

CHICAGO SUBURBS

Office Market Report



YTD Net Absorption
205,847 SF



Availability
23.8%



Asking Rent
\$19.05

Class A Suburban Improvement Continues as Single-Tenant Listings Keep Vacancy High

Suburban availability and vacancy both rose YOY to end 2013 at 23.8% (up from 23.6%), and 18.6% (up from 17.3%), respectively. Although data suggest worsening conditions, Class A buildings and certain submarkets are improving. Availability and vacancy of Class A space in the Eastern East-West corridor both decreased, reaching 24.2% versus 29.3% of a year ago, and 20.5% versus 21.3% in 2012. The North Suburbs also continued to improve as availability and vacancy rates dropped to 18.8% from 19.2% and 12.2% from 13.4%, respectively. The Central-North micro market shows the lowest vacancy and availability of all the North Suburbs at 8.3% and 15.9%.

Tempering these positive trends are high availability and vacancy rates in the rest of the market, mostly attributable to large single-tenant buildings becoming vacant. Large tenants that once occupied single-tenant buildings or campuses—like Motorola in Libertyville, AT&T in Hoffman Estates, OCE in Rosemont and Sirva in Westmont—are now vacating, leaving huge blocks of space that do not realistically compete against the majority of the market. Discounting these outlier properties in the statistics makes the suburban market look significantly stronger.

Some of the largest available spaces were signed in the last quarter. Zebra Technologies completed 2013's largest suburban office lease for 230,000 SF at 3 Overlook Point in Lincolnshire in the North submarket. Flexera also signed a 75,000 SF lease for approximately 46% of the space Gogo Technologies will vacate, at 300 Park Boulevard in the I-355 submarket. Both of these deals came from large tenants looking to move further into suburban areas with better access to major expressways and amenities, which lends credence to the trend that submarkets closer to the CBD are better positioned to improve.

Overall, quarterly net absorption was -130,799 SF versus 451,119 SF in 4Q12. For the year, net absorption was 205,847 SF compared to 1,210,133 SF in 2012. Most absorption took place in the East-West Corridor with 389,986 SF. O'Hare also saw positive net absorption at 209,796 SF. Both submarkets have been fairly active and their Class A buildings accounted for most of the net absorption. Average Asking Rents dropped to \$19.05 versus \$20.05 in 4Q12 and they continue to decrease because of high vacancy and availability in Class B and Class C properties, making landlords compete heavily on price.

Investors continue to perceive value in top tier, Class A suburban buildings. Investors such as the Canadian Adventus Realty Trust, which completed five acquisitions totaling approximately \$140 million since March 2012, continue to purchase suburban office properties. The economy continues to improve slowly despite strong uncertainties, especially with regard to whether interest rates will increase. All in all, top-tier properties will continue to be in demand.

YEAR-END 2013

Suburban Outlook

- Large blocks of former single-tenant space will continue to be available and very challenging to re-lease
- Overall, the suburban office market will continue to improve even if the overall statistics don't indicate this direction. Certain micro markets like the eastern sections of Oak Brook and O'Hare will continue to thrive.
- Value will be seen in top-tier buildings while investment from foreign and out-of-state investors like Canadian Adventus Realty Trust should continue.

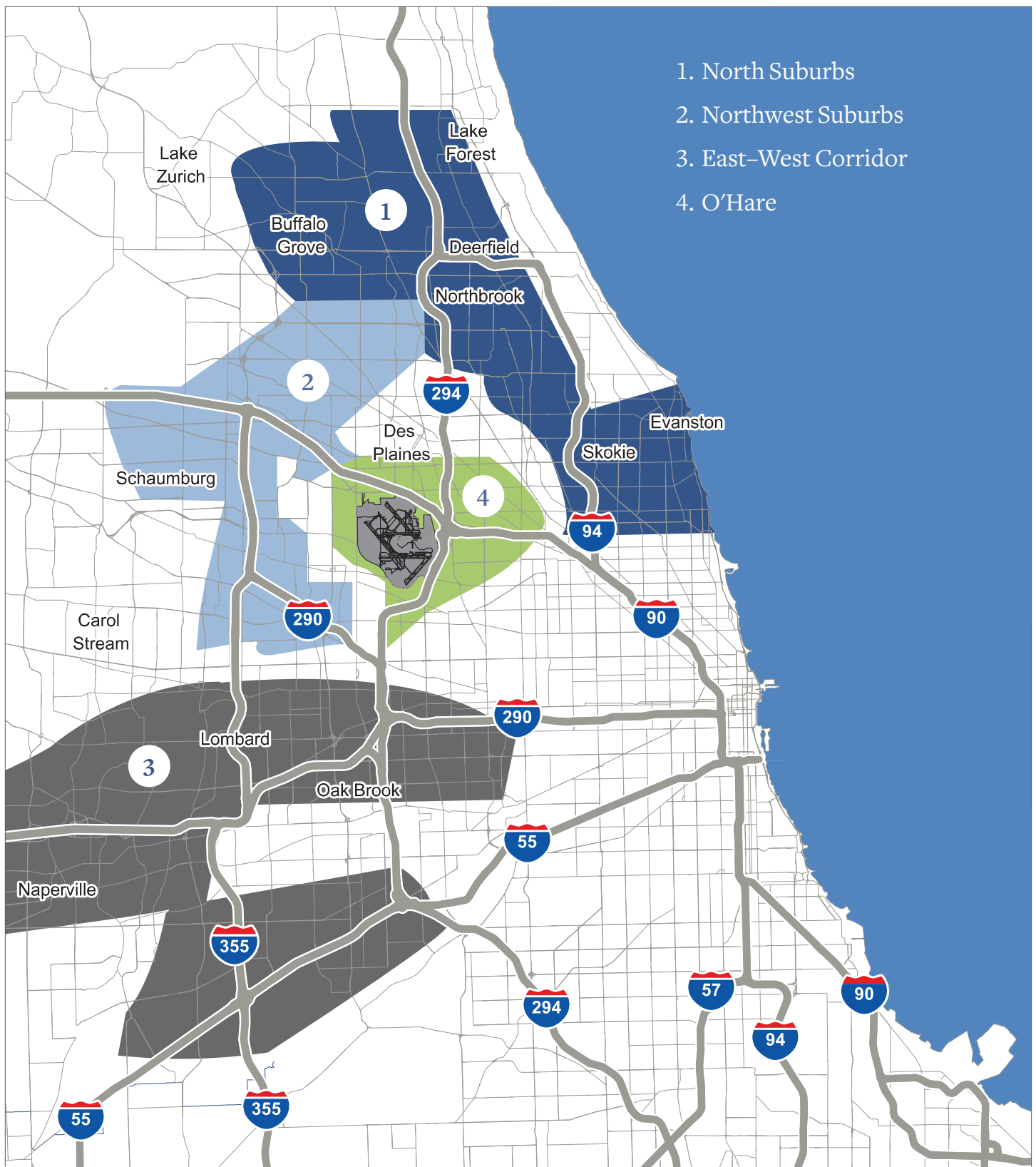
Suburban Summary

		End 2013	End 2012
Total Inventory (SF)	▲	120,665,297	118,653,968
Overall Vacancy	▲	18.6%	17.7%
Direct Vacancy	▲	17.5%	16.6%
Sublease Vacancy	◀▶	1.1%	1.1%
Overall Available	▲	23.8%	23.6%
Direct Available	▲	21.0%	20.8%
Sublease Available	▲	3.0%	2.8%
Gross Average Asking Rate (Direct)	▼	\$19.05	\$20.05
Current Net Absorption (SF)	▼	(130,799)	451,119
YTD Net Absorption (SF)	▼	205,847	1,210,133

Economic Indicators

	4Q 2013	4Q 2012
IL Unemployment	8.9%	8.8%
US Unemployment	6.7%	7.9%
US Consumer Confidence Index	78.1	65.1
Western TX Intermediate Price Per Barrel	\$95.25	\$87.46

YEAR-END 2013



YEAR-END 2013

1. North Suburbs

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	Average Asking Rent (Overall)	YTD Absorption (SF)
Central									
Class A	22	3,826,330	9.6%	1,036,776	27.1%	12,682	\$19.94	\$19.25	13,875
Class B	51	4,709,171	7.1%	376,928	8.0%	(10,274)	\$18.26	\$18.45	43,760
Class C	14	788,649	8.8%	68,739	8.7%	188	\$16.70	\$16.70	7,779
TOTALS	87	9,324,150	8.3%	1,482,443	15.9%	2,596	\$19.14	\$18.89	65,414
Southern									
Class A	13	2,607,285	10.6%	338,608	13.0%	(17,661)	\$27.94	\$27.14	(25,265)
Class B	27	1,994,487	14.1%	376,543	18.9%	17,806	\$21.42	\$21.03	21,473
Class C	6	204,063	3.9%	46,908	23.0%	3,592	\$16.01	\$14.02	48,327
TOTALS	46	4,805,835	11.8%	762,059	15.9%	3,737	\$24.00	\$22.88	44,535
Northern									
Class A	63	10,997,851	20.0%	3,406,410	31.0%	(145,338)	\$18.00	\$20.28	(315,585)
Class B	74	4,943,466	9.4%	535,514	10.8%	(4,723)	\$18.70	\$18.53	22,721
Class C	7	246,597	13.2%	32,498	13.2%	0	\$18.36	\$18.36	8,360
TOTALS	144	16,187,914	16.6%	3,974,422	24.6%	(150,061)	\$18.15	\$19.95	(282,092)
TOTALS	277	30,317,899	12.2%	6,218,924	18.8%	(143,728)	\$19.38	\$20.09	(172,143)

Noteworthy Leases

Tenant	SF	Type
Zebra Technologies Corp. 3 Overlook Point	230,000	Sublease
American Imaging Manage 2801 Lakeside	31,000	Expansion
Focus Products 300 Knightsbridge	24,000	Expansion
Donlen Corporation 2100 E Lake Cook	23,263	Renewal/ Sublease
Northshore University Health Systems 909 Davis	20,229	Renewal

Largest Available Spaces

Building Address	Building Name	Largest Contiguous Space (SF)	Class	Landlord
600 N US Highway 45	Highway 45	1,121,186	A	Motorola Mobility Holdings, Inc
26525 N Riverwoods Blvd.	Woodland Falls II	492,948	A	Capital One
1000 Milwaukee Ave	Aon Office	405,039	A	Capital Lease Funding
1000 Milwaukee Ave	Aon Office	238,330 (sublease)	A	Capital Lease Funding
25 Tri State International	Tri State Int'l Office Ctr	208,808	A	Principal Real Estate Investors LLC

*Survey method includes primary office buildings with more than 20,000 SF in each submarket.

YEAR-END 2013

2. Northwest Suburbs

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	Average Asking Rent (Overall)	YTD Absorption (SF)
I-355 Corridor									
Class A	15	2,976,569	25.1%	888,050	29.8%	(13,667)	\$20.85	\$20.33	13,831
Class B	26	1,397,304	36.1%	544,581	39.0%	6,293	\$16.54	\$16.54	(36,938)
Class C	1	58,301	0.0%	0	0.0%	0	N/A	N/A	(3,000)
TOTALS	42	4,432,174	28.2%	1,432,631	32.3%	(7,374)	\$19.42	\$19.18	(26,107)
Schaumburg Area									
Class A	55	15,134,348	16.8%	4,238,261	28.0%	26,878	\$16.27	\$16.36	(20,528)
Class B	137	9,576,671	21.6%	2,917,669	30.5%	37,181	\$16.81	\$16.79	39,717
Class C	10	608,548	56.6%	351,261	57.7%	(198,662)	\$16.18	\$16.02	(214,843)
TOTALS	202	25,319,567	19.6%	7,507,191	29.6%	(134,603)	\$16.52	\$16.55	(195,685)
TOTALS	244	29,751,741	23.9%	8,939,822	31.0%	(141,977)	\$16.95	\$16.94	(221,792)

Noteworthy Leases

Tenant	SF	Type
Flexera 300 Park	75,000	New
Omron 2895 Greenspoint	70,199	New
Advance Technology Services 425 N Martingale	41,000	New
SAC Wireless 1501 E Woodfield	32,000	Sublease
Rational Cooking Systems 1701 W. Golf	18,432	New

Largest Available Spaces

Building Address	Building Name	Largest Contiguous Space (SF)	Class	Landlord
2000 W AT&T Dr.	AT&T Business Park	1,207,245	A	Inland American Real Estate Trust
2001 Lakewood Blvd	AT&T Business Park	239,250	B	Mesirow Financial Real Estate
2850 W Golf Rd	West Tower	279,286	A	Golub & Company
200 N Martingale Rd	Woodfield Corporate Ctr	196,026	A	SMIII 150 & 200 Martingale Road
1299 Algonquin	N/A	195,394	C	Motorola

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YEAR-END 2013

3. East-West Corridor

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	Average Asking Rent (Overall)	YTD Absorption (SF)
Eastern									
Class A	67	14,036,141	20.5%	3,400,534	24.2%	49,948	\$22.88	\$22.56	221,044
Class B	151	9,768,755	19.1%	2,009,876	20.6%	(47,935)	\$17.47	\$17.46	(112,638)
Class C	22	1,113,386	11.0%	227,018	20.4%	(11,654)	\$14.41	\$14.41	46,702
TOTALS	238	24,879,290	19.6%	5,664,267	22.8%	20,015	\$20.48	\$20.32	125,677
Western									
Class A	51	10,018,574	16.5%	2,304,927	23.0%	34,556	\$20.64	\$18.94	(64,341)
Class B	118	8,434,823	14.8%	1,756,761	20.8%	7,398	\$18.22	\$17.89	382,397
Class C	8	923,578	4.8%	48,301	5.2%	0	\$13.74	\$13.74	5,066
TOTALS	177	19,376,975	15.2%	4,109,989	21.2%	41,954	\$19.32	\$18.39	314,055
Southern									
Class A	9	1,189,697	12.5%	164,687	13.8%	9,634	\$25.31	\$25.31	50,757
Class B	53	2,278,530	20.5%	543,930	23.9%	(5,896)	\$17.48	\$16.55	(97,100)
Class C	9	281,653	29.6%	88,118	31.3%	916	\$13.92	\$13.92	(3,403)
TOTALS	71	3,749,880	18.7%	796,735	21.2%	4,654	\$18.78	\$18.01	(49,746)
TOTALS	486	48,006,145	17.8%	10,570,991	21.7%	66,623	\$19.88	\$19.36	389,986

Noteworthy Leases

Tenant	SF	Type
SIRVA, Inc. <i>1 Parkview Plaza</i>	53,000	New
Addus Healthcare <i>2500 Warrenville</i>	41,000	New
Centene Corporation <i>999 Oakmont Plaza</i>	40,521	Renewal
JDA eHealth <i>1415 W Diehl</i>	39,000	New
Nebraska Book Sellers <i>55 Shuman</i>	14,500	New

Largest Available Spaces

Building Address	Building Name	Largest Contiguous Space (SF)	Class	Landlord
700 Oakmont Ln	Oakmont Centre	256,767	A	Griffin Capital
4201 Winfield Rd	International	249,996 <i>(sublease)</i>	A	Barrington Venture
2400 Cabot Dr.	N/A	205,633	B	HDG Mansur Investment Services
747 E 22nd St	N/A	209,557	A	Vectren Corporation
2655 Warrenville Rd	Corridors Two	149,896	A	Transwestern

*Survey method includes primary office buildings with more than 20,000 SF in each submarket.

YEAR-END 2013

4. O'Hare

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	Average Asking Rent (Overall)	YTD Absorption (SF)
Class A	38	8,152,869	16.1%	1,703,910	20.9%	52,070	\$21.29	\$21.25	174,165
Class B	44	4,426,643	28.8%	1,343,584	30.4%	86,213	\$18.38	\$18.26	85,631
TOTALS	82	12,589,512	20.5%	3,047,494	24.2%	88,283	\$20.07	\$19.99	209,796

Noteworthy Leases

Tenant	SF	Type
National Insurance Crime Bureau <i>999 E. Touhy</i>	35,000	Expansion
Power Construction <i>8750 W. Bryn Mawr</i>	35,000	New
Airline Pilots Association <i>9550 W. Higgins</i>	25,000	Renewal
Cushman & Wakefield <i>9500 W Bryn Mawr</i>	14,000	New
MIQ Global <i>8550 W. Bryn Mawr</i>	13,500	New

Largest Available Spaces

Building Address	Building Name	Largest Contiguous Space (SF)	Class	Landlord
5450 N Cumberland Ave	Cumberland Centre	143,525	A	GlenStar Properties LLC
2350-2360 E Devon Ave	O'Hare Lake Office Park	142,596	B	O'Hare Lake 2350-60, LLC
8420 Bryn Mawr Ave	US Cellular Plaza	104,164	A	Ohio Public Employees Retirement System
5100 River Rd	S/W/C	74,988	A	Colony Realty Partners
4825 N Scott St.	O'Hare Aerospace Center	73,168	B	Northside Community Bank

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