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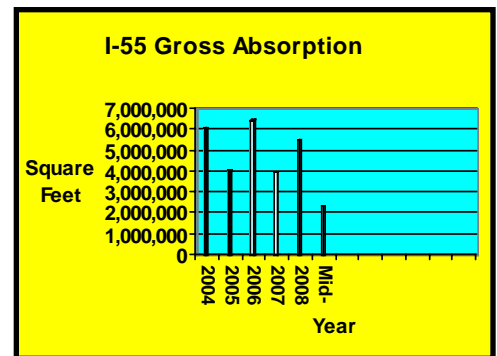
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## Chicago's I-55 Corridor Industrial Market Midyear 2009 Report

### "Deal Velocity Surprises"

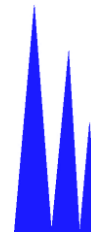
Thirteen is an unlucky number according to some folks. But for landlords in the I-55 Corridor fortunate enough to land one of the 13 deals signed in the first half of the year, 13 is a pretty good number. The 13 deals represent a total gross absorption of 2,335,174 SF. All 13 deals were leases ranging in size from 53,000 SF to 800,000 SF. Excluding lease renewals absorption was still a very respectable 1.4 million SF. Third Party Logistics companies continue to be major players in the space absorption equation. OHL, Exel and Jacobson all took new space in the first 6 months of 2009. Landlords are to be commended as well. Since late fall of 2008 I-55 landlords have assumed a very aggressive deal making posture. Old pro-formas are out the window and new underwriting parameters, reflecting today's recessionary economic view, are in place. Most leasing activity has occurred in the size range from 100,000 SF to 225,000 SF. Average base lease rates are well below \$2.50/SF/YR NNN. Lease terms through the first half of 2009 are significantly shorter than in past years. The average lease term is 12 to 18 months below previous years averages, as a result of many 12 to 36 month term deals recently signed. Although landlords are not happy with the drop in lease rates the fact that there is still deal velocity is a major plus for the I-55 Corridor.



### Notable Transactions

ProLogis was successful in landing two new tenants for the last building in their Park 55 development. Early in the 2nd Quarter Sanyo signed onto a multi-year deal for approximately 215,000 SF. Also in the 2nd Quarter, Lesaint Logistics headquartered in Elgin, IL signed a multiyear lease for approximately 220,000 SF. Terms for the 2 leases were not disclosed. However, market sources indicate the base lease rates were in the sub \$2.50/SF/YR NNN range. To land these two tenants ProLogis was able to use their ability to structure multiple market solutions for each tenant. With the signing of these two leases ProLogis has 218,000 SF remaining in the 651,000 SF building.





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At 2 Gateway Court in Bolingbrook Ozburn-Hessey Logistics (OHL) leased 163,470 SF from Duke Realty Corporation. The multi-year lease involved minimal TI, fifteen exterior docks and 1 drive-in door. The average lease rate for the term of the lease was sub \$2.50/SF/YR. Nearby, IFCO leased 101,387 SF from First Industrial at 400 Crossroads Parkway in Bolingbrook. Champion Realty Advisors professionals represented both OHL and IFCO in these transactions.



**OHL leases 163,000 SF at 2 Gateway CT, Bolingbrook**

In a deal reported in our First Quarter report Saratoga Specialties, a food company, leased 150,249 SF at 771 W Crossroads Parkway in Bolingbrook. TI included 15,000 SF of new office and 20,000 SF of production-lab area. Saratoga is a manufacturer of dry spices for the food manufacturing industry.



**Home Depot renews 800,000 SF for 1 year**

The largest transaction completed in the first 6 months of 2009 is the 800,000 SF Home Depot lease renewal at 1701 Remington Blvd in Bolingbrook. This ING Clarion owned building was originally leased to Home Depot in 2005. The one year renewal was completed at a base lease rate of \$1.75/SF/YR NNN, according to market sources.

**Investment Sales**

Only one significant investment sale occurred during the first 6 months of 2009. In July, RREEF sold their Windgate Distribution Center (1375-1385 Weber Road, Romeoville) to a private investment group named Molto. The 658,060 SF two tenant distribution center is anchored by Levy Home Entertainment. Market sources



**RREEF sells the 658,000 SF Windgate DC**





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indicate the modern cross dock facility sold for between \$32 and \$33/SF.

### **Inventory and Vacancy**

With improved gross absorption came a much appreciated decline in vacancy. Vacancy in the I-55 Corridor at the end of the 2nd Quarter stood at 18.48% which represents a 7% improvement from the 1st Quarter. Total square footage vacant on June 30th was 12,358,618 SF spread out among 101 buildings along the I-55 Corridor. The largest vacant facility is the 650,000 SF newly finished, very green, Pizzuti Development facility in the Pinnacle Business Park, Romeoville. Other developers with available space greater than 400,000 SF are Duke, IDI, Land & Lakes, P&G (Gillette sublease) and Leggett & Platt (Dann Dee Display sublease). A complete list of large available spaces in the Corridor is located at the end of this report.

### **Summary**

In the second half of 2009 we expect activity in the I-55 Corridor to continue at a modest pace (considering the state of the economy) with third party logistics companies leading the way in space absorption. With little new construction underway vacancy should continue a slow decline. Landlords' willingness to embrace aggressive deal terms factors greatly into how quickly the imbalance between supply and demand will be rectified. Investment sales will pick up some steam between now and the end of the year as evidenced by the pending multi-building sale between Prudential and Panattoni Development. Lease rates for spaces over 200,000 SF may decline another 1% to 2% before the market for larger blocks of space revitalizes. Overall market activity appears to be increasing as users/investors are reentering the marketing to capitalize on the favorable tenant/buyer market.

*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 630-598-0050.*



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## *I-55 Corridor Available Buildings > 300,000 SF*

Name Address	Total SF	Available SF	Acreage	Divisible To SF	Lease Rate	Clear Height	Dock Doors	Cross Dock	Rail	Trailer Spaces	Developer Owner	Office SF
Park 55 Bld #2 Romeoville	651,240	218,000	26.46	150,000	\$3.50	30'	108 ext	Yes	no	90 expandable	ProLogis	To Suit
Pinnacle X Romeoville	650,000	650,000	27	150,000	Negotiable	30'	66 ext	Yes	no	100 expandable	Pizzuti	To Suit
Gillette Building Romeoville	532,040	532,040	25.58	532,040	negotiable	30'	76 ext	Yes	no	95	ProLogis	20,372
Bluff Point #3 Romeoville	506,777	506,777	28.76	150,000	negotiable	32'	50 ext	Yes	no	41 expandable	Land and Lakes	to suit
Crossroads V Romeoville	503,200	503,200	26.22	150,000	negotiable	30'	48 ext	Yes	no	73	Duke	to suit
1053 Schmidt Road Romeoville	499,200	499,200	26.7	200,000	\$3.75	30'	64 ext	Yes	no	207	Duke	
Bolingbrook Corp Center West Bolingbrook	453,090	453,090	21.5	50,000	negotiable	32'	48 ext	Yes	no	79	IDI	To Suit
1401 W Normantown Rd Romeoville	716,318	340,505	35.12	340,505	\$3.70	30'	42 ext	Yes	no	75	Heitman	19,299
305 Crossroads Pkwy Bolingbrook	371,011	371,011	19.3	185,000	\$3.95	30'	42 ext	No	no	62	Prudential	7500
710 Theodore CT Romeoville	346,146	346,146	25	346,146	\$3.75	30'	32 ext	No	no	35	ProLogis	5000
Highland Corporate Center #3 Bolingbrook	337,630	337,630	18.42	150,000	negotiable	30'	40 ext	Yes	no	80	ML Realty Partners	to suit
775 Crossroads, Bolingbrook	269,662	119,413	19.24	60,000	\$4.30	30'	45 ext	No	no		Corum	to suit