CHAMPION REALTY ADVISORS, LLC

Commercial & Industrial Real Estate Services

622 Executive Drive
Willowbrook, IL 60527
Phone: 630.887.8833
Fax: 630.887.9122

Chicago's I-55 Corridor Industrial Market
Year 2003
If You Build It - They Will Come

In the movie "Field of Dreams" this is the phrase that describes the Iowa farmer's conviction that building a baseball diamond in the cornfield is the right thing to do. In 2003, this same phrase can describe developers' attitudes toward building in the I-55 Corridor. Developers built more square footage of industrial space in the I-55 Corridor in 2003 than in any previous year before. Has the I-55 Corridor turned into the "Field of Dreams"? Will it be a movie with a happy ending? Or will it be a tragedy with winners and losers? Only time will tell. What do the statistics from 2003 tell us?

1. Some 4,740,517 SF of speculative construction and build-to-suit construction broke ground in 2003.
2. Approximately 2.7 million square feet of this new construction was speculative space.
3. Gross absorption at 5,042,000 SF was about at low as it's been since 1997 and over 1 million SF less than gross absorption in 2002.
4. Vacancy in the Corridor increased from 14.29% at the end of 2002 to 18.41% on January 1, 2004.
5. Distribution uses continue to dominate the market.
6. Manufacturers are, by and large, still on the sidelines.

Looking at these statistics one can certainly make the case that 2003 was not a good year and that perhaps 2004 may be similar. Our perspective at Champion is more optimistic. The tide has turned in the national and local economies. Capital remains readily available at historically low rates for investment in plant and equipment. Together, these facts give us comfort that companies still on the sidelines will begin to expand their operations this year.

In the near term however, there will be serious downward pressure on rents, particularly for larger blocks of space. Transactions like Home Depot's lease (723,000+/- SF) with Panattoni Development at Windham Lakes in Romeoville which was rumored to be completed at a base year triple-net rent of $2.70/SF per year, are driving lease rates lower than they have been in 10 years. Competition will remain fierce for build-to-suits. The good news is that cap rates will remain low in 2004, which will allow developers a reasonable margin to work with. And lastly, there will be more opportunities for deals to get done because there will be more deals to make. So let the field of dreams begin. Happy ending or nightmare? Only time will tell.

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Transactions

Transactions of note in 2003 included Champion Realty Advisors sale of Pizzuti Development's 421,123 SF Pinnacle Spec IV building to PV Partners of Nashville, TN. Champion subsequently assisted PV Partners in leasing the entire facility to Ozburn-Hessey Logistics Company, a nationwide third-party logistics company. In late December, Panattoni Development entered into a lease with Home Depot for Panattoni's new 493,000 SF spec building in Windham Lakes. Panattoni will be expanding the building to 723,000 SF as part of their lease agreement with Home Depot. As previously reported this transaction was completed at a base lease rate of $2.70/SF/YR NNN. IDI was successful on two fronts. In the Pinnacle Business Park in Romeoville IDI began construction of a build-to-suit for lease for AmeriSource Bergen, a national account client of IDI. The 325,000 SF building will be completed in the 2nd quarter of 2004. The building is a complex, high security facility that will be used by the tenant to distribute drugs and other medical products. In the Bolingbrook Corporate Center IDI leased their 283,000 SF spec building to an existing tenant in the park, Mohawk Industries. McShane Development was successful in their first spec building at Bolingbrook Point. NFI, a 3PL-handling product for Trader Joe's leased 207,000 SF in McShane's 315,000 square foot spec building. The build-out involved freezers, coolers and extra docks, which lead to the ultimate base, lease rate of $3.50/SF/YR NNN. In the only significant transaction in a Class B building, Sun Life Canada leased their 259,000 SF freestanding, single-loaded building in Corporate Crossing to Alliance Packaging for 11 years at a face rate of $3.20/SF/YR NNN. The deal involved one year of free rent.

421,123 SF in Pinnacle Business Park leased to OHL

723,000 SF in Windham Lakes leased to Home Depot

325,000 SF B-T-S for AmeriSource Bergen in the Pinnacle Business Park

315,000 SF in Bolingbrook Point partially leased to NFI

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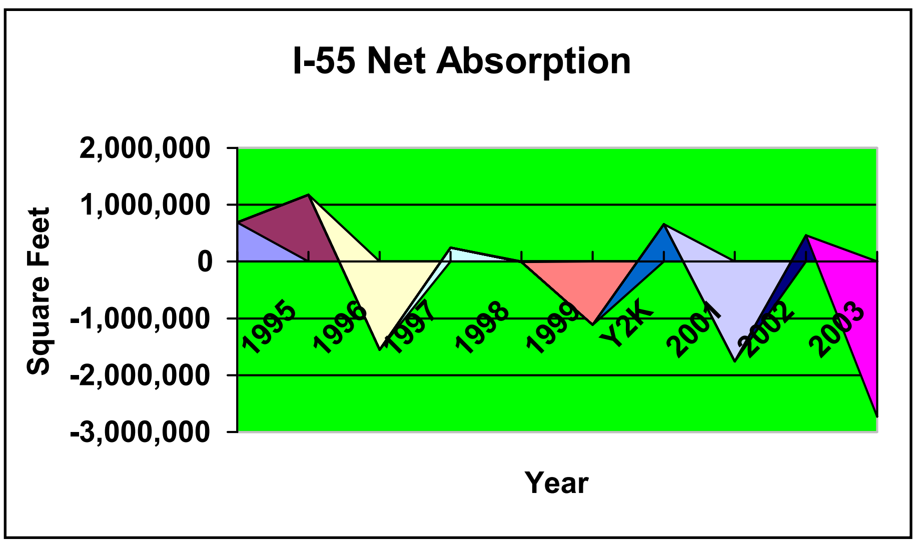
Land Transactions and Values

Land prices continued their upward climb. Large land sites as well as small land sites climbed almost 5% in market value in 2003. The most significant large land sale in the I-55 Corridor occurred in June of 2003 when ProLogis completed the sale of 86.6 acres in ProLogis' Park 55 Business Park in Romeoville to Duke Realty Corporation. The land sale was completed at a price of \$4.42/SF for three, pad ready, fully improved sites. Duke has the green light to construct a 534,000 SF cross-dock speculative building in 2004. Champion Realty Advisors assisted ProLogis in the land sale and is representing Duke's new spec building at Park 55. Additional notable land sales include V3's sale of 33 acres to ORIX along Weber Road, near the Windham Lakes Business Park. ORIX purchased the site for \$3.28/SF. ORIX is currently building a 658,060 SF speculative facility. IDI's build to suit for AmeriSource Bergen in the Pinnacle Business Park is on land purchased from Pizzuti Development for \$3.25/SF. Hamilton Partners sold an approximate 20 acre site to a joint venture between H S A and ML Partners for \$4.45/SF. Hamilton Partners purchased this same site from ProLogis in early 2002 for a price of \$2.60/SF. Lastly, the highest price land sale in the I-55 Corridor occurred in CenterPoint Properties' McCook Park. CenterPoint sold 24 acres in 2003 to Scannell Properties of St. Louis for a 165,000 SF build-to-suit for FedEx Ground. The land sale was completed at an awesome price of \$7.00/SF. Land prices throughout the I-55 Corridor will continue to rise in 2004.

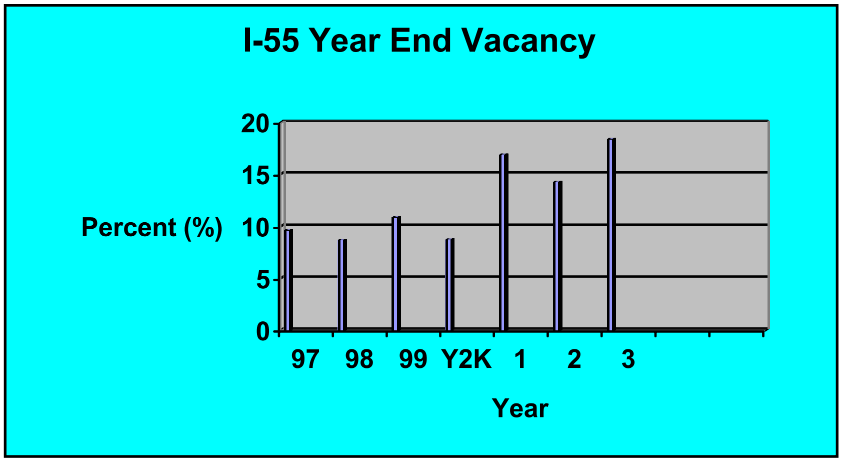


Investment Sales/Cap Rates

Just when you thought cap rates couldn't or wouldn't go any lower, they did. In our 2003 report we predicted cap rates would hover around 8%. In fact two significant investment sales occurred at rates below 8%. ML Realty Partners purchased the 1000 Veterans Parkway building in Bolingbrook (405,844 SF) from Invesco Advisors for $42.72/SF, which yields an estimated cap rate of 7.35%. The building is fully leased to Samsung. In a separate transaction ML Realty Partners purchased 505 Crossroads Parkway, a 200,000 SF distribution building leased to a 3PL named Distribution 2000, for $43.75/SF. This purchase price yields an estimated 8% cap rate. TA Associates purchased the 354,400 SF building at 605 Crossroads Parkway from Lincoln National Insurance Company for $45.15/SF. The building is fully leased to Innotrac, a logistics company. The estimated cap rate for this sale was 7.75%. In the largest investment sale of 2003 for the I-55 Corridor Exel Logistics sold a two building package in Bolingbrook (957,000 SF) to AEW Capital Partners for $41.00/SF. Based on offering information previously circulated by Exel, Champion estimates the cap rate for this sale was approximately 8.54%. Exel occupies both buildings except for 147,557 SF in one building, which may account for the higher cap rate in this transaction.

Speculative Buildings Under Construction or on the Market as of January 1, 2004

Business Park	City	Developer	Size (SF)	Status
Bolingbrook Point	Bolingbrook	McShane	317,000	114,000 SF remains vacant
Corporate Crossing	Bolingbrook	HSA & ML Realty	247,500	Under construction
Corporate Crossing	Bolingbrook	Hamilton Partners	229,566	Ready for occupancy
Bolingbrook Lakes	Bolingbrook	Corum	701,899	Ready for occupancy
Boldt Park	Romeoville	Ryan	471,500	Almost completed
Pinnacle Park	Romeoville	Pizzuti	444,171	Completed
Carlow Corporate Center	Bolingbrook	Exel	365,714	147,000 SF remains vacant
Windham Lakes	Romeoville	ORIX	658,060	Walls are up
Bluff Point	Romeoville	Land and Lakes	500,000	Nearing completion
Bolingbrook Point	Bolingbrook	McShane	269,591	Under construction



Predictions for 2004

We are still licking our wounds from our 2003 predictions but we can't help ourselves when it comes to making predictions. While we are trying not to go overboard with enthusiasm for 2004, we do predict that the tough times are behind us, for the foreseeable future, anyway. In the third and fourth quarters of 2003 we experienced a surge in build-to-suit interest from smaller space users (less than 100,000 SF). Much of this interest was in build-to-suits for sale due to the availability and price of capital. We expect this trend to continue, which will put upward pressure on land prices. We hope that some of these small space users will ultimately end up leasing and as such help absorb some of the second-generation space on the market. Here are the rest of our predictions for 2004:

- The U S Economy will grow by 3.5% to 3.9%
- Gross Absorption will be approximately 6,000,000 SF
- Some 2 million SF of spec space will be started
- Vacancy will decline to approximately 15%
- Lease rates for spaces above 100,000 SF will continue be pushed down by the high vacancy and competition for deals
- Land prices will increase by 4% to 5% for the third straight year due to increased demand and lack of available sites
- Construction and labor costs will rise modestly but cap rates will remain low
- Capital for new plant and equipment will remain plentiful and at a low cost

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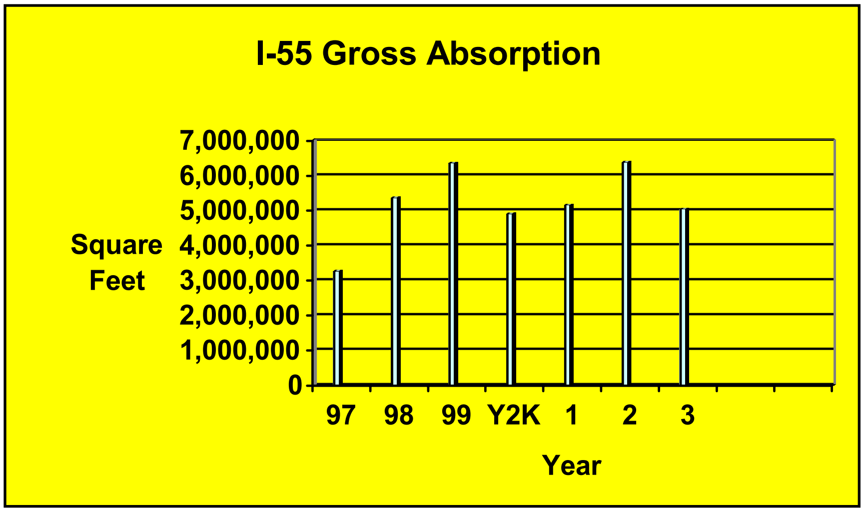

Champion professionals continue to uncover new and profitable opportunities for our clients in the I-55 Corridor. For more information on current Champion projects including Duke Realty Corporation's 534,000 SF speculative building in Park 55 which will be available in the 3rd Quarter of 2004, PV Partners 120,0000 SF expansion in the Pinnacle Business Park which will be available mid to late summer of 2004, or any of the other land sites and buildings we represent please log onto our web site www.championre.com or call us at 630-887-8833.

Lawrence Locascio, Jr.
Director - Client Services
larry@championre.com

J.D. Salazar, S.I.O.R.
Managing Principal
jd@championre.com

Richard Antczak
Director - Client Services
rich@championre.com

Justin Kennedy
Associate - Client Services
justin@championre.com

Austen Alexa
Associate - Client Services
austen@championre.com

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2003
I-55 YEAR END SUMMARY
INDUSTRIAL SPACE SURVEY
1/1/03 – 12/31/03

Community	Base as of 1/1/03 (SF)	New Construction Added	Base as of 12/31/01 (SF)	Base Vacant (SF)	Percent of Base Vacant (SF)	Buildings With Vacancy
Hodgkins/McCook Countryside	6,180,000	472,000	6,652,000	449,068	6.75%	8
Burr Ridge/ Willowbrook	4,381,000	0	4,381,000	390,284	8.91%	14
Woodridge/Lemont Bolingbrook/ Romeoville	34,567,392	4,268,517	38,835,909	8,340,825	21.5%	64
Totals	45,128,392	4,740,517	49,868,909	9,180,177	18.41%	86

- This survey does not include service center / office research / tech space or industrial space below 10,000 SF.
- Vacancy statistics include all space that is either currently vacant or will be vacant within 60 days.
- New Construction includes build-to-suit space and speculative construction started in 2003 (minimum of walls going up). Does not include pad ready sites.

Prepared by:
J.D. Salazar, SIOR – Managing Principal
Champion Realty Advisors, LLC

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I-55 CORRIDOR
COMPARISON OF KEY STATISTICS

	2003	2002	2001
CORRIDOR VACANCY ON JANUARY 1ST	14.29%	16.9%	8.73%
CORRIDOR VACANCY ON DECEMBER 31ST	18.41%	14.29%	16.9%
SPACE CONSTRUCTED (BTS & SPEC)	4,740,517 SF	4,191,392 SF	2,831,000 SF
SPACE LEASED/SOLD (GROSS ABSORPTION)	5,042,328 SF	6,384,634 SF	5,154,594 SF
SPACE VACANT ON DECEMBER 31ST	9,180,177 SF	6,450,261 SF	6,910,388 SF
NET ABSORPTION	(2,729,916) SF	+ 460,127 SF	(1,755,406) SF
NUMBER OF BUILDING W/SPACE AVAILABLE	86	74	61
AVERAGE SIZE OF VACANT SPACE	106,746 SF	87,165 SF	113,285 SF
SPEC BUILDINGS WITH SPACE AVAILABLE*	32	27	20
MARKET BASE (SF)	49,868,909 SF	45,128,392 SF	40,937,000 SF

* includes spec buildings with a minimum of walls going up by 12/31/03

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