

Chicago



Market Facts

5.3%

Chicago's unemployment rate continued to trend downward. As of August 2017, unemployment stood at 5.3%

24,700 jobs

The metro Chicago area added more than 24,700 jobs year-over-year. A 0.5% increase.

8.3 MSF

There was 8.3 msf of new product delivered to the market during the third quarter, the highest since 2008.

25%

The Chicago market handles 500 freight trains per day, accounting for 25% of the nation's freight.

Economic Overview

Chicago's diverse economy continued to improve throughout the third quarter of 2017. The metropolitan area added more than 24,700 jobs as of August—up 0.5% year-over-year. This job growth has pushed the unemployment rate down to 5.3% over the same period—down from 5.8%. Cook County currently has the highest unemployment rate at 5.7%. The super sectors that recorded the highest year-over-year growth in employment were information, financial services, and construction—up 3.3%, 3.1% and 1.0% respectively. The manufacturing sector continued to see minimal growth.

The E-commerce industry continues to have a tremendous impact within the Chicago industrial market. The last mile logistics trend has continued to drive demand for new, highly efficient and location specific product. This has impacted the development of infill construction primarily within the city of Chicago submarkets. Venture One has recently announced their plans to develop a speculative last mile logistics facility within the South Chicago Industrial submarket. Construction on the 174,000-sf project will commence during the fourth quarter. The site is strategically located close to I-55 providing direct access to the CBD and surrounding areas. The project has features that make it ideal for last mile users.

Chicago Industrial Market

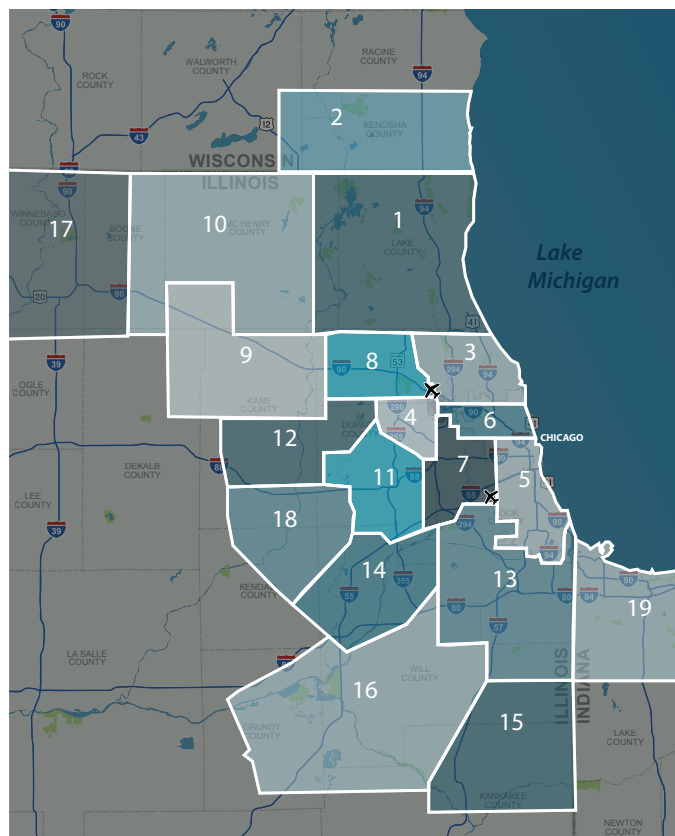
The Chicago Industrial Market, comprised of over 1 billion square feet (bsf), continued to see high demand from E-commerce and logistics users. The market added an impressive 8.3 million square feet (msf) of new product during the third quarter of 2017, something

Chicago Industrial Market (continued)

that hasn't been seen since 2008. Construction activity has begun to slow, dropping to just 12 msf during the third quarter from a high of 21 msf at year-end 2016. Leasing velocity lagged as well, falling 51% from the previous quarter. Investment activity within the industrial sector remained strong with 62 properties trading hands. Submarkets which saw the most investment sales were O'Hare, South Chicago, and the I-88 Corridor.

Looking Ahead

The South Chicago Industrial submarket continues to see tremendous transformation, primarily within the Pullman Crossings Industrial Park. The 62-acre industrial park, one of the largest tracts of vacant land within close proximity of the CBD, will be able to accommodate approximately 1.2 msf. Ryan Companies is developing the project alongside Chicago Neighborhood Initiatives. The park will be home to a Whole Foods distribution facility that is already under construction and scheduled for an early 2018 completion date.



Market By The Numbers

Map Key	Submarket	Inventory (sf)	Vacancy (sf)	Vacancy (%)	Net Absorption	Under Construction	Avg Asking Rent
	Overall Market	1,098,101,932	71,924,299	6.5%	5,495,847	12,040,027	\$4.49
1	Lake County	70,103,176	3,999,513	5.7%	345,301	0	\$5.61
2	Southern Wisconsin	30,505,258	1,173,803	3.8%	933,200	609,430	\$4.38
3	North Cook	41,142,501	1,751,430	4.3%	88,793	549,216	\$6.40
4	O'Hare	113,307,151	5,941,729	5.2%	283,526	428,813	\$5.81
5	South Chicago Industrial	103,200,691	6,588,387	6.4%	60,776	140,000	\$6.27
6	North Chicago Industrial	56,959,620	4,153,427	7.3%	47,885	155,907	\$8.95
7	West Cook	49,246,307	2,847,841	5.8%	245,519	0	\$4.57
8	I-90 East Corridor	20,597,459	2,565,334	12.5%	-161,365	40,000	\$4.73
9	I-90 West/Elgin Corridor	32,059,022	3,094,168	9.7%	103,255	0	\$4.93
10	McHenry County	23,086,412	1,672,970	7.2%	-92,527	0	\$3.52
11	East DuPage	33,318,091	1,489,025	4.5%	156,779	0	\$5.54
12	US-64 Corridor	68,841,494	4,340,671	6.3%	-84,618	372,000	\$4.00
13	South Cook	76,631,512	3,122,291	4.1%	162,106	0	\$4.64
14	I-55 Corridor	92,499,034	10,738,846	11.6%	-593,072	2,231,462	\$4.68
15	I-57 Corridor	20,055,449	1,591,850	7.9%	-624,940	0	\$6.08
16	I-80 Corridor	77,991,373	5,386,865	6.9%	2,970,604	6,862,992	\$4.26
17	I-39 Corridor	50,036,022	3,435,517	6.9%	164,894	0	\$2.79
18	I-88 Corridor	56,207,703	3,337,271	5.9%	1,403,625	274,207	\$4.98
19	Northwestern Indiana	43,878,972	2,022,313	4.6%	237,650	100,000	\$3.97

Vacancy & Availability

The vacancy rate increased 40 basis points (bps) since last quarter and is currently recorded at 6.5%. Submarkets which recorded the largest positive changes in occupancy include the East DuPage, I-90 West/Elgin Corridor, and South Cook—dropping 270 bps to 4.5%, 130 bps to 9.7%, and 110 bps to 4.1% respectively. The I-55 and I-80 Corridors saw the most newly completed product delivered, prompting vacancy to jump. These two submarkets saw approximately 5.3 msf delivered during the third quarter which accounted for 64% of total new product.

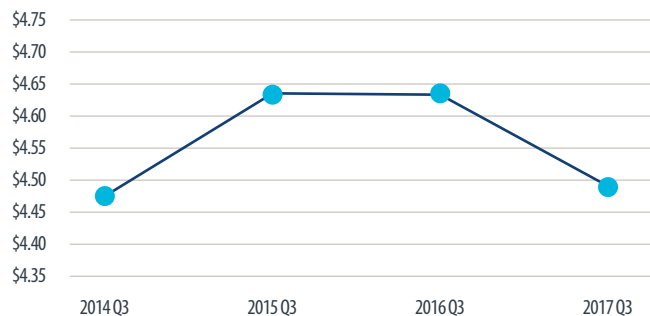
Absorption & Demand

Leasing activity throughout the Chicago market witnessed a sharp decline when compared to previous quarters—down 51% to 3.9 msf. Of the 197 recorded leases, only 14 were renewals. The average deal size was relatively small and recorded at 18,154 sf. Net absorption remained relatively unchanged from last quarter, recorded at 5.6 msf. The I-80 and I-88 Corridors saw the most activity during the third quarter, with a combined 4.3 msf of space absorbed.

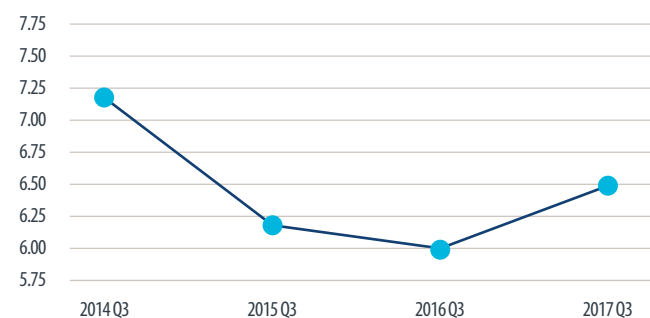
Notable lease transactions include Richwill Enterprises, LeSaint Logistics and First Logistics. Richwill Enterprises took 378,000 sf of sublease space within the South Cook submarket. LeSaint Logistics, a third-party logistics provider, renewed their 339,043-sf headquarters within the I-55 Corridor. First Logistics renewed 263,840 sf, also within the South Cook submarket. E-commerce, third-party logistics, and food related industries have continued to drive leasing activity.

Overall average asking rental rates remained unchanged during the third quarter, posted at \$4.49 psf. Submarkets with the highest average asking rental rates are North Chicago Industrial, North Cook, and O'Hare, averaging a combined \$7.21 psf.

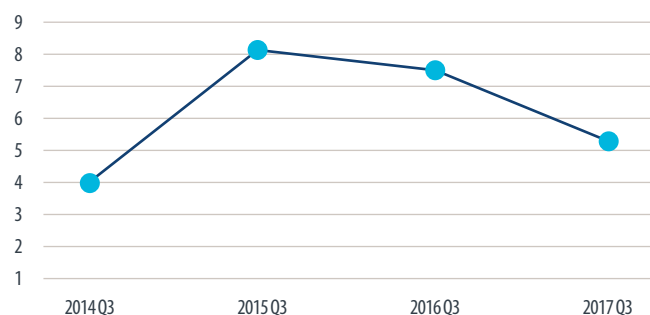
Average Asking Net Rental Rates (\$)



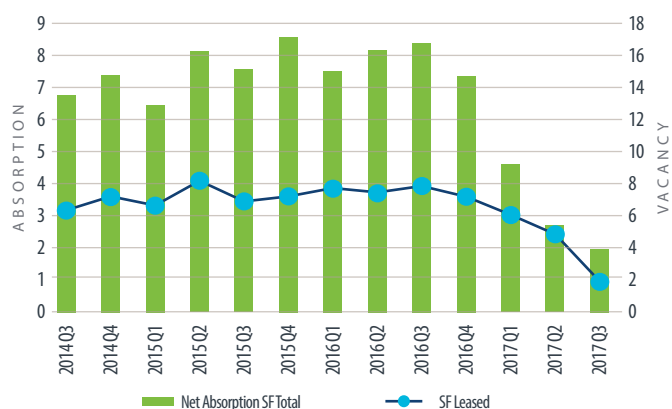
Vacancy Rate (%)



Net Absorption (MSF)



Historical Absorption vs. Leasing Activity (MSF)



Construction

The market continued to witness tremendous growth in new product being delivered. There was a total of 8.3 msf delivered during the third quarter, which is a record high since the fourth quarter of 2008, bringing the year-to-date total to 18.3 msf of new inventory. The number of properties currently under construction has started to slow, dropping to just 12 msf during the third quarter from a high of 21 msf at year-end 2016.

The I-55 and I-80 Corridors have recorded the highest amount of new inventory added during the third quarter, which accounts for 75% of all new product. The I-55 Corridor saw the highest number of new buildings added, with seven new buildings totaling 2.4 msf, while the I-80 Corridor saw the highest amount of new inventory with 3.7 msf having been added.

The largest building to be delivered was 1023 E Laraway Road within the I-80 Corridor. The 1,026,000-sf speculative project was developed by Core5 Industrial Partners. The property remains vacant. The largest project currently under construction is Ridge Development's build-to-suit at 30131 Ridgeway Boulevard within the I-80 Corridor. The project is 1,508,425 sf with an anticipated mid-2018 completion.

Investment

Industrial product continued to be a favorite sector for investors. Transactional volume during the third quarter was recorded at \$430 million with an average psf price of \$94 psf. Foreign capital continued to pour into the Chicago industrial market, with a total of \$241 million of foreign investment during the third quarter.

The largest investment sale transaction during the third quarter was 23534 S Central Avenue in Monee within the I-80 Corridor. The newly completed property is 1,000,560 sf and fully leased by Georgia-Pacific. Developer Venture One sold the property to CBRE Global Investors for \$52,900,000 or \$52.87 psf. Another notable deal was the Hormel Foods purchase of 8751 W 50th Street in McCook within the West Cook Submarket. The 188,000-sf food processing facility was acquired along with Fontanini Italian Meats and Sausages in a \$425 million total acquisition cost. \$50 million, or \$265 psf was allocated towards the property.



1023 E Laraway was delivered during the third quarter, adding over 1 msf of speculative space within the I-80 Corridor.

Notable Leases

Tenant	Address	Submarket	Size (SF)	Type
Richwill Enterprises Inc	5750 W 118th St	South Cook	378,000	Sublease
LeSaint Logistics	860-868 W Crossroads Pky	I-55 Corridor	339,043	Renewal
Confidential	550 W North Frontage Rd	I-55 Corridor	269,550	New
First Logistics LLC	11859 S Central Ave	South Cook	263,840	Renewal
Champion Transportation Services	200 Champion Way	West Cook	238,050	Renewal

Notable Sales

Address	Size (SF)	Buyer	Seller	Sales Price
23534 S Central Ave Monee, IL	1,000,560	CBRE Global Investors Ltd	Venture One Real Estate LLC	\$52,900,000
8751 W 50th St. McCook, IL	188,000	Hormel Foods Corporation	Fontanini	\$50,000,000
966 Corporate Blvd Aurora, IL	238,604	IPT Stockton Industrial Center LP	Panatoni Development Company Inc	\$20,000,000
2420 S Wood St Chicago, IL	156,000	Vega Properties Ltd	Wanxiang America Real Estate Corp	\$19,864,000
9500 W Sergo Dr McCook, IL	148,540	GPT Sergo Drive Owner LLC	Scannell Properties	\$12,757,500



Notable Q3 Construction [200,000+ SF Projects]

Market	Building	Class	NRA	Type	Delivery Date	Developer	Major Tenants	% Leased**
I-80 Corridor	30131 Ridgeway Blvd	A	1,508,425	BTS	Q2- 2018	Ridge Development	Undisclosed	100%
I-80 Corridor	650 Emerald Ave	A	1,250,000	BTS	Q2- 2018	Gray Construction Co.	IKEA	1%
I-80 Corridor	Houbolt Rd & Route 6	A	1,220,140	Speculative	Q2-2018	The Opus Group	None	0%
I-80 Corridor	24101 S Frontage Rd	B	1,000,110	Speculative	Q1-2018	USAA Real Estate Company	None	0%
I-80 Corridor	30260 Graaskamp Blvd	A	810,000	Speculative	Q4-2017	Ridge Development	None	0%
I-55 Corridor	175 Southcreek Pky	A	676,026	Speculative	Q4-2017	Panattoni	None	0%
I-55 Corridor	1500 Remington Blvd	A	615,000	BTS	Q4-2017	Northern Builders, Inc.	Best Buy	100%
I-55 Corridor	16200 W 163rd St	A	611,576	Speculative	Q1-2018	Exeter Property Group LLC	None	0%
Southern Wisconsin	11559 80th Ave	A	417,384	Speculative	Q4-2017	CenterPoint Properties	None	0%
I-55 Corridor	Channahon Rd & Houbolt Rd	A	355,199	Speculative	Q2-2018	First Industrial	None	0%
I-80 Corridor	4050 Rock Creek Blvd	A	291,728	Speculative	Q4-2017	IDI	None	14%
US-64 Corridor	Kirk Rd & Division St	A	276,000	BTS	Q1-2018	Venture One Real Estate, LLC	WeatherTech	100%
I-80 Corridor	7280 N Lisbon Rd	A	255,996	BTS	Q4-2017	Costco	Costco	100%
North Cook	3601 Howard St	A	236,912	Speculative	Q4-2017	Hillwood	None	0%

2017 3,303,046

2018 6,221,450

Total 9,524,496

Notable Q3 Deliveries

Market	Building	Class	NRA	Type	Delivery Date	Developer	Major Tenants	% Leased**
I-80 Corridor	1023 E Laraway Rd	A	1,026,000	Speculative	Q3-2017	Core5 Industrial Partners	None	0%
Southern Wisconsin	12508 38th St	A	1,000,000	BTS	Q3-2017	Uline	Uline	100%
I-80 Corridor	6605 W Monee Manhattan Rd	A	1,000,000	BTS	Q3-2017	Seefried Properties, Inc.	Amazon	100%
I-80 Corridor	100 E Millsdale Rd	A	992,640	Speculative	Q3-2017	Hillwood	None	0%
I-55 Corridor	1 Duke Pky	A	954,720	BTS	Q3-2017	Duke Realty Corporation	Amazon	100%
I-80 Corridor	23700 W Bluff Rd	A	749,554	Speculative	Q3-2017	IDI Gazeley	None	0%
Lake County	3900 Bur Wood Dr	A	400,758	Speculative	Q3-2017	Bridge Development Partners	None	0%
US-64 Corridor	365 E North Ave	A	381,600	Speculative	Q3-2017	Dermody Properties, Inc.	None	0%
I-55 Corridor	14630 S 147th Ct	A	371,994	Speculative	Q3-2017	ML Realty Partners LLC	None	0%
I-55 Corridor	999 Dalton Ln	A	302,354	Speculative	Q3-2017	Northern Builders, Inc.	None	0%
I-55 Corridor	15901 W 147th St	A	293,872	Speculative	Q3-2017	ML Realty Partners LLC	None	0%
I-55 Corridor	1200 N Schmidt Rd	B	271,700	Speculative	Q3-2017	Venture One	None	0%
I-55 Corridor	14555 S Gougar Rd	A	180,991	Speculative	Q3-2017	ML Realty Partners LLC	Atosa	56%
US-64 Corridor	1200-1250 Douglas Rd	A	137,573	Speculative	Q3-2017	HSA Commercial Real Estate	None	0%
I-55 Corridor	101 Paragon Dr	A	111,345	Speculative	Q3-2017	The Opus Group	None	0%
Northwestern Indiana	2200 Memorial Pky	A	80,000	Speculative	Q3-2017	Valparaiso Economic Development Corp	None	0%
I-90 East Corridor	1900 Central Rd	B	50,000	BTS	Q3-2017	McShane	Trumpf, Inc.	100%
I-80 Corridor	103 Capista Dr	A	25,000	Speculative	Q3-2017		N/A	32%

Construction Completed Total 8,330,101

Contiguous Blocks [Available Class A Space | 200,000+ SF]

Building Address	Building Status	Submarket Name	City	State	Year Built	Rentable Building Area	Max Building Contiguous Space	Percent Leased	Owner Name
Houbolt Rd & Route 6	Under Construction	I-80 Corridor	Joliet	IL	2018	1,220,140	1,220,140	0.0%	Fr First Park Joliet Llc
1023 E Laraway Rd	Existing	I-80 Corridor	Joliet	IL	2017	1,026,000	1,026,000	0.0%	DHL
100 E Millsdale Rd	Existing	I-80 Corridor	Joliet	IL	2017	992,640	992,640	0.0%	Hillwood
30260 Graaskamp Blvd	Under Construction	I-80 Corridor	Wilmington	IL	2017	810,000	810,000	0.0%	Ridge Property Trust
1101 W Airport Rd	Existing	I-55 Corridor	Romeoville	IL	2016	787,499	787,499	0.0%	Edon Construction Co., Inc.
21700 Mark Collins Dr	Existing	South Cook	Sauk Village	IL	2006	776,515	776,515	100.0%	Warehouse Specialists Inc.
23700 W Bluff Rd	Existing	I-80 Corridor	Channahon	IL	2017	749,554	749,554	0.0%	IDI Gazeley
5800 W Industrial Dr	Existing	I-80 Corridor	Monee	IL	2000	701,228	701,228	0.0%	Exeter Property Group
175 Southcreek Pky	Under Construction	I-55 Corridor	Romeoville	IL	2017	676,026	676,026	0.0%	Panattoni
2035 W 43rd St	Existing	South Chicago	Chicago	IL	2017	660,000	632,700	41.4%	Marina Cartage, Inc.
2001 N Division St	Existing	McHenry County	Harvard	IL	1997	619,590	619,590	0.0%	Xiaohua Gong
16200 W 163rd St	Under Construction	I-55 Corridor	Lockport	IL	2018	611,576	611,576	0.0%	Exeter Property Group LLC
525 Northwest Ave	Existing	West Cook	Northlake	IL	2015	588,233	588,233	0.0%	Prudential Financial, Inc.
825 Bluff Rd	Existing	I-55 Corridor	Romeoville	IL	2005	500,160	500,160	0.0%	James Campbell Company LLC
2700 Ellis Rd	Existing	I-80 Corridor	Joliet	IL	2006	689,524	489,524	100.0%	JPMorgan Chase Bank N.A.
145 Pinnacle Dr	Existing	I-55 Corridor	Romeoville	IL	2007	469,964	469,964	100.0%	DCT Industrial Trust Inc.
1100 Orchard Gtwy	Existing	I-88 Corridor	North Aurora	IL	2016	452,153	452,153	0.0%	AEW Capital Management
8701 W 47th St	Existing	West Cook	McCook	IL	2014	312,289	451,879	68.4%	Heitman
300 Mitchell Rd	Existing	I-88 Corridor	North Aurora	IL	2015	429,756	429,756	46.8%	Liberty Property Trust
8801 88th Ave	Existing	Southern Wisconsin	Pleasant Prairie	WI	2016	424,164	424,164	0.0%	Majestic Realty Co.
10 Falcon Ct	Existing	I-90 East Corridor	Streamwood	IL	2016	423,726	423,726	0.0%	USAA Real Estate
1323 Brewster Creek Blvd	Existing	US-64 Corridor	Bartlett	IL	2017	421,403	421,403	0.0%	Exeter Property Group
11559 80th Ave	Under Construction	Southern Wisconsin	Pleasant Prairie	WI	2017	417,384	417,384	0.0%	CenterPoint Properties
50 Southcreek Pky	Existing	I-55 Corridor	Romeoville	IL	2016	416,504	416,504	0.0%	Pizzuti Companies
1000 Veterans Pky	Existing	I-55 Corridor	Bolingbrook	IL	1999	405,844	405,844	0.0%	Prologis
3900 Bur Wood Dr	Existing	Lake County	Waukegan	IL	2017	400,758	400,758	0.0%	Bridge Development Partners
2601 Galvin Dr	Existing	I-90 West/Elgin Corridor	Elgin	IL	2016	385,372	385,372	0.0%	McShane Development Co.
365 E North Ave	Existing	US-64 Corridor	Carol Stream	IL	2017	381,600	381,600	0.0%	Dermody Properties, Inc.
14630 S 147th Ct	Existing	I-55 Corridor	Lockport	IL	2017	371,994	371,994	0.0%	ML Realty Partners LLC
10501 Seymour Ave	Existing	O'Hare	Franklin Park	IL	2016	367,389	367,389	0.0%	Molto Capital, LLC
2601 Internationale Pky	Existing	I-55 Corridor	Woodridge	IL	1999	356,621	356,621	0.0%	J.P. Morgan Investment Management Inc
Channahon Rd & Houbolt Rd	Under Construction	I-80 Corridor	Joliet	IL	2018	355,199	355,199	0.0%	First Industrial Realty Trust, Inc.
6515 Ameriplex Dr	Existing	Northwestern Indiana	Portage	IN	2008	574,249	341,249	40.5%	DRA Advisors LLC
2001 N Division St	Existing	McHenry County	Harvard	IL	1997	335,315	335,315	0.0%	Xiaohua Gong
600 Remington Blvd	Existing	I-55 Corridor	Bolingbrook	IL	2016	320,914	320,914	0.0%	McShane Development Co.
501 S Steward Rd	Existing	I-39 Corridor	Rochelle	IL	2004	579,755	312,750	100.0%	GIC Real Estate International Pte Ltd
2801 Alft Ln	Existing	I-90 West/Elgin Corridor	Elgin	IL	2017	308,553	308,455	0.0%	Northern Builders
999 Dalton Ln	Existing	I-55 Corridor	Bolingbrook	IL	2017	302,354	302,354	0.0%	Northern Builders
8725 31st St	Existing	Southern Wisconsin	Somers	WI	2017	602,348	301,174	50.0%	First Industrial Realty Trust, Inc.
16508 S John Lane Crossing	Existing	I-55 Corridor	Lockport	IL	2017	300,494	300,494	0.0%	Duke Realty
15901 W 147th St	Existing	I-55 Corridor	Lockport	IL	2017	293,872	293,872	0.0%	ML Realty Partners LLC
4050 Rock Creek Blvd	Under Construction	I-80 Corridor	Joliet	IL	2017	291,728	291,316	14.0%	Industrial Prop Fund Viii
7225 Santa Fe Dr	Existing	I-55 Corridor	Hodgkins	IL	2016	282,933	282,933	0.0%	Seefried Properties, Inc.
1100-1150 W Airport Rd	Existing	I-55 Corridor	Romeoville	IL	2017	282,886	282,886	0.0%	Clarion Partners
1150 W 115th St	Existing	I-55 Corridor	Bolingbrook	IL	2008	453,090	269,590	40.5%	IDI Gazeley
2640 Auto Mall Dr	Existing	I-90 West/Elgin Corridor	Elgin	IL	2016	257,344	257,344	0.0%	Zilber Property Group
3900 Brandon Rd	Existing	I-80 Corridor	Joliet	IL	2017	751,769	250,456	66.6%	CenterPoint Properties
3851 Youngs Rd	Existing	I-80 Corridor	Joliet	IL	2013	1,001,184	248,774	75.5%	Higgins Development Partners
2176 Diehl Rd	Existing	I-88 Corridor	Aurora	IL	2008	363,375	247,360	31.9%	DCT Industrial Trust Inc.
2770 Alft Ct	Existing	I-90 West/Elgin Corridor	Elgin	IL	2015	246,446	246,446	0.0%	Molto Capital, LLC
3601 Howard St	Under Construction	North Cook	Skokie	IL	2017	236,912	236,912	0.0%	Hillwood
265 Marquette Dr	Existing	I-55 Corridor	Bolingbrook	IL	2005	228,480	228,480	0.0%	Global Logistic Properties Ltd
700 N Enterprise St	Existing	I-88 Corridor	Aurora	IL	1990	222,000	222,000	100.0%	High Street Realty Company, LLC
1600 Sequoia Dr	Existing	I-88 Corridor	Aurora	IL	2016	375,040	213,739	43.0%	Seefried Properties, Inc.
1340 Brewster Creek Blvd	Existing	US-64 Corridor	Bartlett	IL	2008	309,120	210,000	100.0%	Greco & Sons
3348 S Pulaski Rd	Existing	South Chicago	Chicago	IL	2015	316,680	209,900	33.7%	PGIM Real Estate
801 Bilter Rd	Existing	I-88 Corridor	Aurora	IL	2007	203,092	203,092	0.0%	Liberty Property Trust
2600 Wirsing Pky	Existing	I-39 Corridor	Dekalb	IL	2006	202,340	202,340	0.0%	2600 Dekalb IL, LLC

Trends To Watch

Build-to-Suit: There will likely be an increase in BTS projects going forward as companies look to consolidate space and increase efficiencies while the economy is stable.

Construction Activity: Vacancy within the I-80 and I-55 corridor due to the expected increase in new speculative productive being delivered to the market.

O'Hare: The O'Hare submarket should see an increase in infill development as land is limited and demand is high.

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