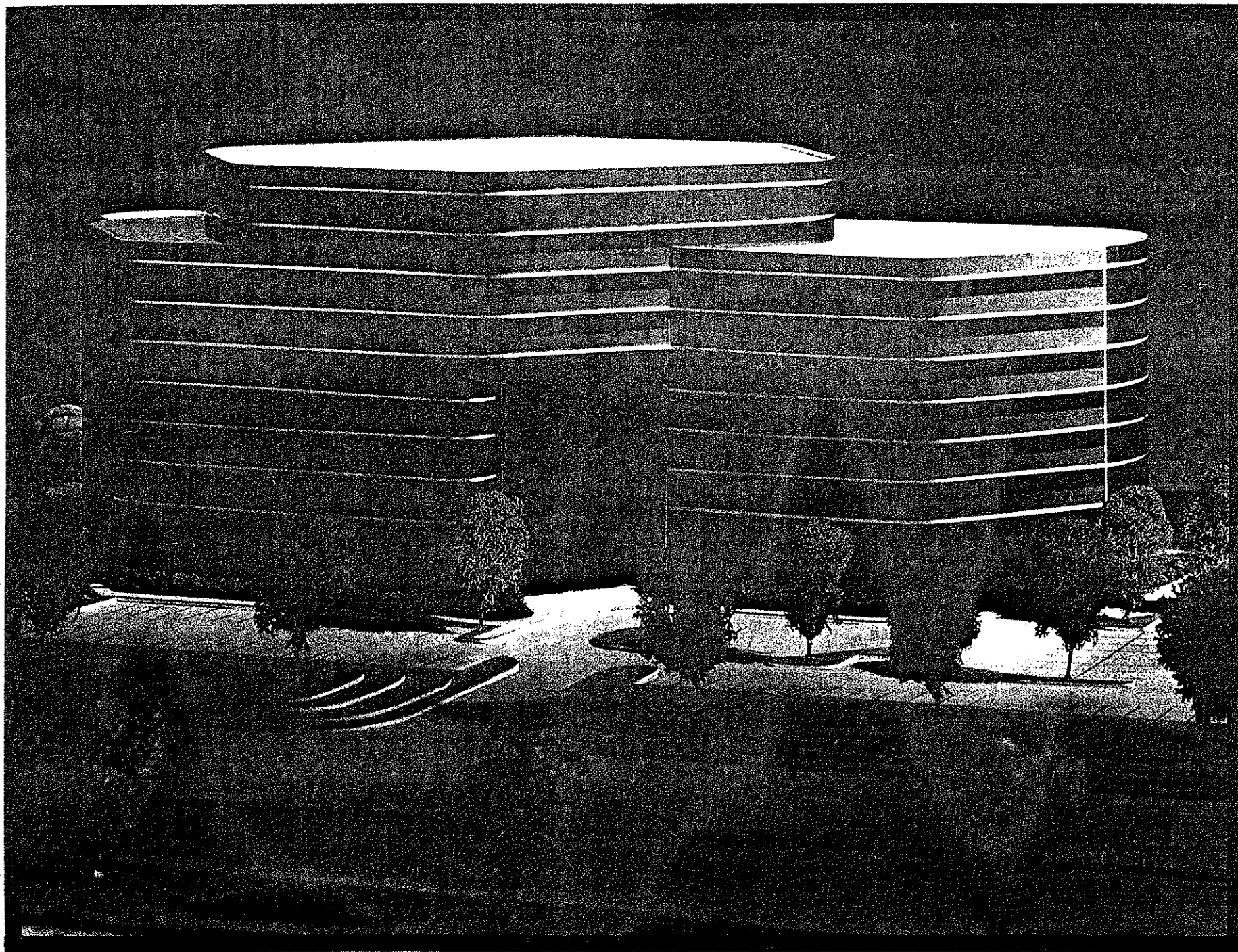


**PARKVIEW OFFICE PLAZA**

**OAK BROOK, ILLINOIS**

**Piedmont Realty Advisors  
650 California Street, 22nd Floor  
San Francisco, California 94108  
(415) 433-4100**

**April 19, 1988**



**PARKVIEW**

## TABLE OF CONTENTS

I.	INTRODUCTION . . . . .	1
II.	THE PROPERTY . . . . .	20
	A. INTRODUCTION . . . . .	20
	B. LOCATION . . . . .	20
	C. THE SITE . . . . .	21
	D. THE IMPROVEMENTS . . . . .	22
	E. PROJECT BUDGET . . . . .	22
	F. CONCLUSIONS . . . . .	22
III.	THE MARKET OVERVIEW . . . . .	34
	A. INTRODUCTION . . . . .	34
	B. CHICAGO OFFICE MARKET . . . . .	34
	C. COMPETITIVE OFFICE MARKET . . . . .	35
	D. CONCLUSIONS . . . . .	37
IV.	BORROWER/PARTNER . . . . .	45
	A. INTRODUCTION . . . . .	45
	B. THE BORROWING ENTITY . . . . .	45
	C. BORROWER TRACK RECORD . . . . .	45
	D. CONCLUSION . . . . .	46
V.	RISK AND RETURN . . . . .	48
	A. DEAL STRUCTURE . . . . .	48
	B. VALUE ESTIMATE . . . . .	49
	C. RETURN . . . . .	50
	D. RISK . . . . .	51
	E. CONCLUSIONS AND RECOMMENDATIONS . . . . .	54

## **I. INTRODUCTION**

**PIEDMONT REALTY ADVISORS**

650 CALIFORNIA STREET

TWENTY-SECOND FLOOR

SAN FRANCISCO, CALIFORNIA 94108

415-433-4100

April 19, 1988

Real Estate Investment Committee Members  
United States Fidelity and Guaranty Company  
100 Light Street  
Baltimore, Maryland 21202

**Re: Parkview Office Plaza**

Dear Committee Members:

Enclosed for your review is an Investment Report on the Parkview Office Plaza. The proposed forward commitment participating leasehold mortgage will allow Trammell Crow to construct a nine-story, 240,322 square foot office building on a 3.0-acre site in Oakbrook Terrace, Illinois. A summary of the proposed investment structure is shown as Exhibit I-1.

**The Property**

The strength of the proposed project is its location, its ingress/egress characteristics and its land price. Parkview is located at the 100 percent location in Chicago's western suburbs - the intersection of Route 83 and 22nd Street. This intersection is the location of the 1.7 million square foot Oak Brook Mall, three high-rise hotels and several existing high-rise office projects. Parkview has excellent access to all of Chicago's major commercial centers via I-294 (Tri-State Tollway) and I-88 (The East-West Tollway). Parkview's ingress/egress is superior to all its competition. The subject project will have direct access to two fully signalized intersections and will have three points of direct ingress and egress along its 580 feet of frontage on 22nd Street.

Parkview's 3.0-acre site is part of a larger 13.3-acre site which is leased by the Oakbrook Terrace Park District from the City of Oakbrook Terrace on a 99-year prepaid ground lease. The seller of the land has entered into a 99-year air rights lease for the development rights over the southerly 3.0 acres of land fronting 22nd Street. The base rent for the air rights lease has been prepaid by the land seller. Trammell Crow must pay an additional \$1.4 million to the Park District for the construction of the 10.3-acre park to satisfy the

remaining monetary condition of the air rights lease. The resulting building site has a cost basis which is substantially below the cost of competitive office sites in the Parkview market area.

### The Market

Parkview is located in the urban core submarket of the East-West Tollway office market. The Tollway office market extends from Oak Brook on the east to Naperville on the west with clusters of development at each Tollway interchange. The Tollway market has been oversupplied during 1986 and 1987 due to overbuilding, particularly on sites peripheral to the core clusters of office development. However, there are only three buildings containing 342,000 square feet which are currently under construction and scheduled for delivery in 1988. This factor is significant when matched with the fact that over 450,000 square feet of office space was absorbed in the Tollway market during the first three months of 1988 and almost 650,000 square feet of prospective tenants are currently negotiating for 1988 occupancy. This interaction between future supply and demand in the Tollway market is an important reason for Piedmont's recommendation on the Parkview investment.

The proposed project was underwritten based on the current market conditions in the urban core submarket of the East-West Tollway. The current conditions are the result of an oversupplied office market in 1986 and 1987, the conditions of which should improve significantly when Parkview is completed in the first quarter of 1990. When Parkview is completed it should be the most competitive office building in the urban core when location, amenities, effective rental rates and ingress/egress are considered. Therefore, there is an excellent chance that the economics actually achieved by Parkview will exceed those budgeted by Piedmont Realty Advisors.

*why should we look like that now?*

### The Borrower

The developer of Parkview will be the Chicago office of Trammell Crow. Crow's Chicago office was restaffed during late 1986 following the departure of Allen Hamilton (Regional Partner) and six local partners. The Chicago office is now managed by Jon Hammes, Crow's partner in Milwaukee and Detroit. Craig Manske will be Crow's project partner. Mr. Manske was Crow's project partner on all of its major office buildings in Milwaukee and Detroit. Crow's retail partners - Tim Barrett and Jim Mackenbrock will also be part of the project team. Their inclusion in the project team is primarily due to Parkview's unique location near the Oak Brook Mall. The subject property's superior ingress/egress and traffic flow characteristics has led Crow to conclude that the first two floors of Parkview will be leased as retail.

*Resuffer 8 staff.*

Crow has assembled a large team of people with extensive development experience, but Parkview will be this team's first office development project in Chicago. A Crow marketing team has been canvassing the Tollway market since July 1987 and a leasing program for Parkview has already been completed. Marketing is the key development variable in the Tollway in general and Parkview in particular. Piedmont concludes that Crow will be in a

*New to Chicago*

Committee Members  
April 19, 1988  
Page 3

good position to effectively market the building prior to its completion during the first quarter of 1990.

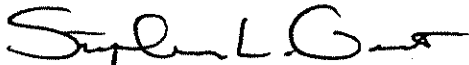
#### **The Risk/Return**

The Parkview mortgage is structured with several performances incentives to motivate the Borrower. The phased pay rate and operating deficit holdback features of the mortgage can be considered positive incentives. The economic holdback and the lease-up guarantee can be considered negative incentives. Overall, there is a good balance of positive and negative incentives in the proposed deal structure and Piedmont expects a high level of performance from Crow.

Parkview is an institutional property in a office submarket dominated by institutional owners. Parkview's property characteristics are superior to its competition and the market timing of the investment is excellent. The base case internal rate of return of 13.1 percent more than compensates for the identified risks of the proposed investment.

Piedmont Realty Advisors therefore recommends that USF&G issue a commitment for a participating mortgage for \$40,250,000 for Parkview Office Plaza.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen L. Grant", with a stylized flourish at the end.

Stephen L. Grant  
Principal

## **II. THE PROPERTY**



## **II. THE PROPERTY**

### **A. INTRODUCTION**

Parkview is a proposed nine-story office building containing 240,322 square feet of net rentable area on a 3.0-acre site, the air rights of which are being leased from the Village of Oakbrook Terrace, Illinois. The project is located at the northeast corner of Route 83 and 22nd Street in the western suburbs of the Chicago Metropolitan area (see Exhibit II-1). The Route 83/22nd Street intersection is the western suburb's 100 percent location and is surrounded by the area's urban core - a 1.7 million square foot mall, three hotels and high-rise office buildings.

Parkview's 3.0-acre site is part of a larger 13.3-acre site which is leased by the Oakbrook Terrace Park District from the City of Oakbrook Terrace on a 99-year prepaid ground lease. Contract Management, Inc. (CMI), which is the seller of the land, has entered into a 99-year air rights lease for the development rights over the southerly 3.0 acres of land fronting 22nd Street. The base rent for the air rights lease has been prepaid by CMI. The air rights lease document requires CMI to pay additional rent of \$1.4 million over the next two years for the improvement of a 10.3-acre park immediately north of the building site. A summary of the air rights lease is shown in Exhibit II-2. Don McPherson at Piper & Marbury has reviewed the air rights lease and has concluded that, with minor clarifications, the document is a financeable lease for the proposed mortgage.

### **B. LOCATION**

#### **1. Neighborhood Demographics**

The western suburbs (DuPage County) of Chicago developed as a corridor along Interstate 88 (East-West Tollway) from Oakbrook on the east to Naperville on the west. Development in DuPage County was sparse until 1958 when the Butler family master-planned Oak Brook, Illinois which has become the center of Chicago's largest suburban area. Currently DuPage County is the fastest growing county in Illinois. While there is extensive development in the western portion of the DuPage County in all land use areas, there are only a few development sites remaining in DuPage County's urban core - Oak Brook and Oak Brook Terrace (see Exhibit II-3). DuPage County's urban core contains more retail square footage, more hotel rooms and more office square footage than any other suburban commercial concentration in Chicago. Moreover, the median household income of Oak Brook is estimated at \$67,500 which is among the highest City median incomes in the Nation.

## **2. Accessibility**

Parkview is located adjacent to the northwest corner of the Route 83/22nd intersection. This location has excellent access to Interstate 294 (Tri-State Tollway) via 22nd Street, a six-lane divided highway and Roosevelt Road, a six-lane divided highway (see Exhibit II-4). Access to downtown Chicago (17 miles east) is via Interstate 88 to the Eisenhower Freeway from on/off ramps located at Spring Valley Road, Route 83 and Midwest Road.

## **3. Adjacent Land Uses**

Parkview features approximately 580 feet of frontage along 22nd Street which is the primary location of the urban core's high-rise developments (see Exhibit II-5). Adjacent to Parkview on the east is Equitable's ten-story, Mid-America Plaza office project. Immediately east of Route 83 along 22nd Street are the Regency Office Towers (Prudential), Oak Brook Executive Center Marriott and office towers (Manulife), the AT&T Building (NYLIC) and Commerce Center (MetLife). All of these buildings surround the 1.7 million square foot Oak Brook Mall (CIGNA/JMB). The Oak Brook Mall will be adding 480,000 square feet of space to the north of the existing mall when a 208,000 square foot Bloomingdale's is completed in late 1989. Bloomingdale's will add to the mall's impressive list of anchor tenants - Neiman Marcus, I. Magnin, Saks Fifth Avenue, Bonwit Teller, Marshall Field's, Lord & Taylor, and Sears.

A one-story regional headquarters facility for Kodak is located immediately south of Parkview. Although Kodak has no intent to sell the facility, the site has the three-story height restriction thereby preserving Parkview's signage visibility from I-88. It should be noted that Oak Brook restricts signage on high-rise buildings. Parkview is located in Oakbrook Terrace which allows signage on high-rises. The unrestricted visibility of tenant signage at Parkview should be a significant marketing advantage for the building.

Parkview will also have the unique opportunity to offer tenants 10.3 acres of open space as part of the development scheme. The proposed park immediately north of the office site will contain jogging tracks, a pond, a variety of landscaping features and a softball field.

Immediately west of the Parkview site is a planned 240 room suite hotel. The owner is currently requesting a variance for Oakbrook Terrace for high-rise development on the site. Trammell Crow is interested in purchasing the site for a Wyndam hotel after the variance is approved.

## **C. THE SITE**

Parkview will be located on a rectangularly shaped 3.0-acre site which is the office building portion of a 13.3-acre park project (see Exhibit II-6). The property is located at street grade along 22nd Street with a two-story parking lot below 22nd Street grade, but above the grade of the park. There will be a 12,315 square foot health club constructed as part of the first floor of the parking garage which will provide building tenants with direct access to the 10.3-acre park. The Parkview property is zoned and approved for a nine-

**APPLICATION LETTER**

**PIEDMONT REALTY ADVISORS**

650 CALIFORNIA STREET

TWENTY-SECOND FLOOR

SAN FRANCISCO, CALIFORNIA 94108

415-433-4100

March 25, 1988

Mr. Craig S. Manske  
Trammell Crow Company  
One Pierce Place  
Itasca, Illinois

**Re: Parkview Office Building**

Dear Craig:

This letter summarizes the terms on which Piedmont Realty Advisors is prepared to recommend to its client's Investment Committee that it authorize the issuance of a Commitment for a participating first mortgage loan on the Property described below.

<b>Property:</b>	<b>Parkview - A nine-story office building containing approximately 240,322 feet of net rentable area.</b>
<b>Location:</b>	<b>Oakbrook Terrace, Illinois</b>
<b>Real Property:</b>	<b>Air rights over approximately 3.0 acres of land and all physical improvements thereon.</b>
<b>Personal Property:</b>	<b>All personal property owned by Borrower and used in connection with the improvements.</b>
<b>Borrower:</b>	<b>Trammell Crow Company</b>
<b>Lender:</b>	<b>United States Fidelity and Guaranty Company</b>
<b>Loan Amount:</b>	<b>\$40,250,000</b>

Mr. Craig S. Manske  
March 25, 1988  
Page 2

**Base Interest  
Rate:**

The Base Interest Rate shall be 9.25% and shall be paid or accrued monthly and compounded quarterly as set forth below, on the Outstanding Loan Balance. The term "Outstanding Loan Balance" shall mean the amount Lender has disbursed and which remains outstanding, plus any accrued and unpaid interest. The Borrower shall make payments on the disbursed amount during years 1 and 2 of the loan, and beginning in year 3 (and every loan year thereafter) and year 6 (and every loan year thereafter) shall make payments on the Outstanding Loan Balance in accordance with the pay rates listed in the following table:

<u>Loan Years</u>	<u>Pay Rate</u>	<u>Base Interest Rate</u>
1-5	8.25%	9.25%
6-20	9.25%	9.25%

*No statement  
about payment of  
accrued interest*

**Amortization:**

Not applicable, interest only.

**Term:**

20 Years

**Call Option:**

Lender may call the Loan anytime after the 7th anniversary of initial funding upon 12 month's written notice.

**Prepayment:**

- o No prepayment before the 7th anniversary of initial funding. If a prepayment occurs due to a default by Borrower, Borrower shall pay Lender a prepayment fee which will be the greater of (a) 10% of the Outstanding Loan Balance or (b) a yield maintenance fee based on the 9.25% interest rate.
- o Prepayment fee of actual costs incurred by Lender in the reconveyance of the Loan after the 7th anniversary of initial funding.
- o No prepayment penalty if Lender exercises its option to call the Loan.

Mr. Craig S. Manske  
March 25, 1988  
Page 3

**Recourse:** With the exception of the Lease-up Guarantee, the Loan will be non-recourse to the Borrower and its Partners.

**Additional Interest**

**A. Operations:** Borrower shall pay Lender 50% of the annual Net Cash Flow from the Property. The term "Net Cash Flow" shall mean the excess of (a) collected gross revenue less (b) the sum of (i) approved capital expenses and actual operating expenses for the Property and (ii) actual scheduled interest paid.

**B. Sale,  
Refinancing or  
Maturity:**

If Borrower sells the Property in a bona fide sale, Borrower shall pay Lender 55% of the excess of (a) the net sales price for the Property (i.e. the gross sales price less sales expenses not to exceed 2% of the gross sales price) less (b) the Outstanding Loan Balance.

If Lender calls the Loan, Borrower refinances the Property, or the 20th anniversary of the initial funding occurs, Borrower shall pay Lender 55% of the excess of (a) the fair market value (which will include a deduction of 2% of the gross appraised value for selling expenses) of the Property as determined by appraisal less (b) the Outstanding Loan Balance.

**Commitment Fee:** \$805,000; \$402,500 to be paid upon acceptance of the Commitment.

The Borrower will also provide \$402,500 to be furnished in the form of an unconditional and irrevocable letter of credit acceptable to the Lender. Lender shall return the letter of credit to Borrower at initial funding, or if the Loan does not fund, Lender may cash or retain the letter of credit.

**Initial Funding:** The lesser of (a) \$27,253,796 or (b) 100% of the construction loan balance at initial funding. Initial funding shall occur upon satisfaction of all conditions of the Commitment but no later than 30 days following receipt of a certificate of occupancy for the property. Funding shall occur no later than 15 months following Borrower's acceptance of the

Mr. Craig S. Manske  
March 25, 1988  
Page 4

Commitment. If initial funding is less than \$27,253,796, the difference between \$27,253,796 and initial funding will be added to holdback C below.

**Holdbacks**

**A. Tenant**

**Improvements:**

\$4,325,796, disbursed at a rate of \$18.00 per square foot of rentable area as space is leased and tenant improvements are completed.

**B. Leasing**

**Commissions:**

\$1,201,610; disbursed as Borrower pays leasing commissions. Disbursements shall be made at a rate of \$5.00 per square foot of rentable area leased.

**C. Interest,**

**Real Estate**

**Taxes, Insurance**

**and Approved**

**Operating**

**Expenses:**

\$3,888,798; disbursed for payments of scheduled debt service, real estate taxes, property insurance, and actual operating expenses in excess of revenues collected from the Property. Any funds remaining under this holdback shall be disbursed to Borrower upon the earlier to occur of (a) three consecutive months of annualized net operating income greater than \$3,800,000 or (b) 30 months after initial funding.

**D. Economic**

**Holdback:**

\$3,580,000; disbursed at a rate of \$1.12 per \$1.00 of annualized effective net income collected in excess of \$1,209,267.

The economic holdback will be disbursed based on a computation of effective rental rates on a triple net basis for the Property. Lender will exclude from the calculation of effective rental discounts of up to 10.0% granted by the Borrower (e.g. 3.6 months on a 3-year lease or 6 months on a 5-year lease) from the calculation of effective rents. If Borrower grants discounts or other concessions (includes free rent and/or early occupancy periods only) in excess of 10.0% of the contract rent, Lender shall make a corresponding reduction in the annualized effective net income for the purpose of computing disbursements of the economic holdback. Payments

Mr. Craig S. Manske  
March 25, 1988  
Page 5

under the Lease-up Guarantee shall be excluded from the calculation of annualized effective net income. Exhibit B to this letter contains examples of effective rent calculations.

Borrower shall have 30 months after initial funding to obtain disbursement of the holdback, except that disbursement of the economic holdback may occur after the 30-month earnout period if the leases upon which the disbursements are based were executed during the 30-month period.

**NOTE:** Lender may, after review and approval of lease, disburse earned economic holdback funds to Borrower on the approved lease, the tenant of which meets favorable credit standards. Approval of said disbursement will not be unreasonably withheld. Such disbursement would occur after the approved tenant was in Physical Occupancy of its space. The term "Physical Occupancy" shall mean that Landlord has tendered possession of the premises to tenant and tenant has accepted the premises subject to the terms of the lease.

**Lender  
Approval:**

This application and the transaction contemplated herein must be approved by Lender's Investment Committee.

**Additional Loan Provisions**

**A. Leases:**

Lender shall have the right to review and approve all leases of the Property which differ from leasing standards attached as Exhibit A to this letter.

**B. Secondary  
Financing:**

No secondary financing permitted, except for approved third party Loans associated with retenanting the Property.

**C. Right of  
First Offer:**

If the Borrower desires to sell the Property, the Lender shall have the right of first offer to purchase the Property.

**D. Budget  
Approval:**

During the term of the Loan, Borrower shall submit to Lender annual operating and capital budgets for the Property for Lender's review and approval.

**E. Lease-up  
Guarantee:**

The Borrower shall execute a guarantee of Cash Flow Deficits from the Property. The term "Cash Flow Deficits" shall mean the excess of (a) interest payments based on actual scheduled interest paid and actual operating and approved capital expenses for the Property over (b) revenues actually collected from the Property. The liability of the guarantee shall not exceed an aggregate total of \$3,888,798 and shall terminate upon the earlier to occur of (a) three consecutive months of annualized net income greater than \$3,800,000 or (b) 30 months following initial funding.

**F. Due on  
Sale:**

Neither the Property nor any interest in Borrower may be sold or otherwise transferred without Lender's prior written consent.

**G. Management:**

A management company satisfactory to Lender shall be designated by the Borrower as the Property Manager and shall be entitled to earn the management fees specified in tenant leases and which in any case shall not exceed 5% of the scheduled gross income for any one tenant. The management fee will include all general and administrative items and will not be based on expense pass-through income.

**H. Mortgage Broker:**

Lender and Borrower agree that Thurlow Associates Inc. is the sole mortgage broker in this transaction and the parties will mutually indemnify each other from any claims which result from any other brokerage commission claims arising from this transaction.



- Contingencies**                      The Commitment shall have the following contingencies:
- A. Engineering:**                      The Borrower will engage an engineer approved by Lender to review the plans and specifications for the Property and perform regular inspections during the construction period of the mechanical, electrical, and structural components of the Property. Lender reserves the right to review and approve the scope and substance of the engineering study. The cost of the engineering study will be paid for by the Borrower. Lender must be satisfied with the results of the engineering study.
- B. Tri-Party Agreement:**                      Execution of an acceptable Tri-Party Agreement among Lender, Borrower, and the Interim Lender providing the construction financing within ninety (90) days after Borrower's acceptance of the Commitment.
- C. General Contractor:**                      Lender reserves the right to approve the general contractor for the proposed development. Said approval shall not be unreasonable withheld.
- D. Appraisal:**                      Receipt of an appraisal of the Property from an MAI appraiser approved by Lender stating that the market value of the Property assuming stabilized occupancy is at least \$46,500,000.
- E. Environmental Report:**                      Receipt of an environmental study of the Property by a reputable engineering or environmental firm acceptable to Lender which demonstrates to the Lender's reasonable satisfaction that there are no environmental hazards or hazardous or toxic materials existing upon or affecting the Property. The analysis will involve a physical inspection of the land and a historical review of the previous uses of the land. In the event that the historical review indicates that toxic materials may exist in the soil, soil borings will be conducted and the results will be analyzed by a laboratory. The cost of the environmental study will be paid for by the Borrower.

Mr. Craig S. Manske  
March 25, 1988  
Page 8

**F. Partnership Documents:**

Approval by Lender of the Partnership Agreement of Borrower.

**G. Park District Approval:**

Receipt of documents, in a form acceptable to Lender, stating that the Oak Brook Terrace Park District accepts the park improvements required as part of the air rights lease and that the air rights lease is in full force and effect at initial funding.

**H. Design Review:**

Lender reserves the right to review and approve the preliminary design plans and specifications of the Property.

**I. Other**

**Contingencies:**

Such other contingencies as Lender may reasonably require and which are consistent with prudent lending practices of institutional investors making participating loans.

If the terms outlined in this letter are acceptable, please sign below and return this letter together with an application fee in the amount of \$75,000. The application fee should be wired to a custodial account. Please call me for wiring instructions. The application fee shall be refundable only if the Lender does not issue a Commitment according to the terms set forth in this letter, in which event Lender shall return the application fee within three (3) business days. If you accept the Commitment, the application fee will be applied to the cash portion of the Commitment Fee upon your acceptance of the Commitment. The terms set forth in this letter shall expire if you do not accept and return a signed copy of this letter and wire the application fee by March 31, 1988. You understand that this letter is only an outline of the general terms and conditions of a Commitment and it is not a binding contract for the parties to enter into a Commitment.

*Had not  
received  
as of Friday*

Sincerely,

*Stephen L. Grant*

Stephen L. Grant  
Principal

Accepted:

By:

*Craig S. Manske*  
*Partner*

Title

Date

*April 4, 1988*

## EXHIBIT A

### LEASING STANDARDS

All leases for space in the Property shall conform with the conditions set forth below (the "leasing standards") or upon such other terms as Lender may reasonably accept:

1. The primary term of any lease shall be for a term of not fewer than thirty-six (36) months nor more than one hundred twenty (120) months. In the case of a lease with a primary term in excess of sixty (60) months, there must be a rental increase not less than 25% of the base rent at the end of the fifth lease year or 100% of the change in the Consumer Price Index (C.P.I.) which occurred during the first five lease years.
2. The leases may include rights and options to renew the term thereof at the then prevailing market rental for a period not to exceed sixty (60) months.
3. During the thirty (30) months following the initial disbursement date (the "lease-up period"), the leases shall provide for an average annual base triple net (or calculated equivalent) rent at a rate not less than (a) an average contract rent of \$17.50 per square foot of net rentable area of office space or (b) an average effective rent of \$16.75 per square foot of net rentable area of office space. For all future leases after the initial lease-up period, the rental rate must be at a rate not less than the greater of the original lease rate or prevailing market rental rates.
4. The standard form of lease, including those standard modifications previously approved by Lender (subsequent to approval by Lender), shall not be materially altered or amended without the prior written consent of Lender.
5. All leases shall be duly authorized and properly executed by Borrower pursuant to all necessary corporate or partnership action.
6. Amounts allocated for tenant finish work, as provided in a work letter from Borrower to each tenant, shall not be less than \$15.00 per square foot of net rentable area.
7. With the exception of leases signed prior to the completion of the building, the term of any executed lease must commence within nine (9) months of the signing of such lease.

**Exhibit A**

**LEASING STANDARDS (Continued)**

Leases conforming to the above standards shall be deemed automatically approved. All other leases shall be subject to Lender's reasonable approval within 10 business days. These leasing standards shall apply from the date of this letter until the date 36 months after the date of initial disbursement. Thereafter the parties shall revise such standards annually by submission by Borrower to Lender during the 34th month following initial disbursement and each 12th month thereafter of proposed leasing standards with appropriate supporting data to show that such proposed standards conform to market standards at other buildings of equal or better architectural and construction quality, location, amenities and management in the Oak Brook, Illinois area. The leasing standards shall be subject to Lender's approval, such approval not to be unreasonably withheld. Lender shall respond to the initial annual submission of leasing standards within 22 business days and within 10 business days to subsequent revised submission of leasing standards.

## Exhibit B

### EFFECTIVE RENT EXAMPLES

Effective rent is calculated as follows:

#### EXAMPLE ONE - FLAT LEASE

##### Assumptions:

Contract Rent (Gross):	\$25.00 PSF
Lease Term:	5 Years
Rent Concession:	1 Year
Expense Stop: (1)	\$5.00 PSF

##### Calculations:

(1)	Rent Concession (1 year x \$25.00 PSF)	\$ 25.00
Divided By:	Total Rental Payments w/o Concession (5 years x \$25.00 PSF)	\$125.00
Equals:	Total Rent Concession (%)	20.0%
Less:	Free Rent Allowance (%)	10.0%
Equals:	Reduction in Contract Rent	10.0%
(2)	Contract Rent	\$ 25.00
Less:	Reduction in Contract Rent (10.0% x \$25.00)	\$ 2.50
Equals:	Effective Gross Rent	\$ 22.50
(3)	Effective Gross Rent	\$ 22.50
Less:	Expense Stop (1)	\$ 5.00
Equals:	Effective Net Rent	\$ 17.50

#### EXAMPLE TWO - STEP UP LEASE

##### Assumptions:

Contract Rent (Gross)	Year 1	\$ 25.00 PSF
	Year 2	\$ 25.63 PSF
	Year 3	\$ 26.27 PSF
	Year 4	\$ 26.92 PSF
	Year 5	\$ 27.60 PSF
Total Payments		\$131.42 PSF
Lease Term:		5 Years
Rent Concession:		1 Year
Expense Stop: (1)		\$5.00 PSF

Exhibit B

EFFECTIVE RENT EXAMPLES (Continued)

EXAMPLE TWO - STEP UP LEASE (Continued)

Calculations:

(1)		Rent Concession (1 Year x \$25.00 PSF)	\$ 25.00
	Divided By:	Total Rental Payments w/o Concession	\$131.42
	Equals:	Total Rent Concession (%)	19.0%
	Less:	Free Rent Allowance (%)	10.0%
	Equals:	Reduction in Contract Rent	9.0%
(2)		Average Contract Rent (2)	\$ 26.28
	Less:	Reduction in Contract Rent (9.0% x \$26.28)	\$ 2.37
	Equals:	Effective Gross Rent	\$ 23.91
(3)		Effective Gross Rent	\$ 23.91
	Less:	Expense Stop (1)	\$ 5.00
	Equals:	Effective Net Rent	\$ 18.91

- 
- (1) Actual lease expense stop. If "Base Year" expense stop is included in lease, then expense stop will be calculated using the approved annual Property budget.
- (2) Average Contract Rent is based on fixed rent increases over a maximum period of five years.

Trammell Crow Company  
Commercial  
One Pierce Place  
Suite 400W  
Itasca, Illinois 60143-2681

312/773-4100

April 4, 1988

Mr. Stephen L. Grant  
Principle  
PIEDMONT REALTY ADVISORS  
650 California Street, 22nd Floor  
San Francisco, CA 94108

RECEIVED

APR 05 1988

Dear Steve:

I have written this letter in place of the Letter of Transmittal submitted with the signed Application Agreement for the Parkview Plaza project in Oakbrook Terrace, Illinois. We will be wiring the \$75,000 application fee within the next day. However, disbursement of this fee to USF&G shall be contingent on our, Trammell Crow Company, receiving executed purchase contracts for the property. If the signed Purchase Agreement is not executed within ten (10) days, the application fee shall be reimbursed to Trammell Crow Company.

As I indicated to you, Jim Mackenbrock of our office will be coordinating this project in my absence.

If you have any questions, please do not hesitate to contact me.

Yours very truly,

TRAMMELL CROW COMPANY

*Craig S. Manske*  
Craig S. Manske  
Office Division Partner

CSM/jms

# Trammell Crow Company

April 11, 1988

Commercial  
Hamilton Lakes  
One Pierce Place  
Itasca, Illinois 60143-2681

312/773-4100

Mr. Steven L. Grant  
Principal  
Piedmont Realty Advisors  
650 California Street, 22nd Floor  
San Francisco, California 94108

Re: Parkview Office Building  
Oak Brook Terrace, Illinois

Dear Steve:

I would like to address an issue regarding the above referenced property of which I have some concern. The item in question pertains to Page 3, paragraph entitled "Initial Funding" in your Commitment Letter of March 25, 1988. In that paragraph, it is stated that the funding of Parkview shall occur no later than 15 months following the Borrower's acceptance of the Commitment.

I believe that 15 month period of time is too short and it limits Crow to utilize only those plans that were prepared by the Balsamo/Olson Group. Based upon my observation of the physical appearance of the office building Balsamo/Olson had in mind, I would anticipate implementing at least cosmetic changes to the building and I would like to reserve the right to redesign the entire building if Crow deems it necessary. Consequently, the 15 month period referred to in the previous paragraph would create a burden on Crow to complete this building on a timely basis. I am hereby requesting that you and I discuss the extension of this 15 month period to a time period that would allow Crow the flexibility it needs in order to design a building that makes the proper architectural and marketing statement that the site deserves.

Sincerely,

Crow Chicago Retail, Inc.

By:

  
James M. Mackenbrock  
Partner

jk

cc: Bob Klauseger



PIEDMONT REALTY ADVISORS

650 CALIFORNIA STREET

TWENTY-SECOND FLOOR

SAN FRANCISCO, CALIFORNIA 94108

415-433-4100

April 12, 1988

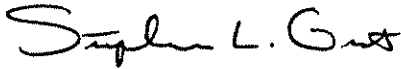
Mr. Craig S. Manske  
Trammell Crow Company  
One Pierce Place  
Itasca, Illinois 60143-2681

Re: Parkview Application

Dear Craig:

Piedmont has received your conditional acceptance of the Parkview application dated March 25, 1988. Piedmont expects the wire transfer of the \$75,000 by April 6, 1988. USF&G has agreed to accept the condition that the \$75,000 application fee will be returned to Crow if Crow does not receive an executed purchase contract from the sellers of the Parkview property by April 18, 1988.

Sincerely,



Stephen L. Grant  
Principal

cc: Mark Biggs  
Jim Mackenbrock

PIEDMONT REALTY ADVISORS  
650 CALIFORNIA STREET  
TWENTY-SECOND FLOOR  
SAN FRANCISCO, CALIFORNIA 94108  
415-433-4100

April 12, 1988

Mr. Jim Mackenbrock  
Partner  
Trammell Crow Company  
One Pierce Place  
Itasca, Illinois 60143-2681

Re: Parkview Office Plaza  
Oakbrook Terrace, Illinois

Dear Jim:

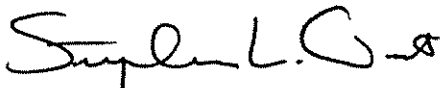
I have reviewed your April 11, 1988 letter which requested an extension of the 15-month commitment period for the participating loan on the above referenced property. Relative to the request, I can recommend to USF&G that they accept the following modifications of the Initial Funding section which appears on pages 3 and 4 of the March 25, 1988 application:

- (1) The modification would be added as a second paragraph on page 4 of the application under the Initial Funding section.
- (2) The new paragraph would read as follows:

In the event the Property is not completed within the initial 15-month commitment period, Crow may extend the loan funding date for two (2), three-month periods by paying a non-refundable cash fee to USF&G of \$75,500 for each extension.

I believe these changes accurately reflect our telephone conversations. Please countersign this letter and return one copy to our office.

Sincerely,



Stephen L. Grant  
Principal

\_\_\_\_\_  
SIGNED

\_\_\_\_\_  
DATE

\_\_\_\_\_  
TITLE

story, 267,898 gross square foot office building (the health club is not included in the square footage). The FAR of 2.0 is high for suburban Chicago.

For a variety of reasons the Parkview site will have the best ingress/egress of any project in the Oak Brook urban core. When Equitable constructed Mid-America Plaza, immediately east of the subject property, it dedicated a 45-foot wide road (on top of its parking garage along Parkview's eastern boundary) to Oakbrook Terrace in exchange for a fully signalized intersection at Hodges Road and Route 83 (see Exhibit II-6). Parkview will have direct access to Mid-America's primary ingress/egress along 22nd Street and to the signal at Hodges Road via the public way at the eastern boundary of the subject property. Parkview will also have two additional ingress/egress points along 22nd Street. Trammell Crow will contribute \$250,000 toward the construction of a traffic signal at 22nd Street and the western most ingress/egress point which will permit full north-south access to 22nd Street. The resulting access characteristics and traffic flow should increase the probability for retail tenancy in the office building and provide Trammell Crow with an excellent marketing edge for office tenants.

#### **D. THE IMPROVEMENTS**

Trammell Crow will be purchasing a set of plans for the office building shown in Exhibit II-7. The plans call for a nine-story office building containing 240,322 square feet of net rentable area over a two-story parking garage consisting of 847 spaces (3.52 spaces per 1,000 square feet of net rentable area). The existing design specifies a five-story interior atrium with a polished granite exterior finish. Trammell Crow plans to construct the building with a two-story interior atrium and square-off the building's rounded corners. The building's floor plans will average 26,000 square feet of net rentable area with an average multi-tenant load factor of 12.8 percent (see Exhibit II-8). Each office floor is serviced by 4 elevators with one elevator oversized for service potential. All of the floor plate characteristics are consistent with the Class A office market in the Oak Brook urban core.

#### **E. PROJECT BUDGET**

The project budget for Parkview is outlined in Exhibit II-9. The land cost of \$16.64 per net rentable square foot of building area is below market for the urban core. The construction hard costs are above average due to the enclosed parking garage, but are comparable to Equitable's Mid-America Plaza. The overall cost of \$167.48 per square foot of rentable area is consistent with Class A office building cost figures for projects reviewed by Piedmont in the suburban Chicago market during the 1987 - 1988 period.

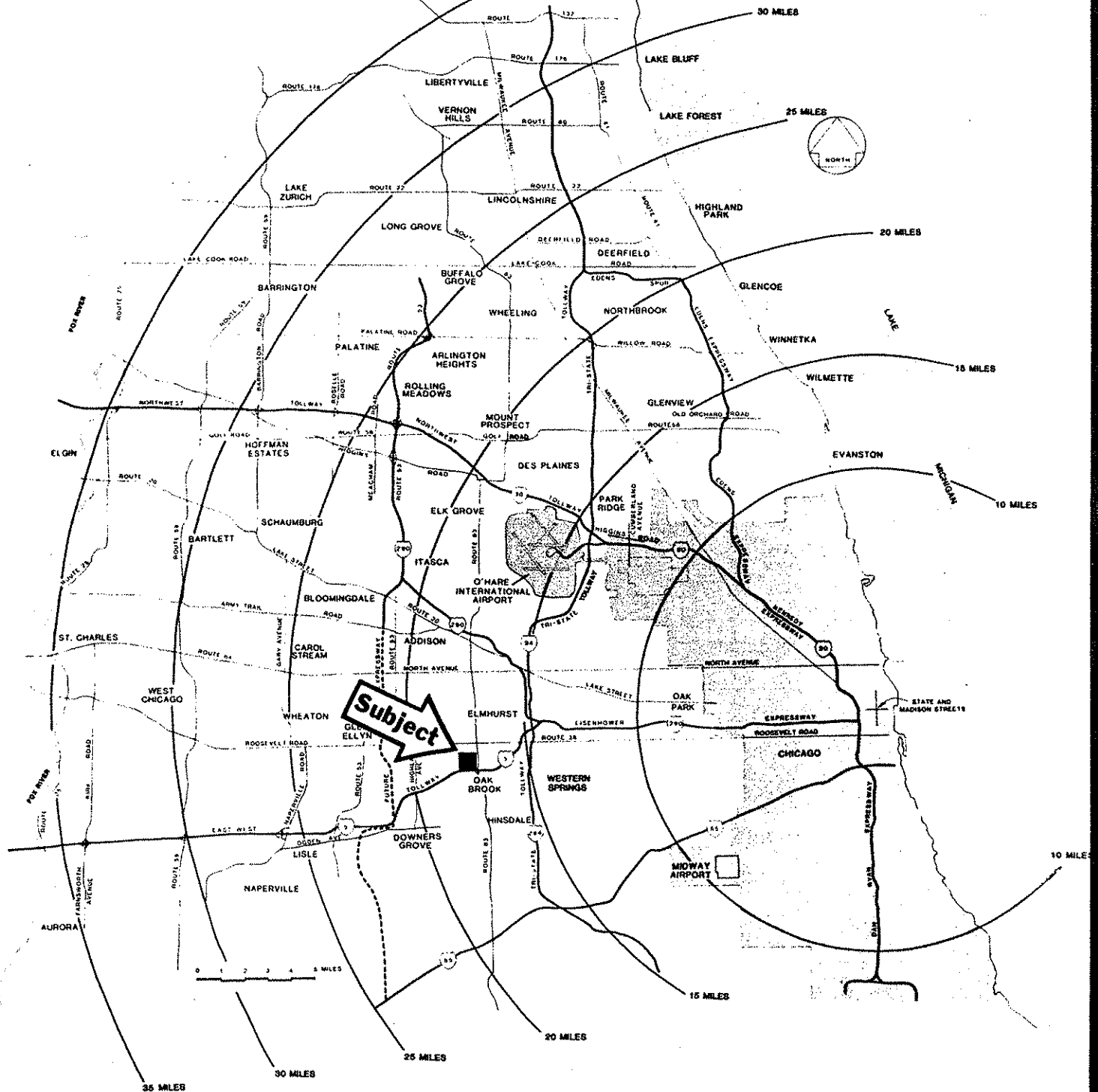
#### **F. CONCLUSIONS**

Parkview is a unique office project for the following reasons:

- o The building site was assembled using an air rights lease at a cost which is substantially below the cost of other office sites in the Oak Brook urban core.

- o The site is unique in Oak Brook due to the 10.3-acre park immediately north of the office building pad.
- o The project has superior ingress and egress due to the development plan of Parkview's neighbor - Equitable's Mid-America Plaza.
- o Parkview will have unrestricted visibility from I-88 for building signage rights.

**EXHIBIT II-1  
REGIONAL LOCATION MAP  
PARKVIEW**



## **Exhibit II-2**

### **AIR RIGHTS LEASE SUMMARY PARKVIEW**

Parkview is to be developed using the air rights over the existing park district land. A Tri-Party Agreement for these air rights exists between Contract Management, Inc. (CMI), the City of Oakbrook Terrace, Illinois (City) and the Oakbrook Terrace Park District (Park) providing CMI or its assignee with the exclusive right to develop the proposed office building.

- (1) The owner of the 13.3-acre property is the City.
- (2) The Park holds a prepaid 99-year ground lease on the property for use as a public park.
- (3) CMI, by means of the Tri-Party Agreement, has a lease on the air rights over the southerly 3.0 acres of the Park for 99 years which entitles CMI or its assignee to construct an office building and related parking. Included in the air rights lease are a series of cross-easements on, over and under the land and through the air rights allowing access to and from the property and providing for parking, storm water management, sanitary sewer and water allocations and other necessary items to complete the office development. For these rights, CMI or its assignee, must contribute \$1.4 million for the construction of park improvements on the remaining 10.3-acres of the property.
- (4) The legality of this Tri-Party Agreement and the rights of the City and the Park to enter therein have been established through a Declaratory Judgement from the Circuit Court of DuPage County. Chicago Title and Trust Company has reviewed the Tri-Party Agreement and the Declaratory Judgement and has confirmed the insurability of the lease-hold title.
- (5) As per the Tri-Party Agreement, maintenance, upkeep, repair and replacement of the recreational facilities and park improvements are the responsibility of the Park at its sole cost.
- (6) As per the Tri-Party Agreement, maintenance, upkeep, repair and replacement of the office building and related parking are the responsibility of CMI or its assignee at its sole cost.
- (7) The Tri-Party Agreement provides that, during the term of the Agreement, the City and Park are excluded from the air rights office development including but not limited to sale of building, leasing, management, financing, etc.

Source: Piedmont Realty Advisors.

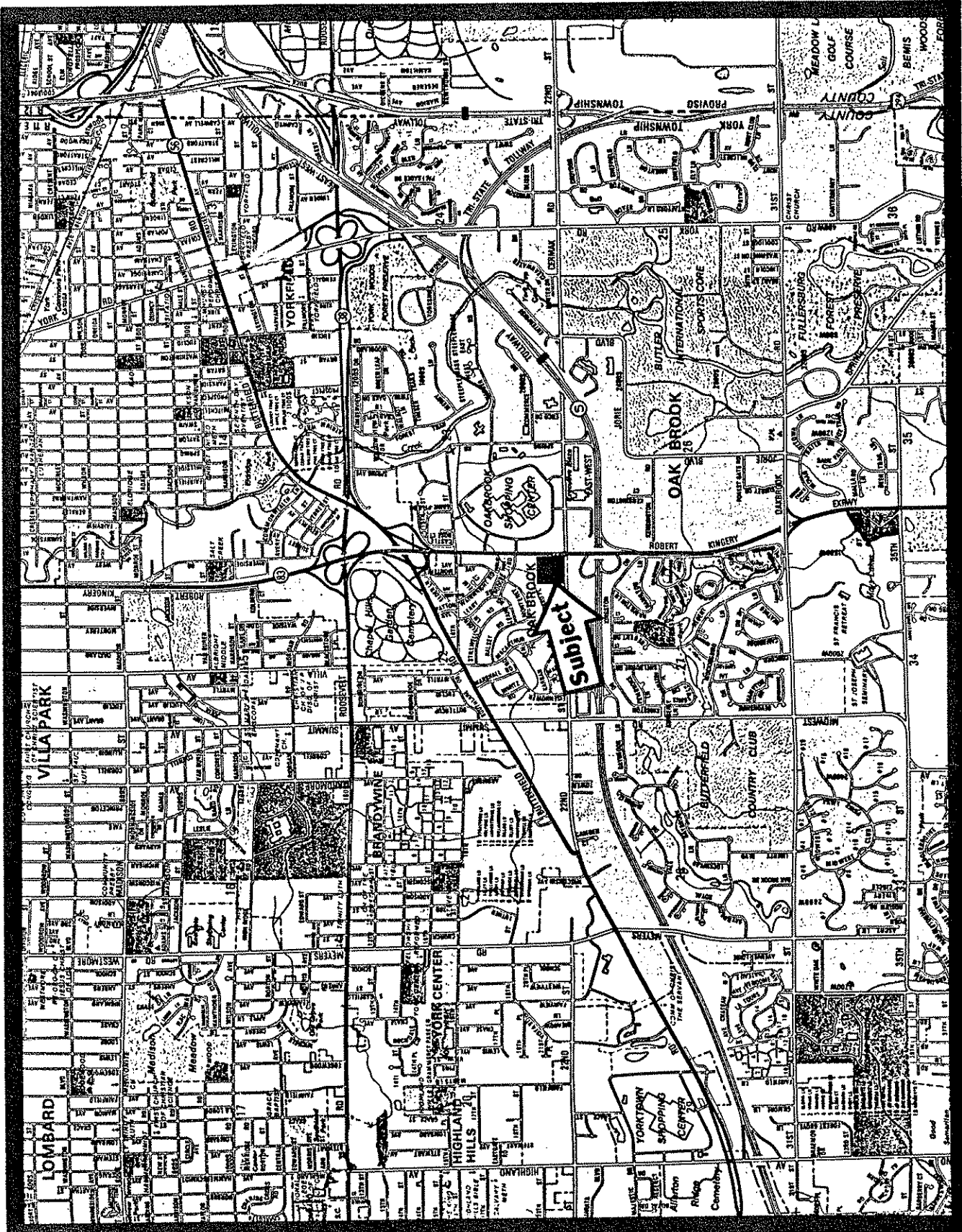


EXHIBIT II-3  
SITE VICINITY MAP  
PARKVIEW

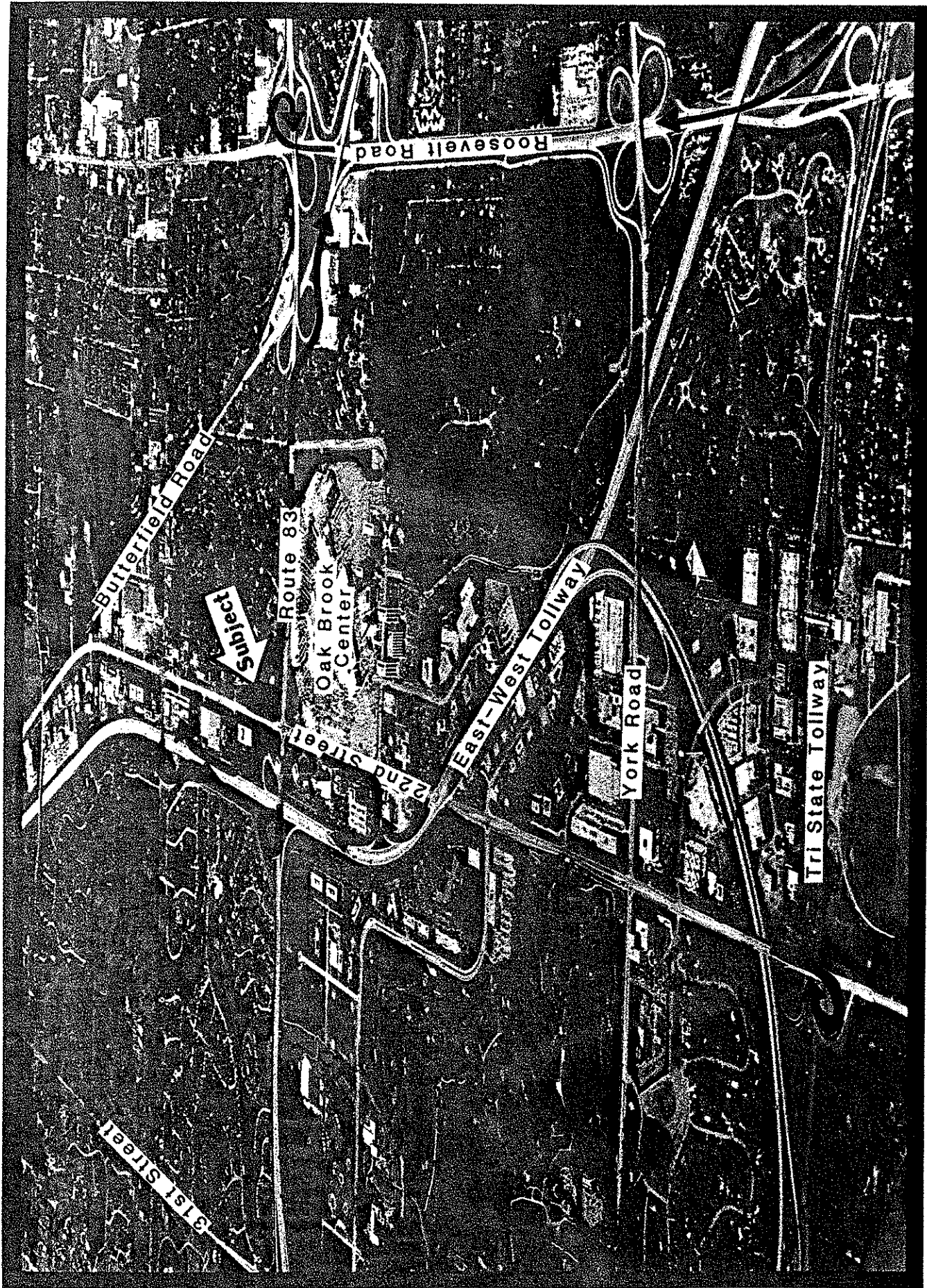


EXHIBIT II-4  
SITE ACCESS MAP  
PARKVIEW



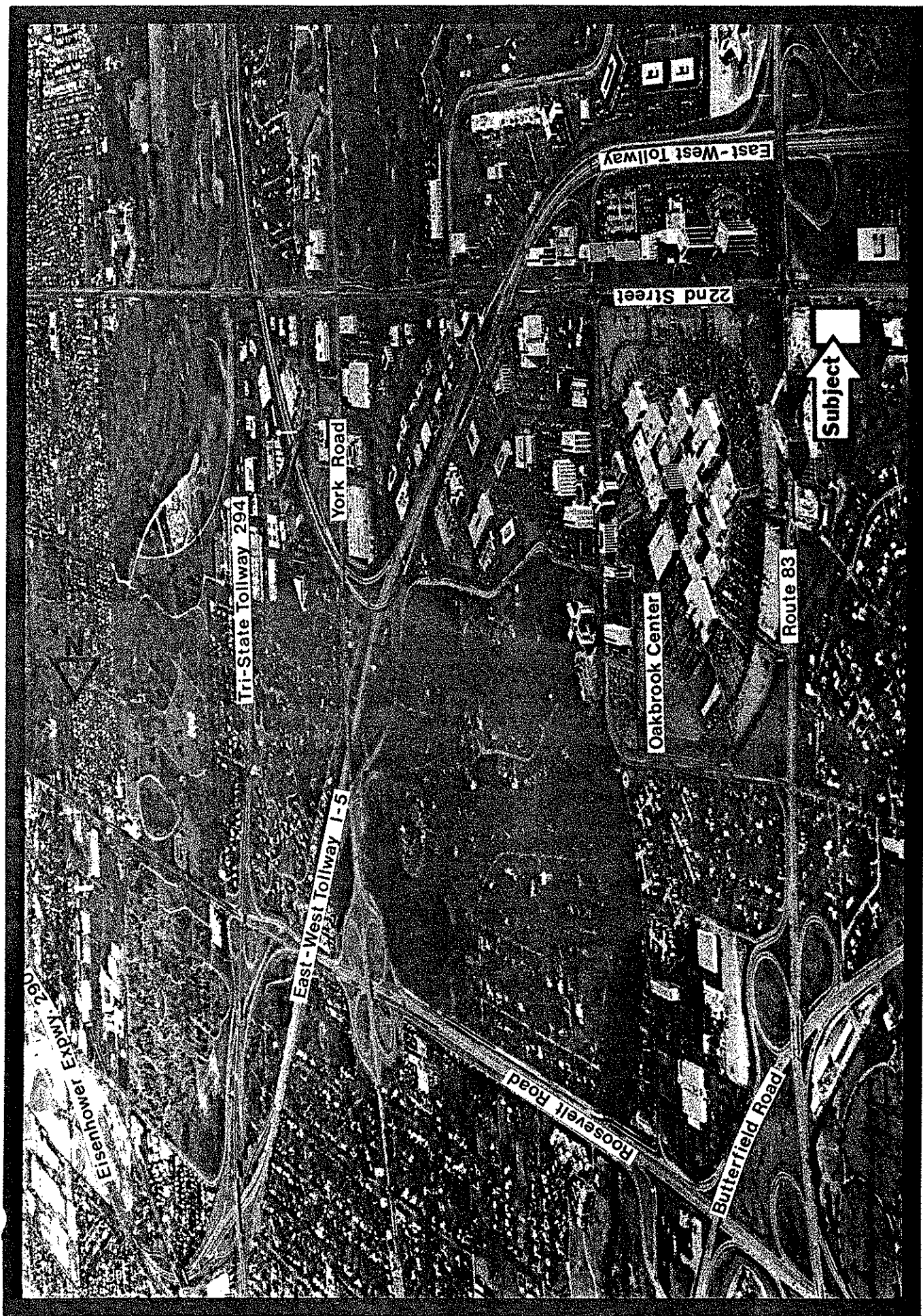
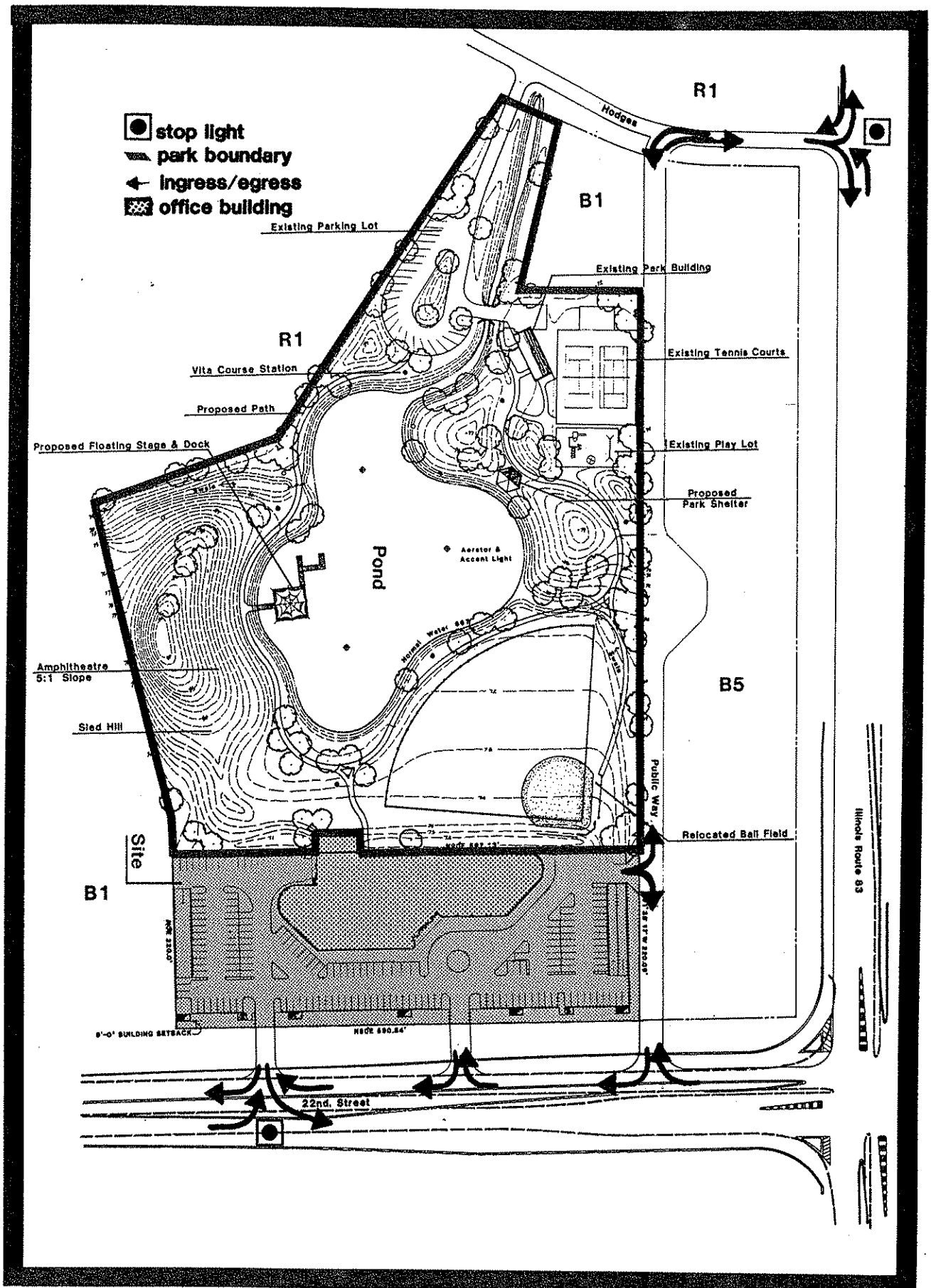
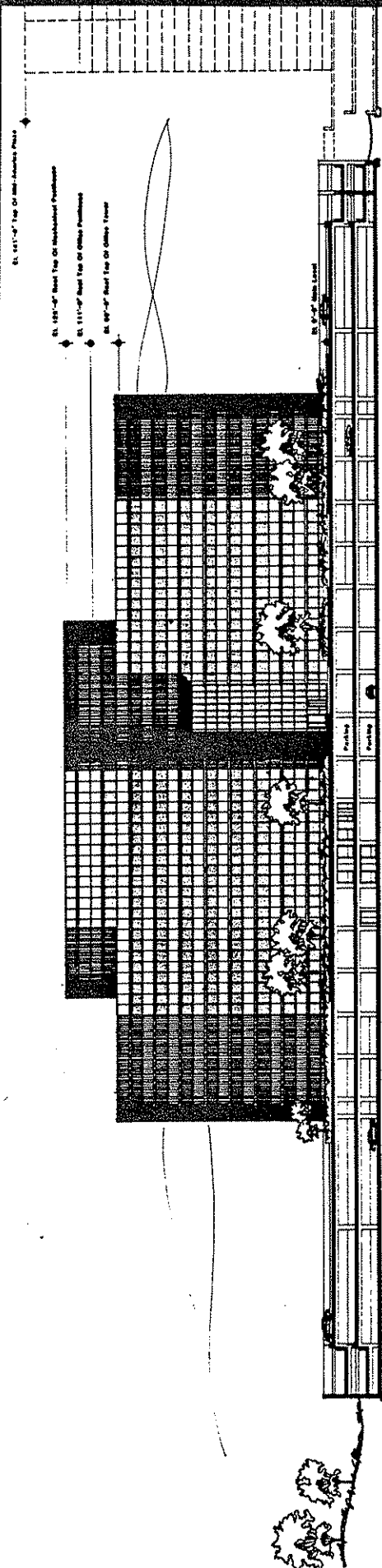


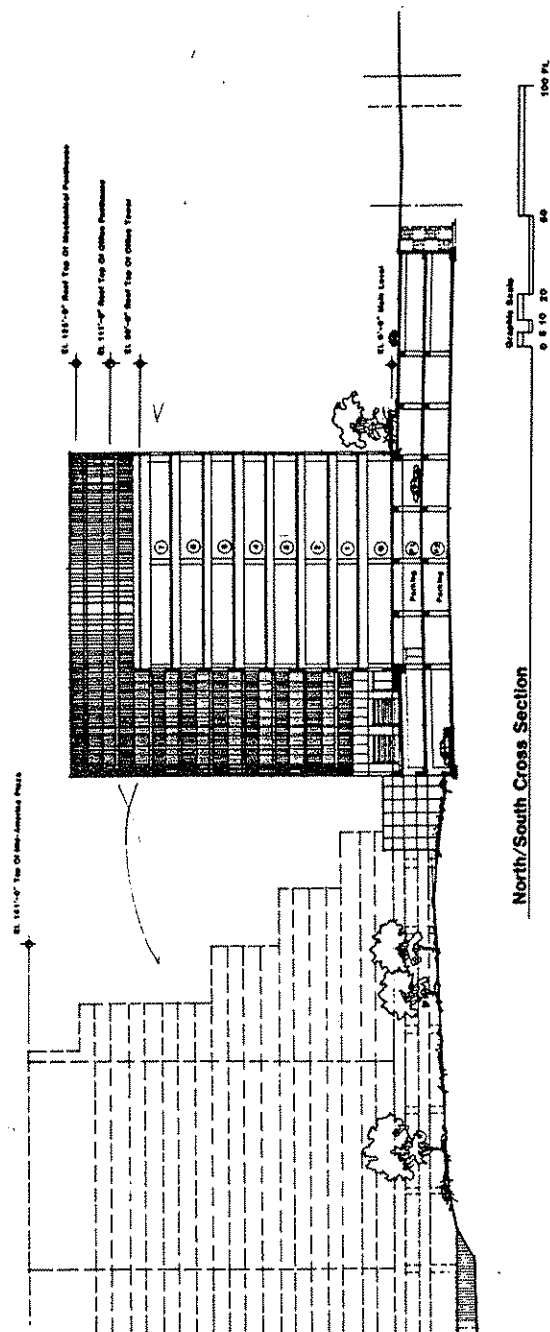
EXHIBIT II-5  
AERIAL PHOTOGRAPH  
PARKVIEW

**EXHIBIT II-6  
SITE PLAN  
PARKVIEW**





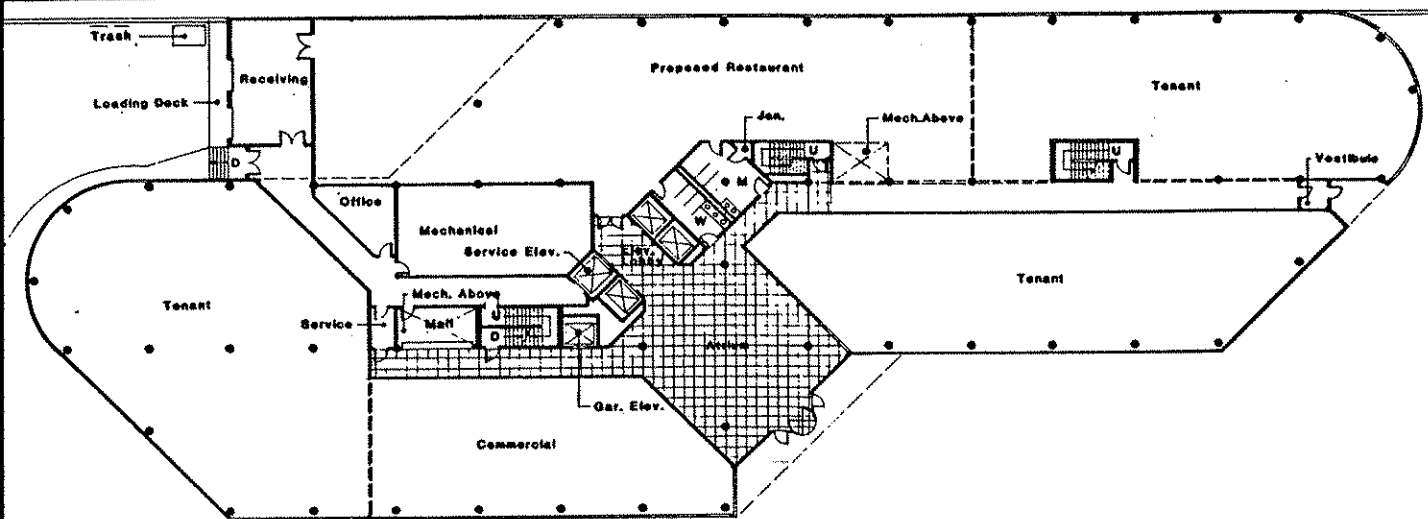
East/West Cross Section



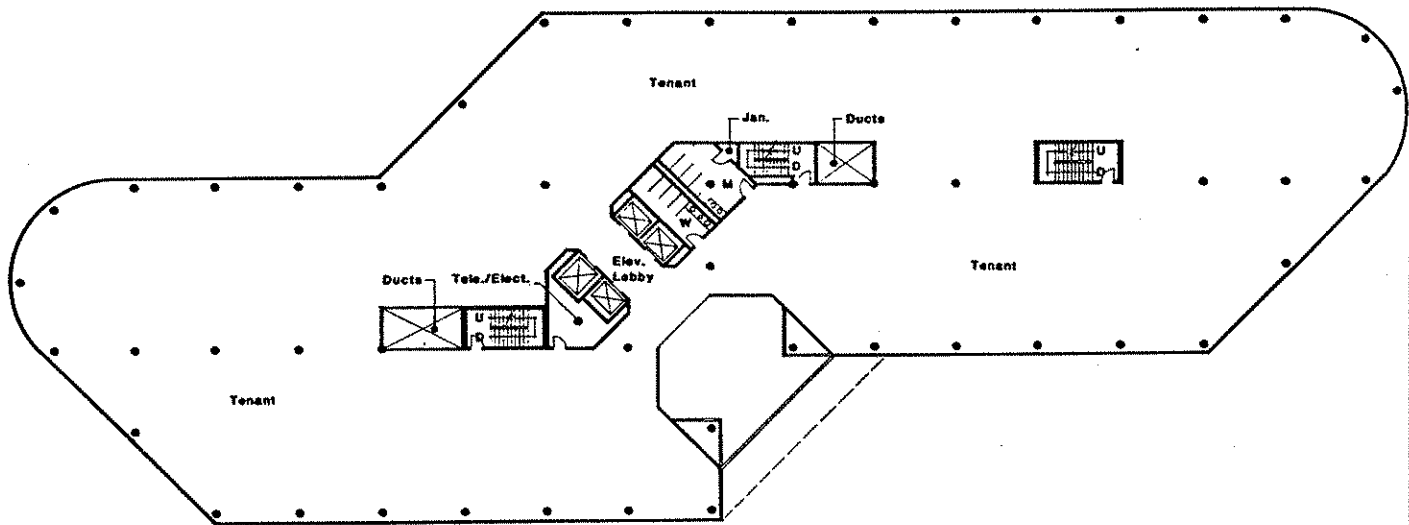
North/South Cross Section

**EXHIBIT II-7  
BUILDING ELEVATIONS  
PARKVIEW**

# EXHIBIT II-8 FLOOR PLANS PARKVIEW

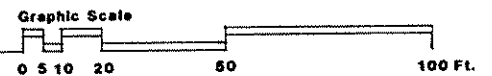


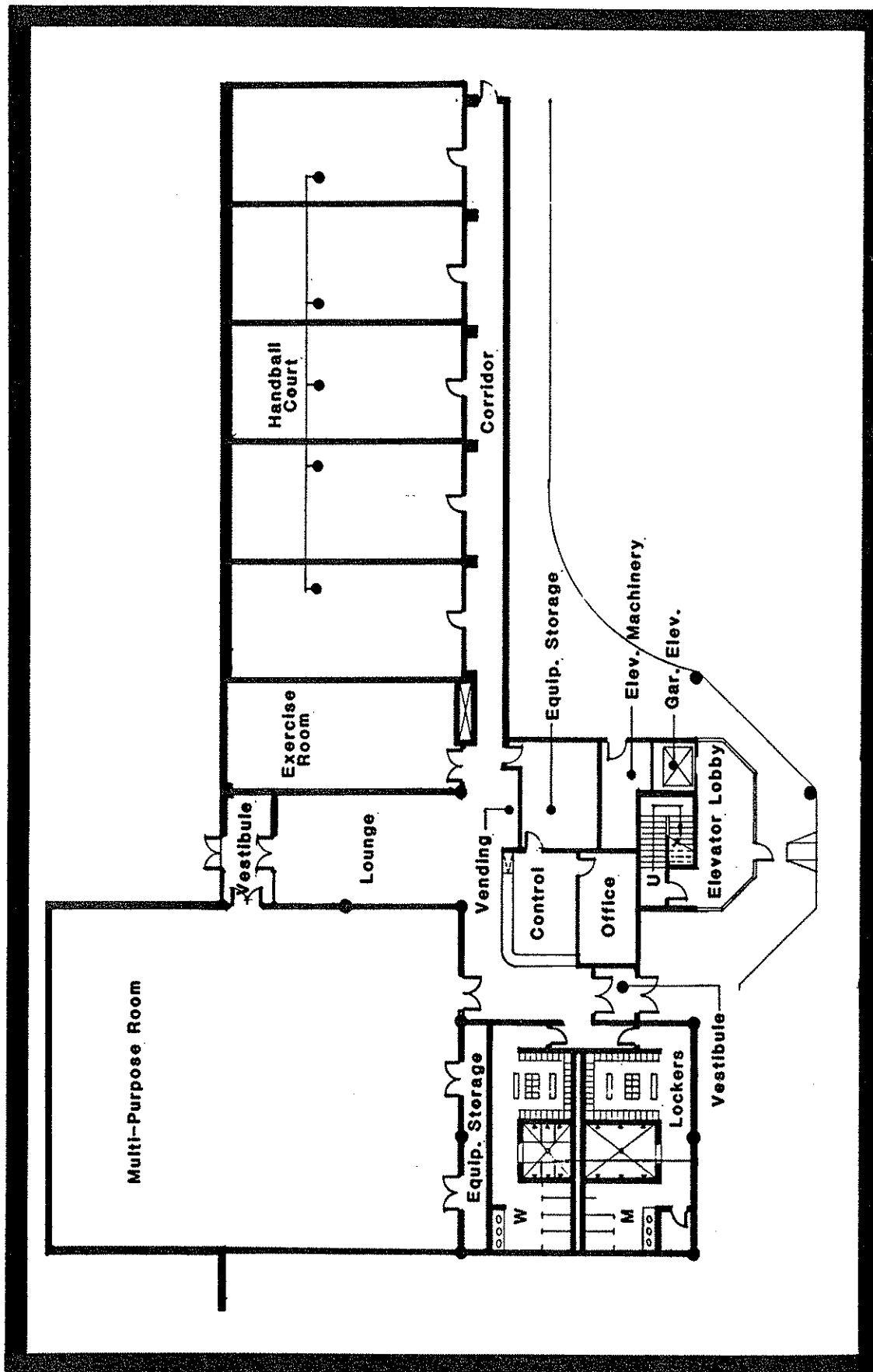
**Ground Floor Plan**



**Typical Floor Plan**

**First thru Fifth Floors**





**EXHIBIT II-8a**  
**FITNESS FACILITY**  
**PARKVIEW**

## Exhibit II-9

CONSTRUCTION BUDGET  
PARK VIEW*New  
Numbers*

	<u>Total</u>	<u>Cost PSF</u>
<b>Site Costs</b>		
Land	\$ 2,600,000	\$ 10.82
Park Improvements	1,400,000	5.83
Offsite Costs	<u>250,000</u>	<u>1.04</u>
Total	\$ 4,250,000	\$ 17.69
<b>Hard Costs</b>		
Office Shell and Core (includes Garage)	\$17,125,000	\$ 71.26
Development Fee/Overhead	575,000	2.39
Signage/Graphics	125,000	0.52
Permits/Fees	250,000	1.04
Insurance	150,000	0.62
Contingency (5% of Shell)	<u>860,000</u>	<u>3.58</u>
Total	\$19,085,000	\$ 79.41
<b>Construction Period</b>		
Interest (\$27,260,000 x .67 x.25 x .095)	\$ 2,170,000	\$ 9.03
Taxes	<u>100,000</u>	<u>0.42</u>
Total	\$ 2,270,000	\$ 9.45
<b>Soft Costs</b>		
Architect (3% of Shell)	\$ 506,000	\$ 2.11
Engineers	60,000	0.25
Inspections/Appraisal	60,000	0.25
Legal, Title, Accounting	150,000	0.62
Advertising/Promotion	125,000	0.52
Construction Loan Fee	136,300	0.57
Permanent Loan Fee	410,000	1.71
Brokerage	<u>205,000</u>	<u>0.85</u>
Total	\$ 1,652,300	\$ 6.88
<b>TOTAL INITIAL FUND</b>	\$27,257,300	\$113.42
<b>Tenant Improvements</b>	\$ 4,320,800	\$ 17.98
Leasing Commissions	1,201,600	5.00
Lease-Up Carry	<u>7,470,300</u>	<u>31.08</u>
<b>TOTAL</b>	<u>\$40,250,000</u>	<u>\$167.48</u>

Source: Trammell Crow Company;  
Piedmont Realty Advisors.

### **III. THE MARKET OVERVIEW**

### III. THE MARKET OVERVIEW

#### A. INTRODUCTION

Chicago ranked second in the nation in terms of the size of its speculative office market, third in terms of net absorption and eighth in terms of total vacancy rate at year end 1987. The entire metropolitan area has gone through a significant period of office construction since 1982, but has proven to be a consistent market in terms of absorption. Although the construction activity has resulted in an oversupplied suburban market and a downtown office market which appears to be heading toward an oversupplied scenario, well located, well designed office developments continue to lease-up at proforma and are selling at record prices. Columbia Center Phase I is excellent evidence of this fact.

*It sold  
but had  
no cash  
flow.*

#### B. CHICAGO OFFICE MARKET

##### 1. Overview

The Chicago office market is divided into four suburban markets and downtown (see Exhibit III-1). Current vacancy rates range from 11.7 percent downtown to 25.6 percent in the northwest suburbs (see Exhibit II-2). While downtown Chicago maintains the lowest current vacancy rate, it also has the largest supply of buildings under construction (measured by total under construction divided by total existing square feet). In addition, over 44 percent of the tenant square footage in the downtown market expire in 1987 and 1988. This imbalanced relationship between future supply and demand can also be found in the northern suburban office submarket. Office construction in the East-West Tollway and northwest suburban markets has virtually stopped which should lead to an improved supply/demand relationship. The O'Hare submarket continues to maintain a good balance between supply and demand.

Based on lease expiration and tenant migration data, Coldwell Banker projects that absorption will increase in the East-West Tollway and O'Hare office markets, but will decrease in the northern and northwestern suburban markets as well as in downtown. Total net absorption of office space in Chicago should decrease from 1987's record 10.8 million square feet to the more typical 6 to 7 million square foot range in 1988 with the East-West Tollway capturing the largest percentage of the total.

##### 2. East-West Tollway

Parkview is located in the urban core submarket of the East-West Tollway office market. The Tollway market extends from Oak Brook on the east to Naperville on the west with clusters of office development at each Tollway interchange. This "corridor" has a current office inventory of almost 21 million square feet of speculative office buildings and over 15 million square feet of owner/user facilities.



Despite record absorption figures for the Tollway in 1987, the market vacancy rate declined slightly from 24.7 percent in 1986 to 24.2 percent in 1987 (see Exhibit III-3). The primary cause of the market's relatively high vacancy rate has been overbuilding, particularly on sites peripheral to the core clusters of office development. However, there are only three buildings containing 342,000 square feet which are currently under construction in the Tollway office market and scheduled for delivery in 1988. This factor is significant when matched with the fact that over 450,000 square feet was absorbed during the first three months of 1988 and almost 650,000 square feet of prospective tenants are negotiating for 1988 occupancy (see Exhibit III-4). The resulting interaction between supply and demand should lead to a substantial decrease in the submarket's vacancy rate by the end of 1988. It is this market timing factor together with the specific interaction of Parkview with its direct competition which has lead Piedmont to recommend this investment.

*Very high*

*but we  
two years  
out.*

### C. COMPETITIVE OFFICE MARKET

There are 12 existing buildings and 3 planned buildings containing over 4.2 million square feet of space which will directly compete with Parkview (see Exhibits III-5 and III-6). The building most comparable to the subject property is Mid-America Plaza developed by Equitable and the Lincoln Property Company and completed late 1985/early 1986. The 10-story Mid-America Plaza is adjacent to Parkview on the east and has similar site, design, floor size, location and structured parking characteristics to the subject. The building is currently 94 percent leased at rental rates of \$22.50 for lower floors and \$24.50 for upper floors with a \$4.25 combined expense stop (tenants pay electricity). A tenant improvement budget of \$15.00 per usable square foot was offered to tenants and concession packages, which included free rent, free parking and over standard tenant improvements ranged from 15 percent to 25 percent (free rent ranged from 8.33 percent to 15.00 percent).

Vantage Property's Crossings development is a poorly conceived property in a grade B location. The vacant space in the Crossings will be difficult to lease and therefore its competitive impact on Parkview should be minimal.

Parkview's main competition will come from Miglin-Beitler's, 32-story Oak Brook Tower and Lincoln Property's 16-story Lincoln Center Phase I. Both properties were completed in late 1987 and represent the highest quality suburban office space in Chicago. Both locations have difficult access and both buildings are quoting the same general leasing package to tenants:

#### (1) Rental Rate

Lincoln Center - \$26.00 gross/\$4.50 stop. Tenant pays metered electricity. Up to 20 percent concession in the form of free rent, but expenses are paid by tenant during free rent period. 35 percent of actual change in CPI starting in year 1 of lease.

Oak Brook Tower - \$21.50 triple net. Up to 15 percent concession in the form of free rent - developer pays expenses during free rent term. 2 percent annual increase starting in year 1 of lease.

(2) Tenant Improvements

**Lincoln Center** - Lincoln offers tenants a workletter valued at \$17.00 per square foot of usable area with an average load factor of 16.8 percent which is equivalent to \$14.55 per square foot of rentable area. Lincoln amortizes tenant improvements above \$14.55 as a concession.

**Oak Brook Tower** - Workletter is valued at \$17.00 per rentable square foot (note building load factor is 11.1 percent). Developer prefers to give overstandard tenant improvements as a concession.

(3) Other Concessions

Both buildings have structured parking (Oak Brook Tower is limited to 300 spaces) and are offering free parking in the parking garage to tenants as a concession. Both developers are assigning a monthly charge of \$40 per reserved space and \$20 per unreserved space in the calculation of the total concession package.

Both buildings have extensive health club facilities in which they offer a limited number of free memberships to tenants as a concession. Both developers have also assumed a tenant's existing lease. Lincoln Center and Oak Brook Tower are leasing ahead of schedule at proforma effective net rental rates.

Commerce Plaza Phase II will be Metropolitan Life's final phase of a well designed, well located project. Met's strategy is to offer 150,000 square feet of space to corporate users which are existing tenants in the Commerce Plaza project or to attract national firms migrating to Oak Brook by offering an "affordable" package at \$23.00 gross rent, a \$5.00 expense stop and a \$15 per rentable square foot tenant improvement budget. Met has typically offered tenants lower face rates, flatter leases and free parking instead of free rent or excess tenant improvements.

The rental rate for the subject property should be \$25.00 per square foot gross with a \$5.00 expense stop. Budgeted rent concessions should average 15 percent of the lease term with the expenses paid by the borrower during the free rent concession period. The tenant improvement workletter should have a value of \$17.00 per square foot of rentable area. The borrower has budgeted \$18.00 for the entire building resulting in a concession budget of \$1.00 per square foot for overstandard improvements. Leases should average 5 years in length with rental rate increase annually averaging 2 percent starting at the end of the first lease year. Parking will be given as a concession with an assigned monthly value (for purposes of calculating the total concession) of \$40 per space for reserved and \$20 per space for unreserved. Considering the leasing package budgeted for Parkview, Piedmont Realty Advisors concludes that the building should be 100 percent leased within 18 months of completion.

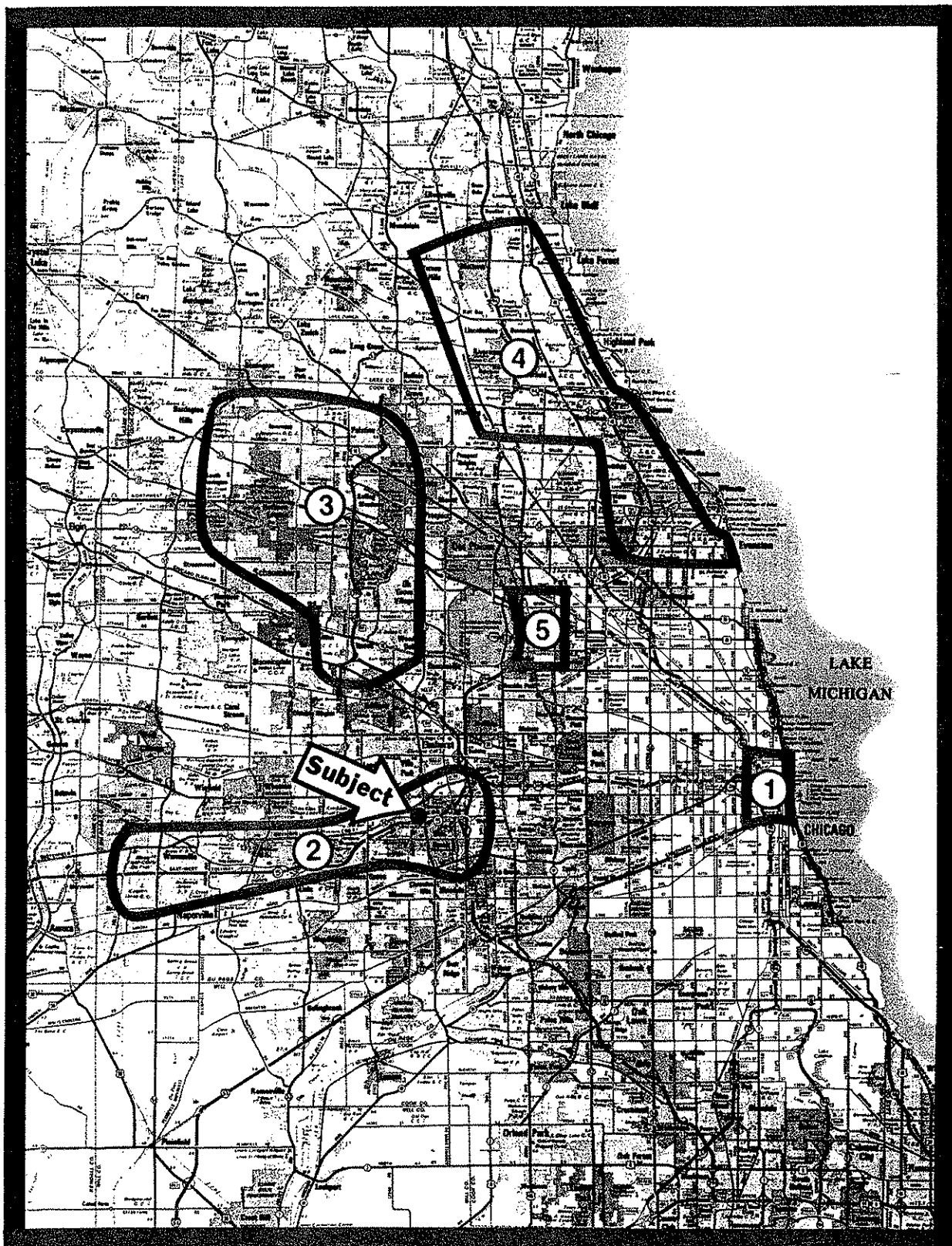
#### D. CONCLUSIONS

There are several factors unique to Parkview w economics or competitive position in the Tollv signage rights at the top of the building wh from the Tollway. Signage is restricted in result in a smaller percentage concession i/ anchor tenant. Parkview will also hav ingress/egress points along 22nd Street. traffic flow along 22nd Street may attrac Trammell Crow's retail partner, is a 25 believes that retail tenants will occupy the building at an average effective rental rate of \$25.00 percent of the tenant improvement budget amortized in the 10.00 rent. The impact of the park and health club cannot be quantified. Piedmont concludes that they should have a positive impact on the leasing program.

Parkview will be entering an improving office market in 1990, but the project was underwritten based on the current office market conditions in the urban core submarket of the East-West Tollway. Parkview should be the most competitive office building in the urban core market when location, amenities, effective rental rate and ingress/egress are considered. Consequently, there is an excellent chance that the economics actually achieved by Parkview will exceed those budgeted by Piedmont Realty Advisors.

*was your loan*

**EXHIBIT III-1  
CHICAGO OFFICE SUBMARKET  
LOCATION MAP**



**① • ⑤ Correspond to Exhibit III-2**

Exhibit III-2

CHICAGO OFFICE MARKET SUMMARY  
December, 1987

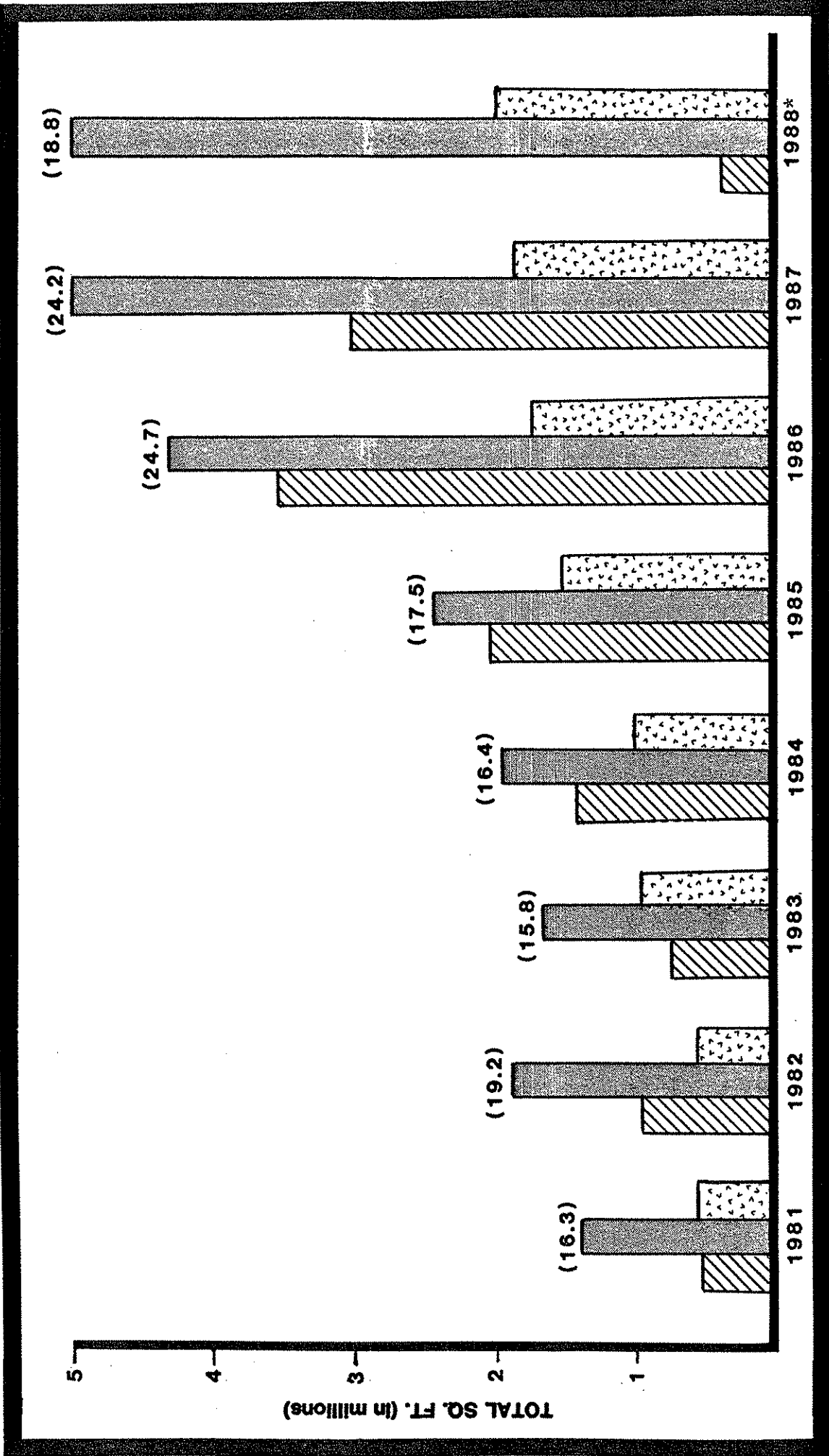
Map No	Submarket	Total (Sq. Ft.)	Vacant (Sq. Ft.)	Vacancy Rate	Absorption 1987	% Change 6/84 - 12/87	
						Total	Absorption
1	Downtown	95,890,411	11,211,000	11.7%	4,920,000	14.8%	88.5%
2	East-West Tollway	20,668,614	5,001,805	24.2%	1,733,127	94.2%	68.8%
3	Northwest	17,643,377	4,511,411	25.6%	1,538,132	66.0%	58.6%
4	North	12,613,139	2,381,361	18.9%	1,561,584	79.2%	80.3%
5	O'Hare	10,695,127	1,801,059	16.8%	1,079,523	48.9%	96.3%
TOTAL		157,510,668	24,906,636	15.8%	10,832,366	31.3%	77.6%

NOTE: All square footage in net rentable area.

Figures include all buildings over 10,000 square feet in size.

June, 1984 office statistics can be found in the USF&G investment report for the O'Hare office building.

Sources: Piedmont Realty Advisors;  
Coldwell Banker.



\*Projected

EXHIBIT III-3  
 MARKET SUMMARY  
 EAST WEST TOLLWAY  
 1981-1988

Exhibit III-4

TENANT PROSPECTS 1988  
EAST-WEST TOLLWAY

<u>Tenant Name</u>	<u>Current Location</u>	<u>Square Foot Requirement</u>	<u>Preferred Location</u>
First Nationwide Mortgage	Consolidation	57,000	Naperville
First Penn Insurance	Downtown	35,000	Oak Brook
Carson, Pierre, Scott	Downtown	30,000	Lisle
United Engineering	Darian	30,000	Oak Brook
List Processing	Downer's Grove	30,000	Downer's Grove
Allied Van Lines	Maywood	150,000	Naperville (Build-to-Suit)
Western Electric	Lisle	60,000	Oak Brook
Dunn & Bradstreet	Naperville	35,000	Naperville (Upgrade)
Proctor & Gamble	Downtown	30,000	Oak Brook
Prudential Insurance	Downtown/ Consolidation	90,000	Oak Brook
MCF Bank	Out of State	40,000	Oak Brook
IBM	Schaumburg	30,000	Oak Brook
DEC	Schaumburg	<u>30,000</u>	Lisle/Naperville
<b>TOTAL</b>		<b>647,000</b>	

NOTE: All prospects are in the process of negotiating for 1988 occupancy.

Sources: Coldwell Banker;  
Grubb & Ellis;  
HSA Inc.;  
LaSalle Partners;  
Piedmont Realty Advisors.

Exhibit III-5  
COMPETITIVE OFFICE SURVEY  
PARKVIEW

Map No.	Building Name	Year Built	No. Floors	Size (Sq. Ft.)	Vacant (Sq. Ft.)	Vacancy Rate	Rental Rate (1)		Comments
							Quoted	Effective (2)	
1	The Drake	1981	5	244,000	47,000	19.3%	\$17.00	\$15.50	Space leased "as is" with free rent.
2	Harger Woods	1986	2	61,750	0	0.0	18.00	16.60	3% annual increase.
3	711 Jorie	1980	3	210,000	0	0.0	16.50	14.00	3% annual increase.
4	Commerce Plaza	1974	3	450,000	96,000	21.3	17.50	14.60	35% CPI, \$10 PSF T.I. budget. Undergoing extensive renovation.
5	Citicorp Savings	1979	5	100,000	2,000	2.0	19.00	17.50	35% CPI, \$10 PSF T.I. budget.
6	1111 22nd Street	1984	9	225,000	7,000	3.1	18.50	15.40	3% annual increase, below grade space.
7	Oak Brook Executive	1968	11	350,000	50,000	16.5	16.00	13.85	Undergoing major rehab. \$12 PSF T.I. budget.
8	Regency Towers	1975	13	372,000	21,000	5.6	16.50	15.00	3% annual increase. \$6 PSF T.I. budget.
9	The Crossings	1985	3	318,594	195,000	61.2	18.00	14.40	35% CPI, \$15 PSF T.I. budget. Poorly conceived development.
10	Oak Brook Tower	1987	32	630,000	440,000	69.8	21.50	17.70	2% annual increase. \$17 PSF T.I. budget. Dramatic, but tough access. Health club.
11	Mid-America Plaza	1986	10	408,000	24,000	5.8	20.25	17.20	\$15 PSF T.I. budget. Adjacent to Parkview.
12	Lincoln Center	1987	16	295,000	212,000	71.9	21.50	17.70	35% CPI, \$17 PSF T.I. budget on useable. Top quality but not in Core. Health club.
TOTAL/AVERAGE				3,664,344	1,100,000	30.0%	\$18.63	\$15.81	Average 18% discount.

EXISTING



Exhibit III-5  
COMPETITIVE OFFICE SURVEY (Continued)

Map No.	Building Name	Year Built	No. Floors	Size (Sq. Ft.)	Vacant (Sq. Ft.)	Vacancy Rate	Rental Rate (1)		Comments
							Quoted	Effective (2)	
<u>PLANNED</u>									
A.	Commerce Plaza II	1989	3	150,000	150,000	100.0%	\$18.00	N/A	\$15 PSI T.I. budget. Last phase located behind existing project.
B.	John Bush	N/A	N/A	150,000	150,000	100.0%	N/A	N/A	Can not be completed by late 1990 due to zoning lawsuit.
C.	Lincoln Center II	N/A	N/A	295,500	295,000	100.0%	N/A	N/A	Next phase of three-phase development. 1991 scheduled completion.
SUBJECT PROPERTY		1990	9	240,322	240,322	100.0%	\$19.00	\$19.00	2% annual increase. \$18 PSF T.I. budget. Health club.

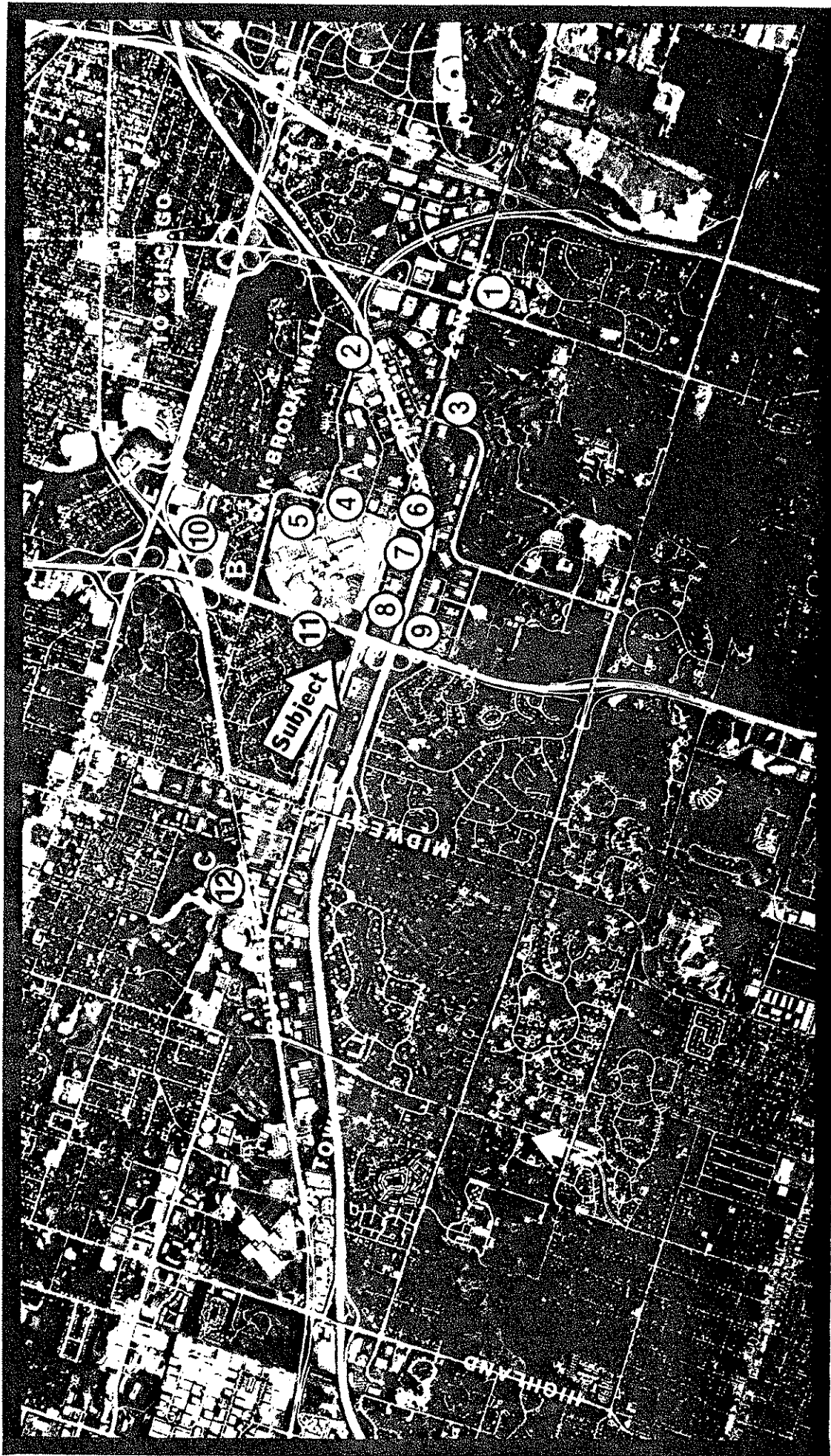
NOTE: Map numbers correspond with Exhibit III-6.

All square footage figures represent net rentable area.

Average rental rates are weighted by square feet.

- (1) All rental rates converted to a triple net basis if quoted as gross with an expense stop.  
(2) Actual lease comparables were used if available. Other effective rates were estimated by the brokers surveyed.

Sources: Coldwell Banker;  
Grubb & Ellis;  
HSA Inc.;  
Lincoln Property Company;  
Thurice Associates;  
Piedmont Realty Advisors.



①-⑫ and A-C Corresponds to Exhibit III-5

EXHIBIT III-6  
COMPETITIVE PROPERTY  
LOCATION MAP

#### **IV. BORROWER/PARTNER**

#### **IV. BORROWER/PARTNER**

##### **A. INTRODUCTION**

Trammell Crow Company (Crow) will be the developer of Parkview and will be responsible for the development and operation of the property. Crow will start the process by modifying the existing building plans and coordinating the construction of the park improvements and the 22nd Street traffic signal with the Village of Oakbrook Terrace. A Crow marketing team has been canvassing the Tollway office market since July 1987 and a leasing program for Parkview has already been completed. This section will focus on Crow's Chicago office in general with particular emphasis on the development team and its operating responsibilities.

##### **B. THE BORROWING ENTITY**

The borrowing entity for Parkview will be a general partnership formed by Crow's Chicago office which was restaffed during late 1986 following the departure of Allen Hamilton (Regional Partner) and six local partners. As part of the reorganization, Jon Hammes, the new office manager, elected to transfer all land and projects under construction to the new company formed by Allen Hamilton, Hamilton Partners. The new Trammell Crow office retained or gained 100 percent ownership in Crow's existing properties in Chicago, Milwaukee and Detroit.

This strategy has allowed Crow to generate management and leasing fees to support staff growth. This strategy also reflects the attitude of Jon Hammes that Crow "does not have to develop property to make money." Parkview is Crow Chicago's first office development project and they have assembled a strong team to develop the property (see Exhibit IV-1).

##### **C. BORROWER TRACK RECORD**

Between 1978 and 1987, Jon Hammes developed over 393,000 square feet of service center product, 531,000 square feet of warehouse buildings and over 1.9 million square feet of office space in Milwaukee and Detroit. Craig Manske started with Crow Milwaukee as an office leasing agent in 1981 and was named office partner in 1984. Mr. Manske, in his capacity as office partner, was directly responsible for the development and leasing of 1.2 million square feet of office space in four projects containing a total of ten office buildings.

Crow Chicago also retained 100 percent ownership in approximately 1.4 million square feet of existing office space in suburban Chicago. They are in the process of selling 850,000 square feet to La Salle Partners as advisors to the California Public Employees Retirement System, but will retain management and leasing responsibilities for at least five years. While Hammes and Manske have demonstrated experience in developing office buildings in general, they lack specific office development experience in Chicago. The presence of Keith Lord on the development team will mitigate some of the development risk resulting from this inexperience due to his involvement in the Tollway market since

1985. While there is a good chance that Trammell Crow will develop, lease and operate Parkview effectively, their inexperience in the Chicago office market remains one of the risks in this proposed transaction.

#### **D. CONCLUSION**

Jon Hammes evolved Crow's Milwaukee operation into the dominant developer in the Milwaukee area. His Chicago strategy relative to the reorganization was to retain only leased and operating properties to generate management and leasing fees for the Chicago operation.

Trammell Crow has assembled a strong development team, but it is inexperienced in developing office product in Chicago. During our due diligence Piedmont found Jon Hammes and Jim Mackenbrock extremely focused on the project, but found Craig Manske to be distracted with the sale of Hamilton Lakes to La Salle Partners. Eugene Porto supervised the construction loans for Mid-America Plaza and Lincoln Center which is both coincidental and beneficial. Keith Lord has exclusively canvassed the northwest and Tollway markets. The proposed team has a good chance to succeed because each of the team members is strong, but there is a risk that the team may suffer from lack of management. Parkview is Crow Chicago's first office development - Parkview is a prominent development and it is a major test in establishing Crow's presence in an important marketplace.

Exhibit IV-1

DEVELOPMENT TEAM  
PARKVIEW

**Jon Hammes** - joined Trammell Crow Company in 1974 as a leasing agent, and in 1978 was named a partner and opened the company's Milwaukee office. Mr. Hammes was given responsibility for Detroit in 1985, and in 1986 he was made a regional partner for the Great Lakes region based in Chicago.

**Craig Manske** - is the office division partner for the Great Lakes region and reports to Jon Hammes. He joined Trammell Crow Company in 1981 as a leasing agent in Milwaukee and was subsequently named partner with responsibilities for office and industrial development in the Detroit and Milwaukee metropolitan areas. Mr. Manske was named head of office development in Chicago in 1987.

**James Mackenbrock** - has over 11 years of retail real estate experience. He is a Chicago partner and has been employed by Trammell Crow for over four years. Mr. Mackenbrock has been involved in the development of 1.2 million square feet of retail space in the Great Lakes Region.

**Keith Lord** - is the Senior Marketing Representative for Trammell Crow's Chicago area office properties. He joined Trammell Crow in 1985 as leasing agent and has marketing responsibilities in Crow's existing office developments at Hamilton Lakes in Itasca and Arboretum Lakes in Lisle.

**Eugene Porto, AIA** - recently joined Trammell Crow Company as Senior Construction Manager. Prior to joining Trammell Crow he was employed by Citicorp for four years as a senior construction consultant where he was responsible for construction budget approval and construction loan draws for properties including Mid-America Plaza and Lincoln Center which are recently constructed office buildings comparable to the subject property.

**Urban Design Group** - Architects for Parkview as well as for Lighton Plaza.

**Albert H. Halff Associates, Inc.** - Civil and structural engineers for Parkview with nation-wide service in land development, environmental science, and surveying.

**General Contractor** - will be chosen by Trammell Crow after the building plans are modified. The general contractor will be bonded or bondable.

Sources: Trammell Crow Company;  
Piedmont Realty Advisors.

## **V. RISK AND RETURN**

## **V. RISK AND RETURN**

### **A. DEAL STRUCTURE**

#### **1. Introduction**

As a form of investment, the participating mortgage has some of the advantages of an equity investment as well as the guaranteed return and security position of traditional debt. The participating mortgage for Parkview will be fully secured by a first lien on the improvements only. The land is being leased from the Village of Oakbrook Terrace for 99 years. As additional security for this leasehold mortgage, the ground lease has been prepaid for 99 years. The general partners of the borrowing entity will also provide a cash flow deficit guarantee for 30 months or breakeven occupancy, whichever occurs first. The guarantee will require that the general partners fund debt-service payments as well as payment of all operating expenses. As third party leases are signed, the liability associated with this guarantee will be reduced accordingly.

#### **2. Special Deal Features**

The proposed participating mortgage has been structured to allow Trammell Crow to quote competitive rental rates in a potentially soft office leasing market. This was accomplished by structuring the loan with a low pay rate of 8.25 percent for the first five years of the loan, and a 9.25 percent pay rate for the remaining loan term. Accrued interest will compound quarterly and the difference between the pay rate and the coupon rate of 9.25 percent will be capitalized annually during the first five loan years. The debt service payments for the first three years of the loan are based on the pay rate multiplied by the sum of (1) all disbursed amounts to date plus (2) the accrued amount at the end of the previous loan year. Beginning in the fourth and sixth loan year, the debt service payments will be based on all disbursements and accrued interest to date multiplied by the pay rate. There will be no further accrual after the fifth loan year.

This investment is also structured to allow the lender to share any excess cash flow after the debt service has been paid based on the lender's 50 percent participation in operations. Therefore, USF&G first receives debt service at the pay rate, and is then entitled to share in the residual cash flow. However like the CityCenter loan, USF&G's participation in operations does not offset accrued unpaid interest. Instead, the Lender receives its participation and accrues to principal the difference between the pay and coupon rates. This format enhances USF&G's return by (1) receiving a participation and recording the full accrual, (2) receiving a higher debt service payment, as debt service is paid on the accrued amount for the entire term of the loan, and (3) allowing USF&G to effectively receive a larger portion of the residual at sale, when compared to an offset type structure. USF&G will also receive 55 percent of the net sales proceeds as additional interest.



The economic holdback portion of the proposed mortgage contains a special feature which will protect USF&G's debt coverage ratio during the lease up period of the proposed mortgage. Due to Piedmont's recent experience with increasing expense stops in portfolio office buildings, the economic holdback in the Parkview loan is structured to be disbursed based on effective net operating income (compared to effective gross income). This feature will control USF&G's loan balance if expense stops are increased by the borrower during the lease-up phase of the transaction.

### **3. Investment Basis**

The participating mortgage amount for the proposed Parkview loan is \$40,250,000 or \$167.48 per rentable square foot. The initial funding of \$27,253,796 is scheduled to occur upon shell completion in the first quarter of 1990. The holdbacks for this loan will be funded over the first 30 months as leasing commissions are paid, tenant improvements are constructed and cash flow deficits are incurred. After 30 months from the initial funding date, the borrower will also be entitled to receive any savings (i.e. undisbursed funds) in the cash flow deficit holdback. The tenant improvement and leasing commission budget established for Parkview of \$18.00 and \$5.00 per rentable square foot, respectively, is based on Piedmont's review of the Oak Brook office market and should be sufficient to lease the building out at the projected rent and concession levels. If Trammell Crow achieves its proforma it will earn out a "developer profit" which is a \$1,630,000 portion of the economic holdback of \$3,580,000. If the Borrower is unable to obtain the lease rates required to earn this holdback or the lease-up period extends beyond the anticipated period, USF&G's basis in the property could be reduced to the point where Trammell Crow would have actual equity invested in the project.

It should be noted that due to the accrual feature in this loan, the Lender's actual loan basis will become higher than the total commitment amount, as discussed above in Section V-A.2. Special Deal Features. The accrual in this loan will increase USF&G's basis to \$42.3 million or \$176 per rentable square foot during the first five loan years.

## **B. VALUE ESTIMATE**

### **1. Introduction**

The proposed mortgage amount is based on the project's estimated construction and lease-up costs. Since a portion of the loan proceeds will be disbursed on the basis of actual costs and actual rental income, it is anticipated that both loan-to-value and debt service coverage ratios will be favorable. The debt coverage ratio is particularly high due to the phased pay rate. Despite the fact that there is no preleasing at Parkview, USF&G's exposure will be reduced due to its ability to enter into this transaction at the cost basis of the project.

## **2. Proforma Income and Expenses**

The proforma income for Parkview is estimated to occur at the end of the second loan year using a gross rental rate of \$25.00 per square foot with an expense stop of \$5.00. This results in a stabilized net operating income of \$4,506,000 (see Exhibit V-1). In a scenario in which the entire loan commitment amount of \$40,250,000 is disbursed, the initial debt service payment at a pay rate of 8.25 percent would be \$3,320,625. This results in a debt coverage ratio of 1.36. Parkview is projected to generate \$592,938 in additional interest from operations once the leasing is completed for the subject property. Therefore, the resulting cash return on the \$40,250,000 mortgage is expected to be 9.7 percent.

## **3. Preliminary Valuation Estimate**

Piedmont Realty Advisors estimated the preliminary value of the property by comparing the subject property to eight office building sales in suburban Chicago. The value estimate range in Exhibit V-2 is \$47,000,000 to \$50,000,000. The proposed loan amount of \$40,250,000 is 80.5 percent to 85.6 percent of the value estimate.

## **C. RETURN**

### **1. Cash Flows**

Piedmont Realty Advisors estimated the property's income to calculate the cash flow to USF&G during an investment holding period of 10 years. Income figures were based on the assumptions outlined in Exhibit V-3 for vacant space. It is estimated that USF&G will have an average annual loan balance of \$31.0 million during the first loan year and will receive debt service based on the pay rate of 8.25 percent (see Exhibit V-4). Base debt service stabilizes in year 4 and 5 and increases in year 6 due to the recouping of the mortgage. The cash flow from the property declines in years six and seven due to lease expirations, but increases to a level sufficient to pay the 9.25 percent interest rate on the loan in year eight and thereafter.

### **2. Returns at Sale**

The net residual value of the property was calculated by capitalizing the 11th year's net operating income at 9.00 percent and deducting the sum of (1) two percent selling expenses and (2) releasing costs for space rolling over in year 11. The gross estimated selling price of \$78.7 million is approximately \$327 per square foot and represents a 4.6 percent to 5.3 percent average annual increase over Piedmont's preliminary value estimate.

Piedmont Realty Advisors estimates that due to the phased pay rate, approximately \$2.05 million of accrued interest will be repaid at sale. This will provide USF&G with effectively 57.8 percent of the net proceeds of sale, after repayment of principal.

### 3. Yield Analyses

USF&G's base case internal rate of return for the proposed investment is 13.1 percent (see Exhibit V-5). This 13.1 percent yield is based on the assumptions outlined in Exhibit V-3 and the ten-year cash flows presented in Exhibit V-4. Piedmont evaluated alternative yields for the investment by increasing the proportion of retail leasing in the project as follows:

- (1) Assume one floor or 26,000 square feet of space leased to retail tenants effective in month 2 of the analysis at \$25.00 triple net with no free rent and budgeted tenant improvements and leasing commissions.
- (2) Assume an additional floor or 26,000 square feet of space leased to retail tenants effective in month 13 of the analysis at \$25.00 triple net with no free rent and budgeted tenant improvements and leasing commissions.

Piedmont also varied the capitalization rate under each scenario from 8 percent to 9 percent which is consistent with the sale comparables evaluated in Exhibit V-2. As shown in Exhibit V-5, USF&G's yield varies from 13.1 percent to 14.7 percent.

### D. RISK

The risks involved with this project are outlined below:

#### Risks:

#### Mitigating Factors

#### **Property:**

- (a) The air rights lease requires specific park improvements which will be constructed by the Park District. The value of the park as an amenity for the Parkview building is dependent on the City's proper execution of the park plan.

Trammell Crow has already contacted the Park District office and is coordinating the park construction with the construction of the office building. Trammell Crow is very focused on the importance of the park amenity to the project.

**Market Risks:**

- (a) The vacancy rate in the Tollway market has exceeded 20 percent for the last 2 years.

342,000 square feet will be added to the Tollway market in 1988 - down from 3.6 million in 1986 and 3.1 million in 1987. 450,000 square feet of space was absorbed during the first 3 months of 1988 with another 650,000 square feet of tenants negotiating for 1988 occupancy.

- (b) The urban core submarket will continue to exhibit high vacancy and rents must drop to compete with outlying Tollway markets.

Outlying markets are currently signing leases within 20 percent of the top rents quoted in the urban core. Historically the spread has been 30 to 35 percent. This factor has led to an increase in 1988 activity in the urban core. Parkview was underwritten based on the current market conditions in the urban core, although the building is scheduled for completion in early 1990.

**Borrower:**

- (a) The Trammell Crow office in Chicago was restaffed in late 1986. Although they have had considerable property management and leasing experience in Chicago, Parkview will be the Crow office's first Chicago office building.

Because Parkview is Crow's first Chicago office project it will have the personal involvement of the entire senior staff in the office division Jon Hammes, Craig Manske and Keith Lord and the retail division - Tim Barret and Jim Mackenbrock.

**Deal Structure:**

- (a) Due to the accrual feature of this loan, USF&G's basis in the property will exceed the actual disbursed amount for the entire loan term.

The risk of this structure is mitigated by this project's relatively low loan to value and relatively high debt service coverage ratios. The accrual feature, which Piedmont Realty Advisors projects will increase USF&G's basis to \$42.3 million which is still below 90 percent of Piedmont's estimate of the property's stabilized value.

**Sale:**

- (a) The proposed building will be a leasehold interest encumbered by a 99-year prepaid ground lease.

The presence of the lease will eliminate a limited number of buyers regardless of the remaining term at sale. However, there will be at least 77 years remaining on the lease at loan maturity. Considering the projects locational attributes, Piedmont believes that no discount should be applied to the sale price within the first 50 years of the ground lease.

**E. CONCLUSIONS AND RECOMMENDATIONS**

Parkview is a Class A institutional property in a market dominated by institutional owners. Piedmont believes the timing of the investment is excellent. The economics of the property are based on current market conditions and there is a good chance that Parkview's actual performance will exceed Piedmont's projections. The base case internal rate of return of 13.1 percent more than compensates for the identified risks and the lack of preleasing in the building.

We therefore recommend that the Real Estate Investment Committee of the United States Fidelity and Guaranty Company approve the issuance of a commitment for a leasehold first mortgage of \$40,250,000 for Parkview Office Plaza.

Exhibit V-1

PROFORMA INCOME AND EXPENSES  
PARKVIEW

Gross Income (1)	\$6,008,000
Less Vacancy @ 5%	<u>300,400</u>
Effective Gross Income	5,707,600
Less: Expense Stops (2)	<u>1,201,600</u>
Net Operating Income	4,506,000
Less: Base Debt Service (3)	<u>3,320,625</u>
Cash Flow	\$1,185,375
Indicated Debt Coverage Ratio @ 8.25%	1.36
Indicated Debt Coverage Ratio @ 9.25%	1.21

- 
- (1) 240,322 net rentable square feet @ \$25.00 gross.  
(2) 240,322 net rentable square feet @ \$5.00 PSF.  
(3) \$40,250,000 @ 8.25% interest rate.

Source: Piedmont Realty Advisors.

Exhibit V-2

VALUE ESTIMATE  
PARKVIEW

Piedmont Realty Advisors reviewed 14 office building sales which occurred in suburban Chicago since 1979. Eight comparable sales were chosen based on construction quality and location within each comparable sale's respective submarket (see Exhibit V-2A and V-2B). All eight sales were adjusted by the actual change in the CPI to calculate a March, 1988 time adjustment. The sales comparables were then ranked in order of comparability and the following value range for Parkview was estimated:

**\$47,000,000 - \$50,000,000**



Exhibit V-2A  
COMPARABLE SALES RANKING  
PARKVIEW

Map No.	Building Name	Year Completed	Site (Sq. Ft.)	Sale Date	Price/ Sq. Ft. (1)	Cap Rate	Comments
	SUBJECT	1990	240,322	N/A	\$195/\$200	9.0%	
1	Columbia Center I	1985	218,269	12/87	\$191.00 (2)	8.0%	USF&G was a partner.
2	Citicorp Savings	1979	100,000	2/84	\$167.79	7.5%	Good building.
3	Commerce Plaza	1974	450,000	5/82	\$149.76	7.1%	Undergoing rehab.
4	The Crossings	1985	318,594	12/85	\$175.72 (2)	8.5%	Presale to Mitsui when building was 35% leased.
5	Regency Towers	1975	372,000	5/79	\$142.10	8.4%	Good upside when Spiegel lease 270,000 square feet expires in 3/92.
6	Transam II	1985	118,700	11/85	\$157.43	8.8%	Presale to TCW when building was 50% leased.
7	711 Jorie	1979	210,000	7/84	\$139.66	8.0%	67,000 square feet of basement spaced leased at \$6.00 net.
8	Oak Brook Int'l. IV-VII	1978	315,000	2/81	\$133.97	7.1%	Part of a Grade B park with Grade A location.

NOTE: The sales are ranked based on comparability. The subject property is superior to all comparables. Sale number 1 is the most comparable property, sale number 8 is the least comparable property.

(1) All sale prices were adjusted for time of sale by applying the actual change in the CPI to the actual net sales price.

(2) These sales have been adjusted downward because they involved master leases which reduced the gross selling price. The actual total was known at Columbia Center Phase I. The total net liability for The Crossings was estimated by the Vantage Company.

Sources: Coldwell Banker;  
Terrance O'Brien, MAI;  
Frank Karth, MAI;  
Vantage Company;  
Piedmont Realty Advisors.



**Exhibit V-3**

**CASH FLOW ASSUMPTIONS  
PARKVIEW**

<b>Initial Lease-Up</b>		<b>Operating</b>	
Market Contract (PSF)	\$22.50 - 26.00	% Market Growth	5%
Market Effective (PSF)	\$19.00 - 20.50	CPI in Lease	2% Annual
Free Rent (% of term)	10-20%	Building Rental Growth	5%
Other Concessions	\$2-\$5/SF T.I.	Vacancy Rate	5%
Building Contract (PSF)	\$24.00	Sales Growth Rate (Retail)	
Building Effective (PSF)	\$20.00	Vacancy at Release (mos)	2
Time to Lease-Up (mos.)	18	Tenant Refits (PSF)	
Contract Lease-Up Increase	0%	2nd Generation	\$5
		3rd Generation	\$10
Effective Lease-Up Increase	0%	Leasing Commissions (%)	3.75%
		Expenses (PSF)	\$5.00
<b>Sale</b>			
Value Assumptions	9.0% Cap	Selling Expenses	2.0%
<b>Loan Information</b>			
Investment Amount	\$40.25M	Holdbacks	
Interest Rate (%)	9.25%	T.I.	\$18/SF
		Leasing Commission	\$5/SF
Pay Rate (%)	8.25% (1-5)	Economic	\$3,580,000
	9.25% (6-10)	Interest	\$3,888,800
Cash Flow Offsets	No	Lender % of NOI Operations Cash Flow	50%
Amortization Schedule	None	Lender % of Sale	55%
Term	20		

Note: (1) Expenses in year 1 and 2 were run at \$5.00 PSF and \$5.25 PSF respectively.  
 (2) No parking income assumed.



**Exhibit V-5**  
**YIELD ANALYSIS**  
**PARKVIEW**

	<u>Cap Rate</u>		
	<u>9.0%</u>	<u>8.5%</u>	<u>8.0%</u>
Base Scenario	13.1%	13.4%	13.7%
Retail 1 Floor	13.3%	13.7%	14.0%
Retail 2 Floors	13.6%	13.9%	14.7%

**Source: Piedmont Realty Advisors**