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Hilco Valuation Services

Hilco Real Estate Appraisal, LLC

Valuation of

Franciscan Alliance, Inc.

211 Dixie Highway
Chicago Heights, Cook County, Illinois

Report Date: January 12, 2018
As of: January 8, 2018

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Hilco™
Real Estate Appraisal

January 12, 2018

Mr. Steve Waryas
Chief Credit Officer
First Bank & Trust Company of Illinois
300 East Northwest Highway
Palatine, Illinois 60067

Re: Appraisal of Real Property
Franciscan Alliance, LLC
211 South Dixie Highway
Chicago Heights, Cook County, Illinois

Dear Mr. Waryas:

Hilco Real Estate Appraisal, LLC is pleased to transmit our appraisal estimating the *market value* of the leased fee interest in the above-referenced property. The extent of the appraisal process is complete in that the *Sales Comparison and Income Capitalization Approaches* are utilized. In our opinion, these two approaches are the most appropriate given the nature of the property appraised and the exclusion of the *Cost Approach* does not compromise the credibility of the results.

The findings, conclusions and opinions are presented in this restricted report format, which contains only a brief presentation of the properties, data, analyses and conclusions.

This restricted report is only for the use of the client. The appraiser's opinions and conclusions set forth in the report contain only a brief description of the properties, but additional information is retained in the file that may be needed to understand the conclusion. The client agrees that the analysis and limited reporting is sufficient considering the intended use of the appraisal, which is for internal use only and not for collateral valuation.

The report is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the 2018-2019 Uniform Standards of Professional Appraisal Practice (USPAP). The report conforms to Title XI of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

This report was prepared for First Bank & Trust Company of Illinois (Client) and is intended only for their specified use for internal decision-making purposes. The report is not intended for distribution to or reliance upon by other persons or entities. The appraisal was developed consistent with the scope specified by First Bank & Trust Company of Illinois and agreed upon by the appraiser(s).

John C. Satter, MAI, GAA inspected the subject property on September 18, 2017 and prepared the report. Hilco Real Estate Appraisal, LLC has provided prior appraisal services of the subject property in July 2012, July 2013, July 2015, June 2016, and September 2017.

The value opinions set forth in the attached report are qualified by certain assumptions, limiting conditions, certifications and definitions, all of which are set forth in the report.

Thank you for the opportunity to provide the outlined services. We look forward to working with you again in the near future.

Respectfully submitted,

HILCO REAL ESTATE APPRAISAL, LLC

John C. Satter, MAI, GAA
Managing Director | Midwest Region
Hilco Real Estate Appraisal, LLC
IL Certified General Appraiser No. 553.001110
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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Name:	Franciscan Alliance, LLC
Location:	211 South Dixie Highway Chicago Heights, Cook County, Illinois
General Overview:	The subject property currently consists of a one-story, masonry constructed, freestanding office building built in 1975 and renovated in 2006/2007. The subject has a gross building area of 51,524 square feet and was originally constructed as a grocery store, but has since been converted to medical office use by the tenant. The building and interior build out are in above average condition.
Interest Appraised:	Leased Fee Interest
Effective Date of the Appraisal:	January 8, 2018
Date of the Report:	January 12, 2018
Date of Inspection:	January 8, 2018
Zoning:	B-2, Limited Service Business District
Highest and Best Use	
As Vacant:	Commercial Development
As Improved:	Current Use, Office
Value Indicators	
Sales Comparison Approach	$4,200,000
Income Comparison Approach	$3,900,000
Market Value Conclusion	**$4,000,000**
Exposure Time	12 Months
Use Restriction	***This restricted report is only for the use of the client. The appraiser's opinions and conclusions set forth in the report contain only a brief description of the properties, but additional information is retained in the file that may be needed to understand the conclusion. The client agrees that the analysis and limited reporting is sufficient considering the intended use of the appraisal, which is for internal use only and not for collateral valuation. The client is not providing financing for the property identified.***

Orderly Liquidation Value	**$3,200,000**
Marketing Time	6 Months

Liquidation Value.
The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms. (Dictionary of Real Estate Appraisal, Sixth Edition)

We have estimated the value of the subject property based on an exposure period of six months in an *orderly liquidation* scenario. As shown in the report, we estimate under normal market conditions that the property will require 12 months to sell. The *orderly liquidation* scenario assumes the property will sell in six months. The reduced marketing period will limit the number of potential purchasers and adversely impact the sale price.

Based on input from area real estate professionals, as well as Hilco Real Estate's experience marketing assets within a reduced time frame, we estimate that sale of the property within a six month time frame could be achieved at approximately 80 percent of our *market value* estimate. The reduction in value essentially reflects the fact that the assumption is made that the seller is highly motivated to sell the property within a 180 day time frame and will accept a much lower offer.

The *orderly liquidation value* differs from market value in that: 1.) the assumption is made that consummation of a sale will occur within a limited future marketing period specified by the client, and 2.) the seller is under compulsion to sell. The reported difference in value in the valuation approaches reflects our opinion as to the applicable discount for the changed conditions of sale.

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Identification of Property

The subject improvements consist of a one-story, 51,524 square foot freestanding building with an asphalt-paved surface parking lot. The brick constructed building was built in 1975 and renovated in 2006/2007. The subject is in above average condition.

The improvements are situated on an irregularly-shaped parcel totaling 250,470 square feet, or approximately 5.75 acres.

The subject address is 211 South Dixie Highway, Chicago Heights, Cook County, Illinois. The subject property is further identified by the Cook County Assessor's Office as parcel number 32-17-131-009-0000.

Property Ownership and Recent History

To our knowledge, the property is under the ownership of CG Allied LLC. The subject property is currently listed for sale according to CoStar for an undisclosed amount. To our knowledge, there have not been any market-oriented transactions involving the subject property during the three years preceding the effective date of this appraisal.

Purpose and Intended Use of the Appraisal

The purpose of this appraisal is to estimate the *market value* of the leased fee estate in the subject properties as of January 8, 2018, the date of our exterior inspection. This report was prepared for First Bank & Trust Company of Illinois (Client) and is intended only for their specified use for internal decision-making purposes.

The client agrees that the analysis and limited reporting is sufficient considering the intended use of the appraisal, which is for internal use only and not for collateral valuation. The client is not providing financing for the properties identified.

The report is not intended for distribution or reliance upon by other persons or entities without written permission from Hilco Real Estate Appraisal, LLC. The appraisal was developed consistent with the scope specified by First Bank & Trust Company of Illinois and agreed upon by the appraiser(s).

Extent of the Appraisal Process (Scope of Work)

In the process of preparing this appraisal, the appraiser(s):

- Reviewed our prior appraisals of the property.
- Inspected the exterior of the existing building and site improvements. Our inspection was conducted for purposes of evaluating the physical characteristics and general condition of the site and building improvements.
- Conducted market inquiries into recent sales of similar facilities to ascertain sales price per square foot for the improved properties. We have not completed inspections of the comparable sales, but have relied upon available data and/or discussions with real estate professionals familiar with the properties.
- Conducted market inquiries into rental rates for similar commercial buildings to estimate an appropriate potential gross income for the subject. Deducted appropriate vacancy and collection loss and operating expenses to estimate the stabilized net operating income for the subject. Converted net operating income into value by capitalizing at an appropriate overall capitalization rate.

- Prepared *Sales Comparison Approach* and *Income Capitalization Approach* to value.

Data Verification

In the course of verifying data used in the appraisal, we rely upon published sources and/or discussions with real estate professionals. Data verification involves telephone interviews with sellers, buyers and/or participating brokers and/or searching online sources including Costar Group, Loop Net, MRED MLS, county records, and other internet-based sites, in addition to discussion with representatives familiar with the properties and/or transactions, information from previous appraisals we have completed, data provided by other appraisers or real estate professionals.

Competency Provision

We are aware of the competency provision promulgated by the USPAP, and the authors of this report meet the standards as: i.) the appraisers have knowledge and experience in the nature of this assignment and have experience with similar properties throughout the United States; ii.) necessary steps have been taken in order to complete the assignment competently; and iii.) there is no lack of knowledge or experience that would prohibit this assignment to be completed in a professional and competent manner or where a biased or misleading opinion of value would be rendered.

Date of Value and Property Inspection

The date of value and the date of inspection are September 18, 2017. John C. Satter, MAI inspected the exterior of the building and site improvements on that date. John C. Satter, MAI, previously appraised the subject property in July 2012, July 2013, July 2015, June 2016, and September 2017.

Property Rights Appraised

We have appraised the leased fee interest.

Definitions of Value, Interest Appraised, and Other Pertinent Terms

The definition of **market value** as applied in this report is from Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as adopted August 24, 1990, and is defined as:

> "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is consummation of a sale as of a specified date and passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and acting in what they consider their best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (*Dictionary of Real Estate Appraisal, Sixth Edition)*

Leased Fee Estate

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (*Dictionary of Real Estate Appraisal, Sixth Edition)*

Stabilized Occupancy

An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent. *(Dictionary of Real Estate Appraisal, Sixth Edition)*

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy. (*Dictionary of Real Estate Appraisal, Sixth Edition)*

Exposure Time and Marketing Period

Exposure Time and Marketing Period are defined in the *Dictionary of Real Estate Appraisal, Sixth Edition (2015)*, published by the Appraisal Institute and are defined as follows.

> **Exposure Time**
> 1 The time a property remains on the market. 2. [The] estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 Ed.)
>
> **Marketing Period**
> An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)

In determining the appropriate exposure and marketing times for the subject property, we have considered national, regional and local trends for industrial real estate. We have considered the national investor survey published by *PwC* (PricewaterhouseCoopers) for average marketing times that range 2-12 months with an average of 5.8 months and under eight months for the past year. Average marketing times have been trending lower the past year given a lack of supply growth and declining vacancy in the sector. We note that the survey information reflected in the foregoing chart relates to investment grade properties, which are generally newer facilities, located in metropolitan areas. The subject is located in the primary Chicago MSA but has other risk factors including competition from new supply and other factors described throughout this report that would impact marketing time.

To determine marketing period trends within the subject's local and regional area, we have considered the marketing times for comparable sales and listings (less than three months to two years), as well as considered insight from local market participants. Based upon the foregoing and considering the physical and economic characteristics of the subject as more completely described throughout this report, a marketing period of 12 months is concluded for the subject property as is. As marketing periods have been relatively stable the past year, we conclude a 12 month exposure period for the subject property.

The exposure time estimate reflects the activity that has existed for properties in recent periods whereas the marketing time estimate is subject to variation depending upon evolving events and unforeseen changes in the economy or marketplace. The price that may be achieved in the future at the end of the marketing period may or may not be equal to the current appraised value estimate, depending on potential changed in the physical real estate, demographic and economic trends, the real estate market and the effectiveness of the marketing program, among other factors.

REGIONAL MAP AND DISCUSSION

Introduction

The subject property is located in the Chicago-Gary-Kenosha Consolidated Metropolitan Statistical Area (CMSA). This area has the third largest population in the U.S., behind Los Angeles and New York. The CMSA includes 10 northeastern counties in Illinois, two northwestern counties in Indiana, and one southeastern county in Wisconsin.

The subject property is within a six-county (Illinois only) geographic portion of the CMSA called the Northeastern Illinois Counties Area (NICA) – an area defined by the Northeastern Illinois Planning Commission. The NICA counties are Cook (including the City of Chicago), DuPage, McHenry, Kane, Lake, and Will. These six counties encompass a total of 3,724 square miles and 208 of the suburban communities around Chicago. The six NICA counties, with the City of Chicago roughly at their geographic center, form an interlocking economic structure. Economic growth in the NICA has occurred in a radial pattern emanating outward from the city along major arterial routes, waterways, and rail lines.

The following presented economic and statistical data is provided by Economy.com.

Key Comparisons and Projections

The following information is taken from the previously presented economic and statistical data provided Economy.com as of October-November 2017. The subject is in Cook County, IL, which is part of the Chicago-Naperville-Arlington Heights, IL MSA as determined by Economy.com.

UNITED STATES	MIDWEST	CHICAGO
Total Employment		
146,400,000	32,783,000	3,736,200
Employment Change %		
1.5	1.0	0.6
Unemployment Rate %		
4.4	4.2	4.7
Personal Income Growth		
3.3	2.8	2.8
Strengths		
• Very productive workforce. • Labor market that attracts skilled and unskilled immigrants. • High innovation and entrepreneurship. • Mobile labor force, flexible labor system.	• Less income inequality than other regions. • Deep pockets of specialized expertise. • Higher export growth than other regions. • Low business costs, especially for energy. • High housing affordability.	• More firms seek headquarters downtown • Congress passes major infrastructure bill, leading to more investment in critical transportation assets.
Weaknesses		
• Many labor market nonparticipants. • Large budget, current account deficits. • Skewed income and wealth distribution. • Polarized and fractured political system.	• Below-average population growth, including persistent out-migration. • State and local budgetary pressures. • Exposure to weak farm industry.	• City of Chicago's budget troubles worsen. • Housing provides less support. • Apartment glut develops. • High crime rate deters would-be in-migrants.

National Outlook

"U.S. lawmakers have finally taken up tax reform in earnest. The debate and deliberations will rage over the next few months, and we should know by early next year if and how the tax code will change. The administration and Republican congressional leadership have proposed a broad set of changes to the corporate and personal income tax codes, including tax cuts and revenue raisers. While the proposal is light on many important details, it would add significantly to future budget deficits and the nation's debt load, even after accounting for any economic benefits.

Republican boosters of the tax proposal argue that it will significantly increase economic growth. The most common refrain is that it will lift real GDP growth closer to 3% per annum from the approximately 2% that has prevailed during the current expansion. They also argue that this additional growth will generate roughly enough additional tax revenue for the plan to pay for itself: So-called supply side effects from the tax cuts would be so large that on a dynamic basis after accounting for the bigger economy the plan will not add to the nation's deficits and debt.

The plan will also significantly exacerbate the nation's fiscal problems. On a static basis ignoring the impact of the tax cuts on the economy and thus tax revenues the tax plan will cost taxpayers more than $2.4 trillion over the next decade. On a dynamic basis, the price tag is not much different. While there are economic benefits on revenues from the lower marginal rates, they are not sufficient to pay for the cuts. Government borrowing thus increases, causing interest payments on the accumulating debt to rise. The added interest payments offset the economic benefits on revenues.

There are aspects of the tax plan that are difficult to model and quantify: Some add to economic growth, and others detract from it, but on net these largely cancel each other out. Moving from a global to a territorial system will stop inversions by U.S.-based multinationals, ensuring more headquarters stay here. Limiting the deductibility of interest payments would also curb businesses' use of debt to finance their activities a plus. The plan does not just fail to lift economic growth while it adds significantly to the nation's fiscal problems. It also is politically unpalatable. The brouhaha over eliminating the state and local income tax deduction, the principal source of additional tax revenue in the plan, has even forced some of the authors of the legislation to step back from it.

Tax reform is necessary. But to boost economic growth on a sustained basis, it must be dynamically deficit-neutral, particularly when the economy is operating at full employment, as it is today. This is very difficult to do. It is increasingly difficult to see the Trump administration and Congress getting it done." [1]

Midwest Region Outlook

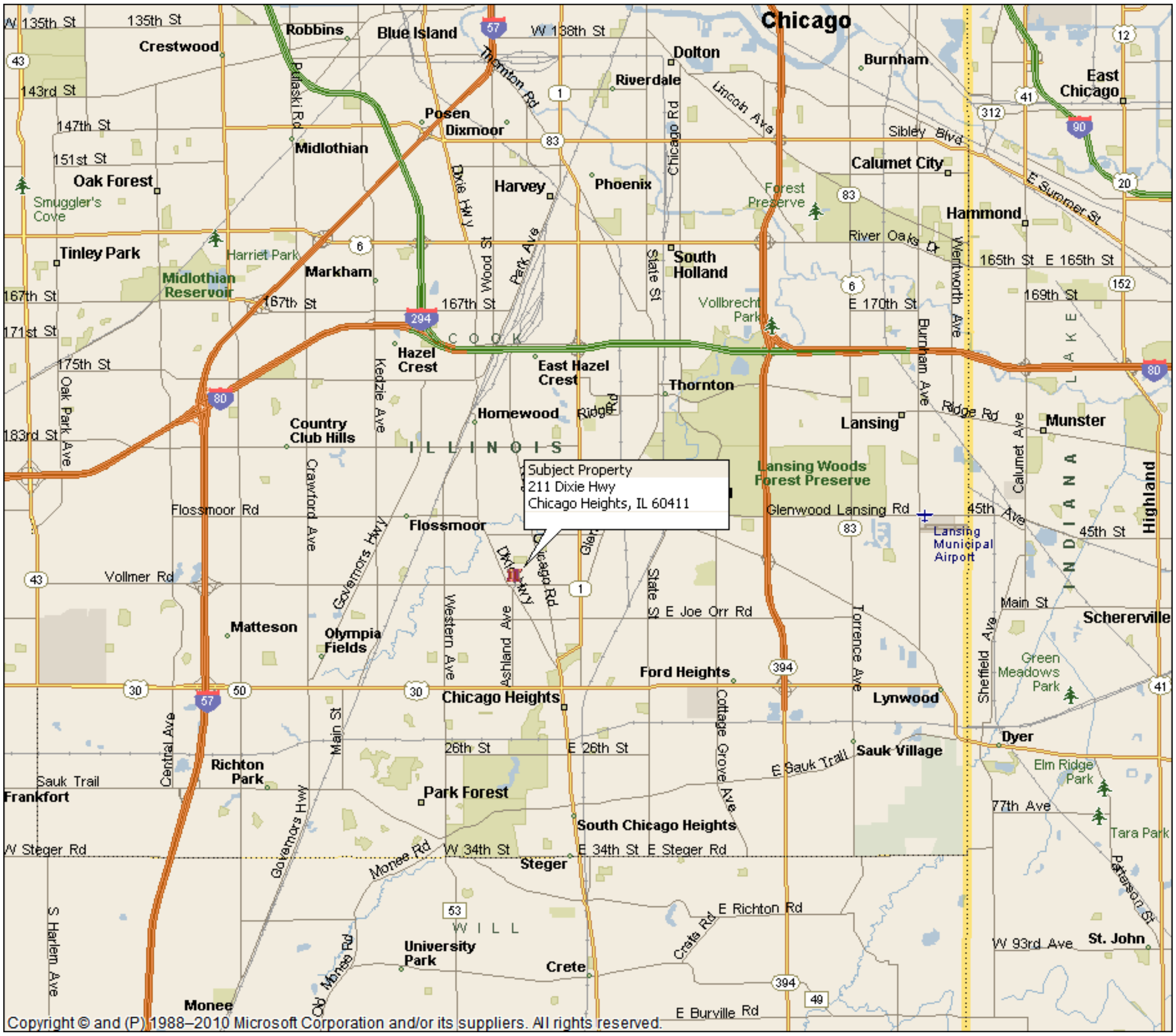
"Slow and steady will be the name of the Midwest's game for the duration of the business cycle. Diminishing labor market slack will constrain job gains and push wages higher. Longer term, the Midwest will underperform the nation in most economic metrics primarily because of weaker population trends."[2]

Local Area Outlook

"Chicago-Naperville-Arlington Heights will lose its edge over the rest of Illinois in coming quarters, but professional services will be the labor market's workhorse. Downtown Chicago will enjoy the bulk of the gains, with slower growth in areas outside of the city. Long term, CHI will underperform as fiscal crises and related population declines limit its potential."[3]

[1] *Precis: Metro October 2017 Moody's Economy.com*
[2] *Precis: Metro October 2017 Moody's Economy.com*
[3] *Precis: Metro November 2017 Moody's Economy.com*

LOCAL MAP AND DISCUSSION



LOCAL AREA ANALYSIS

Introduction

The subject property is in the City of Chicago Heights and located along Dixie Highway on the southeast corner of the intersection of Vollmer Road and Dixie Highway. The City of Chicago Heights is in Bloom Township, Cook County, Illinois. Surrounding cities include Tinley Park, Orlando Park, Homewood, and East Chicago. Chicago Heights is located 30 miles south of Chicago's downtown.

The subject property is adjacent to the closed St. James Hospital, which formerly operated as a Well Group Health Partners facility, a provider of medical and health services. The immediate area has a balance of commercial, retail, and residential land uses. The subject neighborhood boundaries are Vollmer Road to the north, Joe Orr Road to the south, Chicago Road to the east and Ashland Avenue to the west.

Interstate 294 is the closest major highway and is located five miles to the east. Anchored by the Interstate 294 corridor, major commercial, office and residential developments have been occurring for the past three decades. Commercial and industrial development experienced contraction starting in 2007/2008 and is beginning to recover.

Access

Primary access to the subject is provided by Dixie Highway and Vollmer Road. Dixie Highway is the major road in the area and passes through Chicago Heights. The neighborhood is accessed by local roads and streets that link to Interstate 294, Interstate 80 and Interstate 57. The local area has average linkage to the main expressway, Interstate 294 (I-294) with good linkage to the central business districts of Orland Park, Hammond, Tinley Park and East Chicago.

There are two Metra Electric rail stations within three miles of the subject, with the nearest two miles away. The Metra Electric line provides direct access to Chicago's Millennium Station, as well as several communities along the way. Chicago O'Hare International airport is approximately 45 miles from the subject and Midway Airport is approximately 20 miles from the subject.

Development Characteristics

The subject property's immediate area consists of a balance of retail, commercial, office and residential properties. The immediate area surrounding the subject to the north, northwest, and west consists of single-family residential development. The immediate area to the east and to the south consists of commercial development. Adjacent to the subject is a closed and vacant Well Group Health Partners facility, which was operated by St. James Hospital, located less than two miles southeast of the property. Chicago Heights is in the stability stage of its development life cycle with limited vacant land available for new inventory.

Summary and Conclusion

The subject property is located on the southeast corner of the intersection of Vollmer Road and Dixie Highway and has a highly visible location in Chicago Heights. The local area is an outlying suburban area with limited vacant land for future growth. The subject local area has good access to primary roadways, air transportation and public transportation. The area has a balance of land uses and property values are anticipated to remain stable. Development activity in the area has stalled in recent years due to economic reasons, but the area is seen as an overall stable market.

PROPERTY DESCRIPTION

The subject is situated on 5.75 acres, or 250,470 square feet and has a land-to-building ratio of 4.86:1. The site is considered adequate in terms of size and utility and is generally irregular in shape with adequate frontage along two primary thoroughfares. Access to the site is from two curb cuts along Vollmer Road and one curb cut along Dixie Highway. The subject is generally level and at street grade.

The subject is a 51,524 square foot freestanding building located on 211 South Dixie Highway in Chicago Heights, Illinois. The one-story building was originally constructed as a grocery store in 1975. It has since been renovated and at one point was divided into three tenant spaces. Currently, the subject is fully leased by the Franciscan Alliance, LLC medical services provider. The subject has surface parking for 120 vehicles with a parking ratio of 2.33, which is legally conforming for the existing use but is low for the market.

The exterior walls are masonry and the storefront is plate glass set in aluminum frames. The interior finishes are as follows: the floors are commercial grade carpet and vinyl tile, the walls are textured and painted sheetrock and the ceilings are painted sheetrock and suspended acoustical tile. The HVAC, electrical and plumbing are assumed to be in good working order and adequate for the building. Reportedly, the roof was replaced in July 2013 at a cost of approximately $240,000.

Real Estate Taxes

The following real estate assessments and real estate taxes for the subject were obtained from the Cook County Assessor's Office.

2016 SUMMARY OF ASSESSMENTS & TAXES				
Assessor's Parcel Number	Assessed Value			2016 Taxes
	Land	Building	Total	
32-17-131-009-0000	$257,635	$345,784	$603,419	$330,536

The prior real estate taxes payable in 2015 were $328,164 or $6.37 per square foot for the building, based on the indicated gross building area of 51,524 square feet. The taxes increased 3.18 percent in 2016 to $330,536 or $6.42 per square foot. We forecast an additional 3.0 percent increase for the 2017 tax year or $340,000 as rounded.

Zoning

The property is zoned B-2, Limited Service Business District by the City of Chicago Heights. As such, the subject improvements appear to conform to current zoning regulations, which are considered a legal use.

Exterior Photographs **Taken September 18, 2017**

Subject Property West Elevation

Subject Property West Elevation

Subject Property South Elevation

Subject Property North and East Elevations

Street View – Vollmer Road

Street View – Vollmer Road

HIGHEST AND BEST USE

We conclude that the highest and best use of the subject as if vacant would be the development of a commercial use property. The highest and best use of the property, as improved, is consistent with the existing use and the continued use of the property for service commercial.

VALUATION PROCESS

The appraisal process is designed to evaluate all factors that influence value. General regional and local area information has been presented to inform the reader of general outside influences, which may affect value. In addition, the site and existing improvements have been described in detail. An analysis of the subject's highest and best use has been presented to evaluate the effects of legal, locational, physical, and market considerations which impact the use of the subject property. The next part of the appraisal process deals directly with the valuation of the property.

The first approach to value presented is the *Sales Comparison Approach*, which is based on the principle of substitution. This principle states that a property’s value can be concluded by comparison with similar properties in the market area. In active markets with a large number of physically similar comparables, this approach is generally considered a good indicator of value. However, the use of this approach is limited, because many properties have unique characteristics that cannot be accounted for in the adjustment process. In addition, current market data is not always available. Both of these factors may reduce the validity of this approach.

The second approach to value is the *Income Capitalization Approach*, which is grounded in the premise that income producing properties are purchased based on their income-producing ability. In the *Income Capitalization Approach*, market rents for the subject property are forecast, the applicable operating expenses are deducted and the resulting net income is capitalized into a value estimate. This approach is based on an analysis of historical and market-derived information and provides a comparison of the subject property to other properties of similar character and income-producing ability.

The approaches used to value the subject property will be correlated into a final estimated market value of the leased fee interest in the *Reconciliation and Final Value Estimate* section.

SALES COMPARISON APPROACH

Introduction

The Sales Comparison Approach is "the process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison." *(The Dictionary of Real Estate Appraisal, Sixth Edition)*

Comparable Sales

For this analysis, the research area consisted of single tenant and multi-tenant freestanding office buildings in similar markets located throughout the subject's market. Also, information was obtained from several brokerage firms regarding similar properties that had sold or were for sale in the subject's market.

Analysis of Sales

Due to the lack of a large amount of data, as well as the lack of uniformity among available data within the local market area, supporting specific adjustments for various factors of dissimilarity is not possible. As such, a qualitative analysis has been employed. This analysis allows the appraiser to make general comparisons (inferior, similar, superior) for various factors of dissimilarity, leading to an overall comparison of each sale to the subject.

Property Rights Conveyed

Adjustments for property rights must be made when the property rights conveyed in a sale transaction are different from those being appraised particularly when they have an impact on the sale price. As related earlier in this report, the fee simple estate is defined as "Absolute ownership unencumbered by any other interest or estate, subject to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

An example of a comparable sale that would require adjustment is a property that is encumbered by a lease where the tenant pays a rent lower than currently achievable in the open market, or a below-market rental rate. The below market lease would have a negative impact on the sale price because the purchaser would need to pay less to achieve the same return as a property currently rented at market rent levels. In this case, as the below-market lease has a negative impact on the sale price, the comparable would need to be adjusted upward to be considered similar to the subject property. Conversely, a sale property achieving above-market rental rates would be considered superior to a fee simple estate.

Financing

The transaction price of one property may differ from that of an identical property due to different financing arrangements. For example, the purchaser of a comparable property may have assumed an existing mortgage at a favorable interest rate. In another case, a developer or seller may have arranged a buy down, paying cash to the lender so that a mortgage with a below-market interest rate could be offered. In both of these examples, the buyers probably paid higher prices for the properties to obtain below-market financing. Conversely, interest rates at above-market levels may result in lower sales prices.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations, the conditions of sale significantly affect transaction prices. For example, a developer may pay more than market value for lots needed in a site assemblage because of the plottage value expected to result from the greater utility of the larger site. Conversely, a sale may be transacted at a below-market price if the seller needs cash in a hurry. A financial, business or family relationship between the parties to a sale may affect the price of the property. Interlocking corporate entities may record a sale at a non-market price to serve their business interests. One member of a family may sell a property to another at a reduced price, or a buyer may pay a higher price for a property built by his ancestors. Further, listings, which have not been affected by typical negotiation, generally indicate a higher value than a completed sale.

Market Conditions (Date of Sale)

Comparable sales that occurred under market conditions different from those applicable to the subject on the effective date of value require adjustment for any differences that affect value. Changes in market conditions generally relate to supply and demand. National, regional and local economic trends or events may impact the value of a property over time. For example, the announcement of a major employer’s entry into a market area may have a significant positive impact on values due to demand created for support uses in the area. Conversely, exodus of a major employer often has a negative impact on values.

Location

A property’s location is analyzed in relation to the location of the comparable sale properties. An industrial location may be superior to another due to proximity to transportation facilities, including highways, railways, airports, etc. A commercial location may be superior to another due to proximity to a major retail development; access to traffic counts along major arteries, etc. A residential use may be superior to another due to location within a specific school district, economic makeup of residents within the neighborhood, taxation policies, etc.

Size

Typically, larger buildings sell for a lower per unit price due to economies of scale and greater capital outlay requirements. Conversely, smaller buildings sell for higher per unit values due to economies of scale. The cost/size relationship is supported by information presented in cost publications such as Marshall Valuation Service as well as from a review of actual sale transactions.

Other Physical Factors

The remaining factors (age, finished area, parking, land to building ratio) are relatively straightforward and obvious with respect to comparison. For example, buyers would typically desire a newer building versus an older building due to a longer remaining economic life, lower maintenance costs, etc. Additionally, buildings with more extensive parking areas have greater utility than buildings with parking facilities.

IMPROVED COMPARABLE SALES SUMMARY AND ANALYSIS CHART						
ID#	**Subject**	**I-1**	**I-2**	**I-3**	**I-4**	**I-5**
Address	211 S Dixie Hwy	5521 W US Hwy 30	11824 Southwest Hwy	1877 W Downer Place	3033 Ogden Avenue	11600-11630 S. Kedzie
`	Chicago Heights, IL	Crown Point, IL	Palos Heights, IL	Aurora, IL	Lisle, IL	Merrionette Park, IL
Sale Date		11/1/2016	3/24/2014	12/8/2015	Active	Active
Comparison		Similar	Similar	Similar	Similar	Similar
Sale Price		$6,250,000	$1,750,000	$3,160,000	$2,395,000	$12,250,000
Area (SF)	51,524	52,360	21,315	38,400	24,000	57,127
Price/SF		$119.37	$82.10	$82.29	$99.79	$214.43
Prop. Rights	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
Financing		Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Cond' of Sale		Arm's Length	REO	REO	Listing	Listing
Comparison		Similar	Inferior	Inferior	Superior	Superior
Location		Similar	Similar	Similar	Similar	Similar
Exposure/Access	Average	Average	Average	Average	Average	Average
Comparison		Similar	Similar	Similar	Similar	Similar
Size (SF)	51,524	52,360	21,315	38,400	24,000	57,127
Comparison		Similar	Superior	Similar	Superior	Similar
Year Built	1975 Renov: 2006	2003	1990	1994	1978	1995 R 2004
Condition	Average-Good	Good	Average-Good	Average-Good	Average	Average-Good
Comparison		Superior	Similar	Similar	Inferior	Similar
Construction	Brick	Masonry	Masonry	Masonry	Masonry	Masonry
Comparison		Similar	Similar	Similar	Similar	Similar
Percent Leased	100.00%	100.00%	100.00%	100.00%	64.00%	100.00%
Cap Rate		8.1%	N/A	N/A	N/A	8.0%
Comparison		Similar	Similar	Superior	Inferior	Similar
Land Area (SF)	250,470	178,596	84,698	159,038	50,000	296,208
LTB	4.86:1	3.41:1	3.97:1	4.14:1	2.08:1	5.19:1
Comparison		Similar	Similar	Similar	Inferior	Similar
Overall		**Superior**	**Inferior**	**Inferior**	**Similar**	**Superior**
Price/SF		**$119.37**	**$82.10**	**$82.29**	**$99.79**	**$214.43**

The unadjusted sales have the following price statistics.

SALE PRICE STATISTICS	
Low Price per square foot	$82.10
High Price per square foot	$214.43
Average Price per square foot	$119.60
Conclusion	$100.00
Total (Rounded)	**$5,150,000**
Less Lease Up Discount	**($953,180)**
Lease Fee Interest Value Rounded	**$4,200,000**

Therefore, we have estimated the market value of the leased fee interest in the subject property, *as is*, via the *Sales Comparison Approach*, as of the date of valuation, at **$4,200,000** as rounded.

INCOME CAPITALIZATION APPROACH

The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. In direct capitalization, net operating income is divided by an overall rate extracted from market sales to indicate a value. In the discounted cash flow method, anticipated future net income streams and a reversionary value are discounted to an estimate of net present value at a chosen yield rate (internal rate of return). As the property would typically be rented on an annual basis, the direct capitalization method is appropriate here. Furthermore, this is the technique most often employed by investors in properties similar to the subject.

Potential Gross Income

Contract Rental Rate
The subject property is occupied by Franciscan Alliance, LLC, which is paying $8.76 per square foot on a triple net basis through January 2018.

Market Rental Rates
To determine an appropriate market rental rate for the subject, we have considered and reviewed comparable lease transactions. The foregoing indicates rents range from $4.50 to $14.00 per square foot, NNN. We have also considered the subject’s size, age, location and amenity package as compared to the comparables.

Based on the foregoing considerations, it is our opinion that the subject’s 51,579 square foot office unit would command a market rental rate at the low to midpoint of the indicated range on a price per square foot basis or approximately $9.00 per square foot, net. Typical lease terms range three to ten years. The current contract rent is within the range of rents and market oriented.

Historical Income and Operating and Pro-Forma
To develop projections of stabilized expenses, we considered comparable sales and published industry data.

Parking Income
The subject has adequate surface parking, but no income associated with the parking spaces.

Miscellaneous Income
Based on the size and the amenity package at the subject property, no additional miscellaneous income is forecasted.

Vacancy and Collection Loss
In estimating the probable occupancy of the subject, consideration is given to the office market in Cook County and the subject's historical occupancy. The subject’s occupancy has ranged between 15.2 and 100.0 percent for the last 10 years. Occupancy increased as of February 1, 2013 from 15.5 percent to 63.9 percent and to full occupancy as of July 1, 2016.

Local experts have also indicated that the vacancy rates for medical office properties similar to the subject are currently ranging between 5.0 and 15.0 percent. Considering the age, single tenant occupancy, unit layout and size of the subject, we estimate an appropriate vacancy and collection loss for the subject property of 7.5 percent.

Effective Gross Income

Based on the estimated gross income less allowances for vacancy and collection loss, the effective gross income is calculated at $435,214 or $8.45 per square foot or gross building area.

Operating Expenses

The lease structure for the subject is a net basis.

Real Estate Taxes As related earlier in this report, the forecast real estate taxes on the subject property are $340,000 as rounded, or approximately $6.70 per square foot of gross building area.

Property Insurance Based on information from local real estate professionals, the insurance expense for buildings similar in size and age to the subject in the region range from $0.15 to $0.40 per square foot. We have utilized $0.29 per square foot for the subject.

Common Area Maintenance This category includes utilities, repair and maintenance, general operating and landscaping expenses. Local real estate professionals report that common area maintenance expenses for commercial properties range from $0.75 to $2.00 per square foot. We have utilized $1.49 per square foot for the subject.

Management Management fees for single tenant net leased assets generally range 1.0 to 3.0 percent of effective gross income, depending on the size and nature of the property. We have included a management expense for administration of the leases and various other administrative costs associated with operation of the subject as a leased property. We have estimated a management expense at the midpoint of the range, or at 2.0 percent of effective gross income for the subject property.

Reserve for replacement It is typical for an investor in a property such as the subject to set up reserves for replacement in order to replace short-lived items such as mechanical and electrical components and roof surfaces. We have estimated a reserve for replacement of $0.20 per square foot for the subject.

Summary of Operating Expenses

The total operating expenses for the subject during the first year of analysis are estimated at $462,577 or $8.97 per square foot. Based on our experience with similar properties and conversations with real estate professionals, this level of expense is appropriate for the subject property.

Income and Expense Summary

In the following, we present our estimate of stabilized income and expenses.

SUMMARY OF INCOME AND EXPENSES			
	$ PSF	**SF**	**Total**
Medical Office Property	$9.00	51,579	$464,211
			-
Plus: Reimbursable Expenses			
Real Estate Taxes			$340,000
Insurance			$15,000
Common Area Maintenance (CAM)			$76,800
Potential Gross Income	**$17.37**		**$896,011**
Less:		**% PGI**	
Allowance for Vacancy/Collection Loss	$0.87	5.0%	$44,801
Effective Gross Income (EGI)	$16.50		$851,210
Less: Operating Expenses	**$ PSF**	**% of EGI**	
Real Estate Taxes	$6.59	39.9%	$340,000
Insurance	$0.29	1.8%	$15,000
Utilities *	$0.77	4.7%	$39,600
General Operating *	$0.21	1.3%	$11,000
Maintenance *	$0.31	1.9%	$16,000
Landscaping *	$0.20	1.2%	$10,200
Mgt./Administrative	$0.33	2.0%	$17,024
Non-Reimbursable Expenses	$0.07	0.4%	$3,500
Reserves for Replacement	$0.20	1.2%	$10,316
Total Operating Expenses	**$8.97**	**54.4%**	**$462,640**
Net Operating Income	**$7.53**		**$388,570**

**** Included in CAM Reimbursement***

Direct Capitalization

In the direct capitalization method, we estimated market value by dividing stabilized net operating income by an overall rate. The table below summarizes capitalization rates for the property type from national surveys and the local area.

Type	Rate
Market Sales:	7.00% to 9.00%
National Survey Indicators:	
PwC National Chicago Office	5.00% to 10.00%
RealtyRates.com Medical Office	5.62% to 12.89%
Band of Investment:	7.67%

It is our opinion that an appropriate capitalization rate for the subject property is 8.0 percent given it single tenancy and considering the high cost of the medical office build out that was completed just a few years ago.

Based on the information set forth in the preceding, we have estimated the market value of the subject, via the *Income Capitalization Approach*, as follows:

DIRECT CAPITALIZATION	
Net Operating Income	$388,570
Divided by Overall Capitalization Rate	8.00%
Estimated Market Value	$4,857,131
Rounded to:	**$4,860,000**

Conclusion

Based on the foregoing, we have estimated the *market value* of the subject property, *As Is*, via the *Income Capitalization Approach*, as of the date of valuation, at **$4,860,000** as rounded.

Go Dark Lease Up Analysis

We have also provided a lease up analysis per the client's request given the pending departure of the tenant. We have forecast a 12 month leasing period to secure a five-year rental agreement at market rate. Leasing commissions and modest tenant improvements are forecast plus a profit incentive on the capital expenditures and lost rent. The discount for lease up is estimated at $953,180.

LEASE UP DISCOUNT / "AS IS" VALUE SUMMARY			
As Stabilized Value			**$4,860,000**
Lease Up - Estimated Downtime (12 Months)			12
Rent Loss from Downtime			$464,211
Leasing Commissions ($/SF)		$5.00	$257,895
Tenant Improvements ($/SF)		$2.50	$128,948
Subtotal			**$851,054**
Profit on Rent Loss, Leasing & TI	12.00%		$102,126
Total Discount			**$953,180**
"As Is" Value			**$3,903,951**

Deducting the total indicates a leased fee value of $3,900,000 rounded.

RECONCILIATION AND FINAL VALUE ESTIMATE

The three approaches indicated the following values:

Cost Approach	Not Applicable
Sales Comparison Approach	$4,200,000
Income Capitalization Approach	$3,900,000

The *Cost Approach* is not utilized as the subject property is an existing one-story freestanding building built in 1975 and renovated in 2006. Given the difficulties in accurately measuring depreciation, the *Cost Approach* is not considered to be a reliable indicator of value for the subject and is not used in this analysis.

The *Sales Comparison Approach* is a reflection of what investors/users have been paying for similar assets in the recent past. A sufficient amount of information regarding sales of comparable properties in the area provided the ability to formulate an opinion of value for the subject property. Therefore, we have considered this approach appropriate but secondary in the analysis of leased assets.

The *Income Capitalization Approach* incorporated current market conditions that are relevant to income producing properties like the subject. This approach is commonly utilized by investors in properties similar to the subject. There was a sufficient amount of market lease information and capitalization rate data available in the market. Therefore we have considered this approach appropriate in this instance and afforded this approach most weight.

Based on our analysis of the property as presented in this restricted appraisal report, we have estimated the *market value* of the leased fee estate, *as is,* as of January 8, 2018, at:

FOUR MILLION DOLLARS
$4,000,000

INSURABLE VALUE

Insurable value is 1. "The value of an asset or asset group that is covered by an insurance policy; can be estimated by deducting costs of non-insurable items (e.g., land value) from market value. 2. Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and non-insurable items. Sometimes cash value or market value, but often entirely a cost concept. (*Marshall & Swift LP*) "A type of value for insurance purposes." (*Dictionary of Real Estate Appraisal, Sixth Edition)*

In the case of a property such as the subject, insurable value would include the cost new of the destructible portions of the improvements. The insurable value estimate would specifically exclude indestructible items such as basement excavation, foundation, site work and land value. For the purpose of our insurable value estimate, we have calculated the total replacement cost new of the building improvements *(See Calculation below)*. From this amount, we have deducted the replacement cost of the indestructible items and other exclusions.

The replacement cost for the office/retail building is estimated using *Marshall Valuation Service*. The subject improvements are categorized as a Medical Office Building (341) Class C, Type Average as outlined and summarized in Section 15, page 22 on the cost manual. The base cost is $137.61 per square foot (effective date November 2015). The improvements have mainly base characteristics. In addition, a current cost multiplier of 1.01 and a local multiplier of 1.26 are applied for the type and location along with the appropriate height multiplier of 1.138 and perimeter multiplier of 0.892.

Marshall Valuation Service (Section 96, Page 2) indicates an exclusion of approximately 4.5 percent for foundations below ground, approximately 1.0 percent for piping below ground and approximately 6.0 percent for Architects' fees (Section 99, Pages 1 and 2). Considering the foregoing, we have estimated exclusions for the subject property at 12.0 percent of the replacement cost of the building improvements. The insurable value of the subject is therefore estimated at a total **$8,070,000** as rounded.

INSURABLE VALUE					
Base Cost					
Medical Office Building	$137.61	51,579	SF	$6,852,270	MVS, Section 15, Page 22
Times Current Multiplier				1.01	MVS, Section 99, Page 3
Times Local Multiplier				1.26	MVS, Section 99, Page 7
Times Height Multiplier	18-ft			1.138	MVS, Section 15 Page 38
Times Perimeter Multiplier				0.892	MVS, Section 15 Page 38
Replacement Cost New				$9,168,999	
Less Exclusions	12.00%			$1,100,280	
Insurable Value				$8,068,720	
Rounded				$8,070,000	

ASSUMPTIONS & LIMITING CONDITIONS

"Appraisal" means the appraisal report and opinion of value stated therein; or the letter opinion of value, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Appraisal.

This appraisal is made subject to the following assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
2. The information contained in the Appraisal or upon which the Appraisal is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor Hilco Real Estate Appraisal, LLC shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters.
3. The opinion of value is only as of the date stated in the Appraisal. Changes since that date in external and market factors or in the Property itself can significantly affect property value.
4. The Appraisal is to be used in whole and not in part. No part of the Appraisal shall be used in conjunction with any other appraisal. Publication of the Appraisal or any portion thereof without the prior written consent of Hilco Real Estate Appraisal, LLC is prohibited. Except as may be otherwise stated in the letter of engagement, the Appraisal may not be used by any person other than the party to whom it is addressed or for purposes other than that for which it was prepared. No part of the Appraisal shall be conveyed to the public through advertising, or used in any sales or promotional material without Hilco Real Estate Appraisal, LLC’s prior written consent. Reference to the Appraisal Institute or to the MAI designation is prohibited.
5. Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
6. The Appraisal assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Appraisal; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value estimate contained in the Appraisal is based.
7. The physical condition of the improvements considered by the Appraisal is based on visual inspection by the Appraiser or other person identified in the Appraisal. Hilco Real Estate Appraisal, LLC assumes no responsibility for the soundness of structural members nor for the condition of mechanical equipment, plumbing or electrical components.
8. Unless otherwise stated in the Appraisal, the existence of potentially hazardous or toxic materials, which may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such

as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. Hilco Real Estate Appraisal, LLC recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.

9. Unless otherwise stated in the Appraisal, compliance with the requirements of the Americans With Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the property. Hilco Real Estate Appraisal, LLC recommends that an expert in this field be employed.

CERTIFICATION OF THE APPRAISAL

We certify that, to the best of our knowledge and belief:

1. John C. Satter, MAI inspected the exterior of the subject property on September 18, 2017.
2. Hilco Real Estate Appraisal, LLC and John C. Satter, MAI, GAA have provided prior valuation services and appraised the subject property in July 2012, July 2013, July 2015, June 2016, and September 17, 2017.
3. The statements of fact contained in this report are true and correct.
4. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are personal, unbiased professional analyses, opinions, and conclusions.
5. The appraiser(s) have no present or prospective interest, financial or otherwise, in the property that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
6. The compensation for appraisal services is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
7. No one provided significant professional assistance to the persons signing this report.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements the most recent issue of the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, John C. Satter, MAI, GAA has completed the continuing education program for Designated Members of the Appraisal Institute.

John C. Satter, MAI, GAA
Managing Director | Midwest Region
Hilco Real Estate Appraisal, LLC
IL Certified General Appraiser No. 553.001110
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Tel: 847.504.2472

ADDENDA

Moody's Analytics November 2017

State Certification(s)

Qualifications of the Appraiser(s)

Moody's Analytics November 2017

MOODY'S ANALYTICS

CHICAGO-NAPERVILLE-ARLINGTON HEIGHTS IL

Data Buffet® MSA code: IUSA_DMCHI

ECONOMIC DRIVERS

FINANCIAL CENTER · LOGISTICS · TOURIST DESTINATION

EMPLOYMENT GROWTH RANK

2016-2018	2016-2021
300 4th quintile	298 4th quintile

Best=1, Worst=409

RELATIVE COSTS

LIVING	BUSINESS
99%	103%

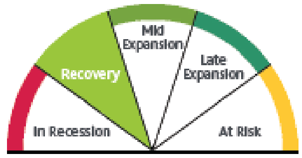
U.S.=100%

VITALITY

RELATIVE	RANK
93%	198

U.S.=100% · Best=1, Worst=402

BUSINESS CYCLE STATUS



STRENGTHS & WEAKNESSES

STRENGTHS

- Major center for business, distribution, transportation and finance.
- Huge talent pool; strong roster of well-regarded educational institutions.
- Budding high-tech center in River North neighborhood.

WEAKNESSES

- State and local budgetary pressures.
- Below-average population growth.
- High crime rate.

FORECAST RISKS

SHORT TERM ↓ · LONG TERM ↓

RISK EXPOSURE 2017-2022: 367 — 5th quintile (Highest=1, Lowest=402)

UPSIDE

- More firms seek headquarters downtown.
- Congress passes major infrastructure bill, leading to more investment in critical transportation assets.

DOWNSIDE

- City of Chicago's budget troubles worsen.
- Housing provides less support.
- Apartment glut develops.
- High crime rate deters would-be in-migrants.

MOODY'S RATING

A2 — COUNTY AS OF JUN 03, 2016

ANALYSIS

Recent Performance. Chicago-Naperville-Arlington Heights is gaining steam after a shaky start to the year, but progress falls short of that nationally. Although employment growth has picked up over the last six months, job creation has been erratic. Windy City tourism has lost potency as a jobs engine, leaving healthcare, office-using industries, and transportation/warehousing to carry the load. Even though the labor force is contracting, the unemployment rate has risen by nearly a percentage point since May and now sits at 5.1%. Meanwhile, CHI's advantage in average hourly earnings growth has come to an end. Weak job gains and stunted wage growth have pressured personal income growth.

Tech. White-collar services will extend their reach in CHI, reinforcing the area's reputation as an innovative, talent-rich business hub. A flurry of expansions and relocations will spur tech-related hiring, causing the urban core to lead Cook County and the metro division. Deerfield-based Walgreens Boots Alliance is adding 300 full-time tech positions to its online sales division downtown. Online grocer Peapod is relocating its headquarters from suburban Skokie to the city. The new location is expected to be complete next spring. Tech giant Siemens is expanding its footprint with a new digital research and development hub downtown. The addition of new professional, scientific and technical services positions will provide a needed boost to incomes and support the flourishing downtown real estate market.

Spending. With local income growth on a weak trajectory and tax burdens increasing in Illinois and the City of Chicago, consumer industries will expand more slowly than in the past. Leisure/hospitality, which dominated job gains in 2015 and 2016, has come off the boil, and retail employment is falling briskly. Other indicators signal less support from visitors; hotel occupancy and room rates are down over the year. Locals are also pitching in less, which comes as no surprise, given CHI's out-migration and subpar disposable income growth. Chicagoans and other Illinois residents took home less spending money in 2016 than initially estimated, and income gains this year will fall short of the Midwest and U.S. averages.

Residential. The apartment market is a bright spot in light of weak single-family housing. The Case-Shiller condo price index is advancing at a modest but steady rate that outpaces the rise in the single-family index. Multifamily starts have been volatile month to month, but construction over the past 12 months exceeds that in the preceding year and meets pre-crash norms. Builders have put up twice as many multifamily units as single-family homes in CHI in the past year, an unprecedented shift in the composition of residential construction. Slower household formation will ultimately cap demand, but in the short term, there is room for builders to run.

On a related note, the tax overhaul plans being debated in Washington bear close watch. The proposals significantly reduce the value of the mortgage interest and property tax deductions, which would suppress home values most in high-income, high-tax parts of the country such as CHI. Local single-family house prices are still 10% below their peak compared with 8% above nationally, and this aspect of the tax plan will weigh on the already-sluggish housing recovery.

Chicago-Naperville-Arlington Heights will lose its edge over the rest of Illinois in coming quarters, but professional services will be the labor market's workhorse. Downtown Chicago will enjoy the bulk of the gains, with slower growth in areas outside of the city. Long term, CHI will underperform as fiscal crises and related population declines limit its potential.

Sarah Crane · 1-866-275-3266
November 2017 · help@economy.com

2011	2012	2013	2014	2015	2016	INDICATORS	2017	2018	2019	2020	2021	2022
403.1	411.2	412.0	419.2	426.7	431.9	Gross metro product (C09$ bil)	439.1	449.4	456.8	460.0	470.7	481.0
1.6	*2.0*	*0.2*	*1.8*	*1.8*	*1.2*	*% change*	*1.7*	*2.3*	*1.7*	*0.7*	*2.3*	*2.2*
3,414.4	3,465.9	3,524.1	3,583.0	3,658.7	3,712.3	Total employment (ths)	3,736.2	3,772.7	3,796.8	3,795.5	3,811.2	3,842.0
1.4	*1.5*	*1.7*	*1.7*	*2.1*	*1.5*	*% change*	*0.6*	*1.0*	*0.6*	*-0.0*	*0.4*	*0.8*
10.1	9.3	9.3	7.2	6.0	5.9	Unemployment rate (%)	4.7	4.3	4.2	5.1	5.5	5.5
4.6	5.6	2.4	6.5	4.7	2.0	Personal income growth (%)	2.8	4.2	4.5	4.0	3.9	3.9
57.9	58.6	59.9	61.2	63.1	65.8	Median household income ($ ths)	67.6	69.7	72.0	74.1	76.2	78.4
7,294.2	7,315.8	7,331.9	7,335.5	7,324.0	7,304.5	Population (ths)	7,297.3	7,296.9	7,301.2	7,302.1	7,302.0	7,306.5
0.3	*0.3*	*0.2*	*0.0*	*-0.2*	*-0.3*	*% change*	*-0.1*	*-0.0*	*0.1*	*0.0*	*-0.0*	*0.1*
-20.7	-21.4	-21.5	-37.7	-44.7	-55.3	Net migration (ths)	-42.8	-36.0	-31.3	-34.6	-35.2	-30.3
2,427	3,120	4,090	4,435	4,467	4,581	Single-family permits (#)	4,809	8,431	11,143	11,334	11,980	12,264
2,855	3,127	3,782	6,879	7,129	10,491	Multifamily permits (#)	9,670	5,723	6,962	7,737	8,687	9,284
152.2	147.8	150.2	157.7	164.5	170.8	FHFA house price (1995Q1=100)	178.4	183.2	187.5	192.4	199.0	207.2

ECONOMIC HEALTH CHECK

3-MO MA

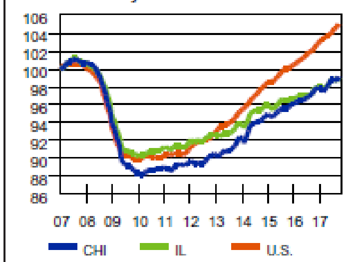
	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17
Employment, change, ths	-0.6	-0.1	1.6	3.6	3.1	3.1
Unemployment rate, %	4.4	4.3	4.3	4.5	4.8	5.0
Labor force participation rate, %	65.0	64.9	65.0	65.1	65.2	65.3
Employment-to-population ratio, %	62.1	62.1	62.1	62.1	62.1	62.0
Average weekly hours, #	34.5	34.6	34.6	34.7	34.7	34.8
Industrial production, 2012=100	103.1	103.5	103.7	103.5	103.4	103.6
Residential permits, single-family, #	4,406	4,293	4,270	4,384	4,315	4,453
Residential permits, multifamily, #	12,599	16,410	10,315	10,839	5,451	7,250

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX

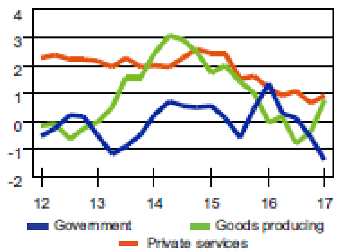
JAN 2007=100



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO



Sources: BLS, Moody's Analytics

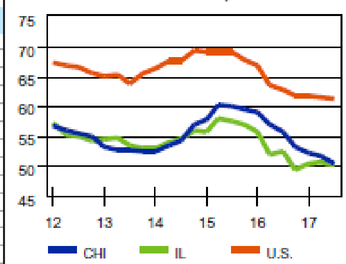
% CHANGE YR AGO, 3-MO MA

	Oct 16	Apr 17	Oct 17
Total	1.4	0.7	0.5
Mining	-8.3	-3.2	0.0
Construction	4.4	0.3	0.0
Manufacturing	-0.5	-0.7	-0.3
Trade	0.1	-0.0	-1.1
Trans/Utilities	2.1	0.2	2.0
Information	-0.7	1.3	2.5
Financial Activities	1.4	4.0	4.1
Prof & Business Svcs.	1.5	-0.2	0.3
Edu & Health Svcs.	2.0	1.6	1.0
Leisure & Hospitality	3.8	1.7	-0.2
Other Services	-0.0	-0.1	1.7
Government	0.7	0.3	-0.1

Sources: BLS, Moody's Analytics

DIFFUSION INDEX

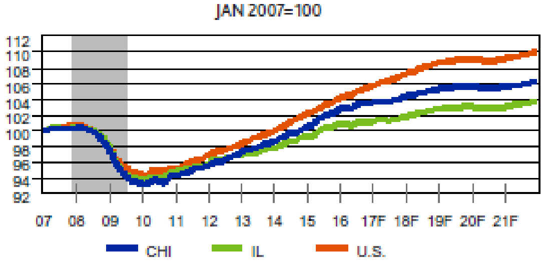
3-DIGIT NAICS LEVEL, 6-MO MA



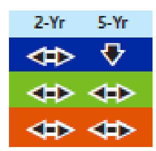
Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE

JAN 2007=100



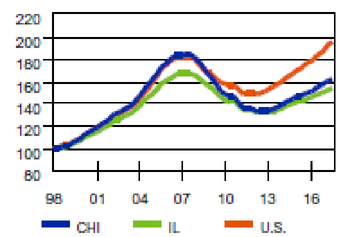
FORECAST VS. 6 MO PRIOR



Sources: BLS, Moody's Analytics

HOUSE PRICE

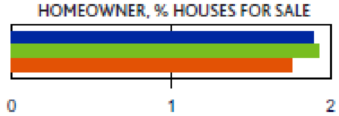
1998Q1=100, NSA



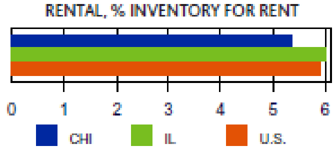
Sources: FHFA, Moody's Analytics

VACANCY RATES

HOMEOWNER, % HOUSES FOR SALE



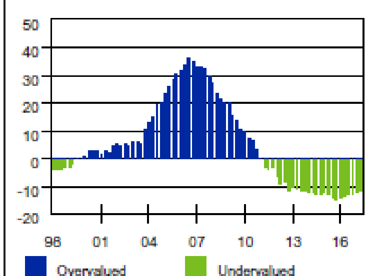
RENTAL, % INVENTORY FOR RENT



Sources: Census Bureau, ACS, Moody's Analytics, 2016

HOUSE PRICE TRENDS

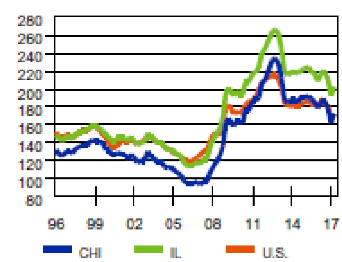
%



Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY

GREATER THAN 100=MORE AFFORDABLE



Sources: NAR, Moody's Analytics

EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

Advocate Health Care System	18,308
University of Chicago	16,197
Northwestern Memorial Healthcare	15,317
JPMorgan Chase & Co.	14,158
United Continental Holdings Inc.	14,000
Walgreen Co.	13,006
Health Care Service Corp.	13,006
Presence Health	10,500
Abbott Laboratories	10,000
Northwestern University	9,708
Jewel-Osco Stores	9,660
Chicago Transit Authority	9,510
University of Illinois	9,212
American Airlines	8,900
Rush University Medical Center	8,273
AT&T	8,000
Allstate Insurance Co.	7,800
Wal-Mart Stores Inc.	7,700
Employco USA Inc.	7,409
Archdiocese of Chicago	7,376

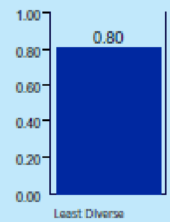
Source: Crain's Book of Lists, 2016

PUBLIC

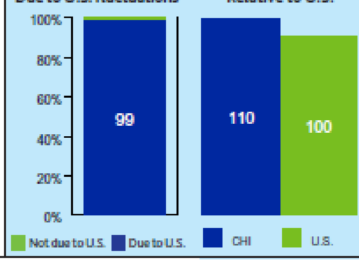
Federal	44,961
State	41,404
Local	334,430

2016

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY



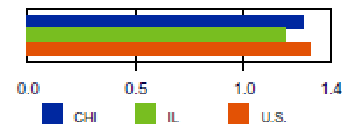
COMPARATIVE EMPLOYMENT AND INCOME

	% OF TOTAL EMPLOYMENT			AVERAGE ANNUAL EARNINGS		
Sector	CHI	IL	U.S.	CHI	IL	U.S.
Mining	0.0	0.1	0.4	$30,824	$37,929	$90,606
Construction	3.5	3.6	4.7	$78,611	$74,177	$67,379
Manufacturing	7.6	9.5	8.6	$84,764	$88,023	$80,835
Durable	*57.0*	*58.7*	*62.5*	*nd*	*$87,485*	*$83,048*
Nondurable	*43.0*	*41.3*	*37.5*	*nd*	*$88,792*	*$77,168*
Transportation/Utilities	5.2	4.8	3.8	$59,950	$62,332	$64,189
Wholesale Trade	5.2	5.0	4.1	$97,893	$91,545	$80,930
Retail Trade	9.7	10.3	11.0	$34,717	$34,192	$34,829
Information	1.9	1.6	1.9	$102,072	$89,958	$114,771
Financial Activities	6.9	6.4	5.7	$77,635	$66,988	$53,946
Prof. and Bus. Services	18.6	15.5	14.0	$82,571	$75,155	$68,173
Educ. and Health Services	15.8	15.2	15.7	$56,370	$54,751	$54,662
Leisure and Hosp. Services	10.0	9.9	10.8	$33,986	$29,534	$27,790
Other Services	4.3	4.2	3.9	$42,746	$39,202	$36,665
Government	11.3	13.8	15.4	$82,874	$76,776	$77,509

Sources: Percent of total employment — BLS, Moody's Analytics, 2016, Average annual earnings — BEA, Moody's Analytics, 2016

ENTREPRENEURSHIP

EMPLOYMENT IN NEW COMPANIES, % OF TOTAL



Sources: Census Bureau, Moody's Analytics, avg 2010-2014

EXPORTS

Product	$ mil
Food and kindred products	2,891.8
Chemicals	6,338.9
Primary metal manufacturing	ND
Fabricated metal products	ND
Machinery, except electrical	3,928.6
Computer and electronic products	6,189.7
Transportation equipment	5,347.4
Miscellaneous manufacturing	ND
Other products	19,236.3
Total	43,932.7

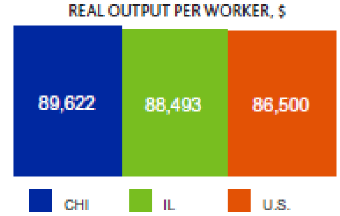
Destination	$ mil
Africa	503.6
Asia	10,770.4
European Union	6,179.5
Canada & Mexico	22,239.9
South America	1,796.3
Rest of world	2,443.2
Total	43,932.7

% of GDP	*7.2*
Rank among all metro areas	*117*

Sources: BEA, International Trade Administration, Moody's Analytics, 2016

PRODUCTIVITY

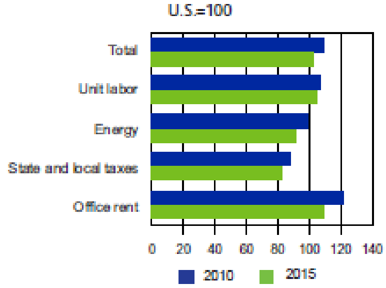
REAL OUTPUT PER WORKER, $



Sources: BEA, Moody's Analytics, 2015

BUSINESS COSTS

U.S.=100



Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
CHI	180.0	4.8
U.S.	6,937.1	4.8

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
CHI	323.7	8.7
U.S.	13,565.7	9.4

Source: Moody's Analytics, 2016

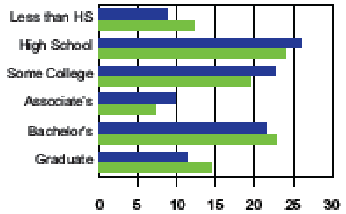
LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	5511	Management of companies & enterprises	1.3	70.0
HIGH	5415	Computer systems design & related srvcs.	1.4	66.6
HIGH	5416	Mgmnt., scientific & technical consult. srvcs.	1.9	61.7
HIGH	5221	Depository credit intermediation	1.3	53.4
MID	GVL	Local Government	0.9	334.1
MID	6221	General medical and surgical hospitals	1.2	135.1
MID	6113	Colleges, universities & prof. schools	1.6	68.5
MID	GVS	State Government	0.3	41.4
LOW	7225	Restaurants and other eating places	0.9	237.6
LOW	5613	Employment services	1.7	150.5
LOW	4451	Grocery stores	1.0	65.9
LOW	6241	Individual and family services	1.0	54.8

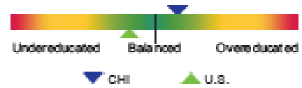
Source: Moody's Analytics, 2016

SKILLS MISMATCH

% OF TOTAL



Sources: Census Bureau, ACS, Moody's Analytics, 2015

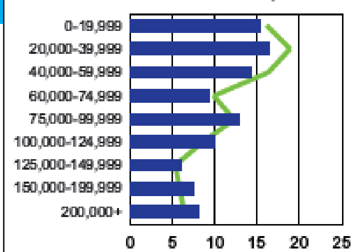


ECONOMIC DISENFRANCHISEMENT

Index	2016	Rank*
Gini coefficient	0.49	61
Palma ratio	3.5	82
Poverty rate	12.7%	266

**Most unequal=1; Most equal=401*

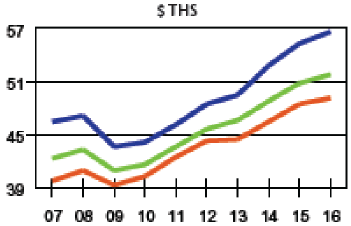
HOUSEHOLDS BY INCOME, %



Sources: Census Bureau, ACS, Moody's Analytics, 2016

PER CAPITA INCOME

$ THS



2016	CHI $56,608	IL $51,817	U.S. $49,246

Sources: BEA, Moody's Analytics

MIGRATION FLOWS

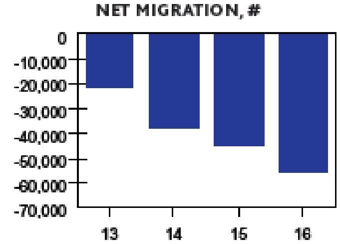
INTO CHICAGO IL

	Number of Migrants
Elgin IL	16,332
Lake County IL	13,469
Gary IN	6,089
New York NY	4,000
Los Angeles CA	2,112
Milwaukee WI	2,034
Phoenix AZ	2,011
Rockford IL	1,890
Minneapolis MN	1,731
Atlanta GA	1,625
Total in-migration	*136,797*

FROM CHICAGO IL

Elgin IL	20,218
Lake County IL	16,136
Gary IN	9,410
Austin TX	4,158
Phoenix AZ	4,156
New York NY	3,610
Houston TX	3,418
Los Angeles CA	3,338
Atlanta GA	3,325
Dallas TX	3,198
Total out-migration	*190,766*
Net migration	**-53,969**

NET MIGRATION, #

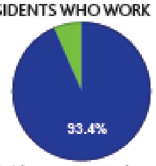


	2013	2014	2015	2016
Domestic	-40,777	-59,619	-67,840	-77,959
Foreign	19,228	21,938	23,139	22,691
Total	-21,549	-37,681	-44,701	-55,268

Sources: IRS (top), 2014, Census Bureau, Moody's Analytics

COMMUTER FLOWS

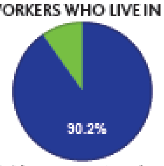
RESIDENTS WHO WORK IN CHI



Top Five Outside Sources of Jobs

Chicago IL	Share
Lake County IL	2.8
Elgin IL	2.0
Gary IN	0.5
Kankakee IL	0.1
Rockford IL	0.1

WORKERS WHO LIVE IN CHI



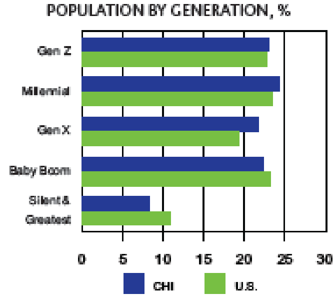
Top Five Outside Sources of Workers

Chicago IL	Share
Elgin IL	3.3
Lake County IL	2.8
Gary IN	1.6
Kankakee IL	0.3
Rockford IL	0.3

Sources: Census Bureau, Moody's Analytics, avg 2009-2013

GENERATIONAL BREAKDOWN

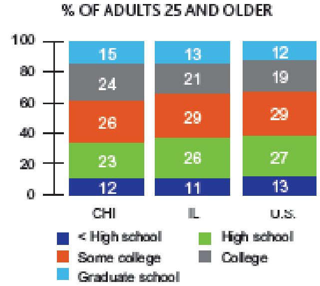
POPULATION BY GENERATION, %



Sources: Census Bureau, Moody's Analytics, 2015

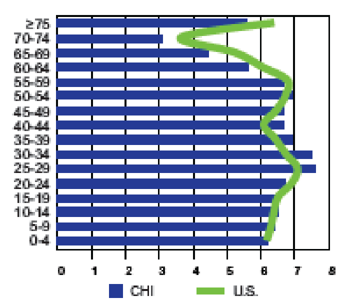
EDUCATIONAL ATTAINMENT

% OF ADULTS 25 AND OLDER



Sources: Census Bureau, ACS, Moody's Analytics, 2016

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics, 2016

State Certification(s)

State Certification(s)

State of Illinois

Department of Financial and Professional Regulation

Division of Real Estate

LICENSE NO.
553.001110

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below:

EXPIRES:
09/30/2019

CERTIFIED GENERAL REAL ESTATE APPRAISER

JOHN C SATTER
330 OLD GREEN BAY ROAD
GLENCOE, IL 60022

Bryan A. Schneider

BRYAN A. SCHNEIDER
SECRETARY

Kreg T. Allison

KREG T. ALLISON
DIRECTOR

The official status of this license can be verified at www.idfpr.com

11885246

Qualifications of the Appraiser

Qualifications for John C. Satter, MAI, GAA

2011 - Present	Hilco Real Estate Appraisal, LLC Managing Director | Midwest Regional Manager
1997 - 2011	JCS Real Estate Services, Inc. President
1992 – 1996	Wayne L. Wnek, MAI & Associates, Inc. Real Estate Appraiser

Scope of Experience:

Mr. Satter is a Managing Director and Midwest Regional Manager for Hilco Real Estate Appraisal, LLC. Responsibilities include business development, staff management, and appraisal production and review. Mr. Satter has 26 years of experience in the valuation of real property.

Mr. Satter has broad experience in the valuation of residential, commercial, industrial and special use real estate throughout the Chicago metropolitan and Midwest markets and valuation experience in 40 U.S. states.

Commercial experience includes a broad range of property and assignment types including single-tenant retail assets, shopping centers, industrial complexes, apartment complexes, live-work projects, professional and medical office properties, heath care, hospitality, proposed construction, partially-complete projects and distressed property valuations. Specialized assignments include diminution of value and right of way vacation assignments. Special use assignments include steel mills, movie theaters, synagogues, churches, detention facilities, hospital and critical care facilities and other specialized agricultural, industrial and manufacturing facilities. Residential experience includes valuing riparian rights, high value custom residences, façade easements and historic residences.

Mr. Satter has experience as an expert witness and has been qualified as an expert in the Circuit Courts of Cook, Lake, DuPage, and Will Counties of Illinois, the Chicago Zoning Board of Appeals, Lake and Cook County property tax appeal boards, the Chicago Planning and Zoning Commission, the U.S. District Court for Northern Illinois, the U.S. District Court for Eastern Michigan, and the U.S. Bankruptcy Court for the District of Delaware.

Mr. Satter is a designated Member of the Appraisal Institute (MAI) and General Accredited Appraiser (GAA) of the National Association of Realtors. He has been engaged in the appraisal of real estate since 1992 with experience rendering opinions of value for private clients, financial institutions, mortgage brokers, attorneys, governmental agencies, accountants, and public corporations.

Professional Associations and Affiliations:

Appraisal Institute MAI #12452 (Awarded March 2007)
National Association of Realtors General Accredited Appraiser #4683 (Awarded January 2005)
Certified General Real Estate Appraiser licensed in the States of AZ, IL, IA, IN, MI, MT, OH, TN, TX, & WI
Illinois Coalition of Appraisal Professionals (ICAP) Board of Directors 2017-2019
Glencoe Zoning Board of Appeals & Plan Commission Committee Member

Formal Education:

Bachelor of Science - Civil Engineering, University of Illinois - Urbana/Champaign
Specialized appraisal and real estate education, Appraisal Institute and North Shore Barrington Board of Realtors