

ROCKFORD OFFICE/INDUSTRIAL SPACE MARKET

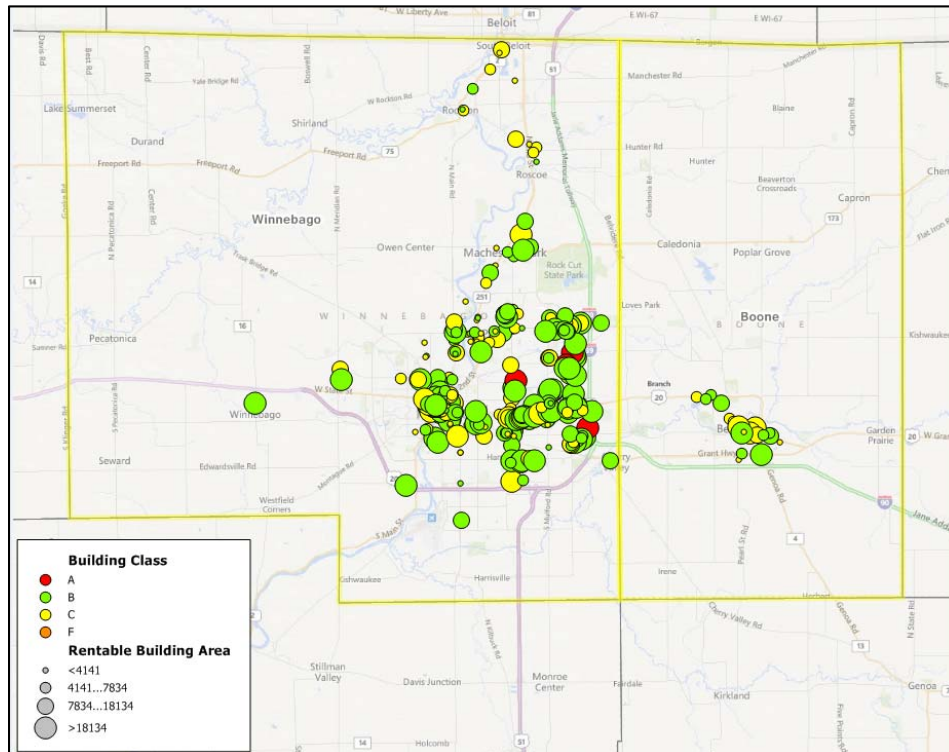
HIGHLIGHTS

- Moody’s Analytics is forecasting Rockford metro area (Boone, Winnebago, Ogle and Stephenson Counties) quarterly total job growth to remain just below the U.S. economy’s average growth rate between year-end 2014 and year-end 2016.
- Among the strongest employment sectors forecast by Moody’s Analytics are Construction, Professional & Business Services and Wholesale Trade. Even the large Manufacturing sector is exhibiting moderate growth.
- 1st quarter 2015 average vacancy rate was 16.8% for office space and 12.1% for industrial space.
- The average office rent has continued to recover since early 2013; the average industrial rent has been recovering since the 3rd quarter of 2013.
- At the end of the 1st quarter 2015, the average per square foot rent for office space was \$14.67, gross, and \$3.40 per square foot, triple net, for industrial space.

METRO ROCKFORD OFFICE MARKET

The Rockford metro office market (Boone and Winnebago Counties) contains 6.5 million square feet of office space and exhibited a vacancy rate of 14.4% at the end of the 1st quarter. The average office rent was \$14.67 per square foot, gross.

METRO ROCKFORD OFFICE BUILDINGS



Sources: CoStar Group and Real Estate Counselors International, Inc.
 Note: Buildings with 2,000 square feet or more.

The Rockford metro office market vacancy rate declined over the past four quarters for all office buildings, but increased slightly for the small group of Class A Buildings. The average asking rent for all office buildings and Class A buildings has increased by nearly 3% over the last four quarters.

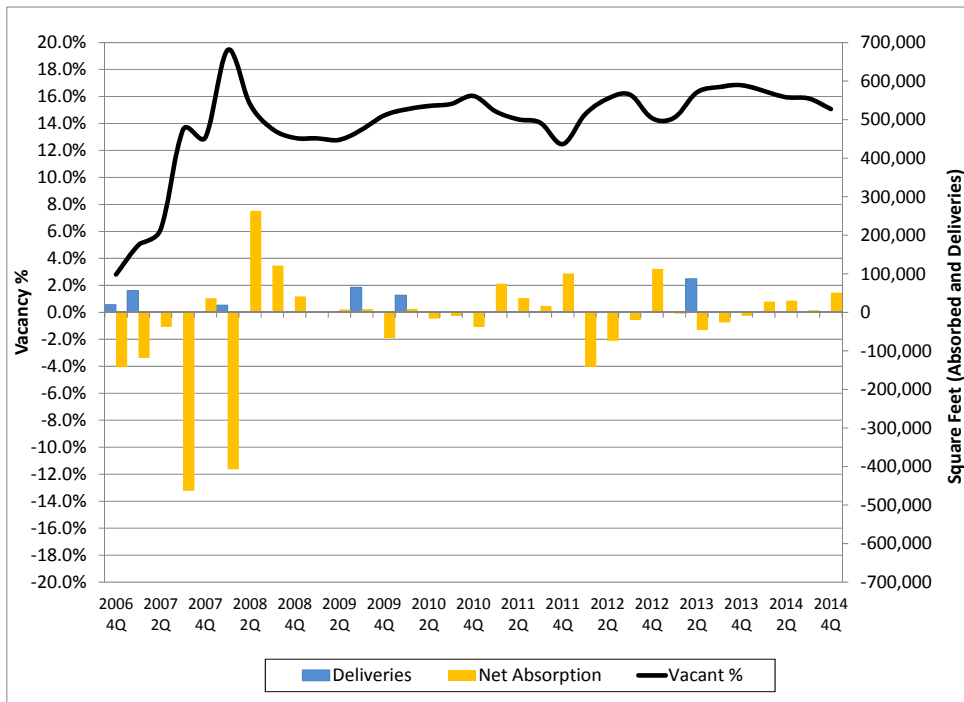
ALL OFFICE AND CLASS A OFFICE BUILDINGS (1)

Variables	All Office Buildings	Class A Buildings
Number of Properties	391	5
Total Net Rentable Square Feet	6,494,339	287,632
Vacancy Rate, Q1 2015	14.40%	17.40%
Vacancy Rate, Q1 2014	16.04%	17.30%
Basis Point Change in Vacancy Q1 2014 - Q1 2015	-164.00	10.00
Asking Rent Q1 2015	\$14.67	\$20.09
Asking Rent Q1 2014	\$14.26	\$19.54
% Change in Asking Rent Q1 2014 - Q1 2015	2.88%	2.81%

Sources: CoStar Group and Real Estate Counselors International, Inc.
 (1) Buildings containing 2,000 square feet or more.

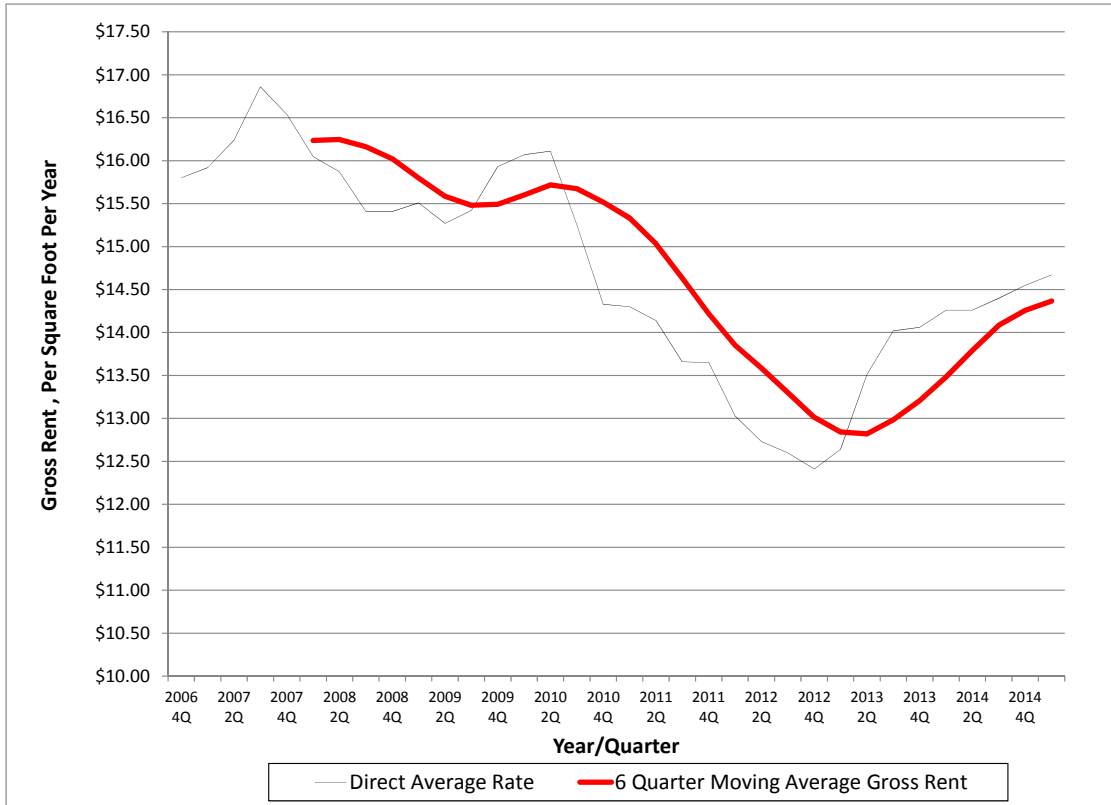
HISTORICAL OFFICE SPACE MARKET SUPPLY AND DEMAND

Office vacancy rates spiked even prior to the Great Recession and then subsided to a relatively stable level with a slightly increasing trend from the 2nd quarter 2008 through the 4th quarter 2013. The highest vacancy rate was 19.8% at the beginning of 2008, which later settled into a range between 12.5% reached in the 4th quarter 2011 and 16.8% reached during the 4th quarter 2013.



Sources: CoStar Group and Real Estate Counselors International, Inc.

The average office rent began declining in late 2007 and continued to decline until late 2012 when the average rent bottomed out at \$12.41 per square foot. The average office rent has continued to recover since that time, reaching \$14.67 per square foot during the 1st quarter 2015. The average rent, though, has not yet returned to the \$16.50 to \$17.00 per square foot rate achieved in the 3rd quarter 2007, just before the average rental rate began to decline.

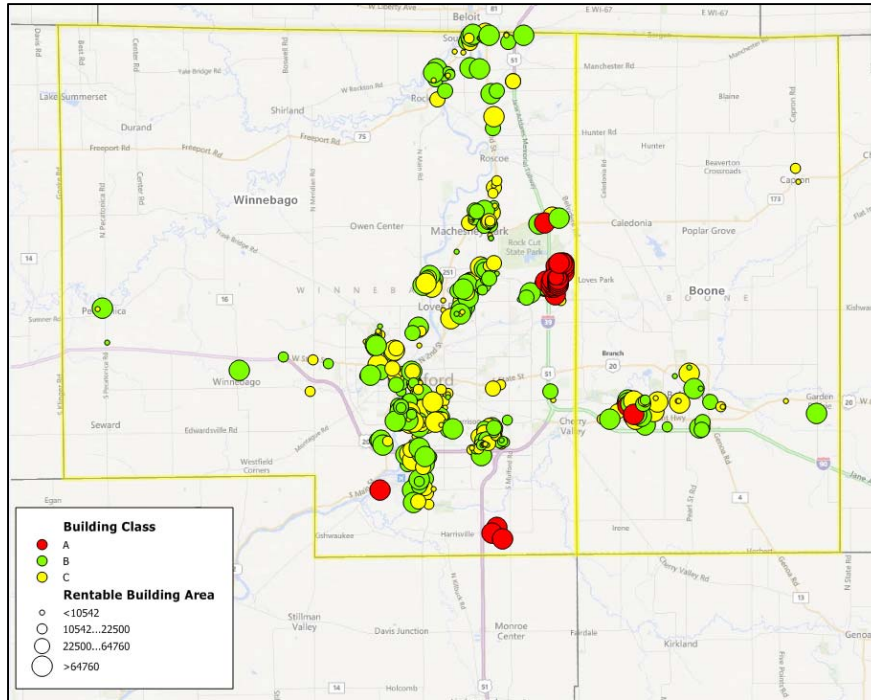


Sources: CoStar Group and Real Estate Counselors International, Inc.

METRO ROCKFORD INDUSTRIAL MARKET

The Rockford metro market has 26.5 million square feet of industrial space and exhibited a vacancy rate of 12.1% at the end of the 1st quarter. The average industrial rent was about \$3.40 per square foot, triple net, at the end of the 1st quarter 2015.

METRO ROCKFORD INDUSTRIAL BUILDINGS



The Rockford metro industrial market vacancy rate declined over the past four quarters for all industrial buildings, but increased for the small group of Class A Buildings. The average asking rent for all industrial buildings increased by over 4%, according to CoStar, over the last four quarters.

ALL INDUSTRIAL AND CLASS A INDUSTRIAL BUILDINGS (1)

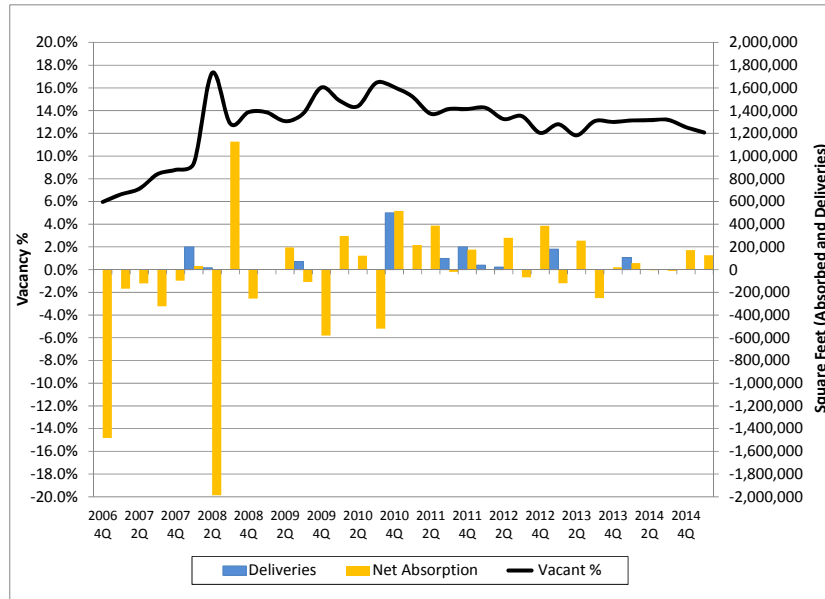
Variables	All Industrial Buildings	Class A Buildings
Number of Properties	495	8
Total Net Rentable Square Feet	26,475,744	945,614
Vacancy Rate, Q1 2015	12.10%	3.20%
Vacancy Rate, Q1 2014	13.10%	0.00%
Basis Point Change in Vacancy Q1 2014 - Q1 2015	-100.00	320.00
Asking Rent Q1 2015	\$3.41	NA
Asking Rent Q1 2014	\$3.26	NA
% Change in Asking Rent Q1 2014 - Q1 2015	4.60%	---

Sources: CoStar Group and Real Estate Counselors International, Inc.

(1) Buildings containing 4,000 square feet or more.

HISTORICAL INDUSTRIAL SPACE MARKET SUPPLY AND DEMAND

Industrial vacancy rates spiked during the Great Recession at 17.3% in the 2nd quarter 2008. Since that time vacancy rates have fluctuated from 16.4% in the 3rd quarter of 2010 to 11.8% during the 2nd quarter of 2013 with the general trend moving toward lower vacancy since the recession ended.



Sources: CoStar Group and Real Estate Counselors International, Inc.

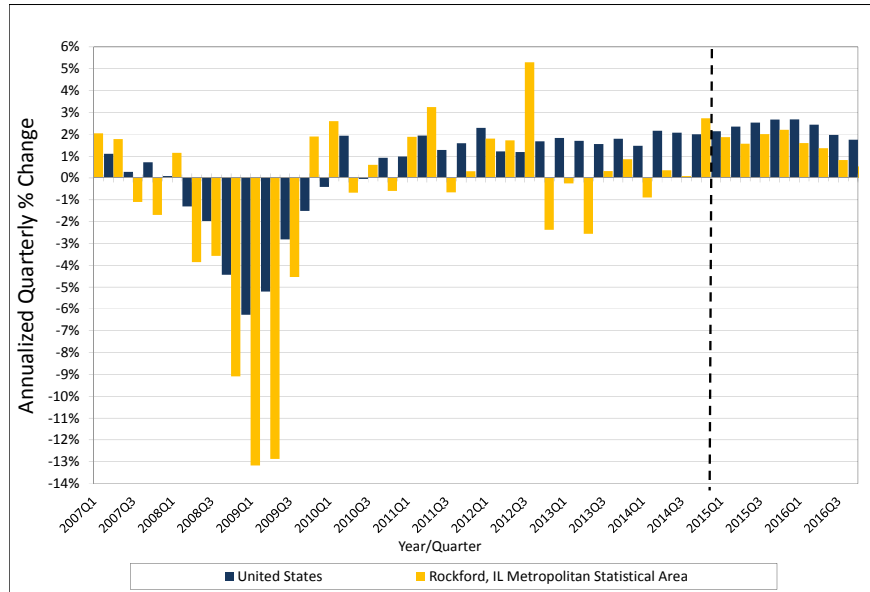
Rockford’s average industrial space rent began declining in the 1st quarterly of 2008 and hit bottom during the 2nd quarter of 2008. Since that time, the average industrial rent has been increasing with the exception of 2012 and 2013. Since the 3rd quarter of 2013 rents have been recovering and at least surpassed the average industrial rent in 2011.



Sources: CoStar Group and Real Estate Counselors International, Inc.

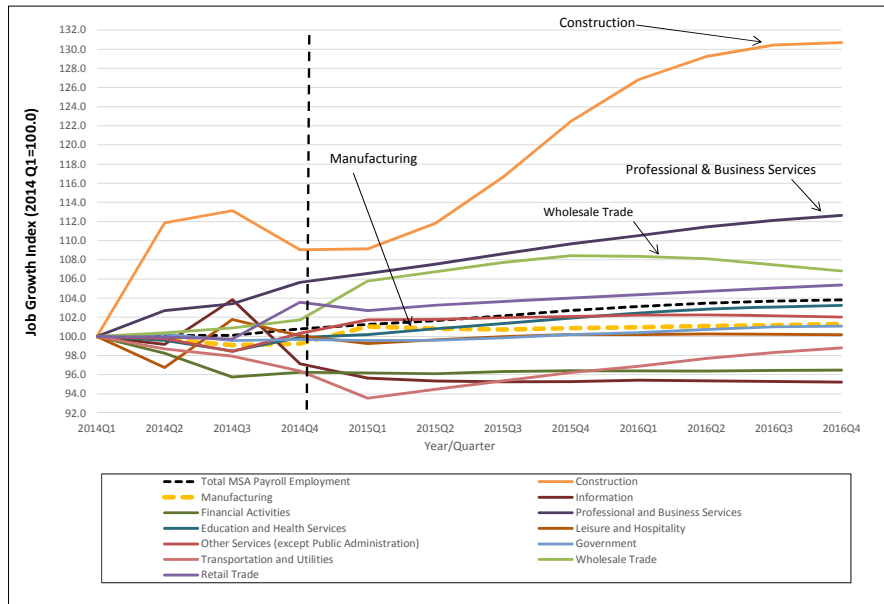
ECONOMIC/EMPLOYMENT CONDITIONS AND OUTLOOK

After the Great Recession, employment growth returned to the Rockford metro market (4th quarter of 2009). Since that time, employment has continued to grow in 13 of the last 20 quarters. Moody’s Analytics is forecasting metro area quarterly total job growth to remain just below the U.S. economy’s average growth rate between year-end 2014 and year-end 2016.



Sources: U.S. Bureau of Labor Statistics, Moody’s Analytics and Real Estate Counselors International, Inc.,

Among the strongest employment sectors forecast by Moody’s Analytics are Construction, Professional & Business Services and Wholesale Trade. Even the large Manufacturing sector is growing, though more slowly than many other sectors.



Sources: U.S. Bureau of Labor Statistics, Moody’s Analytics and Real Estate Counselors International, Inc.,

WHO WE ARE

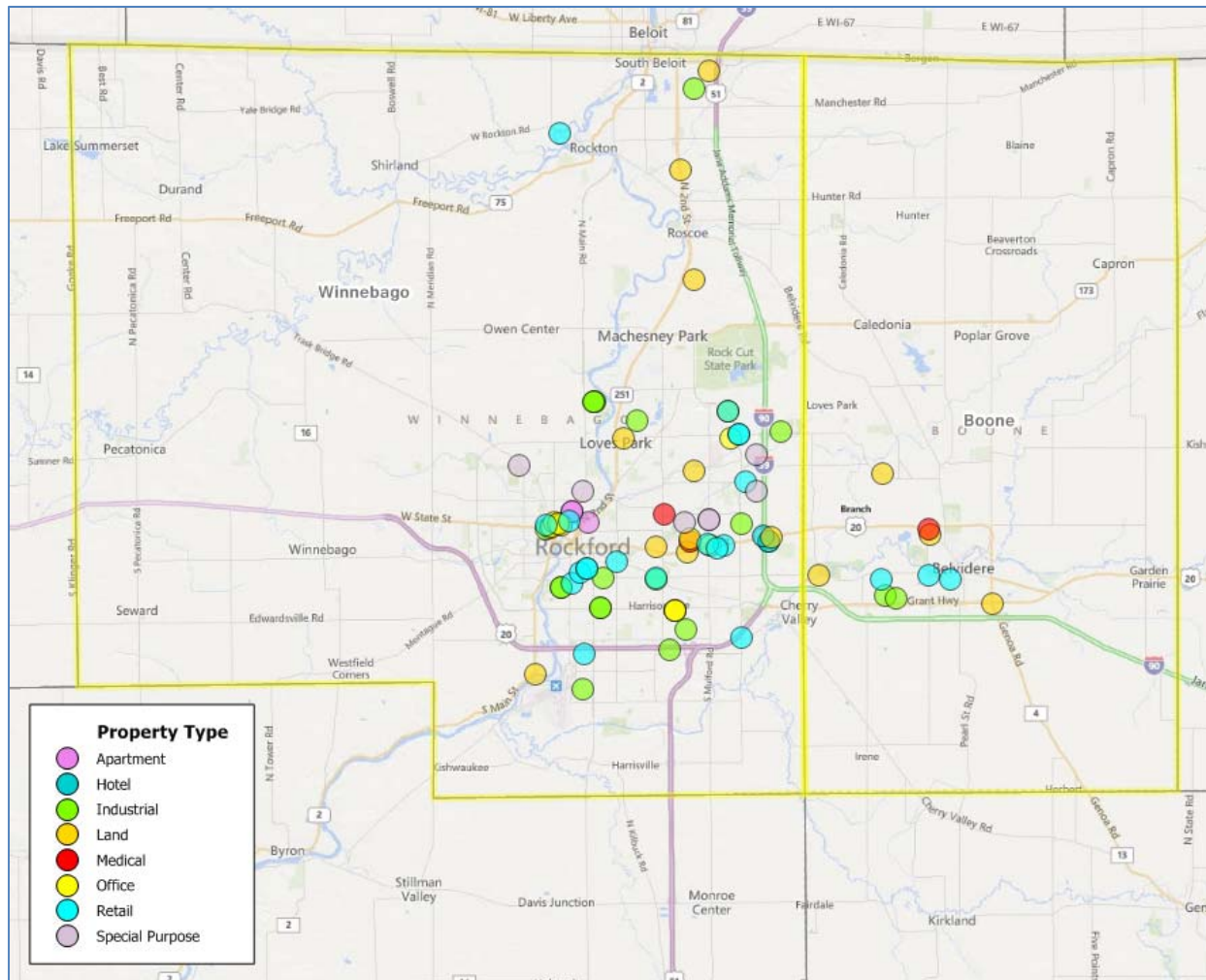
We have long-term relationships with financial institutions, investors, developers, major corporations, government agencies, and other public and private concerns. Our appraisers and counselors have been awarded MAI and CRE designations and are regarded as ethical and trusted professionals. Among our specialties are:

- Property Appraisals
- Disposition Pricing
- Portfolio Valuations
- Fair Market Value Rent Studies
- Forensic Due Diligence/Evaluations
- Litigation Support/Dispute Resolution
- Acquisition Due Diligence
- Market Feasibility Analysis

RECI is an independently owned, commercial real estate valuation and consulting company headquartered in Chicago, Illinois. With roots to 1935, we have earned the reputation as a full-service firm known for our ability to perform high level, complex projects.

RECI undertakes engagements on a national basis. We subscribe to national demographic, economic and property sales databases, including databases of CoStar Realty Information Inc.

RECENT APPRAISALS & OTHER ENGAGEMENTS PERFORMED IN THE ROCKFORD MARKET



For more information, please contact: **Robert A. Wilson, MAI** at **312.332.4000 X105**
rwilson@reci.biz

