

CHICAGO DOWNTOWN

Office Market Report



YTD Net Absorption
1,207,991 rsf



Availability
16.8%



Asking Rent
\$27.76

2011 finishes on a positive note as the Downtown Chicago office market extends gains

Without question, 2011 was a year of improvement for the downtown Chicago office market. Certainly challenges remain, but the overall tone has improved with the re-emergence of stronger demand. In fact, the improvement appears to have accelerated during the fourth quarter as several key metrics posted strong gains.

The overall availability rate in Chicago's central business district (CBD) declined from 18.4% at the end of the third quarter to 16.8% at year-end. This reflects steady—if sometimes uneven—improvement over the course of entire year and compares favorably to the 19.0% availability rate recorded at the end of 2010. The overall vacancy rate, which declined during the fourth quarter from 14.9% to 13.3%, also illustrated that the market recovery gained momentum late in the year.

During the fourth quarter alone, the CBD recorded 818,000 SF of positive net absorption, the most of any quarter during 2011. The Central Loop and North Michigan Avenue submarkets were the submarket leaders, recording positive net absorption of 134,000 and 96,000 SF, respectively. For the full year, the downtown market absorbed a total of 1.2 million SF of space.

Despite the obvious market improvement, overall rental rates have not shown any increase. That's not necessarily surprising given that landlords are beginning to aggressively price long-vacant, hard-to-lease space, thereby keeping overall rates suppressed. Overall gross average asking rental rates fell nominally over the course of the year and ended 2011 at \$27.76 per SF.

Another encouraging signal for the CBD market were the number of large transactions announced late in the year. For example, Aon renewed their 400,000-SF lease at 200 E. Randolph in the largest transaction of the year. PricewaterhouseCoopers and GE Capital also signed large renewals at 1 N. Wacker Drive and 500 W. Monroe St., respectively. The GE Capital lease also represents a sizable expansion, which is indicative of the more robust demand we are beginning to see. The AMA reportedly signed a 275,000-SF lease to relocate from their current N. State Street location to 330 N. Wabash sometime next year, while Sara Lee announced plans to relocate employees from Downers Grove to 400 S. Jefferson.

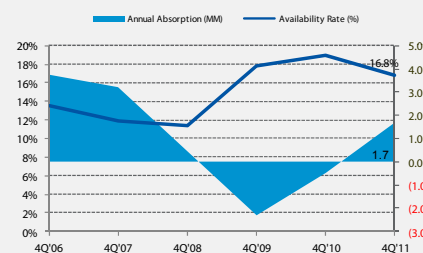
We believe these transactions and announcements are reason for continued optimism. The supply and demand fundamentals are improving, but the key will be whether the momentum of the fourth quarter continues. Early 2012 has seen improvement across several broad economic indicators, although in Illinois the unemployment rate has remain stubbornly high and is hovering above the national average at approximately 10.0%. Nevertheless, given that financial markets have stabilized and the Federal Reserve plans to keep interest rates low for an extended period of time, we are hopeful that the market can continue inching closer to equilibrium.

4Q '11

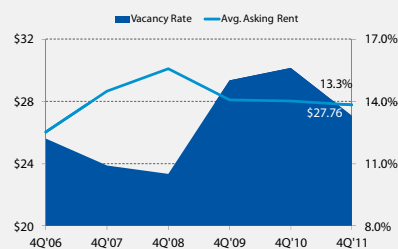
CBD Outlook - 2012

- The recovery gained momentum late in the year and should continue in the first quarter as companies regain confidence.
- Rental rates remain relatively stable, but may soften more in some submarkets as landlords get serious about leasing difficult space.
- 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	Q4 11	Q3 11
IL Unemployment	10.0%	9.9%
US Unemployment	8.6%	9.1%
Labor Force (in thousands)	6,627.3	6,596.9
US CCI	64.5	45.4

Bradford Allen Office Market Report

Chicago Downtown ■ Fourth Quarter 2011

CBD Snapshot

Market Overview

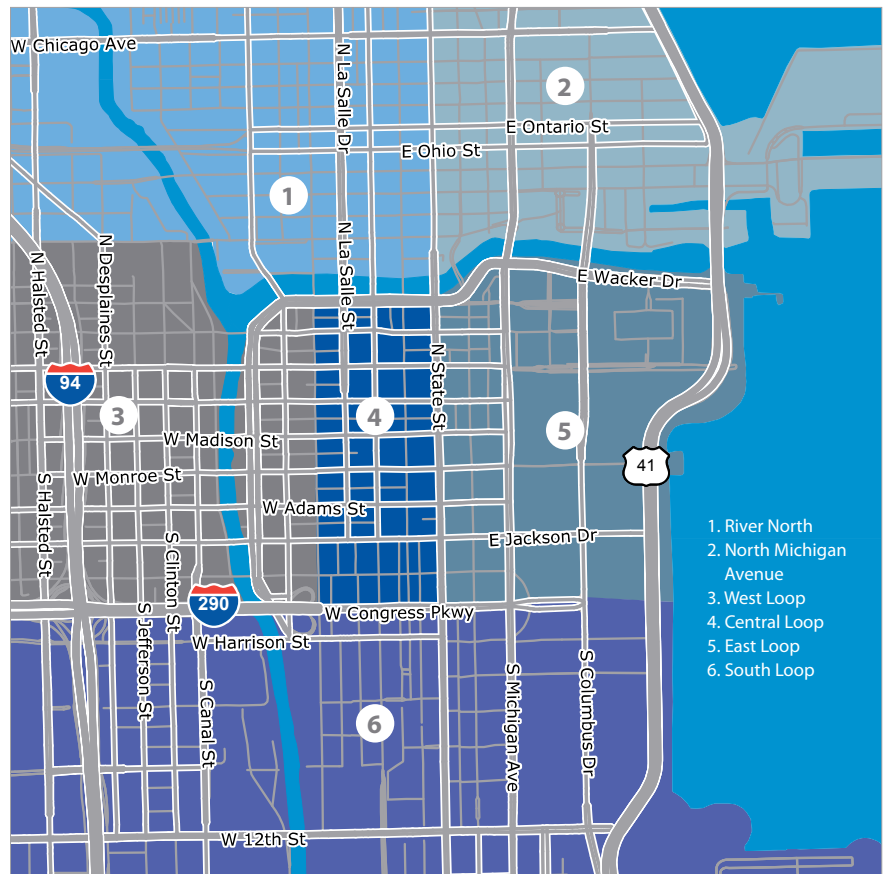
		2011	2010
Total Inventory (sf)	▲	167,135,144	152,361,844
Overall Vacancy	▼	13.27%	15.61%
Direct Vacancy	▼	12.23%	13.90%
Sublease Vacancy	▼	1.04%	1.71%
Overall Available	▼	16.82%	19.02%
Direct Available	▼	14.96%	16.30%
Sublease Available	▼	1.86%	2.72%
Gross Avg Asking Rate	▼	\$27.76	\$28.03
Current Net Absorption (sf)	▲	818,810	403,807
YTD Net Absorption (sf)	▲	1,207,991	(495,391)

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
AON Corp 200 E. Randolph	400,000	Renewal	East Loop
GE Capital 500 W. Monroe	371,000	Renewal/ Expansion	West Loop
Pricewaterhouse Coopers, LLP 1 N. Wacker	279,000	Renewal	West Loop
American Medical Association 330 N. Wabash	275,000	New	North Michigan Avenue
Sara Lee 400 S. Jefferson	220,000	New	South 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	48,933,117	7,266,016	14.8%	11.6%	134,213	(60,981)	\$28.43
East Loop	27,855,431	5,553,931	19.9%	15.8%	37,210	753,748	\$25.96
North Michigan Avenue	17,025,787	3,076,449	18.1%	14.2%	95,923	(104,298)	\$32.92
River North	18,220,127	2,381,957	13.1%	11.3%	66,122	149,377	\$28.50
South Loop	4,061,340	567,171	14.0%	8.4%	(15,339)	470,145	\$17.64
West Loop	51,039,342	9,260,731	18.1%	14.2%	500,681	553,514	\$28.69
MARKET TOTALS (BY CLASS)							
Class A	80,593,555	15,111,654	18.8%	15.4%	545,556	1,059,492	\$30.68
Class B	64,252,099	9,917,317	15.4%	11.0%	296,665	397,483	\$25.82
Class C	22,289,490	3,077,284	13.8%	12.1%	(23,411)	(248,984)	\$18.62
TOTAL	167,135,144	28,106,255	16.8%	13.3%	818,810	1,207,991	\$27.76