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Commercial & Industrial Real Estate Services

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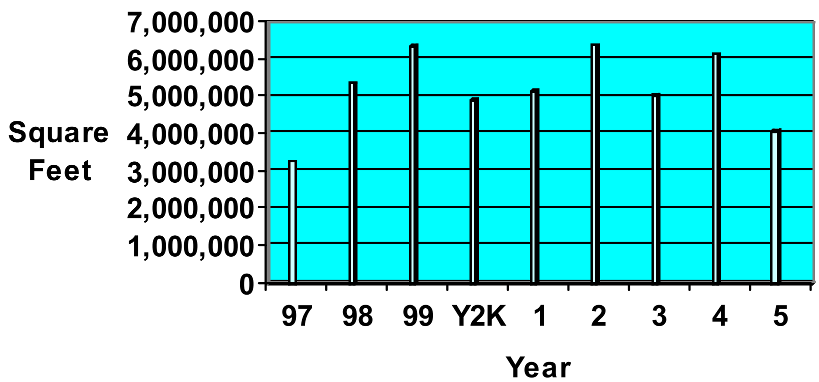
COMMERCIAL & INDUSTRIAL REAL ESTATE SERVICES

Chicago's I-55 Corridor Industrial Market
Summary of Industrial Activity
Year 2005

Except for the fact that the vacancy rate went down ever so slightly in 2005 all other statistics point to a year of under achievement. The most disappointing statistic for 2005 was the gross absorption of just under 4.5 million square feet with represents approximately 1.6 million square feet less than the gross absorption in 2004. On the positive side some 3.8 million square feet of new speculative space, most of it big box distribution space, broke ground in 2005. Why do we believe that adding almost 4 million square feet of new spec space to a market with a plus 20% vacancy rate is a good thing? As we pointed out in our 2004 Year End Report the I-55 Corridor is in a new phase of its life cycle. Several years of low cost capital combined with a multitude of experienced developers and REITs have lead to record years of speculative construction. It is our belief that 2004 represents the pinnacle of speculative development for the I-55 Corridor. Land constraints, rising capital costs and an increased focus on development in the I-80 Corridor to the south will limit future speculative development in the I-55 Corridor. Corridor vacancy finished the year at 20.77% down from the 22.41% from the previous year.

I-55 Gross Absorption



A major development that seriously impacted the I-55 Corridor in 2005 was ProLogis' acquisition of Catellus. By virtue of this acquisition ProLogis significantly increased its portfolio of Class "A" distribution buildings in the I-55 Corridor and increased its stable of experienced development professionals as David Riefe, Matt Neumann and Joe Conroy have all joined ProLogis' Chicago Team.

Transactions and Lease Rates

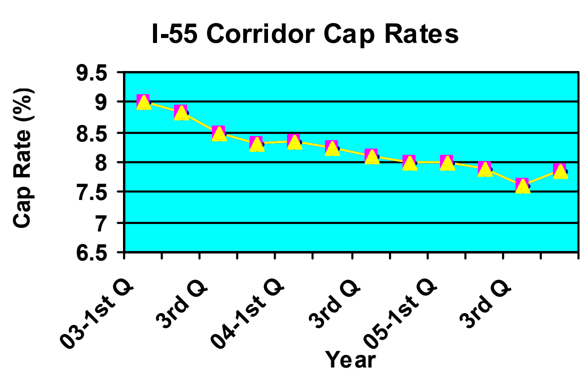
In a market where lease rates have for some time been under downward pressure triple net rates for large spaces remained fairly firm during 2005. Lease rates are once again expected to be under significant downward pressure during the First and Second Quarter of 2006 as some 3.8 million square feet of new spec space is completed and becomes ready for tenanting. There were only a handful of notable lease transaction in 2005. The largest lease in the Corridor was the 800,000 square foot lease in Bolingbrook between ING and Home Depot. The 28 month lease was inked in the Second Quarter at a base rate of $3.20/SF/YR NNN. Tenant improvements featured some 10,000 square feet of office space. Home Depot occupied the building right about the time ING was completing construction.

Land & Lakes scored a major coo when it landed the Amural division of the Wrigley Company as a tenant for its 500,000 square foot Bluff Point I building in Romeoville. Amural leased the building for a 10 year term at a base rate of $2.85/SF/YR NNN. Land & Lakes invested some $1.8 million in tenant improvements including fully air conditioning the entire building. Duke Realty Corporation, at its first speculative building in Park 55 (529,000 square feet), landed Ryder Logistics as its first tenant. Ryder took approximately 250,000 square feet with a commitment to expand into an additional 75,000 square feet and subsequently grow into a total of 385,000 square feet during the 3 year term. The base rate for the Ryder/Duke lease was $3.08/SF/YR NNN.

ProLogis got into the action in 2005 by signing a long term lease with Globe Union for the 262,635 square foot free-standing building at 2500 Internationale Parkway in Woodridge. The 10-year lease has a base rate of $3.28/SF/YR NNN. This building is one of a number of buildings acquired by ProLogis via its acquisition of Catellus. In addition, ProLogis completed the leasing of its 450,000 square foot Remington Lakes #3 building in Bolingbrook as S&S Active Wear expanded into the remaining 114,500 square feet and as such, now occupies the entire facility. ML Realty Partners also had reason to celebrate in 2005 as they leased their 313,179 square foot Highland Corporate Center #1 building to Quebecor. The 7-year lease was completed at a base rate of $3.14/SF/YR NNN with ML providing 8,000 square feet of new office space for the tenant.

Investment Sales and Cap Rates

Approximately 3.1 million square feet of investment sales occurred in the I-55 Corridor during 2005. The average sale price across all transactions was $57.66/SF. The volume of investment sales was down some 1.8 million square feet from the previous year's all time high volume. We believe the reduced investment sale volume is primarily due to a lack of product for sale since the appetite for acquisitions appears to be consistent with 2005. Based on our research we estimate Cap Rates have declined to a range between 7.6% and 7.9% for high quality, fully leased, good credit tenanted properties. Below is a chart showing the Cap Rate per quarter for 2003, 2004 and 2005.



Among the most notable investment transactions of the year was the RREEF's purchase of an approximate 4.5 million square foot portfolio from Cal-East. Among the I-55 properties acquired by RREEF was the old Montgomery Ward building (767,273 square feet) currently leased to Central American Warehouse. Other notable acquisitions included Norman Perlmutter's acquisition of 800 and 850 Veterans Parkway (686,320 square foot, two building complex) for $57/SF and TIAA's acquisition of 1000 Windham Parkway (659,157 square feet fully leased to RR Donnelly) for $51/SF.

Address	**Size (SF)**	**Seller**	**Buyer**	**Tenant**	**Price/SF**
Numerous Properties	4.5 M	Cal-East	RREEF	Numerous	$36 Avg
800-850 Veterans Pkwy, Bolingbrook	686,320	BlackRock Realty	Norman Perlmutter	New Breed and Learning Curve	$57.00
1000 Windham Pkwy, Bolingbrook	659,157	Panattoni Development	TIAA	RR Donnelly	$51.00
335 Crossroads Pkwy Bolingbrook	288,000	First Industrial	BlackRock Realty	Midwest Air Technologies	$48.00
7950 W Joliet Road McCook	**303,192**	**McShane Development**	**Dividend Capital**	**Wertheimer Box**	$75.00

Speculative Construction

For the third year in a row the star statistic in the I-55 Corridor was the amount of big box speculative space that broke ground. Some 3.8 million square feet of new spec space is scheduled to be ready for occupancy the First and Second Quarters of 2006. Based on the total vacancy in the market, adjusting for what we believe is the static base vacancy for the Corridor (10.5%), adding an average of 3 million square feet of new spec space to be constructed each year, and dividing by a projected 5 million square feet of annual gross absorption, we estimate a year end 2005 inventory equal to 1.85 years worth of projected annual absorption.

I-55 Corridor Speculative Distribution Buildings

Business Park	City	Developer	Size (SF)	Status
Park 55 #3	Romeoville	Duke	805,912	2nd Q 06 completion
Windham SW	Romeoville	Panattoni	716,318	2nd Q 06 completion
Bolingbrook Lakes	Bolingbrook	Corum	701,899	Completed in 2003
Windgate DC	Romeoville	ORIX	658,060	Completed in 2004
Pinnacle IX	Romeoville	Pizzuti	562,624	Completed late 2005
Park 55 #1	Romeoville	Duke	528,218	143,780 SF remains
Bluff Point II	Romeoville	Land & Lakes	491,000	4th Q 06 completion
Boldt Park	Romeoville	Ryan	471,500	Completed in 2004
Bol Corp Cntr West	Bolingbrook	IDI	443,010	2nd Q 06 completion
Carlow	Bolingbrook	Exel	365,714	147,000 SF vacant
Highland Corp Center II	Bolingbrook	ML Partners	314,500	Completed late 2005

Forecast for 2006

We had mixed results with our 2005 projections. Actual gross absorption was significantly below the 6 million square feet we projected and the downward pressure on rental rates we predicted was less significant than expected. We accurately predicted a decrease in the vacancy rate and were fairly accurate on our estimate for new speculative construction. Our crystal ball for 2006 looks somewhat hazy but provides enough clarity to put us, once again, in an optimistic mood as we make our 2006 projections. Here they are:

- Gross absorption - estimated to be 5.2 to 5.4 million square feet
- Rental rates for spaces over 200,000 square feet will experience significant downward pressure due to the amount of new spec space ready for occupancy in the first 2 quarters of 2006
- Land prices will remain strong due to a lack of availability
- Speculative Construction starts will range from 2.8 million square feet to 3.3 million square feet
- Cap rates will continue to hover between 7.5% and 8% for the year
- Build to Suits will increase for users looking for less than 100,000 square feet of space but will remain fairly stagnant for larger distribution users
- Expansion capabilities, extensive trailer parking and the ability to provide secure truck/trailer areas will be key characteristics large distribution tenants will focus on in 2006

I-55 CORRIDOR
COMPARISON OF KEY STATISTICS

	2005	2004	2003	2002
CORRIDOR VACANCY ON JANUARY 1ST	22.41%	18.41%	14.29%	16.9%
CORRIDOR VACANCY ON DECEMBER 31ST	20.77%	22.41%	18.41%	14.29%
SPACE CONSTRUCTED (BTS & SPEC)	4,234,353 SF	4,875,454 SF	4,740,517 SF	4,191,392 SF
SPACE LEASED/SOLD (GROSS ABSORPTION)	4,069,624 SF	6,137,841 SF	5,042,328 SF	6,384,634 SF
SPACE VACANT ON DECEMBER 31ST	12,352,220 SF	12,374,743 SF	9,180,177 SF	6,450,261 SF
NET ABSORPTION	22,523 SF	(3,194,566) SF	(2,729,916) SF	+ 460,127 SF
NUMBER OF BUILDING W/SPACE AVAILABLE	94	100	86	74
AVERAGE SIZE OF VACANT SPACE	131,407 SF	123,747 SF	106,746 SF	87,165 SF
SPEC BUILDINGS WITH SPACE AVAILABLE*	31	31	32	27
MARKET BASE (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 12/31/05

Prepared by:
J.D. Salazar, SIOR – Managing Principal
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FOR THE EXCLUSIVE USE OF CHAMPION CLIENTS

2005
I-55 YEAR END SUMMARY
INDUSTRIAL SPACE SURVEY
1/1/05 – 12/31/05

Community	Base as of 1/1/05 (SF)	New Construction Added	Base as of 12/31/05 (SF)	Base Vacant (SF)	Percent of Base Vacant (SF)	Buildings With Vacancy
Hodgkins/McCook Countryside	6,955,192	400,989	7,356,181	758,818	10.32%	6
Burr Ridge/ Willowbrook/ Darien	4,938,354	0	4,938,354	186,897	3.78%	7
Woodridge/Lemont Bolingbrook/ Romeoville	43,348,173	3,833,364	47,181,537	11,226,593	23.79%	79
Totals	55,241,719	4,875,454	55,241,719	12,374,743	22.41%	92

- 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 2004 (minimum of walls going up). Does not include pad ready sites.

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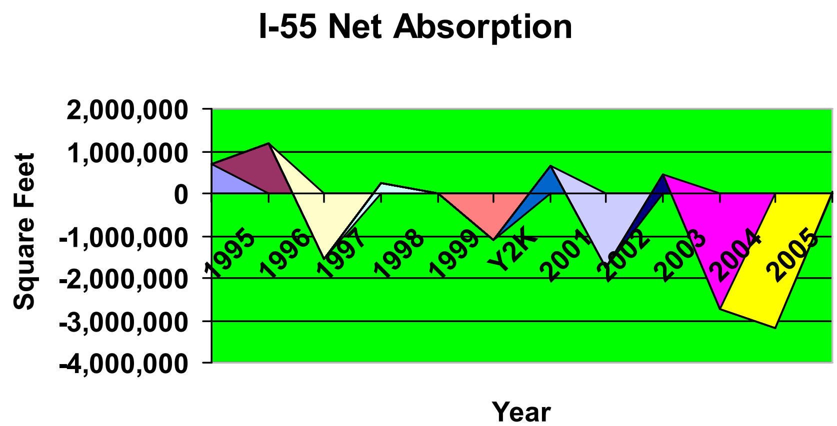

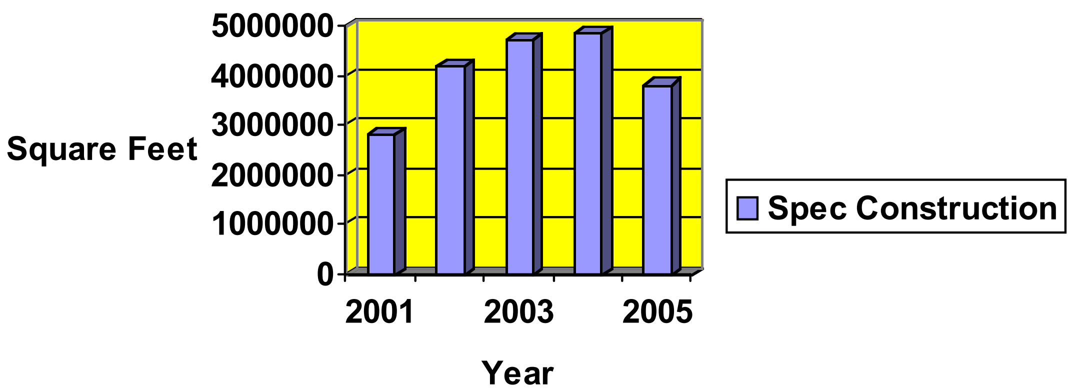

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For more information on Champion projects in the I-55 Corridor including Champion's new Bolingbrook Transport Terminal, a modern 90 door motor freight terminal, strategically located near I-55 and Route 53 please contact:

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