

Coast to Coast Office Property Values Slide

- SEATTLE, WA: 42 story office building sold @ \$133 per SF, less than 50% of the average per SF price (\$320) in the Seattle market at the 2007 peak.
- SAN FRANCISCO, CA: Tishman Speyer sells 280,000 SF office bldg. @ \$136 million after paying \$173 million in 2005. **20% drop in value.**
- SANTA ANA, CA; 250,000 SF office bldg. bought @ \$83 million in 2007 is expected to be sold at approximately \$30 million. **66% drop in value.**
- OVERLAND PARK, KS: Sam Zell sells a 600,000 SF office building @ \$60 million. Prior offer to same buyer in 2007 was \$100 million. A **40% drop in value** and the sale price equates to 50% of the replacement cost.
- NEW YORK, NY: 200,000 SF law firm secures new lease at rental rate **45% below** the 2007 market peak while also receiving an improvement allowance @ 3 times the 2007 peak.
- STAMFORD, CT; Seven building, 1.6 million SF portfolio bought @ \$850 million in 2007. Estimated drop in value 30%.

Banks Brace for Next Shoe to Drop: Commercial Real Estate

Troubling

- 2nd largest loan type after home mortgages are Commercial Real Estate loans. More than half of the \$3.4 trillion in commercial real estate debt is held by banks.
- Vulnerability; US banks with heavy exposure to commercial real estate loans have currently set aside reserves of \$0.38 for every \$1.00 in bad loans, compared to \$1.58 for every \$1.00 in bad loans in early 2007.

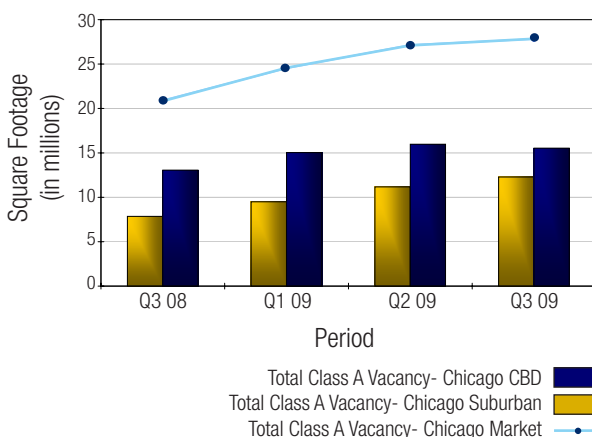
Promising

- In September 2009, the US Treasury modifies a debt restructuring rule for CMBS loans that enables property owners to negotiate rate or term modifications with their lender(s) without triggering a taxable event.
- New York Landlord refinances through traditional channels rather than the government TALF program. 100 Park Ave in Midtown Manhattan purchased for \$192 million in 2000 was recently assessed at \$350 million for a refinance of its \$175 million mortgage, securing \$215 million @ 6.64%.

(Sources: Wall Street Journal, HSA TAS Research, Costar, REIS)

National - Class A Market	2008 3rd Qtr	2009 3rd Qtr	Change
Total Inventory	2.8 bil.	2.9 bil.	.1 bil.
Vacancy Rate	12.6 %	14.8 %	2.2 %
Sublease SF Available	40.5 mil.	50.4 mil.	9.9 mil.

Chicago Market- Class A Vacancy Trend
Including Sublease Spaces



What Does This Mean to the Office Tenant?

Creative Deals & More for Less!

These stressful economic conditions for Landlords and Lenders are creating “Windfall” opportunities for office Tenants. We are currently in the midst of a national office market in which the term “market deal” is entirely ambiguous. The key variables that need to be measured are; tenant credit, existing lease commitment, landlord financial position, existing condition of space, current & near future stability of the building rent roll and competitive market options for the Tenant.

Every office Tenant should be pulling their lease out and meeting with a seasoned Tenant office broker to evaluate their situation and identify opportunities to enhance their position and reduce overhead. Now is the time!

2009 4th Qtr Examples of HSA “Pushing the Envelope” for its Clients:

As a direct result of our experience and deal process, we have pushed the boundaries on behalf of our Tenant Clients, clearly exceeding that of comparable market transactions. While respecting Tenant & Landlord confidentiality of actual bottom line terms, the examples below illustrate these accomplishments.

Termination & Relocation into Chicago CBD Class A Wacker Drive Tower:

At the Landlord’s expense, HSA secured the demolition of a full floor, a Turnkey build-out featuring Above Standard finishes and the purchase & installation of New furniture. Net rent: 30% below the 2007 market and One Year Gross Free Rent. Options included: Expansion, Termination and Continuous Right of First Offer.

Renegotiation – Chicago Suburban Office Complex with Institutional Ownership:

HSA outperformed a competing broker by securing \$1 million more in concessions while both brokerage firms were representing tenants in the same office complex, at the same time, with the same landlord. Options included: Expansion, Termination and Continuous Right of First Offer.

Traditional Relocation – Chicago CBD: Longtime tenant in ornate, well maintained vintage office building on Wacker Drive is moving (after 25 years) to a Newer Class A property for less Rent and a Tenant Allowance that will cover all construction and the purchase of New furniture & a New phone system.

Renegotiation / Extension – California: Tenant occupies half of an office building in a submarket with limited relocation options. HSA reduced Tenant Rent by 30% while securing landlord improvements and lease flexibility.

HSA TAS has represented office tenants in all primary and most secondary markets across the country and is currently active in Boston, MA, Chicago, IL, Dallas, TX, Los Angeles, CA, Minneapolis, MN, New York, NY, Omaha, NE, Philadelphia, PA, and San Francisco, CA.

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