Chicago Suburban Office Market Report

4Q '09

Market Downturn Creates Opportunities for Tenants

Suburban market downturn likely to last through 2010

Year-End Vacancy Highest of Decade

Overall vacancy in the suburban market rose to 17.7% in the fourth quarter of 2009, a 1.9 percentage point increase compared to the same time in 2008. The Northwest Suburbs submarket was hit the hardest, measuring a 3.1 percentage point increase to 18.7% when compared to the previous year. While overall vacancy in the suburban market is still on the rise, sublease vacancy reported a 0.1 percentage point decrease in 2009 indicating the bottom could be near. This is a positive sign for a market largely hit by corporate downsizing and consolidations.

Slowing Activity Forcing Rental Rates to Decrease

As rental rates in the suburban market have historically remained flat, a good portion of the existing office properties have devalued over time. The 2009 overall gross asking rental rate decreased to $19.88 per square foot (psf), a $0.79 decrease from the rate posted for year-end 2008. Rental rates are expected to decline to pre-2005 levels.

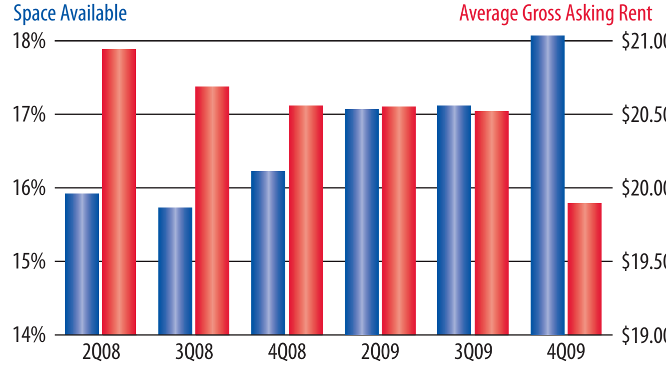
Tenant demand continued to fall with overall net absorption totaling negative 4,935,704 square feet (sf) during 2009 after posting a very modest gain of positive 53,504 sf in 2008. The 2009 rate of absorption is at the lowest point of the decade.

What Lies Ahead

A unique challenge facing the suburban office market is competition among different municipalities within the market for the same tenants, which has created a reoccurring cycle of over-development that keeps supply outpacing demand for office space. It will be interesting to keep an eye on tenant demand for the new speculative product during the current down market. Historically, markets rely on new demand drivers as a means to reach stability, but the potential exists for the specter of continued speculative development to dampen the prospects for a return to a healthier suburban office market in Chicagoland.

By the Numbers

Chicago Suburbs – Availability vs. Rental Rates



Chicago Suburbs - Existing Buildings 4Q 2009

Existing RBA - Overall (4,027 buildings)	221,252,174
Existing RBA - Class A (422 buildings)	79,818,537
Existing RBA - Class B (2,539 buildings)	110,793,813
Existing RBA - Class C (1,066 buildings)	30,639,824
Total Vacant Sq. Ft.	39,182,590
Percent Vacant	17.7%
Total Available Sq. Ft.	40,157,094
Percent Available	18.1%
Gross Average Asking Rental Rate (Overall)	$19.88
Year-To-Date Net Absorption	(4,935,704)

Noteworthy Leases

Tenant	Address	Sq. Ft.	Type
RedBox Automated Retail, LLC	1 Tower Lane, Oak Brook Terrace	137,000	Renewal-Expansion
Hartford Insurance Company	4245 Meridian Parkway, Aurora	118,000	Extension
Reyes Holdings LLC	6250 North River Road, Rosemont	69,184	Relocation
Dover Corporation	3005 Highland Parkway, Downers Grove	68,000	New
Nicor National	1751 West Diehl Road, Naperville	65,483	New
First Midwest Bank	1 Pierce Place, Itasca	65,000	Renewal
Catalina Marketing	20 North Martingale Road, Schaumburg	32,138	Renewal

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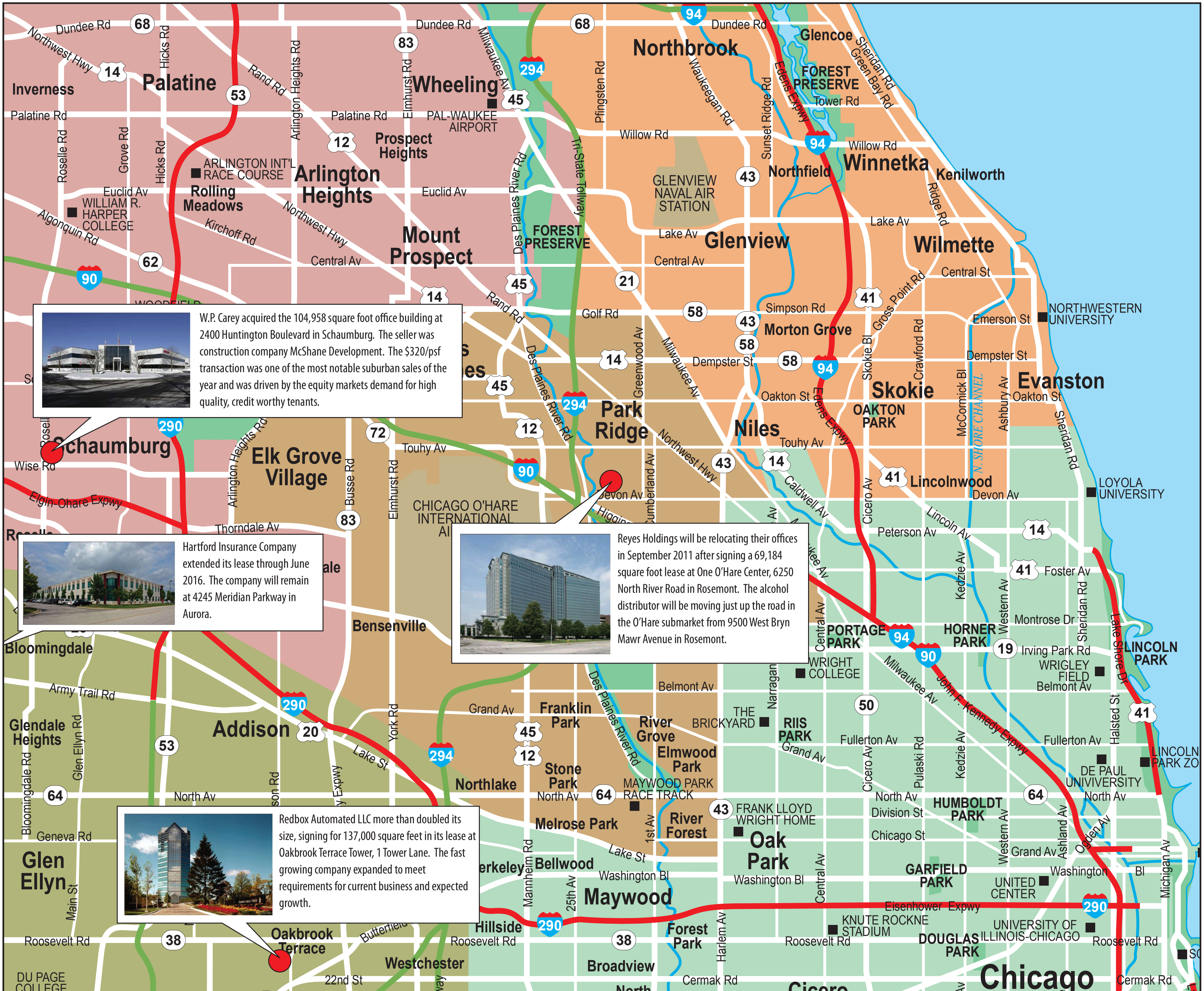
W.P. Carey acquired the 104,958 square foot office building at 2400 Huntington Boulevard in Schaumburg. The seller was construction company McShane Development. The $320/psf transaction was one of the most notable suburban sales of the year and was driven by the equity markets demand for high quality, credit worthy tenants.
Hartford Insurance Company extended its lease through June 2016. The company will remain at 4245 Meridian Parkway in Aurora.
Reyes Holdings will be relocating their offices in September 2011 after signing a 69,184 square foot lease at One O'Hare Center, 6250 North River Road in Rosemont. The alcohol distributor will be moving just up the road in the O'Hare submarket from 9500 West Bryn Mawr Avenue in Rosemont.
Redbox Automated LLC more than doubled its size, signing for 137,000 square feet in its lease at Oakbrook Terrace Tower, 1 Tower Lane. The fast growing company expanded to meet requirements for current business and expected growth.
Inverness
Palatine
Wheeling
Northbrook
Glencoe
Winnetka
Kenilworth
Northfield
Wilmette
Glenview
Prospect Heights
Arlington Heights
Rolling Meadows
Mount Prospect
Morton Grove
Skokie
Evanston
Niles
Park Ridge
Lincolnwood
Schaumburg
Elk Grove Village
CHICAGO O'HARE INTERNATIONAL
Bensenville
Bloomingdale
Glendale Heights
Addison
Franklin Park
River Grove
Elmwood Park
Stone Park
Northlake
Melrose Park
River Forest
Oak Park
Glen Ellyn
Oakbrook Terrace
Westchester
Bellwood
Maywood
Hillside
Forest Park
Broadview
Chicago
PORTAGE PARK
HORNER PARK
LINCOLN PARK
HUMBOLDT PARK
GARFIELD PARK
DOUGLAS PARK
OAKTON PARK
RIIS PARK
FOREST PRESERVE
GLENVIEW NAVAL AIR STATION
NORTHWESTERN UNIVERSITY
LOYOLA UNIVERSITY
DE PAUL UNIVERSITY
UNITED CENTER
UNIVERSITY OF ILLINOIS-CHICAGO
WRIGLEY FIELD
WRIGHT COLLEGE
THE BRICKYARD
FRANK LLOYD WRIGHT HOME
MAYWOOD PARK RACE TRACK
KNUTE ROCKNE STADIUM
ARLINGTON INT'L RACE COURSE
WILLIAM R. HARPER COLLEGE
PAL-WAUKEE AIRPORT
DU PAGE COLLEGE
N. SHORE CHANNEL
Tri-State Tollway
Edens Expwy
John F. Kennedy Expwy
Eisenhower Expwy
Elgin-Ohare Expwy
Lake Shore Dr

Chicago Suburban Office Market Statistics – 4Q'09

	Overall Suburban	East/West Corridor	North Suburbs	Northwest	O'Hare
Total Inventory (Sq. Ft.)	221,252,174	79,097,592	49,196,400	68,528,837	24,429,345
Total Sq. Ft. Available	40,157,094	14,456,770	7,408,200	13,060,571	5,231,553
Percent Available	18.1%	18.3%	15.1%	19.1%	21.4%
Year-to-Date Net Absorption	(4,935,704)	(1,519,077)	(1,317,528)	(1,594,041)	(505,058)
Class A Gross Average Asking Rent (PSF)	$21.89	$22.76	$20.37	$21.34	$23.09
Class B Gross Average Asking Rent (PSF)	$18.59	$19.31	19.29	$18.18	$17.57
Class C Gross Average Asking Rent (PSF)	$15.90	$16.73	$18.51	$16.02	$12.34

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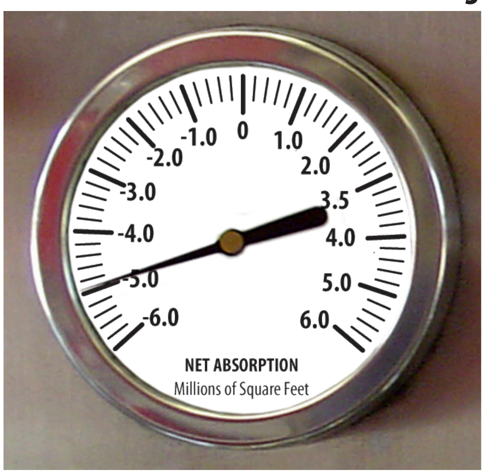
Inside: Chicago Suburban Office Market Report – 4Q'09

Bradford Allen Market Meter - Chicago Suburban 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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