

CBD Downturn Has Begun

Chicago's CBD office market shows clear indications of a downturn, which is likely to last through 2009.

Rental Rates Are Dropping

After two years of steady increase, CBD rental rates are dropping, and show signs of dropping further in 2009. While the current average asking rate, \$30.11 gross per square foot, is nearly even with the third quarter average asking rate of \$30.13, landlords are signing leases at lower rates and offering increased concession packages. If the next two quarters do not produce new leases, asking rates are likely to drop as well.

Slowing Activity and Rising Availability

2008 annual net absorption ended at 1,072,135 square feet. This is less than a third of the annual net absorption for 2007. Landlords have seen less new activity over the last three months, and a drop in net absorption – over 300,000 square feet – from the third quarter.

Availability stands at 11.4%, increasing from 10.8% in the third quarter. The CBD market will suffer additional impacts on availability through the year – 3.6 million square feet of space in three new buildings is scheduled to be added to the market in 2009. While these buildings will be well occupied due to successful preleasing efforts, the tenants moving into these buildings will leave huge blocks of vacant space, primarily in the West Loop and East Loop submarkets.

Downturn will last through 2009

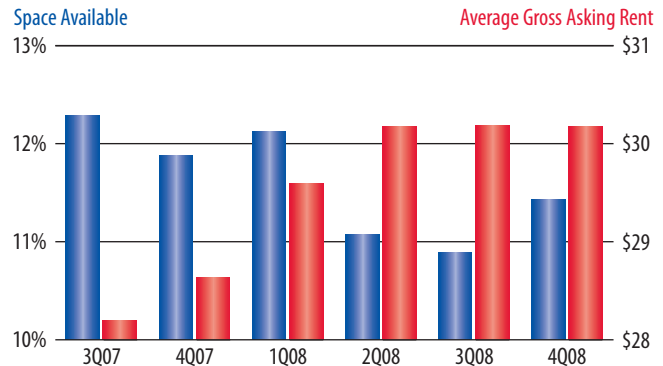
Trends indicate a further downturn ahead, and the signs of recovery are not yet visible. Available sublease space, usually an early indicator of a change in demand, has remained relatively flat, increasing approximately 48,000 square feet since the third quarter to 1,857,233 square feet. Chicago MSA's unemployment was reported at 7.3% for November of 2008. If unemployment continues to rise over the next two quarters, the market may not begin to recover before 2010.

Noteworthy Leases

Tenant	Address	Sq. Ft.	Type
Ernst & Young LLP	155 North Wacker Drive	203,618	Relocation
MillerCoors LLC	250 South Wacker Drive	129,119	New
DRW Holdings, LLC	540 West Madison Street	125,000	Relocation - Expansion
Noble Network of Charter Schools (Muchin College Prep)	1 North State Street	67,000	New
Federal Deposit Insurance Corporation	300 South Riverside Plaza	61,126	Relocation - Expansion
Upshot, Inc.	350 West Mart Center	41,486	Relocation - Expansion
VSA Partners, Inc.	600 West Chicago Avenue	40,000	Relocation - Expansion
DeStefano + Partners	330 North Wabash Avenue	33,627	Relocation - Expansion
Wind Point Partners	444 West Lake Street	21,500	Relocation - Expansion
Perkins Coie LLP	131 South Dearborn Street	19,656	Expansion
Teach for America, Inc. (TFA)	300 West Adams Street	19,000	Relocation - Expansion
Robert J. Semrad & Associates	20 South Clark Street	13,146	Relocation
Russell Financial Services, Inc.	71 South Wacker Drive	11,740	New
Two by Four	10 North Dearborn Street	11,532	Relocation

By The Numbers

Chicago CBD – Availability vs. Rental Rates



Chicago CBD - Existing Buildings 4Q 2008

Existing RBA - Overall (582 buildings)	153,175,817
Existing RBA - Class A (80 buildings)	68,148,816
Existing RBA - Class B (204 buildings)	58,530,198
Existing RBA - Class C (298 buildings)	26,496,803
Total Vacant Sq. Ft.	16,157,036
Percent Vacant	10.5%
Total Available Sq. Ft.	17,501,723
Percent Available	11.4%
Gross Average Asking Rental Rate (Overall)	\$30.11
Year-To-Date Net Absorption	1,072,135



Chicago CBD Office Market Statistics – 4Q'08

Overall CBD	River North	North Michigan Avenue	West Loop	Central Loop	East Loop	South Loop
Total Inventory (Sq. Ft.)	153,175,817	15,922,534	51,567,706	40,297,017	26,221,289	3,331,104
Total Sq. Ft. Available	17,501,723	1,444,220	6,313,151	4,750,219	3,208,842	301,714
Percent Available	11.4%	9.4%	12.2%	11.8%	12.2%	9.1%
Year-to-Date Net Absorption	1,072,135	30,913	337,678	529,422	463,824	143,267
Class A Gross Average Asking Rent (PSF)	\$33.96	\$32.40	\$34.85	\$34.30	\$31.44	N/A
Class B Gross Average Asking Rent (PSF)	\$27.82	\$25.98	\$27.80	\$29.77	\$25.44	\$17.00
Class C Gross Average Asking Rent (PSF)	\$22.14	\$21.12	\$22.62	\$22.58	\$22.44	\$24.15

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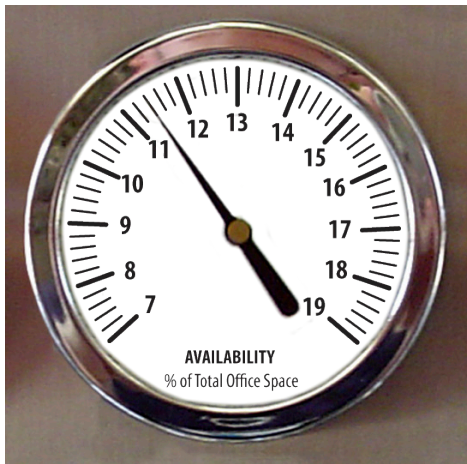
Inside: Chicago Downtown Office Market Report – 4Q'08

Bradford Allen Market Meter - Chicago Downtown Office Space



Year-To-Date Net Absorption (SF)

The change, positive or negative, in physically occupied space during the year to date.



Availability (%)

The total amount of space being marketed for lease, regardless of current occupancy, including sublease space.



Average Gross Asking Rental Rate (\$)

The weighted average gross asking price per square foot of all available space, weighted by number of square feet available.

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