

CHICAGO SUBURBAN

Office Market Report

▼ YTD Net Absorption
(37,746 sf)

▼ Availability
27.3%

▲ Asking Rent
\$20.22

Signs of slow improvement continue to emerge in suburban Chicago, particularly in Class A Space

Although the Chicago suburban office market appears to have stabilized, there is no escaping that significant excess supply, both direct and sublease space, continues to overhang the market. The good news is that leasing activity, which re-emerged and accelerated last year, helped stem the deterioration in market fundamentals. It was encouraging to see that trend continue early this year. A healthier level of demand was evident throughout the first quarter, which helped push the overall availability rate down to 27.3%, which is an improvement from the year-end availability rate of 28.1%. The direct vacancy rate ended the quarter at 23.3%.

Within the suburban market we continue to see tenants repositioning themselves to upgrade their locations. This flight to quality was evident with more than 230,000 SF of positive net absorption of Class A space, which subsequently reduced the Class A availability rate to 26.9%. Some of this improvement came at the expense of both Class B and C space, which both registered negative net absorption for the quarter. Class B availability increased by 0.7% over the previous quarter, ending March at 29.6%.

Gross average asking rental rates for the Chicago suburban office market have shown little fluctuation recently and ended the quarter at \$20.22 per SF. That's not surprising given the oversupply in the market, and even the best located properties will be challenged to increase rates as leases turnover. The dynamics of this bifurcated market will likely continue in the short term, and rental rates for Class B suburban space may face the most pressure.

The suburban market continued to report modest sales activity, although much of it was relegated to smaller transactions. The largest investment sales recorded during the first quarter were Gateway Executive Park in Schaumburg and the Highland Landmark V in the East-West submarket, which sold for \$10.4 million and \$69.6 million, respectively. The willingness of some investors to step in to acquire properties should illustrate some underlying confidence in the suburban market and its continued recovery.

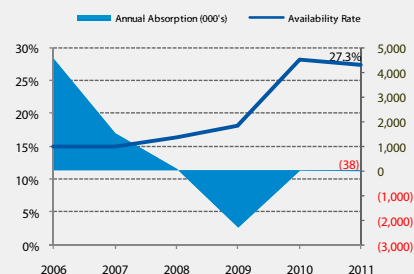
We are cautiously optimistic that the Suburban Chicago office market is finally headed in the right direction, albeit slowly. The Bureau of Labor statistics (BLS) released preliminary figures for February 2011 showing that the unemployment rate in the 8-county Chicago Metro Division declined to a seasonally adjusted jobless rate of 8.7%. That's a significant improvement from a year ago. It's this type of hiring activity that is ultimately needed to bring the area's suburban office market back into balance. For now, however, suburban tenants have ample choices with more than 25 million SF of direct and sublease space available. As a result, tenants will likely continue looking to upgrade into better locations to the extent possible. The oversupply will also keep pressure on rental rates with few, if any, gains.

1Q '11

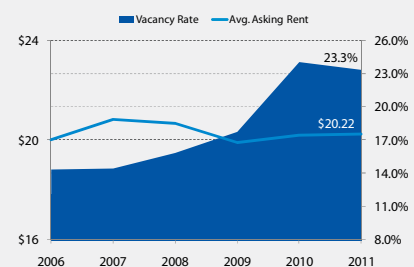
Suburban Outlook - 2011

- Demand for Class A space will lead the recovery as tenants look to take advantage of availabilities
- Both direct and sublease space should trend lower
- Significant rent gains are unlikely in the near term
- The lack of new construction and bargain hunting among investors are constructive for the overall suburban market

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 Suburban ■ First Quarter 2011

Suburban Snapshot

Market Overview

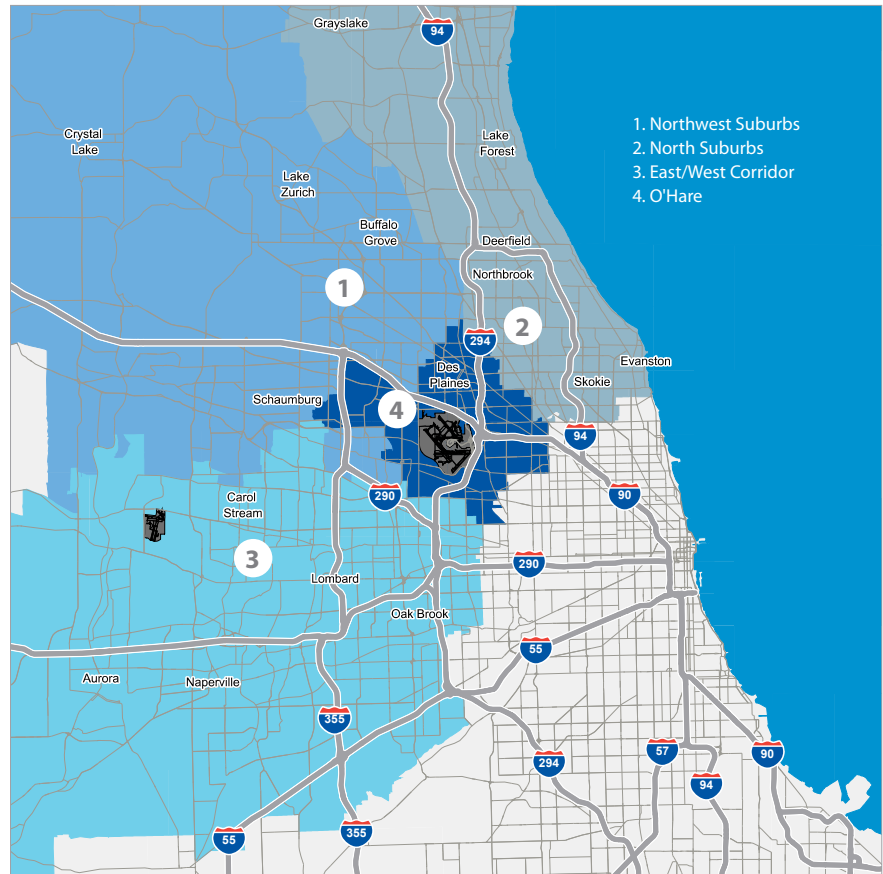
	2011 (SF)	2010 (SF)
Total Inventory	▲ 92,253,268	91,221,943
Overall Vacancy	▼ 21,533,869	21,869,194
Direct Vacancy	▲ 19,716,722	19,648,845
Sublease Vacancy	▼ 1,817,147	2,220,349
Overall Available	▼ 25,155,167	25,624,293
Direct Available	▼ 22,359,174	22,498,054
Sublease Available	▼ 2,795,993	3,126,239
Gross Avg Asking Rate	▲ \$20.22	\$20.19
Current Net Absorption	▼ -37,746	813,699
YTD Net Absorption	▼ -37,746	-19,750

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Woodland Foods 3751 Sunset Ave	131,000	Consolidation	North
Bank of America Corporation 1600 Golf Rd	92,825	Renewal	Northwest
Channel Distribution Corporation 860 Thomas Dr	67,982	Lease	O'Hare
Fifth Third Bank 1701 Golf Rd	52,801	Renewal	Northwest
PDS Transportation 3701 Illinois Ave	31,000	Lease	East-West Corridor

Suburbs

Office Submarkets



MARKET STATISTICS	INVENTORY (SF)	TOTAL AVAILABLE (SF)	PERCENT AVAILABLE	VACANCY RATE	CURRENT ABSORPTION (SF)	YTD ABSORPTION (SF)	AVERAGE ASKING RENT (ALL CLASSES)
SUBMARKET							
East West	39,727,075	604,341	26.8%	23.4%	6,983	6,983	\$19.95
North Suburban	18,613,291	599,041	24.4%	20.5%	89,865	89,865	\$20.56
Northwest Suburban	19,925,325	462,474	30.0%	24.7%	(44,267)	(44,267)	\$20.12
O'Hare	13,987,577	151,291	28.6%	25.0%	(90,327)	(90,327)	\$20.69
MARKET TOTALS (BY CLASS)							
Class A	54,689,864	1,461,199	26.9%	22.3%	230,969	230,969	\$21.78
Class B	33,089,632	348,569	29.6%	26.2%	(250,202)	(250,202)	\$18.63
Class C	4,473,772	7,379	15.3%	14.9%	(18,513)	(18,513)	\$15.04
TOTAL	92,253,268	1,817,147	27.3%	23.3%	(37,746)	(37,746)	\$20.22