

CHICAGO DOWNTOWN

Office Market Report

▼ YTD Net Absorption
(688,136 sf)

◀▶ Availability
18.7%

▼ Asking Rent
\$27.97

Bouncing along the bottom: Downtown office market remains stable as it grinds through sublease space

The encouraging streak of recent quarters of positive net absorption did not continue during the first quarter, but we do not think this portends any real deterioration in the market. In fact, we continue to believe that the overall Chicago office market bottomed in early 2010, and any prolonged economic improvement will ultimately be reflected in the statistics over the medium term.

During the first quarter, the direct vacancy rate in Chicago's central business district (CBD), drifted up slightly to 15.8%. This represents a 0.6% increase compared to year-end figures and primarily reflects some additional availabilities in the Central and East Loop submarkets. However, there was a corresponding offset in available sublease space throughout the CBD. This is a continuation of an encouraging trend that bodes well for the overall market. As a result, overall availability rate, including sublease space, ended the quarter at 18.7%. This reflects no change as compared to year-end despite the negative net absorption recorded during the first quarter.

Demand for office space is still significantly off peak levels seen before the financial crisis, although the leasing environment has improved and the number of tenants canvassing the market is on the rise. There were a few notable transactions during the first quarter. TJX's HomeGoods signed a lease for 25,500 square feet of space at 600 N. Michigan Avenue, and Whole Foods Market has leased approximately 36,000 square feet of space at 640 N. LaSalle Street in Chicago where it will move its Midwest regional headquarters.

The overall average asking rent in the CBD slipped slightly during the first quarter to \$27.97 per SF, which is not surprising given the choices that tenants currently have and the fact that rents typically lag any market recovery. Overall rental rates remain stable and are unlikely to rise given the overhang of 28.8 million SF of direct and sublease space currently available throughout the CBD.

Investment activity dropped off during the first quarter as compared to the flurry of sales that closed before year-end. The only Class A property to change hands during the first quarter was 330 N. Wabash Street, which sold in February for a reported \$75 million. We saw the steady improvement in credit markets spur the trading of trophy assets late last year, and it would not be surprising to see a subsequent increase in activity for second tier properties. Moreover, a relatively weak US dollar makes real estate an appealing asset class for foreign investors seeking bargains. This could also contribute to additional activity.

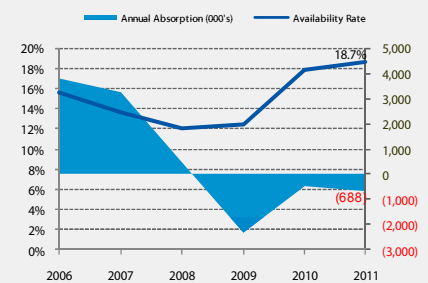
By and large, stability now broadly characterizes the Chicago CBD office market. Still, it is widely agreed that further improvement in market conditions will be predicated on continued economic growth. Fortunately, hiring seems to have picked up early in 2011. As business begins to gain confidence, we are mildly optimistic that leasing activity and market conditions in the CBD will also improve.

1Q '11

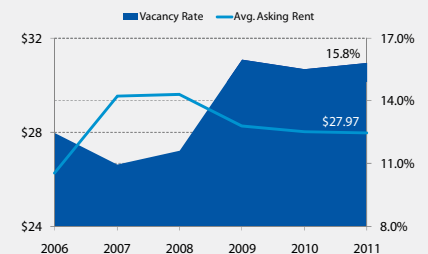
CBD Outlook - 2011

- Sublease space should trend lower with expirations and additional leasing
- Rent recovery is unlikely in the near term
- Vacancy rates will fall with little to no new construction
- Investment activity should increase, with the caveat that rising interest rates could pose a challenge
- Net positive absorption should return later in the year as companies gain confidence in the recovery

Annual Absorption vs. Availability



Vacancy Rate vs. Avg. Asking Rent



Economic Indicators

Quarter/Year	Q1 11	Q4 10
IL Unemployment	9.0%	9.6%
US Unemployment	8.8%	9.8%
Labor Force (in thousands)	6,600.4	6,666.8
US CCI	63.4	52.5

Bradford Allen Office Market Report

Chicago Downtown ■ First Quarter 2011

CBD Snapshot

Market Overview

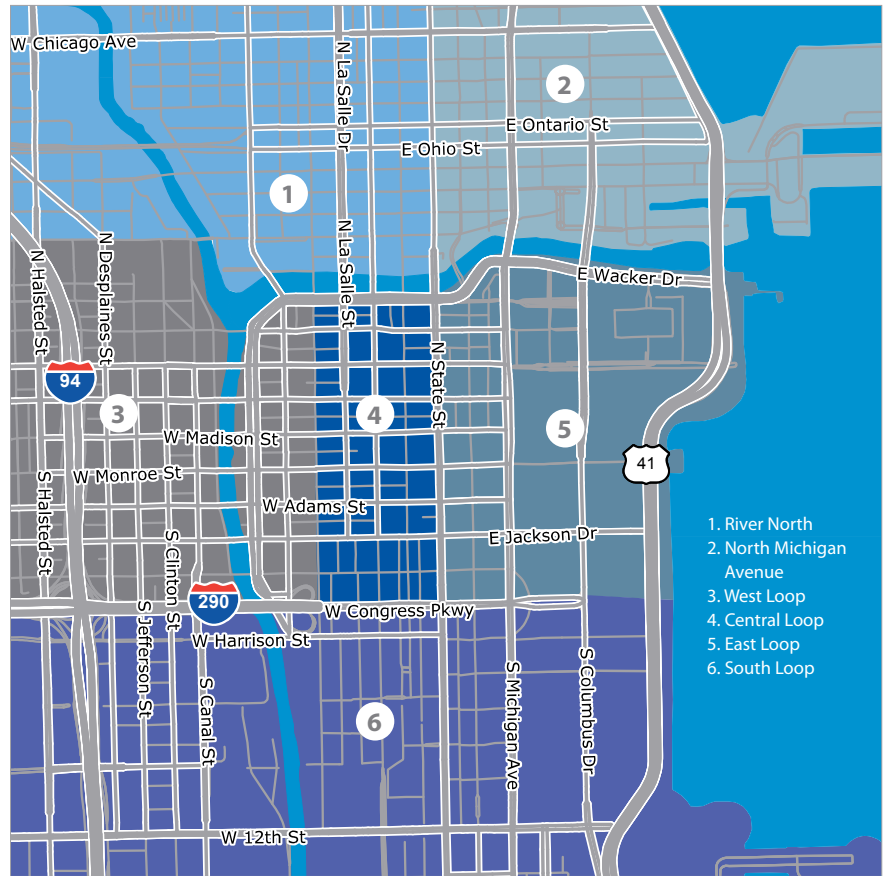
	2011 (SF)	2010 (SF)
Total Inventory	▼ 153,689,795	153,797,058
Overall Vacancy	▲ 24,328,936	23,803,631
Direct Vacancy	▲ 21,654,266	21,195,072
Sublease Vacancy	▲ 2,674,670	2,608,559
Overall Available	▼ 28,777,722	29,049,948
Direct Available	▲ 25,023,782	24,984,513
Sublease Available	▼ 3,753,940	4,065,435
Gross Avg Asking Rate	▼ \$27.97	\$28.03
Current Net Absorption	▼ -688,136	407,048
YTD Net Absorption	▼ -688,136	72,737

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Northern Trust Co. 231 S. LaSalle St	207,000	Sublease	Central Loop
Humana Inc. 550 W. Adams St	83,000	Expansion	West Loop
AlphaMetrix Group 181 W. Madison St	40,000	Renewal/ Expansion	Central Loop
Whole Foods Market 640 N. LaSalle St	36,000	Lease	River North
TJX's HomeGoods 600 N. Michigan Ave	25,503	Lease	North Michigan Avenue

CBD

Office Submarkets



1. River North
2. North Michigan Avenue
3. West Loop
4. Central Loop
5. East Loop
6. South Loop

MARKET STATISTICS	INVENTORY (SF)	TOTAL AVAILABLE (SF)	PERCENT AVAILABLE	VACANCY RATE	CURRENT ABSORPTION (SF)	YTD ABSORPTION (SF)	AVERAGE ASKING RENT (ALL CLASSES)
SUBMARKET							
Central Loop	39,618,052	6,962,753	17.6%	15.2%	(338,704)	(338,704)	\$28.53
East Loop	26,802,798	6,198,943	23.1%	18.8%	(158,380)	(158,380)	\$26.86
North Michigan Avenue	14,687,304	2,926,043	19.9%	16.3%	(69,597)	(69,597)	\$27.54
River North	17,978,605	2,482,230	13.8%	12.8%	131,012	131,012	\$28.15
South Loop	2,988,996	330,481	11.1%	9.7%	(12,834)	(12,834)	\$18.08
West Loop	51,614,040	9,877,272	19.1%	16.0%	(239,633)	(239,633)	\$28.59
MARKET TOTALS (BY CLASS)							
Class A	72,553,737	14,379,366	19.8%	17.8%	(419,679)	(419,679)	\$30.97
Class B	56,597,739	10,189,920	18.0%	14.1%	(193,270)	(193,270)	\$26.57
Class C	24,538,319	4,208,436	17.2%	14.0%	(75,187)	(75,187)	\$20.47
TOTAL	153,689,795	28,777,722	18.7%	15.8%	(688,136)	(688,136)	\$27.97