

Chicago, Illinois

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

Overview

In 2009, the entire global real estate landscape reset itself. The uncertainty in the financial markets and its impact on employment will continue to affect our market for the foreseeable future. Further psychologically influencing our market was the historic renaming of the Sears Tower to the Willis Tower and the loss of the 2016 Summer Olympic bid. In the CBD vacancy has risen to 13.8%, an increase of 24% since a year ago. Even though there are no new developments planned for the CBD we anticipate vacancy rates to rise throughout the year as the impact of our local unemployment rate takes hold. Average rental rates in the CBD have dropped by over \$2.00 per square foot. Furthermore, the suburban office sector has over 3.7 million square feet more vacant space on the market than there was a year ago, with an overall vacancy of 16.5%.

With over \$3.5 trillion of debt coming due in the next 36 months, landlords and lenders will be challenged to reposition their debt structure until employment begins to grow. As 2010 begins, we predict that the Chicago office market will bottom out by the end of the year with little or no growth projected for 2011. Expect vacancy levels to rise to close to 20% as companies give more space back or put it up for sublease following further reductions in their workforce.

Market Trends

- Vacancy rates continue to increase.
- Rental rates continue to decrease.
- New building construction has ceased.
- In search for the best value, tenants will look at all submarkets.

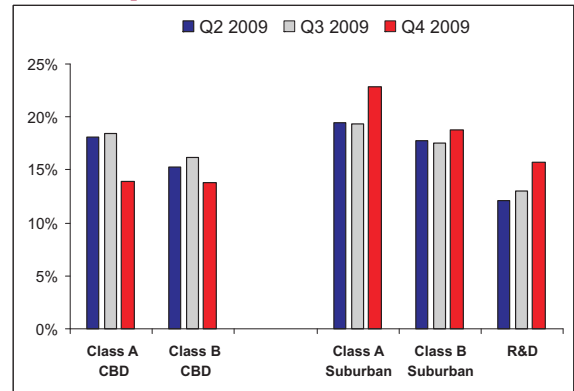
Tenant's Perspective

Tenants should start out the year looking to positively position themselves by implementing new strategies with their real estate portfolio. Companies with healthy balance sheets in search of new office space will be the most successful in these market conditions as landlords and lenders are looking for financial certainty and are willing to go beyond market concessions to secure a credit worthy tenant. Companies that previously would choose class B space will consider moving into class A space at heavily discounted rates with optimal allowance packages. As the financial markets level, tenants should be cautious of their landlord's ability to maintain their assets and meet their obligations under the lease.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
William Blair	324,700	Office	Lease
Robert Morris University	323,000	Office	Lease
Baker & McKenzie	237,000	Office	Lease
Weber	250,000	Industrial	Lease
US Dept of Health and Human Services	184,000	Office	Lease
Wm Wrigley Jr Co	148,000	Office	Lease
Alutiq LLC	96,461	Industrial	Lease
AT&T	74,000	Industrial	Lease
Nicor National	65,483	Office	Lease
Clark Hill PLC	36,848	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2009	Q3 2009	Q4 2009
Class A Office	\$36.51	\$36.88	\$36.86
Class B Office	\$25.98	\$25.34	\$26.55

Suburban	Q2 2009	Q3 2009	Q 4 2009
Class A Office	\$23.77	\$23.20	\$22.85
Class B Office	\$18.95	\$18.91	\$18.80
R&D	\$10.12	\$10.20	\$5.13

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