



# Metropolitan Chicago

Office Market Report | First Quarter 2006

**W**e are pleased to present NAI Hiffman's First Quarter 2006 Market Report, an analysis of the Metropolitan Chicago office market. Our goal is to provide you with a unique perspective on the area's vibrant commercial real estate market from the largest full-service, privately owned real estate services firm in the Midwest. This report is a result of collaboration between NAI Hiffman agents in each of the various sub-markets, along with our unparalleled Research Group which analyzes data from a wide variety of sources.

Vacancy rates continue to fall in both the suburban and downtown markets. In the city, the East Loop should benefit from Blue Cross's new lease in Illinois Center and the residential conversion of the top floors of 55 East Monroe. The next round of musical chairs will start at the end of the year when Fifield Company completes its new development at 550 W Adams. U.S. Gypsum will be relocating to the new building while GATX takes part of Gypsum's space at 222 W Adams. In the suburbs, vacancy continues to fall in the face of limited construction activity. Tenants who signed leases at the height of the market five years ago are taking the opportunity to renegotiate now, bringing their rents more in line with current market rates.

NAI Hiffman is one of Chicago's largest and most active commercial real estate firms and is the Chicago area representative for NAI, the industry's largest global partnership of real estate service providers, comprised of 3,500 brokers in 230 offices serving more than 300 markets worldwide.

With both city and suburban offices, NAI Hiffman is in the market daily, insuring the most current, comprehensive market knowledge for clients such as Wm. Wrigley Jr. Company, Cornerstone Realty Advisors, PacTrust, UBS, The St Paul, WorldCom and the United States Postal Service. Give us the opportunity to earn your trust, and we will deliver for you.

Sincerely,



Michael J. Flynn  
Office Properties Group



David C. Shumaker  
Market Research Group

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# Chicago Office Market | 1Q2006

OFFICE MARKET	BLDGS	MARKET SIZE	VACANCY	ABSORPTION	CONSTRUCTION COMPLETIONS	RENTAL RATE
West Loop	124	44,074,657	16.98%	1,766,208	0	\$28.73
Central Loop	86	38,959,972	17.29%	428,460	828,538	\$27.70
East Loop	74	24,438,633	18.94%	154,938	0	\$24.27
North Michigan	66	13,946,774	14.86%	32,144	0	\$26.10
River North	127	11,182,382	14.19%	265,672	0	\$22.59
<b>Downtown</b>	<b>477</b>	<b>132,602,418</b>	<b>16.98%</b>	<b>2,647,422</b>	<b>828,538</b>	<b>\$26.81</b>
Near North Cook	136	6,996,543	15.01%	322,586	0	\$21.43
Central North	308	18,467,299	14.20%	91,786	0	\$22.26
Far North	67	2,010,205	23.45%	17,008	0	\$16.38
<b>North Suburban</b>	<b>511</b>	<b>27,476,047</b>	<b>14.96%</b>	<b>431,380</b>	<b>0</b>	<b>\$21.62</b>
North DuPage	83	5,247,754	21.42%	50,599	0	\$20.28
Schaumburg Area	319	21,083,478	19.76%	(63,106)	0	\$20.40
Central Northwest	62	2,492,783	30.27%	90,007	104,694	\$20.20
Far Northwest	103	3,111,212	19.80%	(9,862)	0	\$16.53
<b>Northwest Suburban</b>	<b>567</b>	<b>31,935,227</b>	<b>21.86%</b>	<b>67,638</b>	<b>104,694</b>	<b>\$19.99</b>
<b>O'Hare Area</b>	<b>181</b>	<b>15,072,205</b>	<b>23.22%</b>	<b>236,744</b>	<b>0</b>	<b>\$21.89</b>
Eastern East-West	342	25,006,406	17.62%	21,901	0	\$21.16
Western East-West	312	15,737,909	22.43%	290,721	0	\$19.43
<b>East-West Corridor</b>	<b>654</b>	<b>40,744,315</b>	<b>19.48%</b>	<b>312,622</b>	<b>0</b>	<b>\$20.50</b>
<b>I-55 Corridor</b>	<b>86</b>	<b>3,711,302</b>	<b>26.56%</b>	<b>37,296</b>	<b>0</b>	<b>\$18.62</b>
<b>Suburban Summary</b>	<b>1,999</b>	<b>118,939,096</b>	<b>19.50%</b>	<b>1,085,680</b>	<b>104,694</b>	<b>\$20.74</b>
<b>Office Summary</b>	<b>2,476</b>	<b>251,541,514</b>	<b>18.17%</b>	<b>3,733,102</b>	<b>933,232</b>	<b>\$23.94</b>

Note: Inventory, Absorption and Construction Completions are expressed in net rentable square feet. Rental rates are an average weighted gross rate.

# Downtown Office Market | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents



### Statistics

Market Size .....	132,602,418
Overall Vacant Space (sf) .....	22,509,953
Overall Vacancy .....	16.98%
Sublease Vacancy .....	1.46%
1Q06 Absorption (sf).....	2,647,422
2006 YTD Absorption (sf).....	2,647,422
Gross Direct Rental Rate (psf).....	\$26.81
Construction Completions (sf).....	828,538
Under Construction (sf).....	2,220,000

### MARKET OVERVIEW

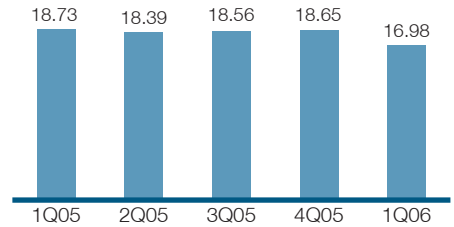
During the first quarter of the year, leasing activity drove the overall vacancy rate down from 18.65% in December to 16.98% currently on strong absorption. Vacancy rates fell across the market except in the Central Loop, where the delivery of 1 South Dearborn resulted in positive absorption, but also higher vacancy due to the still unleased portion of the building. Class A vacancy fell from 20.62% in December to 18.29% in March. Class B vacancy also decreased, falling from 17.53% to 16.15% in the same time period.

### MARKET OUTLOOK

The East Loop should get a boost in the coming months with the expansion by Blue Cross into One Illinois Center and the conversion of the top floors of 55 East Monroe to residential use. The next round of musical chairs will start at the end of the year when Fifiel Company completes its new development at 550 W Adams. U.S. Gypsum will be relocating to the new building while GATX takes part of Gypsum's current space at 222 W Adams. Rental rates seem to have found equilibrium in the market. Because of the competition by developers to land the next anchor tenant, new construction is fairly evenly priced in the mid to upper \$20's net. Tenants are negotiating for enhanced concession packages that give them the flexibility to grow or contract.

### Overall Vacancy

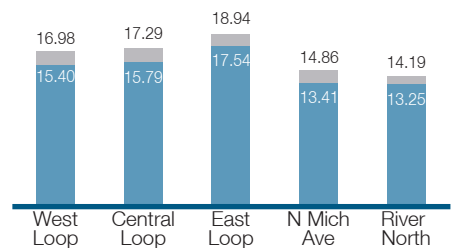
in percent



### Direct & Overall Vacancy

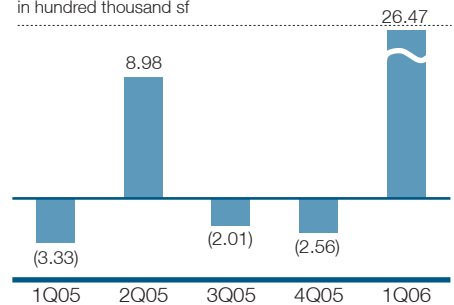
in percent

Sublease  
Direct



### Absorption

in hundred thousand sf



### Major Downtown Lease Transaction

Tenant	Address	Submarket	Size (sf)	Comments
CDW	120 S Riverside	West Loop	252,000	Consolidation
Blue Cross Blue Shield	111 E Wacker	East Loop	202,000	Lease
Chapman & Cutler	111 W Monroe	Central Loop	164,400	Renewal
Orbitz	500 W Madison	West Loop	145,000	Lease

### Major Downtown Sales Transactions

Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
Prudential Plaza I & II	2,100,000	\$470.0	\$224	BentleyForbes	Shorensein - contract
311 S Wacker	1,281,000	286.0	223	David Werner	Walton Street Capital - contract
181 W Madison	940,000	281.0	299	GE Asset Group	Prudential/TMW - contract
321 N Clark	896,000	250.0	279	Hines RE Inv Trust	NYSTRS/Hines Interests
333 W Wacker	869,000	223.0	257	Hines Interests	KanAm Group

# Suburban Office Market | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents

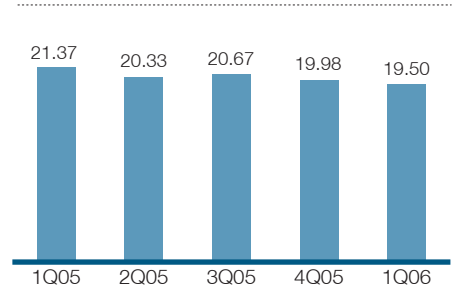


### Statistics

Market Size .....	118,939,096
Overall Vacant Space (sf) .....	23,193,420
Overall Vacancy .....	19.50%
Sublease Vacancy .....	2.34%
1Q06 Absorption (sf).....	1,085,680
2006 YTD Absorption (sf).....	1,085,680
Gross Direct Rental Rate (psf).....	\$20.74
Construction Completions (sf).....	104,694
Under Construction (sf).....	77,861

### Overall Vacancy

in percent

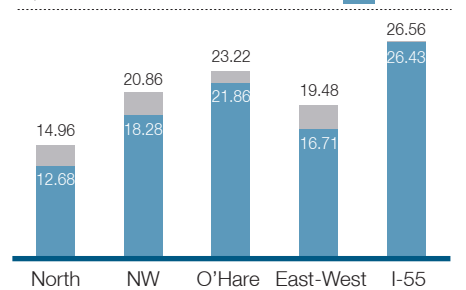


### MARKET OVERVIEW

During the first quarter of 2006, overall vacancy in suburban Chicago office markets dropped from 20.41% in December to 19.50% in March on positive absorption in all five markets, primarily the result of small to mid-sized transactions. Class A vacancy dropped from 20.70% at year end to 19.26% in March. Class B vacancy also declined, falling from 22.56% to 21.05% in the same time period. The North Suburban market continues to have the lowest overall vacancy rate in suburban Chicago.

### Direct & Overall Vacancy

in percent

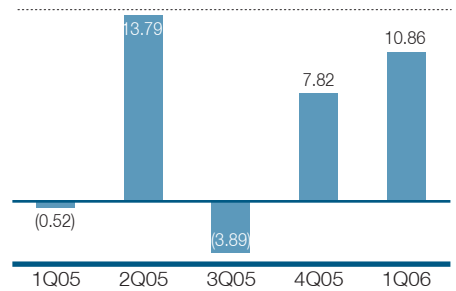


### MARKET OUTLOOK

The outlook for the suburban office market remains positive. While the North Suburban market has made some significant gains in the past few quarters, several corporate relocations along with layoffs at Allstate are on the horizon. Construction remains light, though developers continue to shop proposed projects in several markets. And Duke Realty has gone as far as to announce a summer start date for its speculative project in North Suburban Conway Park. More significant levels of construction will depend on signed anchors. While concessions appear to have leveled off in most areas, tenants who signed leases at the height of the market five years ago are now renegotiating their leases to get their rent more in line with market rates.

### Absorption

in hundred thousand sf



### Major Suburban Lease Transaction

Tenant	Address	Submarket	Size (sf)	Comments
Hewitt Associates	1 Overlook Pt, Lincolnshire	North Suburban	187,973	Renewal
Citigroup	50 Northwest Point, Elk Grove	Northwest Suburban	177,000	Lease
Houghton Mifflin Co	3800 Golf Rd, Rolling Meadows	Northwest Suburban	116,693	Sublease
Walgreen Co.	4000 Commercial, Northbrook	North Suburban	68,000	Lease
SXC Software	Westwood of Lisle, Lisle	East-West Corridor	65,000	Lease

### Major Suburban Sales Transactions

Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
Central Park of Lisle I & II, Lisle	640,600	\$108.0	169	Tishman Speyer	Duke Realty
Triangle Plaza, Chicago (O'Hare)	631,000	91.0	144	John Buck Co.	Triangle Plaza Ventures
Atrium Corp Ctr, Rolling Meadows	485,000	66.0	129	Lincoln Property	Spear Street Capital
Point O'Hare, Rosemont	262,994	57.6	220	Equity Office	ORIX Real Estate Capital

# West Loop | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents



## Statistics

Market Size .....	44,074,657
Overall Vacant Space (sf) .....	7,485,809
Overall Vacancy .....	16.98%
Sublease Vacancy .....	1.59%
1Q06 Absorption (sf).....	1,766,208
2006 YTD Absorption (sf).....	1,766,208
Gross Direct Rental Rate (psf).....	\$28.91
Construction Completions (sf).....	0
Under Construction (sf).....	470,000

## MARKET OVERVIEW

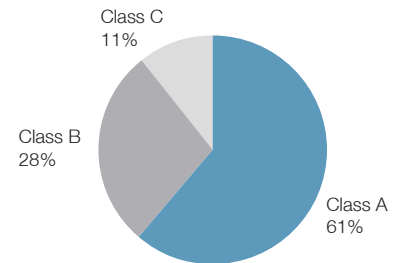
During the first quarter, West Loop vacancy fell dramatically on strong leasing activity and as tenants continue to take occupancy at the new Wacker Drive towers. Overall vacancy decreased from 20.99% at year end to 16.98% currently on positive absorption in all three property classes. Class A leasing again was the real driver, with tenants such as the Department of Education, American Marketing Association, RBC Dain Rascher and others all helping to send Class A vacancy to 17.70%, down from 21.48% in December. Class B vacancy also decreased, dropping from 21.83% to 16.47% in the same time period. Sublease space fell this quarter to 1.59% of inventory on leasing activity and term burn off.

## MARKET OUTLOOK

While tenant activity remains positive, most of the movement is coming from firms already in the market. Look for vacancy rates to move up again at the end of the year as USG relocates across the river to its new headquarters at 550 W Adams. While some of the pending vacancy at 222 W Adams already has been released to GATX, the new tenant is coming from within the market and is also downsizing from its current space. Tenants are taking advantage of the continued softness to renegotiate more favorable deals.

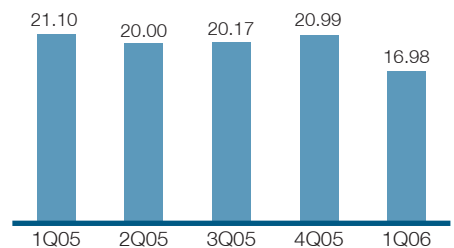
## West Loop Inventory

in percent



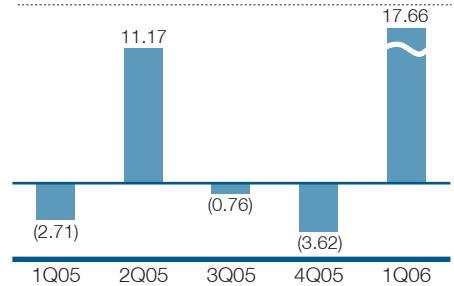
## Overall Vacancy

in percent



## Absorption

in hundred thousand sf



## Major River North Lease Transactions

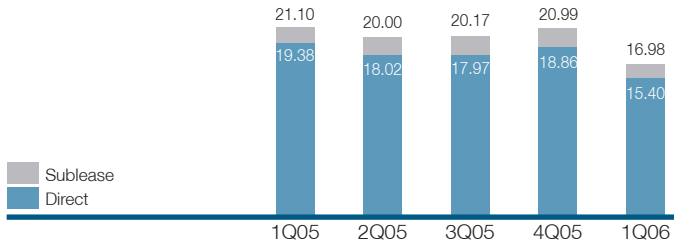
Tenant	Address	Size (sf)	Comments
CDW	120 S Riverside	252,000	Consolidation
Orbitz	500 W Madison	145,000	Lease
GATX Corp.	222 W Adams	100,000	Lease
Arnstein & Lehr LLP	120 S Riverside	94,000	Renewal/Expansion
First Industrial Realty Trust	311 S Wacker	66,000	Renewal/Expansion

## Major River North Sale Transactions

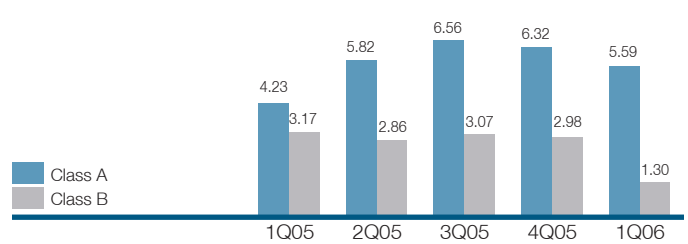
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
311 S Wacker Dr	1,281,000	\$286.0	\$223	David Werner	Walton Street Capital - contract
333 W Wacker Dr	869,000	223.0	257	Hines Interests	KanAm Group
300 S Wacker Dr	512,000	91.0	178	Zeller Realty	Broadway Partners - contract

# West Loop | 1Q2006

**Direct & Overall Vacancy**  
in percent



**Sublease Space**  
in 100,000 sf



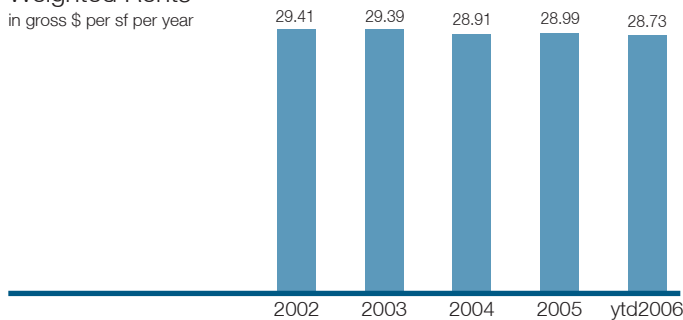
## VACANCY

During the first quarter of the year, overall direct vacancy dropped from 18.86% in December to 15.40% in March. Class A direct vacancy also decreased, falling from 19.20% to 15.69% by the end of the quarter. Class B direct vacancy likewise fell, moving from 19.29% to 15.36% in the same time period. Total availability, including space that is currently occupied or under construction but not yet leased, in the West Loop declined by over ten percent this quarter to 9,074,259 sf.

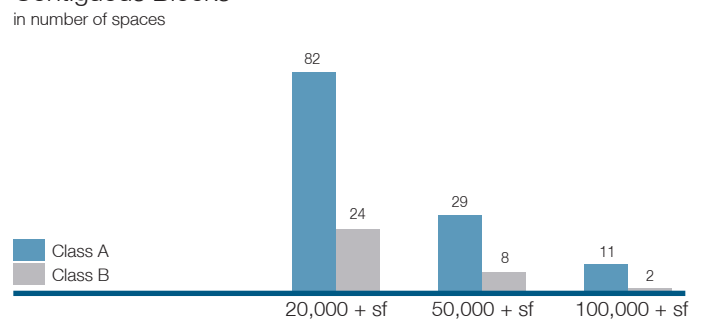
## SUBLEASE SPACE

Sublease space as a percentage of inventory decreased this quarter, falling from 2.13% in December to 1.59% presently. Currently there is 558,895 sf of Class A space, down just over ten percent from yearend. Class B sublease listings ended the quarter with a total of 129,760 sf, down over 50 percent from December.

**Weighted Rents**  
in gross \$ per sf per year



**Contiguous Blocks**  
in number of spaces



## WEIGHTED RENTAL RATES

Second generation Class A buildings have taken a big hit in the last few years as major tenants vacate to anchor new developments. Some of these 10 – 15-year-old buildings have significantly reduced their rates to compete against new construction. Tenants who signed leases at the height of the market five years ago can significantly reduce occupancy costs by renegotiating to market rates today.

## CONTIGUOUS BLOCKS

Users looking for large blocks of space in the West Loop office market have a wide variety of options in Class A and Class B buildings. Tenants in need of 100,000 sf or greater have 13 options in Class A or Class B buildings. Users looking for 50,000 sf have 37 options in either Class A or Class B buildings. And at 20,000 sf, the number of vacant blocks of space rises to 106.

# Central Loop | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents



### Statistics

Market Size .....	38,959,972
Overall Vacant Space (sf) .....	6,736,217
Overall Vacancy .....	17.29%
Sublease Vacancy .....	1.50%
1Q06 Absorption (sf).....	428,460
2006 YTD Absorption (sf).....	428,460
Gross Direct Rental Rate (psf).....	\$27.02
Construction Completions (sf).....	828,538
Under Construction (sf).....	400,000

### MARKET OVERVIEW

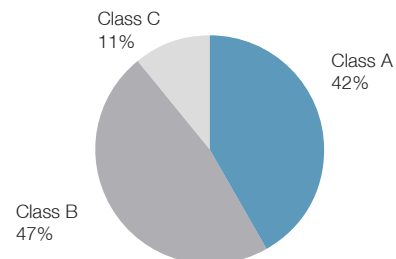
During the first quarter, Central Loop vacancy rose on the delivery of One South Dearborn and the departure of Lord Bissell & Brook to the West Loop. Overall vacancy increased from 16.62% in December to 17.29% currently. Strong pre-leasing at One South Dearborn resulted in positive absorption for the quarter as anchor Sidley Austin Brown & Wood moved across the street. Class A vacancy rose from 19.53% to 19.74% over the quarter. Class B vacancy also increased, moving from 14.51% to 16.48% in March. Sublease listings now make up 1.50% of inventory.

### MARKET OUTLOOK

As far as the Central Loop is concerned, most of the major reshuffling of anchors has finished for the near term. Mills has restarted construction its multi-use tower at Block 37 anchored by two tenants from outside the submarket, WBBM Channel 2 and Morningstar. However, delivery is still several years away. Most of the other development candidates likely to break ground in the near term are located outside the Central Loop and should have minimal impact on the submarket. In the near term, look for vacancy rates to remain elevated as the market waits for the economy to catch up to availability.

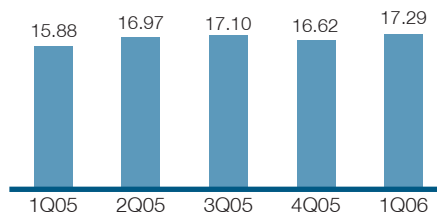
### Central Loop Inventory

in percent



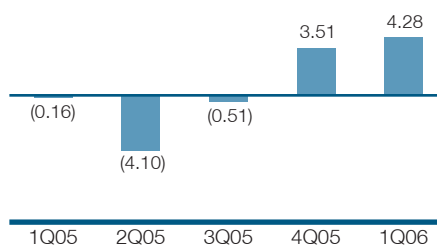
### Overall Vacancy

in percent



### Absorption

in hundred thousand sf



### Major Central Loop Lease Transactions

Tenant	Address	Size (sf)	Comments
Chapman & Cutler	111 W Monroe St	164,400	Renewal
Greenberg Traurig, LLP	77 W Wacker Dr	78,413	Renewal
Drinker Biddle & Reath LLP	161 N Clark St	17,000	Lease

### Major Central Loop Sale Transactions

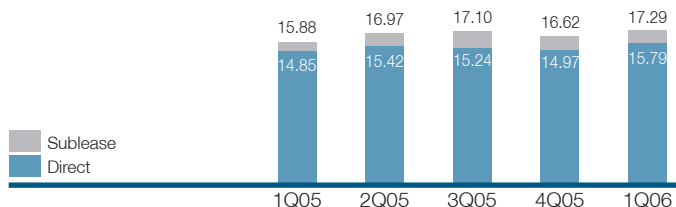
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
181 W Madison St	940,000	\$281.0	\$299	GE Asset Group	Prudential/TMW - contract
33 N Dearborn St	343,000	46.0	134	Fulcrum Asset	Vornado Realty

### For Sale

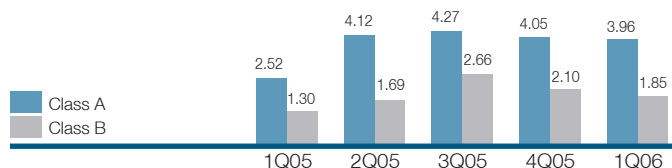
1 S Dearborn St	841,498				Hines Interests
190 S LaSalle St	798,500				MetLife/Nippon Life

# Central Loop | 1Q2006

Direct & Overall Vacancy  
in percent



Sublease Space  
in 100,000 sf



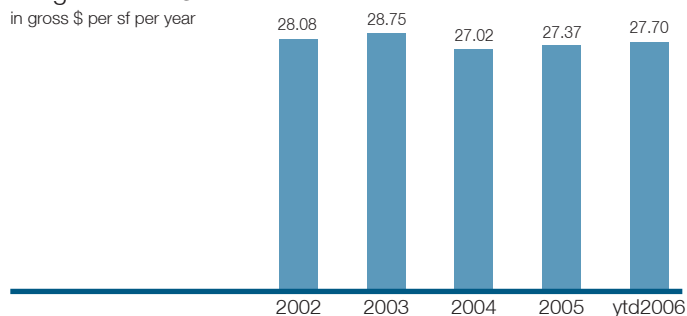
## VACANCY

During the first quarter of the year, overall direct vacancy rose from 14.97% in December to 15.79% in March. Class A direct vacancy also increased, rising from 17.05% to 17.43% by the end of the quarter. Class B direct vacancy likewise rose, moving from 13.32% to 15.43% in the same time period on the Lord Bissell & Brook vacancy at 115 S LaSalle. Overall sublease vacancy decreased from 1.65% to 1.50% of inventory.

## SUBLEASE SPACE

Sublease listings remained relatively constant this quarter, falling by under seven percent. Currently there is 395,527 sf of Class A space, down just over two percent from the fourth quarter. Class B sublease listings ended the quarter with a total of 185,138 sf, down over 11 percent since the end of last year.

Weighted Rents  
in gross \$ per sf per year



Contiguous Blocks  
in number of spaces



## WEIGHTED RENTAL RATES

Rental rates seem to have found equilibrium in the market. Overall asking full service or gross rental rates average \$27.70 psf in the Central Loop. Class A rates average approximately \$33.94 gross psf, and Class B rates average \$23.32 gross psf. What office tenants are negotiating hard for are big concession packages with minimal security and with lease flexibility to allow them to grow or contract. With concessions, actual effective rents are much lower than these figures.

## CONTIGUOUS BLOCKS

Users looking for large blocks of space in the Central Loop have a variety of options in Class A and Class B buildings. Tenants in need of 100,000 sf or greater have 13 options, primarily in Class A properties. Users looking for 50,000 sf have 28 options in either Class A or Class B buildings. And at 20,000 sf, the number of vacant blocks of space rises to 68.

# East Loop | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents



### Statistics

Market Size .....	24,438,633
Overall Vacant Space (sf) .....	4,629,241
Overall Vacancy .....	18.94%
Sublease Vacancy .....	1.40%
1Q06 Absorption (sf).....	154,938
2006 YTD Absorption (sf).....	154,938
Gross Direct Rental Rate (psf).....	\$23.81
Construction Completions (sf).....	0
Under Construction (sf).....	0

### MARKET OVERVIEW

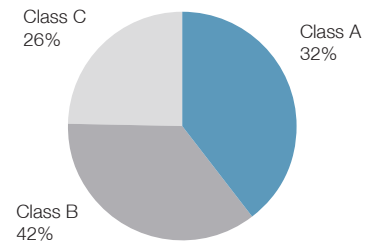
Vacancy rates in the East Loop fell during the first quarter on positive absorption in all three property classes. The overall vacancy fell from 19.58% in December to 18.94% at the end of March. Class A vacancy fell from 20.01% to 18.38% in the same period. Class B vacancy also decreased, moving from 20.02% to 17.75%. However, sublease listings increased slightly this quarter from 1.12% to 1.40% of inventory.

### MARKET OUTLOOK

Vacancy will fall in the second quarter as Blue Cross expands into its new requirement at One Illinois Center, as noted below, giving a positive boost to the submarket. Other good news for East Loop vacancy this quarter includes the announcement by the new owners of 55 E Monroe, a joint venture of GlenStar and Walton Capital, that they plan to convert the top 14 floors, or 600,000 sf of the building, into residential condos, removing a large hole in the Class A market and showing the strength of residential conversions, especially when they come with Grant Park views. Additionally, the Chicago Housing Authority is still in negotiations for up to 225,000 sf of space at the CNA Building.

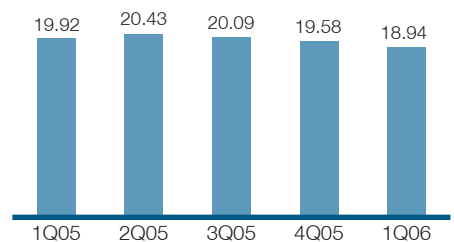
### North Suburban Inventory

in percent



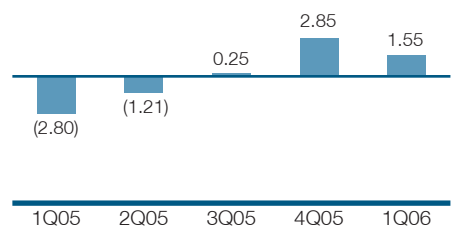
### Overall Vacancy

in percent



### Absorption

in hundred thousand sf



### Major East Loop Lease Transactions

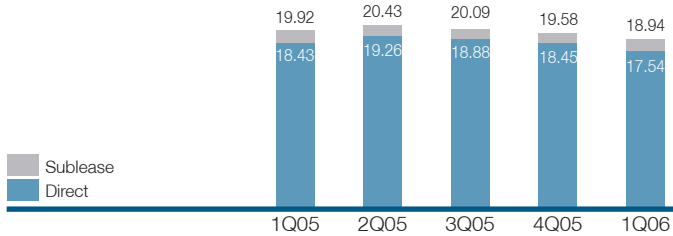
Tenant	Address	Size (sf)	Comments
Blue Cross Blue Shield	111 E Wacker Dr	202,000	Lease
Omnicom Group	Michigan Plaza	90,000	Renewal/Expansion
Teng & Associates	Michigan Plaza	67,000	Restructure/Extention

### Major East Loop Sale Transactions

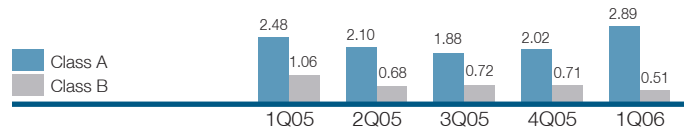
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
Prudential Plaza I & II	2,100,000	\$470.0	\$224	BentleyForbes	Shorenstein - contract
200 N Michigan Ave	132,500	13.3	101	Lutz RE Investors	Private

# East Loop | 1Q2006

Direct & Overall Vacancy  
in percent



Sublease Space  
in 100,000 sf



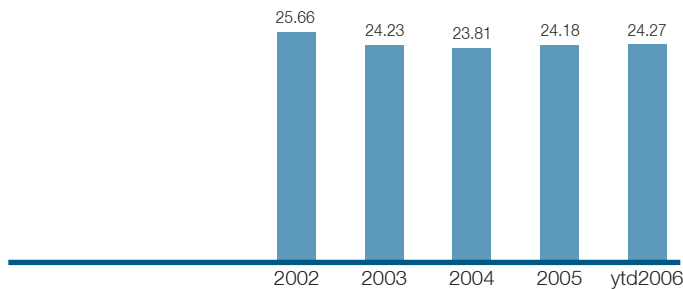
## VACANCY

During the first quarter of the year, overall direct vacancy dropped from 18.45% in December to 17.54% in March. Class A direct vacancy also decreased, falling from 18.07% to 15.60% by the end of the quarter. Class B direct vacancy likewise fell, moving from 19.15% to 17.12% in the same time period. Overall sublease vacancy increased from 1.12% to 1.40% of inventory on new listings in Class A properties.

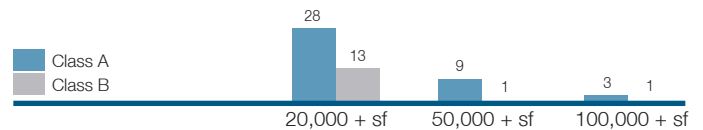
## SUBLEASE SPACE

Sublease space as a percentage of inventory increased this quarter, rising from 1.12% in December to 1.40% presently. Currently there is 288,827 sf of Class A space, up just over forty percent from the first quarter as a result of a new listing at 200 E Randolph by SBC/AT&T. Class B sublease listings ended the quarter with a total of 51,102 sf, down over 27 percent from December.

Weighted Rents  
in gross \$ per sf per year



Contiguous Blocks  
in number of spaces



## WEIGHTED RENTAL RATES

Asking gross rental rates now stand at a weighted average of \$24.27 psf per year, up slightly from year-end 2005. As with other downtown submarkets, tenants benefit more from enhanced concessions, including up to six months of free rent on a gross basis, than from reduced rental rates. Average asking gross rental rates for Class A properties are approximately \$29.23 psf per year. The gross asking rental rate for Class B space averages \$21.96 psf per year.

## CONTIGUOUS BLOCKS

Users looking for large blocks of space in the East Loop office submarket have several options. Tenants in need of 100,000 sf or greater have a total of four options in either Class A or Class B buildings. Users looking for 50,000 sf have 10 options in Class A or Class B buildings. And the number of options that can accommodate a 20,000 sf user rises to 41.

# North Michigan Avenue Office Market | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents



### Statistics

Market Size .....	13,946,774
Overall Vacant Space (sf) .....	2,072,384
Overall Vacancy .....	14.86%
Sublease Vacancy .....	1.45%
1Q06 Absorption (sf).....	32,144
2006 YTD Absorption (sf).....	32,144
Gross Direct Rental Rate (psf).....	\$26.16
Construction Completions (sf).....	0
Under Construction (sf).....	0

### MARKET OVERVIEW

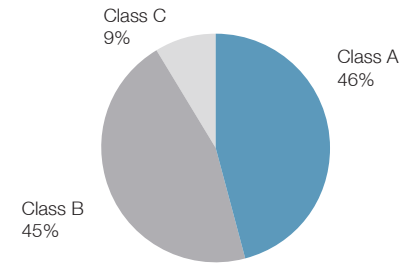
Leasing activity was light this quarter in the North Michigan Avenue submarket with the overall vacancy rate falling from 15.09% in December to 14.86% in March on absorption of only 32,144 sf. Class A vacancy remained stable, moving from 17.91% at year end to 17.92% at the end of the quarter. Class B vacancy declined from 13.78% to 13.62% in the same time period. Sublease listings now stand at 1.45% of inventory due to term burn-off.

### MARKET OUTLOOK

Our outlook for this submarket calls for slow but steady improvement driven by activity among smaller tenants. Jenner & Block's move to Mesirow Financial's proposed River North tower is at least two years away at best which should bring some stability to IBM Plaza, at least in the near term. However, with no other major tenants in the area actively pursuing relocation, the rest of the submarket should continue to experience positive though slow improvement. Look for rental rates to maintain current levels barring any unforeseen downturn in the economy.

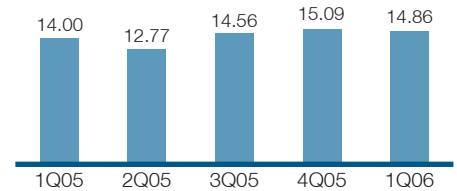
### North Suburban Inventory

in percent



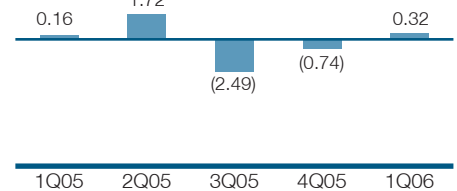
### Overall Vacancy

in percent



### Absorption

in hundred thousand sf



### Major North Michigan Avenue Lease Transactions

Tenant	Address	Size (sf)	Comments
Grenzebach Glier & Associates	401 N Michigan Ave	21,910	Lease

### Major North Michigan Avenue Sale Transactions

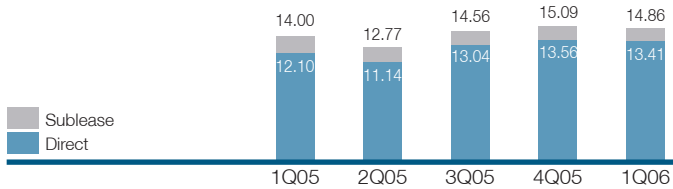
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
444 N Michigan Ave	503,000	115-125		GLL RE Partners	KanAm Int'l

### For Sale

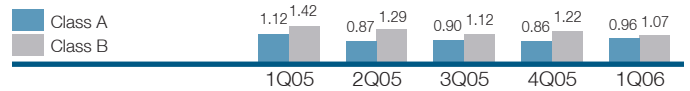
500 N Michigan Ave	322,400				FosterLane Mgmt
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# North Michigan Avenue | 1Q2006

Direct & Overall Vacancy  
in percent



Sublease Space  
in 100,000 sf



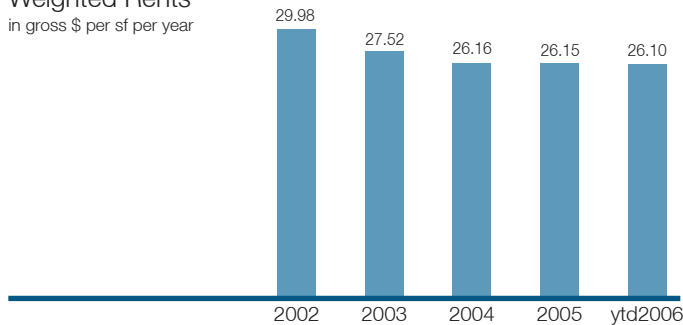
## VACANCY

North Michigan Avenue's overall vacancy rate of 14.86% is now the second lowest of all downtown submarkets, behind River North. Reflecting the overall market, direct vacancy showed little movement during the first quarter, falling from 13.56% in December to 13.41% in March. Class A direct vacancy fell from 16.62% to 16.47% in the same time period. However, Class B vacancy rose this quarter, increasing from 11.79% to 11.88% by the end of March.

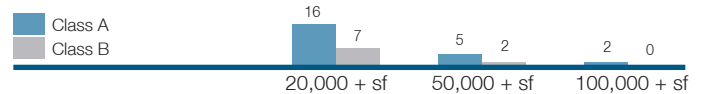
## SUBLEASE SPACE

North Michigan Avenue contains just over 10 percent of all downtown Chicago sublease space. Sublease space remained relatively stable during the first quarter on light leasing activity. Currently there is a total of 95,838 sf of Class A sublease space vacant in the submarket and 106,874 sf of Class B sublease space vacant in the submarket.

Weighted Rents  
in gross \$ per sf per year



Contiguous Blocks  
in number of spaces



## WEIGHTED RENTAL RATES

With relatively strong occupancy and tenant retention levels, landlords do not feel the need to offer Loop-level concession packages in the North Michigan Avenue submarket. Asking gross rental rates now stand at a weighted average of \$26.10 psf per year, down slightly from year-end 2005. Class A buildings in the market offer direct space at an asking rate of \$31.61 gross psf per year, while Class B is currently averaging \$21.51 gross psf per year.

## CONTIGUOUS BLOCKS

Users looking for space in the North Michigan Avenue office submarket have somewhat limited options for larger blocks of space. Only two spaces are available for tenants in need of 100,000 sf or greater, all in Class A buildings. Users looking for 50,000 sf have seven options in Class A or Class B buildings. And at 20,000 sf, the number of viable options rises to 23.

# River North | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents

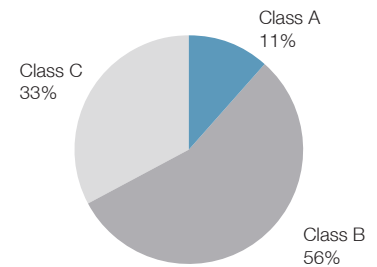


### Statistics

Market Size .....	11,182,382
Overall Vacant Space (sf) .....	1,586,302
Overall Vacancy .....	14.19%
Sublease Vacancy .....	0.93%
1Q06 Absorption (sf).....	265,672
2006 YTD Absorption (sf).....	265,672
Gross Direct Rental Rate (psf).....	\$19.72
Construction Completions (sf).....	0
Under Construction (sf).....	1,350,000

### North Suburban Inventory

in percent



### MARKET OVERVIEW

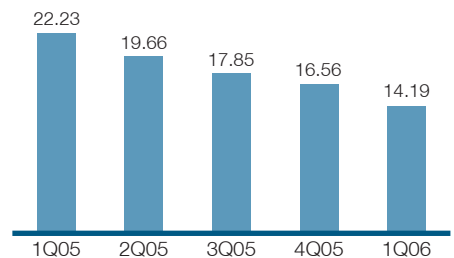
The River North submarket continued to show improvement at the start of the year with its overall vacancy rate dropping from 16.56% in December to 14.19% in March, currently the lowest vacancy rate among downtown office submarkets. Class A vacancy declined by almost 200 basis points, moving from 14.72% in December to 12.74% in March. Class B vacancy likewise fell from 18.63% to 15.02% in the same period on strong absorption at 600 W Chicago. Sublease space continues to decline, falling over six percent this quarter.

### MARKET OUTLOOK

It has been a remarkable turn-around for River North. In the last year vacancy has dropped over eight basis points as the submarket's larger buildings along the river have attracted new tenants from both the city and suburbs. Hines has begun demolition of the parking garage where its new 1.35 million sf office tower anchored by the law firm Kirkland & Ellis will go up in the next few years. If joined by Mesirow Financial's proposed 40-story, 1.1-million-sf tower later this year, the two projects would represent the majority of buildings under construction in downtown Chicago.

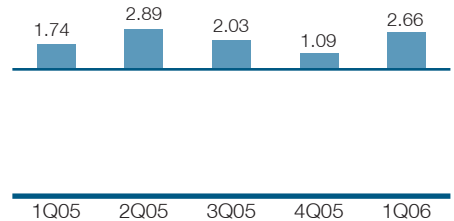
### Overall Vacancy

in percent



### Absorption

in hundred thousand sf



### Major River North Lease Transactions

Tenant	Address	Size (sf)	Comments
CSMG Inc	20 W Kinzie	24,000	Lease

### Major River North Sale Transactions

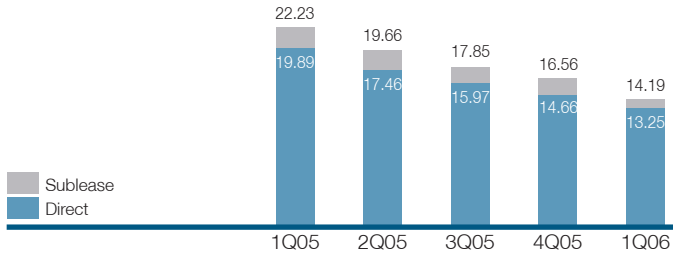
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
321 N Clark St	896,000	\$250.0	\$279	Hines RE Inv't Trust	NYSTRS/Hines Interests

### For Sale

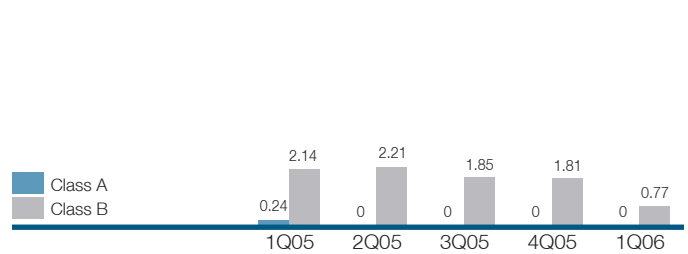
350 N Clark St	115,000				Mesirow Financial
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# River North | 1Q2006

Direct & Overall Vacancy  
in percent



Sublease Space  
in 100,000 sf



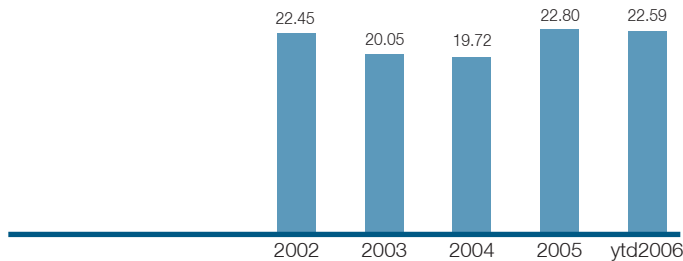
## VACANCY

Overall vacancy continues to fall in this submarket and is now the lowest downtown. Direct vacancy fell during the first quarter from 14.66% in December to 13.25% currently on leasing in Class A and Class B buildings. Class A direct vacancy fell from 14.72% at the end of the year to 12.74% in March. Class B direct vacancy also declined, dropping from 15.67% to 13.76% in the same time period.

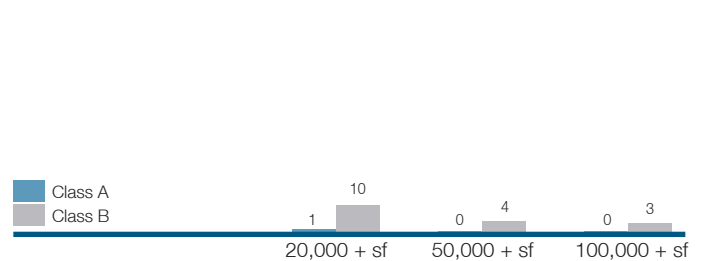
## SUBLEASE SPACE

River North is home to just over five percent of downtown Chicago sublease vacancy. Sublease space in the submarket continues to decrease, falling by over 50 percent this quarter. Currently there is a total of 76,859 sf of Class B sublease space vacant in the market.

Weighted Rents  
in gross \$ per sf per year



Contiguous Blocks  
in number of spaces



## WEIGHTED RENTAL RATES

Rental rates have not changed much from year end 2005 in the River North office submarket. Asking gross rental rates now stand at a gross weighted average of \$22.59 psf per year. Class A buildings in the market offer direct space at an asking rate of \$30.94 gross psf per year, while Class B is currently averaging \$23.30 gross psf per year. Actual deal rates are well below these quoted levels.

## CONTIGUOUS BLOCKS

Users looking for larger blocks of space in the River North office submarket have a few options. Tenants in need of 100,000 sf or greater have three options, all in Class B buildings. Users looking for 50,000 sf have four options. And at 20,000 sf, the number of viable options rises to 11.

# North Suburban | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents

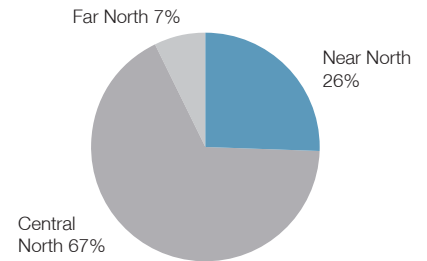


### Statistics

Market Size .....	27,476,047
Overall Vacant Space (sf) .....	4,110,925
Overall Vacancy .....	14.96%
Sublease Vacancy .....	2.28%
1Q06 Absorption (sf).....	431,380
2006 YTD Absorption (sf).....	431,380
Gross Direct Rental Rate (psf).....	\$21.62
Construction Completions (sf).....	0
Under Construction (sf).....	45,835

### North Suburban Inventory

in percent



### MARKET OVERVIEW

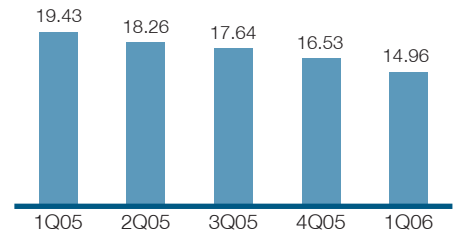
Overall vacancy in the North Suburban market continues to decline on positive absorption. Vacancy rates in some areas are actually nearing equilibrium levels. The overall vacancy rate dropped from 16.53% at year end to 14.96% currently. Both Class A and Class B space experienced strong absorption this quarter, dropping vacancy rates to 14.02% and 18.68% respectively. The Central North submarket has the lowest overall vacancy at 14.02% followed closely by the Near North submarket.

### MARKET OUTLOOK

Leasing activity has improved in the North Suburban office market. This strength has led Duke Realty to announce it will begin construction in June on a 107,000 sf speculative project in Conway Park in Lake Forest. However, while tenants such as Hospira and STAT's Inc. still are looking for large blocks of space in the market, Washington Mutual and Takeda will collectively give back 400,000 sf in the coming year through downsizing and relocation. Additionally, as HSBC moves into its new build-to-suit headquarters in Mettawa in the next few years, it will give up approximately 300,000 sf in Prospect Heights. It therefore remains to be seen if the leasing momentum can be maintained through these significant losses.

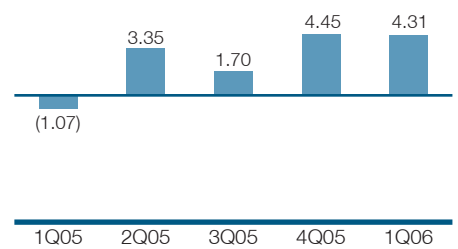
### Overall Vacancy

in percent



### Absorption

in hundred thousand sf



### Major North Suburban Lease Transactions

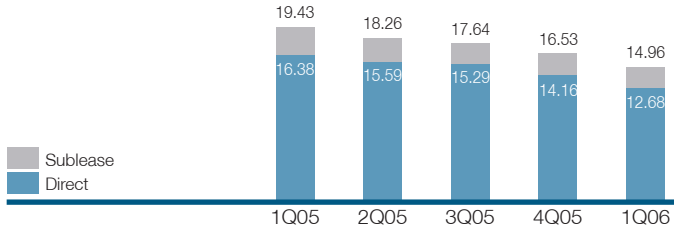
Tenant	Address	Size (sf)	Comments
Hewitt Associates	1 Overlook Point, Lincolnshire	187,973	Renewal
Walgreen Co.	4000 Commercial, Northbrook	68,000	Lease
Essential Group	1325 Tri-State, Gurnee	35,364	Renewal
Sg2	5200 Old Orchard, Skokie	25,305	Expansion

### Major North Suburban Sale Transactions

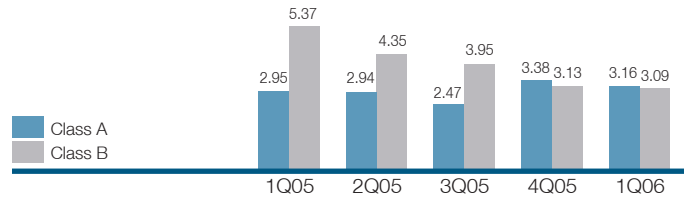
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
1250 Techny Rd, Northbrook	159,000	\$40.0	\$252	Lloyd Goldman	Crate & Barrel - sale/leaseback
155 Pfingsten Rd, Deerfield	117,000	20.0	171	Colony Capital	Lincoln Property/Fulcrum
1419 Lake Cook Rd, Deerfield	101,775	12.1	119	Walgreen Co.	MassMutual

# North Suburban | 1Q2006

Direct & Overall Vacancy  
in percent



Sublease Space  
in 100,000 sf



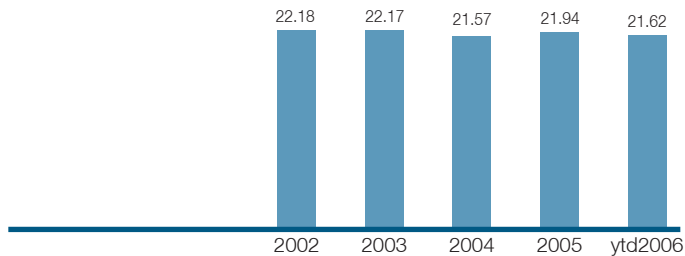
## VACANCY

During the first quarter of the year, overall direct vacancy dropped from 14.16% in December to 12.69% in March. Class A direct vacancy also decreased, falling from 14.01% to 11.85% by the end of the quarter. Class B direct vacancy likewise fell, moving from 16.86% to 15.48% in the same time period. Overall sublease vacancy decreased from 2.37% to 2.28% of inventory.

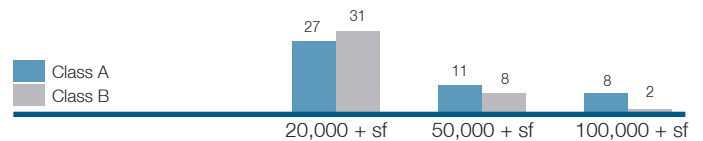
## SUBLEASE SPACE

Sublease space as a percentage of inventory decreased slightly this quarter, falling from 2.37% in December to 2.28% presently. Currently there is 316,480 sf of Class A space, down just over six percent from the fourth quarter. Class B sublease listings ended the quarter with a total of 308,648 sf, down only slightly from yearend. Sublease space remains concentrated in the Central North submarket

Weighted Rents  
in gross \$ per sf per year



Contiguous Blocks  
in number of spaces



## WEIGHTED RENTAL RATES

Asking rates have edged down during the first quarter. Overall asking full service or gross rental rates average \$21.62 psf for the market as a whole. Class A rates average approximately \$24.40 gross psf, and Class B rates average \$19.04 gross psf. Concessions appear to be lessening in the more competitive parts of the market.

## CONTIGUOUS BLOCKS

Users looking for large blocks of space in the North Suburban office market still have several options in Class A and Class B buildings. Tenants in need of 100,000 sf or greater have 10 options, mostly in Class A buildings. Users looking for 50,000 sf have 19 options in either Class A or Class B buildings. And at 20,000 sf, the number of vacant blocks rises to 58.

# Northwest Suburban | 1Q2006

## Statistics

Market Size .....	31,935,227
Overall Vacant Space (sf) .....	6,660,741
Overall Vacancy .....	20.86%
Sublease Vacancy .....	2.58%
1Q06 Absorption (sf).....	67,638
2006 YTD Absorption (sf).....	67,638
Gross Direct Rental Rate (psf).....	\$19.99
Construction Completions (sf).....	104,694
Under Construction (sf).....	0

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents



## MARKET OVERVIEW

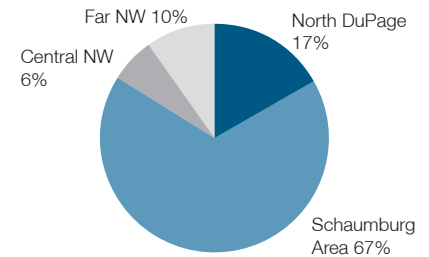
The overall vacancy rate in the Northwest Suburban office market decreased from 21.07% in December to 20.86% in March on positive absorption in both the North DuPage and Central Northwest submarkets. Class A vacancy also fell, moving from 22.28% to 22.18% in the same time period. Class B vacancy likewise dropped slightly, falling to 21.77% by the end of the quarter. The Schaumburg Area continues to have the lowest overall vacancy in the market at 19.76%. Sublease space represents approximately 2.58% of inventory, down slightly from year end.

## MARKET OUTLOOK

An improving economy might finally start to make an impact on the struggling Northwest Suburban office market. Several transactions announced this quarter will impact absorption in the area over the coming months, countering relocations out of the market by tenants such as OfficeMax. Vacancy rates remain high across the Northwest suburbs and should preclude any new construction in the near term. With vacancy rates still above 20 percent, effective rental rates should continue to decline.

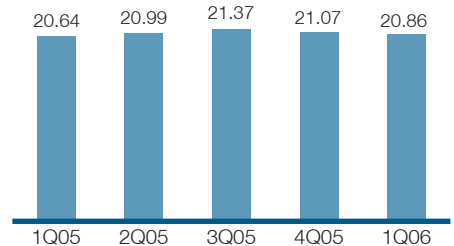
## Northwest Suburban Inventory

in percent



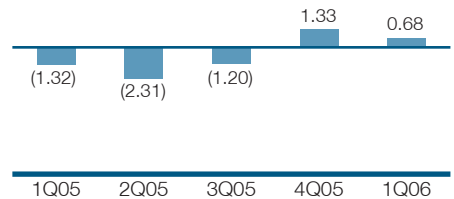
## Overall Vacancy

in percent



## Absorption

in hundred thousand sf



## Major Northwest Suburban Lease Transactions

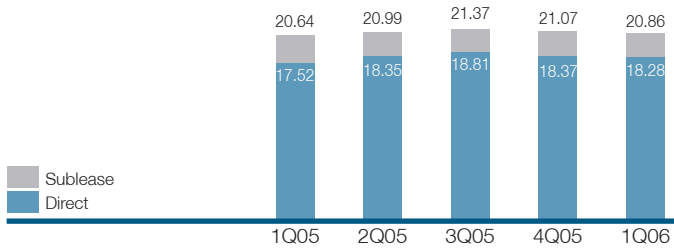
Tenant	Address	Size (sf)	Comments
Arthur J Gallagher & Co.	Two Pierce Place, Itasca	228,000	Renewal
Citigroup	50 Northwest Point, Elk Grove	177,000	Lease
Houghton Mifflin Co.	3800 Golf Rd, Rolling Meadows	116,693	Sublease
Indy Mac	20 N Martingale, Schaumburg	51,000	Sublease
Illinois Tool Works	955 National Pky, Schaumburg	20,000	Renewal

## Major Northwest Suburban Sale Transactions

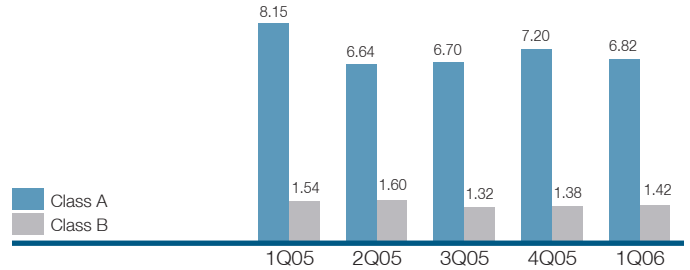
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
Atrium Corp. Ctr., Rolling Meadows	485,000	\$66.0	\$129	Lincoln Property	Spear St Capital

# Northwest Suburban | 1Q2006

Direct & Overall Vacancy  
in percent



Sublease Space  
in 100,000 sf



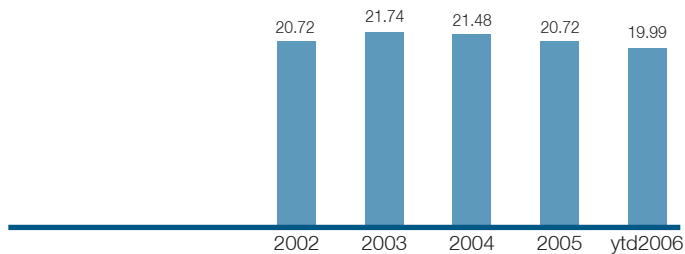
## VACANCY

During the first quarter of the year, overall direct vacancy dropped slightly from 18.37% in December to 18.28% in March. However Class A direct vacancy increased, rising from 17.99% to 18.12% by the end of the quarter. Class B direct vacancy fell, moving from 20.82% to 20.57% in the same time period. The Northwest Suburban market continues to have significant sublease vacancy, currently 2.58% of inventory.

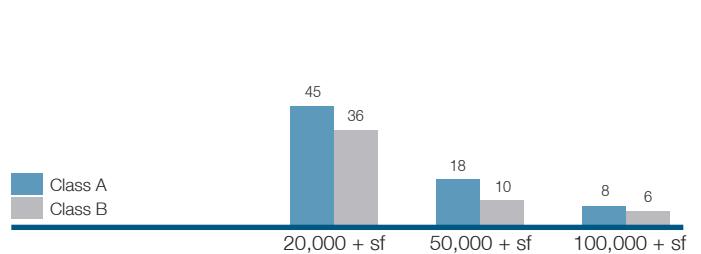
## SUBLEASE SPACE

Sublease space as a percentage of inventory fell slightly this quarter. Class A space currently has 682,287 sf of vacant sublease. However, Citigroup's recently announced lease for the entire building at 50 Northwest Point in Elk Grove, previously occupied by Motorola will eliminate a over a quarter of this amount. Class B buildings currently have a total of 142,487 sf on the market.

Weighted Rents  
in gross \$ per sf per year



Contiguous Blocks  
in number of spaces



## WEIGHTED RENTAL RATES

Rates continue to fall on weak demand. Overall asking full service or gross rental rates average \$19.99 psf for the market as a whole. Class A rates average approximately \$22.09 gross psf, and Class B rates average \$18.31 gross psf. Continued high vacancy levels coupled with aggressive concession packages will keep effective rents well below these quoted numbers.

## CONTIGUOUS BLOCKS

Users looking for large blocks of space in the Northwest Suburban office market have a wide variety of options in Class A and Class B buildings. Tenants in need of 100,000 sf or greater have 14 options in Class A or Class B buildings. Users looking for 50,000 sf have 28 options in either Class A or Class B buildings. And at 20,000 sf, the number of vacant blocks of space rises to 81.

# O'Hare Area | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents

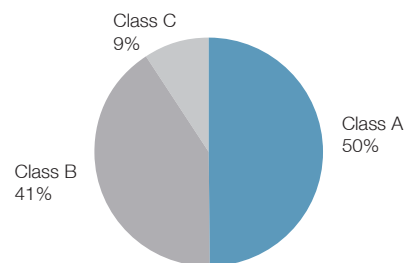


### Statistics

Market Size .....	15,072,205
Overall Vacant Space (sf) .....	3,499,991
Overall Vacancy .....	23.22%
Sublease Vacancy .....	1.36%
1Q06 Absorption (sf).....	236,744
2006 YTD Absorption (sf).....	236,744
Gross Direct Rental Rate (psf).....	\$21.89
Construction Completions (sf).....	0
Under Construction (sf).....	0

### O'Hare Area Inventory

in percent



### MARKET OVERVIEW

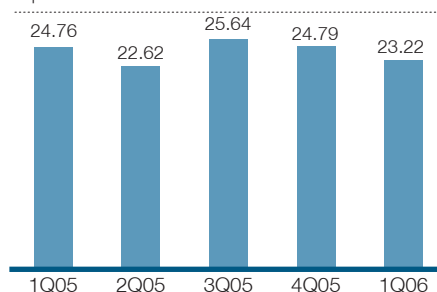
The vacancy rate in the O'Hare Area office market fell during the first quarter of this year on positive absorption in Class A properties. The overall vacancy rate dropped from 24.79% in December to 23.22% in March. Much of this quarter's gains occurred in Class A properties as tenants such as Deerfield Capital Management moved into new space. Class B vacancy also decreased though less dramatically, falling from 26.22% to 25.97% in March. Sublease vacancy has dropped to just 1.36% of inventory.

### MARKET OUTLOOK

Vacancy in the O'Hare Area remains high. While major new lease transactions were scarce this quarter, investor interest in the market remains strong as demonstrated by several buildings sales. Hampering a quick recovery is the age of the market, relatively high Chicago and Cook County taxes and the perceived lack of ready access to a skilled labor force. The market received more bad news this quarter as Citigroup announced it would be relocating the majority of its offices from its namesake plaza along the Kennedy to northwest suburban Elk Grove Village. All of these factors will keep vacancy rates here the highest in suburban Chicago in the near term.

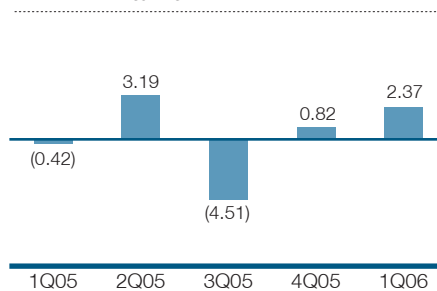
### Overall Vacancy

in percent



### Absorption

in hundred thousand sf



### Major O'Hare Area Lease Transactions

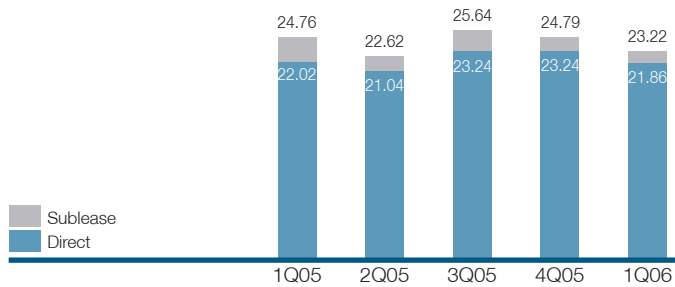
Tenant	Address	Size (sf)	Comments
Duke Realty	6133 N River Rd, Rosemont	38,000	Lease
LIBRA, Inc.	2400 E Devon Ave, Des Plaines	28,412	Renewal
Peryam & Kroll	Avondale Office Center, Chicago	15,000	Renewal

### Major O'Hare Area Sale Transactions

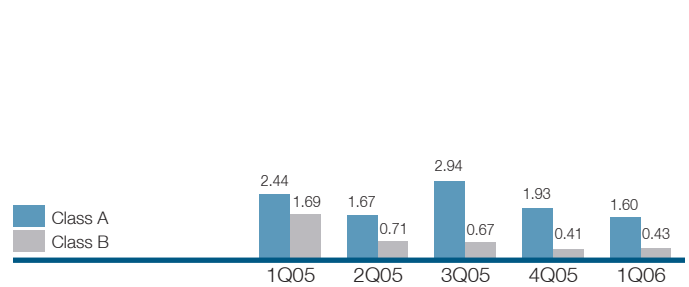
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
Triangle Plaza, Chicago	631,000	\$91.0	\$144	John Buck	Triangle Plaza Ventures
Pointe O'Hare, Rosemont	262,994	57.6	220	Equity Office	ORIX Real Estate Capital
One O'Hare Plaza II, Chicago	232,944	30.0	129	Fulcrum Asset Advisors	Prentiss Properties
O'Hare Corp. Towers, Rosemont	203,000	11.0	54	Bill Napleton	Lincoln Property Co

# O'Hare Area | 1Q2006

Direct & Overall Vacancy  
in percent



Sublease Space  
in 100,000 sf



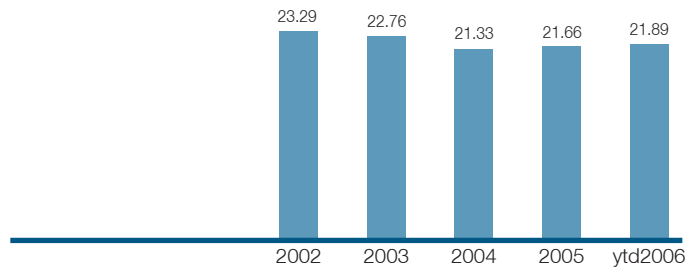
## VACANCY

During the first quarter of the year, overall direct vacancy dropped from 23.24% in December to 21.86% in March. Class A direct vacancy also decreased, falling from 19.38% to 17.32% by the end of the quarter. Class B direct vacancy likewise fell, moving from 25.54% to 25.25% in the same time period. Overall sublease vacancy decreased from 1.55% to 1.36% of inventory.

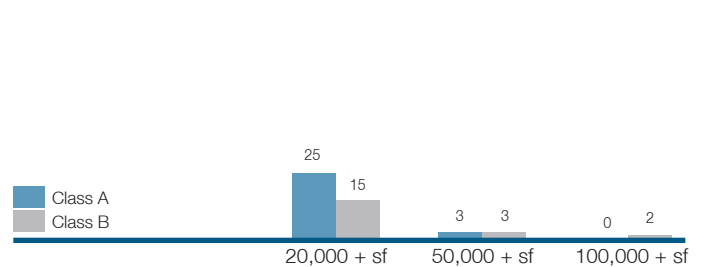
## SUBLEASE SPACE

Sublease space as a percentage of inventory decreased this quarter, falling from 1.55% in December to 1.36% presently. Currently there is 160,034 sf of Class A space, down over 17 percent from the fourth quarter. Class B sublease listings ended the quarter with a total of 43,159 sf.

Weighted Rents  
in gross \$ per sf per year



Contiguous Blocks  
in number of spaces



## WEIGHTED RENTAL RATES

Rates remained relatively unchanged from December in the O'Hare Area. Overall asking full service or gross rental rates average \$21.89 psf for the market. Class A rates average approximately \$26.36 gross psf, and Class B rates average \$17.86 gross psf. Continued high vacancy levels coupled with aggressive concession packages - in some cases up to 12 months gross abatement on rent - will keep effective rents well below these quoted numbers.

## CONTIGUOUS BLOCKS

Users looking for space in the O'Hare Area office market still have options in both Class A and Class B space though the choices are scarce for larger tenants. Tenants in need of 100,000 sf or greater have a total of two Class B options. Users looking for 50,000 sf have 6 options in either Class A or Class B buildings. And at 20,000 sf, the number of vacant blocks of space rises to 40.

# East-West Corridor | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents

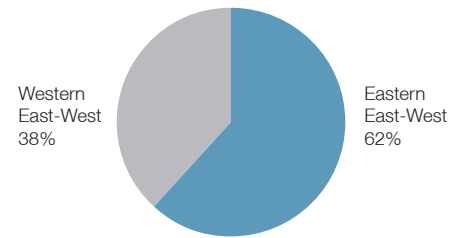


### Statistics

Market Size .....	40,744,315
Overall Vacant Space (sf) .....	7,888,671
Overall Vacancy .....	19.36%
Sublease Vacancy .....	2.66%
1Q06 Absorption (sf).....	360,132
2006 YTD Absorption (sf).....	360,132
Gross Direct Rental Rate (psf).....	\$20.50
Construction Completions (sf).....	0
Under Construction (sf).....	32,026

### East-West Corridor Inventory

in percent

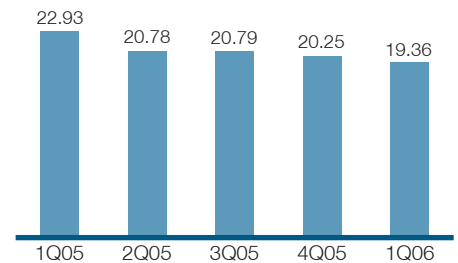


### MARKET OVERVIEW

Leasing activity remains strong in the East-West Corridor office market leading to another quarter of positive absorption. The overall vacancy rate decreased from 20.25% in December to 19.36% in March. Class A vacancy fell from 21.62% to 19.91% in the same time period. Class B vacancy also decreased, falling from 21.83% to 21.27% during the quarter. Investors remain confident in the market with several properties trading hands this quarter. Sublease space grew slightly this quarter, moving from 2.42% of inventory to 2.77%

### Overall Vacancy

in percent

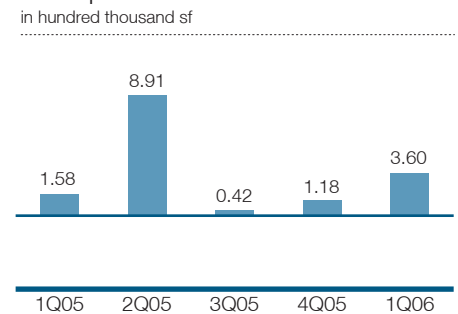


### MARKET OUTLOOK

The East-West Corridor should continue to improve for the rest of the year as a recovering local economy begins to impact the office market. Activity is also coming from tenants who leased space five years ago at the height of the market; they are now renegotiating leases to get their rent more in line with market rates. New construction will wait for suitable anchors before breaking ground, probably at least a year away.

### Absorption

in hundred thousand sf



### Major East-West Corridor Lease Transactions

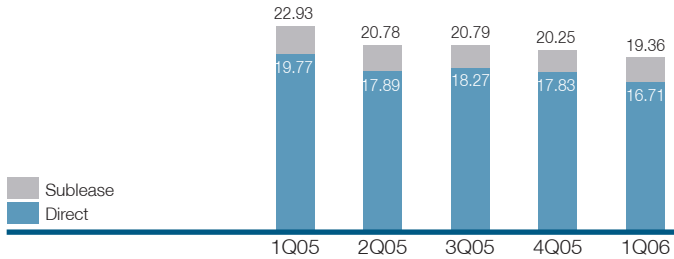
Tenant	Address	Size (sf)	Comments
SXC Software	Westwood of Lisle, Lisle	65,000	Lease
Blue Cross Blue Shield	1100 Warrenville Rd, Lisle	50,000	Lease
Raddon Financial Group	701 E 22nd St, Lombard	32,500	Lease
Intrado	3030 Warrenville Rd, Lisle	28,000	Renewal

### Major East-West Corridor Sale Transactions

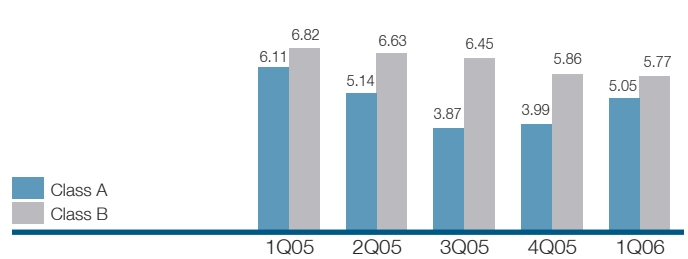
Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
Central Park of Lisle I & II, Lisle	640,600	\$108.0	\$169	Tishman Speyer	Duke Realty
55 E Shuman, Naperville	205,055	33.0	161	GID Invmt Advisors	CBRE Inv. Strategic Ptnrs.
2400 Cabot Dr, Lisle	202,500	36.0	178	HDG Mansur Capital	Computer Assoc. - sale/leaseback
550-650 Warrenville, Lisle	169,000	22.3	132	Winthrop Realty Trust	Prentiss Properties
850 Warrenville, Lisle	102,458	15.3	149	Corporetum Prop.	Brandywine Realty

# East-West Corridor | 1Q2006

Direct & Overall Vacancy  
in percent



Sublease Space  
in 100,000 sf



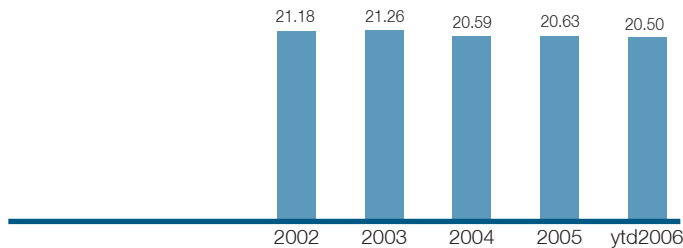
## VACANCY

During the first quarter of the year, overall direct vacancy dropped from 17.83% in December to 16.71% in March. Class A direct vacancy also decreased, falling from 19.64% to 17.41% by the end of the quarter. Class B direct vacancy likewise fell, moving from 18.01% to 17.51% in the same time period. Overall sublease vacancy increased from 2.42% to 2.77% of inventory.

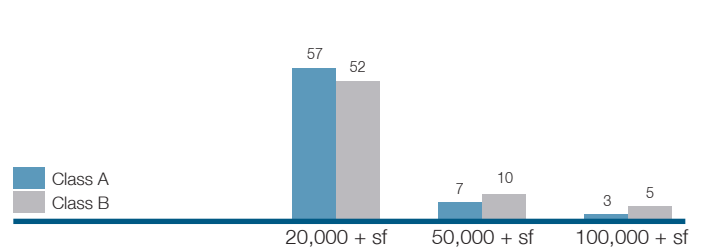
## SUBLEASE SPACE

Sublease space as a percentage of inventory increased this quarter, rising from 2.42% at year end to 2.66% presently. Currently there is 505,138 sf of Class A space, up over twenty five percent from year end. Class B sublease listings ended the quarter with a total of 577,080 sf, down only slightly from December. Sublease space is still concentrated in the Western East-West Corridor with over 53 percent of all space.

Weighted Rents  
in gross \$ per sf per year



Contiguous Blocks  
in number of spaces



## WEIGHTED RENTAL RATES

Asking rates have not changed much from year end. Overall asking full service or gross rental rates average \$20.50 psf for the market as a whole. Class A rates average approximately \$22.75 gross psf, and Class B rates average \$19.11 gross psf. Rents in the Eastern half of the market currently average \$21.16 psf overall while those of the Western half average \$19.43 psf. Continued elevated vacancy levels coupled with still aggressive concession packages keep effective rents well below these quoted numbers.

## CONTIGUOUS BLOCKS

Users looking for large blocks of space in the East-West Corridor office market have a variety of options in Class A and Class B buildings. Tenants in need of 100,000 sf or greater have 8 options, the majority of which are in Class B buildings in the Western East-West Corridor. Users looking for 50,000 sf have 17 options in either Class A or Class B buildings. And at 20,000 sf, the number of vacant blocks of space rises to 109.

# I-55 Corridor | 1Q2006

## Trends

Vacancy Rate



Net Absorption



Construction



Asking Rents

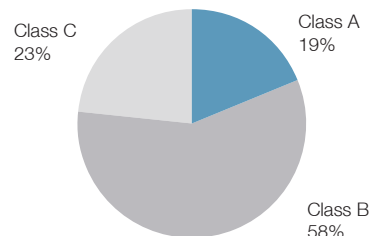


### Statistics

Market Size .....	3,711,302
Overall Vacant Space (sf) .....	985,582
Overall Vacancy .....	26.56%
Sublease Vacancy .....	0.13%
1Q06 Absorption (sf).....	37,296
2006 YTD Absorption (sf).....	37,296
Gross Direct Rental Rate (psf).....	\$18.62
Construction Completions (sf).....	0
Under Construction (sf).....	0

### I-55 Corridor Inventory

in percent



### MARKET OVERVIEW

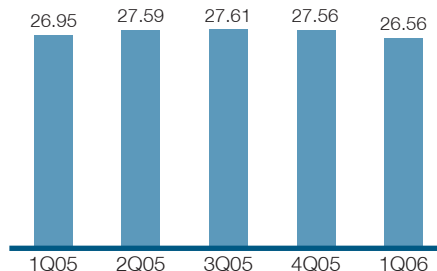
Overall vacancy in the I-55 Corridor dropped on positive absorption in all three property classes. The overall vacancy rate fell from 27.56% in December to 26.56% in March on 37,296 sf of absorption. Class A vacancy fell from 36.55% to 33.10% in the same time period. Class B vacancy remained relatively stable, dropping from 30.94% at year end to 30.70% by March. The 550,000 sf of vacancy at the Tallgrass Corporate Campus in Bolingbrook inflates vacancy here. Without this facility, Class B vacancy would be only 9.80%. Sublease space does not make up a significant portion of this market's vacancy rate.

### MARKET OUTLOOK

Class A vacancy should continue to decline as tenants take occupancy in new construction over the coming quarters. As a smaller office market, the impact of leasing or development is more pronounced in the I-55 Corridor than in some of the larger suburban office markets. The affordability of the market as well as the area's transportation and locational advantages will continue to attract small to medium-sized tenants. As the area economy improves, vacancy rates will continue to fall. Investor interest continues in this market with several properties expected to change hands in the next two quarters.

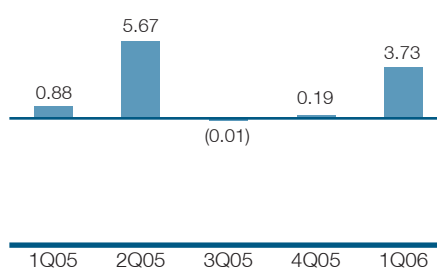
### Overall Vacancy

in percent



### Absorption

in **ten** thousand sf



### Major I-55 Corridor Lease Transactions

*Italics denotes NAI Hiffman transactions*

Tenant	Address	Size (sf)	Comments
<i>Insure One</i>	<i>180 Harvester Dr, Burr Ridge</i>	<i>56,875</i>	<i>Lease</i>
Pabst Brewing Company	9014 Heritage Pkwy, Woodridge	11,975	Lease

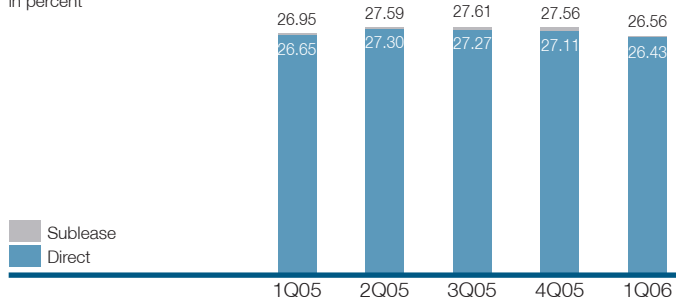
### Major I-55 Corridor Sale Transactions

Address	Size (sf)	Price (mil)	Price psf	Buyer	Seller
<i>Waterfall Glen, Burr Ridge</i>	<i>70,130</i>	<i>\$10.2</i>	<i>\$146</i>	<i>HDN Realty</i>	<i>SCP Ventures</i>
11700 W 103rd St, Lemont	26,212	2.2	85	Private Investor	REM Builders

# I-55 Corridor | 1Q2006

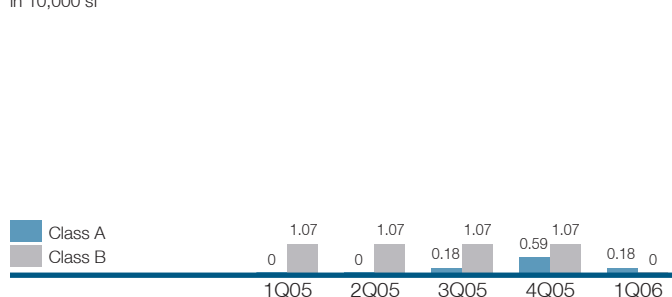
## Direct & Overall Vacancy

in percent



## Sublease Space

in 10,000 sf



### VACANCY

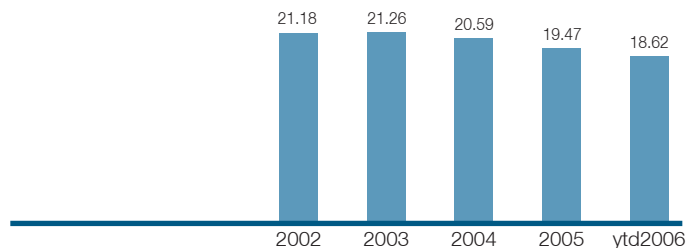
During the first quarter of the year, overall direct vacancy dropped from 27.11% in December to 26.43% in March. Class A direct vacancy also decreased, falling from 35.57% to 32.79% by the end of the quarter. However, Class B direct vacancy rose slightly, moving from 30.49% to 30.70% in the same time period.

### SUBLEASE SPACE

Sublease space as a percentage of inventory decreased this quarter, falling from 0.45% at year end to 0.13% presently. Sublease vacancy does not play a large role in this market's vacancy.

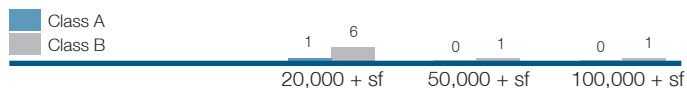
## Weighted Rents

in gross \$ per sf per year



## Contiguous Blocks

in number of spaces



### WEIGHTED RENTAL RATES

Rates continue to fall. Overall asking full service or gross rental rates average \$18.62 psf for the market as a whole. Class A rates average approximately \$21.57 gross psf, and Class B rates average \$19.31 gross psf. Continued high vacancy levels coupled with aggressive concession packages will keep effective rents below these quoted numbers.

### CONTIGUOUS BLOCKS

Users looking for large blocks of space in the I-55 Corridor office market have few options. Primarily geared toward smaller tenants, the market has only one option at 100,000 sf or greater - Tallgrass Corporate Center. Users looking for 50,000 sf have that same single option. And at 20,000 sf, the number of vacant blocks of space rises to seven.

# Methodology/Definitions

## Methodology

The information included in this report is the result of a compilation of information on Class A, Class B and Class C office properties located in the Metropolitan Chicago area. NAI Hiffman obtained the information from property representatives, CoStar Group and other sources. NAI Hiffman greatly appreciates the participation of each of these individuals and companies, without whose help this report would not have been possible.

All the information gathered is databased and continues to be updated every three months. From this database total inventory, vacancy, rental rate and absorption figures may be calculated and presented. Total inventory may change from year to year as a result of new construction or newly renovated buildings, conversion, sale, or recently remeasured properties. The database is thoroughly checked and balanced from year to year.

## Definitions

The NAI Hiffman Office Market Report tracks several basic measures of market conditions. This information is collected for individual buildings and then consolidated into submarket and market totals.

**Construction Completions** measures office properties newly delivered to market and added to the database. Generally excluded are government facilities and owner-occupied build-to-suits.

**Market Size** includes the total square footage of rentable space, vacant and occupied, in the market. Inventory includes all non-owner occupied buildings over 10,000 sf.

**Net Absorption** measures the net change in occupied space over a period of time for a particular market or submarket.

**Overall Vacancy** measures unoccupied office space, both direct and sublease, as a percentage of the total market.

**Sublease Vacancy** measures unoccupied office space being marketed for sublet as a percentage of the total market.

**Under Construction** measures buildings that have begun development to a substantial degree.

**Weighted Asking Gross Rents** provide the average rental rate being quoted for properties in the market. These averages are weighted by total square footage vacant per property class with a given submarket to obtain a total submarket average. Office rents are presented on a weighted gross, or full service, basis. We caution the reader against accepting this rate as an exact measure of effective rental rates. However, we believe that average quoted rates are useful in generalizing rental rate trends when observed over a period of time.

