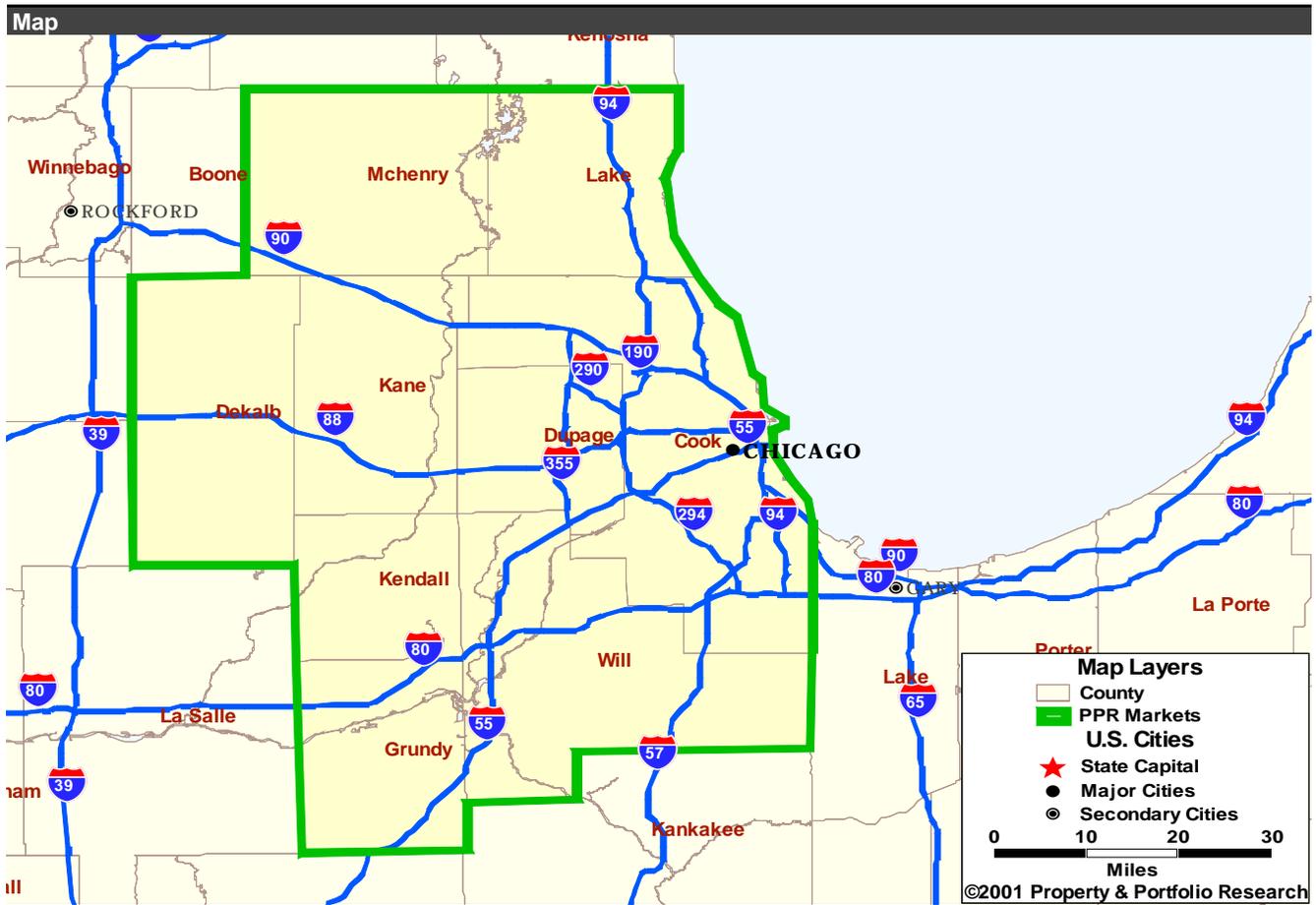


CHICAGO

Overview



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*	Net New Supply (000SF)**	Net Absorption (000SF)**
Apartment	↑ 3.4% 2.4% — [] — 6.1% 99:4 — 91:4	↑ 3,151 170 — [] — 12,833 92:3 — 87:4	↓ -3,118 -3,118 — [] — 15,311 02:1 — 87:4
Office	↑ 15.0% 6.8% — [] — 19.4% 82:1 — 93:1	↓ 5,344 953 — [] — 14,479 94:3 — 87:3	↓ -6,491 -6,491 — [] — 15,398 02:1 — 87:4
Retail	↑ 11.5% 8.9% — [] — 22.0% 00:3 — 82:2	↓ 4,194 750 — [] — 7,978 83:4 — 90:2	↓ -1,457 -5,631 — [] — 12,160 82:1 — 00:1
Warehouse	↑ 10.0% 4.1% — [] — 10.0% 82:1 — 02:1	↓ 5,672 552 — [] — 9,711 92:4 — 00:4	↓ -1,041 -2,428 — [] — 9,835 92:2 — 00:2
Hotel	↓ 60.3% 71.6% — [] — 60.3% 98:1 — 02:1	↓ 1,297 -237 — [] — 5,338 93:1 — 88:1	↓ -6,851 -6,851 — [] — 3,337 02:1 — 00:3

*Occupancy for Hotels

**Apartment and Hotel data are in units.

CHICAGO

Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON – Chicago’s employment fell 2% year-over-year as of March, doubling the pace of job losses at the national level.** The manufacturing and services sectors have experienced the largest declines over the last year, while a slowdown in commercial construction has negatively impacted employment growth in the previously resilient construction sector. Locally headquartered Arthur Andersen is a wildcard for the metro, as layoffs continue to mount, totaling over 7,000 nationwide. The local attrition has been mitigated somewhat, as many of these workers are already being reabsorbed by competing accounting firms including Deloitte & Touche and KPMG. Motorola’s struggles continue as the company will close a distribution center in Harvard in the next quarter, eliminating 850 jobs. **However, not all the news is bad.** There are **several companies still expanding in the metro**, including E-peopleserve, which is moving their headquarters from London to Chicago, and New York-based Zurich Scudder Investments, which plans to move its U.S. mutual fund business to Chicago, creating another 500-600 jobs locally.
- **APT – Weak net absorption**, which began at the end of last year, **is driving the vacancy rate higher** in Chicago’s traditionally tight apartment market. The glut of condo product on the market has created competition for rental apartment owners, as would-be renters are enticed into buying. Also, corporate belt tightening has led to **the release of over 1,000 corporate apartments over the last year**, further deteriorating fundamentals. **Rental construction remains steady** as well, with the focus of new development in the closer in River North submarket. John Buck Co.’s 254-unit 2 East Erie and Magellan Development’s 764-unit Grand Plaza Development are both underway.
- **OFF – The office market continued to soften through the first quarter**, as a high availability of sublease space continues to plague the metro despite a steady slowdown in construction. With vacancy rates over 20% on average, the suburban markets continue to remain weaker than the CBD, but sublease space in the CBD is rising at a faster rate, with over 5 million SF available as of the first quarter. The fallout from Arthur Andersen is contributing to the overhang of space in the CBD as well, as the firm leased nearly 900,000 SF downtown. However, competing companies have already begun to increase their space needs in order to house added staff acquired from Andersen. Deloitte & Touche recently signed a three-year 120,000 SF lease at the Aon Center in the East Loop to accommodate newly hired former-Andersen employees.
- **RET – Despite a slowdown in consumer spending, retail construction has remained steady** over the last year, holding the economic vacancy rate in the mid-teens. While much of the recent construction has taken place in collar counties of Kane, McHenry and Kendall, strong residential **growth in the CBD has encouraged a spate of new retail construction recently.** Home Depot is making its first foray into urban infill with a two-story, 91,000 SF store going up in Lincoln Park, and the proposed rehab of the prime 2.8 acre Block 37 site in the West Loop is coming closer to reality as developer selection is close to being finalized. The **fourteen local Kmart stores that were vacated** after the firm filed for Chapter 11 bankruptcy protection earlier this year **are leasing up quickly.** Kimco Realty Corp. recently acquired six of the fourteen leases, with plans to re-tenant the stores to other big box retailers including Home Depot, Burlington Coat Factory, Borders Books, and Linens ‘n Things.
- **WHS – Build-to-suit activity has been dominating construction in the warehouse market.** The new intermodal facility in Joliet is attracting development in the Southwest suburbs/Will County. CenterPoint Properties Trust says it will begin construction next month on a 408,000 SF build-to-suit warehouse for Potlatch, and Madison Warehouse will take 266,680 SF at the 386-acre Rock Run Business Park nearby. The I-88 Tollway in DuPage County will also see a rise in construction, with Prime Group Realty Trust breaking ground on a 350,000 SF distribution center for Hyundai Motor America in Aurora during the second quarter. Steady construction amid slowly recovering demand will keep warehouse vacancies relatively high over the short term.
- **HOT – Occupancy rates continue to remain at cyclical lows**, hovering near 60%. The dearth in financing has led to the deferral of several projects, including a 450-room Omni hotel in Rosemont near O’Hare and an Adam’s Mark hotel in the CBD. Construction remains low, with under 1,000 rooms expected to complete this year.

Demographic Trends

Category	2002*		Annual Growth Rates					
	Market	U.S.	1982-1991		1992-2001		2002-2006	
			Market	U.S.	Market	U.S.	Market	U.S.
Population	8,401	288,644	0.4%	1.0%	1.0%	1.2%	0.4%	0.9%
Households	3,012	107,714	0.7%	1.3%	1.0%	1.3%	0.5%	1.0%
Median Household Income	\$58,636	\$44,333	4.0%	4.4%	4.5%	3.7%	3.3%	3.1%
Apartment-Renting Households	1,021	35,788	1.0%	1.7%	-0.7%	0.5%	0.4%	1.0%
Real Retail Sales Per Capita	\$4,447	\$4,518	1.8%	1.4%	0.6%	1.7%	1.8%	1.7%

Employment Trends

SIC Category	2002*		Annual Growth Rates					
	Employment	Location Quotient	1982-1991		1992-2001		2002-2006	
			Market	U.S.	Market	U.S.	Market	U.S.
Total Services	1,396	1.1	3.8%	4.3%	3.2%	3.7%	2.2%	2.5%
Business Services	373	1.3	7.2%	6.6%	5.5%	6.2%	2.7%	3.0%
Other Services	1,022	1.0	3.1%	3.8%	2.4%	3.0%	2.0%	2.4%
Retail Trade	669	0.9	2.1%	2.5%	1.1%	2.0%	1.0%	1.6%
Government	512	0.8	1.1%	1.6%	1.0%	1.3%	0.2%	0.7%
Manufacturing	592	1.1	-1.6%	-0.6%	-0.6%	-0.6%	0.3%	0.1%
F.I.R.E.	310	1.3	1.8%	2.2%	0.6%	1.5%	0.4%	0.9%
Wholesale Trade	265	1.2	1.4%	1.3%	-0.3%	1.4%	1.5%	1.2%
Trans., Comm., Util.	257	1.2	1.7%	1.1%	1.6%	2.0%	0.8%	1.1%
Construction	188	0.9	2.5%	1.4%	2.9%	4.2%	-0.1%	0.3%
Mining	2	0.1	-2.6%	-6.0%	-0.2%	-1.6%	-1.1%	-1.1%
Total Employment	4,191	1.0	1.6%	1.9%	1.4%	2.0%	1.2%	1.4%
Office-Using Employment	1,139	1.2	2.8%	3.0%	2.3%	2.9%	1.6%	1.9%
Trucking/Warehouse Employment	324	1.2	1.3%	1.5%	0.4%	1.7%	1.3%	1.2%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

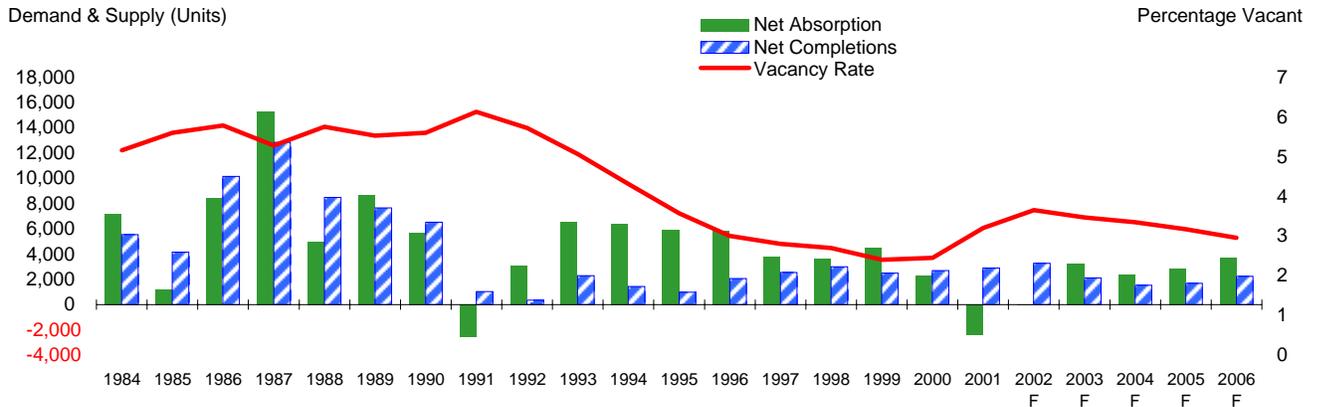
Employment Growth 3/02	Labor Force Growth 3/02	Unemployment Rate 3/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100)	
					Business	Living
-2.0%	0.4%	6.3%	0.9	-15.0	110	107

Sources: PPR; Economy.com

CHICAGO

Apartment

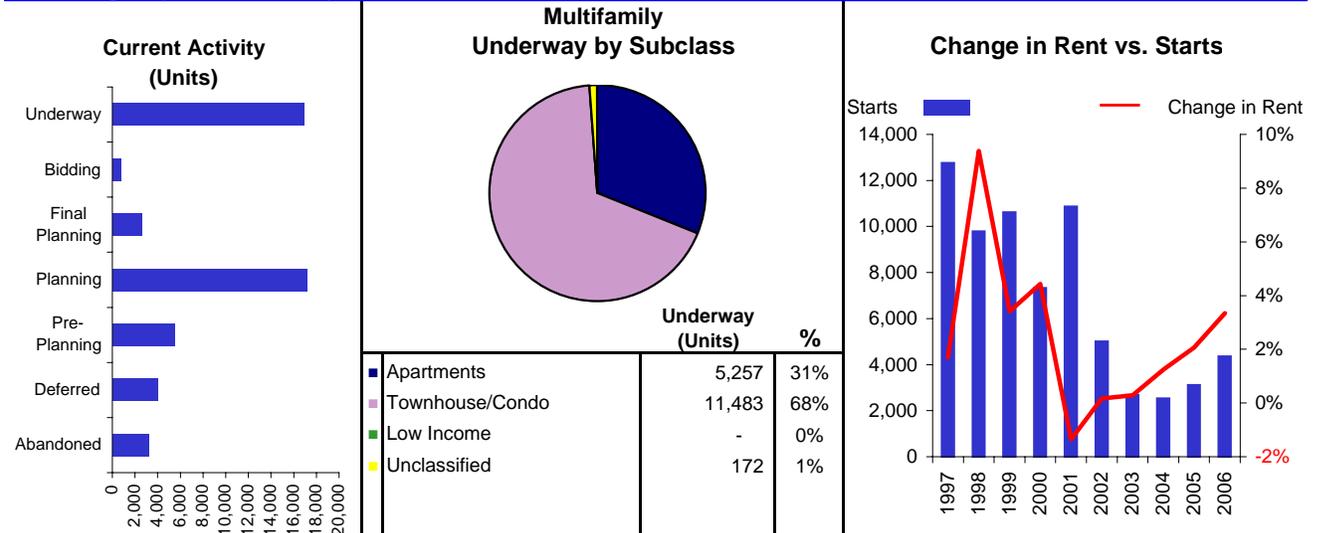
Supply, Demand, and Vacancy



Apartment Market Statistics (Units)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Apt. Vacancy	2.8%	2.7%	2.4%	2.5%	3.2%	3.6%	3.5%	3.3%	3.2%	3.0%
Apt. Net Absorption	3,829	3,605	4,487	2,295	-2,348	53	3,267	2,371	2,833	3,681
% Growth	0.6%	0.5%	0.7%	0.3%	-0.4%	0.0%	0.5%	0.4%	0.4%	0.5%
Multifamily Starts	12,756	9,788	10,608	7,331	10,865	5,006	2,680	2,524	3,105	4,350
% Change	91.4%	-23.3%	8.4%	-30.9%	48.2%	-53.9%	-46.5%	-5.8%	23.0%	40.1%
Net Apt. Completions	2,551	3,009	2,506	2,703	2,886	3,270	2,106	1,543	1,699	2,237
Apt. Inventory	677,289	680,298	682,804	685,507	688,393	691,664	693,770	695,313	697,012	699,249
% Growth	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.3%	0.2%	0.2%	0.3%
Apt. Rent Index	102	111	115	120	119	119	119	121	123	127
% Change	1.7%	9.4%	3.4%	4.4%	-1.3%	0.2%	0.3%	1.2%	2.1%	3.3%

PPR/Dodge Pipeline Summary

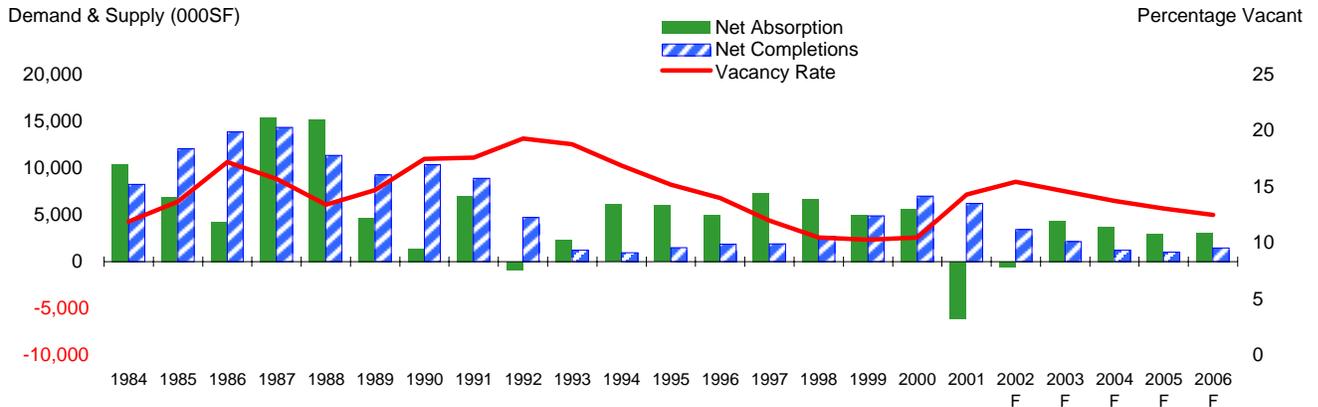


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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Office

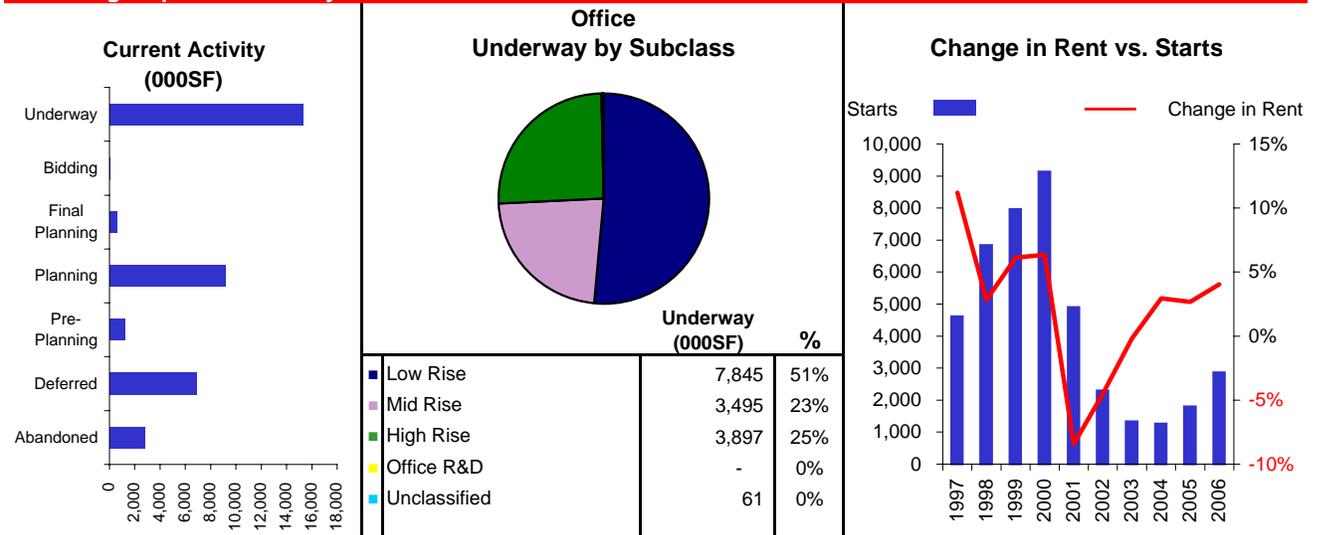
Supply, Demand, and Vacancy



Office Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	12.0%	10.5%	10.3%	10.5%	14.3%	15.4%	14.6%	13.7%	13.1%	12.5%
Net Absorption	7,358	6,713	4,962	5,694	-6,092	-584	4,404	3,749	3,015	3,088
% Growth	3.0%	2.7%	1.9%	2.2%	-2.3%	-0.2%	1.7%	1.4%	1.1%	1.1%
Starts	4,611	6,838	7,961	9,134	4,903	2,299	1,335	1,258	1,800	2,859
% Change	85.7%	48.3%	16.4%	14.7%	-46.3%	-53.1%	-41.9%	-5.8%	43.1%	58.8%
Net Completions	1,904	2,706	4,888	7,018	6,224	3,430	2,131	1,234	1,009	1,463
Inventory	286,069	288,775	293,663	300,681	306,905	310,335	312,466	313,700	314,709	316,173
% Growth	0.7%	0.9%	1.7%	2.4%	2.1%	1.1%	0.7%	0.4%	0.3%	0.5%
Rent Index	111	114	121	129	118	113	113	116	119	124
% Change	11.2%	2.8%	6.1%	6.4%	-8.4%	-4.5%	-0.2%	2.9%	2.7%	4.0%

PPR/Dodge Pipeline Summary

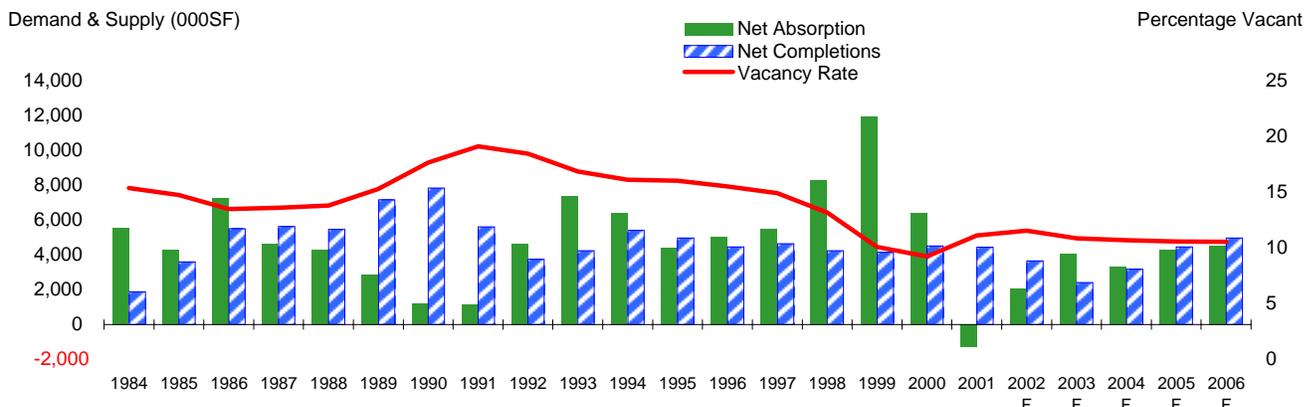


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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Retail

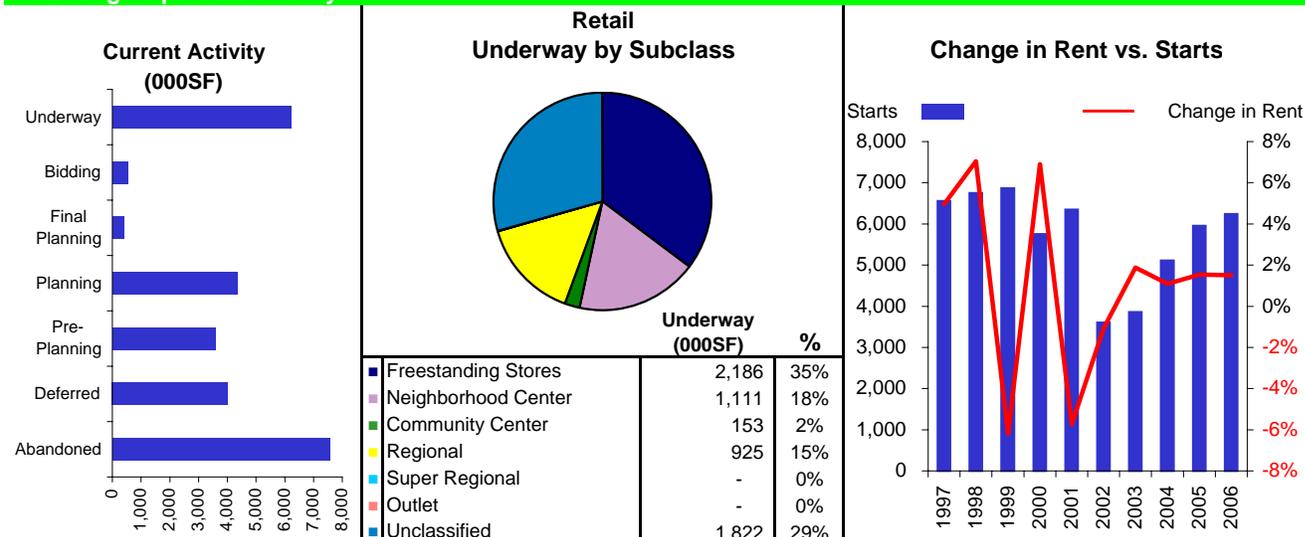
Supply, Demand, and Vacancy



Retail Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	14.9%	13.2%	10.1%	9.2%	11.1%	11.5%	10.9%	10.7%	10.6%	10.5%
Net Absorption	5,511	8,319	11,953	6,425	-1,266	2,055	4,075	3,343	4,296	4,512
% Growth	2.5%	3.7%	5.1%	2.6%	-0.5%	0.8%	1.6%	1.3%	1.7%	1.7%
Starts	6,556	6,750	6,868	5,752	6,347	3,601	3,854	5,110	5,951	6,241
% Change	27.2%	3.0%	1.7%	-16.2%	10.3%	-43.3%	7.0%	32.6%	16.5%	4.9%
Net Completions	4,637	4,244	4,135	4,511	4,445	3,651	2,398	3,170	4,446	4,973
Inventory	263,885	268,128	272,263	276,774	281,219	284,870	287,269	290,439	294,885	299,858
% Growth	1.8%	1.6%	1.5%	1.7%	1.6%	1.3%	0.8%	1.1%	1.5%	1.7%
Rent Index	105	112	105	113	106	105	107	108	110	112
% Change	4.9%	7.0%	-6.2%	6.9%	-5.7%	-1.1%	1.9%	1.1%	1.5%	1.5%

PPR/Dodge Pipeline Summary

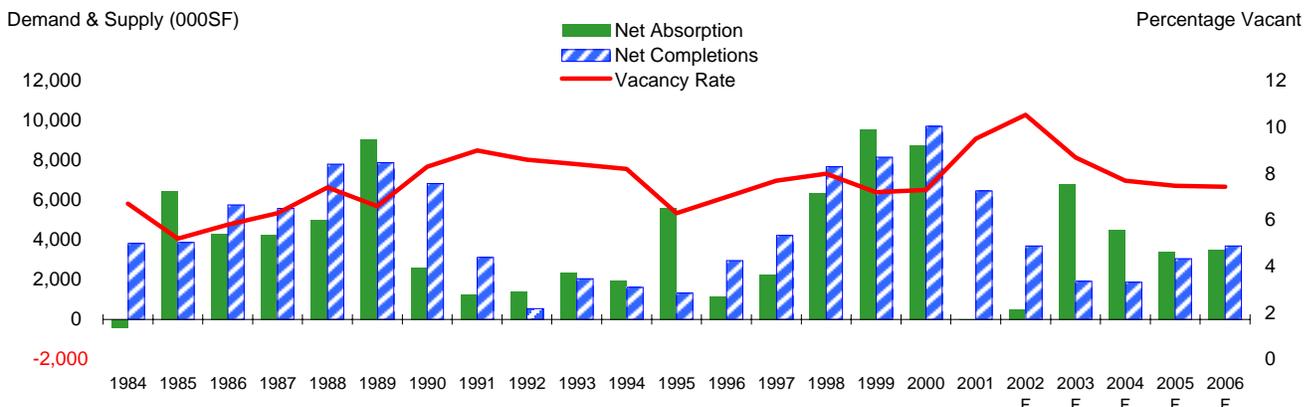


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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Warehouse

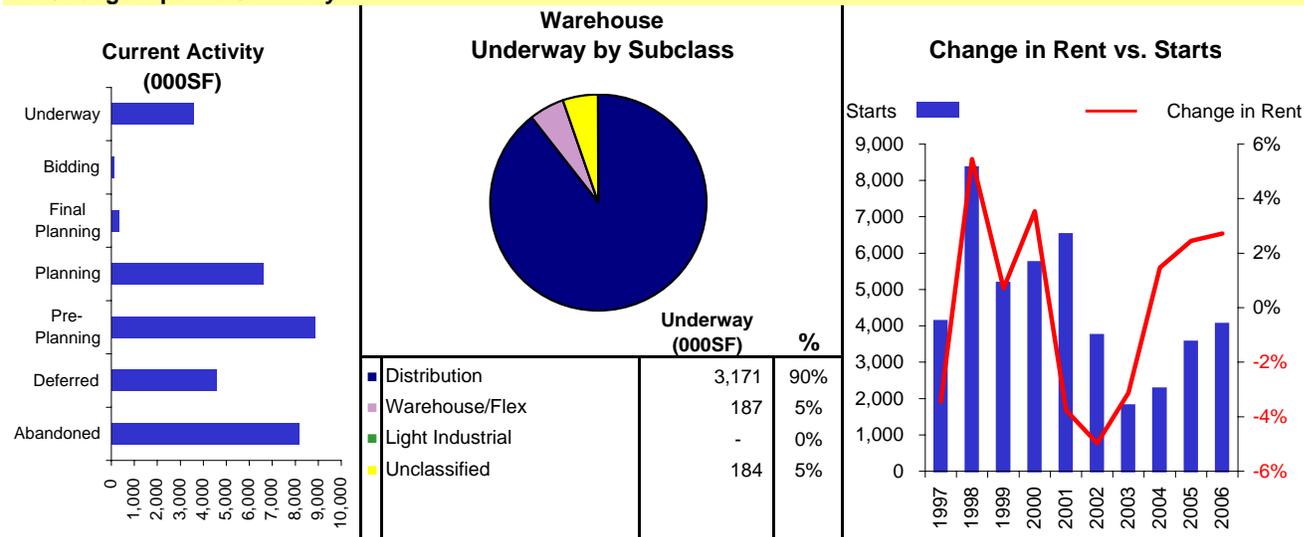
Supply, Demand, and Vacancy



Warehouse Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vacancy	7.7%	8.0%	7.2%	7.3%	9.5%	10.5%	8.7%	7.7%	7.5%	7.4%
Net Absorption	2,263	6,350	9,538	8,747	29	509	6,794	4,524	3,427	3,521
% Growth	1.0%	2.9%	4.2%	3.7%	0.0%	0.2%	2.8%	1.8%	1.3%	1.4%
Starts	4,135	8,363	5,179	5,752	6,522	3,751	1,814	2,277	3,564	4,056
% Change	-49.3%	102.2%	-38.1%	11.1%	13.4%	-42.5%	-51.6%	25.5%	56.5%	13.8%
Net Completions	4,232	7,682	8,152	9,711	6,461	3,701	1,919	1,874	3,049	3,698
Inventory	238,941	246,622	254,774	264,485	270,946	274,647	276,566	278,440	281,489	285,187
% Growth	1.8%	3.2%	3.3%	3.8%	2.4%	1.4%	0.7%	0.7%	1.1%	1.3%
Rent Index	97	102	103	106	102	97	94	95	98	100
% Change	-3.4%	5.5%	0.7%	3.5%	-3.8%	-5.0%	-3.1%	1.5%	2.5%	2.7%

PPR/Dodge Pipeline Summary

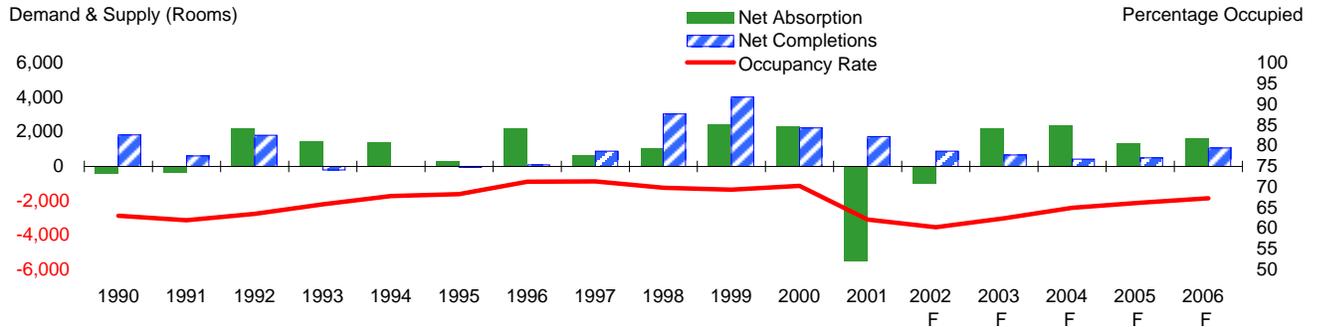


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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Hotel

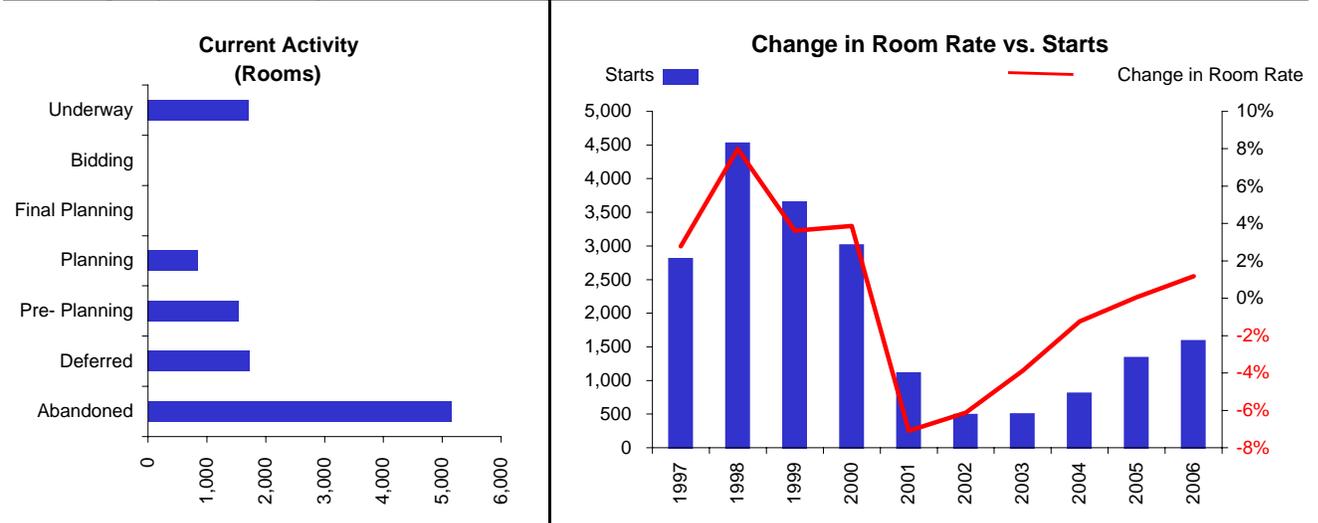
Supply, Demand, and Occupancy



Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Occupancy	71.3%	69.8%	69.3%	70.3%	62.1%	60.2%	62.4%	64.9%	66.2%	67.3%
Net Absorption	655	1,041	2,430	2,312	-5,492	-1,023	2,198	2,390	1,367	1,636
% Growth	1.3%	2.1%	4.7%	4.3%	-9.8%	-2.0%	4.4%	4.6%	2.5%	2.9%
Starts	2,805	4,524	3,647	3,008	1,108	488	496	802	1,333	1,587
% Change	24.9%	61.3%	-19.4%	-17.5%	-63.2%	-56.0%	1.6%	61.7%	66.2%	19.1%
Net Completions	876	3,045	4,015	2,219	1,724	870	654	425	497	1,056
Inventory	70,783	73,828	77,843	80,062	81,786	82,656	83,311	83,735	84,233	85,289
% Growth	1.3%	4.3%	5.4%	2.9%	2.2%	1.1%	0.8%	0.5%	0.6%	1.3%
Room Rate Index	103	111	115	119	111	104	100	99	99	100
% Change	2.8%	8.0%	3.6%	3.9%	-7.1%	-6.1%	-3.9%	-1.2%	0.0%	1.2%
RevPar Index	102	107	109	112	90	85	87	88	90	92
% Change	2.3%	4.9%	2.0%	2.7%	-19.9%	-5.9%	2.3%	1.4%	2.1%	2.6%

PPR/Dodge Pipeline Summary

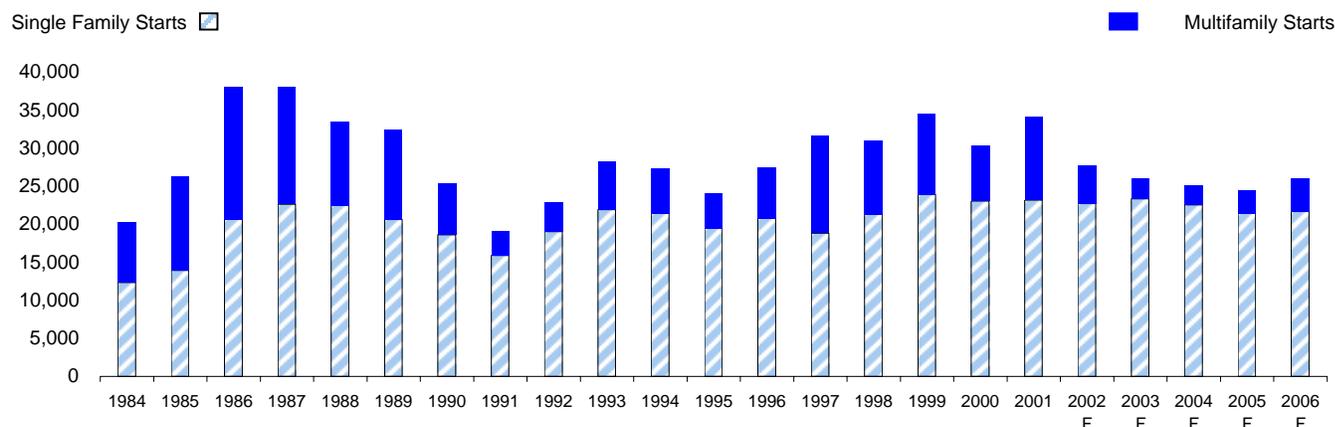


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

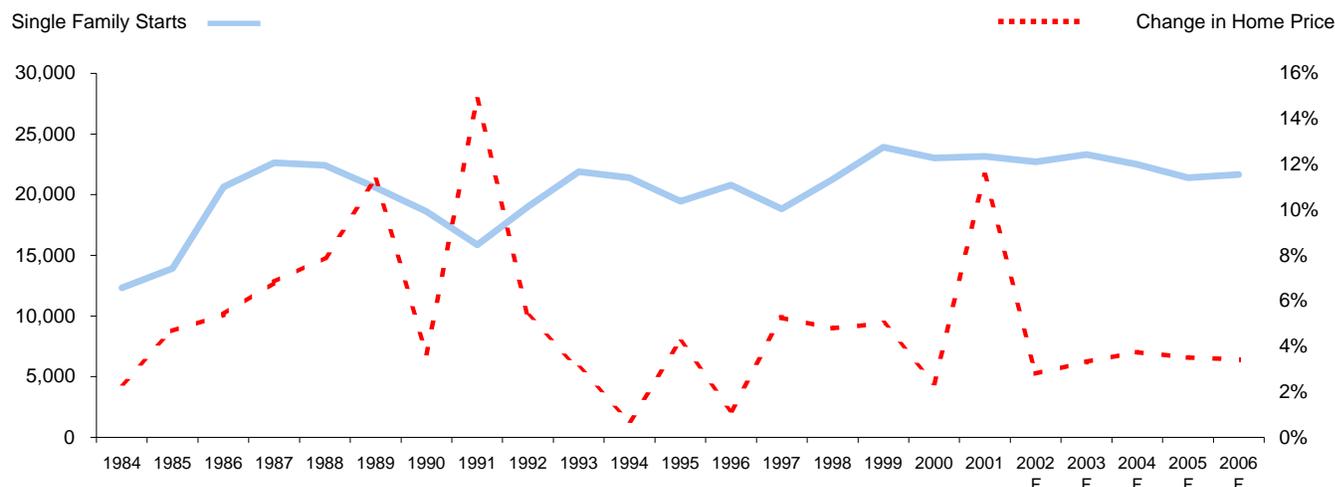
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Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Starts	18,824	21,268	23,915	23,013	23,164	22,698	23,316	22,509	21,397	21,672
% Change	-9.4%	13.0%	12.4%	-3.8%	0.7%	-2.0%	2.7%	-3.5%	-4.9%	1.3%
Completions	19,447	20,026	22,855	23,879	23,073	22,848	22,836	23,161	21,537	21,620

Apartment Market Statistics

Multifamily Starts	12,756	9,788	10,608	7,331	10,865	5,006	2,680	2,524	3,105	4,350
% Change	91.4%	-23.3%	8.4%	-30.9%	48.2%	-53.9%	-46.5%	-5.8%	23.0%	40.1%
Apartment Completions	2,551	3,009	2,506	2,703	2,886	3,270	2,106	1,543	1,699	2,237

Sources: PPR; McGraw-Hill Construction - Dodge

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Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
Grand Plaza	by Grand Ave., Ohio St., State St. and Dearborn St.; River North), River CBD	764	Underway	10/00	6/02
AML1 at Seven Bridges	6466 Double Eagle Dr., Woodridge, DuPage County Southwest Suburbs	520	Underway	7/01	12/02
Park Millenium	200 N. Columbus Drive, River North CBD	480	Underway	10/00	6/02
Highlands of Lombard	Lombard West Suburbs	403	Underway		8/02
Cabrini Green Development	N. Clybourn Avenue and N. Larabee Street, River North CBD	400	Proposed		
Farmington Lakes	Douglas Rd & Rte 34, Oswego Kendall County	304	Underway		12/02
2 East Erie Street	Corner of State and Erie, River North CBD	254	Underway		12/03
Reserves at Evanston	1930 Ridge Avenue, Evanston North suburbs	195	Planned		
1708 S. Indiana Ave.	17th and Indiana Streets, South Loop CBD	192	Planned		
Bristol Station Apartments	Naperville DuPage County	0	Underway	10/01	6/03

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Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Dearborn Center Tenants: Bank One Corp, Holland and Knight LLP	131 S. Dearborn St., Central Loop CBD	1,400	Underway	5/00	1/03
ABN AMRO Plaza - Phase 1 Tenants: ABN Amro North America Ltd	540 W. Madison St, West Loop CBD	1,100	Underway	8/01	8/03
200 North Riverside Tenants: none -need preleasing	Lake and Canal Street, West Loop CBD	1,100	Planned		
111 South Wacker Drive	Southeast Corner of Wacker Drive and Monroe Street, West Loop CBD	820	Proposed		12/04
191 North Wacker Drive Tenants: Gardner Carlton & Douglas	SE corner of Lake St. and Wacker Drive, West Loop CBD	740	Underway	9/00	11/02
550 West Adams Street	550 West Adams Street, West Loop CBD	525	Planned	5/02	12/03
555 West Monroe Tenants: Quaker Oats	555 West Monroe St., West Loop CBD	425	Underway	4/01	9/02
Pointe O'Hare - Phase II	NW Corner of River Rd. and Higgins Rd., Rosemont O'Hare	350	Underway	3/02	12/02
Schaumburg Corporate Center phase III	1475 Woodfield Road, Schaumburg Northwest Suburbs	301	Underway	4/01	6/02
Highland Landmark Office Complex	3050 Highland Parkway, Downer's Grove East-West Corridor	250	Completed	11/00	1/02

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Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Geneva Commons Lifestyle Center	Randall Road, between Bricher Rd. and Williamsburg Ave., Geneva Suburban Kane County	425	Underway	6/01	12/02
Parkview Plaza	179th St & Wolf Rd, Orland Park Southwest Cook County	164	Underway	1/02	11/02
North Avenue Collection	SE corner of North Ave. and Sheffield Ave. City North	130	Completed	4/01	4/02
Tenants: Gap, Jcrew, BR, Vic Secret					
Main Street Promenade	Van Buren Ave btw Webster and Main Streets, Naperville East-West Corridor	128	Planned	6/02	12/03
McHenry Towne Center	West Side of Hwy. 31, McHenry County Far Northwest Suburbs	116	Completed	10/01	5/02
Gateway Center	SW corner of Smith St & Colfax St., Palatine City North	110	Underway	12/01	12/02
Grand Plaza	by Grand Ave., Ohio St., State St. and Dearborn St.; River North) City North	100	Completed	1/01	2/02
Home Depot	2665 N. Halstead Street, Lincoln Park CBD	91	Underway		12/02
Rehab of Woolworth Building	corner of State and Washington, West Loop CBD	85	Planned	12/02	
Yorkville Marketplace	East side of Rte 47 south of Rte 34 at Landmark Dr, Yorkville Kendall County	79	Completed	6/01	4/02

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Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Kellog's build-to-suit Tenants: Kellogs	6225 E Minooka Rd, Minooka Far Southwest Suburbs	1,034	Underway	11/01	11/02
USAA Real Estate Warehouse and Distribution Facility	East of Orchard Rd, Aurora East-West Corridor	850	Planned		3/03
Pampered Chef HQ and Distribution facility Tenants: Pampered Chef	Swift Road and Army Trail Road , Addison DuPage County	600	Underway	7/01	7/02
CenterPoint Business Center	55th and East Avenues Cook County	445	Completed	3/01	12/01
Pinnacle Business Center Phase II Tenants: 441562	1120 Taylor Road, Romeoville Far Southwest Suburbs	442	Completed		9/01
Bluff Point Building 1	Bluff & Joliet Rds, Romeoville Far Southwest Suburbs	400	Deferred		12/01
Industrial Park	Intersection of Interstates 80 & 55, Minooka Far Southwest Suburbs	400	Planned		
Aurora Corporate Center	999 E Bilter Rd, Aurora East-West Corridor	400	Completed	3/01	11/01
Pinnacle Business Center - Phase 3	Taylor Road, Romeoville Far Southwest Suburbs	400	Underway	11/01	7/02
West Ridge Corporate Center	NW Corner of I-88 and Farnsworth, Aurora East-West Corridor	325	Completed	9/01	2/02

CHICAGO

Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Omni Rosemont Hotel	Rosemont O'Hare	450	Deferred		
Hotel Sofitel Chicago	19 East Chestnut Street, Near North/Streeterville CBD	415	Underway	1/00	6/02
Hotel Intercontinental	River Rd. near Foster Ave., Rosemont O'Hare	410	Proposed		
Hilton All-Suites Hotel - Grand Pier Center - Phase 3	Columbus Drive between Grand and Illinois Aves., Near North/Streeterville CBD	410	Deferred		
Magnificent Mile Courtyard By Marriott	155 E Ontario St, Near North/Streeterville CBD	258	Underway	3/02	
Hilton Gardens Hotel/Restaurant/Swimming Pool	2930 S River Rd, Des Plaines O'Hare	172	Proposed		
Extended Stay America	2000 N Roselle Rd, Schaumburg Northwest Submarket	128	Completed	7/01	2/02
Doral Resort & Spa	1401 Nordic Rd, Itasca O'Hare	74	Underway	4/01	9/02
Adam's Mark	Illinois Street, Near North CBD	0	Deferred		
Courtyard by Marriott/Swimming Pool	295 Knollwood Drive, Bloomingdale Northern DuPage County	0	Underway	5/01	5/02