



ROGERS PARK BUILDER

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Planning Process Underway for Overhaul of CTA Red and Purple Lines

Having completed a major overhaul of the CTA Brown Line, complete with new rails and upgraded stations from downtown Chicago, north to Belmont and on out to Lawrence Avenue, the Chicago Transit Authority is now preparing to turn its attention to the Red and Purple Line corridor north of Belmont all the way to Linden Avenue in Wilmette.

The tracks, viaducts and stations north of Belmont were originally constructed between 1900 and 1922. They have not had a major overhaul since. Needless to say, after a century of heavy use, this corridor is overdue for a major reinvestment in infrastructure.



As is always the case, the bulk of the money for this project will come from the federal government Department of Transportation. Before any work can begin, the feds need to conduct an Environmental Impact Statement, and an EIS requires community meetings in impacted areas.

In January, the CTA held community meetings in Uptown, Edgewater, Rogers Park and Evanston to get input from the community about several different options that the CTA is considering to accomplish this work.

These options range from maintaining the status quo – in other words, to do nothing beyond the basic maintenance that the CTA has been doing for the past century – to a dramatic rebuilding and expansion of the entire right-of-way that would include four tracks along the entire route, and new transfer stations at Wilson and Loyola between the Red and the Purple Lines.

These meetings were referred to as “scoping meetings,” and were held during the week of Jan. 24-28. This was just the first step in a lengthy process that will ultimately lead to a specific plan of action, including timing and budget for its implementation. Of course, the work will not get done without the funding from the federal government. Since these dollars are limited and competitively awarded to cities around the country, this can be the biggest hurdle of all.

While a lot of planning needs to be done, and while the ultimate cost and time-frame is uncertain, the successful rebuilding of the Brown and Green Lines during the past twenty years is evidence that the CTA is serious about transforming the city’s early-20th Century transit infrastructure into a system that will propel the city and metro area into the 21st Century. These past projects also demonstrate Chicago’s success in competing against other U.S. cities and their transit projects for the infrastructure dollars needed from the federal government to get these projects completed.

(continued on page 3)

Apartment Market Update

Fundamentals Strengthening and Velocity Increasing

By Doug Imber



While the post-recession economy remains unforgiving to many, Chicago’s apartment market is a bright spot in the investment landscape. Finally after several years of deteriorating net operating incomes, concessions have evaporated, occupancies have strengthened and rent increases are anticipated. As expected, the better the location and quality of asset, the faster the recovery.

For example, in downtown and the near north side core markets, expected rent growth has spurred a race to build new apartments. While not all planned projects will likely be built, this follows the pattern of previous recoveries where the downtown market leads the way and amplifies outwards.

Despite these planned new core apartments where rent levels of \$2.50 per foot and above can support the cost of new construction, most submarkets will experience little to no increase in supply. And while many condominiums continue to revert back to rental, the fact remains there are materially fewer rental units in Rogers Park than existed seven years ago before the conversion boom.

Conversely, demand is rapidly growing. As unemployment moderates, new household formation increases. Similarly, the appeal of home ownership has receded while the barriers to entry from restrictive lending criteria have further aided rentals. Most importantly, the explosion of the seventy-million strong Gen-Y or Echo Boom demographic is just now beginning to be felt. This cohort is larger in size than the economy changing Baby Boom generation and is now just

(continued on page 3)

Ups and Downs by Steve Cain



As the new year dawned, I found myself asking, "How is it that the stock markets can be doing so well while the rest of the economy looks and feels so bad?" What's going on to send the Dow Jones pushing up towards 12,000 while unemployment is still stubbornly high at 9.4%? Why is Wall Street once again salivating over huge year-end bonuses while so many Americans are struggling to make ends meet?

This "tale of two economies" goes a long way in explaining the anger and resentment that has been so pervasive across the nation since the onset of the "Great Recession." It was also a big factor in the backlash that sent so many politicians packing (especially Democrats) after the mid-term elections. You almost feel sorry for some of these guys who voted only reluctantly for the bail-out – fearing dire consequences if they did not – and then got rewarded by being voted out of office. (Okay, I did say almost feel sorry for them...)

Who can blame an electorate that sees Wall Street rewarded for its bad behavior and then quickly bouncing back to reap record profits, while so many of the rest of us are having trouble just making ends meet? Looked at most simply, it really does seem true that the rich just get richer while everyone else gets left behind. But is this popular perception really accurate? And even if it is, are we doomed to see this trend repeated endlessly into the future as it has been in the recent past?

To answer this question, I thought I'd take a closer look at the two sides of the divide. First up – the sector of the economy that everyone loves to hate – Wall Street, high finance and those evil corporations.

It's really no mystery why this part of the economy is doing so well. After several years of tough, almost lethal, times, these firms are finally starting to reap some of the benefits of the difficult steps they took in order to stay alive.

After major layoffs and general belt-tightening, many of them are now lean and mean machines with fewer employees working longer hours at higher levels of productivity. They have also put off major investments, including plants, equipment and R&D, and have let profits accumulate on their balance sheets. As the economy has stabilized, these cash reserves have started to become pretty big, leading to higher stock prices and some hefty bonuses, at least among the financial firms.

But for the other economy, the one that most Americans live in, the reluctance of big companies to invest or hire new workers has kept a lid on growth, leading to a general sense of helplessness, frustration and anger among almost everyone not already working for one of those big firms.

But, is it possible that we've reached a turning-point rather than a dead end? Is it possible that these large companies are not going to be able to hold off on making investments in plant and equipment, scrimping on R&D budgets, and squeezing ever greater productivity from the same pool or over-worked employees forever? Since my crystal ball is as foggy as anyone else's, I'm not going to say that this is definitely where we are right now. But I am going to go out on a limb and say it looks like a possibility.

If past experience is any indication, then at some point, the chasm between Wall Street and Main Street is going to have to start to fill in. New plants and equipment will have to replace worn-out or functionally obsolete old stuff. Companies are going to have to reinvest in R&D to stay competitive, or fall behind when other companies do it. And all of this has to start creating demand for new workers, from small businesses to large.

After too long, the elements of a recovery finally seem to be coming together. Since the market is always looking forward and never looking back, then maybe all those rising indexes are sending a message that we have not yet heard, or at least not yet paid much attention to. Perhaps the markets are pointing to better times for the entire economy, and not just for Wall Street. As the new year gets underway, let's all hope that this turns out to be true. It's been a long haul. We could use, and certainly deserve, a break.

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The prospect for a transfer station at Wilson and Loyola is also very good news for both the Uptown and Rogers Park Communities. If the four-track plan is adopted and implemented, the transfer stations that will come with it will give the residents of these communities a faster link during rush-hour to and from the Loop as well as north to Howard Street and the northern suburbs. Under this four-track plan, the rebuilt tracks will have their useful lives extended by another 60-80 years, improving train speeds and connections up and down the corridor.

After all, it's not called the Main Line for nothing. The corridor north from the Loop to Howard Street is the most heavily used in the system and is, arguably, the most important component of the entire CTA system.

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reaching its prime rental age, with last year's high school graduating class the largest in our nation's history.

As a result of strengthening fundamentals, apartment transactions are occurring at a steadier pace. During 2009 and 2010, Chicago apartment sales were approximately a third historic levels. For example, only one apartment transaction greater than \$1 million closed in Rogers Park during the first half of 2010. By contrast, during just the past sixty days Essex has placed under contract or closed nine Rogers Park transactions totaling nearly 450 apartments.

This recent rebound in transaction velocity is also due to a rebound in lending markets. While loans to value have remained at conservative 65% to 75% levels, favorable interest rates of 6.0% and lower have helped thaw a frozen market. In contrast to 2009 and early 2010 when lenders did not lend, they are once again competing for solid Rogers Park apartment loans.

Obviously, not all ships are rising, or rising at the same rate. Moreover, there frequently seems to be macro issues looming on the horizon. But compelling apartment fundamentals, increased transaction velocity, and working capital markets suggest that 2011 will be a year of opportunity and rebound for Rogers Park's apartment investors.