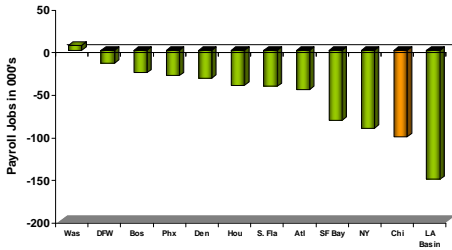


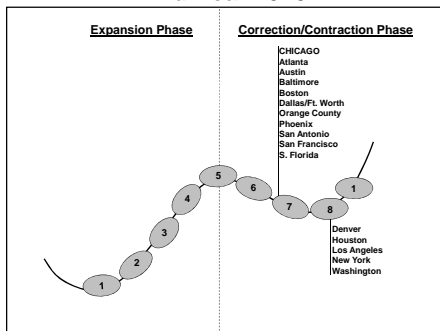
METRO CHICAGO OFFICE MARKET AT MID-YEAR 2010

**Payroll Job Change
Large Metro Areas
12 Months Ending April 2010**



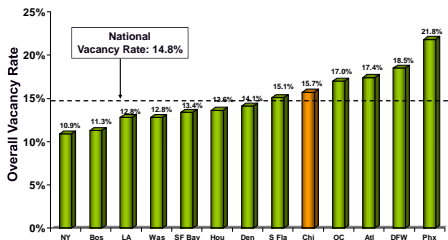
Source: Bureau of Labor Statistics, Delta Associates; June 2010.

**Office Market Cycle Position
Mid-Year 2010**



Source: Delta Associates; June 2010.

**Office Vacancy Rates
Selected Metro Areas
Mid-Year 2010**



Source: CoStar, Delta Associates; June 2010.

**Office Absorption and Employment
Metro Chicago
1983 – Mid-Year 2010**



Source: BLS, Delta Associates; June 2010.

*12-month job growth ending April 2010.
*1st half 2010 net absorption.

Executive Summary

The metro Chicago economy is beginning to bottom. Monthly job gains resumed in March (with an increase of 21,700, followed by a gain of 43,500 in April) and 12-month job losses are scaling back – to 101,400 during the 12 months ending April 2010. Health/Education Services and the Government sector remain strong, while other sectors are just starting to add jobs. Additionally, the unemployment rate declined to 10.7% in April, from 11.7% in January.

The metro Chicago office market is gradually firming as of mid-year 2010. While net absorption in the CBD remained negative during Q2, activity there is increasing, with some suburban tenants migrating toward the core. The CBD vacancy rate is lower than the suburban rate. Metro Chicago office market highlights at mid-year 2010:

- CBD Q2 net absorption: (488,000) SF; YTD: (1,028,000) SF.
- Suburban Q2 net absorption: 298,000 SF; YTD: 500,000 SF.
- CBD overall vacancy rate: 14.1%, up from 13.3% in Q1.
- Suburban overall vacancy rate: 16.8%, unchanged from Q1.
- CBD Class A asking rents were down 1.6% in the 1st half of 2010; effective rents were driven down by significant concessions.
- Suburban Class A asking rents were flat in the 1st half of 2010; as in the CBD, effective rents continued to decline.

Metro Chicago Economic Outlook

Metro Chicago's economy will likely improve off of cyclical lows through the balance of 2010, with renewed strength in the Trade and Transportation sector and Professional/Business Services fueling the recovery. As monthly job growth continues, we expect the annual employment loss to scale back to the 60,000 range in 2010. As growth strengthens in 2011-12, annual employment gains will likely reach the 40,000 to 60,000 range. This compares to average annual gains of 47,000 in the 2005-07 period and 76,000 in the 1990s boom.

Metro Chicago Office Market Outlook

As monthly employment gains continue, **the Chicago CBD office market will likely begin to stabilize in the 2nd half of 2010 or early 2011,** with vacancy and rents leveling off. Meanwhile, **Chicago's suburban office market may experience modest improvement,** but it could be held back by the delivery of projects still under construction and an elevated vacancy rate. The metro Chicago office market will likely experience stronger conditions in 2011-12, as economic growth spreads.