CHICAGO SUBURBAN
Office Market Report

2Q '11

YTD Net Absorption (330,497 sf)

Availability 27.4%

Asking Rent $20.29

Suburban Outlook - 2011

- Barring a double-dip, we should see additional positive net absorption in Class A space
- Availability of sublease space will slowly trend lower
- Class A rents should remain stable, but rates for lower tier space are at risk and could face further downward pressure
- Renewal activity continues to drive the market as tenants jockey to upgrade space

Overall tone of suburban Chicago office market slowly improves, but market dynamics still favor tenants

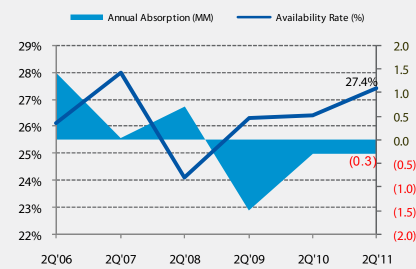
From the perspective of transaction activity and general interest in suburban Chicago office space, it is clear that the market has stabilized and improved since the depths of the financial crisis. However, the recovery continues to be slow and uneven. Overall demand and availability rates have not returned to pre-crisis levels. There continue to be some positive signs in the market, but the second quarter showed little material change as compared to the first quarter. The overall vacancy rate improved slightly and ended the second quarter at 23.0%.

The good news is that there were a few noteworthy transactions and large leases executed during the second quarter. In the Northwest submarket, Bank of America Corp. signed a 10-year lease renewal for approximately 93,000 SF at 1600 Golf Road in Rolling Meadows. This was the largest renewal transaction in this submarket to date this year. In addition, TCF Financial announced plans to relocate and expand its headquarters into 45,000 SF at 1475 E. Woodfield Road in Schaumburg. This type of sublease deal, which nearly doubles its office space, is especially constructive for the suburban market as it helps absorb the significant overhang of sublease space that continues to hinder rental rate growth.

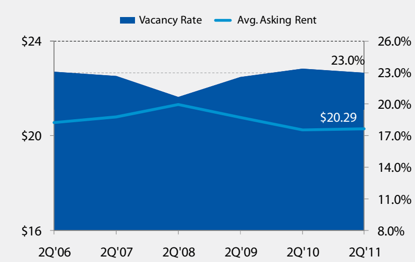
Despite these transactions, the overall suburban market has registered negative net absorption (the net change in occupied space) of 330,000 SF to date this year. However, the deterioration has been almost exclusively centered in the Class B and C space. In contrast, we have seen positive net absorption of almost 200,000 square feet year-to-date in Class A suburban space. This illustrates the ongoing flight-to-quality theme that is underlying and driving much of the suburban leasing activity.

Gross average asking rental rates for the Chicago suburban office market continue to remain suppressed, ending the second quarter at the quarter at $20.29 per SF. Average asking rents for suburban Class A increased $0.18 and ended the second quarter at $22.05 per SF. However, Class B rental rates fell $0.21 during the second quarter and ended the quarter at $18.42. This, too, reflects the dynamics of a bifurcated market where the greatest demand and interest is centered at the higher end of the market. Aggressive tenants likely will continue to show a willingness to relocate and press for upgrades as leases roll in the near term.

Annual Absorption vs. Availability



Vacancy Rate vs. Avg. Asking Rent



Economic Indicators

Quarter/Year	Q2 11	Q1 11
IL Unemployment	8.9%	9.0%
US Unemployment	9.1%	8.8%
Labor Force (in thousands)	6,590.5	6,600.4
US CCI	58.5	63.4

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Bradford Allen Office Market Report

Chicago Suburban ▪ Second Quarter 2011

Suburban Snapshot

Market Overview

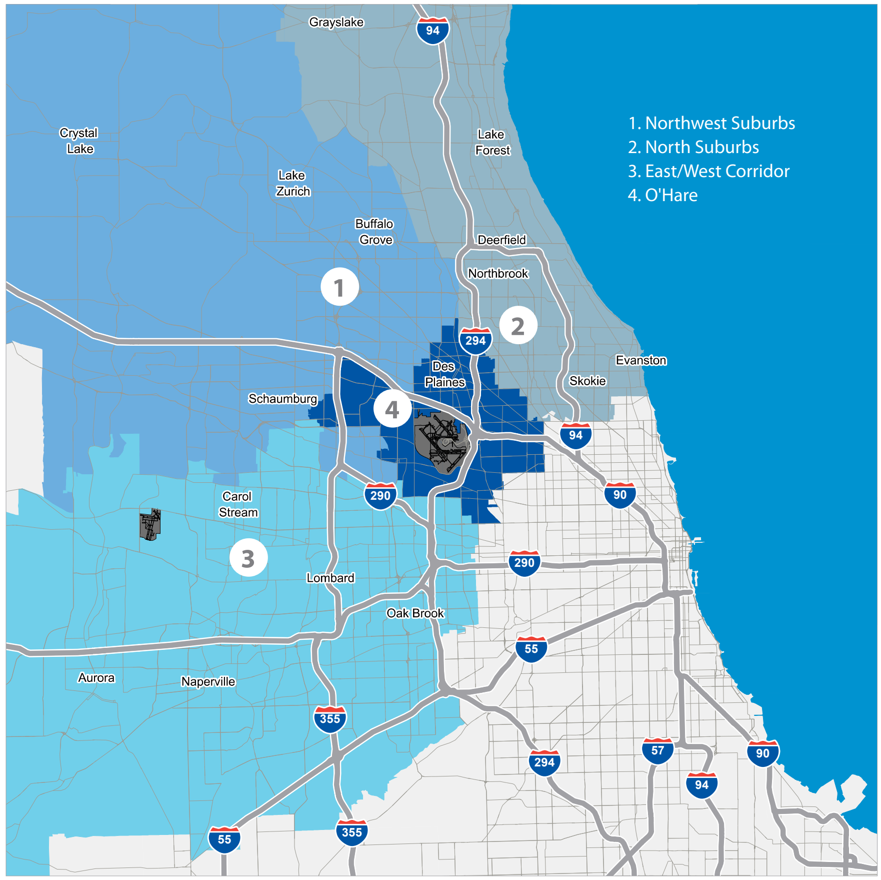
	2011	2010
Total Inventory (sf)	91,167,325	91,988,040
Overall Vacancy	23.0%	23.4%
Direct Vacancy	21.2%	21.1%
Sublease Vacancy	1.8%	2.4%
Overall Available	27.4%	26.4%
Direct Available	24.6%	23.4%
Sublease Available	2.7%	3.0%
Gross Avg Asking Rate	$20.29	$20.24
Current Net Absorption (sf)	(292,751)	(148,788)
YTD Net Absorption (sf)	(330,497)	(349,928)

Noteworthy Leases

TENANT	SQ. FT.	TYPE	SUBMARKET
Ampac *825 Turnberry Ct*	105,000	New	Northwest
Nestlé Pizza Division *1600 Golf Rd*	75,260	Consolidation	North
TCF Inventory Finance Inc. *1475 E. Woodfield Rd*	45,156	Sublease	Northwest
Exponent Inc. *4580 Weaver Pkwy*	15,100	New	East-West Corridor

Suburbs

Office Submarkets



MARKET STATISTICS	INVENTORY (SF)	TOTAL AVAILABLE (SF)	PERCENT AVAILABLE	VACANCY RATE	CURRENT ABSORPTION (SF)	YTD ABSORPTION (SF)	AVERAGE ASKING RENT (ALL CLASSES)
SUBMARKET							
East West	38,901,934	572,625	26.5%	22.4%	(96,226)	(89,243)	$20.25
North Suburban	18,328,615	579,536	24.4%	21.0%	(103,472)	(13,607)	$20.59
Northwest Suburban	20,034,018	358,307	30.6%	24.4%	(2,704)	(46,971)	$20.12
O'Hare	13,902,758	144,496	29.0%	25.6%	(90,349)	(180,676)	$20.29
MARKET TOTALS (BY CLASS)							
Class A	53,798,753	1,388,829	26.9%	22.1%	(31,004)	199,965	$22.05
Class B	32,561,190	264,771	29.1%	25.8%	(245,130)	(495,332)	$18.42
Class C	4,807,382	1,364	20.3%	15.1%	(16,617)	(35,130)	$15.22
TOTAL	**91,167,325**	**1,654,964**	**27.4%**	**23.0%**	**(292,751)**	**(330,497)**	**$20.29**

1430 Branding Lane, Suite 100 • Downers Grove, Illinois 60515 • (T) 630.225.2600 • www.bradfordallen.com

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