

Office Market is Navigating Bottom of Downturn

New buyers help spur office sales as asset prices are established

Available Space Starting to Steady

Declining availability is one indication the Chicago suburban office market is approaching, or is at the bottom of, the downturn that began in 2008. Overall availability, following eight consecutive quarters of raises, declined for the second straight quarter to 26.1%, a 0.3 percentage point decrease from the first quarter and a 1.0 percentage point drop since year-end 2009. Sublease space declined as well, to 2.3%, down from 2.5% in first quarter, and 2.7% from the end of 2009. The potential stability is positive for this market that has been in bad shape since the downturn started; however for availability to consistently decline, large office users will have to re-emerge in a market currently driven by users requiring 10,000 square feet (sf) or less.

Tenant Demand and Rental Rates Increase

For second quarter 2010, overall net absorption (the net change in occupied space) totaled positive 284,074 sf, which ended six straight quarters of negative net absorption. Year to date overall net absorption is positive 55,999 sf showing that the office leasing market is steadying. Although in looking ahead, more large blocks of space that will affect net absorption will be vacated before year-end, including space currently occupied by Career Education Services Corporation (450,000 sf) in the Northwest Suburban submarket, CompTIA (30,000 sf) in the East/West Corridor and IDEX Corporation (30,000 sf) in the North Suburban submarket.

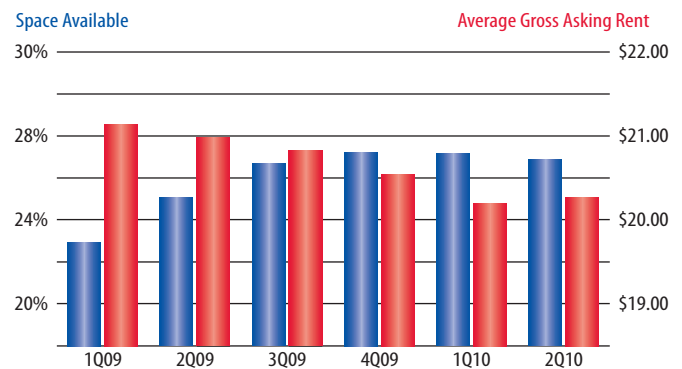
Overall the Suburban asking rental rate increased to \$20.34, a small rise over the first quarter rate of \$20.09, but is still less than the \$20.91 rate it was at this time last year. Current uncertainty in the economy is a concern; however the asking rental rates are expected to remain relatively stagnant as they have not fluctuated a great deal over the last six years.

Sales Activity Begins to Set Asset Prices

A positive sign for investors is the increased activity in the investment sales market where asset prices are being established across the market. The current crop of new buyers have conviction that office values are now to the point it makes sense to start buying again as evidenced by the eight office properties already traded this year. On average, these properties are trading at half the value of those in 2007, when the investment sales market was at its peak.

By the numbers

Chicago Suburbs – Availability vs. Rental Rates



Chicago Suburbs - Existing Buildings 2Q 2010

| | |
|--|------------|
| Existing RBA - Overall (865 buildings) | 91,988,040 |
| Existing RBA - Class A (281 buildings) | 54,952,139 |
| Existing RBA - Class B (494 buildings) | 32,714,971 |
| Existing RBA - Class C (90 buildings) | 4,320,930 |
| Total Vacant Sq. Ft. | 21,507,199 |
| Percent Vacant | 23.4% |
| Total Available Sq. Ft. | 23,984,479 |
| Percent Available | 26.1% |
| Gross Average Asking Rental Rate (Overall) | \$20.34 |
| Net Absorption | 55,999 |

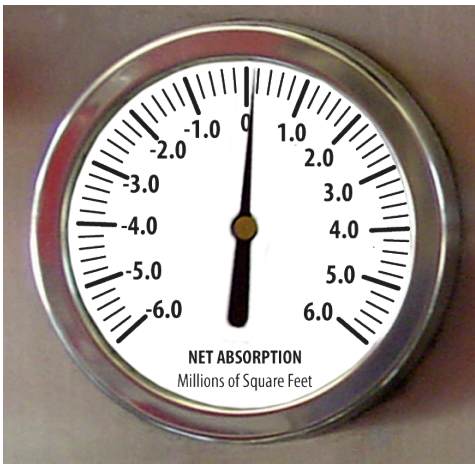
Noteworthy Leases

| Tenant | Address | Sq. Ft. | Type |
|-------------------------------------|---|---------|----------------------|
| PrimeSource Healthcare Systems Inc. | 2100 East Lake Cook Road, Buffalo Grove | 77,000 | Relocation/Expansion |
| Tegant Corp. | 3930 Ventura Drive, Arlington Heights | 44,153 | Renewal/Expansion |
| CTS Corp. | 2375 Cabot Drive, Lisle | 37,259 | Relocation |
| CompTIA | 3500 Lacey Road, Downers Grove | 32,289 | Relocation |
| U.S. Foodservice, Inc. | 6133 North River Road, Rosemont | 24,000 | Expansion |
| General Motors Company | 387 Shuman Boulevard, Naperville | 21,765 | Renewal |
| Capital Powers | 3250 Lacey Road, Downers Grove | 21,450 | New |
| Beth Osten & Associates | 1933 Woods Drive, Skokie | 17,400 | Relocation/Expansion |

200 South Michigan Avenue
 18th Floor
 Chicago, IL 60604

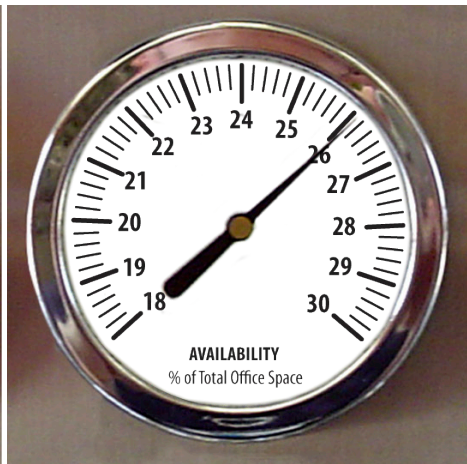
Inside: Chicago Suburban Office Market Report – 2Q'10

Bradford Allen Market Meter - Chicago Suburban 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.

Bradford Allen

200 South Michigan Avenue
 18th Floor
 Chicago, Illinois
 60604

312.994.5700 telephone

www.bradfordallen.com

1430 Branding Lane
 Suite 100
 Downers Grove, Illinois
 60515

630.225.2600 telephone

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