CMS

ILLINOIS JB Pritzker, Governor

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Janel L. Forde, Acting Director

February 15, 2019

Dear Honorable Members of the General Assembly:

In compliance with 20 ILCS 405/405-300, requiring CMS to report new installment/lease purchase agreements executed in the previous year, we submit that Department of Central Management Services, Bureau of Property Management, has no new installment/lease purchases to report for the 2018 calendar year.

Under this statute, CMS is also required to provide an analysis of all leases that meet both of the following criteria: (1) the lease contains a purchase option clause; and (2) the third full year of the leases has been completed. This analysis is to include, without limitation, a recommendation of whether it is in the State's best interest to exercise the purchase option or to seek to renew the lease without exercising the clause. To provide this analysis, CMS engaged Jones Lang LaSalle (JLL) to analyze 20 properties throughout the state that met the criteria noted above. Their analysis consisted of two key parts: a market analysis and a financial analysis. Their analysis did not contain any determination of the usage of the properties for a programmatic fit with the user agency. This analysis would need to be conducted before a final determination is to be made to purchase a property.

Based on its analysis, JLL recommends that the State consider acquisition of 18 of the 20 properties if they can be purchased within the range outlined in the report and the State considers the inherent risks associated with each property as acceptable. This consideration would require additional investigation of the programmatic requirements of the using agencies. The remaining two properties should continue to be leased.

The full report is attached for your review and consideration. If you have questions or require further information, please contact Alyson Grady, CMS Bureau of Property Management at (217) 524-0535.

Sincerely,

Janel Forde

Janel L. Forde
Acting Director

JF:ag

CC: Honorable Frank Mautino, Auditor General

February 2019

Jones Lang LaSalle Incorporated

State of Illinois

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

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Introduction

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

Project Objectives and Approach

In December 2018, the State of Illinois's (the "State") Department of Central Management Services ("CMS") 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 2020 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.

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. Prior to purchasing any buildings in the below analysis, JLL recommends that the State undergo a full portfolio assessment to ensure that each building is functionally required and fully utilized by the 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.

Sales Comparison Approach

JLL used a sales comparison approach for the valuation of Subject Properties that utilizes historical sales of comparable properties or current sales listings. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

Recommendations

For each property, JLL is provided one of three recommendations:

1. **Continue to lease in place:** 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 of the subject asset:** 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.
3. **Consider an alternative asset:** 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 recommendations for each property is as follows:

Property Address	City	User	Recommendation
104 E Deyoung St	Marion	Healthcare and Family Services	Consider Acquisition of the Subject Asset
105 Airway Dr	Marion	Children and Family Services	Consider Acquisition of the Subject Asset
1100 N Amos Ave	Springfield	Military Affairs	Consider Acquisition of the Subject Asset
1110 N Allen St	Robinson	Human Services	Continue to Lease in Place
1315 Washington Ave	Cairo	Children and Family Services	Consider Acquisition of the Subject Asset
1515 E 71st St	Chicago	Employment Security	Consider Acquisition of the Subject Asset
1602 N Main St	Benton	Human Services	Consider Acquisition of the Subject Asset
2001 NE Jefferson St	Peoria	Children and Family Services	Consider Acquisition of the Subject Asset
208 W Cook St	Springfield	Children and Family Services	Consider Acquisition of the Subject Asset

Property Address	City	User	Recommendation
22 Kettle River Dr	Glen Carbon	Public Health	Consider Acquisition of the Subject Asset
225 N 9th St	East St. Louis	Human Services	Consider Acquisition of the Subject Asset
301 Dale St	Gibson City	Natural Resources	Continue to Lease in Place
312-A Wither's Dr	Mount Vernon	Children and Family Services	Consider Acquisition of the Subject Asset
342 North St	Murphysboro	Human Services	Consider Acquisition of the Subject Asset
500 E Monroe St	Springfield	Commerce and Economic Opportunity, Illinois Finance Authority	Consider Acquisition of the Subject Asset
707 E Wood St	Decatur	Human Services	Consider Acquisition of the Subject Asset
800 S Locust St	Centralia	Human Services, Natural Resources	Consider Acquisition of the Subject Asset
809 Commercial Ave	Springfield	Human Services	Consider Acquisition of the Subject Asset
870 Lehmen Dr	Chester	Human Services	Consider Acquisition of the Subject Asset
900 S Spring St	Springfield	Labor	Consider Acquisition of the Subject Asset

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 purchases 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.

104 E Deyoung Street

Marion, IL

Department of Healthcare and Family Services

Market Analysis

Property Description

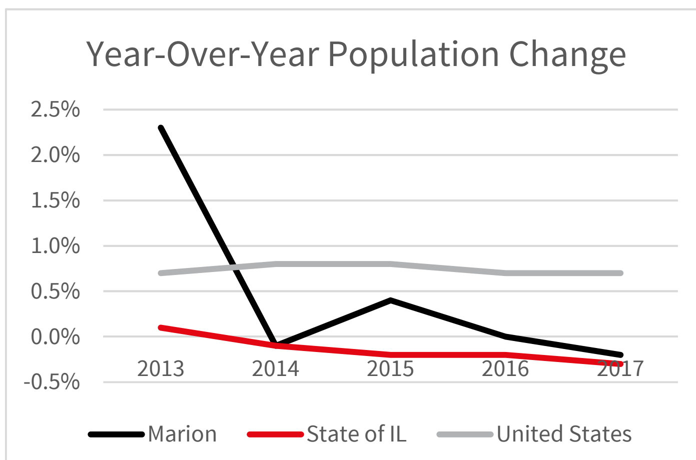
Property Details	
Property Address:	104 E Deyoung Street Marion, IL
Property Type:	Office
User:	Healthcare and Family Services
Building Size (SF):	3,300
FY 2018 Annual Cost:	$41,401
FY 2018 Annual Cost (psf):	$12.55
2019 Headcount:	7
Demographics	
Population:	1 mile: 7,330 5 miles: 23,402
Median Household Income:	1 mile: $39,043 5 miles: $49,110

Source: Google

Market Overview

Marion, Illinois

In 2017, Marion, Illinois had an estimated population of 17,762 with a median age of 40.3, older than the statewide median age of 37.7. In Marion, 22.9% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Marion's population has increased by 0.1% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.

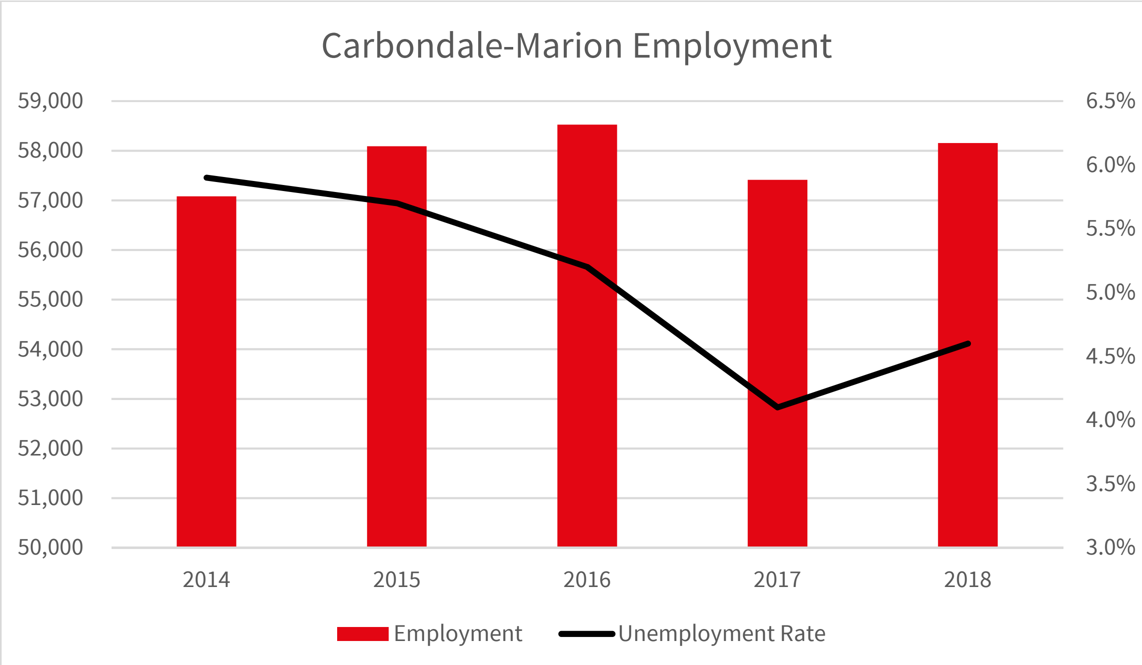


Source: U.S. Census Bureau

Labor Force and Employment Growth

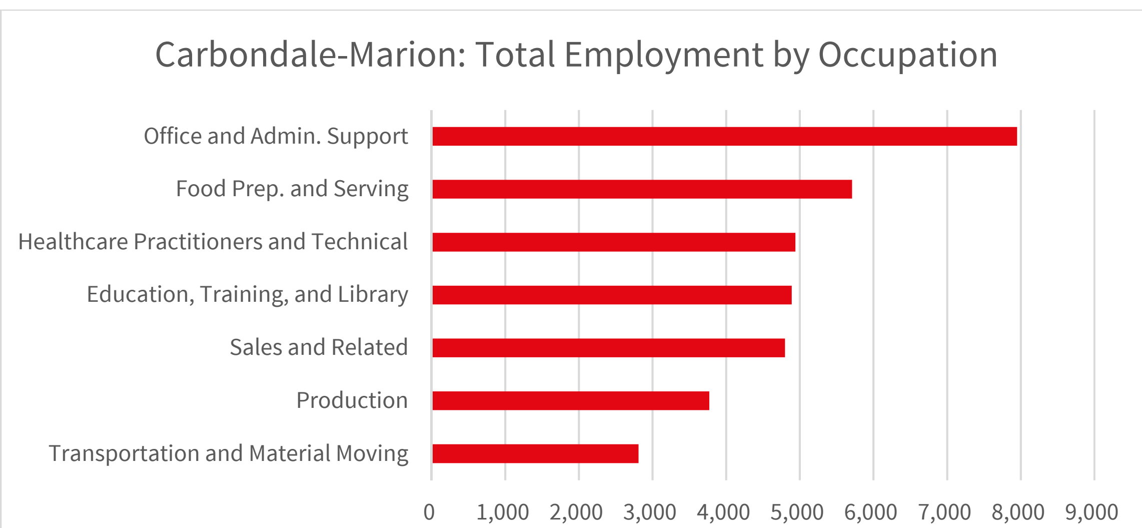
Marion is located in the Carbondale-Marion Metropolitan Statistical Area ("MSA"). Employment in the Carbondale-Marion Metropolitan MSA has increased over the past five years with total employment at 58,154 in October 2018. This is slightly down from October 2016, when employment totaled 58,526. The unemployment rate decreased every year from 2014 to 2017 before increasing to 4.6% in October

2018, up from 4.1% in October 2017. This is still an improvement from October 2014, when the unemployment rate was 5.9%.



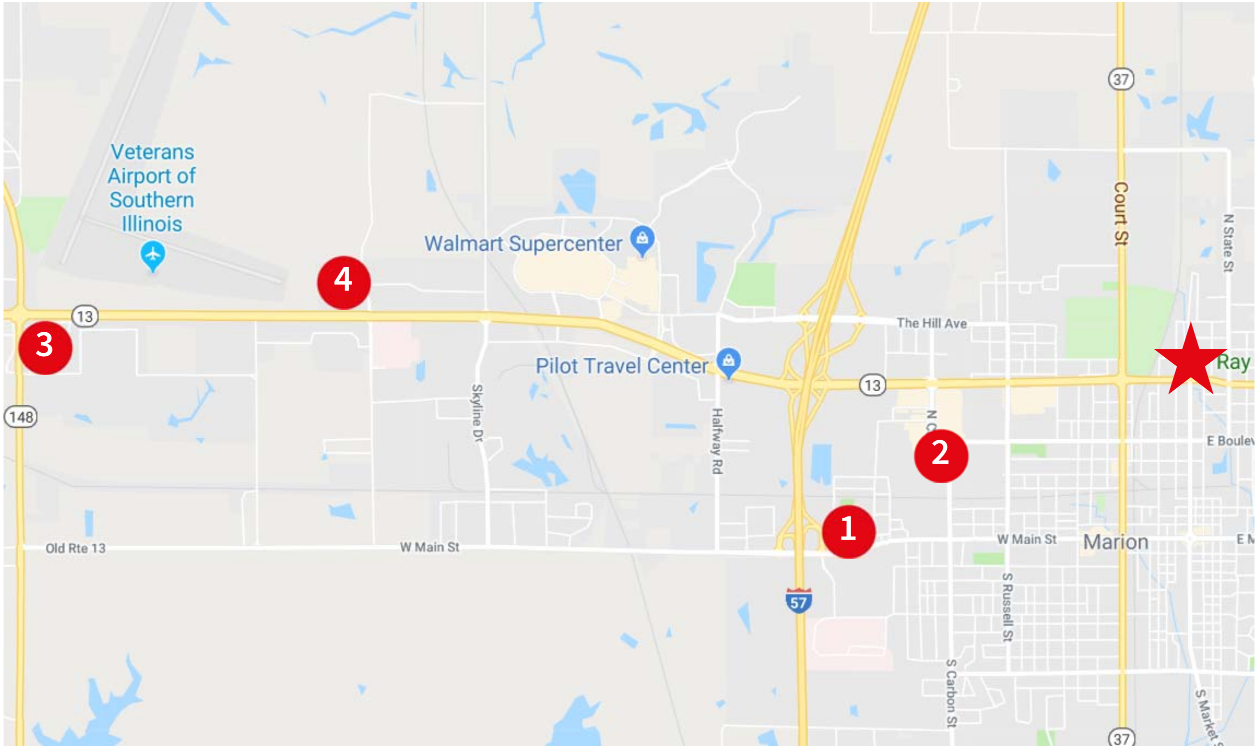
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Carbondale-Marion MSA with a total of 7,950 jobs. Employment is roughly split between the next largest occupation types – food preparation and serving occupations; healthcare practitioners and technical occupations; education, training, and library occupations; and sales and related occupations – with employment for each between 4,800 and 5,800 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	2300 W Main Street	2300 W Main Street	5,500
2	700 N Carbon Street	700 N Carbon Street	2,800
3	104 Airway Drive	104 Airway Drive	7,238
4	3907 W Ernestine Lane	3907 W Ernestine Lane	6,000

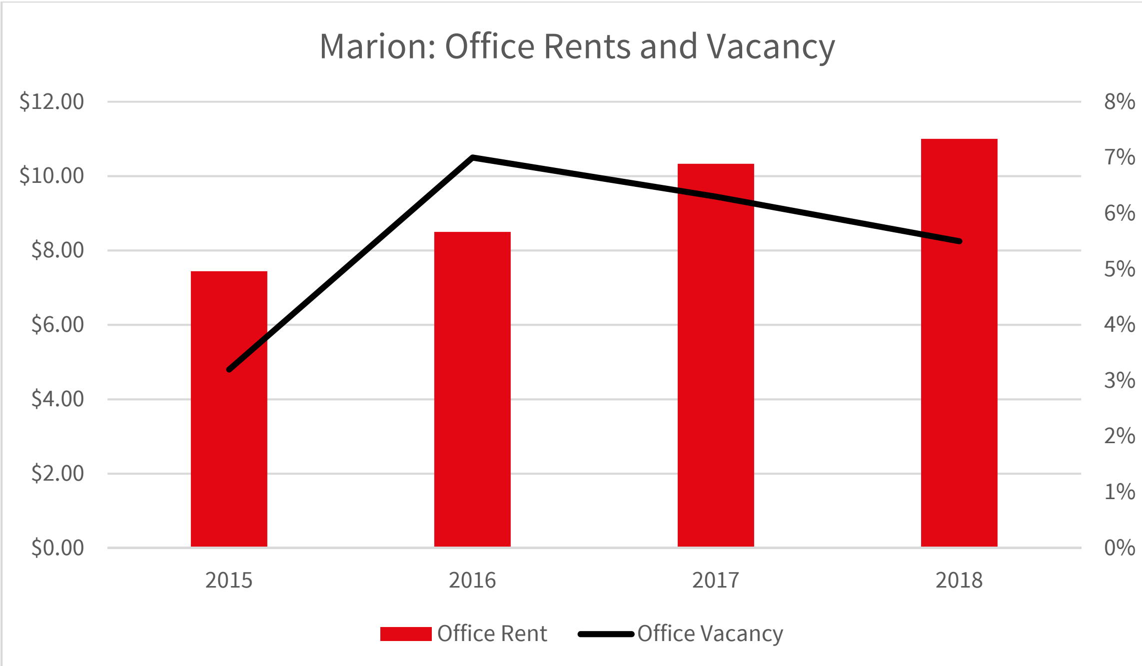
Source: CoStar and JLL

Office market conditions

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
2300 W Main Street	C	5,500	$12.00
700 N Carbon Street	B	2,800	$12.00
104 Airway Drive	B	7,238	$12.60
Sales Comps			
3907 W Ernestine Lane	C	6,000	$74.83
2300 W Main Street	C	5,500	$50.00

Source: CoStar and JLL

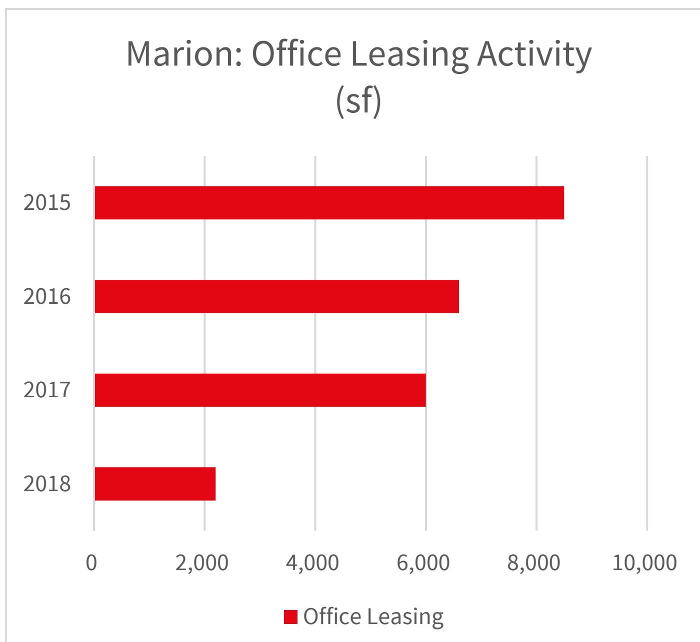
The Carbondale-Marion office market has 1.0 million square feet of total office inventory with a vacancy rate of 4.8%. Rents for comparable properties in Marion average $12.20 per square foot while comparable buildings for sale in the market are listed for $62.42 per square foot on average. Office rents for all properties in Marion have climbed over the past four years from $7.44 per square foot in 2015 to $11.00 per square foot in 2018. Office vacancy has steadily dropped from 7.0% in 2016 to 5.5% in 2018. These two factors together signal a tightening office leasing market.



Source: CoStar

Leasing Activity and Office Development Deliveries

Leasing activity in Marion has decreased in recent years, with total market activity down to 2,200 square feet in 2018, a decrease from 6,000 in 2017 and 8,517 in 2015. Because of the low level of leasing activity in the market, only one office building totaling 2,800 square feet has been delivered in the market in the past 5 years. No buildings are currently under construction in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 104 E Deyoung Street or purchase the building outright, 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 our 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):	3,300
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 12.20
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.98
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $448,428. 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 The Department of Healthcare and Family Services building	
Total Rent Cost	$ 440,836
+ Total OpEx	$ 144,536
Total Cost (Real)	**$ 448,428**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $1,100,000 (the 2019 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 $334.24.

Total Cost to Acquire The Department of Healthcare and Family Services building	
2019 Break-Even Acquisition Cost	$ 1,102,992
+ Initial CapEx	$ 33,000
+ Total Ongoing CapEx	$ 35,267
+ Total OpEx	$ 144,536
- 2029 Market Value	$ (1,256,217)
Total Cost (Real)	$ 448,428

If the State can acquire the building below $334.24 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 Marion:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3907 W Ernestine Lane	6,000	$ 448,980	$ 74.83
2300 W Main Street	5,500	$ 275,000	$ 50.00
Average			**$ 62.42**

Based on this sample, the average sale price of properties in Marion is $62.42 per square foot. Compared to the maximum break-even price of $334.24 per square foot for the 104 E Deyoung, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $62.42 per square foot, the total cost of acquisition, including capital expenditure, would be $221,316.

Total Cost to Acquire The Department of Healthcare and Family Services building at Market Va	
Acquisition Cost	$ 205,970
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 33,000
+ Total Ongoing CapEx	$ 35,267
+ Total OpEx	$ 144,536
- 2029 Market Value	$ (234,582)
Total Cost (Real)	**$ 221,316**

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	Square Feet	Asking $/SF	Total Asking $
3907 W Ernestine Lane	6,000	$74.83	$ 448,980
2300 W Main Street	5,500	$50.00	$ 275,000

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
2300 W Main Street	5,500	3,300	$12.00
700 N Carbon Street	2,800	2,800	$12.00
104 Airway Drive	7,238	3,300	$12.60

Regarding lease alternatives, the second property is too small for the State's needs and is therefore excluded from the analysis. The first and third alternatives are viable if the property owners are willing to lease a portion of the building.

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 104 E Deyoung.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $23,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 104 E Deyoung rather than acquiring.

Lease 104 E Deyoung Street	$ 448,428
Acquire 104 E Deyoung Street	$ 221,316
Acquisition Alternatives	**Total Cost to Acquire**
3907 W Ernestine Lane	$ 666,463
2300 W Main Street	$ 576,348
Lease Alternatives	**Total Cost to Lease**
2300 W Main Street	$ 535,317
104 Airway Drive	$ 482,468

105 Airway Drive

Marion, IL

Department of Children and Family Services

Market Analysis

Property Description

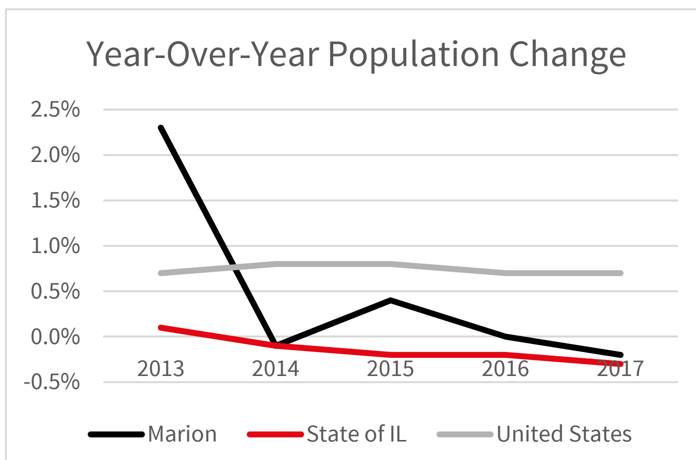
Property Details	
Property Address:	105 Airway Drive Marion, IL
Property Type:	Office
User:	Children and Family Services
Building Size (SF):	9,700
FY 2018 Annual Cost:	$156,855
FY 2018 Annual Cost (psf):	$16.17
2019 Headcount:	29
Demographics	
Population:	1 mile: 992 5 miles: 31,939
Median Household Income:	1 mile: $70,765 5 miles: $46,789

Source: Bing

Market Overview

Marion, Illinois

In 2017, Marion, Illinois had an estimated population of 17,762 with a median age of 40.3, older than the statewide median age of 37.7. In Marion, 22.9% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Marion's population has increased by 0.1% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.

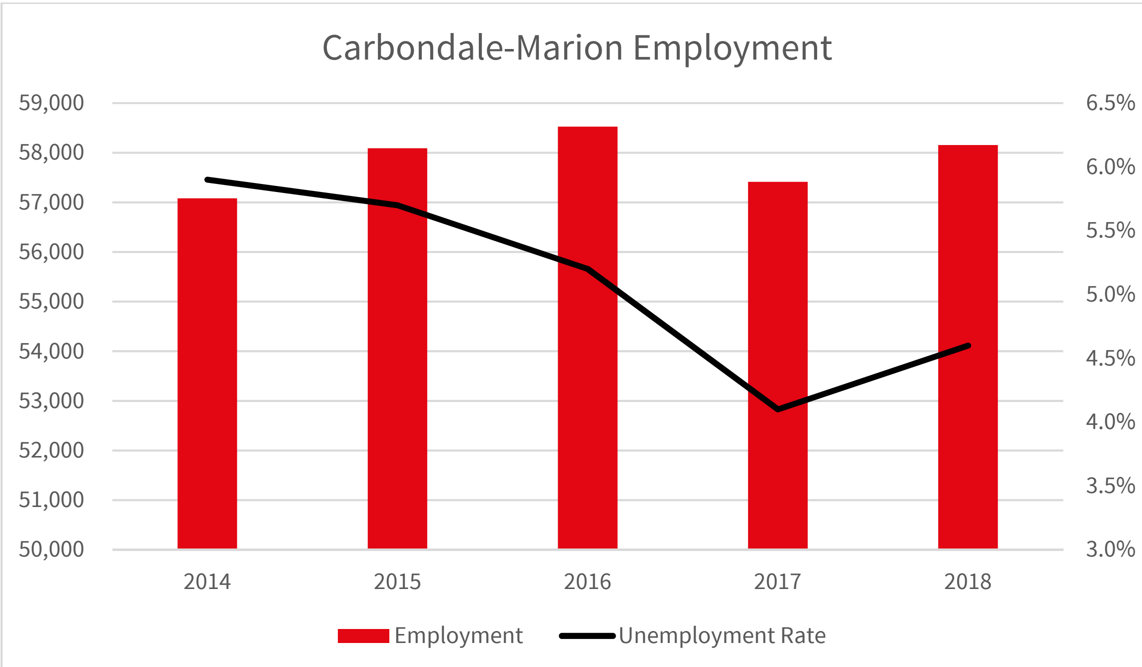


Source: U.S. Census Bureau

Labor Force and Employment Growth

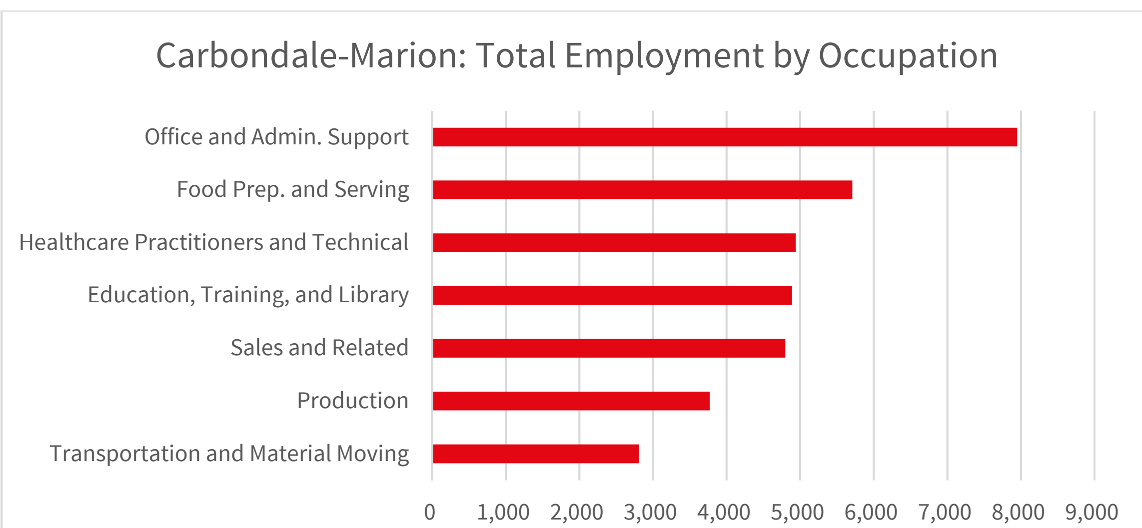
Marion is located in the Carbondale-Marion Metropolitan Statistical Area ("MSA"). Employment in the Carbondale-Marion Metropolitan MSA has increased over the past five years with total employment at 58,154 in October 2018. This is slightly down from October 2016, when employment totaled 58,526. The unemployment rate decreased every year from 2014 to 2017 before increasing to 4.6% in October

2018, up from 4.1% in October 2017. This is still an improvement from October 2014, when the unemployment rate was 5.9%.



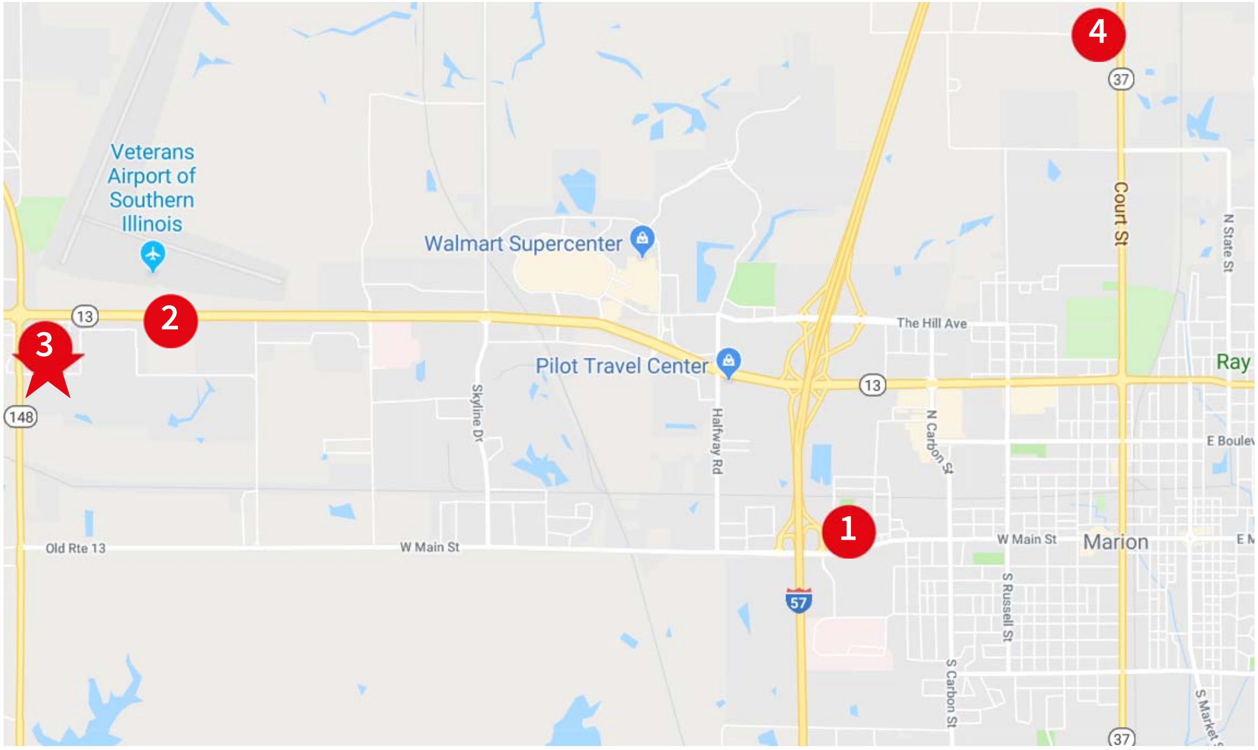
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Carbondale-Marion MSA with a total of 7,950 jobs. Employment is roughly split between the next largest occupation types – food preparation and serving occupations; healthcare practitioners and technical occupations; education, training, and library occupations; and sales and related occupations – with employment for each between 4,800 and 5,800 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	2300 W Main Street	2300 W Main Street	5,500
2	4501 W Deyoung Street	4501 W Deyoung Street	25,000
3	104 Airway Drive	104 Airway Drive	7,238
4	12212 Cedar Grove Road	12212 Cedar Grove Road	4,968

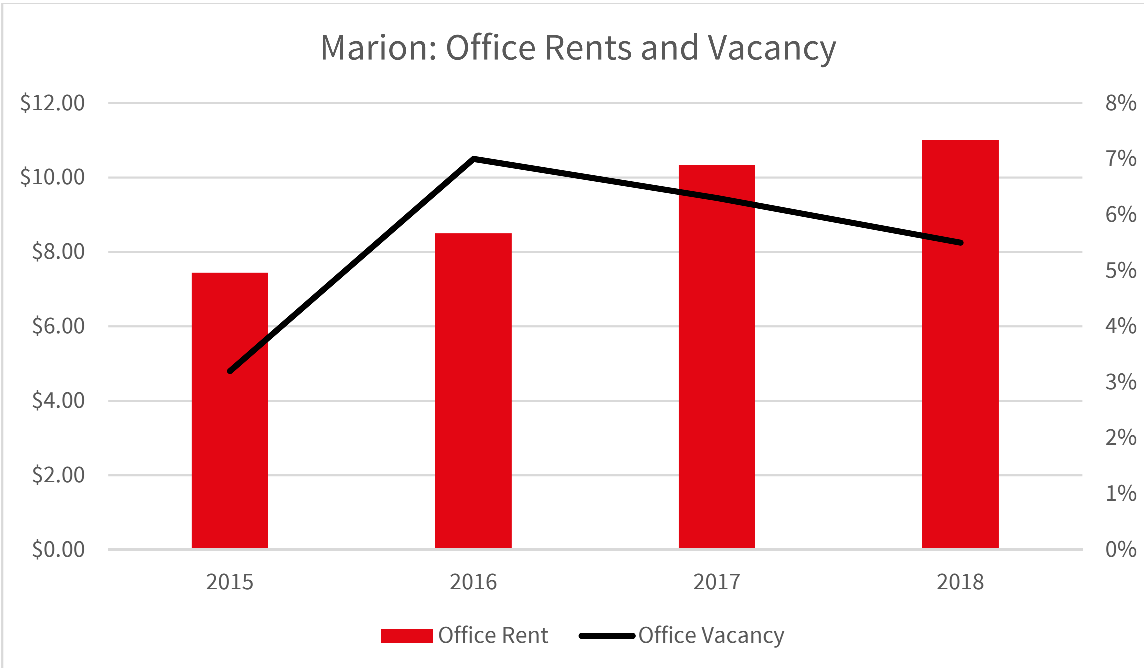
Source: CoStar and JLL

Office market conditions

The Carbondale-Marion office market has 1.0 million square feet of total office inventory with a vacancy rate of 4.8%. Rents for comparable properties in Marion average $11.29 per square foot while comparable for sale in the market are listed for $32.55 per square foot on average. Office rents for all properties in Marion have climbed over the past four years from $7.44 per square foot in 2015 to $11.00 per square foot in 2018. Office vacancy has steadily dropped from 7.0% in 2016 to 5.5% in 2018. These two factors together signal a tightening office leasing market.

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
2300 W Main Street	C	5,500	$12.00
4501 W Deyoung Street	B	25,000	$9.27
104 Airway Drive	B	7,238	$12.60
Sales Comps			
12212 Cedar Grove Rd	C	4,968	$15.10
2300 W Main Street	C	5,500	$50.00

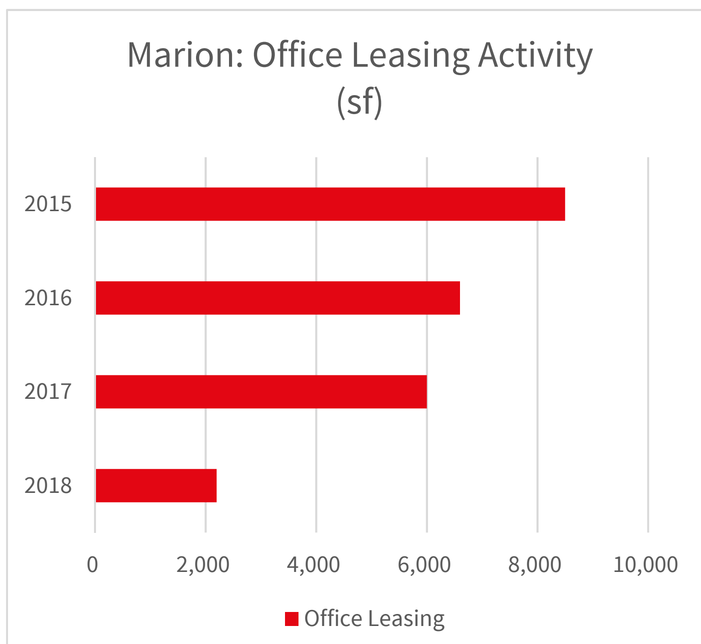
Source: CoStar and JLL



Source: CoStar

Leasing Activity and Office Development Deliveries

Leasing activity in Marion has decreased in recent years, with total market activity down to 2,200 square feet in 2018, a decrease from 6,000 in 2017 and 8,517 in 2015. Because of the low level of leasing activity in the market, only one office building totaling 2,800 square feet has been delivered in the market in the past 5 years. No buildings are currently under construction in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 105 Airway Drive or purchase the building outright, 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 our 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):	9,700
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 11.29
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.90
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $1,244,065. 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 The Airport Business Center	
Total Rent Cost	$ 1,199,137
+ Total OpEx	$ 424,849
Total Cost (Real)	**$ 1,244,065**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $2,970,000 (the 2019 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 $306.50.

Total Cost to Acquire The Airport Business Center	
2019 Break-Even Acquisition Cost	$ 2,973,081
+ Initial CapEx	$ 97,000
+ Total Ongoing CapEx	$ 95,931
+ Total OpEx	$ 424,849
- 2029 Market Value	$ (3,386,095)
Total Cost (Real)	$ 1,244,065

If the State can acquire the building below $306.50 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 Marion:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3907 W Ernestine Lane	6,000	$ 448,980	$ 74.83
2300 W Main Street	5,500	$ 275,000	$ 50.00
Average			**$ 62.42**

Based on this sample, the average sale price of properties in Marion is $62.42 per square foot. Compared to the maximum break-even price of $306.50 per square foot for 105 Airway Drive, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $62.42 per square foot, the total cost of acquisition, including capital expenditure, would be $486,695.

Total Cost to Acquire The Airport Business Center at Market Value	
Acquisition Cost	$ 605,426
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 97,000
+ Total Ongoing CapEx	$ 95,931
+ Total OpEx	$ 424,849
- 2029 Market Value	$ (946,760)
Total Cost (Real)	**$ 486,695**

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

Address	**Square Feet**	**Asking $/SF**	**Total Asking $**
3907 W Ernestine Lane	6,000	$ 74.83	$ 448,980
2300 W Main Street	5,500	$ 50.00	$ 275,000

Lease Alternatives

Address	**Total Available SF**	**Square Feet**	**Asking Rent $/SF**
2300 W Main Street	5,500	5,500	$12.00
4501 W Deyoung Street	25,000	9,700	$9.27
104 Airway Drive	7,238	7,238	$12.60

Regarding acquisition alternatives, the properties are too small. Therefore, they are not viable options and are excluded from the analysis.

Regarding lease alternatives, only the second property could accommodate the State and is therefore the only alternative offered in the analysis.

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 105 Airway Drive.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

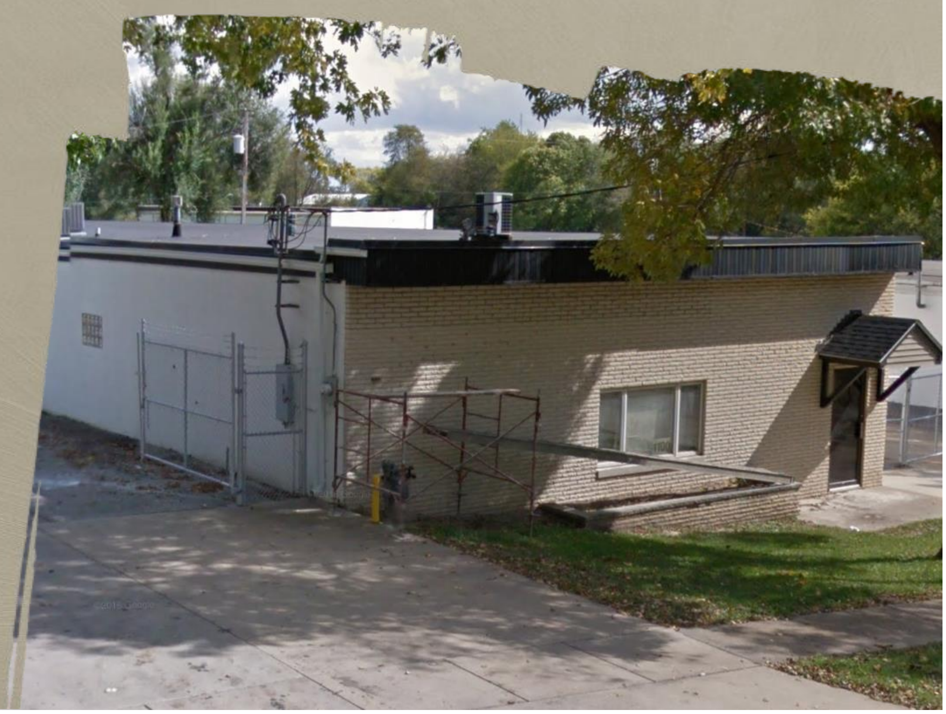
Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is approximately $75,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 105 Airway Drive rather than acquiring.

Lease 105 Airway Drive	$ 1,244,065
Acquire 105 Airway Drive	$ 486,695
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
4501 W Deyoung Street	$ 1,346,346

1100 N Amos Avenue

Springfield, IL

Department of Military Affairs



Market Analysis

Property Description

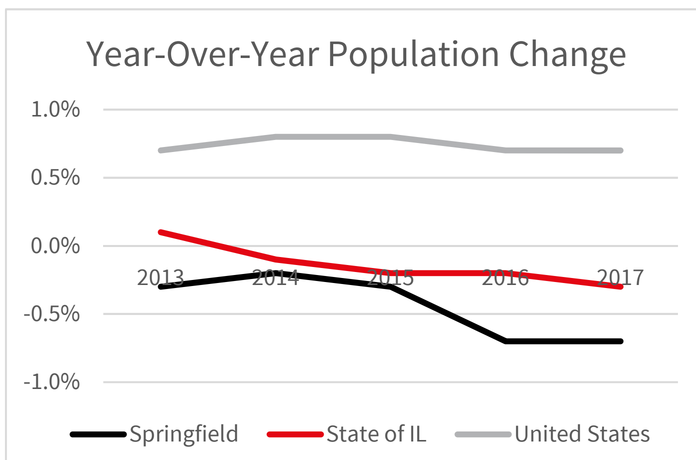
Property Details	
Property Address:	1100 N Amos Avenue Springfield, IL
Property Type:	Warehouse
User:	Military Affairs
Building Size (SF):	6,400
FY 2018 Annual Cost:	$0
FY 2018 Annual Cost (psf):	$0.00
2019 Headcount:	0
Demographics	
Population:	1 mile: 7,598 5 miles: 115,920
Median Household Income:	1 mile: $33,287 5 miles: $45,053

Source: Google

Market Overview

Springfield, Illinois

In 2017, Springfield, Illinois had an estimated population of 114,868 with a median age of 38.9, older than the statewide median age of 37.7. In Springfield, 35.8% of the population has a bachelor's degree or higher, which is higher than the 33.4% statewide who have a bachelor's degree or higher. Springfield's population has decreased by 1.9% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.

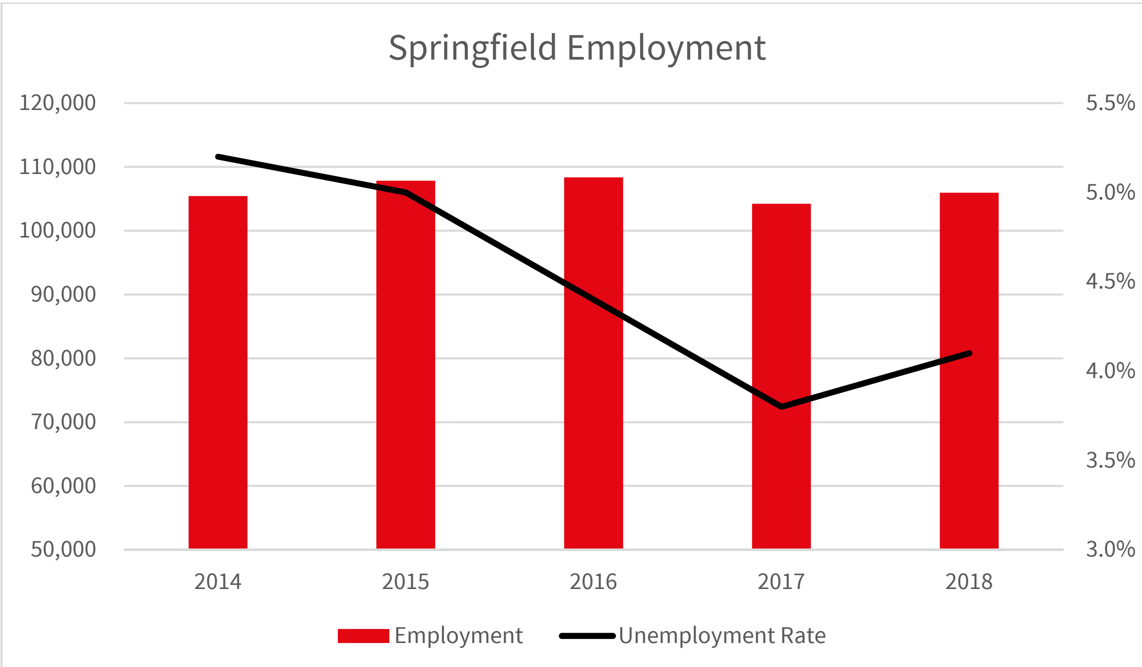


Source: U.S. Census Bureau

Labor Force and Employment Growth

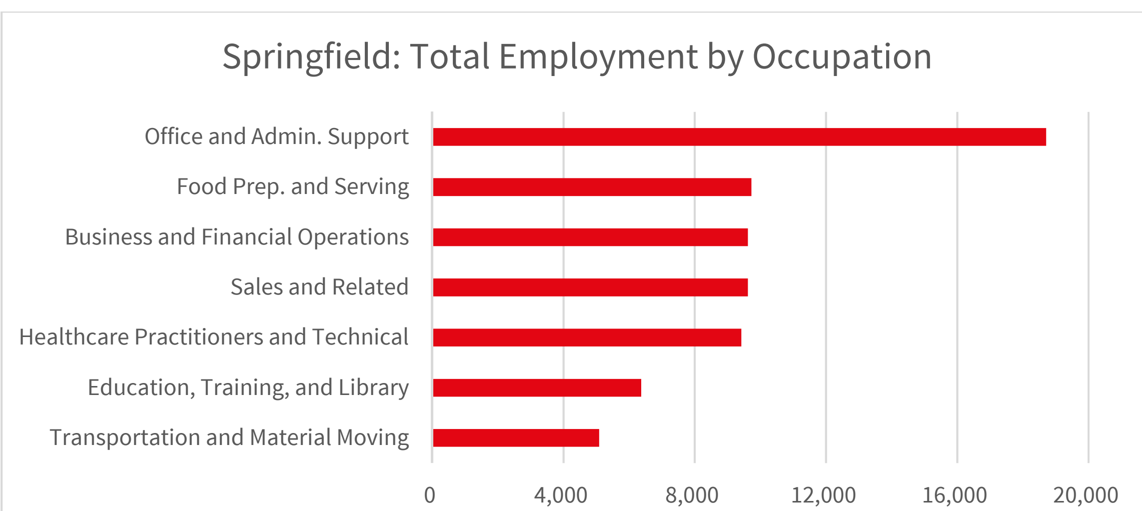
Springfield is located in the Springfield Metropolitan Statistical Area ("MSA"). Employment in the Springfield MSA has been flat over the past five years with total employment at 105,958 in October 2018. This is down from October 2016, when employment totaled 108,367. The unemployment rate

decreased every year from 2014 to 2017 before increasing to 4.1% in October 2018, up from 3.8% in October 2017. This is an improvement from October 2014, when the unemployment rate was 5.2%.



Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Springfield MSA with a total of 18,710 jobs. Employment is roughly split between the next largest occupation types – food preparation and serving occupations; business and financial operations occupations; sales and related occupations; and healthcare practitioners and technical occupations – with employment for each between 9,400 and 9,800 jobs.



Source: U.S. Bureau of Labor Statistics

Industrial Market Analysis

Number	Building Name	Address	Rentable Square Feet
1	1100 S 9th Street	1100 S 9th Street	11,840
2	1800 E Adams Street	1800 E Adams Street	35,711
3	4179 W Jefferson Street	4179 W Jefferson Street	21,000

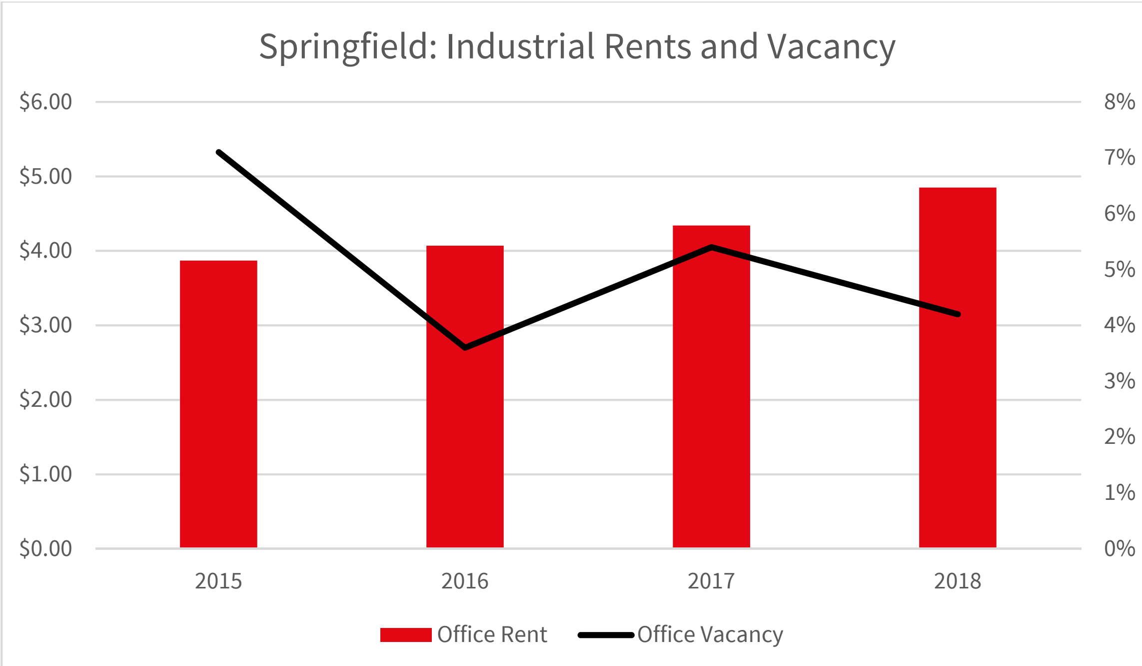
Source: CoStar and JLL

Industrial market conditions

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
1100 S 9th Street	C	11,840	$3.50
1800 E Adams Street	C	35,711	$6.00
4179 W Jefferson St	C	21,000	$5.00

Source: CoStar and JLL

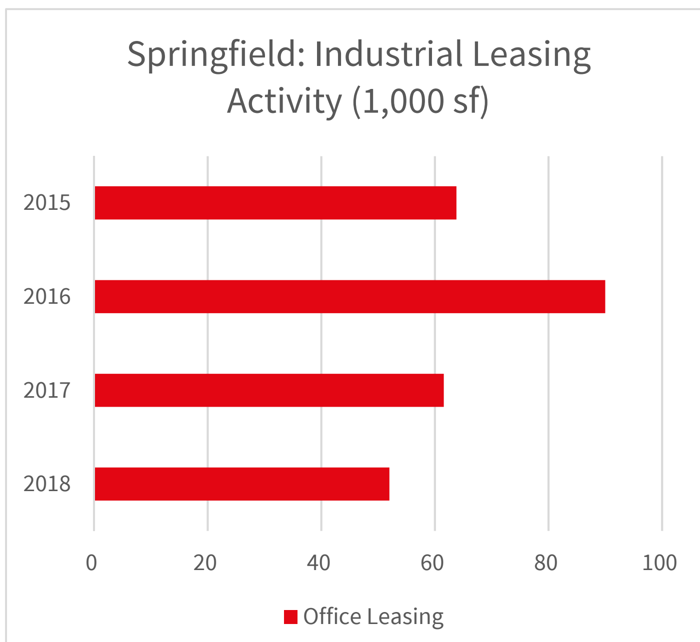
The Springfield industrial market has 5.1 million square feet of total industrial inventory with a vacancy rate of 4.2%. Rents for comparable properties in the market average $4.83 per square foot. Industrial rents for all properties in Springfield have increased over the past four years, going from $3.87 per square foot in 2015 to $4.85 per square foot in 2018. Industrial vacancy has decreased from 7.1% in 2015 to 4.2% in 2018. These two factors together signal a tightening industrial leasing market.



Source: CoStar

Leasing Activity and Industrial Development Deliveries

Industrial leasing activity in Springfield has been somewhat stable in recent years, with leasing activity between 52,000 and 64,000 square feet in 2015, 2017, and 2018. In 2016, industrial leasing activity reached 89,995 square feet. Due to the tightening leasing market, a 24,000 square foot building was delivered in 2018, and another 22,191 square foot building is currently under construction.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 1100 N Amos Avenue or purchase the building outright, 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 our 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):	6,400
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 4.85
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 5.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.39
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $475,102. 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 Military Affairs Building	
Total Rent Cost	$ 339,879
+ Total OpEx	$ 280,313
Total Cost (Real)	**$ 475,102**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $830,000 (the 2019 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 $129.02.

Total Cost to Acquire Military Affairs Building	
2019 Break-Even Acquisition Cost	$ 825,728
+ Initial CapEx	$ 32,000
+ Total Ongoing CapEx	$ 27,190
+ Total OpEx	$ 280,313
- 2029 Market Value	$ (940,436)
Total Cost (Real)	$ 475,102

If the State can acquire the building below $129.02 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.

However, there are no sales comparales for 1100 N Amos. Therefore, the analysis cannot comment on the feasibility of purchasing the property.

Alternatives Analysis

As noted, there are no acquisition alternatives for 1100 N Amos Avenue. There are three potential lease alternatives.

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
1100 S 9th Street	11,840	6,400	$3.50
1800 E Adams Street	35,711	6,400	$6.00
4179 W Jefferson St	21,000	6,400	$5.00

All three properties are viable alternatives if the property owner is willing to lease only a portion of the property; otherwise, they exceed the footprint of 1100 N Amos Avenue.

Conclusion

Based on this assessment, the State should continue to lease 1100 N Amos Avenue. The other lease alternatives are more expensive than remaining in the current property, and there are no viable acquisition alternatives.

Lease 1100 N Amos Avenue	$ 475,102
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
1800 E Adams Street	$ 689,251
4179 W Jefferson St	$ 635,567

1110 N Allen Street

Robinson, IL

Department of Human Services

Market Analysis

Property Description

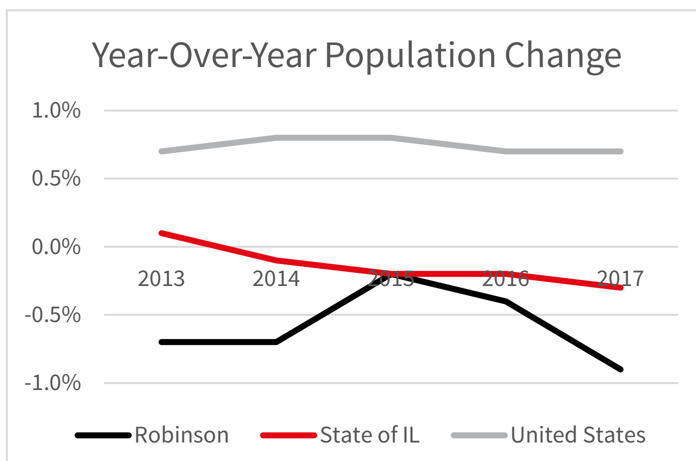
Property Details	
Property Address:	1110 N Allen Street Robinson, IL
Property Type:	Office
User:	Human Services
Building Size (SF):	2,805
FY 2018 Annual Cost:	$38,838
FY 2018 Annual Cost (psf):	$13.85
2019 Headcount:	8
Demographics	
Population:	1 mile: 4,259 5 miles: 9,807
Median Household Income:	1 mile: $49,827 5 miles: $49,768

Source: Google

Market Overview

Robinson, Illinois

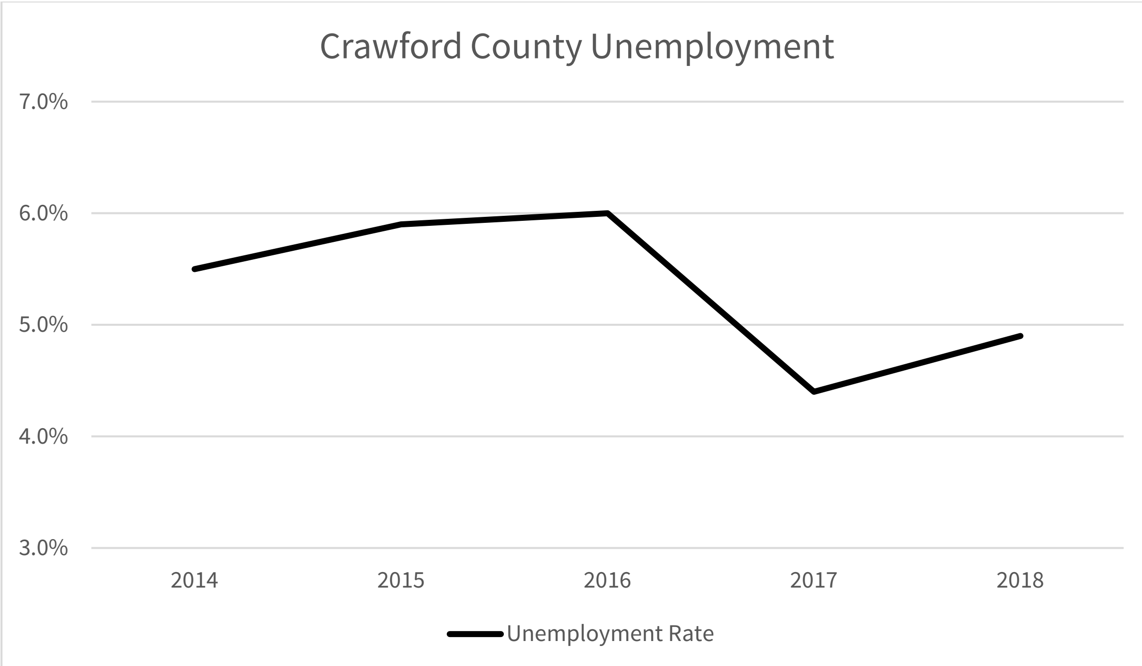
In 2017, Robinson, Illinois had an estimated population of 7,453 with a median age of 40.0, older than the statewide median age of 37.7. In Robinson, 15.0% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Robinson's population has decreased by 2.2% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

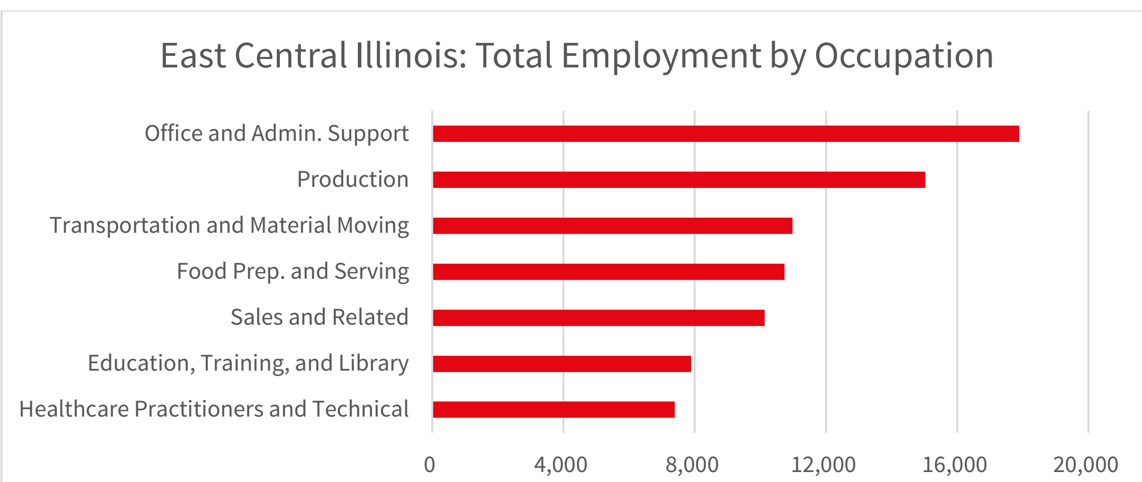
Labor Force and Employment Growth

Robinson is located in Crawford County, Illinois. Unemployment in Crawford County has decreased from 5.5% in October 2014 to 4.9% in October 2018. The unemployment rate in October 2018 was a slight uptick from the October 2017 unemployment rate of 4.4%.



Source: U.S. Bureau of Labor Statistics

The U.S. Bureau of Labor Statistics includes Robinson and Crawford County in the East Central Illinois nonmetropolitan area. Office and administrative support occupations make up the largest share of employment in the East Central Illinois nonmetropolitan area with a total of 17,890 jobs. The next largest occupation types are production occupations with 15,030 jobs; transportation and material moving occupations with 10,980 jobs; food preparation and serving occupations with 10,740 jobs; and sales and related occupations with 10,130 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis

Number	Building Name	Address	Rentable Square Feet
1	1500 E Main Street	1500 E Main Street	3,500
2	2137 E 1050th Avenue	2137 E 1050th Avenue	5,340

Source: CoStar and JLL

Office market conditions

The Robinson office market is very limited, with only nine office properties totaling 84,800 square feet. Comparable office buildings for sale in Robinson are listed for $80.23 per square foot on average.

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Sales Comps			
1500 E Main Street	C	3,500	$85.57
2137 E 1050th Avenue	C	5,340	$74.89

Source: CoStar and JLL

Own Versus Lease Analysis

To assess whether the State should continue leasing 1110 N Allen Street or purchase the building outright, 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 our 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):	2,805
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 8.29
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 40.60
Landlord TI Allowance ($ sf) (relocation only)	$ 20.30
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.66
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $289,167. 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 The Department of Human Services building	
Total Rent Cost	$ 254,619
+ Total OpEx	$ 122,856
Total Cost (Real)	$ 289,167

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. 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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $600,000 (the 2019 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 $215.06.

Total Cost to Acquire The Department of Human Services building	
2019 Break-Even Acquisition Cost	$ 603,252
+ Initial CapEx	$ 28,050
+ Total Ongoing CapEx	$ 20,370
+ Total OpEx	$ 122,856
- 2029 Market Value	$ (687,055)
Total Cost (Real)	$ 289,167

If the State can acquire the building below $215.06 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 Robinson:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1500 E Main Street	3,500	$ 299,495	$ 85.57
2137 E 1050th Avenue	5,340	$ 399,913	$ 74.89
Average			$ 80.23

Based on this sample, the average sale price of properties in Robinson is $80.23 per square foot. Compared to the maximum break-even price of $215.06 per square foot for the 1110 N Allen Street, this value is significantly lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $80.23 per square foot, the total cost of acquisition, including capital expenditure, would be $197,295.

Total Cost to Acquire 1110 N Allen Street at Market Value	
Acquisition Cost	$ 240,386
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 28,050
+ Total Ongoing CapEx	$ 20,370
+ Total OpEx	$ 122,856
- 2029 Market Value	$ (273,780)
Total Cost (Real)	$ 197,295

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	Square Feet	Asking $/SF	Total Asking $
1500 E Main Street	3,500	$85.57	$ 299,495
2137 E 1050th Avenue	5,340	$74.89	$ 399,913

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
n/a			

Both acquisition alternatives are larger than the State's existing footprint and may not be viable alternatives.

Conclusion

Based on this assessment, the lowest cost technically acceptable alternative is for the State to acquire 1110 N Allen Street.

However, 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. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

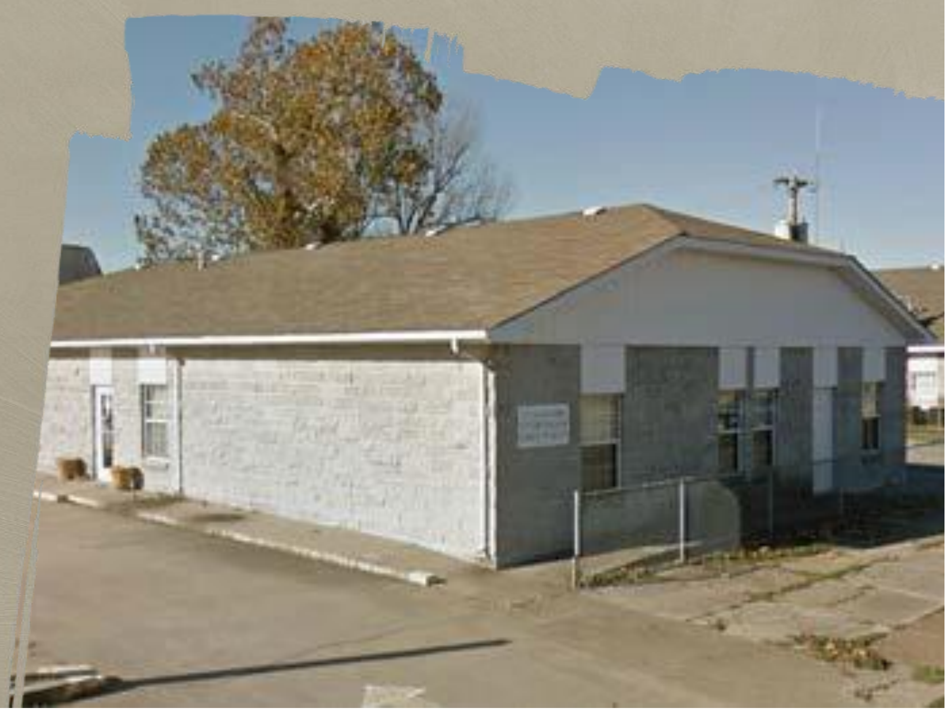
Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $9,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 1110 N Allen Street rather than acquiring.

Lease 1110 N Allen Street	$ 289,167
Acquire 1110 N Allen Street	$ 197,295
Acquisition Alternatives	Total Cost to Acquire
1500 E Main Street	$ 1,195,566
2137 E 1050th Avenue	$ 1,308,953
Lease Alternatives	Total Cost to Lease
n/a	n/a

1315 Washington Avenue

Cairo, IL

Department of Children and Family Services



Market Analysis

Property Description

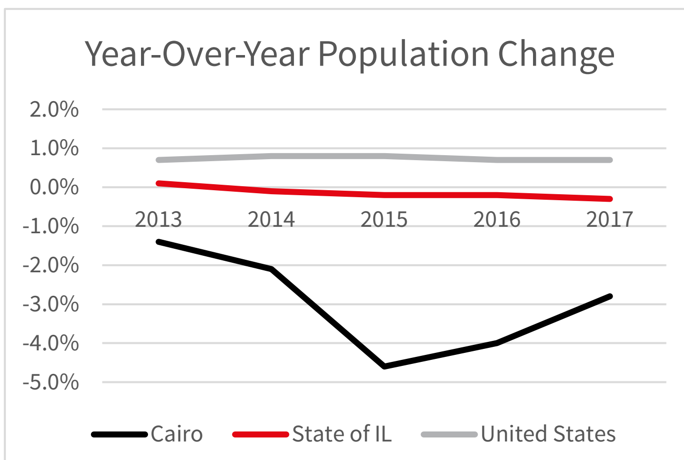
Property Details	
Property Address:	1315 Washington Ave. Cairo, IL
Property Type:	Office
User:	Children and Family Services
Building Size (SF):	3,800
FY 2018 Annual Cost:	$46,769
FY 2018 Annual Cost (psf):	$12.31
2019 Headcount:	7
Demographics	
Population:	1 mile: 1,680 5 miles: 2,724
Median Household Income:	1 mile: $20,580 5 miles: $22,212

Source: Google

Market Overview

Cairo, Illinois

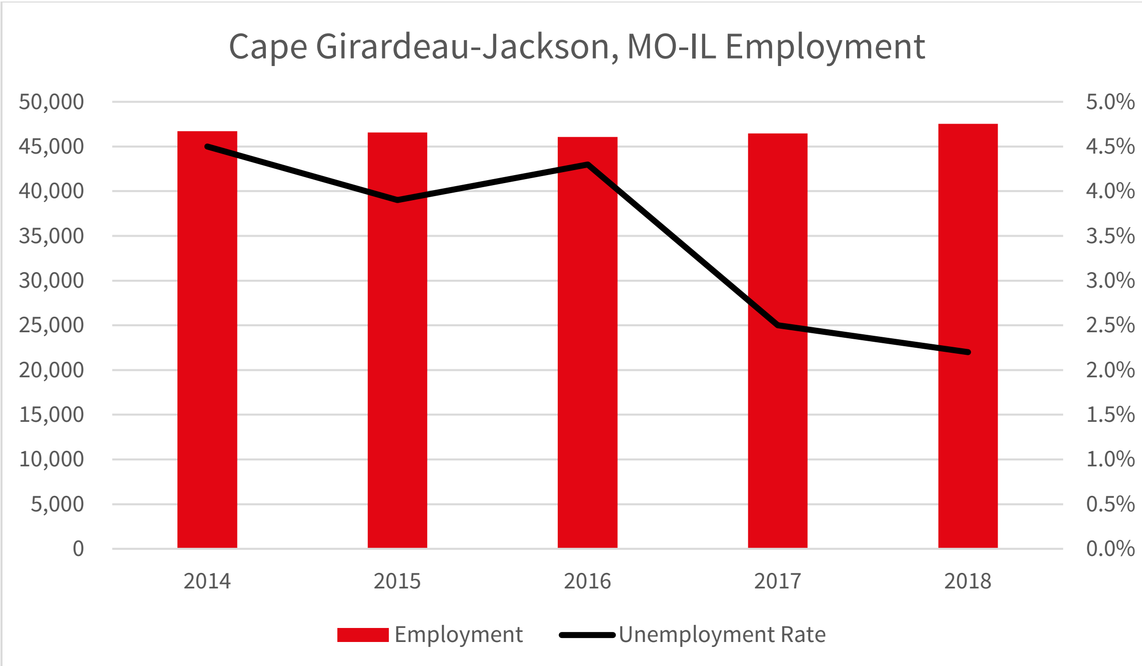
In 2017, Cairo, Illinois had an estimated population of 2,281 with a median age of 35.1, younger than the statewide median age of 37.7. In Cairo, 16.6% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Cairo's population has decreased by 12.8% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

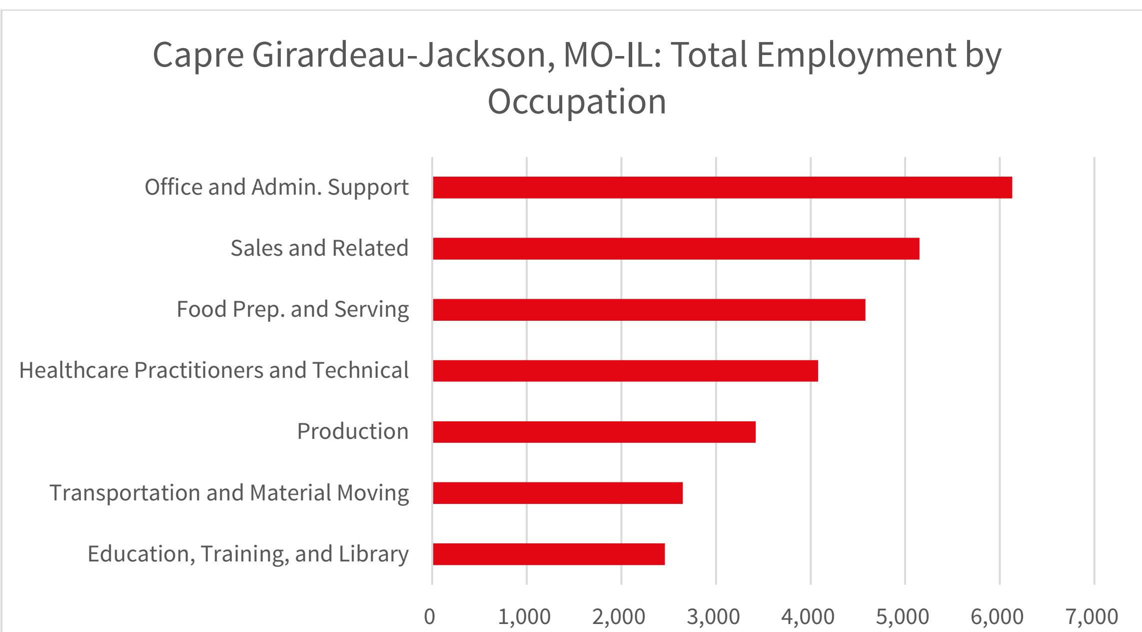
Labor Force and Employment Growth

Cairo is located in the Cape Girardeau-Jackson, MO-IL Metropolitan Statistical Area ("MSA"). Employment in the Cape Girardeau-Jackson, MO-IL MSA has increased over the past five years with total employment at 47,554 in October 2018. This is up from October 2014, when employment totaled 46,714. The unemployment rate decreased from 4.5% in October 2014 to 2.2% in October 2018.



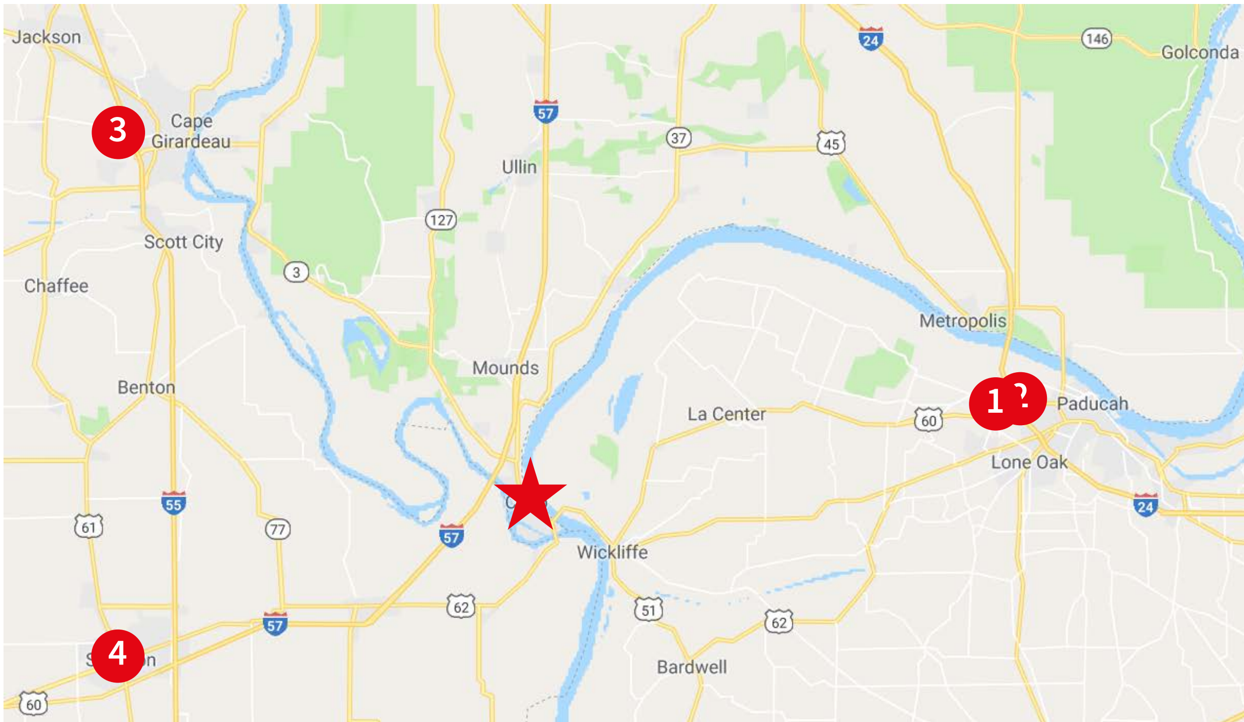
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Cape Girardeau-Jackson, MO-IL MSA with a total of 6,130 jobs. The next largest occupation types are sales and related occupations with 5,150 jobs; food preparation and serving occupations with 4,580 jobs; healthcare practitioners and technical occupations with 4,080 jobs; production occupations with 3,420 jobs; and transportation and material moving occupations with 2,650 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	4645 Falconcrest Drive (Paducah)	4645 Falconcrest Drive (Paducah)	6,032
2	3908 Hinkleville Road (Paducah)	3908 Hinkleville Road (Paducah)	9,337
3	450 Siemers Drive (Cape Girardeau)	450 Siemers Drive (Cape Girardeau)	6,770
4	416 Greer Avenue (Sikeston)	416 Greer Avenue (Sikeston)	5,036

Source: CoStar and JLL

Office market conditions

The Cairo office market is very limited, with only five office properties totaling 32,300 square feet. Rents for comparable properties in nearby Cape Girardeau, MO; Sikeston, MO; and Paducah, KY average $10.75 per square foot. Comparable buildings for sale in these markets are listed for $53.42 per square foot on average.

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
4645 Falconcrest Drive	B	6,032	$10.00
3908 Hinkleville Road	C	9,337	$9.75
450 Siemers Drive	C	6,770	$12.50
Sales Comps			
416 Greer Avenue	C	5,036	$53.42

Source: CoStar and JLL

Own Versus Lease Analysis

To assess whether the State should continue leasing 1315 Washington Ave or purchase the building outright, 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 our 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):	3,800
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 8.89
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 40.60
Landlord TI Allowance ($ sf) (relocation only)	$ 20.30
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.71
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $410,866. 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 **1315 Washington Ave**	
Total Rent Cost	$ 369,903
+ Total OpEx	$ 166,436
Total Cost (Real)	$ 410,866

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. 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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $890,000 (the 2019 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 $233.35.

Total Cost to Acquire **1315 Washington Ave**	
2019 Break-Even Acquisition Cost	$ 886,734
+ Initial CapEx	$ 38,000
+ Total Ongoing CapEx	$ 29,592
+ Total OpEx	$ 166,436
- 2029 Market Value	$ (1,009,918)
Total Cost (Real)	$ 410,866

If the State can acquire the building below $233.35 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 Cairo:

Own Versus Lease Analysis (cont'd)

Acquisition Alternatives			
Address	Square Feet	Asking $/SF	Total Asking $
416 Greer Avenue	5,036	$53.42	$ 269,023

Lease Alternatives			
Address	Total Available SF	Square Feet	Asking Rent $/SF
4645 Falconcrest Drive	6,032	3,800	$10.00
3908 Hinkleville Road	9,337	3,800	$9.75
450 Siemers Drive	6,770	3,800	$12.50

Based on this sample, the average sale price of properties in Cairo is $53.42 per square foot. Compared to the maximum break-even price of $233.35 per square foot for 1315 Washington Ave, this value is significantly lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $53.42 per square foot, the total cost of acquisition, including capital expenditure, would be $268,810.

Total Cost to Acquire 1315 Washington Ave at Market Value	
Acquisition Cost	$ 325,656
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 38,000
+ Total Ongoing CapEx	$ 29,592
+ Total OpEx	$ 166,436
- 2029 Market Value	$ (370,896)
Total Cost (Real)	$ 268,810

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	Square Feet	Asking $/SF	Total Asking $
416 Greer Avenue	5,036	$53.42	$ 269,023

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
4645 Falconcrest Drive	6,032	3,800	$10.00
3908 Hinkleville Road	9,337	3,800	$9.75
450 Siemers Drive	6,770	3,800	$12.50

Regarding acquisition alternatives, the property is larger than the State's current footprint, and is therefore excluded.

Regarding the lease alternatives, all three properties are larger than the State's current footprint. Therefore, these properties are viable alternatives if and only if the property owners are willing to lease a portion of the buildings.

Conclusion

Based on this assessment, the lowest cost technically acceptable alternative is for the State to acquire 1315 Wasington Ave.

However, 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. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $14,200 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 1315 Washington Ave rather than acquiring.

Lease 1315 Washington Ave	$ 410,866
Acquire 1315 Washington Ave	$ 268,810
Acquisition Alternatives	Total Cost to Acquire
n/a	n/a
Lease Alternatives	Total Cost to Lease
4645 Falconcrest Drive	$ 1,491,367
3908 Hinkleville Road	$ 1,483,398
450 Siemers Drive	$ 1,571,054

1515 E 71st Street

Chicago, IL

Department of Employment Security

Market Analysis

Property Description

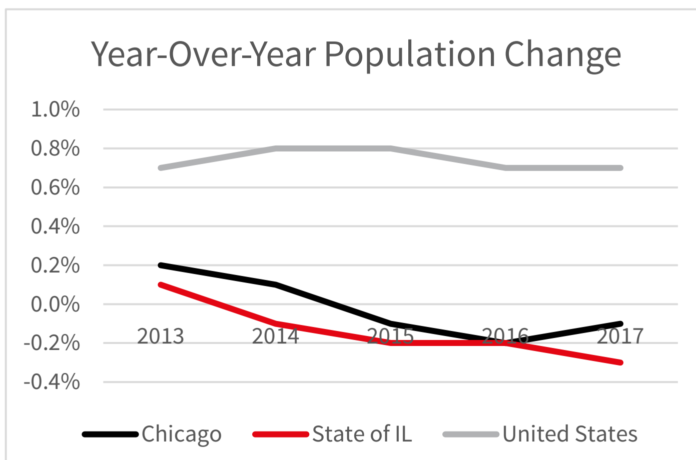
Property Details	
Property Address:	1515 E 71st Street Chicago, IL
Property Type:	Office
User:	Employment Security
Building Size (SF):	12,420
FY 2018 Annual Cost:	$306,096
FY 2018 Annual Cost (psf):	$24.65
2019 Headcount:	26
Demographics	
Population:	1 mile: 36,615 5 miles: 528,290
Median Household Income:	1 mile: $28,919 5 miles: $33,656

Source: CoStar

Market Overview

Chicago, Illinois

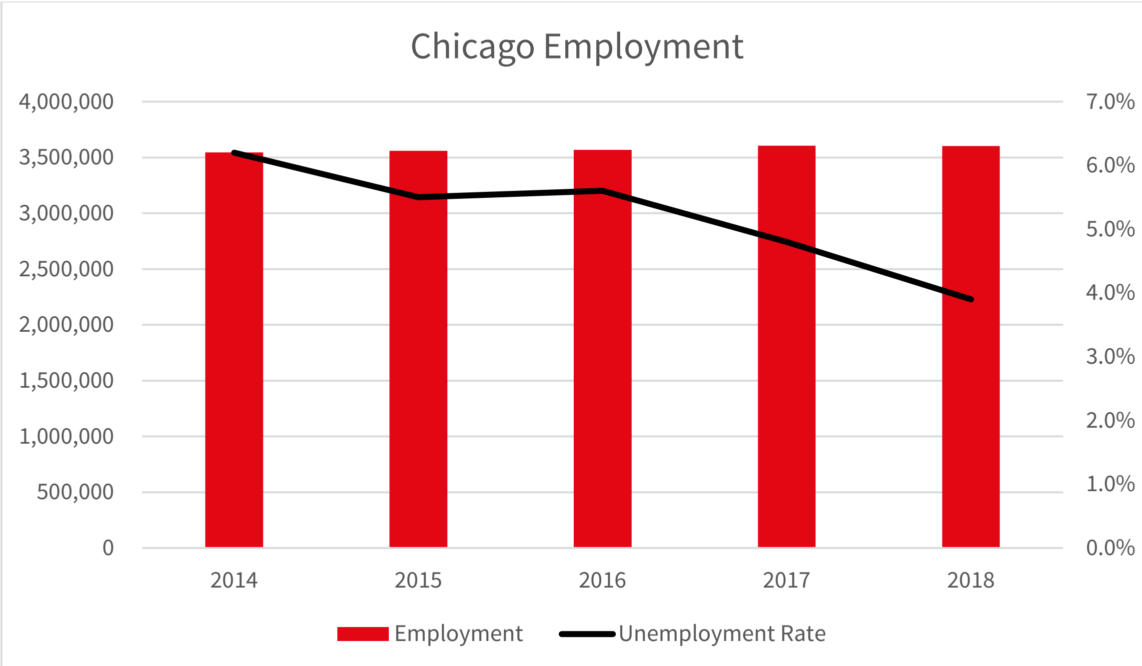
In 2017, Chicago, Illinois had an estimated population of 2.72 million with a median age of 34.1, younger than the statewide median age of 37.7. In Chicago, 37.5% of the population has a bachelor's degree or higher, which is higher than the 33.4% statewide who have a bachelor's degree or higher. Chicago's population has decreased by 0.3% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

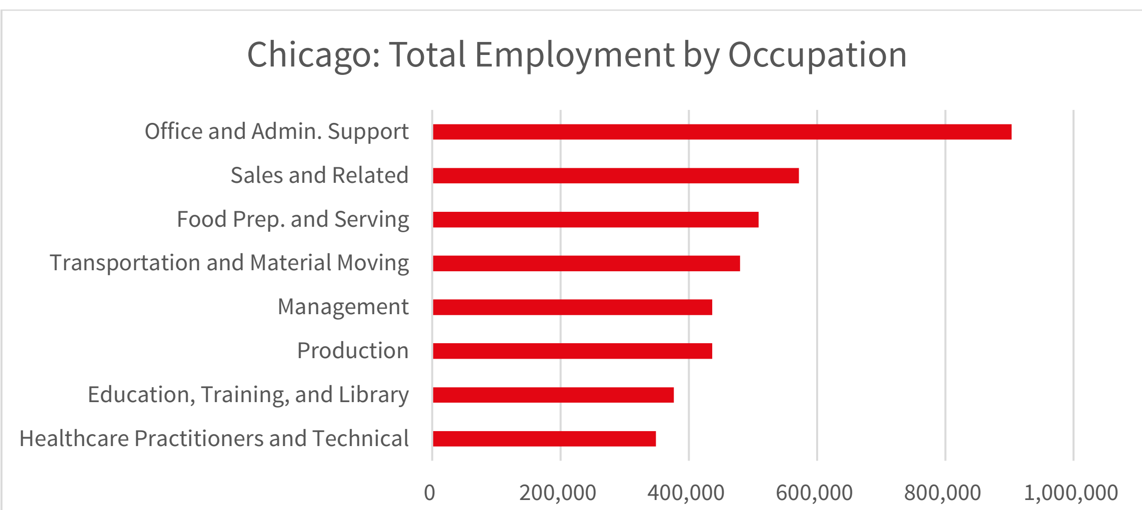
Labor Force and Employment Growth

Chicago is located in the Chicago-Joliet-Naperville Metropolitan Statistical Area ("MSA"). Employment in the Chicago-Joliet-Naperville MSA has increased over the past five years with total employment at 3.60 million in October 2018. This is up from October 2014, when employment totaled 3.54 million. The unemployment rate decreased from 6.2% in October 2014 to 3.9% in October 2018.



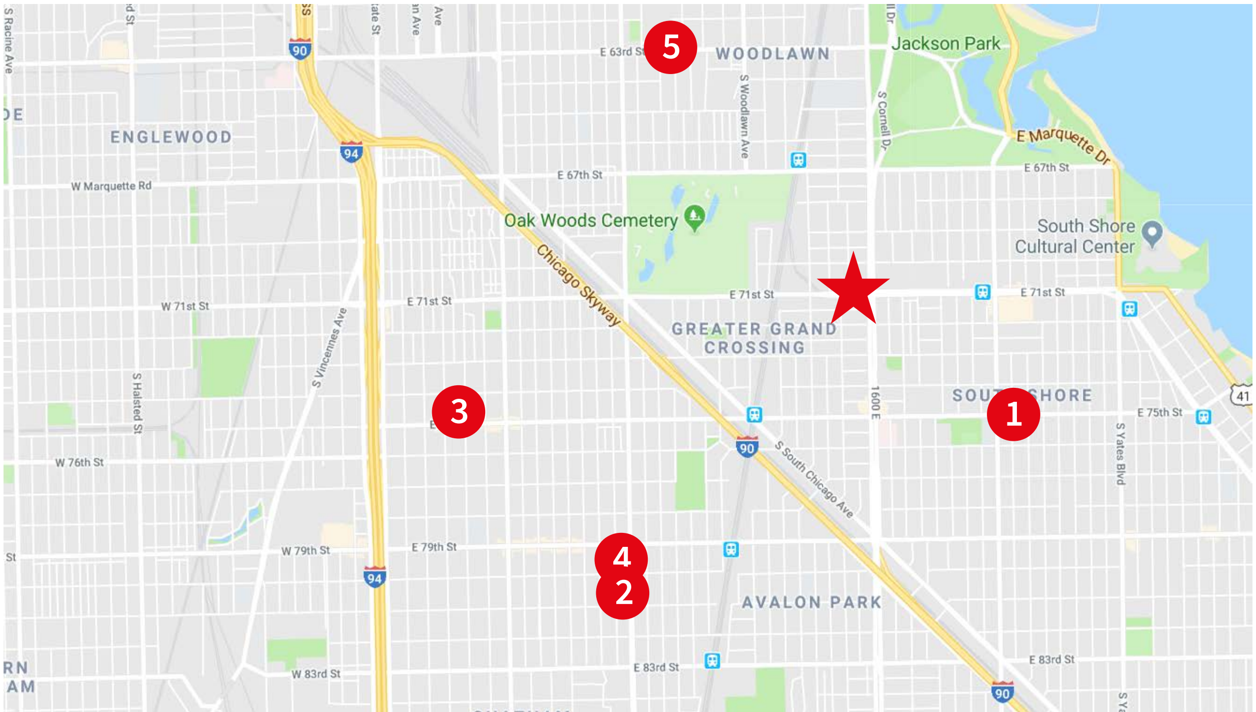
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Chicago-Joliet-Naperville MSA with a total of 903,510 jobs. The next largest occupation types are sales and related occupations with 571,680 jobs; food preparation and serving occupations with 508,850 jobs; transportation and material moving occupations with 479,920 jobs; and management occupations with 436,590 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	2011 E 75th Street	2011 E 75th Street	22,500
2	8046 S Cottage Grove Avenue	8046 S Cottage Grove Avenue	14,412
3	200 E 75th Street	200 E 75th Street	17,984
4	7936 S Cottage Grove Avenue	7936 S Cottage Grove Avenue	48,174
5	915 E 63rd Street	915 E 63rd Street	31,142

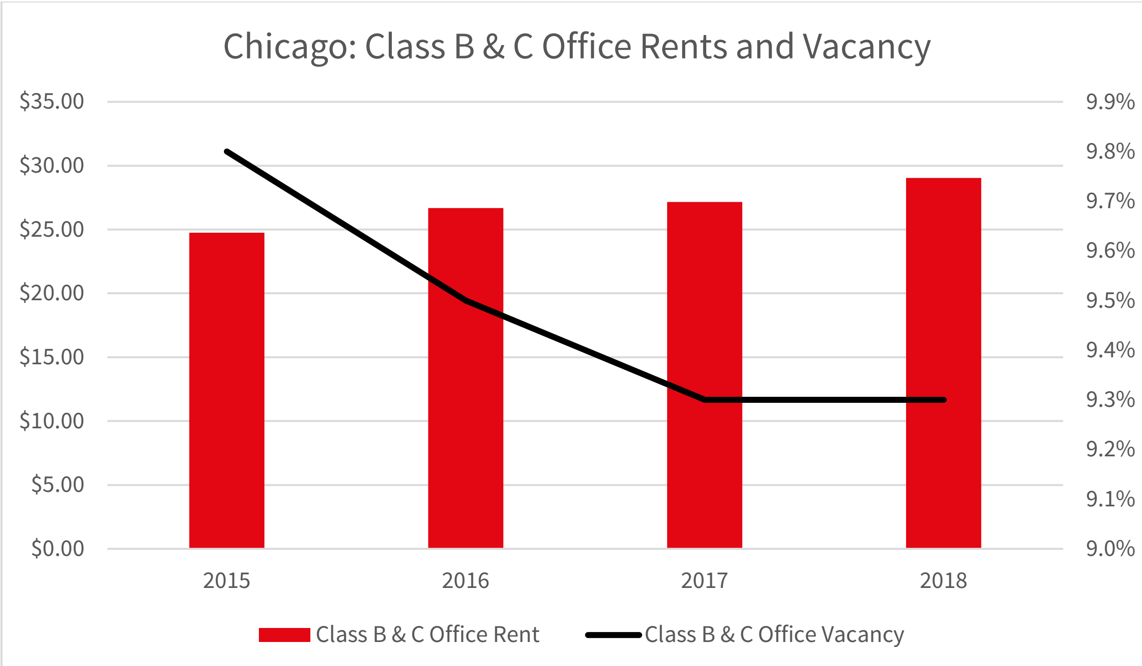
Source: CoStar and JLL

Office market conditions

The Chicago office market has 120.2 million square feet of Class B and Class C office inventory with a vacancy rate of 9.3%. Rents for comparable properties in the market average $13.50 per square foot while comparable buildings for sale in the market are listed for $69.77 per square foot on average. Office rents for Class B and Class C properties in Chicago have increased over the past four years, going from $24.75 per square foot in 2015 to $29.03 per square foot in 2018. Class B and Class C office vacancy has decreased from 9.8% in 2015 to 9.3% in 2018.

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
2011 E 75th Street	C	22,500	$16.00
8046 S Cottage Grove	B	14,412	$11.00
Sale Comps			
200 E 75th Street	C	17,984	$37.53
7936 S Cottage Grove	B	48,174	$31.14
915 E 63rd Street	C	31,142	$140.65

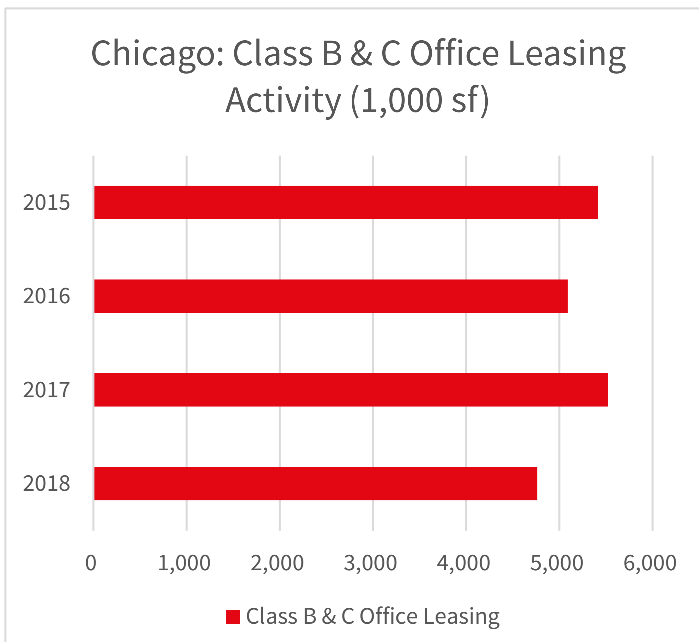
Source: CoStar and JLL



Source: CoStar

Leasing Activity and Office Development Deliveries

Class B and Class C office leasing activity in Chicago has decreased in recent years, with leasing decreasing from 5.5 million square feet in 2017 to 4.8 million square feet in 2018. Chicago had eight Class B and Class C office buildings totaling 152,358 square feet delivered in 2018. Another five Class B and Class C office buildings totaling 194,370 square feet are currently under construction. Class B and Class C vacancy in the market has decreased in recent years despite this additional capacity in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 1515 E 71st Street or purchase the building outright, 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 our 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):	12,420
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 13.50
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 40.60
Landlord TI Allowance ($ sf) (relocation only)	$ 20.30
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 1.08
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $1,823,155. 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 **1515 E 71st Street**	
Total Rent Cost	$ 1,835,940
+ Total OpEx	$ 543,982
Total Cost (Real)	$ 1,823,155

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. 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 2019 acquisition cost/value by a factor of 1.13% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $4,420,000 (the 2019 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 $356.17.

Total Cost to Acquire **1515 E 71st Street**	
2019 Break-Even Acquisition Cost	$ 4,423,602
+ Initial CapEx	$ 124,200
+ Total Ongoing CapEx	$ 146,875
+ Total OpEx	$ 543,982
- 2029 Market Value	$ (4,947,476)
Total Cost (Real)	$ 1,823,155

If the State can acquire the building below $356.17 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
200 E 75th St	17,984	$ 674,940	$ 37.53
7936 S Cottage Grove	48,174	$ 1,500,138	$ 31.14
Average			$ 34.34

The average sale price of comparable properties in Chicago is $34.34 per square foot. Compared to the maximum break-even price of $356.17 per square foot for 1515 E 71st Street, this value is significantly lower. Therefore, the State may be able to acquire the building.

Should the State acquire the property for $34.34 per square foot, the total cost of acquisition, including capital expenditure, would be $760,854.

Total Cost to Acquire Employment Security Building at Market Value	
Acquisition Cost	$ 426,441
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 124,200
+ Total Ongoing CapEx	$ 146,875
+ Total OpEx	$ 543,982
- 2029 Market Value	$ (476,943)
Total Cost (Nominal)	$ 764,555
Total Cost (Real)	$ 760,854

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	Square Feet	Asking $/SF	Total Asking $
200 E 75th St	17,984	$37.53	$ 674,940
7936 S Cottage Grove	48,174	$31.14	$ 1,500,138

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
2011 E 75th St	22,500	12,420	$16.00
8046 S Cottage Grove	14,412	12,420	$11.00

Regarding acquisition alternatives, both properties are larger than the State's current footprint, and are therefore excluded.

Regarding the lease alternatives, both properties are larger than the State's current footprint. Therefore, these properties are viable alternatives if and only if the property owners are willing to lease a portion of the buildings.

Conclusion

Based on this assessment, the lowest cost technically acceptable alternative is for the State to acquire 1515 E 71st Street.

However, 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. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $106,000 less over the course of the 10-year analysis period. These savings may not be commensurate with the risks outlined above. Therefore, the State may consider leasing 1515 E 71st Street rather than acquiring.

Lease 1515 E 71st Street	$ 1,823,155
Acquire 1515 E 71st Street	$ 760,854
Acquisition Alternatives	Total Cost to Acquire
n/a	n/a
Lease Alternatives	Total Cost to Lease
2011 E 75th St	$ 3,371,760
8046 S Cottage Grove	$ 2,850,858

1602 N Main Street

Benton, IL

Department of Human Services

Market Analysis

Property Description

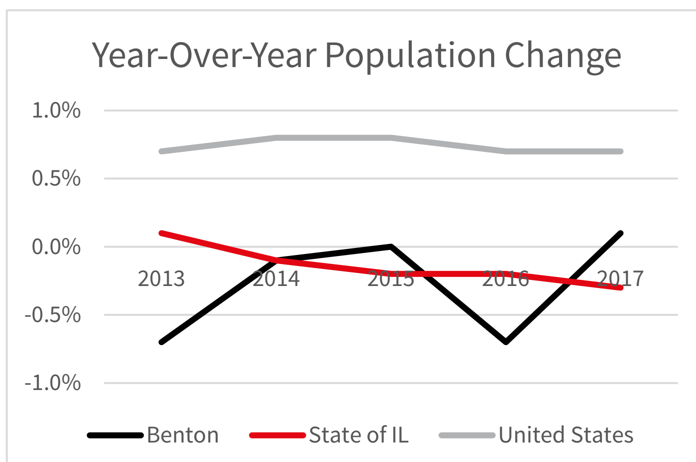
Property Details	
Property Address:	1602 N Main Street Benton, IL
Property Type:	Office
User:	Human Services
Building Size (SF):	9,795
FY 2018 Annual Cost:	$104,248
FY 2018 Annual Cost (psf):	$10.64
2019 Headcount:	28
Demographics	
Population:	1 mile: 3,364 5 miles: 10,609
Median Household Income:	1 mile: $37,423 5 miles: $39,336

Source: Google

Market Overview

Benton, Illinois

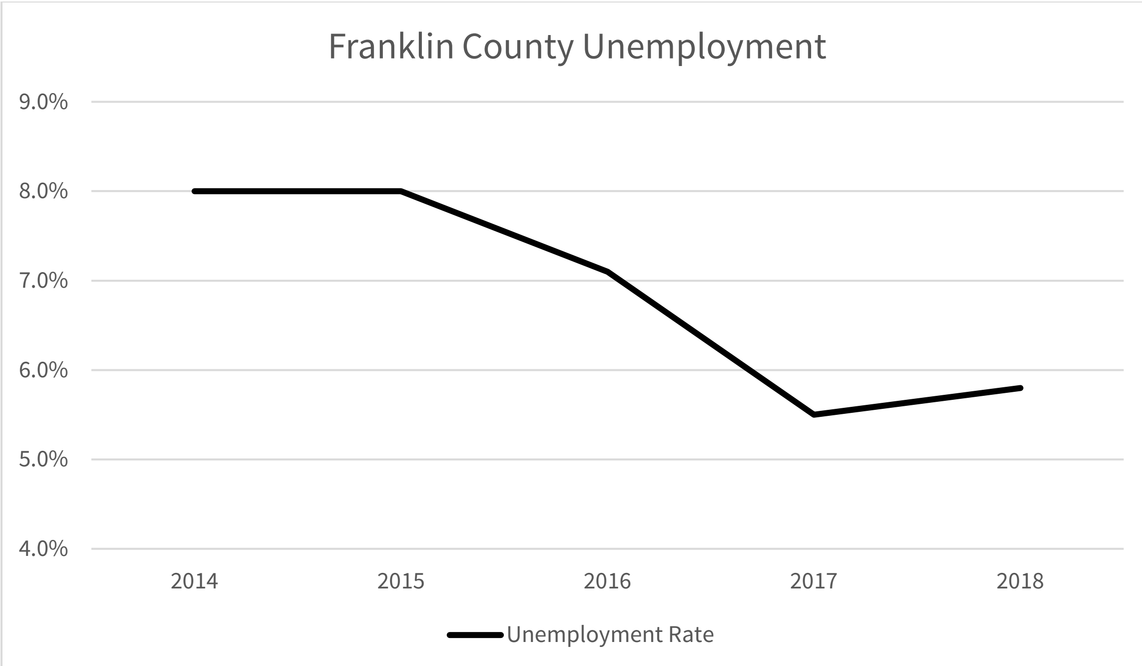
In 2017, Benton, Illinois had an estimated population of 6,964 with a median age of 42.1, older than the statewide median age of 37.7. In Benton, 22.4% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Benton's population has decreased by 0.7% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

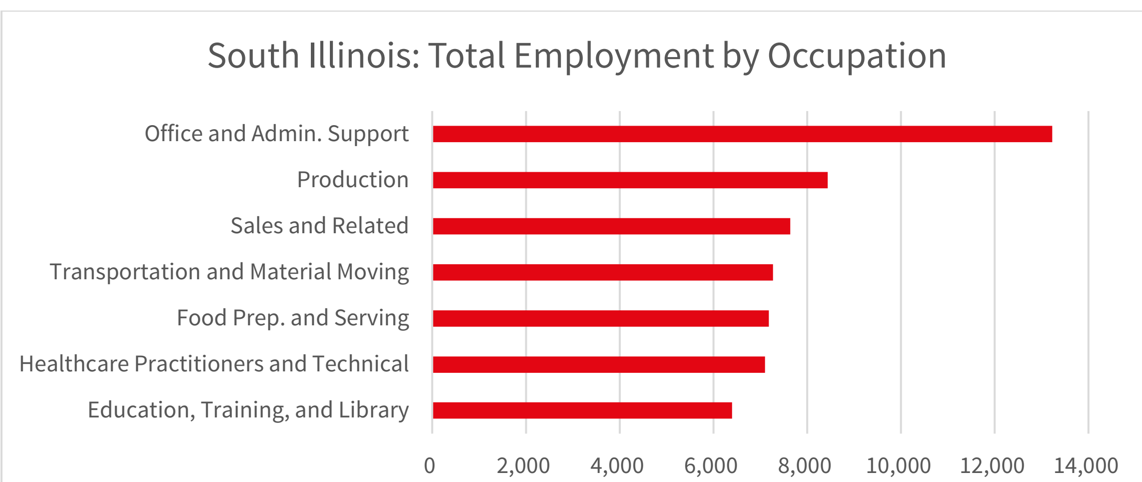
Labor Force and Employment Growth

Benton is located in Franklin County, Illinois. Unemployment in Franklin County has decreased from 8.0% in October 2014 to 5.8% in October 2018. The unemployment rate in October 2018 was a slight uptick from the October 2017 unemployment rate of 5.5%.



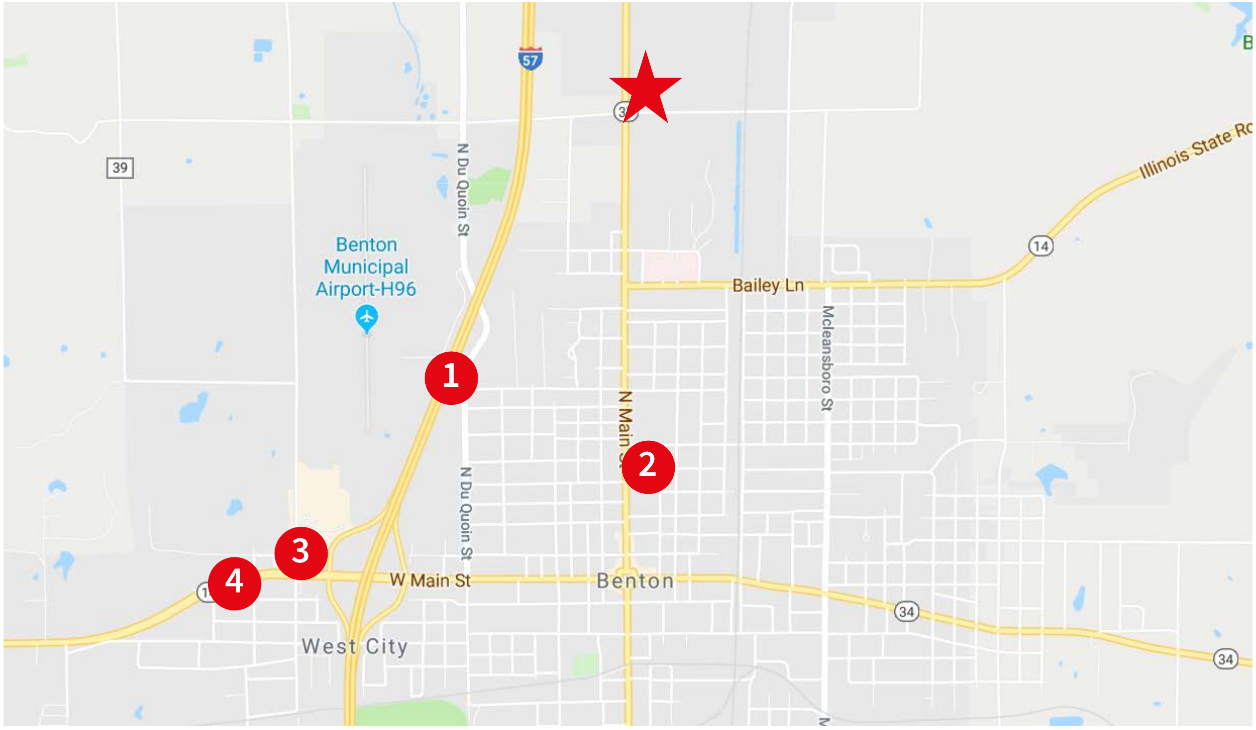
Source: U.S. Bureau of Labor Statistics

The U.S. Bureau of Labor Statistics includes Benton and Franklin County in the South Illinois nonmetropolitan area. Office and administrative support occupations make up the largest share of employment in the South Illinois nonmetropolitan area with a total of 13,230 jobs. The next largest occupation types are production occupations with 8,440 jobs; sales and related occupations with 7,640 jobs; transportation and material moving occupations with 7,270 jobs; and food preparation and serving occupations with 7,180 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	901 N Du Quoin Street	901 N Du Quoin Street	1,960
2	402 W Main Street	402 W Main Street	20,000
3	102 N Central Street	102 N Central Street	3,168
4	1107 W Church Street	1107 W Church Street	2,400

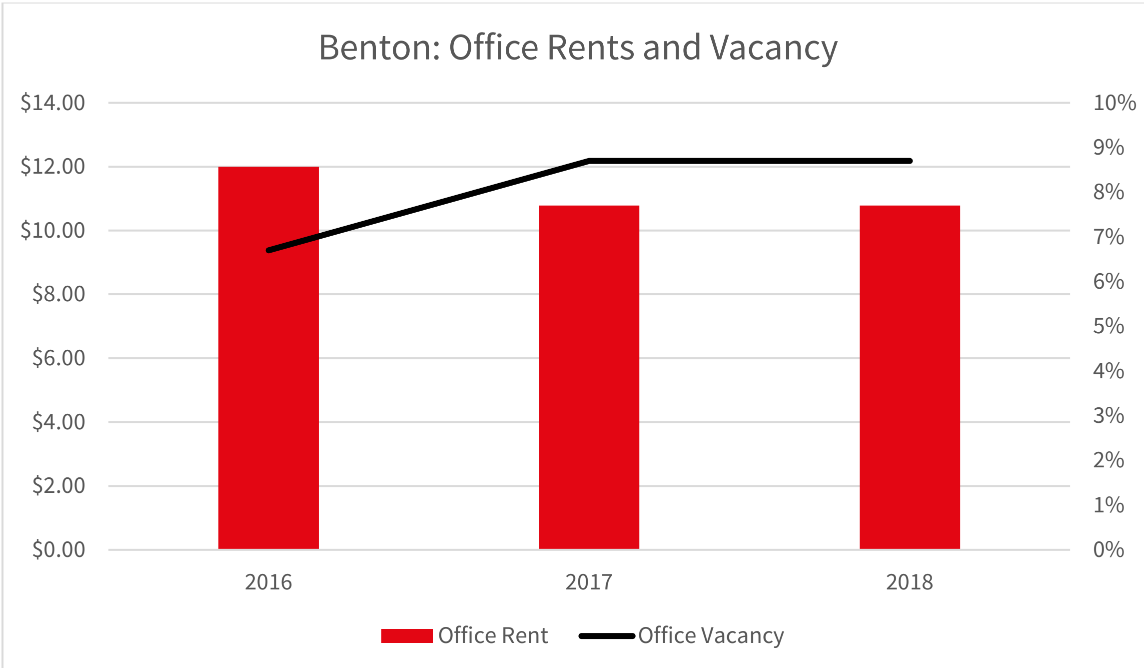
Source: CoStar and JLL

Office market conditions

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
901 N Du Quoin Street	C	1,960	$11.00
402 W Main Street	C	20,000	$14.97
Sales Comps			
102 N Central Street	C	3,168	$94.70
1107 W Church Street	C	2,400	$25.58

Source: CoStar and JLL

The Benton office market has 97,400 square feet of total office inventory with a vacancy rate of 8.7%. Rents for comparable properties in the market average $12.99 per square foot while comparable buildings for sale in the market are listed for $60.14 per square foot on average. Office rents for all office properties in Benton average $10.78 per square foot. Office vacancy increased from 6.7% in 2016 to 8.7% in 2018 as the result of two leases totaling 2,500 square feet that terminated in 2016 and 2017.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 1602 N Main Street or purchase the building outright, 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 our 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):	9,795
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 7.28
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 40.60
Landlord TI Allowance ($ sf) (relocation only)	$ 20.30
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.58
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $926,782. 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 **1602 N Main Street**	
Total Rent Cost	$ 780,798
+ Total OpEx	$ 429,010
Total Cost (Real)	$ 926,782

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. 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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $1,810,000 (the 2019 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 $184.28.

Total Cost to Acquire **1602 N Main Street**	
2019 Break-Even Acquisition Cost	$ 1,805,006
+ Initial CapEx	$ 97,950
+ Total Ongoing CapEx	$ 62,464
+ Total OpEx	$ 429,010
- 2029 Market Value	$ (2,055,754)
Total Cost (Real)	$ 926,782

If the State can acquire the building below $184.28 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 Benton:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
102 N Central Street	3,168	$ 300,010	$ 94.70
1107 W Church Street	2,400	$ 61,392	$ 25.58
Average			$ 60.14

Based on this sample, the average sale price of properties in Benton is $60.14 per square foot. Compared to the maximum break-even price of $184.28 per square foot for the 1602 N Main Street, this value is significantly lower.

Should the State acquire the property at market rates for $60.14 per square foot, the total cost of acquisition, including capital expenditure, would be $682,311.

Total Cost to Acquire 1602 N Main Street at Market Value	
Acquisition Cost	$ 839,422
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 97,950
+ Total Ongoing CapEx	$ 62,464
+ Total OpEx	$ 429,010
- 2029 Market Value	$ (956,032)
Total Cost (Real)	**$ 682,311**

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	Square Feet	Asking $/SF	Total Asking $
102 N Central Street	3,168	$94.70	$ 300,010
1107 W Church Street	2,400	$25.58	$ 61,392

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
901 N Du Quoin Street	1,960	1,960	$11.00
402 W Main Street	20,000	9,795	$14.97

Both acquisition alternatives and the first lease alternative are too small and are therefore excluded from the analysis. The second lease alternative is included, but is only a viable option if the property owner is willing to lease out a portion of the building.

Conclusion

Based on this assessment, the lowest cost technically acceptable alternative is for the State to acquire 1602 N Main Street.

However, 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. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $24,400 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 1602 N Main Street rather than acquiring.

Lease 1602 N Main Street	$ 926,782
Acquire 1602 N Main Street	$ 682,311
Acquisition Alternatives	Total Cost to Acquire
n/a	n/a
Lease Alternatives	Total Cost to Lease
402 W Main Street	$ 2,741,034

2001 NE Jefferson Street

Peoria, IL

Department of Children and Family Services

Market Analysis

Property Description

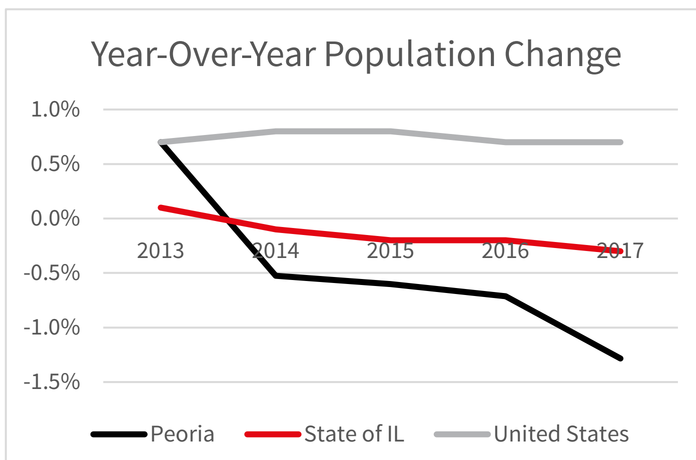
Property Details	
Property Address:	2001 NE Jefferson ST Peoria, IL
Property Type:	Office
User:	Client Services Office
Building Size (SF):	26,740
FY 2018 Annual Cost:	$344,034
FY 2018 Annual Cost (psf):	$15.64
2019 Headcount:	76
Demographics	
Population:	1 mile: 7,153 5 miles: 125,644
Median Household Income:	1 mile: $27,881 5 miles: $51,789

Source: Google

Market Overview

Peoria, Illinois

In 2017, Peoria, Illinois had an estimated population of 112,883 with a median age of 34.3, older than the statewide median age of 36.2. In Peoria, 34.4% of the population has a bachelor's degree or higher, which is higher than the 33.4% statewide who have a bachelor's degree or higher. Peoria's population has decreased by 3.19% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.

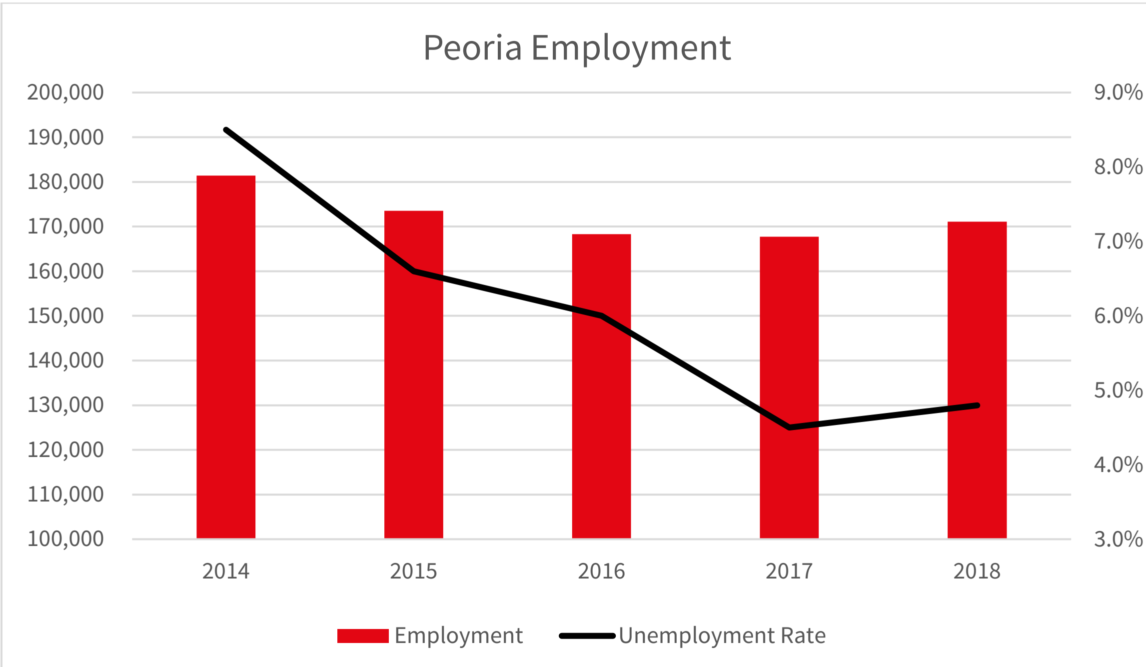


Source: U.S. Census Bureau

Labor Force and Employment Growth

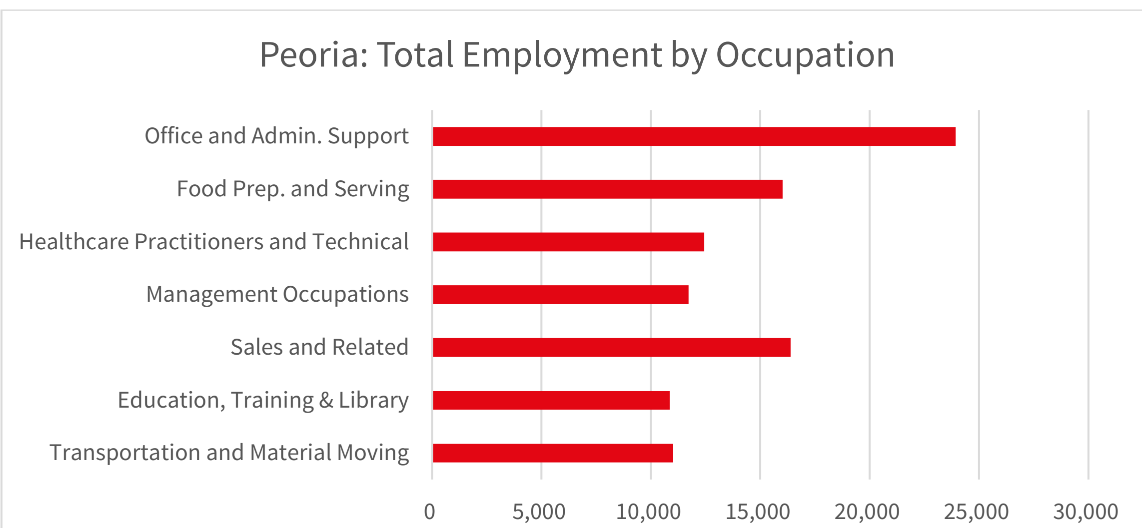
Peoria is located in the Peoria Metropolitan Statistical Area ("MSA"). Employment in the Peoria Metropolitan MSA has increased over the past five years with total employment at 171,070 in October 2018. The unemployment rate decreased every year from 2014 to 2017 before increasing to 4.8% in

October 2018, This is still a major improvement from October 2014, when the unemployment rate was 8.5%.



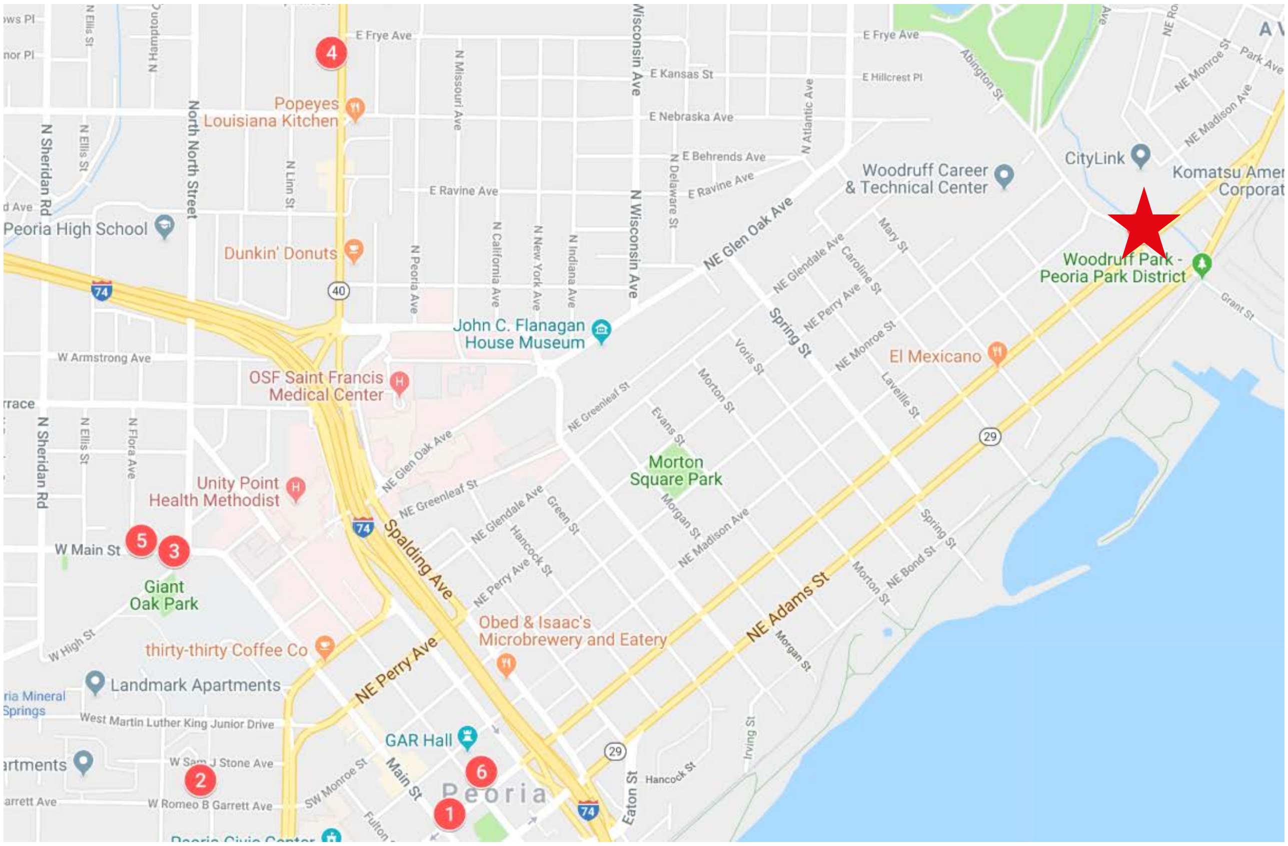
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Peoria MSA with a total of 23,930 jobs. The next largest occupations can all be seen in the chart below.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Address	City	Rentable Square Feet
1	416 Main St	Peoria	192,500
2	325 W Romeo	Peoria	15,702
3	2400 Main St	Peoria	24,252
4	2011 N Knoxville	Peoria	8,450
5	427 W Main St	Peoria	7,572
6	414 Hamilton Blvd	Peoria	19,620

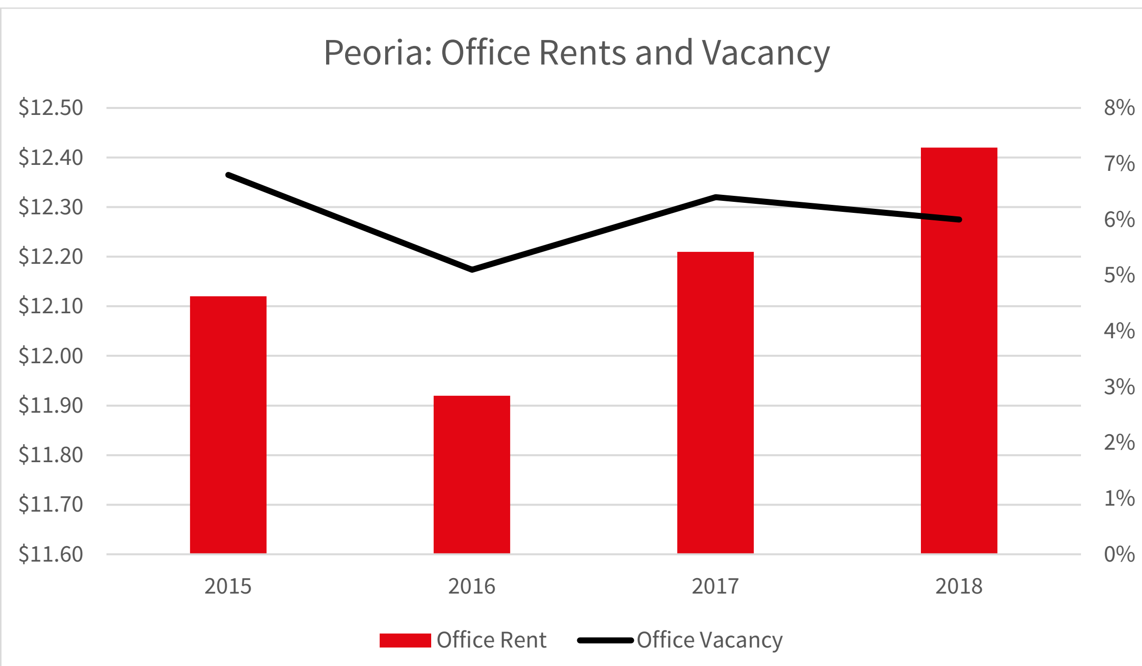
Source: CoStar and JLL

Office market conditions

Number	Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps				
1	416 Main St	B	192,500	$14.00
2	325 W Romeo	B	15,702	$12.50
3	2400 Main St	B	24,252	$12.00
Sales Comps				
4	2011 N Knoxville	B	8,450	$86.65
5	427 W Main St	B	7,572	$56.13
6	414 Hamilton Blvd	B	19,620	$35.52

Source: CoStar and JLL

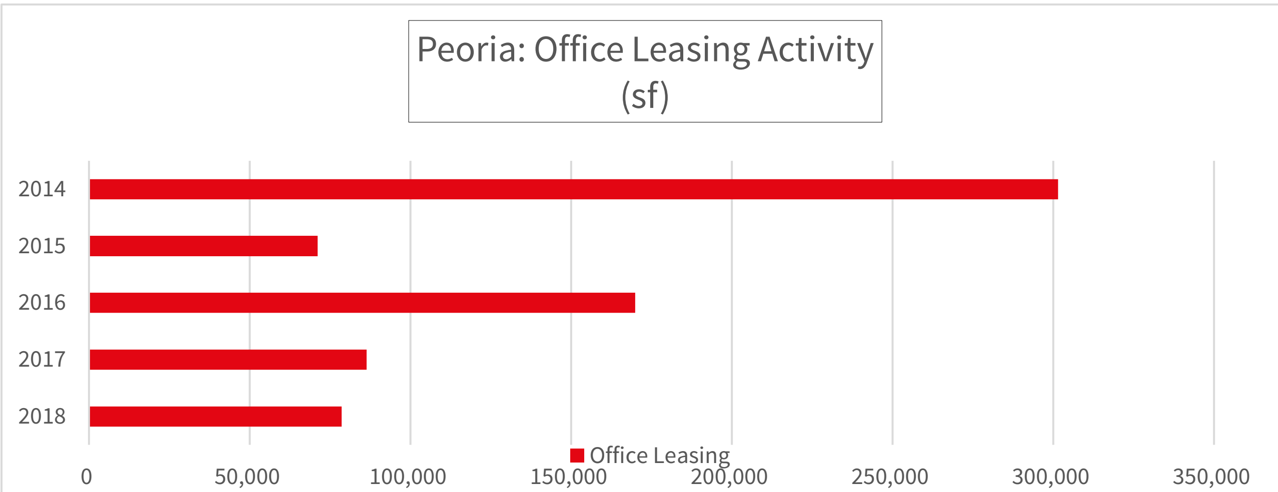
The Peoria office market has 11.5 million square feet of total office inventory with a vacancy rate of 5.5%. Rents for comparable properties in Peoria average $12.83 per square foot while comparable buildings have sold for $59.43 per square foot on average. Office rents for properties in Peoria have remained relatively steady since 2015. Average gross rental rates have not fluctuated very much and have remained near the $12.00 PSF to $12.50 PSF range.



Source: CoStar

Leasing Activity and Office Development Deliveries

Leasing activity in Peoria was significant in 2014 following an influx in inventory that was delivered to the market. Since then, office leasing has remained relatively steady, with 2016 being the next highest year of leasing activity. There are no office developments that were delivered over the last few years and none are currently under construction. It appears 2019 will be another year of steady leasing.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 2001 NE Jefferson St or purchase the building outright, 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 our 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):	22,000
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 12.83
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 40.60
Landlord TI Allowance ($ sf) (relocation only)	$ 20.30
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 1.03
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $3,105,780. 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 Client Services Office Building	
Total Rent Cost	$ 3,090,668
+ Total OpEx	$ 963,575
Total Cost (Real)	$ 3,105,780

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. 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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $7,780,000 (the 2019 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 $353.44.

Total Cost to Acquire Client Services Office Building	
2019 Break-Even Acquisition Cost	$ 7,775,733
+ Initial CapEx	$ 220,000
+ Total Ongoing CapEx	$ 247,253
+ Total OpEx	$ 963,575
- 2029 Market Value	$ (8,855,921)
Total Cost (Real)	$ 3,105,780

If the State can acquire the building below $353.44 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 Peoria:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
325 W Romeo B Garret Av	15,702	$ 1,600,034	$ 101.90
2011 N Knoxville	8,450	$ 732,193	$ 86.65
427 W Main St	7,572	$ 425,016	$ 56.13
414 Hamilton Blvd	19,620	$ 696,902	$ 35.52
Average			$ 70.05

Based on this sample, the average sale price of properties in Peoria is $70.05 per square foot. Compared to the maximum break-even price of $353.44 per square foot for the 2001 NE Jefferson St, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $70.05 per square foot, the total cost of acquisition, including capital expenditure, would be $1,614,435.

Total Cost to Acquire 1110 N Allen Street at Market Value	
Acquisition Cost	$ 1,885,378
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 220,000
+ Total Ongoing CapEx	$ 247,253
+ Total OpEx	$ 963,575
- 2029 Market Value	$ (2,147,291)
Total Cost (Real)	$ 1,614,435

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	Square Feet	Asking $/SF	Total Asking $
325 W Romeo B Garret Av	15,702	$101.90	$ 1,600,034
2011 N Knoxville	8,450	$86.65	$ 732,193
427 W Main St	7,572	$56.13	$ 425,016
414 Hamilton Blvd	19,620	$35.52	$ 696,902

<u>Lease Alternatives</u>

Address	Total Available SF	Square Feet	Asking Rent $/SF
416 Main St	192,500	22,000	$14.00
325 W Romeo B Garret Av	15,702	15,702	$12.50
2400 Main St	24,252	22,000	$12.00

The acquisition alternatives are all too small, and are therefore excluded. For similar reasons, only the first and third lease alternatives are included.

Conclusion

Based on this assessment, the lowest cost technically acceptable alternative is for the State to acquire 2001 NE Jefferson Street.

However, 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. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $149,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 2001 NE Jefferson Street rather than acquiring.

Lease 2001 NE Jefferson St	$ 3,105,780
Acquire 2001 NE Jefferson St	$ 1,614,435
Acquisition Alternatives	Total Cost to Acquire
n/a	n/a
Lease Alternatives	Total Cost to Lease
416 Main St	$ 4,860,429
2400 Main St	$ 4,491,352

208 W Cook Street

Springfield, IL

Department of Children and Family Services

Market Analysis

Property Description

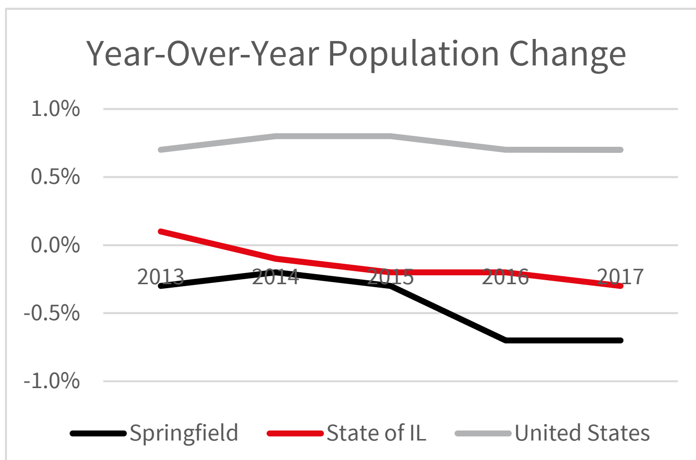
Property Details	
Property Address:	208 W Cook Street Springfield, IL
Property Type:	Office
User:	Children and Family Services
Building Size (SF):	11,700
FY 2018 Annual Cost:	$167,027
FY 2018 Annual Cost (psf):	$14.28
2019 Headcount:	42
Demographics	
Population:	1 mile: 13,708 5 miles: 124,919
Median Household Income:	1 mile: $38,573 5 miles: $46,543

Source: CoStar

Market Overview

Springfield, Illinois

In 2017, Springfield, Illinois had an estimated population of 114,868 with a median age of 38.9, older than the statewide median age of 37.7. In Springfield, 35.8% of the population has a bachelor's degree or higher, which is higher than the 33.4% statewide who have a bachelor's degree or higher. Springfield's population has decreased by 1.9% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.

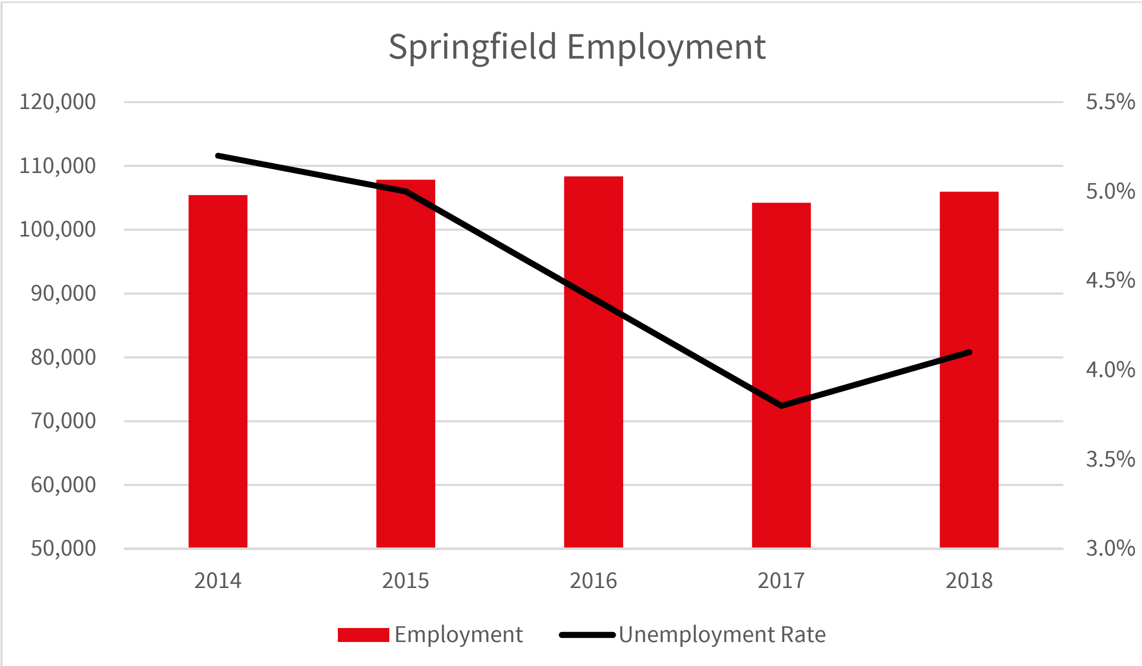


Source: U.S. Census Bureau

Labor Force and Employment Growth

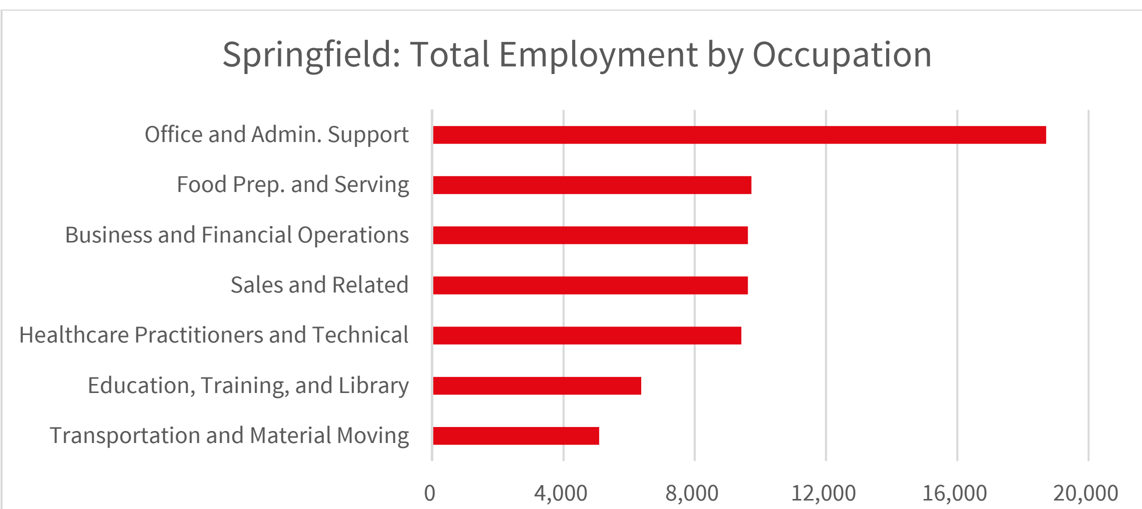
Springfield is located in the Springfield Metropolitan Statistical Area ("MSA"). Employment in the Springfield MSA has been flat over the past five years with total employment at 105,958 in October 2018. This is down from October 2016, when employment totaled 108,367. The unemployment rate

decreased every year from 2014 to 2017 before increasing to 4.1% in October 2018, up from 3.8% in October 2017. This is an improvement from October 2014, when the unemployment rate was 5.2%.



Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Springfield MSA with a total of 18,710 jobs. Employment is roughly split between the next largest occupation types – food preparation and serving occupations; business and financial operations occupations; sales and related occupations; and healthcare practitioners and technical occupations – with employment for each between 9,400 and 9,800 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis

Number	Building Name	Address	Rentable Square Feet
1	928 S Spring Street	928 S Spring Street	5,936
2	500 E Cook Street	500 E Cook Street	7,100
3	739 S 5th Street	739 S 5th Street	8,500
4	919 S Spring Street	919 S Spring Street	10,640
5	620 S 4th Street	620 S 4th Street	4,200

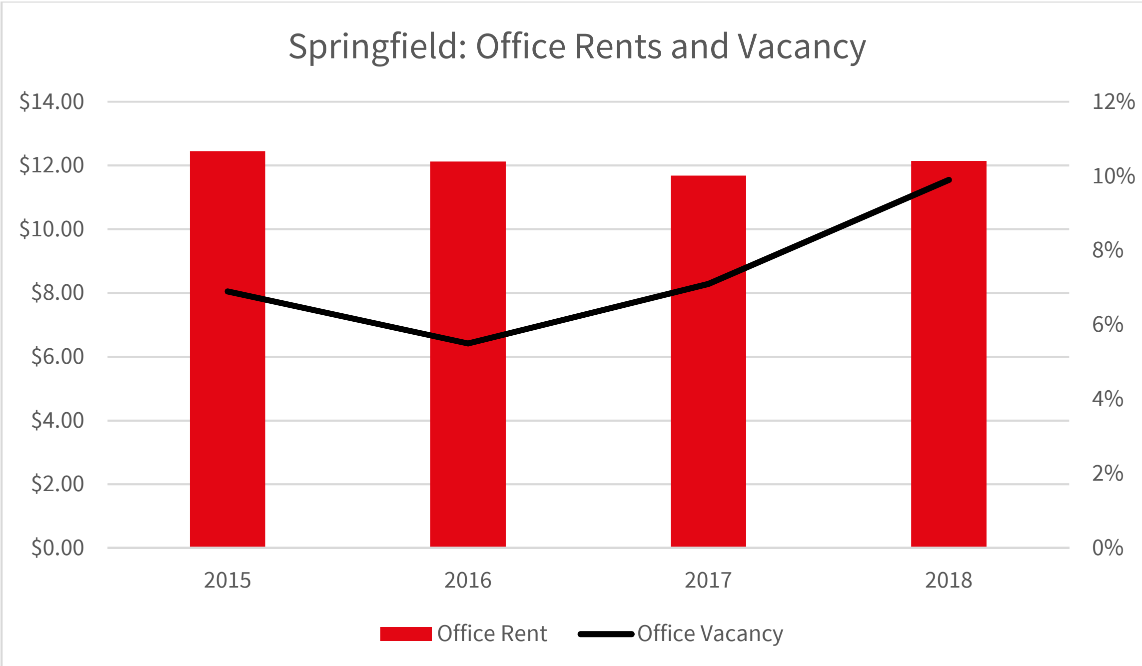
Source: CoStar and JLL

Office market conditions

The Springfield office market has 10.1 million square feet of total office inventory with a vacancy rate of 9.9%. Rents for comparable properties in the market average $13.07 per square foot while comparable buildings for sale in the market are listed for $47.81 per square foot on average. Office rents for all properties in Springfield have decreased over the past four years, going from $12.45 per square foot in 2015 to $12.14 per square foot in 2018. Office vacancy has increased from 6.9% in 2015 to 9.9% in 2018.

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
928 S Spring Street	B	5,936	$14.00
500 E Cook Street	C	7,100	$12.00
739 S 5th Street	C	8,500	$13.21
Sale Comps			
919 S Spring Street	B	10,640	$53.95
620 S 4th Street	C	4,200	$41.67

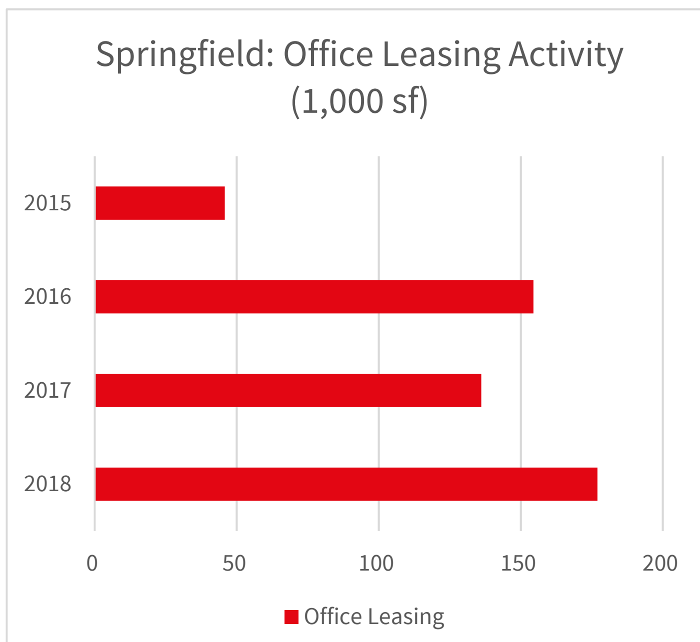
Source: CoStar and JLL



Source: CoStar

Leasing Activity and Office Development Deliveries

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 177,033 square feet in 2018. Springfield had two office buildings totaling 83,234 square feet delivered in 2018. Another office 58,000 square foot office building is currently under construction. Vacancy in the market has increased because of this additional capacity in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 208 W Cook Street or purchase the building outright, 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 our 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):	11,700
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 14.00
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 1.12
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $1,766,535. 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 Children and Family Services Building	
Total Rent Cost	$ 1,793,564
+ Total OpEx	$ 512,447
Total Cost (Real)	**$ 1,766,535**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $4,550,000 (the 2019 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 $389.10.

Total Cost to Acquire Children and Family Services Building	
2019 Break-Even Acquisition Cost	$ 4,552,517
+ Initial CapEx	$ 117,000
+ Total Ongoing CapEx	$ 143,485
+ Total OpEx	$ 512,447
- 2029 Market Value	$ (5,184,943)
Total Cost (Real)	$ 1,766,535

If the State can acquire the building below $389.10 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
615 S 5th Street	2,820	$ 215,000	$ 76.24
1112 Rickard Rd Ste. A	2,220	$ 275,000	$ 123.87
3200 Pleasant Run	11,730	$ 1,175,000	$ 100.17
400 S Grand Ave	3,200	$ 199,900	$ 62.47
6900 Preston Dr	5,400	$ 355,000	$ 65.74
Average			**$ 85.70**

Based on this sample, the average sale price of properties in Springfield is $85.70 per square foot. Compared to the maximum break-even price of $389.10 per square foot for 208 W Cook, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $85.70 per square foot, the total cost of acquisition, including capital expenditure, would be $867,772.

Total Cost to Acquire Children and Family Services Building at Market Value	
Acquisition Cost	$ 1,002,678
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 117,000
+ Total Ongoing CapEx	$ 143,485
+ Total OpEx	$ 512,447
- 2029 Market Value	$ (1,141,968)
Total Cost (Real)	**$ 867,772**

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	Square Feet	Asking $/SF	Total Asking $
919 S Spring Street	10,640	$53.95	$ 574,028
620 S 4th Street	4,200	$41.67	$ 175,014

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
928 S Spring Street	5,936	5,936	$14.00
500 E Cook Street	7,100	7,100	$12.00
739 S 5th Street	8,500	8,500	$13.21

Regarding acquisition alternatives, both alternatives are smaller than the current lease, and are therefore not viable options.

Regarding lease alternatives, all three options are smaller than the State's current footprint. These are therefore also excluded from the assessment.

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 208 W Cook.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $90,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 208 W Cook rather than acquiring.

Lease 208 W Cook Street	$ 1,766,535
Acquire 208 W Cook Street	$ 867,772
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
n/a	n/a

22 Kettle River Drive

Glen Carbon, IL

Department of Public Health

Market Analysis

Property Description

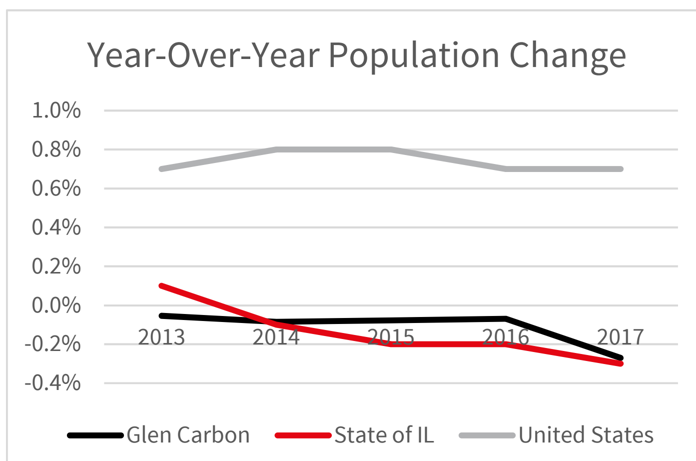
Property Details	
Property Address:	22 Kettle River Dr Glen Carbon, IL
Property Type:	Office
User:	Admin Regional Office
Building Size (SF):	9,655
FY 2018 Annual Cost:	$116,179
FY 2018 Annual Cost (psf):	$12.03
2019 Headcount:	61
Demographics	
Population:	1 mile: 6,776 5 miles: 58,377
Median Household Income:	1 mile: $65,726 5 miles: $80,292

Source: CoStar

Market Overview

Glen Carbon, Illinois

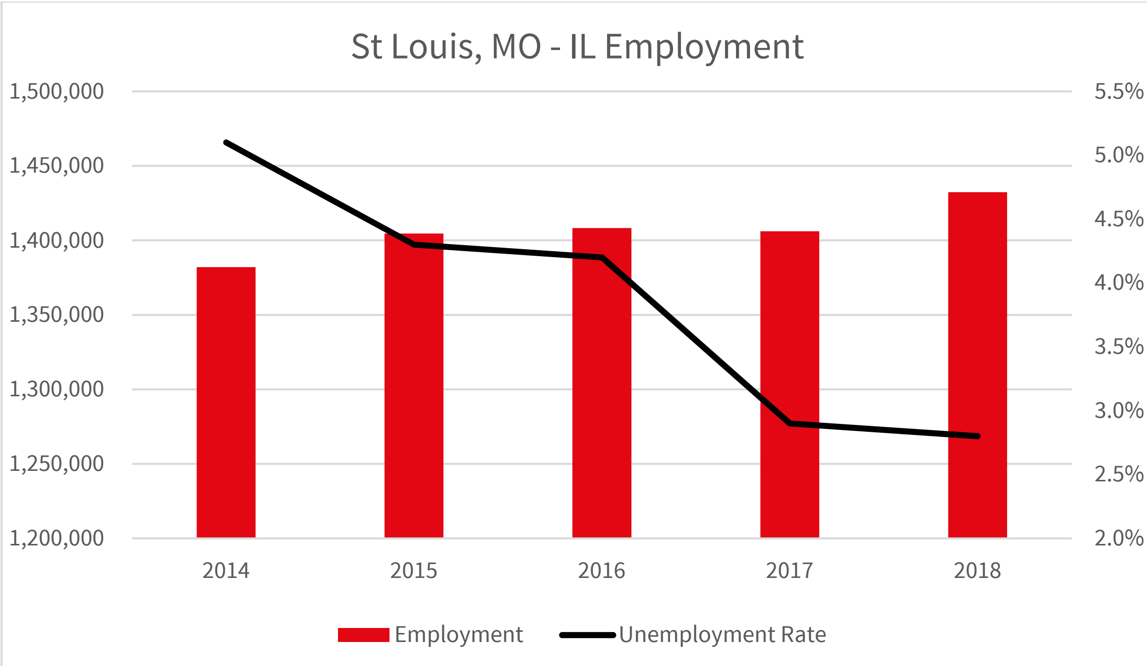
In 2017, Glen Carbon, Illinois had an estimated population of 12,985 with a median age of 40.4, older than the statewide median age of 37.7. In Glen Carbon, 54.1% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Glen Carbon's population has decreased by 0.5% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



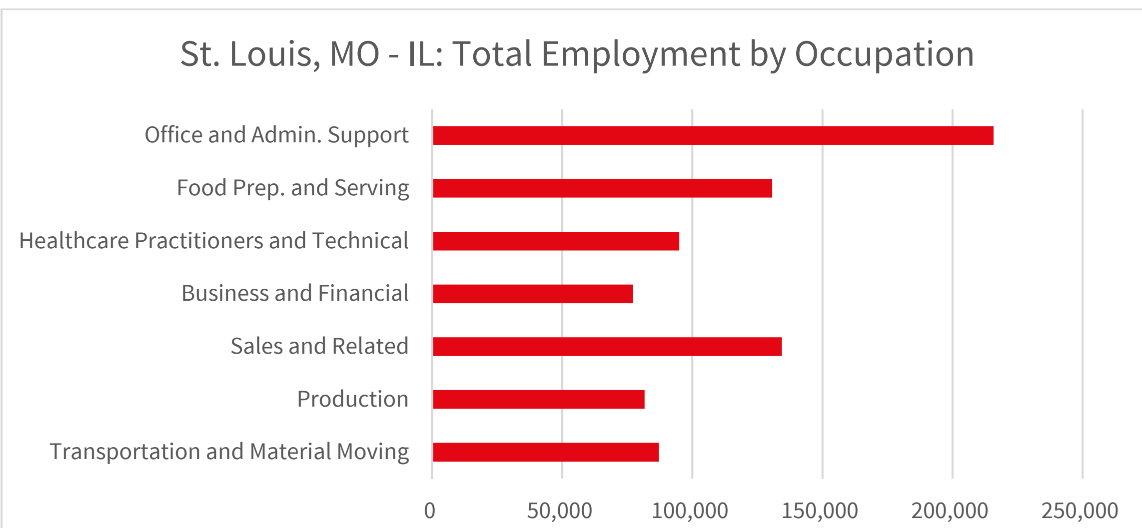
Source: U.S. Census Bureau

Labor Force and Employment Growth

Glen Carbon is located in the St. Louis, MO - IL Metropolitan Statistical Area ("MSA"). Employment in the St. Louis, MO - IL Metropolitan MSA has increased relatively steadily over the past five years with total employment at 1,432,234 in October 2018. The unemployment rate has consistently decreased every year since 2014.



Office and administrative support occupations make up the largest share of employment in the St. Louis, MO - IL MSA with a total of 215,810 jobs. The next largest occupations can all be seen in the chart below.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis

Number	Address	City	Rentable Square Feet
1	50 Kriege Farm Rd	Glen Carbon	8,364
2	3 Country Club Executive Park	Glen Carbon	5,664
2	3 Country Club Executive Park	Glen Carbon	5,664
3	6 Glen-Ed Professional Park	Glen Carbon	3,040

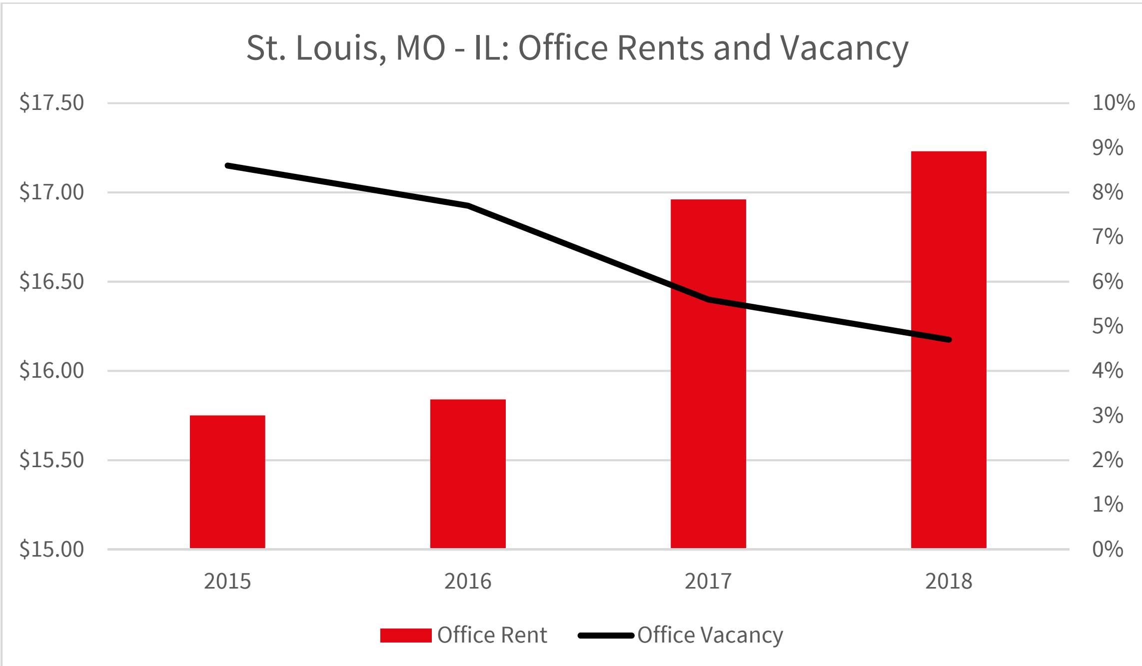
Source: CoStar and JLL

Office market conditions

Number	Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps				
1	50 Kriege Farm Rd	C	8,364	$14.85
2	3 Country Club Executive Park	C	5,664	$13.00
Sales Comps				
2	3 Country Club Executive Park	C	5,664	$103.28
3	6 Glen-Ed Professional Park	C	3,040	$47.70

Source: CoStar and JLL

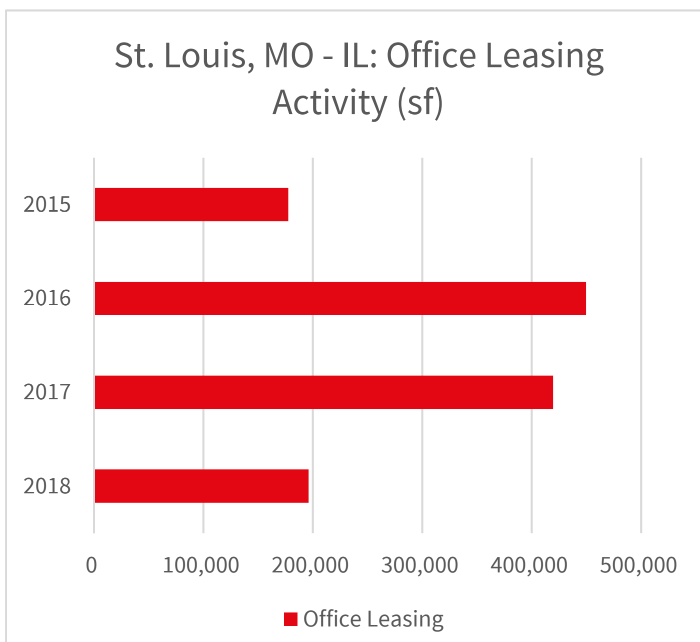
The St. Louis, MO - IL office market has 12.3 million square feet of total office inventory with a vacancy rate of 4.9%. Rents for comparable properties in Glen Carbon average $13.93 per square foot while comparable buildings have sold for $75.49 per square foot on average. Office rents for properties in the St. Louis, MO – IL submarket were steady around $15.75 PSF for a few years before a large uptick in rent that has been consistent since 2017. Average gross rental rates have stayed in the $17.00 PSF to $17.50 PSF range in 2018 and will likely level off in 2019.



Source: CoStar

Leasing Activity and Office Development Deliveries

Leasing activity in the St. Louis, MO - IL has increased significantly in recent years has not shown any telling trends and has been pretty across the board. 2016 and 2017 were significant from a leasing perspective before slowing down in 2018. This leasing activity is consistent with supply changes and construction of new product in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 22 Kettle River Drive or purchase the building outright, 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 our 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):	9,655
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 13.93
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 1.11
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $1,452,100. 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 Admin Regional Office	
Total Rent Cost	$ 1,472,673
+ Total OpEx	$ 422,878
Total Cost (Real)	**$ 1,452,100**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $3,740,000 (the 2019 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 $386.97.

Total Cost to Acquire Admin Regional Office	
2019 Break-Even Acquisition Cost	$ 3,736,199
+ Initial CapEx	$ 96,550
+ Total Ongoing CapEx	$ 117,814
+ Total OpEx	$ 422,878
- 2029 Market Value	$ (4,255,224)
Total Cost (Real)	$ 1,452,100

If the State can acquire the building below $386.97 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 Glen Carbon:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
3 Country Club Executive	5,664	$ 584,978	$ 103.28
6 Glen-Ed Professional P.	3,040	$ 145,008	$ 47.70
Average			**$ 75.49**

Based on this sample, the average sale price of properties in Glen Carbon is $75.49 per square foot. Compared to the maximum break-even price of $386.97 per square foot for the 22 Kettle River Drive, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $75.49 per square foot, the total cost of acquisition, including capital expenditure, would be $690,688.

Total Cost to Acquire Admin Regional Office at Market Value	
Acquisition Cost	$ 728,856
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 96,550
+ Total Ongoing CapEx	$ 117,814
+ Total OpEx	$ 422,878
- 2029 Market Value	$ (830,107)
Total Cost (Real)	**$ 690,688**

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	Square Feet	Asking $/SF	Total Asking $
6 Glen-Ed Professional Pa	3,040	$47.70	$ 145,008
3 Country Club Executive	5,664	$103.28	$ 584,978

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
50 Kriege Farm Rd	8,364	8,364	$14.85
3 Country Club Executive	5,664	5,664	$13.00

For both acquisition and lease alternatives, the amount of space available is less than the State's existing footprint. Therefore, neither set of options is a viable alternative.

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 22 Kettle River Drive.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $76,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 22 Kettle river Drive rather than acquiring.

Lease 22 Kettle River Drive	$ 1,452,100
Acquire 22 Kettle River Drive	$ 690,688
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
n/a	n/a

JLL®

225 N 9th Street

East Saint Louis, IL

Department of Human Services

Market Analysis

Property Description

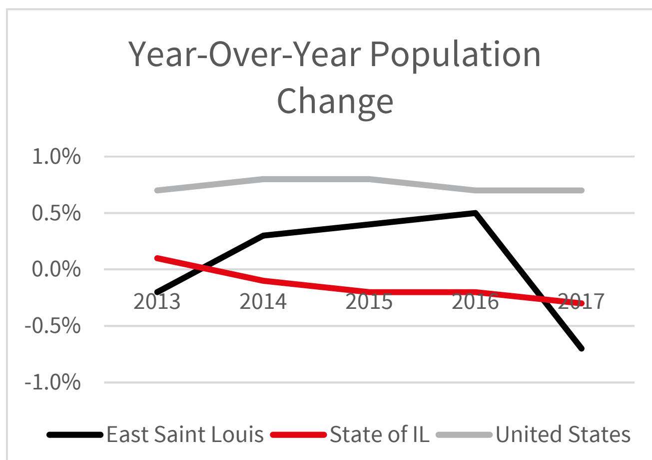
Property Details	
Property Address:	225 N 9th Street East Saint Louis, IL
Property Type:	Office
User:	Human Services
Building Size (SF):	25,000
FY 2018 Annual Cost:	$414,661
FY 2018 Annual Cost (psf):	$16.59
2019 Headcount:	74
Demographics	
Population:	1 mile: 4,468 5 miles: 146,257
Median Household Income:	1 mile: $13,198 5 miles: $31,381

Source: Google

Market Overview

East Saint Louis, Illinois

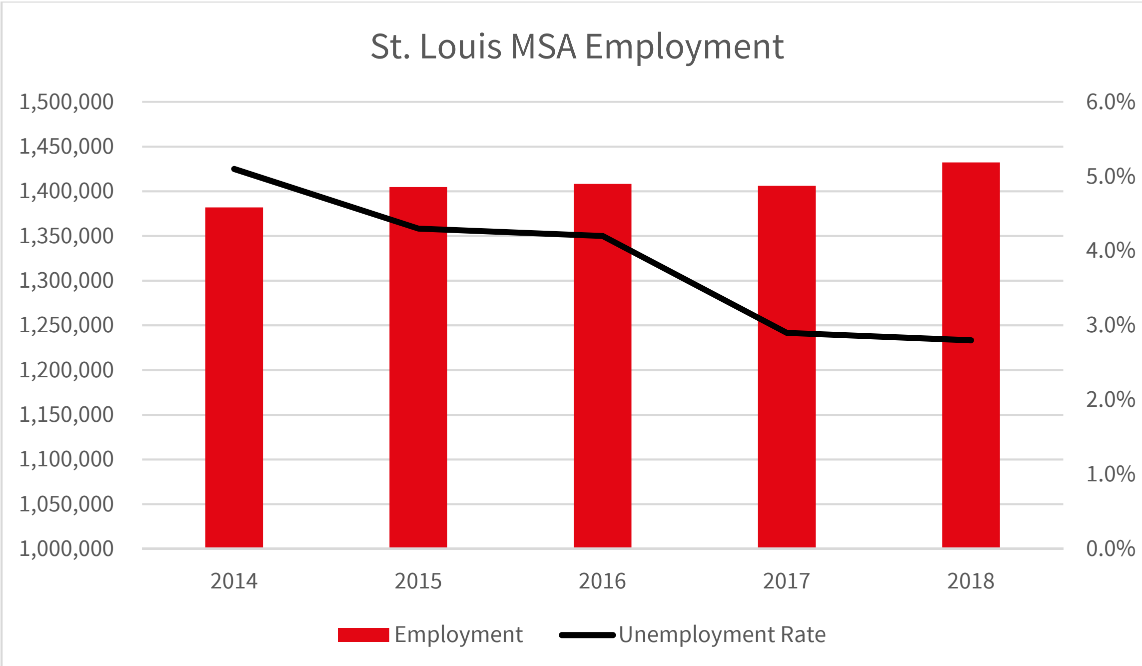
In 2017, East Saint Louis, Illinois had an estimated population of 26,662 with a median age of 35.6, younger than the statewide median age of 37.7. In East Saint Louis, 11.0% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. East Saint Louis's population has increased by 0.5% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

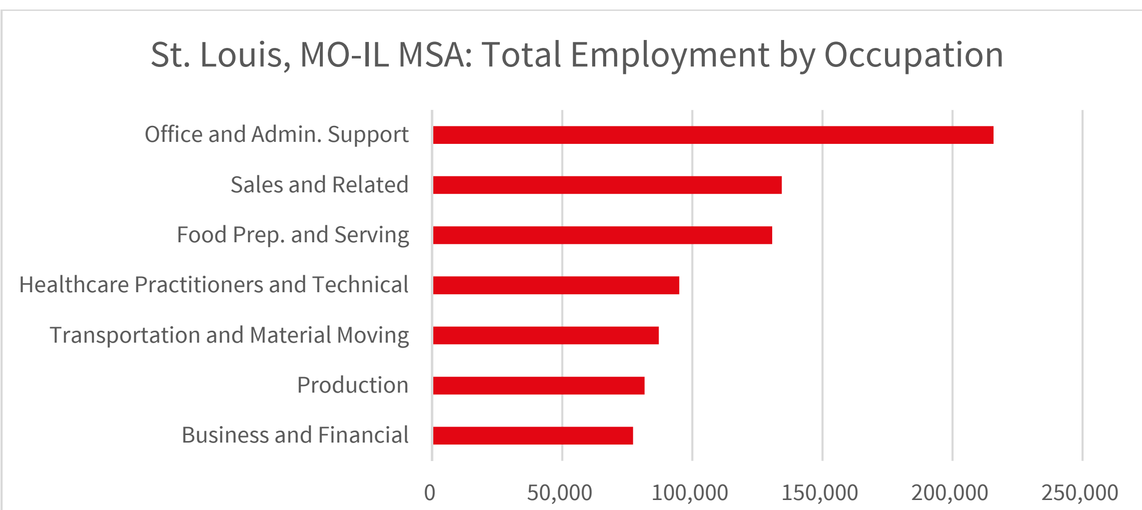
Labor Force and Employment Growth

East Saint Louis is located in the St. Louis, MO-IL Metropolitan Statistical Area ("MSA"). Employment in the St. Louis, MO-IL MSA has increased over the past five years with total employment at 1,432,234 in October 2018. This is up from October 2014, when employment totaled 1,381,981. The unemployment rate decreased from 5.1% in October 2014 to 2.8% in October 2018.



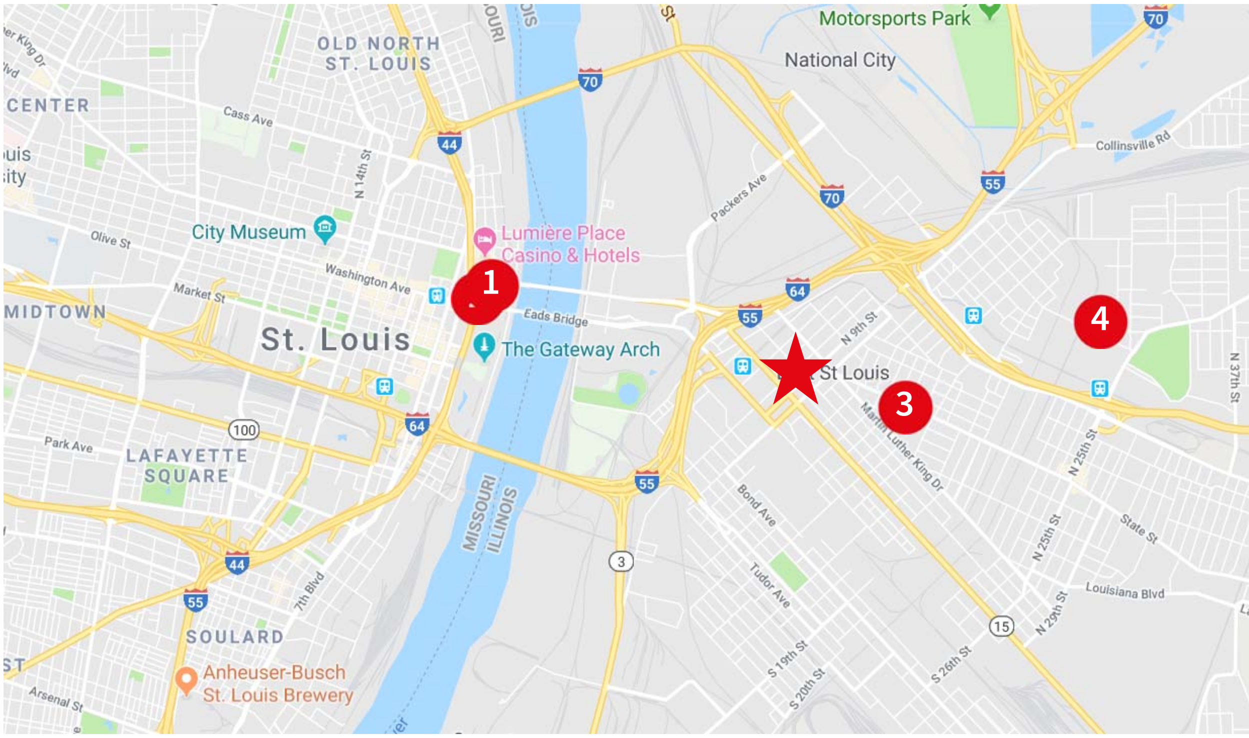
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the St. Louis, MO-IL MSA with a total of 215,810 jobs. The next largest occupation types are sales and related occupations with 134,380 jobs; food preparation and serving occupations with 130,730 jobs; healthcare practitioners and technical occupations with 95,000 jobs; and transportation and material moving occupations with 87,140 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	801-805 N 2nd Street (St. Louis)	801-805 N 2nd Street (St. Louis)	40,000
2	712 N 2nd Street (St. Louis)	712 N 2nd Street (St. Louis)	20,000
3	1468 State Street	1468 State Street	11,560
4	2051 Lynch Avenue	2051 Lynch Avenue	25,488

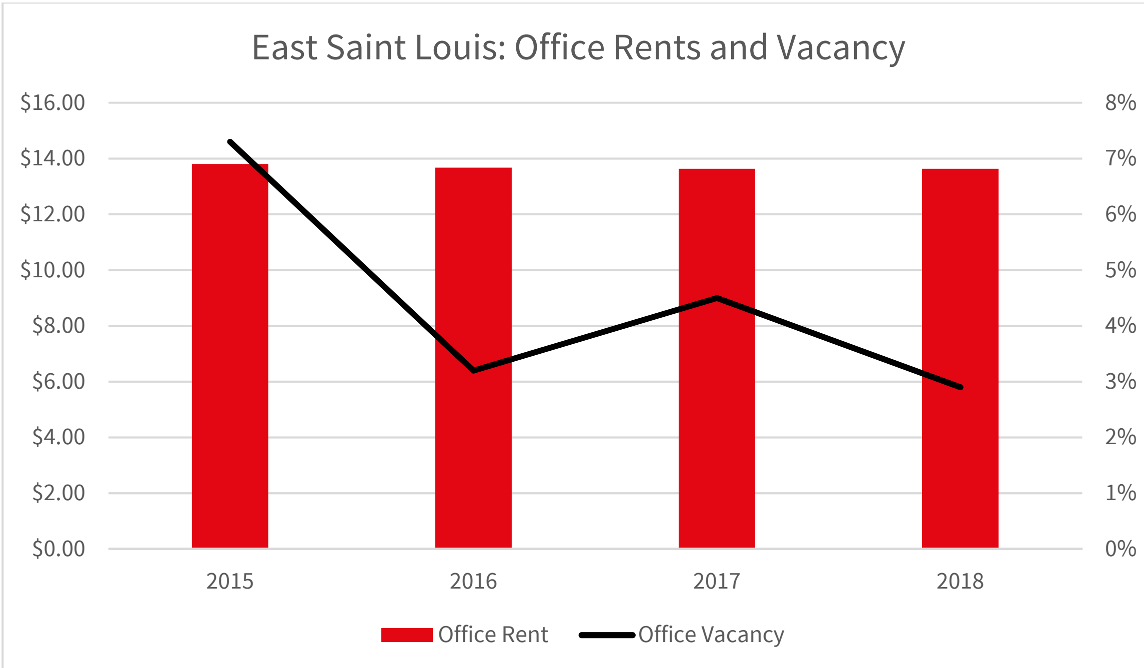
Source: CoStar and JLL

Office market conditions

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
801-805 N 2nd Street	C	40,000	$15.00
712 N 2nd Street	C	20,000	$10.00
Sales Comps			
1468 State Street	C	11,560	$49.74
2051 Lynch Avenue	C	25,488	$15.69

Source: CoStar and JLL

The East Saint Louis office market has 399,900 square feet of total office inventory with a vacancy rate of 2.9%. Rents for comparable properties in the market average $12.50 per square foot while comparable buildings for sale in the market are listed for $32.72 per square foot on average. Office rents for all properties in East Saint Louis have decreased slightly from $13.80 in 2015 to $13.63 in 2018. Office vacancy has increased from 7.3% in 2015 to 2.9% in 2018.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 225 N 9th Street or purchase the building outright, 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 our 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):	25,000
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 12.50
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 22.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 1.00
CR&R Escalation	100.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $3,460,094. 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 The Department of Human Services building	
Total Rent Cost	$ 3,421,788
+ Total OpEx	$ 1,094,972
Total Cost (Real)	**$ 3,460,094**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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. However, an additional $12/sf was added to account for the cost of a new roof, which the property manager indicated was necessary. This brings the total capital cost to $22/sf.

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 2019 acquisition cost/value by a factor of 1.42% over the 10-year period, which is the average growth rate of CPI for the St. Louis Metropolitan Statistical Area.

Using these assumptions, if the State can acquire the property for approximately $7,700,000 (the 2019 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 $307.82.

Total Cost to Acquire The Department of Human Services building	
2019 Break-Even Acquisition Cost	$ 7,695,494
+ Initial CapEx	$ 550,000
+ Total Ongoing CapEx	$ 273,743
+ Total OpEx	$ 1,094,972
- 2029 Market Value	$ (8,863,257)
Total Cost (Real)	$ 3,460,094

If the State can acquire the building below $307.82 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 East St. Louis:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1468 State Street	11,560	$ 215,000	$ 49.74
Average			**$ 49.74**

Based on this sample, the average sale price of properties in East St. Louis is $49.74 per square foot. Compared to the maximum break-even price of $307.82 per square foot for 225 N 9th Street, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $49.74 per square foot, the total cost of acquisition, including capital expenditure, would be $1,877,364.

Total Cost to Acquire The Department of Human Services building at Market Value	
Acquisition Cost	$ 1,243,500
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 550,000
+ Total Ongoing CapEx	$ 273,743
+ Total OpEx	$ 1,094,972
- 2029 Market Value	$ (1,432,197)
Total Cost (Real)	**$ 1,877,364**

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	**Square Feet**	**Asking $/SF**	**Total Asking $**
1468 State Street	11,560	$49.74	$ 574,994

Lease Alternatives

Address	**Total Available SF**	**Square Feet**	**Asking Rent $/SF**
801-805 N 2nd Street	40,000	25,000	$15.00
712 N 2nd Street	20,000	20,000	$10.00

Regarding acquisition alternatives, the property is too small to accommodate the State, and is therefore excluded.

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 225 N 9th St.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $158,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 225 N 9th Street rather than acquiring.

Lease 225 N 9th Street	$ 3,460,094
Acquire 225 N 9th Street	$ 1,877,364
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
801-805 N 2nd Street	$ 4,688,817
712 N 2nd Street	$ 2,912,243

301 Date Street

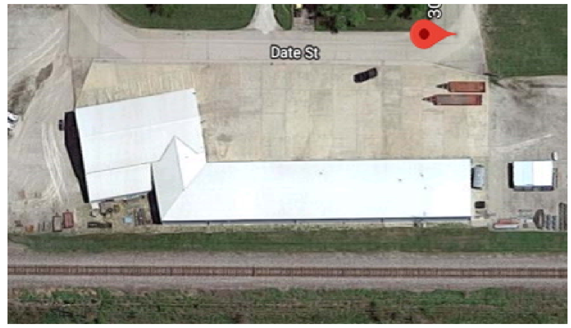
Gibson City, IL

Department of Natural Resources

Market Analysis

Property Description

Property Details	
Property Address:	301 Date Street Gibson City, IL
Property Type:	Office
User:	Admin District Office
Building Size (SF):	18,199
FY 2018 Annual Cost:	$105,011
FY 2018 Annual Cost (psf):	$5.77
2019 Headcount:	11
Demographics	
Population:	1 mile: 2,058 5 miles: 1,722
Median Household Income:	1 mile: $42,851 5 miles: $44,481

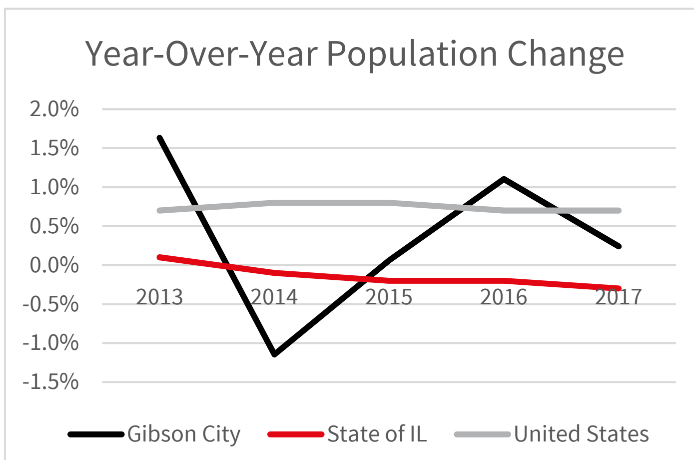


Source: Google

Market Overview

Gibson City, Illinois

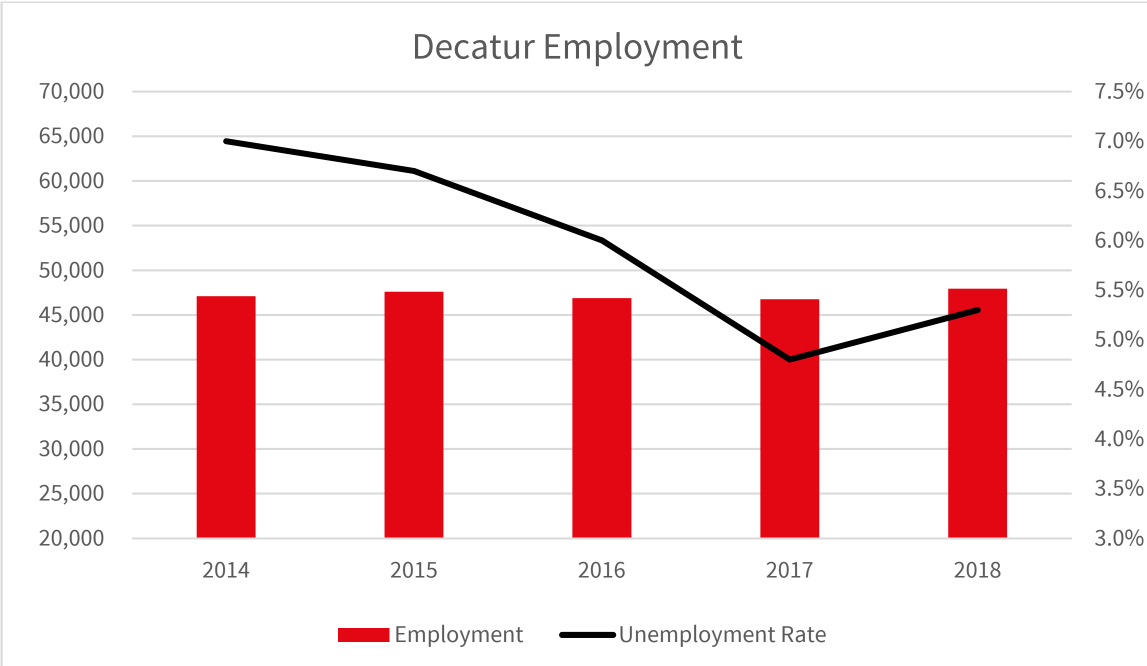
In 2017, Gibson City, Illinois had an estimated population of 3,307 with a median age of 40.0, older than the statewide median age of 37.7. In Decatur, 23.1% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Decatur's population has decreased by .27% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

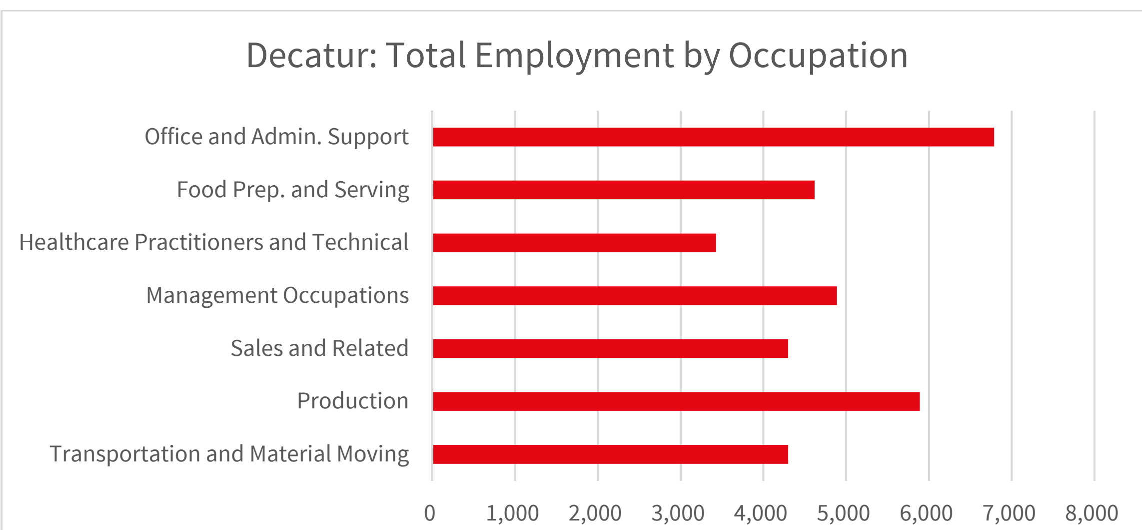
Labor Force and Employment Growth

Gibson City is located in the Decatur Metropolitan Statistical Area ("MSA"). Employment in the Decatur Metropolitan MSA has increased over the past five years with total employment at 47,930 in October 2018. This is an increase from October 2016, when employment totaled 46,882. The unemployment rate decreased every year from 2014 to 2017 before increasing to 5.3% in October 2018, This is still an improvement from October 2014, when the unemployment rate was 7.0%.



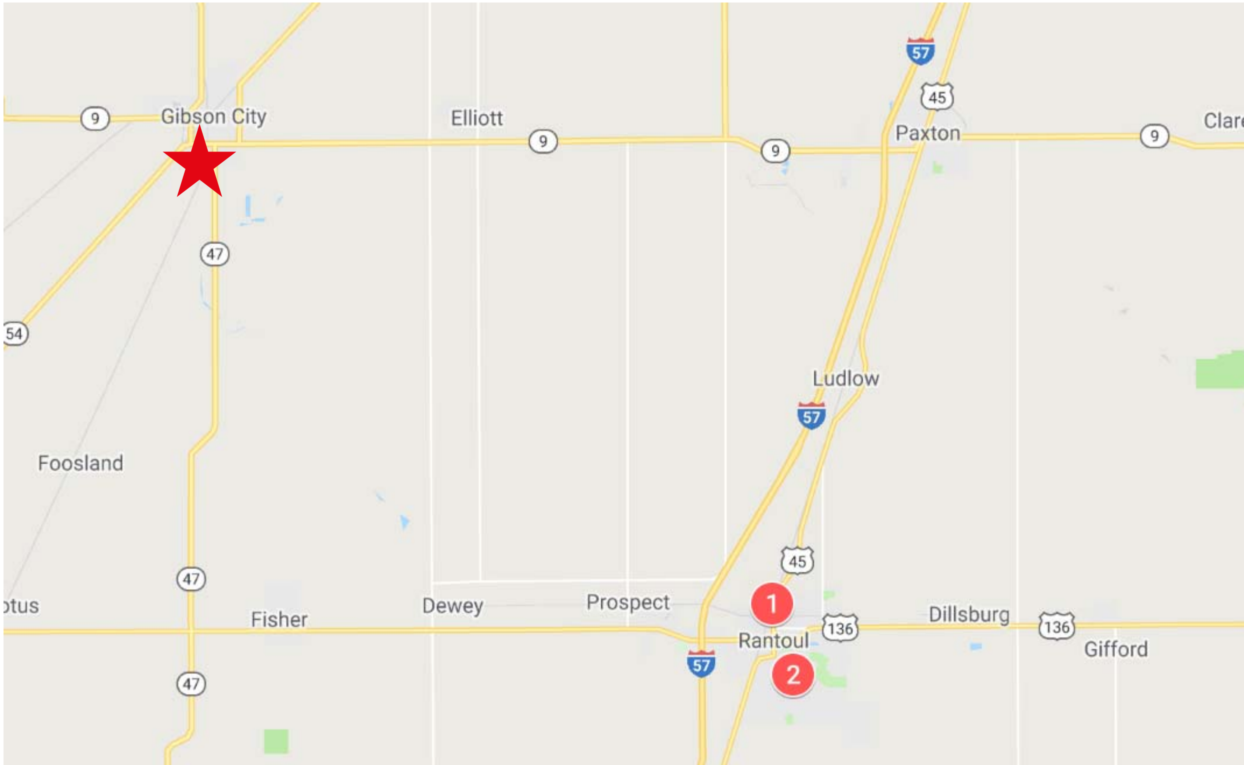
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Decatur MSA with a total of 6,790 jobs. The next largest occupations can all be seen in the chart below.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Address	City	Rentable Square Feet
1	1009 N Ohio Ave	Rantoul	18,740
2	801 Pacesetter Dr	Rantoul	99,950

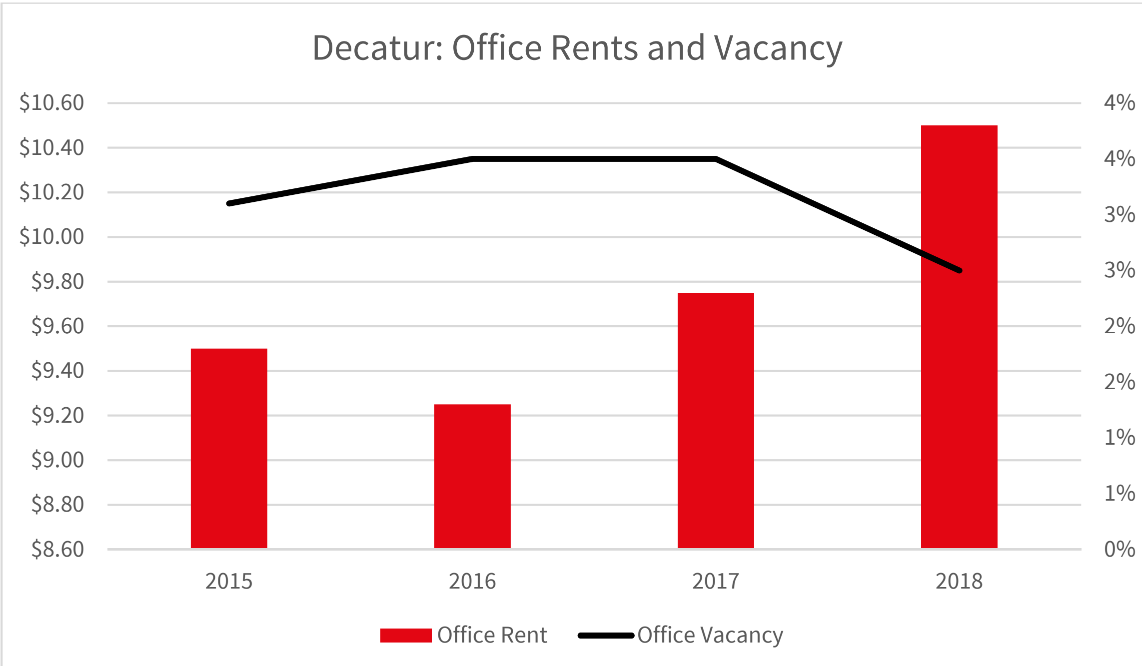
Source: CoStar and JLL

Office market conditions

Number	Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps				
1	1009 N Ohio Ave	C	18,740	$2.50
2	801 Pacesetter Dr	B	99,950	$2.00

Source: CoStar and JLL

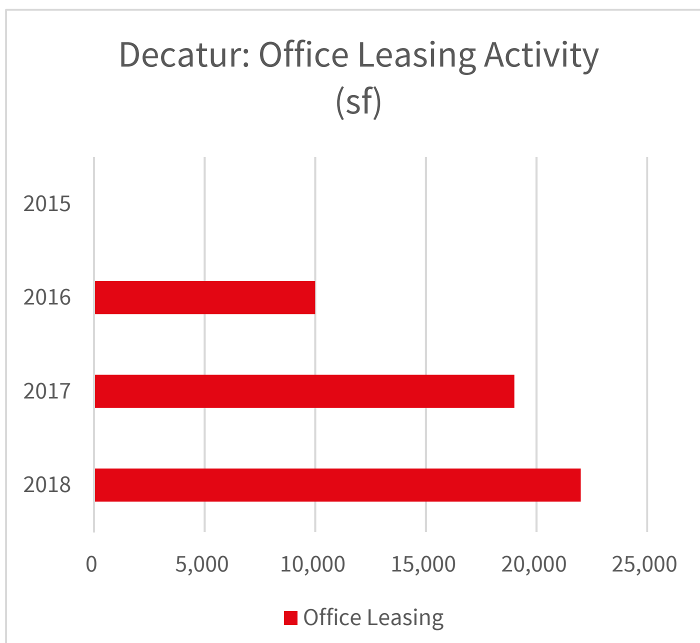
The Decatur office market has 4.7 million square feet of total office inventory with a vacancy rate of 2.5%. Rents for comparable properties in Decatur average $2.25 per square foot. Office rents for properties in Decatur have remained relatively steady since 2015. Average gross rental rates have stayed in the $9.00 PSF to $10.00 PSF range, with a recent uptick in 2018 that showed strong sights of continuing to rise into 2019.



Source: CoStar

Leasing Activity and Office Development Deliveries

Leasing activity in Decatur has increased significantly in recent years, with total market activity increasing every year from 2015 to 2018. This is partially due to 11,000 SF that was under construction in 2017 and delivered in 2018. There are no office buildings under construction, thus none will be delivered this year or in the foreseeable future.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 301 Date St or purchase the building outright, 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 our 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):	18,199
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 2.25
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.18
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $954,095. 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 Admin District Office	
Total Rent Cost	$ 448,366
+ Total OpEx	$ 797,096
Total Cost (Real)	**$ 954,095**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $560,000 (the 2019 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 $30.96.

Total Cost to Acquire Admin District Office	
2019 Break-Even Acquisition Cost	$ 563,512
+ Initial CapEx	$ 181,990
+ Total Ongoing CapEx	$ 35,869
+ Total OpEx	$ 797,096
- 2029 Market Value	$ (641,794)
Total Cost (Real)	$ 954,095

If the State can acquire the building below $30.96 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.

However, there are no comparable properties for sale that may serve as an alternative for the State. Therefore the analysis cannot determine if $49.77 psf is a market-rate price or not. Therefore, the analysis concludes that it is in the State's best interest to continue leasing 301 Date St rather than acquiring it.

Alternatives Analysis

Based on the survey of available for-lease properties that may serve as alternatives for the State (please see the previous Market Analysis section). Note there are no for-sale properties that are comparable.

Acquisition Alternatives

Address	Square Feet	Asking $/SF	Total Asking $
n/a			

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
1009 N Ohio Ave	18,740	18,199	$2.50
801 Pacesetter Drive	99,950	18,199	$2.00

Conclusion

Based on this assessment, the State should continue to lease 201 Date St. Acquiring the building is not recommended due to lack of market comparables, and the lease alternatives are more costly.

Lease 301 Date St	$ 954,095
Acquire 301 Date St	n/a
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
1009 N Ohio Ave	$ 1,398,664
801 Pacesetter Drive	$ 1,322,336

321-A Wither's Drive

Mount Vernon, IL

Department of Children and Family Services

Market Analysis

Property Description

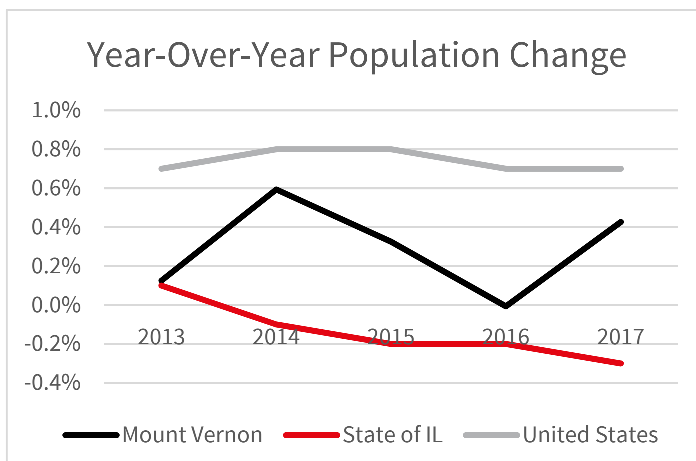
Property Details	
Property Address:	321-A Wither's Dr Mount Vernon, IL
Property Type:	Office
User:	Client Services Office
Building Size (SF):	13,200
FY 2018 Annual Cost:	$189,823
FY 2018 Annual Cost (psf):	$14.38
2019 Headcount:	52
Demographics	
Population:	1 mile: 275 5 miles: 18,771
Median Household Income:	1 mile: $49,106 5 miles: $40,854

Source: Google

Market Overview

Mount Vernon, Illinois

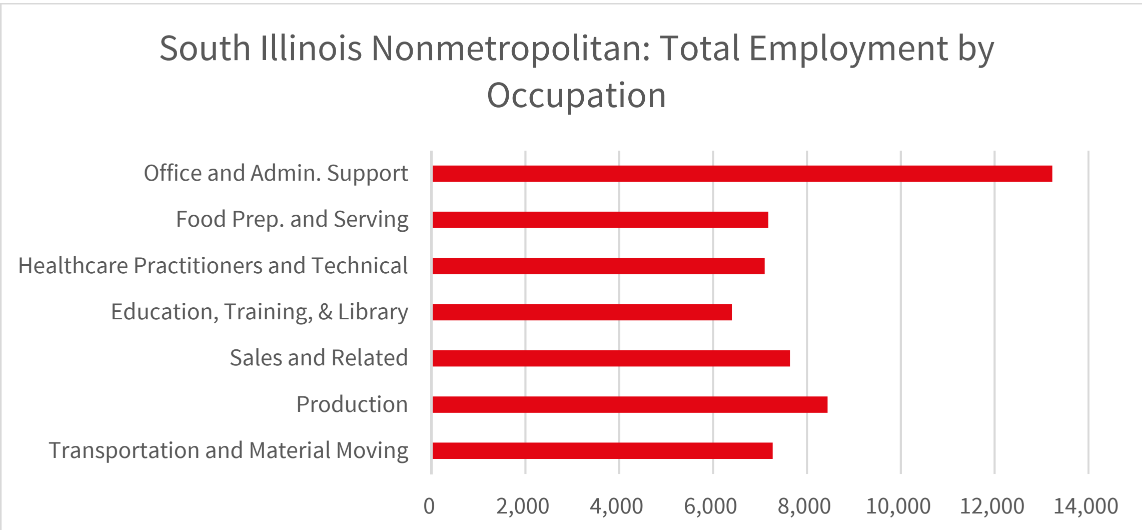
In 2017, Mount Vernon, Illinois had an estimated population of 14,956 with a median age of 39.5, older than the statewide median age of 37.7. In Mount Vernon, 17.6% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Mount Vernon's population has decreased by 1.4% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3%.



Source: U.S. Census Bureau

Labor Force and Employment Growth

Office and administrative support occupations make up the largest share of employment in the Decatur MSA with a total of 13,230 jobs. The next largest occupations can all be seen in the chart below.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis

Number	Address	City	Rentable Square Feet
1	800 S 45th St	Mount Vernon	10,000
2	123 S Tenth St	Mount Vernon	70,000
3	911 Dogwood Dr	Mount Vernon	6,600
4	1710 Broadway St	Mount Vernon	5,454
5	2300 Benton Rd	Mount Vernon	2,176
6	2801 Broadway St	Mount Vernon	4,608

Source: CoStar and JLL

Office market conditions

Number	Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps				
1	800 S 45th St	C	10,000	$10.00
2	123 S Tenth St	B	70,000	$10.69
Sales Comps				
3	911 Dogwood Dr	C	6,600	$54.39
4	1710 Broadway St	C	5,454	$41.25
5	2300 Benton Rd	C	2,176	$68.47
6	2801 Broadway St	C	4,608	$48.83

Source: CoStar and JLL

The Mount Vernon market has 696K square feet of total inventory with a vacancy rate of 6.6%. Rents for comparable properties in Mount Vernon average $10.35 per square foot while comparable buildings have sold for $53.24 per square foot on average.

Own Versus Lease Analysis

To assess whether the State should continue leasing 321-A Withers Dr or purchase the building outright, 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 our 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):	13,200
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 10.35
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.83
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $1,588,875. 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 Client Services Office Building	
Total Rent Cost	$ 1,495,951
+ Total OpEx	$ 578,145
Total Cost (Real)	**$ 1,588,875**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $3,670,000 (the 2019 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 $277.85.

Total Cost to Acquire Client Services Office Building	
2019 Break-Even Acquisition Cost	$ 3,667,646
+ Initial CapEx	$ 132,000
+ Total Ongoing CapEx	$ 119,676
+ Total OpEx	$ 578,145
- 2029 Market Value	$ (4,177,148)
Total Cost (Nominal)	$ 320,320
Total Cost (Real)	**$ 1,588,875**

If the State can acquire the building below $277.85 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 Mount Vernon:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
911 Dogwood Dr	6,600	$ 358,974	$ 54.39
1710 Broadway St	5,454	$ 224,978	$ 41.25
2300 Benton Rd	2,176	$ 148,991	$ 68.47
Average			**$ 54.70**

Based on this sample, the average sale price of properties in Mount Vernon is $54.70 per square foot. Compared to the maximum break-even price of $277.85 per square foot for the 321-A Withers Dr, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $54.70 per square foot, the total cost of acquisition, including capital expenditure, would be $946,694.

Total Cost to Acquire Client Services Office Building at Market Value	
Acquisition Cost	$ 1,131,227
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 132,000
+ Total Ongoing CapEx	$ 119,676
+ Total OpEx	$ 578,145
- 2029 Market Value	$ (1,288,374)
Total Cost (Real)	**$ 946,694**

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	**Square Feet**	**Asking $/SF**	**Total Asking $**
911 Dogwood Dr	6,600	$54.39	$ 358,974
1710 Broadway St	5,454	$41.25	$ 224,978
2300 Benton Rd	2,176	$68.47	$ 148,991

Lease Alternatives

Address	**Total Available SF**	**Square Feet**	**Asking Rent $/SF**
800 S 45th St	10,000	10,000	$10.00
123 S Tenth St	70,000	13,200	$10.69

All three acquistion alternatives are too small, and are therefore excluded. In addition, only the second lease alternative will meet the State's needs, if and only if the property owner is willing to lease a portion of the property, and is therefore included.

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 321-A Withers Dr.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $64,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 321-A Withers Dr rather than acquiring.

Lease 321-A Withers Dr	$ 1,588,875
Acquire 321-A Withers Dr	$ 946,694
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
123 S Tenth St	$ 1,982,289

342 North Street

Murphysboro, IL

Department of Human Services

Market Analysis

Property Description

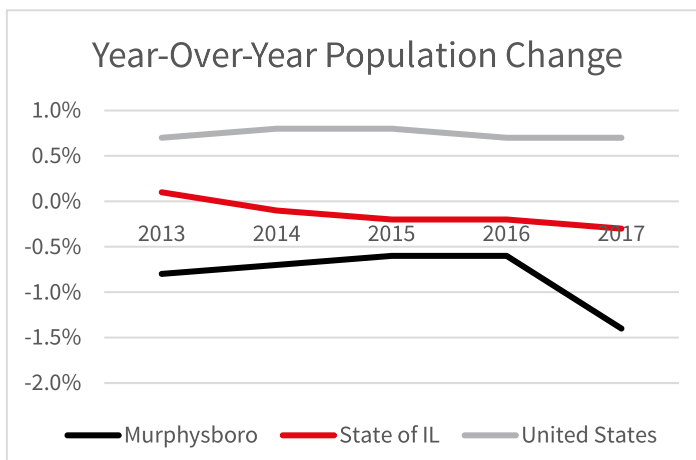
Property Details	
Property Address:	342 North Street Murphysboro, IL
Property Type:	Office
User:	Human Services
Building Size (SF):	10,966
FY 2018 Annual Cost:	$119,122
FY 2018 Annual Cost (psf):	$10.86
2019 Headcount:	37
Demographics	
Population:	1 mile: 4,156 5 miles: 16,804
Median Household Income:	1 mile: $28,507 5 miles: $47,132

Source: Google

Market Overview

Murphysboro, Illinois

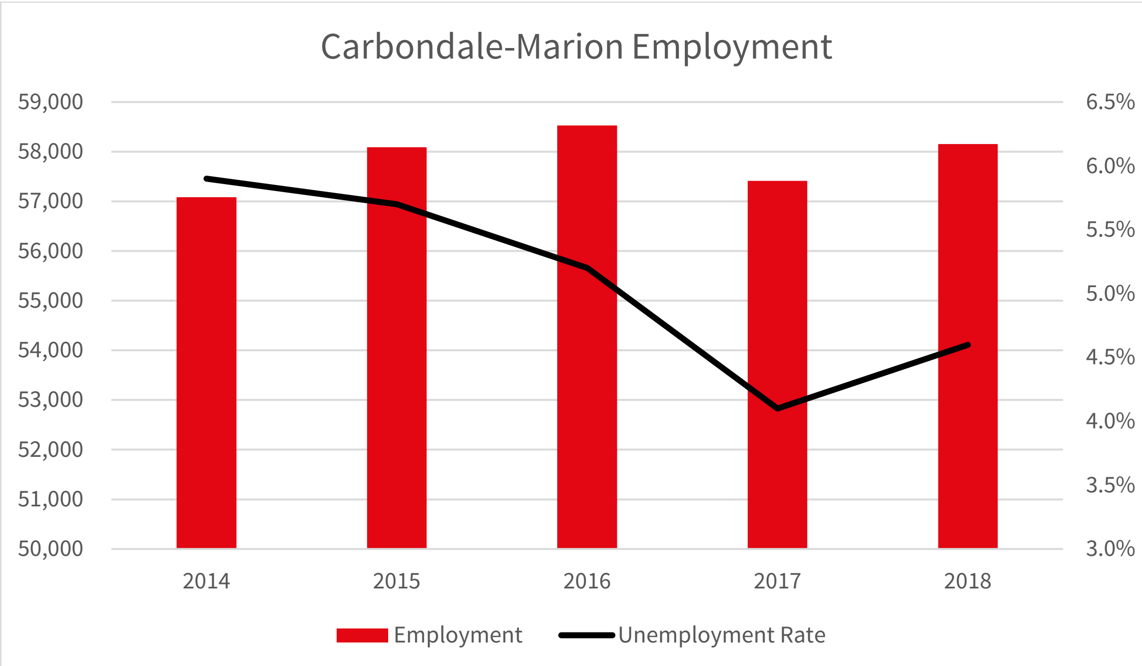
In 2017, Murphysboro, Illinois had an estimated population of 7,568 with a median age of 36.7, younger than the statewide median age of 37.7. In Murphysboro, 21.7% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Murphysboro's population has decreased by 3.4% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

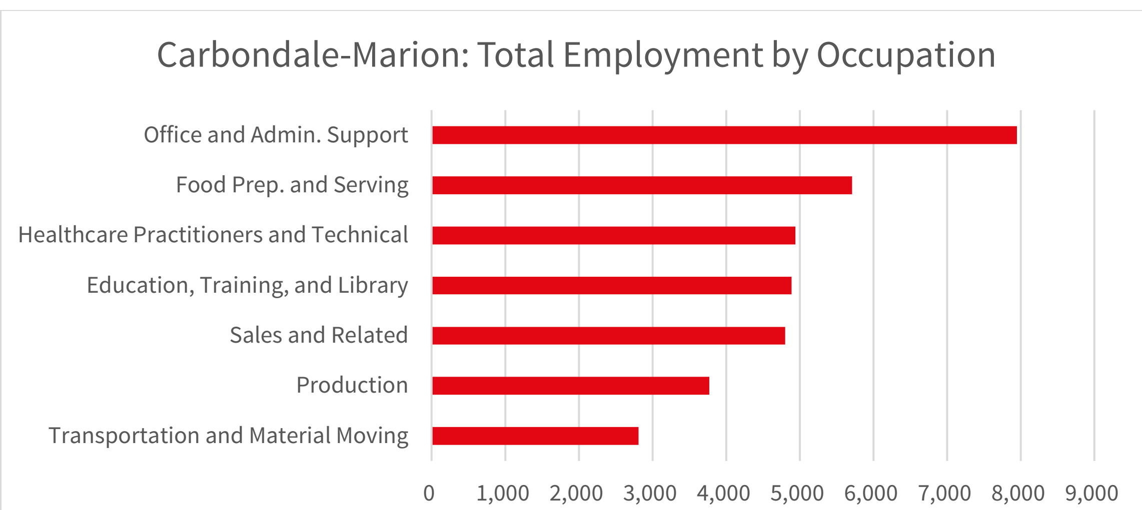
Labor Force and Employment Growth

Murphysboro is located in the Carbondale-Marion Metropolitan Statistical Area ("MSA"). Employment in the Carbondale-Marion MSA has increased over the past five years with total employment at 58,154 in October 2018. This is slightly down from October 2016, when employment totaled 58,526. The unemployment rate decreased every year from 2014 to 2017 before increasing to 4.6% in October 2018, up from 4.1% in October 2017. This is still an improvement from October 2014, when the unemployment rate was 5.9%.



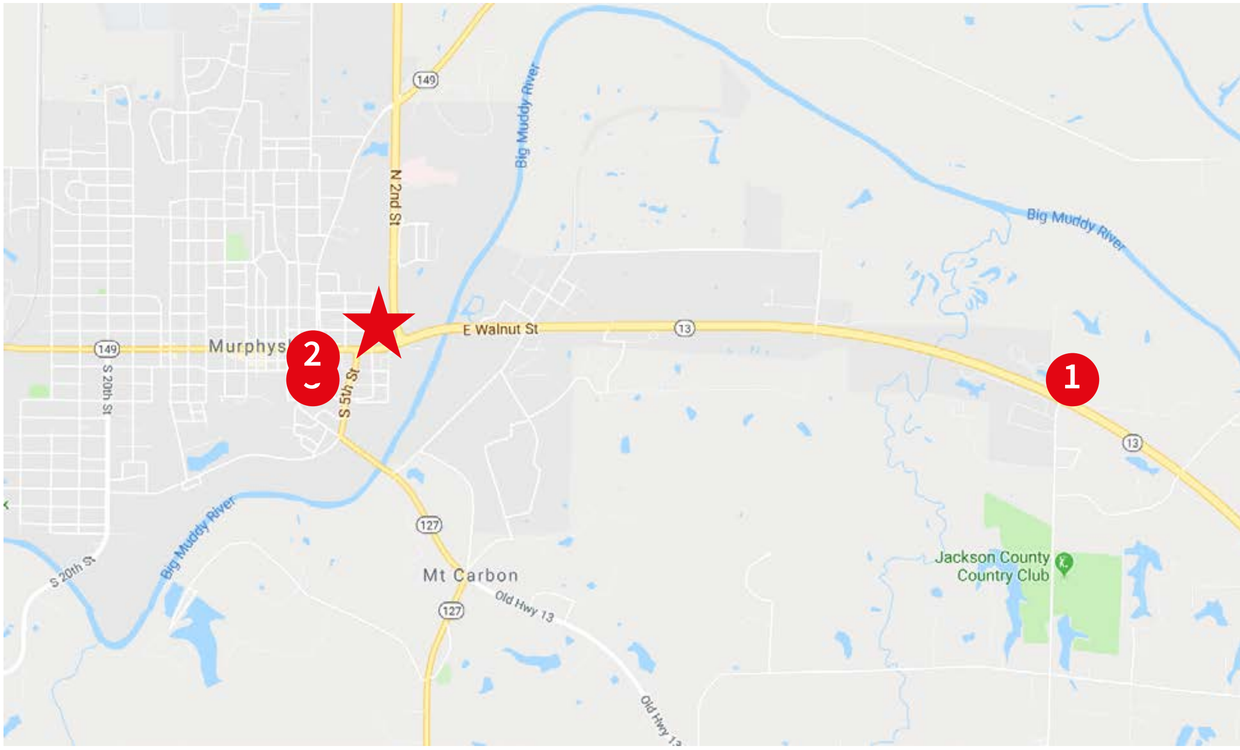
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Carbondale-Marion MSA with a total of 7,950 jobs. Employment is roughly split between the next largest occupation types – food preparation and serving occupations; healthcare practitioners and technical occupations; education, training, and library occupations; and sales and related occupations – with employment for each between 4,800 and 5,800 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	489 Health Dept Road	489 Health Dept Road	6,000
2	707 Walnut Street	707 Walnut Street	2,100
3	702 Chestnut Street	702 Chestnut Street	900
4	914 W Main Street (Carbondale)	914 W Main Street (Carbondale)	5,040

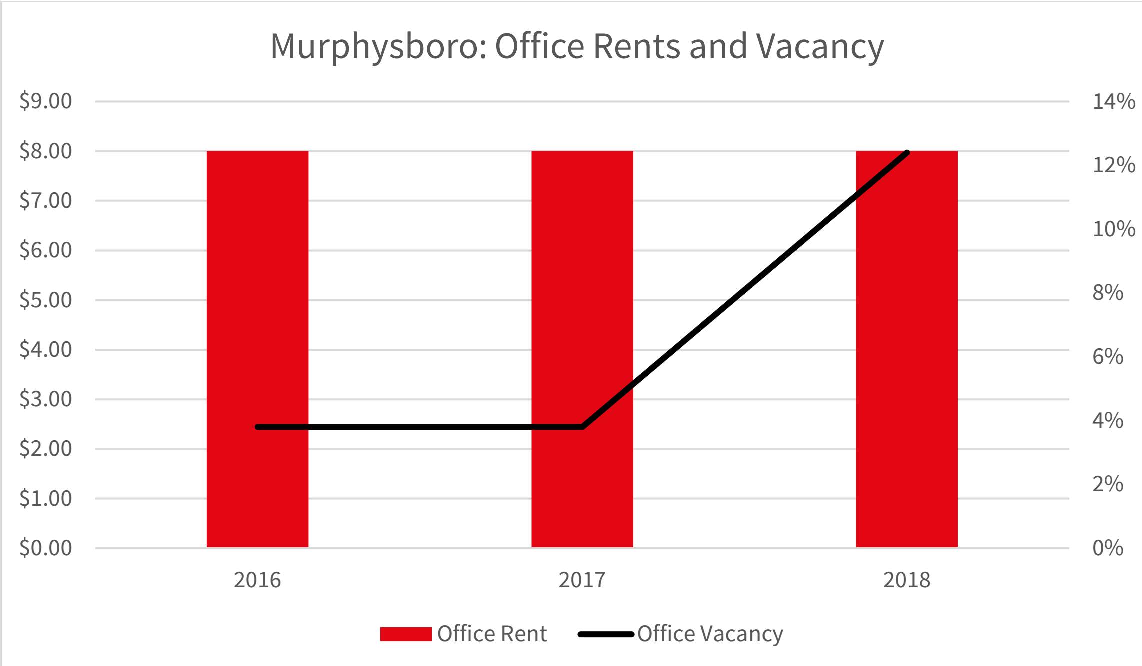
Source: CoStar and JLL

Office market conditions

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
489 Health Dept Road	B	6,000	$8.00
914 W Main Street	C	5,040	$12.00
Sales Comps			
489 Health Dept Road	B	6,000	$66.67
707 Walnut Street	C	2,100	$90.48
702 Chestnut Street	C	900	$50.00

Source: CoStar and JLL

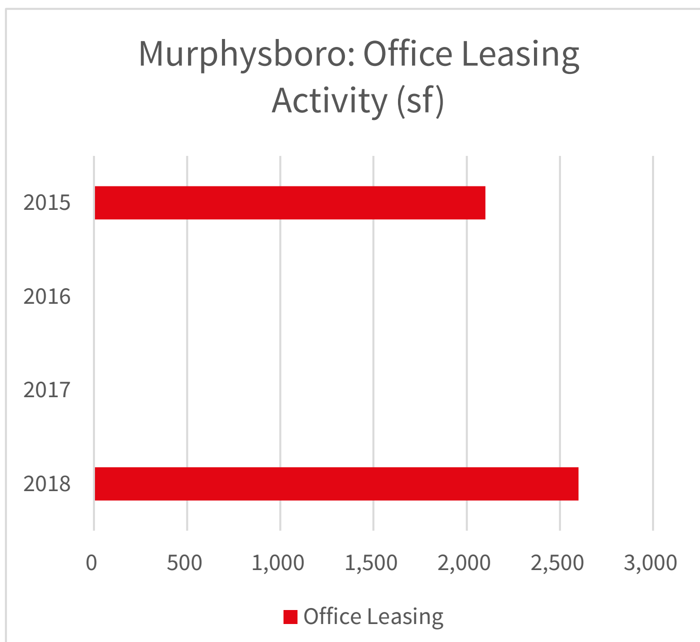
The Carbondale-Marion office market has 1.0 million square feet of total office inventory with a vacancy rate of 5.5%. Rents for comparable properties in the market average $10.00 per square foot while comparable buildings for sale in the market are listed for $69.05 per square foot on average. Office rents for all properties in Murphysboro have remained steady over the past three years at $8.00 per square foot. Office vacancy has increased from 3.8% in 2016 to 12.4% in 2018 as the result of an 8,800 square foot lease that terminated in 2018.



Source: CoStar

Leasing Activity and Office Development Deliveries

There has been a low level of leasing activity in Murphysboro in recent years, with 2,100 square feet in 2015, no activity in 2016 or 2017, and 2,600 square feet in 2018. Because of the low level of leasing activity in the market, no office buildings have been delivered in the past several years, and no buildings are currently under construction in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 342 North Street or purchase the building outright, 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 our 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):	10,966
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 10.00
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 40.60
Landlord TI Allowance ($ sf) (relocation only)	$ 20.30
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.80
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $1,287,776. 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 342 North Street	
Total Rent Cost	$ 1,200,746
+ Total OpEx	$ 480,299
Total Cost (Real)	$ 1,287,776

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. 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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $2,930,000 (the 2019 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 an approximate per-square-foot purchase price of $267.18.

Total Cost to Acquire 342 North Street	
2019 Break-Even Acquisition Cost	$ 2,929,940
+ Initial CapEx	$ 109,660
+ Total Ongoing CapEx	$ 96,060
+ Total OpEx	$ 480,299
- 2029 Market Value	$ (3,336,960)
Total Cost (Real)	$ 1,287,776

If the State can acquire the building below $267.18 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)

Acquisition Alternatives			
Address	Square Feet	Asking $/SF	Total Asking $
489 Health Dept Road	6,000	$66.67	$ 400,020
707 Walnut Street	2,100	$90.48	$ 190,008
Average			$72.84

Lease Alternatives			
Address	Total Available SF	Square Feet	Asking Rent $/SF
489 Health Dept Road	6,000	6,000	$8.00
914 W Main Street	5,040	5,040	$12.00

Based on this sample, the average sale price of properties in Murphysboro is $72.84 per square foot. Compared to the maximum break-even price of $267.18 per square foot for 342 North Street, this value is significantly lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $72.84 per square foot, the total cost of acquisition, including capital expenditure, would be $783,897.

Total Cost to Acquire 342 North Street at Market Value	
Acquisition Cost	$ 939,775
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 109,660
+ Total Ongoing CapEx	$ 96,060
+ Total OpEx	$ 480,299
- 2029 Market Value	$ (1,070,327)
Total Cost (Real)	$ 783,897

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	Square Feet	Asking $/SF	Total Asking $
489 Health Dept Road	6,000	$66.67	$ 400,020
707 Walnut Street	2,100	$90.48	$ 190,008

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
489 Health Dept Road	6,000	6,000	$8.00
914 W Main Street	5,040	5,040	$12.00

Regarding the acquisition alternatives, each is smaller than the State's existing footprint and is therefore not a viable alternative.

Regarding the leasing alternatives, each is smaller than the State's existing footprint and is therefore not a viable alternative.

Conclusion

Based on this assessment, the lowest cost technically acceptable alternative is for the State to acquire 342 North Street.

However, 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. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $50,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 342 North Street rather than acquiring.

Lease 342 North Street	$ 1,287,776
Acquire 342 North Street	$ 783,897
Acquisition Alternatives	Total Cost to Acquire
n/a	n/a
Lease Alternatives	Total Cost to Lease
n/a	n/a

500 E Monroe Street

Springfield, IL

Department of Commerce and Economic Opportunity
Illinois Finance Authority

Market Analysis

Property Description

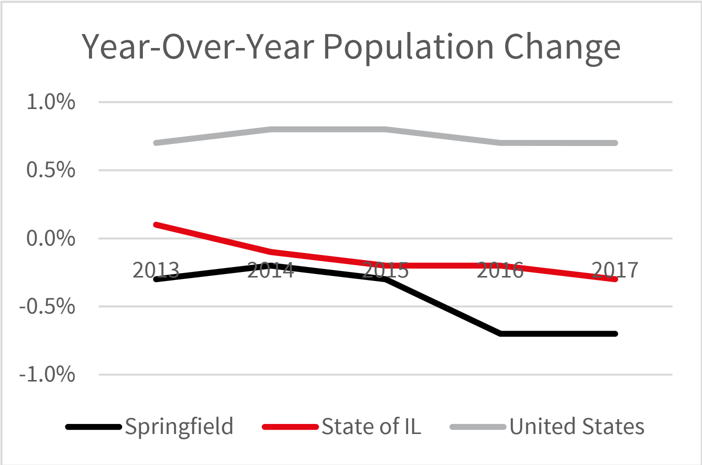
Property Details	
Property Address:	500 E Monroe Street Springfield, IL
Property Type:	Office
User:	Commerce and Economic Opportunity, Illinois Finance Authority
Building Size (SF):	52,608
FY 2018 Annual Cost:	$924,744
FY 2018 Annual Cost (psf):	$17.58
2019 Headcount:	88
Demographics	
Population:	1 mile: 12,275 5 miles: 123,634
Median Household Income:	1 mile: $26,883 5 miles: $46,029

Source: Bing

Market Overview

Springfield, Illinois

In 2017, Springfield, Illinois had an estimated population of 114,868 with a median age of 38.9, older than the statewide median age of 37.7. In Springfield, 35.8% of the population has a bachelor's degree or higher, which is higher than the 33.4% statewide who have a bachelor's degree or higher. Springfield's population has decreased by 1.9% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.

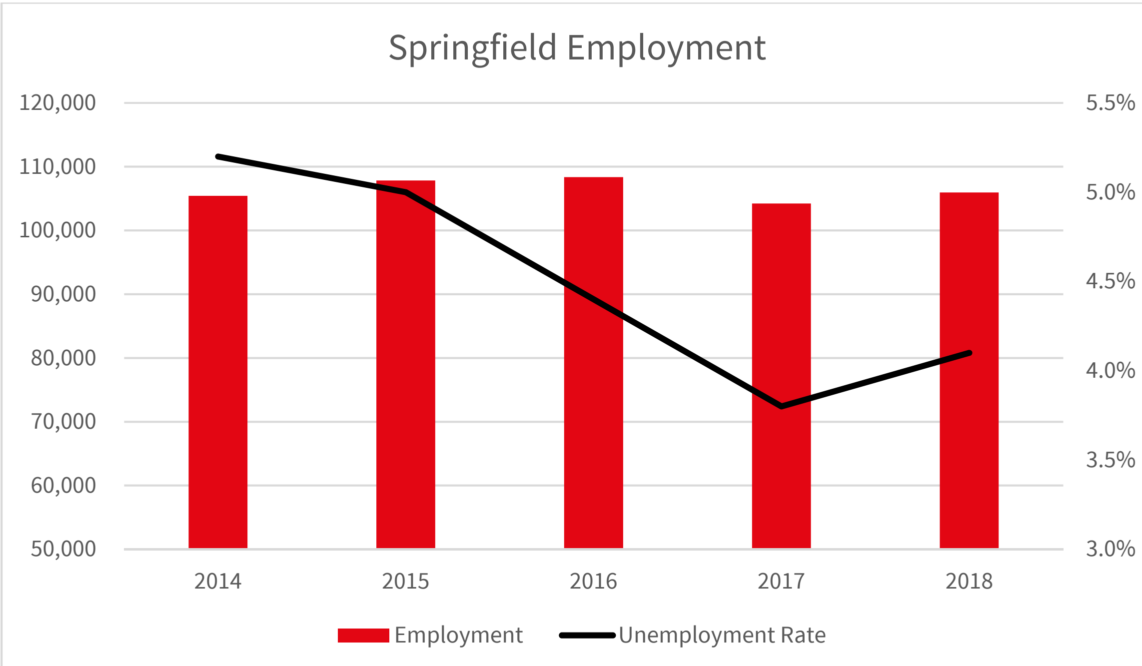


Source: U.S. Census Bureau

Labor Force and Employment Growth

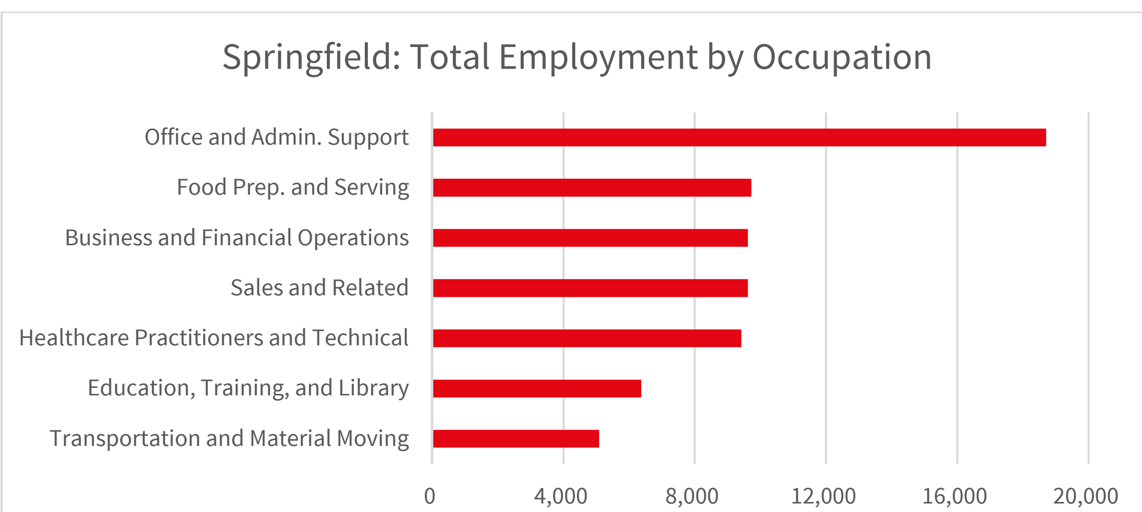
Springfield is located in the Springfield Metropolitan Statistical Area ("MSA"). Employment in the Springfield MSA has been flat over the past five years with total employment at 105,958 in October

2018. This is down from October 2016, when employment totaled 108,367. The unemployment rate decreased every year from 2014 to 2017 before increasing to 4.1% in October 2018, up from 3.8% in October 2017. This is an improvement from October 2014, when the unemployment rate was 5.2%.



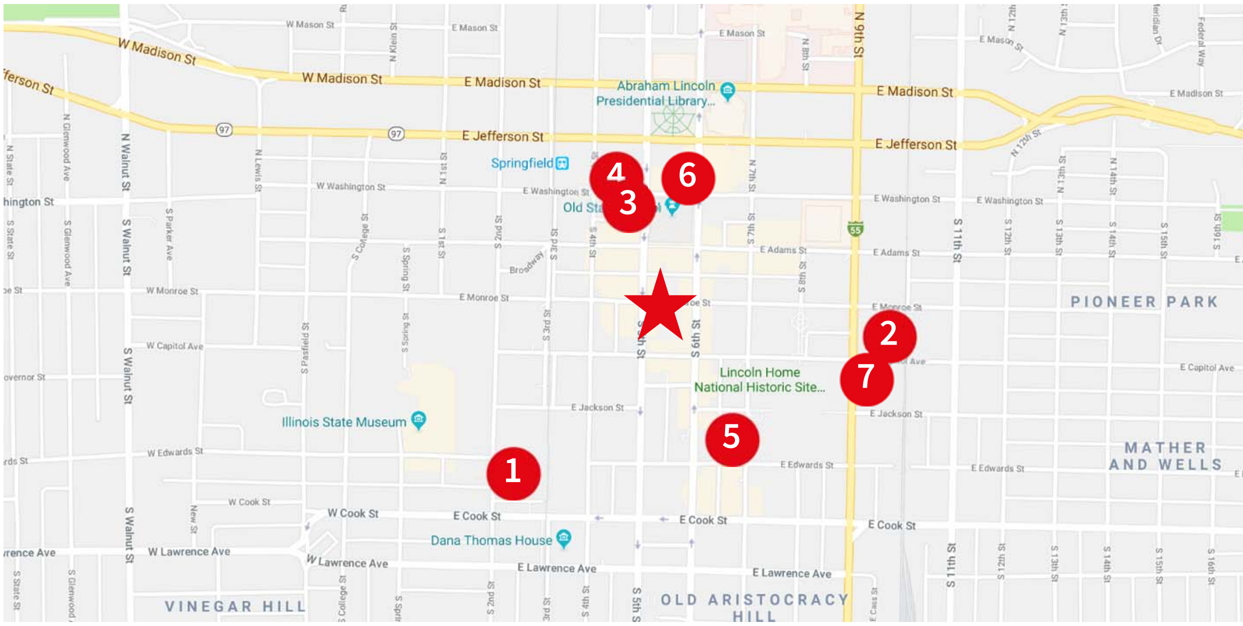
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Springfield MSA with a total of 18,710 jobs. Employment is roughly split between the next largest occupation types – food preparation and serving occupations; business and financial operations occupations; sales and related occupations; and healthcare practitioners and technical occupations – with employment for each between 9,400 and 9,800 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	600 S 2nd Street	600 S 2nd Street	32,480
2	1 Copley Plaza	1 Copley Plaza	120,000
3	1 W Old State Capitol Plaza	1 W Old State Capitol Plaza	100,000
4	401 E Washington Street	401 E Washington Street	24,780
5	529 S 7th Street	529 S 7th Street	128,954
6	531 E Washington Street	531 E Washington Street	18,924
7	400 S 9th Street	400 S 9th Street	34,000

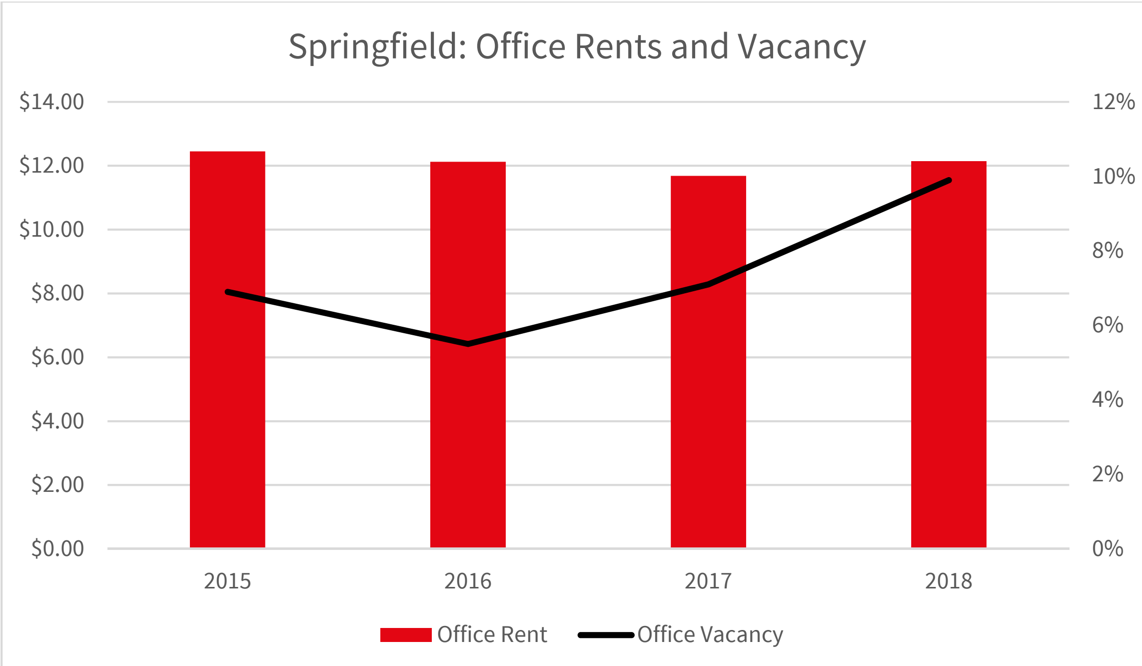
Source: CoStar and JLL

Office market conditions

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
600 S 2nd Street	B	32,480	$15.00
1 Copley Plaza	B	120,000	$16.00
1 W Old State Capitol	B	100,000	$14.50
Sale Comps			
401 E Washington St	B	24,780	$60.53
529 S 7th Street	C	128,954	$22.88
531 E Washington St	B	18,924	$60.77
400 S 9th Street	B	34,000	$75.00

Source: CoStar and JLL

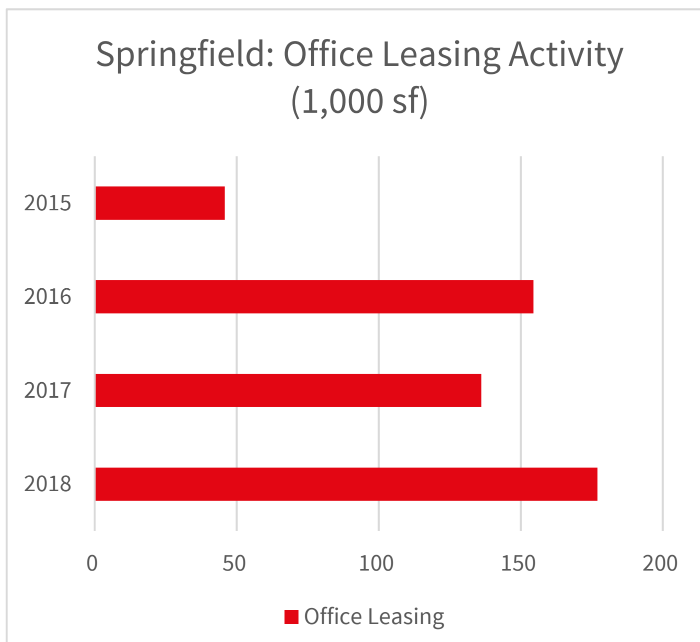
The Springfield office market has 10.1 million square feet of total office inventory with a vacancy rate of 9.9%. Rents for comparable properties in the market average $15.17 per square foot while comparable buildings for sale in the market are listed for $54.80 per square foot on average. Office rents for all properties in Springfield have decreased over the past four years, going from $12.45 per square foot in 2015 to $12.14 per square foot in 2018. Office vacancy has increased from 6.9% in 2015 to 9.9% in 2018.



Source: CoStar

Leasing Activity and Office Development Deliveries

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 177,033 square feet in 2018. Springfield had two office buildings totaling 83,234 square feet delivered in 2018. Another office 58,000 square foot office building is currently under construction. Vacancy in the market has increased because of this additional capacity in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 500 E Monroe Street or purchase the building outright, 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 our 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):	52,608
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 12.50
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 22.00
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 is approximately $7,281,144. 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 The Ridgely Building	
Total Rent Cost	$ 7,200,537
+ Total OpEx	$ 2,304,172
Total Cost (Real)	**$ 7,281,144**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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. However, an additional $12/sf was added for a new roof due to water infiltration noted by the property manager. The total inital capex is therefore $22/sf.

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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $15,690,000 (the 2019 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 $298.24.

Total Cost to Acquire The Ridgely Building	
2019 Break-Even Acquisition Cost	$ 15,690,055
+ Initial CapEx	$ 1,157,376
+ Total Ongoing CapEx	$ 576,043
+ Total OpEx	$ 2,304,172
- 2029 Market Value	$ (17,869,683)
Total Cost (Nominal)	$ 1,857,962
Total Cost (Real)	**$ 7,281,144**

If the State can acquire the building below $298.24 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
615 S 5th Street	2,820	$ 215,000	$ 76.24
1112 Rickard Rd Ste. A	2,220	$ 275,000	$ 123.87
3200 Pleasant Run	11,730	$ 1,175,000	$ 100.17
400 S Grand Ave	3,200	$ 199,900	$ 62.47
6900 Preston Dr	5,400	$ 355,000	$ 65.74
Average			**$ 85.70**

Based on this sample, the average sale price of properties in Springfield is $85.70 per square foot. Compared to the maximum break-even price of $298.24 per square foot for the 500 E Monroe Street, this value is significantly lower.

Should the State acquire the property for $85.70 per square foot, the total cost of acquisition, including capital expenditure, would be $4,450,139.

Total Cost to Acquire The Ridgely Building at Market Value	
Acquisition Cost	$ 4,508,453
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 1,157,376
+ Total Ongoing CapEx	$ 576,043
+ Total OpEx	$ 2,304,172
- 2029 Market Value	$ (5,134,758)
Total Cost (Nominal)	$ 3,411,286
Total Cost (Real)	**$ 4,450,139**

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	Square Feet	Asking $/SF	Total Asking $
401 E Washington St	24,780	$60.53	$ 1,499,933
529 S 7th Street	128,954	$22.88	$ 2,950,468
531 E Washington St	18,924	$60.77	$ 1,150,011
400 S 9th Street	34,000	$75.00	$ 2,550,000

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
600 S 2nd Street	32,480	32,480	$15.00
1 Copley Plaza	120,000	52,608	$16.00
1 W Old State Capitol	100,000	52,608	$14.50

Regarding acquisition alternatives, the first, third, and fourth properties are smaller than 500 E Monroe and will not meet the State's needs. The second property is significantly larger than the State's current occupancy and therefore acquiring the property would be excessive. Therefore, none of the acquisition alternatives are viable.

Regarding lease alternatives, the first property is too small. The other two properties have sufficient space available and are viable if the property owner is willing to lease out a portion of the total available space. Only the latter two properties are used in the final analysis.

Conclusion

Based on this assessment, the State should continue to lease 500 E Monroe Street.

The lowest cost technically acceptable alternative is to acquire 500 E Monroe Street. However, 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 admendment 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is approximately $283,000 per year less over the course of the 10-year analysis period. This may not be commensurate with the risks outlined above. Therefore, the State should continue to lease 500 E Monroe Street.

The other lease alternatives are more expensive than remaining in the current property, and there are no viable acquisition alternatives.

Lease 500 E Monroe Street	$ 7,281,144
Acquire 500 E Monroe Street	$ 4,450,139
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
1 Copley Plaza	$ 10,308,053
1 W Old State Capitol	$ 9,646,131

707 E Wood Street

Decatur, IL

Department of Human Services

Market Analysis

Property Description

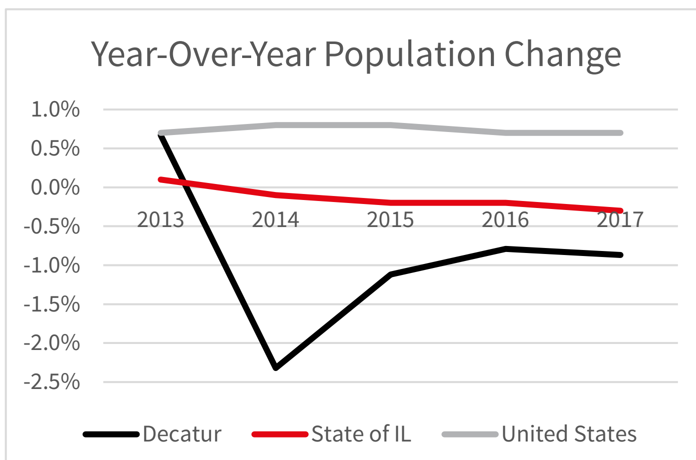
Property Details	
Property Address:	707 E Wood St Decatur, IL
Property Type:	Office
User:	Client Services Office
Building Size (SF):	26,740
FY 2018 Annual Cost:	$388,676
FY 2018 Annual Cost (psf):	$14.54
2019 Headcount:	124
Demographics	
Population:	1 mile: 10,961 5 miles: 80,250
Median Household Income:	1 mile: $22,315 5 miles: $41,538

Source: Google

Market Overview

Decatur, Illinois

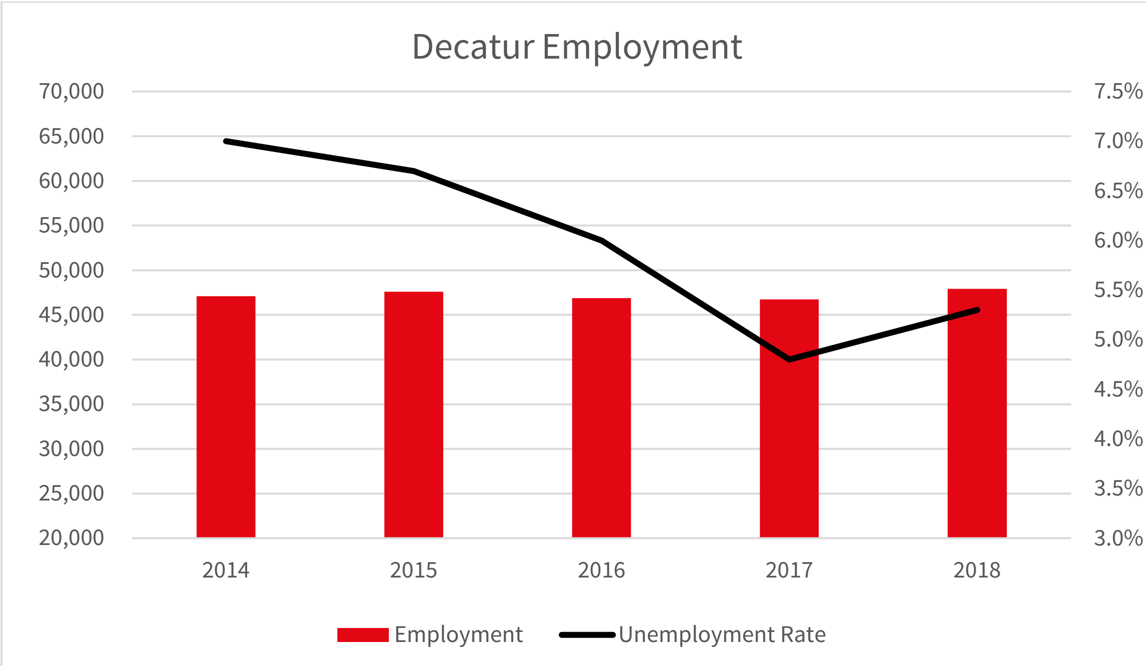
In 2017, Decatur, Illinois had an estimated population of 72,174 with a median age of 39.0, older than the statewide median age of 37.7. In Decatur, 21,7% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Decatur's population has decreased by 5.27% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

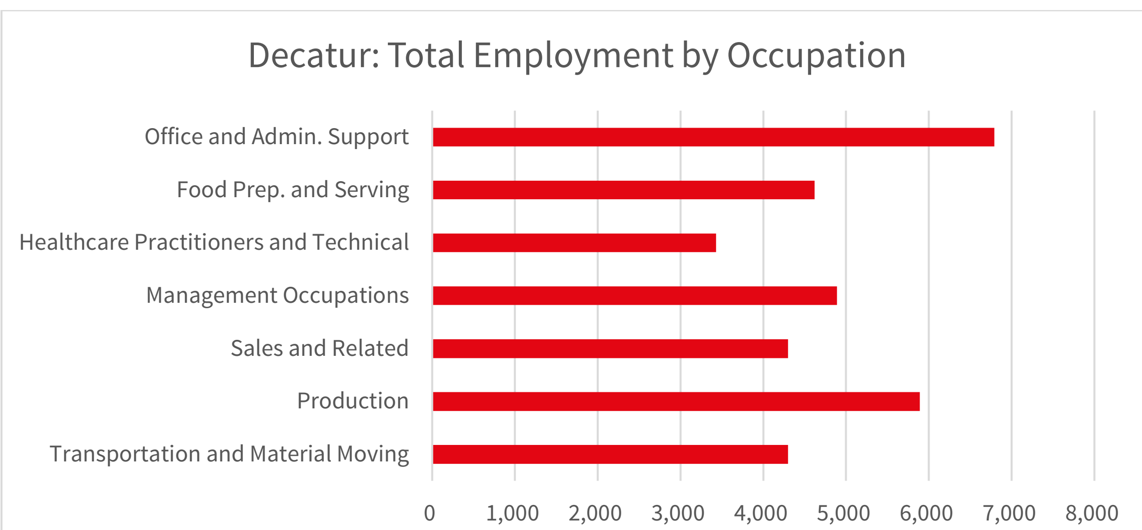
Labor Force and Employment Growth

Decatur is located in the Decatur Metropolitan Statistical Area ("MSA"). Employment in the Decatur Metropolitan MSA has increased over the past five years with total employment at 47,930 in October 2018. This is an increase from October 2016, when employment totaled 46,882. The unemployment rate decreased every year from 2014 to 2017 before increasing to 5.3% in October 2018, This is still an improvement from October 2014, when the unemployment rate was 7.0%.



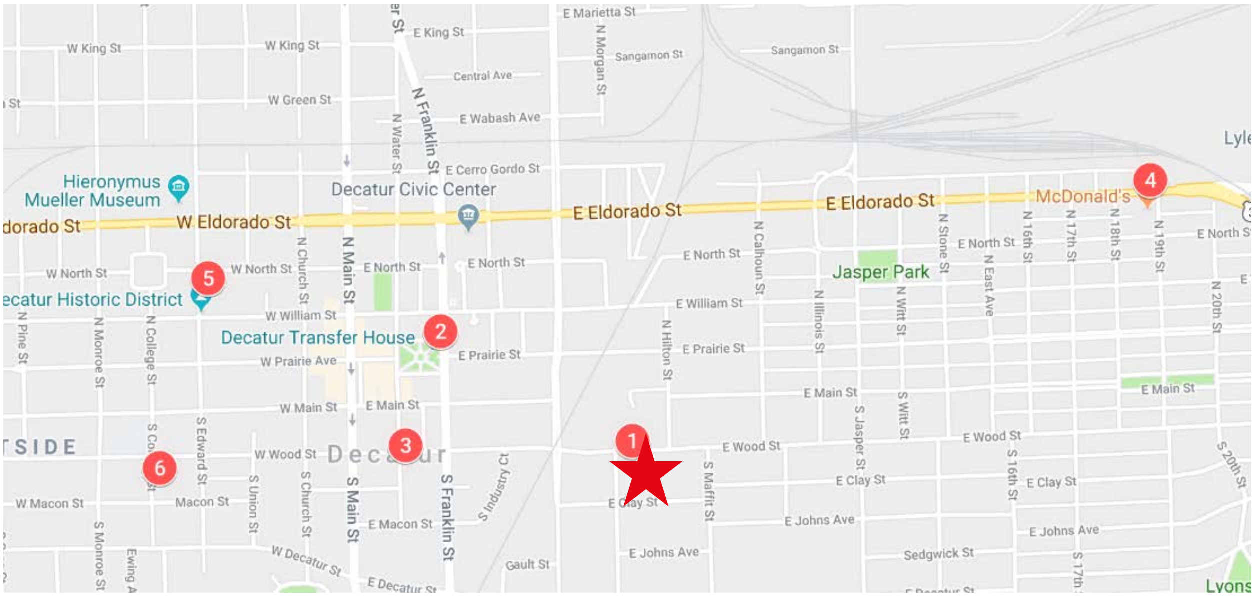
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Decatur MSA with a total of 6,790 jobs. The next largest occupations can all be seen in the chart below.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Address	City	Rentable Square Feet
1	720 E Wood	Decatur	2,240
2	295 N Franklin	Decatur	7,550
3	160 S Walter	Decatur	8,500
4	1900 E Eldorado	Decatur	5,000
5	371 W North	Decatur	1,920
6	469 W Wood	Decatur	1,880

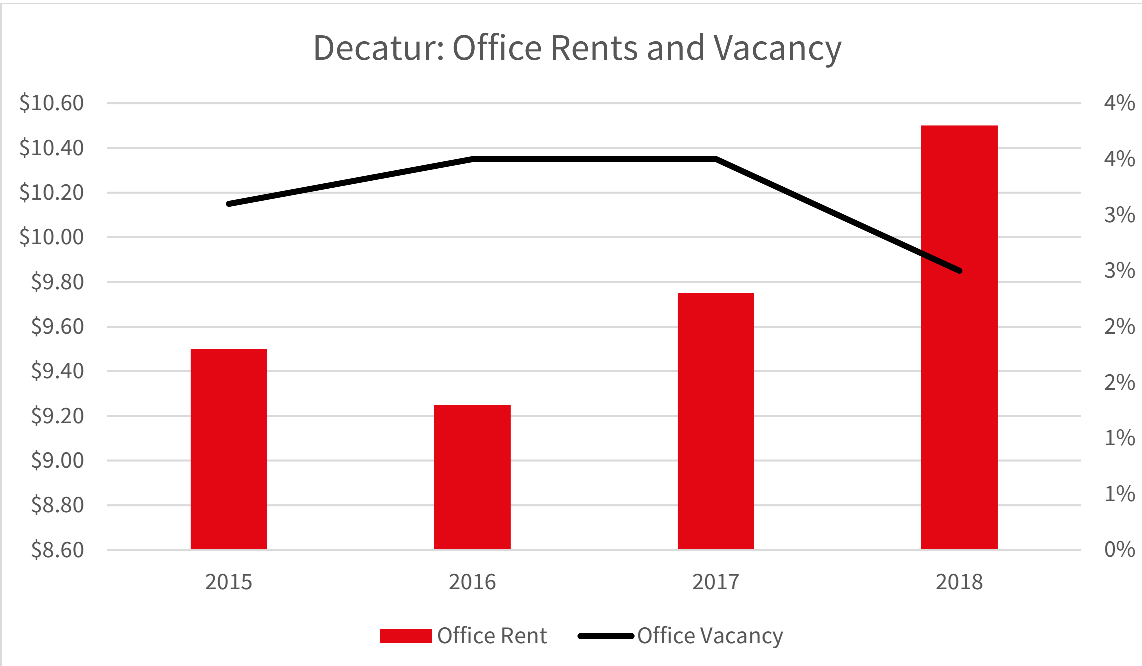
Source: CoStar and JLL

Office market conditions

Number	Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps				
1	720 E Wood	C	2,240	$8.57
2	295 N Franklin	C	7,550	$10.50
3	160 S Walter	B	8,500	$10.25
Sales Comps				
4	1900 E Eldorado	C	5,000	$39.80
5	371 W North	B	1,920	$41.15
6	469 W Wood	C	1,880	$37.18

Source: CoStar and JLL

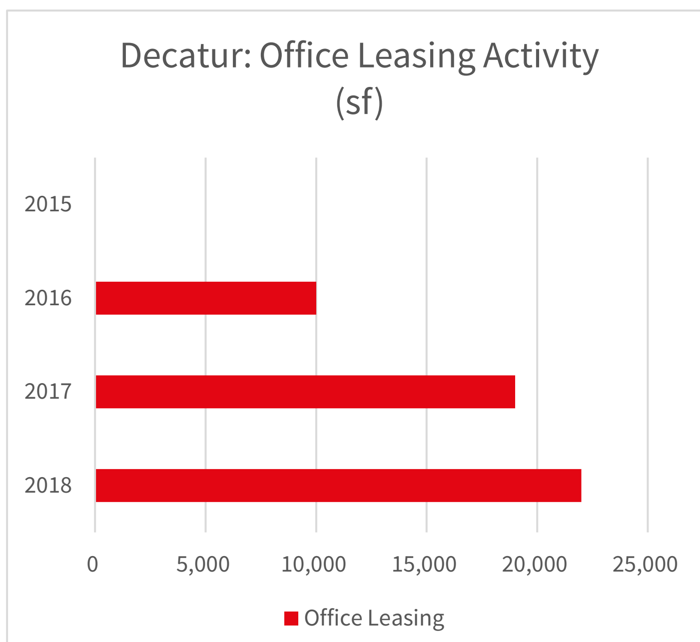
The Decatur office market has 4.7 million square feet of total office inventory with a vacancy rate of 2.5%. Rents for comparable properties in Decatur average $9.77 per square foot while comparable buildings have sold for $39.38 per square foot on average. Office rents for properties in Decatur have remained relatively steady since 2015. Average gross rental rates have stayed in the $9.00 PSF to $10.00 PSF range, with a recent uptick in 2018 that showed strong sights of continuing to rise into 2019.



Source: CoStar

Leasing Activity and Office Development Deliveries

Leasing activity in Decatur has increased significantly in recent years, with total market activity increasing every year from 2015 to 2018. This is partially due to 11,000 SF that was under construction in 2017 and delivered in 2018. There are no office buildings under construction, thus none will be delivered this year or in the foreseeable future.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 707 E Wood St or purchase the building outright, 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 our 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):	26,740
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 9.77
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 40.60
Landlord TI Allowance ($ sf) (relocation only)	$ 20.30
Initial Capital Repairs and Renovations ($ sf)	$ 22.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.78
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $3,088,583. 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 707 E Wood	
Total Rent Cost	$ 2,860,612
+ Total OpEx	$ 1,171,182
Total Cost (Real)	$ 3,088,583

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. 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. An additional $12/sf is included for new HVAC, based on feedback from the property manager, for a total of $22/sf.

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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $6,960,000 (the 2019 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 $260.17.

Total Cost to Acquire 707 E Wood **St**	
2019 Break-Even Acquisition Cost	$ 6,957,042
+ Initial CapEx	$ 588,280
+ Total Ongoing CapEx	$ 228,849
+ Total OpEx	$ 1,171,182
- 2029 Market Value	$ (7,923,499)
Total Cost (Real)	$ 3,088,583

If the State can acquire the building below $260.17 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 Decatur:

Own Versus Lease Analysis (cont'd)

Acquisition Alternatives			
Address	Square Feet	Asking $/SF	Total Asking $
1900 E Eldorado	5,000	$39.80	$ 199,000
371 W North St	1,920	$41.15	$ 79,008
469 W Wood St	1,880	$37.18	$ 69,898

Lease Alternatives			
Address	Total Available SF	Square Feet	Asking Rent $/SF
720 E Wood	2,240	2,240	$8.57
295 N Franklin	7,550	7,550	$10.50
160 S Water	8,500	8,500	$10.25

Based on this sample, the average sale price of properties in Decatur is $39.53 per square foot. Compared to the maximum break-even price of $260.17 per square foot for 707 E Wood St, this value is significantly lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $39.53 per square foot, the total cost of acquisition, including capital expenditure, would be $1,907,364.

Total Cost to Acquire 707 E Wood **St** at Market	
Value Acquisition Cost	$ 2,291,591
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 588,280
+ Total Ongoing CapEx	$ 228,849
+ Total OpEx	$ 1,171,182
- 2029 Market Value	$ (2,609,934)
Total Cost (Real)	$ 1,907,364

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	Square Feet	Asking $/SF	Total Asking $
1900 E Eldorado	5,000	$39.80	$ 199,000
371 W North St	1,920	$41.15	$ 79,008
469 W Wood St	1,880	$37.18	$ 69,898

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
720 E Wood	2,240	2,240	$8.57
295 N Franklin	7,550	7,550	$10.50
160 S Water	8,500	8,500	$10.25

Regarding the acquisition alternatives, each is smaller than the State's existing footprint and is therefore not a viable alternative.

Regarding the leasing alternatives, each is smaller than the State's existing footprint and is therefore not a viable alternative.

Conclusion

Based on this assessment, the lowest cost technically acceptable alternative is for the State to acquire 707 E Wood St.

However, 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. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $118,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 707 E Wood St rather than acquiring.

Lease 707 E Wood **St**	$ 3,088,583
Acquire 707 E Wood **St**	$ 1,907,364
Acquisition Alternatives	Total Cost to Acquire
n/a	n/a
Lease Alternatives	Total Cost to Lease
n/a	n/a

800 S Locust Street

Centralia, IL

Department of Human Services
Department of Natural Resources

Market Analysis

Property Description

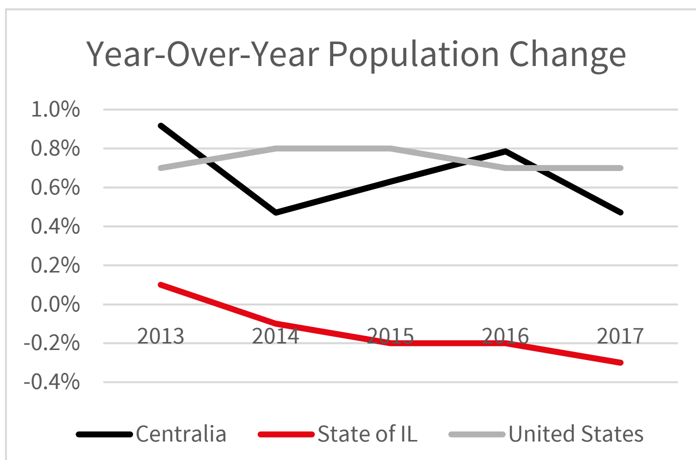
Property Details	
Property Address:	800 S Locust St Centralia, IL
Property Type:	Office
User:	Field Office
Building Size (SF):	10,316
FY 2018 Annual Cost:	$154,623
FY 2018 Annual Cost (psf):	$14.99
2019 Headcount:	28
Demographics	
Population:	1 mile: 6,954 5 miles: 20,910
Median Household Income:	1 mile: 35,355 5 miles: $38,222

Source: Google

Market Overview

Centralia, Illinois

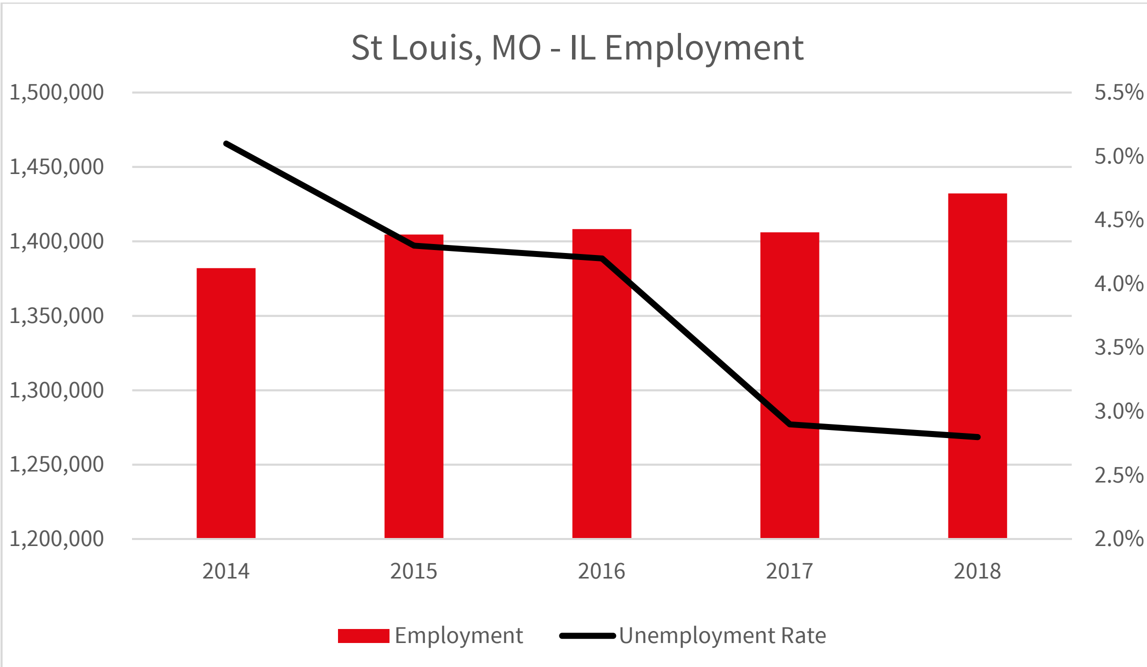
In 2017, Centralia, Illinois had an estimated population of 12,452 with a median age of 40.9, older than the statewide median age of 37.7. In Centralia, 16.7% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Centralia's population has decreased by 2.39% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

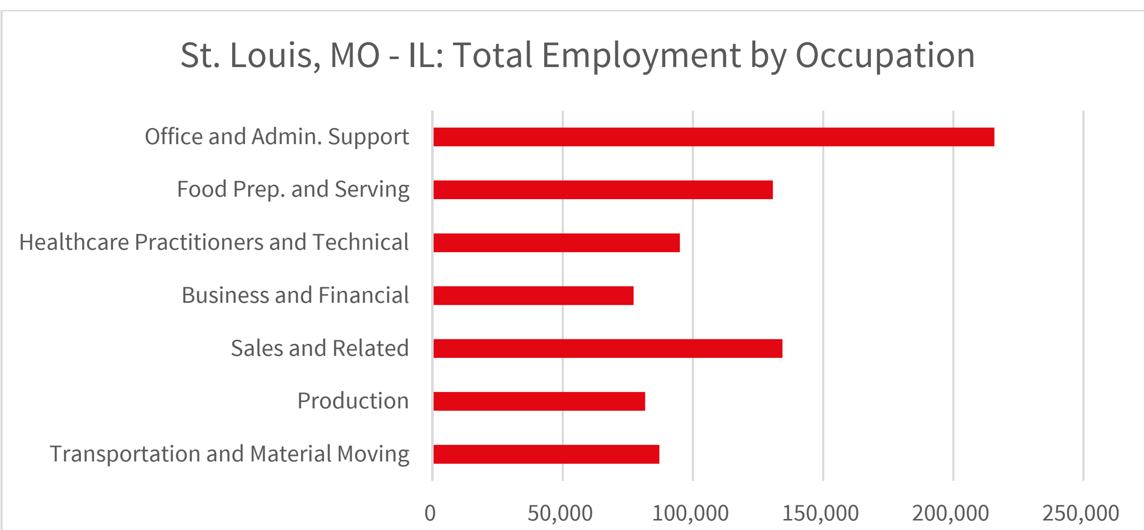
Labor Force and Employment Growth

Centralia is located in the St. Louis, MO - IL Metropolitan Statistical Area ("MSA"). Employment in the St. Louis, MO - IL Metropolitan MSA has increased relatively steadily over the past five years with total employment at 1,432,234 in October 2018. The unemployment rate has consistently decreased every year since 2014.



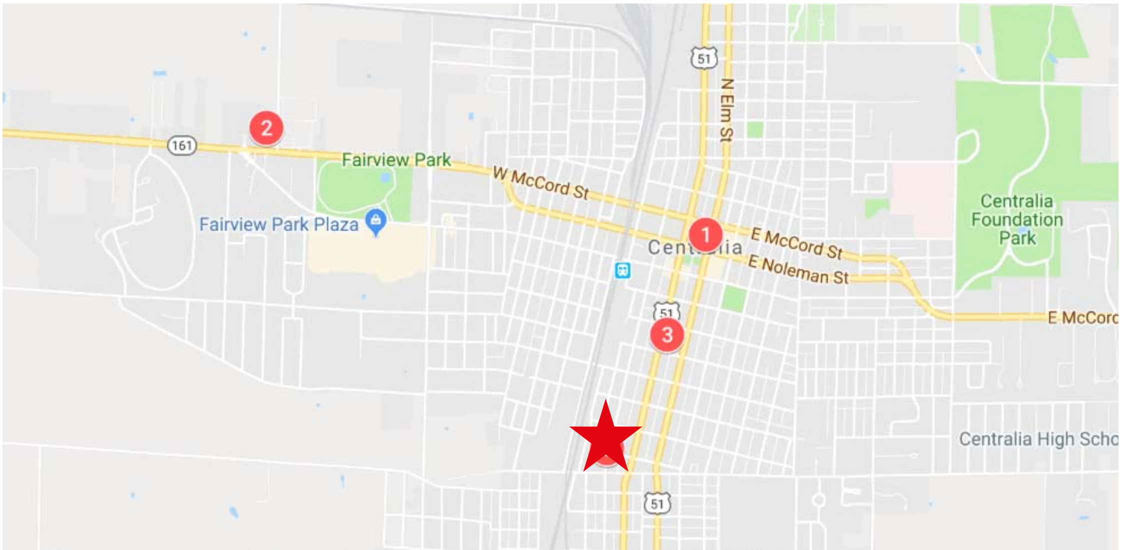
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the St. Louis, MO - IL MSA with a total of 215,810 jobs. The next largest occupations can all be seen in the chart below.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Address	City	Rentable Square Feet
1	224 N Elm St	Centralia	5,300
2	8071 Joliff Bridge Rd	Centralia	18,865
3	325 S Poplar St	Centralia	12,181
4	1809 W McCord St	Centralia	7,800

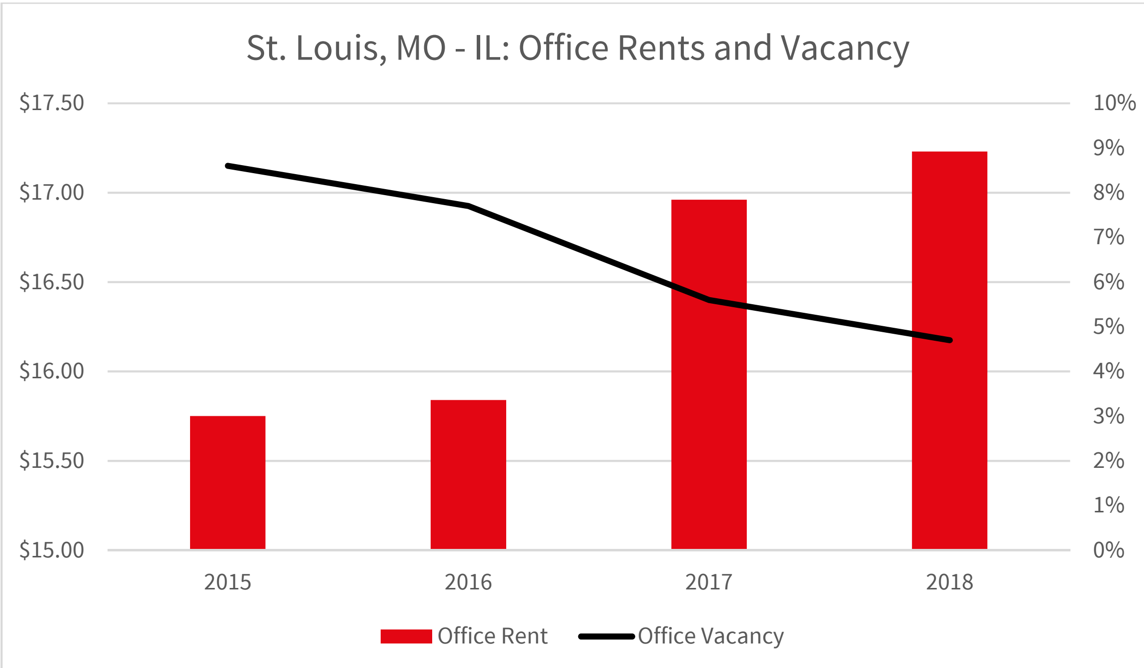
Source: CoStar and JLL

Office market conditions

Number	Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps				
1	224 N Elm St	C	5,300	$17.20
2	8071 Joliff Bridge Rd	C	18,865	$14.00
Sales Comps				
1	224 N Elm St	C	5,300	$60.83
3	325 S Poplar St	C	12,181	$40.97

Source: CoStar and JLL

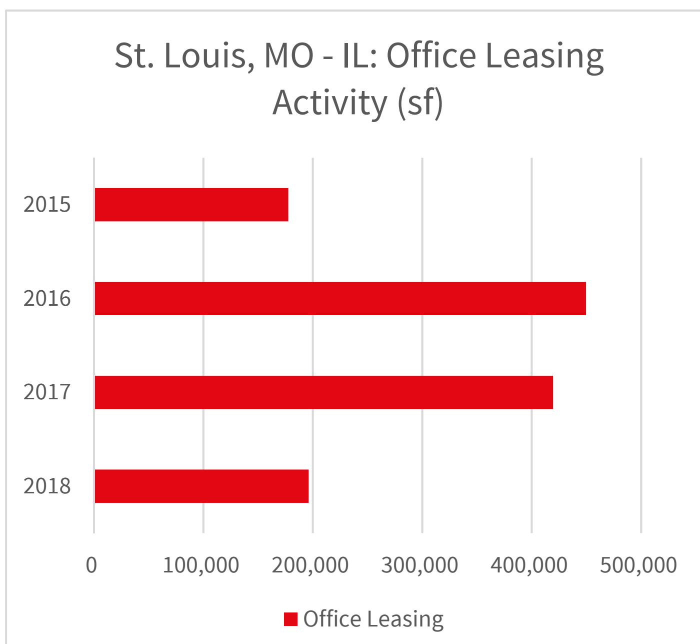
The St. Louis, MO - IL office market has 12.3 million square feet of total office inventory with a vacancy rate of 4.9%. Rents for comparable properties in Centralia average $13.93 per square foot while comparable buildings have sold for $75.49 per square foot on average. Office rents for properties in the St. Louis, MO – IL submarket were steady around $15.75 PSF for a few years before a large uptick in rent that has been consistent since 2017. Average gross rental rates have stayed in the $17.00 PSF to $17.50 PSF range in 2018 and will likely level off in 2019.



Source: CoStar

Leasing Activity and Office Development Deliveries

Leasing activity in the St. Louis, MO - IL has increased significantly in recent years has not shown any telling trends and has been pretty across the board. 2016 and 2017 were significant from a leasing perspective before slowing down in 2018. This leasing activity is consistent with supply changes and construction of new product in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 800 S Locust St or purchase the building outright, 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 our 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):	10,316
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 15.60
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 1.25
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $1,696,021. 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 Field Office Building	
Total Rent Cost	$ 1,762,134
+ Total OpEx	$ 451,829
Total Cost (Real)	**$ 1,696,021**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $4,520,000 (the 2019 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 $437.87.

Total Cost to Acquire Field Office Building	
2019 Break-Even Acquisition Cost	$ 4,517,088
+ Initial CapEx	$ 103,160
+ Total Ongoing CapEx	$ 140,971
+ Total OpEx	$ 451,829
- 2029 Market Value	$ (5,144,592)
Total Cost (Real)	$ 1,696,021

If the State can acquire the building below $437.87 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 Centralia:

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
224 N Elm St	5,300	$ 322,399	$ 60.83
325 S Poplar	12,181	$ 620,866	$ 50.97
Average			**$ 55.90**

Based on this sample, the average sale price of properties in Centralia is $55.90 per square foot. Compared to the maximum break-even price of $437.87 per square foot for the 800 S Locust St, this value is much lower.

Therefore, the State may be able to acquire the property at market rates. Should the State acquire the property for $55.90 per square foot, the total cost of acquisition, including capital expenditure, would be $698,368.

Total Cost to Acquire Field Office Building at Market Value	
Acquisition Cost	$ 576,664
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 103,160
+ Total Ongoing CapEx	$ 140,971
+ Total OpEx	$ 451,829
- 2029 Market Value	$ (656,773)
Total Cost (Nominal)	$ 615,851
Total Cost (Real)	**$ 698,368**

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	Square Feet	Asking $/SF	Total Asking $
224 N Elm St	5,300	$60.83	$ 322,399
325 S Poplar	12,181	$50.97	$ 620,866

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
224 N Elm St	5,300	5,300	$17.20
8071 Joliff Bridge Rd	18,865	10,316	$14.00

Regarding acquisition alternatives, only the second property is large enough to meet the State's need and is therefore included in the analysis.

Regarding lease alternatives, only the second property is large enough to meet the State's needs, if the owner is willing to lease out a portion of the property, and is therefore included in the analysis.

Conclusion

Based on this assessment, the State should continue to lease 800 S Locust Street.

The lowest cost technically acceptable alternative is to acquire 800 S Locust Street. However, 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 admendment 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is approximately $99,765 per year less over the course of the 10-year analysis period. These savings may not be commensurate with the risks outlined above. Therefore, the State should continue to lease

Lease 800 S Locust St	$ 1,696,021
Acquire 800 S Locust St	$ 698,368
Acquisition Alternatives	**Total Cost to Acquire**
325 S Poplar	$ 1,303,073
Lease Alternatives	**Total Cost to Lease**
8071 Joliff Bridge Rd	$ 1,866,506

809 Commercial Avenue

Springfield, IL

Department of Human Services

Market Analysis

Property Description

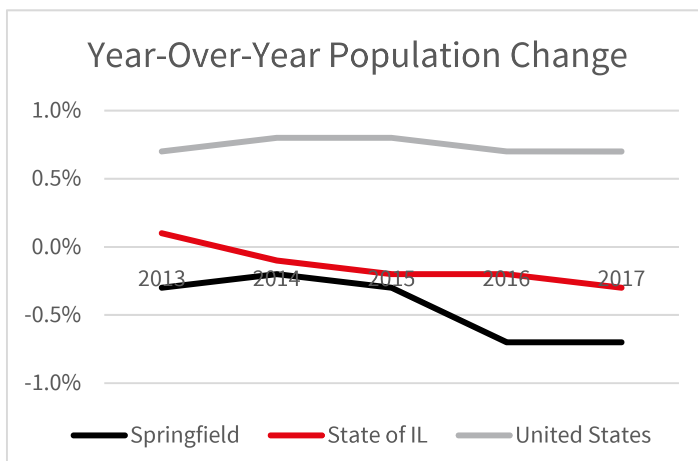
Property Details	
Property Address:	809 Commercial Avenue Springfield, IL
Property Type:	Warehouse
User:	Human Services
Building Size (SF):	4,840
FY 2018 Annual Cost:	$62,142
FY 2018 Annual Cost (psf):	$12.84
2019 Headcount:	11
Demographics	
Population:	1 mile: 5,808 5 miles: 109,333
Median Household Income:	1 mile: $27,837 5 miles: $43,395


Source: Google

Market Overview

Springfield, Illinois

In 2017, Springfield, Illinois had an estimated population of 114,868 with a median age of 38.9, older than the statewide median age of 37.7. In Springfield, 35.8% of the population has a bachelor's degree or higher, which is higher than the 33.4% statewide who have a bachelor's degree or higher. Springfield's population has decreased by 1.9% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.

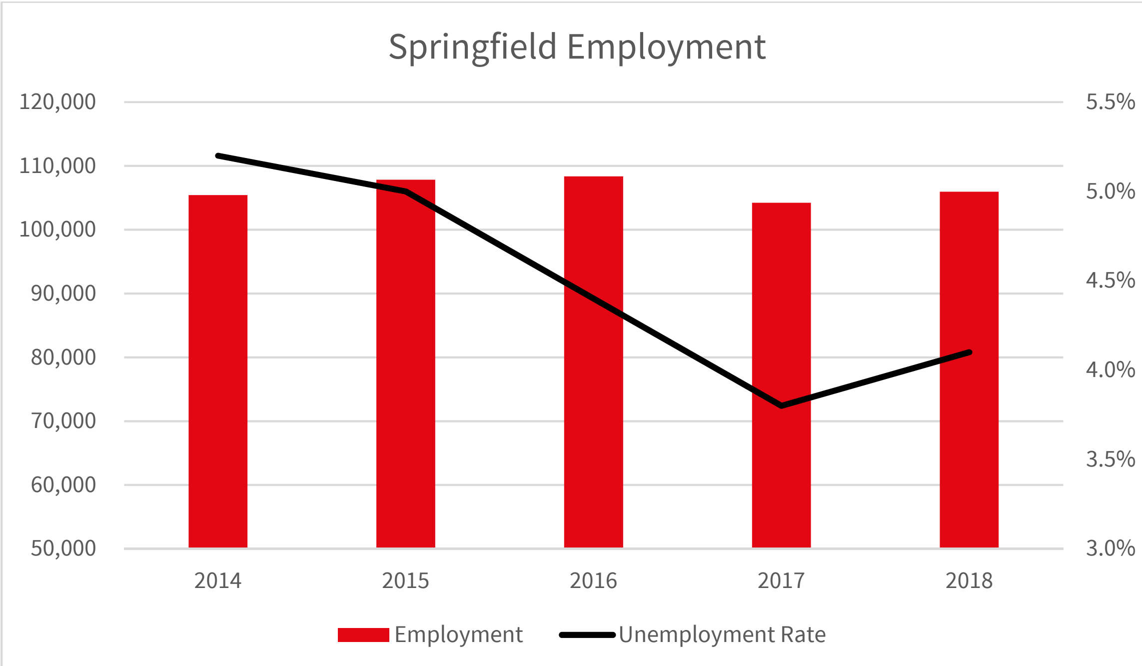


Source: U.S. Census Bureau

Labor Force and Employment Growth

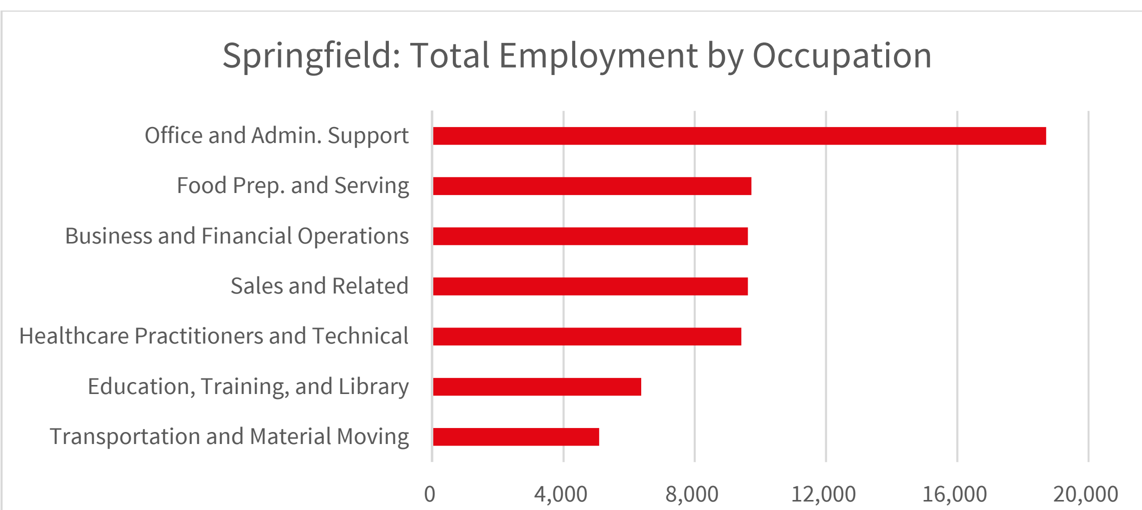
Springfield is located in the Springfield Metropolitan Statistical Area ("MSA"). Employment in the Springfield MSA has been flat over the past five years with total employment at 105,958 in October 2018. This is down from October 2016, when employment totaled 108,367. The unemployment rate

decreased every year from 2014 to 2017 before increasing to 4.1% in October 2018, up from 3.8% in October 2017. This is an improvement from October 2014, when the unemployment rate was 5.2%.



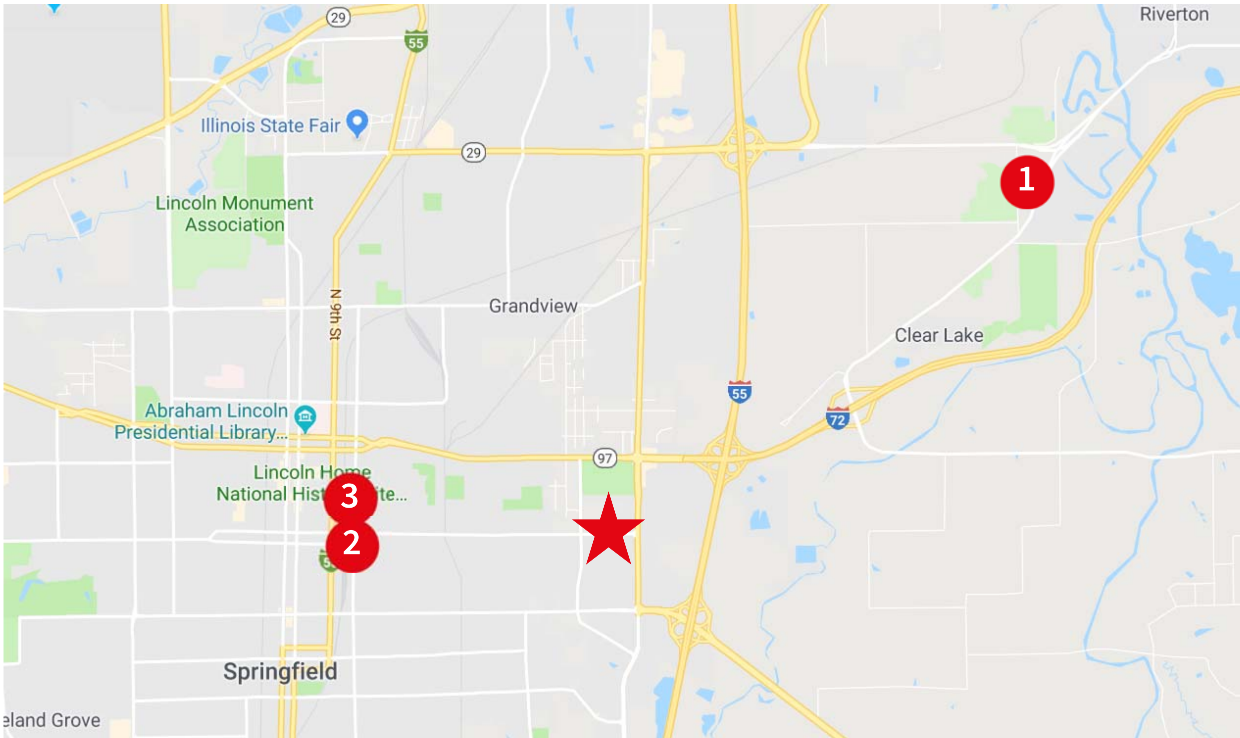
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Springfield MSA with a total of 18,710 jobs. Employment is roughly split between the next largest occupation types – food preparation and serving occupations; business and financial operations occupations; sales and related occupations; and healthcare practitioners and technical occupations – with employment for each between 9,400 and 9,800 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	5119 Old Route 36	5119 Old Route 36	12,000
2	801 S 11th Street	801 S 11th Street	5,184
3	321 S 11th Street	321 S 11th Street	4,800

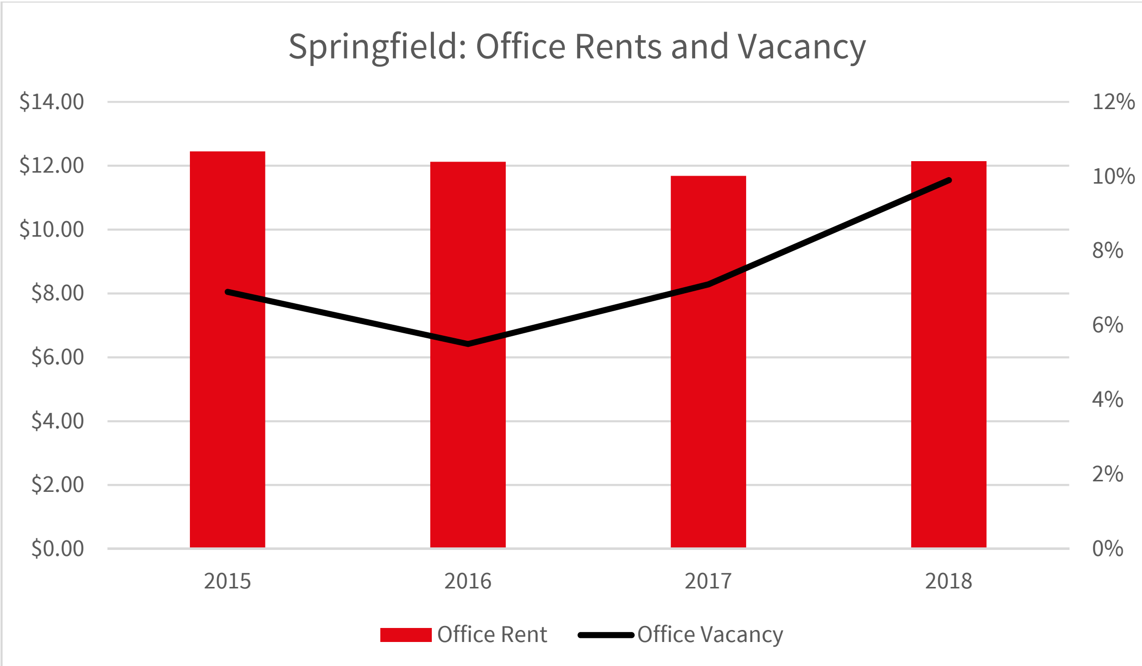
Source: CoStar and JLL

Office market conditions

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
5119 Old Route 36	B	12,000	$6.25
801 S 11th Street	C	5,184	$10.00
Sale Comps			
801 S 11th Street	C	5,184	$48.23
321 S 11th Street	C	4,800	$26.88

Source: CoStar and JLL

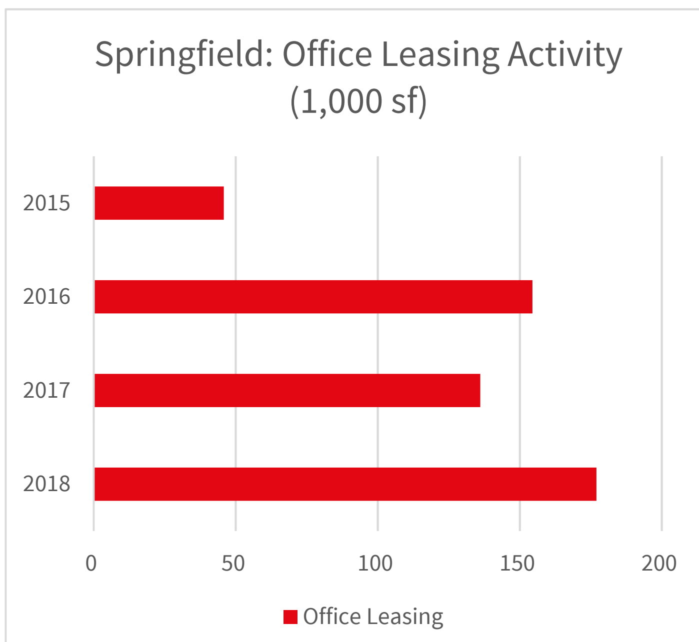
The Springfield office market has 10.1 million square feet of total office inventory with a vacancy rate of 9.9%. Rents for comparable properties in the market average $8.13 per square foot while comparable buildings for sale in the market are listed for $37.56 per square foot on average. Office rents for all properties in Springfield have decreased over the past four years, going from $12.45 per square foot in 2015 to $12.14 per square foot in 2018. Office vacancy has increased from 6.9% in 2015 to 9.9% in 2018.



Source: CoStar

Leasing Activity and Office Development Deliveries

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 177,033 square feet in 2018. Springfield had two office buildings totaling 83,234 square feet delivered in 2018. Another office 58,000 square foot office building is currently under construction. Vacancy in the market has increased because of this additional capacity in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 809 Commercial Avenue or purchase the building outright, 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 our 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):	4,840
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 7.37
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations	$5/sf + $10,000 for new parking lot
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.59
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $461,604. 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 Human Services Building	
Total Rent Cost	$ 390,585
+ Total OpEx	$ 211,987
Total Cost (Real)	**$ 461,604**

A note on capital requirements:
For initial capital repairs, a baseline of $5/sf is used for industrial buildings where property managers did not share specifics. This amount includes items such as doors and windows and general requirements. 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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $870,000 (the 2019 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 $179.25.

Total Cost to Acquire Human Services Building	
2019 Break-Even Acquisition Cost	$ 867,568
+ Initial CapEx	$ 58,400
+ Total Ongoing CapEx	$ 31,247
+ Total OpEx	$ 211,987
- 2029 Market Value	$ (988,089)
Total Cost (Real)	$ 461,604

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
615 S 5th Street	2,820	$ 215,000	$ 76.24
1112 Rickard Rd Ste. A	2,220	$ 275,000	$ 123.87
3200 Pleasant Run	11,730	$ 1,175,000	$ 100.17
400 S Grand Ave	3,200	$ 199,900	$ 62.47
6900 Preston Dr	5,400	$ 355,000	$ 65.74
Average			**$ 85.70**

Based on this sample, the average sale price of properties in Springfield is $85.70 per square foot. Compared to the maximum break-even price of $179.25 per square foot for the 104 E Deyoung, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $85.70 per square foot, the total cost of acquisition, including capital expenditure, would be $346,966.

Total Cost to Acquire Human Services Building at Market Value	
Acquisition Cost	$ 414,783
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 58,400
+ Total Ongoing CapEx	$ 31,247
+ Total OpEx	$ 211,987
- 2029 Market Value	$ (472,404)
Total Cost (Real)	**$ 346,966**

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	Square Feet	Asking $/SF	Total Asking $
801 S 11th Street	5,184	$48.23	$ 250,024
321 S 11th Street	4,800	$26.88	$ 129,024

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
5119 Old Route 36	12,000	4,840	$6.25
801 S 11th Street	5,184	4,840	$10.00

Regarding acquisition alternatives, both properties are viable options. The same is true for both lease alternatives, however due to the size of the first property, the owner must be willing to lease out only a portion of the building to the State.

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 809 Commercial.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $11,000 per year less over the course of the 10-year analysis period. These savings may not be commensurate with the risks outlined above. Therefore, the State may consider leasing 809 Commercial rather than acquiring.

Lease 809 Commercial Avenue	$ 461,604
Acquire 809 Commercial Avenue	$ 346,966
Acquisition Alternatives	**Total Cost to Acquire**
801 S 11th Street	$ 526,627
321 S 11th Street	$ 476,170
Lease Alternatives	**Total Cost to Lease**
5119 Old Route 36	$ 538,354
801 S 11th Street	$ 690,598

870 Lehmen Drive

Chester, IL

Department of Human Services

Market Analysis

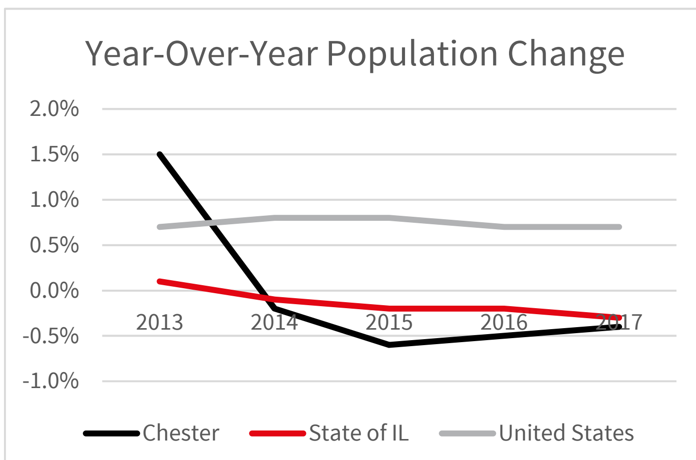
Property Description

Property Details	
Property Address:	870 Lehmen Drive Chester, IL
Property Type:	Office
User:	Human Services
Building Size (SF):	4,500
FY 2018 Annual Cost:	$57,278
FY 2018 Annual Cost (psf):	$12.73
2019 Headcount:	11
Demographics	
Population:	1 mile: 3,100 5 miles: 9,598
Median Household Income:	1 mile: $44,736 5 miles: $47,862

Market Overview

Chester, Illinois

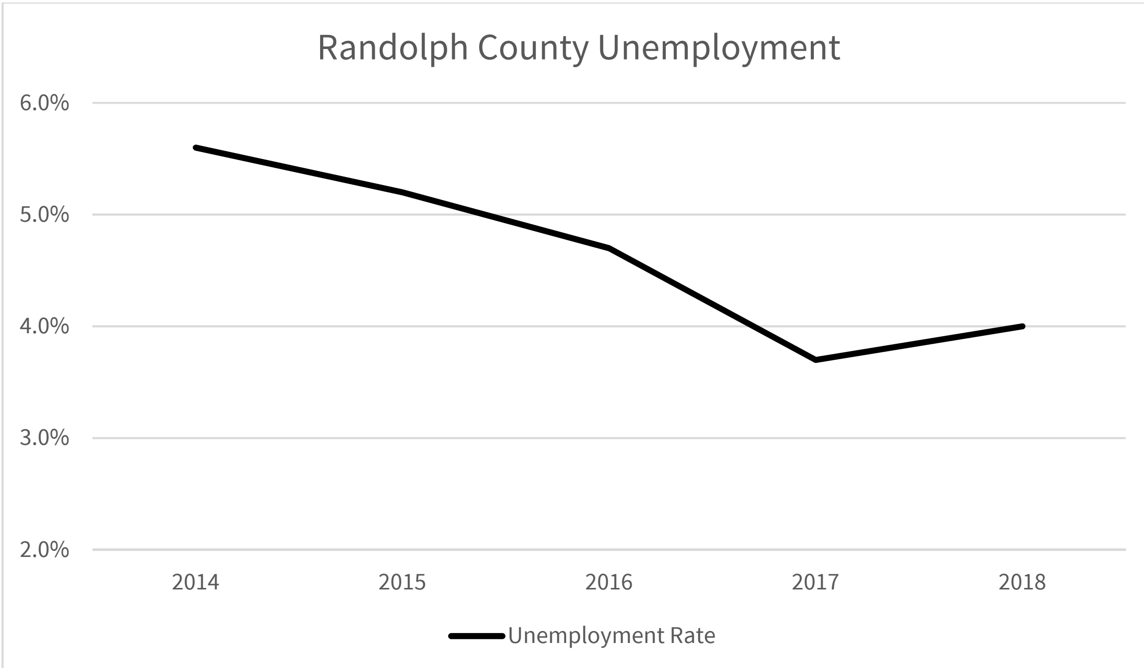
In 2017, Chester, Illinois had an estimated population of 8,514 with a median age of 39.9, older than the statewide median age of 37.7. In Chester, 7.2% of the population has a bachelor's degree or higher, which is lower than the 33.4% statewide who have a bachelor's degree or higher. Chester's population has decreased by 1.6% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.



Source: U.S. Census Bureau

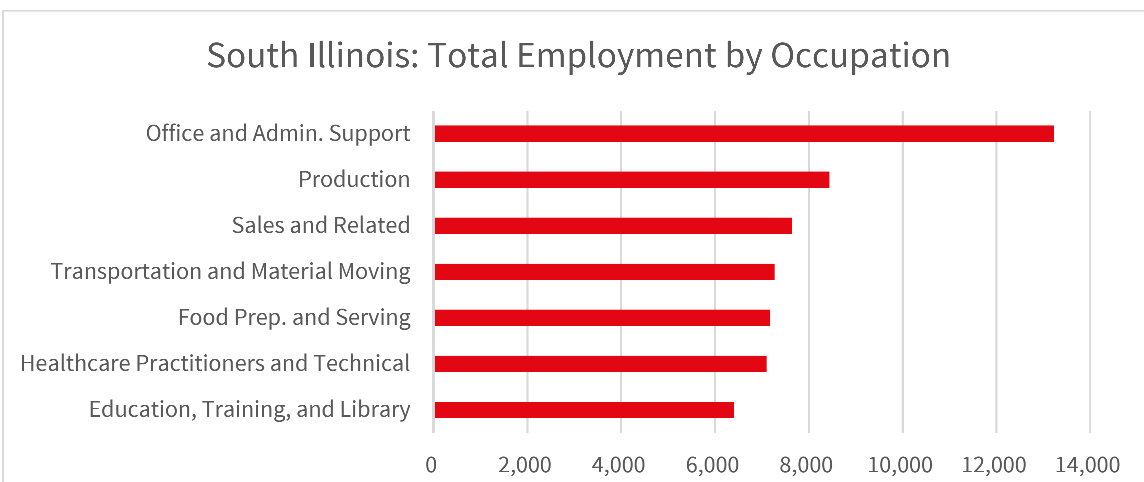
Labor Force and Employment Growth

Chester is located in Randolph County, Illinois. Unemployment in Randolph County has decreased from 5.6% in October 2014 to 4.0% in October 2018. The October 2018 unemployment rate was a slight uptick from the 3.7% unemployment rate in October 2017.



Source: U.S. Bureau of Labor Statistics

The U.S. Bureau of Labor Statistics includes Chester and Randolph County in the South Illinois nonmetropolitan area. Office and administrative support occupations make up the largest share of employment in the South Illinois nonmetropolitan area with a total of 13,230 jobs. The next largest occupation types are production occupations with 8,440 jobs; sales and related occupations with 7,640 jobs; transportation and material moving occupations with 7,270 jobs; and food preparation and serving occupations with 7,180 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis

Number	Building Name	Address	Rentable Square Feet
1	1101 Opdyke Street	1101 Opdyke Street	2,060
2	2453 State Street	2453 State Street	1,400

Source: CoStar and JLL

Office market conditions

The Chester office market is very limited with ten properties totaling 45,900 square feet. Rents for comparable properties in the market average $10.86 per square foot while comparable buildings for sale in the market are listed at $79.16 per square foot on average. Office vacancy in the market increased from 4.5% in 2017 to 38.0% in 2018 as the result of a 15,400 square foot lease that terminated in 2018.

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
1101 Opdyke Street	B	2,060	$14.00
2453 State Street	C	1,400	$7.71
Sales Comps			
1101 Opdyke Street	B	2,060	$86.89
2453 State Street	C	1,400	$71.43

Source: CoStar and JLL

Own Versus Lease Analysis

To assess whether the State should continue leasing 870 Lehmen Drive or purchase the building outright, 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 our 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)	$ 9.30
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 44.20
Landlord TI Allowance ($ sf) (relocation only)	$ 22.10
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 0.74
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $502,028. 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 The Department of Human Services building	
Total Rent Cost	$ 458,246
+ Total OpEx	$ 197,095
Total Cost (Real)	**$ 502,028**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $1,110,000 (the 2019 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 $245.85.

Total Cost to Acquire The Department of Human Services building	
2019 Break-Even Acquisition Cost	$ 1,106,316
+ Initial CapEx	$ 45,000
+ Total Ongoing CapEx	$ 36,660
+ Total OpEx	$ 197,095
- 2029 Market Value	$ (1,260,003)
Total Cost (Real)	$ 502,028

Own Versus Lease Analysis (cont'd)

Address	SF	Sales Price	Price PSF
1101 Opdyke Street	2,060	$ 178,993	$ 86.89
2453 State Street	1,400	$ 100,002	$ 71.43
Average			**$ 79.16**

Based on this sample, the average sale price of properties in Chester is $79.16 per square foot. Compared to the maximum break-even price of $245.85 per square foot for the 870 Lehmen Drive, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $79.16 per square foot, the total cost of acquisition, including capital expenditure, would be $312,116.

Total Cost to Acquire The Department of Human Services building at Market Value	
Acquisition Cost	$ 356,220
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 45,000
+ Total Ongoing CapEx	$ 36,660
+ Total OpEx	$ 197,095
- 2029 Market Value	$ (405,705)
Total Cost (Real)	**$ 312,116**

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), two properties were identified as both acquisition and lease alternatives (both are listed for-sale and for-lease. However, both properties are too small for the State, and are therefore not viable options.

Acquisition Alternatives

Address	Square Feet	Asking $/SF	Total Asking $
1101 Opdyke Street	2,060	$86.89	$ 178,993
2453 State Street	1,400	$71.43	$ 100,002

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
1101 Opdyke Street	2,060	2,060	$14.00
2453 State Street	1,400	1,400	$7.71

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 870 Lehmen Drive.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $19,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 870 Lehmen Drive rather than acquiring.

Lease 870 Lehmen Drive	$ 502,028
Acquire 870 Lehmen Drive	$ 312,116
Acquisition Alternatives	**Total Cost to Acquire**
n/a	n/a
Lease Alternatives	**Total Cost to Lease**
n/a	n/a

900 S Spring Street

Springfield, IL

Department of Labor

Market Analysis

Property Description

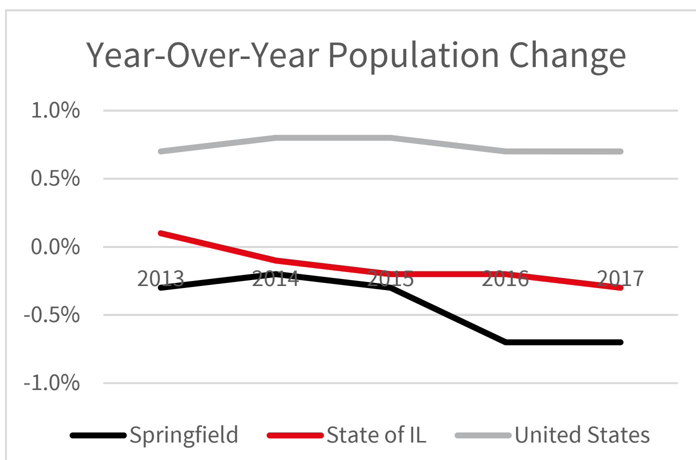
Property Details	
Property Address:	900 S Spring Street Springfield, IL
Property Type:	Office
User:	Department of Labor
Building Size (SF):	8,950
FY 2018 Annual Cost:	$134,557
FY 2018 Annual Cost (psf):	$15.03
2019 Headcount:	31
Demographics	
Population:	1 mile: 14,464 5 miles: 125,766
Median Household Income:	1 mile: $38,982 5 miles: $46,657

Source: CoStar

Market Overview

Springfield, Illinois

In 2017, Springfield, Illinois had an estimated population of 114,868 with a median age of 38.9, older than the statewide median age of 37.7. In Springfield, 35.8% of the population has a bachelor's degree or higher, which is higher than the 33.4% statewide who have a bachelor's degree or higher. Springfield's population has decreased by 1.9% since 2013. During that period, the state of Illinois's population decreased by 0.7%, and the United States' population increased by 3.0%.

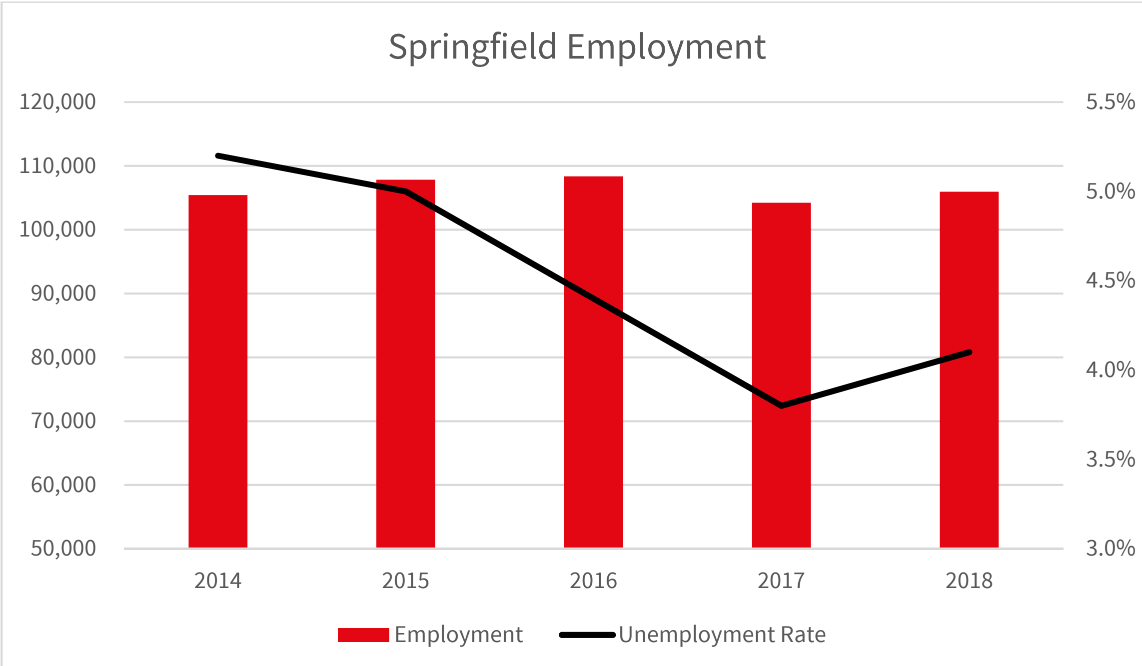


Source: U.S. Census Bureau

Labor Force and Employment Growth

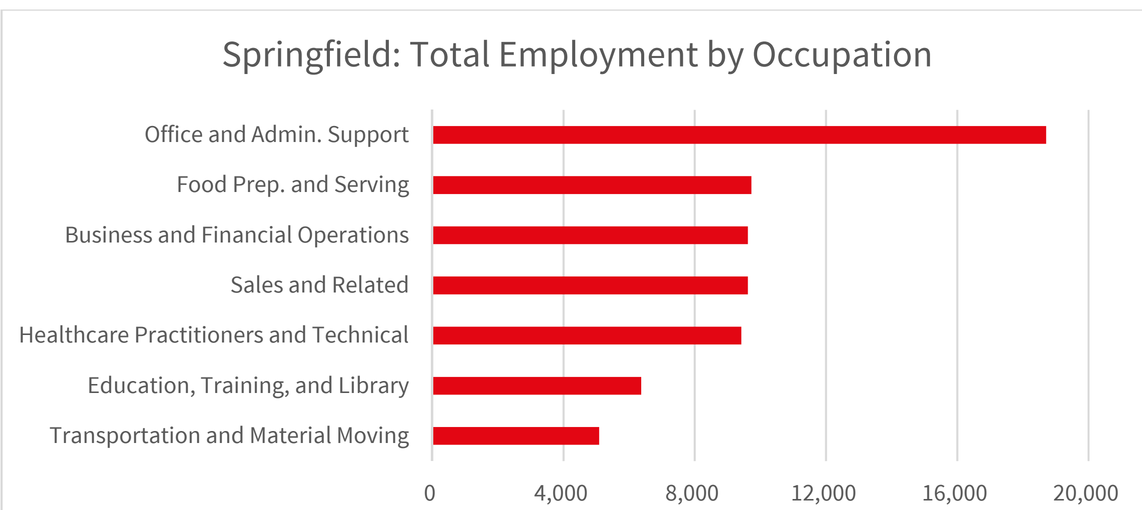
Springfield is located in the Springfield Metropolitan Statistical Area ("MSA"). Employment in the Springfield MSA has been flat over the past five years with total employment at 105,958 in October 2018. This is down from October 2016, when employment totaled 108,367. The unemployment rate

decreased every year from 2014 to 2017 before increasing to 4.1% in October 2018, up from 3.8% in October 2017. This is an improvement from October 2014, when the unemployment rate was 5.2%.



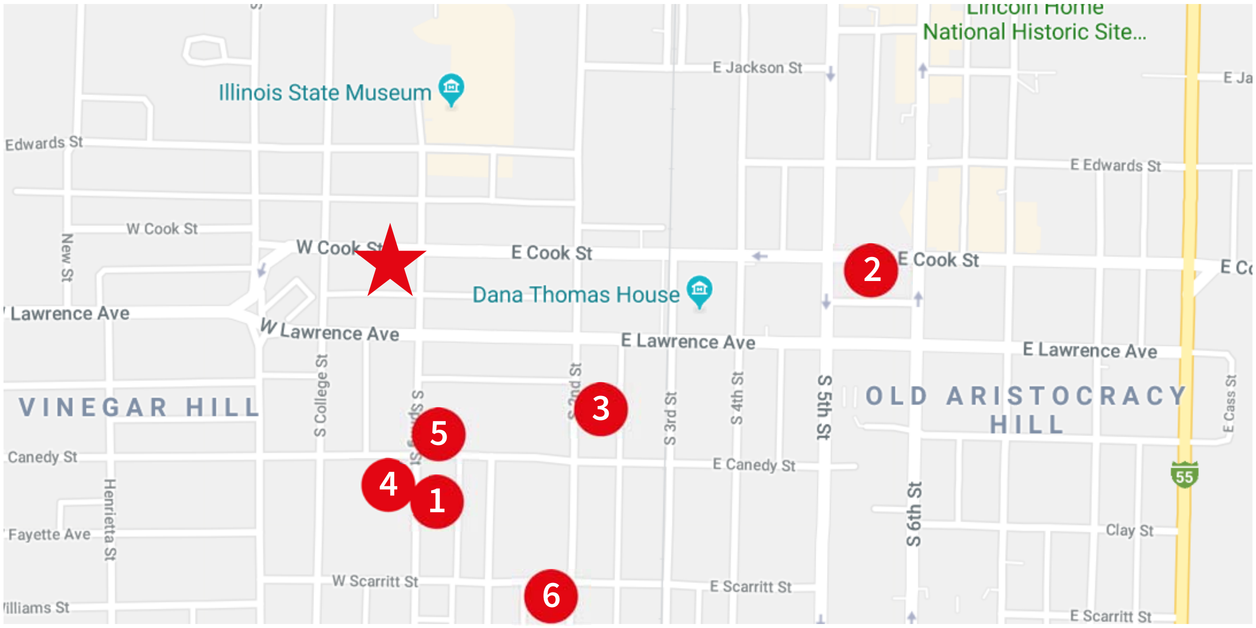
Source: U.S. Bureau of Labor Statistics

Office and administrative support occupations make up the largest share of employment in the Springfield MSA with a total of 18,710 jobs. Employment is roughly split between the next largest occupation types – food preparation and serving occupations; business and financial operations occupations; sales and related occupations; and healthcare practitioners and technical occupations – with employment for each between 9,400 and 9,800 jobs.



Source: U.S. Bureau of Labor Statistics

Office Market Analysis



Number	Building Name	Address	Rentable Square Feet
1	928 S Spring Street	928 S Spring Street	5,936
2	500 E Cook Street	500 E Cook Street	7,100
3	828 S 2nd Street	828 S 2nd Street	22,500
4	919 S Spring Street	919 S Spring Street	10,640
5	850 S Spring Street	850 S Spring Street	2,160
6	120 E Scarritt Street	120 E Scarritt Street	6,016

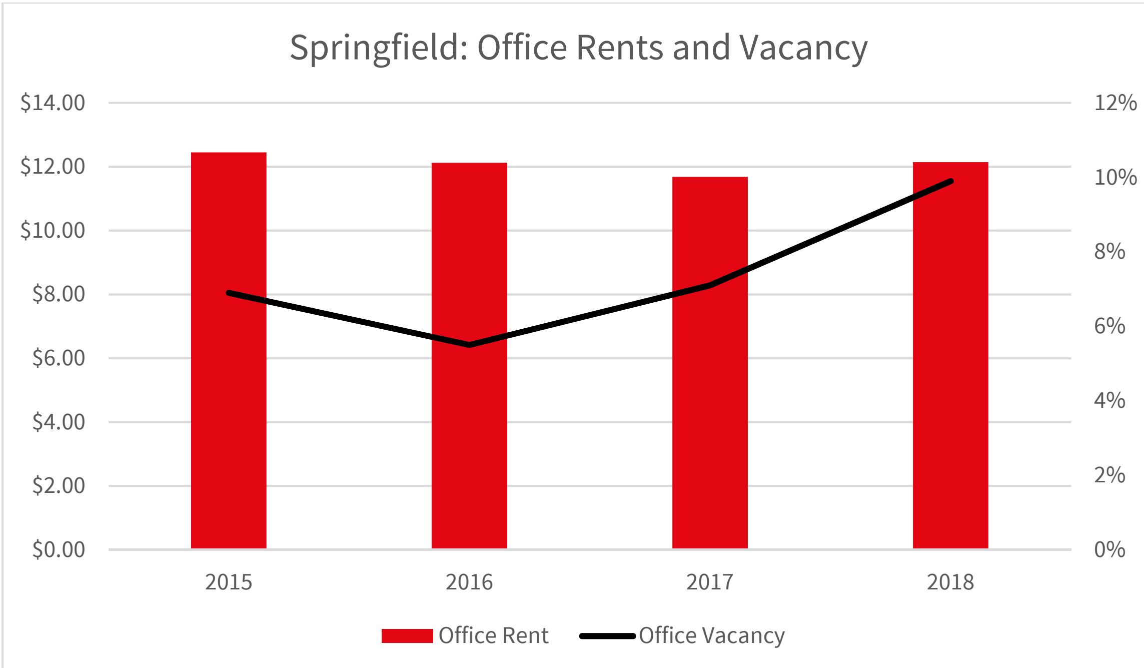
Source: CoStar and JLL

Office market conditions

The Springfield office market has 10.1 million square feet of total office inventory with a vacancy rate of 9.9%. Rents for comparable properties in the market average $13.17 per square foot while comparable buildings for sale in the market are listed for $70.36 per square foot on average. Office rents for all properties in Springfield have decreased over the past four years, going from $12.45 per square foot in 2015 to $12.14 per square foot in 2018. Office vacancy has increased from 6.9% in 2015 to 9.9% in 2018.

Address	Class	Rentable Square Feet	Sale / Lease Rate (psf)
Lease Comps			
928 S Spring Street	B	5,936	$14.00
500 E Cook Street	B	7,100	$12.00
828 S 2nd Street	C	22,500	$12.00
Sale Comps			
919 S Spring Street	B	10,640	$53.95
850 S Spring Street	C	2,160	$53.24
120 E Scarritt Street	C	6,016	$103.89

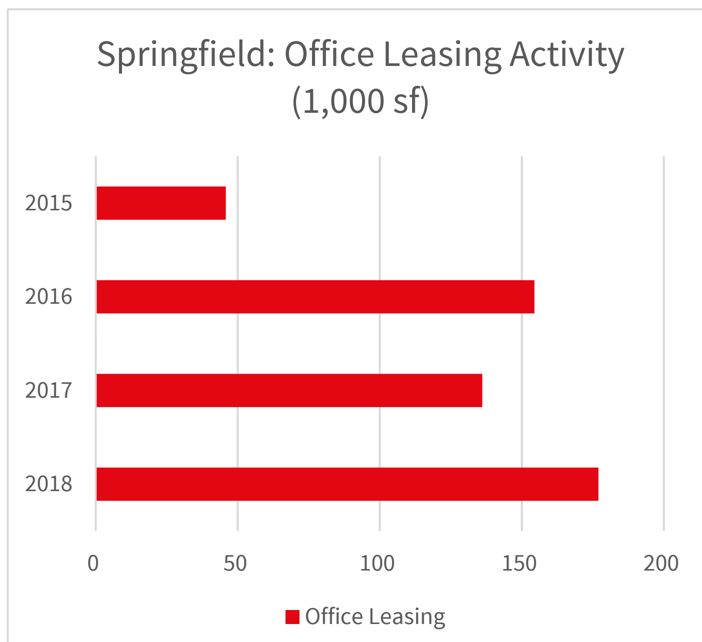
Source: CoStar and JLL



Source: CoStar

Leasing Activity and Office Development Deliveries

Office leasing activity in Springfield has increased in recent years, with leasing increasing from 46,775 square feet in 2015 to 177,033 square feet in 2018. Springfield had two office buildings totaling 83,234 square feet delivered in 2018. Another office 58,000 square foot office building is currently under construction. Vacancy in the market has increased because of this additional capacity in the market.



Source: CoStar

Own Versus Lease Analysis

To assess whether the State should continue leasing 900 S Spring or purchase the building outright, 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 our 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):	8,950
Lease Term (years):	10
Base Rental Rate ($ sf year)	$ 12.67
Rental Rate Escalation (% year)	2.0%
Base OpEx ($ sf year)	$ 4.00
OpEx Escalation (% year)	2.0%
Tenant Improvement (TI) ($ sf) (relocation only)	$ 40.60
Landlord TI Allowance ($ sf) (relocation only)	$ 20.30
Initial Capital Repairs and Renovations ($ sf)	$ 10.00
Routine Capital Repairs and Renovations (CR&R) ($ sf year)	$ 1.01
CR&R Escalation	2.0%

Using these assumptions, the total cost to the State to renew its lease for another 10-year term is approximately $1,251,476. 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 Department of Labor Building	
Total Rent Cost	$ 1,241,660
+ Total OpEx	$ 392,000
Total Cost (Real)	**$ 1,251,476**

A note on capital requirements:
For initial capital repairs, a baseline of $10/sf is used for buildings where property managers did not share specifics. This amount includes items such as woods/plastics/composites, doors and windows, and "specialities" (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 2019 acquisition cost/value by a factor of 1.31% over the 10-year period, which is the average growth rate of CPI for Midwestern Metropolitan Statistical Areas (MSA's) with a population of 2.5 million or less.

Using these assumptions, if the State can acquire the property for approximately $3,120,000 (the 2019 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 $348.57.

Total Cost to Acquire Department of Labor Building	
2019 Break-Even Acquisition Cost	$ 3,119,662
+ Initial CapEx	$ 89,500
+ Total Ongoing CapEx	$ 99,333
+ Total OpEx	$ 392,000
- 2029 Market Value	$ (3,553,039)
Total Cost (Real)	$ 1,251,476

If the State can acquire the building below $348.57 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
615 S 5th Street	2,820	$ 215,000	$ 76.24
1112 Rickard Rd Ste. A	2,220	$ 275,000	$ 123.87
3200 Pleasant Run	11,730	$ 1,175,000	$ 100.17
400 S Grand Ave	3,200	$ 199,900	$ 62.47
6900 Preston Dr	5,400	$ 355,000	$ 65.74
Average			**$ 85.70**

Based on this sample, the average sale price of properties in Springfield is $85.70 per square foot. Compared to the maximum break-even price of $348.57 per square foot for the 104 E Deyoung, this value is much lower. Therefore, the State may consider purchasing the property.

Should the State acquire the property at market rates for $85.70 per square foot, the total cost of acquisition, including capital expenditure, would be $655,821.

Total Cost to Acquire Department of Labor Building at Market Value	
Acquisition Cost	$ 767,006
+ Total Buildout Cost (full TI)	$ -
+ Initial CapEx	$ 89,500
+ Total Ongoing CapEx	$ 99,333
+ Total OpEx	$ 392,000
- 2029 Market Value	$ (873,557)
Total Cost (Real)	**$ 655,821**

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	Square Feet	Asking $/SF	Total Asking $
919 S Spring Street	10,640	$53.95	$ 574,028
850 S Spring Street	2,160	$53.24	$ 114,998
120 E Scarritt Street	6,016	$103.89	$ 625,002

Lease Alternatives

Address	Total Available SF	Square Feet	Asking Rent $/SF
928 S Spring Street	5,936	5,936	$14.00
500 E Cook Street	7,100	7,100	$12.00
828 S 2nd Street	22,500	8,950	$12.00

Regarding acquisition alternatives, only the first property is a potential option, though it is somewhat larger than the State existing lease. This property is included in the analysis. The other two properties are too small and therefore not viable.

Regarding lease alternatives, the first two properites are too small and therefore not viable. The third property is viable if the owner is willing to partially lease the property to the State. Therefore the third property is included in the anlaysis.

Conclusion

Based on this assessment, the lowest cost technically acceptible alternative is for the State to acquire 900 S Spring.

However, 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 admendment or termination options with the owner. Fourth, this analysis does not factor in the cost to finance the acquisition with tax-exempt debt, nor the impacts on State balance sheet or finances of doing so. 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.

Ultimately, though the cost to acquire the property may be the lowest cost technically acceptable alternative, it is only approximately $60,000 per year less over the course of the 10-year analysis period. These savings may not commensurate with the risks outlined above. Therefore, the State may consider leasing 900 S Spring rather than acquiring.

Lease 900 S Spring	$ 1,251,476
Acquire 900 S Spring	$ 655,821
Acquisition Alternatives	**Total Cost to Acquire**
919 S Spring Street	$ 1,091,986
Lease Alternatives	**Total Cost to Lease**
828 S 2nd Street	$ 1,438,901