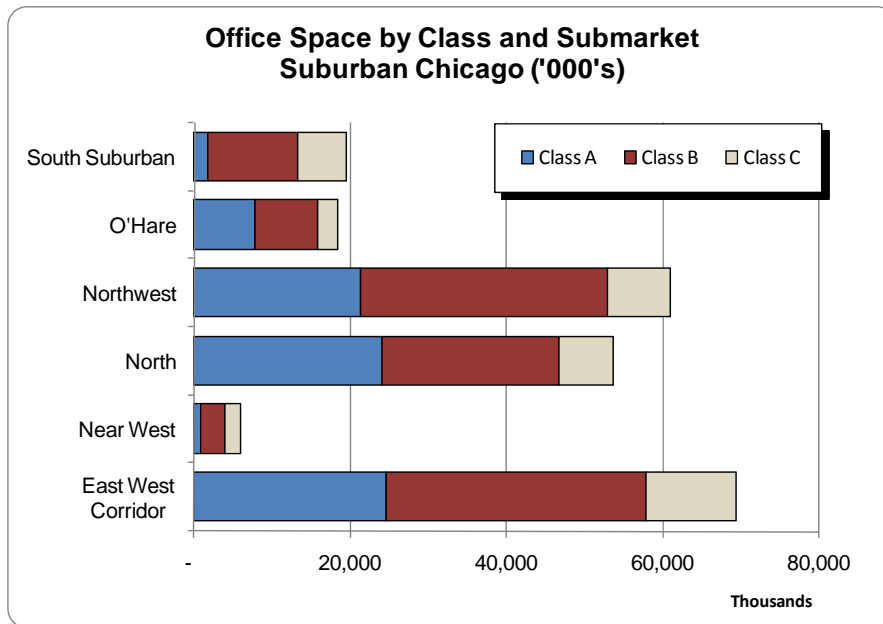


OFFICE MARKET ANALYSIS – SUBURBAN CHICAGO

Market Composition & Distribution

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

Office Submarket Cluster Distribution - Suburban Chicago							
Submarket	Class A		Class B		Class C		Total
	Square Feet	Percent Submarket	Square Feet	Percent Submarket	Square Feet	Percent Submarket	
East West Corridor	24,734,715	36%	33,246,434	48%	11,434,597	16%	69,415,746
Near West	832,244	14%	3,214,312	54%	1,912,318	32%	5,958,874
North	24,049,215	45%	22,671,878	42%	6,915,657	13%	53,636,750
Northwest	21,397,632	35%	31,518,869	52%	8,128,259	13%	61,044,760
O'Hare	7,864,654	43%	7,987,364	43%	2,627,890	14%	18,479,908
South Suburban	1,753,426	9%	11,645,222	59%	6,200,667	32%	19,599,315
Total Suburban	80,631,886	35%	110,284,079	48%	37,219,388	16%	228,135,353



Source: Costar Property

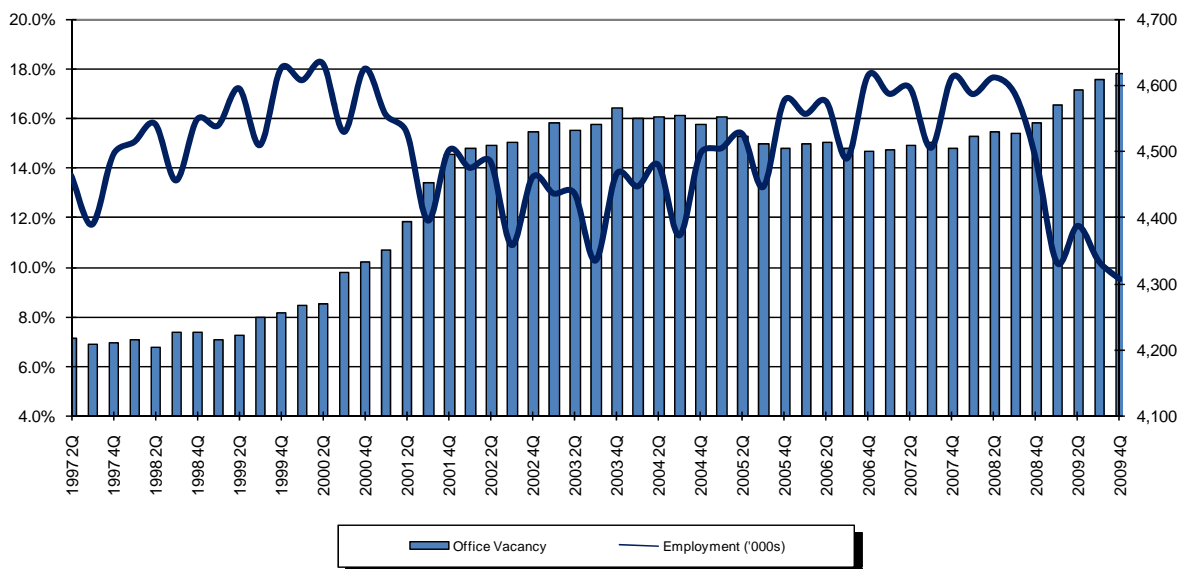
Fifty four percent of the office space in the Chicago MSA is located in the suburban market. The East/West corridor is the largest submarket followed closely by the Northwest and North submarkets. Each of these submarkets has a fairly similar distribution in terms of class of space. These are the primary employment markets in the suburbs.

Vacancy

Vacancy is a function of employment – which translates into office workers. Vacancy reached a low point in the suburbs through the late 1990s and began to rise in late 1999/early 2000 as construction picked up and deliveries increased. The employment market weakened in 2000 and vacancy escalated to over 16 percent until the job market improved in 2004/2005. While employment returned to pre 9/11 levels in 2007, vacancy remained above 14 percent due in part to new deliveries.

The most recent projections are for continued job losses through 2009 and possibly into 2010, which will have a further negative impact on the vacancy rate. Clearly, the office market will likely experience a period of increasing vacancy rates through 2010.

Office Vacancy vs Employment - Suburban Chicago



Source: Costar Property

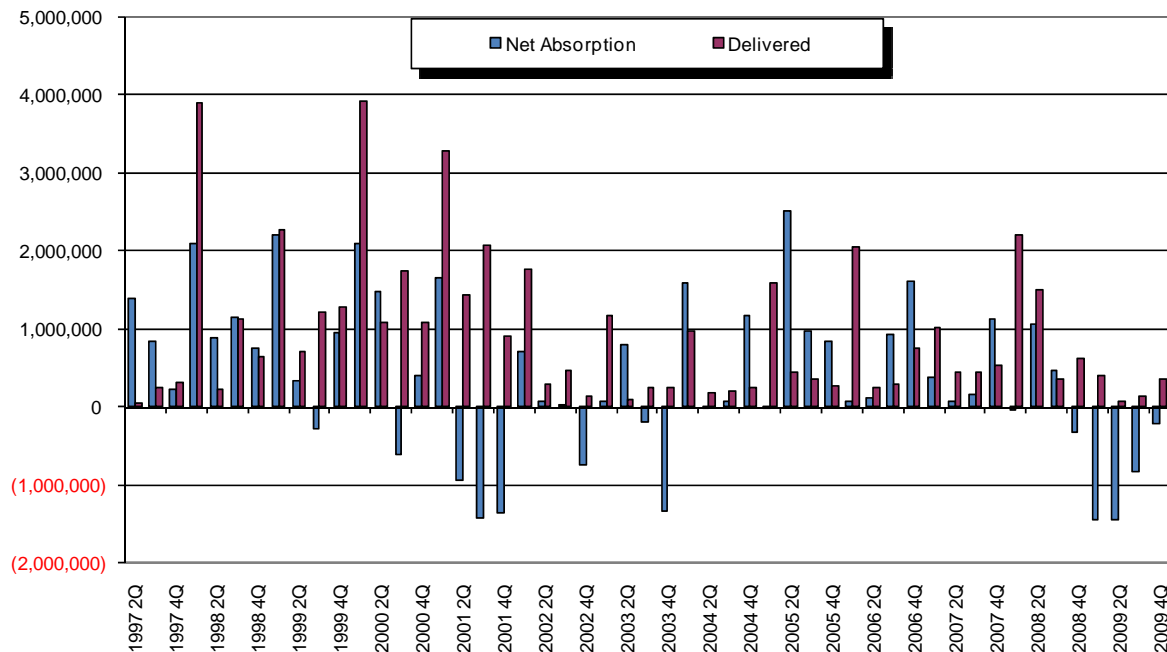
The suburban vacancy rate recently eclipsed the high vacancy percentage from the last recession and we are projecting a continued increase toward 20% in 2010 as layoffs continue and employers consolidate operations.

It is important to note that CoStar surveys a larger inventory of office buildings compared to many other office surveys (CBRE, Grubb & Ellis, etc.). This larger survey includes more owner-occupied office buildings and has translated into a lower overall vacancy level than that reported by some of the office brokerage houses. Some of those surveys are showing vacancy rates of 22% or higher.

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 2Q03 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. Negative absorption has taken over since late 2008 and is expected to continue into 2010, albeit at moderating levels.

Net Absorption vs Delivered - Suburban Chicago



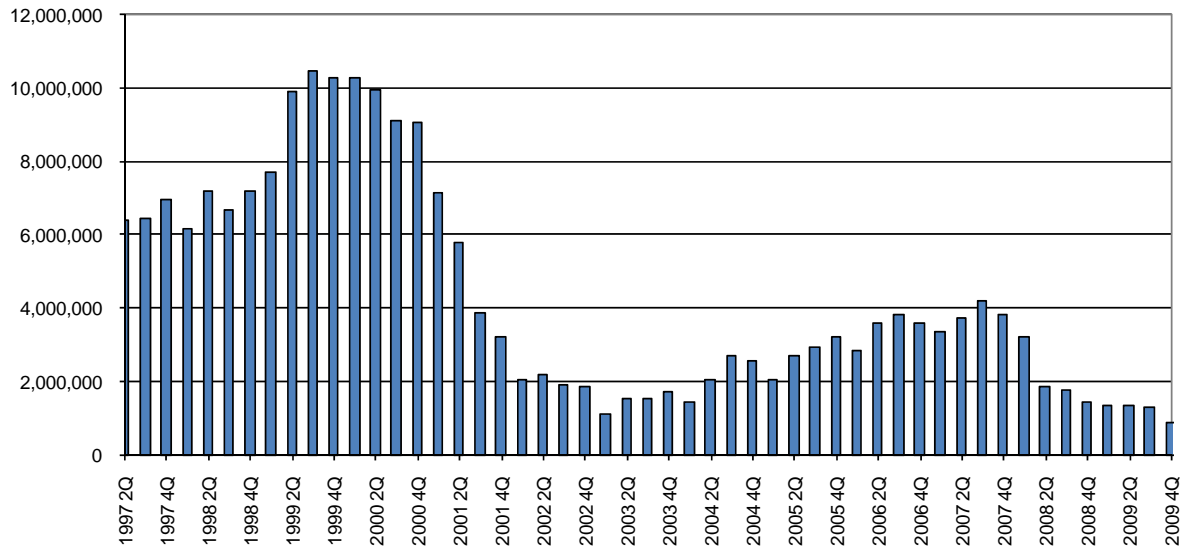
Source: Costar Property

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 2002 after the market had turned downward. These factors contributed to the high vacancies previously illustrated during the period 2002-2005. While new construction in 2006-2007 picked up, there have been few deliveries over the past year. We expect more deliveries in the near term based on the amount of construction currently in process. These deliveries, along with declining employment figures, will push vacancy rates higher in the near term.

New Construction

New construction escalated dramatically from the mid 1990s through 2000 in response to the improved employment situation. The time lag to add new supply in the suburbs is relatively short in comparison to large scale projects in the downtown CBD. When the market went into recession, developers were quick to respond by halting new projects. In spite of the large growth in employment over the last expansion cycle, limited new construction (in comparison to the prior cycle) occurred. This was primarily due to the excessive vacancy in the market where new office space demand created by the employment growth was satisfied by existing space.

Under Construction - Suburban Chicago



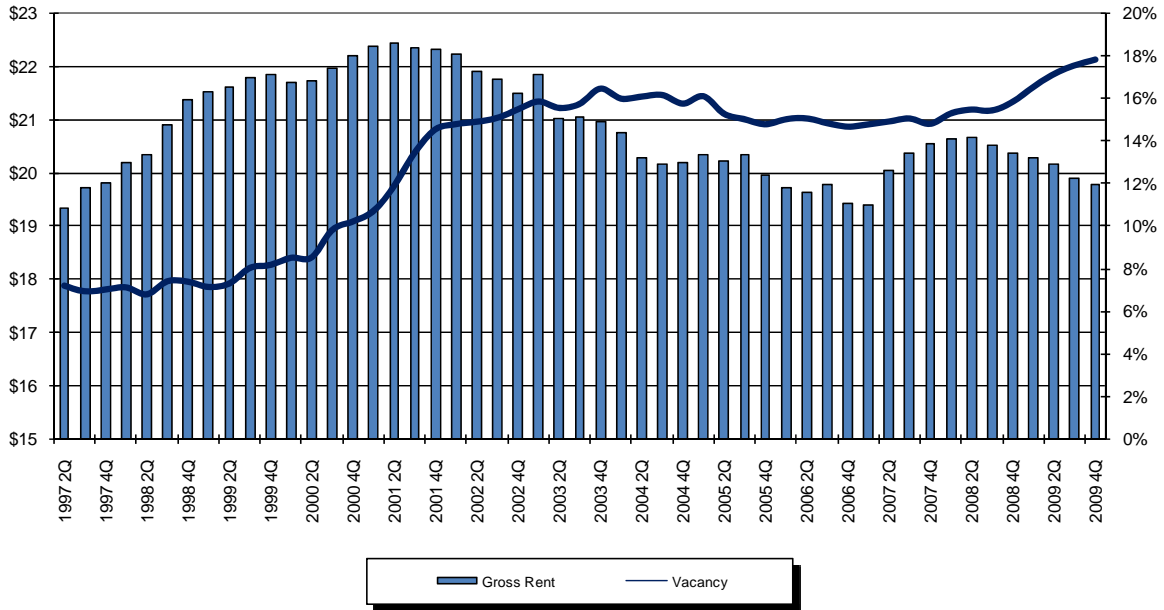
Source: Costar Property

With the limited availability of financing for new projects, we expect few new construction starts over the next 12-18 months. However, the projects that are in construction will prolong the recovery of the suburban office market.

Rent Trends

The correlation between rent and vacancy is illustrated below.

Gross Rents vs. Vacancy - Suburban Chicago



Source: Costar Property

With vacancy under 8 percent, owners pushed rents upward notably through 2000 where they leveled off until late 2002/early 2003. After creeping over 14 percent, owners finally responded with lower rental rates which declined through 2006 – well into the start of the last building cycle. Vacancy has continued higher and is now above the 18 percent threshold and rents have fallen below \$20 per square foot range.

As previously noted, relatively high vacancy has kept new supply mostly in check. Nonetheless, vacancy rates will continue to trend higher due to deterioration in the job market.

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.