


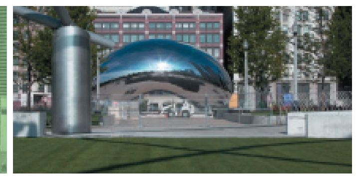

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100 A CENTURY OF SERVICE
1906 | 2006

CHICAGO MARKET OUTLOOK 2006

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MESSAGE FROM THE CHICAGO MANAGEMENT TEAM

Building on our tradition of providing the most extensive and up-to-date research product, CB Richard Ellis Chicago is pleased to present you with Market Outlook 2006, an annual report providing analysis and insight into commercial real estate trends for the Chicago area.

The report is based upon CB Richard Ellis proprietary research and has been compiled by our Research group using a consistent and one of the most sophisticated methods in the industry. The information has also been reviewed and certified by highly experienced local brokerage professionals who have provided detailed analysis by product type and submarket.

As the industry leader, CB Richard Ellis completes more transactions than any other real estate services company. This unrivaled volume creates market knowledge that empowers our people, and our clients, with the information they need to anticipate market opportunities, seize competitive advantages and execute the best possible real estate strategies.

Most importantly, we have our clients to thank for our success. We appreciate your loyalty and wish you a most prosperous 2006.

Jack Durburg
Senior Managing Director
Chicago Region

Jeffery Barrett
Managing Director

Barbara Carley
Managing Director
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Managing Director

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Director of Brokerage

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MARKET COMMENTARY

From its incorporation on August 12, 1833 with a population of 250, Chicago has grown from a frontier town of the Old Northwest (territory north west of Ohio) to one of the world's premier cities. Ranked as one of 10 "Alpha" (most influential) world cities by the Globalization and World Cities Study Group & Network, Chicago is also the third-largest city in population in the United States, following only New York and Los Angeles.

Boasting 10 million people when combined with its surrounding suburbs, the greater metropolitan area—dubbed as Chicagoland—is the financial, transportation, and cultural capital of the Midwest. Today, Chicago remains the United States' second financial center with the nation's second largest central business district and third largest gross metropolitan product. In fact, Chicago's gross metropolitan product would rank 18th in the world if it were a nation-state, at approximately $380 billion.

Over 50% of North American industry is within a day's truck delivery of Chicago, and it is the leading intermodal container handler in the Western Hemisphere with more than twice the volume of Los Angeles and more than five times that of New York. Each day, 52,000 truckloads of freight are shipped to Chicago. Home to the second largest labor pool—4.25 million workers—Chicago also boasts 31 members of the Fortune 500.

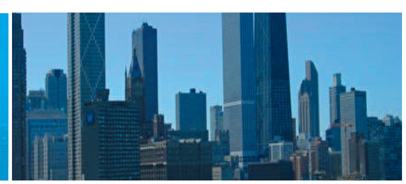
ECONOMY

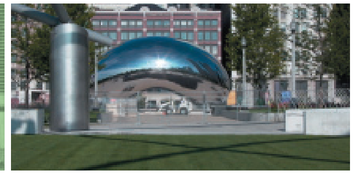
Economic Signals Point Up

The overall economy performed well in 2005 and should continue to do so. Real gross domestic product, the output of goods and services produced by labor and property located in the United States, increased at an annual rate of 4.1 percent in the third quarter of 2005, according to the Bureau of Economic Analysis. That's a significant positive change from the 3.3 percent growth recorded during the second quarter.

There have been other positive indicators as the year drew to a close. For example, the Conference Board's index of leading economic indicators ticked up to 3.4 percent annual rate, up from an average of 1.9 percent annual rate in the first half of 2005. Also, the University of Michigan's consumer confidence sentiment increased to 91.5 in December, up from 81.6 in November and the recent low of 74.2 in October. The spike can be largely attributed to gas prices retreating from a $3 per gallon high.

All these factors are encouraging signs, but there can be no denying that this economic growth has yet to be reflected in the Chicago market. In fact, large corporate users continued their cost-cutting mode throughout the year, and there were few new entrants to the Chicago market, and little new hiring by Chicago-based companies. Even as some job creation emerged during 2005 on a national basis, the US Bureau of Labor Statistics confirms that job growth in the Chicago area lagged the nation as a whole. This is the key on which the speed of any market recovery hinges.





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OFFICE

Downtown Office

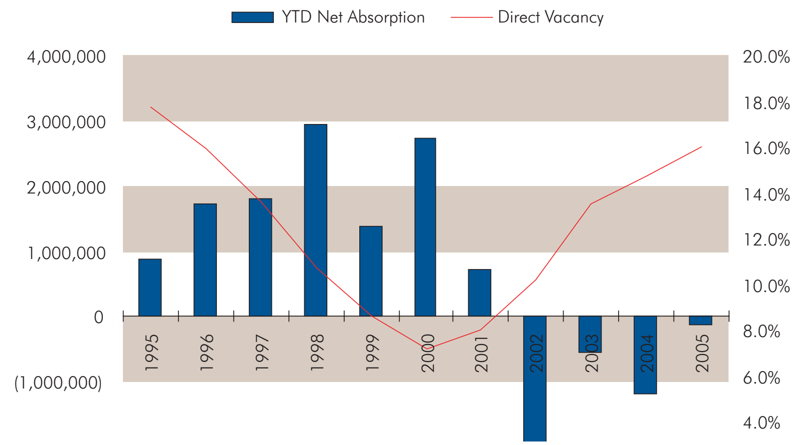
By most accounts, 2005 cemented industry predictions that it would be the year of lackluster demand and excess supply. The market remained active, dominated by early renewals and extensions as opposed to much in the way of new space requirements or expansions. The direct vacancy rate varied slightly throughout the year, ending 2005 at 16 percent, moderately higher than the 14.7 percent reported at the end of 2004. Of the largest deals completed downtown during the year–Kirkland & Ellis, Citadel Investment Group and Seyfarth Shaw–law firms and professional services firms dominated the activity.

Three buildings were completed in 2005–One South Dearborn, 111 South Wacker and 71 South Wacker–adding more than 3.3 million square feet to the CBD market, more than 2003 and 2004 combined, and negating even minimal improvements. Despite the positive absorption of 331,490 square feet in the first half of 2005, the year ended with (117,883) square feet of net absorption and 18.9 million square feet of direct vacant space in the Chicago CBD. Without job growth or significant new businesses entering the CBD, the market was unable to overcome the abundance of vacant space.

On a more positive note, Chicago again exhibited its viability as a desirable location for major companies. Mittal Steel signed to locate its U.S. headquarters at One South Dearborn. CDW consolidated its downtown locations to 120 S Riverside, expanding its space by 39 percent. German carmaker Audi was rumored to be eyeing Chicago (along with Los Angeles, New York and a few other cities) for its new U.S. headquarters and 190 jobs. However, the move would be several years away.

Looking at 2006, the questions looming remain: What will be the next driver of demand? Will 2006 bring Chicago the job growth already reflected nationally? Will construction continue despite the abundance of vacant space and increasing building costs?

Annual Net Absorption vs. Direct Vacancy Rate



Hinging on Demand

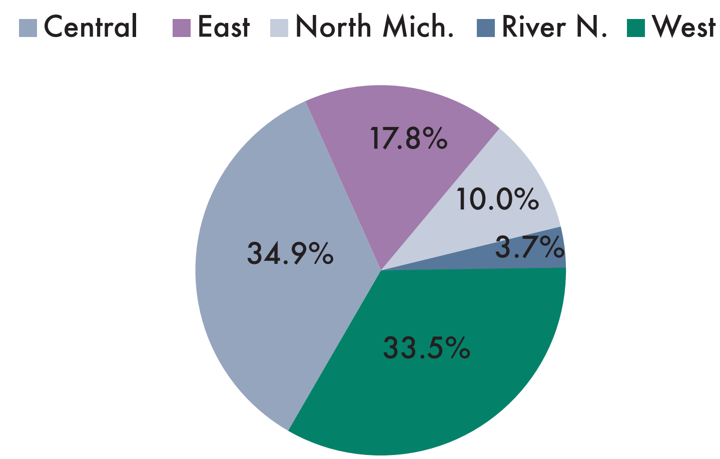
Throughout the past few years, demand has been crippled by Corporate America's ongoing scrutiny of its bottom line and continued focus on efficiency in an uncertain economy. Leasing activity has been driven by tenants taking advantage of the soft market to achieve a lower rent and/or right size within their current space. Due to such downsizings, many companies possess underutilized space that could be used for future expansion without taking additional space in 2006. Growth will have to fill this existing space before it will be reflected in true demand.

Since many of the leases expiring in 2006 and 2007 were renegotiated early to take advantage of market conditions, some demand in 2006 could be driven by tenants with long-term strategic plans for evaluating future space needs. Thus, even a slight increase in absorption during 2006 could be a sign of increased confidence in the market. CB Richard Ellis research indicates at year-end 2005, 5.4 million square feet of tenants over 20,000 square feet were active in the CBD. This number is lower than the 6.3 million square feet of active tenants in the market during the same period of 2004. The practice of early renewals and taking advantage of early termination rights may be one cause for this decline in square footage, which is further evidence that growth and expansion is needed in order for market fundamentals to strengthen.

Employment figures nationally posted a slight increase over 2004 and appeared to be significant enough to tighten the coastal labor markets. No such tightening has been experienced in Chicago. Employment gains nationally are projected in 2006, but whether Chicago will be able to match any further coastal improvement is questionable. As of the second quarter 2005, downtown markets nationally posted nine consecutive quarters of positive absorption. The downtown Chicago market ended 2005 with (117,883) square feet of net absorption, which is the fourth consecutive year of negative net absorption at year end. Of the total 3.3 million square feet of new space completed, 12.0 percent overall remains vacant with maximum availability ranging from 80,000 square feet to 200,000 square feet per building.

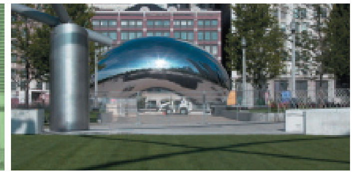
On a positive note, corporate profits have continued to rise in recent quarters, which could help drive demand of office space by mid-2006 with the increased hiring of highly skilled office labor. However, the outsourcing of services looks to continue in 2006 and could counteract those improvements. The business of doing business is evolving and changing for many types of companies as outsourcing, alternative workplace strategies and technology increase corporate productivity. These statistics may be the strongest indicator yet that solid leasing fundamentals have not yet returned to the Chicago CBD office market.

Summary of Inventory Graph



A Tenant's Market

New buildings delivered to the market combined with the already high vacancy rate contributed to a tenant oriented market in 2005. Transactions–renewals or new leases–are rarely completed without significant concessions including tenant improvement dollars, rent abatement and aggressive rental rates. There are few signs indicating this will change in 2006, however, with only one building being delivered in 2006, a tightening in the market should occur possibly offering some relief to owners. In addition to conventional concessions, some landlords are becoming more creative in order to secure tenants including extending HVAC hours during peak seasons

for accounting firms, as well as other incentives such as offering health club memberships and providing additional in-building parking spaces.

With signs that the recovery will continue to be lethargic and with tenants becoming more and more demanding, owners may face another tough year. Owners desiring to compete in this aggressive market are doing whatever it takes to make their buildings more distinguishable, including renovating common areas, upgrading retail amenities and modernizing elevators as a means to appeal to tenants. Another trend that could be seen in 2006 is landlords dividing large floors and building more speculative office space suites to accommodate tenants with smaller space requirements ranging from 2,000 to 6,000 square feet. This will address the deficiency in premium space for tenants of this size, which were the most active tenant sector in 2005 and should continue to be in 2006. While some owners are holding steady, those wishing to compete for deals will need to continue to come up with creative solutions for tenants of all sizes until the tide of the market changes.

Limited good news for owners may come in the way of rental rate stabilization in 2006, despite a downward trend for the past two years. The only submarkets holding a chance of a possible increase in rental rates are the West Loop and Central Loop, which will continue to be the most sought after with tenants desiring to be close to transportation. Due to a limited supply of large blocks of Class A space in the West Loop and Central Loop, each may experience a tightening in available space and thus be able to command higher rents. Currently, West Loop Class A blocks of space at 50,000 square feet and above are limited to sixteen buildings with net rental rates ranging from $14-25 per square foot. The Central Loop is limited to ten Class A buildings with net rental rates at $12-25.

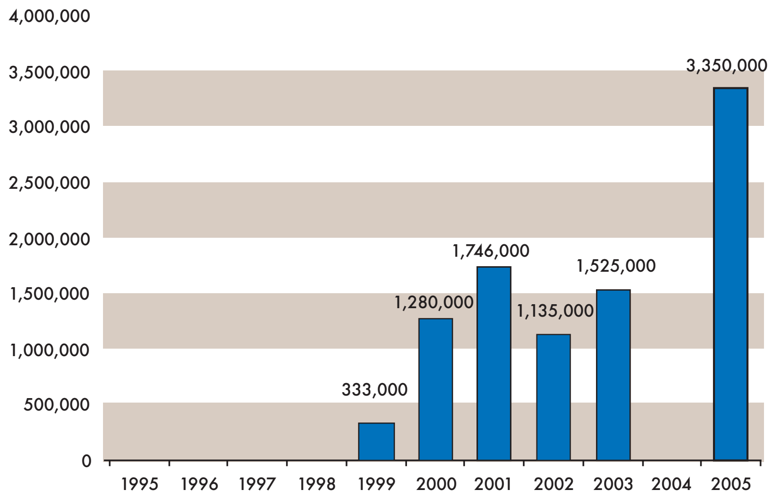
Construction Conundrums

In spite of a downward trend in construction that began in 2001, 2005 proved to be a banner year for new construction completions downtown. The year topped out with over 3.3 million square feet of new CBD space deliveries, the most new construction since the early nineties. This construction activity not only added additional space to the overall market, but also created large vacancies as most of the tenants merely moved from other older buildings.

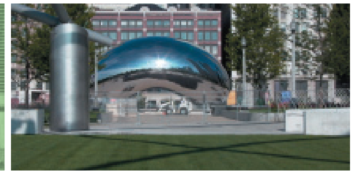
One new building, 550 W Adams, is scheduled to come online during the first half of 2006. As of this writing, the first tenant occupies its space in July 2006 and approximately 110,000 square feet is available.

It remains to be seen if the office condo conversion boom experienced in 2005 will continue in 2006. Developers swarmed the CBD, purchasing functionally obsolete buildings and transforming them into other uses. Among the most popular conversions were office condominiums, including 233 E Ontario, 104 S Michigan, and 111 N Wabash. Small law firms, professional service firms and not-for-profits that prefer a mortgage payment as opposed to rent have been the most active in acquiring this type of space. While this took some buildings out of the market, it did little to alleviate the high vacancy rate seen across all downtown submarkets. However, several additional conversions to residential/office condominiums appear likely in 2006.

Construction Deliveries



The effect of high construction costs, including raw material shortages, and increasing energy and labor costs, has driven up the price of new developments. However, it has yet to slow the development boom downtown with speculative plans in the works for several buildings, including Hines Interests LP's plan for a new skyscraper located at 300 N LaSalle, Prime Group Realty Trust's 320 S LaSalle, and Beitler's 181 N Clark.



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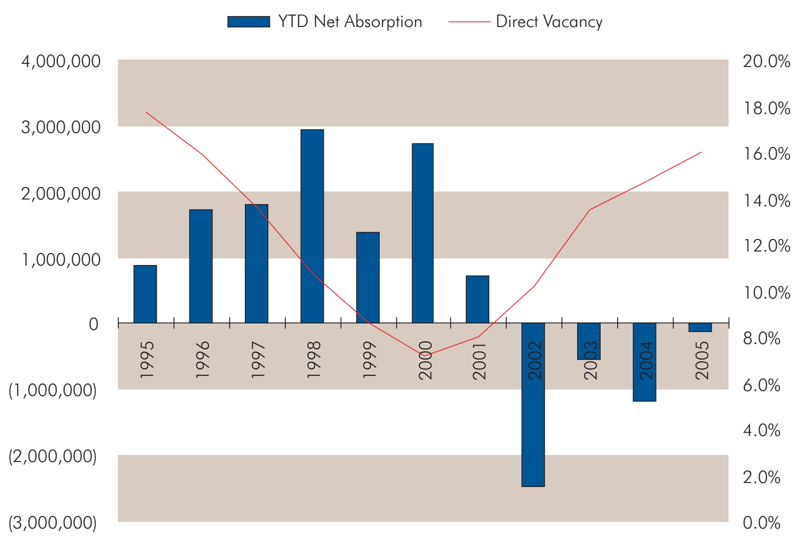
OFFICE | Suburban Office

Throughout 2005, the suburban office market showed some signs of improving fundamentals: minimal construction, some positive absorption and a stable, yet relatively high, vacancy rate. The year ended with a vacancy rate of 18.0 percent, only slightly higher than the 17.9 percent reported fourth quarter 2004. However, during the third quarter the vacancy rate dipped to 17.8 percent, which was the first and only quarterly decrease from year-end 2004. The slight progress in the suburban market can be attributed to demand from education and healthcare services, leisure and hospitality, and professional and business services. Each industry has brought more than 2,200 new jobs to Illinois since January of 2004.

Net Absorption vs. Direct Vacancy Rate



Good news came to the suburban market in the way of several significant transactions, which proved that the market is still viewed as a viable location for corporate headquarters. Sara Lee Corporation selected 3500 Lacey Road in Downers Grove, as the new location of its corporate headquarters. The facility will be the new home to the majority of Sara Lee's corporate staff as well as the company's North American operating businesses upon full occupancy of 359,467 square feet in 2006. As part of the transformation, the company is moving its bakery and packaged meats businesses from St. Louis and Cincinnati, respectively, as well as its beverage business at 3800 Golf Rd. in Rolling Meadows. OfficeMax also announced that it will relocate its corporate headquarters to 263 Shuman Boulevard in Naperville, moving from Itasca. The newly selected 344,000-square-foot Naperville location is to be fully occupied by second quarter 2006. As well, AmeriQuest Mortgage Co. signed a long-term sublease at 1600 McConnor Parkway within the Windy Point of Schaumburg office park in Schaumburg, IL. AmeriQuest occupies the entire 300,034-square-foot building.

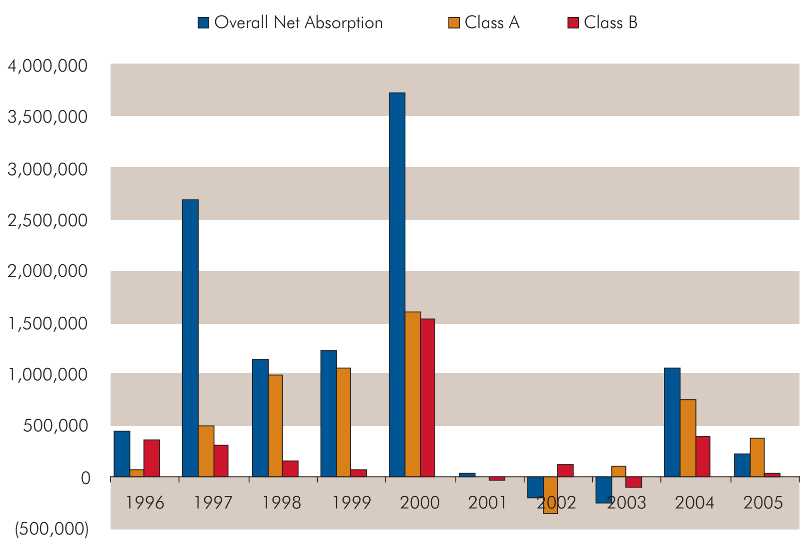
On another positive note, suburban Chicago has not seen significant office development since 2001, when almost 4.5 million square feet was delivered to the market. From 2003 to 2005, completed constructions, totaling a mere 500,000 square feet have been added to the market which has helped keep higher vacancy rates at bay. With minimal construction completed during 2005, the market was able to sustain its current vacancy rate but was unable to gain much traction to decrease it.

The suburban office market remains placid in terms of movement. Year-end 2005 closed with 207,736 square feet of positive net absorption a mere 20.0 percent of the prior year's positive net absorption.

Comparatively Better

Although the suburban office market looks better than it has in most recent years, it continues to be plagued by sluggish demand. 2006 demand is expected to be driven by cost savings as companies look for efficiency. Most of the tenants in the market have already exercised their early renewal options, so any demand in 2006 will be true demand–even if it's minimal. Most of the large users in the suburban market completed transactions in 2005, including Sara Lee, OfficeMax and AmeriQuest, so 2006 may experience a decline in large deals–exceeding 100,000 square feet–yet market activity will be experienced through smaller transactions. The market should be able to build on the positive momentum created by the large leases signed in 2005, with vendors or others directly tied to one or all looking to be closely located.

Annual Net Absorption vs. Class A, Class B

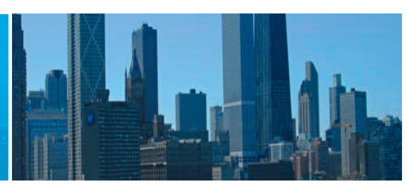


Tenants are continuing to take advantage of market fundamentals by expanding into new space at bargain rates, leaving older buildings with significant vacancies. This tenant musical chairs, in which tenants are moving out of older space into newer buildings and locking in the lowest possible rents, as opposed to new space requirements or expansions, leaves the market struggling to gain traction. Concessions will remain a necessity in 2006 within all transactions including free rent and tenant improvement allowances.

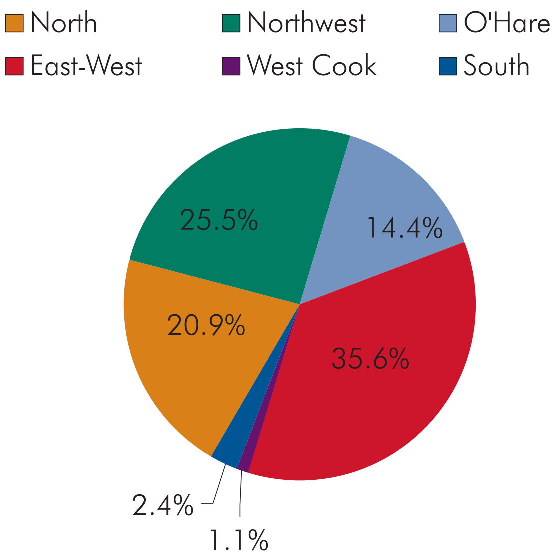
Development on the Horizon

Unlike the Chicago downtown market, office development in the suburban market almost ceased in 2005, which was a relief considering the weak demand and high vacancy rate. This may not continue in 2006, as a lack of large blocks of Class A space exists across all submarkets. For larger tenants seeking space solutions, new developments may offer the best option and developers could see this as an opportunity to break ground on new buildings, or redevelop strategically under utilized space.

On the horizon, Opus Corp. is proposing a new 250,000-square-foot building located at 3040 Highland Parkway in Downers Grove, as well as the 160,000-square-foot Opus Landmark of Lake Forest Phase II; the Alter Group engaged Helmut Jahn to design the 470,000-square-foot Corridors IV; and Prime Group is proposing Continental Towers IV, a 335,000-square-foot office building to be located at 1701 Golf Road. While these projects would not likely be delivered in 2006, they will be looking for significant preleasing which, without a new driver of demand, will mean taking tenants from other buildings.



% of Total Inventory By Submarket



The Power of the Tenant

The combination of a slight decrease in vacant square footage and limited new construction in 2005, should yield a slight uptick in rents for the suburban Chicago market during 2006. The best potential for a rise in rates may be seen in the Eastern DuPage and Lake County submarkets where only 16.3 percent of direct Class A space is available in both markets. In the entire suburban Chicago market, the Class A vacancy rate is 16.1 percent, significantly lower than Class B at 20.8 percent vacancy.

With the possibility of continued slow job growth, rising energy costs and rising interest rates in 2006, landlords could face another tough year. Aggressive fundamentals in the market are affecting landlords differently depending on their own strategies, but those who choose to wait for the recovery may find few deals to choose from.

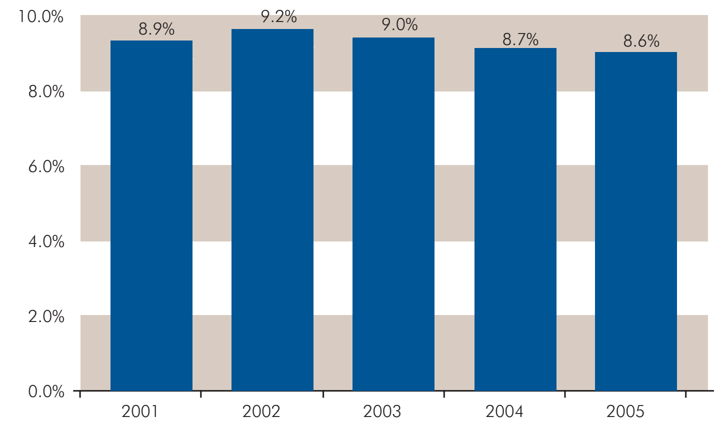
INDUSTRIAL

The continued improvement of the Chicago industrial market accelerated in 2005 with increases in manufacturing production and space demand energizing the market. Healthy demand for new construction continued throughout the year, and the market was able to keep pace with some expansion seen in the distribution and manufacturing sectors. Construction activity was robust, finishing the year with over 18.2 million square feet of construction starts, more than the 15.0 million square feet reported at year-end 2004 and demonstrating strong developer and owner confidence in the market.

Leasing activity remained strong during the year and totaled more than 31.2 million square feet at year end. The trend of slightly decreasing availability continued in the fourth quarter with the Chicago metro availability rate posting at 8.6 percent, less than the 8.7 percent, 8.7 percent and 8.8 percent shown in the third, second and first quarters, respectively. When including Northwest Indiana and Southeastern Wisconsin, the Chicago area industrial market availability rate decreased to 8.6 percent from 8.8 percent at third quarter. Benefiting from its close proximity to O'Hare International Airport, as well as its intermodal capabilities which have spurred activity, the O'Hare submarket posted 5.0 million square feet of leasing activity at year end, and the Far Southwest Suburbs submarket led the Chicago area with more than 6.0 million square feet of leases occupied during the year.

Manufacturing companies continue to find ways to cut costs and drive efficiency. Throughout 2005, manufacturing companies began to utilize the sale/leaseback transaction as a means of gaining operational flexibility. One example was Rockwell Automation's 26 property portfolio sale to First Industrial.

Metro Chicago Industrial Availability



Rising Construction Costs

Construction added more than 21.1 million square feet to the Chicago industrial market in 2005. This did not have the anticipated negative affect on vacancy rates, reflecting the return of solid fundamentals for the Chicago industrial market. This will set the stage for higher levels of construction in 2006 with already 12.1 million square feet of projects under construction including Wal-Mart's two build-to-suits at CenterPoint's Intermodal Center totaling 3.4 million square feet, as well as Andrew Corporation's 689,000-square-foot build-to-suit at Cherry Hill Business Park.

Factoring in the impact of Hurricane Katrina on construction activity, materials, and labor, The Associated General Contractors of America reported that construction material prices will rise at least 10 percent in 2006. Additionally, the cost of fuel, asphalt, and plastics such as polyvinyl chloride (PVC) pipe, is expected to average 10-20 percent higher than in 2005 because of high petroleum and natural gas costs. Lastly, it projects continuing spot shortages of cement that will push concrete prices higher nationwide. These increases could have a

significant impact on overall construction costs for industrial facilities in Chicago and the financial feasibility of build-to-suit projects. This could cause a rise in rents to counter the higher costs.

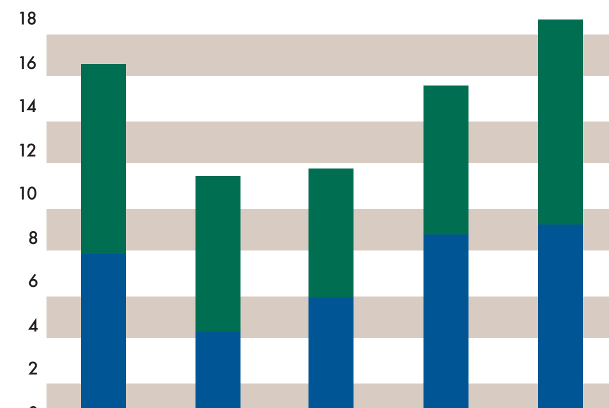
The retrofitting of older buildings was seen in the end of 2005, and will continue in 2006 with well-located land parcels dwindling. Additions such as raising a roof can equip an older building with the ceiling height industrial companies are demanding in order to increase efficiency.

All in the Logistics

According to World Business Chicago, Chicago has dominated the North American transportation and distribution scene since the 1850s. In the past 20 years, it has become the major crossroad of America's global trade. As a result, logistics have become a driving force in the Chicago industrial market in recent years and will continue in 2006. The O'Hare International Airport expansion will only reinforce an already hot O'Hare submarket for industrial redevelopment for freight-forwarding and cargo warehousing. With a lack of available land parcels in the market, developers are scrambling to find locations in the submarket which reported only 531,036 square feet of construction starts in 2005. As the world's largest intermodal container handler after Hong Kong and Singapore, logistics company expansions in Chicago will fuel demand in 2006.

As prime land parcels continue to disappear, developers are trying to guess where to place their next big industrial facilities. In that respect, the southern market area flourishes with considerable distribution center construction, driven primarily by cost saving strategies and industry location requirements. Chicago's multi-modes of transportation are necessary to provide flexible and efficient distribution options. Markets aligned with well-established rail lines and regional roadways are in high demand. The I-80 Corridor area anticipates further distribution chain consolidations. Construction levels will remain strong as developers anticipate increased activity upon completion of the I-355 extension linking I-55 to the I-80 Corridor. The North-South Tollway led the market in 2005 with over 6.6 million square feet of construction starts, of which 5.2 million square feet were build-to-suits.

Chicago Industrial Construction Starts



	2001	2002	2003	2004	2005
BTS	8.7	7.2	5.9	6.8	9.6
Spec	7.3	3.7	5.3	8.2	8.6

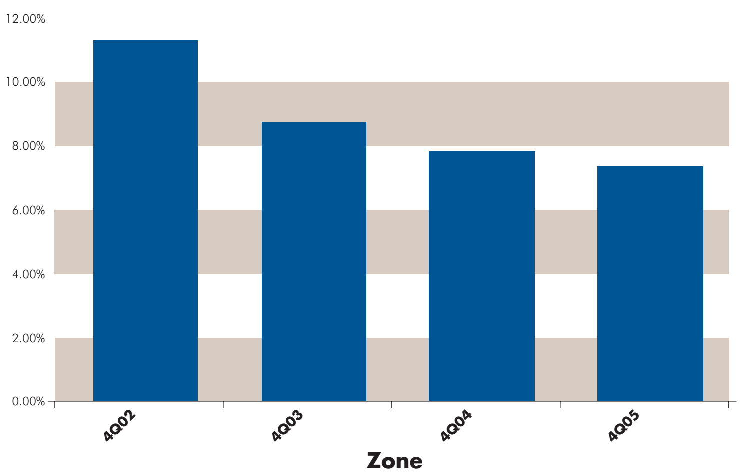
Manufacturing Looks Up

Economic activity in the manufacturing sector grew in December for the 31st consecutive month, according to data from the Manufacturing Institute for Supply Management. As production and shipments continue to increase, the demand for warehouse space will continue to grow in 2006. According to Economy.com, productivity for manufacturing companies has also increased by nearly 6.0 percent nationally over 2005 and profits are up 5.0 percent over the last three years due to increased capacity and more efficient operating procedures. This will bode well for the Chicago industrial market in 2006.

RETAIL

Following its solid 2004 performance, the Chicago area retail real estate market continued to show signs of positive growth in 2005. Increased leasing and construction activity are among the factors driving the strong retailing environment. The overall vacancy rate—tracking an inventory of more than 112 million square feet of retail centers 50,000 square feet or larger—ended the year at 7.2 percent. This marks its third consecutive decrease in as many years. Vacancy rates varied by submarket with some of the strongest demand evident in the North, City North and Far North submarkets where vacancy rates ended the year at 1.4 percent, 4.2 percent and 4.3 percent, respectively. The South and Kane County submarkets where among those struggling to attract new tenants and ended the year with a market-high vacancy rate of 18.0 percent and 10.7 percent, respectively.

Year-End Vacancy Rates



A variety of sectors experienced strong demand throughout the Chicago-area market including specialty retailers, banks and drug categories. Charlotte-based Bank of America was one of the financial institutions leading the expansion charge, taking 3,500 square feet at 500 North Michigan Avenue, its first Michigan Avenue banking center. IKEA, a home furnishing and accessories retailer, opened its second outlet in Bolingbrook, and quick serve casual theme restaurants such as Potbelly and Panera Bread continue to expand throughout the Chicago area. One development experiencing constant attention was downtown Chicago's newest retail center, Block 37 (108 N. State). The 500,000-square-foot mixed-use center, owned by Mills Corporation, broke ground in 4Q05 and has already signed leases for Andrew's Ties, Banana Republic, Boggi Milano, David Barton Gym, Gibson's Steakhouse, Lucky Strike Lanes, Rosa Mexicano and Sisley.

Construction activity grew steadily throughout 2005, hitting a yearly high in the third quarter with 34 centers totaling 6.6 million square feet under construction. Although fourth quarter 2005 did not see a significant amount of construction completed, 2006 began with approximately 7.9 million square feet of new retail centers under construction. Large developments coming online in 2005 included IKEA's newest outlet in Bolingbrook and Harlem Irving Companies' 160,000-square-foot center in Frankfort, anchored by Home Depot and Staples.

2006 Earmarked for Expansion

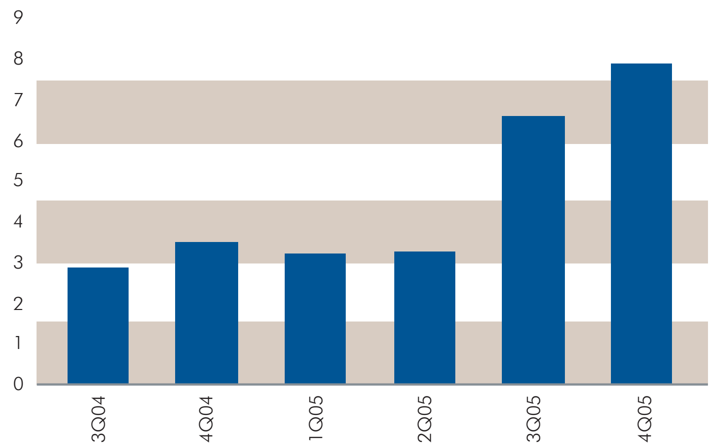
At this year's International Council of Shopping Center's (ICSC) conference in New York City, the resounding theme was dynamic expansion and change in the retail sector in 2006. Among retailers with aggressive national expansion plans are specialty sandwich store Quiznos and 7-Eleven Inc. planning more than 150 new stores in 2006, up about 50 percent from 2005. Nontraditional retailers are

showing signs of expansion as well, with iSold It, an eBay merchandise seller, expecting to open several new stores in 2006.

Chicago banks and specialty retail categories continued to expand in 2005 including Ohio-based Limited Brands Inc., which opened three new C.O. Bigelow stores, a beauty and personal care retailer, in the Chicago area at Water Tower Place in downtown, Woodfield Mall in Schaumburg and Westfield Hawthorn in Vernon Hills. Bank branches rose from 2,522 on June 30, 2003 to 3,019 at the end of 2005 in Chicago, an increase of nearly 20 percent, according to SNL Financial, a Virginia-based news and data service. LaSalle Bank N.A., Harris Bankcorp Inc., Fifth Third Bank and Bank of America have all announced aggressive plans to add more branches in 2006. JPMorgan Chase is also expecting to add 25 branches in 2006.

As retail remains the preferred investment vehicle for buyers of varying types, construction activity has yet to slow, and 2006 should remain strong for the retail market. Larger retail centers remain hot with Ryan's 466,546-square-foot Brookside Market Place in Tinley Park and Tucker Development Corp.'s 175,900-square-foot Country Club Plaza in Country Club Hills currently underway and expected to be completed in 2006.

Construction Activity on The Rise



Despite growth and expansion among retailers throughout the Chicago area, a few have struggled and closed key store locations. Once thriving Krispy Kreme Doughnuts Inc., closed its only loop location after just three years open at 175 W Jackson Blvd. The closing is, in large part, due to an overall poor company performance resulting in stores closing across the country. Five Chicago-area Toys "R" Us locations are expected to close in spring of 2006 due to downsizing, which was expected after an investment group composed of Kohlberg Kravis Roberts & Co., Bain Capital LLC and Vornado Realty Trust bought the retailer for $6.6 billion in July 2005. Part of its closing is most likely attributed to discount retailers such as Wal-Mart expanding in the Chicago market area.

The Sports Factor

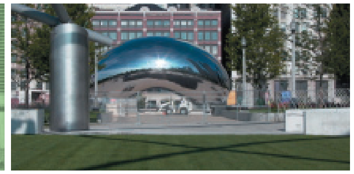
Chicago sports teams proved that winning is good for fans and local retailers in 2005. Three of Chicago's major sports teams made the playoffs in 2005 and one of them brought home a World Series title, boosting local retail revenues. Chicago Bulls, White Sox and Bears' fans brought more than excitement to the area; they brought extra dollars to the local retailers including bar and restaurant Blackies, which has seen its patronage increase to more than 300 customers on home Bears game days. Sports Authority Inc. has seen increased merchandise activity for replica jerseys and the miniature Bears helmets were temporarily sold out. The increased activity caused the Colorado-based retailer to have its suppliers ship some merchandise straight to area stores. These successes will positively continue to impact local sports oriented restaurants and merchandisers with increased profits through the first quarter of 2006.

Plans of bidding for the 2016 Olympics have surfaced as well, which would potentially benefit the South submarket immensely. Solid plans are yet to be seen.

Rents Lower Despite Activity

Even though the retail sector continues to gain traction in the market, its overall average gross asking lease rate remained relatively flat in 2005. Average gross asking lease rates ended the year at $20.51 per square foot, down from $20.99 per square foot at year-end 2004. The City North submarket remains the most expensive at $29.80 per square foot, while the difficult-to-lease Kane County submarket offers the least costly space at $18.18 per square foot.

Despite concern about the impact of rising energy costs and interest rates on disposable income, a high-level of investment monies continue to pour into retail developments, which will most likely result in overall average asking rates seeing a slight increase in 2006. While struggling municipalities strive to attract new retail development to downtown areas, junior box space in well-located regional retail hubs continue to draw retailers and benefit from additional rental rate growth.



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HOTELS

Drawing on positive momentum in 2004, the hotel investment market experienced heavy activity in 2005. Recognizing that 2004 was the bottom of a long drought, institutional investors poured substantial capital into the downtown Chicago market and nine major, full-service properties changed hands including the Fairmont Chicago, InterContinental and Hotel 71. Although downtown Chicago may not see this kind of transaction activity for its major, full-services properties in 2006, investors will continue to seize acquisition and disposition opportunities as they arise. The majority of investment activity will be derived from mid-market hotel properties, which will benefit from low cap rates. Traditionally, hotel cap rates have been one and a half to two and a half points above office and other industries, but due to increased activity, hotels are closing in on its industry counterparts as an investment vehicle.

Historically, price per room, occupancy and transaction prices in Chicago have all lagged top markets such as New York, San Francisco and Washington D.C., but all three have seen strong gains versus their coastal counterparts. Suffering from a lackluster convention business, significant new supply coming on-line after 2001 and September 11, Chicago will see a few key factors drive its hotel investment market value up in 2006 including McCormick Place's multi-million dollar renovation, minimal new hotel construction and several downtown properties upgrading and converting into hotel/condo usage.

Hotel Property Transaction Summary

Hotel Property Transaction Summary

	Full Service		Limited Service	
	# Sales	Average Price per Room	# Sales	Average Price per Room
2000	7	105,909.95	26	57,174.12
2001	6	106,030.37	25	41,770.78
2002	3	85,232.49	30	57,726.52
2003	10	65,231.14	13	92,545.45
2004	9	110,142.30	14	118,663.48

Recent Hotel Transactions

Brand	Quarter Sold	Sale Price ($)	Price per Room ($)
Westin O'Hare	4Q 2005	106,000,000.00	201,904.76
The Fairmont Chicago	3Q 2005	154,700,000.00	223,554.91
Doubletree Guest Suites Chicago-Downtown	2Q 2005	72,500,000.00	210,144.93
InterContinental Chicago	1Q 2005	168,630,000.00	208,959.11
Westin Michigan Avenue	1Q 2005	137,000,000.00	182,423.44

Investment Outlook

Increased investment activity, hotel/condo conversions and minimal construction starts have made for higher offering prices, which is closing the bid-ask gap and allowing for current owners to recoup value lost on their assets following September 11. With increased investment activity in 2005 and interest rates still at relatively low levels, investors will look to the greater Chicagoland area to invest substantial capital in 2006. This halo effect will most likely be felt by the limited service product sector. Institutional investors may continue to be among the most active buyers this year with REITs possibly showing signs of increased activity.

The Hotel Outlook

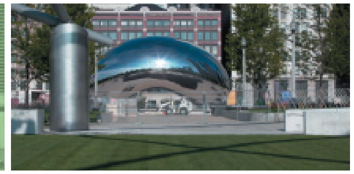
The Hotel Outlook for all chain-affiliated properties in the Chicago Lodging Market. It combines the Full and Limited Service segments for the Chicago MSA.

Annual History & Forecast: 2000 - 2007						
Year	Supply: Available Rooms	Demand: Rooms Sold	Occ Rate (%)	ADR ($/Room)	RevPAR ($/Room)	RevPAR Growth (%)
HISTORY						
2000	91,357	63,659	69.70	113.93	79.39	4.80
2001	94,438	58,127	61.50	109.79	67.57	-14.90
2002	97,245	58,353	60.00	105.48	63.29	-6.30
2003	99,042	60,543	61.10	104.51	63.88	0.90
2004	99,960	62,721	62.70	104.29	65.44	2.40
FORECAST						
2005	101,427	65,816	64.90	110.90	71.96	10.00
2006	103,162	68,375	66.30	114.36	75.80	5.30
2007	105,475	70,699	67.00	118.09	79.16	4.40

Continued Success

The Chicago Metropolitan Area experienced a strong year in 2005, with year to date occupancy at 65.4% through October, which is the metropolitan area's highest occupancy level since 2000. The metro area also experienced major gains in Average Daily Rate (ADR), which climbed to $107.49 from $100.71 a year ago. Revenue per available room (RevPAR) increased dramatically as well compared to last year, jumping approximately ten percent from $63.78 to $70.31 for the same period in 2004. The Central Business District (CBD) also experienced an incredible year for travelers. Occupancy increased from 70.6% to 73.5% and ADR increased from $154.71 to $164.01, providing significant RevPAR increases for the city as well.

These factors alone have contributed to ten major ($40 million or greater) downtown Chicago hotels changing hands, representing more than $1 billion in total consideration. A number of factors have lead to a change in the dynamics of the national transaction marketplace, which have fostered this tremendous activity. The market has attracted an array of investor types ranging from opportunistic buyers seeking turn-around/repositioning opportunities to public REITs seeking yield driven deals. Market and economic indicators are positive, the availability of capital is strong and the appeal of hotels as an investment vehicle will continue to fuel growth in 2006.



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INVESTMENT

As an investment vehicle, commercial real estate remained very attractive for both buyer and seller in 2005. Low yields from competing fixed income classes, combined with continued volatility in equity markets played into its favorability. The highest quality office, industrial and retail properties continued to derive record pricing, despite relatively high vacancy rates compared to coastal regions.

The Federal Reserve pushed key interest rates to the highest level in 4 ½ years in 2005 ending at 4.25 after 13 consecutive hikes since June 2004. Historically speaking, the cost of money still remained low. The result was increased activity and large amounts of capital deployed into the commercial real estate investment market, which overshadowed traditional investing fundamentals.

The large amount of capital deployed within the downtown and suburban office markets created a seller's market in 2005. This level of activity within Class A properties has motivated owners of Class B and C properties to explore their disposition options. However, given current preferences for Class A buildings, investors have been willing to pay a significant premium for well-leased, high quality property.

The dollar struggled through most of 2005, which allowed foreign investors to take advantage of the weak dollar and pour additional capital into an already saturated market. This also drove demand and with the increased competition, kept prices higher throughout the Chicago area. For buyers, there may be light ahead. The end of 2005 saw a slightly healthier dollar, which may cool foreign investment and help to combat over valuation.

Real Estate Investment Trusts (REITs) continued to play a major role in the investment market in 2005. The Dow Jones Wilshire Real Estate Securities Index, a broad measure of the U.S. real estate securities markets, outperformed the broader market as a whole and returned more than 10.6 percent during 2005. Rising share prices provided another potent source of low-cost capital to deploy, and REITs were net buyers of properties during 2005.

Commercial real estate as an investment class continued to prove lucrative in 2005 with TIC's, REIT's, private and 1031 exchanges leading the investor groups that are most active throughout the Chicago area. Each poured capital into the market at a voracious pace and will continue to do so in 2006 provided debt remains at historically low levels. Some risks may hinder the current pace including higher interest rates and inflation. Flat rental rates in both office and industrial sectors may soon start to level current record purchase prices. However, among the transactions that are fetching the highest prices continue to be single-tenant industrial and retail properties leased for the long-term and retail assets in high-traffic infill areas anchored by top-performing national brands. The hotel sector also saw an influx of capital with institutional investors—recognizing that 2004 was the bottom of a long drought—pouring substantial capital into the downtown Chicago market where nine major, full-service properties changed hands including the Fairmont Chicago, InterContinental and Hotel 71. As the commercial real estate market is still among the preferred method of investment, 2006 should be another strong year for investment sales.

Retail Drives Demand

Boasting one of the largest single retail markets in the U.S., Chicago's retail assets are still among the most desirable product type for investors. Provided consumer confidence remains strong and interest rate hikes level off, this well diversified retail market has a terrific outlook for the foreseeable future. With increased retail activity throughout the Chicago area, suburban municipalities and city neighborhoods are planning retail developments and investors are taking notice. Large investors will most likely continue to aggressively pursue lifestyle centers, power centers and mixed-use properties with large retail components. The retail investment market should remain lucrative with the best performing properties and submarkets as long as the retail sector persists to benefit from the improving job market causing a flourishing retail market.

The cost of capital is still at historically low rates and will pour in from a variety of sources including high-net worth individuals, pension fund advisors, public and private REITs, insurance companies and others. Large amounts of capital will continue to be deployed into the Chicago area, driving demand and prices up. As a result, capitalization rates on quality, Class A properties will stay in the mid-6 to low-7 percent range.

Although demand is high, the retail market is not without risk. As a result of Class A properties continuing to derive high prices, Class B and C properties are being sought after by private buyers, who could feel an impact on pricing of these retail assets if interest rates continue to rise.

High Stakes Ahead for CBD

Investor interest in stabilized office properties continued to increase to high-levels throughout 2005 and will remain high in 2006. This trend was demonstrated by the sale of John Buck's newly developed 111 S Wacker, which sold for a reported $410 million, or $400 per square foot. With these high-profile trophy assets deriving record high prices, success may become a problem. While sales prices should remain at high levels throughout 2006, the market may find that weak fundamentals combined with no new economic driver may eventually tarnish such high prices.

Overseas investors, pension fund advisors and institutions will drive demand for stable office product with long-term, credit tenants. Prices on such buildings have soared to record per square foot levels with cap rates below 7 percent and continuing to trend lower. Cap rates for net-lease deals with rent increases will be in a similar low range. Multi-tenant assets that are more management intensive but still offer a nice mixture of lease expirations are also pushing prices with cap rates in the mid-7 to 8 percent range. And there is continued demand for those multi-tenant assets that have higher perceived vacancy risk, where cap rates are 50 to 100 basis points higher.

Higher interest rates could have an impact on buyers who rely on the debt markets to compete for office properties, but any increase in rates could also spur other sales activity. Ownership entities that have been able to hold properties at lower vacancy rates may not be comfortable doing so as rates rise. If the leasing market does not improve materially, these owners may seek to exit their investments as their carrying costs are pushed higher.

Land/Acreage

Due to pro-development municipalities, interest in the greater Chicagoland area from outside investors and historically low interest rate levels, the land/acreage market as a whole thrived in 2005. More specifically, the residential sector saw a significant increase in land acquisition and disposition throughout the greater Chicagoland area. In an effort to increase investment return, larger developers increased their disposition activity during 2005 and smaller developers held tight, fearing future interest rate hikes will affect the higher-end homebuilder, of which they service. Due to these factors, the land/acreage market may see a cool down in 2006.

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South Sydney
Sunshine Coast
Sydney
AUSTRIA
Vienna
Belgium
Brussels
Botswana
Gaborone
Brazil
Rio De Janeiro
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Caracas
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CB Richard Ellis is the world's leading commercial real estate services firm. With 14,000 employees, the company serves real estate owners, investors and occupiers through more than 270 offices in over 250 markets across 49 countries. The company's core services portfolio includes property sales, leasing and management; corporate services; facilities and project management; mortgage banking; investment management; capital markets; appraisal and valuation; research; and consulting.

CB Richard Ellis was created in 1998 after CB Commercial, founded in 1906, acquired REI Limited, the holding company for all Richard Ellis operations outside of the United Kingdom. In July 2003, CB Richard Ellis acquired Insignia Financial Group and now operates as CB Richard Ellis throughout the world.

In 2002, the now combined company posted revenues of $1.7 billion. Business activity included 38,296 sale and lease transactions, with an aggregate consideration of approximately $82 billion, and 40,801 appraisal/valuation and advisory assignments on properties with a total asset value of $414 billion.

CB Richard Ellis' property and corporate facilities management portfolio exceeds 700 million square feet. The company's investment management business (CB Richard Ellis Investors) manages more than $14 billion in real estate assets, and its loan servicing portfolio totals $9 billion.

CB Richard Ellis exists to serve as an advisor to its clients, helping them seize market opportunities through seamless working relationships and a thorough understanding of their business objectives. Our professionals are motivated not by simply closing transactions, but by working collaboratively with clients to foresee what lies ahead and helping chart which course to follow. We seek to form long-term relationships with our clients - where their success becomes our success.

Through CB Richard Ellis, our clients gain the global reach of the world's largest real estate services firm, combined with the in-depth local market knowledge of our professionals. Whether a client has just one property or a portfolio of multi-national locations, the company's offerings can meet individual client needs. No matter how complex that need may be, CB Richard Ellis provides a custom mix of products and services that deliver significant, measurable returns.

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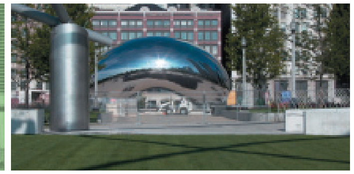


1773 REI Limited is founded.

1906 The company that becomes CB Commercial is founded in San Francisco.

1940 The company is recognized as one of the largest commercial property services firms in western United States.

1963 The Company is incorporated after operating as a partnership.

1989 Employees invest their own money and, with others, acquire the company's operations to form CB Commercial, which immediately ranks as one of the largest real estate services firms in North America.

1995 Investment management capabilities expand through the acquisition of Westmark Realty Advisors, now known as CB Richard Ellis Investors.

1996 Mortgage banking capabilities expanded through the acquisition of L.J. Melody & Company.

1997 Property and corporate facilities management, as well as capital markets and investment management capabilities added through the acquisition of Koll Real Estate Services.

1998 CB Richard Ellis, the first truly global real estate services firm is formed through the acquisition of REI Limited, the holding company for all Richard Ellis holdings outside the United Kingdom. London-based Hillier Parker May & Rowden is acquired, now known as CB Hillier Parker.

1999 Operations in Japan are merged with Ikoma Corporation, to become that country's largest real estate services entity. Operations expand in Scandinavia through acquisition of Stockholm-based Profit Group. South American presence gained through acquisition of Santiago, Chile-based LirAntunez Propiedades, S.A.

2000 Company becomes a founding member of Project Constellation, a real estate technology company consisting of a broad range of industry leaders, which was created to form, incubate and sponsor real estate-related Internet, e-commerce and broadband enterprises.

2001 CB Richard Ellis successfully concludes its privatization efforts with an overwhelming 98 percent approval vote by stockholders. The transaction, valued at approximately $800 million, merges CB Richard Ellis with BLUM CB Corp., controlled by BLUM Capital Partners. The company continues operations as CB Richard Ellis through its growing worldwide service network.

2003 CB Richard Ellis acquires Insignia Financial Group - bringing together two of the world's most influential real estate companies to set a new benchmark for commercial real estate services.

With the industry's most complete global service delivery platform, CB Richard Ellis delivers the people, services, velocity, reach and knowledge today's business world demands. Our core service lines are:

ASSET SERVICES

When it comes to transforming assets into opportunities, institutional and individual property owners count on our Asset Services group. We provide measurable results across a spectrum of services, including property management, leasing, tenant relations, project and construction management, technical services, risk management, purchasing, energy management and accounting and financial reporting.

BROKERAGE SERVICES

CB Richard Ellis provides a complete spectrum of commercial real estate brokerage services including owner and tenant leasing, acquisition and sales, marketing and consulting to owners, investors and occupiers of all property types. Using a unique system that emphasizes the systematic sharing of information, our Brokerage professionals combine their own skills with the firm's collective knowledge resources to help our clients make the soundest, most informed real estate decisions possible.

CONSULTING

CB Richard Ellis' group of senior strategy consultants provides real estate solutions that help drive superior business performance for our clients. Through business intelligence combined with portfolio optimization, location analysis and organizational strategies, the Consulting group develops opportunities for companies to maximize value from their real estate assets.

DEBT AND EQUITY FINANCING

L.J. Melody & Company is a highly versatile real estate investment banking subsidiary that develops a broad scope of debt and equity financing options and also underwrites and services commercial mortgage loan investments for all property types.

FACILITIES MANAGEMENT

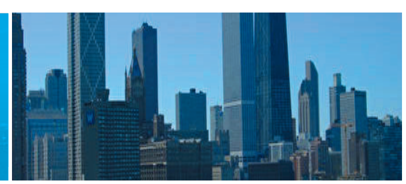
CB Richard Ellis manages millions of square feet for brand-name corporations around the world. We deliver the highest level of customer service while enabling clients to focus on their core business. Our proven, process-driven approach leverages the leading technology platform in the industry to provide comprehensive portfolio intelligence to support the ideal workplace.

GLOBAL CORPORATE SERVICES

Global Corporate Services delivers customized, innovative workplace solutions worldwide. Strategically positioned to answer our corporate, government and institutional clients' real estate needs, this group combines an unrivaled consulting, outsourcing and transaction management platform with industry-specific expertise and global service delivery to provide clients with long-term, quality account management.

INDUSTRIAL SERVICES

Our Industrial Services professionals apply their understanding of current and emerging technologies, production processes and global business practices to all assignments. This enables them to meet the needs of clients for manufacturing, assembly, research and development, distribution and warehouse facilities as well as land acquisition/disposition assignments.



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INVESTMENT MANAGEMENT

CB Richard Ellis Investors, L.L.C. is a registered investment advisor sponsoring real estate investment programs for institutional investors worldwide. The ongoing performance of CB Richard Ellis Investors, a wholly owned yet independently managed subsidiary, has an enviable track record in investment performance.

INVESTMENT PROPERTIES

CB Richard Ellis Investment Properties specializes in the acquisition and disposition of income-producing properties for third-party owners, providing buyers with local and international exposure to opportunities and capital markets; and we offer sellers the ability to market an asset quickly to maximize its value.

PROJECT MANAGEMENT

Our uniquely experienced and effective Project Management group provides valuable expertise before, during and after each phase of the project. The group's services range from site evaluation to occupancy planning, including capital improvement and build-to-suit projects of all sizes for office, retail and industrial space.

RESEARCH AND ANALYSIS

To track and forecast commercial real estate supply and demand accurately in markets across the United States, our Torto Wheaton Research subsidiary uses its own highly sophisticated forecasting models and proven analytical expertise to create reports, along with other data, analysis and consulting services.

RETAIL SERVICES

Retail Services meets the unique opportunities and challenges presented by retail properties and companies. With professionals positioned around the world, we offer solutions to meet our clients' individual needs - whether they have one location or a thousand, whether their interest is acquisition or disposition.

SPECIALTY SERVICES

With more than two-dozen distinct specialties, these groups offer a unique level of expertise, insight and experience by focusing on a particular industry, client or property type. The professionals associated with our Specialty Services are recognized experts in their field. They watch trends in the real estate markets and constantly measure them against trends in their area of specialty.

With global reach, vast local market knowledge and unyielding dedication to serving our clients, CB Richard Ellis offers one standard of excellence-the highest. We are proud to set the new benchmark for real estate services worldwide.