

CHICAGO RETAIL MARKET



OVERVIEW

CHICAGO'S VACANCY DECREASES TO 8.9%

Net Absorption Positive 766,760 SF in the Quarter

The Chicago retail market experienced a slight improvement in market conditions in the fourth quarter 2010. The vacancy rate went from 9.1% in the previous quarter to 8.9% in the current quarter. Net absorption was positive 766,760 square feet, and vacant sublease space increased by 2,082 square feet. Quoted rental rates decreased from third quarter 2010 levels, ending at \$16.26 per square foot per year. A total of 12 retail buildings with 305,675 square feet of retail space were delivered to the market in the quarter, with 249,219 square feet still under construction at the end of the quarter.

Net Absorption

Retail net absorption was moderate in Chicago fourth quarter 2010, with positive 766,760 square feet absorbed in the quarter. In third quarter 2010, net absorption was positive 348,030 square feet, while in second quarter 2010, absorption came in at negative (322,547) square feet. In first quarter 2010, negative (103,862) square feet was absorbed in the market.

Tenants moving out of large blocks of space in 2010 include: National Wholesale Liquidators moving out of 160,000 square feet at Evergreen Plaza; Lord & Taylor moving out of 152,000 square feet at Water Tower Place; and Burlington Coat Factory moving out of 140,000 square feet at Century Plaza.

Tenants moving into large blocks of space in 2010 include: Wonder LLC moving into 135,855 square feet at 50 S Waukegan Rd; Garden Ridge moving into 109,800 square feet at Meridian Retail Center; and Burlington Coat Factory moving into 102,000 square feet at 2750 E 79th Ave.

Vacancy

Chicago's retail vacancy rate decreased in the fourth quarter

2010, ending the quarter at 8.9%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 9.0% in the first quarter 2010, to 9.1% at the end of the second quarter 2010, 9.1% at the end of the third quarter 2010, to 8.9% in the current quarter.

The amount of vacant sublease space in the Chicago market has trended down over the past four quarters. At the end of the first quarter 2010, there were 1,601,284 square feet of vacant sublease space. Currently, there are 1,352,838 square feet vacant in the market.

Largest Lease Signings

The largest lease signings occurring in 2010 included: the 135,855-square-foot-lease signed by Wonder LLC at 50 S Waukegan Rd; the 109,800-square-foot-deal signed by Garden Ridge at Meridian Retail Center; and the 90,000-square-foot-lease signed by Meijer at 1000 Winston Plz.

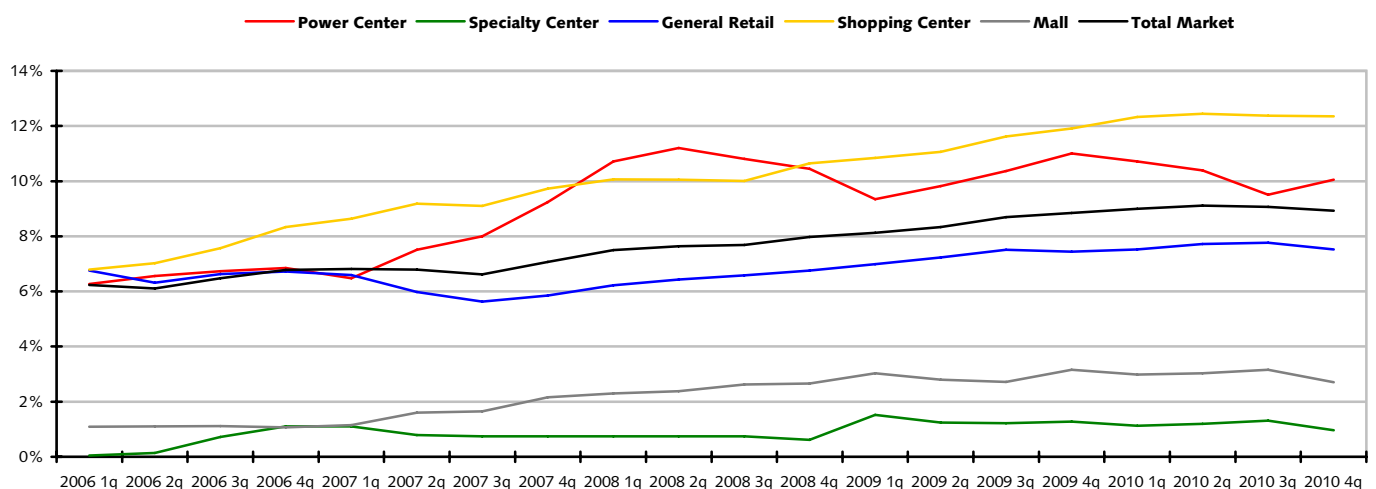
Rental Rates

Average quoted asking rental rates in the Chicago retail market are down over previous quarter levels, and down from their levels four quarters ago. Quoted rents ended the fourth quarter 2010 at \$16.26 per square foot per year. That compares to \$16.66 per square foot in the third quarter 2010, and \$16.89 per square foot at the end of the first quarter 2010. This represents a 2.4% decrease in rental rates in the current quarter, and a 3.87% decrease from four quarters ago.

Inventory & Construction

During the fourth quarter 2010, 12 buildings totaling 305,675 square feet were completed in the Chicago retail market. Over the past four quarters, a total of 1,401,324 square feet of

VACANCY RATES BY BUILDING TYPE 2006-2010



Source: CoStar Property®

retail space has been built in Chicago. In addition to the current quarter, 11 buildings with 146,245 square feet were completed in third quarter 2010, 18 buildings totaling 286,850 square feet completed in second quarter 2010, and 662,554 square feet in 26 buildings completed in first quarter 2010.

There were 249,219 square feet of retail space under construction at the end of the fourth quarter 2010.

Some of the notable 2010 deliveries include: Greenway Self Park, a 231,493-square-foot facility that delivered in first quarter 2010 and is now 93% occupied, and 215 W Washington St, a 180,000-square-foot building that delivered in fourth quarter 2010 and is now 100% occupied.

Total retail inventory in the Chicago market area amounted to 476,513,075 square feet in 30,716 buildings and 3927 centers as of the end of the fourth quarter 2010.

Shopping Center

The Shopping Center market in Chicago currently consists of 3799 projects with 164,037,087 square feet of retail space in 5,342 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers.

After absorbing 53,180 square feet and delivering 15,000 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 12.4% at the end of the third quarter 2010 to 12.4% this quarter.

Over the past four quarters, the Shopping Center vacancy rate has gone from 12.3% at the end of the first quarter 2010, to 12.4% at the end of the second quarter 2010, to 12.4% at the end of the third quarter 2010, and finally to 12.4% at the end of the current quarter.

Rental rates ended the fourth quarter 2010 at \$15.84 per square foot, down from the \$16.18 they were at the end of third quarter 2010. Rental rates have trended down over the past year,

going from \$16.62 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled (605,071) square feet over the past four quarters. In addition to the positive 53,180 square feet absorbed this quarter, positive 139,915 square feet was absorbed in the third quarter 2010, negative (172,430) square feet was absorbed in the second quarter 2010, and negative (625,736) square feet was absorbed in the first quarter 2010.

Power Centers

The Power Center average vacancy rate was 10.1% in the fourth quarter 2010. With negative (178,310) square feet of net absorption and no new deliveries, the vacancy rate went from 9.5% at the end of last quarter to 10.1% at the end of the fourth quarter.

In the third quarter 2010, Power Centers absorbed positive 288,240 square feet, delivered no new space, and the vacancy rate went from 10.4% to 9.5% over the course of the quarter. Rental started the quarter at \$18.65 per square foot and ended the quarter at \$19.14 per square foot.

A year ago, in fourth quarter 2009, the vacancy rate was 11.0%. Over the past four quarters, Power Centers have absorbed a cumulative 310,489 square feet of space and delivered cumulative 0 square feet of space. Vacant sublease space has gone from 408,701 square feet to 247,429 square feet over that time period, and rental rates have gone from \$19.40 to \$18.42.

At the end of the fourth quarter 2010, there was no space under construction in the Chicago market. The total stock of Power Center space in Chicago currently sits at 32,584,701 square feet in 76 centers comprised of 511 buildings.

No space was under construction at the end of the fourth quarter 2010.

General Retail Properties

The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 7.5% at the end of fourth quarter 2010. There was a total of 17,966,007 square feet vacant at that time. The General Retail sector in Chicago currently has average rental rates of \$16.13 per square foot per year. There are 202,219 square feet of space under construction in this sector, with 290,675 square feet having been completed in the fourth quarter. In all, there are a total of 24,613 buildings with 238,741,227 square feet of General Retail space in Chicago.

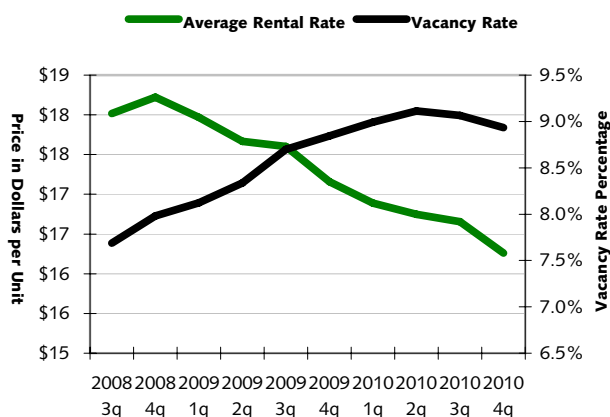
Specialty Centers

There are currently 10 Specialty Centers in the Chicago market, making up 3,133,959 square feet of retail space. In this report the Specialty Center market is comprised of Outlet Center, Airport Retail and Theme/Festival Centers.

Specialty Centers in the Chicago market have experienced positive 15,258 square feet of net absorption in 2010. The

VACANCY & RENT

Past 10 Quarters



Source: CoStar Property*

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vacancy rate currently stands at 1.0%, and rental rates average \$25.00 per square foot.

Malls

Malls recorded net absorption of positive 172,741 square feet in the fourth quarter 2010. This net absorption number, combined with no new space that was built in the quarter, caused the vacancy rate to go from 3.2% a quarter ago to 2.7% at the end of the fourth quarter 2010. Rental rates went from \$27.25 per square foot to \$26.78 per square foot during that time. In this report the Mall market is comprised of 42 Lifestyle Center, Regional Mall and Super Regional Malls.

Sales Activity

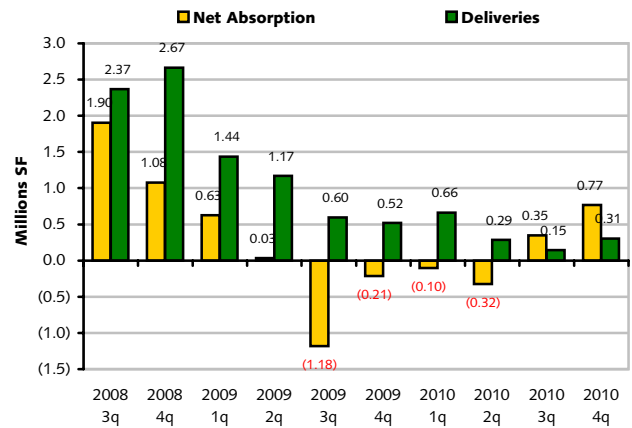
Tallying retail building sales of 15,000 square feet or larger, Chicago retail sales figures fell during the third quarter 2010 in terms of dollar volume compared to the second quarter of 2010.

In the third quarter, 27 retail transactions closed with a total volume of \$182,053,200. The 27 buildings totaled 1,280,717 square feet and the average price per square foot equated to \$142.15 per square foot. That compares to 38 transactions totaling \$206,303,920 in the second quarter 2010. The total square footage in the second quarter was 2,156,697 square feet for an average price per square foot of \$95.66.

Total retail center sales activity in 2010 was up compared to 2009. In the first nine months of 2010, the market saw 81 retail sales transactions with a total volume of \$499,213,620. The price per square foot averaged \$114.69. In the same first nine months of 2009, the market posted 71 transactions with a total volume of \$252,932,952. The price per square foot averaged \$100.45.

ABSORPTION & DELIVERIES

Past 10 Quarters



Source: CoStar Property*

Cap rates have been higher in 2010, averaging 8.76% compared to the same period in 2009 when they averaged 8.13%.

One of the largest transactions that has occurred within the last four quarters in the Chicago market is the sale of Springbrook Prairie Pavilion in Naperville. This 228,471 square foot retail center sold on 7/21/2010 for \$69,000,000, or \$302.01 per square foot.

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