

CHICAGO SUBURBS

Office Market Report

▲ YTD Net Absorption
929,540 SF

▼ Availability
23.2%

▲ Asking Rent
\$22.22

Suburban Office Market Sees Vacancy and Availability Decrease and a Bifurcation Taking Place

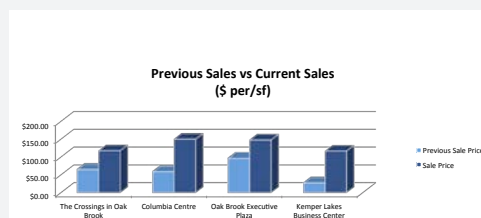
The suburban office market saw multiple statistical improvements to end the year. The overall vacancy rate decreased from 18.9% Mid-Year to 17.5%. Availability also decreased from 24.4% at Mid-Year to 23.2%. Even though a large tenant migration to the CBD occurred earlier in 2014, the suburban office market was able to record 929,540 SF of positive absorption for the year. These statistical improvements have led to a healthier suburban office market.

Although the suburban office market seems healthier, a bifurcation has now taken place due to tightening conditions for smaller to mid-size tenants. Many landlords are not breaking up large contiguous blocks of space as they have in the past. The net result is 88 blocks of contiguous space measuring 50,000 SF or greater currently available throughout the Chicagoland suburban marketplace. The volume of transactions completed for the small and mid-sized tenants increased during the second half of 2014 leading to a different market dynamic than its large tenant counterparts are experiencing. Demand in the 50,000 SF and above market pales in comparison to the supply of available space while the small and mid-sized tenants are experiencing the realities of a market headed towards equilibrium.

The largest and healthiest submarket, The East-West Corridor, saw vacancy decreased year over year from 17.8% to 17.0%. Attributing to this was 544,306 SF of positive net absorption for the year compared to 389,986 SF year-end 2013. Availability has decreased dramatically in this submarket from 22.9% mid-year to 21% now. Leases signed by Glanbia for 67,000 SF at the former Sara Lee HQ in Downers Grove and Candence Health for 54,798 SF at 4525 Weaver Parkway in Warrenville contributed to the decrease in available space.

During the second half of the year, the suburban market saw some notable sale transactions. These included Columbia Centre (3 properties) in Rosemont trading for \$150.11 per square foot, Highland Oaks I & II (2 properties) in Downers Grove for \$144.06 per square foot, Oak Brook Executive Plaza (4 properties) in Oak Brook for \$147.81 per square foot and Kemper Lakes Business Center (4 properties) in Long Grove for \$116.38 per square foot. All five of these transactions shared the following attributes: above 85% leased with credit worthy tenants and convenient to public transportation and highways.

Developing Story - Suburban Office Building Sale Transactions



Suburban office landlords are starting to cash in on their properties. Multiple sales were completed for a sizeable ROI during the 2nd half of the year. The graph to the left shows a few properties that have sold the past couple years. Previous sale in light blue and current sale dark blue.

YEAR-END 2014

Suburban Outlook

- The suburban market will continue to be bifurcated. Presenting different markets conditions for the larger user vs. the smaller user.
- Vacancy and availability rates will remain high compared to the CBD due to the amount of 50K blocks of space available.
- Asking rents will continue to rise for properties near public transit and highways and with parking ratios of 4/1,000 SF.
- The suburban capital market will continue to be active in 2015.

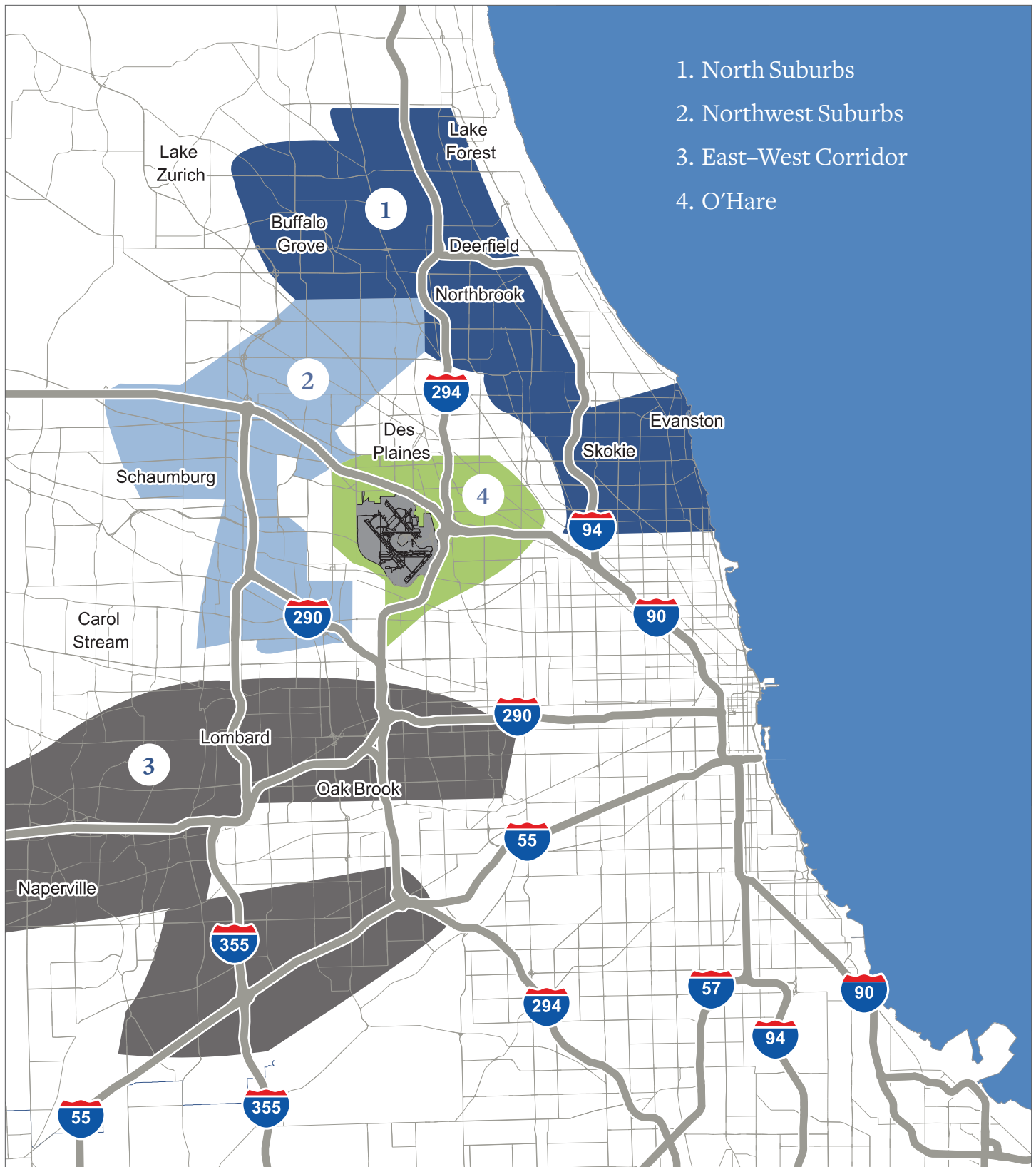
Suburban Summary

		End 2013	End 2014
Total Inventory (SF)	▲	120,665,297	120,796,979
Overall Vacancy	▼	18.6%	17.5%
Direct Vacancy	▼	17.5%	16.2%
Sublease Vacancy	▲	1.1%	1.3%
Overall Available	▼	23.8%	23.2%
Direct Available	▼	20.8%	20.0%
Sublease Available	▲	3.0%	3.2%
Gross Average Asking Rate (Direct)	▲	\$21.95	\$22.22
Current Net Absorption (SF)	▲	(130,799)	1,089,428
YTD Net Absorption (SF)	▲	205,847	929,540

Economic Indicators

	Q4 2013	Q4 2014
IL Unemployment	8.9%	6.4%
US Unemployment	6.7%	5.6%
US Consumer Confidence Index	78.1	92.6
West TX Intermediate Price Per Barrel	\$95.25	\$53.21

YEAR-END 2014



YEAR-END 2014

1. North Suburbs

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	YTD Absorption (SF)
Central								
Class A	26	4,373,830	9.9%	1,318,288	30.1%	(16,434)	\$28.84	(12,480)
Class B	51	4,991,562	7.5%	391,008	7.8%	(18,212)	\$23.48	(19,531)
Class C	12	522,671	20.6%	187,102	35.8%	(2,779)	\$18.43	(22,194)
TOTALS	89	9,888,063	9.3%	1,896,398	19.2%	(37,425)	\$25.99	(54,205)
Southern								
Class A	13	2,607,259	11.0%	380,460	14.6%	(9,302)	\$31.82	(17,675)
Class B	28	2,021,194	10.5%	341,477	16.9%	43,332	\$23.97	53,437
Class C	6	204,063	2.4%	4,808	2.4%	7,500	\$21.50	10,600
TOTALS	47	4,832,516	10.4%	726,745	15.0%	41,530	\$27.90	46,362
Northern								
Class A	63	11,018,438	22.4%	3,304,066	30.0%	564,314	\$25.99	(544,815)
Class B	76	5,330,747	9.2%	589,163	11.1%	(4,105)	\$19.95	(10,684)
Class C	8	286,597	9.3%	30,630	10.7%	16,454	\$19.35	17,856
TOTALS	147	16,635,782	21.5%	3,923,859	23.6%	576,663	\$25.01	(537,643)
TOTALS	283	31,356,361	15.9%	6,547,002	20.9%	580,768	\$25.56	(545,486)

Noteworthy Leases

Tenant	Property	SF	Type
CGC Financial Services	3 Parkway	30,000	New
Fresenius Kabi USA	3 Corporate Drive	25,000	New
Horizon Pharma	500-540 Lake Cook Road	16,000	Expansion
Rogers Memorial Hospital	4709-4711 Golf Road	11,534	New

Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
600 N US Highway 45	Highway 45	883,872	A	BECO Management, Inc
1000 Milwaukee Avenue	Former AON	405,039	A	Capital Lease Funding
1 Parkway Boulevard N	Parkway North Center	218,196	A	GE Capital
300 Tower Parkway	Lincolnshire Corporate Center	175,545	A	Van Vlissingen & Company
26125 N Riverwoods Boulevard	Woodland Falls Corporate Center	156,160	A	Dell Corporation

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

YEAR-END 2014

2. Northwest Suburbs

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	YTD Absorption (SF)
I-355 Corridor								
Class A	15	2,977,540	22.2%	760,078	25.5%	51,087	\$21.83	71,307
Class B	27	1,445,251	39.6%	678,655	47.0%	(55,409)	\$17.61	(58,077)
TOTALS	42	4,422,791	27.9%	1,438,733	32.5%	(4,322)	\$19.77	13,230
Schaumburg Area								
Class A	58	15,744,209	15.1%	3,861,529	24.5%	(48,054)	\$23.24	89,267
Class B	131	8,730,645	19.4%	2,787,508	31.9%	61,133	\$17.30	98,596
Class C	12	668,730	46.5%	337,088	50.4%	7,113	\$16.15	232,074
TOTALS	201	25,143,584	17.4%	6,986,125	27.8%	20,192	\$20.01	419,937
TOTALS	243	29,566,375	19.0%	8,424,858	28.5%	15,870	\$19.96	433,167

Noteworthy Leases

Tenant	Property	SF	Type
Houghton Mifflin Harcourt Co.	1 Pierce Place	106,000	New
Epsilon	1 Pierce Place	42,435	New
Convergint	1 E Commerce Drive	30,500	New
Pulte Homes	1900 E Golf Road	24,810	New
Ridgestone Bank	10-20 N Martingale Road	20,000	Extension/Expansion

Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
2000 W AT&T Drive	AT&T Business Park	1,300,000 (Sublease)	A	Inland American Real Estate Trust
2001 Lakewood Boulevard	AT&T Business Park	287,000	B	Mesirow Financial Investment Management, Inc.
2550 W Golf Road	Meadows Corporate Center-East Tower	216,592	A	John Buck Company
1421 W Shure Drive	Northwest Crossings	200,681	B	Gc Net Lease Arlington Heights
200 N Martingale Road	Woodfield Corporate Ctr	197,631	A	Columbia Property Trust

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

YEAR-END 2014

3. East-West Corridor

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	YTD Absorption (SF)
Eastern								
Class A	64	13,487,737	19.0%	2,877,814	21.3%	109,514	\$24.70	392,837
Class B	155	10,022,492	19.8%	2,126,523	21.2%	11,181	\$17.35	18,223
Class C	21	949,922	20.6%	218,243	23.0%	11,525	\$14.67	23,791
TOTALS	240	24,460,151	19.4%	5,222,580	21.4%	132,220	\$21.39	434,851
Western								
Class A	51	10,594,427	13.0%	2,408,833	22.7%	(35,504)	\$23.53	35,092
Class B	116	8,071,077	15.7%	1,631,696	20.2%	32,260	\$18.33	(20,615)
Class C	7	217,838	21.1%	45,923	21.1%	(2,098)	\$15.00	(1,222)
TOTALS	174	18,883,342	14.2%	4,086,452	21.6%	(5,342)	\$21.29	13,255
Southern								
Class A	11	1,429,570	10.2%	225,119	15.7%	1,238	\$25.84	22,881
Class B	52	2,204,359	17.7%	351,866	16.0%	27,751	\$19.29	53,046
Class C	9	281,769	18.7%	57,717	20.5%	13,761	\$13.94	20,275
TOTALS	72	3,915,698	15.0%	634,702	16.2%	42,750	\$21.20	96,202
TOTALS	486	47,259,191	17.0%	9,943,734	21.0%	169,628	\$21.34	544,308

Noteworthy Leases

Tenant	Property	SF	Type
Exelon Generation Co	4300-4320 Winfield Road	147,000	Renewal
Glanbia	3500 Lacey Road	67,000	New
Candence Health	4525 Weaver Parkway	54,798	New
Miramend Revenue Group	360 22nd Street	49,617	Sublease
Eby Brown	1415 W Diehl Road	49,000	New

Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
263 Shuman Boulevard	Former Office Max	354,000	A	Columbia Property Trust
700 Oakmont Lane	Former Sirva	256,767	A	Griffin Capital
4201 Winfield Road	Former Navistar	249,996	A	Barrington Venture
2600 Lucent Lane	Lucent Technologies	225,000	A	Alcatel-Lucent
747 E 22nd Street	N/A	209,557	A	Vectren Corporation

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

YEAR-END 2014

4. O'Hare

	Number of Buildings	Total Inventory (SF)	Vacancy Rate	Total Available (SF)	Percent Available	Current Absorption (SF)	Average Asking Rent (Direct)	YTD Absorption (SF)
Class A	39	8,316,185	16.2%	1,772,309	21.3%	158,996	\$27.09	197,588
Class B	45	4,627,726	25.8%	1,308,759	28.3%	164,166	\$18.35	299,963
TOTALS	84	12,943,911	19.6%	3,081,068	23.8%	323,162	\$23.19	497,551

Noteworthy Leases

Tenant	Property	SF	Type
Van Ru	1350 E Touhy Avenue	40,000	Renewal/Downsize
Ajinomoto Heartland Inc.	8430 W Bryn Mawr Avenue	16,005	Extension/Expansion
Aldridge Electric	10400 W Higgins Road	15,300	New

Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
5450 N Cumberland Avenue	Cumberland Centre	143,525	A	GlenStar Properties LLC
2350-2360 E Devon Avenue	O'Hare Lake Office Park	142,596	B	Robert Kozonis
8420 Bryn Mawr Avenue	US Cellular Plaza	119,228	A	Faison LLC
10255 W Higgins Road	O'Hare International Center	88,227	A	The Blackstone Group LP
8725 W Higgins Road	O'Hare Plaza I	78,060	A	Herbco

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

Bradford Allen Realty Services is a Chicago-based commercial real estate firm providing a full range of brokerage services and expert advice to private, public and not-for-profit companies of all sizes. The firm has established a reputation for the ethical and unwavering pursuit of our clients' best interests. Our demonstrated ability to achieve results is reflected in our rapid growth.

Bradford Allen professionals create flexible solutions for our clients through our experience, commitment to solving the most difficult problems, persistence, loyalty, hard work, and a singular focus on their objectives.

Bradford Allen is an affiliate of TCN Worldwide—a global network of independent real estate firms with offices throughout the United States and in most major real estate markets on four different continents. This gives our real estate practitioners access to additional global resources, including an on-the-ground presence and research analytics in more than 200 different global markets.