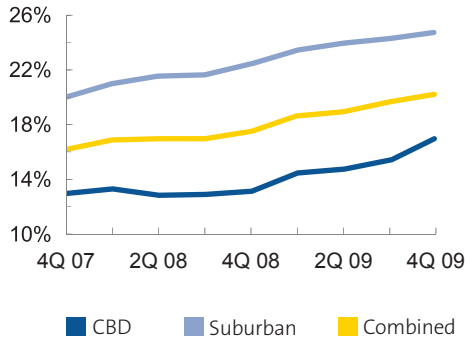


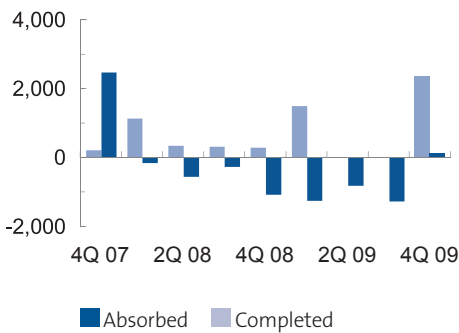
Vacancy Rate

Quarterly



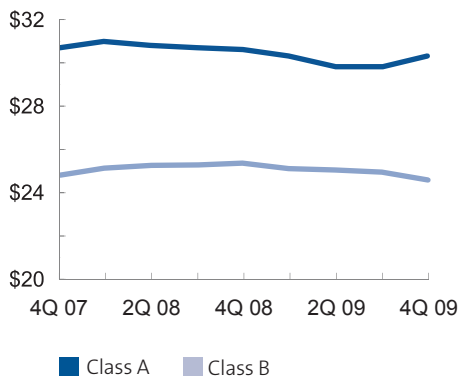
Completions vs. Absorption

Quarterly (in Thousands of SF)



Asking Rental Rates

Quarterly (\$/SF/Yr. Full Service)



Vacancy Hits Historic High

The Chicago office market closed out 2009 with a total negative net absorption of over 3.2 million square feet. This tops the worst year of the previous recession when negative absorption hit 2.7 million in 2002. The overall vacancy rate of 20.3 percent is now at the highest level since at least 1985 when Grubb & Ellis began tracking the Chicago market.

The central business district vacancy rate is up 280 basis points from its fourth quarter 2007 low of 13.9 percent. The downtown vacancy increase can be largely attributed to the three new skyscrapers that were added to the inventory and the corresponding movement of tenants into these buildings. The vacancy rate in the suburbs increased by 540 basis points compared to the last boom era when the rate was down to 19.1 percent in the fourth quarter of 2006. Meanwhile, the Illinois unemployment rate is still increasing and at 10 percent is much higher than after the end of the last recession, suggesting little to no demand for office space in the near term.

The downtown Chicago office market, however, at 16.7 percent vacancy is in significantly better shape than the suburban office market, which reached a new vacancy high of 24.5 percent at the end of the year. The suburbs have suffered from companies closing or downsizing back office operations as well as companies relocating to the Chicago CBD. The move of the United Airlines operations center is the latest and largest example of this relocation trend.

2009 appears to have been the last year, at least for the foreseeable future, in which significant office development occurred. Three downtown buildings were delivered totaling 3.8 million square feet. (Continued on the next page)

FORECAST

- Owners of “zombie buildings” will not be able to compete for tenants with other landlords due to their limited access to capital
- Shadow vacancy will delay the commercial real estate recovery as companies will backfill this space first before leasing additional space
- Asking rental rates are expected to decrease an additional 7 to 10 percent in 2010

KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
United Airlines	The Chetrit Group, LLC. & The Moinian Group	233 S Wacker Dr	450,000
Baker & McKenzie	Blue Cross & Blue Shield of Illinois	300 E Randolph St	237,000
U.S. Department of Health and Human Services	Parkway Properties, LP	233 N Michigan Ave ^R	184,000
Wm. Wrigley Jr. Co	600 W Chicago Associates, LLC	600 W Chicago Ave ^R	148,000
Redbox	GE Capital Real Estate	1 Tower Ln ^R	137,000

■ Leasing ■ Sales (R) = Renewal (S) = Sublease * Indicates Transaction Represented by Grubb & Ellis

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Office Trends Report—Fourth Quarter 2009

Chicago, IL



GRUBB & ELLIS
From Insight to Results

By Submarket	Total SF	Vacant SF	VACANCY %		NET ABSORPTION		Under Construction SF	ASKING RENT	
			Direct	Total	Current	Year To Date		Class A	Class B
Central Loop	36,021,906	5,757,255	13.3%	16.0%	(99,335)	(1,078,401)	-	\$37.05	\$29.66
East Loop	22,498,103	3,989,593	14.0%	17.7%	(275,713)	(703,641)	-	\$36.17	\$30.94
North Michigan Avenue	10,821,993	1,751,582	15.3%	16.2%	(306,181)	(397,844)	-	\$34.41	\$33.45
River North	11,842,298	2,072,371	14.5%	17.5%	704,609	1,408,010	-	\$39.32	\$29.77
West Loop	44,117,090	7,301,376	14.8%	16.5%	326,217	(378,005)	-	\$39.07	\$30.12
CBD Total	125,301,390	20,872,177	14.2%	16.7%	349,597	(1,149,881)	-	\$38.26	\$30.56
I-88 East	24,874,443	5,681,563	21.4%	22.8%	(143,211)	(656,695)	138,000	\$25.01	\$19.34
I-88 West	16,559,787	4,126,867	23.6%	24.9%	(98,553)	(106,973)	75,000	\$21.52	\$17.91
North	26,065,754	5,485,639	16.9%	21.0%	33,271	(687,810)	160,000	\$22.78	\$19.61
Northwest	25,218,381	7,378,689	25.9%	29.3%	13,531	(618,682)	-	\$23.20	\$19.07
O'Hare	14,333,309	3,596,382	23.4%	25.1%	(47,618)	(715)	105,000	\$26.35	\$21.72
Suburban Total	107,051,674	26,269,140	22.0%	24.5%	(242,580)	(2,070,875)	478,000	\$23.78	\$19.26
Totals	232,353,064	47,141,317	17.8%	20.3%	107,017	(3,220,756)	478,000	\$30.24	\$24.58

By Class	Total SF	Vacant SF	Direct	Total	Current	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	101,996,065	20,257,840	16.7%	19.9%	1,218,259	(488,481)	478,000	1,879,257	2,498,095
Class B	95,704,200	21,051,686	19.5%	22.0%	(1,118,806)	(2,394,305)	-	2,189,249	928,160
Class C	34,652,799	5,831,791	16.3%	16.8%	7,564	(337,970)	-	182,665	97,126
Totals	232,353,064	47,141,317	17.8%	20.3%	107,017	(3,220,756)	478,000	4,251,171	3,523,381

(Continued from front) No more buildings are currently under construction or planned for the near future. In the suburbs only one building, 9800 W Bryn Mawr in Rosemont was completed during the year. The 141,000-square-foot building was purchased by LifeSource for \$16.5 million during the fourth quarter. Just under 500,000 square feet of office space is still under construction in the suburbs. On the bright side, several large transactions were signed towards the end of the year. Although most of them were renewals, they represent a vote of confidence in Chicago as a business location.

To date, asking rental rates have not decreased significantly. In the CBD, the weighted average asking rate for Class A was lowered by 64 cents per square foot to \$38.26 on a year-over-year basis and in the suburbs by \$1.80 per square foot to \$23.78. The story for Class B rents was quite similar.

Tenants continue to have the upper hand in lease negotiations. Their negotiating power may, however, be negatively impacted by changes on the ownership side of the equation. The combination of the recession, the credit crunch, more stringent lender underwriting requirements and pending mortgage loan maturities has served to limit the number of buildings which can spend the necessary capital to effectively compete for tenants. The “zombie building” phenomenon will likely help to bifurcate the market in 2010 and could create a “survival of the fittest” environment among owners. In the extreme case, if enough buildings are effectively placed “on the sidelines,” rents could actually go up and concessions could tighten in certain segments of the market, even in an overall environment of negligible demand.

OFFICE TERMS AND DEFINITIONS

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*