

CHICAGO SUBURBAN

Office Market Report



YTD Net Absorption
(137,012)



Availability
27.3 %



Asking Rent
\$20.25

Suburban Chicago office market takes a breather during first quarter 2012

The suburban Chicago office market ended 2011 on a high note, perhaps compensating for several years of pent up demand. As we previously reported, the overall tone of the market was much healthier despite a lingering supply and demand imbalance. Corporate tenants showed decidedly more confidence in making real estate commitments, and that was reflected in the more robust 2011 transaction activity.

However, the strong leasing activity in late 2011 also resulted in a momentary respite during the first quarter of 2012. The overall suburban availability rate increased slightly during the first quarter to 27.3% as compared to 26.8% at year-end 2011. In addition, the overall vacancy rate also increased from 22.6% at year-end to 23.2% during the first quarter.

We do not view the lull in transaction activity, or the increases in availability and vacancy rates, as immediate cause for concern. There are still signs that the overall suburban office market is on the mend—albeit slowly. For example, landlords are becoming much less likely to make significant rental concessions, especially if they are leasing Class A space in more popular submarkets or with locations close to suburban town centers. These properties are attracting stronger interest and demand, and in some cases landlords are beginning to test whether they have pricing power.

In contrast, there is still a sizable inventory of suburban space that is difficult to lease—some of it even functionally obsolete—especially in the Class B and Class C market segments. In addition, the remote campuses of Sears and AT&T in Hoffman Estates, as well as Navistar and BP in Warrenville, are also acting as a statistical drag on the suburban market and skewing the supply and demand picture. Excluding these spaces, however, the suburban market is much healthier than one might think based solely on a quick glance of the statistics alone.

Gross average asking rental rates held relatively steady across the suburbs during the first quarter averaging \$20.25 psf. There were a few mid-sized leases executed during the first quarter in the East-West submarket, both new leases and expansions. But despite these transactions, the overall suburban submarket recorded negative net absorption of 137,000 sf during the first quarter.

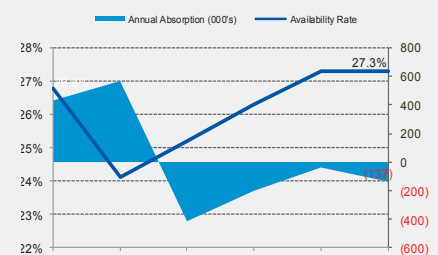
The Chicago suburbs continue to see a trend for large companies to relocate downtown. The recent announcement that Sara Lee will move employees from Downer's Grove to the West Loop indicates that the suburban office market will continue to face these types of headwinds. However, investment interest seems to be picking up and institutional quality assets continue to attract bids in the current low-rate environment. This bodes well for the top tier of assets in the suburban market.

1Q '12

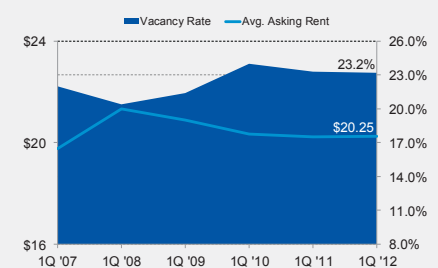
Suburban Outlook - 2012

- The suburban office market looks to hold steady, especially for Class A space near suburban town centers.
- Rental rates likely will continue to drift lower for difficult-to-lease properties and remote corporate campus space.
- Landlords with well-located properties are feeling less compelled to offer concessions.
- Continued low interest rates are attracting investors to institutional-quality properties.

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 Suburban ■ First Quarter 2012

Suburban Snapshot

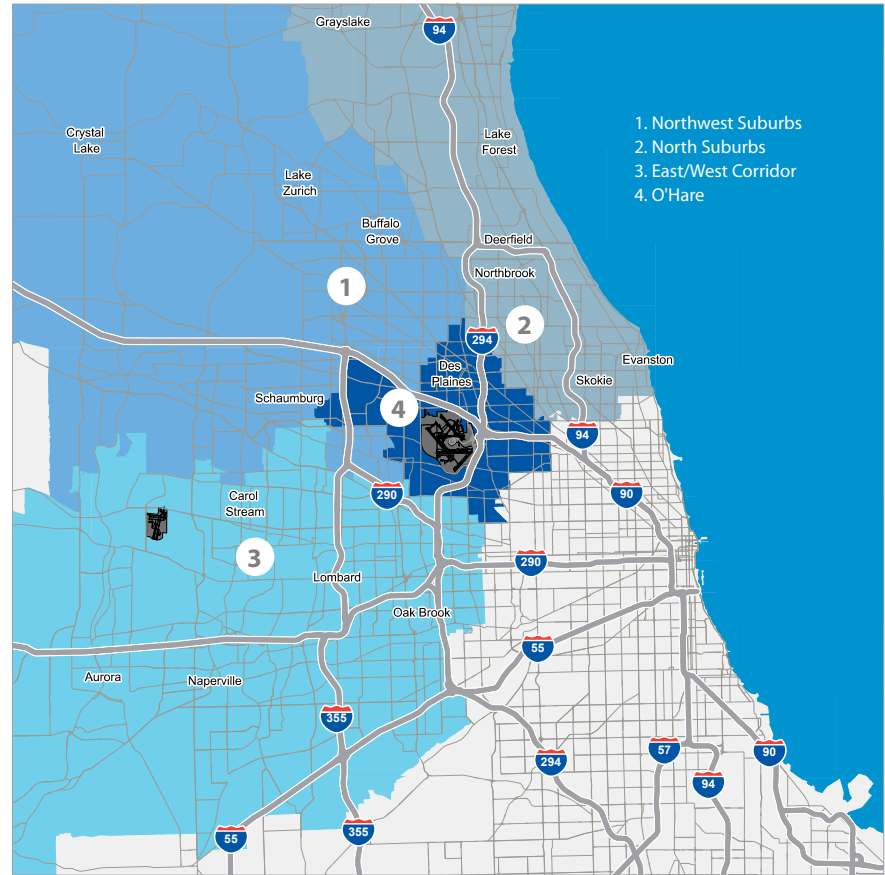
Market Overview

	2012	2011
Total Inventory (sf)	▼ 91,583,669	92,253,268
Overall Vacancy	▼ 23.2%	23.3%
Direct Vacancy	▲ 21.6%	21.4%
Sublease Vacancy	▼ 1.7%	2.0%
Overall Available	— 27.3%	27.3%
Direct Available	▲ 24.6%	24.2%
Sublease Available	▼ 2.9%	3.0%
Gross Avg Asking Rate	▲ \$20.25	\$20.22
Current Net Absorption (sf)	▼ (137,012)	(37,746)
YTD Net Absorption (sf)	▲ (137,012)	(37,746)

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Gamma Tech 601 Oakmont Lane, Westmont	20,000	Expansion	East/West Corridor
Dyson Vacuum 4248 Meridian Parkway, Aurora	15,000	New	East/West Corridor
Aerotek 903 Commerce Drive, Oak Brook	10,500	New	East/West Corridor

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	39,063,417	10,156,969	26.0%	21.7%	(230,882)	(230,882)	\$20.16
North Suburban	18,286,325	5,074,009	27.7%	23.6%	(85,023)	(85,023)	\$20.29
Northwest Suburban	20,175,562	6,221,540	30.8%	25.6%	97,214	97,214	\$20.06
O'Hare	14,058,365	3,537,731	25.2%	23.5%	81,679	81,679	\$20.75
MARKET TOTALS (BY CLASS)							
Class A	53,671,235	14,672,655	27.3%	22.2%	(95,417)	(95,417)	\$21.72
Class B	33,181,614	9,421,563	28.4%	26.2%	(74,614)	(74,614)	\$18.50
Class C	4,730,820	896,031	18.9%	14.0%	33,019	33,019	\$15.38
TOTAL	91,583,669	24,990,249	27.3%	23.2%	(137,012)	(137,012)	\$20.25