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Holliday Fenoglio Fowler, L.P.

2011 CAPITAL MARKETS OVERVIEW

Chicago

March 2011

DEBT PLACEMENT | INVESTMENT SALES | PRIVATE EQUITY & CORPORATE FINANCE | STRUCTURED FINANCE | LOAN SALES | LOAN SERVICING

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Chicago CBD Office Outlook

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Stu's Views

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DEMAND

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Chicago CBD Demand Overview

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- Employment Base
- Market Correction
- Job Growth vs. Unemployment
- Projected Vacancy

Chicago is a Relative Market

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Rank	Metro Area		GMP
1	New York-Northern New Jersey-Long Island	NY-NJ-PA	1,259.7
2	Los Angeles-Long Beach-Santa Ana	CA	708.9
3	Chicago-Naperville-Joliet,	IL-IN-WI	514.1
4	Houston-Sugar Land-Baytown	TX	407.8
5	Washington-Arlington-Alexandria,	DC-VA-MD-WV	396.2
6	Dallas-Fort Worth-Arlington	TX	384.8
7	Philadelphia-Camden-Wilmington,	PA-NJ-DE-MD	329.5
8	San Francisco-Oakland-Fremont	CA	306.1
9	Boston-Cambridge-Quincy,	MA-NH	297.0
10	Atlanta-Sandy Springs-Marietta	GA	262.7
11	Miami-Fort Lauderdale-Pompano Beach	FL	257.2
12	Seattle-Tacoma-Bellevue,	WA	217.5
13	Minneapolis-St. Paul-Bloomington	MN-WI	192.4
14	Detroit-Warren-Livonia,	MI	190.8
15	Phoenix-Mesa-Scottsdale,	AZ	180.9
16	San Diego-Carlsbad-San Marcos	CA	168.7
17	Denver-Aurora,	CO	149.7
18	San Jose-Sunnyvale-Santa Clara	CA	142.6
19	Baltimore-Towson,	MD	132.0
20	St. Louis	MO-IL	127.8

*Source: PPR

Major Markets Rule the Day

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total GMP

$4.89 trillion

New York, NY-NJ-PA
Los Angeles, CA
Chicago, IL-IN-WI
Houston, TX
Washington, DC-VA-MD-WV
Dallas-Fort Worth, TX
Philadelphia, PA-NJ-DE-MD
San Francisco, CA
Boston, MA-NH
Atlanta, GA

is greater than

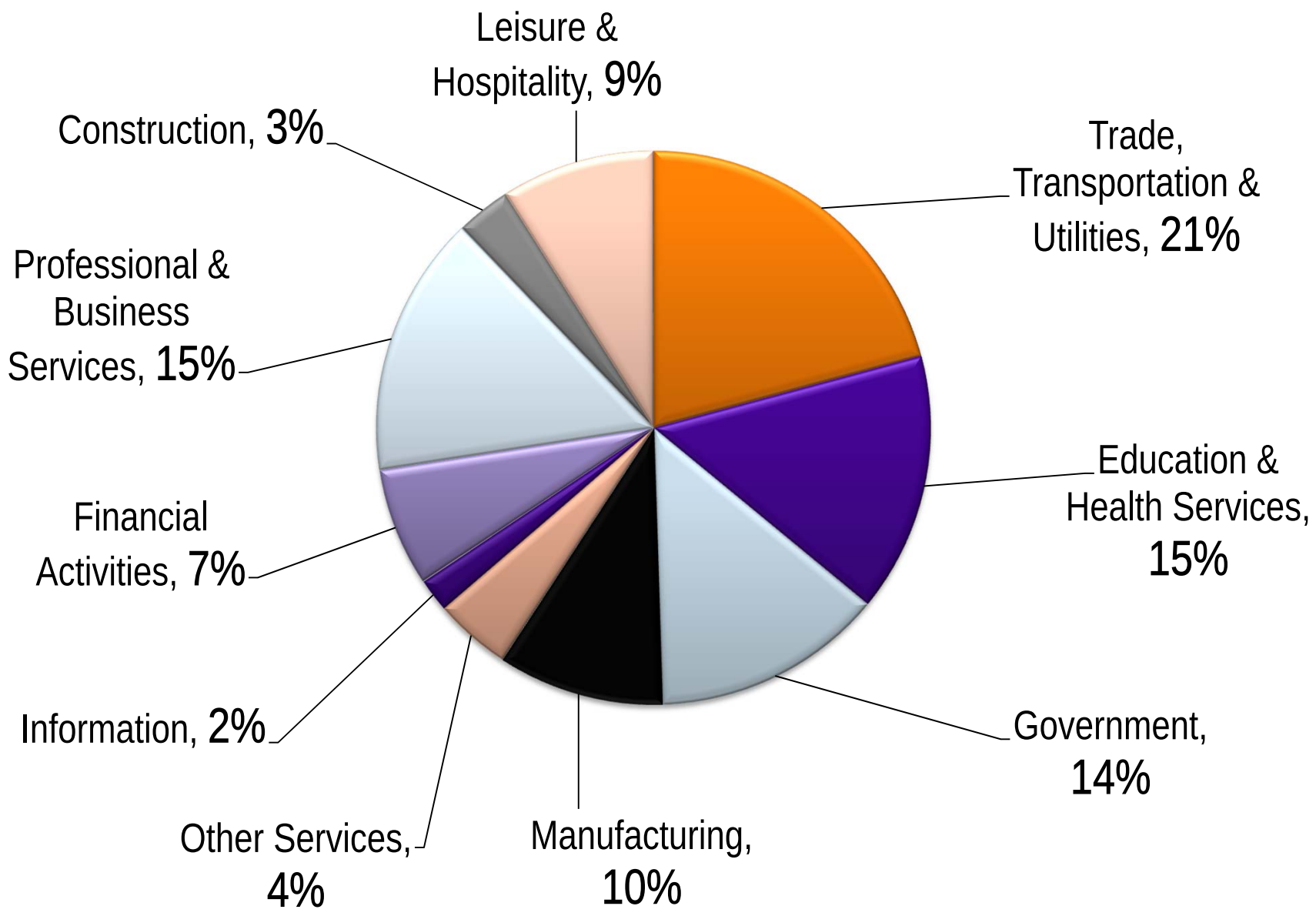
total GSP

$4.81 trillion

Alabama
Alaska
Arizona
Arkansas
Colorado
Connecticut
Delaware
Hawaii
Idaho
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Mexico
North Dakota
Oklahoma
Oregon
Rhode Island
South Carolina
South Dakota
Tennessee
Utah
Vermont
West Virginia
Wisconsin
Wyoming

*Source: PPR

Diverse Employment Base



*Source: Bureau of Labor Statistics

Unemployment Rates Expected to Lower Across all Markets

UNEMPLOYMENT RATE RANKINGS			
Rank	City/MSA	Unemp. Rate	T-12 Change
1	Washington-Arlington-Alexandria	6.00%	-0.50%
2	Boston-Cambridge-Quincy	7.40%	-1.20%
3	Dallas-Fort Worth-Arlington	8.20%	-0.10%
4	New York-No New Jersey-Long Island	8.50%	-1.10%
5	Philadelphia-Camden-Wilmington	8.60%	-0.30%
6	Houston-Sugar Land-Baytown	8.60%	0.10%
7	**Chicago-Naperville-Joliet**	**9.00%**	**-1.90%**
8	Atlanta-Sandy Springs-Marietta	10.20%	0.10%
9	San Francisco-Oakland-Fremont	10.30%	-0.30%
10	Los Angeles-Long Beach-Santa Ana	12.00%	0.40%
11	Miami-Fort Lauderdale-Pompano Beach	12.10%	0.70%
12	Detroit-Warren-Livonia	12.70%	-3.30%

*Source: Bureau of Labor Statistics

Chicago Job Losses In Perspective

EMPLOYMENT GROWTH RANKINGS (MSAs >2mil jobs)					
		Total Jobs (000)		Total Change	
Rank	City/MSA	Dec 07	Dec 10	Absolute	Percent
1	Houston-Sugar Land-Baytown	2,612.8	2,542.6	-70,200	-2.69%
2	Dallas-Fort Worth-Arlington	3,001.3	2,909.0	-92,300	-3.08%
3	Boston-Cambridge-Quincy	2,524.8	2,443.6	-81,200	-3.22%
4	Philadelphia-Camden-Wilmington	2,852.1	2,712.1	-140,000	-4.91%
5	New York-No New Jersey-Long Island	8,756.8	8,298.5	-458,300	-5.23%
6	Atlanta-Sandy Springs-Marietta	2,477.6	2,264.6	-213,000	-8.60%
7	**Chicago-Naperville-Joliet**	**4,605.0**	**4,198.9**	**-406,100**	**-8.82%**
8	Los Angeles-Long Beach-Santa Ana	5,705.4	5,170.2	-535,200	-9.38%
9	Miami-Fort Lauderdale-Pompano Beach	2,411.4	2,172.3	-239,100	-9.92%
10	San Francisco-Oakland-Fremont	2,068.7	1,858.0	-210,700	-10.19%
11	Washington-Arlington-Alexandria	2,456.3	2,204.9	-251,400	-10.23%

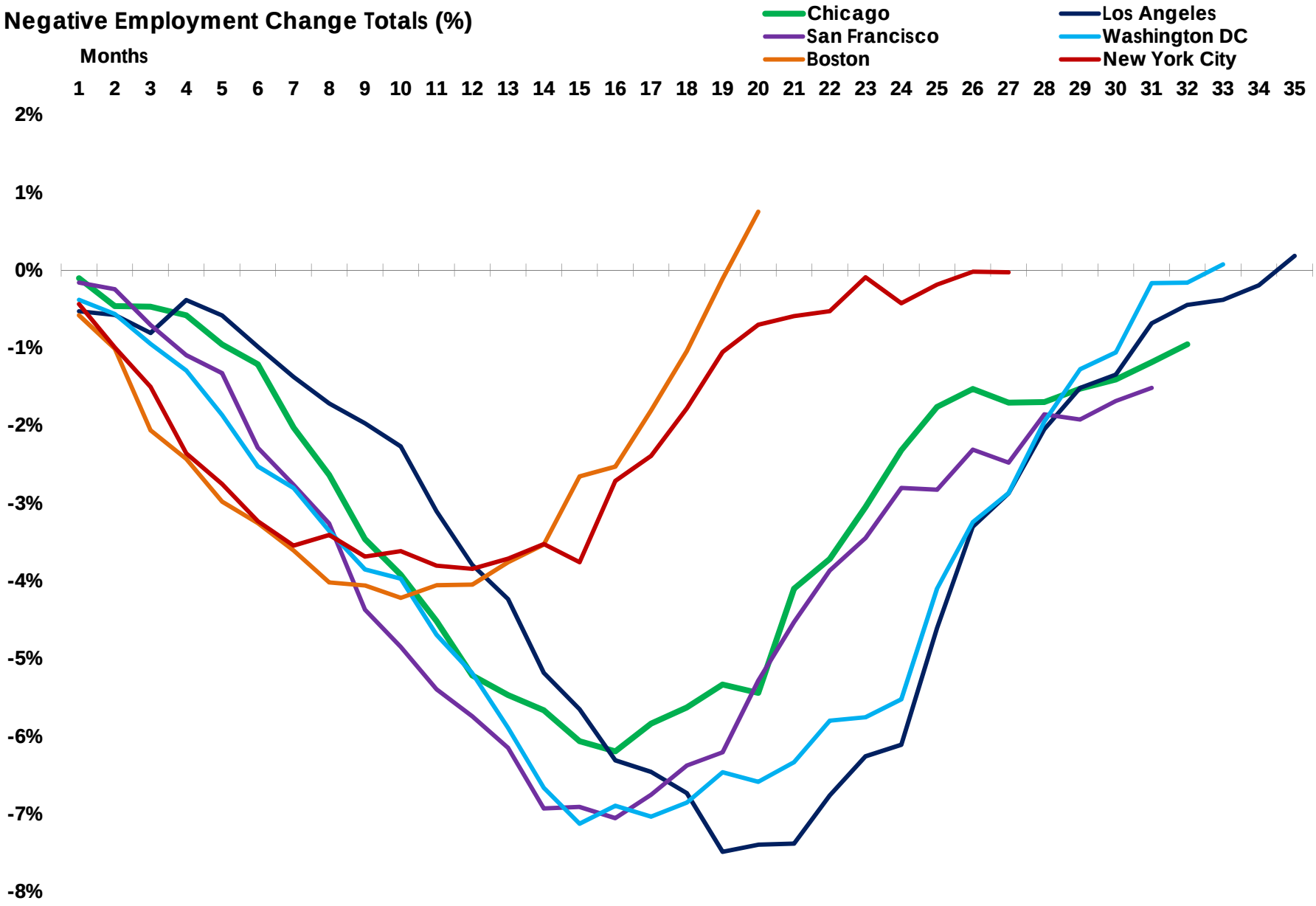
*Source: Bureau of Labor Statistics

Adding Jobs Faster Than People Are Rejoining Workforce

LABOR POOL GROWTH RANKINGS				
		T-12 Change		%
Rank	City/MSA	Labor Pool	Empl.	Absorbed
1	**Chicago-Naperville-Joliet**	**55,489**	**139,864**	**252.06%**
2	Boston-Cambridge-Quincy	41,575	66,926	160.98%
3	Washington-Arlington-Alexandria	37,969	50,799	133.79%
4	Dallas-Fort Worth-Arlington	47,140	45,339	96.18%
5	Houston-Sugar Land-Baytown	29,252	23,368	79.89%
6	Los Angeles-Long Beach-Santa Ana	89,386	53,587	59.95%
7	Miami-Fort Lauderdale-Pompano Beach	47,935	22,002	45.90%
8	Atlanta-Sandy Springs-Marietta	1,877	-1,499	N/A
9	Detroit-Warren-Livonia	-15,016	56,924	N/A
10	San Francisco-Oakland-Fremont	-15,046	-8,020	N/A
11	Philadelphia-Camden-Wilmington	-26,120	-13,588	N/A
12	New York-No New Jersey-Long Island	-53,813	57,245	N/A

*Source: Bureau of Labor Statistics

Chicago's Correction is in Line With Other Major MSAs



*Source: Bureau of Labor Statistics

But is Quickly Adding Jobs Back Since the Trough

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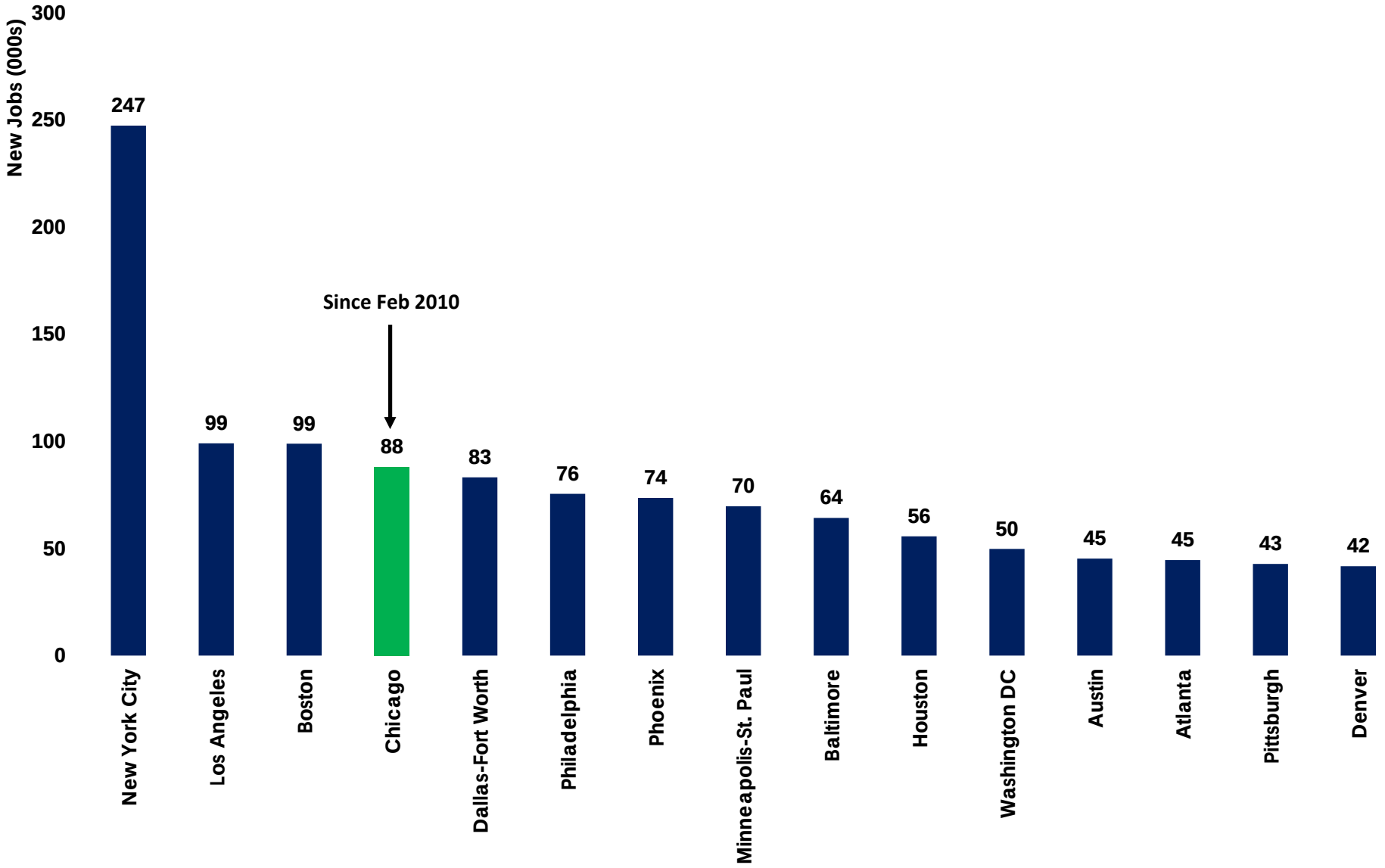
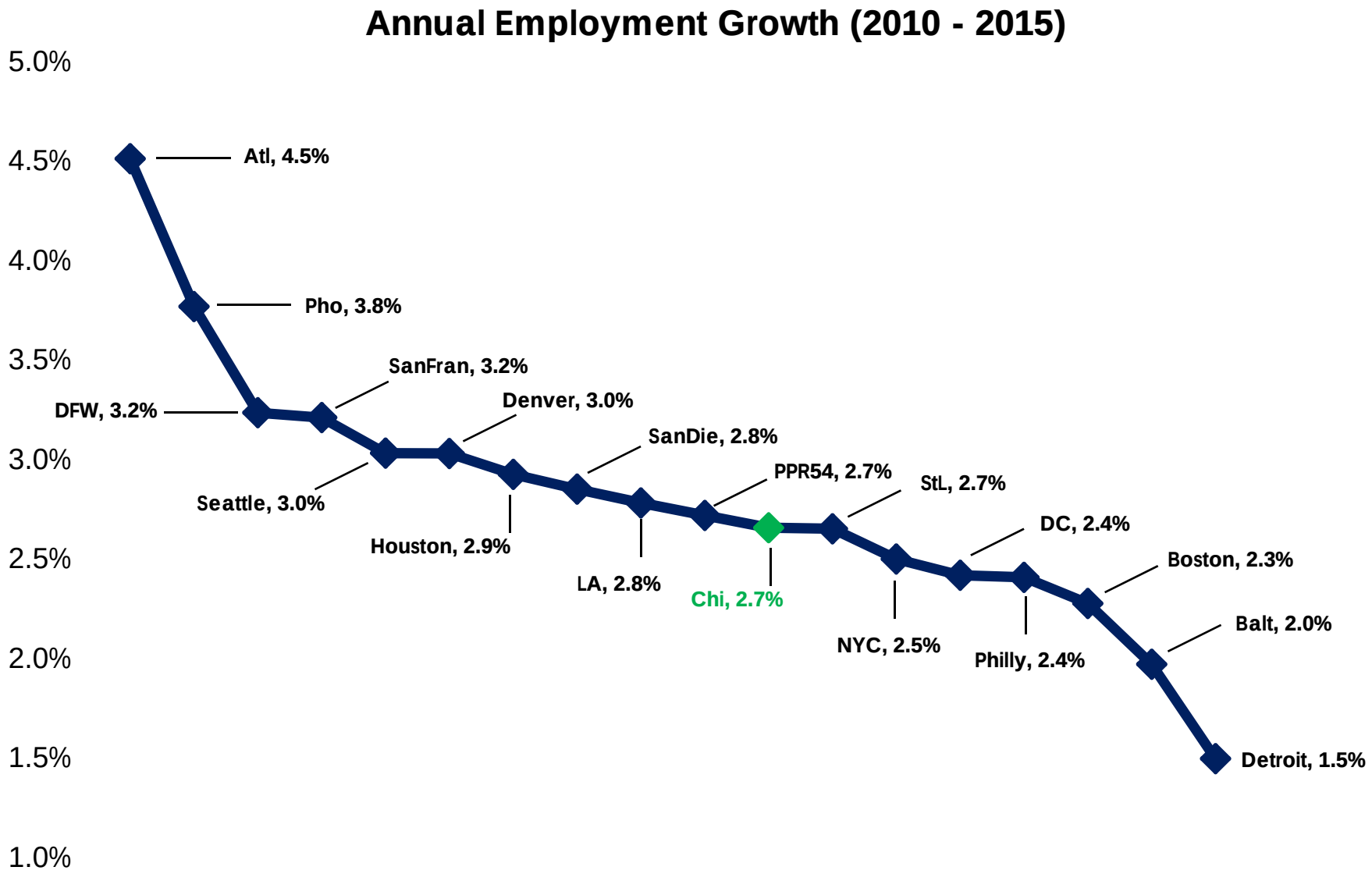
Number of Jobs Created Since Troughing In Employment (000s)



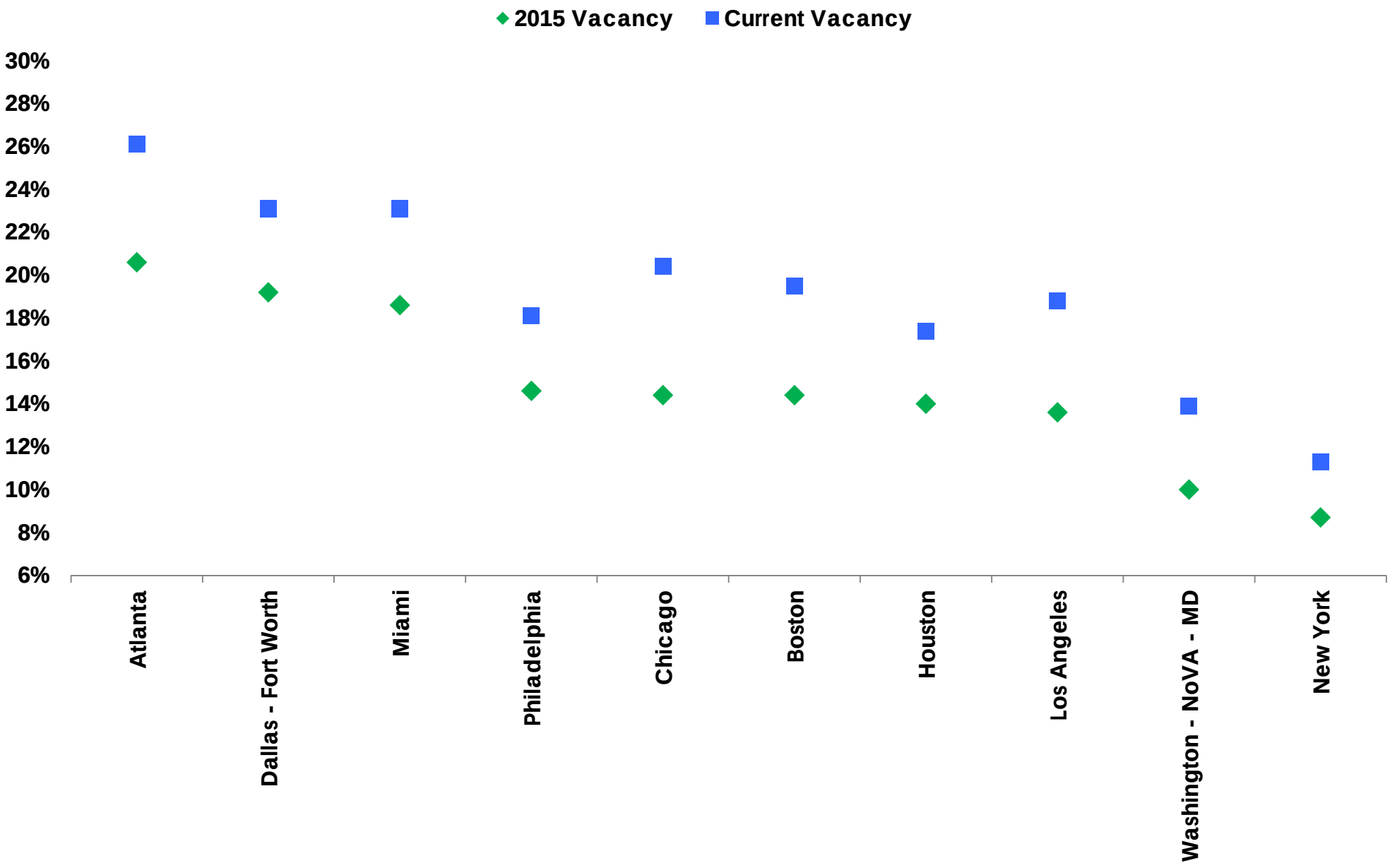
*Source: Bureau of Labor Statistics

And Should Grow at 2.7% Annual Clip through 2015



*Source: PPR

Adding Significant Demand for Office Space



*Source: PPR

New Tenant Absorption for 2011

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SUPPLY

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Existing Landlord Outlook

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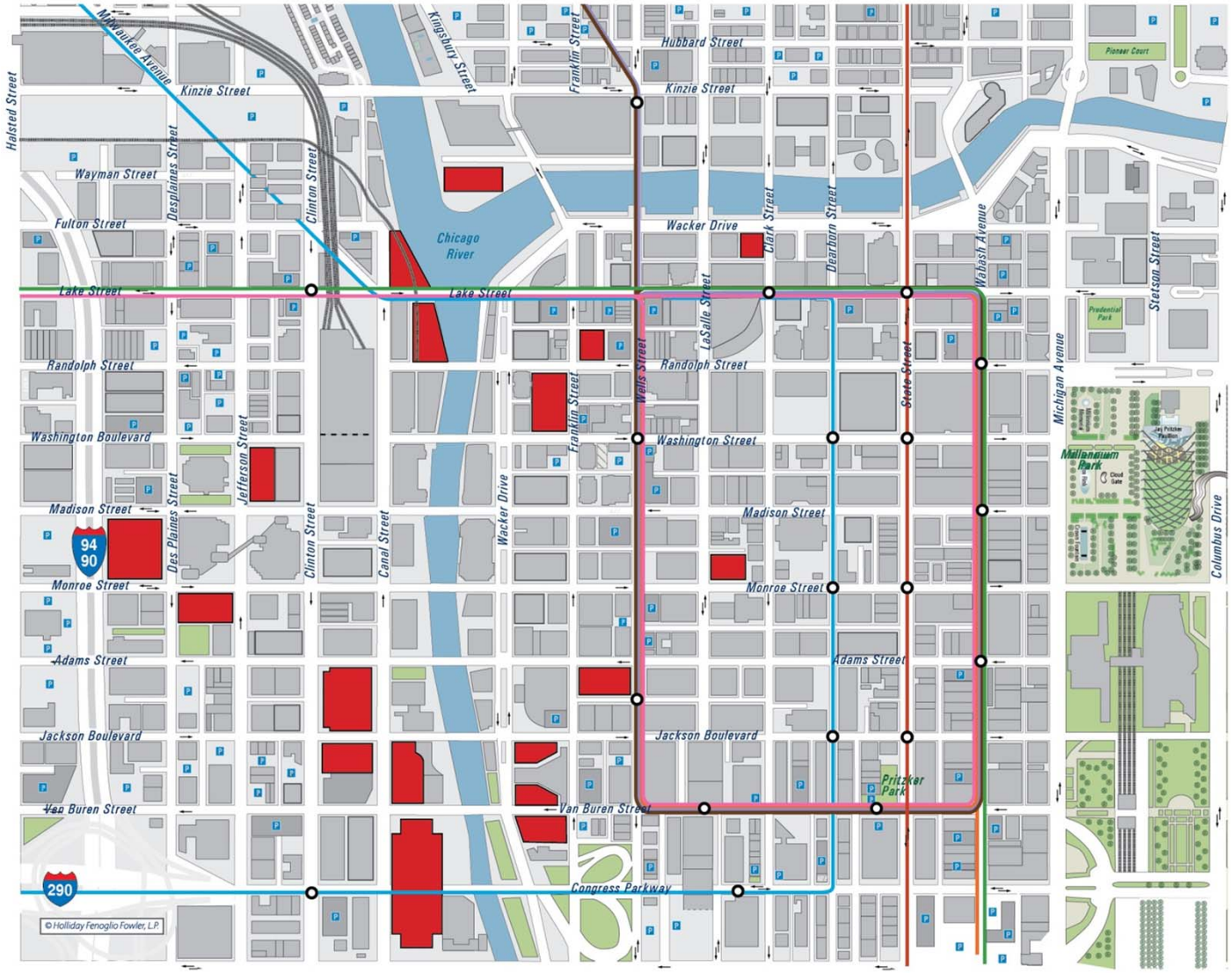
- Fewer Quality Development Sites
- Construction Costs Stubbornly High
- Little Financial Distress
- Rents Stable (Free Rent in Lieu)
- Corporate Cost-Consciousness Should Aid Market

Chicago CBD – Office Development Sites - 2011



17 Sites

3 Wacker Drive Sites

3 River Sites

*Source: HFF

Chicago CBD Office Development, by Decade Percent Increase in Stock

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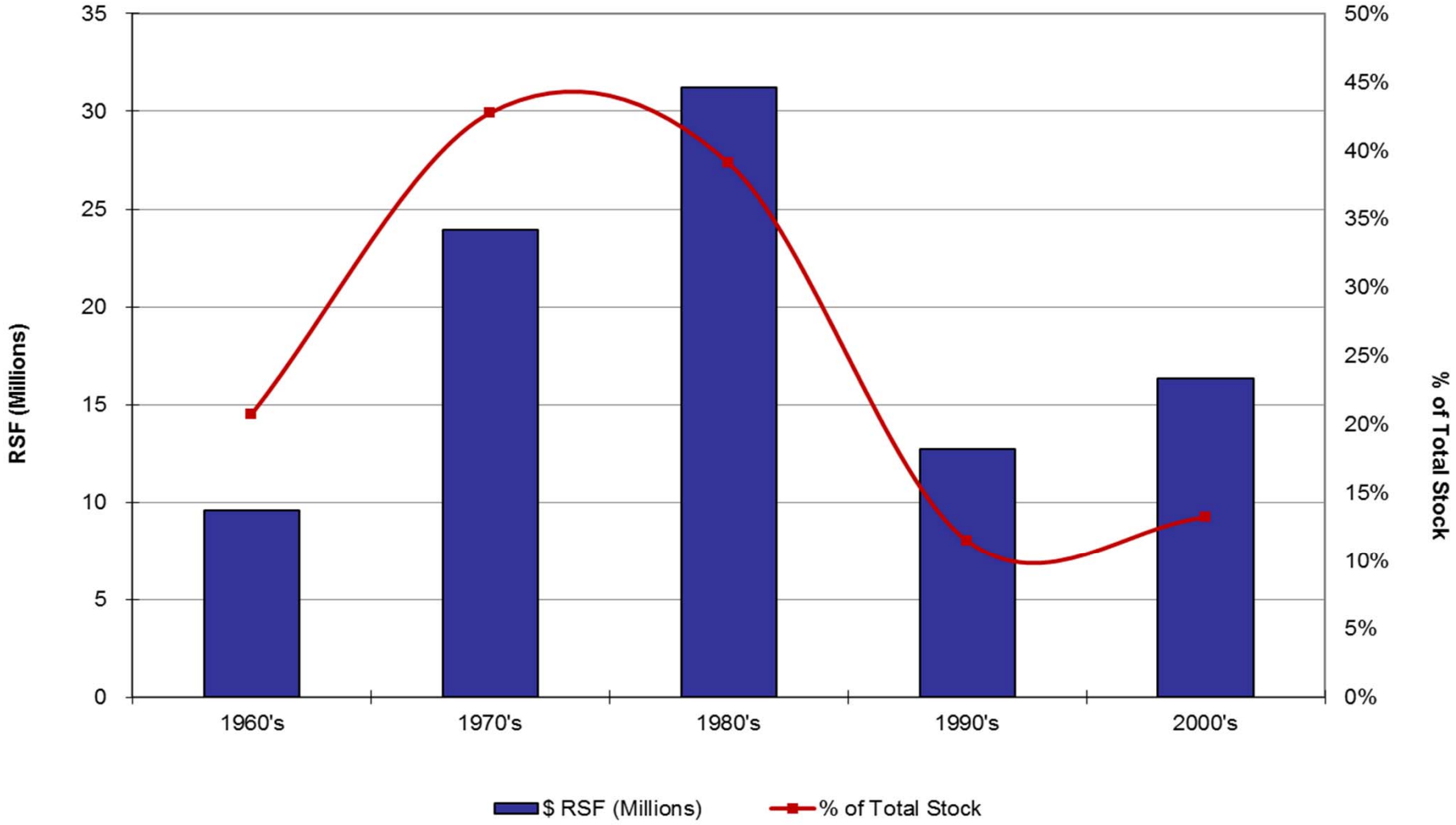

*Source: HFF

Estimated Replacement Cost (per RSF)

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Purchased in 2011 for 2013 Delivery

Land	$40	-	$50
Core & Shell	$175	-	$200
Tenant Improvements	$80	-	$90
Lease Commissions	$20	-	$22
Soft Costs	$50	-	$60
Financing Costs	$40	-	$50
TOTAL	**$405**	**-**	**$472**

*Source: HFF

Chicago CBD – Rents for New Office Building

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8% Return on Cost

	$405	Total Cost
x	8%	Return
	$32.40	NOI / RSF

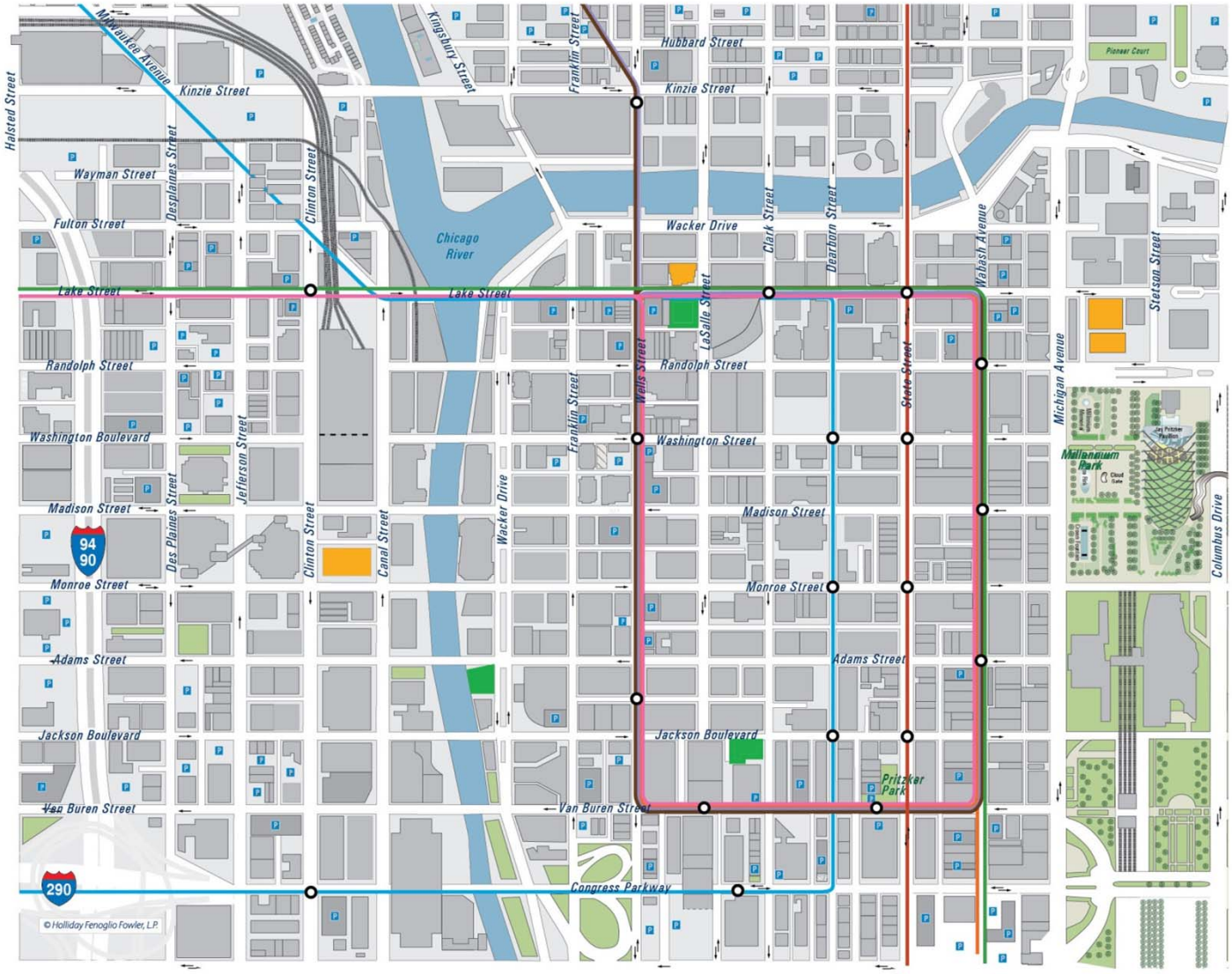
	$472	Total Cost
x	8%	Return
	$37.76	NOI / RSF

$32.40 Net Rent = $54 Gross Rent

– an all-time Chicago high water mark

*Source: HFF

Chicago CBD – Financially Distressed Assets



Distress

Prudential Plaza

500 West Monroe

200 North LaSalle

On the Mend

180 North LaSalle

200 South Wacker

111 West Jackson

*Source: HFF

Corporate RE Managers are a CFO's Worst Nightmare

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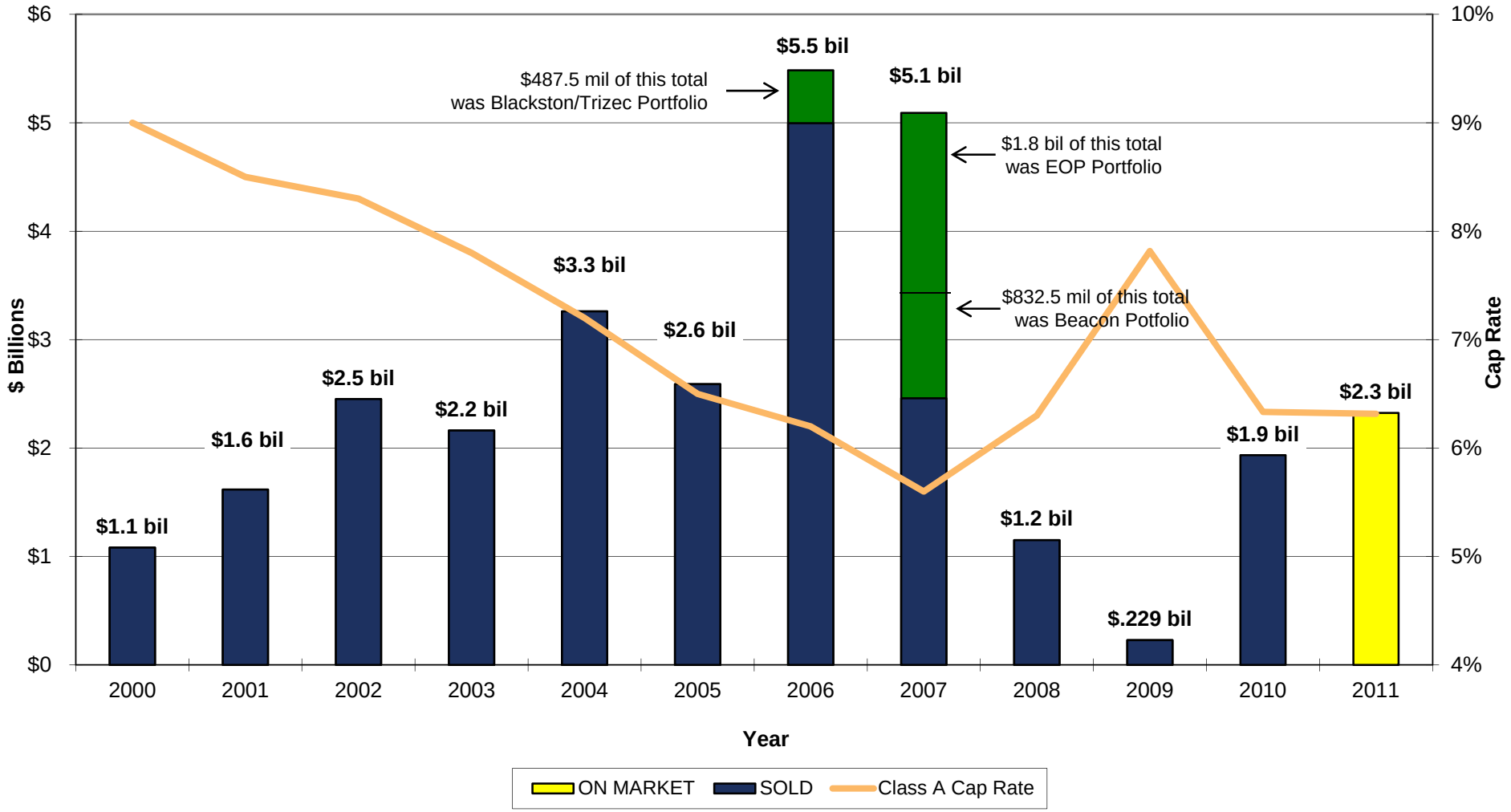
- ABN AMRO – 540 W. Madison
- Blue Cross – 300 E. Randolph
- JPMorgan Chase – 2 S. Dearborn
- Northern Trust – 840 S. Canal

Chicago CBD – Office Sales Volume (Class A&B)



*Source: HFF

Chicago CBD – Class A Building Sales 2000 - 2010

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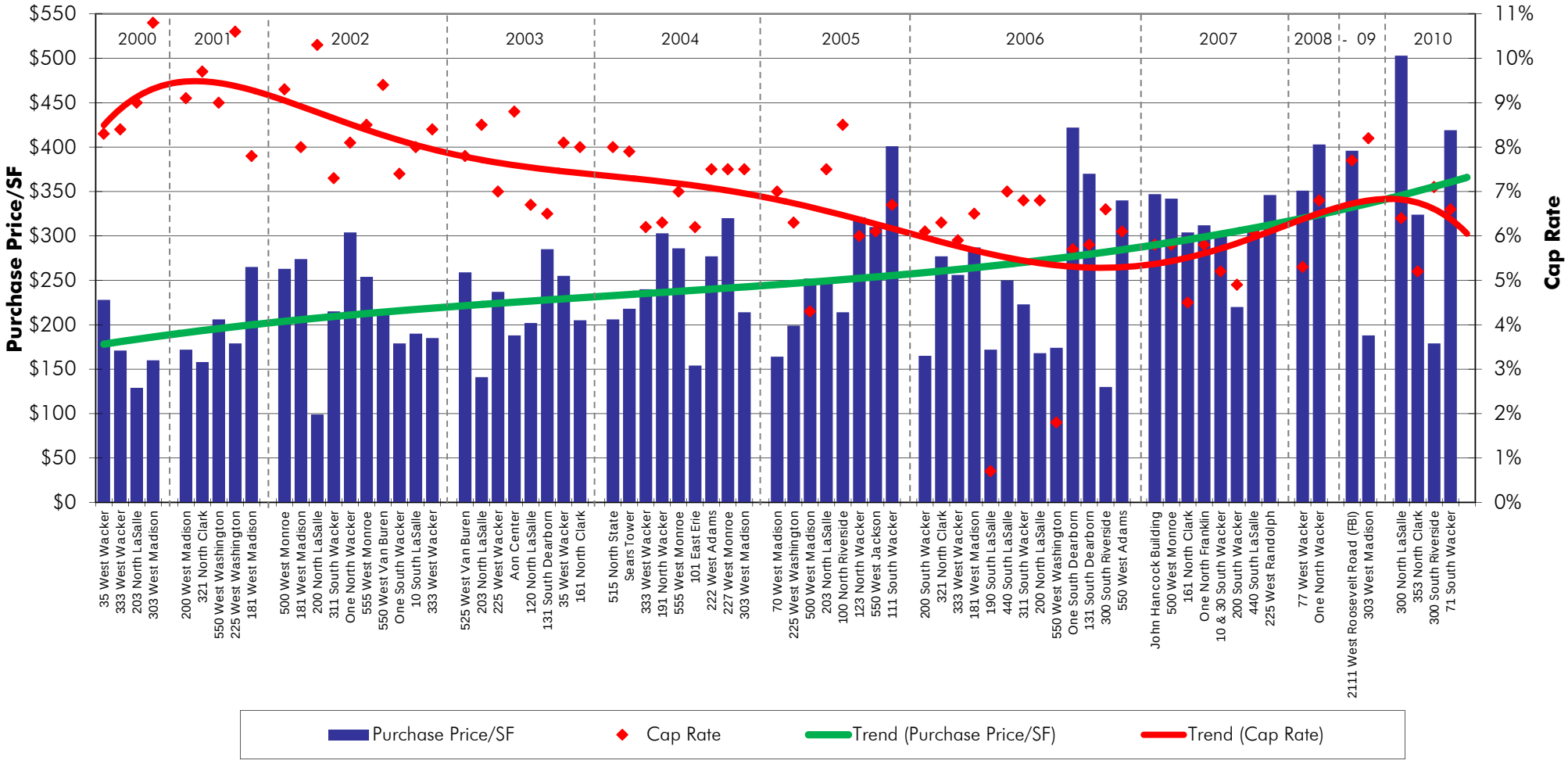
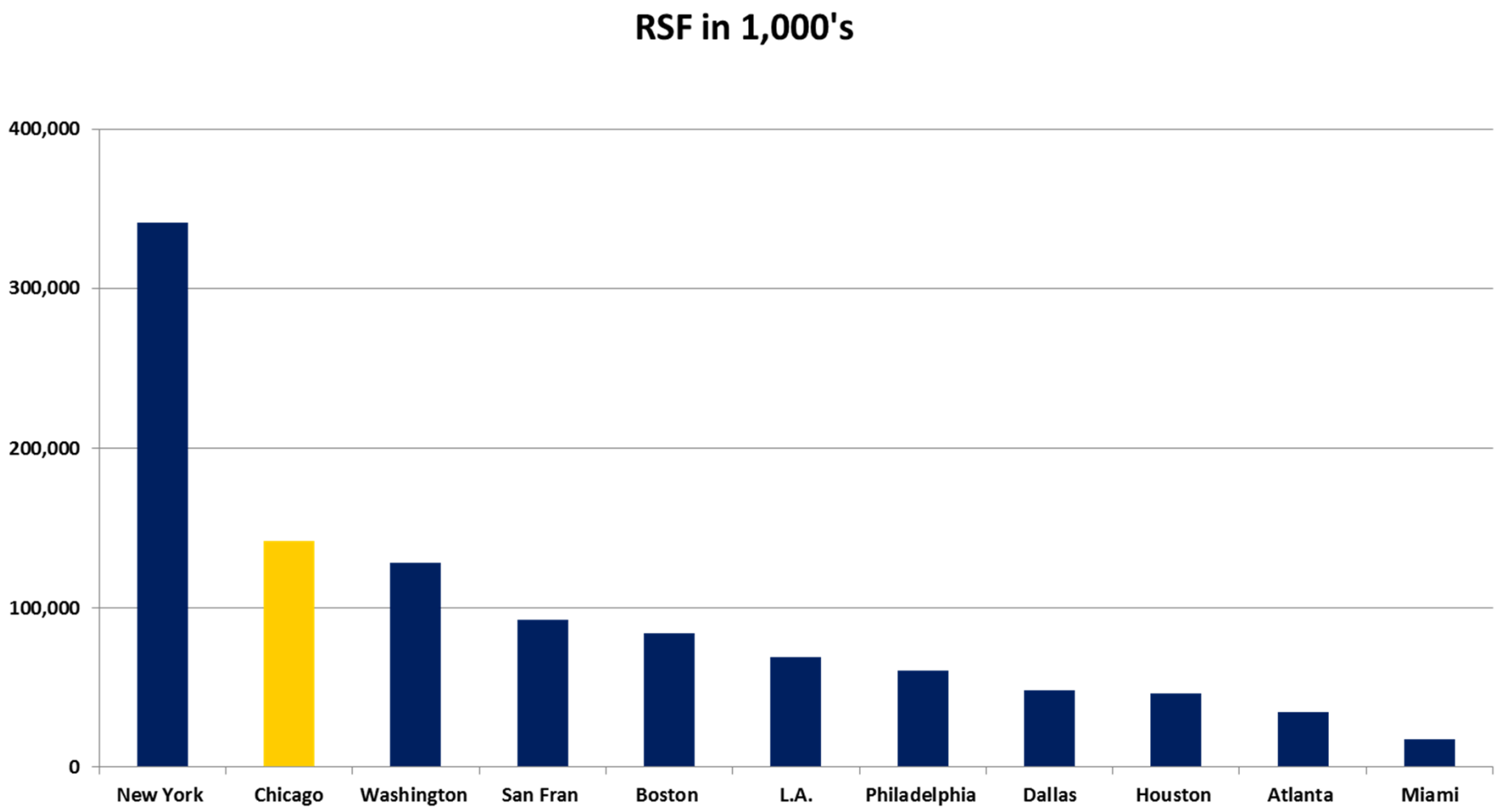


*Source: HFF

Major CBD Market Size



*Source: CoStar

HFF Market Outlook

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- $100 per RSF is the New $50 per RSF.
- Chicago's Liquidity is a Huge Benefit.
- Leverage is Cheap & Plentiful.
- Relative to NY, Bos, DC – Chicago Fundamentals are Sound.

THANK YOU!

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