DEMOGRAPHIC FACTORS

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Pop-Facts: Demographic Quick Facts Report

Description	0.00 - 1.00 miles Radius	%	1.00 - 3.00 miles Radius	%	3.00 - 5.00 miles Radius	%
Population						
2011 Projection	17,993		97,814		185,460	
2006 Estimate	18,278		100,669		187,957	
2000 Census	18,654		104,754		190,665	
1990 Census	18,440		101,537		174,896	
Growth 1990 - 2000	1.16%		3.17%		9.02%	
Households						
2011 Projection	7,540		38,842		71,181	
2006 Estimate	7,555		39,774		72,374	
2000 Census	7,596		41,145		73,763	
1990 Census	7,257		38,309		68,506	
Growth 1990 - 2000	4.67%		7.40%		7.67%	
2006 Tenure of Occupied Housing Units	7,555		39,774		72,374	
Owner Occupied	5,590	73.99	31,545	79.31	49,656	68.61
Renter Occupied	1,965	26.01	8,230	20.69	22,718	31.39
2006 Average Household Size	2.39		2.50		2.59	
2006 Est. Households by Household Income	7,555		39,774		72,374	
Income Less than $15,000	437	5.78	1,883	4.73	3,868	5.34
Income $15,000 - $24,999	441	5.84	2,573	6.47	4,355	6.02
Income $25,000 - $34,999	557	7.37	3,414	8.58	5,191	7.17
Income $35,000 - $49,999	970	12.84	5,425	13.64	10,241	14.15
Income $50,000 - $74,999	1,356	17.95	8,107	20.38	16,200	22.38
Income $75,000 - $99,999	1,023	13.54	6,305	15.85	11,945	16.50
Income $100,000 - $149,999	1,498	19.83	7,663	19.27	13,062	18.05
Income $150,000 - $249,999	977	12.93	3,414	8.58	5,609	7.75
Income $250,000 - $499,999	228	3.02	754	1.90	1,365	1.89
Income $500,000 and over	67	0.89	237	0.60	539	0.74

Compared to the Chicago metropolitan area as a whole, the local area has similar income levels. The population of the local area is declining. This is in contrast to the population of the Chicago metropolitan area, which is growing as discussed previously.

SERVICE AND AMENITIES

The nearest commercial area with restaurants, retail shops, offices and support services is located in downtown Arlington Heights in immediate proximity to the property. The closest lodging facilities are located within three miles of the subject and include the Best Western Arlington Heights and the Arlington Heights Hilton. The nearest fire and police stations are within one-half mile of the subject.

LAND USE

The area is suburban in character and approximately 90.0% developed.

Land uses immediately surrounding the subject are predominantly commercial and residential with typical ages of building improvements ranging from 5 to 50 years. Other land use characteristics are summarized below:

SURROUNDING AREA LAND USES	
Character of Area	Suburban
Predominant Age of Improvements	New to 50 years
Predominant Quality and Condition	Average
Approximate Percent Developed	90%
Infrastructure/Planning	Good
Predominant Location of Undeveloped Land	Little undeveloped land
Prevailing Direction of Growth	Little land available for growth

SUBJECT'S IMMEDIATE SURROUNDINGS	
North	Municipal parking Garage
South	Single family residential
East	Residential condominiums
West	Single family residential

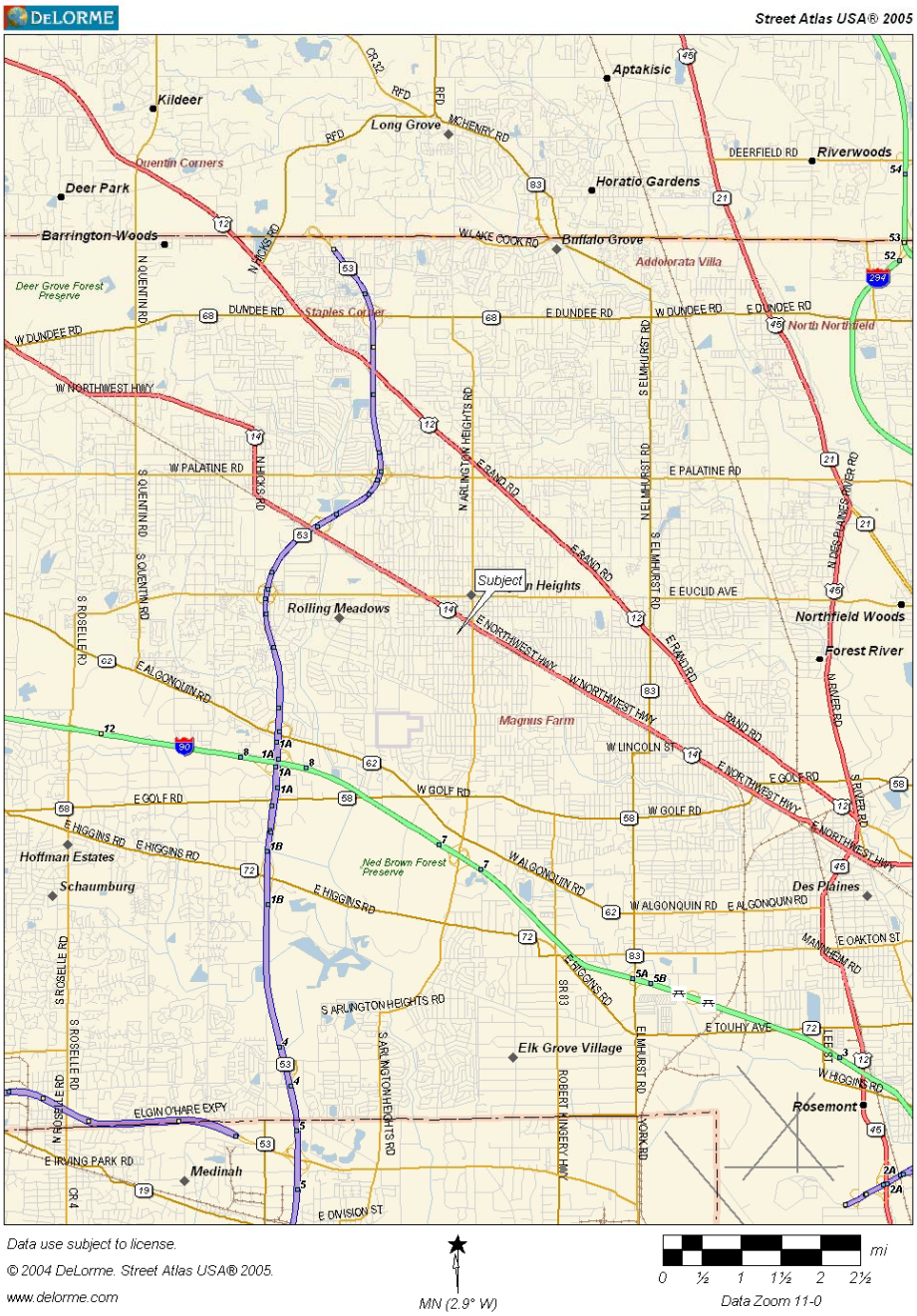
DEVELOPMENT ACTIVITY AND TRENDS

Like many suburban areas in the Chicago MSA, downtown Arlington Heights has recently undergone a major redevelopment and revitalization. Luxury condominiums, retail shops, offices and restaurants have all been developed within the last ten years.

OUTLOOK AND CONCLUSIONS

The area is in the stasis stage of its life cycle. Although area population is expected to decline slightly, recent development activity has been very strong and both commercial and residential in nature. We anticipate that property values will increase in the near future.

SURROUNDING AREA MAP

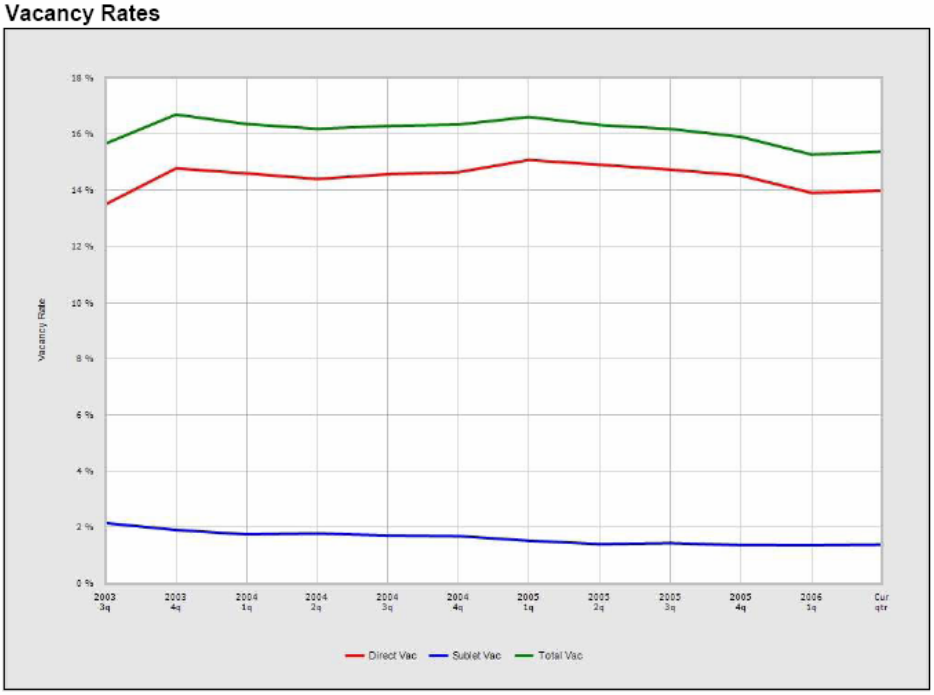


METRO AREA OVERVIEW

Supply and demand indicators for office space in the Chicago metro area, including inventory levels, absorption, vacancy, and rental rates for all classes of space are presented below. The data is provided by *CoStar, Inc.*, a recognized source.

Period	# Bldgs	Total RBA	Vacant SF	Vacancy %	Net Absorption	# Delivered	RBA Delivered	# Under Const	RBA Under Const	Direct Average Rate	Sublet Average Rate	Total Average Rate
QTD	7,719	365,491,383	56,209,382	15.4%	-387506	0	0	0	0	$23.24/fs	$16.77/fs	$22.71/fs
2006 1Q	7,713	365,381,631	55,821,876	15.3%	2571090	22	324,717	0	0	$23.35/fs	$16.69/fs	$22.75/fs
2005 4Q	7,691	365,056,914	58,068,249	15.9%	1930679	13	1,039,220	22	324,717	$23.59/fs	$16.74/fs	$22.98/fs
2005 3Q	7,674	363,973,762	58,915,776	16.2%	984816	12	462,383	38	1,395,469	$23.90/fs	$16.91/fs	$23.30/fs
2005 2Q	7,658	363,410,379	59,337,209	16.3%	2224036	19	1,387,679	42	1,812,445	$23.91/fs	$16.76/fs	$23.34/fs
2005 1Q	7,635	361,993,616	60,144,482	16.6%	-598852	32	635,961	55	2,984,604	$24.28/fs	$16.66/fs	$23.65/fs
2004 4Q	7,615	361,531,671	59,083,685	16.3%	1815525	17	2,226,453	59	3,246,429	$24.29/fs	$16.81/fs	$23.62/fs
2004 3Q	7,592	359,158,098	58,525,637	16.3%	-156681	11	234,219	68	5,324,847	$24.28/fs	$16.76/fs	$23.50/fs
2004 2Q	7,579	358,906,017	58,116,875	16.2%	909334	15	330,414	53	4,928,291	$24.35/fs	$17.23/fs	$23.61/fs
2004 1Q	7,560	358,544,703	58,664,895	16.4%	1583204	42	644,250	52	4,903,671	$24.45/fs	$17.55/fs	$23.69/fs
2003 4Q	7,530	358,096,335	59,799,731	16.7%	-2300395	21	1,670,534	64	4,829,119	$24.52/fs	$18.01/fs	$23.75/fs
2003 3Q	7,507	356,418,281	55,821,282	15.7%	527967	9	482,927	64	5,108,515	$24.69/fs	$18.08/fs	$23.84/fs
2003 2Q	7,498	355,935,354	55,866,322	15.7%	-49904	8	150,676	55	5,338,250	$24.42/fs	$18.19/fs	$23.56/fs
2003 1Q	7,486	355,707,987	55,589,051	15.6%	297924	34	2,268,328	37	3,723,293	$24.25/fs	$18.08/fs	$23.95/fs
2002 4Q	7,458	353,523,870	53,702,858	15.2%	-902318	8	820,800	54	5,656,390	$24.07/fs	$19.03/fs	$23.29/fs
2002 3Q	7,450	352,703,070	51,979,740	14.7%	1341457	17	1,077,415	50	4,815,342	$24.34/fs	$19.64/fs	$23.57/fs
2002 2Q	7,433	351,625,655	52,243,782	14.9%	-62943	16	520,046	56	5,646,266	$24.62/fs	$20.03/fs	$23.86/fs
2002 1Q	7,416	351,083,359	51,638,543	14.7%	315913	42	1,779,380	50	5,532,140	$24.63/fs	$21.42/fs	$24.10/fs
2001 4Q	7,375	349,326,229	50,197,326	14.4%	-2691155	24	1,258,675	81	7,017,033	$24.70/fs	$22.26/fs	$24.27/fs
2001 3Q	7,351	348,067,554	46,247,496	13.3%	-517251	29	3,448,207	99	8,175,122	$24.65/fs	$22.65/fs	$24.35/fs
2001 2Q	7,320	344,563,465	42,226,156	12.3%	-2464342	30	1,984,334	125	10,117,579	$24.85/fs	$23.14/fs	$24.62/fs
2001 1Q	7,289	342,551,367	37,749,716	11.0%	-1185563	50	1,647,730	136	11,688,125	$24.70/fs	$22.63/fs	$24.44/fs
2000 4Q	7,242	340,987,283	35,000,069	10.3%	483021	26	2,022,808	138	11,891,145	$24.56/fs	$22.98/fs	$24.38/fs
2000 3Q	7,213	338,909,834	33,405,641	9.9%	-4638025	16	1,082,274	147	12,186,582	$24.36/fs	$21.82/fs	$24.09/fs
2000 2Q	7,194	337,796,560	27,654,342	8.2%	1971012	19	1,151,106	147	10,640,611	$23.86/fs	$22.05/fs	$23.66/fs
2000 1Q	7,175	336,645,454	28,474,248	8.5%	3473464	57	2,548,464	139	10,523,611	$24.15/fs	$21.90/fs	$23.91/fs

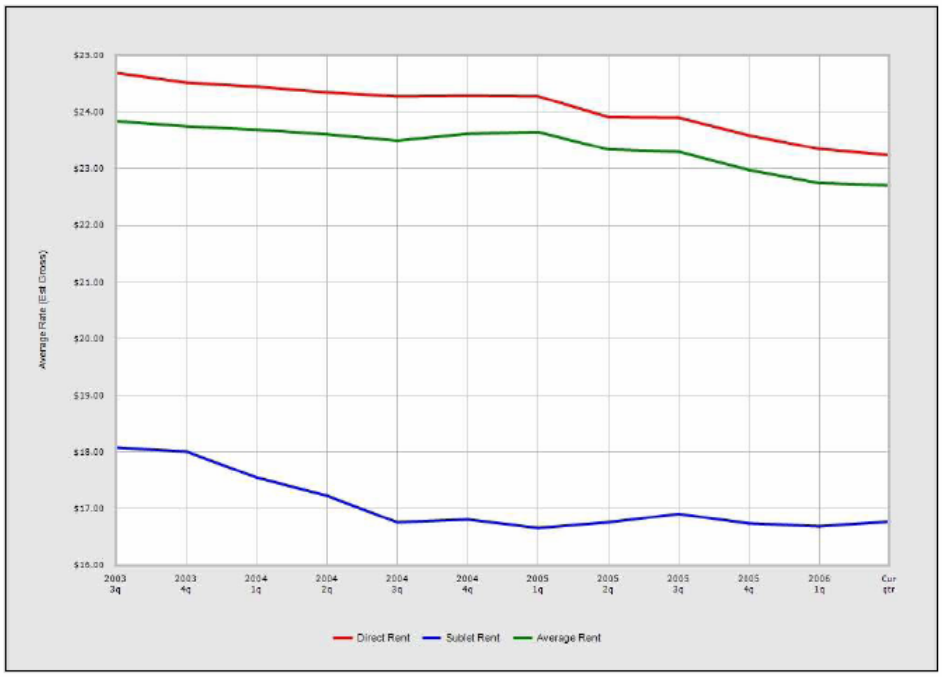
Vacancy Rates



The Chicago office market contains an overall inventory of about 365,491,000 square feet. Overall inventory has increased at a 1.38% annual compound rate over the past five years.

The market has generally strengthened over the last five years. The overall vacancy rate is estimated to be 15.4% as of the current time, which represents a decrease from a high mark of 16.4% reported in Fourth Quarter 2001. Absorption turned positive in Second Quarter 2005 as the effects of the national economic expansion were felt. Since that time positive absorption has averaged 1,464,623 square feet per quarter.

Rental Rates



The effective rental rate is $22.71 per square foot on a gross basis, which represents a decrease from a high mark of $24.62 per square foot in Second Quarter 2001. Rental rates have decreased by 1.60% since that time.

SUBMARKET ANALYSIS

The subject is a Class B property located in the Schaumburg area office submarket. Key supply and demand indicators for all classes of space in this submarket are displayed in the following table.

Period	# Bldgs	Total RBA	Vacant SF	Vacancy %	Net Absorption	# Delivered	RBA Delivered	# Under Const	RBA Under Const	Direct Average Rate	Sublet Average Rate	Total Average Rate
QTD	511	13,996,480	2,124,766	15.2%	11,557	0	0	0	0	$18.23/fs	$14.86/fs	$18.00/fs
2006 1Q	511	13,996,480	2,136,323	15.3%	17,147	1	1,900	0	0	$18.26/fs	$15.04/fs	$17.96/fs
2005 4Q	510	13,994,580	2,151,570	15.4%	25,338	1	16,000	1	1,900	$18.78/fs	$15.33/fs	$18.50/fs
2005 3Q	509	13,978,580	2,160,908	15.5%	(124,239)	1	19,542	2	17,900	$18.60/fs	$15.33/fs	$18.33/fs
2005 2Q	508	13,959,038	2,017,127	14.5%	(22,926)	0	0	3	37,442	$19.04/fs	$15.51/fs	$18.82/fs
2005 1Q	508	13,959,038	1,994,201	14.3%	(26,704)	0	0	1	16,000	$19.07/fs	$15.91/fs	$18.85/fs
2004 4Q	508	13,959,038	1,967,497	14.1%	(72,507)	0	0	0	0	$19.10/fs	$16.48/fs	$18.86/fs
2004 3Q	508	13,959,038	1,894,990	13.6%	202,346	0	0	0	0	$19.01/fs	$16.17/fs	$18.73/fs
2004 2Q	508	13,959,038	2,097,336	15.0%	40,373	2	34,111	0	0	$18.87/fs	$16.27/fs	$18.63/fs
2004 1Q	506	13,924,927	2,103,598	15.1%	29,470	1	7,000	2	34,111	$18.80/fs	$15.91/fs	$18.49/fs
2003 4Q	505	13,917,927	2,126,068	15.3%	(68,734)	0	0	3	41,111	$19.24/fs	$15.80/fs	$18.86/fs
2003 3Q	505	13,917,927	2,057,334	14.8%	(109,558)	0	0	1	7,000	$18.93/fs	$15.28/fs	$18.40/fs
2003 2Q	505	13,917,927	1,947,776	14.0%	76,117	0	0	1	7,000	$18.84/fs	$15.65/fs	$18.46/fs
2003 1Q	505	13,917,927	2,023,893	14.5%	(65,786)	1	5,874	0	0	$19.20/fs	$13.73/fs	$19.11/fs
2002 4Q	504	13,912,053	1,952,233	14.0%	(110,919)	0	0	1	5,874	$19.15/fs	$15.03/fs	$18.55/fs
2002 3Q	504	13,912,053	1,841,314	13.2%	67,220	1	57,700	1	5,874	$19.42/fs	$15.88/fs	$18.90/fs
2002 2Q	503	13,854,353	1,850,834	13.4%	(53,524)	1	44,960	2	63,574	$19.86/fs	$16.46/fs	$19.26/fs
2002 1Q	502	13,809,393	1,752,350	12.7%	(80,984)	2	21,800	3	108,534	$20.05/fs	$16.88/fs	$19.46/fs
2001 4Q	500	13,787,593	1,649,566	12.0%	(22,406)	0	0	4	72,634	$19.96/fs	$17.55/fs	$19.68/fs
2001 3Q	500	13,787,593	1,627,160	11.8%	(165,520)	0	0	3	66,760	$19.79/fs	$18.52/fs	$19.67/fs
2001 2Q	500	13,787,593	1,461,640	10.6%	(53,084)	1	66,268	3	66,760	$19.57/fs	$17.79/fs	$19.39/fs
2001 1Q	499	13,721,325	1,342,288	9.8%	(47,302)	2	59,504	3	127,028	$19.31/fs	$17.89/fs	$19.20/fs
2000 4Q	497	13,661,821	1,235,482	9.0%	324	0	0	3	125,772	$18.76/fs	$17.89/fs	$18.69/fs
2000 3Q	497	13,661,821	1,235,806	9.0%	(150,027)	1	66,268	3	125,772	$17.97/fs	$18.17/fs	$17.99/fs
2000 2Q	496	13,595,553	1,019,511	7.5%	125,489	2	100,906	4	192,040	$18.50/fs	$17.47/fs	$18.38/fs
2000 1Q	494	13,494,647	1,044,094	7.7%	(41,283)	0	0	6	292,946	$18.83/fs	$17.17/fs	$18.65/fs

The Schaumburg office market contains an overall inventory of about 13,996,480 square feet. Overall inventory has increased at an annual compound rate of 0.4% over the past five years.

The market has declined slightly over the last five years. The overall vacancy rate is estimated to be 15.2% as of the First Quarter 2006, which represents an increase from a low mark of 12.0% reported in the Fourth Quarter 2001. Absorption turned positive in the Fourth Quarter 2005.

The effective rental rate is $18.23 per square foot (direct rate), which represents a decrease from a high mark of $20.05 per square foot in the First Quarter 2002. Rental rates have decreased by 9.0% since that time.

NEW AN D PROPOSED CONSTRUCTION

Within the Schaumburg submarket, the following new office buildings are under construction:

Building Address	Year Blt	FAR	SF Avail	RBA	Class	% Leased	Sale Info
3200 W Higgins Rd - Courtyards At Greenspoint, Greenspoint Office Park Hoffman Estates, IL 60195	2006	--	21,635 SF	21,635	B	0%	Not For Sale
5125 Trillium Blvd - The Grove @ Prairie Stone Hoffman Estates, IL 60192	2006	--	17,400 SF	17,400	B	0%	Not For Sale
Woodfield Rd @ Plum Grove Road - Courtyards On Woodfield Schaumburg, IL 60159	2006	--	65,426 SF	65,426	A	6.1%	Not For Sale

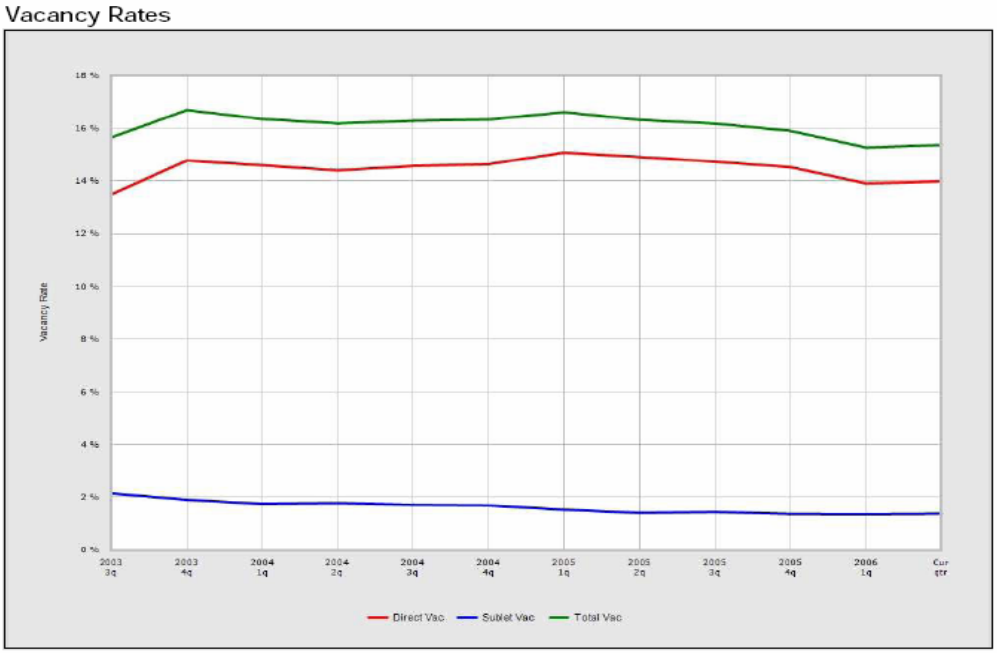
Within the Schaumburg submarket the following office buildings are planned:

Building Address	Year Blt	FAR	SF Avail	RBA	Class	% Leased	Sale Info
680 E Algonquin Rd - Lakewoods Corporate Center II, Lakewoods Corp Ctr Schaumburg, IL 60173		--	85,000 SF	85,000	B	0%	Not For Sale
2600 Forbs Ave Hoffman Estates, IL 60192		0.11	0 SF	90,000	A	100%	Not For Sale
1701 Golf Rd - Continental Towers IV, Continental Towers Rolling Meadows, IL 60008		--	334,895 SF	334,895	A	0%	Not For Sale
30 N Martingale Rd - Phase III, Woodfield Preserve Ofc Ct Schaumburg, IL 60173		--	150,000 SF	150,000	A	0%	Not For Sale
Moon Lake Blvd - Poplar Creek Office Plaza II, Poplar Creek Office Plz Hoffman Estates, IL 60194		--	187,000 SF	187,000	A	0%	Not For Sale
Moon Lake Blvd - Poplar Creek Office Plaza III, Poplar Creek Office Plz Hoffman Estates, IL 60194		0.20	187,000 SF	187,000	A	0%	Not For Sale
Roselle Rd - Chatham Centre II, Siemens Centre Schaumburg, IL 60194		--	205,425 SF	205,425	A	0%	Not For Sale
Roselle Rd @ I-90 - Schaumburg Office Center Schaumburg, IL 60194		--	115,000 SF	115,000	A	0%	Not For Sale
N Roselle Rd @ I-90 - Schaumburg Medical Center Schaumburg, IL 60194		--	45,000 SF	45,000	A	0%	Not For Sale
Woodfield Rd @ Plaza Drive Schaumburg, IL 60173		--	250,000 SF	250,000	A	0%	Not For Sale

It is unlikely that projects in the planning stage will proceed without substantial pre-leasing. Therefore, the impact of these planned buildings on the current market is marginal.

VACANCY RATE TRENDS

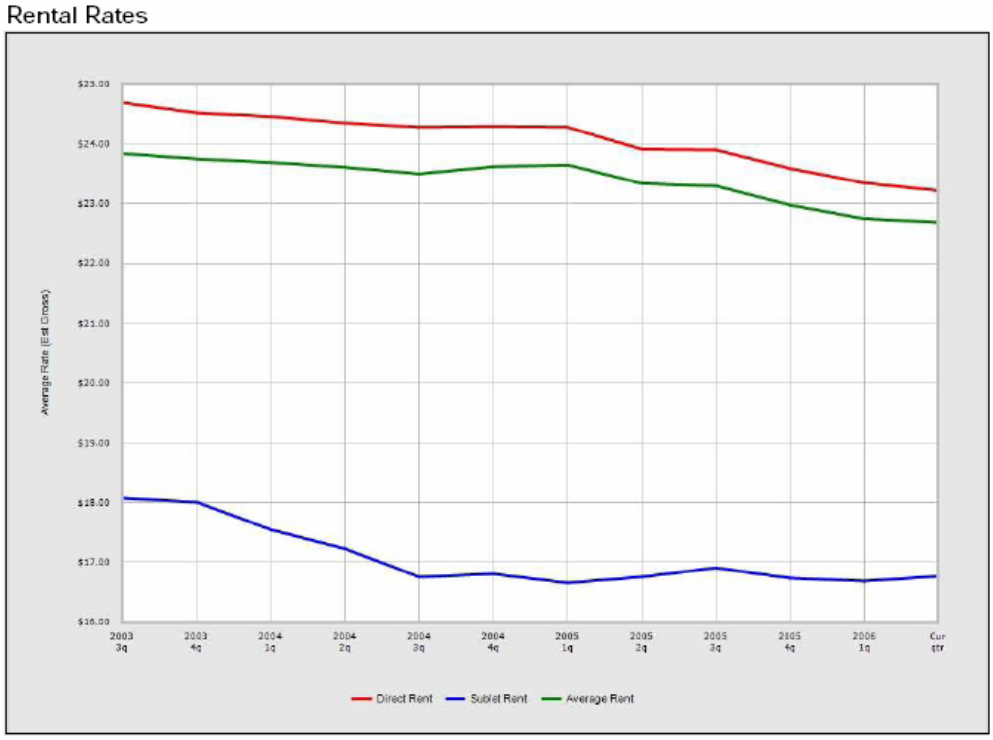
Vacancy rate trends for the Schaumburg submarket are charted below:



Overall submarket vacancy (for all classes of space combined) is estimated at 15.0% as of year to date 2006, which represents a decrease from a high mark of 16.6% in the First Quarter 2005. Class B vacancy is similar at 16.0% and has also been moving downward since its peak of 17.2% in the First Quarter 2005.

RENTAL RATE TRENDS

Trends in reported rents for the Schaumburg submarket are shown in the following chart.



The average rental rate for the overall submarket is $23.22 per square foot, which represents a decrease from a high mark of $24.69 per square foot in the Third Quarter 2003. Reported rents have decreased an average of $0.50 per year since that time.

The Class B asking rental rate is lower at $18.54 per square foot and has declined from a high mark of $19.20 in the Fourth Quarter 2005.

DEMAND ANALYSIS

The Schaumburg submarket tends to attract both regional and national companies. The probable space user of the subject is an owner / user. Given past and current trends in the submarket, the likelihood of increased demand for office space in the short term is good because of the lower rental rates than the Chicago Metro market as a whole.

OFFICE MARKET OUTLOOK AND CONCLUSIONS

Supply and demand factors in the region for the short term are expected to be stable. Rental rates are expected to gradually increase. Over the long run, employment growth in the region should foster absorption of excess supply both in the overall region and in the submarket. In comparison to the region overall, the Schaumburg submarket is rated as follows:

SUBMARKET ATTRIBUTE RATINGS	
Market Size/Stature	Average
Market Demand / Rental Increases	Below Average
Vacancy Trends	Above Average
Barriers to Entry	Average
Threat of New Supply	Average

PROPERTY ANALYSIS

LAND DESCRIPTION AND ANALYSIS

LAND DESCRIPTION	
Land Area - Acres	1.10
Land Area - Square Feet	48,114
Primary Street Frontage	Vail - 157 feet
Secondary Street Frontage	Sigwalt - 297 feet
Shape	Rectangular
Corner	Yes
Rail Access	No
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	None reported or observed.
Ground Stability	No problems reported or observed
Flood Area Panel Number	17031C0203F
Date	November 6, 2000
Zone	X500
Description	Outside of 500-year flood plain.
Insurance Required?	Flood insurance is not required.
ZONING; OTHER REGULATIONS	
Zoning Jurisdiction	Village of Arlington Heights
Zoning Designation	Improved parcel - B-5; Parking lot - R-3
Description	B-5 - CBD; R-3 Res.
Legally Conforming?	No
Zoning Change Likely?	Yes
Permitted Uses	Various retail & office.
Maximum Building Height	35'
Maximum Site Coverage	0.7
Maximum Floor Area Ratio	1.5
Parking Requirement	Determined by floor area
Rent Control	No
Other Land Use Regulations	We are not aware of any land use regulations other than zoning that would affect the property, nor are we aware of any moratoriums on development.

UTILITIES	
Service	Provider
Water	Municipal
Sewer	Municipal
Electricity	Commonwealth Edison
Natural Gas	Nicor
Local Phone	AT&T

The parking requirement for B-5 Zoning in the Central Business District is determined by the square footage per floor of the building. To conform to the zoning requirement, the subject property needs 85 parking spaces. There are 69 spaces between the parking lot located adjacent to the subject to the west and the parking area located adjacent to the subject to the north. SBC currently has an agreement with the Village of Arlington Heights to use 22 spaces in the municipal garage located north of the subject. SBC may use these spaces for its employees, guests and invitees free of charge until 2025. Therefore, SBC has a total of 91 spaces for its use.

The parking lot across the street is not needed in order to conform to the parking requirements of B-5 Zoning in the CBC and is therefore considered excess land.

EASEMENTS, ENCROACHMENTS AND RESTRICTIONS:

A title policy prepared by Chicago Title Insurance Company and dated March 8, 2006 sites the following two exceptions:

- Terms, provisions and conditions of the easement and parking agreement made by and between the Village of Arlington Heights, An Illinois Municipal Corporation and Banbury Metrolofts, L.L.C., An Illinois Limited Liability Company, recorded September 7, 2005 as document 0525033005.

- Terms, provisions and conditions of the ordinance amending a planned unit development, amending the zoning ordinance of the Village of Arlington Heights and granting variations from Chapter 28 of the Arlington Heights municipal code recorded July 18, 2005 as document 0519939007.

Upon further investigation of these two documents it was discovered that two parcels owned by SBC – 03-29-346-023 and 03-29-346-025 – are erroneously included. SBC management has indicated to us that they are in no way a party to the easement and parking agreement nor are they a party to the ordinance amendment. Mr. Bill Enright of the Planning Commission of the Village of Arlington Heights also provided verbal confirmation that in no way should these two parcels be included on the easement and parking agreement or the ordinance amendment.

As such we assume that these two parcel numbers are not impacted by the agreement and ordinance described in the documents.

We strongly recommend that ownership obtain new title to rectify these issues.

We were also provided with a copy of an easement agreement dated October 25, 1985 between the Village of Arlington Heights (Grantor) and Illinois Bell Telephone Company (Grantee). This nonexclusive agreement allows ingress and egress across a portion of Grantor's parcel for the benefit of Grantee's parcel.

We are not aware of any other easements, encumbrances, or restrictions that would adversely affect value. We reserve the right to change our value in the event that new title is obtained and exceptions are identified that could adversely impact the market value of the subject.

CONCLUSION OF LAND ANALYSIS

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. There are no other particular restrictions on development noted in the analysis.

IMPROVEMENTS DESCRIPTION AND ANALYSIS

IMPROVEMENTS DESCRIPTION	
Name of Property	SBC Administrative Office
General Property Type	Office
Property Sub Type	Low-rise
Competitive Property Class	C
Occupancy Type	Single Tenant
Percent Leased	100%
Number of Buildings	1
Stories	2
Construction Class	C
Construction Type	Masonry
Construction Quality	Average
Condition	Average
Gross Building Area (SF)	57,213
Rentable Area (SF)	57,213
Land Area (SF)	48,114
Floor Area Ratio (RA/Land SF)	1.19
Building Area Source	Inspection
Year Built	1956
Year Renovated	–
Actual Age (Yrs.)	50
Estimated Effective Age (Yrs.)	30
Estimated Economic Life (Yrs.)	50
Remaining Economic Life (Yrs.)	20
Number of Parking Spaces	40
Parking Type	Surface
Parking Spaces/1,000 SF RA	0.70

CONSTRUCTION DETAILS	
Foundation	Poured Concrete
Structural Frame	Concrete and Block
Ceiling Height	8'
Interior Finishes	–
Floors	Vinyl tile & carpet
Walls	Painted drywall; painted block
Ceilings	Dropped acoustical tile
Lighting	Recessed flourescent
HVAC	Roof mount package
Electrical	Adequate
Plumbing	Adequate
Elevators	One
Rest Rooms	Six
Sprinklers	None

IMPROVEMENTS ANALYSIS

Quality and Condition

The quality and condition of the subject is considered to be consistent with that of competing properties.

Functional Utility

The improvements appear to be adequately suited to their current use, and there do not appear to be any significant items of functional obsolescence.

Deferred Maintenance

No deferred maintenance is apparent from our inspection and none is identified based on discussions with management.

ADA Compliance

There do not appear to be any major ADA issues. However, we are not expert in ADA matters and further study would be recommended to assess ADA compliance.

Hazardous Substances

We are not aware of the presence of any hazardous substances at the property; however, we are not qualified to detect such substances.

CONCLUSION OF IMPROVEMENTS ANALYSIS

Overall, the quality, condition, and functional utility of the improvements are typical for their age and location.

REAL ESTATE TAX ANALYSIS

For reference purposes, the subject is identified by the tax assessment office as follows: 03-29-346-021, 03-29-346-023, 03-29-346-025, 03-30-425-022, and 03-30-425-023. The assessed values are based upon the current conversion assessment rate of 38.0% of Assessor's market value.

Real estate assessments for Tax Year 2005 are shown in the following table.

ASSESSMENTS - TAX YEAR 2005						
	Tax ID 03-29-346-021	Tax ID 03-29-346-023	Tax ID 03-29-346-025	Tax ID 03-30-425-022	Tax ID 03-30-425-023	Total
Land Assessment	$186,219	$16,150	$16,150	$10,640	$30,590	$259,749
+ Building Assessment	$782,250	$929	$929	$1,684	$989	$786,781
= Total Assessment	$968,469	$17,079	$17,079	$12,324	$31,579	$1,046,530
x State Multiplier	2.5757	2.5757	2.5757	2.5757	2.5757	
= Equalized Valuation	$2,494,486	$43,990	$43,990	$31,743	$81,338	$2,695,547
Assessment Ratio	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
Assessor's Market Value	$2,548,603	$44,945	$44,945	$32,432	$83,103	$2,754,026

The historical tax rates and assessments are illustrated in the following table. As of the effective date of this report, the 2005 composite tax rate for the subject has not been released.

TAX HISTORY					
Year	**Total Assessment**	**State Multiplier**	**Equalized Valuation**	**Tax Rate**	**Taxes**
2005	$1,046,530	-	-	-	-
2004	$1,046,530	2.5757	$2,695,547	7.92%	$213,564
2003	$1,106,175	2.4598	$2,720,969	8.80%	$239,445
2002	$1,106,175	2.4698	$2,732,031	8.49%	$231,974

For the 2005 (payable 2006) tax year, the estimated real estate taxes for the subject are the total assessed value multiplied by the state equalization factor (multiplier), then multiplied by the composite rate for a total of $213,487. This reflects $3.73 per square foot of gross building area (this includes the taxes for the parking lot across the street).

Based on our valuation of the subject, the Assessor's market value of $2,754,026 is low.

HIGHEST AND BEST USE ANALYSIS

HIGHEST AND BEST USE AS IF VACANT – IMPROVED PARCEL

Legally Permissible

The only permitted uses under zoning that are consistent with prevailing land use patterns in the area are general business uses.

Physically Possible

There are no physical limitations that would prohibit development of any of these uses on the site.

Financially Feasible

Based on our analysis of the market, there is currently adequate demand for office use in the subject's area. It appears that a newly developed office use on the site would have a value commensurate with its cost. Therefore, office use is considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than office use.

Conclusion

Future development of the site for office use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

HIGHEST AND BEST USE AS IF VACANT – PARKING LOT

Legally Permissible

The only permitted uses under zoning that are consistent with prevailing land use patterns in the area are single family residential uses.

Physically Possible

There are no physical limitations that would prohibit development of any of these uses on the site.

Financially Feasible

Based on our analysis of the market, there is currently adequate demand for residential use in the subject's area. It appears that a newly developed residential use on the site would have a value commensurate with its cost. Therefore, residential use is considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than residential use.

Conclusion

Future development of the site for residential use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

AS IMPROVED

The existing improvements are currently owner occupied and have the potential produce a significant positive cash flow that we expect will continue. Therefore, a continuation of the current use is concluded to be financially feasible.

There does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the value of the existing improved property exceeds the value of the site, as if vacant. For these reasons, continued office use is concluded to be maximally productive, and the highest and best use of the property as improved.

MOST PROBABLE BUYER

The most probable buyer is a local investor such as an individual an owner-user.

VALUATION ANALYSIS

VALUATION METHODOLOGY

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land, or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market, or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

All three approaches are utilized in the valuation of the subject.

LAND VALUATION – IMPROVED PARCEL

To develop an opinion of the subject's land value, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. Our search for comparable sales focused on transactions most relevant to the subject in terms of location, size, highest and best use, and transaction date. We have performed separate analyses for the improved parcel and for the parking lot. The most relevant sales for the improved parcel are summarized in the following table. The analysis for the parking lot (excess land) follows.

SUMMARY OF COMPARABLE LAND SALES

No.	Name/Address	Sale Date	Sale Price	SF; Acres	Zoning	$/SF Land
1	Vacant Commercial Land 119 S. Arlington Heights Road Arlington Heights Cook County IL Tax ID: 03-32-104-004 Grantor: Cole Taylor Bank trust #30993 Grantee: Parkway Bank & trust Co. Trust #1948	Jun-01	$325,000	8,550 0.20	Transitional	$38.01
2	Vacant Commercial Land 555 Golf Road Arlington Heights Cook County IL Tax ID: 08-15-100-007 Grantor: Grantee:	Under contract	$840,000	27,443 0.63	Office/Transitional	$30.61
3	Vacant Commercial Land 1352 N. Rand Road Palatine Cook County IL Tax ID: 02-12-100-034 Grantor: Peter & Demetrios Sarantopoulos Grantee: Harris Bank of Palatine	Mar-04	$1,850,000	44,400 1.02	Commercial	$41.67
4	Vacant Commercial Land 1131 E. Dundee Road Palatine Cook County IL Tax ID: 02-12-101-030 Grantor: LaSalle Bank Trust #110109 Grantee: Bank One	Apr-03	$1,040,500	38,266 0.88	Commercial	$27.19
5	Parking Lot 307-335 N. Dunton Avenue Arlington Heights Cook County IL Tax ID: 03-29-318-002; 003; 004 Grantor: SBC Illinois / AKA Illinois Bell Telephone Grantee: Chicago Land Title Trust Trust # 111 Comments: Property was appraised for $1.76 million.	Oct-05	$2,250,000	26,268 0.60	General Business	$85.66