

## Has The Market Stabilized?

*Market indicators still lagging economic optimism*

### Vacancy Continues to Rise

The overall vacancy rate in the Chicago Central Business District (CBD) rose to 16.0% for the first quarter of 2010, a 4.4 percentage point jump over the first quarter of 2009, and a 1.0 percentage point jump over the year-end 2009 rate of 15.0%. This is the highest overall vacancy rate in the CBD since the third quarter of 2005 when it reached 15.9%.

In a bit of positive news for landlords, space available in the sublease market in the CBD has declined for the first time since the first quarter of 2008, dropping this quarter to 1.9% from 2.1% at year-end 2009. As sublease spaces tend to be priced at a discount to that of space being directly offered by landlords, the reduced amount of sublease space on the market has resulted in an increase in the overall asking rent in the CBD. Rates rose to \$28.26 per square foot (psf) during first quarter 2010 from \$28.09 psf at year-end 2009, a \$0.17 psf increase.

### Tenant Demand Still Remains Down

Tenant demand fell with overall net absorption (the net change in occupied space) totaling negative 1.2 million square feet (msf) during the first quarter of 2010, which is the fifth time in the last six quarters that negative absorption has been posted. Class A space accounted for negative 1.1 msf, a majority of the CBD total, and has been mostly attributed to blocks of space shed by large institutional tenants as well as new space that became available as more tenants renewed and downsized.

### Where Does the Market Go From Here?

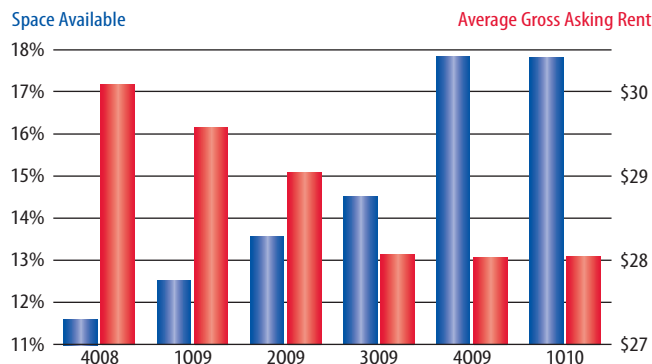
Looking toward the future, it appears the bottom may be in sight. Overall available space (vacant and occupied space being marketed for rent) has remained constant with the year-end 2009 rate of 17.8% and it appears that new sublease space being brought to the market has started to decrease. Employment, based on the most recent jobs report by the Illinois Department of Employment Security, has shown a modest gain in Chicago since the start of 2010, marking a vast improvement when compared to this time last year. Recent optimism in the economy has given companies a greater level of confidence to address their current and future real estate needs. While the commercial office leasing market tends to be a lagging indicator of the state of the overall economy, if job growth can be sustained, we could start to see reductions in the amount of available space.

### Noteworthy Leases

Tenant	Address	Sq. Ft.	Type
UBS A.G.	1 North Wacker Drive	393,000	Renewal/Contraction
AkzoNobel N.V.	525 West Van Buren Street	90,138	Renewal
Barnes & Thornburg LLP	1 North Wacker Drive	83,000	Renewal
Kaplan Higher Education	225 West Wacker Drive	77,000	Relocation/Consolidation
Ronin Capital LLC	350 North Orleans Street	70,000	Relocation/Expansion
Northwestern Mutual	1 North Wacker Drive	50,342	New
Kaye Scholer LLP	70 West Madison Street	49,000	New

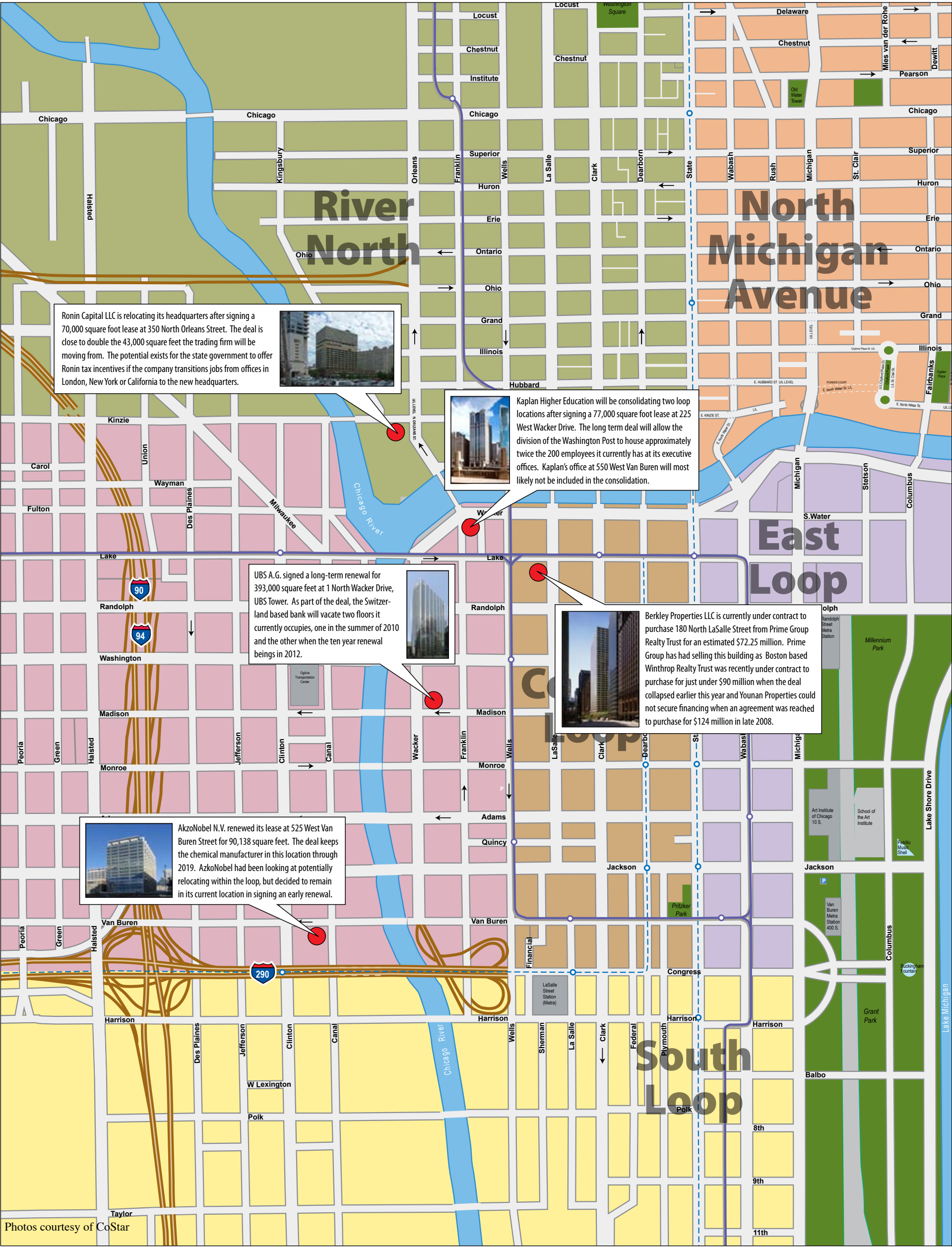
### By the numbers

#### Chicago CBD – Availability vs. Rental Rates



#### Chicago CBD - Existing Buildings 1Q 2010

Existing RBA - Overall (580 buildings)	156,855,427
Existing RBA - Class A (82 buildings)	75,241,740
Existing RBA - Class B (202 buildings)	57,103,819
Existing RBA - Class C (296 buildings)	24,509,868
Total Vacant Square Feet	25,032,169
Percent Vacant	16.0%
Total Available Square Feet	27,843,662
Percent Available	17.8%
Gross Average Asking Rental Rate (Overall)	\$28.26
Year-to-Date Net Absorption	(1,228,905)



Chicago CBD Office Market Statistics – 1Q'10

	Overall CBD	River North	North Michigan Avenue	West Loop	Central Loop	East Loop	South Loop
Total Inventory (Sq. Ft.)	156,855,427	17,766,330	17,539,568	52,362,605	39,460,824	26,463,851	3,702,583
Total Sq. Ft. Available	27,843,662	2,960,153	2,512,690	9,708,282	6,708,421	5,588,988	365,128
Percent Available	17.8%	16.7%	14.3%	18.5%	17.0%	21.1%	9.9%
Year-to-Date Net Absorption	(1,228,905)	(152,662)	(64,223)	(633,503)	(248,842)	(103,990)	(25,685)
Class A Gross Average Asking Rent (PSF)	\$31.14	\$36.17	\$34.58	\$30.81	\$30.49	\$28.91	
Class B Gross Average Asking Rent (PSF)	\$26.64	\$26.25	\$22.27	\$27.21	\$27.70	\$25.66	\$25.68
Class C Gross Average Asking Rent (PSF)	\$20.84	\$20.08	\$22.92	\$20.84	\$21.25	\$22.13	\$22.72

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## Inside: Chicago Downtown Office Market Report – 1Q'10

### 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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