

CBD Downturn Continues

Chicago's CBD office market downward trend picks up the pace and is unlikely to show signs of recovery before 2010.

Rental Rates Moving Lower

CBD rental rates moved lower and the trend points to a continuing drop through the second quarter. The current average gross asking rate, \$29.59 per square foot, represents a 1.7% reduction from the fourth quarter average gross asking rate of \$30.11 per square foot. Many landlords are agreeing to rents more than 10% below their asking rates, as well as offering more generous concession packages. All indications are that asking rents will continue to fall through 2009 while concessions such as rent abatements and tenant improvement allowances will continue to increase.

Inverted Activity and Rising Availability

2009 year-to-date net absorption is negative 608,227 square feet – twice the level of negative absorption the market saw in the fourth quarter of 2008.

During the first quarter available space increased to 12.5% from 11.4% at year-end 2008. It is anticipated that the availability rate in the CBD will further climb fueled, in part, by the addition of over 3.6 million square feet of office space as three new major office towers are completed this year. These new buildings, coupled with continuing layoffs, will likely prevent availability rates from stabilizing before 2010.

Downward Trend until 2010

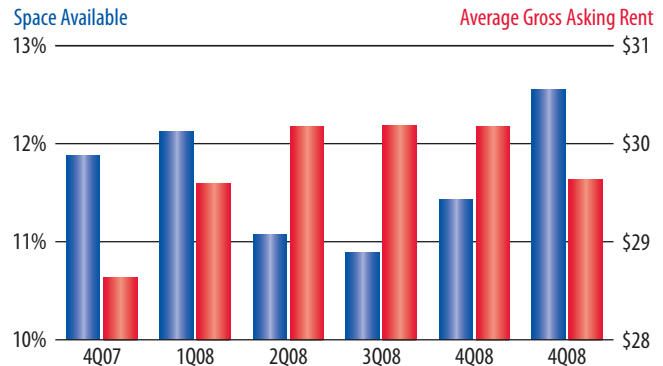
Current numbers indicate a continued softening of the market, and do not yet show clear signs of recovery. Available sublease space, typically an early indicator of a change in demand, has increased sharply, rising more than 25% since the end of 2008 to 2,324,822 square feet. Additionally, Chicago's MSA unemployment was reported at 9.1% for March of 2009, an increase of over 30% since the end of 2008.

Noteworthy Leases

Tenant	Address	Sq. Ft.	Type
KPMG LLP	200 East Randolph Street	260,000	Relocation
Willis Group Holdings Limited	233 South Wacker Drive	140,000	Relocation - Consolidation
FTI Consulting, Inc.	222 West Monroe Street & 227 West Monroe Street	91,265	Relocation - Consolidation
Federal Home Loan Bank of Chicago (FHLBC)	200 East Randolph Street	61,701	Relocation - Downsized
National Holdings Corporation	875 North Michigan Avenue	35,000	New
American Heart Association, Inc.	208 South LaSalle Street	29,083	Renewal
HOK Group, Inc.	60 East Van Buren Street	27,300	Relocation - Expansion
Children's Home & Aid Society of Illinois	100 North Michigan Avenue	20,000	Relocation
Jackson Lewis LLP	150 North Michigan Avenue	18,400	Relocation - Expansion
McCormick Foundation	205 North Michigan Avenue	16,500	Relocation
Pfingsten Partners, L.L.C.	300 North LaSalle Street	15,466	Relocation

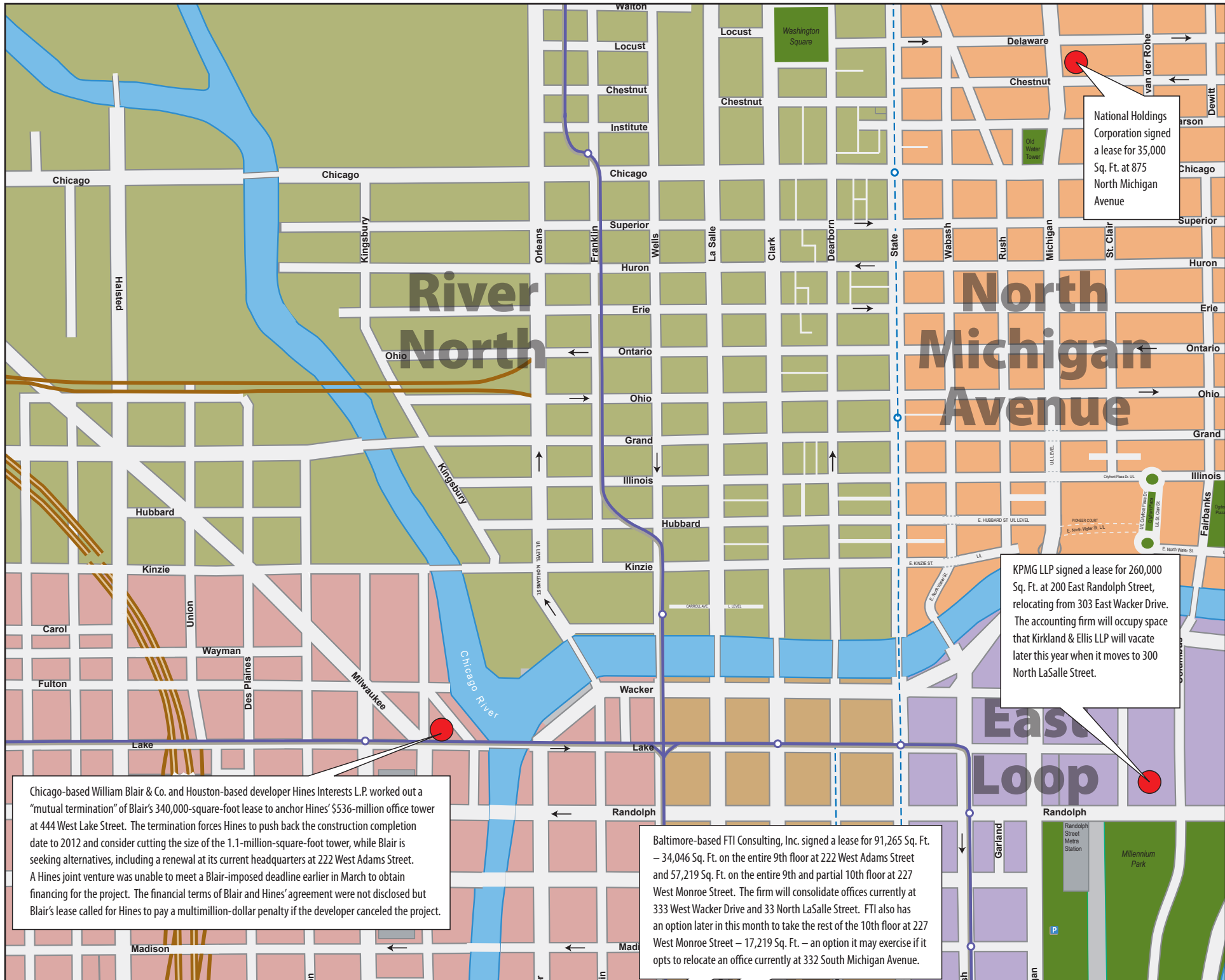
By The Numbers

Chicago CBD – Availability vs. Rental Rates



Chicago CBD - Existing Buildings 1Q 2009

Existing RBA - Overall (582 buildings)	153,099,971
Existing RBA - Class A (81 buildings)	69,457,173
Existing RBA - Class B (202 buildings)	57,516,474
Existing RBA - Class C (299 buildings)	26,126,324
Total Vacant Sq. Ft.	17,776,174
Percent Vacant	11.6%
Total Available Sq. Ft.	19,151,707
Percent Available	12.5%
Gross Average Asking Rental Rate (Overall)	\$29.59
Year-To-Date Net Absorption	(608,227)

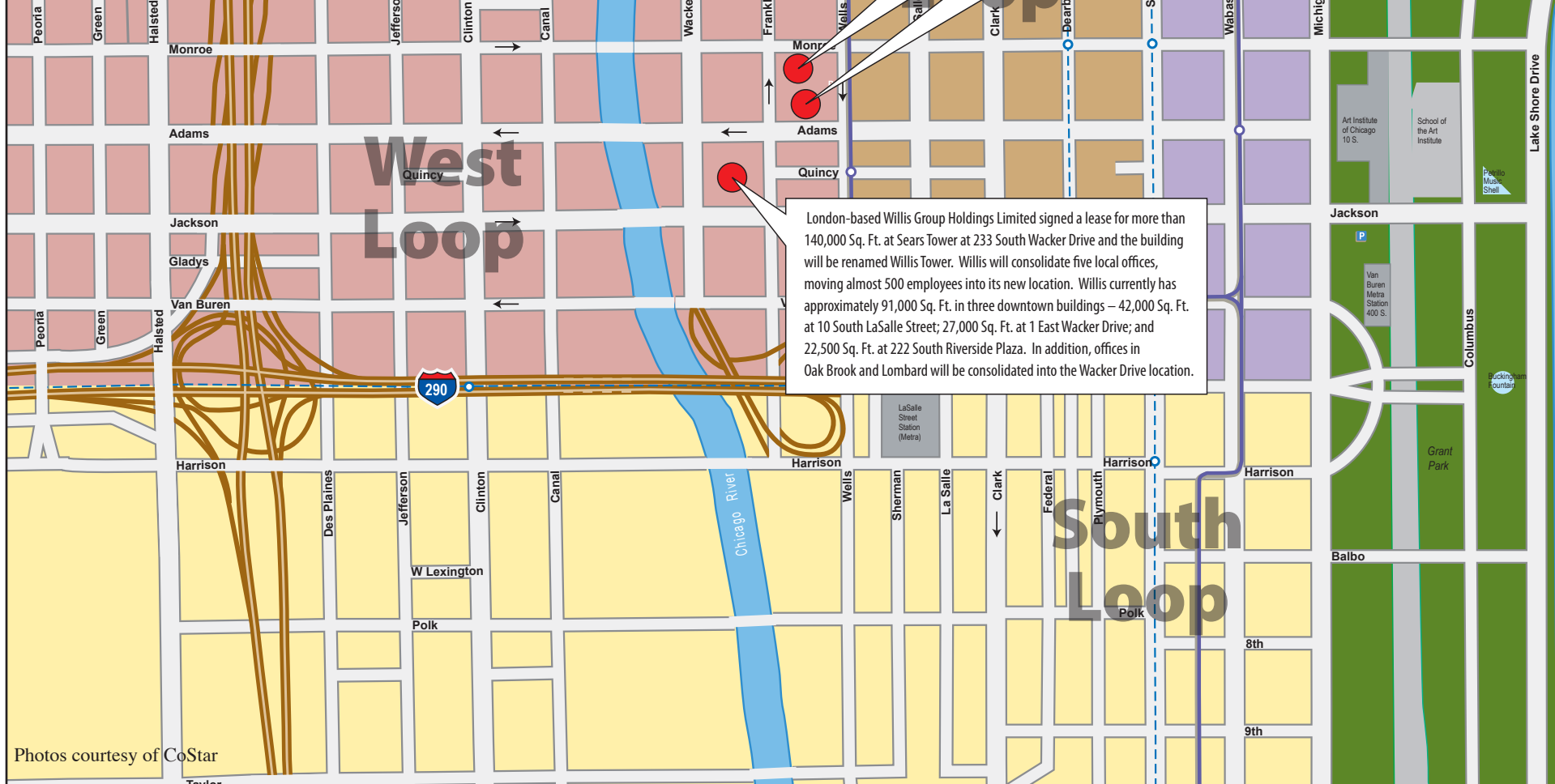


National Holdings Corporation signed a lease for 35,000 Sq. Ft. at 875 North Michigan Avenue

KPMG LLP signed a lease for 260,000 Sq. Ft. at 200 East Randolph Street, relocating from 303 East Wacker Drive. The accounting firm will occupy space that Kirkland & Ellis LLP will vacate later this year when it moves to 300 North LaSalle Street.

Baltimore-based FTI Consulting, Inc. signed a lease for 91,265 Sq. Ft. – 34,046 Sq. Ft. on the entire 9th floor at 222 West Adams Street and 57,219 Sq. Ft. on the entire 9th and partial 10th floor at 227 West Monroe Street. The firm will consolidate offices currently at 333 West Wacker Drive and 33 North LaSalle Street. FTI also has an option later in this month to take the rest of the 10th floor at 227 West Monroe Street – 17,219 Sq. Ft. – an option it may exercise if it opts to relocate an office currently at 332 South Michigan Avenue.

Chicago-based William Blair & Co. and Houston-based developer Hines Interests L.P. worked out a “mutual termination” of Blair’s 340,000-square-foot lease to anchor Hines’ \$536-million office tower at 444 West Lake Street. The termination forces Hines to push back the construction completion date to 2012 and consider cutting the size of the 1.1-million-square-foot tower, while Blair is seeking alternatives, including a renewal at its current headquarters at 222 West Adams Street. A Hines joint venture was unable to meet a Blair-imposed deadline earlier in March to obtain financing for the project. The financial terms of Blair and Hines’ agreement were not disclosed but Blair’s lease called for Hines to pay a multimillion-dollar penalty if the developer canceled the project.



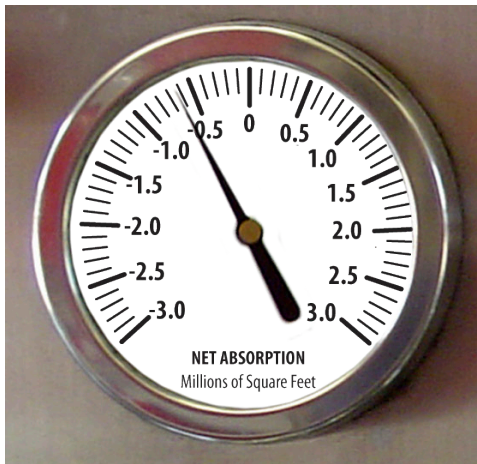
Chicago CBD Office Market Statistics – 1Q'09

	Overall CBD	River North	North Michigan Avenue	West Loop	Central Loop	East Loop	South Loop
Total Inventory (Sq. Ft.)	153,099,971	17,007,677	15,922,534	51,624,970	39,777,775	25,318,383	3,448,632
Total Sq. Ft. Available	19,151,707	2,064,088	1,577,481	6,877,432	5,250,030	3,061,651	321,025
Percent Available	12.5%	12.1%	9.9%	13.3%	13.2%	12.1%	9.3%
Year-to-Date Net Absorption	(608,227)	786,628	(122,980)	(730,606)	(462,367)	(116,266)	37,364
Class A Gross Average Asking Rent (PSF)	\$33.31	\$37.84	\$35.02	\$33.08	\$32.87	\$31.86	N/A
Class B Gross Average Asking Rent (PSF)	\$27.54	\$25.81	\$27.68	\$29.46	\$27.99	\$24.85	\$17.00
Class C Gross Average Asking Rent (PSF)	\$21.60	\$20.38	\$21.71	\$22.52	\$21.88	\$22.04	\$19.37

200 South Michigan Avenue
18th Floor
Chicago, IL 60604

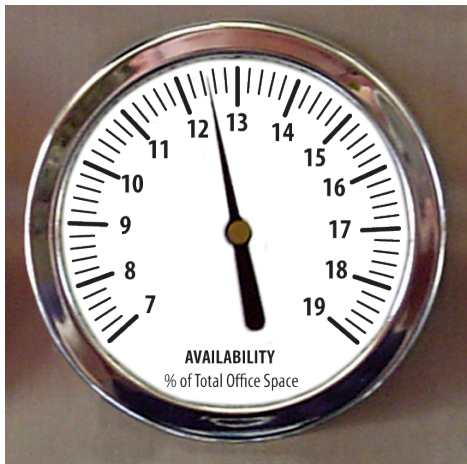
Inside: Chicago Downtown Office Market Report – 1Q'09

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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