

"Absorption Down - Vacancy Up"

"Treading Water" - that's a phrase that can best describe industrial activity in the I-80 Corridor during calendar year 2011. Things didn't get worse but they didn't get better either. Here are a few statistics that punctuated the year:

- ◆ Approximately 3.7 million square feet of leases were completed which is 13% less than gross absorption in 2010;
- ◆ 7 transactions of significance were completed versus 11 in 2010;
- ◆ Built-to-suit volume was 624,000 square feet less in 2011;
- ◆ Class A Vacancy increased slightly from 20.07% to 20.59%

The absorption of several large blocks of space was more than off-set by the vacating of space coming back on the market due to companies relocating (Samsung to Romeoville, Clorox to University Park). Available space in Joliet alone increased by over 1,000,000 square feet in 2011.

Transactions

While there were no block buster million square foot transactions in 2011 a few landlords did capture tenants for their long vacant spec buildings. The largest spec lease of the year was the 495,454 square foot lease between Electrolux and Opus North at 801 Minooka Road in Minooka. The 965,183 square foot spec building was built in 2008. Terms of the 10-year lease included 5,500 square feet of new office, 80 exterior docks; a fenced loading area with a guard house and a moving allowance for the tenant. As has been the case for other similar sized leases in the I-80 Corridor since early 2010 base rent was sub-\$2.00 per square foot per year with a market average amount of free net rent.

The largest lease of the year occurred in University Park where Georgia Pacific leased the entire 696,540 square feet at 702 Commerce Center Drive. The facility is owned by an affiliate of USAA. Building features include 70 exterior docks, a 30 foot clear ceiling and 113 trailer parking stalls. The building had been partially available for sublease and partially available directly through the landlord since the 1st Quarter of 2009.



Electrolux leases 495,454 SF in Minooka

The largest build-to-suit of the year was the Home Depot build-to-suit adjacent to the new UP Intermodal in Joliet. The 657,000 square foot facility is a state-of-the art high speed distribution center, designed specifically by and for Home Depot. The new DC will be ready for occupancy in early 2012. Terms of the transaction between CenterPoint and Home Depot were not released.

Inventory

The Class A Vacancy Rate began 2011 at 20.07% and finished up 49 basis points at 20.59%. Although there was a decent amount of gross absorption in 2011 a substantial amount of existing space returned to the market which caused the slight increase in vacancy. Consequently 2012 will continue to be a "Tenants' Market" in most size ranges.



There are only two (2) buildings that can deliver 800,000 square feet+/- of distribution space which is a 50% decrease from what was available in 2010. There are five (5) buildings available that can deliver 500,000 square feet+/- of contiguous distribution space which is six (6) less than in 2010. The largest available space is the 915,643 square foot spec building at 18801 Oak Park Avenue, in Tinley Park. No spec buildings were

added to the Class "A" inventory in 2011. Due to the still high vacancy rate and low net effective rental rates no spec construction is expected in 2012.

Champion estimates the Class "A" market size to be approximately 46 million square feet. Class A space consists of properties with a minimum 24' clear ceiling height and an ESFR sprinkler system. Included in our inventory are Class A buildings from Morris to the west, Wilmington to the south, Crest Hill to the north and, University Park/Monee to the east. A table detailing the largest available spaces in the Corridor can be found at the end of the report.



915,643 SF - Largest Available I-80 Spec

Users in the Market

As of the writing of this report Champion is tracking some 2,400,000 square feet of potential transactions. Included are rumored transactions for Wilton Industries in Shorewood (500,000 square feet), and WW Granger (800,000 to 900,000 square feet) west of Joliet.

Investment Sales

As was the case in the I-55 Corridor of Chicago investment sales were way up in the I-80 Corridor in 2011. Nine (9) institutional quality buildings totaling 4.15 million square feet traded hands in the last 12 months. Total sale value for all the properties was approximately \$193 million for an average price of \$46.57 per square foot. The largest building to sell was the 1,022,544 square foot building at 21705 Mississippi St in Elwood. The building, located in the Deer Run Business Park (adjacent to the BNSF Intermodal) was purchased by Liberty Property Trust from MIRVAC for a reported \$44,755,465 or \$43.77 per square foot. Northern Builders sold two buildings (the 860,100 square foot Navistar building and the 355,363 square foot Smurfit building) in the Cherry Hill Business Park (New Lenox) to Heitman for a reported \$67,500,000. Cap rates ranged from an estimated high of 6.5% to a low of 5.75%.



Liberty purchases 1,022,544 square feet in Elwood

Summary

Economic growth for the Chicago area is projected to remain slow (1.5% to 2%) in 2012. State and local municipalities continue to push up real estate taxes and fees which serve to dampen business activity. Economists project unemployment in Illinois to remain above the national average. As a consequence rents will remain soft with downward pressure continuing for at least the next 12 months. No significant land sales are projected unless they are a result of bankruptcy or lender forced activity. Built-to-suit activity may increase due to the fact that few options remain for companies requiring over 700,000 square feet.



Champion professionals continue to uncover new and profitable opportunities for our clients in the I-80 Corridor of Chicago. For more information on current Champion projects including ProLogis' Park 80 Project in Morris, IL or any of the other land sites and buildings we represent please log onto our web site www.championre.com or call us at 630-598-1001.



J.D. Salazar, SIOR
Managing Principal
jd@championre.com
Direct: 630-598-0050

Largest Available I-80 Buildings as of December 31, 2011

Name Address	Total SF	Available SF	Acreage	Divisible To	Lease Rate	Clear Height	Dock Doors	Cross Dock	Rail	Trailer Spaces	Developer Owner
18801 Oak Park Avenue Tinley Park	915,643	915,643	60	250,000	Negotiable	32'	Up to 211 ext	Yes	No	244	First Industrial
501 Internationale Parkway Minooka	849,691	849,691	43	849,691	\$3.20/NNN	32'	134	Yes	Yes	243	ProLogis
3451 South Chicago St Joliet	575,024	575,024	34	150,000	Negotiable	30'	68 ext	YES	NO	315 proposed	JP Morgan Asset MNGMT
4100 Rock Creek Blvd Joliet	509,216	509,216	25	116,121	\$3.10/NNN	32'	65 ext	YES	NO	131	IDI
21228 Frontage Rd Shorewood	1,080,000	492,869	52	250,000	Negotiable	30'	150 ext	YES	NO	200	ING
801 MidPoint Road Minooka	965,183	469,619	52	234,848	Negotiable	32'	162 ext	YES	NO	105 expandable	Opus
21705 W. Mississippi St Elwood	1,022,554	459,878	48	459,878	\$3.75/NNN	32'	46 ext	YES	NO	115	Liberty Property Trust