

# CHICAGO SUBURBAN

## Office Market Report



**YTD Net Absorption**  
317,668



**Availability**  
27.3%



**Asking Rent**  
\$20.20

## Suburban Chicago Office Market Cools Off During First Half of 2012

The suburban Chicago office market hit a plateau during the first half of 2012. The overall availability rate has remained unchanged from the first to the second quarter of 2012, resulting in a mid-year figure of 27.3%. This remains slightly higher than the 26.8% statistic at year-end 2011. The overall vacancy rate also remained stable during the second quarter at 23.2%.

During 2011 there were many large tenant relocations that reflected both pent up demand coming out of the financial crisis, as well as the plentiful availability of attractive second-generation space. In many cases, this space was not only well located in Class A buildings, but it also included furniture and upgraded wiring. This added significant appeal and helped motivate tenants to make longer-term commitments.

By comparison, the drop off in leasing activity during the first half of 2012 primarily reflects the reality that many of the plum, top tier suburban locations were aggressively marketed and leased last year. The weak economic recovery and lack of visibility has also hindered the market to some extent, and many suburban employers have been slow to hire and slow to commit to new spaces this year.

Nevertheless, there continue to be pockets of strength in certain suburban locations, and it is important to point out that there were some positive statistical developments for the suburban office market. Led by the East-West Corridor, three of the four suburban submarkets recorded positive net absorption during the second quarter. To date this year, the suburban market has recorded positive net absorption of more than 317,000 sf. If one excludes some of the functionally obsolete space, the suburban market is better off than it would appear based on a statistical analysis alone.

The deals that are getting done are typically those spaces where landlords are investing to reposition the space. For example, EN Engineering is reportedly leasing approximately 81,000 sf in the last of the prior BP locations in Warrenville. This space was attractively retrofitted and included upgraded wiring and is fully furnished. Even in the best of times tenants do not like dealing with the construction nuisance, but this illustrates that attractive and furnished space at good terms still holds appeal in the current market environment.

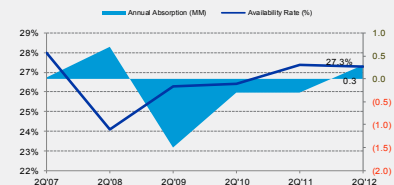
In terms of rents, gross average asking rates have been bouncing along the bottom showing little change this year, ending the second quarter at \$20.20 psf. With fewer than 3.5 msf of availabilities, average asking rents in the O'Hare submarket remain the highest of any suburban submarket at \$21.28. The North Suburban submarket currently offers the lowest gross average asking rents at \$19.63 psf.

# 2Q '12

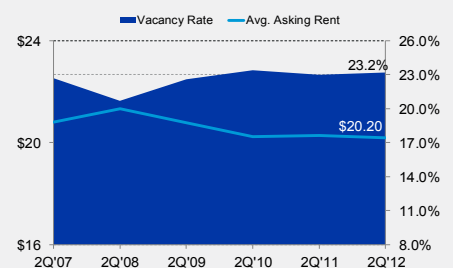
## Suburban Outlook – 2012

- Availabilities will likely remain elevated until employment gains materialize.
- Overall average asking rents will remain steady at best as the market works through vacancies, but rents for Class A space near suburban town centers may uptick with any increase in demand.
- Difficult-to-lease properties and remote corporate campus space could attract opportunistic investors looking to reposition properties.
- Suburban landlords are beginning to take a cue from their downtown counterparts and are offering spec suites and pre-building vacant units.

### 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 Suburban ■ Second Quarter 2012

## Suburban Snapshot

### Market Overview

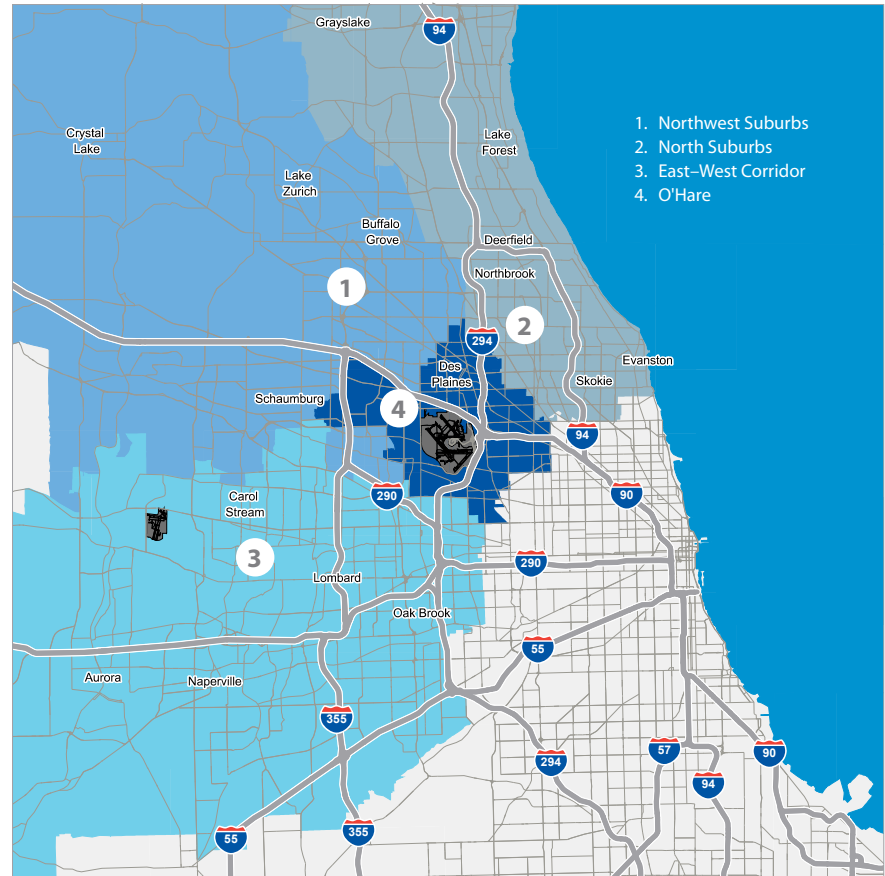
	2012	2011
Total Inventory (sf)	▼ 91,417,543	91,167,325
Overall Vacancy	▲ 23.2%	23.0%
Direct Vacancy	▼ 20.2%	21.1%
Sublease Vacancy	▼ 2.2%	2.4%
Overall Available	▲ 27.3%	26.4%
Direct Available	▲ 24.6%	23.4%
Sublease Available	▼ 2.7%	3.0%
Gross Average Asking Rate	▼ \$20.20	\$20.24
Current Net Absorption (sf)	▲ 454,680	(148,788)
YTD Net Absorption (sf)	▲ 317,668	(349,928)

## Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
<b>Credit Union 1</b> 450 E 22nd St Lombard	20,000	Renewal	East-West Corridor
<b>Aetna</b> 3800 Golf Rd Schaumburg	15,000	New	Northwest Suburbs
<b>Crawford Insurance</b> 1 Corporate Dr Long Grove	15,000	New	Northwest Suburbs
<b>Reed Elsevier</b> 333 E Butterfield Rd Lombard	10,500	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)
<b>SUBMARKET</b>							
East-West Corridor	38,909,045	10,226,117	26.3%	20.6%	342,210	111,328	\$20.10
North Suburbs	18,154,818	4,601,927	25.3%	23.4%	51,943	(33,080)	\$19.63
Northwest Suburbs	20,248,791	6,058,778	30.7%	25.5%	(15,346)	81,868	\$19.76
O'Hare	14,104,889	3,441,903	25.1%	23.4%	75,873	157,552	\$21.28
<b>MARKET TOTALS (BY CLASS)</b>							
Class A	53,636,779	14,459,571	27.3%	22.2%	264,327	168,910	\$21.38
Class B	33,078,625	8,943,422	28.4%	26.2%	182,978	108,364	\$18.62
Class C	4,702,139	925,732	18.9%	14.0%	7,375	40,394	\$15.14
<b>TOTAL</b>	<b>91,417,543</b>	<b>24,328,725</b>	<b>27.3%</b>	<b>23.2%</b>	<b>454,680</b>	<b>317,668</b>	<b>\$20.20</b>