ICC Docket No. 06-____

Petition and Request
For Ruling Without Hearing

Schedule E
Part 3

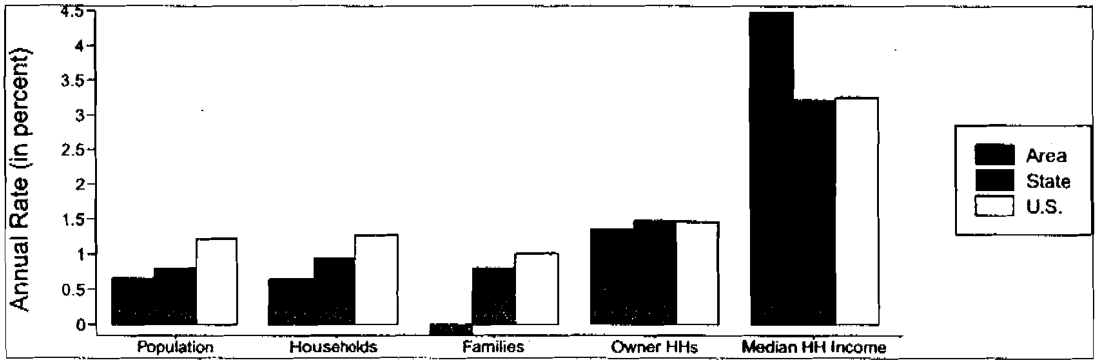
Demographic and Income Profile

5 W Erie St
Chicago, IL 60610

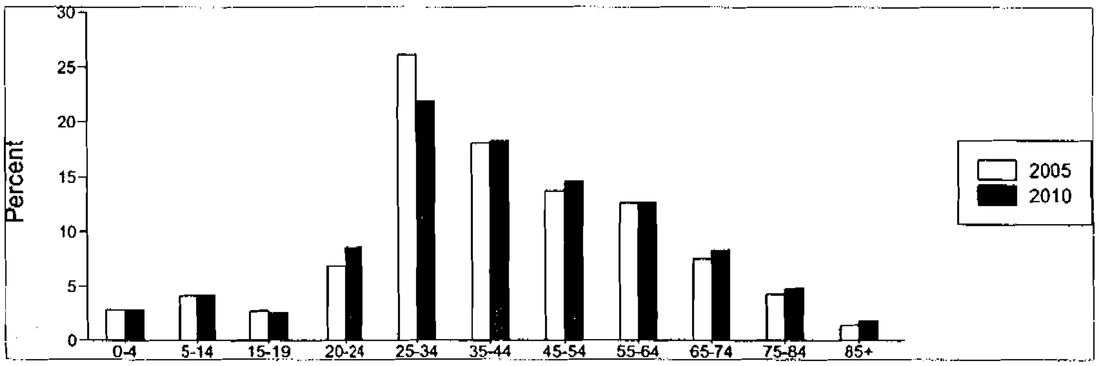
Site Type: Radius

Latitude: 41.893863
Longitude: -87.628386
Radius: 1.0 miles

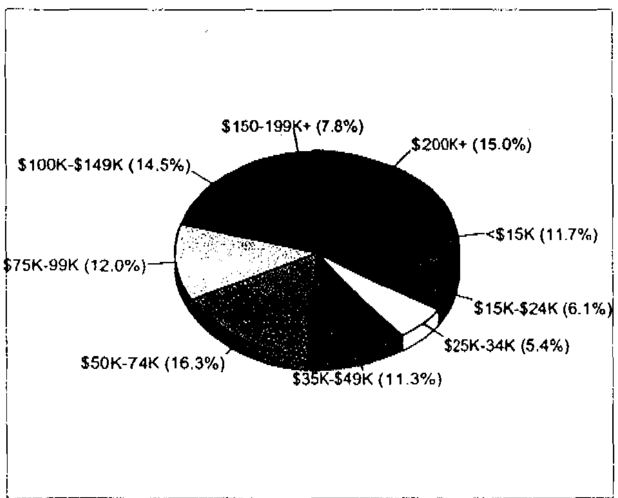
Trends 2005-2010



Population by Age



2005 Household Income



Demographic and Income Profile

5 W Erie St			Latitude: 41.893863
			Longitude: -87.628386
Chicago, IL 60610	Site Type: Radius		Radius: 1.0 miles

Summary	**2000**	**2005**	**2010**
Population	65,748	70,044	72,375
Households	42,432	45,015	46,485
Families	12,182	12,434	12,337
Average Household Size	1.49	1.50	1.50
Owner Occupied HUs	18,195	20,960	22,416
Renter Occupied HUs	24,237	24,055	24,069
Median Age	37.9	38.7	40.4

Trends: 2005-2010 Annual Rate	**Area**	**State**	**National**
Population	0.66%	0.8%	1.22%
Households	0.64%	0.94%	1.27%
Families	-0.16%	0.8%	1.00%
Owner HHs	1.35%	1.48%	1.46%
Median Household Income	4.47%	3.21 %	3.25%

	2000		2005		2010	
Households by Income	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
< $15,000	5,869	13.8%	5,255	11.7%	4,627	10.0%
$15,000 - $24,999	2,839	6.7%	2,756	6.1%	2,294	4.9%
$25,000 - $34,999	3,303	7.8%	2,441	5.4%	2,151	4.6%
$35,000 - $49,999	5,662	13.3%	5,070	11.3%	3,690	7.9%
$50,000 - $74,999	7,496	17.6%	7,331	16.3%	6,417	13.8%
$75,000 - $99,999	4,472	10.5%	5,383	12.0%	5,666	12.2%
$100,000 - $149,999	5,412	12.7%	6,539	14.5%	7,444	16.0%
$150,000 - $199,000	2,815	6.6%	3,495	7.8%	4,356	9.4%
$200,000+	4,711	11.1%	6,744	15.0%	9,838	21.2%
Median Household Income	$61,115		$73,542		$91,537	
Average Household Income	$102,280		$119,491		$158,110	
Per Capita Income	$66,908		$77,282		$102,047	

	2000		2005		2010	
Population by Age	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
0 - 4	1,839	2.8%	1,971	2.8%	2,048	2.8%
5 - 14	2,448	3.7%	2,879	4.1%	2,961	4.1%
15 - 19	1,513	2.3%	1,870	2.7%	1,781	2.5%
20 - 24	5,460	8.3%	4,757	6.8%	6,125	8.5%
25 - 34	17,957	27.3%	18,272	26.1%	15,769	21.8%
35 - 44	11,391	17.3%	12,608	18.0%	13,150	18.2%
45 - 54	9,408	14.3%	9,575	13.7%	10,587	14.6%
55 - 64	7,487	11.4%	8,826	12.6%	9,172	12.7%
65 - 74	4,664	7.1%	5,258	7.5%	5,998	8.3%
75 - 84	2,665	4.1%	3,016	4.3%	3,462	4.8%
85+	917	1.4%	1,010	1.4%	1,319	1.8%

Traffic Profile

5 W Erie St
Chicago, IL 60610

Site Type: Radius

Latitude: 41.893863
Longitude: -87.628386
Radius: 1.0 miles

Distance:	Street:	Closest Cross-street:	Year of Count:	Count:
0.01	N State St	E Erie St (0.01 miles N)	1996	8,000
0.06	N State St	W Huron St (0.01 miles N)	1994	18,700
0.09	N Wabash Ave	E Erie St (0.03 miles S)	1994	10,200
0.12	N State St	W Grand Ave (0.03 miles S)	1994	18,000
0.13	N Dearborn St	W Superior St (0.03 miles N)	1994	16,500
0.13	W Ontario St	N Clark St (0.03 miles W)	1994	31,200
0.15	E Grand Ave	N Wabash Ave (0.05 miles E)	2000	9,709
0.16	N Clark St	W Huron St (0.03 miles N)	1994	19,200
0.16	W Grand Ave	N Dearborn St (0.04 miles W)	2000	9,709
0.16	N Clark St	W Ontario St (0.02 miles N)	1995	19,000
0.18	W Ontario St	N Clark St (0.03 miles E)	1996	20,000
0.19	N Wabash Ave	E Grand Ave (0.02 miles N)	1994	11,800
0.22	W Chicago Ave	N Dearborn St (0.03 miles E)	2002	24,300
0.22	N la Salle Dr	W Erie St (0.02 miles N)	2000	6,009
0.23	W Illinois St	N Dearborn St (0.02 miles E)	2000	13,009
0.24	N Michigan Ave	E Ohio St (0.03 miles N)	2002	43,700
0.24	E Illinois St	N Wabash Ave (0.03 miles W)	2000	13,009
0.25	N la Salle Dr	W Ohio St (0.02 miles N)	1996	9,000
0.25	E Ontario St	N Michigan Ave (0.03 miles W)	1995	15,900
0.27	E Ohio St	N St Clair St (0.04 miles E)	1995	17,500
0.27	N Michigan Ave	E Grand Ave (0.02 miles N)	2002	43,700
0.27	W Chicago Ave	N la Salle Dr (0.04 miles W)	2002	24,300
0.29	E Grand Ave	N St Clair St (0.03 miles E)	2000	13,009
0.30	W Grand Ave	N la Salle Dr (0.03 miles E)	2000	9,709
0.30	N State St	W Chestnut St (0.01 miles S)	2000	14,909

Data Note: The Traffic Profile displays up to 25 of the closest available traffic counts within the largest radius around your site. Traffic counts are identified by the street on which they were recorded, along with the distance and direction to the closest cross-street. Distances displayed as 0.00 miles (due to rounding), are closest to the site. A traffic count is defined as the two-way Average Daily Traffic (ADT) that passes that location.

Source: Copyright: 2005 MPSI Systems Inc. d.b.a. DataMetrix®

Facing high vacancies and low rents, Chicago-area apartment building owners are seeing substantial demand from condominium converters. Developers who convert apartments into condominiums are outbidding pension funds and other investors for rental properties, allowing landlords to cash out at high prices. While factors such as favorable interest rates and strong buyer demand have fueled price appreciation, the proliferation of condominium converters has placed additional upward pressure on pricing, paying huge dividends to sellers in today's less-than-stellar apartment market. Apartment landlords suffered in recent years as low interest rates turned many apartment renters into condominium purchasers and a weak job market sent others back home to live with parents. *Marcus & Milichap* estimates the vacancy rate for Chicago-area apartment buildings will be 7.2% at the end of 2004, an improvement from 7.3% at the end of 2003 but still substantially above 3.7% in 2000. Despite the weak fundamentals, investors have been pouring money into real estate as an attractive alternative to low interest rates on bonds and an unpredictable stock market. Many long-term investors, however, are encountering difficult time bidding for apartment buildings against condominium converters, who can extract more value from a building by selling off its individual units. An investor wishing to purchase a property for its rental income will base a bid on the projected income of the property, whereas a converter will base a bid on the total sell-out value of the building; currently, a converter can afford to pay as much as 15% to 20% more for a rental property than an investor would. With the continued low interest rate environment and demand for condominiums, an investment buyer has difficulty competing. Traditional investors did not bother bidding on the 400-unit apartment building located at 1400 North Lake Shore Drive, currently being sold by *B&A Property Group LLC;* formal offers were received from 12 bidders, all condominium converters, with bids very close to the $70-million asking price. Other buildings being converted this year include a 457-unit property located at 440 North Wabash Avenue in River North, being converted by *American Invsco Corp.*, and a 195-unit vintage building located at 2000 Lincoln Park West is being converted by *NVG Residential Inc.* Converters have accounted for about two-thirds of *Marcus & Milichap's* Chicago sales this year and about half of the firm's suburban sales.

The boost in Chicago employment continues to draw more residents to the central business district and suburbs of Chicago. Neighborhoods just outside of the central business district and close-in suburbs are growing quickly, and values are climbing. For 2004, a relatively highly liquid apartment market is expected to continue, driven by strong buyer activity. The Chicago area has good job growth, a diversified economy and increasing personal income; demand will continue to improve from the bottom of a slow economy.

Attributes that attract this market are as follows:

- **Location** Areas close to the Loop offer less congested street parking, public transportation, access to highways, walk to work proximity, ample restaurants and (generally) the charm of city living without the congestion of high-rise rentals/condominiums. Due to some neighborhoods being understored, grocery shopping may be a slight challenge.

- **Product** For sale townhouse development and condominium lofts have particularly assisted in attracting affluent purchasers to the area. Large townhouse developments tend to create their own neighborhoods; these communities tend to be gated, allowing adequate security in up and coming areas. New appliances and building amenities are some of the features that attract the population of prospective purchasers; an upscale townhouse project in the area should feature the best qualities of nearby successful loft buildings with up to date townhouses. One of the reasons that lofts are in such demand is the vast amount of unrestricted space, open floor plans, brick and beam raw space, uniqueness of each unit (many being atypical in the same building), city views from large window sight lines (ten to fourteen feet or more), hardwood floors, private exterior spaces (balconies and room decks), units that offer more square footage than many single family homes (accommodating furniture from former residences) and more than adequate soundproofing (with some projects offering cement floors). Townhouse features include attached indoor parking (preferably for two cars), private exterior space, low maintenance and minimal condominium association intrusion. Townhouses have the obvious added attraction of owning a city lot in very close proximity to Downtown Chicago. To satisfy an urbane, sophisticated, visually oriented market, the townhouse product must include top of the line features and finishes, on no more than three levels with additional roof room space available (to maintain the over-scaled feeling of local lofts). The exterior would be masonry and/or stone, which would create a strong presence amidst the large loft structures in the area; within the perimeter of townhouses, the design should embrace a park-like common space onto which all units open (not visible from the street). Additional outside space, including balconies and/or roof terraces, would offer private outdoor space. Additional consideration could be given to parking access, considering underground parking to minimize the intrusion of automobile traffic and individual garage entrances.

- **Profile** Based upon our research, the typical profile of the purchasers attracted to North Side living are singles and couples over thirty years of age, empty nesters and couples with one or two children with annual incomes in excess of $200,000. Empty nesters move from other parts of Chicago or its suburbs and are generally far from retirement. Potential purchasers would be professionals from the arts, medical, business/financial or university communities, who would be attracted to a less densely, populated area as compared to Lincoln Park/ the Gold Coast.

The following pages contain sales of apartment properties located near the subject with condominium conversion potential.

Demand for mixed-use space in River North is being driven by substantial new development occurring within and just outside its borders. Recent major deals include the following:

- ***CMK Development Corp.*** plans to build a 165-unit condominium project in River North at 630 North Franklin Street; units in the 11-story building will range from $159,900 to $479,900, with total property value at completion at $45 million;

- ***Grand Orleans*** is a $42 million, 98-unit condominium community located at Grand and Orleans. Prices range from $184,500 to $634,500; fourteen stories of condominiums sit atop a seven-story heated garage that accommodates 113 vehicles;

- ***Amalfi*** is a former hotel located at 20 W. Kinzie. The 213-room luxury hotel is being converted to a condominium hotel by *Kinzie Street Hotel Investors, LLC,* owned by *Hostmark Hospitality Group* and *Shamrock Holdings*. Prices range from $$219,000 to $331,000 (kings, doubles and suites), with one bedroom suites priced from $435,000 to $500,000;

- ***400 North LaSalle Condominium*** is a condominium conversion by *DK/Equity, LLC (Draper & Kramer/Equity Marketing Services*. The 45-story tower was originally constructed in 2004 and offers 452 residences from 534 to 1,530 square feet;

- ***Grand Plaza,*** 545 North Dearborn Street, is being converted to condominium by *Terrapin Properties LLC,* in a venture with *Jaeger Equities, Ltd.* The 37-sotyr 283-unit property offers studios, convertibles, one-, two and three-bedroom plans including duplex penthouses with fireplaces, floor to ceiling glass and wrap-around terraces;

- ***The Montgomery,*** former corporate headquarters of *Montgomery Ward,* is a 28-story, 243- unit condominium conversion tower located at 500 West Superior Street;

- The City of Chicago Planning Commission approved the 86-story mixed-use ***Trump Tower*** Chicago in mid-July 2002;

- The ***Sterling*** is a $53.6 million condominium conversion by *American Invesco* at 345 North LaSalle Street. The 49-story, 389-unit condominium contains 369,190 residential saleable square feet plus outdoor pool and two tennis courts;

- The 15-story, 96,000 square foot ***Contemporaine*** condominium development was constructed at 516 North Wells Street, completed by *CMK Development*. Construction began in Fall 2002, and residences and retail space were available for occupancy beginning in October 2003. Parking is provided on the first four floors, with 28 condominiums included on the remaining floors, ranging from 1, 500 to 5,000 square feet. *Perkins & Will* was part of the design team;

- Construction financing of $12,400,000 was recently approved for ***The Royalle,*** a condominium project located at 744 North Clark Street. The 73,559 square foot property consists of a 10-story building containing 40 one and two bedroom, 900 to 1,428 square foot condominium units, plus 1,400 square feet in ground floor commercial space. Indoor heated garage spaces are to be located on the second level of the structure, and the property was approximately 50% pre-sold before development;

- The ***Caravel*** was recently added by *Magellan Development Group.* The 28-story, $50 million building is located at the corner of Dearborn and Ontario Streets and includes 126 residences priced from $300,000, 12,000 square feet of retail space and parking for 136 vehicles;

- A recent rehab of the historic *Medinah Temple* complex at Wabash and Ohio Streets into a *Bloomingdale's* home store was completed by Al Friedman;

- The ***Grand Plaza*** from Cataldo/Marovitz broke ground in October 2000 and houses two apartment towers at the former *American Medical Association* headquarters on the block of Ohio, State, Dearborn and Grand;

- ***Dearborn Plaza*** located at Dearborn and Kinzie is a 17-floor office building opened in 2000 at 98% leased;

- ***Erie on the Park*** is a 24-story steel and glass residential property at 500 West Erie. Each floor has two to eight residences ranging from 560 to 2,500 square feet. A new two-acre park and the Chicago River set the boundary for this development. 88 of the 119 units were sold as of October 2000. The project features a 30-foot high glass lobby, floor to ceiling custom windows, expansive outdoor terraces and a private fitness center. Kitchens include granite countertops with backsplash, hand-made European kitchen cabinets and stainless steel appliances and nine foot ceilings;

- ***River North Center*** is a $200 million multi-phase development that includes hotel, retail, office, residential and parking components. The project is a joint venture between *Friedman Properties, Ltd.* and the *Habitat Co.* This property is bounded by Hubbard, Clark, Carroll and Dearborn Streets. The property is to feature in excess of one million square feet of net rentable area. A 56-story residential apartment development will be the major element in the first phase of the development; the 600,000 square foot building will offer 532 studio, convertible, one- and two-bedroom apartments. The property will be anchored by an eight-story base containing the building lobby, retail, commercial space and a six-story parking garage that will accommodate 450 automobiles, with *Lettuce Entertain You* bringing food service and retail to the site. The second phase will include retail and commercial space, an office building, a hotel and a larger parking garage. The two-tower building will be situated on a nine-story base that includes 100,000 square feet of retail and commercial space and a 750-car capacity parking garage. Above the garage on the west side of the building will be the 300,000 square foot, 17-floor office building. On the east side of the building will be a 185,000 square foot, 15-story hotel offering 340 suites;

- ***Farallon*** is a 21-story condominium tower at the northeast corner of Dearborn and Ohio Streets. Developer for the 200,000 square foot condominium tower is *Magellan Development Corp.* Completion was April 2001. The building sold out in half a day in February 2000 and *Magellan* is kept a waiting list for prospects still trying to purchase a home there. When completed, *Farallon* featured 161 condominiums, mostly one- and two-bedroom units. Each condominium has a balcony, along with its own washer and dryer. Building amenities include a weight and community room and 175 space parking garage, with 9,500 square feet of retail space including a restaurant featured;

- **340 West Superior** is a 16-story building of 120 condominiums at the northwest corner of Superior and Orleans Street. Developed by *Richard Hoffman Corp.* and *B&P Development,* the studio, one- and two-bedroom units are base-priced from $229,900 to $650,000. Indoor, heated parking begins at $30,000 per deeded space. Standard amenities include granite countertops and ceramic tile floors in the kitchen, wood flooring in living/dining areas and master baths with separate tub and shower. The building has a 24-hour doorman, rooftop fitness facility, storage area, three elevators and a courtyard with gazebo and outdoor seating on the sixth floor. Tom Riggs of *Superior Marketing Ltd.* is the marketing agent;

- *Spectrum Real Estate Services, Inc.* has developed the former *Union Special Machine Company* property at 400 North Franklin Street; the property occupies a full city block abutting the recently renovated north face of *Merchandise Mart* between Franklin and Orleans Streets. It consists of an existing six story, circa 1910 sewing machine company and parking lot which most recently served as temporary home to the main branch of the Chicago Public Library while the Harold Washington facility was being completed. The $45 million project, known as ***Union Square,*** a loft conversion/townhouse community, is entered from Hubbard Street. The loft conversion features 120 one and two bedroom, one and two bath loft residences ranging in size from 700 to 1,250 square feet, located in the existing six-story building. In addition, four new floors (7-10) have been constructed featuring a total of 58 one and two bedroom penthouse units, all with terrace outside space. *Union Square's* also features a final phase of 40 townhouses completing the perimeter of the garden space. Among the amenities at *Union Square* are views, private underground parking and gated/secured courtyard and lobby with 24-hour doorman. Other amenities include extra wide loft units, balconies/terraces, and a rooftop deck for common use. Prices for the *Union Square Lofts* range from the mid $90s for one bedroom lofts to the high $300s for two bedroom penthouse units;

- ***Ontario Street Lofts***, a 173 unit building redeveloped by *LR Development Company,* sold out in eight months, with original sales prices ranging from $100,000 for a one bedroom unit to $1 million for a penthouse;

- Buzz Ruttenberg planned a $35 million, 196 unit mid-rise development on a 2.7-acre parcel bounded by Clinton and Jefferson Streets, Fulton Market and the Milwaukee District railroad tracks. Ruttenberg's *Belgravia Group, Ltd.* recently bought the site, which is one block east of the Chicago River, from *A. Epstein & Son;*

- *Chicago Urban Properties,* a division of *Sundance Homes,* has added ***Erie Centre Tower,*** a 24 story new condominium building in River North. *Erie Centre Tower* offers 126 single level and duplex condominium, with prices ranging from $136,900 to $485,900. *Erie Centre Tower* is adjacent to the west side of *Erie Centre Lofts,* 375 West Erie Street, a loft condominium community also being developed by *Chicago Urban Properties* which posted sales of almost 50 percent within two months of its opening. *Erie Centre Tower* has been designed by the architectural firm of *Papageorge/Haymes, Ltd.* with a flexibility that will allow floor plans to be changed in response to buyer demand (floor plans at the *Erie Centre Tower* range in size from 787 to 2,260 square feet with one to three bedrooms, one to 2.5 baths, nine foot ceilings and balconies or roof terraces). Half the units have double corner locations. Of the 24 floors in the Erie Centre Tower, 17 were devoted to condominiums; the first floor includes retail space, garage spaces and tenant storage facilities. Floors two through six contain 231 parking spaces, and the top floor includes a winter garden, exercise room and sun deck;

- ***Tuxedo Park On Orleans***, $25 million; Chicago, 700 N. Orleans, developer: *Bejco Development Corp.* 52 town homes added;

- *Cabrini Green,* with high profile Dan McClean, DePaul University and the Melk Family (*Waste Management/Blockbuster)* continues to be fully redeveloped to the north. Under the *Chicago Housing Authority's* five-year, $1.5 billion plan, six high-rises will be demolished and 2,100 housing units will be built as subsidized and market rate housing;

- *Stiffel Lamp* previously relocated from its five building complex at 700 N. Kingsbury Street. *Enterprise Development Company* purchased the property in February 1998 for $12 million. ***River North Commons,*** as a $40 million redevelopment, offers residential lofts ranging in price from 81 to 2,390 square feet, with base prices of $127,500 to $465,500;

- *Chicago Capital Consultants Inc.* has developed ***Gallery 400,*** a 102 unit, $32 million condominium development at 400-420 West Ontario Street. The development includes the conversion of a seven story warehouse building, 400 W. Ontario, into five floors of parking and ten condominiums, followed by construction of an 18 story, 892 unit building on the adjacent parcel. Studio, one, two and three bedroom units in the high-rise have from 662 to 2,000 square feet of living area. Pre construction base prices ranged from $114,000 to $450,000. The midrise phase of the development involves the conversion of an existing seven story building at 420 West Ontario into ten two bedroom loft condominiums, plus five floors of heated parking;

- *Centrum Properties* and NYC-based *Angelo Gordon & Co.* have purchased the former headquarters building of *Montgomery Ward & Co.* for $30 million, and plan to convert the 26-story office tower at 535 West Chicago Avenue into condominiums, possibly including hotel rooms. The deal is part of a boom that has seen 3,500 residential units built in a former industrial area along the *Chicago River,* with at least 500 more units planned. The Chicago Landmarks Commission voted in January 1998 to give preliminary landmark designation to the ***Montgomery Ward & Company*** complex on Chicago Avenue. Its 28-acre riverfront parcel's top bid was in the $80 million to $85 million range. Included in the sale was *Ward's* 400,000 square foot corporate office, another 400,000 square foot office building and a two million square foot warehouse and garage holding more than 800 cars;

- Four development firms were vying to redevelop the city owned ***Traffic Court*** building, with each proposing to renovate the 83-year-old landmark 321 N. LaSalle Street, with costs topping $30 million. Bidders and their proposals for the 387,000 square foot building included Richard Stein and *LR Development,* developing a headquarters for *Mesirow Financial,* Albert Friedman, who has redeveloped 42 River North buildings and is landlord to some of the city's trendiest restaurants, proposing a mixed use development, and Michael W. Reschke, former chairman and CEO of *Prime Group Inc.,* proposed converting the building into a hotel with a center atrium. Friedman is proceeding with plans;

- A new 450 home development in the Fulton River District west of the Loop has been developed at 555 West Kinzie. Near the Chicago River, ***Kinzie Station*** features two 25-story buildings, offering 2,550 square feet, two bedrooms and two units per floor (starting at $445,000). The property also offers town homes;

- *Charles E. Smith Residential Realty Inc.,* a Northern Virginia based REIT, has developed a 52-story, 809-unit rental apartment and commercial center at ***One West Superior Street.*** The $112 million property includes a *Whole Foods* supermarket and other retail space, occupying the entire block diagonally opposite the Holy Name Cathedral bounded by State, Superior, Dearborn and Huron Streets. The property opened in 1999, and is the first new major rental apartment building to open in downtown Chicago since 1991. *Smith* also purchased nearby ***One East Delaware***, a 306-unit high-rise rental apartment building. Financing was provided by *NationsBank* and *Security Capital Preferred Growth.* The new complex incorporates 52,000 square feet of commercial space and garage parking for 867 cars. The apartments include studios, one and two bedroom units, and range in size from 600 to 1,200 square feet;

- At the end of 1997, the developer of the 219 unit *Union Square Lofts* at 333 West Hubbard Street has bought two River North office buildings. *Spectrum Real Estate Services, Inc.* acquired an eight story, 186,000 square foot building at 414 North Orleans Street from *Teachers Insurance and Annuity Association,* paying more than $11 million. *Spectrum* also signed a contract to purchase 750 North Orleans Street, which has 80,000 square feet;

- Chicago's new Department of Administrative Hearings has moved to River North. The city has signed a 7 1/2-year sublease for a 140,000 square foot office building at 400 West Superior Street. The city will pay $1.8 million a year in rent and receive $8.2 million for improvements, including construction of 16 hearing rooms. Workers from the departments of Aging, Cable Communications and Finance has moved from the *Kraft Building,* 510 North Peshtigo Court;

- John Figilioli, *Garrett Realty & Development Inc.,* sold a loft property known as 438 West Ontario Street. The 3.5 story, 30,000 square foot building with an attached parking lot was purchased by *Anchor Mortgage Corporation. Anchor* occupies one floor of the building (the building was listed at $1.5 million);

- The sale of two adjoining River North properties were recently sold to different purchasers by *Millennium Properties Inc.* The property at 162 West Hubbard Street consists of 18,000 square feet and was offered for sale at $3.8 million (sold to and occupied by a law firm). The property at 435 North Wells, a surface lot, was sold to a parking lot operator;

- *Urban Innovations, Ltd.* has announced the acquisition of a portfolio of loft office properties from *Lakewest Inc.*, a Chicago based real estate development firm headed by Buzz Ruttenberg. The portfolio consists of five buildings totaling 360,000 square feet as well as a 15,000 square foot parking lot in Chicago's River North neighborhood. The most highly visible of the properties is 325 West Huron Street (ground floor location of *Hat Dance* restaurant). The property is 100 percent leased and includes an adjacent parking lot at 301 West Huron Street. Additional properties in the portfolio included: 212 West Superior Street, 215 West Superior, 222 West Hubbard Street and 322 South Green Street;

- Developer John Buck has completed *North Bridge* and announced the opening of the *Nordstrom* store as September 22, 2000. *North Bridge* is considered an entire development district and should extend Michigan Avenue's retail presence westward. Though *Nordstrom* is a block away from Michigan Avenue, the store has a Michigan Avenue entrance with a four-story glass atrium. Currently, five blocks of the nine block project are under construction, including *Nordstrom's*, a retail/hotel building at 520 North Michigan Avenue (a 310 room *Grand Bay* hotel atop four floors of retail), an entertainment component that includes the already open *DisneyQuest*, an interactive entertainment venue, a structure with a 946 car parking garage, retail and restaurants, and a *Hilton Gardens Hotel*, with a 967 car parking garage;

- Other major retail activity is taking place on State Street, which has continued its transformation back into a popular shopping destination since being reopened to vehicle traffic. The *J. Paul Beitler Development Co.* has signed a deal with *Sears, Roebuck & Company* to anchor 250,000 square feet of the One North Dearborn property.

Conclusion

The long-term trend for the North Side of Chicago, particularly near the lakefront neighborhoods, is positive. Loft condominiums have been very well received in this area, and townhouse developments have thrived east, southeast, north and northeast. The subject property can fill a niche for a quality, medium density project currently offered in the community that would rival the tremendous rental and loft sales velocity currently being experienced in the north side area. The recovery of the economy will continue through the next 18 months, and Chicago will continue to be a major technology, financial, industrial and distribution hub.

Sources: *Crain's Chicago Business*, 2006 *Crain's Communications; Korpacz Real Estate Investor Survey*, 2006 *National Real Estate Investor*, 2006 *Argus Publishing; Midwest Real Estate News*, 2006, *Argus Publishing.*

Rate Growth

Rental income and operating expense increases have been based upon an analysis of the Urban Wage Earners and Clerical Workers, U.S. City Average Consumer Price Index base year 1967, displayed as follows:

Consumer Price Index		
Date	Level	Change
December 2005	589.4	1.06%
December 2004	554.2	3.40%
December 2003	536.0	1.67%
December 2002	527.2	2.37%
December 2001	515.0	1.30%
December 2000	508.5	3.40%
December 1999	491.8	2.57%
December 1998	479.5	1.74%
December 1997	471.3	1.51%
December 1996	464.3	3.29%
December 1995	449.5	2.56%
December 1994	438.3	2.69%
December 1993	426.8	2.60%
December 1992	416.0	2.79%
December 1991	404.7	2.76%
December 1990	393.8	6.12%
December 1989	371.1	4.54%
December 1988	355.0	4.35%
December 1987	340.2	4.45%
December 1986	325.7	0.71%
December 1985	323.4	3.59%
December 1984	312.2	3.55%
December 1983	301.5	3.25%
December 1982	292.0	3.88%
December 1981	281.1	8.66%
December 1980	258.7	12.48%
December 1979	230.0	13.36%
December 1978	202.9	9.03%
December 1977	186.1	6.77%
December 1976	174.3	4.81%
December 1975	166.3	7.01%
December 1974	155.4	12.20%
December 1973	138.5	8.80%
December 1972	127.3	3.41%
December 1971	123.1	3.36%
December 1970	119.1	5.49%
December 1969	112.9	6.11%
December 1968	106.4	4.72%
December 1967		

The average cumulative change over the past twenty-five years is summarized in five to thirty five year segments, as follows:

Past Time Frame	Average Change
Five Preceding Years	1.96%
Ten Preceding Years	2.23%
Fifteen Preceding Years	2.38%
Twenty Preceding Years	2.79%
Twenty Five Preceding Years	3.15%
Thirty Preceding Years	4.18%
Thirty Five Preceding Years	4.53%

Given the booming River North location of the subject, with the health of the local economy, we have projected rental increases and expense increases at two to four percent per year, or three percent.

HIGHEST AND BEST USE ANALYSIS

AS VACANT

The first constraint imposed on the possible use of the property is that which do the physical aspects of the site itself dictate. The subject property is rectangular in shape. The subject neighborhood is fully improved with all utilities and is served by adequate township services, with septic and well water available near-site. Consequently, the size and shape of the subject site along with utilities, services available and topography allow for some flexibility in potential development. Overall, the physical aspects of the sites themselves impose some constraints (due to utility extension required) that would prevent the site from being developed with those legal and feasible uses.

The most significant legal restriction imposed upon the parcel's development potential are their zoning status. The subject is currently zoned B7-6 (DX7), General Central Business District-4, Restricted Service District (City of Chicago Zoning Ordinance), for approximately ½ of the site (SWC State and Erie, entire length of the subject's State Street frontage and along Erie Street for 79 feet of the subject frontage), and B7-5 (DX5), General Business District, for approximately two-thirds of the site fronting along Erie Street, with RBPD no. 735 as a zoning overlay, which allows residential, retail, office, hotel and institutional uses; most industrial uses are not allowed under this designation.

Typically, of those uses that are both possible and permissible, only a few are feasible. Located in the River North sub market, the property is located among a multitude of mixed uses, including restaurant, art gallery, boutique, hotel, loft office and residential buildings with ancillary retail facilities. The neighborhood is in the growth stage given current rehabilitation trends continuing in River North. With substantial new construction occurring in this area mostly limited to new residential and retail properties, the subject area should not see any smaller size new office building development within the next 12-18 months. Major retail centers in the area are primarily limited to first floor restaurants, fashion accessory or sundry gift shops. Most newer centers are located east and north. The subject property is a retail destination, with nightlife activity in the area surrounding the subject on all sides. Institutional uses, including public libraries, theaters or museums are already well represented in this area close to entertainment destinations.

After an examination of possible, permissible and feasible uses, it is concluded that the highest and best use of the subject site as vacant would be for commercial development in conjunction with the continued growth of the River North area. The size of the subject site, the improvements in the office market, and the site's proximity to the Loop and improvement in loft residential and commercial properties make the subject property a very attractive target for purchase as vacant.

IV. FINANCIAL ANALYSIS

THE VALUATION PROCESS

A valuation is an informed opinion of value. In preparation for formulating an opinion, the analysts gather relevant facts from the marketplace; these facts are classified and interpreted on the basis of the analysts' specialized training and experience. The opinions of other experts or participants in the market are sought and their input is factored in with the analysts' observations. The valuation process begins with an estimate of the highest and best use of the land as though vacant; all the preceding analyses of the county/city, neighborhood and improvements are taken into account in this section of the valuation (the process of estimating value flows from this initial determination or estimate). Contemporary analysts usually gather and process the data according to the three approaches to value; these approaches lead the analysts through a logical and orderly process, with built-in checks and balances to assure the analysts and the client that every reasonable effort has been made to acquire and analyze all factors relevant to the valuation process.

The cost approach is defined as that procedure in appraisal analysis that is based on the proposition that an informed purchaser would pay no more than the cost of producing a substitute property with the same utility. It is particularly applicable when the property is proposed or involves relatively new improvements that represent the highest and best use of the land, or when relatively unique or specialized improvements are located on the site and there exist no comparable properties on the market. In determining market value via the cost approach, the estimated costs of the improvements are added to the market value of the land as estimated through sales comparisons.

The sales comparison approach is predicated on prices paid in actual market transactions. This is a process of analyzing sales of similar properties to derive an indication of the most probable sale price of the property being appraised. This approach is used to extract pertinent appraisal indicators as they relate to the subject, such as overall rates of return, gross income multipliers and price per square foot. Sales chosen are felt to be the most accurate indications of the actions of buyers and sellers in the market.

To estimate value via the income capitalization approach, we forecast earning potential through lease income of the property. To estimate the subject's market rental rates, we surveyed several competing properties in the market. With the gross potential income estimated, appropriate deductions for expenses, vacancy and collection loss yield net operating income. Anticipated income is then transformed into a present worth through a capitalization process. The income capitalization approach is based on the theory of anticipation, which affirms that value is created by the anticipation of future benefits. That value may be defined as the present worth of all rights to future benefits. At the conclusion of these approaches, the value indicators are correlated into a final value estimate. Final consideration is given to the purpose of the appraisal, the type of property appraised, and the accuracy, relevancy and reliability of the data processed as they relate to the market.

Applicability to the Subject Property

The subject property is essentially vacant land, with improvements that do not currently contribute value to the subject site. To estimate the market value of the property, we have applied a sales comparison approach for the subject. The cost approach is not applicable to the appraisal of vacant land. We have estimated a value of the parcel, as investors in property such as the subject are motivated primarily by income and profit. In the case of the cost approach, there have been recent land sale transactions to estimate the value of the vacant land via a sales comparison analysis. The income capitalization approach as only insignificant potential income exists for the current improvement to capitalize value.

SALE COMPARISON APPROACH

Using the sales comparison methodology, the analysts estimate the value of a property by comparing it with similar, recently sold properties in the surrounding or competing areas. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set as the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution. By analyzing sales that qualify as arm's length transactions between willing and knowledgeable buyers and sellers, we can identify market value and price trends. The sold properties must be comparable to the subject in physical, locational and economic characteristics.

Methods to value land include the sales comparison, allocation, extraction, subdivision development, land residual technique and ground rent capitalization. The sales comparison compares sales of more or less similar, vacant parcels, which are analyzed, compared and adjusted to provide an indication for the land being appraised. In the allocation method, improved property sales are analyzed and the prices paid are allocated between the land and the improvements to establish a typical ratio of land value to total value, which may be applicable to the property being appraised, or to isolate the value contribution of either the land or the building from the sale for use in comparison analysis. In extraction, land value is estimated by subtracting the estimated value of the improvements from the sale price of the property; this procedure is useful when the value of the improvements is relatively low or easily estimated. In subdivision development, the total value of the undeveloped land is estimated as if the land were subdivided, developed and sold; development costs, incentive and the net income projection is discounted over the estimated period required for market absorption of the developed sites. In the land residual technique, land is assumed to be improved to its highest and best use; all expenses of operation and the return attributable to the other agents of production are deducted, and the net income imputed to the land is capitalized to derive an estimate of land value. The ground rent capitalization procedure is used when land rents and capitalization rates are readily available; net ground rent is estimated and divided by a land capitalization rate.

In this instance, the sales comparison approach will be used, as this method is the most direct approach in the valuation of vacant land.

The basic steps of this approach are:

Research recent, relevant property sales and current offerings throughout the competitive area.

Select and analyze vacant land properties that are most similar to the subject, giving consideration to the appropriate elements of comparison, including property rights conveyed, financing terms, conditions of sale, market conditions, location, physical characteristics and intended use.

Make appropriate adjustments, if needed, to the prices of the comparable properties, or attempt to rank the properties with respect to the subject.

Interpret the sales data and draw a logical value conclusion, estimating market value based on a common unit of comparison (price per square foot).

Presentation of Sales

The following pages include a comparable River North property sales selected for analysis of the subject property. A market data map for a visual depiction of the sale properties' location relative to the subject.

300 N La Salle Dr

300 N LaSalle
Chicago, IL 60610 -4704
Hi Rise (9 + sty) Site of 52,571 SF Sold for **$32,500,000**

buyer

300 LaSalle LLC
c/o Hines Interest, LP
70 W Madison St Suite 440
Chicago , IL 60602-4252
(312) 419-9000

seller

300 N LaSalle, LLC
c/o Prime Group Realty Trust
180 N La Salle St Suite 2210
Chicago , IL 60601-2501
(312) 827-7800

vital data

Sale Date:	**09/15/2005**	Sale Price:	**$32,500,000**
Escrow/Contract:	**N/Av**	Status:	**Declaration**
Days on Market:	**N/Av**	Down Pmnt:	**N/Av**
Exchange:	**N/Av**	Pct Down:	**N/Av**
Conditions:	**Not Available**	Doc No:	**0526314237**
Zoning:	**DC-16, Chicago**	Trans Tax:	**($48,750.00 P)**
Frontage:	**N/Av**	Submarket:	**River North**
		Topography:	**Not Available**
		Structures:	**Not Available**
		Land Improvements:	**Not Available**
		Offsites:	**N/Av**
		Lot Dimensions:	**Irregular**
		Corner:	**No**
Comp No:	**COC-91414-10-0520**	Property Type:	**Commercial Land**

Intended Use: **To build a high rise office building.**

income/expense

	Gross Acreage	Net Acreage
Acres:	**1.207**	**N/Av**
Price/Acre:	**$26,929,387**	**N/Av**
SF:	**52,571**	**N/Av**
Price/SF:	**$618.21**	**N/Av**

listing broker

Unknown

buyers broker

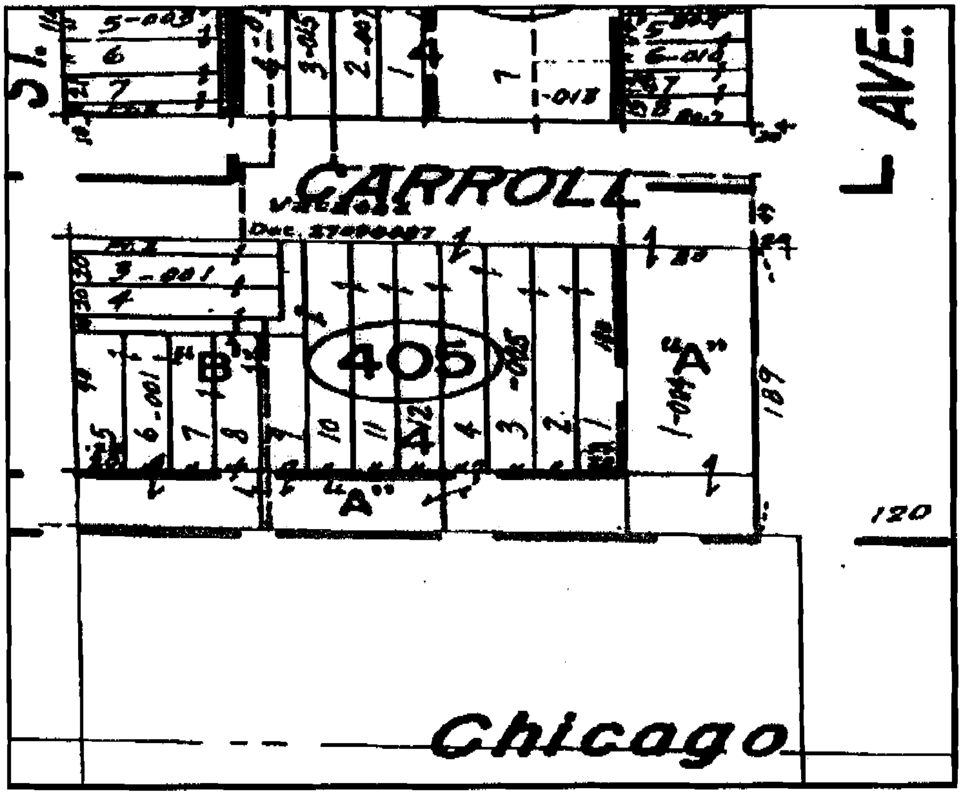
Unknown

financing

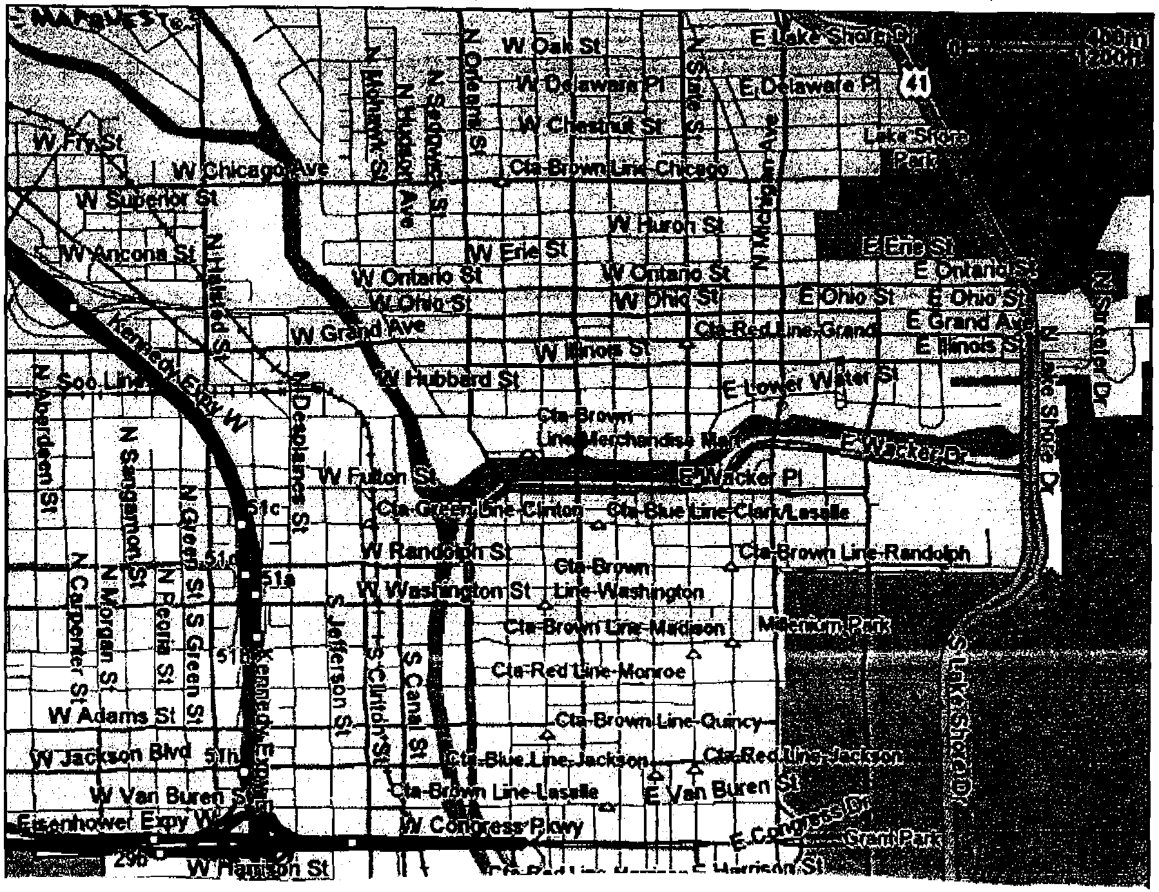
plat map

Map: **51-0W/0N** Legal: **Lot 1 not E 20', Lot 2, E 79'1.5" Lot 3, blk 4, Original Town of Chicago, sec 9, T 39N, R 14E.**

Comps No: **COC-91414-10-0520** Parcel Number: **17-09-405-004;005 Township: North Chicago** Title Co: **Not Available**



site map



description

* Frontage: There is additional frontage on Carroll Avenue. The property will back up to the Chicago River.

* Notes: This will be the future site of 300 N LaSalle Street. Construction on the 60 story office building will begin in April of 2006. The gross square footage will be around 1.4 million square feet. There will be covered and surfaced parking in addition to a host of other amenities including a fitness center, pool, conferencing facilities, food court, courtyard, and many other extras.

The core factor is estimated to be at 9.5 with 24 passenger elevators and 2 freight elevators. The height will touch 775 feet with a highly defined glass and stainless steel facade to maximize the view of the Chicago River as well as daylight while minimizing solar gain.

The floor plates will be 25,000 square feet with occupancy set to begin early 2009, when construction wraps up.

Hines is currently marketing the full floor suites at $30/yr/sf NNN.

Please see property ID: 146632, for up to date information on this new trophy of Chicago.

Doc Num / Transfer Tax
0526314237 ($48,750)

Recording Date: 09/20/2005

600 N State St

Embassy Suites
Chicago, IL 60610 -3853
Hotel Site of 39,240 SF Sold for **$6,299,000**

buyer

WHP Hotel Owner-3A, LLC
c/o Robert Alter
903 Calle Amanecer
San Clemente , CA 92673-6251
(949) 369-4100

seller

Chicago Title Land Trust Company T#
c/o T#61955
171 N Clark St
Chicago , IL 60601-3306
(312) 223-2300

vital data

Sale Date:	**10/26/2004**	Sale Price:	**$6,299,000**
Escrow/Contract:	**N/Av**	Status:	**Declaration**
Days on Market:	**N/Av**	Down Pmnt:	**$6,299,000**
Exchange:	**N/Av**	Pct Down:	**100%**
Conditions:	**Ground Lease (Leased Fee)**	Doc No:	**0430904001**
Zoning:	**DX-12, Chicago**	Trans Tax:	**($9,448.50 F)**
Frontage:	**218' State**	Submarket:	**River North**
	180' Ohio	Topography:	**Level**
		Structures:	**12-sty Hotel (Existing)**
		Land Improvements:	**Fully Improved Lots**
		Offsites:	**All to site**
		Lot Dimensions:	**180 x 218**
		Corner:	**Yes**
Comp No:	**COC-75341-01-0520**	Property Type:	**Commercial Land**
Intended Use:	**To use as Embassy Suites Hotel (existing)**		

income/expense

	Gross Acreage	Net Acreage
Acres:	**0.901**	**0.901**
Price/Acre:	**N/Av**	**N/Av**
SF:	**39,240**	**39,240**
Price/SF:	**$160.53**	**$160.53**

listing broker

Unknown

buyers broker

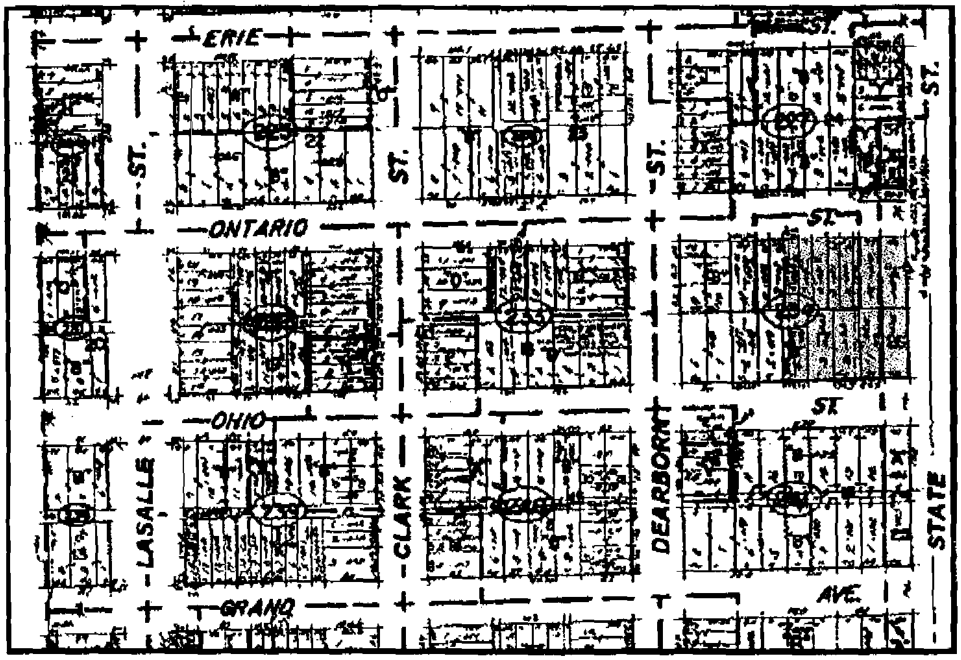
Unknown

financing

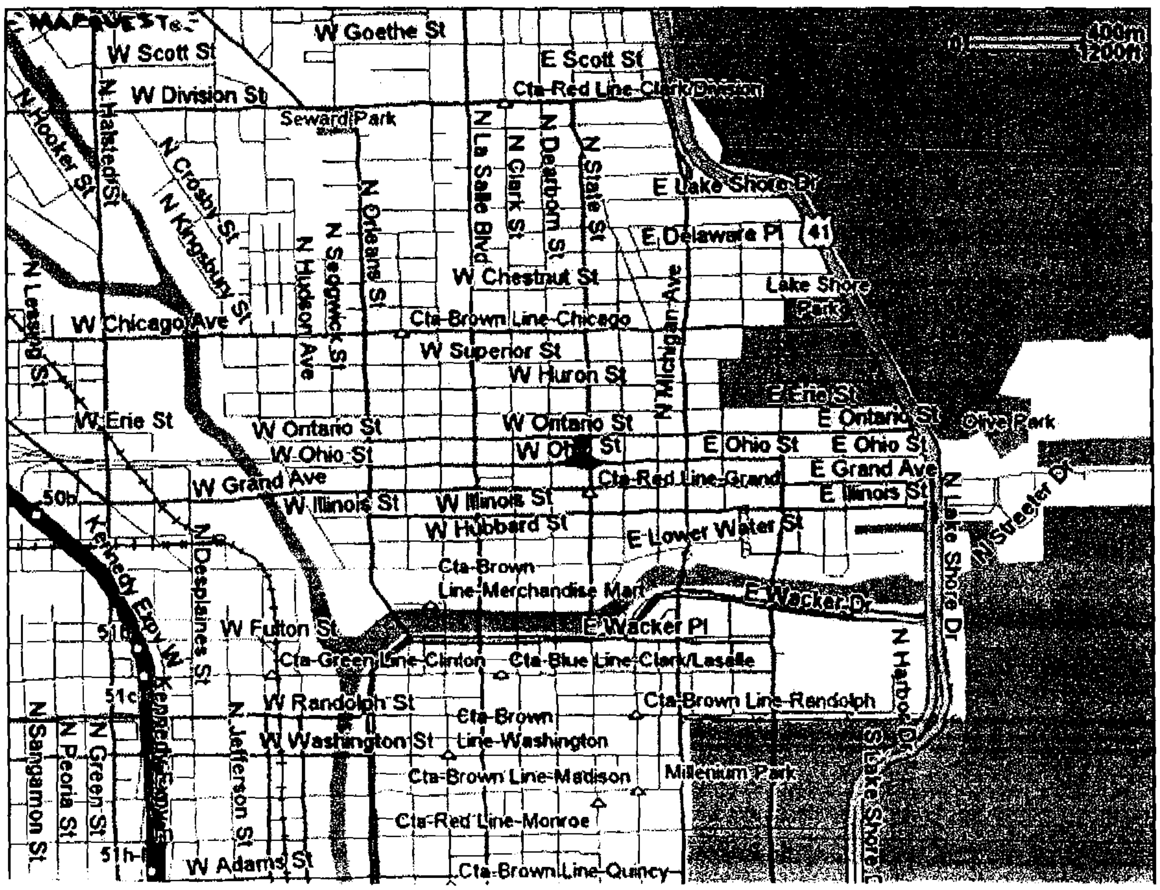
plat map

Map: **51-0W/0N** Legal: **Por Lots 1 thru 16 blk 17 Wolcott's Add to Chicago sec 9 NW4 sec 10, T39N R14E & Easement**

Comps No: **COC-75341-01-0520** Parcel Number: **17-09-234-009 thru 015 Township: North Chicago** Title Co: **Not Available**



site map



description

Financing:
1st State Financial Bank $1,480,000 VIR,

* Structures: We were unable to determine if any value was given to the structure at time of sale.

Doc Num / Transfer Tax
0411729214 ($2,775)

Recording Date: 04/26/2004

300 W Ontario St

Chicago, IL 60610 -3607
160 Multi Family - Units(Condo) Site of 24,300 SF Sold for **$4,675,000**

buyer

300 W. Ontario, LLC
c/o Colin Kihnke
1637 N Milwaukee Ave
Chicago , IL 60647-5411
(773) 252-5656

seller

308 West Ontario Corporation
c/o Andriyous Youkhana
201 E Ohio St
Chicago , IL 60611-3238
(312) 396-1900

vital data

Sale Date:	**12/29/2003**	Sale Price:	**$4,675,000**
Escrow/Contract:	**45 days**	Status:	**Confirmed**
Days on Market:	**N/Ap**	Down Pmnt:	**$800,000**
Exchange:	**Tax Dfrrd**	Pct Down:	**17%**
Conditions:	**None**	Doc No:	**0401233312**
Zoning:	**B6-7, Chicago**	Trans Tax:	**($7,012.50 F)**
Frontage:	**243' Ontario**	Submarket:	**River North**
	100' Franklin	Topography:	**Level**
		Structures:	**None**
		Land Improvements:	**Asphalt paved lot**
		Offsites:	**All to site**
		Lot Dimensions:	**100 x 243**
		Corner:	**Yes**
Comp No:	**COC-39332-07-0420**	Property Type:	**Commercial Land**
Intended Use:	**To construct 160 residential condos**		

income/expense

	Gross Acreage	Net Acreage
Acres:	**0.558**	**0.558**
Price/Acre:	**N/Av**	**N/Av**
SF:	**24,300**	**24,300**
Price/SF:	**$192.39**	**$192.39**

listing broker

Millennium Properties, Inc.
20 S Clark St
Chicago , IL 60603 -1802
(312) 338-3003
Daniel J Hyman

buyers broker

Millennium Properties, Inc.
20 S Clark St
Chicago , IL 60603 -1802
(312) 338-3003
Daniel J Hyman

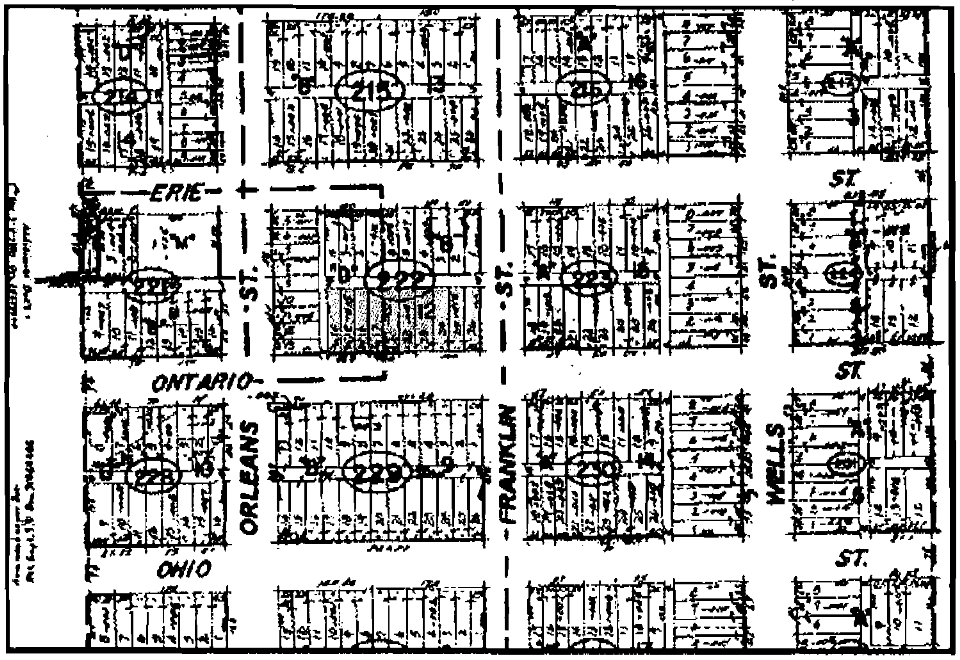
financing

1st Bridgeview Bank Group(VIR,4.00%, due in 1 yrs)
Bal/Pmt: **$3,875,000**

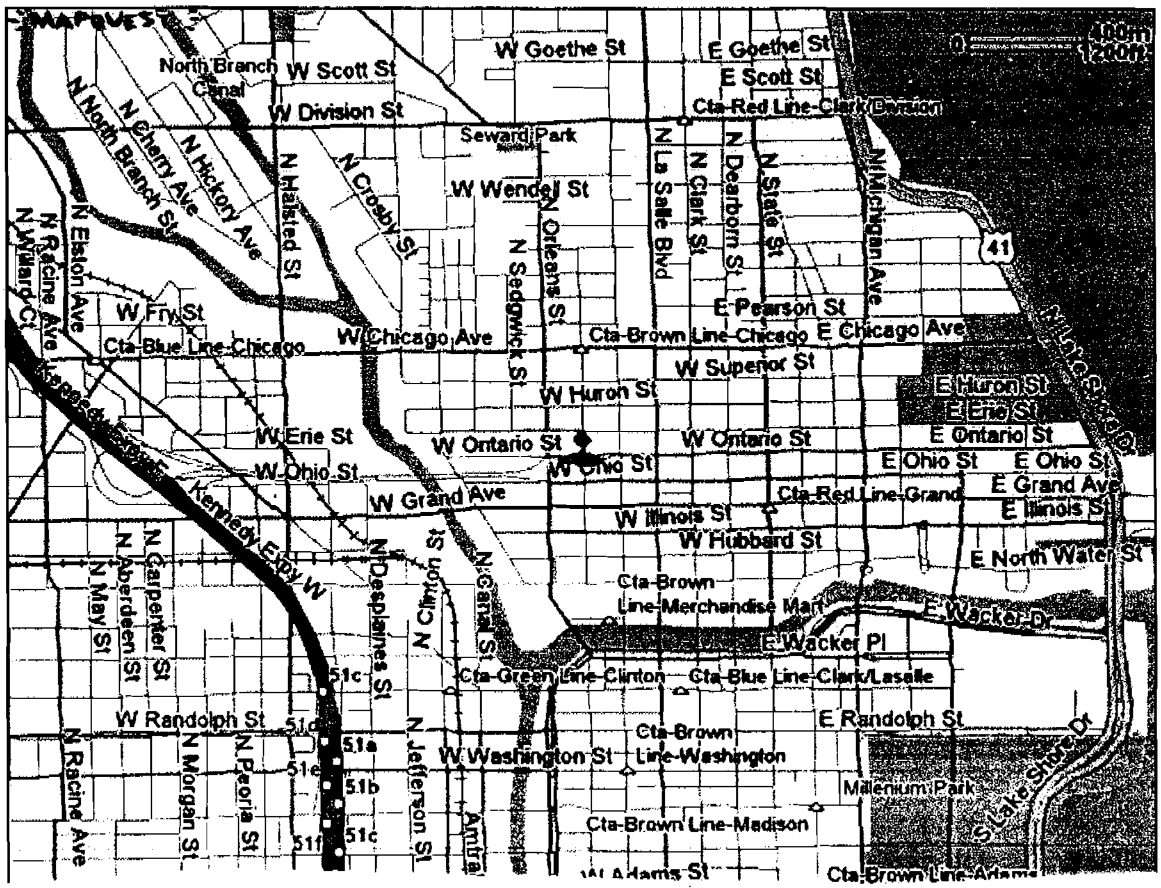
plat map

Map: **51-0W/0N** Legal: **Lots 21 thru 26 blk 12 Butler, Wright & Webster's Add to Chicago subdiv; Lots 14 thru 17 Martin's Subd**

Comps No: **COC-39332-07-0420** Parcel Number: **17-09-222-012 thru 015** **Township: North Chicago** Title Co: **CTI**



site map



description

* additional contacts
Preparer
Martin Hall
(312) 236-4400

Financing:
1st Bridgeview Bank Group $3,875,000 VIR,4.00%, due in 1 yrs

* Market Time: Reportedly the property was not on the market at the time of the sale; the buyer approached the seller directly.

* Exchange: This was the seller's downleg in a 1031 exchange.

Doc Num / Transfer Tax
0401233312 ($7,013)

Recording Date: 01/12/2004

Elements of Comparison

Using the Sales Comparison methodology, the consultants analyze the comparables and adjust, when appropriate, for the various characteristics that cause price variations in transactions. If insufficient data are available to substantiate adjustments, the analysts make qualitative comparisons among the sold properties and the subject and rank the subject within the range of sale prices of the comparables. These features include property rights conveyed, financing terms, conditions of sale, market conditions, location, physical characteristics and intended use.

Property Rights Conveyed

The analysts must identify the real property rights conveyed in each of the comparable sales in order to relate the market data to the subject. We are estimating the market value of the fee simple interest in the condominiums. The property rights conveyed in each of the comparable transactions were fee simple interests; therefore, no adjustments have been made for property rights conveyed.

Financing Terms

The transaction price from one property may differ from that of an identical property because financing arrangements vary. It is for this reason that all financing terms of each comparable sale must be evaluated to determine if the terms affected the sale price. The definition of market value is implicit in the matter of cash equivalency. The market value reported should reflect the most probable price of the subject in cash, terms equivalent to cash or in other precisely revealed terms. All comparable sales were in the form of cash, or market financing considered equivalent to cash; therefore, no adjustments have been made for financing terms.

Conditions of Sale

This factor relates to the motivation of the buyer and seller. Unusual conditions of sale may result from a transaction between related parties. A buyer may be more highly motivated to purchase a property if it is adjacent to property already owned. Seller motivation typically varies depending on the pressure, or lack thereof, placed on the seller to sell the property. This timing aspect is generally tied to the method and the motivation behind the seller's acquisition of the property. For example, a speculative owner does not normally face substantial timing restraints and, as a result, is willing to wait for market conditions that facilitate a favorable transaction. However, the disposition arm of a failed financial institution may be motivated to accept a lower price in order to expedite the sale and limit holding costs associated with asset management. None of the comparables were adjusted for unusual seller motivation.

Market Conditions

The subject's market area continues to be in the growth stage of development. Appreciation does not occur on a straight-line inflation basis; instances of substantial appreciation per year have occurred in past recoveries for selected markets; negative growth is also possible in the economic cycle. All of the sales transacted over the past two years. Since all of the comparable sales occurred in the recent past, we adjusted upward by our projected inflation/appreciation rate of two to four, or three percent.

Location

Location encompasses a number of issues, including location within different market areas with different supply/demand pressures, the character/condition of surrounding development, corner location, access and visibility. It is important to assess which factors truly impact value for different types of real estate. This factor (as well as physical and economic characteristics) will be discussed on a comparable-by-comparable basis. All of the comparable sales are located within close proximity of the subject, each of which is discussed on a comparable by comparable basis.