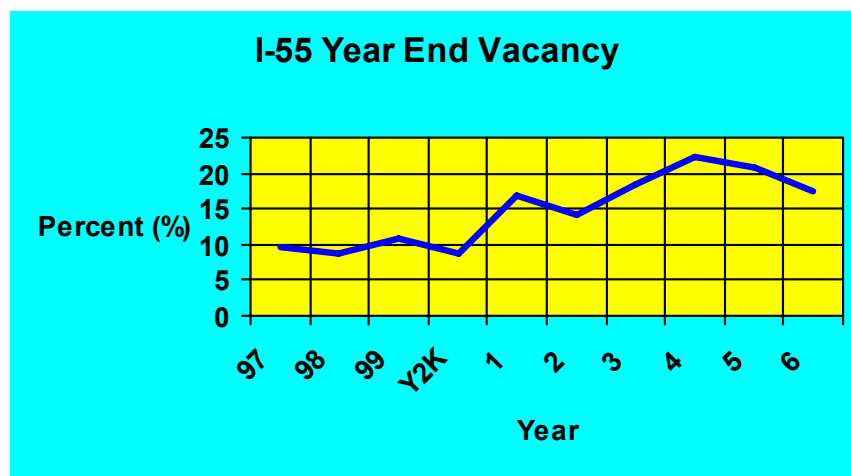




## Chicago's I-55 and I-80 Corridors Summary of Industrial Activity Year 2006

### The I-55 Corridor

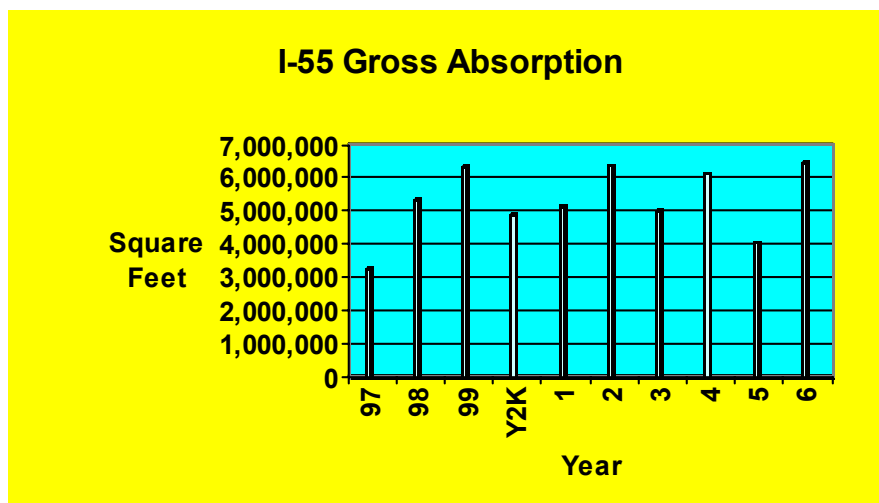
When is a 17.6% submarket vacancy rate a reason to pop champagne? When it represents is the first time in some 24 months that the I-55 Corridor vacancy rate is not 20% or higher. In spite of the fact that developers broke ground on 2,850,000 square feet of new speculative space, a higher than expected gross absorption of approximately 6,472,000 SF allowed the market to break through that 20% vacancy barrier. The 2006 gross absorption is in-fact the highest ever recorded in I-55 Corridor history, topping the old record of 6,137,000 SF achieved in 2004. Net absorption for the year exceeded 1.3 million square feet, also an I-55 Corridor record. These statistics will cause developers and landlords to stand and cheer. Assuming no significant changes to the economy developers and landlords can reasonably expect 2007 to: (a) provide more opportunities to lease their space as there will be reduced competition for tenants; (b) achieve firming to higher lease rates and; (c) provide less free rent and lower unamortized/capitalized tenant improvement packages. Tenants and their representatives on the other hand should be bracing themselves as the market dynamics have shifted in favor of the landlords and developers. The shift is not dramatic but to put it bluntly, rents in the I-55 Corridor have bottomed out.





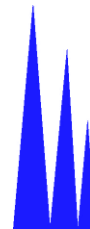
## Transactions and Lease Rates in 2006

Transactional volume began the year with a disappointing total of 723,000 SF for the First Quarter. The largest transaction in the Quarter was the 230,007 square foot Ozburn-Hessey Logistics lease at 99 Pinnacle Drive in Romeoville. Ozburn-Hessey subsequently expanded their square footage in the Pizzuti Development 562,624 square foot inventory building to 441,578 SF. OHL and Pizzuti Development agreed to terms that included a sub-\$3.00/SF/YR rental rate, a 3 year lease term and a TI package approaching \$1 million.



Second Quarter Transactional volume exploded when several companies that had been in the market for space finally landed. Seven transactions of 350,000 square feet or more were signed between April 1st and June 30th. All together a total of 3,624,000 square feet of transactions were signed. Leading the way was the Duke Realty Corporation 805,912 square foot lease with Kimberly Clark at Park 55. The 90 month lease was completed at a reported lease rate of \$2.33/SF/YR NNN. Build out included approximately 6500 square feet of office, 100 exterior docks, 250 trailer stalls and 6 months of abated rent. Duke Realty Corporation was able to land the deal due to its aggressive lease rate and its ability to deliver the large amount of trailer stalls.

Five leases were completed between 350,000 square feet and 426,000 square feet. Levy Home Entertainment leased 426,203 square feet from RREEF at the Windgate Distribution Center in Romeoville at a reported base rate of \$2.45/SF/YR NNN. The 180 month lease included an extensive TI package estimated to be valued at \$6.50/SF. Broder Corporation leased 425,475 square feet in the long vacant 701,899 square foot Bolingbrook Lakes inventory building. Terms were reported to include a 60 month term, 7000 square feet of office and a base lease rate of \$2.70/SF/YR NNN. Other companies that completed leases in the Second Quarter included Dan Dee Display (340,505 square feet at Panattoni's Windham SW #1 inventory building in Romeoville), Sony Music (350,000 square feet at 333 Gibraltar Dive in Bolingbrook), Best Buy (356,621 square feet in Internationale Centre, Woodridge). The largest non-investment sale of 2006 occurred in the 2nd Quarter when the Ryan Company sold its 471,500 square foot Boldt



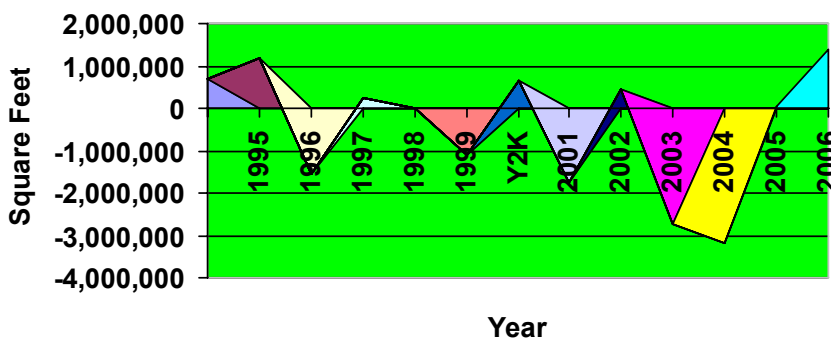
Park inventory building in Romeoville to USF Logistics for a reported \$35/SF. USF promptly signed an 84 month lease and flipped the building to TA Associates for a reported \$47/SF.



Ozburn-Hessey Logistics leases space in Pizzuti Pinnacle IX

The Third Quarter saw limited transactional activity with total volume of just less than 500,000 square feet. The Fourth Quarter was far more impressive with approximately 1,500,000 square feet of transactions completed including the 814,848 square foot Panattoni lease with Sears Logistics at their Windham SW #2 inventory building. Terms of the 122 month lease included a reported base lease rate of \$2.98/SF/YR NNN, 132 docks and 450 trailer stalls. The building is scheduled to be completed in the First Quarter of 2007. Also in Romeoville, Land & Lakes Corp snagged Prairie Packaging Corporation as the tenant for its new 491,000 square foot inventory building at Bluff Road and Joliet Road. The 5-year deal reportedly included a base lease rate of \$2.88/SF/YR NNN.

### I-55 Net Absorption

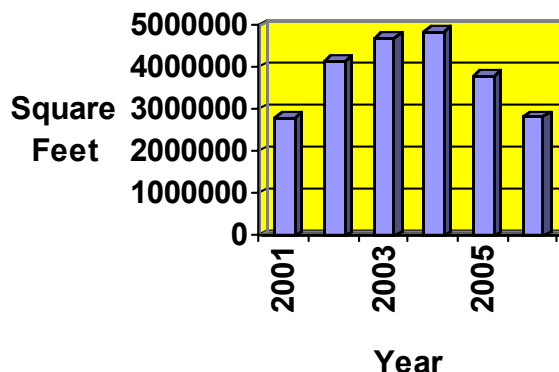




## I-55 Corridor Summary

Champion Realty Advisors is currently tracking over 3 million square feet of users that have shown a serious interest in the I-55 Corridor. With this in mind 2007 appears to be poised to be another in a series of good years for I-55 landlords and developers. Gross absorption should once again approach 6,000,000 square feet with net absorption exceeding 1,000,000 square feet for the second year in a row. We estimate lease rates for spaces 300,000 square feet and greater will rise 2% to 3%. Lease rates for spaces between 100,000 square feet and 250,000 square feet will remain flat due to continued competition in this size range. Lease rates for spaces below 100,000 square feet could escalate as much as 5% in 2007 due to limited availability and increased demand. Cap rates for high quality, fully leased industrial properties will continue to see cap rates at or below 6%.

**I-55 Corridor Speculative Construction**



## The I-80 Corridor

The I-80 Corridor as expected for an emerging submarket was most active on the land acquisition side of market as developers continue to try and plant their flags in this dynamic submarket. Ridge Property Trust, after an exhaustive search of development opportunities has selected the southwest corner of I-55 and Lorenzo Road in Wilmington (Will County) as the location for its boldest and most aggressive commitment to industrial development in the Country. RidgePort Logistics Center, a 2000 acre, BNSF rail served business park will ultimately encompass some 25,000,000 square feet of state-of-the art distribution space. The Park has over 2 mile of frontage along I-55 and is less than 8 miles from the BNSF Logistics Park Chicago. Ridge plans to begin construction in 2007 of a 1,000,000 plus square foot inventory building which will be expandable to 2,500,000 square feet.

ProLogis is making another big splash in the I-80 Corridor, also in Wilmington, with its ProLogis Park Joliet Arsenal. This 700 acre plus project is a joint venture between ProLogis and the Joliet Arsenal Development Authority. At completion the project will have approximately



10,000,000 square feet of total distribution buildings. The Park is located less than 5 miles from the BNSF Logistics Park Chicago. ProLogis also owns Internationale Centre South in Minooka and ProLogis Park 80 in Morris. Park 80 currently has an 806,400 square foot inventory building (expandable to 1.7 million square feet) available for occupancy.



**ProLogis Park 80 Inventory Building - Morris, IL**

OPUS North also planted their flag in the I-80 Corridor by acquiring the first phase of their 221 acre Minooka Ridge Business Park. At full build out the project will have some 4,000,000 square feet of buildings. OPUS currently has an 861,438 square foot inventory building available for occupancy at Minooka Ridge.

### **Transactions and Lease Rates in 2006**

Transactional activity for 2006 can best be described as disappointing with only 2.03 million square feet of transactions being completed as compared with 5.57 million square feet of deals completed in 2005. It should be pointed out that over 4.1 million square feet of the transactions completed in 2005 were build-to suit transactions versus only 352,000 square feet of build-to-suit transactions in 2006.

No leases over 400,000 square feet were signed in 2006. Several companies including Sears Logistics and Kimberly Clark looked at both the I-55 Corridor and the I-80 Corridor but ultimately selected I-55 Corridor locations for their new regional distribution centers. The largest transaction in the Corridor was Madison Warehouses 393,000 square foot lease with IDI at Rock Run VII (509,216 square foot inventory building) in Joliet. The base lease rate was reported to be \$2.85/SF/YR NNN for the 5-year term. Tenant improvements were limited to approximately 4,000 square feet of office construction. Additionally, IDI's Rock Run Business Park was selected by HUDD Distribution Services of Virginia as the location for a new 352,000 square foot trans-loading center. The new facility has 650 trailer parking stalls. HUDD will break down and re-direct overseas containers for Wal-Mart at the new trans-load center. The 5-year lease was reportedly completed at a base lease rate of \$3.29/SF/YR NNN.



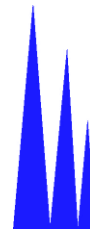
Madison Warehouse leases Rock Run VII - Joliet, IL

### **2006 Year End Vacancy and Speculative Construction**

With an estimated Class A warehouse/distribution base of approximately 27,267,000 square feet the vacancy rate for the I-80 Corridor is finishing the year at a troublesome 21.7%. Champion's Class A vacancy rate is calculated by distilling down the overall I-80 industrial base to only buildings classified as distribution buildings with a minimum ceiling height of 24' and a minimum dock ratio of 1 dock per every 15,000 square feet of rentable building area. A 21.7% vacancy rate represents an increase of over 5% from 2005's year end vacancy. A combination of slow transactional velocity and an increase speculative development contributed to the escalating vacancy rate. Since July 2005 approximately 4.2 million square feet of speculative warehouse/distribution space has been added to the Class A base. At year end the largest speculative facilities available for sale or lease are the OPUS North Minooka Ridge facility (861,438 square feet) and the ProLogis Park 80 inventory building in Morris (806,400 square feet). Three other speculative facilities range between 450,000 and 550,000 square feet.

### **I-80 Corridor Summary**

Three major developers (First Industrial/ING, AMB and CenterPoint) have announced 1,000,000 + square foot speculative projects on land they own in the I-80 Corridor which, unless there is a corresponding significant increase in user volume, will serve to increase the vacancy to perhaps as high as 25%. This situation is not unusual for a submarket in the early stages of development. The I-55 Corridor as recently as last year, has a vacancy rate in excess of 20%. 2007 is shaping up to be a highly competitive year for landlords/ developers and a very good year for users. Lease rates will continue to experience downward pressure due to increased competition for quality tenants. Cap rates for fully leased quality tenanted properties should hover between 6.25% and 6.5%. Raw land prices will continue to escalate with average land prices reaching \$70,000 to \$80,000 per acre in some Will County locations. Transactional volume for 2007 is, at this point, almost impossible to estimate.



**CHAMPION REALTY  
ADVISORS, LLC**

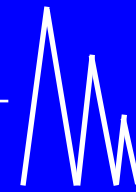
*Champion Realty Advisors, a Downers Grove, IL based commercial /industrial brokerage company is a team of highly focused professionals with backgrounds in logistics, law, business and manufacturing. The company's focus is on large scale industrial and commercial projects. For more information on Champion contact J. D. Salazar, Managing Principal at 630-598-1001 or [jd@championre.com](mailto:jd@championre.com)*



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Disclaimer:

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### **I-55 CORRIDOR COMPARISON OF KEY STATISTICS**

	2006	2005	2004	2003	2002
CORRIDOR VACANCY ON JANUARY 1 <sup>ST</sup>	20.77%	22.41%	18.41%	14.29%	16.9%
CORRIDOR VACANCY ON DECEMBER 31 <sup>ST</sup>	17.60%	20.77%	22.41%	18.41%	14.29%
NEW CONSTRUCTION STARTED (BTS & SPEC)	2,934,264 SF	4,234,353 SF	4,875,454 SF	4,740,517 SF	4,191,392 SF
SPACE LEASED/SOLD (GROSS ABSORPTION)	6,471,739 SF	4,069,624 SF	6,137,841 SF	5,042,328 SF	6,384,634 SF
SPACE VACANT ON DECEMBER 31 <sup>ST</sup>	10,982,155 SF	12,352,220 SF	12,374,743 SF	9,180,177 SF	6,450,261 SF
NET ABSORPTION	1,370,065 SF	22,523 SF	(3,194,566) SF	(2,729,916) SF	+ 460,127 SF
NUMBER OF BUILDING W/SPACE AVAILABLE	79	94	100	86	74
AVERAGE SIZE OF VACANT SPACE	102,885 SF	131,407 SF	123,747 SF	106,746 SF	87,165 SF
SPEC BUILDINGS WITH SPACE AVAILABLE*	27	31	31	32	27
MARKET BASE (SF)	62,410,336 SF	59,476,072 SF	55,241,719 SF	49,868,909 SF	45,128,392 SF

\* includes spec buildings with a minimum of walls going up by 12/31/06

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