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ADVISORS, LLC**

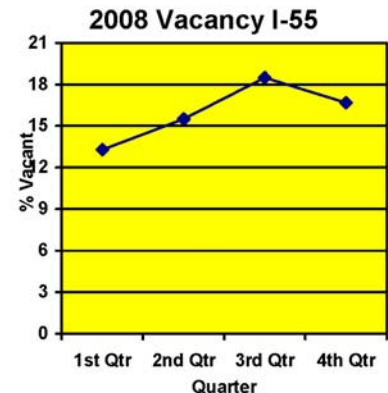
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## Chicago's I-55 Corridor Industrial Market 2008 Year End Review

### "Tough Year, But No Gloom and Doom"

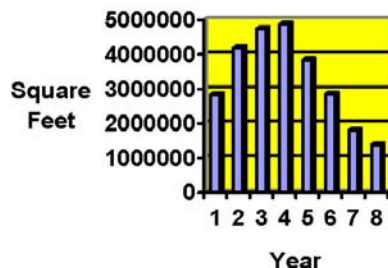
Sometimes the numbers tell the whole story. And sometimes they don't. That's the case with industrial statistics for 2008 in the I-55 Corridor of Chicago. For example I-55 Corridor Vacancy finished the year at 16.68%, significantly higher than the First Quarter Vacancy of 14.48%, but somewhat lower than the 18.5% Vacancy recorded in the Third Quarter. Upon review of these vacancy statistics one can surmise that things are going to get worse in 2009 due to reduced demand driven by a weak economy and shrinking space requirements. Or one can project that with a minimal amount of speculative construction coming on line in 2009 and landlords committed to doing whatever it takes to keep their tenants, we've seen the bottom and vacancy should be stable, perhaps even lowered slightly in 2009. Only time will tell which interpretation of the statistics is accurate. As of December 31, 2008 we estimate the market size to be approximately 66,000,000 SF with 11,000,000 SF vacant.



### Absorption

Surprisingly, Gross Absorption for 2008 was approximately 5.6 million SF. On the surface this appears to represent a real positive for developers and landlords. However, a look at the Net Absorption numbers reveals a very disturbing picture. Net Absorption for 2008 was a **negative** 3.6 million SF. Accounting for these radically diverging statistics can be accomplished by digging further into the statistics to uncover that approximately 47% or 2.6 million SF of the square footage absorbed were lease renewals. The table below lists the largest lease renewals of 2008. Two other key factors account for the high negative absorption: (A) approximately 2.7 million SF of new spec construction coming on board in 2008 and; (B) a rise in sublease space hitting the market at the same time.

**I-55 Corridor Speculative Construction**





**2008 Largest Lease Renewals I-55 Corridor**

LOCATION	SIZE (SF)	TENANT	LANDLORD
1701 Remington Blvd Bolingbrook	800,000	Home Depot	ING
1101 Taylor Road Romeoville	532,123	Ozburn Hessey Logistics	McMorgan
1053 Schmidt Rd Romeoville	499,200	DSC Logistics	Sears (sublease)
Park 55 BLD #1 Romeoville	408,000	Ryder Logistics	Duke
99 Pinnacle Dr Romeoville	356,000	Ozburn Hessey Logistics	DCT

There were two significant new leases completed in 2008. In late October ProLogis completed a long and complex lease negotiation with Kimberly Clark for their 750,485 SF distribution center on ProLogis Parkway, in Romeoville, Park 55, Building #4. Tenant improvements included 250

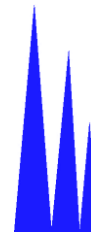
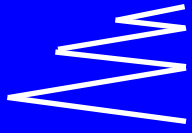
trailer parking stalls, T-5 lighting with motion detectors and 6500 SF of new office. Other terms and conditions have not been released to the market due to confidentiality agreements between the parties and their respective representatives. ProLogis was represented by Rich Antczak, Austen Alexa and J. D. Salazar of Champion Realty Advisors. Kimberly Clark was represented by Matthew Stauber of CBK. In the late 2nd Quarter REEF successfully leased the remaining 231,000 SF in the Windgate Distribution Center (658,068 SF) in Romeoville to SPX. The 89 month lease included 3% office, a charger area and a few other minor improvements. Net effective rent for the term of the lease is estimated to be \$3.01/SF/YR.

Net effective rents for the first 6 months of 2008 remained fairly stable. However net effective rents began dropping significantly in the 3rd Quarter and decreased even further in the 4th Quarter as landlords quickly adjusted to deteriorating space demand due to the local, national and global recession. Champion estimates that lease rates for 150,000 SF to 300,000 SF spaces with standard TI packages and a 5 year term will have first year rental rates between \$2.50 and \$2.60/SF/YR NNN with a 2% to 2.5% per year rental rate escalation. We estimate rental rates for spaces in excess 350,000 SF with standard TI requirements could see first year rental rates as low as \$2.30/SF/YR NNN fixed for a 5 year period.



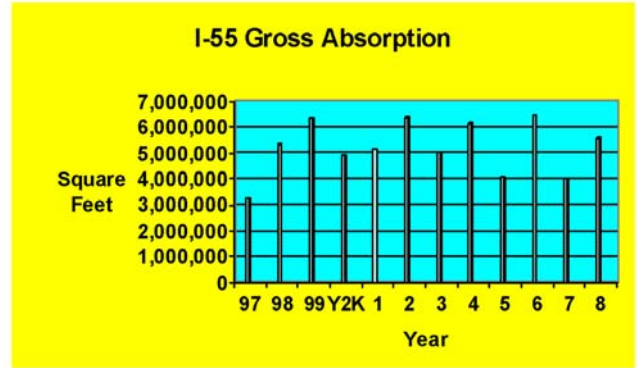
**ProLogis Park 55, Building #4**



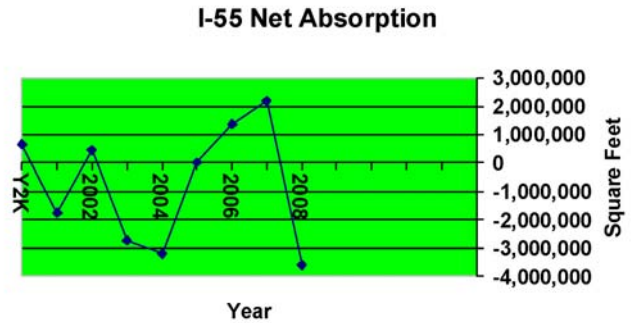


**Investment Sales and Cap Rates**

The only significant investment sale occurred during the 1st Quarter of 2008. Panattoni Development sold the 4 building Windham Southwest park portfolio to Heitman Investments. The 1,928,378 SF sold for approximately \$100.8 million or \$52/SF. The cap rate was estimated to be at or near 6%. No significant investment sales were recorded in the 4th Quarter of 2008.

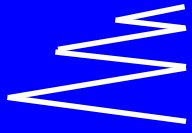


Cap Rates began rising in August. For the 1st Quarter of 2009 Cap Rates for Class A warehouse/distribution properties are estimated to be 8.5% to 9% with all cash buyers the primary drivers of the market. For 2009 Cap Rates are estimated to stay 200 to 300 basis points above the 2008 low which we peg at 5.9% to 6%.



Address	Size(SF)	Buyer	Tenant	Sale Price (\$)	Price/SF
Normantown Road Romeoville	1,928,378 (4 bldgs)	Heitman	Sears, Dan Dee Display - partial vacant	100,800,000	52
3 Territorial Ct Bolingbrook	125,448 (56K off)	Wrightwood Capital	Goss International	11,300,000	90
465 W Crossroads Bolingbrook	112,885	CalEast	YRC Logistics	7,800,000	69
1101-1107 Windham Romeoville	103,481	AMB	Vacant	7,600,000	73





## Summary

As mentioned in our 3rd Quarter report reduced demand for consumer goods is creating a stressful environment for Consumer Products Companies (CPC's) and related service providers (3PLs and transportation companies) as well as landlords. Speculative development starts for all of 2009 are estimated to be below 1,000,000 SF for the first time this century. Vacancy may creep up above 18% during the first two Quarters of 2009 but we expect vacancy to decrease some during the last half of 2009. Land sales which were non-existent in 2008 will continue to be very slow. Land and building prices may fall in 2009 as over leveraged and under capitalized developers try to sell assets to buy time. All in all 2009 will be likened to a bottle of bad wine. It only feels good after you're done with it.

*Champion professionals continue to uncover new and profitable opportunities for our clients in the I-55 Corridor of Chicago For more information on current Champion projects including ProLogis' 346,000 SF 710 Theodore Court Romeoville building or any of the other land sites and buildings we represent please log onto our web site [www.championre.com](http://www.championre.com) or call us at 630-598-1001.*



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