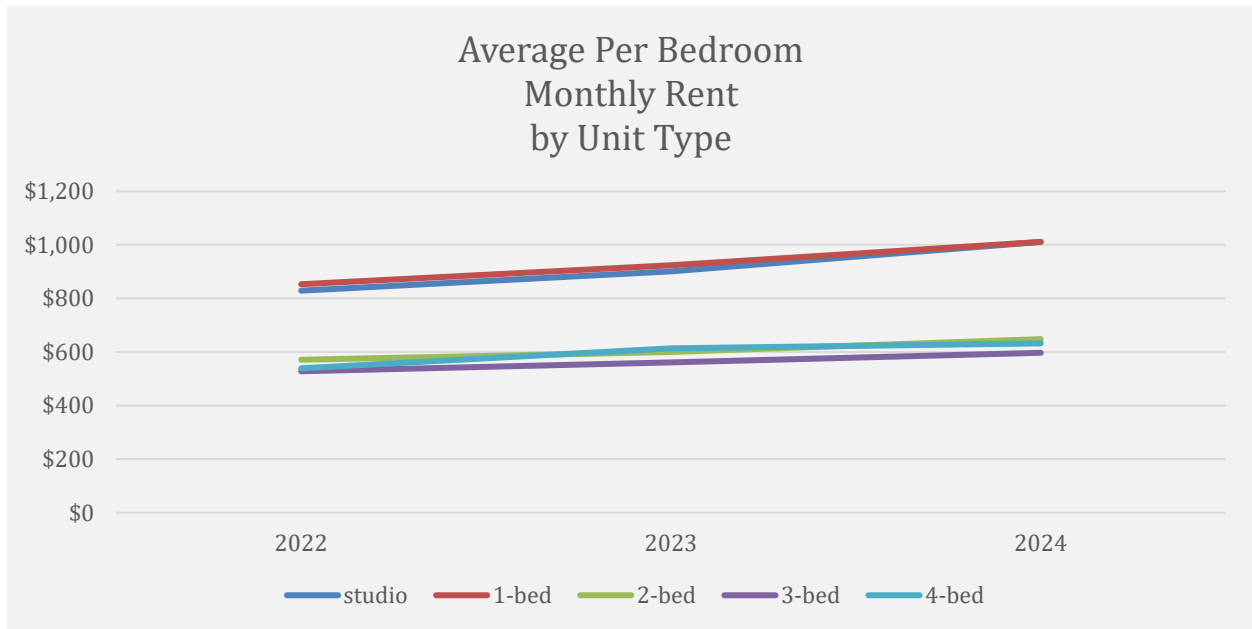
Two-Year % Change			
	<u>Off-Campus</u>	<u>Campus</u>	<u>Inflation</u>
2022-2024	17.7%	14.2%	10.1%

The Campus rent shown above includes only listings within Section 18, the central area of Campus bordered by Springfield, First, Kirby, and Lincoln. This area exhibited listed rents averaging about \$800-\$900 per bedroom per month, which is approximately \$200 higher than the averages for Champaign, Urbana, and Savoy outside this area.

The rent survey included about 575 listings per year and was conducted during December and January each year. The most recent survey was completed December 2023 – January 2024. Therefore, Campus listings are for the following year’s fall semester. The groups of listings for each year include a similar mix in terms of location, age, size, and amenities.

	Sample Sizes						
	<u>studio</u>	<u>1-bed</u>	<u>2-bed</u>	<u>3-bed</u>	<u>4-bed</u>	<u>total</u>	
2022	49	146	157	92	73	517	
2023	73	176	215	95	72	631	
2024	60	148	193	95	77	573	

An examination of rents for individual unit types in the overall market showed studio and 1-bedroom units with the highest average rates per bedroom, about \$800-\$1,000 per month, while listings for units with 2-4 bedrooms hovered around \$600 per bedroom per month:



Studio, 1-bedroom, and 4-bedroom unit rents increased at the greatest rates during the two-year period, suggesting two-year real rate increases of 7-12% for these unit types after consideration of inflation (3.5-6% per year):

	Two-Year % Change					
	<u>Studio</u>	<u>1-bed</u>	<u>2-bed</u>	<u>3-bed</u>	<u>4-bed</u>	<u>Inflation</u>
2022-2024	22.0%	18.5%	13.5%	13.1%	17.3%	10.1%

Discussions with market participants support the above trends for rent, but at slightly lower levels than listed rates. Therefore, the data suggests that the average rent per bedroom for the overall market has increased by 5-7% per year for the past two years, or slightly faster than inflation for a real increase above inflation of 1-2%.

Five-Year Forecast

The real rental rate increases beyond the rate of inflation support the earlier conclusion that this multifamily market is undersupplied, and that vacancy is below 5%. In theory, rental rates should increase in unison with inflation if the market is relatively balanced in the 5-10% vacancy range, or they should remain flat or decrease if vacancy is increasingly greater than 10%.

Furthermore, the real rate increases suggest that the number of uncounted rental properties does not fully account for the estimated 5,958 resident capacity needed to achieve 5% vacancy. However, this necessary additional capacity is a relatively large number, so this insight does not currently provide an exact count of the resident capacity supplied by these properties.

If Campus enrollment and the overall market population do not change significantly over the next year, the percentages of renters also do not change much, and uncounted rental properties provide space for at least 1,000 residents, it is reasonable to estimate that this market requires a multifamily space increase for 3,000-5,000 residents to achieve a market vacancy of 5%. Until this is achieved, market vacancy should remain below 5%, rental rates should continue increasing at a rate that exceeds inflation, and multifamily property values should trend upwards.

This report's property survey accounts for most multifamily properties on Campus, so the variability caused by uncounted rental properties is probably primarily within the submarket outside Campus. So, the necessary Campus supply increase to accommodate 2,217 residents (to reach 5% vacancy) is probably relatively accurate, while the necessary Off-Campus increase likely ranges about 800-2,800.

As of the date of this report, current construction and building permits imply the addition of about 250 bedrooms during 2024. About 150 bedrooms are under construction outside Campus at 1915-1921 South Mattis, a few new units are being added in downtown Champaign, and the remainder are expected to be built at 409 South Third on Campus.

New construction often trails behind major market changes, so it is likely that the much lower than average new construction in 2022 resulted from the COVID-19 crisis and that the 2023 construction increase (closer to the ten-year average) occurred as the market recognized the end of that crisis. It follows then that the amount of new construction during 2024 will be low like 2022 because of the current high inflation and interest rate environment. However, it is becoming more likely that both rates will be closer to normal levels during 2025.

So, it seems likely that there will be no new multifamily construction in 2024 beyond the expected addition of 250 bedrooms. But it is likely that increases in construction above the yearly average will begin occurring during the second half of 2025, continue at an increasing rate until the 5% vacancy benchmark is reached, and then continue at a relatively constant rate until vacancy gets closer to 10%.

Overall, the current data implies the following five-year trends:

	Campus					
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
total residents (demand)	48,448	48,932	49,422	49,916	50,415	50,919
total resident capacity (supply)	49,081	49,181	49,981	51,581	53,381	54,881
new resident capacity	1,093	100	800	1,600	1,800	1,500
vacancy	1.3%	0.5%	1.1%	3.2%	5.6%	7.2%
avg rent/bedroom	\$820	\$861	\$895	\$931	\$959	\$978
real rental rate increase	2.0%	2.0%	2.0%	2.0%	1.0%	0.0%
inflation	3.4%	3.0%	2.0%	2.0%	2.0%	2.0%
value trend	up	up	up	same	same	same

	Off-Campus					
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
total residents (demand)	29,921	30,011	30,101	30,191	30,282	30,373
total resident capacity (supply)	28,955	29,105	29,705	30,905	32,105	33,005
new resident capacity	384	150	600	1,200	1,200	900
vacancy	-3.3%	-3.1%	-1.3%	2.3%	5.7%	8.0%
avg rent/bedroom	\$650	\$683	\$710	\$739	\$761	\$776
real rental rate increase	2.0%	2.0%	2.0%	2.0%	1.0%	0.0%
inflation	3.4%	3.0%	2.0%	2.0%	2.0%	2.0%
value trend	up	up	up	same	same	same

The above analysis assumes a 1% annual increase in Campus enrollment, which has been the average over the past ten years according to the estimates of students residing on Campus each year. The Off-Campus analysis uses the ten-year average increase of 0.3% per year, as well as an assumption that uncounted rental properties currently accommodate 1,200 residents in this submarket (and 300 in the Campus submarket) and that this portion of the rental housing supply does not change over the projected five-year period. The analyses additionally assume that market participants will build new resident capacity as long as rental rates increase at the same rate as inflation (or at a rate greater than inflation) and vacancy is not approaching 10%, that real rate increases above inflation will occur until vacancy equals 5%, and that rates will increase at the same rate as inflation until the market gets near 10% vacancy. If vacancy goes above 10%, rental rates are not likely to keep up with inflation and eventually should decrease if vacancy gets significantly higher than 10%.

The analysis suggests that there will be a total increase in Campus supply of 5,800 bedrooms by 2028, real rental rates will increase until 2028, and the vacancy rate will reach 5% during 2027. For the submarket outside Campus, new capacity of 4,050 bedrooms is expected by 2028 and real rental and vacancy rate trends should be similar to the expectations for Campus. Real property values should trend upward at a rate above inflation (and capitalization rates should trend downward) in each of these submarkets until vacancy approaches 5% and then increase at the same rate as inflation. If the actual amount of new construction is lower, real rental rates should continue to increase at a rate greater than inflation and upward pressure on real property values should continue beyond 2028.

Warehouse

Supply & Vacancy

There currently are 548 warehouse-related properties in Champaign, Urbana, and Savoy with an average size of 24,184 gross square feet that include a total of 13,252,987 square feet. The breakdown of the total square feet, occupied space, vacancy percentages, and property numbers according to the various warehouse subcategories is shown below:

	Total Square Footage								
	distribution	flex	manufacturing	multi-tenant	office /	warehouse	service	total	
	<u>warehouse</u>	<u>condo</u>		<u>flex</u>	<u>warehouse</u>		<u>garage</u>		
Champaign	4,557,088	116,663	231,200	479,527	2,521,149	923,855	480,024	9,309,506	70.2%
Urbana	1,236,650	31,587	355,075	140,839	1,213,022	502,185	399,611	3,878,969	29.3%
Savoy	0	0	0	0	41,450	13,120	9,942	64,512	0.5%
total	5,793,738	148,250	586,275	620,366	3,775,621	1,439,160	889,577	13,252,987	

	Occupied Square Footage (as of November 2023)								
	distribution	flex	manufacturing	multi-tenant	office /	warehouse	service	total	
	<u>warehouse</u>	<u>condo</u>		<u>flex</u>	<u>warehouse</u>		<u>garage</u>		
Champaign	4,295,768	116,663	231,200	448,168	2,450,375	853,816	468,999	8,864,989	
Urbana	1,230,650	31,080	355,075	140,839	1,183,982	485,535	389,222	3,816,383	
Savoy	0	0	0	0	41,450	4,200	3,000	48,650	
total	5,526,418	147,743	586,275	589,007	3,675,807	1,343,551	861,221	12,730,022	

	Vacancy (as of November 2023)								
	distribution	flex	manufacturing	multi-tenant	office /	warehouse	service	total	
	<u>warehouse</u>	<u>condo</u>		<u>flex</u>	<u>warehouse</u>		<u>garage</u>		
Champaign	5.7%	0.0%	0.0%	6.5%	2.8%	7.6%	2.3%	4.8%	
Urbana	0.5%	1.6%	0.0%	0.0%	2.4%	3.3%	2.6%	1.6%	
Savoy	n/a	n/a	n/a	n/a	0.0%	68.0%	69.8%	24.6%	
total	4.6%	0.3%	0.0%	5.1%	2.6%	6.6%	3.2%	3.9%	

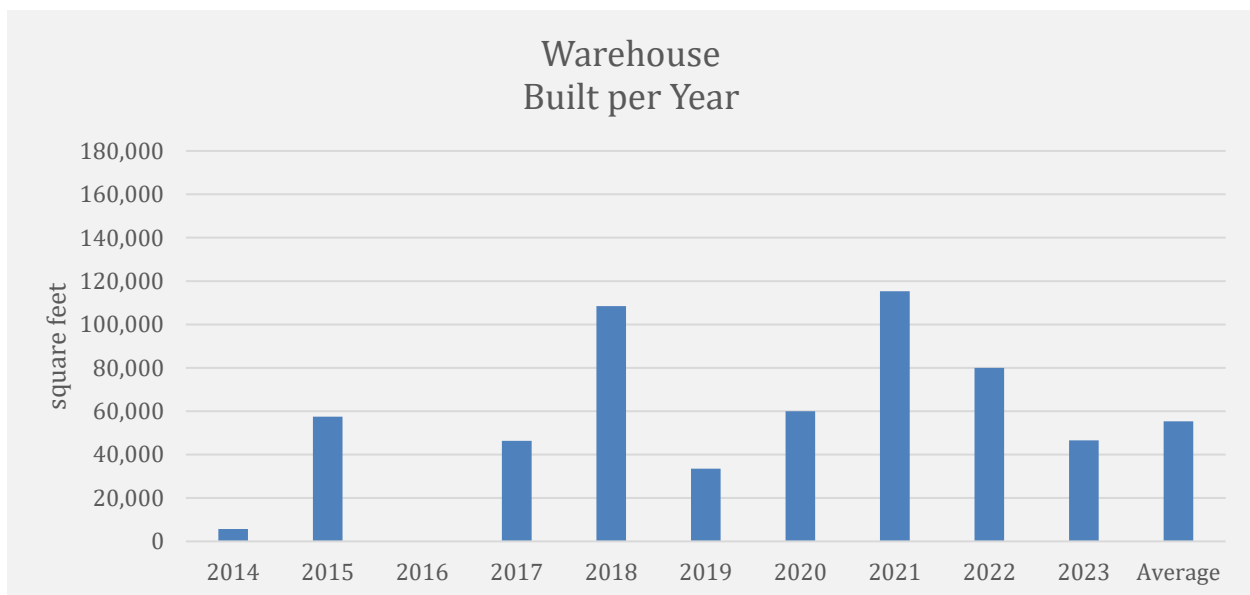
	Total Properties								
	distribution	flex	manufacturing	multi-tenant	office /	warehouse	service	total	
	<u>warehouse</u>	<u>condo</u>		<u>flex</u>	<u>warehouse</u>		<u>garage</u>		
Champaign	27	60	3	23	89	66	84	352	
Urbana	18	14	3	6	52	34	62	189	
Savoy	0	0	0	0	2	3	2	7	
total	45	74	6	29	143	103	148	548	
avg property size (sf)	128,750	2,003	97,713	21,392	26,403	13,972	6,011	24,184	

Like the other property types, most of the market's warehouse space is located in Champaign. Overall vacancy is 3.9%, which is similar to rates reported by Realty Rates in 2022 and 2023 for major markets in the subject's general area (Chicago, Indianapolis, and Milwaukee).

The two largest subcategories for this property type, “Distribution Warehouse” and “Office/Warehouse” exhibit some of the lowest vacancy rates. Distribution warehouses involve about 44% of the overall square footage, an average building size of 128,750 square feet, and vacancy of 4.6%, while office/warehouse properties make up approximately 28% of the market, have an average size of 26,403sf, and show vacancy of 2.6%.

New Construction

Construction of new warehouse space has averaged 55,351 square feet per year over the past ten years. While new construction was slightly below the average in 2023 (46,600sf), new construction for the previous three years was above the average. The largest portion of new construction occurred in the “Multi-Tenant Flex” subcategory where a total of 231,097 square feet was added 2017-2022 with an average building size of 28,887sf.



Especially for this property type, not all construction each year is of entirely new buildings. Many warehouse properties involve additions built after the initial construction. The above annual construction numbers only consider new property construction and do not accurately account for such additions that occurred during the ten-year period. However, market reports for subsequent years after this one should accurately reflect this type of construction on an annual basis, since I keep up with permits for all types of new commercial construction in this market.

Sales & Capitalization Rates

There were fifteen sales of warehouse-related properties in 2022 but only four sales during 2023. The low sales volume makes it difficult to draw conclusions about annual market changes and implies that high inflation and interest rates have essentially put the market on pause for many buyers and sellers.

Adding to this difficulty, two of the four sales in 2023 involved industrial flex condominiums, a very small market segment and one where no comparable sales occurred in 2022. These two sales showed an average price of \$95 per square foot, average size of 1,684sf, and an average year built

of 2008. This does not represent a significant change in sale prices for this property type over the past five years.

Averages for the remaining sales during these two years are shown below, despite showing only two sales for 2023 and the sales from 2022 involving a group of larger and older properties:

	# Sales	Year Built	Size	Price/SF	Cap Rate	
					Sample Size	Cap Rate
2022	15	1989	39,927	\$57	7	7.53%
2023	2	1997	11,442	\$71	n/a	n/a

All 2023 sales primarily involved “owner-user” buyers with no properties purchased exclusively by investors for leasing to third parties. Therefore, no capitalization rate is shown for 2023. The capitalization rate for 2022 was derived from seven sales to investors that involve properties with an average size and age similar to that of the overall group for that year.

Rental Rates

From 2022 to 2023, listed rental rates for warehouse space rose by 5.7% based on a survey of seven listings from each year of a similar mix of properties in terms of location, tenant space size, and building age. The small sample sets reduce the credibility of this concluded rate increase, but there were relatively fewer listings due to the low vacancy for this property type in the current market:

	Sample Size	Average Year Built	Average Size	Average Rate/SF NNN
2022	7	2000	37,944	\$5.83
2023	7	2001	32,562	\$6.16

Nevertheless, these rent levels were supported by discussions with market participants who reported similar current rent levels that represent increases from pre-COVID times when rates generally ranged \$5.25-\$5.50/SF NNN. It also was reported that individual tenant spaces and free-standing buildings with less than 5,000 square feet have shown the largest rate increases since that time, going from about \$7/SF to rates above \$10/SF NNN, especially for newer construction. Assuming the 5.7% increase is accurate, this represents a real rate increase of 2.3% after subtracting the average 2023 inflation rate of 3.4%.

Five-Year Forecast

Continuing with the assumption that balanced real estate markets show vacancy levels of 5-10%, the current warehouse vacancy rate of 3.9% implies that this market is undersupplied, and that relatively significant new warehouse construction is likely in the future.

Currently, there is no new warehouse space being built or planned for construction during 2024. However, because of the excess demand implied by the low vacancy rate, it seems likely that some new construction (less than the ten-year annual average of 55,351 square feet) will occur this year. But market participants report that high building costs are discouraging new construction.

Assuming interest and inflation rates decrease to normal levels by 2025, more significant new construction should begin during 2025, it should increase significantly until warehouse vacancy reaches 5%, and then construction should increase at a lower but more constant rate until vacancy approaches 10%. It seems reasonable to assume that warehouse demand will increase by about 0.5% per year over the next five years and that market participants will continue adding new supply if real rental rates are keeping up with inflation.

Based on the data and assumptions, the following trends are expected for the warehouse market over the next five years:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
demand (sf)	12,730,022	12,793,672	12,857,640	12,921,929	12,986,538	13,051,471
supply (sf)	13,252,987	13,272,987	13,372,987	13,542,987	13,712,987	13,842,987
new construction (sf)	46,600	20,000	100,000	170,000	170,000	130,000
vacancy	3.9%	3.6%	3.9%	4.6%	5.3%	5.7%
avg rent/sf NNN	\$6.16	\$6.47	\$6.73	\$7.00	\$7.21	\$7.35
real rental rate increase	2.3%	2.0%	2.0%	2.0%	1.0%	0.0%
inflation	3.4%	3.0%	2.0%	2.0%	2.0%	2.0%
value trend	up	up	up	same	same	same

The warehouse supply therefore is expected to increase by 590,000 square feet over the next five years. This should cause vacancy to be 5% by 2027, real rental rates to increase at a rate above inflation until 2028, and real property values to trend upward until 2026. Less construction should encourage real rates and property values to trend upward beyond 2028, and vice versa if there is new construction beyond the 590,000 square foot benchmark.

Retail

Supply & Vacancy

As of the end of 2023, Champaign, Urbana, and Savoy include 811 properties with retail space containing a total of 10,267,952 gross square feet. The average property size is 12,661 square feet. Additional details are shown below:

Total Square Footage															
	<u>retail condo</u>	<u>retail strip center</u>	<u>anchored strip center</u>	<u>apartments w/retail</u>	<u>big box retail</u>	<u>fast-food restaurant</u>	<u>NNN-lease dollar store</u>	<u>NNN-lease Walgreens/CVS</u>	<u>retail freestanding</u>	<u>old-town retail</u>	<u>restaurant freestanding</u>	<u>retail/warehouse</u>	<u>shopping mall</u>	<u>total</u>	
Champaign	11,174	1,635,828	232,805	251,699	2,742,809	177,426	9,000	101,127	906,014	367,503	338,246	844,959	331,090	7,949,680	77%
Urbana	0	194,393	202,270	41,663	329,800	56,355	27,000	45,750	405,323	133,997	69,101	303,540	175,000	1,984,192	19%
Savoy	13,993	40,450	140,624	0	0	8,722	0	13,450	57,558	0	3,683	55,600	0	334,080	3%
total	25,167	1,870,671	575,699	293,362	3,072,609	242,503	36,000	160,327	1,368,895	501,500	411,030	1,204,099	506,090	10,267,952	
Occupied Square Footage (as of October 2023)															
	<u>retail condo</u>	<u>retail strip center</u>	<u>anchored strip center</u>	<u>apartments w/retail</u>	<u>big box retail</u>	<u>fast-food restaurant</u>	<u>NNN-lease dollar store</u>	<u>NNN-lease Walgreens/CVS</u>	<u>retail freestanding</u>	<u>old-town retail</u>	<u>restaurant freestanding</u>	<u>retail/warehouse</u>	<u>shopping mall</u>	<u>total</u>	
Champaign	11,174	1,367,042	226,690	180,931	2,627,715	165,194	9,000	101,127	832,569	286,438	308,528	795,727	320,590	7,232,725	
Urbana	0	173,982	185,776	33,577	329,800	55,520	27,000	45,750	381,659	128,417	63,991	296,900	144,003	1,866,375	
Savoy	13,993	34,982	139,024	0	0	7,522	0	13,450	54,058	0	3,683	55,600	0	322,312	
total	25,167	1,576,006	551,490	214,508	2,957,515	228,236	36,000	160,327	1,268,286	414,855	376,202	1,148,227	464,593	9,421,412	
Vacancy (as of October 2023)															
	<u>retail condo</u>	<u>retail strip center</u>	<u>anchored strip center</u>	<u>apartments w/retail</u>	<u>big box retail</u>	<u>fast-food restaurant</u>	<u>NNN-lease dollar store</u>	<u>NNN-lease Walgreens/CVS</u>	<u>retail freestanding</u>	<u>old-town retail</u>	<u>restaurant freestanding</u>	<u>retail/warehouse</u>	<u>shopping mall</u>	<u>total</u>	
Champaign	0.0%	16.4%	2.6%	28.1%	4.2%	6.9%	0.0%	0.0%	8.1%	22.1%	8.8%	5.8%	3.2%	9.0%	
Urbana	n/a	10.5%	8.2%	19.4%	0.0%	1.5%	0.0%	0.0%	5.8%	4.2%	7.4%	2.2%	17.7%	5.9%	
Savoy	0.0%	13.5%	1.1%	n/a	n/a	13.8%	n/a	0.0%	6.1%	n/a	0.0%	0.0%	n/a	3.5%	
total	0.0%	15.8%	4.2%	26.9%	3.7%	5.9%	0.0%	0.0%	7.3%	17.3%	8.5%	4.6%	8.2%	8.2%	
Total Properties															
	<u>retail condo</u>	<u>retail strip center</u>	<u>anchored strip center</u>	<u>apartments w/retail</u>	<u>big box retail</u>	<u>fast-food restaurant</u>	<u>NNN-lease dollar store</u>	<u>NNN-lease Walgreens/CVS</u>	<u>retail freestanding</u>	<u>old-town retail</u>	<u>restaurant freestanding</u>	<u>retail/warehouse</u>	<u>shopping mall</u>	<u>total</u>	
Champaign	5	94	3	38	29	56	1	6	133	106	57	66	1	595	
Urbana	0	18	4	4	2	18	2	3	61	32	15	23	1	183	
Savoy	6	5	1	0	0	4	0	1	11	0	1	4	0	33	
total	11	117	8	42	31	78	3	10	205	138	73	93	2	811	
avg property size (sf)	2,288	15,989	71,962	6,985	99,116	3,109	12,000	16,033	6,678	3,634	5,631	12,947	253,045	12,661	

Champaign contains 77% of the market's retail space, while Urbana and Savoy have much lower percentages of the overall market.

Overall retail vacancy is 8.2%. This is similar to rates from national surveys like Realty Rates for major markets in the subject's general area (Chicago, Indianapolis, and Milwaukee). Realty Rates reported higher 2nd Quarter 2022 retail vacancy rates for this region of about 9.3%.

However, vacancy is much higher for some subcategories. For instance, "Old-Town Retail" in Champaign has a vacancy rate of about 22%. This category generally includes retail/restaurant space built 1900-1960, with the vacant space primarily located in or near Downtown Champaign. Also, shopping mall vacancy in Urbana (Lincoln Square Mall) is about 18%, while overall retail strip center vacancy is near 16%.

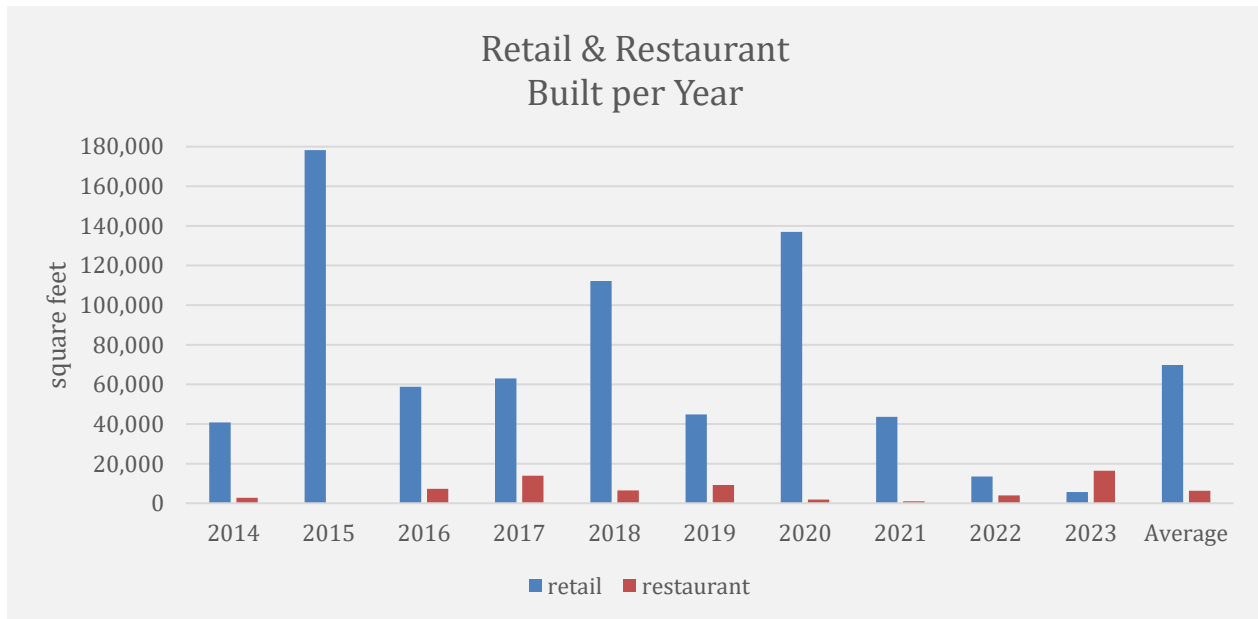
The "Apartments with Retail" subcategory represents properties that primarily include apartments but also include first floor retail space.¹ These properties generally are newer (average year built of 2008) and located in the vicinity of Campus. Vacancy for retail space in these properties is about 27%.

On the other hand, anchored strip centers, big-box retail properties, and retail properties with relatively large amounts of attached warehouse space have vacancy rates below 5%. These three property types, especially the first two, generally are larger than the average retail property.

New Construction

Construction of new retail space has averaged 69,760 square feet per year over the past ten years, while new construction of fast-food and freestanding restaurants has shown an average of 6,300sf per year. Retail construction for the past three years has been below the average, with 2022 and 2023 showing the lowest levels of new construction over the past ten years. New construction of restaurant space was very low for 2020-2022 but well above the average at 16,450sf for 2023. All new restaurant construction over the past six years has occurred in the fast-food sector.

¹ The square footage only accounts for the first-floor retail portion of these properties. The apartments for these properties, as well as sales of this property type, are accounted for separately in the Multifamily section of this report.



Sales & Capitalization Rates

Thirty-one sales of retail-focused properties occurred in 2022, while there were nineteen sales in 2023:

	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Price/SF</u>	<u>Cap Rate</u>	
					<u>Sample Size</u>	<u>Cap Rate</u>
2022	31	1974	12,343	\$189	15	8.10%
2023	19	1972	20,284	\$172	11	8.25%

Investors made up 71% of the buyers in 2022, while 74% were investors in 2023. The remaining buyers were owner-users looking to use the purchased property for their own retail uses.

The overall sale groups from each year do not include sufficiently similar properties for meaningful year-to-year comparisons. However, subsets of seven sales of reasonably similar properties from each year suggest minimal changes in retail property values and capitalization rates from 2022 to 2023, despite the rising interest rates that began in the middle of 2022. Though it is important to note that these are not large enough samples for definite conclusions:

	<u># Sales</u>	<u>Year Built</u>	<u>Size</u>	<u>Price/SF</u>	<u>Cap Rate</u>	
					<u>Sample Size</u>	<u>Cap Rate</u>
2022	7	2003	10,819	\$215	7	7.94%
2023	7	1999	37,683	\$207	7	7.98%

The seven sales from each year primarily included retail strip centers, but two of the sales from 2023 involved properties significantly larger than the average property size.

Rental Rates

Listed rental rates for general retail space showed minimal changes from 2022 to 2023. The average rate for both years was very close to \$20.50/SF NNN based on a survey of twenty listings from each year of a similar mix of properties in terms of location, tenant space size, and building age:

	Sample Size	Average Year Built	Average Size	Average Rate/SF NNN
2022	20	1993	2,712	\$20.47
2023	20	1992	2,736	\$20.35

However, realtors in this market have reported an average increase in rental rates for this property type that has kept up with inflation.

Five-Year Forecast

The population for the Champaign, Urbana, and Savoy market currently stands at about 136,000 residents. From 2010 to 2020, it increased by approximately 4.5%, or close to 0.5% per year. This equates to an annual increase of slightly less than 600 residents, which has been driven by increases in the University of Illinois student population. However, while the University's fall enrollment has continued to show strong numbers, it has remained just below 57,000 students for the past three years. Nevertheless, it seems likely that this market's overall population will continue to increase by 0.5% per year for the next five years.

But due to recent downward demand trends for retail space resulting from increases in online shopping and the COVID-19 crisis, as well as the trend away from relatively larger full-service restaurants, it seems likely that demand for retail space will increase at a slower rate than the population. Therefore, it seems reasonable to assume 0.25% annual demand growth over the next five years for retail space in this market.

The current overall retail vacancy rate of 8.2% is within the normal range of 5-10%, so this retail market is viewed as balanced with an adequate retail supply. This is supported by rental rates that appear to be increasing with inflation, by the market's reduction in new construction as vacancy begins to approach 10%, and by property sale prices generally staying constant in real terms. While 8.2% vacancy is considered normal, significant new retail construction is likely to push vacancy much closer to or beyond 10%. Therefore, new retail construction is likely to occur over the next five years, but at a level consistently lower than the ten-year average.

As of the date of this report, new retail construction in the Champaign, Urbana, and Savoy market is only occurring on the east side of downtown Champaign and only includes a total of about 20,000 square feet. However, while one of these projects involves the addition of about 5,500 square feet of retail/restaurant space that previously existed as warehouse space, the other one involves a relatively minimal net increase of retail space since it is replacing the building that previously existed on the site. In short, there is minimal new retail space currently being built, nor is other significant retail construction expected during 2024 because of the current high interest rate environment.

The following trends are expected over the next five years for the retail market:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
demand (sf)	9,421,412	9,444,966	9,468,578	9,492,249	9,515,980	9,539,770
supply (sf)	10,267,952	10,277,952	10,307,952	10,337,952	10,367,952	10,397,952
new construction (sf)	5,655	10,000	30,000	30,000	30,000	30,000
vacancy	8.2%	8.1%	8.1%	8.2%	8.2%	8.3%
avg rent/sf NNN	\$20.50	\$21.12	\$21.54	\$21.97	\$22.41	\$22.86
real rental rate increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
inflation	3.4%	3.0%	2.0%	2.0%	2.0%	2.0%
value trend	same	same	same	same	same	same

Because this retail market is relatively balanced, it is likely that rental rates will continue to increase at the same rate as inflation throughout the five-year period. Property values are also likely to increase with inflation so that real property values stay relatively constant. Some new retail construction is expected over the five years that will probably keep overall vacancy near 8%. But if significantly more construction occurs, vacancy is likely to go above 10%, rents probably will not keep up with inflation, and real property values are likely to decrease.

Office

Supply & Vacancy

Currently, there are 496 properties with office space in Champaign, Urbana, and Savoy that have an average size of 10,540 gross square feet and contain a total of 5,228,054 square feet:

	Total Square Footage					
	medical	multi-story	office	office	total	
	<u>office</u>	<u>office</u>	<u>condo</u>	<u>freestanding</u>		
Champaign	116,842	1,766,465	135,785	2,236,783	4,255,875	81%
Urbana	56,042	285,819	4,330	425,476	771,667	15%
Savoy	31,568	30,250	23,004	115,690	200,512	4%
total	204,452	2,082,534	163,119	2,777,949	5,228,054	

	Total Square Footage	
	10,000sf	greater than
	<u>or less</u>	<u>10,000sf</u>
Champaign	1,038,115	3,217,760
Urbana	324,720	446,947
Savoy	190,212	10,300
total	1,553,047	3,675,007

	Occupied Square Footage (as of October 2023)				
	medical	multi-story	office	office	total
	<u>office</u>	<u>office</u>	<u>condo</u>	<u>freestanding</u>	
Champaign	116,842	1,534,098	135,785	2,045,997	3,832,722
Urbana	56,042	226,734	4,330	368,732	655,838
Savoy	27,168	29,220	23,004	110,440	189,832
total	200,052	1,790,052	163,119	2,525,169	4,678,392

	Occupied Square Footage (as of October 2023)	
	10,000sf	greater than
	<u>or less</u>	<u>10,000sf</u>
Champaign	986,492	2,846,230
Urbana	299,182	356,656
Savoy	179,532	10,300
total	1,465,206	3,213,186

	Vacancy (as of October 2023)				
	medical	multi-story	office	office	total
	<u>office</u>	<u>office</u>	<u>condo</u>	<u>freestanding</u>	
Champaign	0.0%	13.2%	0.0%	8.5%	9.9%
Urbana	0.0%	20.7%	0.0%	13.3%	15.0%
Savoy	13.9%	3.4%	0.0%	4.5%	5.3%
total	2.2%	14.0%	0.0%	9.1%	10.5%

	Vacancy (as of October 2023)	
	10,000sf	greater than
	<u>or less</u>	<u>10,000sf</u>
Champaign	5.0%	11.5%
Urbana	7.9%	20.2%
Savoy	5.6%	0.0%
total	5.7%	12.6%

	Total Properties				
	medical	multi-story	office	office	total
	<u>office</u>	<u>office</u>	<u>condo</u>	<u>freestanding</u>	
Champaign	9	68	48	235	360
Urbana	3	14	3	71	91
Savoy	5	4	11	25	45
total	17	86	62	331	496
avg property size (sf)	12,027	24,216	2,631	8,393	10,540

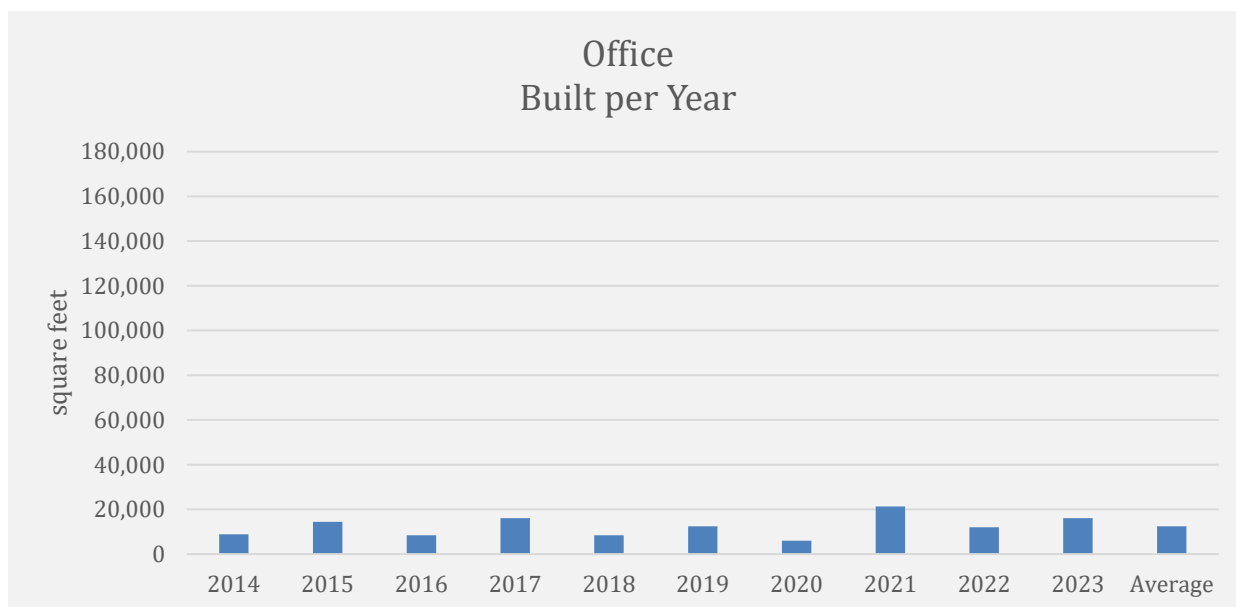
	Total Properties	
	10,000sf	greater than
	<u>or less</u>	<u>10,000sf</u>
Champaign	235	125
Urbana	76	15
Savoy	44	1
total	355	141

Overall office vacancy for Champaign, Urbana, and Savoy is 10.5%. While this is not ideal, it is lower than the 14% reported by Realty Rates for major markets in the subject's general area (Chicago, Indianapolis, and Milwaukee). However, Urbana is similar to the overall region with 15% office vacancy.

Additionally, the data shows that vacancy for properties with 10,000 square feet or less is much lower at 5.7%, while properties with more than 10,000 square feet generally show twice as much vacancy (12.6%).

New Construction

Construction of new office space has averaged 26,002 square feet per year over the past ten years. However, this average includes the construction of three relatively large office buildings (40,000-50,000sf each) in the University of Illinois Research Park.² Excluding these buildings results in a much lower average annual construction of 12,398 square feet:



It is worth noting here that the large amounts of office space recently built at Carle at the Fields and the Hub on Campus were not included in this survey. In general, I have chosen to not include office space primarily used by the University of Illinois, the market’s major healthcare providers, or the market’s major public institutions (school districts, Champaign County, etc.) that is unlikely to be marketed for use by outside entities.

The University of Illinois Research Park is marketed to entities outside the University, and so has been included in the survey’s office supply and overall calculations of market vacancy, but it represents a middle ground between the private and public office sectors. Occupancy and demand for space there is driven primarily by the University. So, the Research Park was excluded from the above graph to provide a picture of new office construction over the past ten years that is focused exclusively on the private market for office space.

Recent office construction has been near or above the ten-year average, but the overall level of construction is much lower than it is for the other commercial property types. The average size of new buildings has been 6,200 square feet, with one to three new buildings constructed each year

² Current vacancy in the University of Illinois Research Park is about 13%.

and all new construction occurring in the “Medical Office” and “Office Freestanding” categories. Most new construction occurred in Champaign, but two buildings were constructed in Urbana and two were built in Savoy. New office construction has not been focused on any one area of the overall market.

Sales & Capitalization Rates

Thirteen sales of office-focused properties occurred in 2022, while there were only four sales in 2023:

	# Sales	Year Built	Size	Price/SF	Cap Rate	
					Sample Size	Cap Rate
2022	13	1988	14,781	\$112	4	8.57%
2023	4	1992	13,124	\$142	n/a	n/a

All 2023 sales involved “owner-user” buyers and no leased properties purchased by investors. In 2022, only four of the thirteen sales involved leased properties. These four sales imply capitalization rates ranging 6.5-11%, but the upper end of the range seems much more indicative of the overall office market. The two sales at the bottom of the range involved a property with a far above average U.S. government tenant and the sale of an office condominium, which represents a very small portion of the overall office market. The remaining two investor sales in 2022 are multi-tenant properties that showed an average capitalization rate of 10%. Each of the properties purchased by investors involves less than 10,000 square feet.

Due to the low sales volume, it is difficult to draw meaningful conclusions from year-to-year comparisons. However, a comparison of sales of the most similar properties from these two years is shown below. These values are not significantly different from averages seen in this office market over the previous three years:

	# Sales	Year Built	Size	Price/SF	Cap Rate	
					Sample Size	Cap Rate
2022	8	1990	10,861	\$98	2	10%
2023	2	1993	13,092	\$101	n/a	n/a

Sales of much larger office properties with more than 20,000 square feet have averaged near or below \$50 per square foot in recent years. For example, the two largest office properties that sold during 2022 involved an average size of 67,989 square feet and sold for an average of \$32.50 per square foot.

Rental Rates

A survey of twenty office space listings from each year of a similar mix of properties in terms of location, tenant space size, and building age suggests that office rental rates have increased faster than inflation, but discussions with market participants imply more modest rent increases that only keep up with inflation. If the average rent shown for 2022 increased only by the rate of inflation for 2023 (3.4%), then the 2023 average rent would be \$12.44/SF:

	Sample Size	Average Year Built	Average Size	Average Rate/SF NNN
2022	20	1986	3,349	\$12.03
2023	20	1986	3,039	\$12.79

Five-Year Forecast

As explained in the retail market forecast, Champaign, Urbana, and Savoy are likely to experience a 0.5% annual population increase over the next five years. Additionally, the unemployment rate, another indicator of office demand, seems likely to remain near 3.8%, the rate reported in 2022 for Champaign County by the Illinois Department of Employment Security.

However, the downward trend in office demand due to the COVID-19 crisis, and an additional general increase in the number of people working outside an office setting, suggests that demand for office space will increase at a slower rate than the population. An assumption of 0.25% annual demand growth for office space in this market therefore seems reasonable for the next five years.

Given the current vacancy rate of 10.5%, this office market is considered to be oversupplied. This is supported by the relatively much lower amount of construction in this market over the past ten years. Therefore, minimal new office construction is expected in this market until vacancy decreases well below 10%. No new office space is currently being built, nor is any construction in this market expected during 2024.

Based on the available data, the office market is likely to exhibit the following trends over the next five years:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
demand (sf)	4,678,392	4,690,088	4,701,813	4,713,568	4,725,352	4,737,165
supply (sf)	5,228,054	5,228,054	5,228,054	5,228,054	5,228,054	5,228,054
new construction (sf)	16,100	0	0	0	0	0
vacancy	10.5%	10.3%	10.1%	9.8%	9.6%	9.4%
avg rent/sf NNN	\$12.44	\$12.81	\$13.07	\$13.33	\$13.60	\$13.87
real rental rate increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
inflation	3.4%	3.0%	2.0%	2.0%	2.0%	2.0%
value trend	same	same	same	same	same	same

The office market should experience minimal new construction, but this will probably still leave vacancy above 9% through 2028. Any new construction is likely to involve smaller office

buildings with less than 10,000 square feet built by single owner-users because of the much lower vacancy for smaller office buildings.

On average, office rents are likely to increase in unison with inflation over the next five years, if vacancy does not move much higher than 10%. If significant new office construction does occur, vacancy probably will move much higher, rents will not keep up with inflation and begin to decline, and real office property values will probably decline.

Rents for larger tenant spaces and buildings will probably not quite keep up with inflation during the next five years, and the real value for these properties is likely to experience a slight downward trend. This downward trend probably will be more pronounced for relatively larger office properties and be even more pronounced if there is significant new office construction during the five-year period.

Land

Sales

There were forty-three real estate sales during 2022 and 2023 that I have classified as commercial land sales. However, the sales do not enable meaningful year-to-year sale price comparisons. Also, overall sale averages do not create helpful insights, and not all sales are necessarily reflective of actual land values for various reasons, some of which are explained below. I therefore have chosen not to detail all land sales and instead to focus on averages for only a few sale groupings that seem to offer insights regarding commercial land values. In general, the land values shown below are not significantly different from values for similar parcels over the past five years.

There were six sales of land in Champaign during 2022 with Commercial General zoning that showed the following averages. All of these land parcels face relatively high traffic counts along Prospect, Neil, and Springfield. There were no sales of similar properties during 2023:

	<u># Sales</u>	<u>City</u>	<u>Zoning</u>	<u>Traffic</u>	<u>Size</u>	<u>Price/SF</u>
2022	6	Champaign	CG	18,550	38,793	\$25

Two of the sales imply that the average price/value is slightly lower than \$25/SF, because they were bought by an adjacent property owner who probably paid an above-market price for the adjacent land. Also, one other sale of CG land near high traffic counts was excluded, because it involved a much higher per square foot price that was probably due to its much smaller size and its purchase by an adjacent property owner.

Three land sales in southwest Champaign involved parcels with Commercial Office and Neighborhood zoning. These parcels are located near relatively low traffic counts and two of the sales resulted in the construction of owner-occupied dentist offices with about 6,000 square feet each:

	<u># Sales</u>	<u>City</u>	<u>Zoning</u>	<u>Traffic</u>	<u>Size</u>	<u>Price/SF</u>
2022-2023	3	Champaign	CN, CO	2,067	55,624	\$8

In both Champaign and Urbana, there were seven sales of land parcels with some form of industrial zoning. These sales showed the following averages:

	<u># Sales</u>	<u>City</u>	<u>Zoning</u>	<u>Size</u>	<u>Price/SF</u>
2022-2023	7	Champ/Urb	Industrial	91,019	\$3

Parcels in Champaign with Multifamily University Neighborhood (MFUniv) zoning have been the primary locations for new student-housing development on Campus. There were five sales of such parcels on Campus during the past two years:

	<u># Sales</u>	<u>City</u>	<u>Zoning</u>	<u>Size</u>	<u>Price/SF</u>
2022-2023	5	Champaign	MFUniv	10,141	\$86

Given the smaller, relatively less desirable, average size of these parcels (that does not allow the preferred amount of new student-housing construction) and their locations within Campus, this average sale price is similar to prices paid for MFUniv land over the past five years. Though it should be noted that two of the sales involved prices above \$115 per square foot because the parcels were part of an assemblage of larger blocks of land. But this has been very common over the past ten years, since Campus developers often must buy multiple parcels to create one tract large enough to build the desired student-housing improvement. And they often must pay a relatively higher price to acquire the last few parcels.

Two other sales of note involved parcels on the southwest border of downtown Champaign with In-Town Mixed Use zoning. Both land tracts included office/bank improvements that were demolished after purchase for the construction of apartment buildings. These two sales showed the following averages:

	<u># Sales</u>	<u>City</u>	<u>Zoning</u>	<u>Size</u>	<u>Price/SF</u>
2022	2	Champaign	IT-MX	21,692	\$17

Methodology

Database

This report is based on information gathered from a database I created that includes all multifamily, warehouse, retail, and office properties in the Champaign, Urbana, and Savoy market. I finished adding all multifamily properties to this database in 2022 and added all other commercial properties during 2023. Going forward, I will maintain and continually update the database so that it contains accurate data about all commercial properties, including new construction and any demolitions for new construction or other land uses. While the database includes numerous details about each property's physical characteristics, it also includes information about sales, rents, occupancy, and other related data.

Warehouse, Retail, & Office Vacancy

During October and November 2023, I completed a survey of occupancy/vacancy for each warehouse, retail, and office property in the market. While this involved estimates for some properties where occupancy was difficult to personally verify, I visually observed the occupancy of most properties. I plan to complete the same survey each year during October-November to record how vacancy changes each year for these property types.

Capitalization Rates

While I gather actual capitalization rate data whenever possible, many of the capitalization rates referenced in this report were estimated. While this is not ideal, many buyers and sellers are not eager to share details about their transactions. So, many of the rates do not involve precise and actual values, but their estimation does involve careful consideration of probable rents, vacancy, and expenses for each property or properties based on actual known values for similar properties, general discussions with market participants, and market data that I gather myself.

Therefore, the rates I reference may not always be precisely accurate for a given property. Nevertheless, they can be good general indicators of behavior in a given real estate market, especially in relative terms. If consistently developed with consistently applied and well supported assumptions in conjunction with actual data extracted from other sales, estimated capitalization rates can be very accurate for detecting changes over time and making comparisons between properties and property groups.