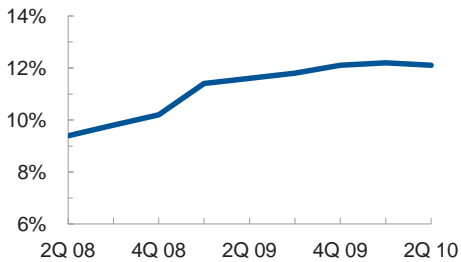
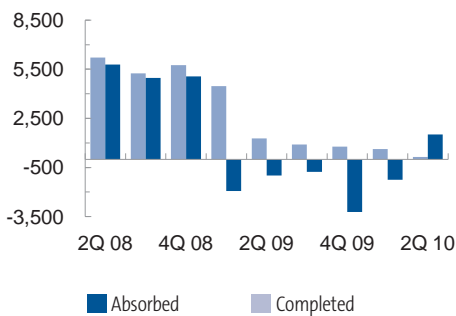


### Vacancy Rate



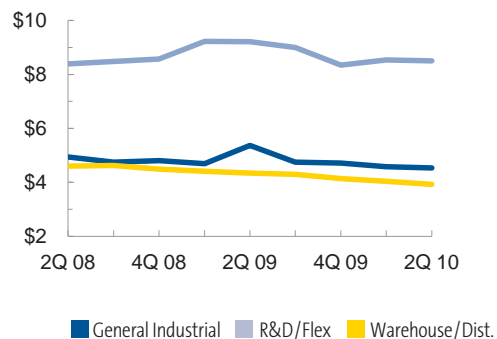
### Completion vs. Absorption

(in Thousands of SF)



### Asking Rental Rates

(\$/SF/Yr./Triple Net)



## Gaining Market Leverage

A move to market stability was apparent halfway into 2010 as the overall Chicago industrial vacancy rate fell by 10 basis points to 12.1 percent. Second quarter brought positive absorption for the first time since the end of 2008 at just over 1.5 million square feet, bringing the year-to-date total to 366,000 square feet. The market had several substantial occupancies including RTC Industries, which moved into 503,000 square feet, and ALG Direct, which moved into 499,000 square feet, both in the city of Romeoville. In addition, Dynamic 3PL occupied its 228,000 square feet of warehouse space in Bolingbrook.

While the “Great Recession” created many losses across the nation, it also created valuable opportunities and a chance for companies to reassess business operations. Rents still continue to decline, falling below \$4.00 per square foot triple net for warehouse/distribution space. The willingness of smaller companies signing on for expansions is also a positive gauge for industrial strength. One example is Dwyer Kitchens, which doubled its previous size in a move from Wood Dale to Woodridge. While physical location remains key for many users of industrial space, some companies are looking at location alternatives based on other factors such as lowered property taxes and city incentives. The FedEx Ground deal to build a 214,000-square-foot distribution facility in Grayslake resulted in a tax incentive package worth approximately \$1.2 million. Construction is scheduled to begin this summer and will ultimately bring 700 jobs to the area.

Industrial sales are starting to heat up. One of the largest deals to close this quarter included the 891,000-square-foot Lakeview Corporate Park IX in Kenosha, WI. CenterPoint Properties purchased the building for approximately \$38.5 million from RREEF. In a user deal, Central Grocers also sold over 845,000 square feet of industrial property to Hill Mechanical Group for \$8 million. Grubb & Ellis represented the seller in the transaction. (Continued on the next page)

### FORECAST

- Rates are firming up for smaller sized deals between 25,000 and 75,000 square feet.
- Investment sales are expected to increase in the next 6 months.
- Industrial continues to be the strongest performing asset type making up only 6 percent of all distressed properties – in terms of value.
- LEED certified and green buildings remain extremely beneficial for the future-oriented investors.

### KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
Hill Mechanical Group*	Central Grocers	11000 Belmont Ave	845,000
Midwest Store Fixtures	University Crossings	425 Crossings Dr	456,000
NACA Logistics	DCT Industrial	250 S Gary Ave	440,000
Petry Trust*	PB Real Estate LLC	Hudson Lakes	141 acres
Multi Pak	Colony Realty Partners	1800 W Central Rd	175,000

■ Leasing ■ Sales

(R) = Renewal (S) = Sublease

\* Indicates Transaction Represented by Grubb & Ellis

# Industrial Trends Report—Second 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	56,399,292	12,769,507	22.6%	616,954	692,654	217,712	3.00	7.28
Far North	93,305,099	12,284,937	13.2%	(249,984)	487,454	-	4.42	7.93
Fox Valley	76,693,068	10,840,933	14.1%	116,859	(512,901)	35,000	3.72	8.86
I-39 Corridor	29,375,364	3,664,866	12.5%	124,612	563,921	-	3.18	5.34
I-55 Corridor	72,067,977	8,744,564	12.1%	1,418,372	1,101,418	53,000	3.60	9.54
I-88/South DuPage	8,076,977	968,640	12.0%	(47,480)	(219,754)	-	4.40	12.36
McHenry	15,428,116	2,201,140	14.3%	19,956	6,835	-	5.68	7.17
Near North	54,259,826	4,354,890	8.0%	(122,080)	(556,182)	-	4.06	7.49
North City	82,737,674	7,633,773	9.2%	(50,756)	1,170	-	5.35	8.23
North DuPage	84,788,142	8,976,966	10.6%	136,550	(114,493)	-	4.07	9.19
North Kane	25,238,808	3,408,434	13.5%	(52,589)	(253,897)	79,000	4.87	9.33
Northwest	38,030,806	4,370,187	11.5%	(123,984)	(73,645)	-	4.45	8.26
NW Indiana	21,661,339	2,813,156	13.0%	33,750	607,999	-	2.97	10.00
O'Hare	100,305,455	12,875,232	12.8%	77,278	(726,003)	-	4.75	8.44
South City	109,015,687	9,132,355	8.4%	(229,720)	(572,842)	91,000	3.57	7.12
South Cook	73,730,859	9,663,637	13.1%	181,480	(86,084)	-	3.51	7.24
West Cook I	58,762,139	6,086,089	10.4%	(320,446)	(301,010)	-	3.81	8.24
West Cook II	30,775,961	4,152,993	13.5%	(8,756)	321,275	-	4.12	9.62
<b>Totals</b>	<b>1,030,652,589</b>	<b>124,942,299</b>	<b>12.1%</b>	<b>1,520,016</b>	<b>365,915</b>	<b>475,712</b>	<b>3.93</b>	<b>8.50</b>

### By Property Type

							ASKING RENT
General Industrial	357,999,916	36,574,505	10.2%	689,905	606,045	223,000	4.53
Incubator	43,871,461	1,613,209	3.7%	67,484	(103,747)	-	6.67
R&D/Flex	57,747,784	7,927,506	13.7%	(62,501)	(346,548)	35,000	8.50
Warehouse/Distribution	570,980,208	78,773,859	13.8%	878,348	263,385	217,712	3.93
<b>Totals</b>	<b>1,030,652,589</b>	<b>124,942,299</b>	<b>12.1%</b>	<b>1,520,016</b>	<b>365,915</b>	<b>475,712</b>	<b>4.42</b>

(Continued from front) Industrial construction activity fell even further, now standing just below 500,000 square feet overall. The Stepan Company, a chemical manufacturer, is constructing the largest building currently in development; a 218,000-square-foot building in Joliet which the company chose for its transportation savings and its proximity to the BNSF Logistics Park. Construction is still ongoing for Testa Produce Inc at 4555 S Racine Avenue in the South City submarket. The building will be a 91,000-square-foot LEED Platinum certified warehouse; the first facility to attain this level of certification for a food distribution company in the country.

Illinois unemployment fell below 11 percent in May, bringing the rate down to levels not seen since September 2009. As of June, the national unemployment rate fell to 9.5 percent. Several sectors are contributing to the positive direction of employment. The manufacturing sector has added 136,000 jobs nationally since December 2009 while the transportation and warehousing segment added 44,000 jobs since February. However, construction jobs are still declining with 22,000 jobs lost in June.

Recovery is becoming clear as unemployment rates begin to decline and absorption figures are coming out of the red. According to a Real Capital Analytics report, the Chicago area has a 60 percent recovery rate for acquisition and refinancing loans, while Seattle and Los Angeles stand at 83 and 81 percent, respectively. As long as the economy witnesses a rise in consumer confidence and a downward trend in unemployment, the industrial market is primed for a steady comeback in the next 6 to 12 months.

## 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.*