

CHICAGO SUBURBAN

Office Market Report



YTD Net Absorption
1,221,333 SF



Availability
22.9%



Asking Rent
\$20.52

Third Quarter Transaction Activity Heats Up In Suburban Chicago Office Market

After cooling off during the first half of 2012, activity within the suburban Chicago office market accelerated during the third quarter. The increased confidence among large tenants was evidenced in a spate of noteworthy transactions. This was driven largely by a continued trend toward quality space where tenants are locking-in Class A locations at attractive pricing. The improving suburban office market conditions were illustrated by several key market metrics.

The overall and direct availability rates decreased to 22.9% and 19.1% respectively, which reflects full percentage point improvement as compared to the same period one year ago. Both the direct and overall vacancy rates also improved and ended the third quarter at 18.1% and 16.6%, respectively. It's important to note that these figures reflect Bradford Allen's updated methodology for tracking the suburban Chicago office market. Beginning with this third quarter 2012 market report, our enhanced market report formula provides more insight into the suburban office markets by eliminating geographical outlier properties that skew the accuracy of the reported numbers.

This current flight-to-quality trend has been partially driven as a result of the investment activity that has seen many properties change hands during the past 18 months. As new ownership teams implement their capital improvement and leasing strategies, they have been successful in compelling tenants to relocate. In addition, many existing landlords have followed this lead and become more aggressive with these offering terms. Together, this dynamic has created excellent opportunities for those employers willing to make longer-term commitments despite the uncertain economic environment.

In the largest deal of the year so far, Catamaran Corp. (formerly SXC) announced plans to relocate its headquarters to 300,000 SF at Windy Point II in Schaumburg. Also worthy of mention is the lease signed by Capital One Financial for 150,000 SF at Atrium Corporate Center in Rolling Meadows. These types of large transactions have been very positive for the suburban office market and helped push year-to-date net absorption to approximately 1.4 million SF.

Although the upper end of the market has bounced back, the market for Class B and C+ space continues to be stagnant. However, given the recent activity at the upper end of the market, we may begin to see owners of Class A space try to push rents. In turn, there should be a trickle down effect for the better-located buildings in the Class B market.

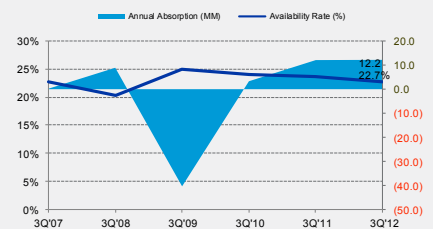
Despite the overall increased activity, gross average asking rates continue showing little change this year, ending the third quarter at \$20.52. More aggressive landlords have helped spur activity without bumping up gross rents—so far. That being said, it would seem as coveted Class A vacancies decline and becomes scarce—particularly in locations like the eastern section of the East-West Corridor or the southern end of the North Suburban submarket—Class A rents may soon begin to climb.

3Q '12

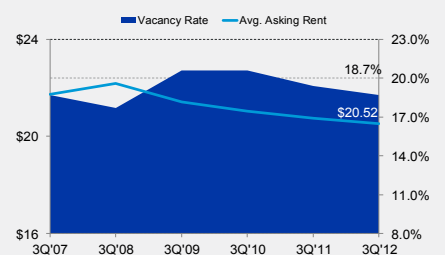
Suburban Outlook – 2012

- Suburban landlords continue repositioning properties, including offering spec suites and pre-building vacant units.
- Activity in second tier space is expected to accelerate, though it probably will not be as robust as the Class A leasing activity seen during the third quarter.
- We may begin to see upward movement in Class A rents if the strong activity continues into the fourth quarter.

Annual Absorption vs. Availability



Vacancy Rate vs. Average Asking Rent



Economic Indicators

Quarter/Year	Q3 '12	Q2 '12
IL Unemployment	9.1%	8.8%
US Unemployment	8.2%	8.2%
US Consumer Confidence Index	60.6	62.0
Western TX Intermediate Price Per Barrel	\$94.16	\$84.90

Bradford Allen Office Market Report

Chicago Suburban ■ Third Quarter 2012

Suburban Snapshot

Market Overview

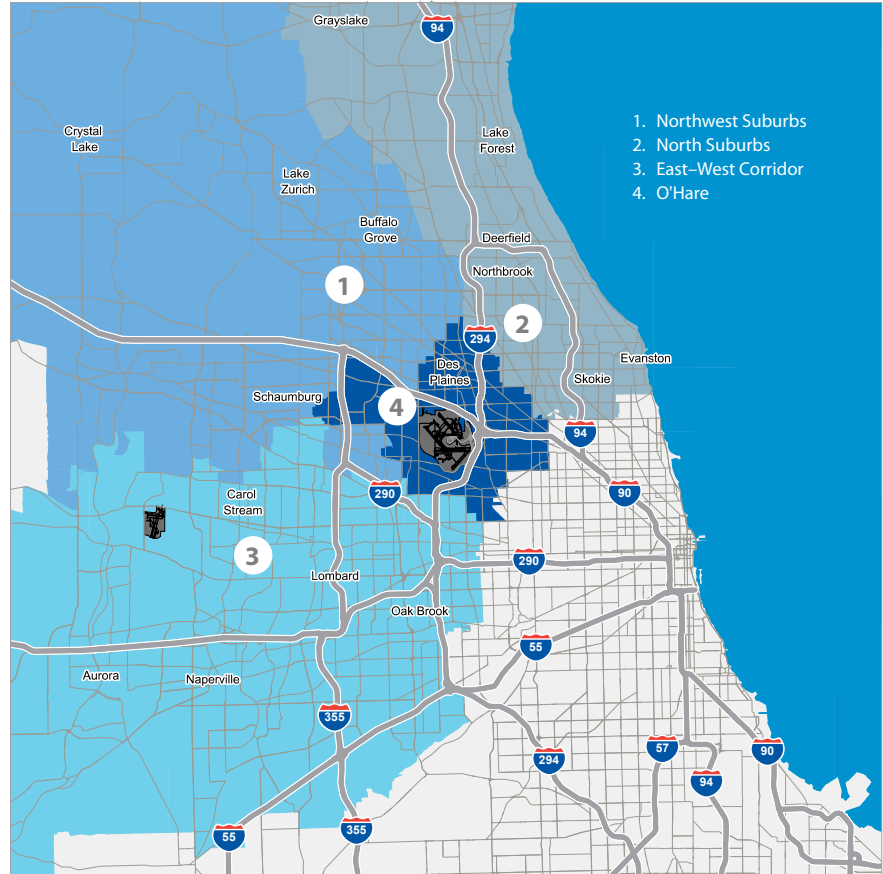
		2012	2011
Total Inventory (SF)	▲	117,466,094	116,757,357
Overall Vacancy	▼	18.7%	19.4%
Direct Vacancy	▼	16.6%	17.4%
Sublease Vacancy	▲	1.5%	1.3%
Overall Available	▼	22.9%	23.8%
Direct Available	▼	19.1%	20.1%
Sublease Available	▲	3.8%	3.7%
Gross Average Asking Rate	▼	\$20.52	\$20.74
Current Net Absorption (SF)	▼	415,309	1,482,510
YTD Net Absorption (SF)	▲	1,221,333	1,139,449

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Catamaran 1600 McConnor Pkwy, Schaumburg	300,000	New	Northwest Suburbs
Capital One 3800 Golf Rd, Schaumburg	150,000	New	Northwest Suburbs
World Kitchen 9525 W Bryn Mawr Ave, Rosemont	55,000	New	O'Hare
Big 10 Network 5440 Park Pl, Rosemont	50,000	New	O'Hare
Ferrara Pan Candy 1 Tower Ln, Oakbrook Terrace	39,000	New	East-West Corridor
Retail Properties Group 2021 Spring Rd, Oak Brook	34,000	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 Corridor	46,320,602	10,648,516	23.0%	18.1%	(138,981)	(2,229)	\$19.99
North Suburbs	28,600,108	4,913,848	17.0%	13.8%	311,768	605,692	\$20.91
Northwest Suburbs	29,433,218	8,301,338	27.6%	22.0%	260,815	556,732	\$19.63
O'Hare	13,112,166	3,046,543	23.2%	21.0%	(18,293)	207,907	\$21.55
MARKET TOTALS (BY CLASS)							
Class A	67,032,467	15,848,723	24%	18%	(76,868)	380,349	\$22.83
Class B	45,958,557	10,055,508	22%	20%	38,956	351,061	\$18.67
Class C	4,322,836	1,125,181	26%	16%	60,253	134,010	\$15.81
TOTAL							