CHICAGO OFFICE MARKET REPORT
YEAR-END 2010

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Chicago's Vacancy Decreases to 15.5%

Net Absorption Positive 1,204,806 SF in the Quarter

The Chicago Office market ended the fourth quarter 2010 with a vacancy rate of 15.5%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,204,806 square feet in the fourth quarter. Vacant sublease space increased in the quarter, ending the quarter at 5,659,053 square feet. Rental rates ended the fourth quarter at $23.18, an increase over the previous quarter. A total of one building delivered to the market in the quarter totaling 8,000 square feet, with 778,250 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Chicago office market was positive 1,204,806 square feet in the fourth quarter 2010. That compares to positive 509,461 square feet in the third quarter 2010, positive 708,629 square feet in the second quarter 2010, and negative (508,599) square feet in the first quarter 2010.

Tenants moving out of large blocks of space in 2010 include: American Hospital Association moving out of 119,171 square feet at One North Franklin Bldg; Citigroup moving out of 116,683 square feet at 227 W Monroe St; and UTStarcom moving out of 76,720 square feet at Atrium Corporate Center.

Tenants moving into large blocks of space in 2010 include: FDIC moving into 150,120 square feet at 200 N Martingale Rd; DeVry, Inc. moving into 145,077 square feet at Highland Landmark V; and BP moving into 120,618 square feet at CME Center.

The Class-A office market recorded net absorption of positive 1,246,205 square feet in the fourth quarter 2010, compared to positive 132,877 square feet in the third quarter 2010, positive 445,489 in the second quarter 2010, and negative (120,404) in the first quarter 2010.

The Class-B office market recorded net absorption of positive 140,546 square feet in the fourth quarter 2010, compared to positive 319,807 square feet in the third quarter 2010, positive 160,141 in the second quarter 2010, and negative (236,855) in the first quarter 2010.

The Class-C office market recorded net absorption of negative (181,945) square feet in the fourth quarter 2010 compared to positive 56,777 square feet in the third quarter 2010, positive 102,999 in the second quarter 2010, and negative (151,340) in the first quarter 2010.

Net absorption for Chicago's central business district was positive 215,680 square feet in the fourth quarter 2010. That compares to positive 22,000 square feet in the third quarter 2010, positive 480,168 in the second quarter 2010, and negative (735,651) in the first quarter 2010.

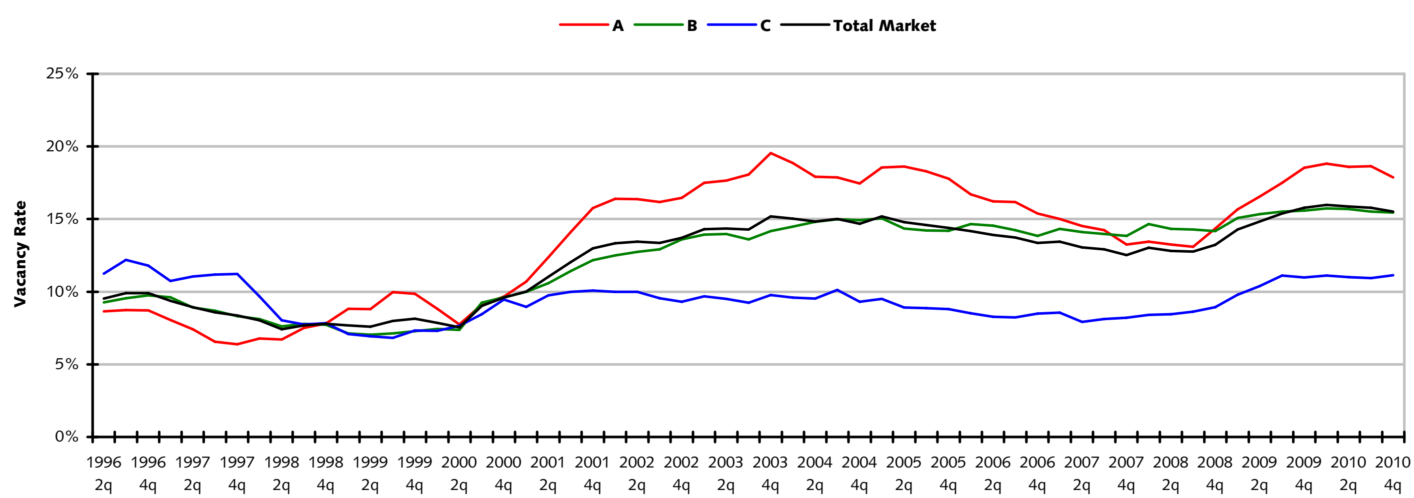
Net absorption for the suburban markets was positive 989,126 square feet in the fourth quarter 2010. That compares to positive 487,461 square feet in third quarter 2010, positive 228,461 in the second quarter 2010, and positive 227,052 in the first quarter 2010.

Vacancy

The office vacancy rate in the Chicago market area decreased to 15.5% at the end of the fourth quarter 2010. The vacancy rate was 15.8% at the end of the third quarter 2010, 15.9% at the end of the second quarter 2010, and 16.0% at the end of the first quarter 2010.

Class-A projects reported a vacancy rate of 17.9% at the

Vacancy Rates by Class 1996-2010



Source: CoStar Property®

end of the fourth quarter 2010, 18.6% at the end of the third quarter 2010, 18.6% at the end of the second quarter 2010, and 18.8% at the end of the first quarter 2010.

Class-B projects reported a vacancy rate of 15.5% at the end of the fourth quarter 2010, 15.5% at the end of the third quarter 2010, 15.7% at the end of the second quarter 2010, and 15.7% at the end of the first quarter 2010.

Class-C projects reported a vacancy rate of 11.1% at the end of the fourth quarter 2010, 10.9% at the end of third quarter 2010, 11.0% at the end of the second quarter 2010, and 11.1% at the end of the first quarter 2010.

The overall vacancy rate in Chicago's central business district at the end of the fourth quarter 2010 decreased to 14.5%. The vacancy rate was 14.6% at the end of the third quarter 2010, 14.6% at the end of the second quarter 2010, and 14.9% at the end of the first quarter 2010.

The vacancy rate in the suburban markets decreased to 16.2% in the fourth quarter 2010. The vacancy rate was 16.5% at the end of the third quarter 2010, 16.6% at the end of the second quarter 2010, and 16.7% at the end of the first quarter 2010.

Largest Lease Signings

The largest lease signings occurring in 2010 included: the 381,800-square-foot lease signed by UBS at One North Wacker in the Metro Chicago market; the 317,198-square-foot lease signed by Career Education Corporation at Woodfield Pointe Office Center in the Northwest market; and the 161,740-square-foot lease signed by Neal, Gerber & Eisenberg LLP at Two North LaSalle in the Central Loop market.

Sublease Vacancy

The amount of vacant sublease space in the Chicago market increased to 5,659,053 square feet by the end of the fourth quarter 2010, from 5,537,836 square feet at the end of the third quarter 2010. There was 5,663,605 square feet vacant at the end of the second quarter 2010 and 6,010,102 square feet at the end of the first quarter 2010.

Chicago's Class-A projects reported vacant sublease space of 3,626,882 square feet at the end of fourth quarter 2010, up from the 3,596,733 square feet reported at the end of the third quarter 2010. There were 3,683,270 square feet of sublease space vacant at the end of the second quarter 2010, and 3,762,594 square feet at the end of the first quarter 2010.

Class-B projects reported vacant sublease space of 1,842,250 square feet at the end of the fourth quarter 2010, up from the 1,716,871 square feet reported at the end of the third quarter 2010. At the end of the second quarter 2010 there were 1,731,803 square feet, and at the end of the first quarter 2010 there were 2,008,841 square feet vacant.

Class-C projects reported decreased vacant sublease space from the third quarter 2010 to the fourth quarter 2010. Sublease vacancy went from 224,232 square feet to 189,921 square feet during that time. There was 248,532 square feet at the end of the second quarter 2010, and 238,667 square feet at the end of the first quarter 2010.

Sublease vacancy in Chicago's central business district stood at 2,590,056 square feet at the end of the fourth quarter 2010. It was 2,397,770 square feet at the end of the third quarter 2010, 2,526,647 square feet at the end of the second quarter 2010, and 2,809,675 square feet at the end of the first quarter 2010.

Sublease vacancy in the suburban markets ended the fourth quarter 2010 at 3,068,997 square feet. At the end of the third quarter 2010 sublease vacancy was 3,140,066 square feet, was 3,136,958 square feet at the end of the second quarter 2010, and was 3,200,427 square feet at the end of the first quarter 2010.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was $23.18 per square foot per year at the end of the fourth quarter 2010 in the Chicago market area. This represented a 2.7% increase in quoted rental rates from the end of the third quarter 2010, when rents were reported at $22.56 per square foot.

The average quoted rate within the Class-A sector was $27.52 at the end of the fourth quarter 2010, while Class-B rates stood at $20.32, and Class-C rates at $17.27. At the end of the third quarter 2010, Class-A rates were $26.81 per square foot, Class-B rates were $20.15, and Class-C rates were $16.98.

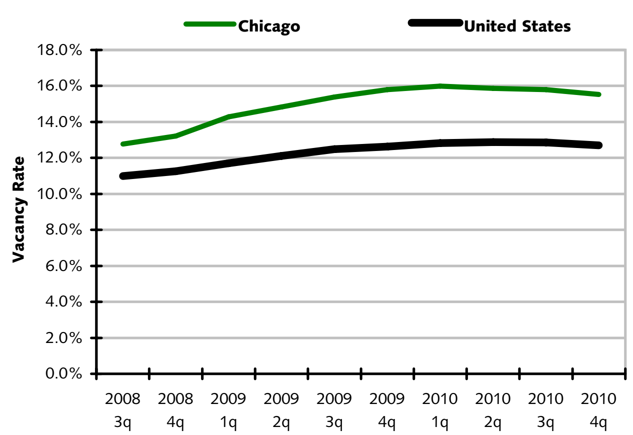
The average quoted asking rental rate in Chicago's CBD was $29.25 at the end of the fourth quarter 2010, and $19.86 in the suburban markets. In the third quarter 2010, quoted rates were $28.40 in the CBD and $19.34 in the suburbs.

Deliveries and Construction

During the fourth quarter 2010, one building totaling 8,000 square feet were completed in the Chicago market area. This compares to five buildings totaling 248,200 square feet that were com-

U.S. Vacancy Comparison

Past 10 Quarters



Source: CoStar Property•

pleted in the third quarter 2010, eight buildings totaling 200,898 square feet completed in the second quarter 2010, and 483,457 square feet in six buildings completed in the first quarter 2010.

There were 778,250 square feet of office space under construction at the end of the fourth quarter 2010.

Some of the notable 2010 deliveries include: Panduit World Headquarters, a 280,000-square-foot facility that delivered in first quarter 2010 and is now 100% occupied, and Rosemont Corporate Center, a 119,000-square-foot building that delivered in second quarter 2010 and is now 75% occupied.

The largest projects underway at the end of fourth quarter 2010 were Astellas US HQ - Building 1, a 208,000-square-foot building with 100% of its space pre-leased, and Astellas US HQ - Building 2, a 208,000-square-foot facility that is 100% pre-leased.

Inventory

Total office inventory in the Chicago market area amounted to 447,704,258 square feet in 11,943 buildings as of the end of the fourth quarter 2010. The Class-A office sector consisted of 163,640,610 square feet in 549 projects. There were 5,682 Class-B buildings totaling 199,283,041 square feet, and the Class-C sector consisted of 84,780,607 square feet in 5,712 buildings. Within the Office market there were 477 owner-occupied buildings accounting for 25,728,119 square feet of office space.

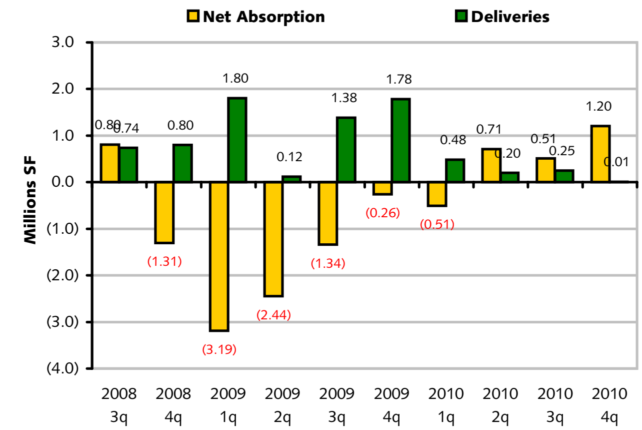
Sales Activity

Tallying office building sales of 15,000 square feet or larger, Chicago office sales figures rose during the third quarter 2010 in terms of dollar volume compared to the second quarter of 2010.

In the third quarter, 20 office transactions closed with a total volume of $770,592,000. The 20 buildings totaled 2,881,909 square feet and the average price per square foot equated to $267.39 per square foot. That compares to 20 transactions totaling $248,080,375 in the second quarter 2010. The total square footage in the second quarter was 3,058,736 square feet for an average price per square foot of $81.11.

Absorption & Deliveries

Past 10 Quarters



Source: CoStar Property•

Total office building sales activity in 2010 was up compared to 2009. In the first nine months of 2010, the market saw 56 office sales transactions with a total volume of $1,060,311,375. The price per square foot averaged $158.71. In the same first nine months of 2009, the market posted 35 transactions with a total volume of $548,993,790. The price per square foot averaged $146.36.

Cap rates have been higher in 2010, averaging 8.97% compared to the same period in 2009 when they averaged 7.48%.

One of the largest transactions that has occurred within the last four quarters in the Chicago market is the sale of 300 N LaSalle Dr in Chicago. This 1,302,901-square-foot office building sold for $655,000,000, or $502.72 per square foot. The property sold on 7/29/2010, at a 6.34% cap rate.

Reports compiled by: Joe Mehok, CoStar Research Manager.

Chicago Office Market

FIGURES AT A GLANCE

Class A Market Statistics

Year-End 2010

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
East/West Corridor	131	24,203,797	4,504,064	5,109,565	21.1%	(254,216)	190,575	153,000	$23.30
Indiana	12	1,204,024	175,581	191,393	15.9%	28,265	0	0	$20.46
Kenosha County	0	0	0	0	0.0%	0	0	0	$0.00
Metro Chicago	98	80,663,963	11,804,182	13,445,628	16.7%	624,967	0	0	$33.49
Near West	2	832,244	23,410	23,410	2.8%	0	0	0	$32.00
North	136	23,150,917	3,033,712	3,844,122	16.6%	258,637	110,000	458,800	$23.21
North Chicago	5	684,703	222,161	222,161	32.4%	(6,945)	0	0	$30.69
Northwest	102	21,674,545	3,797,671	4,227,320	19.5%	373,516	60,000	0	$21.69
OHare	39	8,371,002	1,735,223	1,833,785	21.9%	382,365	119,000	0	$23.56
South Chicago	4	950,900	43,064	43,064	4.5%	6,058	0	0	$0.00
South Suburban	20	1,904,515	274,644	300,146	15.8%	291,520	280,000	106,950	$24.03
Totals	**549**	**163,640,610**	**25,613,712**	**29,240,594**	**17.9%**	**1,704,167**	**759,575**	**718,750**	**$27.52**

Source: CoStar Property®

Class B Market Statistics

Year-End 2010

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
East/West Corridor	1,220	34,244,053	5,719,287	6,319,685	18.5%	(242,854)	49,508	17,500	$18.98
Indiana	371	5,731,779	634,643	634,643	11.1%	55,824	29,977	28,000	$18.35
Kenosha County	62	1,007,878	88,899	132,458	13.1%	16,794	0	0	$16.36
Metro Chicago	354	64,536,015	7,513,127	8,364,241	13.0%	(285,801)	10,996	0	$25.67
Near West	142	3,167,714	454,257	455,057	14.4%	140,341	23,461	0	$17.43
North	699	23,214,880	2,530,534	2,616,907	11.3%	(27,152)	44,038	0	$19.99
North Chicago	409	10,776,320	1,145,208	1,174,817	10.9%	(8,428)	0	0	$21.39
Northwest	1,290	31,786,295	6,527,385	6,694,791	21.1%	630,875	0	0	$16.38
OHare	182	7,671,741	1,613,760	1,637,864	21.3%	214,713	0	0	$18.95
South Chicago	195	5,313,928	657,231	683,501	12.9%	(173,358)	0	0	$18.98
South Suburban	758	11,832,438	2,068,228	2,080,845	17.6%	62,685	23,000	14,000	$19.77
Totals	**5,682**	**199,283,041**	**28,952,559**	**30,794,809**	**15.5%**	**383,639**	**180,980**	**59,500**	**$20.32**

Source: CoStar Property®

Chicago Office Market

FIGURES AT A GLANCE

Class C Market Statistics

Year-End 2010

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
East/West Corridor	1,011	11,447,174	1,236,875	1,256,999	11.0%	43,740	0	0	$16.29
Indiana	562	4,993,027	486,807	489,108	9.8%	76,994	0	0	$16.07
Kenosha County	118	695,113	69,878	69,878	10.1%	(956)	0	0	$13.98
Metro Chicago	425	26,700,681	3,016,642	3,114,138	11.7%	(356,969)	0	0	$18.65
Near West	212	1,964,079	236,948	236,948	12.1%	5,387	0	0	$16.83
North	612	6,687,864	801,206	805,342	12.0%	3,705	0	0	$18.04
North Chicago	673	9,420,671	652,828	668,898	7.1%	29,465	0	0	$17.84
Northwest	866	7,600,429	907,198	951,592	12.5%	368	0	0	$15.53
OHare	204	2,548,989	543,797	543,797	21.3%	27,350	0	0	$18.83
South Chicago	344	6,289,335	576,353	576,353	9.2%	(10,632)	0	0	$15.63
South Suburban	685	6,433,245	731,542	736,942	11.5%	8,039	0	0	$16.87
Totals	**5,712**	**84,780,607**	**9,260,074**	**9,449,995**	**11.1%**	**(173,509)**	**0**	**0**	**$17.27**

Source: CoStar Property®

Total Office Market Statistics

Year-End 2010

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
East/West Corridor	2,362	69,895,024	11,460,226	12,686,249	18.2%	(453,330)	240,083	170,500	$20.35
Indiana	945	11,928,830	1,297,031	1,315,144	11.0%	161,083	29,977	28,000	$17.94
Kenosha County	180	1,702,991	158,777	202,336	11.9%	15,838	0	0	$15.67
Metro Chicago	877	171,900,659	22,333,951	24,924,007	14.5%	(17,803)	10,996	0	$29.25
Near West	356	5,964,037	714,615	715,415	12.0%	145,728	23,461	0	$17.89
North	1,447	53,053,661	6,365,452	7,266,371	13.7%	235,190	154,038	458,800	$21.41
North Chicago	1,087	20,881,694	2,020,197	2,065,876	9.9%	14,092	0	0	$22.45
Northwest	2,258	61,061,269	11,232,254	11,873,703	19.4%	1,004,759	60,000	0	$18.72
OHare	425	18,591,732	3,892,780	4,015,446	21.6%	624,428	119,000	0	$21.15
South Chicago	543	12,554,163	1,276,648	1,302,918	10.4%	(177,932)	0	0	$17.20
South Suburban	1,463	20,170,198	3,074,414	3,117,933	15.5%	362,244	303,000	120,950	$19.67
Totals	**11,943**	**447,704,258**	**63,826,345**	**69,485,398**	**15.5%**	**1,914,297**	**940,555**	**778,250**	**$23.18**

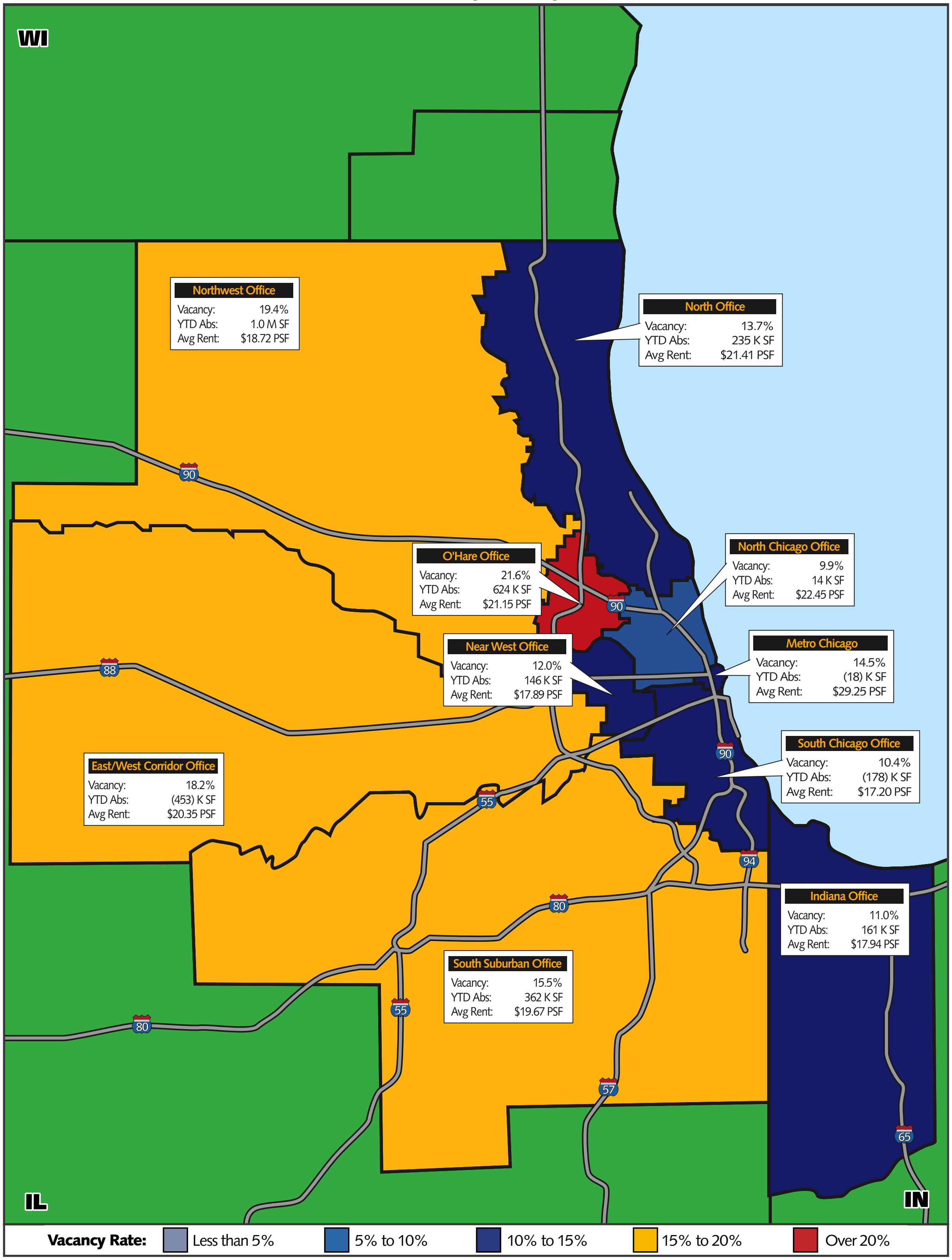
Source: CoStar Property®

Chicago Office Market

LEASING ACTIVITY

Leasing Highlights in Select CoStar Markets

Color Coded by Vacancy Rate



Source: CoStar Property®