

CHICAGO DOWNTOWN

Office Market Report



YTD Net Absorption
945,405 SF



Availability
16.1%



Asking Rent
\$28.17

Downtown Chicago Office Market Ends 2012 on the Upswing

Despite all the challenges and questions facing the economy, there's no denying that the downtown Chicago office market has been on the mend and finished the year on a positive note. Overall vacancies declined one full percentage point from the third quarter and ended 2012 at 12.7% down from 13.3% in 2011. This is the lowest year-end vacancy rate since the global economic crisis.

Similarly, the overall availability rate decreased markedly during the fourth quarter and ended the year at 16.1% down from 16.8% in 2011. These two important metrics illustrate that the downtown office market continues to gain strength. In fact, finding large blocks of Class A space in prime locations is becoming a challenge.

Although some businesses were deferring their real estate decisions due to the uncertainties associated with the November election and persistent questions regarding the "fiscal cliff" and future tax rates, other tenants were signing new leases during the fourth quarter. In the largest transaction of the quarter, financial services firm Citadel signed a lease renewal for more than 200,000 SF in its namesake building at 131 South Dearborn Street.

Leasing activity throughout the year brought positive net absorption to more than 945,000 SF for the full year. The West Loop led all downtown submarkets in positive net absorption, but the steady leasing activity in the Central Loop and River North market also contributed to this improving trend. As fewer spaces are available in these high demand markets, leasing activity is anticipated to trickle-down into North Michigan Avenue and the East Loop. These two submarkets have been slow to recover and are still experiencing relatively high availability rates of 21.7% and 19.2%, respectively.

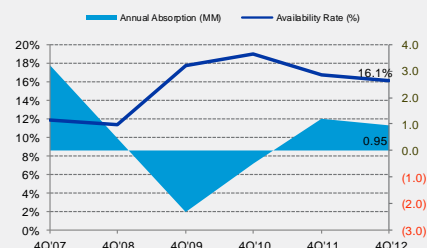
Overall gross average asking rental rates in the downtown market ended the year at \$28.17 PSF. The steady recovery and continued absorption of space is starting to be reflected in rental rates in some of the more coveted submarkets. Continued strong demand for space in the West Loop and River North make these two submarkets the most expensive in the CBD with year-end average gross asking rents of \$30.09 and \$29.21 PSF, respectively. If tenants continue gaining confidence and the metropolitan unemployment rate declines, rental rates should continue firming in the CBD office market.

4Q '12

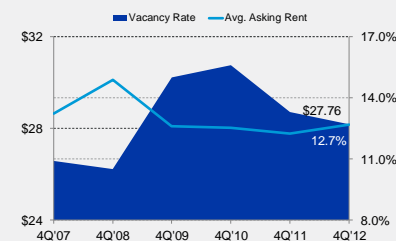
CBD Outlook – 2013

- The downtown market recovery remains on track and looks to continue in 2013.
- There is no significant construction activity in downtown Chicago. This should enable the market to continue building momentum as the economy improves.
- Rental rates in the West Loop and River North are poised to rise further, and spill-over demand in other submarkets could spur landlords to test the market with higher asking rates.
- CBD office properties continue to attract multiple bids from a wide array of investors.
- The downtown market continues benefiting from relocations from the suburbs and other markets.

Annual Absorption vs. Availability



Vacancy Rate vs. Average Asking Rent



Economic Indicators

Quarter/Year	Q4 '12	Q3 '12
IL Unemployment	8.8%	9.1%
US Unemployment	7.9%	8.2%
US Consumer Confidence Index	65.1	60.6
Western TX Intermediate Price Per Barrel	\$87.46	\$94.16

Bradford Allen Office Market Report

Chicago Downtown ■ Fourth Quarter 2012

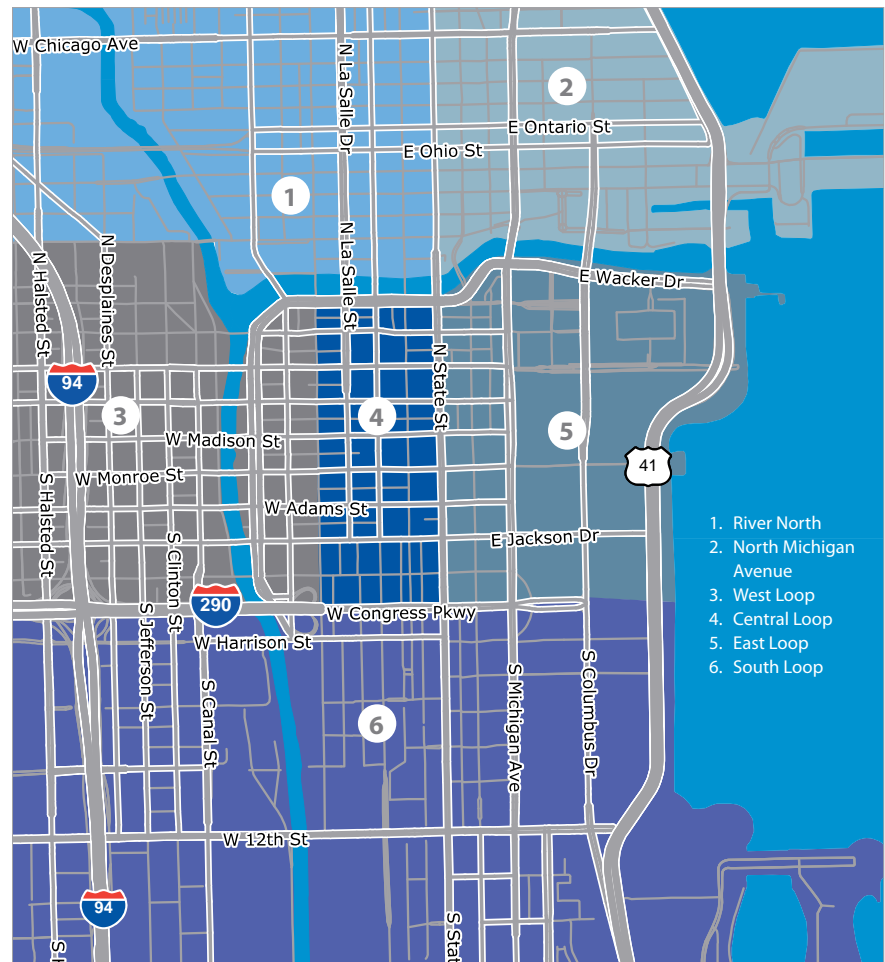
CBD Snapshot Market Overview

		2012	2011
Total Inventory (SF)	▲	168,746,516	167,135,144
Overall Vacancy	▼	12.7%	13.3%
Direct Vacancy	▼	11.9%	12.2%
Sublease Vacancy	▼	0.9%	1.0%
Overall Available	▼	16.1%	16.8%
Direct Available	▼	14.6%	15.0%
Sublease Available	◀▶	1.9%	1.9%
Gross Average Asking Rate	▲	\$28.17	\$27.76
Current Net Absorption (SF)	▼	227,142	818,810
YTD Net Absorption (SF)	▼	945,405	1,207,991

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Citadel 131 S Dearborn Street	222,416	Renewal	Central Loop
Bain & Company 190 S LaSalle Street	73,175	Renewal	Central Loop
Maximus 303 E Wacker Drive	69,655	New	East Loop
The Marketing Store 55 W Monroe Street	31,348	New	Central 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	48,728,150	6,931,857	14.2%	11.3%	(79,990)	188,166	\$28.01
East Loop	28,765,977	5,525,707	19.2%	15.9%	111,982	(19,789)	\$27.07
North Michigan Avenue	17,335,508	3,761,592	21.7%	15.6%	(49,594)	(207,016)	\$26.82
River North	18,389,532	2,168,903	11.8%	10.0%	(53,162)	142,896	\$29.21
South Loop	4,467,473	690,174	15.4%	9.0%	(10,223)	71,988	\$18.75
West Loop	51,059,876	8,033,330	15.7%	12.7%	308,129	769,160	\$30.57
MARKET TOTALS (BY CLASS)							
Class A	82,290,234	14,116,655	17.2%	14.4%	353,247	896,876	\$31.07
Class B	65,150,302	10,385,028	15.9%	11.4%	(73,277)	(315,879)	\$26.10
Class C	21,305,980	2,609,880	12.2%	10.5%	(52,828)	364,408	\$19.41
TOTAL	168,746,516	27,111,563	16.1%	12.7%	227,142	945,405	\$28.17