

CHICAGO SUBURBS

Office Market Report

▲ YTD Net
Absorption
952,311 SF

▼ Availability
23.1%

▲ Gross Average
Asking Rate (Direct)
\$22.29

Suburban Markets Prove Resilient, Availability and Vacancy Rates Drop

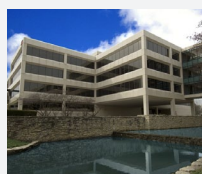
The Suburban office market maintained the positive momentum it saw in 2014 through the end of 2015 despite the continued migration of large tenants to the CBD. 2015 saw 951,311 sf of positive net absorption which surpassed the 704,910 sf of positive net absorption in 2014. The vacancy rate decreased from 17.5% to 17.1% and the availability rate decreased from 23.2% to 23.1% year over year, respectively.

Noteworthy leases from the second half of the year include: HSBC for 162,000 sf at 1421 W. Shure Drive in Arlington Heights, Verizon Wireless for 159,800 sf at 1701 Golf Road in Rolling Meadows, Horizon Pharma for 150,000 sf at 150 S. Saunders Road in Lake Forest, Exelon Corporation for 147,000 sf at 4300 Winfield Road in Warrenville, and Plexus Corporation for 141,000 sf at 2400 Millbrook Drive in Buffalo Grove. These large transactions have helped to offset the tenant moves to downtown from the suburbs and clearly display the continued demand for larger blocks of space throughout the suburban markets.

The largest submarket, the East-West Corridor, remains the healthiest with a year to date positive net absorption of 645,296 sf. This absorption is a 16% increase from last year's 544,306 sf of positive absorption. Year over year availability in the East-West Corridor has also dropped from 21.0% to 20.8% and vacancy has dropped from 17.0% to 15.4%. The continued velocity in this submarket can be attributed to, in part, the large transactions by Horizon Pharma for 150,000 sf and Exelon Corporation for 147,000.

During the second half of the year, the suburbs continued to see strong investment sale activity. A few notable transactions that contributed to the momentum include LaSalle Investment's sale of Highland Point I & II for approximately \$29 million (\$75.48/sf), GE Capital/Arden's sale of the 7 property portfolio to The Blackstone Group for approximately \$1.1 billion (\$245.96/sf), CBRE's sale of One O'Hare Center to MDC Property Services for approximately \$83 million (\$218.21/sf), and the Carlyle Group's sale of Highland Landmark V to Adventus Realty Services for approximately \$71 million (\$285.78/sf).

Developing Story – Tech Tenants are Moving Downtown and Staying



The tech incubator, 1871, has been extremely successful since it moved into the Merchandise Mart in 2012. So it comes as no surprise that they continued to grow their space in 2015 and 1871 isn't the only tech firm in Chicago that is growing. Sprout Social and GrubHub are some of the other big names that expanded in 2015. Tech is continuing to fuel leasing in the CBD of Chicago and is helping it to be worthy of the name "Silicon Prairie".

YEAR-END 2015

Suburban Outlook

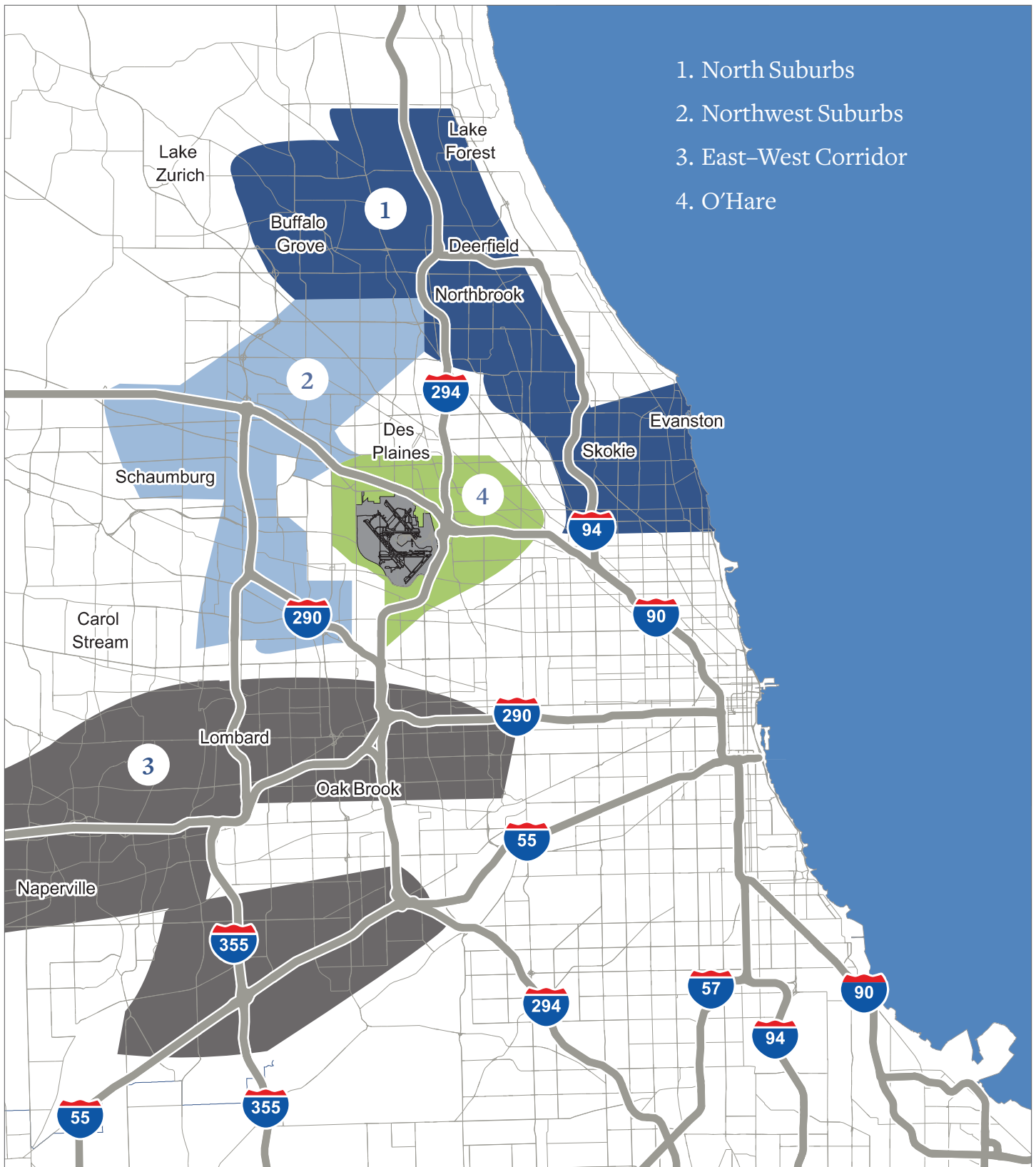
- Investment sales in the suburban markets will continue to be active in 2016.
- Suburban space will continue to see a high demand for their larger blocks despite the big name tenants that have migrated to the CBD.

Suburban Summary

		End 2014	End 2015
Total Inventory (SF)	▲	120,796,979	121,270,276
Overall Vacancy	▼	17.5%	17.1%
Direct Vacancy	◀▶	16.2%	16.2%
Sublease Vacancy	▼	1.3%	0.8%
Overall Available	▼	23.2%	23.1%
Direct Available	▲	20.0%	21.0%
Sublease Available	▼	3.2%	2.1%
Gross Average Asking Rate (Direct)	▲	\$22.22	\$22.29
Current Net Absorption (SF)	▼	1,089,428	352,094
YTD Net Absorption (SF)	▲	704,910	952,311

Economic Indicators

	End 2014	End 2015
IL Unemployment	6.4%	5.7%
US Unemployment	5.6%	5.0%
US Consumer Confidence Index	92.6	96.5
West TX Intermediate Price Per Barrel	\$53.21	\$37.14



YEAR-END 2015

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	4,348,050	18.6%	1,296,811	29.8%	(363,078)	\$28.84	(382,474)
Class B	53	5,222,598	9.4%	1,163,836	22.3%	(12,055)	\$23.49	(76,619)
Class C	13	545,671	14.3%	86,946	15.9%	7,191	\$18.46	32,555
TOTALS	92	10,116,319	13.6%	2,547,593	25.2%	(367,942)	\$26.69	(426,538)
Southern								
Class A	14	2,822,275	9.0%	281,005	10.0%	29,283	\$32.10	79,768
Class B	27	1,819,785	13.9%	318,794	17.5%	(37,672)	\$23.71	(60,892)
Class C	6	204,063	2.4%	4,808	2.4%	0	\$21.50	0
TOTALS	47	4,846,123	10.6%	604,607	12.5%	(8,389)	\$28.00	18,876
Northern								
Class A	66	11,280,756	25.2%	3,498,962	31.0%	358,145	\$22.28	998,224
Class B	75	5,260,426	8.6%	518,523	9.9%	26,590	\$19.88	(97,300)
Class C	9	336,711	11.1%	41,133	12.2%	1,068	\$17.90	1,530
TOTALS	150	16,877,893	19.7%	4,058,618	24.0%	385,803	\$21.90	902,454
TOTALS	289	31,840,335	16.4%	7,210,818	22.6%	9,472	\$23.71	494,792

Noteworthy Leases

Tenant	Property	SF	Type
Plexus Corp	2400 Millbrook Drive	141,000	Renewal
Zebra Technologies	2500-2550 Millbrook Drive	44,000	Renewal
Reed Elsevier	1007 Church Street	28,000	New

Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
600 N US Highway 45	Innovation Park Lake County	972,531	A	BECO Management, Inc
1000 Milwaukee Avenue	AON Office Building	405,039	A	American Realty Capital Properties, Inc.
3 Lakes Drive	N/A	209,980	B	W.P. Carey Inc.
300 Tower Parkway	Lincolnshire Corporate Center	175,545	A	Van Vlissingen & Company
200 N Field Drive	N/A	169,000	A	Duke Realty Corporation

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

YEAR-END 2015

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	23.2%	1,042,208	35.0%	90,603	\$22.92	(51,720)
Class B	28	1,480,251	34.4%	596,628	40.3%	3,257	\$16.99	83,002
TOTALS	43	4,457,791	26.9%	1,638,836	36.8%	93,860	\$20.05	31,282
Schaumburg Area								
Class A	59	15,993,792	15.9%	3,698,196	23.1%	(27,927)	\$23.44	(172,192)
Class B	129	8,595,156	22.4%	2,496,566	29.0%	(6,764)	\$17.05	(145,167)
Class C	12	628,464	42.0%	307,295	48.9%	2,728	\$18.20	41,873
TOTALS	200	25,217,412	18.7%	6,502,057	25.8%	(31,963)	\$20.57	(275,486)
TOTALS	243	29,675,203	20.0%	8,140,893	27.4%	61,897	\$20.44	(244,204)

Noteworthy Leases

Tenant	Property	SF	Type
HSBC	1421 W Shure Drive	162,000	New
Verizon Wireless	1701 Golf Road - Tower II	159,800	New
McGladrey & Pullen	20 N Martingale Road	51,636	Renewal
Advocate Health	1701 Golf Road - Tower I	47,000	Renewal
Fullerton Engineering Consultants	1100 E Woodfield Road	32,000	New

Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
1400 American Lane	Zurich Towers I	441,531	A	Colliers International
1450 American Lane	Zurich Towers II	440,538	A	Colliers International
2 Pierce Place	Two Pierce Place	328,378	A	Newmark Grubb Knight Frank
2000 W AT&T Drive	N/A	325,000	A	JLL
2001 Lakewood Boulevard	N/A	287,000	B	JLL

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

YEAR-END 2015

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	63	13,286,805	16.9%	2,651,978	20.0%	33,222	\$26.59	164,714
Class B	155	9,959,767	18.5%	2,035,059	20.4%	101,680	\$18.20	241,912
Class C	19	902,624	13.6%	137,996	15.3%	(1,860)	\$12.58	68,236
TOTALS	237	24,149,196	17.4%	4,825,033	20.0%	133,042	\$22.82	474,862
Western								
Class A	52	10,792,671	14.2%	2,791,510	25.9%	1,321	\$24.37	(35,895)
Class B	120	8,079,652	11.5%	1,295,664	16.0%	92,281	\$18.73	194,231
Class C	10	324,434	16.5%	53,513	16.5%	1,909	\$13.49	4,465
TOTALS	182	19,196,757	13.1%	4,140,687	21.6%	95,511	\$21.39	162,801
Southern								
Class A	11	1,429,570	15.2%	347,244	24.3%	1,310	\$26.40	(71,756)
Class B	52	2,216,409	12.8%	420,298	19.0%	(3,503)	\$18.21	93,762
Class C	9	282,288	22.3%	81,727	29.0%	(9,305)	\$14.01	(14,373)
TOTALS	72	3,928,267	14.4%	849,269	21.6%	(11,498)	\$20.84	7,633
TOTALS	491	47,274,220	15.4%	9,814,989	20.8%	217,055	\$22.18	645,296

Noteworthy Leases

Tenant	Property	SF	Type
Horizon Pharma	150 S Saunders Road	150,000	New
Exelon Corporation	4300 Winfield Road	147,000	Renewal
MultiPlan Inc.	535 E Deihl Road	68,000	Renewal
United Healthcare	550-650 Warrenville Road	20,500	Renewal
Comed	18W140 Butterfield Road	19,500	Expansion

Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
2701 Navistar Drive	N/A	593,360	A	Navistar
263 Shuman Boulevard	Shuman Boulevard 263	354,000	A	Columbia Property Trust
700 Oakmont Lane	Oakmont Center	256,767	A	Lexington Westmont LLC
4201 Winfield Road	International	249,996	A	MJH Warrenville LLC
2400 Cabot Drive	N/A	205,633	A	2400 Cabot Holdings VII LLC

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YEAR-END 2015

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	40	8,360,660	14.2%	1,696,686	20.3%	14,161	\$28.18	105,428
Class B	43	4,330,793	24.3%	1,109,886	25.6%	49,509	\$18.05	(43,769)
Class C	3	117,924	4.4%	8,424	7.1%	0	\$12.00	(5,232)
TOTALS	86	12,809,377	17.5%	2,814,996	22.0%	63,670	\$23.62	56,427

Noteworthy Leases

Tenant	Property	SF	Type
PICIS/UHG	9550 W Higgins Road	18,000	Renewal

Largest Available Spaces

Building Address	Building Name	SF	Class	Landlord
9600 W Bryn Mawr Avenue	O'Hare Gateway Office Center	161,676	A	Higgins Development Partners
8725 W Higgins Road	O'Hare Plaza I	88,881	A	O'Hare Plaza LLC
9550 W Higgins Road	Pointe O'Hare I	58,140	A	The Blackston Group
5450 N Cumberland Avenue	N/A	50,578	A	Presidents Plaza LLC
4849 N Scott Street	O'Hare Aerospace Center	46,065	B	L & R Group

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