

CHICAGO SUBURBS

Office Market Report



Momentum Continues Building for the Improving Suburban Chicago Office Market

Transaction activity within the suburban Chicago office market accelerated during the second half of the year, and 2012 finished on a positive note. This improvement was echoed in most of the major market statistics, particularly the vacancy and absorption rates. The overall vacancy rate declined and ended the year at 17.3% as compared to 19.3% at the 2011 year end. The strong leasing activity in the fourth quarter also resulted in more than 450,000 SF of positive net absorption, bringing the full year positive net absorption to more than 1.2 million SF.

Leasing momentum has been driven by two key factors. Many ownership groups have been able to take advantage of the low-interest rate environment and refinance their properties at attractive terms. In turn, landlords are able to offer extremely aggressive lease terms to retain existing tenants and attract new ones. Prime examples of this trend include Pearlmark Real Estate Partners' Century Centre properties in Schaumburg; White Oak Realty with Columbia Centre in Rosemont; and Arden Realty with Commerce Plaza and One Tower Lane in Oak Brook and Oakbrook Terrace.

Another factor compelling suburban tenants to relocate is the increased availability of high-end built space. This was the case with US Foods recently signing for more than 55,000 SF at 9500 W Bryn Mawr Avenue in Rosemont, and Lewis University leasing almost 28,000 SF at 1111 W 22nd Street.

The close-in O'Hare submarket and the Eastern part of the East-West Corridor have experienced the greatest increase in leasing activity during the second half of 2012. In part, this reflects a continuing "cultural shift" among many large employers who realize that their employees want to be closer to suburban city centers and major highway access points for commuting. This is a stark contrast to the isolated campus settings in more remote submarkets like Hoffman Estates, Aurora, and Bolingbrook. As a result, the suburban office market has become bifurcated to a large extent—strong demand for close-in submarkets and stagnant conditions for the more inaccessible locations.

Despite the overall healthy tone to the suburban market, gross average asking rates ended the year slightly lower at \$20.05 PSF. This reflects the aggressive pricing that landlords have been offering.

4Q '12

Suburban Outlook – 2013

- As "below-market" deals and prime locations are leased, tenants will find it much harder to upgrade their locations at no cost.
- New leasing activity may slow in 2013, and we may see tenants choose to renew in existing locations rather than incur large capital expenditures for moving.
- Landlords may begin to push asking rates in select suburban submarkets as vacancy drops.

Suburban Summary

Year	2012	2011
Total Inventory (SF)	▲ 118,653,968	116,757,357
Overall Vacancy	▼ 17.3%	19.3%
Direct Vacancy	▼ 16.6%	18.2%
Sublease Vacancy	◀▶ 1.1%	1.1%
Overall Available	▼ 23.6%	24.1%
Direct Available	▼ 20.8%	21.1%
Sublease Available	▼ 2.8%	3.0%
Gross Average Asking Rate	▼ \$20.05	\$20.65
Current Net Absorption (SF)	▲ 451,119	176,550
YTD Net Absorption (SF)	▼ 1,210,133	1,391,622

Economic Indicators

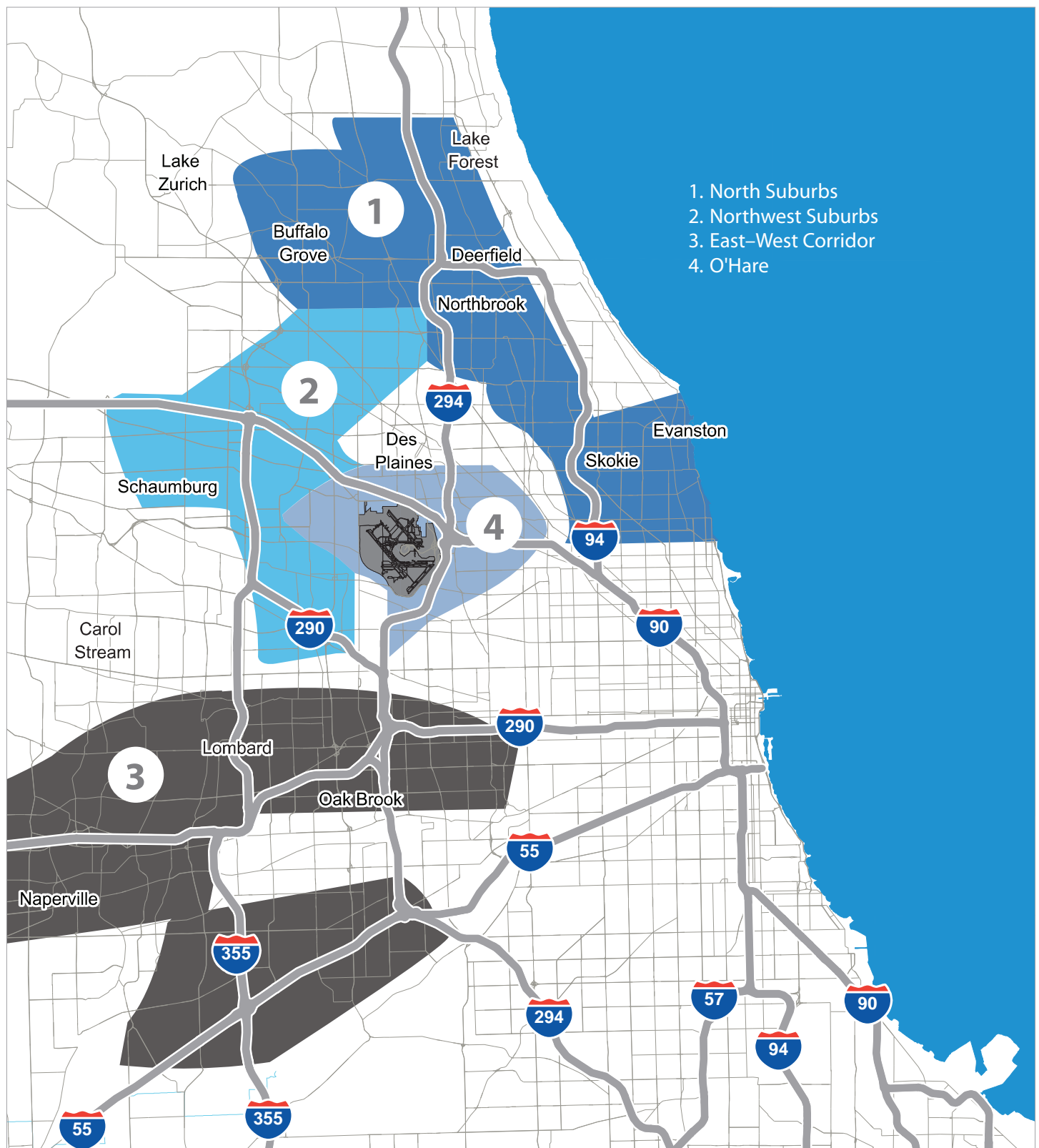
Quarter/Year	Q4 '12	Q3 '12
IL Unemployment	8.8%	9.1%
US Unemployment	7.9%	8.2%
US Consumer Confidence Index	65.1	60.6
Western TX Intermediate Price Per Barrel	\$87.46	\$94.16

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Suburban

Office Submarkets



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1. North Suburbs

MARKET STATISTICS	NUMBER OF BUILDINGS	INVENTORY (SF)	VACANCY RATE	TOTAL AVAILABLE (SF)	PERCENT AVAILABLE	CURRENT ABSORPTION (SF)	AVERAGE ASKING RENT	YTD ABSORPTION (SF)
CENTRAL								
Class A	24	4,761,593	8.1%	874,511	18.4%	2,366	\$22.35	385,448
Class B	58	4,200,078	10.5%	901,101	21.5%	(4,004)	\$18.88	52,502
Class C	16	821,588	9.7%	317,264	38.6%	(4,254)	\$17.45	4,872
TOTAL	98	9,783,259	9.3%	2,092,876	21.4%	(5,892)	\$20.36	442,822
SOUTHERN								
Class A	10	2,186,594	9.2%	258,225	11.8%	(5,747)	\$30.40	3,904
Class B	29	2,330,324	15.4%	523,538	22.5%	(19,468)	\$20.74	(25,943)
Class C	6	194,479	32.5%	63,235	32.5%	0	\$13.40	25,188
TOTAL	45	4,711,397	13.2%	844,998	17.9%	(25,215)	\$22.44	3,149
NORTHERN								
Class A	62	9,868,669	20.5%	2,066,605	20.9%	165,724	\$18.84	(181,028)
Class B	71	4,340,062	11.4%	523,390	12.1%	87,559	\$18.10	94,940
Class C	8	266,597	18.6%	51,565	19.3%	4,600	\$16.17	3,788
TOTAL	141	14,475,328	17.7%	2,641,560	18.2%	257,883	\$18.59	(82,300)
TOTAL	284	28,969,984	13.4%	5,579,434	19.2%	226,776	\$19.81	363,671

Noteworthy Leases

TENANT	SQ. FT.	TYPE
Acco Brands Corp 1 Corporate Drive, Long Grove	189,092	New
Fresenius Kabi USA LLC 1 Corporate Drive, Long Grove	101,000	New
Brightstar 850-860 Technology Way, Libertyville	48,717	New
Blue Chip Marketing 650 Dundee Road, Northbrook	28,000	Renewal/ Expansion

Largest Available Spaces

BUILDING ADDRESS	BUILDING NAME	LARGEST CONTIGUOUS SPACE (SF)	CLASS	LANDLORD
3 Overlook Point	Three Overlook Point	290,143 (Sublease)	A	Hewitt
1 Kraft Court	Kraft	252,420	A	Kraft
1 Overlook Point	One Overlook Point	117,798	A	Van Vlissingen & Company
2355 Waukegan Road	Bannockburn Lake Office Plaza	106,495	A	Wells Real Estate Trust
1200 Lakeside Drive	Bannockburn Centre at College Park	106,116	A	CommonWealth REIT
5202 Old Orchard	Old Orchard Tower	76,149 (Sublease)	A	National Louis University

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2. Northwest Suburbs

MARKET STATISTICS	NUMBER OF BUILDINGS	INVENTORY (SF)	VACANCY RATE	TOTAL AVAILABLE (SF)	PERCENT AVAILABLE	CURRENT ABSORPTION (SF)	AVERAGE ASKING RENT	YTD ABSORPTION (SF)
I-355 CORRIDOR								
Class A	13	2,758,424	23.6%	745,832	27.0%	51,340	\$21.35	67,245
Class B	29	1,700,032	23.1%	524,883	30.9%	16,551	\$17.80	70,525
Class C	1	58,301	0.0%	–	0.0%	–	\$14.00	–
TOTAL	44	4,541,757	23.0%	1,274,915	28.1%	63,691	\$19.76	133,570
SCHAUMBURG AREA								
Class A	59	15,574,251	17.3%	4,404,798	28.3%	259,985	\$21.84	530,378
Class B	126	9,576,657	20.2%	2,397,942	25.0%	(21,136)	\$16.65	77,859
Class C	12	685,805	29.0%	413,583	60.3%	(14,199)	\$14.94	(27,074)
TOTAL	197	25,836,713	18.7%	7,216,323	27.9%	224,650	\$19.51	554,092
TOTAL	241	30,378,470	20.9%	8,491,238	28.0%	288,341	\$19.55	687,662

Noteworthy Leases

TENANT	SQ. FT.	TYPE
Financial Mgmt Systems 1701 E Golf Road, Schaumburg	51,000	New
Interactive Health 1700 E Golf Road, Schaumburg	26,592	Renewal/ Downsize
Benefits Express 1700 E Golf Road, Schaumburg	22,000	New

Largest Available Spaces

BUILDING ADDRESS	BUILDING NAME	LARGEST CONTIGUOUS SPACE (SF)	CLASS	LANDLORD
3501 Algonquin Road	Crossroads of Commerce III	186,432	B	Imperial Realty Company
1701 Golf Road	Continental Tower II	183,506	A	CW Capital
2895 Greenspoint Parkway	Greenspoint III	127,941	A	Multi-Employer Property Trust
2850 W Golf Road	Meadows West Tower	110,941	A	Golub & Company
1000 E Woodfield Road	One Woodfield Lake	98,555	B	1000 E Woodfield, LLC

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3. East–West Corridor

MARKET STATISTICS	NUMBER OF BUILDINGS	INVENTORY (SF)	VACANCY RATE	TOTAL AVAILABLE (SF)	PERCENT AVAILABLE	CURRENT ABSORPTION (SF)	AVERAGE ASKING RENT	YTD ABSORPTION (SF)
EASTERN								
Class A	66	13,812,444	21.3%	4,048,506	29.3%	(210,584)	\$22.92	(207,057)
Class B	149	9,267,683	19.6%	2,046,381	22.1%	(7,703)	\$17.49	69,011
Class C	18	874,871	15.3%	140,799	16.1%	(5,839)	\$14.01	49,674
TOTAL	233	23,954,998	20.4%	6,235,686	26.0%	(224,126)	\$20.66	(88,372)
WESTERN								
Class A	49	9,698,021	15.1%	1,864,412	19.2%	112,742	\$20.68	22,512
Class B	118	8,252,899	16.6%	1,613,746	19.6%	(22,921)	\$19.18	23,961
Class C	10	1,065,754	6.0%	66,255	6.2%	3,054	\$15.82	4,069
TOTAL	177	19,016,674	15.2%	3,544,413	18.6%	92,875	\$19.91	50,542
SOUTHERN								
Class A	9	1,190,360	17.1%	222,727	18.7%	39,399	\$25.52	47,516
Class B	51	2,206,111	16.7%	468,050	21.2%	20,487	\$17.23	(68,345)
Class C	8	252,759	24.1%	72,887	28.8%	(4,485)	\$13.90	11,101
TOTAL	68	3,649,230	17.3%	763,664	20.9%	55,401	\$19.21	(9,728)
TOTAL	478	46,620,902	17.6%	10,543,763	21.9%	(75,850)	\$20.24	(47,558)

Noteworthy Leases

TENANT	SQ. FT.	TYPE
Crowe 2 Mid America, Oakbrook Terrace	83,000	Renewal/ Downsize
Lewis University 111 W 22nd Street, Oak Brook	28,000	New
Styrolution America LLC 4245 Meridian Lakes, Aurora	22,000	New
TOMY 2015 Spring Road, Oak Brook	22,000	New
UPM 55 Shuman Boulevard, Naperville	19,588	New

Largest Available Spaces

BUILDING ADDRESS	BUILDING NAME	LARGEST CONTIGUOUS SPACE (SF)	CLASS	LANDLORD
700 Oakmont Lane	Oakmont Centre	256,767	A	Griffin Capital
4201 Winfield Road	(Former Navistar)	249,996 (Sublease)	A	Navistar
2400 Cabot Drive	(Former Computer Associates)	217,718	B	HDG Mansur
3500 Lacey Roa	The Esplanade II	156,855	A	Multi-Employer Property Trust
3075 Highland Parkway	Highland Landmark I	122,816	A	Falcon Real Estate
750 N Commons Drive	Westell, Inc.	112,605 (Sublease)	B	Westell

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4. O'Hare

MARKET STATISTICS	NUMBER OF BUILDINGS	INVENTORY (SF)	VACANCY RATE	TOTAL AVAILABLE (SF)	PERCENT AVAILABLE	CURRENT ABSORPTION (SF)	AVERAGE ASKING RENT	YTD ABSORPTION (SF)
Class A	36	8,237,473	16.9%	1,797,251	21.8%	20,391	\$21.94	147,047
Class B	44	4,447,139	29.9%	1,404,552	31.6%	(8,539)	\$19.93	59,311
Class C	1	60,000	0.0%	60,000	100.0%	0	–	0
TOTAL	80	12,684,612	21.4%	3,201,803	25.2%	11,852	\$21.06	206,358

Noteworthy Leases

TENANT	SQ. FT.	TYPE
US Foods 9500 W Bryn Mawr Avenue, Rosemont	56,554	Sublease/ New
AmericanEagle.com 2600 S River Road, Des Plaines	48,000	New
Life Fitness 9525 W Bryn Mawr Avenue, Rosemont	27,527	New
Alere 9801 W Higgins Road, Rosemont	20,688	New
Haemonetics 6400 Shafer Court, Rosemont	14,000	New

Largest Available Spaces

BUILDING ADDRESS	BUILDING NAME	LARGEST CONTIGUOUS SPACE (SF)	CLASS	LANDLORD
5450 N Cumberland Avenue	Cumberland Centre	143,525	A	GlenStar Properties
2350–2360 E Devon Avenue	O'Hare Lake Office Park	142,596	B	O'Hare Lakes LLC
8420 W Bryn Mawr Avenue	US Cellular Plaza	112,528	A	Ohio Public Employees Retirement
8750 W Bryn Mawr Avenue	Triangle Plaza	110,684	A	CommonWealth REIT
8550 W Bryn Mawr Avenue	Int'l Tower	97,295	A	Wells Fargo Bank
5100 River Road	(Former Lifetime Fitness)	78,988	A	Colony Realty Partners

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