



2020 Annual Lease & Purchase Option Report

January 1, 2021 –

December 31, 2021

For leases expiring in the coming 2021 calendar year, this report analyzes whether the state should continue leasing or use its option to purchase.

In Accordance with 20 ILCS 405/405-300(4), the Illinois Department of Central Management Services submits the following report to Auditor General & General Assembly on or before February 15th.

Janel L. Forde
Acting Director



February 14, 2020

Honorable Members of the General Assembly:

To meet its statutory obligation under Central Management Services (CMS) Administrative Law 20 ILCS 405/405-300(4), CMS engaged its vendor Jones Lang Lasalle (JLL) to conduct an options analysis for twenty office and warehouse properties fully leased by the State of Illinois and set to expire during the 2021 calendar year.

JLL's options analysis consists of two key parts: a market and financial analysis for each property. Through financial analysis, JLL determined a breakeven purchase price for each property and analyzed market data to assess the feasibility the State is purchasing the property for a price less than or equal to the breakeven purchase price. Market analysis indicated some instances where the State could purchase the property at or below the breakeven and JLL recommended the State consider purchasing these properties. For properties of which the breakeven price was significantly below or insufficiently greater than the purchase price relative to risk, JLL recommended the State continue to lease the property.

JLL recommended that the State should only consider purchasing a property if its breakeven is reasonably in line with the sale price in the market and did caution the State to specifically consider the following risks: (i) In attempting to acquire property rather than continuing to lease, the State may not be able to purchase at market value, yet may still bear costs of construction and renovation; (ii) the needs of each using agency may change over time, programmatically and operationally, with respect to geography. Therefore, JLL ultimately recommends no acquisition of property from the presented portfolio until the State has concluded a comprehensive study to better understand its operations and user groups' needs to fully determine such decision.

Should you have any questions or need of clarity, please contact CMS Deputy Director of Property Management Michael Pittman at (217) 558-1652.

Sincerely,

Janel L Forde
Acting Director

JF:SB

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Introduction

Options Analysis for Leased Properties with 100% State of Illinois Occupancy Expiring in 2021

Project Objectives and Approach

The State of Illinois (the “State”) Department of Central Management Services (“CMS”) has engaged JLL to conduct an options analysis for 20 office and warehouse properties currently leased by the State of Illinois (together, the “Subject Properties”). These properties are 100% occupied by the State, and each lease is set to expire during the 2021 calendar year.

JLL’s options analysis consisted of two key parts: a market analysis and financial analysis. The market analysis was conducted to assess the supply and demand dynamics in each market, including demographic trends, sale and lease rates for comparable properties, and leasing activity in the market. JLL determined market rates in each market by utilizing historical sales and lease data, when available, in tandem with market data for properties currently listed for sale or lease in each market.

Next, JLL performed a financial analysis for each property in which a variety of inputs, including market rental rates, operating expenses, upfront capital expense, and ongoing capital expenses were used to compare scenarios in which the State would either purchase each property or continue to lease the property. Through this analysis, JLL determined a breakpoint purchase price for each property. For example, for a property with a \$500,000 breakpoint, JLL determined that the State would be better off by purchasing the property for a price less than or equal to the breakpoint purchase price of \$500,000. After determining the breakpoint purchase price for each property, JLL analyzed the market data to assess the feasibility that the State could purchase the property for a price less than or equal to the breakpoint purchase price. In cases where the market data indicated that the State could purchase the property at or below the breakpoint, JLL recommended that the State attempt to purchase the property. **However, for those properties in which the breakpoint was significantly below the breakpoint**, JLL recommended that the State continue to lease the property. To help maximize CMS’s time and resources, the State should only consider purchasing a property if the breakpoint is reasonably in line with the sales price in the market.

Acquisition Risk

Prior to acquiring any of the properties in the below analysis, the State must carefully consider the potential risks in purchasing property rather than continuing to lease. First, the State may not be able to acquire property at market value. Second, the full cost of renovating property both initially and over the course of a 10-year period falls to the State, which then bears construction risk. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied

to CPI and a disposition of a property at the end of the 10-year period. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

Given the difference in total cost between acquiring a property and continuing to lease it, acquiring a property may justify the risks above. However, the State must carefully consider whether the risk is commensurate with the cost savings. JLL has offered some general guidance below.

Occupancy Strategy

JLL's analysis did not include any determination of the State's utilization of the Subject Properties for programmatic fit with the user agency. **Indeed, JLL does not recommend any acquisitions until after a thorough portfolio assessment has been completed to determine the actual requirements for each user group.** This portfolio assessment would review overall real estate strategy by the user group, review the occupancy of the subject building, and create a portfolio strategy that considers each asset. This review is critical to ensuring the State has all pertinent information to make an own vs. lease decision. **Any findings below that identify "acquisition" as a lowest cost technically acceptable alternative is not an explicit recommendation to purchase.**

Conclusions

For each property, JLL identified one of three lowest cost technically acceptable alternatives:

1. **Continue to lease:** The current lease is the most cost-efficient alternative for the location. Neither purchasing the asset, nor any identified alternatives, are as cost effective as the existing lease. A review should be completed for occupancy fit, however. The lease should remain in place until after that analysis.
2. **Consider acquisition:** It is more cost effective to acquire the subject asset than to lease the asset. However, prior to any asset purchase, the State should review the occupancy fit for the user group with the State’s overall real estate strategy and consider the risks outlined in the Introduction.
3. **Consider an alternative property:** There is an asset in the proximate geography that would be a more cost-effective option for the user group. The asset should be explored for fit with the user group in the context of the group’s overall real estate strategy. Consider purchase of the Subject Asset after the occupancy strategy analysis and review of the proximate alternatives.

JLL’s analysis for each property is as follows:

Property	City	User	Lowest Cost Technically Acceptable Alternative	Considerations
108 Denny Dr	Anna	DCFS	Acquisition	Total cost of acquisition over a 10-year period may only be \$125,000 less, or 18% less, compared to leasing. Given the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.
1642 W 59th St	Chicago	DHS	Acquisition	Total cost of acquisition over a 10-year period may be \$5 million less, or 52% less, compared to leasing. Given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.
1911 S Indiana Ave	Chicago	DCFS	Acquisition	Total cost of acquisition over a 10-year period may be \$11 million less, or 40% less, compared to leasing. Given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.
8840 S Stony Island Ave	Chicago	DHS/ORS	Acquisition	The total cost of acquisition over a 10-year period may be \$400,000 less, or 40% less, compared to leasing. Given the difference in total

Property	City	User	Lowest Cost Technically Acceptable Alternative	Considerations
				cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.
210 E Fairground Ave	Hillsboro	DHS	Acquisition	The total cost of acquisition over a 10-year period may only be \$195,000 less, or 25% less, compared to leasing. Given the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.
108 S State St	Jerseyville	DCFS	Acquisition	The total cost of acquisition over a 10-year period may only be \$133,000 less, or 23% less, compared to leasing. Given the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.
1550 4th St	Lincoln	DHS	Acquisition	The total cost of acquisition over a 10-year period may only be \$112,000 less, or 17% less, compared to leasing. Given the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.
8588 Route 148 (Crab Orchard National Wildlife Refuge)	Marion	DNR	Lease	If the State extends the existing intergovernmental lease with US Fish and Wildlife, which affords the State the property for only \$1/year, the State should continue to lease. Acquiring the property or acquiring/leasing another property are all more expensive options.
2301 Metropolis St	Metropolis	DHS	Acquisition	The total cost of acquisition over a 10-year period may only be \$37,000 less, or 6% less, compared to leasing. Given the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.
1245 S Main St	Monmouth	DHS	Acquisition	The total cost of acquisition over a 10-year period may only be \$106,000 less, or 17% less, compared to leasing. Given the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.
300 N 13th St	Murphysboro	DCFS, DHS	Acquisition	The total cost of acquisition over a 10-year period may be \$291,000 less, or 28% less, compared to leasing. Given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Property	City	User	Lowest Cost Technically Acceptable Alternative	Considerations
1231 S West St	Olney	DNR	Lease	The total cost of leasing over a 10-year period may be \$166,755 less, or 30% less, compared to acquisition.
100 S Grand Ave E (Harris II Building)	Springfield	DHS	Acquisition	Total cost of acquisition over a 10-year period may be \$5 million less, or 31% less, compared to leasing. Given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.
600 E Ash St (400 Iles Park Place)	Springfield	DHS	Acquisition	The total cost of acquisition over a 10-year period may only be \$25,000 less, or 0.6% less, compared to leasing. Given the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.
600 E Ash St (500 Iles Park Place)	Springfield	DHS	Consider acquiring an alternative property	Total cost of acquiring an alternative property – 300 W Jefferson St – over a 10-year period may be \$1.9 million less, or 23% less, compared to leasing. Given the difference in total cost between acquiring the property and continuing to lease, acquiring the property may justify the risks above.
830 S Spring St	Springfield	DEV Disabilities	Consider acquiring an alternative property	Total cost of acquiring an alternative property – 917 Clocktower Drive – over a 10-year period may be \$700,000 less, or 40% less, compared to leasing. Given the difference in total cost between acquiring the property and continuing to lease, acquiring the property may justify the risks above.
833 - 835 S Spring St	Springfield	VETS	Consider acquiring an alternative property	Total cost of acquiring an alternative property – 2960-2980 Baker Drive – over a 10-year period may be \$700,000 less, or 40% less, compared to leasing. Given the difference in total cost between acquiring the property and continuing to lease, acquiring the property may justify the risks above.
2100 Eastdale Ave	Springfield	IDOT	Consider leasing an alternative property	Total cost of leasing an alternative property – 700 N Macarthur Blvd – over a 10-year period may be \$2.3 million less, or 82% less, compared to extending the existing lease.
4700 Rodger St	Springfield	ISP	Consider leasing an alternative property	Total cost of leasing an alternative property – 700 N Macarthur Blvd – over a 10-year period may be \$480,000 less, or 63% less, compared to extending the existing lease.
1100 N Cheney St	Taylorville	DHS	Acquisition	Total cost of acquisition over a 10-year period may be \$240,000 less, or 29% less, compared to leasing. Given the difference in total cost

Property	City	User	Lowest Cost Technically Acceptable Alternative	Considerations
				between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Definitions

Below is a list of definitions for terms used throughout the report:

Acquisition: In this analysis, this refers to the purchase of a building.

Base Rental Rate: Rental rate that does NOT include costs such as operating expenses, real estate taxes, and electricity. This is often referred to as the “Net” rental rate.

Capital Repairs and Renovations (CR&R): Repairs and renovations to the space that require money to be spent.

Class A, B, C: A ranking system used in real estate to signify the quality of a building. This takes in to account things such as aesthetics, energy efficiency, and building quality. A is the highest quality building and C is the lowest quality.

Consumer Price Index (CPI): The measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

Deliveries or “Delivered Space”: New buildings / space that was constructed.

Gross Rental Rate: Includes base rental rate + Operating Expenses and Real Estate Taxes, all added up into one combined rental rate figure. The Gross Rental Rate will always be higher than the base/net rental rate because it encapsulates all costs.

Inventory: Physical space. Can be for office, warehouse, etc.

Landlord Tenant Improvement (TI) Allowance: A sum of money that the landlord provides a tenant to be used towards improving the space a tenant occupies. A TI allowance can typically be used without many restraints. The amount of money the landlord provides as a TI allowance can vary significantly based on but not limited to the term length of the lease, how nice the space is, and the credit worthiness of the tenant.

Lease Comps: The asking rental rates on a per square foot basis for properties comparable in quality and use type (office, warehouse, etc.) that are currently available for lease. These asking rental rates are used for comparative purposes when looking at the cost to rent the subject property being studied. They can help indicate if then rent currently being paid is too high, or if it is too low and is favorable for the tenant.

Leasing Activity: Quoted in SF. The amount of physical space that was leased during a certain time period.

Market Value: The assumed value of the property at a given time.

Nominal Value: Future Value.

Operating Expenses: Expenses a business incurs through its normal business operations. Often abbreviated as OpEx, operating expenses include rent, equipment, inventory costs, marketing, payroll, insurance, and R&D.

Present Value Basis: The value of a property today; current value.

PSF: Per Square Foot.

Real Value: Present Value; the value of a property today.

Rental Rate Escalation: The amount a rental rate increases after a certain period.

Sales Comps: The asking purchase prices on a per square foot basis for properties comparable in quality and use type (office, warehouse, etc.) that are currently available for sale. These asking purchase prices, or “listing prices” are used to determine an what an approximate cost to purchase the subject property would be.

SF: Square Feet.

Vacancy Rate: Percentage of space that is unoccupied.

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108 Denny Dr

Anna

Demographic Analysis

Property Description:

Property Details	
Property Address:	108 Denny Dr
Property Type:	Office
User:	Client Services Office
Building Size (SF):	4,900
FY 2018 Annual Cost:	\$60,688
FY 2018 Annual Cost (psf):	\$12.38
2019 Headcount:	8
Demographics	
Population:	1 mile: 597 5 miles: 9,954
Median Household Income:	1 mile: \$48,845 5 miles: \$46,286

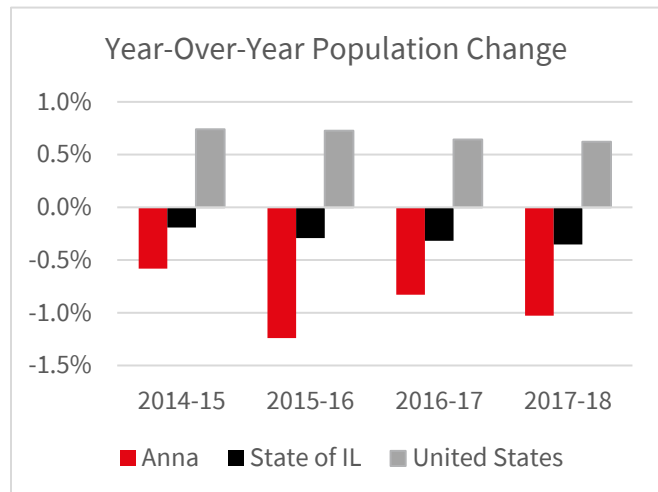


Source: Google

Demographic Overview for Anna, IL

Population

Anna is a city in Union County, Illinois. In 2018, Anna had an estimated population of 4,143. Overall, Anna has experienced a population loss year-over-year every year since 2014, and most significantly in 2015-2016. The State has experienced similar trends as well.

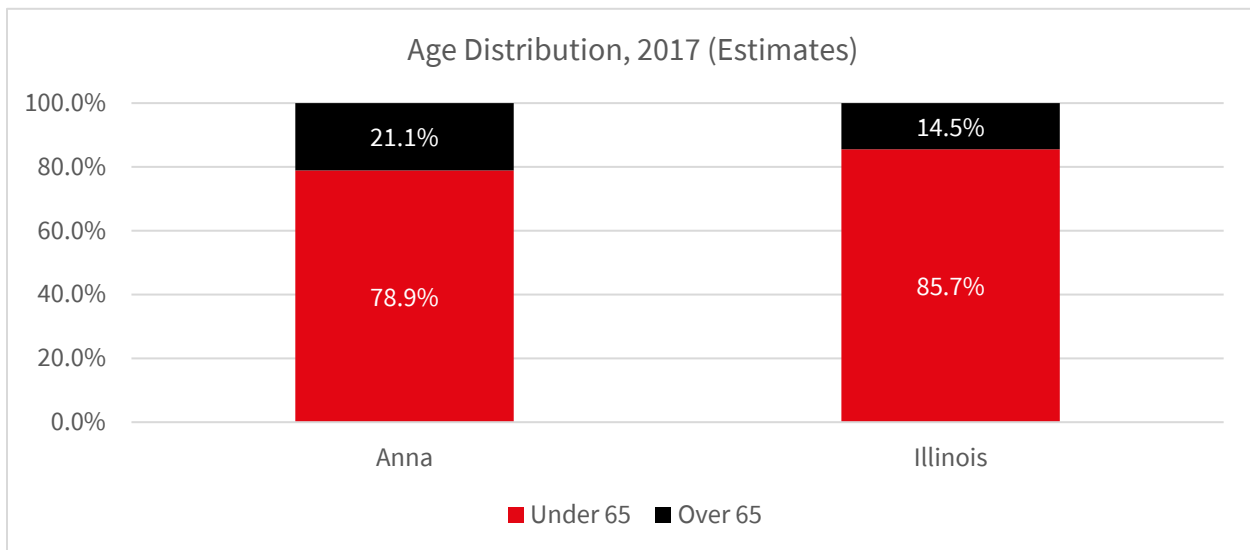


Source: U.S. Census Bureau

Year	Population Estimates
2018	4,143
2017	4,186
2016	4,221
2015	4,274
2014	4,299

Age

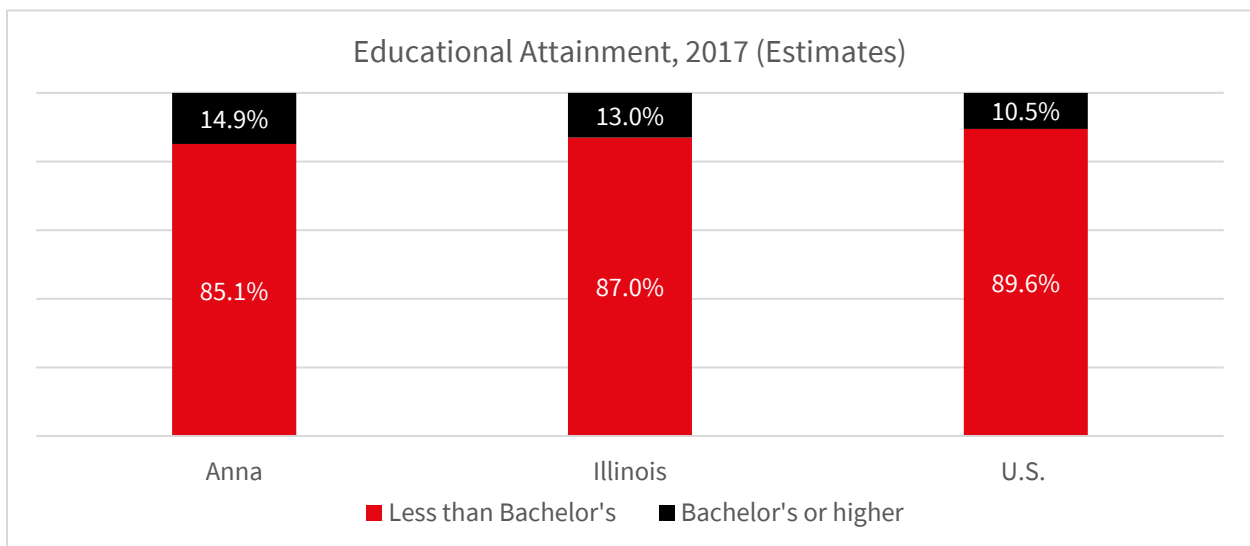
The population of Anna is somewhat older compared to the State. The median age of Anna is 41 years old and is much older than the statewide median age of 37.7. Seniors above the age of 65 make up 21.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 78.9% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

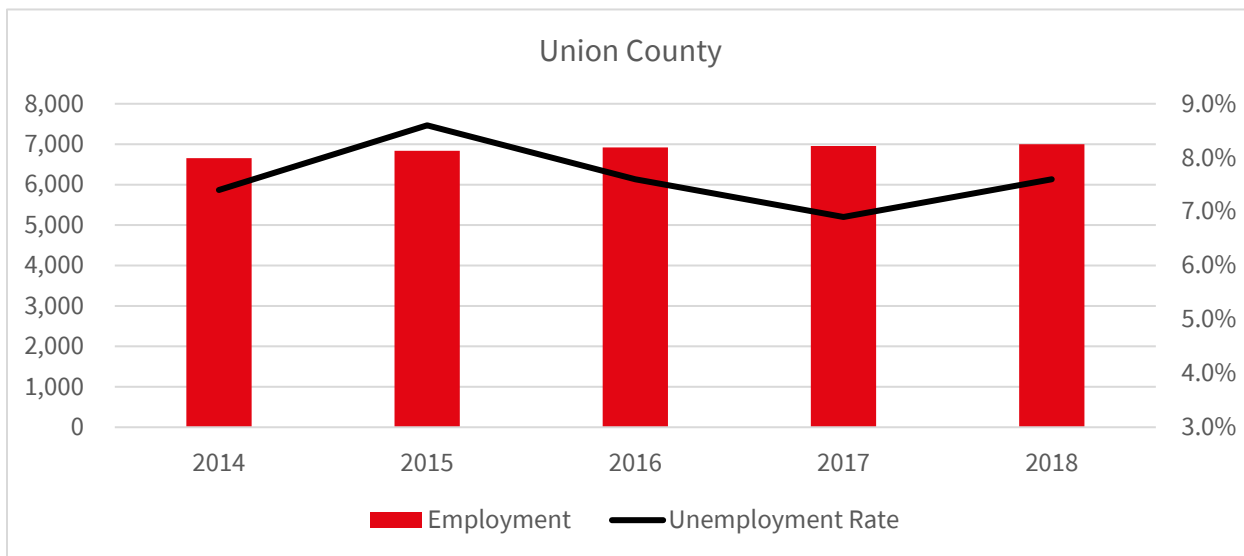
In Anna, 14.9% of the population has a bachelor's degree or higher, a greater proportion than the State at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a bachelor's degree comprise 85.1% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

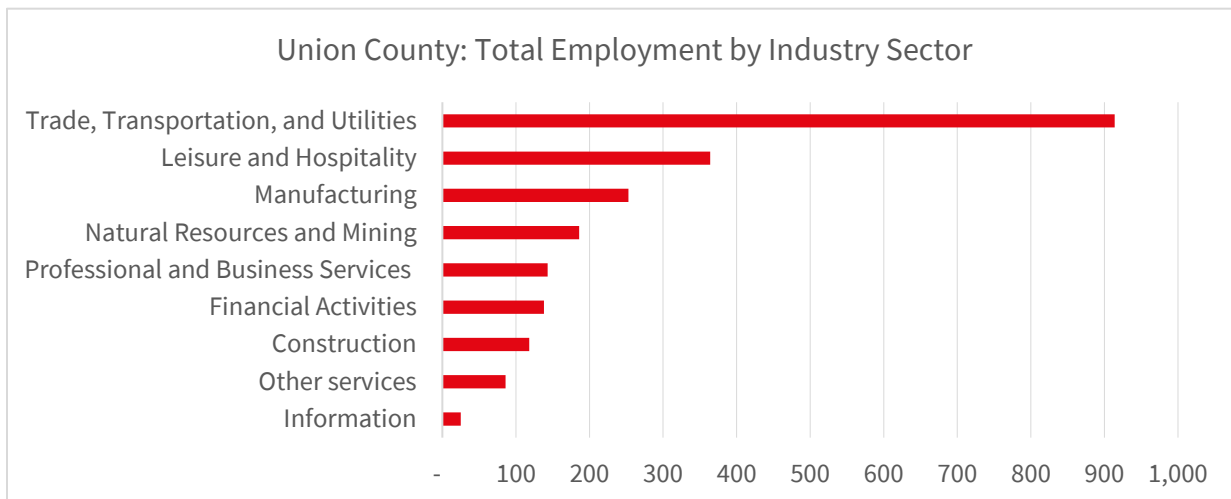
Labor Force and Employment Growth

Anna is located in Union County. Employment growth in Union County has increased marginally every year over the past five year with total employment at 6,998 in 2018. This is up from 2014, when employment totaled 6,654. The unemployment rate decreased every year from 2015 - 2017 after an initial increase from 2014-2015 but increased again between 2017 - 2018 to 7.6%.



Source: U.S. Bureau of Labor Statistics

Trade, Transportation, and Utilities make up the largest share of employment in Union County with a total of 914 jobs. Leisure and Hospitality is the second largest employment sector with 364 jobs followed by Manufacturing with 253 jobs.

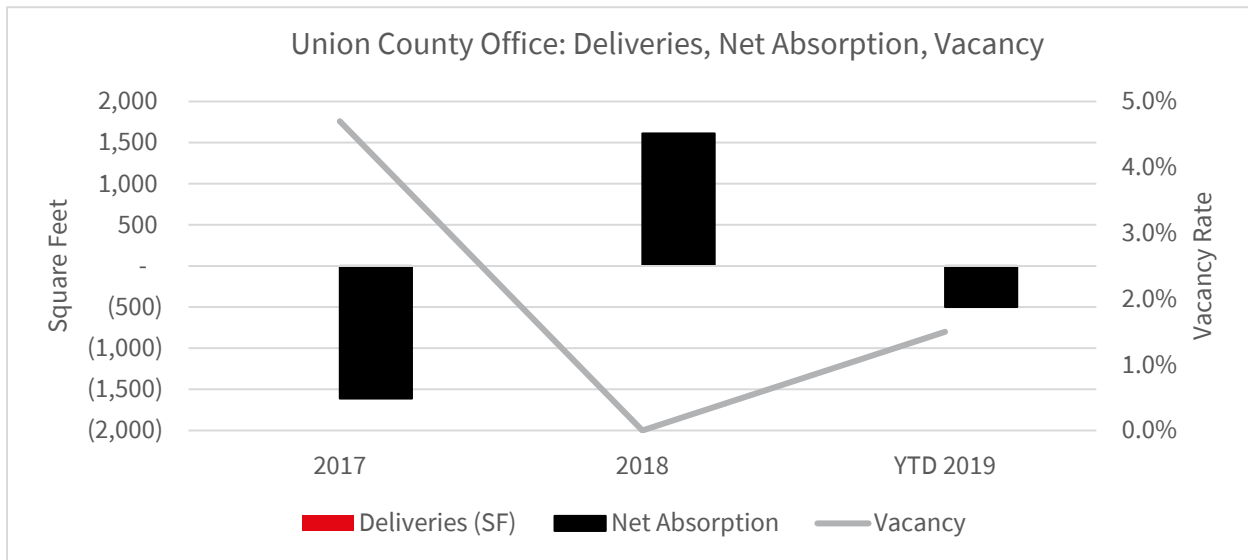


Source: U.S. Bureau of Labor Statistics

Office Market Conditions

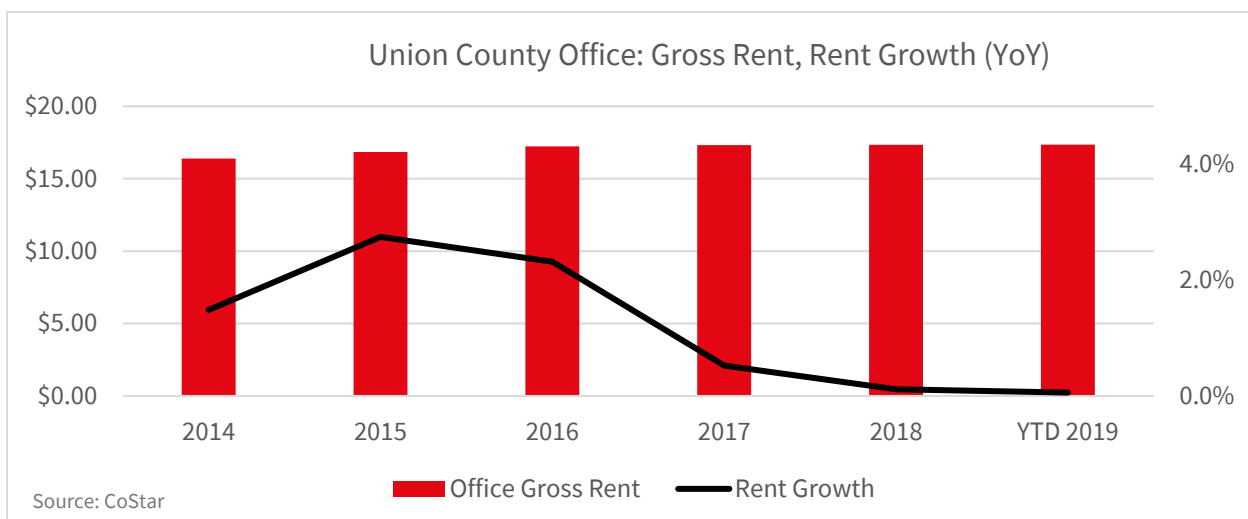
Inventory and Supply

The Union County office market is comprised of 8 properties and 34,300 square feet of total inventory with a vacancy rate of 1.5%. Due to the limited inventory of office space, absorption has been flat with -500 square feet year-to-date compared to 1,612 square feet of absorption in 2018. Vacancy rates have increased 150 basis points from 0.0% in 2018 to 1.5% in 2019 year-to-date. Due to lack of demand by tenants and a lack of surplus inventory, no new construction is expected, and vacancy rates should not fluctuate much.



Source: CoStar

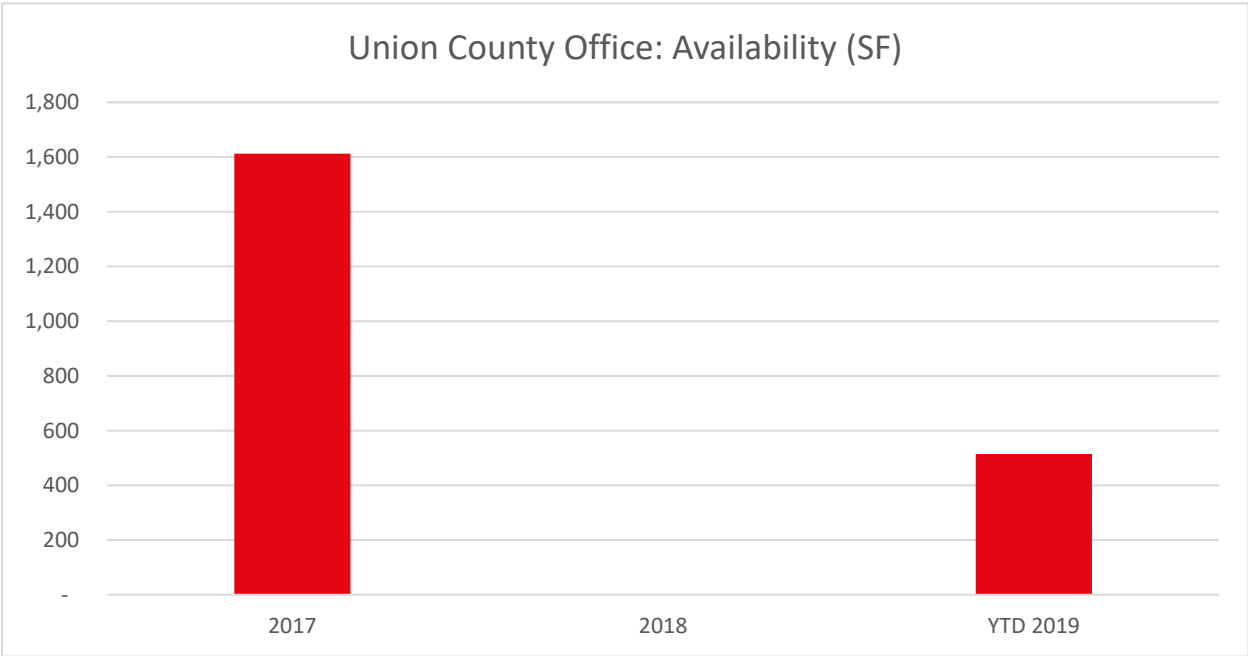
Office rents for properties in Union County have been stagnant since 2017, increasing from \$17.32 per square foot in 2017 to \$17.35 per square foot in 2019 year-to-date.



Source: CoStar

Leasing Activity and Availability

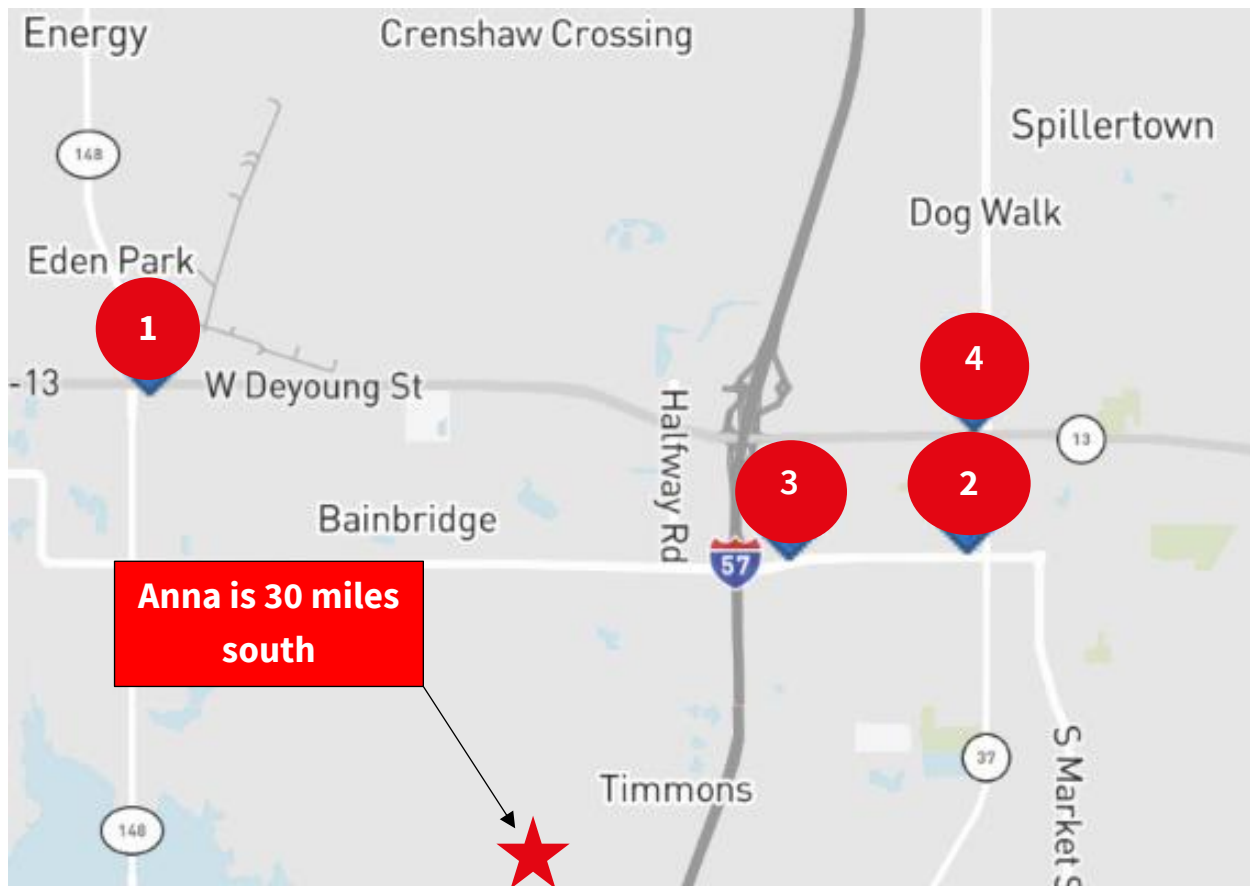
Office leasing activity in Union has been stagnant over the last three years with only 1,612 square feet of leasing activity over the last three years.



Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has remained constrained with only 515 square feet available.

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property's footprint. Rents for comparable properties in the market average \$12.30 per square foot. Lease comparables in the market both have 0% occupancy.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	104 Airway Dr Marion, IL	B	7,238	\$12.60/MG	7,238
2	914 W Main St Carbondale, IL	C	5,040	\$12.00/NNN	5,040

Sale Comparables

Recent office sales represent properties that have sold in the most recent 24 months. There were limited comparable sales in Anna. As such, a thirty-mile radius was utilized. Comparable office properties have sold for \$68.50 per square foot on average, that average is slightly skewed by the sale of 805 W Deyoung Street, which represents a significantly higher price per square foot than 2300 W Main Street. 805 W Deyoung Street is much larger than the State’s current occupancy at 108 Denny Drive.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
3	2300 W Main Street Marion, IL	C	5,500	\$46.00	May-2019
4	805 W Deyoung Street Marion, IL	C	10,021	\$91.00	Oct-2019

Own Versus Lease Analysis

To assess whether the State should continue leasing 108 Denny Dr or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	4,900
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 12.38
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$673,246. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 108 Denny Dr	
Total Rent Cost	\$ 664,232
+ Total OpEx	\$ 214,615
Total Cost (Real)	\$ 673,246

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$860,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$175.60.

Total Cost to Acquire 108 Denny Dr	
2020 Break-Even Acquisition Cost	\$ 860,438
+ Initial CapEx	\$ 49,000
+ Total Ongoing CapEx	\$ 53,654
+ Total OpEx	\$ 214,615
<u>- 2030 Market Value</u>	<u>\$ (1,001,728)</u>
Total Cost (Nominal)	\$ 403,387
Total Cost (Real)	\$ 673,246

If the State can acquire the building below \$175.60 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Anna.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
2300 W Main Street	5,500	\$ 253,000	\$ 46.00
805 W Deyoung Street	10,021	\$ 911,911	\$ 91.00
		\$ -	
Average			\$ 68.50

Based on this sample, the average sale price of properties in Anna is \$68.50 per square foot. Compared to the maximum break-even price of \$175.60 per square foot for the 108 Denny Dr, this value is significantly lower, indicating that acquiring the property for less than \$175.60 psf may be feasible.

Should the State acquire the property for \$68.50 per square foot, the total cost of acquisition, including capital expenditure, would be \$548,525.

Total Cost to Acquire 108 Denny Dr at Market Value	
2020 Market Acquisition Cost	\$ 335,650
+ Total Buildout Cost (full TI)	\$ 227,409
+ Initial CapEx	\$ 49,000
+ Total Ongoing CapEx	\$ 53,654
+ Total OpEx	\$ 214,615
<u>- 2030 Market Value</u>	<u>\$ (390,766)</u>
Total Cost (Nominal)	\$ 489,561
Total Cost (Real)	\$ 548,525

This is \$124,721 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	al Rentable Square Feet	Asking Sales price psf	Asking Sales price
515 E Vienna St, Anna, IL	14,631	\$54.68	\$ 800,023
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF

Regarding acquisition alternative, the property is much larger than the State's current footprint. Therefore, it is not a viable alternative is excluded from the analysis.

There are no lease alternatives in Anna, IL.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. However, total costs over a 10-year period may only be \$125,000, or only 18%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

Given the the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.

Lease 108 Denny Dr	\$ 673,246
Acquire 108 Denny Dr	\$ 548,525
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease

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1642 W 59th St

Chicago

Demographic Analysis

Property Description:

Property Details	
Property Address:	1642 W 59 th St
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	38,747
FY 2018 Annual Cost:	\$972,407
FY 2018 Annual Cost (psf):	\$25.10
2019 Headcount:	180
Demographics	
Population:	1 mile: 33,514 5 miles: 824,392
Median Household Income:	1 mile: \$27,679 5 miles: \$37,994

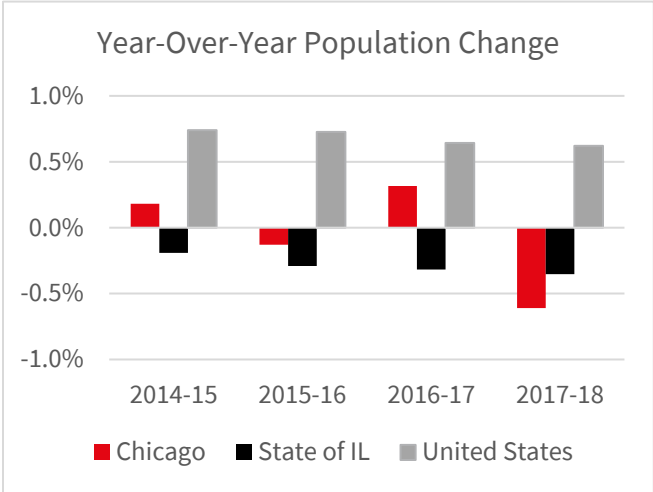


Source: CoStar

Demographic Overview for Chicago, IL

Population

Chicago is the most populous city in Illinois and is home to 21.2% of the State’s population. In 2018, Chicago had an estimated population of 2,705,994. Chicago experienced population loss year over year in 2018 and the population has been relatively static over the last five years, declining by 6,614 from 2014 to 2018. The State has experienced similar trends as well.

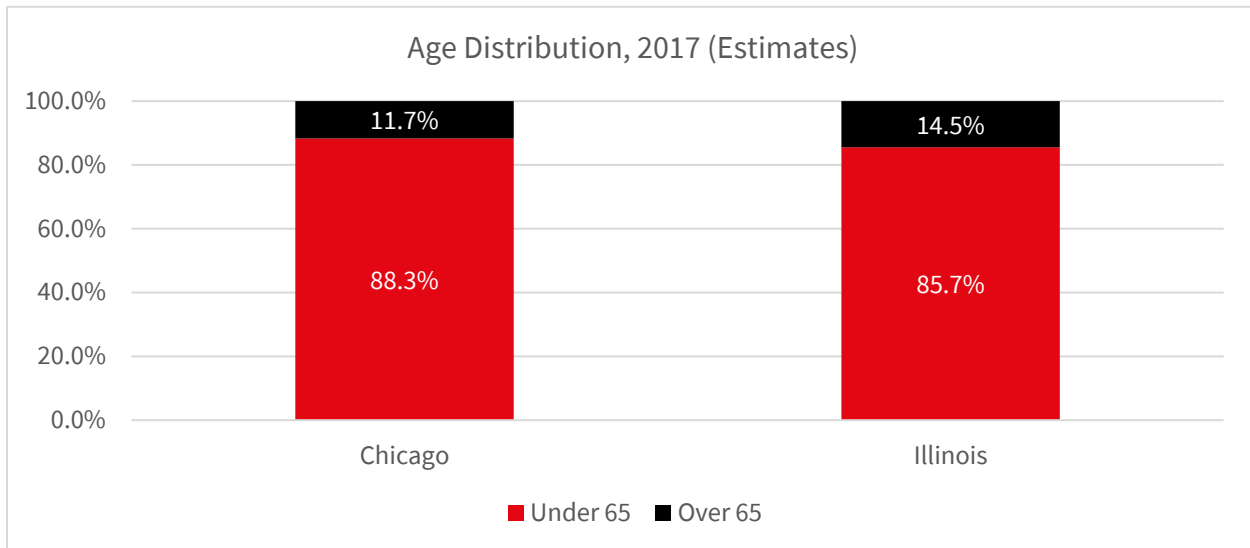


Source: U.S. Census Bureau

Year	Population Estimates
2018	2,705,994
2017	2,722,586
2016	2,714,017
2015	2,717,534
2014	2,712,608

Age

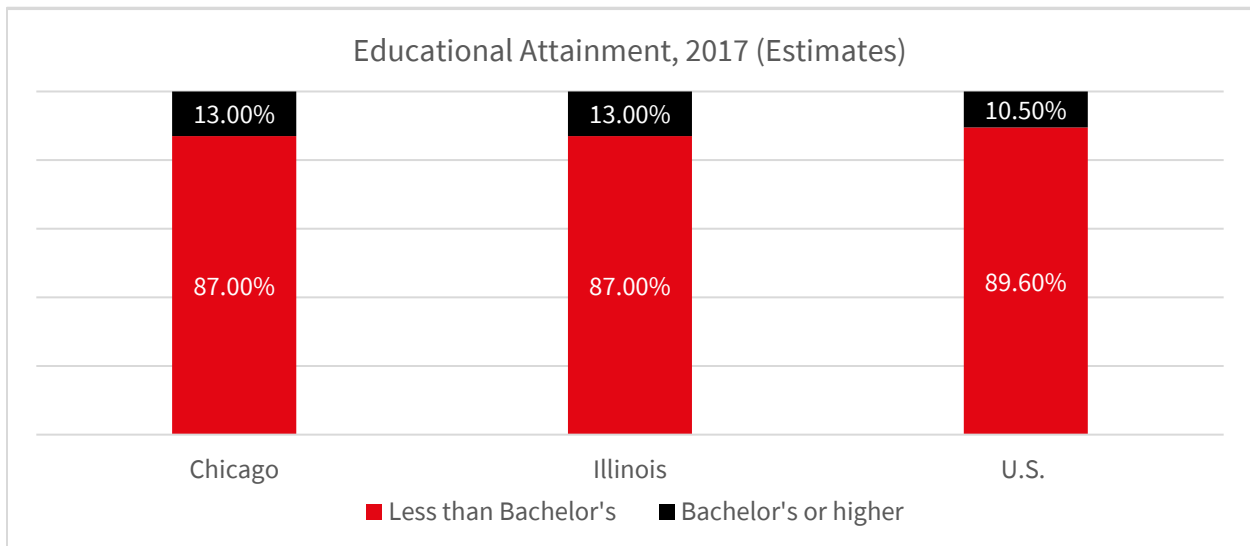
The population of Chicago is somewhat younger compared to the State. The median age of Chicago is 34.1 years old and is slightly younger than the statewide median age of 37.7. Seniors above the age of 65 make up 11.7% of the population in Chicago, compared to 14.5% of the population statewide. Individuals under 65 make up 88.3% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

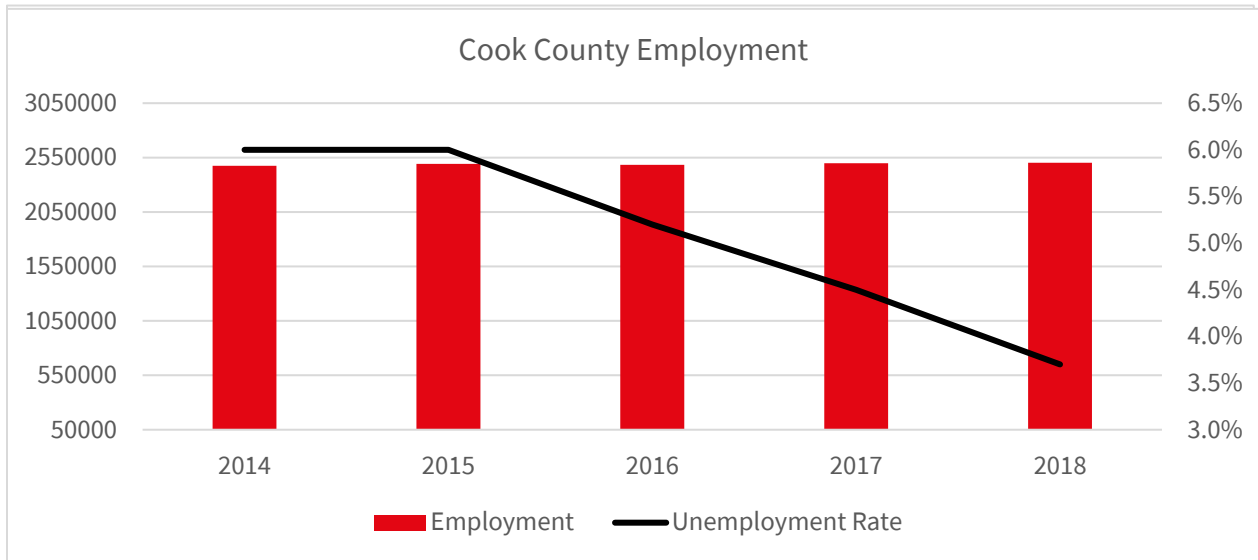
In Chicago, 13.0% of the population has a bachelor's degree or higher, the same proportion as the State at 13.0% and slightly greater than the nation at 10.5%. Conversely, individuals with less than a bachelor's degree comprise 87.0% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

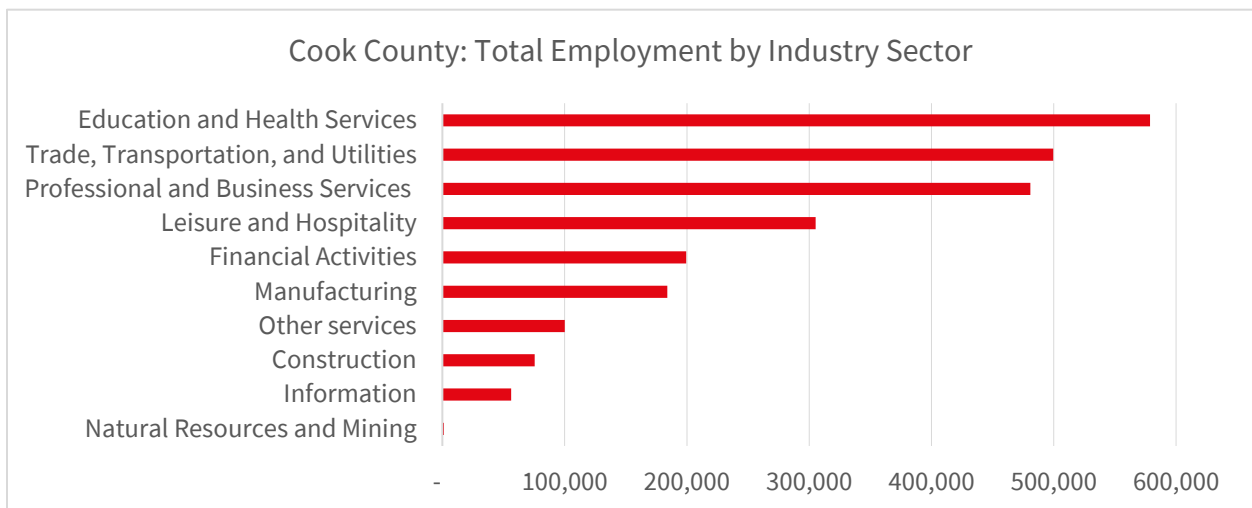
Labor Force and Employment Growth

Chicago is located in Cook County. Employment growth in Cook County has been steadily climbing over the last five years, increasing from 2,474,185 in 2014 to 2,503,189 in 2018. From 2017 to 2018, employment in Cook County increased by 5,608 while unemployment dipped from 4.5% to 3.7% over the same period. The unemployment remained static from 2014 to 2015 and then fell precipitously from 6.0% in 2015 to 3.7% in 2018.



Source: U.S. Bureau of Labor Statistics

Education and Health Services make up the largest share of employment in Cook County with a total of 578,725 jobs. Trade Transportation, and utilities is the second largest employment sector with 499,558 jobs followed by Professional and Business Services with 480,885.

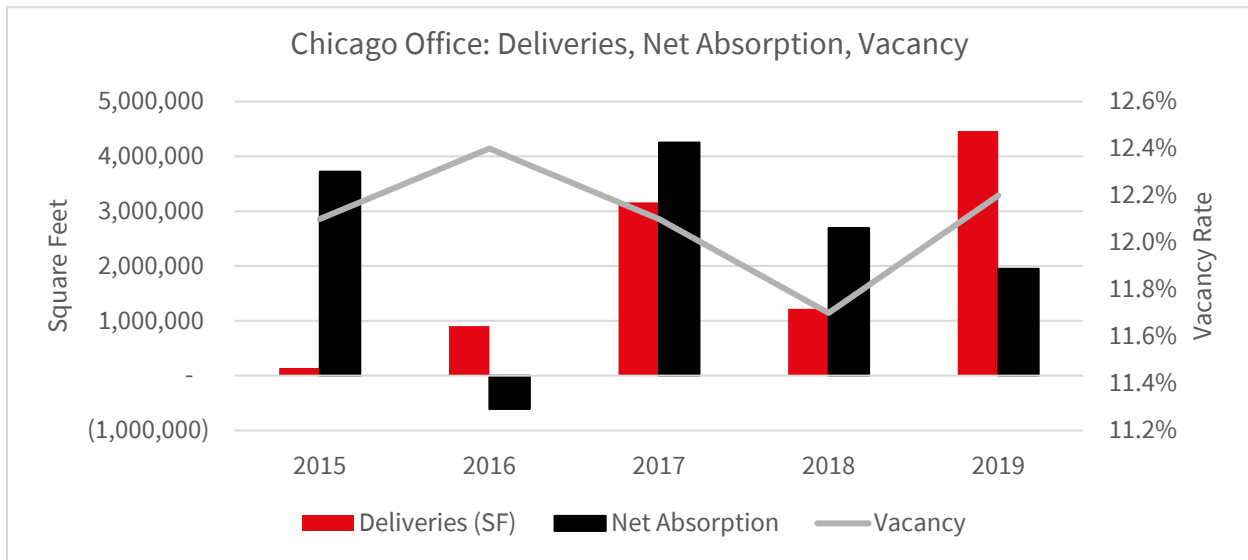


Source: U.S. Bureau of Labor Statistics

Office Market Conditions

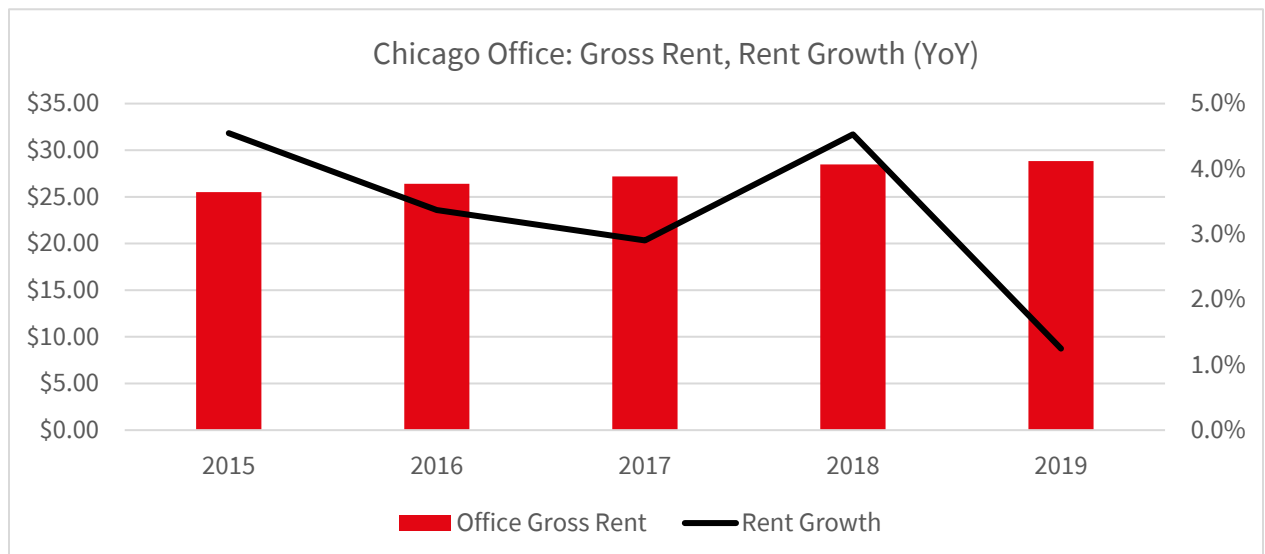
Inventory and Supply

The Chicago office market has 495 million square feet of total office inventory with a vacancy rate of 12.2%. Chicago has posted three consecutive years of positive absorption from 2017 to 2019. Chicago delivered 4,462,727 square feet of office space to the market in 2019. With an influx of new deliveries, vacancy rates have increased 50 basis points from 11.7% in 2018 to 12.2% in 2019. Additionally, 7,190,370 square feet is currently under construction, and this may further increase vacancy rates.



Source: CoStar

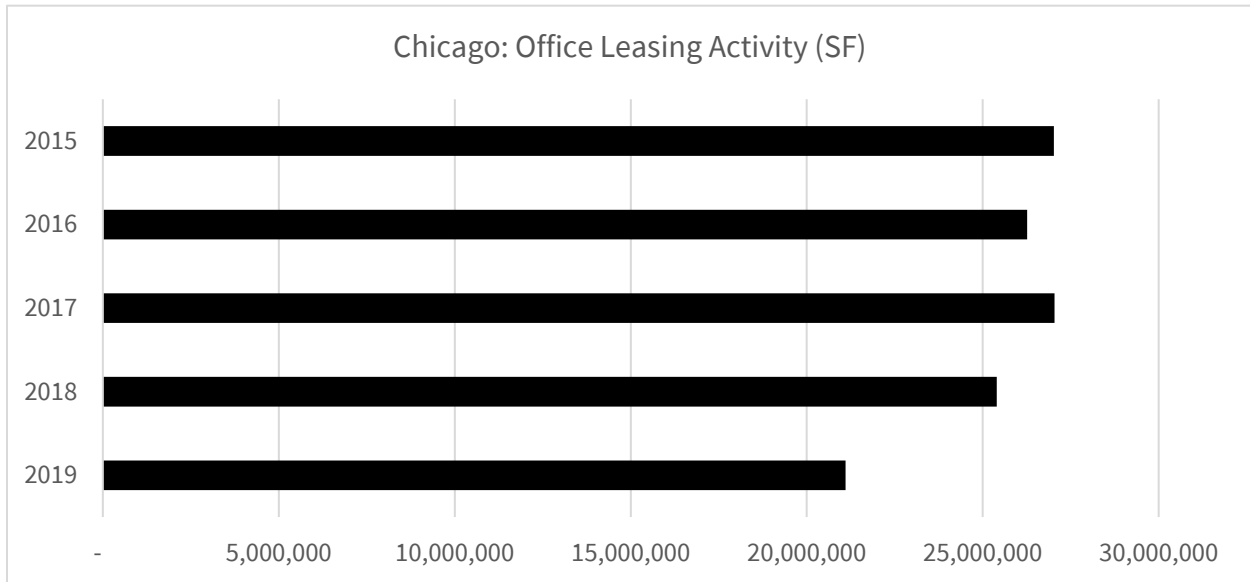
Office rents for properties in Chicago have increased each year since 2015. Going from \$25.51 per square foot in 2015 to \$28.84 per square foot in 2019.



Source: CoStar

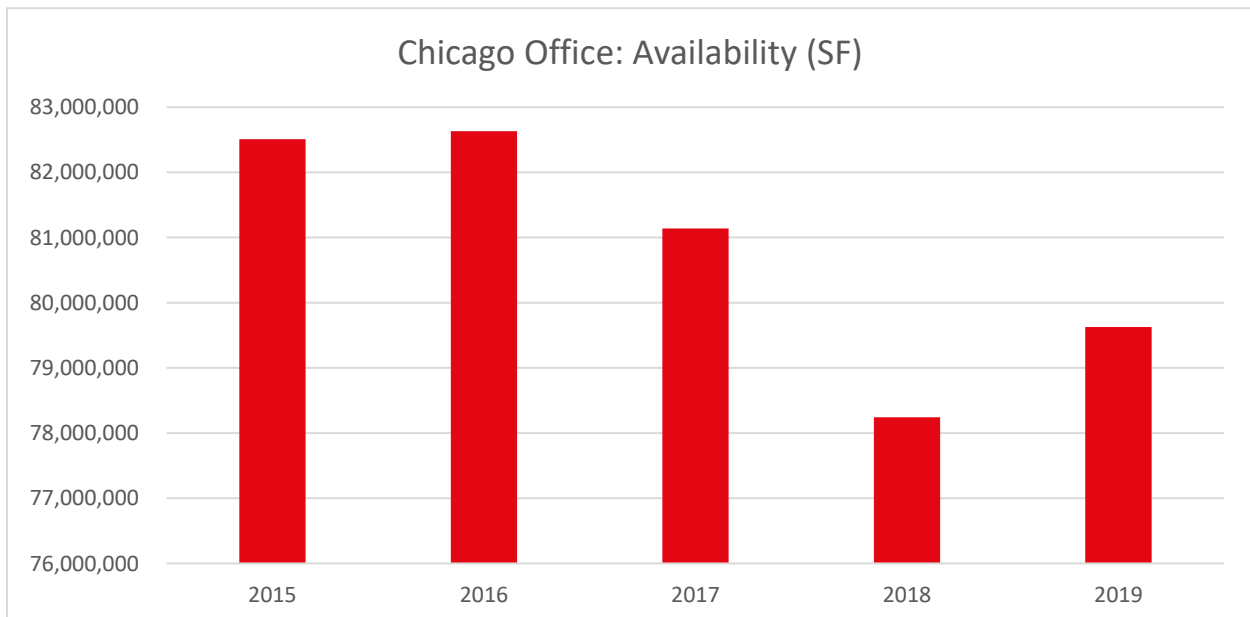
Leasing Activity and Availability

Office leasing activity in Chicago has declined in recent years, with leasing activity falling from 27,040,160 square feet in 2017 to 21,104,981 square feet in 2019. Moreover, 2019 saw the least amount of leasing activity over the last five years.



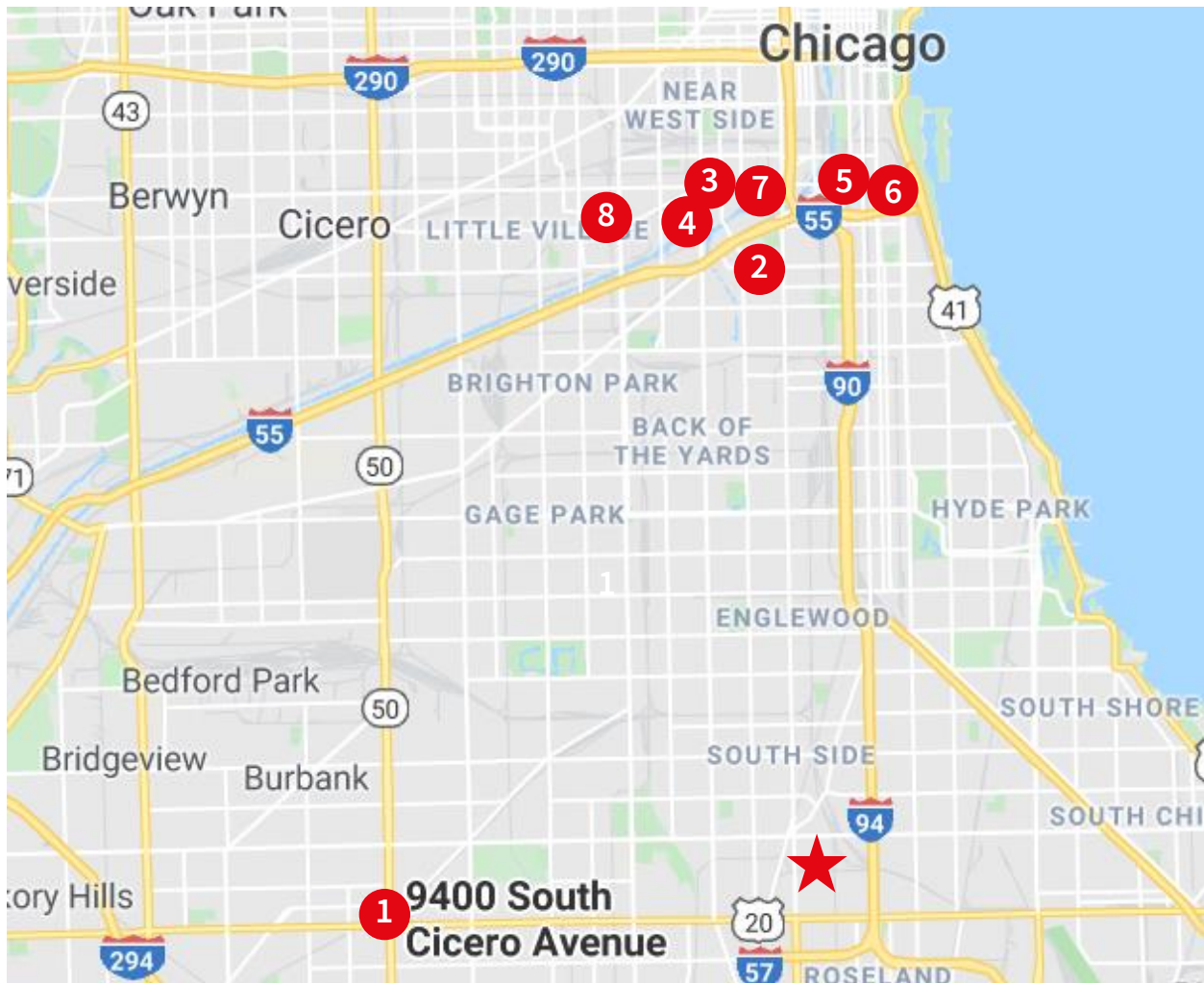
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has decreased significantly over the last five years with an uptick in 2019. From 2015 - 2018, availability has declined by 4,265,596 square feet to 78,241,644 square feet but increased by 1,384,895 square feet from 2018 - 2019 to 79,626,539 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. Rents for comparable properties in the market average \$25.40 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 0.0% to 90.2%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	9400 S Cicero Ave	B	45,000	\$19.00/NNN	39,000
2	1010 W 35th St	B	240,000	\$15.00/MG	67,411
3	1911 S Sangamon St	B	103,316	\$30.00/FS	103,316
4	1901 S Sangamon St	A	103,587	\$28.00/MG	76,358
5	425 S Financial Pl	A	1,057,880	\$35.00/FS	102,753

Sale Comparables

Recent office sales represent properties that have sold in the most recent 24 months. All comparable sales occurred within a five-mile radius. Comparable office properties have sold from \$51 per square foot to \$114 per square foot and are older class C properties.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	2222 S Michigan Ave	C	115,000	\$87	Jan-2018
7	2201 S Halsted St	C	234,927	\$51	Mar-2019
8	2148-2170 S Canalport Ave	C	220,000	\$114	Feb-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 1642 W 59th St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	38,747
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 25.10
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$9,457,905. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 1642 W 59th St	
Total Rent Cost	\$ 10,649,148
+ Total OpEx	\$ 1,697,075
Total Cost (Real)	\$ 9,457,905

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.39% over the 10-year period, which is the average growth rate of CPI for Chicago.

Using these assumptions, if the State can acquire the property for approximately \$23,230,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$599.63.

Total Cost to Acquire 1642 W 59th St	
2020 Break-Even Acquisition Cost	\$ 23,233,769
+ Initial CapEx	\$ 387,470
+ Total Ongoing CapEx	\$ 424,269
+ Total OpEx	\$ 1,697,075
<u>- 2030 Market Value</u>	<u>\$ (26,675,105)</u>
Total Cost (Nominal)	\$ 865,727
Total Cost (Real)	\$ 9,457,905

If the State can acquire the building below \$599.63 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Chicago.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
2222 S Michigan Ave	115,000	\$ 10,005,000	\$ 87.00
2201 S Halsted St	234,927	\$ 11,981,277	\$ 51.00
2148-2170 S Canalport A'	220,000	\$ 25,080,000	\$ 114.00
Average			\$ 84.00

Based on this sample, the average sale price of properties in Chicago is \$84.00 per square foot. Compared to the maximum break-even price of \$599.63 per square foot for the 1642 W 59th St, this value is significantly lower, indicating that acquiring the property for less than \$599.63 psf may be feasible.

Should the State acquire the property for \$84.00 per square foot, the total cost of acquisition, including capital expenditure, would be \$4,512,374.

Total Cost to Acquire 1642 W 59th St at Market Value	
2020 Market Acquisition Cost	\$ 3,254,748
+ Total Buildout Cost (full TI)	\$ 1,798,248
+ Initial CapEx	\$ 387,470
+ Total Ongoing CapEx	\$ 424,269
+ Total OpEx	\$ 1,697,075
<u>- 2030 Market Value</u>	<u>\$ (3,736,834)</u>
Total Cost (Nominal)	\$ 3,824,976
Total Cost (Real)	\$ 4,512,374

This is \$4,945,531 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	Total Available Rentable Square Feet	Asking Sales price psf	Asking Sales price
1249-1255 W 63rd St	4,000	\$93.75	\$ 375,000
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
9400 S Cicero Ave	45,000	38,747	\$19.00
1010 W 35th St	240,000	38,747	\$15.00
1911 S Sangamon St	103,316	38,747	\$30.00
1901 S Sangamon St	103,587	38,747	\$28.00
425 S Financial Pl	341,574	38,747	\$35.00

Regarding the one acquisition alternative, the property is much smaller than the State's current footprint. Therefore, it is not a viable alternative and is excluded from the analysis.

Regarding lease alternatives, all provide sufficient space for the State to lease, and assuming property managers are willing to divide the space, all may be viable options. However, 9400 S Cicero may be too far away and is therefore excluded.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. Total costs over a 10-year period may be \$5 million, or 52%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 1642 W 59th St	\$ 9,457,905
Acquire 1642 W 59th St	\$ 4,512,374
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease
1010 W 35th St	\$ 7,307,880
1911 S Sangamon St	\$ 12,183,089
1901 S Sangamon St	\$ 11,533,061
425 S Financial Pl	\$ 13,808,159

The background of the page is a vibrant red with a textured, brush-stroke-like pattern. A dark, almost black, abstract shape is visible on the right side, resembling a silhouette of a mountain or a large architectural element.

1911 S Indiana Ave

Chicago

Demographic Analysis

Property Description

Property Details	
Property Address:	1911 S Indiana Ave
Property Type:	Office
User:	Department of Child and Family Services
Building Size (SF):	129,196
FY 2018 Annual Cost:	\$2,843,969
FY 2018 Annual Cost (psf):	\$22.01
2019 Headcount:	423
Demographics	
Population:	1 mile: 45,137 5 miles: 727,970
Median Household Income:	1 mile: \$71,617 5 miles: \$67,827

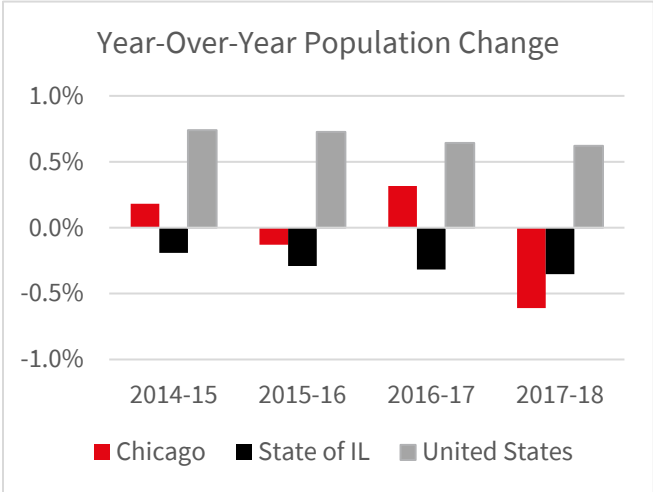


Source: CoStar

Demographic Overview for Chicago, IL

Population

Chicago is the most populous city in Illinois and is home to 21.2% of the State’s population. In 2018, Chicago had an estimated population of 2,705,994. Chicago experienced population loss year over year in 2018 and the population has been relatively static over the last five years, declining by 6,614 from 2014 to 2018. The State has experienced similar trends as well.

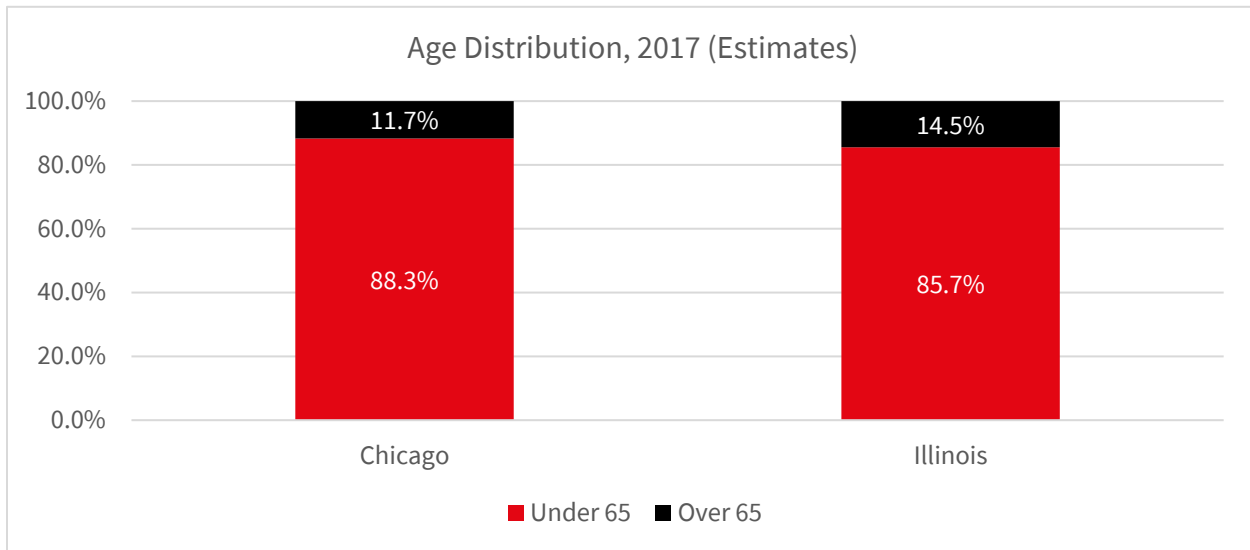


Source: U.S. Census Bureau

Year	Population Estimates
2018	2,705,994
2017	2,722,586
2016	2,714,017
2015	2,717,534
2014	2,712,608

Age

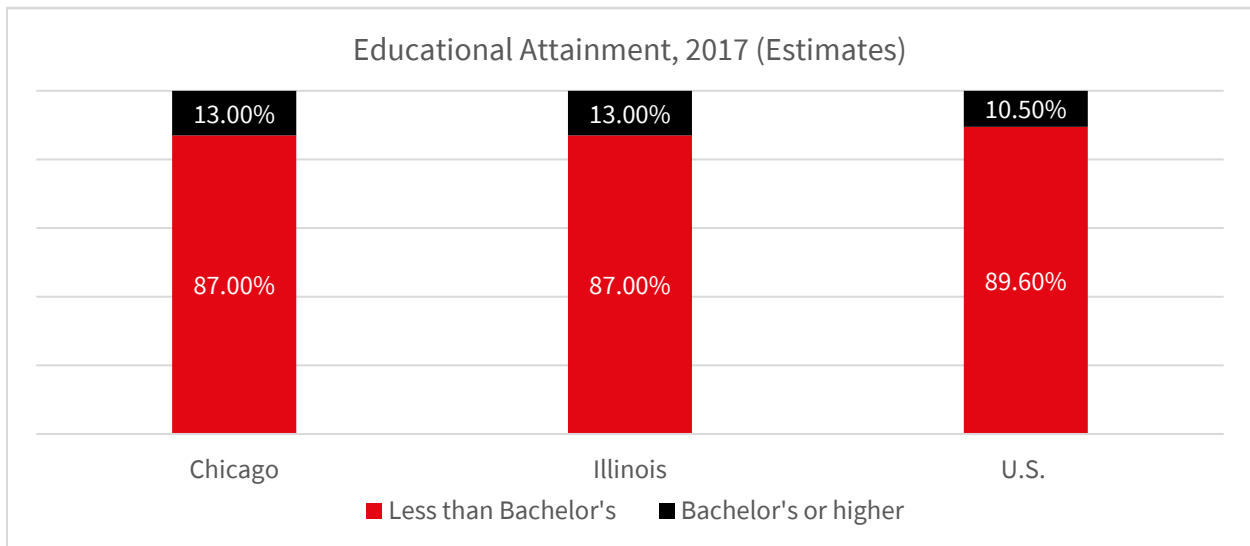
The population of Chicago is somewhat younger compared to the State. The median age of Chicago is 34.1 years old and is slightly younger than the statewide median age of 37.7. Seniors above the age of 65 make up 11.7% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 88.3% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

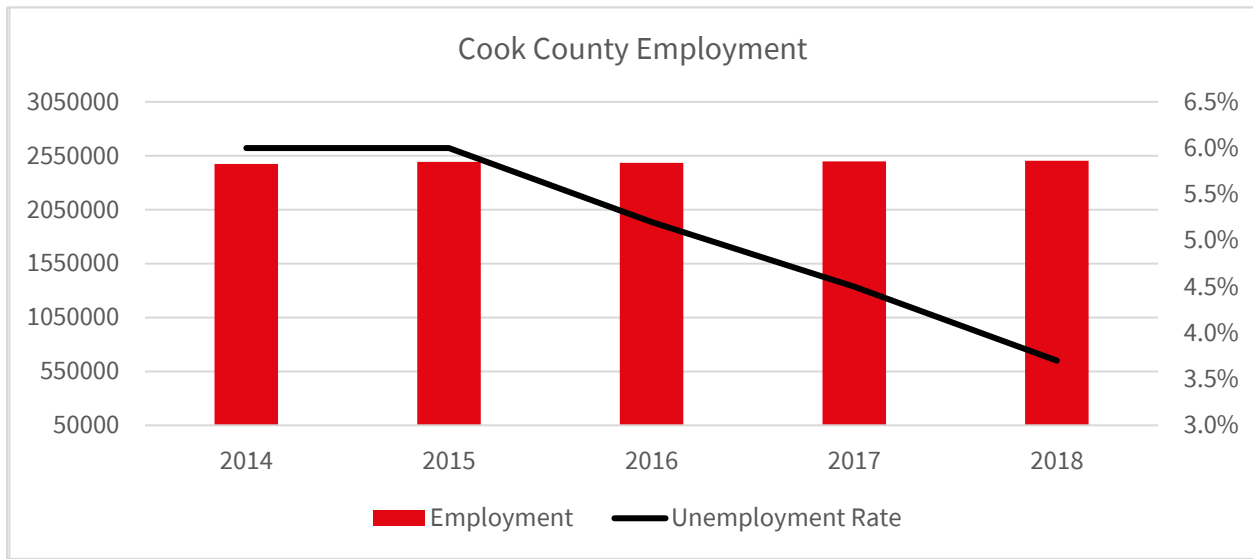
In Chicago, 13.0% of the population has a bachelor's degree or higher, the same proportion as the State at 13.0% and slightly greater than the nation at 10.5%. Conversely, individuals with less than a bachelor's degree comprise 87.0% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

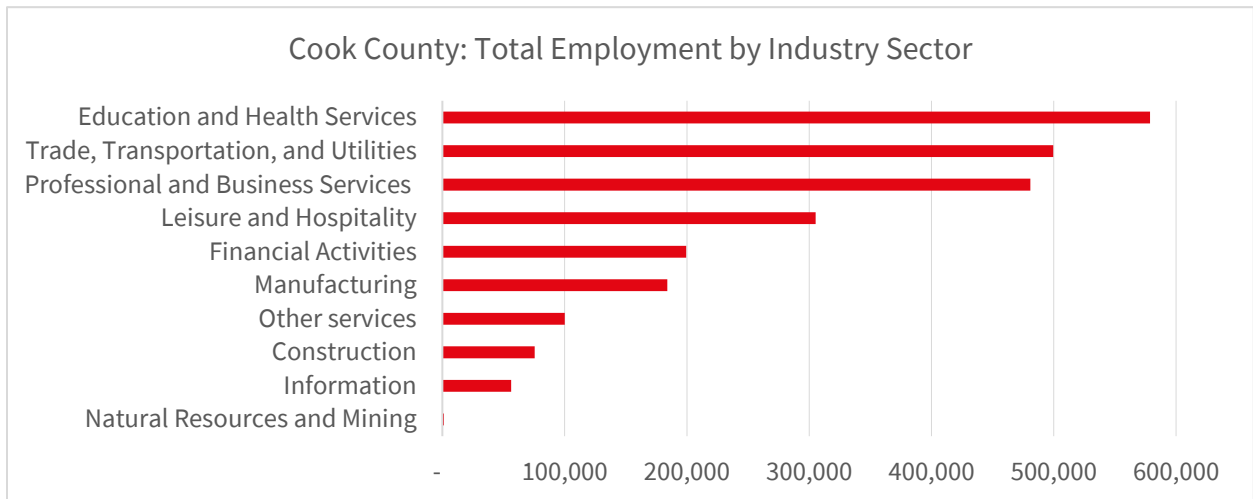
Labor Force and Employment Growth

Chicago is located in Cook County. Employment growth in Cook County has been steadily climbing over the last five years, increasing from 2,474,185 in 2014 to 2,503,189 in 2018. From 2017 to 2018, employment in Cook County increased by 5,608 while unemployment dipped from 4.5% to 3.7% over the same period. The unemployment remained static from 2014 to 2015 and then fell precipitously from 6.0% in 2015 to 3.7% in 2018.



Source: U.S. Bureau of Labor Statistics

Education and Health Services make up the largest share of employment in Cook County with a total of 578,725 jobs. Trade Transportation, and utilities is the second largest employment sector with 499,558 jobs followed by Professional and Business Services with 480,885.

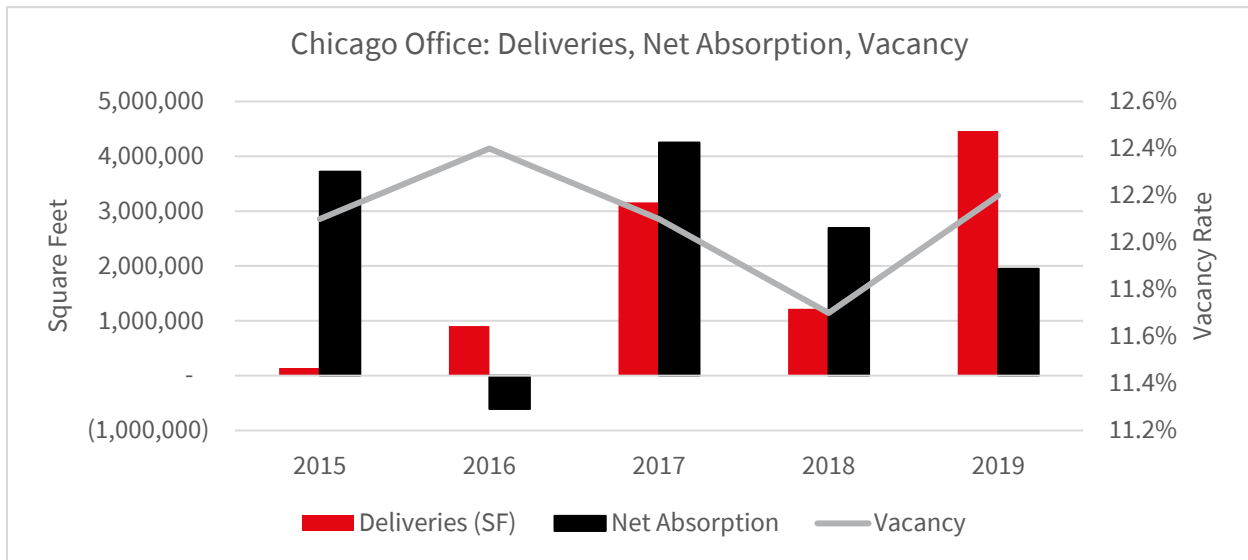


Source: U.S. Bureau of Labor Statistics

Office Market Conditions

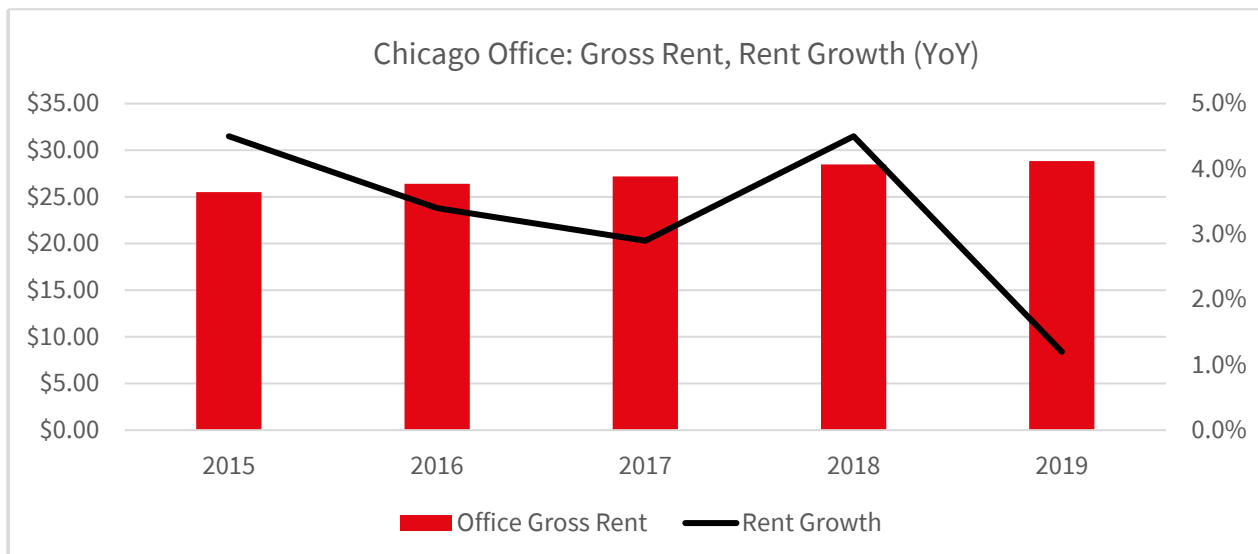
Inventory and Supply

The Chicago office market has 495 million square feet of total office inventory with a vacancy rate of 12.2%. Chicago has posted three consecutive years of positive absorption from 2017 to 2019. Chicago delivered 4,462,727 square feet of office space to the market in 2019. With an influx of new deliveries, vacancy rates have increased 50 basis points from 11.7% in 2018 to 12.2% in 2019 year-to-date. Additionally, 7,190,370 square feet is currently under construction, and this may further increase vacancy rates.



Source: CoStar

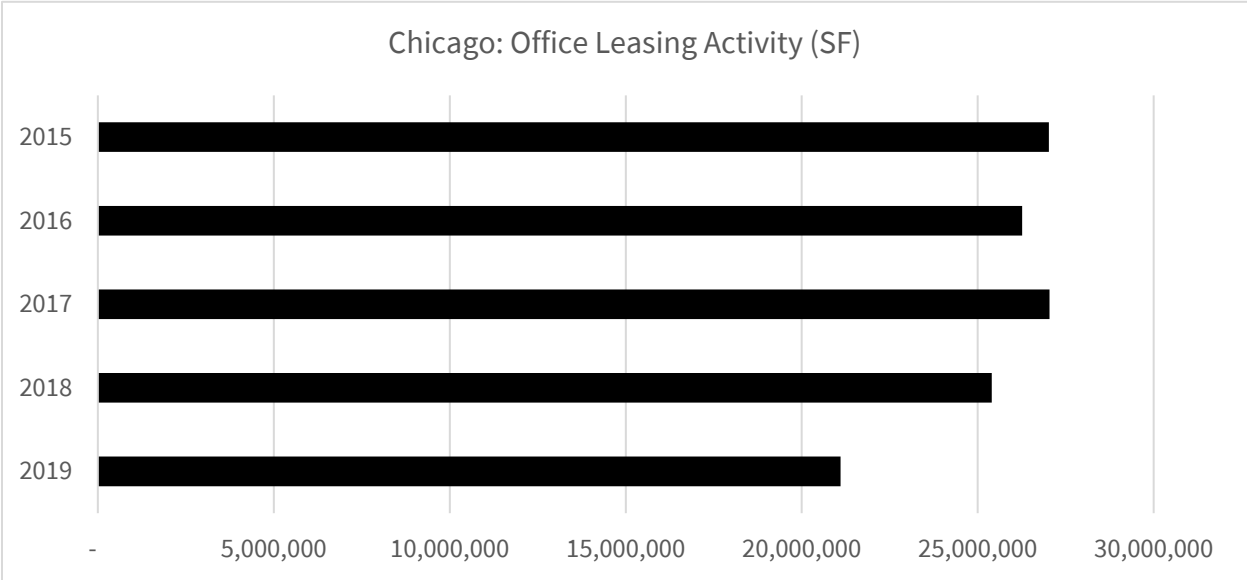
Office rents for properties in Chicago have increased each year since 2015. Going from \$25.51 per square foot in 2015 to \$28.84 per square foot in 2019.



Source: CoStar

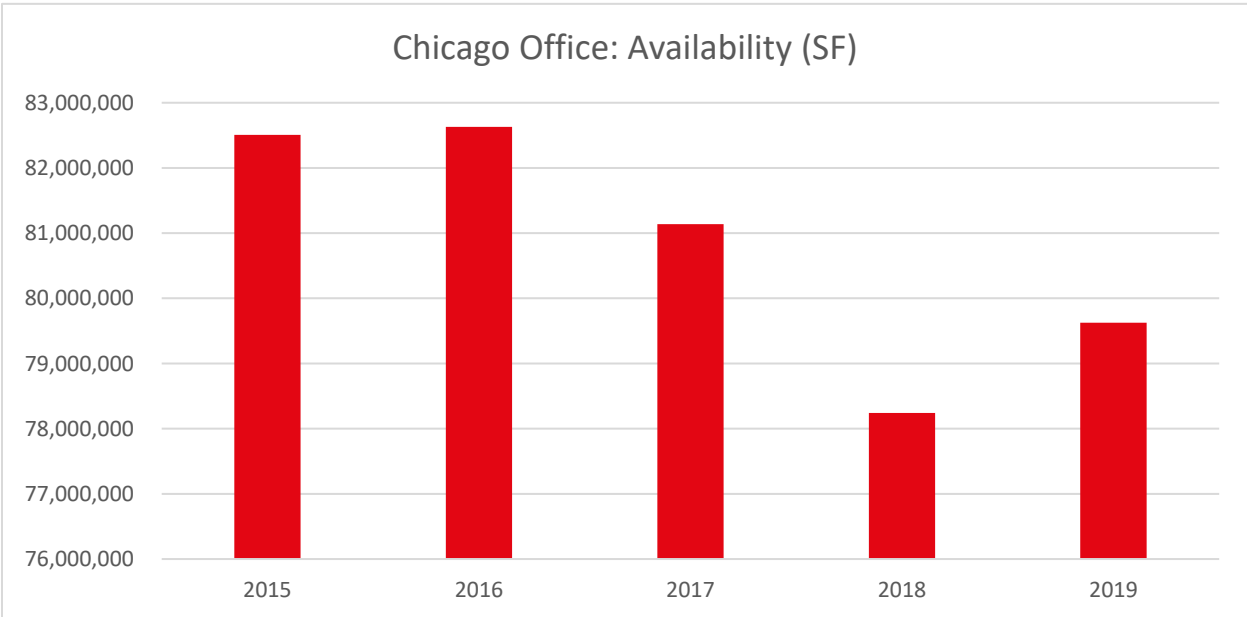
Leasing Activity and Availability

Office leasing activity in Chicago has declined in recent years, with leasing activity falling from 27,040,160 square feet in 2017 to 21,104,981 square feet in 2019. Moreover, 2019 saw the least amount of leasing activity over the last five years.



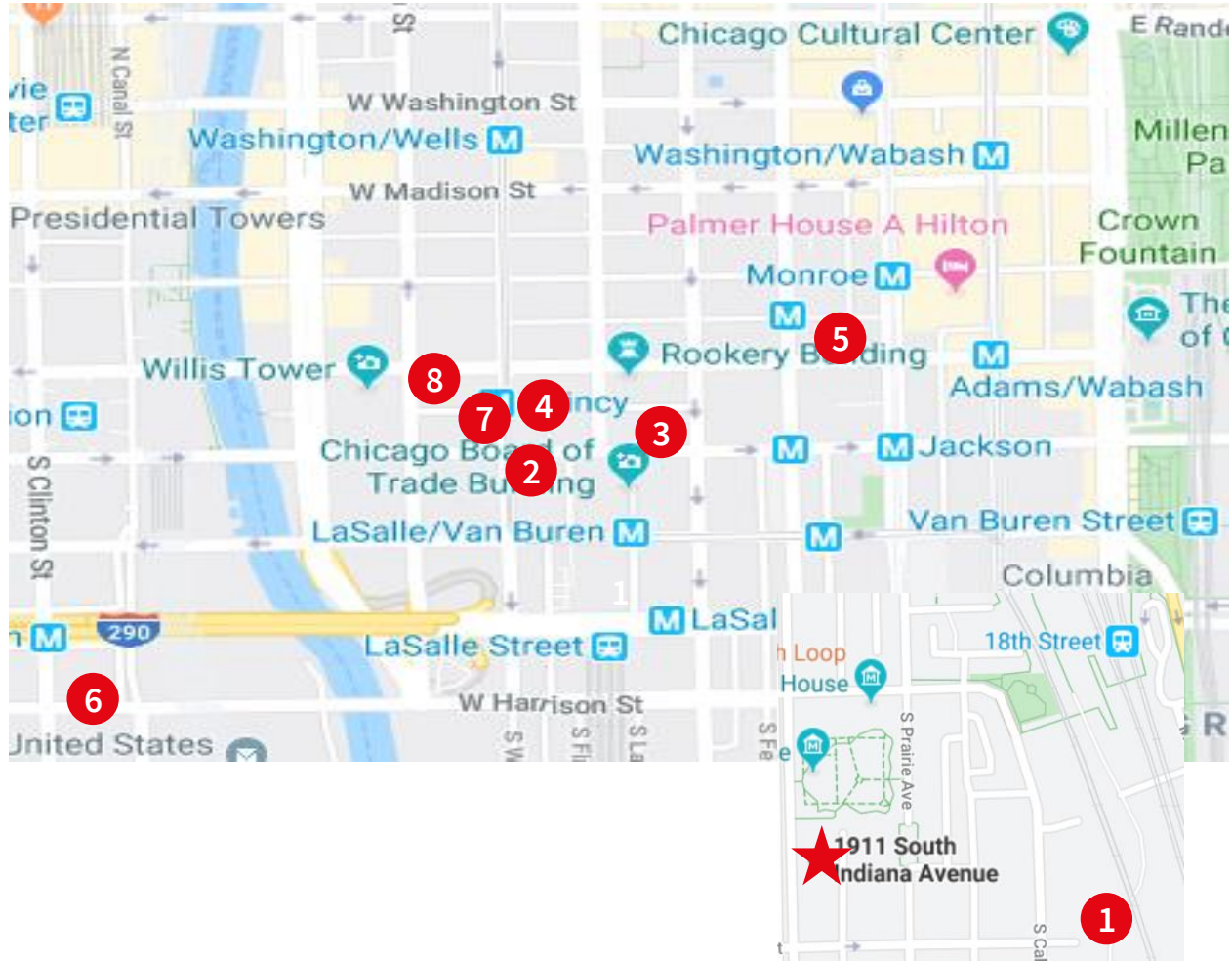
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has decreased significantly over the last five years with an uptick in 2019. From 2015 - 2018, availability has declined by 4,265,596 square feet to 78,241,644 square feet but increased by 1,384,895 square feet from 2018 – 2019 to 79,626,539 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property's footprint. Rents for comparable properties in the market average \$20.20 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 63.6% to 92.8%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	350 E Cermak Rd	C	1,333,739	\$30.00/FS	Unknown
2	175 W Jackson Blvd	A	1,452,390	\$29.50/FS	527,742
3	231 S LaSalle St	B	1,061,580	\$37.00/FS	290,024
4	200 W Jackson Blvd	A	483,340	\$22.00/NNN	151,498
5	131 S Dearborn St	A	1,504,364	\$27.50/NNN	105,582

Sale Comparables

Recent office sales represent properties that have sold in the most recent 24 months. All comparable sales are within a two-mile radius. Comparable office properties have sold for \$139 per square foot on average. Selected comparable properties are below the 2-mile radius price per square foot average as they are older Class B properties that are more in line with the subject property.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	2148-2170 S Canalport	B	220,000	\$114	July-2019
7	226 W Jackson Blvd	B	234,927	\$139	Sep-2019
8	209 W Jackson Blvd	B	142,619	\$164	Apr-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 1911 S Indiana Ave or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	129,196
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 22.01
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$28,187,289. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 1911 S Indiana Ave	
Total Rent Cost	\$ 31,136,670
+ Total OpEx	\$ 5,658,641
Total Cost (Real)	\$ 28,187,289

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.39% over the 10-year period, which is the average growth rate of CPI for Chicago.

Using these assumptions, if the State can acquire the property for approximately \$63,940,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$494.92.

Total Cost to Acquire 1911 S Indiana Ave	
2020 Break-Even Acquisition Cost	\$ 63,941,511
+ Initial CapEx	\$ 1,291,960
+ Total Ongoing CapEx	\$ 1,414,660
+ Total OpEx	\$ 5,658,641
<u>- 2030 Market Value</u>	<u>\$ (73,412,388)</u>
Total Cost (Nominal)	\$ 4,890,370
Total Cost (Real)	\$ 28,187,289

If the State can acquire the building below \$494.92 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Chicago.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
2148-2170 S Canalport	220,000	\$ 25,080,000	\$ 114.00
226 W Jackson Blvd	234,927	\$ 32,654,853	\$ 139.00
209 W Jackson Blvd	142,619	\$ 23,389,516	\$ 164.00
Average			\$ 139.00

Based on this sample, the average sale price of properties in Chicago is \$139.00 per square foot. Compared to the maximum break-even price of \$494.92 per square foot for the 1911 S Indiana Ave, this value is significantly lower, indicating that acquiring the property for less than \$494.92 psf may be feasible.

Should the State acquire the property for \$139.00 per square foot, the total cost of acquisition, including capital expenditure, would be \$16,804,765.

Total Cost to Acquire 1911 S Indiana Ave at Market Value	
2020 Market Acquisition Cost	\$ 17,958,244
+ Total Buildout Cost (full TI)	\$ 5,995,986
+ Initial CapEx	\$ 1,291,960
+ Total Ongoing CapEx	\$ 1,414,660
+ Total OpEx	\$ 5,658,641
<u>- 2030 Market Value</u>	<u>\$ (20,618,180)</u>
Total Cost (Nominal)	\$ 11,701,311
Total Cost (Real)	\$ 16,804,765

This is \$11,382,524 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

Acquisition Alternatives			
Address	Total Rentable Square Feet	Asking Sales price psf	Asking Sales price
2112-2118 S Michigan Ave	18,000	\$252.17	\$ 4,539,060
1112 S Wabash Ave	75,000	\$293.33	\$ 21,999,750
Lease Alternatives			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
350 E Cermak Rd	Unknown	129,196	\$30.00
175 W Jackson Blvd	527,742	129,196	\$29.50
231 S LaSalle St	290,024	129,196	\$37.00
200 W Jackson Blvd	151,498	129,196	\$22.00
131 S Dearborn St	105,582	105,582	\$27.50

Regarding the acquisition alternatives, both options are too small given the State's current footprint.

Regarding lease alternatives, all but the last provide sufficient space for the State to lease (though the amount of available space is unknown), and assuming property managers are willing to divide the space, may be viable options.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. Total costs over a 10-year period may be \$11 million, or 40%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 1911 S Indiana Ave	\$ 28,187,289
Acquire 1911 S Indiana Ave	\$ 16,804,765
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease
350 E Cermak Rd	\$ 40,622,665
175 W Jackson Blvd	\$ 40,080,810
231 S LaSalle St	\$ 48,208,633
200 W Jackson Blvd	\$ 31,952,987

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8840 S Stony Island Ave

Chicago

Demographic Analysis

Property Description:

Property Details	
Property Address:	8840 S Stony Island Ave
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	5,161
FY 2018 Annual Cost:	\$95,345
FY 2018 Annual Cost (psf):	\$18.47
2019 Headcount:	14
Demographics	
Population:	1 mile: 24,263 5 miles: 518,245
Median Household Income:	1 mile: \$43,731 5 miles: \$35,016

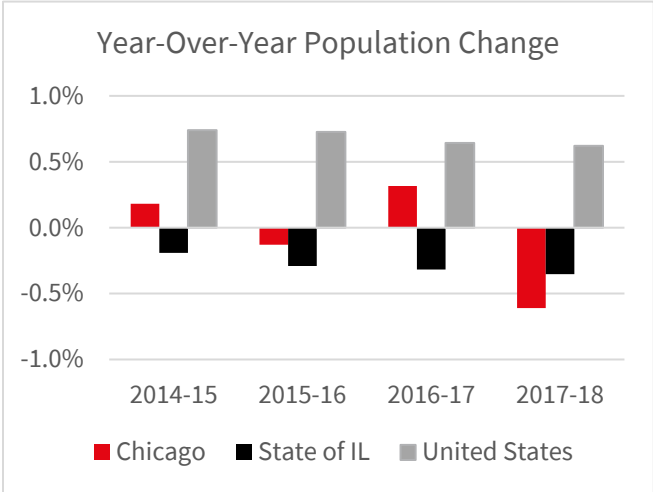


Source: Google

Demographic Overview for Chicago, IL

Population

Chicago is the most populous city in Illinois and is home to 21.2% of the State’s population. In 2018, Chicago had an estimated population of 2,705,994. Chicago experienced population loss year-over-year in 2018 and the population has been relatively static over the last five years, declining by 6,614 from 2014 to 2018. The State has experienced similar trends as well.

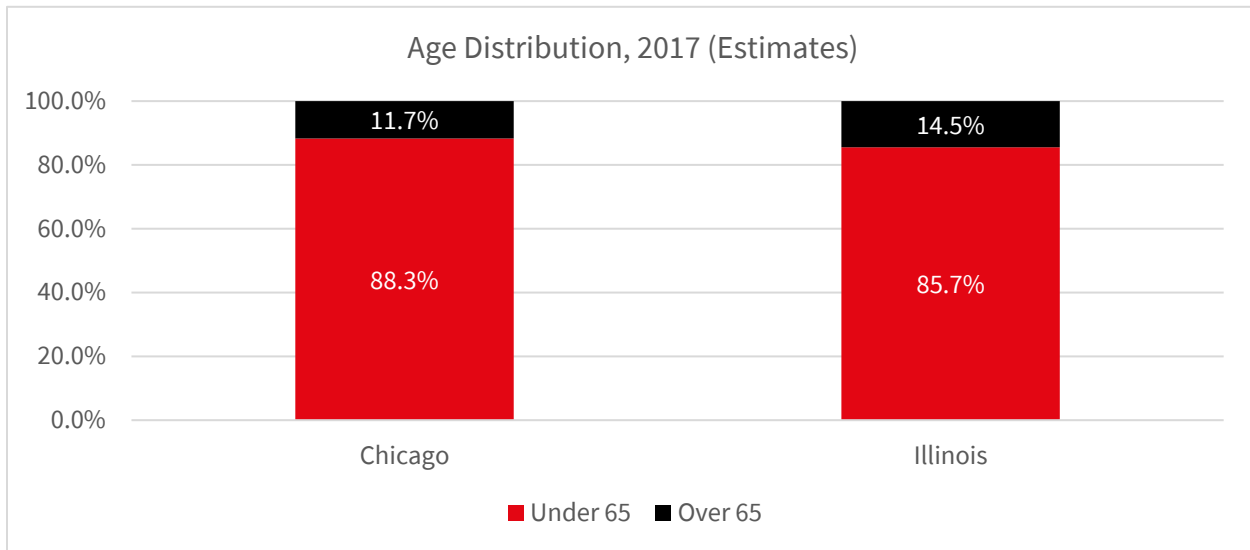


Source: U.S. Census Bureau

Year	Population Estimates
2018	2,705,994
2017	2,722,586
2016	2,714,017
2015	2,717,534
2014	2,712,608

Age

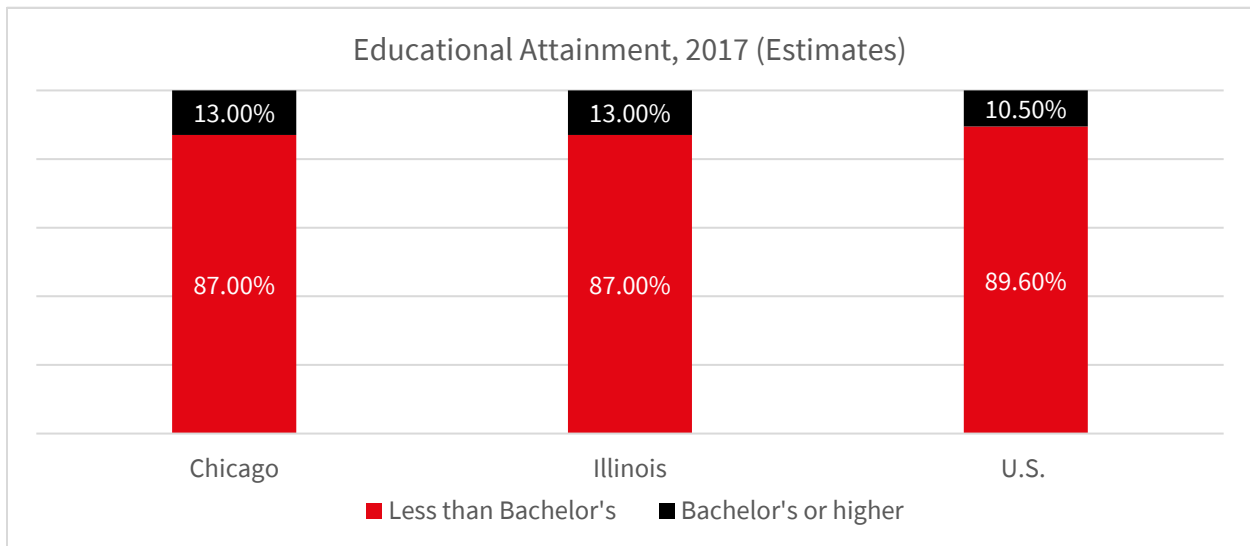
The population of Chicago is somewhat younger compared to the State. The median age of Chicago is 34.1 years old and is slightly younger than the statewide median age of 37.7. Seniors above the age of 65 make up 11.7% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 88.3% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

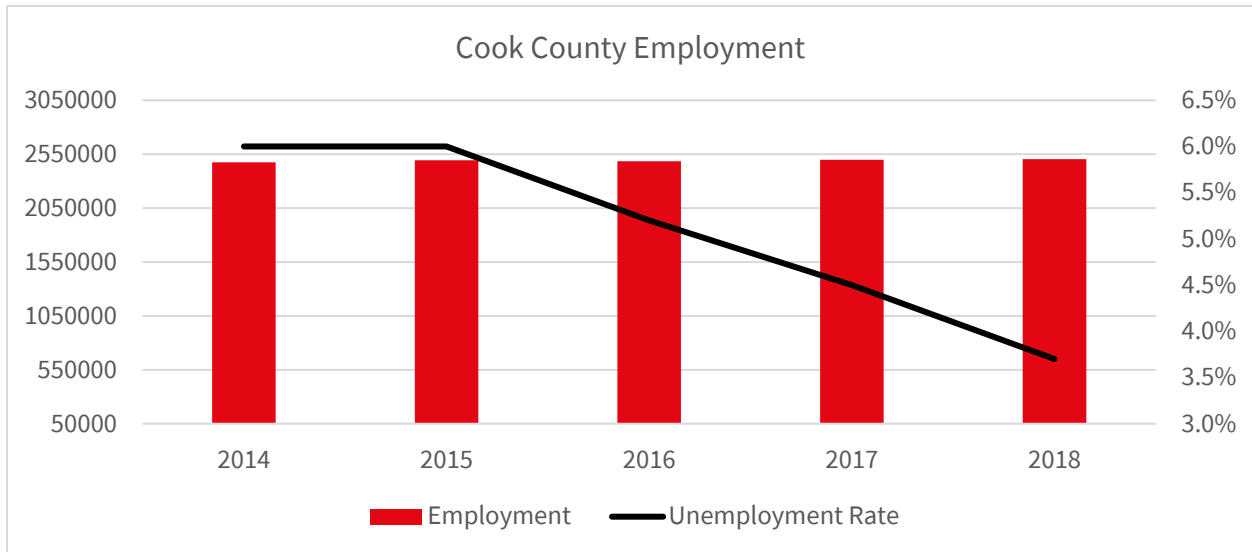
In Chicago, 13.0% of the population has a bachelor's degree or higher, the same proportion as the State at 13.0% and slightly greater than the nation at 10.5%. Conversely, individuals with less than a bachelor's degree comprise 87.0% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

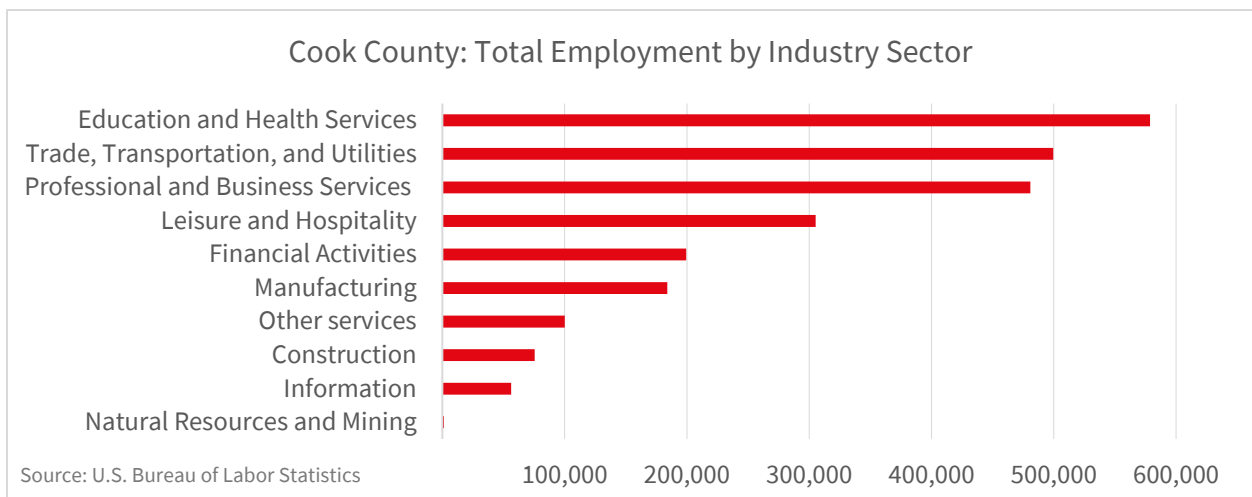
Labor Force and Employment Growth

Chicago is located in Cook County. Employment growth in Cook County has been steadily climbing over the last five years, increasing from 2,474,185 in 2014 to 2,503,189 in 2018. From 2017 to 2018, employment in Cook County increased by 5,608 while unemployment dipped from 4.5% to 3.7% over the same period. The unemployment remained static from 2014 to 2015 and then fell precipitously from 6.0% in 2015 to 3.7% in 2018.



Source: U.S. Bureau of Labor Statistics

Education and Health Services make up the largest share of employment in Cook County with a total of 578,725 jobs. Trade Transportation, and utilities is the second largest employment sector with 499,558 jobs followed by Professional and Business Services with 480,885.

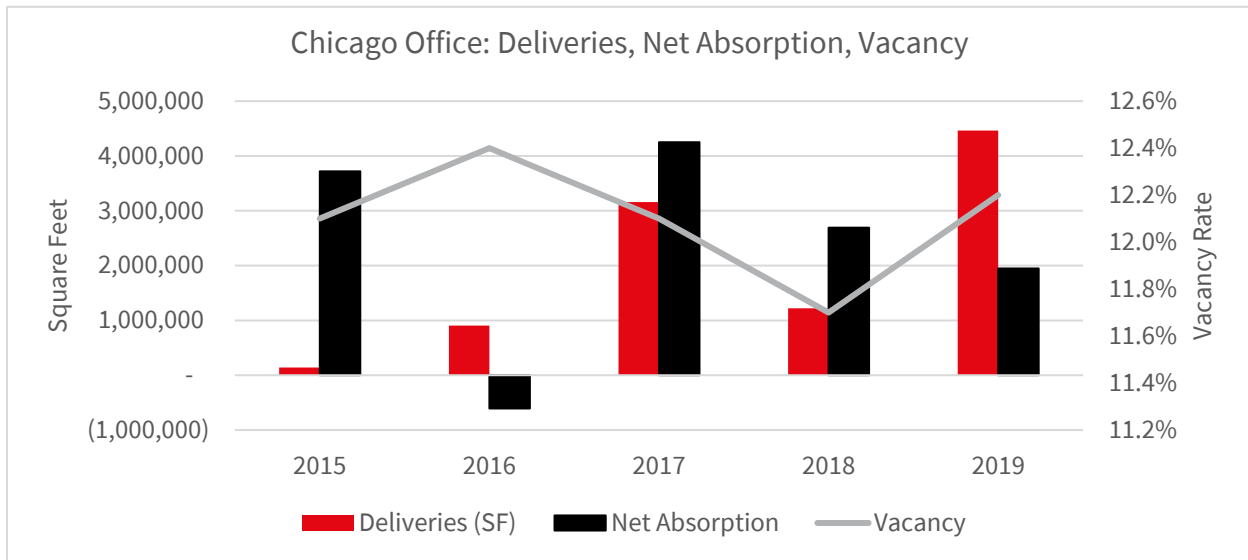


Source: U.S. Bureau of Labor Statistics

Office Market Conditions

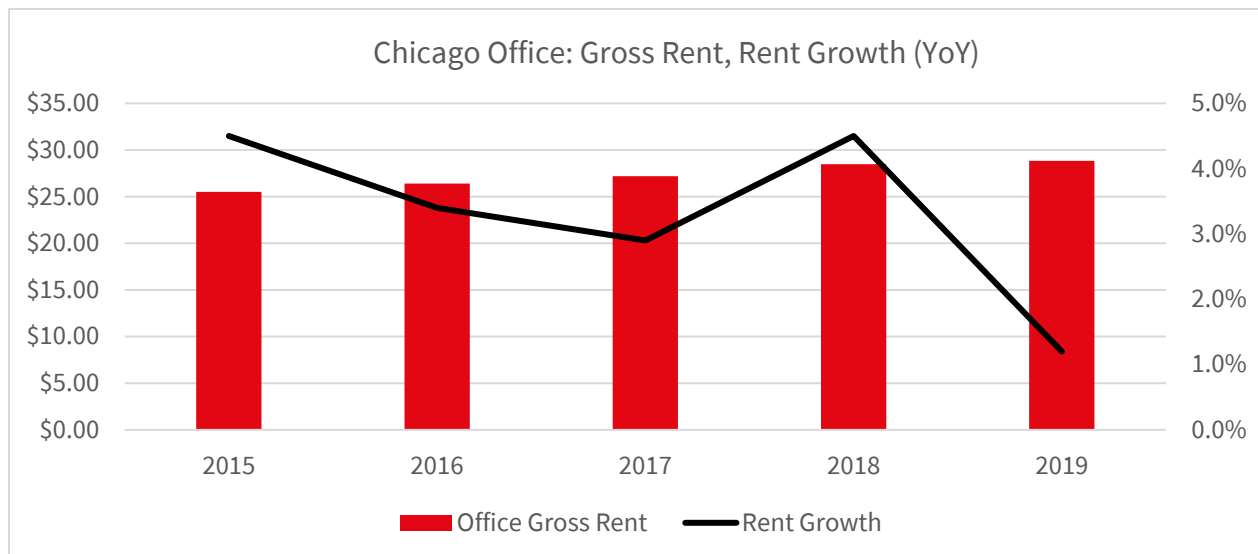
Inventory and Supply

The Chicago office market has 495 million square feet of total office inventory with a vacancy rate of 12.2%. Chicago has posted three consecutive years of positive absorption from 2017 to 2019. Chicago delivered 4,462,727 square feet of office space to the market in 2019. With an influx of new deliveries, vacancy rates have increased 50 basis points from 11.7% in 2018 to 12.2% in 2019. Additionally, 7,190,370 square feet is currently under construction, and this may further increase vacancy rates.



Source: CoStar

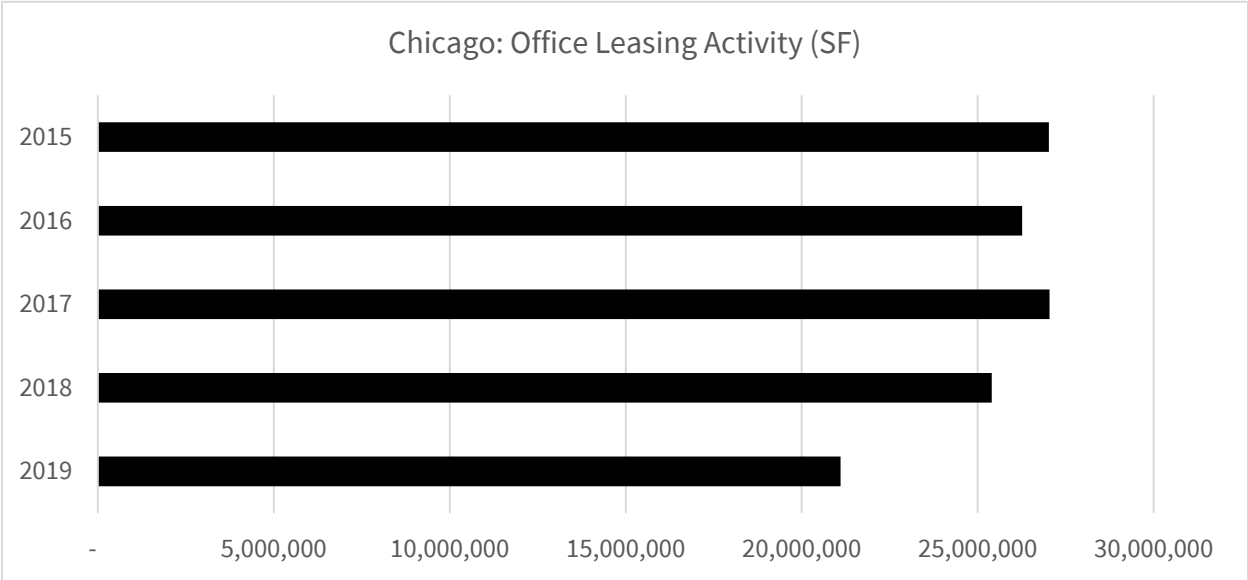
Office rents for properties in Chicago have increased each year since 2015. Going from \$25.51 per square foot in 2015 to \$28.84 per square foot in 2019.



Source: CoStar

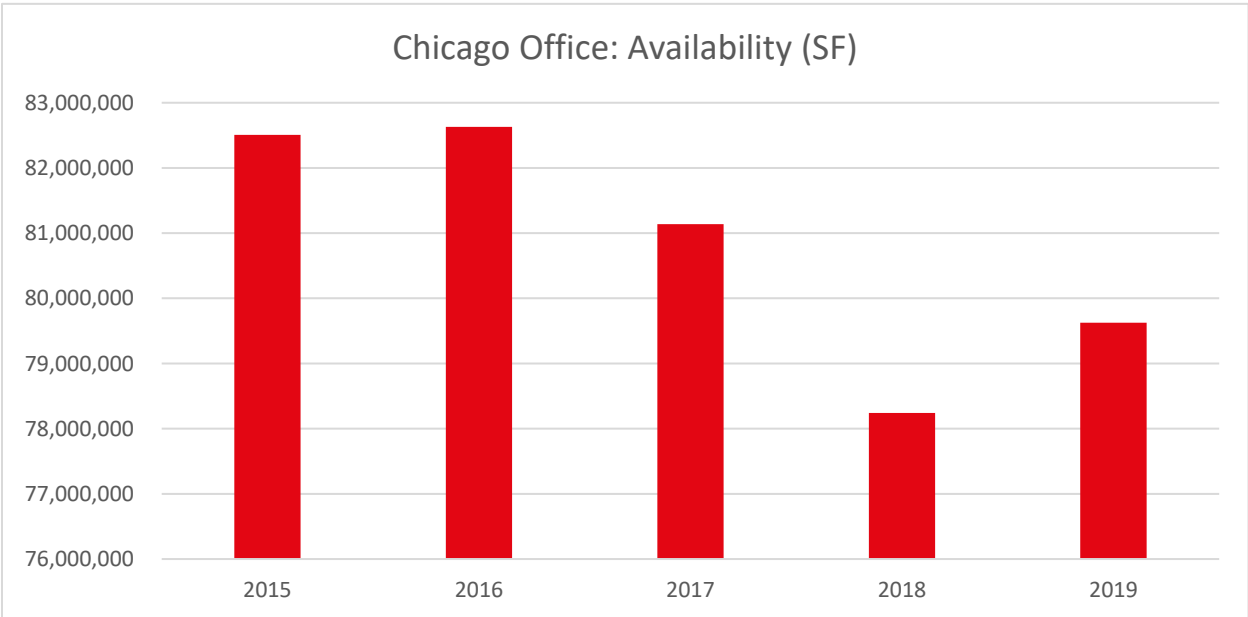
Leasing Activity and Availability

Office leasing activity in Chicago has declined in recent years, with leasing activity falling from 27,040,160 square feet in 2017 to 21,104,981 square feet in 2019. Moreover, 2019 saw the least amount of leasing activity over the last five years.



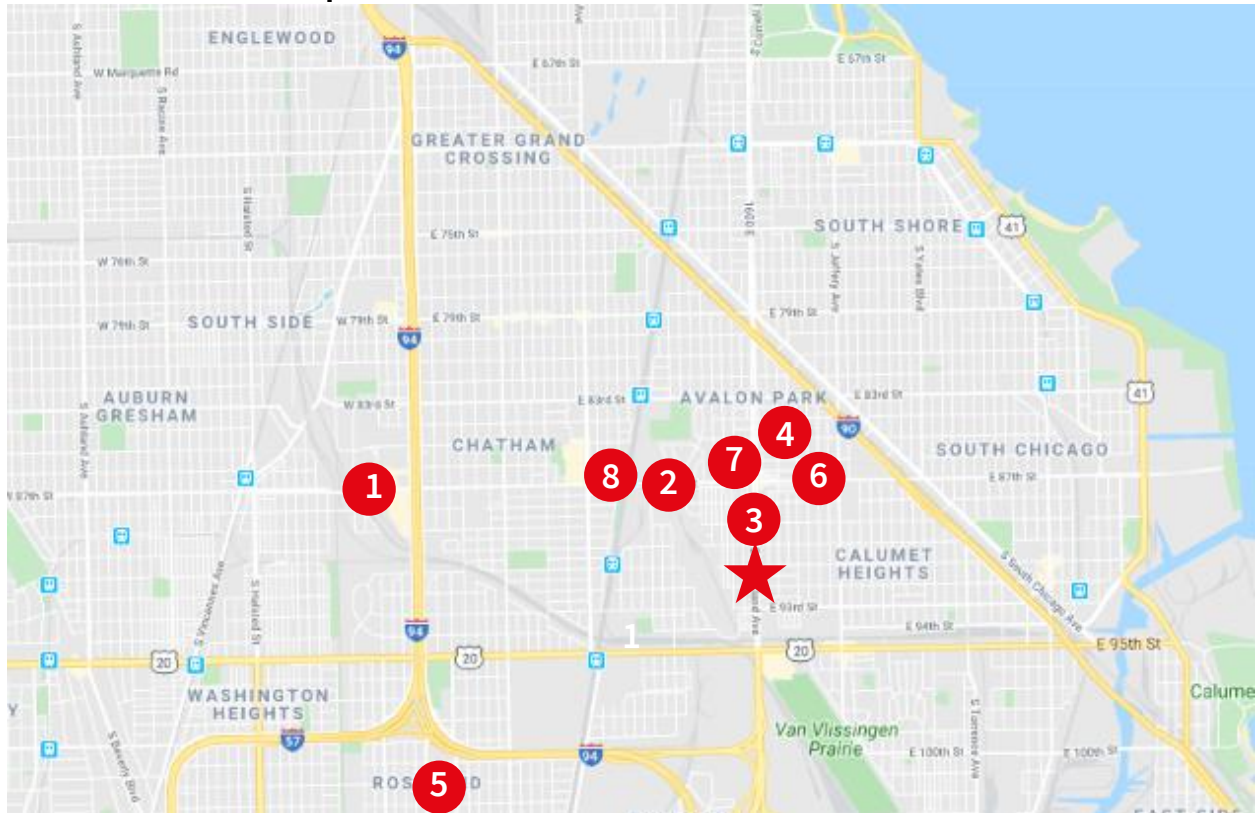
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has decreased significantly over the last five years with an uptick in 2019. From 2015 - 2018, availability has declined by 4,265,596 square feet to 78,241,644 square feet but increased by 1,384,895 square feet from 2018 – 2019 to 79,626,539 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property's footprint. Rents for comparable properties in the market average \$19.40 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 0.0% to 86.0%

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	163 – 205 W 87th St	C	64,795	\$25.00/SF	6,081
2	8741 S Greenwood Ave	B	25,500	\$18.00/NNN	13,739
3	8750 S Stony Island Ave	C	12,300	\$14.00/MG	12,300
4	1000 E 111th St	B	96,000	\$19.00/SF	5,323
5	134 W 111 th St	B	27,007	\$21.00 NNN	8,240

Sale Comparables

Recent office sales represent properties that have sold in the most recent 24 months. All comparable sales occurred within a three-mile radius. Comparable office properties have sold from \$251 per square foot to \$96 per square foot at an average of \$67 per square foot.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	1807 E 87 th St	B	58,000	\$25	Jan-2019
7	8753 S Greenwood Ave	B	14,559	\$96	Dec -2018
8	1111 - 1135 E 87 th St	B	62,338	\$80	Dec-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 8840 S Stony Island Ave or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	5,161
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 18.47
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$972,749. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 8840 S Stony Island Ave	
Total Rent Cost	\$ 1,043,768
+ Total OpEx	\$ 226,046
Total Cost (Real)	\$ 972,749

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.39% over the 10-year period, which is the average growth rate of CPI for Chicago.

Using these assumptions, if the State can acquire the property for approximately \$1,940,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$374.96.

Total Cost to Acquire 8840 S Stony Island Ave	
2020 Break-Even Acquisition Cost	\$ 1,935,173
+ Initial CapEx	\$ 51,610
+ Total Ongoing CapEx	\$ 56,512
+ Total OpEx	\$ 226,046
<u>- 2030 Market Value</u>	<u>\$ (2,221,807)</u>
Total Cost (Nominal)	\$ 287,056
Total Cost (Real)	\$ 972,749

If the State can acquire the building below \$374.96 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Chicago.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1807 E 87th St	58,000	\$ 1,450,000	\$ 25.00
8753 S Greenwood Ave	14,559	\$ 1,397,664	\$ 96.00
1111 - 1135 E 87th St	62,338	\$ 4,987,040	\$ 80.00
Average			\$ 67.00

Based on this sample, the average sale price of properties in Chicago is \$67.00 per square foot. Compared to the maximum break-even price of \$374.96 per square foot for the 8840 S Stony Island Ave, this value is significantly lower, indicating that acquiring the property for less than \$374.96 psf may be feasible.

Should the State acquire the property for \$67.00 per square foot, the total cost of acquisition, including capital expenditure, would be \$579,318.

Total Cost to Acquire 8840 S Stony Island Ave at Market Value	
2020 Market Acquisition Cost	\$ 345,787
+ Total Buildout Cost (full TI)	\$ 239,522
+ Initial CapEx	\$ 51,610
+ Total Ongoing CapEx	\$ 56,512
+ Total OpEx	\$ 226,046
<u>- 2030 Market Value</u>	<u>\$ (397,004)</u>
Total Cost (Nominal)	\$ 522,472
Total Cost (Real)	\$ 579,318

This is \$393,431 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	Rentable Square Feet	Asking Sales price psf	Asking Sales price
1934 E 87th St	8,500	\$41.18	\$ 350,030
8750 S Stony Island Ave	12,300	\$38.62	\$ 475,026
8801-8805 S Stony Island	6,600	\$52.27	\$ 344,982
1516 E 97th St	9,989	\$146.42	\$ 1,462,589
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
163 – 205 W 87th St	6,081	5,161	\$25.00
8741 S Greenwood Ave	13,739	5,161	\$18.00
8750 S Stony Island Ave	12,300	5,161	\$14.00
1000 E 111th St	5,323	5,161	\$19.00
134 W 111th St	8,240	5,161	\$21.00

All acquisition and lease alternatives provide sufficient space given the State's existing footprint, and therefore all are included. The lease alternatives assume that landlords are willing to divide space.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. Total costs over a 10-year period may be \$400,000, or 40%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 8840 S Stony Island Ave	\$ 972,749
Acquire 8840 S Stony Island Ave	\$ 579,318
Acquisition Alternatives	Total Cost to Acquire
1934 E 87th St	\$ 889,107
8750 S Stony Island Ave	\$ 1,278,796
8801-8805 S Stony Island Ave	\$ 708,484
1516 E 97th St	\$ 1,305,078
Lease Alternatives	Total Cost to Lease
163 – 205 W 87th St	\$ 1,406,301
8741 S Greenwood Ave	\$ 1,103,264
8750 S Stony Island Ave	\$ 930,100
1000 E 111th St	\$ 1,146,555
134 W 111th St	\$ 1,233,137

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210 E Fairground Ave

Hillsboro

Demographic Analysis

Property Description:

Property Details	
Property Address:	210 E Fairground Ave
Property Type:	Office
User:	Client Services Office
Building Size (SF):	5,067
FY 2018 Annual Cost:	\$70,145
FY 2018 Annual Cost (psf):	\$13.84
2019 Headcount:	13
Demographics	
Population:	1 mile: 4,779 5 miles: 8,448
Median Household Income:	1 mile: \$46,750 5 miles: \$49,633

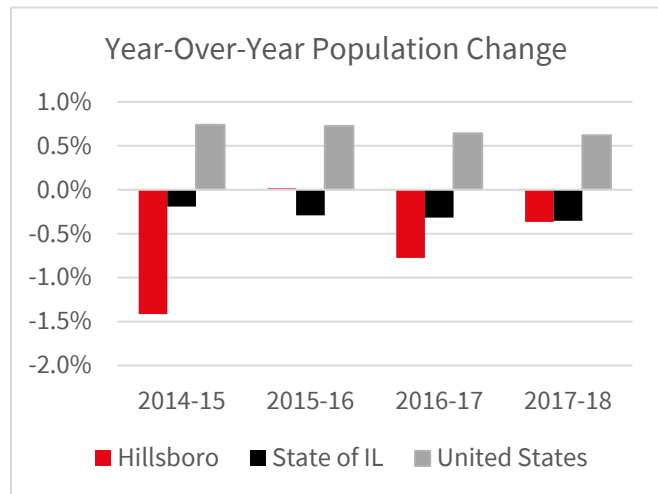


Source: Google Maps

Demographic Overview for Hillsboro, IL

Population

Hillsboro is a city in Montgomery County Illinois and has a population of 5,996. In 2018, Overall, Hillsboro experienced a population loss year over year of -.04%. The population has declined by 155 over the last five years. The State has experienced similar trends as well.

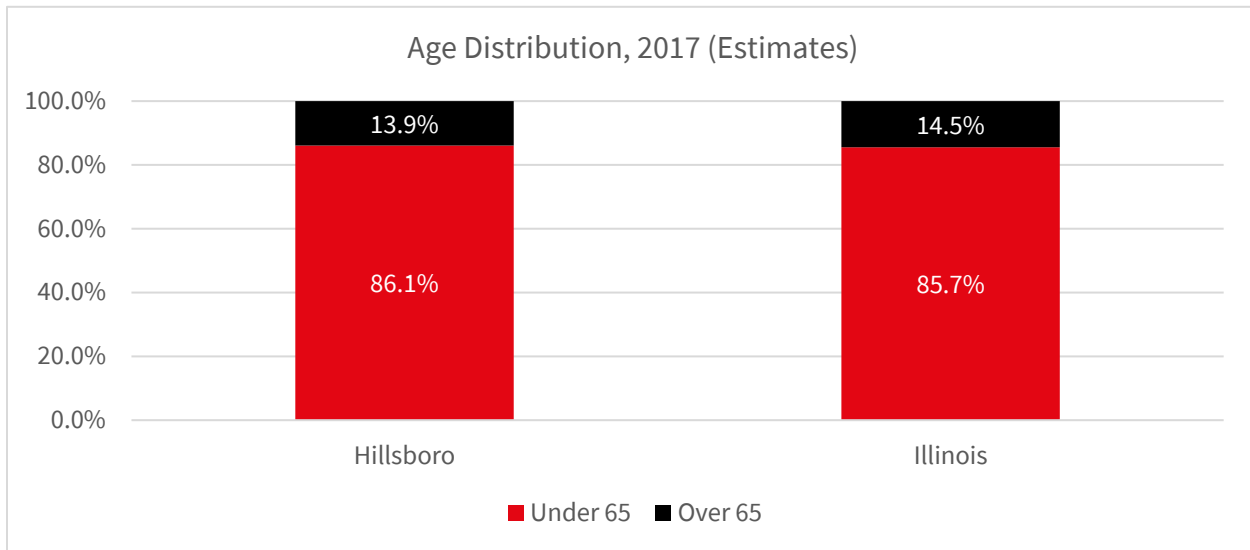


Source: U.S. Census Bureau

Year	Population Estimates
2018	5,996
2017	6,018
2016	6,065
2015	6,064
2014	6,151

Age

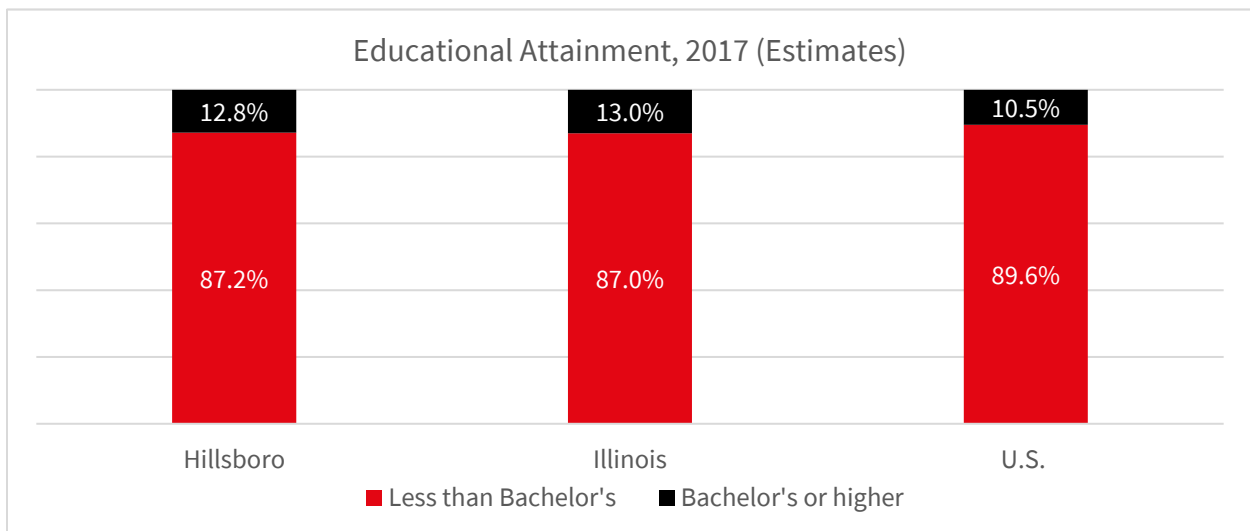
The population of Hillsboro is roughly the same age as the state. The median age of Hillsboro is 37.8 years old and is nearly identical the statewide median age of 37.7. Seniors above the age of 65 make up 13.9% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 86.1% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

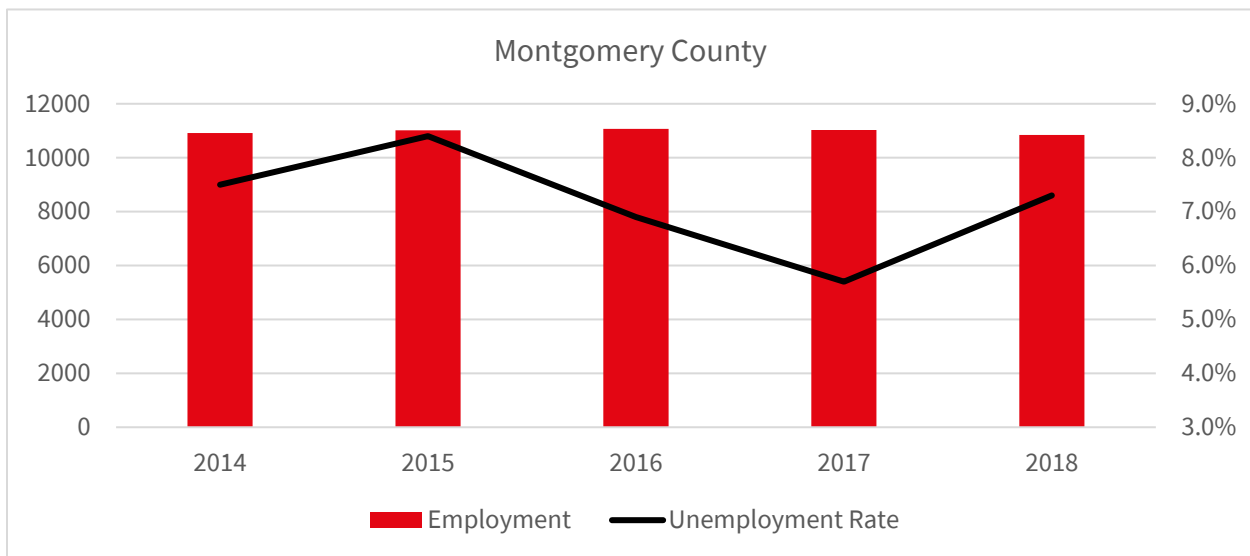
In Hillsboro, 12.8% of the population has a bachelor's degree or higher, less than the State at 13.0% and greater than the nation as a whole 10.5%. Conversely, individuals with less than a bachelor's degree comprise 87.2% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

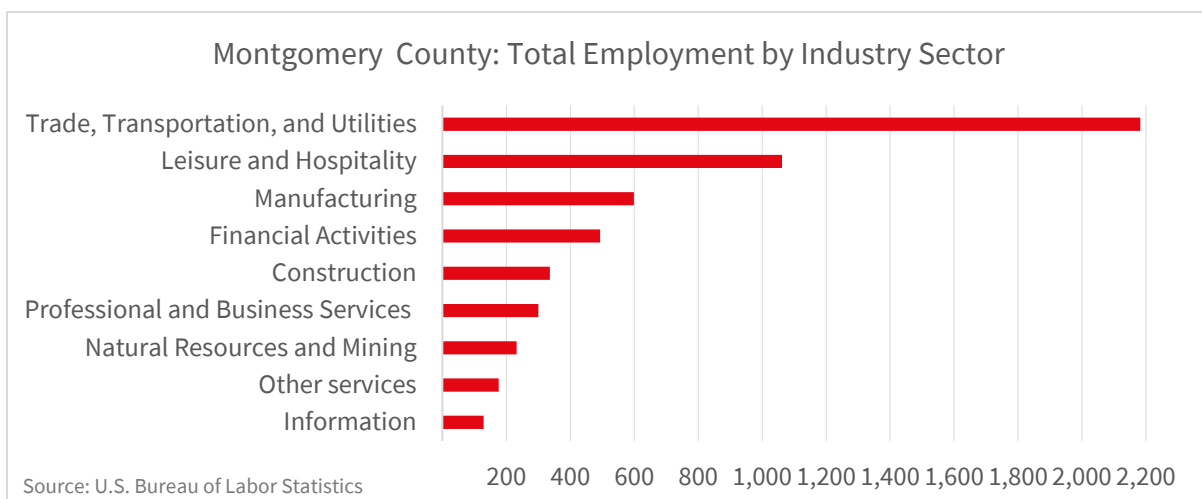
Labor Force and Employment Growth

Hillsboro is located in Montgomery County. Employment in Montgomery County fell year-over-year in 2017 -2018 by 185 to a total of 10,843 and is the lowest employment total over the last five years. Employment in Montgomery County peak in 2017 at 11,028. Unemployment has increased 1.6% year-over-year after three consecutive years of decline from 2015 to 2017 in which unemployment fell by 2.7%.



Source: U.S. Bureau of Labor Statistics

Trade, Transportation, and Utilities make up the largest share of employment in Montgomery County with a total of 2,182 jobs. Leisure and Hospitality is the second largest employment sector with 1,062 jobs followed by Manufacturing with 599 jobs.

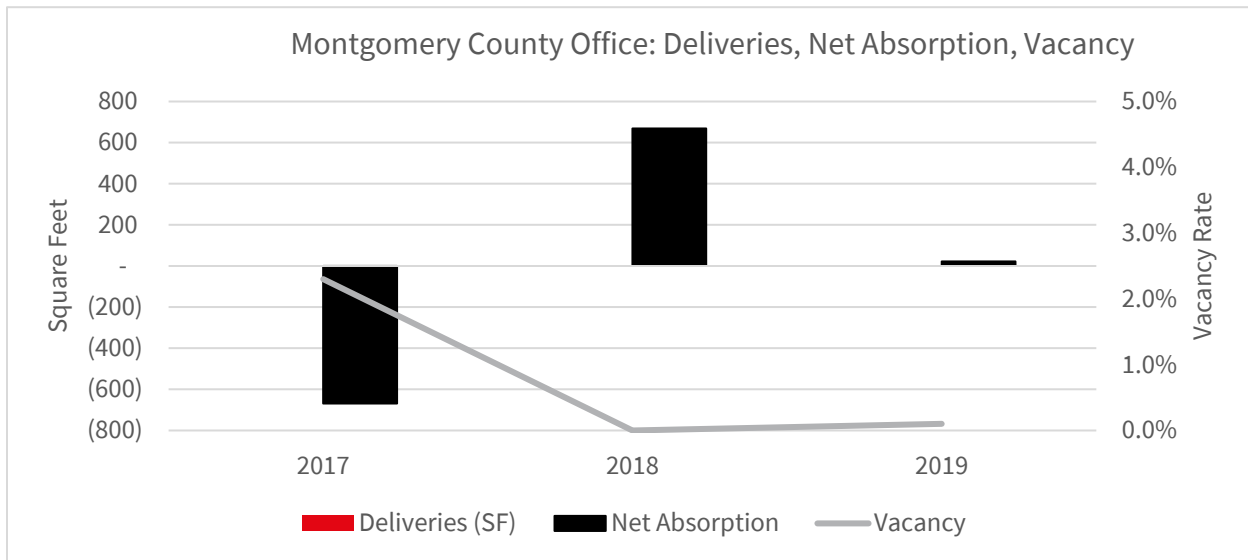


Source: U.S. Bureau of Labor Statistics

Office Market Conditions

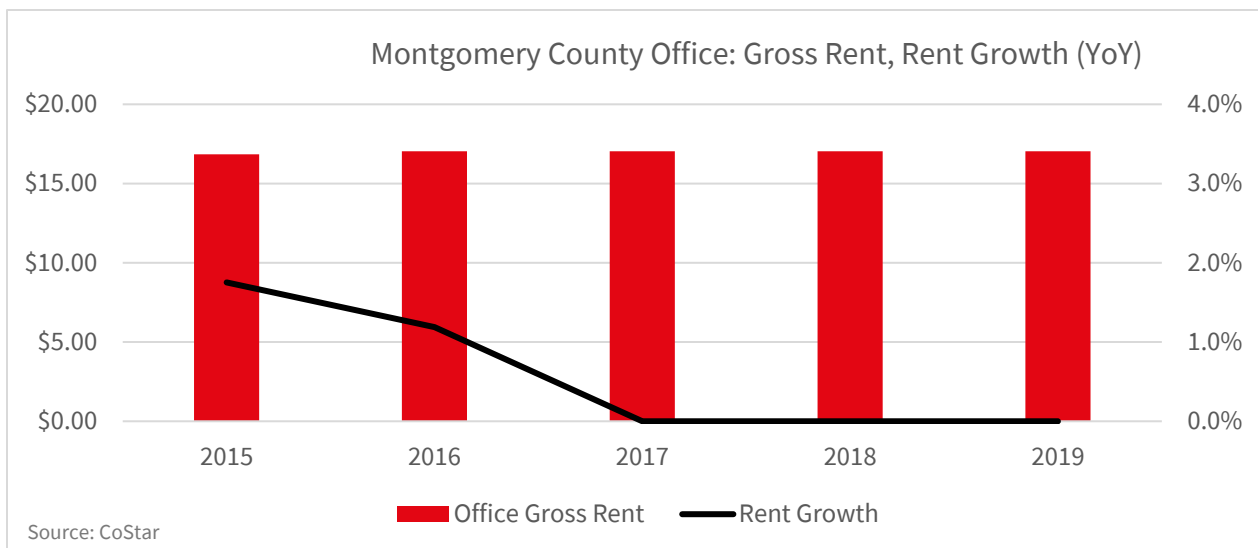
Inventory and Supply

The Montgomery County office market is comprised 28,800 square feet of inventory and eight office buildings with a vacancy rate of 0.1%. There have been no recent deliveries and no new construction to date. The market is supply constrained and therefore vacancy rates remain consistently low. From 2017 to 2018 vacancy rates fell 230 basis points, from 2.3% to 0%, and recently increased to 0.1% in 2019. The low vacancy rates coupled with a nonexistent construction pipeline indicates a lack of tenant demand perceived by developers.



Source: CoStar

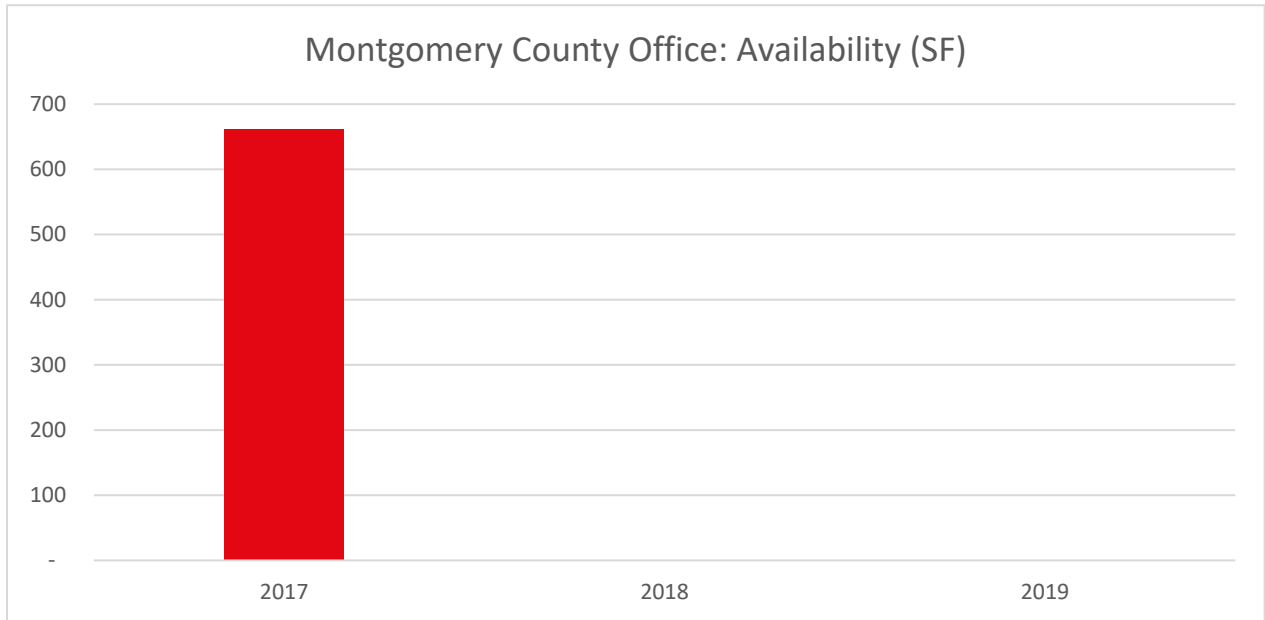
Office rents for properties in Montgomery County have remained unchanged every year since 2017, with asking rents of \$17.04 per square foot.



Source: CoStar

Leasing Activity and Availability

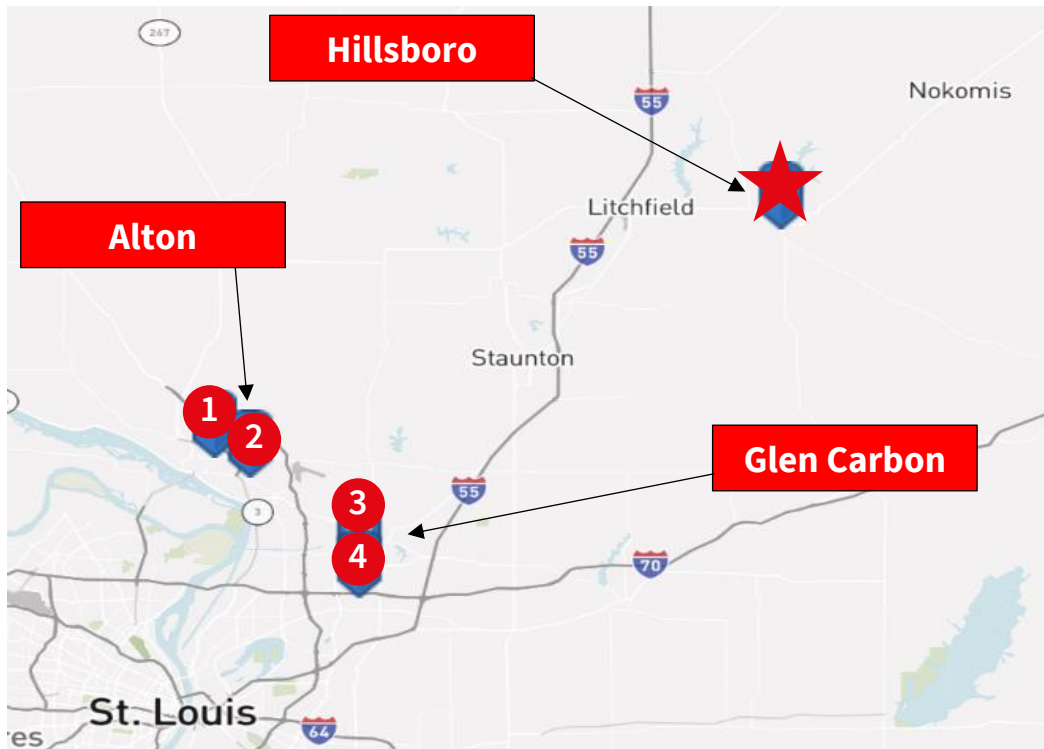
There has been no leasing activity in the Montgomery County office market since 2016 when 2,900 square feet was leased.



Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has remained at zero square feet since 2017. This is due to a lack of new inventory in the market and demand by tenants.

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. There were no lease comparables in Montgomery County. As such, a forty-mile radius was utilized. Rents for comparable properties in the market average \$8.19 per square foot. Lease comparables in the market have occupancy ranging from 0% to 72.4%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	2710 College Avenue Alton, IL	C	6,968	\$9.00/NNN	6,968
2	203 S 6 th Street Alton, IL	C	8,000	\$7.38/MG	5,793

Sale Comparables

Recent office sales represent properties that have sold in the most recent 24 months. There were limited comparable sales in Montgomery County. As such, a forty-mile radius was utilized.

Comparable office properties have sold for \$65.00 per square foot on average, that average is slightly skewed by the sale of 26 Ginger Creek Parkway, which represents a significantly higher price per square foot than 119 S Main Street.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
3	26 Ginger Creek Parkway Glen Carbon, IL	C	10,820	\$83.00	June-2018
4	119 S Main Street Edwardsville, IL	C	8,600	\$47.00	Aug-2019

Own Versus Lease Analysis

To assess whether the State should continue leasing 210 E Fairground Ave or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	5,067
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 13.84
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$758,245. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 210 E Fairground Ave	
Total Rent Cost	\$ 767,874
+ Total OpEx	\$ 221,929
Total Cost (Real)	\$ 758,245

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$1,150,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$227.13.

Total Cost to Acquire 210 E Fairground Ave	
2020 Break-Even Acquisition Cost	\$ 1,150,867
+ Initial CapEx	\$ 50,670
+ Total Ongoing CapEx	\$ 55,482
+ Total OpEx	\$ 221,929
<u>- 2030 Market Value</u>	<u>\$ (1,339,848)</u>
Total Cost (Nominal)	\$ 374,260
Total Cost (Real)	\$ 758,245

If the State can acquire the building below \$227.13 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Hillsboro.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
26 Ginger Creek Parkway	10,820	\$ 898,060	\$ 83.00
119 S Main St, Edwardsvi	8,600	\$ 404,200	\$ 47.00
Average			\$ 65.00

Based on this sample, the average sale price of properties in Hillsboro is \$65.00 per square foot. Compared to the maximum break-even price of \$227.13 per square foot for the 210 E Fairground Ave, this value is significantly lower, indicating that acquiring the property for less than \$227.13 psf may be feasible.

Should the State acquire the property for \$65.00 per square foot, the total cost of acquisition, including capital expenditure, would be \$563,005.

Total Cost to Acquire 210 E Fairground Ave at Market Value	
2020 Market Acquisition Cost	\$ 329,355
+ Total Buildout Cost (full TI)	\$ 235,159
+ Initial CapEx	\$ 50,670
+ Total Ongoing CapEx	\$ 55,482
+ Total OpEx	\$ 221,929
<u>- 2030 Market Value</u>	<u>\$ (383,437)</u>
Total Cost (Nominal)	\$ 509,158
Total Cost (Real)	\$ 563,005

This is \$195,240 less than the cost to lease the property on a present value basis.

Alternatives Analysis

There are no acquisition or lease alternatives in Hillsboro.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. However, total costs over a 10-year period may only be \$195,000, or only 25%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

Given the the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.

Lease 210 E Fairground Ave	\$ 758,245
Acquire 210 E Fairground Ave	\$ 563,005
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease

The background of the page is a large, abstract graphic. It features a vibrant red color with a textured, brush-stroke-like pattern. On the right side, there is a large, dark, irregular shape that appears to be a silhouette or a shadow, possibly representing a mountain range or a stylized landscape element. A thin white horizontal line is positioned above the text.

108 S State St

Jerseyville

Demographic Analysis

Property Description:

Property Details	
Property Address:	108 S State St.
Property Type:	Office
User:	Satellite Office
Building Size (SF):	4,200
FY 2018 Annual Cost:	\$51,411
FY 2018 Annual Cost (psf):	\$12.24
2019 Headcount:	9
Demographics	
Population:	1 mile: 7,272 5 miles: 10,385
Median Household Income:	1 mile: \$45,041 5 miles: \$48,202

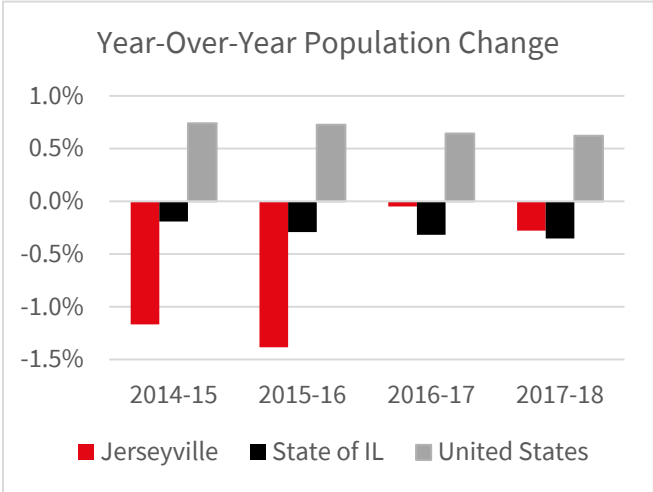


Source: Google Maps

Demographic Overview for Hillsboro, IL

Population

Jerseyville is a city in Jersey County Illinois and has a population of 8,236. In 2018, Jerseyville experienced a population year over year of -.03%. The population has declined every year over the last five years and contracted cumulatively by 242 from 2014 to 2018. The state has experienced similar trends as well.

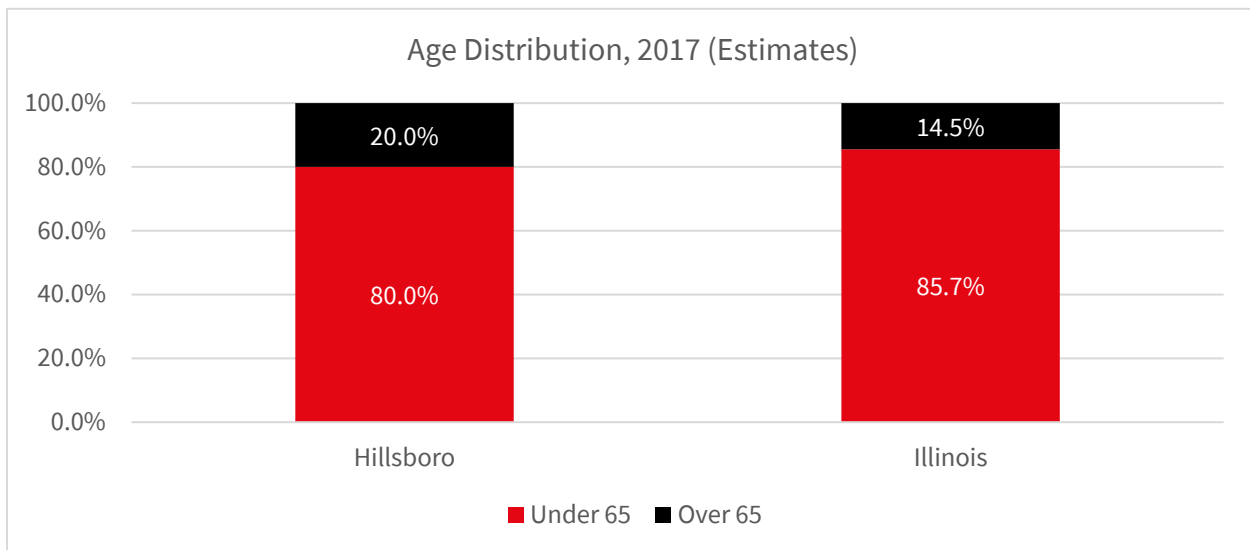


Source: U.S. Census Bureau

Year	Population Estimates
2018	8,236
2017	8,259
2016	8,263
2015	8,379
2014	8,478

Age

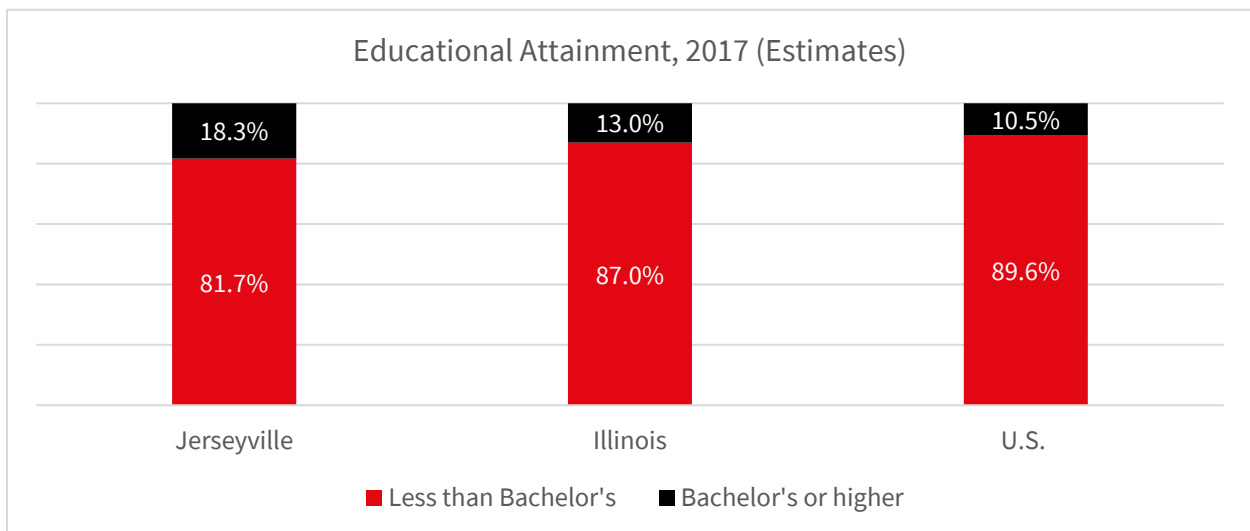
The population of Jerseyville is much older than the state. The median age of Jerseyville is 40.4 years old compared to statewide median age of 37.7. Seniors above the age of 65 make up 20.0% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 80.0% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

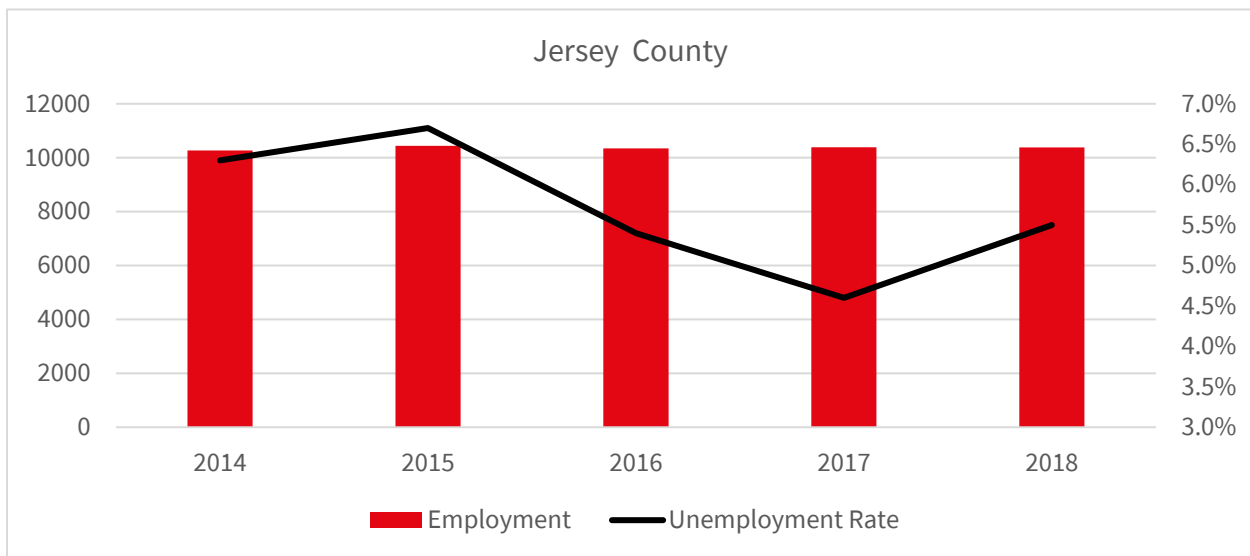
In Jerseyville, 18.3% of the population has a bachelor's degree or higher, much greater than the State at 13.0% and greater than the nation at 10.5%. Conversely, individuals with less than a bachelor's degree comprise 81.7% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

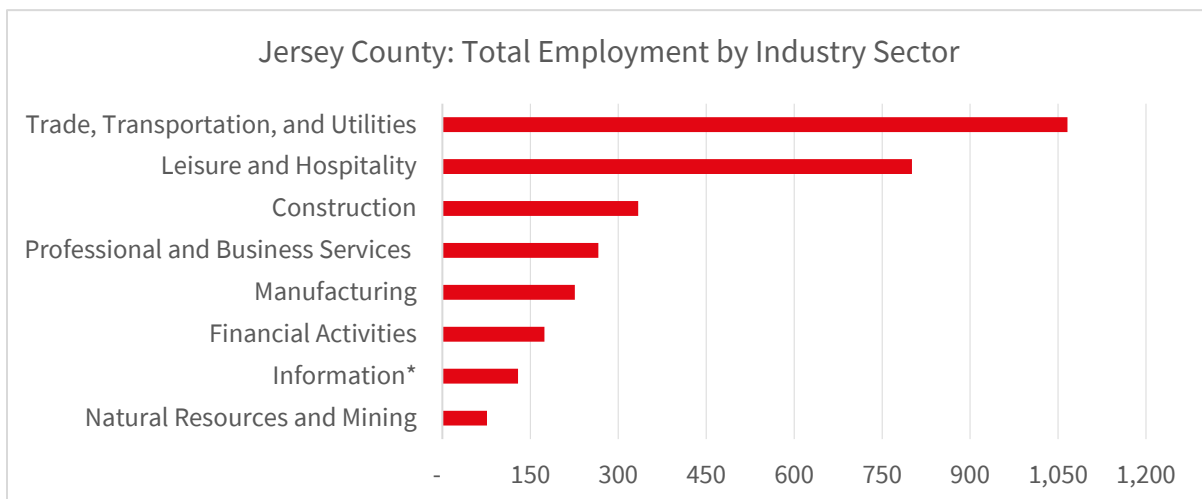
Labor Force and Employment Growth

Jerseyville is a city in Montgomery County. Unemployment in Montgomery County has increased .9% year-over-year after three consecutive years of decline from 2015 to 2017. From 2015 to 2017, unemployment fell 2.1% and employment grew by 51 over the same period. Finally, employment fell year-over-year by 9 employees in Montgomery County.



Source: U.S. Bureau of Labor Statistics

Trade, Transportation, and Utilities make up the largest share of employment in Jersey County with a total of 1,066 jobs. Leisure and Hospitality is the second largest employment sector with 801 jobs followed by construction with 334 jobs.

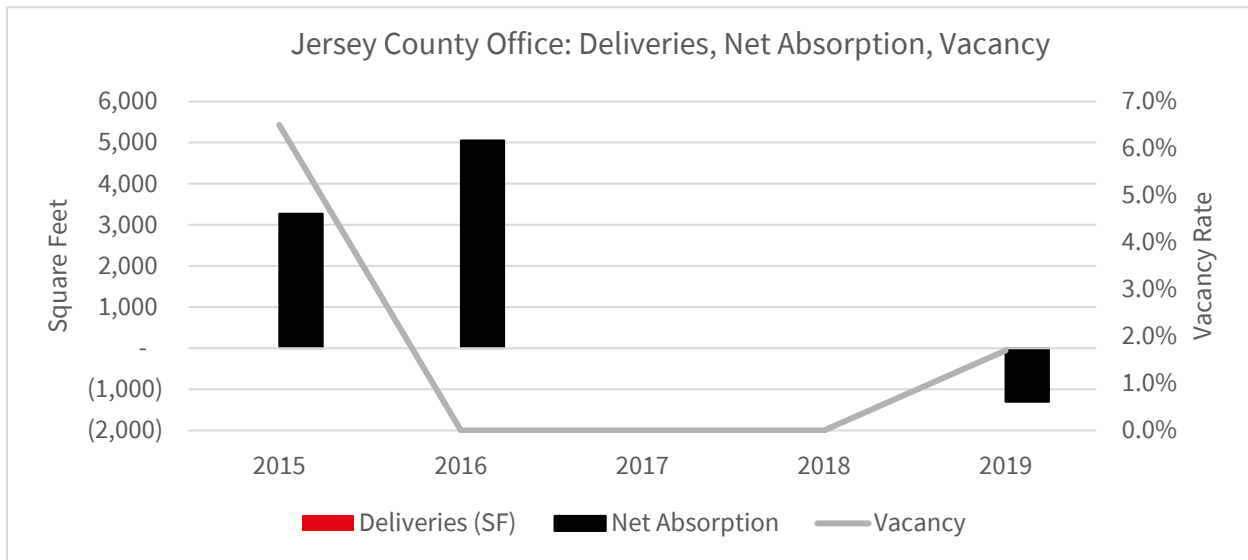


Source: U.S. Bureau of Labor Statistics

Office Market Conditions

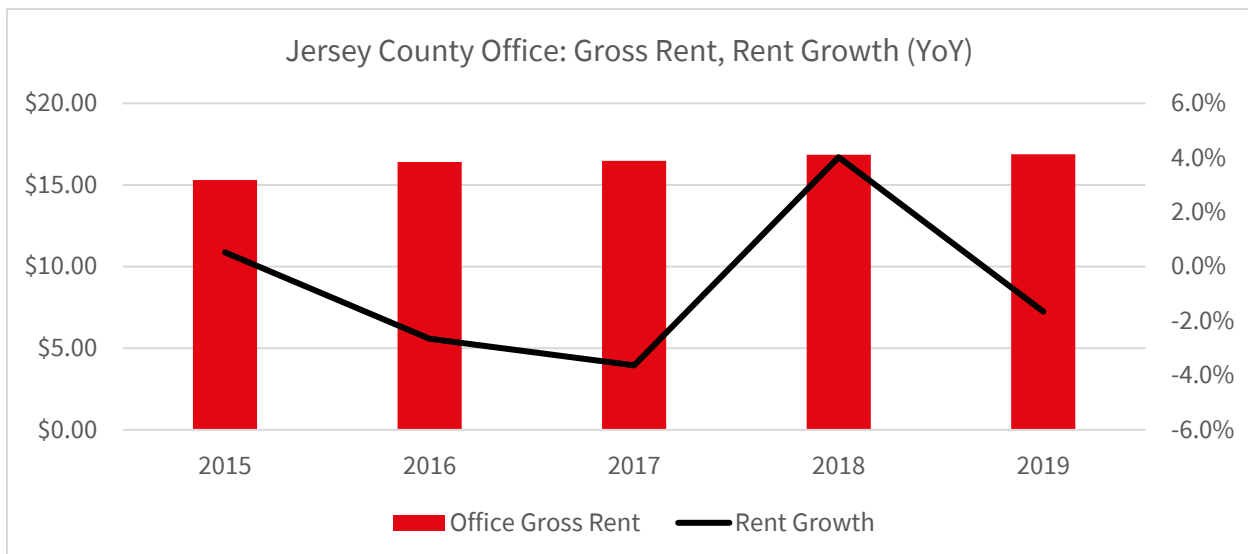
Inventory and Supply

The Jersey County office market has 77,900 square feet of total office inventory with a vacancy rate of 1.7%. Due to limited inventory and demand in Jersey County, there has only been -1,300 square feet of absorption in 2019. Accordingly, vacancy rates increased from 0% in 2018 to 1.7% in 2019. There has been no development activity over the last five years and no construction in the pipeline.



Source: CoStar

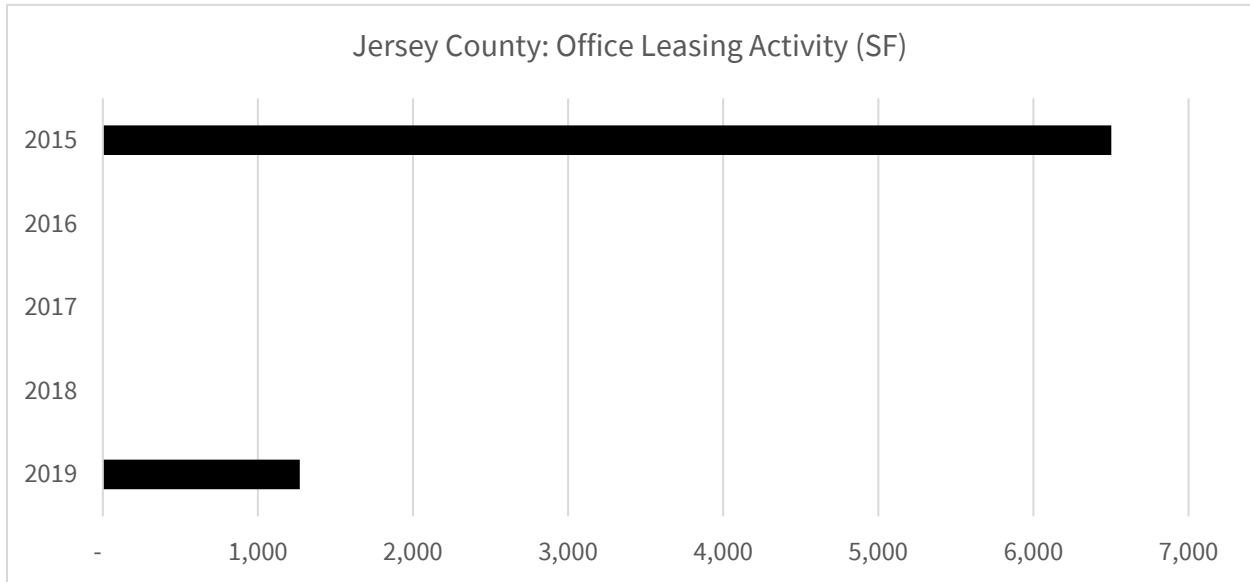
Office rents for properties in Jersey County have increased each year since 2015, increasing from \$15.30 per square foot in 2015 to \$16.88 per square foot in 2019 year-to-date.



Source: CoStar

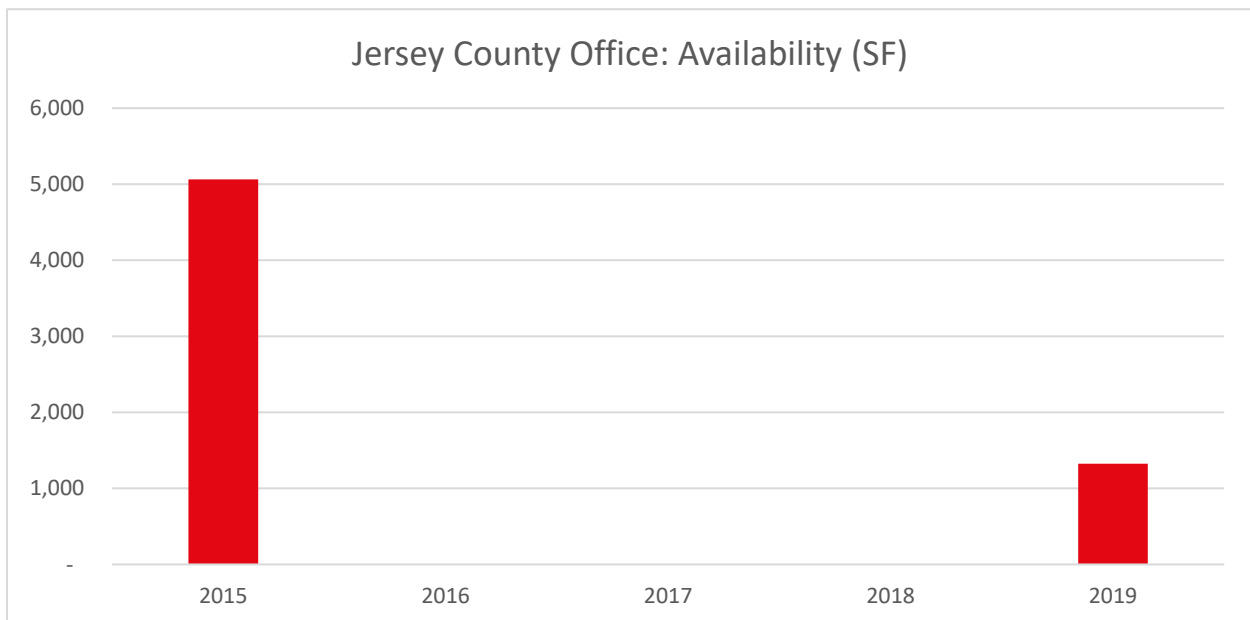
Leasing Activity and Availability

Office leasing activity in Jersey County has been stagnant over the last five years. In 2019, there has only been 1,270 square feet of leasing activity. From 2016 - 2018, there was no leasing activity recorded.



Source: CoStar

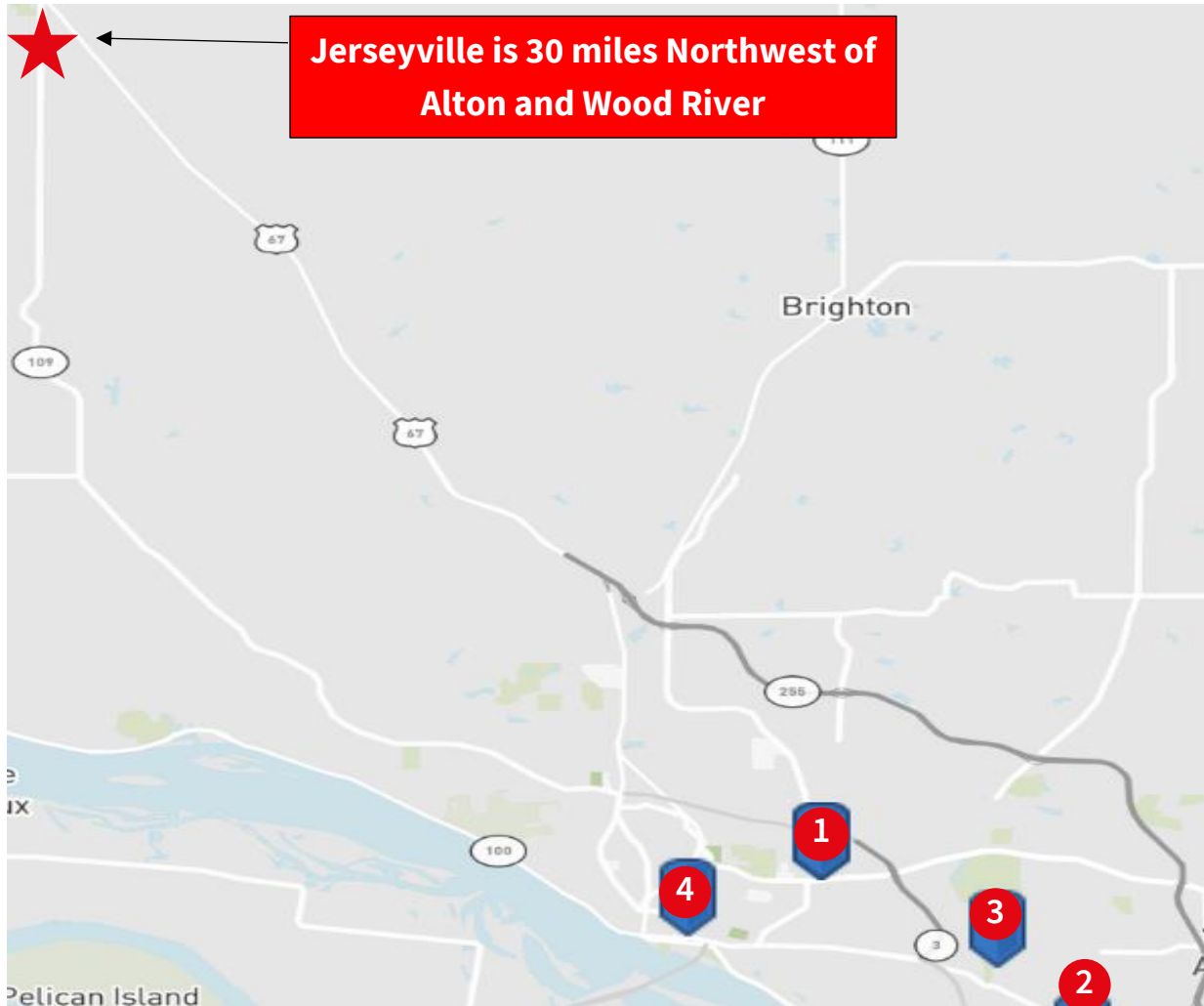
Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, is constrained with only 1,324 square feet available in 2019.



Source: CoStar

Lease and Sale Comparables

Lease Comparables



The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. Furthermore, because no lease comparables are present in Jerseyville, the analysis used a thirty-mile radius. Rents for comparable properties in the market average \$8.19 per square foot. Lease comparables in the market range from 0% to 72.4%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	2710 College Avenue Alton, IL	C	6,968	\$9.00/NNN	6,968
2	203 S 6 th Street Wood River, IL	C	8,000	\$7.38/MG	5,793

Sale Comparables

Office sales represent properties that have sold in the last 2 years. There were limited comparable sales within a one-mile radius. As such, a thirty-mile radius was utilized. Comparable office properties have sold for \$37.50 per square foot on average. All available properties are slightly larger than current occupancy at 108 S State St.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
3	325 Market Street Alton, IL	C	5,298	\$45.00	April-2018
4	630 E Broadway Alton, IL	C	9,243	\$30.00	July-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 108 S State St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	4,200
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 12.24
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$572,136. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 108 S State St	
Total Rent Cost	\$ 562,903
+ Total OpEx	\$ 183,955
Total Cost (Real)	\$ 572,136

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$720,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$170.66.

Total Cost to Acquire 108 S State St	
2020 Break-Even Acquisition Cost	\$ 716,765
+ Initial CapEx	\$ 42,000
+ Total Ongoing CapEx	\$ 45,989
+ Total OpEx	\$ 183,955
<u>- 2030 Market Value</u>	<u>\$ (834,463)</u>
Total Cost (Nominal)	\$ 349,168
Total Cost (Real)	\$ 572,136

If the State can acquire the building below \$170.66 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Jerseyville.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
325 Market Street, Alton,	5,298	\$ 238,410	\$ 45.00
630 E Broadway, Alton, Il	9,243	\$ 277,290	\$ 30.00
Average			\$ 37.50

Based on this sample, the average sale price of properties in Jerseyville is \$37.50 per square foot. Compared to the maximum break-even price of \$170.66 per square foot for the 108 S State St, this value is significantly lower, indicating that acquiring the property for less than \$170.66 psf may be feasible.

Should the State acquire the property for \$37.50 per square foot, the total cost of acquisition, including capital expenditure, would be \$439,222.

Total Cost to Acquire 108 S State St at Market Value	
2020 Market Acquisition Cost	\$ 157,500
+ Total Buildout Cost (full TI)	\$ 194,922
+ Initial CapEx	\$ 42,000
+ Total Ongoing CapEx	\$ 45,989
+ Total OpEx	\$ 183,955
<u>- 2030 Market Value</u>	<u>\$ (183,363)</u>
Total Cost (Nominal)	\$ 441,004
Total Cost (Real)	\$ 439,222

This is \$132,914 less than the cost to lease the property on a present value basis.

Alternatives Analysis

There are no acquisition or lease alternatives in Jerseyville.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. However, total costs over a 10-year period may only be \$133,000, or only 23%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

Given the the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.

Lease 108 S State St	\$ 572,136
Acquire 108 S State St	\$ 439,222
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease

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1550 4th St

Lincoln

Market Analysis

Property Description

Property Details	
Property Address:	1550 4 th Street Lincoln, IL
Property Type:	Office
User:	Department of Client Services
Building Size (SF):	4,644
FY 2018 Annual Cost:	\$59,008
FY 2018 Annual Cost (psf):	\$12.71
2019 Headcount:	14
Demographics	
Population:	1 mile: 13,685 5 miles: 14,850
Median Household Income:	1 mile: \$52,245 5 miles: \$49,860

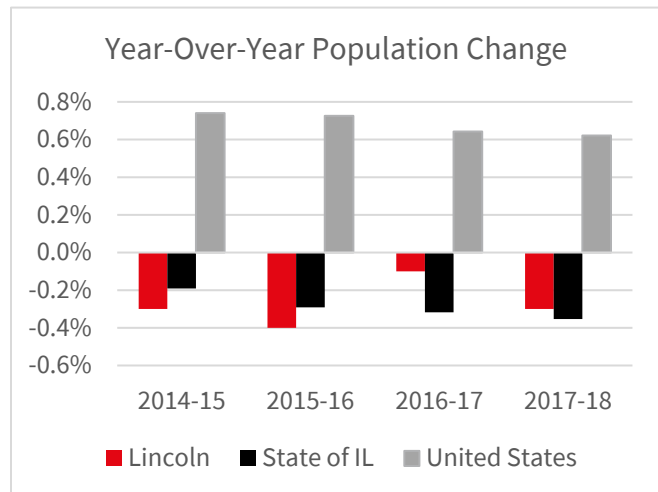


Source: Google

Demographic Overview for Lincoln, IL

Population

Lincoln, Illinois is located in central Illinois and is the county seat of Logan County. In 2018, Lincoln had an estimated population of 13,685. Overall, Lincoln has experienced population loss year over year, most significantly in 2015-2016. The State has experienced similar trends as well.

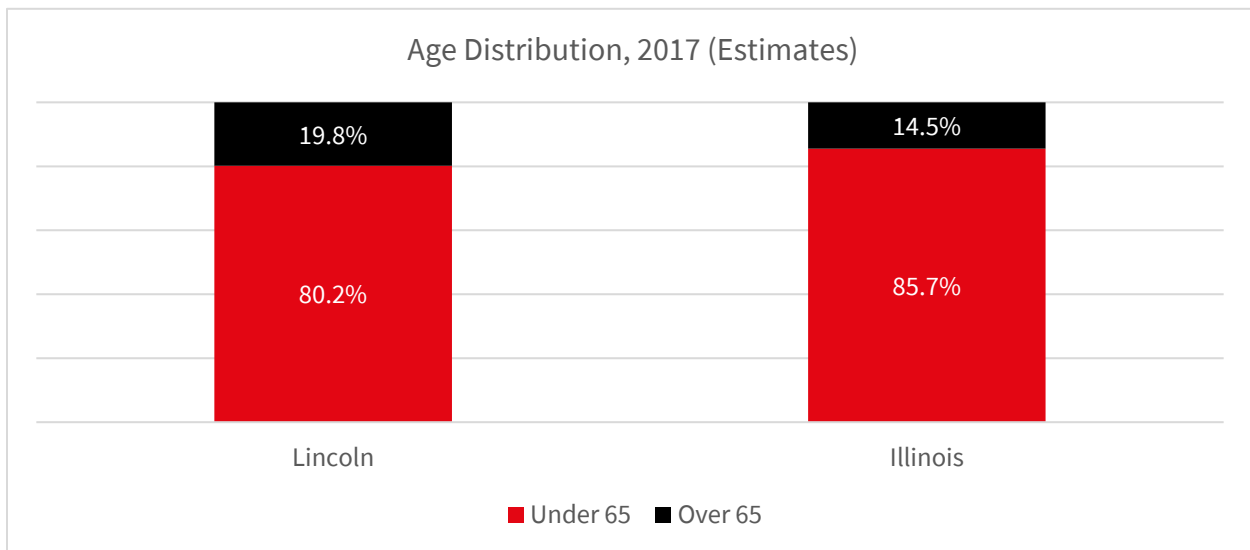


Source: U.S. Census Bureau

Year	Population Estimates
2018	13,685
2017	13,737
2016	13,811
2015	13,940
2014	14,085

Age

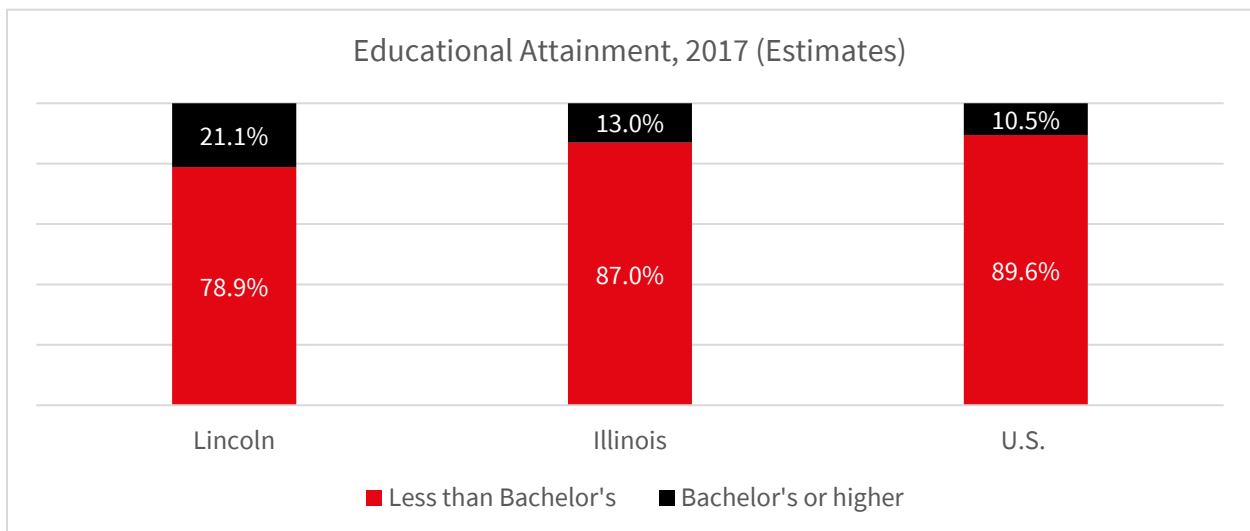
The population of Lincoln is somewhat older compared to the State. The median age Lincoln is 38 years old and is slightly older than the statewide median age of 37.7. Seniors above the age of 65 make up 19.8% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 80.2% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

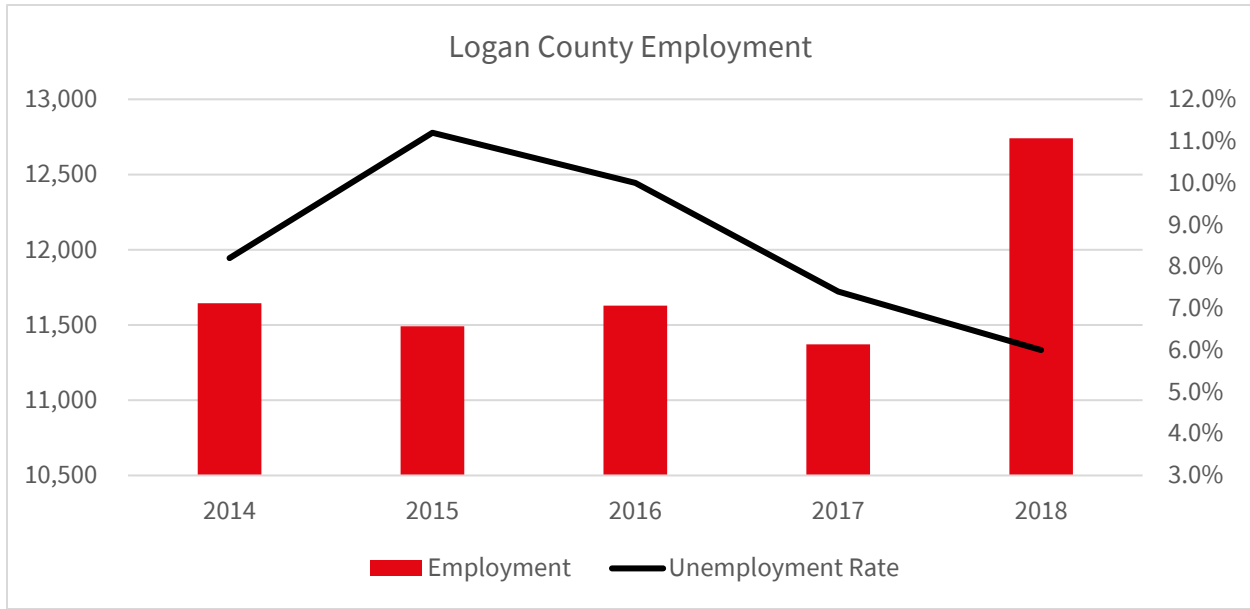
In Lincoln, 21.1% of the population has a bachelor's degree or higher, a higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 78.9% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

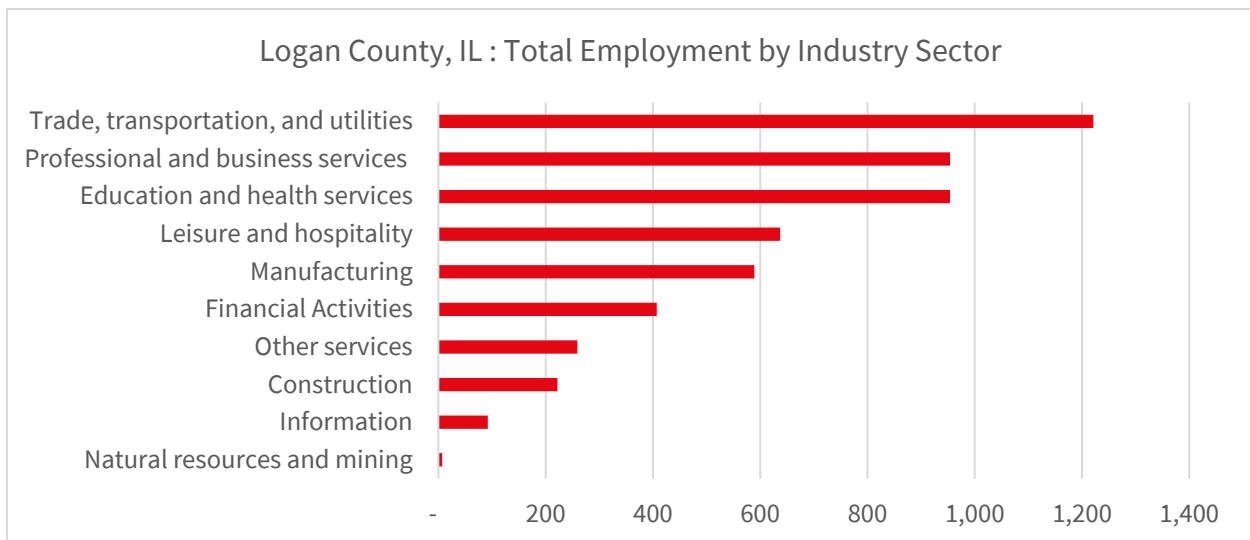
Labor Force and Employment Growth

Employment growth in the Lincoln , Illinois had been flat between 2014 and 2017, until strong growth in 2018 brought the total employment over 12,500. This is up from 2017 when employment totaled 11,371. The unemployment rate has decreased every year since 2016 and has hit a 5 year low in 2018 at 6.0%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest employment sector in Logan County with 1,221 jobs. Construction, information, natural resources and mining, and other services make up less than 600 jobs combined. Professional and business services, education/health services, and leisure/hospitality account for between 600-1,000 jobs per sector.



Source: U.S. Bureau of Labor Statistics

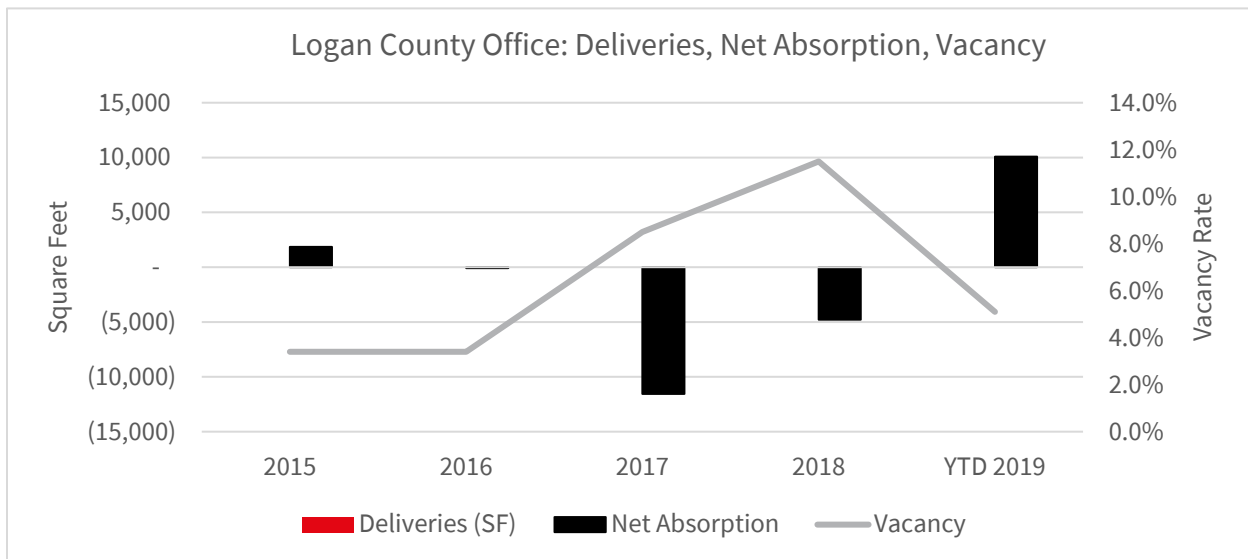
Office Market Conditions

Inventory and Supply

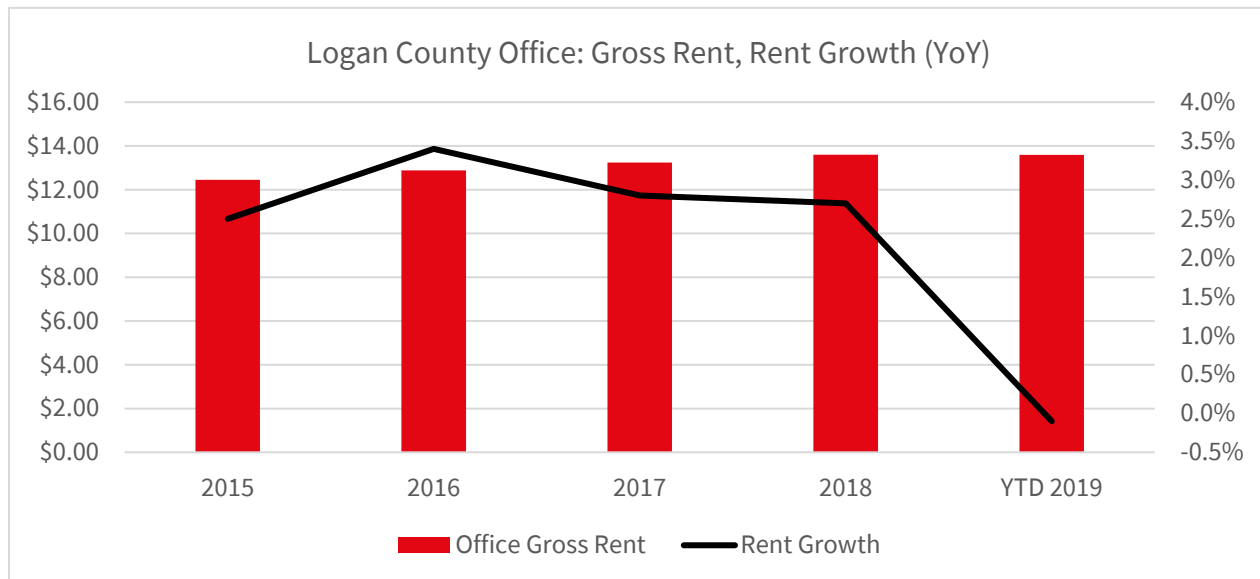
The Logan County office market has 157,000 square feet of total office inventory with a vacancy rate of 5.1%. 2015-2018 saw four years of negative net absorption, with positive absorption in 2019.

Springfield saw no new office deliveries during this time. With no new delivery, combined with overall negative net absorption, vacancy rates have increased since 2016.

Office rents for properties in Logan County have increased each year except in 2019, going from \$12.45 per square foot in 2015 to \$13.59 per square foot in 2019.



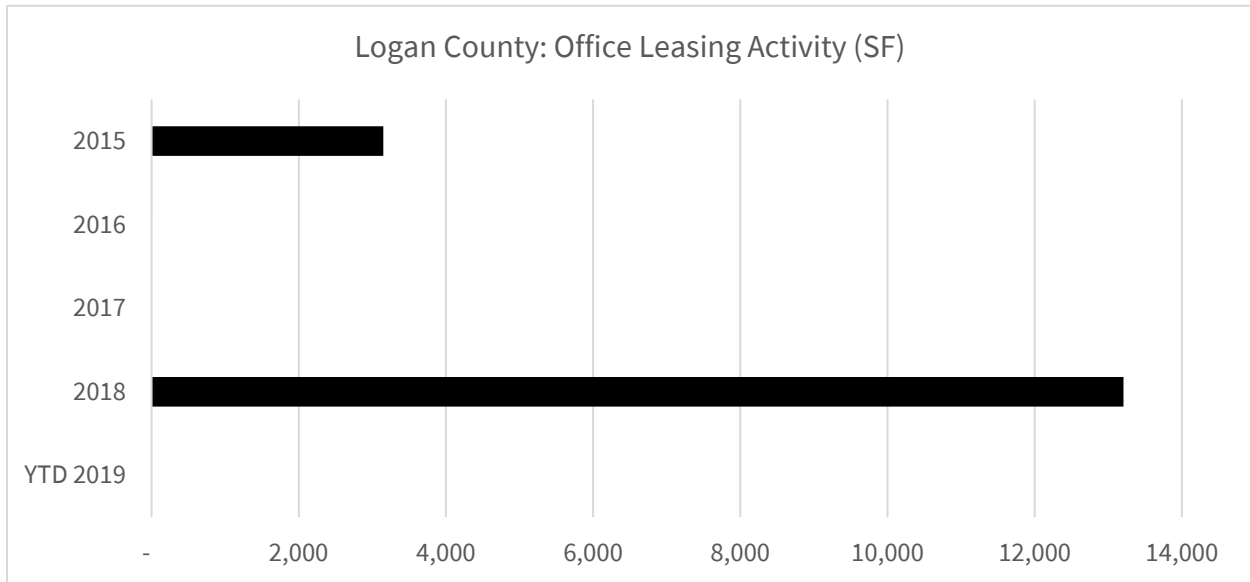
Source: CoStar



Source: CoStar

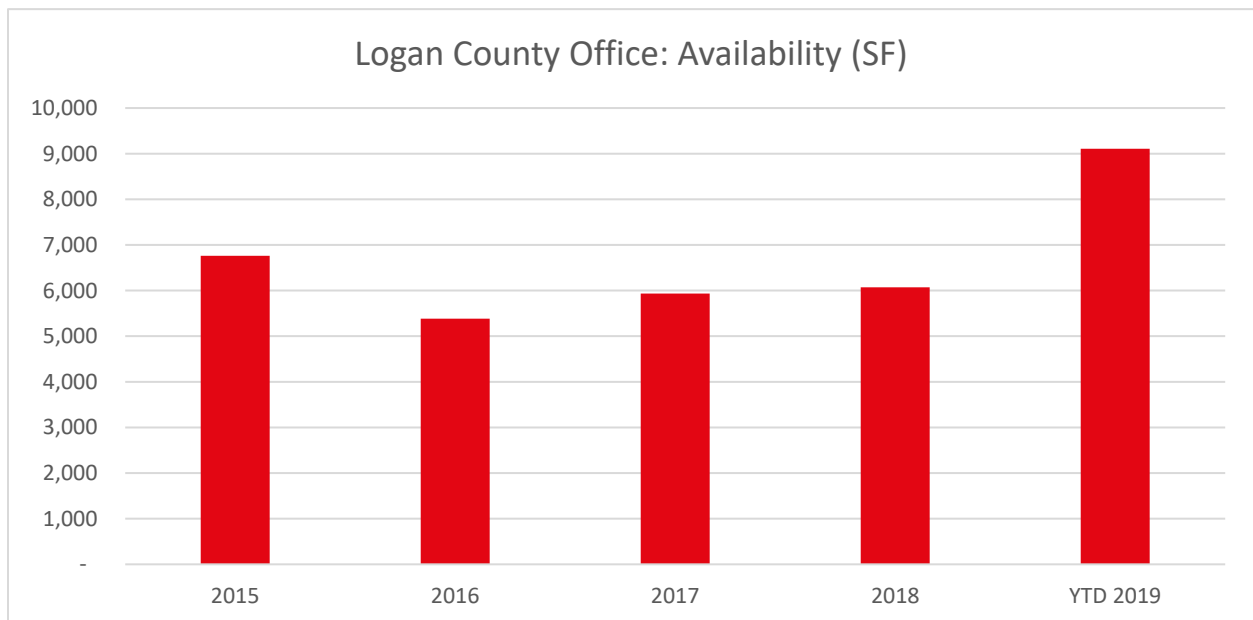
Leasing Activity and Availability

Office leasing activity in Logan County has been limited in recent years, with leasing spiking from zero square feet in 2017 to 13,207 square feet in 2018. However, year-to-date 2019 saw a decrease from prior years with zero square feet of leasing activity.



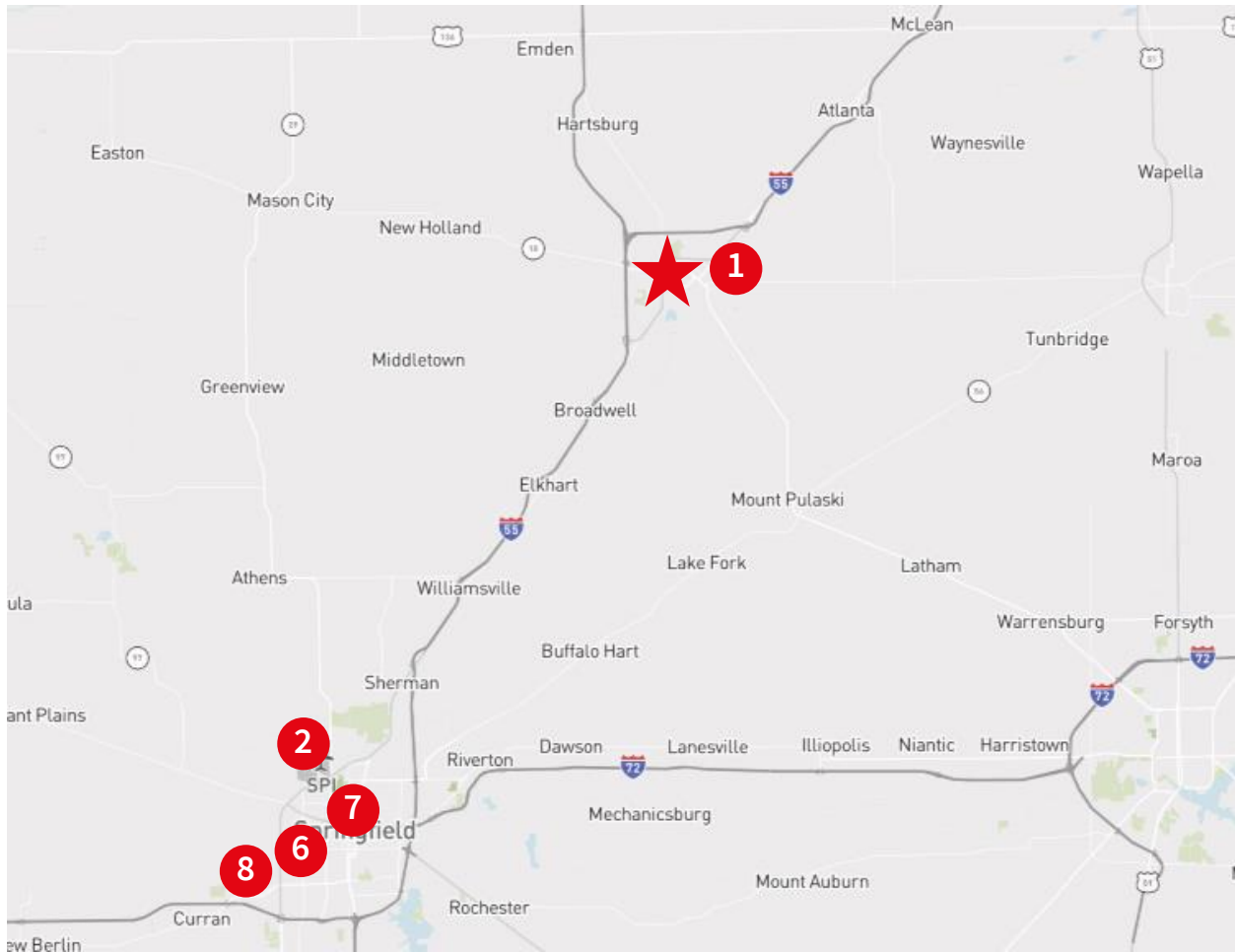
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years. Since 2015, availability in Springfield has been between 5,000 and 7,000 square feet except in 2019 where it increased to 9,100 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. As there were limited comparable leases available for a 10-mile radius, a 25-mile radius was utilized. Rents for comparable properties in the market average \$10.43 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 0% to 73%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	1231 Keokuk Street	B	8,000	\$9.00/MG	8,000
2	1250 N Airport Drive	B	10,800	\$5.95/MG	3,000

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. As there were limited comparable sales within a ten-mile radius, a 25-mile radius was utilized. Comparable office properties have sold for \$106.16 per square foot on average, that average is slightly skewed by the sale of 3500 Wabash Avenue, which represents a significantly higher price per square foot than the market. All available properties are much larger than the State’s current occupancy at 1550 4th Street, which is less than 5,000 square feet.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	3101 Montvale Drive	C	21,800	\$44.95	Sept-2019
7	725 S 2 nd Street	B	15,300	\$57.19	June-2019
8	3500 Wabash Avenue	B	18,693	\$155.14	Feb-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 1550 4th St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	4,644
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 12.71
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$650,927. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 1550 4th St	
Total Rent Cost	\$ 646,310
+ Total OpEx	\$ 203,402
Total Cost (Real)	\$ 650,927

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$870,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$187.25.

Total Cost to Acquire 1550 4th St	
2020 Break-Even Acquisition Cost	\$ 869,575
+ Initial CapEx	\$ 46,440
+ Total Ongoing CapEx	\$ 50,851
+ Total OpEx	\$ 203,402
<u>- 2030 Market Value</u>	<u>\$ (1,012,365)</u>
Total Cost (Nominal)	\$ 373,430
Total Cost (Real)	\$ 650,927

If the State can acquire the building below \$187.25 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Lincoln.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3101 Montvale Drive	21,800	\$ 979,910	\$ 44.95
725 S 2nd Street	15,300	\$ 875,007	\$ 57.19
3500 Wabash Avenue	18,693	\$ 2,900,032	\$ 155.14
Average			\$ 85.76

Based on this sample, the average sale price of properties in Lincoln is \$85.76 per square foot. Compared to the maximum break-even price of \$187.25 per square foot for the 1550 4th St, this value is significantly lower, indicating that acquiring the property for less than \$187.25 psf may be feasible.

Should the State acquire the property for \$85.76 per square foot, the total cost of acquisition, including capital expenditure, would be \$538,917.

Total Cost to Acquire 1550 4th St at Market Value	
2020 Market Acquisition Cost	\$ 398,269
+ Total Buildout Cost (full TI)	\$ 215,528
+ Initial CapEx	\$ 46,440
+ Total Ongoing CapEx	\$ 50,851
+ Total OpEx	\$ 203,402
<u>- 2030 Market Value</u>	<u>\$ (463,668)</u>
Total Cost (Nominal)	\$ 450,822
Total Cost (Real)	\$ 538,917

This is \$112,010 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	Rentable Square Feet	Asking Sales price psf	Asking Sales price
1231 Keokuk St	8,000	\$49.88	\$ 399,040
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
1231 Keokuk St	8,000	4,644	\$9.00

There is one property available, either for lease or for sale, and is therefore used as the lease and acquisition alternative for this analysis.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. However, total costs over a 10-year period may only be \$112,000, or only 17%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

Given the the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.

Lease 1550 4th St	\$ 650,927
Acquire 1550 4th St	\$ 538,917
Acquisition Alternatives	Total Cost to Acquire
1231 Keokuk St	\$ 850,094
Lease Alternatives	Total Cost to Lease
1231 Keokuk St	\$ 642,156

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8588 Route 148

Marion

Market Analysis

Property Description

Property Details	
Property Address:	8588 Route 148 Marion, IL
Property Type:	Office
User:	Department of Natural Resources
Building Size (SF):	9,300
FY 2018 Annual Cost:	\$1
FY 2018 Annual Cost (psf):	\$1
2019 Headcount:	
Demographics	
Population:	1 mile: 858 5 miles: 14,877
Median Household Income:	1 mile: \$46,036 5 miles: \$35,654

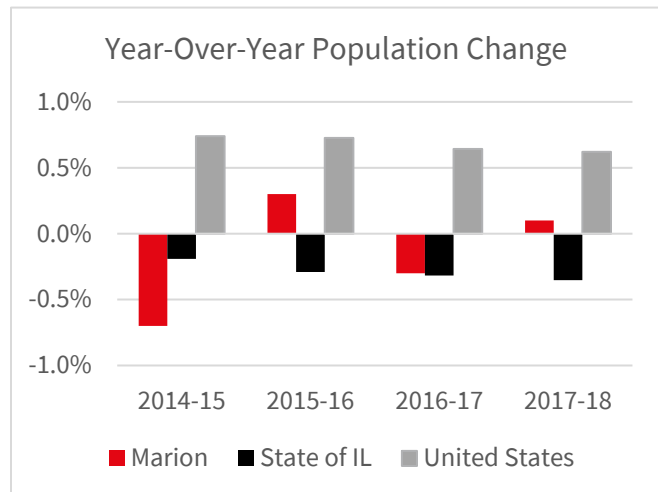


Source: Google

Demographic Overview for Marion, IL

Population

Marion, Illinois is located in southern Illinois and is the county seat of Williamson County. In 2018, Marion had an estimated population of 17,620. Overall, Marion has experienced population loss in two of the previous four years, and a net loss overall in that period. The State has experienced similar trends as well.

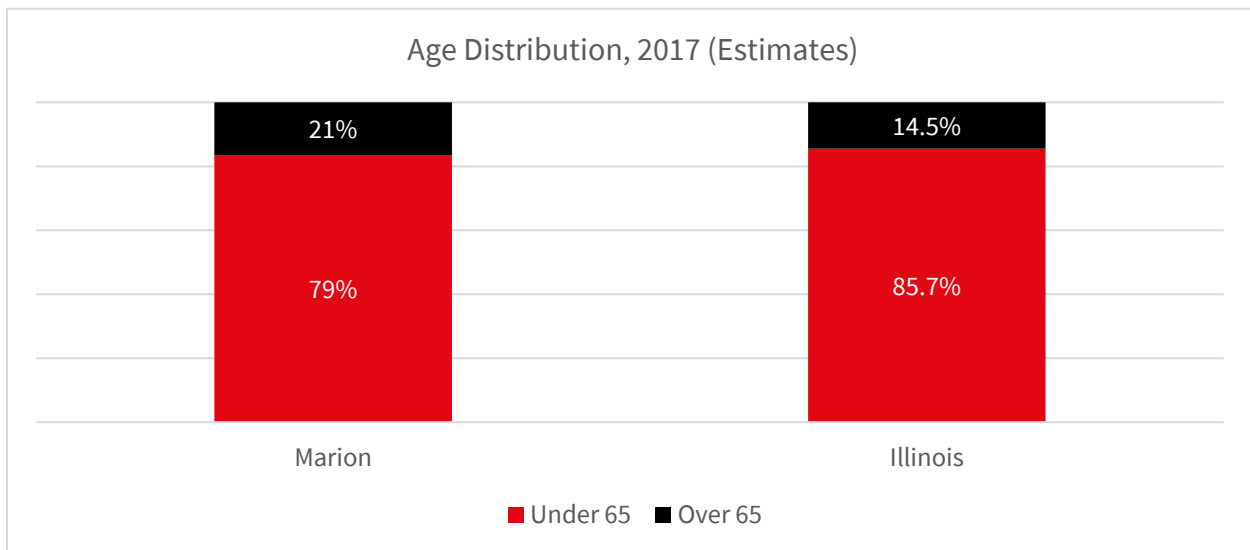


Source: U.S. Census Bureau

Year	Population Estimates
2018	17,620
2017	17,598
2016	17,657
2015	17,607
2014	17,736

Age

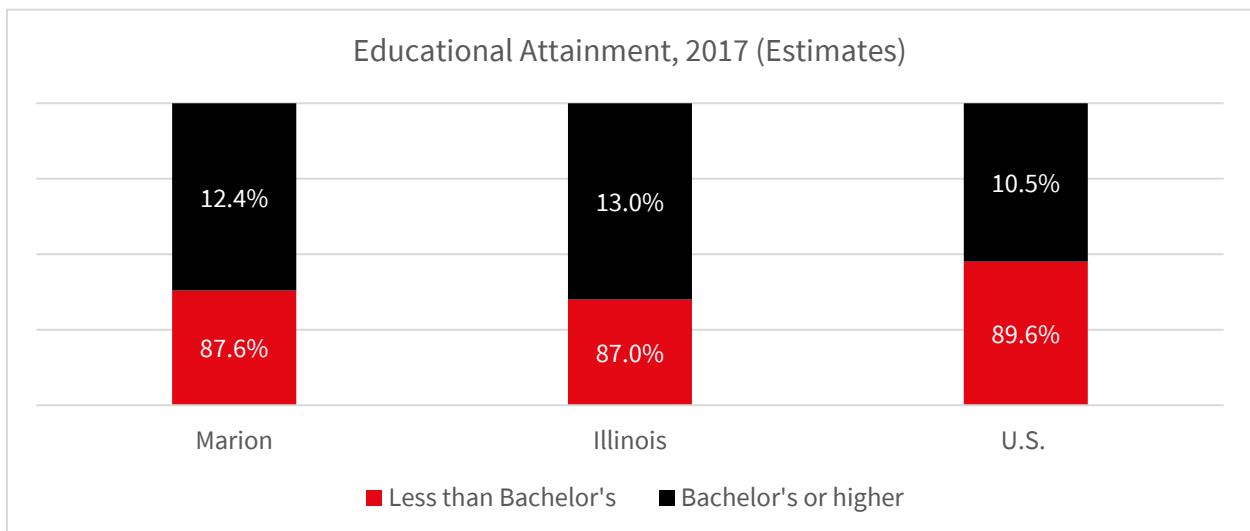
The population of Marion is somewhat older compared to the State. The median age is 41.8 years old and is slightly older than the statewide median age of 37.7. Seniors above the age of 65 make up 21% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 79% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

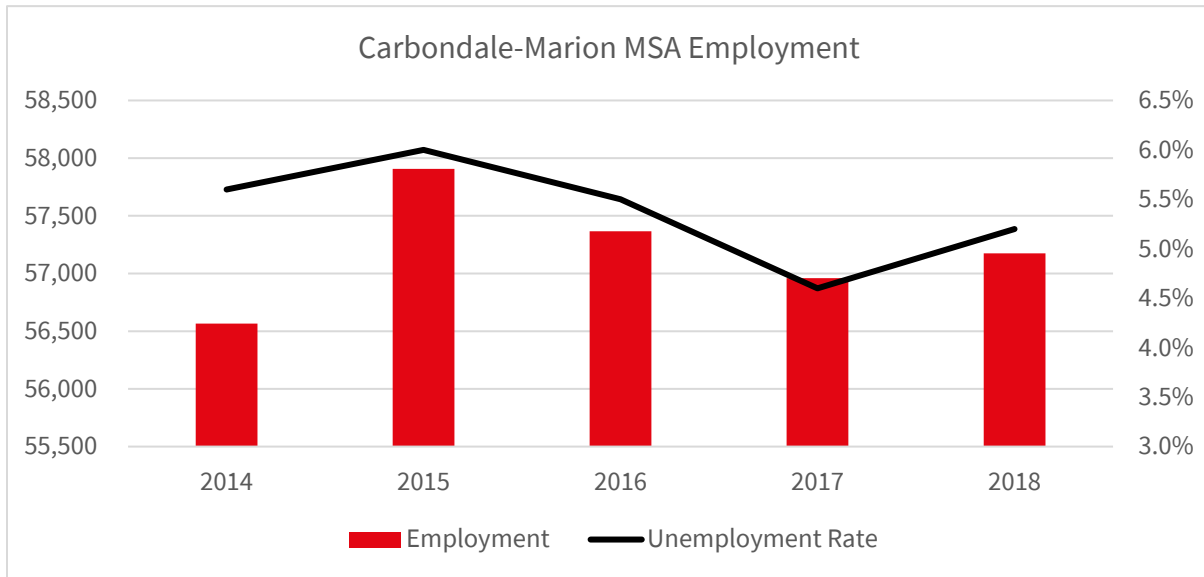
In Marion, 12.4% of the population has a bachelor's degree or higher, a lower proportion than the State as a whole at 13.0% and higher than the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 87.6% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

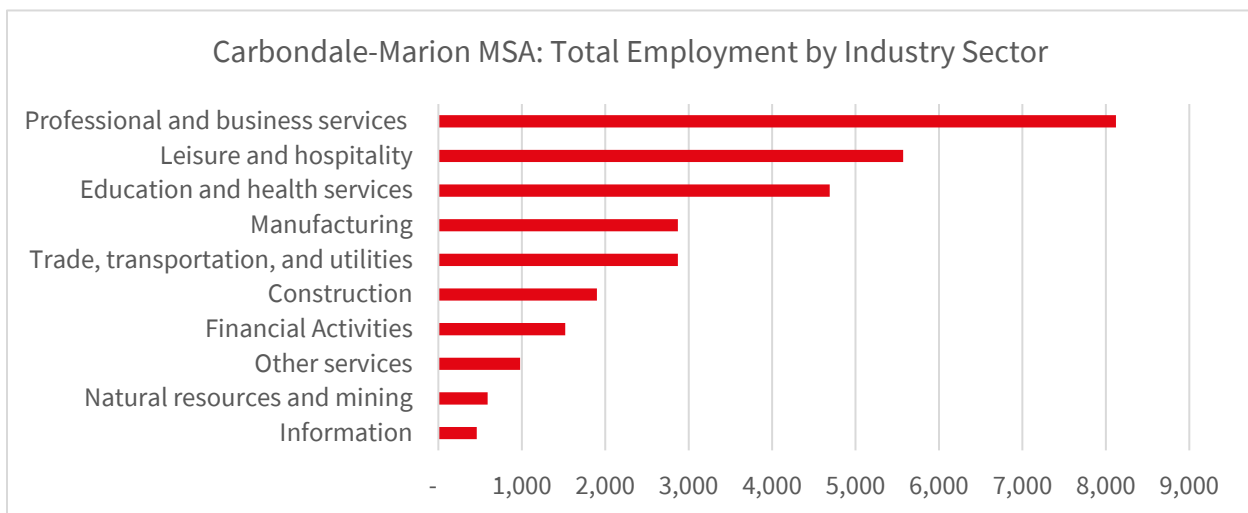
Labor Force and Employment Growth

Employment growth in the Carbondale-Marion MSA has been stagnant between 2014-2018. Total employment is up to 57,175 in 2018, up from just 56,566 in 2014. The unemployment rate has fluctuated during this time and was at 5.2% for 2018.



Source: U.S. Bureau of Labor Statistics

Professional and business services make up the largest employment sector in the Carbondale-Marion MSA with 8,120 jobs. Leisure and hospitality make up the second highest sector with 5,570. All other industry sectors, including education and health services, manufacturing, and trade, transportation and utilities include less than 6,000 jobs per sector.



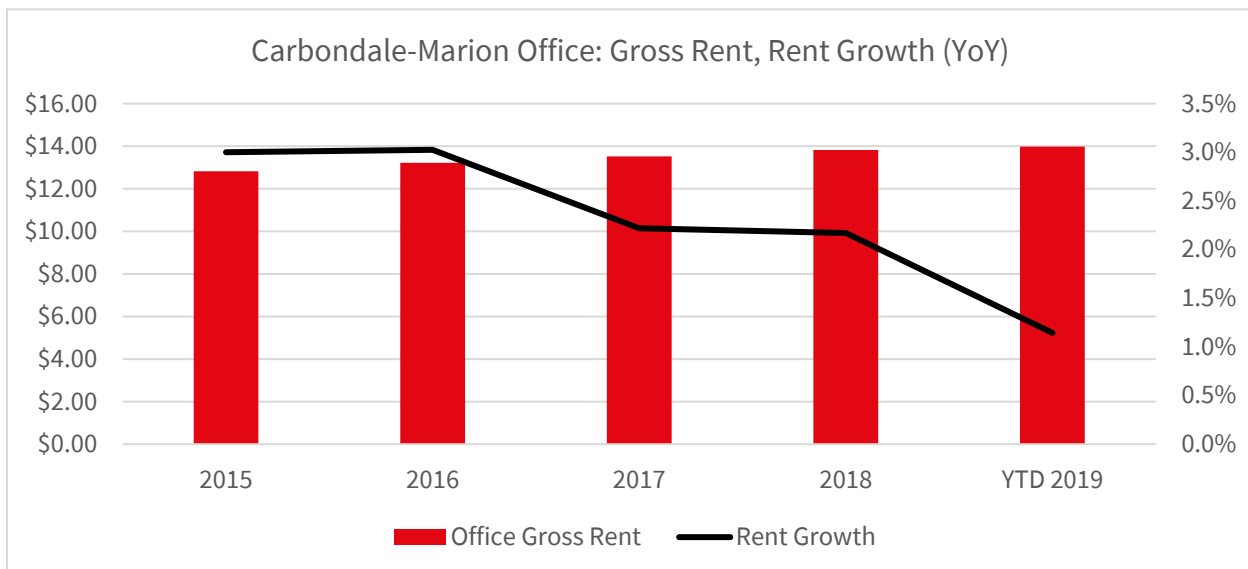
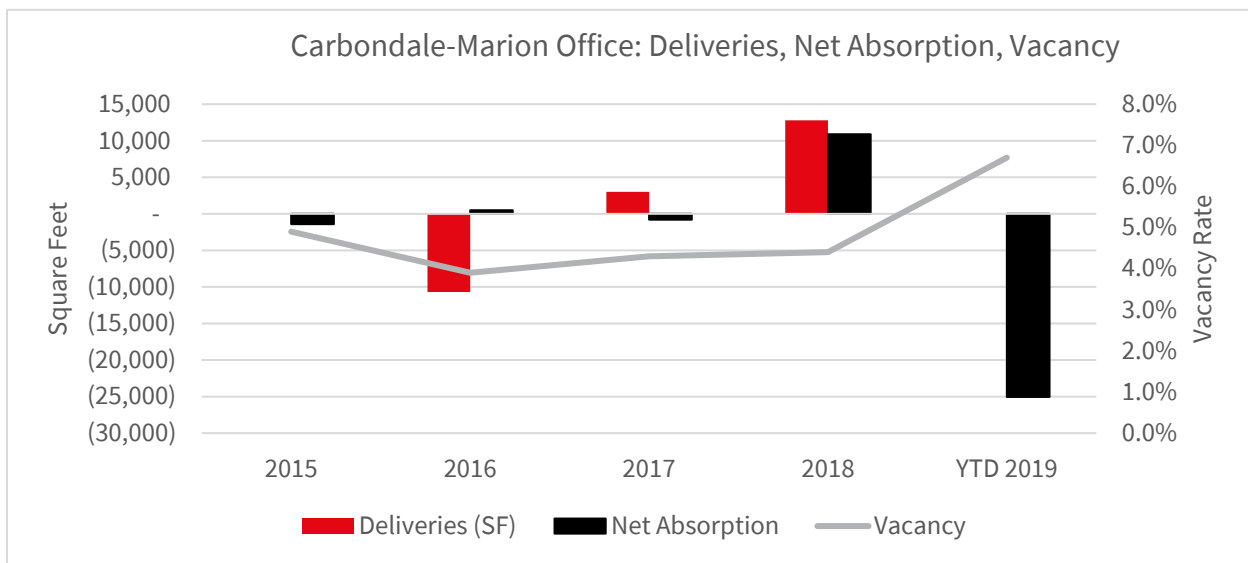
Source: U.S. Bureau of Labor Statistics

Office Market Conditions

Inventory and Supply

The Carbondale-Marion office market has 1.1 million square feet of total office inventory with a vacancy rate of 6.6%. Net absorption has fluctuated consistently in the trailing 5 years, with a negative absorption of 3,450 square feet of office space in the market during that time. The market has a net of 6,100 square feet of new deliveries in the previous 5 years, and the vacancy rate fluctuated during this time between 3% and 6%.

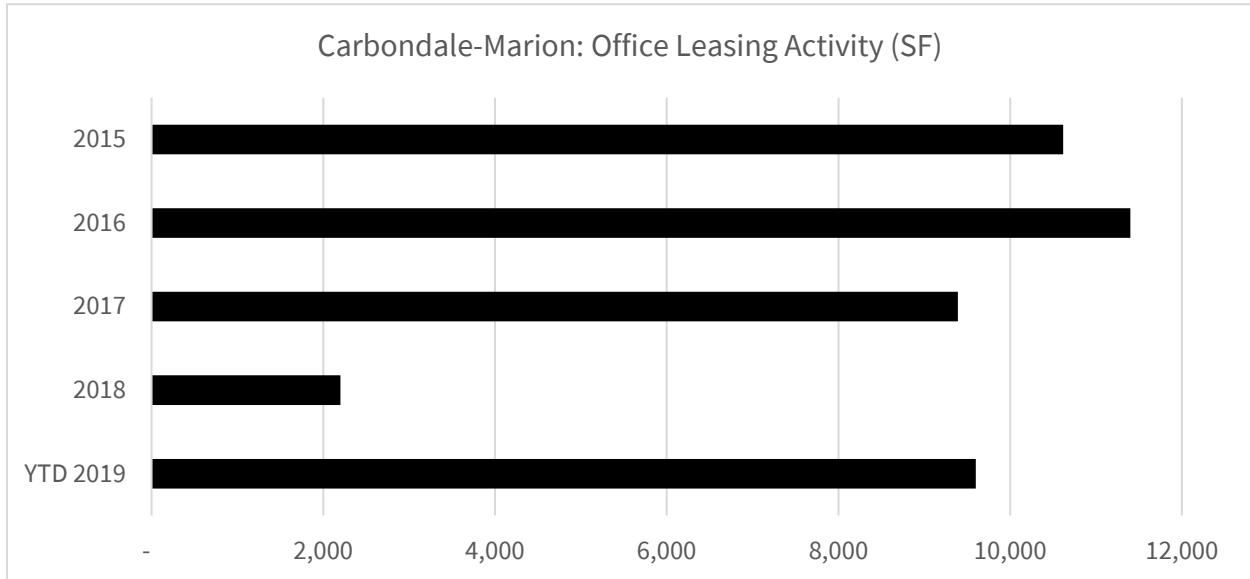
Office rents in the market have remained stagnant since 2015, going from \$12.82 per square foot in 2015 to just \$13.98 per square foot in 2019.



Source: CoStar

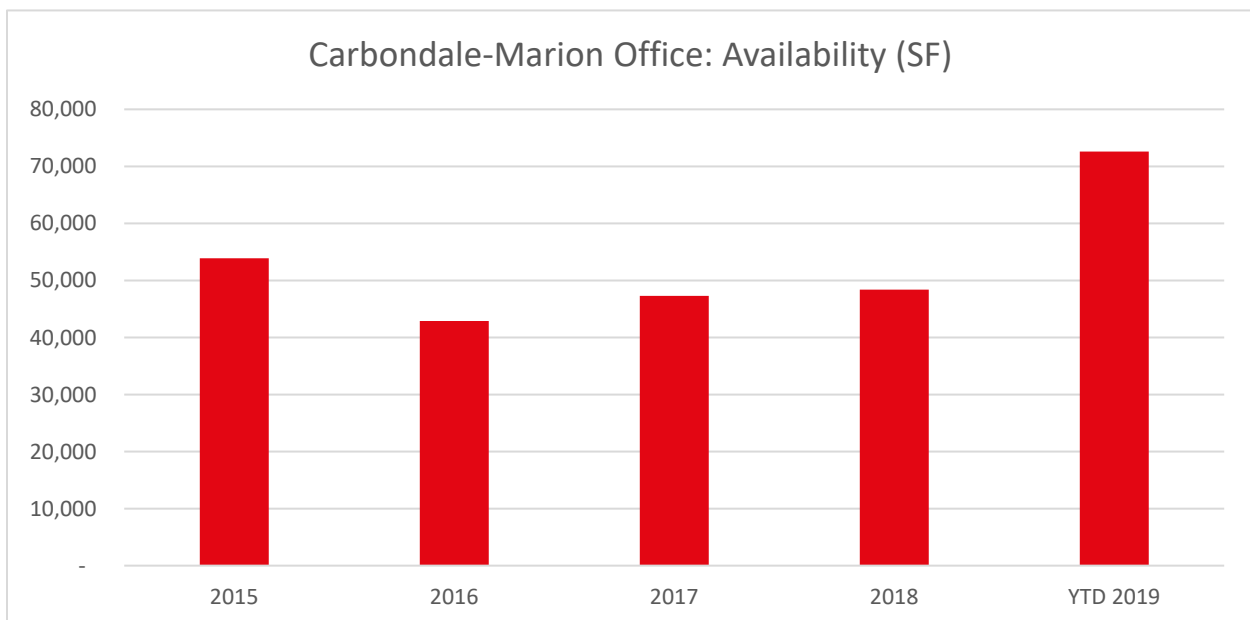
Leasing Activity and Availability

Office leasing activity in Carbondale-Marion has been steady in recent years, with leasing between 9,000 and 12,000 square feet per year apart from 2018.



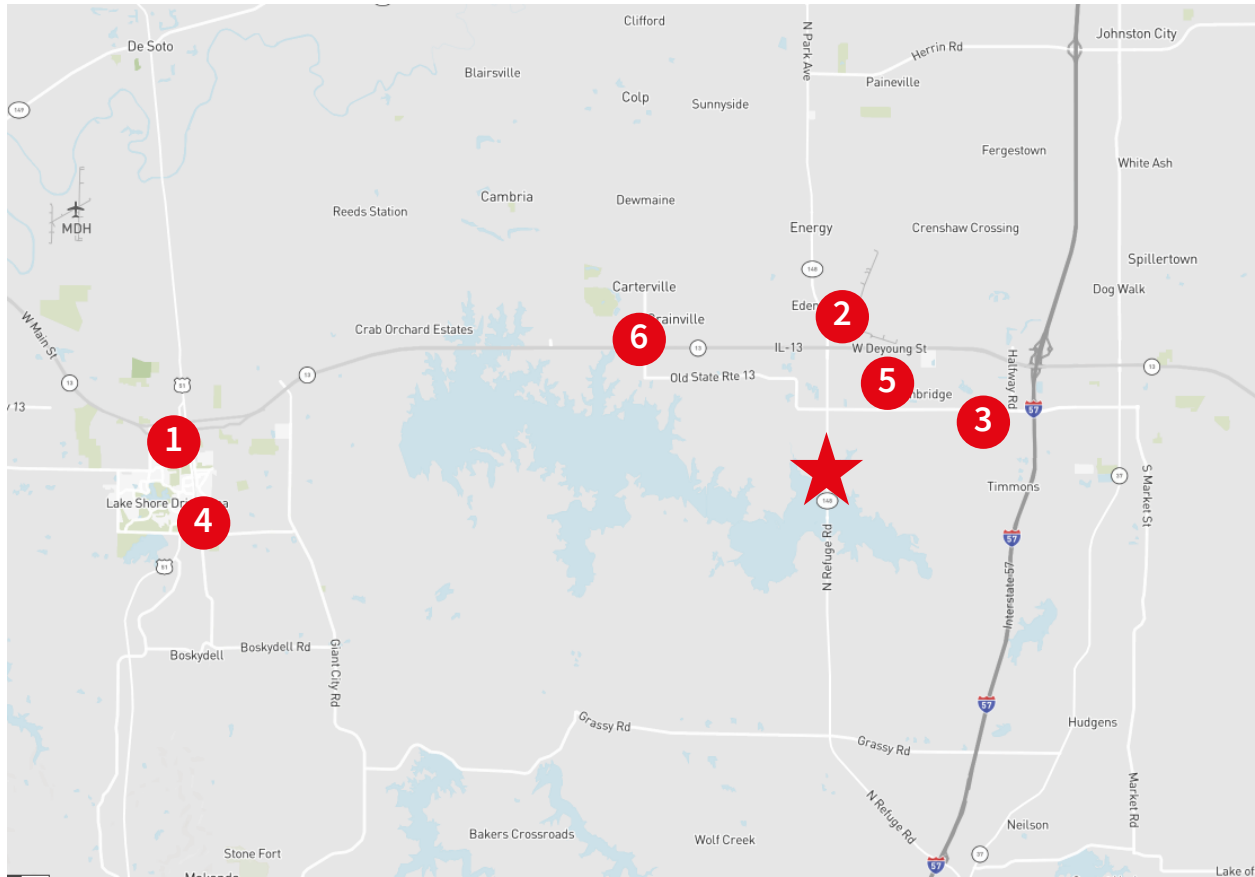
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years, with total availability per year between 40,000 and 75,000 square feet throughout the period.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. As there were limited comparable leases available for a 10-mile radius, a 25-mile radius was utilized. Rents for comparable properties in the market average \$15.28 per square foot. Lease comparables in the market average 71% vacancy.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	104 Airway Drive	B	7,238	\$12,60	7,238
2	108 E DeYoung Street	C	1,000	\$9.00	500
3	914 W Main Street	C	5,040	\$12.00	5,040

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. As there were limited comparable sales within a ten-mile radius, a 25-mile radius was utilized. Comparable office properties have sold for \$73.00 per square foot on average.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
4	1175 Cedar Ct	B	3,972	\$25.18	Dec-2019
5	8223 Express Dr	B	8,000	\$114.38	Jul-2019
6	2300 W Main St	C	5,500	\$46.36	May-2019

Own Versus Lease Analysis

To assess whether the State should continue leasing 8588 Route 148 or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	9,300
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 1.00
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$390,047. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 8588 Route 148	
Total Rent Cost	\$ 101,832
+ Total OpEx	\$ 407,330
Total Cost (Real)	\$ 390,047

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

However, given that the rental rate for the property is a nominal \$1/year, there is no acquisition cost, other than being given the building for free, that "breaks even" with the low cost of the lease.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1175 Cedar Ct	3,972	\$ 100,015	\$ 25.18
8223 Express Dr	8,000	\$ 915,040	\$ 114.38
2300 W Main St	5,500	\$ 254,980	\$ 46.36
Average			\$ 61.97

Acquiring the property at market rates may still be an option, however, and is still assessed as part of this analysis. Based on the above sample of historical property sales, the average sale price of properties in Marion is \$61.97 per square foot.

Should the State acquire the property for \$61.97 per square foot, the total cost of acquisition, including capital expenditure, would be \$1,026,654.

Total Cost to Acquire 8588 Route 148 at Market Value	
2020 Market Acquisition Cost	\$ 576,352
+ Total Buildout Cost (full TI)	\$ 431,613
+ Initial CapEx	\$ 93,000
+ Total Ongoing CapEx	\$ 101,832
+ Total OpEx	\$ 407,330
<u>- 2030 Market Value</u>	<u>\$ (670,993)</u>
Total Cost (Nominal)	\$ 939,134
Total Cost (Real)	\$ 1,026,654

This is \$636,607 more than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	Rentable Square Feet	Asking Sales price psf	Asking Sales price
8257 Express Dr	8,678	\$69.03	\$ 599,042
1811 Industrial Park Dr	11,990	\$34.95	\$ 419,051
3020 S Park Ave	8,232	\$136.48	\$ 1,123,503
3123 Wailliamson County	10,850	\$156.68	\$ 1,699,978
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
104 Airway Drive	7,238	7,238	\$12.60
108 E DeYoung Street	1,000	1,000	\$9.00
914 W Main Street	5,040	5,040	\$12.00

The four acquisition alternatives are of a size that is within a margin of the State's current footprint, and are therefore included. Among the lease alternatives, only the first property is included, assuming that the State might be able to reduce it's footprint to 7,238 sf.

Conclusion

Based on this assessment, the State should continue leasing 8588 Route 148.

Given the low cost of the lease, acquiring the building is more expensive at market rates. In addition, leasing or acquiring property elsewhere is also more expensive.

Lease 8588 Route 148	\$ 390,047
Acquire 8588 Route 148	\$ 1,026,654
Acquisition Alternatives	Total Cost to Acquire
8257 Express Dr	\$ 961,634
1811 Industrial Park Dr	\$ 1,231,534
3020 S Park Ave	\$ 1,044,171
3123 Wailliamson County Pkwy	\$ 1,428,334
Lease Alternatives	Total Cost to Lease
104 Airway Drive	\$ 1,219,412

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2301 Metropolis St

Metropolis

Demographic Analysis

Property Description:

Property Details	
Property Address:	2301 Metropolis St
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	4,800
FY 2018 Annual Cost:	\$52,360
FY 2018 Annual Cost (psf):	\$10.90
2019 Headcount:	8
Demographics	
Population:	1 mile: 2,795 5 miles: 9,704
Median Household Income:	1 mile: \$37,922 5 miles: \$41,250

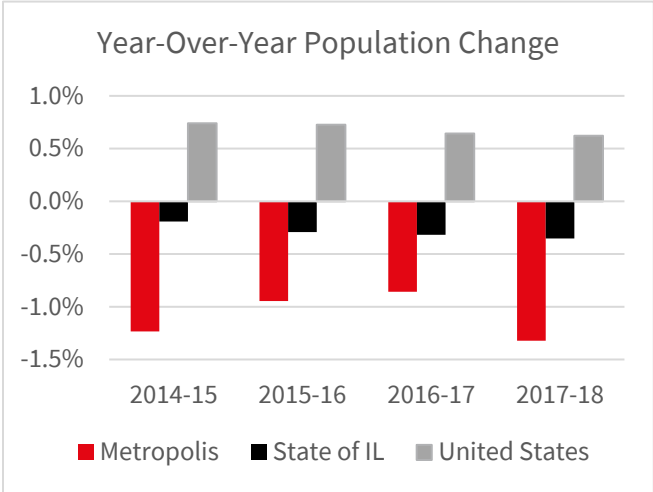


Source: Google

Demographic Overview for Metropolis, IL

Population

Metropolis is a city in Massac County, Illinois. In 2018, Metropolis had an estimated population of 6,047. Overall, Metropolis has experienced a population loss year-over-year every year since 2014, and most significantly in 2017-2018. The State has experienced similar trends as well.

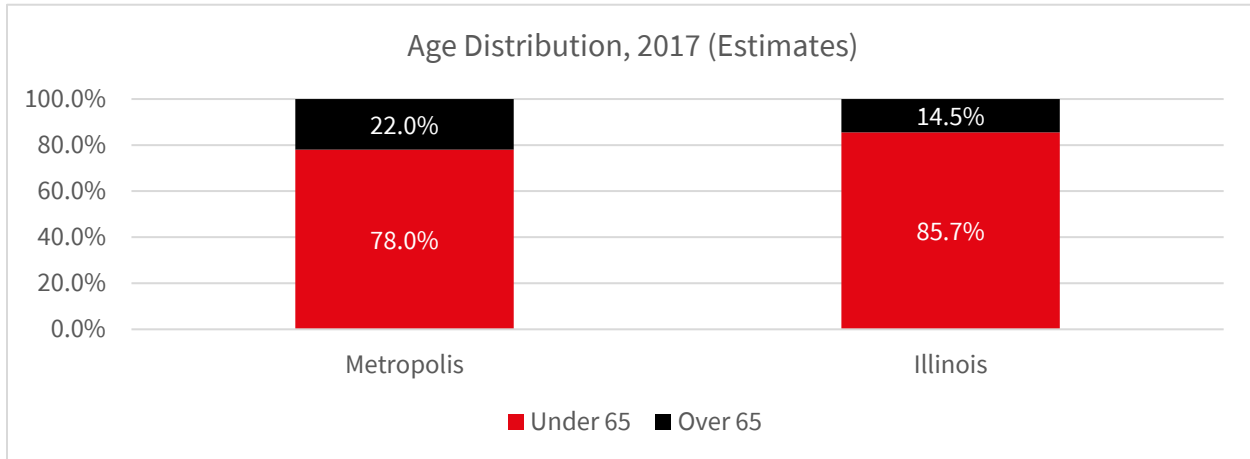


Source: U.S. Census Bureau

Year	Population Estimates
2018	6,047
2017	6,128
2016	6,181
2015	6,240
2014	6,318

Age

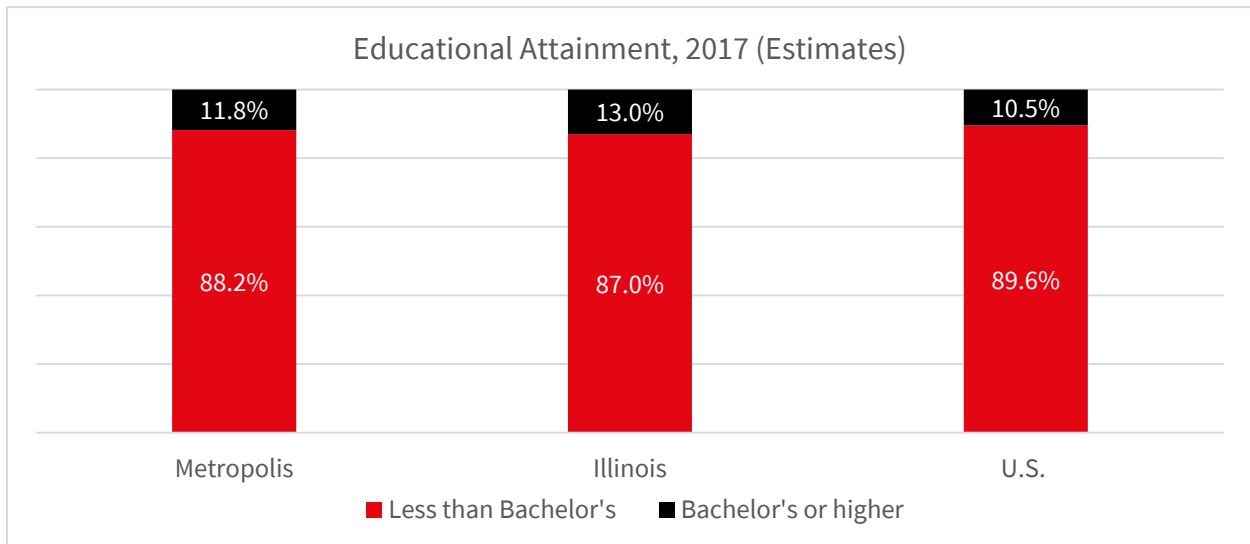
The population of Metropolis is somewhat older compared to the State. The median age of Metropolis is 41.9 years old and is much older than the statewide median age of 37.7. Seniors above the age of 65 make up 22% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 78% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

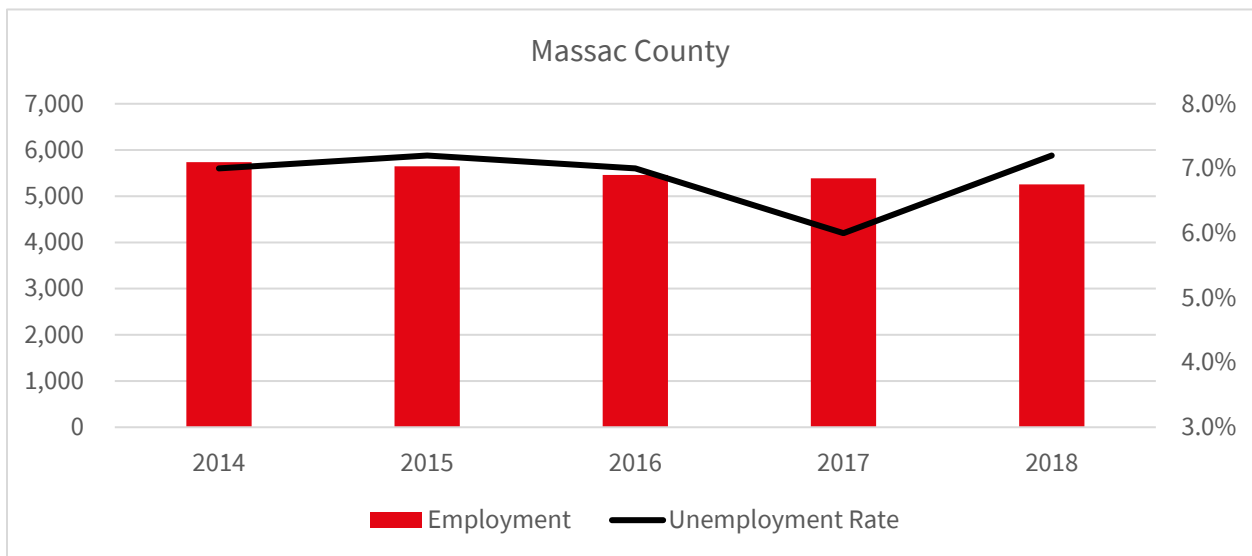
In Metropolis, 11.8% of the population has a bachelor's degree or higher, a greater proportion than the State at 13% and the nation as a whole at 10.5%. Conversely, individuals with less than bachelor's degree comprise 88.2% of the population, compared to 87% for the State and 89.6% nationally.



Source: U.S. Census Bureau

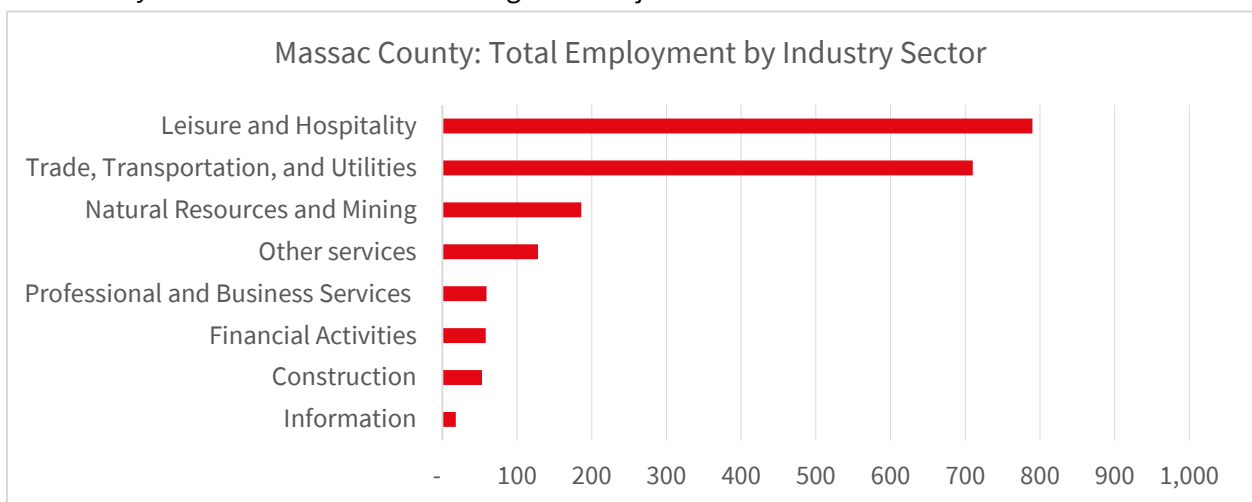
Labor Force and Employment Growth

Metropolis is located in Massac County. Employment has declined in Massac County every year since 2016 with total employment at 5,256 in 2018. This is down from 2014, when employment totaled 5,735. The unemployment rate increased year over year by 1.2% to 7.2% in 2018.



Source: U.S. Bureau of Labor Statistics

Leisure and Hospitality make up the largest share of employment in Massac County with a total of 790 jobs. Trade, Transportation, and Utilities is the second largest employment sector with 710 jobs followed by Natural Resources and Mining with 186 jobs.

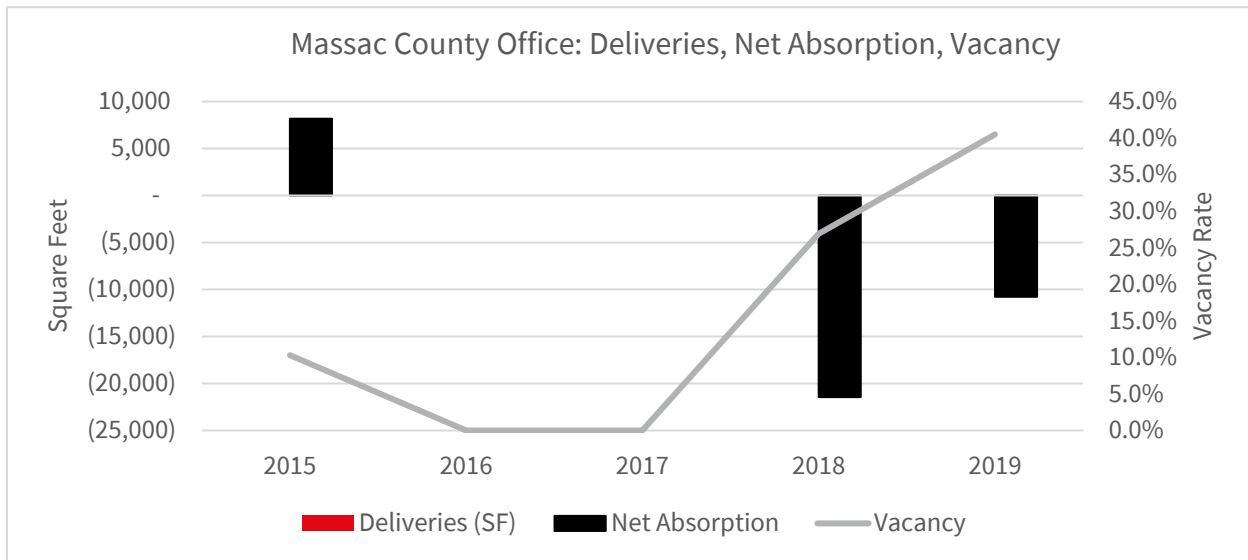


Source: U.S. Bureau of Labor Statistics

Office Market Conditions

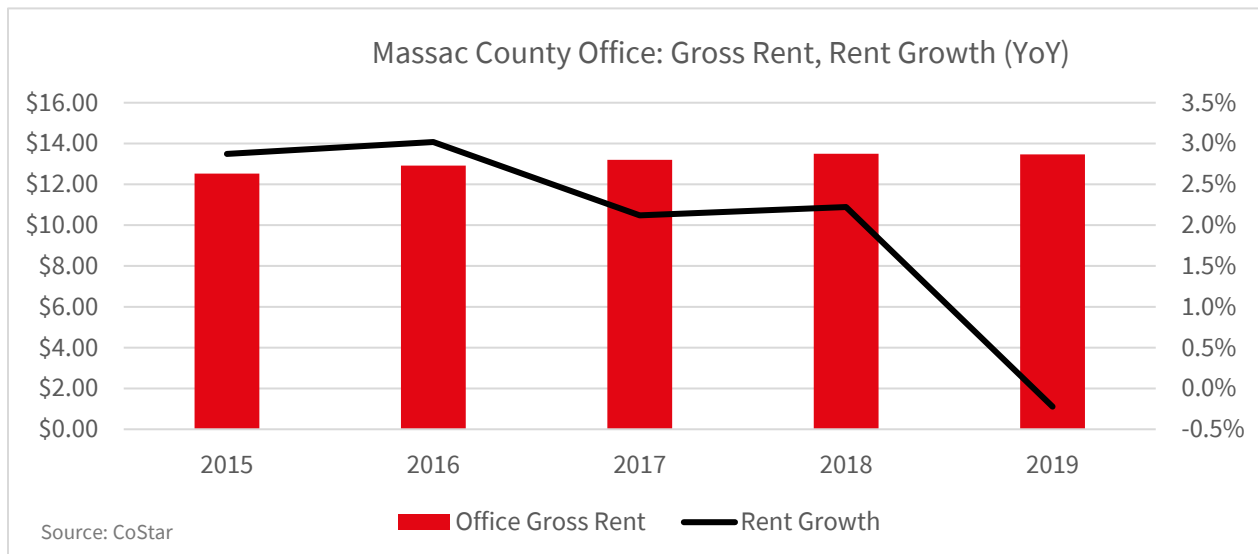
Inventory and Supply

The Massac County office market is comprised of 14 buildings and has 79,600 square feet of total office inventory with a vacancy rate of 40.5%. Metropolis has posted two consecutive years of negative absorption from 2018 to 2019. Consequently, vacancy rates increased substantially, going from 0% in 2017 to 40.5% in 2019. There have been no office deliveries over the last five years and there is no construction in the pipeline.



Source: CoStar

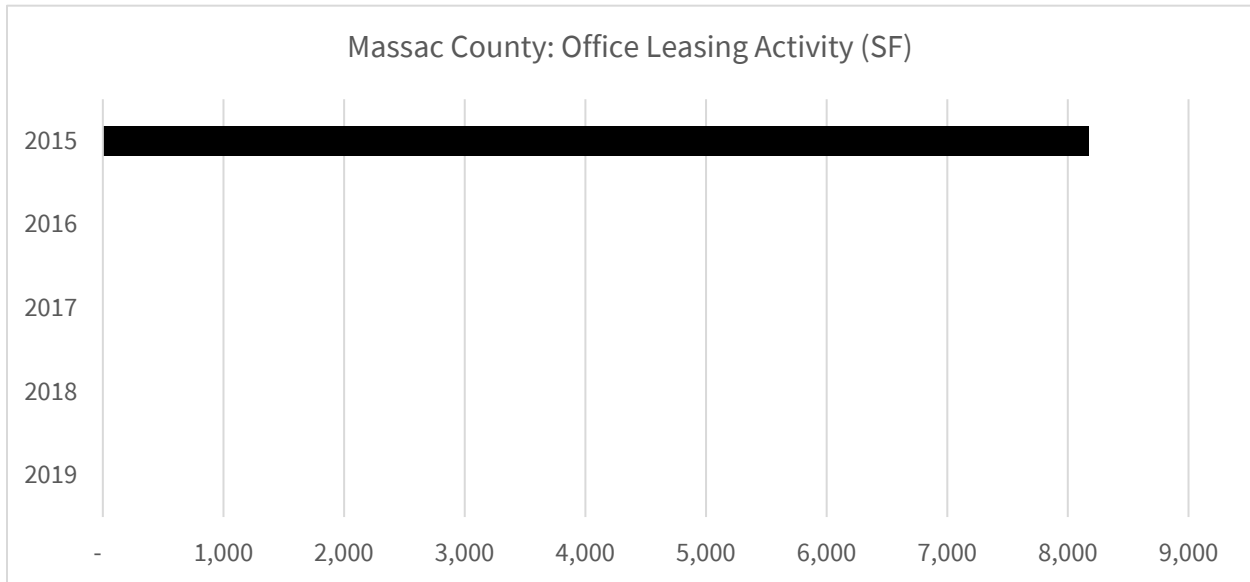
Office rents for properties in Massac County have increased each year since 2015. Going from \$12.53 per square foot in 2015 to \$13.47 per square foot in 2019.



Source: CoStar

Leasing Activity and Availability

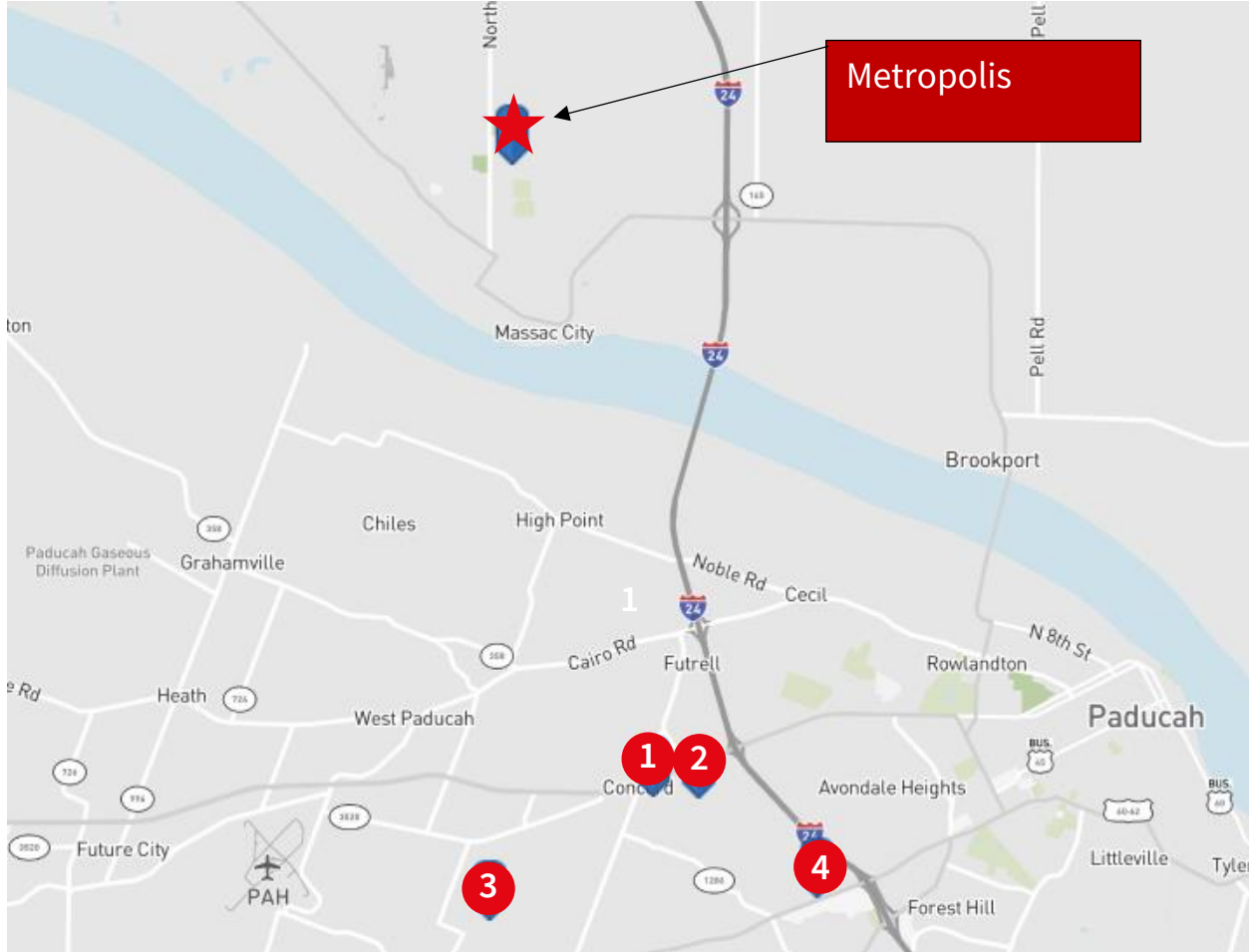
No office leasing activity has been recorded in Massac County since 2015, when 8,176 square feet was leased.



Source: CoStar

The market research database, “CoStar”, utilized in this analysis has no data points for office availability in Massac County. This likely due to the fact the Massac County is a small tertiary market with little inventory.

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. With limited lease comps in Massac County, an eight-mile radius was used. Rents for comparable properties in the market average \$14.00 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 0.0% to 20.4%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	5050 Village Square Drive Paducah, KY	C	7,300 SF	\$10.00/NNN	7,300
2	4730 Village Square Drive Paducah, KY	B	24,940 SF	\$18.00/NNN	5,100

Sale Comparables

Recent office sales represent properties that have sold in the most recent 24 months. All comparable sales occurred within an eight-mile radius. Comparable office properties have sold for \$91.00 per square foot on average.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
3	115 Carlisle Court Paducah, KY	B	5,355	\$80	Mar-2018
4	4975 Alben Barkley Drive, Paducah, KY	B	11,320	\$102	Nov-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 2301 Metropolis St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	4,800
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 10.91
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$600,253. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 2301 Metropolis St	
Total Rent Cost	\$ 573,327
+ Total OpEx	\$ 210,235
Total Cost (Real)	\$ 600,253

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$590,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$123.66.

Total Cost to Acquire 2301 Metropolis St	
2020 Break-Even Acquisition Cost	\$ 593,557
+ Initial CapEx	\$ 48,000
+ Total Ongoing CapEx	\$ 52,559
+ Total OpEx	\$ 210,235
<u>- 2030 Market Value</u>	<u>\$ (691,023)</u>
Total Cost (Nominal)	\$ 436,095
Total Cost (Real)	\$ 600,253

If the State can acquire the building below \$123.66 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Metropolis.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
115 Carlisle Ct, Paducah,	5,355	\$ 428,400	\$ 80.00
4975 Alben Karkley Dr, P:	11,320	\$ 1,154,640	\$ 102.00
Average			\$ 91.00

Based on this sample, the average sale price of properties in Metropolis is \$91.00 per square foot. Compared to the maximum break-even price of \$123.66 per square foot for the 2301 Metropolis St, this value is significantly lower, indicating that acquiring the property for less than \$123.66 psf may be feasible.

Should the State acquire the property for \$91.00 per square foot, the total cost of acquisition, including capital expenditure, would be \$562,998.

Total Cost to Acquire 2301 Metropolis St at Market Value	
2020 Market Acquisition Cost	\$ 436,800
+ Total Buildout Cost (full TI)	\$ 222,768
+ Initial CapEx	\$ 48,000
+ Total Ongoing CapEx	\$ 52,559
+ Total OpEx	\$ 210,235
<u>- 2030 Market Value</u>	<u>\$ (508,526)</u>
Total Cost (Nominal)	\$ 461,836
Total Cost (Real)	\$ 562,998

This is \$37,255 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>				
Address	Total Available Rentable Square Feet	Asking Sales price psf	Asking Sales price	
305 Ferry St	10,776	\$12.06	\$ 129,959	
101 W 8th St	21,444	\$65.29	\$ 1,400,079	
<u>Lease Alternatives</u>				
Address	Total Available SF	Square Feet	Asking Rent \$/SF	
None				

Regarding acquisition alternatives, both properties are significantly larger than the State's current footprint at this location. Therefore, neither alternative is viable.

There are no lease alternatives in Metropolis at this time.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. However, total costs over a 10-year period may only be \$37,000, or only 6%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

Given the the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.

Lease 2301 Metropolis St	\$ 600,253
Acquire 2301 Metropolis St	\$ 562,998
Acquisition Alternatives	Total Cost to Acquire
305 Ferry St	\$ 1,048,219
101 W 8th St	\$ 2,357,211
Lease Alternatives	Total Cost to Lease
None	

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1245 S Main St

Monmouth

Market Analysis

Property Description

Property Details	
Property Address:	1245 S Main Street Monmouth, IL
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	4,500
FY 2018 Annual Cost:	\$53,260
FY 2018 Annual Cost (psf):	\$11.84
2019 Headcount:	9
Demographics	
Population:	1 mile: 8,998 5 miles: 17,429
Median Household Income:	1 mile: \$37,599 5 miles: \$52,522

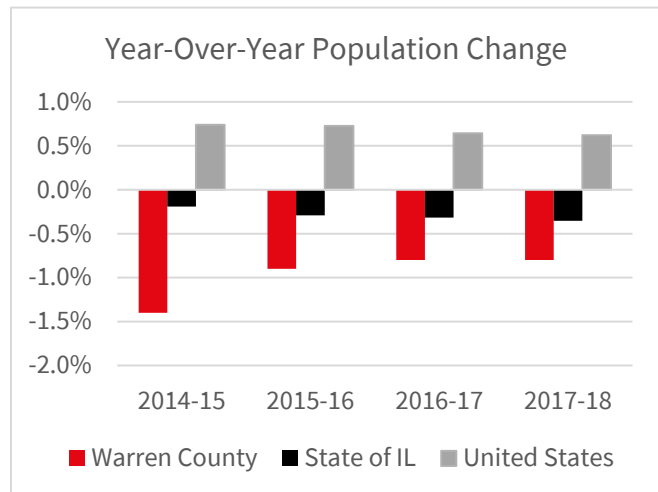


Source: Google

Demographic Overview for Monmouth, IL

Population

Monmouth, Illinois is located in western Illinois and is the county seat of Warren County. In 2018, Warren County had an estimated population of 17,710. Overall, the county has experienced population in each of the previous four years. The State has experienced similar trends as well.

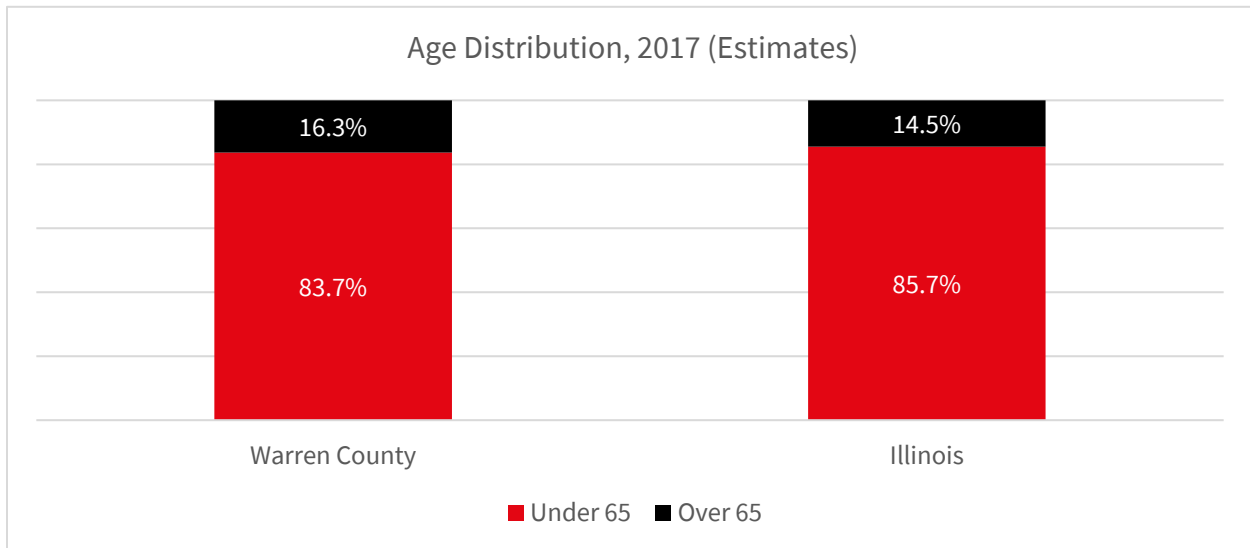


Source: U.S. Census Bureau

Year	Population Estimates
2018	17,032
2017	17,170
2016	17,303
2015	17,466
2014	17,815

Age

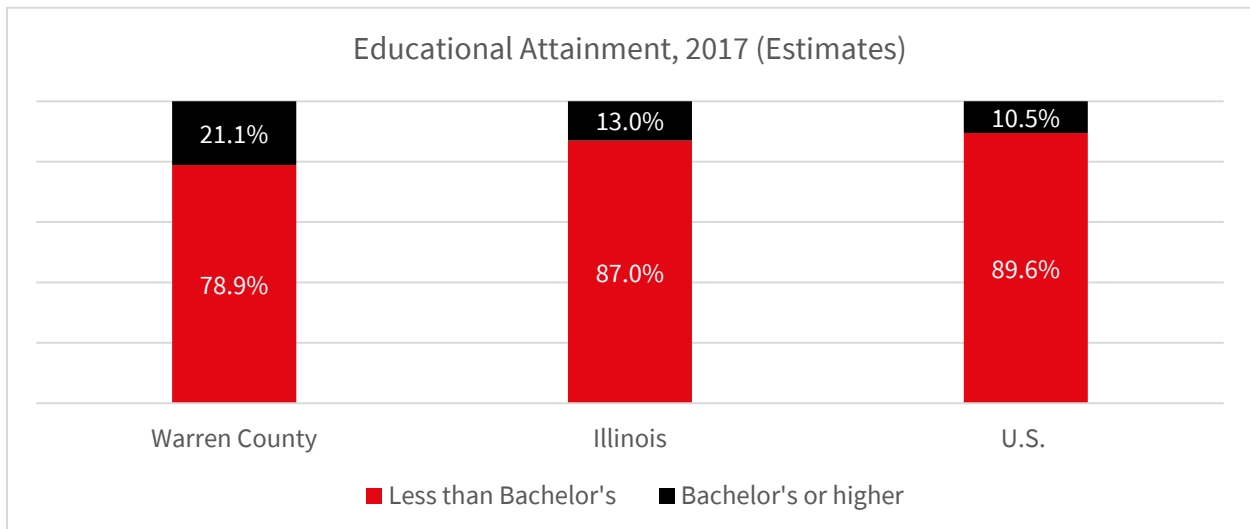
The population of Warren County is somewhat older compared to the State. The median age is 39.1 years old and is slightly older than the statewide median age of 37.7. Seniors above the age of 65 make up 16.3% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.7% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

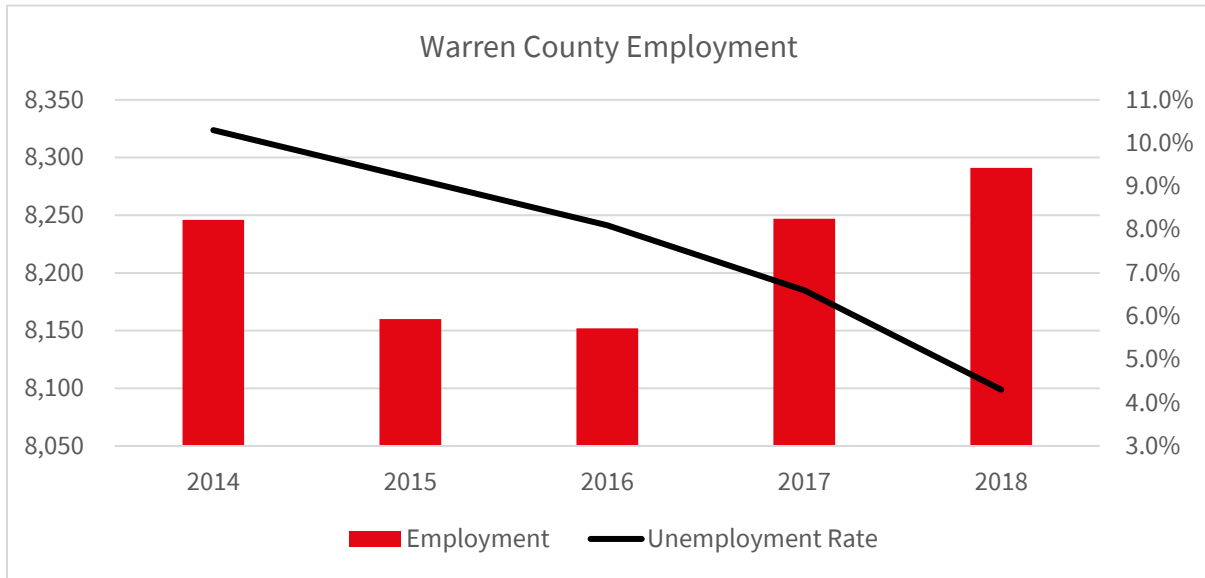
In Warren County, 24.3% of the population has a bachelor's degree or higher, a higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 75.7% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

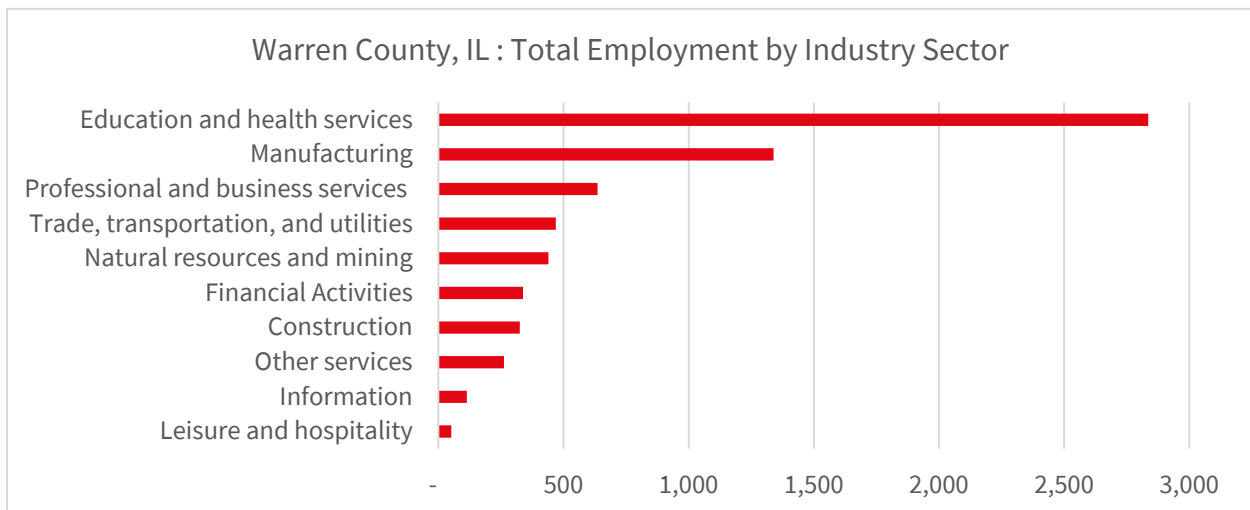
Labor Force and Employment Growth

Employment growth in the Warren County has been positive between 2014-2018. Employment fell to below 8,200 in 2016 but has recovered through 2018 to a total of 8,291. The unemployment rate has decreased every year since 2014 and has hit a 5 year low in 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Education and health services make up the largest employment sector in Warren County with 2,836 jobs. All other sectors, including manufacturing, professional and business services, trade, transportation and utilities, natural resources and mining, and finance, construction, and hospitality include less than 1,500 jobs per sector.

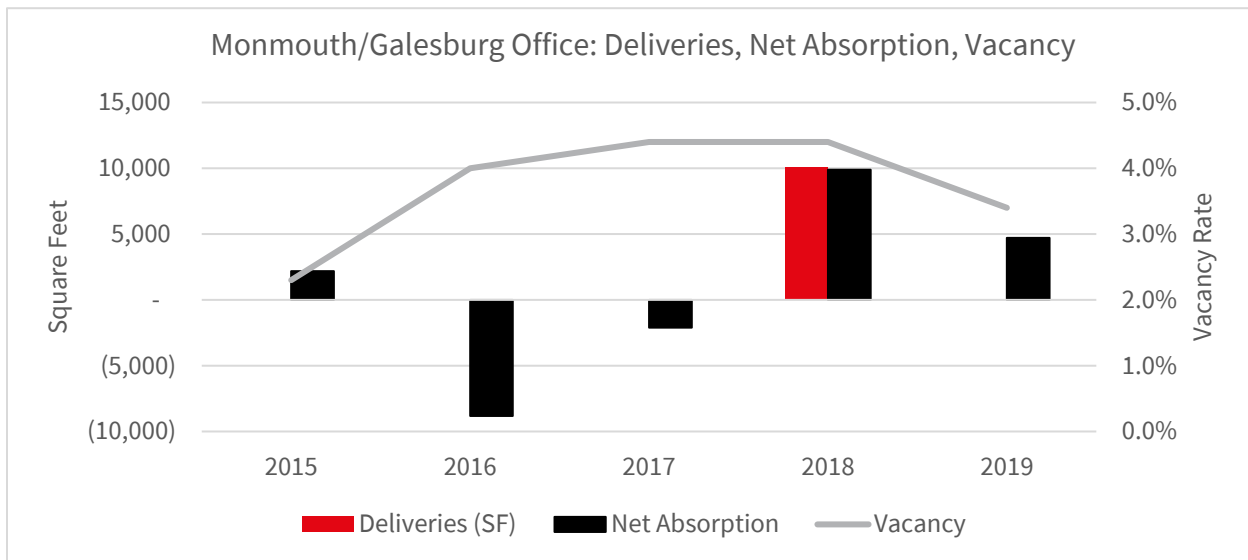


Source: U.S. Bureau of Labor Statistics

Office Market Conditions

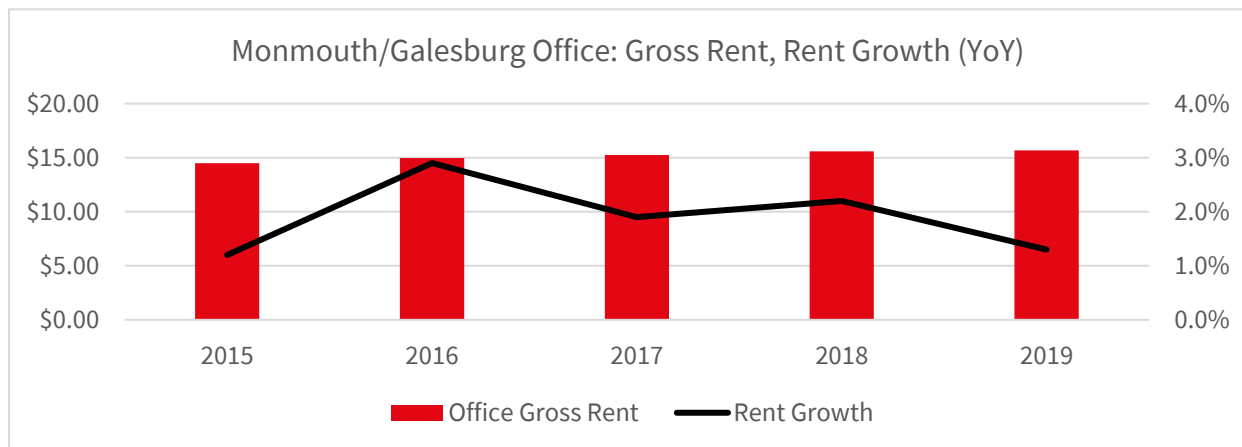
Inventory and Supply

Monmouth’s office market is very small, with only 56,500 square feet of total office inventory, but is considered part of the larger Galesburg office market. Galesburg includes 514,000 square feet of office inventory at 3.4% vacancy. Net absorption was negative between 2015 and 2017, but 2018 and YTD 2019 have seen positive absorption in consecutive years. During this period Galesburg saw just one office building totaling 10,094 square feet delivered in 2018. There is no space under construction in the market.



Source: CoStar

Office rents for properties in Galesburg have marginally increased each year since 2015, going from \$14.49 per square foot in 2015 to \$15.68 per square foot in year-to-date 2019.

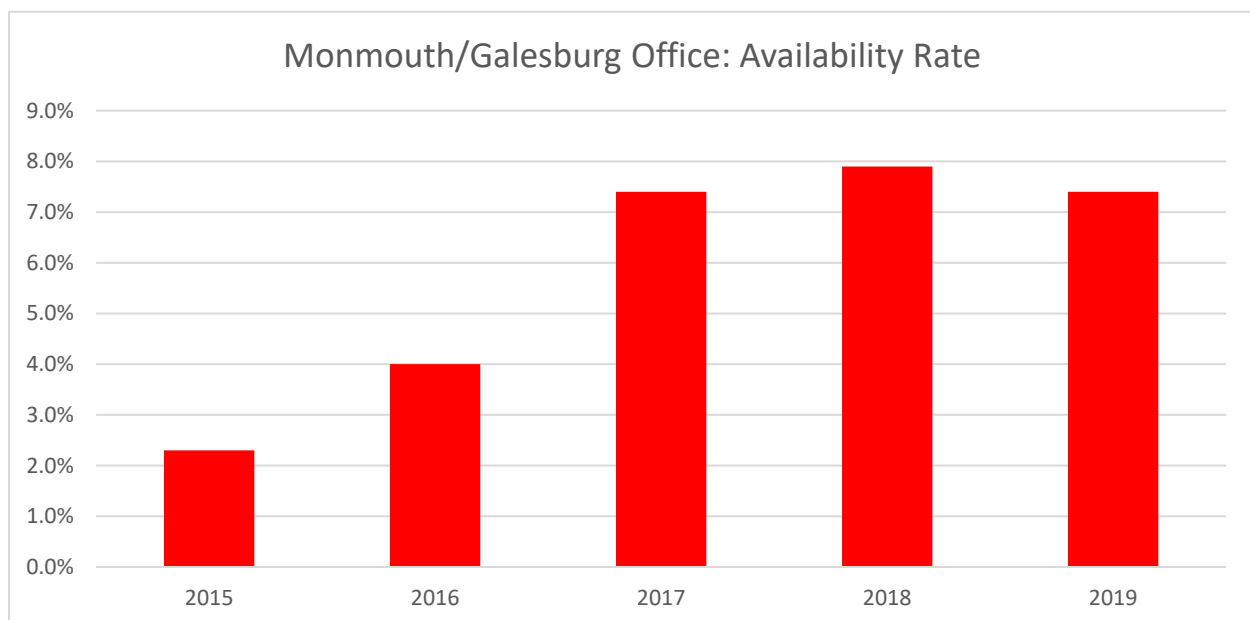
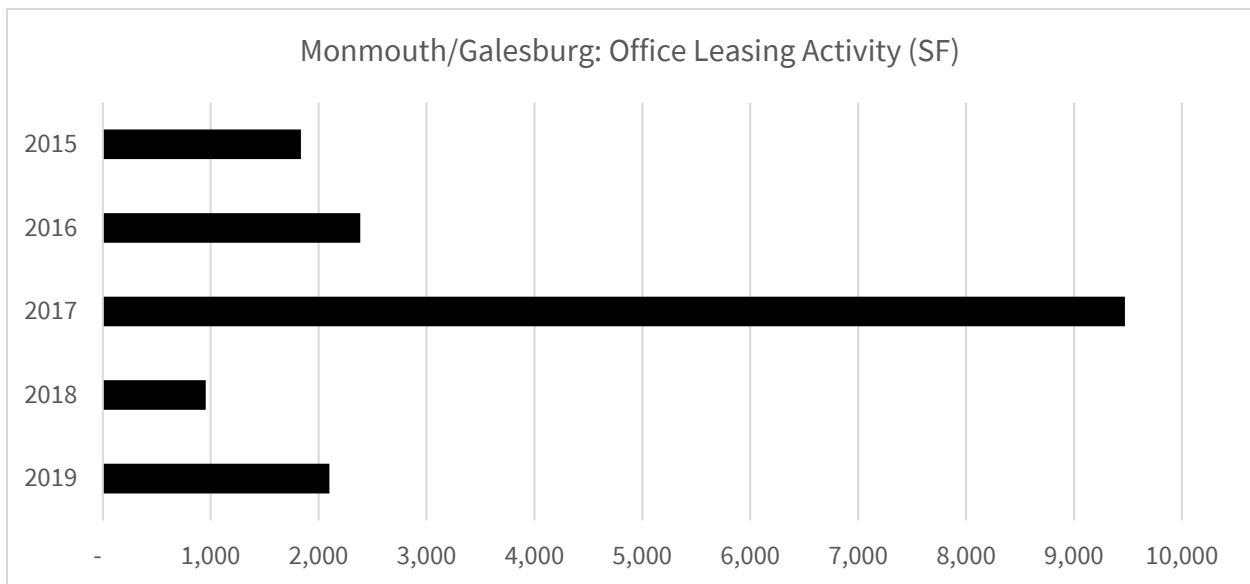


Source: CoStar

Leasing Activity and Availability

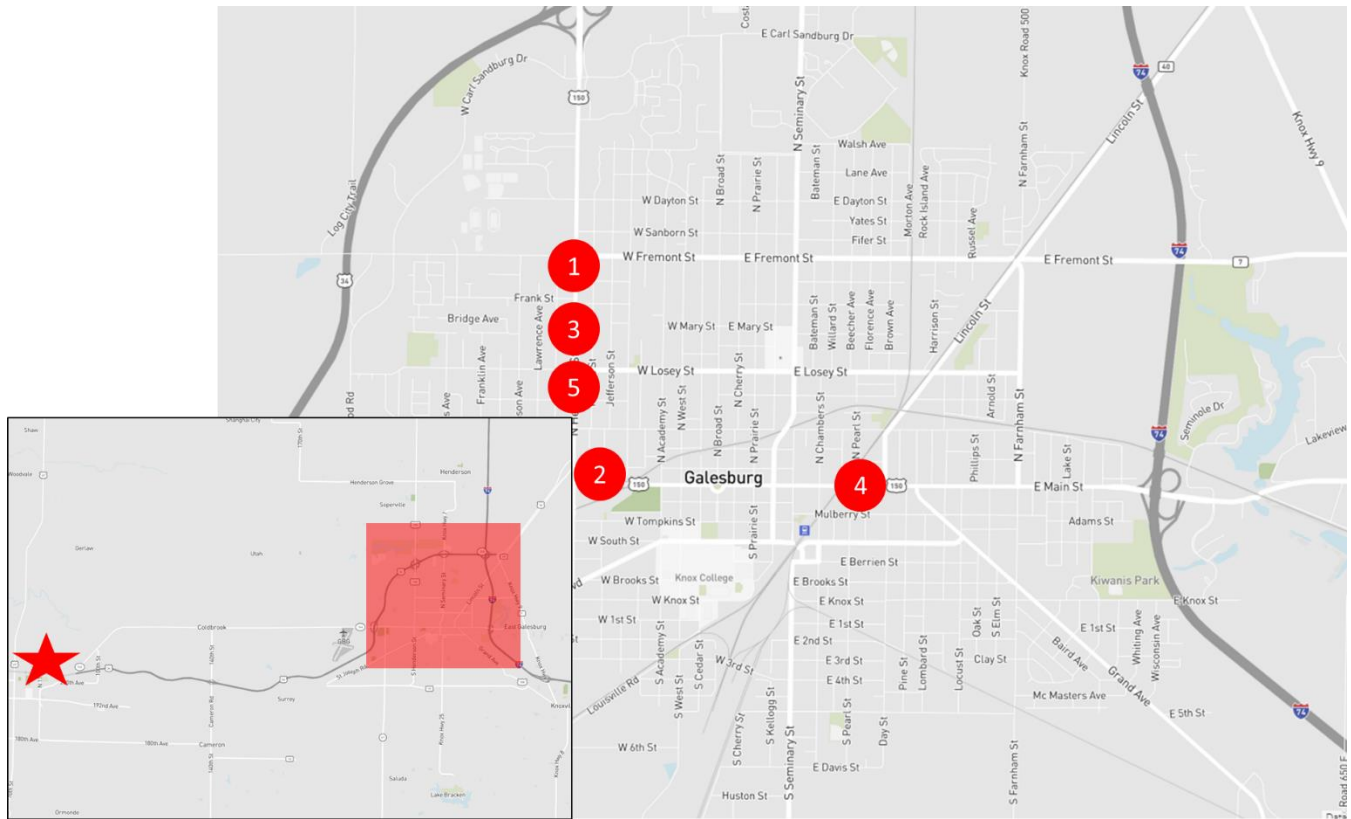
Office leasing activity in the market has been flat in recent years, with leasing volume fluctuating between 1,835 square feet in 2015 to 2,100 square feet in 2019. This includes an outlier 2017 which saw 9,472 square feet of leasing volume.

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been increasing in the past five years. Since 2015 the total availability rate has increased from 2.3% to 7.4% in 2019.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties in the Monmouth/Galesburg market that represent similar characteristics to the subject property. Comparable leases were not available in Monmouth directly, as such, the City of Galesburg was used. Current rental rates range from \$8.00 per square foot to \$12.00 per square foot. The lack of comparable listings is a side effect of a limited office market in the region.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Occupancy
Lease Comps					
1	575 N Kelloff St	B	7,202	\$12.00/sf	83.6%
2	821 W Main St	C	11,678	\$8.00/sf	0%

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 5 years. Comparable sales were not available in Monmouth directly, as such, the City of Galesburg was used. Comparable office properties have sold for \$57.81 per square foot on average, that average not necessarily indicative of the current market, as these sales range in date from 2014 to 2019.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
3	336 N Henderson St	B	2,156	\$82.33	Jan-2019
4	145 E Main St	C	10,769	\$29.48	Jan-2016
5	352 N Henderson St	C	2,516	\$61.61	Sep-2014

Own Versus Lease Analysis

To assess whether the State should continue leasing 1245 S Main St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	4,500
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 11.84
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$597,904. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 1245 S Main St	
Total Rent Cost	\$ 583,401
+ Total OpEx	\$ 197,095
Total Cost (Real)	\$ 597,904

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$700,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$156.54.

Total Cost to Acquire 1245 S Main St	
2020 Break-Even Acquisition Cost	\$ 704,432
+ Initial CapEx	\$ 45,000
+ Total Ongoing CapEx	\$ 49,274
+ Total OpEx	\$ 197,095
<u>- 2030 Market Value</u>	<u>\$ (820,105)</u>
Total Cost (Nominal)	\$ 384,541
Total Cost (Real)	\$ 597,904

If the State can acquire the building below \$156.54 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Monmouth.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
336 N Henderson St	2,156	\$ 177,503	\$ 82.33
145 E Main St	10,769	\$ 317,470	\$ 29.48
352 N Henderson St	2,516	\$ 155,011	\$ 61.61
Average			\$ 57.81

Based on this sample, the average sale price of properties in Monmouth is \$57.81 per square foot. Compared to the maximum break-even price of \$156.54 per square foot for the 1245 S Main St, this value is significantly lower, indicating that acquiring the property for less than \$156.54 psf may be feasible.

Should the State acquire the property for \$57.81 per square foot, the total cost of acquisition, including capital expenditure, would be \$492,312.

Total Cost to Acquire 1245 S Main St at Market Value	
2020 Market Acquisition Cost	\$ 260,130
+ Total Buildout Cost (full TI)	\$ 208,845
+ Initial CapEx	\$ 45,000
+ Total Ongoing CapEx	\$ 49,274
+ Total OpEx	\$ 197,095
<u>- 2030 Market Value</u>	<u>\$ (302,845)</u>
Total Cost (Nominal)	\$ 457,499
Total Cost (Real)	\$ 492,312

This is \$105,592 less than the cost to lease the property on a present value basis.

Alternatives Analysis

There are no lease or acquisition alternatives in Monmouth.

Conclusion

Based on this assessment, the State should continue leasing 1550 4th St.

The lowest cost technically acceptable alternative is to acquire the property. However, total costs over a 10-year period may only be \$106,000, or only 17%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

Given the the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.

Lease 1245 S Main St	\$ 597,904
Acquire 1245 S Main St	\$ 492,312
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease

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300 N 13th St

Murphysboro

Market Analysis

Property Description

Property Details	
Property Address:	300 N 13 th Street Murphysboro, IL
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	6,850
FY 2018 Annual Cost:	\$97,470
FY 2018 Annual Cost (psf):	\$14.23
2019 Headcount:	-
Demographics	
Population:	1 mile: 7,477 5 miles: 17,345
Median Household Income:	1 mile: \$36,086 5 miles: \$36,008

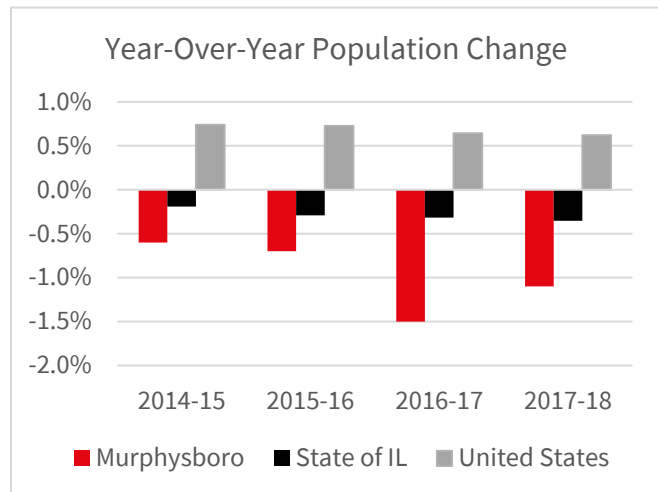


Source: Google

Demographic Overview for Murphysboro, IL

Population

Murphysboro, Illinois is located in southern Illinois and is the county seat of Jackson County. In 2018, Murphysboro had an estimated population of 7,477. Overall, Murphysboro has experienced population loss in each of the previous four years. The State has experienced similar trends as well.

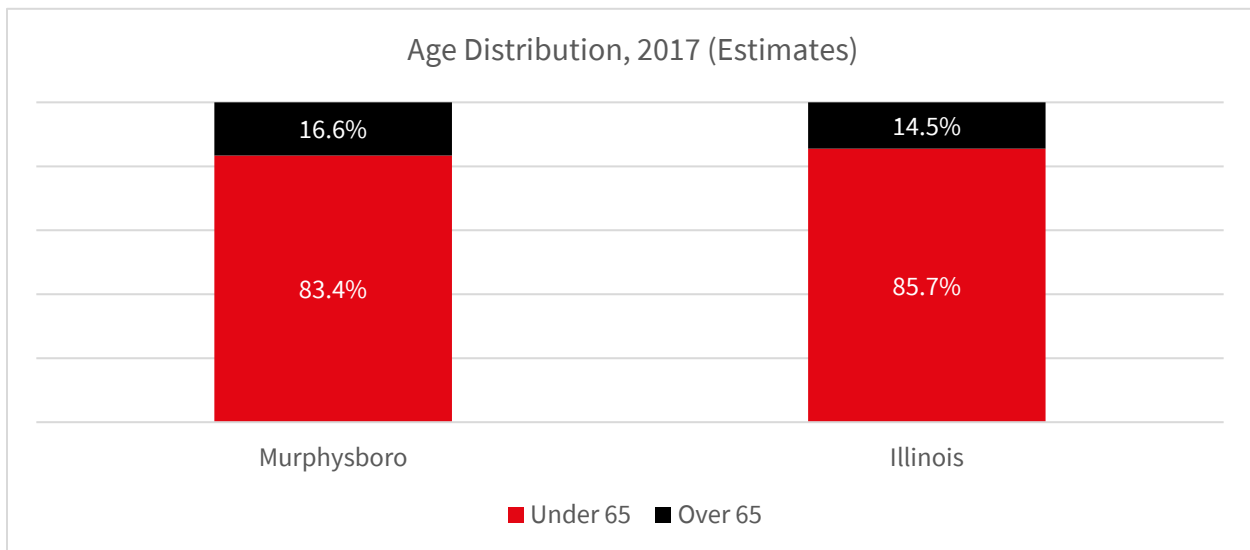


Source: U.S. Census Bureau

Year	Population Estimates
2018	7,477
2017	7,561
2016	7,679
2015	7,736
2014	7,785

Age

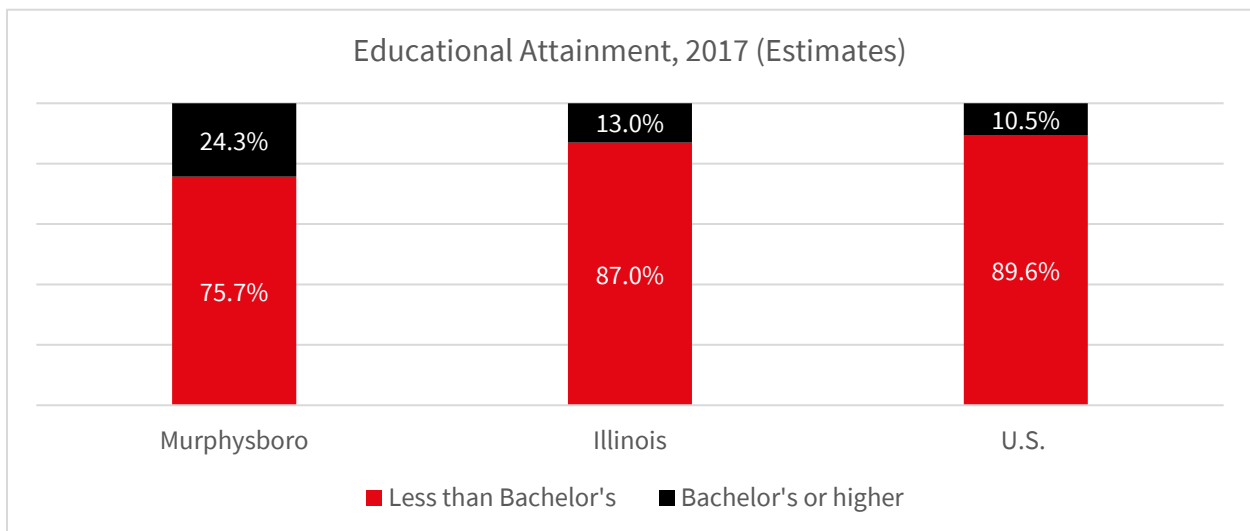
The population of Murphysboro is somewhat younger compared to the State. The median age is 36.7 years old and is slightly younger than the statewide median age of 37.7. Seniors above the age of 65 make up 16.6% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.4% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

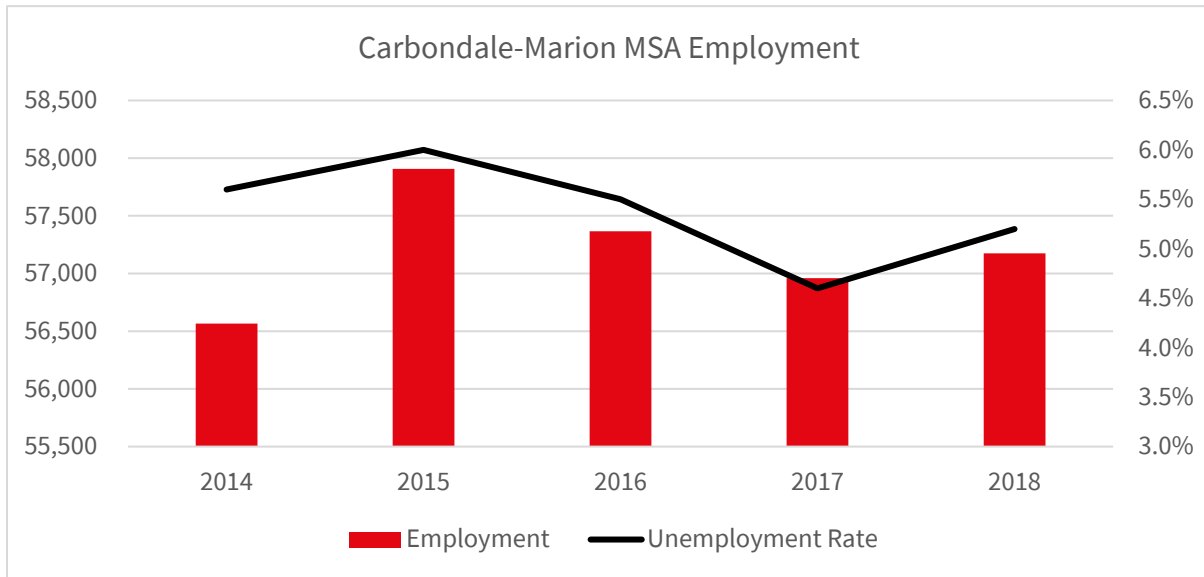
In Murphysboro, 24.3% of the population has a bachelor's degree or higher, a higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 75.7% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

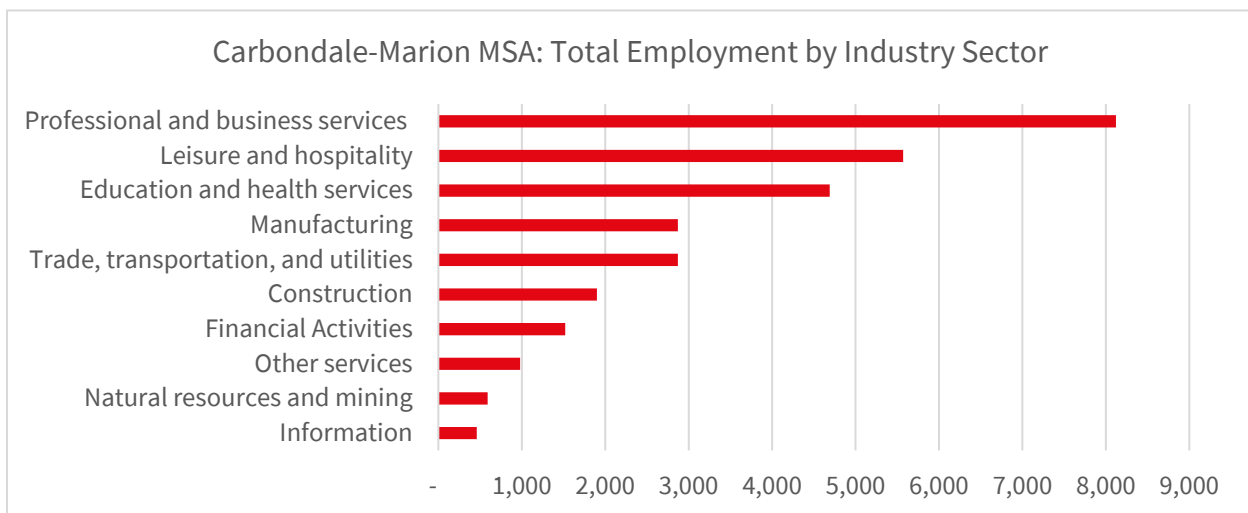
Labor Force and Employment Growth

Employment growth in the Carbondale-Marion MSA has been stagnant between 2014-2018. Total employment is up to 57,175 in 2018, up from just 56,566 in 2014. The unemployment rate has fluctuated during this time and was at 5.2% for 2018.



Source: U.S. Bureau of Labor Statistics

Professional and business services make up the largest employment sector in the Carbondale-Marion MSA with 8,120 jobs. Leisure and hospitality make up the second highest sector with 5,570. All other industry sectors, including education and health services, manufacturing, and trade, transportation and utilities include less than 6,000 jobs per sector.



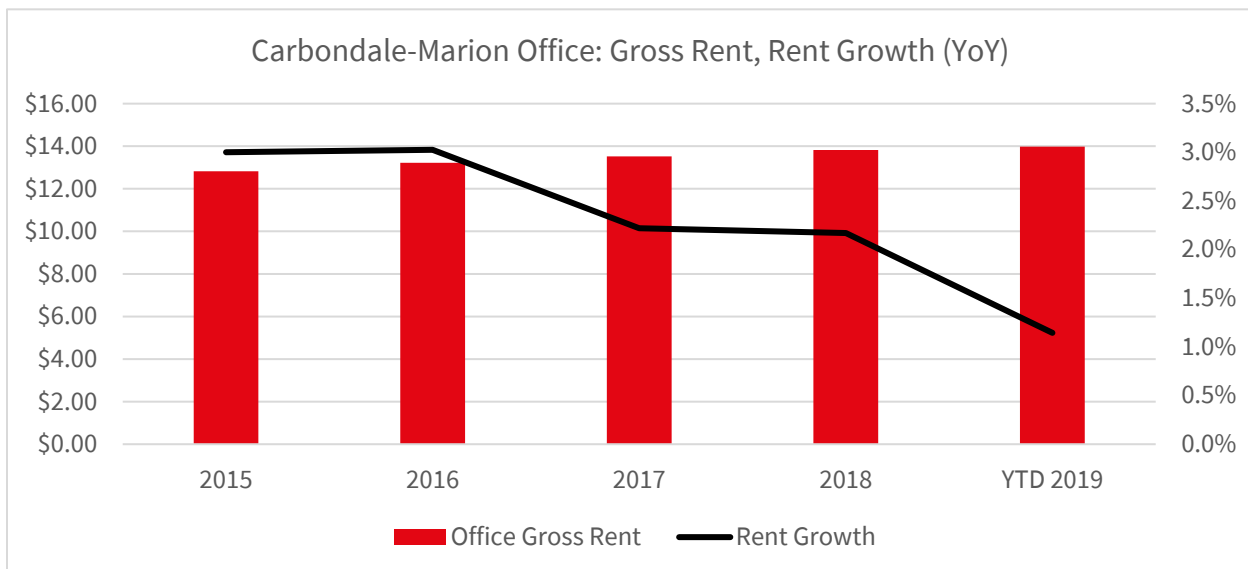
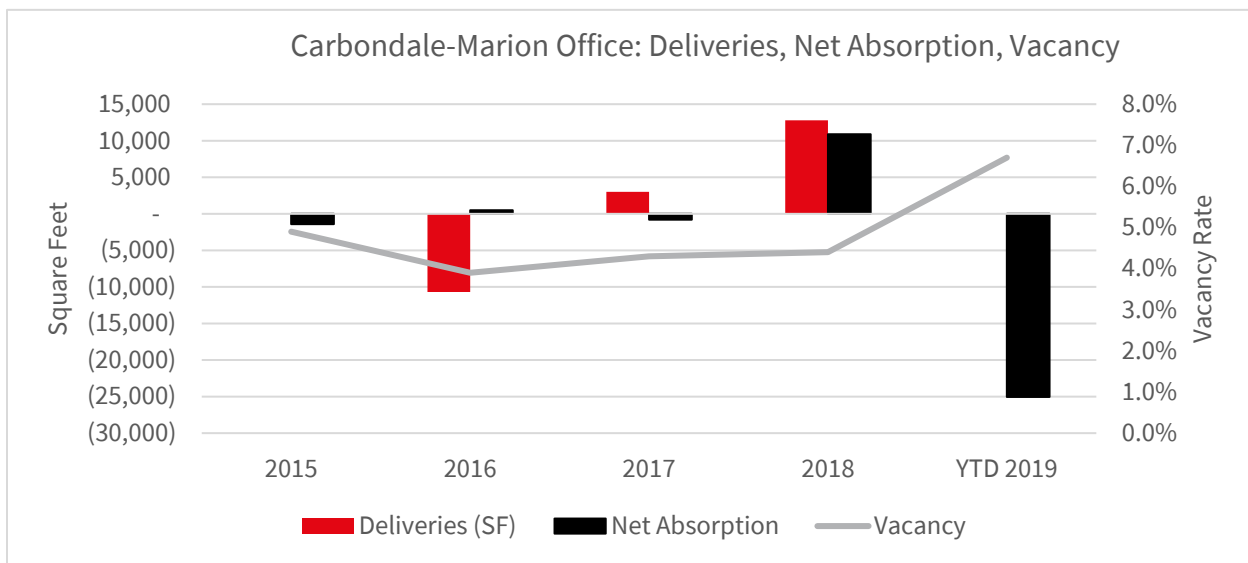
Source: U.S. Bureau of Labor Statistics

Office Market Conditions

Inventory and Supply

The Carbondale-Marion office market has 1.1 million square feet of total office inventory with a vacancy rate of 6.6%. Net absorption has fluctuated consistently in the trailing 5 years, with a negative absorption of 3,450 square feet of office space in the market during that time. The market has a net of 6,100 square feet of new deliveries in the previous 5 years, and the vacancy rate fluctuated during this time between 3% and 6%.

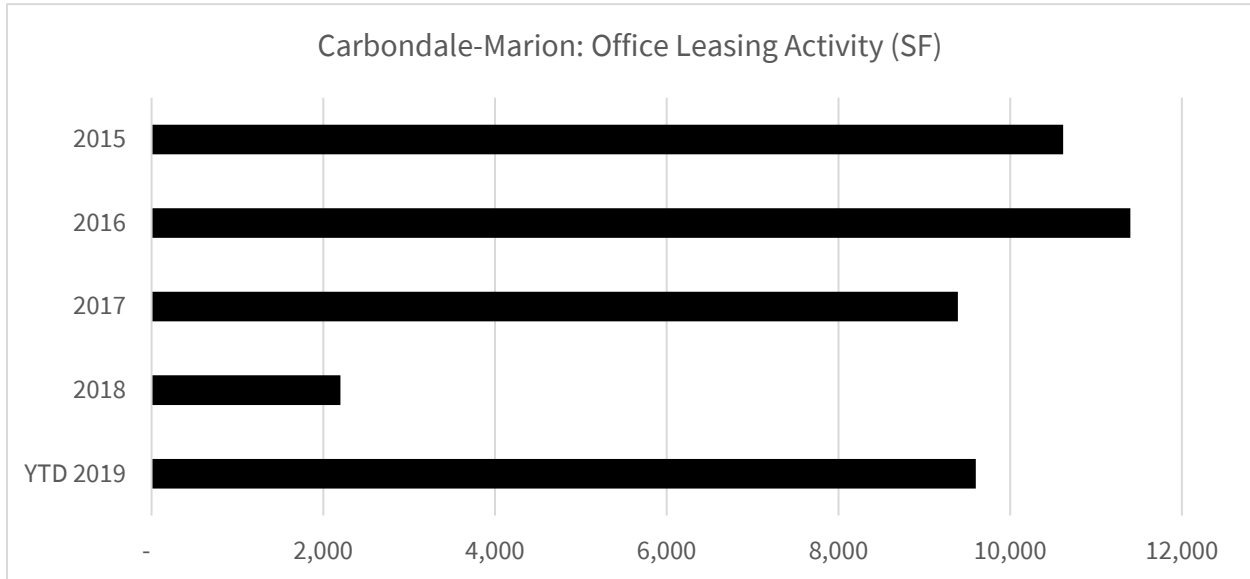
Office rents in the market have remained stagnant since 2015, going from \$12.82 per square foot in 2015 to just \$13.98 per square foot in 2019.



Source: CoStar

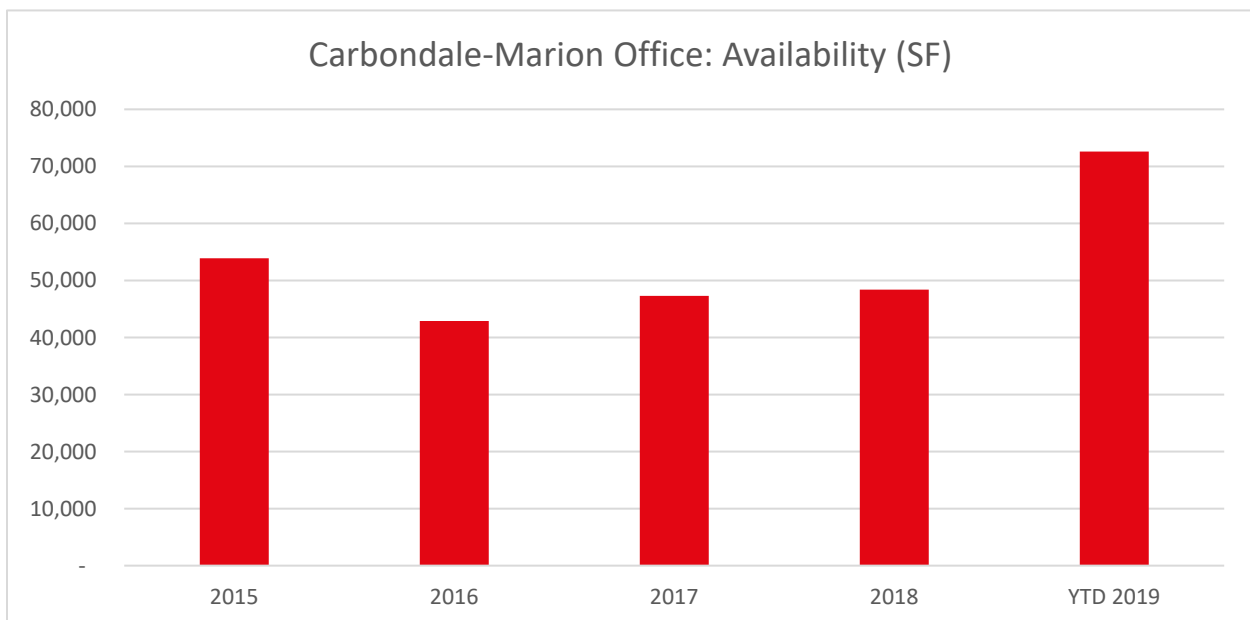
Leasing Activity and Availability

Office leasing activity in Christian County has been steady in recent years, with leasing between 9,000 and 12,000 square feet per year apart from 2018.



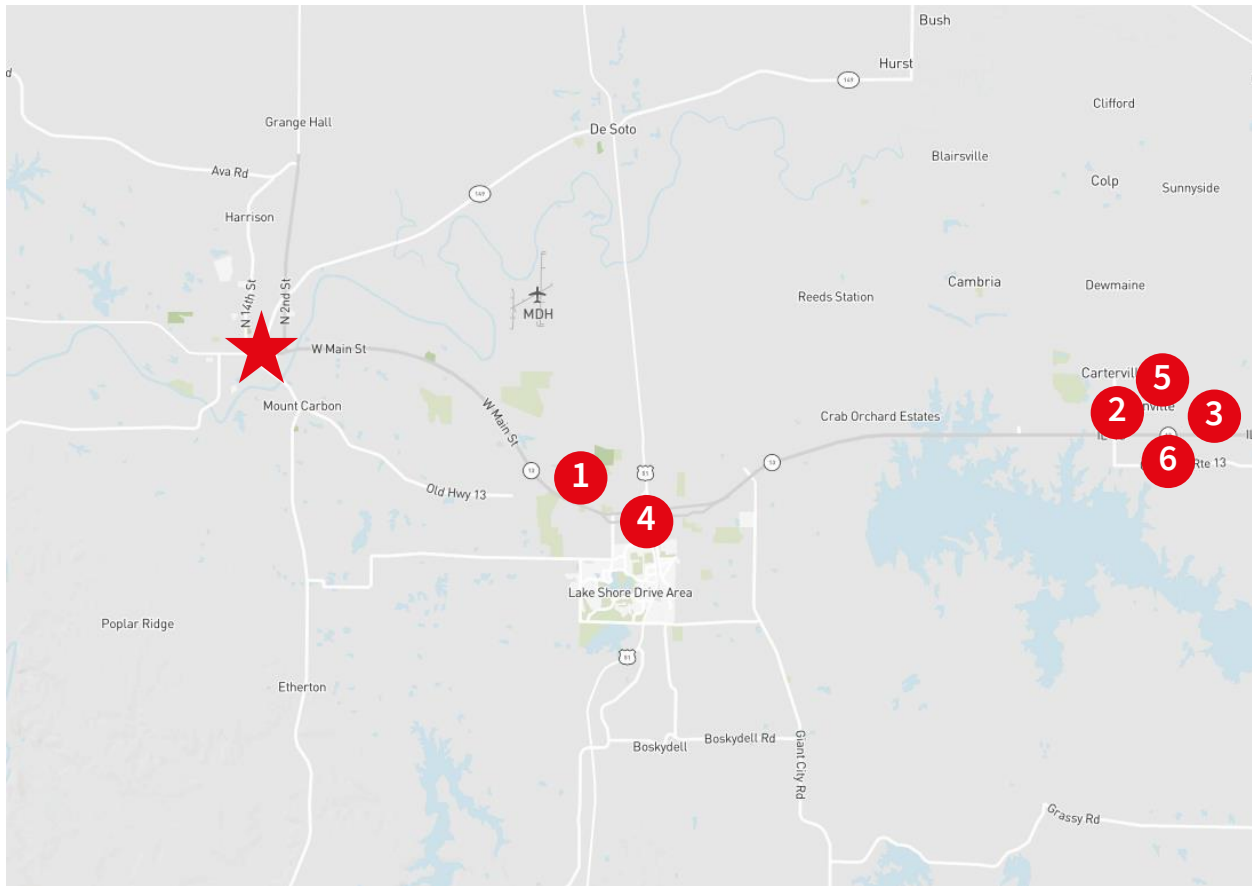
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years, with total availability per year between 40,000 and 75,000 square feet throughout the period.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. As there were limited comparable leases available for a 10-mile radius, a 25-mile radius was utilized. Rents for comparable properties in the market average \$15.28 per square foot. Lease comparables in the market average 71% vacancy.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	104 Airway Drive	B	7,238	\$12,60	7,238
2	108 E DeYoung Street	C	1,000	\$9.00	500
3	914 W Main Street	C	5,040	\$12.00	5,040

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. As there were limited comparable sales within a ten-mile radius, a 25-mile radius was utilized. Comparable office properties have sold for \$73.00 per square foot on average.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
4	1175 Cedar Ct	B	3,972	\$25.18	Dec-2019
5	8223 Express Dr	B	8,000	\$114.38	Jul-2019
6	2300 W Main St	C	5,500	\$46.36	May-2019

Own Versus Lease Analysis

To assess whether the State should continue leasing 300 N 13th St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	6,850
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 14.23
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$1,047,469. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 300 N 13th St	
Total Rent Cost	\$ 1,067,330
+ Total OpEx	\$ 300,022
Total Cost (Real)	\$ 1,047,469

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$1,650,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$240.89.

Total Cost to Acquire 300 N 13th St	
2020 Break-Even Acquisition Cost	\$ 1,650,130
+ Initial CapEx	\$ 68,500
+ Total Ongoing CapEx	\$ 75,006
+ Total OpEx	\$ 300,022
<u>- 2030 Market Value</u>	<u>\$ (1,921,093)</u>
Total Cost (Nominal)	\$ 490,474
Total Cost (Real)	\$ 1,047,469

If the State can acquire the building below \$240.89 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Murphysboro.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1175 Cedar Ct	3,972	\$ 100,015	\$ 25.18
8223 Express Dr	8,000	\$ 915,040	\$ 114.38
2300 W Main St	5,500	\$ 254,980	\$ 46.36
Average			\$ 61.97

Based on this sample, the average sale price of properties in Murphysboro is \$61.97 per square foot. Compared to the maximum break-even price of \$240.89 per square foot for the 300 N 13th St, this value is significantly lower, indicating that acquiring the property for less than \$240.89 psf may be feasible.

Should the State acquire the property for \$61.97 per square foot, the total cost of acquisition, including capital expenditure, would be \$756,191.

Total Cost to Acquire 300 N 13th St at Market Value	
2020 Market Acquisition Cost	\$ 424,517
+ Total Buildout Cost (full TI)	\$ 317,909
+ Initial CapEx	\$ 68,500
+ Total Ongoing CapEx	\$ 75,006
+ Total OpEx	\$ 300,022
<u>- 2030 Market Value</u>	<u>\$ (494,226)</u>
Total Cost (Nominal)	\$ 691,728
Total Cost (Real)	\$ 756,191

This is \$291,278 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	Rentable Square Feet	Asking Sales price psf	Asking Sales price
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
104 Airway Drive	7,238	6,850	\$12.60

There are no acquisition alternatives available in Murphysboro, and only one lease alternative.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. Total costs over a 10-year period may be \$291,000, or 28%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 300 N 13th St	\$ 1,047,469
Acquire 300 N 13th St	\$ 756,191
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease
104 Airway Drive	\$ 1,154,044

The background of the page is a vibrant red with a textured, brush-stroke-like pattern. A dark, almost black, abstract shape is visible on the right side, resembling a mountain range or a stylized landscape.

1231 S West St

Olney

Market Analysis

Property Description

Property Details	
Property Address:	1231 S West Street Olney, IL
Property Type:	Office
User:	Department of Natural Resources
Building Size (SF):	
FY 2018 Annual Cost:	\$-
FY 2018 Annual Cost (psf):	\$-
2019 Headcount:	-
Demographics	
Population:	1 mile: 2,453 5 miles: 8,830
Median Household Income:	1 mile: \$30,278 5 miles: \$37,278

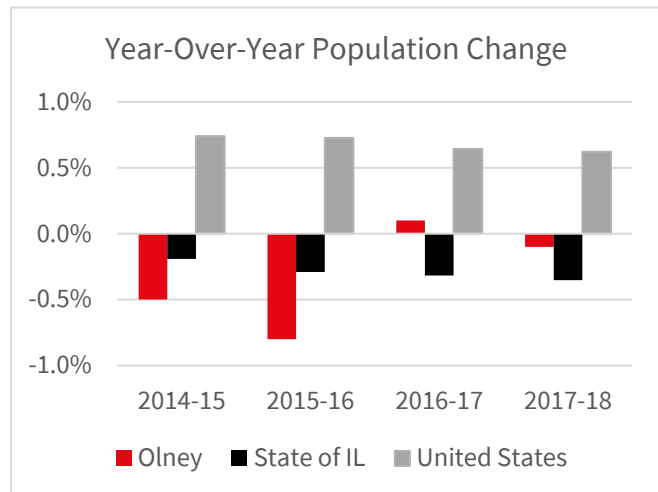


Source: Google

Demographic Overview for Olney, IL

Population

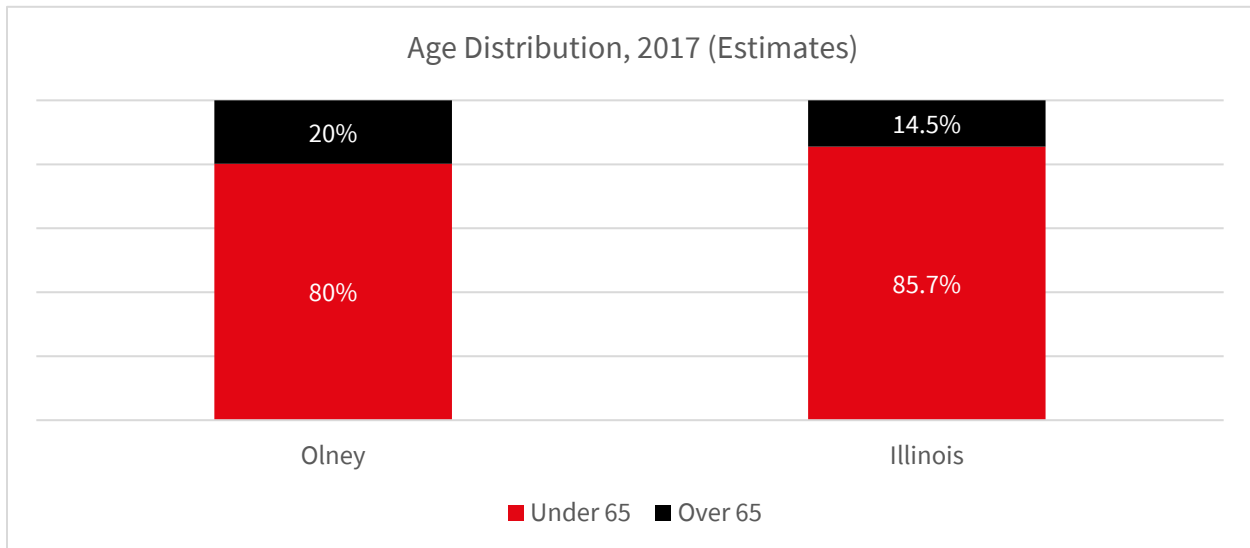
Olney, Illinois is located in eastern Illinois and is the county seat of Richland County. In 2018, Olney had an estimated population of 8,830. Overall, Olney has experienced population loss 3 of the previous 4 years, with the exception of 2016-2017. The State has experienced similar trends as well.



Year	Population Estimates
2018	8,830
2017	8,879
2016	8,867
2015	8,934
2014	8,975

Age

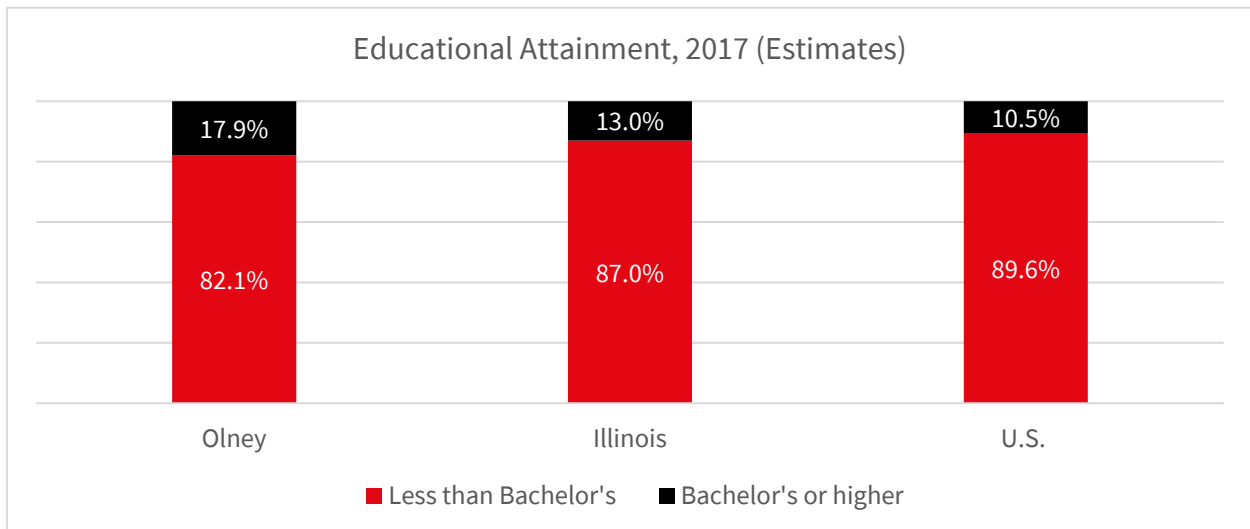
The population of Olney is somewhat older compared to the State. The median age in Olney is 40.2 years old and is slightly older than the statewide median age of 37.7. Seniors above the age of 65 make up 20% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 80% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

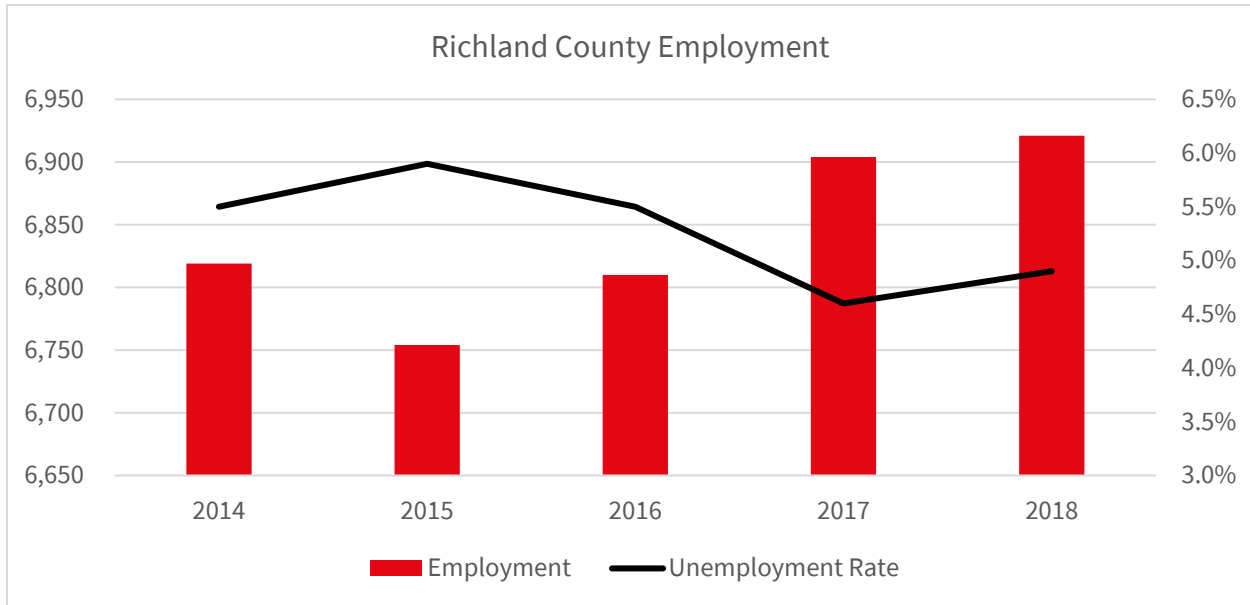
In Olney, 17.9% of the population has a bachelor's degree or higher, a higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 82.1% of the population, compared to 87.0% for the State and 89.6% nationally.



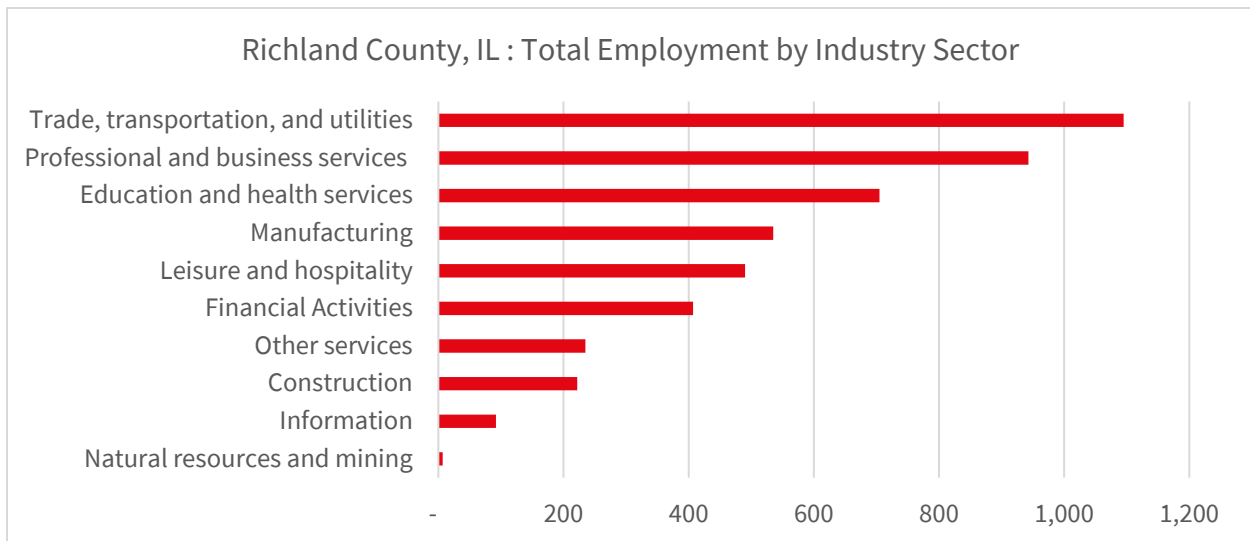
Source: U.S. Census Bureau

Labor Force and Employment Growth

Employment growth in Richland County has been flat between 2014 and 2018, with total employment remaining between 6,800 and 6,900 during this period. 2018 employment was at 6,921, up from 6,754 in 2015. The unemployment rate was at 4.9% in 2018.



Source: U.S. Bureau of Labor Statistics



Source: U.S. Bureau of Labor Statistics

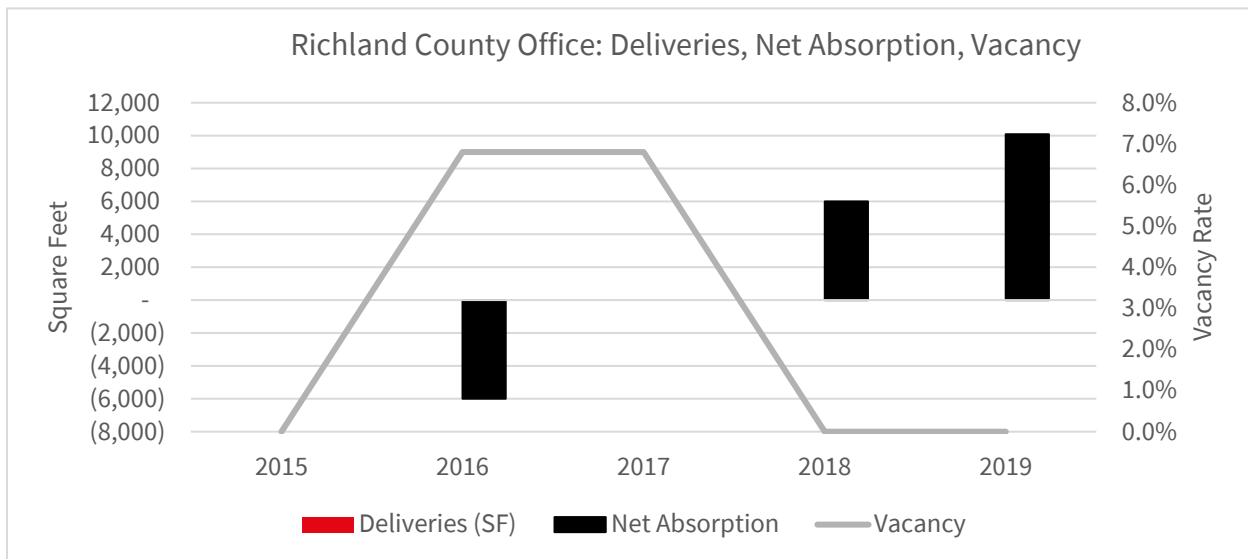
Trade, transportation, and utilities make up the largest employment sector in Richland County with 1,095 jobs. Professional and business services and education/health services, as well as manufacturing and leisure and hospitality account for between 400-1,000 jobs per sector.

Office Market Conditions

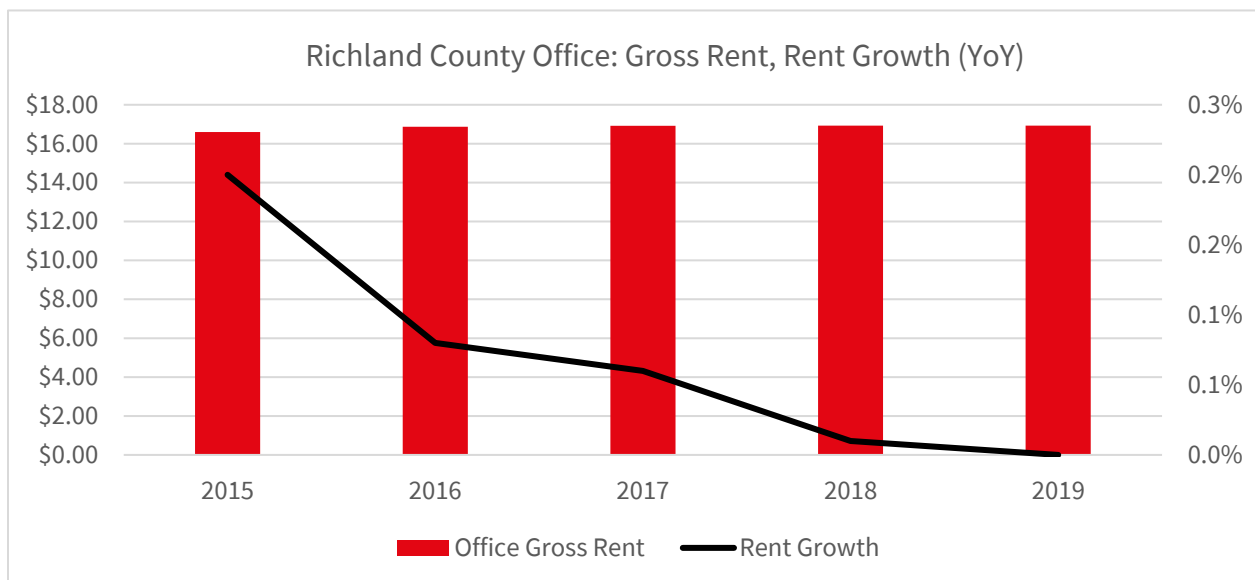
Inventory and Supply

The Richland County office market has 89,000 square feet of total office inventory with a vacancy rate of 0.0%. 2015-2018 saw four years of neutral net absorption. Richland County saw no new office deliveries during this time.

Office rents for properties in Richland County have remained flat from 2015-2019, going from \$16.60 per square foot in 2015 to \$16.93 per square foot in 2019.



Source: CoStar

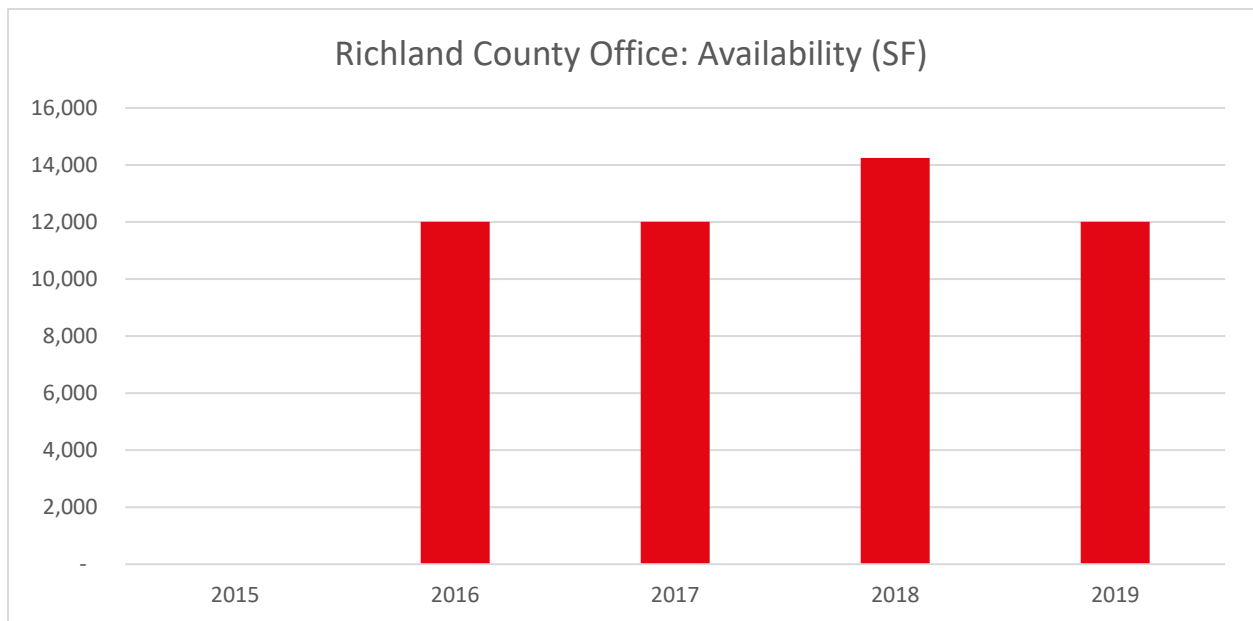


Source: CoStar

Leasing Activity and Availability

There is currently no data available on the office leasing environment in Richland County over the previous five years. This indicates a lack of market activity in the office sector, and low reliability in market data in the surrounding region outside on-the-ground sources.

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years. Since 2016, availability in Springfield has been between 12,000 and 15,000 square feet. There is no recorded data prior to 2016 in the market.



Source: CoStar

Lease and Sale Comparables

Lease Comparables



The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. As there were limited comparable leases available for a 10-mile radius, a 25-mile radius was utilized. Rents for comparable properties in the market average \$10.43 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 0% to 73%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	101 E North Ave	C	14,450	\$12.00	650
2	201 W Jourdan St	C	3,782	\$4.00	8,112

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 5 years. As there were limited comparable sales within a ten-mile radius, a 25-mile radius was utilized. Comparable office properties have sold for \$13.00 per square foot on average, that average is slightly skewed by the sale of 1213 S West Street, which represents a significantly higher price per square foot than the market, but is also the most recent sale in the set.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	1213 S West St	C	2,204	\$45.92	Nov-2018
7	221 N Main St	C	8,925	\$16.13	May-2016
8	104 N Stanford Rd	C	6,000	\$16.65	Aug-2014

Own Versus Lease Analysis

To assess whether the State should continue leasing 1231 S West St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	5,100
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 4.25
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$352,930. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 1231 S West St	
Total Rent Cost	\$ 237,335
+ Total OpEx	\$ 223,374
Total Cost (Real)	\$ 352,930

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, acquiring the property will always be more costly than continuing to lease the property. Even if the property could be acquired for \$0, the associated costs would exceed those to continue leasing the property.

Total Cost to Acquire 1231 S West St	
2020 Break-Even Acquisition Cost	\$ -
+ Initial CapEx	\$ 51,000
+ Total Ongoing CapEx	\$ 55,844
+ Total OpEx	\$ 223,374
<u>- 2030 Market Value</u>	<u>\$ -</u>
Total Cost (Nominal)	\$ 566,909
Total Cost (Real)	\$ 487,888

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1213 S West St	2,204	\$ 101,208	\$ 45.92
221 N Main St	8,925	\$ 143,960	\$ 16.13
104 N Stanford Rd	6,000	\$ 99,900	\$ 16.65
Average			\$ 26.23

Based on this sample, the average sale price of properties in Olney is \$26.23 per square foot. Compared to the maximum break-even price of \$0.00 per square foot for the 1231 S West St, this value is significantly lower, indicating that acquiring the property for less than \$0.00 psf may be feasible.

Should the State acquire the property for \$26.23 per square foot, the total cost of acquisition, including capital expenditure, would be \$519,685.

Total Cost to Acquire 1231 S West St at Market Value	
2020 Market Acquisition Cost	\$ 133,790
+ Total Buildout Cost (full TI)	\$ 236,691
+ Initial CapEx	\$ 51,000
+ Total Ongoing CapEx	\$ 55,844
+ Total OpEx	\$ 223,374
<u>- 2030 Market Value</u>	<u>\$ (155,759)</u>
Total Cost (Nominal)	\$ 544,940
Total Cost (Real)	\$ 519,685

This is \$166,755 more than the cost to lease the property on a present value basis.

Alternatives Analysis

There are no acquisition or lease alternatives for the property.

Conclusion

Based on this assessment, the State should continue leasing 1550 4th St.

Acquiring the property at either market rates, or even acquiring the property for free, is more expensive than continuing to lease the property. In addition, there are no acquisition or lease alternatives.

Lease 1231 S West St	\$ 487,888
Acquire 1231 S West St	\$ 519,685
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease

The background of the page is a vibrant red with a textured, brush-stroke-like pattern. A dark, almost black, abstract shape is visible on the right side, resembling a mountain range or a stylized landscape element.

100 S Grand Ave E

Springfield

Market Analysis

Property Description

Property Details	
Property Address:	100 S Grand Ave E Springfield, IL
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	101,700
FY 2018 Annual Cost:	\$1,635,417
FY 2018 Annual Cost (psf):	\$16.08
2019 Headcount:	212
Demographics	
Population:	1 mile: 13,870 5 miles: 123,494
Median Household Income:	1 mile: \$37,599 5 miles: \$52,522

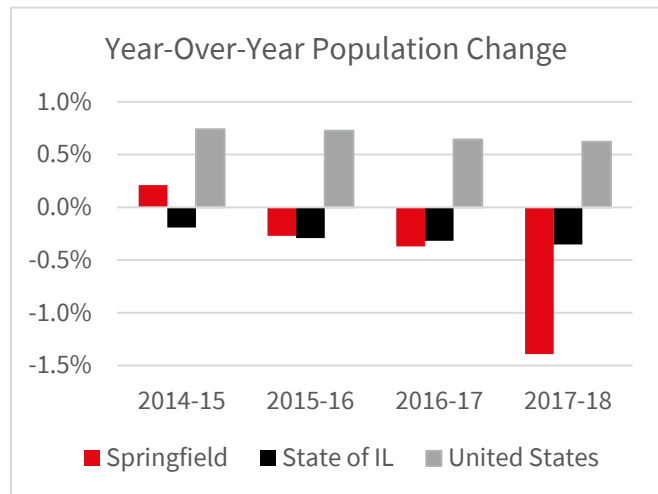


Source: Google

Demographic Overview for Springfield, IL

Population

Springfield, Illinois is the capital of Illinois and is the county seat of Sangamon County. In 2019, Springfield had an estimated population of 115,520. Overall, Springfield has experienced population loss year over year, except for 2014-2015, and most significantly in 2017-2018. The State has experienced similar trends as well.

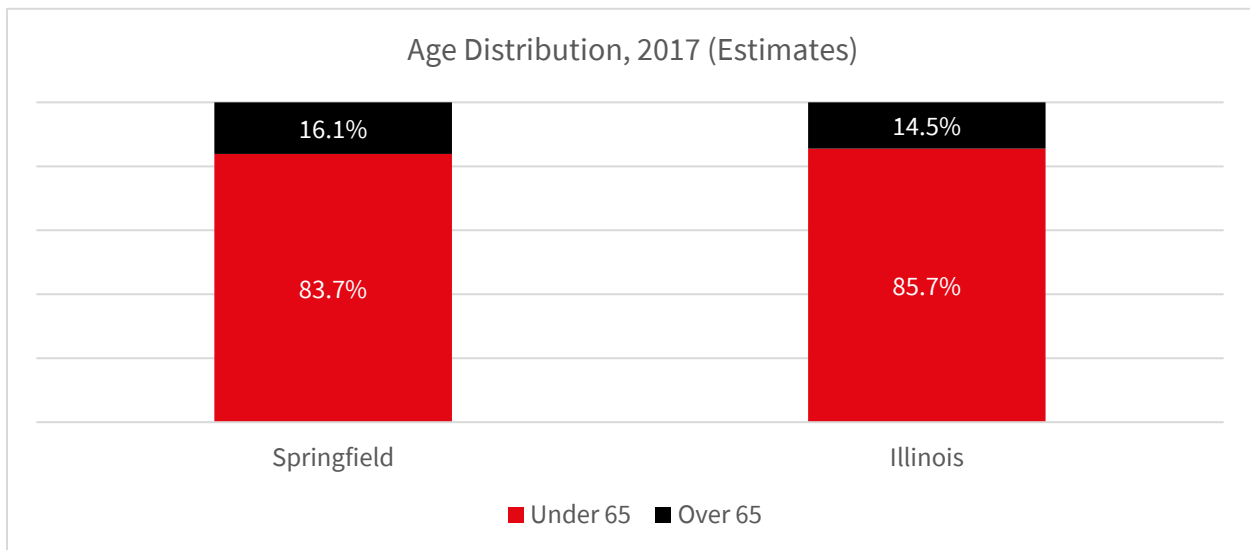


Source: U.S. Census Bureau

Year	Population Estimates
2018	114,694
2017	116,313
2016	116,745
2015	117,061
2014	116,815

Age

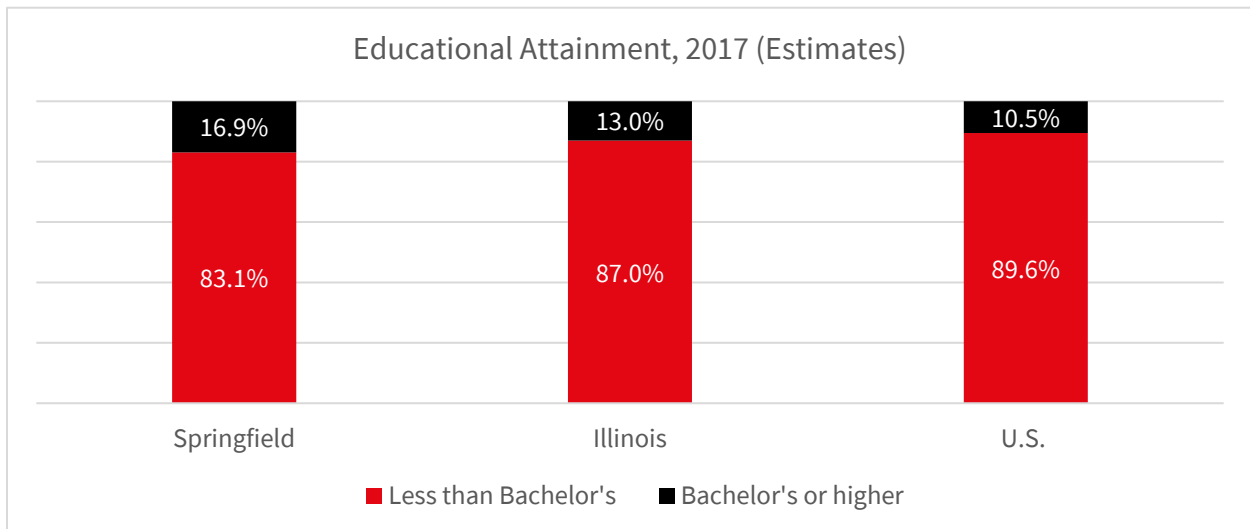
The population of Springfield is somewhat older compared to the State. The median age Springfield is 38.9 years old and is slightly older than the statewide median age of 37.7. Senior above the age of 65 make up 16.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.7% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

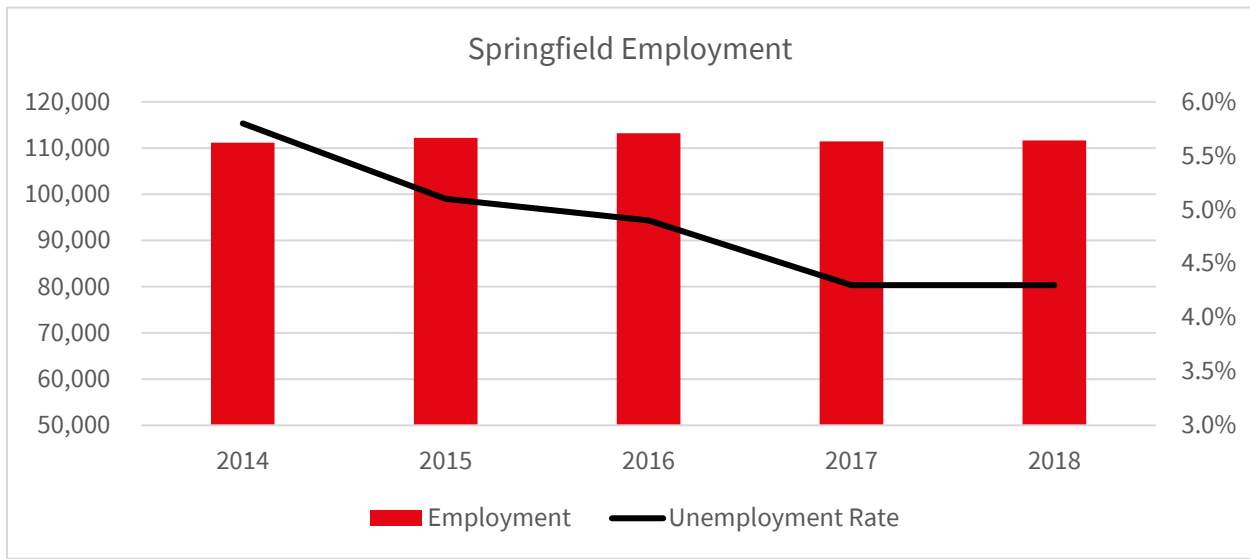
In Springfield, 16.9% of the population has a bachelor's degree or higher, a somewhat higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 83.1% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

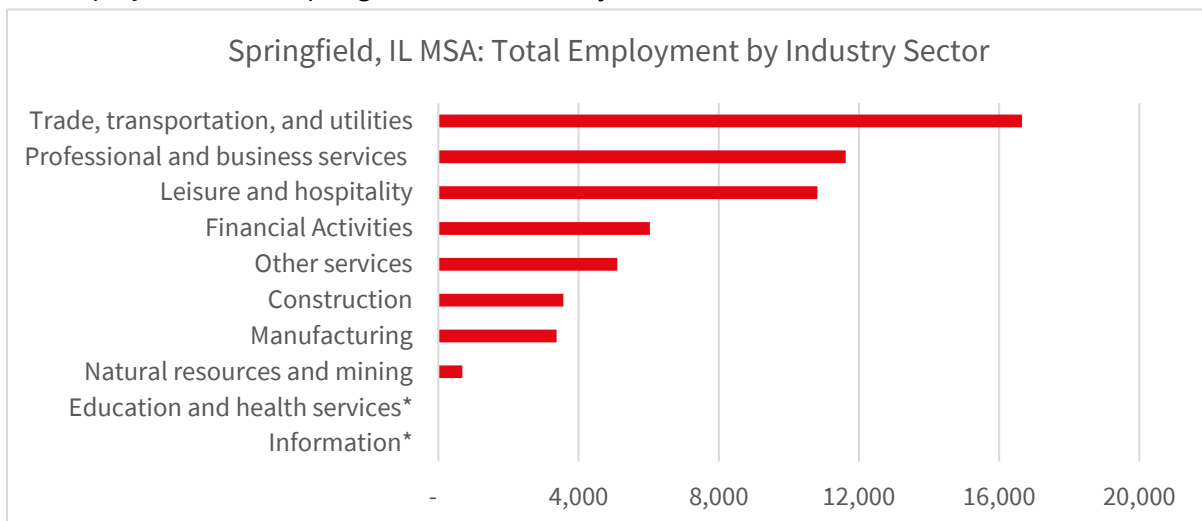
Labor Force and Employment Growth

Springfield is located in the Springfield Metropolitan Statistical Area (“MSA”), which is comprised of Sangamon and Menard County. Employment growth in the Springfield MSA has been flat over the past five years with total employment at 111,638 in 2018. This is down from 2016, when employment totaled 113,203. The unemployment rate decreased every year from 2014 to 2017 before leveling out from 2017 to 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest share of employment in the Springfield MSA with a total of 16,655 jobs. Employment is roughly split between the next largest industry sectors – professional and business services; and leisure and hospitality – with employment of 11,621 jobs and 10,816 jobs respectively. Employment in natural resources and mining represent the smallest share of the employment in the Springfield MSA with 683 jobs.



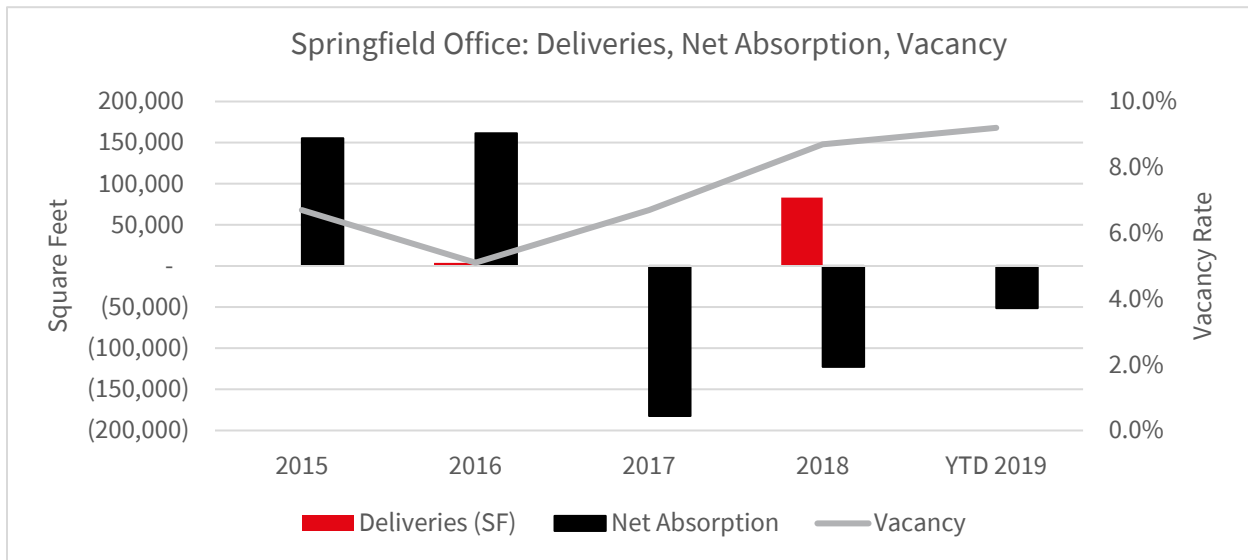
Source: U.S. Bureau of Labor Statistics

*Not Disclosable – data do not meet Bureau of Labor Statistics or State agency disclosure standards.

Office Market Conditions

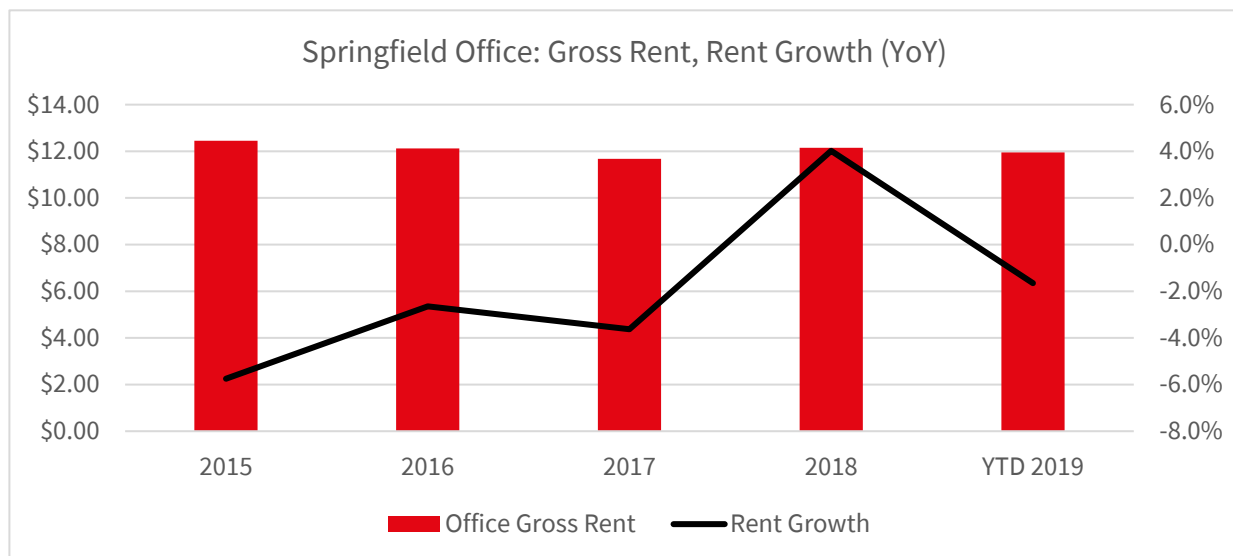
Inventory and Supply

The Springfield office market has 10.3 million square feet of total office inventory with a vacancy rate of 9.2%. After two years of positive net absorption, 2017 through 2019 experience negative net absorption. Springfield saw two office buildings totaling 83,234 square feet delivered in 2018. With limited new delivery, combined with overall negative net absorption, vacancy rates have continued to increase since 2016. Another office 58,000 square foot office building is currently under construction, and this may further increase vacancy rates.



Source: CoStar

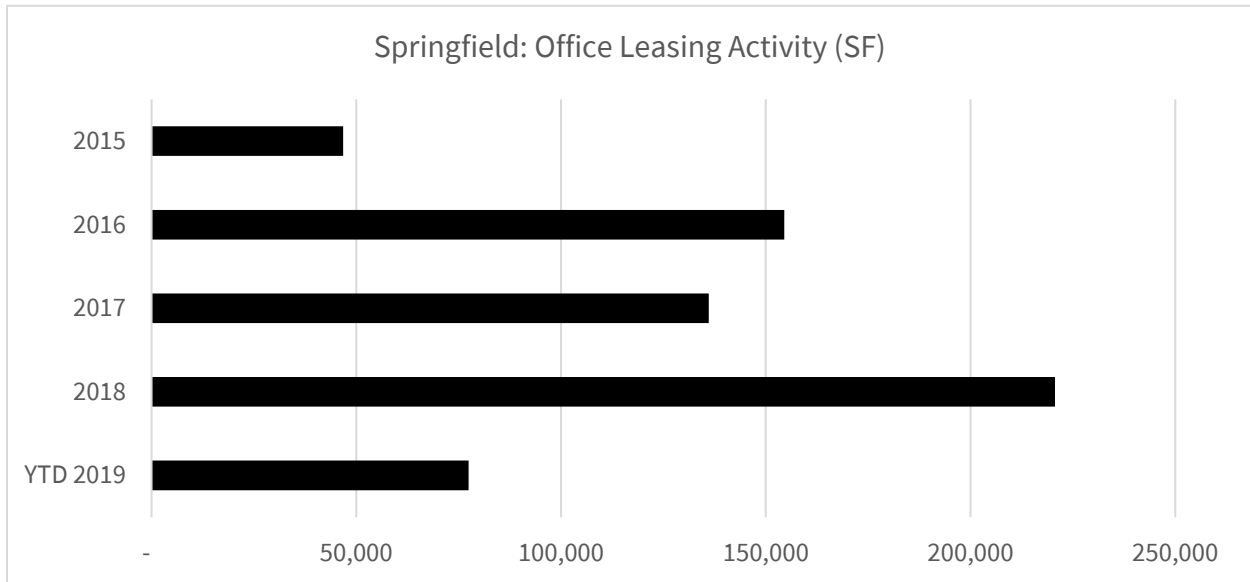
Office rents for properties in Springfield have decreased each year except in 2018, going from \$12.45 per square foot in 2015 to \$11.95 per square foot in year-to-date 2019.



Source: CoStar

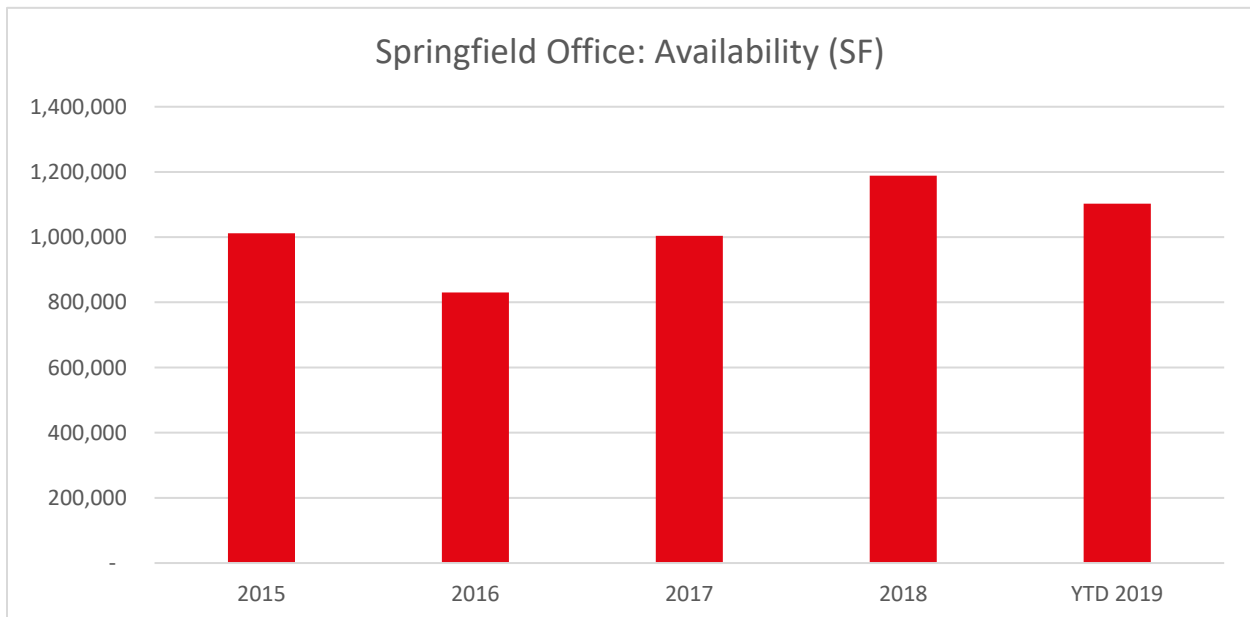
Leasing Activity and Availability

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 220,633 square feet in 2018. However, year-to-date 2019 saw a decrease from prior years with 77,422 square feet of leasing activity.



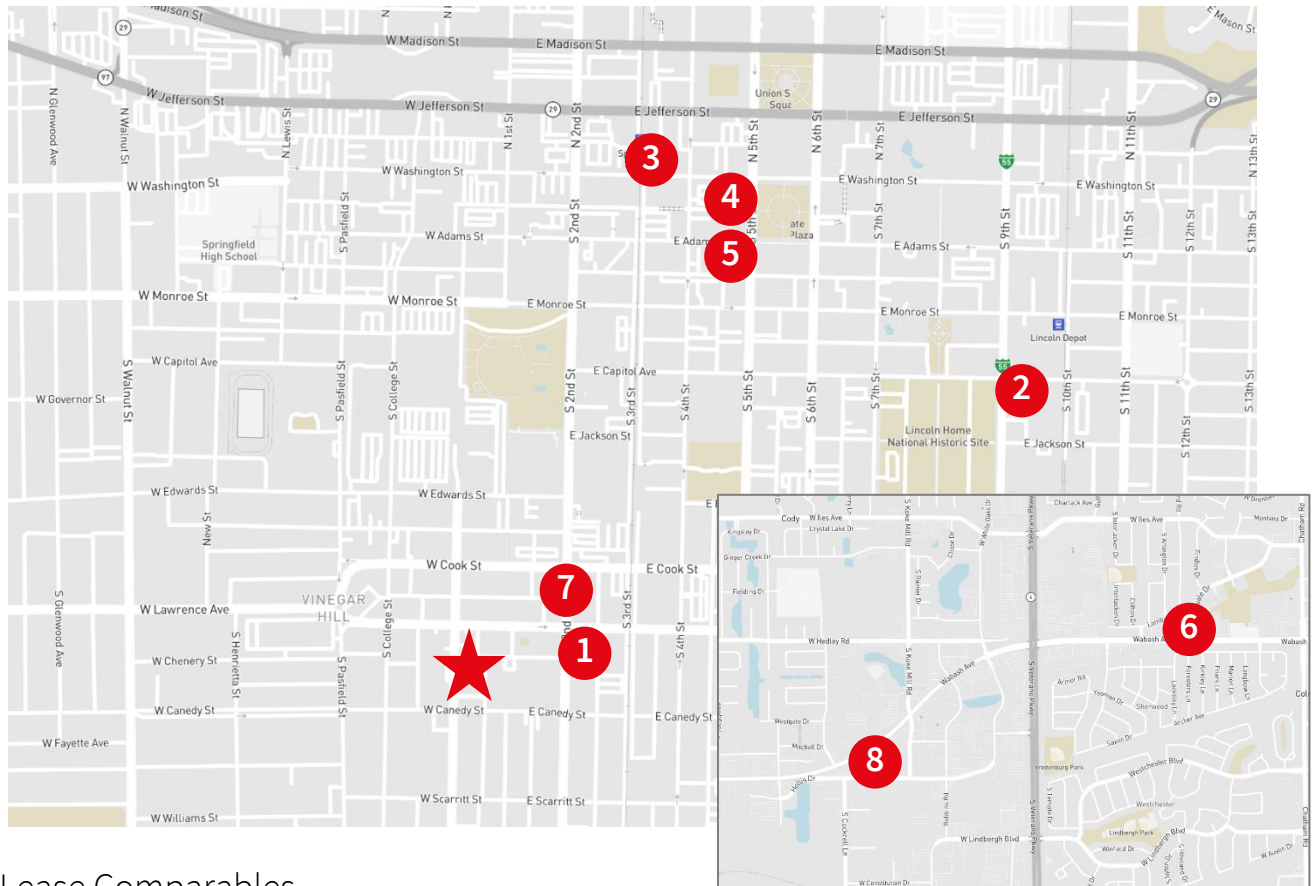
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years. Since 2015, availability in Springfield has been around 1,000,000 square feet except in 2016 where it decreased to 830,285 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. Rents for comparable properties in the market average \$15.49 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 21.3% to 88.7%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	828 S 2 nd Street	B	22,500	\$13.50/MG	12,866
2	400 S Ninth Street	B	10,170	\$14.75/Gross	10,170
3	401 E Washington	B	19,500	\$9.00/MG	19,500
4	1 W Old State Capital Plaza	B	24,701	\$14.50/FS	24,701
5	201-205 W Old State Capitol Plaza	B	30,706	\$15.00/FS	30,706

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. There as there were limited comparable sales within a one-mile radius. As such, a five-mile radius was utilized. Comparable office properties have sold for \$106.16 per square foot on average, that average is slightly skewed by the sale of 3500 Wabash Avenue, which represents a significantly higher price per square foot than the market. All available properties are much larger than the State's current occupancy at 830 S Spring St.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	3101 Montvale Drive	C	21,800	\$44.95	Sept-2019
7	725 S 2 nd Street	B	15,300	\$57.19	June-2019
8	3500 Wabash Avenue	B	18,693	\$155.14	Feb-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 100 S Grand Ave E or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	101,700
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 16.08
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$17,130,332. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 100 S Grand Ave E	
Total Rent Cost	\$ 17,907,360
+ Total OpEx	\$ 4,454,347
Total Cost (Real)	\$ 17,130,332

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$31,140,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$306.22.

Total Cost to Acquire 100 S Grand Ave E	
2020 Break-Even Acquisition Cost	\$ 31,142,394
+ Initial CapEx	\$ 1,017,000
+ Total Ongoing CapEx	\$ 1,113,587
+ Total OpEx	\$ 4,454,347
<u>- 2030 Market Value</u>	<u>\$ (36,256,187)</u>
Total Cost (Nominal)	\$ 6,191,037
Total Cost (Real)	\$ 17,130,332

If the State can acquire the building below \$306.22 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Springfield.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3101 Montvale Drive	21,800	\$ 979,910	\$ 44.95
725 S 2nd Street	15,300	\$ 875,007	\$ 57.19
3500 Wabash Avenue	18,693	\$ 2,900,032	\$ 155.14
Average			\$ 85.76

Based on this sample, the average sale price of properties in Springfield is \$85.76 per square foot. Compared to the maximum break-even price of \$306.22 per square foot for the 100 S Grand Ave E, this value is significantly lower, indicating that acquiring the property for less than \$306.22 psf may be feasible.

Should the State acquire the property for \$85.76 per square foot, the total cost of acquisition, including capital expenditure, would be \$11,801,875.

Total Cost to Acquire 100 S Grand Ave E at Market Value	
2020 Market Acquisition Cost	\$ 8,721,792
+ Total Buildout Cost (full TI)	\$ 4,719,897
+ Initial CapEx	\$ 1,017,000
+ Total Ongoing CapEx	\$ 1,113,587
+ Total OpEx	\$ 4,454,347
<u>- 2030 Market Value</u>	<u>\$ (10,153,970)</u>
Total Cost (Nominal)	\$ 9,872,652
Total Cost (Real)	\$ 11,801,875

This is \$5,328,457 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>				
Address	Total Available Rentable Square Feet	Asking Sales price psf	Asking Sales price	
300 W Jefferson St	60,000	\$50.00	\$ 3,000,000	
<u>Lease Alternatives</u>				
Address	Total Available SF	Square Feet	Asking Rent \$/SF	
828 S 2nd Street	22,500	22,500	\$13.50	
400 S Ninth Street	10,170	10,170	\$14.75	
401 E Washington	19,500	19,500	\$9.00	
1 W Old State Capital Plaza	24,701	24,701	\$14.50	
201-205 W Old State Capital Plaza	30,706	30,706	\$15.00	

Regarding acquisition alternatives, the property is significantly smaller than the State's current footprint at this location. Therefore, it is not a viable alternative.

Regarding lease alternatives, the properties are significantly smaller than the State's current footprint at this location. Therefore, they are not viable alternatives.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. Total costs over a 10-year period may be \$5 million, or 31%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 100 S Grand Ave E	\$ 17,130,332
Acquire 100 S Grand Ave E	\$ 11,801,875
Acquisition Alternatives	Total Cost to Acquire
None	
Lease Alternatives	Total Cost to Lease
None	

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400 Iles Park Place

Springfield

Market Analysis

Property Description

Property Details	
Property Address:	400 Iles Park Place Springfield, IL
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	34,849
FY 2018 Annual Cost:	\$339,774
FY 2018 Annual Cost (psf):	\$9.75
2019 Headcount:	105
Demographics	
Population:	1 mile: 13,870 5 miles: 123,494
Median Household Income:	1 mile: \$37,599 5 miles: \$52,522

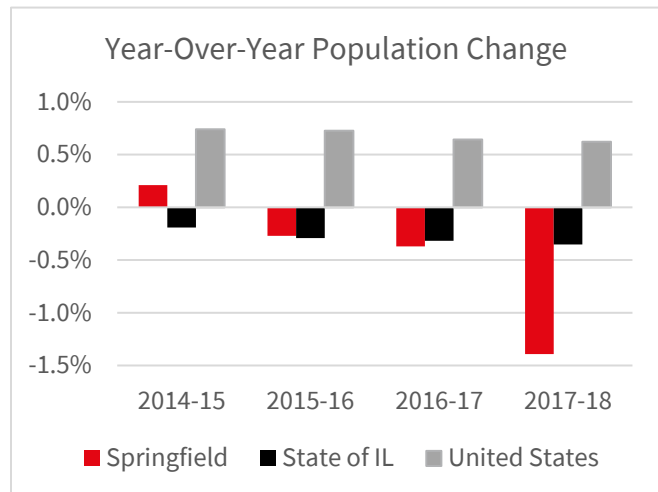


Source: Google

Demographic Overview for Springfield, IL

Population

Springfield, Illinois is the capital of Illinois and is the county seat of Sangamon County. In 2019, Springfield had an estimated population of 115,520. Overall, Springfield has experienced population loss year over year, except for 2014-2015, and most significantly in 2017-2018. The State has experienced similar trends as well.

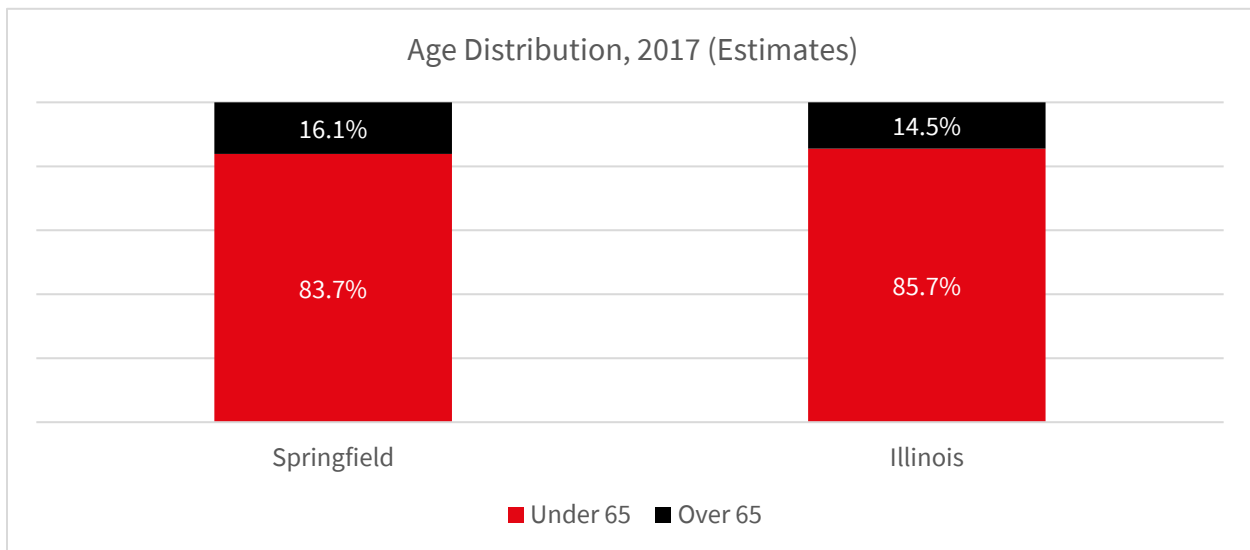


Source: U.S. Census Bureau

Year	Population Estimates
2018	114,694
2017	116,313
2016	116,745
2015	117,061
2014	116,815

Age

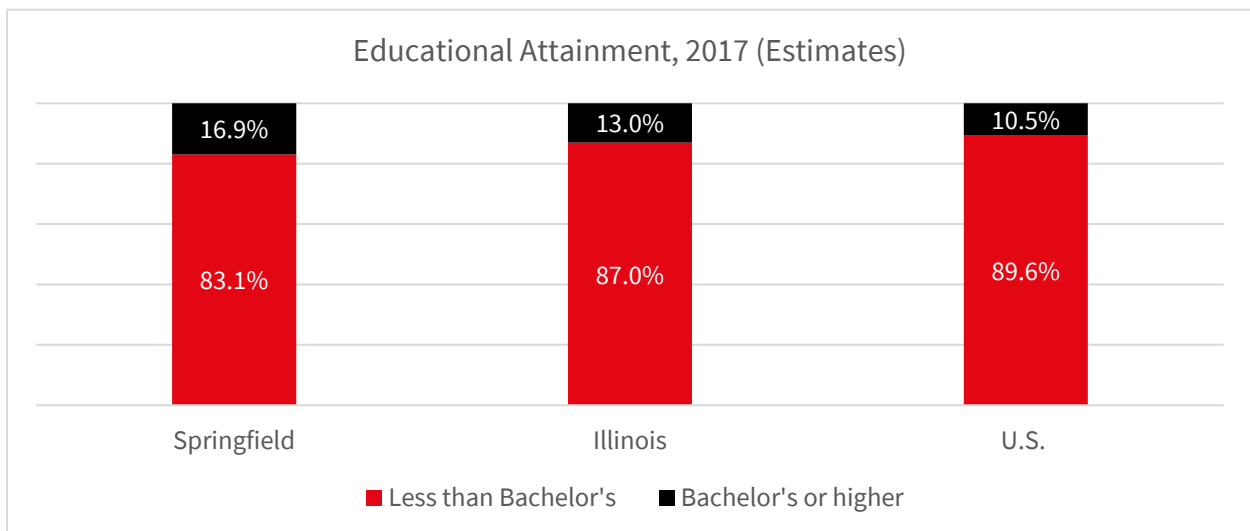
The population of Springfield is somewhat older compared to the State. The median age Springfield is 38.9 years old and is slightly older than the statewide median age of 37.7. Senior above the age of 65 make up 16.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.7% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

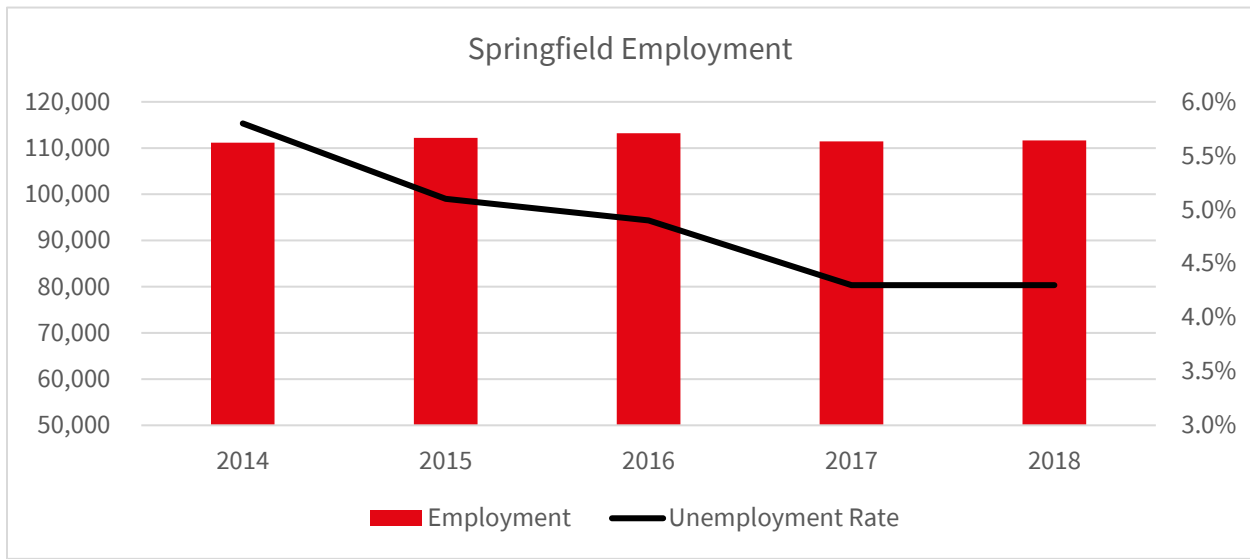
In Springfield, 16.9% of the population has a bachelor's degree or higher, a somewhat higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 83.1% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

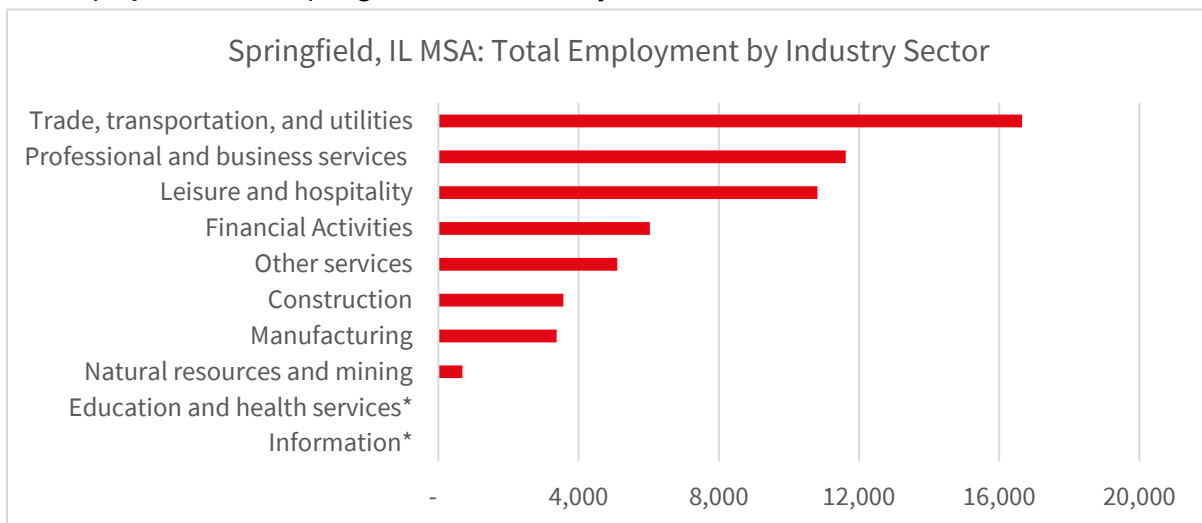
Labor Force and Employment Growth

Springfield is located in the Springfield Metropolitan Statistical Area (“MSA”), which is comprised of Sangamon and Menard County. Employment growth in the Springfield MSA has been flat over the past five years with total employment at 111,638 in 2018. This is down from 2016, when employment totaled 113,203. The unemployment rate decreased every year from 2014 to 2017 before leveling out from 2017 to 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest share of employment in the Springfield MSA with a total of 16,655 jobs. Employment is roughly split between the next largest industry sectors – professional and business services; and leisure and hospitality – with employment of 11,621 jobs and 10,816 jobs respectively. Employment in natural resources and mining represent the smallest share of the employment in the Springfield MSA with 683 jobs.



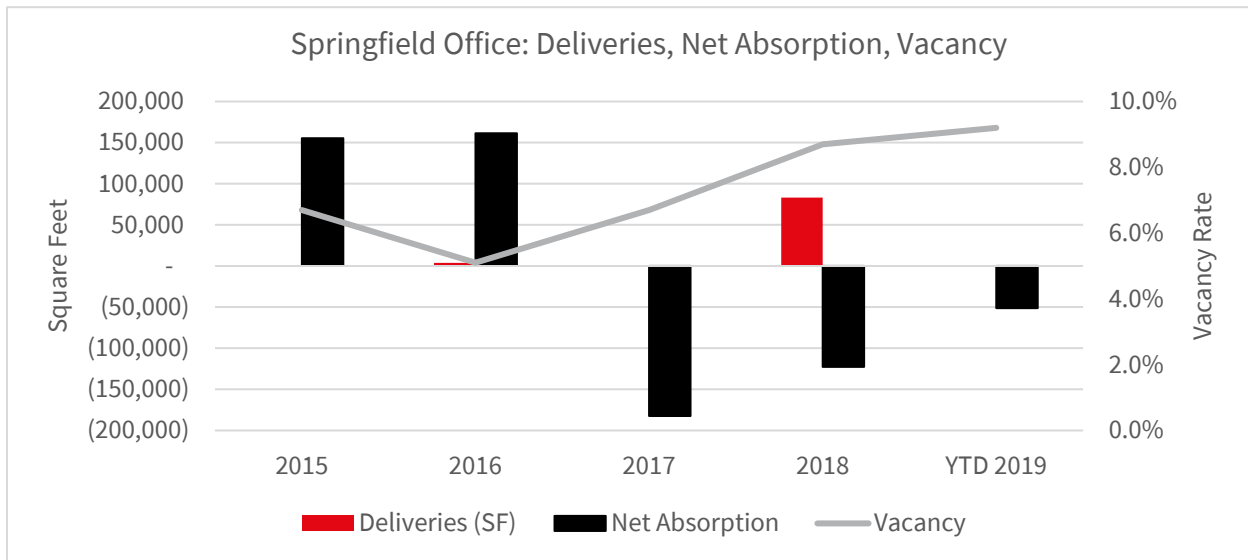
Source: U.S. Bureau of Labor Statistics

*Not Disclosable – data do not meet Bureau of Labor Statistics or State agency disclosure standards.

Office Market Conditions

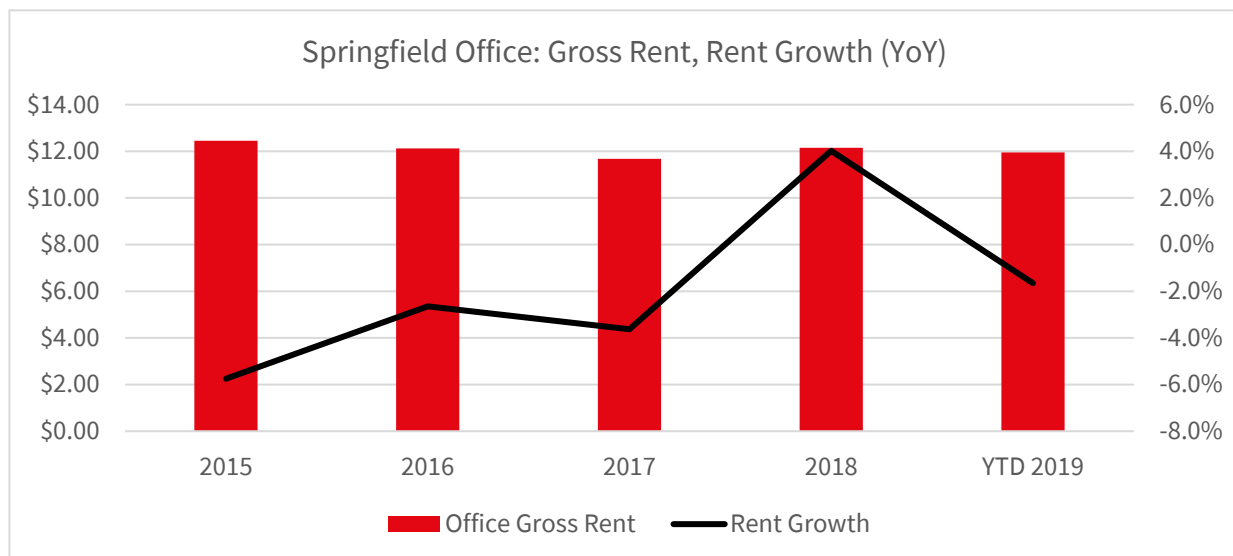
Inventory and Supply

The Springfield office market has 10.3 million square feet of total office inventory with a vacancy rate of 9.2%. After two years of positive net absorption, 2017 through 2019 experience negative net absorption. Springfield saw two office buildings totaling 83,234 square feet delivered in 2018. With limited new delivery, combined with overall negative net absorption, vacancy rates have continued to increase since 2016. Another office 58,000 square foot office building is currently under construction, and this may further increase vacancy rates.



Source: CoStar

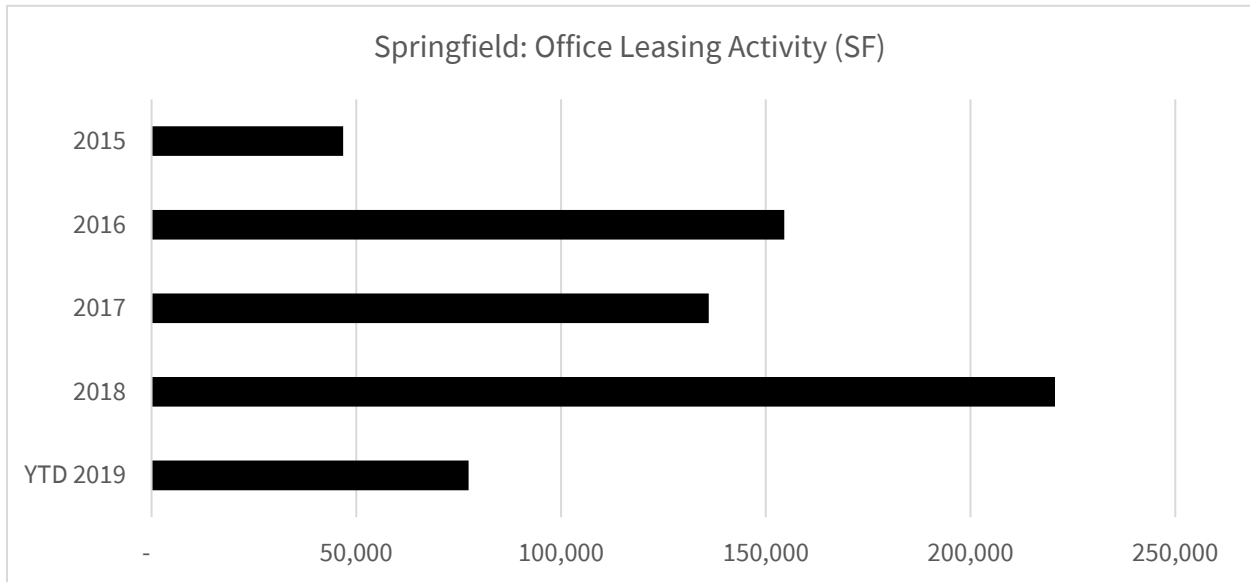
Office rents for properties in Springfield have decreased each year except in 2018, going from \$12.45 per square foot in 2015 to \$11.95 per square foot in year-to-date 2019.



Source: CoStar

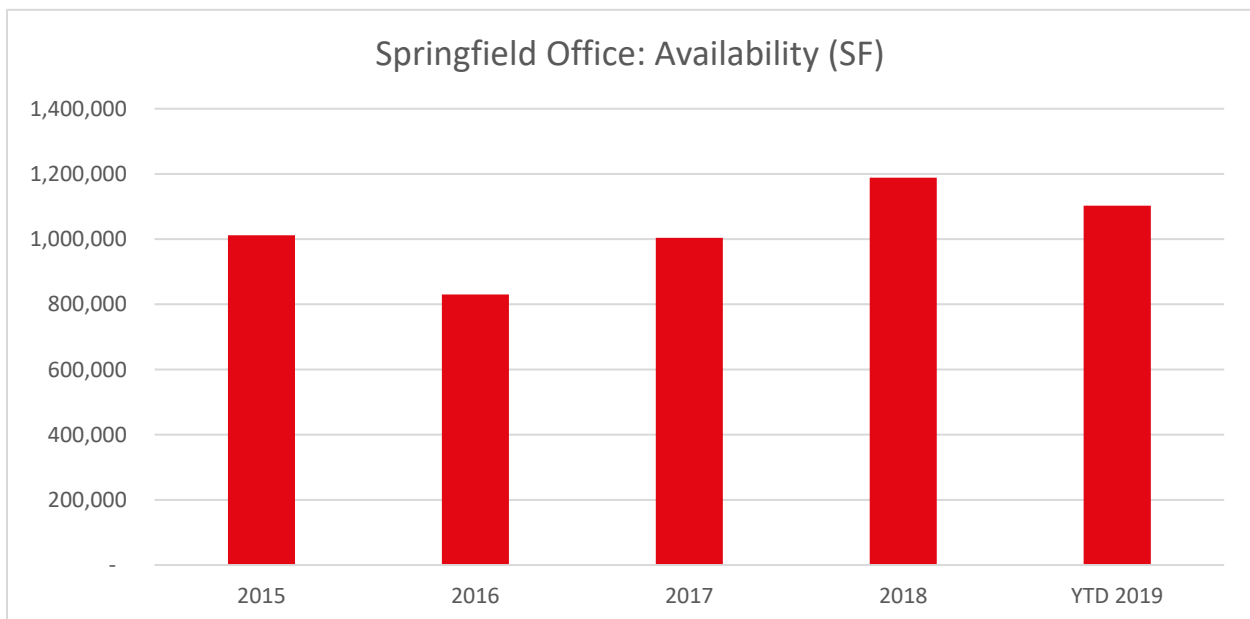
Leasing Activity and Availability

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 220,633 square feet in 2018. However, year-to-date 2019 saw a decrease from prior years with 77,422 square feet of leasing activity.



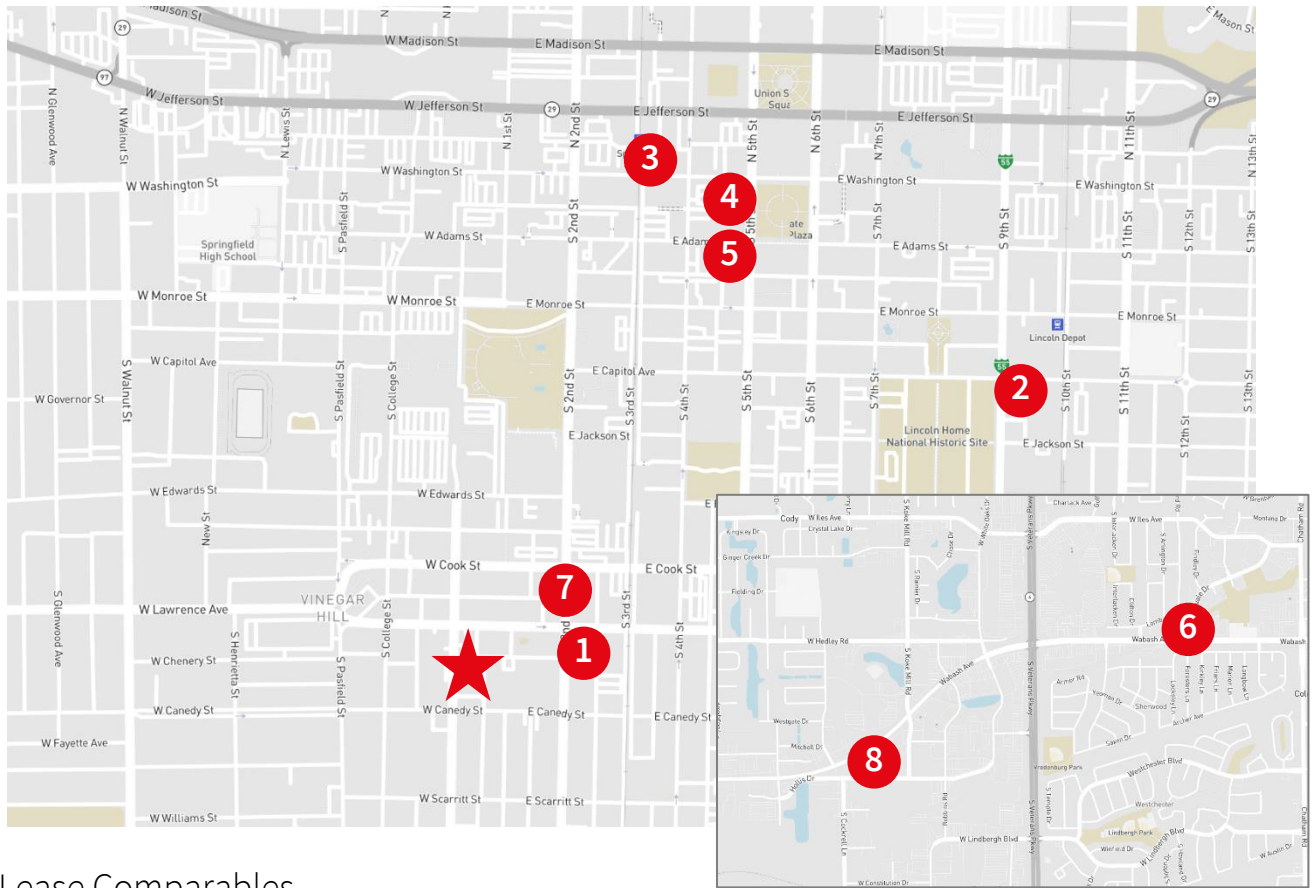
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years. Since 2015, availability in Springfield has been around 1,000,000 square feet except in 2016 where it decreased to 830,285 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. Rents for comparable properties in the market average \$15.49 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 21.3% to 88.7%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	828 S 2 nd Street	B	22,500	\$13.50/MG	12,866
2	400 S Ninth Street	B	10,170	\$14.75/Gross	10,170
3	401 E Washington	B	19,500	\$9.00/MG	19,500
4	1 W Old State Capital Plaza	B	24,701	\$14.50/FS	24,701
5	201-205 W Old State Capitol Plaza	B	30,706	\$15.00/FS	30,706

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. There as there were limited comparable sales within a one-mile radius. As such, a five-mile radius was utilized. Comparable office properties have sold for \$106.16 per square foot on average, that average is slightly skewed by the sale of 3500 Wabash Avenue, which represents a significantly higher price per square foot than the market. All available properties are much larger than the State's current occupancy at 830 S Spring St.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	3101 Montvale Drive	C	21,800	\$44.95	Sept-2019
7	725 S 2 nd Street	B	15,300	\$57.19	June-2019
8	3500 Wabash Avenue	B	18,693	\$155.14	Feb-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 400 Iles Park Pl or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	34,849
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 9.75
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$4,019,329. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 400 Iles Park Pl	
Total Rent Cost	\$ 3,720,431
+ Total OpEx	\$ 1,526,347
Total Cost (Real)	\$ 4,019,329

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$2,880,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$82.77.

Total Cost to Acquire 400 Iles Park Pl	
2020 Break-Even Acquisition Cost	\$ 2,884,478
+ Initial CapEx	\$ 348,490
+ Total Ongoing CapEx	\$ 381,587
+ Total OpEx	\$ 1,526,347
<u>- 2030 Market Value</u>	<u>\$ (3,358,129)</u>
Total Cost (Nominal)	\$ 3,400,115
Total Cost (Real)	\$ 4,019,329

If the State can acquire the building below \$82.77 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Springfield.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3101 Montvale Drive	21,800	\$ 979,910	\$ 44.95
725 S 2nd Street	15,300	\$ 875,007	\$ 57.19
3500 Wabash Avenue	18,693	\$ 2,900,032	\$ 155.14
Average			\$ 85.76

Based on this sample, the average sale price of properties in Springfield is \$85.76 per square foot. Compared to the maximum break-even price of \$82.77 per square foot for the 400 Iles Park Pl, this value is significantly lower, indicating that acquiring the property for less than \$82.77 psf may be feasible.

Should the State acquire the property for \$85.76 per square foot, the total cost of acquisition, including capital expenditure, would be \$4,044,086.

Total Cost to Acquire 400 Iles Park Pl at Market Value	
2020 Market Acquisition Cost	\$ 2,988,650
+ Total Buildout Cost (full TI)	\$ 1,617,342
+ Initial CapEx	\$ 348,490
+ Total Ongoing CapEx	\$ 381,587
+ Total OpEx	\$ 1,526,347
<u>- 2030 Market Value</u>	<u>\$ (3,479,407)</u>
Total Cost (Nominal)	\$ 3,383,009
Total Cost (Real)	\$ 4,044,086

This is \$24,757 more than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>				
Address	Total Available Rentable Square Feet	Asking Sales price psf	Asking Sales price	
400 S Ninth St	34,000	\$75.00	\$ 2,550,000	
2205 Wabash Ave	33,195	\$64.77	\$ 2,150,040	
<u>Lease Alternatives</u>				
Address	Total Available SF	Square Feet	Asking Rent \$/SF	
828 S 2nd Street	22,500	22,500	\$13.50	
400 S Ninth Street	10,170	10,170	\$14.75	
401 E Washington	19,500	19,500	\$9.00	
1 W Old State Capital Plaza	24,701	24,701	\$14.50	
201-205 W Old State Capital Plaza	30,706	30,706	\$15.00	

Regarding acquisition alternatives, both properties are approximately the same size as the State's current footprint at this location. Therefore, either property may be viable.

Regarding lease alternatives, only 201-205 W Old State Capitol Plaza is used in this analysis. The other properties are too small.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. However, total costs over a 10-year period may only be \$25,000, or only 0.6%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

Given the the only minor cost difference between acquiring and leasing the property, acquiring the property may not justify the risks above, and the State may consider continuing to lease the property.

Lease 400 Iles Park Pl	\$ 4,019,329
Acquire 400 Iles Park Pl	\$ 4,044,086
Acquisition Alternatives	Total Cost to Acquire
400 S Ninth St	\$ 3,815,878
2205 Wabash Ave	\$ 3,644,826
Lease Alternatives	Total Cost to Lease
201-205 W Old State Capitol Plaza	\$ 4,542,080

500 Iles Park Place

Springfield

5Market Analysis

Property Description

Property Details	
Property Address:	500 Iles Park Place Springfield, IL
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	57,942
FY 2018 Annual Cost:	\$751,418
FY 2018 Annual Cost (psf):	\$12.97
2019 Headcount:	182
Demographics	
Population:	1 mile: 13,870 5 miles: 123,494
Median Household Income:	1 mile: \$37,599 5 miles: \$52,522

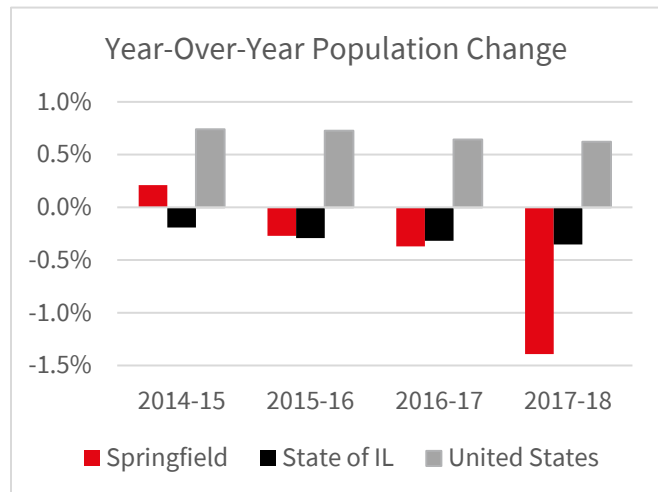


Source: Google

Demographic Overview for Springfield, IL

Population

Springfield, Illinois is the capital of Illinois and is the county seat of Sangamon County. In 2019, Springfield had an estimated population of 115,520. Overall, Springfield has experienced population loss year over year, except for 2014-2015, and most significantly in 2017-2018. The State has experienced similar trends as well.

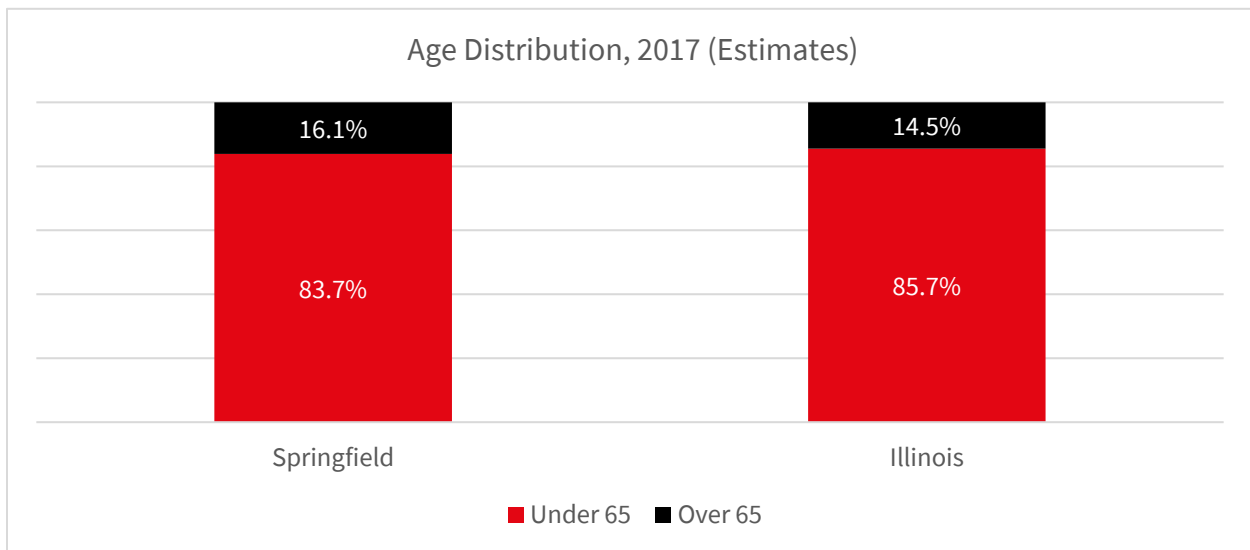


Source: U.S. Census Bureau

Year	Population Estimates
2018	114,694
2017	116,313
2016	116,745
2015	117,061
2014	116,815

Age

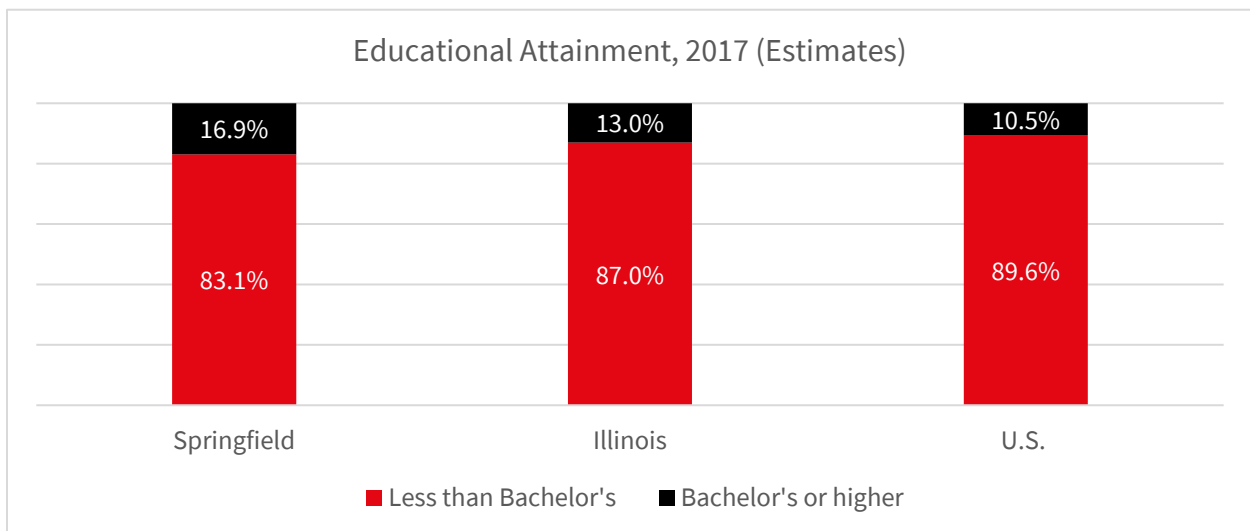
The population of Springfield is somewhat older compared to the State. The median age Springfield is 38.9 years old and is slightly older than the statewide median age of 37.7. Senior above the age of 65 make up 16.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.7% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

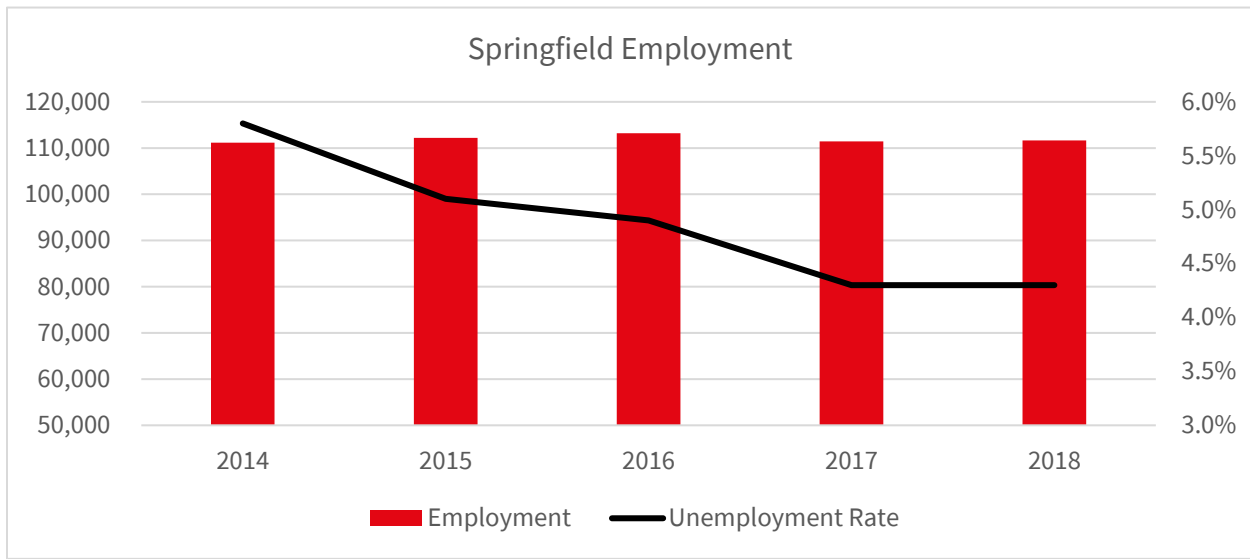
In Springfield, 16.9% of the population has a bachelor's degree or higher, a somewhat higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 83.1% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

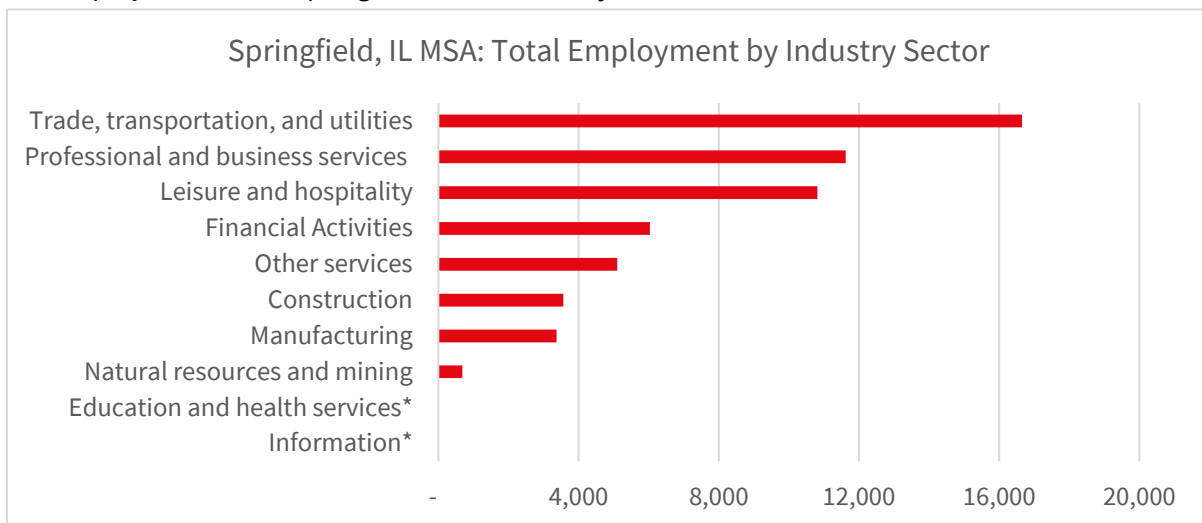
Labor Force and Employment Growth

Springfield is located in the Springfield Metropolitan Statistical Area (“MSA”), which is comprised of Sangamon and Menard County. Employment growth in the Springfield MSA has been flat over the past five years with total employment at 111,638 in 2018. This is down from 2016, when employment totaled 113,203. The unemployment rate decreased every year from 2014 to 2017 before leveling out from 2017 to 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest share of employment in the Springfield MSA with a total of 16,655 jobs. Employment is roughly split between the next largest industry sectors – professional and business services; and leisure and hospitality – with employment of 11,621 jobs and 10,816 jobs respectively. Employment in natural resources and mining represent the smallest share of the employment in the Springfield MSA with 683 jobs.



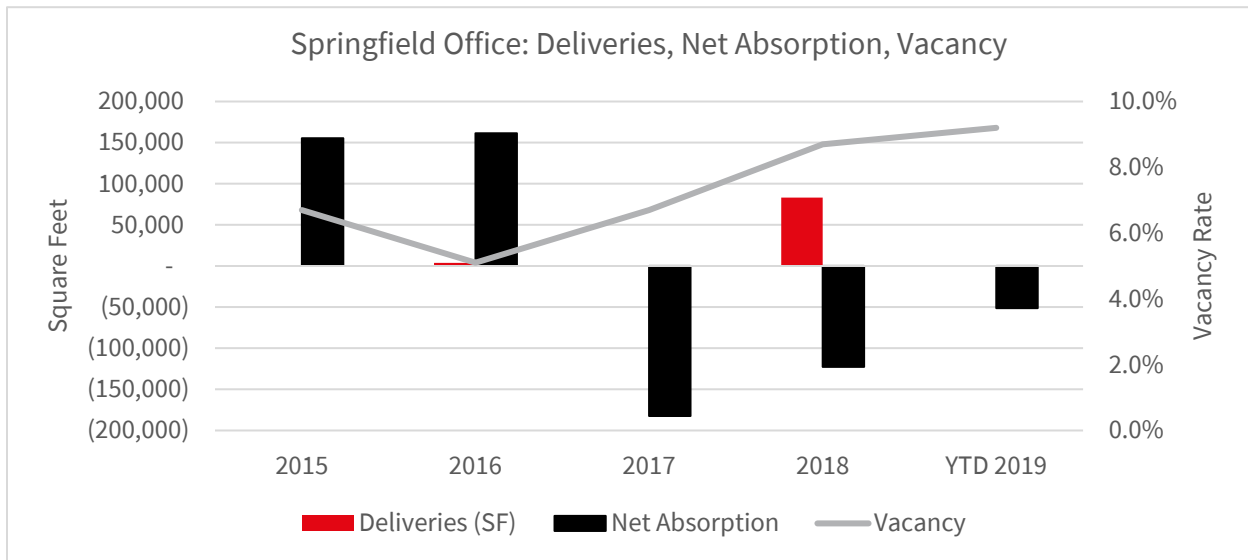
Source: U.S. Bureau of Labor Statistics

*Not Disclosable – data do not meet Bureau of Labor Statistics or State agency disclosure standards.

Office Market Conditions

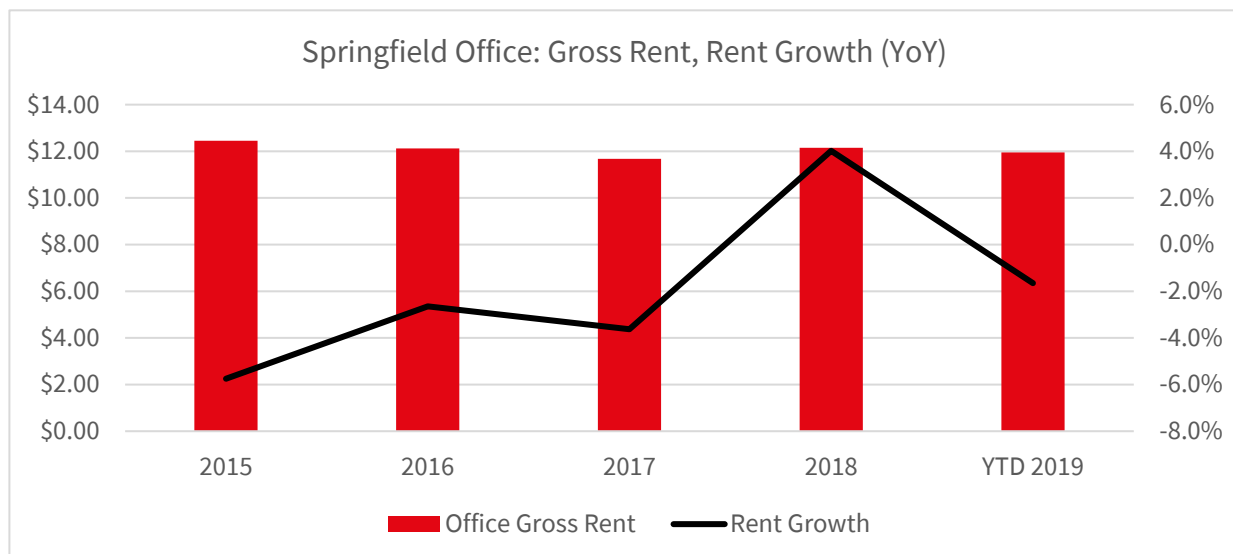
Inventory and Supply

The Springfield office market has 10.3 million square feet of total office inventory with a vacancy rate of 9.2%. After two years of positive net absorption, 2017 through 2019 experience negative net absorption. Springfield saw two office buildings totaling 83,234 square feet delivered in 2018. With limited new delivery, combined with overall negative net absorption, vacancy rates have continued to increase since 2016. Another office 58,000 square foot office building is currently under construction, and this may further increase vacancy rates.



Source: CoStar

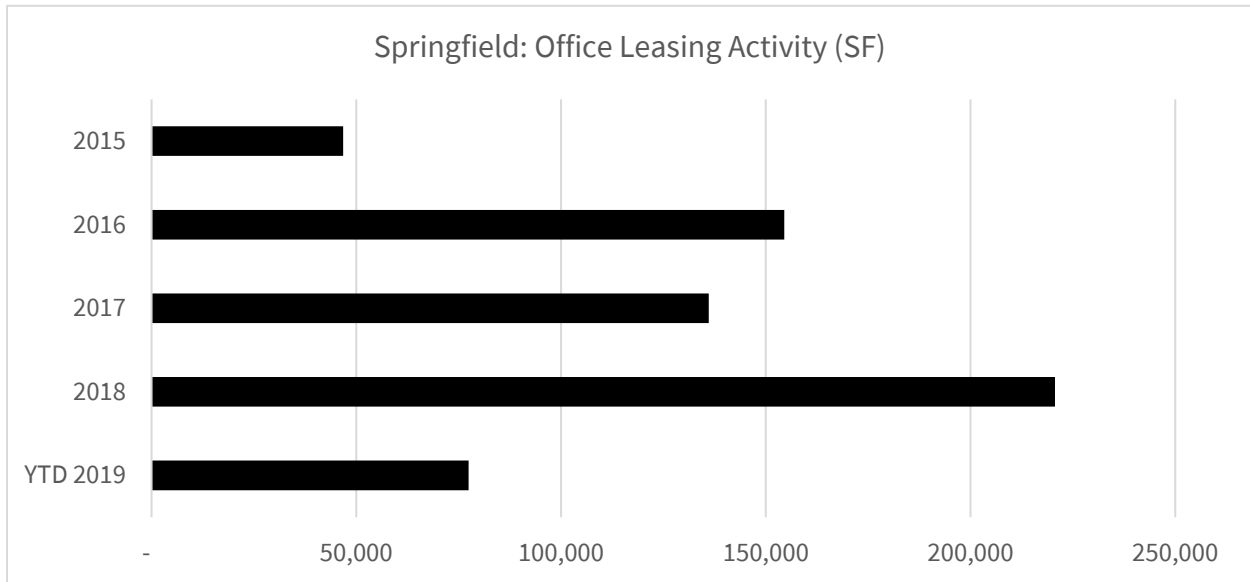
Office rents for properties in Springfield have decreased each year except in 2018, going from \$12.45 per square foot in 2015 to \$11.95 per square foot in year-to-date 2019.



Source: CoStar

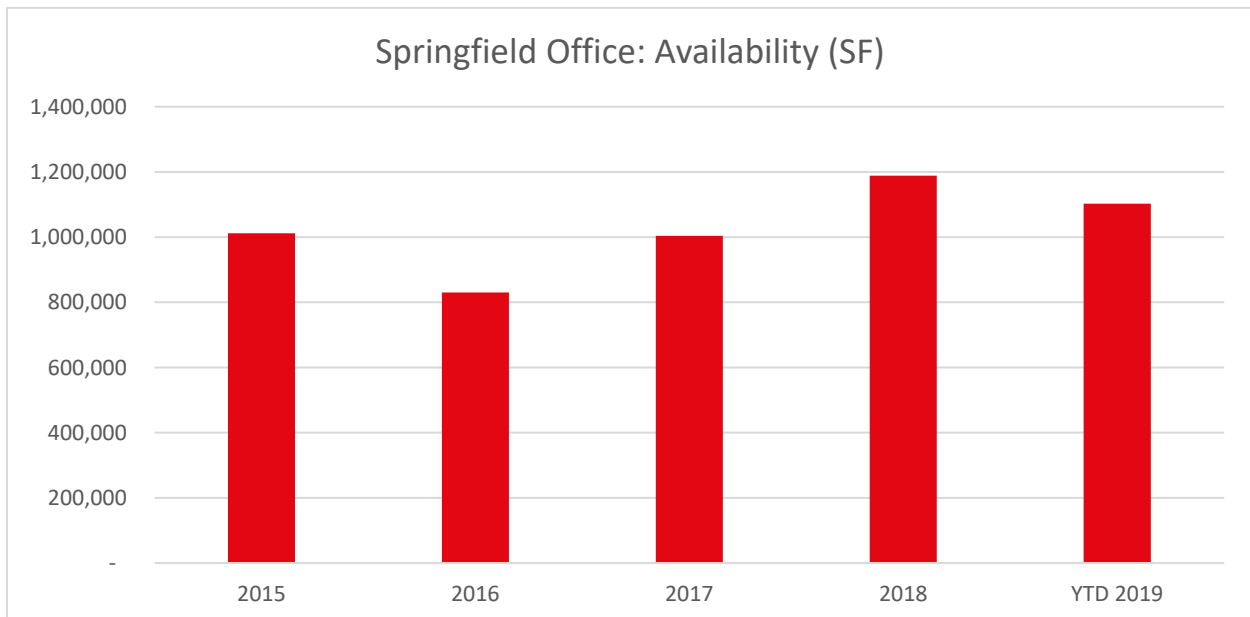
Leasing Activity and Availability

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 220,633 square feet in 2018. However, year-to-date 2019 saw a decrease from prior years with 77,422 square feet of leasing activity.



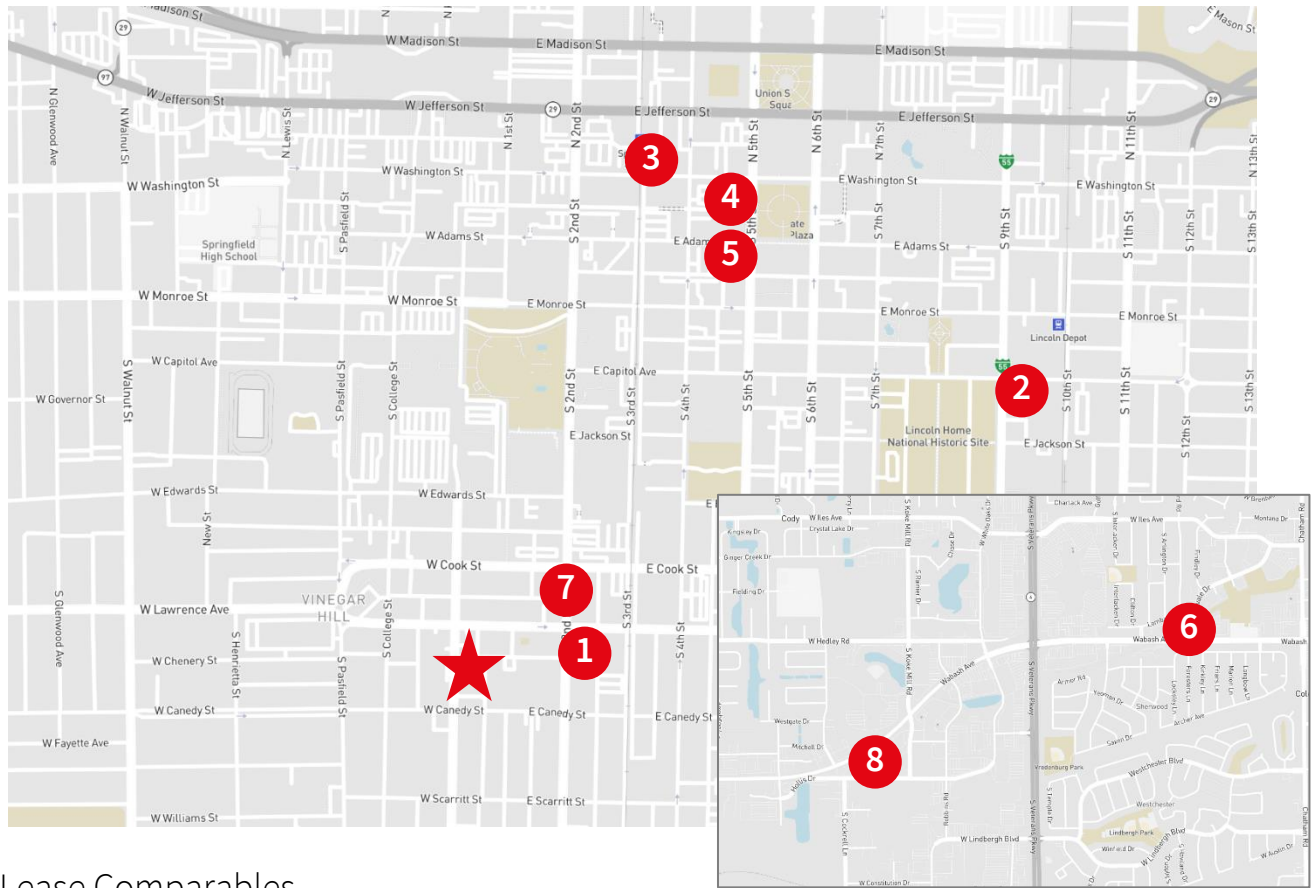
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years. Since 2015, availability in Springfield has been around 1,000,000 square feet except in 2016 where it decreased to 830,285 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. Rents for comparable properties in the market average \$15.49 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 21.3% to 88.7%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	828 S 2 nd Street	B	22,500	\$13.50/MG	12,866
2	400 S Ninth Street	B	10,170	\$14.75/Gross	10,170
3	401 E Washington	B	19,500	\$9.00/MG	19,500
4	1 W Old State Capital Plaza	B	24,701	\$14.50/FS	24,701
5	201-205 W Old State Capitol Plaza	B	30,706	\$15.00/FS	30,706

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. There as there were limited comparable sales within a one-mile radius. As such, a five-mile radius was utilized. Comparable office properties have sold for \$106.16 per square foot on average, that average is slightly skewed by the sale of 3500 Wabash Avenue, which represents a significantly higher price per square foot than the market. All available properties are much larger than the State's current occupancy at 830 S Spring St.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	3101 Montvale Drive	C	21,800	\$44.95	Sept-2019
7	725 S 2 nd Street	B	15,300	\$57.19	June-2019
8	3500 Wabash Avenue	B	18,693	\$155.14	Feb-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 500 Iles Park Pl or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	57,942
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 12.97
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$8,247,068. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 500 Iles Park Pl	
Total Rent Cost	\$ 8,227,817
+ Total OpEx	\$ 2,537,795
Total Cost (Real)	\$ 8,247,068

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$11,380,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$196.37.

Total Cost to Acquire 500 Iles Park Pl	
2020 Break-Even Acquisition Cost	\$ 11,378,006
+ Initial CapEx	\$ 579,420
+ Total Ongoing CapEx	\$ 634,449
+ Total OpEx	\$ 2,537,795
<u>- 2030 Market Value</u>	<u>\$ (13,246,352)</u>
Total Cost (Nominal)	\$ 4,572,406
Total Cost (Real)	\$ 8,247,068

If the State can acquire the building below \$196.37 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Springfield.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3101 Montvale Drive	21,800	\$ 979,910	\$ 44.95
725 S 2nd Street	15,300	\$ 875,007	\$ 57.19
3500 Wabash Avenue	18,693	\$ 2,900,032	\$ 155.14
Average			\$ 85.76

Based on this sample, the average sale price of properties in Springfield is \$85.76 per square foot. Compared to the maximum break-even price of \$196.37 per square foot for the 500 Iles Park Pl, this value is significantly lower, indicating that acquiring the property for less than \$196.37 psf may be feasible.

Should the State acquire the property for \$85.76 per square foot, the total cost of acquisition, including capital expenditure, would be \$6,723,936.

Total Cost to Acquire 500 Iles Park Pl at Market Value	
2020 Market Acquisition Cost	\$ 4,969,106
+ Total Buildout Cost (full TI)	\$ 2,689,088
+ Initial CapEx	\$ 579,420
+ Total Ongoing CapEx	\$ 634,449
+ Total OpEx	\$ 2,537,795
<u>- 2030 Market Value</u>	<u>\$ (5,785,067)</u>
Total Cost (Nominal)	\$ 5,624,791
Total Cost (Real)	\$ 6,723,936

This is \$1,523,132 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>				
Address	Total Available Rentable Square Feet	Asking Sales price psf	Asking Sales price	
300 W Jefferson St	60,000	\$50.00	\$ 3,000,000	
<u>Lease Alternatives</u>				
Address	Total Available SF	Square Feet	Asking Rent \$/SF	
828 S 2nd Street	22,500	22,500	\$13.50	
400 S Ninth Street	10,170	10,170	\$14.75	
401 E Washington	19,500	19,500	\$9.00	
1 W Old State Capital Plaza	24,701	24,701	\$14.50	
201-205 W Old State Capital Plaza	30,706	30,706	\$15.00	

Regarding acquisition alternatives, the property is approximately the same size as the State's current footprint at this location. Therefore, the property may be viable.

Regarding lease alternatives, all of the properties are smaller than the State's current footprint at this location. Therefore, they are not viable.

Conclusion

The lowest cost technically acceptable alternative is to acquire an alternative property, 300 W Jefferson St. Total costs over a 10-year period may be \$1.9 million, or 23%, less through acquiring this property compared to leasing the current property.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 500 Iles Park Pl	\$ 8,247,068
Acquire 500 Iles Park Pl	\$ 6,723,936
Acquisition Alternatives	Total Cost to Acquire
300 W Jefferson St	\$ 6,377,414
Lease Alternatives	Total Cost to Lease
None	

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830 S Spring St
Springfield

Market Analysis

Property Description

Property Details	
Property Address:	830 S. Spring Street Springfield, IL
Property Type:	Office
User:	Council on Developmental Disabilities
Building Size (SF):	9,630
FY 2018 Annual Cost:	\$171,867
FY 2018 Annual Cost (psf):	\$17.85
2019 Headcount:	3
Demographics	
Population:	1 mile: 13,870 5 miles: 123,494
Median Household Income:	1 mile: \$37,599 5 miles: \$52,522

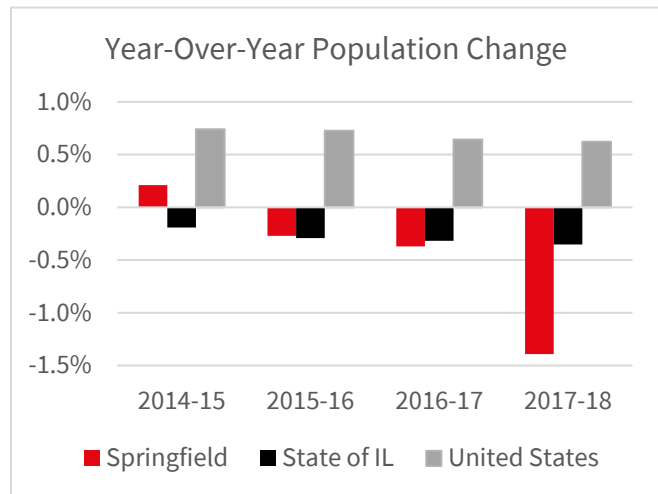


Source: Google

Demographic Overview for Springfield, IL

Population

Springfield, Illinois is the capital of Illinois and is the county seat of Sangamon County. In 2019, Springfield had an estimated population of 115,520. Overall, Springfield has experienced population loss year over year, except for 2014-2015, and most significantly in 2017-2018. The State has experienced similar trends as well.

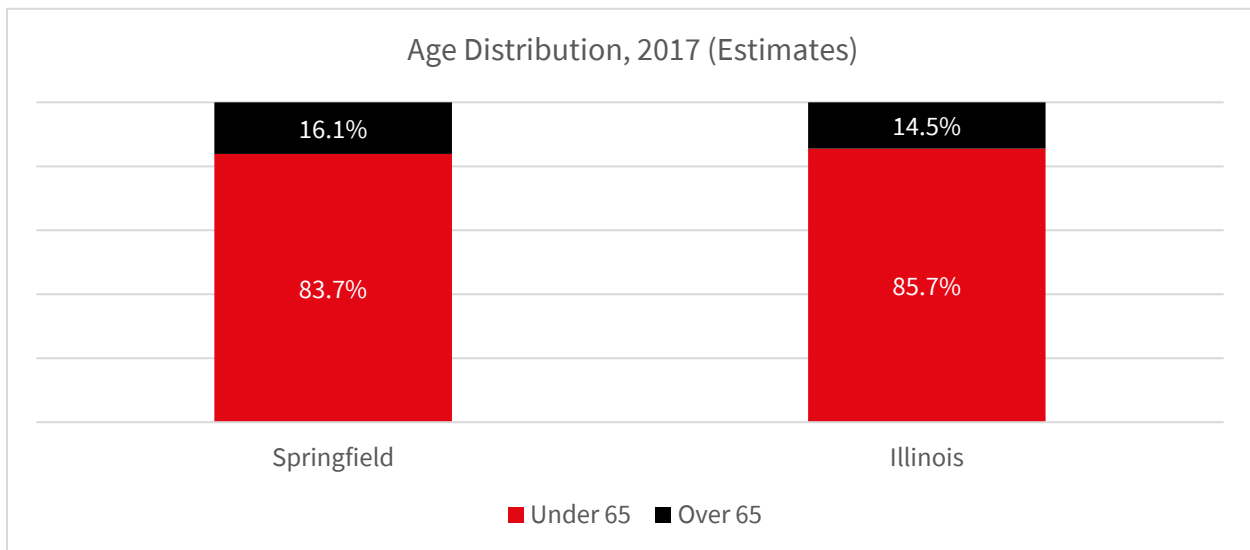


Source: U.S. Census Bureau

Year	Population Estimates
2018	114,694
2017	116,313
2016	116,745
2015	117,061
2014	116,815

Age

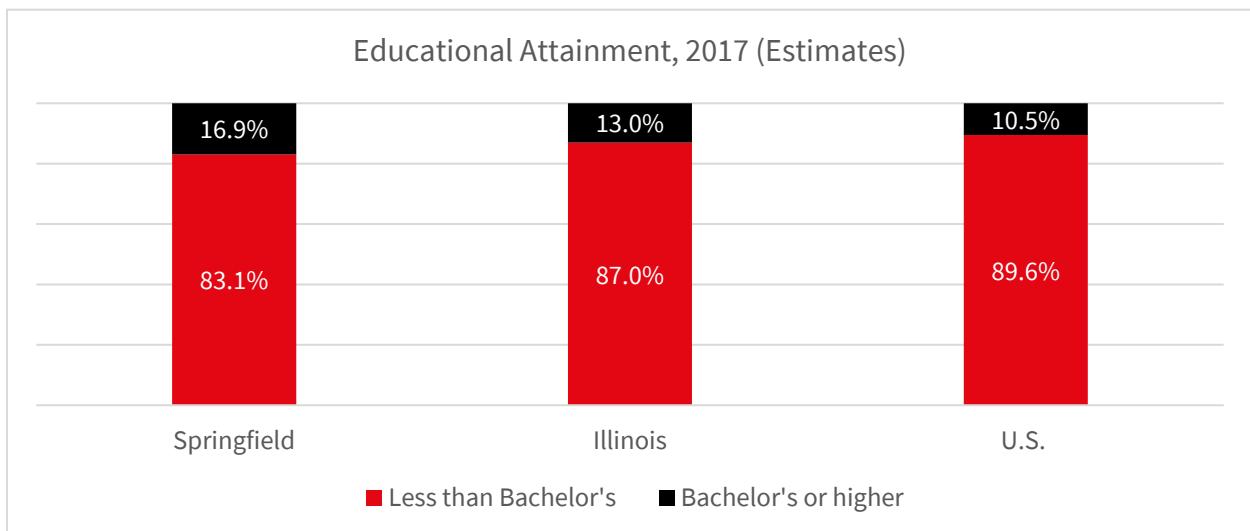
The population of Springfield is somewhat older compared to the State. The median age Springfield is 38.9 years old and is slightly older than the statewide median age of 37.7. Senior above the age of 65 make up 16.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.7% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

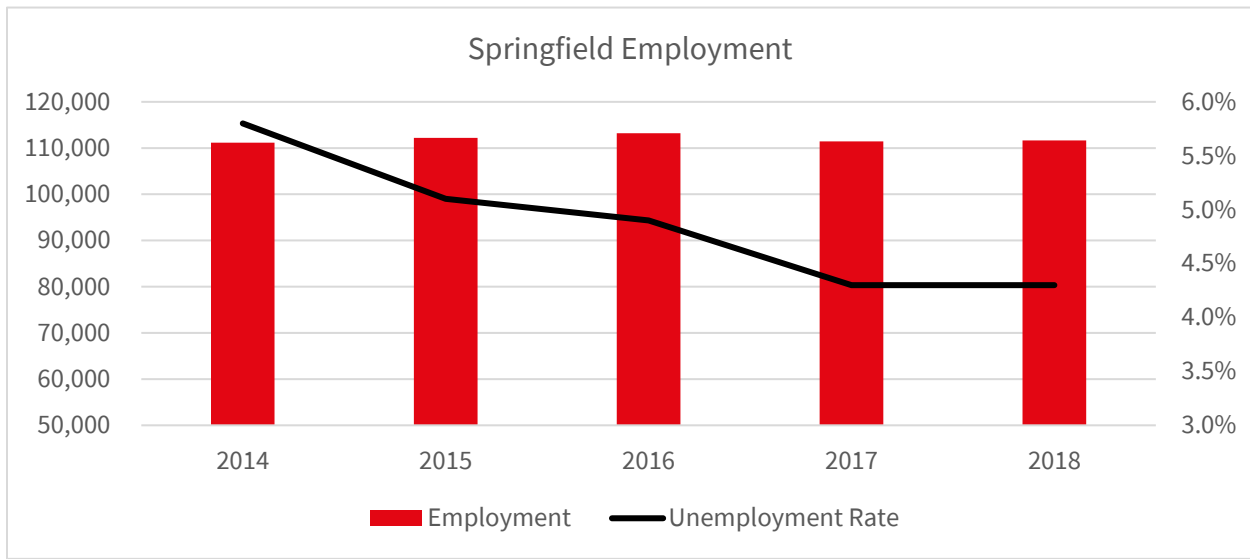
In Springfield, 16.9% of the population has a bachelor's degree or higher, a somewhat higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 83.1% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

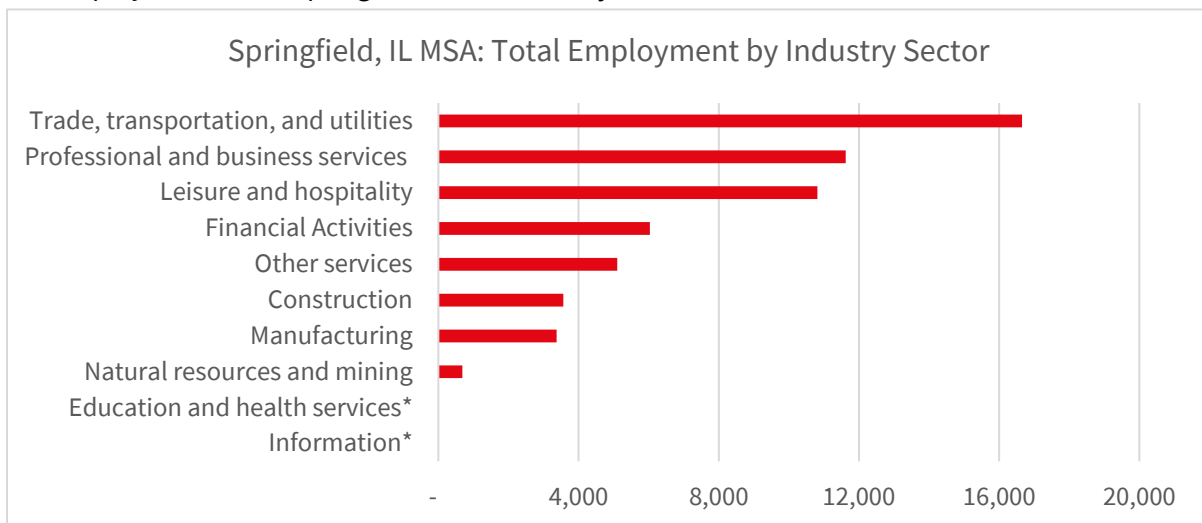
Labor Force and Employment Growth

Springfield is located in the Springfield Metropolitan Statistical Area (“MSA”), which is comprised of Sangamon and Menard County. Employment growth in the Springfield MSA has been flat over the past five years with total employment at 111,638 in 2018. This is down from 2016, when employment totaled 113,203. The unemployment rate decreased every year from 2014 to 2017 before leveling out from 2017 to 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest share of employment in the Springfield MSA with a total of 16,655 jobs. Employment is roughly split between the next largest industry sectors – professional and business services; and leisure and hospitality – with employment of 11,621 jobs and 10,816 jobs respectively. Employment in natural resources and mining represent the smallest share of the employment in the Springfield MSA with 683 jobs.



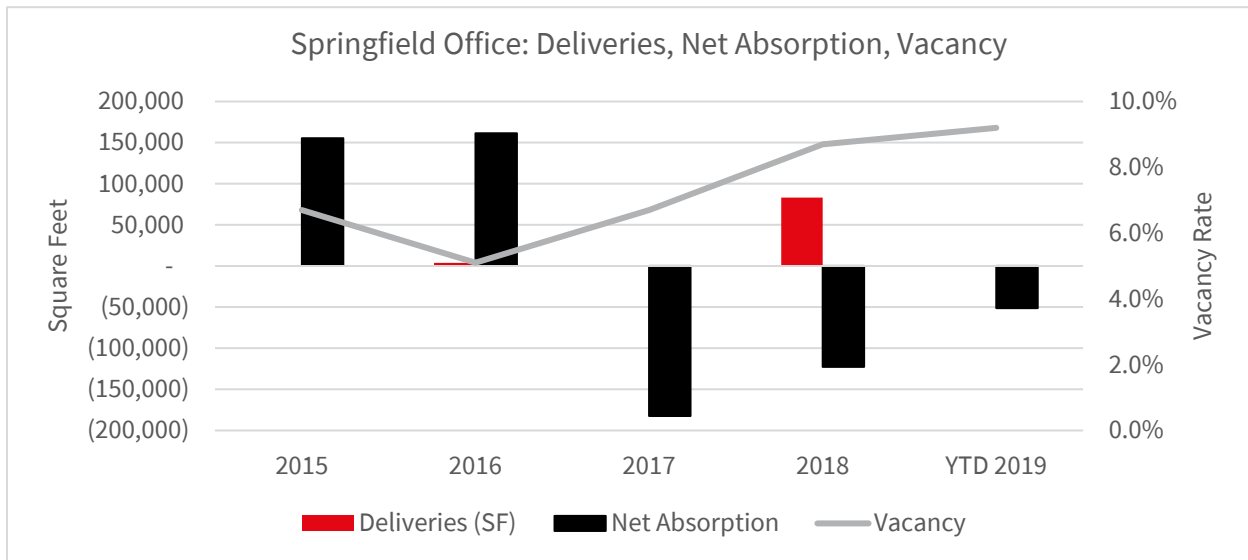
Source: U.S. Bureau of Labor Statistics

*Not Disclosable – data do not meet Bureau of Labor Statistics or State agency disclosure standards.

Office Market Conditions

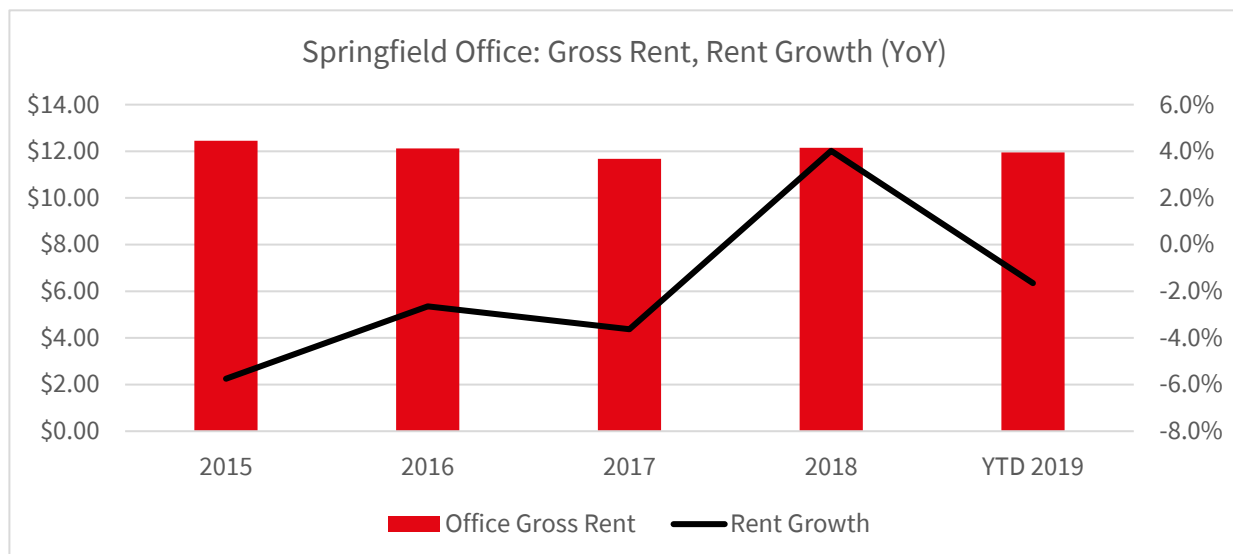
Inventory and Supply

The Springfield office market has 10.3 million square feet of total office inventory with a vacancy rate of 9.2%. After two years of positive net absorption, 2017 through 2019 experience negative net absorption. Springfield saw two office buildings totaling 83,234 square feet delivered in 2018. With limited new delivery, combined with overall negative net absorption, vacancy rates have continued to increase since 2016. Another office 58,000 square foot office building is currently under construction, and this may further increase vacancy rates.



Source: CoStar

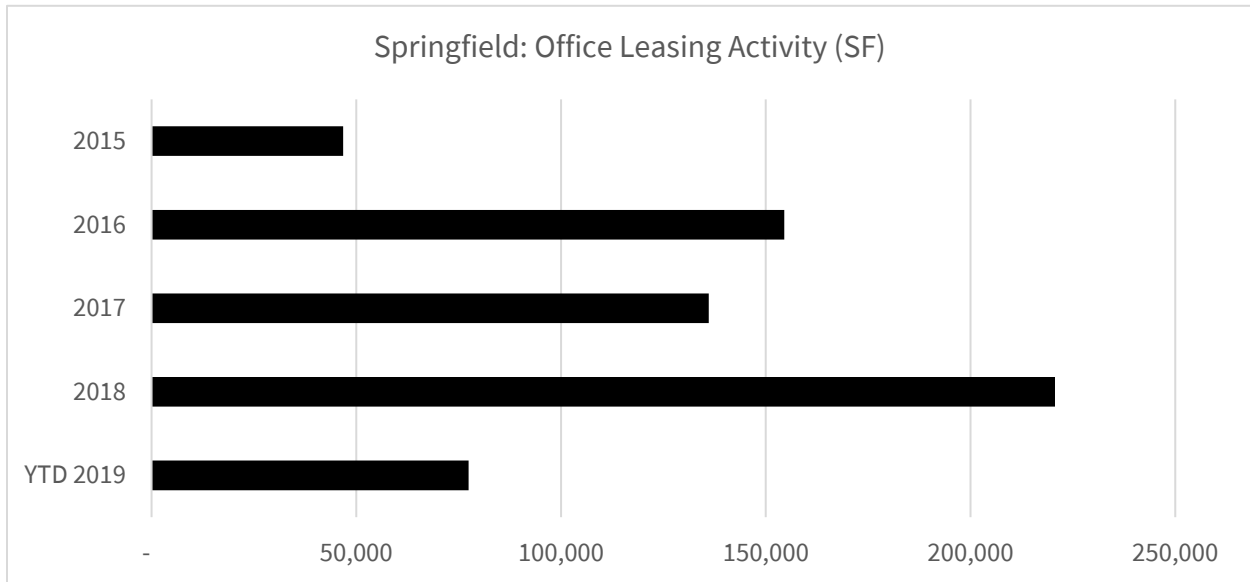
Office rents for properties in Springfield have decreased each year except in 2018, going from \$12.45 per square foot in 2015 to \$11.95 per square foot in year-to-date 2019.



Source: CoStar

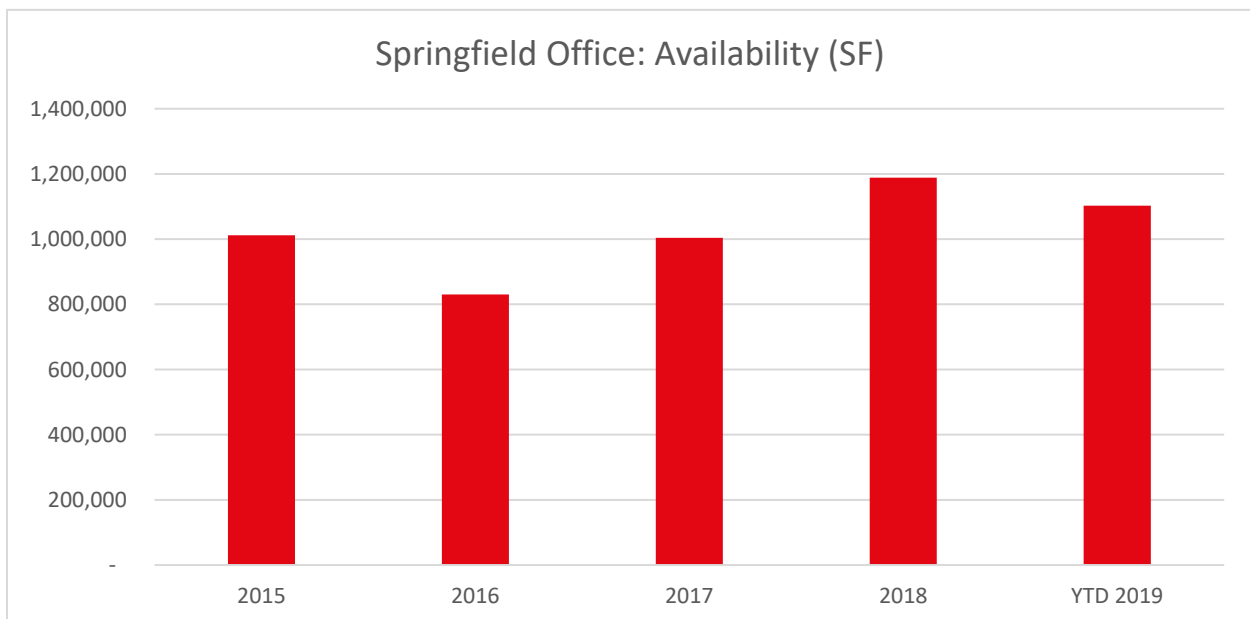
Leasing Activity and Availability

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 220,633 square feet in 2018. However, year-to-date 2019 saw a decrease from prior years with 77,422 square feet of leasing activity.



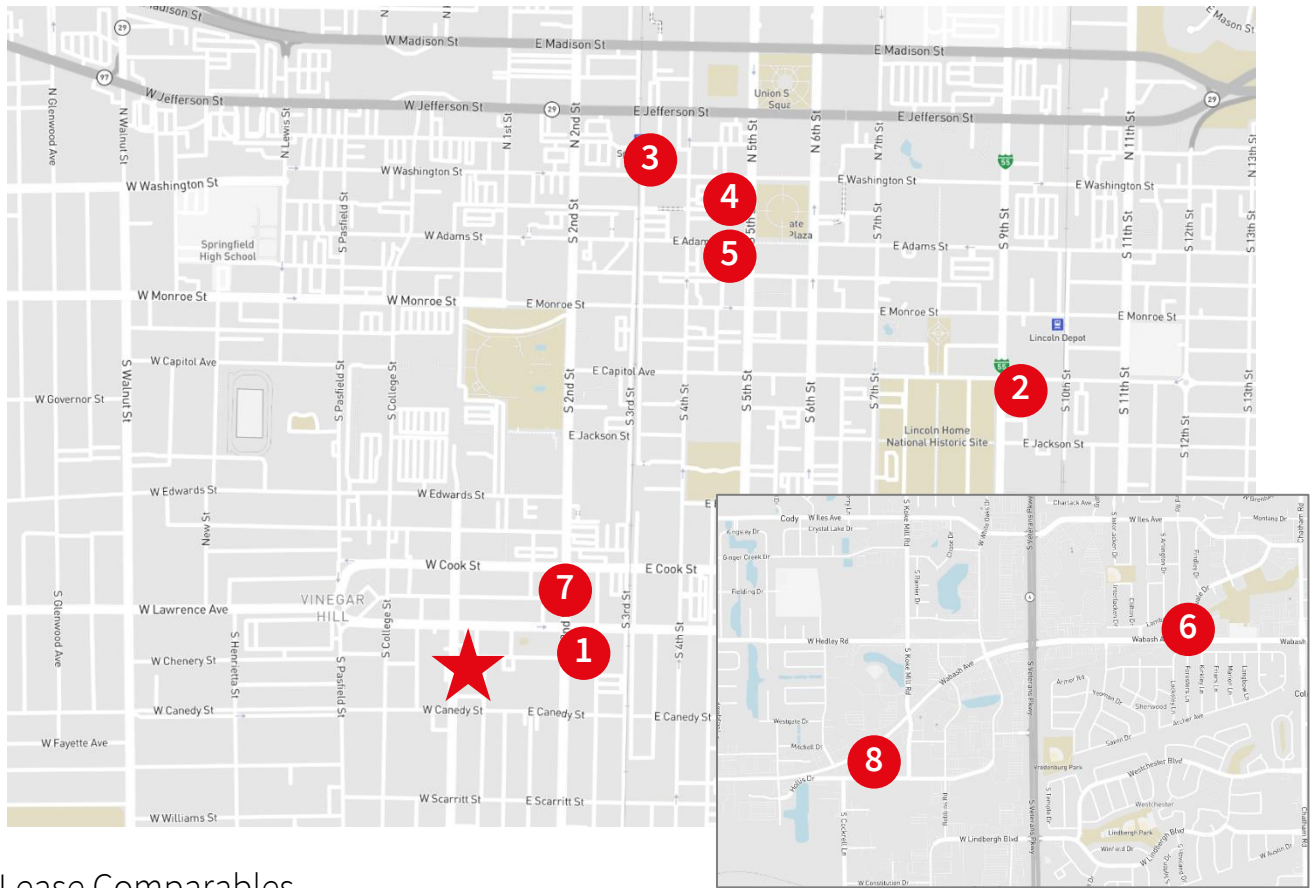
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years. Since 2015, availability in Springfield has been around 1,000,000 square feet except in 2016 where it decreased to 830,285 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. Rents for comparable properties in the market average \$15.49 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 21.3% to 88.7%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	828 S 2 nd Street	B	22,500	\$13.50/MG	12,866
2	400 S Ninth Street	B	10,170	\$14.75/Gross	10,170
3	401 E Washington	B	19,500	\$9.00/MG	19,500
4	1 W Old State Capital Plaza	B	24,701	\$14.50/FS	24,701
5	201-205 W Old State Capitol Plaza	B	30,706	\$15.00/FS	30,706

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. There as there were limited comparable sales within a one-mile radius. As such, a five-mile radius was utilized. Comparable office properties have sold for \$106.16 per square foot on average, that average is slightly skewed by the sale of 3500 Wabash Avenue, which represents a significantly higher price per square foot than the market. All available properties are much larger than the State's current occupancy at 830 S Spring St.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	3101 Montvale Drive	C	21,800	\$44.95	Sept-2019
7	725 S 2 nd Street	B	15,300	\$57.19	June-2019
8	3500 Wabash Avenue	B	18,693	\$155.14	Feb-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 830 S Spring St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	9,630
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 17.85
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$1,764,748. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 830 S Spring St	
Total Rent Cost	\$ 1,881,896
+ Total OpEx	\$ 421,783
Total Cost (Real)	\$ 1,764,748

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$3,550,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$368.56.

Total Cost to Acquire 830 S Spring St	
2020 Break-Even Acquisition Cost	\$ 3,549,207
+ Initial CapEx	\$ 96,300
+ Total Ongoing CapEx	\$ 105,446
+ Total OpEx	\$ 421,783
<u>- 2030 Market Value</u>	<u>\$ (4,132,011)</u>
Total Cost (Nominal)	\$ 487,653
Total Cost (Real)	\$ 1,764,748

If the State can acquire the building below \$368.56 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Springfield.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3101 Montvale Drive	21,800	\$ 979,910	\$ 44.95
725 S 2nd Street	15,300	\$ 875,007	\$ 57.19
3500 Wabash Avenue	18,693	\$ 2,900,032	\$ 155.14
Average			\$ 85.76

Based on this sample, the average sale price of properties in Springfield is \$85.76 per square foot. Compared to the maximum break-even price of \$368.56 per square foot for the 830 S Spring St, this value is significantly lower, indicating that acquiring the property for less than \$368.56 psf may be feasible.

Should the State acquire the property for \$85.76 per square foot, the total cost of acquisition, including capital expenditure, would be \$1,117,523.

Total Cost to Acquire 830 S Spring St at Market Value	
2020 Market Acquisition Cost	\$ 825,869
+ Total Buildout Cost (full TI)	\$ 446,928
+ Initial CapEx	\$ 96,300
+ Total Ongoing CapEx	\$ 105,446
+ Total OpEx	\$ 421,783
<u>- 2030 Market Value</u>	<u>\$ (961,482)</u>
Total Cost (Nominal)	\$ 934,844
Total Cost (Real)	\$ 1,117,523

This is \$647,226 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	Total Available Rentable Square Feet	Asking Sales price psf	Asking Sales price
917 Clocktower Dr	9,774	\$61.29	\$ 599,048
2055 W Iles Ave	11,319	\$149.75	\$ 1,695,020
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
828 S 2nd Street	22,500	9,630	\$13.50
400 S Ninth Street	10,170	9,630	\$14.75
401 E Washington	19,500	9,630	\$9.00
1 W Old State Capital Pla:	24,701	9,630	\$14.50
201-205 W Old State Capi	30,706	9,630	\$15.00

Regarding acquisition alternatives, both properties are approximately the same size as the State's current footprint at this location. Therefore, either property may be viable.

Regarding lease alternatives, only 400 S Ninth Street is used in this analysis. The other properties are too large.

Conclusion

The lowest cost technically acceptable alternative is to acquire an alternative property: 2055 W Iles Ave. Total costs over a 10-year period of acquiring this property may be \$700,000, or 40%, less compared to extending the current lease.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 830 S Spring St	\$ 1,764,748
Acquire 830 S Spring St	\$ 1,117,523
Acquisition Alternatives	Total Cost to Acquire
917 Clocktower Dr	\$ 1,065,106
2055 W Iles Ave	\$ 1,471,433
Lease Alternatives	Total Cost to Lease
828 S 2nd Street	\$ 1,303,319
400 S Ninth Street	\$ 1,404,290
401 E Washington	\$ 1,331,602
1 W Old State Capital Plaza	\$ 1,384,096
201-205 W Old State Capitol Plaza	\$ 1,424,485

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833-835 S Spring St

Springfield

Market Analysis

Property Description

Property Details	
Property Address:	833-835 S. Spring Street Springfield, IL
Property Type:	Office
User:	Department of Veterans' Affairs
Building Size (SF):	20,872
FY 2018 Annual Cost:	\$372,989
FY 2018 Annual Cost (psf):	\$17.87
2019 Headcount:	40
Demographics	
Population:	1 mile: 13,870 5 miles: 123,494
Median Household Income:	1 mile: \$37,599 5 miles: \$52,522

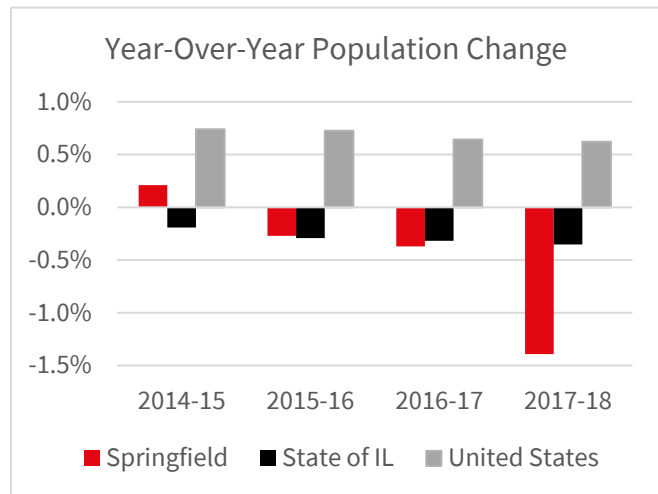


Source: Google

Demographic Overview for Springfield, IL

Population

Springfield, Illinois is the capital of Illinois and is the county seat of Sangamon County. In 2019, Springfield had an estimated population of 115,520. Overall, Springfield has experienced population loss year over year, except for 2014-2015, and most significantly in 2017-2018. The State has experienced similar trends as well.

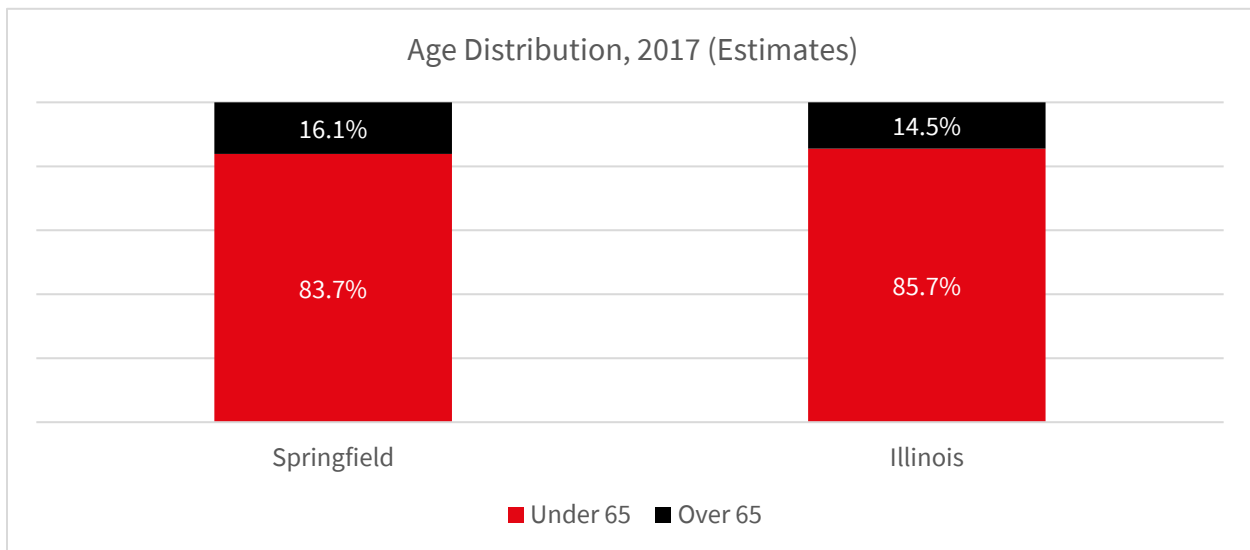


Source: U.S. Census Bureau

Year	Population Estimates
2018	114,694
2017	116,313
2016	116,745
2015	117,061
2014	116,815

Age

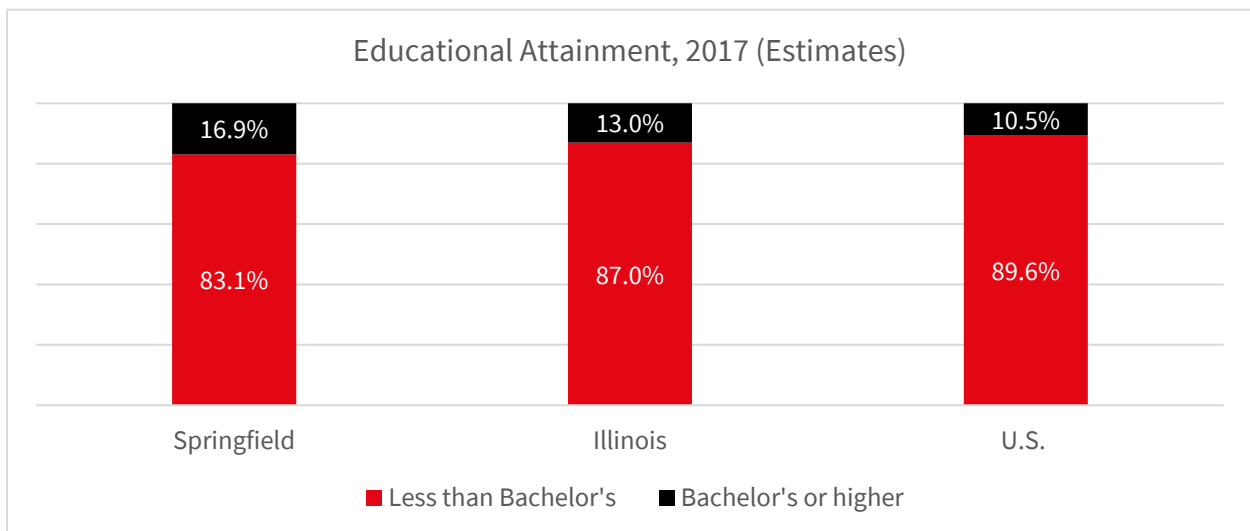
The population of Springfield is somewhat older compared to the State. The median age Springfield is 38.9 years old and is slightly older than the statewide median age of 37.7. Senior above the age of 65 make up 16.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.7% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

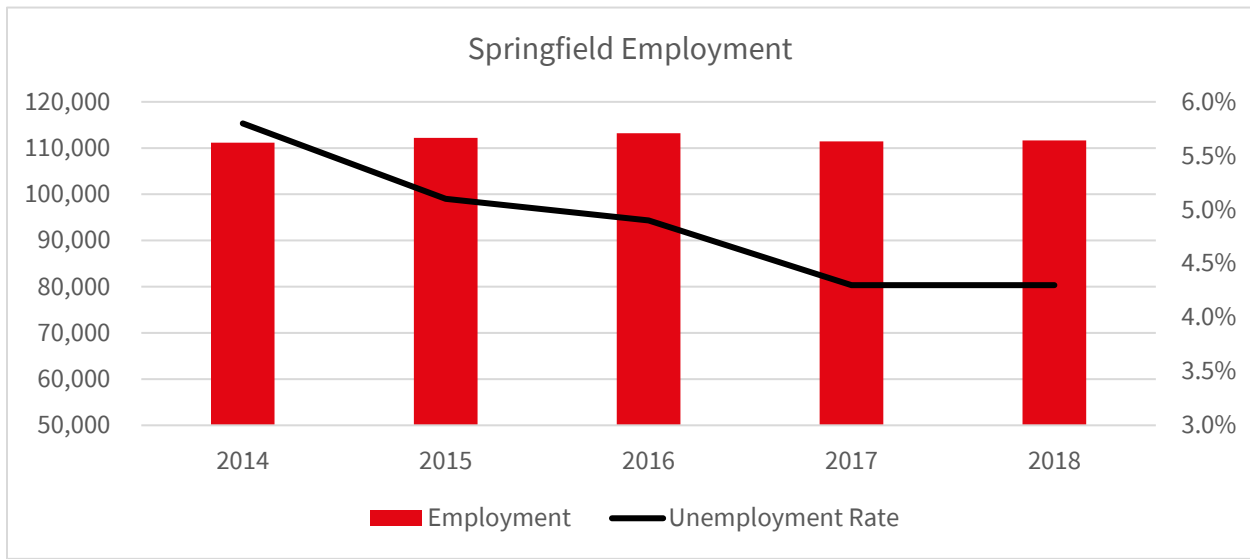
In Springfield, 16.9% of the population has a bachelor's degree or higher, a somewhat higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 83.1% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

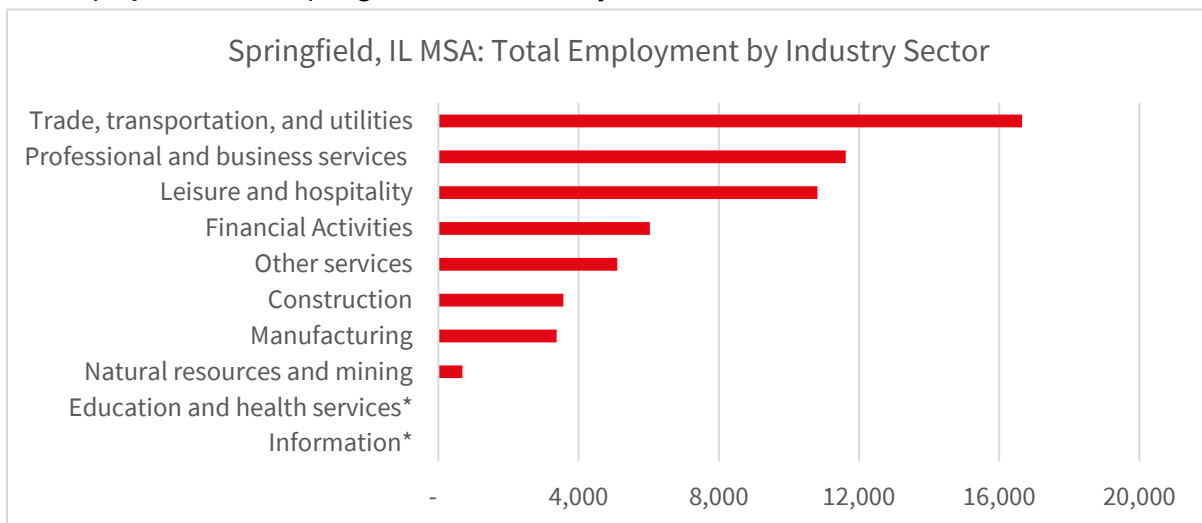
Labor Force and Employment Growth

Springfield is located in the Springfield Metropolitan Statistical Area (“MSA”), which is comprised of Sangamon and Menard County. Employment growth in the Springfield MSA has been flat over the past five years with total employment at 111,638 in 2018. This is down from 2016, when employment totaled 113,203. The unemployment rate decreased every year from 2014 to 2017 before leveling out from 2017 to 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest share of employment in the Springfield MSA with a total of 16,655 jobs. Employment is roughly split between the next largest industry sectors – professional and business services; and leisure and hospitality – with employment of 11,621 jobs and 10,816 jobs respectively. Employment in natural resources and mining represent the smallest share of the employment in the Springfield MSA with 683 jobs.



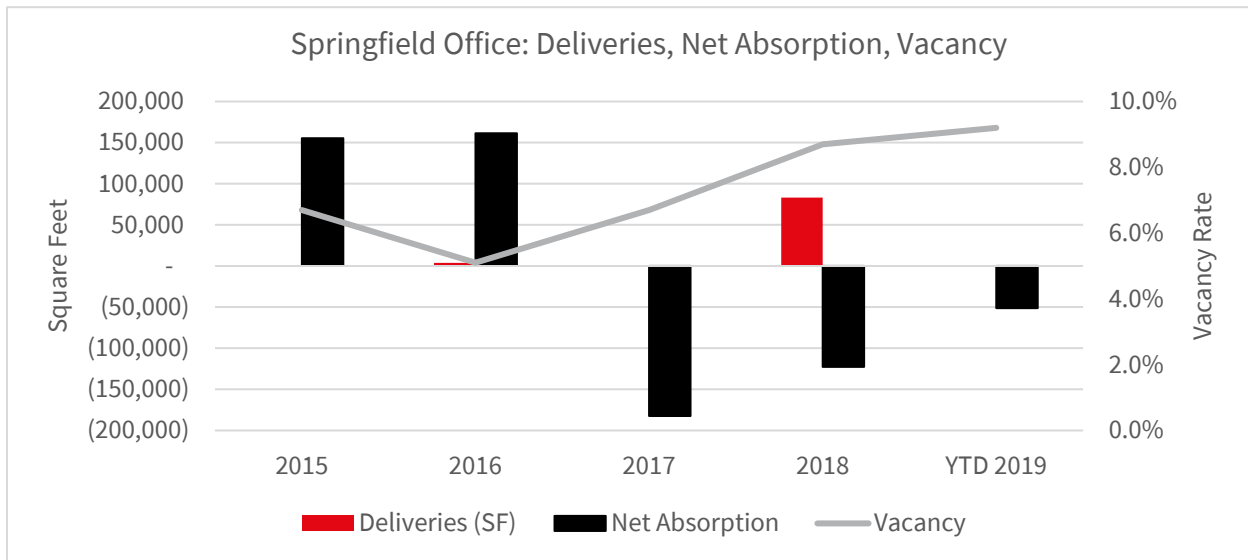
Source: U.S. Bureau of Labor Statistics

*Not Disclosable – data do not meet Bureau of Labor Statistics or State agency disclosure standards.

Office Market Conditions

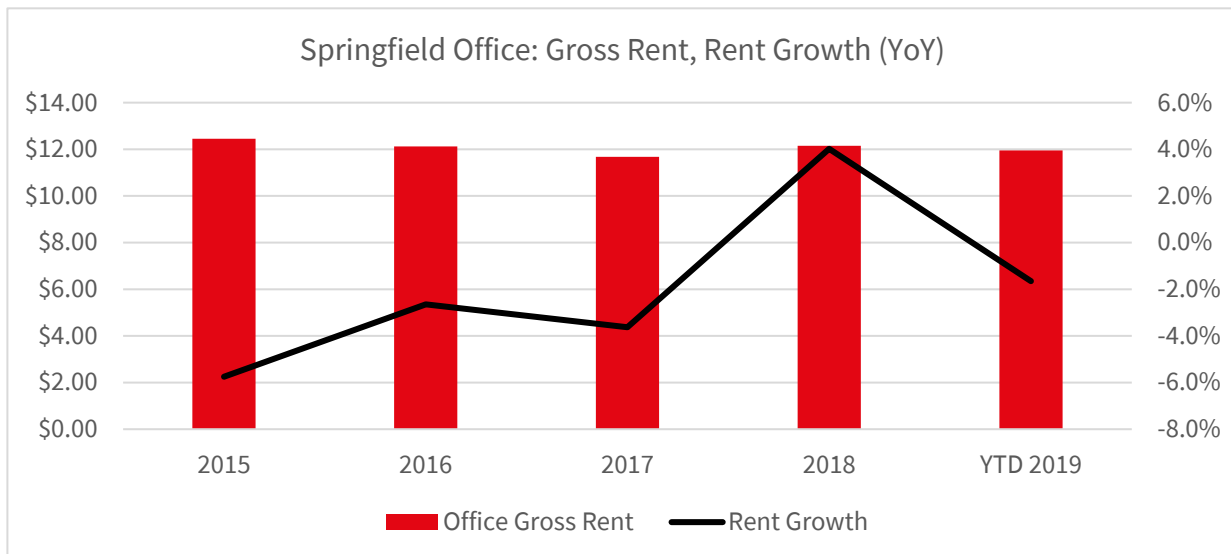
Inventory and Supply

The Springfield office market has 10.3 million square feet of total office inventory with a vacancy rate of 9.2%. After two years of positive net absorption, 2017 through 2019 experience negative net absorption. Springfield saw two office buildings totaling 83,234 square feet delivered in 2018. With limited new delivery, combined with overall negative net absorption, vacancy rates have continued to increase since 2016. Another office 58,000 square foot office building is currently under construction, and this may further increase vacancy rates.



Source: CoStar

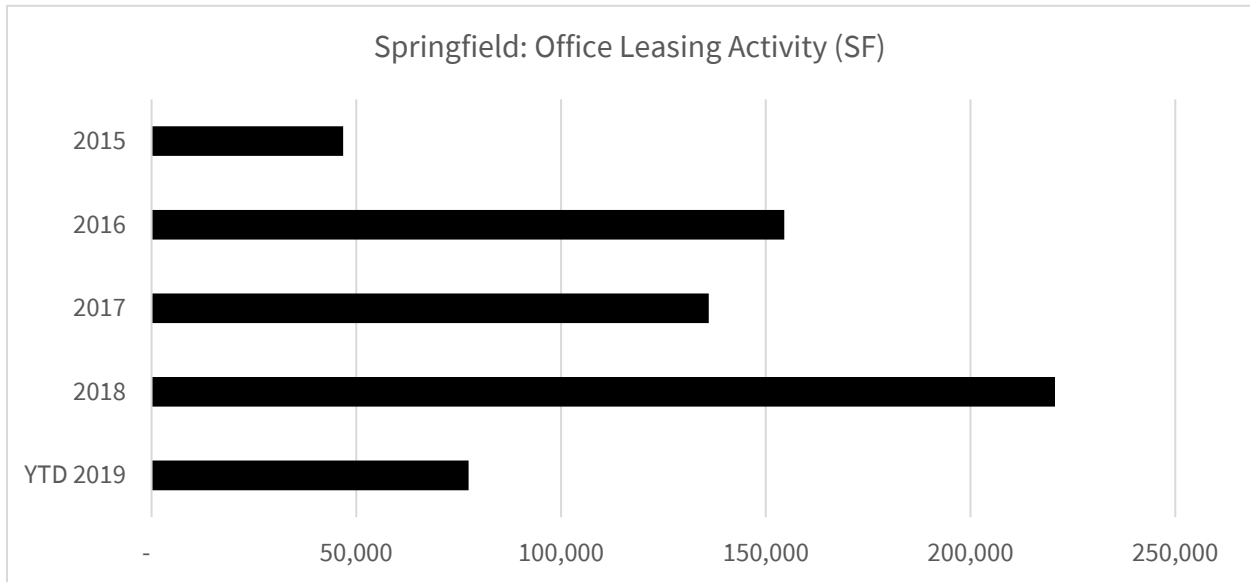
Office rents for properties in Springfield have decreased each year except in 2018, going from \$12.45 per square foot in 2015 to \$11.95 per square foot in year-to-date 2019.



Source: CoStar

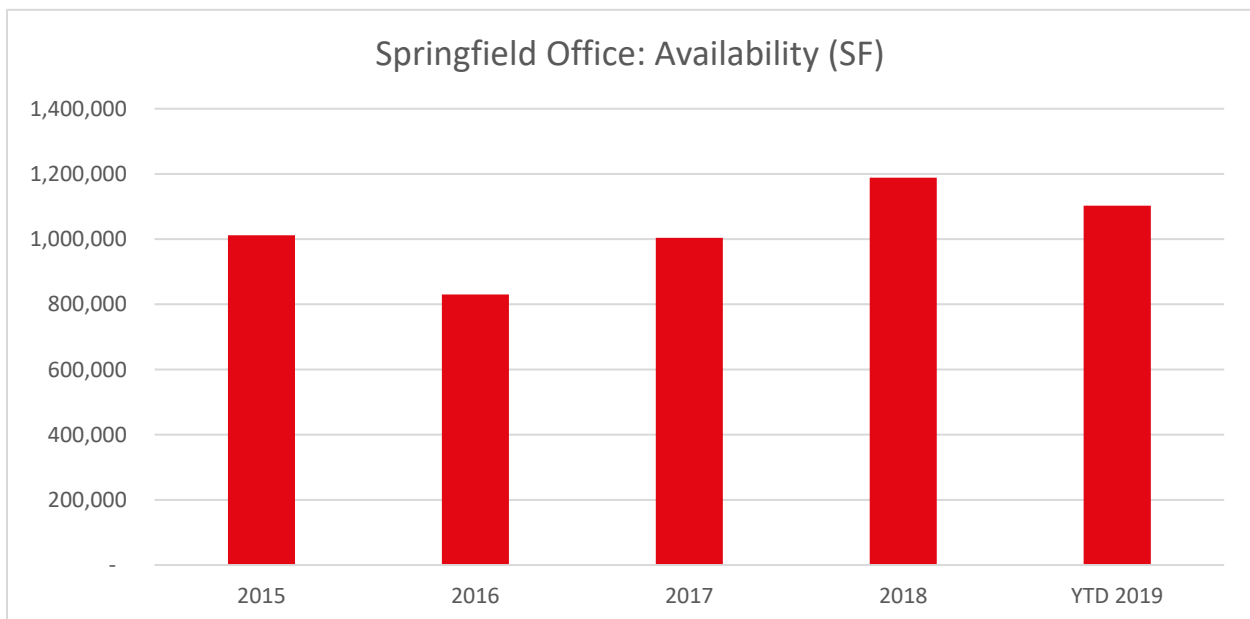
Leasing Activity and Availability

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 220,633 square feet in 2018. However, year-to-date 2019 saw a decrease from prior years with 77,422 square feet of leasing activity.



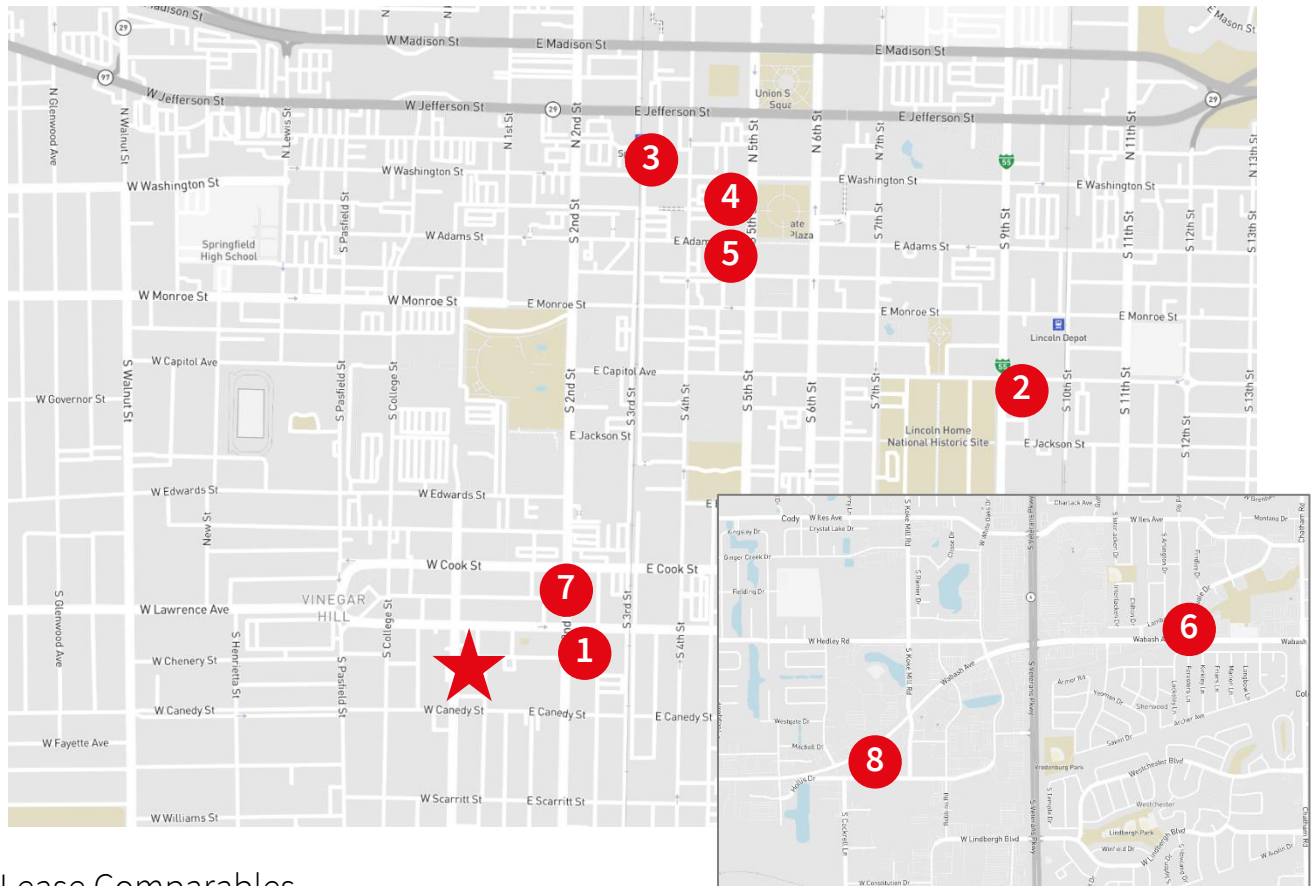
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years. Since 2015, availability in Springfield has been around 1,000,000 square feet except in 2016 where it decreased to 830,285 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. Rents for comparable properties in the market average \$15.49 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 21.3% to 88.7%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	828 S 2 nd Street	B	22,500	\$13.50/MG	12,866
2	400 S Ninth Street	B	10,170	\$14.75/Gross	10,170
3	401 E Washington	B	19,500	\$9.00/MG	19,500
4	1 W Old State Capital Plaza	B	24,701	\$14.50/FS	24,701
5	201-205 W Old State Capitol Plaza	B	30,706	\$15.00/FS	30,706

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. There as there were limited comparable sales within a one-mile radius. As such, a five-mile radius was utilized. Comparable office properties have sold for \$106.16 per square foot on average, that average is slightly skewed by the sale of 3500 Wabash Avenue, which represents a significantly higher price per square foot than the market. All available properties are much larger than the State's current occupancy at 830 S Spring St.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
6	3101 Montvale Drive	C	21,800	\$44.95	Sept-2019
7	725 S 2 nd Street	B	15,300	\$57.19	June-2019
8	3500 Wabash Avenue	B	18,693	\$155.14	Feb-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 833-835 S Spring St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	20,872
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 17.87
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$3,828,977. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 833-835 S Spring St	
Total Rent Cost	\$ 4,084,125
+ Total OpEx	\$ 914,170
Total Cost (Real)	\$ 3,828,977

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$7,710,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$369.38.

Total Cost to Acquire 833-835 S Spring St	
2020 Break-Even Acquisition Cost	\$ 7,709,666
+ Initial CapEx	\$ 208,720
+ Total Ongoing CapEx	\$ 228,543
+ Total OpEx	\$ 914,170
<u>- 2030 Market Value</u>	<u>\$ (8,975,646)</u>
Total Cost (Nominal)	\$ 1,054,123
Total Cost (Real)	\$ 3,828,977

If the State can acquire the building below \$369.38 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Springfield.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3101 Montvale Drive	21,800	\$ 979,910	\$ 44.95
725 S 2nd Street	15,300	\$ 875,007	\$ 57.19
3500 Wabash Avenue	18,693	\$ 2,900,032	\$ 155.14
Average			\$ 85.76

Based on this sample, the average sale price of properties in Springfield is \$85.76 per square foot. Compared to the maximum break-even price of \$369.38 per square foot for the 833-835 S Spring St, this value is significantly lower, indicating that acquiring the property for less than \$369.38 psf may be feasible.

Should the State acquire the property for \$85.76 per square foot, the total cost of acquisition, including capital expenditure, would be \$2,422,111.

Total Cost to Acquire 833-835 S Spring St at Market Value	
2020 Market Acquisition Cost	\$ 1,789,983
+ Total Buildout Cost (full TI)	\$ 968,670
+ Initial CapEx	\$ 208,720
+ Total Ongoing CapEx	\$ 228,543
+ Total OpEx	\$ 914,170
<u>- 2030 Market Value</u>	<u>\$ (2,083,910)</u>
Total Cost (Nominal)	\$ 2,026,175
Total Cost (Real)	\$ 2,422,111

This is \$1,406,866 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

Acquisition Alternatives			
Address	Total Rentable Square Feet	Asking Sales price psf	Asking Sales price
2040 Hill Meadows Dr	24,600	\$48.78	\$ 1,199,988
2960-2980 Baker Dr	19,915	\$62.77	\$ 1,250,065
Lease Alternatives			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
828 S 2nd Street	22,500	20,872	\$13.50
400 S Ninth Street	10,170	10,170	\$14.75
401 E Washington	19,500	19,500	\$9.00
1 W Old State Capital Pla:	24,701	20,872	\$14.50
201-205 W Old State Capi	30,706	20,872	\$15.00

Regarding acquisition alternatives, both properties are approximately the same size as the State's current footprint at this location. Therefore, the properties may be viable.

Regarding lease alternatives, all but 400 S Ninth St are approximately the same size as the State's current footprint at this location. Therefore, all properties except 400 S Ninth St may be viable.

Conclusion

The lowest cost technically acceptable alternative is to acquire an alternative property: 2960-2980 Baker Dr. Total costs over a 10-year period may be \$1.7 million, or 46%, less compared to extending the current lease.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 833-835 S Spring St	\$ 3,828,977
Acquire 833-835 S Spring St	\$ 2,422,111
Acquisition Alternatives	Total Cost to Acquire
2040 Hill Meadows Dr	\$ 2,607,607
2960-2980 Baker Dr	\$ 2,177,210
Lease Alternatives	Total Cost to Lease
828 S 2nd Street	\$ 2,824,805
401 E Washington	\$ 2,696,390
1 W Old State Capital Plaza	\$ 2,999,881
201-205 W Old State Capitol Plaza	\$ 3,087,419

The background of the page is a vibrant red with a textured, brush-stroke-like pattern. A dark, almost black, abstract shape is visible on the right side, resembling a mountain range or a stylized landscape.

2100 Eastdale Ave

Springfield

Market Analysis

Property Description

Property Details	
Property Address:	2100 Eastdale Ave Springfield, IL
Property Type:	Warehouse
User:	IDOT
Building Size (SF):	20,000
FY 2018 Annual Cost:	\$248,713
FY 2018 Annual Cost (psf):	\$12.44
2019 Headcount:	17
Demographics	
Population:	1 mile: 13,870 5 miles: 123,494
Median Household Income:	1 mile: \$37,599 5 miles: \$52,522

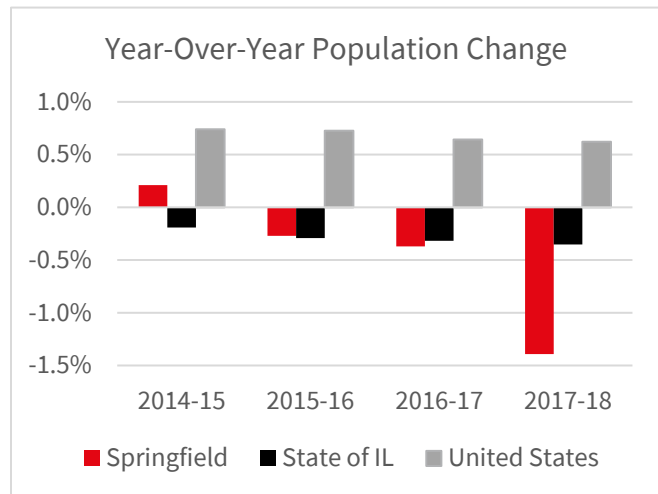


Source: Google

Demographic Overview for Springfield, IL

Population

Springfield, Illinois is the capital of Illinois and is the county seat of Sangamon County. In 2019, Springfield had an estimated population of 115,520. Overall, Springfield has experienced population loss year over year, except for 2014-2015, and most significantly in 2017-2018. The State has experienced similar trends as well.

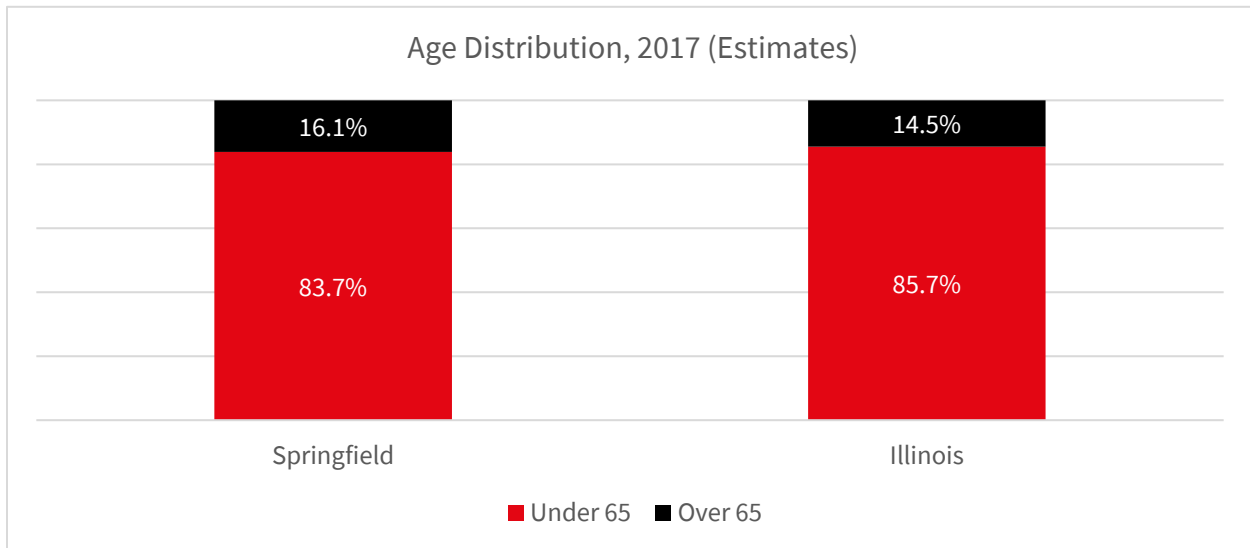


Source: U.S. Census Bureau

Year	Population Estimates
2018	114,694
2017	116,313
2016	116,745
2015	117,061
2014	116,815

Age

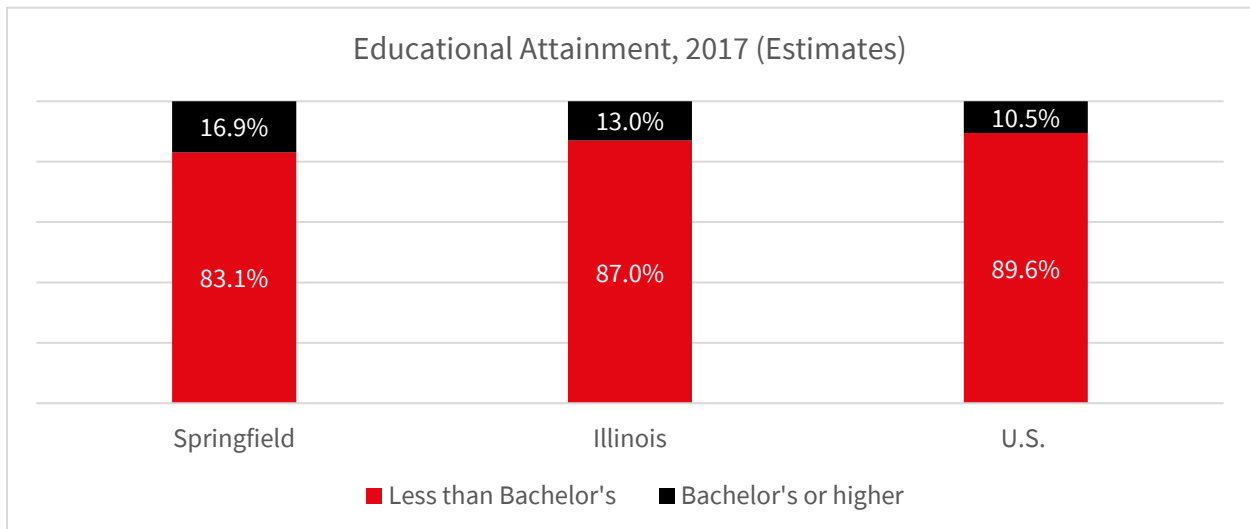
The population of Springfield is somewhat older compared to the State. The median age Springfield is 38.9 years old and is slightly older than the statewide median age of 37.7. Senior above the age of 65 make up 16.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.7% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

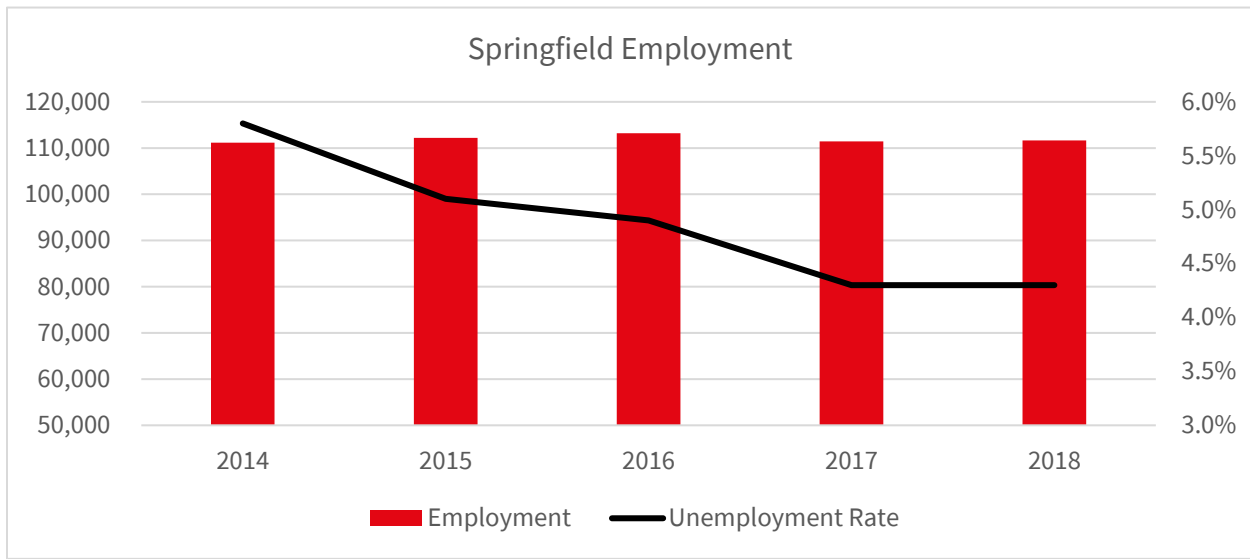
In Springfield, 16.9% of the population has a bachelor's degree or higher, a somewhat higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 83.1% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

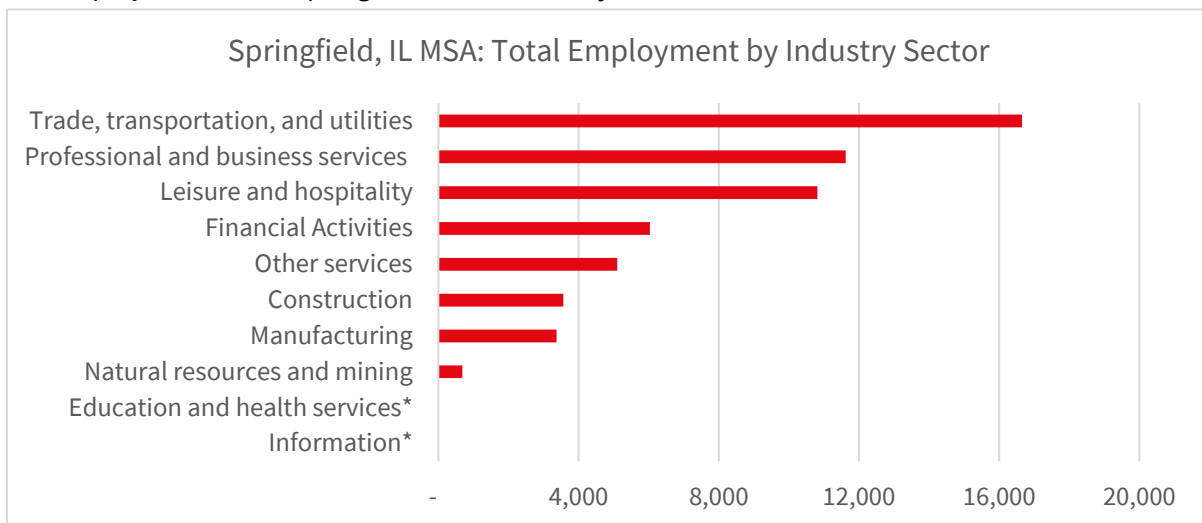
Labor Force and Employment Growth

Springfield is located in the Springfield Metropolitan Statistical Area (“MSA”), which is comprised of Sangamon and Menard County. Employment growth in the Springfield MSA has been flat over the past five years with total employment at 111,638 in 2018. This is down from 2016, when employment totaled 113,203. The unemployment rate decreased every year from 2014 to 2017 before leveling out from 2017 to 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest share of employment in the Springfield MSA with a total of 16,655 jobs. Employment is roughly split between the next largest industry sectors – professional and business services; and leisure and hospitality – with employment of 11,621 jobs and 10,816 jobs respectively. Employment in natural resources and mining represent the smallest share of the employment in the Springfield MSA with 683 jobs.



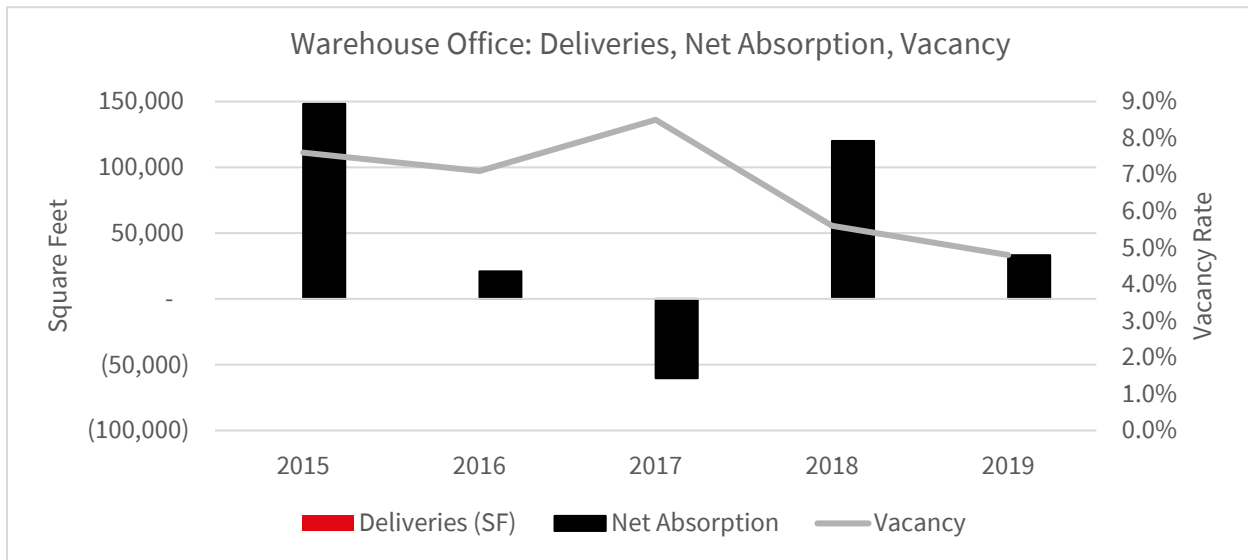
Source: U.S. Bureau of Labor Statistics

*Not Disclosable – data do not meet Bureau of Labor Statistics or State agency disclosure standards.

Warehouse Market Conditions

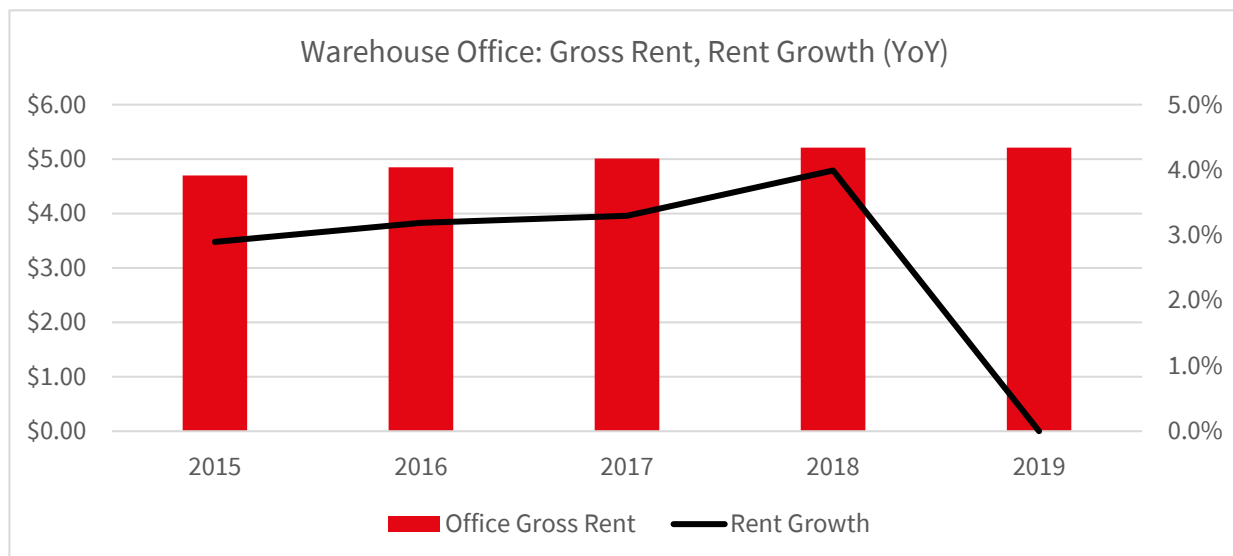
Inventory and Supply

The Springfield Warehouse market has 4.2 million square feet of total warehouse inventory with a vacancy rate of 4.8%. From 2018-2019, Springfield saw two consecutive years of positive absorption totaling 153,236 square feet. Springfield has not seen a new warehouse delivery since 2013. With limited new delivery, combined with overall positive absorption, vacancy rates have continued to decline since 2017. There is currently no construction in the pipeline, and sustained demand should continue to push down vacancy rates.



Source: CoStar

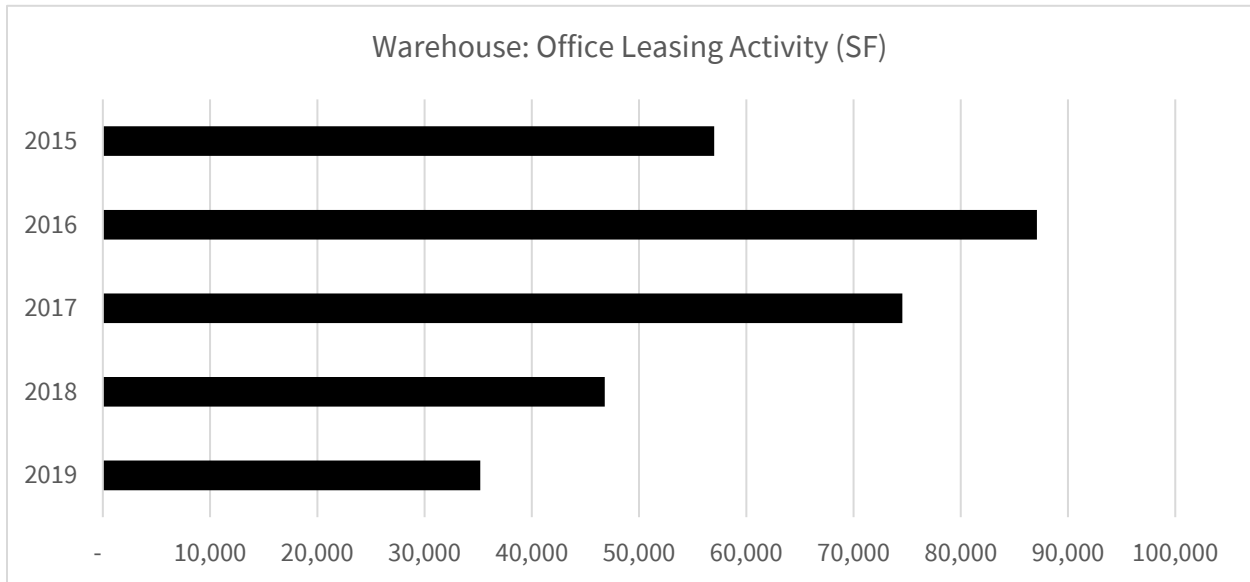
Warehouse rents in Springfield increased steadily from 2015 to 2018, going from \$4.70 per square foot to \$5.21 per square foot. Rents then stagnated from 2018 – 2019 staying at \$5.21 per sq. ft.



Source: CoStar

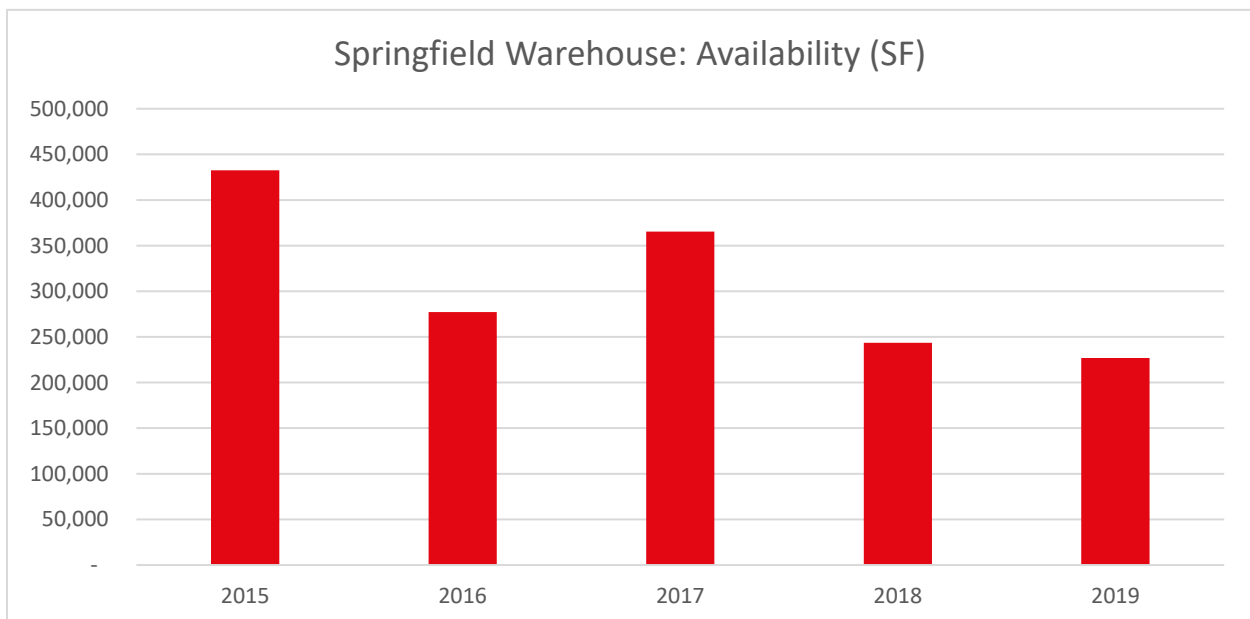
Leasing Activity and Availability

Warehouse leasing activity in Springfield has declined in recent years, with leasing decreasing from 87,095 square feet in 2016 to 35,188 square feet in 2019. 2019 saw the least of leasing activity over the last five years.



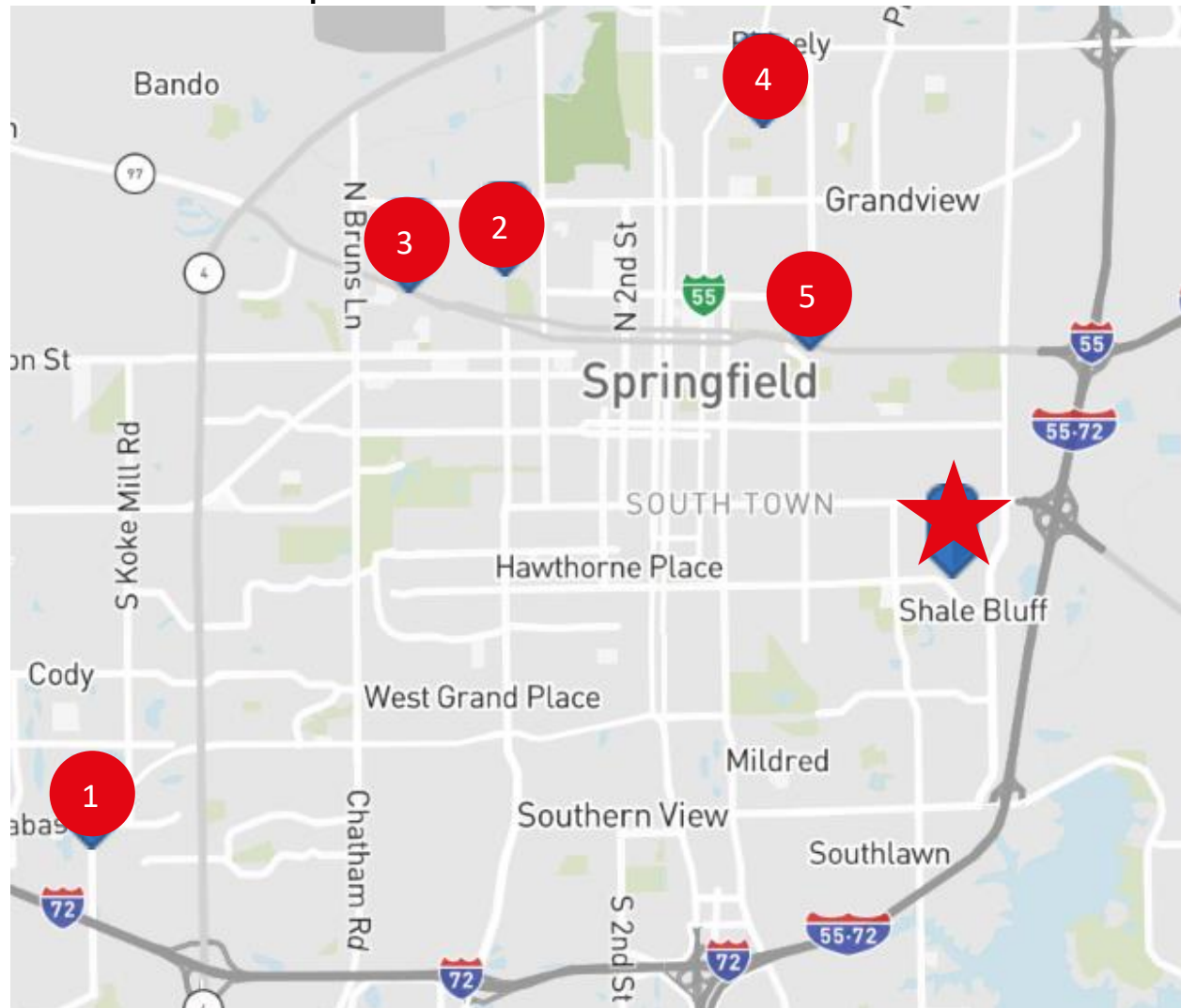
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, is at the lowest level in the most recent five years. From 2017 – 2019 available warehouse space has decreased from 365,400 square feet to 226,800 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. Rents for comparable properties in the market average \$4.00 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 0% to 48.6%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	3151 Cockrell Lane	B	27,240	\$6.00 FS	27,240
2	700 N Macarthur Boulevard	C	91,000	\$3.00 FS	91,000
3	1555 W Jefferson Street	C	56,540	\$3.00/NNN	27,500

Sale Comparables

Recent office sales represent properties that have sold in the most recent 24 months. There were limited comparable sales within a one-mile radius. As such, a seven-mile radius was utilized. Comparable office properties have sold for \$23.00 per square foot on average, that average is slightly skewed by the sale of 1700 E Clear Lake Avenue, which represents a significantly higher price per square foot than the market. All available properties have a larger foot print than the subject property.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
4	1650 N 14 th Street	C	23,040	\$15.00	Sept-2018
5	1700 E Clear Lake Avenue	B	26,825	\$31.00	Dec-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 2100 Eastdale Ave or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	20,000
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 12.44
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ -
Landlord TI Allowance (\$ sf)	\$ -
Initial Capital Repairs and Renovations (\$ sf)	\$ -
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$2,757,279. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 2100 Eastdale Ave	
Total Rent Cost	\$ 2,723,338
+ Total OpEx	\$ 875,978
Total Cost (Real)	\$ 2,757,279

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$8,070,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$403.62.

Total Cost to Acquire 2100 Eastdale Ave	
2020 Break-Even Acquisition Cost	\$ 8,072,361
+ Initial CapEx	\$ -
+ Total Ongoing CapEx	\$ 218,994
+ Total OpEx	\$ 875,978
<u>- 2030 Market Value</u>	<u>\$ (9,397,897)</u>
Total Cost (Nominal)	\$ (230,565)
Total Cost (Real)	\$ 2,757,279

If the State can acquire the building below \$403.62 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Springfield.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1650 N 14t St	23,040	\$ 345,600	\$ 15.00
1700 E Clear Lake Ave	26,825	\$ 831,575	\$ 31.00
Average			\$ 23.00

Based on this sample, the average sale price of properties in Springfield is \$23.00 per square foot. Compared to the maximum break-even price of \$403.62 per square foot for the 2100 Eastdale Ave, this value is significantly lower, indicating that acquiring the property for less than \$403.62 psf may be feasible.

Should the State acquire the property for \$23.00 per square foot, the total cost of acquisition, including capital expenditure, would be \$948,134.

Total Cost to Acquire 2100 Eastdale Ave at Market Value	
2020 Market Acquisition Cost	\$ 460,000
+ Total Buildout Cost (full TI)	\$ -
+ Initial CapEx	\$ -
+ Total Ongoing CapEx	\$ 218,994
+ Total OpEx	\$ 875,978
<u>- 2030 Market Value</u>	<u>\$ (535,535)</u>
Total Cost (Nominal)	\$ 1,019,437
Total Cost (Real)	\$ 948,134

This is \$1,809,146 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

Acquisition Alternatives				
Address	Total Available Rentable Square Feet	Asking Sales price psf	Asking Sales price	
1700 Taylor Ave	20,000	\$32.50	\$ 650,000	
Lease Alternatives				
Address	Total Available SF	Square Feet	Asking Rent \$/SF	
3151 Cockrell Ln	27,240	20,000	\$6.00	
700 N Macarthur Blvd	91,000	20,000	\$3.00	
1555 W Jefferson St	56,540	20,000	\$3.00	

Regarding acquisition alternatives, the property is the same size as the State's current footprint at this location. Therefore, the property may be viable.

Regarding lease alternatives, all properties may be able to accommodate the State's current footprint at this location. Therefore, all properties may be viable.

Conclusion

The lowest cost technically acceptable alternative is to lease an alternative property: 700 N Macarthur Blvd. The cost to lease this property over a 10-year period may be \$2.3 million, or 82%, less compared to extending the current lease.

Lease 2100 Eastdale Ave	\$ 2,757,279
Acquire 2100 Eastdale Ave	\$ 948,134
Acquisition Alternatives	Total Cost to Acquire
1700 Taylor Ave	\$ 968,148
Lease Alternatives	Total Cost to Lease
3151 Cockrell Ln	\$ 1,006,573
700 N Macarthur Blvd	\$ 503,286
1555 W Jefferson St	\$ 1,316,956

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4700 Rodger St

Springfield

Market Analysis

Property Description

Property Details	
Property Address:	4700 Rodger St Springfield, IL
Property Type:	Warehouse
User:	Illinois State Police
Building Size (SF):	6,000
FY 2018 Annual Cost:	\$67,352
FY 2018 Annual Cost (psf):	\$11.23
2019 Headcount:	10
Demographics	
Population:	1 mile: 13,870 5 miles: 123,494
Median Household Income:	1 mile: \$37,599 5 miles: \$52,522

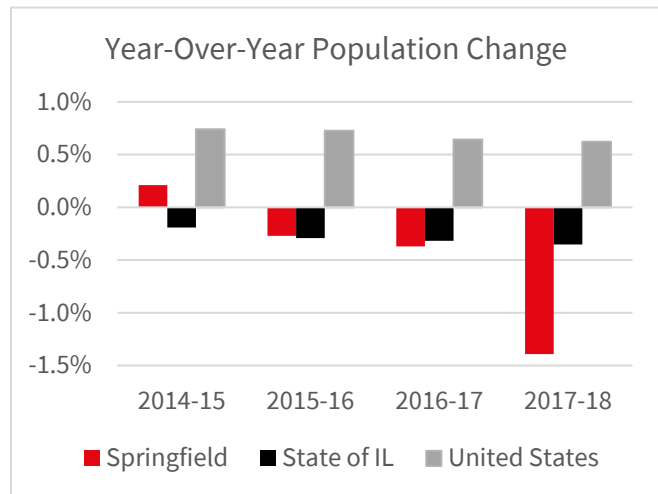


Source: Google

Demographic Overview for Springfield, IL

Population

Springfield, Illinois is the capital of Illinois and is the county seat of Sangamon County. In 2019, Springfield had an estimated population of 115,520. Overall, Springfield has experienced population loss year over year, except for 2014-2015, and most significantly in 2017-2018. The State has experienced similar trends as well.

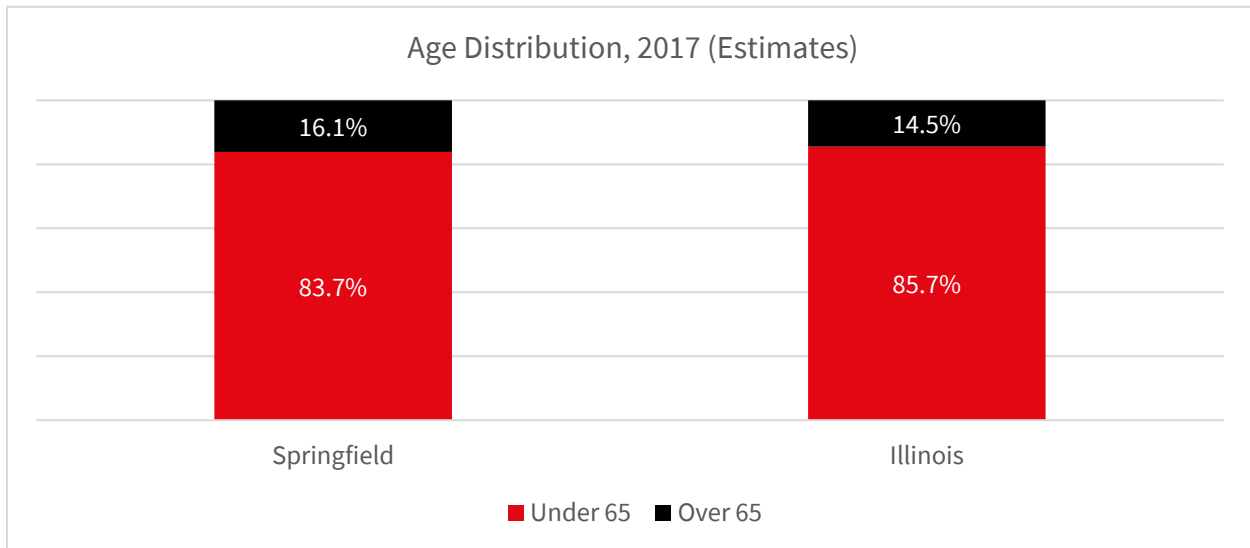


Source: U.S. Census Bureau

Year	Population Estimates
2018	114,694
2017	116,313
2016	116,745
2015	117,061
2014	116,815

Age

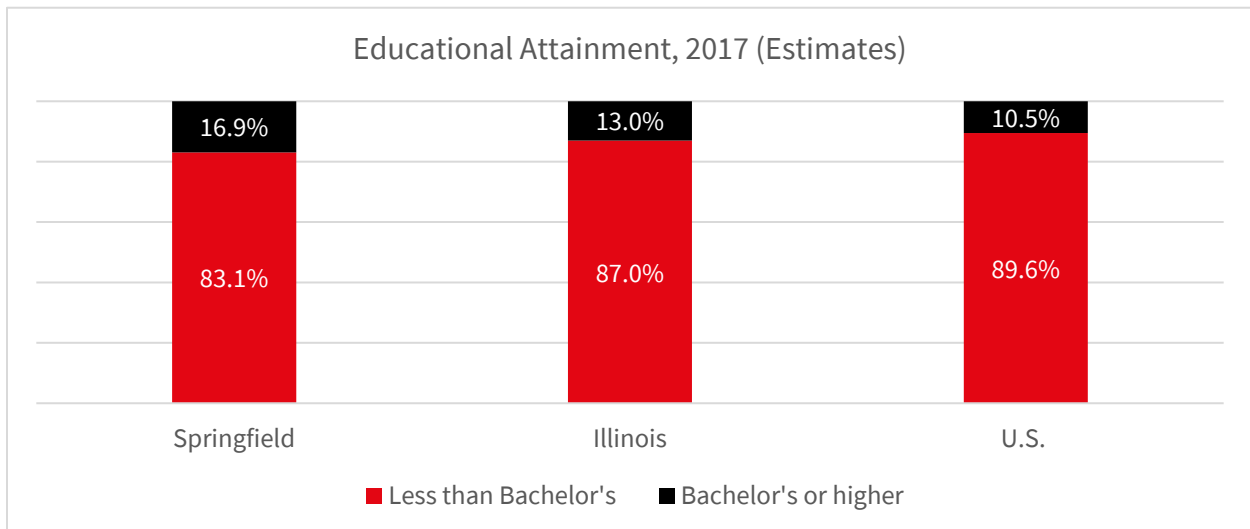
The population of Springfield is somewhat older compared to the State. The median age Springfield is 38.9 years old and is slightly older than the statewide median age of 37.7. Senior above the age of 65 make up 16.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 83.7% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

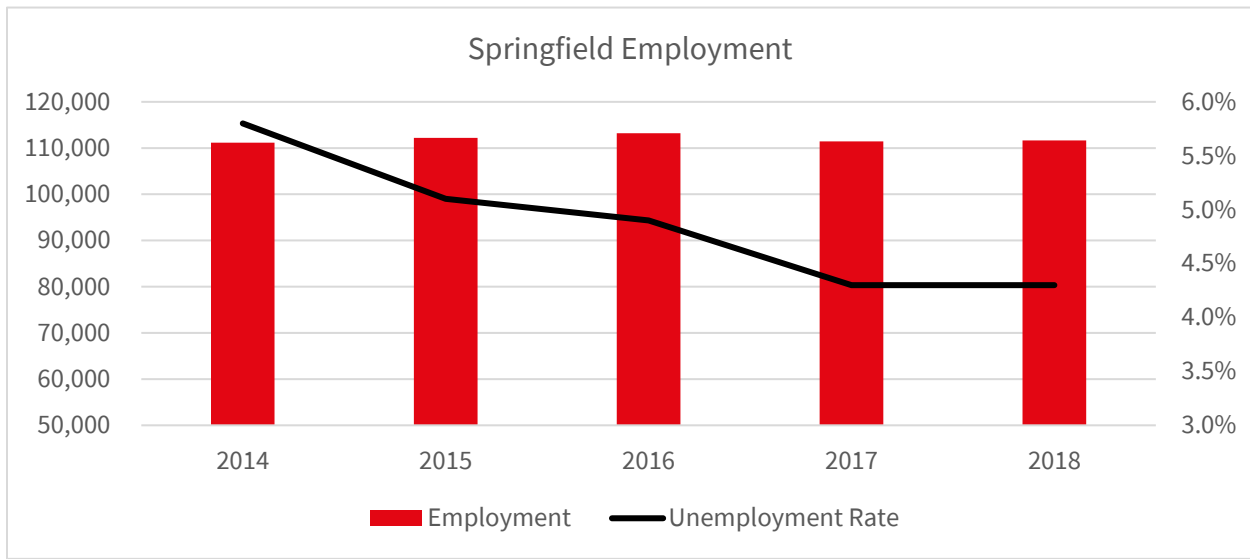
In Springfield, 16.9% of the population has a bachelor's degree or higher, a somewhat higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 83.1% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

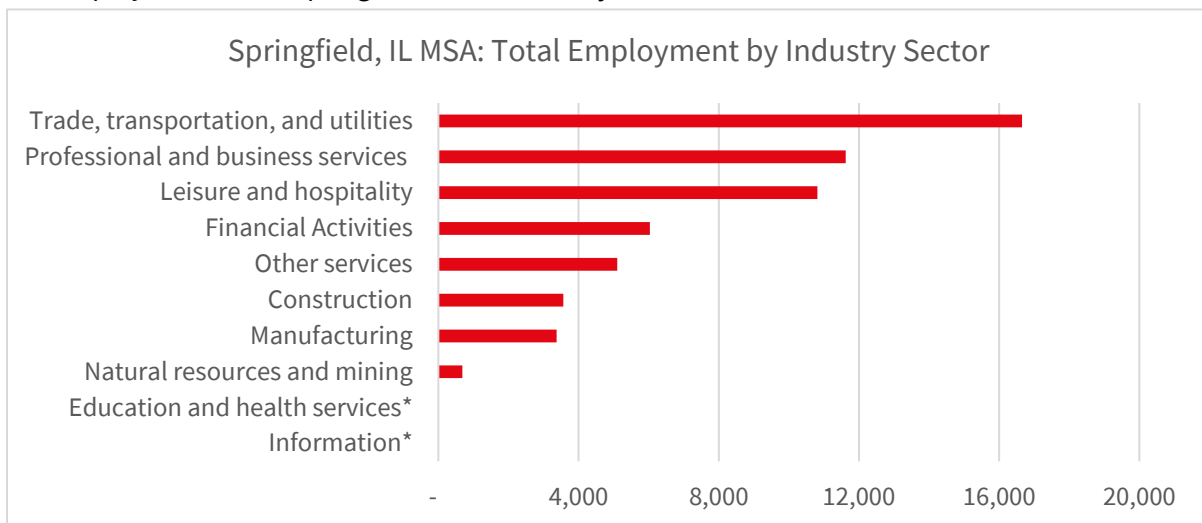
Labor Force and Employment Growth

Springfield is located in the Springfield Metropolitan Statistical Area (“MSA”), which is comprised of Sangamon and Menard County. Employment growth in the Springfield MSA has been flat over the past five years with total employment at 111,638 in 2018. This is down from 2016, when employment totaled 113,203. The unemployment rate decreased every year from 2014 to 2017 before leveling out from 2017 to 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest share of employment in the Springfield MSA with a total of 16,655 jobs. Employment is roughly split between the next largest industry sectors – professional and business services; and leisure and hospitality – with employment of 11,621 jobs and 10,816 jobs respectively. Employment in natural resources and mining represent the smallest share of the employment in the Springfield MSA with 683 jobs.



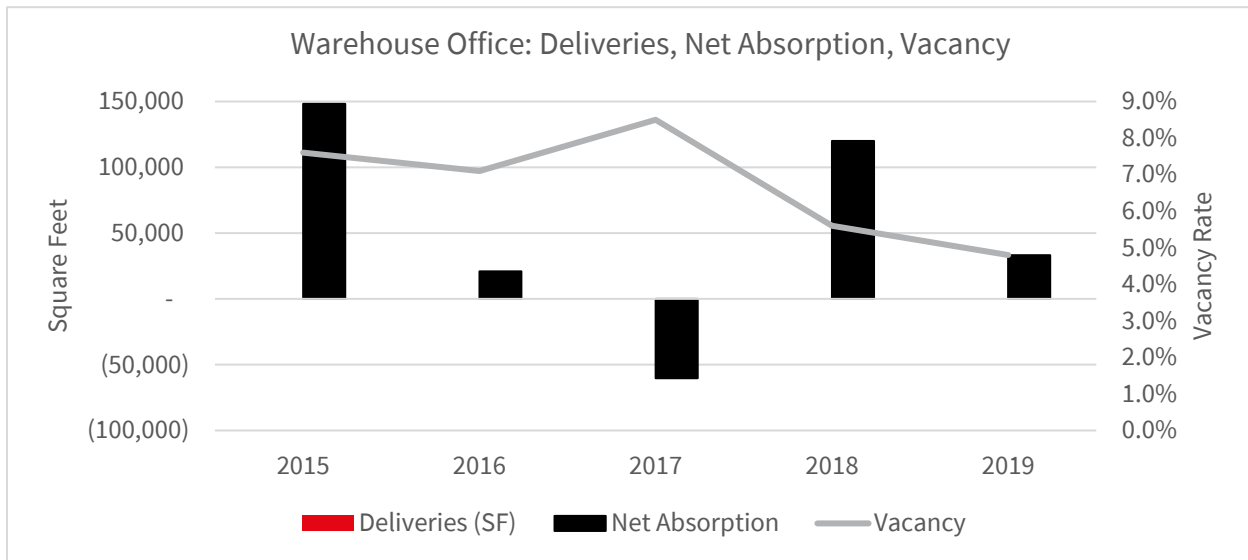
Source: U.S. Bureau of Labor Statistics

*Not Disclosable – data do not meet Bureau of Labor Statistics or State agency disclosure standards.

Warehouse Market Conditions

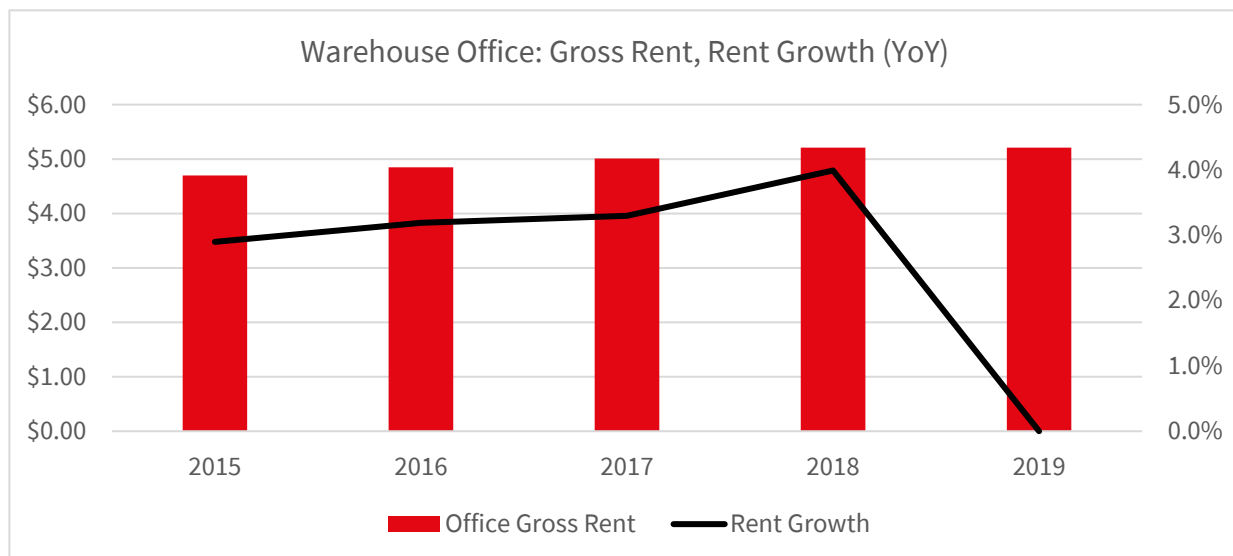
Inventory and Supply

The Springfield Warehouse market has 4.2 million square feet of total warehouse inventory with a vacancy rate of 4.8%. From 2018-2019, Springfield had two consecutive years of positive absorption totaling 153,236 square feet. Springfield has not seen a new warehouse delivery since 2013. With limited new delivery, combined with overall positive absorption, vacancy rates have continued to decline since 2017. There is currently no construction in the pipeline, and sustained demand should continue to push down vacancy rates.



Source: CoStar

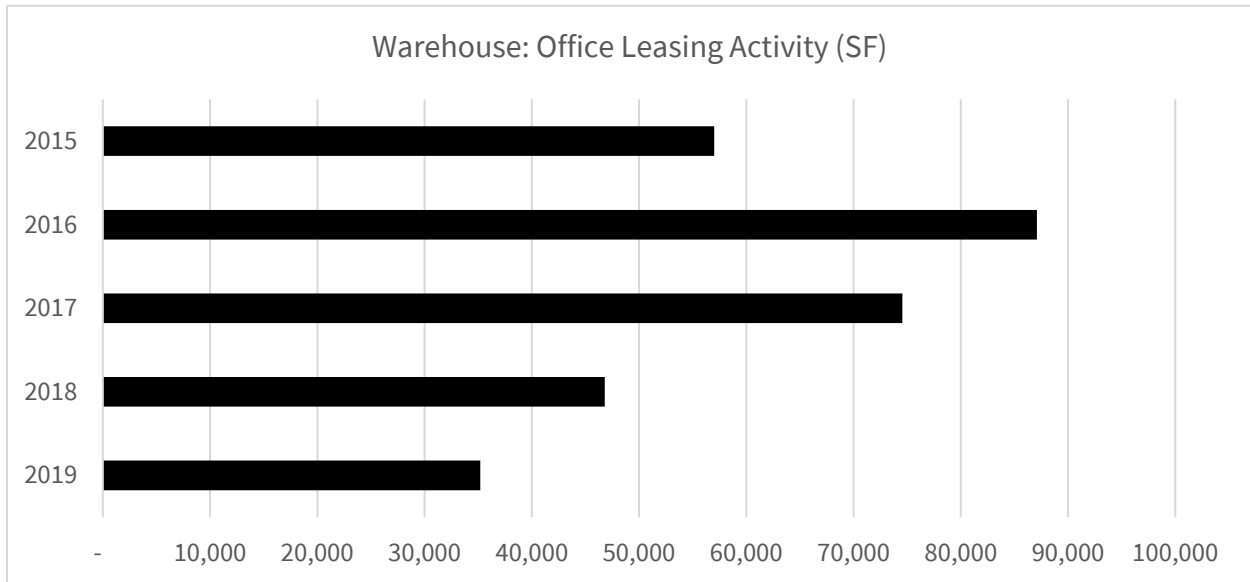
Warehouse rents in Springfield increased steadily from 2015 to 2018, going from \$4.70 per square foot to \$5.21 per square foot. Rents then stagnated from 2018 – 2019 staying at \$5.21 per sq. ft.



Source: CoStar

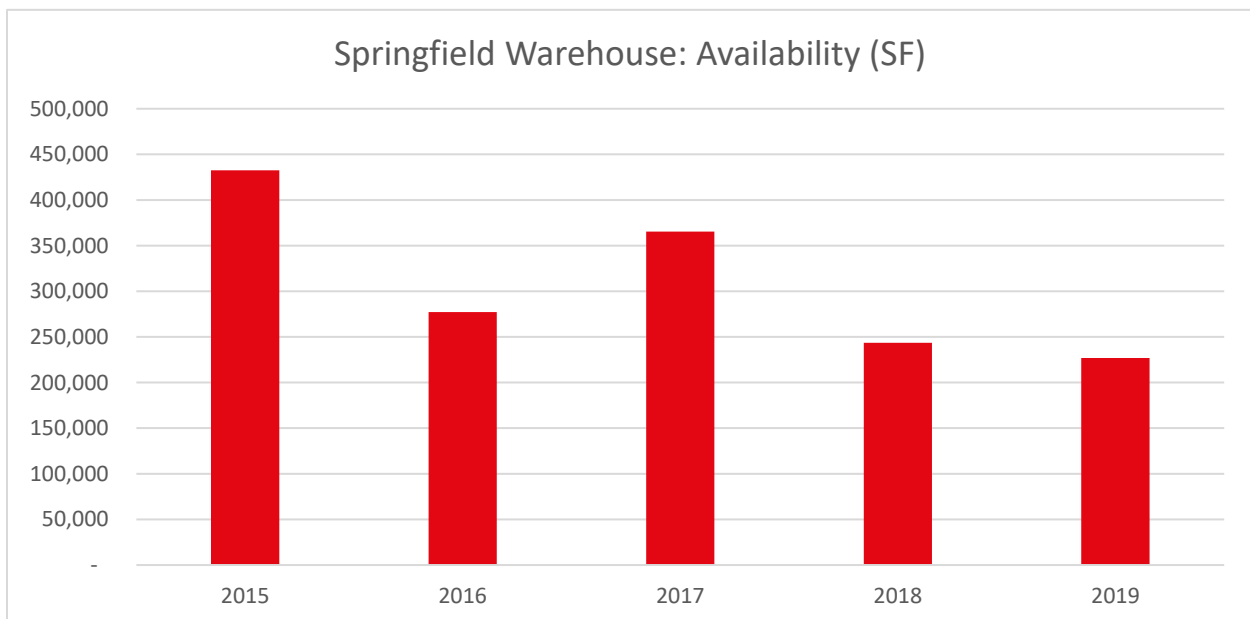
Leasing Activity and Availability

Warehouse leasing activity in Springfield has declined in recent years, with leasing decreasing from 87,095 square feet in 2016 to 35,188 square feet in 2019. 2019 saw the least amount of leasing activity over the last five years.



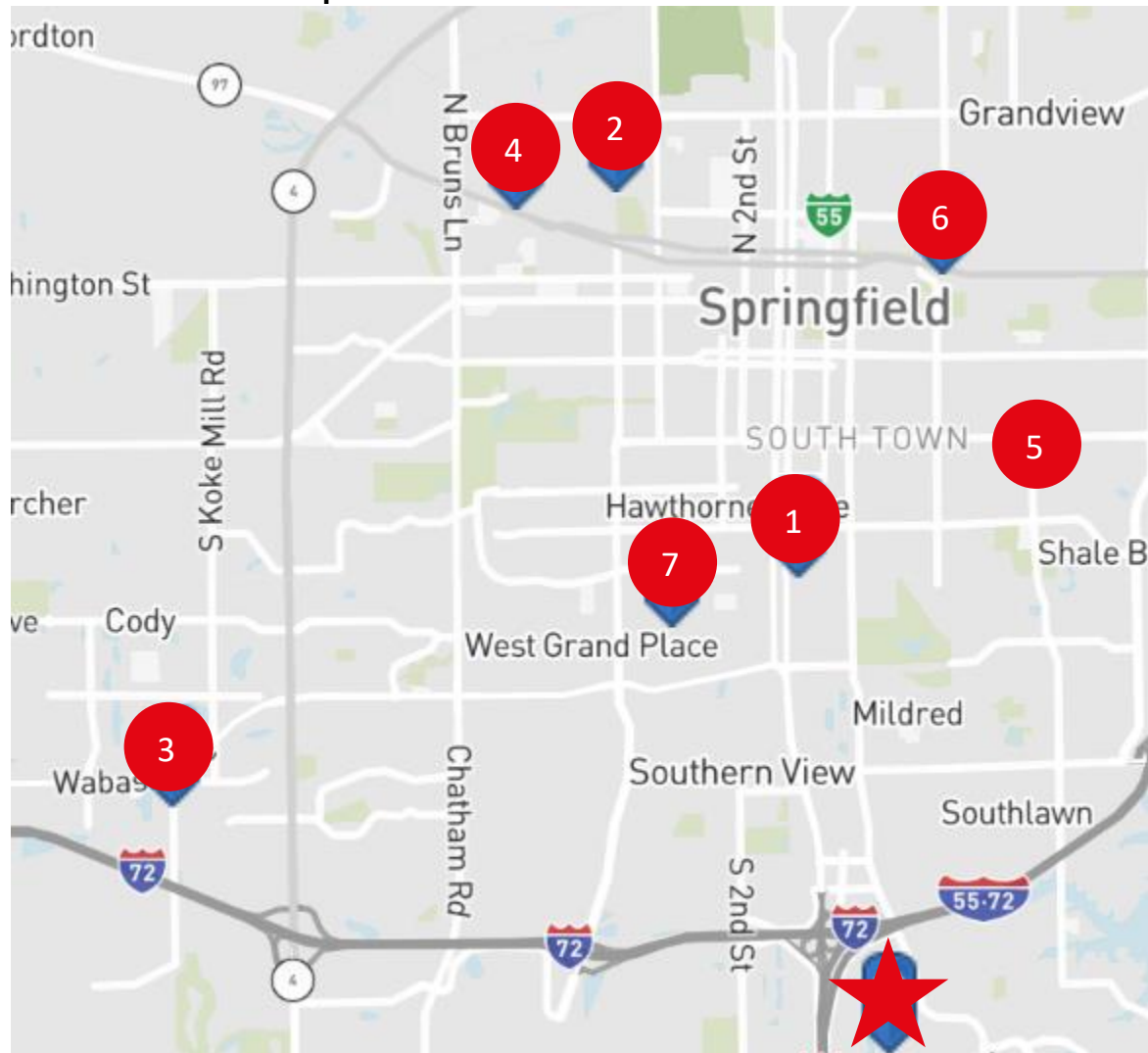
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, is at the lowest level in the most recent five years. From 2017 – 2019 available Warehouse space has decreased from 365,400 square feet to 226,800 square feet.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property's footprint. Rents for comparable properties in the market average \$3.75 per square foot. Lease comparables in the market have varying levels of occupancy, ranging from 0% to 55.6%.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	701 E Princeton Avenue	C	18,000	\$3.00 FS	10,000
2	700 N Macarthur Boulevard	C	91,000	\$3.00 FS	91,000
3	3151 Cockrell Lane	B	27,240	\$6.00 FS	27,240
4	1555 W Jefferson Street	C	56,540	\$3.00/NNN	27,500

Sale Comparables

Recent office sales represent properties that have sold in the most recent 24 months. There were limited comparable sales within a one-mile radius. As such, a five-mile radius was utilized.

Comparable office properties have sold for \$36.67 per square foot on average, that average is slightly skewed by the sale of 1600 Taylor Avenue, which represents a significantly higher price per square foot than the market. All available properties have a larger foot print than the subject property.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
5	1600 Taylor Avenue	B	9,500	\$69.00	Jul-2018
6	1700 E Clear Lake Avenue	B	26,825	\$31.00	Dec-2018
7	2714 Holmes Ave	C	14,500	\$10.00	Dec-2019

Own Versus Lease Analysis

To assess whether the State should continue leasing 4700 Rodger St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	6,000
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 11.23
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$766,270. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 4700 Rodger St	
Total Rent Cost	\$ 737,486
+ Total OpEx	\$ 262,793
Total Cost (Real)	\$ 766,270

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$810,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$134.85.

Total Cost to Acquire 4700 Rodger St	
2020 Break-Even Acquisition Cost	\$ 809,076
+ Initial CapEx	\$ 60,000
+ Total Ongoing CapEx	\$ 65,698
+ Total OpEx	\$ 262,793
<u>- 2030 Market Value</u>	<u>\$ (941,932)</u>
Total Cost (Nominal)	\$ 534,096
Total Cost (Real)	\$ 766,270

If the State can acquire the building below \$134.85 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Springfield.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1650 N 14t St	23,040	\$ 345,600	\$ 15.00
1700 E Clear Lake Ave	26,825	\$ 831,575	\$ 31.00
Average			\$ 23.00

Based on this sample, the average sale price of properties in Springfield is \$23.00 per square foot. Compared to the maximum break-even price of \$134.85 per square foot for the 4700 Rodger St, this value is significantly lower, indicating that acquiring the property for less than \$134.85 psf may be feasible.

Should the State acquire the property for \$23.00 per square foot, the total cost of acquisition, including capital expenditure, would be \$606,783.

Total Cost to Acquire 4700 Rodger St at Market Value	
2020 Market Acquisition Cost	\$ 138,000
+ Total Buildout Cost (full TI)	\$ 278,460
+ Initial CapEx	\$ 60,000
+ Total Ongoing CapEx	\$ 65,698
+ Total OpEx	\$ 262,793
<u>- 2030 Market Value</u>	<u>\$ (160,661)</u>
Total Cost (Nominal)	\$ 644,291
Total Cost (Real)	\$ 606,783

This is \$159,487 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	Total Available Rentable Square Feet	Asking Sales price psf	Asking Sales price
None			
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
3151 Cockrell Ln	27,240	6,000	\$6.00
700 N Macarthur Blvd	91,000	6,000	\$3.00
1555 W Jefferson St	56,540	6,000	\$3.00

There are no acquisition alternatives in Springfield at this time.

Regarding lease alternatives, all properties may be able to accommodate the State's current footprint at this location. Therefore, all properties may be viable.

Conclusion

The lowest cost technically acceptable alternative is to lease an alternative property: 700 N Macarthur Blvd. The cost to lease this property over a 10-year period may be \$480,000, or 63%, less compared to extending the current lease.

Lease 4700 Rodger St	\$ 766,270
Acquire 4700 Rodger St	\$ 606,783
Acquisition Alternatives	Total Cost to Acquire
Lease Alternatives	Total Cost to Lease
3151 Cockrell Ln	\$ 434,572
700 N Macarthur Blvd	\$ 283,586
1555 W Jefferson St	\$ 527,687

The background of the page is a vibrant red with a textured, brush-stroke-like pattern. A dark, almost black, abstract shape is visible on the right side, resembling a mountain range or a stylized landscape element.

1100 N Cheney St

Taylorville

Market Analysis

Property Description

Property Details	
Property Address:	1100 N Cheney Street Taylorville, IL
Property Type:	Office
User:	Department of Human Services
Building Size (SF):	5,249
FY 2018 Annual Cost:	\$171,867
FY 2018 Annual Cost (psf):	\$17.85
2019 Headcount:	4
Demographics	
Population:	1 mile: 13,870 5 miles: 123,494
Median Household Income:	1 mile: \$50,668 5 miles: \$43,780

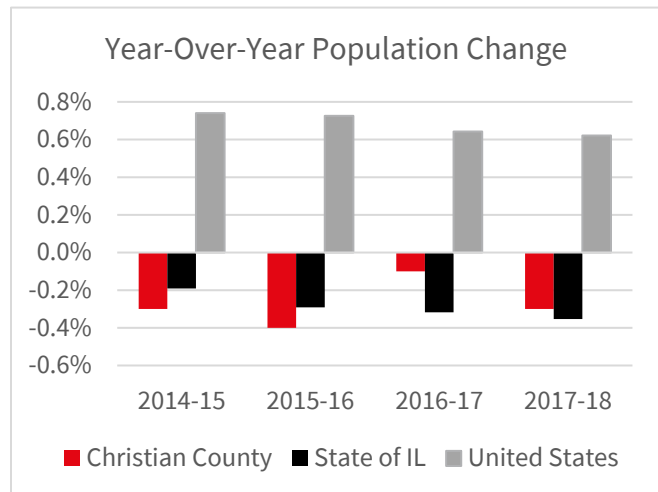


Source: Google

Demographic Overview for Taylorville, IL

Population

Taylorville, Illinois is located in central Illinois and is the county seat of Christian County. In 2018, Christian County had an estimated population of 33,562. Overall, the county has experienced population loss in each of the previous four years. The State has experienced similar trends as well.

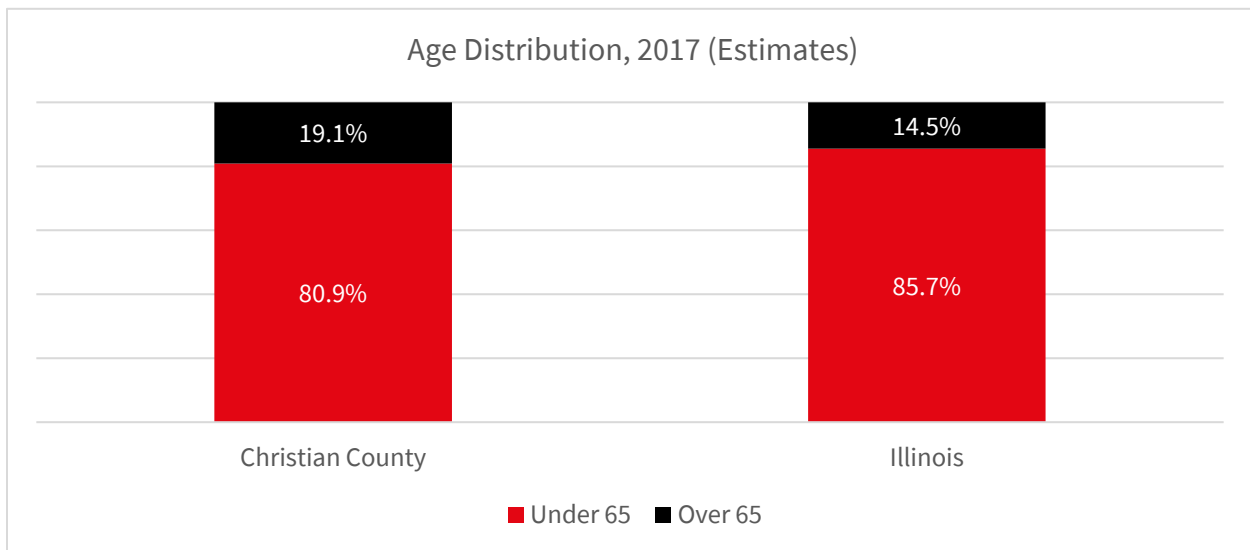


Source: U.S. Census Bureau

Year	Population Estimates
2018	33,562
2017	33,663
2016	33,696
2015	33,831
2014	33,933

Age

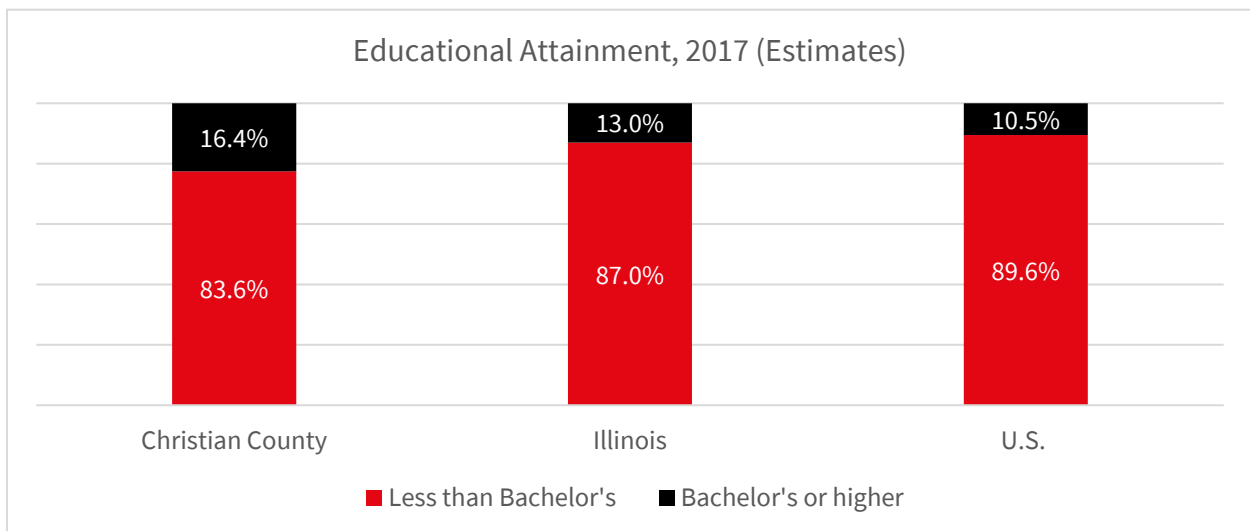
The population of Christian County is somewhat older compared to the State. The median age is 42.7 years old and is older than the statewide median age of 37.7. Seniors above the age of 65 make up 19.1% of the population, compared to 14.5% of the population statewide. Individuals under 65 make up 80.9% of the population, compared to 85.7% of the population statewide.



Source: U.S. Census Bureau

Education

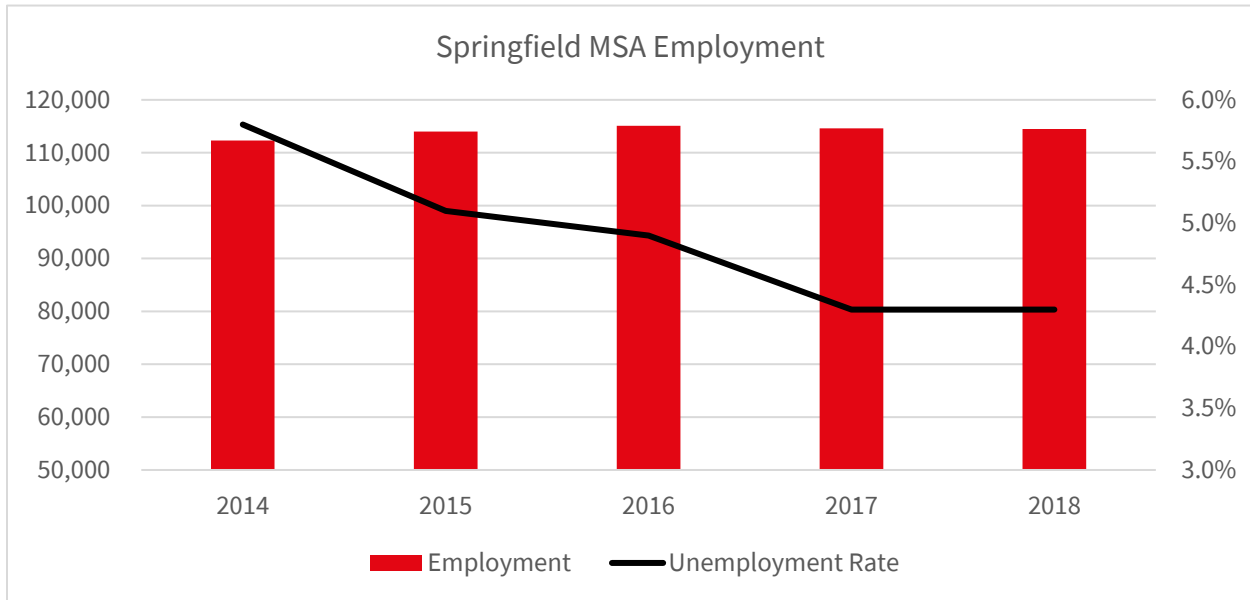
In Christian County, 16.4% of the population has a bachelor's degree or higher, a higher proportion than the State as a whole at 13.0% and the nation as a whole at 10.5%. Conversely, individuals with less than a Bachelor's degree comprise 83.6% of the population, compared to 87.0% for the State and 89.6% nationally.



Source: U.S. Census Bureau

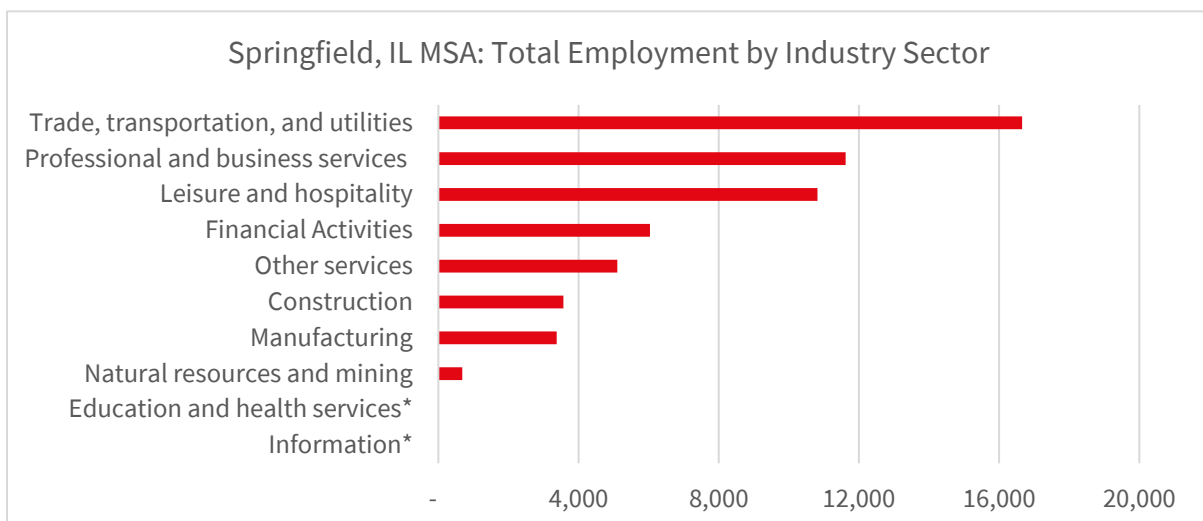
Labor Force and Employment Growth

Christian County is located within the Springfield Metropolitan Statistical Area (MSA). Employment growth in the Springfield MSA has been flat over the past five years with total employment at 114,500 in 2018. This is down from 2016, when employment totaled 115,100. The unemployment rate decreased every year from 2014 to 2017 before leveling out from 2017 to 2018 at 4.3%.



Source: U.S. Bureau of Labor Statistics

Trade, transportation, and utilities make up the largest share of employment in the Springfield MSA with a total of 16,655 jobs. Employment is roughly split between the next largest industry sectors – professional and business services; and leisure and hospitality – with employment of 11,621 jobs and 10,816 jobs respectively. Employment in natural resources and mining represent the smallest share of the employment in the Springfield MSA with 683 jobs

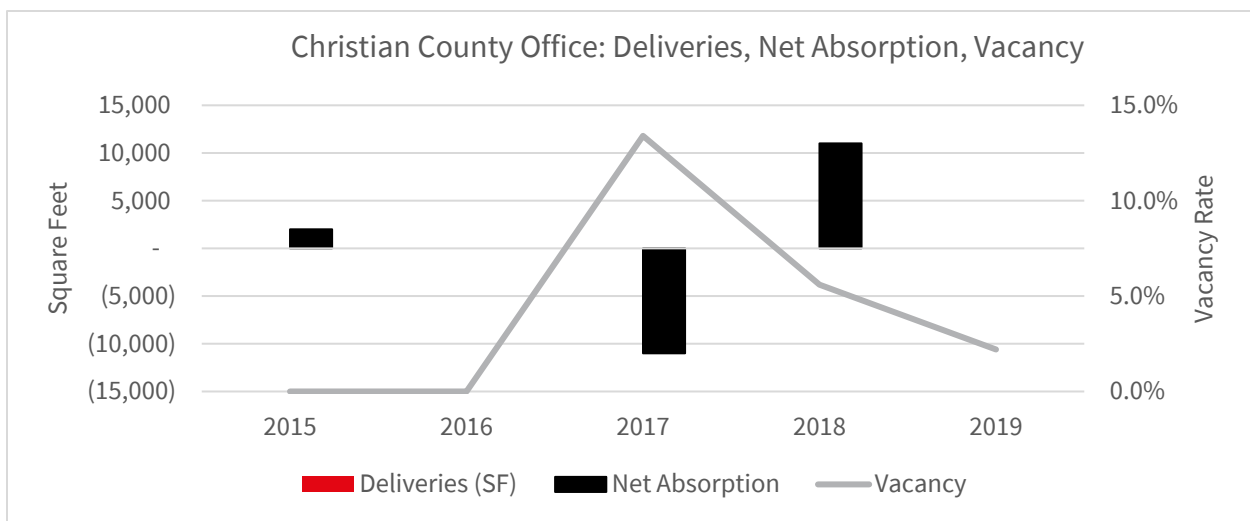


Office Market Conditions

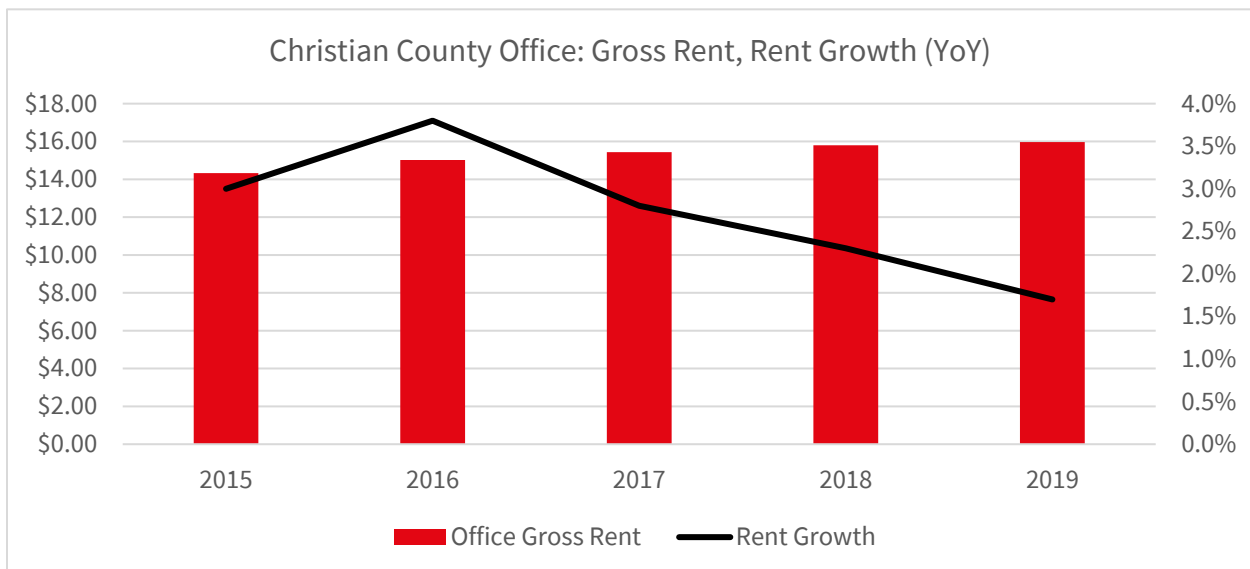
Inventory and Supply

The Christian County office market has 196,000 square feet of total office inventory with a vacancy rate of 0.0%. Net absorption has been volatile in the past 5 years, with neutral absorption between 2014 and 2016 followed by negative absorption in 2017 and slight growth in 2018. The county has seen no new deliveries in office inventory in the previous 5 years.

Office rents for properties in Christian County have been grown slightly between 2015-2019, going from \$14.33 per square foot in 2015 to \$15.97 per square foot in 2019.



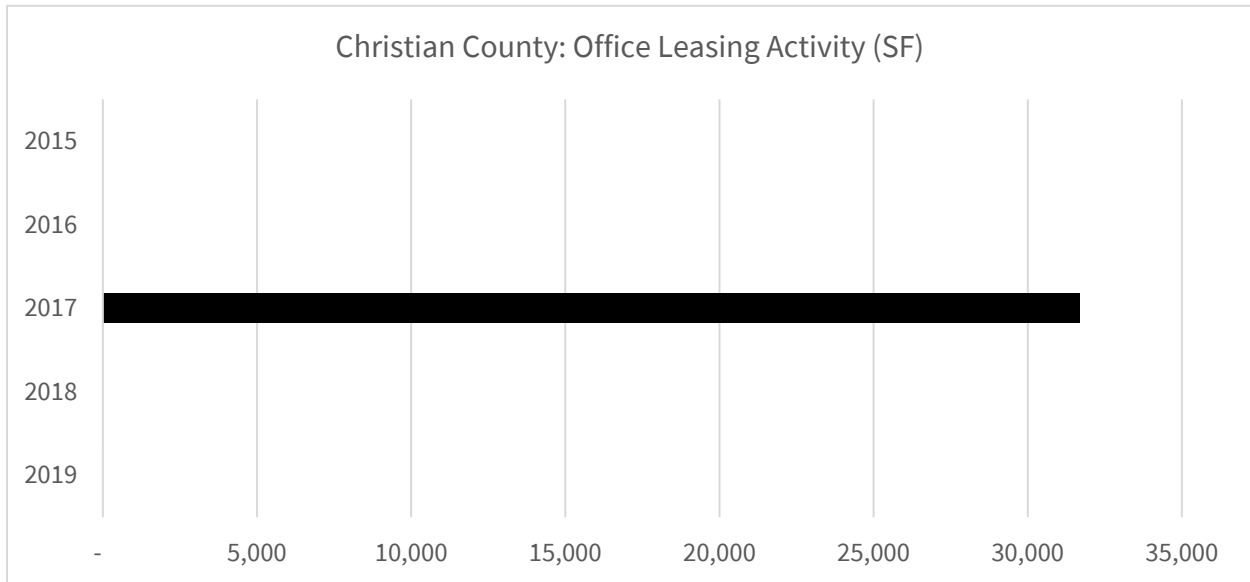
Source: CoStar



Source: CoStar

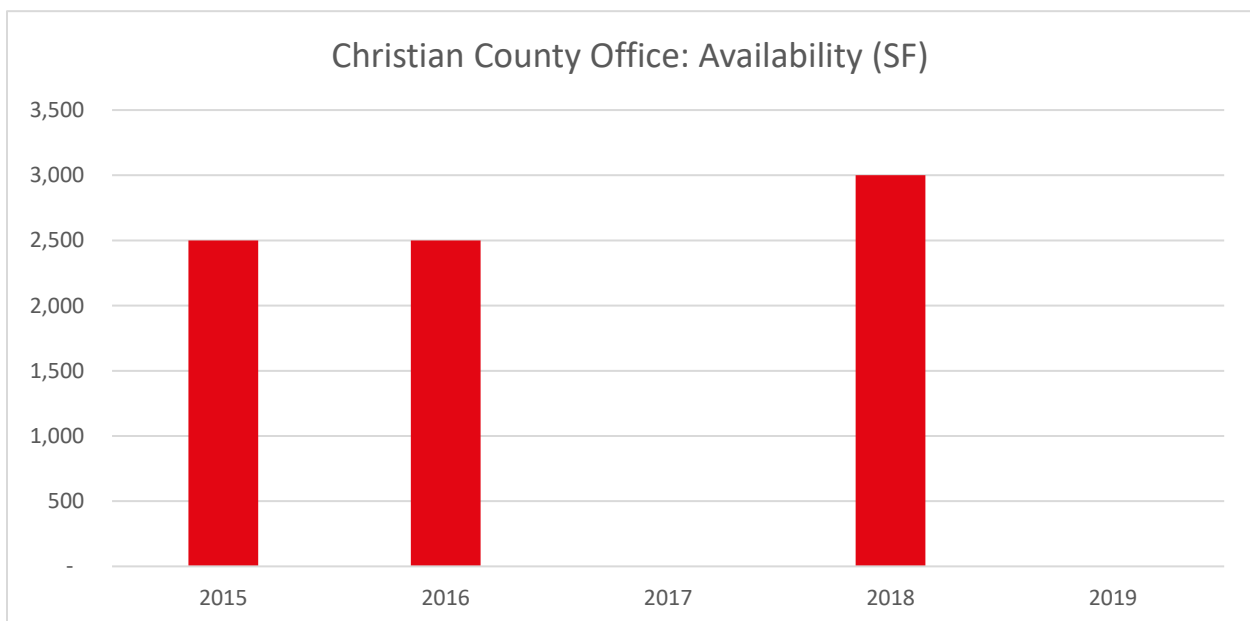
Leasing Activity and Availability

Office leasing activity in Christian County has been limited in recent years, with leasing spiking only in 2017 at 31,676 square feet. This is the market's only leasing activity over the previous five years.



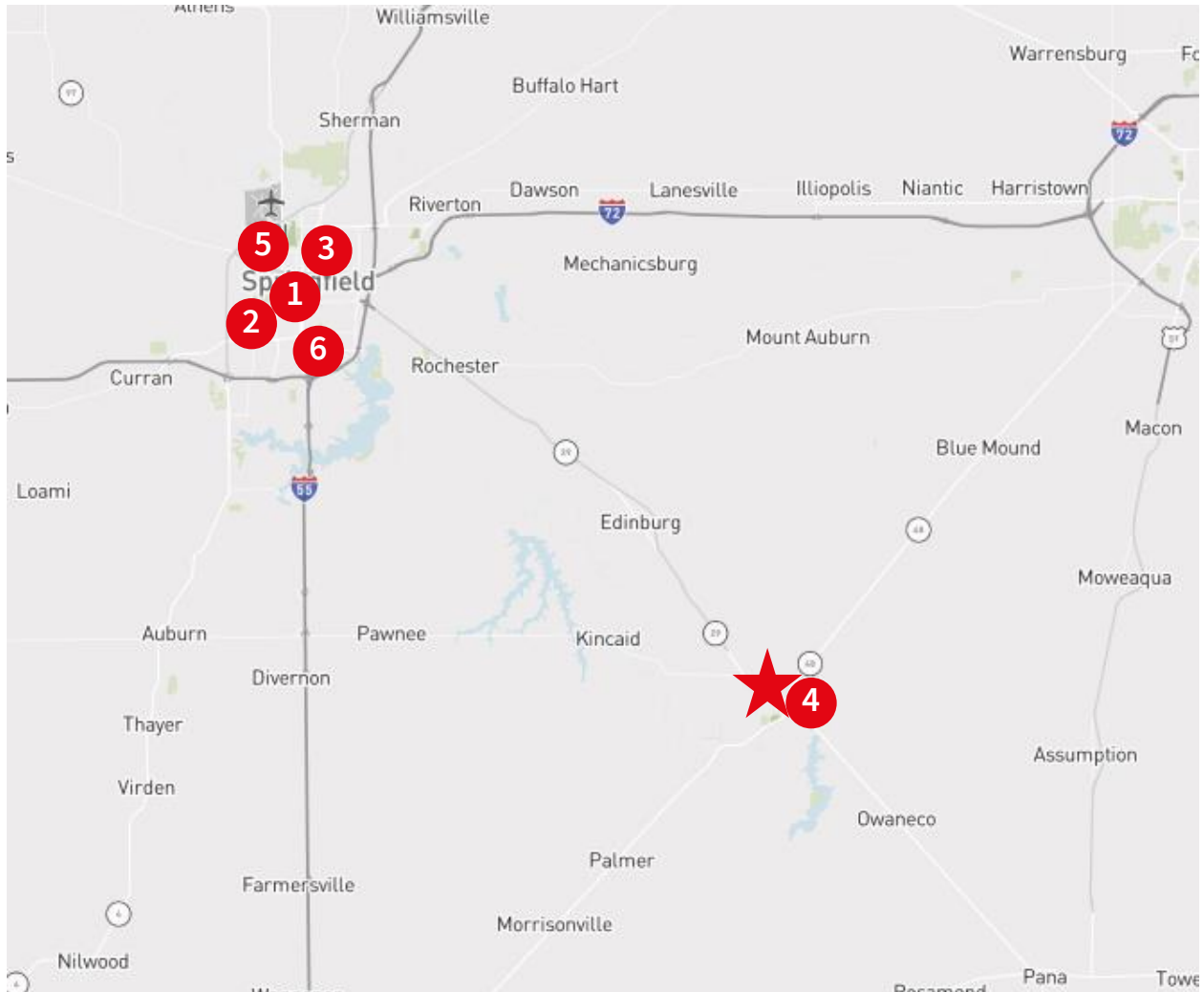
Source: CoStar

Availability, which includes both vacant space and space in which a tenant has indicated it will vacate at the end of its term, has been relatively stable in the most recent five years, with a lack of market availability in both 2017 and 2019.



Source: CoStar

Lease and Sale Comparables



Lease Comparables

The lease comparables below represent available office properties with max contiguous space that is a minimum of the subject property’s footprint. As there were limited comparable leases available for a 10-mile radius, a 25-mile radius was utilized. Rents for comparable properties in the market average \$15.28 per square foot. Lease comparables in the market average 71% vacancy.

Map Number	Address	Building Class	Rentable Square Feet (RSF)	Asking Rent	Available Space (SF)
Lease Comps					
1	801 S 11 th Street	C	5,184	\$10.00	5,184
2	225 E Cook Street	B	5,715	\$17.00	4,308
3	311 S Main Street	B	2,473	\$9.00/MG	2,473

Sale Comparables

Recent office sales represent properties within that have sold in the most recent 24 months. As there were limited comparable sales within a ten-mile radius, a 25-mile radius was utilized. Comparable office properties have sold for \$69.00 per square foot on average.

Map Number	Address	Building Class	Size (SF)	Price Per Square Foot	Sale Date
Sales Comps					
4	6 Lawrence Sq	C	3,000	\$78.00	Feb-2019
5	6900 Preston Drive	C	5,400	\$66.00	Dec-2018
6	310 Grand Ave W	C	2,940	\$65.00	Aug-2018

Own Versus Lease Analysis

To assess whether the State should continue leasing 1100 N Cheney St or purchase the building, the total cost of leasing the property must be compared to the total cost of acquisition.

The analysis first calculates the cost of a new lease over a 10-year term. Then, the analysis estimates the maximum purchase price for the building whereby the total cost to acquire is equal to the cost to lease. The analysis then explores properties elsewhere in the market to gauge whether this price is achievable; that is, based on market data, if the current owner of the building is likely to sell the property to the State at or below this price. If this does not appear likely, then the analysis recommends that the State continue to lease the property.

Based on a review of the local real estate market, the analysis uses the following assumptions.

Rentable Square Feet (sf total):	5,249
Lease Term (years):	10
Base Rental Rate (\$ sf year)	\$ 14.81
Rental Rate Escalation (% year)	2.0%
Base OpEx (\$ sf year)	\$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) (\$ sf)	\$ 46.41
Landlord TI Allowance (\$ sf)	\$ 23.21
Initial Capital Repairs and Renovations (\$ sf)	\$ 10.00
Routine Capital Repairs and Renovations (CR&R) (\$ sf year)	\$ 1.00
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term would be \$828,300. This includes all costs associated with rent, operating costs, and any build-out or capital costs the State may incur as part of the lease.

Total Cost to Lease 1100 N Cheney St	
Total Rent Cost	\$ 851,352
+ Total OpEx	\$ 229,900
Total Cost (Real)	\$ 828,300

A note on capital requirements:

For initial capital repairs, a baseline of \$10/sf is used. This amount includes items such as woods/plastics/composites, doors and windows, and "specialties" (e.g. drinking fountains, fire hoses and alarms, extinguisher cabinets, etc.) which the State may or may not renovate or replace. It does not reflect the actual scope of work a building may need; further assessment of State facilities would be required.

Own Versus Lease Analysis (cont'd)

As noted above, purchasing the property is only justifiable if the total cost of acquisition is less than the total cost of leasing. The "total" cost of acquiring the property includes not only the purchase price, but also any building, capital investments, and operating costs associated with the property.

The "total" cost of acquiring the property also factors in the potential future value of the property. Should the State become the owner, it may benefit at the end of the analysis period from a sale of the property, which offsets earlier capital outlays to purchase and renovate the property.

To estimate the future value of the property, the analysis escalates the 2020 acquisition cost/value by a factor of 1.53% over the 10-year period, which is the average growth rate of CPI for the Midwest.

Using these assumptions, if the State can acquire the property for approximately \$1,370,000 (the 2020 Break-Even Acquisition Cost in the table below) the total cost of acquiring the property is equal to the total cost of leasing the property. This break-even cost equates to approximate per-square-foot purchase price of \$261.46.

Total Cost to Acquire 1100 N Cheney St	
2020 Break-Even Acquisition Cost	\$ 1,372,379
+ Initial CapEx	\$ 52,490
+ Total Ongoing CapEx	\$ 57,475
+ Total OpEx	\$ 229,900
<u>- 2030 Market Value</u>	<u>\$ (1,597,733)</u>
Total Cost (Nominal)	\$ 358,118
Total Cost (Real)	\$ 828,300

If the State can acquire the building below \$261.46 psf, then it may consider purchasing as an alternative to leasing. Reviewing historical data can determine if the owner is likely to sell the Property at this price point or below, or if market values exceed this amount.

The following property sales provide some indication of market sales prices for properties in Taylorville.

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
6 Lawrence Sq	3,000	\$ 234,000	\$ 78.00
6900 Preston Dr	5,400	\$ 356,400	\$ 66.00
310 Grand Ave W	2,940	\$ 191,100	\$ 65.00
Average			\$ 69.67

Based on this sample, the average sale price of properties in Taylorville is \$69.67 per square foot. Compared to the maximum break-even price of \$261.46 per square foot for the 1100 N Cheney St, this value is significantly lower, indicating that acquiring the property for less than \$261.46 psf may be feasible.

Should the State acquire the property for \$69.67 per square foot, the total cost of acquisition, including capital expenditure, would be \$589,049.

Total Cost to Acquire 1100 N Cheney St at Market Value	
2020 Market Acquisition Cost	\$ 365,680
+ Total Buildout Cost (full TI)	\$ 243,606
+ Initial CapEx	\$ 52,490
+ Total Ongoing CapEx	\$ 57,475
+ Total OpEx	\$ 229,900
<u>- 2030 Market Value</u>	<u>\$ (425,728)</u>
Total Cost (Nominal)	\$ 523,424
Total Cost (Real)	\$ 589,049

This is \$239,251 less than the cost to lease the property on a present value basis.

Alternatives Analysis

Based on the survey of available for-sale and for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section), the expected cost to the State on a present value basis for each alternative is presented below.

<u>Acquisition Alternatives</u>			
Address	al Rentable Square Feet	Asking Sales price psf	Asking Sales price
311 S Main St	2,473	\$40.24	\$ 99,514
520 N Cheney St	19,733	\$41.81	\$ 825,037
<u>Lease Alternatives</u>			
Address	Total Available SF	Square Feet	Asking Rent \$/SF
None			

Regarding acquisition alternatives, neither property is close in size to the State's current footprint at this location. Therefore, neither property is viable.

There are no lease alternatives in Taylorville at this time.

Conclusion

The lowest cost technically acceptable alternative is to acquire the property. Total costs over a 10-year period may be \$240,000, or 29%, less through acquisition.

Acquiring the property presents several inherent risks. First, the State may not be able to acquire the property at market value. Second, the full cost of renovating the property both initially and over the course of the 10-year periods falls to the State. Third, the State has less flexibility in the future relative to a lease, where it can explore amendment or termination options with the owner. Finally, the "total cost" assumes some level of appreciation tied to CPI. Should property values not increase, or should the State not effect a sale of the property, the State will not realize this value and therefore the total cost to acquire could be much greater than the cost to renew the lease.

However, given the difference in total cost between acquiring the property and continuing to lease it, acquiring the property may justify the risks above.

Lease 1100 N Cheney St	\$ 828,300
Acquire 1100 N Cheney St	\$ 589,049
Acquisition Alternatives	Total Cost to Acquire
None	
Lease Alternatives	Total Cost to Lease
None	