

Mid-Year Perspective on Chicago Real Estate Markets

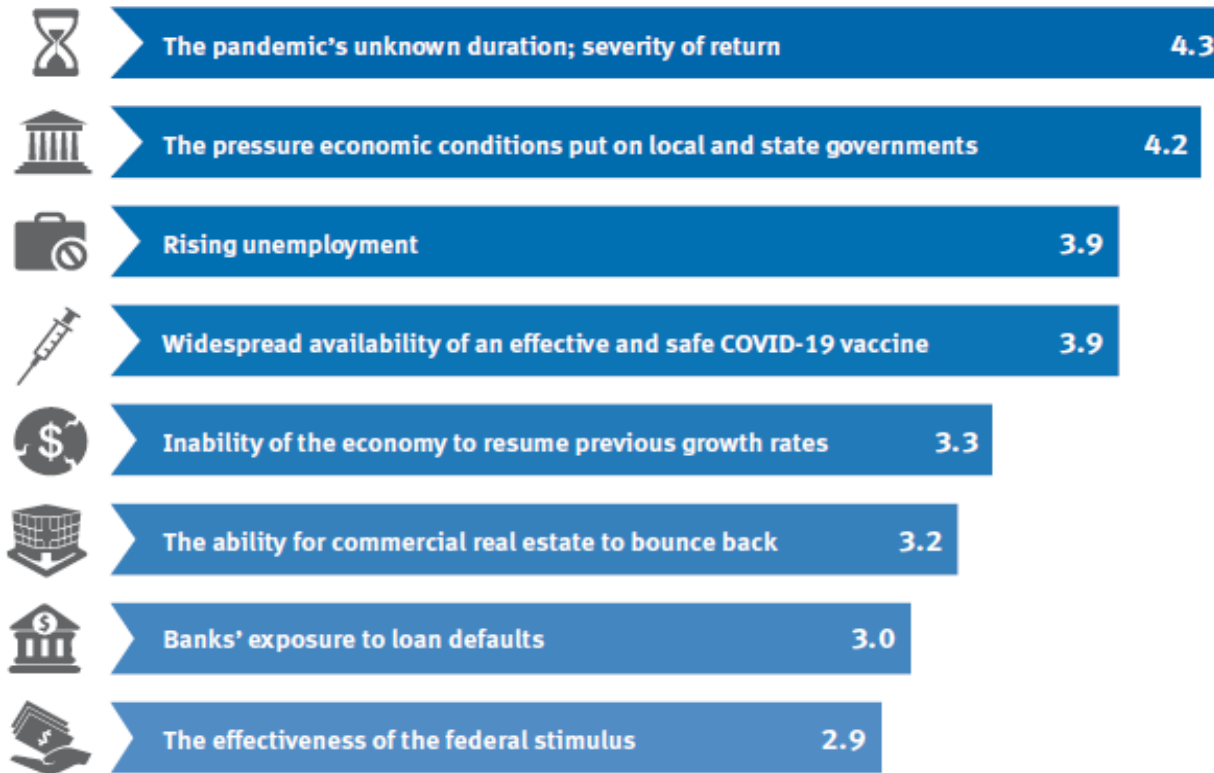
What's in this Talk?:

- 1. Greatest concerns about Chicago's real estate markets?**
- 2. Ranking the greatest threats to Chicago's real estate markets?**
- 3. What has changed since June-July?**
- 4. Knowledge requires a response once you receive it, but what should our response be?**
- 5. Chicago has been a value-creating city**
- 6. Hints of what will likely happen to this value-creation in the longer run**

Greatest Concerns About the Chicago Real Estate Market

Ranking the greatest concerns

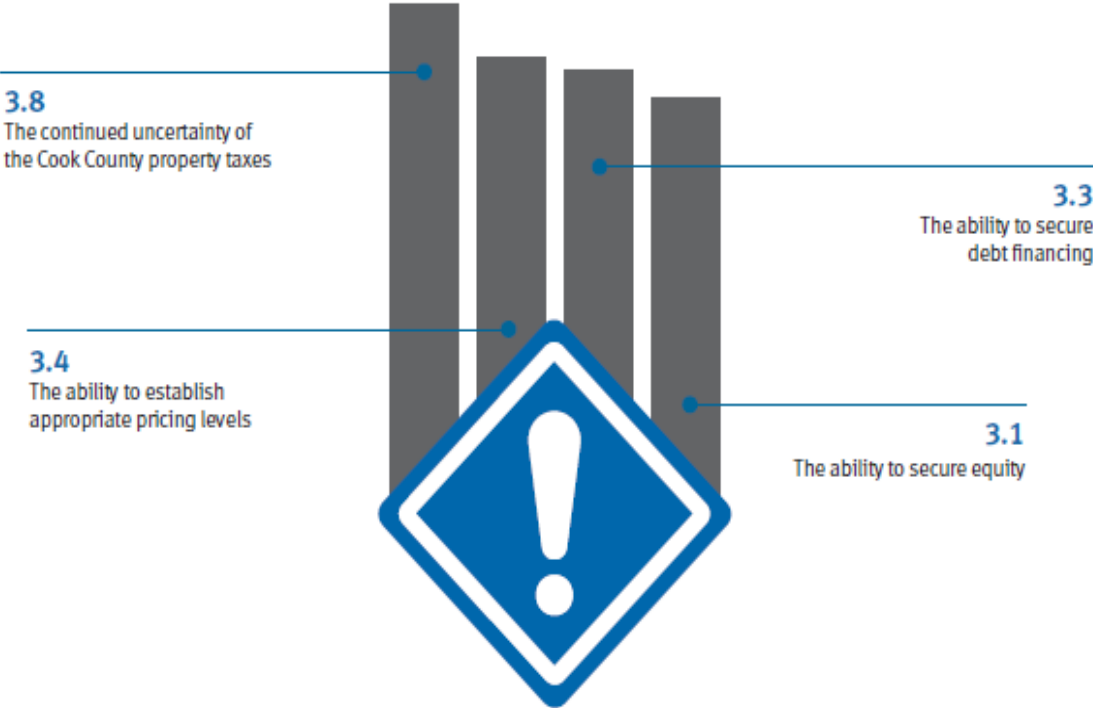
Note: Respondents assigned a score for each concern on a scale from 1 (unconcerned) to 5 (very concerned). The values shown reflected the weighted average of each, sorted from highest to lowest.



What are the Threats to Chicago’s Real Estate Markets in the Years to Come?

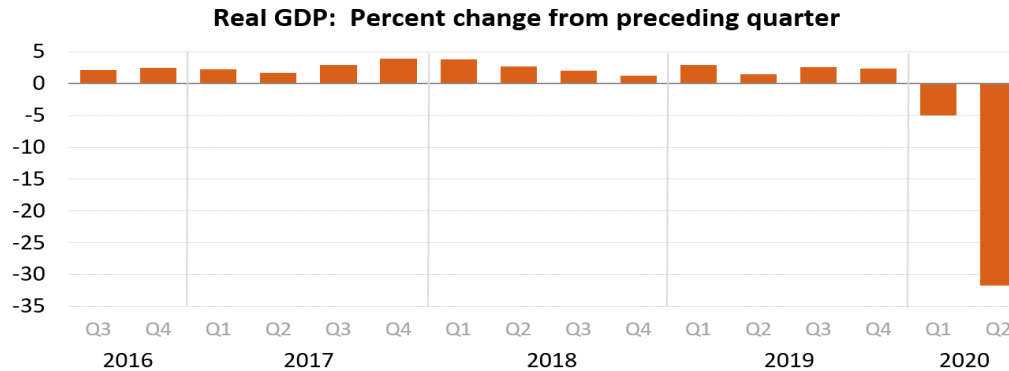
Ranking the greatest threats

Note: Respondents assigned a score for each concern on a scale from 1 (unconcerned) to 5 (very concerned). The values shown reflected the weighted average of each, sorted from highest to lowest.



What has Changed Since June/July?

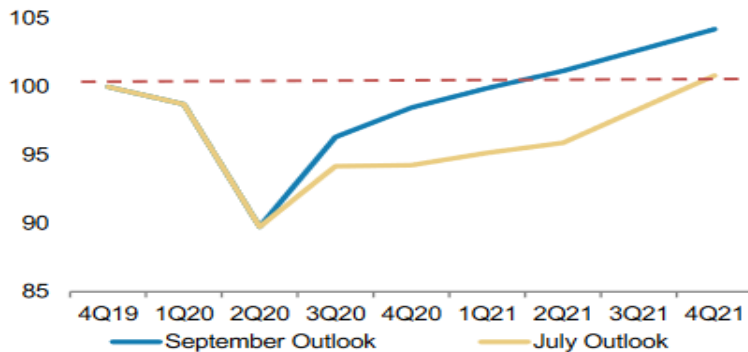
Perspective from the BEA Accounts



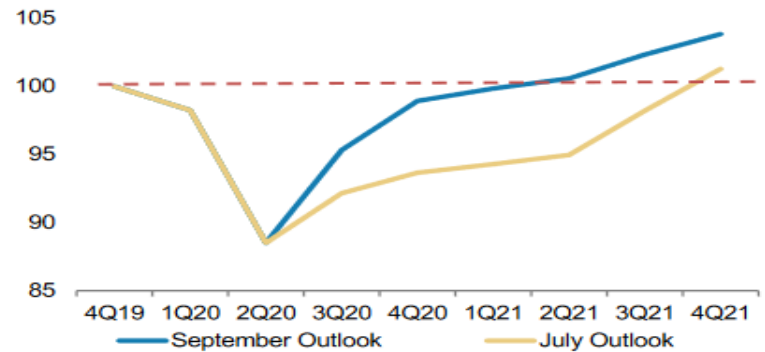
J.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

Real GDP, Index, 4Q19=100



Real PCE, Index, 4Q19=100



Chicago is a Value-Creating City

Average Differences in Value Creation Across Cities

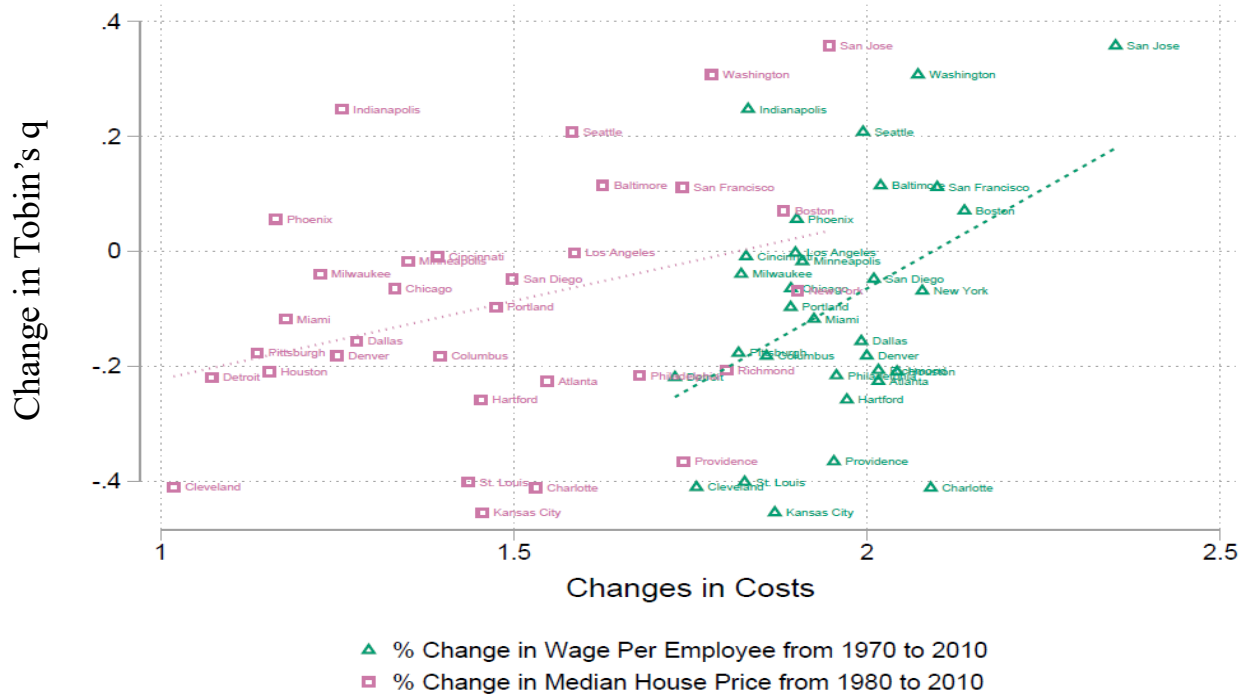
Value Creation is Being Measured by Tobin's q (Stock Prices of Locally Headquartered Firms Scaled by Assets), 1975-2015

	Cities	Average Tobin's q	Description
High end of the distribution	San Francisco, San Jose, Seattle, San Diego, Minneapolis, Washington, DC, Boston	2.4	"Superstar cities," mainly West Coast technology hubs, all cities in this category have Tobin's q averages that exceed 2
Middle of the distribution	Atlanta, Chicago, Dallas, New York, Philadelphia, Phoenix	1.8	Fairly well-diversified cities, includes a large cluster of cities
Low end of the distribution	Cleveland, Charlotte, Richmond, Hartford, Milwaukee, Houston, Pittsburgh	1.5	Former manufacturing hubs, mainly in the Midwest and Northeast

Source: Dougal, Parsons, Titman, (2020), "The Geography of Value Creation," University of Texas working paper.

Firms in Value-Creating Cities have Experience Large Increases in Wages and Rents

Chicago's Experience has Heretofore been Relatively Favorable



Source: Dougal, Parsons, Titman, (2020), "The Geography of Value Creation," University of Texas working paper.