

Chicago, Illinois

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

Throughout the past two quarters the Chicago area has seen a significant growth in capital market activities, including three CDB building sales. 29 North Wacker Drive was sold for \$13.4 million, 203 North Wabash was sold after it defaulted on a nine million dollar loan, and most recently 180 North LaSalle was purchased for \$72.25 million. Additionally, Chicago's largest commercial real estate portfolio owned by Tishman Speyer Properties LP was able to restructure their \$1.4 billion loan package with the Federal Reserve Bank, freeing up operating reserve accounts which will allow Tishman to attract new tenants to these five downtown office properties. Furthermore, a building traded hands in the northwest suburbs for approximately \$30 million after the property was purchased just one year ago for \$25.5 million. While the market is not back to conditions prior to the global economic downturn, these events have shown that the Chicago area is beginning to reset itself and could be an indicator of increasing investor confidence.

Market Trends

- Average rental rates are at \$29.13/SF gross for the CBD and \$20.61/SF gross for the surrounding suburbs.
- Industrial vacancy has fallen from 12.3% to 11.6% in the Chicago market.
- There is currently 3,539,434 SF of sublease space available in the CBD, and CresaPartners expects more to come to the market as "shadow-space" comes online.

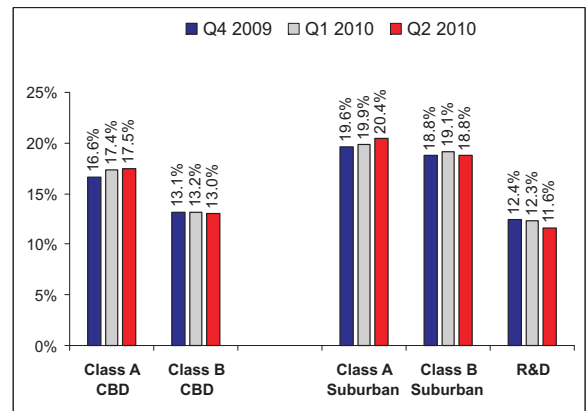
Tenant's Perspective

With over \$3.5 trillion of debt coming due in the next year and a half, landlords and lenders will be challenged to reposition their debt structure until employment begins to grow. This looming debt should be of great concern to tenants looking to renew or move to a new location, for any landlord that is in fear of bankruptcy will have difficulty maintaining their building or paying on any tenant improvement. CresaPartners closely monitors the Chicago market and can advise tenants as to the financial health of landlords and buildings. Since CresaPartners only represents tenants, our advisors provide unbiased information for thorough strategic decisions regarding lease renewal, relocation, or sublease.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
NACA Logistics Inc	439,000	Industrial	Lease
Neal Gerber & Eisenberg	179,451	Office	Lease
Laser Technologies	159,000	Industrial	Lease
Hyper Microsystems	132,851	Industrial	Lease
Dunlin Metals Co.	95,000	Industrial	Lease
Prime Source Healthcare	77,000	Office	Lease
Tegrant Corp	44,153	Office	Lease
Metropolitan Chicago	40,396	Office	Lease
Marcus & Berk	29,000	Office	Lease
TCS Education System	29,000	Office	Lease

Vacancy Rate



Average Rental Rates

	Q4 2009	Q1 2010	Q2 2010
CBD			
Class A Office	\$31.09	\$31.54	\$31.45
Class B Office	\$25.74	\$24.41	\$25.52
Suburban			
Class A Office	\$21.75	\$21.92	\$21.64
Class B Office	\$18.57	\$18.67	\$18.71
R&D	\$4.47	\$4.36	\$4.11

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