**ICC Docket No. 06-____**

**Petition and Request**
**For Ruling Without Hearing**

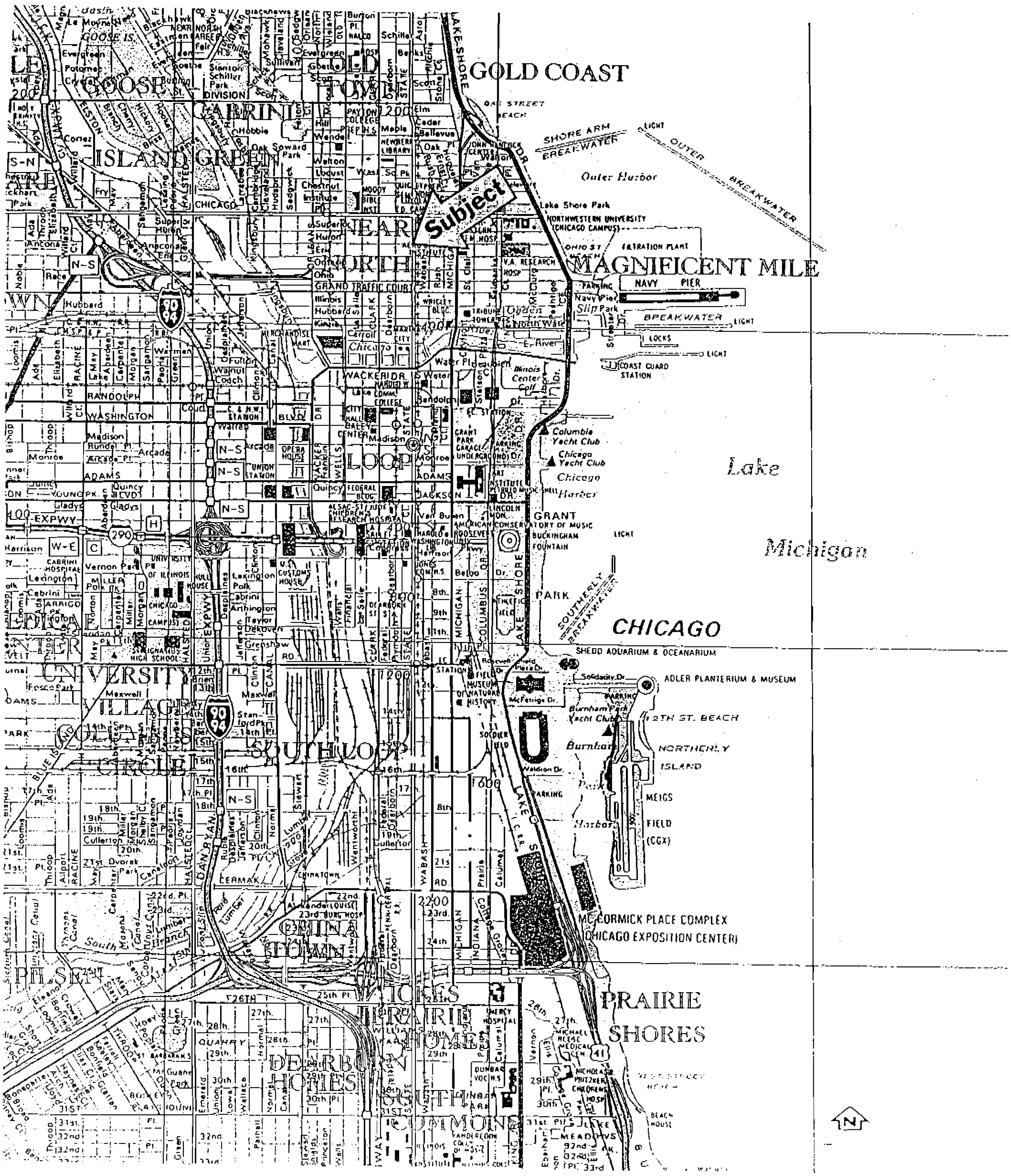
**Schedule E**
**Part 2**

# III. MARKET ANALYSIS

# AREA MAP


LAKE MICHIGAN
Subject
Chicago
Evanston
Wilmette
Skokie
Highland Park
Northbrook
Glencoe
Winnetka
Kenilworth
Glenview
Morton Grove
Niles
Park Ridge
Des Plaines
Mount Prospect
Arlington Heights
Rolling Meadows
Palatine
Wheeling
Buffalo Grove
Prospect Heights
Deerfield
Lake Forest
Lake Bluff
Libertyville
Mundelein
Vernon Hills
Long Grove
Lake Zurich
Barrington
Barrington Hills
North Barrington
Wauconda
Island Lake
Fox River Grove
Cary
Hoffman Estates
Schaumburg
Streamwood
Hanover Park
Roselle
Bloomingdale
Elk Grove Village
Wood Dale
Bensenville
Schiller Park
Norridge
Harwood Heights
Franklin Park
River Grove
Elmwood Park
Melrose Park
Northlake
Stone Park
River Forest
Oak Park
Bellwood
Hillside
Maywood
Berkeley
Elmhurst
Villa Park
Lombard
Addison
Glendale Heights
Carol Stream
West Chicago
Wheaton
Winfield
Glen Ellyn
Downers Grove
Lisle
Naperville
Westmont
Clarendon Hills
Hinsdale
La Grange
La Grange Park
Western Springs
Brookfield
Riverside
North Riverside
Berwyn
Cicero
Stickney
Forest View
Summit
Countryside
Hodgkins
Willowbrook
Burr Ridge
Darien
Woodridge
Bolingbrook
Lemont
Romeoville
Lockport
Crest Hill
Justice
Bridgeview
Burbank
Hickory Hills
Palos Hills
Oak Lawn
Evergreen Park
Chicago Ridge
Worth
Alsip
Palos Heights
Crestwood
Merrionette Park
Blue Island
Robbins
Midlothian
Orland Park
Oak Forest
Harvey
Dolton
Riverdale
Calumet Park
Calumet City
South Holland
Markham
Tinley Park
Country Club Hills
Hazel Crest
Lansing

# LOCATION MAP



# REGIONAL (CHICAGO METROPOLITAN AREA) ECONOMIC OVERVIEW

- **Location** Nine counties (Cook, DeKalb, Du Page, Grundy, Kane, Kendall, Lake, McHenry and Will) and the City of Chicago make up the region, the third largest city in the nation.

- **History** The land area of the Chicago MSA is 1,884.3 square miles; Chicago was incorporated in 1833.

- **Population and Households** The population density of the region is 4,507 people per square mile. The 2003 census puts the metropolitan area's population at 8,491,800 million. The largest county in the area is Cook, which expanded 5% between 1990 and 2000, for a new total of 5.4 million. DuPage is the second-largest county, with 925,000 residents, followed by Lake with a population of 685,000. Will County is coming on fast, with 587,000 residents. The fastest-growing counties during the past ten years have been McHenry (43%), Will (42%), Kendall (40%), Kane (28%) and Lake (26%). The city of Chicago now shows 2.9 million residents, 4% more than in 1990, and the third largest city in the nation. Other large cities in the nine-county region include Aurora (162,000), Naperville (138,000), Joliet (127,000), Elgin (97,000) and Waukegan (91,000). All of these cities (except Chicago) have recorded double-digit gains since 1990; the fastest growers have been Aurora and Naperville. Both cities have expanded their population bases by more than 40% in the past ten years.

- **Economy and Employment** Greater Chicago's largest employers *include Jewel-Osco stores, Advocate Healthcare System, SBC Communications, United Parcel Service and United Airlines. Boeing, Sara Lee* and the recently merged *Bank One* are also located here. The suburbs have continued to expand as a commercial hub for firms like *Walgreen's, Motorola, Allstate, McDonald's* and *U.S. Robotics.*

- **Transportation** The Chicago Transit Authority provides city rapid transit and bus service, with Pace handling most of the suburban mass transit needs. Interstates include I-80, 90, 94, 88, 294, 290 and 355. *O'Hare International* and *Midway* airports provide a nexus of air travel to the metro area and U.S; *O'Hare* is the second busiest airport in the world.

- **Personal Income** (Summarized in tables in this section).

- **Residential Multi-Family Real Estate Trends** The metro area of Chicago featured an average $13.33 per square foot effective rent for Class A apartments in the third quarter of 2005, 0.3% lower than last quarter and 1% lower than last year. The Chicago metro area offered a $112.48 per square foot average price for apartments in the third quarter of 2005, 1.2% higher than last quarter and 5.7% higher than last year. Slowly-improving economic outlook, including employment growth, bodes well for the apartment sector, where rents and occupancies have stabilized after a prolonged decline. Rents have rebounded in recent quarters.

- **Office Trends** Chicago's downtown office sector features a $28.47 per square foot effective rent for Class A office as of the third quarter of 2005, 0.4% lower than last quarter and 5% lower than last year. Chicago features a $220 per square foot average price for Class A CBD office as of the third quarter of 2005, 0.1% lower than the last quarter and 0.8% lower than last year. The CBD features a 14.6% vacancy rate as of the third quarter of 2005, 0.5% higher than last quarter and 1.6% higher than last year. The Chicago suburban metro area experienced a $20.18 per square foot effective rent for Class A suburban office as of the third quarter of 2005, 1.1% lower than last quarter and 5.9% lower than last year. This metro area features a $169 per square foot average price for suburban office as of the third quarter of 2005, 1.9% higher than last quarter and 5.9% lower than last year. The metro area features an 18.3% suburban office vacancy rate as of the third quarter of 2005, 0.7% lower than last quarter and 1.1% lower than last year. Downtown, employment growth, office absorption and rental rate change continue to trail national averages, with all three factors still pointing negatively; office occupancy levels in downtown Chicago are average. Continued

# Metro Market Facts

## V. DEMOGRAPHICS

### A. Metro Population

| | CHICAGO | UNITED STATES |
|---|---|---|
| Population — 2003: | 8,491,800 | 290,809,800 |
| % Growth—2000-2003: | 2.4% | 3.1% |
| % Growth—1990-2000: | 11.9% | 13.4% |
| % Growth—1980-1990: | 2.3% | 9.8% |

Source: U.S. Census Bureau.

### B. County Population Growth

| COUNTY | 2003 POPULATION | % GROWTH 1990-2000 | % GROWTH 2000-2003 |
|---|---|---|---|
| Cook | 5,351,552 | 5.3 | (0.5) |
| DeKalb | 94,041 | 14.6 | 5.3 |
| DuPage | 925,188 | 16.0 | 2.0 |
| Grundy | 39,528 | 16.5 | 4.9 |
| Kane | 457,122 | 28.4 | 12.1 |
| Kendall | 66,565 | 40.0 | 20.6 |
| Lake | 685,019 | 25.6 | 5.6 |
| McHenry | 286,091 | 42.8 | 9.4 |
| Will | 586,706 | 42.2 | 15.4 |

Source: U.S. Census Bureau.

### C. State Population Growth

| | 2003 POPULATION | ACTUAL % GROWTH 1990-2003 | STATE RANKING* | PROJECTED % GROWTH 1995-2025** | STATE RANKING* |
|---|---|---|---|---|---|
| Illinois | 12,653,500 | 10.7 | 33 | 13.6 | 43 |
| United States | 290,809,800 | 16.9 | N/A | 35.1 | N/A |

*Ranking of all 50 states, plus the District of Columbia, with the #1 ranking representing the highest state population percentage growth.

**The projected growth rate was last estimated in 1997. Some states are close to or have already exceeded those projections. New estimates will be released in late 2004.

Source: U.S. Census Bureau.

# DEMOGRAPHICS

## Area Cities With At Least 50,000 Residents

| CITY | 2003 POPULATION | % GROWTH 1990-2000 | % GROWTH 2000-2003 |
|---|---|---|---|
| Arlington Heights | 75,784 | 1.9 | (0.5) |
| Aurora | 162,184 | 44.0 | 12.3 |
| Berwyn | 52,534 | 18.5 | (2.6) |
| Bolingbrook | 66,151 | 39.2 | 15.8 |
| Chicago | 2,869,121 | 4.0 | (0.9) |
| Cicero | 83,029 | 26.9 | (2.9) |
| Des Plaines | 56,450 | 3.6 | (0.8) |
| Elgin | 97,117 | 22.3 | 2.7 |
| Evanston | 74,360 | 1.2 | 0.4 |
| Hoffman Estates | 50,108 | 7.1 | 0.9 |
| Joliet | 123,570 | 37.3 | 14.5 |
| Mt. Prospect | 55,784 | 5.9 | (0.8) |
| Naperville | 137,894 | 48.6 | 6.7 |
| Oak Lawn | 55,136 | (1.9) | (0.2) |
| Oak Park | 50,824 | (2.2) | (3.0) |
| Orland Park | 54,011 | 35.6 | 5.2 |
| Palatine | 66,848 | 32.6 | 1.3 |
| Schaumburg | 74,342 | 9.7 | (1.3) |
| Skokie | 63,633 | 6.6 | 0.5 |
| Waukegan | 91,452 | 27.1 | 3.3 |
| Wheaton | 55,016 | 6.5 | (0.8) |

Source: U.S. Census Bureau.

## Household & Population Composition

| | CHICAGO METRO | UNITED STATES METRO* |
|---|---|---|
| Median Household Size: | 2.8 | 2.7 |
| Median Age: | 34.6 | 35.8 |
| % of Population Under 5 | 8.1 | 7.5 |
| % of Population 35 - 54 | 28.7 | 28.0 |
| % of Population Over 64 | 11.3 | 12.8 |

*Average of U.S. metropolitan areas, not entire U.S.

# EMPLOYMENT AND LABOR FORCE CHARACTERISTICS

## Job Formation

**Metropolitan Area**

| | |
|---|---|
| Employment Growth (Loss)—% 12-Month (Ending in September): | 0.1% |
| Total Number of Net New Jobs, 12 Months (Ending in September): | 6,100 |
| % Unemployed, September 2004: | 5.8% |
| % Unemployed, 12 Months Before: | 6.8% |

**National**

| | |
|---|---|
| Employment Growth (Loss)—% 12-Month (Ending in September): | 1.4% |
| % Unemployed, September 2004: | 5.1% |
| % Unemployed, September 2003: | 5.8% |

Source: Bureau of Labor Statistics.

## Economic Base—Employment By Sectors

| SECTOR | % GROWTH FROM PRIOR YEAR METRO | NATIONAL | % OF TOTAL EMPLOYMENT METRO | NATIONAL |
|---|---|---|---|---|
| Services | 1.0 | 1.6 | 27.4 | 28.8 |
| Business Services | 0.5 | 3.0 | 15.7 | 12.7 |
| Financial Activities | (0.3) | 1.3 | 7.7 | 6.1 |
| Government | (0.2) | 0.6 | 12.3 | 16.3 |
| Retail Trade | (0.1) | 0.7 | 10.4 | 11.3 |
| Wholesale Trade | (2.5) | 1.4 | 5.6 | 4.3 |
| Transportation/Public Utilities | (0.5) | 1.7 | 4.5 | 3.7 |
| Manufacturing | 0.0 | 0.0 | 11.3 | 11.0 |
| Construction | 0.1 | 2.6 | 5.1 | 5.4 |

Note: The Department of Labor recently revised the industry classification system (from SIC to NAICS). One of the most significant changes was the establishment of "business services" as a separate category (instead of a sub-set of the "services" sector). In addition, the "FIRE" sector is now known as "financial activities".

Source: Bureau of Labor Statistics

# EDUCATION

## Graduate Education

Academic Rankings of Local Graduate Programs

| UNIVERSITY | BIOLOGICAL SCIENCES | ENGINEERING | GENERAL SCIENCES/OTHER |
|---|---|---|---|
| Northwestern | | Civil (9)<br>Industrial (6)<br>Materials Science (2)<br>Mechanical (12) | Chemistry (14)<br>Economics (9) |
| Univ. of Chicago | Developmental Biology (15)<br>Ecology (2)<br>Genetics (11)<br>Physiology (11) | | Chemistry (10)<br>Economics (1)<br>Mathematics (5)<br>Physics (7)<br>Statistics (5) |

Source: National Academy of Sciences, Research-Doctorate Programs in the United States, 1995 (this report is updated every ten years). The NAS reviewed more than 3,600 doctoral programs in 41 fields at 274 universities for the 1993 academic year. Criteria included the academic quality of each school's faculty, the effectiveness of the school's teaching, and the level of its research. For programs that were ranked at 100 or more schools, we have listed the top 20 universities; for programs that were ranked at fewer than 100 schools, we have listed the top 10. The top universities are shown with their respective national ratings for each discipline. We have included 21 of 41 fields. Please note that the NAS did not include graduate business programs in its study.

## University R&D Expenditures

| | FEDERAL R&D EXPENDITURES ($$ IN MIL.) | % OF LEADING SCHOOL* | TOTAL R&D EXPENDITURES ($$ IN MIL.) | % OF LEADING SCHOOL* |
|---|---|---|---|---|
| Ohio State Univ. | $68.6 | 31.9 | $149.1 | 55.6 |
| Illinois Tech | $4.3 | 2.0 | $6.5 | 2.4 |
| Loyola Univ. | $7.2 | 3.4 | $12.5 | 4.7 |
| Northern Illinois Univ. | $2.9 | 1.4 | $6.9 | 2.6 |
| Northwestern | $52.8 | 24.6 | $105.9 | 39.5 |
| Univ. of Chicago | $80.0 | 37.2 | $97.0 | 36.2 |
| Univ. of Health Sciences-Chicago Med. School | $2.8 | 1.3 | $4.2 | 1.6 |
| Univ. of Illinois | $37.3 | 17.4 | $72.8 | 27.2 |

*The percentage column reflects the amount spent by the local institution(s) relative to the amount expended at the top spending institution in each of the two categories.

Source: National Academy of Sciences, Research-Doctorate Programs in the United States, 1995 (this report is updated every ten years). These amounts reflect the average annual expenditures from 1986 to 1992 (based on 1988 dollars).

# OTHER ECONOMIC INDICATORS

## Gross Metropolitan Product

GMP
($$ in billions)

| | 2002 | RANK (OUT OF 100) | % CHANGE (FROM 2001) |
|---|---|---|---|
| Chicago | $349.4 | 3 | 2.6% |

*Ranking of 100 metropolitan areas, with the #1 ranking representing the highest dollar amount.

Source. U.S. Conference of Mayors.

## Major Professional Athletic Franchises

**NATIONAL FOOTBALL LEAGUE**
Chicago Bears

**MAJOR LEAGUE BASEBALL**
Chicago Cubs, Chicago White Sox

**NATIONAL BASKETBALL ASSOCIATION**
Chicago Bulls

**NATIONAL HOCKEY LEAGUE**
Chicago Blackhawks

## Major Airport Activity

| | TOTAL (2003) | % CHANGE FROM 2002 | NATIONAL RANK* | WORLD RANK* |
|---|---|---|---|---|
| O'HARE INTERNATIONAL | | | | |
| **Passengers** (in millions) | 69.4 | 4.2% | 2 | 2 |
| **Cargo** (in thousands -metric tons) | 1,604.8 | 23.7% | 7 | 12 |
| MIDWAY | | | | |
| **Passengers** (in millions) | 18.5 | 10.0% | 26 | 52 |
| **Cargo** (in thousands -metric tons) | 22.5 | (15.1%) | 86 | 248 |

*Ranking of 143 national and 813 international airports, with the #1 ranking representing the largest number of passengers and the largest amount of cargo.

Source: Airports Council International, Geneva, Switzerland.

# OTHER ECONOMIC INDICATORS

## International Trade

International Trade Volume

| | IMPORT | EXPORT | TOTAL |
|---|---|---|---|
| **Chicago** (Part of the Chicago, IL Customs District) | | | |
| January-September 2004 ($$$ in billions) | $49.5 | $19.0 | $68.5 |
| % Change (from year ago) | 17.5% | 23.8% | 19.2% |
| **Total U.S** | | | |
| January-September 2004 ($$$ in billions) | $1,073.1 | $602.7 | $1,675.8 |
| % Change (from year ago) | 15.9% | 13.8% | 15.1% |

Source: Dept. of Commerce, Foreign Trade Division.

## Gross State Product

| | 1991 | 2001 | % CHANGE 1991-2001 |
|---|---|---|---|
| Illinois Ranking* (out of 51) | 4 | 5 | -- |
| **Illinois Total** ($$$ in billions) | $317.9 | $441.7 | 39.0% |
| **U.S. Total** ($$$ in billions) | $6,615.7 | $9,335.4 | 41.1% |

*Ranking of all 50 states (plus the District of Columbia), with the #1 ranking representing the highest dollar amount.

Note: While the dollar amounts are no longer inflation-adjusted, they are "chain-weighted" to make them comparable to the specified 1996 base period.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

# INVENTORY/VACANCY/ ABSORPTION & SALES

## CBD Office

| METRO SUBMARKETS | INVENTORY | VACANCY | ABSORPTION | CONSTRUCTION |
|---|---|---|---|---|
| West Loop | 29,500,304 | 13.2% | (341,732) | 2,500,000 |
| Central Loop | 48,765,583 | 14.5% | 284,770 | 850,000 |
| East Loop | 22,141,711 | 16.5% | (257,931) | 0 |
| North Michigan Ave | 12,352,872 | 11.1% | (12,162) | 0 |
| River North | 4,497,718 | 24.7% | (63,665) | 0 |
| Market Total | 117,258,188 | 14.6% | (390,720) | 3,350,000 |

Reported as of third quarter 2004.

Source: CB Richard Ellis (Chicago).

## Suburban Office

| METRO SUBMARKETS | INVENTORY | VACANCY | ABSORPTION | CONSTRUCTION |
|---|---|---|---|---|
| Northern Suburbs* | 20,741,931 | 16.3% | 119,602 | 0 |
| Northwest Suburbs | 25,555,929 | 18.6% | 213,023 | 0 |
| O'Hare | 14,109,589 | 18.6% | 38,803 | 0 |
| East-West Tollway | 35,200,244 | 18.9% | 145,970 | 50,300 |
| West Cook | 1,098,104 | 12.2% | (29,050) | 0 |
| South Suburbs | 2,516,560 | 23.4% | (23,348) | 0 |
| Market Total | 99,222,357 | 18.3% | 631,250 | 50,300 |

Reported as of third quarter 2004.

*Combines the Lake County, North Suburbs, and Lake Shore submarkets.

Source: CB Richard Ellis (Chicago).

# INVENTORY/VACANCY/ ABSORPTION & SALES

## Industrial

| METRO SUBMARKETS | INVENTORY | AVAILABILITY | CONSTRUCTION |
|---|---|---|---|
| McHenry County | 13,878,765 | 7.3% | 0 |
| Lake County | 69,165,387 | 8.1% | 687,052 |
| NE Cook County | 60,891,353 | 9.5% | 413,276 |
| NW Cook County | 34,307,133 | 9.8% | 30,000 |
| North Kane County | 19,469,283 | 8.6% | 56,540 |
| North DuPage County | 27,663,479 | 12.1% | 151,050 |
| O'Hare | 105,933,831 | 8.0% | 1,288,980 |
| City North | 106,204,116 | 10.1% | 0 |
| Near West Suburbs | 97,885,891 | 7.2% | 174,675 |
| West Suburbs | 39,762,974 | 8.6% | 0 |
| Central Kane/DuPage | 32,770,810 | 9.3% | 31,420 |
| Far West Suburbs | 51,780,298 | 10.4% | 607,752 |
| SW Suburbs | 50,097,701 | 9.1% | 0 |
| Far SW Suburbs | 55,253,976 | 17.4% | 2,218,490 |
| City South | 137,484,672 | 9.1% | 0 |
| South Suburbs | 56,587,912 | 8.9% | 2,038,526 |
| Joliet Area | 26,095,553 | 7.7% | 1,579,648 |
| NW Indiana | 31,044,182 | 19.1% | 0 |
| Kenosha/Racine | 13,326,389 | 7.3% | 0 |
| Market Total | 1,029,603,705 | 9.7% | 9,277,409 |

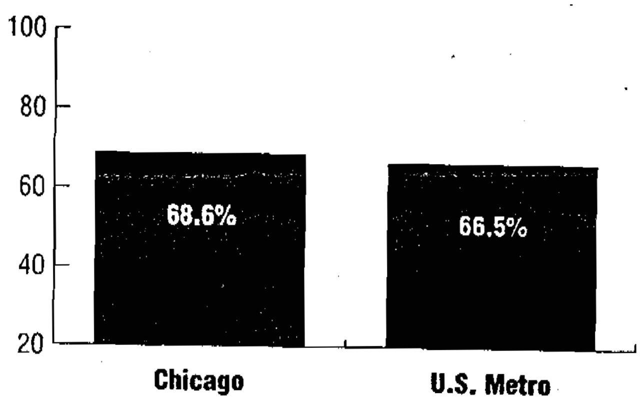
Reported as of third quarter 2004.

Source: CB Richard Ellis (Chicago).

# HOUSING & LIVING COSTS

## Homeownership

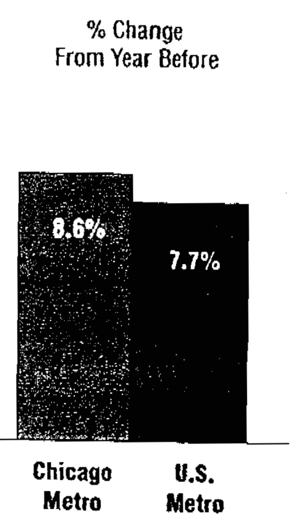
% of Households Owning Residences (2003)




Source: U.S. Census Bureau. Homeownership rates represent metropolitan averages as of year-end 2003.

## Single Family Home Costs

Third Quarter 2004


Source: National Association of Realtors®.

# Real Estate Facts & Forecast

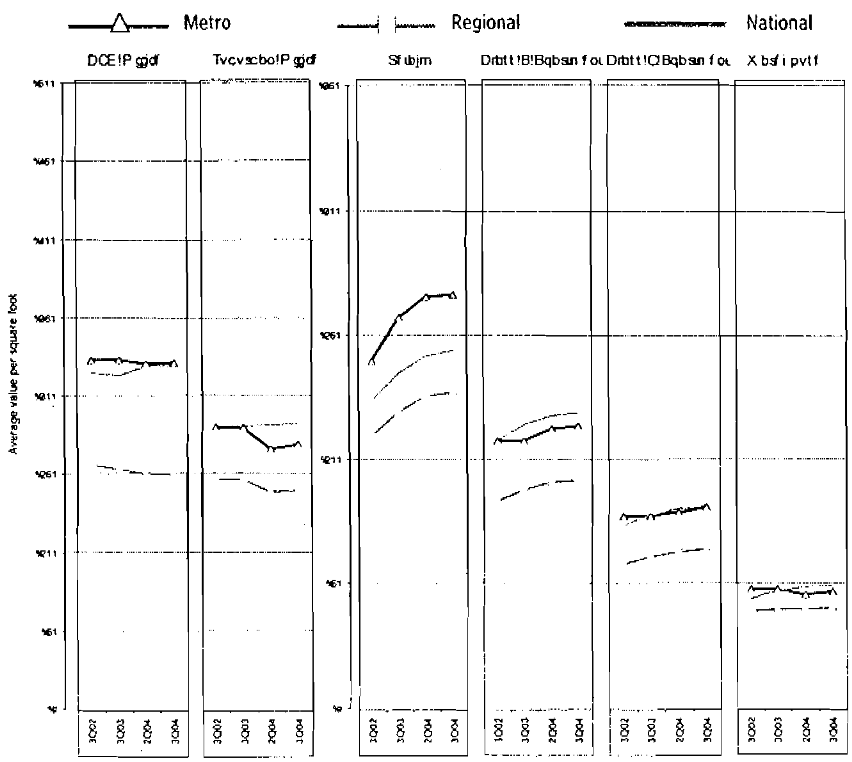
## VALUE FACTS & TRENDS

### Current Property Values/Cap Rates

| | CBD Office | | Suburban Office | | Warehouse | | Retail | | Class A Apartment | | Class B Apartment | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Price S/F | Cap Rate | Price S/F | Cap Rate | Price S/F | Cap Rate | Price S/F | Cap Rate | Price S/F | Cap Rate | Price S/F | Cap Rate |
| National | $218.90 | 7.4% | $181.86 | 7.7% | $48.96 | 8.2% | $142.56 | 8.0% | $117.60 | 6.9% | $80.87 | 7.7% |
| Midwest Region | 149.71 | 8.3 | 139.47 | 8.5 | 40.34 | 8.7 | 125.98 | 8.5 | 90.80 | 7.0 | 63.33 | 7.6 |
| Metro Area | | | | | | | | | | | | |
| 3 Q. '04 | 220.43 | 8.0 | 168.99 | 7.8 | 46.50 | 8.3 | 164.74 | 8.2 | 112.48 | 6.7 | 80.16 | 7.2 |
| 2 Q. '04 | 220.20 | 8.0 | 165.76 | 8.0 | 45.54 | 8.5 | 163.76 | 8.2 | 111.19 | 6.8 | 78.06 | 7.3 |
| 3 Q. '03 | 222.31 | 8.0 | 179.65 | 7.5 | 47.69 | 8.3 | 155.61 | 8.4 | 106.44 | 7.2 | 76.44 | 7.5 |

Source: NREI *Value Monitor*.

### Value Trends—Change in Price Per Square Foot




Source: NREI *Value Monitor*.

# VALUE FACTS & TRENDS

## Other Property Class Values—Most Recent Period

| PROPERTY SECTOR | PRICE PER SF | PROPERTY SECTOR | PRICE PER SF |
|---|---|---|---|
| Class C CBD Office | $118.02 | Class C Warehouse | $23.98 |
| Class D CBD Office | 70.08 | Class A Power Retail Center | 151.31 |
| Class B Suburban Office | 122.94 | Class B/C Unanchored "Strip" Ctr. | 83.32 |
| Class C Suburban Office | 99.40 | Class A Flex/Business Campus | 108.56 |
| Class D Suburban Office | 63.52 | Class B Flex/Business Campus | 76.23 |
| Class B Warehouse | 34.19 | Class C Flex/Business Campus | 59.15 |

Source: NREI *Value Monitor*.

## Local Market Property Value Rankings

3rd Qtr. 2004 - Rankings
(#1 is highest rank, #60 is lowest)

| | CBD OFFICE | SUBURBAN OFFICE | WAREHOUSE | RETAIL | CLASS A APARTMENT | CLASS B APARTMENT |
|---|---|---|---|---|---|---|
| Rank out of 60 Markets* | 11 | 19 | 23 | 9 | 17 | 14 |

*The figures above denote the local market ranking for the corresponding property sector among the 60 metropolitan areas (plus Manhattan Downtown and Manhattan Midtown for CBD office) analyzed by the NREI Value Monitor. A ranking of "1" designates the highest value per square foot for Class A space (except for Class B Apartment) for the corresponding property sector among all markets for the noted time period.

Source: NREI *Value Monitor*.

# I. VALUE FACTS & TRENDS

## E. Value Growth—Change in Price Per Square Foot

| | CBD OFFICE | SUBURBAN OFFICE | WAREHOUSE | RETAIL | CLASS A APARTMENT | CLASS B APARTMENT |
|---|---|---|---|---|---|---|
| ***% CHANGE FROM QUARTER AGO*** | | | | | | |
| Chicago | +0.1% | +1.9% | +2.1% | +0.6% | +1.2% | +2.7% |
| Midwest Region | -0.1% | +0.6% | +1.2% | +1.2% | +0.9% | +1.7% |
| National Average | +0.5% | +0.4% | +1.1% | +1.4% | +1.2% | +1.3% |
| ***% CHANGE FROM YEAR AGO*** | | | | | | |
| Chicago | -0.8% | -5.9% | -2.5% | +5.9% | +5.7% | +4.9% |
| Midwest Region | -1.9% | -4.6% | +1.4% | +6.5% | +4.5% | +4.8% |
| National Average | +3.3% | +0.9% | +3.7% | +6.6% | +4.4% | +5.3% |
| ***% CHANGE FROM TWO YEARS AGO*** | | | | | | |
| Chicago | -0.8% | -5.9% | -2.4% | +18.7% | +5.7% | +4.9% |
| Midwest Region | -3.9% | -4.6% | +2.9% | +16.1% | +9.9% | +10.1% |
| National Average | +2.2% | +0.8% | +11.2% | +16.4% | +10.3% | +11.1% |

Source: NREI *Value Monitor*.

# RENT FACTS & TRENDS

## Local Market Property Rent Rankings

3rd Qtr. 2004 - Rankings
(#1 is highest rank, #60 is lowest)

| | CBD OFFICE | SUBURBAN OFFICE | WAREHOUSE | RETAIL | CLASS A APARTMENT | CLASS B APARTMENT |
|---|---|---|---|---|---|---|
| Rank out of 60 Markets* | 7 | 24 | 25 | 13 | 17 | 18 |

*The figures above denote the local market ranking for the corresponding property sector among the 60 metropolitan areas (plus Manhattan Downtown and Manhattan Midtown for CBD office) analyzed by the NREI Rent Monitor. A ranking of "1" designates the highest *effective* rent per square foot for Class A space (except for Class B Apartment) for the corresponding property sector among all markets for the noted time period.

Source: NREI *Rent Monitor.*

## Rent Growth/Change in Rent Per Square Foot

| | CBD OFFICE | SUBURBAN OFFICE | WAREHOUSE | RETAIL | CLASS A APARTMENT | CLASS B APARTMENT |
|---|---|---|---|---|---|---|
| ***% CHANGE FROM QUARTER AGO*** | | | | | | |
| Chicago | -0.4% | -1.1% | -0.6% | +1.2% | -0.3% | +1.2% |
| Midwest Region | -0.6% | -0.9% | -0.1% | +1.0% | -0.1% | +0.5% |
| National Average | -0.3% | -0.8% | +0.3% | +1.0% | +0.6% | +0.8% |
| ***% CHANGE FROM YEAR AGO*** | | | | | | |
| Chicago | -5.0% | -5.9% | -2.5% | +4.5% | -1.0% | -0.6% |
| Midwest Region | -5.1% | -3.9% | -1.4% | +3.1% | -1.2% | -0.5% |
| National Average | -2.5% | -3.1% | +0.4% | +3.1% | +0.5% | +1.4% |
| ***% CHANGE FROM TWO YEARS AGO*** | | | | | | |
| Chicago | -5.0% | -5.9% | -2.5% | +21.8% | -1.0% | -0.6% |
| Midwest Region | -11.8% | -10.3% | -7.8% | +7.6% | -4.1% | -4.2% |
| National Average | -10.9% | -9.4% | -1.9% | +4.4% | -1.1% | +0.1% |

Source: NREI *Rent Monitor.*

negative absorption and further rental rate declines in Chicago's suburban office market have driven vacancy levels ever higher. Lack of sustainable employment growth will not likely stimulate demand until further out.

- **Industrial Trends** Chicago's metro area featured a $4.97 per square foot effective rent for warehouse properties in the third quarter of 2005, 0.6% lower than last quarter and 2.5% lower than last year. The Chicago metro area experienced a $46.50 per square foot average price for warehouse properties in the third quarter of 2005, 2.1% higher than last quarter and 2.5% lower than last year. The Chicago metro area features a 9.7% industrial vacancy rate in the third quarter of 2005, 0.3% higher than last quarter and 0.6% higher than last year. The nation's largest industrial market continues to report improving absorption trends, driving occupancy rates higher. Rental rate change momentum remains slow as industrial activity has eased due to lackluster job growth.

- **Retail Trends** The metro Chicago market featured an average $20.39 per square foot effective rent for Class A unenclosed shopping centers in the third quarter of 2005, 1.2% higher than last quarter and 4.5% higher than last year. Chicago metro offered a $164.74 per square foot average price for shopping centers in the third quarter of 2005, 0.6% higher than last quarter and 5.9% higher than last year. The Chicago metro area features a 7.8% vacancy rate for shopping centers as of the third quarter of 2005, 0.3% lower than last quarter and 1.4% lower than last year. Despite lagging employment growth, Chicago's retail sector has experienced continued increases in rents and improved vacancy rates – although occupancy levels remain low. Trends for household income and spending growth are favorable.

- **Education, Recreation and Healthcare** Part of the area's ability to attract high tech firms is its status as home to leading academic and research institutions, including the University of Illinois at Chicago, Loyola University, Northwestern University, the Illinois Institute of Technology (IIT), the University of Illinois at Champaign-Urbana and the Argonne National Lab in Du Page County. Sports teams include the NFL's Chicago Bears, Major League Baseball's Chicago Cubs and Chicago White Sox, the NBA's Chicago Bulls and the NHL's Chicago Blackhawks. Symphonies include the Chicago Chamber Orchestra, Chicago Philharmonic, Chicago Symphony Orchestra, Civic Orchestra of Chicago, Grant Park Symphony Orchestra and the Illinois Philharmonic Orchestra. Operas include the Chamber Opera of Chicago, Light Opera Works (Evanston), Lincoln Opera and Lyric Opera of Chicago. Ballets featured include Ballet Chicago, Chicago Dance Theater, Chicago Repertory Dance Company and Joffrey Ballet of Chicago. The *Chicago Tribune* is one of the most widely read publications in the U.S., and Chicago is one of the most popular cities in the country for conventions. Chicago is served by many of the finest hospitals in the nation; the largest here is the $645 million, 1.9 million square foot Northwestern Memorial Hospital (1999); also recently added was the $551 million Cook County Hospital on the city's west side (2002). Work was recently completed on a new $42 million, 156,000 square foot research facility for Rush-Presbyterian-St. Luke's Medical Center on West Harrison Street (2001).

- **Government and Public Policy** Chicago features the elected Mayor - City Council form of government.

Chicago's accessibility to major markets, location and superior transportation facilities, diversified economy and favorable environmental, governmental and cultural climate ensure that Chicago will retain its position as a center for trade and commerce. The extensive transportation infrastructure and solid, growing local economy indicate long term prospects for continued growth and prosperity are good, once the current national employment growth sluggishness has ended.

Source: *National Real Estate Index*, 2006.

## Figure 1 - Site Location Map


USGS Chicago Loop, Illinois Topographic Quadrangle, dated 1993

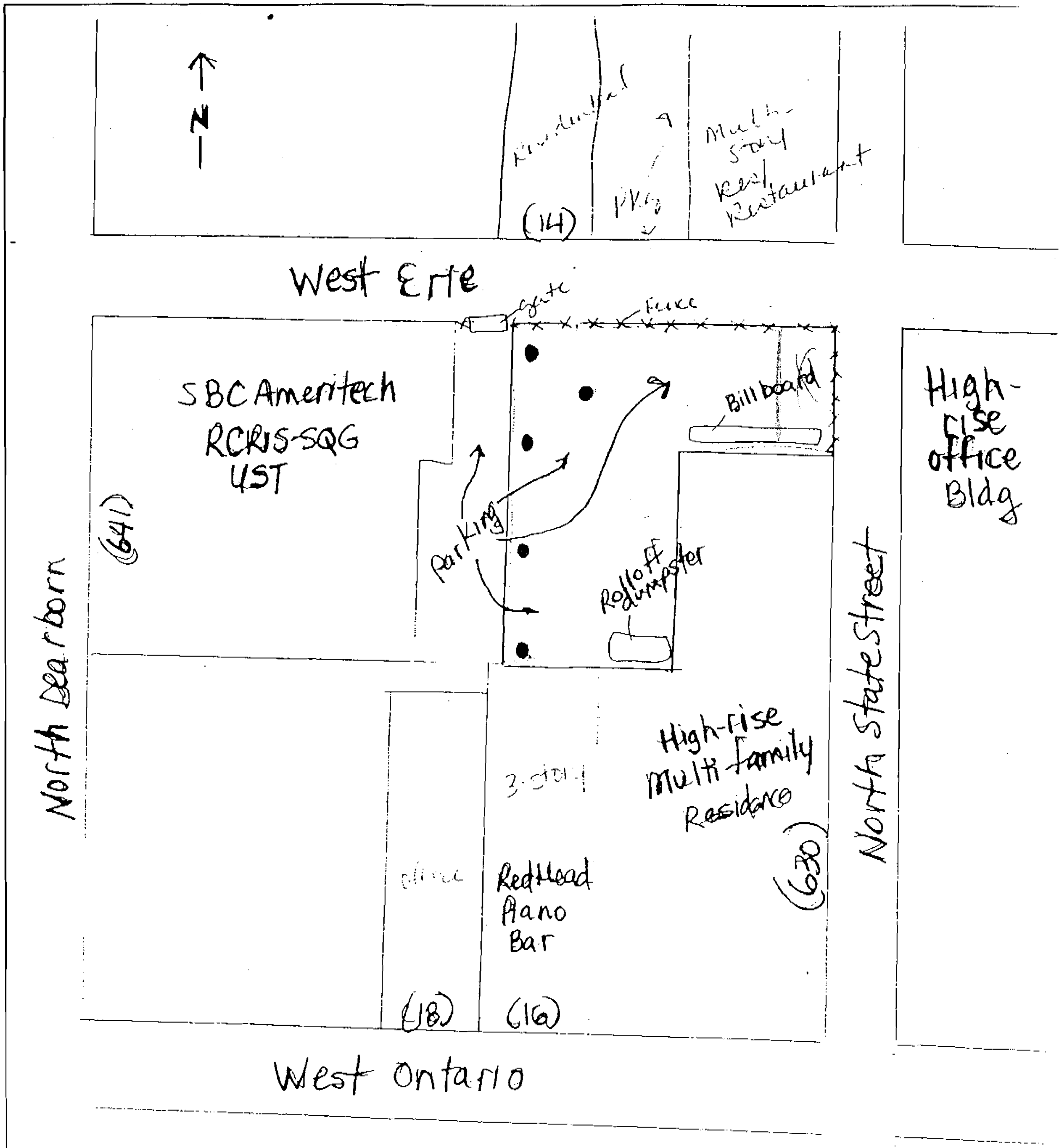



**Figure 2 - Site Location Map - Detail**

Parking Lot (Geoloc # Q 12450)
641 N. Dearborn
Chicago Ill 60610

• Proposed Soil Probe Locations

# NEIGHBORHOOD ANALYSIS

- **Boundaries** The subject neighborhood is generally delineated by the boundaries of Chicago Avenue on the north, the Chicago River on the south, Michigan Avenue to the east and Halsted Street west and is known as the River North neighborhood.

- **Predominant Land Uses** The subject neighborhood's dominant use is thriving entertainment, restaurant and art gallery attractions, boasting the largest concentration of art galleries outside of Manhattan. The neighborhood features 40 quality restaurants including famous names such as *Planet Hollywood*, the *Hard Rock Café* and *Spago*. A $4.3 million *Portillo's* hot dogs and *Barnelli's Pasta Bowl* opened on Ontario at Clark. *Lettuce Entertain You* has opened eight theme restaurants in River North including *Scoozi, Hat Dance* and *Papagus* and is also home to *Gene & Georgetti's* and *Gordon,* with good restaurants having a fine rate of survival. Eighty art galleries are featured in the area bounded by Superior, Chicago, Orleans and Wells. In recent years, the galleries have held their own and thrived, with some galleries leaving and then returning because the climate is so advantageous. The area is growing so fast that the *Chicago Planning Commission* has approved a comprehensive plan to govern residential and commercial construction and renovation in the heart of the area, bounded by Chicago Avenue, Rush Street and the Chicago River on the west and south. I

- **Demographics & Employment** River North is the fastest growing urban community in the country. The area is home to more than 5,000 people (see tables which follow). The area employs 45,000 people. The largest employers include various businesses in the *Merchandise Mart*.

- **Housing** There are several high rises on the Chicago River in River North. The twin condominiums of *Marina City* are located at the Chicago River and State Street, while *Fulton House,* a renovated loft building, is home to 112 condominiums and office space. Many area warehouses are undergoing conversions into lofts and condominiums. Rents for two-bedroom lofts range from $1,200 to $1,600 a month; during the next ten to 15 years, River North is expected to add more rental units; near the *American Medical Association* at 500 North State are numerous parking lots that are likely to be redeveloped. Recent loft developments added to the market include ***Bicycle Station Lofts, Clock Tower Lofts, Electric Company Lofts, Cinema Lofts***, *MCZ Development Corp.'s* 400 unit ***One Northwestern Center,*** 165 unit ***Clinton Street Lofts***, *Kenard Corp.'s* 231 unit ***Sexton***, 104 unit ***Columbus on the Park,*** and *Spectrum Real Estate Services, Inc.'s* 167 unit ***Union Square Lofts***. *CMK Development Corp.* has built a 165-unit condominium project in River North at 630 North Franklin Street; units in the 11-story building range from $159,900 to $479,900, with total property value at completion at $45 million.

- **Hospitality** *Lowes Hotels* operates a new 373 room *House of Blues* hotel at the *Marina City* complex; a new 205 room *Park Hyatt Hotel,* part of a mixed use development, was recently built at Michigan and Chicago Avenues; a new 200 room flagship *Hyatt* at 800 North Michigan Avenue has been completed; John Buck's new Michigan Avenue project, *North Bridge,* includes a 12 story luxury hotel. A Hong Kong based hotel company that caters to wealthy travelers and top corporate executives anchors a tower near Michigan Avenue. Hong Kong based *Peninsula Group* has built a $100 million 340 room luxury hotel atop the low rise retail development at 730 North Michigan Avenue (local developer Thomas Klutznick sold the air rights for $20 million). On Dearborn Street, between Ohio and Ontario Streets, a 318 room *Marriott Suites* includes in a high rise building that features 372 apartments.

- **Transportation** In River North, there are the Howard-Dan Ryan subway stations at State and Chicago Avenue and State and Grand. The Ravenswood L stops at Chicago and Franklin and the Merchandise Mart. Buses serve the area. Entry to the Kennedy Expressway (190/94) is one minute away.

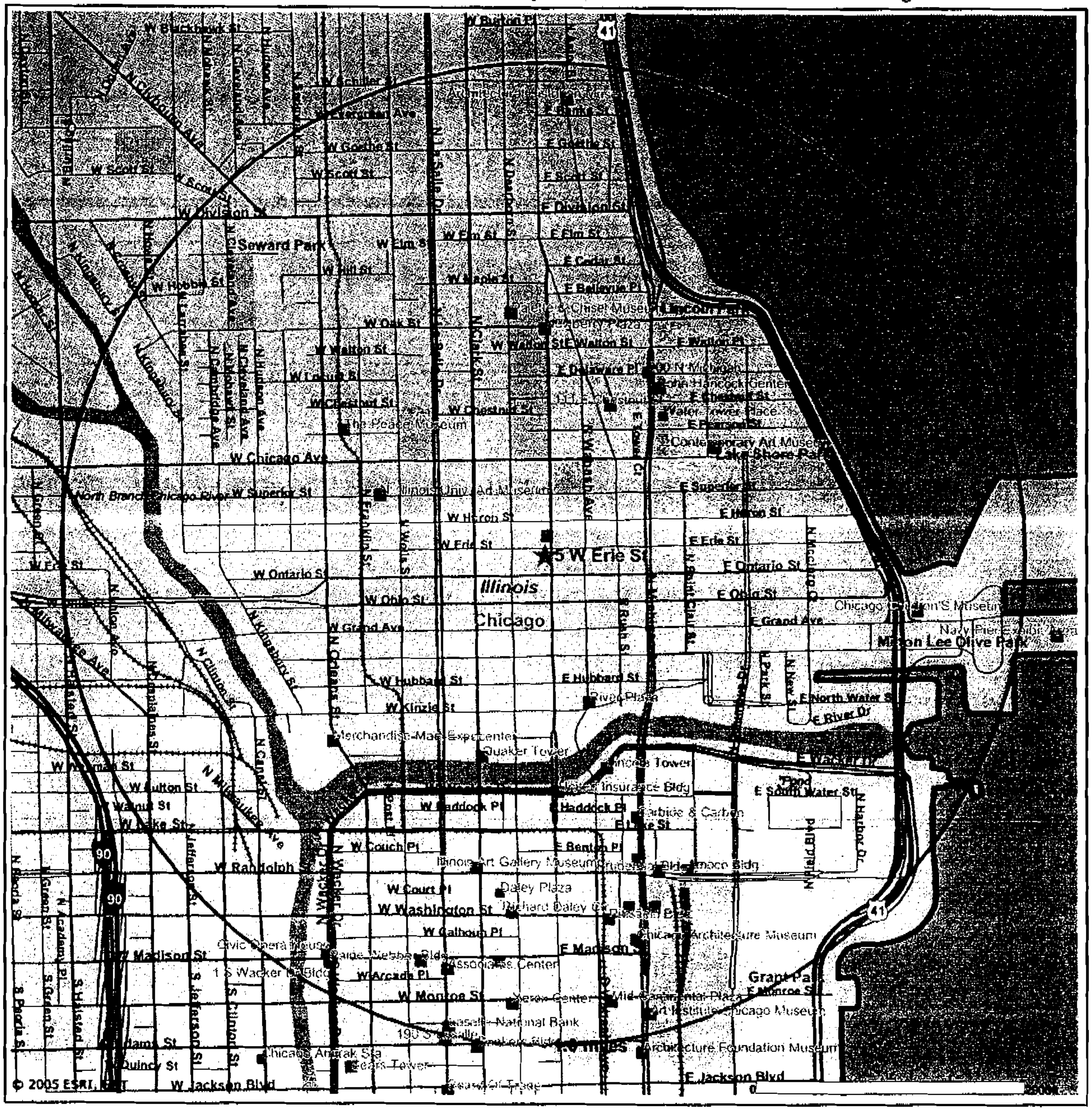
The neighborhood is in the growth stage given the substantial new construction and quickly improving occupancy and rent levels for all types of commercial space. The River North corridor is considered the healthiest commercial loft office/retail market and, according to property managers, this central, prominent location is in high demand among many types of retail formats. Its long-term desirability should remain very strong in the years ahead, resulting in a positive impact on the value of property.

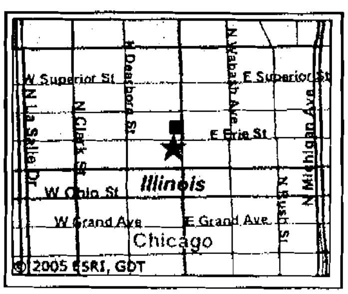
# Site Map

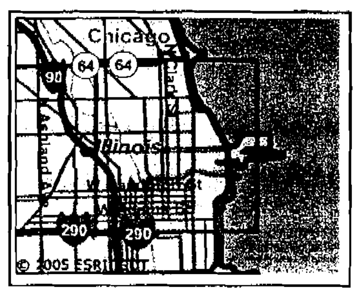
5 W Erie St
Chicago, IL 60610

January 30, 2006

Latitude: 41.893863
Longitude: -87.628386



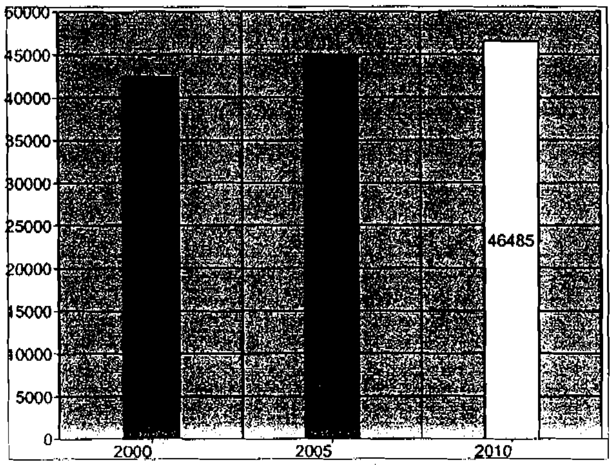
# Graphic Profile

**5 W Erie St - Chicago, IL**

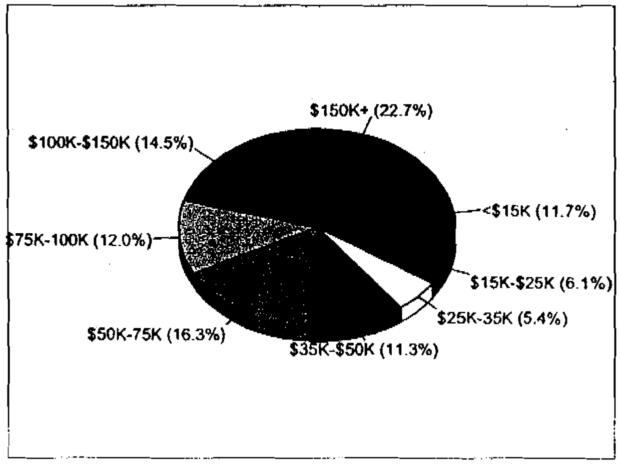
| | |
|---|---|
| **Latitude:** | **41.893863** |
| **Longitude:** | **-87.628386** |
| **Radius:** | **1.0 miles** |

**Site Type: Radius**

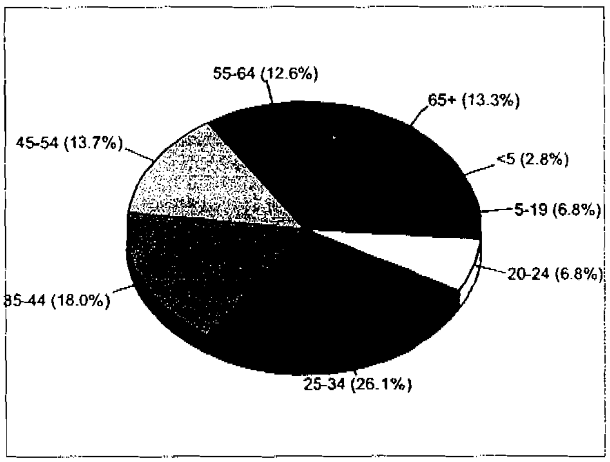
**Households**



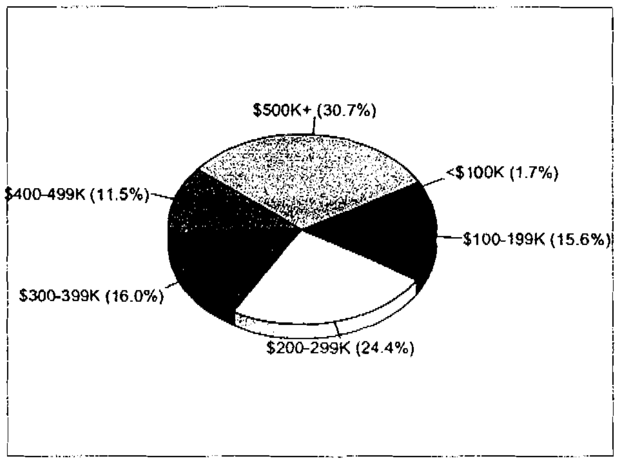

**2005 Households by Income**



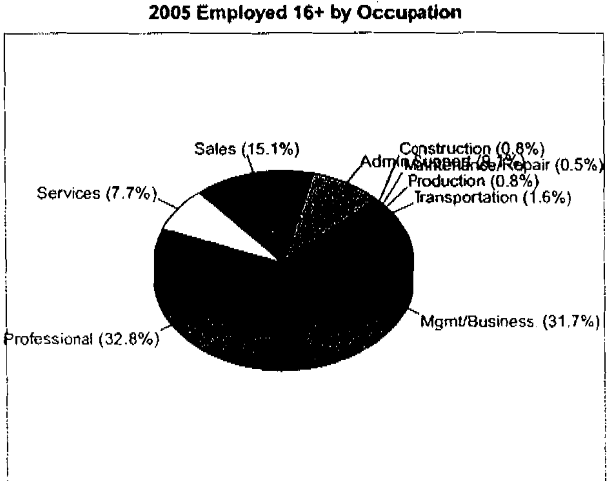

**2005 Population by Age**




**2005 Owner Occupied HUs by Value**




**2005 Employed 16+ by Occupation**




**Source**: U.S. Bureau of the Census, 2000 Census of Population and Housing. ESRI forecasts for 2005 and 2010.

Source: *Living In Greater Chicago* 2004, *Meyer Communications*.