

FOURTH
QUARTER



2011

CHICAGO
MARKET OVERVIEW



MB Real Estate

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CHICAGO
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SECTION ONE

CHICAGO ECONOMY

ECONOMIC ANALYSIS

Although the Central Business District's office market is improving, the local economic recovery continues to lag the rest of the nation. The Chicago MSA unemployment rate rose to 9.6 percent in November, well above the national rate of 8.2 percent. Moody's Economy.com, which tracks the recovery status of all the nation's metropolitan areas, has downgraded Chicago's economic outlook from "recovery" to "at risk." Despite the weakness of the past years, Chicago benefits from being the major business and financial hub of the Midwest as well as from having a strong labor pool. However, Chicago is dependent on its slow growing and mature industries and has comparatively poor state and local fiscal health. While stable, the area is unlikely to experience stellar growth.

Fears of a double-dip recession are subsiding. A November survey of 52 economists conducted by The Wall Street Journal revealed a 1 in 4 chance of recession in the next 12 months, compared to a 1 in 3 chance suggested one quarter ago.

The national hiring outlook seems to be slowly improving as well. A recent Manpower survey found that 14 percent of employers surveyed planned to add staff in the first quarter of 2012, compared to 9 percent who plan to cut staff. The rest of the respondents saw no change or were undecided, resulting in a 5 percent net increase. While the survey suggests slightly increased optimism, the findings indicate that the status quo is likely to be maintained with no jump in hiring.

Despite a slight macro-level improvement, national and local economic risks still weigh heavily on the Chicago office market

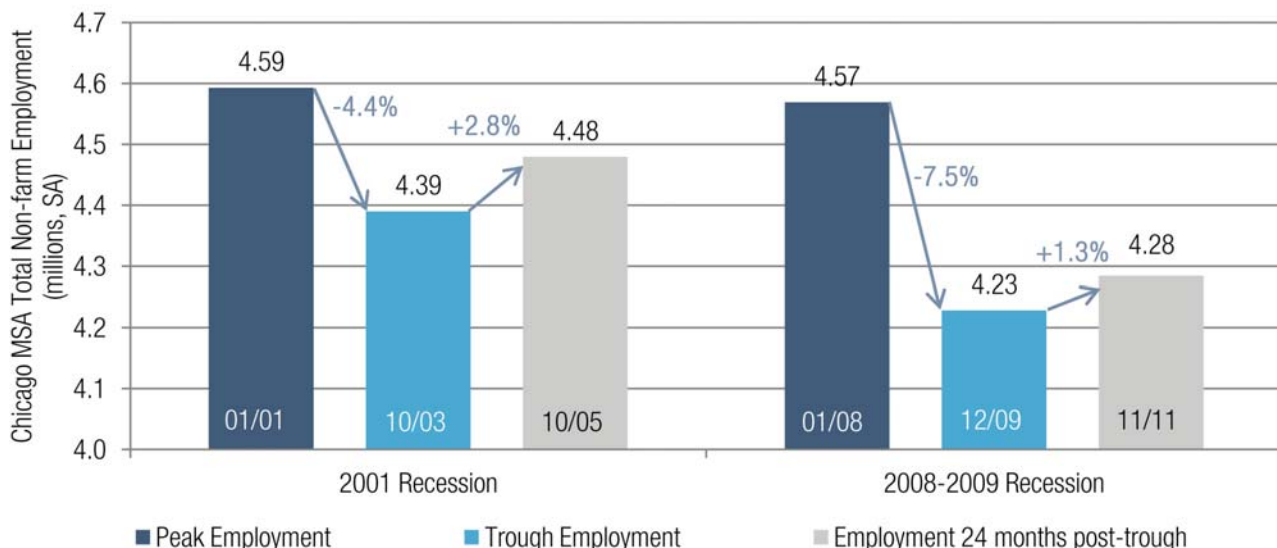
Despite predicting a positive fourth quarter, economists surveyed by The Wall Street Journal forecast below-capacity growth in the first quarter of 2012. Bank of America, who has a large Chicago presence, plans to cut 10 percent of its work force. Total employment in the Chicago MSA declined 7.5 percent peak to trough and has only rebounded 1.3 percent since hitting its low in December 2009. Employment has declined by a much larger margin than the last recession and has rebounded at a much slower pace. Coupled with high unemployment, the area has not created enough jobs to sustain the recovery witnessed in the Central Business District (CBD) this year.

While the uncertain economy remains as the biggest risk to the office market, several other factors are clouding its outlook as well. Underutilized space, often termed "shadow vacancy," remains a risk as evidenced by many tenants' plans to lessen their footprint upon renewal. High tax rates in Illinois will influence corporate location decisions, with the state needing to offer major incentives for companies like Sears and the Chicago Mercantile Exchange to stay in Chicago.

MB Real Estate's baseline office forecast expects a slight decline in occupancy over several upcoming quarters to correlate with job losses. An alternative scenario is that occupancy will be volatile but still trend negatively over time in the CBD, while losses in Suburban Chicago will be steadily negative. An optimistic scenario points to this year's positive absorption in the CBD as a turning point, where rental rates have fallen enough to warrant expansion for some tenants before it is justified by employee headcount.

Sources: MBRE Research, BLS, Chicago Sun-Times, Crain's Chicago Business, World Business Chicago, Moody's Economy.com

CHICAGO EMPLOYMENT WELL BELOW PEAK AND RECOVERING SLOWLY



CENTRAL BUSINESS DISTRICT

EXECUTIVE SUMMARY

Despite slow job growth, the CBD experienced its largest quarterly increase in occupancy since the fourth quarter of 2007. Several large leases were signed, but few will significantly impact the overall market.

Key Indicators:

- Direct vacancy decreased due to the strongest quarterly positive absorption in four years. This is largely a result of tenants who took advantage of attractive lease terms earlier in the year and are now occupying new space. However, previous employment losses have yet to fully materialize and may still work their way through the market.
- The American Medical Association signed a 15-year lease for 275,000 square feet at 330 North Wabash. Aon Corporation renewed its lease of 400,000 square feet at its namesake tower at 200 East Randolph. GE Capital renewed and expanded to 371,000 square feet 500 West Monroe. Sara Lee agreed to lease 220,000 square feet of the redeveloped 400 South Jefferson.
- Sublease space decreased significantly for the second consecutive quarter. While total sublease availability is approaching pre-recessionary levels, it will likely be the first indicator of weakness if the economy slides downward.
- The Central Loop experienced the largest amount of square feet absorbed of the CBD's submarkets. The East Loop also saw strong demand and had the largest vacancy decrease of any submarket. The West Loop and River North continued their positive performance. The North Michigan Avenue and South Loop submarkets both experienced negative net absorption.
- Risks to the outlook include the following: fear of another recession; shrinking space requirement per employee; reduced storage needs due to digital archiving; reduced server space needs due to cloud computing; increased use of telecommunication; increased corporate tax rates in Illinois; and the GSA's elimination of underutilized space. Underutilized space remains the biggest concern to the outlook of the market.

Lingering effects of the recession and slow job growth are expected to cause the direct vacancy rate to rise to 15.9 percent by 2013, although corporate expansions and relocations from outside markets offer upside potential.

CBD VACANCY AND YEAR-TO-DATE ABSORPTION SUMMARY

Direct Vacancy 4Q2011	A	Change from 3Q2011	B	Change from 3Q2011	C	Change from 3Q2011	Total	Change from 3Q2011
Central Loop	9.6%	-0.1%	16.0%	-0.8%	16.9%	0.1%	13.8%	-0.4%
East Loop	20.4%	-1.5%	23.8%	-0.3%	13.4%	-0.5%	19.3%	-0.6%
N. Michigan Ave.	21.2%	1.2%	23.9%	-0.5%	13.4%	0.2%	19.5%	0.3%
River North	15.8%	-0.6%	7.7%	0.7%	11.3%	-0.6%	11.7%	-0.3%
South Loop	20.7%	6.0%			25.0%	-0.3%	23.0%	2.4%
West Loop	13.8%	-1.0%	13.8%	1.1%	16.6%	-0.5%	14.2%	-0.4%
CBD Chicago Total	14.0%	-0.5%	17.5%	-0.1%	14.9%	-0.3%	15.4%	-0.3%

Net Absorption 4Q2011	A	B	C	Total
Central Loop	21,499	190,009	3,024	214,532
East Loop	72,246	38,355	19,802	130,403
N. Michigan Ave.	(45,240)	31,135	(27,846)	(41,951)
River North	27,044	33,171	(32,076)	28,139
South Loop	(61,124)		(9,915)	(71,039)
West Loop	289,347	(110,942)	18,268	196,672
CBD Chicago Total	303,772	181,727	(28,743)	456,756

Numbers in parentheses are negative

NEW DEVELOPMENTS

Lull continues, but redeveloped space attracts large tenants

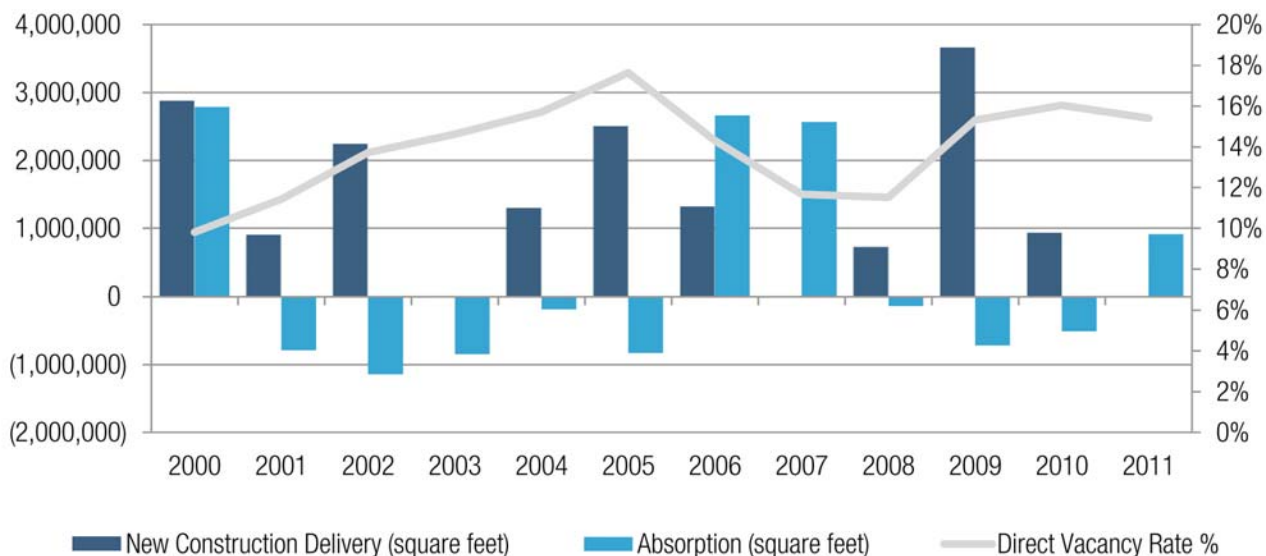
- While several large tenants explored potential new developments this quarter, two in particular chose newly redeveloped space. Sterling Bay is redeveloping a 300,000 square foot office building at 400 South Jefferson in which Sara Lee has agreed to anchor. The American Medical Association leased the redeveloped top floors of 330 North Wabash.
- One factor that could accelerate a new development is the constraint on large, contiguous space. The number of large blocks of Class A space greater than 200,000 square feet was reduced from five blocks to three. However, this does not account for large blocks that will be left behind as a result of impending relocations.
- MB Real Estate has identified 10 proposed new development sites ranging from 350,000 to 1.3 million square feet. While 60 percent preleasing is a typical benchmark, the developer of 625 West Adams believes it can pursue financing with as little as 40 percent pre-leased. This implies that a tenant as small as 180,000 square feet could potentially anchor a new development.
- OUTLOOK:** New developments become more possible as large blocks of Class A space are removed from the market. The smaller of the proposed developments are more likely to break ground first because they require significantly less preleasing. Regardless, no new developments are expected to be delivered until at least 2014.

2000 - 2011 INVENTORY ADDITIONS		% Leased (Avg)
2000 - 5 Properties	2,870,576 sf	95.8%
2001 - 2 Properties	904,436 sf	86.9%
2002 - 2 Properties	2,236,364 sf	94.6%
2003 - 0 Properties	0 sf	0.0%
2004 - 1 Property	1,300,000 sf	100.0%
2005 - 2 Properties	2,500,143 sf	97.4%
2006 - 2 Properties	1,320,498 sf	96.9%
2007 - 0 Properties	0 sf	0.0%
2008 - 2 Properties	728,254 sf	70.6%
2009 - 3 Properties	3,652,913 sf	81.4%
2010 - 1 Expansion	933,710 sf	92.9%
2011 - 0 Properties	0 sf	0.0%
Total - 20 Properties	16,446,894 sf	

UNDER CONSTRUCTION	% Leased
N/A	
Total	0 sf

2000-2011 INVENTORY ADDITIONS	
Delivered (2000-2010)	16,446,894 sf
Delivered (2011)	0 sf
Total	16,446,894 sf
Under Construction	0 sf
Proposed Inventory	5,822,564 sf
Total	5,822,564 sf

NEW DEVELOPMENT HALTED; DEMAND PICKS UP SLIGHTLY

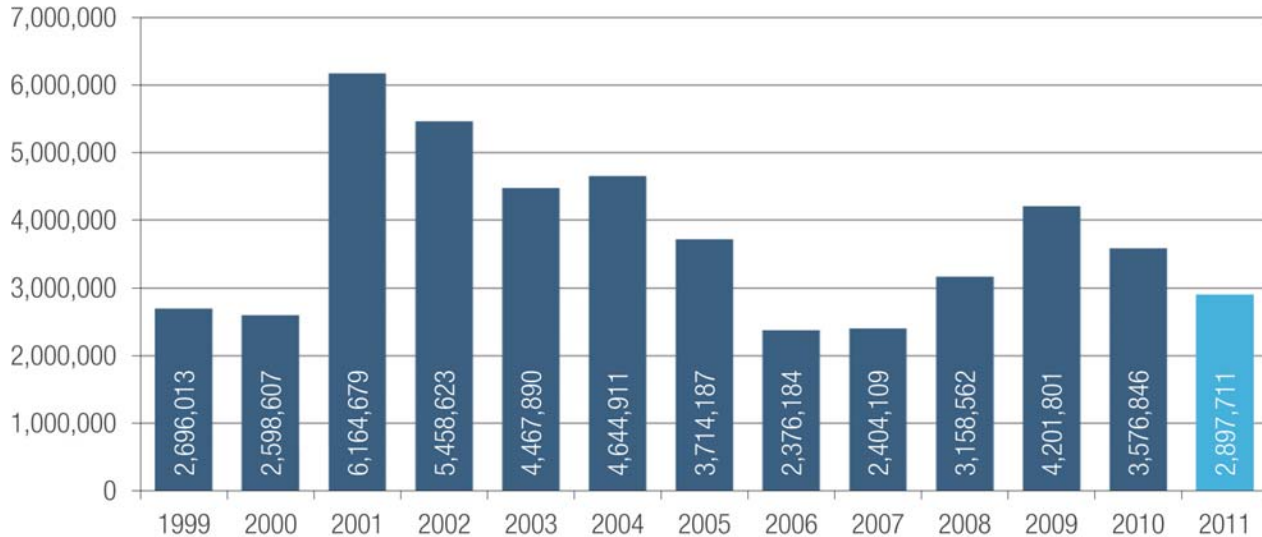


SUBLEASE SPACE

Sublease availability falls for a second straight quarter

- Total sublease space fell more than 298,000 square feet due to several tenants removing space from the market or subleasing portions of their space.
- Despite a 9.3 percent reduction in total available sublease space, no blocks greater than 50,000 square feet were removed during the quarter.
- SMS Assist finalized its sublease of 41,000 square feet of former PricewaterhouseCooper's space at 875 North Michigan. Discovery Communications subleased 22,323 square feet at 111 East Wacker. Ryerson Steel subleased 29,000 square feet at 227 West Monroe.
- The amount of available sublease space has dropped 19 percent in the last year and is approaching pre-recessionary levels.
- **OUTLOOK:** Despite economic uncertainty, the sublease market has improved. As companies continue to reconsider employee headcount and space efficiency, a slight increase in sublease availability could take place in the near term.

YEAR-END HISTORIC SUBLEASE AVAILABILITY: STEADILY DECREASING



LARGE BLOCKS (MORE THAN 50,000 SQUARE FEET) OF SUBLEASE SPACE CURRENTLY AVAILABLE

CLASS A					
Building Address	Size (sf)	Occupancy	Expiration	Floor(s)	Sublandlord
131 S Dearborn St	61,425	June 2012	October 2017	10	Citadel
Total - 1 Spaces	61,425				
CLASS B					
Building Address	Size (sf)	Occupancy	Expiration	Floor(s)	Sublandlord
225 W Randolph St	238,778	February 2012	December 2022	22-30	AT&T
350 W Mart Ctr	160,568	Vacant	January 2016	3-5	AT&T
600 W Chicago Ave	117,101	Vacant	November 2015	2	Level 3 Communications
680 N Lake Shore Dr	95,523	Negotiable	August 2022	15-16	Playboy Enterprises
222 N LaSalle St	78,974	January 2012	May 2014	17-18	Merrill Lynch
<i>180 N LaSalle St</i>	<i>61,011</i>	<i>Vacant</i>	<i>July 2015</i>	<i>5-7</i>	<i>Accenture</i>
Total - 6 Spaces	751,955				

Italicized addresses indicate space is new on the market

LARGE BLOCKS OF DIRECT AVAILABILITY

Average large block size reduced, but number of available blocks increases

- Although the total number of large blocks increased by five, the amount of total square feet contained within large blocks fell by only 9,000 square feet.
- The largest change occurred when the top eight floors of 330 North Wabash were leased to the American Medical Association, reducing the large block by 275,000 square feet.
- The largest new block this quarter is a 199,000 square foot block at 222 North LaSalle. With direct availability beginning June 2014, the block is a combination of four tenants that have vacated or are expected to vacate space on the 14th through 18th floors.
- MB Real Estate has identified 43 tenants actively seeking 50,000 square feet or more in the CBD. However, with 73 blocks available, a glut of space exists in the market. When considering blocks of 200,000 square feet or more, there are only four spaces compared to three tenants of such size. While these tenants usually have the option to renew, this segment of the market remains the most constrained.

CLASS B		
Building Address	Size (sf)	Submarket
303 E Wacker Dr *	241,206	East Loop
222 N LaSalle St *	199,066	Central Loop
130 E Randolph St *	185,042	East Loop
55 E Monroe St	175,263	East Loop
300 S Riverside Plz *	161,708	West Loop
303 E Wacker Dr *	143,960	East Loop
333 S Wabash Ave *	136,500	East Loop
410 N Michigan Ave *	125,817	North Michigan Avenue
205/225 N Michigan Ave	120,446	East Loop
300 S Riverside Plz	105,183	West Loop
401 N Michigan Ave *	104,726	North Michigan Avenue
330 N Wabash Ave	98,489	North Michigan Avenue
330 N Wabash Ave	97,932	North Michigan Avenue
1 N Dearborn St	97,261	Central Loop
200 N LaSalle St	95,315	Central Loop
120 S LaSalle St *	94,995	Central Loop
101 N Wacker Dr	93,724	West Loop
1 & 2 Prudential Pl	73,644	East Loop
175 W Jackson Blvd *	68,539	Central Loop
175 W Jackson Blvd *	67,725	Central Loop
233 N Michigan Ave *	67,028	East Loop
111 E Wacker Dr *	65,804	East Loop
231 S LaSalle St	63,678	Central Loop
222 Merchandise Mart Plz	61,438	River North
303 E Wacker Dr *	59,704	East Loop
222 N LaSalle St	58,962	Central Loop
55 W Monroe St	55,063	Central Loop
33 W Monroe St	54,073	Central Loop
303 E Wacker Dr *	52,553	East Loop
401 N Michigan Ave	51,870	North Michigan Avenue
222 Merchandise Mart Plz	50,000	River North
31 Blocks	2,744,489	

CLASS A		
Building Address	Size (sf)	Submarket
500 W Monroe St **	369,207	West Loop
200 E Randolph St	340,959	East Loop
233 S Wacker Dr	299,514	West Loop
111 W Illinois St	141,503	River North
10 S Dearborn St *	139,165	Central Loop
161 N Clark St *	116,964	Central Loop
500 W Monroe St **	106,475	West Loop
500 W Madison St	92,924	West Loop
233 S Wacker Dr	91,216	West Loop
455 N Cityfront Plaza Dr	87,700	North Michigan Avenue
1 S Wacker Dr	86,658	West Loop
30 S Wacker Dr	85,831	West Loop
333 W Wacker Dr	80,736	West Loop
227 W Monroe St *	75,850	West Loop
233 S Wacker Dr	74,806	West Loop
500 W Madison St **	74,295	West Loop
77 W Wacker Dr	67,342	Central Loop
227 W Monroe St	64,033	West Loop
980 N Michigan Ave	62,384	North Michigan Avenue
321 N Clark St	61,431	River North
233 S Wacker Dr	60,817	West Loop
222 W Adams St	59,436	West Loop
1 S Wacker Dr	56,669	West Loop
181 W Madison St	56,199	Central Loop
155 N Wacker Dr	55,298	West Loop
200 E Randolph St	54,708	East Loop
190 S LaSalle St **	54,225	Central Loop
70 W Madison St	53,953	Central Loop
200 S Wacker Dr	51,935	West Loop
525 W Van Buren St *	51,538	West Loop
30 Blocks	3,073,771	

CLASS C		
Building Address	Size (sf)	Submarket
11 S LaSalle St	150,166	Central Loop
435-445 N Michigan Ave	129,947	North Michigan Avenue
33 S State St	117,207	East Loop
401 S State St	110,898	East Loop
350 W Mart Ctr	106,168	River North
111 W Jackson Blvd	97,426	Central Loop
619 S LaSalle St	89,000	South Loop
360 N Michigan Ave *	76,855	East Loop
730-740 N Rush St	73,294	North Michigan Avenue
104 S Michigan Ave **	63,006	East Loop
111 N Canal St	57,800	West Loop
104 S Michigan Ave *	56,352	East Loop
12 Blocks	1,128,119	

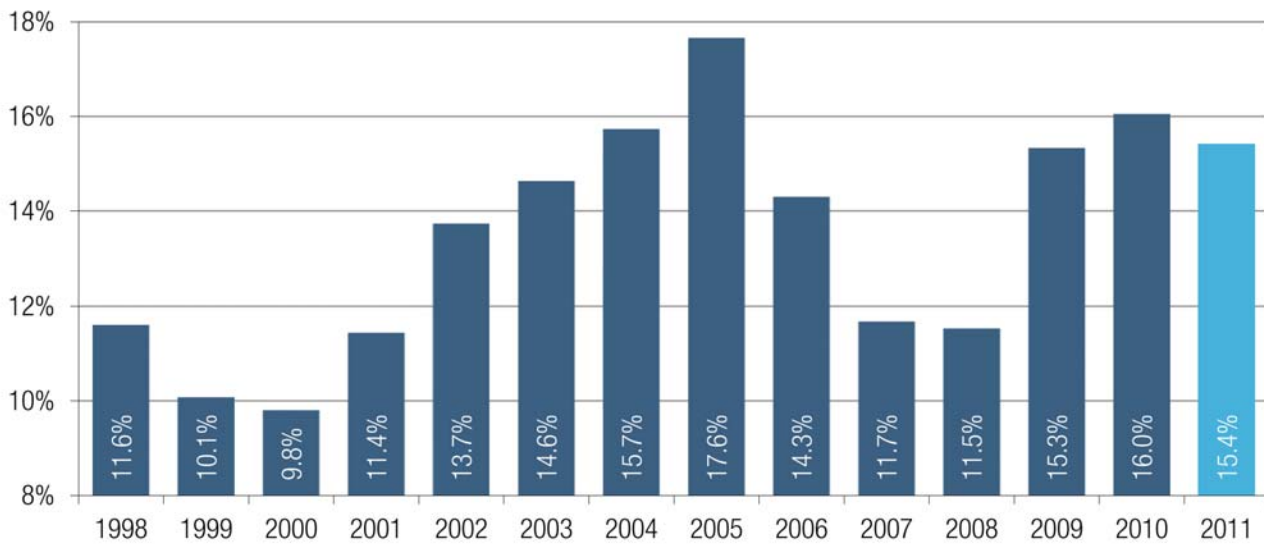
Italicized addresses indicate space is new on the market
** Block of space is for future occupancy*
***Block of space will be vacated in the upcoming quarter*

VACANCY RATES

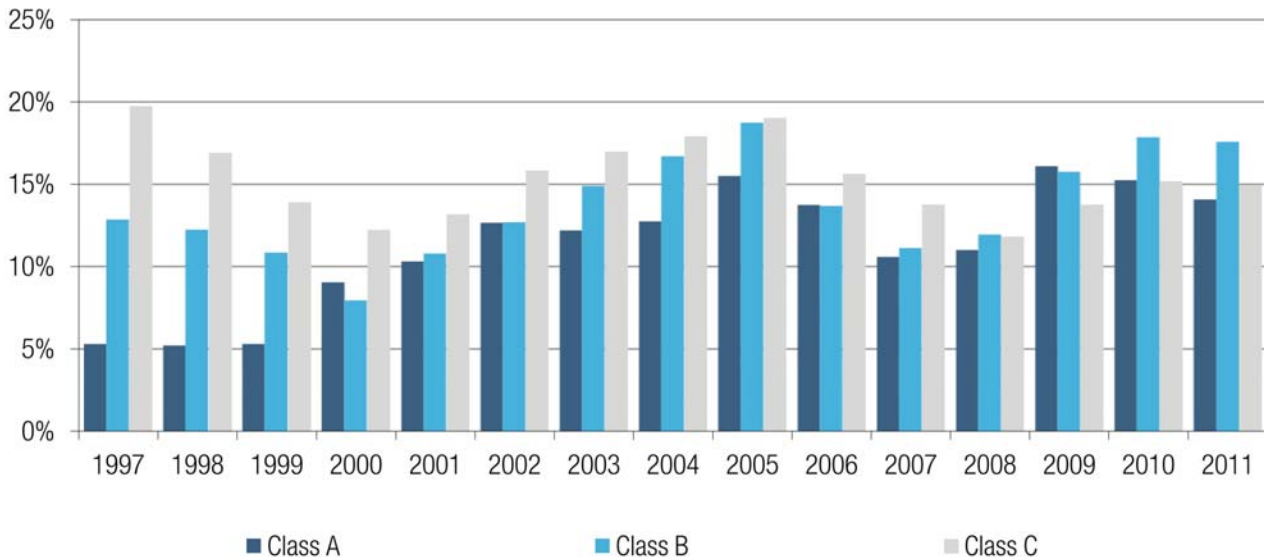
Largest quarterly vacancy decrease since economic downturn

- The direct vacancy rate in the CBD fell 0.3 percent during the quarter to 15.4 percent. The total vacancy rate (which includes sublease space) decreased by an even larger margin, down 0.6 percent to 17.6 percent.
- The Class A market once again was the best performing segment, with direct vacancy falling by 0.5 percent. Direct vacancy declined by 0.1 percent and 0.3 percent in Class B and C buildings, respectively. Vacancy decreases in all building classes have led direct vacancy to fall 60 basis points in the overall CBD on a year-over-year basis.
- While the overall direct vacancy rate has returned to 2009's level, it is still nearly 4 percent higher than 2007 and 2008.
- **OUTLOOK:** Despite this year's decline, MB Real Estate expects direct vacancy to be volatile through the intermediate term, bumping between slightly positive and negative changes with the peak vacancy still to come.

HISTORIC YEAR-END DIRECT VACANCY: DOWN FROM YEAR-END 2011



HISTORIC YEAR-END VACANCY MARKET STATISTICS BY BUILDING CLASS: CLASS A & B IMPROVES



LARGE DEALS

Companies lean towards staying put

- Aon Corporation signed the largest office lease of the year by renewing 400,000 square feet at its namesake tower located at 200 East Randolph. GE Capital renewed its lease at 500 West Monroe and will expand by roughly 79,000 square feet for a total of 371,000 square feet, with options for up to 400,000 square feet in total.
- The American Medical Association signed the largest new transaction of the quarter by leasing 275,000 square feet at 330 North Wabash. The company will relocate from its current namesake building at 515 North State in September 2013. The new 15-year lease includes naming rights, and 330 North Wabash, the former IBM Plaza, will be renamed AMA Plaza.
- Though not finalized, Sara Lee has agreed to lease 220,000 square feet at 400 South Jefferson. The company plans to move its North American meat business and more than 500 employees from Downers Grove once Sterling Bay completes redevelopment of the building. Chicago's Community Development Commission approved a \$6.5 million incentives package for the relocation.
- OUTLOOK: Tenants have shown an increased confidence in real estate decision-making as economic fears are starting to ease. Large deal activity should continue to be robust, but several companies evaluating the market are expected to shed space from their current footprint.

LARGE LEASE TRANSACTIONS

NEW				
Tenant	Type	Submarket	Building Address	Size (sf)
American Medical Association	Relo	North Michigan Ave	330 N Wabash	275,000
SmithBucklin	Relo	North Michigan Ave	330 N Wabash	111,081
DeVry	New	West Loop	300 S Riverside	77,000
UnitedHealthcare	Relo	East Loop	200 E Randolph	50,000
West Monroe Partners	New	West Loop	222 W Adams	43,160
Savo Group	Relo	West Loop	155 N Wacker	42,303
Loop Capital	New	Central Loop	111 W Jackson	30,000
Columbia Insurance Company	New	Central Loop	79 W Monroe	24,181
Roundarch	New	East Loop	300 E Randolph	21,866
Total - 9 Deals				674,591

RENEWAL/EXPANSION/SUBLEASE				
Tenant	Type	Submarket	Building Address	Size (sf)
Aon Corporation	Ren	East Loop	200 E Randolph	400,000
GE Capital	Ren/Exp	West Loop	500 W Monroe	371,000
Quantitative Risk Management	Ren	Central Loop	181 W Madison	68,221
Publicis Worldwide	Ren/Exp	East Loop	111 E Wacker	66,000
Epstein International	Ren	West Loop	600 W Fulton	60,000
National Futures Association	Ren/Exp	West Loop	300 S Riverside	60,000
LinkedIn	Ren/Exp	West Loop	525 W Monroe	41,101
SMS Assist	Sub	North Michigan Ave	875 N Michigan	41,000
Attorney's Liability Insurance Society	Ren	West Loop	311 S Wacker	40,000
Townsend Analytics	Ren	West Loop	100 S Wacker	40,000
Jacobs Engineering	Ren	West Loop	525 W Monroe	37,000
Ryerson Steel	Sub	West Loop	227 W Monroe	29,000
International Fellowship Of Christians & Jews	Relo/Exp	Central Loop	30 N LaSalle	24,881
Parillo, Weiss & O'Halloran	Ren	Central Loop	77 W Wacker	24,025
Discovery Communications	Sub	East Loop	111 E Wacker	22,323
Cox Enterprises (TeleRep)	Relo/Exp	East Loop	205 N Michigan	22,125
Kelley, Drye & Warren	Ren	West Loop	333 W Wacker	22,000
Total - 17 Deals				1,368,676

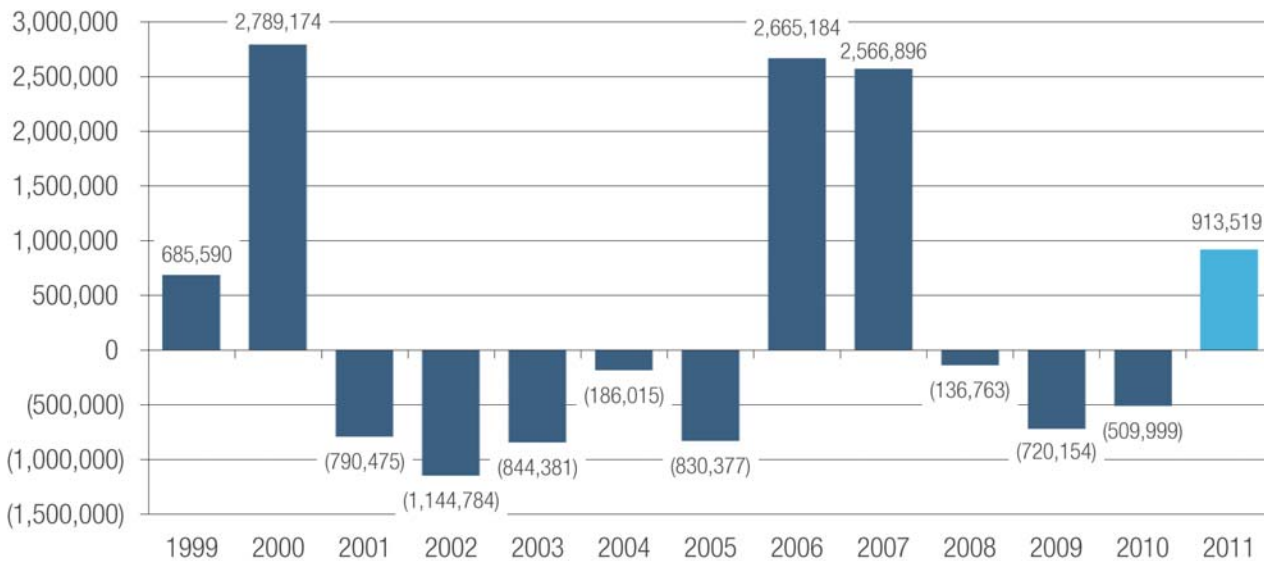
Abbreviations: Cont - Contraction Exp - Expansion Relo - Relocation Ren - Renewal Sub - Sublease

ABSORPTION

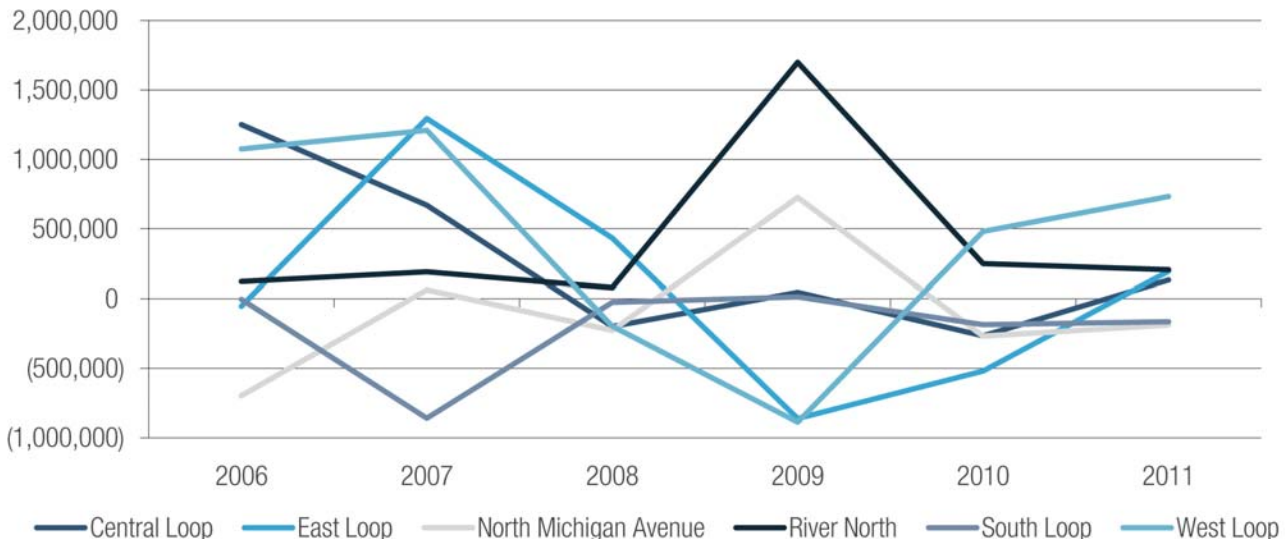
Largest positive quarterly absorption in four years

- For the third straight quarter, the CBD experienced positive absorption. At more than 456,000 square feet, positive quarterly absorption hit its highest level since the fourth quarter of 2007.
- Despite slow job creation and high unemployment, the CBD has benefitted from tenants relocating from outside the CBD as well as significant expansion by certain existing tenants.
- The Central Loop experienced the strongest quarterly absorption among the submarkets as the recovery from the West Loop continues to expand eastward. CBD Class A space still leads the market, with more than 800,000 square feet of positive absorption this year.
- **OUTLOOK:** Stagnant job growth and tenants who are known to be giving back space may lead to intermittent quarters of negative absorption. However, large users such as Google, who is looking to expand in the CBD, have the potential to offset the broader market.

HISTORIC ABSORPTION: STRONGEST YEAR SINCE 2007



HISTORIC ABSORPTION BY SUBMARKET: FOUR OF SIX SUBMARKETS EXPERIENCE POSITIVE ABSORPTION



LEASE COMPARABLES

Rental rates begin to increase at the expense of concessions

- Lease metrics are compared on a four-quarter basis instead of calendar year, allowing full years of data comparison.
- After falling by 10.0 percent in 2010, average initial rates for new, Class A transactions have risen 2.3 percent. However, tenant improvement allowances for such deals have increased by 8.2 percent.
- Class B initial rates for new transactions are down 5.0 percent from a year ago. Average abatement has increased, but counter intuitively, tenant improvement allowances have decreased since last year.
- Initial rates for Class C buildings have increased for both new and renewal transactions. Abatement and tenant improvement allowances have also increased, but the initial rate increases may signal that face rates have no further room to fall.
- Average lease term and average rent abatement have increased across all classes for new deals. This may suggest that tenants are becoming increasingly comfortable with signing longer-term leases.
- OUTLOOK: Class A initial rates should continue their slow climb, while concessions should continue to taper off. Concessions are expected to be elevated in Class B and C buildings as landlords work to retain tenants.

AVERAGE LEASE TERMS ON NEW AND RENEWAL DEALS

NEW DEALS	AVERAGE INITIAL RATE			AVERAGE TENANT IMPROVEMENT			AVERAGE ABATEMENT (MONTHS)			AVERAGE TERM (YEARS)		
	A	B	C	A	B	C	A	B	C	A	B	C
	1Q2011 - 4Q2011	\$20.02	\$14.55	\$12.51	\$45.88	\$27.09	\$23.77	8.9	7.4	6.5	8.5	7.0
1Q2010 - 4Q2010	\$19.57	\$15.31	\$11.74	\$38.42	\$28.25	\$18.90	8.3	6.8	5.3	7.9	6.6	5.8
1Q2009 - 4Q2009	\$21.76	\$16.45	\$13.38	\$42.61	\$35.15	\$33.84	6.0	4.4	4.4	8.6	7.0	7.9
1Q2008 - 4Q2008	\$20.66	\$16.71	\$14.40	\$42.65	\$36.95	\$25.37	4.7	3.7	3.7	7.9	6.6	6.9
1Q2007 - 4Q2007	\$18.63	\$14.22	\$14.10	\$50.16	\$41.59	\$17.83	5.8	5.6	2.8	8.7	7.3	5.1
1Q2006 - 4Q2006	\$17.85	\$13.18	\$12.72	\$46.60	\$36.29	\$20.77	6.7	5.0	2.5	8.4	7.1	5.8
1Q2005 - 4Q2005	\$16.86	\$12.81	\$9.68	\$42.68	\$44.19	\$25.75	7.1	7.3	4.4	10.0	8.8	6.4
1Q2004 - 4Q2004	\$17.16	\$12.45	\$8.88	\$42.32	\$37.40	\$17.71	5.2	5.8	3.9	8.9	8.3	6.7
1Q2003 - 4Q2003	\$20.75	\$15.12	\$11.92	\$36.88	\$36.22	\$22.46	1.3	4.3	1.7	8.0	9.2	6.0
1Q2002 - 4Q2002	\$22.92	\$16.19	\$15.16	\$26.31	\$26.50	\$28.49	1.1	0.7	1.4	7.0	8.4	7.6
1Q2001 - 4Q2001	\$21.94	\$16.04	\$15.37	\$28.21	\$24.79	\$29.10	0.8	0.1	0.0	7.6	7.2	5.8
1Q2000 - 4Q2000	\$20.77	\$15.82	\$12.66	\$25.76	\$26.78	\$22.75	0.1	0.0	0.1	8.3	7.3	6.7
1Q1999 - 4Q1999	\$19.21	\$14.09	\$15.73	\$20.38	\$27.21	\$26.73	0.2	0.4	0.0	7.3	7.2	8.2

RENEWAL DEALS	AVERAGE INITIAL RATE			AVERAGE TENANT IMPROVEMENT			AVERAGE ABATEMENT (MONTHS)			AVERAGE TERM (YEARS)		
	A	B	C	A	B	C	A	B	C	A	B	C
	1Q2011 - 4Q2011	\$18.97	\$14.00	\$11.81	\$18.52	\$9.82	\$9.09	5.2	4.3	4.8	6.4	4.4
1Q2010 - 4Q2010	\$18.46	\$15.59	\$11.01	\$13.92	\$9.59	\$5.49	5.1	3.6	4.1	5.4	4.7	4.8
1Q2009 - 4Q2009	\$20.23	\$17.15	\$15.33	\$19.21	\$16.69	\$15.69	3.0	3.6	2.8	5.9	5.6	7.0
1Q2008 - 4Q2008	\$22.72	\$15.73	\$14.77	\$22.75	\$15.42	\$16.69	3.9	2.1	2.3	7.2	5.4	6.7
1Q2007 - 4Q2007	\$16.26	\$14.02	\$15.42	\$16.19	\$16.94	\$9.22	4.2	2.5	1.7	6.2	6.5	5.4
1Q2006 - 4Q2006	\$16.64	\$13.33	\$15.76	\$25.84	\$16.58	\$8.99	4.8	3.3	0.4	7.8	6.5	5.2
1Q2005 - 4Q2005	\$15.97	\$12.47	\$11.57	\$21.54	\$22.76	\$5.31	3.6	3.1	1.0	7.5	7.9	4.7
1Q2004 - 4Q2004	\$18.28	\$13.43	\$9.71	\$23.96	\$17.21	\$10.78	2.5	3.7	1.1	8.9	6.9	6.7
1Q2003 - 4Q2003	\$20.76	\$14.26	\$10.68	\$14.49	\$13.31	\$7.78	0.7	1.8	0.0	6.8	7.1	6.6
1Q2002 - 4Q2002	\$22.68	\$16.32	\$13.10	\$16.94	\$13.68	\$7.38	0.7	0.7	0.1	7.1	6.6	4.6
1Q2001 - 4Q2001	\$22.58	\$16.47	\$14.11	\$8.42	\$8.94	\$4.75	0.0	0.0	0.0	4.6	7.3	3.3
1Q2000 - 4Q2000	\$20.72	\$15.03	\$13.77	\$13.81	\$14.19	\$10.38	0.1	0.0	0.0	6.1	6.9	6.6
1Q1999 - 4Q1999	\$21.21	\$12.05	\$13.46	\$11.47	\$12.79	\$7.59	0.0	0.0	0.2	6.8	5.3	4.0

All rates are shown as net and do not include tax and operating costs for building. Numbers will be revised as new data are reported in subsequent quarters

INVESTMENT SALES

Investment market cools, but core appetite still exists

- Fewer buildings transacted in the CBD compared to the previous quarter with several being pulled from the market. Most notably, the 110-story Willis Tower was removed from the market as office demand has cooled and ownership reevaluates its strategy amongst several hundred thousand square feet of leasing prospects.
- Investors still showed desire for well-leased, Class A buildings. Two 100 percent, long-term leased assets transacted this quarter. UBS paid \$346 per square foot for 35 West Wacker, while Prudential Real Estate Investors bought the office portion of 22 West Washington for \$418 per square foot. Credit Suisse acquired the 93 percent leased building at 250 South Wacker from AEW Capital for \$371 per square foot.
- Sterling Bay purchased the 304,000 square foot building at 400 South Jefferson will perform a massive redevelopment. Sara Lee has agreed to lease approximately 220,000 square feet of the newly redeveloped space. Outside of the CBD, Sterling Bay purchased the former Fulton Market Cold Storage building at 1000 West Fulton and will convert the building to high-tech office space.
- A joint venture between Virgin Hotels and John Buck bought the vintage office building at 203 North Wabash, but will convert the building into a 250-room hotel.
- For the second consecutive year, the total value of CBD transactions eclipsed the two billion dollar mark. However, investment volume is still well below the levels seen in 2006 and 2007.

INVESTMENT SALES: CORE INVESTMENTS CONTINUE TO DOMINATE

Building Address	Sale Date	Size (sf)	Price	Price per sf *	Class	Seller	Status (Buyer or Listing Agent)
20 S Clark	New on Market	363,657			B	M&J Wilkow	Marketing
141 W Jackson	On Market	1,400,000	\$154,000,000	\$110	B	CME Group	Marketing (Jones Lang LaSalle & Holly Duran Real Estate Partners)
200 N LaSalle	On Market	645,000	\$100,000,000	\$155	A	Yunan Properties	Marketing (Eastdil Secured)
200 W Jackson	On Market	476,711	-	-	B	AREA	Marketing (Holliday Fenoglio Fowler)
500 N Michigan	On Market	322,443	\$75,000,000	\$233	B	Zeller Realty Group	Marketing (Eastdil Secured)
32 W Randolph	On Market	226,666	\$19,500,000	\$86	C	David & Barbara Kalish	Marketing (CB Richard Ellis)
215 W Ohio	On Market	52,742	-	-	C	Bold Development	Marketing
1 N Wacker (50% Stake)	Under Contract	1,400,000	\$620,000,000	\$443	A	Hines Real Estate Investment Trust	Irvine Co.
350 N Orleans	Under Contract	1,208,000	\$228,000,000	\$189	B	Vornado Realty Trust	Shorenstein Properties
111 E Wacker	Under Contract	1,002,950	\$151,000,000	\$151	B	Parkway Properties	CommonWealth REIT
1 S State	Under Contract	942,000	\$128,500,000	\$136	C	Joseph Freed & Assoc.	Elad Canada
55 W Monroe	Under Contract	803,046	\$140,000,000	\$174	A	LaSalle Investment	Hearn Co.
35 W Wacker	4th Qtr 2011	1,118,042	\$387,000,000	\$346	A	Piedmont	UBS Realty
22 W Washington	4th Qtr 2011	439,434	\$183,500,000	\$418	A	Golub & Co/BlackRock JV	Prudential Real Estate Investors
400 S Jefferson	4th Qtr 2011	304,000	\$15,000,000	\$49	C	KBK II Partnership	Sterling Bay
250 S Wacker	4th Qtr 2011	244,961	\$91,000,000	\$371	A	AEW Capital	Credit Suisse
203 N Wabash	4th Qtr 2011	185,895	\$14,800,000	\$80	C	Urban Street Properties	Virgin Hotels/John Buck JV
All Sales	3rd Qtr 2011	4,719,452	\$1,004,900,000				
All Sales	2nd Qtr 2011	2,599,566	\$315,677,777				
All Sales	1st Qtr 2011	528,104	\$35,000,000				

*Price per square foot - based off estimated selling price for new to market buildings

FORECAST

Lingering recessionary effects, workplace trends to mute recovery

Despite this year's positive absorption, vacancy rates are expected to climb over the next two years, with alternating quarters of positive and negative absorption. With few exceptions, many tenants are looking to reduce their space requirements to achieve greater efficiency.

Occupancy is currently 0.4 percent below its 2007 peak, while employment is 6.2 percent below peak. During past recessions, there was a strong correlation between the two metrics, which leads to a forecast of future occupancy declines.

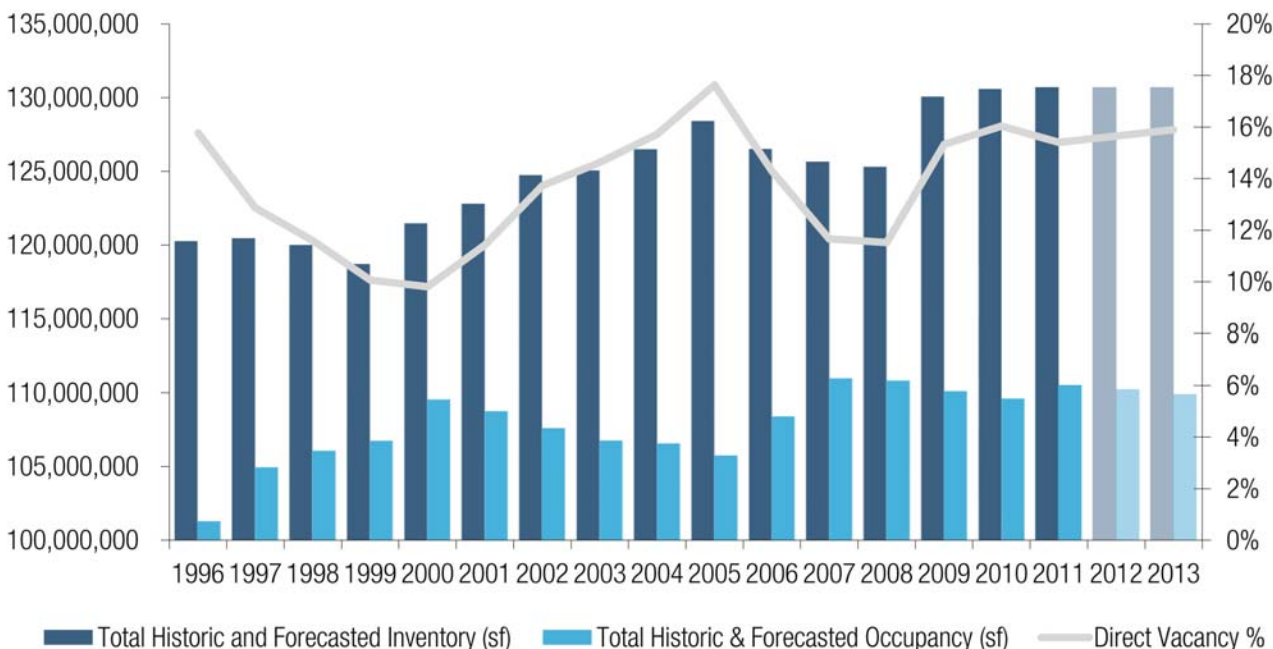
The CBD has strong demand drivers, which have attracted new companies. Google is in the market to expand by as much as 200,000 square feet. Tenants such as Sara Lee have committed to relocating from the suburbs to the CBD to take advantage of public transportation and the growing pool of young talent.

However, the CBD faces multiple obstacles that are expected to halt the recovery. There is a growing sentiment that companies currently occupy more space than they actually need. Many firms have adopted alternative workplace strategies such as hotelling, which refers to employees sharing unassigned workstations as they alternate working from the office, at home, or at other locations. Also, archives are going digital, and server rooms are being replaced by cloud technology. Most notably, job creation has lagged as the Chicago metro unemployment rate is up nearly one percentage point from a year ago. Collectively, these factors suggest slight occupancy decreases in the intermediate term.

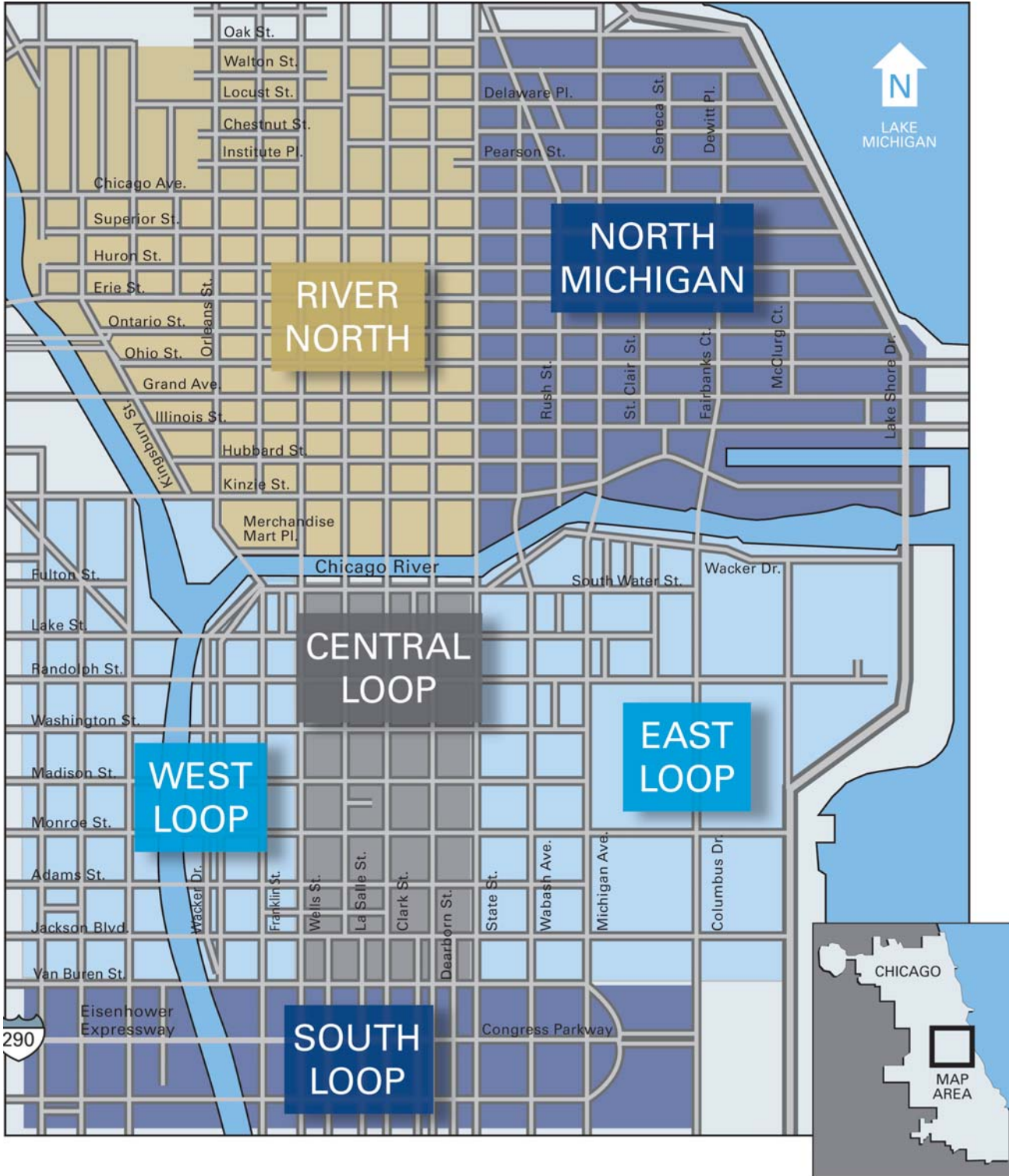
Year	Total Historic and Forecasted Inventory (sf)	Total Historic & Forecasted Occupancy (sf)	Direct Vacancy %
1996	120,244,884	101,285,488	15.8%
1997	120,434,748	104,939,294	12.9%
1998	119,972,770	106,058,995	11.6%
1999	118,691,577	106,744,585	10.1%
2000	121,440,276	109,533,759	9.8%
2001	122,776,164	108,743,284	11.4%
2002	124,713,268	107,598,500	13.7%
2003	125,037,423	106,754,119	14.6%
2004	126,452,643	106,568,104	15.7%
2005	128,385,650	105,737,728	17.6%
2006	126,478,575	108,402,912	14.3%
2007	125,626,639	110,969,808	11.7%
2008	125,269,078	110,833,045	11.5%
2009	130,038,076	110,112,891	15.3%
2010	130,539,796	109,602,891	16.0%
2011	130,649,210	110,516,410	15.4%
2012	130,649,210	110,198,161	15.7%
2013	130,649,210	109,879,912	15.9%
1996-2010 Absorption Avg:		605,567	
2011 Absorption:		913,519	

*Total projected inventory based on addition of projects currently under construction
Occupancy is forecast based on proprietary assumptions regarding the Chicago MSA's total employment change and the office industry's historical performance which trails the overall economy.*

HISTORIC & PROJECTED VACANCY: OCCUPANCY WILL DECLINE SLIGHTLY OVER THE NEXT TWO YEARS



SUBMARKET MAP



MARKET STATISTICS

CENTRAL LOOP	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Direct + Sublease) %
Class A	13,564,500	107,428	21,499	1,305,740	9.6%	12,258,760	311,642	11.9%
Class B	14,118,343	275,496	190,009	2,254,328	16.0%	11,864,015	282,309	18.0%
Class C	8,621,253	(251,355)	3,024	1,454,568	16.9%	7,166,685	99,256	18.0%
Total	36,304,097	131,570	214,532	5,014,636	13.8%	31,289,460	693,207	15.7%

EAST LOOP	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Direct + Sublease) %
Class A	4,027,459	220,327	72,246	821,509	20.4%	3,205,950	122,658	23.4%
Class B	10,221,358	35,300	38,355	2,435,988	23.8%	7,785,370	248,528	26.3%
Class C	8,430,137	(59,423)	19,802	1,125,866	13.4%	7,304,271	56,239	14.0%
Total	22,678,954	196,205	130,403	4,383,363	19.3%	18,295,591	427,425	21.2%

N. MICHIGAN AVE.	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Direct + Sublease) %
Class A	3,952,669	(90,075)	(45,240)	836,509	21.2%	3,116,160	112,176	24.0%
Class B	4,647,960	(20,400)	31,135	1,111,913	23.9%	3,536,047	135,238	26.8%
Class C	4,407,907	(77,482)	(27,846)	592,348	13.4%	3,815,559	39,184	14.3%
Total	13,008,535	(187,957)	(41,951)	2,540,770	19.5%	10,467,766	286,598	21.7%

RIVER NORTH	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Direct + Sublease) %
Class A	4,008,086	(14,244)	27,044	632,122	15.8%	3,375,964	81,340	17.8%
Class B	3,599,990	184,339	33,171	276,811	7.7%	3,323,179	383,399	18.3%
Class C	5,690,303	35,896	(32,076)	645,064	11.3%	5,045,239	196,421	14.8%
Total	13,298,380	205,991	28,139	1,553,998	11.7%	11,744,382	661,160	16.7%

SOUTH LOOP	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Direct + Sublease) %
Class A	1,019,325	(114,876)	(61,124)	210,912	20.7%	808,413	23,639	23.0%
Class C	1,252,074	(49,416)	(9,915)	312,508	25.0%	939,566	6,711	25.5%
Total	2,271,399	(164,292)	(71,039)	523,420	23.0%	1,747,979	30,350	24.4%

WEST LOOP	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Direct + Sublease) %
Class A	26,917,431	692,275	289,347	3,703,117	13.8%	23,214,314	638,509	16.1%
Class B	9,726,557	(9,170)	(110,942)	1,345,943	13.8%	8,380,614	83,684	14.7%
Class C	6,443,858	48,897	18,268	1,067,554	16.6%	5,376,304	76,778	17.8%
Total	43,087,846	732,002	196,672	6,116,614	14.2%	36,971,232	798,971	16.0%

TOTALS	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Direct + Sublease) %
Class A	53,489,470	800,836	303,772	7,509,909	14.0%	45,979,561	1,289,964	16.5%
Class B	42,314,208	465,565	181,727	7,424,984	17.5%	34,889,225	1,133,158	20.2%
Class C	34,845,531	(352,882)	(28,743)	5,197,908	14.9%	29,647,624	474,589	16.3%
Total CBD	130,649,210	913,519	456,756	20,132,800	15.4%	110,516,410	2,897,711	17.6%

*Numbers in parentheses are negative

SUBURBAN CHICAGO

EXECUTIVE SUMMARY

As was the case last year, the Suburban Chicago market experienced just over 1 million square feet of negative absorption in 2011. Occupancy losses have now surpassed total employment losses on a percentage basis. While demand was relatively flat in the fourth quarter, Suburban Chicago stands to see more negativity as numerous factors weigh against its recovery.

Key Indicators:

- Driven by demand for Class A space, the East-West submarket has been recovering ahead of its peers. The Northwest submarket continues to suffer and has lost more than 1 million square feet of occupancy this year.
- The flight-to-quality trend has resumed in the suburbs. Only Class A buildings saw vacancy rates drop during the quarter. Class B and C buildings saw no significant change.
- AT&T continues to bog down the sublease market by listing a 239,000 square foot building for sublease as well as its 1.2 million square foot corporate campus. The potential for formerly single-tenant corporate campuses to enter the multi-tenant market weighs on Suburban Chicago. With United Airlines and Sara Lee relocating to the CBD and AT&T and Motorola shedding space, the potential for numerous vacant corporate campuses is high.
- Leasing activity increased slightly, but most large transactions are not generating new demand. This “musical chairs” trend is evidenced by companies leasing blocks in their current submarkets but creating new vacant blocks by leaving behind their former space.
- Asking rents have held fairly steady. Landlords must increase concessions to entice tenants to stay or relocate within the suburbs.
- While the CBD earns enough demand from its labor pool to counteract an increased tax burden, Suburban Chicago lacks similar drivers.
- Outdated product weighs on Suburban Chicago. While it is inefficient and likely to be torn down eventually, it currently impacts vacancy.
- Unlike the CBD, there are no potential office developments making headlines. The only project underway is the build-to-suit headquarters for Astellas Pharma US in Glenview, which has created a large block of sublease availability at its former location in Deerfield.

Occupancy is 7.4 percent below peak in Suburban Chicago compared to a 6.2 percent peak-to-current total employment loss. Corporate defections, as well as underutilized space, remain the biggest risks to the market; companies have leased more space than they need and will reduce square footage upon lease expirations.

SUBURBAN VACANCY AND YEAR-TO-DATE ABSORPTION SUMMARY

Direct Vacancy 4Q2011	A	Change from 3Q2011	B	Change from 3Q2011	C	Change from 3Q2011	Total	Change from 3Q2011
East-West	19.4%	-0.2%	24.3%	0.4%	22.5%	-0.6%	21.6%	0.0%
North	20.4%	-0.1%	20.4%	-0.2%	22.7%	0.2%	20.6%	-0.1%
Northwest	23.4%	0.4%	35.1%	0.1%	31.4%	0.1%	27.7%	0.2%
O'Hare	20.1%	-1.6%	30.4%	-0.9%	36.3%	0.6%	26.0%	-0.9%
Suburban Chicago Total	20.9%	-0.2%	27.1%	0.0%	27.1%	0.0%	23.6%	-0.1%

Net Absorption 4Q2011	A	B	C	Total
East-West	36,685	(44,845)	29,328	21,168
North	6,365	22,198	(14,825)	13,738
Northwest	(71,638)	(25,366)	2,166	(94,838)
O'Hare	131,426	33,968	(14,567)	150,828
Suburban Chicago Total	102,838	(14,045)	2,102	90,895

**Numbers in parentheses are negative*

NEW DEVELOPMENTS

Speculative construction at a standstill

- With more than 1.1 million square feet of space vacated in 2011, Suburban Chicago continues to lack the demand necessary for speculative construction. The amount of direct available space has reached record-high levels as several large buildings sit vacant throughout each submarket. The current lack of demand, oversupply, and increased material costs simply do not justify a new multi-tenant building.
- The only office construction underway is limited to noncompetitive medical office developments and the build-to-suit North American headquarters for Astellas Pharma US in Glenview, for which MB Real Estate manages the construction.
- After being delivered in December 2009, Bridge Development's spec construction at 555 Aptakisic Road in Lincolnshire was fully leased by Sysmex earlier this year. As a result, the 160,000 square foot building is now being marketed for sale. The two-year lag between delivery and move-in will be a strong deterrent for developers.
- **OUTLOOK:** Suburban Chicago continues to have an overabundance of vacant space. Numerous parcels are ready for development once demand warrants it, which will always keep rent growth to inflationary levels. Between shrinking occupancy and constrained financing, speculative development is unlikely for several years.

NEW DEVELOPMENT PIPELINE

2010 Deliveries				
Building Address	Size (sf)	% Leased	Submarket	Comments
1901 Chestnut Ave, Glenview	110,000	100.0%	North	Delivered September 2010. Build-to-suit Headquarters for General Board of Pension & Health Benefits of The United Methodist Church. Construction managed by MB Real Estate.
9501 Technology Blvd, Rosemont	119,000	74.8%	O'Hare	Delivered April 2010. Rosemont Corporate Center. Tenants: Cisco, Skyline Advanced Tech. Developed by Ryan Companies.
111 Shuman Blvd, Naperville	85,000	100.0%	East-West	Delivered March 2010. Tenants: Delta Dental, Ryan Companies. Developed by Ryan Companies.
Total - 3 Properties	314,000			
2011 Deliveries				
Building Address	Size (sf)	% Leased	Submarket	Comments
Total - 0 Properties				
Under Construction				
Building Address	Size (sf)	% Pre-leased	Due Date	Comments
1 Astellas Pky, Glenview	440,000	100.0%	Fall 2012	Broke ground April 2010. Build-to-suit North American Headquarters for Astellas Pharma US. Construction managed by MB Real Estate.
Total - 1 Property	440,000			
Proposed				
Building Address	Size (sf)	% Pre-leased	Due Date	Comments
Total - 0 Properties				

SUBLEASE SPACE

Sublease availability remains unchanged

- The amount of available sublease space stayed steady at 3.4 million square feet. While well below record levels, the amount of sublease space continues to weigh heavily on the oversaturated market of direct space.
- The total square footage and number of available sublease blocks greater than 50,000 square feet was unchanged this quarter. Most notably, the 1.2 million square foot campus leased by AT&T remains, by far, the largest sublease block on the market. A 360,000 square foot block leased by Telcordia Technologies will be directly available during the third quarter of 2012.
- **OUTLOOK:** When the market is at equilibrium, roughly 3 million square feet of sublease space is available, meaning there is still room for reduction. As leases expire and revert to direct availability, sublease availability will decrease.

HISTORIC YEAR-END SUBLEASE AVAILABILITY: NOTABLE DECLINE IN CLASS A SPACE



LARGE BLOCKS (MORE THAN 50,000 SQUARE FEET) OF SUBLEASE SPACE CURRENTLY AVAILABLE

Class A					
Building Address	Size (sf)	Occupancy	Expiration	Submarket	Sublandlord
2000 W AT&T Dr, Hoffman Estates	1,207,245	Vacant	August 2016	Northwest	AT&T
3 Overlook Pt, Lincolnshire	290,143	Vacant	February 2017	North	Hewitt Associates
4201 Winfield Rd, Warrenville	249,996	January 2012	-	East-West	Navistar
3 Parkway Blvd N, Deerfield	232,836	July 2012	December 2014	North	Astellas Pharma US
1000 Milwaukee Ave, Glenview	130,403	Vacant	April 2017	North	AON Warranty Group
1450 American Ln, Schaumburg	65,259	Negotiable	October 2016	Northwest	Zurich American Insurance Company
410 Warrenville Rd, Lisle	60,434	Vacant	May 2013	East-West	IKON Office Solutions
Total - 7 Spaces	2,236,316				

Class B					
Building Address	Size (sf)	Occupancy	Expiration	Submarket	Sublandlord
6200 S Route 53, Lisle	360,000	Vacant	July 2012	East-West	Telcordia Technologies
2001 Lakewood Blvd, Hoffman Estates	239,250	Negotiable	-	Northwest	AT&T
5450 N Cumberland Ave, Chicago	118,666	Negotiable	February 2020	O'Hare	Océ-USA Holding Inc
750 N Commons Dr, Aurora	60,000	Negotiable	September 2017	East-West	Westell Technologies
Total - 4 Spaces	777,916				

Italicized addresses indicate space is new on the market

LARGE BLOCKS OF DIRECT AVAILABILITY

84 contiguous blocks greater than 50,000 square feet are available for lease

- The total number of large blocks decreased by three to 84 while total square footage within large blocks was reduced by 5.6 percent, or 535,000 square feet.
- The largest block removed during the quarter was a 106,000 square foot contiguous space leased to Catalyst Rx at 1200 Lakeside Drive in Bannockburn. However, the remainder of the 257,000 square foot building remains available for lease.
- The largest new block is a 229,000 square foot contiguous space at 200 North Martingale Road in Schaumburg. The FDIC signed a short-term lease for the space early last year and is expected to vacate by October 2012.

CLASS B

Building Address	City	Size (sf)	Submarket
28100 Torch Pky **	Warrenville	203,842	East-West
2000 Clearwater Dr	Oak Brook	198,250	East-West
3800 Golf Rd	Rolling Meadows	188,451	Northwest
1 Salem Lake Dr	Long Grove	150,000	Northwest
544 Lakeview Pky	Vernon Hills	144,999	North
2350-2360 E Devon Ave	Des Plaines	142,596	O'Hare
4 Corporate Dr	Long Grove	133,422	North
700 N Wood Dale Rd	Wood Dale	125,328	Northwest
2850 W Golf Rd	Rolling Meadows	110,942	Northwest
703-709 W Algonquin Rd	Arlington Heights	96,213	Northwest
<i>244 Knollwood Dr</i>	Bloomingtondale	95,000	Northwest
4242 N Harlem Ave	Norridge	93,155	O'Hare
800 Jorie Blvd	Oak Brook	88,886	East-West
9801 W Higgins Rd	Rosemont	78,682	O'Hare
<i>500 Joliet Rd</i>	Willowbrook	78,400	East-West
<i>2000 S Finley Rd *</i>	Lombard	78,300	East-West
814 Commerce Dr *	Oak Brook	66,882	East-West
1245 Corporate Blvd	Aurora	64,960	East-West
27545 Diehl Rd	Warrenville	62,440	East-West
1000 Lakeside Dr	Bannockburn	56,745	North
1000 E Woodfield Rd	Schaumburg	51,410	Northwest
2400 E Devon Ave	Des Plaines	51,000	O'Hare
22 Blocks of Space		2,359,903	

CLASS C

Building Address	City	Size (sf)	Submarket
3501 Algonquin Rd	Rolling Meadows	206,770	Northwest
1299 Algonquin Rd	Schaumburg	195,393	Northwest
2-4-6 Genesee St	Waukegan	75,996	North
1950 S Batavia Ave	Geneva	51,845	East-West
4 Blocks of Space		530,004	

Italicized addresses indicate space is new on the market

** Block of space is for future occupancy*

*** Block of space will be vacated during the upcoming quarter*

CLASS A

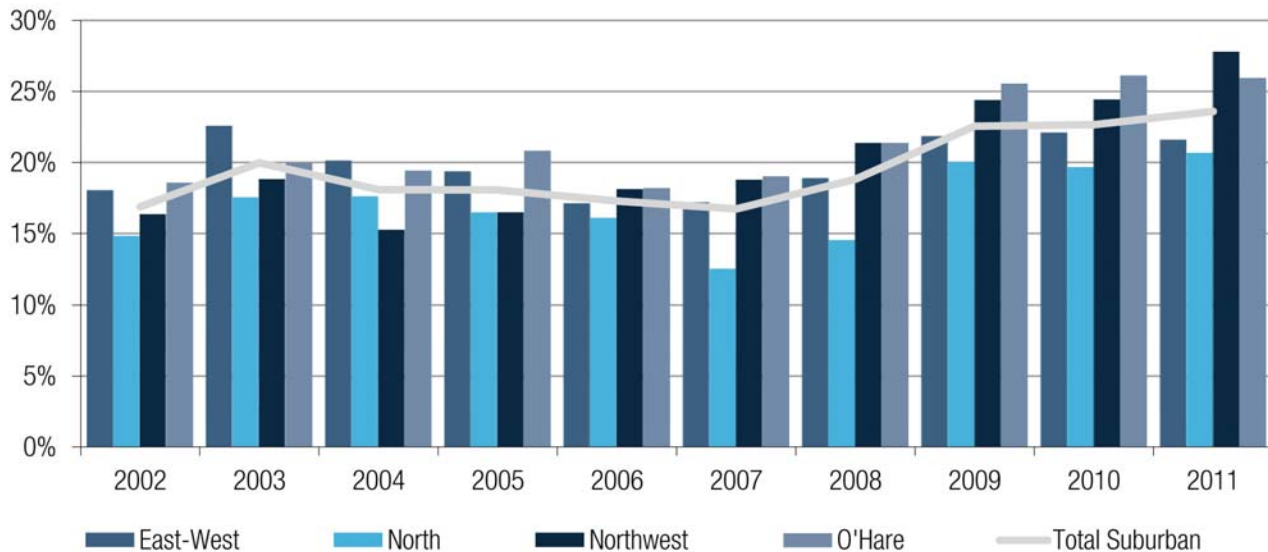
Building Address	City	Size (sf)	Submarket
21440 Lake Cook Rd	Deer Park	346,045	Northwest
1600 McConnor Pky	Schaumburg	300,686	Northwest
700 Oakmont Ln	Westmont	256,767	East-West
1701 Golf Rd	Rolling Meadows	234,164	Northwest
3075 Highland Pky	Downers Grove	228,764	East-West
<i>200 N Martingale Rd *</i>	Schaumburg	228,568	Northwest
75 N Fairway Dr	Vernon Hills	200,344	North
5550 Prairie Stone Pky *	Hoffman Estates	193,601	Northwest
150 NW Point Blvd	Elk Grove Village	176,844	Northwest
425 N Martingale Rd	Schaumburg	152,865	Northwest
1 Overlook Pt	Lincolnshire	148,686	North
1 Corporate Dr	Long Grove	142,130	North
3333 Beverly Rd	Hoffman Estates	129,000	Northwest
2895 Greenspoint Pky	Hoffman Estates	127,941	Northwest
9525 W Bryn Mawr Ave	Rosemont	123,668	O'Hare
1707 N Randall Rd	Elgin	109,076	Northwest
1707 N Randall Rd	Elgin	109,076	Northwest
2355 Waukegan Rd	Bannockburn	106,495	North
1333 Butterfield Rd	Downers Grove	98,520	East-West
1 Pierce Pl	Itasca	97,517	Northwest
6 Parkway Blvd N *	Deerfield	95,854	North
8700 W Bryn Mawr Ave	Chicago	86,825	O'Hare
2550 W Golf Rd	Rolling Meadows	81,060	Northwest
850-860 Techtology Way	Libertyville	78,000	North
2655 Warrenville Rd	Downers Grove	76,691	East-West
75 Tri State International *	Lincolnshire	76,534	North
8700 W Bryn Mawr Ave *	Chicago	76,469	O'Hare
1200 Lakeside Dr	Bannockburn	76,000	North
333 Knightsbridge Pky	Lincolnshire	74,728	North
2100 Sanders Rd	Northbrook	72,565	North
9500 W Bryn Mawr Ave	Rosemont	72,149	O'Hare
18W140 Butterfield Rd	Oakbrook Terrace	72,110	East-West
1200 Lakeside Dr *	Bannockburn	70,000	North
1000 Royce Blvd	Oakbrook Terrace	70,000	East-West
3800 N Wilke Rd *	Arlington Heights	68,755	Northwest
535 E Diehl Rd	Naperville	67,731	East-West
300 Park Blvd	Itasca	67,307	Northwest
701 Warrenville Rd	Lisle	67,233	East-West
4201 Lake Cook Rd	Northbrook	66,000	North
3500 Lacey Rd **	Downers Grove	65,144	East-West
2 Corporate Dr	Long Grove	64,871	North
<i>540 Lake Cook Rd *</i>	Deerfield	63,298	North
2 Pierce Pl	Itasca	60,904	Northwest
<i>1 Corporate Dr</i>	Long Grove	60,659	North
1 Tower Ln	Oakbrook Terrace	57,426	East-West
9500 W Bryn Mawr Ave *	Rosemont	56,554	O'Hare
2333 Waukegan Rd	Bannockburn	56,543	North
9500 W Bryn Mawr Ave	Rosemont	56,471	O'Hare
2100 Enterprise Ave	Geneva	55,584	East-West
1900 West Field Ct	Lake Forest	55,000	North
25 Tri State International *	Lincolnshire	54,966	North
1700 E Golf Rd	Schaumburg	54,496	Northwest
7400 N Caldwell Ave	Niles	54,000	Near North
2701 Patriot Blvd	Glenview	53,671	Near North
3000 Lakeside Dr	Bannockburn	53,316	North
1701 Golf Rd	Rolling Meadows	51,908	Northwest
1001 Warrenville Rd	Lisle	50,883	East-West
2400 Cabot Dr	Lisle	217,718	East-West
58 Blocks of Space		6,170,180	

VACANCY RATES

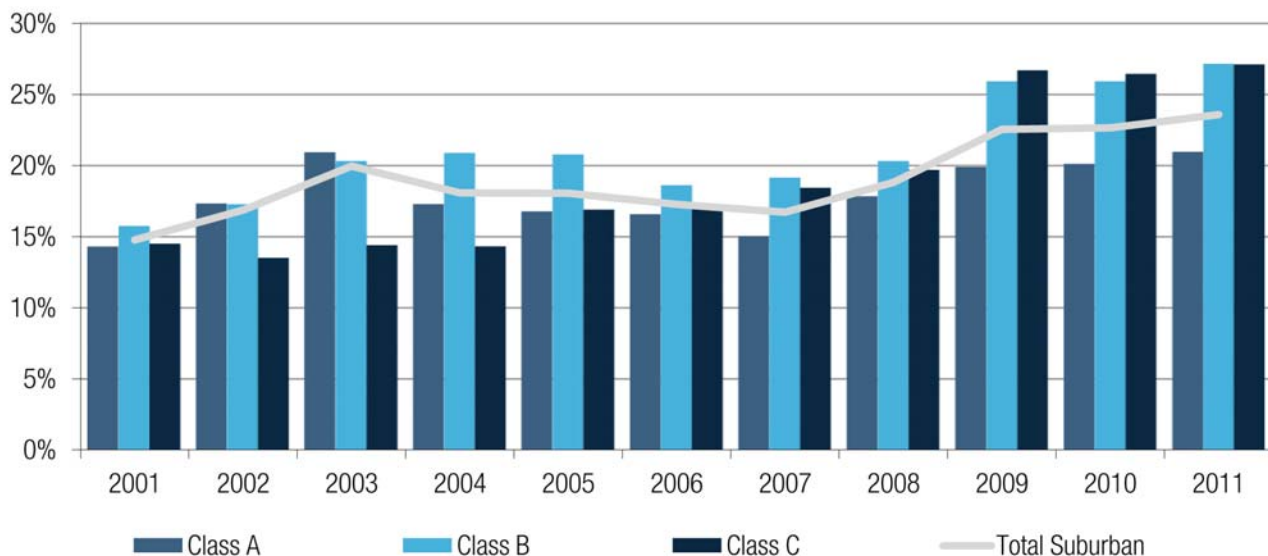
Vacancy stabilizes overall, but continues to rise in the Northwest submarket

- The direct vacancy rate fell 0.1 percent to 23.6 percent. Including sublease space, the total vacancy rate dropped slightly to 26.6 percent. While vacancy rates in Class B and C buildings remained unchanged, Class A direct vacancy fell by 0.2 percent. The North and Northwest submarkets suffered large occupancy losses in Class A buildings.
- Driven by occupancy increases in Class A buildings, the O'Hare submarket saw direct vacancy decrease by 0.9 percent, the most of any submarket. At 26.0 percent, direct vacancy still remains well above the overall suburban market.
- The Northwest submarket continued to be the worst-performing as it was the only submarket to see vacancy increase. At 27.7 percent, the Northwest submarket has the highest direct vacancy rate in the Suburban market.
- **OUTLOOK:** Despite a slight vacancy decrease, pervasive weakness continues in Suburban Chicago. Major corporate relocations and downsizing continue to threaten a recovery as vacancy rates continue to be near historically-high levels.

HISTORIC YEAR-END VACANCY RATES BY SUBMARKET: NORTHWEST AND O'HARE LAG



HISTORIC YEAR-END VACANCY RATES BY CLASS: B AND C PROPERTIES MORE THAN 1/4 VACANT



LARGE DEALS

Fewer large transactions compared to previous quarters

- The number of large deals decreased compared to last quarter. Each submarket did experience a new transaction greater than 47,000 square feet, however, each transaction resulted in a firm relocating to a similar sized space within its current submarket, resulting in little change in net absorption.
- Catalyst Rx signed the largest new transaction and will relocate employees from the Walgreens headquarters in Deerfield into 106,000 square feet at 1200 Lakeside Drive in Bannockburn. The move is indicative of the “musical chairs” trend where tenants move to a new space, but leave behind a similarly-sized space in the same submarket.
- JPMorgan Chase signed the largest renewal deal by extending their lease of 173,000 square feet at 3050 Highland Parkway (Highland Landmark IV) in Downers Grove.
- Comcast renewed and expanded to a total of 164,000 square feet at 2001 York Road in Oak Brook. The eight-year extension commences May 2012.
- Cole Taylor Bank extended its lease through September 2019 for 115,000 square feet at 9550 West Higgins Road (Pointe O'Hare) in Rosemont.
- **OUTLOOK:** The majority of new lease transactions will continue to be relocations within a given submarket. Companies who expand at their current building are often doing so by consolidating other offices.

LARGE LEASE TRANSACTIONS: NUMBER OF DEALS DOWN FROM PREVIOUS QUARTERS

NEW				
Tenant	Type	Submarket	Building Address	Size (sf)
Catalyst Rx	Relo	North	1200 Lakeside Dr, Bannockburn	106,000
Lawson Products	Relo	O'Hare	8770 W Bryn Mawr, Chicago	86,300
CA Technologies	Relo	East-West	3333 Warrenville Rd, Lisle	83,474
Advocate Physician Partners	Relo	Northwest	1701 Golf Rd (Tower II), Rolling Meadows	47,364
Total - 4 Deals				323,138

RENEWAL/EXPANSION/SUBLEASE				
Tenant	Type	Submarket	Building Address	Size (sf)
JPMorgan Chase	Ren	East-West	3050 Highland Pky, Downers Grove	173,000
Comcast	Ren/Exp	East-West	2001 York Rd, Oak Brook	164,000
Cole Taylor Bank	Ren	O'Hare	9550 W Higgins Rd, Rosemont	114,762
Philips	Ren	O'Hare	10275 W Higgins Rd, Rosemont	74,000
LTD Commodities	Ren	North	300 Tri State International, Lincolnshire	64,000
Total - 5 Deals				589,762

Abbreviations: Cont - Contraction Exp - Expansion Relo - Relocation Ren - Renewal

ABSORPTION

Although slight, absorption is positive for the first time since 2008

- The suburban market saw 91,000 square feet of net positive absorption, marking the first positive quarter since the first quarter of 2008. However, negative absorption totaled more than 1.1 million square feet for the year and 7.9 million square feet since the downturn.
- OUTLOOK: Despite the slightly positive quarter, there are no significant demand drivers in Suburban Chicago. Companies have mulled relocation to other states to avoid increased corporate income taxes; others have relocated to the CBD. Without significant job creation, the future of the market is weak.

SUBURBAN CHICAGO ABSORPTION BY CLASS: NEGATIVE ACROSS CLASSES



EAST-WEST	2003	2004	2005	2006	2007	2008	2009	2010	2011
Class A	(1,044,708)	1,080,332	102,299	366,688	542,281	(259,973)	(520,909)	(219,164)	299,247
Class B	(499,928)	(25,541)	389,014	484,869	(203,072)	(2,062)	(461,943)	67,827	(152,069)
Class C	(49,662)	76,936	85,269	(125,850)	(108,813)	(87,441)	(217,479)	7,017	55,114
Total	(1,594,298)	1,131,727	576,582	725,707	230,396	(349,476)	(1,200,330)	(144,319)	202,292

NORTH	2003	2004	2005	2006	2007	2008	2009	2010	2011
Class A	(617,229)	(10,452)	196,403	(100,049)	615,115	(240,617)	(486,877)	(312,238)	(261,008)
Class B	(51,905)	62,026	164,357	316,207	355,510	(60,982)	(585,395)	(319,078)	33,814
Class C	(45,023)	(39,173)	12,697	(39,440)	26,935	(2,048)	(276,642)	(40,044)	(90,151)
Total	(714,157)	12,401	373,457	176,718	997,560	(303,647)	(1,348,914)	(671,360)	(317,345)

NORTHWEST	2003	2004	2005	2006	2007	2008	2009	2010	2011
Class A	(280,998)	902,901	225,865	(488,651)	10,333	(302,930)	(213,601)	(21,262)	(632,282)
Class B	(397,531)	233,613	(234,681)	12,266	(164,112)	(261,498)	(680,058)	(295,928)	(383,730)
Class C	22,431	(13,282)	(216,898)	(15,371)	(51,429)	(28,362)	(32,482)	(192,091)	(48,617)
Total	(656,098)	1,123,232	(225,714)	(491,756)	(205,208)	(592,790)	(926,140)	(509,280)	(1,064,629)

O'HARE	2003	2004	2005	2006	2007	2008	2009	2010	2011
Class A	(159,845)	402,561	(55,786)	189,235	11,636	(256,325)	46,459	209,180	40,666
Class B	9,761	(306,424)	53,945	7,915	(81,167)	(51,601)	(291,145)	70,376	14,041
Class C	(39,147)	(15,002)	(204,597)	90,170	(50,022)	(35,696)	(361,077)	(10,855)	(14,567)
Total	(189,231)	81,135	(206,438)	287,320	(119,553)	(343,622)	(605,763)	268,701	40,140

TOTALS	2003	2004	2005	2006	2007	2008	2009	2010	2011
Class A	(2,102,780)	2,375,342	468,781	(32,777)	1,179,365	(1,059,845)	(1,174,928)	(343,484)	(553,378)
Class B	(939,603)	(36,326)	372,635	821,257	(92,841)	(376,143)	(2,018,540)	(476,802)	(487,944)
Class C	(111,401)	9,479	(323,529)	(90,491)	(183,329)	(153,547)	(887,679)	(235,972)	(98,221)
Total	(3,153,784)	2,348,495	517,887	697,989	903,195	(1,589,535)	(4,081,148)	(1,056,259)	(1,139,542)

*Numbers in parentheses are negative

GROSS ASKING RENTS

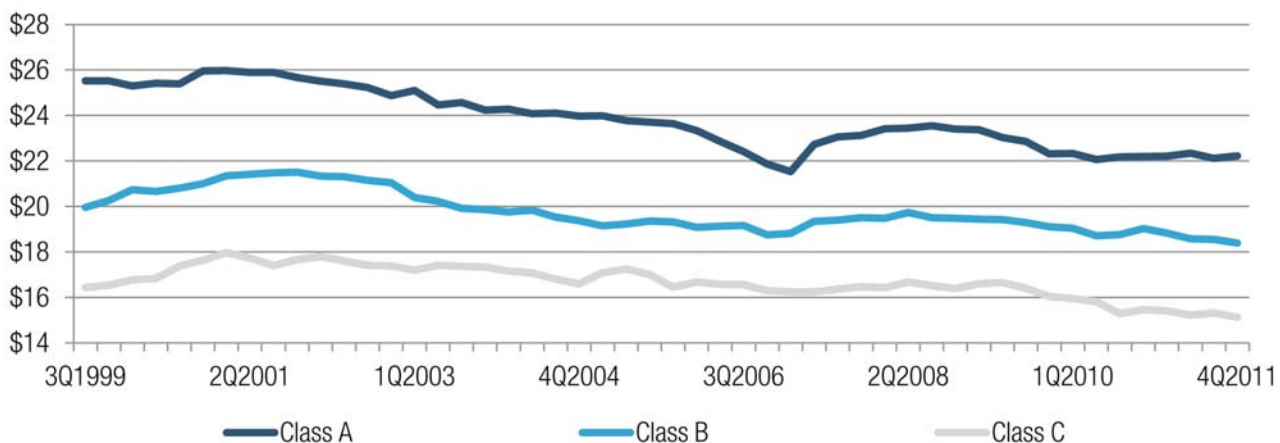
Class B and C rents at record low levels

- Over the last four quarters, gross asking rents have continued to hold fairly steady, with a slight decline overall.
- Class B and C rents decreased once again and have now reached the lowest levels in MB Real Estate's tracked history. Coupled with direct vacancy of more than 27 percent, tenants in these buildings will have the upper-hand in lease negotiations for years to come.
- Class A rents are up 0.1 percent from a year ago and are only 3.2 percent above the historical low seen during the first quarter of 2007.
- The relative strength of the East-West Class A submarket is demonstrated by the 4.0 percent increase in gross asking rent in that segment over the last year. However, Class B rents in the East-West submarket have fallen by 4.7 percent.
- Contrary to Class A rents in other submarkets, which have increased on a yearly basis, North suburban Class A asking rates have fallen 5.3 percent, the largest decrease of all classes and submarkets.
- Compared to peak levels, overall gross asking rents have fallen 13.9 percent.
- **OUTLOOK:** The relative stability of asking rents in Suburban Chicago shows that landlords are unable or unwilling to make more significant reductions despite falling occupancy. To compensate, concession packages must increase to entice tenants.

AVERAGE GROSS ASKING RATES BY CLASS AND SUBMARKET

Average Direct Gross Asking Rent	A	Change over last year	B	Change over last year	C	Change over last year	Total	Change over last year
East-West	\$22.68	4.0%	\$18.59	-4.7%	\$15.57	-2.2%	\$20.33	0.5%
North	\$21.43	-5.3%	\$19.78	-1.8%	\$16.21	-2.5%	\$20.49	-4.2%
Northwest	\$22.66	0.3%	\$16.98	-2.5%	\$13.55	-1.3%	\$20.17	-0.4%
O'Hare	\$22.61	1.2%	\$19.95	-3.8%	\$15.14	-1.4%	\$20.54	-0.5%
Suburban Chicago Total	\$22.33	0.1%	\$19.02	-3.3%	\$15.22	-2.1%	\$20.35	-1.0%

ASKING RATES REMAIN DOWN FROM ONE YEAR AGO



INVESTMENT SALES

Blackstone Group's portfolio purchase highlights active quarter

- While the year's previous sales were mostly marked by distress, several Class A buildings traded hands during the fourth quarter. Blackstone Group completed a 79-property national portfolio purchase from Duke Realty. Included in the purchase were three prominent office complexes: Riverway in Rosemont, Executive Towers in Downers Grove, and the O'Hare International Office Center.
- Buildings placed on the market for sale this quarter include 4343 Commerce Court in Lisle and 1 Salem Lake Drive in Long Grove.
- **OUTLOOK:** While Blackstone's national portfolio purchase drove investment activity this quarter, Suburban Chicago has not generated the premier investor interest that characterizes the CBD.

INVESTMENT SALES: PORTFOLIO PURCHASE DOMINATES LOCAL ACTIVITY

On the Market: 4th Quarter 2011

Building Address	Submarket	Size (sf)	Price	Price per sf *	Class	Seller	Status (Buyer or Listing Agent)
231 N Martingale Rd, Schaumburg	Northwest	317,198	-	-	A	Keystone Property Group	On Market
1821, 1827 & 1834 Walden Office Sq, Schaumburg	Northwest	227,760	-	-	A	Cook County Sheriff	On Market
747 E 22nd St, Lombard	East-West	209,557	\$12,000,000	\$57	A	Vectren Utility Holdings	On Market (Jones Lang LaSalle)
150 NW Point Blvd, Elk Grove Village	Northwest	176,844	\$22,000,000	\$124	A	Kingsway Financial Services	On Market (CB Richard Ellis)
701 E 22nd St, Lombard	East-West	173,105	-	-	A	GID Investment LLC	On Market (Jones Lang LaSalle)
4343 Commerce Ct, Lisle	East-West	167,756	-	-	A	Prime Group Realty Trust	New on Market (Holiday Fowler Fenoglio)
555 Aptakisic Rd, Lincolnshire	North	162,739	-	-	A	Bridge Development Partners LLC	On Market (Holliday Fowler Fenoglio)
1500 W Shure Dr, Arlington Heights	Northwest	158,252	-	-	A	Yunan Properties	On Market
1333 Burr Ridge Pky, Burr Ridge	East-West	150,000	\$30,000,000	\$200	A	1333 Burr Ridge Pky, L.P.	On Market (Holliday Fowler Fenoglio)
1 Salem Lake Dr, Long Grove	Northwest	150,000	\$8,250,000	\$55	B	Asset Ventures Fund I LTD	New on Market (BREIS LLC)

Investment Sales: 4th Quarter 2011

Building Address	Submarket	Size (sf)	Price	Price per sf *	Class	Seller	Buyer
1 Pierce Pl & 500 Park Blvd, Itasca (2 Buildings)	Northwest	1,029,351	\$73,750,000	\$72	A	Hamilton Partners/MEPT	Long Wharf Real Estate Partners
6133 N River Rd, 9399 W Higgins Rd, & 9377 W Higgins Rd, Rosemont (3 Buildings)	O'Hare	858,711	\$132,413,236	\$154	A	Duke Realty Corporation	Blackstone Group
1400, 1411, & 1431 Opus Pl, Downers Grove (3 Buildings)	East-West	653,727	\$102,635,139	\$157	A	Duke Realty Corporation	Blackstone Group
10255 & 10275 W Higgins Rd, Rosemont (2 Buildings)	O'Hare	516,779	\$79,687,322	\$154	A	Duke Realty Corporation	Blackstone Group
1200 Warrenville Rd, Naperville	East-West	329,770	\$31,000,000	\$94	A	Wanxiang America Real Estate	BMO Harris Bank
2211 Sanders Rd, Northbrook	North	197,305	\$44,250,000	\$224	A	Fulcrum Asset Advisors	Cole Real Estate Investments
1 Salem Lake Dr, Long Grove	Northwest	159,999	\$3,000,000	\$19	B	CF Industries	Asset Ventures Fund I LTD
2701 Patriot Blvd, Glenview	North	130,000	-	-	A	Opus Development Corp.	Northwestern Memorial Hospital
3030 W Salt Creek Ln, Arlington Heights	Northwest	100,952	\$5,875,406	\$58	B	Duke Realty Corporation	Blackstone Group
2275 Cabot Dr, Lisle	East-West	94,375	\$10,201,938	\$108	A	Duke Realty Corporation	Blackstone Group
1020 Milwaukee Ave, Deerfield	North	64,900	\$2,600,000	\$40	B	U.S. Bank	Marc Realty

* Price per square foot - based off estimated selling price for new to market buildings

FORECAST

Despite flat demand this quarter, further occupancy declines are expected

Suburban Chicago has experienced severe occupancy losses to match the jobs lost since the economic downturn. Since reaching its peak in 2007, occupancy has fallen 7.4 percent. Total employment declined 7.5 percent peak-to-trough but has rebounded to now stand at 6.2 percent from its peak.

The fact that occupancy is down further from its peak than total employment and that demand stabilized this quarter may suggest that 2012 will be a year of recovery. However, Suburban Chicago lacks the dynamic demand drivers of the CBD. With a waning ability to attract top workers to the suburbs, the market is seeing long-time tenants seek relocation options. Also, large sublease blocks continue to weigh heavily on the direct market.

For the factors mentioned above, total occupancy loss is expected to be greater than the employment loss on a percentage basis. No speculative construction and therefore no new inventory will help aid the market, but the demand to sustain a recovery simply does not exist at this time.

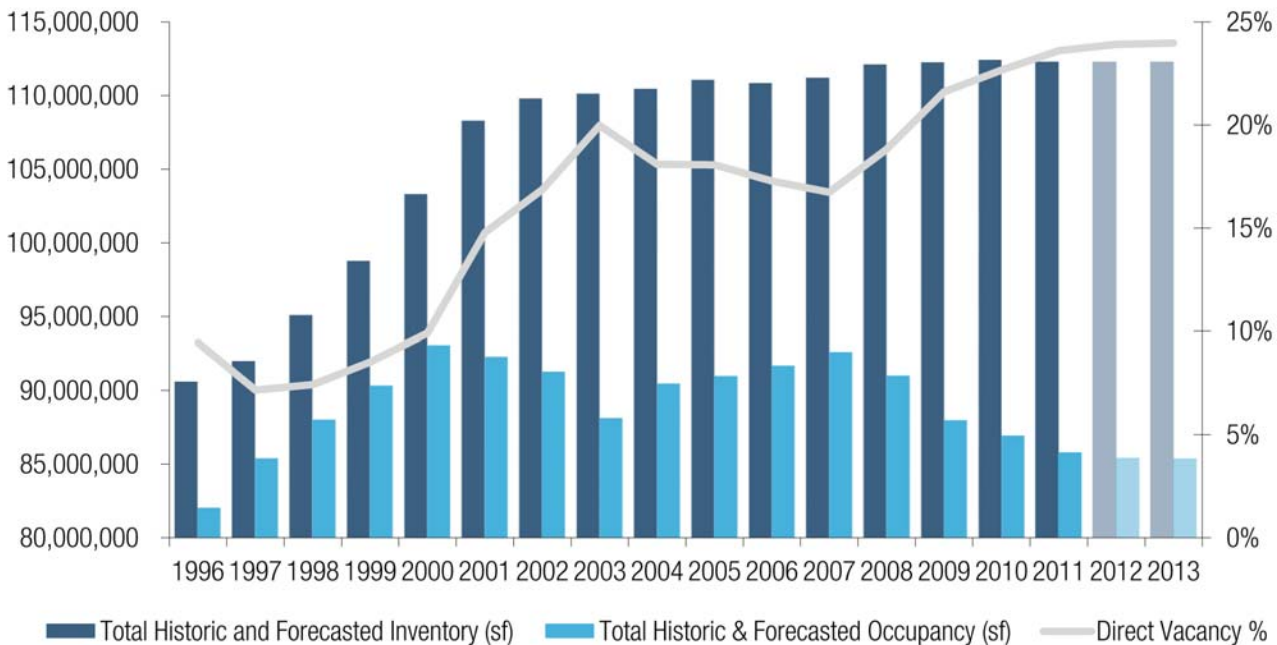
MB Real Estate expects occupancy declines to continue until 2012. The large losses from 2009 are not expected again, but tenants still need to shed excess space when their leases expire. Positive absorption will occur in 2013 but will be due to incremental growth within existing companies.

Year	Total Historic and Forecasted Inventory (sf)	Total Historic & Forecasted Occupancy (sf)	Direct Vacancy %
1996	90,601,193	82,039,636	9.4%
1997	91,989,948	85,388,879	7.2%
1998	95,078,215	88,016,285	7.4%
1999	98,744,696	90,321,332	8.5%
2000	103,270,399	93,033,912	9.9%
2001	108,254,000	92,247,968	14.8%
2002	109,769,838	91,258,173	16.9%
2003	110,090,266	88,104,389	20.0%
2004	110,423,452	90,452,884	18.1%
2005	111,030,084	90,970,771	18.1%
2006	110,806,221	91,668,760	17.3%
2007	111,175,875	92,571,955	16.7%
2008	112,080,944	90,982,420	18.8%
2009	112,218,212	87,973,132	21.6%
2010	112,374,614	86,916,873	22.7%
2011	112,250,112	85,761,730	23.6%
2012	112,250,112	85,410,982	23.9%
2013	112,250,112	85,340,832	24.0%
1997-2010 Absorption Avg:		478,543	
2011 Absorption:		(1,139,542)	

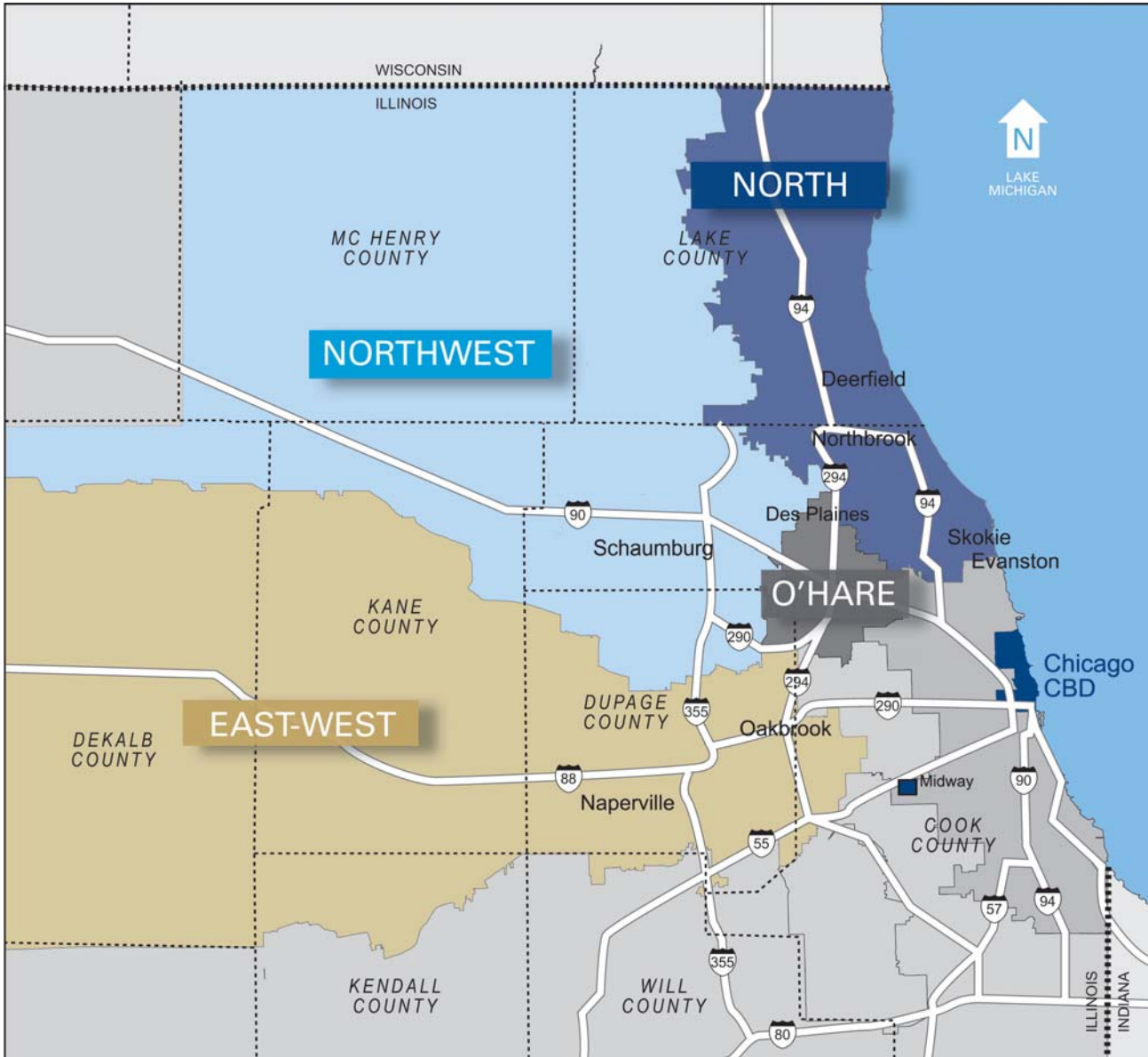
**Numbers in parentheses are negative*

*Total projected inventory based on addition of projects currently under construction
Occupancy is forecast based on proprietary assumptions regarding the Chicago MSA's total employment change and the office industry's historical performance which trails the overall economy.*

HISTORIC & PROJECTED VACANCY: OVERALL VACANCY RATE WILL PEAK NEAR 25%



SUBMARKET MAP



MARKET STATISTICS

EAST-WEST	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Vacancy + Sublease) %
Class A	20,610,447	299,247	36,685	4,006,326	19.4%	16,604,121	904,735	23.8%
Class B	14,557,029	(152,069)	(44,845)	3,531,084	24.3%	11,025,945	477,526	27.5%
Class C	4,909,266	55,114	29,328	1,103,547	22.5%	3,805,719	4,289	22.6%
Total	40,076,741	202,292	21,168	8,640,956	21.6%	31,435,785	1,386,550	25.0%

NORTH	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Vacancy + Sublease) %
Class A	16,864,246	(261,008)	6,365	3,444,839	20.4%	13,419,407	1,009,758	26.4%
Class B	7,446,487	33,814	22,198	1,517,827	20.4%	5,928,660	93,232	21.6%
Class C	2,549,837	(90,151)	(14,825)	579,471	22.7%	1,970,366	13,986	23.3%
Total	26,860,570	(317,345)	13,738	5,542,137	20.6%	21,318,434	1,116,976	24.8%

NORTHWEST	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Vacancy + Sublease) %
Class A	18,524,091	(632,282)	(71,638)	4,334,290	23.4%	14,189,801	311,822	25.1%
Class B	9,742,118	(383,730)	(25,366)	3,420,856	35.1%	6,321,263	157,515	36.7%
Class C	2,319,174	(48,617)	2,166	727,147	31.4%	1,592,027	20,764	32.2%
Total	30,585,383	(1,064,629)	(94,838)	8,482,293	27.7%	22,103,090	490,101	29.3%

O'HARE	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Vacancy + Sublease) %
Class A	7,838,134	40,666	131,426	1,576,823	20.1%	6,261,311	159,236	22.1%
Class B	4,345,242	14,041	33,968	1,322,740	30.4%	3,022,502	199,361	35.0%
Class C	2,544,042	(14,567)	(14,567)	923,433	36.3%	1,620,609	5,132	36.5%
Total	14,727,418	40,140	150,828	3,822,996	26.0%	10,904,422	363,729	28.4%

TOTALS	RBA (sf)	YTD Absorption (sf)	4th Quarter Absorption (sf)	Direct Vacancy (sf)	Direct Vacancy %	Occupancy (sf)	Sublease Vacancy (sf)	Total Vacancy Rate (Vacancy + Sublease) %
Class A	63,836,917	(553,378)	102,838	13,362,278	20.9%	50,474,639	2,385,551	24.7%
Class B	36,090,875	(487,944)	(14,045)	9,792,506	27.1%	26,298,370	927,634	29.7%
Class C	12,322,319	(98,221)	2,102	3,333,598	27.1%	8,988,721	44,171	27.4%
Total Suburban	112,250,112	(1,139,542)	90,895	26,488,382	23.6%	85,761,730	3,357,356	26.6%

**Numbers in parentheses are negative*

SECTION FOUR

ADDITIONAL INFORMATION

GLOSSARY

Absorption: The net change in occupied space over a given period of time. Unless otherwise noted, Net Absorption includes direct and sublease space.

Asking Rent: The published rental rate for a space in a building, which may vary from the rent which is negotiated upon by the tenant and landlord.

Central Business District: The designations of Central Business District (CBD) and Suburban refer to a particular geographic area within a metropolitan statistical area (MSA) describing the level of real estate development found there. The CBD is characterized by a high density, well organized core within the largest city of a given MSA.

Class: A classification used to describe buildings, with Class A reflecting the highest quality and Class C reflecting the lowest quality.

Direct Vacant Space: Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

Initial Rate: The contracted starting rental rate for the first term of a lease.

Inventory: The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. Calculated by adding the Rentable Building Area (RBA) of all properties in a market or submarket.

Large Block: The amount of contiguous space available in a building in terms of square footage. Contiguous spaces over 50,000 square feet are considered large by MB Real Estate.

Lease Comparable: Comparables are properties with characteristics that are similar in nature. Their signing lease rates and other contracted elements are aggregated to analyze contracted market conditions as opposed to asking market conditions.

Market: Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building type specific and are non-overlapping contiguous geographic designations. Markets can be further subdivided into Submarkets.

Net Rental Rate: A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

Preleased Space: The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

Price/SF: Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

Rentable Building Area (RBA): The total building square footage that can be occupied by or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally, RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

Rental Rates: The annual costs of occupancy for a particular space quoted on a per square foot basis.

Sales Price: The total dollar amount paid for a particular property at a particular point in time.

SF: Abbreviation for Square Feet.

Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

Submarkets: Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within.

Suburban: The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD.

Tenant Improvement: Those changes to property to accommodate specific needs of a tenant. TIs include installation or relocation of interior walls or partitions, carpeting or other floor covering, shelves, windows, toilets, etc. The cost of these is negotiated in the lease.

Total Vacant Space: Direct plus sublease vacant space.

Under Construction: The status of a building that is in the process of being developed, assembled, built or constructed. A building is considered to be under construction after it has begun construction and until it receives a certificate of occupancy.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations. Vacancy rate can be based on direct, sublease, or total vacant space.

Vacant Space: Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

YTD: Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

ABOUT MB REAL ESTATE

Our mission is to provide clients and investors with extraordinary real estate value and unlimited support



At MB Real Estate, our corporate mission is to maximize the value of our clients' real estate by creating timely and innovative solutions that meet their unique needs and objectives.

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