

CHICAGO DOWNTOWN

Office Market Report



YTD Net Absorption
72,737



Availability
18.7%



Asking Rent
\$28.03

Year-end conditions show mixed results, but signs are pointing to a slow recovery

The commercial office market in Chicago's central business district (CBD) appears to have bottomed out in 2010. The overall annual net absorption rate (the net change in occupied space) and increased sales activity seem to indicate a slowly reviving market. Annual net absorption turned slightly positive in 2010 in contrast to the over 2.3 million SF of negative net absorption recorded at the end of 2009. The loosening of the credit markets combined with a renewed confidence on the part of institutional investors has also spurred the sale of some trophy assets in the CBD. While the entrepreneurial buyer seeking to capitalize on more realistic valuations of secondary office product have similarly begun to enter the market.

While the vacancy rate for direct space increased in 2010, this increase was offset by a reduction in available sublease space as natural lease expiration dates have been reached. As a result the overall vacancy rate remained relatively unchanged as compared to this time last year. This correlation between direct and sublease space could indicate that fewer employers are looking to downsize, fewer businesses are closing their doors, existing companies are cautiously expanding, and new user groups are filling the void in the marketplace.

The overall average asking rent in the CBD is at its lowest level since the second quarter of 2007 when it stood at \$27.26 per SF and is \$0.06 per SF lower than last year, and now stands at \$28.03 per SF. According to the IL Department of Employment Security, the Illinois unemployment rate fell for the ninth consecutive month from 10.9% in March to 9.3% in December. This factor coupled with the strong performance of the stock market in 2010 has seemingly ended the "wait-and-see" malaise that had affected the commercial real estate sector during 2009 and has supported cautious optimism in the capital markets. Should this trend continue and the other leading economic indicators improve for Chicago, the market will most likely move towards greater stabilization and we can anticipate the CBD office market to improve in 2011 as well.

CBD Outlook - 2011

- Rents continue to fluctuate, but are likely to fall
- Modest growth is expected
- Vacancy rates will fall with little to no new construction
- The trend for less sublease space being brought to market will continue
- Investment sales activity will continue to increase

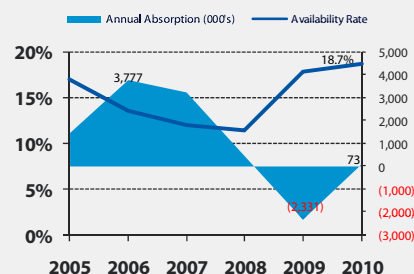
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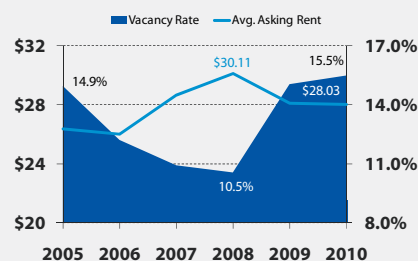


Downtown Chicago

Annual Absorption vs. Availability



Vacancy Rate vs. Avg. Asking Rent



Economic Indicators

Quarter/Year	Q4 10	Q4 09
IL Unemployment	9.3%	10.9%
US Unemployment	9.8%	9.7%
Labor Force (in thousands)	6,666.8	6,593.6
US CCI	52.5	54.5

CBD Snapshot

Market Overview

CBD
Office Submarkets



Market Statistics	Inventory	Total Available	Percent Available	Vacancy Rate	Current Absorption	YTD Absorption	Average Asking Rent (All Classes)
Submarket							
Central Loop	39,478,068	7,373,479	18.2%	15.0%	(95,476)	(336,472)	\$28.54
East Loop	26,573,461	6,156,948	23.2%	18.3%	126,379	20,612	\$28.19
North Michigan Avenue	14,434,592	2,799,293	18.5%	16.2%	(9,914)	(325,350)	\$27.25
River North	18,635,906	2,380,136	13.8%	12.5%	116,677	498,284	\$27.25
South Loop	2,988,996	330,481	11.1%	9.2%	(21,785)	(43,956)	\$18.03
West Loop	51,686,035	10,009,611	19.0%	15.7%	291,167	259,619	\$28.63
Market Totals (By Class)							
Class A	73,112,148	14,744,186	20.0%	17.4%	408,451	89,652	\$30.94
Class B	56,400,424	10,217,923	18.0%	13.8%	(71,117)	156,046	\$26.73
Class C	24,284,486	4,087,839	16.6%	13.8%	69,714	(172,961)	\$20.54
TOTAL	153,797,058	29,049,948	18.7%	15.5%	407,048	72,737	\$28.03