

KBS

500 West Madison
CASE STUDY

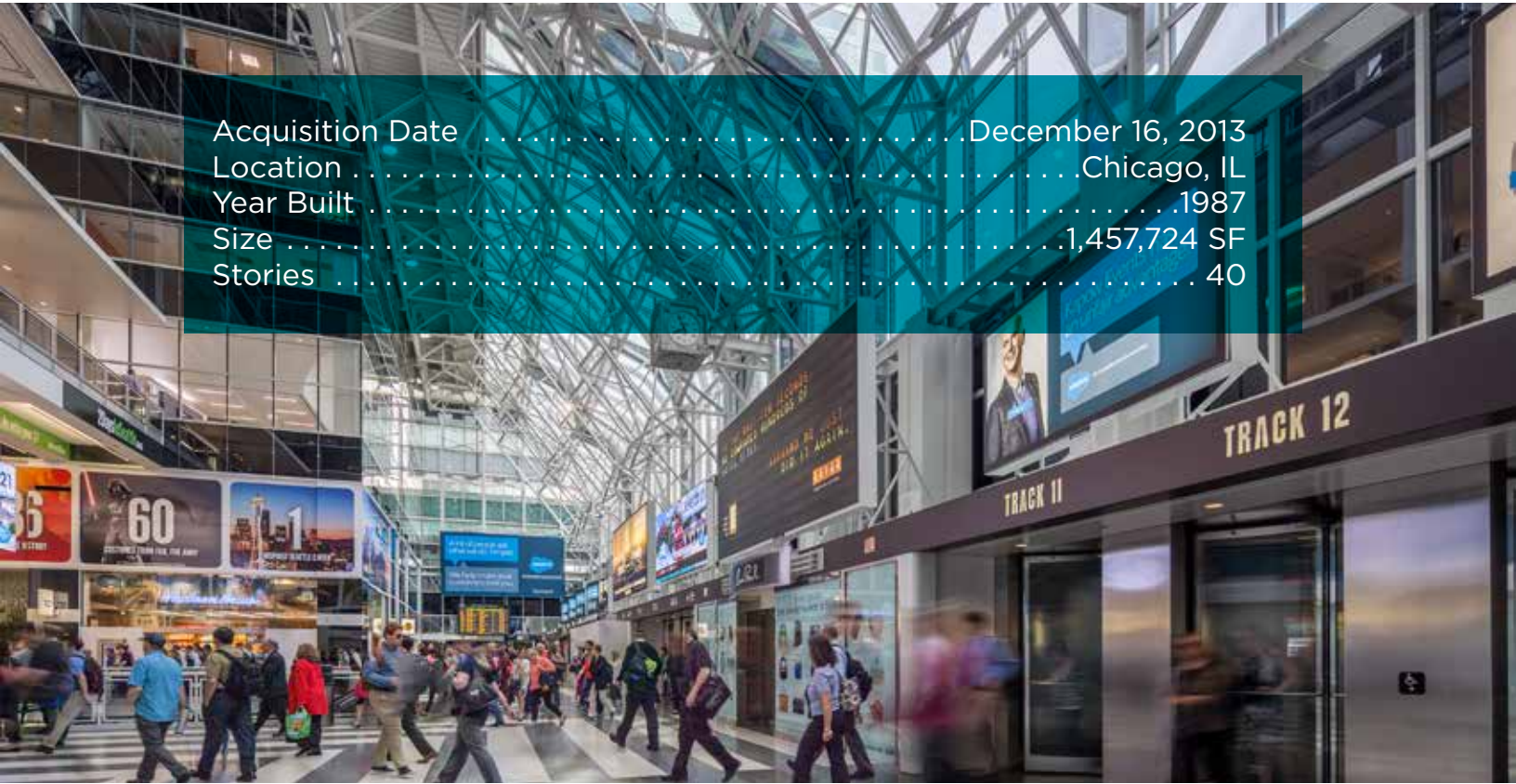


500 W Madison Case Study



DEAL FACTS

Acquisition Date	December 16, 2013
Location	Chicago, IL
Year Built	1987
Size	1,457,724 SF
Stories	40



WHY DID KBS BUY THE PROPERTY?

KBS bought 500 West Madison because of the overall opportunity. It is in one of the best locations within one of the two best submarkets in downtown Chicago. The building has great bones and intrinsic value, and it just needed to be modernized to provide the community and tenants the modern-day workplace and lifestyle amenities they expect. On top of everything, it is hard-wired into the fabric of Chicago's transportation system as it is connected to Ogilvie Train Station, which serves 110,000 commuters every day. It is literally the only building in all of downtown Chicago that provides "one place for everything."



WHAT WAS THE ENVIRONMENT?

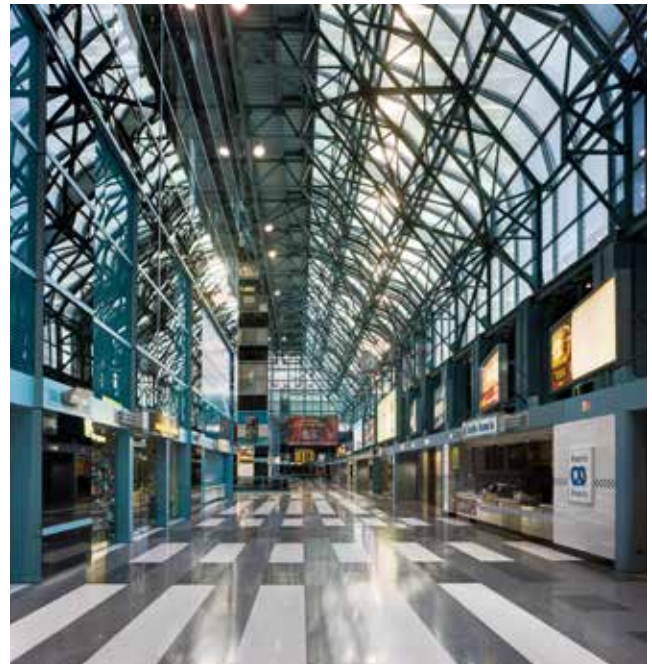
When KBS acquired this iconic property, it was 93% leased to a mix of tenants ranging from large national credit tenants to small entrepreneurs, including those in tech, financing, accounting, law, government and everything in between. The choice to live in the building was one of necessity. The tenants enjoyed the building due to the location, but they all believed it needed to be upgraded and modernized to better support their business plans, goals and objectives. The prior owner did a good job investing in the base building, but did not focus on improving the atmosphere, adding amenities or addressing the needs of today's tenants.



WHAT WAS KBS' PLAN?

The KBS plan included softening the exterior of the building and improving the arrival experience. KBS also modernized the environment of the entire retail and office areas and created a modern work and lifestyle culture that helps promote and support the tenants in the building, the commuters and the surrounding community.

BEFORE RENOVATION



500 W Madison Case Study



WHAT ITEMS DID WE IMPROVE AND WHY?

KBS made several improvements to the building, including the following:

- A new conference center
- Flat screen TVs and games such as air hockey
- Tenant lounge with temperature-controlled wine lockers
- Two-story fitness center with half-court basketball
- New concierge area to provide a sense of arrival for all visitors
- A new reception area for the office tower
- Improved and simplified signage
- Complete transformation of a 1980s food court into a modern-day marketplace with improved fast service and sit-down restaurants
- Painted the entire superstructure and transformed the interior atriums from a dark, outdated nine-story lobby to a white, light and inviting nine-story atrium

The primary goal of all the work was to transform the asset into a modern-day work environment, create an atmosphere where people wanted to spend time and help our tenants become as productive and efficient as possible.



HOW DID KBS EXECUTE THE PLAN?

KBS executed the plan by going through an extensive best-in-class process to select the office leasing team, retail leasing team, property management firm, project management firm, architecture firm, general contractor and branding firm. It was a very hands-on, collaborative, active approach throughout the entire process to ensure we were addressing all aspects of the business plan.



HOW LONG DID IT TAKE?

It took 18 months to complete the plan. Not only did KBS go through an extensive design and pricing process, but it also had to manage two Chicago winters for exterior improvements and a six-phase redevelopment process of the retail and concourse levels as it was critical for KBS to minimize disruption and not close down any tenants for any period of time.





WHAT WAS THE OUTCOME?

The outcome has been very rewarding. Tenants, commuters and neighbors have all offered unsolicited compliments about how we have changed the entire character of the building. Bear in mind, these are unsolicited compliments coming from people who have taken time out of his or her day simply to tell us how happy they are with the transformation. Leasing activity has increased, occupancy is up, rents are up and we are generating new net income through such features as our new state-of-the-art two-story fitness center. Anyone in the real estate industry in Chicago or any tenant in the building will consistently state the building has in fact been transformed and now provides a best-in-class work experience with a complete amenity package.

AFTER RENOVATION



HIGHLIGHTS

Driven by availability of developable land sites, proximity to public transportation and availability of multifamily housing, the West Loop is the epicenter of new development, adaptive reuse and urban renewal within Chicago's central business district (CBD).



LOCAL AMENITIES

ATTRACTIONS

- 1 Civic Opera House
- 2 Civic Opera Building
- 3 Lyric Opera of Chicago
- 4 Illinois Institute of Technology

RESTAURANTS

- 5 Starbucks
- 6 Roti Mediterranean Grill
- 7 Rivers
- 8 Boston Blackie's
- 9 Dylan's Tavern & Grill
- 10 Caffe Bacci
- 11 South Branch Tavern & Grill
- 12 Epic Burger
- 13 Chipotle Mexican Grill
- 14 Specialty's Cafe & Bakery

HOTELS

- 15 Corporate Suites Network
- 16 Marriott ExecuStay Presidential Towers

SERVICES/RETAIL

- 17 Bank of America
- 18 Citibank
- 19 Chase Bank
- 20 Walmart Neighborhood Market
- 21 Fitness Formula Clubs West Loop
- 22 CVS Pharmacy
- 23 Citigroup Center

