



1Q13 CHICAGO INDUSTRIAL MARKET

Newmark Grubb Knight Frank

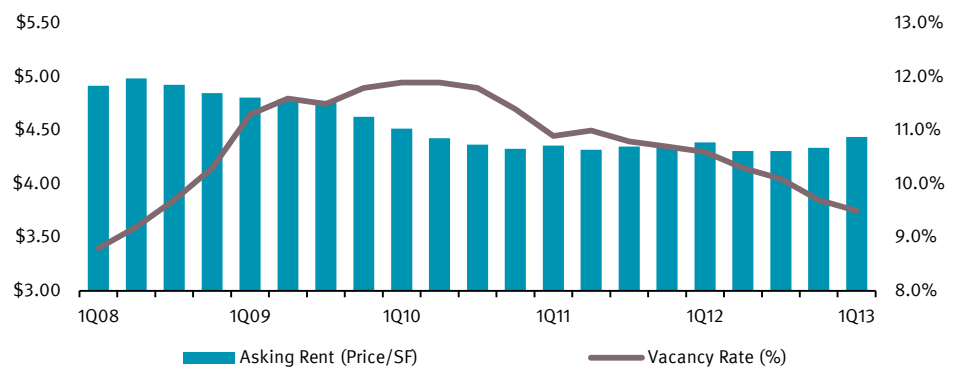
CONSTRAINED SUPPLY DRIVES NEW CONSTRUCTION

Chicago's 1.1-billion-square-foot industrial market experienced 3.3 million square feet of positive net absorption in the first quarter of 2013, helping lower vacancy 20 basis points to 9.5%. This marked the 12th consecutive quarter of positive net absorption – the longest positive streak since the record-breaking 25 consecutive quarter stretch from 2002 to 2008. While market-wide average asking rental rates increased 10% during that historical run, rates during the most recent stretch have increased less than 1%.

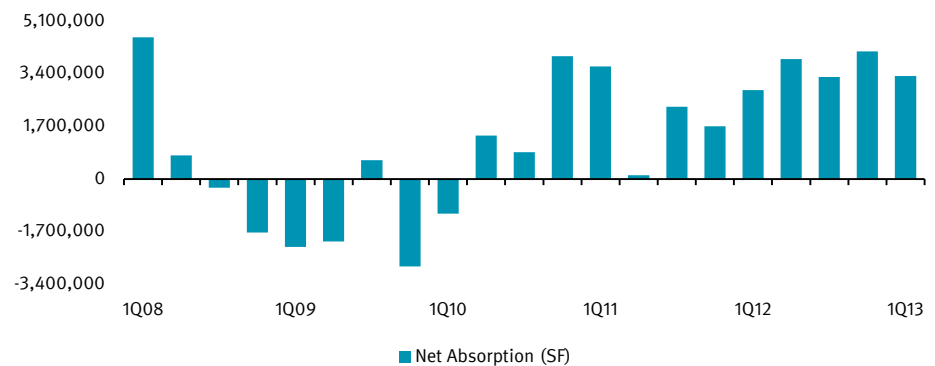
Despite tepid rental rate appreciation, 4.0 million square feet of construction – 62% of which is build-to-suit or owner-built – is underway to counter the lack of existing suitable choices. Evidence of this trend is visible in the 10.3% vacant O'Hare submarket, where Duke Realty is constructing a 230,000-square-foot, build-to-suit expansion for Yusen Logistics in Elk Grove Village. O'Hare is Chicago's largest industrial submarket and has posted four consecutive quarters of positive net absorption. In comparison, the 12.1% vacant McHenry submarket experienced negative net absorption in three of the past four quarters, and has not seen construction since 2009.

Warehouse properties drove the first quarter overall improvement, accounting for over two thirds of net absorption and 93% of new

Asking Rent and Vacancy



Absorption



Key Indicators			
Total Inventory (SF)		1,059,728,003	
	1Q13	4Q12	1Q12
Asking Rent (Price/SF)	\$4.44	\$4.34	\$4.39
Vacancy Rate (%)	9.5%	9.7%	10.6%
Under Construction (SF)	3,996,621	4,815,769	1,935,026
	1Q13	4Q12	YTD
Net Absorption (SF)	3,320,849	4,117,545	3,320,849
Deliveries (SF)	942,404	272,800	942,404

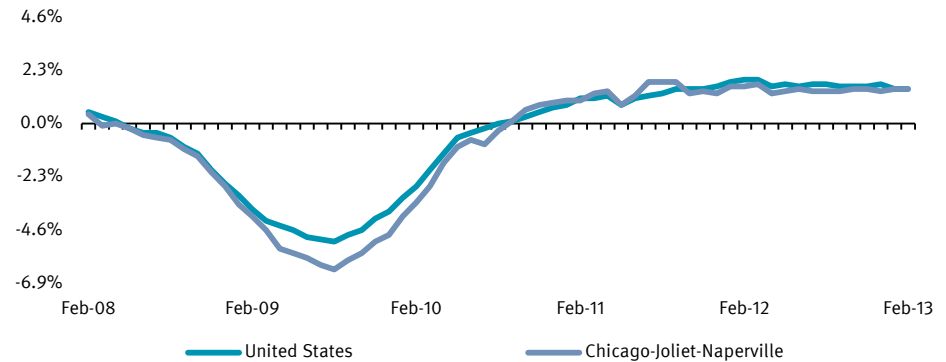


construction. SC Johnson's 975,000-square-foot renewal in Pleasant Prairie and a new 515,000-square-foot lease in Carol Stream by medical products supplier Owens & Minor headlined the sector's robust quarterly performance.

As concerns over the fiscal cliff and sequester cuts fade away, expect increased real estate decision making to aid improvement in coming quarters. Constrained supply will cause construction activity to sustain; the volume will likely reach the trailing 10-year average of 6.0 million square feet by year end. Submarkets such as I-88/55, Far North and O'Hare – which include towns offering attractive Class 6B tax exemptions, ample amounts of developable land and desirable locations – will see the most activity. Core properties will trade in the 5-6% cap rate range, while user purchasing will remain an attractive alternative for good-credit tenants seeking to invest cash.

Payroll Employment

Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Construction and Deliveries

Square Feet, millions



Select Lease Transactions

Tenant	Building	Submarket	Square Feet
SC Johnson	9800 72nd Ave	Far North	975,000
Owens & Minor	437-515 Tower Blvd	Central/North DuPage	515,000
Ta Chen	Lakeview Corporate Park	Far North	472,000
Lennox Industries	860 W Crossroads Pky	I-55 Corridor	312,000
Sleepys	99 N Pinnacle Dr	I-55 Corridor	282,000

Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
Liberty Point Corporate Ctr	Far North	359,910	\$21,800,000	\$61
1500 Franklin Blvd	Far North	154,481	\$8,800,000	\$57
2500 S Harlem Ave	West Cook I	308,877	\$5,500,000	\$18
880 N Addison Rd	O'Hare	87,000	\$4,700,000	\$54
7001 N Central Park Ave	Near North	234,817	\$4,000,000	\$17



Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central/North DuPage	80,121,683	66,617	7.9%	320,076	320,076	\$4.08	\$8.67	\$4.54
Far North	100,596,144	158,306	10.5%	465,437	465,437	\$4.33	\$8.44	\$4.95
Fox Valley/North Kane	29,382,087	545,837	8.0%	-24,358	-24,358	\$4.53	\$10.50	\$4.85
I-39 Corridor	31,923,690	1,600,000	13.6%	-93,200	-93,200	\$2.50	\$5.75	\$2.71
I-55 Corridor	91,073,407	0	7.3%	706,894	706,894	\$3.80	\$8.82	\$4.38
I-80 Corridor	62,448,937	1,308,184	13.3%	955,024	955,024	\$3.05	\$5.77	\$3.38
I-88 Corridor	64,879,385	0	5.7%	199,218	199,218	\$3.69	\$7.43	\$4.09
McHenry	18,290,768	0	12.1%	-6,860	-6,860	\$3.86	\$4.23	\$4.14
Near North	54,969,670	0	8.2%	-226,787	-226,787	\$5.31	\$9.18	\$5.93
North City	82,383,160	0	9.3%	77,711	77,711	\$4.86	\$7.18	\$5.56
Northwest	31,988,567	0	10.6%	-35,859	-35,859	\$5.00	\$7.45	\$5.90
NW Indiana	22,705,541	0	12.2%	47,434	47,434	\$3.12	\$7.95	\$3.19
O'Hare	120,167,022	317,677	10.3%	539,809	539,809	\$4.47	\$7.64	\$5.06
South City	108,361,056	0	9.5%	267,527	267,527	\$5.54	\$4.44	\$4.25
South Cook	74,915,892	0	10.1%	11,085	11,085	\$3.36	\$7.24	\$3.54
South DuPage	8,126,988	0	8.8%	3,399	3,399	\$4.38	\$11.94	\$7.99
West Cook I	67,781,242	0	8.0%	119,299	119,299	\$4.06	\$6.71	\$4.13
West Cook II	9,612,764	0	12.7%	-5,000	-5,000	\$5.46	\$5.93	\$5.32
Chicago	1,059,728,003	3,996,621	9.5%	3,320,849	3,320,849	\$4.10	\$7.93	\$4.44



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Glossary of Terms

Absorption

A measure of the change in occupied space

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

Deliveries

The total RBA of properties added to the inventory once construction has been completed

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of the space

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet in total rentable building area.

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