

CHICAGO INDUSTRIAL MARKET



OVERVIEW

CHICAGO'S VACANCY INCREASES TO 12.2% Net Absorption Negative (1,035,353) SF in the Quarter

The Chicago Industrial market ended the fourth quarter 2010 with a vacancy rate of 12.2%. The vacancy rate was up over the previous quarter, with net absorption totaling negative (1,035,353) square feet in the fourth quarter. Vacant sublease space decreased in the quarter, ending the quarter at 5,717,306 square feet. Rental rates ended the fourth quarter at \$4.83, a decrease over the previous quarter. A total of one building delivered to the market in the quarter totaling 52,000 square feet, with 91,000 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Chicago Industrial market was negative (1,035,353) square feet in the fourth quarter 2010. That compares to positive 1,925,857 square feet in the third quarter 2010, negative (847,630) square feet in the second quarter 2010, and positive 575,704 square feet in the first quarter 2010.

Tenants moving out of large blocks of space in 2010 include: Alliance 3PL moving out of (415,800) square feet at CenterPoint Intermodal Center - Building 8, Uline moving out of (397,000) square feet at 30120 N Skokie Hwy, and ALG Worldwide Logistics. moving out of (261,544) square feet at 254 Internationale Dr.

Tenants moving into large blocks of space in 2010 include: BP Products North America Inc moving into 574,249 square feet at MidPoint USA at Ameriplex at the Port, RTC, INC. moving into 503,200 square feet at Crossroads V, and Aaron Thomas Packaging moving into 420,000 square feet at I-55 Logistics Center - Building I.

The Flex building market recorded net absorption of posi-

tive 370,056 square feet in the fourth quarter 2010, compared to positive 96,284 square feet in the third quarter 2010, positive 393,671 in the second quarter 2010, and negative (389,229) in the first quarter 2010.

The Warehouse building market recorded net absorption of negative (1,405,409) square feet in the fourth quarter 2010 compared to positive 1,829,573 square feet in the third quarter 2010, negative (1,241,301) in the second quarter 2010, and positive 964,933 in the first quarter 2010.

Vacancy

The Industrial vacancy rate in the Chicago market area increased to 12.2% at the end of the fourth quarter 2010. The vacancy rate was 12.1% at the end of the third quarter 2010, 12.2% at the end of the second quarter 2010, and 12.1% at the end of the first quarter 2010.

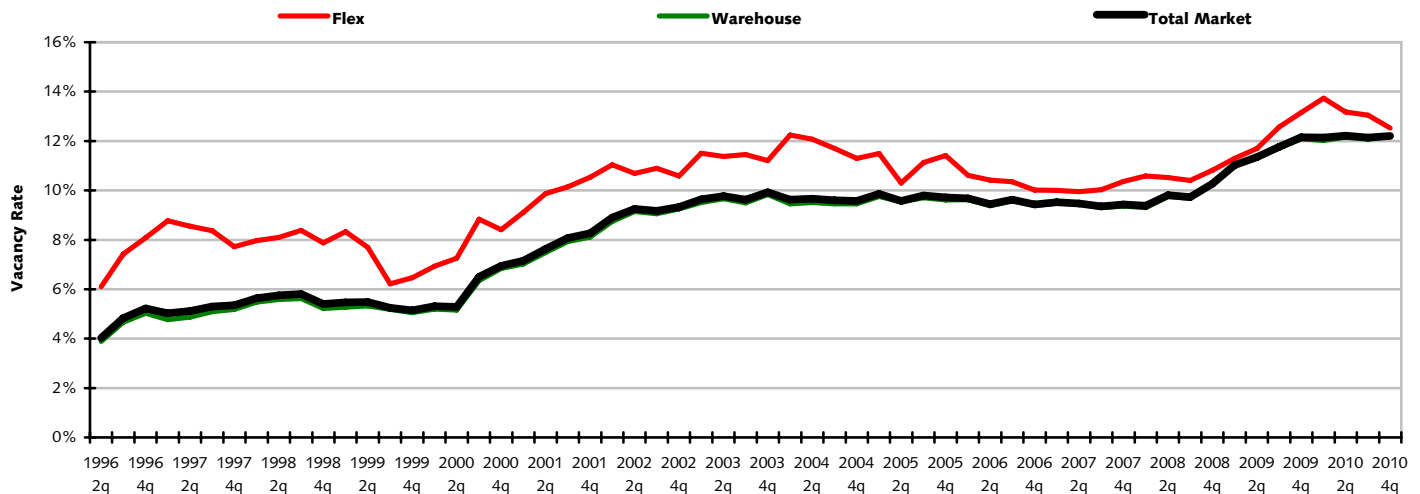
Flex projects reported a vacancy rate of 12.5% at the end of the fourth quarter 2010, 13.0% at the end of the third quarter 2010, 13.2% at the end of the second quarter 2010, and 13.7% at the end of the first quarter 2010.

Warehouse projects reported a vacancy rate of 12.2% at the end of the fourth quarter 2010, 12.1% at the end of third quarter 2010, 12.1% at the end of the second quarter 2010, and 12.0% at the end of the first quarter 2010.

Largest Lease Signings

The largest lease signings occurring in 2010 included: the 860,100-square-foot lease signed by Navistar at Cherry Hill Business Park - Building six in the SW/I-55 Corridor market; the 549,588-square-foot deal signed by Midwest Warehouse

VACANCY RATES BY BUILDING TYPE 1996-2010



Source: CoStar Property®

at Butterfield East 550 in the West Suburban market; and the 507,187-square-foot lease signed by Jacobson Companies at Heartland Corporate Center - Bldg B in the SW/I-55 Corridor market.

Sublease Vacancy

The amount of vacant sublease space in the Chicago market decreased to 5,717,306 square feet by the end of the fourth quarter 2010, from 6,163,990 square feet at the end of the third quarter 2010. There was 6,502,637 square feet vacant at the end of the second quarter 2010 and 6,201,160 square feet at the end of the first quarter 2010.

Chicago's Flex projects reported vacant sublease space of 485,856 square feet at the end of fourth quarter 2010, up from the 356,716 square feet reported at the end of the third quarter 2010. There were 298,112 square feet of sublease space vacant at the end of the second quarter 2010, and 328,744 square feet at the end of the first quarter 2010.

Warehouse projects reported decreased vacant sublease space from the third quarter 2010 to the fourth quarter 2010. Sublease vacancy went from 5,807,274 square feet to 5,231,450 square feet during that time. There was 6,204,525 square feet at the end of the second quarter 2010, and 5,872,416 square feet at the end of the first quarter 2010.

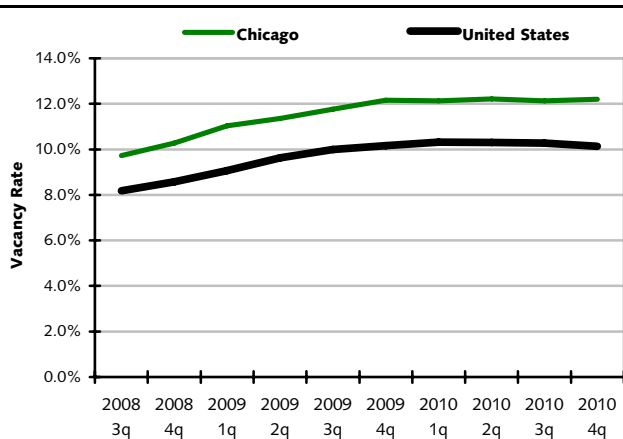
Rental Rates

The average quoted asking rental rate for available Industrial space was \$4.83 per square foot per year at the end of the fourth quarter 2010 in the Chicago market area. This represented a 0.8% decrease in quoted rental rates from the end of the third quarter 2010, when rents were reported at \$4.87 per square foot.

The average quoted rate within the Flex sector was \$9.91 per square foot at the end of the fourth quarter 2010, while Warehouse rates stood at \$4.60. At the end of the third quarter 2010, Flex rates were \$9.98 per square foot, and Warehouse rates were \$4.64.

U.S. VACANCY COMPARISON

Past 10 Quarters



Source: CoStar Property

Deliveries and Construction

During the fourth quarter 2010, one building totaling 52,000 square feet were completed in the Chicago market area. This compares to four buildings totaling 1,180,703 square feet that were completed in the third quarter 2010, two buildings totaling 44,647 square feet completed in the second quarter 2010, and 562,421 square feet in five buildings completed in the first quarter 2010.

There were 91,000 square feet of Industrial space under construction at the end of the fourth quarter 2010.

Some of the notable 2010 deliveries include: ULIN, a 1,000,000-square-foot facility that delivered in third quarter 2010 and is now 100% occupied, and Gordon Food Facility, a 500,000-square-foot building that delivered in first quarter 2010 and is now 100% occupied.

The only project under construction at the end of fourth quarter 2010 was Testa Produce, a 91,000-square-foot building with 100% of its space pre-leased.

Inventory

Total Industrial inventory in the Chicago market area amounted to 1,139,056,095 square feet in 21,186 buildings as of the end of the fourth quarter 2010. The Flex sector consisted of 70,836,477 square feet in 2,127 projects. The Warehouse sector consisted of 1,068,219,618 square feet in 19,059 buildings. Within the Industrial market there were 3,642 owner-occupied buildings accounting for 258,632,851 square feet of Industrial space.

Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Chicago industrial sales figures fell during the third quarter 2010 in terms of dollar volume compared to the second quarter of 2010.

In the third quarter, 67 industrial transactions closed with a total volume of \$212,288,413. The 67 buildings totaled 5,825,803 square feet and the average price per square foot equated to \$36.44 per square foot. That compares to 58 transactions totaling \$245,814,740 in the second quarter. The total square footage was 5,553,753 for an average price per square foot of \$44.26.

Total year-to-date industrial building sales activity in 2010 is down compared to the previous year. In the first nine months of 2010, the market saw 180 industrial sales transactions with a total volume of \$622,515,987. The price per square foot has averaged \$39.33 this year. In the first nine months of 2009, the market posted 155 transactions with a total volume of \$648,285,161. The price per square foot averaged \$42.83.

Cap rates have been higher in 2010, averaging 10.03%, compared to the first nine months of last year when they averaged 8.51%.

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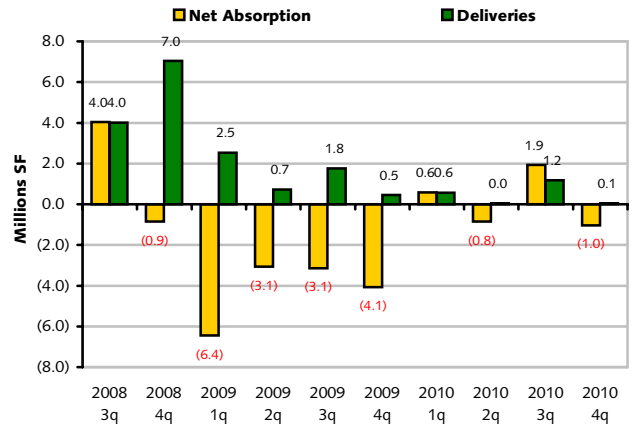
OVERVIEW

One of the largest transactions that has occurred within the last four quarters in the Chicago market is the sale of Melrose Business Center. This 458,620-square-foot industrial building sold for \$28,400,000, or \$61.92 per square foot. The property sold on 11/2/2010.

Reports compiled by: Anthony Jones, CoStar Research Manager.

ABSORPTION & DELIVERIES

Past 10 Quarters



Source: CoStar Property