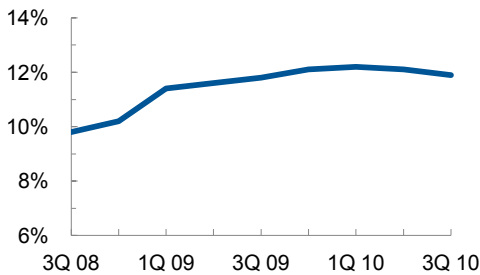
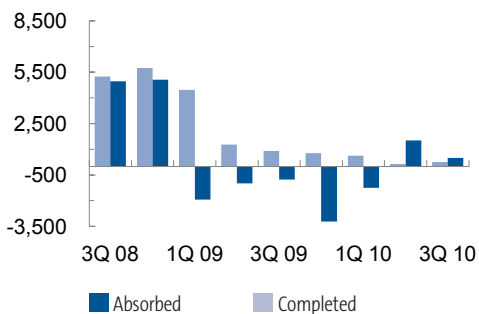


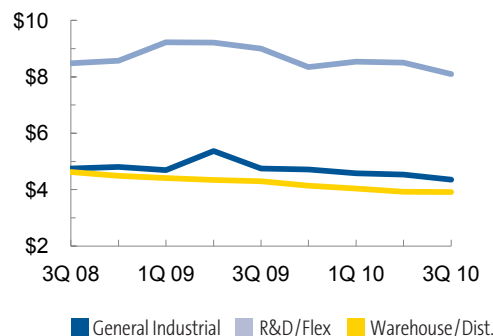
Vacancy Rate



Completion vs. Absorption (in Thousands of SF)



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



Industrial Market Improving

The Chicago industrial market continues to show signs of improvement as vacancy declined by 20 basis points to 11.9 percent this quarter, with the market registering approximately half a million square feet of net absorption. As of August, the Illinois unemployment rate fell to 10.1 percent, the lowest since May of last year. The manufacturing index declined in September to 54.4 percent. Anything over 50 percent indicates positive growth; however, this reading was down from a month prior when the rate stood at 56.3 percent. Despite low consumer confidence and the loss of 17,000 manufacturing jobs in September, industrial activity has picked up in the past few months. The current market holds a plethora of strategic opportunities for buyers and tenants. While the “Great Recession” has officially been over since June 2009, recovery has been sluggish and the industrial market will continue to witness consolidations of industrial and manufacturing companies.

Buyers are coming out of hiding and sale transactions are picking up. However, deals are closing at significantly lower pricing levels. One of the largest sales this year involved the 683,000-square-foot Glazer warehouse at 2600 W 35th Street in Chicago. A foreign investment firm purchased the building for \$4.3 million from Glazer, who bought the building in 2006 for \$5.8 million. The property was once occupied by Campbell Soup until the late 80’s and has been vacant for the past two years. With some properties trading hands at sub-\$10-per-square-foot pricing, the market appears to have hit bottom.

Empty speculative buildings delivered to the market several years ago are finally starting to see leasing activity. Jacobson Company leased just over 500,000 square feet at a warehouse completed in 2007. The facility, located at 21228 Frontage Road in Shorewood, is approximately 1 million square feet. Freeman Audio Visual Solutions signed on to lease space in a 201,000-square-foot building at Clarius Park in McCook. The speculative building was one of very few projects completed in 2009 as the economy faltered and developers ceased starting new projects without preleasing. (Continued on the next page)

FORECAST

- Tenants will continue to take advantage of attractive lease rates.
- Lease rates are at extreme lows and are not expected to decline much further.
- LEED certified buildings remain of key importance.
- No new speculative construction is expected for the next 12 to 24 months.
- Foreign investors will become more frequent buyers of industrial property in the next year.

KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
True Value Company ^R	Mirvac	308 S Division St, Harvard	1,200,000
Foreign Investor	Glazer’s Distributors	2600 W 35th St, Chicago	683,000
Jacobson Companies	ING Clarion	21228 Frontage Rd, Shorewood	507,000
Midwest Air Technologies	Land and Lakes Dev.	821 Bluff Rd, Romeoville	506,800
Fuji Film ^R	IDI	850 Central Ave, Hanover Park	350,000

■ Leasing ■ Sales (R) = Renewal (S) = Sublease * Indicates Transaction Represented by Grubb & Ellis

Industrial Trends Report—Third Quarter 2010

Chicago, IL



GRUBB & ELLIS
From Insight to Results

By Submarket	Total SF	Vacant SF	Vacancy %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current Qtr	Year To Date		WH/Dist	R&D/Flex
Central Will	56,617,004	12,459,617	22.0%	527,602	1,220,256	-	\$3.26	\$7.29
Far North	94,305,101	12,570,939	13.3%	(286,000)	201,454	214,745	\$4.42	\$7.87
Fox Valley	76,693,068	10,533,866	13.7%	(42,933)	(555,834)	182,000	\$3.72	\$9.06
I-39 Corridor	29,375,364	3,954,234	13.5%	(289,368)	274,553	650,000	\$3.17	\$4.92
I-55 Corridor	72,067,977	8,110,698	11.3%	633,866	1,735,284	32,065	\$3.61	\$9.47
I-88/South DuPage	8,076,977	956,113	11.8%	12,527	(207,227)	-	\$4.25	\$11.78
McHenry	15,428,116	2,217,727	14.4%	(16,587)	(9,752)	-	\$5.31	\$7.75
Near North	54,259,826	4,630,596	8.5%	(270,234)	(826,416)	-	\$4.00	\$7.30
North City	82,576,755	7,434,666	9.0%	(26,493)	(25,323)	-	\$4.87	\$6.10
North DuPage	84,788,142	8,908,723	10.5%	68,243	(46,250)	-	\$4.16	\$9.04
North Kane	25,273,808	3,276,786	13.0%	166,648	(87,249)	44,000	\$4.86	\$9.50
Northwest	38,030,806	4,138,836	10.9%	171,151	157,706	-	\$4.74	\$8.19
NW Indiana	21,661,339	2,722,412	12.6%	90,744	698,743	-	\$3.02	\$7.13
O'Hare	100,167,455	12,449,686	12.4%	(29,222)	(755,225)	100,000	\$4.82	\$8.51
South City	109,015,687	9,234,374	8.5%	(102,019)	(674,861)	91,000	\$3.43	\$6.49
South Cook	73,366,263	9,070,633	12.4%	212,108	165,726	-	\$3.25	\$7.19
West Cook I	57,659,800	5,956,735	10.3%	(200,441)	(501,451)	184,000	\$3.65	\$8.02
West Cook II	30,775,961	4,268,779	13.9%	(115,786)	205,489	-	\$4.01	\$8.97
Totals	1,030,139,449	122,895,420	11.9%	503,806	969,623	1,497,810	\$3.91	\$8.10

By Property Type	Total SF	Vacant SF	Vacancy %	Current Qtr	Year To Date	Under Construction SF	ASKING RENT	
							WH/Dist	R&D/Flex
General Industrial	357,056,831	36,146,910	10.1%	(74,348)	571,399	351,065	\$4.36	
Incubator	43,871,461	1,636,032	3.7%	(22,823)	(126,570)	-	\$6.70	
R&D/Flex	57,838,184	7,826,236	13.5%	101,270	(245,278)	35,000	\$8.10	
Warehouse/Distribution	571,372,973	77,286,242	13.5%	499,707	770,072	1,111,745	\$3.91	
Totals	1,030,139,449	122,895,420	11.9%	503,806	969,623	1,497,810	\$4.37	

(Continued from front) While some companies chose to relocate this quarter, for many companies, staying put was their best option given market conditions. True Value Distribution, Hosley International Trading Corporation, Fuji Film, Menlo Logistics and Castle & Cooke Cold Storage all renewed at their existing locations this quarter.

Construction activity has jumped to over one million square feet with the largest project being a 650,000-square-foot build-to-suit (BTS) distribution center for 3M Company in DeKalb. FedEx follows with its BTS distribution center of 214,000 square feet in Grayslake. In the O'Hare and western Cook County markets, there are three BTS projects currently under construction. Nippon's 100,000-square-foot building at 515 Touhy in Des Plaines and Go 2 Logistics' 120,000-square-foot facility at 165 W Lake Street in Northlake are both expected to deliver next quarter. Kerry Ingredients is expanding by 84,000 square feet on North Avenue in Melrose Park. The fact that businesses are back in the game and are willing to commit working capital to build large distribution centers definitely bodes well for the Chicago industrial market.

O'Hare vacancy is expected to climb when the Post Office leaves its buildings on the south side of O'Hare airport. They will vacate 400,000 square feet next year as the Post Office consolidates into its own facility at a location yet to be determined.

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 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.*

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