

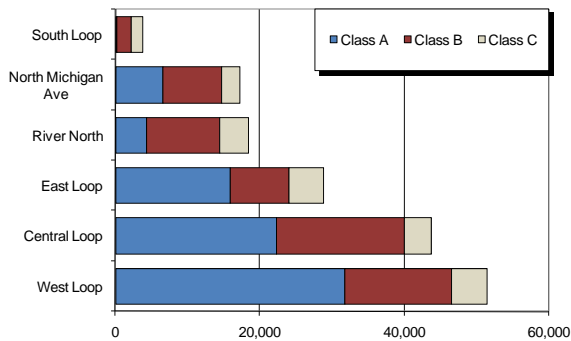
OFFICE MARKET ANALYSIS – CITY OF CHICAGO

Market Composition & Distribution

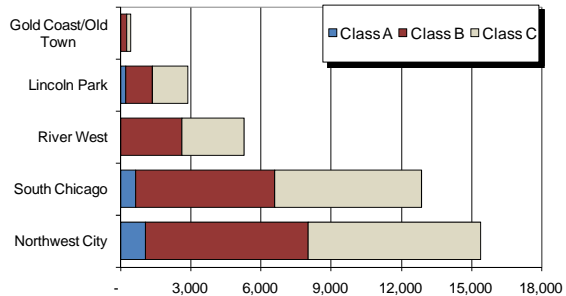
According to Costar Property, the City of Chicago office market is distributed as follows:

Office Submarket Distribution - City of Chicago							
Submarket	Class A		Class B		Class C		Total
	Square Feet	Percent Submarket	Square Feet	Percent Submarket	Square Feet	Percent Submarket	
CBD							
West Loop	31,744,897	62%	14,797,200	29%	4,810,563	9%	51,352,660
Central Loop	22,241,155	51%	17,699,549	41%	3,759,521	9%	43,700,225
East Loop	15,918,271	55%	8,154,181	28%	4,696,308	16%	28,768,760
River North	4,281,655	23%	10,160,967	55%	3,999,866	22%	18,442,488
North Michigan Ave	6,614,180	38%	8,048,186	47%	2,561,772	15%	17,224,138
South Loop	244,960	6%	1,953,225	51%	1,619,358	42%	3,817,543
Subtotals	81,045,118	50%	60,813,308	37%	21,447,388	13%	163,305,814
Non-CBD							
Northwest City	1,070,748	7%	6,965,773	45%	7,354,191	48%	15,390,712
South Chicago	671,728	5%	5,925,141	46%	6,261,033	49%	12,857,902
River West	-	0%	2,631,377	50%	2,646,289	50%	5,277,666
Lincoln Park	251,955	9%	1,136,498	39%	1,496,394	52%	2,884,847
Gold Coast/Old Town	-	0%	288,495	68%	138,086	32%	426,581
Subtotals	1,994,431	5%	16,947,284	46%	17,895,993	49%	36,837,708
Total City	83,039,549	41%	77,760,592	39%	39,343,381	20%	200,143,522

**Office Space by Class and Submarket
Chicago CBD ('000's)**



**Office Space by Class and Submarket
Chicago Non-CBD ('000's)**



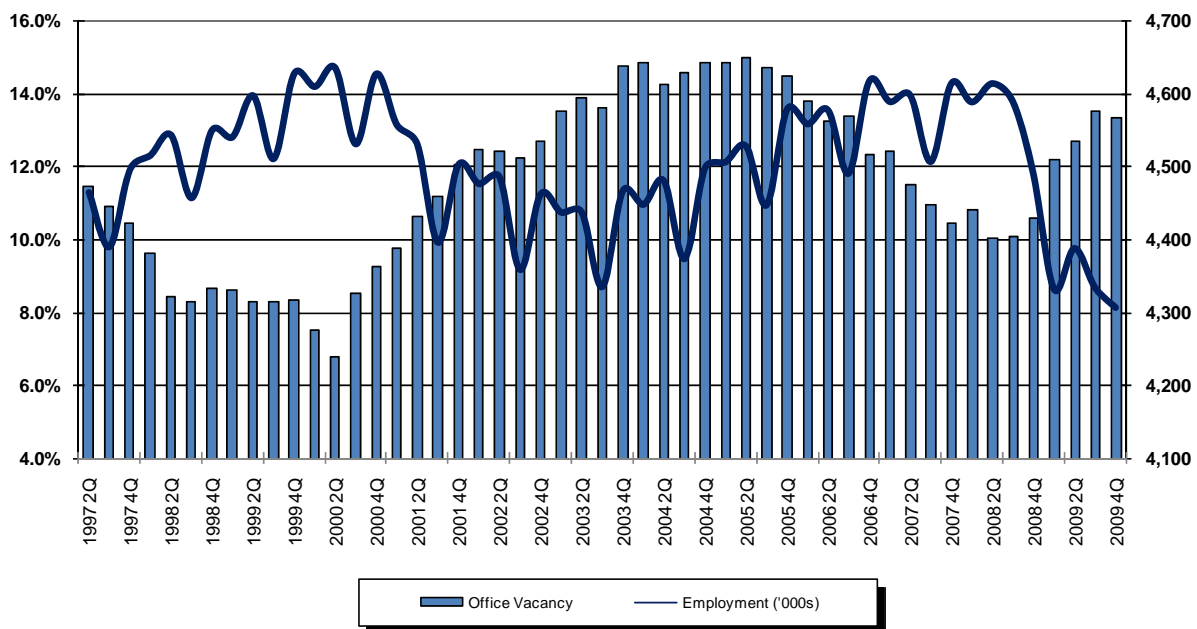
In the CBD, the West Loop is the largest submarket and contains 40 percent of the Class A space downtown. With its proximity to the train stations, most of the new development has occurred in the West Loop. The Central and East Loop submarkets follow in size with roughly 50 percent of the space in these submarkets being Class A. Many of the Class C buildings in the East Loop, and to a smaller degree in the Central Loop, have been converted from office use to an alternative use in the last few years. These redevelopments, which have mostly been for residential condominiums, have helped the vacancy rates. Less than 20 percent of the office market is located outside the CBD with space dominated by Class B and C buildings.

Vacancy

Vacancy is a function of employment – which translates into office workers. Vacancy hit a low point in the MSA in the late 1990s/2000, reaching levels below 8 percent, and then increased as the economy went into a recession. After peaking in roughly 2004/2005, vacancy declined as employment strengthened. The lag in response time for vacancy to the rise in employment is due to corporations filling vacant committed space prior to expanding.

Vacancy rates had declined significantly since 2005, which was due to the employment growth that started in 2003. However, this trend has clearly reversed with the recession that began in December 2007. The following chart illustrates how employment growth is a precursor to net absorption and lower vacancy levels.

Office Vacancy vs Employment - City of Chicago



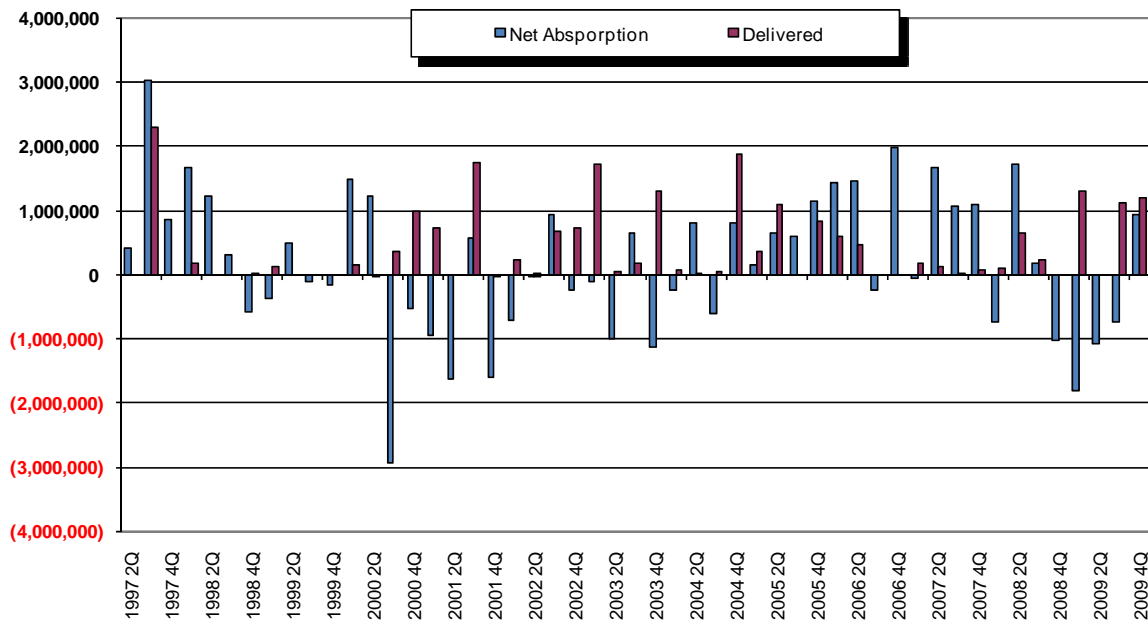
Source: Costar Property

Vacancy rates spiked quickly since mid 2008 as employers have slashed payrolls. We are anticipating a sustained upward trend in vacancy rates due to job losses over the last year and announced layoffs. The job market is discussed in detail later in this overview section. Overall, the office market will likely experience a period of increasing vacancy rates through 2010.

Absorption & Deliveries

Job growth in the late 1990s/2000 led to positive absorption of space. The recessionary climate which began in 2000 and continuing through 2003 resulted in an extended period of negative absorption in the market. Absorption began picking up in early 2004 when the employment market started to turn positive. The level of absorption however has been on the decline since early 2007. With the weakening employment market and deliveries of three CBD office buildings, we expect negative absorption into 2010.

Net Absorption vs Delivered - City of Chicago



Source: Costar Property

Because of the time lag for new development including site acquisition, zoning approval, design and ultimately construction, deliveries lag changes in demand. Projects that were financed based on growth seen in the late 1990s delivered in late 2000 through 2003 after the market had turned downward. These factors contributed to the high vacancies previously illustrated during the period 2002-2005. While there have been few deliveries over the last couple of years, this changed in 2009 with three large CBD buildings adding about 4.6 million square feet to the market.

The table on the following page summarizes the buildings that were added to the CBD area over the most recent building cycle.

CBD Office Recent Completions

Location	Name	Sub-Market	Developer	Delivery Date	# of Stories	Total Rentable SF
353 N. Clark		River North	Mesirow Financial	2009	45	1,173,643
155 N. Wacker		West Loop	The John Buck Co.	2009	46	1,123,330
1 S. Dearborn		Central Loop	Hines Interests	2005	40	841,498
131 S. Dearborn	Citadel Center	Central Loop	The Prime Group	2003	37	1,504,364
300 N. LaSalle		River North	Hines Interests	2009	60	1,350,000
111 W. Illinois		River North	The Alter Group	2008	10	227,604
550 W. Adams	USG Building	West Loop	Fifield Co.	2006	18	479,000
111 S. Wacker		West Loop	The John Buck Co.	2005	51	1,027,683
71 S. Wacker	Hyatt Center	West Loop	Higgins Development	2004	47	1,472,460
540 W. Madison		West Loop	Hines Interests	2003	31	1,300,000
555 W. Monroe	Pepsico Chicago HQ	West Loop	Fifield Co.	2002	18	420,000
191 N. Wacker		West Loop	Hines Interests	2002	37	732,000
1 N. Wacker	UBS Tower	West Loop	The John Buck Co.	2001	50	134,000
550 W. Jackson		West Loop	Mark Goodman Assoc.	2001	18	405,968
525 W. Van Buren		West Loop	Development Resources	2000	16	522,000
550 W. Washington		West Loop	Fifield Co.	2000	16	372,000

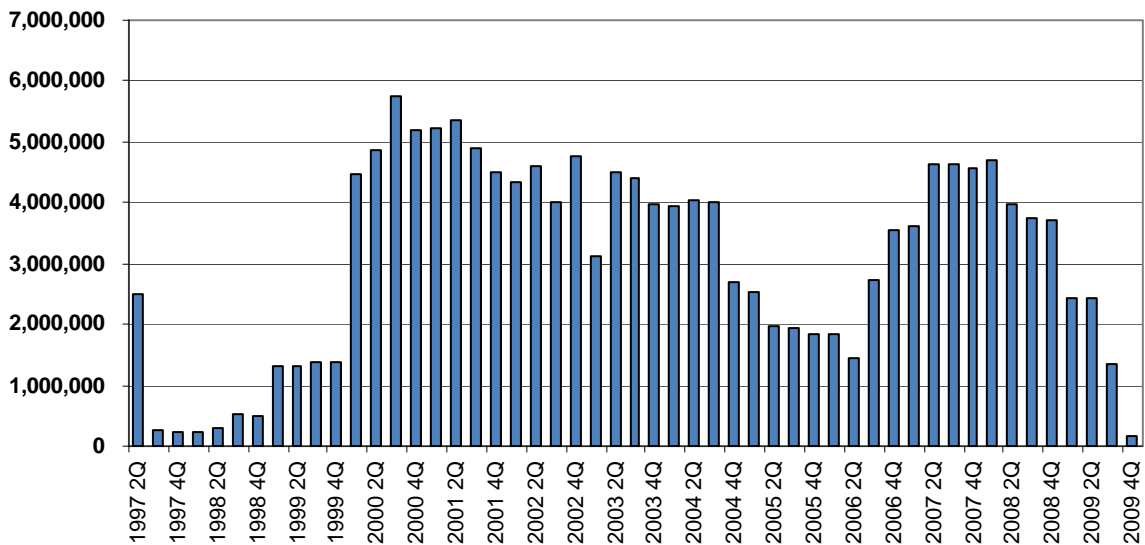
The preceding buildings have done well in lease-up and are all at or near stabilized operations. The market has shown strong demand for buildings that offer new, functional space with the latest available technology.

As demonstrated by the table, the West Loop has been the submarket of choice for new construction. This is largely due to the proximity to the primary commuter train stations of Union Station and Ogilvie Transportation Center. The West Loop has pushed the historical western boundary of the CBD from the Chicago River to the Kennedy Expressway, as six of the 13 buildings completed this decade have been west of the river.

New Construction

Because of the lag in supply matching market demand, new construction continued through the beginning of the 2000-2003 recession. Construction slowed notably after 2000 and leveled off until late 2006 when volume picked up. We do note however that the current cycle has not produced the same level of additions to supply that occurred leading up to and through the last recession.

Under Construction - City of Chicago



Source: Costar Property

The graph above illustrates the decline in the under construction square footage from 4Q08 to 4Q09, which was due to the delivery of 300 N. LaSalle, 155 N. Wacker, and 353 N. Clark.

While much of the new construction space was pre-leased, there are now holes created in the downtown market due to vacating of previously occupied space. There has been limited new demand for space from corporations outside the downtown market. Rather, companies are relocating from older, obsolete space to more efficient, new space in the market.

With the limited availability of financing for new projects, we expect few, if any, new construction starts over the next couple of years.

The following summarizes the buildings that are currently being proposed:

CBD Office Buildings Proposed

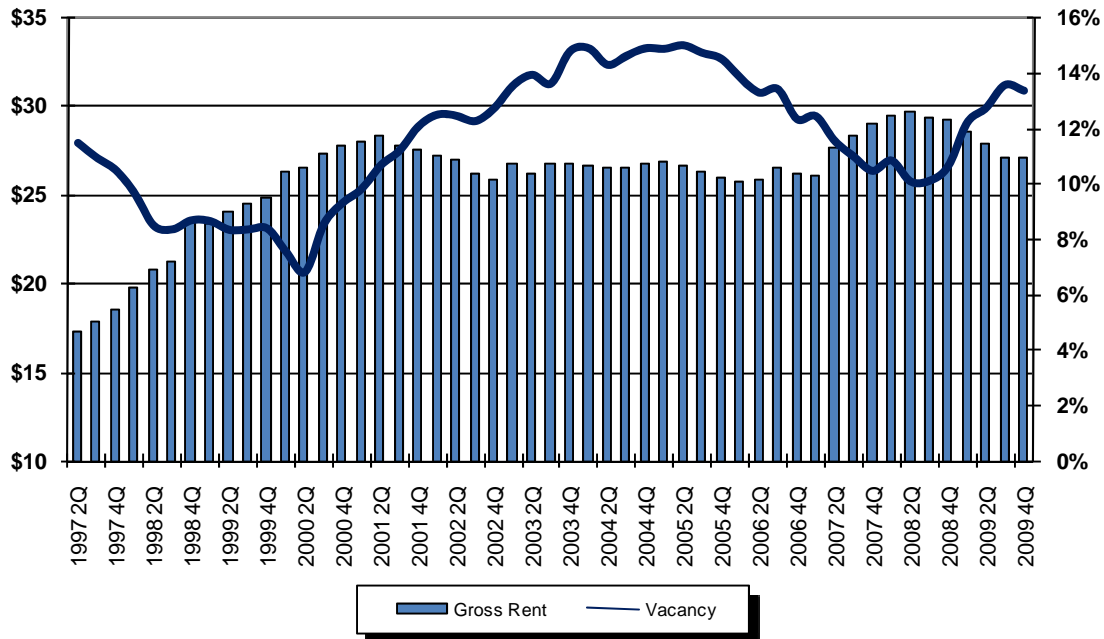
Location	Sub-Market	Developer	Total Rentable SF
401 S. Wacker	West Loop	Development Resources	885,304
210 S. Canal (Union Station)	West Loop	Jones Lang LaSalle	1,500,000
444 W. Lake Street (River Point)	West Loop	Hines	1,100,000
199 W. Monroe	Central Loop	Lincoln Property	695,800
222 W. Randolph	West Loop	The John Buck Co.	815,411
400 W. Randolph	West Loop	The Prime Group	1,200,000
601-25 W. Monroe	West Loop	Fifield Development	1,182,948
433 W. Van Buren (Old Post Office)	West Loop	GlenStar Properties	1,167,000
Total			8,546,463

While there are several buildings on the proposed list, each of these will have to wait for the next building cycle, which could be several years out. No financing is available for new construction at this time, not to mention the lack of demand from tenants.

Rent Trends

The correlation between rent and vacancy is illustrated below.

Gross Rents vs. Vacancy - City of Chicago



Source: Costar Property

Vacancy rose through the 2000-2003 recessionary period and rents flattened out through mid 2005. Owners began reducing rents until vacancy went below 14 percent and then rents spiked through late 2007. More recently, with the weakening employment situation, vacancy has increased and rents are on the decline.

Transaction Market

A substantial run up in transaction volume across all property types occurred from 2004 through 2006 due in large part to very favorable loan terms (high leverage/low rates) and the expectation of increases in net income due to expected growth in demand. Weaknesses in the overall economy became apparent in early to mid 2007. The housing market was cooling in part due to the subprime mortgage market and a general over building in many markets. The collapse of Bear Sterns in March 2008 was followed in mid 2008 with a substantial rise in rates for interbank loans. The ability to obtain financing for real estate was diminishing as banks began to stockpile cash for reserves. Shortly thereafter, failures and bail outs of financial companies such as Lehman Brothers, Merrill Lynch, Fannie Mae and Freddie Mac as well as AIG led to a virtual market shut down by September/October 2008. As financing became more costly with lower loan to values and higher debt coverage ratio requirements, equity investors were requiring higher rates of return resulting in a double hit to returns.

Few transactions have occurred since late 2008 for two primary reasons. First, there remains a significant buy/sell price gap that has not yet been bridged. Sellers remain focused on pricing attained at the peak of the last cycle and buyers are unable to make the numbers work with lower loan to values and higher equity return requirements for their investors. Second, many buyers perceive the market has not reached bottom. With the volume of refinancing activity coming due over the next few years, there is a belief by many that the current financial system simply cannot deliver enough credit to keep the market functioning. Many properties are underwater with debt exceeding the value of the asset requiring substantial equity infusion to stay afloat. Should the government not come up with a workable solution, many market participants believe a wave of foreclosures will result, flooding the market with distressed assets. These buyers therefore believe there is no reason to transact today but would rather wait for the re-pricing of the market to occur. For the most part, the only sellers in the market today are those that are under pressure to sell. This includes institutions needing to raise cash for redemptions, rebalancing of portfolios and private owners who simply need to get out of one deal to fund cash flow for another project.

Overall we do not expect to see transaction volume increase over at least the next six months as there does not appear to be a solution at this point to the lack of liquidity in the market.