

CHICAGO DOWNTOWN

Office Market Report



YTD Net Absorption
245,561



Availability
16.9%



Asking Rent
\$28.26

2Q '12

CBD Outlook – 2012

- The overall recovery looks to continue during the second half.
- Selective landlords may push for rental increases as conditions tighten, particularly at the upper end of the market.
- Investors continue bidding for Chicago assets, even as financing remains a challenge.
- Amid discussion of job creation and companies announcing plans to move downtown, developers have introduced plans for six new office towers in the Loop.

Slight Improvement for Downtown Chicago Office Market

The status quo remains, with the second quarter statistics for the downtown Chicago office market. This is especially true in the context of our current macroeconomic environment that seems perpetually on the edge of crisis.

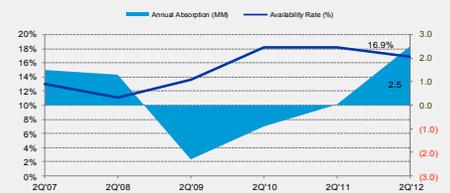
Throughout the first six months of the year, the overall availability rate in the Chicago CBD office market has remained relatively unchanged, ending the second quarter at approximately 16.9%. Not surprisingly, the downtown vacancy rate also held steady at 13.2%. Although leasing activity has leveled off to a solid (if unspectacular) pace during the first two quarters of 2012, the year-over-year trend in the downtown office market continues to be positive.

Steady underlying demand for quality space was evidenced by several second quarter transactions. In the East Loop, Sears Holdings expanded its presence by 16,000 sf to 71,000 sf at 1 North State Street, while Motorola Solutions leased 24,000 sf at 224 S. Michigan Avenue and negotiated signage rights to place their name atop the historic Santa Fe Building. Additionally, Chicago Title signed a new lease for 86,000 sf at 10 S. LaSalle Street in the Central Loop. All three of these transactions represent new leases or expansions. There are reports that several notable employers are canvassing for large blocks of space in the CBD. All these signs point to additional improvement in the supply and demand fundamentals for the second half of the year.

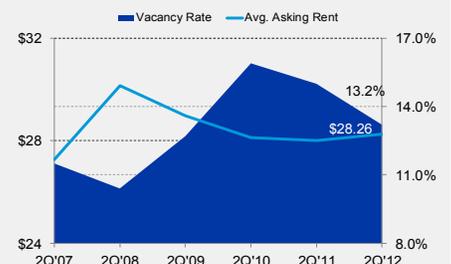
In the aggregate, second quarter leasing activity resulted in positive net absorption of more than 295,000 sf, bringing the year to date total to a positive 245,000 square feet. In terms of submarkets, the River North, South Loop and West Loop have all recorded positive net absorption during the first half of the year.

Slowly tightening market conditions in several CBD submarkets, particularly in the Class A segment, are beginning to exert some upward pressure on rents. Gross average asking rental rates increased slightly during the second quarter from \$27.99 psf to \$28.26 psf. This is the second consecutive quarter where overall rents have inched higher. In the popular West Loop submarket where vacancy rates ended the quarter at 13.8%, asking rents continued to increase and averaged \$30.02 psf. In general, the market has bifurcated whereby the best locations in coveted submarkets are drawing substantial interest, but there are still ample availabilities in second tier buildings. Landlords looking to lease Class B and C space in these locations are still showing a willingness to negotiate and offer concessions.

Annual Absorption vs. Availability



Vacancy Rate vs. Average Asking Rent



Economic Indicators

Quarter/Year	Q2 '12	Q1 '11
IL Unemployment	8.8%	9.4%
US Unemployment	8.2%	8.3%
US Consumer Confidence Index	62.0	69.9
Western TX Intermediate Price Per Barrel	\$84.90	\$103.03

Bradford Allen Office Market Report

Chicago Downtown ■ Second Quarter 2012

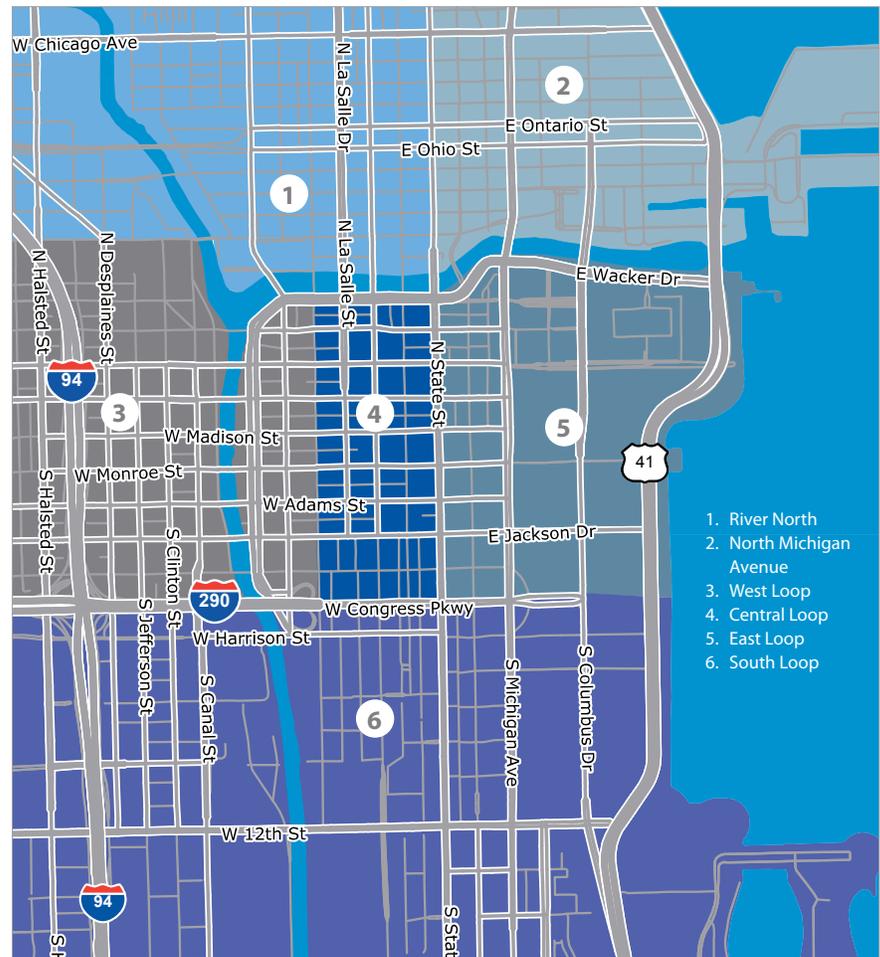
CBD Snapshot Market Overview

	2012	2011
Total Inventory (sf)	▲ 167,837,483	154,757,660
Overall Vacancy	▼ 13.2%	15.00%
Direct Vacancy	▼ 12.2%	13.70%
Sublease Vacancy	▼ 1.00%	1.40%
Overall Available	▼ 16.9%	18.2%
Direct Available	▼ 14.8%	15.60%
Sublease Available	▼ 2.1%	2.30%
Gross Average Asking Rate	▲ \$28.26	\$28.00
Current Net Absorption (sf)	▼ 295,833	715,967
YTD Net Absorption (sf)	▲ 245,561	27,831

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
SalesForce 111 W Illinois	116,000	Pending	River North
Perkins Coie LLP 131 S Dearborn	101,305	Renewal	Central Loop
Chicago Title 10 S LaSalle	86,207	New	Central Loop
Harris & Harris 111 W Jackson	69,000	New	Central Loop
PLS 1 S Wacker	38,000	New	West Loop
Motorola Solutions 224 S Michigan	24,000	New	East Loop
Sterling Partners 401 N Michigan	24,000	New	North Michigan Avenue

CBD Office Submarkets



1. River North
2. North Michigan Avenue
3. West Loop
4. Central Loop
5. East Loop
6. South Loop

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	48,546,222	7,394,145	15.2%	11.8%	(32,491)	(4,226)	\$28.20
East Loop	28,132,100	6,002,441	19.6%	15.4%	(303,834)	(249,017)	\$27.58
North Michigan Avenue	17,317,067	3,262,717	16.0%	19.5%	(3,520)	(268,298)	\$28.27
River North	18,275,445	2,366,861	13.4%	10.8%	193,046	249,220	\$28.80
South Loop	4,108,050	539,393	13.6%	8.1%	71,087	76,480	\$18.27
West Loop	51,458,599	8,746,862	17.0%	13.8%	371,545	441,402	\$30.02
MARKET TOTALS (BY CLASS)							
Class A	81,349,943	15,385,858	18.9%	14.9%	303,678	281,942	\$31.15
Class B	65,294,692	10,252,412	15.7%	11.7%	(102,520)	(353,543)	\$26.45
Class C	21,192,848	2,674,149	13.6%	11.6%	94,675	317,162	\$19.17
TOTAL	167,837,483	28,312,419	16.9%	13.2%	295,833	245,561	\$28.26