

CHICAGO SUBURBAN

Office Market Report



YTD Net Absorption
(419,552)



Availability
26.8%



Asking Rent
\$20.33

Improved demand fuels optimism for Suburban Chicago office market

In contrast to the two years immediately following the global financial crisis, the suburban Chicago office market ended 2011 on the upswing. Stronger demand and a healthier overall tone have the real estate community feeling decidedly more optimistic about a genuine recovery.

The overall suburban availability rate trended lower and ended the year at 26.8%, which compares favorably to the 28.1% recorded at year-end 2010. Both direct and sublease availabilities showed improvement as compared to 2010, ending the year at 24.0% and 2.9%, respectively. Although vacancies and availability are still elevated versus historical norms, there are clear signs of improvement.

A slew of large transactions late in the year reflect the stronger demand. The East-West Corridor has been particularly active and has drawn much interest. In two separate transactions, Sikich and Comcast each leased 80,000 SF blocks in the Tellabs building in Naperville. Software developer CA Technologies leased 85,000 SF at 3333 Warrenville Road, while Millennium Trust inked a lease for 72,000 SF, also in the same East-West Corridor submarket. In the Northwest submarket, Lincoln National and Thermos Co. signed notable leases for 47,000 and 21,000 SF, respectively.

These transactions are noteworthy because they are new leases rather than renewals, and they show a renewed willingness that employers have for making longer-term commitments to new locations. This was not happening between 2008 and 2010 and may indicate a turning point. Ultimately, however, the Illinois unemployment rate, which remains above the national average at 10%, must decline further for the market to build on this momentum.

The strong fourth quarter leasing activity translated in record positive net absorption of more than 300,000 SF. For the year, however, the market still recorded negative net absorption of 420,000 SF. Rental rates for the suburban market held relatively steady and ended the year at \$20.33 per SF. Rates continue hovering around these levels; however, it is clearly a multi-tiered market. The well-located properties with coveted amenities or near suburban town centers are drawing the most interest, and rates for those properties are beginning to firm.

Although we are hopeful that the year-end activity will carry over into 2012, there is no denying the substantial supply that continues to overhang the market, including large blocks of former corporate campus space. The recent trend has been for large companies to move closer to major suburban town centers or downtown, and the spacious but somewhat remote campuses of Sears and AT&T in Hoffman Estates, as well as Navistar and BP in Warrenville, are proving difficult to leases.

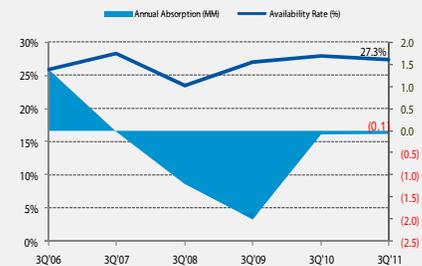
It is important to note that these large vacancies are artificially inflating the overall suburban vacancy rate. Excluding these large blocks, the market supply and demand fundamentals are slightly better than the numbers dictate.

4Q '11

Suburban Outlook - 2012

- Tenants are showing more conviction to relocate and expand.
- Continued low interest rates should support opportunistic investors seeking to acquire properties.
- Demand for space near suburban town centers is drawing the most interest.
- Rental rates for difficult-to-lease properties could drift lower as landlords get aggressive about leasing long-time vacancies.

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 Suburban ■ Fourth Quarter 2011

Suburban Snapshot

Market Overview

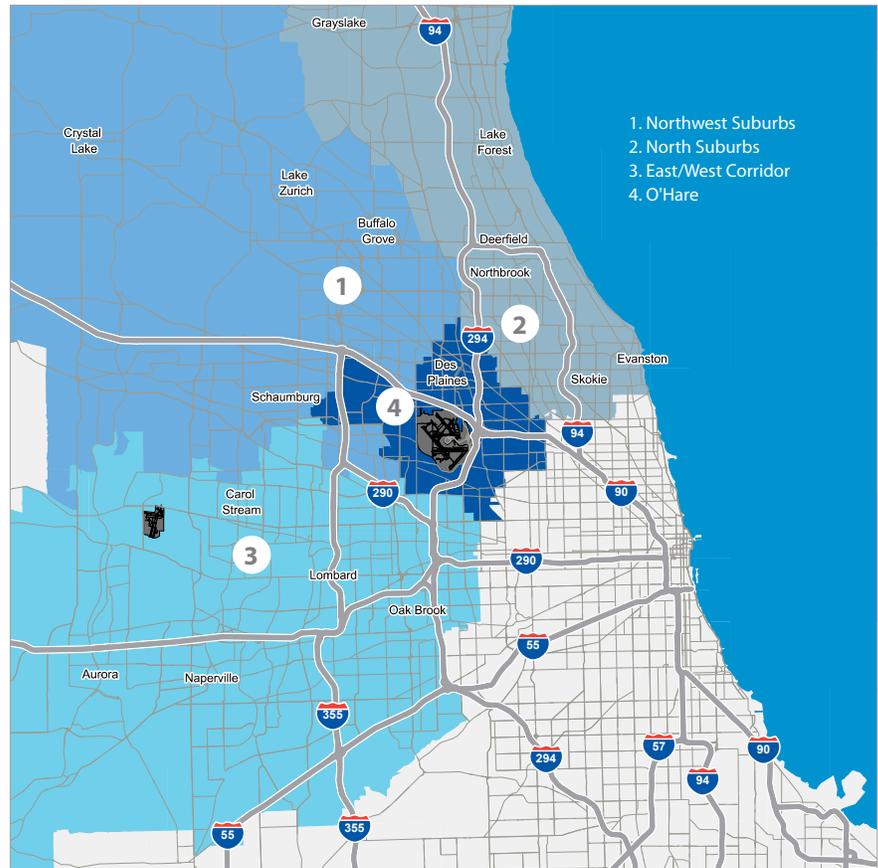
		2011	2010
Total Inventory (sf)	▲	92,392,635	90,606,054
Overall Vacancy	▼	23.7%	24.9%
Direct Vacancy	▼	22.0%	22.5%
Sublease Vacancy	▼	1.7%	2.4%
Overall Available	▼	27.3%	28.0%
Direct Available	▼	24.6%	24.8%
Sublease Available	▼	2.7%	3.2%
Gross Avg Asking Rate	▲	\$20.21	\$20.12
Current Net Absorption (sf)	▼	300,848	(483,521)
YTD Net Absorption (sf)	▲	(419,552)	(833,449)

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
CA Technologies 3333 Warrenville Road, Lisle	85,000	New	East-West
Comcast 1415 W. Diehl Road, Naperville	80,000	New	East-West
Sickich LLC 1416 W. Diehl Road, Naperville	80,000	New	East-West
Millennium Trust Co 2001 Spring Road, Oak Brook	72,000	New	East-West
Lincoln Financial 1701 W. Golf Road, Rolling Meadows	47,300	New	Northwest
Thermos Co 475 N. Martingale Road, 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	39,511,801	9,855,392	24.9%	20.5%	110,714	223,322	\$20.13
North Suburban	19,902,835	5,262,874	26.4%	21.8%	222,175	(144,299)	\$20.41
Northwest Suburban	20,243,303	6,213,952	30.7%	26.2%	(172,195)	(513,684)	\$20.34
O'Hare	13,936,108	3,788,472	27.2%	24.1%	140,154	15,109	\$20.75
MARKET TOTALS (BY CLASS)							
Class A	55,208,679	14,723,670	26.7%	21.6%	289,372	290,021	\$21.79
Class B	33,589,288	9,467,429	28.2%	25.3%	(5,065)	(664,725)	\$18.62
Class C	4,796,080	929,591	19.4%	14.5%	16,541	(44,848)	\$15.68
TOTAL	93,594,047	25,120,690	26.8%	22.6%	300,848	(419,552)	\$20.33