

CHICAGO DOWNTOWN

Office Market Report



YTD Net Absorption
(146,501) SF



Availability
16.6%



Asking Rent
\$28.18

Positive Underlying Tone Continues to Characterize Downtown Chicago Office Market

The downtown Chicago office market finished the year on a positive note, and although the pace of improvement has leveled off, the market remains stable with a strong underlying bid for quality space. Overall vacancies declined nominally early this year and ended the first quarter at 12.6%. Stepping back to look at the broader trend, virtually all key market metrics have improved over the past 12 to 18 months. This continues to evidence a slow improving trend since the global economic crisis.

The first quarter ended with an overall availability rate of 16.6%, which is slightly higher than year-end. However, it's important to note some available space is becoming functionally obsolete and difficult to lease, and that often skews the statistical perspective. Far more important is the reality that it remains downright challenging to find large blocks of Class A space in prime locations.

To underscore this fact, the first major speculative office development in well over a decade is now underway. During the first quarter, Hines broke ground on River Point, a new 45-story office tower located at the Northeast corner of Canal and Lake Street in Chicago's popular West Loop submarket. The project was confirmed when McDermott, Will & Emery reportedly signed a letter of intent for 225,000 SF to anchor the project.

During the first quarter there were several other notable leases that also illustrated the positive tenor of the downtown office market. Much of this demand reflects a strengthening of the services sector. For example, Bradford Allen client, Guggenheim Partners, signed a renewal and expansion for approximately 130,000 SF at Franklin Center in the West Loop submarket. While Huron Consulting extended their lease and expanded into approximately 130,000 SF at 550 West Van Buren Street. SNR Denton, Echo Global Logistics, and Plante Moran also inked sizable deals for 125,000 SF, 89,000 SF, and 86,000 SF, respectively.

This leasing activity was offset by a few expirations and consolidations that resulted in negative net absorption of 147,000 SF during the first quarter. There has been a consistent demand for space at the upper end of the market, which may eventually lead to higher rental rates.

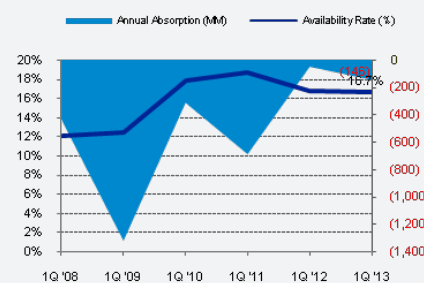
Overall gross average asking rental rates in the downtown market increased slightly from year-end 2012 and ended the first quarter at \$28.18 PSF. The West Loop and River North submarkets continue to exhibit the most robust demand. Overall asking rates in these submarkets ended the first quarter at \$30.83 and \$29.40, respectively.

1Q 2013

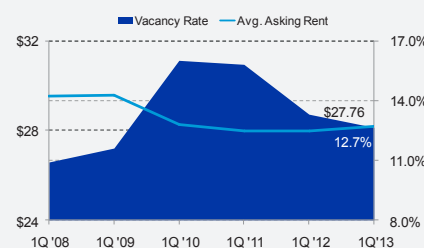
CBD Outlook

- The downtown market recovery remains on track and looks to continue during the remainder of 2013.
- Rental rates for Class A space are poised to rise further.
- Both landlords and tenants will monitor how leasing progresses on the first new speculative development in years. This could motivate other developers to push ahead on other new projects.

Annual Absorption vs. Availability



Vacancy Rate vs. Average Asking Rent



Economic Indicators

	1Q 2013	1Q 2012
IL Unemployment	9.5%	9.4%
US Unemployment	7.7%	8.3%
US Consumer Confidence Index	59.7%	69.9%
Western TX Intermediate Price Per Barrel	\$95.31	\$103.03

Market Overview

		1Q 2013	1Q 2012
Total Inventory (SF)	▲	168,053,911	167,314,487
Overall Vacancy	▼	12.64%	13.29%
Direct Vacancy	▼	11.85%	12.27%
Sublease Vacancy	▼	0.80%	1.02%
Overall Available	▼	16.65%	16.76%
Direct Available	▼	14.66%	14.89%
Sublease Available	▲	1.99%	1.86%
Gross Average Asking Rate	▲	\$28.18	\$27.99
Current Net Absorption (SF)	▲	(146,501)	(50,272)
YTD Net Absorption (SF)	▲	(146,501)	(50,272)

Noteworthy Leases

Tenant	SF	Type	Submarket
Guggenheim Partners 227 W. Adams Street and 222 W. Monroe Street	130,000	Renewal/ Expansion	West Loop
Huron Consulting 550 W. Van Buren Street	129,395	Expansion	West Loop
Echo Global Logistics, Inc. 600 W. Chicago Avenue	88,896	Expansion	West Loop
Plante Morgan 10 S. Riverside Plaza	86,000	New	West Loop

Market Statistics

Submarket	Inventory (SF)	Total Available (SF)	Percent Available	Vacancy Rate	Current Absorption (SF)	YTD Absorption (SF)	Average Asking Rent (All Classes)
Central Loop	48,618,369	6,957,636	14.3%	11.3%	(143,371)	(143,371)	\$27.81
East Loop	28,275,824	5,452,521	19.3%	15.8%	47,810	47,810	\$27.55
North Michigan Avenue	17,661,031	3,703,729	21.0%	15.1%	(43,588)	(43,588)	\$25.06
River North	18,548,500	2,081,884	11.2%	9.1%	68,028	68,028	\$29.40
South Loop	4,467,473	697,218	15.6%	9.2%	(6,085)	(6,085)	\$17.13
West Loop	50,482,714	9,082,499	18.0%	12.9%	(120,328)	(120,328)	\$30.83
Market Totals (by Class)							
Class A	80,535,694	14,638,893	18.18%	14.22%	53,296	53,296	\$30.59
Class B	66,276,885	10,886,615	16.43%	11.54%	(218,981)	(218,981)	\$27.12
Class C	21,241,332	2,449,979	11.53%	10.12%	19,184	19,184	\$19.44
TOTALS	168,053,911	27,975,487	16.65%	12.64%	(146,501)	(146,501)	\$28.18

Submarkets

