

Chicago's I-80 Corridor Industrial Market 2009 Year End Review

"Deal Velocity Slows to a Crawl"

There is an old Texas saying that is perhaps the best way to describe the I-80 Market in 2009. "Bad times are like a big bottle of bad wine. It only feels better after you've finished it". It only takes a few statistics to understand how difficult the industrial market from Morris to University Park was in 2009:

- ◆ Just over 2 million SF of deals were completed which is ½ of the deal volume in the I-55 Corridor;
- ◆ Only 4 deals of any significance were completed compared to 26 deals in the I-55 Corridor;
- ◆ One transaction accounted for 50% of the total deal volume and it got done in December.

Historically emerging real estate markets are always hit the hardest during times of economic recession and uncertainty. This is certainly the case for the I-80 Corridor. There is good news however.

- ⇒ Thanks to the 2 million SF of absorption and no new spec construction Class A vacancy went down from 31.5% to 26.94%;
- ⇒ There are over 2.5 million SF of real users in the market looking for existing space as of January 1, 2010;
- ⇒ Landlords and developers appear to have survived the toughest part of the recession without significant defaults.

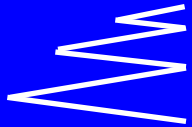
Transactions

The largest transaction of 2009 was the December purchase of the 1,000,599 SF AMB Minooka Distribution Center. The buyer, WW Granger plans on locating to this new distribution center in 2010. The cross dock building was completed in 2008 by an AMB led joint venture.



Granger 1M SF purchase in Minooka





Building features include a 32' clear ceiling, 148 docks, 4 drive-in doors and 275 trailer parking stalls on a 68 acre land site. Granger purchased the facility in a warm, dark shell status. Market sources indicate the purchase price was approximately \$26.50/SF.

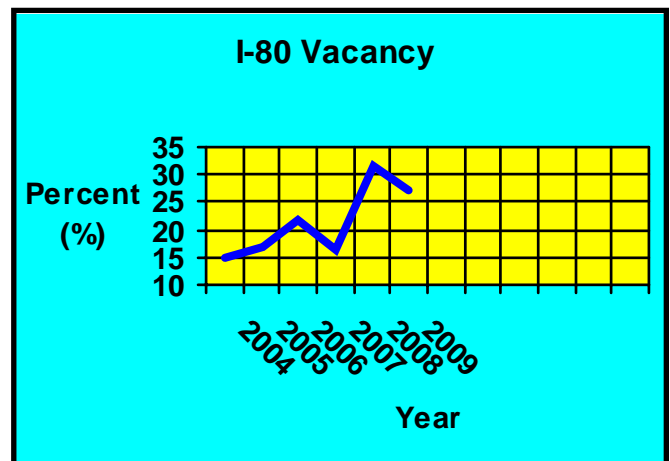
In another notable transaction, California Cartage Company leased the Ryan owned building at 251 Laraway Road in the Laraway Business Park (Route 53 and Laraway Road). The 374,460 SF cross dock facility featured a 30' clear ceiling, 40 exterior docks and fenced/secure truck courts. Market sources indicate the lease term was 38 months with 2 months free rent. Occupancy was staged over the first year, with net effective rent over the term of the lease in the low \$2/SF/Yr NNN range. California Cartage relocated from a facility in the CenterPoint owned Deer Run Park in Elwood, IL.

Since so few lease transactions were completed in 2009, it is dangerous to predict that lease rates have stabilized. Based on the very high vacancy rate and a projected low transaction velocity for 2010, Champion professionals estimate that lease rates for good credit tenants requiring space over 250,000 SF could end up in the \$1.50/SF/YR NNN range. Abated rent of 1 month per lease year along with generous TI packages and 150% fees to tenant brokers will be the norm in 2010. Most landlords will take on existing tenant lease obligations with other landlords to make a new deal. The I-80 Market is a dreadful market for landlords but an incredible market for tenants.

Inventory

Although deal volume was very low, the vacancy rate actually fell from 31.5% to 26.94% which is a 4.56% reduction in vacancy. There are presently four buildings that can deliver 800,000 SF+/- of distribution space. There are 10 buildings available that can deliver 500,000 SF+/- of contiguous distribution space. No spec buildings were added to the Class A inventory in 2009. Landlords such as ING, with a 1M SF spec building vacant in Shorewood and a 737,000 SF spec building vacant in Joliet are promoting sub \$1.00/SF/YR first year lease rates. Other landlords are offering generous moving allowances and bonus commissions. Competing landlords have indicated they will match any promotional offer made by their competitors.

Champion estimates the Class A market size to be approximately 42.7 million square feet. Class A space consists of properties with a minimum 24' clear ceiling height. 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 listing the largest spaces available is located at the end of this report.

Users in the Market

As of January 1, 2010 we are tracking over 2.5 million SF of user deals in the market. The most notable users in the market are Mattel searching for an existing building (750,000 SF to 900,000 SF with expansion) and Fonterra, the largest milk cooperative in the world. Based in New Zealand with US headquarters in the Chicago area the company is looking for approximately 500,000 SF for a new dry milk and milk products distribution center.

Summary

With the economy showing some moderate signs of growth Champion professionals project gross absorption to reach 3 million SF in 2010. Lease rates will continue to fall as competition for tenants will be fierce. Vacancy in the Class A market should decrease to 22%. No meaningful land sales will occur unless they are part of a bankruptcy or bank sale. Built-to-suit activity will be limited to companies needing unique building features (40' ceilings, massive freezers, coolers, etc.). Activity in the investment market should increase as buyers and sellers close the gap on Cap Rate expectations. I-80 Cap rates should range between 8.5% and 9% for 2010.

Champion professionals continue to uncover new and profitable opportunities for our clients in the I-80 Corridors of Chicago For more information on current Champion projects including Ridge Property Trust's RidgePort Logistics Center-Chicago a 2000 acre multi-modal development along I-55 south of Joliet or 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 the numbers below.

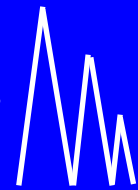


J.D. Salazar, SIOR
Managing Principal
jd@championre.com
 Direct: 630-598-0050



Michael Bader
Associate - Client Services
mbader@championre.com
 Direct: 630-598-0057





I-80 Market Available Properties 500 K and Up

#	Name	Address	City	Owner	SF Available	Total SF	% Leased	Clear Ht	Year Built
1	Heartland Corp. Cntr	21228 Frontage Rd	Shorewood	ING Real Estate	1,000,053	1,000,053	0%	32'	2007
2	Minooka Ridge Building II	801 Midpoint Rd	Minooka	OPUS North	965,183	965,183	0%	32'	2008
3	Tinley Park Corp. Cntr # 1	18801 Oak Park Ave	Tinley Park	First Industrial	915,643	915,643	0%	32'	2008
4	Import Distribution Cntr 1	20901 W Walter Strawn Dr	Elwood	Centerpoint Properties	799,294	1,182,500	32%	32'	2008
5	Laraway Distribution Cntr	E Laraway Rd @ IL-53	Joliet	ING Real Estate	736,780	736,780	0%	32'	2008
6	Commerce Center	702 Commerce Center Dr	University Park	USAA Real Estate	696,540	696,540	0%	30'	2006
7	Joliet Crossings- Bldg 1	3451 S Chicago St	Joliet	J.P. Morgan Chase	575,024	575,024	0%	32'	2007
8	Cherry Hill- Building # 6	2700 W Haven Ave	Joliet	Northern Builders	522,520	522,520	0%	30'	2005
9	Rock Run Buildng VII	4100 Rock Creek Blvd	Joliet	IDI	509,216	509,216	0%	32'	2005
10	Old Caterpillar Facility	2700 McDonough Rd	Joliet	Higgins Dev. Partners	499,733	645,617	23%	28'	1969