

CBD Downturn: Have We Hit Bottom?

Market turnaround expected to take place in 2011

New Construction Adds to Increase of Available Space

Overall availability in the Chicago Central Business District (CBD) rose to 17.8% at year-end 2009, a 6.4 percentage point increase compared to the same time last year, marking the highest percentage available in four and a half years. Availability in the River North submarket increased 6.8 percentage points in 2009. This was the largest jump in a CBD submarket with a large portion resulting from the completion of 300 North LaSalle Street and 353 North Clark Street during the year.

Rental Rates Continue to Decline

Tenant demand fell with overall net absorption totaling negative 2.3 million square feet (msf) during 2009, the first negative year-end total since 2003. To compare, overall net absorption reported positive 444,218 sf in 2008 and positive 3.2 msf in 2007. Rental rates are following this trend as well. The overall Class A asking rental rate decreased \$3.37 to \$30.67 when compared to year-end 2008 and the overall Class B asking rental rate decreased \$1.25 to \$26.57 during the same time period.

Looking Ahead to 2010

Looking toward the future, it appears the bottom may be in sight. Velocity picked up during fourth quarter as tenants became more comfortable with addressing their real estate needs beyond the short term. There is no new development on the horizon and this will give the market an opportunity to move toward equilibrium.

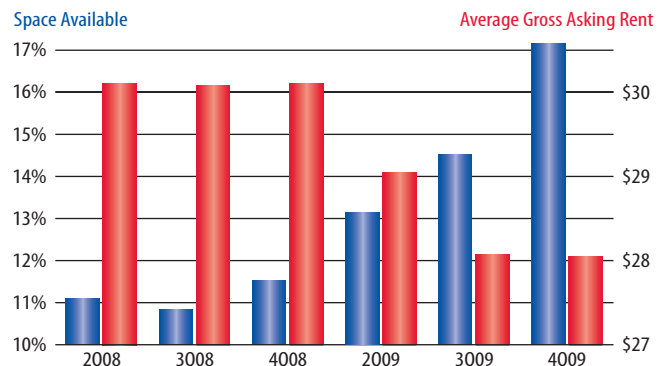
Until employment stabilizes, the availability rates will continue to increase. There are unique challenges facing the CBD. Cash-strapped landlords will have trouble in financing concessions that are essential to attract tenants in this market. The possibility exists that the market for available space where tenants can receive market concessions will become smaller creating leverage for the landlords who have the financial capability to execute transactions. Even though 2010 may see increased activity, the market is not expected to see a turnaround until 2011.

Noteworthy Leases

Tenant	Address	Sq. Ft.	Type
UAL Corporation	233 South Wacker Drive	450,000	New
William Blair & Company	222 West Adams Street	324,700	Renewal
Robert Morris University	401 South State Street	323,000	Renewal - Expansion
Baker & McKenzie LLP	300 East Randolph Street	237,000	Relocation
Wm. Wrigley Jr. Company	600 West Chicago Avenue	148,000	Renewal
U.S. General Services Administration (GSA)	525 West Van Buren Street	142,000	Renewal - Expansion
The Adler School of Professional Psychology	1 North Dearborn Street	100,796	Relocation - Expansion

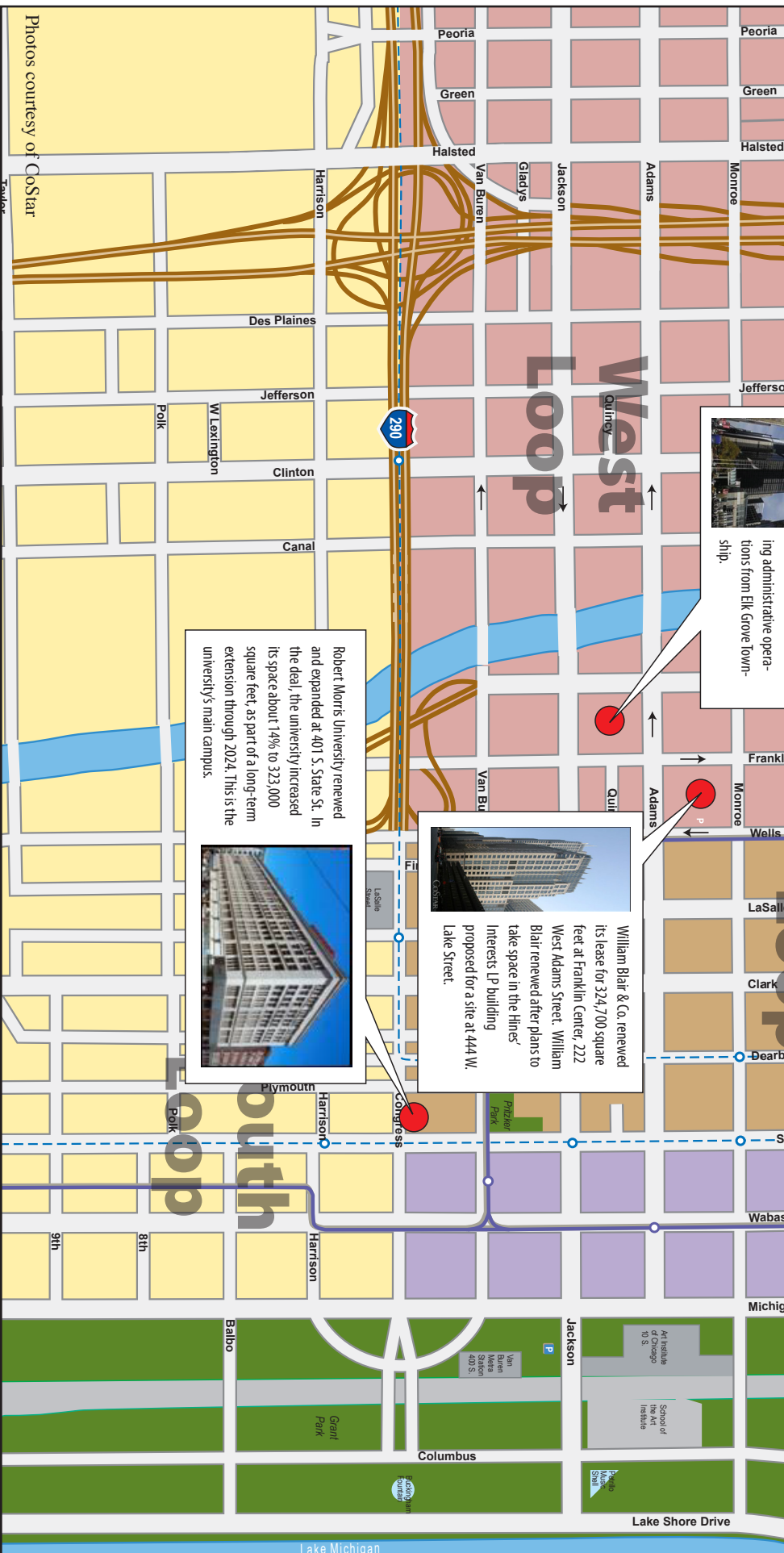
By the Numbers

Chicago CBD – Availability vs. Rental Rates



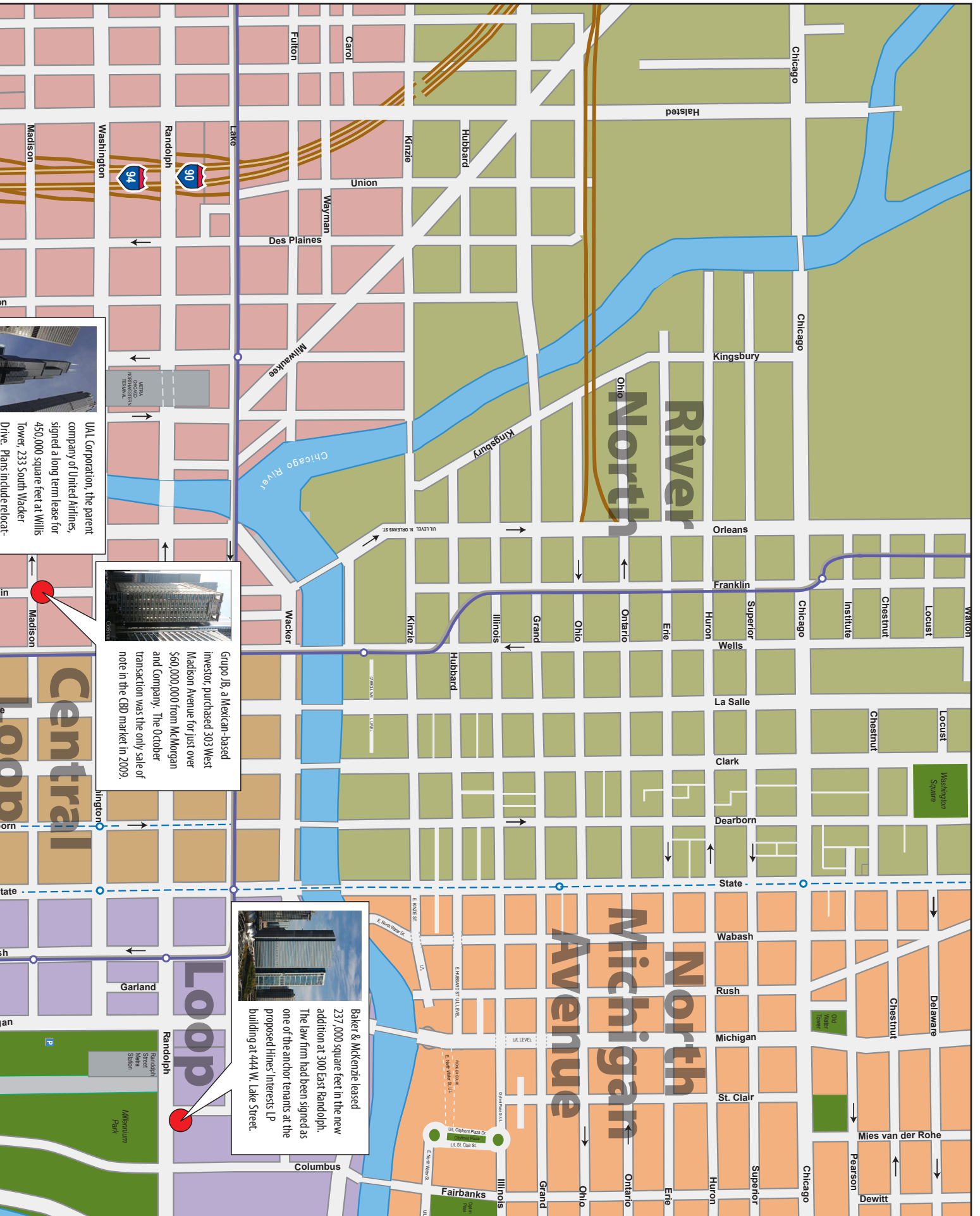
Chicago CBD - Existing Buildings 4Q 2009

Existing RBA - Overall (580 buildings)	155,519,412
Existing RBA - Class A (82 buildings)	73,231,517
Existing RBA - Class B (202 buildings)	57,366,395
Existing RBA - Class C (296 buildings)	24,921,500
Total Vacant Square Feet	23,392,800
Percent Vacant	15.0%
Total Available Square Feet	27,614,274
Percent Available	17.8%
Gross Average Asking Rental Rate (Overall)	\$28.09
Year-to-Date Net Absorption	(2,330,634)

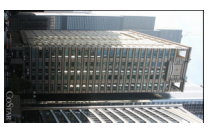


Chicago CBD Office Market Statistics – 4Q'09

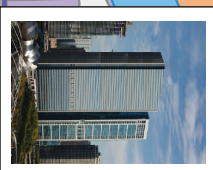
	Overall CBD	River North	North Michigan Avenue	West Loop	Central Loop	East Loop	South Loop
Total Inventory (Sq. Ft.)	155,519,412	18,078,780	14,461,835	52,362,605	39,589,228	27,324,381	3,702,583
Total Sq. Ft. Available	27,614,274	2,936,614	2,400,595	9,465,858	6,589,093	5,875,093	347,021
Percent Available	17.8%	16.2%	16.6%	18.1%	16.6%	21.5%	9.4%
Year-to-Date Net Absorption	(2,330,634)	1,574,232	(217,181)	(895,380)	(943,760)	(1,891,177)	42,632
Class A Gross Average Asking Rent (PSF)	\$30.67	\$36.45	\$35.37	\$31.35	\$30.04	\$26.34	N/A
Class B Gross Average Asking Rent (PSF)	\$26.45	\$26.16	\$25.89	\$27.90	\$27.65	\$23.79	\$22.87
Class C Gross Average Asking Rent (PSF)	\$21.44	\$20.17	\$22.95	\$21.61	\$21.07	\$21.92	\$22.77



Grupo JB, a Mexican-based investor, purchased 303 West Madison Avenue for just over \$60,000,000 from McKimLogan and Company. The October transaction was the only sale of note in the CBD market in 2009.



Baker & McKenzie leased 237,000 square feet in the new addition at 300 East Randolph. The law firm had been signed as one of the anchor tenants at the proposed Hines' interests LP building at 444 W. Lake Street.



UAL Corporation, the parent company of United Airlines, signed a long term lease for 450,000 square feet at Willis Tower, 233 South Wacker Drive. Plans include relocat-



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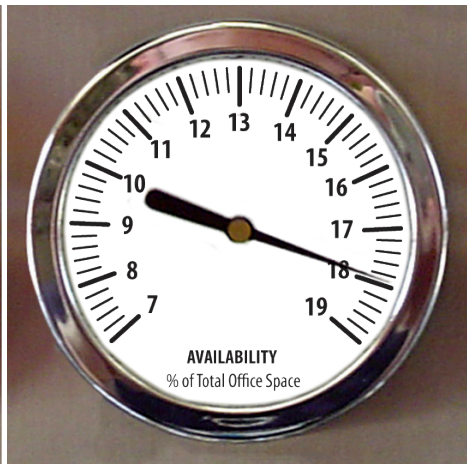
Inside: Chicago Downtown Office Market Report – 4Q'09

Bradford Allen Market Meter - Chicago Downtown Office Space



Year-to-Date Net Absorption (SF)

The change, positive or negative, in physically occupied space during the year to date.



Availability (%)

The total amount of space being marketed for lease, regardless of current occupancy, including sublease space.



Average Gross Asking Rental Rate (\$)

The weighted average gross asking price per square foot of all available space, weighted by number of square feet available.

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