


CHICAGO SUBURBAN

Office Market Report

 YTD Net Absorption
(720,400 sf)

 Availability
27.3%

 Asking Rent
\$20.21

Status quo for the Suburban Chicago office market

The third quarter served up more of the same for the suburban Chicago office market. That's not necessarily all bad news, but the move back to equilibrium looks to be progressing at a glacial pace. The overall availability rate has shown little fluctuation throughout 2011 and ended the third quarter at 27.3%. The direct vacancy rate actually inched back up slightly to 24.6% from 24.2% at mid-year.

Despite the lack of statistical improvement, there are some positive signs for the suburban office market. In the East-West submarket, for example, overall direct vacancies fell slightly to 20.4%. This is the lowest reading since the third quarter of 2009, with much of the activity centered in Class A space where vacancies fell 2.6%. Not surprisingly, there was strong positive net absorption in the East-West submarket totaling more than 200,000 SF during the most recent quarter.

But not all submarkets performed like the East-West Corridor. In total, the suburban market has struggled to absorb the excess vacancies and has posted negative net absorption of 720,400 SF through the first three quarters of the year. This illustrates just how difficult it will be for the market to work through its substantial overhang of available direct and sublease space. With total sublease availabilities holding steady at approximately 2.5 million SF, it is clear that significant labor market gains are needed before demand approaches anything close to its pre-crisis levels.

Given the continuing options available to tenants in all submarkets, rental rates held steady and ended the third quarter at \$20.21 per SF. While the stability in rates is a good first step to recovery, it is unlikely that the suburban market will support higher rates until overall availabilities decline significantly.

Statistically, the suburban market might not be showing much improvement, but the level of activity has been healthy. For example, AT&T signed a lease renewal for more than 106,000 SF in the Northwest submarket. Also notable was Wintrust Financial's acquisition of an 11-story office building in Rosemont. Wintrust, now the Chicago-area's second-largest local bank, will occupy half the property's 275,000 SF when it relocates from its current location in Lake Forest.

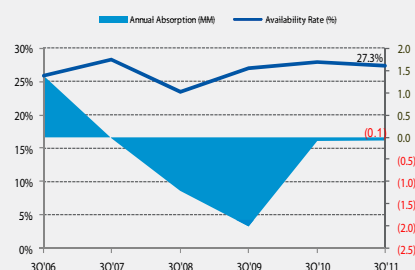
In addition to these transactions there has been significant sales activity throughout the quarter. Oak Brook Regency Tower East & West in the East-West Corridor, Metro West in East-West Corridor, and the Columbia Centre in the O'Hare submarket were among the notable transactions. There was also substantial activity among smaller, second tier assets as well, perhaps reflecting both pent up demand and an increase in distressed sales.

3Q '11

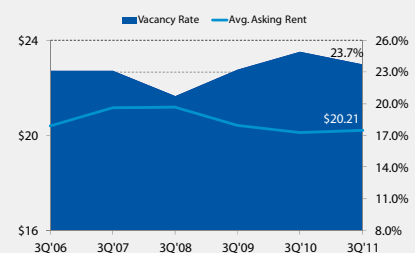
Suburban Outlook - 2011

- East-West Corridor and O'Hare submarkets should continue to lead the recovery.
- Barring a major economic dislocation, the market will slowly work through sublease space.
- Rental rates in less popular submarkets could drift lower as landlords get aggressive about leasing long-time vacancies.
- Opportunistic investors will continue to seek 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 Suburban ■ Third Quarter 2011

Suburban Snapshot

Market Overview

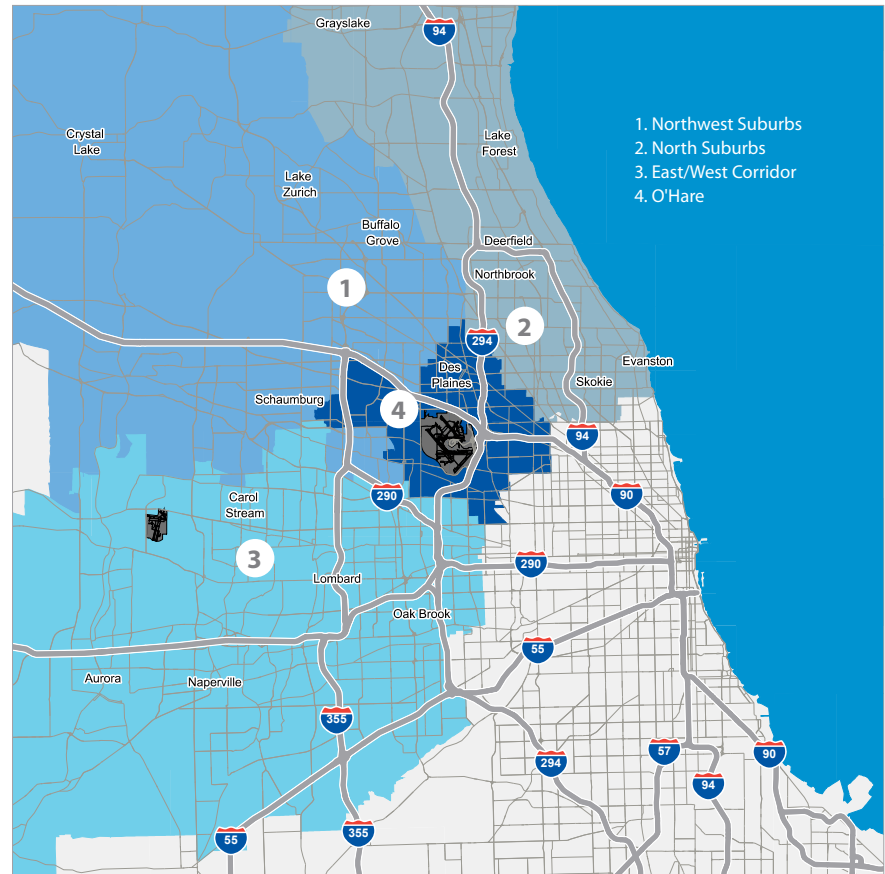
	2011	2010
Total Inventory (sf)	▲ 92,392,635	90,606,054
Overall Vacancy	▼ 23.7%	24.9%
Direct Vacancy	▼ 22.0%	22.5%
Sublease Vacancy	▼ 1.7%	2.4%
Overall Available	▼ 27.3%	28.0%
Direct Available	▼ 24.6%	24.8%
Sublease Available	▼ 2.7%	3.2%
Gross Avg Asking Rate	▲ \$20.21	\$20.12
Current Net Absorption (sf)	▼ (389,903)	(483,521)
YTD Net Absorption (sf)	▼ (720,400)	(833,449)

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
State Farm Insurance Cos 1400 Opus Pl, Downers Grove	154,000	Renewal/ Expansion	East-West
Wintrust Financial Corp 9700 W. Higgins Rd, Rosemont	137,000	New	O'Hare
AT&T 930 National Pkwy, Schaumburg	106,382	Renewal	Northwest
Thermos LLC 475 N. Martingale Rd, Schaumburg	21,081	New	Northwest

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	39,368,225	25,242,975	26.6%	22.2%	201,851	112,608	\$20.11
North Suburban	19,014,475	4,789,095	25.2%	23.7%	(352,867)	(366,474)	\$20.17
Northwest Suburban	20,111,854	6,052,238	30.1%	25.7%	(294,518)	(341,489)	\$20.23
O'Hare	13,898,081	3,929,903	28.3%	25.3%	55,631	(125,045)	\$20.51
MARKET TOTALS (BY CLASS)							
Class A	54,370,454	14,465,293	26.6%	22.7%	(199,316)	649	\$21.81
Class B	33,035,685	9,780,145	29.6%	26.7%	(164,328)	(659,660)	\$18.52
Class C	4,986,496	997,537	20.0%	15.1%	(26,259)	(61,389)	\$15.29
TOTAL	92,392,635	25,242,975	27.3%	23.7%	(389,903)	(720,400)	\$20.21