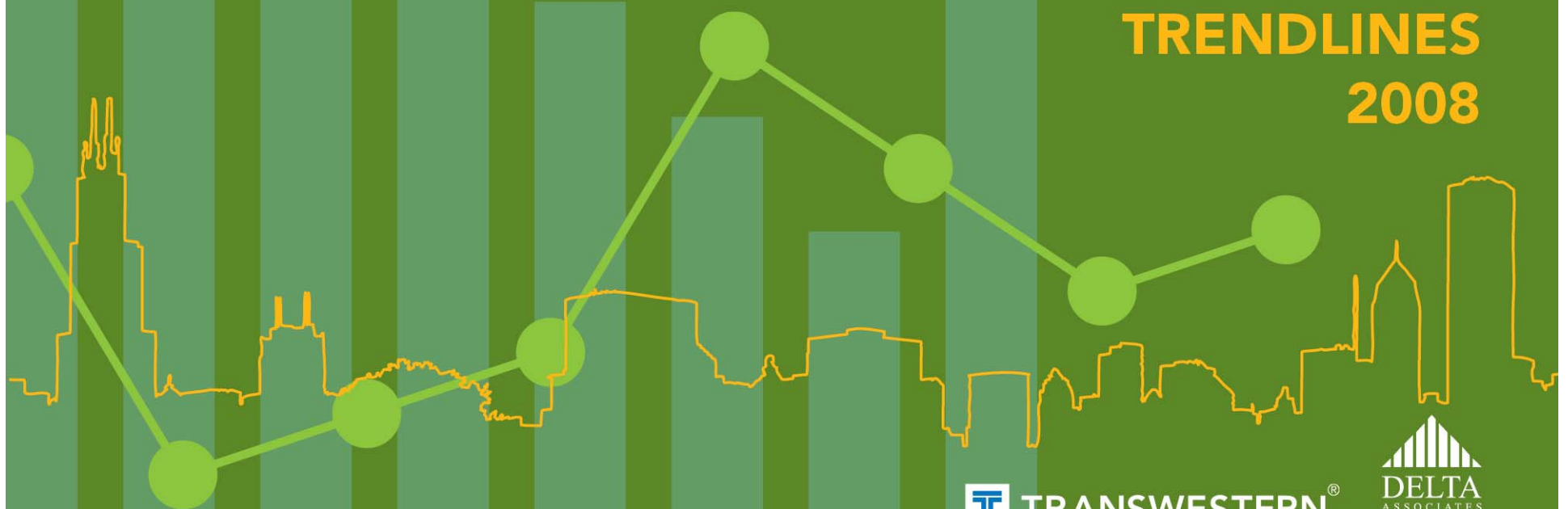


TRENDS

TRENDLINES
2008



 **TRANSWESTERN**[®]


DELTA
ASSOCIATES
A TRANSWESTERN COMPANY





Bread Line in Times Square, 1930

NOT A DEPRESSION

1. Good property performance fundamentals
2. Massive equity still on the sidelines
3. Equity at the property level
4. Federal government willing and able to act
5. Fortunate to be in Chicago



Source: Transwestern, Delta Associates, 11/6/08.



OVERVIEW

1. National Economy: Financial Tornado
2. Chicago Economy: Contracting
3. Commercial Real Estate Markets: Decelerating
4. Investment Sales: Constrained
5. Forecast

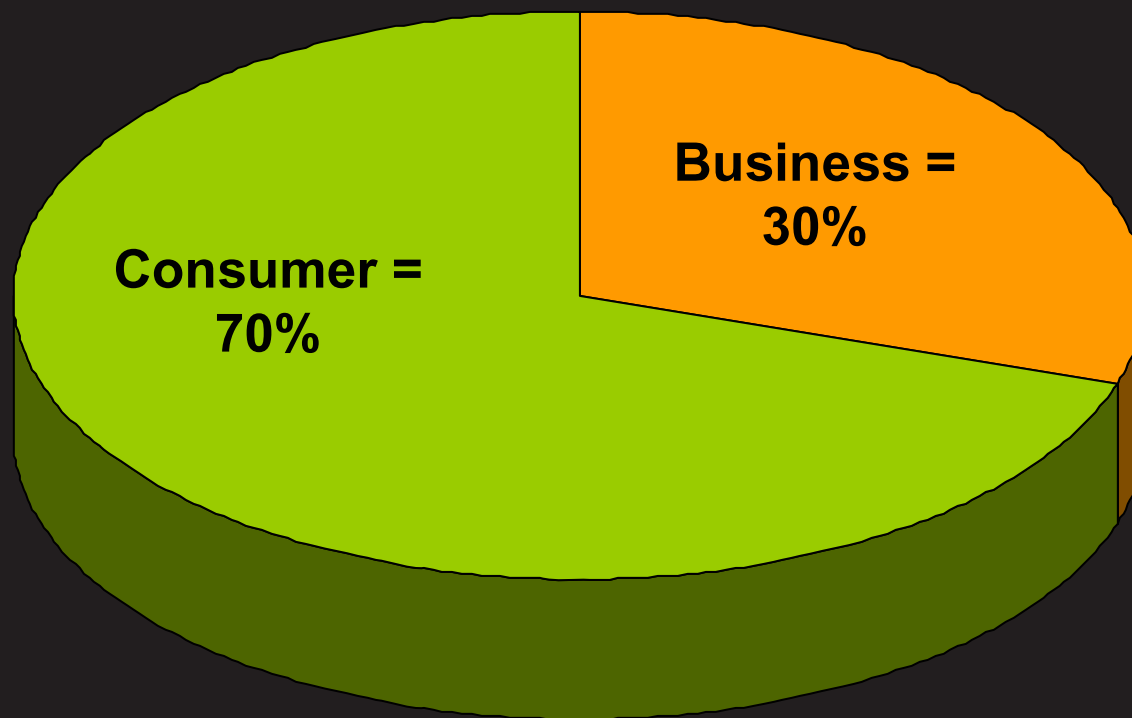


TRENDLINES[®] 2008
Chicago

THE NATIONAL
ECONOMY



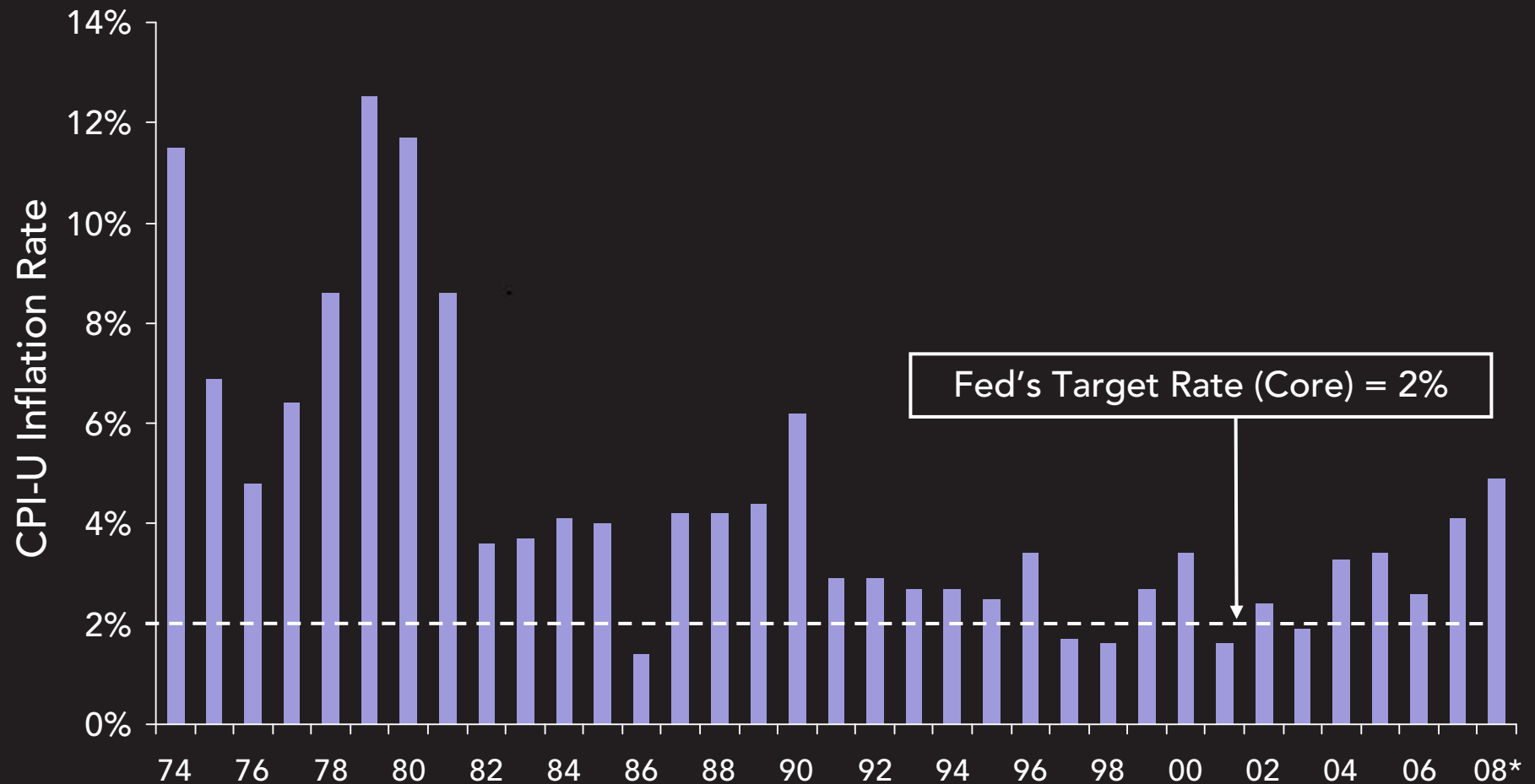
U.S. GROSS DOMESTIC PRODUCT





U.S. INFLATION

1974 - 2008



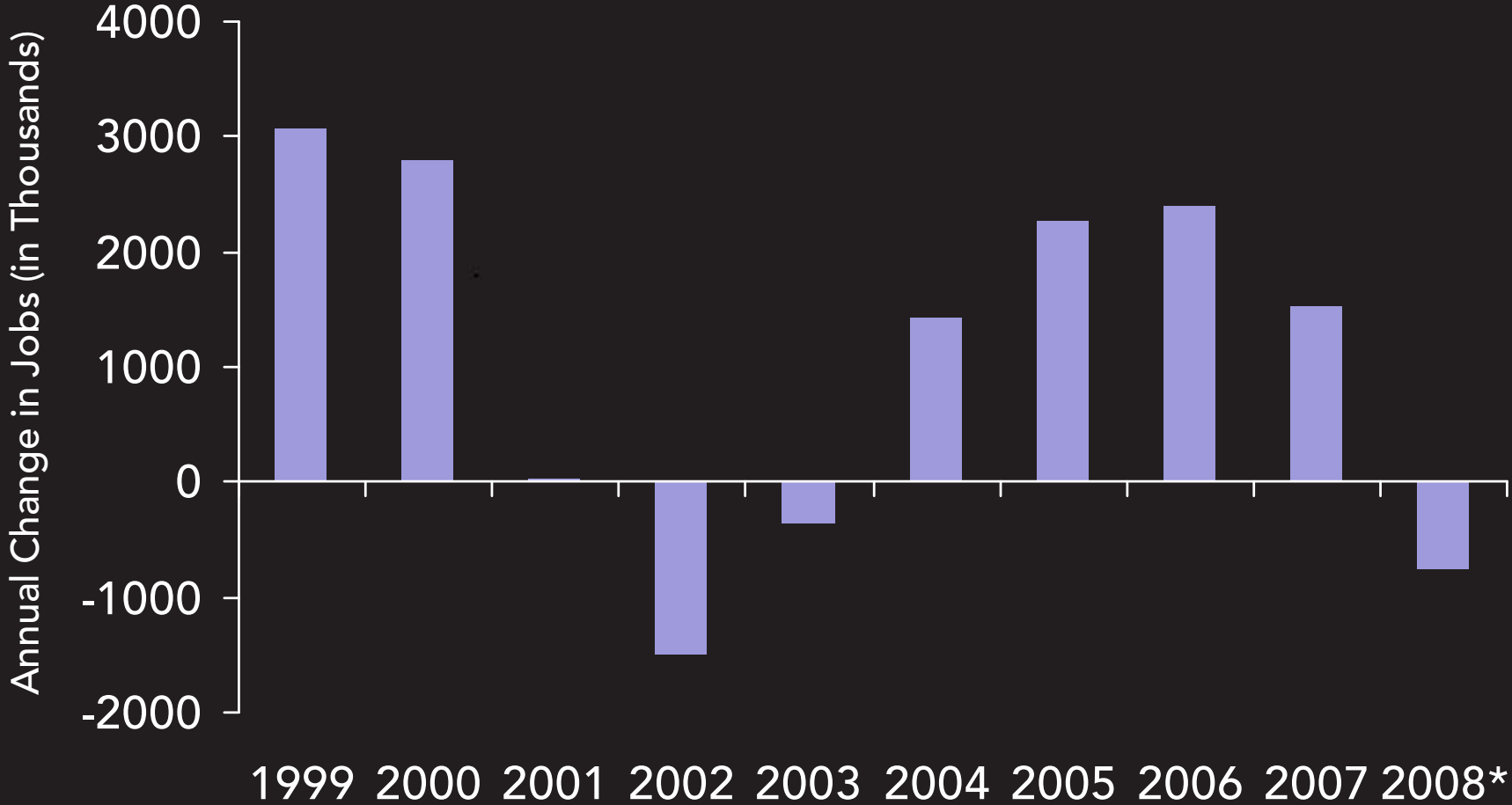
Source: Bureau of Labor Statistics, Delta Associates; 11/6/08.

*12 month percentage change through September 2008.



PAYROLL JOB GROWTH

U.S. 1999 - 2008



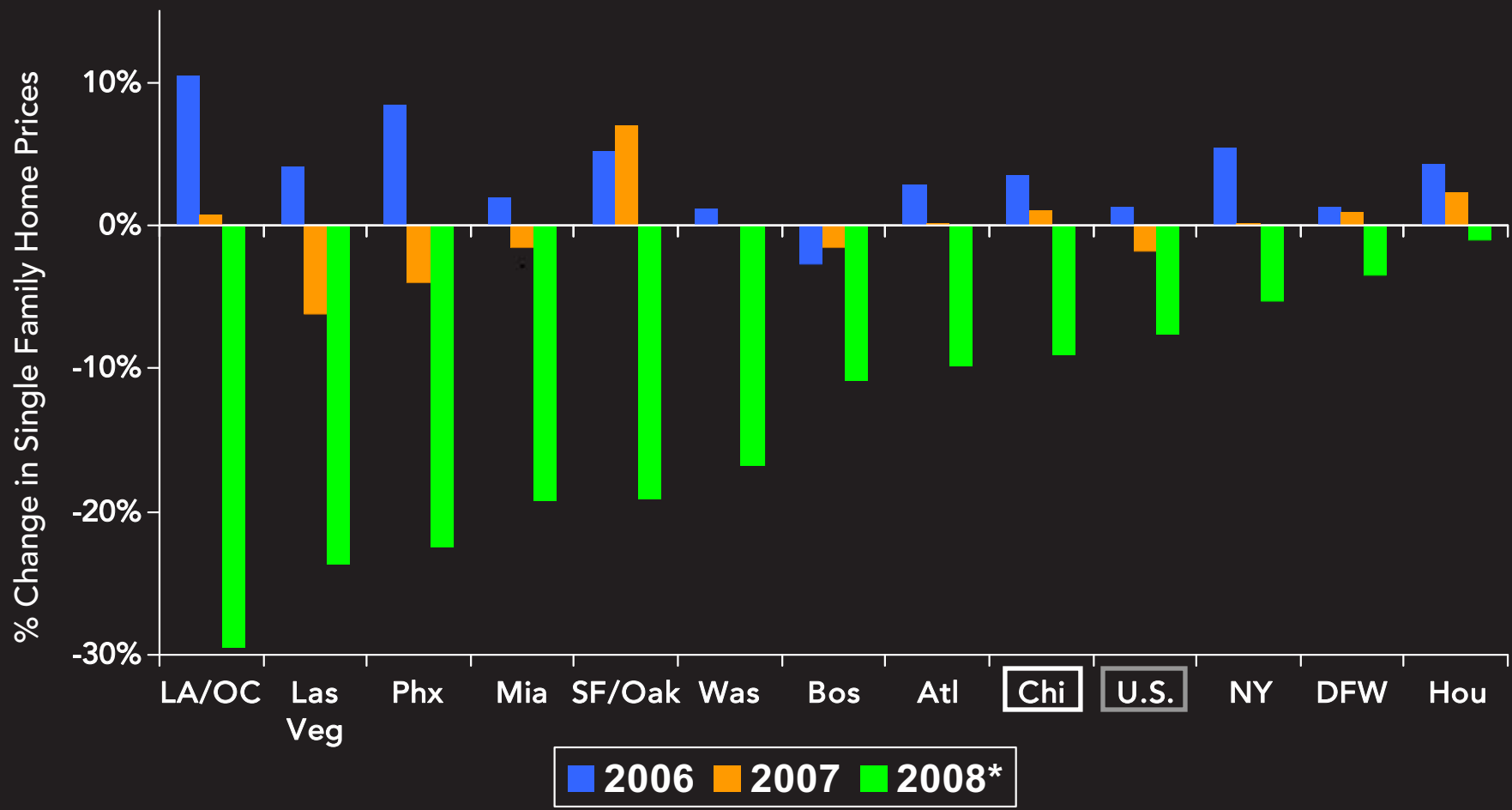
Source: Bureau of Labor Statistics, Delta Associates, 11/6/08.

* Through September 2008.



CHANGE IN EXISTING HOME SALE PRICES

LARGE METRO AREAS 2006-2008



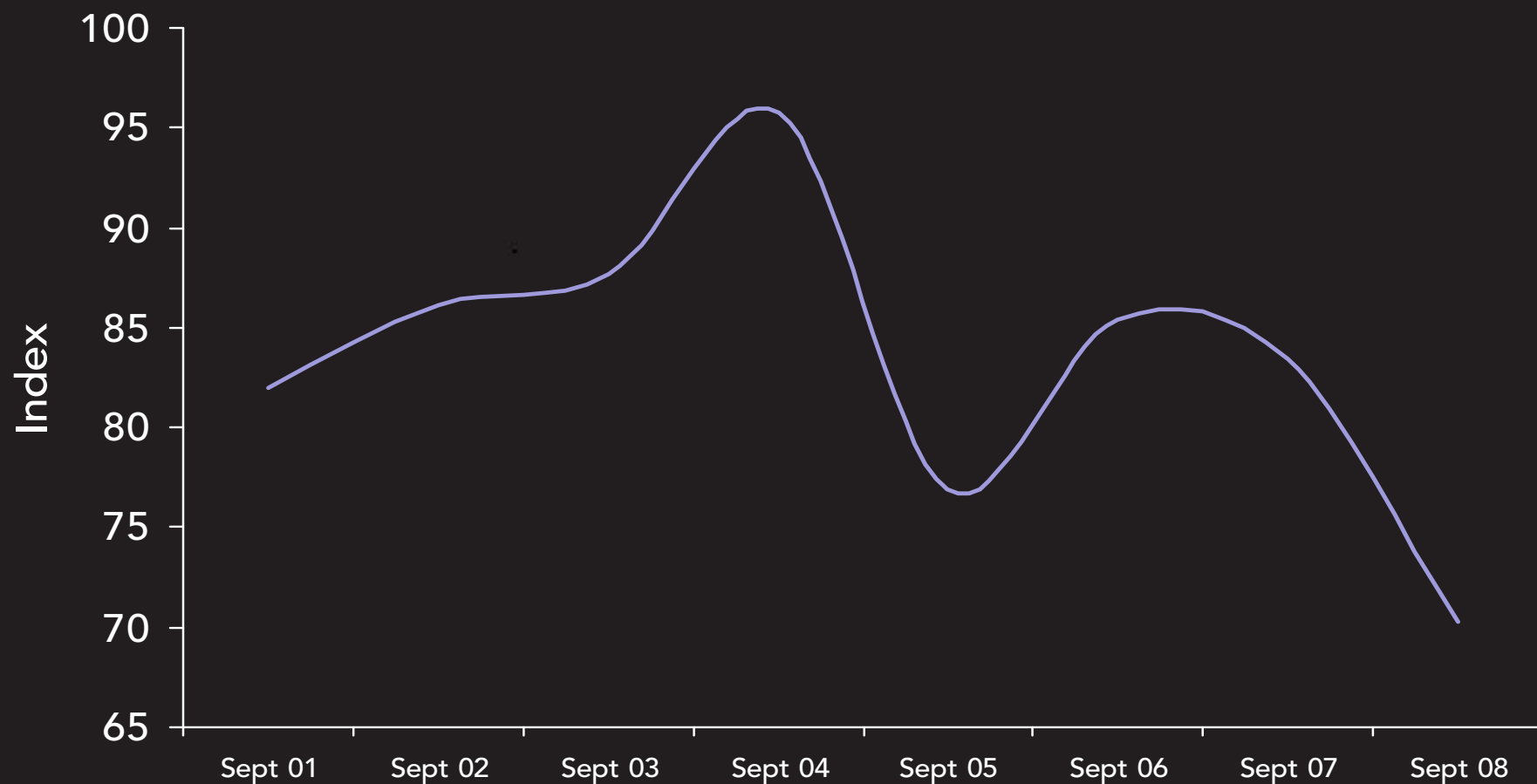
Source: National Association of Realtors, Delta Associates, 11/6/08.

*12 months ending Q2 2008.



CONSUMER SENTIMENT

2001 – 2008

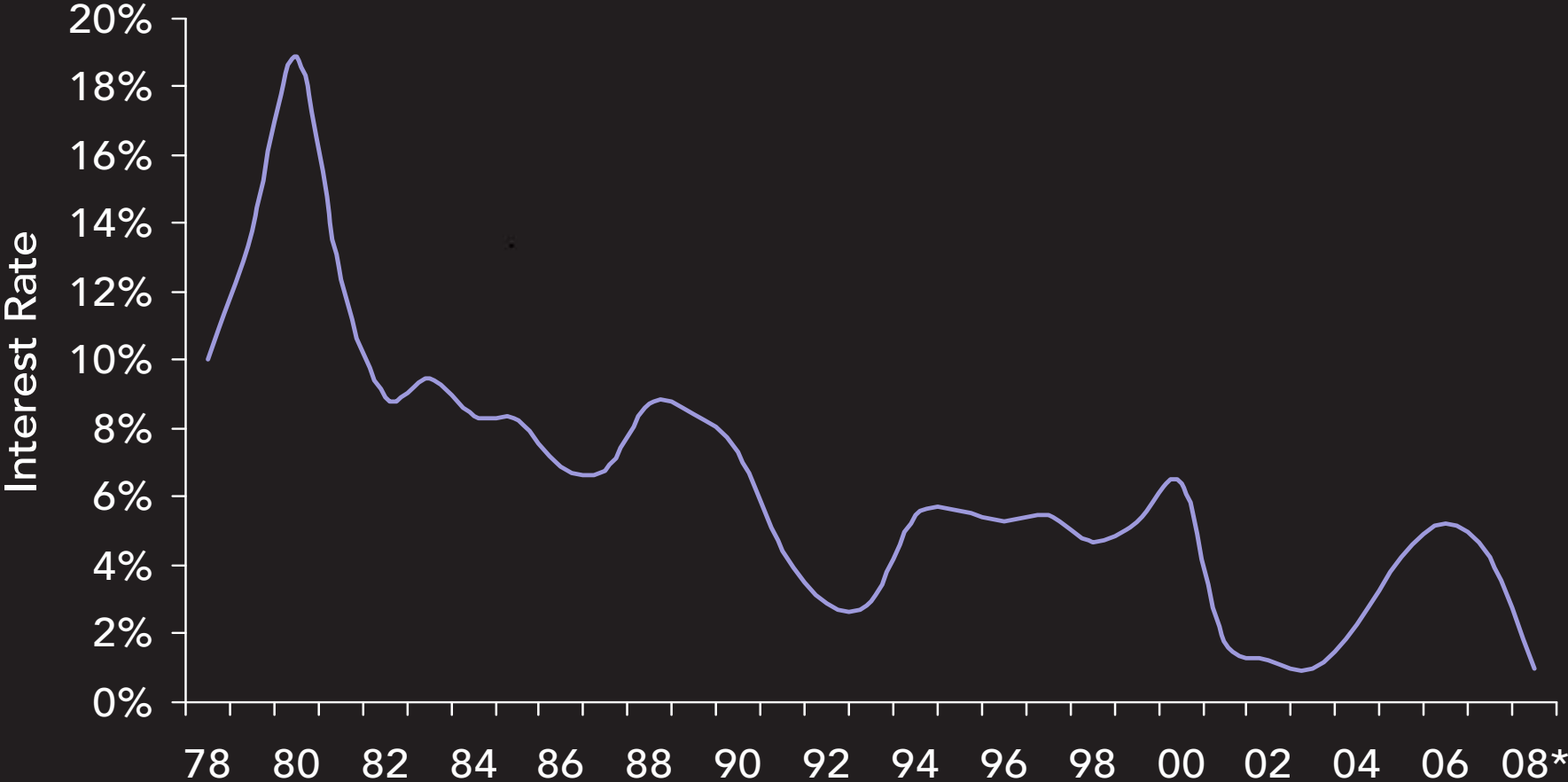


Source: University of Michigan, Reuters, Bloomberg, Delta Associates; 11/6/08.



FEDERAL FUNDS RATE

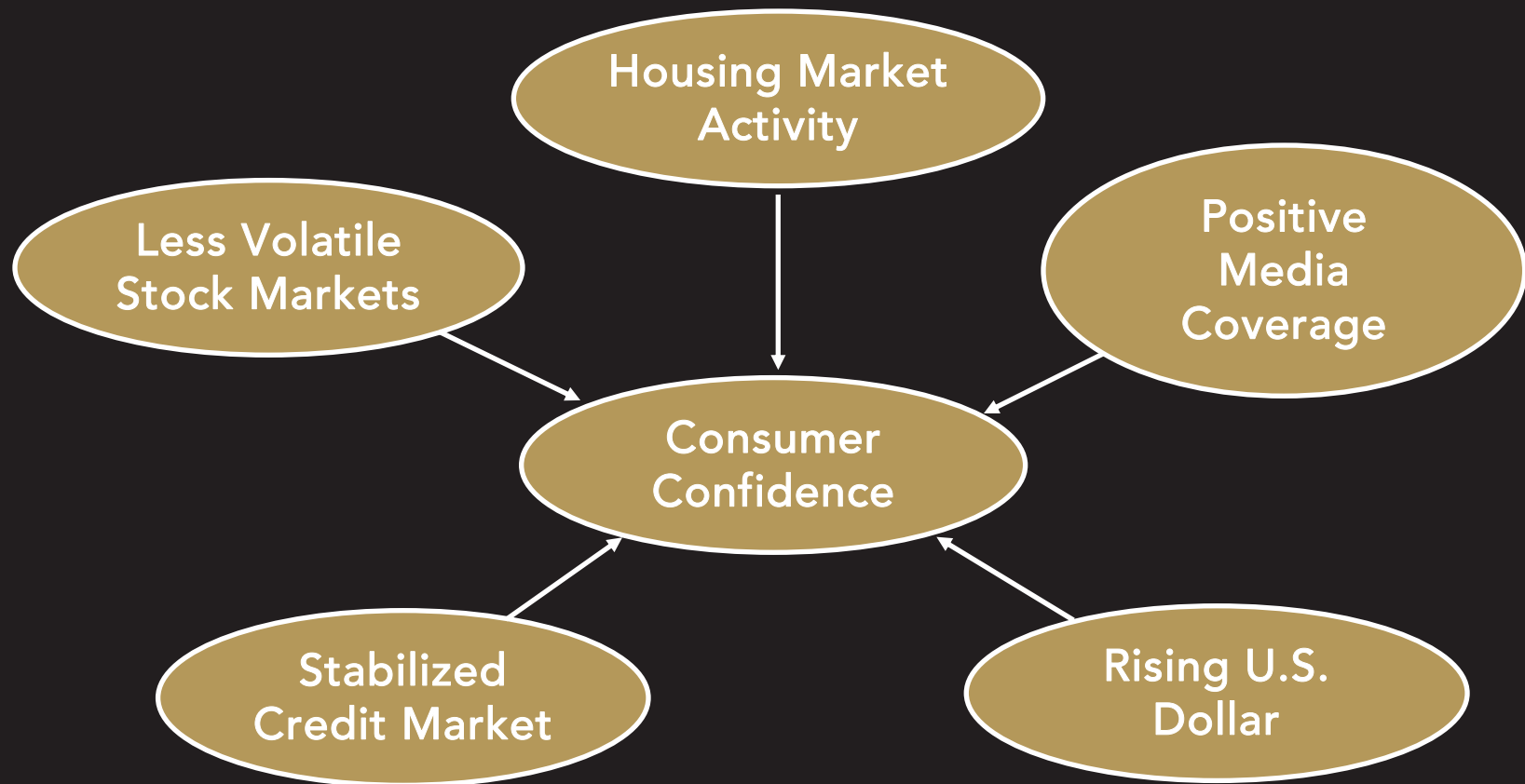
1978 - 2008



*At 11/6/08.

Source: Federal Reserve Board, Delta Associates, 11/6/08.

WHAT WILL REVIVE CONSUMER CONFIDENCE AND THEN THE ECONOMY? AND WHEN?





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Chicago

THE CHICAGO
ECONOMY



PAYROLL JOB GROWTH

LARGE METRO AREAS 12 MONTHS ENDING SEPTEMBER 2008



Source: Bureau of Labor Statistics, Delta Associates; 11/6/08.



CORE INDUSTRIES

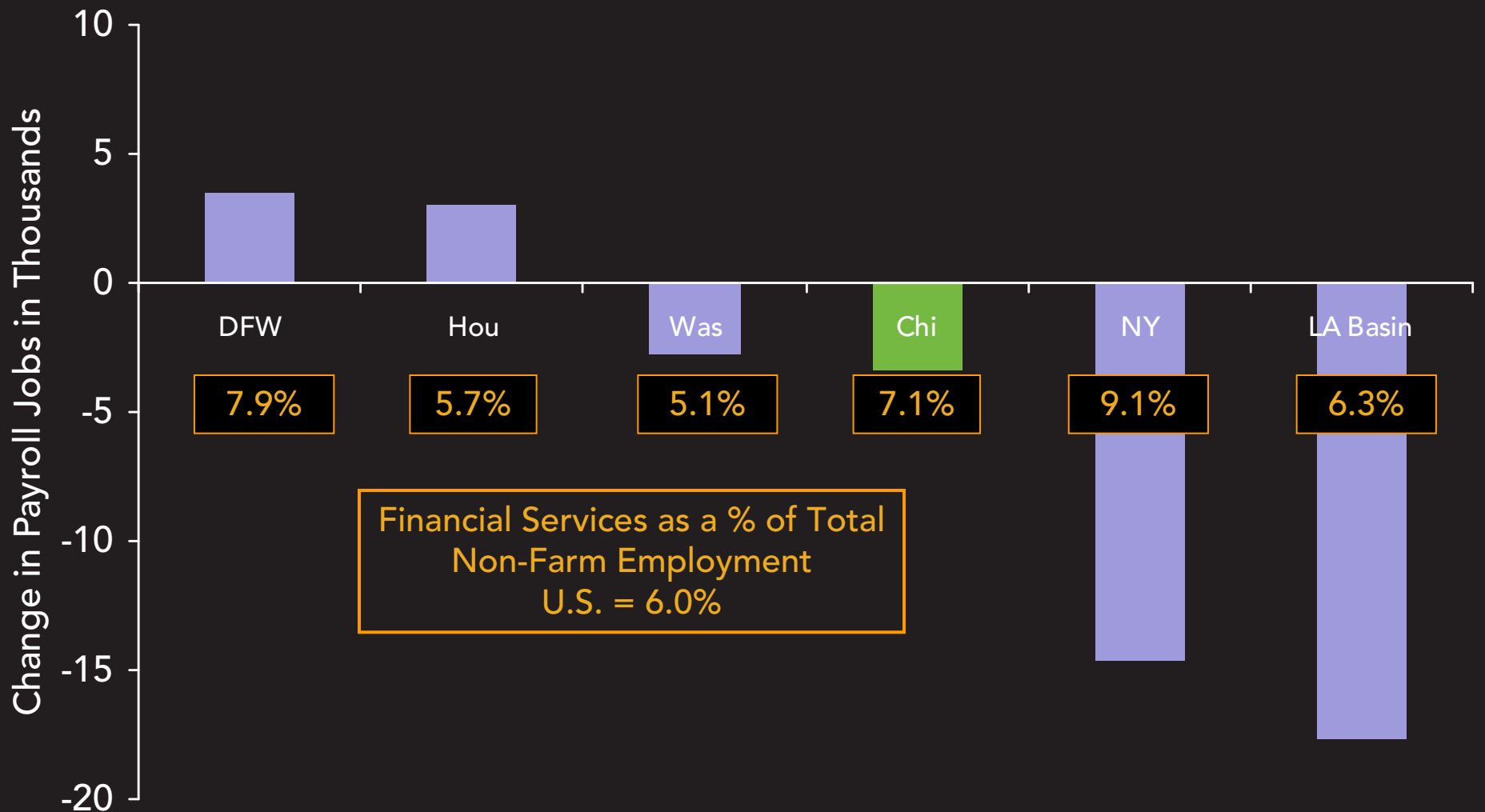
CHICAGO 2007

	<u>\$ (Bil)</u>	<u>% GRP</u>
Financial/Prof./Tech. Services	\$68	16%
Manufacturing	\$37	8%
State & Federal Government	\$33	7%
Education & Health Services	\$29	6%
Construction	\$24	5%
Transportation & Warehouse	\$19	4%
Convention & Hospitality Services	<u>\$16</u>	<u>3%</u>
Total Core Industries:	\$226	49%
Other	\$227	51%
Total GRP	\$453	100%



FINANCIAL SERVICES JOB CHANGE

LARGE METRO AREAS 12 MONTHS ENDING SEPTEMBER 2008

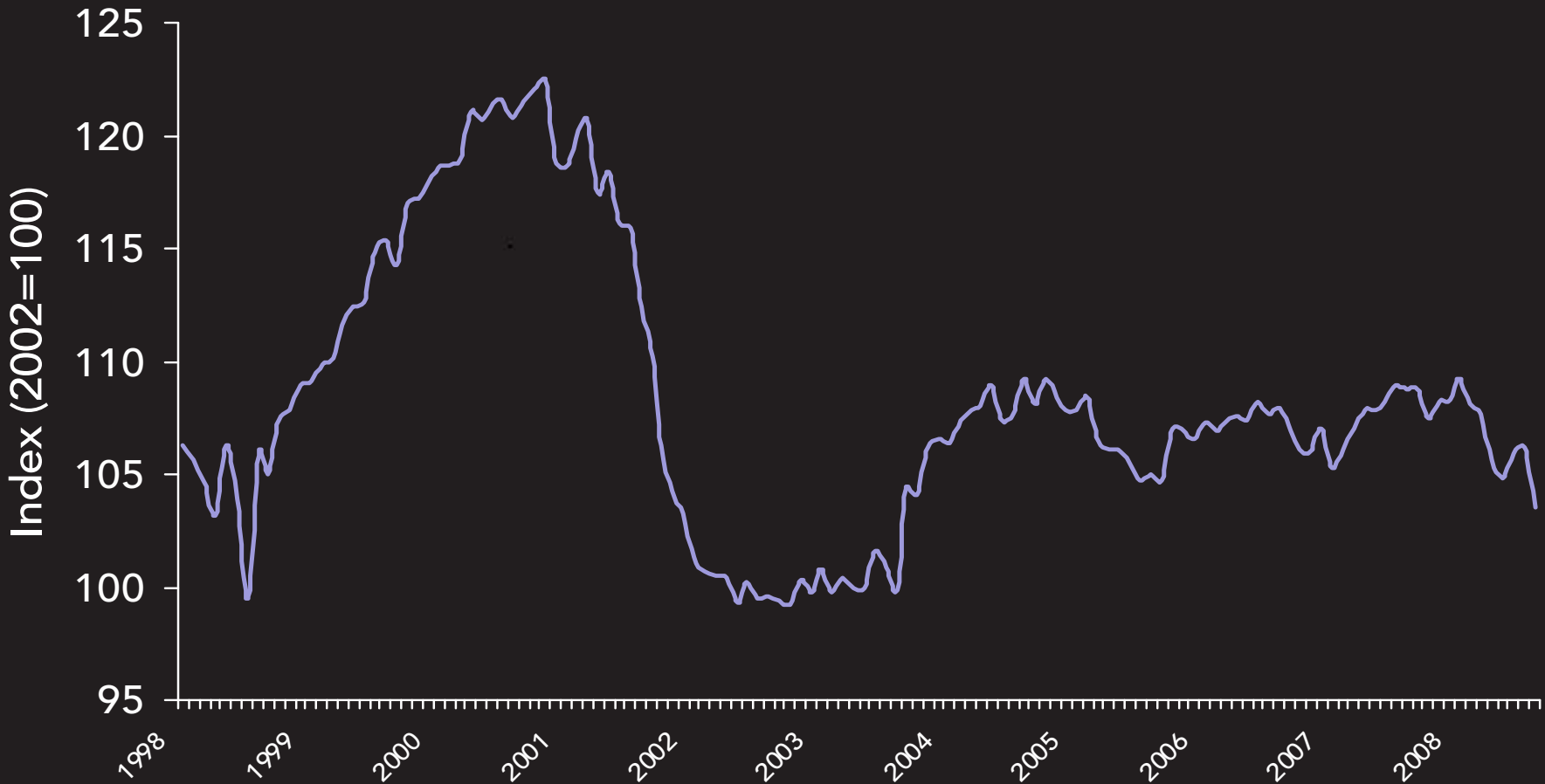


Source: Bureau of Labor Statistics, Delta Associates; 11/6/08.



MANUFACTURING

MIDWEST MANUFACTURING INDEX 1998 – AUGUST 2008

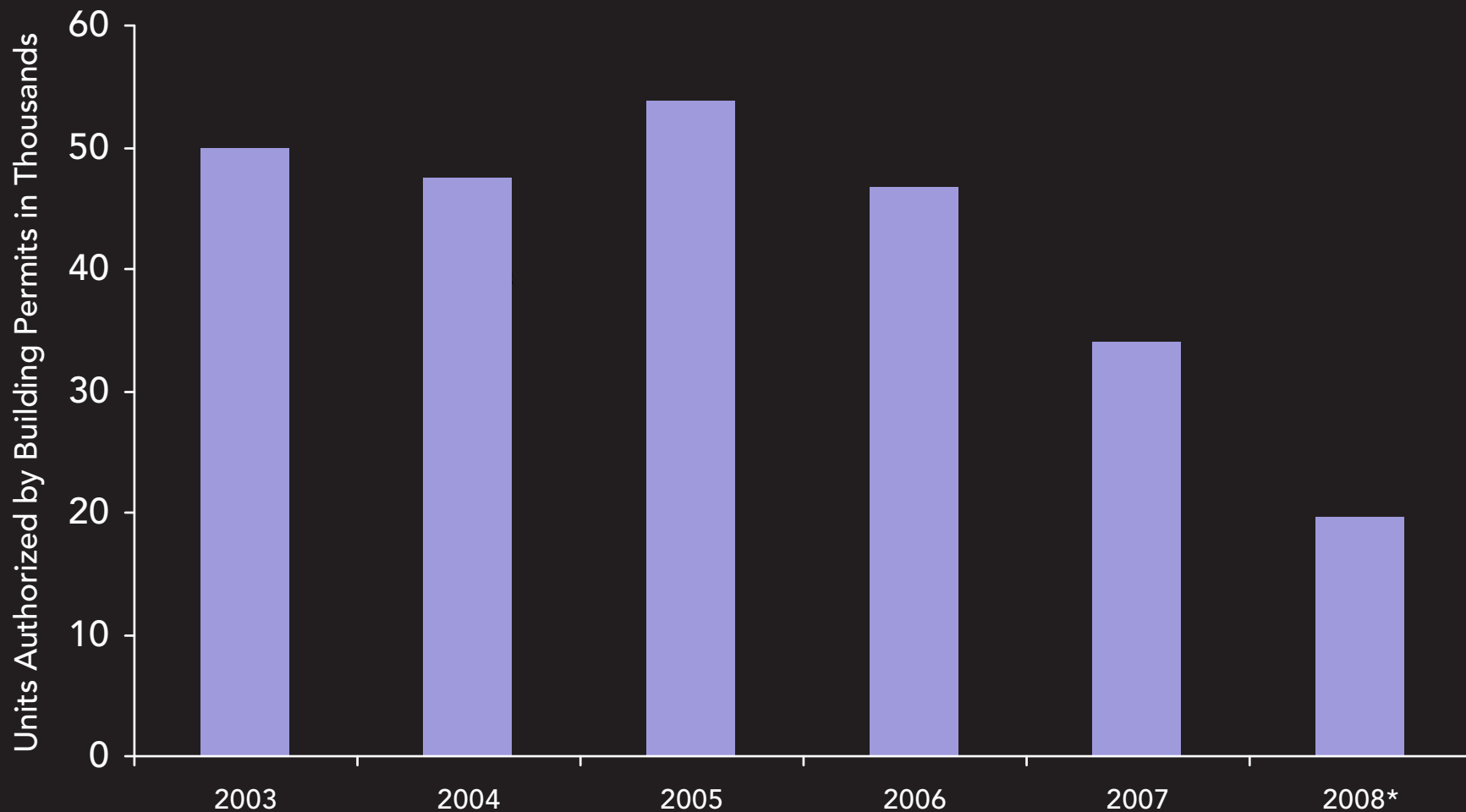


Source: Federal Reserve Bank of Chicago, Delta Associates; 11/6/08.



CONSTRUCTION

NEW RESIDENTIAL UNITS AUTHORIZED IN CHICAGO METRO 2003 – 2008



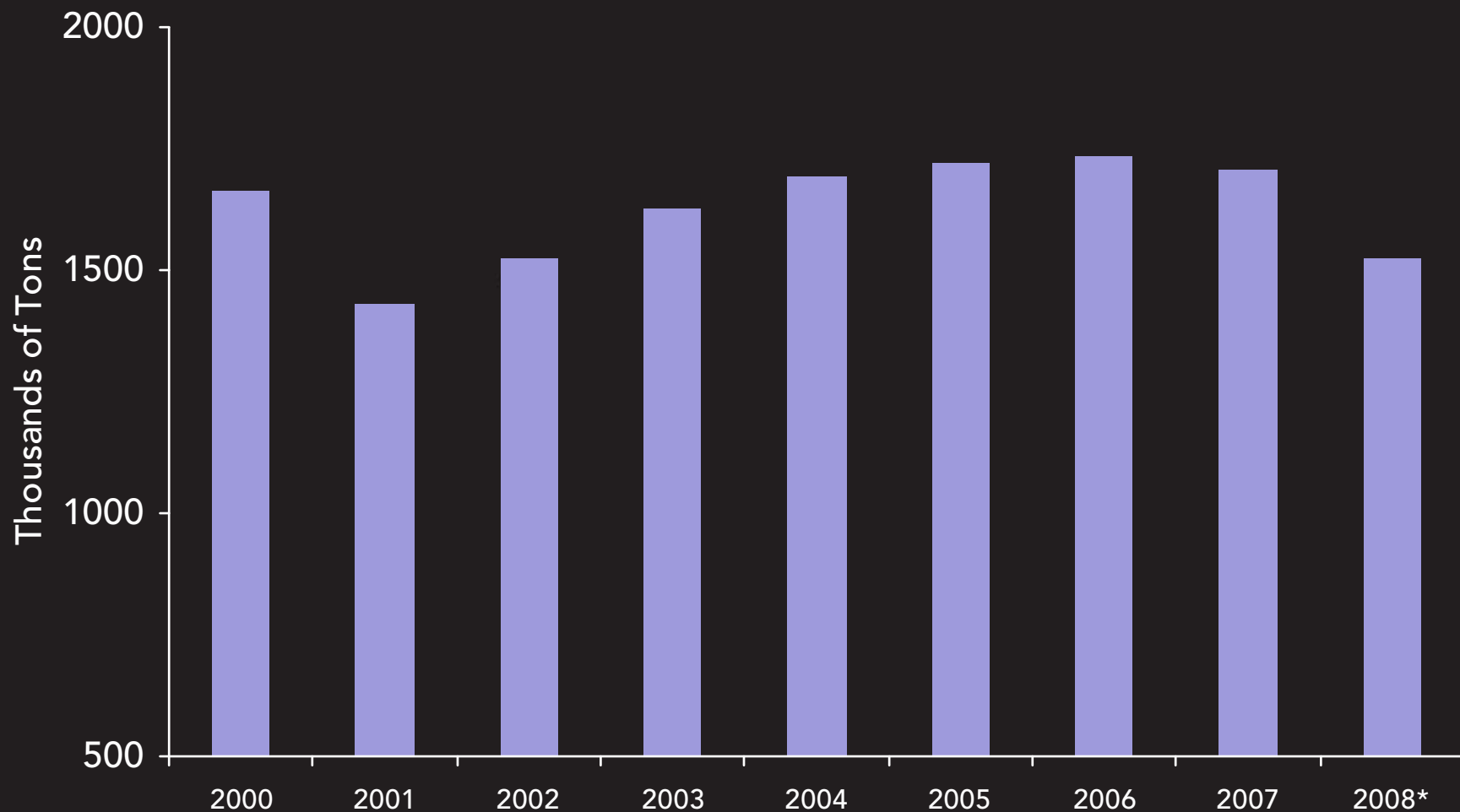
Source: U.S. Census Bureau, Delta Associates; 11/6/08.

*Through August 2008, annualized.



TRANSPORTATION

CARGO VOLUME AT O'HARE AND MIDWAY AIRPORTS 2000 – 2008



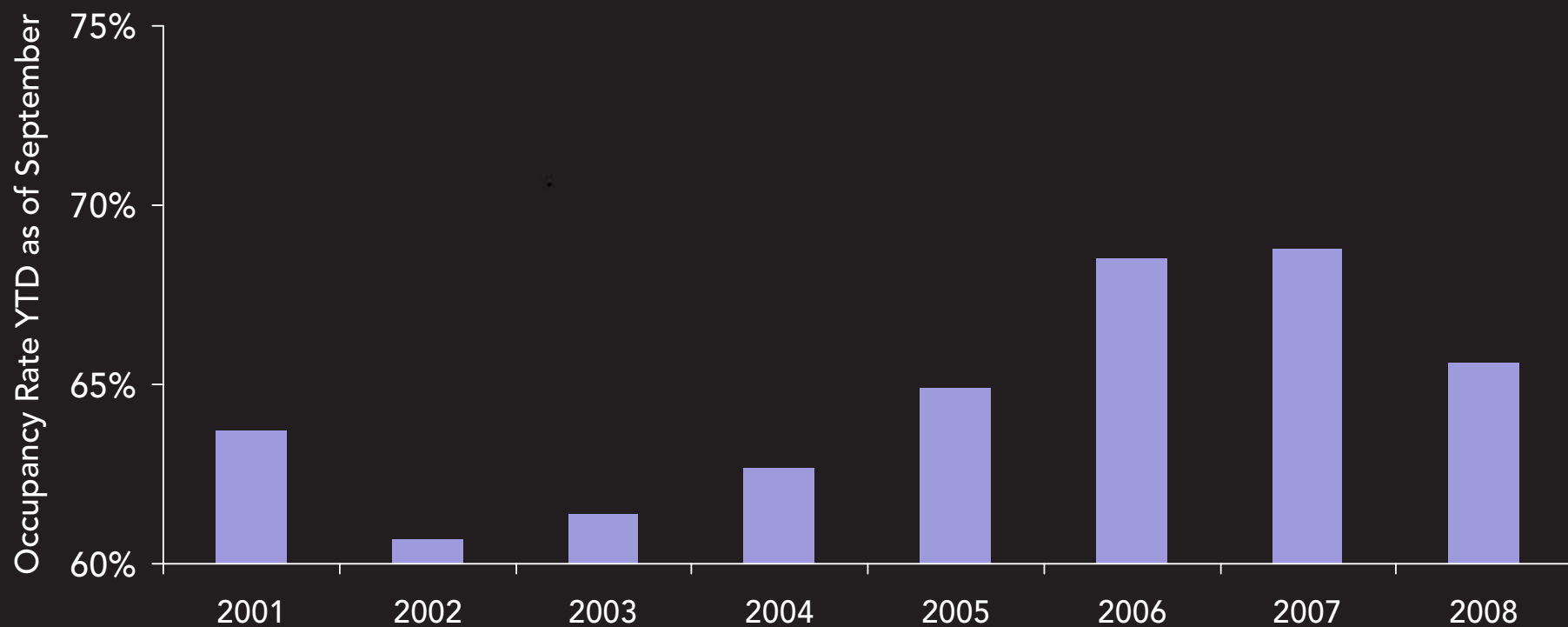
Source: FlyChicago.com, Delta Associates; 11/6/08.

*Through August 2008, annualized.



CONVENTION AND HOSPITALITY

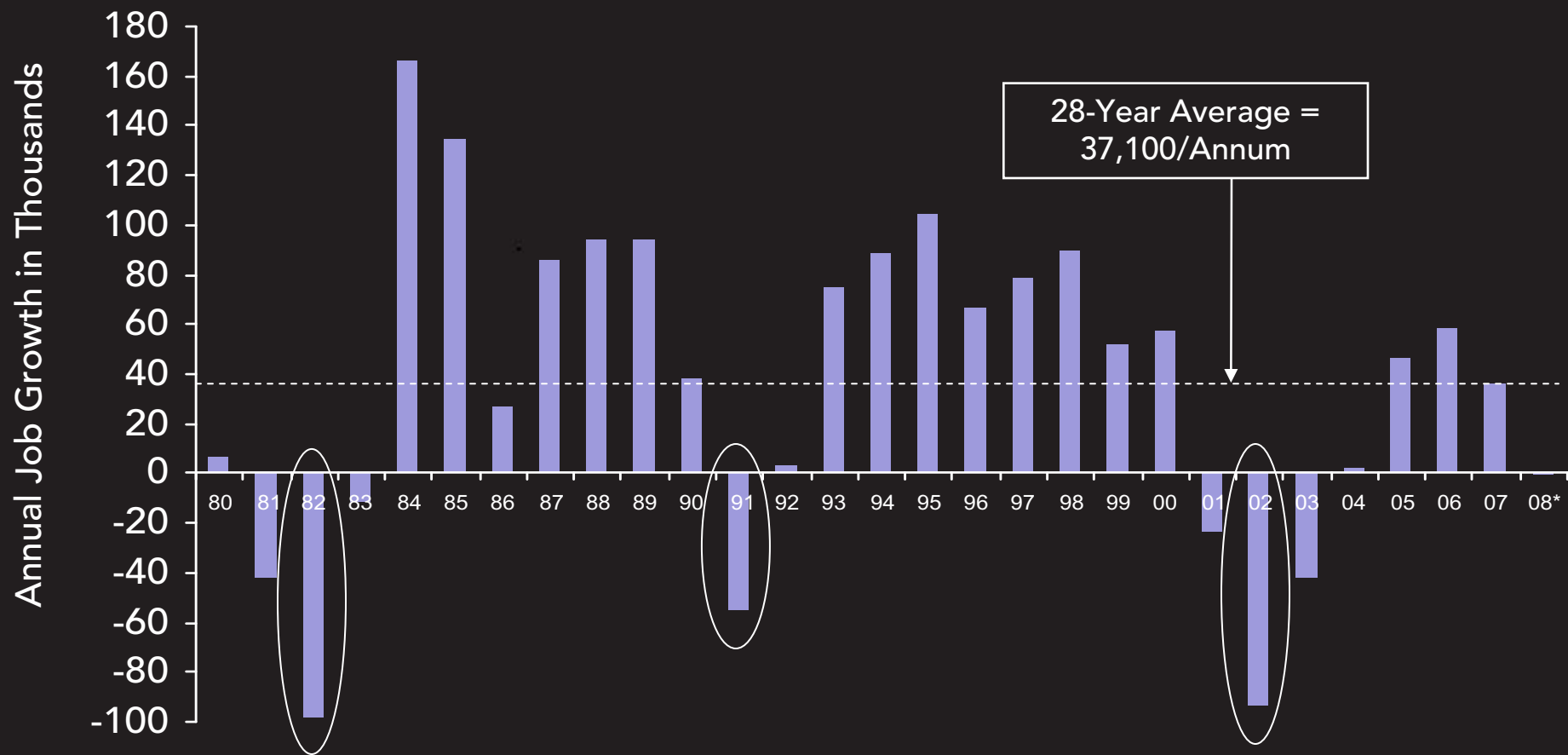
CHICAGO HOTEL OCCUPANCY SEPTEMBER 2001 – SEPTEMBER 2008





PAYROLL JOB TRENDS

CHICAGO 1980 – SEPTEMBER 2008



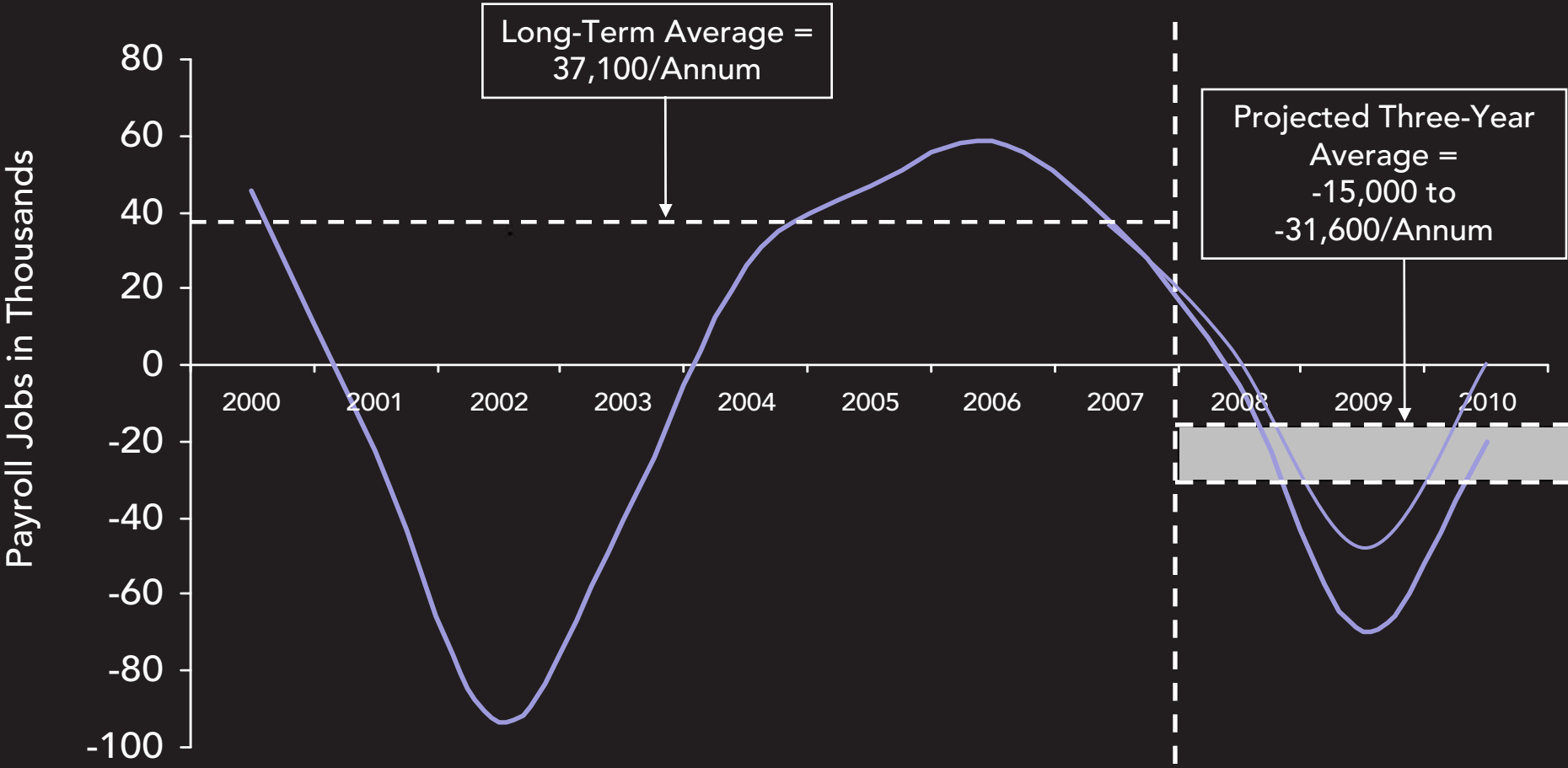
Source: Bureau of Labor Statistics, Delta Associates; 11/6/08.

*12 months ending September 2008.



PAYROLL JOB TRENDS AND FORECAST

CHICAGO 2000 - 2010

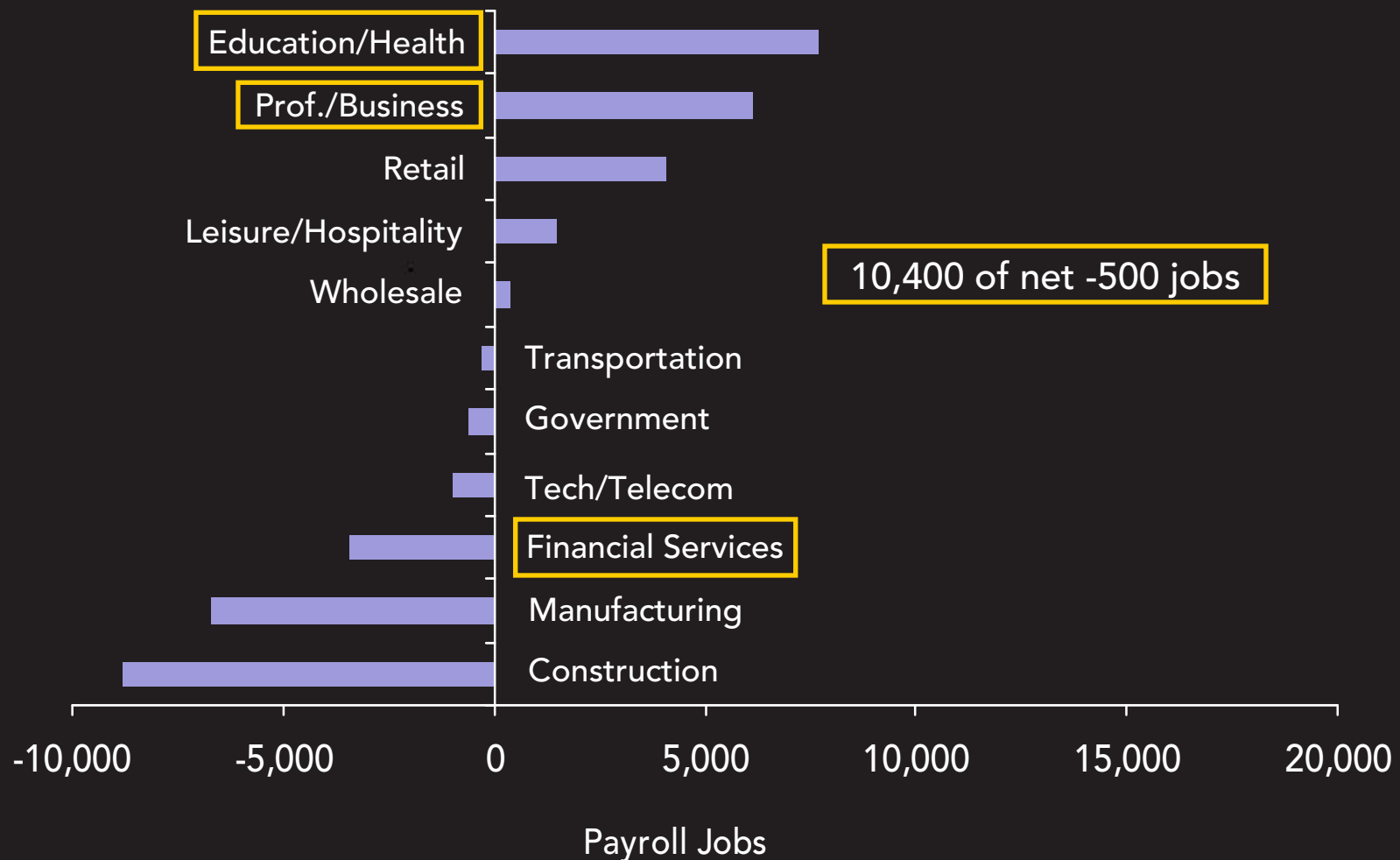


Source: Bureau of Labor Statistics, Delta Associates; 11/6/08.



PAYROLL JOB GROWTH BY SECTOR

CHICAGO 12 MONTHS ENDING SEPTEMBER 2008





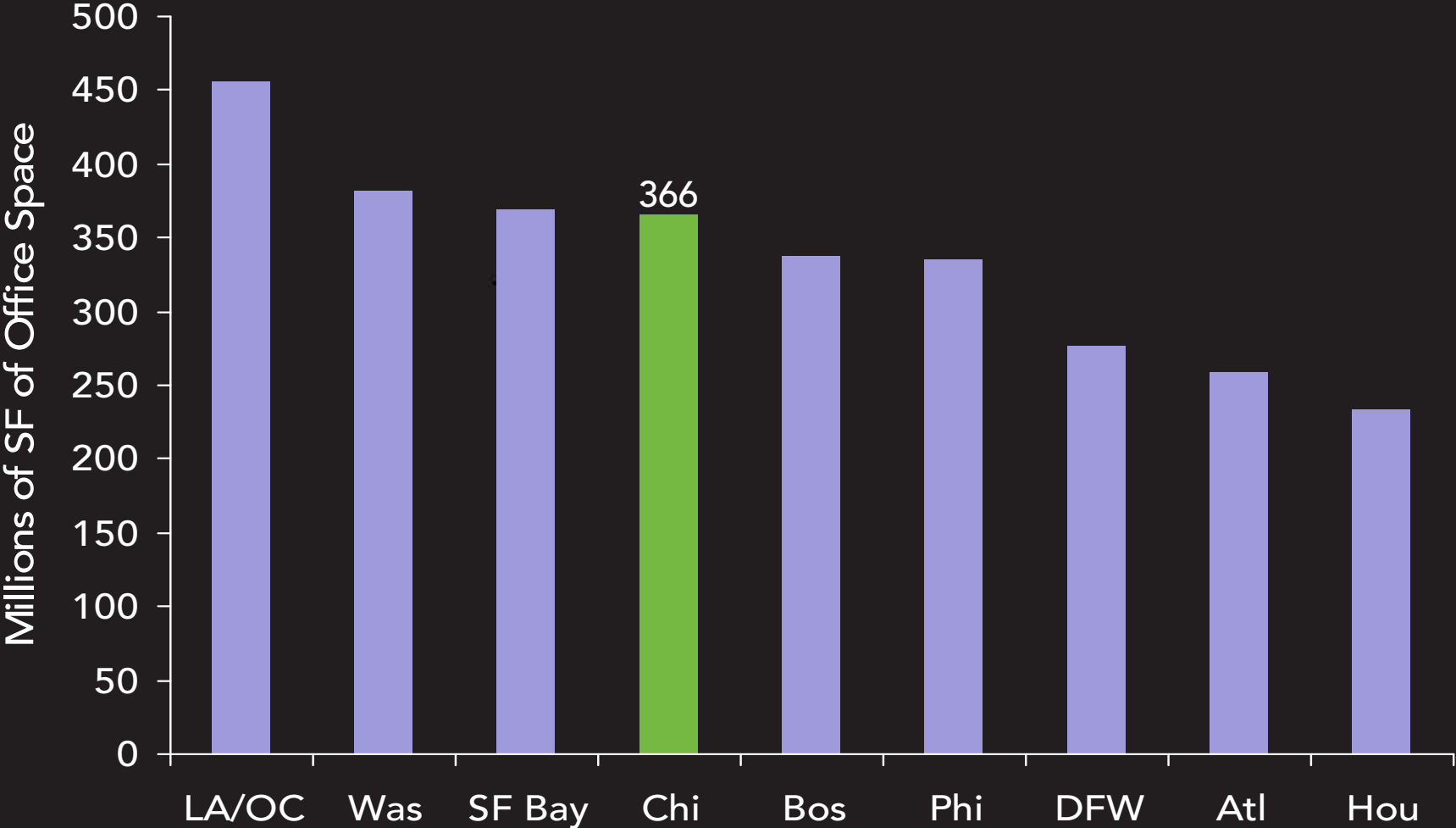
TRENDLINES[®] 2008
Chicago

THE CHICAGO
OFFICE MARKET



LARGEST U.S. OFFICE MARKETS

2008



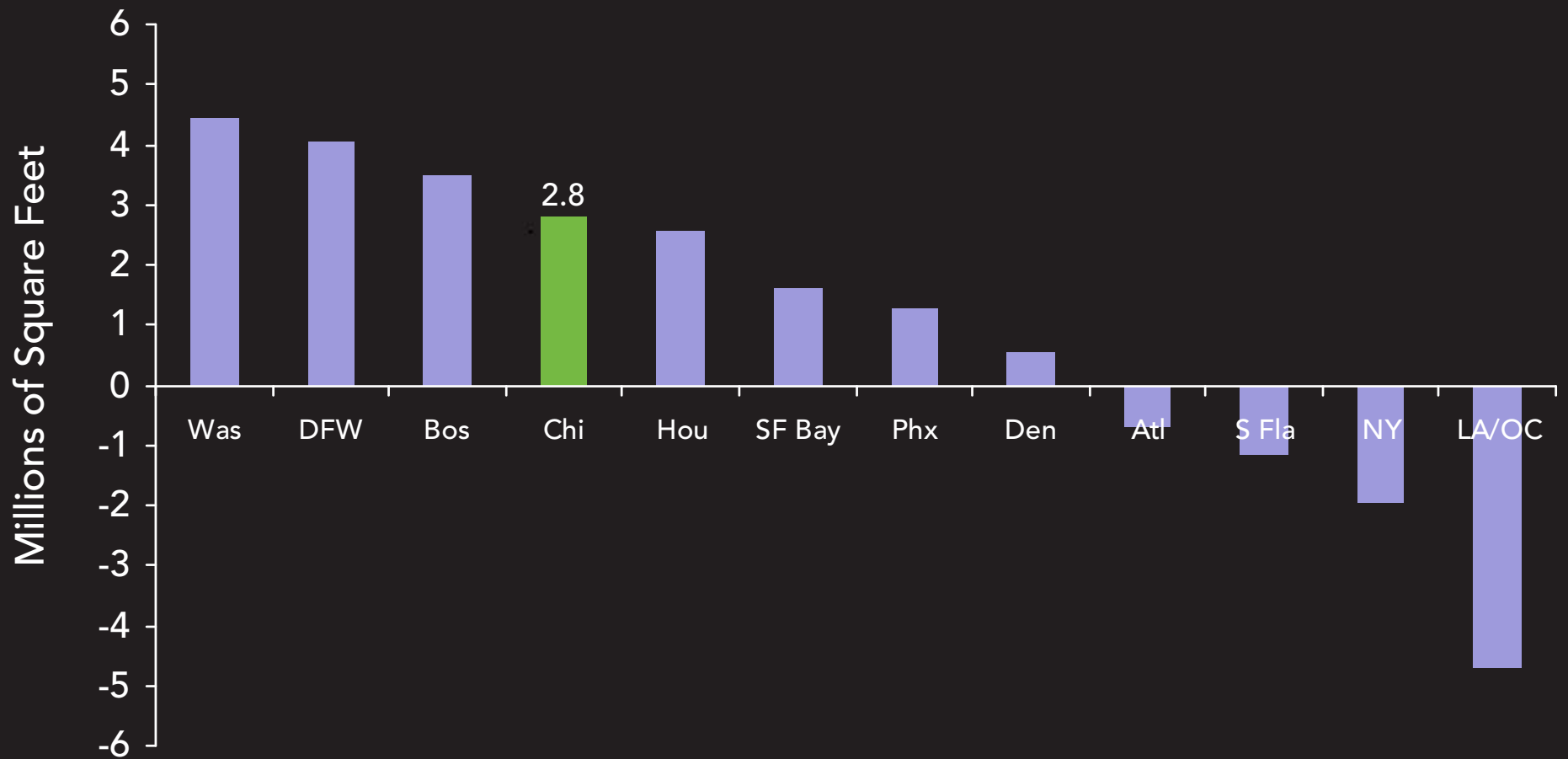
Source: CoStar, Delta Associates; 11/6/08.

Note: Excludes New York at 982 million SF.



NET ABSORPTION OF OFFICE SPACE

SELECT METRO AREAS JANUARY – SEPTEMBER 2008, ANNUALIZED

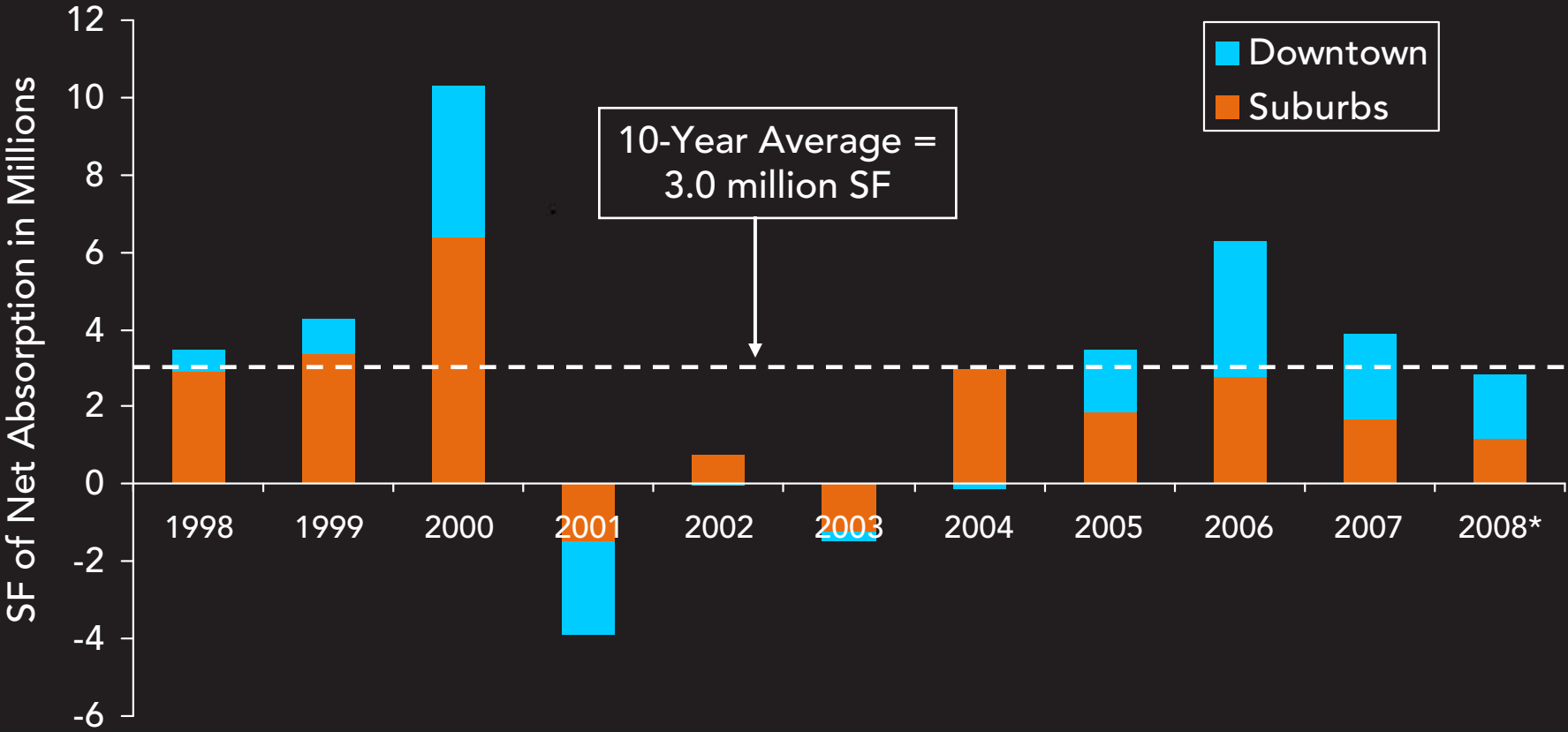


Source: CoStar, Delta Associates; 11/6/08.



OFFICE NET ABSORPTION

CHICAGO 1998 – 2008



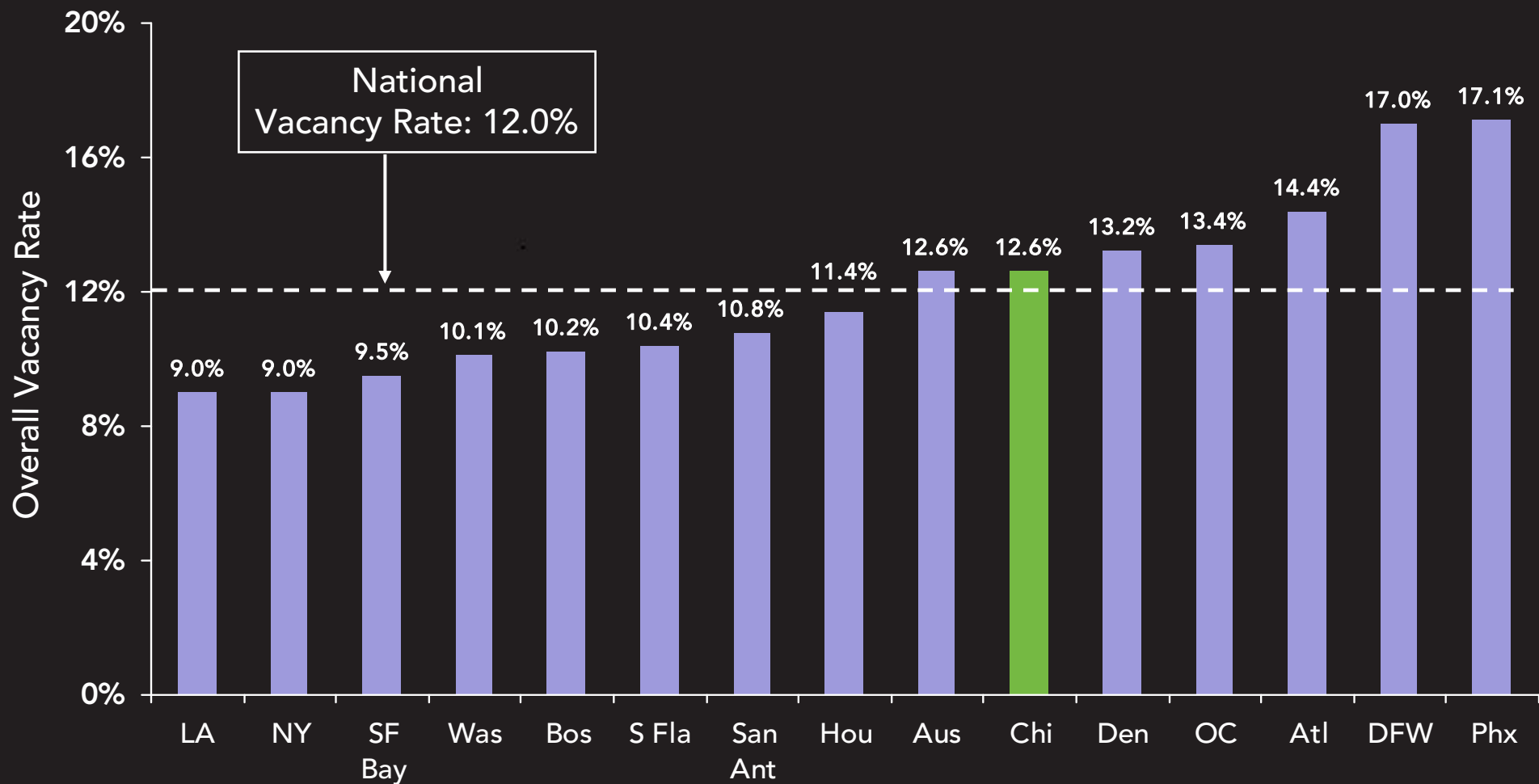
Source: CoStar, Delta Associates; 11/6/08.

*Through 3rd quarter, annualized.



OFFICE VACANCY RATES

SELECT METRO AREAS 3RD QUARTER 2008

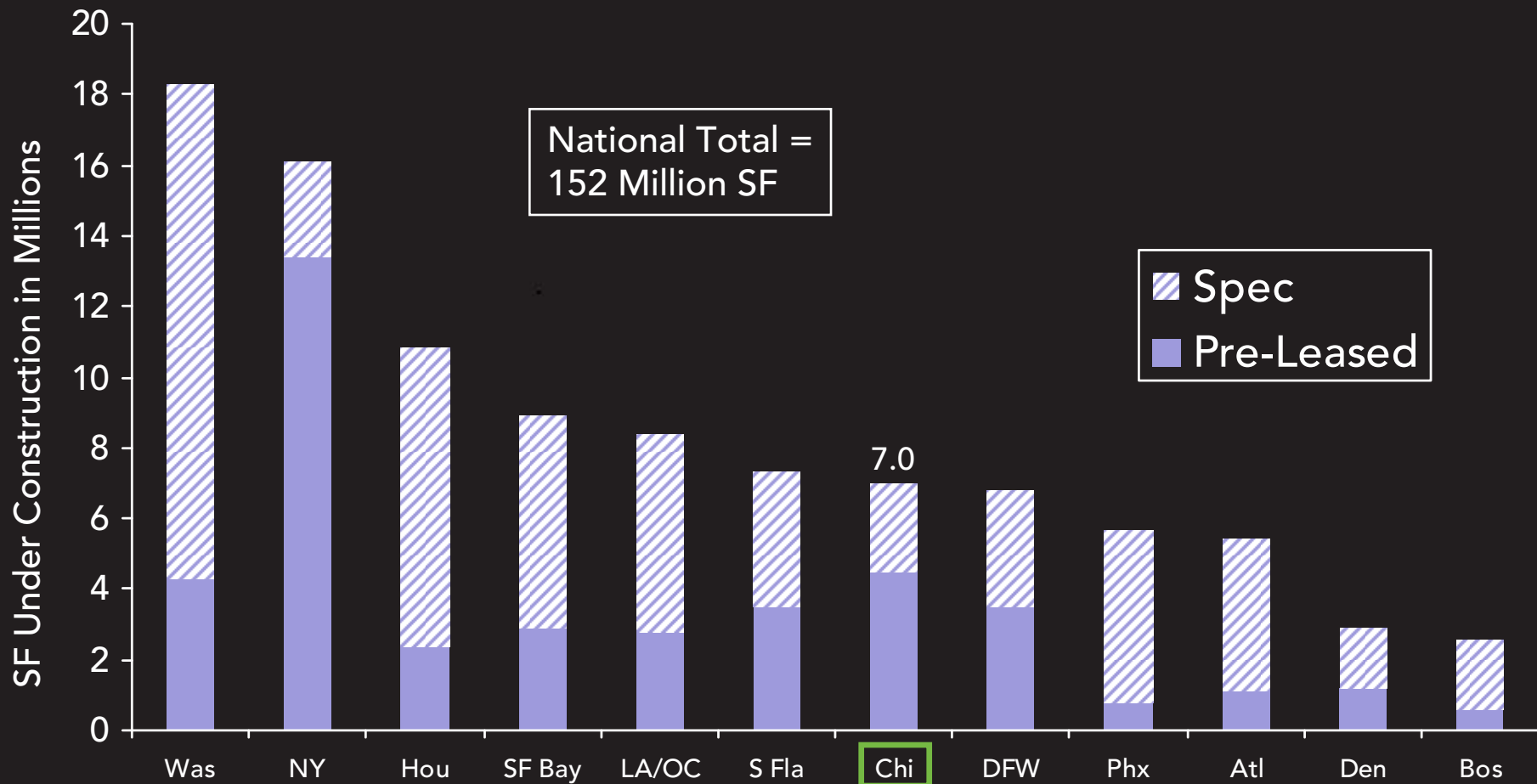


Source: CoStar, Delta Associates; 11/6/08.



OFFICE SPACE UNDER CONSTRUCTION

SELECT METRO AREAS SEPTEMBER 2008



% of Inventory: 1.9%
Years of Supply*: 2.3

Source: CoStar, Delta Associates; 11/6/08.

*At long-term absorption pace.



OFFICE SPACE ABSORPTION & DELIVERIES

CHICAGO 24 MONTHS ENDING SEPTEMBER 2010



■ = Net Absorption

-1.5 million SF / year =
-3.0 million SF total

■ = Deliveries

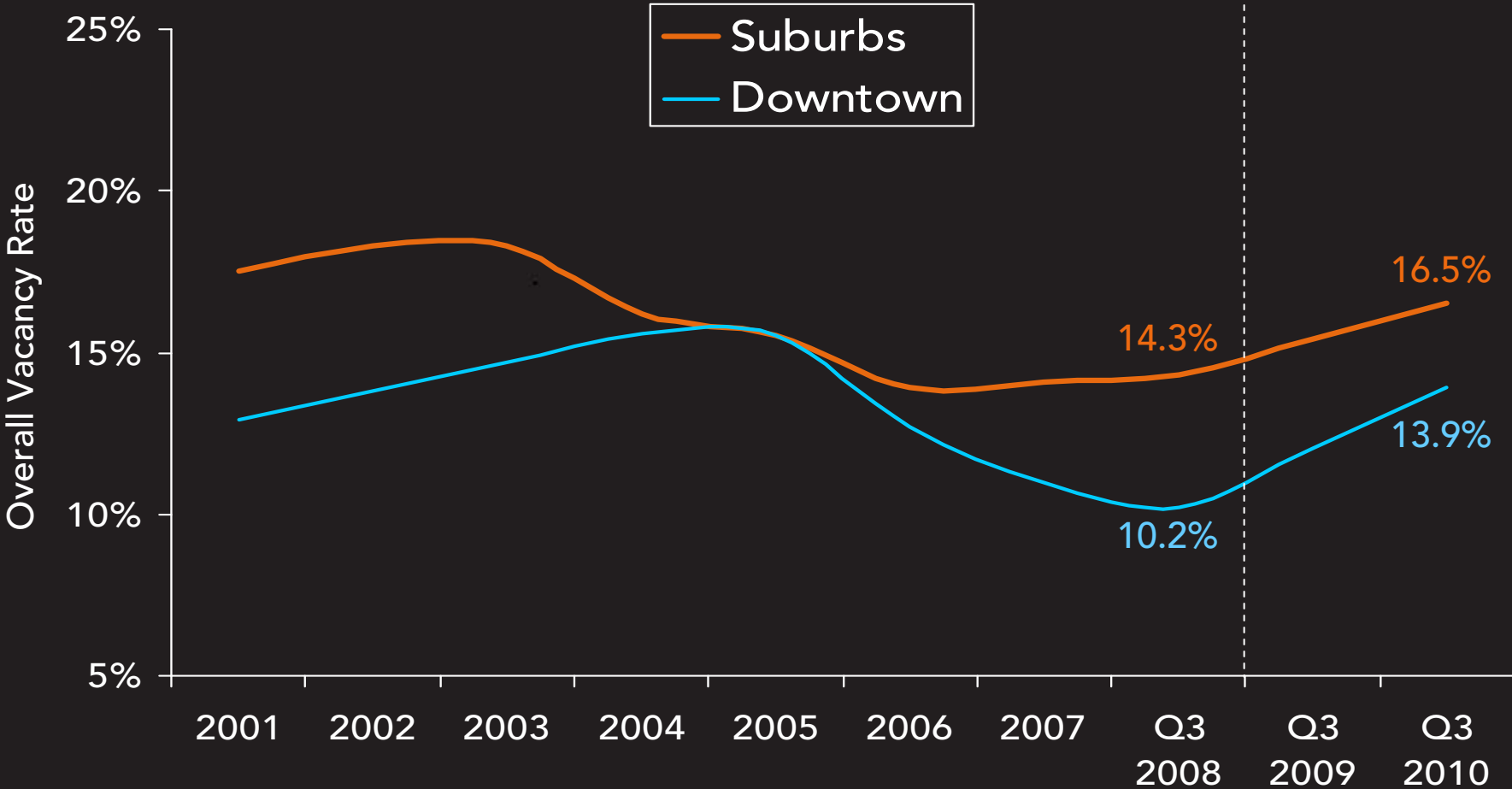
- Planned and may deliver by 9/10:
1.7 million SF
- U/C and will deliver by 9/10:
7.0 million SF

Total = 8.7 million SF



OFFICE VACANCY RATES

CHICAGO 2001 – SEPTEMBER 2010



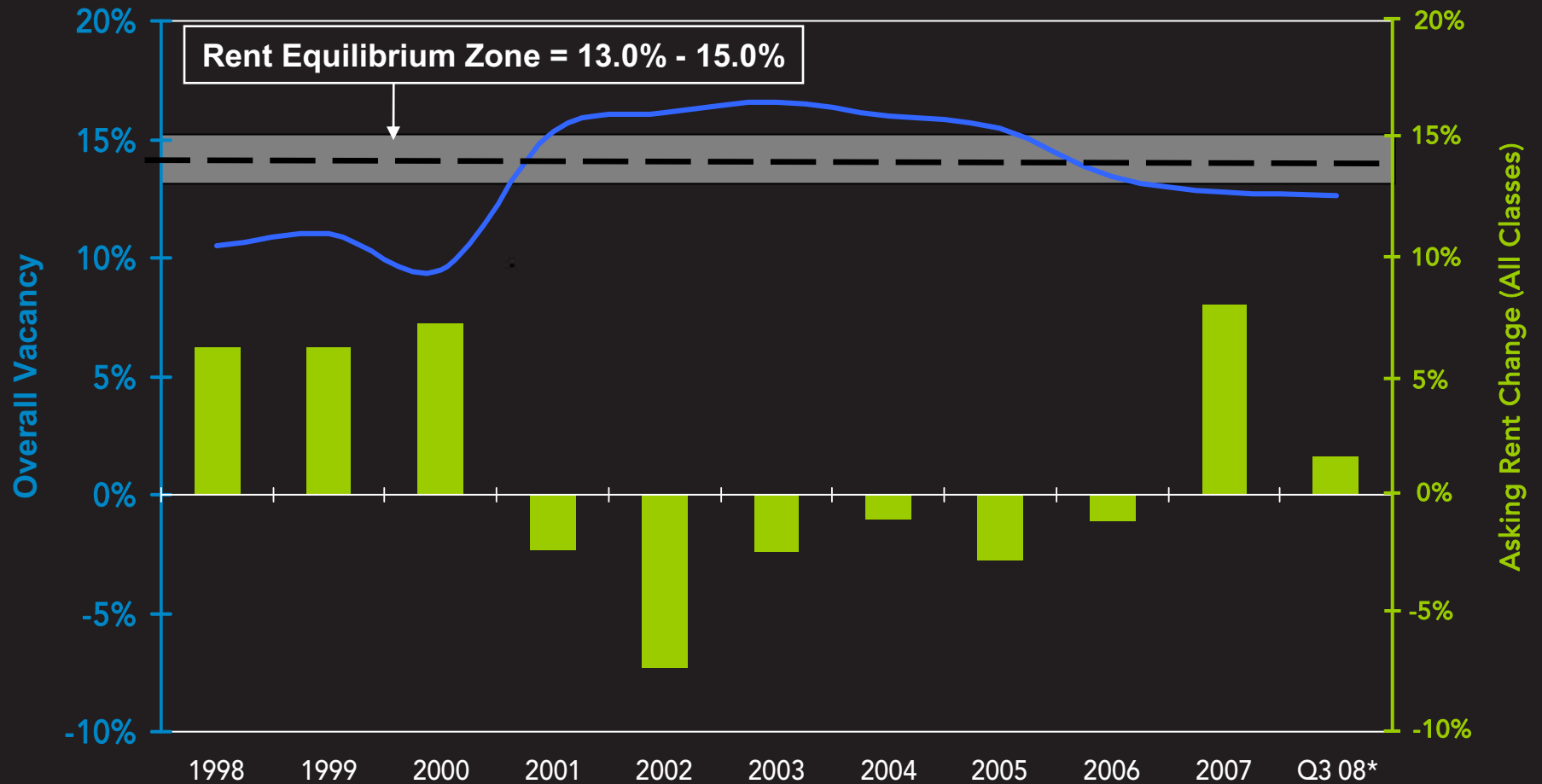
Metro Chicago	2001	2002	2003	2004	2005	2006	2007	Q3 2008	Q3 2009	Q3 2010
	15.3%	16.2%	16.6%	16.0%	15.5%	13.4%	13.0%	12.6%	14.0%	15.4%

Source: CoStar, Delta Associates; 11/6/08.



OVERALL VACANCY RATE vs. ASKING RENT CHANGE

CHICAGO METRO AREA 1998 – 3RD QUARTER 2008



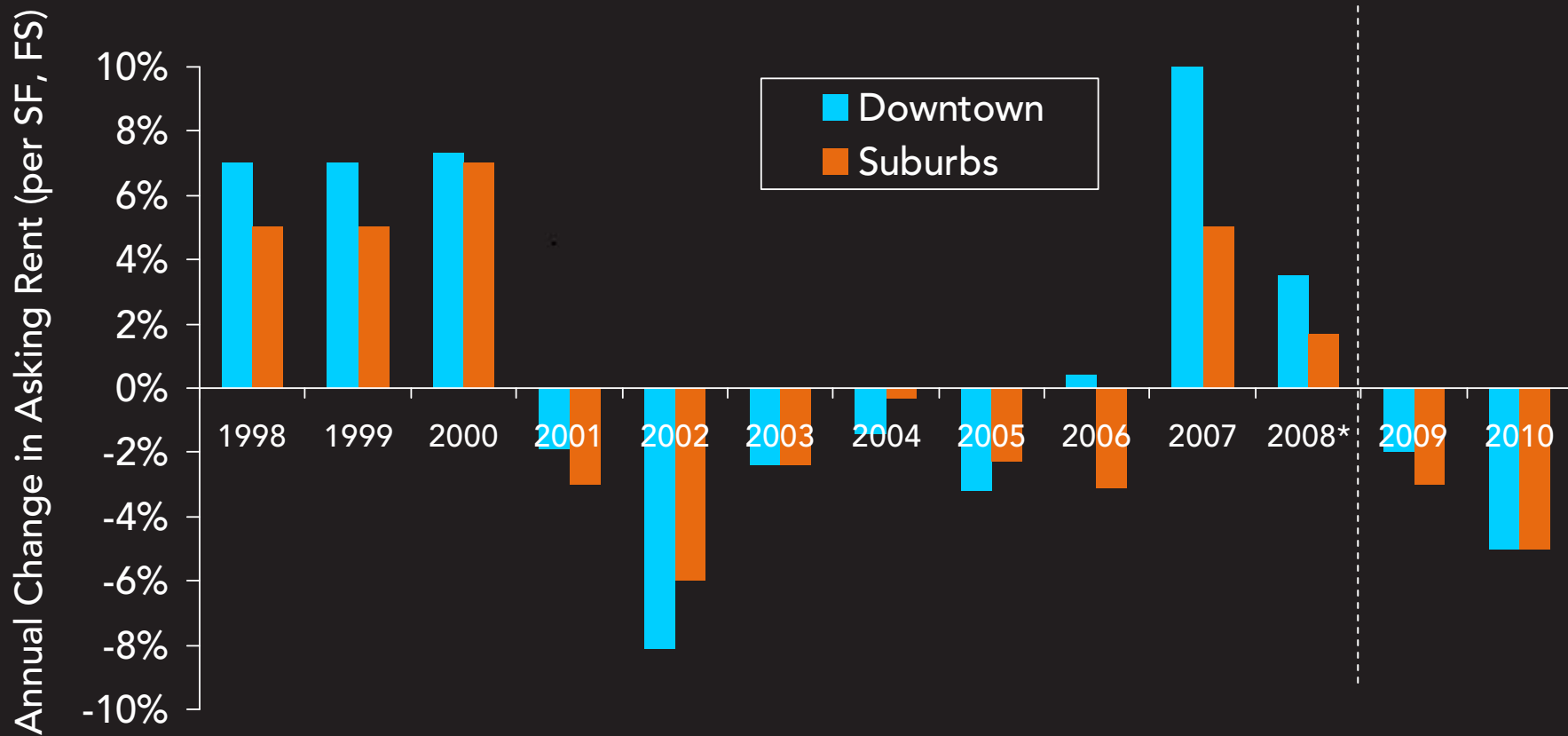
Source: CoStar, Delta Associates; 11/6/08.

*Rent growth through 3rd quarter, annualized.



CLASS A OFFICE RENT GROWTH

CHICAGO ALL SUBMARKETS 1998 - 2010



Source: CoStar, Delta Associates; 11/6/08.

*YTD through September, annualized.



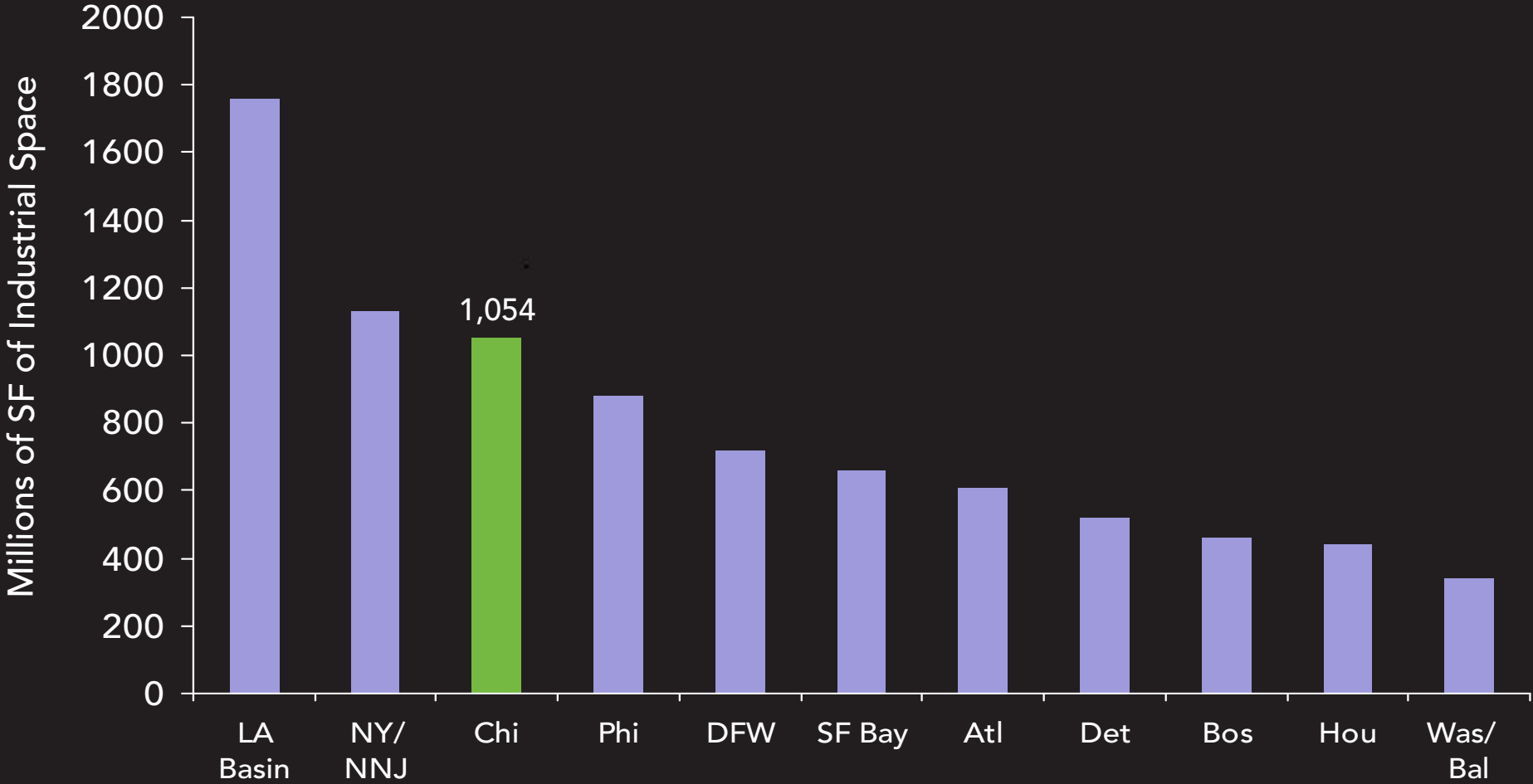
TRENDLINES[®] 2008
Chicago

THE CHICAGO
INDUSTRIAL
MARKET



LARGEST U.S. INDUSTRIAL MARKETS

2008

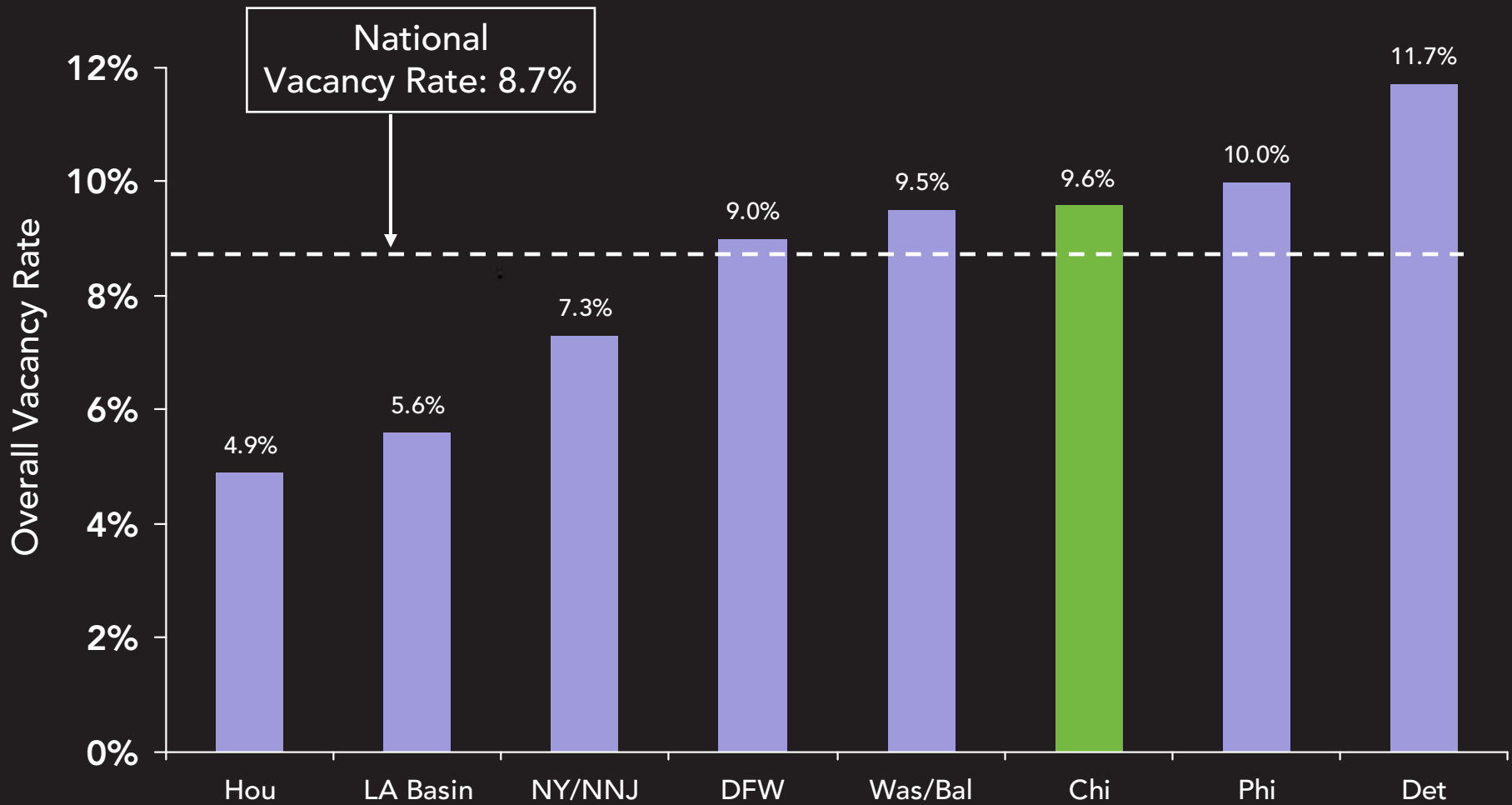


Source: CoStar, Delta Associates; 11/6/08.



INDUSTRIAL VACANCY RATES

SELECT METRO AREAS 3RD QUARTER 2008

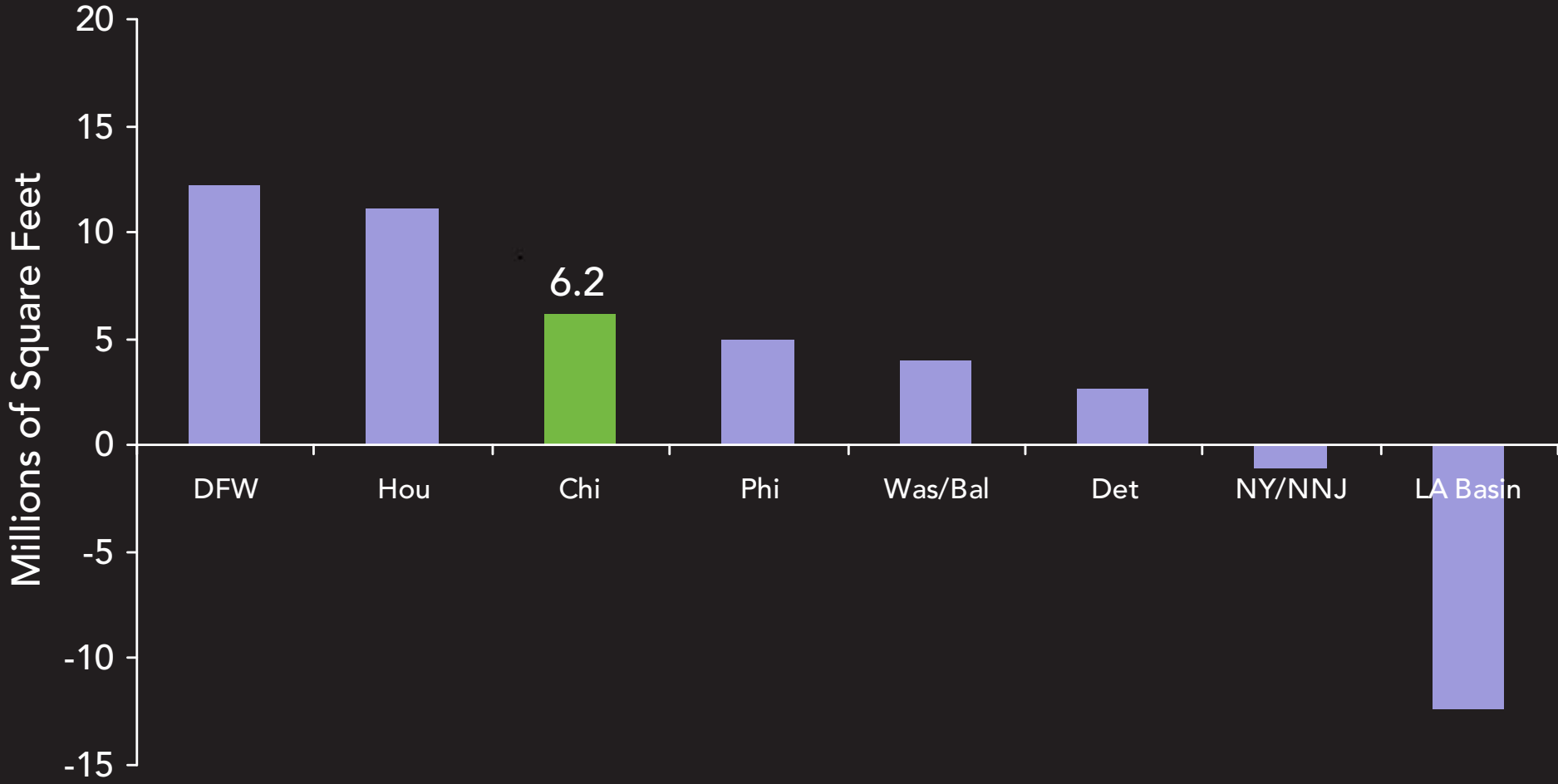


Source: CoStar, Delta Associates; 11/6/08.



NET ABSORPTION OF INDUSTRIAL SPACE

SELECT METRO AREAS JANUARY – SEPTEMBER 2008, ANNUALIZED

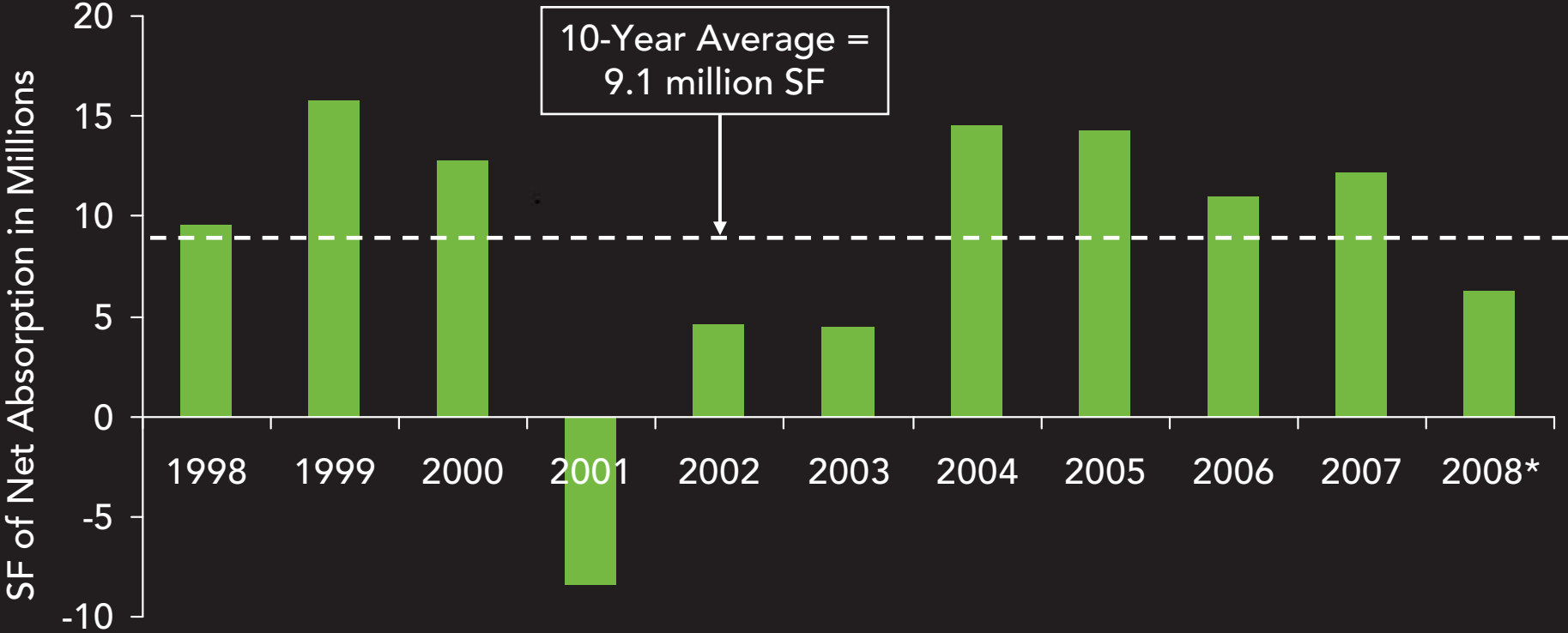


Source: CoStar, Delta Associates; 11/6/08.



INDUSTRIAL NET ABSORPTION

CHICAGO 1998 – SEPTEMBER 2008



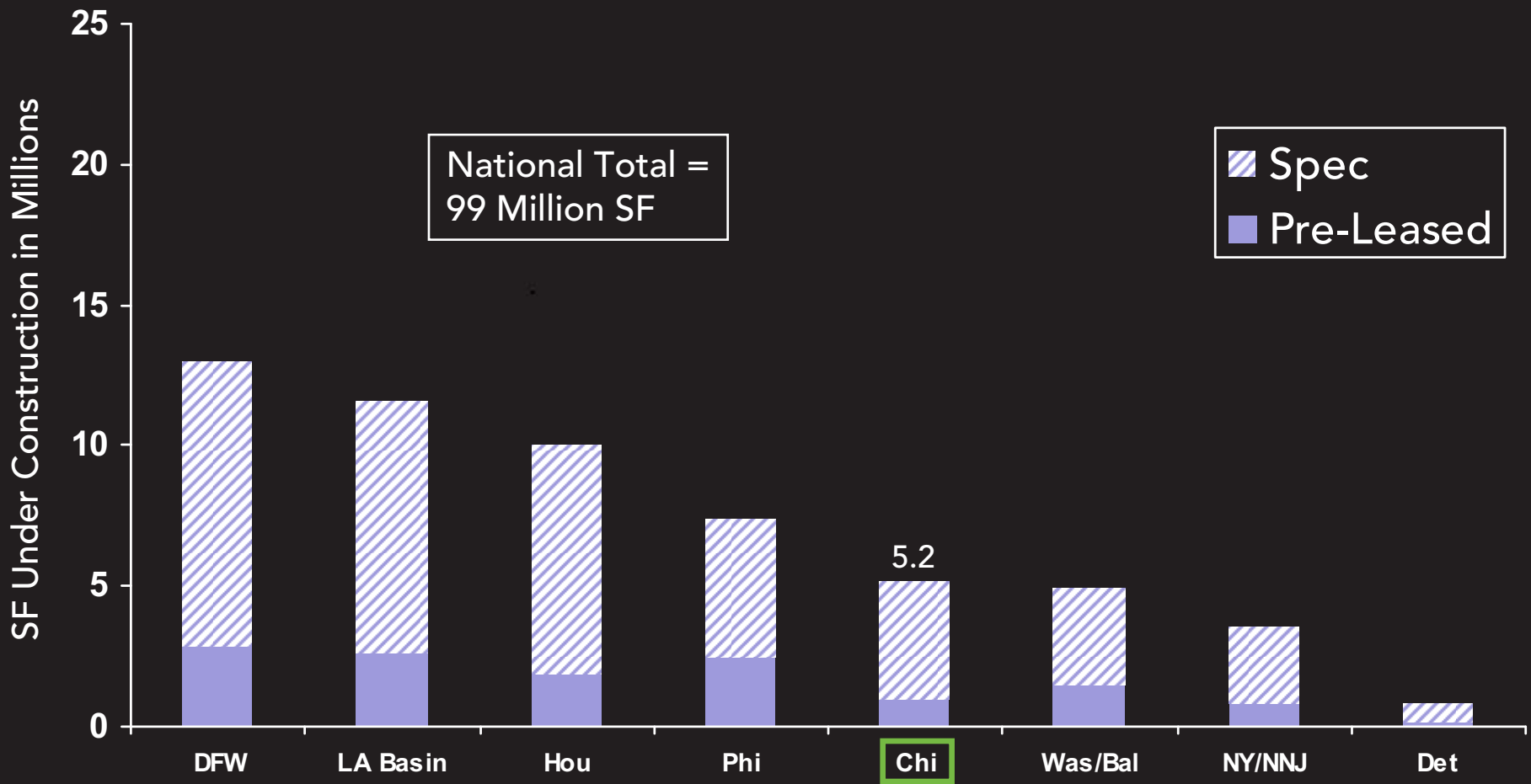
Source: CoStar, Delta Associates; 11/6/08.

*YTD through September, annualized.



INDUSTRIAL SPACE UNDER CONSTRUCTION

SELECT METRO AREAS SEPTEMBER 2008



% of Inventory: 0.5%
Years of Supply*: 0.6

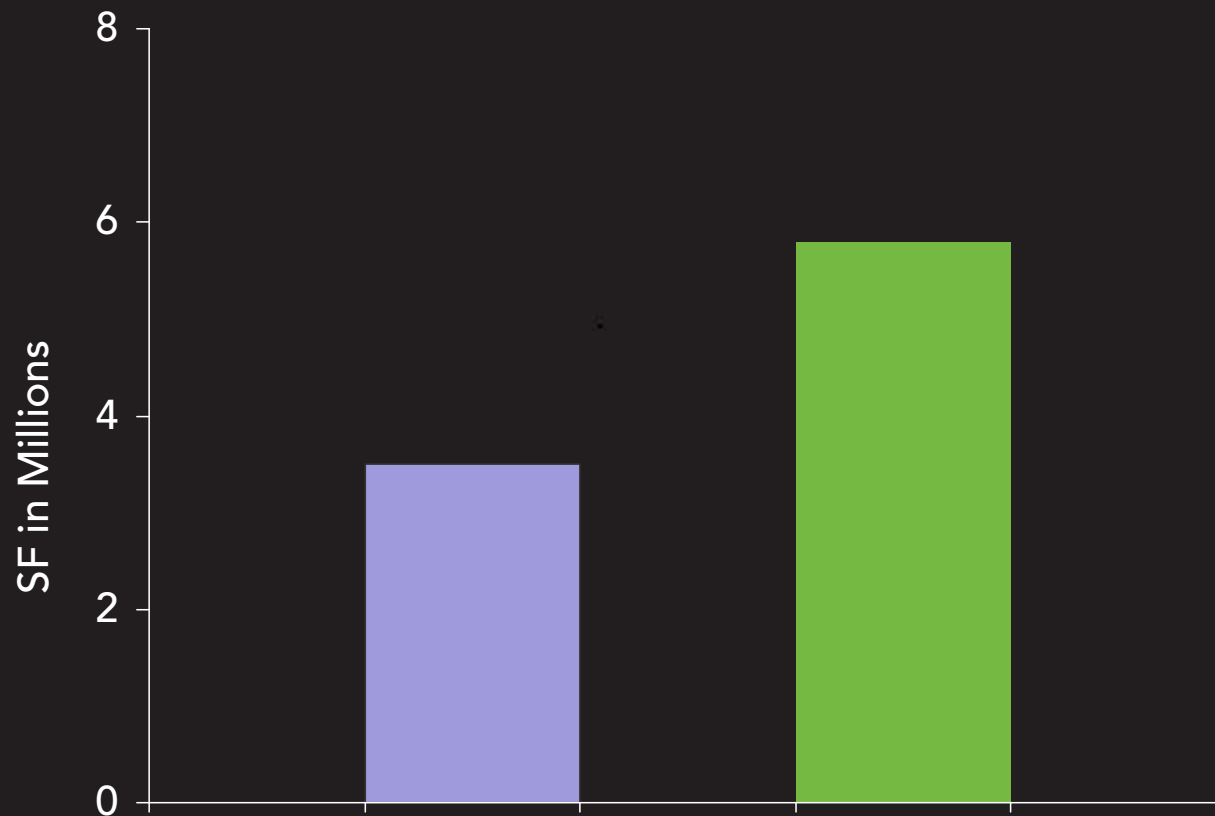
Source: CoStar, Delta Associates; 11/6/08.

*At long-term absorption pace.



INDUSTRIAL SPACE ABSORPTION & DELIVERIES

CHICAGO 12 MONTHS ENDING SEPTEMBER 2009



 = Net Absorption

3.5 million SF

 = Deliveries

- Planned and may deliver by 9/09: 0.6 million SF

- U/C = 5.2 million SF

Total = 5.8 million SF



INDUSTRIAL VACANCY RATES

CHICAGO 2000 – SEPTEMBER 2009

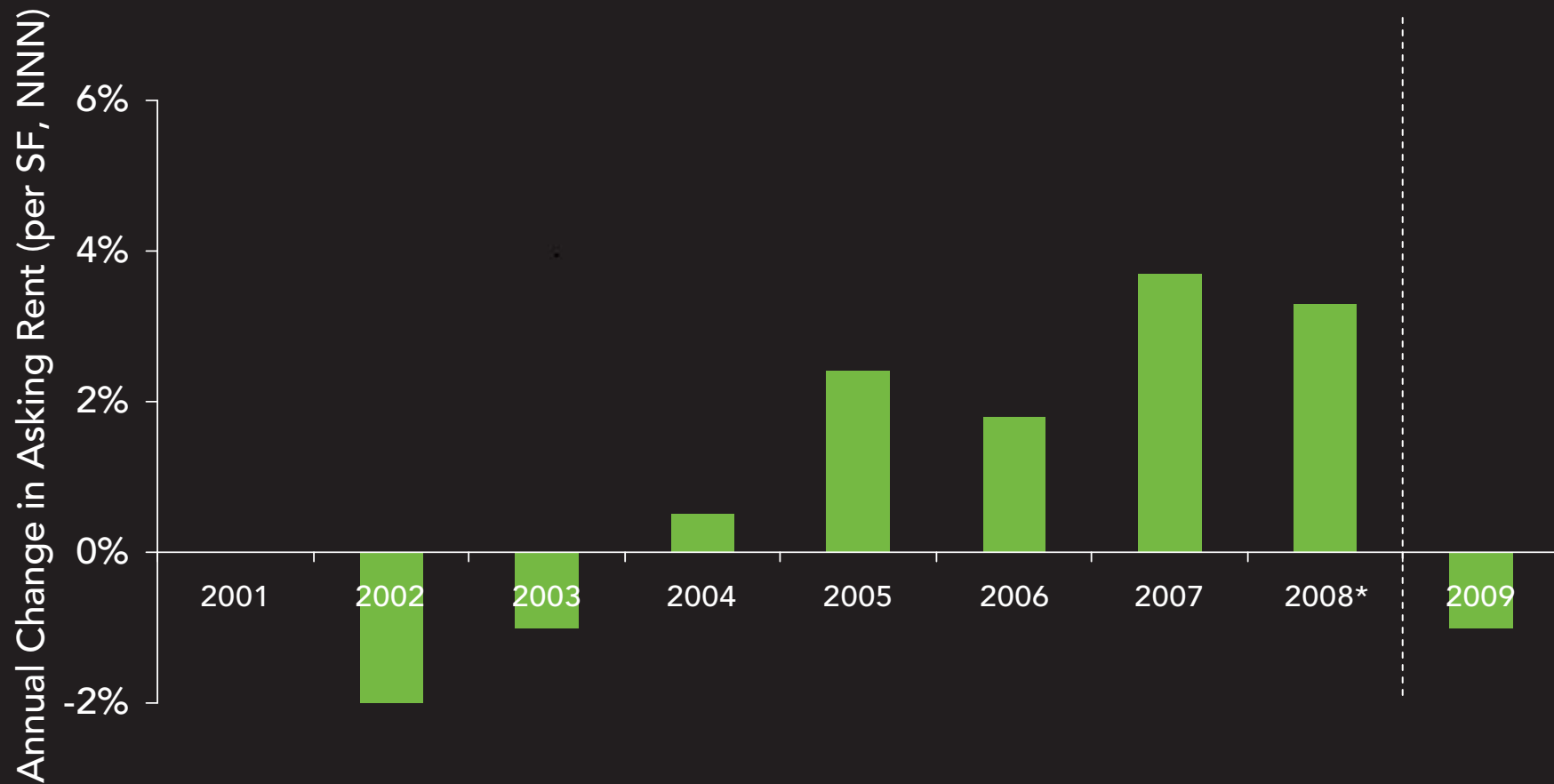


Source: CoStar, Delta Associates; 11/6/08.



ANNUAL INDUSTRIAL RENT GROWTH

CHICAGO ALL SUBMARKETS 2001 – 2009



Source: CoStar, Delta Associates; 11/6/08.

*Through 3rd quarter, annualized.



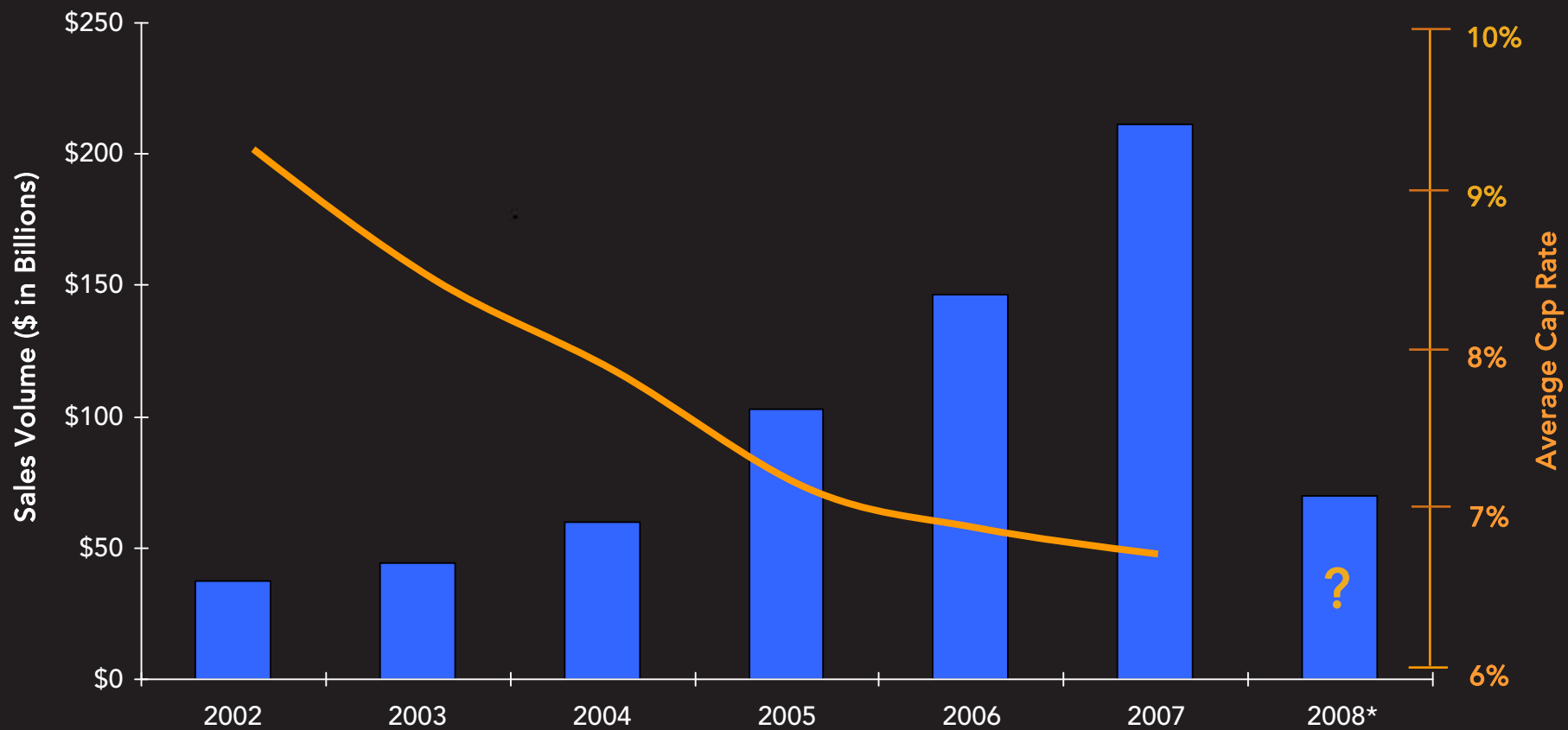
TRENDLINES[®] 2008
Chicago

INVESTMENT
SALES



U.S. OFFICE INVESTMENT SALES

2002 – 2008



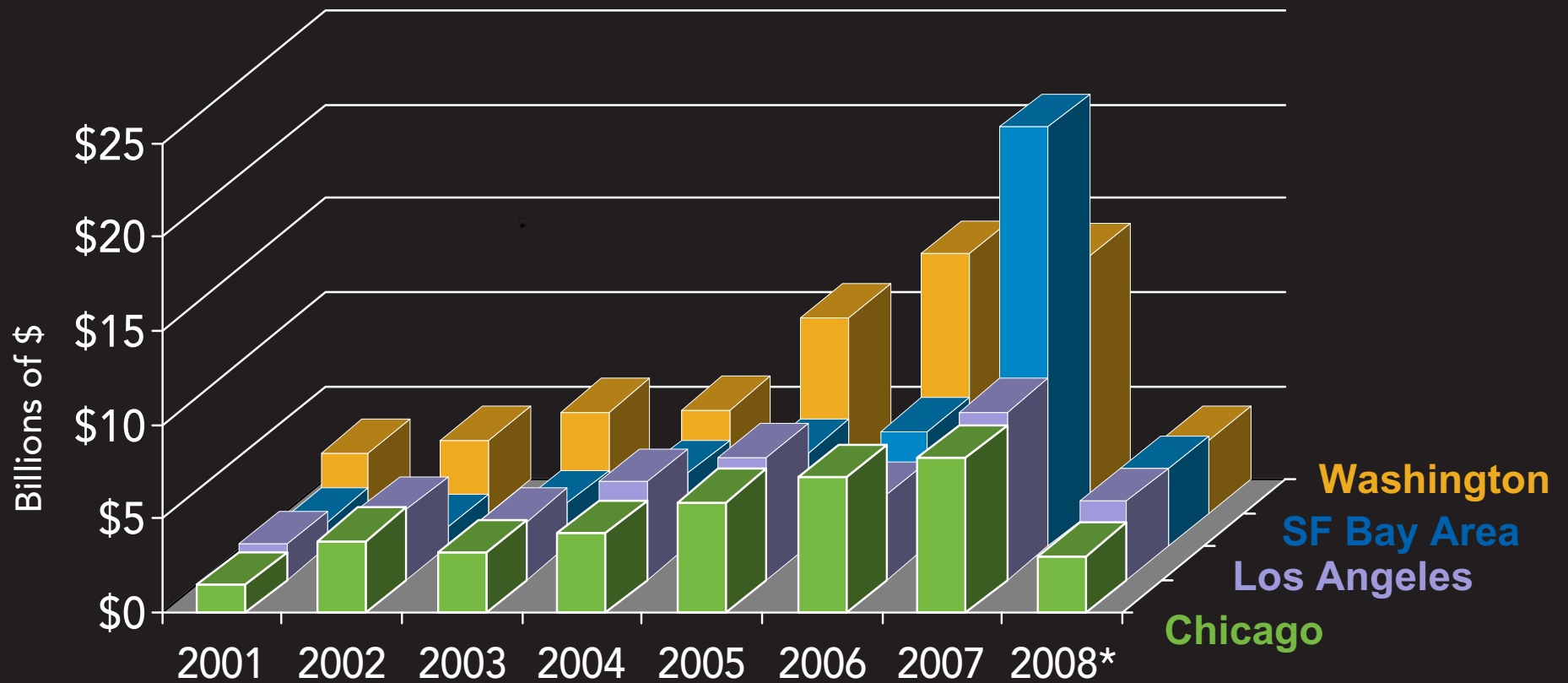
Source: Real Capital Analytics, Delta Associates; 11/6/08.

*Sales volume through September 2008, annualized.



OFFICE INVESTMENT SALES VOLUME

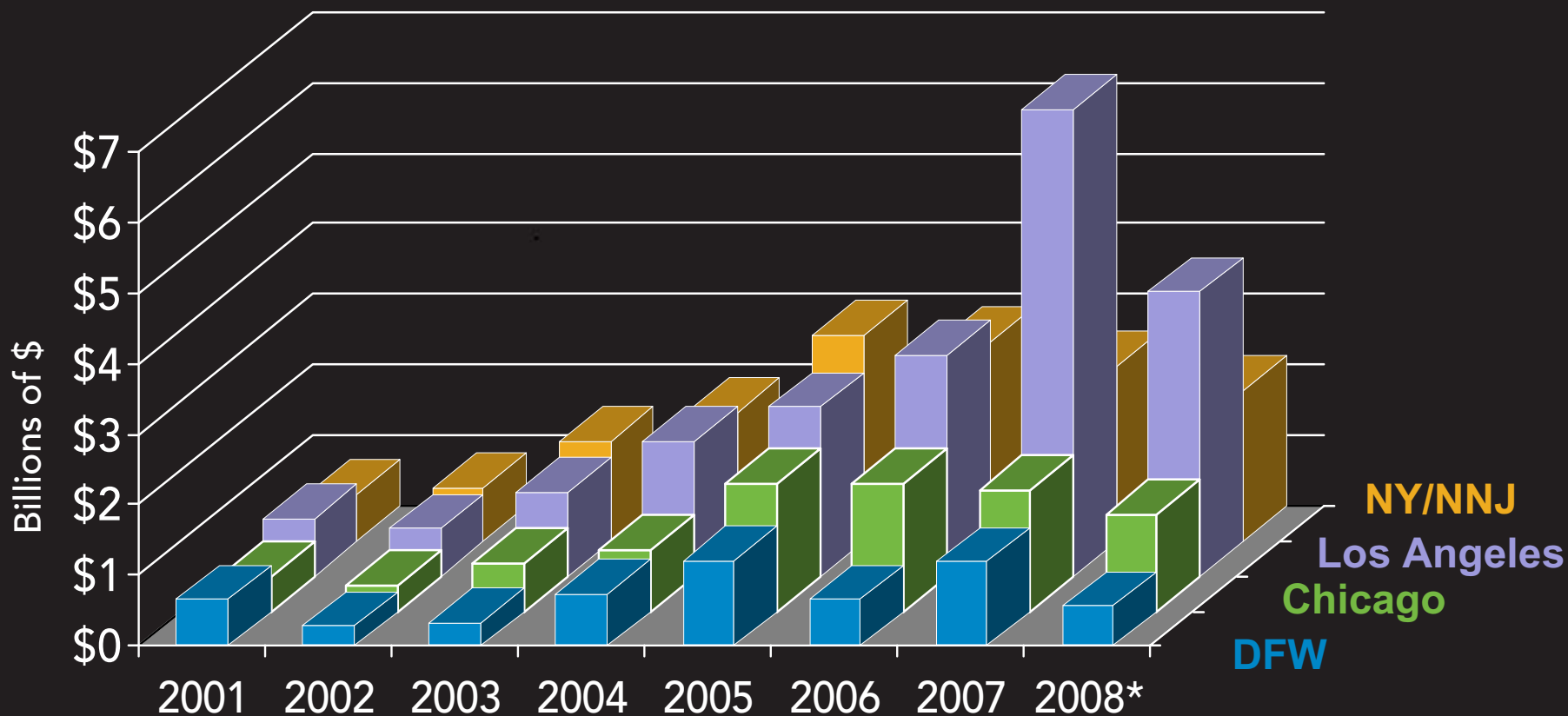
COMPARABLE METRO AREAS 2001 – 3RD QUARTER 2008





INDUSTRIAL INVESTMENT SALES VOLUME

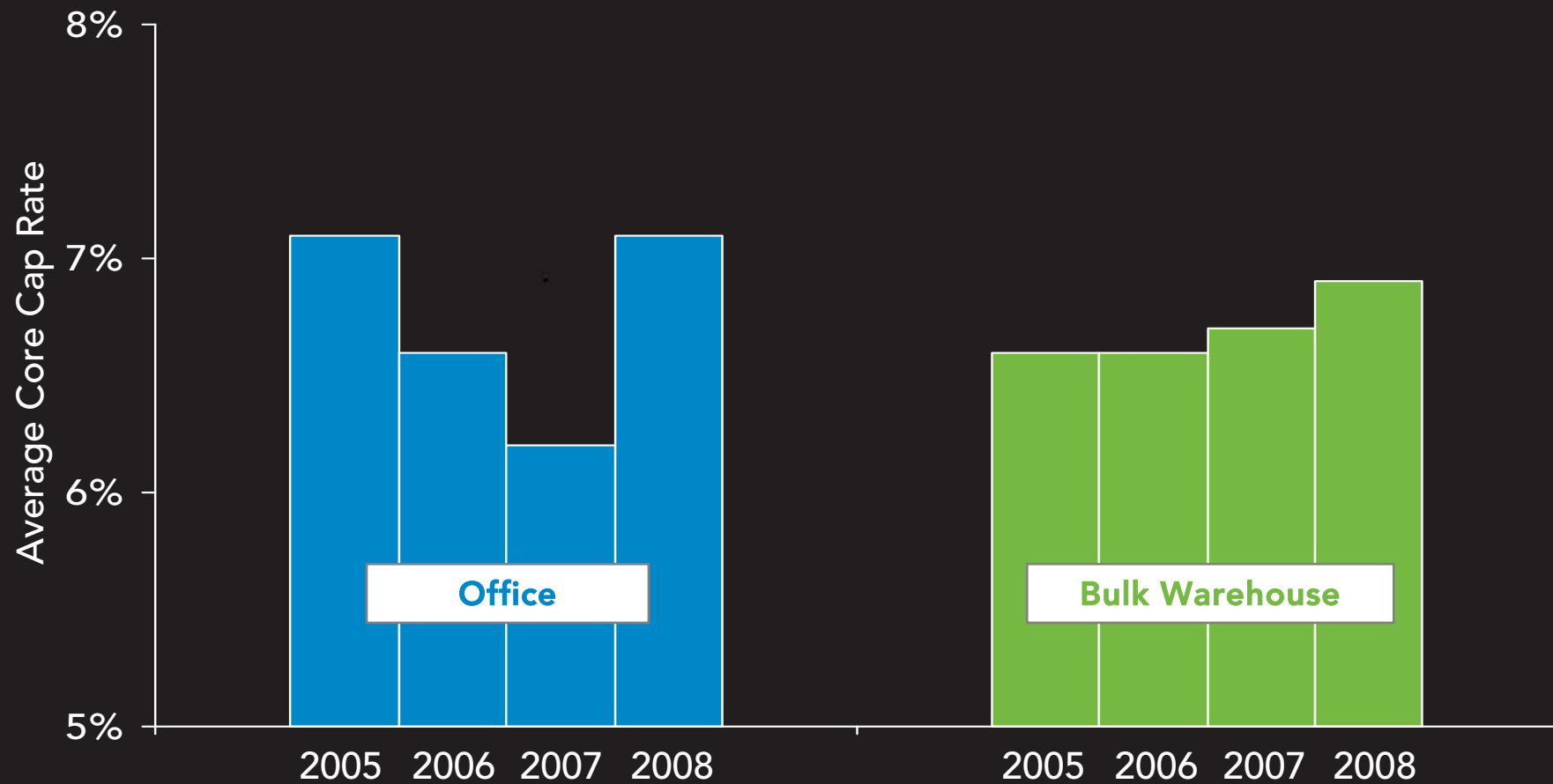
COMPARABLE METRO AREAS 2001 – 3RD QUARTER 2008





CORE CAP RATES

METRO CHICAGO 2005 – 2008



Source: Transwestern, Delta Associates; 11/6/08.



TRENDLINES[®] 2008
Chicago

FORECAST



CHICAGO FORECAST

- Payroll Job Change: -15,000 to -31,600 per year for 2008-10
- Inflation: 2.0% to 2.3% in 2009
- Asking Rent Change
 - Class A Office Product:
 - CBD: -3.5% average annual change in 2009-10
 - Suburbs: -4.0% average annual change in 2009-10
 - Industrial Product: -1.0% change in 2009 for Metro Chicago
- Cap Rates: May rise as much in 2009 as in 2008
- Office Investment Sales Volume:
 - 2008: 30% of 2007 total
 - 2009: Less

TRENDS

TRENDLINES
2008



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