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I-80 Corridor 2005 Mid-Year Industrial Activity Developers Acquiring Land

While leasing activity was somewhat slow during the first half of 2005, industrial developers and REITS were very busy acquiring land for new projects and building speculative buildings. On April 1st, First Industrial Realty Trust and ING Clarion acquired 157 acres for the new Heartland Corporate Center in Shorewood, IL. Located at the crossroads of I-55 and I-80, this new park has good access to both Interstates and outstanding visibility. First Industrial plans to begin construction of a 500,000 to 1,000,000 SF spec building in 2005. In an adjacent development, First Industrial has begun construction of a 475,000 SF spec distribution center. This new facility located at 3200 McDonough Street has good access and excellent I-80 frontage.

After closing on their new 163 acre business park (Park 80) in Morris, IL in the First Quarter, ProLogis broke ground on a new 806,400 square foot (expandable to 1.73 million square feet) speculative facility in June. ProLogis is expecting completion of the facility by year end 2005. Around the time dirt started to move at Park 80 came the announcement that ProLogis is acquiring Catellus Development in a \$4.9 billion transaction. The transaction is expected to be completed before year-end and, once finalized, will create the world's largest network of distribution facilities with over 350 million square feet of existing product and sufficient land to construct an additional 100 million square feet. ProLogis announced on June 28th that they had been selected as the developer of 770 acres under the control of the Joliet Arsenal Development Authority (JADA) in Wilmington, IL. Located at the northeast corner of Route 53 and Arsenal South Road and commonly known as the Island City Industrial Park, this largest portion of the remaining Joliet Arsenal land will hold upwards of 10 million square feet of industrial product, effectively doubling ProLogis' Chicago market holdings.

In other activity in the Corridor, the Rockefeller Group has entered the market by acquiring a 70 acre industrial site in Minooka to the east of Catellus' International Centre South. Based in New York, this is the first takedown of development land in the Chicago market for the Rockefeller Group. They are also rumored to be working to acquire some 300 acres in DeKalb, land currently controlled by Gerard Keating. Northern Builders is in the process of constructing a 249,000 square feet (expandable) distribution facility at their Monee Business Center at the southeast corner of the I-57 and Monee/Manhattan Road interchange in Monee, Illinois. Northern already has a tenant in place for 100,000 square feet although the name of the tenant and the terms of the lease have not yet been released. With taxes of approximately \$.15/SF, Northern is able to aggressively price deals in the \$3.00/SF/Gross range. Commander

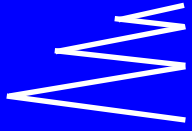


Packaging already occupies a free standing 200,000 square foot facility in this Northern Builders development.

Champion is currently tracking some 3 million square feet of users looking for new space in the I-80 Corridor. After looking at options spanning the entire I-80 Corridor (Ottawa to Sauk Village), Georgia Pacific is expected to finalize the purchase of CenterPoint's 1,000,000 SF speculative facility at Deer Run in Elwood sometime early on in the Third Quarter. Champion estimates the sale price to be in the \$32-\$33/SF range. According to Tim Hennelly at the Ryan Companies the odds are favorable that Arnold Logistics will decide to move out of their current 374,000 SF building at Laraway Crossings in Joliet and move next door into Ryan's new 475,000 SF speculative facility. According to market sources, DP Partners has inked a letter of intent to lease approximately 300,000 SF in their new Sauk Village spec building. The tenant is a 3PL doing work for Meade Paper Company.

Northwest Indiana is a submarket we are following closely this year due to increased interest by large tenants in sites within this submarket. Recently, several companies in the market for new buildings along I-80 have included I-57 and Northwest Indiana in their search area. Companies like Andrew Corporation (500,000 SF) and Petsmart (1,000,000 SF) have explored sites in NW Indiana due to favorable economies and good access to major metropolitan markets. While the overall vacancy rate in NW Indiana is over 15% (28,000,000 SF base) less than 600,000 SF of the vacant space is new state-of-the-art cross dock distribution space. The newest business park in NW Indiana is the Ameriplex at the Port Park in Portage. This park is being developed by Holladay Properties of South Bend, IN. Currently available in the park is a 517,000 SF, 30' clear distribution center. While Holladay has had opportunities to compete for several full building tenants it is our opinion that each time they have over estimated the market rent for each opportunity. We estimate that rents in the I-80 Corridor for tenants in excess of 500,000 SF with 0.5% office are between \$2.40/SF/Year NNN and \$2.55/SF/Year NNN.





Other Leasing Activity

Homax (210,000 SF) - TCB Development has signed Homax to a five year deal in their 444,000 SF speculative facility at I-80 and Houbolt Road. The deal has a base rate of \$2.90/SF/NNN with minimal tenant improvement dollars and four months of free rent. Homax will take possession in December and is relocating from the southwest side of Chicago.



TCB Spec. building at Southfield

Clorox (850,016 SF) - After landing Alberto Culver at International Centre South some six months ago, Catellus recently began construction on Clorox' new facility as well. This cross-dock building sits on 43 acres and has 132 docks, 240 trailer spots and is expandable to 1,000,000 square feet. Due to confidentiality requirements, details of this transaction are not being released.

Sales Activity

Island City Industrial Park, Wilmington - As was mentioned above, ProLogis has been selected as the developer of 770 remaining acres from the Joliet Arsenal. The sale agreement calls for ProLogis to pay \$30,000 per acre plus a 10 percent share of profits realized once deals commence. The agreement also calls for a 10 year time period to take the property down with a minimum of 75 acres per year that must be purchased.





108 E. Jackson Street, Joliet - ABC Supply purchased this 58,000 square foot facility for approximately \$26/SF. ABC is a national supplier of exterior home improvement products and has several locations throughout Northern Illinois.



108 E. Jackson Street, Joliet

Vacancy

The overall vacancy rate for the I-80 corridor at the halfway point of 2005 has jumped slightly from 11% (where it had been for over six months) to just over 12%. This vacancy number includes all industrial buildings from Monee/University Park through Mokena/Tinley west through Joliet and Minooka into Morris. We estimate the total industrial base at approximately 37,000,000 square feet. As the majority of Champion clients are uninterested in second generation, manufacturing and smaller multi-tenant buildings, we have developed what we call our Class A Distribution Space vacancy rate. Our Class A Vacancy Rate is calculated by distilling down the overall I-80 industrial base to only buildings classified as distribution buildings and having a minimum 24' clear ceiling. Using these criteria, our industrial base is approximately 18,650,000 square feet with 3,186,000 square feet available which yields us a Class A Vacancy of 17% on July 6, 2005, up from 15% at the end of the First Quarter. We feel this number will continue to increase over the next six months but the increases will be much smaller compared to the previous two quarters as speculative construction slows and those completed buildings begin to find tenants.

With nearly 2,600,000 SF of speculative space currently on the market in the I-80 Corridor, an additional 1,900,000 SF under construction with expected Third Quarter to Fourth Quarter 2005 delivery and another 1,000,000 SF planned, 2005 is shaping up to be a milestone year for spec construction in the Corridor.



The I-80 Corridor has established itself as a prime speculative market over the past three years and developers who have committed to going spec have had good leasing success. Below is a chart depicting the location and progress of all speculative facilities in the I-80 Corridor:

I-80 Speculative Construction Chart

Business Park	Developer	Size (SF)	Status (as of July 1, 2005)
Southfield	TCB	91,000	Completed, partially occupied.
Cherry Hill	Northern Builders	282,000	Ready for Occupancy.
Logisticenter Sauk Village	DP Partners	412,000 (exp.)	Walls up, roof on.
Commerce Center	USAA	700,000 (exp.)	Pad work and site improvements underway.
University Crossings	TCB	455,000	Ready for Occupancy.
Rock Run	IDI	509,000	Ready for Occupancy.
Heartland	First Industrial	541,000	Planning Phases.
Deer Run	CenterPoint	1,000,712	Nearing Completion.
Laraway Crossings	Ryan	475,000 (exp.)	Ready for Occupancy. Deal pending with Arnold Logistics.
Southfield	TCB	444,000	Completed, partially occupied.
Park 80	ProLogis	804,600 (exp.)	Ground Broken. December 2005 occupancy.
Minooka Ridge	Opus	860,000	Planning Phases.
3200 McDonough	First Industrial	475,000	Under Construction.

Champion Professionals have been actively working in the I-80 Corridor since 1995. In 2001 Champion together with Professional Real Estate Services of Newport Beach, CA, successfully represented Kellogg's in their relocation to a 1,034,000 SF build-to-suit facility in International Centre South, Minooka. Thus far in 2005, Champion has facilitated the sale of 157 acres to First Industrial Realty Trust and ING in Shorewood, IL for the Heartland Corporate Center and has represented ProLogis Trust in the acquisition of 163 acres in Morris, IL for ProLogis Park 80. ProLogis is currently constructing an 806,400 SF speculative building which J. D. Salazar, SIOR and Larry Locascio of Champion are marketing. Champion is also exclusively representing Watkins Motor Lines, Inc. in a search for 80 to 100 acres in the I-80 Corridor. The property will be used for a new state-of-the-art regional terminal facility.





COMMERCIAL & INDUSTRIAL REAL ESTATE SERVICES



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Champion Professionals continue to research and bring to market other development sites in the I-80 Corridor. For more information on Champion projects in the I-80 Corridor including ProLogis Park 80 please contact:



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