

CHICAGO DOWNTOWN

Office Market Report



YTD Net Absorption
27,831 sf



Availability
18.2%



Asking Rent
\$28.00

Downtown Chicago office market continues to exhibit slow, steady improvement during the second quarter

Reflecting a continued slow recovery in the broader economy, the downtown Chicago office market offered up some good news during the second quarter. The availability of direct and sublease space declined during the quarter, and a slight firming of demand helped push down both direct and sublease vacancies. Certainly the level of demand is not robust enough to drive up rental rates materially, but at the same time it is encouraging to see the slow improvement materialize as we recently forecasted. Still, the market remains out of balance favoring tenants as ample supply exists in virtually all downtown locations and across most tiers of space.

During the second quarter, it was encouraging to see overall vacancies drop by 0.8% to 15.0% in Chicago's central business district (CBD), the lowest figure seen since third quarter of 2009. The biggest change was reported in the East Loop submarket for Class A space. One notable transaction here was the continued expansion of fast-growing online coupon company Groupon, which added another 150,000 SF at 303 E. Wacker Drive and extended its short-term lease through May 2012. This type of organic growth results in positive net absorption and is very constructive for the market. During the second quarter, strong net absorption in both Class A and B space more than offset the additional availabilities in Class C space. Year-to-date net absorption in Class A space has now exceeded 243,000 SF, thereby helping the overall CBD market record positive net absorption for the first half of 2011.

There were a few other notable transaction during the second quarter as well. Westwood College is relocating its Loop campus to a 50,000-SF space at 1 N. State Street, and consultant University HealthSystem Consortium is relocating from Oak Brook and will occupy approximately 77,000 square feet at 155 N. Wacker Drive. This second transaction illustrates how some tenants are taking advantage of the current dynamics to upgrade into new space or relocate to different submarkets.

Also noteworthy was the announcement that Sam Zell's investment firm, Equity Group Investments, together with Chicago-based investor Transwestern Investment Co., are recapitalizing the high-rise office tower at 200 S. Wacker Drive. This type of activity bodes well for the overall market and underscores our longer-term optimism for well-located and well-managed office space in the CBD.

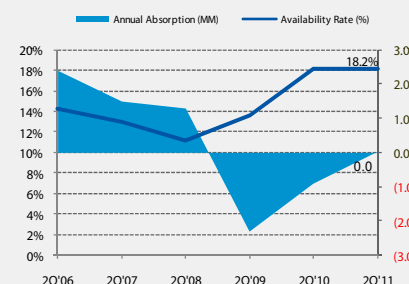
Despite the slow improvement in the office market dynamics, overall average asking rents in the CBD remain relatively unchanged. During the second quarter average asking rental rates averaged \$28.00 per SF. Rental rates are often the last metric to recover, and the market still favors tenants given the current excess supply of space. For the moment, however, it appears that the imbalance between supply and demand is lessening.

2Q '11

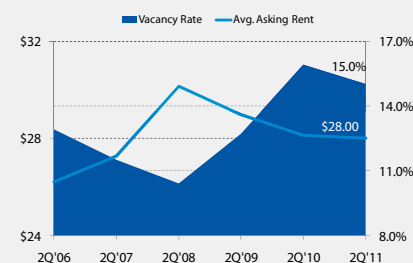
CBD Outlook - 2011

- Most activity focused in Class A space as tenants look to upgrade as leases roll
- Rental rates are likely to remain stable for a few more quarters at a minimum
- Net positive absorption should continue to push the market closer to equilibrium
- Lower tier Class B and C market space will remain soft, which may necessitate creative repositioning and recapitalization
- There is no new construction in the pipeline, which should help the recovery

Annual Absorption vs. Availability



Vacancy Rate vs. Avg. Asking Rent



Economic Indicators

Quarter/Year	Q2 11	Q1 11
IL Unemployment	8.9%	9.0%
US Unemployment	9.1%	8.8%
Labor Force (in thousands)	6,590.5	6,600.4
US CCI	58.5	63.4

Bradford Allen Office Market Report

Chicago Downtown ■ Second Quarter 2011

CBD Snapshot

Market Overview

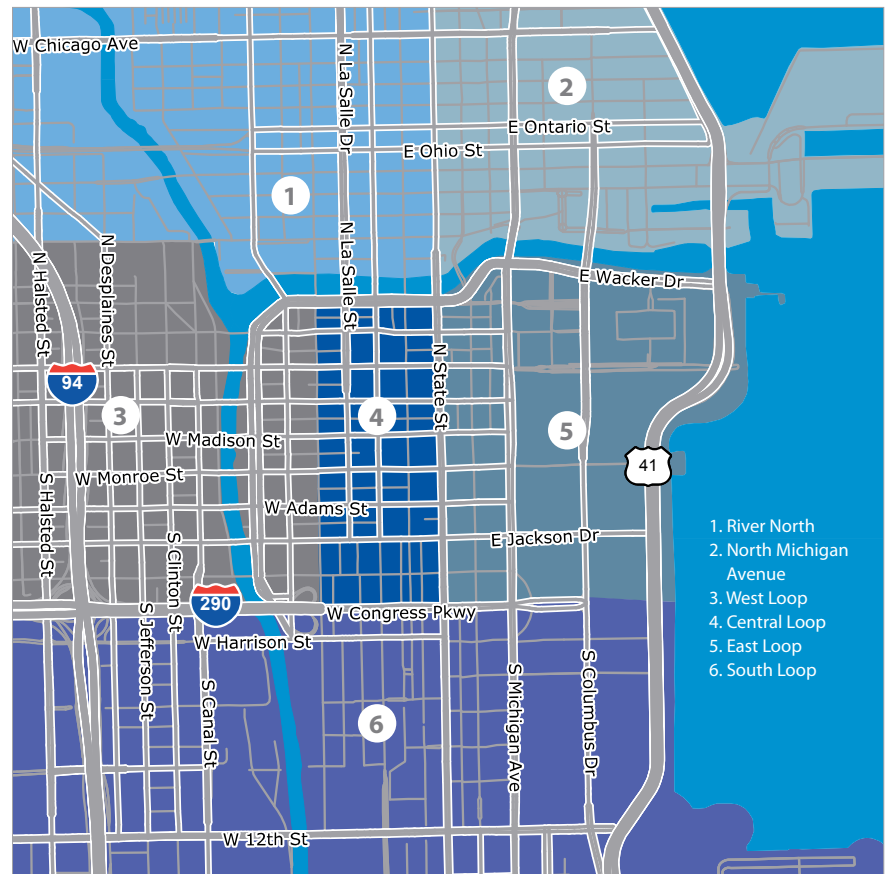
	2011	2010
Total Inventory (sf)	▲ 154,757,660	154,316,460
Overall Vacancy	▼ 15.0%	15.9%
Direct Vacancy	▼ 13.7%	14.1%
Sublease Vacancy	▼ 1.4%	1.8%
Overall Available	▲ 18.2%	18.2%
Direct Available	▲ 15.9%	15.8%
Sublease Available	▲ 2.3%	2.3%
Gross Avg Asking Rate	▼ \$28.00	\$28.12
Current Net Absorption (sf)	▲ 715,967	(605,621)
YTD Net Absorption (sf)	▲ 27,831	(918,232)

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Groupon 303 E. Wacker Dr	150,000	Extension	East Loop
Bankers Life & Casualty Insurance Company 111 E. Wacker Dr	135,000	New	East Loop
University Health System Consortium 155 N. Wacker Dr	77,109	New	West Loop
Hostway Corporation 100 N. Riverside Plaza	52,660	Renewal	West Loop
Westwood College 1 N. State	50,000	New	Central Loop

CBD

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							
Central Loop	39,916,247	6,977,840	17.5%	14.7%	96,682	(242,022)	\$28.90
East Loop	26,552,203	5,517,065	20.8%	16.5%	578,621	420,241	\$26.65
North Michigan Avenue	14,692,304	2,855,033	19.4%	16.8%	(73,326)	(142,923)	\$27.89
River North	18,060,880	2,536,649	14.0%	12.3%	76,388	207,400	\$27.40
South Loop	3,921,606	424,789	10.8%	9.1%	5,483	(7,351)	\$18.18
West Loop	51,614,420	9,904,088	19.2%	15.4%	32,119	(207,514)	\$28.62
MARKET TOTALS (BY CLASS)							
Class A	72,307,443	13,803,053	19.1%	16.7%	663,300	243,621	\$30.84
Class B	57,834,452	10,230,514	17.7%	13.3%	152,998	(40,272)	\$26.97
Class C	24,615,765	4,181,897	17.0%	14.2%	(100,331)	(175,518)	\$20.43
TOTAL	154,757,660	28,215,464	18.2%	15.0%	715,967	27,831	\$28.00