

CHICAGO DOWNTOWN

Office Market Report



YTD Net Absorption
(50,272)



Availability
16.8%



Asking Rent
\$27.99

Steady first quarter for downtown Chicago office market

As 2011 drew to a close, the recovery in the downtown Chicago office market gained momentum, and the year ended on a positive note. Although activity was not quite as robust during the first quarter as compared to the flurry of activity in late 2011, the overall CBD market still appears to be headed in the right direction. Tenants canvassing for space seem more confident and more willing to make commitments, perhaps echoing the string of upbeat economic indicators and the sharp rally in the domestic equity market during the first three months of the year. Particularly encouraging were the labor market statistics which showed several months of job creation and a declining unemployment rate. For now, continued employment gains will be the key metric that will likely determine the strength of the office market recovery.

The first quarter ended with the overall availability rate holding steady at 16.8%, while the direct vacancy rate was unchanged at 13.3%. This shows no change as compared to the prior quarter, but it does illustrate that the market recovery is holding with more healthy supply and demand fundamentals as compared to several years ago.

Overall vacancy rates for Class A space remained unchanged at 15.4%, but it was interesting to see that Class C vacancy rates declined noticeably during the first quarter to 10.9%. Any recovery in lower tier space is almost always subordinate to improvement in Class A space. The fact that vacancies are trending lower for the Class C market segment could be an indication that the recovery will perpetuate.

During the first quarter, the popular West Loop submarket reported another decline in overall availability rate and ended the quarter at 17.0%. Moreover, direct vacancies in both the River North and West Loop submarkets continued trending lower and ended March at 8.6% and 13.0% respectively. This illustrates just how tight the market can be in certain narrow segments.

The West Loop, River North and East Loop submarkets all registered positive net absorption during the first quarter. In contrast, The North Michigan Avenue submarket recorded significant negative net absorption of 265,000 sf during the quarter, which bumped up the availability rate to 19.9%.

There were a few notable lease transactions signed during the first quarter. Sara Lee signed a new lease for 221,000 at 400 S. Jefferson in the West Loop in conjunction with its recently announced relocation plans. Foley & Lardner also signed a new lease in the River North submarket at 321 N. Clark Street, while Latham & Watkins leased 137,000 sf at 330 N. Wabash.

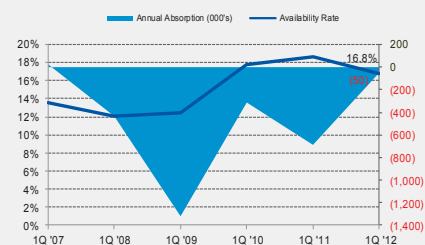
Although the supply and demand fundamentals continue to improve, there is enough available space in the downtown market that is impeding significant increases in overall asking rents. Still, it was encouraging to see CBD rents inch higher from \$27.76 psf at year-end to \$27.99 psf. For the more popular and coveted locations, there appears to be some ability to implement rate increases.

1Q '12

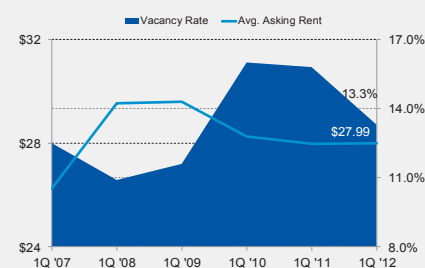
CBD Outlook - 2012

- The recovery held steady early in 2012 with both tenants and landlords acting with confidence.
- Rental rates inched higher on some new leases, and some landlords are showing less willingness to offer concessions.
- Interest rates remain low, for the moment. Opportunistic investors may look to bid on properties more aggressively if they believe their window for inexpensive financing will close next year.

Annual Absorption vs. Availability



Vacancy Rate vs. Avg. Asking Rent



Economic Indicators

Quarter/Year	Q1 12	Q4 11
IL Unemployment	9.4%	10.0%
US Unemployment	8.3%	8.6%
US Consumer Confidence Index	69.9	64.5
Western TX Intermediate Price Per Barrel	\$103.03	\$79.75

Bradford Allen Office Market Report

Chicago Downtown ■ First Quarter 2012

CBD Snapshot

Market Overview

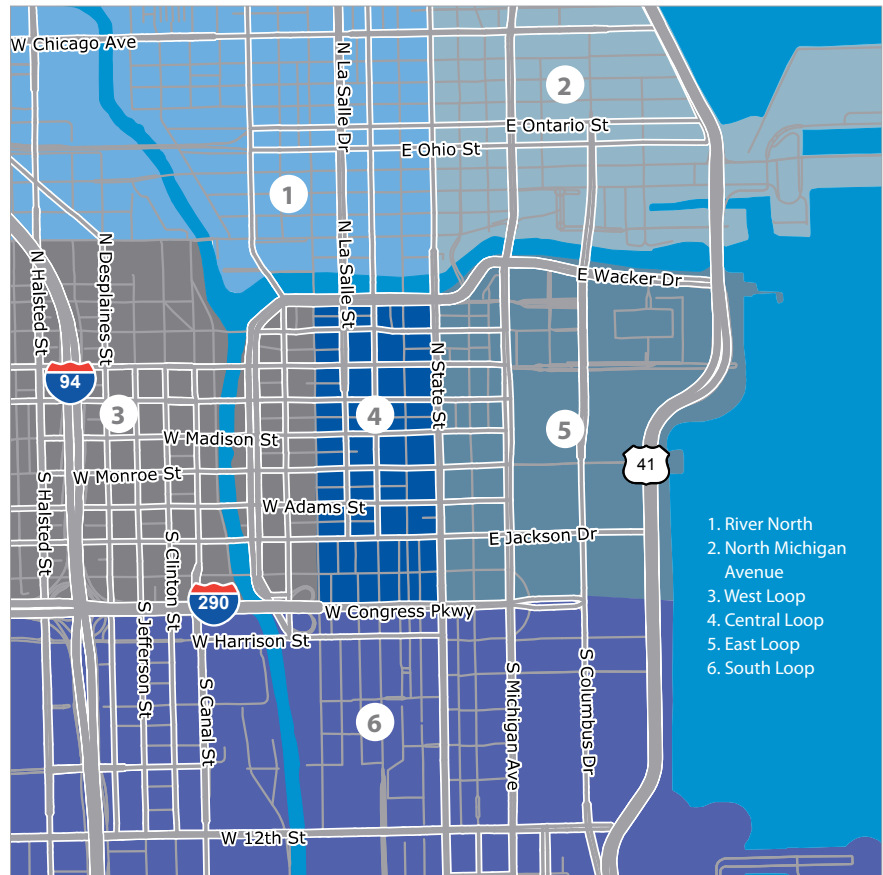
		2012	2011
Total Inventory (sf)	▲	167,314,487	153,689,795
Overall Vacancy	▼	13.29%	15.83%
Direct Vacancy	▼	12.27%	14.09%
Sublease Vacancy	▼	1.02%	1.74%
Overall Available	▼	16.76%	18.72%
Direct Available	▼	14.89%	16.28%
Sublease Available	▼	1.86%	2.44%
Gross Avg Asking Rate	▲	\$27.99	\$27.97
Current Net Absorption (sf)	▲	(50,272)	(688,136)
YTD Net Absorption (sf)	▲	(50,272)	(688,136)

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Sara Lee 400 S Jefferson	221,000	New	West Loop
Foley & Lardner 321 N Clark	169,000	New	River North
Latham & Watkins 330 N Wabash	137,000	New	North Michigan Avenue
Grub Hub 111 W Washington	59,000	New	Central Loop
Johnson Publishing 200 S Michigan	35,000	New	East 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	48,543,268	7,377,056	15.2%	11.7%	28,265	28,265	\$28.11
East Loop	27,969,164	5,513,116	19.7%	15.5%	54,817	54,817	\$26.28
North Michigan Avenue	16,984,600	3,376,948	19.9%	16.4%	(264,778)	(264,778)	\$29.34
River North	18,303,061	2,452,339	13.4%	10.8%	56,174	56,174	\$28.55
South Loop	4,061,340	559,241	13.8%	8.2%	5,393	5,393	\$17.76
West Loop	51,453,054	8,771,493	17.0%	13.8%	69,857	69,857	\$29.54
MARKET TOTALS (BY CLASS)							
Class A	80,984,548	14,792,052	18.3%	15.4%	(21,736)	(21,736)	\$31.17
Class B	64,391,008	10,458,886	16.2%	11.5%	(251,023)	(251,023)	\$26.01
Class C	21,938,931	2,799,255	12.8%	10.9%	222,487	222,487	\$19.03
TOTAL	167,314,487	28,050,193	16.8%	13.3%	(50,272)	(50,272)	\$27.99