

CHICAGO DOWNTOWN

Office Market Report



YTD Net Absorption
389,181 rsf



Availability
18.4%



Asking Rent
\$28.12

Downtown Chicago office market recovery continues, but it's a slow and uneven climb

Despite the spate of disappointing leading economic indicators and persistently high unemployment, the Chicago office market appears to be moving in the right direction, albeit slowly. The overall availability rate in Chicago's central business district (CBD) remains elevated at 18.4%, but there are some other important statistical measures that offer reasons for cautious optimism.

During the third quarter, the direct vacancy in the CBD declined nominally to 13.6%, the lowest rate in two years. Moreover, the total inventory of sublease space continues to decline, ending the third quarter with 3.4 million SF of sublease availabilities. This is the fourth consecutive quarterly decline in sublease space and the lowest amount dating back to the third quarter of 2009. Although the recovery has not been particularly robust, the improvement from a few quarters ago is unmistakable.

Another mildly encouraging indicator has been the slow absorption of space. Through the first three quarters of the year, the CBD has recorded positive net absorption of 389,000 SF. This positive net absorption has been centered in the West Loop, River North and East Loop submarkets, while year-to-date negative net absorption in the Central Loop and North Michigan Avenue has partially offset the improvement. This illustrates just how uneven recovery has been. Given that there are pockets of strength but a continuing overhang of excess space, it is no surprise that average asking rental rates remained virtually unchanged at \$28.12 per SF.

During the third quarter there were some large leases and notable announcements that offered mixed messages for the market. Consulting firm Accenture renewed its lease for more than 160,000 SF at 161 N. Clark Street in the Central Loop, and Integrys announced plans to lease 150,000 SF at the Aon Center. While both transactions are significant, this second lease is a relocation from One Prudential Plaza and represents a 25% reduction of space. Although Integrys' move is not scheduled until 2014, this type of downsizing does not help with absorption and exemplifies the cost-conscious mindset of today's tenants.

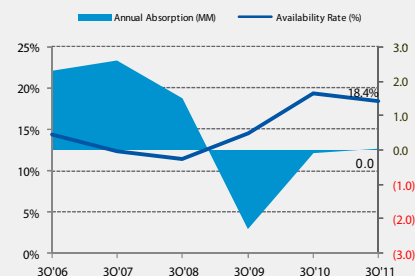
In summary, it appears that the market has regained its footing and is clawing its way back toward pre-crisis levels. The reality, however, is that the improvement is slow and uneven. The recent heightened volatility in the financial markets only adds to the uncertainty, which in turn tends to keep businesses from hiring aggressively and moving ahead with leasing decisions. It's difficult to be confident about expanding while facing the possibility of continued sub-par economic growth. While we are encouraged by some of the market improvement so far this year, nobody is breaking out the champagne just yet.

3Q '11

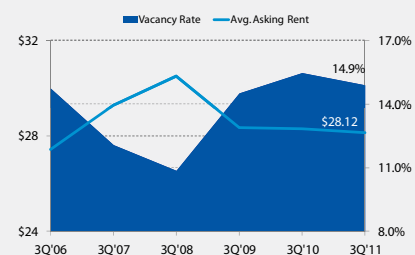
CBD Outlook - 2011

- Rental rates will remain stable and even decline in some submarkets as landlords get serious about leasing challenging space.
- Total sublease availabilities should continue to decline, a net positive for the overall market.
- Opportunistic investors will continue to look for deals as interest rates hover near historic lows.

Annual Absorption vs. Availability



Vacancy Rate vs. Avg. Asking Rent



Economic Indicators

Quarter/Year	Q3 11	Q2 11
IL Unemployment	9.9%	8.9%
US Unemployment	9.1%	9.1%
Labor Force (in thousands)	6,596.9	6,590.5
US CCI	45.4	58.5

Bradford Allen Office Market Report

Chicago Downtown ■ Third Quarter 2011

CBD Snapshot

Market Overview

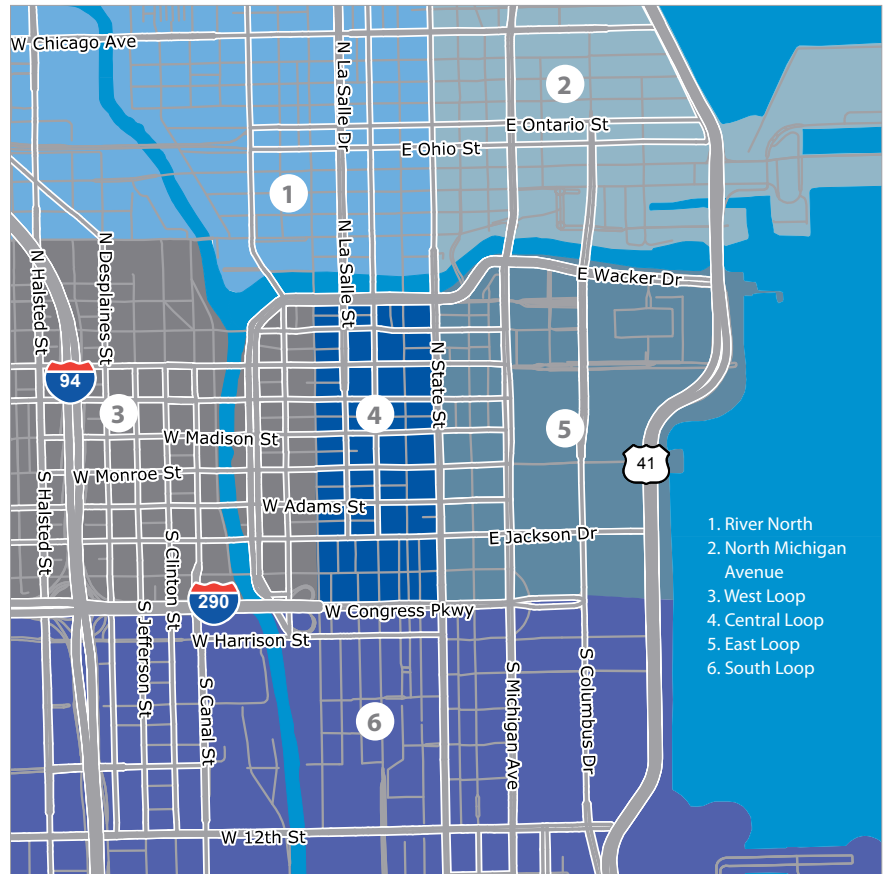
	2011	2010
Total Inventory (sf)	▲ 154,056,652	148,174,009
Overall Vacancy	▼ 14.9%	16.4%
Direct Vacancy	▼ 13.6%	14.7%
Sublease Vacancy	▼ 1.3%	1.7%
Overall Available	▼ 18.4%	19.4%
Direct Available	▼ 16.2%	16.8%
Sublease Available	▼ 2.2%	2.6%
Gross Avg Asking Rate	▼ \$28.12	\$28.35
Current Net Absorption (sf)	▲ 361,350	19,034
YTD Net Absorption (sf)	▲ 389,181	(899,198)

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Integritys 200 E. Randolph St	150,000	New	East Loop
kCura 231 S. LaSalle St.	76,000	Sublease	Central Loop
Catholic Charities of the Archdiocese of Chicago 641-651 W. Lake St.	64,000	Renewal	West Loop
Cushman & Wakefield 200 S. Wacker Dr	40,000	New	West Loop
Momentum Worldwide 444 N. Michigan Ave	23,203	Expansion	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	39,180,188	6,887,318	17.6%	14.8%	46,828	(195,194)	\$28.25
East Loop	26,536,749	5,719,377	21.6%	16.2%	296,297	716,538	\$26.58
North Michigan Avenue	14,266,787	2,821,407	19.8%	17.6%	(57,298)	(200,221)	\$28.56
River North	18,503,052	2,564,068	13.9%	12.4%	(124,145)	83,255	\$28.20
South Loop	3,913,360	482,586	12.3%	10.7%	(60,679)	(68,030)	\$17.42
West Loop	51,656,516	9,865,245	19.1%	14.8%	260,347	52,833	\$29.16
MARKET TOTALS (BY CLASS)							
Class A	71,772,035	13,942,602	19.4%	16.7%	270,315	513,936	\$31.07
Class B	57,797,858	10,149,825	17.6%	13.1%	141,090	100,818	\$26.85
Class C	24,486,759	4,247,574	17.3%	13.9%	(50,055)	(225,573)	\$20.70
TOTAL	154,056,652	28,340,001	18.4%	14.9%	361,350	389,181	\$28.12