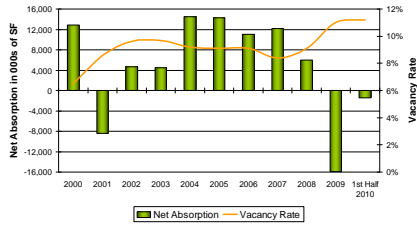




METRO CHICAGO INDUSTRIAL MARKET AT MID-YEAR 2010

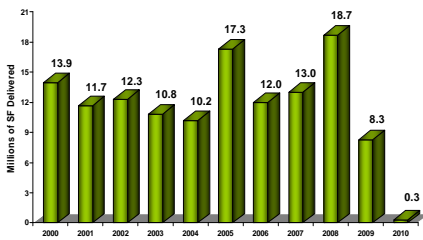
**Net Absorption of Industrial Space and Direct Vacancy Rate Trends
Metro Chicago
2000 – Mid-Year 2010**



Source: Vacancy – Delta Associates analysis of CoStar data; Net Absorption – Delta Associates; June 2010.

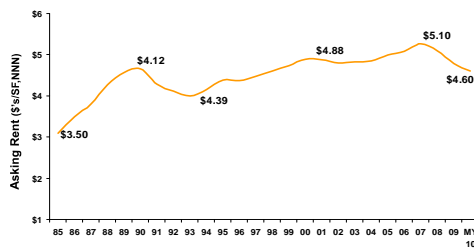
The metro Chicago industrial vacancy rate will likely hold relatively steady through the balance of 2010 before beginning a cyclical decline in 2011.

**Industrial Space Delivered
Metro Chicago
2000 – Mid-Year 2010**



Source: CoStar, Delta Associates; June 2010.

**Average Industrial Rents
Metro Chicago
1985 Through Mid-Year 2010**



Source: CoStar, Delta Associates; June 2010.

Market Weakens in the 2nd Quarter

The metro Chicago industrial market experienced negative absorption of 1.6 million SF in the 2nd quarter of 2010, as businesses continued to cut back on excess space. All of the reduction in the 2nd quarter occurred in Warehouse/Distribution space, while Manufacturing and Flex/Service space experienced modest expansion. YTD net absorption totals negative 1.4 million SF. Net absorption by space type in SF:

	Q2 2010	YTD
• Warehouse/Distribution	(2,042,000)	(742,000)
• Flex/Service	275,000	(113,000)
• Manufacturing	174,000	(568,000)

There is currently 6.3 million SF of sublease space on the market at mid-year 2010, up from 5.9 million SF last quarter. Sublease space represents 0.6% of standing inventory.

Industrial Vacancy Up Slightly

The overall industrial vacancy rate in metro Chicago rose to 11.8% at mid-year 2010, from 11.6% in the 1st quarter and 10.9% a year ago. The direct vacancy rate was 11.2% at June 2010, up from 11.0% in March and 10.4% a year ago.

Industrial Construction: Negligible

Industrial projects under construction total 325,000 SF at mid-year 2010, down from 1.3 million SF a year ago. Space under construction at June 2010 is 28% pre-leased.

Industrial deliveries totaled 279,000 SF in metro Chicago during the 1st half of 2010, down from 6.9 million SF in the 1st half of 2009. Space delivered in the 1st half of 2010 was fully-leased at delivery.

Industrial Rents: Still Declining

Industrial asking rents decreased 4.0% in the 1st half of 2010, compared to a decline of 6.0% in all of 2009. Overall, industrial rents average \$4.60/SF, NNN, at mid-year 2010. Industrial rents will likely stabilize by year-end, as market conditions begin to strengthen.

Investment Sales Remain Quiet

Industrial investment sales totaled \$108 million in metro Chicago in the 1st half of 2010, down from \$227 million in the 1st half of 2009. Sales prices averaged \$38/SF in the 1st half of 2010, compared to \$58/SF in the 1st half of 2009.

Metro Chicago Industrial Market Outlook

The metro Chicago industrial market will improve modestly in the 2nd half of 2010 and into 2011, as the economic recovery inches ahead and the consumer sector gains some traction. Consumer spending must increase to drive significant improvement in the distribution sector.