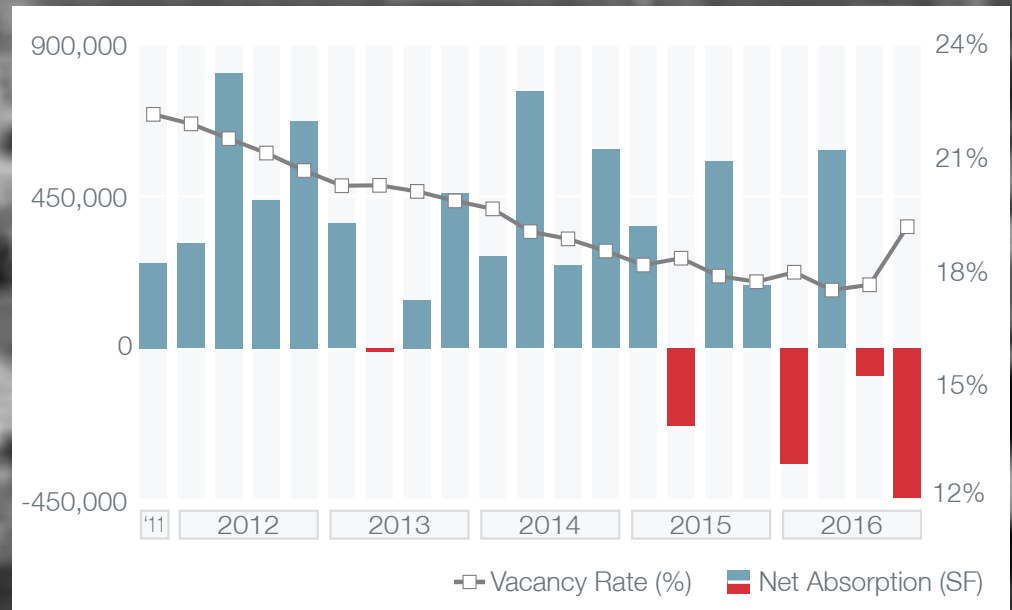


Suburban Office Market

Year-end absorption was negative for the first time since 2009 as anticipated vacancies were realized.



Arrows indicate change from previous quarter.

19.20%

VACANCY RATE

-442,215

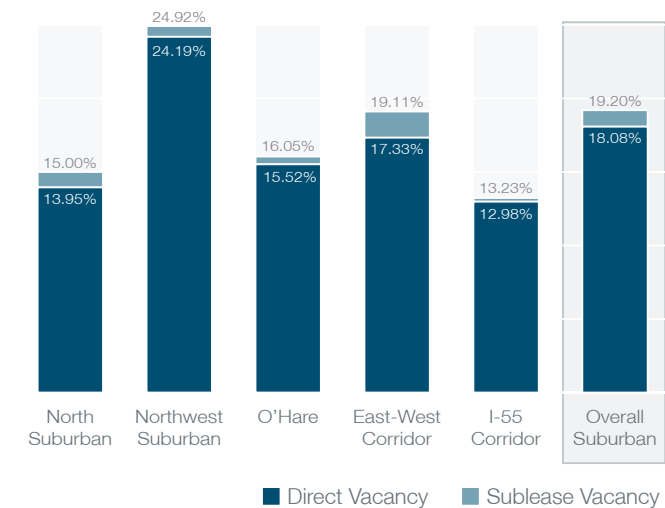
SF 4Q 2016 NET ABSORPTION

-397,983

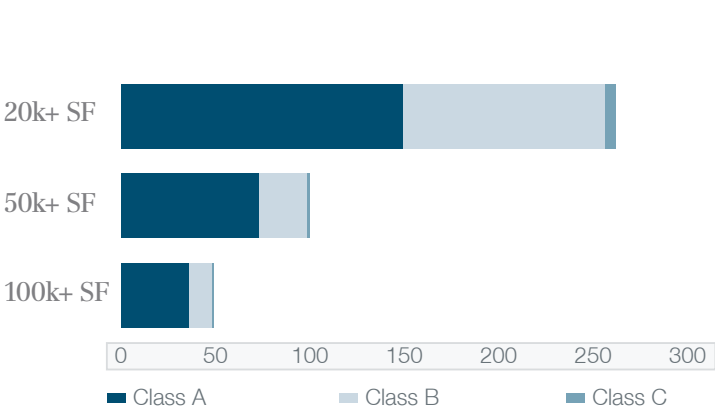
SF 2016 NET ABSORPTION

- At the start of 2016, overall vacancy for the suburban office market was descending towards historic lows with positive year-end absorption recorded every year since 2009. The knowledge of impending vacancies that would sway the market clouded overall sentiment, however, and those moves materialized during the fourth quarter.
- AT&T and Zurich North America added a total of 2.2 million square feet of available space to the suburban market, vacating 1.3 million square feet and 890,000 square feet, respectively. These additions add to the growing list of large vacant blocks in the suburban office market.
- Properties vacated by a single-user, and yet to be leased, total 6.6 million square feet of total inventory. Removing these large blocks from the inventory paints a different picture of the suburban office market, where the overall vacancy rate is under 15.00 percent and year-end 2016 absorption is positive.
- Despite these large vacancies, the suburban office market remains strong with a large amount of activity completed in 2016. Paylocity Holding Corporation agreed to lease 309,000 square feet of the former Zurich North America space in Schaumburg. Zurich also decided to stay in the suburbs with the completion of its 753,000-square-foot build-to-suit property in the northwest suburbs. U.S. Cellular elected to remain near O'Hare and expanded its footprint by 119,219 square feet. Wilton Industries also chose to remain in the suburbs, leasing 86,000 square feet in Naperville.

Vacancy by Submarket



Large Blocks of Available Space



- Of the four largest submarkets, O'Hare was the only one to end the year with a decrease in overall vacancy. Notably, U.S. Cellular expanded into an additional 119,219 square feet. Additional occupancies in O'Hare include McShane Construction, Suzlon Wind Corp and Phoenix International Publishing, moving into a total of 60,952 square feet. Class A space is hard to come by in O'Hare, with only 10.76 percent currently vacant.
- The East-West Corridor experienced the largest net absorption spread between classes, Class A experienced 308,329 square feet of negative absorption and Class B experienced 187,332 square feet of positive absorption. The strength of Class B assets in the East-West Corridor can be attributed to the growing rent gap between Class A and Class B assets in this submarket.

Significant Buildings on the Market

Submarket	Building Address	Size (SF)	Target Price PSF	Seller	Status
Northwest Suburban	Schaumburg Corp Ctr, Schaumburg (Portfolio Sale)	965,986	\$85,000,000 \$88	John Hancock Real Estate	Marketing
Northwest Suburban	1 Pierce Pl, Itasca	578,737	Undisclosed	Hamilton Partners	Marketing
East-West Corridor	1960 Lucent Ln, Naperville	516,120	Undisclosed	Alcatel-Lucent	Marketing

Significant Sale Transactions

Quarter	Building Address	Sold (SF)	Sale Price PSF	Buyer	Seller
4Q 2016	Riverway, Rosemont (Portfolio Sale)	869,120	\$173,000,000 \$199	Adventus Realty Trust	The Blackstone Group LP
1Q 2016	3 Lakes Dr, Northfield	679,000	\$44,700,000 \$66	Medline Industries, Inc.	W.P. Carey, Inc.
3Q 2016	Woodfield Preserve, Schaumburg (Portfolio Sale)	647,216	\$73,350,000 \$113	Zeller Realty Group	KBS Realty Advisors

Significant Lease Transactions

Quarter	Building Address	Leased (SF)	Tenant	Lease Type
2Q 2016	Zurich Towers I, 1400 American Ln, Schaumburg	309,000	Paylocity Holding Corporation	New lease
2Q 2016	U.S. Cellular Plaza, 8420 W Bryn Mawr Ave, Chicago	119,219	U.S. Cellular	Expansion
4Q 2016	Woodland Falls Corporate Center, 26125 N Riverwoods Blvd, Mettawa	89,000	Vyair	New lease

Office Market Statistics

Fourth Quarter 2016



Market/ Submarket	Total RBA (SF)	Direct Vacancy	Sublease Vacancy	Total Vacancy	Total Available	4Q 2016 Net Absorption (SF)	Total 2016 Absorption (SF)	4Q 2016 Under Constr. (SF)
North Suburban	30,284,785	13.95% ▲	1.05% ▲	15.00% ▲	23.39% ▲	-65,411	-302,779	0
Class "A"	17,318,270	12.77% ▲	1.31% ▲	14.08% ▲	26.18% ▲	-43,453	-214,812	0
Class "B"	10,085,362	16.52% ◀▶	0.73% ▲	17.25% ▲	20.56% ▲	-3,504	-32,848	0
Class "C"	2,881,153	12.08% ▲	0.58% ▲	12.66% ▲	16.50% ▲	-18,454	-55,119	0
Northwest Suburban	33,762,617	24.19% ▲	0.73% ▼	24.92% ▲	29.99% ▲	-426,554	-159,231	0
Class "A"	16,650,944	26.23% ▲	1.01% ▼	27.23% ▲	32.08% ▲	-464,920	-282,190	0
Class "B"	14,096,648	24.32% ▲	0.30% ▼	24.63% ▲	30.42% ▲	-10,060	34,410	0
Class "C"	3,015,025	11.08% ▼	1.08% ▼	12.16% ▼	15.15% ▼	48,426	88,549	0
O'Hare	15,217,106	15.52% ▼	0.53% ▲	16.05% ▼	19.92% ▼	78,515	127,203	0
Class "A"	8,296,341	9.85% ▼	0.91% ▲	10.76% ▼	15.08% ▼	37,488	115,863	0
Class "B"	5,918,161	23.62% ▼	0.08% ◀▶	23.70% ▼	27.42% ▼	51,139	4,101	0
Class "C"	1,002,604	14.61% ▲	0.00% ◀▶	14.61% ▲	15.76% ▲	-10,112	7,239	0
East-West Corridor	43,032,999	17.33% ▲	1.78% ◀▶	19.11% ▲	22.55% ▼	-49,669	-76,489	131,328
Class "A"	21,192,182	15.97% ▲	1.43% ▲	17.39% ▲	23.00% ▼	-46,842	-308,329	131,328
Class "B"	16,844,042	20.87% ▲	2.71% ▼	23.58% ▲	24.81% ◀▶	-8,284	187,332	0
Class "C"	4,996,775	11.18% ▼	0.15% ▲	11.33% ▼	13.04% ▼	5,457	44,508	0
I-55 Corridor	4,019,255	12.98% ▼	0.25% ◀▶	13.23% ▼	22.89% ▲	20,904	13,313	0
Class "A"	698,578	4.66% ▼	0.00% ◀▶	4.66% ▼	20.21% ▲	4,906	4,491	0
Class "B"	2,685,974	16.58% ▼	0.34% ◀▶	16.92% ▼	26.61% ▲	-3,794	-3,264	0
Class "C"	634,703	6.92% ▼	0.15% ◀▶	7.07% ▼	10.08% ▼	19,792	12,086	0
Suburban Totals	126,316,762	18.08% ▲	1.12% ◀▶	19.20% ▲	24.51% ▲	-442,215	-397,983	131,328
Class "A"	64,156,315	17.10% ▲	1.20% ▲	18.30% ▲	25.34% ▲	-512,821	-684,977	131,328
Class "B"	49,630,187	21.06% ▲	1.18% ▼	22.24% ▲	25.95% ▲	25,497	189,731	0
Class "C"	12,530,260	11.42% ▼	0.46% ▼	11.88% ▼	14.41% ▼	45,109	97,263	0
West Loop	46,459,495	10.60% ▲	1.25% ▲	11.84% ▲	20.10% ▼	-199,904	34,293	2,298,476
Class "A"	31,275,020	12.91% ▲	1.29% ▲	14.20% ▲	21.47% ▼	-185,856	41,876	2,298,476
Class "B"	11,212,802	6.24% ▼	1.29% ▲	7.53% ▲	20.47% ▼	-25,846	4,763	0
Class "C"	3,971,673	4.69% ▼	0.78% ▲	5.46% ▼	8.29% ▲	11,798	-12,346	0
Central Loop	38,559,342	8.15% ▼	0.99% ▼	9.14% ▼	17.27% ▲	305,709	233,595	0
Class "A"	19,661,779	6.65% ▼	1.21% ▼	7.86% ▼	17.18% ▼	247,837	54,082	0
Class "B"	15,500,580	8.41% ▲	0.76% ▼	9.17% ▲	17.17% ▲	30,062	42,085	0
Class "C"	3,396,983	15.67% ▼	0.72% ▲	16.39% ▼	18.21% ▼	27,810	137,428	0
East Loop	23,267,896	14.69% ▲	0.42% ◀▶	15.11% ▲	18.97% ▼	-133,659	18,686	0
Class "A"	10,864,735	13.76% ▲	0.20% ▼	13.96% ▲	19.65% ▼	-31,116	98,575	0
Class "B"	7,349,927	16.96% ▲	0.97% ▲	17.93% ▲	19.82% ▲	-45,025	-43,629	0
Class "C"	5,053,234	13.38% ▲	0.09% ◀▶	13.46% ▲	16.25% ▲	-57,518	-36,260	0
North Michigan Ave	13,130,025	12.30% ▼	1.65% ◀▶	13.96% ◀▶	20.30% ▼	4,860	198,195	0
Class "A"	6,202,259	15.71% ▲	2.05% ◀▶	17.76% ▲	21.23% ▼	-25,311	42,847	0
Class "B"	6,131,682	9.42% ▼	1.47% ◀▶	10.88% ▼	20.14% ▼	44,727	157,518	0
Class "C"	796,084	8.04% ▲	0.00% ◀▶	8.04% ▲	14.26% ▼	-14,556	-2,170	0
River North	13,530,272	7.75% ▼	0.79% ▲	8.54% ▼	13.74% ▲	69,494	62,444	0
Class "A"	4,088,938	6.22% ▲	0.08% ▲	6.30% ▲	8.57% ▲	-5,037	-68,564	0
Class "B"	5,798,248	9.37% ▼	0.44% ▼	9.81% ▼	17.35% ▲	106,531	217,054	0
Class "C"	3,643,086	6.89% ▲	2.14% ▲	9.03% ▲	13.81% ▼	-32,000	-86,046	0
Downtown Totals	134,612,045	10.48% ▲	1.02% ◀▶	11.51% ▲	18.48% ▼	46,500	547,213	2,298,476
Class "A"	72,092,731	11.19% ▲	1.10% ◀▶	12.29% ▲	19.27% ▼	517	168,816	2,298,476
Class "B"	45,993,239	9.50% ▼	0.98% ◀▶	10.48% ▼	18.82% ▲	110,449	377,791	0
Class "C"	16,526,075	10.14% ▲	0.82% ▲	10.95% ▲	14.15% ▲	-64,466	606	0
Metro Chicago Totals	260,182,090	14.18% ▲	1.07% ◀▶	15.25% ▲	21.41% ▲	-395,715	149,230	2,429,804
Class "A"	135,167,344	14.01% ▲	1.15% ◀▶	15.16% ▲	22.17% ▲	-512,304	-516,161	2,429,804
Class "B"	95,623,426	15.50% ▲	1.08% ◀▶	16.59% ◀▶	22.52% ▲	135,946	567,522	0
Class "C"	29,391,320	10.69% ▼	0.66% ◀▶	11.35% ◀▶	14.26% ▼	-19,357	97,869	0