Industrial Trends Report – Fourth Quarter 2011
Chicago, IL

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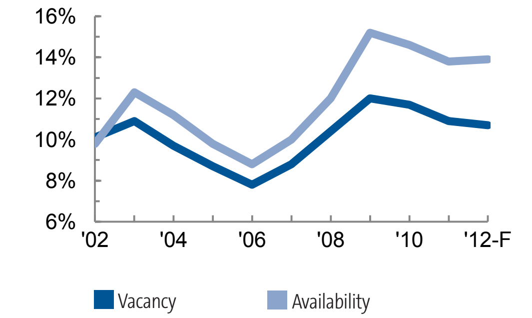
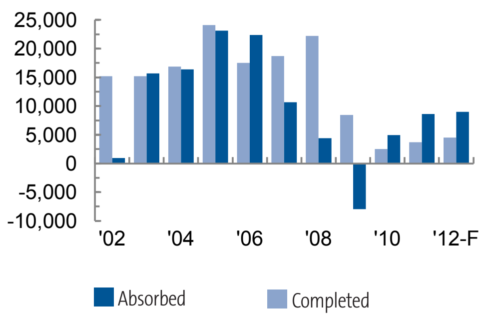
From Insight to Results

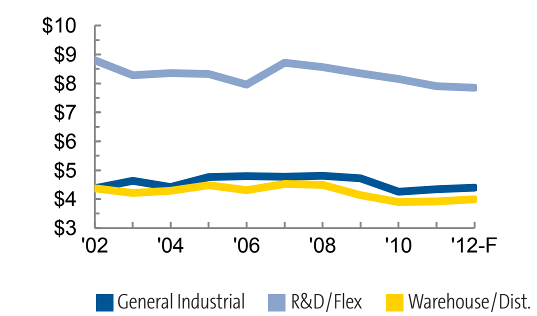
Vacancy & Availability Rates



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
($/SF/Yr. Triple Net)



Further Improvement on the Horizon in 2012

Chicago area unemployment stood at 9.6 percent at the end of November, a 60 basis point increase from the end of 2010 when it was 9 percent. In contrast, the national unemployment rate has fallen significantly by 90 basis points to 8.5 percent from December 2010. Gains were evident in transportation and warehousing employment at year's end by more than 50,000 new jobs, according to the Bureau of Labor Statistics. Manufacturing employment also expanded by 23,000. In the O'Hare and Central Will areas, warehouse and distribution sectors have reigned over manufacturing. The percentage of jobs recovered since the recession's end has been improving gradually with the overall rate for the U.S. standing at 28 percent. While several states have well over a 50 percent recovery rate, the Chicago metro area reflected a job recovery rate below 20 percent as of the end of November.

Rising international trade coupled with domestic freight shipments have aided in propelling industrial absorption, ending the year at 8.5 million square feet; quite an improvement from the end of 2010 when absorption stood at 3.6 million square feet. The Central Will submarket held the highest amount of absorption for the year at 2.6 million square feet with several companies taking big blocks of space including: Navistar (860,100 sf), Home Depot (657,600 sf), Electrolux (495,000 sf) and Exel Logistics (420,500 sf).

Speculative construction dominated the market prior to the "Great Recession", but for the last two years, build-to-suit (BTS) activity has taken center stage in the Chicago market. In 2011 there were several substantially sized BTS deals delivered: Clorox Company's 1.3 million-square-foot facility in University Park, Home Depot's 657,600-square-foot building in Joliet and 3M's new 650,760-square-foot distribution center in DeKalb. Edward Don & Company signed on for a 20-year lease for its new,

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KEY TRANSACTIONS FOR 2011

PetsMart	Georgia Pacific Corp.	Samsung	Follett Higher Education
leased	leased	leased	leased
1,000,350 SF at 910 Stevenson Rd, Ottawa, IL	696,600 SF at 702 Commerce Ctr. University Park, IL	650,000 SF at 160 Southcreek Pkwy Romeoville, IL	551,200 SF at 2805 Duke Pkwy Aurora, IL
from American Realty Capital Trust	from USAA	from The Pizzuti Co.	from Duke Realty Corp.

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INDUSTRIAL MARKET REVIEW AND FORECAST

	2010	2011	2012 Forecast
Vacancy Rate	11.7%	10.9%	10.6%
General Industrial Rental Rate[1]	$4.34	$4.34	$4.40
R&D/Flex Rental Rate[1]	$7.90	$7.90	$7.95
Warehouse/Dist. Rental Rate[1]	$3.92	$3.92	$4.00
Net Absorption	4,938	8,598	9,000
Space Completed	2,510	3,713	4,500

1. Asking rate per square foot per year triple net

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362,500-square-foot building in Woodridge. McShane Development is building a 100-acre business park (Union Pointe) where the restaurant supply company will build its new headquarters. Grubb & Ellis represented Union Pointe 1 LLC in the transaction, and will be the Union Pointe Business Park representatives. Edward Don's building is poised for delivery in the summer of 2012.

Investment sales have continued to improve over the last year. One of the largest investment deals of the quarter involved an 18 property portfolio consisting of over 7.8 million square feet. KTR Capital purchased the deal for approximately $265 million dollars. Allianz sold the portfolio and was evidently looking to dispose of its assets so the German-based company could focus on asset lending. The properties were located in Ohio, Texas, Georgia, New Jersey and two buildings in Illinois; a 499,200-square foot building on Schmidt Road in Romeoville, and a 261,500-square-foot industrial facility on Internationale Drive in Bolingbrook.

2011 REVIEW

Recovery for the Chicago industrial metro area was on par throughout most of 2011; however, with dips in state unemployment and global economic uncertainties, the year ahead will more than likely produce similar activity as seen in the last 12 months.

The investment market saw Class A, core assets in heavy demand in 2011. Banks were reluctant to put distressed commercial assets back onto the market. High Street Equity Advisors LLC purchased a 262,500-square-foot industrial warehouse, located in the Crest Hill Business Park at 21511 Division St. in Crest Hill. The Boston-based investment firm acquired the property from Qualified Intermediary Land Trust of Southern Illinois.

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The O'Hare market witnessed a 50-basis point decline on a year-over-year basis, ending at 11.2 percent. The area witnessed several tenant movements, expansions and renewals. In Elk Grove Village, MS International expanded into a 212,000-square-foot building at 1441 Jarvis Avenue, while Ropak Corporation renewed its lease of 188,160 square feet on Arthur Drive. 1717 Busse Road in Elk Grove Village was part of the 3-property portfolio investment sale purchased by Duke Realty from Seefried Properties in September. The 693,940-square-foot portfolio sold for $51.8 million or $74.65 per square foot.

Several sale-leaseback deals were executed throughout the year. United States Cold Storage engaged in a partial sale-leaseback for its 308,000-square-foot building in Lyons. Bridge Development Partners purchased the building for approximately $14.2 million or $46 per square foot. The building is planned for renovation. Cano Container signed on for a full sale-leaseback deal with KTR Capital Partners for its 175,000-square-foot facility at 3920 Enterprise Court in Aurora. The deal closed at $4.8 million or $27 per square foot.

Approximately 3.7 million square feet of new space was delivered to the market in 2011, the largest being Clorox company's 1.3 million square feet in University Park. LEED recognition on newly built projects remained prevalent. Projects for companies such as: The Northern Illinois Food Bank (NIFB), Testa Produce and Roquette America all prepared to achieve some level of certification for LEED certification involving construction of buildings containing "green" elements.

2012 FORECAST

Chicago's industrial market should begin to tighten further in 2012. Speculative development will be appearing once again and already has for some industrial developers. Urban Investment Research Corporation is currently redeveloping a vacant 122,000-square-foot warehouse at 2180 S Racine Avenue in the South City submarket. The developer is hoping to lure in smaller manufacturers and food businesses. Fortunately, food-related companies have fared well throughout the challenging changes within the U.S. economy. Northern Illinois Food Bank completed its new 147,000-square-foot Community Nutrition Center and Food Distribution warehouse at 273 Dearborn Court in Geneva. The company expanded and relocated from a 120,000-square-foot building in St Charles. This growth is expected to continue in the next 12 months.

Opportunities are abundant for credit-worthy tenants in need of long-term space. Investment activity remains strong for core asset types with interest in value-added opportunities remaining scarce. Institutional owners will remain top purchasers of industrial investment trades. A large amount of CMBS loans are due to mature in 2012. Contingent upon further warehouse demand, absorption rates are poised to reach new elevated levels in 2012.

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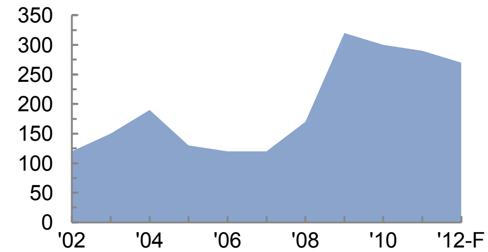
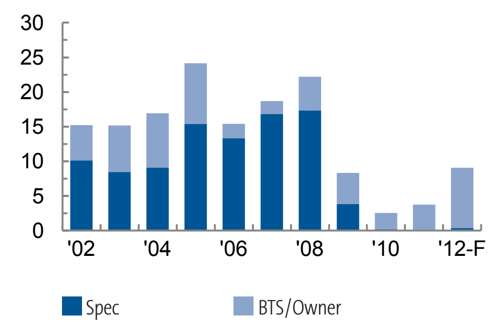
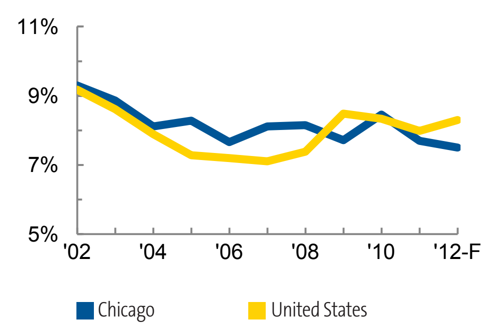
Vacancy & Availability Spread
(in Basis Points)



Completions by Construction Type
(in Millions of SF)



Average Industrial Capitalization Rates



Source: Real Capital Analytics, Grubb & Ellis

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By Submarket	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION Current Qtr	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT WH/Dist	ASKING RENT R&D/Flex
Central Will	60,458,396	10,294,452	17.0%	18.8%	1,147,075	2,673,925	265,000	$3.09	$6.25
Far North	95,408,389	11,687,517	12.2%	13.2%	426,162	232,270	463,166	$4.47	$8.63
Fox Valley	77,650,985	7,606,454	9.8%	13.1%	(368,243)	2,042,964	-	$3.53	$7.64
I-39 Corridor	30,638,784	3,613,670	11.8%	16.7%	142,800	1,621,766	465,556	$3.01	$4.60
I-55 Corridor	72,505,700	6,130,608	8.5%	13.9%	836,741	2,400,016	362,500	$3.54	$10.44
I-88/South DuPage	8,126,988	738,840	9.1%	12.8%	29,605	45,748	-	$4.27	$11.37
McHenry	18,215,308	2,126,071	11.7%	12.6%	(168,374)	(230,873)	-	$4.31	$6.14
Near North	55,030,563	4,573,563	8.3%	10.6%	128,637	174,125	-	$4.30	$8.04
North City	83,746,297	8,577,681	10.2%	10.8%	(162,977)	35,252	-	$4.70	$5.97
North DuPage	85,384,759	8,082,669	9.5%	13.6%	494,529	1,238,743	140,000	$3.92	$9.08
North Kane	25,294,207	2,883,407	11.4%	16.7%	(113,452)	(285,290)	-	$4.83	$10.41
Northwest	38,090,833	4,112,700	10.8%	12.8%	88,103	(144,131)	-	$4.72	$8.14
NW Indiana	22,909,679	2,817,867	12.3%	13.9%	(65,521)	85,701	-	$3.07	$6.06
O'Hare	98,104,850	10,992,636	11.2%	14.1%	(354,503)	(335,832)	-	$4.50	$6.72
South City	109,542,330	10,488,922	9.6%	12.8%	(520,984)	(1,596,125)	-	$4.24	$7.27
South Cook	72,791,907	8,252,365	11.3%	15.6%	70,877	837,452	267,000	$3.27	$7.47
West Cook I	58,099,705	6,631,663	11.4%	13.8%	104,336	8,071	-	$3.70	$8.04
West Cook II	30,552,465	3,701,197	12.1%	16.4%	(173,438)	(205,366)	-	$4.56	$6.93
Totals	**1,042,552,145**	**113,312,282**	**10.9%**	**13.8%**	**1,541,373**	**8,598,416**	**1,963,222**	**$3.92**	**$7.90**

By Property Type	Total SF	Vacant SF	Vacancy %	Available %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT
General Industrial	358,762,394	35,963,099	10.0%	12.9%	(1,494,943)	(1,448,945)	691,144	$4.34
Incubator	43,690,963	1,631,124	3.7%	5.1%	(3,333)	(111,052)	-	$6.49
R&D/Flex	60,326,107	8,844,110	14.7%	17.2%	(402,199)	(229,988)	-	$7.90
Warehouse/Distribution	579,772,681	66,873,949	11.5%	14.6%	3,441,848	10,388,401	1,272,078	$3.92
Totals	**1,042,552,145**	**113,312,282**	**10.9%**	**13.8%**	**1,541,373**	**8,598,416**	**1,963,222**	**$4.37**

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Even though the general feeling is that lease rates will remain flat, a slight rise could be imminent in the next six months. Fewer rental abatement months on deals were given in the last six months and that trend is expected to continue into 2012. First and second quarters most likely will continue the trend of flattened activity, while the market should witness further positive absorption in 3rd and 4th quarters of 2012. Chicago remains a strong logistics hub and regional distribution center growth is expected in the year ahead.

INDUSTRIAL TERMS AND DEFINITIONS

Total SF: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and selected other markets. Office rents are reported full service and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*