

CBD Market will Decline through 2009

While the Chicago's CBD Office Market Remains Strong, Activity has Slowed, Rates are Dropping, and Market is Poised for a Downturn

Flattening Rental Rates

The current average asking rate, \$30.13 gross cost per square foot, is slightly down from last quarter's all-time high of \$30.16, and ends 6 consecutive quarters of increasing rates. Asking rental rates are likely to hold steady for the next few months, as landlords wait to see what impact the ongoing financial crisis will have on the Chicago market.

Slowing Activity

Year-to-date net absorption rose again during the third quarter, to 1,928,616 square feet. About 400,000 square feet of this activity is due to office space being converted to other uses during the second quarter. Discounting these transactions, we see year-to-date net absorption of about 1.5 million square feet. At the end of the third quarter in 2007, year-to-date net absorption was over 2.6 million square feet.

Downturn in 2009 - But for how long?

Available sublease space has taken a small rise, increasing approximately 150,000 square feet to 1,809,272 square feet. Chicago MSA's unemployment was reported at 7.1% for August, another sharp increase over the 6.5% figure for May. Illinois' unemployment figures remain among the highest in the nation.

While these trends indicate a downturn in the Chicago CBD office market, it is not clear how far or for how long the market will drop. In a strong economy, the small drops in pricing and activity shown here would not be considered a downturn at all. However, while Chicago is likely to suffer less and for a shorter period than other markets, we are seeing the effects of the financial crisis, and we are unlikely to see it reverse again before 2010.

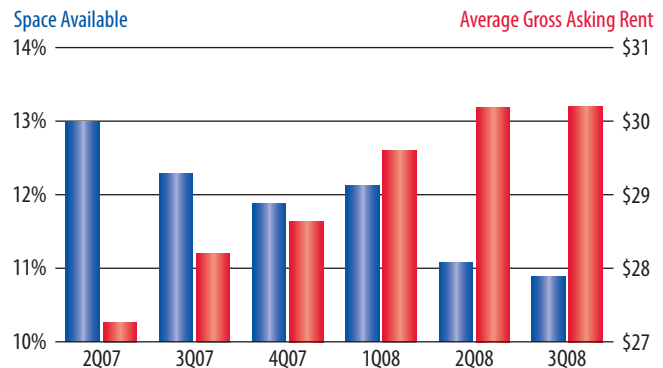
Noteworthy Leases

Tenant	Address	Sq. Ft.	Type
Walgreens Co.	2 Overlook Parkway, Lincolnshire	321,320	New - Sublease
Baker & McKenzie LLP	444 West Lake Street	300,000	Relocation
BP PLC	10 and 30 South Wacker Drive	225,000	Relocation
Solo Cup Company	150 South Saunders Road, Lake Forest	133,441	Relocation
Aviva plc	300 North LaSalle Street	49,088	Relocation - Expansion
The OfficeLinks	233 South Wacker Drive	30,000	New
M3 Capital Partners LLC	155 North Wacker Drive	27,115	Relocation - Expansion
Chambers Business Suites	35 East Wacker Drive	21,802	New
Marketing Innovators International, Inc.	9701 West Higgins Road, Rosemont	20,418	Renewal
Robbins, Schwartz, Nicholas, Lifton & Taylor, Ltd.	55 West Monroe Street	18,638	Relocation - Expansion
Reyes Holdings, L.L.C.	9500 West Bryn Mawr Avenue, Rosemont	18,249	Expansion
Iowa Foundation for Medical Care	711 Jorie Boulevard, Oak Brook	14,607	Relocation
Jack Morton Worldwide	217 North Jefferson Street	10,150	Relocation
Interfaith Youth Core	910 West Van Buren Street	10,000	Relocation

Transactions completed by Bradford Allen.

By The Numbers

Chicago CBD - Availability vs. Rental Rates



Chicago CBD - Existing Buildings 2Q 2008

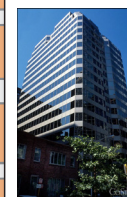
Existing RBA - Overall (583 buildings)	153,214,559
Existing RBA - Class A (80 buildings)	68,077,970
Existing RBA - Class B (205 buildings)	58,589,807
Existing RBA - Class C (298 buildings)	26,546,782
Total Vacant Sq. Ft.	15,696,174
Percent Vacant	10.2%
Total Available Sq. Ft.	16,577,642
Percent Available	10.8%
Gross Average Asking Rental Rate (Overall)	\$30.13
Year-To-Date Net Absorption	1,928,616



In a sale/leaseback transaction, Kendall College sold its 178,490-square-foot Goose Island campus at 900 North North Branch Street to an affiliate of New York-based W.P. Carey & Co. for almost \$29.4 million. Baltimore-based Laureate Education Inc., Kendall College's parent company, signed a long-term lease for the property, with options to renew its lease for up to 20 years.



The Cancer Treatment Centers of America acquired 500 Remington Road in Schaumburg, paying \$4.05 million to AST Remington, LLC for the 38,555-square-foot building.



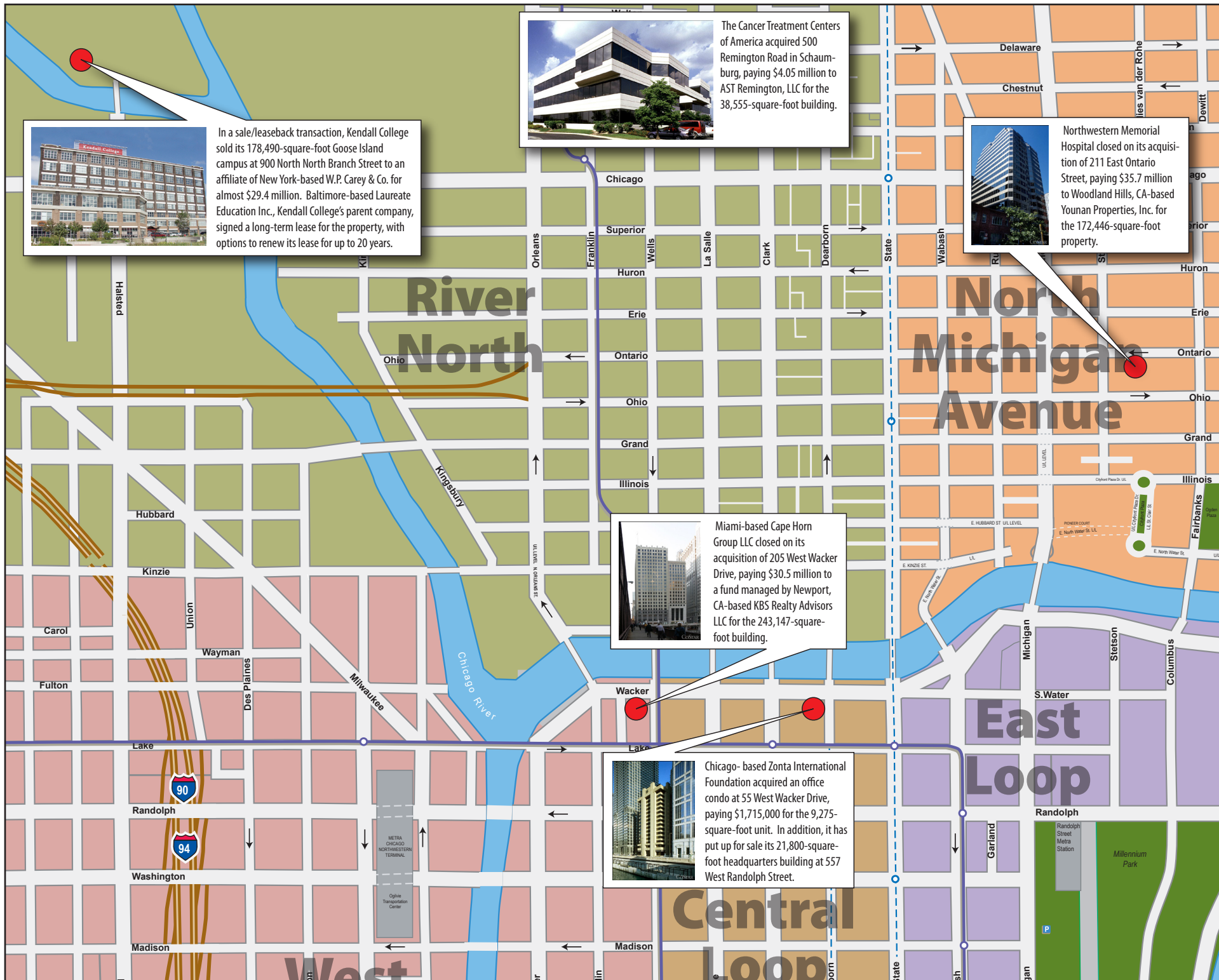
Northwestern Memorial Hospital closed on its acquisition of 211 East Ontario Street, paying \$35.7 million to Woodland Hills, CA-based Younan Properties, Inc. for the 172,446-square-foot property.

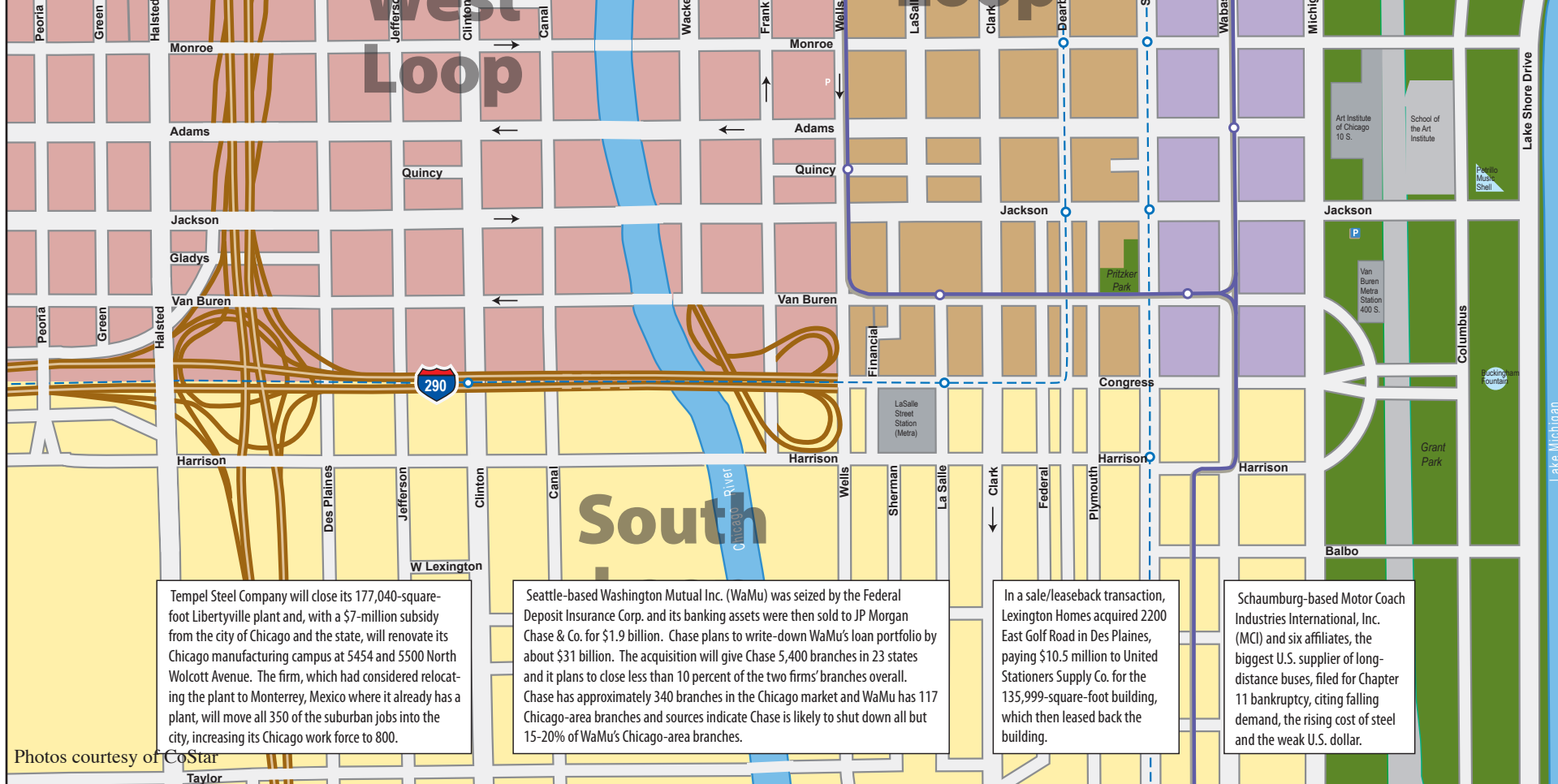


Miami-based Cape Horn Group LLC closed on its acquisition of 205 West Wacker Drive, paying \$30.5 million to a fund managed by Newport, CA-based KBS Realty Advisors LLC for the 243,147-square-foot building.



Chicago-based Zonta International Foundation acquired an office condo at 55 West Wacker Drive, paying \$1,715,000 for the 9,275-square-foot unit. In addition, it has put up for sale its 21,800-square-foot headquarters building at 557 West Randolph Street.





Chicago CBD Office Market Statistics – 3Q'08

	Overall CBD	River North	North Michigan Avenue	West Loop	Central Loop	East Loop	South Loop
Total Inventory (Sq. Ft.)	153,214,559	15,829,756	15,922,534	51,515,952	40,337,499	26,160,214	3,448,604
Total Sq. Ft. Available	16,577,642	1,410,124	1,397,717	5,780,997	4,459,042	3,207,734	322,028
Percent Available	10.8%	8.9%	8.8%	11.2%	11.1%	12.3%	9.3%
Year-to-Date Net Absorption	1,928,616	104,366	384,181	99,185	820,599	397,332	122,953
Class A Gross Average Asking Rent (PSF)	\$33.90	\$32.69	\$35.00	\$34.28	\$34.45	\$31.62	N/A
Class B Gross Average Asking Rent (PSF)	\$27.72	\$25.89	\$26.56	\$29.76	\$28.83	\$25.80	\$17.00
Class C Gross Average Asking Rent (PSF)	\$22.27	\$20.56	\$23.38	\$22.52	\$22.86	\$22.05	\$23.80

200 South Michigan Avenue
18th Floor
Chicago, IL 60604

Inside: Chicago Downtown Office Market Report – 3Q'08

Bradford Allen Market Meter - Chicago Downtown Office Space



Year-To-Date Net Absorption (SF)

The change, positive or negative, in physically occupied space during the year to date.



Availability (%)

The total amount of space being marketed for lease, regardless of current occupancy, including sublease space.



Average Gross Asking Rental Rate (\$)

The weighted average gross asking price per square foot of all available space, weighted by number of square feet available.

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Bradford Allen professionals apply an entrepreneurial approach to commercial real estate brokerage. We create an array of opportunities for our clients' requirements by challenging accepted standards, applying real market intelligence, and thinking creatively. We help our clients exploit these opportunities through hard work, experience and strong determination.