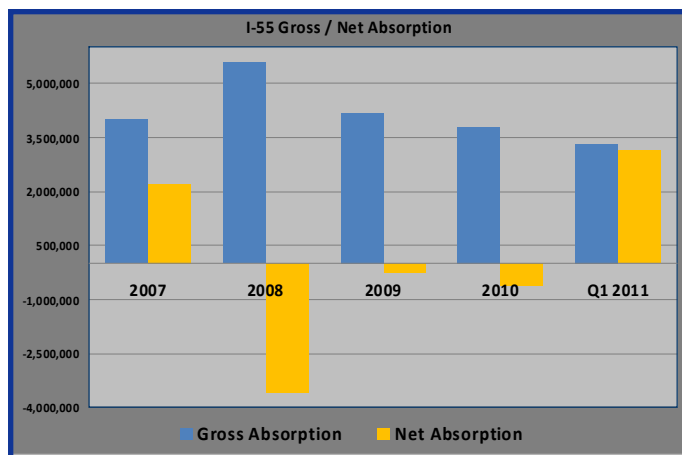


"I-55 MARKET COMES OUT OF HIBERNATION"

The winter storms have passed and spring is finally here. The sun is beginning to shine again in the I-55 Industrial Corridor, after more than two years of negative net absorption, rock bottom rental rates, and abundant concessions. The 1st Quarter 2011 submarket statistics show net absorption of over 3.1 million square feet, which represents a decrease of 450 basis points in the vacancy rate from transactions reported at year-end 2010, and 375 basis points from year-end 2009. The vacancy rate for Class A industrial product currently stands at approximately 14.7%, a marked improvement from the 18% to 19% vacancy rates the market has experienced through the recession.



A more detailed examination of the statistics reveals nearly 2.7 million square feet of new gross leasing activity, and only 175,000 SF of space returning to the market. That is significantly less than 2010, when over 900,000 SF of space returned to the market every quarter, for a total of 3.72 million SF. Another positive note is that smaller users are absorbing significant amounts of space, a trend that shows increasing confidence in the economy. Of the 28 transactions that Champion tracked in the 1st Quarter, 19 were smaller than 100,000 SF, which accounts for a total of almost 800,000 SF.

Similarly, Owner-User Acquisitions reported in the 1st Quarter 2011 totaled 821,000 SF, which represents 625,000 SF of space removed from the market. It is important to note that a number of the transactions were completed in late 2010, but not reported until Q1 2011.

Notable Transactions

The largest lease transaction reported this year was the Diageo Liquors lease for 800,000 SF completed in late 2010 at 1701 Remington Blvd with ING Real Estate. The building was vacated by Home Depot in late 2010, and leased almost immediately, showing the strengthening of the I-55 Corridor, and demand for large blocks of space.

Other notable transactions reported in the 1st Quarter include:

- ◆ Home Depot signed a 6 year lease for 448,000 SF at 1401 W Normantown Rd in Romeoville. The building is owned by Heitman, but was a sublease from an existing tenant.

- ◆ OHL leased the remaining 269,500 SF from IDI at 1150 W 115th St Bolingbrook for 5 years. OHL now controls the entire 450,000 SF building.
- ◆ Premier Transportation signed a lease for 164,355 from ML Realty at 800 S. Weber Rd in Bolingbrook.

Rents and other Lease Terms

Rental rates continue to stabilize, with net effective rates moving towards the mid to high \$2.00/SF range for larger blocks of space in Class A buildings over 100,000 SF. Landlords are also more willing to invest in tenant improvements, as tenants are willing to pay the rent premium for above standard requirements. Tenant credit remains important as landlords are more optimistic about value. Free rent concessions continue to be about 1 month of net free rent per year of term.



1150 W 115th Street, Bolingbrook

Investment Sales

Investment sales activity in the I-55 Corridor is the strongest it has been in over 18 months, with two significant transactions totaling 988,000 SF in the 1st Quarter. In the largest transaction, LaSalle Investment Management acquired the 740 ProLogis Parkway from Colony Realty Partners for \$30.2 million, or \$37.47/SF. The 805,912 SF building is leased to consumer products distributor, Kimberly Clark. KTR Capital Partners acquired 605 Territorial Drive from BPG Properties for \$7.35 million, or \$40.30/SF. The 182,400 SF property is 52% leased to Jet Lithography, with almost 10 years remaining on the lease. The remaining 88,000 SF is currently vacant, which shows investors confidence in the I-55 Corridor.



305 Crossroads Pkwy, Bolingbrook

Owner-User Acquisitions

Two significant owner user sales were reported in the 1st Quarter 2011. G&W Electric acquired the 371,071 SF building at 305 Crossroads from Prudential Real Estate for \$10.3 million, or \$27.82/SF. The new facility will more than double the size of the current Blue Island facility, and

the company will relocate the headquarters, manufacturing, and research and development to the new facility. In the 2nd transaction, Synnex Information Technology will purchase 1180 W Remington Blvd in Bolingbrook from Panattoni Development in August 2012. The 450,900 SF building had 255,000 SF vacant which Synnex will occupy until the existing tenant's lease expires in 2012, at which time Synnex will acquire the entire building. Synnex will pay \$15.7 million or \$34.73/SF for the property.

Summary

After two painful years, the I-55 Corridor is on the path towards recovery as the global economy continues to stabilize. User demand for space in the submarket is respectable, but with over 18.7 million square feet in 60 Class A distribution buildings over 100,000 SF available in the I-55, I-80, and I-88 Submarkets combined, tenants still have many options. The Champion Team is currently tracking 15 requirements totaling approximately 6 million square feet, with about 3.0 million sf preferring the I-55 Corridor, and another 3.0 million sf of requirements that are looking at multiple submarkets. We are projecting the I-55 Corridor to continue with strong net absorption through 2011, and further reduction in the vacancy rate. Rental rates will start to increase and rent concessions will ease towards year-end. Owner-user sales will continue to be prevalent as many users want to own their facilities. Additionally, investment sales will start up again as the stabilizing rental rates, reduced vacancy rate, and strong user demand make the I-55 Corridor a prime investment market for institutional investors.

For more information or assistance with any requirements, please contact:



J.D. Salazar, SIOR
Managing Principal
jd@championre.com
Direct: 630-598-0050
